

NS&I Savings Tracker Examining savings behaviour across Britain

Consistent improvement to saving levels

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 thirteenth Quarterly Savings Survey, covering autumn 2007 (September, October, November) are detailed below, along with key annual trends.

In this issue

- Savings on the up: Most consistent levels of improvement quarter on quarter since the survey began in 2004
- A strong savings season: Savings spikes common in autumn months
- A good end to a bad year: Savings at their highest levels since autumn 2006 and beginning to recover from very low levels in the previous three quarters
- People are setting themselves more realistic savings targets
- Despite strong savings aspirations, women continue to struggle to set money aside – pulling down overall savings levels
- 65+ age group manages to create significant savings improvements while the 16-24 age group is struggling
- A fifth (20%) of Brits make money through their hobbies and many are putting the extra 'play dough' pounds into savings
- Almost three quarters (74%) of those earning money from their hobbies use the internet for turning their hobby into a money-making venture.

Consistent improvement to savings levels

For the first time all of the main savings indicators have increased in value from the previous quarter (summer 2007). See figure 1. This means that autumn 2007 has seen the most consistent improvement in savings levels quarter on quarter since the survey began in 2004.

Figure 1: Regular savers

	Summer 07	Autumn 07	increase %
Monthly average saved by those saving regularly (£)	173.73	184.36	6.12
Percentage of people who regularly set money aside each month %	48	51	6.25
Monthly average saved across the population (£)	81.43	91.15	11.94
Amount saved by the population as a percentage of average income %	6.22	6.81	9.49
Ideal monthly savings per head, across the population (£)	174.91	180.91	3.43
Ideal monthly savings as a percentage of average income %	13.37	13.52	1.12

In addition to the rise in savings levels across the board, many of the increases are quite significant, with percentage increases of nearly 10% from summer 2007 (see figure 1). The population's average monthly savings per head and average monthly savings as a percentage of average income have both experienced their second largest increase from one quarter to another since the survey began.

Sporadic savers setting more aside

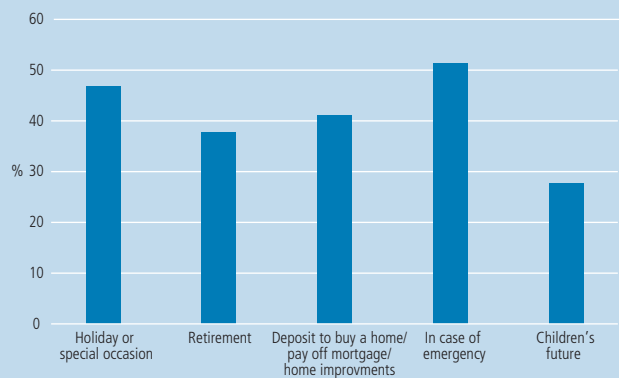
The Quarterly Savings Survey reveals that regular monthly savers are continuing to increase the amounts that they save each month. The average amount of money set aside each month has increased to its highest ever figure of £184.36.

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Figure 2: What are people saving for?



Data from NS&I Survey conducted autumn 2007

However, the overall population is catching up, with a steady growth in the average savings per head over the last three quarters. The average saved per head across the population has increased considerably, by nearly 12%, from £81.43 in summer 2007 to its second highest level since the survey began in 2004, of £91.15. Across the population, the monthly amount saved as a percentage of average income has also experienced strong growth throughout this year, increasing every quarter from a low of 5.83% in winter 2006/07 to 6.81% this autumn, compared to a high of 7.16% in autumn 2005.

Where has this growth in the population's savings come from? With no increase in the number of people saving (18% do not save at all compared to 19% in summer 2007), it appears that the two fifths (40%) of the population that save sporadically¹ are saving more. With 16% of these sporadic savers admitting to only saving in the run up to certain times of year, such as the months leading up to the annual Christmas shopping spree, it is likely that the fast approaching festive season is significant in driving this savings surge.

Autumn: a strong savings season

There appear to be spikes in savings behaviour in each autumn surveyed, suggesting that this is always a strong savings season. This is particularly true of the amount saved per head and as a percentage of income. However the savings indicators are not as positive this autumn as those recorded in autumn 2006. In particular, this autumn records the lowest number of regular savers than in previous autumn quarters. See figure 3. In previous years, savings levels have tended to fall during the following winter months.

A good end to a bad year

For many of the savings indicators the levels reached this quarter are the highest since autumn 2006. This is true for the number of people who are saving money regularly each month, the amount set aside per head across the population, the amount that the population is saving as a percentage of average income and the ideal monthly amounts people would like to set aside. See figure 4.

While this is extremely positive, the savings levels during the previous three quarters (winter 2006/07, spring and summer 2007) have been a concern, with many registering some of their lowest levels. The three years of Quarterly Savings Survey data reveals:

- The two lowest ever percentages of people saving money on a monthly basis were 43% in winter 2006/07 and 46% in spring 2007
- The monthly average saved by people in Britain in winter 2006/07 (£70.69) and spring 2007 (£77.55) were not much higher than this indicator's lowest ever figure (spring 2005: £68.85), and are the second and third lowest quarterly figures recorded for this index since the survey began
- The amount saved by the population as a percentage of average income was particularly low during the preceding winter (5.83%) and spring months (6.02%), the second and third lowest levels since the survey began. The lowest ever figure for this index was spring 2005, 5.82%
- The population's ideal savings as a percentage of income was at its lowest last quarter (summer 2007: 13.37%) recovering only marginally to 13.52% this autumn 2007

Spring savings tips:

- Forgotten savings? Find any old investments using NS&I's free tracing service, and make sure your savings account is working hard to grow your money
- New year, new savings habits – time to ditch those old clothes and make a bit of money at the same time. Consider using online trading websites to sell all your old frocks, and put the extra pounds into savings
- Recover from the Christmas blow-out and think small on your weekly shop. So many people end up throwing food away so make sure you only buy what you need
- January detox? Forget expensive diet fads or expensive gym memberships you'll only use in January (but pay for all year) – replace with a free daily walk and a healthy eating plan

Figure 3a: Amount saved as a percentage of average income



Figure 3b: Average amount saved per head



Data from NS&I Survey conducted autumn 2007

¹ 49% of the population do not save regularly. Of these 18% do not save at all. 82% of 49% is 40.18%

Figure 4a: Percentage who regularly save

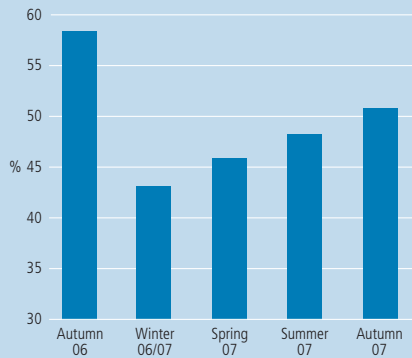


Figure 4b: Average saved per head

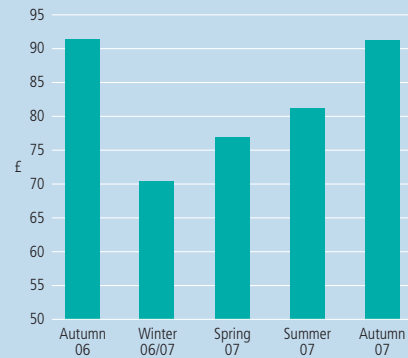
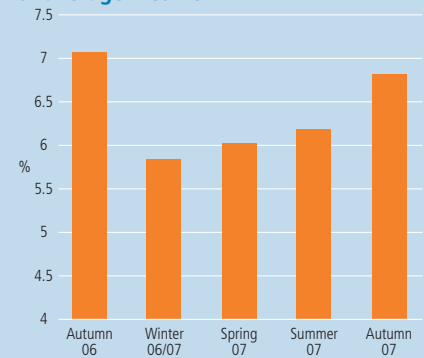


Figure 4c: Amount saved as percentage of average income



Data from NS&I Survey conducted autumn 2007

Recommendation from NS&I's savings strategist:

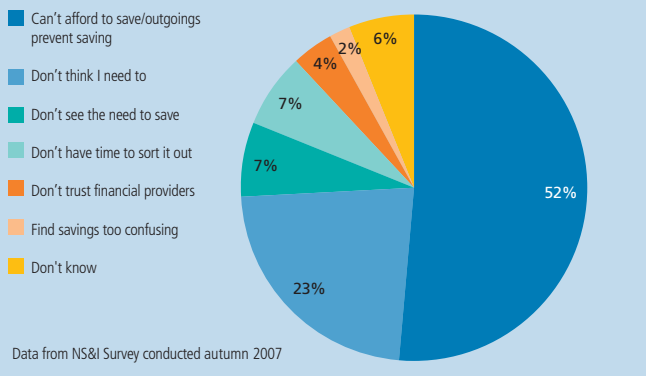
In autumn 2007 nearly a third of British savers (31%) stated that they wouldn't be able to cope financially in an emergency. In a season where catastrophes in the home, such as burst pipes, broken boilers are more likely and are expensive to fix, it is important to have money set aside as a financial security blanket. It is helpful to have a plan of how much you are going to spend in the coming months, with a little extra money set aside in case of an emergency. People who would like more information on how to plan their savings can visit NS&I's Health Check service online at www.nsandi.com/savingneeds/healthcheck.jsp

Savings targets turning around

This autumn, the monthly amount that people ideally want to save has increased from £174.91 (summer 2007) to £180.91. See figure 6. This 3% increase is the largest improvement in savings targets experienced since summer 2006. It takes the monthly amount that people want to set aside to above £180, which is only the fourth time this has happened since the survey began and the first time for this year. It is however marginally lower than the figures reported in both autumn 2005 and autumn 2006.

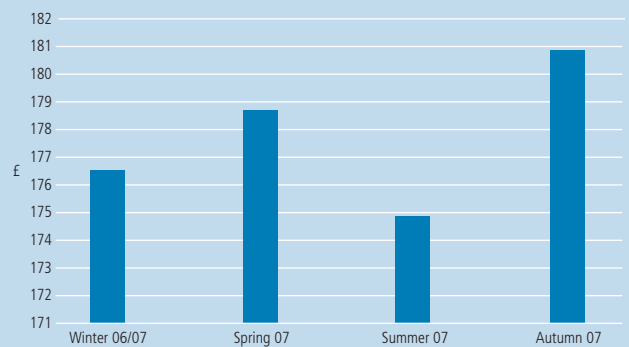
There has also been a slight increase in the amount that people want to save as a percentage of their monthly income. This figure has risen from 13.37% to 13.52%, and while only marginal growth, is an improvement. This is very positive, especially bearing in mind the decreasing savings targets that have been observed previously. The amount that people want to save as a percentage of their monthly income this autumn is however, lower than the levels recorded in previous autumn quarters, since the survey began in autumn 2004 – and suggests people are being more realistic about their ability to save.

Figure 5: What stops people saving more?



Data from NS&I Survey conducted autumn 2007

Figure 6: Ideal savings per head



Data from NS&I Survey conducted autumn 2007

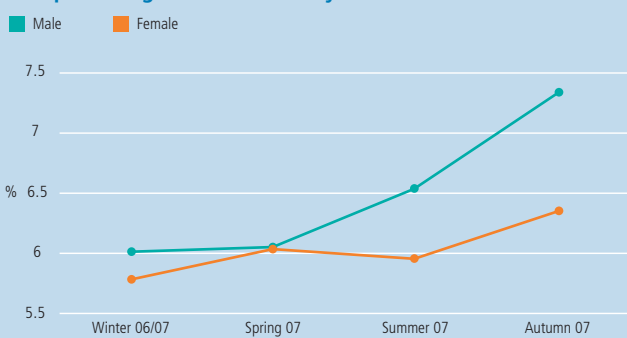
NS&I Comment: 'The fact that savings targets are starting to rise is very positive. It is important that when people are working out how much they should save each month, they not only think about the amount of money in pounds but also as a percentage of their average monthly income. This will take into account salary inflation and help to ensure that savings targets are more in line with economic factors. With actual savings levels experiencing their most consistent growth this quarter it is important to build on these increases by re-adjusting savings targets a little higher, perhaps even to a fifth of people's monthly income.'

Women: saving actions far from ideal

Once again this quarter women are aiming to save more of their monthly income than men (13.97% compared to 13.23%). This has been the situation every quarter since the survey began. However, men are still aiming to save a larger amount in pounds (autumn 2007: £206.24 compared to £154.37) which may be because their monthly take home income² is much higher (£1,558.60 for men and £1,105 for women in autumn 2007).

Despite women aiming to set aside a higher proportion of their monthly income, many are failing to make this a reality and appear to be struggling to save. This quarter, the average monthly amount that women save as a percentage of their income has fallen – continuing the decline experienced from spring to summer 2007 (6.07% to 5.95%). This compares to three consecutive quarters of growth for men saving, resulting in men setting aside their largest percentage of monthly income this year, 7.30%. See figure 7.

Figure 7: Comparison of the amount men and women save as a percentage of their monthly income



Data from NS&I Survey conducted autumn 2007

In addition, this quarter the average monthly amount of money that women set aside has decreased to £64.49 (summer 2007: £65.70), while men are saving more than ever, £113.74, a 16% increase from summer 2007 (£97.93). Over a year, if these different levels are maintained, men could save nearly £600 more than women (£1,364.88 compared to £773.88).

Every Quarterly Savings Survey has revealed that fewer women than men are saving regularly, with this autumn 46% of women setting money aside each month, compared to 57% of men. While male regular savers are setting aside their highest ever levels (£204.82), their female counterparts appear to be struggling to keep up, saving over £45 less each month, £159.36.

Sensible savers slip

The Quarterly Savings Survey has in the past revealed that the 16-24 year-old age group has surprisingly sensible savings habits. This quarter, however, they appear to be finding it increasingly hard – or less of a priority – to set money aside. See figure 8.

This is the only age group to experience a decline in the average monthly amount saved per head, falling from £86.43 (summer 2007) to £80.74 this autumn. This compares to an average of £90.40 in autumn 2006, bucking the trend of high savings indicators during the autumn months. The percentage of people regularly setting money aside has also fallen, dropping from 56% last quarter to 51% this autumn.

In contrast, the 25-34 year-olds have saved more money per head this quarter than ever before, £116.54.

Surprisingly, this autumn the 65+ year-olds experienced an increase in savings indicators across the board. This is a first for this age group which is often categorised for its savings struggles, and this autumn it is the only group to have experienced such positive savings behaviour.

Savings and the economy

With interest rates currently at a high level of 5.50%, there are greater rewards for saving. The CBI³ linked these high levels to declining momentum in the pace of growth in sales, as shoppers tighten their belts; high street sales growth in October was the slowest since November last year with shoppers holding back. With added uncertainty about the economy, because of the liquidity problems, there may also be a heightened awareness of the importance of setting money aside to save for an emergency.

Figure 8a: Amount saved as a percentage of average income by 16-24 year olds

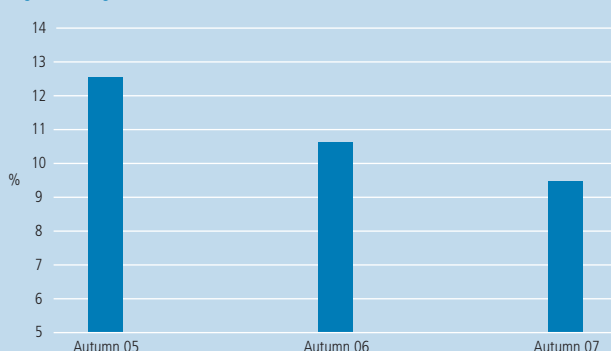


Figure 8b: Average saved per head

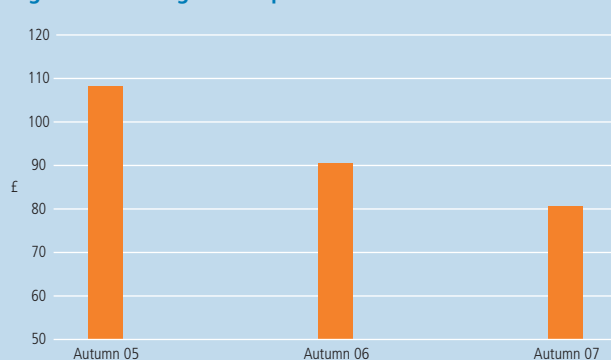
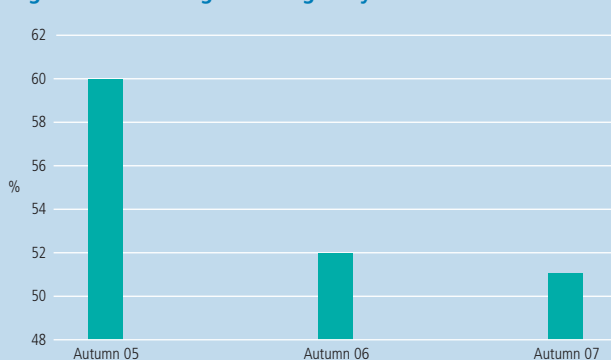


Figure 8c: Percentage who regularly save



Data from NS&I Survey conducted autumn 2007

² Personal monthly take home income is measured as monthly salary less all tax, national insurance and other stoppages.

³ CBI.org.uk – November 2007

Regional

The figures provide an overall picture of how savings vary across different parts of Great Britain.

Considering its slight struggle with savings last quarter, East Anglia has made a comeback with the highest number of regular savers, highest amount saved as a percentage of income and highest ideal savings as a percentage of income, joining Greater London as the most successful saving regions this autumn 2007.

- Average monthly amount saved per head is highest in Greater London: £112.22
- Highest number of regular savers is in East Anglia: 61%
- Highest average monthly amount saved by regular savers is in Greater London: £226.56
- Highest amount saved as a percentage of income is in East Anglia: 8.52%
- Mean monthly income is highest for Greater London: £1511.07
- Highest ideal monthly amount of savings per head is in Greater London: £222.75
- Highest ideal savings as a percentage of average income is in East Anglia: 15.40%

Figure 9: Economic snapshot of the UK

	Autumn 2005	Autumn 2006	Autumn 2007
Bank of England Base Rate	4.50	4.75	5.75
FTSE	5,328	5,949	6,315
Retail Prices Index – All items (ONS)	193.1	200.1	208.0
Gross Mortgage Lending £ billion (BBA)	£17.8bn	£17.9bn	£18.5bn

Figures as at end of September in each year

The North East, South West and Wales are struggling with savings the most this quarter:

- Average monthly amount saved per head is lowest in the South West: £71.65
- Lowest number of regular savers is in the North East: 43%
- Lowest average monthly amount saved by regular savers, is in the South West: £148.41
- Mean income is lowest in Scotland: £1,151.76
- Lowest amount saved as a percentage of income is in the South West: 5.30%
- Lowest ideal monthly amount of savings per head is in Wales: £149.49
- Lowest ideal savings as a percentage of average income is in the North East: 11.40%

Figure 10: Consumer savings pattern across GB regions: autumn 2007

East of England

% of income saved?*	8.52%
Ave. net income	£1267.90
% who regularly save	61%
Ave. amount saved**	£178.93

East Midlands

% of income saved?*	6.40%
Ave. net income	£1242.44
% who regularly save	50%
Ave. amount saved**	£163.24

London

% of income saved?*	7.43%
Ave. net income	£1511.07
% who regularly save	52%
Ave. amount saved**	£226.56

North East

% of income saved?*	5.80%
Ave. net income	£1381.10
% who regularly save	43%
Ave. amount saved**	£188.51

North West

% of income saved?*	7.80%
Ave. net income	£1279.10
% who regularly save	52%
Ave. amount saved**	£195.54

Scotland

% of income saved?*	7.52%
Ave. net income	£1151.76
% who regularly save	53%
Ave. amount saved**	£169.62



South East

% of income saved?*	6.66%
Ave. net income	£1485.60
% who regularly save	52%
Ave. amount saved**	£193.56

South West

% of income saved?*	5.30%
Ave. net income	£1351.70
% who regularly save	50%
Ave. amount saved**	£148.41

Yorkshire & Humberside

% of income saved?*	7.19%
Ave. net income	£1344.90
% who regularly save	53%
Ave. amount saved**	£188.54

Wales

% of income saved?*	5.61%
Ave. net income	£1239.60
% who regularly save	46%
Ave. amount saved**	£152.04

West Midlands

% of income saved?*	6.68%
Ave. net income	£1179.00
% who regularly save	46%
Ave. amount saved**	£178.87

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

Data from NS&I Survey conducted autumn 2007

Blue – highest % of savers
 Green – lowest % of savers

Orange – highest % of income saved
 Light green – lowest % of income saved

Savings outlook

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.

Negative attitude to saving short term

This autumn, people are feeling less positive about their ability to save over the next three months.

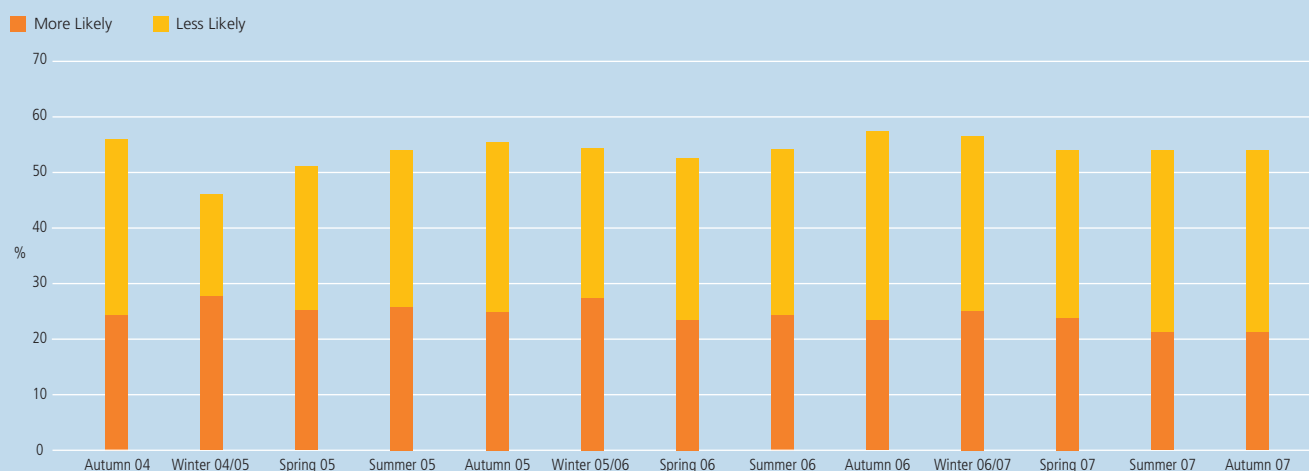
When people were asked if they were more or less likely to save money in the next three months than previously, a third (33%) said 'less', compared to just over a fifth (21%) stating more. Historically, autumn depicts a negative picture for saving over the following months. The percentage more likely to save is lower than recorded in autumn 2006 (23%) or 2005 (25%) suggesting that people are increasingly pessimistic. Only 6% of the population thought that they would be much more likely to save in the next three months.

The last Quarterly Savings Survey savings outlook (summer 2007) predicted a drop in savings from summer 2007 to autumn 2007, but the savings trends data from this survey shows that this has not been the case. People have managed to set aside a little more money than expected.

Will people save more or less in the coming year?

Looking towards the longer term, people are consistently optimistic about their likelihood to save over the coming year with, this autumn, a third of the population (33%) saying that they are more likely to save in the next 12 months.

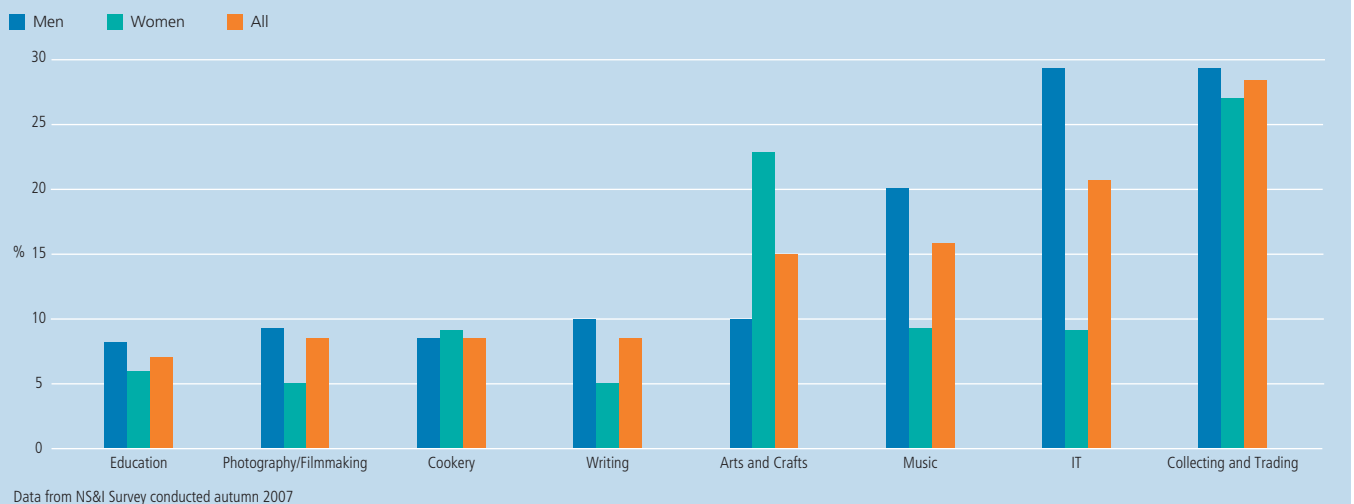
Figure 11: Percentage of people who believe they are more/less likely to save in the coming three months



'Play dough' earners making money while having fun

'Nearly a third save the dough they earn from hobbies'

Figure 12: What are the main hobbies to generate 'play dough'?



With a fifth (20%) of the British population having a hobby or interest from which they earn money from, the spirit of the entrepreneurial Brit is alive and well. But profit is not the driving reason. Just over half (57%) of 'play dough' earners are primarily doing this activity because it is fun – for them the money is just a bonus.

Turning a hobby or interest into a money-spinning venture takes time. On average 'play dough' earners are spending 11.3 hours per week on their hobbies, while over a quarter (26%) confess they spend as much as 11-30 hours weekly. Confident that they can make real profits, nearly one in ten of those surveyed (8%) is spending over 30 hours per week concentrating on their money spinning hobbies.

With all this time being invested in hobbies, it is not surprising that it is also spilling over into other areas.

It may be disturbing for some bosses to learn that over a third (36%) of 'play dough earners' confess to having used 'work time' on their money-making hobby or interest. Nearly half (46%) regularly or occasionally spend more time during the month on their cash-creating hobby than they do on their main job.

It seems it is not just the bosses who need to worry about 'play dough' earners being distracted from their duties. Nearly a fifth (19%) admit that their money-making hobby has affected their relationship with their partner or family, taking up time that would normally be spent with them.

Many are using the extra cash saved from their hobby to create extra financial security. Almost a third (31%) of the 'play dough' population are investing the extra money in savings, perhaps creating a nest egg for emergencies. For 15% the money is used to help pay off their debts. A further 16% are more interested in adding a little luxury into their lives and just over half (56%) of the 'play dough' population use this extra money to help pay for day-to-day living expenses.

With many 'play dough earners' spending work time concentrating on their hobby, it is interesting to see that many money-making hobbies and interests appear to be conducted online. Almost three quarters (74%) of those earning money from their hobbies use the internet for turning their hobby into a money-making venture and half of those surveyed (50%) said they could not operate without the internet.

The number of internet entrepreneurs is expanding and using MySpace or Facebook to their advantage. Over a third (35%) of people who use the internet to help generate pastime pounds use social networking sites to conduct or promote their money-making venture.

Male 'play dough' earners surging ahead

On average men are dedicating more time than their female counterparts to their money-making hobbies per week. 12 hours per week is being put aside by men to continue their hobbies compared to 10.4 hours per week for women. However, these longer hours are proving a greater yield for men. On average men are making over £360 (£361.84) per month from their hobby or interest, compared to just £182 for women.

Male 'play dough' earners are undertaking more IT-based hobbies including web design. Nearly one in three (28%) of the working male population use these hobbies to make an income. Women are engaged in more traditional activities with just under a quarter (23%) earning money from interests such as arts and crafts.

Men are more likely to save their extra pastime pounds. Over a third (35%) of men put the money they make from their hobbies into savings accounts, compared to under a quarter (23%) of women. Nearly two thirds (60%) of women say the money they make is used to pay for day-to-day living expenses (compared to just over half of men, 53%). Men also appear more keen to reinvest the money, with a third (33%) ploughing the extra cash back into the hobby compared to 23% of women.

Age divide

Despite the fact that you might expect the 35-44 age group to be concentrating on careers and families, over a fifth (21%) of this age category have a hobby that they earn money from. However, good news for families and bosses, they are spending less time a week on these interests than the national average, 10.7 hours compared to 11.3 nationally.

Going full time?

With people investing so much time in their money-making hobbies it is interesting to note that some are beginning to consider taking their interests full time and making it their primary source of income. Over a third (37%) of 'play dough' earners hope that, after building up their experience, they will be able to make their hobby their main source of income.

