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SAVINGS BALANCES FALL TO £2,023

Britons' savings fell by **8.3%** in the first quarter of 2010, but many hope to re-build them later in the year.

According to the **ING Direct Consumer Savings Monitor**, the only indicator designed to measure the savings levels of ordinary people, balances currently stand at **£2,023**, compared to **£2,205** in the final quarter of **2009**.

Even though funds have fallen, the quarterly measure also reveals that Britons would like to save more and are looking to a future government to help them. The recent increase in the ISA limit has been welcomed¹ and Britons would like to see further action, with tax-free savings for all basic rate tax-payers a sure-fire vote winner.²

The **ING Direct Consumer Savings Monitor** suggests that the fall-back in savings has been driven by a focus on re-paying Christmas debt³. It means savings balances now equate to **1.6 times** monthly income, at a time when the average unemployment period has increased to **6 months**.⁴

Trends in the **ING Direct Consumer Savings Monitor** appear to contrast with the ONS Household Savings Ratio, which indicated saving rising through much of **2009**. The difference arises for two reasons. Firstly, the ONS figures treat the paying down of debt to be a form of saving. Secondly, the ONS Household Savings Ratio also includes less readily accessible savings like pensions, equities and property.

Other industry data, including Bank of England figures, suggest an increase in saving since Christmas. This is the result of an increase in the cash deposits of the very wealthy, which mean that overall savings deposits have risen at the same time that the average balances of ordinary people have fallen.⁵

Commenting on the findings, **ING Direct CEO Johan de Wit** said:

“Our figures give a true picture of the savings wealth of ordinary people, because they allow for the fact that more than a third of savings wealth is held by the top 5% of the population.

“After Christmas, you would expect there to be some seasonal adjustment as Britons re-balance their debts, but it’s encouraging to see that so many households are looking to re-build their savings ‘buffer’ for the remainder of the year.

“The fact that the typical unemployment period recently increased from five to six months brings home the importance of having a good savings ‘buffer’ in place. The ING Direct Consumer Savings Monitor highlights that people want to increase their savings and naturally would welcome initiatives from the future government that encourage savings.”

Mark Cliffe, ING Group Chief Economist added:

“After years of spending more than they can afford, many ordinary households continue to be split between paying down accumulated debts and creating a larger savings ‘buffer’. Unfortunately, with income growth remaining modest and taxes going up it is going to be a tough year for savers and they may find it difficult to live up to their good intentions”

Ends

For a full copy of the ING Direct Consumer Savings Monitor, visit

www.consumersavingsmonitor.co.uk

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Footnotes

1. 55% of survey respondents were pleased with the ISA increase declared in the 2010 budget
2. When given a range of savings policy changes to choose from 65.7% of respondents selected the option of making saving tax free for basic rate tax payers
3. See main report for further details
4. Labour force survey to Jan 2010 – unemployment by age and duration
5. The ING Direct Consumer Savings Monitor recorded a *mean* increase in savings in Q1 2010 but a fall in the *median* average, indicating that the overall rise must be somewhere above the 50th percentile (the upper wealthiest half of the population). Furthermore analysis of income breakdowns showed that all but the highest earners saw their savings fall.

Research Methodology

Full methodology detail can be found in the full report, available at

www.consumersavingsmonitor.com

- 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
- All quoted monetary figures are median. The use of medians to track and describe average savings provides the most accurate possible representation of the situation of ordinary UK savers. This is because, with savings so unequally distributed across the UK population, *mean* average savings (i.e. total savings divided by the number of UK adults) does not account for the fact that just five per cent of the UK population hold a third of all savings wealth, which distorts or overstates ordinary savers' balances.