

Consumers, Saving and Investing - UK - January 2015

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“Once consumers start saving, the benefits of having money set aside become more tangible. This increases their commitment to saving, and makes the habit self-perpetuating. The challenge for providers, therefore, is to find a way of encouraging consumers to take the first step.”
– Jessica Morley, Financial Services Analyst

This report looks at the following areas:

- Cultivating the long-term savings habit
- Low interest rates matter, but there are other influencers
- The disconnect between enthusiasm for investing and appetite for risk

There has been much discussion about the so-called ‘hostile savings environment’. Interest rates remain at historic low levels and are not expected to rise until the latter part of 2015 and, even though economic growth has continued apace throughout 2014 and low inflation has allowed wage growth to edge incrementally ahead, the rate of growth remains slow and the squeeze on consumer finances continues to have an impact. Thus whilst the economy may be improving, the amount that consumers have to save has not necessarily grown.

In addition to these large-scale economic factors, consumer confidence is also having an impact on consumer savings patterns. Although consumers’ confidence in their financial situations dipped towards the end of 2014, it still remains high compared to the levels seen in the immediate aftermath of the recession. This inflated level of confidence has decreased consumers’ desire to save for precautionary purposes.

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