



## 25 years of the £2 coin: worth half its value to UK consumers since circulation

- *Since circulation of the bimetal £2 coin in 1998, inflation has wiped out almost half of its real value*
  - *£2 invested in the FTSE All-Share in 1998 would be worth just over £6 today*
- *£2 may not get you even half a pint of lager today, compared to 2 pints 25 years ago*

**15 June 2023** – On the 25<sup>th</sup> anniversary of the circulation of the bimetal £2 coin in the UK, new analysis from M&G's Investment Office, the team behind the company's flagship over £58 billion PruFund strategy, finds inflation has significantly eroded its purchasing power over the last quarter of a century, demonstrating the impact it can have on long-term savings when not put to work.

Analysis shows that a bimetal £2 coin – first circulated on 15 June 1998 – left in a piggy bank would be worth just £1.07 in real terms today<sup>1</sup> or £2.90 if left in a typical cash savings account<sup>2</sup> - but just over £6 if invested in the FTSE All-Share Index over the intervening 25 years<sup>3</sup>.

### Shopping baskets much lighter than in 1998

M&G's analysis of ONS data shows that £2 coins will buy consumers a lot less in the supermarket than 25 years ago. Shopping basket essentials have taken a hit, with £2 only buying you one loaf of bread in shops today, compared to four loaves 25 years ago. Meanwhile sweet-toothed consumers could pick up 20 Cadbury's Freddos bars in 1998, but are left with just eight bars with their £2 coin today.

However, people aren't just left with less in their supermarket trolley. Today you would get less than half a pint of lager with your £2 coin, compared to two pints in 1998. Furthermore, a £2 coin will now only get you 1.4 litres at the petrol pump, whereas it would have bought you 5 litres of petrol with the same £2 coin 25 years ago.

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<sup>1</sup> According to DataStream as at 2<sup>nd</sup> June 2023. 46.5% decrease in value

<sup>2</sup> Source: Macrobond and Federal Reserve Economic Data (Fred). The rate is representative of sight deposit rates UK households could get from bank savings in an instant access account without facing any penalty either on withdrawal or by closing of the account.

<sup>3</sup> Datastream as of end May 2023



Items bought with a £2 coin	2023	1998
<i>Home brewed cups of tea</i>	65	160
<i>Loaf of bread</i>	1	4
<i>Pints of lager</i>	0.4	2
<i>Litres of petrol</i>	1.4	5
<i>Freddo</i>	8	20
<i>Big Mac</i>	0.4	1

Source: ONS, Tesco and BigMac Index/local McDonalds menu as at 2<sup>nd</sup> June 2023

**Parit Jakhria, Head of Long-Term Investment at M&G**, commented: *“With huge rises in the cost of living across the UK in recent years, we are all feeling how dramatic the impact of inflation can be on our shopping baskets. However, it is equally important to see the longer-term impact of how inflation can eat away at your savings. At a time when every pound counts, the 25-year anniversary of the bimetal £2 coin serves as a reminder of the long-term corrosive effects of inflation. Yet for those able to put their cash to work and accept an element of risk, our analysis shows that you could turn even a modest investment into a healthy pot of money over time, and more importantly maintain and even increase your real purchasing power.”*

Analysis showed further impacts of inflation since the introduction of the bimetal £2 coin:

- The Royal Mint does not disclose the cost of minting coins, or the exact weights of each metal used. However, the M&G analysis estimates that the current metal value of each £2 coin is around £0.09. This marks over a 450% increase in value of the physical metal used in the coin since its first circulation<sup>4</sup>.
- Investing £2 in a multi-asset fund, such as M&G’s flagship smoothed multi-asset PruFund range<sup>5</sup> since 1998 could now be worth £7.60, leaving you able to buy a lot more for your hard-earned money<sup>6</sup>.

**ENDS**

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<sup>4</sup> Calculation based on the bimetallic £2 coin weighing c.12 grams and being made from copper, nickel and zinc.

<sup>5</sup> Based on Prudential With-Profits Fund (in which the PruFund range invests fully) performance data 15<sup>th</sup> June 1998 to 15<sup>th</sup> June 2023



6. Remember, the value of your investment can go down as well as up, so you might get back less than you put in.

Annualised performance over 5 years

	2022	2021	2020	2019	2018
Bank of England Base TR in GB	1.44	0.11	0.23	0.75	0.61
FTSE 100 TR in GB	4.70	18.44	-11.55	17.32	-8.73
PruFund Growth Fund Pn ISA (0.65% pa charge) GTR in GB	6.77	15.32	-1.25	5.40	5.56

Source: Data provided by FE fundinfo

Past performance isn't an indicator of future performance. Past performance isn't an indicator of future performance.

### Notes to Editors

The bimetallic £2 coin was originally scheduled to launch in November 1997 but was postponed until 15 June 1998.

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### About M&G

M&G plc is an international savings and investments business, managing money for around 5 million retail clients and more than 800 institutional clients in 26 markets. As at 31 March 2023, we had £344 billion of assets under management and administration. Our purpose is to help people manage and grow their savings and investments, responsibly.

With a heritage dating back more than 170 years, M&G plc has a long history of innovation in savings and investments, combining asset management and insurance expertise to offer a wide range of solutions. We serve our retail and savings clients under the M&G Wealth and Prudential brands in the UK and Europe, and under the M&G Investments brand for asset management clients globally.

### About PruFund

PruFund is a range of advised-only smoothed multi-asset funds. It is one of the largest multi asset propositions in Europe. It aims to achieve a total return from income and capital over the medium to long-term (at least five years), while protecting investors from some of the short-term difficulties of direct stock market investment.

PruFund employs a smoothing process, designed to smooth extreme short term stock market volatility by setting Expected Growth Rates (EGRs).

Reviewed quarterly, by the Treasury & Investment Office, EGRs reflect our view on how we think the funds will perform over the long term and gives advisers a guideline they can use for planning and cashflow modelling. The EGRs help smooth investment returns, with unit price adjustments (UPAs) employed when actual performance diverges significantly from the EGRs, to amend returns up or down accordingly. While this means the fund does not experience the full highs of the markets, it also means it avoids the extreme lows.

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