



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

# Savings levels creep upwards

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 twelfth Quarterly Savings Survey, covering the summer months of June, July and August 2007 are detailed below, along with key annual trends.

### Seasonal trends

This summer 2007, all of the savings indicators have increased in value from the levels recorded the previous quarter, spring 2007. During this time:

- The average amount saved each month across the population has increased from £77.55 to £81.43, the highest level since autumn 2006 (£91.82)
- The average monthly amount saved by people in Britain as a percentage of income has increased from 6.02% to 6.22%, highest since autumn 2006 (7.15%)

- The number of people who regularly set money aside each month has risen from 46% to 48%, highest since autumn 2006 (58%)
- The average monthly amount saved by regular savers has increased from £173.63 to £173.73, highest since winter 2006/7 (£184.32)

This summer is the first time that there has been an increase in value across all of the savings measurements since autumn 2005, and only the second time that this has happened since the Quarterly Savings Survey began in autumn 2004.

Table 1	Monthly average saved by those saving regularly (£)	Percentage who regularly save each month (%)	Monthly average saved per head (£)	Amount saved as a percentage of average monthly income (%)
Summer 07	173.73	48	81.43	6.22
Summer 06	174.50	54	87.85	6.80

## Also in this issue

### Savings levels creep up

- Percentage of people who save regularly: 48% (spring 2007: 46%)
- Average monthly amount saved per head: £81.43 (spring 2007: £77.55)
- Amount saved as a percentage of income: 6.22% (spring 2007: 6.02%)

But overall levels are still down from those recorded in summer 2005 and 2006.

### Those who regularly save are committed to the task

Analysing nearly three years of savings data, the average monthly amount of money saved by those saving regularly appears to be steadily increasing over time.

### However, fewer people are setting money aside

Historically, the records suggest that there has been an overall decline in the number of people regularly setting money aside each month, accompanied by a decrease in the amount the population is saving as a proportion of its income.

### 'Silver' savers suffer

This summer 2007, those aged between 35 and 64 are on average only managing to save between 5.80% and 5.95% of their income. The 65+ age group experienced a decline across all the savings measurements during this period.

### Plummeting savings ideals

This quarter, ideal savings as a percentage of average monthly income is at the lowest level since the survey began; 13.37%.

### 'Saveaholic' savers

A fifth (20%) of savers admit that they would consider themselves to be 'saveaholics' with over a third of all people (35%) stating that they feel worried if they don't save as much money as they intended.

### Putting the fixation into practice

Just under two thirds (65%) say they turn down holidays, social engagements and buying new clothes to save money. Almost one in ten (9%) make these sacrifices all the time and a further fifth (20%) do so regularly. Over a quarter (27%) admit to being obsessive about shopping around to get the best deals.

However many of the savings indicators have only increased marginally in value since spring 2007, and remain lower than those recorded in summer 2006. See figure 1.

Further, two of the savings indicators are at their lowest summer levels since the survey began:

- The percentage of people regularly setting money aside each month has decreased from 55% in summer 2005, to 54% in summer 2006, and even further to its current value of 48% this quarter
- The average monthly amount saved by the population as a percentage of income is 6.22% this summer, lower than the values for the equivalent quarters in 2005 and 2006 (6.64% and 6.80%)

The average monthly amount saved per head (£81.43) in summer 2007 is considerably lower than it was at this time last year (summer 2006: £87.85) however it is at a similar level to this quarter in 2005, £81.36.

**Trends over time reveal diverging savings behaviours**

Nearly three years of savings data has been collected since the first NS&I Quarterly Savings Survey was carried out in autumn 2004 and a number of trends can be seen in the results. See figure 1.

While the average monthly amount of money saved by those saving regularly appears to have increased over time, the average amount saved across the population each month appears to have remained fairly constant.

But there has been a decline in the number of people regularly setting money aside each month, along with the amount the population is saving as a proportion of its income. This quarter over half of those surveyed (52%) are not regularly saving money each month. Of these, nearly a fifth (19%) do not save at all.

**Figure 1: Changes in savings indicators over time**



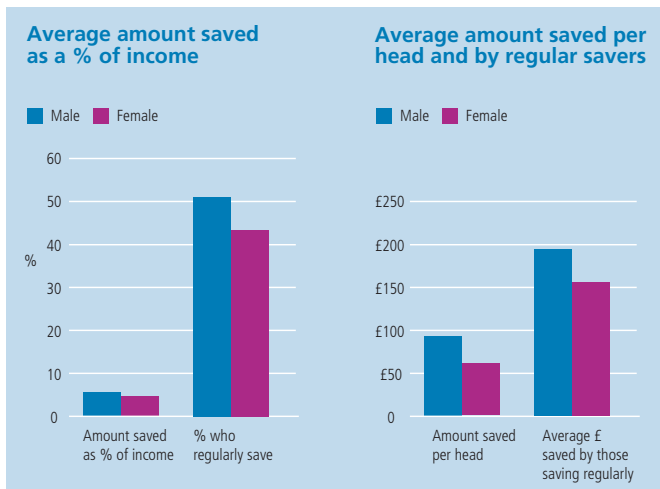
**Reversing the trend**

The Quarterly Savings Survey has revealed a worrying trend that fewer people are setting aside a regular proportion of their monthly income and that across the population the average amount being saved as a percentage of income appears to be declining. However, the slight increase in values experience over the last two quarters has given some hope for the future.

**Those who regularly save are committed to the task**

Positive findings in the Quarterly Savings Survey show that Brits who save money habitually each month are committed to the task and are increasing the amounts they save, apparently taking into account inflation, wage increases, and rising interest rates. Indeed, with the Bank of England having increased the base rate five times between July 2006 and July 2007 to its current level of 5.75%, it appears that regular savers are recognising there has never been a better time to save. See figure 8, economic snapshot of Britain.

**Figure 2: Gender breakdown of average saved as a % of income, average saved per head, percentage of regular savers and average saved by regular savers.**



**Savings equality a long way off**

Women consistently save less each month than men. This is probably a result of the income gap between the two sexes (summer 2007: £1,503 and £1,104 average monthly income for men and women respectively). Men continue to have a much larger overall amount in savings, an average of £21,588 compared to £15,593 for women. This gap is fairly constant, with the amounts in savings averaging £21,538 for men and £15,543 since September 2006.

**Young and determined outstrip 'silver' savers**

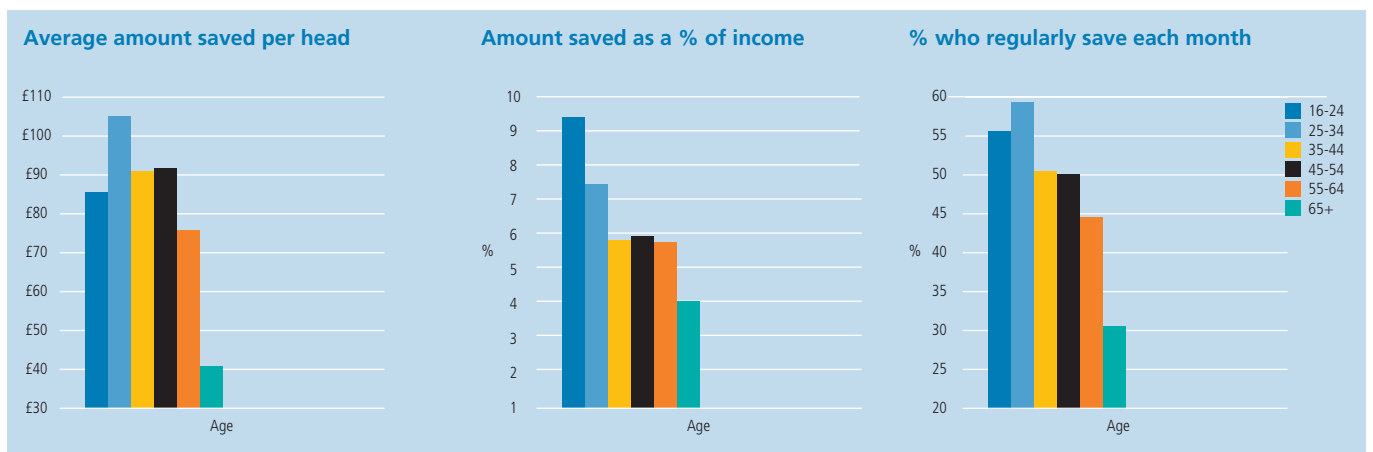
While it is very positive that the younger generations appear to be committed to saving money, recognising the need to increase the amount set aside possibly taking into account inflation and rising interest rates, the Quarterly Savings Survey reveals that this tails off as people grow older. The 16-24 age group experienced an increase in value across all the savings indicators this quarter compared to spring 2007. See table 2.

This summer 2007, those aged between 35 and 64 are on average only managing to save between 5.80% and 5.95% of their income.

The 65+ age group experienced a decline across all the savings measurements during this period. See table 2.

	16-24		65+	
	Spring 2007	Summer 2007	Spring 2007	Summer 2007
Monthly average saved by those saving regularly (£)	145.03	155.16	140.53	138.94
Percentage who regularly save each month	50	56	34	32
Monthly average saved per head (£)	72.36	86.43	44.96	40.65
Amount saved as percentage of average monthly income	8.16	9.41	4.73	4.00

**Figure 3: Age breakdowns of key savings indicators**



The population is ageing: 18.7% of the population are over pensionable age and as we have seen in this Quarterly Savings Survey the 65+ age group have declining savings. In 2007 Brits have an average life expectancy of over 80 years and already over a fifth (21%) of pensioners (2.2 million) live in poverty<sup>3</sup>. The need to save ahead becomes even more apparent.

**Recommendation from NS&I's savings strategy team:**

A good benchmark to aid financial planning is to set an aim of living on less than your earnings, for example 85% of your take-home pay.

**Lack of savings desire**

Before savings levels increase people need to want to save more. The trend analysis suggests that ideal monthly savings as a percentage of income has been decreasing over time. Figure 4.

Both ideal monthly savings per head and ideal monthly savings as a percentage of income have decreased in value from spring 2007 and summer 2006.

- Ideal savings as a percentage of income:  
Summer 2007: 13.37%  
Spring 2007: 13.88%  
Summer 2006: 14.41%
- Ideal savings per head:  
Summer 2007: £174.91  
Spring 2007: £178.71  
Summer 2006: £186.30

This quarter, ideal savings as a percentage of average monthly income at 13.37% is at the lowest level since the survey began. The highest was 14.75% in autumn 2005.

Women have traditionally aspired to save a higher percentage of their income than men, however the trend analysis shows that the rate of decline in ideal savings is greater for women, see figure 5. This quarter women have the lowest ideal savings as a percentage of average income since the survey began – 13.88%. Men have recorded the second lowest value, 13.07%, since autumn 2004.

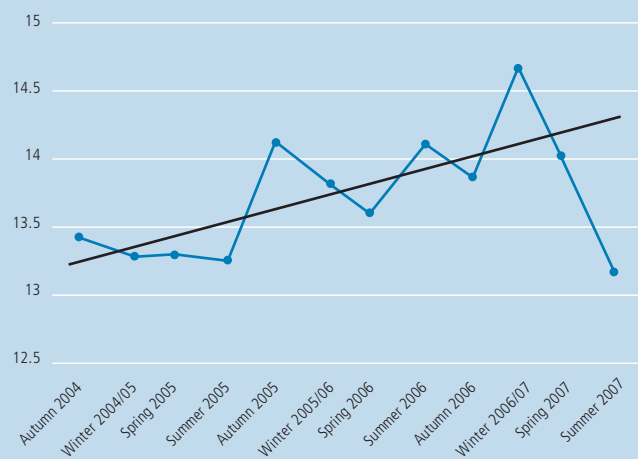
The 45-54 and 65+ age groups have experienced the biggest decline in their savings targets. This quarter the 45-54 year group are aspiring to save only 11.78% of their monthly income, the lowest amount since the survey began.

The 16-24 year-olds have experienced the largest increase in their ideal saving levels of any of the age groups, aspiring to save £172.14, an increase of £13.84 from the spring figure of £158.30. This age group are aspiring to save 18.74% of their average monthly income, a level which ideally would sustain as they grow older.

**Recommendation from NS&I's savings strategy team**

As a rule of thumb individuals should aim to have three times their monthly income in easy access savings accounts.

**Figure 4: Ideal savings as a percentage of income over time**



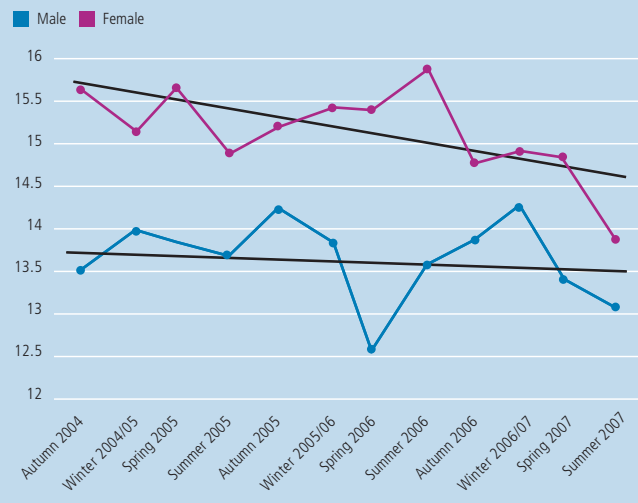
**What is stopping people from saving?**

The main barriers to saving appear to be a lack of money and higher outgoings, see figure 6.

Over half (52%) of those surveyed stated that they could not afford to save and that their outgoings prevented them from setting money aside.

It is possible that with the increasing interest rates impacting down on mortgage repayments and inflation resulting in higher costs (see figure 8, economic snapshot of Britain) pressure on many household budgets will rise. With the Bank of England predicting a further base rate increase before the end of the year, there are no short-term prospects of costs going down.

**Figure 5: Gender breakdown of ideal savings as a percentage of income**



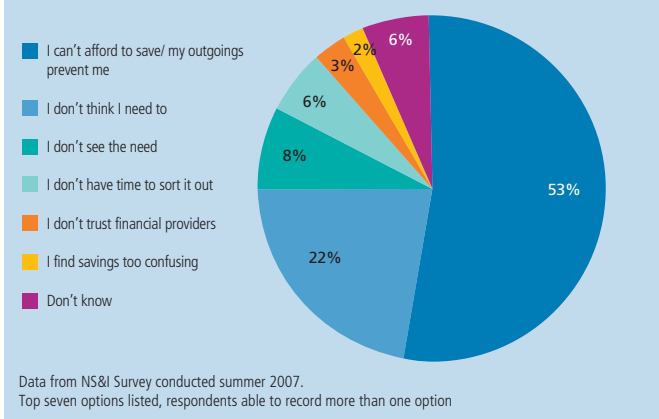
At present over a third (34%) of Brits state that they overspend each month. By addressing this and making a concerted effort not to build up debt, more money may be available to set aside in savings.

<sup>3</sup> (before housing costs) Age concern – Older people in the United Kingdom.

**Financing overspending:** More than one in 10 people (13%) are currently overdrawn at present. Of those people nearly a third (32%) state that they do not have enough money to last them through the month, and almost a quarter (23%) state that they go overdrawn as a result of the cost of paying off other debts. A fifth (20%) state that they do not budget or monitor their spending so they tend to overspend.

Another key reason people do not set more money aside in savings is because they don't think that they need to save, with over a fifth (22%) citing this as the main reason for not saving. While some may have money set aside already providing some financial security, others appear short-sighted and need to take a realistic look at their finances.

**Figure 6: What stops people from saving more?**



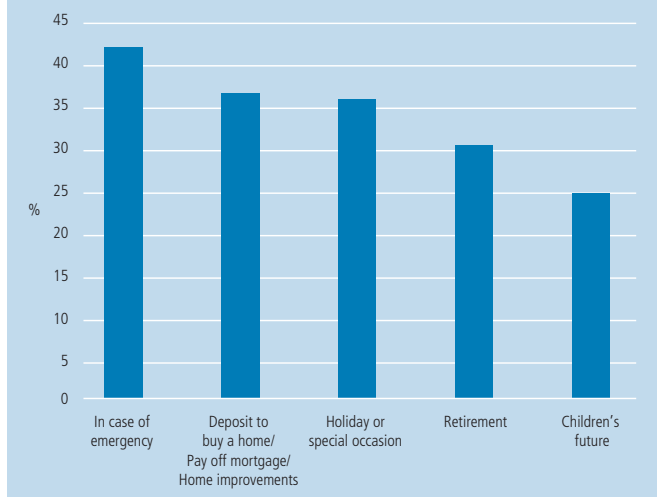
**Saving for an emergency**

At present nearly one in three people (28%) do not think they could cope financially in an emergency. This rises to nearly two-fifths (39%) of 25-34 year-olds.

- 12% of the British population have no savings
- Nearly a quarter (23%) have less than £1,000 in savings
- 27% of 35-44 year-olds have £1,000 or less in savings, and 11% of these have no savings at all

This summer 'saving for an emergency' is the most commonly cited reason for setting money aside. See figure 7. It is possible that the recent media coverage of the flooding and the associated £2 billion costs<sup>4</sup>, has highlighted to many the risks of not having savings to fall back on. Around 27,500 households across Britain have submitted claims to insurers as a result of the August flooding, but thousands more were not covered by insurance.

**Figure 7: What are people saving for?**



**Keeping an eye on the money**

- 14% of people admitted to not knowing how much they should save each month.
- Of those who do save, many do not have a savings strategy, with 72% saving for 'nothing in particular'
- Almost one in five (19%) people who have managed to save some money have not kept track of the amount that they have. This rises to almost a quarter (24%) of men with savings
- 13% of people say they do not know how much they should be spending each month. This nearly doubled since spring 2007 when it was 7%

**Summary**

Brits are still saving a lower percentage of their income than in previous quarters, despite a marginal increase from spring 2007. Making small changes in everyday spending habits and thinking about the consequences of financial decisions, such as the impact of high interest rates on repayments on borrowing, people should have more income available to save. Setting responsible and realistic savings targets and sticking to them will help ensure that a cushion of money is available should there be an emergency.

Figure 8: Economic snapshot of Britain in summer

	Summer 2005	Summer 2006	Summer 2007
Bank of England Base Rate (ONS, August figures)	4.50	4.75	5.75
FTSE 100 (Yahoo UK, 1 <sup>st</sup> day of the month)	5011	5750	6683
Retail Prices Index – All items (ONS)	192.2	198.5	207.3
Working age employment rate % (ONS)	74.5	74.3	74.4
Gross Mortgage Lending £ – million (CML)	30,596	31,673	34,200

All figures as at June of the relevant year, unless otherwise stated.

**Regional**

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

Greater London once again dominates the regions this summer.

- Average monthly amount saved per head is highest in Greater London: £94.57
- Highest number of regular savers is in Wales: 53%
- Highest average monthly amount saved by regular savers is in Greater London: £220.63

- Highest amount saved as a percentage of income is in Wales: 7.35%
- Average monthly income is highest for the South East: £1,517.90
- Highest ideal monthly amount of savings per head is in Greater London: £223.09
- Highest ideal savings as a percentage of average income is in Greater London: 15.8%

East Anglia continues to struggle with savings, with the lowest average amount saved per head, percentage of people saving regularly, amount saved by those saving regularly and amount saved as percentage of average income.

- Average monthly amount saved per head is lowest in East Anglia: £58.47
- Lowest number of regular savers is in East Anglia: 43%
- Lowest average monthly amount saved, by regular savers, is in East Anglia: £141.39
- Mean income is lowest across the West Midlands: £1,122.78
- Lowest amount saved as a percentage of income is in East Anglia: 4.16%
- Lowest ideal monthly amount of savings per head is in the South West: £144.35
- Lowest ideal savings as a percentage of average income is in the South West: 11.09%

Figure 9: Consumer savings pattern across GB regions: summer 2007

**East of England**

% of income saved*	4.16%
Average net income	£1404.60
% who regularly save	43%
Average amount saved**	£141.39

**East Midlands**

% of income saved*	6.23%
Average net income	£1178.06
% who regularly save	48%
Average amount saved**	£158.54

**London**

% of income saved*	6.70%
Average net income	£1411.56
% who regularly save	45%
Average amount saved**	£220.63

**North East**

% of income saved	6.74%
Average net income	£1179.80
% who regularly save	4%
Average amount saved**	£187.92

**North West**

% of income saved*	6.08%
Average net income	£1245.60
% who regularly save	48%
Average amount saved**	£160.97

**Scotland**

% of income saved*	6.62%
Average net income	£1221.74
% who regularly save	52%
Average amount saved**	£157.30



**South East**

% of income saved*	5.85%
Average net income	£1517.90
% who regularly save	48%
Average amount saved**	£186.02

**South West**

% of income saved*	5.64%
Average net income	£1301.10
% who regularly save	47%
Average amount saved**	£157.94

**Yorkshire & Humberside**

% of income saved*	6.28%
Average net income	£1232.60
% who regularly save	51%
Average amount saved**	£159.89

**Wales**

% of income saved*	7.35%
Average net income	£1273.60
% who regularly save	53%
Average amount saved**	£183.43

**West Midlands**

% of income saved*	6.89%
Average net income	£1122.78
% who regularly save	48%
Average amount saved**	£162.91

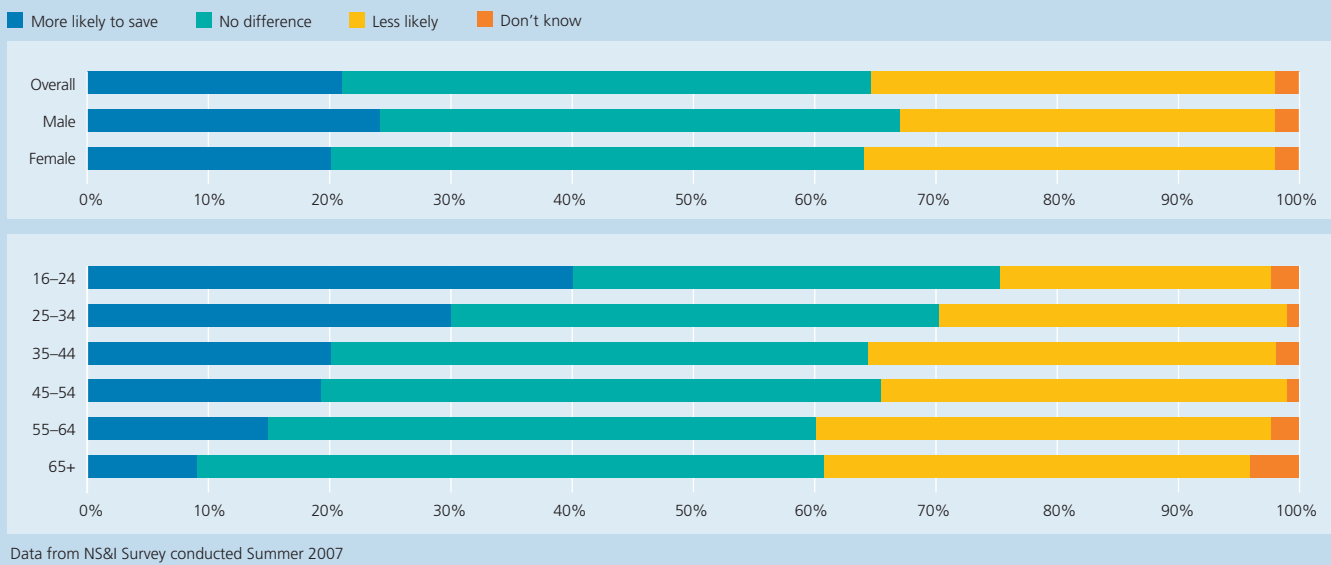
\*% of income saved for total population of the region

\*\*Average amount saved by those who regularly save

Data from NS&I Survey conducted Summer 2007

# Savings Outlook

Figure 10: The population's savings outlook for the coming three months



### 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 summer, people are feeling less positive about their ability to save in the coming months than they reported last quarter.

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. The percentage less likely to save is higher than recorded in summer 2006 (29%) or 2005 (27%), indicating that people are increasingly pessimistic. Only 5% of the population thought that they would be much more likely to save in the next three months.

Optimism about saving decreases with age, with less than one in 10 (9%) of those over 65 optimistic about their savings future, compared to 40% of the 16-24 age group.

People in the 55-64 age group are the least optimistic about their ability to save, with nearly two fifths (38%) feeling that they are less likely to save in the coming months.

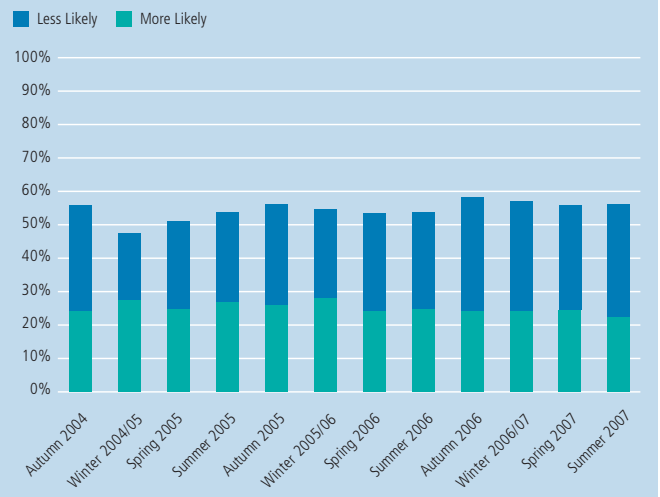
However, the last QSS savings outlook predicted a drop in savings from spring 2007 to summer 2007, and the savings trends data from this survey shows that this has not been the case. People have managed to set aside a little more money than expected and should feel encouraged by this achievement.

### 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 summer, slightly less than a third of the population (31%) saying that they are more likely to save in the next 12 months.

A higher proportion of men than women believe they are more likely to save money over the following year than previously. This summer, 34% of men compared to 29% of women thought they were more likely to save.

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

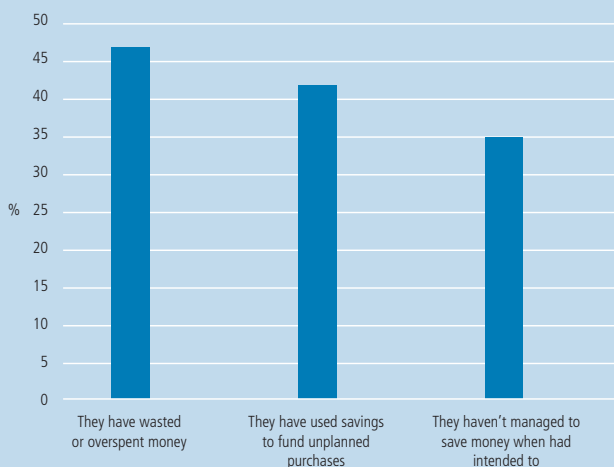


# 'Saveaholic' savers

Those who save regularly are committed to saving. And some are surprisingly obsessive about saving. A fifth (20%) of savers admit that they would consider themselves to be 'saveaholics'. This commitment spreads beyond those who tag themselves with this behaviour, with over a third of all people (35%) saying that they feel worried if they don't save as much money as they intended.

Frittering money away also makes people feel anxious, with nearly half (47%) of Brits worrying if they feel they have wasted money or overspent in a month. Spending savings on unplanned purchases is similarly distressing: over two-fifths (42%) of Brits say they worry if they dip into their savings pot to fund an unplanned purchase.

Figure 12: % of Brits who are worried when...



## How do obsessive Brits make these savings?

Unsurprisingly 97% of savers feel satisfied when they get a bargain on a purchase. However, over a quarter (27%) admit to being obsessive about shopping around to get the best deals. 80% of people get satisfaction from haggling to knock money off the price of something, and over half (58%) of people say they happily brag about getting a bargain. Nearly a third (29%) even claim to turn down holidays, social engagements or buying new clothes to save money. Almost one in 10 (9%) make these sacrifices all the time and a further fifth (20%) do so regularly.

## Putting savings before generosity?

Nearly nine out of 10 (89%) savers claim that although they save where they can they are generous with spending on friends and family. However, some Brits appear to be so committed to the habit that they save at the expense of family and friends. One in 10 (10%) have not bought presents for family and friends in order to save more money, with a further fifth (20%) stating that they

will cut back on spending on family and friends in order to save for something specific. 8% of Brits with savings have not bought a round of drinks in order to put that extra money aside. Nearly half (48%) of Britain's savers feel pleased with themselves when they can pass off unwanted presents to other family or friends.

## The Brits' love of deals

- 86% of Brits say they take advantage of deals if they are on offer. Only 5% of Brits pay the first price they see and 8% claim they get better quality if they pay more
- 84% get satisfaction from promotions on purchases and money off vouchers
- 91% get satisfaction from getting good clothes at the cheaper high street stores
- Almost three quarters (74%) get satisfaction from buying something second hand which is as good as new

## Women savers most 'addicted' and most likely to worry

22% of women with savings are 'saveaholics', compared to 18% of men. Almost all women savers (98%) are pleased with themselves when they bag a bargain with nearly nine out of 10 (89%) women feeling satisfied when they use money off vouchers or other forms of promotion compared to 79% of men. Women are also much more vocal in their pleasure with nearly two thirds (63%) of women bragging about their finds (compared to just over half, 52%, of men). Only 37% of women are able to keep quiet and let people think they have spent more compared to 48% of men.

When women do not manage to save they worry more. Over half of women are concerned if they feel they have overspent in a month (53%, compared to 41% of men), while over two-fifths (45%) of British women worry if they have dipped into their savings to pay for something unplanned (the male equivalent is 39%). Over two fifths (41%) of women worry if they have not managed to save when they had intended to.

Women are harder on themselves than men – with nearly a third of women (31%) denying themselves holidays, social engagements and buying new clothes, compared to just over a quarter (26%) of men. However women remain generous to family and friends and are less likely to curb spending, with only 8% saying they have not bought presents for friends and family compared to 13% of men. 92% of women with savings try and save more when they can but are still generous with family and friends, compared to 86% of men. Despite this generosity, women with savings are more inclined to be satisfied if they can pass off unwanted presents to friends and family than men (51% compared to 44%).