

Erste Bank Q2 Savings and Credit Outlook

05.08.2013

Survey: Austrians continue to believe interest rates will remain low

Intended Amount to be Saved Stagnates at Around €4,500

Planned Average Credit Amount: €64,000

Every Second Respondent Expects Interest Rates on Savings to Remain Unchanged

How much money can Austrians put aside over the next 12 months? According to the latest INTEGRAL survey commissioned by Erste Bank, the amount Austrians intend to save or invest in Q2 2013 is €4,500. That is a decline of only €100 compared to the same period last year. The desire to take out loans remained fairly steady as well: 18% of those who plan major purchases want to borrow money from their bank for the purpose. Every second respondent believes that interest rates on savings will remain the same, about one third also think that interest rates on loans will remain unchanged in the coming 2 to 3 years.



Safe Forms of Savings Are Preferred

With €4,500 (- €100) Austrians have almost the same amount for the purpose of reinvestment or new investment available

in the next 12 months as in the comparable quarter of 2012. With regard to the choice of the form of savings and investments, safe forms of saving continue to be highly popular. The savings book remains the most favored form of saving with 65% (-1), followed by building savings accounts with 54% (-1) and life insurance policies with 41% (+3). In the realm of securities there is movement as well. Interest in investment funds is rising among Austrians: 16% (+1) want to invest in this manner. 15% (+1) want to buy real estate and 11% (+1) want to buy gold. Bonds (-1) and stocks (-3) however decline compared to last year and stand at 9% each. *"In times of low interest rates one should more than ever pay attention to a reasonable diversification of one's savings"*, says Peter Bosek, member of the management board. Funds deposited by private households at Austrian banks currently amount to about €215 billion ¹. Erste Bank und Sparkassen holds a 19% market share thereof.

Credit Amount Remains Steady

One third of Austrians plans the purchase of big ticket items in the next 12 months. With regard to financing, there continues to be a strong trend toward employing one's savings. 86% (+4) want to finance purchases with their own capital, 18% (+1) by means of a bank credit or a building society loan. *"In the current interest rate environment, I can only recommend a fixed rate loan to everybody"*, says Bosek. *"Even if the rate is somewhat higher than that on a variable rate loan, safety and predictability in long term financing should be given priority."* With immediate effect, Erste Bank also offers fixed rate loans with a maturity of up to 15 years. Furthermore, an integrated cap rate such as e.g. in a building society loan, can provide long term security. On average, Austrians want to borrow €64,900. That is only a small decline of €100 compared to the second quarter of last year. Total household credit volume in Austria amounts to €137 billion, according to the Austrian National Bank's private household statistics as of May 2013. The Erste und Sparkassen Group has a market share of 19%.

Interest Rates Unchanged?

Most experts expect no interest rate increases in the next 2 to 3 years. That is why it is at present important for borrowers to secure these low rates for themselves. Once interest rates begin to rise, the cost of fixed rate loans will rise in anticipation as well. Opinions among Austrians regarding future interest rate developments differ: with respect to savings books, every second respondent assumes that interest rates will remain unchanged, one third even expects that returns will decline still further. Almost 4 in 10 believe that interest rates on loans will remain the same, but the same number thinks that an increase is possible as well. Peter Bosek: *"For private customers, interest rates on both sides will remain at historically low levels in coming years. Therefore one must implement a forward-looking plan both with regard to financing and investments. Interest rates will definitely rise again, the only question is when"*

About the study's design: Integral has interviewed 1,000 Austrians (representative of the population above the age of 14) via telephone and asked them about their intended forms of saving and investment, as well as about their financing requirements. Furthermore they were asked about their estimate of how interest rates on savings and loans will develop. The survey took place between 10. to 24. June 2013. Unless indicated otherwise, the comparative figures refer to the same period last year.

1) according to OeNB, private households, as of May 2013