PRESS RELEASE

INTESA SANPAOLO AND EINAUDI CENTRE IN TURIN TODAY TO PRESENT 2014 ITALIAN SAVINGS AND FINANCIAL CHOICES SURVEY

- **People are more inclined to save. Households are taking back control of their finances.**
- **Banks are the first port of call for advice.**
- **Small savers dedicate more time to the difficult choice of deciding how to invest**
- **Entrepreneurs the monographic theme of this edition**

Turin, 2 July 2014 – The "*Survey on Italian Savings and Financial Choices 2014*: "Families and entrepreneurs, recovery in sight" was presented in Turin today. This is a joint Centro Einaudi and Intesa Sanpaolo project based on interviews carried out by Doxa in January and February 2014 with 1061 "heads of households", bank and/or post office current account holders. The results were analysed and discussed by **Salvatore Carrubba**, Chairman of Centro Einaudi, **Gregorio De Felice**, Chief Economist at Intesa Sanpaolo, and economist **Giuseppe Russo,** editor of the *Survey***.** The conclusions were entrusted to **Gian Maria Gros-Pietro**, Chairman of the Intesa Sanpaolo Management Board.

A summary of the research:

The *Survey on Italian Savings and Financial Choices 2014* is a joint Centro Einaudi and Intesa Sanpaolo project based on interviews carried out by Doxa in January and February 2014 with 1061 "heads of households", bank and/or post office current account holders. The sample is representative in terms of its spread of ages, professions, qualifications and geographical areas. The study makes it possible to draw comparisons with other years going back to 1983; more specifically, this year a comparison was made with 2007, the last year before the crisis for which complete historic data are available. Every year the Survey address a **monographic theme**: in 2014 the attention was focused on entrepreneurs (i.e. the heads of small- and medium-sized businesses) with an additional sample of 478 units, who answered a specific questionnaire. With regard to households, the comparison with 2007 points to a scenario in which the marks of the crisis are still evident**;** compared with last year, meanwhile, **consistent signs of stabilisation/improvement are visible**.

• **Households are taking back control of their finances.** In 2007, 62% of interviewees declared that their current income was “sufficient” or “more than sufficient”; in 2013 this percentage had dropped to 56%; in 2014 it has risen to **58%**. With regard to the income level expected upon retirement, in 2007, 47.8% of the sample felt that their future income would be “sufficient” or “more than sufficient”, while in 2013 this percentage had dropped to 37.3%; in 2014 it climbed back to **42.1%**.

The improvement of prospects compared with 2013 is calculated on the basis of the balance between the percentages of interviewees that declared their income as sufficient or more than sufficient and the percentage of those that said that theirs was totally or partially insufficient. In terms of current income, **the balance improved by 6 percentage points** between 2013 and 2014, reaching a high of 48.1, close to the 2007 level (51.6%); as for the income expected **during retirement, the balance showed an almost twofold increase (over 13 points)** to reach a value of 25.6, also close to the 2007 level (29.8).

The improvement in expectations as regards the income received after retiring from active life is also connected with the revaluation of household portfolios. The total return index of the value of an average diversified portfolio (benchmark) which includes Italian government bonds, established and updated by Centro Einaudi, **was worth 129.2 at the end of 2013 and 133.2 in May 2014**: it rose by 4.8% in 2013 and 3% in the first five months of 2014.

Above all, this portfolio is worth 33.2% more than the initial value of 100 placed in early 2008 before the bankruptcy of Lehman Brothers.

Compared with 2013, **the impact of the crisis on household budgets has reduced.** This is probably partly due to the fact that, where possible, spending has already been cut, and partly because families have clearly “retaken control” of their finances, even if significant improvements are not expected (the number of people that expect the effects of the crisis on their family finances to significantly worsen this year has fallen by just one point, from 56 to 55%). Given this context, it is no surprise that the level of confidence in the institutions remains very low **-** similar, if not slightly worse than that recorded in 2013.

• **The number of small savers is growing as is the average inclination to save.** In 2007, 51% of the sample did not manage to save; this figure rises to 61% in 2013 before falling again to 59% in 2014. The two percentage point rise in the number of interviewees that said that they managed to save can be explained by the fact that, **between 2013 and 2014, the number of people that said they had saved without any specific reason rose from 16 to 18%.** This confirms the hypothesis that people’s inclination to save is dictated, at least in part, by a general sense of caution due to the largely uncertain future that lies ahead. Although these savers have shown a growing preference for cash until now, this is certainly an opportunity that those in the business cannot afford to pass up. People’s inclination to save has also risen, going from 10.4% in 2013 to 10.5% in 2014.

• **Households save above all for their children...** The answers to a series of questions (on savings goals, perceived vulnerability in case certain events take place, types of cuts made to the household budget) confirm that the overriding concern is the future of the children. People save money for their children and feel vulnerable about their futures, and will begin investing in their futures again as soon as their finances allow it.

• **… and their primary goal is security.** Compared with 2007, the goals of small savers have not changed (as demonstrated by the so-called “savings diamond”); on the contrary, the trends of past years have been consolidated even further. 55.2% of small savers focus primarily on the “security of their capital”. The fear of unexpected events, the difficulty in assessing alternative solutions and the general aversion to risk of small savers mean that they increasingly prefer to keep their capital in liquid form. More specifically, according to the Survey **18.7% of Italian small savers keep 100% of their financial assets in the bank in cash.**

• **Small savers dedicate more time to the (difficult) choice of deciding how to invest.** In terms of the average amount of time dedicated to obtaining information for the investment of savings, the Survey revealed **that 40.6% of interviewees dedicate up to 1 hour a week to this task**: the highest level since 2006, when this question was first asked. This growing level of attention is one of the positive consequences of the crisis, on the basis of which it will be important to develop adequate information tools. Tools that are increasingly necessary as, in the last 12 months, the balance between those that find it easier to invest and those that find it more difficult **dropped to the second worse level since 1998 in 2014 (-47.8).**

• **Banks remain the first port of call for advice.** In 2014 the trusting relationship between small savers and banks remained solid even if just over 80% of the sample declared that they have a bank account (lower than in the years prior to the crisis). Around 13% have a postal account and 6.1% have multiple current accounts at different banks, figures that have practically been inverted between 2009 and 2014. Opinions on the adequacy of the investment advice provided by banks **are very positive (71.6%).** This is the highest figure since 2004 (the first year this question was asked), corroborated by a uniform distribution throughout all categories in the sample. Only expert investors, who are more inclined to take risks, **make their investments online (2%)**. The average small saver, meanwhile, turns firstly to their bank when looking for investment advice and assistance. People also turn to banks in emergencies: **19.5%** of those with a consumer loan (as against 9.1% in 2013 and 14.9% in 2012) requested it to deal with unforeseen expenses due to the crisis.

• **Breakdown of assets.** Small savers are traditionally interested in property. They are no longer regarded as the best possible investment, but the houses put up for sale, perhaps in order to deal with some of the necessities that have surfaced in recent years, are in any case not first homes. If they have the choice, people still prefer to buy than to rent. In 2014 the percentage of small savers purchasing a new home **fell to a new low (7.6%)**: 5.4% of interviewees said that in the last year they had purchased a home to live in (as opposed to 5.5% in 2013); 0.8% a second home (1%); 0.6% property for their children (1.1%); 0.8% property as an investment to supplement their income (1.1%). The opinions on this form of investment, however, are always highly positive and the **satisfaction level (69.8%) is always higher** than with all other types of investment. Numerous clues hint at the **possible revival of the property market**; the number of those that have received a mortgage from their banks that corresponds to their expectations has increased (65.1%, the highest level since 2012).

As regards financial portfolios, over time the number of people declaring that they own, or have owned, bonds in the last five years has fallen. In 2006, 29% of small savers invested their savings in these instruments: **this figure has now fallen to 20.1%.** However, compared with shares and asset management instruments, bonds remain the most popular asset class among those that make investments in securities. The presence of small savers **in the stock markets is falling substantially** and shows no sign of halting. In the last decade, the percentage of interviewees that have declared that they invest part of their savings in the stock market has gradually fallen: in 2003 one in three interviewees owned (or had owned) shares; in 2007, one in every five Italians was a shareholder; **today, only one in ten** invest in the stock market. Of those that have invested in asset management instruments in the last five years, only **8.8% have done so in the last twelve months**, down compared with the figures of 11.5% registered in 2013 and 18.3% in 2012. Whereas the number of new subscribers is falling, in the same period and in line with past years **28.3% of owners increased their investment** in forms of assets under management.

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Entrepreneurs and the dawning of the recovery. As mentioned, in 2014 the Survey also included a questionnaire aimed at 478 entrepreneurs, owners or heads of businesses with at least 10 and no more than 250 employees. The goal of this specific analysis was to verify the investment capacity and inclination of this category, on whose decisions the possibility of the expected recovery spreading and consolidating greatly depends.

Of the 478 interviewees, 65% were men and **35% women**; as such, the female presence is higher on average than in other managerial careers (for example, the percentage of women at the helm of medium and large businesses exceeds 40%).

However, the near future of these businesses is **marked by strong contrasts**.

On average, the entrepreneurs declare that their turnover fell between 2007 and 2013 (**average balance between those whose turnover has fallen and those whose turnover has increased: -33%**). However, there is no shortage of those who report that their turnover has increased, and these people are predominantly heads of medium-sized businesses (50-plus employees: balance +14): those who went into the crisis being able to count on a larger infrastructure are recovering better, as they had a greater number of strategies open to them to deal with the crisis.

For 30% of entrepreneurs the first effects of the crisis were the financial difficulties generated within the company. Conversely, **as many as 20% think that the crisis has led to improvements** in terms of efficiency and/or innovative investment opportunities.

77% of interviewees believe that we could recover from the crisis first and foremost by reducing taxation. **Meanwhile, 52% think it is necessary to work on costs and 42% would make more investments in Italy**, particularly in the area of innovation.

Around 50% of the sample report that their capacity to generate resources is insufficient to be able to finance new investments (they will therefore request external financing). **Conversely, another 50% feel that they have enough funds to be able to finance their own growth**, but that they are distributed unevenly: in fact, they are mainly concentrated in segments with greater cash flow, and it is this cash flow that guarantees their strong capacity to invest in the next few years.

Seen through the eyes of its protagonists, Italian entrepreneurial system has great potential and is inclined to innovate. For example, the financing model based purely on banks is on the way out: in the next few years the interviewees will firstly ask their shareholders for capital (46%). **In addition, 25% of entrepreneurs have understood the need to overcome the limitations related to their size and are considering mergers and acquisitions.** There could be future mergers for more than 1 in 3 larger businesses: in fact, growing in size is seen as a priority in order to exploit the opportunities offered by globalisation, without running excessive risks. **14% of the interviewees are already certain that they will expand abroad.** As many as **10% of businesses are evaluating crowdfunding** and a similar number are considering **a listing on the stock exchange (9%**, as against 1% of the sample that is already listed), while **8% will issue mini-bonds.**

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