

Deposit and Savings Accounts - UK - 2022

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This report looks at the following areas:

- The impact of rising inflation on the retail savings market.
- Exploring what the COVID-19 recovery phase will look like for the savings market.
- The proportion of adults who have savings and how much they have.
- Where and how people hold their savings, eg in which products and with which providers.
- Savings habits and interests over the last 12 months.
- Intentions and factors impacting switching to other products/providers/asset classes over the coming year.

Due to persistently low interest rates, 57% of consumers still hold their savings in current accounts which offer little returns. As a result, savings providers are using alternative methods such as prize draws or financial incentives to persuade consumers to move their deposits into savings accounts offering higher interest rates. However, flexibility remains a key priority for consumers, with many not willing to move funds into fixed-term accounts amid the current economic uncertainty.

Rising inflation will be of increasing concern for the savings market as households will increasingly have less disposable income to set aside for savings, and many will have to dip into pent-up savings which have accumulated over lockdown periods. Increasing inflation will likely see further increases to the Bank of England base rate over the next year, but interest rates will remain well below inflation, meaning that many consumers' savings will decline in real terms.

Savings providers are likely to come under greater competition from the investment market as some savers look for higher returns. This will be supported by regulatory intervention, with the FCA encouraging those with £10,000 or more in their savings to consider investing to avoid savings being eroded by rising inflation, and to boost wealth creation.



"The savings market will be hit by rising inflation in 2022 as rising energy bills and other costs squeeze consumers' budgets and ability to save, particularly in lower-income households. Savings platforms offer a key opportunity to increase competition in the retail savings market by giving consumers sight of the most attractive rates."

– Jennie Bryans, Financial Services Analyst

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One of the biggest opportunities for the savings market is the evolution of savings platforms, which have disrupted the market over the past few years. Increasingly, investment firms are entering this gap in the market, which is driving competition amongst savings platform providers keen to offer the best interest rates to consumers. This in turn is placing pressure on banks and building societies to raise their savings interest rates in order to remain competitive.

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