



Hampshire Trust Bank

# UK SME Savings Tracker 2017



# Contents



Executive summary	<b>02</b>
Key findings	<b>03</b>
National	<b>04</b>
Regional	<b>06</b>
Sectors	<b>08</b>
Conclusion	<b>10</b>
Further details	<b>11</b>
Contact us	<b>12</b>

# Executive summary



Small and medium sized enterprises (SMEs) across the UK are likely to be feeling the pinch.

The depreciation in the value of Sterling means goods and services are costing us more.

In addition, as we negotiate our exit from the European Union, SMEs face a prolonged period of political and economic uncertainty, which can impact on investment decisions.

As a bank focused on supporting UK SMEs, we commissioned this annual survey to take a snapshot of the business savings landscape. This helps us to understand more about savings trends on a national, regional and sector level and provides us with insight on how we might better be able to assist our SME customers.

Last year our survey showed that SMEs were building up business savings in the run up to the EU Referendum. In 2017, the story is very different.

While we are continuing to see growth across our business savings portfolio, the findings show that SMEs are now saving 20% less than they were a year ago.

Of those that said they intend to increase the amount in their business savings, 27% said they wanted to do so because they were concerned about the impact of Brexit while a quarter

(25%) were concerned about the long-term economic outlook. This is far higher than the 8% and 4% that had concerns about the short-term and long-term economic outlook respectively last year and shows how much the savings landscape has shifted.

However, on a positive note it is encouraging to see that on average smaller businesses are still investing 52% of total funds in business savings, just 5% less than last year.

We believe that during tough times like this it is important for businesses to remain focused on making the most of their hard-earned cash.

Rather than stockpiling cash in current accounts, SMEs should consider shopping around for a savings account that provides a better rate of return, enabling them to make more of their money and drive future growth.

A handwritten signature in black ink, appearing to read 'Stuart Hulme', with a stylized flourish at the end.

**Stuart Hulme,**

**Director of Savings at Hampshire Trust Bank**

# Key findings



## On average, UK SMEs have:

- Business savings balances of **£446,000**, 20% less than in the run up to EU Referendum in 2016 (£556,000)
- Current account balances of **£409,000**, a 3% drop on 2016 (£423,000)
- For every **£1** in a current account, another **£1.09** in a business savings account

## On a regional basis:

- For the second year in a row East of England SMEs hold the most in business savings accounts with average balances of **£707,000**
- Only East Midlands SMEs have grown savings balances since 2016
- Businesses in the North East are the most active savers, investing **69%** of total funds in savings

## On a sector basis:

- IT and communications businesses hold the most in business savings accounts with average balances of **£843,000**
- Retail SMEs are most active savers, investing **74%** of total funds in savings
- Since 2016, charities have decreased their business savings balances the most (**-69%**), followed by accountancy firms (**-39%**) and retail SMEs (**-31%**)

# National

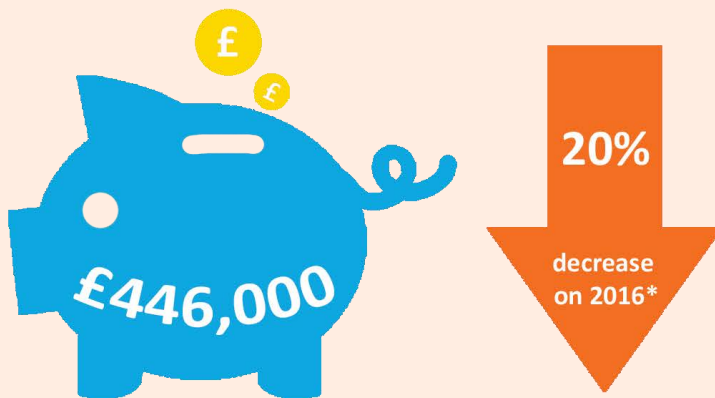


## How much money does your business hold in business savings and current accounts?

SMEs are saving **20% less** than in the run up to the EU Referendum in 2016, with the average balance now standing at **£446,000** (2016: £556,000). Current accounts are also impacted with the average balance standing at **£409,000**, a **3% drop** compared to levels last year (2016: £423,000).

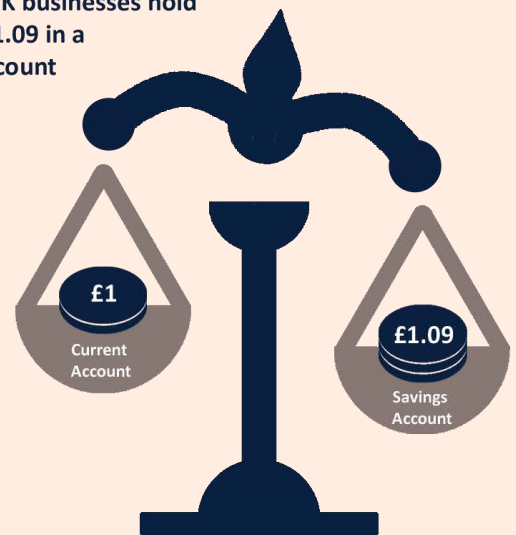
This means that on average for every **£1** in a current account that an SME holds there is another **£1.09** in a savings account, a decrease on the £1.31 held in savings in 2016.

SMEs are saving less than in the run up to the EU Referendum in 2016, with average business savings at



\*The average business savings account balance in 2016 was £556,000

On average, for every **£1** in a current account, UK businesses hold another **£1.09** in a savings account



## Over the next 12 months, what are your intentions in terms of savings?

Over half (**56%**) said they intended to leave the amount of money in business savings as the same, **30%** said they intended to increase the amount, while **14%** said they intended to decrease their savings pot.



## Why do you wish to increase the amount of cash in your business savings accounts?

Over a quarter (**27%**) said they were concerned about the impact of Brexit while a quarter (**25%**) were concerned about the long-term economic outlook. This compares to the 8% and 4% that had concerns about the short-term and long-term economic outlook respectively in 2016.

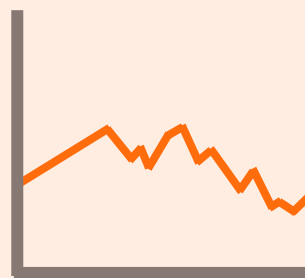
**In the next 12 months, 30% of SMEs said they intended to increase the amount of money in business savings.**

**27%**  
said they intend to increase their business savings due to concerns about the impact of Brexit



Of this 30%,

**25%**  
were concerned about the long-term economic outlook



This compares to the **4%** that had concerns about the long-term economic outlook in 2016



However, despite the uncertain economic and political environment, firms are still identifying growth opportunities. A third (**34%**) said they were accruing cash to save for a major purchase, compared to 17% last year.

## If your business made a return from savings, what would you use the money to invest in?

The majority (**28%**) said they would invest in business infrastructure, while a quarter (**25%**) said they would use the money for research and development.

## What are your motivations for keeping some or all of your money in current accounts?

**27%** said they needed the money as a readily available source of cash for regular payments.

## For how long would you be willing to tie up your money in a business savings account?

The findings show that businesses are willing to tie up their money in a business savings account for an average of **eight months**, one month less than in 2016.

# Regional



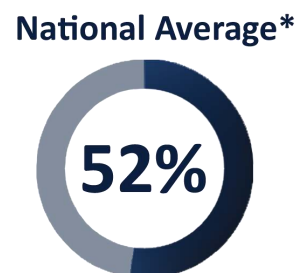
## How much money does your business hold in business savings accounts?

For the second year in a row SMEs in the East of England hold the most in business savings accounts with average balances standing at **£707,000**. However, this is **27% less** than in 2016 (£966,000).



Only SMEs in the East Midlands have grown their business savings balances since 2016 - increasing their savings pots by **9%** to **£670,000**. Scottish SMEs have decreased their business savings balances the most (**-40%**), stating they have done so in order to invest in the development of their business, followed by smaller businesses in the South East (**-30%**), the East and London (**-27%** each).

Businesses based in the North East and South West are the most active savers, investing **69%** and **66%** of total funds respectively in business savings, higher than the national average of **52%**.



\*This is just 5% less than 2016's national average of 57%

## Why do you wish to increase the amount of cash in your business savings accounts?

**43%** of East Midlands SMEs said they were increasing cash reserves due to concerns about the economic outlook, followed by **40%** in the East of England and **32%** in London—higher than the national average of **19%**.

Building a cash buffer was cited as the reason by **64%** of businesses in the South East and **61%** in Scotland, compared to the national average of **49%**.



# Regional



## What are your motivations for keeping some or all of your money in current accounts?

Firms in the North West, West Midlands and Wales invest significantly less than the national average (52%) in business savings accounts – 41%, 42% and 43% respectively.

When asked why they kept money in current accounts, the businesses cited the need to have the money as a readily available source of capital for regular payments.

### Business savings amounts by region

Region	2017 business savings account (% of total funds)	% change from 2016	2017 current account
East	£707,000 (55%)	-27% (2016: £966,000)	£569,000
East Midlands	£670,000 (47%)	9% (2016: £614,000)	£745,000
South West	£623,000 (66%)	-5% (2016: £654,000)	£326,000
London	£608,000 (48%)	-27% (2016: £829,000)	£652,000
North East	£598,000 (69%)	-20% (2016: £749,000)	£267,000
Wales	£503,000 (43%)	-20% (2016: £628,000)	£666,000
Northern Ireland	£432,000 (57%)	-14% (2016: £501,000)	£320,000
West Midlands	£386,000 (42%)	-11% (2016: £432,000)	£524,000
Yorkshire and Humberside	£292,000 (53%)	-8% (2016: £316,000)	£264,000
North West	£286,000 (41%)	-23% (2016: £371,000)	£407,000
Scotland	£220,000 (62%)	-40% (2016: £364,000)	£136,000
South East	£93,000 (59%)	-30% (2016: £132,000)	£64,000
<b>AVERAGE</b>	<b>£446,000 (52%)</b>	<b>-20% (2016: £556,000)</b>	<b>£409,000</b>



# Sectors



## How much money does your business hold in business savings accounts?

SMEs in the IT and communications sector are top of the table when it comes to saving money in their business savings accounts with the average balance standing at **£843,000**. IT and communications is the only sector to have grown savings balances since the run up to the EU Referendum – increasing their savings pots by **5%** and overtaking accountancy firms as the biggest savers.



While IT and communications businesses have the largest savings pots, SMEs in the retail sector are the most active savers, investing **74%** of total funds in business savings.



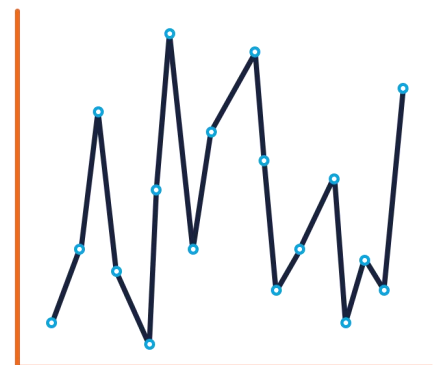
SMEs in the legal sector hold the lowest proportion of total funds in savings (**38%**).

Charities have decreased their business savings balances the most (**-69%**), followed by accountancy firms (**-39%**) and retail SMEs (**-31%**).

## Why do you wish to increase the amount of cash in your business savings accounts?

**75%** of IT and communications SMEs, **67%** of charities, **62%** of construction and building firms and **60%** of manufacturing and engineering businesses said they were increasing the amount of cash in their business to build a cash buffer, higher than the national average of **49%**.

**38%** of financial services firms said they were increasing cash reserves due to concerns about the economic outlook — higher than the national average of **19%**.



# Sectors



## What are the main factors when choosing a business savings account provider?

**38%** of construction and building firms and **35%** of accountancy SMEs said they chose a business savings provider because they catered for their specific type of business / entity or organisation, higher than the national average of **30%**.

## Business savings amounts by sector

Sector	2017 business savings account (% of total funds)	% change from 2016	2017 current account
IT & communications	£843,000 (53%)	5% (2016: £804,000)	£760,000
Accountancy	£667,000 (64%)	-39% (2016: £1,085,000)	£369,000
Financial services	£555,000 (50%)	-19% (2016: £687,000)	£558,000
Architect	£533,000 (59%)	-25% (2016: £708,000)	£363,000
Manufacturing & engineering	£444,000 (49%)	-18% (2016: £543,000)	£458,000
Health and medical	£421,000 (47%)	-16% (2016: £504,000)	£466,000
Legal	£317,000 (38%)	-10% (2016: £354,000)	£508,000
Retail	£289,000 (74%)	-31% (2016: £418,000)	£102,000
Construction & building	£264,000 (48%)	-17% (2016: £319,000)	£289,000
Charities	£155,000 (52%)	-69% (2016: £497,000)	£145,000
<b>AVERAGE</b>	<b>£446,000 (52%)</b>	<b>-20% (2016: £556,000)</b>	<b>£409,000</b>

# Conclusion



At Hampshire Trust Bank we are continuing to see growth in our business savings division. However, our research shows that the outcome of the EU Referendum and the current uncertain economic and political environment is clearly having an impact on SME savings balances and habits, with a 20% drop compared to a year ago.

While this may sound like cause for concern, the positive news is that smaller businesses are still investing more than half of total funds in savings and are continuing to identify growth opportunities, with a third saying they are building up cash reserves to fund a major purchase, compared to 17% last year.

When it comes to regional savings habits, it is interesting to see that East of England SMEs have come top of the table for the second year in a row. On the other hand, London businesses dropped to fourth place in terms of savings levels in 2017, from second last year and first in 2015.

On a sector basis, IT and communications businesses have overtaken accountancy firms as the biggest savers, while retail SMEs are the most active, putting the largest proportion of total funds into savings accounts. With the health of the high street being a key economic indicator, this could be a good sign for the year ahead.

While levels in savings and current accounts are lower overall, it is encouraging to see that

businesses are planning for the future by placing the majority of total funds in savings. For every £1 in a current account, another £1.09 is held in a business savings account.

With savings accounts generally providing a higher rate of return than current accounts, it is worth taking the time to shop around to find an account that suits your needs.

At Hampshire Trust Bank we offer a range of business savings products from a 90 Day Business Notice Account to a 5 Year Business Bond.

As we are an authorised deposit taker, eligible deposits with Hampshire Trust Bank are protected by the Financial Compensation Scheme (FSCS). The FSCS protects most depositors, including individuals, companies and small local authorities up to a limit of £85,000.

If you are interested in finding out more about our business savings accounts, please do not hesitate to contact us.

**Hampshire Trust Bank**

**55 Bishopsgate**

**London**

**EC2N 3AS**

**[www.htb.co.uk](http://www.htb.co.uk)**

**020 7862 6220**



**Hampshire Trust Bank**

# Further details



## Research details

Hampshire Trust Bank commissioned research in partnership with Coleman Parkes research agency. As part of the research, which took place in May 2017, Coleman Parkes conducted interviews with 500 SMEs, defined as businesses that have 250 employees or less.

Last year's research, again conducted in partnership with Coleman Parkes, took place in August 2016 and also involved interviews with 500 SMEs.

## About us

Hampshire Trust Bank is a specialist bank, staffed by experts focused on helping UK businesses realise their ambitions.

Our dedicated Asset Finance, Property Finance and Commercial Mortgages teams ensure that businesses receive the outstanding service, lasting relationships, integrity and expertise they need to prosper.

We also provide savings accounts to individuals and businesses and since we lend to SMEs, our savers can be sure their money will help boost the British economy.

The bank is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

# Contact Us

## Contact our Business Savings team:

Tel: 020 7862 6220

Email: [savings@htb.co.uk](mailto:savings@htb.co.uk)

## For more information on this report:

Email: [publications@htb.co.uk](mailto:publications@htb.co.uk)

## Hampshire Trust Bank

55 Bishopsgate

London

EC2N 3AS

[www.htb.co.uk](http://www.htb.co.uk)

