

# Quarterly Savings Survey

Issue 9 Autumn 2006



## NS&I Savings Tracker Examining savings behaviour across Britain

### Savings rate increasing

The NS&I Savings Tracker 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 ninth Quarterly Savings Tracker, covering the autumn months of September, October and November 2006 are detailed below, along with key annual trends.

Reviewing savings behaviour in autumn 2006 a complex picture begins to emerge. On the surface the savings growth is linear as total savings levels across the population are displaying a slowly rising trend: 7.15% of income. Underlying this incremental growth however are fluctuations in individuals' savings behaviour. By analysing two years' savings survey data this report identifies this complexity and offers an insight to savings behaviour that is far from straightforward.

#### Overall savings increasing

Across the total population savings levels have increased with the average saved per head per month growing year on year from an average of £81.80 per month in autumn 2004 and £89.11 in autumn 2005, to reach an average of £91.82 per month for autumn 2006. This is the highest value recorded since the survey began.

#### Autumn 2006

##### What have people saved for?

- Home: 23% (summer 2006: 24%)
- Rainy day: 23% (summer 2006: 22%)
- Holiday: 20% (summer 2006: 22%)
- Retirement: 19% (summer 2006: 20%)
- Children: 10% (summer 2006: 11%)
- Special occasion: 10% (summer 2006: 7%)

These savings goals remain very stable from one quarter to the next implying that people's priorities are fairly ingrained.

Data from NS&I survey conducted autumn 2006. Top six of all options listed. Respondents able to record more than one option.

#### More people save regularly

The proportion of the population which saves regularly has reached an all time high of 58%, with a year on year increase over the last two years, from 55% in autumn 2005 and 54% in autumn 2004, a growth of almost 2 million<sup>1</sup> more regular savers in just two years. This suggests that over 27.5 million British people over the age of 16 are regular savers.

<sup>1</sup> Population of Great Britain aged 16 and over calculated using ONS 2005 figures.  
Total population = 58,485,100 Proportion aged over 16 = 81%

#### Also in this issue

##### Savings rates continues upward trend

Average amount saved monthly during autumn 2006 was £91.82, up from £89.11 in autumn 2005 and £81.80 in autumn 2004.

##### More people are saving regularly

The proportion of people saving regularly is at the highest level since the survey began at 58% compared to 55% in autumn 2005 and 54% in autumn 2004.

##### But regular savers are saving less

Year on year each regular saver is saving less each month – £170.06 in autumn 2006 slipping from £174.43 in autumn 2005.

##### Savings outlook

For the third year in succession autumn is a time when people predicted that they will not be able to save as much in the coming months.

##### Saving for Christmas

Nearly a fifth (19%) of non-regular savers manage to put money aside for Christmas.

##### Friends influence on spending affects savings habits of the young

Nearly half of 16-24 year olds are influenced by friends to keep spending when they have run out of money, which is likely to leave them without spare cash to save.

##### Best value savings products

Instant access accounts and regular savings accounts continue to top the savings rates tables and bond rates continue to rise.

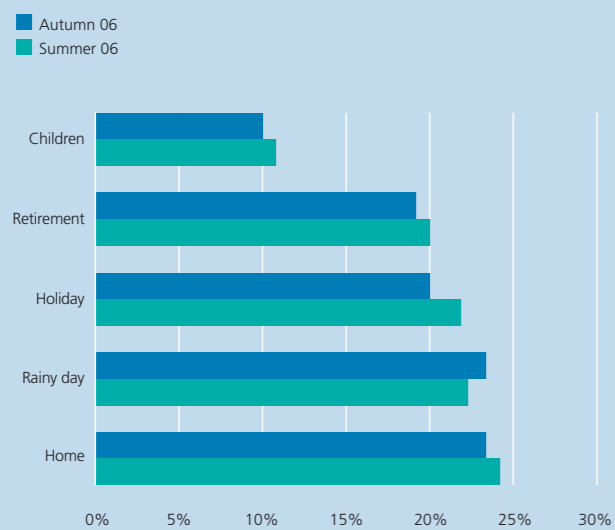
Published quarterly by National Savings and Investments  
Autumn 2006

##### National Savings and Investments

Charles House, 375 Kensington High Street, London W14 8SD  
24-hour media hotline 020 7348 9654 [www.nsandi.com](http://www.nsandi.com)

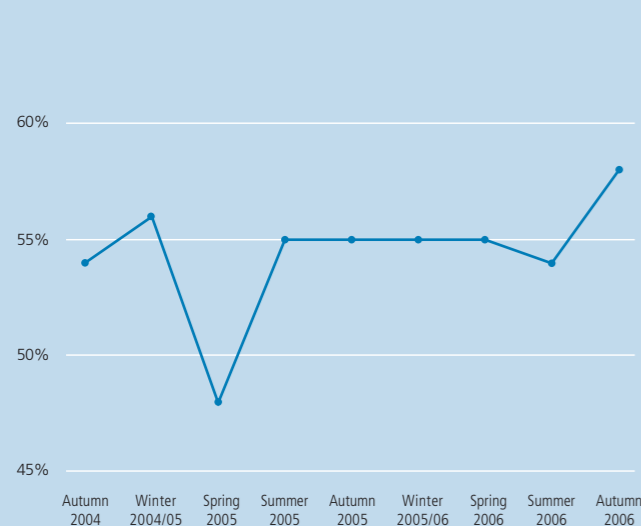
NS&I Savings Tracker

Figure 1: What are people saving for?



Data from NS&I Survey conducted Autumn 2006

Figure 2: Regular savers



Data from NS&I Survey conducted Autumn 2006

But regular savers are saving less

Despite the fact that the percentage of people saving regularly has increased to reach an all time high, it is of some concern that those individuals are not managing to set as much aside as they have in previous months. This measure has slipped from this time last year (£174.43 autumn 2005) to £170.06.

A possible explanation for this is that more first time savers are attracted to open savings accounts following the rise in interest rates (see savings market analysis, page 8). These people are only able to set aside a little of their monthly income each month, therefore lowering the average saved per month for all regular savers. Another factor could be increased mortgage repayments following the rate rise, which would leave people with less disposable income.

Savings targets slip

Not only are regular savers putting less aside each month, the savings survey has recorded a drop in the amount that people aim to save. The ideal amount that people want to save in pounds per month has experienced its biggest quarterly drop from summer 2006 (£186.30) to autumn 2006 (£181.86) since the survey began. These monthly savings ideals have also fallen from this time last year (£183.62). A contributing factor may be that the increase in average monthly take home income of 3.1% (£1,245.10 in autumn 2005 to £1,283.80 autumn 2006) has not kept pace with the RPI, currently 3.7%, which would increase people's outgoings.

People are also very downbeat about their potential to increase savings levels (see the Savings Outlook, page 6).

An eye on the targets

Dax Harkins, senior savings strategist for NS&I explains: 'Examining two years' Quarterly Savings Survey data, it becomes apparent that people are consistently saving less as a proportion of income than they would wish. Similar to most quarters, this autumn the actual amount saved by respondents is 7.15% of their average income compared to their ideal of 14.17%. This highlights an obvious gap between the amount people wish to save and the amount they actually do. To bridge this gap, expectations need to be adjusted. The data suggests that people need to almost double their actual monthly savings in order to reach their ideal savings levels. In terms of how much that is a month in pounds it is approximately £257, based on the average take home monthly income of £1,284, recorded for autumn 2006.'

Figure 3: Actual savings versus ideal savings



Data from NS&I Survey conducted Autumn 2006

NS&I Savings Tracker

More people are saving regularly, but this is still not enough

Despite the need for sound financial health being highlighted consistently in the media, there remains a large proportion of the population who do not regularly save. In autumn 2006, while it is encouraging to see that 58% of Britons are regularly putting money aside each month, it is of some concern that 42% of the adult population, nearly 20 million people, still find saving regularly consistently unattainable or unattractive.

- Of those who do not save regularly half (51%) save sporadically throughout the year.
- Nearly a fifth of non-regular savers do save in the run up to certain times of the year, such as Christmas (19%).
- Nearly one quarter (24%) of non-regular savers do not save at all. This is nearly 5 million people (4.78 million).

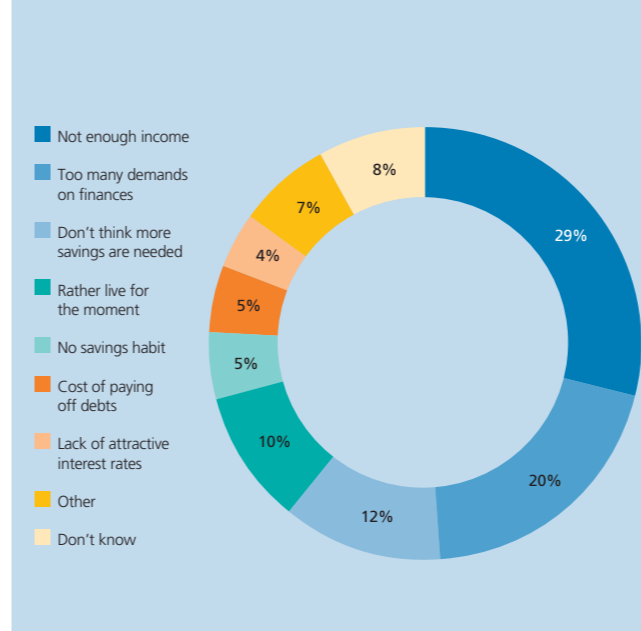
Autumn 2006

What stops people from saving more than they do?

- Not enough income: 29%
- Too many demands on my finances: 20%
- I don't think I need to save more: 12%
- I would rather live for the moment than save: 10%
- Don't know why I am not saving more: 8%

Data from NS&I survey conducted autumn 2006. Top five of all options listed. Respondents able to record more than one option.

Figure 4: What stops people saving more?



Data from NS&I Survey conducted Autumn 2006

The growing pressures on disposable income

Dax comments: 'It is interesting to note that the percentage of people who say they do not have enough income to increase their savings levels has grown from 27% in summer 2006 to 29% in autumn 2006. Additionally, the percentage of people who say they have too many demands on their finances, preventing them from saving more, has not changed since summer 2006, remaining static at 20%.'

What are the demands that people have on their finances?

The QSS this autumn explored the pressures on people to spend. This gives an insight into the fifth (20%) of the population who said that there were too many demands on their finances to be able to save. For those with children more than two-thirds (67%) claimed that wanting to give their children everything they needed was a driving factor. Nearly a fifth (17%) of all those interviewed cited the need for designer/fashionable clothes and to look good, while nearly a fifth (18%) said the desire to climb the property ladder put them under pressure. Only 14% of people said the desire for a bigger or newer car made them spend.

Lack of financial planning

Overall across the population there is a worrying lack of knowledge about finances and financial planning. More than 10% of the population do not know the total value of their savings. This rises to almost one in five 55-64 year olds (19%) and nearly a quarter (23%) of those aged 65 and over.

Nearly one in five (19%) Britons do not know how much they should have, ideally, in total savings. This rises to almost a third (30%) of people aged 65 and over.

Over a third (36%) of people who save state that they are currently saving for nothing in particular.

Spending versus saving also appears to be a problem

Overspending appears to be a real problem, contributing to the lack of control people have on their finances.

Even those who have managed to save some money suffer from overspending, with almost two in five people (38%) spending more each month than they would like to – on average £160.68 a month. One in 10 say they overspend by a lot.

People who earn more are not necessarily in greater control of their finances, 51% of people in higher income brackets (taking home between £2,500 and £2,999 a month) admit they overspend by an average of £233.18.

Curbing spending appears to be a similar problem for both men and women, with 39% of women admitting that they overspend compared to 38% of men. Men who overspend have a tendency to squander bigger sums, £182.43 compared to £139.92 for

NS&I Savings Tracker

women. This is even more of an extreme problem for young women with 61% of 16-24 year old women stating that they overspend, compared to 44% males in the same age group.

**Saving enough is a problem for women**

Women's saving levels have consistently trailed behind men according to the Quarterly Savings Survey and this quarter the gap appears to be widening. The figure for the average amount being saved by British men in autumn 2006 is the highest recorded since the survey began: £112.18 (autumn 2005: £107.21, autumn 2004: £98.59). For women this figure (£72.17) has dropped from £72.74 in summer 2006, but is up year on year from £70.52 in 2005 and £64.42 in 2004.

The figure for the average monthly amount saved by regular female savers has also dropped in the last quarter from £155.89 to £143.58.

Echoing the overall fall in target savings levels, women have experienced a considerable drop in how much they aim to save. Ideal savings per head for women has dropped in the last quarter from £170.46 to £158.09. The ideal amount that women would save as a percentage of income is at its lowest ever, 14.7%. This is a concern as traditionally, despite the struggles that women appear to face to set money aside in savings, they have always had very positive savings intentions.

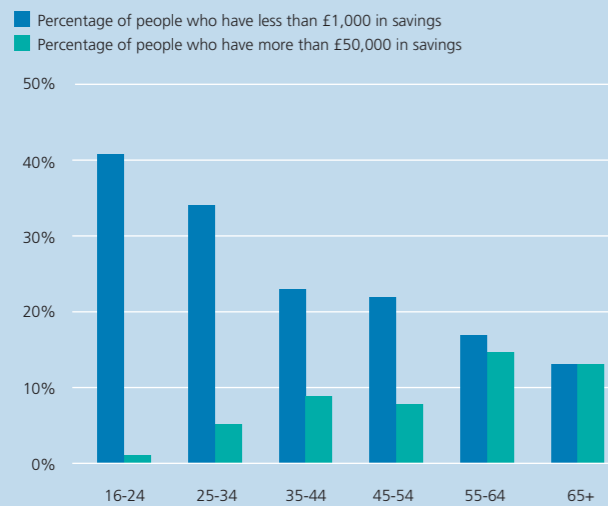
**Current total savings**

The average amount held in savings, excluding pensions, in autumn 2006 was £17,909. This has increased from £17,271 last quarter and from autumn last year when it was £16,968.

The amount people think they should have in savings is 57% higher than this at £28,186.

Almost one in 10 (9%) have no savings at all.

Figure 5: Comparison of 'micro' savers and 'super' savers



Data from NS&I Survey conducted Autumn 2006

**Regional**

These figures provide an overall picture of how savings trends vary across parts of the UK.

- Average monthly amount saved per head is highest in Greater London: £118.35
- Highest number of regular savers is in the East Midlands: 65%
- Highest average monthly amount saved, by regular savers, is in Greater London: £210.92
- Highest amount saved as a percentage of income is in East Midlands: 8.57%
- Mean monthly income is highest for Greater London: £1468.24
- Highest ideal monthly amount of savings per head is in East Anglia: £209.10
- Highest ideal savings as a percentage of average income is in East Anglia: 17.76%

Lowest levels vary from one region to another depending on the savings category, however the North West is the region that appears to be struggling the most, closely followed by the South West.

- Average monthly amount saved per head is lowest in the North West: £73.66
- Lowest regional number of regular savers is in the West Midlands: 53%
- Lowest average monthly amount saved, by regular savers, is in the North West: £133.35
- Mean monthly income is lowest for the North West: £1134.40
- Lowest amount saved as a percentage of income is in the South West: 6.08%
- Lowest ideal monthly amount of savings per head is in the North West: £159.18
- Lowest ideal savings as a percentage of average income is in the South West: 12.96%

NS&I Savings Tracker

Figure 6: Regional trends: Autumn 2006



Region	% of income saved*	Average net income	% who regularly save	Average amount saved**
<b>East of England</b>	7.22%	£1177.40	54%	£164.60
<b>North West</b>	6.49%	£1134.40	57%	£133.35
<b>Yorkshire &amp; Humberside</b>	7.32%	£1149.60	59%	£155.21
<b>East Midlands</b>	8.57%	£1243.23	65%	£171.62
<b>Scotland</b>	6.93%	£1303.11	58%	£166.93
<b>Wales</b>	7.27%	£1147.20	55%	£155.33
<b>West Midlands</b>	6.81%	£1210.04	53%	£165.97
<b>London</b>	8.06%	£1468.24	60%	£210.92
<b>South East</b>	6.99%	£1378.10	59%	£182.59
<b>North East</b>	6.90%	£1294.60	61%	£157.59
<b>South West</b>	6.08%	£1359.40	54%	£168.70

\*% of income saved for total population of the region  
 \*\*Average amount saved by those who regularly save  
 Data from NS&I Survey conducted Autumn 2006

# Will people save more or less over the next three months?

## Seasonal trend

The quarterly savings survey has shown a trend that in the autumn months of September, October and November, people predicted that they will not be able to save as much in the coming months. For the third year running this is true, possibly as people start to worry about how they will afford Christmas and paying off the post Christmas debt. Savings tracker data from autumn to winter 2005 showed this outlook becoming a reality, with a drop in savings levels between these two quarters. Savings levels are usually high in autumn, cushioning the subsequent slip in savings, however given the decline in savings by regular savers that has already been experienced this quarter a further drop in levels to winter 2006/2007 would be alarming.

## Negative attitude to saving

This autumn, when people were asked if they were more or less likely to save money in the next three months than previously, more than a third (35%) said 'less'. This is higher than the figure recorded in Autumn 2005 (31%). This increase in pessimism about savings supports the findings of the main savings tracker, with regular savers putting less aside each month, and savings targets falling. Only 23% of the population thought they would be more likely to save in the next three months. Given that current savings levels may be insufficient to support the population adequately as it grows older this decline in savings expectations is worrying.

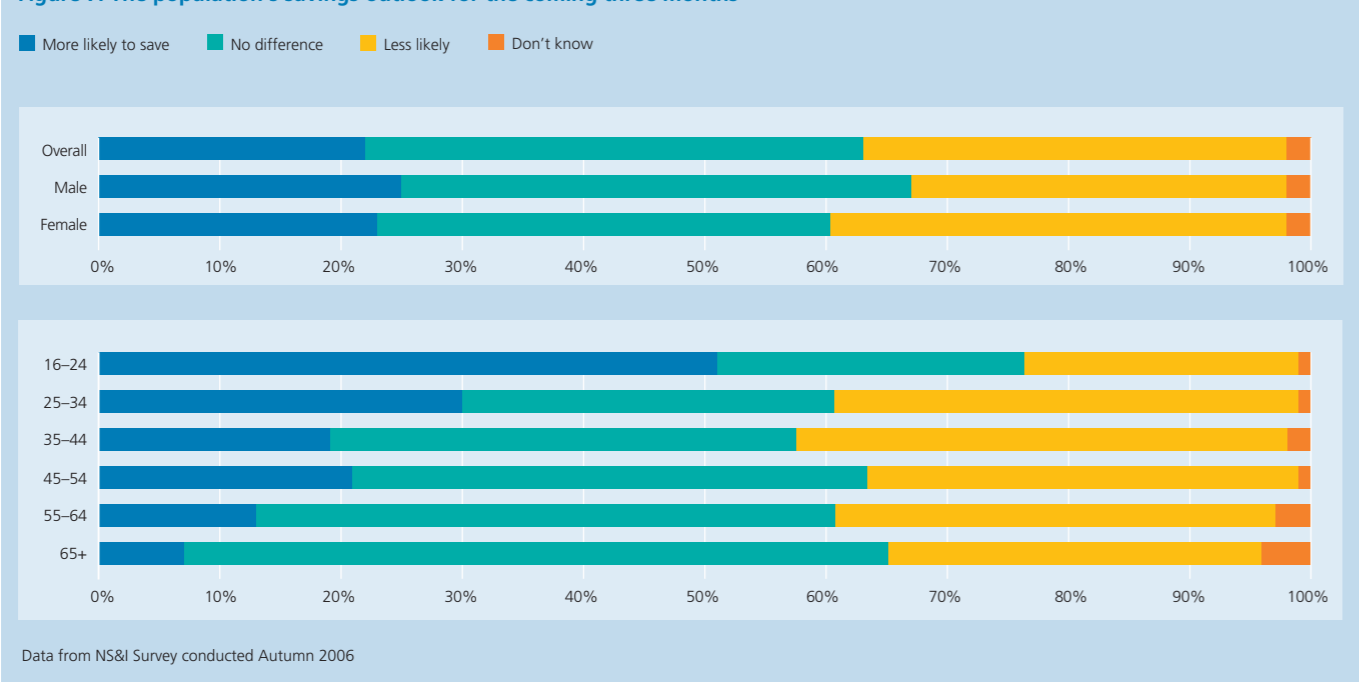
Women are feeling particularly downbeat about the amounts they will be able to save in the future. Nearly two in five (38%) see themselves saving less in the next three months, compared to 36% this time last year. This is the highest percentage of 'negative savers' since the survey began, jumping massively from the summer 2006 figure of 29%. Comparatively, the equivalent figure for men is just under a third (31%), compared to 27% last year.

People in the prime of their lives seem least optimistic about their ability to save. More than two in five (41%) people aged 35 to 44 feel they are less likely to save in the coming months. As many in this age group are taking on increasing responsibilities including buying houses, getting married and having children, it may be that the demands on their finances are too great to increase savings levels. 16-24 year-olds are much less pessimistic (just 22%) with more than half feeling that they are more likely to save in the next quarter. Only 7% of over 65 year olds are optimistic about their savings future.

## Wide regional variations on savings outlook

Wales is the most pessimistic area of Great Britain with 40% of people saying that they are less likely to save in the next three months than previously. Only 15% of people believe they will build on their current savings levels. Greater London bucks the trend, with the most optimistic savers, nearly a third (30%) of who claim that they will save more in the coming months.

Figure 7: The population's savings outlook for the coming three months



# The 'friend effect' threatens savings habits of the young

## Peers pressurise young to overspend when they need to save

The ability to build a lifelong savings habit could be under threat for 16-24 year-olds as they establish their spending and savings patterns, according to the survey's latest findings. The research has shown alarming that young people who appear to be heavily influenced by their peers to spend, spend, spend.

Nearly half (44%) of this age group admitted that their friends persuaded them to keep spending even when they have no money left, which could potentially push them into debt. The behaviour changes a little as people get older, but a quarter (23%) of 25-34 year-olds are also influenced by their friends to spend money they don't have.

The growing issue of consumer debt appears to be, in some part, fuelled by the pressure on young people by their friends to keep on spending, even when they have run out of money. Finding the money for this extra spending could mean this age group is running up debt and there will be nothing left over to save for a rainy day fund or nest egg.

Compared to the high proportion of 16-24 year-olds whose friends cause them to overspend, only just over one in 10 (15%) of the population, generally, said that they are influenced by their friends to spend even when they have run out of money. The marked contrast between the older and younger generations shows a shift away from the attitude that you only spend what you have. It also could have serious consequences for the savings habit of young people whose spending behaviour is likely to leave them with nothing left to save.

Additionally, a third (34%) of the 16-24 year-olds questioned said they felt there was peer pressure on them when it came

to spending money at any time, whether or not they had run out. This was the highest of any age group. On average across the population just over one in 10 (15%) felt under pressure from friends to spend. This indicates that friends are far more influential on the impressionable young.

## The role of peer pressure – should we listen to friends about our financial habits?

While 16% of people said peer pressure should influence whether people spend money, this rose to nearly a quarter (24%) of 16-24 year-olds. Despite the fact that young people are listening to their friends, only 5% of the population generally thinks that friends should be the main influence on savings behaviour.

The biggest impact on people's savings behaviour, according to the largest proportion of those surveyed, should be mum and dad. Just over half (56%) of respondents cited parents when asked who or what should be the main influencer. The next largest persuader should, according to those questioned, be the media and advertising. Over one in 10 (14%) said that this source should be the main authority and this rose to a fifth (20%) of 16-24 year-olds.

## Once saving patterns established, young savers resist peer pressure

Despite pressure to spend, there is positive news regarding those 16-24s who already have the savings habit. They appear resolute in this behaviour, irrespective of what their friends are doing. While just over one in 10 (13%) of the population say they save – even if their friends don't – this figure almost doubles to a quarter (25%) of 16-24 year-olds.

Figure 8: Percentage of people influenced by friends to keep spending when they have run out of money

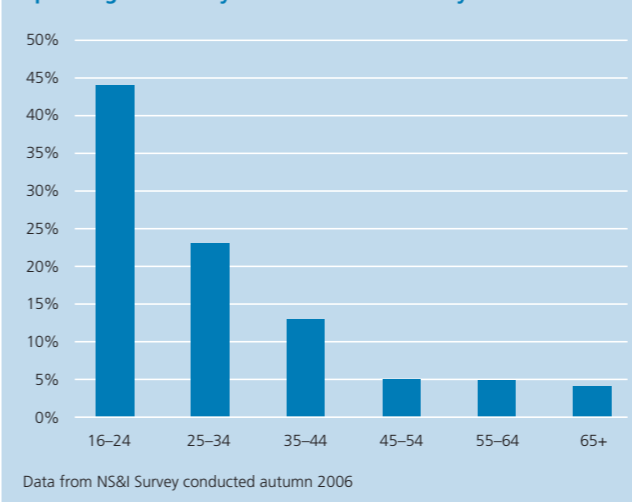
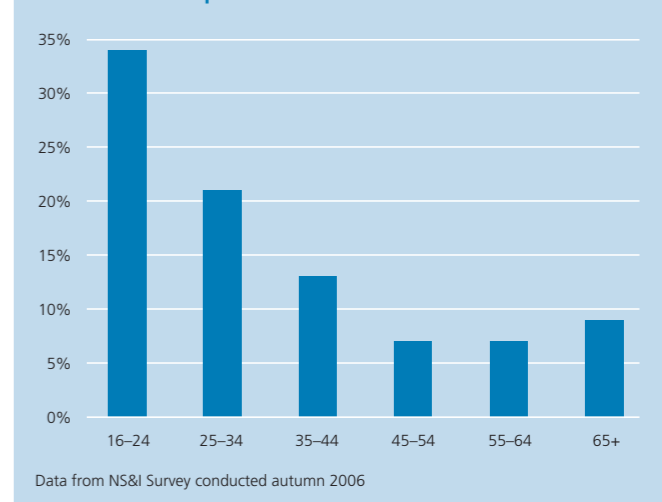


Figure 9: Percentage of people who feel under pressure from friends to spend rather than save



## The Savings Market Our quick, comparative product review

### The savings product comparator

Product		September	October	November
Instant access	Highest	5.25%	5.25%	5.25%
	Mean	2.66%	2.76%	2.78%
	Lowest	0.50%	0.50%	0.45%
Internet only	Highest	5.20%	5.20%	5.20%
	Mean	4.58%	3.70%	3.73%
	Lowest	3.00%	2.55%	2.55%
No notice	Highest	5.20%	5.20%	5.20%
	Mean	4.71%	4.80%	4.80%
	Lowest	4.22%	4.22%	4.22%
No notice without bonus	Highest	5.05%	5.05%	5.38%
	Mean	4.06%	3.81%	3.84%
	Lowest	1.50%	1.50%	1.50%
Notice	Highest	5.25%	5.30%	5.25%
	Mean	3.32%	3.43%	3.40%
	Lowest	1.00%	1.00%	1.00%
Children's	Highest	5.35%	5.50%	5.50%
	Mean	4.28%	4.39%	4.39%
	Lowest	1.51%	1.51%	1.51%
Mini cash ISAs	Highest	5.40%	5.30%	5.40%
	Mean	4.63%	4.68%	4.70%
	Lowest	3.35%	3.60%	3.60%
Current accounts	Highest	4.05%	5.22%	5.22%
	Mean	1.21%	1.67%	1.66%
	Lowest	0.10%	0.10%	0.10%
Monthly interest	Highest	5.50%	5.50%	5.50%
	Mean	3.39%	3.44%	3.51%
	Lowest	0.50%	0.50%	0.50%
Regular savings account	Highest	8.00%	8.00%	8.00%
	Mean	4.77%	4.90%	4.66%
	Lowest	2.50%	2.50%	0.25%
All fixed rate bonds	Highest	5.65%	5.61%	5.62%
	Mean	4.84%	4.93%	4.99%
	Lowest	3.01%	3.01%	3.01%
Fixed rate bonds 1 year	Highest	5.50%	5.60%	5.62%
	Mean	4.86%	4.96%	5.01%
	Lowest	3.70%	3.70%	4.00%
Fixed rate bonds 2 years	Highest	5.50%	5.61%	5.61%
	Mean	4.87%	4.96%	5.04%
	Lowest	3.15%	3.75%	3.30%
Fixed rate bond 3 years	Highest	5.55%	5.61%	5.62%
	Mean	4.83%	4.94%	5.01%
	Lowest	3.80%	3.80%	3.89%
Fixed rate bonds 5 years	Highest	5.65%	5.58%	5.58%
	Mean	4.71%	4.74%	4.81%
	Lowest	3.01%	3.01%	3.01%

Rates for September, October and November correct at 1st of each month. November's rates do not include the base rate rise.

All rates are for balances of £5,000, except mini cash ISAs: £3,000.

## Base rate rise boosts savings rates

As predicted in the last report, the Bank of England's decision to raise the base rate in August was reflected by increases in rates paid on the majority of savings accounts this quarter. Although banks and building societies are influenced, to an extent, by wholesale money markets to determine rates, they increased savings rates in line with the base rate change. Generally, the highest rated accounts in each category all increased by 0.25% compared to the last quarter.

### Top rated accounts

Following the trend of previous quarters, instant access accounts and regular savings accounts offered the highest rates. However, while the instant access accounts increased, the regular savings account top rate did not move. Monthly interest and children's accounts also offered good rates of interest on their highest paying accounts. Cash mini ISAs benefited from a rise in rates last quarter following the base rate increase and they still offer a high rate of 5.40% with some providers and an average rate of 4.70%.

### Bonds continue to be attractive to savers

Savers who want the security of receiving a guaranteed level of interest will be encouraged to see that the rates on fixed rate bonds continued to rise. On average interest rates rose in line with the base rate increase with the mean rates on one, two and five year bonds increasing by just over 0.25%. The highest rate on bonds of all terms is similar however long savers invest their money – an average of 5.52% across all terms.

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

Data and product descriptions: Moneyfacts 4 December 2006