Press release

Economics Department

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LOW INTEREST RATES PILE PRESSURE ON FRAGILE FINANCES

- Personal finances are fragile across Europe – 29 per cent of people have no savings at all
- Two in five (39%) are worried about the effect of low interest rates on savings
- 41 per cent have reduced the amount they save or taken money out
- Despite concerns, the majority (56%) have not changed their approach to saving at all

Low interest rates across Europe are stretching fragile finances to breaking point, with low returns on savings putting anger and frustration into the hearts of many consumers.

According to the *ING International Survey – Savings 2017*, now in its sixth year, which surveys nearly 15,000 people across 15 countries, 29 per cent of people in Europe have no savings whatsoever, and of those who do, 36 per cent have just three months' take home pay or less stockpiled (see Table 1 for country comparisons).

Personal finances are already fragile for many households and historic low interest rates are adding further pressure – causing worry (39%), frustration (39%) and anger (37%) at the prospects for savings.

Nearly one in four (23%) people in Europe are concerned about the effect on their retirement nest egg, with 20 per cent left unable to meet their savings goals. In stark contrast, just seven per cent believe low interest rates have improved their financial position.

Saving less, spending more

As a result, 41 per cent of people have been discouraged from saving in the last 12 months - some 20 per cent have reduced the amount they put away, while 21 per cent have taken money out of their savings (see Figure 1 for country comparisons).

Instead, the majority of these people are spending what they would have saved – an intended consequence of lowering interest rates by most central banks – but with less cash stored away for a 'rainy day', this could leave some consumers more financially vulnerable in future.

Nearly half (45%) of those who have saved less or taken money out are spending the extra money on everyday household items – which could also be linked to the rising cost of living in some countries – while almost 24 per cent are splashing out on luxury items, such as a holiday or car.

Few choose to lower debt

Considering that 50 per cent of people in Europe hold debt, more could be taking advantage of low rates to pay down debt. Just 11 per cent of people who are saving less have used the money to pay down a loan, and only eight per cent have paid off (part of) a mortgage.

Just as savings are important in case of emergency, reducing debt allows greater flexibility if there is an unexpected expense, or if other costs rise.

Some look for alternatives

Some consumers are looking elsewhere to make their money work harder, with 20 per cent of those who have decreased their savings putting their money back into their homes through renovations and improvements, and 17 per cent seeking alternative forms of investment.

However, despite fears and frustrations, the majority of people have not taken action to offset low rates – 56 per cent of consumers in Europe have not changed their approach to saving at all. Behavioural science research suggests that while some may be unable to make changes, for many it is simply easier to do nothing, even if the return is paltry.

Ian Bright, senior economist at ING, commented: 'Lowering interest rates is a widespread technique for trying to stimulate spending in the economy, but it also has an effect on people's savings. We can see that people across Europe are feeling the strain of continued low interest rates, and losing motivation to save, increasing the fragility of many households' finances.'

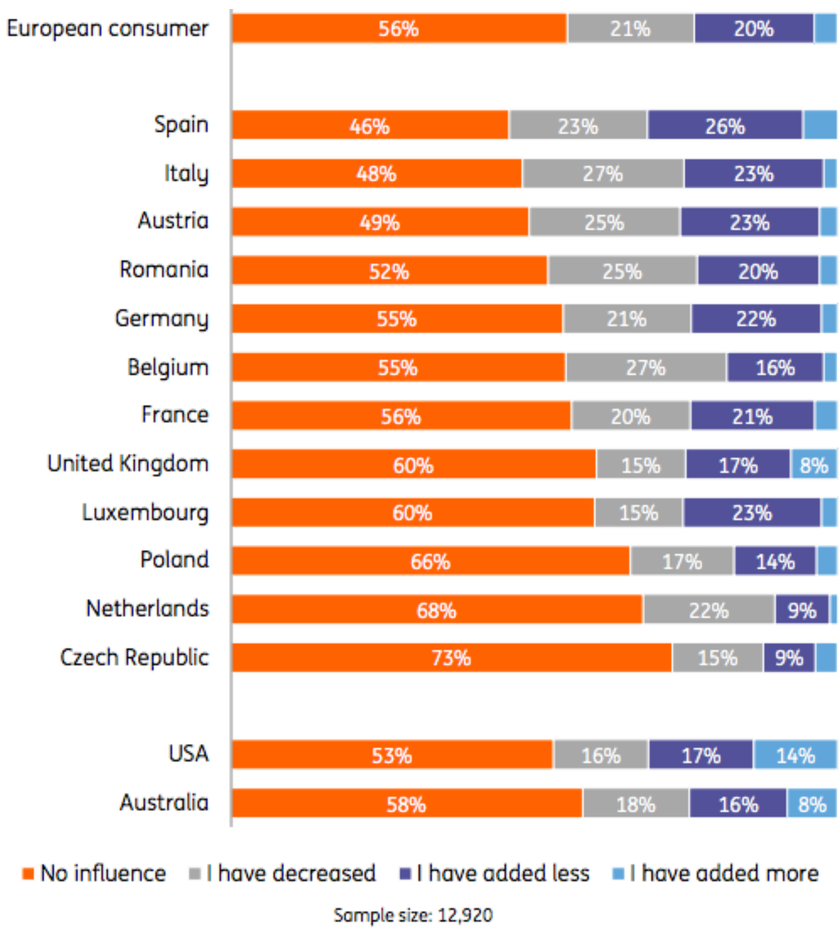
Notes for editors

Table 1 – Financial fragility across Europe

Percentage of European countries with no savings and up to 3 months' salary saved

Country	% surveyed with no savings	Of those with savings % with up to 3 months take home pay saved
Romania	45%	46%
Germany	34%	33%
Turkey	33%	52%
Poland	29%	41%
Czech Republic	27%	38%
Italy	27%	32%
Austria	25%	32%
Spain	25%	30%
United Kingdom	24%	32%
Netherlands	24%	33%
France	24%	37%
Belgium	24%	28%
Luxembourg	13%	23%
European Average	**29%**	**36%**
United States	16%	41%
Australia	23%	33%

Figure 1 – Savings behaviour change across Europe, as a result of low interest rates



About the research

The *ING International Survey - Savings (January 2017)* was conducted by Ipsos using internet-based polling. Fifteen countries were surveyed: Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Romania, Spain, Turkey, the United Kingdom, Australia and the United States. Polling took place between 4 and 18 October 2016. The full report is available via http://www.slideshare.net/ING/ing-international-survey-savings-2017 (live at 7am on Wednesday 25 January 2017)

The ING International Survey is produced three times a year by ING eZonomics. It is about money and life - combining ideas around financial education, personal finance and behavioural economics to produce regular and practical information about the way people manage their money - and how this can affect consumers' lives.

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