

NS&I Savings Tracker Examining savings behaviour across Britain

Savings dip from Spring's record high

NS&I's Quarterly Savings Survey examines savings behaviour across Britain, reporting quarterly on who is saving, how much is being saved, savings targets, and whether average savings per head are increasing or decreasing.

The results of the 20th Quarterly Savings Survey, covering the summer months of June, July and August 2009, are detailed below, along with key annual trends.

Quarterly Savings Survey Tracker

In this issue

- This quarter the monthly amount saved per head across the population declined slightly from £92.41 in spring 2009 to £90.73 in summer 2009
- Savings targets also fell both in value and as a percentage of income; the ideal monthly amount of money people want to save fell from £219.11 in spring 2009 to £211.32 this quarter
- The average amount saved as a percentage of income fell to 6.65% this quarter from 6.83% in spring 2009, despite an increase in the average monthly take-home income
- However, regular savers are setting aside the most they ever have in a summer quarter, £202.17 (the highest ever was £209.23 in spring 2009)
- The percentage of people who regularly save increased slightly from 47% (spring 2009) to 48% this quarter
- 35-44 year-olds have registered a strong savings quarter this summer, but it has been a tough quarter for the 16-24 year-olds
- This summer saw a subtle increase across a number of key savings indicators for women, while men had a mixed summer with most indices down from last quarter

Lifestyle research:

- 81% of Britons say they never argue about money with their partner
- 52% of couples who argue over finances say their arguments are based on how much they are spending; the small purchases as well as the more substantial outgoings

Continuing positive savings trends despite short-term pressures

Examining the savings indicators in summer 2009 and evaluating these findings against past results reveals a mixed picture. In the short-term, the results show that it has been a difficult quarter for the British population as savings levels declined slightly since spring 2009.

However, looking back at historical data, the picture remains positive. Some savings indices reached their highest ever summer figures since the Quarterly Savings Survey began in autumn 2004.

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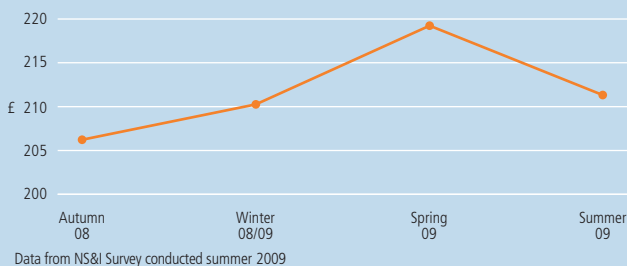
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Short-term pressure on savings

This summer the population is saving less every month (per head) than last quarter, registering £90.73, down 1.82% from £92.41 in spring. This was the first spring-on-summer decline since the Quarterly Savings Survey began in autumn 2004.

This decline has coincided with a change in attitudes towards saving this quarter, with generally lower savings aspirations than in the spring. Across the population, the amount of money people aim to set aside each month has decreased from £219.11 last quarter 2009 to £211.32 this summer 2009. This is the first time this has decreased after a period of consistent growth since autumn 2008. See figure 1.

Figure 1: Summer 2009 drop in ideal savings



People's savings targets as a percentage of their income have also dipped slightly, down from 16.20% last quarter (spring 2009) to 15.49% this summer. This 4.38% drop is the largest quarter-on-quarter decrease for this savings index since spring 2007.

One reason for this could be people feeling the squeeze on their income each month, though the average monthly take-home income (income after tax, National Insurance contributions and other expenses) actually increased slightly to £1,364.10 up from £1,352.80 in spring 2009. Indeed, the average amount saved as a percentage of income fell from 6.83% in spring 2009 to 6.65%. See figure 2.

This drop in savings is unlikely to be seasonal, as the previous four and a half years' worth of results show that there has always been a seasonal increase in the amount the population is saving between spring and summer. See figure 3.

Figure 2: Amount saved as a percentage of income over time

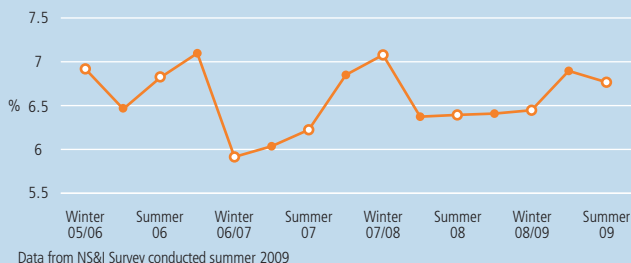
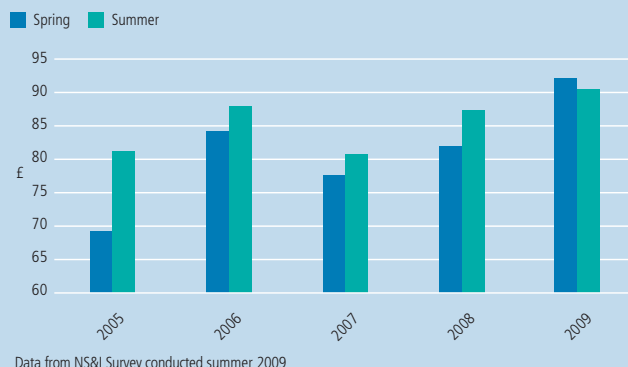


Figure 3: Amount saved per head spring-summer quarterly comparison



It is unlikely that people are cutting back on the amount they are saving to prioritise spending, as figures from the Office for National Statistics show the biggest drop in household spending since 1980 in the first quarter of 2009¹.

Instead, it seems that the incentive to save and the benefits of setting money aside have shifted with people instead focusing on repaying debt. This theory is supported by Bank of England figures which show that Britons reduced their mortgage debt by a record £8.14 billion during the first quarter of the year².

Another alternative is that other economic factors are impacting people's ability to save. An increase in unemployment³ could be making it harder for families to save, as they instead need to support each other more.

¹ http://www.statistics.gov.uk/downloads/theme_economy/CT2009q1finaldoc.pdf
² <http://www.bankofengland.co.uk/statistics/hev/current/index.htm#tables>
³ <http://www.statistics.gov.uk/cci/nugget.asp?ID=12>

Economic snapshot

	Summer 07	Summer 08	Summer 09
Bank of England base rate (June 2009 figures) bankofengland.co.uk	5.50%	5.00%	0.50%
FTSE 100 index (closing value figures for June 2009) euoinvestor.co.uk	6,607.90	5,625.90	4,249.20
Consumer Prices Index (June 2009 figures) statistics.gov.uk	105.0	109.0	111.0
Retail Price Index (June 2009 figures) statistics.gov.uk	4.4	4.6	-1.6
Gross mortgage lending (£bn) (June 2009 figures) cml.org.uk	£34.9bn	£23.8bn	£12.3bn

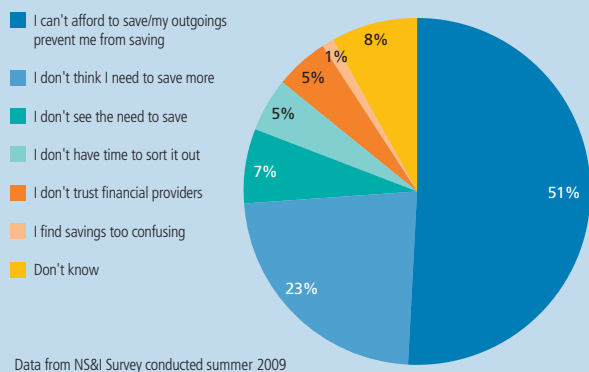
**Recommendation from NS&I's savings strategist –
"The importance of planning ahead":**

The best way people can prepare themselves for any unplanned events is to take a look at their income and outgoings, and review how they can be making savings. But people should also not forget about their longer-term objectives, such as saving to bring up a family, or towards retirement. People can make themselves financially prepared by reviewing their long-term objectives and thinking about how they are going to finance them.

This quarter, 27% of savers said they were saving for something specific and over half (54%) of those said they saved money in case of an emergency. People who would like more information on how to balance budgets, manage debts and realise goals can visit You and your money, the independently-written one stop information shop for personal finance brought to you by NS&I.

www.youandyourmoney.info

Figure 4: What stops people from saving more?



Whatever the reason people are not setting as much money aside this quarter. For the 31% of people without enough savings for an emergency saving should be a priority, to make sure that they are prepared for any unforeseen circumstances.

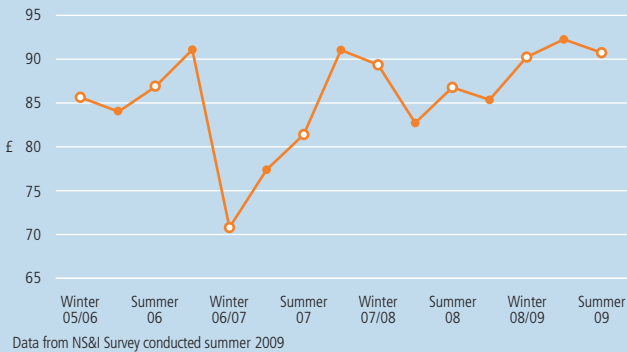
Longer term commitment to increase savings

While the results show that this summer people are not saving as much as was recorded last quarter, it is important to review the historical data for a more holistic view.

Most importantly, during the previous quarter (spring 2009), the majority of the savings indicators reached their highest ever levels since the survey began almost five years ago. This appeared to be a result of people cutting back on unnecessary and non essential spending, while putting a priority on saving rather than spending, something that was reflected in the highest ever savings targets. These record levels may not have been sustainable over the long term, especially given the changing nature of the economic environment.

In fact, despite this spring to summer decline, the British population has managed to set aside more money (£90.73) during these summer months than previous summers, an increase of 4.01% on last summer's result of £87.23. This represents the first time since the Quarterly Savings Survey began in 2004 that the £90 barrier has been exceeded for the summer season and is one of the highest summer quarters for the amount saved as a proportion of income. See figure 5.

Figure 5: Average amount saved per head



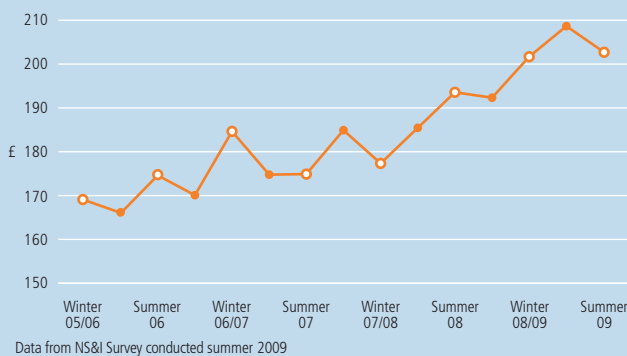
Regular savers reflect the population

This summer the number of people regularly saving money each month increased to 48%. Although this represents only a slight increase from last quarter (47%), it is the first time in 18 months (since spring 2008) that the number of regular savers has changed.

Overall, regular savers have reflected the rest of the population with a quarter-on-quarter drop in savings but an overall positive trend for this season. The amount of money regular savers put away each month dropped slightly from £209.23 in spring 2009 to £202.17 this summer. This decrease shows that regular savers may also be feeling the impact of current economic circumstances.

However, comparing this quarter's results to previous years, we see that regular savers are managing to put away more money during the summer months than ever before, an increase of 4.71% since this time last year. See figure 6.

Figure 6: Amount saved by regular savers



Savings highs and lows in summer 2009:

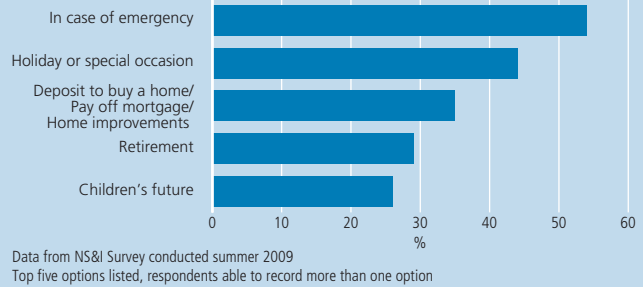
Highs:

- Almost one in ten (9%) people are managing to save more than £400 per month
- The average amount the population holds in savings is more than £17,000 (£17,570). 8% of people said they had over £50,000.

Lows:

- 31% of savers don't think they have enough money to cope in an emergency
- 52% of people do not save regularly each month
- Of those people nearly a fifth (19%) do not save at all
- 25% of people admitted to not knowing how much they should save each month
- More than one in ten (13%) people who have managed to save some money have not kept track of the amount that they have put away

Figure 7: What are people saving for?

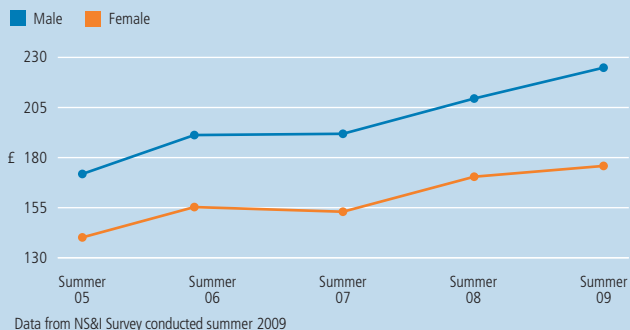


Good summer for female savers

This quarter saw a subtle increase across a number of key savings indicators for women.

- The average saved per head increased, up from £70.20 in spring 2009 to £71.62 this summer 2009. Compared to 12 months ago this figure has increased 3.09% up from £69.47 (summer 2008)
- Over two-fifths (44%) said they regularly saved money, 7.3% higher than last quarter, spring 2009 (41%) and a slight increase on this time last year (43%)
- Although the number of women regularly putting money aside has increased, the monthly amount that is being saved by these regular savers has decreased from £184.64 during spring 2009 to £174.74. See figure 8

Figure 8: Gender Comparison – amount saved by regular savers



On the other hand, men have had a mixed summer with most indices down from last quarter.

- The average monthly amount saved per head for males decreased with figures down from £115.81 last quarter, spring 2009, to £110.96, this summer, a 4.19% drop
- More than 52% of men said they regularly saved money each month, a slight drop from last quarter when the figure was 53%
- The amount of money male regular savers put aside each month was marginally lower this quarter than spring 2009, £226.45 every month compared to £228.68 last quarter. Although this figure fell quarter-on-quarter, it still represents the highest ever summer figure for this savings index

Even though women have generally had a more positive quarter this summer, both genders saw a drop in ideal savings. Men's average savings targets were £233.95 each, representing 15.07% of their average income. In spring, these figures were £240.27 and 15.30%. Women saw similar drops in ideal savings, from £197.40 to £187.18, and from 17.67% to 16.06%.

35-44 age group buck the trend

35-44 year-olds have registered a strong savings quarter this summer, experiencing an increase across most savings indices.

- The average amount saved each month increased from £102.04 during spring 2009 to £109.85 this summer
- Average monthly amount saved as a percentage of income increased from 6.42% to 6.90%
- The percentage of people regularly setting money aside each month increased from 49% to 51%
- The amount these savers are putting away each month reached the highest ever level this summer, up from £215.98 in spring 2009 to £226.06
- The amount people wanted to set aside every month as a proportion of their income dropped from 14.73% to 14.20%. Ideal savings in pounds also decreased slightly from £234.01 to £226.02

In contrast, it has been a tough quarter for the 16-24 year-olds, with almost every measure down since last quarter. The only exception was ideal savings as a proportion of income, but this was largely due to substantial drops in income over the last three months.

- The amount saved per head for this age group dropped from £95.98 in spring to £85.22 this summer, a significant drop compared to that experienced across all the other age ranges
- The amount saved by regular savers declined from £184.86 to £163.22, an 11.71% drop
- Those people regularly setting money aside each month fell slightly, down from 55% to 54%
- Ideal savings showed a significant drop from £209.69 last quarter to £176.63 this summer

Savings indicators by region

Figure 9: Consumer savings pattern across GB regions

Region	% of income saved ¹	Average net income	% who regularly save	Average amount saved ²
East of England	5.86%	£1,577.30	40%	£239.05
East Midlands	6.67%	£1,230.94	52%	£163.22
London	7.51%	£1,584.37	50%	£257.97
North East	6.75%	£1,215.40	52%	£169.12
North West	6.55%	£1,215.10	43%	£204.49
Scotland	7.28%	£1,424.36	50%	£223.12
South East	6.13%	£1,467.70	45%	£213.46
South West	6.09%	£1,316.80	49%	£174.42
Wales	6.50%	£1,218.40	47%	£172.30
West Midlands	7.00%	£1,356.28	50%	£201.95
Yorkshire & Humberside	6.56%	£1,195.40	49%	£166.84



Green – Highest % of savers Orange – Lowest % of savers Blue – Highest % of income saved Pink – Lowest % of income saved

¹ % of income saved for total population of the region
² Average amount saved by those who regularly save

Data from NS&I Survey conducted summer 2009

Will people save more or less in the coming months?

The savings outlook shows the likelihood of people saving more or less over the next three months

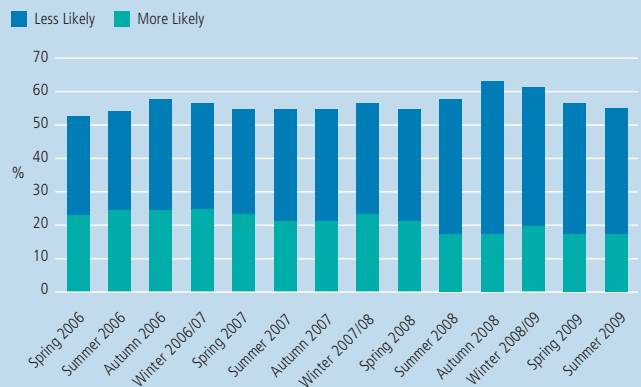
Ongoing pessimism about future savings

Once again this summer, people are feeling pessimistic about their ability to save in the coming months.

When people were asked if they were more or less likely to save money in the next three months than previously, almost two fifths (37%) said 'less', compared to just under one fifth (18%) stating more. Only 4% of the population thought that they would be much more likely to save in the next three months. This is similar to spring 2009 when 39% said they were less likely to save money in the following three months than previously, and 18% said they would save more.

Men are slightly less pessimistic this summer, with just over a third (35%) believing that they will not be able to set as much money aside in the coming months compared to 38% in summer 2008 and 39% last quarter (spring 2009). It is a similar story for women, with just 38% believing that they will not be able to set as much money aside, compared to 42% in summer 2008 and 40% last quarter (spring 2009).

Figure 10: Change over time in percentage of people who believe they are more/less likely to save in the coming months



Data from NS&I Survey conducted summer 2009

Decreasing optimism for future savings habits

	Summer 07	Summer 08	Summer 09
More likely to save in the coming three months (%)	21	18	18
Less likely to save in the coming three months (%)	33	40	37

Pessimism tends to increase with age, with a larger percentage of the older age groups saying that they will be unable to save more in the coming months. The 55-64 group are the most pessimistic according to the Quarterly Savings Survey, with well over two fifths (44%) saying they are less likely to save in the next three months. The 16-24 age group are the least pessimistic, with just 26% saying they are less likely to save over the next few months.

Will people save more or less in the coming year?

Looking toward the longer term, over a quarter (27%) of people think they are more likely to save over the coming year. This is a larger percentage of people who are optimistic about their annual savings habits, compared to last quarter, spring 2009 when the figure was just 24% and summer 2008 when 26% of people said they were more likely to save. In fact, people are at their most optimistic since spring 2008 when the figure was 30%.

While this is positive, 34% of people still state that they are less likely to save in the coming 12 months, compared to 38% last quarter (spring 2009).

Tracker survey methodology

The research was conducted via TNS PhoneBus, a telephone omnibus survey. A representative sample of 3,008 GB adults aged 16+ was interviewed. Interviewing was conducted from 5 June – 2 August 2009. The sample has been weighted to represent the adult population of Great Britain aged 16+.

Relationships and money

This quarter, the Quarterly Savings Survey reveals that couples are relatively open about their finances. The results show that 81% of Britons never argue about money with their partner. It also reveals that more than two-fifths (43%) of couples make all their financial decisions together.

For the small proportion of people who admit to having the occasional disagreement about their finances, talking is key; over two-fifths (43%) said they were able to resolve their problems this way.

Challenging gender stereotypes

Traditional male and female stereotypes are also being challenged by the findings. Despite women sometimes being labelled as the more talkative sex, the research shows that men are communicating more about their money. Nearly half of all men (47%) said they liked to resolve arguments by talking to their partner, compared to just 37% of women. 46% of men also said they have a joint account with their partner and shared all financial information, higher than the figure for women (40%). Conversely, in the past men have been stereotyped as being more in control of their finances, however this summer a quarter (25%) of women said they controlled the finances in their partnership, compared to just 16% of men.

Couples honest about spending

Almost three-quarters (74%) of the population said they never spent money from their joint account on personal things they thought their partner would not approve of. Nearly nine out of ten (88%) people also said they had never borrowed money from their partner, family or a friend without repaying it. When the population was asked how much money was acceptable to borrow from their partner without paying it back, sums of over £50 (£51.54) were deemed acceptable. This figure was higher among women, over £60 (£60.13), compared to £43.27 for men.

Dax Harkins, NS&I's senior savings strategist said:

"This Quarterly Savings Survey has revealed some interesting details of how people in relationships deal with money, challenging stereotypes that money causes disagreements and people secretly spend their shared cash. And it seems that this openness is not just a result of the current financial climate. More than two thirds (69%) say this hasn't affected their financial relationships, and only 8% think they have become more open with people they are close to. It seems money has been wrongly labelled an issue and British couples are actually better at dealing with their finances than many may have thought."

Relationships are financially beneficial

Many Britons believe that being in a relationship is actually financially beneficial. Nearly a third (29%) of those in relationships said money brought them happiness and allowed them to buy what they want. Further, it's not just the money itself but the shared approach to managing it. 74% said they most valued having someone to talk freely to about financial concerns that. Almost three-quarters (71%) think other benefits to being in a relationship include being able to organise their finances together with someone and receive similar motivation, while 77% say being able to share financial knowledge. Only 11% of the population believe there aren't any financial benefits to being in a relationship.

Top tips for personal finance management with partner

1) Set some boundaries

Agree with your partner some basic financial rules, which you will both adhere to. Talk to each other regularly about how much you think you should both be saving and how much you can afford to spend each week.

2) Give yourself a challenge

Set yourself specific savings goals. Decide over what period of time you want to achieve these goals and work out what you should save on a regular basis. Then try to stick to it! Keep a record of how well you are doing, so you can make it up if you ever slip a little; that way you're sure to keep on track. For more information on financial planning visit www.youandyourmoney.info

3) Set aside a separate emergency fund

You never know when an emergency might arise that you require funds for. Being prepared for this and setting aside a little extra each month into a separate fund will provide a financial safety cushion if needed.

4) Don't let disagreements linger

Keeping quiet when you disagree with your partner about money decisions is not a helpful situation for any couple.

Lifestyle survey methodology

The research was conducted via TNS PhoneBus, a telephone omnibus survey. A representative sample of 2,003 GB adults aged 16+ was interviewed. Interviewing was conducted by CATI from 17 July – 3 August 2009. The sample has been weighted to represent the adult population of Great Britain aged 16+.