

Consumers and the Cost of Living - UK - 2023

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This report looks at the following areas:

- The impact of the rising cost of living on consumers' financial wellbeing and confidence.
- How consumers have changed everyday behaviours in response to high inflation, and what they expect to do in the months ahead.
- What areas of spending consumers are most keen to prioritise and protect.
- How long consumers expect to be living with high inflation.
- The level of concern about rising interest rates, attitudes towards government support measures, and the changes in how consumers are searching for products and considering value.
- Consumer attitudes towards the cost of living crisis, including support for businesses, and changes in the perceived importance of ethical and environmental standards.

The cost of living crisis has prompted widespread changes to consumer behaviour. One of the most striking is the finding that 45% of remote workers are planning to reduce the time they spend working at home as a direct response to increased energy costs. Remote work was a key driver of the pandemic boom in savings as workers saved on commuting and other work-related costs. As energy prices have spiked, however, this benefit has been diminished.

The biggest behavioural changes have been seen in consumer shopping habits. 42% of consumers have followed a stricter shopping list, and 35% bought more reduced items. 27% have traded down to buying cheaper ingredients, raising the opportunity for retailers to promote inflation-inspired budget recipes and tips on how to use cheaper alternatives.

High inflation is no longer the only major threat to household finances. The Bank of England has repeatedly increased the base rate of interest in an attempt to bring inflation back under control, most recently raising it to 4% in February 2023. This has had a knock-on effect on the cost of servicing debts. Already by



"Decades-high inflation has prompted significant and wide-ranging changes in consumer behaviour. Savvy shopping and a focus on value has come squarely to the fore, and people are particularly interested in ways to reduce energy use."

– Rich Shepherd, Category Director – Financial Services and Lifestyles

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October 2022, 64% of consumers were worried about the impact of rising interest rates on their finances, rising to 80% of mortgage holders and 73% with any unsecured borrowing.

55% of Brits expect to face high levels of inflation until at least late-2023, including 23% who foresee steep price rises well into late-2024 and beyond. This means an overall cautious mindset is likely to dominate for a while yet. However, longer-term expectations provide opportunities to promote products and services that will help people do more than just 'get through' this period, and help them thrive despite the challenges. The "lipstick effect" is already in full effect across multiple categories as people hunt down affordable luxuries.



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