Three million fewer savers...

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investors or borrowers point to weaker prospects for financial services businesses compared to a year ago

Against a background of increasing pessimism about economic prospects as the effects of spending cuts and tax rises begin to bite, consumers intend to cut back on financial activity in the coming months.

The 35th quarterly JGFR UK Financial Activity Barometer, commissioned from GfK NOP, slipped to 92.3, its lowest level since March 2008 and down from 95.8 a year ago. Some 600,000 fewer consumers intend to undertake one or more savings, investment or borrowing activity, compared with last September and some 3 million fewer compared with a year ago.

Commented John Gilbert, Chief Executive of JGFR:
â€œThe findings from the New Year 2011 Financial Activity Barometer reflect the difficult economic climate for many households with little spare cash. There is no easy option for savers, with interest rates staying low and inflation rising sharply. With job uncertainty increasing, repaying debt becomes the sensible option. At the same time there is no desire to take on greater risk through stock market or bond investment or invest in property at a time of falling house prices. For financial services businesses understanding where stronger pockets of product demand are to be found will be essential.â€•

Lower activity in prospect
Fewer adults (72.4%) intend to save, invest, borrow or repay debt in the next 6 months compared to September (73.1%) or a year ago (78.1%). This is the third successive quarterly fall in the JGFR UK Financial Activity Barometer, commissioned from GfK NOP.

Over the last year there has been a fall of some 800,000 of the under 23s being financially engaged â€“ which is likely to reflect rising youth unemployment.

This quarter there is a noticeable drop in activity among 23-39 year olds as household incomes become more squeezed with less cash to save or invest. By contrast more people in the 40-64 age-group intend to be financially active - with more intending to pay into their pension.

Growth in people intending repaying debt
With savings rates in most cases below inflation there is little incentive to deposit cash. As a result more people (26.1%) intend to repay debt, compared to September (22.8%). Fewer people intend to save/invest (63.4%) compared to 66.6% last September.

The proportion of people intending to borrow is unchanged at 12.6% on the quarter, but down from 13.6% a year ago. Both the JGFR Savings / Investment Index and the JGFR Borrowing Index fell this quarter, the former slipping to 98.2 from 100.9, its lowest level since June 2008, while the latter dropped to 55.0 from 60.2, the lowest level in the surveyâ€™s 9-year history.

Despite the strong quarterly rise in debt repayment intentions, there is little change in the JGFR Debt Repayment Index, up slightly from 83.1 to 83.6.

Pensions - the only savings/ investment product category to show quarter-on-quarter growth

By type of product activity few show quarter-on-quarter gains. The most popular activity among adults â€“ taking out an ISA â€“ shows a drop of five percentage points on the year, down to 35%. Demand for cash savings is weaker, reflected in the reduction of people (33%) compared to 36% a year ago who intend to place a cash deposit.

Fewer people also intend to make regular savings in the coming months (13% v 15% a year ago). The JGFR Cash Deposit Index dropped 2 points to 102.0, a 6-year low.

Despite rising stock market levels in 2010 a mood of caution prevails among investors. Buying sentiment is flat; although fewer investors intend to sell. More people are getting nervous about bonds with demand at its weakest since September 2008.

The JGFR Equity Buying Index is slightly down at 109.4, although up on a year ago (97.3). During the past year there has a big jump in higher earners intending to invest in equities.

Overall life & pension product purchase intention (38% of adults) is little changed compared with September, but slightly

down on a year ago. The JGFR Life & Pensions Index, which rose strongly in the first half of 2010, fell back to 91.6 from 93.4 on the quarter, but is higher than a year ago (87.7). Â

While the proportion of people intending to make regular life insurance contributions declined on the year (20% of adults v 24% a year ago), regular (27% of adults) and lump sum pension contribution intentions (8% of adults) saw slight increases in expected activity.

Among the over 40s there was a notable increase in pension contribution intentions - this may reflect the recent clarification of the tax position of pension contributions.

Very weak housing market and consumer credit outlook
Prospects for the housing market remain in the doldrums with no sign of any upturn in activity. Both mortgage intentions and property purchase intentions are close to survey lows, with little evidence of greater numbers of cash buyers ready to enter the market.

The JGFR Mortgage Intentions Index fell 6 points to a survey low of 47.8, with the JGFR Property Purchase Intentions Index also at a survey low (57.3), and down 20 points on a year ago.

This quarter property purchase intentions in London slipped to a survey low and suggest little pick up in activity in the Capital from domestic buyers in the coming months â€“ and little appetite for purchases elsewhere by Londoners.

Increasing debt repayment rather than savings or borrowing appears more in keeping with consumers austerity budgets, with no change in the very weak unsecured credit intentions shown throughout 2010. 9% of adults intend to take out consumer credit, compared to 10% a year ago.

Both the JGFR Personal Loan Index (44.9) and JGFR Car Financing Plan Index (53.2) recorded new survey lows.

But little increase in capital withdrawal
Despite pressures on household finances there has been little change in the proportion of people withdrawing capital â€“ around 6% of adults, similar to September and a year ago.

By age-group more capital withdrawal is among the over 50s (68%). In the future more cash withdrawals may be seen among younger age-groups as they save for major purchases rather than borrow.

Financial activity outlook strongest in London, the South East, North West and Northern Ireland

There are notable regional differences in savings, investment, borrowing and debt repayment activity. London (savings, investment, life & pensions and unsecured borrowing), the South East (savings & investment), the North West (savings & investment) and Northern Ireland (borrowing and savings & investment) are well placed this quarter.

In some regions savings/investment demand has slumped considerably reflecting poorer job prospects â€“ particularly in the East and West Midlands and the North East. Only in Wales and the South West are savings & investment intentions higher this quarter.

Lloyds TSB and Barclays retain top two main financial services brand positions
Among main financial services providers, the Lloyds TSB brand maintained its leading position, ahead of Barclays and NatWest.

The newly combined Santander brand is in fifth position. With the spotlight strongly focused on the major UK banks, the share of the leading ten main financial services provider brands increased in the quarter to 88%, up from 86% in September but slightly less than 89% a year ago.

Currently around 10% of consumers do not have a main financial services provider.

Customer bases vary considerably between brands with differing levels of activity in prospect. In the coming months, the Co-operative Bank and HSBC have the most active customers in prospect.

New Financial DIY report will show around a half of adults does not have a financial adviser

Additional questions** were asked this quarter on financial advice and product purchase channels in support of the 2010/11 Financial DIY report. As in previous years around a half of adults does not have a financial adviser. Those most likely to have an adviser are the 12 million adults intending to undertake over four savings, investment or borrowing activities in the next six months.

Not all main financial advisers will be professional advisers, with 13% of adults regarding friends and/or family as their

main financial services adviser.More people (15%) selected an IFA as their main financial services adviser.

Relatively few people (7%) regard their main financial services provider as their main financial services adviser.

In financial product purchase intentions more people are using online search (48%), just ahead of a branch visit (47%), with 9% of people searching online through their mobile devise. A growing minority are using social media networks (10%) highlighting the need for financial services providers to engage with this channel.

Notes
*Research conducted for the Financial Activity Barometer by GfK NOP with 2,007 adults aged 16+, representative of the UK population, between 3-12 December 2010

** Research conducted by GfK NOP for JGFR with 1,001 adults aged 16+, representative of the UK population, between 10-12 December 2010

The Financial Activity Barometer has been produced each quarter since June 2002. The Barometer covers 18 categories of intended savings, investment and borrowing activity in the next 6 months. From the responses indices based on a 2-quarter moving average, to cover the 6-month month time scale are computed.

Responses to the activity question are reported in the standard UK Financial Activity Bulletin. An additional question asking who people regard as their main financial services provider is included in an extra section in the premier UK Financial Activity Bulletin.

The New Year 2011 UK Financial Activity Bulletin is available by subscription or on as a single copy.

In early February the 2010/11 Financial DIY report will be published covering primary research into financial advisers, product purchase intentions, attitudes towards advisers and switching of advisers.

To discuss the latest surveys please contact John Gilbert â€“ 07740 027968 or 0208 944 7510Â or email j.gilbert@jgfr.co.uk

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