

19 January 2010

## A headache for savers as CPI begins to spiral

The consumer price index again rose sharply to 2.9%, spiralling above the Government's target of 2% for the first time since May.

Savings rates look to have hit rock bottom, with the average no notice rate hovering at 0.75%, not far above bank base rate.

A basic rate taxpayer currently needs to find a savings account that pays at least 3.63% in interest to stop their savings pot eroding away. A higher rate taxpayer needs to locate an account that pays 4.81%.

Currently, there are no variable rate accounts paying interest above above 3.63%.

The recent published inflation figures shows that the real return after basic tax and inflation on an average no notice savings account is at a worrying minus 2.30%, the lowest since February last year.

**Darren Cook**, Spokesman for **Moneyfacts.co.uk**, commented:

"Inflation is starting to make its unwelcome mark on people's spending power and with savings interest rates stuck at their historical low, there is little that savers can do to fight back.

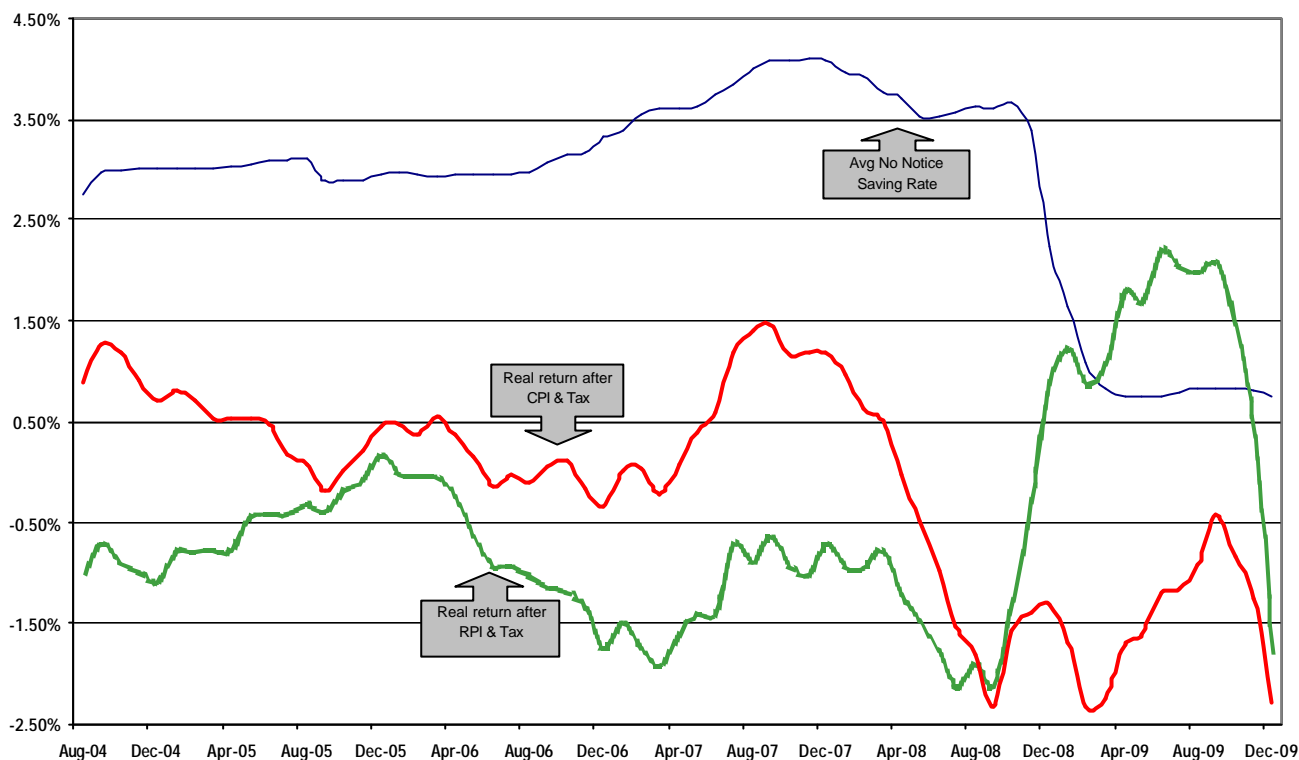
"Pensioners who may rely on their savings pot to subsidise their pension are seeing their savings being eroded on average by 2.30% per year for a basic rate taxpayer and 2.45% for a higher rate taxpayer.

"This is extremely unfair for those savers who have made prudent or astute decisions in the past and are being hit by low savings rates and spiralling inflation.

"Savers need to secure a gross return on their savings of at least 3.63% to break even. Higher rate taxpayers need to achieve the near impossible, by trying to find savings rates that return at least 4.81%.

"Now that the rate of inflation is well above target, this must surely have an impact on how long bank base rate will stay at 0.5%".

**Real return on average savings rate**  
**(basic rate taxpayer)**



**Note to Editors:**

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