



The festive season is the time of the year when consumers perhaps feel under most pressure to spend. And this Christmas, they might be more inclined to do so, as 2015 has been the best year for household finances since 2008.

Welcome cheer for consumers

Falling food and energy prices, coupled with a return of pay rises, have boosted disposable incomes. Indeed, real earnings growth for the UK has been rising at its fastest rate in a decade.

This has brought welcome cheer for consumers following several years in which household

finances were hit by rampant inflation and low or no pay rises.

Pick up in wage growth

The recent pick-up in wage growth has been particularly marked in Northern Ireland, with the largest increase in full-time gross median earnings of the 12 UK regions. Northern Ireland's 5.4% annual rise in pay this year (UK +1.9%) represented the biggest in 11 years and the first real terms increase since 2009.

Cost of living falling

Whilst incomes have been going up, the cost of living has been going down. 2014 saw the annual CPI inflation rate hit a record low of 0.5%. This will be eclipsed this year, with the annual rate of CPI set to average 0% for 2015. However, this headline conceals 'biflation' - two different rates of inflation in the economy at the same time - with services inflation currently running at 2% per year, and the price of goods falling at 2% per year.

Christmas dinner cheaper

Those inflation anoraks checking their receipts from last year and comparing with this year will be in for a pleasant surprise. The lesser known [Christmas Dinner Index](#) - the collective price of the typical elements of a Christmas meal (compiled by Mintec the commodities analytics firm) - has fallen by 1% this year. This follows the 4% decline last year, taking the Christmas Dinner Index to a four-year low. While the cost of Turkey has risen by 1% in the past 12 months, the mince pie has fallen by the same amount. The escalating cost of dried fruit has been more than offset by the 7% drop in the cost of the pastry, as butter and wheat prices declined and sugar is at a record low!

Booze prices down

Those indulging in alcohol at home over the festive period will be encouraged to note that the cost of alcoholic drinks has fallen by around 4.5% in 2015. Beer and wine are down 3% and 5% respectively. The cost of Christmas crackers has also fallen significantly, which might bring more of a smile to revellers' faces than the jokes inside. The fall in the global price of recycled paper has also driven down the cost of paper hats by 11%.

Home heating oil price 35% lower

Heating bills are substantially reduced relative to Christmas's past. The cost of domestic home heating oil has fallen by around 35% over the last year. The price 1,000 litres of home heating oil is set to fall below £300 in the coming weeks. This compares with over £600 in each December between 2010 and 2013. The price peaked at almost £700 in February 2013, making prices some 55% lower today. So there will be no need to put that dodgy Christmas jumper on to keep warm this Christmas!

Petrol prices to go below £1 per litre

Driving home for Christmas could also be the cheapest in years, with petrol prices falling. At the start of December last year, the average price of a litre of petrol was £1.20; today prices are 11% lower at £1.06 with the falling oil price set to take prices below £1 for the first time since June 2009 in the coming weeks.

Boost to disposable incomes set to continue

Overall, falling food and energy prices are boosting disposable incomes, and this is set to continue well into 2016. Furthermore, last month's decision to scrap the planned scaling

back of working families tax credits from next April was viewed by many as an early Christmas present.

A good year for retailers?

But whilst it has been a good year for consumers' finances, will it be a good year for retailers?

The 'noflation' feel-good factor embracing households' finances was not evident in last week's British Retail Consortium (BRC) survey for November. According to the BRC's monthly sales monitor, retail sales grew at their weakest pace for any November since 2011. Black Friday discounts failed to compensate retailers for poor trading earlier in the month.

'Reality check' for sector

Like-for-like sales in stores and online last month fell marginally relative to the corresponding period last year. David McCorquodale, head of retail at KPMG, which produces the figures for BRC, said the data comes as a "reality check" for the sector "with consumers holding off for a Black Friday bargain pitted against retailers determined to hold on to their hard-earned margins".

Unfavourable exchange rate

Northern Ireland retailers face the additional challenge of an unfavourable exchange rate making Christmas shopping tourism south of the border attractive. This December, sterling is 8% stronger than it was last December and is stronger against the euro than at any December since 2007.

Job security fears

There is also the likelihood that job security fears are impacting on consumer confidence. We have already heard substantial announcements regarding upcoming jobs losses in Northern Ireland's manufacturing sector, and fears regarding jobs losses elsewhere in the sector as the global slowdown impacts on demand.

Lack of confidence evident in car sales

Indeed, this lack of consumer confidence is evident in new car sales, which were down in the first 11 months of 2015 relative to last year, with 2015 as a whole looking set to record the first annual fall in new car sales since 2011.

Do they know it's Christmas time at all?

So whilst driving home for Christmas and pulling a cracker might be the cheapest in years as consumers enjoy favourable inflation and wage conditions, retailers may be wondering do they know it's Christmas time at all.

This is an extended version of an article that appeared in the [Irish News](#) on 15th December, 2015

Driving home for Christmas and pulling a cracker set to be cheapest
in years... | 6

Share this:

- [Twitter](#)
- [Facebook](#)
- [LinkedIn](#)
- [Email](#)