



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

STRICTLY CONFIDENTIAL

Overview of Savings in Europe

June 2014

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1. Overview of savings

Financial wealth of European households increased from 1.5% to 9.9% in 2013, depending on the country. The strengthening of Stock Exchanges and the decrease in interest rates generated capital gains on portfolios, especially in Spain and the United Kingdom. The savings effort contributed predominantly to the increase in wealth of German households. French and Belgians made less significant savings efforts than Germans. However, they experienced higher capital gains. Italians, who made few investments and thus benefited little from capital gains, had a financial wealth that remained pretty much unchanged in real terms.

Change in household financial wealth at the end of 2013

	Saving effort	Capital Gains	Total
Germany	3.0%	1.1%	4.1%
Belgium	2.0%	2.7%	4.7%
Spain	0.9%	9.0%	9.9%
France	1.8%	3.0%	4.8%
Italy	1.0%	0.6%	1.5%
United Kingdom	0.8%	7.6%	8.3%

Sources: National accounts, OEE calculations

Incomes increased only slightly in 2013, but households were able to maintain their purchasing power thanks to low inflation in the euro area. Spanish households remained the only ones whose income did not recover to its 2009 level. Consumer spending increased in all countries and the savings rate fell slightly in late 2013, except in Germany where it continued to increase and in Italy, where it stabilised.

In the context of low-paid, short-term savings, households invested a larger share of their savings into longer term products. Bank savings were particularly affected, with a fall in investments in the majority of countries, mainly in Germany and the United Kingdom. In France, households reduced their investments in Livret A and LDD accounts to increase their investments made in housing savings plans (PEL), which offer a more attractive return of 2.5%. In all countries, households also lowered their bond portfolios. These trends can only be reinforced by the new decrease in the base rate of the ECB announced in early June.

The good performances of equity markets encouraged households to turn to riskier investments by increasing their investments in shares, be it those held directly or through intermediary vehicles. Life insurance and pension funds benefited from this reversal in late 2013 and early 2014. In the majority of countries, an increase in the number of individuals covered by retirement savings plans was noticeable. These long-term investment products recorded high performances in 2013, particularly when they were invested in equities. Finally, UCITs recorded highly significant inflows during the first quarter of 2014, the best seen since 2008.

Differences in housing markets have grown between countries. In Germany and the United Kingdom, prices have kept growing at a sustained pace. Household investment in real estate is low in Italy and Spain, and housing prices have continued to decline in these countries, but at a slower pace. Housing prices in France tended to stabilise in early 2014.

Although in most countries, the cost of credit has decreased significantly, there is a decline or slowdown in household debt. Spanish and Italians continued to reduce their level of debt. In other countries, net flows of credit remained positive, but repayments increased. The United Kingdom is an exception with a credit/income ratio that increased, driven by government incentives, the buoyant housing market and an increase in consumer spending.