



Embargoed until 00.01am Wednesday 27th September

UK HOUSEHOLDS CURB SPENDING ON 'BIG TICKET' ITEMS AS WAGE GROWTH STAGNATES, ANXIETIES OVER DEBT REMAIN AND ECONOMIC UNCERTAINTY REIGNS

- *A third of households (33%) report delaying the purchase of a 'big ticket' item in the last year*
- *More than four in ten (42%) Brits say they are worse off than 12 months ago*
- *Median UK household has £1,078 left each month after paying for essentials*

The latest [Disposable Income Index \(DII\)](#) published today by ISA provider Scottish Friendly reveals that many Brits are curbing spending on 'big ticket' items as economic anxieties reign. A third of households (33%) say they have delayed expensive purchases of cars, home improvements or TVs in the last 12 months. The majority (79%) of these respondents say they don't have enough money to cover the cost. However, one in five (20%) cited uncertainty over prices as the main factor for postponing a purchase.

The quarterly report, compiled in conjunction with leading think-tank the [Social Market Foundation](#), shows that the median UK household has £1,078 left each month after paying for absolute essentials of housing, energy, water and a broader basket of goods including groceries, transport, childcare and broadband internet. These goods are required to play a full role in modern society. Money left at the end of the month is available for other key items like clothing, furniture and savings as well as luxuries like holidays.

Inflation outpacing wage rises for the second quarter in a row is putting additional pressure on households' disposable income as the latest figures from the ONS show.¹ More than four in ten (42%) people say they are worse off than 12 months ago as the cost of living rises. Meanwhile, eight in ten (82%) households say their financial situation isn't improving and just over a third (35%) believe they will be better off in 12 months' time.

As a result, the pay squeeze on household finances has hindered the growth in domestic consumption in the last quarter which has been the principal driver of economic growth in recent years. In the period between April and June 2017, household spending increased by just 0.1%, which

¹ Office of National Statistics: CPI Inflation July 2007 – July 2017



is half the rate for the first quarter.² Meanwhile the Society of Motor Manufacturers and Traders (SMMT) is forecasting a decline in new car registrations in 2017 and into 2018.³

The index also reveals it is younger people who are most worried about their debt and their ability to cope with an unexpected bill. Over half (53%) of millennials (those born between 1981 and 1998) are anxious about debt, while 70% of those aged between 25-34 are concerned about their ability to cover a big unplanned expenditure. Overall nearly four in ten (38%) British households are anxious about the amount of money they owe.

The index also reveals a significant difference between the spending habits of millennials compared to older generations. 39% per cent of millennials have delayed the purchase of a big-ticket item in the last 12 months compared to just 29% of Baby Boomers.

Calum Bennie, savings expert at Scottish Friendly, says:

“We seem to be stuck in a rut of economic uncertainty. The country is anticipating the outcome of Brexit negotiations and the impact this will have on the wider UK economy. Employment levels are continuing to rise (75.1%).⁴ However, this is tempered by the reality that stagnation in wages coupled with creeping inflation is leaving many households needing to do more with less money in real terms. As a result, anxiety about finances and debt levels looks to be on the increase and sadly it’s younger people who are feeling the pinch more than most.”

Bennie continues:

“Little wonder then that many of us are deferring purchasing big ticket items as we wait to see if the financial situation will improve. As purse strings tighten in homes up and down the country the cumulative impact is already having a dampening effect on the UK economy and pessimism around the prospects for our personal finances is taking root.”

Bennie concludes:

“In this kind of environment it’s vital that people make smart decisions when it comes to spending, borrowing and, most importantly, saving. Making your money work harder will help ease the

² Office of National Statistics: *Second estimate of GDP: April to June 2017* (2017)

³ SMMT; Forecasts at 07 2017 Panel Survey

⁴ Office of National Statistics, Bank of England forecast: UK Unemployment rate Q3 2007 – Q3 2020

pressure on households’ disposable income and getting the best deals when it comes to buying, selling or saving and investing should be top of mind.”

-ENDS-

Notes to Editors

[Data appendix](#)

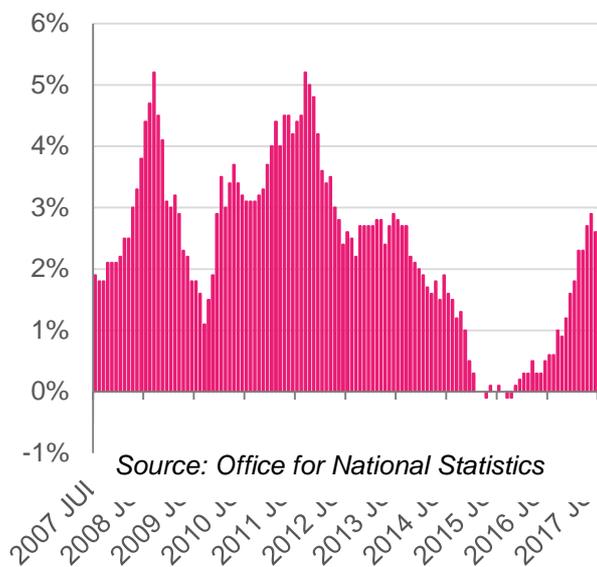
Income squeeze

Lower fuel prices curbed CPI inflation to 2.6% in June, and helped hold down this rate in July despite rising prices of clothes, food, and utilities.

Quarterly CPI is projected to remain around 2.6% – 2.7% until late 2018, with monthly fluctuations peaking at around 3% in October this year. Expectations for inflation then reduce to 2.2% in the third quarters of 2019 and 2020. The Bank of England cites the fall in the value of the pound, and the resulting hike in import prices, as the key reason for high inflation.

For a second quarter in a row, CPI inflation outgrew wages, indicating that the income squeeze experienced in the first half of the 2010s is back. Nominal employee pay growth increased by 2.1% in the three months to June 2017, which represents a 0.5 percentage point fall compared to the same period in 2016.

Figure 1: CPI inflation, July 2007 – July 2017



Source: Office for National Statistics

	Income after housing costs	Income after essentials	Proportion spending more than income on housing costs	Proportion spending more than income on essential costs
REGION				
Scotland	£1,502	£1,158	6%	13%
Northern Ireland	£1,459	£870	8%	19%
Wales	£1,391	£967	9%	18%
South West	£1,411	£1,073	5%	14%
West Midlands	£1,307	£952	4%	10%
North West	£1,322	£976	3%	10%
North East	£1,159	£844	5%	10%
Yorkshire	£1,557	£1,164	5%	10%
East Midlands	£1,442	£1,123	2%	7%
East England	£1,487	£1,135	7%	12%
South East	£1,431	£1,045	9%	14%
London	£1,683	£1,316	12%	17%
AGE GROUP				
18-24	£964	£594	17%	27%
25-34	£1,624	£1,205	10%	16%
35-44	£1,415	£991	5%	12%
45-54	£1,317	£952	5%	13%
55-64	£1,410	£1,084	4%	10%
65+	£1,807	£1,447	2%	3%
EMPLOYMENT STATUS				
Employed full-time	£1,591	£1,172	7%	12%
Employed part-time	£1,126	£682	9%	20%
Self-employed	£1,538	£1,267	5%	10%
Unemployed	£906	£621	9%	18%
Student	£670	£484	18%	31%
Retired	£1,807	£1,478	1%	4%
UK MEDIAN				
	£1,430	£1,078	6%	12%

Contacts:

Chris Tuite, Associate Director, MRM

020 3326 9925



07471 350 810

Tom Briffitt, Consultant, MRM

020 3326 9902

About the Disposable Income Index

This quarterly report is compiled along with leading think-tank the Social Market Foundation and provides a unique insight into the financial health of the UK population. It analyses consumer sentiment, current economic data and trends to chart UK consumers' saving and spending habits and the consequent impact on disposable income.

For more information visit <http://www.scottishfriendly.co.uk/my-insights>

Methodology

The Scottish Friendly Disposable Income Index is based on a quarterly online nationally-representative survey of 2,000 UK adults, carried out by 3Gem. Survey data was collected between 15th and 22nd August.

Within the survey, respondents are asked for details of four components of income:

- Post-tax income from work
- Income from benefits or tax credits
- Income from investments
- Income from private or occupational pensions

In each case, respondents are asked for monthly data as this is basis on which most income will be paid. Where reasonable, they are prompted to think of sources of this information, for example pay slips.

These data are aggregated to provide an accurate picture of income at a household level. Asking questions about specific components of income allows us to build a more complete picture.

Respondents are then asked about essential bills, including:

- Housing costs: rent or mortgage costs
- Council tax



- Water
- Gas, electricity, solid fuel (including a dual fuel option)
- Buildings & contents insurance
- Ground rent and service charges

We ask both how often bills are paid, and how much they are, allowing respondents to provide information in the form that is most familiar to them and removing as far as possible the need for bills to be estimated. The data is then cleaned to provide a monthly estimate of total essential costs for each household.

We also consider a set of costs which are not absolutely essential for human life, but are nonetheless necessary to play a full and active role in modern society, including:

- Groceries
- Broadband or other internet services, telephone calls and television subscriptions
- Mobile phone bills
- Childcare
- Transport (petrol, public transport fares)

These costs are subtracted from reported income at each household, to create an estimate of disposable and discretionary income – here defined as income after housing costs, and after a basket of essentials needed to participate fully in modern society are purchased.

Data is not equivalised for household size, but we do check median household size across sub-groups to ensure any significant differences are flagged to the reader.

Scottish Friendly

Scottish Friendly is a leading UK mutual life and investments organisation. It provides investors and their families with a wide range of investment solutions and provides administration of life and investment products to other financial organisations.

www.scottishfriendly.co.uk

[@ScotFriendly](https://twitter.com/ScotFriendly)

Scottish Friendly, Scottish Friendly House, 16 Blythswood Square, Glasgow, G2 4HJ



Scottish Friendly Assurance Society Limited. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Scottish Friendly Asset Managers Limited. Authorised and regulated by the Financial Conduct Authority.

Social Market Foundation

The Social Market Foundation is a non-partisan think tank. It believes that fair markets, complemented by open public services, increase prosperity and help people to live well.

www.smf.co.uk

@SMFthinktank