

Demand For Life & Pension Products & Property Purchase In Post-Brexit Financial Activity Barometer

Contributed by JGFR
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Compared with Q3 intentions in June, pre the EU referendum, the Q4 JGFR/GfK UK Financial Activity Barometer shows little overall change in consumers intended financial activity in the coming months.

In June (Q3) 84% of adults indicated they expected to save, invest, borrow or repay debt in the next 6 months, little changed in Q4 83.5%, but well above the 14-year average (77%).

The proportion of people intending to save/invest (73% v74%), borrow (20%v19%), or repay/pay down debt (32%) is also little changed on Q3.

Of the JGFR Financial Activity Headline Indices only the Debt Repayment Index rose on the quarter; the overall index, savings/investment and borrowing are all slightly lower, as they are on Q3 2015.

Weaker demand for ISAs, but more people intended to be regular savers

In recent quarters demand for ISAs has been well above average, but fell back to a 6-quarter low (38%) in the Q4 FAB, well down on 43% a year ago; the drop in demand likely to have been caused by the cut in ISA cash rates following the Bank of England post-Brexit rate cut.

Other cash savings have held up in Q4. Cash deposit intentions are little changed (38% of adults), while regular savings intentions (not necessarily in cash) rose to a 14-year high (22% of adults, and around 40% of under 30s who will be keen to get onto the property ladder). Junior ISA intentions are also up in Q4.

Life and pensions demand at survey high

Just over a half of adults intend to contribute to a life policy or pension, either on a regular or lump sum basis, up from 47% in Q3, and well above the long term average of 41%. More regular pension contribution intentions have driven the measure higher. Among workers, 62% of full-time, and 46% of part-time, intend to contribute, up from 47% and 31% 5 years ago, boosted by auto-enrolment.

Intending contributions to regular life insurance schemes are at the highest since 2003 with 27% of adults intending to contribute; life insurance linked products may be benefiting from perceived better returns than cash, as well as greater awareness of the need for family protection, especially linked to mortgages.

Investor confidence little changed since Brexit

Despite the FTSE 100 recovering from the post-Brexit July sell-off to reach a new record high, investor sentiment has changed little over the past year. Around 14% of adults intend to invest in equities, slightly above average, with many also investing in bonds, where demand has been relatively stronger. The gender gap in equity investment intentions is as wide as ever (73% men, 27% women) and little different in government / corporate bonds (70% men, 30% women).

Housing market intentions have strengthened considerably post-Brexit partly as a result of the Bank Rate cut. Property yields look far more attractive than cash for people with substantial lump-sums to invest, with prospective lower borrowing costs for first time buyers and movers.

The JGFR Housing Market Activity Index combining mortgage and property purchase intentions gained 8 points to 100.8, 8 points up on Q2, but slightly down on a year ago when mortgage demand was very strong. In Q3 more people intend to put a deposit down on a property to buy (11% compared to 8% in June) with demand particularly strong in London. The majority of people will be looking for a mortgage, with many outright owners (46%) providing support as the Bank of Mum & Dad.

Sharp decline in car finance plan demand

Consumer credit usage in the coming months is up slightly on the quarter (17% of adults v 16%, Q3), with strong demand for personal loans at an 11-year high offsetting weaker overdraft take-up.

Credit card usage and car finance plan intentions continue at well above average levels, although there is a sharp fall in demand for car finance plans following 5 quarters of remarkable growth ending in June.

Commented John Gilbert, Chief Executive of JGFR:

“The post-Brexit outlook for retail financial services is encouraging with above average levels of demand for most products. Providers will need to keep a close eye on credit quality on the back of rising inflation and a weaker jobs outlook as the economy slows.”