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BELGIUM GERMANY

Consumers' approach to investing largely unchanged despite geopolitical turmoil

Recent ING research shows that European consumers are increasingly aware of geopolitical tensions and their potential economic repercussions. This awareness is influencing their financial decisions and overall economic outlook



The Ukraine war is the biggest geopolitical concern for consumers right now

Since the fall of the Iron Curtain, the world has undergone major changes. Initially, the term “peace dividend” referred to funds saved from reduced military budgets that could be redirected to non-defence expenditures. However, for Western Europe, it came to encompass broader benefits, such as new markets, low-cost production sites for upstream products, and cheap energy.

In early 2022, the world changed again when Russia launched a full-scale invasion of mainland Ukraine, prompting substantial military support for Ukraine and efforts to reduce dependency on Russian natural resources.

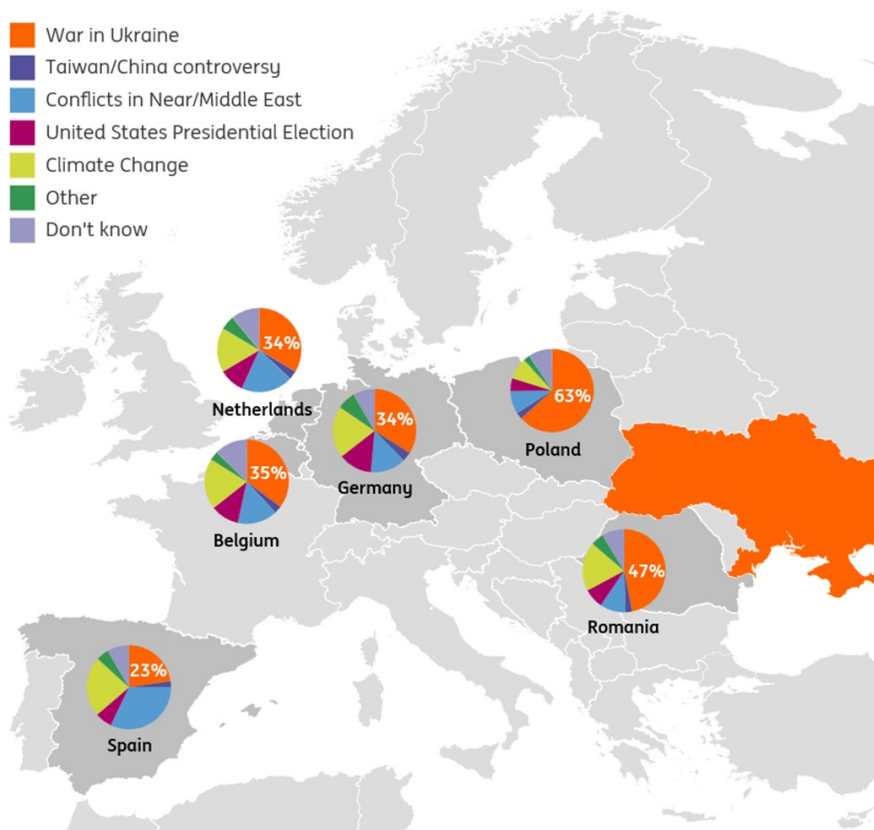
Our latest ING Consumer Research survey explores how European consumers perceive the new geopolitical landscape and its economic implications.

Ukraine is the biggest geopolitical concern

People tend to be more concerned about events happening nearby. Our survey confirms this: while the war in Ukraine is the top geopolitical concern in five out of six countries surveyed, the level of concern is significantly higher in Romania and especially Poland. Only one country, Spain, is more worried about climate change and conflicts in the Middle East.

Proximity decides urgency

In terms of geopolitical uncertainty, which of the following situations are you currently most worried about?

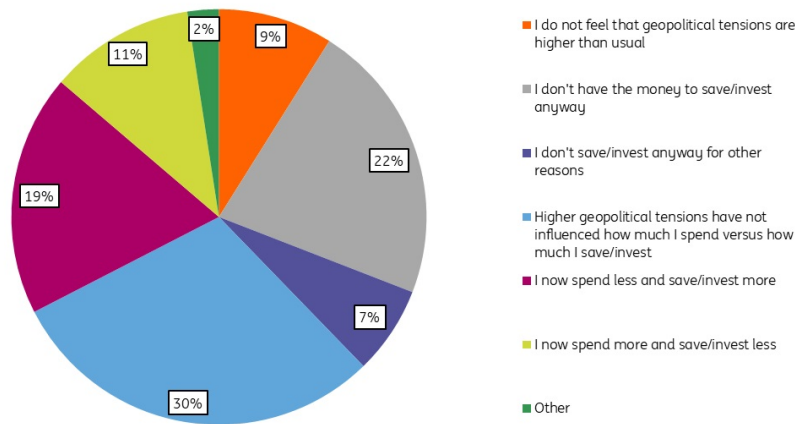


Source: ING Consumer Research

Geopolitical tensions have unquestionably risen recently, with less than 9% of our sample saying they do not subscribe to this view. Nearly 60% of people say these heightened tensions haven't affected how much money they spend vs. how much they save/invest. Half of this group doesn't save or invest at all, primarily due to a lack of funds. Among those who have adjusted their behaviour, more people are opting to save or invest more and spend less, rather than the reverse.

Just 30% of respondents report a change in spending vs. saving/investing

What effects do heightened geopolitical tensions have on your behaviour when it comes to spending versus saving/investing?



Source: ING Consumer Research

Whether or not people are saving and investing more, less, or the same as before, a change in how people perceive global security can also influence how they decide to set aside whatever funds they have available. About a third of respondents report no change in their approach. However, 29% say they now look for lower risk, which is more important than the other two aspects of the “magic triangle” – yield and liquidity – combined.

In an increasingly unsafe and conflict-ridden world, investing in the defence industry might seem logical. Yet, less than 4% of respondents indicate that this sector has become more prominent in their portfolios, while 10% are now focusing more on geographical diversification.

Lower risk is more important than higher yields or liquidity

What effects do heightened geopolitical tensions have on the way you allocate the money you save/invest?

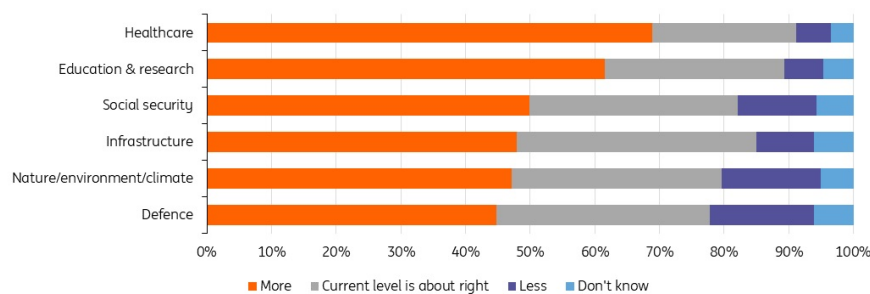


More money for defence? More money for everything!

Against the backdrop of heightened geopolitical tensions, increases in defence budgets are being discussed across the continent. Consumers tend to agree that more money should be spent on defence. In fact, across all six surveyed countries and six categories of public expenditure, there was a consistent preference for higher spending over lower spending in all 36 instances. Notably, defence had the smallest margin between those favouring increased spending and those favouring decreased spending.

Healthcare and education among the top list of priorities

Do you think your country's government should spend more or less on the following categories of expenses?



Source: ING Consumer Research

Just as the perceived importance of the war in Ukraine varies with proximity, so do opinions on military budgets. While close to 60% of participants in Poland favour higher defence spending, it is roughly half of that in Spain. And more than a quarter of Spaniards think that less money should be spent on defence – four times as many as in Poland.

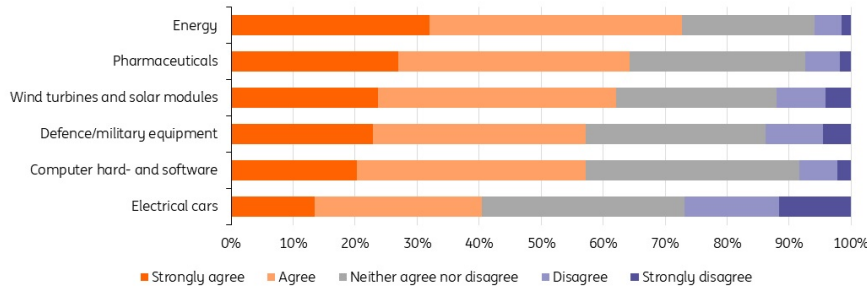
Those who think, on balance, that their governments should spend more money don't seem to have a clear idea of where that money should come from: 44% say they don't know, with the rest split between higher borrowing and higher taxes.

Consumers speak out for more self-sufficiency

2022 owed its record inflation numbers in no small part to rising energy costs that painfully demonstrated the dependence on Russian fossil resources. Supply bottlenecks point to the fact that many pharmaceuticals or at least their primary products aren't being produced in Europe anymore. And while military support for Ukraine weighs on European arsenals, raw materials that are needed to boost ammunition production are sourced mainly from China.

Consumers want energy closer to home

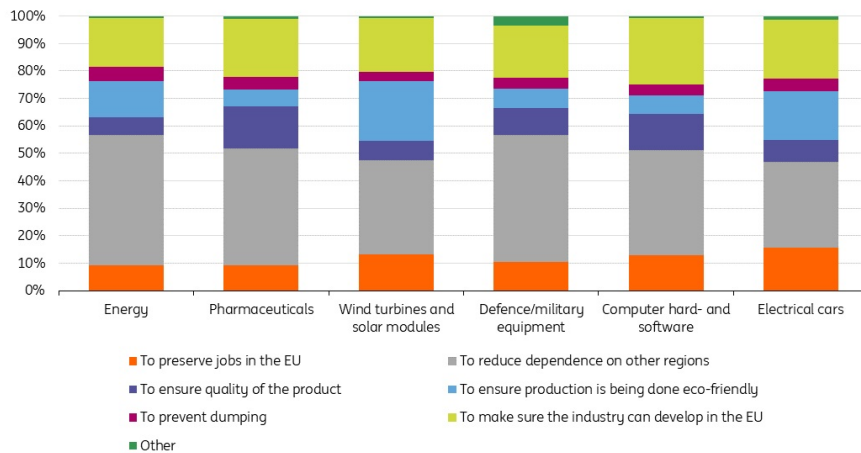
The European Union should focus more on producing ... in the EU itself



Given this context, it comes as no surprise that many consumers are in favour of re-shoring or on-shoring production. Beyond energy, pharmaceuticals, and the defence industry, we also inquired about other sectors crucial to digitisation and the green transformation. In every case, there was more agreement than disagreement that the EU should prioritise domestic production, especially in the energy sector. Those in favour primarily cited reducing dependence on other regions as their motivation.

Dependence on other regions is a major concern

What is your main reason to think the European Union should focus more on producing ... in the EU itself?



More than half of respondents say that in their purchasing decisions, they generally prefer EU products to those from outside the EU, with only 13% disagreeing. But a preference alone does not make a decision – so whether consumers would be willing to put their money where their mouth is and pay the higher prices that would go along with re-shoring or on-shoring production remains doubtful. After all, price pressure played a big role in off-shoring

production in the first place.

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