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Optimism in economic recovery sees rise in numbers saving cash

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MORE people are saving money regularly as confidence in the economy recovers, according to research out today.

The Nationwide Savings Index, a monthly survey measuring consumer attitudes to saving, rose by three points last month to reach its highest level since December 2008.

The building society also revealed that consumer confidence in the savings environment is at its highest for a year, with 88 per cent of savers viewing now as a good time to save, given the economy and the effect of government policy on incentives to save. The eight point rise

in the Savings Environment Index was attributed to the October increase in the annual individual savings account allowance to £10,200 for over-50s.

And savers in the UK are putting away a third more than they were six months ago, ICICI Bank will report today. Its HiSAVE City Saving Index will show that people living in the major UK cities plan to save £129 in the month ahead, up from £98.40 six months ago.

However, Edinburgh has the second lowest level of savings in the UK, according to ICICI. The average household is likely to save £94.30 (9 per cent) of total outgoings next month, compared to the £129 UK average.

Andy Hutchinson, head of

savings at Nationwide, said that with growth in household savings still down 65 per cent in the first eight months of this year on the same period in 2008, signs of rising confidence in the economy should be viewed with caution.

"While it is likely that households are saving elsewhere, such as equity investments or choosing to pay down debt, households are still finding it difficult to save in these challenging market conditions," he said.

Hutchinson added that with recent economic data suggesting the UK is in its longest recession since records began, any obstacles to market recovery could have a negative impact on next month's savings indices.