

The Mintel Annual Survey of British Lifestyles

The January 2002 CBI Quarterly Industrial Trends Survey

**PATRICIA HEWITT ON UK MANUFACTURING**

We need successful manufacturers. Manufacturing provides well-paid jobs - and if Japan, the highest wage economy in the world, can manufacture successfully, so can we

Speech at Merrill Lynch, 24 January

[www.dti.gov.uk](http://www.dti.gov.uk)

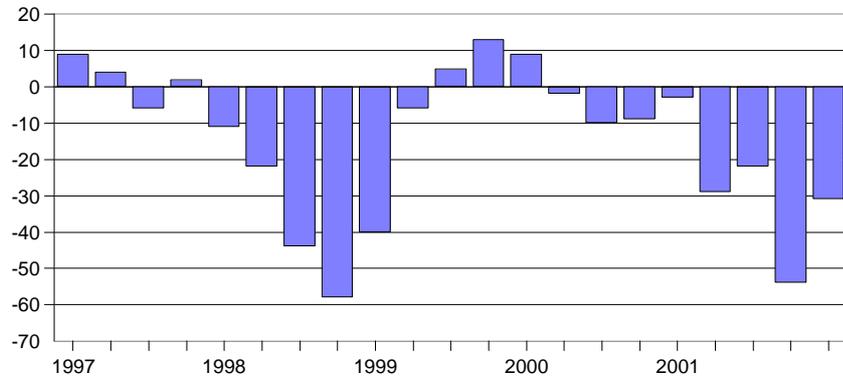
**MANUFACTURING OPTIMISM REMAINS IN THE DOLDRUMS**

The latest Confederation of British Industry Quarterly Survey of Manufacturing finds an improvement in overall expectations- but confidence remains low (see the chart below) and planned investment and exports remain exceptionally weak. The CBI has argued almost incessantly for further interest rate cuts and for support from the Bank of England to bring the exchange rate down to a more competitive level. But the impact of their claims seems to be wearing a little thin. This week saw the release of yet more data emphasising the strength of demand for consumer credit. Personal loans to individuals in the UK rose 2.2 billion pounds in January 2002- the highest figure since April 1993, when the central bank started tracking credit figures. The imbalance between household demand and output in the manufacturing sector lies at the heart of the problem of the dual-speed economy. UK industry in general and manufacturing exports in particular need a lower exchange rate- but the MPC are highly unlikely to

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**CBI MANUFACTURING BUSINESS CONFIDENCE**

Net balance of optimists over pessimists



**Special Report: British Lifestyles Under the Microscope**

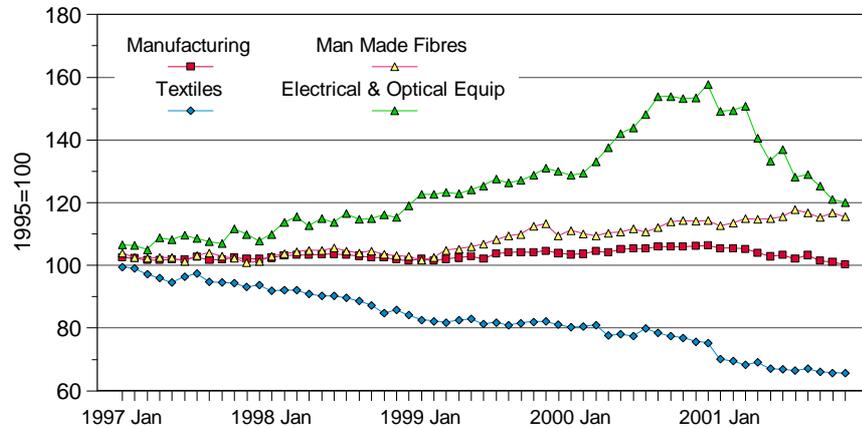
The release this week of Mintel's British Lifestyles consumer report suggests that consumer confidence has proved resilient to the shocks of 2001. It also highlights some interesting trends in household spending and attitudes that businesses must address if they are to meet the needs of consumers in 2002 and beyond. In this Tutor2u special article, we summarise some of the most significant and eye-opening findings from Mintel's research.

**Consumer confidence put to the test**

2001 will be long remembered by many for the events of September 11 and, earlier in the year, the outbreak of foot-and-mouth. Prior to both these events, talk of an impending economic downturn was rife. The shock of these events led many commentators to predict a sudden and sharp decline in UK consumer confidence - particularly for industries reliant on discretionary consumer spending such as tourism.

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## MANUFACTURING OUTPUT BY INDUSTRY



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sanction a fresh round of rate cuts below 4% when the domestic demand data appears to be so strong.

### UNDER THE COSH

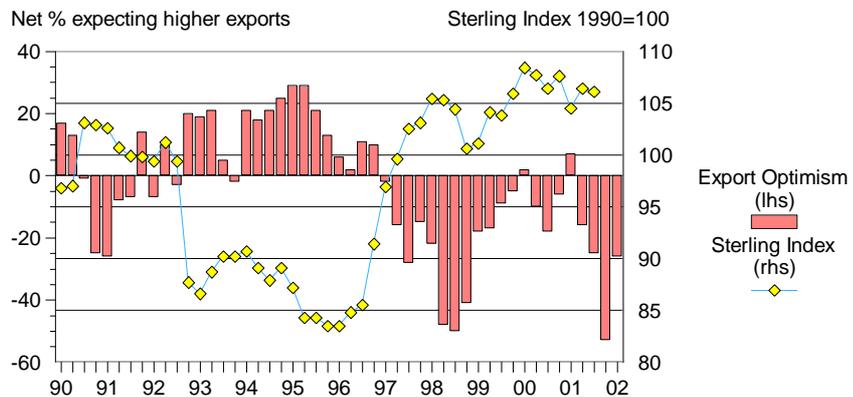
Manufacturers are really under the cosh, with many cutting prices sharply in an effort to keep customers. So far exporters have been worst hit, but the knock-on effect of job cuts will slow consumer spending and weaken the less down-beat domestic market.

Ian McCafferty  
CBI Senior Economist

The CBI survey paints a picture of deep-rooted recession in industry. 85% of respondents highlight weak orders and sales as the factor most likely to limit output over the next four months. In contrast, skilled labour shortages are cited by only 8% of businesses as a constraint on production. A net balance of 41% of firms expect to shed labour in the next four months in a bid to cut costs (up from 27% in the October survey) and a balance of 28% of firms expect to spend less on fixed capital investment in the next twelve months. Here is strong evidence of the link between demand and planned investment. Of those businesses authorising new capital spending, only 23% identify the need to expand capacity as a reason for the accumulation of capital. 68% of firms claim to be investing mainly as a way of increasing efficiency and 52 of businesses highlight the continuing need for replacement investment.

As he chart below shows, manufacturing export optimism has improved from the last survey in October (a snapshot of opinion that was influence enormously by the events of the 11th of September). But a net balance of 26% of respondents still expect to see weakening export order books in the coming months. Manufacturers continue to cut export prices in a bid to offset the sustained strength of sterling against leading currencies—as a result, the profits squeeze remains firmly in place.

## CBI EXPORT OPTIMISM IS LOW - WITH STERLING STRONG



## CONSPICUOUS CONSUMPTION

"Britons are keen to increase their affluence and are spending more on convenience, leisure, and the home. People have invested a lot in their home and would like to show it off."

Source:

Peter Ayton, Chief Statistician, Mintel

## WHISKEY GALORE

"The fact that people are choosing to socialise at home more is also good news for us because 80% of our sales are for take-home trade."

Source

Campbell Evans, Scottish Whisky Association

Perhaps assisted by repeated cuts in interest rates, the evidence from Mintel is that the UK consumer kept spending the whole year through. And more importantly, consumers remain relatively confident about prospects for 2002. According to Mintel research, consumers in the "secure" and "confident" categories still outnumber those in the "unconfident" and "pessimistic" groups. The majority of consumers (41%) were "apathetic" about the economic state of the nation, carrying on unaware of the state of the economy

### Consumption and personal debt favoured over long term saving

Longer-term trends in Mintel's report show that since 1992 there has been a 24 percentage point **drop** in adults who would save more money in a bank or building society if they were feeling financially confident. Growth in financial literacy among more of the UK population has meant a steady decline in the amount of wealth held in low return areas of cash. Mintel also suggests that growth of online financial services has revolutionised the financial services industry, with increased competition favouring the consumer in terms of cheaper loans and higher interest savings accounts.

Consumers are now more inclined to spend on themselves than in 1992. Nevertheless, between 1997 and 2001, individual spending fell as a priority, suggesting that although consumer confidence is higher than the early 1990s, people are slightly more cautious in spending on themselves. In terms of debt, the amount owed by the population (including mortgages) rose to £720bn in 2001 equivalent to £11,830 for every man, woman or child in the country.

Mintel believes that this high level of consumer debt means that the consumer economy will continue to be very sensitive to changes in interest rates.

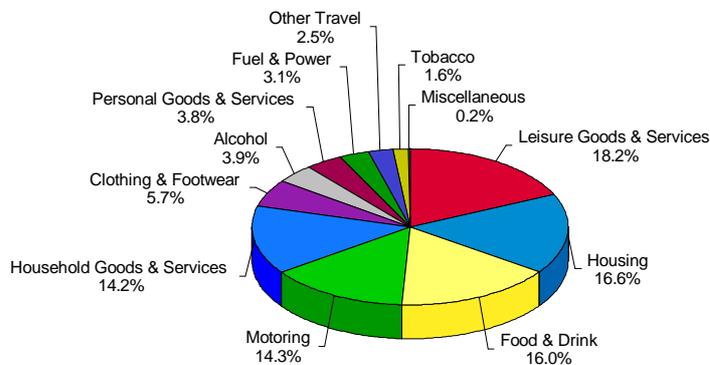
A trend towards homes with fewer inhabitants means that income per UK household has risen by a slower rate than per capita disposable income. Nevertheless, the past 10 years has seen average taxable income rise to more than £32,000, with the average tax and national insurance (NI) bill of over £5,500, this translates into £27,000 of disposable income for each household.

### Good News for the "Eternal Flame" - Staying In is the new Night Out

Mintel's research highlights a fascinating trend towards consumers using the domestic household as the major focus of leisure time. The research showed that, increasingly, the British opt to entertain guests at home, spend their money on home entertainment systems and socialise by inviting friends round to watch a DVD while sipping wine and eating quick-fix meals. Mintel, noted a trend towards in-home consumption of alcoholic drinks and a sharp increase in sales of convenience foods and home technology.

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## AVERAGE WEEKLY HOUSEHOLD SPENDING



Family Spending Survey 2000-01

Mintel's findings paint a picture of a society with little time for recreation. Convenience and fast food restaurants have both enjoyed substantial growth, and short breaks are becoming increasingly popular at the expense of longer holidays. In bad news for the licensed trade, UK beer consumption is shown to be declining, while the spirits sector enjoyed a 20% growth over the last five years.

### Life Expectancy

Mintel's analysis suggests that UK men are finally closing the mortality gap with women. The era when elderly widows survived their husbands by decades might be over and by the end of this century men may even catch up completely. The boom is due to better medication for typically male diseases.

### Gender Imbalance

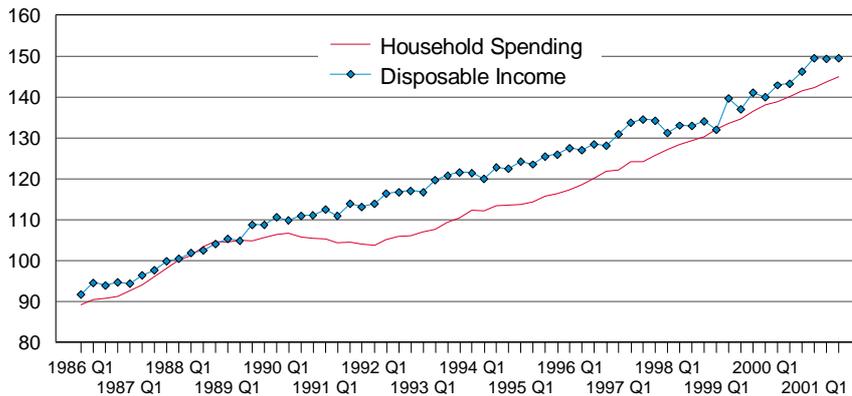
Over the next five years, Mintel foresees a 600,000 growth in the number of men in Britain, almost double the 350,000 increase in women. While the amount of children under the age of 14 will decline by 4.7 per cent with women waiting until their thirties to have families, the increase in over-60s is predicted to almost treble the 1.7 per cent boom of the past five years. Men are already outpacing women, with the number in this age group up by 4.4 per cent since 1996 while women have remained static. But the phenomenon is expected to be even more apparent between now and 2006 with the quantity of elderly men booming by almost 8 per cent compared with an increase of only 2.8 per cent for females.

### CARDIAC ARREST

"The improvement in male lifespan is largely due to medical practice and the advances in the cardiac area, which has traditionally killed off more men than women"

## REAL PERSONAL DISPOSABLE INCOME DRIVES DEMAND

£ billion per quarter at constant prices



### Other Statistics: A Snapshot of Modern Britain

More than half of households now have a computer, compared with under one in three in 1995;

The value of the mobile phone market has increased by 439% in the past five years, and is now close to saturation point;

Spending on home furnishings has risen by 19% over the past 10 years to £10.3bn in 2001, stimulated by the popularity of TV decorating programmes.

Expenditure on domestic and garden help has grown 88% in five years at current prices to £4.9bn,

The convenience "ready meal" market has grown 41% in real terms over 10 years. A fifth of adults surveyed by Mintel admitted to "rarely sitting down for a meal";

Men's spending on toiletries was 21% up in real terms in 2001, compared with five years ago.

Despite a decline in the number of deaths, Britons are spending 63 percent more on funerals than they did in 1991.