

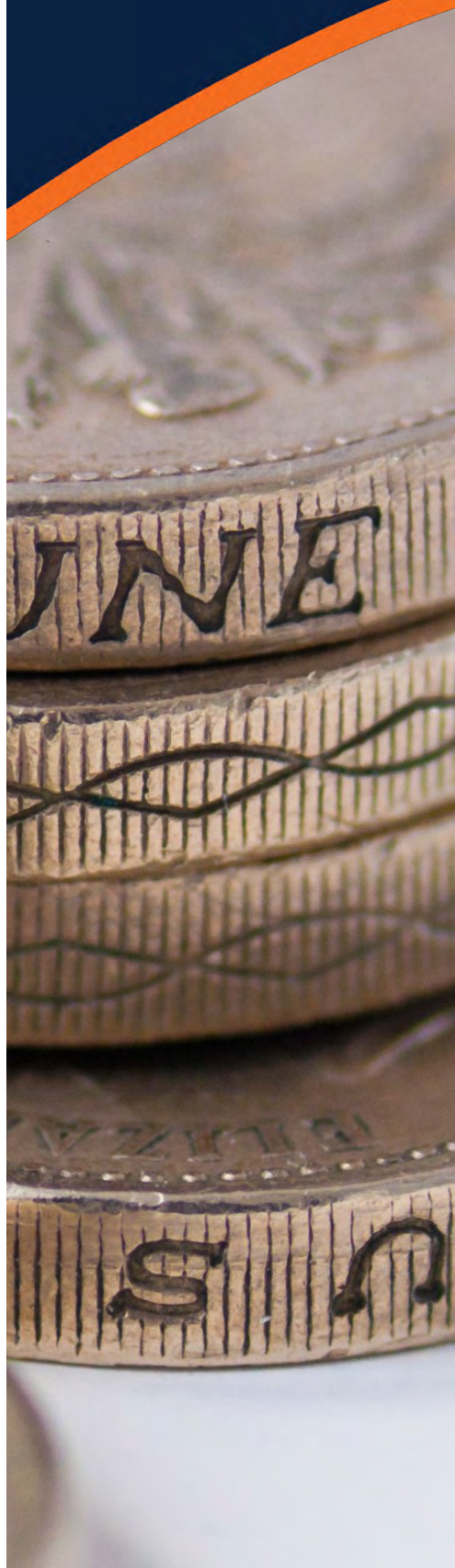


Hampshire Trust Bank

UK SME Savings Tracker 2016



Contents



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

Executive summary



Let's face it, 2016 has been challenging for UK SMEs. The political and economic uncertainty surrounding the outcome of the EU Referendum and the measures that have been taken since the Brexit vote such as the cut in interest rates, have affected business confidence and are bound to be having an impact on future growth plans.

One way SMEs can help cushion any potential financial bumps in the road is by having the appropriate level of cash in business savings accounts. Savings pots can be used not only as a cash buffer but also to help fund major purchases, in turn helping businesses to flourish.

At Hampshire Trust Bank, we are focused on supporting UK SMEs. We believe that by better understanding our business customers, we are more able to support them in their efforts to thrive and grow.

We commissioned this annual survey to take a snapshot of the business savings landscape in the UK, a picture that we track on an annual basis in order to help us understand more about our business customers, what they are saving for and why and whether there are any emerging savings trends, giving us the insight we need to help them achieve their goals.

Our research shows that in the run up to the EU Referendum, UK SMEs were building up their cash reserves. According to the findings, the average business savings account balance stands at

£556,000, a 104% increase on 2015, with 38% of businesses saying that they were increasing the amount of money in their businesses to build a cash buffer.

However only 8% of respondents said they had concerns about the UK short-term economic outlook to the end of the year, and just 4% said they were worried about the long-term economic outlook over the next 1 to 5 years. This shows that UK SME confidence appears to be increasing and we believe that savings will play an increasingly important part in helping businesses achieve growth in the year ahead.

British businesses should remain focused on making the most out of every £1 earned, maximising opportunities to save for future growth. We offer a range of savings accounts for businesses that want to put away money for the short and long term. The benefit of making use of our savings accounts is not only the interest rate you earn, but also the knowledge that the deposited money is being lent on to SMEs looking to invest in their futures, supporting the growth of the UK economy.

Stuart Hulme,

A handwritten signature in black ink, appearing to be 'Stuart Hulme', written in a cursive style.

Director of Savings at Hampshire Trust Bank

Key findings



On average, UK SMEs have:

- Savings balances of **£556,000**, a 104% increase on 2015 (£273,000)
- Current account balances of **£423,000**, an 81% increase on 2015 (£234,000)
- For every **£1** in a current account, another **£1.31** in a business savings account

On a regional basis, SMEs in the:

- East of England hold the most in business savings accounts with average balances standing at **£966,000**
- East of England have overtaken SMEs in London, which hold an average **£829,000** in savings, as the biggest business savers

On a sector basis:

- Accountancy businesses hold the most in business savings accounts with average balances standing at **£1,085,000**
- **50%** of legal firms, **46%** of architects and **40%** of charities said they chose a business savings provider because they catered for their specific type of business, entity or organisation

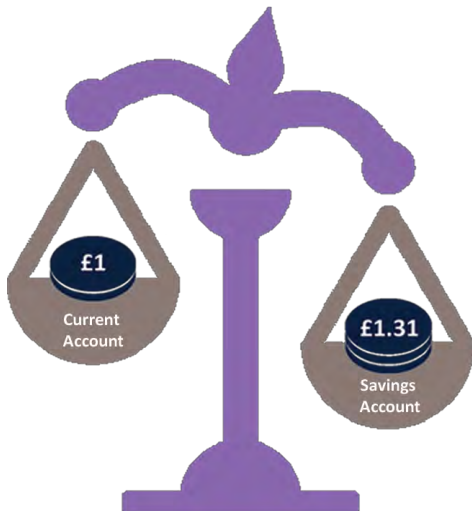
National

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

SMEs built up cash reserves on the lead up to the Brexit vote, with the average savings balance now standing at **£556,000**, a **104%** increase on 2015 (£273,000).



*The average business savings account balance in 2015 was £273,000



At the same time, SMEs are also increasing cash in their current accounts, with the average balance now standing at **£423,000**, an **81%** increase on 2015 (£234,000).

On average, for every **£1** that a UK business holds in a current account there is another **£1.31** in a business savings account.

Following the outcome of the EU Referendum...

Almost a third (**30%**) said they intended to increase the amount of cash held in business savings and a further **54%** said they have kept business savings at the same level.



National



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



More than a third (**38%**) said they were building a cash buffer and almost one in five (**17%**) said they were saving for a major purchase.

Business confidence appears to be growing with **8%** saying they were increasing cash reserves due to concerns about the UK short-term economic outlook to the end of the year, while far fewer, **4%**, said they were doing so because of concerns about the UK long-term economic outlook over the next 1 to 5 years.

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



One in five (**21%**) said they would use the money to invest in the infrastructure of their business.

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

31% 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 **nine months**.

Regional



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

SMEs in the East of England hold the most in business savings accounts with average balances standing at **£966,000**. Since the survey was last conducted in 2015, businesses in the East have overtaken SMEs in London, which hold an average **£829,000** in savings, as the biggest business savers.

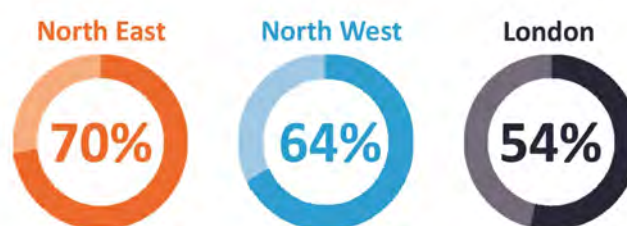


London

However, while SMEs in the East of England and London have the largest savings pots, SMEs in the South West and Northern Ireland are the UK's top savers, each holding **79%** of their funds in business savings accounts.

Following the outcome of the EU Referendum...

More than half (**54%**) of businesses in London said they were increasing the amount of cash in their business to build a cash buffer, higher than the national average of **38%**. The percentage of businesses building a cash buffer increases to **70%** in the North East and **64%** in the North West.



30% of Scottish SMEs said they were increasing cash reserves due to concerns about the economic outlook, closely followed by **29%** of businesses in the East of England— higher than the national average of **12%**.

Regional



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

Firms from the West Midlands and Wales invest less than the national average in business savings accounts – **36%** and **47%** of total funds respectively, while the national average is **57%**.

When asked why they kept money in current accounts, **29%** of West Midlands and Welsh SMEs said they were planning to keep money available to make a business investment in the near future – two of the top three regions making such plans – along with **36%** of Northern Irish businesses.



Business savings amounts by region

Region	Average amount in business savings accounts (% of total funds)	Average amount in business current accounts
East	£966,000 (60%)	£650,000
London	£829,000 (54%)	£697,000
North East	£749,000 (57%)	£556,000
South West	£654,000 (79%)	£178,000
Wales	£628,000 (47%)	£697,000
East Midlands	£614,000 (59%)	£433,000
Northern Ireland	£501,000 (79%)	£135,000
West Midlands	£432,000 (36%)	£755,000
North West	£371,000 (50%)	£368,000
Scotland	£364,000 (74%)	£125,000
Yorkshire and Humberside	£316,000 (51%)	£298,000
South East	£132,000 (62%)	£81,000
NATIONAL AVERAGE	£556,000 (57%)	£423,000

Sectors

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

Accountancy and IT and communications businesses hold the most in business savings accounts with average balances standing at **£1,085,000** and **£804,000** respectively.



Accountancy



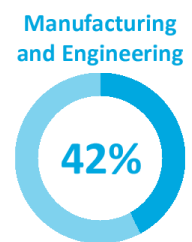
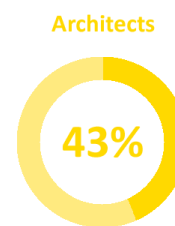
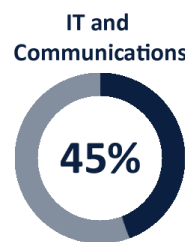
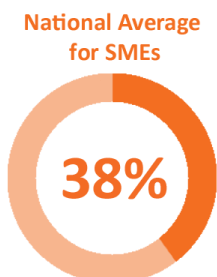
IT and Communications



Whilst accountancy and IT and communications SMEs have the largest savings pots, **charities are the UK's top savers**, holding **77%** of total funds in business savings accounts.

Following the outcome of the EU Referendum...

50% of both charities and construction and building companies, **45%** of IT and communications, **43%** of architects and **42%** of manufacturing and engineering SMEs said they were increasing the amount of cash in their business to build a cash buffer, higher than the national average of **38%**.



45% of legal firms said they were increasing cash reserves due to concerns about the economic outlook — higher than the national average of **12%**.

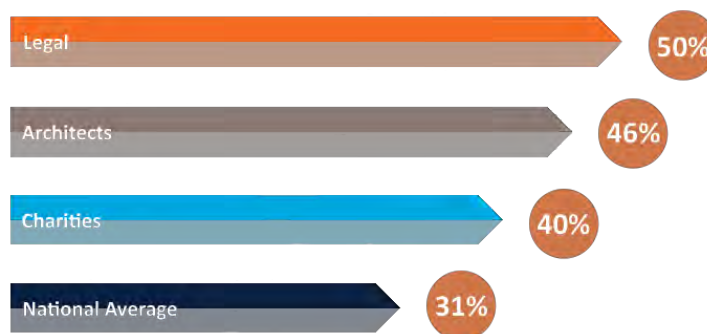


Sectors



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

50% of legal firms, 46% of architects and 40% of charities 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 31%.



Business savings amounts by sector

Sector	Average amount in business savings accounts (% of total funds)	Average amount in business current accounts
Accountancy	£1,085,000 (63%)	£625,000
IT & Communications	£804,000 (54%)	£690,000
Architect	£708,000 (69%)	£312,000
Financial Services	£687,000 (56%)	£529,000
Manufacturing & engineering	£543,000 (54%)	£454,000
Health and medical	£504,000 (50%)	£513,000
Charities	£497,000 (77%)	£145,000
Retail	£418,000 (68%)	£198,000
Legal	£354,000 (60%)	£235,000
Construction & building	£319,000 (51%)	£304,000
NATIONAL AVERAGE	£556,000 (57%)	£423,000

Conclusion



In times of uncertainty we might expect consumers and companies alike to tread with caution. With this in mind, it is understandable that UK SMEs are building up cash reserves, both in business savings and current accounts, helping to cushion any potential future shocks.

However, it is encouraging to discover that firms are also identifying opportunities for future growth, with 17% saying they were accruing cash to fund a major purchase and 21% stating that they would use any return from their savings to invest in the infrastructure of their business.

Interestingly, when it comes to regional savings habits, our research shows that East of England SMEs now have the biggest savings pots, overtaking London firms, which came top of the table last year.

When it comes to the UK's most active savers, SMEs in the South West and Northern Ireland invest the largest percentage of total funds in business savings. These regional differences are certainly something we will be keeping an eye on in 2017 and beyond.

When it comes to the biggest savers by sector, as an industry specialising in managing money, it is perhaps not surprising that accountancy firms have the most cash in business savings accounts while charities invest the largest percentage of

total funds in savings, helping to make the most of their money.

We find it encouraging that many businesses and organisations are confidently planning for their future by placing a significant proportion of their total funds into savings accounts. Indeed, for every £1 in a current account, there is another £1.31 in a business savings account.

We would urge organisations that have been stockpiling cash into current accounts to consider the opportunities to make more out of every £1 earned.

With a third (31%) of the smaller businesses we surveyed citing a desire to have a ready source of cash available for regular payments, SMEs should feel reassured that by shopping around they can identify accounts which provide them with a wide range of terms as well as competitive rates of interest.

Hampshire Trust Bank offers a range of business savings products ranging from a 120 Day Business Notice Account to a 5 Year Fixed Rate Bond, allowing businesses to tailor their savings to their cash flow.

If you are interested in finding out more about our business savings accounts and how we can help you make the most of your hard earned cash, please do not hesitate to contact us.

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 August 2016, 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 June 2015 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 consistently competitive savings accounts to individuals and businesses and since we lend only to businesses, our savers can be sure their money will be used to 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

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