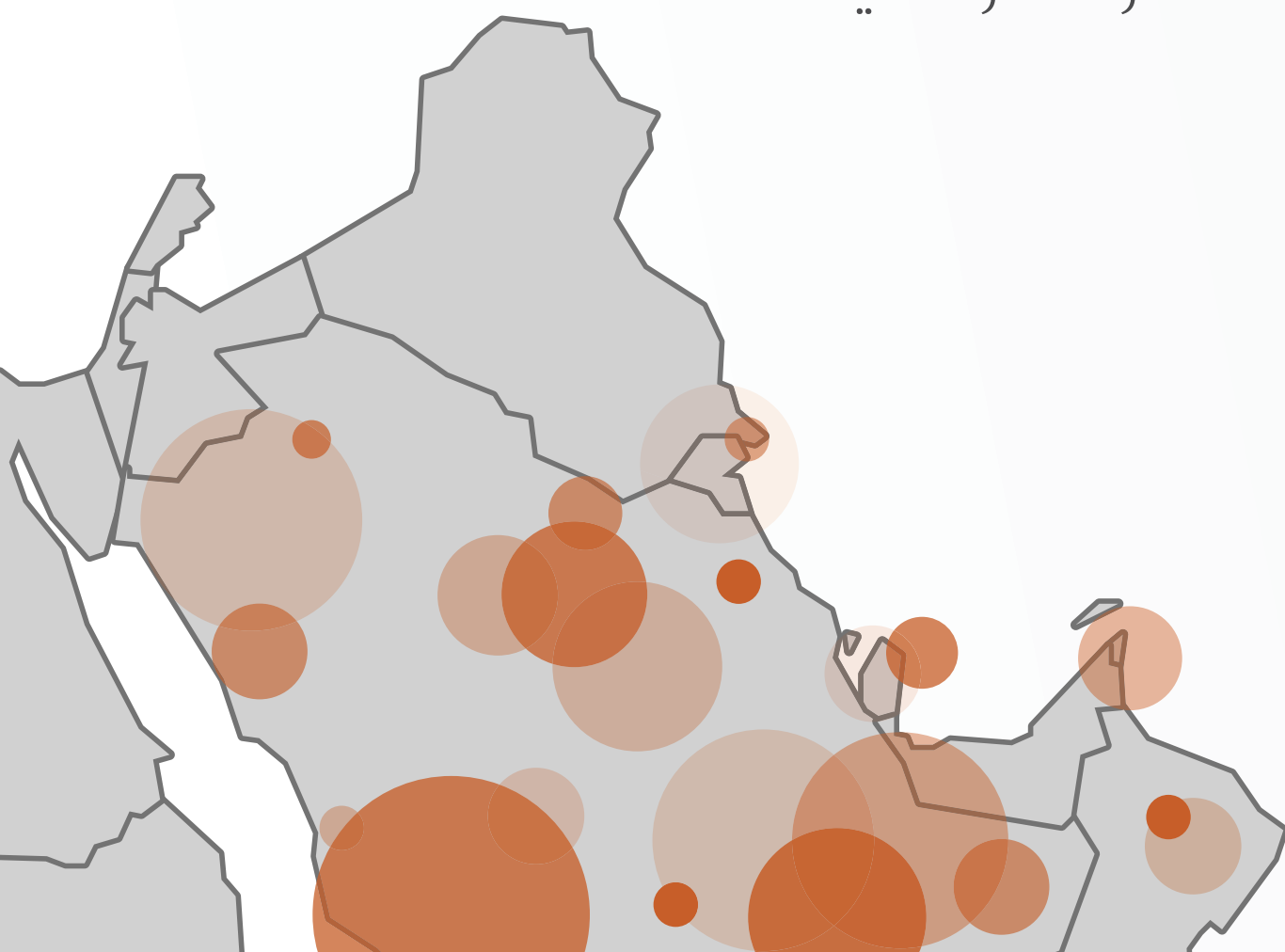


2013

مؤشر الادخار Savings Index

from National Bonds
من الصكوك الوطنية



Savings Index Report 2013

Index for the UAE Savings



Index Components

- Country's saving environment: The UAE recorded the most positive saving environment with 26% indicating it's a good time to save.
- Time to save: 14% of respondents in the UAE indicated that 2013 was not a good time to save while 38% remained neutral. 6% said that this was a good time to save, higher than Saudi Arabia where only 5% said it was a good time to save, and the other GCC countries where 4% remained optimistic.
- Savings potential: 59% of National Bonds' customers said they planned to start saving in the next six months, while 12% said they do not plan on saving in the next six months. 61% of the existing savers in the UAE planned to save more in the next six months, while 37% of the non-savers planned to begin saving.
- Perception of financial status: 84% believed their financial status would remain stable or improve in the next six months - this indicated a minor perception decrease (1%) in comparison to 2012.
- Income stability: 93% of the UAE residents surveyed believed their income would remain stable or increase, showing a 1% improvement compared to last year, and another 45% saw no change, while 9% believed their incomes would decrease.
- Top major expenses: For the UAE, grocery and house rents respectively topped the expense chart for residents.
- Components impacting inflation: 57% of the UAE respondents indicated that house rents were major expenses impacted by inflation, followed by educational expenses at 51%.

Saving Vehicles

- 21% of the UAE survey respondents said that savings scheme linked to a prize draw is attractive. General bank savings accounts emerged as the most popular savings options at 46%, followed by bank current accounts at 42%.

Current Savings

- Future savings sufficiency: 86% of the UAE citizens polled do not believe their current savings are adequate for the future although this perception showed a slight improvement of 1% compared to last year.
- Only 2% of the UAE residents classed their savings as "more than enough" for their future.
- 92% of the UAE respondents saved regularly or when possible - which marked a 2% increase over last year.
- Current savings: 24% stated they had saved as much as they had planned showing a 5% improvement over last year. 38% of the UAE respondents surveyed said that their current savings were much less than they had planned for, which represented a slight improvement over last year's figure at 39%.
- 22% of UAE savers admitted to saving significantly less than last year. In contrast, 4% admitted to saving significantly more.
- Savings and income: 21% of the working/retired professionals in the UAE claimed they saved 11-20%, while 31% of the working/retired community said they saved less than 10% of their income.

Factors Affecting Selection of Savings Instrument

- Factors that impact selection of savings instruments by employees: Top four factors in the UAE included attractive returns (profit/interest rate), shariah compliance, good reputation of the provider, and capital guarantee - in that order.
- Reason for saving: In the UAE, the number one reason for saving was retirement, followed by educational expenses of children and purchase of property for personal use.
- Drivers for regular saving: Uncertain employment in the future and children's future education expense requirements were the top two drivers of savings.

Liabilities

- Usage of credit card: In the UAE, 34% of residents admitted to an increase in the use of credit cards, while 9% reported a decrease in credit card spending. 24% said they did not own credit cards.

Remittances

- 66% UAE residents used remittance services, while 65% remitters preferred exchange houses as compared to 16% that supported banks.

Demographics

- 73% of the people surveyed are employed full time, 5% work part time and 6% are self-employed or business owners.
- When housewives, unemployed individuals and full time students were asked if they were engaged in an activity that provides income, 71% stated they were not, while 29% stated their involvement in such income-generating activity.
- 48% of people in the UAE reported being the sole earning members in the family and 41% claimed to be the sole decision makers with regards to savings for the family.

Index for the GCC Savings



Index Components

- **Country-wide saving environment:** The UAE collectively offered a more positive outlook at 26% according to survey respondents when it came to offering a healthy savings environment compared to the other GCC countries, with 24% saying this was a good time to save, followed by Saudi Arabia at 22%. For Saudi Arabia, however, this number meant a slight decline in confidence given last year's figure of 26%.
- **Time to save:** 22% of respondents in Saudi Arabia claimed that this was a good time to save while 32% remained neutral and 47% indicated that 2013 was not a good time to save. In other GCC countries, 24% of respondents surveyed said that this was a good time to save, which interestingly reflected a status quo on last year's public sentiment. Meanwhile, 38% said they were neutral and another 38% believed that 2013 was not a great time to save.
- **Savings potential:** 54% of the respondents in Saudi Arabia said they planned to start saving in the next six months as compared to 66% last year, registering a dip in savings intent, while 11% said that they do not plan on saving in the next six months.
- **Perception of financial status:** 83% of respondents in Saudi Arabia and 89% of other GCC country respondents anticipated that their financial status in the next six months would remain stable. On the other hand, 17% of respondents polled in Saudi Arabia and 12% of the remaining GCC countries expected that their future would be unstable for the next six months.
- **Income Stability:** 50% of respondents in Saudi Arabia anticipated an increase in their income in the next six to 12 months, which resembled last year's perception, while 42% forecast no change and a further 8% of respondents predicted a significant decrease over the same period. As for the other GCC country respondents, 46% expected no change and only 5% predicted a decrease in their incomes over the next six to 12 months.

- **Top major expenses:** Across the board, grocery and prices of food in restaurants were considered the two major expenses. House rents topped the expense accounts for Kuwait residents and came second on the list for the UAE respondents.

- **Components impacting inflation:** Respondents surveyed throughout the GCC region indicated their growing concerns about higher inflation rates owing to escalating house rents. In the UAE, education expenses followed house rents in terms of impact. In Bahrain, Oman and Qatar, the impact of grocery bills was second highest while medical expenses were reported to be higher in Saudi Arabia and Kuwait.

Saving Vehicles

- **General bank savings accounts** emerged the most popular savings option in Bahrain, Kuwait, Oman and Qatar while 53% respondents in Saudi Arabia believed that bank current accounts were the most popular savings option.
- The UAE and Bahrain showed the highest interest in savings schemes linked to prize draws among the GCC countries with 21% polled in the UAE saying they would be motivated to choose such schemes, while 33% in Bahrain also felt prize draws were a prime motivator.
- **Property** was considered a primary savings instrument in Oman and Qatar as well as the UAE.

Current Savings

- 76% of respondents in Saudi Arabia and 77% in Oman believed they were not saving as much as they had planned for this year which is a negative decrease in comparison to last year's 70% in KSA and 72% in Oman. 70% respondents in Bahrain and 77% in Kuwait, admitted to saving less than they had planned, which registered an improvement over last year's figures which were 71% in Bahrain, 78% in Kuwait and . Qatar is the only country that remained the same as last year with 72% of respondents confessing to not saving as much as they had planned.

- 8% of respondents in UAE, 7% of respondents in Saudi Arabia, 6% of respondents in Kuwait and 10% in Qatar stated that they were saving more than they had planned for - marking a significant increase from last year. On the other hand side, 4% respondents in Bahrain felt they were not saving enough, the figure remained constant in comparison to last year. Oman respondents who believed they had not managed to save as much as planned also notched up 4% marking a 2% decline over 2012.

Perceptions of savings:

1. In Saudi Arabia, 60% of respondents claimed that their savings were not at all adequate for the future, while 6% claimed that their savings were adequate for the future and 1% thought that their savings were more than enough for the future.
2. In Bahrain, 50% of respondents claimed that their savings were not at all adequate for the future and 13% claimed that their savings were sufficient for the future.
3. In Kuwait, 59% of respondents claimed that their savings were not at all sufficient for the future and 9% claimed that their savings were adequate for the future.
4. In Oman, meanwhile, 52% of the respondents claimed that their savings were not at all adequate for the future and 13% claimed that their savings were enough for the future. A remaining 1% thought that their savings were more than adequate for the future.
5. In Qatar, 47% of respondents claimed that their savings were not at all adequate for the future, and 12% believed that their savings would see them through in the future, even as a nominal 1% thought that their savings were more than adequate for the future.

In comparison to last year:

1. 27% of savers in Saudi Arabia admitted to saving significantly less. In contrast, 3% admitted to saving significantly more.
2. 31% of Bahrain savers admitted to saving significantly less. In contrast, 4% claimed that they were saving significantly more.

3. 26% of Kuwaiti savers confessed to saving significantly less. In contrast, 8% said they were saving significantly more.

4. 29% of Oman's savers admitted to saving significantly less, while 2% pointed out that they were saving significantly more.

5. 25% of Qatar's savers admitted to saving significantly less. In contrast, 4% admitted to saving significantly more.

- 20% of the respondents polled in Saudi Arabia and 22% of the respondents in other GCC countries claimed to save 11-20% while a paltry 3% of the respondents in Saudi Arabia and 4% of those surveyed in the other GCC countries actually saved 51-60% of their income.

Selection of Savings Instruments

The top three factors affecting savers' selection of savings instruments included:

1. For Saudi Arabia: sharia compliance, capital guarantee and attractive returns, in that order.
2. For Bahrain: sharia compliance, attractive returns and the sound reputation of the provider, in that order.
3. For Kuwait: sharia compliance, the sound reputation of the provider and attractive returns, in that order.
4. For Oman: sound reputation of the provider, attractive returns and sharia compliance, in that order.
5. For Qatar: attractive returns, sharia compliance and the sound reputation of the provider, in that order.

- For non-savers in Saudi Arabia and the other GCC countries, sharia compliance was considered a prime factor that influenced their selection of savings instruments. In the second spot was the provider's sound reputation for residents in the UAE and Saudi Arabia, and attractive returns for the other GCC countries.

Key priorities for saving:

1. In Saudi Arabia: purchase of property for per-

sonal use, education for children and retirement, in that order.

2. In Bahrain: retirement, education for children and a better life style, in that order.

3. In Kuwait: children's education, retirement and the purchase of property for personal use, in that order.

4. In Oman: education for children, retirement and the purchase of property for personal use, in that order.

5. In Qatar: children's education, retirement and the purchase of property for personal use, in that order.

- For non-savers in Saudi Arabia, the purchase of property for personal use was the prime motivator for initiating saving while children's education ranked on top of the list in other GCC countries.

- Drivers for Regular Savings: Respondents in Saudi Arabia, Bahrain and Kuwait agreed that uncertain employment in the future was the key driver for regular savings, while respondents in Oman and Qatar ranked children's future education expenses as a big reason to save regularly.

Liabilities

- Across the GCC, more than a fourth of the people polled indicated that credit card expenses had increased – more so in the UAE, Bahrain, Kuwait and Qatar.

- One third of the respondents in Oman and Qatar specified that their credit card expenses had remained the same.

- More than a fourth of the respondents across the GCC did not own a credit card, mainly in Saudi Arabia, Bahrain and Oman.

Remittances

- More than 60% respondents polled in the GCC region used remittance services, with the exception of Bahrain at 43%.

- Among those who used remittance services, exchange houses were the preferred providers – in the UAE, Bahrain, Kuwait and Qatar. In Saudi Arabia, banks were used more often than exchange

houses. One-third of Oman's residents indicated they used both providers, as needed.

Index for Low-income Group Savings



Results Summary

- The low-income group represents individuals with monthly salaries of less than AED3,500.
- 31% of low-income earners admitted to being regular savers, which was 2% higher than the remaining segments of the community in the UAE; nearly four in five of these regular savers saved on a monthly basis.
- 49% surveyed said they were saving as much as planned, while 48% admitted to saving less than planned and 4% admitted to saving more than they had planned.
- 37% of low-income earners declared their savings to be somewhat adequate for the future compared to 13% across the UAE as a whole.
- 1% of the respondents believed their savings to be more than adequate for the future as opposed to 29% who felt their savings to be not at all adequate.
- The majority of the respondents claimed to be saving as much as they had last year, and only 5% said they were able to save more than they had during the same period.
- 25% of savers planned to increase their savings in the next six months, while only 10% of the non-savers planned to start saving in the next six months.
- The key factors identified that hindered regular savings included cost of living, low incomes and job insecurity.
- 44% of savers claimed that they saved less than 10% of their personal income / allowance. A further 47% saved between 11-30%.
- The most popular saving mechanism across low-income earners was saving money as cash; this was the method of choice for 47% of respondents, followed by fixed / time deposits for 22%.
- The most popular factors for selecting savings

instruments among NBC's customers in this group included shari'ah compliance, ease of access / withdrawal and ease of purchase, as well as liquidity. For non-savers, key factors in selecting a savings instrument was the minimum amount required, followed by the sound reputation of the provider and the possibility of winning a higher number of rewards and prizes.

- The top priorities for saving differed as follows: respondents who saved regularly admitted they prioritized saving for medical expenses for themselves and their family members, education of their children, retirement and for their weddings. On the other hand, non-savers said they would plan to initiate savings for a better life-style, for their weddings, financial security and medical expenses for themselves and their families.
- For non-savers, large expenses were cited as the main hurdle to developing a regular savings habit.
- Attractive interests and rewards were considered the biggest motivators for adopting a regular savings habit among the respondents surveyed. While non-savers attributed a flexible savings plan followed closely by employment certainty as main motivators for saving.
- On a positive note, 65% of respondents indicated they did not have any loans as opposed to 46% across the UAE as a whole.
- 73% of respondents admitted to using remittance services once a month, 63% primarily used exchange houses, followed by 15% who used banks, and 22% who used both based on need.