## Q3 UK Financial Activity Barometer News Release July 2017

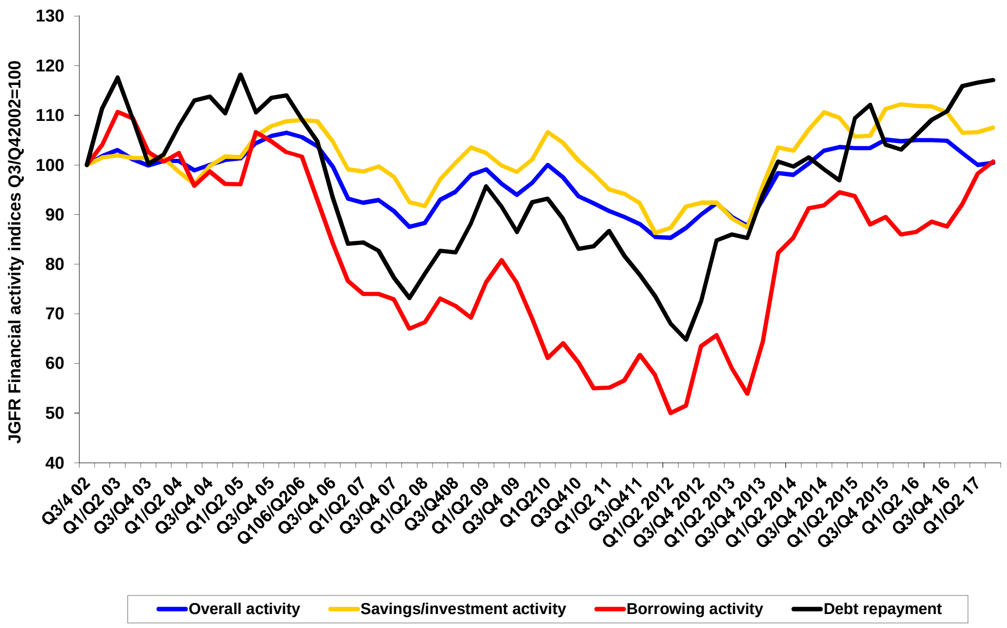
### No let-up in near record demand for consumer credit

The Q3 JGFR/GfK UK Financial Activity Barometer (FAB) shows near record demand for consumer credit in the coming months.

Overall, the proportion of people intending to save, invest or borrow is lower, slipping from 80% of adults to 79% on the quarter, and down from 82% a year ago. The 2-quarter JGFR headline FAB Index is however little changed at 100.4, but down from 105.0 12 months ago.

Compared to intentions in the run-up to last year's EU Referendum, more people expect both to borrow and to repay debt, but fewer people intend to save / invest. This may reflect the squeeze on household incomes and falling consumer confidence in recent months.

**Headline JGFR FAB Indices, Q3/Q4 2002 – Q2/Q3 2017***



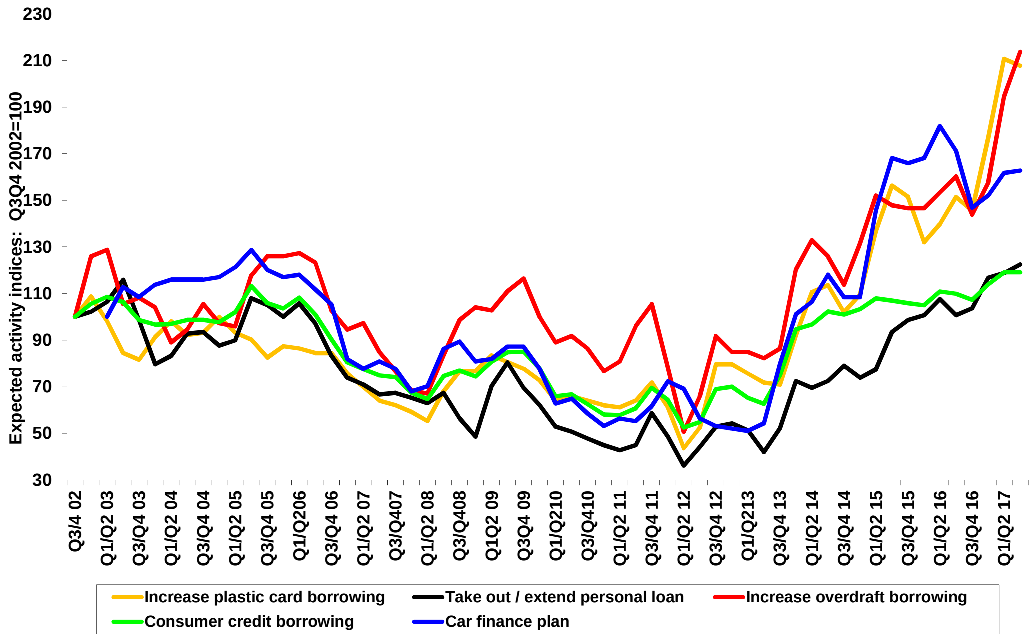

*2-quarter moving average, Q3/Q4 2002=100
Source: GfK / JGFR

The JGFR Borrowing Index is up 12 points to 100.7, the JGFR Debt Repayment Index up 8 points to 117.1, while the JGFR Savings/Investment Index is down 4 points to 107 compared to Q3 2016.

Both demand for secured credit (mortgages) and unsecured credit have surged in the past year as consumer spending helped to boost UK GDP post the Brexit vote, stimulated by the August 2016 measures by the Bank of England to avoid recession. The Q2/Q3 JGFR Mortgage Index (108.2) is at its highest level since June 2003, jumping 21 points over the past year. The Q2/Q3 JGFR Consumer Credit Index is up 10 points on a year ago at a record 119.1.

Over the past year there has been a shift in type of consumer credit demand, with a fall in the JGFR Car Finance Plan Index from its record highs of 2015 but a surge in demand for credit card borrowing, overdraft borrowing and personal loans. A notable feature has been a growing minority of consumers expecting to use multiple sources of consumer credit.

**Demand for consumer credit: JGFR Consumer Credit Indices 2002-17**




*2-quarter moving averages Q3/Q4 2002=100
Source: JGFR/GfK

Over the past year the JGFR Debt Repayment Index has also moved higher, with the net proportion of people intending to repay debt (proportion intending repaying debt less proportion intending borrowing) up to 12% from 10% last quarter and is unchanged on a year ago. Should household finances come under greater strain as wages fail to keep rise with prices then the current demand for consumer credit may result in a big rise in indebtedness and arrears and lower debt repayment.

## Regular savings and capital withdrawals new features in personal finance

Not all savings / investment demand is lower in Q3. More people intend to start a regular savings / investment plan, especially young people saving up to get on the housing ladder  Others may believe they get better rates on regular saving accounts and / or to smooth investing over time. The JGFR Regular Savings Index has soared from 145.3 in Q2/Q3 2016 to a record 183.9 in Q2/Q3 2017.

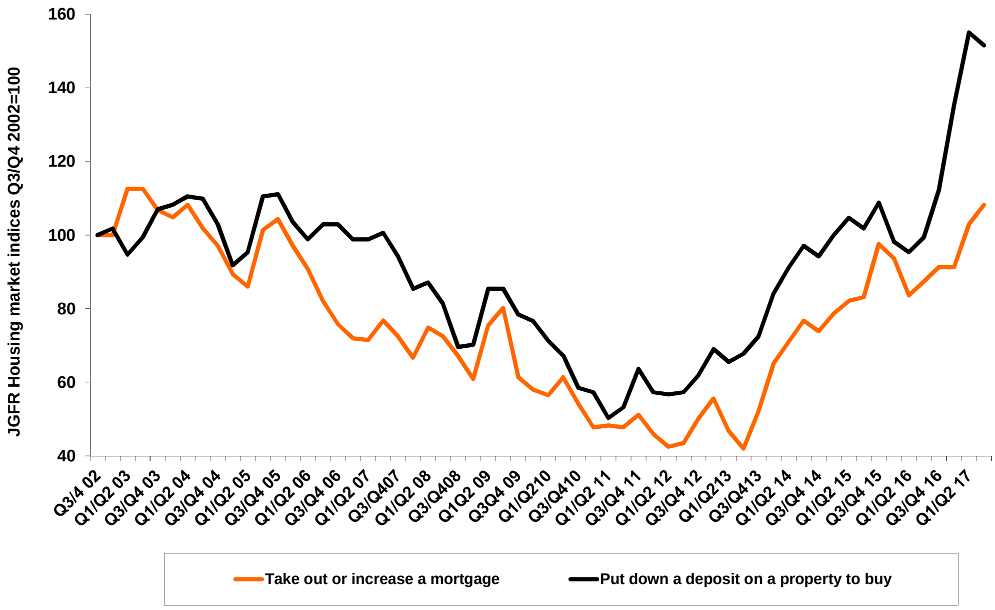
With more people entering into the retirement/pre-retirement years so there has been a big rise in people making capital withdrawals, helped by the new pension freedom. Putting down deposits on property to buy will also have boosted capital withdrawal.  The JGFR Capital Withdrawal Index gained 3 points to 140.3 on a year ago, and is 50 points above the 15-year long term average.

Family finances have become far more to the fore, with the Bank of Mum & Dad a major player in the property market. With record lows in mortgage rates over the past year mortgage demand has risen strongly, while property as an investment vehicle continues to attract very high levels of intended buyers many of whom will be cash buyers.

## Fall in demand for mortgages and property purchase in Q3

Demand for mortgages and property purchase fell back in Q3 from the record levels of Q2 with the JGFR Property Intentions Index down 4 points to 151.5, but up 52 points on a year ago. Highest property intentions are among Londoners, many of whom may be looking to move away from the capital or buy second homes / investment properties. Many people will be attracted by the Airbnb model turning to holiday lets.

**Demand for mortgages and property purchase intentions 2002-17***




*2-quarter moving average Q3/Q4 2002=100
Source: GfK / JGFR

## Increase in demand for regular pension and life contributions in Q3

A big success of recent personal finance initiatives is the move to auto-enrolment reflected in the big jump in regular pension intentions in recent years. Around 4 out of 10 adults now regularly intend to pay into a pension (some two-thirds of full-time workers). This compares with only around 3 out of 10 adults 3 years ago and a half of adults in full-time work. The JGFR Regular Pension Index is little changed over the past year (124.2) but well above the 15-year average (96.4).

More people are intending to make life insurance contributions than a year ago, which may reflect the growing awareness of the need to protect family finances. The JGFR Regular Life Index is 6 points higher on the year at 107.7, well above the long-term average of 93.3.

Overall 49% of the UK adult population intend to make regular or lump-sum life or pension contributions, up from 47% a year ago.

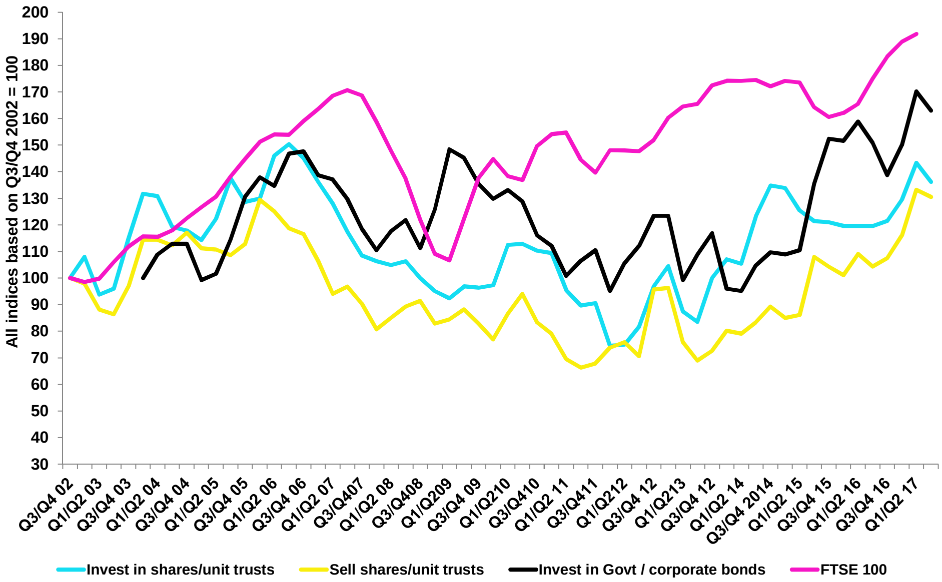
## Cash deposits and ISA demand down in Q3

Intending placing a cash deposit in a bank, building society or National Savings & Investments and putting money into an ISA are among the most popular of financial activities. Fewer people intend to put money into either in the coming quarter; 36% in a cash deposit (43%, Q2) and 37% into an ISA (42%, Q2). Despite very low cash deposit rates, the JGFR Cash Deposit Index has been very resilient over time, 4 points up on Q3 2016 and at the highest (121.6) since Q4 2006. The JGFR ISA index by contrast has fallen back from its record level of Q1 2016 (152.7) to 139.4.

## Q3 investor sentiment weakens from very strong Q2 measure

Despite the major political surprises of 2016, financial markets have performed strongly over the past 6 months helping to boost investor sentiment and activity.

**Investor intended activity and the FTSE 100 Index, 2002-17**




*2 quarter moving average, Q3/Q4 2002=100
Source: GfK / JGFR

Fewer people intend to buy or sell equities or bonds compared to the near record levels of Q2, with all three JGFR product indices down in Q3 but at well above their long-term averages. The JGFR Equity Buying Index dropped 7 points from its 11-year high of 143.3, while the JGFR Government & Corporate Bonds Index shed 7 points to 162.9 (investors may regard National Savings & Investment bonds in this category). The latter index has in general outperformed the former index which may reflect investor preference for the greater perceived safety of bonds.

At the same time as the rising numbers of investors in recent quarters, there have also been more sellers pointing to greater retail investment business volumes. The JGFR Securities Selling Index is down 3 points at 130.5, well up on 116.0 in Q3 2016 suggesting continued good trading volumes.

Compared with the movement over the years of the FTSE 100 Index retail investors have been relatively cautious following the financial crash of 2008.

Overall around 16% of adults intend investing in shares or bonds, down from 20% in Q2 but unchanged on Q3 2016.

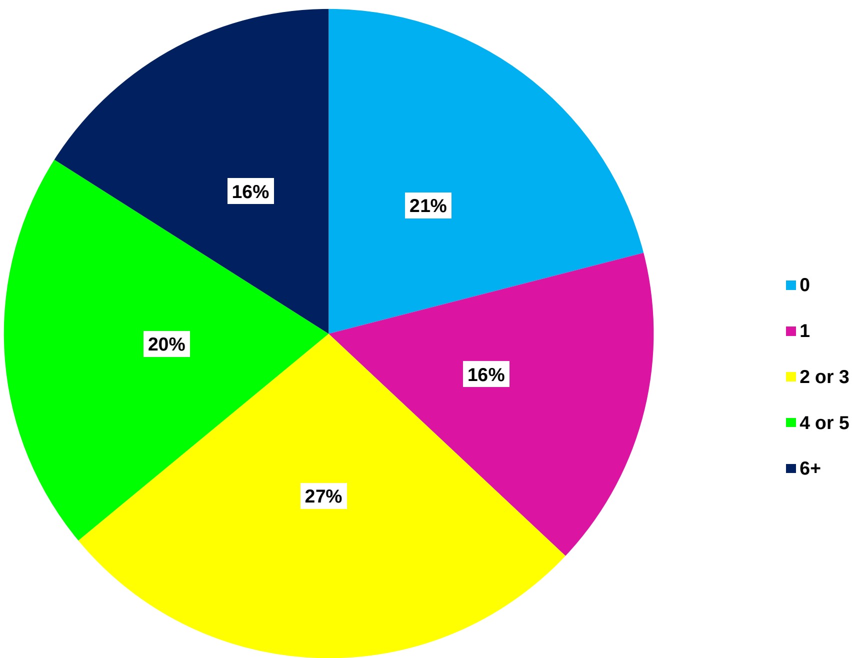
## Fewer people financially engaged than a year ago; more set to be very financially active

Compared to a year ago when some 43.4 million adults (82% of adults) were financially engaged, undertaking 1 or more savings, investment or borrowing related activity, fewer people, around 41.9 million (79% of adults), expect to be  financially engaged in the coming months.

In Q3 2017 63% of adults intend to be financially active, undertaking 2 or more savings, investment and borrowing actives, down from 65% in Q2 but unchanged on a year ago.

For financial services providers keen to build relationships with customers, the prospects look brighter, with some 2 million more people intending undertaking 4 or more savings, investment or borrowing activities than in Q3 2016.

**Numbers of intended savings, investment or borrowing related financial activities, Q3 2017**




Source: GfK / JGFR

## Strong financial activity expected in Northern Ireland, London, North East and South East

Regionally In the coming months the highest levels of financial engagement are in Northern Ireland (87%), the North East (84%) and the East Midlands (83%). Northern Ireland, London, the South East and North East have the most financially active adult populations with Wales the least financially active.

More intended savers/investors are found in the East Midlands (77%), London, the North East and Northern Ireland (all 74%); greatest intended borrowing in Q3 is in Northern Ireland and London (both 38%), with over a half of adults in the former intending repaying/paying down debt (57%), and over 40% in Scotland (44%) and Yorkshire / Humberside (41%). Biggest net debt repayment (% of adults intending to repay debt less borrowers) is in the East Midlands (22%) and Northern Ireland (21%). The lowest net debt repayment is in London where managing debt would appear far more of an issue.

**Commented John Gilbert, Chief Executive on the Q3 FAB findings:**

"As the banks start to report their half-year results much focus will be on the state of consumer finances as levels of household debt start to flash warning signals at The Bank of England. JGFR has consistently over the past year flagged up the growing demand for consumer credit that shows no sign of levelling off.

While credit growth helped to shore up the economy in the months following Brexit, the consumer 'honeymoon' period is now over amid the reality of rising debt and weaker earnings. Given the deepening post-Brexit economic uncertainty / weakness banks will need to look ever more carefully at credit control in the coming months as shadows of the build-up to the 2008 financial crisis emerge. Already we are seeing in the sub-prime car finance sector evidence of financial stresses that look set to grow.

For investors the year has started on an upbeat note with stock markets well-up despite the political upheavals of 2016 and with yields starting to rise. Most people should have seen improvements in the value of their portfolios with house prices also helping to boost the wealth effect. Investor demand for equities, bonds and property all fell in Q3 although continues at well above average levels. How long this sentiment remains will depend very much on financial markets during the long summer holidays. "

**Notes**

The Q3 UK Financial Activity Barometer was undertaken by GfK for JGFR between 1-15 June 2017. 1,995 adults aged 16+ were interviewed representative of the UK population aged 16+. The Q3 FAB will be published in PowerPoint / PdF fomat on July 31st

Respondents are asked which of 18 savings, investment and borrowing related activities they expect to undertake in the next 6 months.

The FAB has been produced quarterly since Q3 2002, using the same omnibus as for the UK Consumer Confidence Barometer undertaken monthly by GfK on behalf of the European Commission.

The FAB also runs alongside the quarterly UK Banking Barometer that asks consumers who they regard as their main financial services provider (MFSP). In the Q3 2017 Barometer 90% of respondents cite having an MFSP, of which the top 10 MFSP brands have a 87% market share. All are high street banks / building societies.

**Contact:** John Gilbert (j.gilbert@jgfr,.co.uk ) or ring +44 (0) 7740 027968 +44 (0) 946 7510 Twitter: @JohnGilbertJGFR