



NS&I Savings Tracker Examining savings behaviour across Britain

Population's savings up, despite the economic environment

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 18th Quarterly Savings Survey, covering the winter months of December 2008 and January, February 2009, are detailed below, along with key annual trends.

In this issue

Quarterly Savings Survey Tracker

- Across the population, the average amount saved per head has increased, up from £85.34 in autumn 2008 to £90.12 this quarter. This is the highest figure ever recorded for the winter period.
- This amount equates to 6.48% of the population's average take-home income this winter 2008/09. This is an increase from 6.42% in autumn 2008.
- Regular savers are once again setting more money aside. They are putting away an average of £201.55 each month, the highest figure on record since the Quarterly Savings Survey began.
- This winter, male savers are even more committed to setting money aside, recording highest ever figures for amount saved by those saving regularly (£229.33) and ideal savings per head (£235.65).
- It has been a very encouraging quarter for the 25-34 year-olds. This age group experienced an increase across all savings indices, as well as the highest ever figures for the average saved per head (£117.63); and the amount saved by regular savers (£222.21) across the age group.
- The 16-24 year-olds struggled slightly, particularly in their effort to set money aside on a regular basis, with the percentage of this age group doing so falling from 53% (autumn 2008) to 51% this quarter.

Lifestyle research

- In total, less than half of the population (44%) have a separate fund to help them cope should an emergency arise.
- 67% of people with an emergency fund said they were unsure how they would define a financial emergency.
- 14% of people admitted they would not know what to do if they didn't have enough money to cope in an emergency or crisis.

Positive savings behaviour

Examining the savings indicators for winter 2008/09 and comparing these findings with past data reveals positive savings behaviour within the British population.

This winter, almost all of the key savings indices have increased from autumn 2008, despite the continuing economic uncertainty. See figure 1.

Figure 1: An increase in savings levels

	Autumn 08	Winter 08/09	Percentage change
Monthly average saved by those saving regularly (£)	191.50	201.55	+5.25
Percentage of people who regularly set money aside each month (%)	47	47	0
Monthly average saved across the population (£)	85.34	90.12	+5.60
Average monthly take-home income (£)	1329.70	1390.10	+4.44
Amount saved by the population as a percentage of average income (%)	6.42	6.48	+0.93

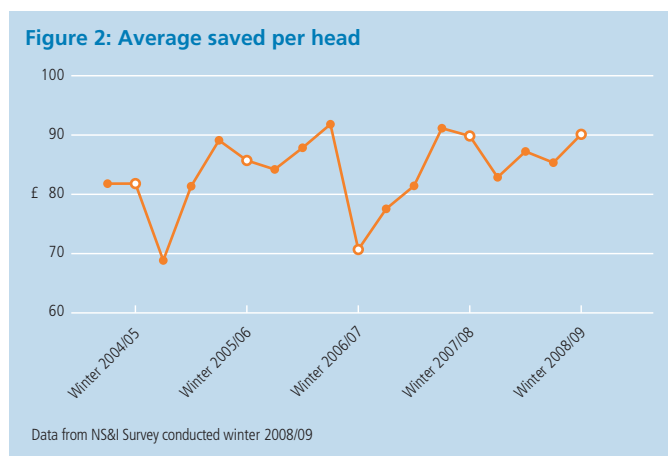
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National Savings and Investments

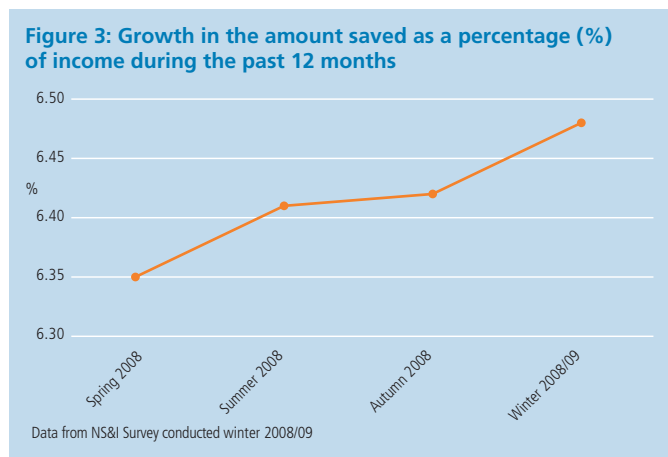
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Putting a little more aside

Across the population, the average amount saved per head has risen from last quarter to reach its highest ever winter value, up to £90.12 (winter 2008/09). This is an increase from £89.84 during this quarter last year and from £85.34 in autumn 2008. It is the first time that this index has exceeded £90 during the winter and shows that, on average, people are setting aside more than in the last three quarters (spring 2008, £82.87; summer 2008, £87.23; autumn 2008, £85.34). See figure 2.



The amount saved as a percentage of income has also grown steadily over the last three quarters. See figure 3. Since autumn 2008, the average monthly take-home income (income after tax, National Insurance contributions and other expenses) has increased from £1329.70 to £1390.01. The amount saved as a percentage of this average monthly income has increased from 6.42% (autumn 2008) to 6.48% (winter 2008/09).



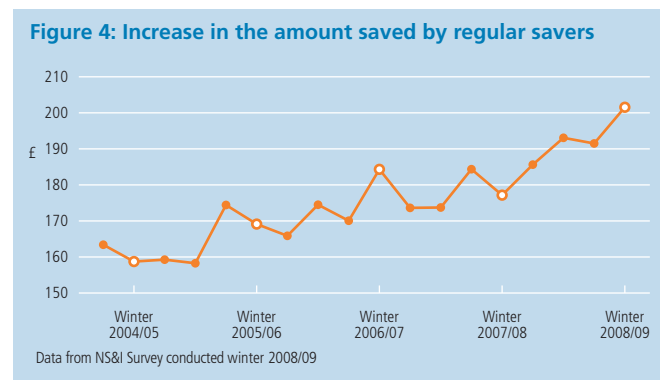
Given the current economic climate, the increase in average savings levels across the population is encouraging and suggests that the population are becoming more aware of the importance of careful financial management.

Regular savers stay committed

This Quarterly Savings Survey has revealed that the number of people saving money every month has remained constant for the fourth quarter in a row (47%).

In addition, these regular savers are returning to their traditionally strong savings behaviour following a slight decline last quarter.

Encouragingly, the average amount set aside by those saving regularly each month has reached its highest ever figure (£201.55) since the Quarterly Savings Survey began over four years ago (autumn 2004). It is the first time that this index has exceeded £200 and is a significant increase from last quarter's result of £191.50 (autumn 2008). See figure 4.



The autumn 2008 result was concerning as an unusual quarter-to-quarter drop was recorded in the amount regular savers were setting aside, contrasting with the usual positive trend in this index. This suggested that even those with good savings habits may have been feeling more of a pinch in the run up to Christmas 2008. The fact that these regular savers have once again increased the amount of money they are setting aside each month suggests that they may have reassessed their spending priorities in the New Year, to allocate some disposable income to savings.

Recommendation from NS&I's savings strategist:

This winter, more than half of the population (53%) say they do not save regularly each month. These people would benefit from looking at their outgoings and seeing if they could save, even a small amount, on a regular basis. Even starting off by setting aside small amounts, money will build up over time and it won't take long before a sizeable savings pot develops which can be relied on in case of unexpected emergencies. For example, if you save £1.66 a day (just £50 per month) you could save £3,000 in five years. For more information on managing your savings goals visit www.youandyourmoney.info

Ideal savings reach record high for winter

Across the population, the amount that people are aiming to set aside has increased. Ideal savings, both in pounds and as a percentage of income, have reached their highest levels for the winter period since the Quarterly Savings Survey began. See figure 5. This quarter's figure of £210.26 represents a 13.19% increase from £185.76 in winter 2007/08. Ideal savings as a percentage of average monthly income grew from 14.69% in winter 2007/08 to 15.13% this year (winter 2008/09). This is the first time people have intended to save more than 15% of their salary or £200 per month during the winter.

While the amount of money, in pounds, that people are hoping to save has grown 1.95% from £206.24 last quarter (autumn 2008), it is worth noting that this is not as great an increase as that observed in the average monthly take-home income (4.54%), £1329.70 in autumn 2008 to £1390.10 this quarter. Therefore the average ideal amount saved as a percentage of disposable income has dropped marginally from autumn 2008 to winter 2008/09. Moving forward, it is important that people remember to consider both their income, as well as their spending habits, when setting their savings targets.

Figure 5: Increase in average ideal savings during the winter quarters

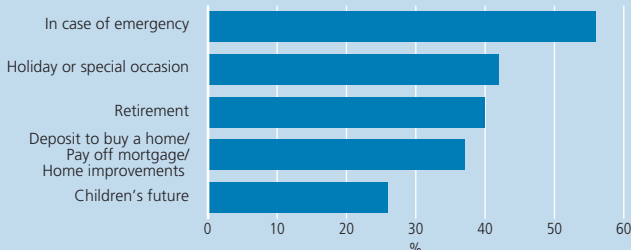


Data from NS&I Survey conducted winter 2008/09

Savers setting goals

As people consider their money management in 2009, setting money aside for a specific reason and having goals may make saving money more achievable. Only a quarter (26%) of savers are already doing this and saving for something specific. As seen in figure 6 the most popular goal is saving money in case of an emergency (56%), with holidays or special occasions (42%) and retirement (40%) following swiftly behind.

Figure 6: What are people saving for?



Data from NS&I Survey conducted winter 2008/09
Top five options listed, respondents able to record more than one option

Compared to last year, the percentage of people saving money for a holiday or special occasion decreased from 50% in winter 2007/08 to 42% this quarter, perhaps as people prioritise other outgoings in the current economic environment. Also of interest, given the current property market, is that the proportion of the population who said they are saving for a deposit to buy a new home, pay off their mortgage or pay for home improvements has dropped, from 43% (autumn 2008) to 37% this quarter.

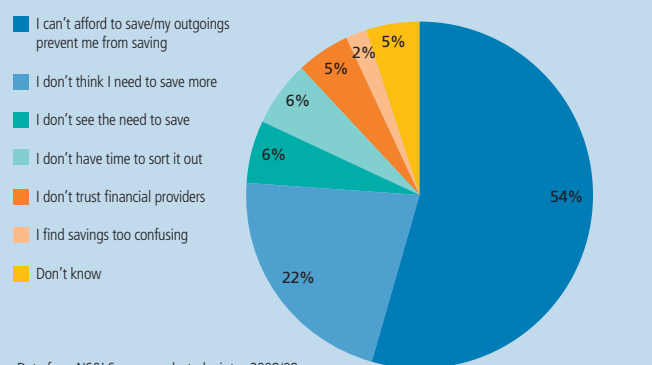
Prioritising spending and setting a clear budget could help people reduce unnecessary outgoings, whilst freeing up some additional disposable income to set aside in savings. This money could then be spent on one-off large outgoings, such as holidays or house maintenance, as well as ensuring greater financial security in the event of an emergency. This winter 2008/09, 30% of the British population confessed that they had spent more than they would ideally like, while 15% said that they do not know how much they should be spending each month.

Reviewing income and outgoings may be particularly worthwhile for the 54% of the population that stated that they can't afford to save, as their outgoings prevent them from setting more money aside. See figure 7.

Other barriers to saving may be more to do with understanding the importance of financial security and taking time to review finances on a regular basis:

- Just over a fifth (22%) of the population stated that they did not need to save more money.
- 6% blame the pace of life for not having enough time to save.

Figure 7: What stops people from saving more?



Data from NS&I Survey conducted winter 2008/09

Recommendation from NS&I's savings strategist:

It is easy to lose track of what you're spending money on and for it to spiral a little out of control. To help you keep track of what is actually going out of your account, you may like to start a spending diary, listing everything you buy over a week. An alternative might be to consider only taking out a set amount of money at the start of each week and limiting yourself to this budget. Combining this with a regular check on your savings accounts, may help you be in a stronger financial position moving forward.

Figure 8: Economic snapshot

	Winter 06/07	Winter 07/08	Winter 08/09
Bank of England Base Rate http://www.bankofengland.co.uk (Figure correct as of the 5th February 2009)	5.25%	5.25%	1.00%
Consumer Prices Index (Q4 figures) http://www.statistics.gov.uk	103.6	105.7	109.8
Gross Mortgage Lending (December figures – CML) http://www.cml.org.uk	£28.6bn	£22.6bn	£13.5bn

Men increasing savings levels

This winter, men have increased the amount of money they are setting aside. Male regular savers are putting more money into savings than ever before, on average £229.33 a month. This is an increase of 6.79% from last quarter (autumn 2008; £214.74) and 16.63% from winter 2007/08 (£196.63). Furthermore male savers increased the amount they were saving as a percentage of income from 6.66% in autumn 2008 to 6.84% this quarter.

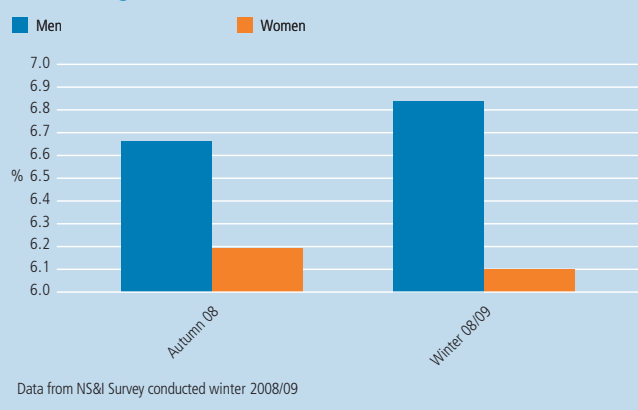
This may be a result of men setting themselves higher targets this quarter. Ideal savings per head reached its highest level for male savers since the Quarterly Savings Survey began, £235.65 this winter 2008/09, compared to £229.57 in autumn 2008 and £208.40 this time last year. As a percentage of income, their targets are 14.55% this quarter, compared to 14.01% in winter 2007/08.

The Quarterly Savings Survey has consistently revealed a difference in the amount that men and women set aside, not just in pounds but also as a percentage of income, with men more committed savers than women.

This winter, the average amount saved as a percentage of income fell for female savers, both from last quarter (6.19% in autumn 2008 to 6.10% this winter 2008/09) and last year (winter 2007/08; 6.75%). This can be attributed to the fact that the increases in the amount women are setting aside in pounds has not equalled their increase in income (£1108.30 in autumn 2008 to £1151.00 in winter 2008/09). This quarter, across the population, female savers have set aside £70.25 a month, while for regular savers this figure is £170.22.

Women are consistently setting aside less than men, despite having higher savings aspirations. Indeed, this quarter, female savers are setting themselves a target of £183.55 this winter up from £182.16 in autumn 2008. As a percentage of income women are aiming to save 15.95%, slightly down from 16.44% in the autumn. See figure 9.

Figure 9: Comparison between male and female ideal savings levels (%)



Mixed savings levels for under 35s

It has been a very encouraging month for the 25-34 year-olds. This age group experienced an increase across every savings indices:

- Average saved per head reached £117.63. This is the highest ever figure for this age group. It grew from £103.41 in autumn 2008.
- Amount saved as a percentage of income rose considerably from 6.86% to 7.99%.
- The number of people regularly saving money increased slightly from 53% in autumn 2008 to 54% this quarter.
- Amount saved by regular savers increased to £222.21 the highest ever figure (from £202.52 in autumn 2008).
- The amount people wanted to set aside was more than ever before at £248.37, up from £232.24 in autumn 2008.
- Ideal savings as a percentage of income also increased to its highest ever level at 16.86%.
- Setting higher savings targets was also important for those in their late thirties and early forties. Ideal savings as a percentage of income and in pounds recorded the highest winter figures for the 35-44 year-olds. Ideal savings per head, £225.18, up from £212.94 in winter 2007/08. Ideal savings as a percentage of income, 14.29%, up from 13.90% last year.

In contrast, the 16-24 year-olds have not experienced a positive winter:

- Amount saved by those saving regularly declined from £183.16 in autumn 2008 to £182.14 this quarter.
- The number of regular savers fell from 53% to 51%.
- Average saved per head declined from £95.05 in autumn 2008 to £92.86 this winter 2008/09.
- Amount saved as a percentage of income fell to 9.69% from 11.67% in autumn 2008.
- Ideal savings as a percentage of income fell from 24.40% to 20.86%, the largest quarter-on-quarter decline since the Quarterly Savings Survey began.

Figure 10: Consumer savings pattern across GB regions

East of England		North East		South East		Wales	
% of income saved ¹	6.01%	% of income saved¹	5.81%	% of income saved ¹	6.01%	% of income saved ¹	7.12%
Average net income	£1399.50	Average net income	£1170.40	Average net income	£1531.10	Average net income	£1255.30
% who regularly save	53%	% who regularly save	43%	% who regularly save	45%	% who regularly save	51%
Average amount saved ²	£170.60	Average amount saved ²	£161.82	Average amount saved ²	£215.37	Average amount saved ²	£180.41
East Midlands		North West		South West		West Midlands	
% of income saved¹	7.26%	% of income saved ¹	6.52%	% of income saved ¹	6.11%	% of income saved ¹	5.89%
Average net income	£1289.97	Average net income	£1267.50	Average net income	£1366.80	Average net income	£1388.21
% who regularly save	52%	% who regularly save	46%	% who regularly save	44%	% who regularly save	42%
Average amount saved ²	£185.16	Average amount saved ²	£188.84	Average amount saved ²	£205.97	Average amount saved ²	£202.61
London		Scotland		Yorkshire & Humberside			
% of income saved ¹	7.25%	% of income saved ¹	7.03%	% of income saved ¹	6.38%		
Average net income	£1651.61	Average net income	£1338.91	Average net income	£1227.60		
% who regularly save	51%	% who regularly save	51%	% who regularly save	43%		
Average amount saved ²	£246.27	Average amount saved ²	£191.11	Average amount saved ²	£191.73		

- 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 winter 2008/09



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 and over the next year. See figure 11.

Ongoing pessimism about future savings

This winter, 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, more than two-fifths (41%) said 'less', compared to a fifth (20%) stating more. Only 5% of the population thought that they would be much more likely to save in the next three months.

Historically people feel negative in winter about their ability to save over the coming months, the percentage that are more likely to save in the short-term has steadily declined since the Quarterly Savings Survey began (28%, 2004/05; 28%, 2005/06; 25%, 2006/07; 23%, 2007/08; 20%, 2008/09). This increasing pessimism is also apparent looking over the past 12 months (33%, winter 2007/08; 33%, spring 2008; 40%, summer 2008; 45%, autumn 2008).

Men are more pessimistic than they have ever been for the winter period, with two-fifths (40%) believing that they will not be able to set as much money aside in the coming months as

this quarter. This is despite the fact that they have increased the average amount they have saved over the last quarter, and consistently saving more than women.

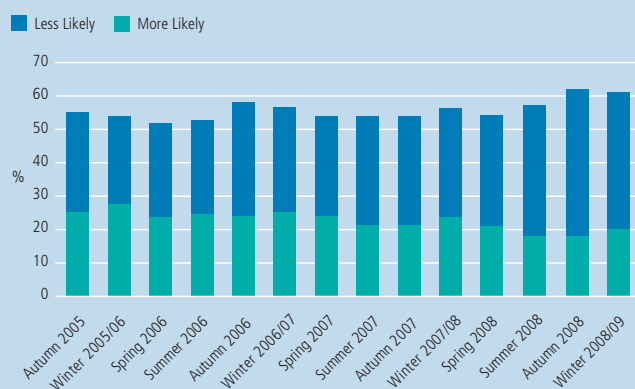
Pessimism increases with age, with a larger percentage of the older age groups saying that they will be unable to save more in the coming months. The over 65 age group are the most pessimistic according to the Quarterly Savings Survey with almost half (49%) saying they are less likely to save in the next three months. This has increased from last winter when the figure was 40%.

Will people save more or less in the coming year?

Looking towards the longer term, this pessimism among the population remains. In past Quarterly Saving Surveys the likelihood that people will save over the coming year has been positive. However this confidence is reduced this quarter.

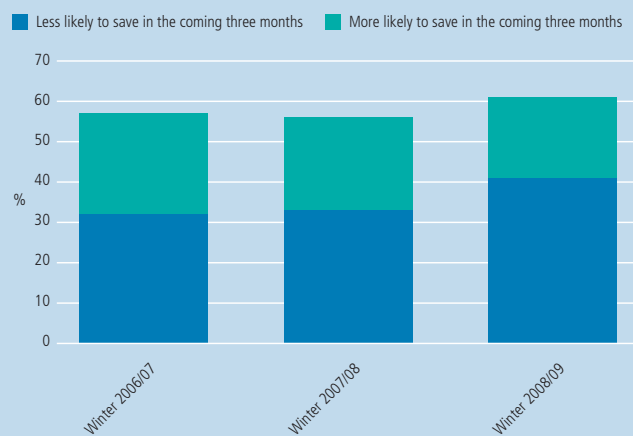
This winter 2008/09, 39% of the British population said they were less likely to save in the next 12 months. Compared to previous winter levels, this figure has consistently risen (18%, winter 2005/06; 25%, winter 2006/07; 27%, winter 2007/08).

Figure 11: 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 winter 2008/09

Figure 12: Decreasing optimism for future savings habits



Data from NS&I Survey conducted winter 2008/09

Brits assess their emergency savings fund

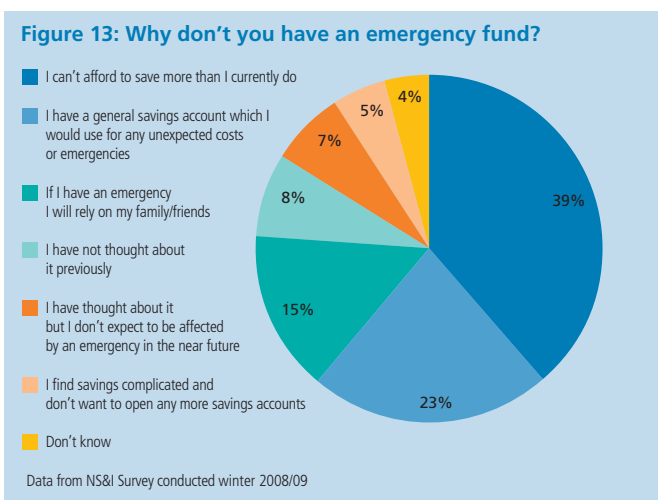
This winter 2008/09, the Quarterly Savings Survey has examined the British population's many different attitudes to emergency savings, with the survey revealing that almost a third (32%) of people do not have money set aside to help them cope if an emergency were to arise.

Just over two-fifths (44%) of the population say they have a separate emergency fund and put money aside to help them cope in an emergency. More than half (58%) of those with an emergency fund stated that their parents taught them the value of having emergency savings. While just over a fifth (22%) of the population do try and make sure that they have enough to cope should a crisis arise, they do not keep this separate from other money. It may therefore be difficult to set boundaries on where the money for everyday expenses ends and emergency funds begin.

Is a reckless attitude to blame?

The findings suggest that a 'don't know, don't care' attitude could be a major cause of this risk to the population's financial security. Nearly a third (32%) of people state that they think life is too short to worry about money issues or how they would cope in a crisis.

Of those without a fallback fund, nearly one in ten (8%) have never thought about the need for one, while a similar number (7%) have thought about it, but don't expect to be affected by an emergency in the near future. Over one in seven (15%) state that they will rely on family and friends should something unexpected happen. See figure 13.

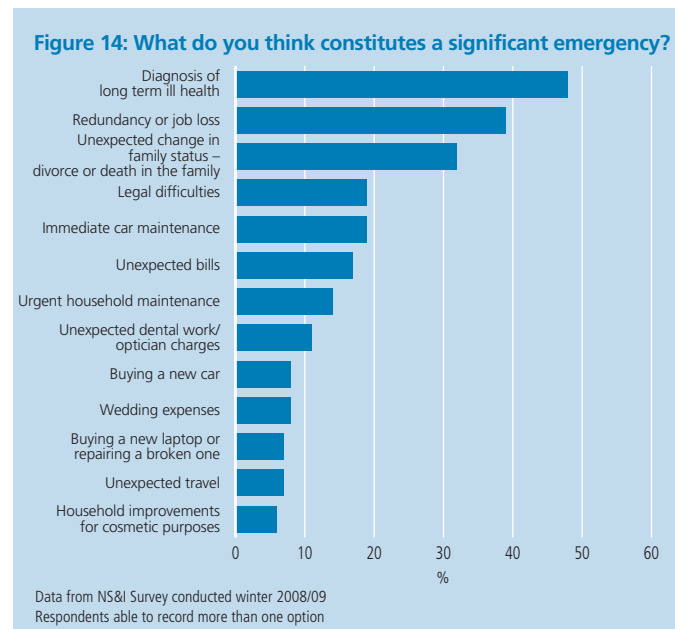


Confusion over crisis cash

For the 66% of people that do have an emergency fund, managing this money seems difficult. One-third (33%) of those with savings said they had dipped into their fund to buy non-essential items. Not only that, but they don't see the problem with it either; more than two-fifths (22%) said that they saw no harm in using their crisis cash for everyday items and would do so again. In addition, 6% of people stated that they lacked the willpower to resist spending their security savings.

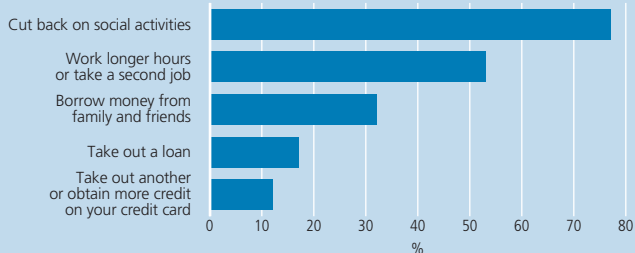
One possible reason that people are dipping into these emergency funds to buy non-essential items is that they lack clarity on what constitutes a crisis. Just over two-thirds (67%) stated that they are unsure of how to define an emergency; and more than a quarter (26%) believe it is any immediate funds required to meet their general living needs, such as paying the mortgage or grocery shopping.

When asked to rate life events on their significance as an emergency, just under half (48%) of all people said diagnosis of long term ill health was the biggest financial emergency. See figure 14.



For those with an emergency fund, in a sign of yet more confusion over how best to manage it, some people would rather risk going into debt than use the fund for its dedicated purpose. Almost a fifth (17%) said they would rather take out a loan if they unexpectedly needed more money instead of using their crisis money; while 12% would either take out a new credit card, or try and obtain more credit on existing cards. Just over half (53%) said they would try to increase their income by working longer hours or taking on a second job. See figure 15.

Figure 15: Which steps would you be prepared to take before you used money from your emergency fund?



Data from NS&I Survey conducted winter 2008/09
 Top five options listed, respondents able to record more than one option

Now is a good time to reassess

Nearly two-fifths (39%) of people have changed their definition of a financial emergency over time. Of this, 19% say that things they previously did not think were important now always seem like an emergency, while for a similar number (20%) it has put the more insignificant events into perspective. Either way, given the current economic climate and the increased attention on savings, it seems that now is a good time to consider what really constitutes a financial emergency and to develop a financial plan accordingly.

Recommendation from NS&I’s savings strategist:

There are a number of situations that might arise in life that you simply do not have control over. Should these situations require immediate cash flow, it is essential to have emergency savings to cover it. As a rule of thumb it is recommended to have three times your monthly take-home salary in secure savings, or six months worth of living expenses. It is worth considering where you’ll put your money – an account that offers quick and easy access, as well as an opportunity to grow your capital – means that it will be readily available for you as and when you need it.

So how much do people think they need?

The average each person believes they would need, to ensure peace of mind in an emergency, is £5368.70 – the approximate equivalent of the average person’s four months’ take-home income. However some people have more diverse views which could be an indication of the salary they earn: just under a quarter (23%) said that they would need over £10,000 to give them peace of mind, while 7% said that they thought that £250 would be enough to give them financial security in an emergency.

In the case of an emergency resulting in loss of income, at present 32% of the population would be able to support themselves for three months or less, and 9% feel that they would only cope for up to one month.