Boom times for financial services brands and a Christmas to remember?

Contributed by JGFR
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As the UK experiences another round of feel-good sporting fever consumer facing businesses are set to benefit from the unusual combination of rising incomes, low/no inflation and high employment.

Consumer confidence is positive for the 9th successive month; Septemberâ€™s score (+3) is the best September measure since 2002. Financial well-being returned to its early 2000s level in August, up nearly 200 points on lows in 2008 and 2012. Both spending and saving confidence are at multi-year highs and may move higher in the run up to Christmas as people feel less constrained by household budgets.

Evidence from the Q4 UK Financial Activity Barometer* undertaken by GfK for JGFR shows a record level of savings/investment intentions among the public, with greater numbers than ever (almost a half of adults) intending putting money into pensions and life insurance.

Overall activity edged 1 point higher to 83.4% on the quarter and is 2 points up on the year. It is at its highest since December 2005. Confidence has helped to boost activity, especially borrowing.

Consumer confidence and financial activity Q2 2002 â€“ Q3 2015

Despite the â€˜this year, next year, sometime, neverâ€™ mysticism around interest rate rises which remain historically very low, consumersâ€™ cash savings intentions are near 13-year highs. Paying into regular savings schemes has been one of the big financial activity intention-trends in the past year, possibly reflecting the continuing desire among young people to get on the mortgage ladder.

Mortgage demand is at its highest level since Q3 2005, a quarter when some 900,000 mortgages were approved. Today the mortgage industry struggles to get more than 400,000 quarterly approvals, highlighting the difficulty faced by the current generation of young people in getting onto the housing ladder with much tougher lending regulation now in place, less secure jobs and property prices much greater than previous generations experienced.

Over recent years cash buyers have played a notable part in boosting quarterly property purchase intentions. Q4 property purchase intentions are well above average, although fewer cash buyers are in evidence. More people will be dependent on mortgage financing suggesting considerable numbers of disappointed prospective house purchasers.

The JGFR Q4 Housing Market Activity Index is at its highest in 10 years suggesting house prices are set to continue rising, with demand far outstripping supply on a national basis. Local conditions will see big differences between, and within regions.

Intended housing market activity, UK: 2002- 2015

Borrowing intentions are little changed on Q2 or a year ago. Around a fifth of the public intend to borrow either through consumer credit or by way of a mortgage. There is little change in consumer credit usage intentions, which continues to be above average. The JGFR Consumer Credit Index is down 1 point to 105.9 on the quarter, but up around 5 points on Q4 2014.

Car Finance Plan intentions continue to be the most â€˜in demandâ€™ of all 18 activities surveyed. The VW emissions crisis has cast some light on the incentives to sell new cars quickly and how the second hand prices may be affected. The surge in car sales in recent years has been a major marketing success story that has gone somewhat unheralded. Over the past 5 years the JGFR Car Finance Plan Index has jumped from 58.5 to 166.0.

Compared to recent years, Q4 demand for personal loans, overdrafts and credit card borrowing is well up pointing to strong consumer spending over the Christmas period.

A recent trend in support of spending is much greater capital withdrawal. Nearly a half of the over 50s intend to withdraw capital; this may reflect more baby boomers accessing their pension pots. The JGFR Capital Withdrawal Index climbed to a new survey high and is some 40 points above a year ago.

This year has been the year of the roller coaster with financial marketsâ€™ volatility fluctuating widely as worries over emerging markets (especially China) have spooked investor sentiment.

Investor intentions, Q3/Q4 2002 â€“ Q3/Q4 2015

In the Q4 FAB around 1 in 6 of adults intend to be an active investor, much the same as in Q3, but with a surge in interest in corporate/government bonds, the highest proportion of intending bond investors since Q3 2006. This switch back into bonds is likely to reflect continued uncertainty over stock market direction and the lower threat of interest rate rises.

While consumers are borrowing more, they also continue to prioritise debt repayment. Around 3 in 10 intend to pay down / pay off debt in the coming months, little changed in the past 2 years but above the long term average.

Intending net debt repayment (the difference between the proportion of people intending repaying debt and intending borrowers, 9%) is down on the last 2 quarters but remains just above the long term average.

Debt repayment and borrowing intentions, 2002-15 (% adults aged 16+)

Commented John Gilbert, Chief Executive of JGFR :

â€œThe Q4 FAB results are likely to represent a high water mark in financial activity as economic conditions next year look set to weaken on the back of a slowdown in the labour market, falling confidence, rising inflation and debt accumulation. For the next quarter financial service firms should generally see strong business volumes as the 2015 consumer spring extends well into the autumn.â€•