



NS&I Savings Tracker Examining savings behaviour across Britain

Savers remain committed despite pressures on their finances

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 17th Quarterly Savings Survey, covering the autumn months of September, October and November 2008, are detailed below, along with key annual trends.

In this issue

Quarterly Savings Survey Tracker

- This quarter, regular savers have set aside the highest autumn amount since the Quarterly Savings Survey began in 2004, putting away £191.50 per month.
- However, autumn 2008 savings levels across the population as a whole have remained fairly consistent with those recorded last quarter (summer 2008). The widely expected drop, due to increased pressure on the population's disposable income caused by the current financial climate, has not materialised.
- The average amount saved as a percentage of income has remained stable at 6.4% as in summer 2008.
- Savings targets have decreased slightly, perhaps as many people try to make them more achievable.
- 16-24 year-olds have managed to increase their savings levels, however the 55-64 year-olds are struggling.

Lifestyle research

- Nearly two-thirds (65%) of those who celebrate Christmas said they will be more resourceful to make their money go further this year.
- Just over two-fifths (41%) of Brits will use their hobbies and talents to have a more creative Christmas, while almost 37% who plan to be more resourceful will make presents, decorations and cards.
- 16% of Brits plan to spend less this year as they normally overspend on Christmas.
- Seeing family and friends is a priority for over a third (36%) of people, who said they think it is very important to travel to see loved ones during the festive period.

Savings levels consistent with last quarter

Examining the savings indicators in autumn 2008 and evaluating these findings against past results reveals a mixed picture. Comparing this quarter with summer 2008 gives us reason to be cautiously optimistic about savings levels withstanding the added pressures of the current financial

climate. However, looking at data from previous autumns, it appears that overall savings levels are in decline.

This autumn, overall savings levels have remained fairly consistent with results from the previous quarter, summer 2008, despite the added financial pressures associated with the recent economic downturn.

Figure 1: Consistent savings levels

	Summer 08	Autumn 08	Percentage change
Monthly average saved by those saving regularly (£)	193.07	191.50	-0.81
Percentage of people who regularly set money aside each month (%)	47	47	N/A
Monthly average saved across the population (£)	87.23	85.34	-2.17
Average monthly take-home income (£)	1361.80	1329.70	-2.36
Amount saved by the population as a percentage of average income (%)	6.41	6.42	0.16

Many people might have expected savings levels to drop considerably this quarter, given the increasing pressures on disposable income. It is therefore encouraging that despite this the British population is managing to set aside a similar amount of money to that of last quarter.

The average amount saved per head across the population has declined marginally (2.17%) between summer and autumn 2008, from £87.23 to £85.34. The findings also show that the average monthly take-home income (income after tax, National Insurance contributions and other expenses) fell a similar amount (2.36%) between summer 2008 and autumn 2008, down from £1361.80 to £1329.70. See figure 1.

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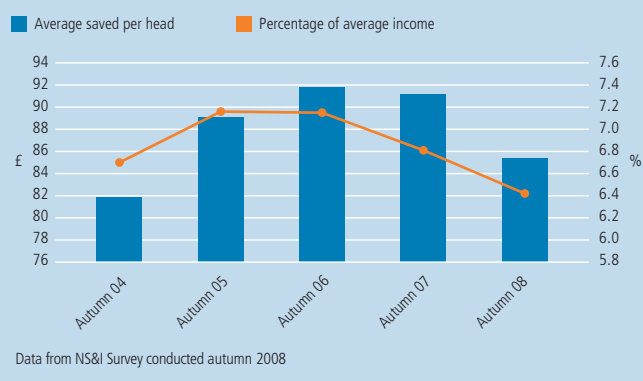
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This means that the population is actually managing to set aside a slightly higher proportion of their income this autumn. Across the population the average amount saved as a percentage of income remained stable at 6.4% as in summer 2008.

Given the recent turmoil in the economy, rising inflation and the ongoing media speculation about declining disposable incomes and people's ability to set money aside, it is positive that this autumn the British population are managing to set aside a consistent percentage of their monthly income.

Figure 2: Average amount saved per head in pounds and as a percentage of income



Overall savings levels are lower than in previous years

Examining the key savings indices over a longer period of time, levels appear to be falling. The average amount saved per person fell 6.37% this autumn, down from £91.15 in autumn 2007 to £85.34 this year. What's more, this quarter's figure is the lowest autumnal figure recorded since 2004 (£81.80) when the Quarterly Savings Survey began. See figure 2.

The amount saved as a percentage of income has declined every autumn since 2005 (7.16% autumn 2005; 7.15% autumn 2006; 6.81% autumn 2007; 6.42% autumn 2008). This compares with income levels which have steadily increased each autumn from 2004 to 2007, although they have declined marginally in the last year. See figure 3. It seems that the British population is struggling with its savings levels over the long term.

Figure 3: Amount saved as a percentage of the average income for the autumn period

	Autumn 04	Autumn 05	Autumn 06	Autumn 07	Autumn 08
Amount saved as a % of average income	6.70	7.16	7.15	6.81	6.42
Average monthly income (£)	1221.10	1245.10	1283.80	1337.80	1329.70

Squeeze on disposable income

Although it was announced in November that the CPI was lower, the months prior to and including autumn saw a steady rise in CPI, meaning that fuel and food costs have increased. People's disposable incomes are being squeezed as the cost of day to day living increases, putting further pressure on household budgets and hitting people's ability to save. It is important that people regularly review their budgets, carefully considering which outgoings are essential and which could be reduced and balancing this against their monthly income. Setting money aside should be seen as an essential part of this budgeting process to make sure that people have enough money saved to cope with the unexpected.

Regular savers are traditionally strong

Over time, regular savers have consistently bucked the trend of declining autumn savings levels. This quarter, regular savers set aside the highest amount for the autumn period since the Quarterly Savings Survey began, managing to put away an average of £191.50 per month. However, this represents a 1.81% drop from summer 2008 (£193.07). See figure 4 and 5.

The amount saved fell from £193.07 to £191.50. This is the first quarter-to-quarter drop since winter 2007/08 perhaps indicating that even those with good savings habits are feeling more of a pinch in the current economic climate. Since autumn 2004, when the Quarterly Savings Survey began, the amount saved by regular savers has grown 17.20% (autumn 2004, £163.40). Over the same period the population's average monthly income has only grown 8.89% (autumn 2004, £1221.10; autumn 2008, £1329.70). These findings suggest that not only do regular savers benefit from a strong savings habit; they are also more likely to review their average income and adjust savings levels accordingly. This should put them in a strong financial position to cope with any unexpected costs or emergencies.

Figure 4: Average amount saved by those who save regularly

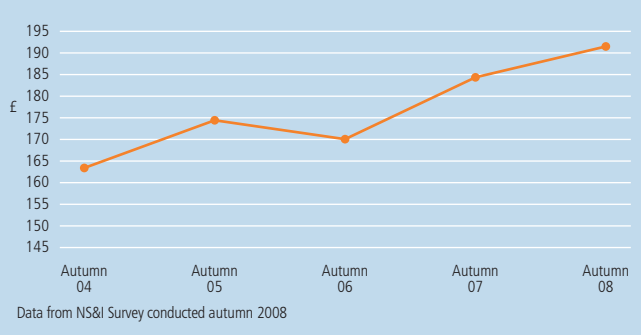


Figure 5: Amount saved by regular savers over the past 12 months

	Winter 07/08	Spring 08	Summer 08	Autumn 08
Amount saved by regular savers (£)	177.16	185.63	193.07	191.50
Percentage change (%)	N/A	4.78	4.01	-0.81

Recommendation from NS&I's savings strategist: Plan for the future

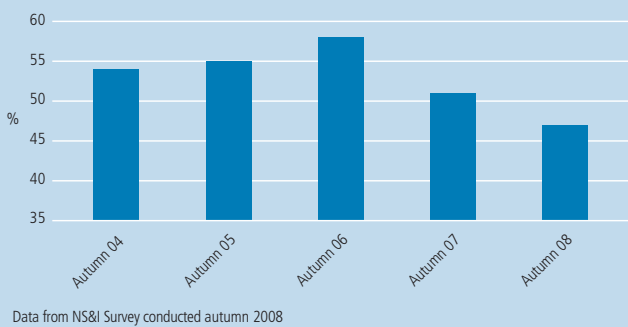
This autumn, almost a third (32%) of savers say they do not feel they have enough money to cope in an emergency. This is a small increase compared to last autumn when the figure was 31%. To aid financial planning, and to make sure that you have enough money set aside to cope with unexpected financial outgoings, it is recommended that you set an aim of living on less than your earnings – approximately 85% of your take-home pay is a good benchmark. The equivalent of three months' pay is also the advisable amount of savings you should have on hand in the event 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', a website, brought to you by NS&I, that sheds light on complex financial issues:

www.youandyourmoney.info

Regular savers remain committed

The number of people regularly saving money remained at 47% for the third quarter in a row. It is encouraging that this figure remains consistent despite the financial turmoil, suggesting that in the short-term few people who already have strong savings habits are having to change their savings behaviour. However, it is a concern that the percentage of people saving regularly is at its lowest autumn level since the Quarterly Savings Survey began. See figure 6.

Figure 6: The percentage of the population saving regularly is falling

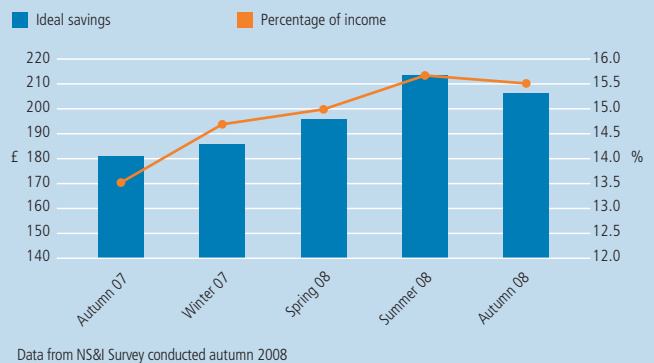


Savers aiming for more realistic savings targets

Comparing savings aspirations this quarter to those 12 months ago we see a big increase in ideal savings levels. This autumn, the monthly amount that the population wants to save has increased from £180.91 in autumn 2007 to £206.24 this quarter. This is the highest ever autumn figure since the Quarterly Savings Survey began in autumn 2004 and shows that overall the population is hoping to save more money. Ideal savings as a percentage of income has also recorded its highest ever figure for the autumn period, up from 13.52% this time last year (2007) to 15.51% this quarter (autumn 2008). This is the largest autumn-on-autumn increase since the Quarterly Savings Survey began in autumn 2004.

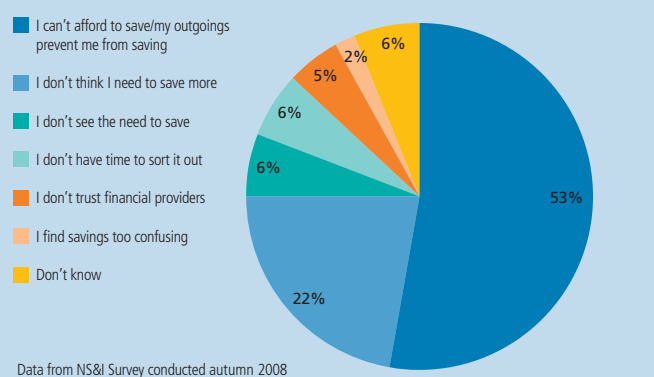
While the historical data shows that the British population is successfully increasing its saving ideals year-on-year, it appears to have struggled a little over the last two quarters. The amount of money the population ideally wants to save fell 3.34% from £213.37 during summer 2008 to £206.24 this autumn. This is the largest summer-to-autumn decline for this savings index since the Quarterly Savings Survey began. Ideal savings as a percentage of income also experienced a marginal fall between quarters from 15.67% to 15.51%. See figure 7.

Figure 7: Ideal savings in pounds versus ideal savings as a percentage of average income



One explanation for this quarterly decline may be that in these more difficult financial times the population is taking a closer look at its savings aspirations adjusting its targets to be more realistic and achievable. If this is so, it is important that the population begins to translate these goals into reality to ensure financial security whatever the circumstances.

Figure 8: What stops people from saving more?



Economic snapshot

	Autumn 06	Autumn 07	Autumn 08*
Bank of England Base Rate (October figures) http://www.bankofengland.co.uk (*Figure correct as of the 8th October 2008)	4.75%	5.75%	4.50%
Consumer Prices Index (Q3 figures) http://www.statistics.gov.uk	102.80	104.60	109.70
Gross Mortgage Lending (September figures – CML) http://www.cml.org.uk	£29.2bn	£30.6bn	£17.5bn

Savings highs and lows in Autumn 2008:

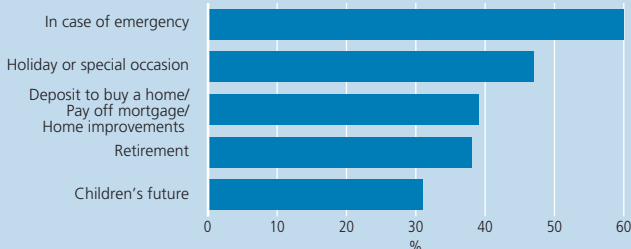
Highs:

- 28% of savers said they had a savings goal and were saving for something specific. This is an increase from summer 2008 when the figure was 26%.
- Almost one in ten (8%) are managing to save more than £400 per month.
- The average amount the population has in savings is more than £16,000 (£16,666). 8% of people said they had £50,000 or more.

Lows:

- 53% of people do not save regularly each month.
- Of those people, 21% do not save at all.
- 20% of people admitted to not knowing how much they should save each month.
- More than one in ten (12%) of those people who have managed to save some money have not kept track of the amount that they have.
- 16% of people say they do not know how much they should be spending each month. This figure has nearly tripled since winter 2006/07 when it was 6%.

Figure 9: What are people saving for?



Data from NS&I Survey conducted autumn 2008
Top five options listed, respondents able to record more than one option

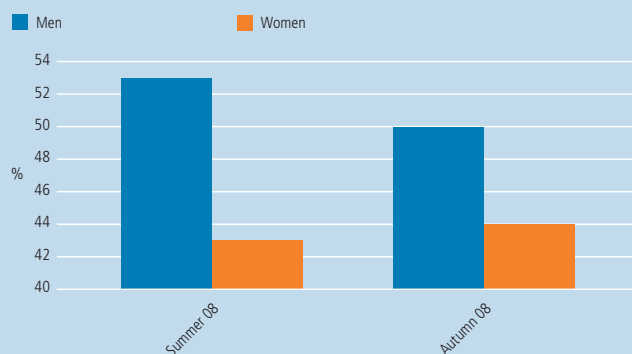
Women managing to increase savings levels

Looking more closely at the savings indicators this autumn, it seems that women have managed their finances a little bit better than their male counterparts, with the former recording some increases in savings indices while the men's figures have tended to decline.

- There was a slight increase in the number of women regularly saving money, up from 43% to 44%. At the same time, the number of male regular savers fell from 53% to 50%. See figure 10.
- The amount women saved as a percentage of their income also rose from 6.15% in summer 2008 to 6.19% this quarter. In contrast, the amount saved by men fell from 6.75% to 6.66%.

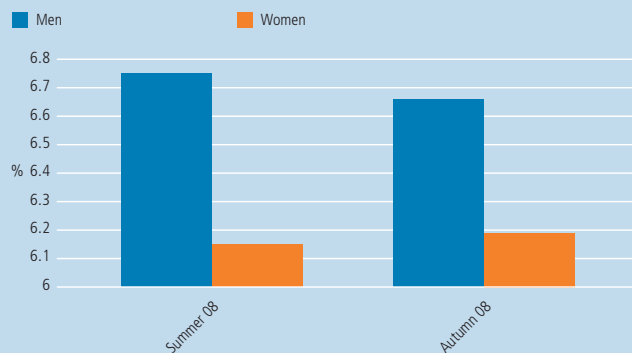
Despite these differences this quarter, overall men are still more committed savers than women. The percentage of women that regularly set money aside is consistently lower than their male counterparts. Examining previous autumn figures, the highest recorded percentage of male regular savers was in autumn 2006 when 61% said they regularly set money aside; in comparison the highest autumn figure recorded for women was just 55% in autumn 2006.

Figure 10: Comparison between percentage of men and women saving regularly



Data from NS&I Survey conducted autumn 2008

Comparison of percentage of income saved by gender



Data from NS&I Survey conducted autumn 2008

Strong savings behaviour from younger and more mature savers

With the exception of the 16-24 year-olds, it appears that all of the age groups are feeling the pinch this autumn with the average amount per head being set aside declining in the past 12 months across every age group. The 16-24 year-olds have increased the amount they are saving per month from £80.74 in autumn 2007 to £95.05 this autumn 2008. In contrast, the amounts saved per head by the other age groups have decreased during the same time period (autumn 2007 – autumn 2008):

- 25-34: £116.54 - £103.41
- 35-44: £108.67 - £99.55
- 45-54: £101.84 - £96.81
- 55-64: £83.23 - £66.97
- 65+: £52.92 - £49.53

Overall, it has been an encouraging quarter for this young group of savers. The number of those regularly setting money

aside has increased from 51% in autumn 2007 to 53% this autumn 2008. This is the highest figure for this index in the autumn period since autumn 2006.

In contrast, the 55-64 year-olds are really struggling this autumn with all of the savings indices down on last quarter's results, summer 2008. The amount saved on average by this group dropped 5.18% from £70.63 in summer 2008 to £66.97 this autumn 2008. Savings targets also declined with ideal savings per head down from £212.38 last quarter to £185.92 this autumn 2008. Savers in this age group should look to increase their savings levels to cope with the future; based on 2005/07 mortality rates, a man aged 65 could expect to live another 17.2 years, and a woman aged 65 another 19.9 years. (Source: <http://www.statistics.gov.uk/cci/nugget.asp?ID=168>)

Figure 11: Consumer savings pattern across GB regions

East of England

% of income saved ¹	7.84%
Average net income	£1376.10
% who regularly save	54%
Average amount saved ²	£212.92

East Midlands

% of income saved ¹	6.35%
Average net income	£1274.58
% who regularly save	45%
Average amount saved ²	£190.50

London

% of income saved ¹	6.60%
Average net income	£1554.63
% who regularly save	49%
Average amount saved ²	£219.71

North East

% of income saved ¹	6.73%
Average net income	£1222.20
% who regularly save	48%
Average amount saved ²	£182.06

North West

% of income saved ¹	5.60%
Average net income	£1170.90
% who regularly save	46%
Average amount saved ²	£148.41

Scotland

% of income saved¹	7.94%
Average net income	£1189.67
% who regularly save	52%
Average amount saved ²	£184.67

South East

% of income saved ¹	6.17%
Average net income	£1444.80
% who regularly save	46%
Average amount saved ²	£205.52

South West

% of income saved ¹	5.82%
Average net income	£1295.40
% who regularly save	44%
Average amount saved ²	£185.87

Yorkshire & Humberside

% of income saved ¹	7.85%
Average net income	£1248.60
% who regularly save	45%
Average amount saved ²	£223.58

Wales

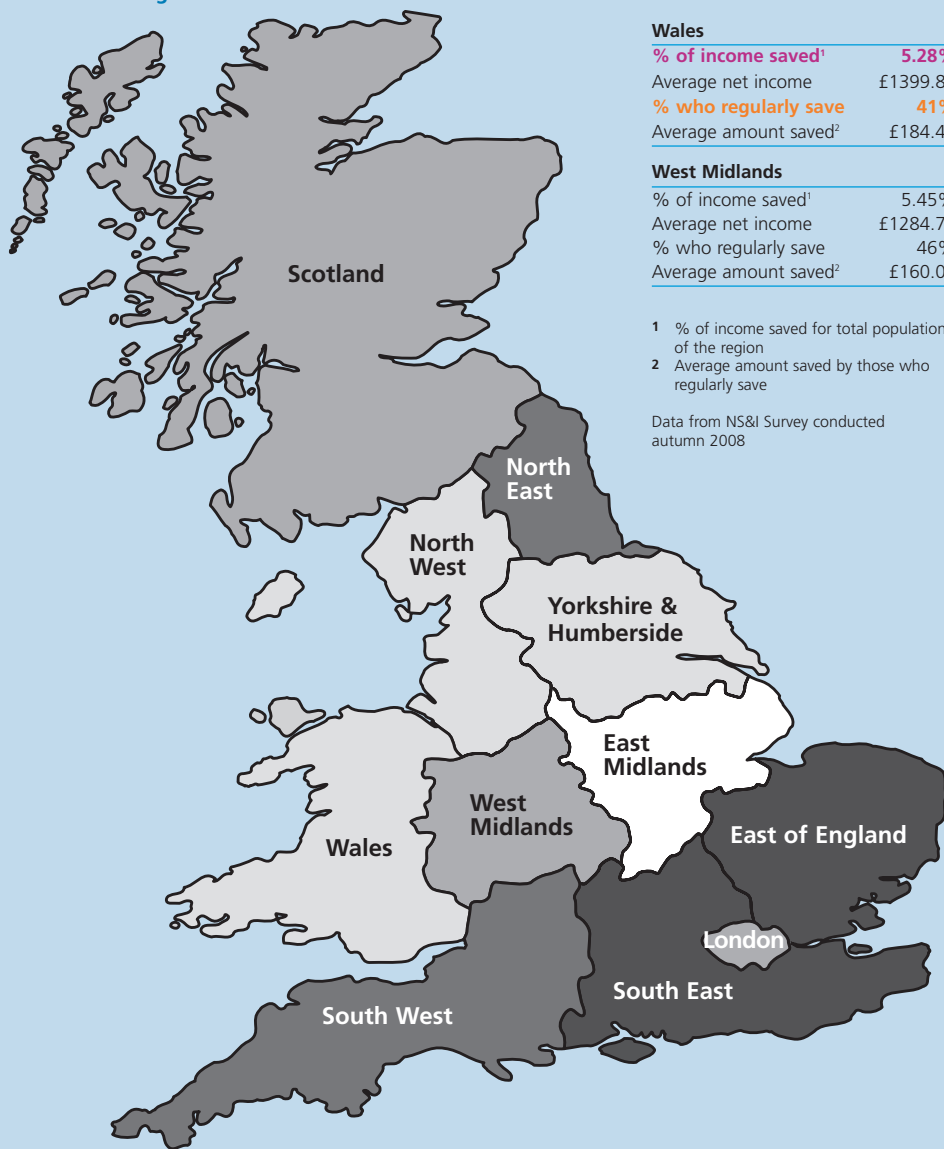
% of income saved¹	5.28%
Average net income	£1399.80
% who regularly save	41%
Average amount saved ²	£184.41

West Midlands

% of income saved ¹	5.45%
Average net income	£1284.70
% who regularly save	46%
Average amount saved ²	£160.01

- 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 autumn 2008



Green – Highest % of savers

Orange – Lowest % of savers

Blue – Highest % of income saved

Pink – Lowest % of income saved

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. See figure 12.

Negative attitude to saving short-term

This autumn, people are feeling less positive 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, more than two-fifths (45%) said 'less', compared to less than a fifth (18%) stating 'more'. Only 5% of the population thought that they would be much more likely to save in the next three months.

Historically autumn depicts a negative picture for saving over the future months. The percentage more likely to save in the short term has dropped year-on-year (25%, 2005; 23%, 2006; 21%, 2007, 18% 2008) indicating that people are increasingly pessimistic. See figure 13.

Men are more pessimistic than they have ever been before, with over two-fifths (42%) believing that they will not be able to set as much money aside in the coming months as this quarter.

Pessimism increases 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 over 65 age group are more pessimistic than ever before according to the Quarterly Savings Survey with almost three-fifths (57%) saying they are less likely to save in the next three months. This figure has increased from last autumn which was the autumnal high (38%).

Will people save more or less in the coming year?

This pessimism remains even when the population considers its longer term ability to save. This autumn two-fifths (40%) of the population state they are less likely to set money aside in the next 12 months. This is perhaps understandable given the increasing pressures on the population's finances experienced in recent months, however it would be concerning if savings levels fell further over the coming year as it could jeopardise people's ability to cope in an emergency.

Figure 12: Change over time in percentage of people who believe they are more/less likely to save in the coming months

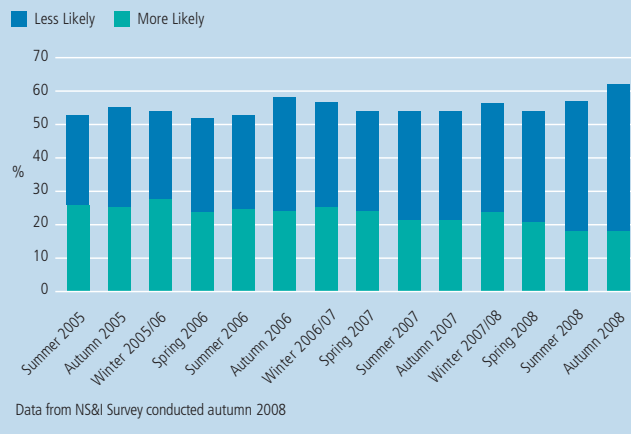
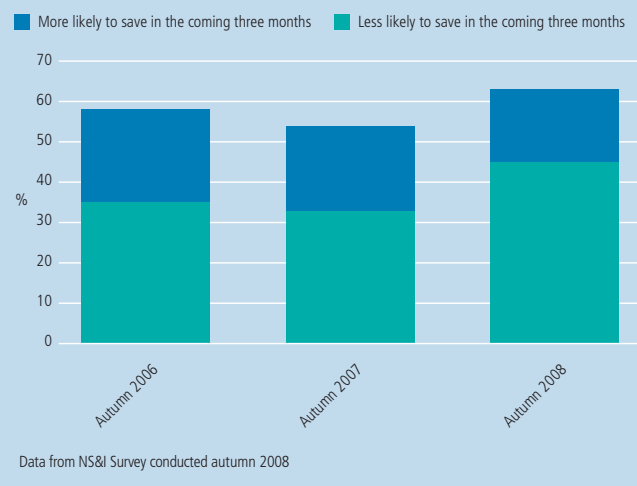


Figure 13: Decreasing optimism for future savings habits



Careful Christmas

Britons are intending to be more careful with their money this festive season, according to the Quarterly Savings Survey. This is only partly due to the current economic climate – while just over two-fifths (41%) said they would spend less because they had less money than previous years, for some 16% it is because they spent rather too much before. A further 13% are curbing spending to set money aside for 2009.

Though Christmas still costs

Yet even with this attempt to reduce spending, this is still an expensive time of year. Although the population is planning to reduce spending this year, on average it is only by £50 – an 8% drop – meaning that generally, Britons are going to spend over £500 per household. Men consistently spend more than women, and this remains true despite the adjusted planned outgoings. Men say they usually spend £603, but this year plan to cut that to £551; while women usually spend £560, but will cut this to £518 this year.

Age is another significant factor in different spending patterns, with 35-44 year-olds planning on spending the highest amounts. While they plan to decrease spending by over £80, they still have the highest expected outgoings of any age group, at £674 – perhaps reflecting the financial commitments of young families, mortgages and caring for older relatives.

A significant minority of respondents, however, were set for extreme levels of spending – both very low and very high. Over one in ten (11%) are set to splash over £1,000 on the festive season, while over a third (34%) said they would spend less than £250.

Yet Britain still wants to celebrate – and will with a little resourcefulness

Despite Christmas being an expensive time of year, and the need to cut expenditure, the British population is still going to do its best to have a good time. Respondents show a determination to get through in the face of high costs, with just under two-thirds (65%) saying they will be more resourceful this Christmas to make their money go further.

Creative Christmas

For just over two-fifths (41%) of respondents, this meant they would use their hobbies and talents to find imaginative ways to save money – almost 37% of those who plan to be more resourceful said they would make presents, decorations and cards.

Even if they were not going to use their own artistic talents themselves, people think this is to be welcomed, as three quarters (75%) believe that given the current economic climate people should be more creative to cut down the amount they are spending.

Indeed, respondents were touched by the idea of receiving hand-made cards and presents, and felt they were more thoughtful than those bought in a shop. This applied to women more than men, with 78% of women saying handmade gifts are more thoughtful, compared to only 64% of men. Less than one in ten (9%) of people say they would be disappointed to receive something handmade – and again, women are more likely to appreciate that creative effort. While some men are clearly more materialistic at Christmas – more than one in ten men (11%) say they would be disappointed receiving something handmade as they look forward to receiving expensive presents – only 7% of women agree.

Smarter spending

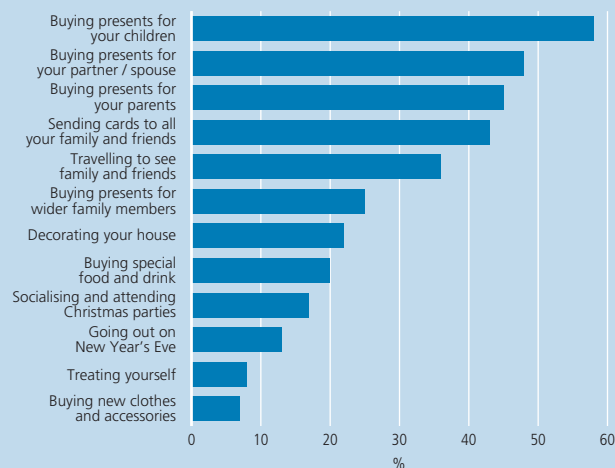
As well as using their creative talents, Britons are using their brains to save money by shopping wisely, to cut down on unnecessary expenditure. Nine out of ten (90%) of those who intend to be more resourceful say that they will look for cheaper brands and promotional offers, and almost two-fifths (37%) of Britons say that they are starting their shopping earlier to avoid peak prices during the pre-Christmas rush.

Celebrations won't fall flat, however, with over a third (34%) saying that they will drink sparkling wine instead of champagne. Men are less willing to trade in their quality fizz, though – only 29% of men said they would do so, compared to 39% of women.

The spirit of Christmas – putting others first

The survey results suggest that this new careful Christmas spirit should not be seen as such a bad thing, as when asked about their spending priorities respondents say they would cut spending on themselves, but continue spending on their nearest and dearest. See figure 14.

Figure 14: What is very important at Christmas?



Data from NS&I Survey conducted autumn 2008
Respondents able to record more than one option

Family relationships are some of the strongest ties, as almost half (48%) of respondents think it very important to buy presents for their partner or spouse, and 58% of parents saying they felt it very important to buy presents for their children. Most children reciprocated, with 45% feeling it important to buy presents for their parents.

Keeping in touch is clearly a priority as well: over a third (36%) think it very important to spend money travelling to see friends and family, and over two-fifths (43%) say it is very important to send Christmas cards.

Confirming the importance of other people over the festive season, the majority reject the more material side to Christmas. Only just over a fifth (22%) say that decorating their house is very important, and around the same number (20%) think spending on special food and drink important. Less than one in ten (7%) think that buying new clothes and accessories is very important, and if further proof be needed of a selfless Christmas spirit, only 8% want to treat themselves at Christmas.

Staying careful still a struggle

When asked about the experience of past festive seasons, respondents showed that it still takes considerable effort to stick to budget. Just under a third of the population (32%) said they overspend due to unforeseen costs, even if they set a budget. Despite their tendency to spend more in the festive season, men were less prone to accidentally spending too much: while only 27% of men said they were likely to overspend, this figure was higher for women, at 35%.

When asked what caused overspending, respondents indicated a wide variety of unforeseen temptations. See figure 15. Almost two-thirds (63%) said they overspent on buying gifts for family and friends, while nearly half (46%) were left short by socialising on the spur of the moment. For some, festive bargains were too good to resist, with 45% saying they overspent on sales items.

Respondents also suggested that buying into the community spirit of the season brought unexpected costs. Almost two-fifths (38%) have overspent on reciprocating unexpected presents in the past. A similar number (37%) indicated they have overspent on phoning and visiting family and friends.

Splashing out anyway

Some people, of course, disregard the need to limit their spending on festivities. Almost two-fifths (38%) of respondents are not setting themselves a budget this year, as they do not want to limit the amount that they can spend. This carefree attitude – which seems to run against most findings from this Quarterly Savings Survey – is more widely spread among men than women. 44% of men said they would not budget this year, compared to one-third (33%) of women.

When asked about what was important this year, 17% still say that socialising and attending Christmas parties was very important.

Conclusion

The Quarterly Savings Survey results make it clear that although this winter might be financially tight, by setting objectives, planning, being resourceful, getting creative, shopping smartly and concentrating on the people that really matter, the nation can have as cheerful a festive season as ever.

