

Deposit and Savings Accounts - UK - April 2010

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What is this report about?

This report looks in detail at the retail savings market, analysing the key factors that influence the market, both at a macro level as well as the more inward-looking dynamics of how the markets have been operating during the credit crunch. Competing products like cash ISAs and equity-based investment are presented, before summarising the strengths and weaknesses in the savings market at present.

The size of the market is then discussed, together with a forecast of future performance. A summary of the key players in the market is presented, including an estimate of their respective market shares. The report concludes with a detailed analysis of consumer trends, behaviour and attitudes towards saving, drawing on the research conducted for this report.

What have we found out?

- In November 2009, FSA regulation was extended to cover banking conduct, and as a result, providers must now give customers at least two months' notice of any adverse interest rate changes on their accounts. Mintel's focus groups show growing resentment at low interest rates - this measure could increase switching activity.
- PDI is the main driver of the savings market, and this has fallen during the recession as people have found themselves more stretched. Although we are now out of recession, there is still downward pressure on disposable incomes this year (potential tax rises after the election, rising inflation, a fragile economy, higher interest rates), which may impact people's ability to save.
- Retail savings balances increased by just 1% (£11 billion) in 2009, compared with an increase of 5% (£50 billion) in 2008, demonstrating how low interest rates and the recession have impacted both people's willingness and ability to save. Due to the reasons above, Mintel expects 2010 to be another tough year, with savings balances remaining flat this year and rising by just 2% in 2011.
- Consumers are looking for stability, and banks for sustainable, long-term finance. The two have combined to mean that demand for fixed rate bonds increased during the credit crunch, reversing a long-trend towards instant-access accounts.
- Mintel's consumer research for this report shows that the large high street banks and Nationwide dominate the UK savings market, with 19.5 million people owning a savings account (excluding cash ISAs) with one of the 'big six' providers.
- Low interest rates and the impact of the recession in encouraging people to get their finances in order, has prompted some people to prioritise paying off debt at present. Our consumer research found that 23% of consumers are focusing on paying off their debts rather than saving at present, although 30% were planning to increase their savings over the next year or so.

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