Borrowing activity set to see some pick-up

Contributed by JGFR
Monday, 06 February 2006
Last Updated Monday, 06 February 2006

Borrowing activity is set to pick up in the coming months following weak demand in the autumn. The proportion of adults intending to borrow in the coming months is up slightly to 21% from 20% in September and up from a record low of 17% in December 2004.

Borrowing activity set to see some pick-up

Borrowing activity is set to pick up in the coming months following weak demand in the autumn. The proportion of adults intending to borrow in the coming months is up slightly to 21% from 20% in September and up from a record low of 17% in December 2004. By age-group the biggest proportion of intending borrowers is found among 40-49 year olds (29%), up from 23% last September and 26% in December 2004.

The main reason behind the rise in borrowing intentions is greater intended consumer credit borrowing, up from 12% to 14% between September and December and up from 11% in December 2004.

Demand for personal loans, credit and store card borrowing and car financing plans have all picked-up since the autumn and only overdraft borrowing intentions, which rose sharply in the last two surveys, has not increased. Higher consumer credit borrowing suggests better retail spending might be in prospect, although the survey suggests that a sizeable minority of people will be refinancing existing borrowing or borrowing to help with squeezed household budgets. Around a quarter of adults that expect to borrow by overdraft are in households running into debt, as are 19% of adults expecting to borrow by credit cards.

Consumer confidence among credit/store cards, overdraft and personal loan borrowers remains relatively weak, particularly among intending overdraft borrowers who have a confidence measure of â€“ 17, compared to the all adults consumer confidence measure of â€“9.

More people (an estimated 2.9 million) intend to take out a car purchasing plan in the latest survey compared to September (2.4 million) and December 2004 (2.7 million). The demand for point of sale car finance has been fairly strong during the past two years with car purchasing plan prospects in the coming months looking promising.

John Gilbert Financial Research, http://www.jgfr.co.uk/