

## Cost savings united kingdom

The UK household saving ratio peaked at 27.4% in Quarter 2 (Apr to June) 2020, mainly because of the suppression of consumption opportunities during the coronavirus (COVID-19) pandemic;

Estimates of the total value of excess saving accumulated by UK households since the start of the pandemic range from ?143 billion to ?338 billion (7.9% to 18.7% of household annual total resources).

UK households have been reluctant to spend these accumulated savings, unlike in the US where it has been an important factor in supporting household consumption and economic growth.

non-labour income - this includes the operating surpluses from household businesses, the income of the self-employed (mixed income), the net income from the ownership of financial assets such as interest payments and dividends, and changes in the value of household-owned pension funds

net transfers which consist primarily of social benefits and pensions received and the payment of taxes and social contributions; note that furlough and other income-support payments received during the coronavirus (COVID-19) pandemic would be included in labour and mixed income rather than this component

Figure 1 shows the household saving ratio over the last 50 years. The ratio exhibits a distinct cyclical pattern, generally rising in or around recessions as households reduce consumption spending. This article will focus on two recent periods where there have been significant increases in the household saving ratio.

First, during 2020 and 2021 when restrictions on social interactions and physical movement introduced during the pandemic, along with closure of physical stores and customer-facing services, contributed to a spike in the saving ratio which reached a peak of 27.4% in Quarter 2 (Apr to June) 2020.

Second, the significant increase in the saving ratio after the pandemic, from 6.6% in Quarter 2 2022 to 11.1% in Quarter 1 (Jan to Mar) 2024. This period was associated with a significant increase in the cost of living and rising interest rates.

Figure 1: The household saving ratio peaked at 27.4% during the coronavirus (COVID-19) pandemic The household saving ratio (%), UK, Quarter 1 (Jan to Mar) 1963 to Quarter 1 2024 Source: UK Economic Accounts from the Office for National Statistics Download this chart Figure 1: The household saving ratio peaked at 27.4% during the coronavirus (COVID-19) pandemic Image .csv .xls

As household consumption is the largest component of the expenditure measure of gross domestic product (GDP), these trends may partly account for respective economic growth rates of different countries since the pandemic.

a comparison of the actual saving ratio relative to the trend before the coronavirus (COVID-19) pandemic using data from the household income and expenditure accounts

the extent to which excess saving has been used to accumulate liquid assets such as currency and deposits or to pay down borrowing using data from the household financial accounts

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Web: <https://www.hollanddutchhtours.nl/contact-us/>

Email: [energystorage2000@gmail.com](mailto:energystorage2000@gmail.com)

WhatsApp: 8613816583346

