

Retail Economics-HyperJar Cost of Living Tracker

October 2022

40-year high food inflation sees spare cash fall by £96 for average family in September

Overview



Inflation rate



Earnings growth



Change in discretionary income

least affluent	+14.0%	+5.3%	-15.8%
middle income	+11.7%	+5.8%	-8.7%
most affluent	+11.5%	+5.8%	-1.1%

Executive summary

- Inflation stepped up in September on the back of food prices seeing the biggest annual rise since 1980, hitting the least affluent the hardest as they spend a disproportionate amount of income on food.
- The least affluent continue to face the strongest inflation rates at 14.0% in September. Combined with relatively weak earnings growth compared to other households, the least affluent saw their discretionary income plummet 15.8% in September on last year. By comparison, stronger earnings growth far better supported finances among the most affluent households.
- The prospect of continued price rises this winter is the greatest concern among two thirds of households, with energy prices and mortgage rates stepping up significantly heading into the winter months. As a direct impact of rising housing costs, more than three quarters (77.4%) of consumers expect to spend less on non-essentials to manage their finances.

Inflation

Annual inflation rate by household



Least affluent

+14.0%

Inflation facing the least affluent households rose by 14.0% in September



Middle income

+11.7%

Inflation facing middle income households rose by 11.7% in September

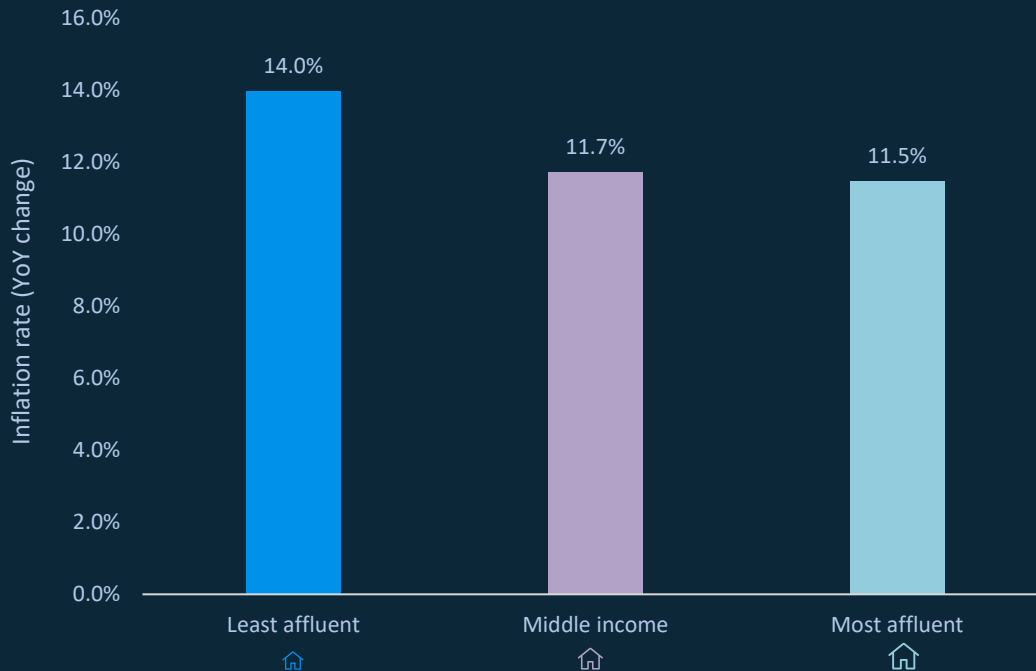


Most affluent

+11.5%

Inflation facing the most affluent households rose by 11.5% in September

Inflation rate by household



Source: Retail Economics-HyperJar Cost of Living Tracker

Analysis

- Inflation across households stepped up to 40-year highs in September, as food prices surged.
- This was driven by food costs jumping 14.6% YoY in the month, marking the biggest rise since 1980, with staples such as bread, cereal, meat and dairy prices all climbing.
- 'Inflation rate by household' reflects the relative composition of spending by different households, which changes over time.
- As staple costs rise, the least affluent households are facing the highest rates of inflation compared to others because they spend a greater proportion of their income on essential items which continue to face the strongest inflation rates of late.

Earnings

Change in weekly earnings by household



Least affluent

+5.3%

Average earnings among the least affluent rose by an estimated 5.3% in September



Middle income

+5.8%

Average earnings among middle income rose by an estimated 5.8% in September

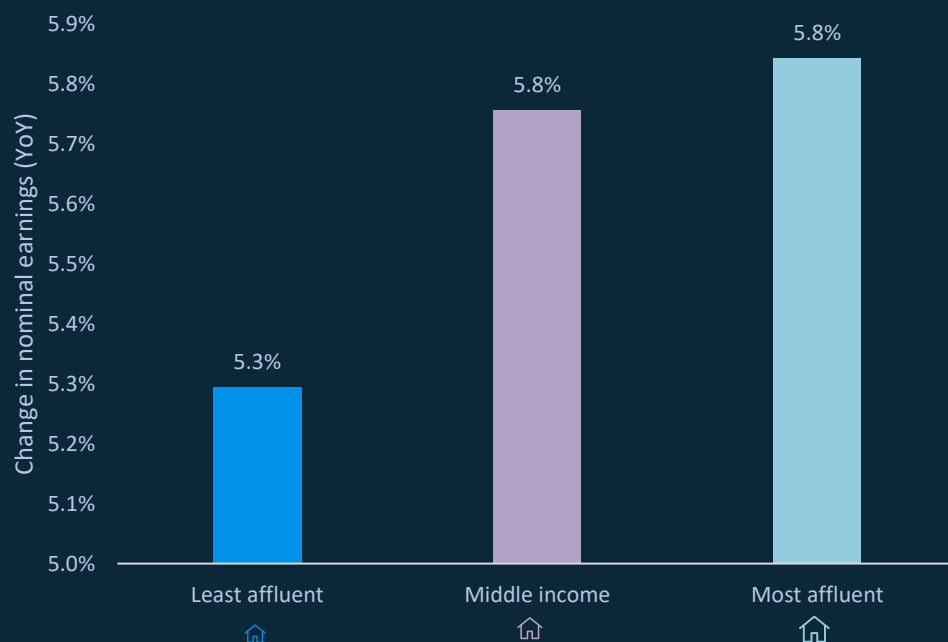


Most affluent

+5.8%

Average earnings among the most affluent rose by an estimated 5.8% in September

Household nominal earnings YoY change



Analysis

- The rate of nominal earnings growth (exc. bonuses) continues to lag inflation, despite the labour market remaining tight in September.
- The composition of jobs differs by household affluence, with nominal earnings growth by household being supported by different areas of the economy.
- Earnings among the most affluent households was supported by near double-digit rises in earnings across professional, scientific and technical activities, as well as robust gains across information and communication.
- Wholesale trade earnings continued to face strong annual increases, supporting middle income households.
- Strong rises across retail and accommodation activities supported earnings growth among the least affluent households. But earnings growth softened across arts, entertainment and recreation.

Discretionary income

Change in weekly discretionary income by household



Least affluent

-15.8%

Discretionary income among least affluent households declined by 15.8% (or £78) in September on last year



Middle income

-8.7%

Discretionary income among middle income fell by 8.7% (or £96) in September on last year

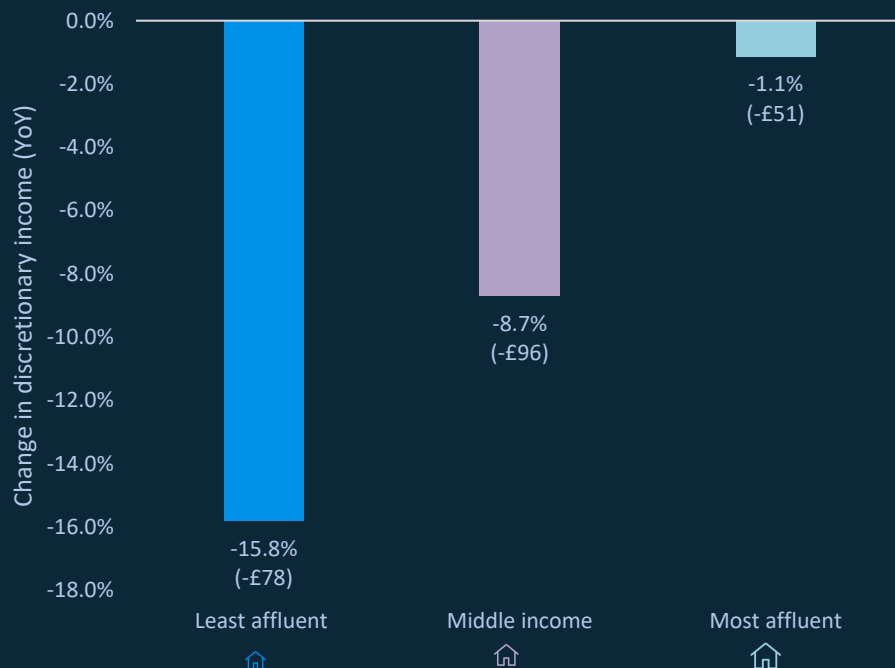


Most affluent

-1.1%

Discretionary income among the most affluent households declined by 1.1% (or £51) in September

Change in Discretionary Income YoY



Analysis

- Double-digit price rises at a time when consumers face greater work-related expenses compared to last year has seen discretionary income come under pressure.
- After paying for all essentials, middle income households saw their spare cash drop by 8.7% in September compared with last year, leaving them with £96 less cash to spend on non-essential items.
- The least affluent faced the deepest declines, as staple prices drive inflation and earnings growth remains relatively weak for these households.
- The least affluent saw their discretionary income plunge 15.8% in September, leaving them with £78 less to spend on discretionary items.
- The rate of decline among the most affluent households eased to 1.1% in September, as earnings growth is better able to offset price rises.

Cost of Living Tracker Consumer behaviour

Sept 2022

76% to reduce energy consumption as bills and mortgage rates rise heading into winter

Overview



Coping with energy bills

76%

Of consumers expect to use less energy this winter to cope with rising bills



Halloween spend

-£130m

£130m less expected to be spent on Halloween this year, as 73% of Halloween shoppers cut back



Non-essential spend

77%

Of consumers expect to spend less on non-essentials to combat rising housing costs

Executive summary

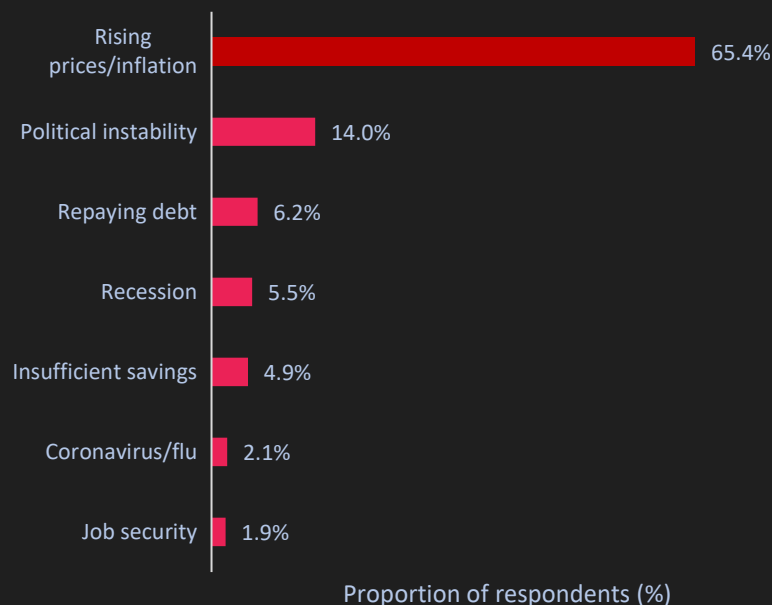
- As energy bills step up from October, a worrying three quarters of consumers expect to deal with rising energy prices by simply using less energy over the winter months.
- It comes as consumers are having to adapt their spending habits to manage rising housing expenses more widely. More than three quarters (77.4%) expect to spend less on non-essentials to combat rising housing costs, and two in five (41.9%) are having to cut back on essentials.
- Around three quarters (72.9%) of Halloween shoppers expect to reduce their spend on the event this year. They expect to reduce their spending on Halloween by an average of 41.0% compared to last year. Retail Economics estimates that this could see £130m less spent on Halloween this year compared to last year.

Inflationary concerns

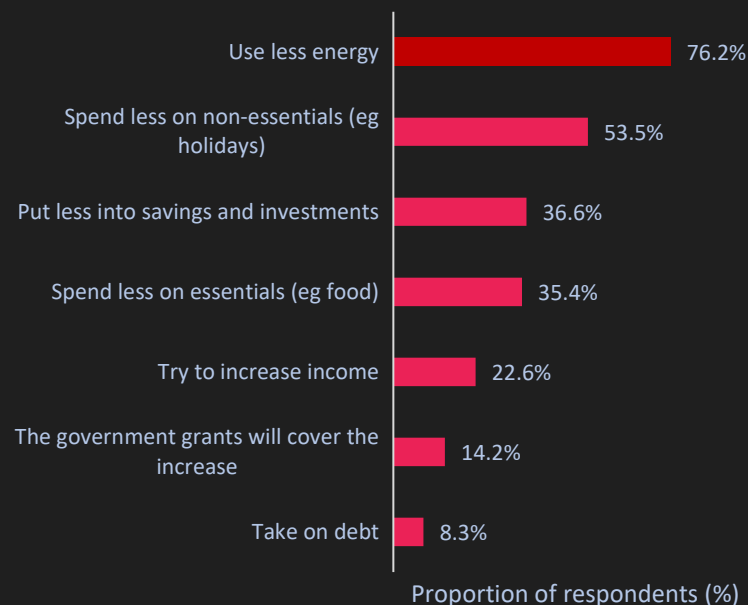
Shopper sentiment heading into the winter

- The prospect of continued price rises this winter is the greatest concern among two thirds of households. Energy prices are stepping up over the winter months, which will put upward pressure on inflation in the months to come, and squeeze household finances.
- Concerningly, three quarters of consumers expect to deal with rising energy prices by simply using less energy. Beyond using less energy, more than half of consumers (53.5%) expect to cut back on non-essentials to directly pay for rising energy bills, while over a third (35.4%) expect to spend less on other essentials. Just one in seven (14.2%) consumers expect government grants will cover the increase.

Q. Which of the following is your biggest worry this winter?



Q. Thinking about this winter, how do you expect to pay for the recent increase in the energy price cap for gas and electricity?

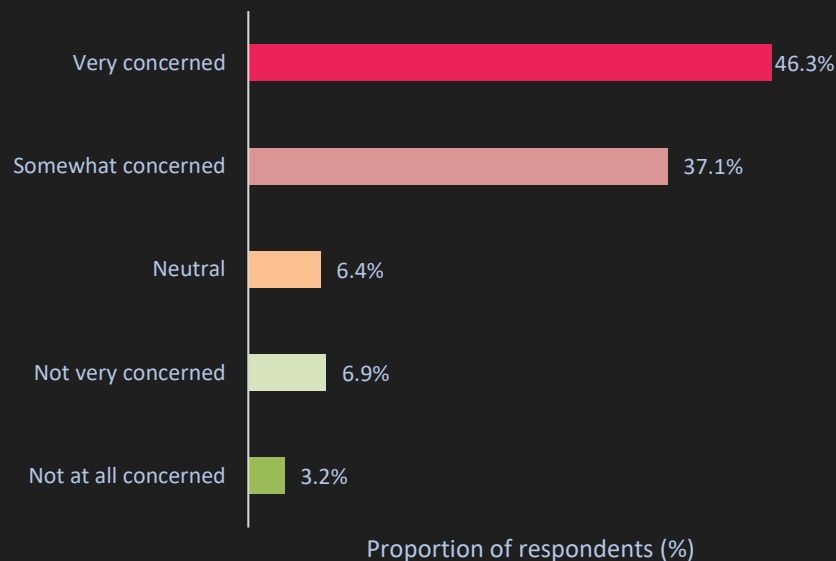


Rising housing costs

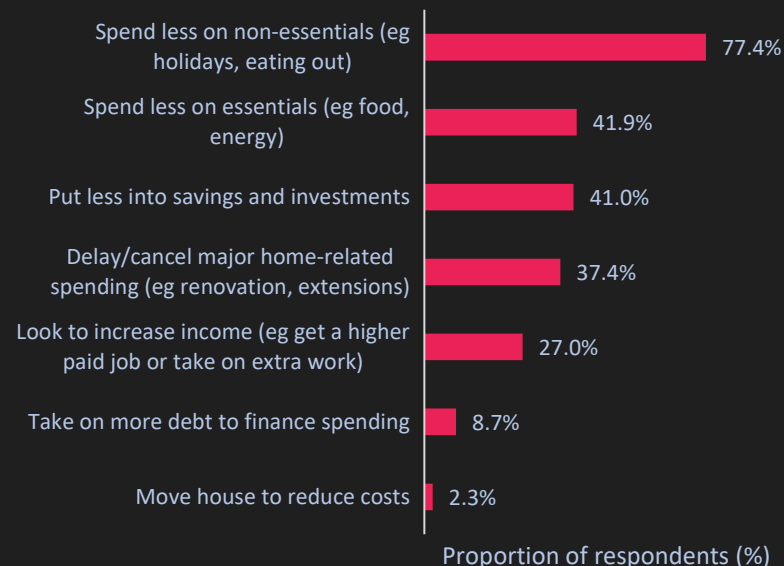
Changes to behaviour to cope with rising housing costs

- Over four in five consumers are concerned about rising interest rates going into next year. Just 3.2% are not at all concerned about the prospect of interest rates hitting more than 5% next year.
- Rising rates has seen the cost of mortgages step up significantly, and consumers are having to adapt their spending habits to grapple rising housing expenses. More than three quarters (77.4%) expect to spend less on non-essentials to combat rising housing costs, and two in five (41.9%) are having to cut back on essentials.
- More than a quarter of consumers (27.0%) are hoping to increase their income to pay for housing costs. Around one in eleven (8.7%) expect to have to take on more debt to finance rising house expenses.

Q. Interest rates have risen over the last few months and are predicted to reach 5-6% in 2023. Are you concerned about the impact this will have on housing affordability (higher mortgage or rent costs)?



Q. Are you likely to do any of the following to combat the rise in housing costs?



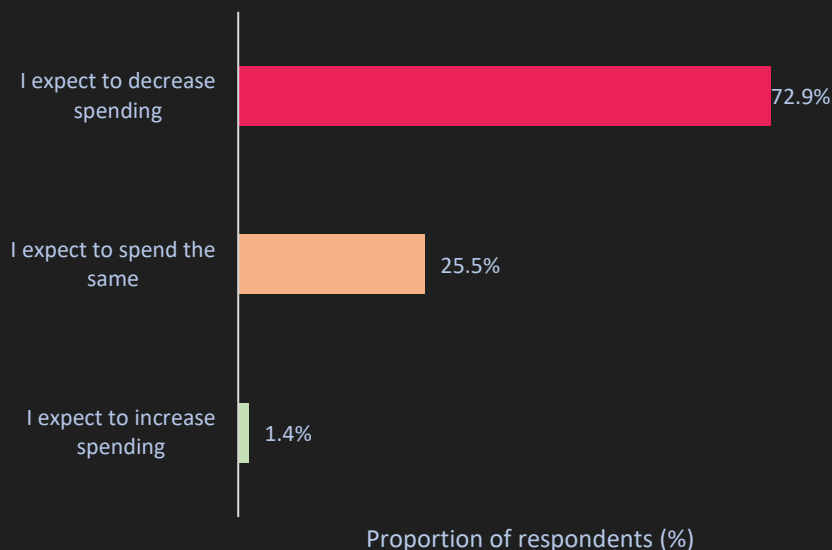
Source: Retail Economics-HyperJar Consumer Panel, October 2022, n1,498

Halloween spending spooked

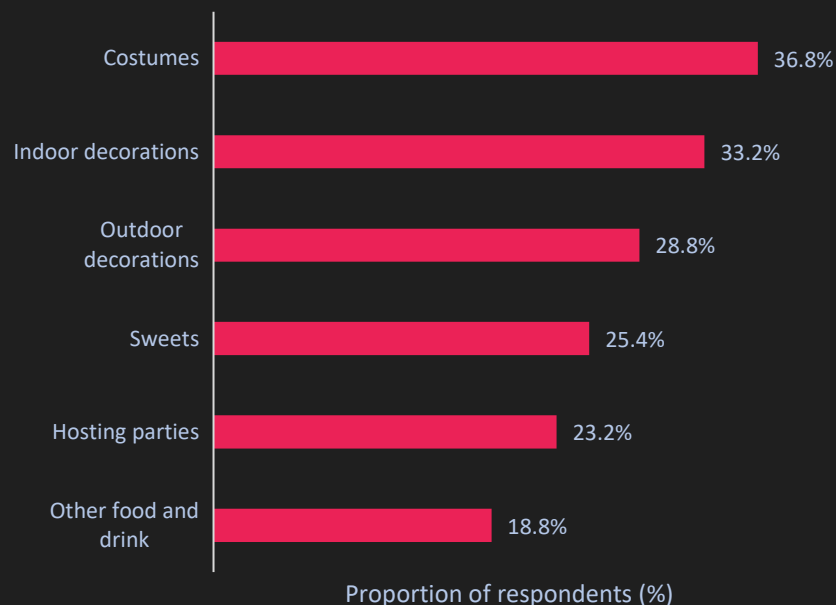
Shopper sentiment towards Halloween spending this year

- Around three quarters (72.9%) of Halloween shoppers expect to reduce their spend on the event this year. Just 1.4% of Halloween spenders expect to increase their spending.
- Among those looking to cut back, they expect to reduce their spending on Halloween by an average of 41.0%. Retail Economics estimates that this could see £130m less spent on Halloween this year compared to last year.
- Halloween costumes are set to face the greatest level of cut back, with over a third (36.8%) of consumers expected to reduce spending here this year. This is closely followed by indoor decorations (33.2%).

Q. Thinking about your spending on Halloween later this month (typically includes sweets, decorations, party food, costumes etc.), how much do you expect to reduce your spending this year compared to normal because of the cost of living crisis, if at all?



Q. If you do spend on Halloween, in which areas will you cut back, if any?



i Retail Economics-HyperJar Cost of Living Tracker

The Retail Economics-HyperJar Cost of Living Tracker is a monthly measure of the impact of earnings growth and inflation on discretionary income across the least affluent, middle income and most affluent households in the UK. Click [here](#) for information about the methodology.



Retail Economics is an independent economics research consultancy focused on the UK consumer and retail industry. It analyses the complex retail economic landscape and draws out actionable insight for its clients.

Leveraging its own proprietary retail data and applying rigorous economic analysis, Retail Economics transforms information into points of action.

Its membership service provides unbiased research and analysis on the key economic and social drivers behind the UK retail sector, helping to inform critical business decisions, giving you a competitive edge through deeper insights.

Membership trials can be accessed [here](#) providing you with an opportunity to experience our insight support.

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HyperJar Limited is a UK-based tech company. Its multi award-winning HyperJar digital wallet is a 'Save Now, Buy Later' tool, designed to help households take control of their everyday money.

Its proprietary technical innovations include:

- Direct card payments from unlimited multiple individual Jars (sub-accounts)
- Shared Jars: instant digital kitties
- Auto-linking retailers to specific Jars within the app for routed payments
- Blocking, Only and Never spending control options
- Exclusive rewards - including a flagship dynamic Annual Growth Rate - on money committed to retail partners featured on the app.
- Free kids cards and app

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