



FOR IMMEDIATE RELEASE

Value of money falls during the Queen's lifetime

- £1 million in 1926 worth £55.7 million in 2016
- The price of a pint of beer up by 15,633% in past 90 years
- The value of money has fallen, on average, 4.6% per year since 1926

To mark the 90th birthday of Her Majesty the Queen, Lloyds Bank Private Banking has looked at trends in the value of money in the nine decades since 1926.

The value of money has fallen by 98 per cent since the birth of the Queen in 1926, according to new research from Lloyds Bank Private Banking, using data from sources including the Office for National Statistics (ONS). A fifty-six fold increase in retail prices means that someone today would need £55.7 million to have the equivalent purchasing power of £1 million in 1926. (See Table 1)

Table 1: Today's equivalent to £1m in:

£1 million in	Equivalent spending power in 2016
1926	£55.70m
1936	£64.40m
1946	£38.10m
1956	£22.70m
1966	£17.00m
1976	£6.60m
1986	£2.70m
1996	£1.70m
2006	£1.30m
2016	£1.00m

Source: Lloyds Bank calculations based on ONS figures, March 2016

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Sarah Deaves, Private Banking Director at Lloyds Bank Private Banking, commented:

"The value of money has fallen substantially since the birth of Queen Elizabeth in 1926 as retail prices and the cost of many everyday items has soared. Such has been the rise in inflation that £1.80 in 1926 would have provided the same spending power as £100 today.

"It is also interesting to note that despite the ups and downs in the stock market, the FTSE All Share Index has outpaced cash over this period. For many people, where appropriate, investing some of their money in the market and getting a wider exposure to the UK economy can help grow the value of their money ahead of inflation."

Value of money over the decades

Purchasing power of the pound over the past 90 years has eroded at an average rate of 4.6% per year. By the time of the Queen's tenth birthday, retail prices had fallen by 14% in the decade to 1936 – the only period where there was a sustained rise in the value of money. However, since the twenties and thirties there has been significant erosion in the value of the pound.

Rationing introduced during the Second World War, combined with a general shortage of many goods, drove retail price inflation, growing by 69% in the decade to 1946 and by a similar amount over the following ten years. Retail prices grew most rapidly between 1966 and 1976 with an average annual increase of 10% per year. Much of this growth was fuelled by the OPEC oil price hikes in 1973 and a rise in the nominal wage increase. The lowest increase in inflation came over the period 1996 to 2006 with an annual rise of 2.6%, and in the past decade retail prices have grown at 2.8% per year.

The prices of everyday household items¹ have risen substantially since 1926, reflected in the cost of everyday items (see table 2). The price of a loaf is on average £1.02 – 57 times higher than in 1926 (under 2 pence) and a pint of milk has gone up from 1 pence to 43 pence. Whilst a pint of beer to celebrate the Queen's birthday costs on average £2.57 compared to 2 pence – an increase of 15,633% in nine decades.

And if you wanted to bake a Victoria sponge for the Queen's party, you would find the cost has increased 24-fold, from under 11 pence² in 1926 to £2.57² in 2016. This increase has come as a result of large price rises of the main ingredients; the cost of butter has grown from 4.5 pence to £1.20, a 27-fold (2560%) increase. 225 grams of sugar now costs 13.7 pence compared to less

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than 1 pence in 1926. 225 grams of flour has increased by 25 times from half a pence to 12.3 pence; and the cost of four eggs has grown from 3.8 pence to 69.3 pence.

FTSE All Share Index out grows retail price inflation since 1929

While retail prices have grown at a rapid pace over the 90 years, the rise in FTSE All Share Index has risen faster, recording a seventy-five fold increase over the period. If someone had invested £1 million tracking the FTSE All Share Index that sum would today be worth over £75 million³.

Even £1 million deposited in a savings account would have earned an investor £20.75 million⁴ in interest income over the same period. During the period average weekly earnings have increased from £2 in 1926 to £492⁵ in 2016.

Table 2: The changing cost of everyday items – 1926 to 2016

Items	Estimated Average price ² 1926 (£)	Average price ² 2016 (£)	% change 1926-2016
Bread: white loaf, sliced, 800g	0.02	1.02	5579%
Milk: Pasteurised, per pint	0.01	0.43	3202%
Butter: home produced, per 250g	0.05	1.53	2785%
Sugar: granulated, per Kg	0.03	0.70	2088%
Eggs: size 4 (55-60g), per dozen	0.01	2.25	15725%
Self Raising Flour, per 1.5 Kg	0.04	0.88	2336%
Beer, per pint	0.02	2.97	15633%

Sources: ONS

- Ends -

Editors' Notes:

Notes:

Calculations in this release are based on ONS inflation figures using the Retail Price Index. Source: ONS, March 2016.

¹ The changing cost of everyday items have been sourced from the ONS 'RPI average retail prices of selected items' data (1914:2004) and March 2016. 2016 Long term indicator of prices of consumer goods and services (code: CDKO).

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² Cost based on exact recipe measures.

³ A composite of stock market indices – mostly the FTSE All Share Index has been used. Gross figure not taking in to account tax payable. Source: Bank of England

⁴ Annual sight deposit rates. Gross figure not taking in to account tax payable. Source: Bank of England

⁵ Estimates from Bank of England

Any views expressed within this report are our current in house views as at 11 May 2016 and could be proved wrong and should not be relied upon as fact.

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