

Erste Group Money Study: Saving against all odds

- **People across CEE remain committed to saving, despite the continuing low interest rate environment**
- **Hungarians and Austrians managed to raise their monthly savings volumes, while Croats and Serbs saw declines in the amount they put aside**
- **Savings books and accounts are by far the most favoured vehicles for putting money aside, also reflecting the pronounced risk-adversity across CEE region**
- **Throughout the region, capital markets-focused products do not rank among the Top 3 preferred means of saving or investing**
- **The most popular response to low interest rates on savings has not been to simply spend more, but rather to provide money to family members**
- **Across CEE, people have delayed or decreased spending on bigger-ticket items and non-essentials, while spending more on everyday items**

“Whenever possible, people in Central and Eastern Europe are responding to the very low interest rate environment by raising the amount of money they regularly put aside. This may seem counter-intuitive, but it reflects the fact that rather than feeling encouraged to spend by the low interest rates, people are put off by the persisting uncertainty and choose the safest options for their money management. It also shows the extent to which, more than in other parts of Europe, people in CEE rely on their savings.

This is significant also given the fact that the current interest environment will particularly impact those people retiring over the course of the next decade, as their savings plans stand to suffer the most. Our Money Study also reveals that broad segments of the population in CEE simply don't have extra disposable funds to commit to savings. Even among those who do manage to save, there are many who are unhappy that they cannot fully offset the impact of lower interest rates through higher volumes committed to saving.

At Erste Group we saw a net inflow of over six billion euros in customer deposits during the first three quarters of this year due to these developments. With interest rates on savings at historical lows and likely to stay so for quite some time, the current monetary policies are actually forcing people to show more risk appetite if they want to achieve the returns they need to ensure their pension provisions and other longer-term financial planning. As banks, we need to engage each and every customer to discuss what individual approach can help them to best navigate the current challenging environment,” states Peter Bosek, retail board member at Erste Group.

Despite the continuing low level interest rate environment, people in Central and Eastern Europe overwhelmingly continue to place great importance in putting money aside in classical savings products, primarily as a means of having “rainy day” funds available. The pronounced risk adversity among the people in CEE and their comparatively limited level of knowledge regarding capital markets-related investment products contribute to the continuing primacy of the classical savings account or savings book across the region. These and other insights on how people in Central and Eastern Europe save, invest and spend their money are outlined in the newest edition of the Erste Group Money Study, which was launched today.

Saving enjoys unbroken popularity across region

Putting aside money has not lost its appeal for people in the CEE region, with two-thirds to four-fifths of the respondents in each of the six CEE markets covered in the Money Study (the Czech Republic, Slovakia, Hungary, Romania, Croatia and Serbia) and in Austria stating it was either “very” or “rather” important to them. However, the actual development of monthly savings paints a more mixed picture across the region. In Austria, the average monthly saving amount rose by 7.5% year-on-year to EUR 216, placing Austrians once again at the top of the

league of savers in the broader region. While savers in Hungary posted the strongest year-on-year gains with a 10.6% rise in their average monthly savings amount to EUR 52, savers in both Slovakia (up 3.2% to EUR 97) and the Czech Republic (up 1.3% to EUR 77) saw more muted gains. In contrast, the average monthly savings amount remained flat in Romania and actually declined in both Croatia (down 5% to EUR 57) and in Serbia (down nearly 3% to EUR 34).

Despite posting the strongest year-on-year gains in average monthly savings, a majority of Hungarian savers are dissatisfied with their inability to save more. The same is true in both Serbia and Croatia, while only in Austria and the Czech Republic is the share of satisfied savers higher than that of dissatisfied ones. In all of the participating CEE markets, the share of savers reporting that they are now saving less than they had two or three years earlier is higher than that of persons who are able to put more aside now, even as the single largest block of respondents say they are saving at about the same level. The critical attitude among savers is complemented by the fact that among the general public as a whole, a majority of the respondents in four of the six participating CEE countries say that they do not have enough money available to regularly put anything aside at all.

The diverse picture of people's ability to save across the CEE region largely mirrors the divergent responses that the Money Study's respondents report for the development of their general financial situation over the past two or three years. While the largest single block of respondents in all countries say their situation has largely remained the same, only in the Czech Republic and Slovakia is the share of those reporting an improvement significantly higher than those saying their situation has deteriorated.

Savings approach determined by risk adversity, “rainy day” goals and financial literacy

Classical savings products in the form of a savings book, savings card or savings account remain the most-favoured means of putting money aside throughout most all of the countries in the CEE region, despite the fact that the global decline in interest rate levels has effectively brought the return provided by such products close to zero. The unchallenged primacy of classical savings products reflects the fact that saving for a “rainy day” (unforeseen financial emergencies) remains by far the most popular motivation for putting money aside, with people in the CEE region valuing the easy access that classical savings products offer them to their money in such circumstances. The unchanged popularity of the traditional savings book also reflects the pronounced risk-adversity that is evident across Central and Eastern Europe: the share of respondents describing themselves as “very” or “rather” safety conscious when investing money ranges from 68% in Slovakia to 84% in Croatia. In contrast, those respondents saying that they are “rather” or “very” willing to take risks ranged from 4% in Romania to 10% in Hungary.

In addition to this widespread risk adversity, consumers' level of financial literacy also appears to limit their openness to the more capital markets-oriented investment products that could offer them higher returns, but also inherently involve more risk. Asked about how well informed they feel regarding financial topics and banking products, the largest share of Money Study respondents take a neutral stance, while the highest share of those responding “very” or “rather” is in Slovakia with 34%. In contrast, 44% of Serbs and 43% of Romanians describe their level of financial knowledge as “very” or “rather” insufficient. In the Czech Republic, Hungary and Croatia, the share of those respondents who disagree when asked if they know a lot about different means of investing one's money is higher than that of those who agree with the statement.

Low interest rate environment has not encouraged more consumption

Unknowledgeable or skeptical about such capital market-focused products as securities and shares, people in CEE have responded to the low interest environment by various means. Across the region, rising shares of respondents are giving money to their children, grandchildren or other family members, with over 50% of Money Study participants in Slovakia and Romania reporting that they had done so in 2016. Purchasing life insurance or private pension plans and keeping savings in a current account are also increasingly popular responses across the region. However, people in CEE are not reacting to the near absence of returns on savings by simply

choosing to spend more of their money on purchases: such increased consumption is not among the top five responses in any of the surveyed countries.

That stance is also borne out by the Money Study's findings on spending developments in the region. While large majorities of respondents say that their spending on everyday items such as groceries and clothing or essentials such as healthcare and housing has either been stable or risen over the past two or three years, large shares of people in CEE have either partly or fully cut back their expenditures on such discretionary items as consumer electronics, entertainment or vacations.

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