

- Overall decrease driven by lower investment levels and weaker sentiment towards saving
- December data shows that over 50% of consumers are saving
- Seasonal spending slows down investment

The Bank of Ireland/ESRI Savings and Investments Index, which measures sentiment in Ireland towards savings and investments retraced some of its big November gain in December, finishing at 102 points compared with 103 the previous month. The overall change was driven by lower investment levels and an easing in sentiment towards the future savings and investment environment in the first half of 2018.

Savings Index

The monthly Savings Index decreased to **103** points in December from 104 in November. The monthly Savings Attitudes Index, which asks people about their saving behaviour and how they feel about the amount they save, was unchanged with 53% of people saving regularly in December indicating that saving attitudes remain strong.

In contrast, the Savings Environment Index, which explores households' views on the environment for savings, decreased by 3 index points to **98** December. The underlying three month moving average trend for this Index has moved up by 11 points versus a year ago so it is possible that December's fall is temporary. However, it may be an early indicator that savers are beginning to look for higher returns for their funds. This finding resonates with the results from the December Risk Barometer survey which found a greater openness to investing versus saving.

Investments Index

Like its savings counterpart, the Investment Index measures peoples' attitudes towards investing and how they view the investment environment. Irish peoples' willingness to invest remained resilient in December with 34% of people answering that they invested regularly compared to 31% in December. Investment activity was more prevalent amongst younger people with 39% of under 50s regularly investing compared to just 26% of over 50s.

However the amount people said they were investing in December was lower – 63% felt they were investing the right amount in December (compared to 67% in November) with 21% answering they invested nowhere near enough, up from 16% the previous month. It is likely that Christmas was a factor behind this result.

The Investment Environment Index registered a second consecutive decline in December with people indicating lower expectations for the investment climate as we move further into 2018. This was surprising considering markets' strong performance in 2017 (world stocks gained 8.9% for euro based investors) and the fresh investor impetus provided by the US tax cuts in

December. Rather than indicating growing pessimism on the investment outlook in 2018, recent readings for the index may just point out that people feel it will be a challenge to reproduce strong returns again this year.

Risk Barometer

This Risk Barometer asks households how they would consider using a windfall gain of €10,000. The December survey still confirmed that Irish people retain a heavy preference for saving with nearly two thirds saying they would save some of this windfall. However, a higher proportion of people said they would invest (47% compared to 41% in October), suggesting that people were more open to considering investments.

Commenting on the Bank of Ireland Savings and investments Index, Tom McCabe, Global Investment Strategist, Bank of Ireland Investment Markets said: *“Irish sentiment towards savings and investments eased in December mainly as a result of a weaker outlook for the saving and investment environment. December’s decline in the savings environment index may be temporary given recent trends in the index but it could also be an early indication that savers are looking for better returns on their money and are willing to consider alternatives to their savings account.*

“The investment environment index also slipped back in December which was surprising considering strong market returns in 2017 with world stock markets up 8.9%. Looking at the levels of investment, it is likely that Christmas was a considerable factor in the December dip as over one-fifth of respondents felt they invested nowhere near enough in December. With consumers choosing to spend their cash on what was previously earmarked for investment, it could be the case that the mind was willing but the wallet was weak!”

About the ESRI/Bank of Ireland Savings and Investments Index:

The Bank of Ireland/ESRI Savings and Investment Index tracks household attitudes towards savings and investment as well as monitoring their perspectives on the current and future savings and investment environment. Understanding savings behaviour provides insight into how households smooth consumption, plan to make big purchases and build up buffers which can be drawn down in times of economic stress. Monitoring household investment patterns gives an understanding of how they are putting their money to work, their financial diversification, and their appetite for risk. The Bank of Ireland/ESRI Savings and Investment Index also provides a Risk Barometer and a Retirement Optimism Index to give insight into household risk taking and retirement planning. These will be presented on alternate months.

The Bank of Ireland Savings and Investment Index is produced monthly from a minimum sample of 800 consumers aged 15 years and above. The ESRI carries out the Savings and Investment Index research to ensure the indices represent a national sample.

Table 1 - Investment and Savings Index and sub-indexes, monthly (Base=October 2017)

Month	Savings and Investment Index	Savings Index			Investment Index		
		Overall	Attitudes	Environment	Overall	Attitudes	Environment
Nov-16		95.5	100.6	90.3			
Dec-16		90.2	91.2	89.2			
Jan-17		94.8	98.3	91.3			
Feb-17		89.2	87.4	91.0			
Mar-17		96.3	100.6	92.1			
Apr-17		92.9	95.8	90.0			
May-17		94.8	95.9	93.7			
Jun-17		90.4	91.7	89.2			
Jul-17		95.1	96.9	93.3			
Aug-17		89.9	94.3	85.5			
Sep-17		98.0	102.7	93.4			
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	103.4	104.2	107.7	100.8	102.5	106.1	98.9
Dec-17	101.9	102.7	107.7	97.6	101.2	104.2	98.2

The Savings and Investment Index

- The overall Bank of Ireland/ESRI Savings and Investment Index aims to capture the sentiment of Irish households towards their ability to save and invest as well as the broader savings and investment environment. The Index combines two sub-indices on savings and investments to provide a broad understanding of household's views on their financial decision making.
- The monthly Savings and Investment Index decreased marginally to 102 points in December from 103 in November. This change was mainly driven by a decrease in investment attitudes (as investors pulled back on the amount they invest) and consumer's views on the savings environment. Respondent's views on the savings and investments environment may indicate increased uncertainty for the start of the new year as less households indicated it will be a good time to save or invest in six months' time. Such hesitancy going into 2018 could be driven by global economic uncertainties which are clouding their personal financial planning.

The Savings Index

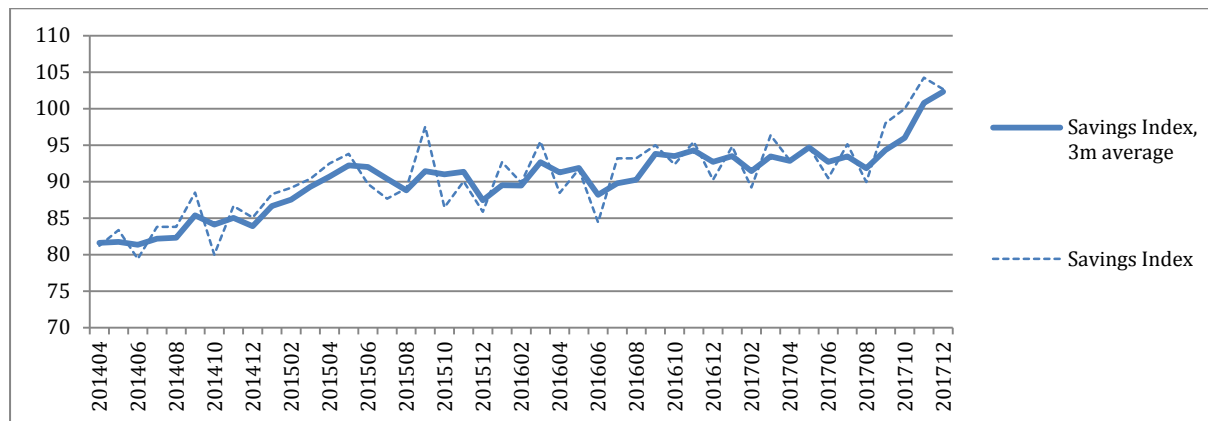
- The overall Savings Index is presented in Figure 2. As the Index continues the old ESRI/Nationwide UK monitor, it is possible to track its evolution from early 2014. The chart presents the level of the Index as well as a three month moving average to provide more insight into the trend.
- While the monthly Savings Index decreased marginally to 103 points in December from 104 in November, the three-month moving average rose to 102 points in December from 101 in November.

Table 2 - Savings Index and components, monthly

Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100	100	100	100	100	100	100
Nov-17	104	108	106	110	101	99	103
Dec-17	103	108	106	110	98	98	97

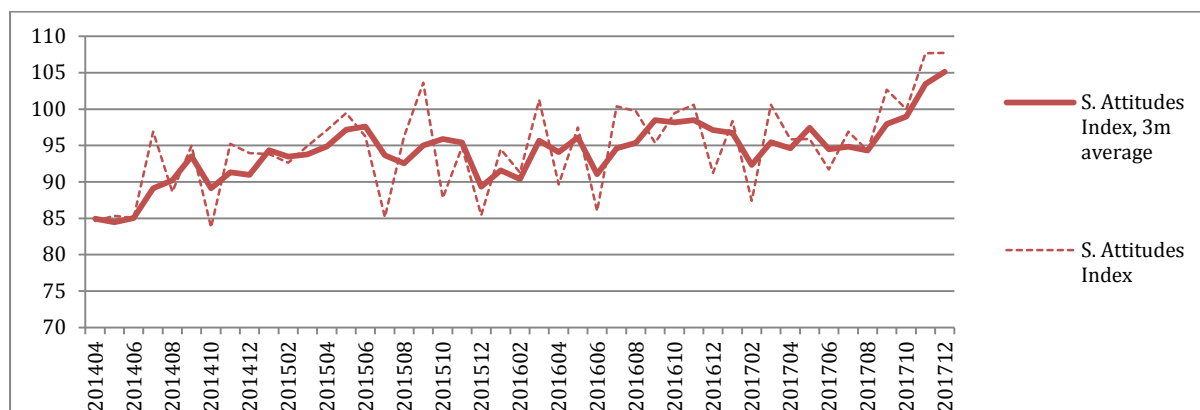
- As 2017 ends, the latter half of the year has been characterised by a strongly rising savings sentiment. As the broader economy has improved, households personal financial situations have become more sustainable providing more resources with which to save and build up financial buffers.

Figure 2 - Savings Index



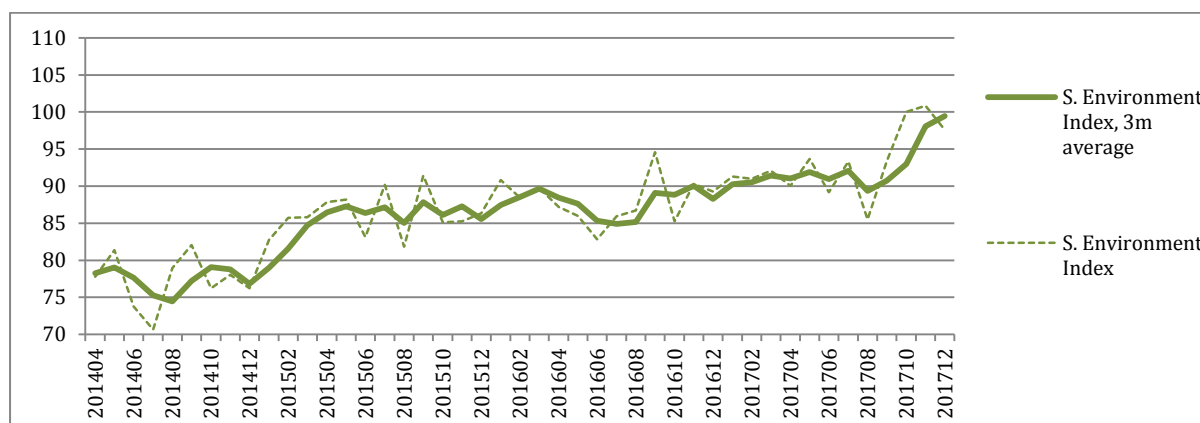
- The Savings Index is composed of two sub-indices: Savings Attitudes and Savings Environment. The monthly Savings Attitudes Index remained flat at 108 in December and the Savings Environment Index decreased by 3 index points to 101 in December 2017.
- The Attitudes Index is higher than the Environment Index suggesting a divergence between households own experience (as captured by their ability to save) and their views on the broader economic environment. This may reflect the divergence between the economic recovery domestically where households are benefitting from continuous declines in unemployment and modest increases in wages and the clouded economic climate internationally characterised by heightened uncertainty, in particular around Brexit. The three month average trend in both indices is positive in December 2017.

Figure 3 - Savings Attitudes Sub-Index



- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save. In December, the sub-index capturing whether or not people save remained at 106, the same as in November. The sub-index capturing how much people save also remained flat at 110 in December 2017.
- In December, about 53% of the respondents claimed to save regularly and 17% reported to save occasionally. About 43% of the respondents believe they saved the right amount, while 45% feel they saved less than they should and only 12% believe they saved more than they should

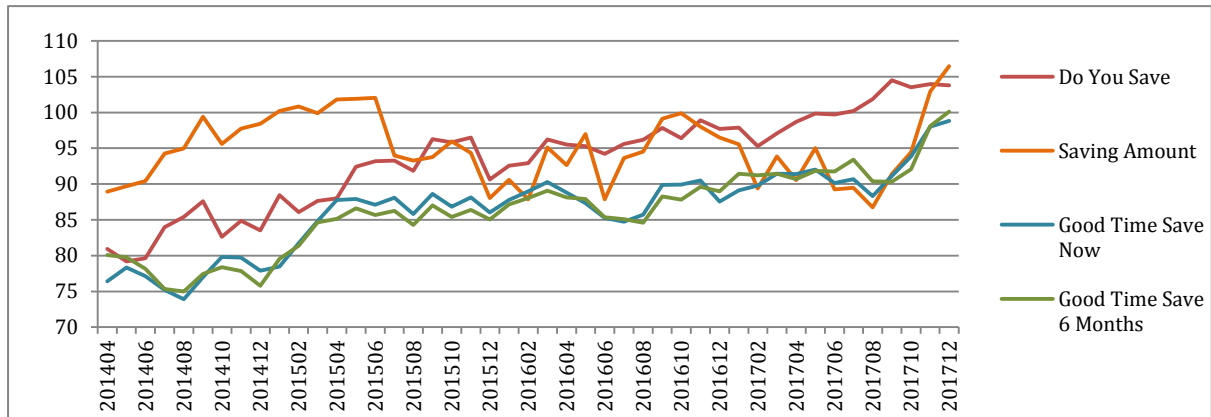
Figure 4 - Savings Environment Sub- Index



- The Savings Environment Index is built on two questions which ask whether or not respondents believe that the current period is a good time to save and whether or not they believe that in 6 months' time it will be a good time to save. In December 2017, the former sub-index decreased marginally to 98 index points in December from 99 in November. The latter sub-index declined to 97 in December from 101 in November 2017.
- While a traditional decline in savings in December would be consistent with Christmas spending patterns, a decline in the forward looking savings environment index is more difficult to interpret. It could reflect a heightened uncertainty about how global and

economic events will play out going into 2018. However, a lower savings sentiment can also reflect households increasing willingness to spend more on goods and services.

Figure 5 - Savings Questions Indexed (3 Month Rolling Average)



Investment Index

- Like its savings counterpart, the Investment Index measures how consumers feel about their ability to invest and monitors their investment patterns. This is the third month that investment data is available and therefore only three data points of the Index are available.
- The monthly Investment Index decreased to 101 points in December from 103 in November.

Table 3 - Investment Index and components, monthly

Month	Investment Index						
	Overall	Inv. Attitudes Index			Inv. Environment Index		
		Inv. A. Index	Do You Invest	Investment Amount	Inv. E. Index	Good Time Invest Now	Good Time Invest 6 Months
Oct-17	100	100	100	100	100	100	100
Nov-17	103	106	103	109	99	96	101
Dec-17	101	104	106	103	98	97	99

- The monthly Investment Attitudes Index decreased by 2 index points to 104 in December and the Investment Environment Index decreased by 1 index point to 98 in December 2017. The former was driven by a decline in the amount households were investing while the latter reflected a lowering of expectations regarding the investment climate in six months' time. A fall back in investment volumes in Christmas could reflect households transferring resources to cover purchases and spending at this time of year.
- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. The first increased to 106 index points in December from 103 in November. The latter declined to 103 in December from 109 in November 2017.
- About 34% of the respondents claim to invest regularly and 4% report to invest occasionally. From the regular investors at least 90% invest in pension plans (while they might have other investments)

- Respondents seem to believe that December is a slightly better time to invest when compared to November (+1 index points) but they believe that in 6 months' time it will be a somewhat worse time to invest (-2 index point).

Risk Barometer

- The risk barometer asks households if they would save and/or invest if they were given €10,000 tomorrow. About 62% said they would save at least part of it and 37% said they wouldn't save but they would invest.
- As seen in the Investment Index, about 38% of the households said they invested occasionally or regularly. However, if they were given an extra €10,000, 47% claim they would choose to invest at least part of this amount.
- In December, the proportion of households choosing to invest at least part of the €10,000 increased by about 6 percentage points and the proportion of households choosing to invest and not save increased by about 7 percentage points relative to October 2017 which may indicate an increase in risk taking appetite of Irish households.

Chart 1 – Risk Barometer Question

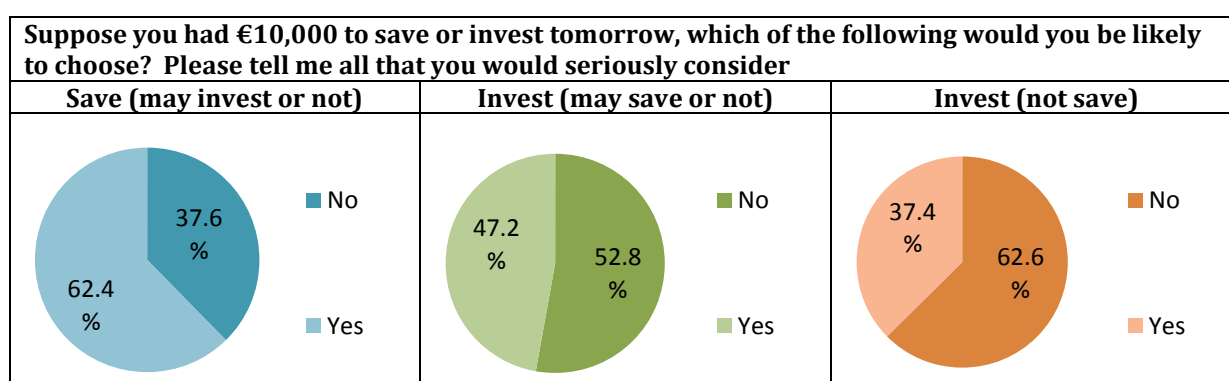


Table 4 – Risk Barometer, bi-monthly

Month	Risk Barometer (Bi-monthly)					
	Save (may invest or not)		Invest (may save or not)		Invest (not save)	
	No	Yes	No	Yes	No	Yes
Oct-17	30.8%	69.2%	58.7%	41.3%	69.2%	30.8%
Dec-17	37.6%	62.4%	52.8%	47.2%	62.6%	37.4%

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will be presented on alternate months. For October, only the Savings Items will be published until a sufficient dataset is developed on investment.

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