

TOPIC PROPOSED FOR OEE RESEARCH PROJECT IN 2023

CALL FOR TENDERS

TOPIC N°1: SAVING BEHAVIOURS AND INFLATION

For many savers, especially the youngest ones, the current economic environment, with inflation significantly above 4% and negative real rates is new. In most developed countries, periods of inflation superior to 4% dated back to the 1970's. For households, this translates into significant losses in real terms on their financial assets, as illustrated by the index¹ recently launched by OEE.

In that context, savers may have the impression that, with the increase of nominal interest rates, they get a better return on their financial investments, when in reality their real return decreases and becomes largely negative, a phenomenon known as monetary illusion. In France for example, we recently observed significant inflows towards Livret A following the increase of its nominal return.

Moreover, many savers do not align their saving and asset allocation decisions to their long-term objectives, such as retirement. Young savers are often struggling to save money and concentrate an important part of their savings on liquid bank account deposits. This mismatch between short term decisions and long-term objectives can be particularly harmful in an inflationary context.

In this challenging inflationary environment bringing a lot of uncertainty on households' purchasing power, future income and access to credit, OEE members would like to understand how households are adapting their saving and investment behaviour.

For instance, the proposals could shed light on some of the following questions: How are households accounting for inflation in their saving and asset allocation decisions? Is there any evidence of monetary illusion? How do their medium- and long-term inflation or interest rates forecasts impact their financial decisions? How do they account for inflation risk? Is there any heterogeneity in the way they perceive inflation risk depending on their personal situation (for example real estate exposure and financial wealth)? How does the investment strategy in an inflationary context differ from one generation of savers to another?

¹ FRENCH HOUSEHOLD FINANCIAL SAVINGS PERFORMANCE INDEX
<https://www.oee.fr/performance-of-financial-saving-index/?lang=en>

TOPIC N°2: FINANCING THE ENERGY TRANSITION AND HOUSEHOLD DEMAND FOR SOCIALLY RESPONSIBLE INVESTMENT PRODUCTS

The energy transition requires considerable investments to replace existing production facilities with new equipments that are less carbon intensive. The European Commission has estimated these needs at 650 billion euros per year until 2030, i.e. approximately 5% of the Eurozone GDP. As most EU States are already heavily indebted, private savings will need to play a key role in the financing of this energy transition.

Until recently, a limited number of financing projects were offered to savers but the investment opportunities to finance the energy transition that are offered to private households may increase dramatically in the coming years.

The OEE members would like to better understand the role played by private savings in the financing of the energy transition and the mechanisms that could allow to direct household savings towards socially responsible investment (SRI) products.

For instance, the proposals could shed light on some of the following questions: What is the match between supply and demand of SRI products? Is there a risk of speculative bubble on SRI products? How to make new investment projects attractive to savers? What risk are savers willing to take to invest in sustainable projects? Is there a sufficient supply of low-risk sustainable investment vehicles? What should be the role of public private partnerships? What are the extra-financial motivations of investors? How can we measure them? Do households trust the socially responsible financial products that are currently offered to them and the intermediaries selling those products? Are investors ready to accept lower return, at least on the short run, to invest responsibly? Can we measure empirically the price people are ready to pay to save the planet? What mechanisms can be used by public authorities to incentivize sustainable investment?

General requirements

The allocated budget can vary according to the responses received and will in any case not exceed 50,000 Euros in total for all funded projects. This overall budget can be allocated to one or several projects, depending on the responses received.

Research proposals must briefly review existing literature and clearly highlight the contribution and originality of the proposal. Not all the questions highlighted in the call for proposal necessarily have to be answered. OEE will encourage research proposals that cover at least two European countries. When the main empirical results concern only a few countries, the authors will be asked to do their utmost to put their results into perspective with the experiences of other European countries, notably France, and to draw lessons and public policy recommendations

for all European countries and if possible for France. OEE can help in that, in particular by making its statistical database on European savings behaviour available to researchers.

The selected researchers will be asked to present their research during a conference organised by OEE in partnership with the selected organisation after or when their final report is submitted. The presentation material, in Microsoft PowerPoint format, will be made available to OEE members. The OEE may decide to restrict access to the conference and presentation materials to OEE member institutions only. The presentation made available to OEE members should be intelligible and accessible to a professional audience.

The submission of the final report will be accompanied by a few pages summary in French and in English. This summary should be intelligible and accessible to a professional audience and will include the main conclusions and recommendations of the study, particularly in terms of public policy for Europe and for France.

Proposals will have to be sent to Grégoire NAACKÉ (g.naacke@oee.fr), no later than June 18, 2023.