Savings Survey

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Highlights

Savers put record amount away, but non-savers remain unconverted

The percentage of income saved has hit record highs, confirming autumn as a good time to get serious about saving. However, almost half of British adults are still failing to put money aside. *Page 2*

Older age groups suffering

Older age groups fall further behind the young, reducing their percentage of income saved while the under 35s up their contributions. *Page 2*

The Welsh lead the way

Wales has the greatest number of regular savers putting the most away each month.

In contrast, the South East is now languishing at the bottom of the table after seeing falls in both its number of savers and the amount put away. *Page 3*

Savings outlook

Savings levels may have peaked as Christmas looms and people predict they will save less over the next three months. *Page 5*

First time buyers

Glimmer of hope for first time buyers but the slowdown is benefiting the South the most as Northern regions continue to see large rises. *Page 6*

Best value savings products

Rates slide as providers take more than the base rate cut over the last six months. Regular savings accounts are the worst offenders. *Page 8*

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Savings tracker

Examining savings behaviour across Britain

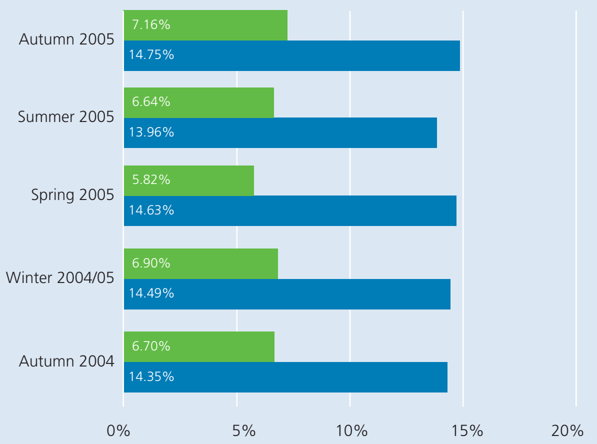
The NS&I Savings Tracker examines monthly savings behaviour across Britain, reporting quarterly on who is saving, how much they are saving, their savings targets, savings objectives and whether average savings per head are increasing or decreasing.

The results of the fifth quarterly Savings Tracker, covering the autumn months of September, October and November, show savings in Great Britain have hit record levels as both the mean amount saved and the percentage of income saved are at their highest since the survey began in September 2004. Target savings per head are also at their highest levels to date. However, the percentage of people saving regularly remains static.

The same people saving more?

Over the three months Britain as a whole began to save more; although the proportion of savers remained the same as in the summer survey (55%). The amount saved as percentage of income was a record 7.16% – up significantly on the summer quarter (6.64%) and the levels recorded in the autumn quarter last year (6.70%).

Figure 1: Actual vs ideal savings as percentage of average income



Data from NS&I Survey conducted Autumn 2005

The average amount saved per month by regular savers recovered from an all-time low of £158.26 seen in the summer survey, to hit a record high of £174.43. The second highest average amount recorded since the survey began was £163.40 which was reached in the same quarter last year – indicating a pattern of autumn as a preferred time to save.

Overall Britain's intention to save is extremely positive – target savings hit a record high of 14.75% this quarter, however, a gulf between actual savings (7.16%) and target savings remains. More than a third of people blame this gap on insufficient income (35%), while a quarter state there are too many demands on their finances (24%). Worryingly one in ten (10%) don't think they need to save more and a further 9% just want to live for the moment.

Older age groups suffering

Older age groups appear to be falling behind the young in the savings race. Amongst the 35-44s, the percentage of income saved fell from 6.69% in the summer to 6.28% in autumn, which is also slightly lower than this time last year when the figure was 6.30%. The 35-44 year-olds and 55-64 year-olds are the only age groups to see the percentage of income saved fall below the figure set last year.

However, 35-44s have seen a slight increase in the number of regular savers from 55% last autumn to 56% this year.

The 55-64s have seen a significant drop compared to the summer and last autumn. The percentage of regular savers fell from 53% in autumn 2004 to 48% in autumn 2005 and the amount saved as percentage of income also fell from 7.22% to 6.28%.

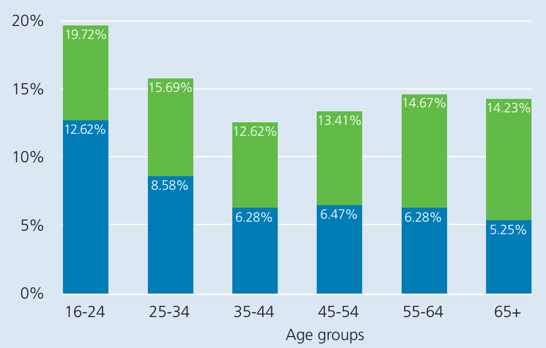
In the 65+ age group the number of regular savers fell this quarter to just 41% – one of the lowest levels yet. However, the amount saved as percentage of income is up from 4.58% in autumn 2004 to 5.25% in 2005.

Those aged 45-54 years-old are the exception, showing a significant rise from last year both in the number of regular savers, leaping from 55% to 62%, and the amount saved as a percentage of income, from 5.88% to 6.47%.

16-24s or Young and Determined Savers (YADS) achieved another record this quarter. YADS saved the highest percentage of their income for any category in all savings surveys to date – 12.62%. Their previous highest level was 10.11% in the summer survey. YADS also showed a rise in the number of regular savers to a record 60%, up from the 58% recorded in the summer and autumn last year.

The 25-34s savers put away the highest amount in pounds and pence of any age group and their highest amount to date – £193.64. Their percentage of income saved also hit a new high of 8.58%, as did their target savings, rising to 15.69%. This age group also had the highest number of regular savers, 63%, although this was only just ahead of the 45-54s.

Figure 2: Target versus actual savings for age groups in Autumn 2005



Data from NS&I Survey conducted Autumn 2005

How far off target?

Younger savers appear to be much closer to achieving their savings targets than older people. The gap between target and actual savings as a percentage of income widens considerably as savers get older.

The table below shows how far each age group was from their target savings this quarter:

Figure 3: Savings by age

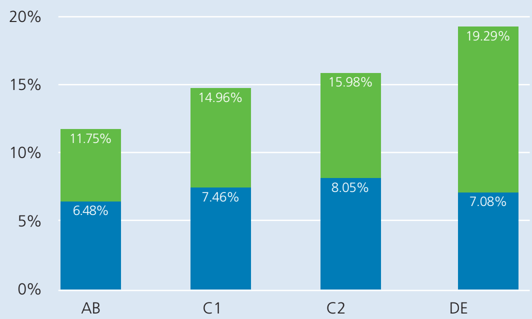
Age group	Actual savings	Target savings	Difference	Percentage increase needed to achieve target
16-24s	12.62%	19.72%	7.10%	+56.26%
25-34s	8.58%	15.69%	7.11%	+82.87%
35-44s	6.28%	12.62%	6.34%	+100.96%
45-54s	6.47%	13.41%	6.94%	+107.26%
55-64s	6.28%	14.67%	8.39%	+133.60%
65+	5.25%	14.23%	8.98%	+171.05%

Class breaks:

C2s were the best performers of the socio-economic groups over the quarter with the amount saved as a percentage of income rising from the summer's 6.41% to a record high of 8.05%. The number of regular savers also recovered from 52% in the summer to 56% in the autumn, although this is still short of the figure recorded this time last year, 59%.

C1s and DEs also saved record levels of income, 7.46% and 7.08% respectively, but ABs' savings levels dropped significantly, from 7.49% in the summer to just 6.48%, well below the 6.98% recorded last autumn. They also have the lowest target at just 11.75%. Other target savings were 14.96% (C1s), 15.98% (C2s) and the highest of all, 19.29%, for DEs.

Figure 4: Actual versus target savings for socio-economic groups in Autumn 2005



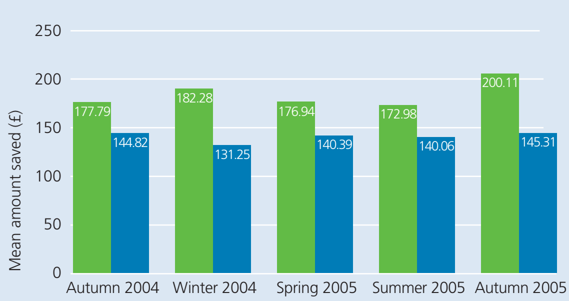
Data from NS&I Survey conducted Autumn 2005

Women vs. Men

Men still lead the way on saving, although the number of savers has fallen slightly from the 59% achieved in both the summer quarter and autumn last year to 57%. In contrast the number of female savers is up from 49% in autumn 2004 (51% in the summer quarter) to 52% this year.

Both male and female savers put away a record amount during this autumn – an average of £200.11 for men and £145.31 for women. As a percentage of income, savings levels are also at a record high – 7.40% for male savers and 6.85% for female savers.

Figure 5: Mean amount regularly saved by gender



Data from NS&I Survey conducted Autumn 2005

Although men have consistently out-saved women, women continue to have higher target savings than men at 15.32% versus 14.39%. This is a record aim for men, but women have had higher targets in previous surveys (15.70% in autumn 2004 and 15.74% in spring 2005).

Workers

Full time workers showed a rise in the number of regular savers to a high of 67%. They also achieved record savings both as a percentage of income (7.95%) and the amount saved (£207.85) per month. Part time workers on the other hand saw a fall in level of income saved although they remained just higher than full time workers at 7.98%.

The number of regular savers amongst those who do not work fell from 42% in the summer back to the 39% recorded last autumn. There has also been a slight drop in the percentage of income saved from 5.51% in both the summer and autumn 2004 to 5.35% in autumn 2005.

Marital Status

Singles continue to save the highest percentage of their income, with a record 8.44%. This compares to 7.03% saved by married or cohabiting couples and 5.82% amongst widowed, divorced or separated people. However, married or cohabiting people have a higher proportion of regular savers (58%) and save a higher amount in pounds and pence (£187.72) than both singles (56% and £170.60) and widowed, divorced or separated people (47% and £138.43).

Regional variations

Wales has the highest percentage of regular savers at 67%, a significant increase from the 42% recorded last quarter and the 64% achieved in autumn 2004. Scotland and Yorkshire and Humberside recorded the next highest level at 60% (up from 53% and 55% in autumn 2004 respectively), closely followed by the North West at 59% (a drop from 60% in autumn 2004). The South East had the lowest proportion of regular savers at 48%, a drop from both last quarter (53%) and last year (52%).

Wales also has the highest percentage of income saved at 8.97%, followed by Yorkshire and Humberside at 8.86%, then the North East at 8.22%. These regions, along with the East of England (8.17%), Scotland (8.05%) and the North West (7.91%) all showed record levels. The East Midlands (6.21%), West Midlands (7.14%), Greater London (7.15%) and the South West (5.96%) also all recorded rises in this quarter. The only region to record a fall was the South East – down to 5.79% from 6.77% in the summer and 6.15% last autumn.

Small savers and super savers

This quarter has seen a reduction of small savers and an increase in super savers. 17% of savers save less than £99 per month (Summer 19%) and 11% save over £300 pounds per month (Summer 9%).

Super savers – those who saved over £300 per month:

- 15% of men
- 6% of women
- 20% of 25-34s
- 22% of ABs
- 12% of those in the south

Small savers – those who saved less than £99 per month:

- 23% of those in part time employment
- 19% of those widowed/ divorced/ separated
- 18% of those with children
- 22% of DEs

What are people saving for?

- 40% nothing in particular
- 13% retirement

Seven out of ten (73%) 16-24s had savings goals

- 22% new car
- 14% home purchase/mortgage payment
- 11% holiday

Seven out of ten (69%) 25-34s had savings goals

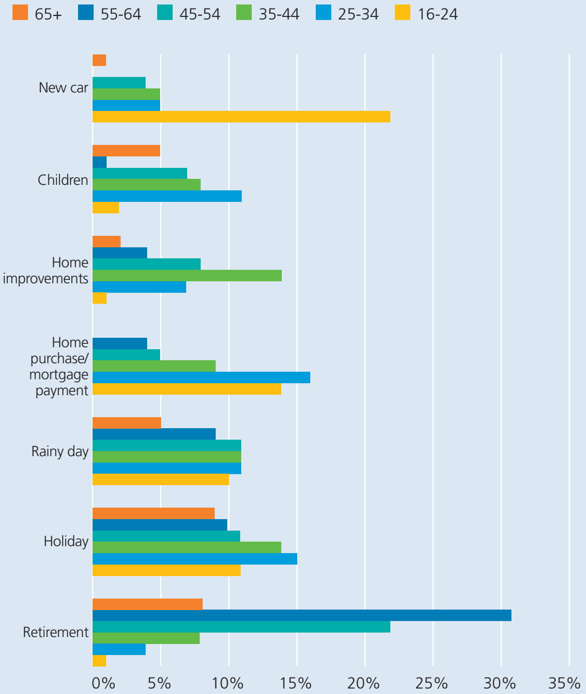
- 16% home purchase/ mortgage payment
- 15% holiday
- 11% children
- 11% rainy day

Current total savings

The average amount held in savings, excluding pensions, was £16,968. The amount people think they should have deposited is 68% higher, at £28,533. One in 14 (7%) had no savings.

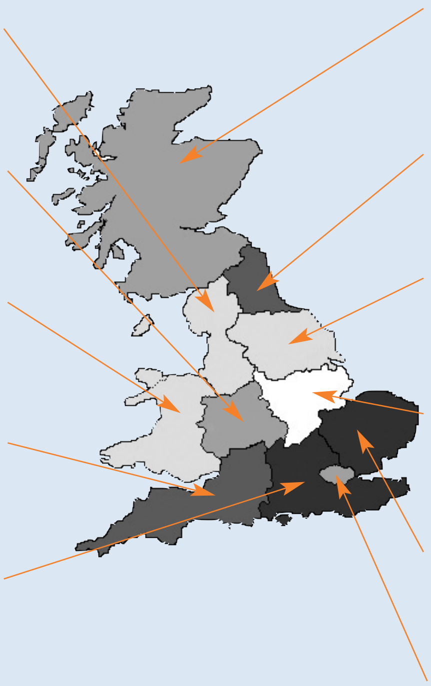
Socio-economic group	Occupation
ABs	Managerial or professional
C1s	Supervisory or clerical, junior professional
C2s	Skilled manual worker
DE	Semi-skilled/unskilled manual worker

Figure 6: Savings goals in Autumn 2005



Data from NS&I Survey conducted Autumn 2005

Figure 7: Consumer savings pattern across GB regions: Autumn 2005



North West

% of income saved*	7.91%
Ave. net income	£1171.50
% who regularly save	59%
Ave. amount saved**	£161.58

West Midlands

% of income saved*	7.14%
Ave. net income	£1052.82
% who regularly save	56%
Ave. amount saved**	£153.70

Wales

% of income saved*	8.97%
Ave. net income	£983.52
% who regularly save	67%
Ave. amount saved**	£132.96

South West

% of income saved*	5.96%
Ave. net income	£1263.30
% who regularly save	57%
Ave. amount saved**	£138.96

South East

% of income saved*	5.79%
Ave. net income	£1390.30
% who regularly save	48%
Ave. amount saved**	£184.97

Scotland

% of income saved*	8.05%
Ave. net income	£1239.99
% who regularly save	60%
Ave. amount saved**	£174.17

North East

% of income saved*	8.22%
Ave. net income	£1021.90
% who regularly save	51%
Ave. amount saved**	£179.62

Yorkshire & Humberside

% of income saved*	8.86%
Ave. net income	£1052.40
% who regularly save	60%
Ave. amount saved**	£167.32

East Midlands

% of income saved*	6.21%
Ave. net income	£1317.65
% who regularly save	49%
Ave. amount saved**	£178.21

East of England

% of income saved*	8.17%
Ave. net income	£1170.20
% who regularly save	53%
Ave. amount saved**	£195.90

Greater London

% of income saved*	7.15%
Ave. net income	£1543.19
% who regularly save	52%
Ave. amount saved**	£227.68

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

Data from NS&I Survey conducted Autumn 2005

Savings Outlook

Will people save more or less in the next three months?

The Savings Outlook Index shows the likelihood of people saving more or less in the next three months. This is defined as the the percentage of people saying they would be more likely to save over the next three months, minus those indicating they would be less likely.

Savings may have peaked for 2005 as Britain as a whole is less inclined (-6%) to save over the next three months. Saving levels were at a record high this autumn, however savers suggest this might be their best performance for the moment as the upcoming festive season is posing its usual threat to the savings habit.

Age

The young, 16-24s (+34%) and 25-34s (+9%), were the only age group that felt that they were more likely to save over the coming months. This is somewhat surprising but does build on their record savings in this quarter.

The older age groups do not share the optimism of the young and feel that they are much less likely to save over the coming months: 35-44s (-15%), 45-54s (-20%), 55-64s (-14%) and over 65s (-25%).

Gender

Women see themselves saving considerably less in the near future than men (-12% against -1%). In socio-economic groups only C1s expect to save more over the winter (+2%). ABs (-4%), C2s (-12%) and DEs (-12%) all have a much more negative outlook and believe that they will be less inclined to save.

Regions

In the regions, only Yorkshire and Humberside (+5%) and London (+1%) expect to be saving more in the next three months. Scotland and North East show the lowest likelihood to save (with -23% and -17% respectively).

Predictions for 2006

The savings outlook for the whole of the coming year is far more positive than for the next quarter. Overall, there is a +18% likelihood to save with men more likely to save than women (+20% compared to +19%).

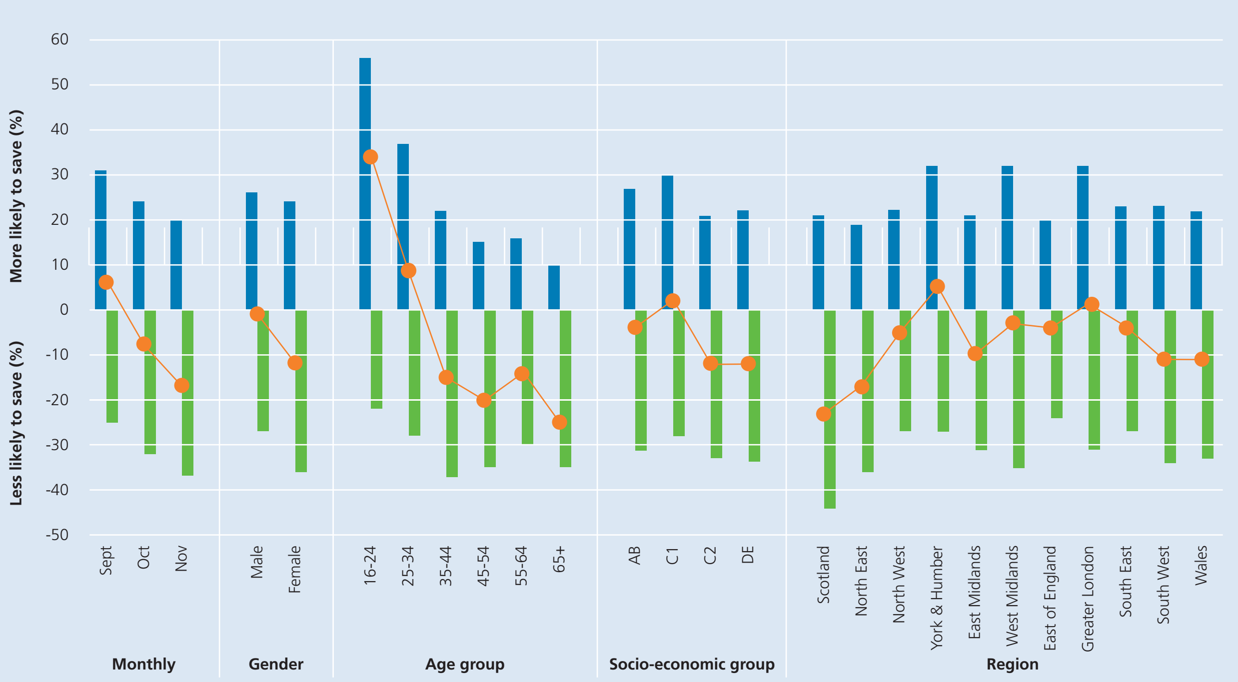
Worryingly, those aged 55-64 are less inclined to save in 2006 (-9%), but this may be because they will be diverting all spare funds into their pensions. This is backed up by data showing that 31% of this age group view saving for retirement as their top saving goal.

All other age groups expect to save more. Once again the youngest have the best intentions (+57% for 16-24s).

While all socio-economic groups feel that they are more likely to save in 2006, C2s stand out. They expect to save more (+26%) compared to ABs (+18%), C1s (+24%) and DEs (+9%).

The South West (+2%) and East Midlands (+7%) are the regions least likely to save more in 2006 than 2005. Wales (+53%) and Yorkshire and Humberside (+29%) are the most positive about their savings plans.

Figure 8: Propensity to save over the next three months



Data from NS&I Survey conducted Autumn 2005

Glimmer of hope for first time buyers as incomes keep pace with house prices

However the slowdown benefits the South the most as Northern regions continue to see large rises

The stabilisation of the housing market is finally bringing a glimmer of hope for first time buyers struggling to get on to the housing ladder.

For the first time since the survey began in 2004 Q1, there has been no quarterly increase in the time it takes the average person to get on the housing ladder. While still high, the time it takes to afford the standard 5% deposit on a first home is currently static at 4.75 years (see Figure 9).

This is the same figure as recorded in 2005 Q1, illustrating the stabilising of house prices over the past year. However, it is taking three months longer than in the same period last year.

The average price of a first time buyer's home is now £153,032 (2005 Q3 – see Figure 10), compared to £147,127 six months ago and the 5% deposit required is up to £7,652 from £7,356. This is only a 4% increase compared with the 14% increase seen between 2004 Q1 and 2004 Q3.

First time buyers' incomes have also been increasing steadily over the last six months. The combined average income for current first time buyers is presently £34,572 (see Figure 12). This is up 3% since 2005 Q1, just below the 4% rise in prices for a typical first time buyer home.

Regional variations

While the UK average has remained static, there have been large regional variations. First time buyers in the North have seen a stark rise in the time it takes to save a deposit since 2004 Q3 and this has continued in the last six months. In contrast, the time taken in the South has had much smaller rises over the year and has remained static in the last six months.

South stabilises

Since 2004 Q3 the time it takes to save a deposit in the South East and South West has remained static at 4.5 years. The slowdown in the property market is evident here with rises of just 2% over the past 12 months. However, with similarly small increases in incomes, the time it takes to save for the deposit has not fallen.

East of England, Wales, East and West Midlands have also remained static over the past six months and have only seen relatively small increases over the last year (taking between three and six months extra to save a deposit).

However, the East of England still remains the toughest area in the UK for first time buyers. People in this area take five years to gather their deposit - the longest time of all regions.

London bucks the trend

London is an exception to the southern slowdown. The time taken for Londoners to save a deposit has increased by 0.25 years in the last six months, bringing it up to 4.75 years to save. The deposit required in London is now the princely sum of £11,157 - £2,000 more than any other region.

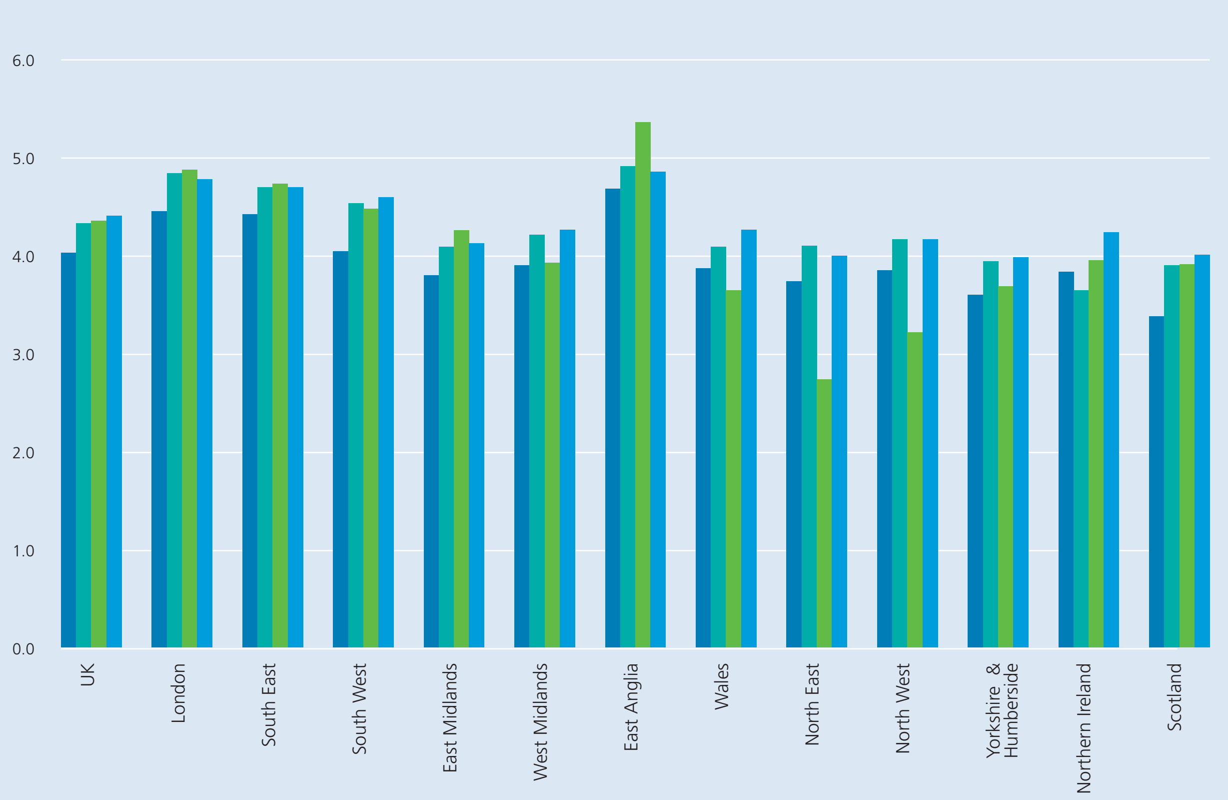
Figure 9: Years to save deposit

	Q1 2004	Q3 2004	Q1 2005	Q3 2005
UK	4	4.5	4.75	4.75
London	4.25	4.5	4.5	4.75
South East	4.25	4.5	4.5	4.5
South West	4.25	4.5	4.5	4.5
East of England	4	4.5	5	5
East Midlands	3.75	4	4.25	4.25
West Midlands	3.25	4	4.5	4.5
Wales	3	4	4.5	4.5
North East	3	3.75	4.25	4.5
North West	3	3.75	4.25	4.5
Yorkshire & Humberside	3	3.5	4	4.25
Scotland	3	3.5	3.75	4.5
Northern Ireland	3	3.25	4	4

Figure 10: First time buyer house prices

	Q1 2004	Q3 2004	Q1 2005	Q3 2005
UK	£126,341	£143,743	£147,127	£153,032
London	£194,323	£217,273	£216,690	£223,139
South East	£161,903	£178,941	£178,779	£182,827
South West	£137,778	£156,350	£159,148	£160,247
East Midlands	£106,883	£123,783	£124,332	£127,789
West Midlands	£108,562	£124,704	£127,003	£133,324
East of England	£142,322	£158,216	£159,714	£163,231
Wales	£95,219	£114,622	£117,004	£123,519
North East	£87,042	£104,999	£103,148	£110,027
North West	£94,908	£112,505	£114,113	£121,885
Yorks & Humberside	£92,012	£109,447	£110,673	£119,656
Northern Ireland	£84,578	£94,364	£103,004	£114,436
Scotland	£81,720	£94,853	£96,222	£106,259

Figure 11: House price to income ratio



Rises across the North

In the North it is a very different story with large increases across the board in the time it takes to save for a deposit. Scotland has seen a big jump and is up by 0.75 years in just six months to a total of 4.5 years. This is a whole year longer than recorded this quarter in 2004 . House prices in this area have risen by 12% over the year so a first time buyer can expect their required deposit to have increased by nearly £1,000.

Property values have also far outstripped incomes in the North East and North West. It now takes 4.5 years to save for a deposit in both areas – an increase of three months since 2005 Q1, and nine months over the year. Yorkshire and Humberside has also seen a nine month increase, settling at 4.25 years.

Northern Ireland remains the easiest location for first time buyers to raise a deposit – with it taking 4 years for them to save. However, this is also a nine month increase on this quarter in 2004. House prices have rocketed over the year and are 21.3% higher than in 2004 Q3 suggesting first time buyers may not enjoy these benefits for long.

Southern slowdown vs Northern catch-up

The regions outside the South have been historically lower priced, however in the last year the huge growth in the South has been mirrored in the Northern regions and they have continued to rise steadily while the South has started to cool down.

There appears to be a lag affect between North and South and this stabilising which is clear, particularly in the South East and West, may well affect the Northern regions in the New Year. If savings rates continue to rise and incomes improve next year, the burden on first time buyers saving for a deposit may gradually begin to lift.

Figure 12: First time buyer incomes

	Q1 2004	Q3 2004	Q1 2005	Q3 2005
UK	£31,270	£33,084	£33,588	£34,572
London	£43,429	£44,711	£44,113	£46,452
South East	£36,416	£37,940	£37,574	£38,814
South West	£33,874	£34,368	£35,368	£34,685
East Midlands	£28,022	£30,088	£29,145	£30,832
West Midlands	£27,665	£29,443	£32,215	£31,085
East of England	£30,260	£32,074	£29,617	£33,455
Wales	£24,508	£27,927	£31,955	£28,807
North East	£23,146	£25,436	£37,574	£27,432
North West	£24,563	£26,890	£35,368	£29,063
Yorks & Humberside	£25,506	£27,643	£29,904	£29,870
Northern Ireland	£21,933	£25,789	£25,934	£26,868
Scotland	£24,095	£24,168	£24,481	£26,423

Methodology

It is assumed that first time buyers save 5% of their income per quarter and place this in a typical savings account, which accumulates interest. The analysis works out the number of quarters it would take to afford a 5% deposit on a typical first time buyer property, respectively purchased in 2004 Q1, and 2004 Q3, 2005 Q1 and 2005 Q3.

Average dwelling prices for first time buyers are taken from the ODPM Housing Statistics Live Table 508. Deposits are worked out at 5% of the first time buyer prices. Income figures are sourced from the ODPM Live Table 516. Quarterly savings interest rates are taken from Council of Mortgage Lenders statistics for average quarterly interest rates for savings deposit accounts. The analysis is undertaken for each of the 12 major standard economic regions of the UK.

The savings market

Our quick, comparative product review

The savings product comparator

Product		June	Sep	Oct	Nov
Instant Access	Highest	5.50	5.25	5.25	5.25
	Mean	2.77	2.53	2.52	2.53
	Lowest	0.10	0.10	0.25	0.25
Internet only	Highest	5.35	5.10	5.00	5.00
	Mean	4.73	4.46	4.42	4.46
	Lowest	3.30	3.05	3.05	3.05
No notice bonus	Highest	5.31	5.07	4.81	4.92
	Mean	4.84	4.53	4.46	4.53
	Lowest	4.32	3.97	3.94	3.94
No notice without bonus	Highest	5.35	5.10	5.00	5.00
	Mean	4.07	3.90	3.88	3.88
	Lowest	0.75	0.75	0.50	0.50
Notice	Highest	5.35	5.10	5.09	5.09
	Mean	3.40	3.17	3.16	3.18
	Lowest	0.75	0.75	0.50	0.50
Children's	Highest	5.35	5.22	5.22	5.22
	Mean	4.33	4.14	4.13	4.13
	Lowest	1.51	1.51	1.51	1.51
Mini cash ISA	Highest	5.40	5.20	5.05	5.05
	Mean	4.78	4.49	4.46	4.45
	Lowest	3.60	3.35	3.35	3.35
Current account	Highest	4.50	4.30	4.30	4.05
	Mean	1.46	1.35	1.35	1.34
	Lowest	0.10	0.10	0.10	0.10
Monthly interest	Highest	5.25	5.25	5.25	5.25
	Mean	3.33	3.20	3.19	3.22
	Lowest	0.10	0.10	0.20	0.20
Regular savings account	Highest	6.75	6.00	6.00	6.00
	Mean	4.65	4.32	4.40	4.36
	Lowest	2.90	2.73	2.73	2.25
Fixed rate bond	Highest	5.27	5.15	5.05	5.05
	Mean	4.73	4.41	4.38	4.41
	Lowest	2.88	2.70	2.70	2.70

Source: Moneyfacts. Rates correct on first Monday of each month. All rates are for balances of £5,000

Last quarter it seemed providers had anticipated the base rate cut and had already priced it into their products as rates fell in advance of August's MPC meeting. However, providers have continues to cut rates over the autumn with some products losing much more than the 0.25% base rate cut.

Top rates slide

Seven out of the 11 product categories have seen top rates drop by more than 0.25% over the last six months. Regular savings accounts have been hit the hardest with their top rate of 6.75%, maintained between June and August, dropping by 0.75%, the greatest decrease of all savings products over this period.

It is also one of the few accounts which saw the mean and lowest rates also drop by more than the base rate, a drop of 0.29% and 0.65% respectively.

Although regular savings accounts still offer the highest rate in the market, customers need to monitor rates in case this trend continues.

Instant access becomes more competitive

For the first time since this survey began in September 2004, instant access accounts have one of the highest top rates, offering 5.25%. Normally the second lowest after current accounts, this account now has a top rate on a par with monthly interest accounts and only 0.75% behind regular accounts.

This demonstrates how competitive this area of the market has become and suggests a move towards top rates without all the normal restrictions.

Notably at the end of this quarter only current accounts still have some accounts with the low rate of 0.10%. While the rises of monthly interest (to 0.20%) and instant access (to 0.25%) may be tiny this is still a step in the right direction.

Instant access	*Accounts where you can withdraw cash instantly, i.e. at a Branch or ATM.*
Internet only	*Only internet access*
No notice bonus	*No notice accounts paying an introductory bonus for a set period of time*
No notice no bonus	*Accounts operated by post, phone or internet with no notice required to withdraw funds.*
Notice	*Must give notice of intention to withdraw funds.*
Children's	*Available to children only*
Mini cash ISA	*Tax free*
Current account	*No notice accounts with overdraft facilities*
Monthly interest	*Interest paid monthly*
Regular saving accounts:	*Regular deposits to be made.*
Fixed rate bond	*Investment product for fixed term at a fixed rate*