

## In Portugal, inflation will moderate the household savings rate

During the pandemic, households accumulated a savings buffer that will now help them to cope with the rise in inflation. In 2021, the households saving rate moderated slightly to 10.9% of disposable income, down from the 12.7% reached in 2020 but still 3.7 pps above the 7.2% registered in 2019. In absolute terms, households saved 16.65 billion euros in 2021, 2 billion less than in 2020 but 6 billion more than in 2019.

The moderation in savings in 2021 was due to nominal consumption growing by more than disposable income (4.8% versus 3.2%, respectively). In 2022, this pattern is likely to become more acute as nominal consumption is expected to grow by around 8%-9%, driven by inflation rising to levels above 5% and the materialisation of expenditure postponed during the lockdowns; while disposable income will continue to grow at around 3.5%. In this context, the savings rate could fall to levels between 5% and 7%.

However, there are factors which suggest that the saving rate could lie in the upper limit of this range. In particular, although the increase in savings has occurred across the income spectrum,<sup>1</sup> it was most concentrated among higher-income households, which usually have a greater savings capacity and a lower propensity to consume. Also, the climate of greater uncertainty following the outbreak of the war in Ukraine could lead to more cautious behaviour, contributing to a less pronounced reduction in savings.

Households' net lending capacity, meanwhile, reduced in 2021 by around 3 billion euros, to 9.3 billion, still well above the levels of around 4 billion recorded in the years prior to the pandemic. The context of low interest rates, favourable financial conditions and high accumulated savings favoured the buoyant investment in housing, which explains the fall in households' net lending capacity. In fact, in 2021 there were 39,000 home sales, involving the movement of 7 billion euros, 2 billion more than in 2020.

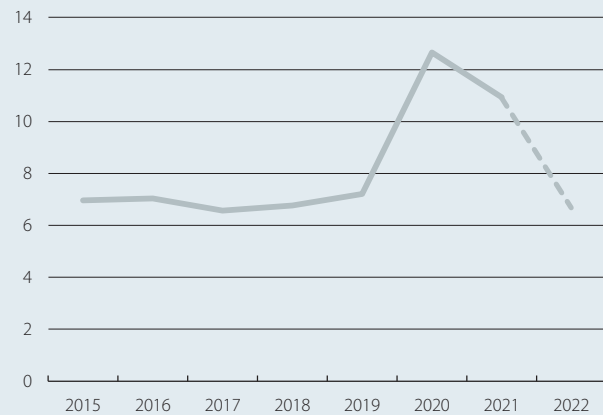
In this context, households' financial wealth increased in 2021, as their deposits grew by more than their debt. The former increased by around 11 billion, to 173 billion, 6.8% more than in 2020; while indebtedness increased by 4.9 billion, to 144 billion, 3.5% more than in 2022.

Ultimately, the savings accumulated during the pandemic and the more balanced household finances will help them to cope with the exceptionally high inflation.

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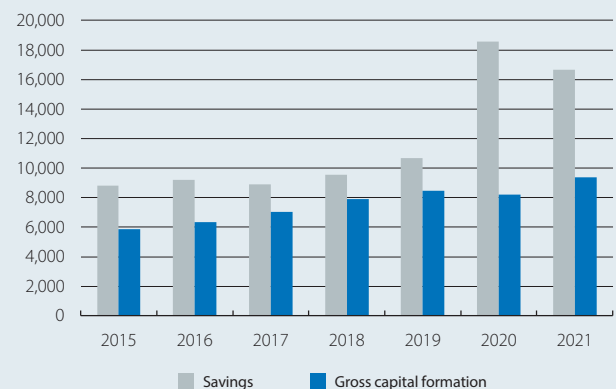
1. The 2020 household finances survey (ISFF in Portuguese), which was conducted between October 2020 and February 2021, indicates that the percentage of households who saved more than usual shows a more pronounced pattern of growth as incomes increase compared to the previous survey conducted in 2017. In the first income quintile, 3% of households reported saving more than usual (2% in 2017); in the second, 6% (3%); in the third, 9% (3%); in the fourth, 16% (6%), and in the last quintile, 22% (8% in 2017).

**Portugal: household savings rate**  
(% of disposable income)



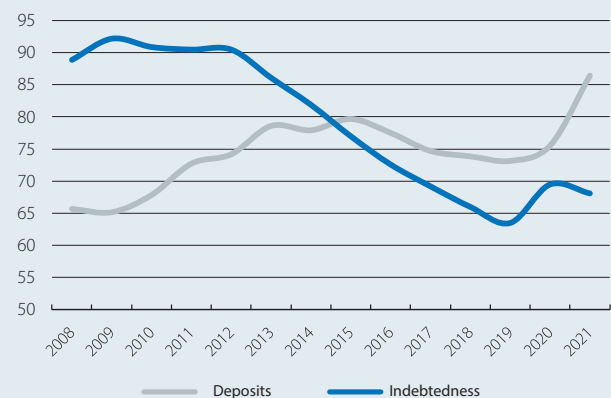
Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

**Portugal: household savings and investment**  
(EUR millions)



Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

**Portugal: household deposits and indebtedness**  
(% of GDP)



Source: CaixaBank Research, based on data from the Bank of Portugal and Eurostat.