

The Impact of COVID-19 on Household Finances - UK - April 2021

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This report looks at the following areas:

- The impact of COVID-19 on financial wellbeing and consumer confidence.
- The impact of COVID-19 on work, including experiences of furloughs, job losses and changes in income
- Consumers' spending habits during the pandemic, including cutting back on non-essential spending and big-ticket purchases, and savings activity
- Consumers' spending priorities for the post-pandemic environment.

27% of people in work or retirement have experienced a reduction in income since the start of the COVID-19 outbreak, while 17% have seen their pay go up and 55% say their income has remained stable. The uneven distribution of furloughs and job losses, concentrated primarily among low-skilled workers, has deepened income inequality during the outbreak. This will shape the course of the recovery and result in different outcomes for different consumer groups.

Despite the massive disruption caused by COVID-19, consumers' financial wellbeing has steadily risen on the whole over the last year. Similarly, consumer confidence has recovered to a historic high level, having fallen sharply during the initial lockdown. While those who have been affected by job losses and other vulnerable consumers have suffered financially as a result of the pandemic, the overall picture shows that most households have made it through the worst of the crisis with their finances intact. Indeed, many have been able to boost their savings, with record deposits seen during the outbreak.

Looking ahead, unemployment is still expected to rise in the coming months as state support for businesses and workers is withdrawn. This will clearly threaten some household finances, but most should be fine. For consumer-facing businesses, another threat is how willing consumers will be to spend their new or enhanced savings.



"COVID-19 has impacted British business and social life like no event since the Second World War. Household finances have not been exempt from this. Rising unemployment and income cuts have plunged some – particularly already vulnerable groups – into financial difficulty."

– Rich Shepherd, Associate Director – Financial Services

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On the whole, though, consumers are expected to use at least some of their increased savings to spend on treats in the post-pandemic economy. Experiences look set to benefit the most, with consumers prioritising holidays and smaller treats for themselves and family over saving and big-ticket purchases.

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