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Middle-class savings squeeze underway

The savings of middle class, middle-income families are falling three times faster than other groups, according to new findings.

The *ING Direct Consumer Savings Monitor* – the only measure that tracks ordinary Britons' accessible savings levels¹ – shows that savings have fallen by 11 per cent overall in the third quarter of this year, while those of families earning £47k or more have fallen by 35 per cent.

This means that the typical middle class family with one high-earning working parent has seen its savings fall by nearly £2,000 in the last three months (from £5,570 to £3,621).

Rising prices are the primary reason for the draw down, as mid-lifers – especially those with children – struggle to meet living costs such as groceries, utilities and childcare. Holiday costs have also put family finances under pressure, as well as rising unemployment levels.

Mid-lifers are also relying more on borrowing, adding around £364 to their non-secured debts in the third quarter of the year (now totalling £4,263).

As a result of such squeezed budgets, people are slashing their Christmas gifts budgets, with median spend per person estimated at £248 – £127 less than last year.²

And in contrast to last Christmas, Britons are also shy of using credit to take up the slack, with just 14 per cent of shoppers relying on the plastic to cover their festive outgoings – compared to nearly a quarter of us (22 per cent) in 2010.³

However, the determination amongst Britons to restock their savings remains strong, with four in 10 (39 per cent) stating this as their top financial priority and economic signs suggesting 2012 could see inflation fall away.

ING Direct CEO Richard Doe comments:

“Younger and lower earning savers have fewer reserves, making them the most vulnerable - especially with unemployment rates at a 17-year high. But the figures tell us that proportionally, it is mid-life parents who are losing out to the greatest degree.”

Nationally, median savings balances took a hit of 11 per cent, falling by £183 to sit at £1,501 – equivalent to just 35 days average take home pay. Unsecured debt rose by 4.6 per cent (£116), sitting at £2,629.

ING Senior Economist James Knightley continued:

“Household finances are under immense pressure given rising unemployment and the fact that wages are still failing to keep pace with the cost of living. In this environment it is unsurprising that many households are running down their savings to finance everyday spending.

“However, inflation will fall sharply through 2012, providing much needed relief for the household sector. Assuming recession is avoided and the labour market stabilises, 2012 could be a much better period for savers.”

The full report can be downloaded from www.consumersavingsmonitor.co.uk (from 17 November).

Savings by demographic and income level

	Q1 2011	Q2 2011	Q3 2011
UK	£1,783	£1,684	£1,501
18-34	£620	£567	£643
35-54	£1,632	£1,659	£1,187
55+	£5,590	£3,995	£4,549
<£22k	£619	£398	£467
£22k-£47k	£1,984	£1,987	£1,770
£47k+	£4,940	£5,007	£3,807
35-54 & £47k+	£5,609	£5,570	£3,621

Levels of unsecured debt

	Q1 2011	Q2 2011	Q3 2011
UK	£2,806	£2,513	£2,629
<£22	£1,611	£1,708	£2,229
£22-£47k	£3,381	£2,850	£2,697
£47k+	£3,405	£3,052	£3,235
Age 18-34	£2,615	£1,662	£1,667
Age 34-54	£4,296	£3,899	£4,263
Age 55+	£1,310	£1,873	£1,853

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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About ING Direct:

- ING Direct is the world's leading direct savings bank, with over 23 million savers worldwide. It was launched in the UK in May 2003 where it has 1.5m customers.
- The savings bank has won a number of accolades for its customer service, website and UK-based call centres, as well as being highly commended for most trusted savings provider at the Moneywise 'Most Trusted' 2009 Awards.
- ING Direct is authorised and regulated by De Nederlandsche Bank (the Dutch Central Bank) and subject to limited regulation by the Financial Services Authority. Details on the extent of ING Direct's regulation by the Financial Services Authority are available on request.
- Deposits are covered by the Dutch Deposit Guarantee Scheme to the level of €100,000 per customer.

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Footnotes

All figures quoted, unless otherwise stated are from the findings of the ING Direct Consumer Savings Monitor. Full methodology can be found at www.consumersavingsmonitor.co.uk

1. The ING Direct Consumer Savings Monitor is the only on-going UK measure of ordinary Briton's savings. The term '**ordinary Briton**' is used to illustrate the fact that the ING Direct Consumer Savings Ratio uses median averages for savings (rather than mean) as the distribution of savings is so strongly skewed by the very wealthy (mean averages give figures of around £20,000).
2. In the lead up to Xmas 2010, respondents said they planned to spend £375 on gifts. When questioned at the same time this year this figure had fallen to £248.
3. In the lead up to Xmas 2010, respondents were asked if they planned to use their credit cards in order to finance Xmas expenses – with 22 per cent saying they were. When questioned at the same time this year this percentage had fallen to 14 per cent.

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 July, August and September 2011 tracking.

A further representative sample of 2,000 UK adults is also questioned, which ran online between 10th & 14th October.