John Gilbert Financial Research

Financial Activity Barometer: New Year 2011 Survey Briefing

Lower activity in prospect

Fewer adults (72.4%) intend to save, invest, borrow or repay debt in the next 6 months compared to September (73.1%) or a year ago (78.1%). This is the third successive quarterly fall in the JGFR UK Financial Activity Barometer, commissioned from GfK NOP.

Growth in people intending repaying debt

Of the three main product activities, more people (26.1%) intend to repay debt, compared to September (22.8%). Fewer people intend to save/invest (63.4%) compared to 66.6% in September. The proportion of people intending to borrow is unchanged at 12.6% on the quarter, but down from 13.6% a year ago.

Pensions - the only savings/ investment product category to show quarter-on-quarter growth

By type of product activity few show quarter-on-quarter gains. The most popular activity among adults – taking out an ISA – shows a drop of five percentage points on the year, down to 35%. Demand for cash savings is weaker, reflected in the reduction of people (33%) compared to 36% a year ago who intend to place a cash deposit. Fewer people also intend to make regular savings in the coming months (13% v 15% a year ago).

Despite rising stock levels a mood of caution prevails among investors. Buying sentiment is flat; although fewer investors intend to sell. More people are getting nervous about bonds with demand at its weakest since September 2008.

Overall life & pension product purchase intentions (38% of adults) are little changed compared with September, but slightly down on a year ago. While the proportion of people intending to make regular life insurance contributions fell back on the year (20% of adults v 24% a year ago), regular (27% of adults) and lump sum pension contribution intentions (8% of adults) saw slight increases in expected activity.

Very weak housing market and consumer credit demand

Prospects for the housing market remain in the doldrums with no sign of any upturn in activity. Both mortgage intentions and property purchase intentions are close to survey lows, with little evidence of greater numbers of cash buyers ready to enter the market.

Increasing debt repayment rather than savings or borrowing appears more in keeping with consumers austerity budgets, with no change in the very weak unsecured credit intentions shown throughout 2010. 9% of adults intend to take out consumer credit, compared to 10% a year ago.

Little increase in capital withdrawal

Despite pressures on household finances there has been little change in the proportion of people withdrawing capital – around 6% of adults, similar to September and a year ago.

Lloyds TSB and Barclays retain top two main financial services brand positions

Among main financial services providers, the Lloyds TSB brand maintained its leading position, ahead of Barclays and NatWest. The combined Santander brand is in fifth position.

New Financial DIY report will show around a half of adults have no financial adviser

Additional questions were asked this quarter on financial advice and product purchase channels in support of the 2010/11 *Financial DIY report.* As in previous years around a half of adults have no financial adviser. More people selected an IFA as their main financial services adviser. Visiting a branch is the most popular product purchase channel.

"The early findings from the New Year 2011 Financial Activity Barometer reflect the difficult economic climate where there is no easy option for savers with interest rates staying low and inflation rising sharply. With job uncertainty increasing repaying debt becomes the sensible option. At the same time there is no desire to take on greater risk through stock market or bond investment or invest in property at a time of falling house prices. For financial services businesses understanding where stronger pockets of product demand is to be found will be essential."

Publication schedule

- New Year 2011 Financial Activity Bulletin January 14th
- 2010/11 Financial DIY end January.

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