



# Household Economic Activity Tracker (H.E.A.T), SEPTEMBER 2012

Data for the period ending August 2012

SixthSense™

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**PUBLISHED BY:**

YouGov Plc, 50 Featherstone Street, London, EC1Y 8RT  
T: +44 (0)20 7012 6063, F: +44 (0)20 7012 6001, E: [sixthsense@yougov.com](mailto:sixthsense@yougov.com)

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## Introduction & Scope

This report presents monthly indicators of consumer confidence and the ability of consumers to spend. It provides a valuable input to understanding broad economic and consumer trends.

Results are based on a commissioned survey among YouGov's online panel, drawing on a nationally representative sample of UK adults aged 16+. Because of the survey's structure, sample sizes vary for different parts of the survey (see figure bases).

### Fieldwork dates

Since the first publication of HEAT and up until March 2011, the fieldwork spanned two monthly periods: e.g. the February 2011 report contains fieldwork for the period 9 January 2011 to 4 February 2011. The bulk of the fieldwork always took place in the month prior to publication. From March 2011 onwards, all fieldwork takes place wholly in the month prior to the month of publication.

To avoid confusion between the publication date and the fieldwork date, from March 2012, YouGov has aligned fieldwork and publication dates. This means all the trend data are now allocated to the month prior to the publication date: e.g. data published in May 2012 have now been attributed to April 2012. The re-allocation has been applied to all data going back to March 2009 given that the fieldwork wholly or principally related to the month prior to publication.

### Definitions

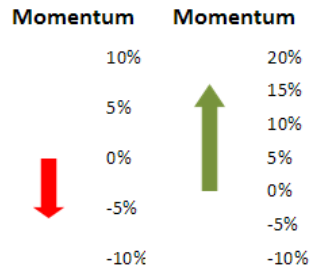
Throughout this report the core measures of confidence and opinion are indices. The indices are measures of the percentage of respondents stating a measure of confidence, or stating that spending has risen/got better/improved minus the percentage stating that it has fallen/worsened. The figure below provides two examples.

How do you think your household's financial situation will have changed 12 months from now?		Compared to one month ago, how price-conscious are you when you are shopping?	
Worse	49%	Less	1%
No change	33%	No change	39%
Better	18%	More	60%
<b>Index (better minus worse)</b>	<b>-31%</b>	<b>Index (more minus less)</b>	<b>59%</b>

Also used as an indicator of confidence and spending is momentum. Momentum is defined as the change in an index or score, so a movement in an index from negative to positive or from more negative to less negative is taken as an indicator of things moving in a positive direction (positive momentum). Similarly, a movement in an index from positive to negative or from more positive to less positive is taken as an indicator of things moving in a negative direction (negative momentum).

## Symbols

To display the current state of opinion, YouGov has employed bar charts. The change in an index from one period to another is measured by the momentum. This is also shown in graphic form. Positive momentum is shown by a green (or 'Go') arrow, while negative momentum is shown by a red (or 'Stop') arrow, as shown in the graphic below.

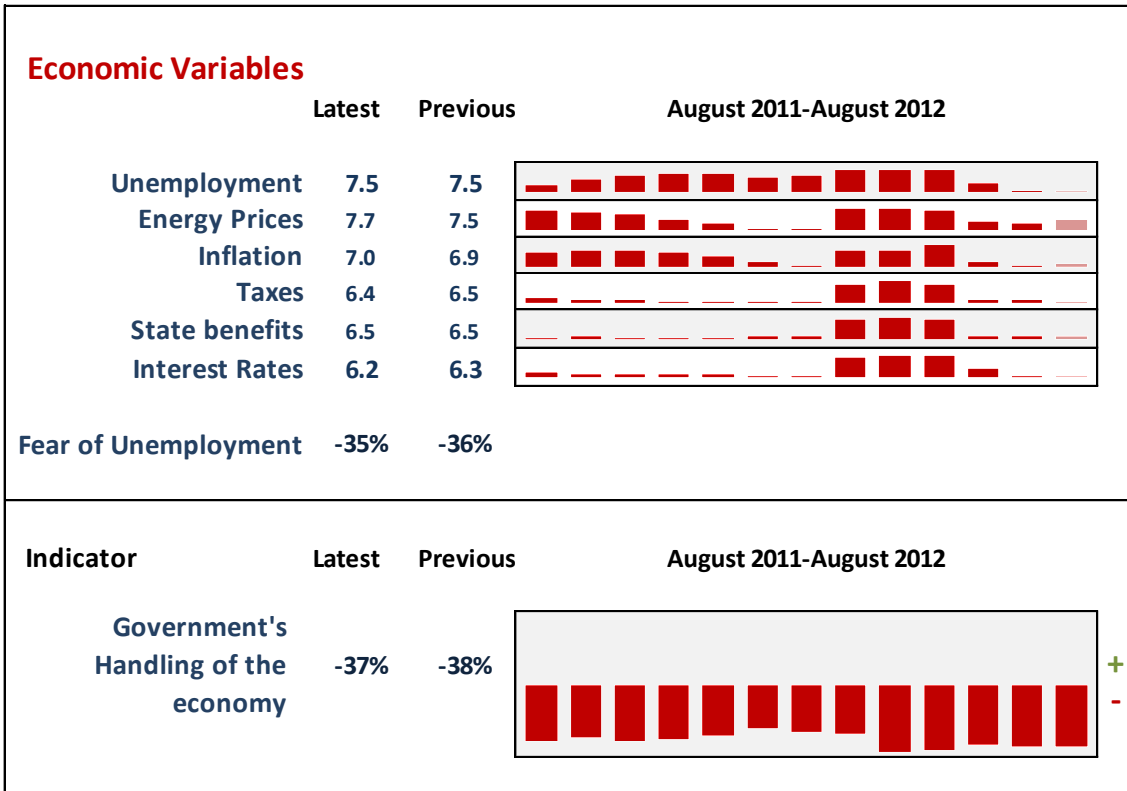


# Report Summary

## Finances and Spending



### Major Concerns





# Household Financial Position

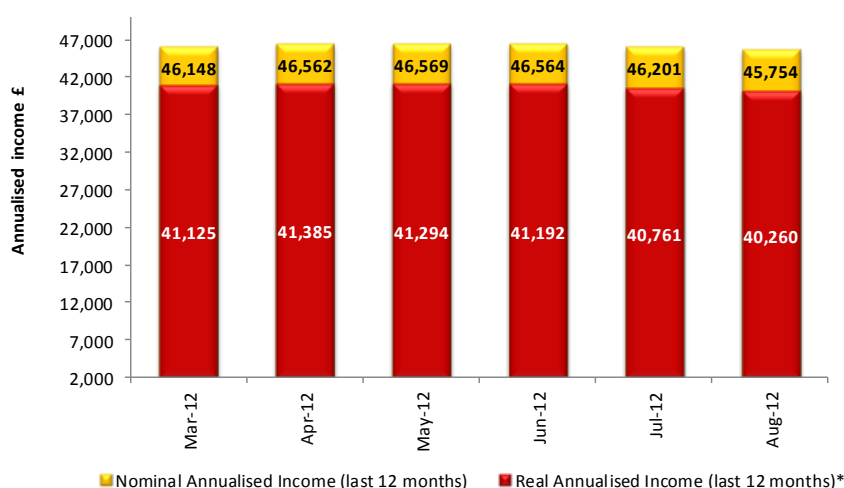
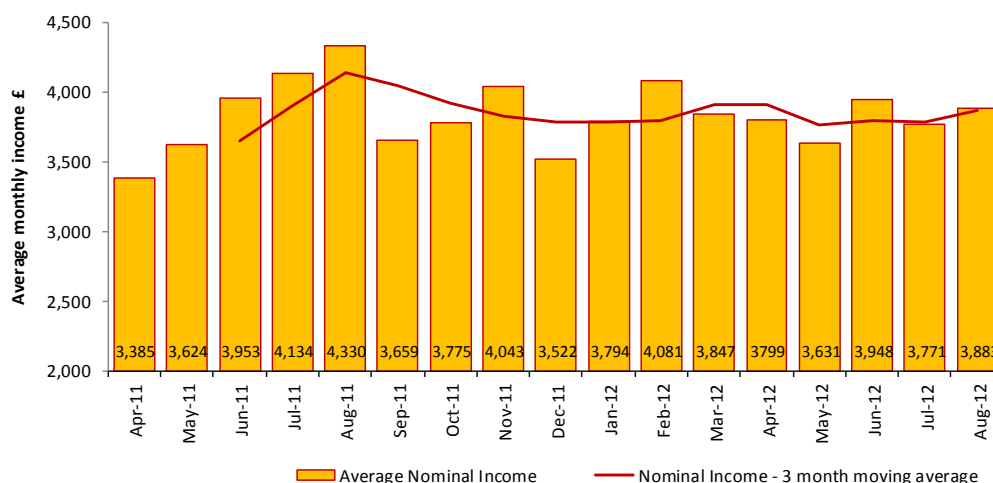
## Household income increases

In August 2012, households saw their monthly income increase by 3%, compared with July 2012, reversing last month's reported decline. Over the past 12 months, income fell by 1% this month, compared with the previous, equivalent to a 1.2% decline in real terms.

**Figure 1 Household financial position: average household income, August 2012**

Base: UK adults aged 16+: last month 6,618; this month 6,266

	Last month	This month	Momentum
Nominal monthly income	£3,771	£3,883	3.0%
Nominal annualised income (last 12 months)	£46,201	£45,754	-1.0%
Real monthly income*	£3,294	£3,377	2.5%
Real annualised income (last 12 months)*	£40,761	£40,260	-1.2%



\* deflated by the retail price index all items April 2009 = 100

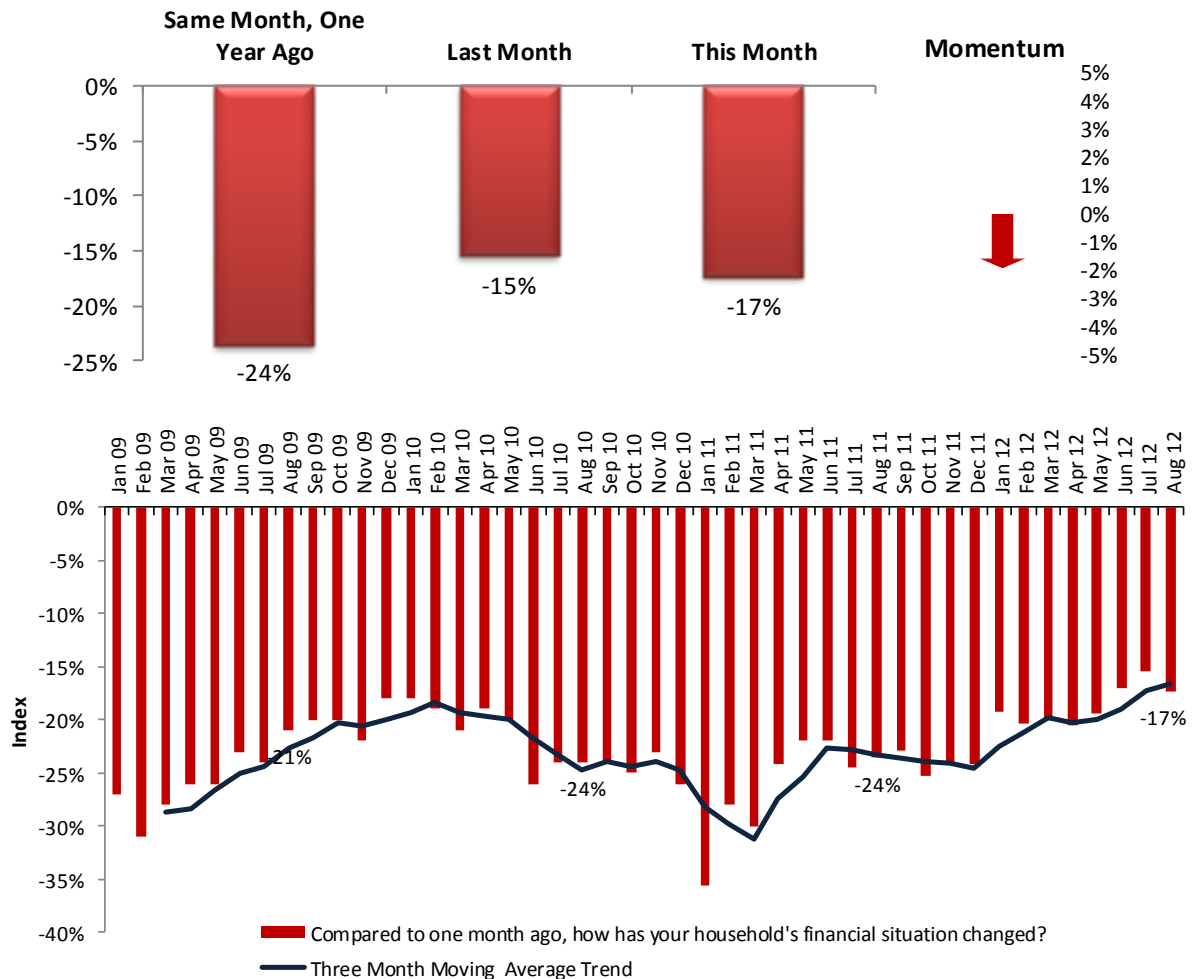
Source: YouGov SixthSense HEAT report

## Slight deterioration in household finances

**Figure 2 Household financial position compared with one month ago, August 2012**

Base: UK adults aged 16+: last month 6,618; this month 6,266

Compared to one month ago, how has your household's financial situation changed?



Index = % stating better minus % stating worse

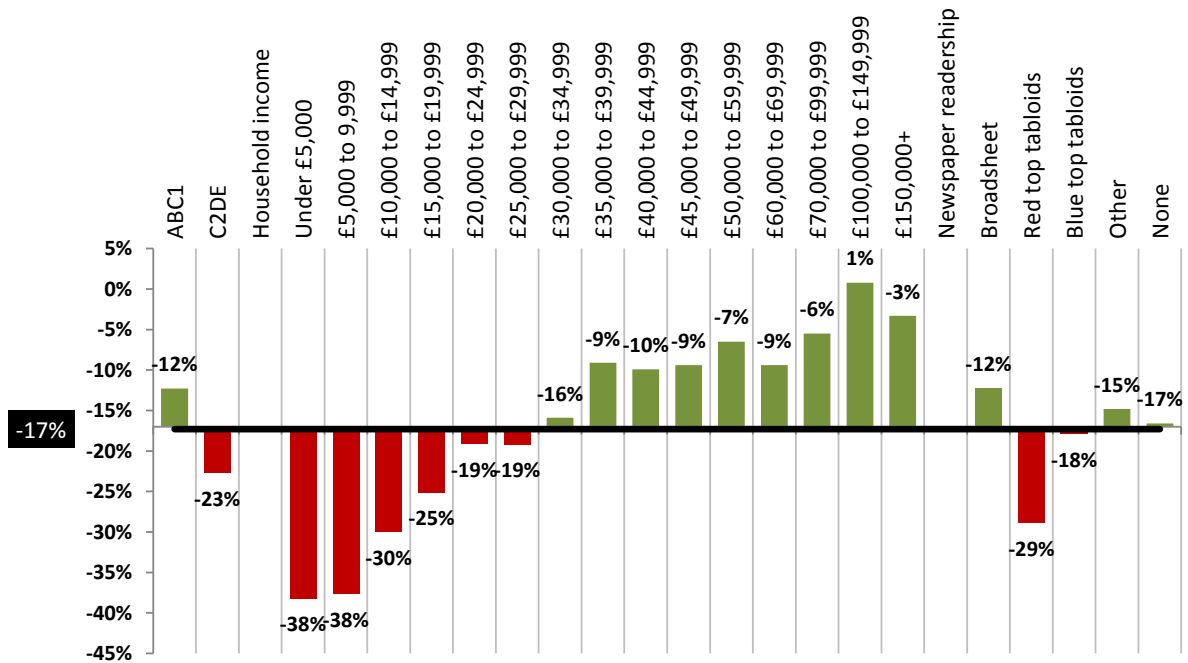
Source: YouGov SixthSense HEAT report

Reflecting the fall in annualised income, the financial situation of households, assessed over the past month, worsened slightly this month compared with the previous, although this was not enough to counter an improving trend in household finances that started in January 2011. Despite this improving trend, the financial squeeze faced by households remains intense.

**Figure 3 Household financial position compared with one month ago, by key demographics, August 2012**

Base: UK adults aged 16+: last month 6,618; this month 6,266

Compared to one month ago, how has your household's financial situation changed?



Index = % stating better minus % stating worse

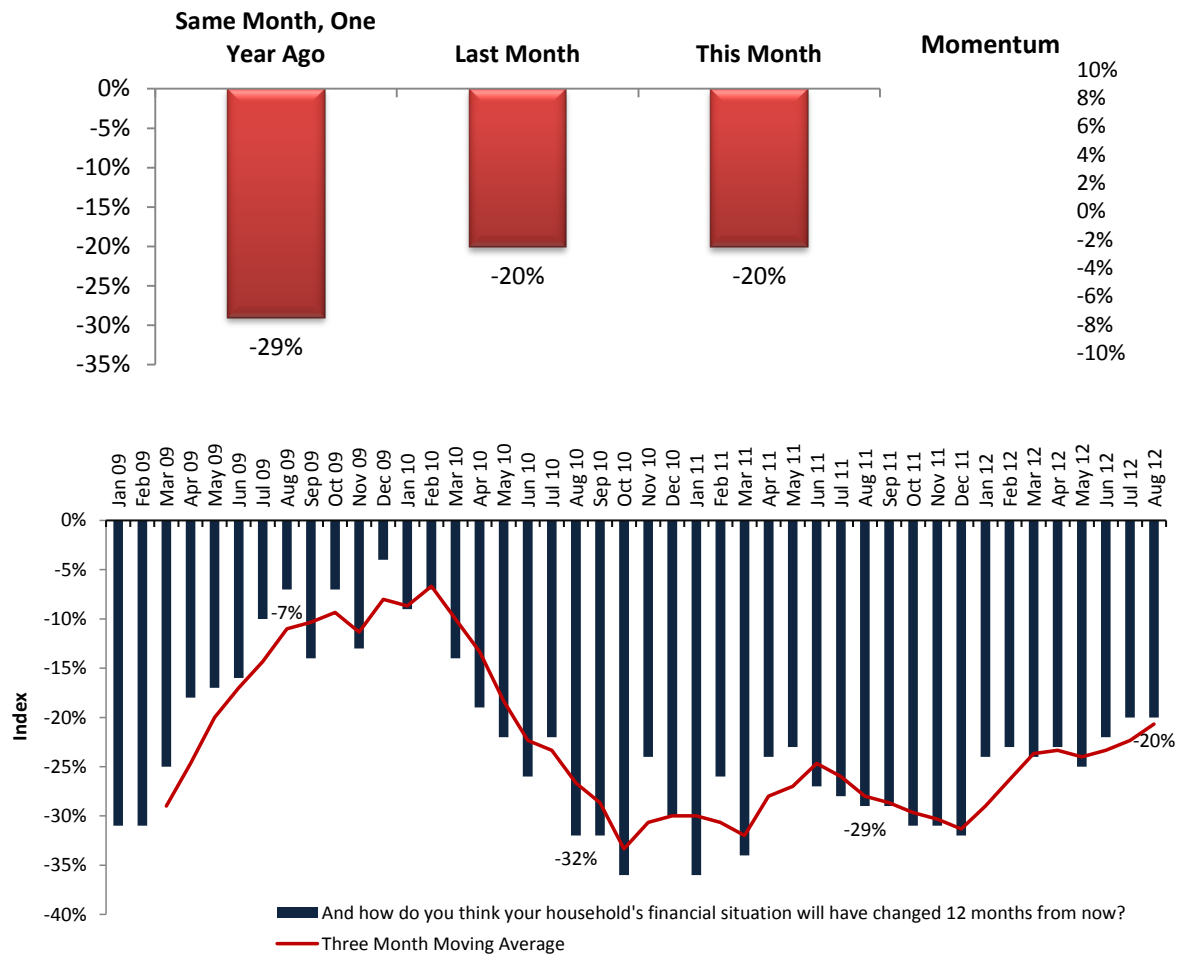
Source: YouGov SixthSense HEAT report

Currently, adults who read tabloid newspapers are under the greatest financial pressure. In contrast, broadsheet readers currently face the best financial situation.

**Figure 4 Household financial position 12 months from now, August 2012**

Base: UK adults aged 16+: last month 6,618; this month 6,266

And how do you think your household's financial situation will have changed 12 months from now?



Index = % stating better minus % stating worse

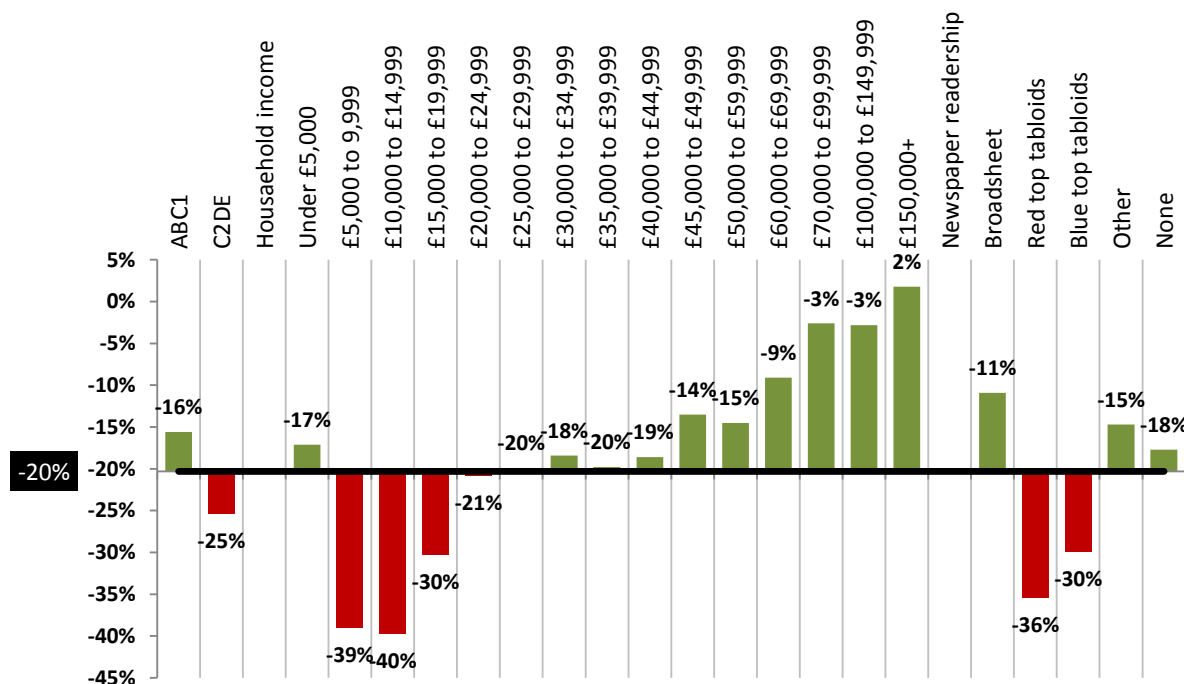
Source: YouGov SixthSense HEAT report

Consumer views about their household finances over the coming 12 months were unchanged in August 2012, compared with July. Despite the lack of momentum this month, the longer-run trend remains one of improving expectations as to the financial outlook over the coming year, although consumers continue to expect a difficult coming 12 months.

Over the coming year, it is adults on incomes below £20,000 that will face the tightest financial squeeze, this being especially so for households with an annual income of no more than £15,000.

**Figure 5 Household financial position 12 months from now, by key demographics, August 2012**

Base: UK adults aged 16+: last month 6,618; this month 6,266



Index = % stating better minus % stating worse

Source: YouGov SixthSense HEAT report

Readers of broadsheet newspapers expect the easiest financial conditions over the coming year, while readers of red top and blue top tabloids will face the hardest conditions.

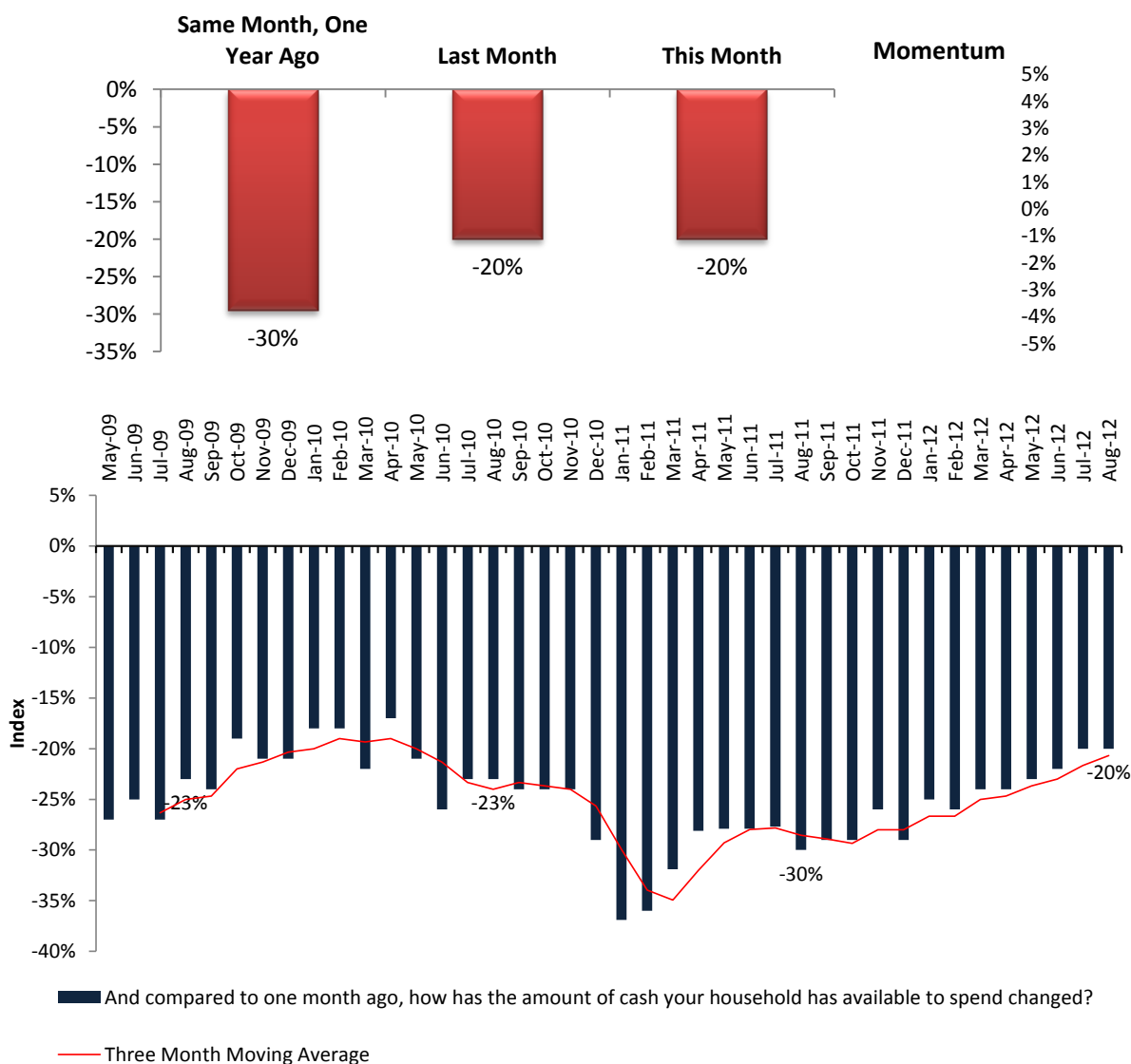
## Consumer Spending Indicators

### No change in cash resources

**Figure 6 Indicators of willingness to spend: cash availability, August 2012**

Base: UK adults aged 16+: last month 2,196; this month 2,079

Compared to one month ago, how has the amount of cash your household has available to spend changed?



Cash available to spend index = % stating higher minus % stating lower

Source: YouGov SixthSense HEAT report

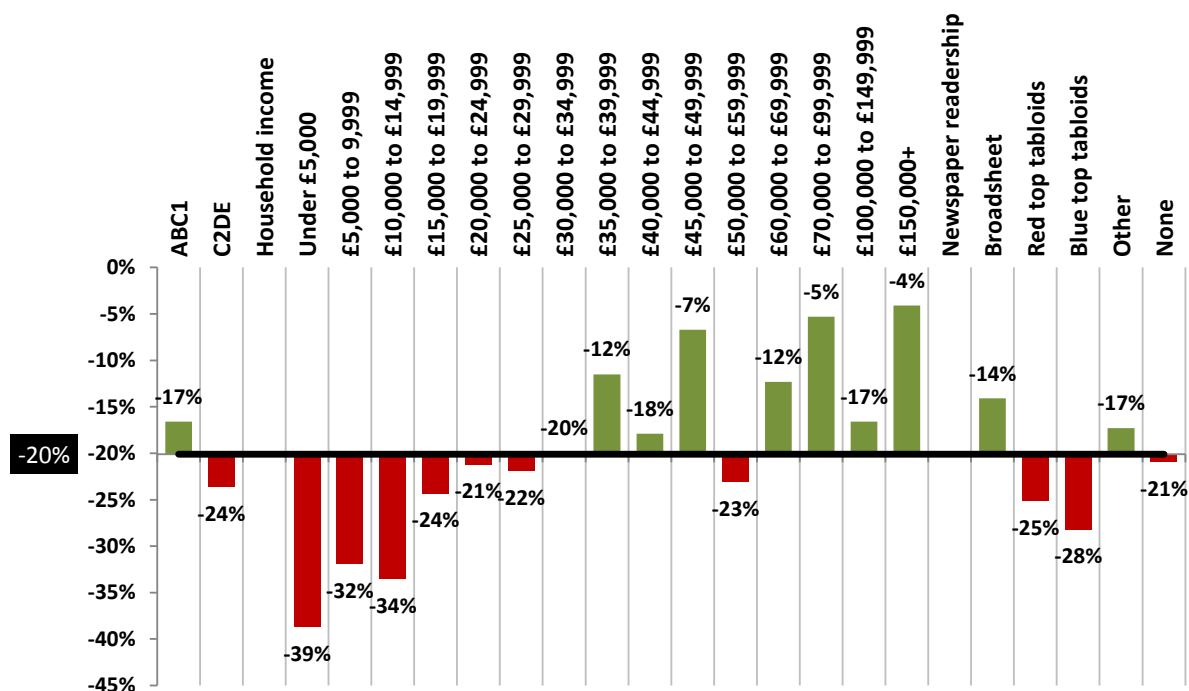
The amount of cash available to consumers remained unchanged this month, compared with the previous. Despite the lack of momentum this month, this month’s survey results fit into the pattern of gradually improving cash resources that have been evident since 2011. While consumers seem to have more freedom to spend today compared with last year, they can hardly be said to be awash with spending power: financial discomfort has eased but it is far from having ended.

Over the past month, less affluent adults (incomes below £15,000), tabloid newspaper readers and adults who do not read any newspapers have been the most financially constrained in terms of cash availability. Readers of broadsheets and adults with income exceeding £35,000 have generally tended to spend the most. However, it should be noted that even for affluent adults, cash spending has been constrained.

**Figure 7 Indicators of willingness to spend: cash availability, by key demographics, August 2012**

Base: UK adults aged 16+: last month 2,196; this month 2,079

Compared to one month ago, how has the amount of cash your household has available to spend changed?



Cash available to spend index = % stating higher minus % stating lower

Source: YouGov SixthSense HEAT report

### “Free Cash” resources down slightly

When consumers were asked to indicate how much cash their household has available to spend each month, after deducting taxes, including council tax, and expenditure on accommodation, utilities and groceries, the average figure for August 2012 was £476, 1% less than in July 2012.

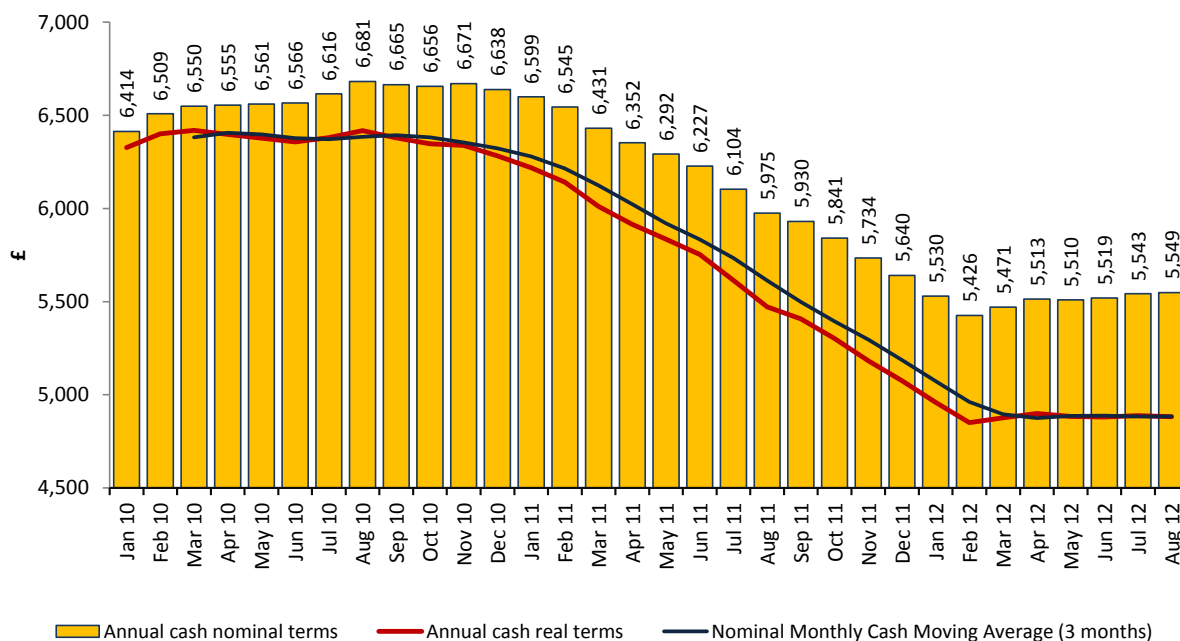
When data for the past 12 months are summed together, the average “free cash” resource of households was £5,549, slightly up on the figure for the previous month, although once inflation is taken into consideration, annual resources fell 0.1%.

On an annualised basis, the amount of nominal cash resources available to households in August 2012 (£5,549) was 7% lower compared with August 2011 (£5,975). In real terms, annual cash availability has fallen by 11% over the same period (£5,472 to £4,882). The good news is that the rate of decline over the same month of the previous year is tending to decline and since February 2012, there has been an upward movement in cash availability, albeit slight.

**Figure 8 Free cash available to spend: average cash availability, August 2012**

Base: UK adults aged 16+: last month 6,618; this month 6,266

	Last Month	This Month	Momentum
Nominal monthly cash to spend	£481	£476	-1.0%
Nominal annualised cash to spend (last 12 months)	£5,543	£5,549	0.1%
Real monthly cash to spend*	£420	£414	-1.4%
Real annualised cash to spend (last 12 months)*	£4,888	£4,882	-0.1%



Question: And approximately how much cash does your household have available to spend each month, after deducting taxes, including council tax, and expenditure on accommodation, utilities and groceries?

\* deflated by the retail price index all items April 2009 = 100

Source: YouGov SixthSense HEAT report



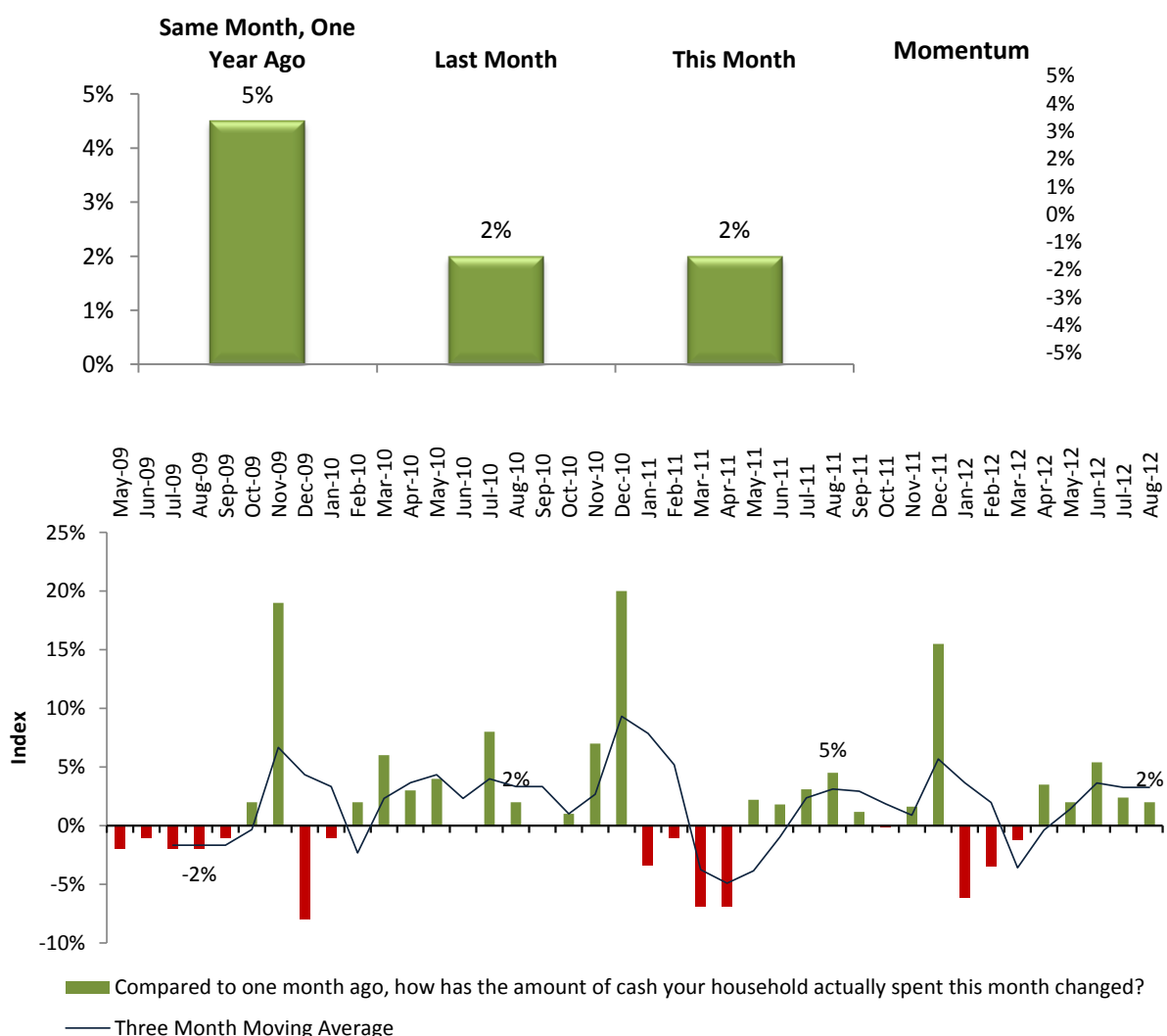
## Actual spending rises but shows no gains on the previous month

For the fifth successive month, consumers have loosened their purse strings and spent more in the month under review, compared with the previous; however, this month the tendency to spend has remained unchanged compared with July 2012. It is hard now to judge the underlying trend in spending given seasonal factors and the impact of the Olympics: according to the British Retail Consortium, spending in shops was negatively affected by the Olympics in August as many adults stayed at home to watch the TV rather than venturing out to the shops.

**Figure 9 Indicators of willingness to spend: cash spending, August 2012**

Base: UK adults aged 16+: last month 2,196; this month 2,079

Compared to one month ago, how has the amount of cash your household actually spent this month changed?



Cash actually spent index = % stating higher minus % stating lower. Cash spent relative to available to spend Index = % stating more minus % stating less

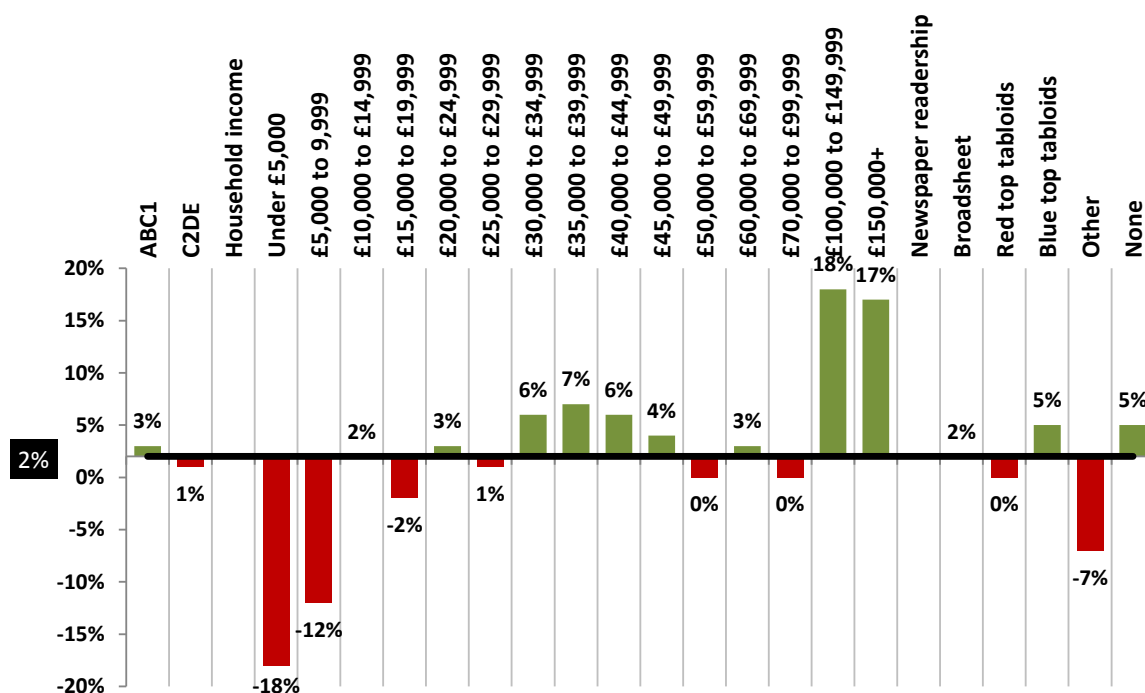
Source: YouGov SixthSense HEAT report

Currently, readers of other newspapers and red top tabloids are finding the going toughest, along with adults whose household income is below £5,000. These adults have not been able to increase their spending this month.

**Figure 10 Indicators of willingness to spend: cash spending, by key demographics, August 2012**

Base: UK adults aged 16+: last month 2,196; this month 2,079

Compared to one month ago, how has the amount of cash your household actually spent this month changed?



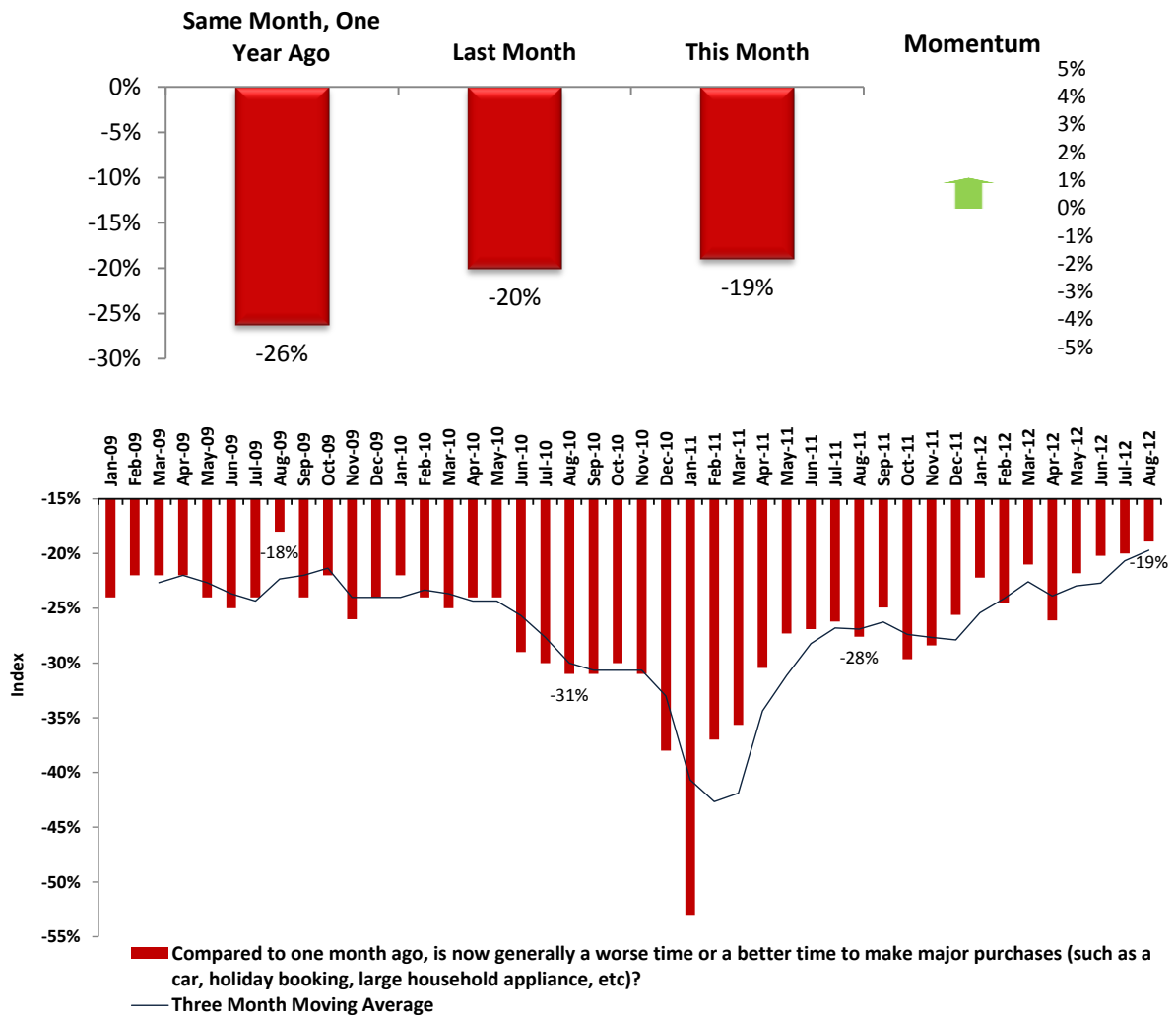
Source: YouGov SixthSense HEAT report

### Willingness to spend big increases

For the past 18 months, the reluctance to spend on big-ticket items has declined, although consumers remain disinclined to commit to major purchases. This month the index to spend on major items improved again, compared with the previous. Even if the current trend continues, it will be some months before consumers start to increase their spending on big-ticket items as opposed to reducing their reluctance to spend big.

**Figure 11 Index of consumer willingness to buy big-ticket items, August 2012**

Base: UK adults aged 16+: last month 2,134; this month 2,089



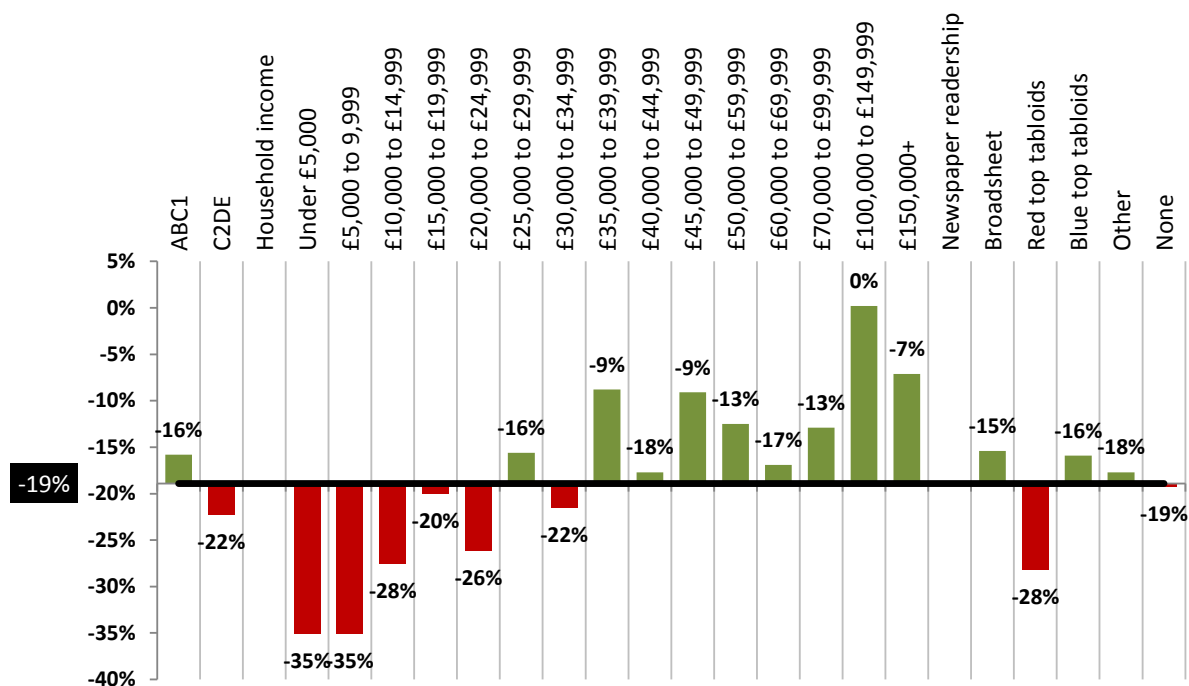
Index = % stating better minus % stating worse. Negative index shows is a worse time

Source: YouGov SixthSense HEAT report

Adults from the C2DE socio-economic grades and those living in households with lower gross earnings are the most reluctant to spend big, although even among the wealthiest individuals there remains resistance to taking on major spending commitments. Currently, readers of red top tabloids are finding it the hardest to buy expensive items, although today even the broadsheet readership groups remain reluctant to spend in a major way.

**Figure 12 Index of consumer willingness to buy big-ticket items, by key demographics, August 2012**

Base: UK adults aged 16+: last month 2,134; this month 2,089



Source: YouGov SixthSense HEAT report

### Current spending priorities: fun is not a priority

To understand how consumers are spending now, they were asked to state how their household spending had changed on 16 items compared to 12 months ago and how they expected spending on these items to change in the coming 12 months. For each item, an index is calculated (percentage spending more minus the percentage spending less).

Data from this question show that, as in previous months, consumers continued to focus on everyday items rather than luxury items over the past year and that this focus will continue over the coming 12 months. Items associated with having fun and entertaining – e.g. going to the cinema, buying music or films, going to bars, eating out and buying clothing and shoes – have been cut back the most. Food shopping has the strongest index score, while most of the other products/services have tended to have a negative or a no/marginal growth indicator.

**Figure 13** Changes in household spending, by product/service, August 2012

Base: 2,079 UK adults aged 16+

	Past 12 Months	Next 12 Months	Momentum
	Index	Index	Index
Food shopping	25%	29%	4%
Subscription to TV services	7%	3%	-5%
Broadband subscriptions	3%	4%	1%
Gym and other memberships	2%	1%	-1%
Newspaper / magazine subscriptions	1%	-1%	-1%
Taking major holidays	0%	5%	5%
Taking short holidays / weekend trips	0%	2%	2%
Gambling / playing bingo	-1%	-2%	-1%
Hiring videos / DVDs	-1%	-2%	0%
Going to clubs	-2%	-2%	0%
Mobile phone spending	-5%	-3%	2%
Drinking coffee out of home (e.g., Starbucks)	-7%	-6%	1%
Going to the cinema	-7%	-5%	3%
Buying music or movies	-8%	-5%	3%
Going to pubs / wine bars	-11%	-7%	4%
Eating out	-14%	-9%	6%
Buying clothing and shoes	-15%	-5%	11%

Index = percentage stating they have spent/will spend more minus percentage stating they have spent/will spend less

Source: YouGov SixthSense HEAT report

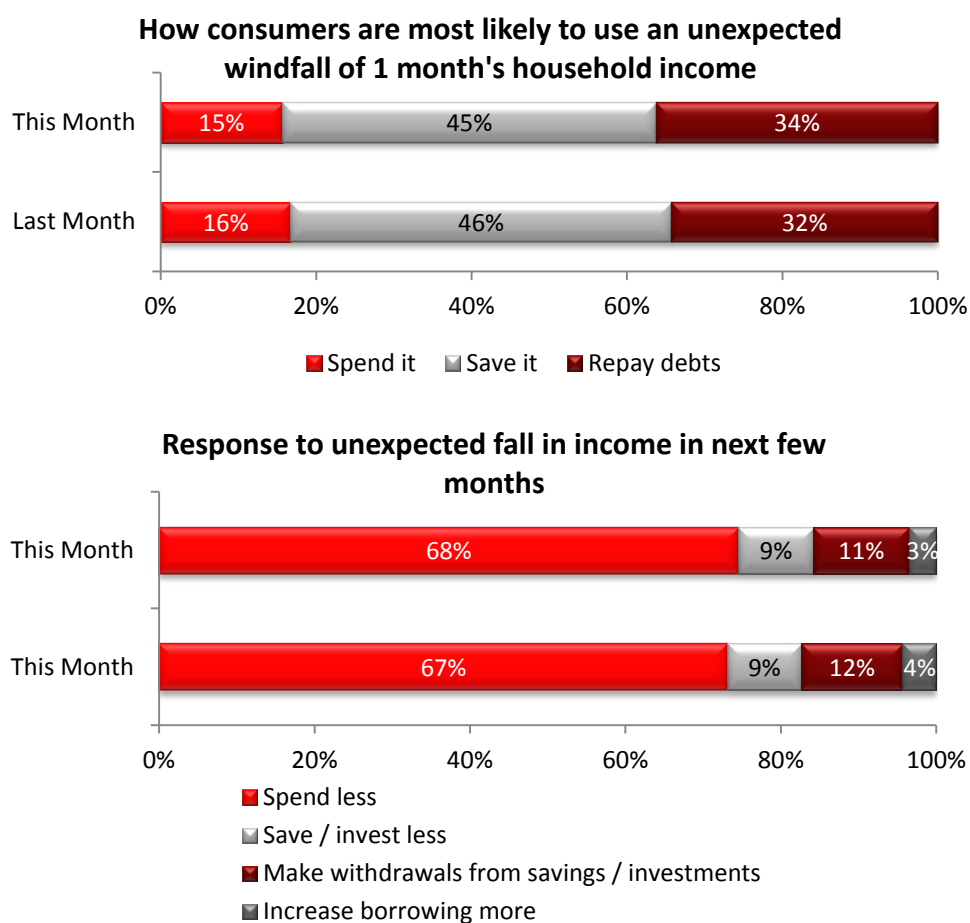
On a positive note, the indices for the coming 12 months are only slightly negative for most items and momentum tends to be positive or near zero for most of the product sectors, suggesting for the coming year things should improve for most sectors (or at least get worse at a slower pace).

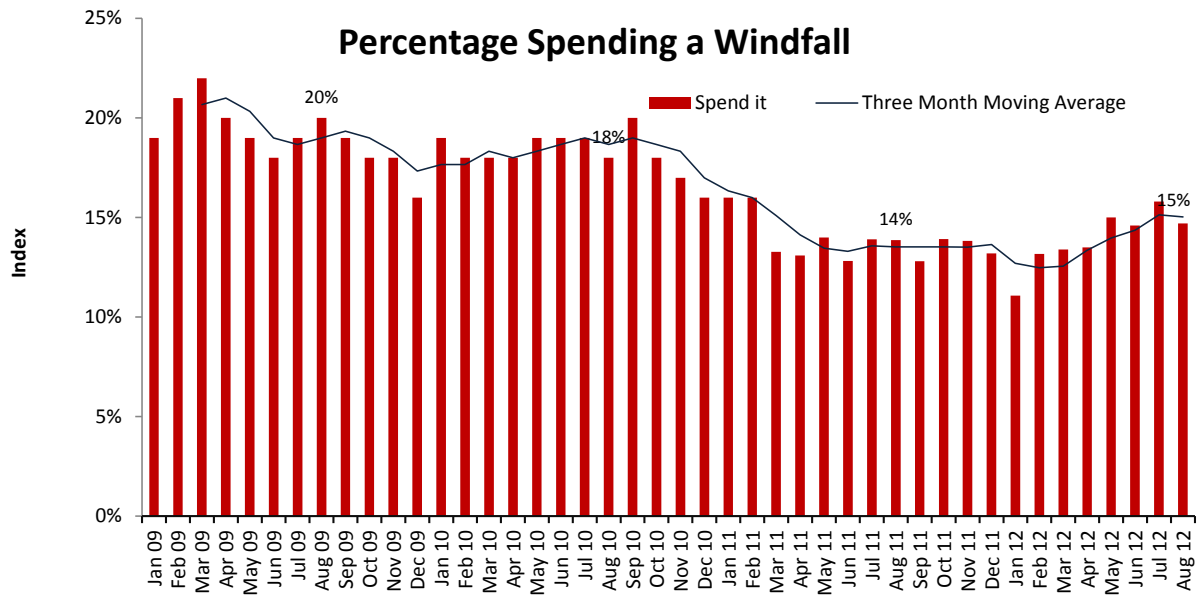
## Spending still takes a backseat to saving

Consumers continue to focus on repairing their balance sheets rather than spending. If they received a windfall, they would use the money mainly to boost savings or repay debt, and not spend it on goods or services. However, the trend in recent months has been for spending to become marginally more important, although it declined in importance this month compared with the previous and the inclination to spend a windfall has not altered much over the past 12 months.

**Figure 14 Consumer reactions to an unexpected change in their finances, August 2012**

*Base: UK adults aged 16+: last month 2,134; this month 2,089*





Note: First two figures exclude don't knows

Source: YouGov SixthSense HEAT report

Consumers would respond to an unexpected loss of income by cutting their spending rather than running down their savings to maintain spending, with the inclination to cut spending increasing slightly this month compared with the previous.

## Consumer Income Indicators

This section looks at the broad economic environment in which consumers operate as this impinges on consumers' income.

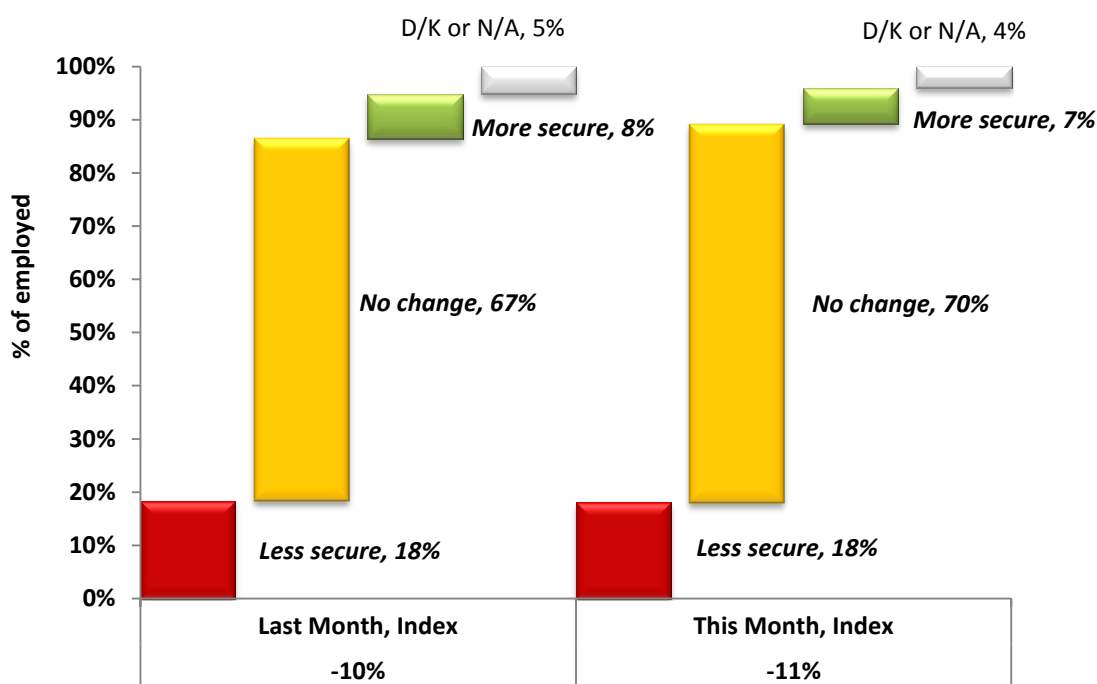
### Job insecurity low but remains a background worry

Job insecurity has changed little in this month, compared with the previous. For most of the employed (70%), there has been no change in their level of concern about the security of their jobs this month, compared with one month ago. In addition, a further 7% are more secure – meaning in total, 77% of employees have not experienced increased job insecurity. The picture overall is of a stable jobs market, with less than one in five becoming more fearful about the security of their jobs over the past month.

**Figure 15 Consumer job security, August 2012**

*Base: UK adults aged 16+ who do full-/part-time or temporary paid work: last month 1,543; this month 1,439*

**Compared to one month ago, how secure do you think your job is?**



*Net secure = % stating they are more secure minus % stating they are less secure*

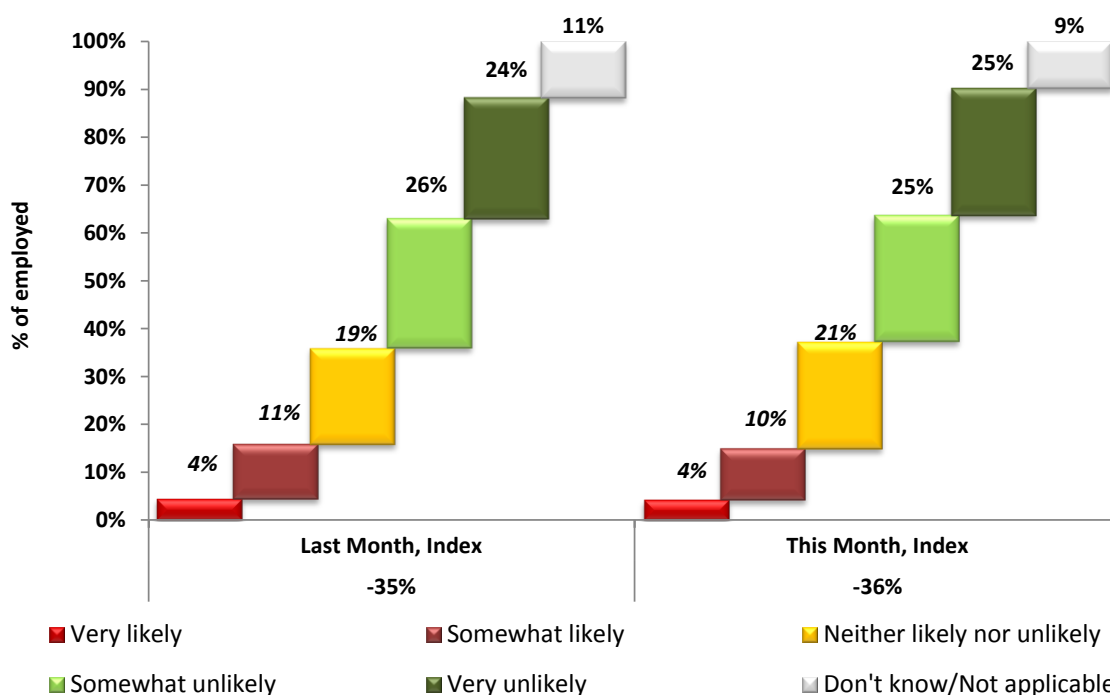
*Source: YouGov SixthSense HEAT report*



Figure 15 considers the changes in job security. When looking at the absolute level of security, around 14% of employees think there is a realistic chance that they might personally lose their job over the next year, a slightly smaller percentage than last month. While most workers feel secure in their jobs and do not have genuine fears regarding their future employment, only around one in four employees feel completely safe (very unlikely to lose their jobs). So while the fear of imminent job loss is low, most employees retain a seed of doubt about their financial security which colours their spending decisions.

**Figure 16 Fear of being laid off over the coming 12 months, August 2012**

Base: UK adults aged 16+ who do full-/part-time or temporary paid work: last month 1,543; this month 1,439



Index = % stating very likely or somewhat likely minus % stating somewhat unlikely or very unlikely. Excludes small number of don't knows and not applicables.

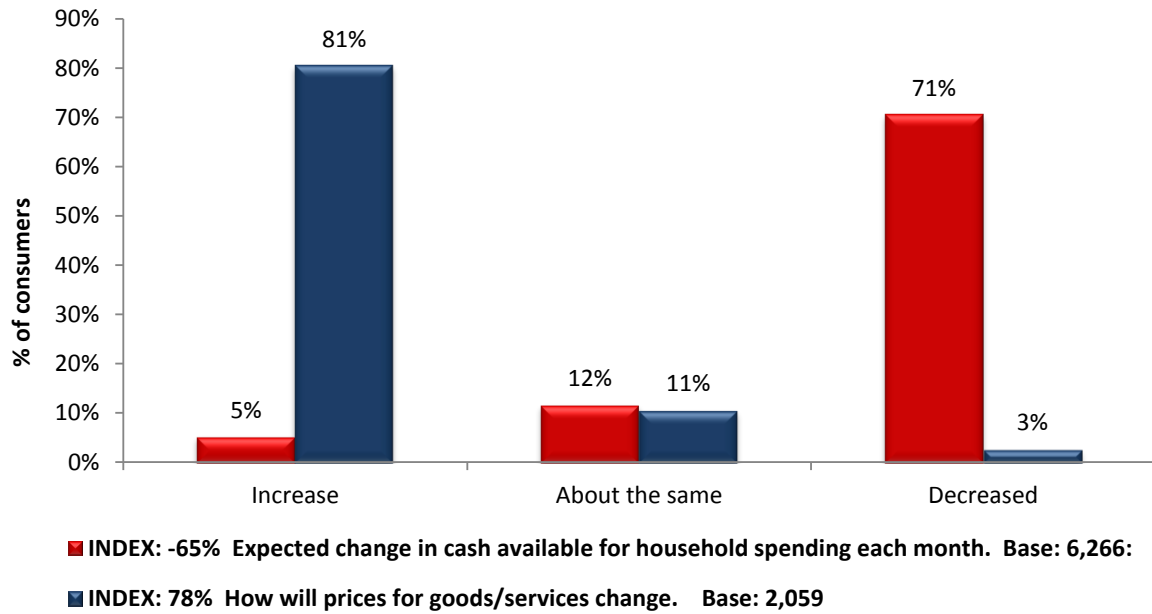
Source: YouGov SixthSense HEAT report

Adults with incomes below £25,000 – and especially those with incomes below £15,000 – are the most fearful about losing their jobs over the coming year.

### Real squeeze on cash resources

Consumer medium-term plans are predicated on the belief that they will face a real-term squeeze on their financial resources over the coming year. This is hardly the environment in which consumers will feel confident to spend heavily on major purchases and other discretionary items: today's households feel that price rises are far more likely than any increase in their cash resources.

**Figure 17 Indicators of cash resource growth over the next 12 months, August 2012**

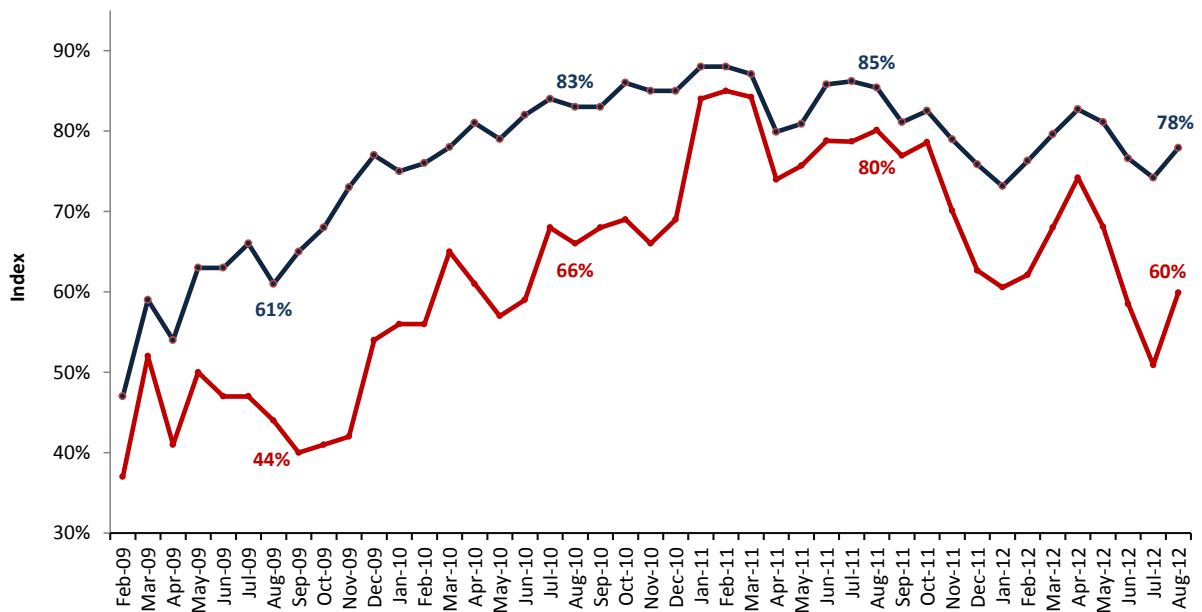


Source: YouGov SixthSense HEAT report

In recent months inflationary expectations have fallen, so this month’s strong rise in expectations is an unwelcome surprise but it does reflect the actual (unexpected) rise in inflation recorded in July 2012.

**Figure 18 Indicators of inflation and prices, January 2009-August 2012**

Base: 2,059 UK adults aged 16+



- Compared with one month ago, how do you think prices generally for goods and services you buy have changed?
- And how do you think prices generally for goods and services that you buy will have changed 12 months from now?

Index = % stating risen minus % stating fallen

Source: YouGov SixthSense HEAT report

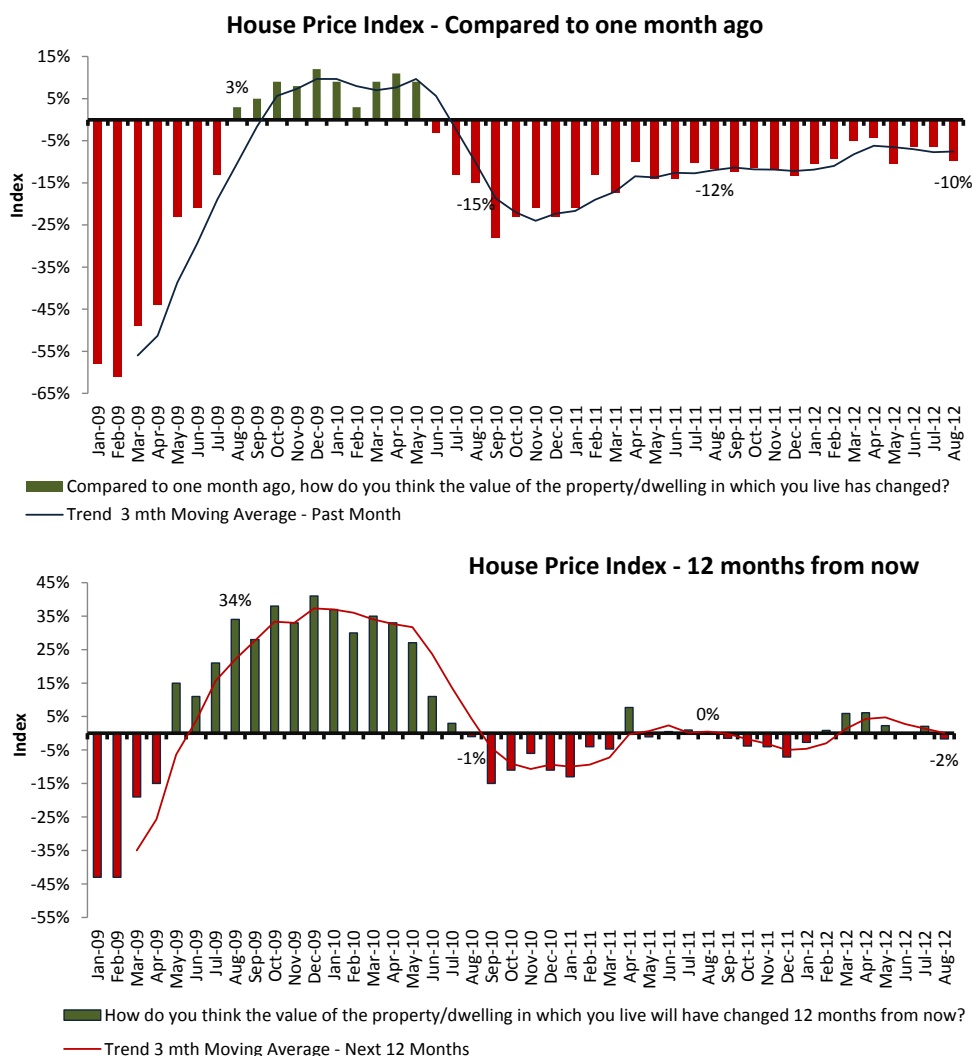
## Consumer Wealth and Indebtedness

### No help from the housing market

Over the past couple of years, the trend has been for a slow improvement in consumer views about the price of housing. However, this improvement is in danger of going into reverse with the past two months seeing the month-on-month index decline. Moreover, despite the recent improvements, the monthly house price index has remained in negative territory. Also of worry is the fact that future house price expectations have also turned negative this month, having been slightly positive between February 2012 and July 2012. When adults were asked to state by how much they expected the value of the property/dwelling in which they live to change 12 months from now, the consensus view this month is that house prices will fall slightly (-0.5% compared with -0.2% last month).

**Figure 19 Consumer views on house prices, January 2009-August 2012**

Base: 2,059 UK adults aged 16+



Index = % stating higher minus % stating lower

Source: YouGov SixthSense HEAT report

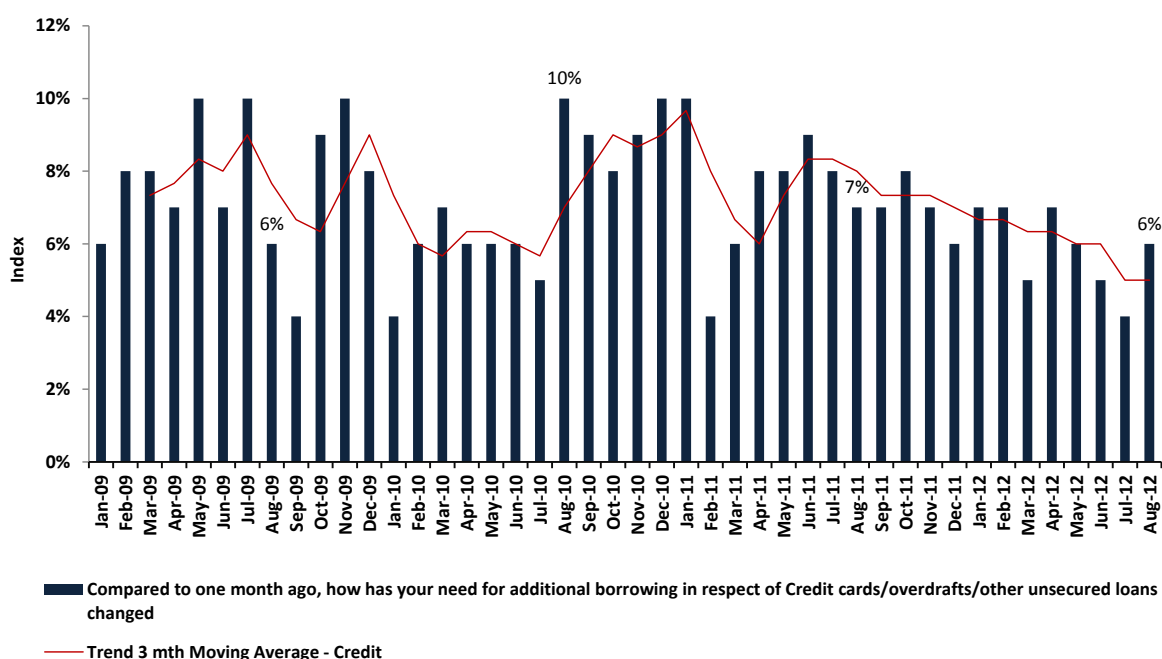
## Need for credit increases slightly

The need for credit by households rose slightly this month compared with the previous. However, the trend over the past year has pointed to a declining need for credit, reflecting the subdued nature of spending on big-ticket items and the desire of consumers to reduce their debts. Consumers may also have adapted their behaviour and reduced their reliance on credit to finance their purchases.

The consumer's need for mortgage debt has remained largely unchanged since August 2009, confirming the sluggishness of the housing market. The index fell slightly this month compared with the previous but the index has hovered around the -2% to +2% range for over a year.

**Figure 20 Changes in consumer need for credit, January 2009-August 2012**

Base: 2,116 UK adults aged 16+



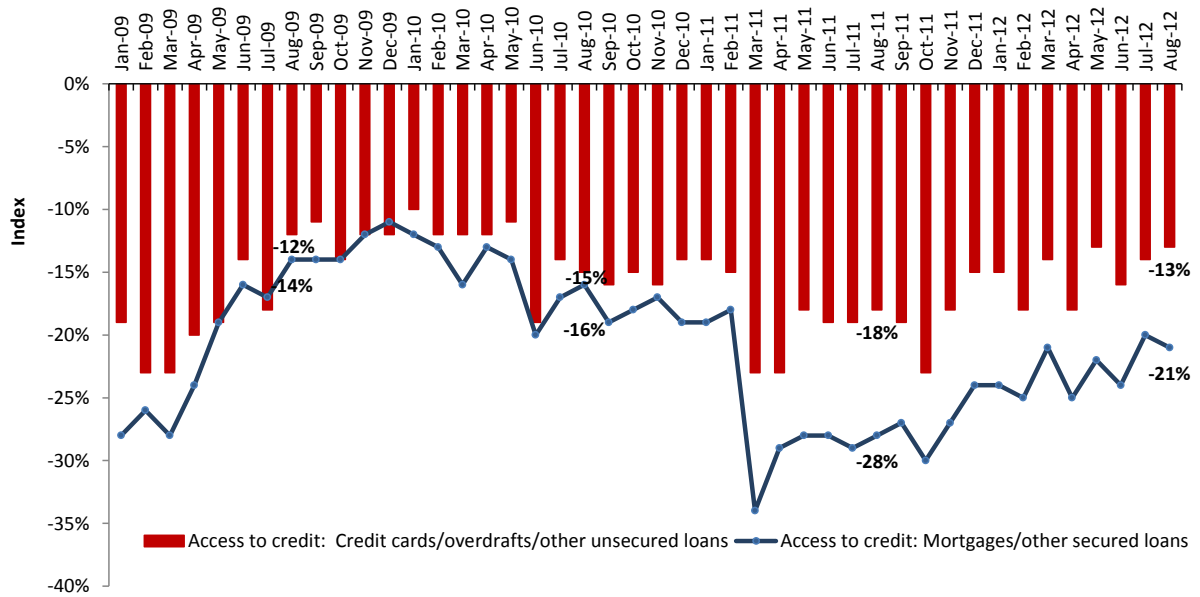
Index = % higher minus % lower

Source: YouGov SixthSense HEAT report

The consumer continues to face problems accessing credit, with the degree of difficulty in securing unsecured credit having eased this month. Over the past year, access to credit has generally become easier with access to unsecured loans much easier than secured loans.

**Figure 21 Changes in consumers' ability to obtain credit, January 2009-August 2012**

Base: 2,116 UK adults aged 16+



Access = Compared to one month ago, how easy is it for you to get access to credit in respect of the following?

Index = % stating easier minus % stating harder

All percentages are based on adults for whom the question was applicable

Source: YouGov SixthSense HEAT report

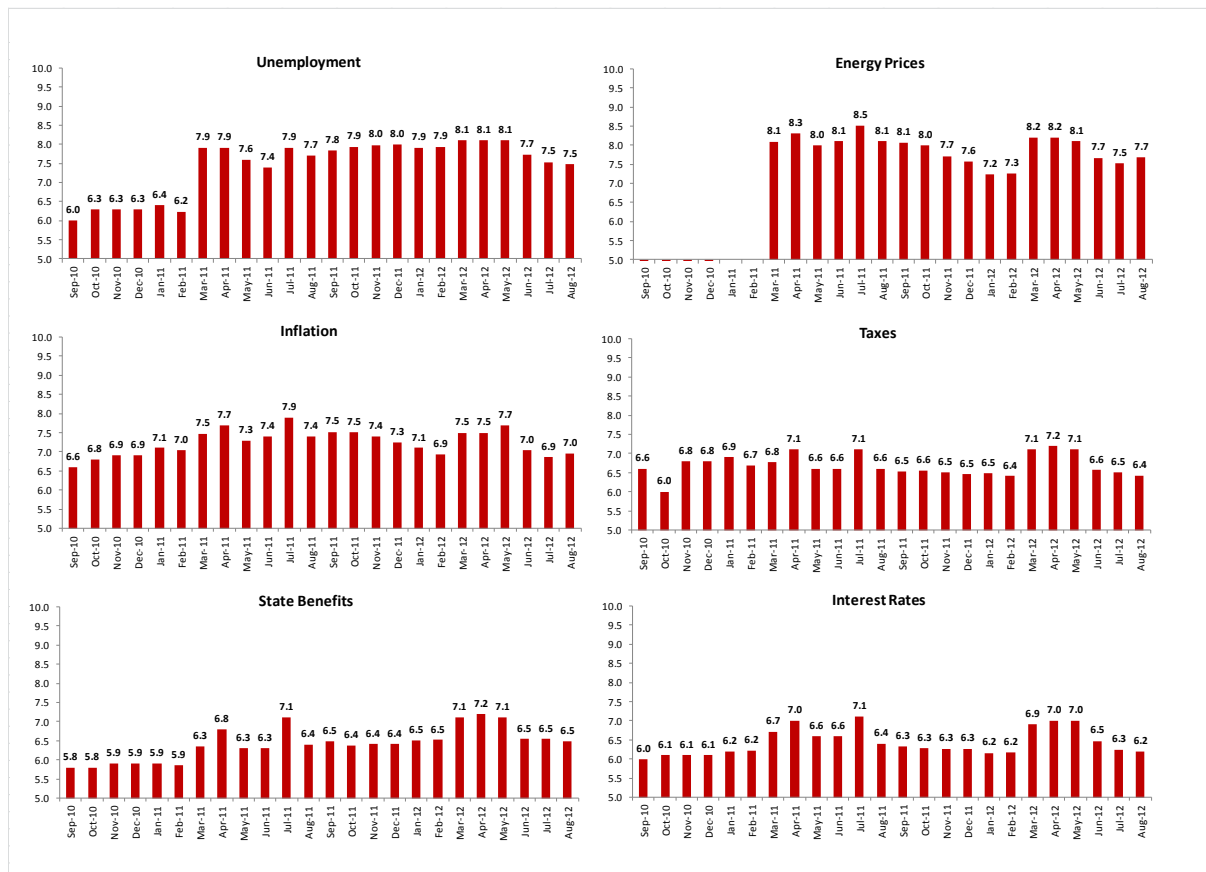
# Consumer Fears

## Energy prices and unemployment are key threats

When consumers were asked to state what they expected to happen to economic variables over the coming year, the consensus view was that rising energy prices and rising unemployment would be the major threats to their economic wellbeing, with energy prices taking over from unemployment as the main worry this month. Rising inflation is the third-largest threat. The remaining economic measures were also considered threatening but not to the same degree of the above three. This month energy prices and inflation became marginally more threatening.

**Figure 22** What consumers expect will happen to the following economic measures over the coming 12 months, September 2010-August 2012

Base: 2,059 UK adults aged 16+



“Which of the following do you think will be the biggest THREAT or biggest BENEFIT to your household’s standard of living over the coming year? On a scale of 1 to 10, where 1 means MAJOR BENEFIT and 10 means MAJOR THREAT, please indicate the impact of the developments.”

In this analysis, any score above 5.5 can be taken to represent a view that the development will be a threat to the standard of living, while any score below 5.5 can be taken as a view that the development will improve the standard of living.

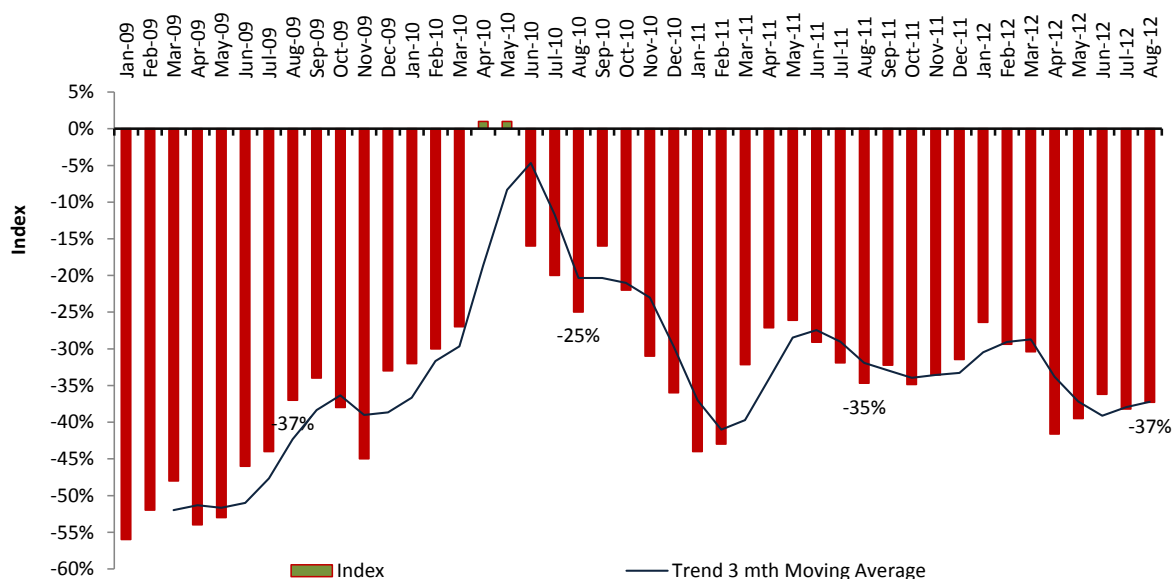
Source: YouGov SixthSense HEAT report

## Consumer confidence in the Government worsens

After the sharp decline in consumer confidence in the Government’s handling of the economy after the March 2012 Budget, confidence briefly rose between May and June, but this recovery was short-lived and confidence declined again this month. However, at least the confidence in August 2012 is above the level seen in the same month of 2011.

**Figure 23 Confidence in the Government’s management of the economy, January 2009- August 2012**

Base: 2,059 UK adults aged 16+



Index = % stating more minus % stating less

Source: YouGov SixthSense HEAT report

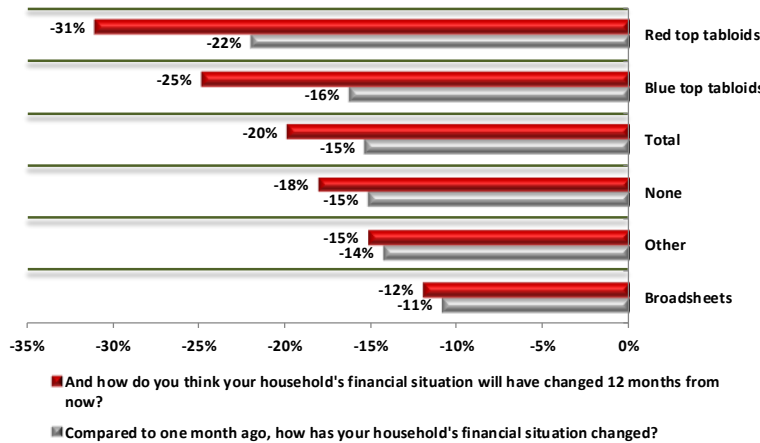


# Newspaper Readership

This section summarises the key findings of this survey as they relate to newspaper readership.

## HOUSEHOLD FINANCIAL SITUATION

Base: 6,618 nationally representative adults aged 16+

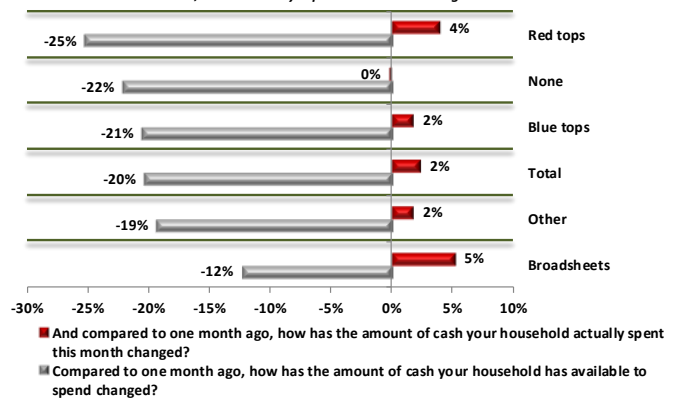


Currently, adults who read tabloid newspapers are under the greatest financial pressure. Over the coming year, these readers will also continue to face the most financial pressure, especially red top readers. At the moment and over the coming year, broadsheet readers will have the best financial situation.

## SPENDING INDICATORS

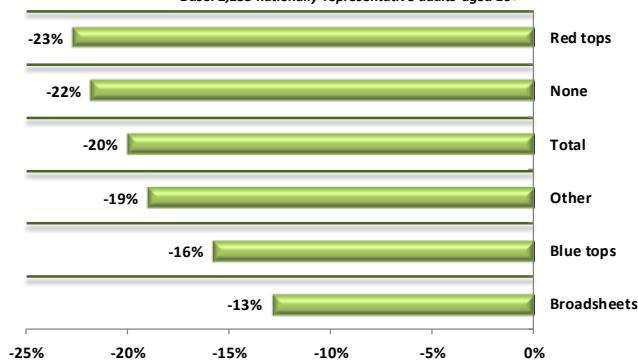
Base: 2,196 nationally representative adults aged 16+

Over the past month, non-readers of newspapers have been the most financially constrained in terms of cash availability. Readers of broadsheets and red tops have tended to spend the most. Spending by red top readers has taken place despite the fact that they have faced the tightest cash squeeze over the past month.



## Better/Worse time for major purchase, compared to 1 month ago

Base: 2,135 nationally representative adults aged 16+



Currently, readers of red top tabloid newspapers are finding the going toughest, along with those who don't read newspapers. These adults are the least willing to spend on expensive items. However, even the broadsheet readership groups remain reluctant to spend big at the moment.