

Resilient consumers show declining appetite for financial services

Contributed by JGFR
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Findings of the 23rd quarterly UK Financial Activity Bulletin for Autumn 2007

Downturn in housing and equity market sentiment

The loss of some 2 million financial consumers in the past year on top of the funding difficulties brought about by the summer credit crunch threatens many jobs in the retail financial services industry.

The 23rd UK Autumn Financial Activity Bulletin, produced by financial research consultancy JGFR and based on a regular survey of 2,000 adults aged 16+ commissioned from GfK NOP, found weak financial activity in most savings, investment and borrowing activities in prospect. Investment sentiment and housing confidence both fell to multi-quarter lows.

The proportion of the adult population expecting to save, invest, borrow or repay debt in the coming months (71.4%) is the second lowest since the survey started in March 2002. The headline FAB Activity Index, based on a 2-quarter moving average with Q3/Q4 2002 =100, fell to 90.9, a record low, down from 92.9 in June and 99.7 in September 2006.

Overall some 35.3 million consumers expect to save, invest, borrow or repay debt in the coming 6 months compared to some 37.2 million a year ago. There are around 1.3 million fewer people intending to save/invest and 0.8 million fewer intending to borrow this year compared to last year.

The weakness of financial activity comes against a background of resilient consumers, who believe their personal finances are in good shape but who are very cautious about the future.

Commented report author John Gilbert:

“The findings suggest an extremely difficult period for retail financial providers as they balance the need to compete aggressively to win/retain business with the need to maintain profit margins and price for risk. The other options which many may start/ have started undertaking is to withdraw from particular market segments or seek white knights to bail them out – Northern Rock being the foremost example.

East Midlands and London offers brightest prospects for retail financial providers

East Midlanders and Londoners expect to be the most financially active in the next 6 months. 59% of East Midlanders and 58% of Londoners expect to undertake 2 or more savings, investment or debt related activities compared with 54% overall.

People in the East Midlands expect to be the highest savers/investors in the coming months (68%) although they are the lowest intending borrowers (13%).

More Londoners expect to borrow in the next 6 months (24%) than anywhere else in the UK – other regions with higher proportions of people borrowing are Wales and Northern Ireland (both 21%).

Almost double the proportion of Londoners intends to put a deposit down on a property to buy in the next six months (15% v 7.5% overall). This desire for property purchase comes despite the financial turbulence of the summer. The FAB London Property Purchase Intentions Index fell only slightly to 183.1 from a record 192.1 in June and compares to 191.1 a year ago and a UK index of 94.2.

Overall 64% of adults expect to save or invest in the coming 6 months, with greater activity found also in the North East and North West (both 67%) and lowest activity in East Anglia (56%) and Scotland (60%).

Lloyds TSB regains pole position as UK’s leading main financial services provider (MFSP)

Images of queues of people withdrawing money from Northern Rock branches and media comment about other UK banks resulted in changes in the league table of main financial services providers. Lloyds TSB regained its position as leading MFSP from Barclays for the first time since September 2006. Other gainers in the quarter are HSBC, NatWest and Nationwide, replacing Abbey as the UK’s sixth leading main financial services provider for the first time.

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Notes:

- The Financial Activity Bulletin is based on a sample of 2,000 adults aged 16+ and carried out from 31 August –

16September 2007 by GfK NOP. Quotas are imposed on age, sex, region and social class to ensure the final sample is representative of the UK population

- The survey was conducted by telephone and weighted
 - The financial activity survey asks consumers about their expected savings, investment and borrowing activity in the next 6 months across 18 categories. It also asks consumers about their main financial services provider.
 - The Financial Activity Bulletin is available either on a single copy or subscription basis
- Â· More details can be found at www.jgfr.co.uk