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Erste Group Money Matters study
CEE savers put aside 10.4% more on monthly basis than in 2016

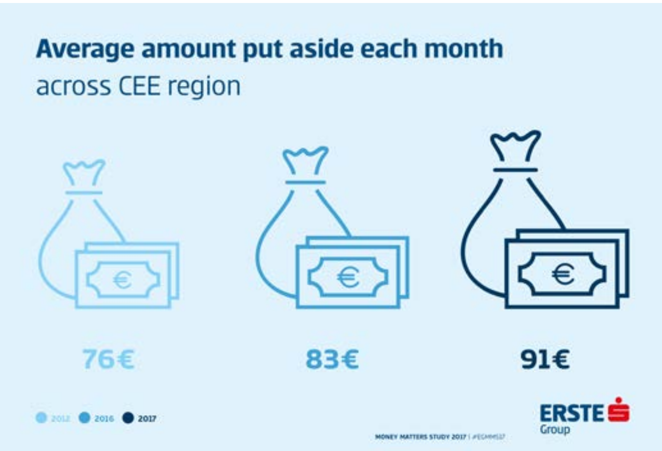
- **Compared to five years ago, the average monthly amount that people in CEE manage to save or invest is up 20.3%, reflecting higher wages and the general upswing in the region’s economies**
- **The share of those saying that their financial situation has improved in recent years has grown in almost all of the region’s markets**
- **CEE savers continue to be pronouncedly risk-adverse, but their appetite for investment products such as funds, stocks and securities has grown slightly**

“*Central and Eastern Europe is enjoying very solid and sustained growth, with the economies in the region expected to grow this year at twice the rate of Western Europe. Coupled with higher wages amid a tightening jobs market, this broad upswing has boosted the ability of people across the region to put aside more money each month for savings and investment purposes.*

Our annual Money Matters survey highlights that a growing share of the people in CEE have seen their general financial situation improve in recent years. More than 36 percent of the region’s savers are satisfied with their ability to save and invest, reflecting a four percentage point rise compared to 2016. At the same time, people in CEE remain particularly risk-adverse in how they handle the money they manage to put aside. Our clients continue to prefer savings accounts and other products that by themselves are unlikely to safeguard their financial well-being in the longer-term, given the low rates of return such products generate in the current interest rate environment.

During the first half of this year, Erste Group saw its retail deposits volume grow by a net inflow of over nine billion euros, while the inflow into our retail asset management products was more than four times higher than it had been during the same period a year earlier. People across the CEE region are obviously looking for opportunities to plan ahead for their pensions and to pursue their other longer-term financial planning goals, even as the low interest rate environment brought about by current monetary policy is likely to remain a challenge for quite some time longer. As a bank committed to safeguarding and promoting our clients’ prosperity, our approach involves engaging each and every customer to discuss what individual approach can help them to best navigate what continues to be challenging, if brightening, environment,” states Peter Bosek, retail board member at Erste Group.

Across CEE, solid gains in average amount put aside monthly



The amount of money that people are putting aside on a monthly basis either into savings or investments has risen in all of the six CEE markets covered in Erste Group’s Money Matters study (the Czech Republic, Slovakia, Hungary, Romania, Croatia and Serbia), as well as in Austria, according to the 2017 edition of the survey. For this region as a whole, the average monthly amount put aside was EUR 91 in 2017, a year-on-year increase of 10.4% and of 20.3% compared to 2012.

Austrians continue to lead the region by placing aside an average of EUR 239 each month, an increase of 10.6% year-on-year and of over 40% against the EUR 170 they were saving each month in 2012. In absolute terms, the Slovaks put aside the second-highest amount, namely EUR 106 (2016: EUR 97) and thus continue to outpace the Czechs, whose average monthly savings and investments rose by 14.3% to EUR 88. Romanians have posted the largest year-on-year rise on a percentage basis, upping the monthly amount they put aside by 15.2% to EUR 53, an increase of 35.9% on 2012. While Croatians' monthly savings and investments of EUR 63 are 10.5% higher year-on-year, Hungarians are making due with a rise of 1.9% to EUR 53, the most modest year-on-year gain in the region. The amount that Serbians managed to put aside rose by 8.8% compared to 2016 to reach EUR 37, but continued to be the lowest in the region. The generally positive cross-regional trend in monthly savings and investment volumes has contributed to notable declines in the shares of people in the CEE region who are dissatisfied with the amount that they are currently able to save or invest.

Savings and investment ability buoyed by improved household incomes, job market

Across the region in 2017, larger shares of people are reporting that their general financial situation has improved over the past two to three years, with Romania (up 8 percentage points (PP) to 33% in 2017) and the Czech Republic (up 6PP to 43%) posting the strongest year-on-year gains. Only Hungary saw a drop in those reporting an improvement (down 3 PP to 23%). While in the Czech Republic the "improved" block was slightly higher than that for "remained the same", the largest single block of respondents in all of the survey's other countries say that their overall financial situation has remained the same in recent years. In both Serbia and Croatia, the share of those saying their situation has deteriorated is more than twice as large as those reporting it has improved. While the highest in the region at 35%, the "deteriorated" group in Serbia is nevertheless a full 15 PP lower than it had been in the 2016 survey. The broad upswing in the share of respondents reporting an improved general financial situation over the past two or three years is also mirrored in rises in the shares of those survey participants reporting that they been able to put aside more money over same timeframe.

Across the region, those reporting that they had been able to put more money aside over the past two to three years attribute this primarily to higher household income – itself also a reflection of rising wages in most CEE markets – and to their improved employment status. Saving to either buy or build a home is another prominent factor for savers, especially in the Czech Republic and Slovakia. Those survey participants who say that they had put less money aside during recent years generally highlight increased costs of living with simultaneously unchanged income, as well as higher family-related expenses, as the causes of this development.

Exceptionally risk-adverse, still committed to traditional savings products

Despite an interest rate environment in which deposits generate extremely low interest rates, the traditional savings account, savings card and savings book remain preferred instruments for putting money aside in most of the region's markets and have actually gained in popularity in the Czech Republic, Slovakia, Croatia and Hungary. Austrians continue to be the most pronounced advocates of this most classical of savings product, with 76% of the country's respondents saying they rely on savings books or saving cards. Building savings plans remain among the Top 3-ranked products in Hungary, Croatia and especially Austria, although their popularity has slipped slightly compared to 2016 in the latter two markets. In contrast, government-endorsed pension insurance products are once again the top favourite for Czechs. Life insurance and capital assurance products remain particularly popular choices in the Czech Republic, Slovakia, Hungary and Romania, reflecting their broader popularity across the region as a means of responding to the persistent low interest rates on deposits. Other popular reactions include keeping more money in a current account, giving money to family members, and buying property, the latter of which has grown in popularity in all markets with the exception of Croatia.

The traditional approaches to savings and investment preferred in CEE reflect the exceptional risk adversity of the people in the region. Croatia leads the region with 88% of respondents describing themselves as either very or rather safety conscious. Even in Hungary -- which at 13% has the highest level of respondents saying they are very or rather willing to take risks when investing their money – nearly three-quarters of all respondents characterize themselves as risk-adverse. While the region's savers remain decidedly safety conscious, the results of the 2017 Money Matters survey suggest a general decline in the level of negative opinions held towards such investment products as stocks, securities, bonds and funds. The share of those holding a very negative stance on such instruments has fallen notably in Romania, the Czech Republic, and especially Serbia, which has also seen a corresponding rise in the share of those with rather or very positive opinions on them. However, by far the largest segment of survey respondents in all markets continues to takes a neutral stance, with that share ranging from 41% in Romania and Croatia to 61% in Serbia.

Apart from widespread risk adversity, the comparatively limited appeal in CEE of more capital markets-oriented investment products that could offer them higher returns -- but also inherently involve more risk – also reflects the level of financial literacy in the region. The Czech Republic and Slovakia remain the only surveyed CEE countries in which the share of those describing themselves as either very well or rather well informed about financial topics and banking products is larger than the share of those saying their knowledge is either rather or very insufficient. In all other markets in the region, the share of respondents with a self-described lack of financial knowledge is larger, ranging up to 47% in Serbia. At the same time, the share of those respondents who agree when asked if they know a lot about different means of investing one's money is higher than that of those who disagree with the statement in all but two of the countries (Serbia and Hungary).

Research methodology: The research for the 2017 Erste Group Money Matters study was conducted in late summer 2017. Telephone-based interviews using a CATI (computer-assisted telephone interviewing) system were conducted in Austria, the Czech Republic, Slovakia, Hungary, Romania, Croatia and Serbia. In each market, more than 500 members of the general public aged 15+ were interviewed for the survey.

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