

Highlights

Savings Tracker shows improvement in UK savings habits

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Gap between men and women widens

Men saved more, and their total savings are now 50% higher than women's. [Page 2](#)

Young and determined savers continue to outdo the old

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Most people think they will save more over the next three months. The under 35s and those from Yorkshire and Humberside are the most determined. [Page 5](#)

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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 ideal savings level targets, savings objectives and whether average savings per head are increasing or decreasing.

The results of the second quarterly Savings Tracker, covering the winter months of December, January and February, present a healthy picture of the nation's savings habits. The number of people saving regularly increased compared to the autumn quarter, as did the amount saved as a proportion of average income, indicating that the nation's savings habits have successfully withstood the demands of Christmas and have made a positive start to the New Year.

More people saving

Over the three months, Britain as a whole saved more; 56% of people saved regularly, an increase of 2% on the previous quarter. The average amount saved per month by regular savers remained stable: £163.09 in December, £162.70 in February.

However, the amount saved across the adult population as a proportion of average income rose slightly, from 6.70% in the autumn, to 6.90% in the winter quarter.

The amount that all individuals would ideally like to save out of their income was stable: 14.49% this quarter (14.35% autumn quarter). This is 110% greater than the actual amount saved per head of population, showing that the nation is still falling considerably short of its good intentions.

Gap between men and women widens

Men's average total savings are now 50% higher than women's. The total average savings held by men rose

during this quarter to £21,026 (£18,879). However, the total average savings held by women only rose slightly to £13,989 (£13,591), creating a wider gap between men and women's savings.

The gap in the amount saved regularly by both sexes has also increased. Men saved an average of £182.28 a month this quarter, up from £177.79 in the previous quarter, whereas the amount saved regularly by women fell to £131.25 from £144.82.

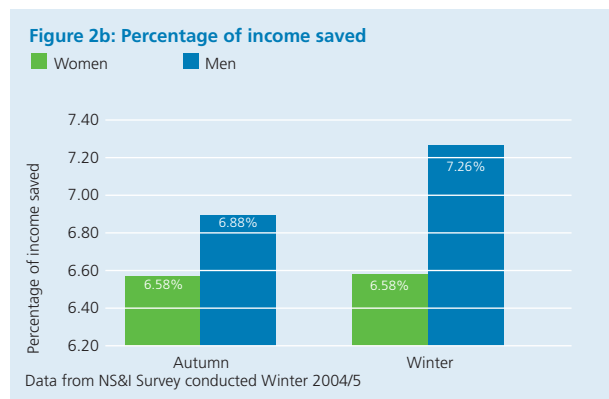
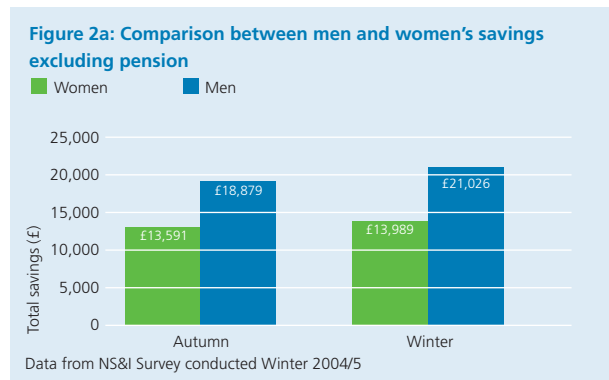
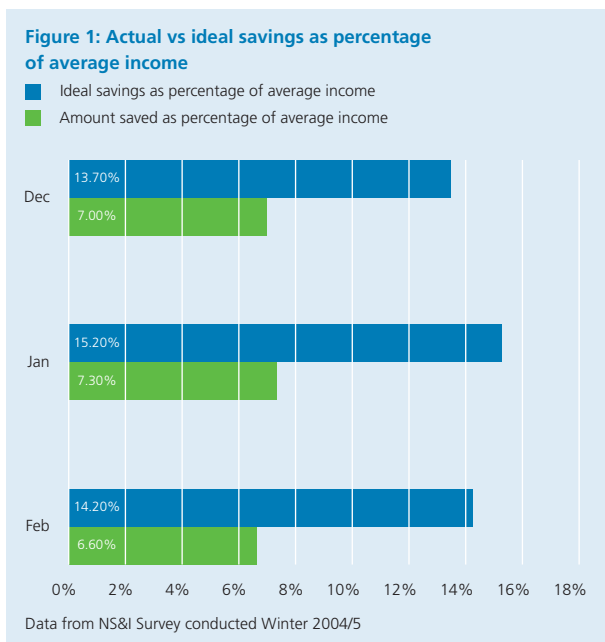
In addition, the percentage of average income saved by men also increased – up to 7.26% from 6.88%. The percentage of income being saved by women remained constant at 6.58%.

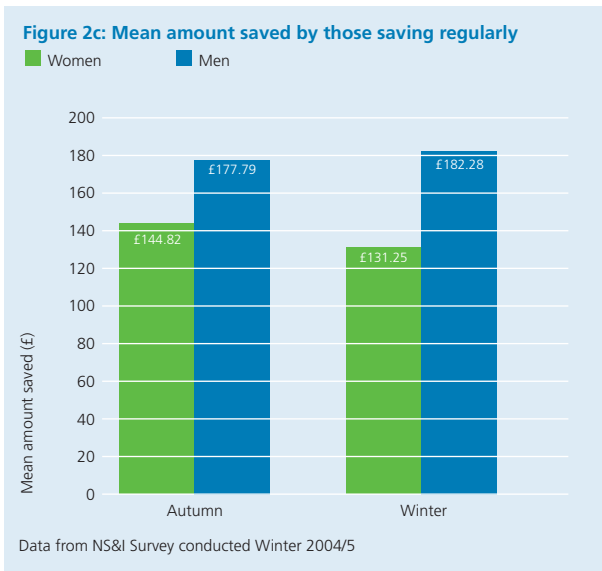
However, the good news is that the proportion of women saving regularly has increased. 52% of women regularly saved in the winter months compared to 49% in autumn. The proportion of men saving regularly has also increased but only by 1% (60% up from 59%).

Women also continued to have a greater aspiration to save, wishing ideally to put away 15.28% of income, men only 14.04%.

Young vs old: who is best?

The country's best savers, by a considerable margin, continue to be 16-24 year-olds, as identified in the autumn survey. They save 9.25% of their monthly income, on





How the gender gap is increasing

- Men's average total savings are now 50% higher than women's.
- Men's total savings grew by 11.37% this quarter, whereas women's grew by only 2.93%.
- Men increased the percentage of average income they saved while women remained static.
- The amount saved regularly by men is up compared to a fall in the amount saved regularly by women.

average (autumn quarter: 9.80%). Those aged 25-34 remained in second place, saving 7.58% of their monthly income (autumn quarter: 7.99%). 55-64s also saved more than the national average of 6.90%, saving 7.15% of monthly income.

In contrast, 35-44s saved 6.52% on average, while 45-54s saved 6.88% and over 65s saved 5.58%.

Greatest amount saved per month

Regular savers in the 25-34 year-old age group saved the greatest amount monthly: £188.98 (£186.06). This was followed by 45-54 year-olds: £183.61 (£172.69). Those aged 65+ saved the least per month: £108.18 (£119.27).

Young leading the savings ethic

16-24 year-olds continue to have the greatest desire to save more, saying that ideally, they would save 20.05% (18.68%) of their income, compared to the national figure of 14.49% (14.35%). Half (50%) of 16-24 year-olds saved regularly this quarter, setting aside an average of £138.70 per month.

61% of 35-44s saved regularly, the joint highest proportion with 55-64 year-olds, and they saved £166.88 per month. But they saved just 6.52% of their monthly income, on average, and ideally would only save 13.00% of their income per month, well below the target of 16-24 year-olds.

55% of 45-54 year-olds saved regularly, saving the second highest monthly amount: £183.61, but as a whole this age group only saved 6.88% of income.

61% of 55-64s saved regularly, saving £155.52 each month. After 16-24s, 55-64s had the highest aspiration to save more; ideally they would save 15.06% of income, currently they save only 7.15%.

The 65+ age group has the lowest proportion of regular savers (49%) and saved the least: £108.18 per month. They also saved the lowest proportion of income: 5.58%.

Financially vulnerable have strongest ethic

Analysis of socio-economic factors revealed the strongest savings ethic continued to be found in those groups that, perhaps, feel most financially vulnerable: singles, part time workers and DEs. All of these groups would like to save more of their income than any other groups.

DEs would like to save 18.36% of their income, compared to ABs who would like to save 13.56%. Single people would like to save 17.44% of their income, compared to married/cohabiting people who would like to save 13.34%. Part time workers would like to save 16.39% of their income compared to full time workers who would like to save 13.14%.

Single people continued to save more of their income than other groups: 8.35% (8.89%), compared to 6.58% (5.86%) of people married or cohabiting and 5.98% (6.30%) of people widowed/divorced or separated.

Full time workers continued to be the best regular savers of all: 66% (66%) saved every month. In the winter quarter the average amount that they saved was £191.07, up from £186.88 in the autumn quarter. 52% of part time workers saved regularly (55%). However, the proportion of income saved overall by part time workers almost equalled that saved by full time workers: part timers saved 7.09% of income, full timers saved 7.48% of income.

Of the socio-economic groups, the proportion of C1s saving regularly changed most, increasing from 55% to 59% this quarter. ABs saved the highest proportion of their income; 7.42% (6.98%), yet DEs saved an impressive 6.01% (6.15%) of their much lower average incomes.

All change among the regions (see Figure 3)

A significant change in savings behaviour was seen at regional level. In the winter quarter, an upward trend was seen across southern regions in both the percentage of regular savers and the proportion of average income saved. In contrast, with the exception of Scotland, all northern regions experienced a decline in the proportion of both regular savers and income saved, reversing the previous quarter's trend, when the North outdid the South.

Going up

Greater London saw the greatest change, with the proportion of regular savers increasing from 48% to 60%. The proportion also rose to 60% in the West Midlands (53%), to 58% in the South East (52%), 57% in the South West (50%) and 56% in East Anglia (53%).

Greater London, the South East, the West Midlands and East Anglia saw the greatest improvements in the percentage of income saved; in Greater London it rose from 6.90% to 8.30%, in the South East to 7.40% from 6.15%, in the West Midlands to 7.29% (5.75%), and in East Anglia to 6.46% (4.99%). The percentage rose in the South West to 6.05% (5.94%).

Going down

In contrast, the proportion of regular savers fell in the North East to 53% (57%), in the North West to 55% (60%), in Yorkshire and Humberside to 51% (55%), in East Midlands to 49% (54%), and in Wales to 56% (64%).

The percentage of income saved in these regions also fell: in the North East to 6.58% (7.27%), in the North West to 6.65% (7.21%), in Yorkshire and Humberside to 5.67% (8.39%), in the East Midlands to 6.13% (6.65%), in Wales to 6.19% (7.92%).

Scotland was the exception to these trends – recording a small rise in both the percentage of regular savers (53% to 55%), and proportion of income saved (7.18% to 7.45%).

Small savers and super savers

There is a significant divide between those who are saving modest amounts monthly and those who are saving significant sums. One in five (20%) people saved less than £99 per month, while one in 10 (10%) people saved over £300 per month. Two in five saved nothing.

What are people saving for?

Winter (autumn)

- 42% (40%) nothing in particular
- 13% (13%) rainy day
- 12% (11%) holiday
- 12% (10%) retirement

Men

- 13% rainy day
- 12% retirement
- 11% holiday

Women

- 14% holiday
- 13% rainy day
- 12% retirement

71% of 16-24s had savings goals

- 20% new car
- 17% home purchase/mortgage payment
- 12% holiday

64% of 55-64s had savings goals

- 31% retirement
- 15% holiday
- 9% rainy day

Current total savings on the up

The average amount held in savings, excluding pensions, was £17,623, 7% higher than in the previous quarter (£16,454). The amount people think they should have deposited was 62% (56%) higher than this, at £28,606 (£25,717). One in 10 (10%) 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

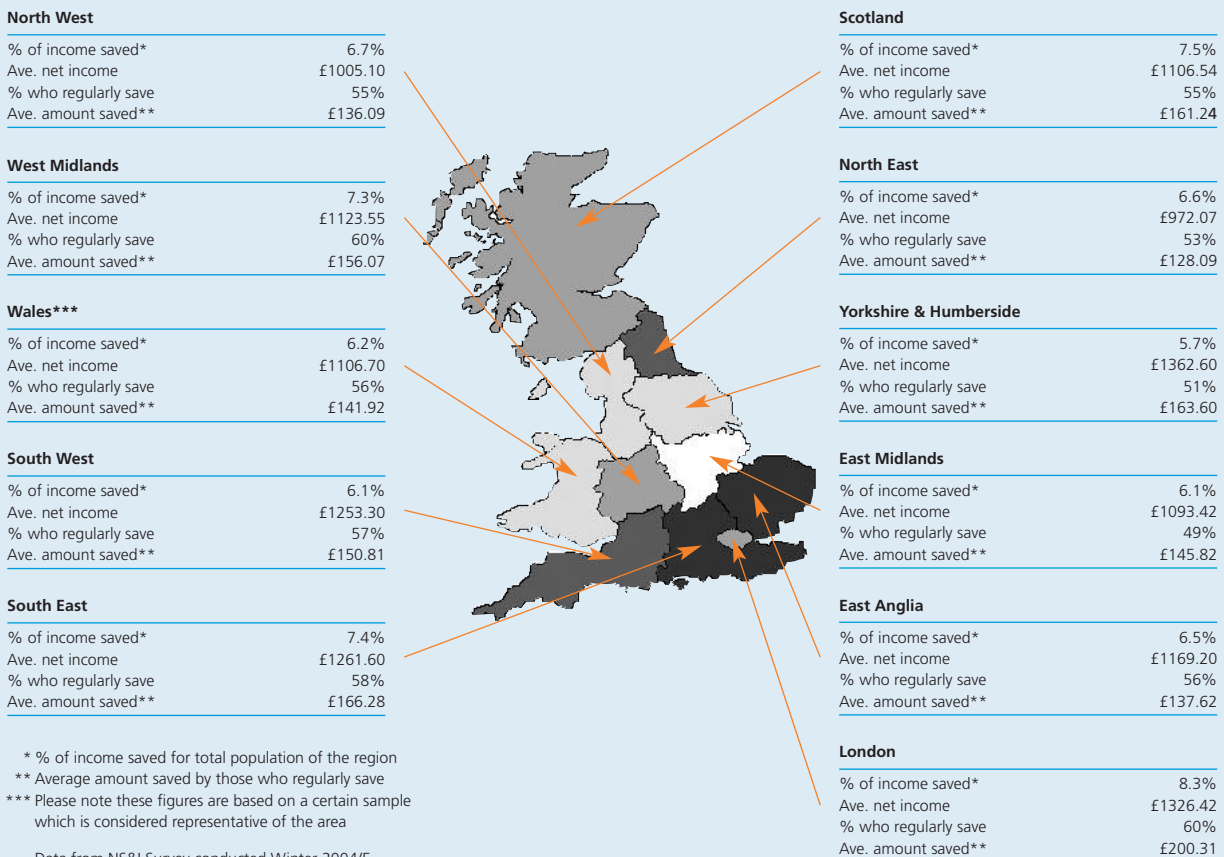
Savings under £1,000

- 19% of the population
- 23% of women
- 15% of men
- 44% of 16-24s
- 9% of 65+
- 25% of DEs
- 10% of ABs

Savings over £50,000

- 7% of total population
- 5% of women
- 9% of men
- 15% of 55-64s
- 12% of 65+
- 2% of DEs
- 16% of ABs

Figure 3: Consumer savings pattern across UK regions



Propensity to Save

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

Propensity to save is measured as an index showing the likelihood of saving more or less in the next three months. This is defined as the difference between 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.

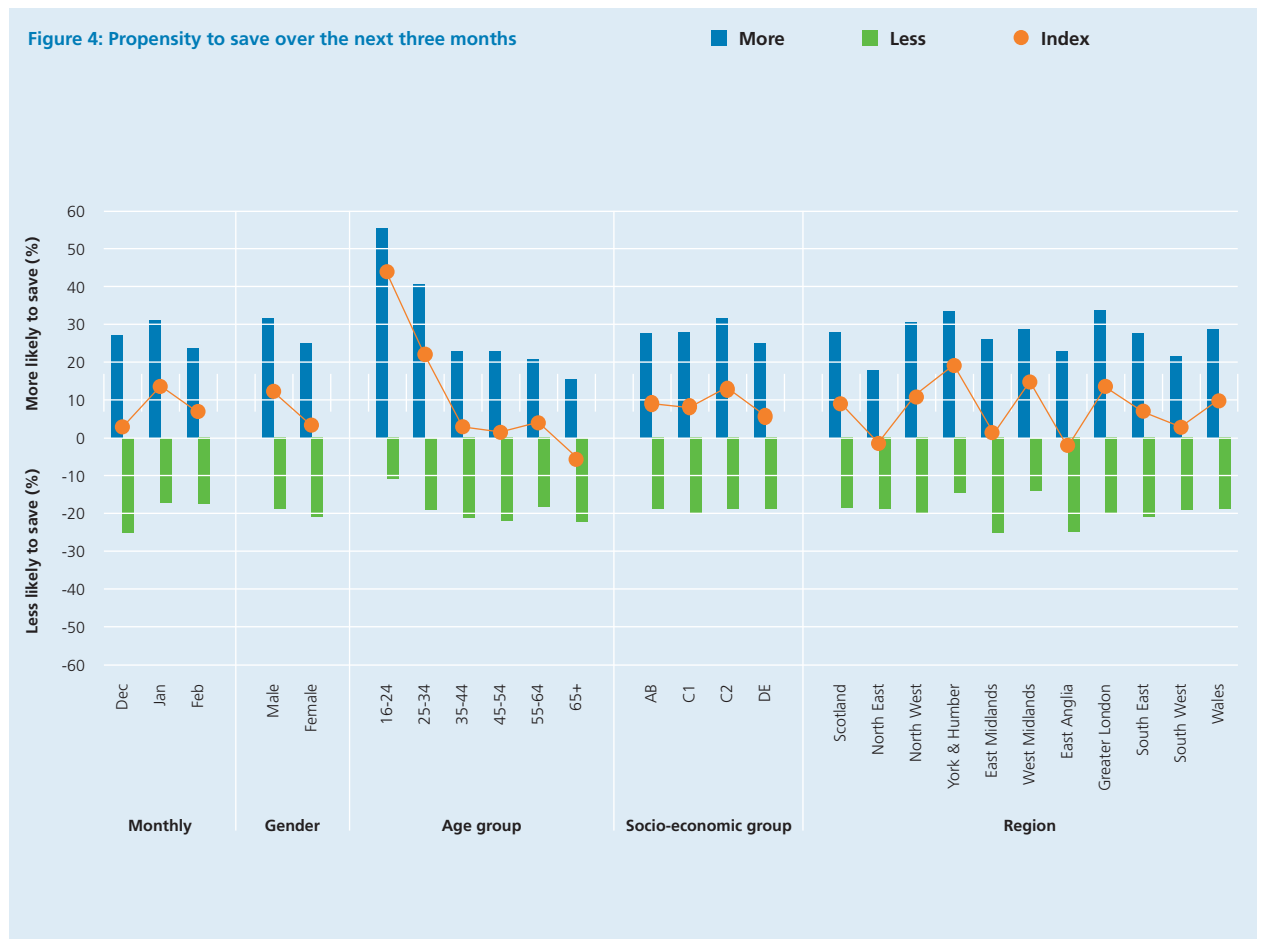
Young savers were identified in the autumn survey as the most determined savers; a lead they continue this quarter but with ever higher ambitions to save. 16-24 year-olds have a +44% propensity to save, up from +24% in November. 25-34 year-olds have the next highest propensity at +22%. The only age group to show a negative balance (of -6%) were the over 65s. This is to be expected, as at retirement people usually begin to spend their savings.

The Winter Savings Survey shows New Year's resolutions producing a far higher propensity to save than evident in the autumn survey. The overall balance of those more likely to save over the next three months is +9%. This is up by 17% from last quarter (-8%). Furthermore, January showed a peak of +14% propensity to save, possibly in response to the financial hangover of the festive period.

Women are still less likely to save than men over the next three months. Women have an index figure of +4% which is considerably lower than +13% for men. However, this is a smaller gap than seen in the autumn quarter, when women had a -16% propensity to save compared to the men's -1%.

C2s had the highest propensity to save (+13%), above both C1s (+8%) and ABs (+9%). This suggests that skilled manual workers have a stronger inclination to save over the next quarter than office workers or managers and professionals.

In the regions, the results have been turned on their head this quarter. Yorkshire and Humberside had a low score of -18% last autumn but now takes the lead with +19%. Every region showed an increased propensity to save except East Anglia which was also one of the two areas to show a negative propensity to save. The North East also showed a negative propensity to save but had improved greatly since last quarter (-1% up from -28%).



Savings channels

Savers use of the internet soars in the past four years but they still prefer branches

The introduction of new channels such as the internet has had a dramatic impact on the way savers operate their savings accounts over the last four years, with many savers embracing new technologies. However, it is clear that savers are still happiest with accounts which maintain a traditional element. Branch based accounts which offer access to other channels have shown the greatest growth in total deposits between 2000 and 2004, and more than half of savers (54%) say they prefer to operate their accounts at a branch.

Internet channel soars

Analysis of data¹ provided by CACI² shows that the greatest growth in percentage terms has been among use of internet/PC/TV only accounts. Total deposits soared since the account first appeared, increasing from £300 million in Q2 2000 to over £27 billion in Q3 2004. Total market share has grown from less than 0.1% in Q2 2000, to 5.4% in Q3 2004 (see figure 5) while its share of new business has grown from 1.5% to 10.9% in the same period.

Telephone only accounts also grew strongly, with total deposits increasing 76.9% from £11.6 billion to £20.5 billion. Market share increased from 3.0% to 4.0%.

However, the greatest growth in market share in this four-year period is for branch based accounts that can also be accessed via other channels. These accounts held 38.1% market share in Q2 2000, and leapt to 59.7% market share by Q3 2004. Total deposits doubled from £149.5 billion to

£306.3 billion. The share of new business volumes for these accounts grew from 33.2% in Q2 2000 to 59.7% in Q3 2004, with volumes also more than doubling from £6.7 billion to almost £16 billion.

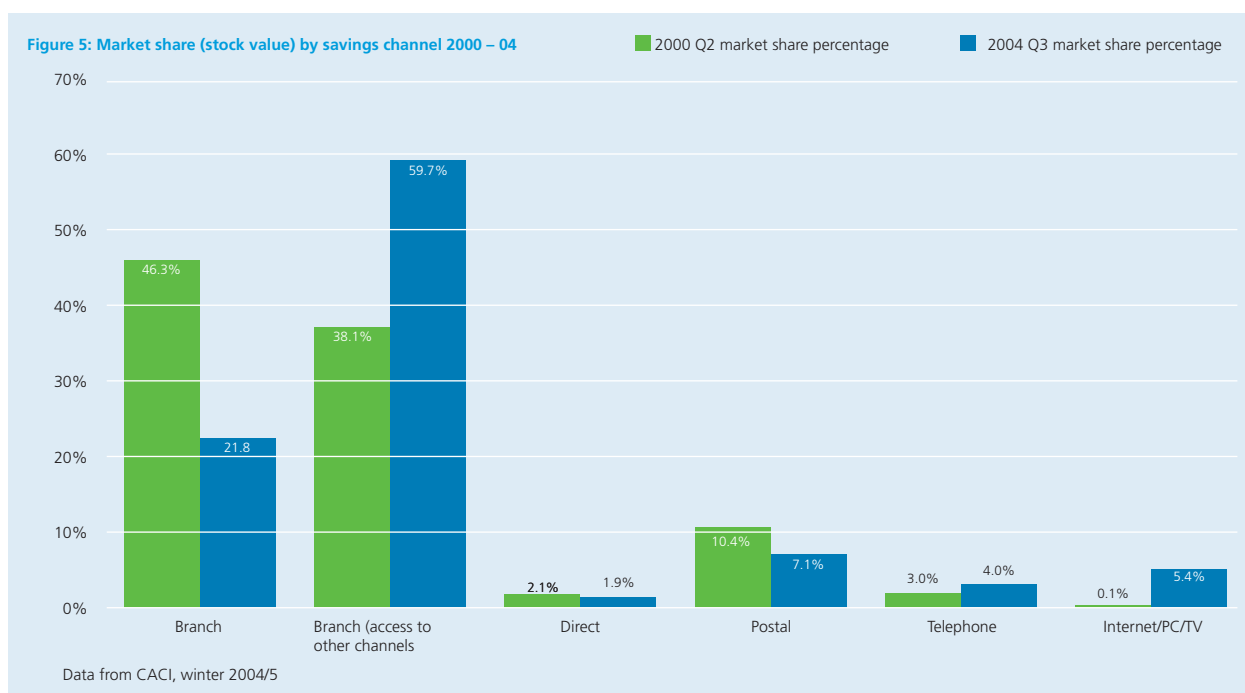
Traditional channels lose out

By contrast branch only accounts, which held the greatest market share of total deposits and of new business in Q2 2000, showed the greatest decline in both these categories in the four-year period. Overall market share fell from 46.3% to 21.8%, with total deposits down from £181.9 billion to £111.8 billion, while new business volume declined from 44.0% to 19.1%. This is a fall of 38.5% and 42.0% respectively.

The market share of postal accounts fell from 10.4% to 7.1% while direct accounts hovered at 2%.

The savers' view

CACI data is supported by the findings of recent NS&I consumer research³. Savers clearly prefer to operate their accounts at a branch rather than any other channel: more than half (54%) prefer using branches, with 15% preferring to use the internet (see figure 6). The telephone is the third most preferred channel, with 7% of consumers choosing it, followed by ATMs, third parties, such as an IFA, and post. However, the research does not suggest that a preferred channel should be an exclusive method of operation and therefore it can be concluded that many of those who prefer to visit a branch also require access to other channels.

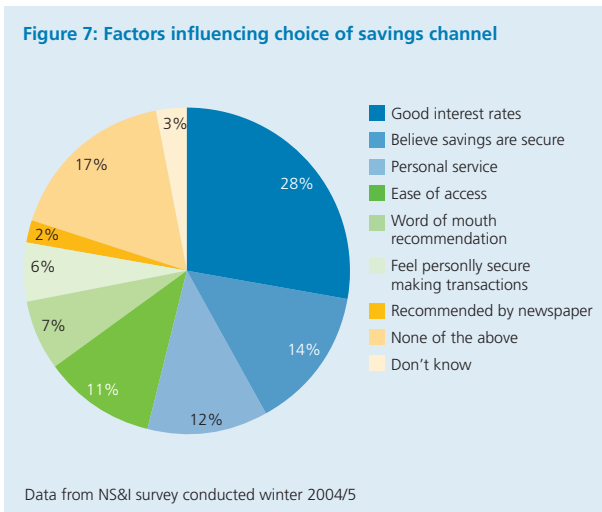
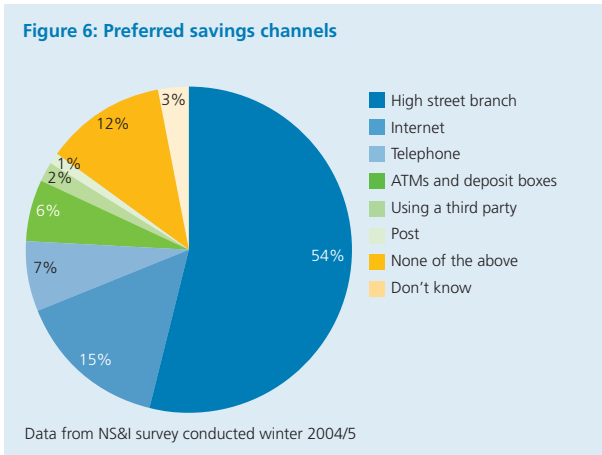


¹ The data is based on the way all accounts are operated from current accounts to savings products such as ISAs, instant access accounts, fixed term accounts

² CACI is a leading provider of consumer analysis and systems integration

³ TNS PhoneBus survey of 505 GB adults aged 16+ during 4-6th February 2005

The greatest influence on how people operate their savings accounts is a good rate of interest (28%) (see figure 7). Security of savings (14%), personal service (12%) and ease of access (11%) follow behind this. The focus on security and service backs up the popularity of branch use, while high rates and ease of access are more associated with internet accounts. Similar research conducted by NS&I in September 2003 shows that these four influences, rates (22%), convenience (20%), security (11%) and personal service (11%), were also the most important factors then⁴.



Gender divide

Women have not adopted the internet with the same enthusiasm as men. Just 7% of women prefer to use the internet compared to 22% of men. 63% of women prefer to visit a branch compared to 46% of men. Despite women often being accused of using the telephone too much, men are ahead of them for this medium by 9% to 6%. The influences that encourage these preferences are complementary. Men are more interested in rates and ease of access than women but slightly less concerned than them about security and service.

The influence of age

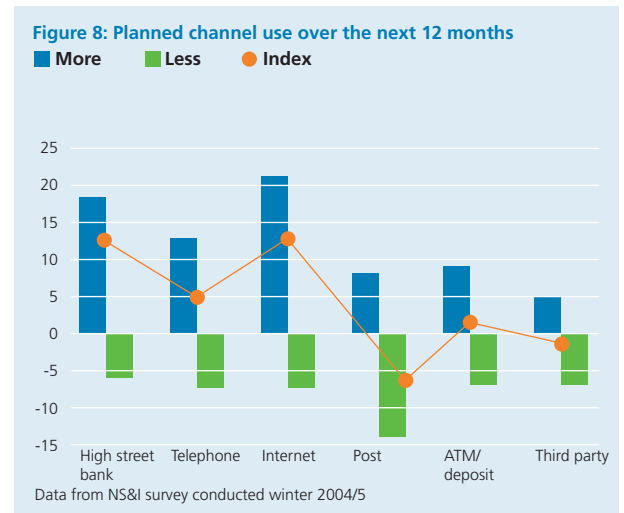
The internet is particularly preferred by those under 55. The highest preference for this medium is among 16-24 year-olds (23%), followed by 35-44 year-olds (21%), 25-34 year-olds (20%) and 45-54 year-olds (18%). In contrast just 6% of 55-64 year-olds and 3% of over 65s prefer it. With their high preference for internet, 16-24 year-olds put ease of access at equal importance to rates (23%) as influencing their choice but care very little about quality of service

(3%). In 2003, convenience (24%) was more important to this age group than rate (19%).

Over 55s are most inclined toward visiting a high street branch, (61% of 55-64 year-olds prefer it, as do 70% of those aged 65+). Those aged 25-34 have the lowest preference for visiting branches (only 40% prefer it) but they have the greatest preference for telephone use of all age groups (14%).

Looking ahead

Use of the internet will continue to soar, with 21% of savers predicting an increase in their use of this channel over the next year (see figure 8). However, 18% also predict they will use branches more in the next 12 months, a clear signal to providers that savers value choice and new channels should complement not replace the old. Telephone and ATM are also expected to see a slight increase in use but post and third parties, such as IFAs, can expect to lose even more market share.



- 1967** First ATM installed
- 1992** First telephone banking service launched
- 1996** First mobile telephone banking service launched
- 1997** First online banking service launched
- 2004** There are 31,313 bank, building society and post office branches*
- 2005** There are 21 internet-only providers**

1,528 branches disappeared between 2000-2004*

* source Moneyfacts Winter 2004/05

** from Marketing Pocket Book: editions 2000 and 2004

⁴ TNS PhoneBus survey of 1007 GB adults aged 16+ during 5-7th September 2003

The savings market

Our quick, comparative product review

The savings product comparator

Product		Dec-04	Jan-05	Feb-05
Instant Access	Highest	5.20%	5.20%	5.20%
	Mean	2.70%	2.70%	2.69%
	Lowest	0.10%	0.10%	0.10%
Internet only	Highest	5.35%	5.35%	5.35%
	Mean	4.68%	4.67%	4.72%
	Lowest	3.30%	3.30%	3.30%
No notice bonus	Highest	5.25%	5.26%	5.31%
	Mean	4.74%	4.78%	4.81%
	Lowest	4.12%	4.12%	4.12%
No notice without bonus	Highest	5.38%	5.35%	5.35%
	Mean	3.99%	4.00%	4.02%
	Lowest	0.75%	0.75%	0.75%
Notice	Highest	5.45%	5.45%	5.45%
	Mean	3.38%	3.39%	3.40%
	Lowest	0.75%	0.75%	0.75%
Children's	Highest	5.75%	5.75%	5.75%
	Mean	4.32%	4.33%	4.34%
	Lowest	1.51%	1.51%	1.51%
Mini-cash ISA	Highest	5.70%	5.70%	5.70%
	Mean	4.75%	4.76%	4.75%
	Lowest	3.60%	3.60%	3.60%
Current account	Highest	4.50%	4.50%	4.50%
	Mean	1.57%	1.57%	1.57%
	Lowest	0.10%	0.10%	0.10%
Monthly interest	Highest	5.38%	5.25%	5.25%
	Mean	3.21%	3.23%	3.23%
	Lowest	0.10%	0.10%	0.10%
Regular	Highest	7.00%	7.00%	5.85%
	Mean	4.65%	4.65%	4.55%
	Lowest	1.25%	1.25%	1.22%
Fixed rate bond	Highest	5.10%	5.25%	5.55%
	Mean	4.67%	4.75%	4.74%
	Lowest	2.88%	2.88%	2.88%

Rates correct at 1st of each month

Data from Moneyfacts Winter 2004/05

Stability for savers

Bank base rates have remained consistent since August last year, unmoved from 4.75%. While there have been movements in rates by individual providers, there have been no significant rises or falls in the marketplace. This gives savers peace of mind, knowing that their financial providers are maintaining consistent, stable rates.

Changes

The most noticeable change has been in regular savings accounts, with the top rate falling by 1.15% in February¹. This highlights the use of introductory rates to inflate returns on a very short-term basis (the 7% offer lasted only two months). While regular savings accounts still have the highest top rate on the market and will continue to prove popular, the average rate falls short of internet only, no notice bonus and mini cash ISAs.

For internet, no notice bonus, notice and children's accounts, while the highest and the lowest rates remain the same, the average rate overall has increased over the quarter. The average rate has also increased on no notice without bonus and monthly interest accounts, although the highest rate has fallen slightly.

Good news

The fact that the top rates on all accounts, except current accounts, are above the base rate is a promising sign of strong competition in the market. It shows that financial providers are making the effort to tempt consumers back to a savings culture.

Mini cash ISAs remain highly attractive, particularly in light of their tax-free status, offering the second highest average rates (4.75% to 4.81% offered on no notice bonus accounts).

Instant access	Available through multiple access channels with no withdrawal penalties
Internet only	Only internet access
No notice bonus	No notice accounts with bonus for fewer withdrawals
No notice no bonus	No notice accounts with few access channels
Notice	Must give notice of intention to withdraw funds
Children's	Available to children only

Mini cash ISA	Tax free investment wrapper
Current account	Unlimited inflows and outflows with overdraft facilities
Monthly interest	Interest paid monthly
Regular	Regular deposits to be made by direct debit
Fixed rate bond	Investment product for a fixed term at fixed rate