

An abstract network diagram consisting of numerous nodes (represented by circles of varying sizes and some with concentric rings) connected by thin, light blue lines. The nodes are distributed across the entire frame, with a higher density in the lower half. The background is split horizontally: the top half is white, and the bottom half is dark grey.

Britainthinks

— Insight & Strategy —

The cost-of-living diaries

Report 1 – What does this mean for policy makers and the third sector?

Cost-of-living is set to rise significantly this year, and April has been the crunch point where impacts are starting to hit

This month we have seen...

Energy price cap

↑ **54%**

National Insurance

↑ **1.25%**

And since the start of this year we have also seen...

Rent

↑ **8.6%**

Water bills

↑ **1.7%**

Council tax

↑ **3.5%**

Along with a freeze on the income tax threshold, **all this adds up to a £1,200 hit to incomes**, which is felt most keenly by those on lower incomes.

We conducted this research to understand more about how these increases are affecting people, and the changes they expect to have to make

We conducted an online diary task and a survey to understand more about the impacts of the cost-of-living increases



Online video task and money diary with 20 participants

18th – 25th March

Spread across the North West and South East of England, Wales and Scotland.

We covered the following groups:

Younger people (21-29) in shared accommodation

Parents of younger children (under 5 years)

Empty nesters

Less predictable salary



Online survey

22nd - 24th March

National representative sample of 2,076

1 The general public's experience of the crisis



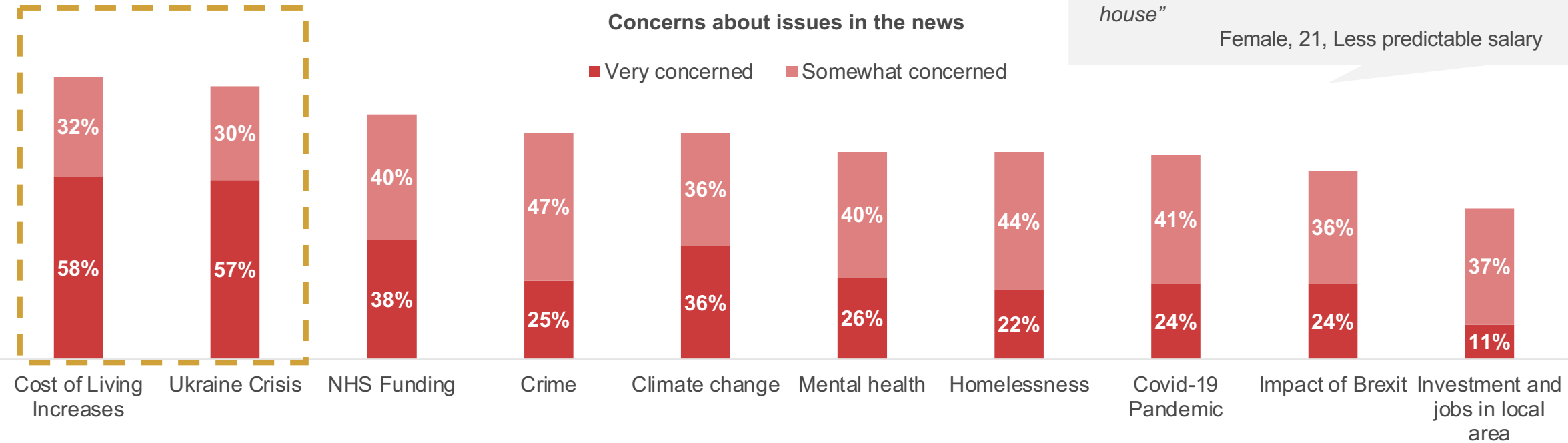
Cost-of-living and the war in Ukraine are (by some distance) the two most concerning news stories to the public

"Because of everything that's happening in Ukraine there's obviously a knock-on effect from that [onto cost of living]"
Male, 45, Parent of young children

"Definitely what worries me the most is the talks around the cost of living is going up - you can see with petrol costs and electricity and obviously this is really worrying for me for petrol to get to work and electricity in my house"
Female, 21, Less predictable salary

Concerns about issues in the news

Very concerned Somewhat concerned



Q1. These issues are often covered in the news. To what extent do you personally feel worried about these issues? Base: (n=2076)

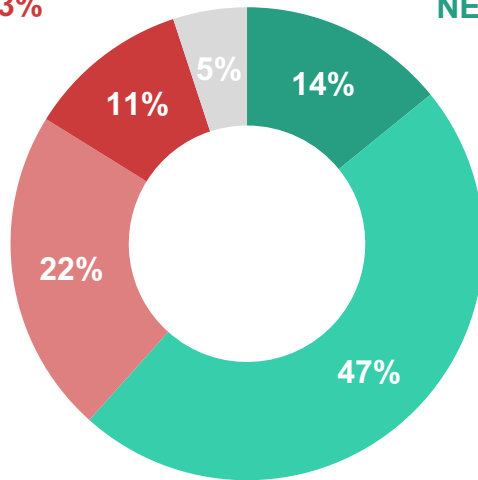
There is widespread pessimism amongst the public about their ability to afford the luxuries and basics

Being able to afford the essentials

Showing total % selecting each

NET: Pessimistic 33%

NET: Optimistic 61%



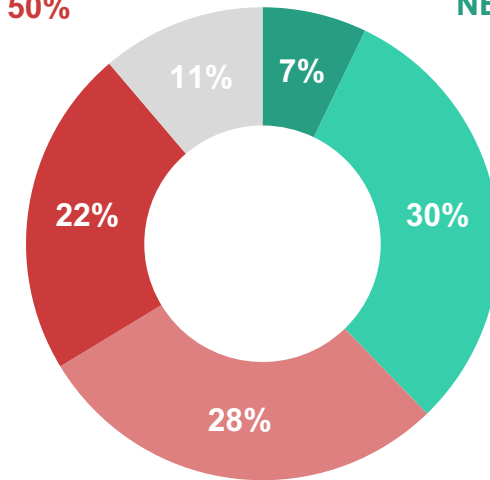
■ Very optimistic ■ Fairly optimistic ■ Fairly pessimistic ■ Very pessimistic ■ Don't know/No opinion

Being able to afford the luxuries

Showing total % selecting each

NET: Pessimistic 50%

NET: Optimistic 37%



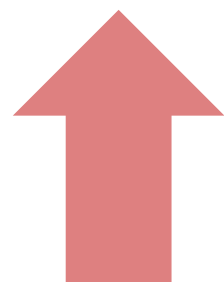
"I naturally will also buy myself non-essential items to which previously I was much more relaxed about, now I really have to consider what it is I am buying and asking myself much more often, do I really need this?"

Female, 27, Less predictable salary

Q2. Thinking now about your personal life, to what extent are you feeling optimistic or pessimistic about the following over the next year or so? Base (n=2076)

Many have seen their spending on the 'essentials' increase, with almost two-thirds reporting utility bill increases

% saying their spending on the following has increased



62%

Utilities



48%

Food shopping at
supermarkets



38%

Food shopping at
local stores



35%

Travel expenses



"I've seen costs go up in the sense of petrol, gas and electric and that is worrying as I drive to and from work five times a week."

Female, 25, Single in shared rented accommodation

"The cost of food, clothing, everything that you usually buy really is going up. Every time I go to the shop more and more things are going up; sausages, cereal, milk, juice, whatever...Everything is increasing – at the pump, water bills – everything is increasing more and more."

Male, 45, Homeowner with children

Q3. How has your spending on each of the following changed as a result of the cost of living increasing, if at all? Base: (n=2076)

Whilst many are cutting back on the 'luxuries' such as going out for food, or new clothes



"I've seen areas now that I can cut down – especially things like takeaways and maybe for the kids' extra activities, that's another thing to look at."

Male, 45, Homeowner with children

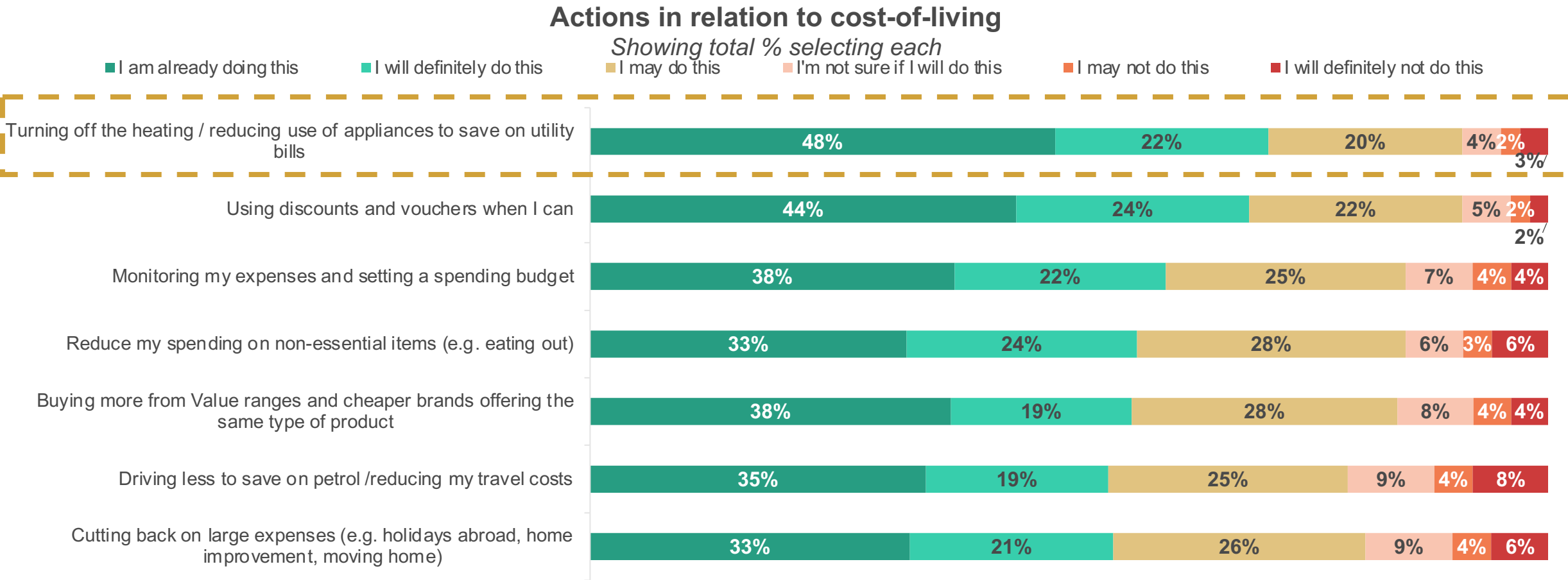
"I will be a lot less likely to go to any events this summer as the stress of spending money on a ticketed event is not worth it."

Female, 27, Less predictable salary

Q3. How has your spending on each of the following changed as a result of the cost of living increasing, if at all? Base: (n=2076)

We also tested a wide range of behaviours the public could be taking to deal with the cost-of-living crisis

The public are likely to have already, or say they definitely will, adopt behaviours to directly reduce their outgoings



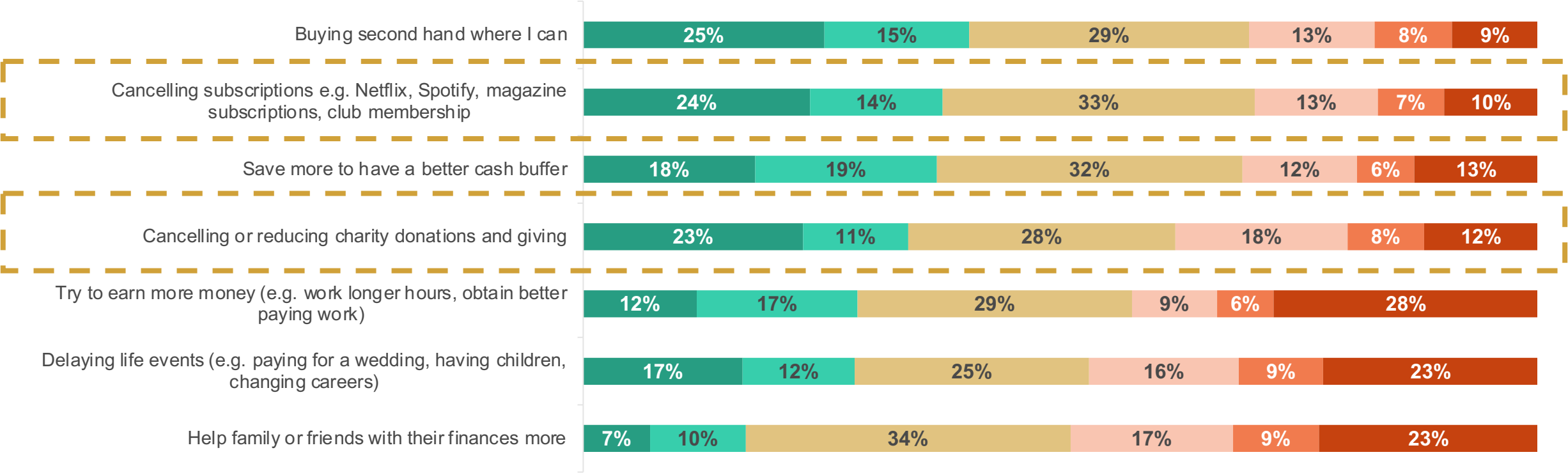
Q4. Below are some actions people may be taking in relation to an increasing cost of living. To what extent are you doing any of these this year in relation to your budgeting and spending? Base (n=2076) Q5. What, if anything, do you think you will need to do in response to the rising cost of living? Base (n=2076)

Many are *considering* other behaviours, including cancelling subscriptions and charity donations

Actions in relation to cost-of-living

Showing total % selecting each

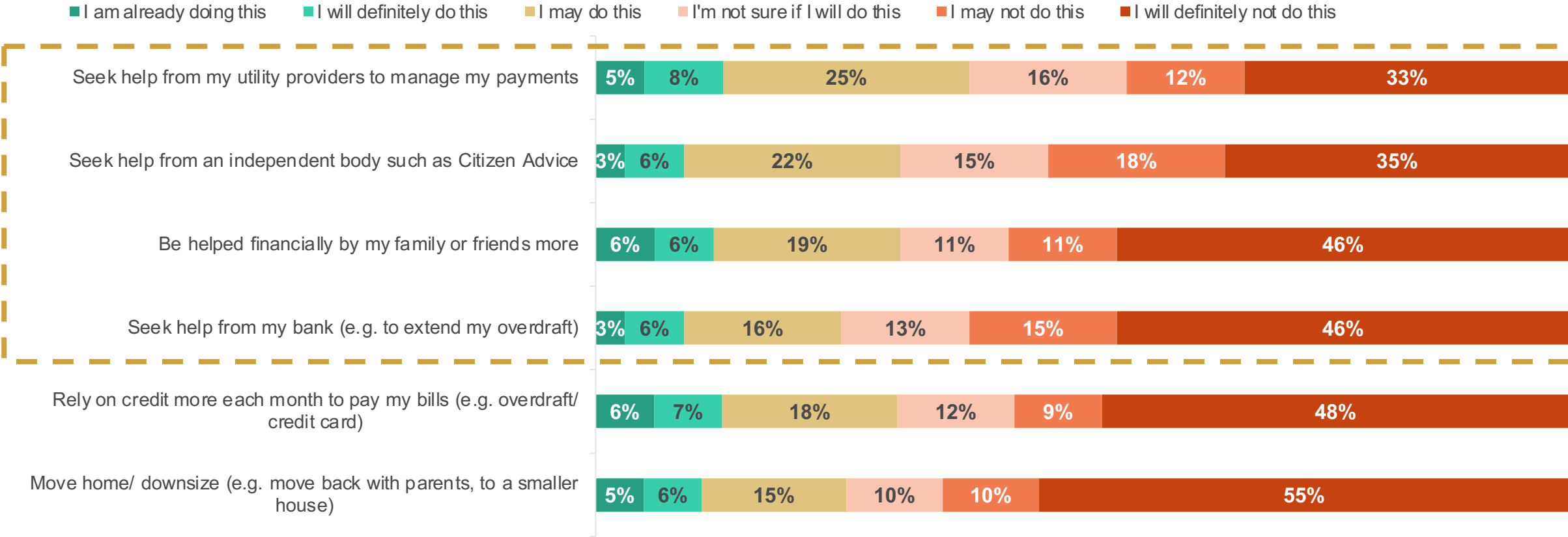
I am already doing this I will definitely do this I may do this I'm not sure if I will do this I may not do this I will definitely not do this



Q4. Below are some actions people may be taking in relation to an increasing cost of living. To what extent are you doing any of these this year in relation to your budgeting and spending? Base (n=2076) Q5. What, if anything, do you think you will need to do in response to the rising cost of living? Base (n=2076)

The public are much less likely to say they will ask for help from others

Actions in relation to cost-of-living
Showing total % selecting each



Q4. Below are some actions people may be taking in relation to an increasing cost of living. To what extent are you doing any of these this year in relation to your budgeting and spending? Base (n=2076) Q5. What, if anything, do you think you will need to do in response to the rising cost of living? Base (n=2076)

2 How experiences differ amongst the public



Experiences of the crisis differ significantly within the public – whilst some are unconcerned and optimistic about their prospects, others are pessimistic and struggling to see a way out.

We have identified five groups within the public with vastly different experiences and views of the cost-of-living crisis

These groups are defined by how optimistic / pessimistic about affording the essentials and the luxuries, which strongly aligns with the behaviours and broader mindsets of these groups.



TOP of the WORLD

Very optimistic about the essentials and the luxuries



CAUTIOUS but COMFORTABLE

Optimistic about the essentials and fairly optimistic about luxuries



JUST about MANAGING

Optimistic about the essentials and pessimistic about luxuries



BEGINNING to STRUGGLE

Fairly pessimistic about affording the essentials and pessimistic about affording the luxuries.



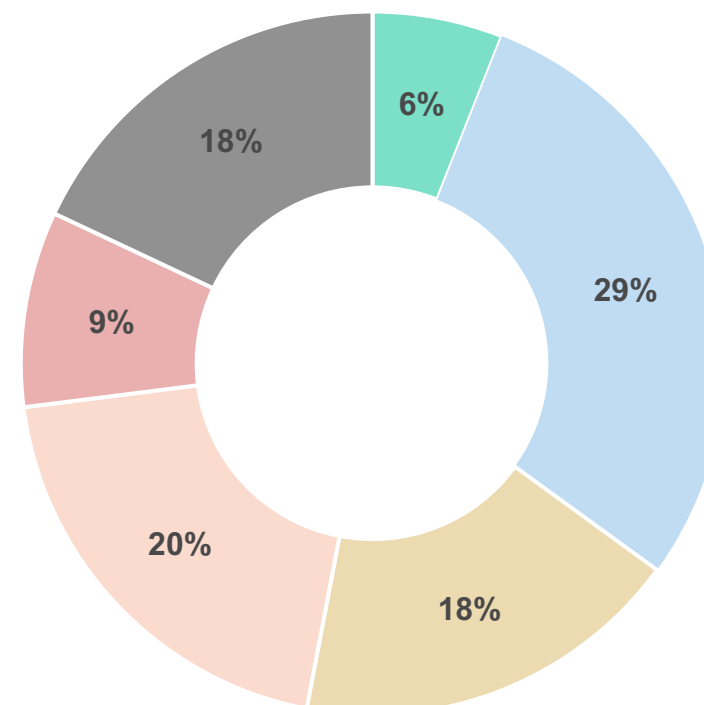
GOING UNDER

Very pessimistic about affording the essentials and the luxuries.

Q2. Thinking now about your personal life, to what extent are you feeling optimistic or pessimistic about the following over the next year or so? Being able to afford the essentials in life; Being able to afford the luxuries in life. Base (n=2076)

35% of the public are in our 'optimist' groups, with 29% falling into one of our two 'pessimist' typologies

These groups are defined by how optimistic / pessimistic about affording the essentials and the luxuries.



Q2. Thinking now about your personal life, to what extent are you feeling optimistic or pessimistic about the following over the next year or so? Being able to afford the essentials in life; Being able to afford the luxuries in life. Base (n=2076)

Group 1 – Top of the world

'Top of the world' are optimistic and unphased. Making up 6% of the population, they are least likely to feel concerned about news topics we have tested, and are most likely to say they definitely won't do the money saving behaviours we tested.



Views towards cost-of-living

- This group are extremely optimistic about affording both the luxuries and the basics in the future.
- Alongside this, group 1 are most likely to say that they will definitely not do the money saving behaviours. For example:
 - **45% will definitely not** try to earn more money through avenues such as working longer hours.
 - **30% of this group** feel that they **will definitely not** cut back on large expenses such as holidays abroad.

More likely to be

- Higher earners, with a mean average household income of **over £39,000.**
- Men
- Home-owners
- Car-owners
- In-work
- Parents of young children
- Co-habiting or married

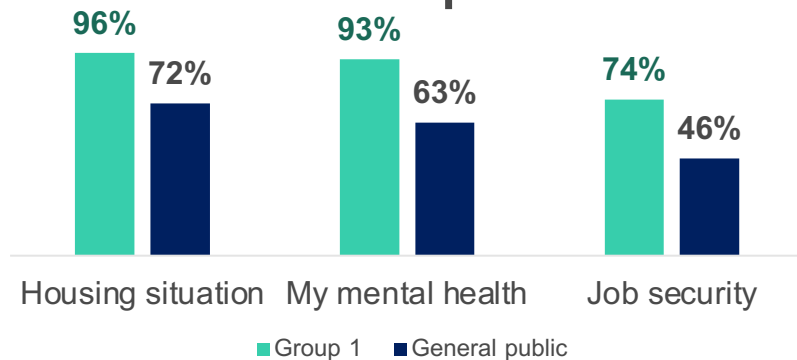
Group 1 – Top of the world

74%

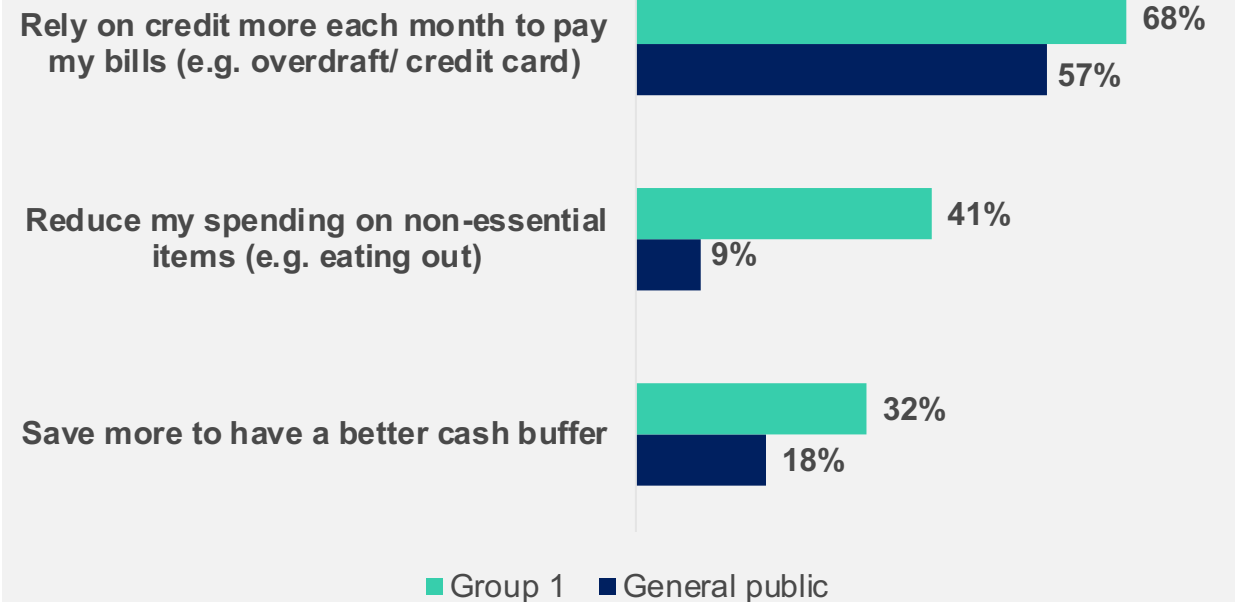
are concerned about the cost-of-living increases,
compared to 91% of the general public

...they are also least concerned about all of the topics
we tested, such as **Brexit**, **Ukraine** and **crime**.

Levels of optimism



Are *significantly* more likely to say **definitely will not or may not** do the following in response to the rising cost of living compared to the general public...



Group 2 – Cautious but comfortable

This group are fairly optimistic about their prospects. Almost a **third of the population** (29%), they are relatively optimistic about their finances, however they are still concerned about the cost-of-living, and are considering many of our tested money saving behaviours.



Views towards cost-of-living

- This group are optimistic about affording the essentials, and fairly optimistic about being able to afford the luxuries.
- Despite this optimism, group 2 are still concerned about the cost-of-living. They are less likely to be doing money saving behaviours, but are more likely to consider them. For instance:
 - Only **24%** currently monitor their expenses and set spending budgets, but **56%** believe they are likely to do this.

More likely to be

- Slightly higher earners, with a mean average household income of **over £33,000.**
- Men
- 65+
- Home-owners
- Co-habiting or married

“Some of [our spending] we probably could have held back on and saved, but in actual fact that balance; going out and having a few pints having something to drink, buying something nice...I honestly feel like we deserve it...I do feel like I’ve got enough on my plate to get through this.”

Male, 54, Empty nester

“If it came down to it we do know there are lots of things we could cut out, but I suppose that’s the main reason for me returning to work full-time, so we don’t have to cut down on things and that we can still have enough money for all the luxuries of life.”

Female, 35, Parent of young children

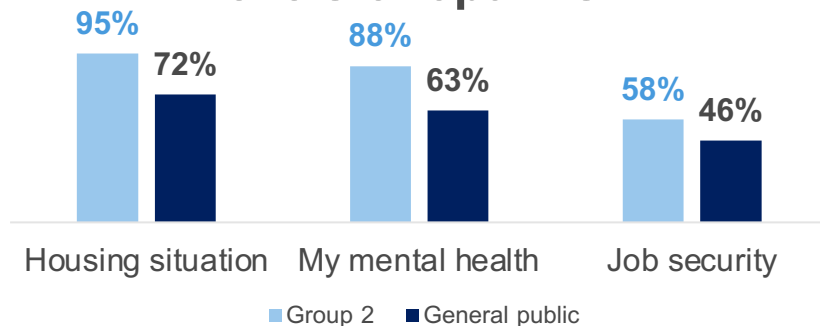
Group 2 – Cautious but comfortable

91%

are concerned about the cost-of-living increases, compared to 91% of the general public

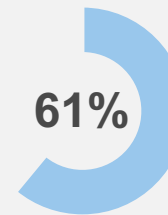
...they are more likely than the general public to be concerned about **climate change, Ukraine and Covid-19.**

Levels of optimism

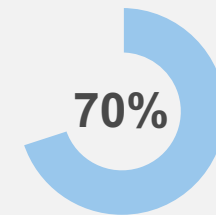


This group are more likely to consider **smaller acts of money saving behaviours**, rather than more significant changes:

Will definitely or may reduce spending on non-essential items



Will definitely not or may not move home or downsize



They are **significantly more likely** to say this than any other group.

And **51%** say they definitely or may need to **help family and friends with their finances.**

Group 3 – Just about managing

Group 3 are beginning to feel the pinch of the cost-of-living, but are optimistic about affording the essentials in the short-term. This group makes up **a fifth of the population** (18%) and whilst they have mixed feelings about their finances, they are optimistic about their lives.



Views towards cost-of-living

- This group are optimistic about affording the essentials, and pessimistic about being able to afford the luxuries.
- They are more likely to feel concerned about the cost-of-living compared to the general public, and feel their outgoings have already taken a hit. They are making changes, such as:
 - **29%** are already buying second hand where they can
 - **39%** already buy from value ranges, and **51%** believe they definitely or may to do so in the future.

More likely to be

The 'average' household:

- Matching the average UK earner, with a mean average household income of **£31,000**.
- Equally split between men and women
- Average age of 48
- Single
- Not have children

"I'll have to look at saving costs on things like food and going out. Maybe if I can save money there and then spend that money on the fruit and veg to eat healthily..."

Male, 24, Single in shared rented accommodation

"I was supposed to go on holiday in the summertime but my finances are quite tight at the moment."

Female, 21, Less predictable salary

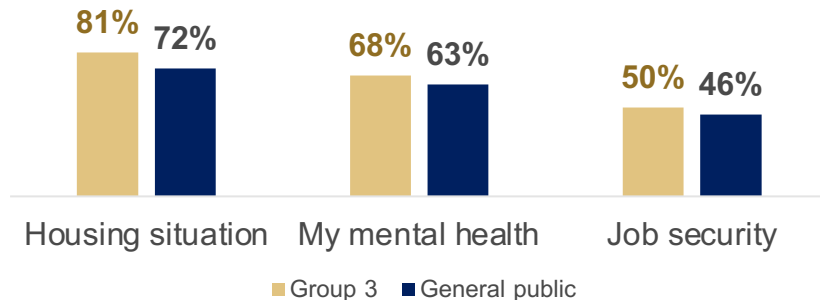
Group 3 – Just about managing

95%

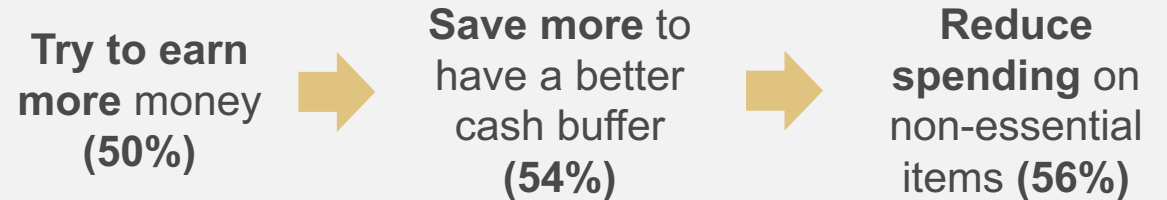
are concerned about the cost-of-living increases, compared to 91% of the general public

...they are likely to be more concerned about many of the issues shown, particularly **Ukraine** and **mental health***.

Levels of optimism



1 in 2 say they may or definitely will need to...



But **3 in 5** say they definitely won't or may not...

Be helped financially by family/friends more (61%) Rely on credit more each month to pay their bills (61%)

Seek help from an independent body such as Citizen's Advice (61%)

...in response to the rising cost of living.

Group 4 – Beginning to struggle

Group 4 are struggling with the cost-of-living crisis. This group makes up a **fifth of the population** (20%) and they are fairly pessimistic about their finances. They are already cutting down spending in lots of areas, and believe this will increase further.



Views towards cost-of-living

- This group are fairly pessimistic about affording the essentials, and pessimistic about affording the luxuries.
- They are more likely to feel concerned about the cost-of-living compared to the general public, have already made larger changes to their spending habits. For instance:
 - **58%** are already turning off the heating and reducing their use of appliances to save on utility bills.
 - **41%** have cut down on travel and transport expenses
 - **29%** have already cancelled subscriptions e.g., Netflix

More likely to be

- Slightly lower earner, with a mean average household income of **£28,000.**
- Women
- Renters
- Single
- Out-of-work

“One day a week I do treat myself to Sainsbury’s but we’ll probably have to cut back on that...My partner might look at buying a bike to cut back on driving.”

Female, 33, Parent of young children

“We’re making sacrifices, we’re not buying things for ourselves, we’re not having luxuries. We do get by; we’re not struggling to pay bills but at the same time there’s not much left over.”

Male, 30, Parent of young children

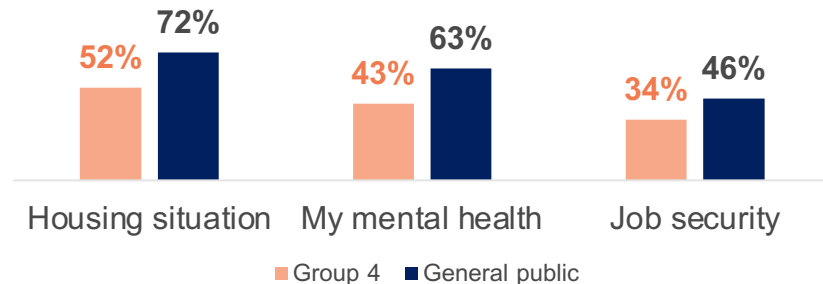
Group 4 – Beginning to struggle

94%

are concerned about the cost-of-living increases,
compared to 91% of the general public

...they are most likely to be more concerned about
Brexit and mental health*.

Levels of optimism



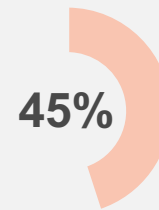
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* Compared to the general population

Q1. These issues are often covered in the news. To what extent do you personally feel worried about these issues? Base (n=2076); Q2. Thinking now about your personal life, to what extent are you feeling optimistic or pessimistic about the following over the next year or so? Base (n=2076); Q5. What, if anything, do you think you will need to do in response to the rising cost of living? Base (n=2076)

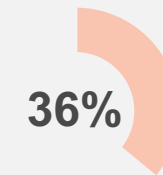
Are *significantly* more likely to say they may or definitely will need to seek help from outside organisations compared to Groups 1-3, such as:

Utility providers



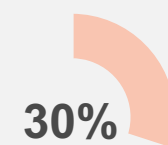
Compared with 18%
(Group 1), 28% (Group 2),
24% (Group 3)

Independent bodies



Compared with 20%
(Group 1), 23% (Group 2),
23% (Group 3)

Their bank



Compared with 16%
(Group 1), 20% (Group 2),
16% (Group 3)

And lean on financial support, such as:

Rely on credit more

35%

Compared with 18% (Group 1),
20% (Group 2), 23% (Group 3)

Be helped financially by
friends or family more

33%

Compared with 22% (Group 1),
21% (Group 2), 24% (Group 3)

...in response to the rising cost of living.

Group 5 – Going under

Group 5 are struggling to stay afloat. **1 in 10** (9%) of the population, this group are pessimistic about a lot in their lives, including their finances. They are very concerned about the cost-of-living, and are more likely to already be cutting back and actioning money saving behaviours.



Views towards cost-of-living

- This group are very pessimistic about affording the basics, and are most likely to be pessimistic about the factors tested.
- They are very concerned about the cost-of-living and are most likely have cut back on their spending. For instance:
 - **71%** are already turning off the heating and reducing use of appliances;
 - **67%** are reducing their spending on non-essential items;
 - **47%** have already started cancelling or reducing charity donations and giving

More likely to be

- Lower earners, with a mean average household income of **£24,000**.
- Women
- Renters
- Single or divorced
- Out-of-work
- Parents of school-aged children (5-18 years old)
- Just under half have a long-term health condition or disability

"I'm not feeling great about my finances at the moment. With my job being zero hours it varies week by week...some weeks I'll have pretty poor income which makes it hard to budget and makes it really hard to save. I've got 0 in savings as a result of this so that's pretty tricky."

Male, 24, Less predictable salary

"I'm cutting down on the motorways, I'm doing 60mph rather than 70mph to try and save money on petrol. I'm getting things I can put in the freezer so I'm not wasting food or money. I'm also making my food for work most days so I'm not spending money there."

Female, 25, Living in shared rented accommodation

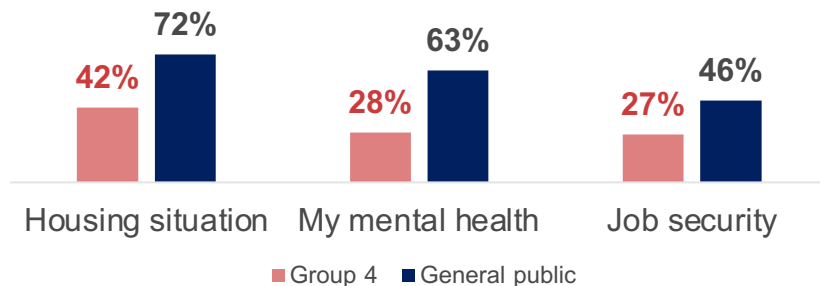
Group 5 – Going under

97%

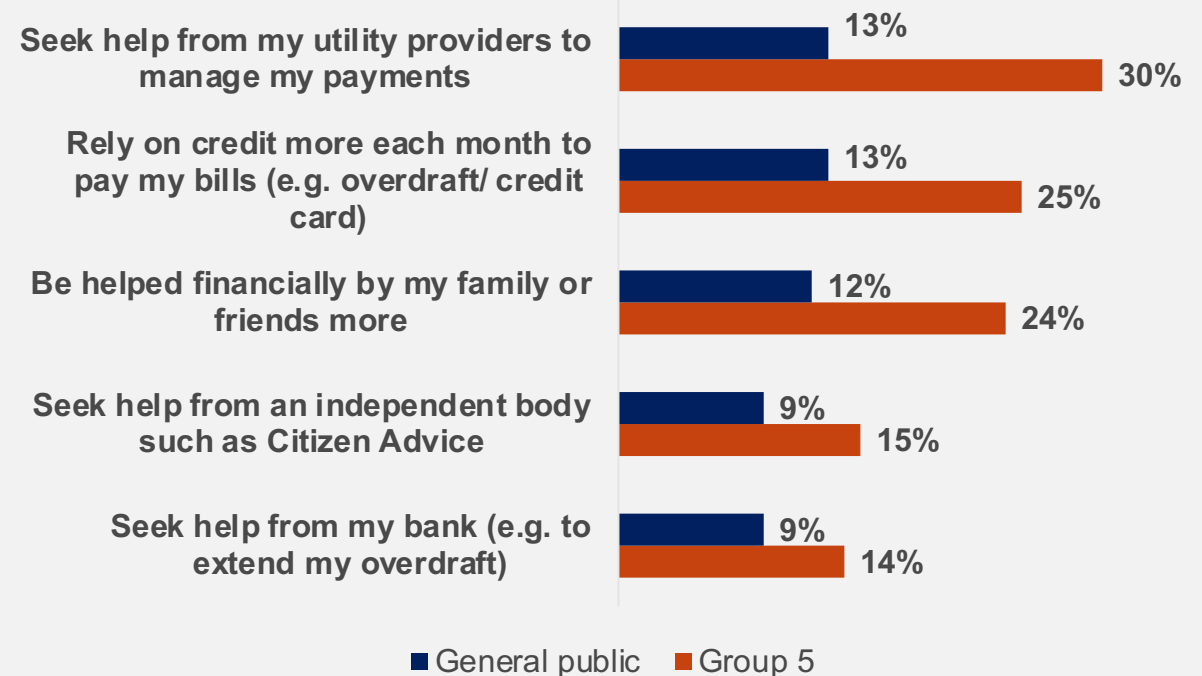
are concerned about the cost-of-living increases,
compared to 91% of the general public

...they are most likely to be more concerned about the
impacts of Brexit*.

Levels of optimism



Are *significantly* more likely to say they are already
or will definitely seek help from providers and support
organisations than the general public...



3 What this means



Key findings

1

The general public are **very concerned about the cost-of-living crisis** with only the war in Ukraine registering similar level of concern of the issues we tested.

2

There is **widespread pessimism amongst the public about affording both the luxuries in life and the essentials**. Half the public say they are pessimistic about affording the luxuries in life and a third are pessimistic about affording the essentials.

3

Spending has already been impacted with the public already seeing increases in costs of the essentials and many cutting down in other areas as a consequence.

Key findings

4

Large proportions of the public are trying to reduce their outgoings to mitigate the impacts of the cost-of-living crisis. This includes just under half (48%) of the public who say they have been turning off the heating and/or appliances to save on utility bills.

5

Conversely, only minorities of the public say they would consider asking for support from providers, support organisations or friends and family.

6

Experiences of the crisis differ significantly within the public. Whilst many are optimistic about their finances, large sections of the public (often with overlapping vulnerabilities) are already taking action to mitigate the impacts of the crisis and are still struggling to make ends meet.

What does this mean for policy makers and the third sector?

Design policies and communications with the cost-of-living crisis in mind

Cost-of-living is much more than a news story for the public – they are noticing the crisis in their lives and changing their behaviours as a result. **Cost-of-living will be the key frame through which the public interprets many issues**, with financial topics being far more resonant for a broader swathe of the public than before. It will therefore be vital to design policy, services and communications with this in mind.

Communicating about official support channels will be vital

The public are unlikely to say they will make use of existing support services to help mitigate the impacts of the cost-of-living crisis, instead favouring cutting their own outgoings. This may be due to lack of awareness of support or perceived stigma around accessing it. **Communications will therefore need to play an important role in publicising (and potentially destigmatising) using official support channels.**

Much more than household income affects experiences of cost-of-living

In addition to being more likely to have a lower household income than the general public, **our two ‘pessimist’ typologies are also more likely to have a long-term health condition, be renters and single.** These groups may need policy and service interventions which **address these vulnerabilities in addition to help reducing their outgoings and/or increasing their incomes.** They may also need tailored communications channels to reach them.

A black and white photograph of a grand classical building, likely a government or institutional structure, featuring a large fountain in the foreground. The building has multiple stories with many windows and a central dome. In the foreground, there is a statue on a pedestal and a lamppost. The image is used as a background for the text.

Thank you

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