

The Heart of Working Britain: Financial life for workers earning up to £40k a year

Executive Summary

This report analyses the real cost of living for workers earning up to £40,000 a year, based on actual transactional data. They form the backbone of the economy and understanding their spending habits and financial pressures is crucial. Their financial stability has far-reaching implications for consumer demand, financial and economic resilience.

The findings are based on a consistent cohort of 1,151 consumers, tracking real-world financial behaviour across both essential and discretionary spending categories. This data-driven, anonymised approach provides an accurate and timely reflection of the financial pressures faced by individuals in this income bracket. (Additional survey data from Mintel can be seen in the blue box to the right.)

The Financial Reality at £40k

Two-Year Surplus – 1.3%

Over the past two years, incomes have risen by **16.7%**, but expenses (i.e. bills and spending) have surged by **22.0%**. Despite this, total income (£53.56 million) exceeded total expenses (£52.89 million), resulting in a narrow surplus of **1.3%**. This small financial buffer suggests that workers earning up to £40,000 are just about managing to stay ahead of their outgoings. However, the most recent picture shows that this surplus has shrunk and turned into a deficit quarter-on-quarter.

One-Year Surplus – 0.8%

Over the past year, total income was £27,834,248, while expenses amounted to £27,613,950, resulting in a surplus of **0.8%**. This indicates a narrowing of the gap between income and expense growth over the last two years.

- **Year-on-Year Income Growth: +6.4%**
- **Year-on-Year Expense Growth: +9.9%**

Quarterly Deficit – 2.8%

Total income for the group (July-Sept 2024) was £6,556,343, while expenses reached £6,738,203, leading to a deficit of **-2.8%**.

- **Quarterly Income Change: -0.6%**
- **Quarterly Expense Change: 4.4%**

Implications

The data paints a picture of growing financial challenges for people earning up to £40,000 a year. While income growth has been modest, it has been outpaced by rising expenses, leading to a deficit for some people, particularly in the most recent quarter. This narrowing financial buffer leaves many vulnerable to unexpected costs or income fluctuations.

- Only 2% of households earning less than £40,000 feel that the cost-of-living crisis is no longer a problem.
- 40% of this group will take on additional work to make ends meet.
- 42% report that financial strain has negatively impacted their mental wellbeing.
- 34% say their physical health has also been affected

Source: Mintel Survey (1,000 respondents | 15th October - 22nd October 2024)

“Despite rising expenses, many hard-working people are still managing to maintain a small financial surplus, which provides some breathing room. Year-on-year income growth, though modest, continues to support financial stability. While a recent quarterly dip reflects the current challenges, it also highlights the resilience of workers in adapting to changing economic conditions.”

Ian McLaughlin,
CEO Vanquis Banking Group

How workers earning up to £40k a year spend their money:

Entertainment & Leisure

- 2-year growth: 16.5%
- YoY growth: 8.1%
- Quarterly growth: 3.6%

Commentary: The Entertainment & Leisure sector shows solid long-term growth, driven by post-pandemic recovery. The 3.6% quarterly growth suggests continued resilience in consumer demand.

Experiences

(e.g. Gigs, Zoos, Theme Parks, Museums, Theatre, Football, Cinema)

- 2-year growth: 33.2%
- YoY decline: -0.7%
- Quarterly growth: 14.8%

Commentary: Substantial two-year growth of 33.2% highlighting a strong consumer preference for experiential spending over material goods. Despite a slight year-over-year decline of 0.7%, the sector rebounded with quarterly growth of 14.8% over the summer period.

Fitness

- 2-year growth: 26.3%
- YoY decline: -3.5%
- Quarterly decline: -4.2%

Commentary: While fitness spending grew strongly over two years, recent declines suggest a shift in consumer behaviour. This could be due to people opting for cheaper or at-home workout options as financial pressures mount, leading to reduced spending on gym memberships or fitness-related activities.

Media Subscriptions

- 2-year growth: 7.3%
- YoY growth: 12.2%
- Quarterly growth: 1.9%

Commentary: Media Subscriptions have shown moderate long-term growth, reflecting the sustained popularity of streaming services.

“Overall, consumer spending trends suggest resilience in experiences and entertainment, while the quarterly dips across multiple categories signal a tightening of discretionary spending.”

Ian McLaughlin,
CEO Vanquis Banking Group

Charity

- 2-year growth: 30.8%
- YoY growth: 5.0%
- Quarterly growth: 2.2%

Commentary: Consistent growth over time suggests that consumers remain committed to giving to charity.

Fast Grocery

- 2-year growth: 80.4%
- YoY growth: 62.8%
- Quarterly growth: 10.8%

Commentary: Explosive growth in fast grocery reflects a shift toward convenience, with consumers embracing rapid delivery services.

Meal Boxes

- 2-year growth: 46.4%
- YoY growth: 30.6%
- Quarterly growth: 8.6%

Commentary: Meal boxes have shown impressive growth over the last two years. Recent quarterly growth indicates continued interest in convenient meal solutions, even as consumers navigate broader economic pressures.

Supermarket

- 2-year growth: 22.8%
- YoY growth: 10.1%
- Quarterly decline: -0.6%

Commentary: Growth over two years reflects persistent inflation (i.e. rising costs of groceries have pushed spending higher, even where the number of purchases has not risen at the same rate).

Household Bills

- 2-year growth: +22.9%
- YoY growth: +9.3%
- Quarterly growth: +2.7%

Commentary: Household bills have surged by 22.9% over the past two years, including a 9.3% increase year-on-year. The latest quarterly growth of 2.7% reflects continued pressures on household budgets.

Coffee & Bakery

- 2-year growth: 14.4%
- YoY growth: 4.8%
- Quarterly growth: 9.8%

Commentary: The coffee & bakery sector has experienced steady growth over two years and 4.8% year-on-year growth. The quarterly rise indicates resilience in spending on everyday treats despite rising costs.

Fast Food

- 2-year growth: 15.2%
- YoY growth: 1.1%
- Quarterly growth: 3.2%

Commentary: Fast food remains a growth category as an affordable dining option.

Restaurant - Mid-tier

- 2-year growth: 5.1%
- YoY growth: 7.2%
- Quarterly decline: -7.7%

Commentary: Mid-tier restaurants (e.g. Bella Italia, ASK Italian, Bills, Café Rouge) have seen modest two-year growth of 5.1% and a 7.2% increase year-on-year, but the recent quarterly decline suggests that consumers are tightening their belts when dining out.

Takeaway Delivery

- 2-year growth: 10.3%
- YoY growth: 7.0%
- Quarterly growth: 1.1%

Commentary: Takeaway delivery remains a strong category, reflecting its convenience appeal.

Bars & Pubs

- 2-year decline: -2.3%
- YoY decline: -13.2%
- Quarterly decline: -2.0%

Commentary: Bars and pubs have seen no growth over two years, with steady declines in recent quarters, reflecting consumers reducing discretionary social spending or shifting to at-home alternatives.

“While household bills and essentials continue to rise, there are encouraging signs of stabilisation in areas like energy and water costs. Consumers are increasingly prioritising and focusing on value-driven choices when they spend their hard-earned money.”

Ian McLaughlin,
CEO Vanquis Banking Group

Home Improvement

- 2-year growth: 10.1%
- YoY growth: 22.0%
- Quarterly growth: 5.8%

Commentary: Home improvement spending shows growth over the past two years. The trend indicates that consumers are actively investing in home improvements, focusing on enhancing their living spaces.

Online marketplace

- 2-year growth: 95.0%
- YoY growth: 16.8%
- Quarterly growth: 4.2%

Commentary: Online marketplaces (e.g. TikTok Shop, Etsy, Facebook, Vinted) have experienced strong growth over the past two years, with a 95% increase overall and a recent quarterly rise of 4.2%, showing no signs of slowing down.

Universal Retailer

- 2-year growth: 24.0%
- YoY growth: 14.0%
- Quarterly growth: 3.4%

Commentary: Universal retailers (e.g., Amazon) have shown solid growth over the past two years. The quarterly increase of 3.4% suggests rising consumer interest leading into the crucial October to December retail season, which includes major shopping events like Black Friday, Cyber Monday, and Christmas.

Sports & Leisure

- 2-year growth: 36.4%
- YoY growth: 15.2%
- Quarterly growth: 16.3%

Commentary: Sports and leisure spending has surged, with a 36.4% increase over two years as people renew their interest in fitness, hobbies, and outdoor activities. The strong quarterly growth of 16.3% reflects seasonal factors, as more people engage in outdoor activities during warmer months.

Travel/Holiday

- 2-year growth: 56.6%
- YoY growth: 20.8%
- Quarterly growth: 0.4%

Commentary: Travel and holiday spending has surged over the past two years, driven by a robust post-pandemic recovery. Year-on-year growth of 20.8% further underscores this trend. Slight quarterly growth suggests a potential plateau, possibly influenced by seasonal factors and consumers reassessing their travel budgets.

Vehicle/Transport

- 2-year growth: 8.2%
- YoY growth: 9.9%
- Quarterly decline: -2.3%

Commentary: Vehicle and transport spending shows steady growth. The recent quarterly decline suggests that consumers may be adjusting their spending habits in response to the overall costs associated with vehicle ownership.

Vehicle Maintenance

- 2-year growth: 23.7%
- YoY growth: 23.1%
- Quarterly growth: 4.1%

Commentary: Vehicle maintenance has seen strong growth, reflecting rising costs of parts and repairs.

Mortgage & Rent

- 2-year growth: 25.4%
- YoY growth: 14.6%
- Quarterly growth: 9.1%

Commentary: Mortgage and rent payments have grown significantly, reflecting the relentless rise in housing costs. Ongoing quarterly growth underscores the challenges faced by renters and homeowners alike and highlights the mounting pressure on household budgets.

Conclusion

Workers earning up to £40,000 are navigating a dynamic financial landscape, with expenses rising at a faster pace than income. Over the past two years, income growth has reached 16.7%, while expenses have increased by 22.0%. Although a small surplus was recorded last year, recent trends point towards a shift to a quarterly deficit. Despite these challenges, this group demonstrates resilience, with sectors like coffee and bakery thriving with steady growth of 4.8% year-on-year, indicating continued spending on everyday treats. In contrast, bars and pubs have experienced no growth over two years, reflecting a decline in discretionary social spending, while mid-tier restaurants show modest growth but are facing recent declines as consumers tighten their belts when dining out. Mortgage and rent payments have risen significantly, compounding the pressure on household budgets. Overall, this report highlights the adaptability of this income group as they work to maintain financial stability amidst rising living expenses.

The next Vanquis Financial Wellbeing Index will be published in February 2025.

	Q3 24 vs Q3 22	Q3 24 vs Q3 23	Q3 24 vs Q2 24
Entertainment & Leisure	16.5%	8.1%	3.6%
Experiences	33.2%	-0.7%	14.8%
Fitness	26.3%	-3.5%	-4.2%
Gambling & Betting	-28.5%	10.4%	-10.1%
Media Subscriptions	7.3%	12.2%	1.9%
General	16.5%	5.5%	-2.9%
Charity	30.8%	5.0%	2.2%
General	16.2%	18.6%	49.9%
Groceries	22.5%	10.1%	-0.5%
Alcohol	-1.6%	5.8%	-5.3%
Convenience Store	-3.5%	-5.4%	-10.2%
Fast Grocery	80.4%	62.8%	10.8%
Meal Boxes	46.4%	30.6%	8.6%
Supermarket	22.8%	10.1%	-0.6%
Household Bills	22.9%	9.3%	2.7%
Energy	1.0%	-6.2%	-5.7%
Local Council	31.1%	13.7%	6.4%
Water	22.8%	13.6%	1.5%
Mobile, Broadband & TV	14.5%	5.2%	1.4%
Out of Home	12.9%	6.7%	2.2%
Coffee & Bakery	14.4%	4.8%	9.8%
Fast Food	15.2%	1.1%	3.2%
Restaurant - Budget	23.5%	3.6%	-9.2%
Restaurant - High End	64.5%	-6.3%	55.2%
Restaurant - Mid-tier	5.1%	7.2%	-7.7%
Takeaway Delivery	10.3%	7.0%	1.1%
Bars & Pubs	-2.3%	-13.2%	-2.0%

	Q3 24 vs Q3 22	Q3 24 vs Q3 23	Q3 24 vs Q2 24
Retail	25.0%	18.3%	4.3%
Electricals & Technology	12.8%	10.2%	7.2%
Footwear	26.5%	25.0%	39.5%
Furniture & Homewares	-4.2%	8.9%	-16.3%
General Fashion	7.7%	16.6%	3.3%
Health & Beauty - Budget	20.4%	7.8%	-2.3%
Health & Beauty - High End	-32.6%	-22.6%	-8.8%
Health & Beauty - Mid-tier	34.8%	36.6%	2.9%
Home Improvement	10.1%	22.0%	5.8%
Marketplace	95.0%	16.8%	4.2%
Universal Retailer	24.0%	14.0%	3.4%
Sports & Leisure	36.4%	15.2%	16.3%
Travel/Holiday	56.6%	20.8%	0.4%
Airlines	50.3%	6.8%	-20.9%
Hotels	3.2%	-22.1%	-17.7%
Travel Agent	132.8%	36.0%	20.3%
Vehicle/Transport	8.2%	9.9%	-2.3%
Vehicle Maintenance	23.7%	23.1%	4.1%
Housing			
Mortgage & Rent	25.4%	14.6%	9.1%
	Q3 24 vs Q3 22	Q3 24 vs Q3 23	Q3 24 vs Q2 24
Income	16.7%	6.4%	-0.6%
Expenses	22.0%	9.9%	4.4%

- **Data Source:** Snoop / SpendMapper
- **Data:** This analysis is based on anonymised transactional data from a stable cohort of 2,214 people, covering a two-year period from September 2022 to September 2024. The data reflects consistent transaction and income history over this time frame. Within this broader cohort, a focused subset of 1,151 participants earning under £40,000 annually provides targeted insights into the financial behaviours and pressures faced by lower- to moderate-income earners.

- **Mintel:** Consumer Financial Wellbeing Survey on behalf of Vanquis - 2024
- Fieldwork dates: 15th October - 22nd October 2024
- Source: Kantar Profiles/Mintel
- Market: Great Britain
- Base: 1000 internet users aged 16+

Time periods: This report covers income and expenditure trends over two years (Q3 24 vs Q3 22), year-on-year (Q3 24 vs Q3 23), and Q3 24 vs Q2 24.