

Consumer Borrowing Set To Pick Up In Q4

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More people expect to take out credit in Q4 UK Financial Activity Barometer

Financial services providers can expect weak demand in the coming months across most product areas according to the 37th quarterly Financial Activity Barometer (FAB). Only in consumer credit is there any rise in demand – albeit from a historically low level.

Many indices are close to survey lows Future savings, investment and borrowing activity among UK consumers is set to remain depressed in the latest FAB, commissioned from GfK NOP by financial and marketing research boutique JGFR.

The proportion of consumers intending to undertake one or more of 18 specified savings, investment or borrowing activities fell back from 71% in June to 69% in September and compares with 73% a year ago.

While the proportion of adults intending to save, invest or borrow is slightly lower on the quarter, the proportion undertaking 2 or more activities is slightly higher – up from 49% to 50% – but down from 55% a year ago – a reduction of some 2 million people and highlighting the tough operating climate for financial services businesses.

Product demand points to greater squeeze on incomes – less cash to deposit, more demand for loans and overdrafts and depressed housing demand

Fewer people intend to save or invest in the coming months, down from 62% to 60%, close to the survey low of 58% in December 2007 at the height of the credit crunch.

An increase in struggling households is evident this month which has helped push up demand for consumer credit, up from 10% in June to 11% in September and up from 9% a year ago. Overall borrowing demand is up from 13% to 15% on the quarter. Mortgage demand continues to be in the doldrums although has edged 1 point higher to 6%, and is slightly up on a year ago.

There is no change in the numbers of people intending to put down a deposit on a property to buy (5%) either on the quarter or a year ago pointing to a continuation of stable, but weak housing market activity in the coming months.

As a result of a combination of very low cash deposit rates and highly volatile and uncertain equity and bond markets, saving and investment demand is well below its long-run average. 28% of adults intend to make a cash deposit, up slightly on June, but well below a year ago (33%). ISA demand is slightly weaker, down to 34% of adults from 35% last quarter and 37% in September 2010.

Both equity market investment and corporate / government bond investment intentions fell – the former down from 11% to 10% on the quarter (13% a year ago) and the latter down from 8% to 6% (7% a year ago).

More resilience shown for longer term and regular savings / investment

On a slightly brighter note regular savings held up – 12% of people intend to pay into a regular savings scheme, unchanged on June, although down from 13% a year ago.

For life and pensions providers activity in prospect is little changed from June. Regular pension contributions have been very steady for the past year (27% of adults) while regular life contributions, although down on a year ago (from 21% to 19%) are unchanged on the quarter. There is no change in intended lump sum contributions on June (6%) although slightly down from a year ago (7%).

Net debt repayment intentions lowest since September 2009

Debt repayment intention edged down from June and a year ago (22% v 23% of adults) and is below the long term average (29%). While the net proportion of people intending to repay debt in recent quarters has been historically high as intended borrowing has been well below average, this quarter the net proportion (7%) is the lowest recorded since September 2009.

Top five bank brands have 66% market share as Main Financial Services Providers

Banks continue to be in the headlines following the recent Independent Banking Commission Report.

The top 5 MFSP brands have a 66% market share, down slightly on June (67%), with Lloyds TSB retaining market leadership from Barclays. Both these two brands have been the two leading MFSP brands for almost the entire 8-years

of the survey.

Commented John Gilbert, Chief Executive of JGFR:

“The Autumn Financial Activity Barometer reflects the extremely uncertain and challenging economic climate. Strong political leadership is needed, particularly in Europe, to restore fragile confidence with a European credit crunch increasingly likely”

A full analysis of the Financial Activity Barometer covering a range of consumer segments and regions and relative activity in prospect is published on Thursday October 13th. A copy of the Contents from the June survey can be found at <http://www.jgfr.co.uk/files/INDEX.pdf>.

*Survey of 2,007 adults aged 16+, representative of the UK population, carried out by telephone by GfK NOP between 2-11 September. The FAB is on the same omnibus survey as UK consumer confidence enabling detailed cross-analysis between the two surveys.

About JGFR

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