



EMBARGOED UNTIL 00:01 HRS TUESDAY 30 MAY 2017

Consumer worries grow as rising prices start to bite

- Increase in consumers expressing concern about inflation
- Deterioration reported in household finances
- Higher prices, timing of Easter behind rise in essential spending

Rising prices and sluggish wage growth are driving a squeeze on consumer spending power, according to the latest Lloyds Bank Spending Power Report.

As CPI inflation¹ rose from an annual growth rate of 2.3% in March to 2.7% in April, Lloyds Bank's monthly consumer survey – conducted in conjunction with Ipsos MORI – showed a **7pp** increase in consumer negativity about current levels of inflation (59% in April vs 52% in March). This is the highest level of negative sentiment towards inflation since July 2014.

With the latest ONS figures² showing wage growth as almost flat once adjusted for inflation, the proportion of consumers that describe their household's financial situation as comfortable fell by **4pp** (62% in April vs 66% in March).

There's also been a **3pp** in increase in those who expect to be spending more in six months' time (18% in April vs 15% in March).

Lloyds Bank's analysis of its own current account data³ showed that annual growth in essential spending was around **2.5%** in April – an 8th consecutive month of expenditure rise. This was significantly higher than the growth of around 1% seen in March, reflecting the impact of a later Easter as well as price inflation.

Expenditure on food and drink, which accounts for around 40% of all essential spend, rose by almost **3%** on a year ago compared to a fall of around 1% in March. Spending on petrol and diesel continued to soar, increasing by around **13%** year-on-year (vs 12% in March), the highest rate of spending growth since early 2013. More recent stability of forecourt fuel prices suggests these elevated growth rates are likely to fall back over the coming months.

Robin Bulloch, Managing Director, Lloyds Bank, said:

“Essential spending grew strongly in April but this can't be construed as a sign of increased consumer confidence. Concern around inflation grew sharply and fewer households now describe their financial

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situation as comfortable. With inflationary pressures likely to weigh even more heavily in the months ahead, and wage growth showing no sign of picking up, a further squeeze on spending power seems likely.”

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.

Footnotes:

1: UK consumer price inflation: Apr 2017

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/apr2017>

2: UK labour market: May 2017

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2017#average-weekly-earnings>

3: Essential spending

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 who hold a bank account aged 18-75 across the United Kingdom. Interviews were conducted online during 8th April – 26th April. 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 – May 2017 research conducted by Ipsos MORI.

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