

Does this machine spell the end for books?



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I still can't afford to buy a house

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Metallica interviewed
Plus: Peter Bradshaw on The Duchess and Alexis Petridis on Glasvegas



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Austerity Britain: crunch forces consumers to change habits

Spending down on cars, pensions and savings as cheaper food brands see market share grow

David Teather

Evidence was mounting yesterday of consumers making deep cuts in spending, amid fears that Britain is facing the worst economic conditions in decades.

A flurry of fresh data showed the return to austerity, after years of debt-fuelled spending. The mood among homeowners soured further when the Halifax reported a 12.7% decline in property prices during August compared with the same month a year ago. It was the biggest fall the Halifax has recorded and there was little relief in sight for the housing market as the Bank of England again left interest rates unchanged.

Among the fresh evidence of belt-tightening yesterday:

- New car sales fell to their lowest level last month since 1966.
- The number of people putting money into personal pensions fell by 1 million over the last year to 7 million.
- Household savings are at their lowest since the 1950s.
- Sainsbury's said sales of own-brand goods are increasing at 6%, twice the rate of more expensive branded products.
- Whitbread reported booming sales at its budget hotel chain Premier Inn.

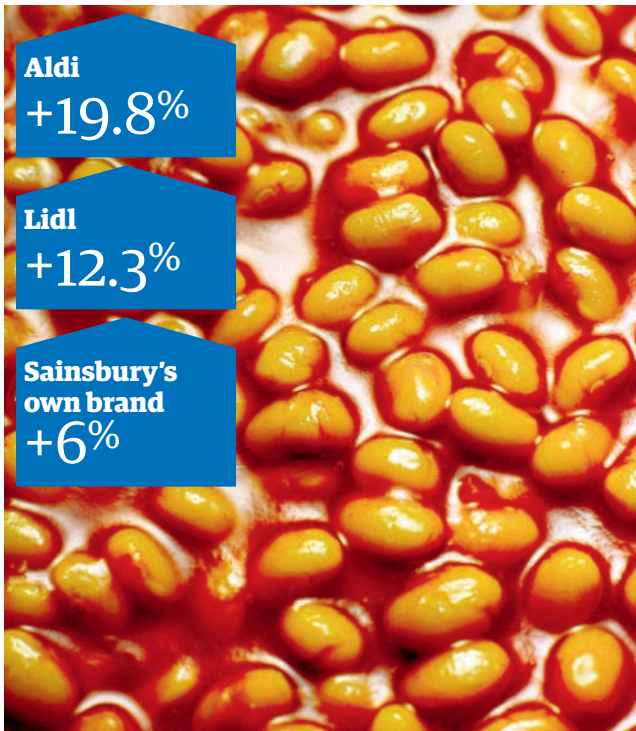
The latest batch of figures highlights the strain on household budgets labouring under heavier mortgage payments and sharply rising energy and food costs.

It adds to clear evidence of changing spending habits in recent weeks as consumers negotiate the worsening economy. Sales at Aldi, the "pile it high, sell it cheap" grocer, jumped almost 20% in the 12 weeks to mid-August, compared with the same period a year earlier, while sales at rival Lidl were up 12.3%.

Analysts have begun to talk about the "Aldi effect" as shorthand for discount and low budget retailers that are benefiting from the credit crunch.

At the other end of the market, figures compiled for the Guardian last week showed organic food sales had shrunk from £100m a month to £81m, as consumers abandon their ethical mores in favour of cheaper food. The most recent sales figures for Waitrose were ahead by only 1.9%, far less than the rate of food inflation.

The figures add to the pressure on



Gordon Brown, who was last night preparing to address business leaders at a CBI conference in Glasgow. He has suffered a series of setbacks over the past week, begun when the chancellor, Alistair Darling, said that Britain faced "arguably the worst" economic downturn in 60 years and culminating in an attack yesterday by the former home secretary Charles Clarke.

Brown's economic fightback plan, led by a stamp duty holiday on homes under £175,000, was eclipsed by a warning from the Organisation for Economic Co-operation and Development that Britain would be the only major economy to slip into recession this year.

The Bank of England kept interest rates on hold at 5% for the fifth month running yesterday, torn between the compet-

'Firms see the value in a £50 hotel room over a £100 four star room'

Alan Parker, Whitbread

ing demands of a wilting economy and soaring inflation, although expectations are increasing that they will begin to fall either later this year or early 2009.

Inflation at 4.4% is running at more than double the target rate and is expected to hit 5% in the coming months. Halifax said the average house price has fallen to £174,178.

New car registrations were down by 18.6% in August compared with the same month a year ago. The hardest hit were the more expensive marques, with sales of BMW down almost 40%, Land Rover 58% lower, Jaguar down 41%, Mercedes-Benz off 35% and Aston Martin down 67% according to the Society of Motor Manufacturers and Traders.

The figures on pension contributions and savings were culled from government data by stockbroker Hargreaves Lansdown. Amid a paucity of spare cash, households are setting aside just 1.1% of their incomes in savings compared with 2.1% last year and 10.7% in 1993.

Whitbread is one of a number of companies benefiting from the "Aldi effect" as

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National

Met chief denies he is being forced out

Sir Ian Blair, the Metropolitan police commissioner, yesterday denied he was being forced out of his job, saying: "The report of my death is an exaggeration." He was responding to a report that the Home Office and Metropolitan Police Authority were drawing up detailed plans to replace him. Blair is under pressure over racism claims by his number three, Tarique Ghafur, and is expected to face further criticism this month at the inquest into the 2005 shooting of the innocent Brazilian Jean Charles de Menezes. A Times report said the MPA would tell him his contract, due to expire in February 2010, would not be renewed. **4 >>**

International

Cash-rich McCain heads to key states

John McCain last night formally accepted the Republican party's presidential nomination and will today head to the battleground state of Michigan as the US election campaign formally begins. Both he and the Democratic candidate, Barack Obama, are set to visit a string of key states in the run-up to three debates in Mississippi, Tennessee and New York. Before accepting the nomination, McCain used excitement among the Republican grassroots to raise \$47m in August - the highest since his campaign began. The cash means McCain could defy expectations and narrow the fundraising gap with Obama as the election nears. **18 >>**

Financial

Shares fall further on recession fears

Fears of a global recession and continuing difficulties in the financial markets combined to send shares falling in London and New York yesterday. The Dow Jones industrial average was down more than 300 points to suffer its worst week of losses since January as the markets worried about dismal unemployment figures with possibly worse numbers to come today. In the City, the FTSE100 ended 137.6 points lower at 5362.1 after banking stocks were hit by the European central bank's decision to make it tougher for banks to tap its funds. Leading share indices in France and Germany also fell heavily. **27 >>**

Sport

Keegan resigns from Newcastle post

Kevin Keegan resigned as manager of Newcastle United after failing to resolve his differences with the club's board following two days of talks. He felt undermined by a transfer policy which saw players brought in without his approval and members of his squad offered for sale against his wishes. "It's my opinion that a manager must have the right to manage and that clubs should not impose upon any manager any player he does not want," said Keegan, who took the job in January. "I have been left with no choice other than to leave." He has been at odds with Dennis Wise, Newcastle's director responsible for player recruitment. **Sport, 1 >>**

'I'm getting burnt rubber ... and mushrooms'

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