Record Numbers Of Long Term Savers/Ivestors In Prospect In Q2 UK Financial Activity Barometer

Contributed by JGFR
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Good times are in prospect in the coming months for UK retail financial services businesses, buoyed by strong demand for savings, investment and borrowing products as reported in the Q2 JGFR/GfK Financial Activity Barometer(FAB)*

The strength of household finances is behind the surge in demand which has been a feature of recent quarters.

Household finances and financial activity 2002-16

Source: GfK / European Commission / JGFR

Around 84% of the public intend to save, invest, borrow or repay debt (be financially engaged) in the next 6 months, the highest proportion since Q1 2006.

Pensions demand at survey high

Despite low interest rates and volatile stock markets, saving confidence has risen among consumers with a record proportion intending to put money into cash savings, life & pension and investment products.

Approaching three-quarters of adults intend to save or invest, with contributions into ISAs, regular pension, regular saving schemes and corporate / government bonds at record levels.

Saving & Investment intentions (% of adults aged 16+ 2002-16)

Source: GfK / JGFR

Around a half of the public intends to contribute to a regular or lump sum pension / life insurance scheme. Regular pension contributions will have been boosted by auto-enrolment.

Despite low returns on cash deposits, 39% of adults intend to place a deposit in a bank, building society or National Savings & Investments, the highest proportion since Q4 2006.

Recent quarters have seen greater focus on family finance, with greater numbers of people putting money into a Junior ISA / Child Trust Fund. Around 15% of adults intend to invest in such accounts, down on a record 18% in Q1, but up from 12% in Q2 2015.

Among the investing public, sentiment improved in Q2, primarily for bonds rather than equities.

Around 17% of adults intend to invest in equities or bonds, above the long term average of around 15%.

Record numbers withdrawing capital

A trend of recent quarters is for more people to withdraw or receive capital, either through maturing deposits, life-company or pension proceeds, or through sales of shares or funds. Pension pot freedom will be a factor.

Some 6 million adults intend to withdraw or receive cash in the coming months, with some 5 million intending to sell shares or funds, well above average.

Car Finance Plan demand driving consumer credit usage

Strong big-ticket purchase intentions have been a feature of recent quarters; borrowing intentions in the coming months continue to be well above average, especially for car finance plans.

Overall 1 in 5 adults intend to borrow in the coming months, up on Q1, but little changed on a year ago. More people intend to borrow by way of consumer credit (17%), the highest proportion since

June 2005, with strong credit card, personal loan and overdraft usage in prospect.

A record proportion of adults (9%) intend to take out a car finance plan, with the JGFR Car Finance

Plan Index the highest of any savings, investment or borrowing product, up 13 points to a new high of 181.9.

Consumer credit usage intentions, JGFR indices 2002-16

Source: GfK / JGFR

Slower housing market activity in prospect

Both mortgage demand and property purchase intentions, the latter capturing cash buyers as well as mortgage buyers, are weaker in the Q2 FAB following strong intentions in the past year, but continue at well above average levels.

The JGFR Housing Confidence Index, combining both activity measures, fell for the second successive quarter, down from a 10-year high in Q4 2015 of 102.5 to 88.9 in the current quarter.

Increase plastic card borrowing Take out / extend personal loan Increase overdraft borrowing

Housing market activity, JGFR index 2002-16

Source: GfK / JGFR

Family finance is to the fore in housing market activity with outright owners representing 46% of mortgage intentions and 45% of property purchase intentions. Many of the â€˜outright ownersâ€™ will be younger family members benefiting from the Bank and Home of Mum & Dad.

Debt repayment holding up

As household finances have improved over the past 2 years so more people have been paying off / paying down debt. Just under a third of adults intend repaying debt in the coming months, well above the long term average of 27%.

Commented John Gilbert, Chief Executive of JGFR on the Q2 FAB findings:

â€œDespite a year of great uncertainty in prospect, demand from consumers for financial products remains well above average. Consumers in 2016, particularly from the Millenial generation, appear more savvy and engaged with personal finance, which puts greater pressure on providers and advisers to ensure a fulfilling and satisfying customer experienceâ€•