



EMBARGOED UNTIL 00:01 HRS TUESDAY 28th FEBRUARY 2017

Consumer confidence builds in early 2017

- Sentiment towards the country's financial situation increases significantly
- Essential spending continues to rise though rate of growth slows
- Concern mounts around prospects for future disposable income

Consumer confidence rose in early 2017, despite ongoing hikes in the cost of essential spending, according to the latest Lloyds Bank Spending Power Report.

Lloyds Bank's regular consumer survey – conducted in conjunction with Ipsos MORI – found that confidence in the country's financial situation leapt by 5pp to 40% in January, while sentiment towards the UK housing market increased by 4pp to 46%. There was also a rise in own job security, up 3pp since December to 79% in January.

However, optimism was tempered by a significant decrease in those believing that, in six months' time, they will have more money left over after all household bills and essentials have been paid – falling 5pp from 24% to 19%.

Meanwhile Lloyds Bank's analysis of its own current account data showed that the year-on-year increase in consumers' essential spending for January was over 1%, the fifth consecutive month of expenditure rise. However, the increase was lower than the almost 2% increase seen in December 2016.

Food and drink spending, which accounts for around 40% of essential spend, rose by over 1%, much lower than the rate of increase of around 3% seen in December. However, it continues a trend of positive growth in groceries spend which started in May 2016. Spending on petrol and diesel continues to soar, at almost 10% year-on-year in January, the highest rate of growth since Spending Power records began in early 2013.

Robin Bulloch, Managing Director, Lloyds Bank said: *"There's little doubt that the performance of the UK economy has been more resilient than expected in the aftermath of the EU referendum vote. Consumer sentiment is reflective of that in early 2017 with a greater confidence in both the country's financial situation and their personal finances. However, with the economic outlook still uncertain, people remain cautious about their future finances, with the rising cost of essential spending predicted to have a negative impact on their disposable income in the coming months."*

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PRESS RELEASE

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LLOYDS BANK

Notes to editors

The Lloyds Bank Spending Power Report is derived from independent consumer research and current account data of Lloyds Bank, Halifax and Bank of Scotland customers. This provides a robust and representative sample of the entire UK market and its essential spending behaviours.

Essential spending components are made up of rent, mortgage and required debt payments, utility bills, council tax, TV licences, food and fuel, which are identifiable from card spending, direct debits and standing orders from current account data. There are strong calendar effects within essential spending components, some of which will be accounted for using year-on-year growth rates while we attempt to adjust for irregular calendar effects. As a longer history of data becomes available, the adjustment methodology may be altered in future to better correct some of these changes.

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Each month, over 2,000 adult bank account holders are asked about their current and future spending habits and how their commitments affect their spending power. Consumer research is compiled in conjunction with Ipsos MORI: Ipsos MORI interviewed a representative sample of 2070 adults who hold a bank account aged 18-75 across the United Kingdom. Interviews were conducted online during 12th January – 19th January 2017. Survey data were weighted to the known population proportions of this audience. People or people's refers to people surveyed as per Editor's notes.

Research previously conducted by TNS during January 2011 - December 2014 (Feb 2011 Base: 2001). Jan 2015 – January 2017 research conducted by Ipsos MORI.

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