Budgeting Makes A Comeback For The Newly Prudent Consumer

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With stagnating house prices, bleak unemployment data and a Eurozone in crisis, itâ€™s no surprise that consumers have continued to re-assess their approach to the way they manage their finances.

Indeed, according to new research from Mintel, the tough economic climate has prompted almost half (45%) of the population to change their attitudes towards borrowing money.

It seems that the economic climate has created a new breed of prudent consumer with a return to the traditional virtues of budgeting and sound financial management. Mintelâ€™s research highlights that almost two fifths (38%) of the population can be described as â€œnewly prudentâ€• - with attitudes changed post recession. These consumers have re-evaluated their approach to managing debt, and take a hard line on spending - if they canâ€™t afford to buy it now, then they wonâ€™t borrow t pay for it.

Toby Clark, Head of Financial Services Research at Mintel, said:
â€œEconomic difficulties have made their mark on consumer behaviour in both the here-and-now and into the future. In the short-term, this return to a more debt-averse mindset could spell further pain for retailers and other businesses relying on consumer spend. But over the longer-term, a more prudent approach to managing household finances can only be a positive, for consumers and for the economy as a whole.â€•

Within Mintelâ€™s research, a quarter (25%) of consumers claimed to be "Well Prepared" for the slowdown and 37% claimed to be "Stretched". However â€œThe Newly Prudentâ€• made up the largest group at 38% - who have been shocked into reassesing their spending and borrowing habits.

Overall, two thirds (64%) British consumers said that if they canâ€™t afford to buy something without borrowing to pay for it, then they wonâ€™t buy it - and almost as many (59%) disagreed with the statement that â€˜I tend to spend now and worry abou it laterâ€™. A further 56% of Brits claim that they have got some savings to draw on in case of emergencies.

The research also highlights the difference age makes to financial mindset - but the responses donâ€™t follow the straightforward, linear progression from old to young that some might expect. Over seven in ten (75%) over-55s wonâ€™t buy something if it means borrowing money, the same proportion have emergency savings and just 7% say that they â€˜spend now and worry about it laterâ€™.

But while under-25s are more likely to have a â€˜spend now, think about it laterâ€™ approach (26% of this group claim to do this), theyâ€™re actually more likely than 25-44-year-olds to have some savings to draw on (56% of under 25s versus 49% 25-44-year-olds), and are as likely as consumers overall (62%) to say that they wonâ€™t borrow money to buy things that they canâ€™t afford.

Debt, predictably, has a huge impact on household finances. Overall, a third (34%) of borrowers are worried about their debts. Three quarters (72%) of Brits have money outstanding on at least one type of credit, 35% secured credit, while almost two thirds (63%) have unsecured debts.

Credit Cards (47%) are the most common type of debt to owe money on, followed by Mortgages (34%). Current account over draft facilities (26%) and Store Cards (12%) make up the remaining top five.

But overall it appears Brits are continuing their sensible financial attitudes when it comes to credit. Indeed, the majority of Brits (64%) claim to usually clear their credit card balance each month (compared to the 11% who pay the minimum) and nearly one in five (19%) have tried to reduce the amount they use their credit card over the past two years.

Over one in ten (13%) Brits have applied for a credit card in the past 12 months. Alarmingly though, it appears not all Brits are completely aware of their financial credit situations - as a massive 15% claim they are not sure what the annual APR is on their credit card.

Source: Mintel Oxygen Reports

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