PRESS RELEASE

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Brits set to save £164bn this year as coronavirus changes the nation's savings habits

- *Scottish Friendly and Centre for Economics and Business Research forecast that overall Brits will set aside £164bn in total, or £3,023 each on average, in 2021*
- *Brits to maintain saving levels well above historic average, despite high variation among households, in a sign that the pandemic has altered nation's savings habits*
- *Younger generations looking to save more in the coming years, with 47% of 18–24-year-olds planning to set aside a bigger proportion of their income*

Brits are set to set aside a total of £164bn worth of savings and investments this year in a sign that coronavirus has permanently changed the nation's savings habits.

Despite the financial challenges many families faced, household savings still reached record levels last year, with coronavirus curbing many people's spending and allowing Brits to accumulate £2,674[1] each in cash savings alone, on average, since the start of the crisis.

New analysis by mutual Scottish Friendly and the Centre for Economics and Business Research (CEBR) suggest Brits will continue to save at levels well above the historical average, although there will remain a high degree of variation in households' capacity to save.

After studying 50 years' worth of household savings data and interviewing 4,000 British adults, Scottish Friendly and CEBR predict that households will set aside 11% of their disposable income this year (see figure 1).

While that is lower than the record 16% Brits saved last year, it is well above the long-term average of 8.5% (2000 - 2019) and would result in UK adults setting aside £3,023 each (or £164bn in total) by the end of the year.

The data suggests that the pandemic has permanently – or at least semi-permanently – altered the nation's attitude towards savings, Scottish Friendly and CEBR believe.

Scottish Friendly and CEBR's analysis of previous crises reveals that households saved significantly higher proportions of their income in the year after each of the past four major economic downturns than they did during the year proceeding each of these downturns.

[1] The figure of £2,674 is what Brits each saved on average in cash between February – November 2020. Based on Cebr analysis of Bank of England data.

For example, households saved on average 8% of their income in the run-up to the 2008-09 financial crisis, but this jumped to 12% in the year after the recession.

Similarly, British households tucked away 11% of their income, on average, before the 1990-91 recession but 14% in the year after it (see figure 2).

Interviews with more than 4,000 British adults by Scottish Friendly and CEBR reveal that many Brits plan to save a much higher proportion of their income after coronavirus restrictions are lifted than they did before.

Overall, nearly four in 10 (39%) of British adults – equivalent to 20 million people[2] – say they plan to save more than they did before coronavirus, including 22% who say they plan to save significantly more.

Broken down by age, it is clear that the pandemic has had by far the biggest effect on the savings habits of younger generations.

Some 47% of those aged 18-24 plan to save a higher proportion of their income after the pandemic than before, rising to 55% of those aged 25-34.

Meanwhile, less than a quarter (24%) of respondents aged 55-64 plan to save more than they did before, with 39% saying that the pandemic will have no influence on their savings habits.

Kevin Brown, savings specialist at Scottish Friendly said: "This study shows that the economic shock caused by the pandemic has impacted many households' saving and investing habits in a way like never before.

"Recessions in the UK have typically led to a sustained increase in retail saving but there has never been a spike as severe as there was in 2020. Maintaining this level of saving is unsustainable without continued restrictions on spending, but we still expect that collectively households will put away a bigger share of their income this year than they did pre-2020.

"Although many families have faced financial difficulties during the past 12 months, we believe the pandemic has ushered in a new culture of higher saving in the UK, particularly among younger generations. A much higher proportion of savers aged under 35 intend to save more of the money in the aftermath of the pandemic than they did before.

"The question they will have to ask themselves is what is the best destination for the extra cash they intend to save? Building up a healthy savings buffer in easy-to-access cash accounts is sensible but

[2] ONS population estimates, 2019

for longer-term saving goals, such as house deposits and retirement, it is wise to consider investment alternatives that offer the potential for greater returns."

Remember that the value of investments can go down as well as up and you could get back less than you paid in.

Tax treatment depends on individual circumstances which can change in the future.

-ENDS-

Figure 1: Households saving ration 2019/21

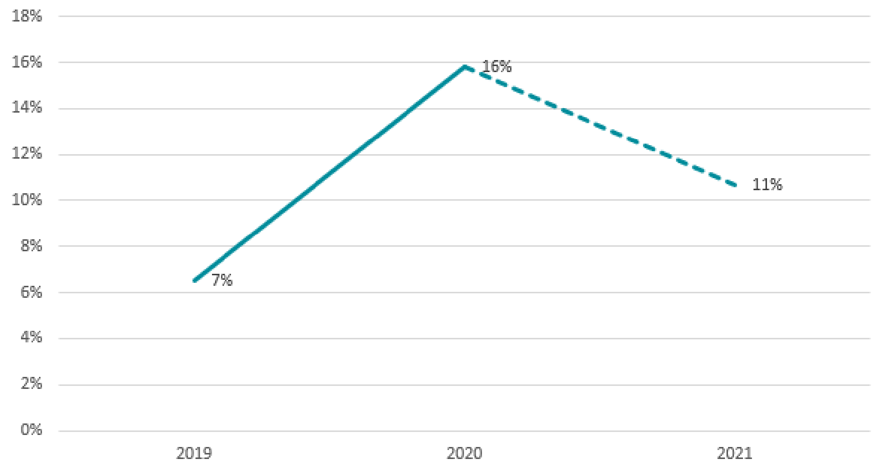

Figure 2: Household saving ratio before, during, and after major economic downturns in the UK

	12 months before downturn	During downturn	12 months after downturn
1973-1975	7%	9%	9%
1980-1981	11%	12%	12%
1990-1991	11%	12%	14%
2008-2009	8%	9%	12%
2020	7%	18%	

Contacts:
Kevin Brown, PR & Communications Manager, Scottish Friendly
07512194336
Kevin.brown@scottishfriendly.co.uk

Editors notes:

About Scottish Friendly
Scottish Friendly is a leading UK mutual life and investments organisation. It provides investors and their families with a wide range of investment and protection solutions and provides life and investment products and services to other financial organisations.

Scottish Friendly has roots stretching back to 1862. Established as the City of Glasgow Friendly Society, its name changed in October 1992 when it took over Scottish Friendly Assurance.

In recent years Scottish Friendly has significantly restructured its business. The Group has flourished through a three-part growth strategy of organic growth, mergers and acquisitions, and business process outsourcing.

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Scottish Friendly, Scottish Friendly House, 16 Blythswood Square, Glasgow, G2 4HJ
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