

16 February 2010

## Savers can only watch as CPI enters a deeper vortex

The consumer price index again rose even sharper to 3.50%, nearly double the Government's target of 2%.

Savings rates are still falling after a flurry of lenders cut a selection of mortgage deals. The average no notice rate fell by 0.02% to 0.73% since last month.

A basic rate taxpayer currently needs to find a savings account that pays at least 4.38% in interest to stop their savings pot eroding away. A higher rate taxpayer has little chance to find an account that pays 5.83%.

Currently, there are no fixed rate bonds paying interest above 5.83%.

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 head shaking minus 2.92%, the lowest on record.

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

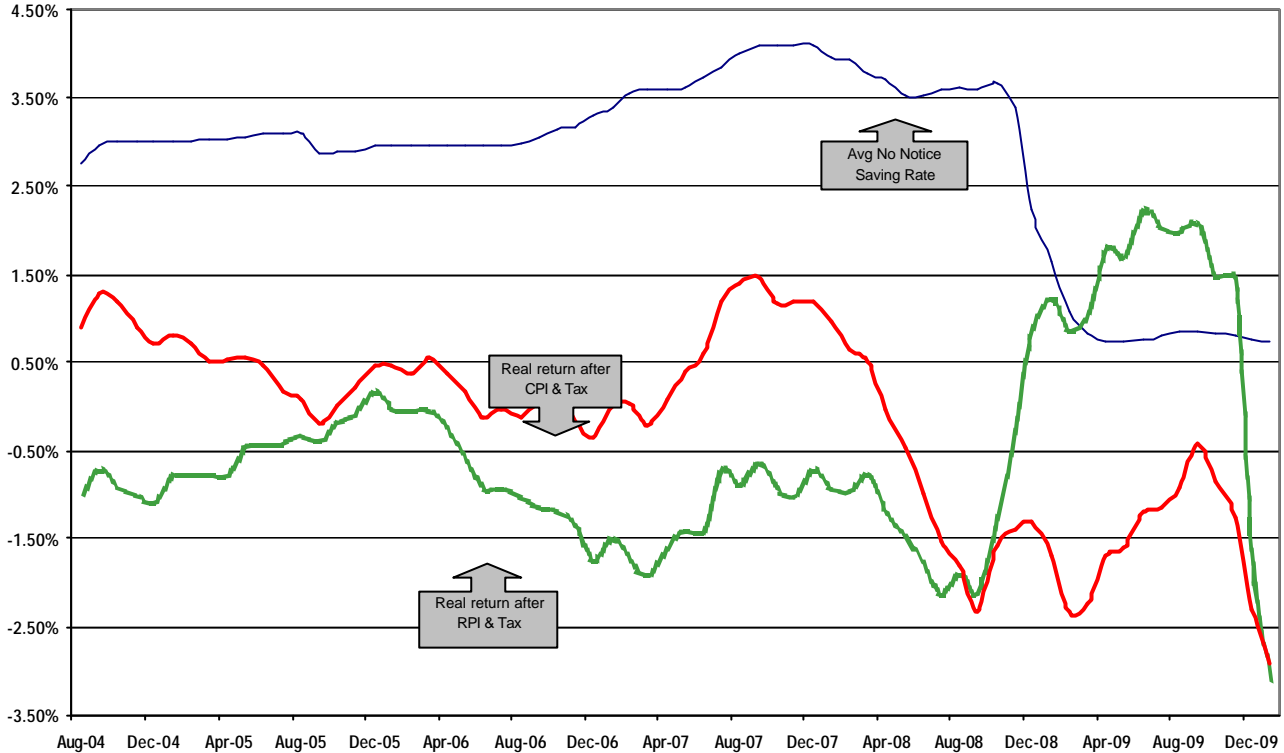
"Each month, inflation is cutting deeper into people's spending power and lower savings interest rates are creating an even bitterer pill to swallow.

"Those who are relying on their savings pot to subsidise other income are seeing their savings being eroded on average by 2.92% per year for a basic rate taxpayer and 3.06% for a higher rate taxpayer.

"Savers are hoping that this is just a short spike in inflation, but will lead to further aggravating issues if inflation does not fall as quickly as it is going up.

"Savers need to secure a gross return on their savings of at least 4.38% to break even. Higher rate taxpayers need to achieve the near impossible, by trying to find savings rates that return at least 5.83%."

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



**Note to Editors:**

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