

NS&I Savings Tracker Examining savings behaviour across Britain

Savings levels and targets fall

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 tenth Quarterly Savings Survey, covering the winter months of December 2006 and January and February 2007 are detailed below, along with key annual trends.

Seasonal trend

The tenth QSS indicates the existence of a seasonal trend in savings behaviour. It shows that savings levels have decreased across the board from the high levels recorded in autumn 2006. This replicates the drop in savings that was recorded from autumn 2005 to winter 2005/06.

Savings targets suffering

In particular to note this winter was the decrease in the amount that the British population ideally wanted to save per month,

a decline that has been observed from autumn to winter every year since the survey began in spring 2004.

This quarter saw the average amount that people aimed to save each month slip from £181.86 to £176.48. At just over £175, the average amount people were aspiring to save each month this winter was the lowest recorded since summer 2005. In fact, the decrease in ideal monthly saving levels from autumn 2006 to winter 2006/07 is the largest drop since the survey began (a percentage decrease of 3%). This compares to a fall from £183.62 in autumn 2005 to £179.56 in winter 2005/06.

The older age groups appear to have found it most difficult to maintain their savings targets, with those aged 55-64 dropping their savings sights most, from ideally saving £173.99 per month during the autumn to £149.62 for the winter months, a decrease of 14.01%.

Also in this issue

Seasonal drop in savings

Savings levels have dropped this winter from the figures recorded in autumn 2006. This fall in savings levels replicates those experienced previously from autumn to winter, suggesting a seasonal trend.

Savings targets suffering

With an average of just over £175 a month (£176.48), the amount that people aim to save was at its lowest level this winter since summer 2005. The drop in savings aspirations from autumn to winter 2006/07 is the largest fall since the survey began.

Men continue to out-save women

Women continue to fare worse in the financial battle of the sexes, saving an average of £58.04 per month, compared to £84.13 for men.

Savings outlook

More people feel pessimistic than optimistic about their ability to save over the coming three months. 32% of Brits said they were less likely to save as much this spring as they had during the winter. Only 25% stated that they would save more.

Relocation, relocation

A quarter (25%) of British first-time buyers are considering moving abroad to take advantage of the cheaper cost of living, saving the money needed for a deposit back home.

Savings aspirations high but the reality falls short

First-time buyers are not managing to save the amounts that they think they need to in order to save enough for their first deposit. On average non-homeowners are setting aside less than £200 per month, despite thinking they should be saving more than £350.

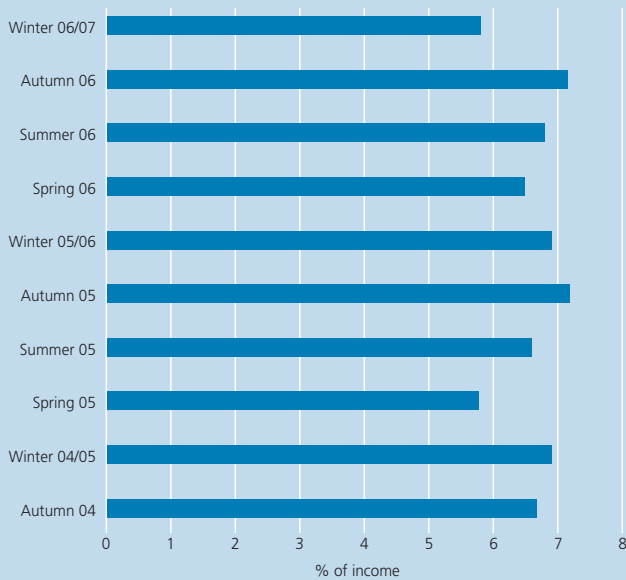
† When the survey was carried out this quarter, information about savings was requested in a different way. This has slightly affected the results given, showing greater changes between this quarter and previous quarters. Although the general trends shown are as expected some caution should be used when making a direct comparison between this quarter's data and previous quarters.

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National Savings and Investments

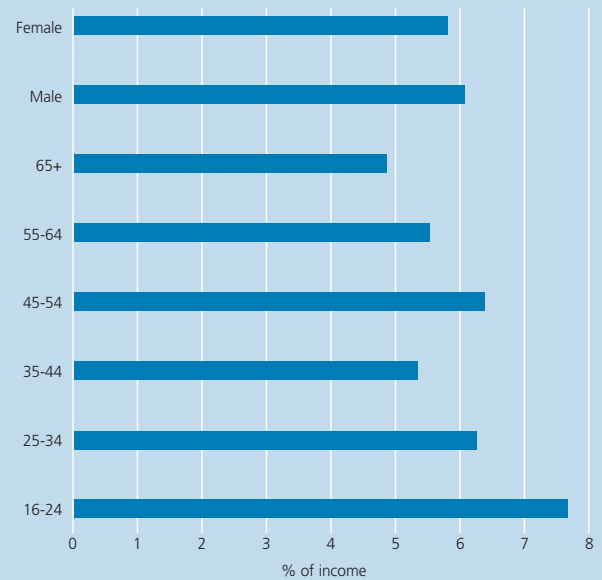
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Figure 1: Average percentage of income saved across the population, per month over time



Data from NS&I Survey conducted Winter 2006/07

Average percentage of income saved across the population, winter 06/07 by gender and age



The 65+ age group is the only other age group to have experienced a drop of more than 5%, falling from £115.69 to £107.81, a decrease of 6.81%.

Only two age groups, 25-34 and 45-54, wanted to save more each month during the winter quarter than in the autumn.

Among those aged 25-34, ideal monthly savings have increased by more than £10 (£10.38), showing the importance that this age group places on savings despite the difficulties they may be facing.

Less money to put aside

While the amount that people are aiming to set aside has fallen, the actual average monthly take-home income of the population appears to have fallen more rapidly. This fall in income seems to have had an effect on the population’s savings behaviour, as described in relation to savings targets above. Although actual savings targets have been declining, as a percentage of income they have marginally increased from the autumn, from 14.2% to 14.6%.

According to those surveyed the average British monthly take-home income (income after tax, national insurance contributions and other expenses) has decreased in value this winter from autumn 2006, falling from £1,283.80 to £1,212.40.

This decline in income has been observed from every autumn to winter since the survey began. This is the third quarter in a row that average monthly take-home income levels have fallen and it has now reached its lowest level since spring 2005. With a drop of more than £70 from autumn to winter this figure has experienced its biggest decline since the survey began.

Feeling the pinch?

In many cases this apparent drop in take-home income has been accompanied by increasing demands on people’s finances, putting a strain on their ability to save. This pressure is often compounded by the individuals themselves, with 37% admitting to overspending on a monthly basis.

This overspending may be attributed to an increase in the cost of living in 2006. The CPI inflation rate reached a high of 3.0% in December 2006, the highest since August 1992 when the annual rate was 3.2%.

Debt may also be more of a struggle for people at the start of a new year than in other quarters. Consumer spending remained high towards the end of 2006 and at the beginning of 2007, despite the rises in the Bank of England base rate. Indeed, December 2006 spending figures showed that spending on plastic over the Christmas period reached a record £31 billion, with 669 million plastic card transactions in December 2006, in many cases creating a mountain of debt to be paid off in the new year.

At the same time that consumer debt is hitting a new high, with the typical UK consumer now owing more than £3,170 on credit cards, overdrafts and personal loans, the base rate changes have exacerbated problems of repayment.

These pressures may be added to as people find it hard to curb their spending and keep control of their finances, with 37% of the population admitting that they overspend, and one in ten (10%) stating that they overspend by a lot. This is particularly problematic for the younger age groups with nearly a fifth (17%) of 16-24 year-olds spending a lot more than they ideally would.

Overall savings slip

The average monthly amount saved across Britain this winter was £70.69. In real monetary terms this indicates that the British population saved approximately £10 million from December to February. On average it appears the population saved 5.83% of their income in winter 2006/07.

In general men are still managing to save more each month than women, £84.13 and £58.04 respectively, a fact most easily explained by women's income levels being significantly lower (£1,018.70 for women compared to £1,398.90 for men).

Whereas the amount people aim to save tends to decrease with age from the age of 25, actual savings levels fluctuate with age, peaking during the 45-54 age group.

Comparing past QSS figures (*see note on page 1), a seasonal trend appears. This winter's figure of £70.69 has slipped from the autumn high (£91.82). In 2005, the average monthly amount people managed to put away also decreased from autumn (£89.11) to winter (£85.71). This trend could be a result of the population consistently overspending in the run up to Christmas, only to find they are overburdened by debt in the New Year.

This quarter the average monthly amount saved by men has fallen from £112.18 to £84.13, while for women the drop has been smaller, falling from £72.17 to £58.04. Overall, men continue to save more than women.

Savings levels have fallen most for the youngest (16-24) and oldest (65+) age groups, £90.40 to £61.74, and £57.10 to £40.10, respectively. Those aged 45-54 have remained most positive in their attempts to continue to save.

Fewer people are making a habit of saving...

This winter 43% of the British population regularly put aside a proportion of their monthly income.

More men embraced the savings habit with 46% saving regularly, compared to 40% of women.

Younger people found it more difficult to commit to the savings habit with only 41% of those under 34 setting aside a portion of their monthly income. The number of people saving regularly then jumps to 49% for the 45-54 age group.

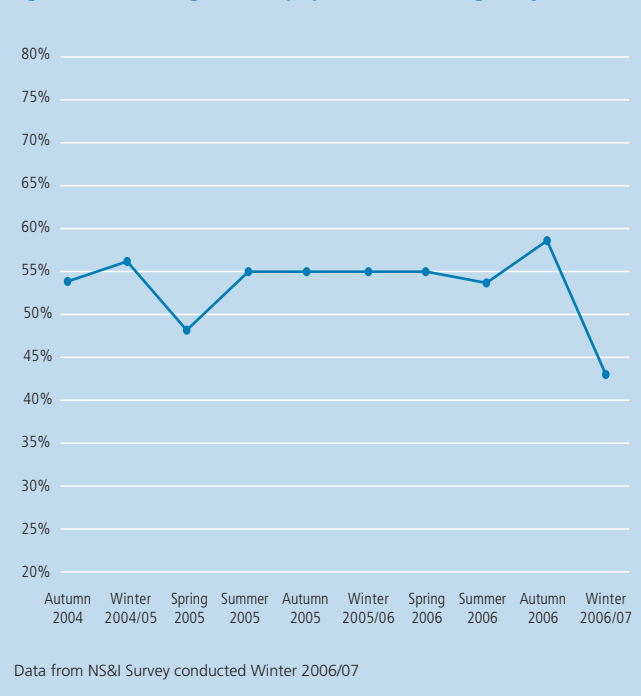
But more Brits are saving when possible...

The number of Brits who do not save regularly (*see note on page 1) but save on a sporadic basis has increased, rising from half (51%) in the autumn, to nearly two thirds (63%) this winter.

An interesting result is that it appears more women (67%) sporadically set a little aside when they have some disposable income to spare, compared to 59% of men.

12% of non-regular savers are encouraged to save in the lead up to certain times of the year e.g. Christmas. Of those sampled by the QSS, this seems to be a more male trait (15% of men compared to 8% of women).

Figure 2: Percentage of the population who regularly save



Nearly one in 10 non-regular savers (8%) appear to have tried to develop a pattern to their saving but do not set money aside every month, instead saving on a bi-monthly basis.

...And fewer people saving nothing at all

Nearly one in five (18%) of non-regular savers state that they save nothing, compared to nearly a quarter (24%) last quarter. What this does mean is that one in 10 (10%) of the population as a whole routinely neglect to put any money in savings and so are not making any financial provision for their future.

Regular savers remain committed

This winter, the amount that regular savers are managing to put away each month has exceeded the average monthly savings target of the population as a whole. Once again men who save on a monthly basis managed to save a larger amount than women, £202.84 compared to £163.95 respectively.

Savings encourage saving

Nearly two-thirds (60%) of the British population have some money in savings. The Quarterly Savings Survey has found that these people who already have savings, and perhaps have enjoyed the security that this money brings, are more likely to develop and maintain a regular savings habit. 72% of people with savings regularly put some of their monthly income aside in winter 2006/07. This seems particularly obvious with younger age groups, with over 80% of those under 35 saving money each month.

Why are people saving?

Of the 60% of the population with savings, over two-thirds (69%) are saving for no specific reason, but are aware of the importance of putting some money aside. Nearly a third (31%)

has a specific savings goal. Saving towards a particular target is particularly common with the 25-34 age group, with 42% having a specific goal. This is much less apparent in the older age bands registering under a quarter for those aged 65 and over (23%).

Savings snapshot of Britain

60% of the British population have some money in savings. The percentage of people with savings rises steadily with age, half (50%) of under 34 year-olds and over two thirds (70%) of those aged 55 and over have money set aside.

More men (65%) than women (55%) have managed to accrue savings. This disparity between the sexes is particularly true of younger age groups: 59% of men aged 16-24 have savings compared to 41% of women in the same age group.

The average overall value of savings, excluding pensions is £20,883. This figure is much greater for men than it is for women, £23,442 and £17,849 respectively. Of those people with savings, 78% feel they have sufficient funds to be able to cope in an emergency.

The age group most uncertain of their ability to cope financially in an emergency is 25-34 year-olds (67%). Older generations are generally much more optimistic, with 87% of those people over 65 feeling that they have enough money in savings to cope.

Regional

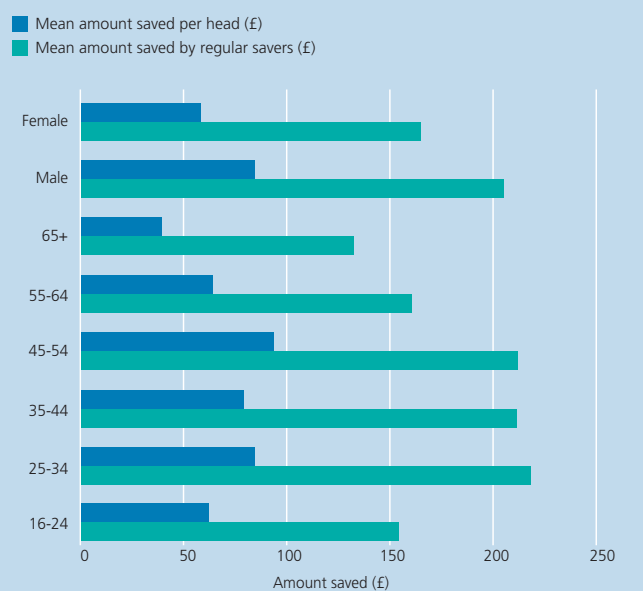
The figures provide an overall picture of how savings vary across different parts of the UK. Greater London continues to dominate the regions with the highest levels of many of the savings indicators.

- Average monthly amount saved per head is highest in Greater London: £83.71
- Highest number of regular savers is in Wales: 52%
- Highest average monthly amount saved, by regular savers, is in Greater London: £237.40
- Highest amount saved as a percentage of income is in the North East: 6.85%
- Mean income is highest for Greater London: £1,408.07
- Highest ideal monthly amount of savings per head is in Greater London: £212.91
- Highest ideal savings as a percentage of average income is in the East Midlands: 16.91%

Lowest levels vary from one region to another depending on the savings category however the West Midlands is the region that appears to be struggling the most.

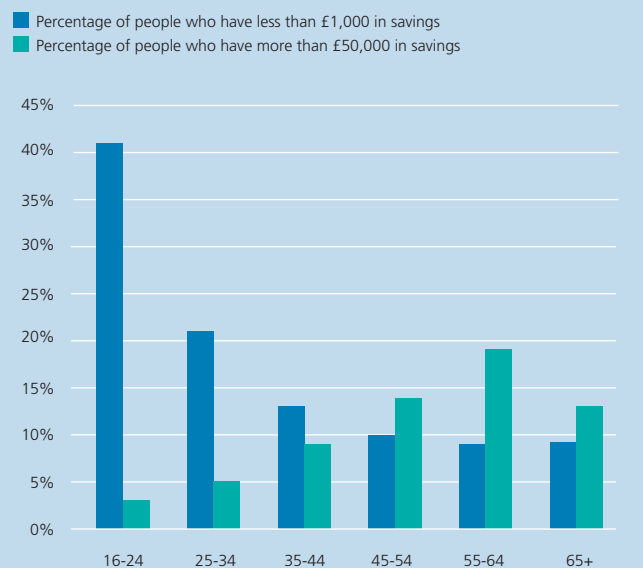
- Average monthly amount saved per head is lowest in the West Midlands: £56.17
- Lowest number of regular savers is in the East Midlands: 37%
- Lowest average monthly amount saved, by regular savers, is in the West Midlands: £150.54
- Mean income is lowest across the East Midlands: £1,074.36
- Lowest amount saved as a percentage of income is in the West Midlands: 4.88%
- Lowest ideal monthly amount of savings per head is in the South West: £146.53
- Lowest ideal savings as a percentage of average income is in the South West: 12.64%

Figure 3: Comparison of average amounts saved per head across the population and by regular savers



Data from NS&I Survey conducted Winter 2006/07

Figure 4: Comparison of 'micro' savers and 'super' savers, by age



Data from NS&I Survey conducted Winter 2006/07

Figure 5: Consumer savings pattern across GB regions: Winter 2006/07



East of England

% of income saved*	5.81%
Average net income	£1295.30
% who regularly save	40%
Average amount saved**	£197.23

East Midlands

% of income saved*	5.73%
Average net income	£1074.36
% who regularly save	37%
Average amount saved**	£194.41

London

% of income saved*	5.94%
Average net income	£1408.07
% who regularly save	41%
Average amount saved**	£237.40

North East

% of income saved*	6.85%
Average net income	£1099.60
% who regularly save	45%
Average amount saved**	£182.65

North West

% of income saved*	5.90%
Average net income	£1138.70
% who regularly save	42%
Average amount saved**	£174.39

Scotland

% of income saved*	5.64%
Average net income	£1089.98
% who regularly save	41%
Average amount saved**	£163.74

South East

% of income saved*	5.42%
Average net income	£1402.20
% who regularly save	47%
Average amount saved**	£182.64

South West

% of income saved*	5.96%
Average net income	£1159.60
% who regularly save	45%
Average amount saved**	£171.58

Yorkshire & Humberside

% of income saved*	6.47%
Average net income	£1076.30
% who regularly save	40%
Average amount saved**	£203.37

Wales

% of income saved*	6.55%
Average net income	£1115.10
% who regularly save	52%
Average amount saved**	£153.44

West Midlands

% of income saved*	4.88%
Average net income	£1151.08
% who regularly save	43%
Average amount saved**	£150.54

Blue highest % of savers
 Green lowest % of savers
 Orange highest % of income saved
 Light green lowest % of income saved

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

Data from NS&I Survey conducted Winter 2006/07

Will people save more or less over the next three 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 winter, people are feeling less positive about their ability to save in the coming spring months than they have been in the winter months.

When people were asked if they were more or less likely to save money in the next three months than previously, a third (32%) said 'less', compared to a quarter (25%) stating more. The percentage less likely to save is higher than those recorded in winter 2005/6 (26%) or 2004/5 (19%), indicating that people are increasingly pessimistic.

The last QSS savings outlook predicted a drop in savings from autumn 2006 to winter 2006/07, and the savings tracker data from this survey confirms that this happened. Past QSS savings tracker data indicates that a negative outlook at this time of year could be justified with savings levels remaining low during the spring before bouncing back in the summer months.

Moreover, this is the worst population outlook on savings from winter to spring since the survey began, indicating that people are feeling particularly negative about their ability to save. Only 6% of the population thought that they would be much 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.

Optimism about saving seems to decrease with age, with only 10% of over 65 year-olds optimistic about their savings future.

This quarter, 16-24 year-olds appear more pessimistic than they have ever been before.

People in the 35-44 age group seem least optimistic about their ability to save, with more than a third (38%) feeling that they are less likely to save in the coming months.

Because many in this age group have wider responsibilities, including house purchase, marriage and children, it may be that the demands on their finances are too great to increase savings levels.

Will people save more or less in the coming year?

The savings outlook also shows the likelihood of people saving more or less over the next year.

Taking the long term view, people are positive...

Taking a long term view, people are consistently optimistic about their likelihood to save over the coming year with, this winter, over a third of the population (36%) saying that they would save more in the next twelve months.

...but not as positive as last year

The figure recorded for the yearly outlook in winter 2005/06 was even higher than that recorded this year, with two-fifths (42%) predicting positive savings behaviour. When considering the yearly savings outlook for the different age groups this slight drop in optimism, from this time last year, becomes even more apparent.

Figure 6: The population's savings outlook for the coming three months, overall and by gender

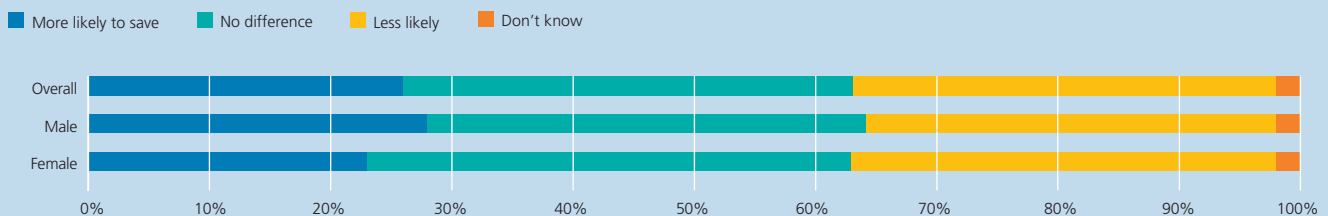
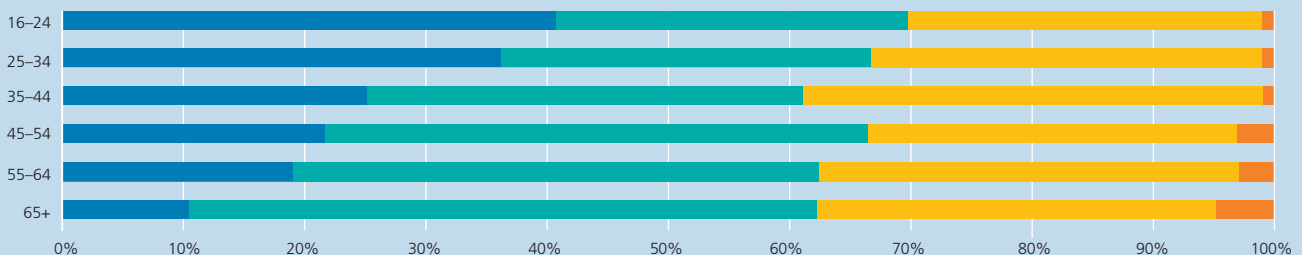


Figure 7: The population's savings outlook for the coming three months



Data from NS&I Survey conducted Winter 2006/07

Relocation: a serious option for first-time buyers trying to save

With house prices continuing to rise across Britain and first-time buyers facing an uphill struggle to get their foot onto the property ladder, many are considering making drastic changes to their lives in an attempt to save more money, according to the survey's latest findings.

The research has shown that a significant proportion of Brits are considering relocating to take advantage of cheaper living costs in an attempt to save money for a deposit on their first house. A quarter (24%) of the non-homeowner population would consider relocating to another area of Britain and an almost equal number (25%) would take this course of action even further and move abroad in their quest to save money for a deposit back home.

It seems that it is not just the first-time buyers in the younger age groups, with few ties, who are prepared to quit this country. While a third (36%) 24-34 year-olds would consider such a move a similar number (32%) of 35-44 year-olds would emigrate, despite the likelihood of greater commitments tying them to home. More men (30%) than women (21%) who do not currently own property, are prepared to try living in another country to help save enough money for a deposit on a house in Britain.

According to the survey, the top three places to move are:
 Spain: **43%**
 Australia and New Zealand: **33%**
 America: **22%**

Additionally, a fifth (20%) of non-homeowners would consider moving to Eastern Europe, ahead of France (19%).

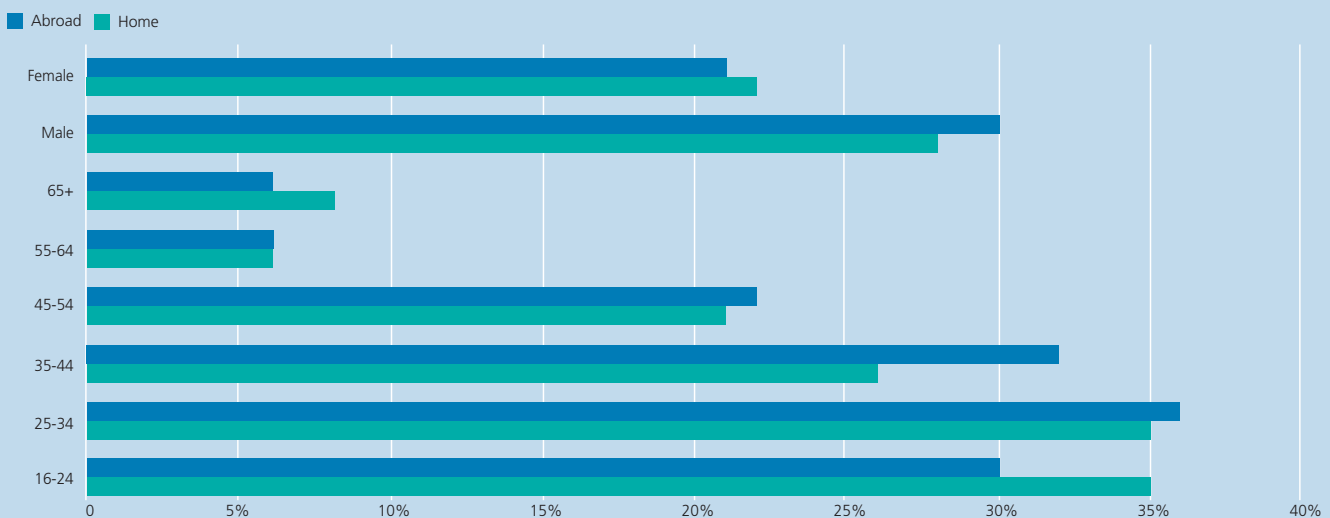
Examining the positions of these countries' capital cities and largest cities in the 2006 worldwide rankings for the Cost of Living Survey, it becomes evident that expenditures are much greater in Britain, possibly leaving less money available to save.

Ranking of relevant cities in the 'Cost of Living' survey

Rank	City	Country	Cost of living index
5	London	United Kingdom	110.6
10	New York City	United States	100
19	Sydney	Australia	91.3
53	Madrid	Spain	81.6
62	Warsaw	Poland	80.4
81	Riga	Latvia	77.2
96	Tallinn	Estonia	73.7
105	Auckland	New Zealand	72.9
111	Sofia	Bulgaria	69.7

Source: Sinfacts Global Cost of Living Index

Figure 8: Percentage of those who do not own their own home or are in the process of buying that are prepared to relocate to save money to get onto the property ladder, Winter 06/07 by gender and age



Data from NS&I Survey conducted Winter 2006/07

The cost of living survey is conducted twice a year in 250 cities worldwide. The index shows the differences in price of the Mercer cost of living basket, across the cities. The basket is made up of 186 items which represent typical spending patterns, including housing, transport, food, clothing, household goods and entertainment. The cost for each city is scored and ranked according to the combined costs. For example, London scores 110.60 and ranks fifth, compared to a score of 69.7 for Sofia, Bulgaria, which ranks 111th.

Too many outgoings a huge barrier to savings

Across the first-time buyer population, a high level of expenditure and small amount of spare income has a huge effect on individual's ability to save for a deposit. Over half (57%) of non-homeowners state that too many outgoings, eating into money that could be saved, prevents them from putting enough aside for a deposit. This problem appears to be exacerbated by having to pay rent and save money for a deposit at the same time, with nearly a third (30%) of potential first-time buyers stating this as a barrier to saving more. Nearly half (48%) of those trying to get on the property ladder state that they do not earn enough to save more.

The cost of living has recently been affected by the rises in the Bank of England base rates, and this may have impacted on people's attitudes to saving money and buying a first home. Two fifths (42%) of potential first-time buyers state that they are less likely to make a house purchase as a result of the recent rises. This increases to half (50%) of 25 to 34 year-olds who do not currently own their own property.

Losing hope of being able to afford a deposit

A fifth (21%) of non-homeowners have in the past started saving for a deposit and given up as they thought they would never be able to afford it. This increases to nearly a third (30%) of the 25-34 age group. Over a third (38%) of people who have stopped saving for a deposit have done so because they do not have enough income and they intend to start saving again once they are earning more, peaking at more than half (52%) of those aged 25-34.

Ideally saving more

In general those who do not currently own property are not saving enough to get on the property ladder, despite recognising that they should be saving more. Non-homeowners think they should be saving approximately £359 a month for a deposit, but in reality are only managing to scrape together less than two hundred pounds (£192) a month. Only 5% of people trying to get on the property ladder are saving £500 or over, however nearly a quarter (22%) feel they should be.

Brits unsure about actual house prices

A minority of non-homeowners appreciate the true costs involved when buying a house in Britain, with just a third (30%) of the total population estimating that the average British house price falls in the £150,000 to £199,999 band. Nearly one in ten (9%) think that the average British house price is less than £100,000. This is much higher in the north where it rises to 15%, as opposed to 5% of southerners surveyed. Nearly two in five (39%) northerners think the average house price in Britain is £100,000 – £149,999,

compared to a fifth (19%) of southerners. Twice as many southerners gave £200,000 – £299,999 as the average price of a house in Britain today, compared to the number of northerners (33% and 16% respectively).

Despite the fact that those surveyed were asked what they believed the average house price in Britain to be, the results suggest that people are strongly influenced in their opinion on house prices by their local housing market. Figures from the Land Registry of England and Wales and the Registers of Scotland Executive Agency reveal the average house price in the UK in December 2006 stood at £192,706. The average value given by the survey's respondents for the cost of a house in Britain was £173,627.

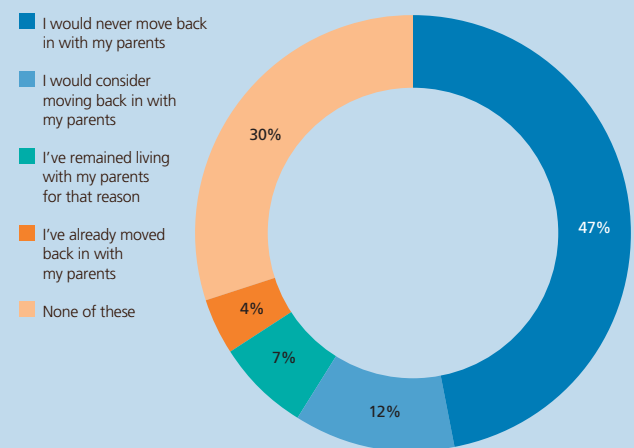
First-time buyers determined to go it alone

Despite the struggles many people face as they try and get onto the property ladder, nearly two thirds (62%) of those people who do not currently own their own home would not consider buying with family or friends. Women are particularly averse to sharing a house purchase with friends with only 15% considering taking this action, compared to nearly a quarter (23%) of men. Similarly, more men (34%) than women (29%) who do not yet own their own property would consider getting on the property ladder by investing with a family member.

Despite their apparent willingness to move locations to help save money for a deposit, a surprising number of first-time buyers would not consider moving back in with their parents to help ease their financial burdens. Nearly half (47%) of non-homeowners would never entertain the idea of living with their parents, rising to two thirds (65%) of 25-34 year-olds.

British people's attitudes with regards to living with their parents in order to save money

Figure 9: Non-home owners attitudes with regards to living with their parents in order to save money



Data from NS&I Survey conducted Winter 2006/07