

# Nationwide SAVINGS INDEX



[www.nationwide.co.uk/savingsindex](http://www.nationwide.co.uk/savingsindex)

15 June 2009

embargoed until 00:01 17 June 2009

## Savers squeezed as recession bites

**Although consumers are now more pessimistic about how regularly they save than at any time in the past year, increasing numbers see saving as important and people are more optimistic about their ability to save in the future.**

The Nationwide Savings Index has declined three points to its lowest level since it began reporting in June 2008. This decline is due to consumers' concerns over how much they are currently saving and how regularly they save.

- Over a quarter (26%) of consumers save nothing at all with less than half (46%) saving regularly
- A significant 60% admit to saving less than they need to, compared to 56% six months ago

However, more people see the benefit of saving, as evidenced by the Importance of Saving Index, which increased significantly, rising 11 points.

- Approaching two thirds (60%) of consumers now think saving in general is important

Looking forward, consumers are more confident about their ability to save in the future than at any time since Nationwide began the Savings Index in June 2008. The Future Savings Index shows a 10 point increase in the number of people who expect to save more in six months time.

- Almost one in every five (19%) of consumers think they'll be saving more than they do now in six months time

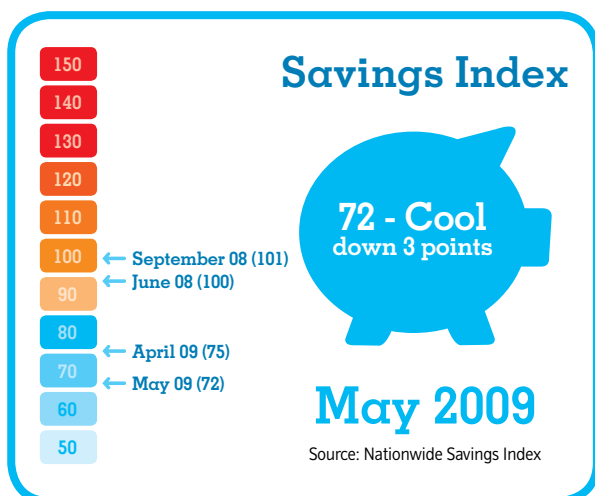
### Andy Hutchinson, head of savings at Nationwide, says:

"This month's Savings Index provides further evidence that consumers continue to find the environments enabling them to save are unfavourable. Rising unemployment and falling income growth clearly make it difficult to save, while the low level of interest rates may have increased the incentive to prioritise debt reduction over deposit accumulation. Although the increase in ISA limits announced in the Budget should help to boost longer term levels of savings, it may not have much impact in the short term since very low interest rates are limiting the extent of the tax benefit. However, it is encouraging to see that there has been an increase in confidence about the future ability to save, which is consistent with recent rises in consumer confidence about the overall economic situation.

"With household financial wealth having fallen significantly as a result of house price and equity market declines, it is more important than ever for consumers to rebuild their savings position for retirement. This month's large increase in the Importance of Savings Index suggests that consumers are beginning to recognise this reality and have the desire to save more. Initially, increased saving is likely to occur mostly in the form of debt reduction, yet once debt reaches a more sustainable level in relation to incomes, there should be opportunities for households to put more money into deposit savings and other financial assets.

"The May Savings Index fell three points from the previous month to reach its lowest level since the Index began'. This is despite the fact that the Chancellor announced ISA allowances will increase for the over 50s in October and for everyone else in April next year. This may suggest that the fall in the Savings Index cannot be attributed to just Government policy alone and, indeed, our research shows that the share of respondents saying that Government policy discourages them from saving remains stable compared with the previous month. Instead, the fall in the Savings Index has largely been due to consumers feeling negative over current savings levels and how regularly they save, both of which are likely to be adversely affected by the difficult economic conditions.

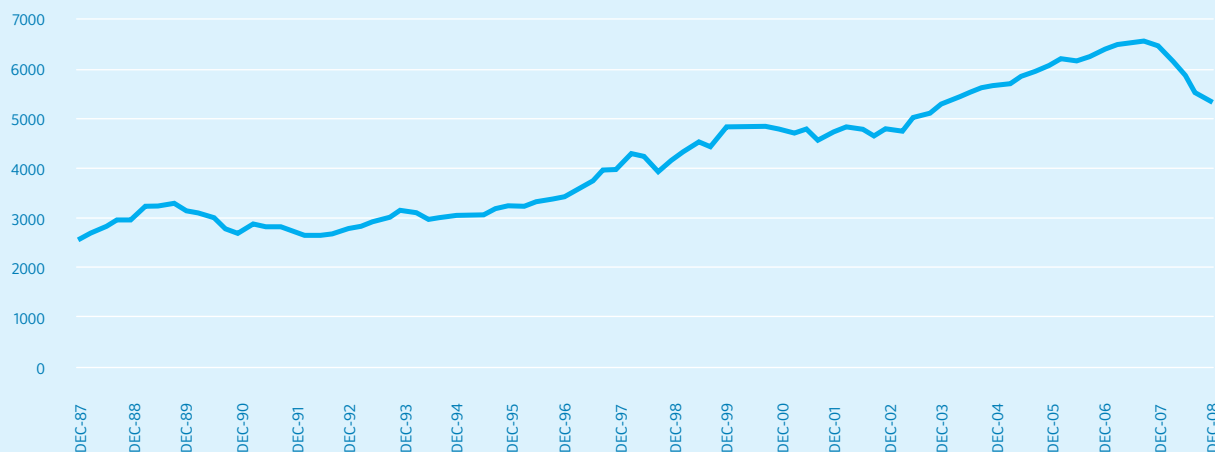
"However, there is some positive news in the savings market. Consumers' confidence in their ability to adequately save in six months time has increased by 10 points and the Importance of Savings Index increased by 11 points, as more people see the necessity of boosting their savings."



# Nationwide SAVINGS INDEX



Household real Net Worth (£bn)



Source: ONS

Real household financial wealth has declined over the past year as house prices and equity values have fallen, which highlights the need for more saving.

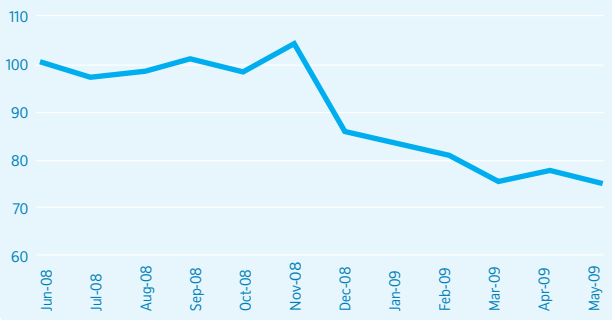
| Index name  | Index measures   | June 2008 | Dec 2008 | March 2009 | May 2009 |
|---|--|-----------|----------|------------|----------|
| The Savings Index (main index)<br><b>Graph A</b>          | <ul style="list-style-type: none"> <li>• Saving frequency</li> <li>• Saving levels</li> <li>• Right time to save</li> <li>• Government policy</li> </ul> | 100       | 84       | 73         | 72       |
| Importance of Savings Index (sub-index)<br><b>Graph B</b> | <ul style="list-style-type: none"> <li>• Saving generally</li> <li>• Saving personally</li> </ul>  | 100       | 94       | 76         | 88       |
| Savings Environment Index (sub-index)<br><b>Graph C</b>   | <ul style="list-style-type: none"> <li>• Time to save</li> <li>• Government policy</li> </ul>  | 100       | 78       | 58         | 59       |
| Future Savings Index (sub-index)<br><b>Graph D</b>        | <ul style="list-style-type: none"> <li>• Future saving levels</li> </ul>   | 100       | 96       | 104        | 111      |

- Despite the Government's efforts to inject energy into the savings market by increasing ISA limits in April's Budget, the Savings Environment Index has barely moved, increasing by only one point.
- Over half (57%) of consumers think it is a bad time to save;
- Just 14% of people think Government policy encourages saving.

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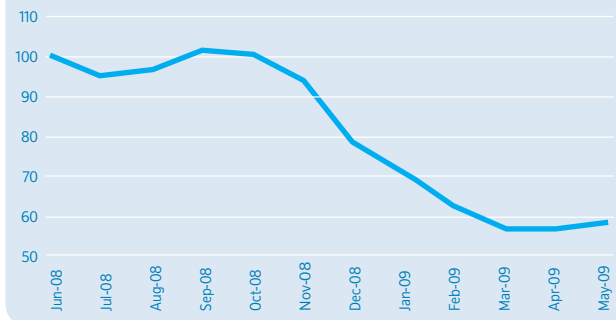


**Graph A. Nationwide Savings Index**



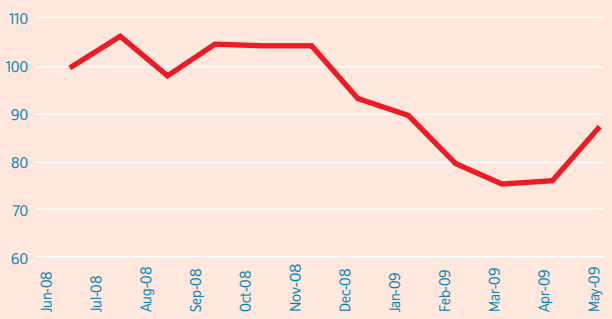
Source: TNS research for nationwide

**Graph C. Savings Environment Index**



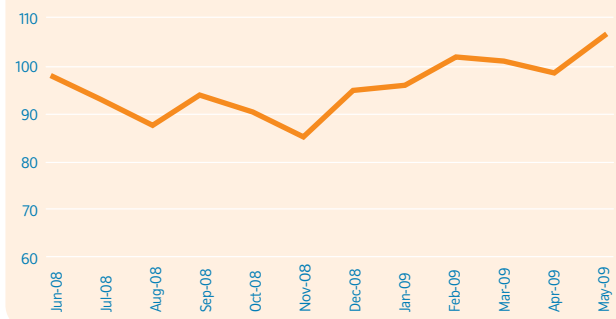
Source: TNS research for nationwide

**Graph B. Importance of Saving Index**



Source: TNS research for nationwide

**Graph D. Future Savings Index**



Source: TNS research for nationwide

|        | Base | Savings Index | Importance of Savings Index | Savings Environment Index | Future Savings Index |
|--------|------|---------------|-----------------------------|---------------------------|----------------------|
| Jun-08 | 1000 | 100           | 100                         | 100                       | 100                  |
| Jul-08 | 1000 | 97            | 106                         | 95                        | 94                   |
| Aug-08 | 1154 | 98            | 99                          | 97                        | 87                   |
| Sep-08 | 1000 | 101           | 105                         | 101                       | 95                   |
| Oct-08 | 1000 | 98            | 104                         | 100                       | 91                   |
| Nov-08 | 1000 | 104           | 105                         | 94                        | 84                   |
| Dec-08 | 1000 | 84            | 94                          | 78                        | 96                   |
| Jan-09 | 1000 | 81            | 90                          | 71                        | 97                   |
| Feb-09 | 1000 | 79            | 80                          | 63                        | 105                  |
| Mar-09 | 1000 | 73            | 76                          | 58                        | 104                  |
| Apr-09 | 1000 | 75            | 77                          | 58                        | 101                  |
| May-09 | 1001 | 72            | 88                          | 59                        | 111                  |

# Nationwide SAVINGS INDEX



## Note to editors:

Nationwide's Savings Index is based on a monthly survey representative of the UK population. For May, the TNS research for Nationwide took place from 20 April 2009 to 17 May 2009 with 1,001 people.

<sup>1</sup> The Nationwide Savings Index began on 19 May 2008.

<sup>2</sup> Sub-indices, these are:

### **The savings index (principal index)**

Made up of consumer opinion about the frequency of saving, current levels of saving, whether it's a good time to save given the external environment and thoughts on Government policy.

### **The importance of saving index (sub index)**

Made up of consumer opinion about the importance of saving both generally and personally.

### **Savings environment index (sub index)**

Made up of consumer opinion about whether it's a good time to save given the economic environment and whether government policy encourages people to save.

### **Future savings index (sub index)**

Made up of consumer opinion about whether they think they'll be saving more, less or about the same in six months time, than they do now.