

Housing market crisis set to intensify

The 36th quarterly JGFR Financial Activity Barometer finds consumers intended savings, investment and borrowing intentions at the weakest since December 2007. The headline JGFR Financial Activity Index is down to 90.7 from 92.3 in December, with all three sub-indices lower (see Chart 1).

No spring bounce in housing market

Of most concern for economic policy makers is the collapse in housing market confidence (see Chart 2). The impact of and uncertainty surrounding job cuts is likely to be the reason this quarter for the survey low in property purchase intentions and the continuing weakness of mortgage demand. Compared to March 2009 when the JGFR Property Purchase Intentions Index showed a big jump in forthcoming housing market activity, this spring the Index points in the opposite direction, standing at 50.3, down from 57.3 in December and nearly 30 points lower than two years ago. People seeking to sell property in many parts of the UK may well be forced to cut prices considerably to attract buyers – or let out their property and rent themselves.

Cash savings at survey low

Expected savings and investment activity fell for the fourth successive quarter reflecting the ongoing squeeze on household budgets. Around 62% of adults intend to save/invest compared to 71% a year ago. While ISA intentions have held up well, fewer people intend to place a cash deposit, down from 33% to 29% on the quarter and down from 36% a year ago.

Slump in investor sentiment

Investment sentiment tumbled this quarter with the JGFR Equity Buying Intentions Index slumping from 109.4 to 95.5 on the quarter – its weakest since March 2009. In the past, government or corporate bonds have benefited from poor equity sentiment but not this quarter, with demand close to a survey low.

Pension demand holds up but very weak demand for life products

Demand for life & pension products is well down on March 2010 and is at its lowest level since September 2009. The overall JGFR Life & Pensions Index fell from 91.6 to 89.1 and compares with 96.2 a year ago. While pensions contribution intentions have held up well, expected inflows to life schemes are much reduced.

Consumer credit demand bottoming out

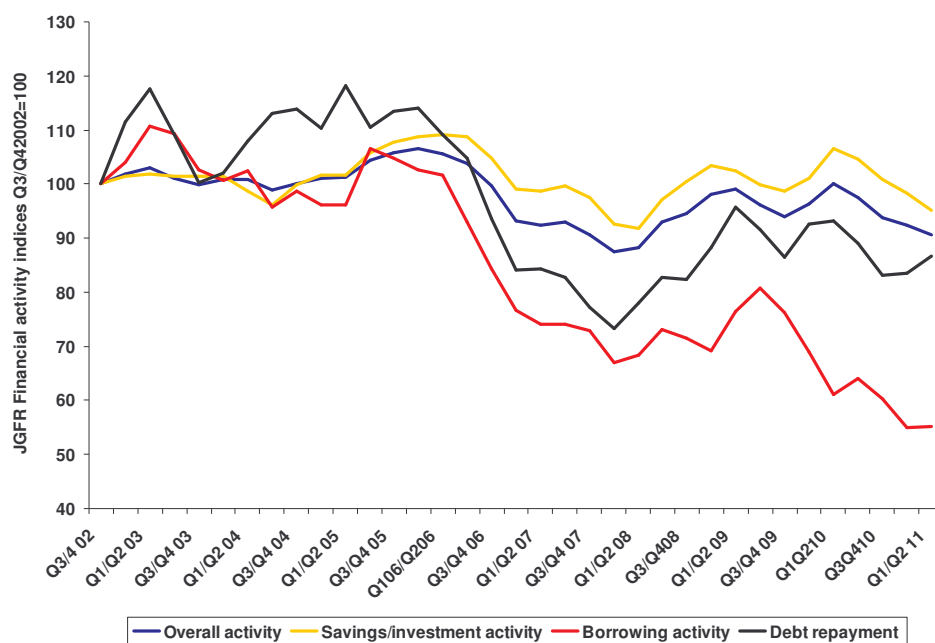
In recent quarters the headline JGFR Borrowing Index (55.1) has edged progressively lower and is 21 points lower than in March 2009 (76.4) and a half of its level in March 2003 (110.7). Relatively few consumers seek or need to borrow either by mortgage or consumer credit with near record levels of net debt repayment intentions continuing. Consumer credit demand has stabilised at around 9% of adults in the past three quarters, well below the average 13% recorded in the 9 years of the FAB.

Notes:

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- The Spring 2011 Financial Activity Bulletin covering 18 savings, investment and borrowing activities of consumers, will be published on April 14th.
- GfK NOP conducted interviewing for the FAB among 2,004 adults aged 16+ representative of the UK population by telephone between 11-20 March 2011. The FAB uses the same survey omnibus as for UK consumer confidence enabling cross-analysis between the two surveys.
- JGFR produce a monthly UK Consumer Confidence Monitor and UK High Earners Confidence Monitor
- The FAB also includes a regular question asking people whom they regard as their main financial services provider. In the spring survey Barclays replaced Lloyds TSB.
- Also asked on the same omnibus is the JGFR half-yearly Consumer attitudes to the London Olympics tracking survey which includes expected demand for tickets.
- In February 2011 JGFR together with wealth research consultancy ComPeer Ltd published the 4th annual Financial DIY report that examined attitudes to Financial advice and who people regard as their main financial services adviser

Chart 1: Financial Activity Barometer, Q3/Q4 2002 – Q1/Q2 2011*



Source: GfK NOP / JGFR

*Based on a 2-quarter moving average reflecting the 6-month timeframe consumers are asked to consider financial activity(Q3/Q4 2002=100)

Chart 2: Housing market confidence



Source: GfK NOP / JGFR

*Based on a 2-quarter moving average reflecting the 6-month timeframe consumers are asked to consider financial activity(Q3/Q4 2002=100). Combined responses to mortgage and property purchase intentions