

Bausparen is safe and secure

2007 started out on a brilliant note and all the experts assumed that the stable economic growth would continue at a high level until the end of the year. Although the U.S. subprime crisis had initially not seemed significant for Europe or Asia, its first effects began to become evident by the summer. In late autumn the upsurge of prices in a large number of raw materials accelerated the downturn in America's economy. Apart from that, there were several increases in charges in Austria, which had an impact on operating costs, particularly where electricity and water rates were concerned. This, in turn, had a dampening effect on real income and consumer demand. It is expected that the credit crisis will continue to leave its marks on the global economy throughout 2008.

The recent turmoil on the financial markets quite plainly shows us something else too: the high level of safety and security of the domestic Bauspar system. The independent savings and financing cycle as well as the ceiling of six percent for Bauspar loans help to make Austrians immune to the repercussions of such phenomena as the sub-prime crisis. A carefully considered pricing policy, strict funding requirements and a cautious credit process protect both borrowers and the building societies (Bausparkassen).

In times of turbulent market conditions, many customers (savers and borrowers) bank on reliability. As a result, Raiffeisen Bausparkasse achieved record results in new business and thus again managed to exceed the excellent figures of 2006.

Growing needs of new housing space and the federal government's climate protection initiatives require intensified financing efforts in residential housing. To remain equipped to deal with robust demand, Raiffeisen Bausparkasse is calling for a swift increase in the basis for the Bauspar premium from € 1,000 to € 1,200. At the same time, this meas-

ure is expected to stop a further threatening development that has a curbing effect on the Bausparkassen's financing power and thus, in the long run, on residential housing. Due to the high demand for low-interest Bauspar loans, a rapid meltdown of the deposit overhang is taking place and has reduced the difference between Bauspar deposits and loans. From a macroeconomic point of view, the extraordinary financing requirements for quality improvement in housing stock – these maintain the demand for goods and labor – should be supported and not prevented.

The attractive conditions for savings along with the moderate interest adjustments for borrowers have made Bausparen an even more desirable financial service product. Newly introduced and very successful in 2007 was the so-called "Relax Tarif" with a fixed interest rate for the 6 year saving period. Another factor that contributed to the good start of the year 2008 was the rise in the Bauspar premium and in interest rates, which means a hefty increase in the rate of return on savings contracts.