British spending hits a record high of ?1 trillion

Contributed by MINTEL
Friday, 02 June 2006
Last Updated Friday, 02 June 2006

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In real terms, growth over the last decade has been greatest in the 'considered expenditure' arena, which includes all big ticket purchases such as holidays, cars, furniture and appliances. Collectively these markets experienced an impressive 57% growth over the ten years to 2005. This is compared to 51% growth in 'housing and finance' and a 49% increase in 'occasional expenditure', which are basic necessities, that need some consideration before purchasing, such as clothing, kitchenware and going out. The smallest growth was seen in 'everyday expenditure', including food and drink, tobacco, printed media, medication and toiletries, which grew by only 18% over the same ten year period.

"The Â£1 trillion mark is a significant milestone in the expansion of the British consumer economy. The last ten years have clearly been the decade of big ticket purchases and the buoyant expenditure on these items such as holidays, cars, furniture and appliances reflects the growing affluence of the British nation as a whole," comments Paul Rickard, Director of Research at MINTEL.

Holidays: Wish you were here....?
Today, holidays are the number one luxury or non-essential area of spending, exceeded only by house purchases and alterations, life assurance, food and the combined cost of rent, council tax and water. Together holidays and travel insurance now account for around a third of 'considered expenditure', with spend increasing some 19% between 1995 and 2005 to reach almost Â£47.5 billion or some Â£790 a year for every man, woman and child in Britain today.

"Despite a series of devastating natural disasters and terrorism attacks in key holiday destinations since the start of the millennium, the British have proved to be a resilient lot and are now travelling abroad more than ever before. Enthusiasm whetted over the years by the availability of cheap package deals and cheap air travel is undoubtedly fuelling a taste for more unusual adventurous holidays, sometimes in more exotic destinations. It is also now not uncommon for families to go on several vacations a year with the trend very much moving towards shorter but more frequent breaks," comments Paul Rickard.

Home appliances: Switch on to new technology
Looking at other big ticket purchases, domestic appliances, including white and brown goods, home computers and laundry appliances such as washing machines and dryers, have seen a significant level of growth over the past decade. The market as a whole increased 58% in real terms to be worth Â£12.3 billion, representing around Â£475 spend per household a year or the equivalent of a good quality washing machine each year.

At the start of the decade white goods dominated the domestic appliances market, accounting for almost half the value, with brown goods, laundry appliances and small/home computers languishing some way behind. But today brown goods, such as TVs and DVD players are the largest sector (47%), with the switch happening at the start of the millennium.

The brown goods sector and home computers are the two areas that have seen the greatest levels of growth over the past decade. Brown goods have experienced growth of some 642% in real terms, generating total sales of Â£5.8 billion, while home computers have seen 695% growth, demonstrating the rise of working from home. However, both these sectors have experienced considerable price deflation. The price of these products usually fall rapidly after they are first put on the market and growth in these sectors was 108% and 123% respectively over the ten year period once this had been taken into account.

"Despite the maturity of the brown goods market, sales of products such as TVs and stereos have not suffered since reaching the point where almost every household has one, they have in fact thrived. The televisions market in particular has been fast moving and driven by developments such as the emergence of widescreen formats, flatscreen technologies, digital sound and vision, and advances in broadcasting capacities. The introduction of DVD players has also given this sector a real boost but this has undoubtedly been at the expense of spend on video players," explains Paul Rickard.

"The British are far more likely to upgrade a TV, stereo or even home computer before it has reached the end of its life, a trend that is not as apparent in the market for the more mundane appliances, such as washing machines, tumble dryers or dishwashers."

Furniture and furnishings: Britain sees the light
The total market for furniture and furnishings has grown strongly (21%) since 1995, to reach Â£13.8 billion last year, equating to Â£534 per household per year. Domestic lighting, the smallest sector within the furniture and furnishings market, has shown the fastest growth, up some 60% to Â£809 million in 2005.

"Lighting has been propelled by consumersâ€™ increasing sophistication and understanding of how room lighting can be used as a quick and easy makeover. In addition, there has been faster growth in more expensive options such as halogen lamps, the energy-efficient CFLs and spotlights," explains Paul Rickard.

The floorcoverings sector (worth some Â£1.9 billion) has shown the slowest growth by value at just 8% since 2005, with this sector characterised by intense price competition from cheaper imports of carpets, rugs and smooth coverings, such as vinyl and wood laminate. Despite this, smooth floorcoverings are now regularly used to make a smaller room appear more spacious, which will remain an issue in today's often compact homes and demand has shown real increases, with consumers also appreciating its clean modern look as an alternative to carpet.

Motoring: Used-car salesmen drive Britain's car market
Total expenditure on motoring (including car purchase, servicing and security, motorcycles and mopeds) exceeded Â£65.5 billion in 2005, with the market growing 35% in real terms between 1995 and 2005. When it comes to car sales alone, new models provide all the buzz and excitement in the market, but they (whether of new or existing models) only accounted for 29% of total car sales last year. It is in fact used cars that now make up the largest sector, taking 59% of the market, with the remaining 12% accounted for by company cars used for private motoring. While the new cars sector lost value over the decade, used cars increased sales by 152% to be worth Â£23.2 billion. This is double the new car market, a particularly impressive achievement as spend on used cars only overtook new car sales in 1998.

"The used car sector is the real bread and butter of the market and it has been consistently increasing its sales and total share year on year," comments Paul Rickard.

Housing: Home is where the heart (and money) is
Beyond 'considered expenditure' Britain spent an impressive Â£327.5 billion on the place we call home last year alone, making housing the biggest area of spending. In 2005, the British lavished an additional 69% in real terms on housing - which includes anything from house purchase, rent and council tax to home repairs, maintenance and insurance - compared to 1995. Although spending in 2005 saw an increase of 4.2% or some Â£13 billion on 2004 figures, this actually represents a significant slowdown after successive years of rapid growth (21.2% in 2002, 17.9% in 2003 and 9.7% in 2004). The number of housing transactions fell by almost 25% between 2004 and 2005 to reach 1.23 million - the lowest total since 1995 (1.19 million).

"Last year saw the housing market stagnate as some buyers, particularly first-time buyers, decided to wait and see how prices would move before they committed to buying a house. The slowdown in the property market with stagnant house prices, less borrowing on home loans and fewer approvals for house purchases all contributed to the lower growth in overall spending on housing during 2005," explains Paul Rickard.

Finance: Britain's borrowing grinding to a halt?
Total expenditure on insurance and pension products increased by 36% over the ten years to 2005 to reach Â£123 billion, some way behind the peak of Â£142 billion of 2000. That said, consumer expenditure on both personal and occupational pensions has recently started to edge up as people realise that they must bolster their retirement provision. With reliance on state pensions not an option for many, spending on pensions looks set to increase over the next decade.

When it comes to borrowing, net consumer credit peaked at Â£23 billion in 2004 as the â€˜credit boomâ€™ saw ever-increasing levels of borrowing, particularly on credit cards and personal loans. But between 2004 and 2005 the amount consumers borrowed over and above what they paid back fell by a massive 28% to just under Â£17 billion as consumers clearly started to become more sensible about their borrowing habits.

* all spend on goods and services, as well as contributions to pensions and other financial products, council tax and an assessment of true housing costs.
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