

Rising VAT means Christmas cut backs

Brits plan to cope with George 'Scrooge' Osborne's VAT increase through long-term lifestyle changes and big short-term savings, reveals research by Auto Trader

- **51% of Brits will reduce Christmas spending in preparation for the impending VAT rise**
- **40% will be forced into changing their everyday spending habits**
- **One-in-four will bring large purchases, including large electronics, cars and home improvements, forward to avoid new VAT rate**

London, 11th October 2010 – Research from Auto Trader today reveals that we face fewer presents under the tree this year, as cautious Brits brace themselves for January's 2.5% rise in VAT. The survey found that 51% of consumers plan to cut back on Christmas presents as part of their preparation for the impending VAT increase.

40% of consumers expect to change their everyday shopping habits to accommodate the increase but will make more big buys earlier on, as *one in four* will bring larger purchases forward. Consumers are looking to benefit from making small changes to their shopping habits for long-term gains, whilst making immediate savings on big ticket items, such as large electronics, cars and home improvements. This practical approach is prompted by high consumer awareness of the impending VAT rise, with 86% conscious of the January 4th cut-off date and the majority (68%) recognise exactly how much it is set to rise by.

Big buys in the short-term

Bringing larger purchases forward to avoid the VAT rise could save consumers hundreds of pounds. For example, a new car or home extension may cost around £15,000 now but after January 4th there will be nearly £400 extra to pay. *One quarter* of consumers recognise this and are planning to bring multiple large purchases forward before the New Year. Of these, large electronics rated highest on consumers' wish-lists as 44% plan to buy them in Q4 2010, followed by home improvements (31%), white goods (32%) and cars (20%).

For those unable to find the cash for the next car before January's deadline, the survey found that 65% of people plan to downsize when purchasing their next car in 2011. Results also suggest that energy efficient cars could increase in popularity, as rising fuel prices are considered a major factor when buying a new car for 53% of British motorists - second only to the age or roadworthiness of their current vehicle.

Long-term cutbacks on daily expenses

In addition to cutting down the Christmas present list to help cope with rising VAT, the weekly groceries are set for an overhaul with 59% of people planning to trim their shopping baskets, whilst a further 50% are looking to reduce their utility bills. Nights out on the town could also become more

low-key affairs with 55% prepared to reduce the amount they spend socialising and going out. Despite recognising that sacrifices need to be made in difficult areas, there are some things we simply can't live without. For example, faced with rising fuel prices and maintenance costs, *three quarters* of UK motorists won't be choosing to use their car less once the VAT increase takes effect.

UK consumers also aren't prepared to scrimp and save when it comes to their children, their own wellbeing, and keeping in touch with each other. The three most popular items that people state they will not cut back on are buying school uniforms for the children, gym memberships, and mobile phone packages.

Matt Thompson, Marketing Director, Auto Trader says: "It's very encouraging to see consumers so alert to the details of this new rise in VAT, as it allows people to assess their spending and plan for the rise accordingly – unfortunately this may mean we get a few less presents on December 25th! If you're planning on fixing up the house, treating yourself to a home entertainment system, or buying your next car, then there's a lot to be said for bringing these purchases forward to side-step additional costs. Being one of the most popular large purchases in the UK, we expect a lot of people to be searching for their next car in the coming weeks and months, and at Auto Trader we have something suitable for every budget."

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Notes to editors:

- The poll was conducted by Red Shift on behalf of Auto Trader. 1,500 responses were collected in September 2010.

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