

Savings And Investment Are Consumer Priorities In The Coming Months

Contributed by JGFR
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Against an uncertain economic and political background with a general election expected in the next two months and an anticipated tough second budget, consumers expect to save, invest and repay debt rather than borrow and spend.

Overall expected savings, investment, borrowing and debt repayment activity is at its highest since June 2006 according to the 33rd quarterly UK Financial Activity Survey conducted for JGFR from GfK NOP.

79% of adults intend to save, invest, borrow or repay/pay down debt, little changed on last quarter, but up from 77% a year ago. Expected savings and investment activity is the main boost to overall activity – 71% of adults expect to save or invest, up from 66% a year ago and the highest level since March 2006.

Putting money into an ISA (40% of adults) is the most popular intended savings/investment activity – little changed on its record December survey high. With the stock market still moving ahead, investor sentiment towards share buying is at its strongest for three years.

Demand for life and pension products rose in the latest survey. 41% of adults expect to pay into a regular or lump sum life or pension scheme, up from 39% in December and on a year ago.

Borrowing intentions are little changed on the depressed levels of last December with consumers preferring to save, invest or repay debt. Only 14% of adults intend to borrow down from 20% a year ago with both consumer credit demand and mortgage demand near record survey lows.

Debt repayment remains a priority for just over a quarter of the population. The net proportion of adults intending to pay down/pay off debt (i.e the proportion of debt re-payers less borrowers) is well above the survey average.

Unlike last year when there was a surge in mortgage and property purchase demand that pointed to the subsequent revival of the housing market against most commentators' expectations, this year there is no similar spring bounce.

Among the main financial services providers, Lloyds TSB retains its market leadership. Despite much talk of a new dawn approaching for retail banking, the top ten main financial services brands continue to dominate with a 86% market share.

John Gilbert, Chief Executive of JGFR comments:

“This quarter's survey data reinforces what is becoming the ‘new normal’ i.e. greater savings and investment activity prospect and low demand for borrowing. Such a change in financial behaviour will intensify financial strains on lending based institutions and may see further industry consolidation making it a much tougher landscape for new market entrants attracted by higher margin lending business.”

The Financial Activity Survey was undertaken by GfK NOP for JGFR between 5-14 March. It is based on a representative 2,000 sample of the UK population of adults aged 16 and over.

The results of the survey are reported in the Spring 2010 Financial Activity Bulletin published on April 14th. For details ring 0208 944 7510 or email j.gilbert@jgfr.co.uk

*2-quarter moving average

1st April 2010

