

# Financial wealth peaked in September 2021, mutual fund shares outpaced deposits for the first time since 2014

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Since early 2020, the COVID-19 pandemic has shaped people's social and economic lives. The public health measures taken to contain the spread of the virus, such as lockdowns and contact restriction, had a major effect on financial behavior – a case in point being the high saving rate due to constraints on consumption. A marked effect was also observed on household financial wealth, which grew by 3% and stood at EUR 801.3 billion in the third quarter of 2021, up from EUR 777.9 billion at end-2020. A look at third-quarter stock data of the 2010s compared with the previous year-end values shows that financial wealth rose by 2% on average every year in that period. During the pandemic, Austrian households continued to favor transferable deposits, i.e. low-risk and flexible investments, but demand also increased for higher-risk financial products, such as mutual fund shares and stocks. For the first time since 2004, households invested more money in mutual funds (+EUR 6.6 billion) than in transferable deposits (+EUR 6.5 billion) between January 2021 and September 2021.

## Saving rate 2020 boosted by foregone consumption

The numerous uncertainties prevailing in the first year of the pandemic, 2020, had a severe impact on economic activity. Household consumption<sup>2</sup> was constrained by the public health measures taken to contain the COVID-19 pandemic, specifically the lockdowns, and declined by a marked 7.2% year on year in 2020, with the accommodation and food services industry being hit especially hard (see chart 1). Nominal net disposable income also fell for the first time that year (−0.7%).<sup>3</sup> The higher saving rate resulted from massive constraints on consumption and so should not detract from the fact that the pandemic has been a major economic challenge for Austrian households.

In light of the high saving rate in 2020, households had more funds to invest in the real economy and in financial investment, with the latter peaking at EUR 28.5 billion. Early in the pandemic in 2020, Austrian households still showed a preference for low-risk and flexible investment vehicles: Transferable deposits increased by EUR 21 billion, whereas fixed-term deposits continued to decline (−EUR 3.3 billion). In the same period, Austrian households – attracted by low prices in the wake of global stock market slumps in March 2020 – also invested more money in higher-risk financial products, such as listed shares (EUR 2.4 billion) and mutual fund shares (EUR 4.1 billion). This is clearly different from the situation observed during the economic and financial crisis of 2007/2008, which originated in the financial sector. Debt securities remained quite unattractive in 2020 in light of low yield expectations and the small number of offerings.

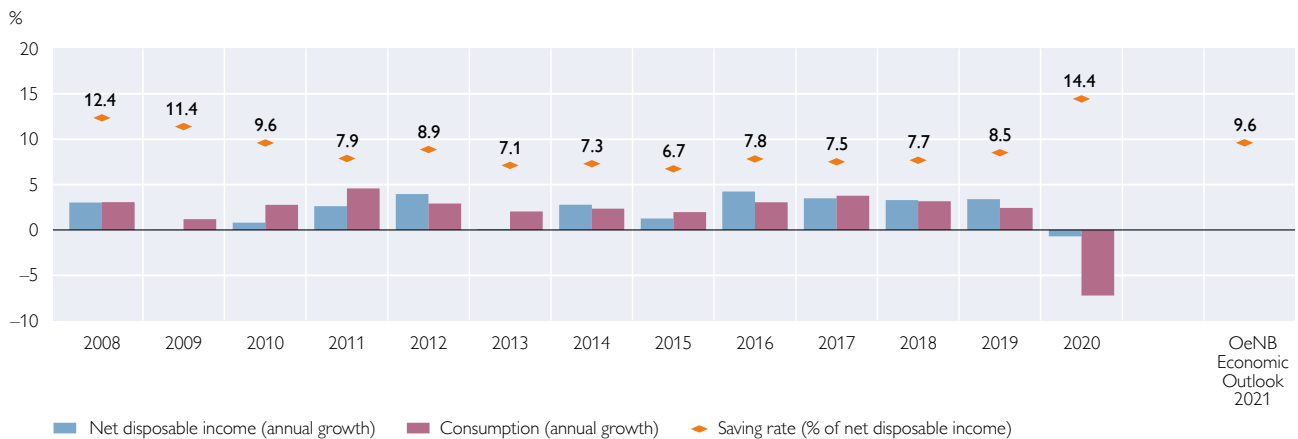
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<sup>2</sup> Households also include nonprofit institutions serving households (NPISHs), such as trade unions, associations, churches and charities.

<sup>3</sup> Data on household income over the past 20 years are provided in table 2 "Households including NPISHs: disposable income".

Chart 1

### Saving rate boosted by foregone consumption



Source: OeNB, Statistics Austria.

Advances in vaccination rates instilled a sense of optimism in early 2021. However, that optimism was overshadowed by the emergence of new virus mutations in the second half of the year – which, in turn, had an impact on economic developments and thus on household financial wealth. A recent forecast by the Oesterreichische Nationalbank (OeNB)<sup>4</sup> expects a 9.6% saving rate for 2021. While this is markedly lower than the 14.4% saving rate recorded in 2020, it is still well above the (pre-pandemic) 8.5% rate of 2019.

### Rise in financial wealth above all due to valuation effects (shares and mutual fund shares)

Data available until the third quarter of 2021 show that household financial wealth rose from EUR 777.9 billion at end-2020 to EUR 801.3 billion at end-September 2021, up by EUR 23.4 billion. Interestingly, transactions (i.e. financial investment) accounted for just EUR 10.9 billion of this increase, while valuation effects contributed most of the remaining EUR 12.4 billion. In other words, price movements of shares (EUR 6 billion) and mutual fund shares (EUR 4 billion) were responsible for more than one-half of financial wealth growth between December 2020 and September 2021.

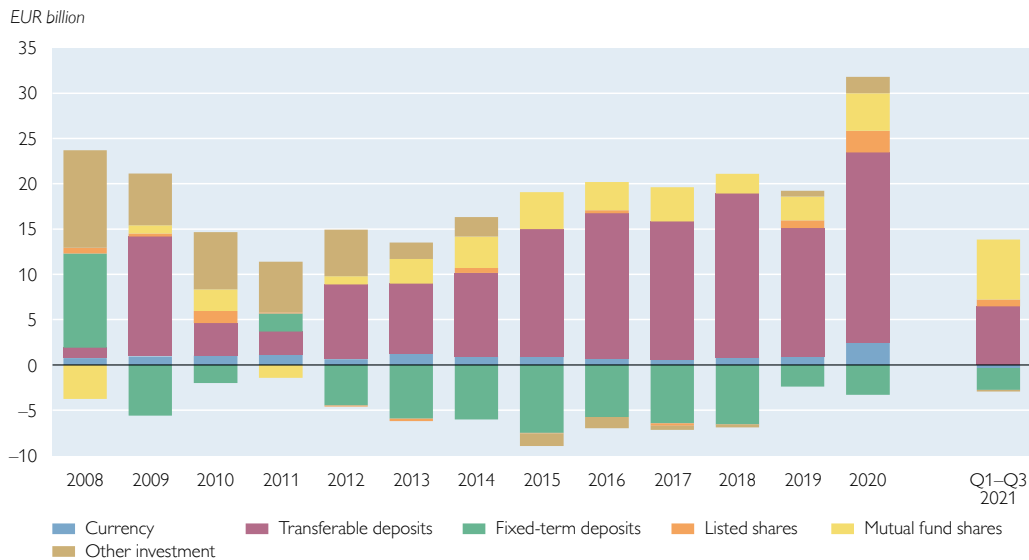
### Mutual fund shares and deposits account for the bulk of financial investment between January 2021 and September 2021

In the first three quarters of 2021, Austrian households invested EUR 10.9 billion in financial assets. Of this, transferable deposits with Austrian banks accounted for EUR 6.5 billion, followed by investment in shares (+EUR 0.7 billion) and mutual fund shares, which peaked at +EUR 6.6 billion and outpaced the increase in deposits for the first time since 2014 (see chart 2). As in 2020, Austrian households continued to show some interest in higher-risk investments.

<sup>4</sup> The OeNB's Economic Outlook for Austria from 2021 to 2024 (December 2021) is available here: [https://www.oenb.at/dam/jcr:cac4bf42-510c-46eb-b0ba-56bce2eabaf3/07\\_mop\\_q4\\_21\\_Strong-economic-rebound.pdf](https://www.oenb.at/dam/jcr:cac4bf42-510c-46eb-b0ba-56bce2eabaf3/07_mop_q4_21_Strong-economic-rebound.pdf).

Chart 2

### Financial investment boosted by saving rate



Source: OeNB.

Note: Other investment includes debt securities, other equity and insurance entitlements.

In contrast, investment in fixed-term deposits contracted by EUR 2.4 billion, continuing a ten-year trend of declines, and investment in debt securities declined by just under EUR 2 billion in the period under review.

Valuation effects and greater demand for higher-risk assets (shares and mutual fund shares) led to a slight change in the composition of Austrian households' financial assets as at September 2021: While (transferable and fixed-term) deposits still made up 36.8% of household financial wealth, investment in mutual fund shares and shares peaked at 10.5% and 4.8%, respectively. Levels like these had last been recorded in 2006, when shares had accounted for 4.7% and mutual fund shares for 10.1% of financial wealth.

### INFO BOX: Statistics Review

As a service to interested readers, the Statistics Review section offers three recommendations for further reading.<sup>5</sup>

First, we wish to draw attention to an analysis entitled “Finanzportfolio des Haushaltssektors: Risikoarme Veranlagung dominiert nach wie vor” (The household sector’s financial portfolio: Popularity of low-risk investments remains unabated). This analysis by Erza Aruqaj and Jun Chao Zhan looks at the Austrian household sector’s financial assets between 2011 and 2020 with a focus on the search-for-yield aspect. While the analysis confirmed that higher yields are associated with higher risk, it also highlighted that private investors prioritized flexibility and low risk over high yields in the period under review, as deposits remained the investment vehicle of choice. A performance and volatility analysis showed that the annual performance of listed shares was 3 to 19 times more volatile than that of debt securities in the period under review. Unsurprisingly, a long-term investment horizon turned out to be essential to offsetting short-term losses in crisis years.

Source: Aruqaj, E. and J. C. Zhan. 2021. Finanzportfolio des Haushaltssektors: Risikoarme Veranlagung dominiert nach wie vor. In: Statistiken – Daten und Analysen Q3/21. OeNB. 51–60. <https://www.oenb.at/Publikationen/Statistik/Statistiken---Daten-und-Analysen.html>

Our second pick is a study entitled “How effective were measures introduced in the COVID-19 crisis in supporting household incomes?”. The study’s authors, Susanne Maidorn und Lukas Reiss, used the Austrian Fiscal Advisory Council’s microsimulation model FISKSIM to focus on the distribution effects of the COVID-19 pandemic and on the measures taken to support household income. The authors conclude that the government measures were effective in preventing a pandemic-induced slump in aggregate household income in 2020. The measures benefited both lower-income households and households that had experienced particularly large income losses; the hardship funds and the one-off payments to the recipients of unemployment benefits proved especially effective.

Source: Maidorn, S. and L. Reiss. 2021. How effective were measures introduced in the COVID-19 crisis in supporting household incomes? In: Monetary Policy & the Economy Q3/21. OeNB. 23–37. <https://www.oenb.at/Publikationen/Volkswirtschaft/Geldpolitik-und-Wirtschaft.html>

The third paper we wish to highlight is “Uses of mirror data: estimation of foreign assets and liabilities of households”, an analysis by Swapan-Kumar Pradhan (Bank for International Settlements – BIS), João Falcao Silva (Bank of Portugal) and Stefan Wiesinger (OeNB) that estimates cross-border assets and liabilities of households in the form of bank deposits and bank loans. In addition, the authors provide methodological suggestions and guidance for users of BIS data. They show how mirror data on deposits and loans at foreign banks can be used to close statistical gaps and improve data quality. This approach has already been implemented in Austria.

Source: Pradhan, S.-K., J. Silva and S. Wiesinger. 2021. Uses of mirror data: estimation of foreign assets and liabilities of households. IFC Bulletin 55. [https://www.bis.org/ifc/publ/ifcb55\\_24\\_rh.pdf](https://www.bis.org/ifc/publ/ifcb55_24_rh.pdf)

<sup>5</sup> Opinions expressed by the authors of studies do not necessarily reflect the official viewpoint of the Oesterreichische Nationalbank or of the Eurosystem.