

Britons pessimistic about future of finances

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The economic climate has made Britons more pessimistic about their future financial situation than they were a year ago, reflecting a general international trend towards increased financial anxiety, according to the latest research from the University's Personal Finance Research Centre (PFRC).

The findings are published in the fourth annual edition of the *Genworth Index*, produced by the PFRC on behalf of Genworth Financial. The Index surveyed 14,000 respondents in 18 countries (14 European, the US, Canada, Mexico and Australia) just after the British general election and shortly before the emergency budget was published.

The Index, which captures [households](#)' financial vulnerability (a measure of households' current and recent experience of financial difficulty and their predictions about their financial future), shows that vulnerability in Britain is now back to the levels seen in 2008 when Britain was sinking into recession. And this reflects a large shift from relative security to vulnerability since 2007 when the Index began.

While it is still the poorest households that make up the largest share of vulnerable households, the shift towards financial vulnerability since 2007 has been felt disproportionately among the under 30s (6 per cent in 2007 to 29 per cent this year), families with children (8 per cent to 25 per cent) and households from the middle and higher social grades.

Twenty per cent of households in Britain are classed as financially vulnerable, up from 14 per cent in 2009, with a mere 8 per cent feeling

financially secure. This is a reversal of a previous trend in 2008 and 2009 which showed a growth in optimism as Britain started to feel the recession was over.

As in 2009, the poorest households and those in the south of England make up the largest share of financially vulnerable households. 28 per cent of vulnerable households were from the lowest income bracket, while only 16 per cent of households overall were in this bracket. And while making up 40 per cent of all households, households in the south comprised 53 per cent of the vulnerable households.

In terms of longer-term changes, the percentage of households classed as financially vulnerable has almost trebled since 2007, while those classed as secure has halved. This makes Britain the only country in the survey to have started with relative security but to have been vulnerable ever since.

The picture in Europe is similarly grim, with Greece the most financially vulnerable of all countries surveyed in 2010. Portugal saw a similar deterioration, while Ireland improved on the Index in real terms and relative to other countries.

The Nordic countries and Canada (new to the survey in 2010) are the most secure countries, with Norway performing best for the second year in a row. Norway is particularly notable because no household surveyed reported feeling financially vulnerable often or always.

Speaking about the findings, Andrea Finney, Research Fellow at the PFRC, said:

‘The Index exposes the very real difficulties that people are having day-to-day. It also shows the anxieties they are having about their own futures.

There has been both an increase in the number of vulnerable households and a fall in the number of secure households in 2010 compared with the 2007 baseline year that explains the fairly considerable change in Index scores over the four years. Looking ahead, it is reasonable to expect relative financial vulnerability to remain moderately high in 2011.

Genworth's ongoing commitment means that the Index not only has longevity and continued relevance, but its value – to researchers and policy-makers alike – actually grows. Above anything else, the Index highlights the need to keep over-indebtedness on the policy agenda.'

More information: [www.genworth.com/content/genwo ...
/global/en/home.html](http://www.genworth.com/content/genwo.../global/en/home.html)

Provided by University of Bristol

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