

## Erste Bank's forecast on savings and loans:

### 12-month trend: EUR 81,800 average financing amount in Austria

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**Projected amount of spending using loans up by EUR 20,000**

**Average savings amount of EUR 5,720 stable**

**Interest rates: Austrians uncertain about further trend**

The current 12-month trend of Austrian households indicates a higher propensity to spend and a relatively constant inclination to save. On average, potential borrowers plan to take out some EUR 81,800 to finance major acquisitions. On the other hand, they also plan to continue saving money assiduously: on average EUR 5,720 will be invested in the diverse asset classes next year. As regards interest rate levels, there is no consensus among Austrians on the further development. These are the findings of the INTEGRAL survey, which was conducted in the third quarter on behalf of Erste Bank and Sparkassen.

#### Spend now and take out a loan ...

What is the average citizen planning to do with his or her money in the next 12 months? Around one third is planning a major purchase such as a new car or an own apartment. Even though this figure has not changed since the beginning of the year, the projected amount of total loans has increased steeply (+32%).

14% of people need a bank loan to fulfil their dreams. On average, around EUR 81,800 are budgeted as necessary. "This rise is a bit surprising. We will see next year if this increase in demand actually materializes," explains Peter Bosek, Member of the Management Board at Erste Bank Oesterreich.

The good news for borrowers: Interest rates will remain relatively low. Erste Bank has lent EUR 2.1 billion in fresh loans to retail customers in the first three quarters of 2011 alone.

#### ...or save and reinvest?

People are still putting money aside assiduously even though the amounts saved are stagnating. Thus, 8 out of 10 Austrians state that they plan to save or invest an amount of approximately EUR 5,720 over the next 12 months. This rather high amount at first sight is not made up of only of money left over, but refers to the amount of total assets to be newly invested. This amount includes reinvestments, one-time proceeds, gifts of money, etc. as well as what is left over at month's end after deduction of current expenses. As regards investment forms, the study confirms the stability of the long-term trend. A share of 68% will put their money into savings passbook accounts in this period. The classic forms of building society savings accounts and life insurance policies are stable and rank second and third. Gold still ranks high at 11% and 14% of people plan to invest in real estate. What is remarkable is that only 16% are not planning to invest or save any money, while at the beginning of the year, the percentage was 21% that did not plan to save or invest in the next 12 months.

As of the end of September, Erste Bank and Sparkassen managed a volume of around EUR 40 billion (Austria EUR 208 billion) in savings deposits.

#### Fluctuating interest rates



Just a few weeks ago, expectations saw a tendency of rising interest rates, but now the situation has reversed completely. Neither are Austrians really certain of where interest rates will go: 28% said that interest rates will remain the same, 24% said they would rise, while only 12% expect declining rates.

A widespread prejudice is revealed by the study as well. Namely, the fear that the banks will leave interest on savings deposits unchanged but will raise interest on loans. "This can be absolutely ruled out for Erste Bank," stated Peter Bosek. Due to the interest rate adjustment clause, we are under the obligation to pass interest rate movements on to customers in both directions every time there is a change. Therefore, this scenario would not be feasible, even if just for technical reasons. "Interest rate cuts make all borrowers happy, while savers understandably grumble."

If the ECB cuts interest rates again tomorrow (8 Dec.), then one thing is clear: interest on savings and loans will also decrease slightly in the coming weeks. "Ideally, customers should now to secure higher interest on savings for next year," explained Mr. Bosek. At the same time, inflation in 2012 in Austria will decrease significantly and will settle at around 2.1% in 2012. "Therefore, 3% on a savings deposit is pretty good and is currently being offered." Anyone considering borrowing money – after the temporary minor fluctuations of interest rates – has a good chance now of obtaining an inexpensive loan. "To avoid being burdened with increasing repayment instalments in the coming years, borrowers should think about fixing the interest rate on loans now," is Peter Bosek's advice to potential borrowers considering the current market conditions.

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