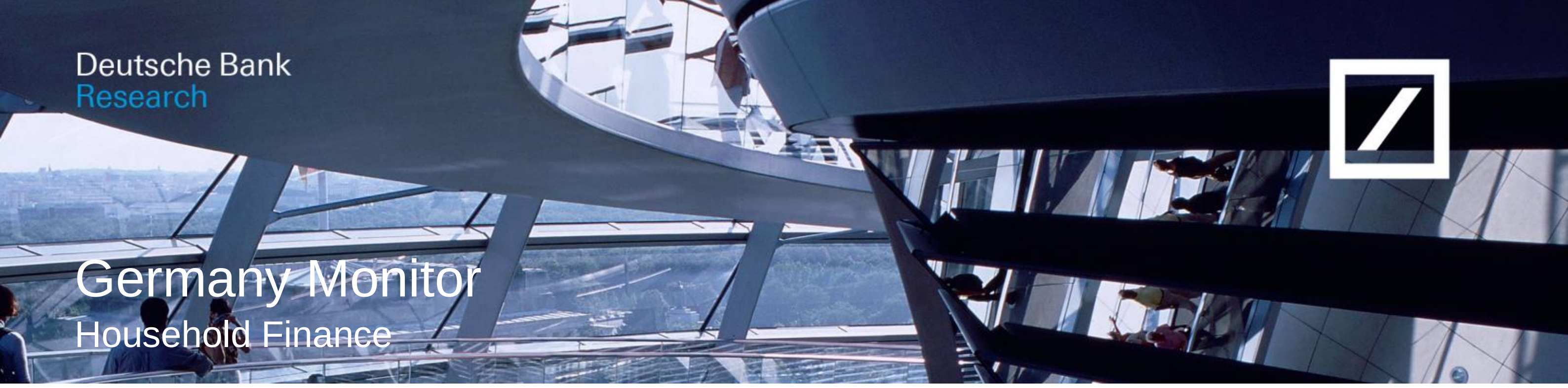


February 21, 2025

Households return to liquid bank savings and borrow cautiously

Author
Heike Mai
+49 69 910-31444
heike.mai@db.com

Editor
Jan Schildbach

Deutsche Bank AG
Deutsche Bank Research
Frankfurt am Main
Germany
E-mail: marketing.dbr@db.com
Fax: +49 69 910-31877

www.dbresearch.com

DB Research Management
Robin Winkler

German households added almost EUR 100 bn to their deposits in 2024. In the course of the year, their preference shifted towards liquid sight deposits against the backdrop of a more pessimistic economic outlook.

Both mortgage and consumer lending were slightly positive due to falling interest rates and gradually improving prospects for the housing market.

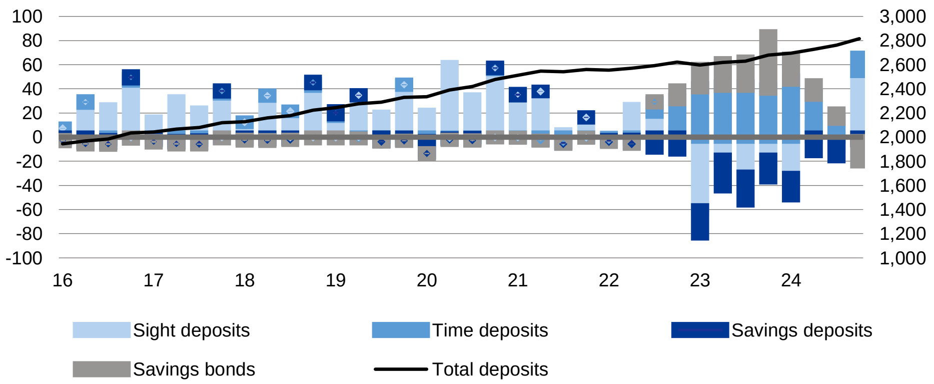
In 2025, retail bank deposits are expected to grow again given a dimmer outlook on the labour market. Mortgage growth might gain mild momentum with demand probably recovering further on the back of lower interest rates and potential support measures of a new federal government.

Deposits: German households in search of liquidity

German households added almost EUR 100 bn to their deposits in 2024 (net EUR 97 bn or +3.6% yoy). With this increase, the annual deposit inflow has returned to the normal level seen before the 2021-23 period, when high inflation drove real deposit rates below -3% and suppressed deposit growth. Total retail deposits now exceed EUR 2.8 trillion (equivalent to 66% of GDP).

German households: In search of liquidity? 1

EUR bn, qoq (left), total outstanding (right)

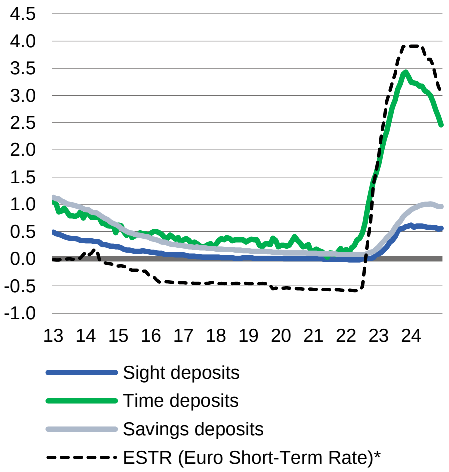


Sources: Deutsche Bundesbank, Deutsche Bank Research

Households return to liquid bank savings and borrow cautiously

Rates for time deposits are falling, other deposit rates stagnate 2

Interest rates for new deposits, %, until December 2024

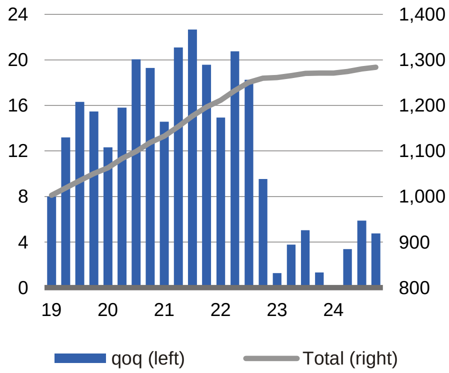


*until September 2019 calculated based on EONIA

Sources: ECB, Deutsche Bank Research

Meagre mortgage growth 3

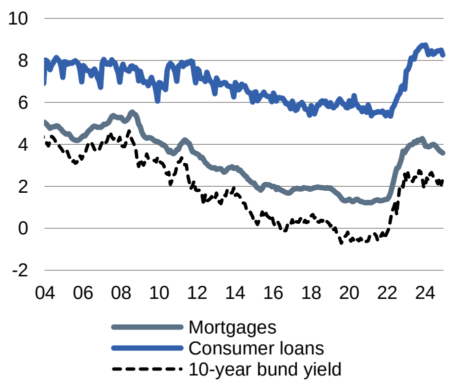
EUR bn



Sources: Deutsche Bundesbank, Deutsche Bank Research

Lending rates have apparently peaked 4

Average interest rates for new loans in %, until December 2024



Sources: ECB, Deutsche Bank Research

In early 2024, households continued to reallocate funds from lower- to higher-yielding deposit classes, but at an ever-diminishing pace. Net outflows from sight deposits decreased strongly and finally turned into sizable net inflows of EUR 55 bn in Q4. Inflows into time deposits – a winner in 2023 – slowed over the course of the year. What is more, net sales of savings bonds, which had rallied the year before, ground to a halt and turned negative by the end of 2024.

This move away from deposits with more attractive remuneration but longer maturities could reflect a growing preference for liquidity against the backdrop of a more pessimistic economic outlook. Narrowing spreads could be another reason. While remuneration of sight deposits remained unchanged at around 0.6% p.a. in 2024, rates for time deposits came down by 88 bp to 2.5% in December, thus reducing the opportunity cost of liquidity. Admittedly, the revival of sight deposits could simply be an exceptionally strong manifestation of the usual seasonal increase seen at the end of the year. But chances are that spreads will keep decreasing this year as the interest rate level is set to fall in line with easing monetary policy. This could indeed mean more sight deposits and less time deposits going forward.

Overall, **retail bank deposits are expected to grow again this year**, despite lower nominal interest rates. Given the dimmer outlook on the labour market, households could raise their liquidity reserves for rainy days – this is the picture suggested by the European Commission's Consumer Survey. As regards households' total savings (i.e. all financial investments), net new savings might level off somewhat if more money will be spent on consumption. Thus, total savings as a share of disposable income, which rose to an estimated 12% in Q4, might start to recede.

Loans: Meagre growth continues

Household lending grew by a meagre 0.9% in 2024, to EUR 1,520 bn in total (36% of GDP). This year will probably see a slight uptick in loan growth driven by mortgages.

Mortgage volumes stood at EUR 1,284 bn in December. Growth was again meagre in 2024, with an increase of EUR 13.8 bn (+1.1% yoy). This is only a slightly better result than in 2023 (+0.9%), the first full year of higher interest rates after a decade-long mortgage boom.

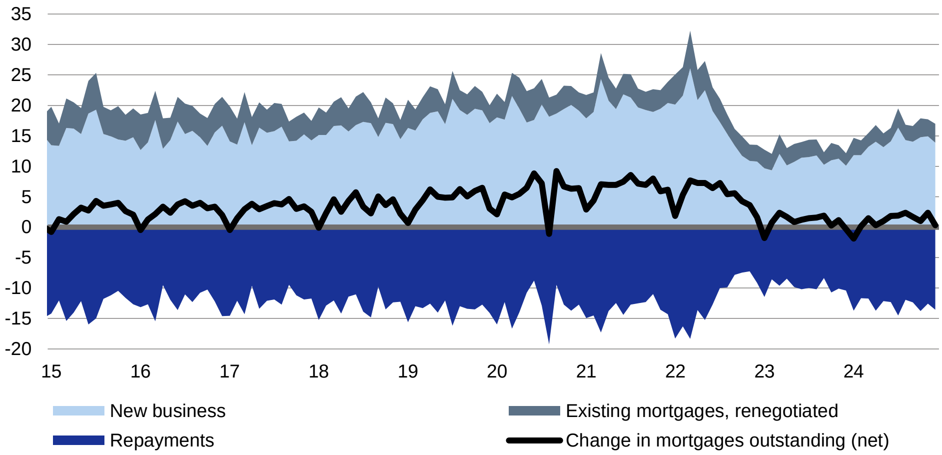
However, there are some green shoots as the mortgage business has started to recover. Above all, in 2024, interest rates for new mortgages have eased by 53 bp to 3.6% until year-end, thanks to less restrictive monetary policy and lower bank margins (reported in the Bank Lending Survey, BLS), which translated into higher gross new mortgage volumes (before deducting redemptions and excluding renegotiated loans). Throughout 2024, banks in Germany witnessed a continuous increase in demand for mortgages – contrary to the year before – driven by lower interest rates and better housing market prospects. House prices have indeed started to rise again, albeit moderately, and are expected to gain further, roughly in line with inflation, due to a general demand overhang and potential regulatory changes (i.e. relaxed rules) affecting less energy-efficient houses.[1] Mortgage rates are anticipated to keep falling for the next few months, which is likely to compensate moderate house price increases. Given an expected further uptick in nominal disposable income, house purchases could become somewhat more affordable for households.

[1] Moebert, Jochen (2024), Property market in 2025: No new boom but higher prices ahead, Germany Blog, Deutsche Bank Research, December 12.

Households return to liquid bank savings and borrow cautiously

New mortgages slowly recovering in 2024 5

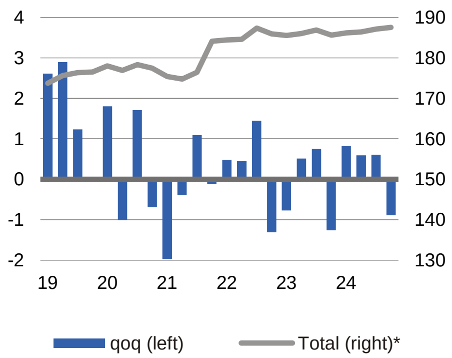
EUR bn per month, until December 2024



Sources: Deutsche Bundesbank, Deutsche Bank Research

Consumer loans: Minuscule increase 6

EUR bn



* Includes reclassification in Q4 21.

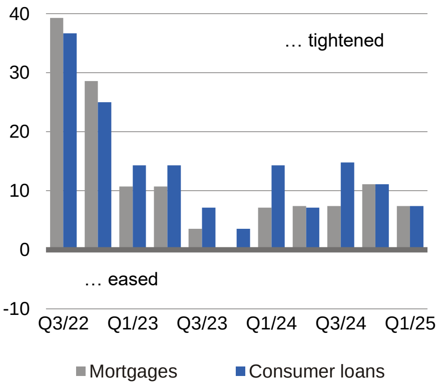
Sources: Deutsche Bundesbank, Deutsche Bank Research

For the current quarter, a net 26% of banks anticipate stronger mortgage demand again, according to the BLS. At the same time, banks do not plan to lower their standards for approving mortgages, mostly because of the weak general economic outlook and their own risk tolerance. Credit standards have been tightened consistently over 3 years and are now much stricter than before the economic downturn. But loan approval rates have stabilised. Bottom line, for 2025, **mortgage growth may be slightly stronger than in the past year**, but net new volumes may remain low.

Consumer loans outstanding almost stagnated at EUR 188 bn during 2024 (EUR +1.1 bn, +0.6% yoy). This was an “improvement” on the reduction the year before, but net new consumer loans are still not even close to pre-pandemic levels. Average interest rates for new consumer loans were high in a long-term comparison, even though they came down by 44 bp to 8.3% over the course of the year. Banks’ margins increased, albeit moderately (according to the BLS), which may have prevented a stronger decline in interest rates. Credit standards remained strict, like for mortgages, and are not expected to ease in the current quarter. Banks are wary of borrowers’ creditworthiness. Consumers themselves seem to be careful not to stretch their finances. What is more, they expect to spend less money on major purchases this year, which does not bode well for the consumer loan business. Other loans to households amount to EUR 48 bn (EUR -0.9 bn).

Households return to liquid bank savings and borrow cautiously

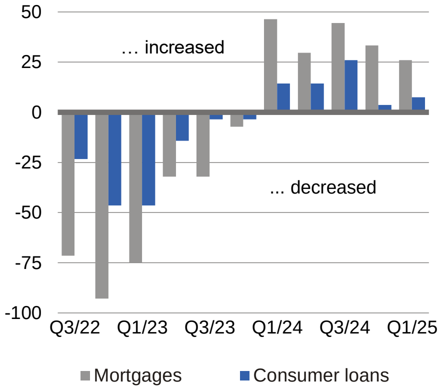
Bank lending survey: Credit standards* 7



*Q1/25 expected value

Sources: Deutsche Bundesbank, Deutsche Bank Research

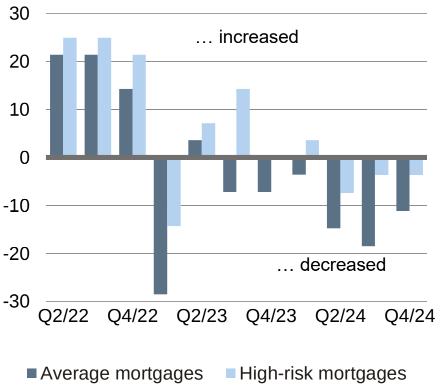
Bank lending survey: Credit demand* 8



*Q1/25 expected value

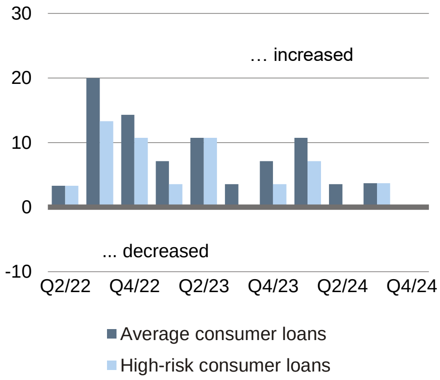
Sources: Deutsche Bundesbank, Deutsche Bank Research

Bank lending survey: Mortgage margins 9



Sources: Deutsche Bundesbank, Deutsche Bank Research

Bank lending survey: Consumer credit margins 10



Sources: Deutsche Bundesbank, Deutsche Bank Research

Heike Mai (+49 69 910-31444, heike.mai@db.com)

© Copyright 2025. Deutsche Bank AG, Deutsche Bank Research, 60262 Frankfurt am Main, Germany. All rights reserved. When quoting please cite “Deutsche Bank Research”.
The above information does not constitute the provision of investment, legal or tax advice. Any views expressed reflect the current views of the author, which do not necessarily correspond to the opinions of Deutsche Bank AG or its affiliates. Opinions expressed may change without notice. Opinions expressed may differ from views set out in other documents, including research, published by Deutsche Bank. The above information is provided for informational purposes only and without any obligation, whether contractual or otherwise. No warranty or representation is made as to the correctness, completeness and accuracy of the information given or the assessments made.
In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, licensed to carry on banking business and to provide financial services under the supervision of the European Central Bank (ECB) and the German Federal Financial Supervisory Authority (BaFin). In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG, London Branch, a member of the London Stock Exchange, authorized by UK’s Prudential Regulation Authority (PRA) and subject to limited regulation by the UK’s Financial Conduct Authority (FCA) (under number 150018) and by the PRA. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Inc. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.