

## Erste Bank's outlook on savings and loans trends

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### Every second Austrian feels affected by austerity policies

**The government's austerity programme: Every other persons feels affected**

**Average amount saved drops to EUR 5,085**

**Planned credit volume rises to EUR 79.800**

How much will people be able to put aside in the coming 12 months? Austrians are more pessimistic right now than one year ago: The average person plans to save and invest EUR 5,085, which is EUR 375 lower than last year. Demand for loans has also decreased somewhat: At present, one third plans to make purchases, but only 11% intend to take out a loan for this purpose. Average amount: EUR 79.800. This is EUR 9,600 less than at the beginning of 2011. 48% of Austrian feels personally affected by the government's austerity measures, while 46% do not perceive any effects on them personally. These are the findings of the INTEGRAL survey for the first quarter of 2012 conducted on behalf of Erste Bank and Sparkassen.

#### Amount saved drops

48% of Austrians believe that the government's austerity measures are affecting them directly, while 46% do not believe that they will feel any impact. "Where investments are concerned, we are seeing a direct impact such as in the lower bonus on building society savings schemes and in the markdowns on private retirement provisions," said Peter Bosek, Member of the Management Board at Erste Bank Oesterreich. Still, 83% of Austrians plan to save or (re-)invest an average of EUR 5,085 this year. The amount is EUR 375 (-7%) lower than at the beginning of 2011 though. The savings ratio decreased further last year by 0.8%.

At a forecasted inflation rate of 2.4% in Austria and sustained low key lending rate of 1%, savings passbook accounts will not yield any positive returns this year either. Nonetheless, the most popular investment form for Austrians remains the savings passbook accounts at 67% (+5%), while savings in building society schemes have decreased slightly to 53% (-5%). People are even more cautious about investments in securities with respect to the investments in the coming 12 months: 13% want to buy funds, 9% equities and 8% bonds. Mr. Bosek is convinced that "due to the low interest rates, it would be a good time right now to think beyond savings accounts." The volume on deposit by private households was around EUR 210 billion as of February. This is very high by historical standards: "There is still a lot of money parked on savings accounts. The deeply rooted fear of investments in securities since 2008 is understandable, but does not yield any returns." By way of comparison: At the end of 2008, private households had EUR 188 billion in deposits at banks. This means that some EUR 22 billion have since been transferred to savings passbooks and savings accounts. "With a view to a sound asset diversification, one should take a look at some of options available in securities investments".

#### Lower demand for loans

35% of the Austrian population are planning to make a major purchase in the coming 12 months such as investing in home renovation, buying real estate, etc. However, only 11% (-4%) plan to use a loan or building society scheme to finance their



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plans. The average loan has risen from EUR 70,200 to EUR 79,800 (+14%) though. "Demand for credit has decreased a bit. But those that want a loan are taking out slightly higher amounts," explained, "Mr. Bosek. A look at credit volumes in Austria as of the end of 2008 shows that private households owed EUR 123 billion. Currently, the amount is EUR 138 billion. "The lending business is brisk; we are far from a credit crunch. As long as the economy does not stabilise lastingly, people will remain cautious, of course, even though interest rates are at historic lows." As regards Austria's economy, the forecasts have fortunately been revised upwards again since the end of 2011: At present, GDP growth is estimated at 0.9% for 2012. The unemployment rate is still the lowest in the EU at 4.2% and is expected to rise only moderately in 2012. Nonetheless, private consumption should expand further this year.