

Nationwide SAVINGS INDEX



www.nationwide.co.uk/savingsindex

20 July 2009

Embargoed until 00:01 22 July 2009

Nationwide Savings Index improves, but recovery is some way off

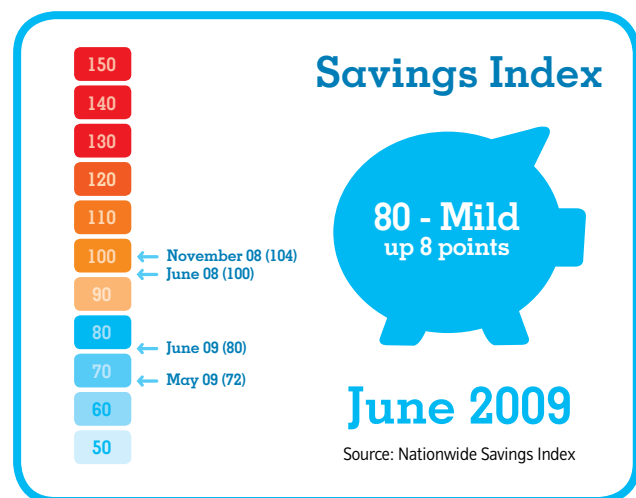
There are cautious signs of optimism in the UK savings market as the Nationwide Savings Index reaches its highest level for five months and its second highest of 2009.

- The **Savings Index** increased eight points to 80.

Savings Index 2009					
Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
81	79	73	75	72	80

- More people (77%, an increase of 3% from May) now save either regularly or occasionally
- Fewer people (23%, a decrease of 3% from May) save nothing at all.
- More consumers believe that now is a good time to save, with the **Savings Environment Index** improving six points.
- Although current feelings of the savings environment have improved, consumers do not necessarily feel that they will save more in the future, with the **Future Savings Index** decreasing overall by 10 points from May.
- The **Importance of Savings Index** fell three points, mainly as a result of a decrease in those who believe that saving in general is important. However, there was a slight increase in those who believe it's important to personally save.

The improvement in the Savings Index and the increases in the number of people who are regularly or occasionally saving are encouraging and may reflect a more positive outlook on the economy as a whole. However, this improvement should be treated with caution, as the Savings Index is 20 points below where it was a year ago. It could be that the low interest rate environment might be deterring people from saving, with 59% of consumers saying they are currently saving less than they would like.



Andy Hutchinson, head of savings at Nationwide, says:

"The Nationwide Savings Index is now at its highest level since January 2009. Although this is still a long way off where the Index began, this is no doubt a welcome improvement. The positives are that, compared to the previous month, there has been an increase in the number of people saving and, on the other end of the scale, a decrease in the number of people saving nothing at all. Furthermore, an increasing number of consumers now believe that the current environment in which to save has improved.

"These positives may suggest that the wider UK economy, or at least the savings environment, is stabilising. At the same time, it is too soon to say for sure that attitudes towards savings have bottomed out and caution should be exercised. The overall Future Savings Index fell as a result of decreasing numbers who believe they will be able to save more than they currently do in six months' time. Additionally, fewer people believe that saving in general is important". [Continued over page.](#)

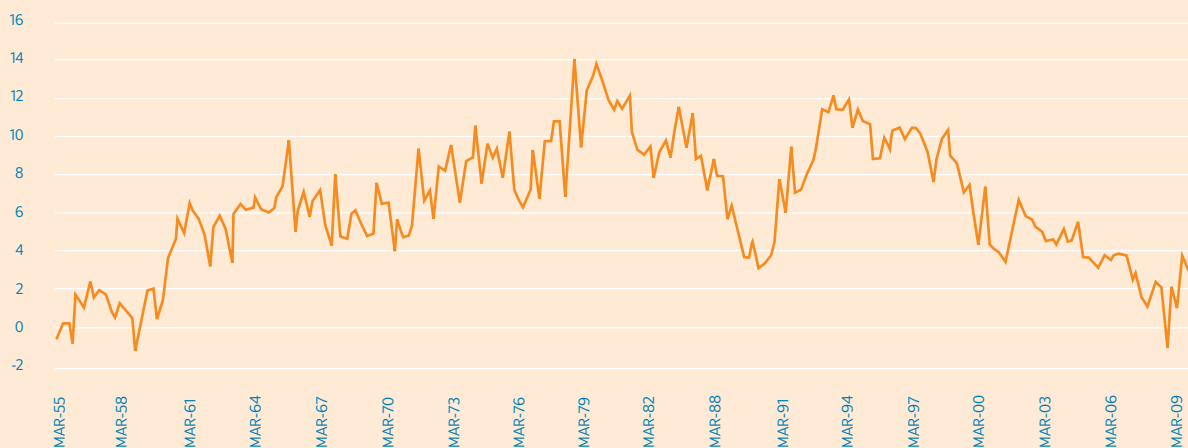
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Andy Hutchinson, contd.

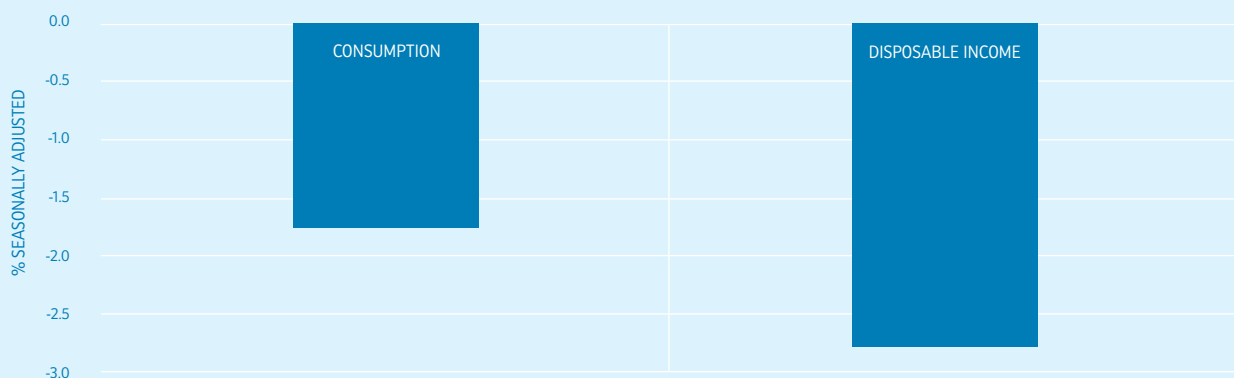
“While June’s increase in the savings index is encouraging, the latest economic data underline the fact that there is still a long way to go before household savings levels rise to where they need to be. The Office for National Statistics recently announced that the household savings ratio fell in the first quarter of 2009 to 3.0%, which historically is still a very low level. Even though consumers have been cutting back on their discretionary spending, disposable incomes have fallen at an even faster pace as unemployment has risen, thus putting downward pressure on the savings ratio. With household wealth having fallen significantly as a result of the housing and equity market declines, the savings ratio will need to increase considerably from current levels in order to rebuild household balance sheets. With income growth likely to remain weak for some time, much of the adjustment will need to come from lower consumer spending.”

UK Household Savings Ratio



Source: ONS

Quarterly changes in nominal household income and consumption



Source: ONS

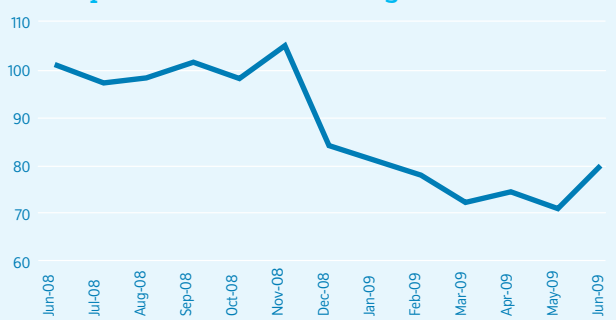
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Savings Index – last three quarters compared to the latest data

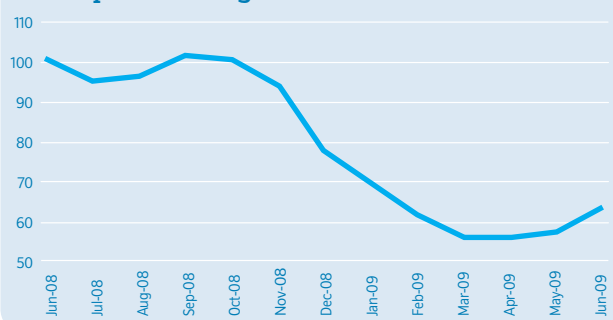
Index name	Index measures	Sept 2008	Dec 2008	March 2009	June 2009
The Savings Index (main index) Graph A	<ul style="list-style-type: none"> • Saving frequency • Saving levels • Right time to save • Government policy 	101	84	73	80
Importance of Savings Index (sub-index) Graph B	<ul style="list-style-type: none"> • Saving generally • Saving personally 	105	94	76	85
Savings Environment Index (sub-index) Graph C	<ul style="list-style-type: none"> • Time to save • Government policy 	101	78	58	65
Future Savings Index (sub-index) Graph D	<ul style="list-style-type: none"> • Future saving levels 	95	96	104	101

Graph A. Nationwide Savings Index



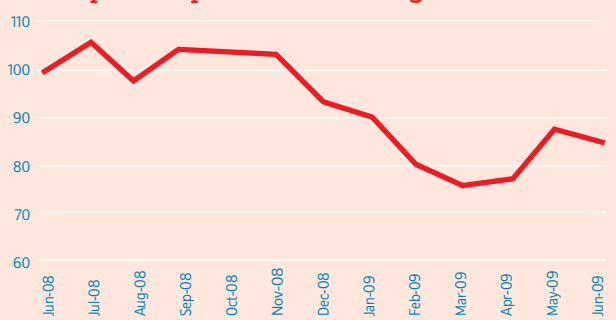
Source: TNS research for nationwide

Graph C. Savings Environment Index



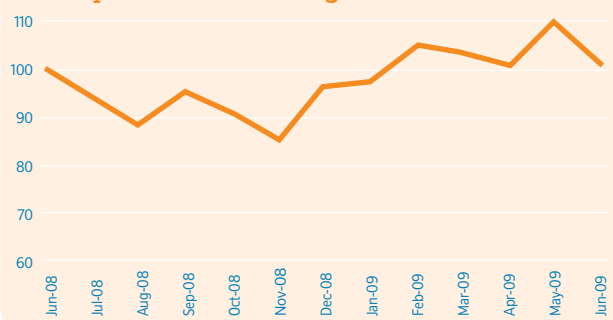
Source: TNS research for nationwide

Graph B. Importance of Saving Index



Source: TNS research for nationwide

Graph D. Future Savings Index



Source: TNS research for nationwide

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	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
Jun-09	1000	80	85	65	101

Note to editors:

Nationwide's Savings Index is based on a monthly survey representative of the UK population. For June, the TNS research for Nationwide took place from 18 May 2009 to 21 June 2009 with 1000 people.

The Nationwide Savings Index began on 19 May 2008.

*The Savings Index is made up of one main index and three sub-indices. These are:

The Savings Index (principal index)

Made up of consumer opinion about the frequency of saving, current feelings about their 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.



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