PRESS RELEASE

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Brits set to splash the cash as the release of lockdown savings could lead to an extra £50bn of consumer spending

- *Scottish Friendly and Centre for Economics and Business Research forecast that the release of lockdown savings will lead to more than £50bn of additional spending in 2021*
- *Nealy half (46%) of Brits saw an increase in their cash savings over the past 12 months, which is estimated to be worth £192 billion*
- *Households plan to spend more than a quarter (26%) of this amount, equal to £50bn, during the course of 2021*
- *Scottish Friendly warns cash savers of the potential impact of a rapid rise in inflation on the value of their money*

A release of lockdown savings built up by households over the past 12 months is set to lead to an increase of more than £50bn in consumer spending this year.

Nearly half (46%) of Brits have seen their cash savings increase over the past year and collectively they are estimated to be holding an extra £192 billion.

The study by financial mutual Scottish Friendly and the Centre for Economics and Busines Research (Cebr) reveals households plan to spend more than a quarter (26%) – £50bn in total – of their lockdown savings over the course of 2021.

This extra spending means the UK savings ratio for 2021 is expected to fall to 11%, down from last year's high of 16% (see figure 1). Despite the drop, it will remain well above the long-term average of 8.5% (2000 - 2019) because of spending restrictions in place during the first half of the year.

Scottish Friendly and Cebr studied 50 years' worth of households saving data and interviewed 4,000 UK adults as part of their study. Over a third (34%) of those who plan to spend more money this year say their cash will go towards travel and accommodation for overseas holidays (see figure 2).

Meanwhile, 29% of Brits with extra savings from the last year plan to spend more on domestic holidays in 2021.

The government's 'Eat out to help out' scheme helped to boost retail spending last year, but irrespective of whether that is reintroduced, 28% of people anticipate increasing their spending in restaurants and cafes this year.

In contrast, less than one in five (19%) said they had pent-up demand to increase spending in pubs and bars.

Many sections of the UK economy are set to benefit from a short-term boost in consumer spending, but not all households anticipate increasing their expenditure.

One in four (25%) Brits plan to spend more money this year because of events of the past 12 months, but more than two in five (42%) say that they don't have pent-up demand to increase spending this year (see figure 3).

Kevin Brown, savings specialist at Scottish Friendly says: "The extra cash that many Brits have been fortunate enough to save over the past 12 months has been sat idle in bank accounts while people wait for restrictions to be lifted.

"A large proportion of Brits clearly intend to enjoy the opportunity to finally spend some of that cash over the comings months on holidays, meals out and in the shops.

"This will provide a welcome boost for many businesses, but it could lead to a sharp spike in prices during the remainder of 2021, which risks hurting many savers.

"If interest rates are kept low, there is a real threat that inflation could rise rapidly above the Bank of England's 2% target and be difficult to control. If this is allowed to happen, then it will be UK households who bear the brunt of its force. Anyone who has money with a bank or building society, could see the real value of their savings eroded in a relatively short space of time.

"The inflationary alarm bells are ringing and households may want to consider moving away from cash to find opportunities for potentially greater investment growth."

-ENDS-

Figure 1: Households saving ratio 2019/21

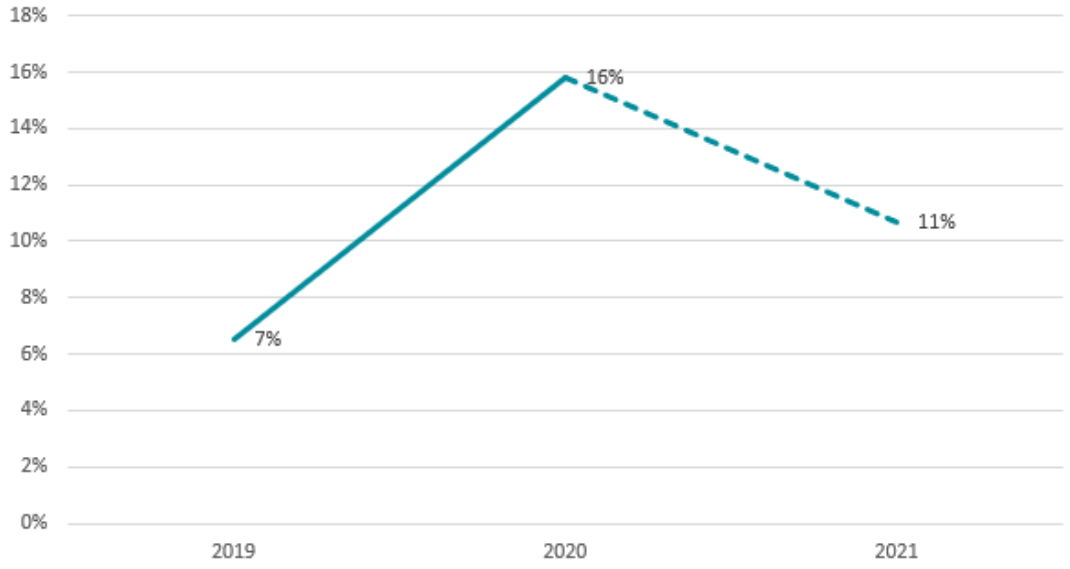


Figure 2: Destinations for pent-up demand for spending

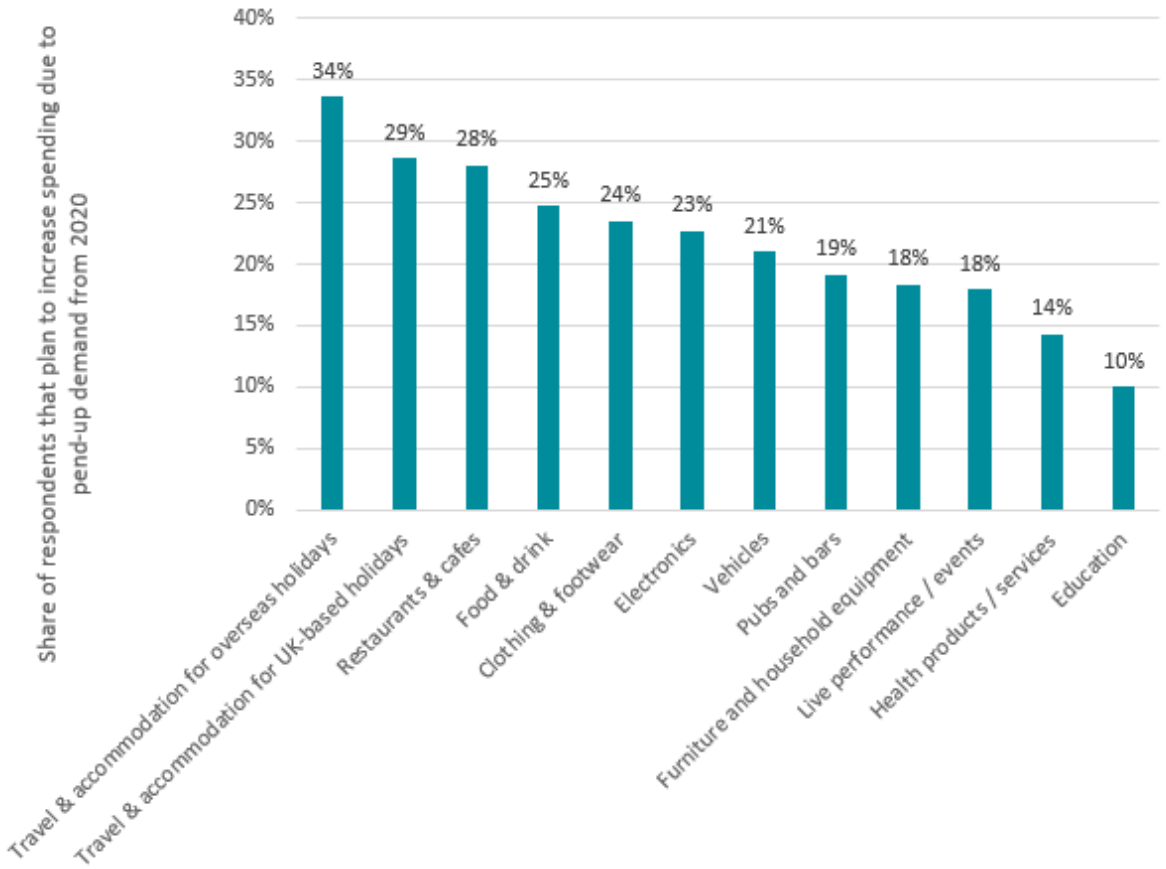
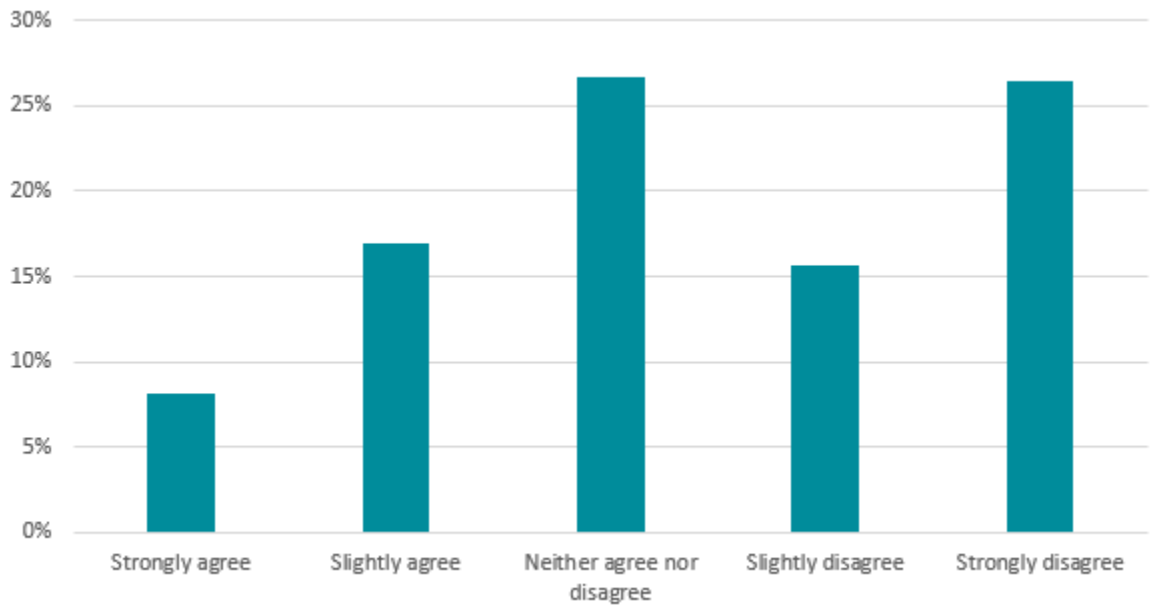


Figure 3: Share of respondents that agree with the following statement:
"The experiences of 2020 have left me with pent-up demand for spending and I plan to spend more in 2021 than I would otherwise have done as a result of the COVID-19 pandemic."



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Editors notes:

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.

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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