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No embargo

AS BASE RATE IS CUT, SAVERS' OPTIMISM FALLS

Half of consumers think the Government discourages them from saving

The base rate reductions in October, November and December last year appear to have had an impact on consumers' desire to save and their opinion on whether the Government is doing enough to encourage people to put money aside. Rate reductions may have been good for mortgage holders, but savers have been affected by falling returns. The cuts in base rate were an attempt by the Government to prevent deep recession. The immediate positive effect has been felt by borrowers, so it comes as no surprise that people think the Government is not doing enough for savers.

New research from Nationwide Building Society reveals nearly half (48%) of consumers believe government policy discourages them from saving, an increase of seven percentage points on results seen in the four months to November 2008. Just 16% of consumers think current government policy encourages saving.

Current savings picture

The current savings picture is gloomy, as December's results show:

- Nearly one in four people (24%) do not save anything and under half (47%) of consumers save regularly;
- Just slightly over a quarter (26%) of consumers think they are saving what they need to, although more than double that amount (59%) admit they save less than they need to.

Savings outlook

The outlook for savings is also a little gloomy with just 50% of consumers confident they'll be saving the right amount in six months time. Less than one in five people (17%) think they'll be saving more than they need to in six months time – a small increase of three percentage points from the previous month. Just under a third (30%) of consumers think they'll be saving less than they need to in six months time.

Do consumers think now is a good time to save?

When asked if people thought now was a good or bad time to save, given the current economic situation:

- Just 23% of consumers said now is a good time to save – the lowest figure seen since Nationwide's savings survey began in April 2008;
- More than double the amount (47%) of people think it is a bad time to save – a four percentage point increase on November's results;
- 28% think it is neither a good nor bad time to save and 2% do not know.

Matthew Carter, director for savings at Nationwide, says: “When mortgage rates fall, savings rates have to follow and this has clearly put a strain on savers’ returns. Although lower mortgage rates for borrowers may mean that some people have more money to put away, those thinking about beefing up their savings, or even opening their first savings account, may have been put off by the lower rates. Of course, we shouldn’t be completely surprised by some of these results, as financial pressures take their toll. As we enter 2009, we would like to encourage people to save what they can and to choose a savings account that meets their needs whether it’s instant access or notice, a long-term bond or tax free savings.

“A balance does need to be found to protect the interests of both savers and borrowers and we are doing everything we can to achieve this because, at the moment, those relying on interest payments as income are being hit the hardest. Putting money aside has never been more important as the economic uncertainty continues, yet savers feel they are being forgotten by the Government and that their retirement savings are in jeopardy. In the current environment, people need as much support as possible to help boost and protect their financial futures.”

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Notes to editors:

Data was collected between 17 November and 14 December 2008, by TNS, a global market information and insight group. 1,000 people were questioned. Research is collected on a monthly basis and this is the ninth such release using the data collated.

People were questioned prior to the Bank of England Base Rate announcement on 8 January 2009.

Previous releases are available via the following links:

November’s data release issued 8 December 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1314

October data release issued 12 November 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1299

September data release issued 15 October 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1279

August data release issued 8 September 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1262

July data release issued 11 August 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1247

June data release issued 14 July 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1230

May data release issued 18 June 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1219

April data release issued 27 May 2008:

http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1210

November data was collected between 20 October and 16 November – 1,000 people were questioned

October’s data was collected between 22 September-19 October – 1,000 people were questioned

September's data was collected between 18 August-21 September – 1,000 people were questioned
August's data was collected between 21 July-17 August by TNS – 1,000 people were questioned.
July's data was collected between 23 June-20 July 2008 by TNS – 1,000 people were questioned.
June's data was collected between 19 May-22 June 2008 by TNS – 1,000 people were questioned.
May's data was collected between 30 May-1 June 2008 by TNS – 1,010 people were questioned.
April's data was collected between 18-20 April 2008 by TNS – 1,005 people were questioned.