Household saving and spending in the age of coronavirus

A Cebr report for Scottish Friendly

February 2021

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London, February 2021

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Executive Summary

The COVID-19 pandemic has transformed saving and spending habits in the UK. The temporary closure of parts of the UK economy has driven the savings ratio to record highs as it wiped out important components of consumer expenditure ranging from restaurant visits to holidays. This research examines these dynamics in greater detail, using a survey of 4,000 UK adults to shed new light on how the pandemic has reshaped Brits' saving and spending activities and the impacts this could have on the wider economy for years to come.

The key findings of the research include:

- Nearly half (46%) of people in the UK have seen an increase in the value of their cash savings over the past 12 months. Younger savers appear to have played a larger role in the savings boom during the COVID-19 crisis than they have done during past recessions when higher saving ratios were predominantly driven by older age groups.

- 18% of those that have seen a rise in their cash savings since last January plan to spend all of these excess savings during the course of 2021. Meanwhile, a third (33%) anticipate spending at least some of these savings. Cebr estimates that the release of lockdown savings will lead to more than £50 billion of additional spending in 2021.

- The release of pent-up demand in 2021 will likely be counterbalanced by the presence of restrictions throughout the first half of the year alongside the continued fragility of the wider economy. Cebr projects that the household saving ratio will be 11% in 2021 – below the 16% recorded in 2020 but significantly above the pre-pandemic level.

- Pent-up demand is greatest in the category of overseas holidays, with more than a third (34%) of those who said they planned to spend more this year saying that part of this additional spending would be channelled towards travel & accommodation for overseas holidays.

- Nearly two in five (39%) Brits plan to save a higher share of their income after the pandemic than they did before, including nearly a quarter (22%) who are intending to save a significantly higher share of their income than they did before. The pandemic is set to have the greatest impact on the saving habits of younger generations, with 47% of respondents aged 18-24 indicating that they plan to save a higher share of their income after the pandemic than they did before, rising to 55% among those aged 25-34.

- Brits are expecting to spend less money in the future in nine out of the twelve categories analysed. The longer-term picture is particularly troubling for the UK's restaurants, cafes, pubs and bars. Indeed, two in five (40%) Brits expect that they will spend less in pubs & bars after the pandemic than they did before, while a similar share (38%) anticipates spending less in restaurants & cafes.

- There are signs that the ways in which people save will also shift due to the pandemic. The popularity of ISAs is set to rise, with respondents on average expecting to place 9% of their monthly savings into cash ISAs and 5% into stocks & shares ISAs after the pandemic, compared to 8% and 4% before the pandemic.

1. Introduction

Periods of upheaval are often accompanied by pronounced changes in people's attitudes, preferences and behaviours. The COVID-19 pandemic and the associated restrictions have brought about a scale of economic and social transformation that is without precedent in the UK's peacetime history. As a result, the experiences and impacts of the pandemic will likely impart a number of significant and in some cases longstanding changes. This research focuses on the impacts on Brits' saving and spending habits, how this compares to past recessions, and what this means for the wider economy going forward.

One of the hallmarks of the COVID-19 crisis from an economic perspective has been the dramatic surge in saving activity that took place throughout 2020, as curtailed spending opportunities, income support measures and high levels of uncertainty combined to push the household saving ratio to record highs. The first section of this report places the trends that have been observed during the pandemic into a historical context, by analysing how Brits have responded in the past to periods of economic hardship.

The report then goes on to utilise original survey data in order to shine a light on how the surge in saving activity observed since the onset of the pandemic may impact the UK economy in 2021 and beyond. The themes that are explored include the levels of pent-up demand for spending that have been accumulated during the various lockdowns and the long-term impacts of the pandemic on saving preferences and spending patterns.

2. Household saving during economic downturns

2.1 Impact of historic recessions on saving behaviour in the UK

Since the 1960s, the UK has experienced five major economic downturns:

- The recessions of the mid-1970s, precipitated by the 1973 oil crisis and industrial disputes domestically
- The early-1980s recession, brought about by contractionary fiscal and monetary policies which aimed to rein in inflation
- The 1990-91 recession, as the Bank of England was compelled to keep interest rates undesirably high in order to support the exchange rate dictated by the European Exchange Rate Mechanism
- The Great Recession / global financial crisis of 2008-09, which arose due to the bursting of a real estate bubble in the US that pushed the global financial system to the brink of collapse
- The coronavirus recession of 2020, induced by the draconian restrictions that governments the world over were forced to impose in an effort to contain the COVID-19 pandemic

In the face of economic uncertainty, households typically wish to increase the amount of money that they set aside in order to provide a buffer against adverse economic shocks. This type of saving during an economic downturn is often called ‘precautionary saving’ in economic theory. Of course, saving a greater share of one’s disposable income is an option not available to everyone, particularly in times of recession. Indeed, those that lose their jobs or experience a fall in their earnings are often forced to draw down their savings (where available) due to the need to meet essential expenditures such as rent, food and utilities with a diminished stream of income. With that being said, it is fortunately the case that even during the most severe and painful economic downturns of the past 60 years, the majority of Brits have remained in work, enabling them to save a larger share of their income to guard against the uncertainty.

An analysis of historical data shows that this spike in precautionary saving activity has consistently occurred during economic downturns in the UK. Indeed, Table 1 shows that during all five of the UK’s major recessions since the 1960s, the household saving ratio – defined as the share of disposable income that is not spent on goods and services – increased relative to the level recorded during the 12 months leading up to the respective downturns. Moreover, these recessions appear to live long in the memories of many Brits, with the household saving ratio tending to either remain at an elevated level or even increase further during the early stages of the economic recovery.

Table 1 Household saving ratio before, during, and after major economic downturns in the UK

	12 months before downturn	During downturn	12 months after downturn
1973-1975	7%	9%	9%
1980-1981	11%	12%	12%
1990-1991	11%	12%	14%
2008-2009	8%	9%	12%
2020	7%	18%	

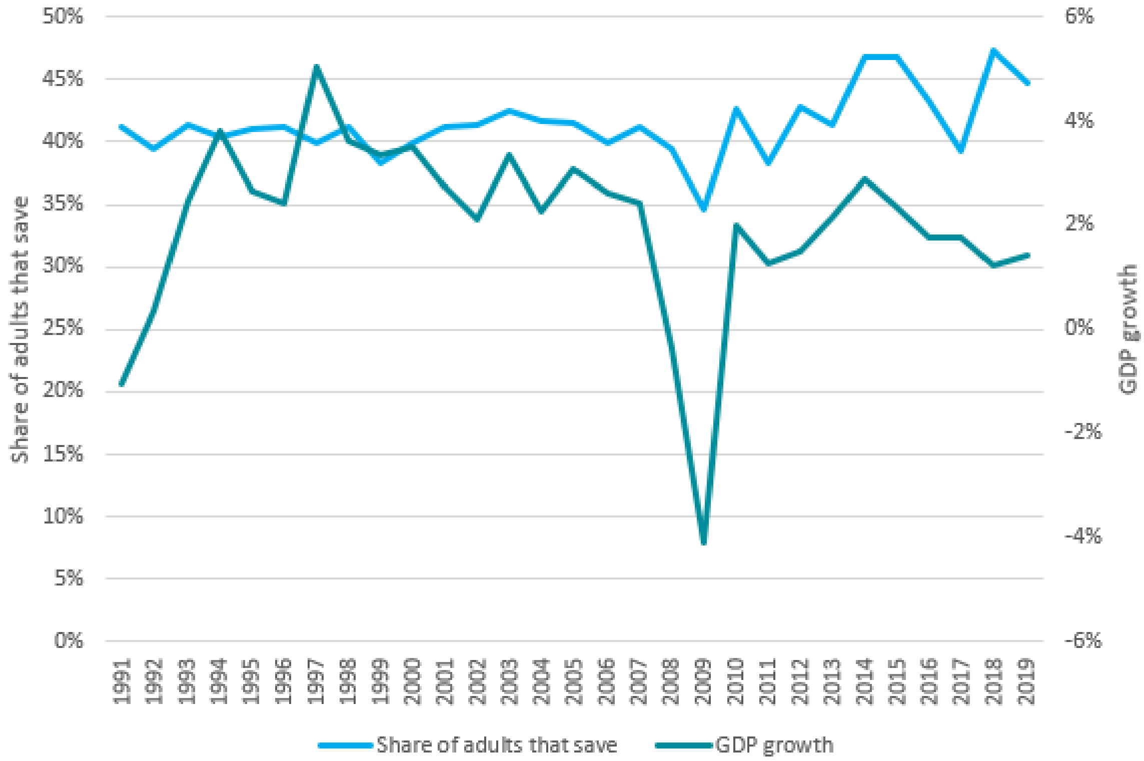
Source: Office for National Statistics, Cebr analysis

2.2 Deep dive into savings patterns over the past thirty years

In order to examine these trends in greater detail, data from the UK Household Longitudinal Survey (formerly the British Household Panel Survey) between 1991 and 2019 has been analysed. This survey – administered by the Economic & Social Research Council and the University of Essex – covers tens of thousands of Brits each year, making it among the most reliable and detailed sources of information on individuals' savings patterns over the past thirty years.

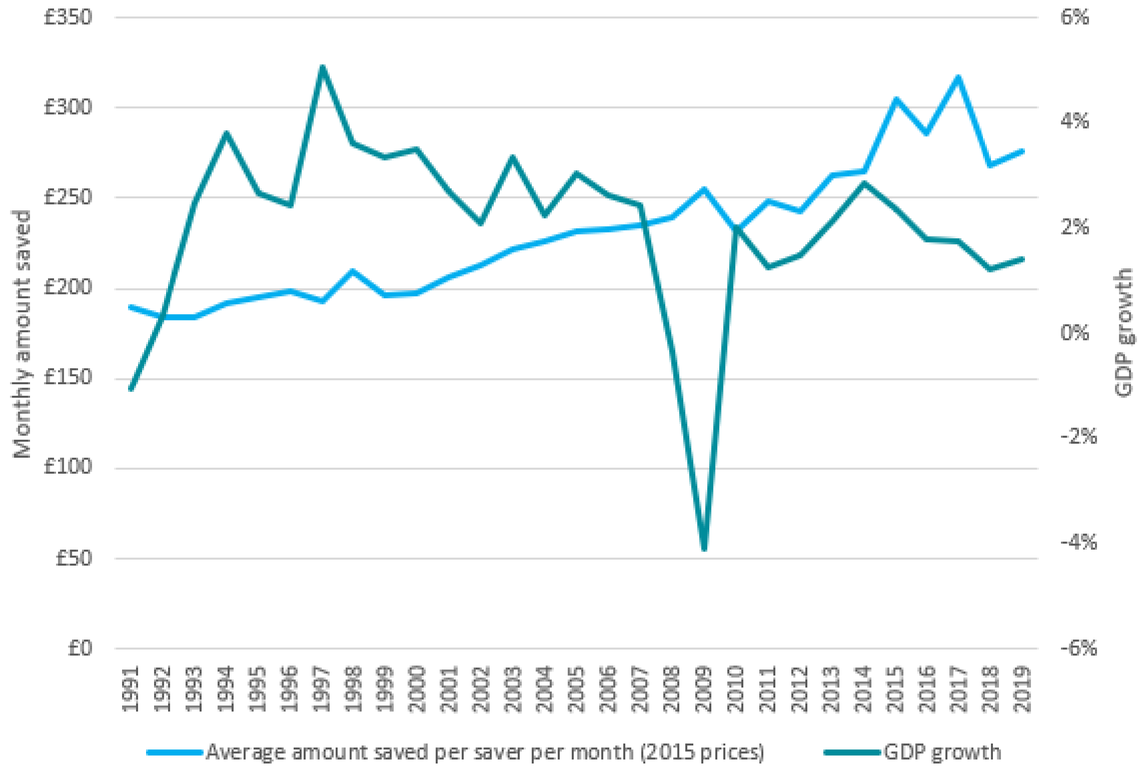
A striking result from this analysis is that there is a positive correlation between the rate of GDP growth in any given year and the share of adults that save some of their income during the same year. In other words, the number of savers diminishes during periods of slow or negative economic growth as unemployment rises and those most affected by the downturn are forced to dip into their saving. This finding is only superficially at odds with the trend described previously, whereby the aggregate household saving ratio increases during economic downturns. In effect, this means the economic hardship brought about by such downturns is distributed in an uneven manner among the population. For instance, between Q1 2008 (the last quarter before the recession) and Q3 2009 (the first quarter after the recession), the number of people in employment in the UK fell by nearly three-quarters of a million (688,000). However, during the same period gross saving by UK households rose from £17.7 billion in Q1 2008 to £30.3 billion in Q3 2009. For those individuals that lost their jobs amid the economic crisis, putting aside any of their income would have been a highly challenging proposition, which explains the decline in the total number of savers in 2009 (see Figure 1). Another important implication of this result is that the average amount saved per saver tends to increase during economic downturns. Indeed, the data between 1991 and 2019 shows a mildly negative correlation between the rate of quarterly GDP growth and the average inflation-adjusted amount that each saver puts aside each month as can be seen in Figure 2.

Figure 1 Relationship between GDP growth and share of adults that save, 1991-2019



Sources: UK Household Longitudinal Survey, Cebr analysis

Figure 2 Relationship between average amount saved and GDP growth, 1991-2019

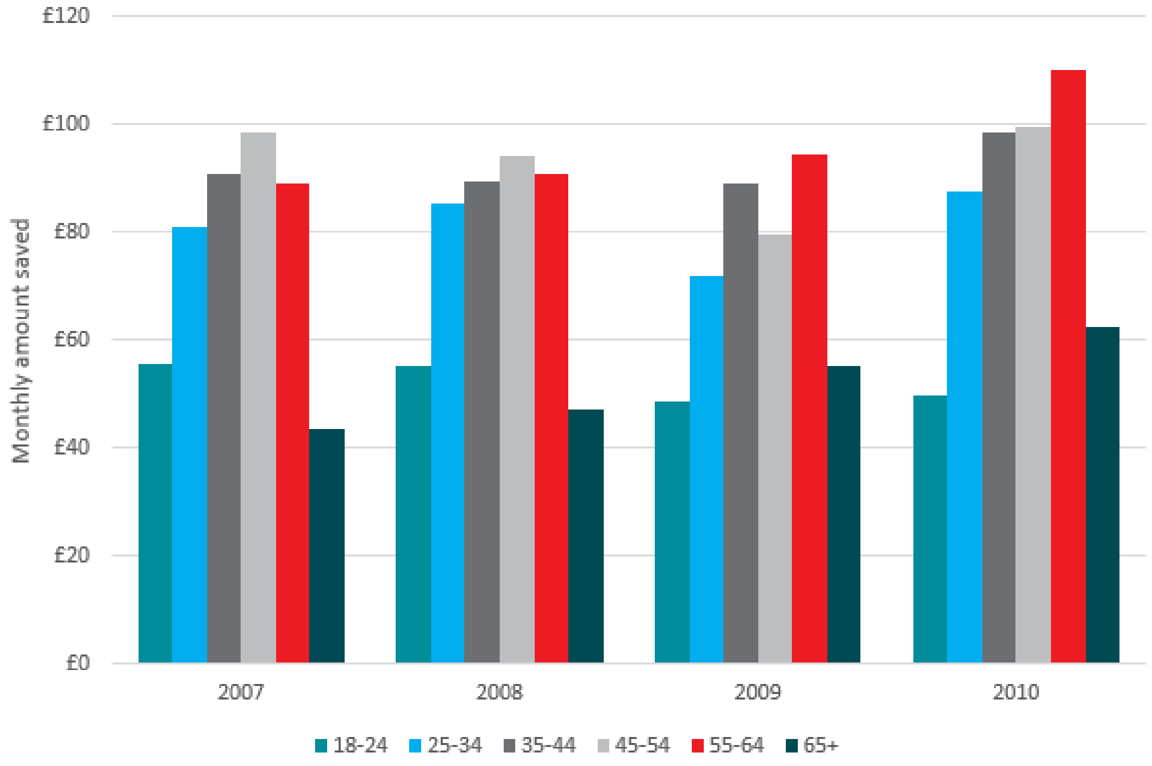


Sources: UK Household Longitudinal Survey, Cebr analysis

The trend of higher savings volumes during times of economic turmoil is significantly more pronounced among older age groups. Indeed, the average amount saved by those aged 65 or above was 43% higher in 2009 than it was in 2007. Among those aged 55-64, the increase was a smaller but still considerable 24%. By contrast, the average amount saved by 18–24-year-olds fell by 11% between 2007 and 2009. These results suggest that older savers were the driver of the increase in the aggregate household saving ratio during and after the great recession of 2009.

The impacts of economic downturns on labour market outcomes tend to be particularly acute for younger adults. For instance, during the 2008/09 global financial crisis and ensuing recession, the unemployment rate in the UK for individuals aged 18-24 reached 18.3% in the three months to October 2009. Meanwhile, the corresponding figure for those aged 25-34 was 7.7%. During the same period, the unemployment rate among those aged 35-49 and 50-64 was 5.4% and 4.7%, respectively. Young people are often hit hardest during recessions due to the tendency for employers to retain older workers who have accumulated more experience. Moreover, during economic downturns many firms respond not by laying off existing employees but by halting the hiring of new employees. This has a disproportionate impact on younger people who have only recently entered the workforce.

Figure 3 Average amount saved per month among different age groups, 2007-2010

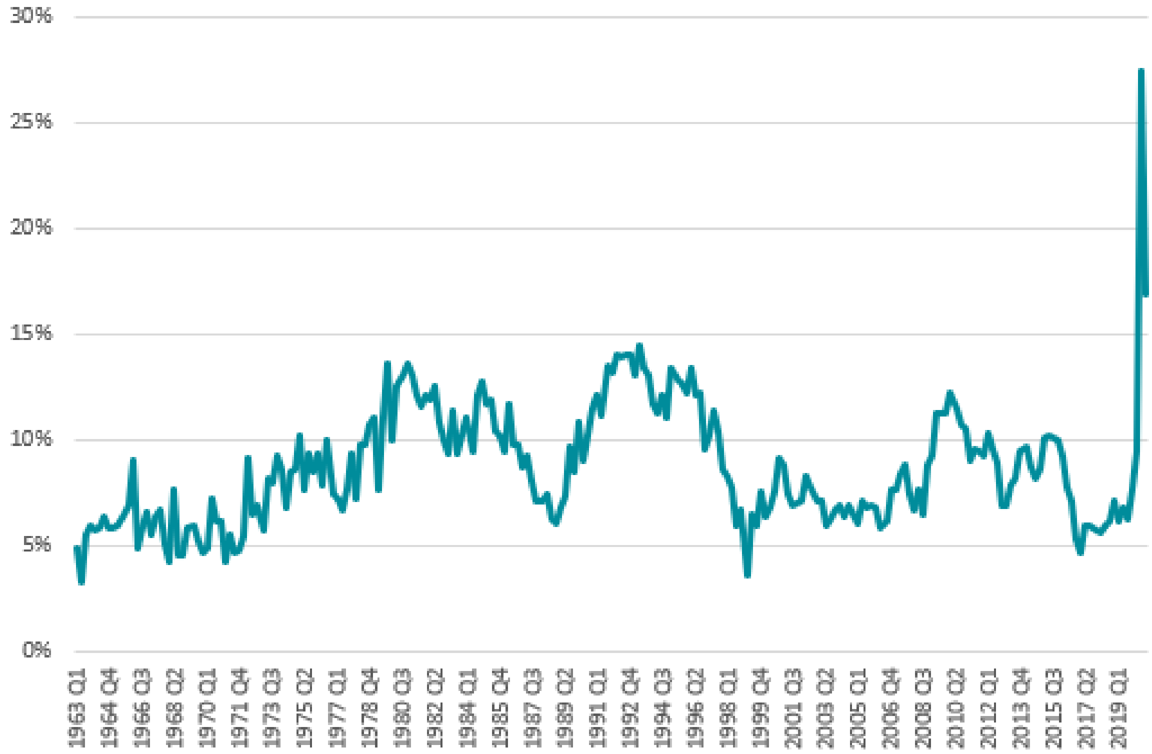


Sources: UK Household Longitudinal Survey, Cebr analysis

3. Household saving and spending in the age of coronavirus

Throughout much of 2020, lockdown restrictions designed to contain the COVID-19 outbreak closed the door on many of the activities that Brits typically spend their money on, from visits to pubs and restaurants to travel and accommodation. This, together with the support to household incomes delivered by the furlough scheme and other forms of government assistance, pushed household saving to unprecedent heights last year. Indeed, during the second quarter of 2020, the household saving ratio reached 27.4%. This is nearly double the previous record high of 14.4% that was recorded in Q2 1993. While saving activity did recede later in the year as parts of the economy reopened, the Q3 saving ratio of 16.9% was still well above the pre-COVID record.

Figure 4 UK household saving ratio, 1963 - 2020



Source: Office for National Statistics

In order to learn more about this surge in saving activity, a nationally representative survey of 4,000 UK adults has been carried out, the results of which are presented in the remainder of this section.1

1 Survey conducted by 3Gem between 18th January and 25th January

Impact of pandemic on cash savings

Nearly half (46%) of people in the UK have seen an increase in the value of their cash savings over the past 12 months. This is nearly three times the share of individuals that have seen the value of their cash savings diminish since January 2020 (18%). Meanwhile, around one in five (19%) respondents indicated that the value of their cash savings has not changed over the past year.

These national level results belie considerable variation between different demographic groups. The majority (54%) of survey respondents aged 25-34 have seen an increase in their cash savings since January 2020, compared to just 41% of respondents aged 55-64. Historically, the rise in aggregate household saving during recessions has been driven by older demographics, with younger people's ability to save inhibited by the comparatively severe deterioration of their employment prospects. The COVID-19 pandemic appears to have caused a deviation from the trend, with young people adapting their saving behaviours to a far greater degree than has been the case in previous economic downturns.

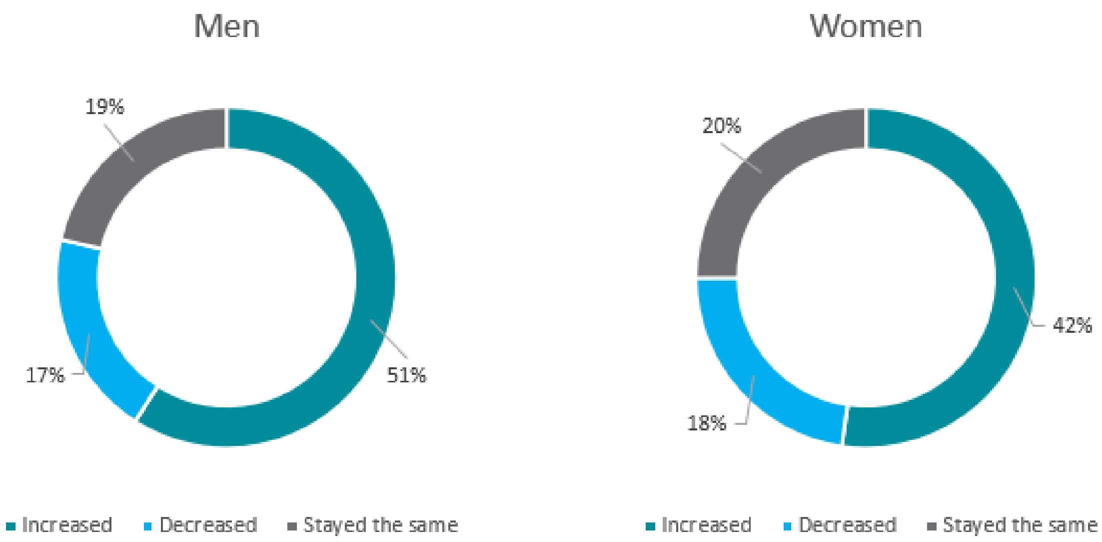
One important factor behind this is the presence of the Coronavirus Job Retention Scheme, which has helped to insulate the labour market from the wider economic downturn. As a result of the scheme, unemployment has risen only moderately considering the drastic fall in economic output and fewer people have found themselves without a source of income. This has in turn allowed more to accumulate savings. Since young people typically fare worse from a labour market perspective during recessions, the protection to jobs that has been provided this time around will have been of particular benefit to this demographic. Also key in driving the large change in young people's saving habits during COVID-19 crisis is the composition of millennials' spending basket during more ordinary times. For instance, according to the ONS' Family Expenditure survey, spending on catering services (including restaurants, pubs and cafes) accounted for 8.9% of under 30s' expenditures in 2019, compared to a UK-wide average of 8.0%. Consequently, the closure of hospitality venues in accordance with COVID-19 restrictions will have had a greater proportional impact on spending among younger age groups. Additionally, the emptying out of cities and spread of remote working observed throughout the pandemic has induced many young people to return to their childhood home, thus saving on rent. Indeed, a recent survey by Canada Life found that more than a third of adult children returned to their family home during the pandemic.2

The survey results also uncover a significant gender divide. The majority (51%) of male respondents said that the value of their cash savings has increased over the past year, compared to 42% of female respondents. There is evidence to suggest that the COVID-19 crisis has had a disproportionate impact on women due to their relatively high representation in sectors that have been among the hardest hit by the pandemic.3 This in turn will have affected their ability to accumulate savings during the course of 2020.

2 https://www.telegraph.co.uk/news/2020/11/11/adult-children-move-back-parents-pandemic-costing-425-month/

3 https://www.mckinsey.com/featured-insights/future-of-work/covid-19-and-gender-equality-countering-the-regressive-effects#

Figure 5 Change in the value of cash savings since January 2020 (omitting "don't know" responses)



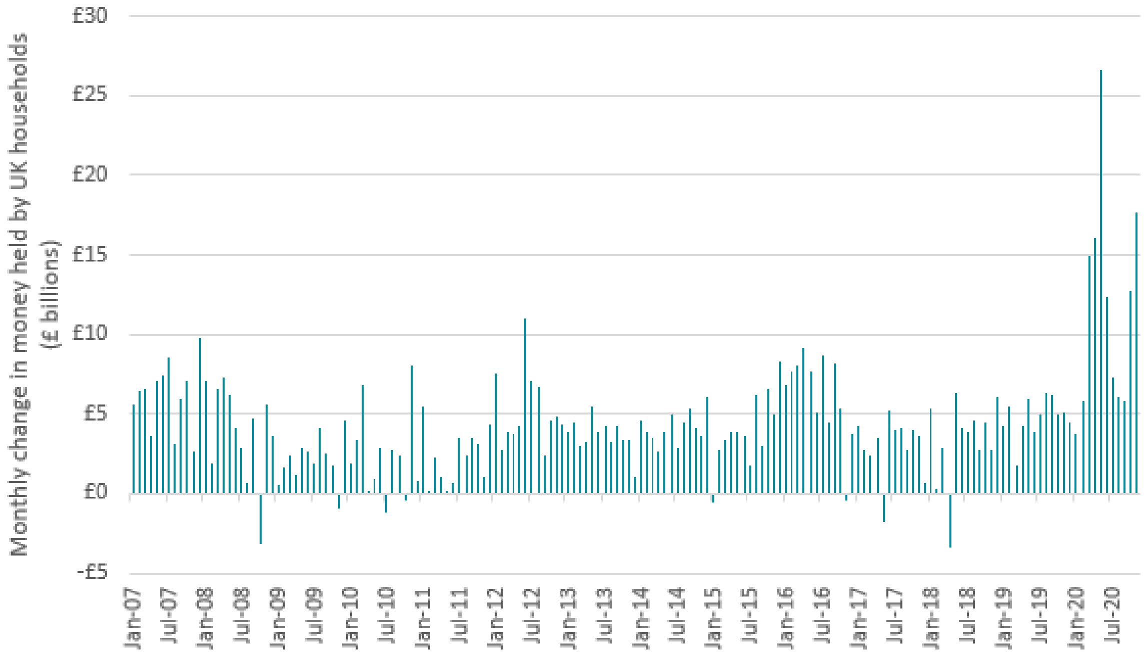
Source: 3Gem, Cebr analysis

Impact of lockdown savings on the UK economy in 2021

One of the most important questions facing the UK economy this year is the fate of the lockdown savings that millions have racked up in the midst of the COVID-19 crisis. According to data from the Bank of England, UK households' holdings of broad money (which reflects the value of notes and coins in circulation as well as the value of cash held in bank accounts) grew by 8% during the first nine months of the pandemic (from February 2020 to November 2020). In £ terms, the value of money held by households reached £1.6 trillion in November – a £120 billion increase compared to February. This expansion of the money supply has been fuelled by the measures taken by the Bank of England and the UK government to stimulate lending, stabilise financial markets and spur economic activity. These measures include slashing interest rates, lowering refinancing costs for lenders and the introduction of government-backed loans for businesses.

The increase in households' cash balances is particularly striking considering the fact that many households opted to pay down their debts given the economic uncertainty and reduced opportunities for spending. Just as the process of banks issuing new loans creates an increase in the money supply (holding other things constant), the repayment of outstanding loans by consumers causes a fall in the money supply. Between February and November 2020, the value of outstanding consumer credit fell by more than £21 billion.

Figure 6 Monthly changes in money held by UK households, 2007 - 2020

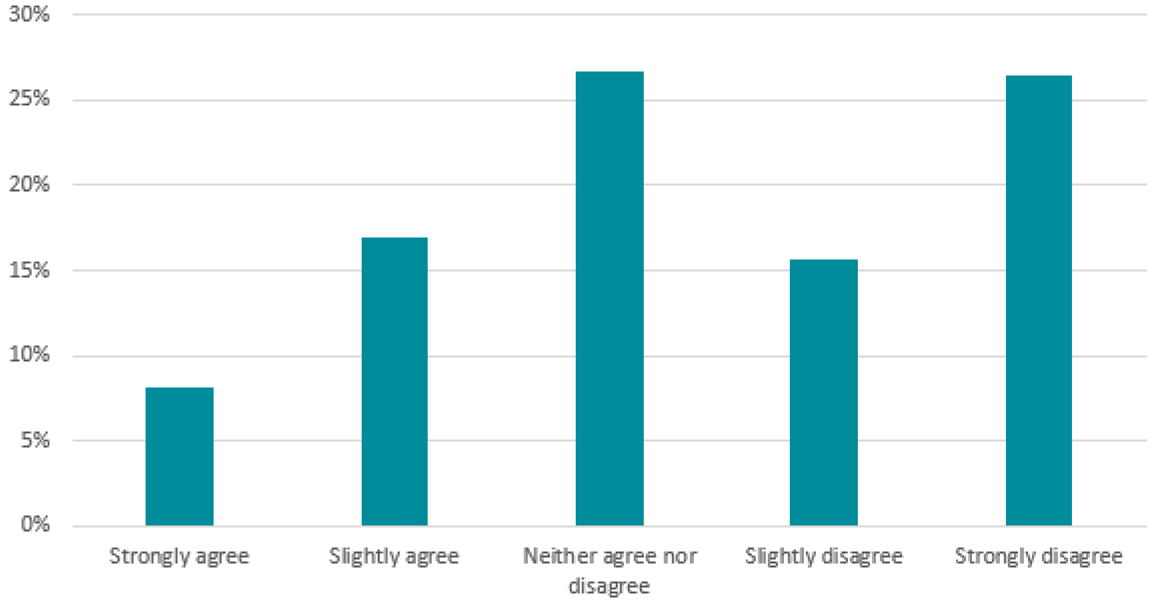


Sources: Bank of England, Cebr analysis

So far, the additional money sloshing around the economy does not appear to have had a major impact on prices. This is because households' outdoor excursions have been heavily restricted, meaning that much of the extra cash has largely been sitting idly in bank accounts rather than being circulated through the economy.

As and when COVID-19 restrictions are lifted in the UK, what households choose to do with the savings they have accumulated will be of critical importance to the wider economic recovery. The results of the survey show that sentiment is decidedly mixed on this front. One in four (25%) Brits agree that the experiences of 2020 have left them with pent-up demand for spending and that they plan to spend more in 2021 than they otherwise would have done as a result of the COVID-19 pandemic. However, more than two in five (42%) disagree with this statement. These findings highlight the differential impacts that the crisis has had on households. While some will have been able to accumulate savings during the period of subdued economic (and social) activity, many others will have experienced a hit to their income that will have impaired their ability to save and limit their appetite for spending going forwards. This effect will be exacerbated by the ongoing economic uncertainty, with much of this stemming from the upcoming termination of the furlough scheme at the end of April.

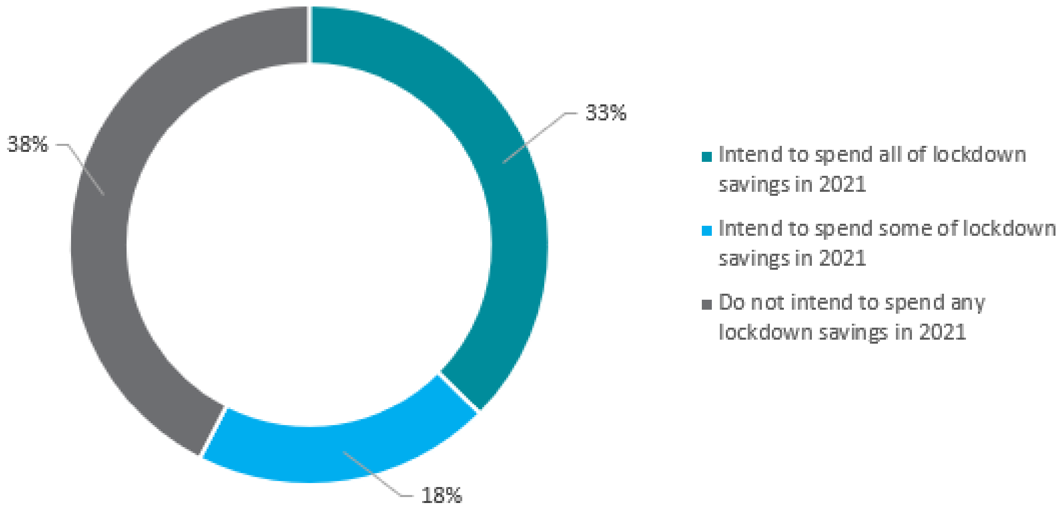
Figure 7 Share that agree with the statement: "The experiences of 2020 have left me with pent-up demand for spending and I plan to spend more in 2021 than I would otherwise have done as a result of the COVID-19 pandemic."



Sources: 3Gem, Cebr analysis

Among those that have seen an increase in the value of their cash savings since January 2020, nearly one in five (18%) plan to spend all of these excess savings during the course of 2021. This share rises to nearly one third (32%) among those aged 18-24 and 29% among those aged 25-34. Meanwhile, across the sample a third (33%) anticipate spending at least some of the savings that were amassed in 2020 during the course of 2021. However, the picture is not at all one-sided, with a sizeable minority (38%) of eligible respondents indicating that they do not plan to spend any of the cash savings accumulated last year during the course of 2021.

Figure 8 Share of lockdown savings that respondents intend to spend in 2021 (omitting "don't know" responses)



Sources: 3Gem, Cebr analysis

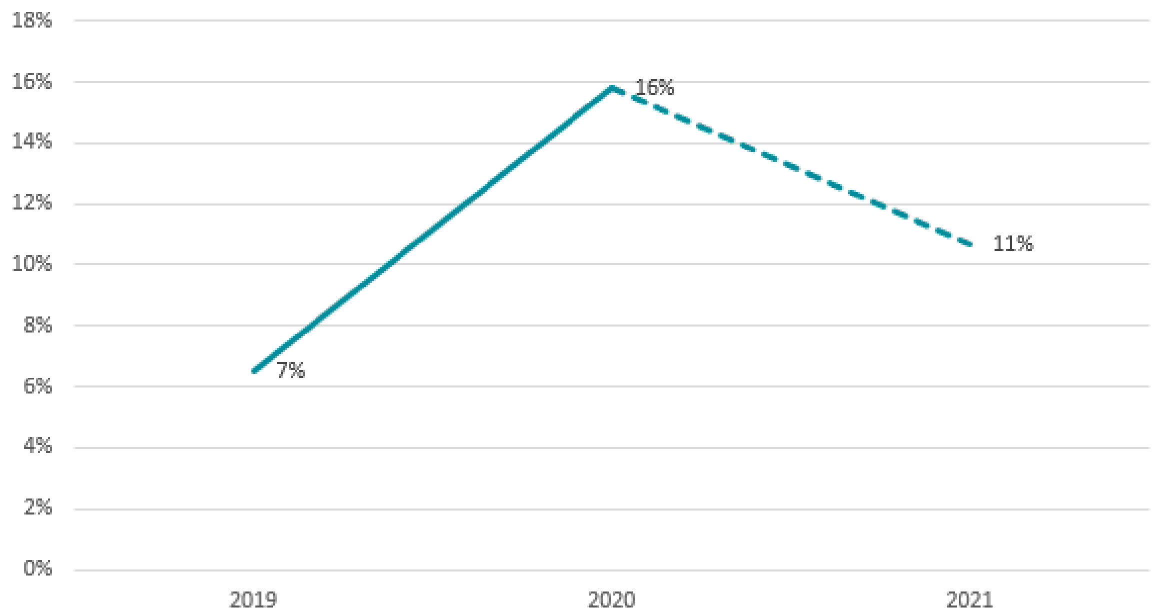
Based on data from the Bank of England, UK households' aggregate broad money holdings (including notes & coin and bank deposits) rose by £120 billion between February 2020 and

November 2020. Households' broad money holdings include both their "true cash savings" as well as funds that have been loaned from banks. For this analysis, we are primarily interested in the accumulation of "true cash savings" as opposed to borrowed funds. The £21 billion decline in consumer credit between February and November will have driven down households' broad money holdings. This implies that UK households accumulated £141 billion worth of "true cash savings" while also paying down £21 billion worth of consumer credit, which yields the £120 billion overall change in broad money holdings.

This accumulation of cash savings equates to £2,674 per UK adult. However, the net increase in cash savings belies a high degree of variation between households, with many experiencing an increase in their savings but a significant number also experiencing a decrease in their savings over the same period. Based on the data from the household survey, Cebr estimates that among the subset of individuals that saw an increase in the value of their cash savings last year, the collective size of this increase was £192 billion. The results of the survey indicate that households plan to spend more than a quarter (26%) of this amount during the course of 2021 – equating to more than £50 billion of additional spending. It is important to note that this figure may well be balanced to some extent by a reduction in planned spending among those that experienced a fall in the value of their cash savings during the pandemic.

While the release of pent-up demand among certain households will weigh on the overall saving ratio in 2021, this will likely be counterbalanced by the presence of restrictions throughout the first half of the year together with wider economic fragility. Cebr projects that the household saving ratio will be 11% in 2021 – below the 16% recorded in 2020 but significantly above the pre-pandemic level.

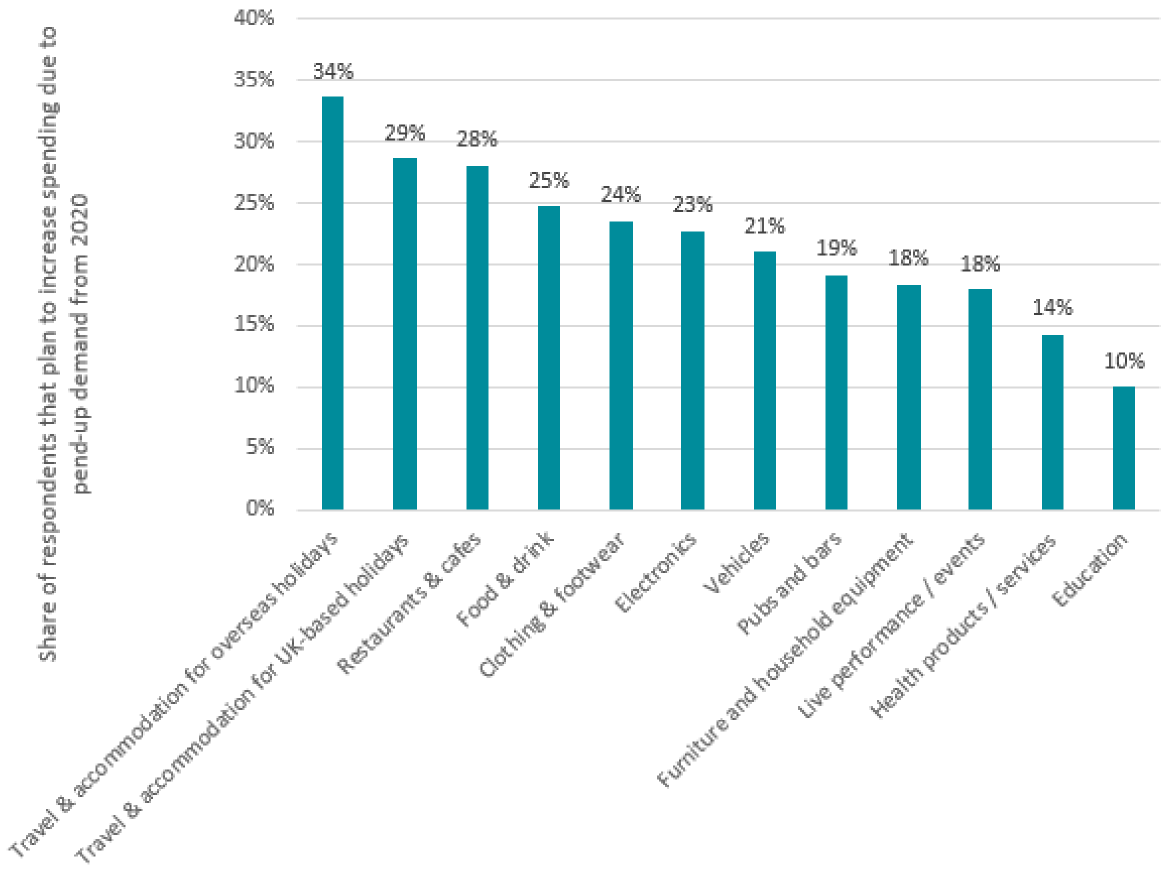
Figure 9 Household saving ratio, 2019-2021



Sources: Office for National Statistics, Cebr analysis

Given the large impact that lockdown savings are set to have on the economy this year, a key question is how and where these savings will be spent. The greatest degree of pent-up demand has been accumulated in the category of overseas holidays. Indeed, more than a third (34%) of those who said they planned to spend more this year as a result of pent-up demand built up in 2020 said that part of this additional spending would be channelled towards travel & accommodation for overseas holidays. Meanwhile, 29% of eligible respondents indicated that they plan to spend more on domestic holidays as a result of pent-up demand from last year. For many people, one of the largest effects of the COVID-19 pandemic from an expenditure standpoint was the preclusion of international and domestic travel. This wiped out a significant share of household spending in 2020 and the results of the survey indicate that it has whet the appetite for more trips and excursions later this year. These plans are of course contingent on a lifting of restrictions, which in turn depends on the success of the vaccination programme and the absence of vaccine-resistant COVID-19 mutations emerging. The next most popular category for pent-up demand spending is restaurants & cafes, which is listed by 28% of survey respondents. Interestingly, a lower share (19%) of eligible respondents said that they had pent-up demand for spending in pubs & bars. One potential explanation for this is a shift in some consumers' tastes and preferences, as the experiences of several periods of lockdown reshaped people's predilections.

Figure 10 Destinations for pent-up demand for spending

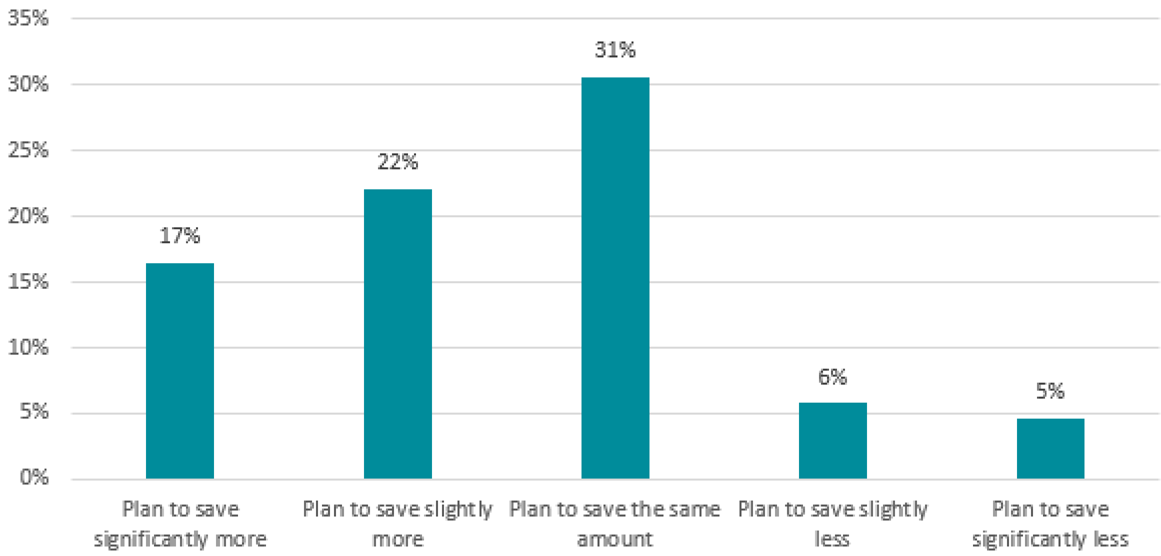


Sources: 3Gem, Cebr analysis

3.1 Long-term impacts of the COVID-19 pandemic on household spending and saving

On aggregate, households saved an unprecedented share of their income last year, although as noted previously this figure belies a considerable degree of heterogeneity among different households. A key question going forwards will be the degree to which these new savings habits will stick. The results of the survey indicate that the effect of the COVID-19 pandemic on long-term saving habits will be fairly pronounced. Indeed, nearly two in five (39%) Brits plan to save a higher share of their income after the pandemic than they did before, including nearly a quarter (22%) who are intending to save a significantly higher share of their income than they did before. This is consistent with the pattern that has followed previous recessions in the UK, as presented previously in Table 1.

Figure 11 Long-term impact of the COVID-19 pandemic on saving habits



Sources: 3Gem, Cebr analysis

These findings suggest that, while there may be a period of strong consumer demand in the months that immediately follow the lifting of restrictions as consumers flock to shops, restaurants, bars and theatres, this bounce back may prove to be short-lived. The survey results provide evidence that the experiences and impact of the pandemic will lead to a greater degree of caution among households in the longer term, manifested in a higher saving rate. In the medium to long term, a rise in precautionary saving could facilitate higher levels of investment in the economy, which in turn would fuel improvements to productivity. In the short term, however, reduced consumer spending as a result of higher saving rates would weigh significantly on demand and could cause the economy to operate below its productivity capacity.

Breaking the results down by age group, it is apparent that the COVID-19 pandemic will have the greatest impact on the saving habits of younger generations. Indeed, 47% of respondents aged 18-24 said that they plan to save a higher share of their income after the pandemic than they did before. This figure rises to 55% among those aged 25-34 and 48% among those aged 35-44. Meanwhile, less than a quarter (24%) of respondents aged 55-64 plan to save more after the pandemic than they did before, with 39% indicating that their saving habits would not be affected by the experiences and impact of the COVID-19 pandemic.

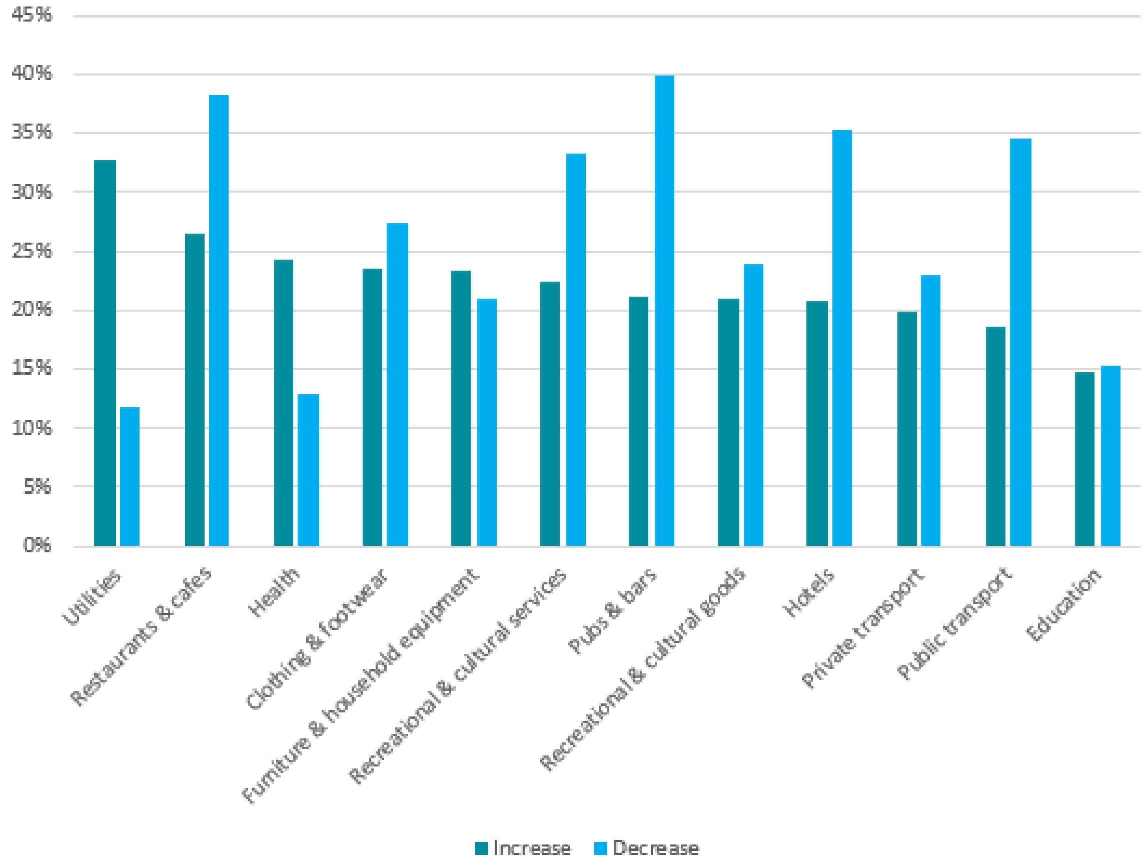
Precautionary savings can be thought of as the amount of money that individuals put aside that is in excess of what they would need to smooth their level of material well-being over the course of their life (including through retirement). This type of saving activity takes place due to uncertainty surrounding future income streams, reflecting a desire to be better safe than sorry. The COVID-19 pandemic has undoubtedly added a significant degree of uncertainty to future income streams, with millions of employees still on furlough and thousands of businesses facing the risk of closure or downsizing. This uncertainty is most pronounced for people in the earlier stages of their working life since most of their careers still lie ahead of them. This could explain the particularly marked effect of the pandemic on saving intentions among younger people. However, it is not just the direct impacts of the COVID-19 pandemic that could cause an increase in precautionary saving. The pandemic has provided a harrowing reminder of how quickly circumstances can change, a newfound awareness which could conceivably induce many to save more of their income in the future to allow for other unfortunate and unforeseeable events.

With Brits planning to save a larger fraction of their income in the future, it also stands to reason that they plan to spend less on certain categories of products and services. This is borne out in the survey results, with Brits expecting to spend less money in the future in nine out of the twelve categories analysed. This provides further evidence to suggest that consumers will be me more hesitant to part with their cash in the future. This poses a challenge for businesses who will need to find or develop new products or services that are aligned with the preferences of consumers in a post-pandemic world.

While almost all parts of the economy have been upended as a result of the COVID-19 crisis and the associated restrictions, arguably the worst hit industry has been the hospitality sector. While there is hope that there will be a bounce back in activity as restrictions are lifted due to pent-up demand, the longer-term picture is more troubling for the UK’s restaurants, cafes, pubs and bars. Indeed, two in five (40%) Brits expect that they will spend less in pubs & bars after the pandemic than they did before, while a similar share (38%) anticipate spending less in restaurants & cafes. Meanwhile, more than a third (35%) expect their expenditure on hotels to be lower after the pandemic than it was before. New habits have been formed over the past 12 months as most Brits were confined to their homes for much of 2020. As a result, the spending patterns that emerge in the aftermath of the COVID-19 pandemic will likely be different to those that existed before the crisis. For instance, the fact that people are expecting to spend less money at hospitality venues suggests that their spending priorities may have shifted towards other forms of entertainment which can be enjoyed at home.

One area where Brits are expecting to spend more money in the future is utilities, with a third (33%) anticipating spending more on this category in the long term. Spending on water and energy will have risen as a result of the dramatic spread of homeworking in recent months. The results of the survey suggest that many are anticipating spending more time at home, even after restrictions are lifted.

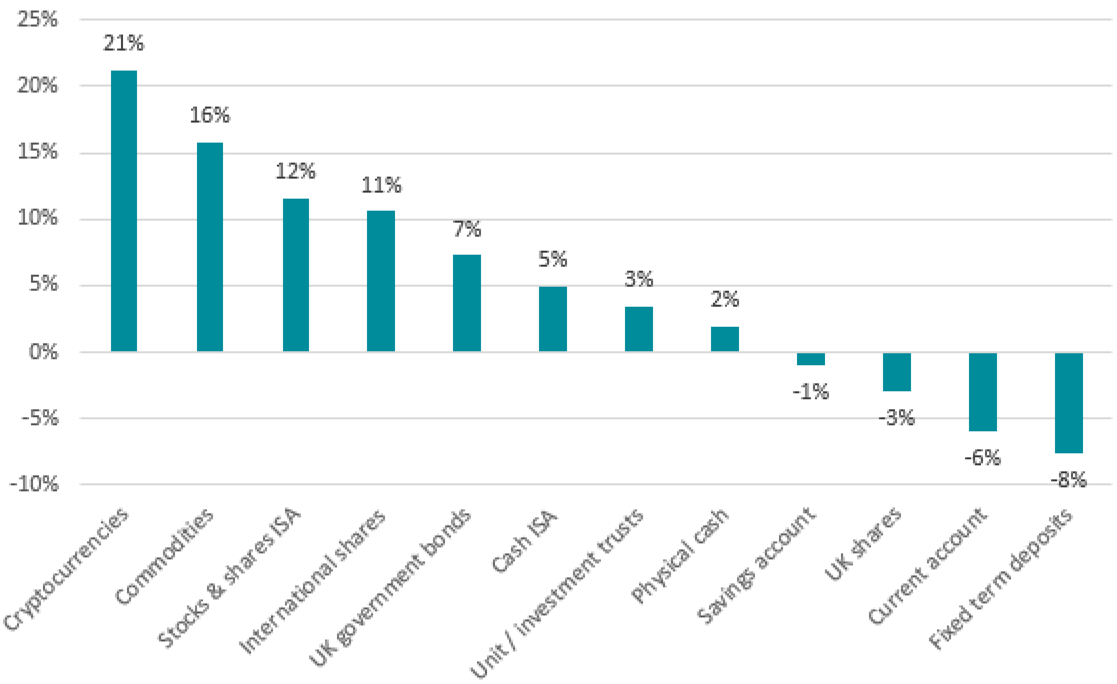
Figure 12 Expectations for long-term expenditure in different spending categories



Sources: 3Gem, Cebr analysis

Before the pandemic, the most popular destination for individuals' monthly savings were current accounts. On average across the sample, a third (33%) of monthly savings were deposited into current accounts before the pandemic, while nearly a quarter (23%) were placed into savings accounts. The share held in physical cash, cash ISAs and stocks & shares ISAs was 16%, 8% and 4%. There are signs that this balance may shift slightly after the pandemic. Indeed, the share of monthly savings that people expect to place into current accounts after the pandemic is 31%. The popularity of ISAs also looks set to rise, with respondents on average expecting to place 9% of their monthly savings into cash ISAs and 5% into stocks & shares ISAs. There is also some evidence that the pandemic has pushed people towards less traditional destinations for their savings. Indeed, the share of monthly savings placed into cryptocurrencies is expected to rise from 2.6% before the pandemic to 3.2% after the pandemic – a 21% increase. Over the course of 2020, the price of bitcoin – the largest cryptocurrency in terms of market capitalisation – more than quadrupled. Doubtlessly, the extreme volatility and speculative potential of cryptocurrencies have attracted many risk-seeking investors in the past year. However, if cryptocurrencies can make the jump to mainstream adoption and become less prone to large price fluctuations, they could become a potential savings vehicle in the future, much in the same way as gold has served as a store of value and portfolio diversification in the past decades.

Figure 13 Percentage change in share of savings between before the pandemic and after the pandemic



Sources: 3Gem, Cebr analysis

4. Conclusions

While it is too early to tell exactly when restrictions will be lifted to pave the way for a return to normality, it is apparent from the results of this research that Brits will emerge from the crisis with a different set of saving and spending patterns than they possessed going into the crisis. History shows us that saving rates remain elevated for an extended period after economic downturns, reflecting the time it takes for households to recover their confidence. With that being said, historical comparisons can only go so far in informing what may happen in the aftermath of an event as unique as the COVID-19 pandemic. The survey of 4,000 UK adults commissioned alongside this research helps to address this uncertainty. We find that nearly two in five (39%) Brits planning to save more after the pandemic than they did before. The experience of the pandemic may well instil a greater wariness about potential unforeseeable and adverse developments, which in turn could induce higher rates of saving long after the pandemic has passed. The survey results suggest that this effect could be particularly potent among younger savers.

If the pandemic does bring about a culture of higher saving, this will also mean reductions in spending in certain areas. There is evidence to suggest that those businesses that have been hit hardest by the pandemic may also be the ones to suffer the most in its aftermath, with 40% of Brits expecting to spend less in pubs and bars after the pandemic than they did before. However, it is not just the hospitality sector that will be impacted by the shift in consumers' preferences and tastes brought about by the pandemic, with long-term spending across most categories expected to fall. These results suggest that the coming years will represent a period not only of rebuilding for businesses but also one of adaptation and restructuring in order to align with the spending patterns that emerge in the new normal.