

British Lifestyles

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Brits finally cut back as tighter economy takes hold

Latest research from MINTEL's flagship report, British Lifestyles, finds that people are now really starting to feel the pinch.

Exclusive consumer research shows that almost three in every five adults (57%) have recently had to cancel their spending plans because they were uncertain about their personal financial situation. And the first things to go when financial insecurity raises its ugly head? Holidays, DIY and savings. Indeed, one in five (20%) delayed a family holiday, 16% had not carried out their planned home improvements and one in nine (11%) had chosen not to increase their savings.

"People are clearly starting to get a sense that things are not as easy financially as they once were," comments Peter Ayton, Chief Statistician at MINTEL. "In light of the credit crunch, borrowing has now become harder and we are likely to see even more people having to make sacrifices when it comes to their spending in the future."

The most common reason for this belt tightening is the rising cost of day to day living, with some 44% of those who have cancelled their plans doing so for this simple reason. Meanwhile, almost one in five (17%) had been hit by unforeseen household bills and the same proportion (17%) said that they just felt they needed to be more careful.

On top of all this, what people may not realise is that income tax and national insurance now take a greater proportion of our gross income. Having increased from 14.6% in 1997 to an estimated 17.8% in 2007 (a rise of some 3.2 percentage points), this has dealt our wallets yet another hefty blow.

"While people are clearly aware of the rise in house prices, utility bills and the cost of food and petrol individually, many may not have thought about the combined impact these price hikes have had on their income. But this, along with the gradual increase in direct tax has seriously dented people's spending power and it is now more obvious than ever that incomes don't stretch as far as they once did," comments Peter Ayton.

Mortgages take Â£1 in every Â£4

In 2007, mortgage costs (interest and repayments) took the largest share of our spending, having more than trebled (up 213%) in the 10 years to 2007. They now account for 25% of consumer spending or for Â£1 in every Â£4, while ten years ago this was nearer just 14%.

"Despite the unprecedented growth in house prices over the last decade, the housing boom is now well and truly over. Credit will now be increasingly hard to come by and the mortgage to income ratio will come down with a bump to more realistic levels," says Peter Ayton.

Economic forecast: Weathering the storm

2008 is expected to be tough for the economy, but the underlying fundamentals are still in place. When it comes to the housing market, there will undoubtedly be some adjustment in prices, but interest rates are not expected to rise by any substantial amount. If employment remains steady and social mobility stays high, then the underlying demand for housing will be sustained, even if house prices do nothing startling in the next five years as incomes catch up.

This being the case, the economy is expected to get back on track in 2009/10, helped by the investment in the run-up to the Olympics and the approach of the general election.

"While consumers have been largely responsible for supporting the strong economy over the past decade, the corporate sector is expected to be the mainstay of growth towards the end of this decade and into the next," explains Peter Ayton.

Winners, losers and opportunities

End of the month purchases under threat

While a fairly buoyant corporate sector will mean that gross incomes should rise at reasonable rates, our income will continue to be whittled away by higher taxes, larger essential household bills and repayment of debt. Because of this, many people will find that their money runs out earlier in the month. Savings and pensions products as well as charities

may well suffer as they often rely on people contributing whatever money they have left at the end of the month. All the more reason for encouraging direct debits.

Well being dressings

The most impressive growth seen in the over-the-counter pharmaceutical market was in sales of alternative medicines and self-diagnostics; in the personal care it was cosmetics and skin- and body-care; and in adornment (which includes clothing, footwear and jewellery) it was precious jewellery and women's accessories. The concept of looking good means feeling good is gaining ground. Is it time for aromatherapeutic pendants - those that look good, release fragrances that make you feel good and which give those who wear it glowing skin? It would be a branding and product extension of the arthritis-preventing bracelet to a wider audience.

Blog slob

Looking at the food markets over the past decade suggests that the nation is becoming healthier: fruit and vegetable sales are up 14% in real terms; crisp and snacks down 24%. But at the same time obesity is growing. One of the main reasons for this has to be our increasingly sedentary lifestyles, with more time now spent in front of the computer than ever - whether at work, school or at home. The time has come for computer food - low fat, healthy products specifically designed to be eaten with the non-mouse hand.

Computer workouts

When it comes to the nation's kids there is a difficult balance to strike between time on the computer doing home work and socialising and getting exercise and fresh air. Could the answer be the computer gym - a computer desk with a sitting treadmill, vibrator belt for keeping trim and a fan which draws air from outside through a filter.

Mobile extension

The age of the mobile as solely a telephone is long gone, as they have already encroached on photography and computers. They are now also becoming the new tool in a march towards the cashless society. Mobiles could soon be extended into diagnostics alerting owners to possible medical conditions; into security, linked to CCTV to tell people that they have an intruder; and be combined with Satnav to end the eternal, "where are you?" question.

No reason to go out

Once price rises (or falls) have been taken out of the equation, communications and technology have soared while entertainment has stagnated. People can watch a downloaded film on cinematic-quality screens; socialise with friends on a social network and even play sport with a Wii at home. The next challenge for the home entertainment industry is to recreate the excitement of the typical day out market at home.