

NS&I Savings Tracker Examining savings behaviour across Britain

Saving levels reach record high

NS&I's Quarterly Savings Survey, now in its fifth year, 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. There are four key savings indicators:

- the average amount saved per head
- the amount saved as a percentage of average income
- the percentage of the participants who save on a regular basis
- the average amount saved by those saving regularly

The results of the nineteenth Quarterly Savings Survey, covering the spring months of March, April and May 2009 are detailed below, along with key annual trends.

In this issue

Quarterly Savings Survey Tracker

- This spring, the monthly amount saved per head across the population is higher than ever before recorded by the Quarterly Savings Survey, up from £82.87 in spring 2008 and £90.12 in winter 2008/09 to £92.41 this spring 2009
- On average, the population is saving 6.83% of their income each month during spring, up from 6.35% in spring 2008 and 6.48% in winter 2008/09
- The percentage of people saving money regularly every month has remained constant for the fifth quarter in a row at 47%
- Those regular savers are, on average, setting aside the highest ever monthly amounts – £209.23 a month in spring 2009 up from £185.63 in spring 2008 and £201.55 in winter 2008/09

- The 55-64 year olds have recorded strong savings levels this quarter, however the 35-44 age group appears to have struggled
- Both genders have contributed to these increased savings levels – the average amounts saved by both male and female regular savers are among the highest levels since the Quarterly Savings Survey began

Lifestyle research:

- 42% of Britons think they save money on household bills and outgoings during the summer, on average £77.39 a month
- However, 48% think they spend more on leisure activities in summer, up a monthly average of £109.80
- 43% blame improvements in the weather for increased summer spending as it makes them more relaxed

Many savings levels at record high

Examining the savings indicators for spring 2009 and comparing these findings with past data reveals an improving picture for Britons' savings this spring.

This quarter, almost all of the key savings indices have increased from winter 2008/09 despite the still challenging economic environment. Almost all have also improved since this time last year, with many recording their highest levels since the Quarterly Savings Survey began in autumn 2004. See figure 1.

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Figure 1: Spring year-on-year ideal savings growth

	Spring 08	Winter 08/09	Spring 09
Monthly average saved by those saving regularly (£)	185.63	201.55	209.23
Percentage of people who regularly set money aside each month (%)	47	47	47
Monthly average saved across the population (£)	82.87	90.12	92.41
Average monthly take-home income (£)	1,305.70	1,390.10	1,352.80
Amount saved by the population as a percentage of average income (%)	6.35	6.48	6.83

On average, the population is saving more per head every month than ever before recorded by the Quarterly Savings Survey, with this index registering £92.41 in spring 2009. This figure has grown from £90.12 during winter 2008/09 and from £82.87 this time last year (spring 2008). See figure 2.

Figure 2: Average saved per head



This growth in the amount being saved per head across the population has occurred despite a slight drop in the average monthly take-home income (income after tax, National Insurance contributions and other expenses). This figure fell from £1,390.10 in winter 2008/09 to £1,352.80 in spring 2009.

This slight decline in the population's average monthly income, in addition to the marginal increase in the amount saved per head, means that the amount being saved as a percentage of this income has increased. The average monthly amount saved by the population as a percentage of income was 6.83% in spring 2009, up from 6.48% during winter 2008/09. It is positive that this savings level has grown continuously over the past 12 months as people appear committed to setting aside an increasing proportion of their earnings (summer 2008, 6.41%; autumn 2008, 6.42%; winter 2008/09, 6.48%; spring 2009, 6.83%). See figure 3.

Figure 3: Average amount saved as a percentage of income



Within the population, one group of particular note is the regular savers – those people who set money aside regularly every month. These people are saving more than ever before recorded by the Quarterly Savings Survey since its inception in autumn 2004, setting aside a monthly average of £209.23. This figure has increased every spring (spring 2005, £159.26; spring 2006, £165.87; spring 2007, £173.63; spring 2008, £185.63) and is also significantly higher than last quarter, £201.55 (winter 2008/09). See figure 4

Figure 4: Amount saved by regular savers



The number of people managing to set money aside on a regular basis has remained consistent for the fifth quarter in a row at 47%. It is encouraging that these people remain committed to setting some money aside every month. In addition, it is worth noting that of those not saving regularly, 63% said they only saved money sporadically and 14% said they only saved in the run-up to certain times of the year, such as birthdays or Christmas.

Comments from NS&I's savings strategist:

Making sure that you set some money aside on a regular basis is a very good financial habit to have. Even if you can only afford to save a small amount the recurring efforts mean that the money will soon start to add up. One way to make sure this happens, and to formalise this behaviour, is to set up a regular direct debit from your current account into a savings account. There are lots of other suggestions, hints and tips to help you plan your finances on:

www.youandyourmoney.info

Ideal savings reach record high

Possibly driving the increase in the amounts of money being saved, is the fact that people are setting themselves higher savings targets. Both in pounds and as a percentage of income, the population are aspiring to save more than ever before. The ideal monthly amount of money people would like to save increased from an average of £210.26 during winter 2008/09 to £219.11 this quarter (spring 2009). This is the highest target recorded since the Quarterly Savings Survey began. The ideal amount of money people want to save as a percentage of their income has also registered strong results this quarter, exceeding 16% (16.20%) for the first time since the Quarterly Savings Survey began. This is an increase from 15.13% in winter 2008/09 and 14.99% this time last year (spring 2008.) These savings ideals are more than double the actual amount saved by the population each month. See figure 5.

Figure 5: Ideal savings per head

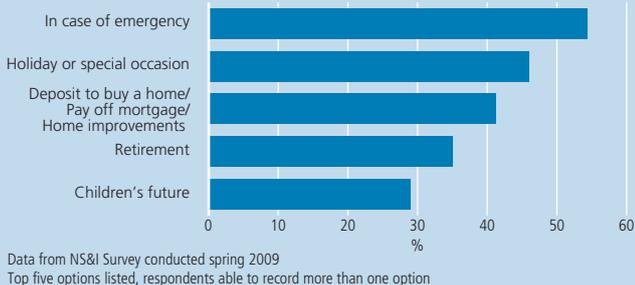


Saving habits and goals

Research published in March 2009 by the market research organisation, Mintel, highlighted that during a recession consumers tend to react in two ways: cutting back on expenditure which is seen as unnecessary or non-essential, and prioritising paying off debts and saving rather than spending. It is likely that the increased savings targets recorded by the Quarterly Savings Survey reflect this desire to save more, with people clearly taking action to support these aspirations.

This spring, more than a quarter (27%) of those with savings are setting themselves savings goals. The most popular reason people saved for was in case of an emergency (54%). See figure 6.

Figure 6: What are people saving for?



As highlighted above, cutting back on unnecessary expenditure was flagged by Mintel as common consumer behaviour during an economic downturn. This may reduce overspending as people think twice before they make a purchase. Indeed, it seems that a proportion of the population are trying to gain better control of their spending habits this quarter. The percentage of people who said that they spent more each month than they would ideally like fell slightly this spring 2009 to 28%, compared to last year, 30% (spring 2008).

As well as making sure that they can afford the everyday necessities and saving for specific goals such as holidays (46%), people need to be aware of the importance of having an emergency or 'rainy day' fund. It is of concern that at present nearly a third (32%) of the savers said they did not have enough money to cope in an emergency, a similar number to this time last year (31%). In real figures, this equates to over 15 million people (15,381,440).

What stops people from saving?

At present, more than half (53%) of the population said they couldn't afford to save any extra money each month because their outgoings prevented them from doing so. Almost two fifths (39%) of the population said they would be less likely to save in the coming months. For more information, see the Savings Outlook on page 6.

Some people may not be adhering to the theory of consumer behaviour proposed by Mintel, that of prioritising savings in times of economic uncertainty. Indeed, over a fifth (21%) of the population said they didn't think it was necessary to save more than they currently were, while 5% blamed a lack of time for the reason they didn't set more aside each month. See figure 7.

Figure 7: What stops people saving?

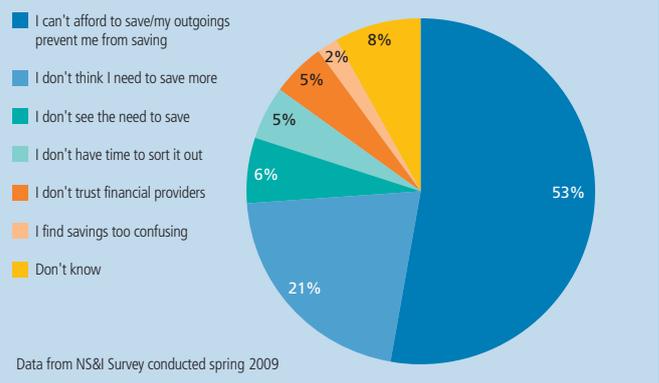


Figure 8: Economic snapshot

	Spring 07	Spring 08	Spring 09
Bank of England base rate (March 2009 figures) http://www.bankofengland.co.uk	5.50	5.00	0.50
FTSE 100 index (closing value figures for 01 May) http://www.euroinvestor.co.uk	6419.60	6087.30	4243.22
Consumer Prices Index (Overall index) http://www.statistics.gov.uk	104.2	106.7	109.8
Gross mortgage lending (£bn) (Spring 2007 figures) http://www.cml.org.uk <i>Taken from Council of Mortgage Lenders website (March figures)</i>	£31.7bn	£24.2bn	£11.5bn

Men reach record savings levels

This spring has been another improving quarter for male savers, building on already strong savings levels. On average, the amount saved per head across the male population each month has increased from £110.73 in winter 2008/09 to £115.81 this spring 2009, the highest ever recorded level and a percentage growth of 4.59%. Also, the amount men saved as a percentage of their income reached the highest level for five years this quarter. This savings index grew significantly from 6.66% last spring to 7.37% this spring, and from 6.84% last quarter, winter 2008/09.

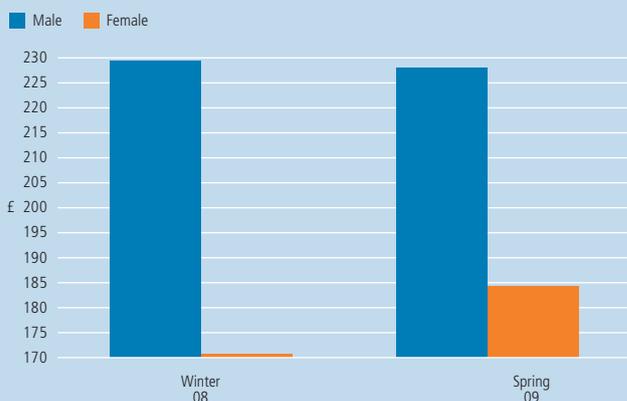
This quarter the results show that more men are saving on a regular basis. However, on average they are saving a little less each month than last quarter. The average monthly amount saved by those males who save on a regular basis fell between winter 2008/09 and this spring, down from £229.33 to £228.68. However, the number of men who said they saved money every month increased to more than half of the male population. 53% of men said they regularly saved money compared to 50% last quarter.

Female savers have experienced something of a different quarter this spring. In fact, fewer women are saving on a regular basis, but those who are setting money aside every month are saving more. The number of regular savers fell from 44% in winter 2008/09 to 41% in spring 2009, while at the same time the amount saved by female regular savers reached £184.64 (spring 2009), up from £170.22 in winter 2008/09 an 8.47% growth.

Both male and female savers are targeting themselves to save more money than ever before; ideal savings both in pounds and as a percentage of income reached highest ever levels for both. The average monthly amount male savers looked to put away was £240.27 up from £215.30 this time last year (spring 2008). The ideal amount saved as a percentage of income exceeded 15% (15.30%) for the first time, a growth of 6.99% from spring 2008, 14.30%.

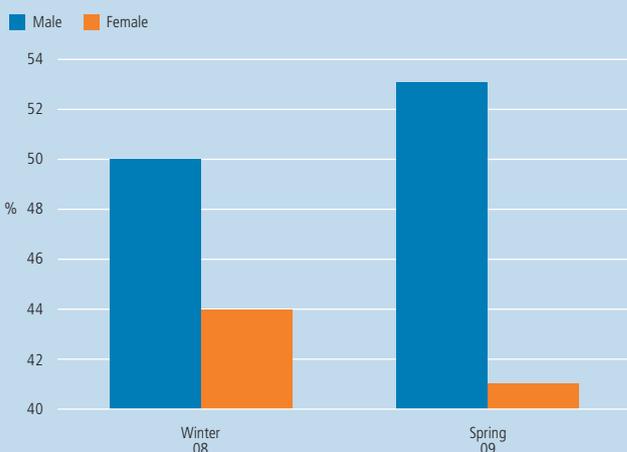
For women, the ideal amount saved each month in pounds increased from £176.30 in spring 2008 to £197.40 this quarter (spring 2009). Although men earn more money than women, it is women who look to save a higher proportion of their income every month. Female savers aspired to save 17.67% of their monthly income compared to men who ideally wanted to save just 15.30%.

Figure 9a: Amount saved by male and female regular savers



Data from NS&I Survey conducted spring 2009

Figure 9b: Percentage of males and females who are regular savers



Data from NS&I Survey conducted spring 2009

Savings levels across age groups

The 55-64 year olds have registered a strong savings quarter this spring. This age group experienced an increase across each of the savings indicators and recorded a number of the highest ever figures in five years. This is the first time since the Quarterly Savings Survey began that this age group has achieved increases across each of the savings indicators during one quarter.

- The average amount saved each month grew significantly from £67.87 during winter 2008/09 to £85.47 this spring – the highest ever recorded level for spring for this age group since the Quarterly Savings Survey began
- Average monthly amount saved as a percentage of income rose from 4.74% to 6.49%
- The percentage of people regularly setting money aside each month increased from 38% to 45%
- The amount regular savers are putting away each month reached the highest ever level this spring, up from £193.29 during winter 2008/09 to £204.74
- The amount people wanted to set aside every month as a proportion of their income reached 15.79% the highest ever level since the Quarterly Savings Survey began. Ideal savings in pounds also increased from £192.63 to £207.98

In comparison, it has been a tough quarter for the 35-44 year olds, with every measure of actual savings (excluding savings targets) down since last quarter. One reason for this could be that although these people have the right savings aspirations, higher outgoings are preventing them from saving more. The amount of people in this age bracket who said they couldn't afford to save more than they currently did was 60% – higher than the national average (53%).

- The amount saved per head for this age group dropped from £109.82 in winter 2008/09 to £102.04 this spring 2009
- Although average income levels in this age category grew between quarters (£1,575.30 in winter 2008/09 to £1588.20 spring 2009) the amount saved as a percentage of income dropped, down from 6.97% to 6.42%
- Those people regularly setting money aside each month fell to less than half, down from 51% to 49%
- The amount saved by regular savers declined to £215.98 from £217.77
- The amount of money people in this age group looked to save every month was the only bright spot in a difficult quarter. Both ideal savings as a percentage of income and in pounds increased to their highest ever levels. Ideal savings in pounds increased from £225.18 (winter 2008/09) to £234.01 (spring 2009), while ideal savings as a percentage of income rose to 14.73%, up from 14.29%

Figure 10: Consumer savings pattern across GB regions

East of England	
% of income saved ¹	7.28%
Average net income	£1,259.40
% who regularly save	49%
Average amount saved ²	£204.20
East Midlands	
% of income saved ¹	7.37%
Average net income	£1,311.89
% who regularly save	48%
Average amount saved ²	£212.73
London	
% of income saved¹	7.98%
Average net income	£1,474.91
% who regularly save	51%
Average amount saved ²	£249.57
North East	
% of income saved ¹	6.73%
Average net income	£1,260.30
% who regularly save	45%
Average amount saved ²	£192.47
North West	
% of income saved¹	5.68%
Average net income	£1,239.30
% who regularly save	39%
Average amount saved ²	£191.96
Scotland	
% of income saved ¹	7.00%
Average net income	£1,312.89
% who regularly save	47%
Average amount saved ²	£207.67



South East	
% of income saved ¹	5.87%
Average net income	£1,574.10
% who regularly save	46%
Average amount saved ²	£212.89
South West	
% of income saved ¹	6.78%
Average net income	£1,378.60
% who regularly save	48%
Average amount saved ²	£208.92
Yorkshire & Humberside	
% of income saved ¹	7.97%
Average net income	£1,169.10
% who regularly save	51%
Average amount saved ²	£193.39
Wales	
% of income saved ¹	6.67%
Average net income	£1,327.80
% who regularly save	46%
Average amount saved ²	£202.28
West Midlands	
% of income saved ¹	7.26%
Average net income	£1,213.10
% who regularly save	47%
Average amount saved ²	£193.16

¹ % of income saved for total population of the region
² Average amount saved by those who regularly save

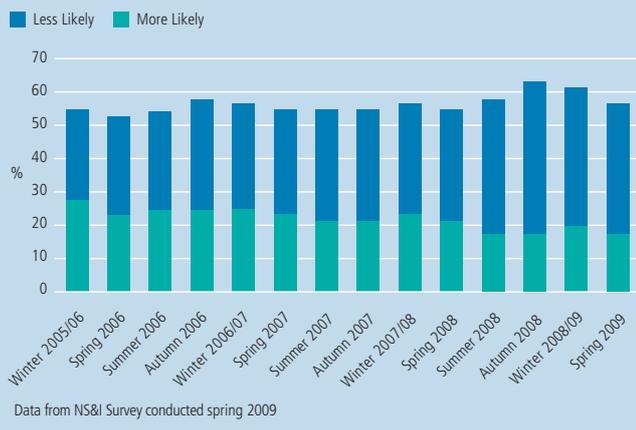
Data from NS&I Survey conducted spring 2009

Green – Highest % of savers Orange – Lowest % of savers Blue – Highest % of income saved Pink – Lowest % of income saved

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

Figure 11: People who believe they are more/less likely to save over the next three months



Ongoing pessimism about future savings

Once again this spring, people are feeling pessimistic about their ability to save in the coming months.

When people were asked if they were more or less likely to save money in the next three months than previously, almost two fifths (39%) said 'less', compared to just under one fifth (18%) stating more. Only 4% of the population thought that they would be much more likely to save in the next three months.

Men are more pessimistic than they have ever been for the spring period, with almost two fifths (39%) believing that they will not be able to set as much money aside in the coming months as this quarter. This is despite the fact that they have increased the average amount they have saved over the last quarter, and consistently save a higher proportion of their income than women.

Pessimism increases with age, with a larger percentage of the older age groups saying that they will be unable to save more in the coming months. The over 65 age group are the most pessimistic, according to the Quarterly Savings Survey, with well over two-fifths (44%) saying they are less likely to save in the next three months. This has increased from last spring when the figure was 42%.

Figure 12: Decreasing optimism for future savings habits

	Spring 07	Spring 08	Spring 09
More likely to save in the coming three months (%)	23	21	18
Less likely to save in the coming three months (%)	31	33	39

Summer spending stops Britons from saving

This spring, the Quarterly Savings Survey has revealed that many people are failing to capitalise on potential summer savings from lower household bills and outgoings, and instead are spending this money on leisure activities when, with a bit more planning, they could be enjoying themselves but for less money.

Reduced household outgoings

More than two-fifths (42%) of the British population are confident that they will save more money on household living expenses, including utility and grocery bills, during the summer months compared to the winter months. These people estimate that their household outgoings would be nearly £80 (£77.39) a month less during the warmer months. With 92% of people agreeing that they use less heating in summer, 70% saving money on transport by walking more, and 34% saving money by eating garden produce, it is easy to see how these savings add up.

Is the summer sun to blame?

Despite the opportunities for cheap entertainment that the warmer weather presents – picnics or sports in the park, or the free events and festivals that many councils organise during the summer holidays – only one in twenty (5%) said they expected to save money on leisure this summer. In fact, the findings suggest that the summer sun is actually to blame for this increased leisure spending. More than two-fifths (43%) of the population say that improvements in the weather make them feel more relaxed about their outgoings, which has a knock-on effect on the amount they are spending in their free time. More than a quarter (26%) of the population do actively try to budget during these months, but end up overspending, possibly because of this more carefree attitude. Indeed, 7% of the population confessed that they have overspent in the summer months as they prioritise fun over their finances.

Figure 13: Summer savings



Increased leisure spending

While the reduction in cost of these outgoings is positive and presents an opportunity for setting this money aside, many Britons do not seem to be acting on this potential, perhaps largely down to the need to entertain children over the summer break. It appears that a large proportion of people intend to spend more than they are able to save on enjoying the summer months, with additional leisure costs including socialising more with friends, parties and holidays. The Quarterly Savings Survey reveals that nearly half (48%) of the population expect to spend more on leisure activities in summer, anticipating these outgoings to increase by a monthly average of more than £100 (£109.80). More than a fifth (21%) of these fun lovers expect to spend an additional £200-plus each month during this season.

It seems that the tendency to spend more on leisure in the summer months is closely related to age, with younger people more likely to pay for the pursuit of fun:

- 63% of 16-24 year-olds expect to spend more on leisure activities in summer, with an average additional spend of £105.54 a month
- 53% of 25-34 year-olds believe leisure will cost £108.54 more
- 52% of 35-44 year-olds anticipate a £114.21 monthly increase in spending
- 46% of the 45-54 age group expect to spend £111.57 more
- 42% of 55-64 year-olds predict leisure outgoings to grow by £115.93 a month
- 33% of those 65 and above believe outgoings will increase by £102.93 each month

All figures are average increase in leisure spending per summer month

Be alert and make the most of the opportunities

The Savings Survey revealed that some Britons recognise that they could take advantage of the warmer weather to benefit their finances. Over a quarter (26%) of the population feel that there are opportunities to set money aside during the summer months, but they aren't currently taking advantage. A further 23% believe that they could look more carefully at the amount they spend socialising to reduce these outgoings.

41% of those whose spending varies between the summer and winter confess to not really thinking about how they manage their money throughout the year, only spending money as they need or want to. As summer approaches now is the time for everyone to think carefully about their incomings and outgoings to make sure that they are planning to spend their money where they most want to and making the most of seasonal opportunities to save.

Using savings wisely

Others could learn from those people that are already managing to keep leisure costs down in the summer and are combining these with savings made on household expenditure, setting this money aside to offset other financial priorities. Of these people:

- 32% said they would take the money saved on household and leisure activities in summer and put it towards other essential living costs throughout the year
- 14% said they would take any extra money saved during summer and put it towards winter spending
- More than one in ten (11%) said any extra money they saved would help them in case of an unexpected emergency
- Nearly a third (30%) are putting the money towards a treat for themselves such as a holiday

Recommendation from NS&I's savings strategist:

The warm temperatures of summer provide a few additional chances to help Britons save even more. Some of these savings will be almost immediate, perhaps generating enough to pay for a summer holiday or treat to reward people's efforts.

- Get involved in your community – keep abreast of all summer activities organised by your local council and community groups, many of which will be free. Look out for 'days out' coupons – often available with your shopping or in newspapers
- Cut down on transport – by walking and cycling more you can save energy and enjoy the warm weather. Plus the extra exercise will help you get in shape and may mean that you can save at the gym or even cancel your gym membership
- If you do have to travel, don't use your vehicle's air conditioning if your car feels hot inside – it uses up a lot of fuel. Open the windows to let the air circulate and don't forget it's best to park in the shade to prevent the heat building up in the first place
- For a fun day out take the kids to a local fruit picking farm; it's good exercise, you get delicious fresh food and have lots of fun all at the same time
- When you do your grocery shopping make sure you buy in season – it can be much cheaper and vegetables such as fennel, peas and courgettes taste delicious at this time of year. And don't forget it's not too late to grow your own
- Make sure that you have a rainwater butt in your garden. Your plants will need watering in the summer, however it's bound to rain at least a few times so save water, be more environmentally friendly and if you're on a water meter save money too
- Use the warmer weather to clear out your garage; you could even consider holding a garage or car boot sale. People are much more likely to stroll past and pick up something they want when it's not cold and raining outside
- Research the top 10 walks or bike rides in your area, and make them more interesting for children by reviving traditional activities like pooh sticks
- Reduce your household energy consumption by drying clothes outdoors instead of using the tumble dryer