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HOUSEHOLDS PREPARING FOR THE WORST AS THEY BATTEN DOWN THE HATCHES

With growing pessimism about the state of their household finances, a third of Britons plan to cut back their spending this year, a significant rise from in October. More also say they are now saving and planning to pay down their debt, according to new polling from independent think tank, the Resolution Foundation. The poll is the third in a new quarterly tracker of household finances, carried out by respected polling firm Ipsos MORI.

Around a quarter (23%) of adults expect their household finances to get worse in the next year, with those on low to middle incomes the most pessimistic. This is a return to the levels of pessimism seen last summer.

One third of adults (32%) are now planning to cut back spending in the next year – a sharp rise compared to only 19% who said they would back in October. The poorest households and those in full-time work are even more likely to say they will cut back (both 38%).

Those making monthly savings have jumped from only 1 in 5 in October (22%) to 30% now, rising to half of those on higher incomes. 17% overall now plan to reduce their personal debt, compared to 12% back in October.

The research also finds that:

- 30% said they spent less at Christmas this year than last year
- 1 in 5 (19%) cannot afford to go away on holiday this year

Even in the context of this continued pessimism, some are still holding out for a pay rise: one quarter (25%) of those in work still say they expect to get a pay rise this year, rising to 32% of higher earners.

The news comes just before latest UK GDP figures are revealed on Wednesday and with bleak unemployment figures just out.

Gavin Kelly, Chief Executive of the Resolution Foundation said ‘families that are already hard pressed are preparing for yet another very tough year ahead, with a big rise in the numbers planning to cut back spending as well as trying to save and reduce their debts. Given this gloomy backdrop it’s a real worry that a

new round of cuts to tax credits planned for April will further dampen the spending power of low to middle income families. The longer households cut back on spending, the longer it will be before we see real economic recovery’.

Notes to editors

1. Polling of 1993 British adults carried out face to face by Ipsos MORI during 6-12 January 2012. Data are weighted to the national profile.
2. Low to middle income households are defined as those with incomes below the UK median - but excluding those with household incomes equivalent to the bottom 10% of working age households - and adjusted for household size. This equates to a gross household income of £12-30k for a couple with no children, £24-42k for a couple with 2 children and up to 48k for a couple with 3 children. Poorest households are defined as those below these income brackets, and higher earners above. Polling figures by household income exclude those who declined to state an income.
3. The Resolution Foundation is an independent think tank working to improve the lives of people on low to middle incomes. This includes 11 million adults in 6 million households in the UK
www.resolutionfoundation.org

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