Consumer Recovery Reflected in Surge in Savings, Investment and Borrowing Intentions

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The latest GfK / JGFR confidence and activity data show the summer recovery in confidence now extending to savings, investment and borrowing activity. A wave of rising economic optimism, especially around job prospects, appears to be the major factor contributing to the consumer change of mood.

Overall 77% of adults intend to save, invest, borrow or repay debt*, up from 68% in Q3 (June) and 73% a year ago â€“ a rise of some 4.5 million adults on the quarter and some 2 million compared to September 2012. All three areas of financial activity saw gains; 69% of adults intend to save / invest, up from 58% in June and 62% a year ago; 19% of adults intend to borrow, up from 11% in June and 17% a year ago. While borrowing is well up, so is debt repayment intentions with 30% of adults intending repaying debt, up from 25% in June and 24% a year ago. Net debt repayment fell back in Q4 but is still well above the levels in the early 2000s suggesting a greater desire to make debt repayment a priority. All JGFR headline indices gained in Q4. The biggest jump is in the borrowing index, up from 49 to 85. Chart: Financial Activity Barometer headline indices 2002 -13 Source: GfK NOP / JGFR Despite poor returns on cash savings, around a third of adults intend to place a deposit in the coming months, well up on just over a quarter of adults in recent quarters. Prospects for ISA providers look much rosier with 38% of adults intending to put money into an ISA, up from 29% in Q3 and 28% in Q4 2012.Â With rates set to stay low there are likely to be many unhappy savers and great competition for the best rates. Far more people intended to contribute to regular savings schemes and Junior ISAs / Child trust funds. Investor sentiment is up strongly in Q4 with 13% of adults intending to invest in shares either directly or through collective investments. This is the highest level of intentions since a year ago; for the past three quarters sentiment has been depressed despite rising stock markets. For life and pension providers the outlook is the best since Q3 2006. Far more people intend to put money into regular pensions (32% v 20% in Q3 and 21% a year ago) which has boosted overall life and pension demand. Intensive marketing campaigns on the value of pensions may be beginning to bear fruit as the economy recovers and people have more money to put aside.Â Regular life contributions look set for an autumn bounce with 21% of adults intending to pay in to a life scheme, a 3-year high. Housing market activity is set to increase, especially in the mortgage market, where expected activity is at its highest since Q4 2009. Property purchase intentions, also including cash buyers, reached their best level since Q2 2010. Unlike in 2009 when mortgage availability was very restricted, much greater mortgage availability should result in far more approvals. Consumer credit intentions suggest much higher short-term borrowing activity in prospect. Just over 14% of adults intend to borrow by consumer credit, the biggest proportion since Q3 2006. Personal loans, overdraft borrowing and, credit card borrowing all show jumps in expected activity.Â While survey data shows the overall financial position of households has improved during the summer, at the same time more people are falling into debt with increasing numbers set to resort to short term borrowing to tide them over, boosting the JGFR debt repayment intentions. Car financing plan intentions have jumped sharply to their highest since 2006. One puzzle in the past year has been the very strong car sales figures but weak demand suggesting compelling financing offers have attracted buyers to the showrooms. The latest data shows consumers are now more likely to consider changing their car, pointing to continuing strength in car sales. Interestingly, more people are set to withdraw or receive capital sums in the coming months, now at the highest level since Q2 2006. This will add to the amount of cash in the economy, further evidence of a consumer recovery and a strong run up to Christmas. Commented John Gilbert, Director, JGFR â€œAs expected the improvement in consumer sentiment during the summer has followed through into much higher financial activity in prospect this autumn. While the outlook is very positive for financial services businesses, the big jump in prospective consumer credit activity will need to be carefully monitored. The spectre of compound interest creating havoc again with indebted households needs to be avoided.â€•For more information please visit: www.jgfr.co.ukÂ Follow Market Research World on Twitter or join in the conversation with our LinkedIn Group