

## Saving more, but keeping it simple: CEE savers stick to traditional savings products, thus losing out to inflation

- Across CEE, people are saving or investing more money on a monthly basis than they did five years ago
- The average monthly savings amount is generally higher than leisure-related expenses such as eating out, alcohol, or tobacco
- Despite the low interest rate environment, CEE savers continue to rely on traditional savings products for their rainy day or old-age expenses
- CEE's general risk-averse stance on investment products also reflects the large share of people who do not feel well-informed on financial topics

Across all of the countries of Central and Eastern Europe (CEE), the amount of money that people are able to save or invest on a monthly basis was higher in 2019 than it had been five years earlier. People were able to put more money aside mostly due to increased household incomes, newly found jobs, and a more urgent sense of the need to save for emergencies – these are the most prominent reasons named by participants in a recent IMAS survey on behalf of Erste Group.

**Austrians were once again the most prolific savers in the CEE region** in 2019, putting aside an average of EUR 259 each month. They were followed by Slovaks (EUR 111) and Czechs (EUR 105), according to the survey IMAS conducted in Austria, the Czech Republic, Slovakia, Hungary, Serbia, Croatia and Romania. Czechs, Romanians and Austrians posted the highest rise in monthly savings over the past five years, with the average monthly amount they save or invest increasing by nearly 40% over this period. In contrast, Croats (EUR 62 in 2019) and Serbs (EUR 40) experienced the most modest increases over the past five years, namely 5% and 14% respectively.

### Monthly savings and investments outpace leisure-related spending

According to Eurostat data for 2018, the main monthly outflows that people in CEE have were focused on meeting the core needs of housing, clothing, food, and transport. However, savings and investments ranked right after these essentials, taking either the 4<sup>th</sup> or 5<sup>th</sup> spot in the share of savers' disposable income in all seven surveyed countries. Everywhere in the region, **savers put more money aside on a monthly basis than they spent on such leisure-related expenses** as dining out, alcohol, tobacco, or on media.

The prominence of savings in CEE should not come as a surprise given that sizable majorities of the respondents in all countries – especially those in Southeastern Europe– said that **putting money aside is a matter of great importance**: 8 in 10 Croats and Romanians said that saving or investing was either “very important” or “rather important” to them, and Czechs, Slovaks and Austrians showed similar responses. That sentiment was least pronounced in Serbia, but even there nearly 7 of 10 respondents felt that putting aside money was very or rather important.

### Rainy day thinking drives approach to savings

Making sure they have **financial backup for emergencies** was the main driver mentioned by savers across all of the surveyed markets. Almost all (98%) Slovak savers cited this as their prime motivation, while Hungarians

(70%) were the least likely to mention “rainy day” considerations. Although this motivation has generally decreased or stagnated over the past five years, **saving for smaller or larger purchases** (the second most popular motive) has gained in importance in most CEE countries.

**On average across the region, long-term saving for old age ranks only 4th as savings motivation.** Over the past five years, the relevance of saving for old age provision has decreased further in Austria, Hungary, Croatia and Serbia. In the 2019 survey, it was mentioned most prominently by Czechs and Slovaks (66% and 52%, respectively), but referenced by only 17% of Serbs. Across CEE, comparatively few people mentioned funding education and training as a reason to save -- with the exception of Romania, where 4 out of 10 respondents named it.

### **Savings accounts still top popular savings options -- despite low interest rates**

With savings often earmarked to help out in emergencies, having quick and unrestricted access to the money is essential. This helps explain why **traditional savings products (savings books, cards or accounts) remained the most popular option for putting money aside** in 4 out of the 7 surveyed countries. **Almost 80% of Austrians** named *Sparbücher* (savings books) as their preferred savings or investment product. Fixed-term deposits, which promise slightly higher returns than savings books, proved much less popular, ranking among top three savings products only in Serbia -- and even there, only 7% of survey participants made use of them. Despite an interest rate environment marked by extremely low or effectively zero returns, traditional savings products grew much more popular over the past five years in Slovakia and have become the second most popular savings option in the Czech Republic. However, in absolute terms, the Czechs continue to prefer government-endorsed pension insurance, while life insurances are the most preferred investment products in Romania and Serbia.

**Peter Bosek, the Erste Group management board member responsible for retail banking**, warns on relying too much on traditional savings products for longer-term financial health: *“Because they continue to focus so heavily on savings books when putting money aside, banking customers in Austria have just in the past year alone lost the equivalent of almost 5 billion Euros due to inflation and the next to non-existent interest rates for savings – that’s a negative return of 1.6 percent. The comparable ‘loss’ for savers in the Czech Republic, Slovakia and Hungary also added up to some 3 billion euros in 2018.”*

Bosek adds: *“Exactly 200 years ago, Erste provided its very first client with a savings book, helping her to build up prosperity within her lifetime. But with the interest rate environment in Europe set to continue at extremely low or negative rates for the next five or ten years, people in our region will need to stop relying so heavily on simple savings products. They need to instead look into other means of safeguarding the value of the money they manage to put aside. If they fail to do so, they’ll find it ever harder to achieve and maintain financial well-being, especially in their old age.”*

### **People in CEE generally still wary of investment markets**

The investment culture in CEE has made some progress in recent years, but **the willingness of people in the region to actively invest their savings remains underdeveloped**, especially compared to the USA, the UK or Scandinavia. Even in those CEE countries whose respondents were the most open to undertaking investments (Slovakia, Romania, and the Czech Republic), **only 1 in 5 respondents said that they had bought stocks, securities, funds or bonds** to protect themselves from low interest rates on deposits and savings accounts. Since 2014, the survey participants’ **willingness to invest in stocks or bonds has risen notably in the Czech Republic, Slovakia, Romania and Serbia**, but decreased in both Hungary and, in particular, in Croatia. Even with the general upswing this approach to financial planning has enjoyed over the past few years, it remained less popular than buying a life insurance, giving money to children or family members, buying an apartment, placing money into long-term deposits, or even keeping savings on their current account.

The largest share of CEE respondents took a neutral stance on the merits of investing money into stocks, securities, bonds, or funds. However, across almost all CEE countries (Croatia was the sole exception) the **share of those who regard such investments as “very or rather positive” was higher than that of those who have a “very or rather negative” view of them**. Romanians were the most positively inclined towards such investment products (42% viewing them as “very or rather positive”), followed by Serbians (31%), Slovaks (28%) and Czechs (27%). However, this level of positive inclination remained much higher than the share of those people who have actually bought stocks or bonds.

### CEE savers are risk-averse and feel ill-informed on investment options

A very sizable majority of adults in all of the surveyed CEE countries (ranging from 65% in Slovakia to 85% in Croatia) described themselves as being **“very much or rather safety conscious”** when deciding what to do with the money they have put aside. On average **only 1 out of 10 of the CEE respondents** said that they were **“very much or rather willing” to take risks to get high rates of return**.

Across CEE, the share of people who said that they could lose a lot of money with investment products (stocks, investment funds, bonds) was larger than that who viewed such products as a way of possibly gaining a lot of money. The **rate of respondents holding a positive stance on investment products’ potential varied widely across CEE**: from only 12% in Croatia to 50% in the Czech Republic, with 42% of Slovaks and 57% of Romanians viewing investment products as a good alternative to savings accounts. There was more consensus across the region on **investment products being difficult to understand**: one-third to one-half of the general public in the surveyed countries (from 33% in Hungary to 53% in Romania) took this view.

### Better financial knowledge is a prerequisite for sustainably boosting prosperity

The widespread feeling that investment products are complex and risky was mirrored in the negative self-assessment that many people in CEE had of their own financial knowledge. **Four out of 10 respondents in Hungary, Romania and Serbia described their knowledge of financial topics and banking products as “insufficient” or “very insufficient”**. Romanians were the most polarized on this aspect, as over a third of them characterized themselves as “very well informed” or “well informed” in financial matters. That placed these Romanians on par with the **financial education forerunners in the Czech Republic and Slovakia**, where 35 to 39% of adults said they were “well-informed” and under 14% described their financial education as lacking.

Peter Bosek underlines the importance of financial education: *“At Erste, we see our role as helping our customers live healthy financial lives. To achieve that goal, people need to have solid knowledge about handling their money wisely – including having insights on investment options. We see financial literacy as a key to helping the people in our region achieve prosperity in a sustainable manner. That is why we have launched financial education programs in all of the markets in which we are present.”*

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