

PRESS RELEASE

23/06/2020



LLOYDS BANK

FOR IMMEDIATE RELEASE

Consumer confidence edges back as non-essential spend improves in May

- Non-essential spend down 32%, compared to 42% in April
- Essential spend in May down 3% compared to last year; 12% down for 18-24 year olds.
- 3% drop marks slight recovery from 5% fall seen in April; driven by a 26% increase on grocery spend.

Spending on non-essential items improved in May relative to the record fall seen in April, data from Lloyds Bank shows.

Recovery in non-essential spend

Following April's 42% year on year fall, the biggest on record, spending in May was down 32% giving hope to businesses that demand is still there.

Whilst the lockdown was eased slightly in the month to allow more social interaction outdoors, the impact of those changes on spending was minimal.

The amount spent on restaurants fell 73% year on year, down one percentage point from April. However, money spent on recreation improved 9 percentage points from a 72% fall in April to 63% in May. Positive increases in spending on electrical goods (29%) and items for the home (8%) have also helped non-essential spend to balance losses seen in the month before.

However, the differences and driving factors in spending behaviour in lockdown is markedly different across age groups. The over 65s have pulled back their spending on non-essentials the most, down

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42%. Around a third of this fall was due to the continued drop in spend year on year on restaurants and holidays, down 85% and 94%, respectively

Essential spend

	18-24	25-34	35-44	45-54	55-64	65+
ESSENTIAL SPEND	-12%	-3%	-2%	-1%	-1%	-6%

Young adults across the UK spent 12% less on essentials, including transport, than a year ago, compared to an average drop across the UK of 3%.

Essential spend recovered following April's 5% fall, driven by the continued increase in spend on groceries, up 26% year on year in May. Fuel spend, down 58% in April, also recovered slightly to -46% in May.

However the month was still defined by the 'Stay at Home' message from the UK Government. This meant that similar to April, spending on commuting in May was down 86% compared to last year.

This had a particularly acute impact on 18 – 24 year olds, who's essential spend fell 12% in May driven predominately by less spending on transport, such as falls in commuting costs (83%) and fuel (39%), which together take up a large proportion of their essential spend.

Further still, rent payments by this age group fell significantly more than any other age group, 8% year on year, further adding pressure to essential spend. Rent payments increased in May for all ages above 35, and fell by just 1% for 25 – 34 year olds.

For those aged over 65 lower payments to health services, such as visits to dentists and opticians, was a major contributor to its greater than average fall in essential spend in May; -3% of the 6% fall.

	18-24	25-34	35-44	45-54	55-64	65+
COMMUTING	-83%	-86%	-86%	-84%	-86%	-97%
FUEL	-39%	-41%	-45%	-45%	-49%	-60%

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The fall in essential spend across all age groups was tempered by the continued increase in spending in supermarkets, up 26% year on year in May, the same increase seen in April. Both the youngest and oldest in society increased spend by the least (5% and 2% respectively) providing further reason for their exaggerated dip in essential spend in May.

	18-24	25-34	35-44	45-54	55-64	65+
FOOD AND DRINK	16%	30%	31%	33%	33%	8%

Gabby Collins, Head of Payments at Lloyds Bank, said:

“Data taken from the reopening of non-essential shops in June showed a spike in spending of 110% on clothing alone, adding hope that the slight recovery in May of non-essential spend will be sustained as other parts of the economy slowly come to life.”

“As ever, we would strongly encourage everyone to take stock of their personal financial position, and ready themselves for potential headwinds in the recovery of the UK economy.”

ENDS

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Essential & Non-Essential spending

Essential and Non-essential spending components are made up of identifiable transactions from debit and credit card spending, direct debits and standing orders from current account data (cash transactions are not included in this analysis). There are strong calendar effects within 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. All figures presented represent a year on year comparison.

The data has been weighted to be representative of the UK population.

This report is prepared from information that we believe is collated with care, however, it is only intended to highlight issues and it is not intended to be comprehensive. We reserve the right to vary our methodology and to edit or discontinue/withdraw this, or any other report. Any use of this report for an individual's own or third party commercial

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