



Erste Bank Savings and Credit Forecast Q3 Survey: Money From Tax Reform Would Spur Consumer Spending

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Tax reform: 32% would just spend additional money

Average amount to be saved over 12 months: € 4,800

Loan amount roughly stable at € 69,200

If a tax reform were enacted in Austria that has a positive effect on net incomes, 32% would spend the money, 35% would consume, but also save a little, and only 27% would only save or invest the amount that becomes available. Irrespective of this, € 4,800 are currently available on average for the purpose of saving and (re-) investment over the coming 12 months. A third of Austrians are planning major purchases, and those who want to finance them with a loan expect to require borrowings of € 69,200 on average. This is according to the current savings and credit forecast, a quarterly survey performed by Integral on behalf of Erste Bank.

Where Austrians Are Putting Their Money

64% (+2) once again prefer the savings book over the coming 12 months, 54% (+3) want to invest in a building savings account, and 37% (-4) plan to take out a life insurance policy. More Austrians are showing an interest in securities at present: 23% (+3) also want to invest money in stocks, investment funds or bonds. Real estate continues to be a desirable investment for almost one fifth, while gold is still of interest to 11% (+2). The percentage of those who plan not to invest any money at all has declined from 19% to 15%. On average, Austrians expect to have a total amount of € 4,800 available for investment purposes, which is a slight decline compared to the amount of € 5,200 that was available for this purpose in the 3rd quarter of last year. "We expect no large upward moves in interest rates before 2017. As a result it is very important to actively look after one's financial matters, in order to at least ensure that the value of one's wealth is conserved", explains Peter Bosek, member of the management board.

Desire to Borrow is Limited

Although interest rates on loans have reached an extremely low level, Austrians continue to appear reluctant with respect to borrowing large sums. While a constant third intends to make a major purchase, the number of people stating that they want to finance it with a loan has declined significantly. 86% (+4) of respondents want to finance it with their own savings, while only 14% (-7) plan to take out a residential mortgage or a bank loan. In contrast to this trend, the volume of residential mortgages granted by Erste Bank has increased by nearly 7% (Q3/13-Q3/14). Interest rates have rarely been as favorable as they are at present, including those on fixed interest rate loans. "We



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are currently offering a 10-year fixed rate loan at 2.25%. This rate is rather unlikely to go much lower", Bosek says. If one compares average interest rates on residential mortgages with those of 10 years ago, it becomes clear just how low interest rates currently are: According to the OeNB, the average effective interest rate on Austrian mortgage loans stood at 4.26% in 2004, whereas today the average is just 2.80% (as of 09-2014).

Tax Reform as a Driver of Consumer Demand

Should there be a tax reform in Austria that has a positive effect on net incomes, around one third (32%) would spend the money that becomes thereby available, while only 27% state they would save all of it. 35% would do both and 7% haven't given the topic any thought yet.

"That would stimulate consumer demand in Austria. However, one can also see that saving continues to be important for Austrians, even though more people tend to prefer spending", says Bosek.

About the study: Integral has interviewed 1,000 Austrians (representative of the Austrian population from the age of 14) via telephone and asked them about their savings and investment intentions, as well as their financing needs.

The survey has been conducted in the 3rd quarter in the time period from 29 August to 22 September 2014. **Unless stated otherwise, comparative figures refer to the same quarter of the previous year.**

[Charts Q3 \[pdf; 60.2 KB\]](#)