Savings Survey

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Highlights

Savings Tracker reveals a growing reality gap amongst savers

Actual savings and the number of regular savers have fallen but ideal savings targets continue to rise. *Page 2*

It pays to be married or cohabiting

Couples are better savers than those who are single. *Page 2*

Young and determined savers outdo the old for third quarter

The under 25s remain the nation's best savers, putting aside the highest proportion of income and are the ones most likely to save more. *Page 3*

Propensity to Save Index

Gloomy outlook as most people think they will save less over the next three months. *Page 5*

First Time Buyers need to save longer and harder

It now takes aspiring FTBs a record 4.75 years to save a 5% deposit, nine months longer than a year ago. *Page 6*

Best value savings products

Monthly interest accounts offer the highest top rate, pushing regular savings and mini cash ISAs into second and third place. *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 ideal savings targets, savings objectives and whether average savings per head are increasing or decreasing.

The results of the third quarterly Savings Tracker, covering the spring months of March, April and May show that the number of regular savers is down from the previous two quarters. However, those who are saving have maintained their commitment to this habit and the mean amount saved by this group has remained stable over this period.

Less people saving

Over the three months, Britain as a whole saved less than the previous two quarters; 48% of people saved regularly compared to 56% (winter) and 54% (autumn). However, the average amount saved per month by regular savers remained stable; spring (£159.26), winter (£158.73) and autumn (£163.40). This indicates a commitment by regular savers to put away a consistent amount each month.

Many people continued to show good savings intentions – ideal savings averaged 14.63% of their income, consistent with averages of 14.35% in autumn and 14.49% in winter. However, the actual percentage of income saved across the nation was considerably lower at 5.82%. This is over 1% lower than the amount saved across the adult population in winter (6.90%) and in autumn (6.70%), suggesting a widening gap between intention and reality.

But it pays to be married or cohabiting

In spring, more married or cohabiting people (52%) saved regularly than single (43%) or widowed, divorced or separated people (46%). Although singles saved the most as a percentage of average income, married or cohabiting people are the most consistent savers.

- Married or cohabiting: 5.86% (autumn), 6.58% (winter) and 6.00% (spring)
- Single: 8.89% (autumn), 8.35% (winter) and 6.02% (spring)
- Widowed, divorced or separated: 6.30% (autumn), 5.98% (winter) and 5.10% (spring).

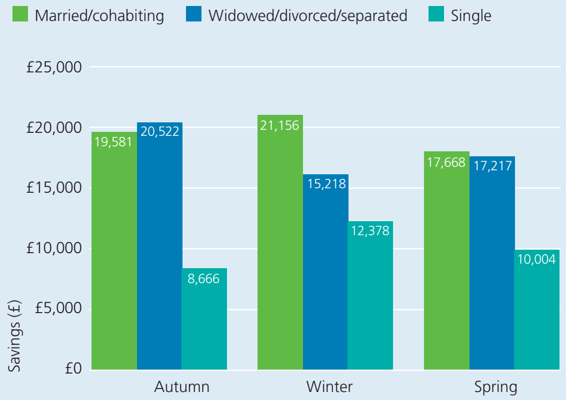
Married or cohabiting people also saved the highest mean amount (£178.44) out of the three groups by a considerable margin – single (£136.09) and widowed, divorced or separated (£129.66). This is probably due to having a higher average income but may also reflect more financial pressures such as children, mortgages etc driving them to save.

However, as illustrated above, they did save a smaller percentage of their average income over the last three quarters than singles. This may reflect the fact that they share the responsibility for saving with their partner.

Their sensible attitude to saving is further highlighted by the order of their savings goals – retirement, rainy day and holiday. In contrast, the more carefree singletons are saving for holiday, new car and house purchase/mortgage payments.

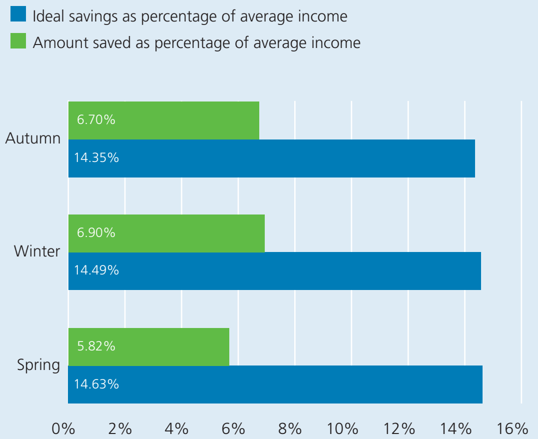
Married or cohabiting people have the highest average savings of all three groups: £17,668 compared to £10,004 (singles) and £17,217 (widowed, divorced or separated)

Figure 2: Total savings excluding pensions by marital status



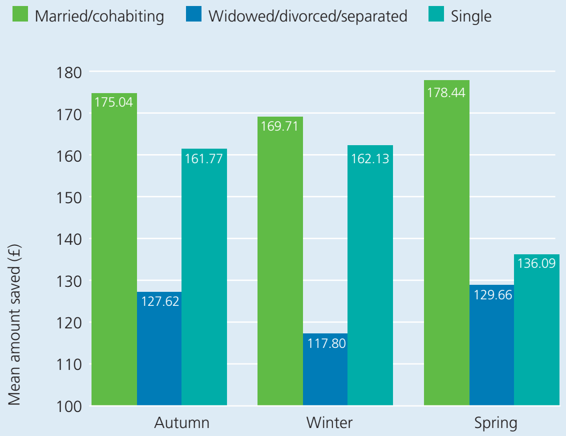
Data from NS&I Survey conducted Spring 2005

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



Data from NS&I Survey conducted Spring 2005

Figure 3: Mean amount regularly saved by marital status



Data from NS&I Survey conducted Spring 2005

However, while widowed, divorced or separated people have a lower number of regular savers than married or cohabiting people they are highly committed to the regular savings ethic. The proportion of widowed, divorced or separated regular savers only dropped by 3% from winter to spring compared to 8% for married or cohabiting and 10% for singles.

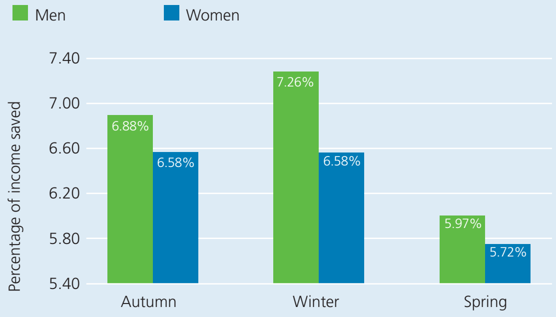
Women vs men

Spring saw the number of men who saved regularly fall sharply from 60% (winter) to 50% (spring). The number of female regular savers dropped from 52% to 47%.

In addition, both sexes saw a fall in the amount saved as a percentage of average income; men saved 5.97% (7.26% in winter) and women saved 5.72% (6.58% in winter). The greater fall in the amount saved as a percentage of average income for men shows the relative volatility of their savings habits: 6.88% in autumn, 7.26% in winter and 5.97% in spring.

Women, by contrast, have been more consistent in the amount saved as a percentage of average income: 6.58% (autumn), 6.58% (winter) and 5.72% (spring). Women also have a greater aspiration to save than men, looking to save 15.74% of their income compared to 13.83% for men.

Figure 4: Percentage of income saved



Data from NS&I Survey conducted Spring 2005

Young continue to outperform the old

16-24s or Young and Determined Savers (YADS) continued to be the UK's most serious savers, putting away 8.06% of their income. This is considerably higher than the next two highest age groups for savings: 25-34s who saved 6.31% and 45-54s who saved 5.89%.

YADS are also the age group which continue to recognise the importance of saving the most. They would ideally like to save 21.95% of their income each month, the highest saving goal across all age groups.

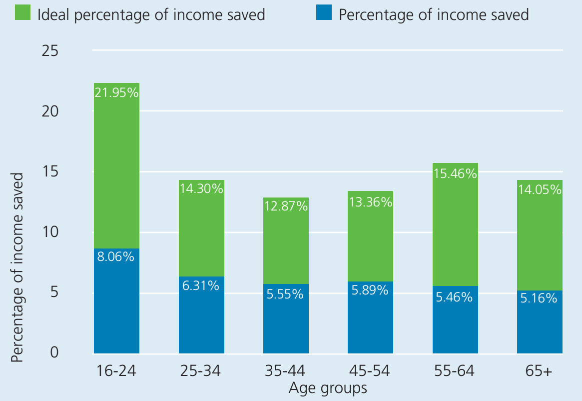
35-44s have the lowest ideal savings target across all age groups: 12.87%. However, this group boasts the highest number of regular savers of any age group: 56% compared to 52% for 25-34s, 51% for 45-54s and 42% for 16-24s. Predictably, the 65+ age group had the lowest number of regular savers at 39%.

Highest amount saved each month

Of those saving regularly, 45-54s saved the greatest amount each month (£178.05) followed by the 25-34s (£173.82) and 35-44s (£165.18). This is a slight reversal of the figures in winter when 25-34s saved the most (£188.98) followed by 45-54s (£183.61) and 35-44s (£166.88).

Regular savers' average monthly savings fell this quarter across all age groups except for the over 65s where they rose from £108.18 to £138.40. This increase may indicate that these pensioners who are generally on fixed incomes, decreased their savings levels to pay for the festive season and are now returning to their previous good habits.

Figure 5: Ideal versus actual savings



Data from NS&I Survey conducted Spring 2005

Social groups remain stable

In the spring quarter there was very little change in the number of regular savers in the socio-economic groups. ABs continued to boast the highest number with 58% saving regularly (winter: 65%) and DEs remained at the bottom of the savings table with 39% saving regularly (winter: 40%).

However, DEs do recognise the need to save more and have the highest ideal savings as a percentage of average income across any group (16.87%). This is down slightly from their ideal in winter (18.36%). In sharp contrast, ABs' ideal is 13.12% (winter: 13.56%)

Lack of job security encourages savers

While there are more full time workers (58%) who saved regularly than part time workers (54%), somewhat surprisingly part time workers saved more of their average income: 8.45% compared to 6.25%. This may be because they are aware of their financial vulnerability or possibly due to the fact that they are not the main breadwinners in their family group so can afford to save more.

The ideal savings as a percentage of average income rose for those in part time employment who wished to save 16.39% in winter compared to 17.91% in spring. The unemployed aspired to save 16.33% in winter compared to 17.12% in spring, yet their actual savings fell from 6.19% to 4.36% suggesting a widening 'reality gap'. In contrast, full time workers' ideal savings targets remained stable at 13.04% in spring and 13.14% in winter.

Regions echo the national picture (see figure 7)

The regional savings pattern echoed the overall findings of this report with the majority of regions reporting a fall in the number of regular savers. In the South East the number fell by 15% from 58% in winter to 43% in spring, while the East Midlands (47%) and the North West (53%) recorded the lowest fall of just 2%.

Having had the second lowest number of regular savers in winter, Yorkshire and Humberside was the only region to record positive growth with the number of regular savers increasing 4% to 55%.

The amount saved as a percentage of income also fell across most regions with the South East (down 2.72% to 4.68%), Greater London (down 2.31% to 5.99%) and the North East (down 2.08% to 4.50%) recording the greatest falls. The North East saved the lowest percentage of income of any region.

However, East Anglia (up 1.17% to 7.63%), Yorkshire and Humberside (up 1% to 6.67%) and the East Midlands (up 0.63% to 6.76%) bucked this trend with small increases.

Small savers and super savers

There has been a drop in both those who are saving modest amounts and those who are saving significant sums this quarter.

- Small Savers: 16% of savers put aside £99 or less each month (winter: 20%)
- Super Savers: 7% of savers saved £300 or more each month (winter: 10%).

What are people saving for?

Spring (winter)
- 41% (42%) nothing in particular
- 13% (12%) holiday
- 12% (12%) retirement
- 10% (13%) rainy day

Single:
- 14% (13%) holiday
- 12% (10%) new car
- 9% (14%) home purchase /mortgage payment

Married/cohabiting:
- 14% (15%) retirement
- 13% (12%) rainy day
- 12% (13%) holiday

Widowed/divorced/ separated:
- 12% (15%) retirement
- 12% (11%) holiday
- 9% (5%) children

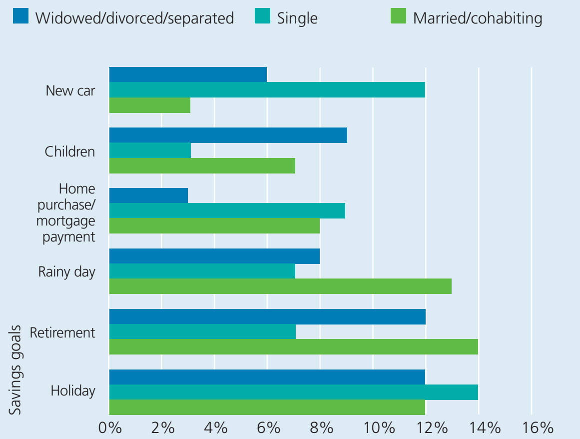
Current total savings down

The average amount held in savings, excluding pensions, was £15,514, 11.97% lower than in the previous quarter (£17,623). The amount people think they should have deposited was 63.86% higher than this, at £25,421 (£28,606). 11% had no savings.

Savings under £1,000
- 21% of the population
- 19% of men
- 22% of women
- 36% of 16-24s
- 16% of married or cohabiting
- 29% of singles
- 20% of widowed, divorced or separated

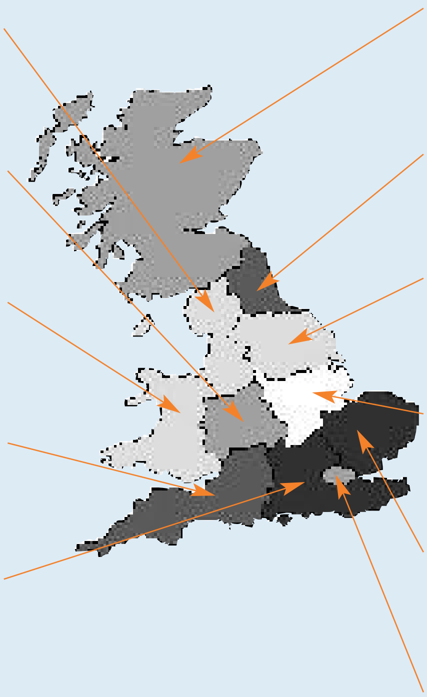
Savings over £50,000
- 7% of the population
- 8% of men
- 6% of women
- 1% of 16-24s
- 8% of married or cohabiting
- 4% of singles
- 6% of widowed, divorced or separated

Figure 6: Savings goals



Data from NS&I Survey conducted Spring 2005

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



North West

% of income saved*	6.63%
Ave. net income	£1156.10
% who regularly save	53%
Ave. amount saved**	£158.06

West Midlands

% of income saved*	5.75%
Ave. net income	£1264.74
% who regularly save	49%
Ave. amount saved**	£174.82

Wales

% of income saved*	5.64%
Ave. net income	£1158.30
% who regularly save	47%
Ave. amount saved**	£149.74

South West

% of income saved*	5.51%
Ave. net income	£1363.50
% who regularly save	50%
Ave. amount saved**	£156.52

South East

% of income saved*	4.68%
Ave. net income	£1229.60
% who regularly save	43%
Ave. amount saved**	£151.01

Scotland

% of income saved*	5.92%
Ave. net income	£1133.06
% who regularly save	52%
Ave. amount saved**	£143.94

North East

% of income saved*	4.50%
Ave. net income	£908.66
% who regularly save	45%
Ave. amount saved**	£106.94

Yorkshire & Humberside

% of income saved*	6.67%
Ave. net income	£1087.80
% who regularly save	55%
Ave. amount saved**	£144.63

East Midlands

% of income saved*	6.76%
Ave. net income	£960.63
% who regularly save	47%
Ave. amount saved**	£162.24

East Anglia

% of income saved*	7.63%
Ave. net income	£1097.20
% who regularly save	53%
Ave. amount saved**	£186.55

London

% of income saved*	5.99%
Ave. net income	£1359.94
% who regularly save	46%
Ave. amount saved**	£202.08

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

Data from NS&I Survey conducted Spring 2005

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.

The Spring Savings Survey shows that the net balance of propensity to save over the next three months is negative, despite increasing savings goals. The index records an overall balance of -1%, indicating people thought they would be a little less likely to save over the next three months.

This is considerably down from the optimism of the last quarter when a balance of +9% considered themselves more likely to save and is at odds with rising saving ideals from all sections of the population.

Age

A closer look at different groups of people once again shows that the young are the most keen to save. 16-24 year-olds have a balance of +28% propensity to save. This is consistent with the autumn's +24% and more realistic than the winter's +44% perhaps fuelled by new years' resolutions. 25-34 year-olds were the only other age group to show positive savings intentions for the coming months, with +2% on the index.

Gender

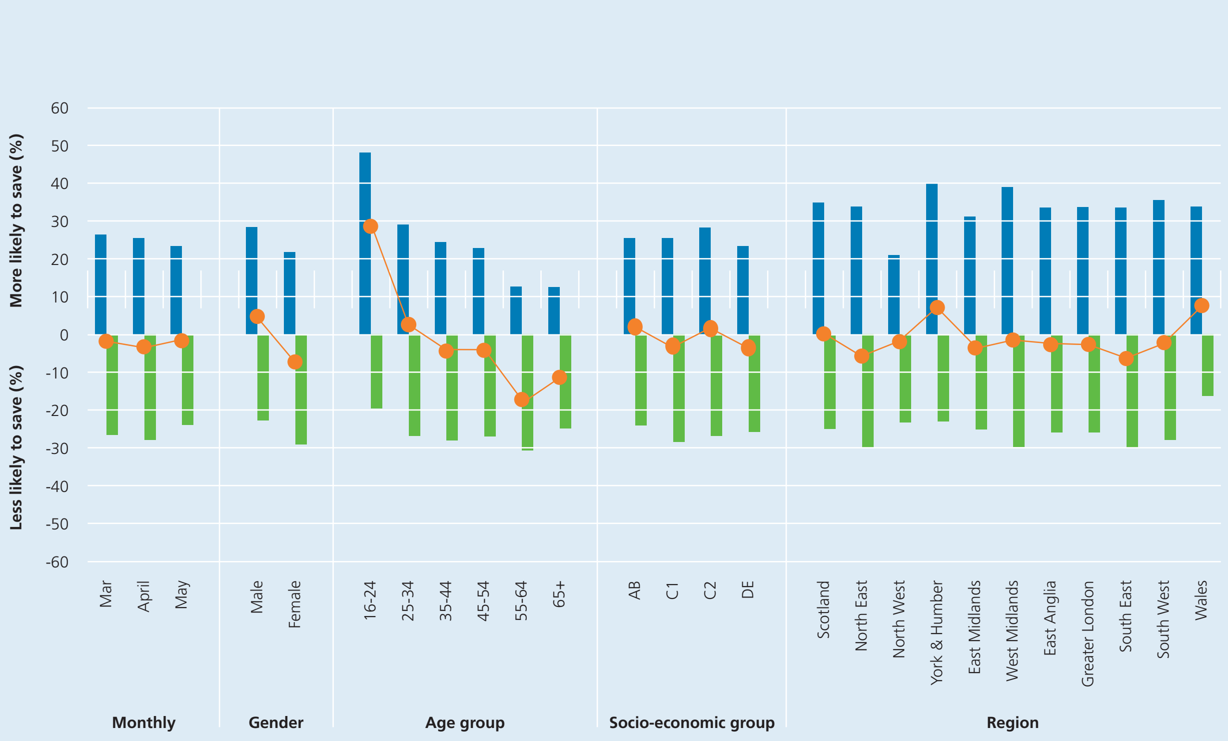
Men remained positive about their likelihood to save (+5% compared to +13% in the last quarter) while women's propensity to save has dropped to -7%, (compared to +4%). In the socio-economic groups, C2s showed more of a savings ethic, matching ABs with a balance of +1% more likely to save over the next three months. By contrast, C1s and DEs both have a balance of -3% less likely to save.

Regions

In the regions only Wales and Yorkshire and Humberside showed a positive propensity to save with a balance of +8% and +7% respectively. All other regions are less likely to save except Scotland which holds a neutral position, predicting savings levels will stay the same in the coming months. In previous surveys Londoners have always considered themselves more likely to save but this has fallen considerably from +14% to a -2% propensity to save.

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 8: Propensity to save over the next three months



Data from NS&I Survey conducted Spring 2005

First-time buyers

Housing deposit challenge worsens for first-time buyers but there are signs of some stabilisation

First-time buyers need to save harder and for longer to get on the first rung of the property ladder, despite a cooling housing market.

Typical first-time buyers saving 5% of their quarterly earnings now need to save for 4.75 years to afford the standard minimum 5% deposit on their first home (see Figure 9). Savings are assumed to be placed in a typical deposit savings account.

This is three months longer than just six months ago when the figure was 4.5 years and nine months longer than a year ago, indicating how house prices have continued to outstrip incomes and savings rates.

The average price of a first-time buyer home is currently £147,127 (2005 Q1 – see Figure 10[1]) and the 5% deposit required is £7,356. The combined average income for current first-time buyers is presently £31,400 (see Figure 12)[1]. Six months ago the average price was £143,743 and the 5% deposit required £7,187.

While first-time buyers' incomes have only seen small increases of 0.5% since 2004 Q1, prices paid for a typical first-time buyer home have rocketed from £126,341 in 2004 Q1 to £147,127 in 2005 Q1, an increase of 16.5%. The deposit required has increased from £6,317 in 2004 Q1 to £7,356 today – a rise of over £1,000. Savings rates have risen over the period, from 3.70% gross in 2004 Q1 to 4.31% gross presently[2], a welcome relief for savers.

Regional variations

Across the UK, there are strong regional variations and trends. The region where it takes the shortest time to save for a first home is Scotland, where it takes 3.75 years compared to 3 years in 2004 Q1. Scotland enjoys the lowest house price to income ratio in the UK (see Figure 11 on the following page), implying that houses are still relatively affordable for buyers.

The time taken to save a deposit in London, the South East and the South West has remained static at 4.5 years since 2004 Q3, following an increase of three months from 2004 Q1. House prices in these regions have seen the lowest levels of inflation in the UK, while house price to income ratios have seen small increases. Earnings in these areas are the highest in the UK, going some way towards easing the pressure for first-time buyers.

While it takes first-time buyers in East Anglia the longest to save for a deposit (5 years), the most dramatic changes have occurred in Wales and in the North. In Wales it now takes 4.5 years to save a deposit, 1.5 years longer than in 2004 Q1, while in the North East and North West the average time needed to save a deposit has risen by 1.25 years from 3 years to 4.25 years. The West Midlands has also seen an increase of 1.25 years from 3.25 years in 2004 Q1 to 4.5 years in 2005 Q1. In contrast, East Anglia has only seen a 1 year rise since 2004 Q1.

Figure 9: Years to save deposit

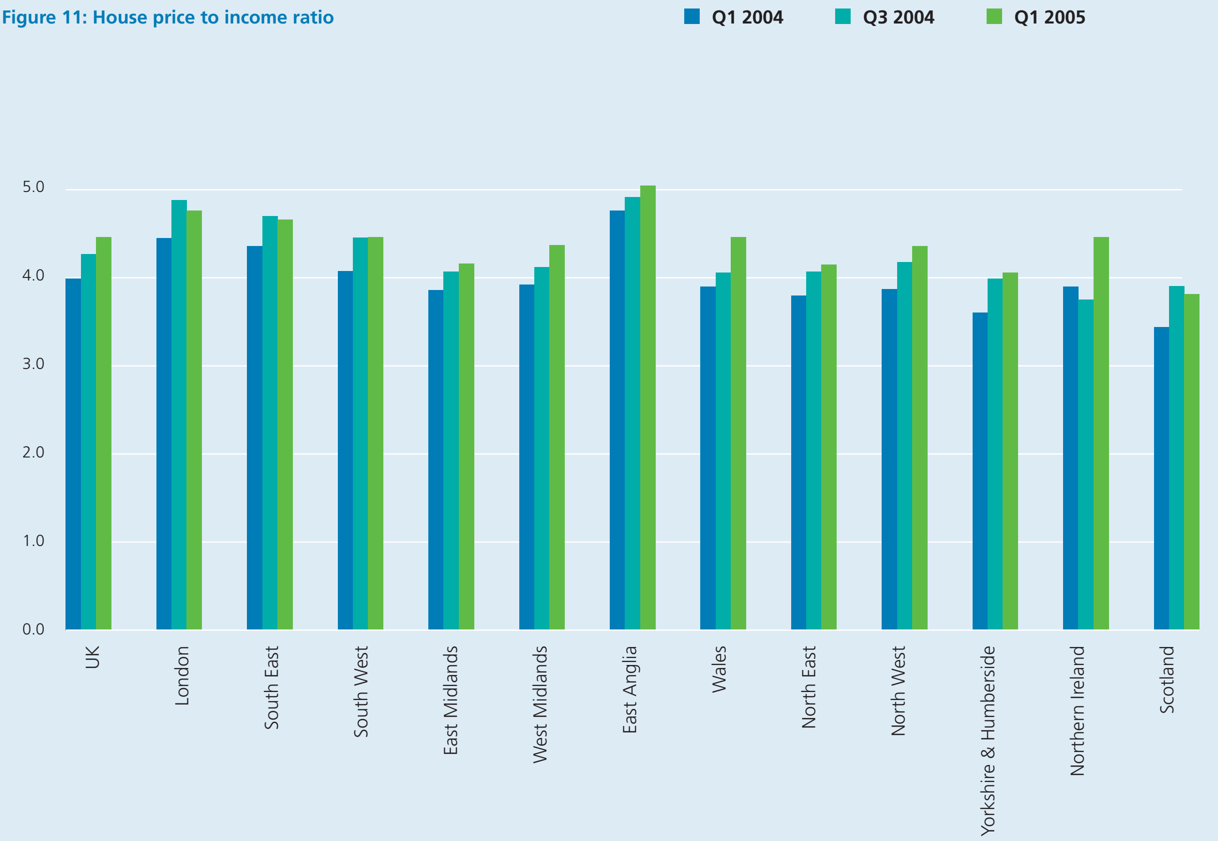
	Q1 2004	Q3 2004	Q1 2005
UK	4	4.5	4.75
London	4.25	4.5	4.5
South East	4.25	4.5	4.5
South West	4.25	4.5	4.5
East Anglia	4	4.5	5
East Midlands	3.75	4	4.25
West Midlands	3.25	4	4.5
Wales	3	4	4.5
North East	3	3.75	4.25
North West	3	3.75	4.25
Yorkshire & Humberside	3	3.5	4
Scotland	3	3.5	3.75
Northern Ireland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

Figure 10: First-time buyer house prices

	Q1 2004	Q3 2004	Q1 2005
UK	£126,341	£143,743	£147,127
London	£194,323	£217,273	£216,690
South East	£161,903	£178,941	£178,779
South West	£137,778	£156,350	£159,148
East Midlands	£106,883	£123,783	£124,332
West Midlands	£108,562	£124,704	£127,003
East Anglia	£142,322	£158,216	£159,714
Wales	£95,219	£114,622	£117,004
North East	£87,042	£104,999	£103,148
North West	£94,908	£112,505	£114,113
Yorkshire & Humberside	£92,012	£109,447	£110,673
Northern Ireland	£84,578	£94,364	£103,004
Scotland	£81,720	£94,853	£96,222

[1] *Source: Office of the Deputy Prime Minister (ODPM)* [2] *Source: Council of Mortgage Lenders*

Figure 11: House price to income ratio



Wales, the North West and the West Midlands have all recorded the biggest change in house price to income ratios from 2004 Q1. While they are not significantly high, they clearly demonstrate how rising house prices compared to incomes have impacted on first-time buyers and the amount of time needed to save a deposit.

Signs of a market slowdown

The most recent analysis reveals that while the time needed to save for a deposit has continued to increase in most of the UK, it has stabilised in the South as increases in house prices have slowed down. This slowdown may well spread throughout the UK in the coming months. If this is coupled with a continued rise in savings rates and incomes through the summer, 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
UK	£31,270	£33,084	£31,426
London	£43,429	£44,711	£43,646
South East	£36,416	£37,940	£36,598
South West	£33,874	£34,368	£34,043
East Midlands	£28,022	£30,088	£28,162
West Midlands	£27,665	£29,443	£27,803
East Anglia	£30,260	£32,074	£30,411
Wales	£24,508	£27,927	£24,631
North East	£23,146	£25,436	£23,262
North West	£24,563	£26,890	£24,686
Yorkshire & Humberside	£25,506	£27,643	£25,634
Northern Ireland	£21,933	£25,789	£22,043
Scotland	£24,095	£24,168	£24,215

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, 2004 Q3 and 2005 Q1.

Average dwelling prices for first-time buyers in 2004 and 2005 are taken from the ODPM Housing Statistics Live Table 592. Deposits are worked out at 5% of the first-time buyer prices. To calculate figures for income in Q1 2005, the annual change according to the ONS (0.5% up on Q1 2004) has been applied to all regional income figures 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		Mar	April	May
Instant access	Highest	5.25	5.25	5.20
	Mean	2.70	2.70	2.72
	Lowest	0.10	0.10	0.10
Internet only	Highest	5.35	5.35	5.35
	Mean	4.73	4.72	4.74
	Lowest	3.30	3.30	3.30
No notice bonus	Highest	5.31	5.31	5.31
	Mean	4.83	4.88	4.90
	Lowest	4.32	4.32	4.32
No notice without bonus	Highest	5.35	5.35	5.35
	Mean	4.03	4.04	4.04
	Lowest	0.75	0.75	0.75
Notice	Highest	5.73	5.60	5.50
	Mean	3.41	3.40	3.40
	Lowest	0.75	0.75	0.75
Children's	Highest	5.75	5.35	5.35
	Mean	4.37	4.32	4.33
	Lowest	1.51	1.51	1.51
Mini cash ISA	Highest	5.70	5.50	5.70
	Mean	4.80	4.78	4.81
	Lowest	3.60	3.60	3.60
Current account	Highest	4.50	4.50	4.50
	Mean	1.59	1.46	1.46
	Lowest	0.10	0.10	0.10
Monthly interest	Highest	5.25	5.25	6.00
	Mean	3.25	3.28	3.33
	Lowest	0.10	0.10	0.10
Regular	Highest	5.85	5.85	5.85
	Mean	4.54	4.58	4.58
	Lowest	1.25	2.90	2.90
Fixed rate bond	Highest	5.40	5.55	5.40
	Mean	4.77	4.87	4.89
	Lowest	2.88	2.88	2.88

Rates correct at 1st of each month

Accounts with a maximum investment level of less than £5,000 or with multiple restrictions are not included.

Data from Moneyfacts Spring 2005

Base rates have remained unchanged since August 2004 but the rates on savings products in this time have not been so stable. Over the last three months there have been fluctuations both up and down in the interest rates available through different products.

Changes for better...

A high rate of 6.00% is available from monthly interest accounts. This moves this product to the top of the league. Regular savings accounts and mini cash ISAs follow shortly behind, with top rates of 5.85% and 5.70% respectively.

And for worse…

The rates on regular savings accounts, while still high in comparison to other accounts have dropped this quarter as the market leading rate of 7.00% has been removed. Other accounts that have gone down since last quarter are no notice accounts without bonus and children's accounts. However, the mean rate for no notice without bonus has actually increased showing that there has been an overall increase in rates even if the highest rate has dropped.

Competition keeps rates up

The mean rates available on no notice bonus, mini cash ISA and fixed rate bond accounts are all above the base rate, as are all the top rates for every product except current accounts. There are high rates available in all the different product areas but these rates do not always stay for long.

However, no amount of competition has any effect on the lowest rates. These stay disappointingly low, in particular for current accounts, instant access and monthly interest accounts which have a number of products paying a pitiful 0.1%.

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*