

**Consumers prospective housing market and borrowing activity slumps**

The latest UK Financial Activity Barometer\* produced by GfK NOP for financial and business research consultancy JGFR finds intended housing market and borrowing activity at the lowest level in the nine years of the survey.

This latest survey evidence highlighting the lack of borrowing demand, is likely to result in further weakening of house prices in the coming months.

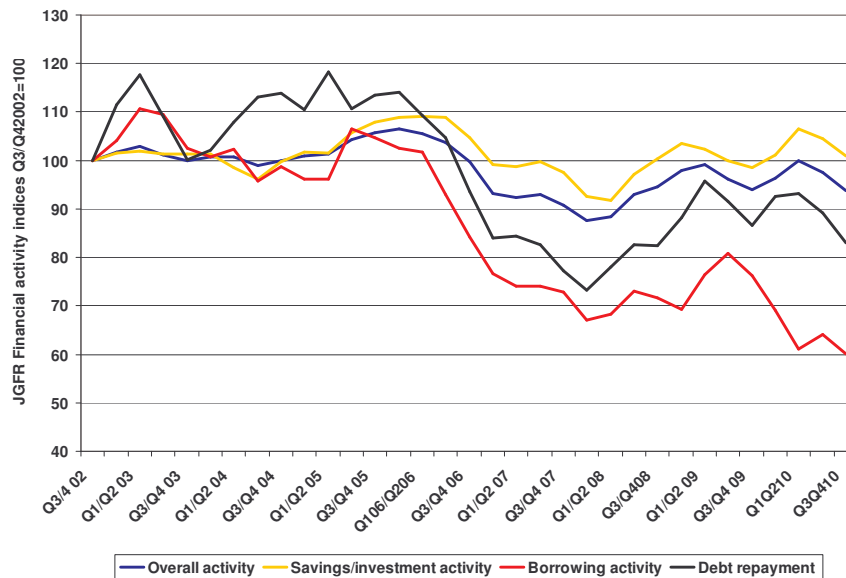
**Headline JGFR savings, investment, borrowing and debt repayment index down**

Overall savings, investment, borrowing and debt repayment intentions fell back in September to their lowest since a year ago. Some 37 million adults intend to undertake one or more activities, little changed on a year ago but down from 37.8 million in June. The JGFR Financial Activity Index (based on a 2-quarter moving average) fell to 93.7 from 97.5 in June and is little changed on 94.0 a year ago.

All four indices fell in September with the JGFR Borrowing intentions index down 4 points to a survey low of 60.2. Fewer people intend to repay debt (22% of adults compared to 26% in June) with the JGFR Debt repayment index slipping from 86.5 to 83.1.

Around two-thirds of adults intend to save/invest in the coming six months, little changed on June, but slightly higher than a year ago (64%). The headline savings/ investment index dropped from 104.5 in June to 100.9, but is higher than 98.6 a year ago.

**Chart:** Intended Savings, investment, borrowing and debt repayment activity, Q3/Q4 2002-Q3/Q4 2010



Source: GfK NOP / JGFR



## ISA intentions and investor sentiment little changed

ISA intentions held up among savings/investment product categories. 36% of adults intend to put money into an ISA, unchanged on June and up from 34% a year ago. Over the year ISA demand has been greater with 40% of adults in December and March boosting the JGFR ISA Index to a record high.

Investor sentiment also was little changed on the quarter, with both demand for equities and corporate bonds steady but with equity and corporate bond indices slipping back. The former (110.3) is well ahead of a year ago (96.4); the corporate bond index (116.1) is well down on a year ago (135.5) when inflows to corporate bond funds were particularly strong.

## Decline in expected life and pension contributions

Slightly fewer adults (38%) expect to make life and pension contributions, down from 39% in June, but well up from 33% a year ago. With considerable debate surrounding pensions, the proportion of adults making regular pension contributions (27%) is slightly down on June (28%) but has improved in the past year from only 23% a year ago. The headline JGFR Life and Pensions Index fell to 93.4 from 96.5 in June but is higher than 87.5 a year ago.

## Very weak borrowing outlook

There is no sign of any improvement in the outlook for lending - either consumer credit or mortgages. Consumers are very loathe to take on debt and while debt repayment intentions fell to their lowest since December 2007, this will partly reflect the record survey low in borrowing intentions. Overall 13% of consumers intend to borrow, down from 15% in June and 18% a year ago. All the consumer credit products covered in the survey— personal loans, overdrafts, credit card borrowing and car finance plans- showed decreases with all but overdrafts at a record index low.

## Housing activity set to decline further

The slump in intended housing market activity over the past year has intensified. Fewer people intend taking out a mortgage or putting down a deposit on a property to buy than in any previous survey. Demand among Londoners for a mortgage and property purchase is highest, although even here in London the property purchase intentions index is close to its base level having been considerably above it throughout the past 9 years. In September the index dropped to 102.4 down from 110.2 in June and 134.4 a year ago.

Commented John Gilbert, Chief Executive of JGFR:

*“Coupled with the pessimistic outlook of consumers towards their own personal finances and the economy generally, the latest FAB data adds to the picture of a constrained consumer, with expected overall activity, particularly borrowing activity reducing. Prospects for lending businesses and intermediaries involved with the housing market look very challenging; for savings and investment businesses, the outlook is better, although with weaker demand than earlier in the year providers may need to improve their product offerings. It is likely that to stimulate greater activity the Bank of England will introduce an extension of QE in the coming months”*

\*Financial Activity Barometer methodology

- 2,001 adults aged 16+, representative of the UK population, were interviewed by GfK NOP by telephone between 3-10 September.



- Respondents are asked about their intended activity in the next 6 months across 18 categories of savings, investment, borrowing and debt repayment questions.
- The survey has been undertaken quarterly since June 2002.
- A question is also asked about who people regard as their main financial services provider

The Autumn Financial Activity Bulletin is published on October 13<sup>th</sup> providing a detailed assessment of consumers savings, investment and borrowing intentions.

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