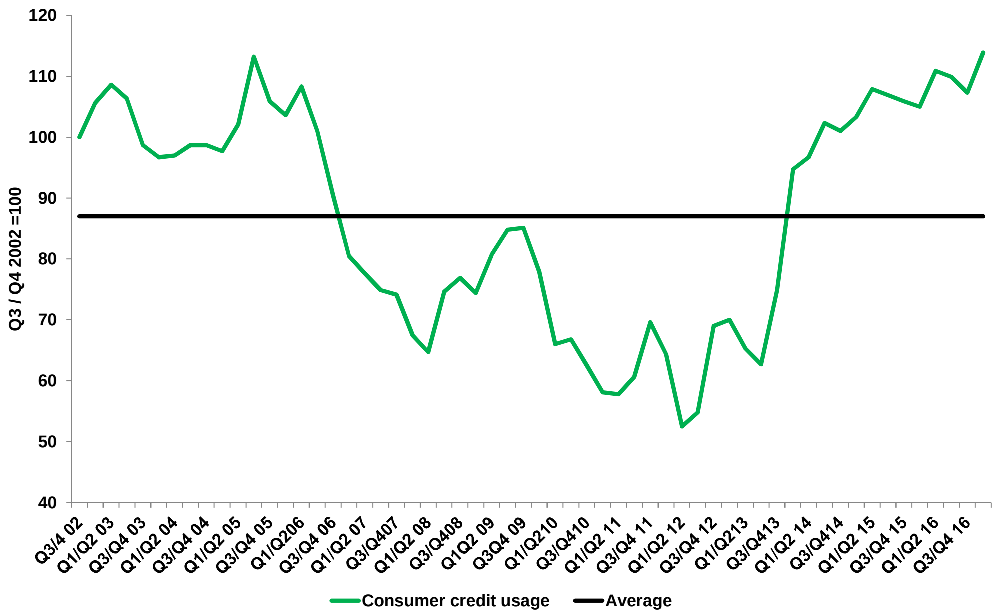
JGFR NEWS RELEASE   January 2017

Borrowing boom set to continue in Q1

The Q1 GfK / JGFR Financial Activity Barometer (FAB) shows consumer credit usage intentions at the highest since the FAB began in 2002. Intended borrowing by personal loans and credit card is at record levels, with overdraft intentions also rising close to the record high of Q3/Q4.

Demand for car finance plans (CFPs) also increased, although is down on the very high levels of a year ago. The JGFR Consumer Credit Index rose 6 points to a record 113.9, up from 105.0 a year ago.

Consumer credit intended usage 2002-17*



*Index based on2-quarter moving average to reflect 6-month timespan respondents asked to consider

Source: GfK / JGFR

Mortgage intentions are little changed on the last quarter, with the JGFR Mortgage Intentions Index remaining at 91.3, but down a little on a year ago (93.7). Overall housing market intentions are at a record level boosted by cash buyers pushing up the JGFR Property Purchase Intentions Index to a record high (110.8, compared to 100.8 in the previous quarter and 95.8 a year ago).

A record level of capital withdrawals in prospect may help in part fund property purchases; the JGFR Capital Withdrawal Index jumped by 10 points to 148.1 on the quarter and from 135.7 a year ago.

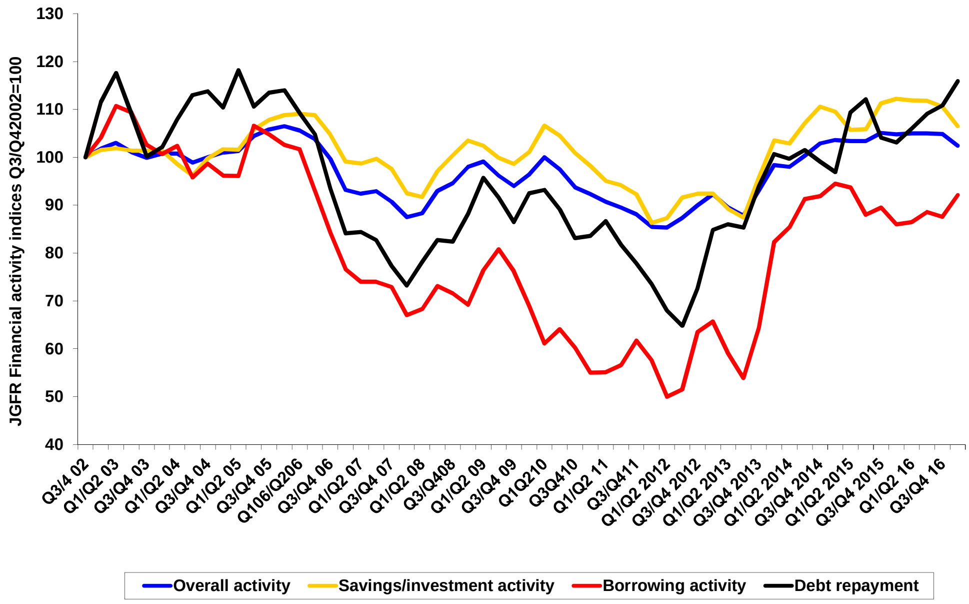
Recent years have seen more outright owners withdrawing equity, a trend set to continue with 9% of outright owners intending to take out a new mortgage which may well help fund big ticket purchases / home improvements as well as help with living costs and long term care.

Overall 22% of adults intend to borrow, the highest proportion since Q2 2006. The JGFR Borrowing Index gained 5 points to 92.1, its best since Q1Q2 2015.

While borrowing intentions increased in Q1, savings / investment intentions fell, weakened by a further decline in ISA intentions. Overall 68% of adults intend to save / invest, down from 73% in Q4 and 73% in Q1 2016. The JGFR Savings/ Investment Index fell by 4 points to 106.5, a 7-quarter low.

Overall 78% of adults intend to save, invest, borrow or repay debt, down from 84% in Q4 and 82% in Q1 2016. The headline JGFR Financial Activity Barometer Index fell 2 points to 102.4 compared to the previous quarter.

Financial Activity Barometer, Q3/Q4 2002 – Q4 2016/Q1 2017*



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Source: GfK / JGFR

While borrowing intentions have picked up relative to saving / investment, consumers continue to make debt repayment a priority with 35% of adults intending to repay / pay down debt, up from 33% in Q4. The JGFR Debt Repayment Index jumped by 5 points to 115.9, a 12-year high, with the proportion of people intending repaying debt less the proportion intending borrowing (13.1) the highest in 7 quarters.

The relative strength of household finances has boosted activity in the past year but the fall in savings / investment intentions may indicate an expected reduction in disposable income.

Regular saving, life & pension and investment intentions improve in Q1

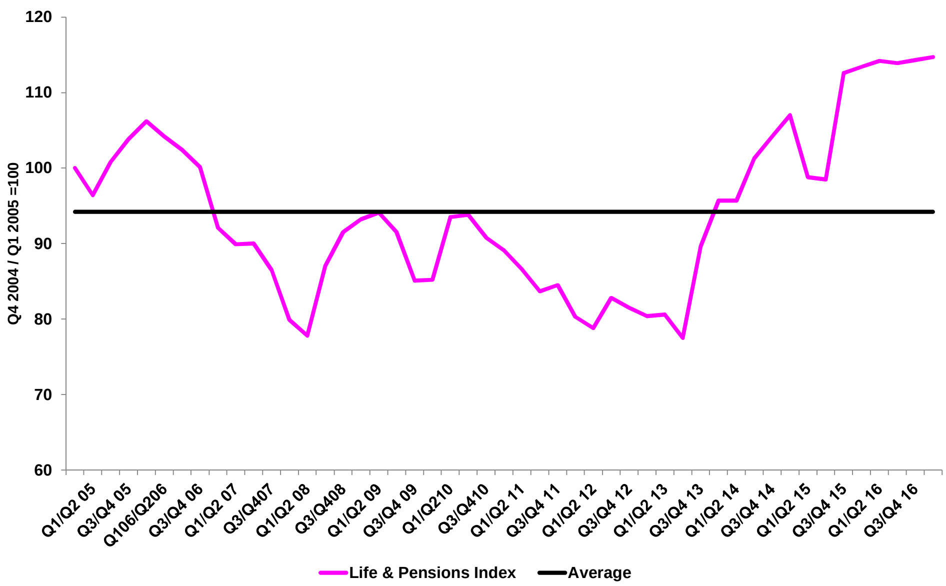
A sharp drop in ISA intentions is behind the fall in overall savings / investment intentions. Far fewer people intend to put money into an ISA (35%), the lowest proportion since Q3 2013, down from 42% in Q1 2016. Cash deposit intentions also fell in the quarter, down from 38% to 36%.

With the need to save up in a disciplined manner for a property deposit, growing numbers of people (especially the under 30s) have intended starting a regular savings / investment plan in recent years. This quarter a record 23% intend taking out a regular savings plan, with the JGFR Regular Savings Index also at a record level (165), up 7 points on the last quarter.

Over the past 2 years regular pension contribution intentions have risen sharply, no doubt boosted by auto-enrolment. Overall 63% of full time workers and 33% of part time workers intend to make a regular pension contribution, compared to 63% and 47% in Q4 and 63% and 41% in Q1 2016. The JGFR Regular Pension Index edged 1 point up to a record high (124.8).

Recent quarters have also seen more people intend to make regular contributions to a life insurance policy. In Q1 2017 25% intend to contribute, down from 27% in Q4 but up from 23% a year ago. The JGFR Regular Life Index climbed to a record 110.6 suggesting a greater awareness among the public of the value of protection products. Overall the JGFR Life & Pension Index edged higher to a record 114.7.

JGFR Life and Pension Index, Q1Q2 2005 – Q4 2016/Q1 2017*



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Source: GfK / JGFR

The strong Q4 bounce in equities pushing the FTSE 100 to new record highs is reflected in a jump in investor sentiment. More people intend investing; the JGFR Equity Buying Index gained 8 points to 129.5, its best level since Q3/Q4 2014. Investment intentions also rose strongly for government / corporate bonds pushing the JGFR Bond Index up 12 points to 150.0. Share-dealers should see higher business volumes in the coming months; not only are buying intentions higher, but also selling intentions, at a 10-year high.

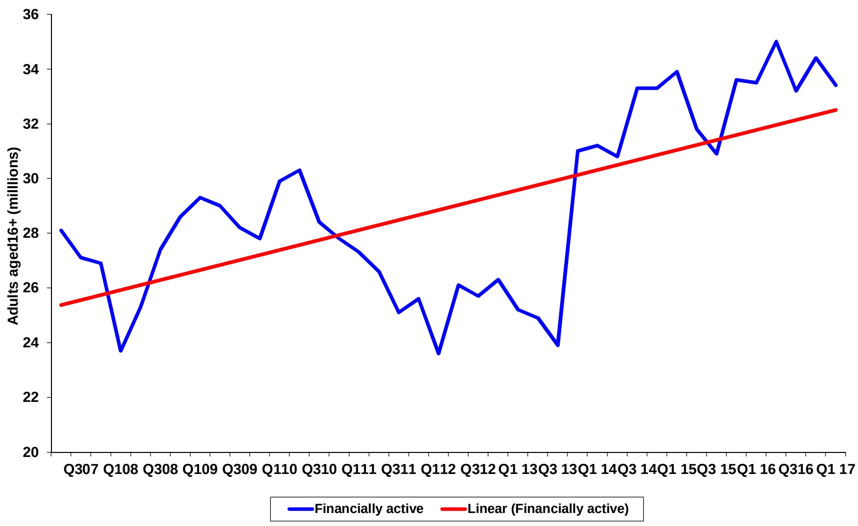
3 million fewer people financially engaged

Compared to Q4, some 3 million fewer people (41.1 million) intend to be financially engaged; undertaking one or more of 18 saving/investing, borrowing or debt repayment activities, the lowest number since March 2014.

The number of financially active adults (intending to undertake 2 or more activities) is also lower at 33.4 million, down 1 million on Q4, but offset by 1 million more people (19.1 million) very financially active (4 or more activities). The under 40s and people in full-time work are the most financially active.

Improving household finances have helped strengthen demand for retail financial services in the past 2 years but may well have peaked; greater economic uncertainty post-Brexit looks set to reduce demand as consumer confidence and household finances weaken.

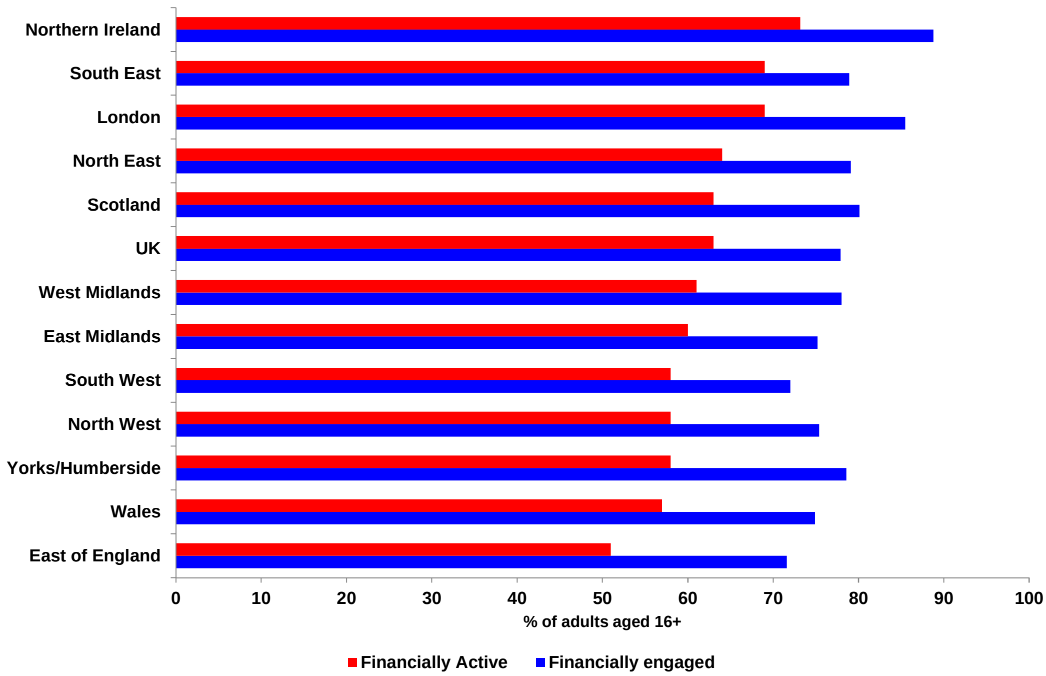
The financially active* 2007-2016, UK adults aged 16+



*defined as people undertaking 2 or more savings, investment, borrowing or debt repayment activities

Source: GfK / JGFR

Northern Ireland, London and the South East most financially active regions in prospect



Source: GfK / JGFR

Regionally, the highest levels of financial activity are in Northern Ireland, London and the South East, with weakest in the East of England.

Commented John Gilbert, Chief Executive of JGFR:

"2017 marks a turning point in financial services with many strong cross-currents coming together and changing the operating climate: political / regulatory, economic, demographic and technological changes. The Q1 FAB shows consumer demand for savings, investment and borrowing products still above average, but down on recent quarters as a result of weakening consumer confidence and household finances. Much future activity will be among the over 50s addressing the issues of retirement, while Increasing provider focus will need to be placed on credit demand and quality among the under 40s, especially as more lenders are attracted to the higher lending margins."

Notes:

The Q1 FAB was conducted by GfK among 2,001 adults aged 16+, representative of the UK population online between December 1-16 2016.

The survey asks consumers which of 18 categories of saving, investment or borrowing activities they intend undertaking in the next 6 months. The Q1 2017 FAB is the 58th edition.

Details:

John Gilbert

email: j,gilbert@jgfr.co.uk

Phone: +44 (0) 7740 027968 or +44 (0) 208 9750

Twitter: @JohnGilbertJGFR