

Weaker savings, investment and borrowing outlook; property purchase intentions at survey low

The 33rd quarterly Financial Activity Barometer commissioned from GfK NOP by financial research specialist JGFR finds prospective consumer financial activity this summer weaker than in the spring quarter.

This may reflect the fact that people have less money to save or invest, but also the enormous change in the political landscape following the election of the new coalition government. Consumers appear to have favoured a 'wait and see' attitude to the new economic and financial climate. Some 38 million people expect to save, invest, borrow or repay debt in the coming months, down from 40 million in March and slightly higher than a year ago.

Drop in savings & investment intentions

The headline JGFR Financial Activity Index fell from a 4-year high of 100.0 to 97.5 on the quarter. Weaker savings and investment activity pushed the headline index lower. ISA intentions fell back from the record high levels of the past two quarters. Cash deposit intentions also weakened but more people intend to save regularly – the JGFR Regular Savings Intentions Index reached a 3-year high.

Improving life & pension product purchase intentions helped to push the main indices higher last quarter as longer- term savings and family protection became greater priorities. This quarter life & pension contributions are set to weaken slightly, although the outlook varies greatly between regions.

Investor sentiment has held up well despite recent stock market volatility and is little changed on the sharp rise in expected investor activity last quarter, when more high earners intended to invest in equities. The JGFR Equity Buying Intentions Index is at its highest since June 2007.

Little cheer for consumer credit providers

Prospects for lenders continue to be gloomy. Demand for consumer credit is very weak and little changed on March. The JGFR Consumer Credit Intentions Index is at 66.6, down from 84.8 a year ago with the taking out of personal loans close to a survey low. With the ending of the car scrappage scheme demand for car finance plans is also very weak.

Summertime blues for housing market

The steady fall in both mortgage and property purchase sentiment is set to continue. The surge in intentions seen in the spring / summer of last year, when the Bank of Mum & Dad was a key driver of activity, is a fading memory.

Demand for mortgages is little changed on last quarter 's weak intentions, but with more remortgage business than house purchase in prospect. The JGFR Property Purchase Intentions Index is at a survey low (67.4), down from 85.4 a year ago. Even demand from Londoners, normally much higher than elsewhere in the UK, has subsided. The London Property Purchase Intentions Index falling to 110.2 in June, compared to 121.6 in March and 156.0 a year ago.

Shifts in main financial services provider (MFSP) market may be underway

The Financial Activity Barometer also asks consumers which institution they regard as their main financial services provider. For the first time since September 2008, Barclays has replaced Lloyds TSB as the leading brand, with evidence of a shift in consumer behaviour away from the main brands. The market share of the top ten MFSP brands fell to 82% from 85%, its lowest since June 2006. Indeed, specially commissioned research from GfK for JGFR for a forthcoming report* found over a quarter of adults like the idea of new high street banks and two-thirds believe retail and investment banks should be kept separate.

Commented John Gilbert, Chief Executive of JGFR:

“Consumers face a period of great economic change and uncertainty. Financial services is at the heart of such change and it is unsurprising that many people are less active – particularly when income is getting tighter, job prospects are worsening and there is less incentive to move money from a current account.

At the same time the retail financial services industry is set to go through a major restructuring which is likely to have far-reaching effects on savings, investment and borrowing behaviour and on the leading banking brands.”

* **“Consumer attitudes towards the leading main financial services providers and the retail banking market”**, published September 2010 by JGFR

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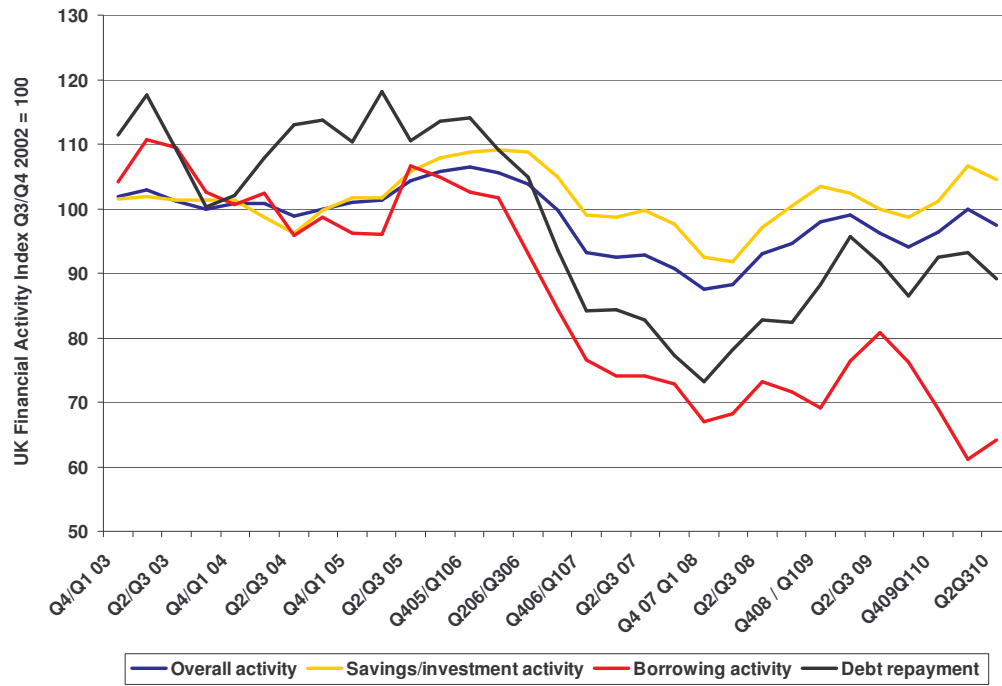
About the survey:

- The UK Financial Activity Barometer was conducted by GfK NOP amongst a sample of 2,000 individuals aged 16+, on behalf of JGFR
- Quotas are imposed on age, sex, region and social class to ensure the final sample is representative of the UK population
- Interviewing was carried out during 4th – 20th June 2010
- The study has been running since 2002. Back data is available.
- 18 categories of savings, investment, borrowing and debt repayment are covered
- The results of the Barometer are published in the Summer Financial Activity Bulletin.
- Any published material needs a reference to both GfK NOP and JGFR

Charts

1. Financial Activity Indices Q3/Q4 2002 – Q2/Q3 2010
2. Numbers of intended savings, investment, borrowing or debt repayment activity, June 2010
3. Regional expected financial activity, June, March 2010

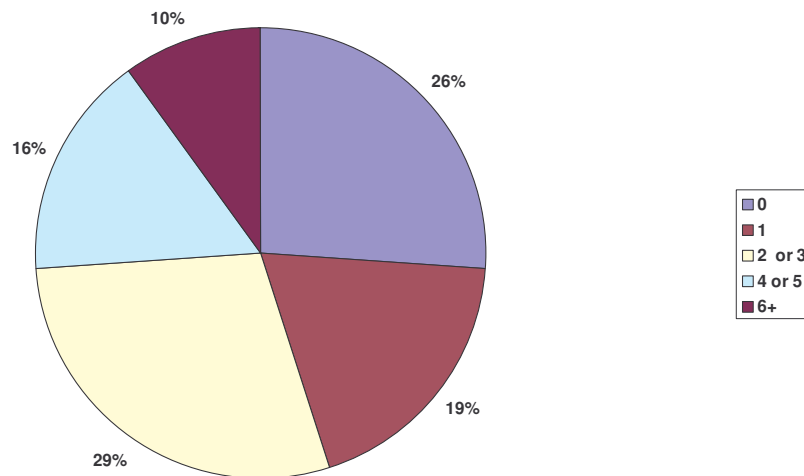
Chart 1: Financial Activity Indices Q3/Q4 2002 – Q2/Q3 2010*



*2-quarter moving average

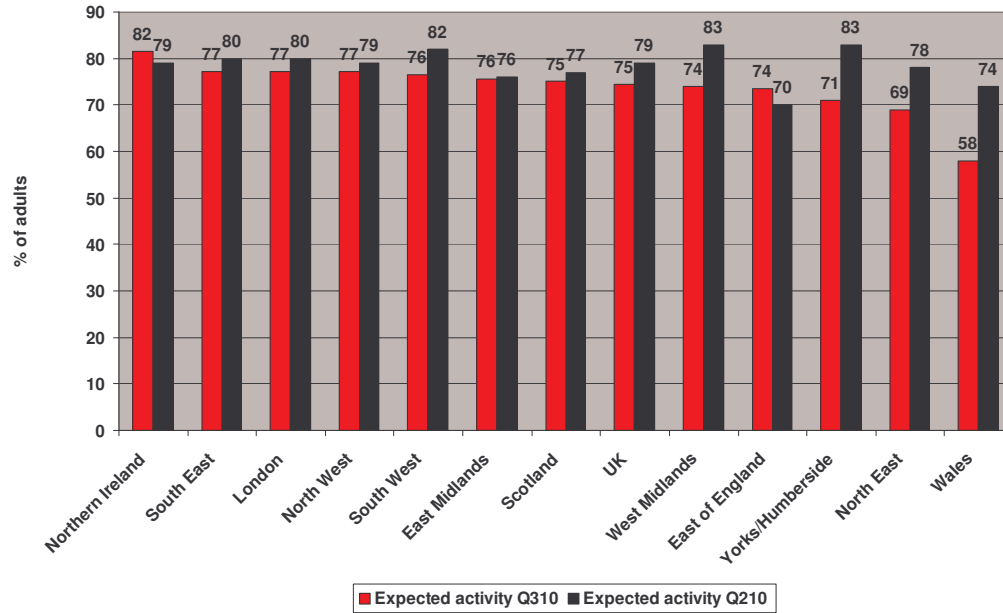
Source: GfK NOP / JGFR

Chart 2: Numbers of intended savings, investment, borrowing or debt repayment activity, June 2010 (% of adults aged 16+)



Source: GfK NOP

Chart 3: Regional expected financial activity, Q3, Q2 2010*



*in next 6 months

Source: GfK NOP / JGFR