



Demand improves for consumer credit and property purchases; weaker demand for savings / investment products especially in the south

The summer UK Financial Activity Barometer (FAB) running alongside the June GfK NOP Consumer Confidence Barometer (CCB)* found that while overall savings, investment, borrowing and debt repayment demand is down a little on the quarter and lower than a year ago, some financial services product demand is stronger. But for a slump in savings activity in the South East and London overall activity would have been higher.

The headline JGFR UK Financial Activity Barometer fell to 89.7** in the summer FAB, down from 90.7 in March and from 97.5 a year ago. It is the lowest level since March 2008. Overall 71% of people expect to save, invest, repay debt or borrow in the next 6 months, unchanged on March and down from 75% a year ago.

Fewer people intend to save or invest in the latest FAB, with cash savings and lump sum life / pension investments suffering most. More people intend to borrow in the coming months, although the increased borrowing is more likely to be unsecured consumer credit rather than secured mortgage borrowing, which remains very weak.

Cash deposit intentions at 9-year low

Cash savings are particularly weak with the lowest proportion of consumers intending to place a cash deposit in the 9 years of the FAB. Just 27% of adults expect to place cash on deposit, well below the survey long-term average of 35%. More people are now using ISAs for cash savings (35%), although the proportion is slightly down on March and on June 2010 (both 36%). Regular savings intentions fell to their lowest level since March 2008, most likely reflecting the squeeze on household budgets.

Regular pension contribution intentions steady; lump sum life and pension intentions slump

Demand for life & pension products is little changed on March but with shifts among the main product categories. Prospective regular pension contributions are little changed on March (around 27% of adults) and have been very steady over the past year.

In contrast lump sum life/pension contributions have fallen sharply this quarter with the Lump Sum Life/Pension Index dropping from 116.2 in March to 97.8 and well below the level of a year ago (125.7). Over the past year this measure has been relatively strong suggesting that people may have been topping up their pension before changes in the tax treatment of lump sum pension contributions.

Regular life contributions were a feature of increased activity a year ago but as personal finances have become under more pressure so regular life contributions have been cut. In the latest survey slightly more people intend to make regular life contributions (19%), although fewer than a year ago (23%).

Investor sentiment for bonds strengthens relative to equities

Perhaps unsurprisingly given the economic uncertainties surrounding the domestic and European economies, investor sentiment continues to be below its long-term average, although it is slightly higher than in March. Within asset classes demand strengthened for government/corporate bonds – possibly reflecting the re-introduction of Index-Linked National Savings & Investment bonds.



Borrowing activity set to grow for the first time in a year

Expected borrowing activity is set to increase for the first time since June 2010 with the JGFR Borrowing index up nearly 2 points to 56.6, still a long way below its 9-year average of 86.1. Demand is higher for personal loans, credit cards and overdrafts with little change in car finance plan demand which remains very weak.

Slight improvement in housing market prospects

Prospects for the housing market are slightly better although the JGFR Mortgage Intentions Index slipped back to its survey low of 47.8. More people indicate that they intend to put down a deposit on a property to buy – the highest proportion since March 2010 with some 20% being cash buyers. The JGFR Property Purchase Intentions index improved from a survey low of 50.3 in March to 53.2, but well below its long-term average of 92.0.

Unprecedented fall in savings activity in the South East

Regionally, activity levels in the next 6 months are highest in the North (80% of adults) and South West (80%) with the lowest activity in prospect in the West Midlands (65%) and South East (64%).

A record low in savings/investment intentions is behind the collapse in intended activity in the South East, normally one of the most active regions, with cash savings intentions at an unprecedented low of 19% compared to 27% across the UK.

One possible explanation for this collapse in savings intentions is the impact of the Olympic ticket ballot. In recent quarters cash savings intentions in the South East have been among the strongest in the country with many likely to use such savings for Olympics tickets***. Around a third of adults in the South East intended to apply for tickets and millions will have been disappointed in the ballot with the un-cashed cheques put back into deposit accounts rendering future savings less likely. Spending on other major purchases may also increase as a result.

Lloyds TSB leading main financial services provider brand

With the high street banks under intense scrutiny by the financial authorities and the media, the latest JGFR survey**** of main financial services providers (MFSP) shows the Lloyds TSB brand (19%) regaining market leadership from Barclays (16%). The market share of the ten leading brands is unchanged at 89% compared to March. A year ago the share was 86%.

JGFR MFSP Review finds 60% of customers would recommend their MFSP to family or friends

In survey findings to be published in the JGFR *MFSP Review****** (to be released in September) a strong degree of inertia and satisfaction with existing providers prevails. Only one third of adults are attracted to the idea of new high street banks (little changed on 2010) with six out of ten customers happy to recommend their main financial services provider to a friend or family. While a high street presence is important for many, increasingly developments in payments technology are set to transform banking relationships. For 15% of adults having a Visa, Mastercard or Pay Pal account is more important than a bank account.

Commented John Gilbert, Chief Executive of JGFR:

“The summer Financial Activity Barometer suggests that recent economic data may be distorted by ‘the Olympics effect’ with London and the South East showing unusual activity patterns. For financial services providers, business volumes in the coming months are expected to remain weak with household finances continuing under pressure.”



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Notes

*The UK Consumer Confidence Barometer (CCB) from GfK NOP was conducted amongst a sample of 2,002 individuals aged 16+ on behalf of The European Commission. Quotas are imposed on age, sex, region and social class to ensure the total sample is representative of the UK population. Interviewing took place between 3-12 June

** The Financial Activity Barometer (FAB) has been running quarterly alongside the CCB since March 2002. The FAB asks people about their intended savings, investment, borrowing and debt repayment activity in the next 6 months across 18 categories covering cash deposits, ISAs, regular savings plans, child trust funds, regular pension and regular life contributions, lump sum life/pension contributions, investment in equities direct or via unit trusts, investment in government/corporate bonds, selling equities/unit trusts, borrowing by personal loan, overdraft, credit card, car finance plan, borrowing by mortgage, property purchase intentions, withdraw or receive funds from a deposit, life insurance company or pension fund, pay off/pay back debt. Each quarter the proportion of adults responding to the product is converted into a 2-quarter moving average covering the 6-month period and an index computed with Q3/Q4 2002 =100. The **Summer 2011 UK Financial Activity Bulletin** will be published on July 14th detailing the survey findings.

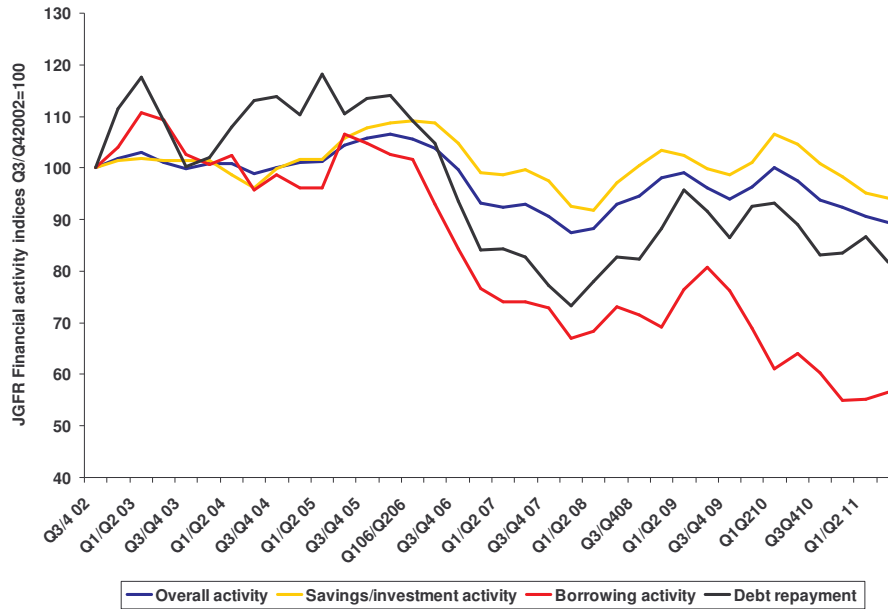
*** JGFR / GfK Consumer attitudes towards the London Olympics survey among 1,000 adults aged 16+, March 2011. Full details in the **Summer 2011 Consumer Attitudes towards the London Olympics report**.

**** Alongside the FAB, respondents are asked which of the following financial services brands do you regard as your main financial services provider. The question has been asked since March 2003. Findings reported in the **MFSP Summer 2011 UK Financial Activity Bulletin**

**** 1,000 adults aged 16+ were asked by GfK on one week of the CCB whether they agreed with a number of statements concerning their main financial services provider – advocacy, helpful staff, value for money, packaged account, willingness to pay current account fees, new high street banks, first port of call for financial services, a Visa/Mastercard/PayPal branded plastic card is the most important financial relationship

Chart 1: Financial Activity Barometer: Q3/Q4 2002 – Q2/Q3 2011

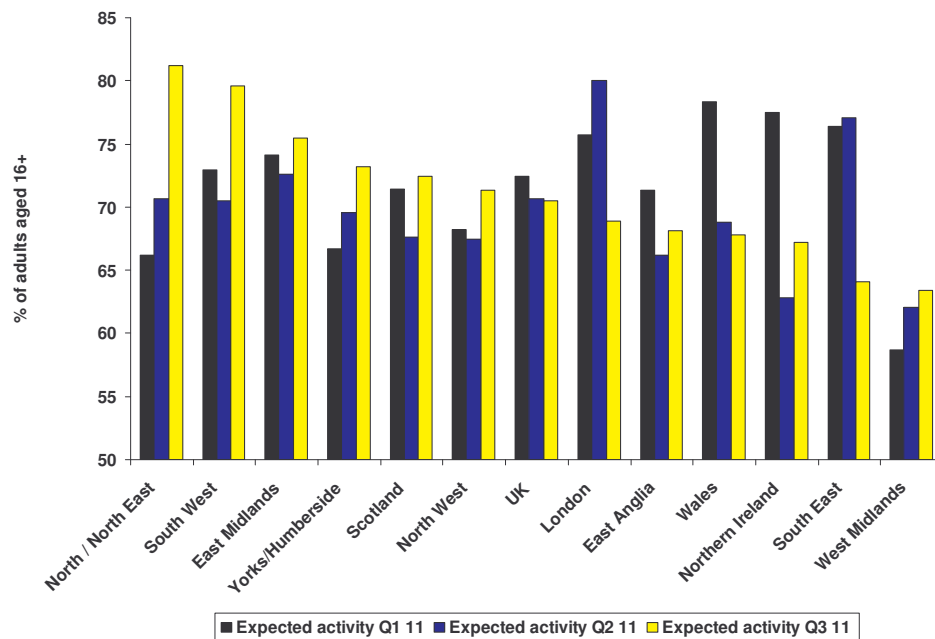
Base: 2,000 adults aged 16+



Source: GfK NOP / JGFR

Chart 2: Intended savings, investment, borrowing and debt repayment activity in next 6 months, December 2010, March 2010, June 2010*, Government regions

Base: 2,000 adults aged 16+



* Sample sizes are less than 100 in Wales, Northern Ireland and the North with greater volatility in responses

Source: GfK NOP / JGFR