

**Strictly Embargoed for 00.01 29<sup>th</sup> January**

## **SAVINGS LEVELS OVER-ESTIMATED**

Britons' savings are at a dangerously low level, according to new figures.

A new quarterly economic indicator designed to measure the savings levels of ordinary Britons for the very first time reveals that balances stand at **£2,205** after falling for much of 2009.<sup>1</sup> This is the equivalent of just **1.7** months' take-home pay, at a time when the employment rate is falling and it takes an average of **5 months** to get back into work.<sup>2</sup>

The **ING Direct Consumer Savings Monitor** differs from other measures of saving<sup>3</sup>, which typically divide the overall savings pot by the population to show balances of around £20,000. These figures are distorted by the **wealthiest five per cent** of the UK population who own a third of total savings.

These new findings appear to tell a different story from the ONS Household Savings Ratio, which recently rose to a ten year high of 8.6 per cent of disposable income. This anomaly occurs because, unlike the new measure, the ONS has a different definition of savings and is heavily influenced by how much people are borrowing.

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

“We wanted to understand better just how much ordinary people in this country have saved, because no existing measure really tells us this. The official ONS Household Savings Ratio does a good job but is designed for economists by economists. For example it treats mortgage repayments partly as saving, but ordinary people see this as their biggest monthly bill. Other measures of saving are distorted by the high balances of the very wealthy.”

Neglect of savings has occurred for good reasons because people's focus has been on reducing debt, with a growing proportion seeking to pay down unsecured borrowing and make over-payments on mortgages. However, with confidence returning, savings rose in

the final quarter of 2009. The Monitor also showed people chose to save for major purchases rather than run up their credit card bills.

De Wit continues, “The **ING Direct Consumer Savings Monitor** focuses for the first time on the savings behaviour of the ordinary man and woman in the street. Savings and future spending are closely linked and we feel that this has the potential to become a very useful quarterly economic indicator.

“Our first report highlights the need not to neglect that savings ‘safety net’ that will be needed if you hit a bump in the road. Although this fell in the first half of 2009 it will be interesting to see in future reports whether the recent small recovery in savings continues.

**Mark Cliffe, ING Group Chief Economist** added:

“The rise in the official savings ratio paints a misleading picture for most ordinary Britons. This measure was boosted last year by people repaying debt or putting more into their pension, as well as the purchase of equities by the wealthy. By contrast, the **ING Direct Consumer Savings Monitor** shows the meagre level of readily accessible savings that most people have. This leaves them with a very small buffer if they run into trouble. Indeed, with pay and jobs under pressure, and taxes and inflation rising, people may be forced to run down their savings again this year.”

### Headline Figures

	Median Savings	Change	Median Monthly Income
Q1	£2,167	-	£1,229
Q2	£2,018	-£149	£1,237
Q3	£2,093	+£75	£1,230
Q4	£2,205	+£112	£1,230

**Ends**

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

[www.consumersavingsmonitor.co.uk](http://www.consumersavingsmonitor.co.uk)

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### **Footnotes**

1. See research methodology below
2. Unemployment figures sourced from Labour Force Survey: Unemployment by Age and Duration (16+ & working age) January 2010
3. Average savings balances reported by various groups: NS&I Quarterly Savings Survey = £18.4k. BoE retail deposits divided by adult population = £23.5k.

### **Research Methodology**

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

[www.consumersavingsmonitor.com](http://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 (as 25.3% 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.