New Year 2010 Financial Activity Survey: Earlybird findings

Contributed by JGFR
Friday, 15 January 2010
Last Updated Friday, 15 January 2010

Savings, investment and debt repayment intentions up strongly

Borrowing intentions at survey low

More consumers intend to save, invest and repay debt and far fewer consumers intend to borrow in the next 6 months.

These are the earlybird findings from the 31st Financial Activity Survey* commissioned from GfK NOP by specialist financial services consultancy JGFR.

The survey finds a big increase in intended financial activity in the next 6 months.

78% of consumers expect to undertake one or more of 18 savings, investment or borrowing activities compared to 73% in September and just below 79% in December 2008 when many people were forced to take action to protect their savings and investments.

Some 70% of adults intend to save or invest, up from 64% in September, with a record proportion (40%) intending to put money into an ISA. Prospects for life and pension providers are also much better with a jump in regular and lump sum intentions.

39% of adults intend to make a life or pension contribution compared to 34% in September (41%, December 2009).

Investor sentiment improved in December. Despite large stock market gains since March, consumers have been cautious about shares, with greater appetite for corporate and government bonds.

This quarter 12% of adults intend to invest in shares, the highest since June 2008, while expected demand for corporate/government bonds is at a 15-month low.

Overall borrowing intentions fell from 18% in September to 14%, a survey low. This compares to a year ago when15% of adults intended to borrow.

With little (and uncertain) income growt people look set to defer / reduce borrowing commitments.
Debt repayment intentions are a the highest since last March (28% of adults intend to repay/pay down debt) with little seasonal cheer for consumer finance and mortgage businesses.

Housing market developments surprised many analysts in 2009 with the pick up in activity in the spring being well flagged by our March survey.

In the past two quarters expected activity levels in mortgage and property purchase intentions have fallen back with a very gloomy outlook suggested by the latest data.

Both housing market measures are close to their record lows of a year ago.

On the survey findings, John Gilbert Chief Executive of JGFR commented:
â€œAs 2009 comes to an end and people look towards 2010, caution appears the watchword.
Greater savings and debt repayment activity suggests a slow recovery with weak consumer spending in prospect. Such intentions, together with weakening consumer confidence, rising inflation expectations and constrained income growth, mean policymakers face difficult decisions in boosting faltering activityâ€•

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*GfK NOP conducted The Financial Activity Survey for JGFR among a sample of 2,004 adults aged 16+. Quotas are imposed on age, sex, region and social class to be representative of the UK population. The survey was undertaken by telephone between December 4-13 and uses the same survey omnibus as the UK Consumer Confidence Survey conducted by GfK
for The European Commission.

The Financial Activity Survey is produced quarterly and was first published in June 2002.

It covers 18 categories of savings, investment, borrowing and debt repayment.

It also asks people who they regard as their main financial services providers.

Lloyds TSB regained its pole position from Barclays in the latest survey.

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