

Press Release

Vienna, 17 October 2018

Savings study: Austrians invest in consumer goods instead of retirement

- **Austrians are currently saving € 245 per month**
- **Financial knowledge: 91% of Austrian do not know what a bond is**
- **New investment fund savings plans and free custody accounts for 3 years**

Financial retirement provisioning losing importance

Saving money is very important to 75% of Austria's population. The main reasons haven't changed: putting money aside for bad times and achieving financial security (82%). Compared to 2009, more people are saving money for holiday trips (34%, +12%), but also for major purchases: almost every second person (48%) is saving for an own residence or a new car – 6% more than in 2009.

"Investing in your own home is good and important." What is alarming though is the fact that making provisions for retirement has shifted away from the focus of Austrians," said Thomas Schaufler, Retail CEO at Erste Bank. Making provisions for old age is a defined savings goal only for 41% (2009: 56%) according to a representative study conducted by IMAS on behalf of Erste Bank and Sparkassen.

There is still a lot of money flowing into leisure time activities and consumer goods. According to a current forecast, the savings ratio in 2018 will be 7%¹, thus indicating a slight recovery. *"People seem to be adjusting their savings goals again slightly because the economy is booming,"* said Schaufler.

Investments in securities gaining significance

The amount saved is currently EUR 245. In 2009, it was only EUR 155 (+58%). But only half of the population is satisfied with the savings amount. A lot of the money saved is apparently still being placed into savings passbook accounts: The entire volume of retail deposits is currently EUR 254.3 billion², while in 2009 it was just EUR 205.7 billion. Interest on savings has been far below the inflation rate for years, but it seems as if people in the Alpine republic have become accustomed to this. The savings passbook account is still the most popular form of saving for Austrians; 80% have money on a savings passbook. A share of 60% have a building society savings account and 44% leave their money on their giro accounts. However, investing in securities increased to 28% (+11%). *"This is a development that is absolutely necessary,"* explained Schaufler. The recommended liquidity reserve is around three months' income on a savings account. *"The rest should be invested in a way that offsets inflation and yields a plus in the end. This is only possible right now through securities,"* said Schaufler.

Investment funds for savings: no fees on custody accounts for three years

According to the current survey, almost half of Austrian savers save money without a concrete plan, only 14% have a concrete plan and 37% have both. *"Think about your salary slip and your retirement account. Many people have a gap. It is essential to have a plan,"* said Schaufler. Diversifying the funds invested is essential. Investment funds are an option, especially newcomers. Erste Bank analysed the principal needs of customers and the major trends for building up assets and created five theme packages in the "s Fonds Plan Mix" which ideally combines up to 5 funds. The bank has developed new ideas also regarding pricing. There are no custody fees or minimum fees for the "s Fonds Plan Depot" in the first three years up to a total market value of EUR 10,000. Individual investors can open the custody account for the s Fonds Plan Mix online using George.

Lack of financial knowledge is often a barrier to investing in securities

¹ Wifo Forecast

² Retail deposits, accord. to OeNB, Oct. 2018

One factor why securities are not yet a firm part of the investing universe for Austrians is the lack of knowledge about economic and financial topics. According to the current study, only 36% stated that they were familiar with these topics. Two thirds have a lot of catching up to do. This is also seen in the difficulty people have in defining diverse financial terms. 91% could not explain what a bond is, 70% do not at all understand what an investment fund is, and 62% are overwhelmed by the concept of 'shares'. Still, only every other person (48%) does not understand how interest works and "only" 35% do not know what inflation means. *"One of the main problems is the lack of financial knowledge,"* said Schaufler. Erste Bank has launched several initiatives to counteract this trend. One example is the Erste Financial Life Park (FLIP). This is an educational facility that is unique worldwide and addresses young people. It teaches financial knowledge playfully aiming to promote the responsible handling of money and to heighten awareness of financial accountability. Another initiative is about investing in the training and further education of our customer advisors. *"In an increasingly complex world, we are placing our bets on qualified experts that understand people at least as good as their profession,"* stated Schaufler. This is a promise to customers of outstanding performance – and, if necessary, it will be possible to communicate with an expert by video at the new Erste branches. Conducting talks on an equal footing is essential. *"Regardless of the situation – in George or in advisory talks. We want to express ourselves as simply as possible and offer our help to put customers in a position to reach sound decisions."*

Economic indicators are pointing to light at the end of the tunnel

"The forecasts confirm sustained and solid global economic growth – also in Austria, although the pace will slow slightly in 2019," said Gudrun Egger, Head of Major Markets and Credit Research. Capacity utilization is high, the unemployment rate is decreasing in the euro zone, and wages have increased again by more than 2% since 2012. Therefore, the European Central Bank is confident that the general pressure on prices will increase and inflation will start to move towards the ECB target. This is a requisite for interest rates to go up in the euro area. *"But even if interest rates start to rise in the autumn of 2019, any further interest rate moves will be only gradual and moderate,"* said Egger. This will depend on sustained economic growth, wage rises and the increasing core inflation rate. Things will get better gradually, but one must be patient, because a normalization of monetary policy will take some time. *"A level of two to three percent for short-term deposits will be hardly available to retail customers in the coming three years. Therefore, short-term interest rates will remain below the Austrian inflation rate for longer,"* explained Gudrun Egger.

About the study: Erste Bank and Sparkassen commissioned the market research institute IMAS with a survey of Austrians (15 years and older) on the topic of savings. The study is representative for the Austrian population 15 years of age and older. In total, n=900 interviews were conducted throughout Austria. For each province of Austria, n=100 interviews were conducted in order to make a separate evaluation possible. The comparison figures are from the previous study of the year 2009.

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Erste Group is the leading financial service provider in the eastern part of the EU. Some 47,000 employees work at over 2,500 branches and serve 16.5 million customers in seven countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia). As of Q1 2018, the total assets of Erste Group were EUR 230 billion, net profit was EUR 333 million and common equity tier 1 capital was 12.6% (CET1, Basel III, current).
