

PRESS RELEASE

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Savers rush to invest in stocks and shares ISAs as sales bounce back strongly after a subdued first quarter

- *Launch of Scottish Friendly's New Investor Index reveals a surge of new investment into stocks and shares during Q2 2020*
- *In the three months to June, the total value of new investments increased by +71% quarter-on-quarter*
- *Men contributed most to the rush of new investment, as female investors pulled back from the market*

Investment in stocks and shares ISAs surged in the second quarter of 2020 increasing by a staggering +71% in the three months to June, Scottish Friendly's inaugural *New Investor Index* reveals.

The index tracks sales of adult investment ISAs and the total value of new policies among Scottish Friendly's customer base, with quarterly activity measured against a base rate of 100.

The outbreak of Covid-19 and the start of lockdown in March coincided with a quarterly -22% drop in new policy sales between Q4 2019 and Q1 2020. There was also a -31% reduction in the value of investments among new customers between the two quarters (see figure 1).

However, in Q2 2020 investors came rushing back as new policy sales increased by +40% while the total investment among new customers soared well above 2019 levels.

The quarterly index reading of 118 for the overall value of new policies represents an 18% increase year-on-year, suggesting Brit's capacity to save has increased dramatically compared to this time last year.

Official data from the Office for National Statistics reveals that the UK household savings ratio soared to an all-time high of 29.1% in the second quarter of 2020, up from 9.6% in the first three months of the year.

The data collected by Scottish Friendly suggests that women's saving and investment habits were initially hardest hit by the pandemic. The number of new female investors fell by -27% between the final quarter of 2019 and the first three months of 2020 when the outbreak of Covid-19 began (see figure 2).

In comparison, the number of men who began investing dropped by just -17% quarter on quarter and rebounded more quickly than women.

The index also highlights the value of new investments fell away more sharply among women in Q2 2020, down by 37% compared to a 26% drop in the value of all male policies.

However, the index does clearly reveal that new female investors have consistently saved more into stocks and shares ISAs than their male counterparts since Q1 2019.

Meanwhile, the analysis of different age groups shows that new investment is higher among older investors, but the biggest decline in sales of investments ISAs in the first quarter was among 50 to 64-year olds (see figure 3).

The recovery seen in the second quarter of 2020 was apparent among all age groups, but it was greatest among investors aged 50 to 64, where there was a massive 84% spike in the value of new investment.

Kevin Brown, savings specialist at Scottish Friendly said: “We have seen a surge of new investment between April and June, following a period of relative inactivity in the first three months of the year.

“The initial shock of a major pandemic seemed to discourage investment in stocks and shares, but this has quickly given way to much higher levels of engagement as investors came flooding back in the second quarter.

“Although furlough led to many workers experiencing a drop in income and also to heavy redundancies, generally spending opportunities have been limited by the effects of lockdown restrictions.

“This has led to an increase in Brits’ capacity to save, as official data shows, which has resulted in a rush of new investors to stocks and shares ISAs.

“We expect our New Investor Index to show a slowdown in the level of investment as we head towards the end of the year, but there could be severe fluctuations as lockdown measures are dialled up and down over the next six months.”

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: Total UK stocks and shares ISA sales

Quarter	New Policy Sales	New Policy Value
Q1-2019	100	100
Q2-2019	96	96
Q3-2019	101	103
Q4-2019	100	100
Q1-2020	78	69

Q2-2020	109	118
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Figure 2: Total UK stocks and shares ISA sales by gender

Quarter	New Policy Sales			New Policy Value		
	Females	Males	Female vs Male	Females	Males	Female vs Male
Q1-2019	100	100		100	100	
Q2-2019	90	101	89	100	93	108
Q3-2019	101	100	101	111	99	112
Q4-2019	103	97	106	113	92	123
Q1-2020	75	80	94	71	68	104
Q2-2020	101	116	87	118	117	101

Figure 3: Total UK stocks and shares ISA sales by age

Quarter	New Policy Sales			New Policy Value		
	Aged 18 to 34	Aged 35 to 49	Aged 50 to 64	Aged 18 to 34	Aged 35 to 49	Aged 50 to 64
Q1-2019	100	100	100	100	100	100
Q2-2019	95	88	106	81	93	110
Q3-2019	89	97	113	90	96	120
Q4-2019	91	94	117	84	102	117
Q1-2020	72	75	84	61	73	73
Q2-2020	108	101	122	109	112	134

Methodology (defined by Union Data):

The Scottish Friendly New Investor Index measures the quarterly status of the UK savings and investment market using adult stocks and shares ISA sales data from Scottish Friendly.

The Index was initiated in Q1 2019 and this quarter was scored as 100, providing a benchmark for future editions of the New Investor Index. A score greater than 100 indicates performance higher than in Q1 2019 while a score lower than 100 will indicate contraction in the savings and investment market vs that quarter. Similarly, a lower index than a previous quarter indicates market contraction while a larger index score indicates an increase in the savings and investment market.

This index is designed to be as reflective of the whole of the UK savings and investment market as possible. To ensure that any observed changes in the Index are not directly associated to Scottish Friendly’s specific market performance or marketing strategies our data analytics partner, Union Data, have converted the raw sales data to indices using models to:

- Protect commercial sensitivities within the data
- Remove seasonality inherent within the data, for example, ISA sales tend to peak at the beginning and end of the tax year (April 5th)
- Remove factors specific to Scottish Friendly's performance within the wider savings and investment market including the size of the customer base and marketing budget

More technical details available on request.

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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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