Moody's Analytics

COMMENTARY
28 August, 2026

Author

Annabelle Ren Fang
Daniel Vykoukal
Olia Kuranova

Contact Us

Americas
+1.212.553.1658
clientservices@moodys.com

Europe
+44.20.7772.5454
clientservices.emea@moodys.com

Asia (Excluding Japan)
+85 2 2916 1121
clientservices.asia@moodys.com

Japan
+81 3 5408 4100
clientservices.japan@moodys.com

Euro Zone Savings: Increasing and Shifting

Following a series of crises, the household saving rate is stuck above its pre-pandemic norm.

- Successive shocks have left the euro zone saving rate about 2 percentage points above its pre-pandemic norm, with no sign of fading.
- Higher interest rates also changed the mix of savings. Money moved from overnight cash into term deposits and bonds, a €1.26 trillion swing in 2023.
- The elevated rate is not just money changing accounts, as real incomes have outpaced spending and intentions to save are at a record high.
- We expect savings to remain elevated and for consumption to grow more slowly than income.

Europe's households came through the pandemic, the energy crisis, and the fastest tightening cycle in the bloc's history with more money set aside than ever, but they have little apparent appetite to spend it. This reluctance matters well beyond the household sector. Consumer spending is the euro zone's main engine of demand, so every euro saved rather than spent is demand deferred. Where the money goes matters too. Household portfolios shape bank funding, debt markets, and European Central Bank transmission.

No single factor drove the post-pandemic increase in euro zone household saving. Instead, it reflected a mix of precautionary saving, yield-driven portfolio reallocation, and lower household borrowing. Together, these changed both the level and the composition of savings.

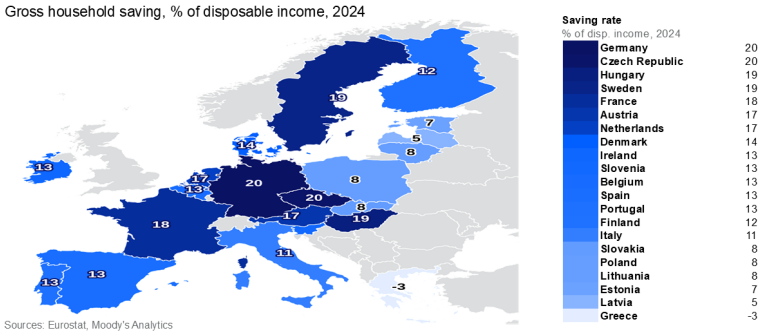
Thrifty and prudent Europeans

Euro zone households have consistently been committed savers. From 2012 to 2019, they set aside a stable 12.4% of gross disposable income each year, and the rate never strayed far from that norm outside recessions. The average conceals wide and persistent heterogeneity across countries: German households save about 20% of income, French households save 18%, Italian households save 11%, and Greek households dissave. That ranking has barely moved in a decade.

But the aggregate rate remains high internationally. U.S. households saved just 3% of disposable income in mid-2026, compared with the latest euro zone figure of 14.3% in the first quarter of 2026. The American measure nets off depreciation, so the two are not strictly comparable, but the gap is wide and has only widened since the pandemic.

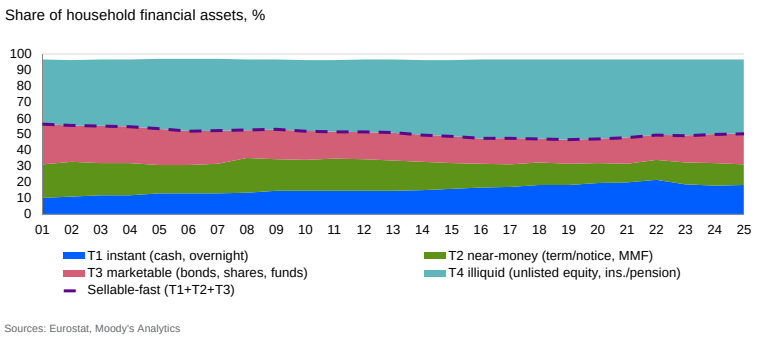
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German Households Lead in Savings



Housing absorbs the largest share of the savings flow. In a typical year, residential and other nonfinancial investment accounts for 8 to 10 percentage points of income, with the remainder acquiring financial assets, chiefly bank deposits and insurance and pension entitlements. New borrowing is a source of funds, so it subtracts from measured saving.

Euro Zone Households Prefer a Liquid Mix in Savings

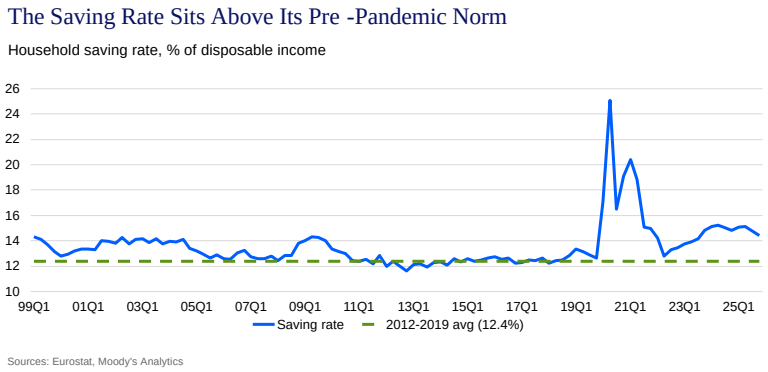


The resulting balance sheet is comparatively conservative. Ranked by liquidity, about 46% of household financial wealth sits in effectively illiquid claims, mostly insurance and pension entitlements and unlisted business equity. The rest is held within reach: 18% in cash and overnight deposits; 13% in term deposits and money market instruments; and 19% in marketable bonds, shares, and funds. As a result, half of financial wealth can be sold at short notice, and the instant-access share alone is more than four times the U.S. equivalent.

From forced saving to a persistent shift

During the pandemic, the quarterly saving rate spiked from its 12% average to about 25% in mid-2020, and it stood at 20.4% at the beginning of 2021. This spike, however, was not a structural change or a response to an interest rate hike. During this period, consumers faced constrained purchasing opportunities, so part of their saving was forced. Right after the economy reopened, the saving rate dropped back to the pre-pandemic norm, reaching 12.8% in April 2022.

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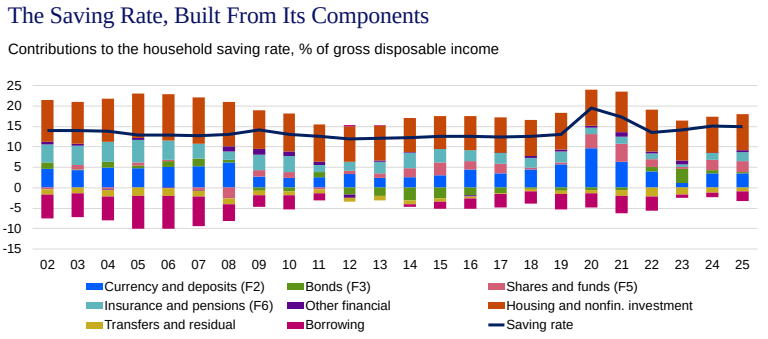


Sources: Eurostat, Moody's Analytics

The more interesting story began after the COVID-19 period. In 2022, Russia's invasion of Ukraine hit European economies with multiple economic shocks: an energy crisis, the highest inflation of the euro era, and the steepest ECB tightening cycle on record. Consequently, the saving rate rose above the pre-pandemic norm, continued to grow for several quarters to 15%, and remained elevated until the first quarter of 2025. The saving rate dropped over the following four quarters, but just by 0.7 percentage point. Besides, savings data are reported with a substantial lag, making any interpretation of this evolution inherently backward-looking.

Following the money

Due to high inflation in the euro zone, the ECB began raising the main refinancing rate in July 2022. This opened another channel in the savings story: yield chasing.

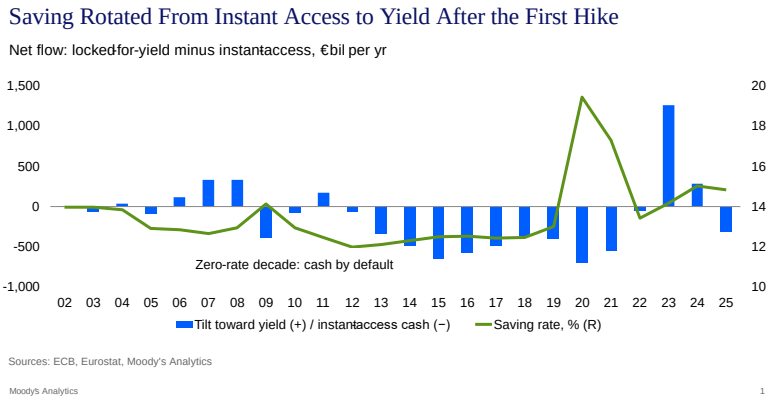


Sources: Eurostat, Moody's Analytics

Two stories were happening at the same time. First, higher interest rates changed the composition of household savings. As the ECB moved away from the zero-lower-bound environment, households had stronger incentives to reallocate funds from low-yield liquid assets into interest-bearing instruments. This is evident in the decline in net inflows into currency and deposits after the initial rate hikes, alongside a recovery in net inflows into bonds and securities.

Second, the elevated saving rate suggests that this was not only a portfolio-shift story. Households were not simply moving existing money between instruments; they were also saving more than before the pandemic, likely reflecting persistent uncertainty after Russia's invasion of Ukraine, high inflation, and weaker confidence.

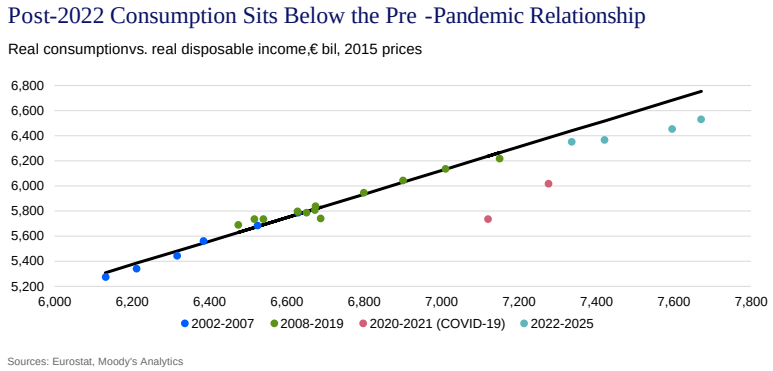
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The scale of the first story is striking. In 2023, the net swing towards yield-bearing instruments—time deposits and bonds—reached €1.26 trillion, the largest reallocation in the series. Households withdrew approximately €420 billion from overnight money while adding about €615 billion to term and notice deposits, and net purchases of debt securities turned positive for the first time in more than a decade. The shift was hammered home by the money data. M1 contracted about 10% year on year in 2023, unprecedented in the euro era. The rotation stopped short of a genuine lock-up, however, as the tilt towards truly illiquid claims—unlisted equity, insurance, and pension entitlements—stayed negative throughout the hiking cycle. In other words, households moved for the extra interest but kept their money within reach, consistent with a precautionary motive.

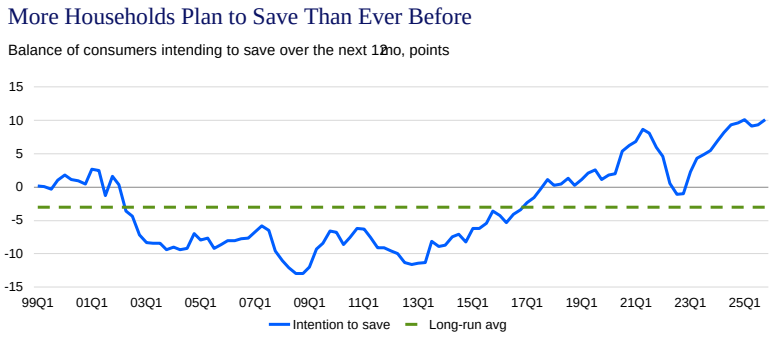
More saving, or just moved money?

Evidence for the precautionary story, with more saving rather than merely relocated saving, comes from three directions. The rise was broad-based. Nearly every member state saved more after 2022, with the North-South ranking intact, pointing to a common shock rather than national stories. Eurostat's consumer survey shows stated intentions to save over the next 12 months at the strongest level since the survey began in 1999. And realised behaviour shifted. For two decades, households consumed about 94 cents of every additional euro of real income, but since 2022, consumption has remained below that level. Real disposable income is about 7% above its 2019 level, compared with only 5% for real consumption. More broadly, households spend less of any given income than they did before the pandemic.



The composition of spending is another view into household choices. Admittedly, services consumption has been strong since the economy reopened, which might seem to cut against the story of cautious consumers. Much of that strength, however, is normalisation. The sector is still recovering ground lost in 2020 and 2021, and rapid services inflation flatters the nominal figures. Meanwhile, goods volumes have been broadly flat since 2021. As a result, total real consumption remains below its pre-pandemic trend; the strength in services is concentrated catch-up within a subdued total. Households have just reallocated their spending but have not yet increased total consumption.

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The transatlantic contrast makes the same point. American households ran down their pandemic excess savings by early 2024, fuelling a consumption boom. Euro zone households, by contrast, built up approximately €1 trillion—about 12% of a year's income—and are reluctant to spend it.

The liability side completes the story

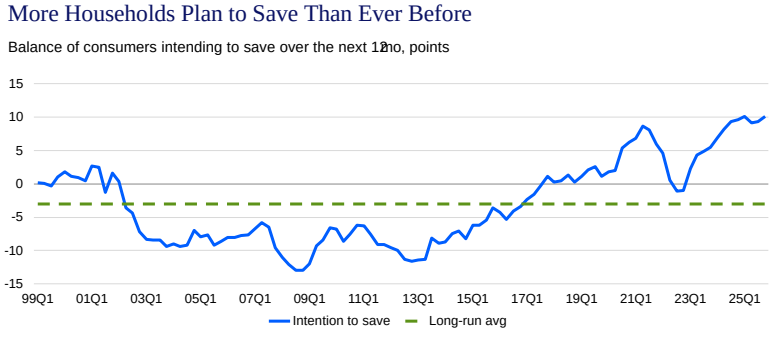
The last piece adds the liability-side perspective to the story. Household borrowing as a share of disposable income declined, meaning households were taking on less new debt relative to income. In the financial accounts, this matters because saving is reflected not only in the accumulation of financial assets, but also in changes on the liability side. When households borrow less, the drag from new liabilities is smaller, so net financial saving increases for a given level of asset accumulation. This helps reconcile the elevated saving rate with the mixed picture in household financial-asset flows.

The drag from new borrowing shrank from around 4% of disposable income in 2021 to about 1% in 2023 and 2024 as higher interest rates caused mortgage demand to collapse. It widened again to about 2.3% in 2025 as rates eased, contributing to the recent decline in the headline saving rate. In other words, some of the post-2022 rise in measured saving was passive. Households were not setting more aside so much as borrowing less. Some of this restraint reflects precautionary behavior, as avoiding new debt is one way households build financial buffers. However, borrowing was also constrained by higher borrowing costs. Mortgage demand collapsed as rates rose, and it has begun to recover as they have fallen.

Further caution ahead

We expect savings to remain above the pre-pandemic norm in the near term. Our computed forward-looking composite of expected unemployment, intended saving, and market volatility—which has historically led the realised rate—remains well above its long-run average.

Some of the rise may also prove structural. Households that have lived through consecutive major shocks over six years may permanently place greater weight on bad outcomes. With interest rates settling above zero, savings earn a return they lacked for most of the 2010s, and the large cohorts now approaching retirement are in their peak saving years. If so, the new normal is above the old 12.4% norm.



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Downside risks prevail. Any renewed flare-up in energy prices or geopolitical tension would risk lifting cautionary savings. Conversely, easing tension, rate cuts that blunt the reward to saving and revive borrowing, and continued recovery in real incomes mark the path back towards the norm. Until those forces turn decisively, euro zone consumption will grow more slowly than income, and the household sector will remain a net supplier of funds, increasingly through term deposits and bonds rather than idle cash.

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