

Strictly Embargoed for 00.01 Wednesday 11th May 2011

JOB INSECURITY HITS SAVING

- *Increased cost of living, employment uncertainty and tax hikes impact saving*
- *Britons continue to use savings to pay down short-term debt, although this has slowed in 2011*

Ordinary people's savings balances fell by 2.8 per cent in the first three months of the year, fuelled by increases in the cost of living, concern about tax hikes and growing unemployment.

Figures from the latest *ING Direct Consumer Savings Monitor* – the only measure tracking ordinary Britons' savings levels – shows balances now stand at £1,783, down £100 on the same quarter last year. This means that rainy-day savings have fallen by 12 per cent since ING Direct began tracking them two years ago.

Commenting on the findings, *ING Direct Senior Economist James Knightley* said:

"You would expect to see a downward push on savings levels post-Christmas, but a like-for-like fall on the same fiscal quarter suggests that there is more at play than simple seasonal variation."

Increases in the cost of living are the main thing squeezing household finances, with a big rise (up to 41 per cent) in the numbers using savings to pay for groceries and other everyday costs like fuel.

Another factor is increased job insecurity, which is contributing to Britons desire to re-balance their finances by using savings to pay down their short-term debt. This continues a trend that was seen throughout last year, when unsecured borrowing fell by nearly five per cent (4.6 per cent). However, it has slowed markedly this quarter to a fall of just 0.2 per cent.

Nevertheless, nearly one in five (18 per cent) say that they have used their savings in this way, with one in six (15 per cent) 'not confident' of keeping their job, a level of concern last seen at the lowest point of the recession in late 2009.

ING Direct CEO Richard Doe comments:

"As the cost of living increases, people are continuing to face a difficult balancing act and are sensibly continuing to pay down their short-term debt, albeit more slowly than last year. As usual, something has to give and it is people's rainy day savings funds that have fallen to £1,783, one of the lowest figures recorded since tracking began."

"The positive news is that nearly a third (31 per cent) say that they are determined to build up their savings later in the year and if the economic situation improves they will be in a much better position to do this."

Commenting on the future outlook, *ING Direct Senior Economist James Knightley* continues:

“Increases in VAT and petrol prices were also always going to put downward pressure on savings levels. Wages aren’t keeping pace with the costs of living, which means that many households are running down their savings to pay for necessities. However, if the economy begins to improve this will empower consumers to start re-building their savings buffers and it’s clear from the research that this is what they intend to do.”

The figures demonstrate that the young and those on lower incomes have been particularly seriously affected by the savings squeeze, partly because these groups have been hit disproportionately hard by increases in unemployment.

The savings of those aged between 18-24 have fallen by a full 40 per cent in the past 12 months to just £496, while those earning less than £22,000 a year have seen their savings fall by £155 over the same period (down to £595).

Headline Figures

	Median Savings	Change
Q1 2009	£2,020	-
Q1 2010	£1,886	-6.6%
Q1 2011	£1,783	-5.4%

Ends

For a full copy of the latest report from the ING Direct Consumer Savings Monitor, visit www.consumersavingsmonitor.co.uk

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Footnotes

All figures quoted are from the findings of the ING Direct Consumer Savings Monitor. Full methodology can be found in the latest report, available at www.consumersavingsmonitor.com

The term '**ordinary Briton**' is used to illustrate the fact that the ING Direct Consumer Savings Ratio uses median averages for savings as the distribution of savings is so strongly skewed by the very wealthy (mean averages give figures of around £20,000).

Sampling methodology

A sample of 1,300 UK adults, fully representative of the UK adult population is recruited on a monthly basis by PureProfile, one of the world's leading research panels, with more than 600,000 panellists worldwide. This sample contains approximately 1,000 savers (approx 25% of Britons have no savings).

The interviewees are interviewed over the same 7 day period over the last week of every calendar month. Interviewees are asked an identical series of tracking questions every month. These tracking questions commenced in January 2009 and run on a monthly basis. This quarter's findings come from the results of October, November and December 2010 tracking.

A further representative sample of 2000 UK adults is also questioned in the midpoint of each quarter, on a quarterly basis.