



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

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Overview of Savings in Europe

October 2015

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1. Overview

The financial environment of European investors has been evolving since the beginning of 2015. Central banks have initiated or pursued accommodative monetary policies, while bond interest rates have risen and highly volatile stock markets have fallen since the summer. The price of residential real estate, supported by a significant increase in housing loans, continued to rise steadily in Germany and the UK and began to recover in Spain. In all other countries, real estate price erosion diminished.

The improvement of economic conditions has raised household income. Consumer confidence is on the rise, which may have contributed to a decrease in savings rates in the United Kingdom and Belgium. Consumer credit has profited from this more favorable environment.

Financial investments in France have risen to the same levels as those seen in Germany. They have also increased substantially in the United Kingdom, resulting from an increase in retirement savings, and they are recovering in Spain. However, their total net volume is virtually zero in Italy, where a large number of bond sales were not offset by equivalent investments in other products.

With very low nominal interest rates, bank savings stagnated or declined, in turn fueling an increase in sight deposits, life insurance product investments and investment fund holdings. Only special offers for online products enlivened the market somewhat, and only for investors financially able to seize such opportunities.

Bonds, whose holdings are only marginal in France, in the UK and in Spain, were subject to significant sales in Italy. The majority of investors stayed away from the stock market, except perhaps in the United Kingdom where equity investments are supported by taxation, employee shareholders and privatizations announced by the government.

UCITS funds – particularly balanced and real estate funds – attracted investors. Savers are net purchasers of investment funds in Germany, Spain and Italy. In Italy, this flow is largely directed towards domestic funds, having previously hemorrhaged for several years. Conversely, German investors still subscribe largely to funds domiciled in Luxembourg. In France, private investors are not particularly active when it comes to UCITS funds, while the British are net sellers.

Life insurance is rapidly growing in France and Germany, with savers turning increasingly to unit-linked contracts.

While retirement savings flows are substantial in the UK and Germany, they are weak elsewhere. One project, submitted for consultation by EIOPA, proposes a vehicle for individual retirement savings that could, if successful, advance the European integration of this particular retail market segment. However, it raises the question of the balance between individual products and professional devices and between categories of market players. It does not really address the issue of decumulation practice, be it into an annuity or as lump-sum payment. With its emphasis on guaranteed products, it might also counteract the developments seen in life insurance and retirement savings products towards measured risk taking.