

- Sentiment towards investment tops saving for the first time
- Greater investment activity, brighter outlook buoy investment sentiment
- Savings sentiment weakens, lump sum savers growing disenchanted with low deposit rates
- Risk barometer also points to modest swing toward investment and away from saving

The Bank of Ireland/ESRI Savings and Investment Index, which measures Irish peoples' sentiment towards saving and investment hit a three month low in June with the index falling to **100** compared to **101** in May.

Savings Index

The monthly Savings Index declined to **99** in June from **104** in May driven by weaker saving patterns and a deteriorating outlook for the savings landscape. For the first time since the inception of the Savings and Investment Index, sentiment towards saving has dipped below that of investment.

The monthly Savings Attitudes Index fell to **103** in June from **107** in May 2018 due to a fall in its underlying components. 49% of people were regular savers in June, down from 51% in May with weaker regular saving patterns visible for both younger and older savers. It is likely that summer holiday spending cramped saving patterns in the month.

Peoples' views of the savings environment darkened noticeably in June with the Savings Environment Index hitting a nine month low of **94** in June compared with **100** a month earlier. In recent months older savers have turned more negative on the savings environment and we saw further evidence of this in June. 42% of over 50s felt it was a bad time to save in June – this was the highest response for the question since it was first asked in October 2017.

Investments Index

Like its savings counterpart, the Investment Index measures peoples' attitudes towards investing and how they view the investment environment. The monthly Investment Index increased to **102** points in June from **98** driven by a rise in both of its sub-indexes.

The monthly Investment Attitudes Index increased **103** index points in June from **98** in May 2018. Nearly one-third (**31%**) of respondents invested regularly in June, up from 30% in May. **67%** of people also felt they were investing the right amount, the highest response since the question was first asked in October 2017.

The rally in global stock markets in the second quarter came to a halt in June as rising trade tensions helped push equity markets 0.6% lower in the month. Irish investors seemed to shrug the volatility off however judging by the Investment Environment Index which climbed from **98**

to **101.31%** of people felt it was a good time to invest in June although under 50s were much more confident about the prospects for investment markets compared to older investors.

Additional €10k

June's swing towards investing and away from saving also seemed to be borne out by the June responses to the Risk Barometer question where we ask people whether they would save or invest a €10,000 windfall. The percentage of people saying they would invest a €10,000 windfall rose again to **38%** from **36%** in April. The percentage answering that they would prefer to save fell to its lowest since December although at **62%** it still indicates Irish people retain a preference for saving once off gains.

Commenting on the June results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *"The most interesting aspect of June's results for the Savings and Investment Index is that for the first time in the index' history, sentiment towards investing topped that of saving. Delving deeper, the more intriguing move came with the decline in the Savings Index. Although regular saving habits remain strong, greater numbers of older savers in particular are indicating that it is a bad time to save. To us this is clear evidence that lump sum savers are growing more disenchanted with the low deposit rate environment."*

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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
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
Jan-18	101.6	103.3	101.5	105.1	100.0	95.2	104.8
Feb-18	102.0	102.5	103.4	101.6	101.4	104.4	98.3
Mar-18	97.6	98.5	98.7	98.4	96.6	94.2	99.1
Apr-18	101.5	102.9	106.2	99.6	100.1	98.0	102.2
May-18	101.0	103.9	107.3	100.5	98.1	97.7	98.5
Jun-18	100.4	98.9	103.3	94.4	101.8	102.5	101.1

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 to 100 points in June from 101 points in May 2018 due to offsetting variations in its two sub-indexes. While the Investment Index improved, the Savings Index deteriorated considerably.
- The recent ECB announcement that it would keep interest rates at their current, record low levels until at least the summer of 2019 may have created an incentive for households to move away from savings. In particular, younger households seem more willing to take risk, and undertake more investments as an alternative.

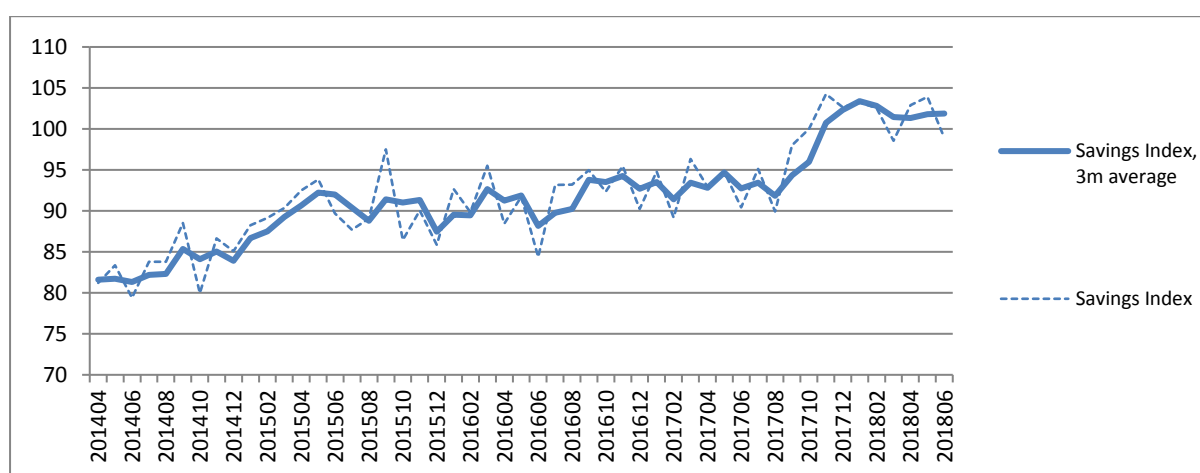
The Savings Index

- 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.
- In May 2018 the Savings Index decreased by 4.8 per cent to 99 index points driven by a fall in its both sub-indexes, the Savings Attitudes and the Savings Environment. The overall Index paired recent gains and now sits at its March 2018 levels. However, it is the first time since the release of the S&I Index that the Savings Index is below the Investment index.

Table 2 - Savings Index and components, monthly

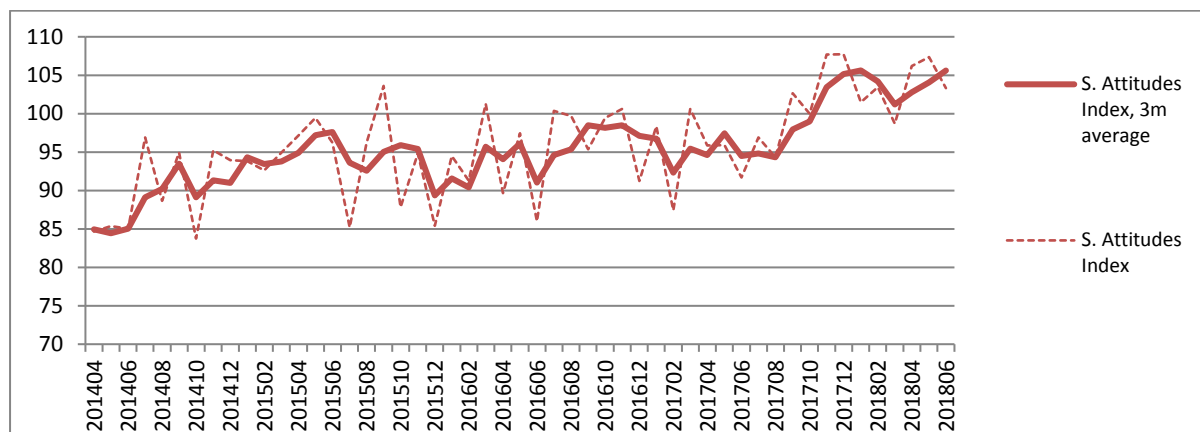
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	104.2	107.7	105.6	109.8	100.8	98.8	102.8
Dec-17	102.7	107.7	105.8	109.7	97.6	97.7	97.5
Jan-18	103.3	101.5	104.3	98.7	105.1	106.3	103.8
Feb-18	102.5	103.4	101.4	105.5	101.6	102.4	100.8
Mar-18	98.5	98.7	98.8	98.6	98.4	97.0	99.8
Apr-18	102.9	106.2	107.9	104.5	99.6	98.1	101.1
May-18	103.9	107.3	103.9	110.8	100.5	100.3	100.7
Jun-18	98.9	103.3	101.0	105.6	94.4	94.3	94.6

Figure 2 - Savings Index



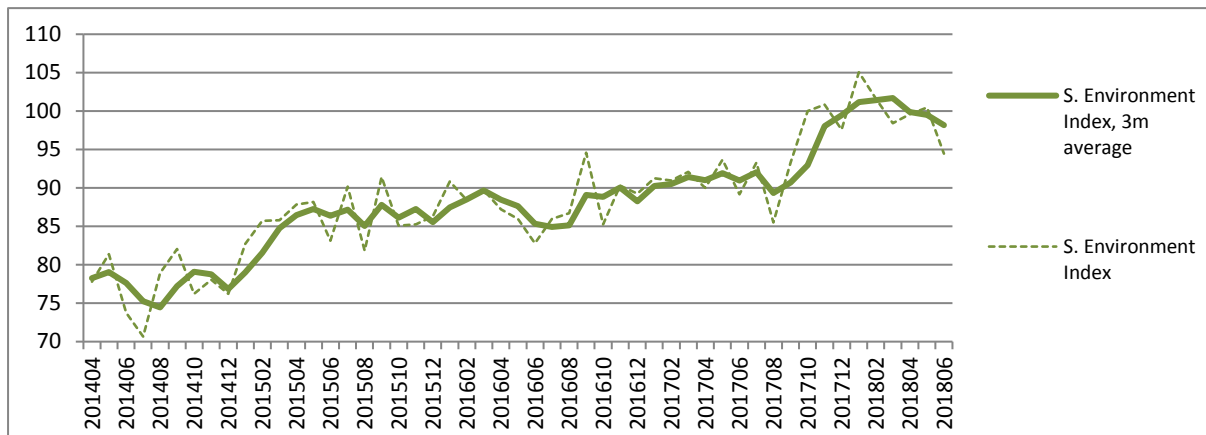
- The two sub-indexes that compose the Savings Index are the Savings Attitudes and the Savings Environment. The monthly Savings Attitudes Index decreased by 3.7 per cent to 103 points in June from 107 in May 2018 due to a fall in its underlying components.
- The Savings Environment Index decreased considerably by 6.0 per cent to 94 in June 2018 from 100 in May, as views on the present and future savings landscape deteriorated.

Figure 3 - Savings Attitudes Sub-Index



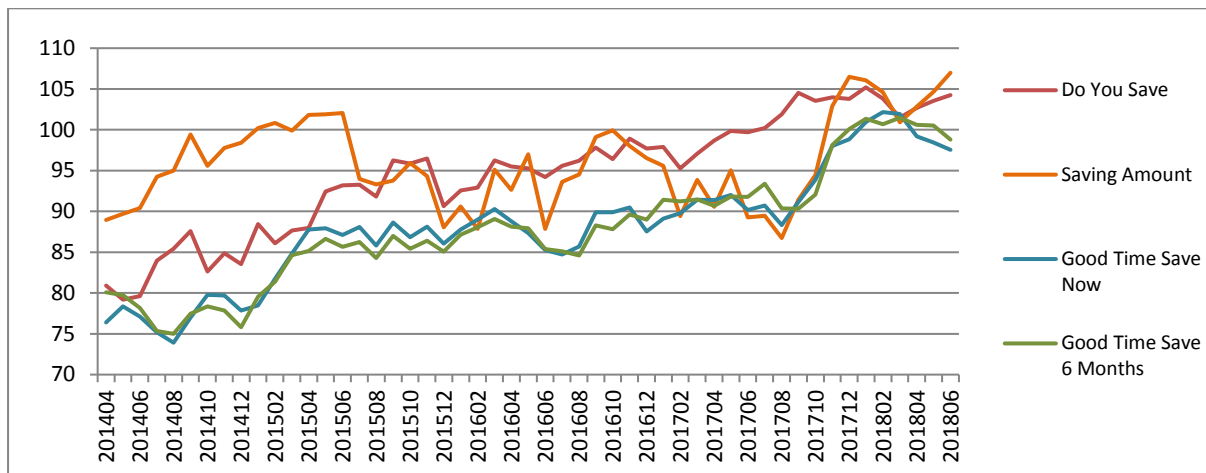
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- After increasing sharply in April 2018 to 108 points from 99 in March 2018, the sub-index capturing whether or not people save fell to 104 index points in May and further to 101 in June 2018, driven by a rise in the proportion of non-savers. Around 49.0 per cent of the households said they saved regularly in June 2018, 19.1 per cent mentioned they save occasionally and 31.9 per cent mention they did not save at all. This compares with 51.1 per cent, 18.3 per cent and 30.6 per cent in May 2018.
- Nevertheless, the savings habits show different patterns across regions. The proportion of non-savers fell in Dublin, while it increased in the BMW region and in the Rest of Ireland. The share of non-savers remained fairly constant among those with less than 50 years while it increased among those with 50 years or less. The proportion of regular savers decreased across both age groups, while the share of occasional savers increased among the younger and it decreased among the older.
- The sub-index capturing how much people save decrease by 4.7 per cent to 106 points in June from 111 May.
- There was a considerable increase in the proportion of households stating that they were saving less than they should (from 41.8 per cent in May to 44.4 per cent in June) and a decrease in the proportion of households feeling they were saving the right amount (from 48.8 per cent in May to 46.8 per cent in June 2018). This change was mainly driven by households under 50 years old and the Dublin and rest of Ireland regions.

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 June 2018, the former sub-index decreased to 94 index points from 100 in May 2018. The latter sub-index decreased to 95 points from 101 points in May.
- The perceptions and expectations regarding the savings environment deteriorated both among those with less than 50 years and those with 50 years or more. These negative views were more prevailing in the BMW and rest of Ireland regions.
- Current and future Savings Environment are directly affected by the interest rate environment. In June, the ECB voted to stop its bond-buying programme but said it would keep interest rates at their current, record low levels until the summer of 2019 the earliest (and in any event, as long as necessary). The continuation of low interest rates provides little return on savings, thus reducing the incentive for people to save This might further create an incentive to shift from savings to investment, which offer a higher return (albeit at a higher risk).

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 ninth month that investment data is available and therefore only nine data points of the Index are available.
- The monthly Investment Index increased to 102 points in June from 98 in May 2018 driven by a rise in both of its sub-indexes.

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	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	102.5	106.1	103.1	109.2	98.9	96.4	101.3
Dec-17	101.2	104.2	105.8	102.7	98.2	97.4	99.0
Jan-18	100.0	95.2	95.9	94.5	104.8	104.6	104.9
Feb-18	101.4	104.4	112.6	96.2	98.3	96.1	100.5
Mar-18	96.6	94.2	90.7	97.7	99.1	99.2	99.0
Apr-18	100.1	98.0	101.6	94.3	102.2	100.7	103.6
May-18	98.1	97.7	97.5	98.0	98.5	95.5	101.5
Jun-18	101.8	102.5	101.2	103.9	101.1	97.2	105.0

- The monthly Investment Attitudes Index increased by 4.9 per cent to 103 index points in June from 98 in May 2018 driven by a rise in its sub-indexes. The Investment Environment Index also increased by 2.7 per cent to 101 index points in June 2018 from 98 in May.
- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. The first rose by 3.8 per cent to 101 index points in June due to a fall in non-investors. The latter increased by 6.0 per cent to 104 index points in June from 98 in May 2018.

- In June 2018, about 31.5 per cent of the respondents claimed to have invested regularly, up from 30.4 per cent in May and 5.9 per cent reported to invest occasionally, up from 5.6 per cent in May. This represents a fall in the share of households not investing at all from 64.0 per cent in May to 62.6 per cent in June 2018. The rise in the proportion of households investing was driven by households with less than 50 years old, while the share of people investing actually decreased among the older population. The rise in investors was fully concentrated in Dublin.
- The proportion of households feeling they invested more than they should decrease from 3.1 per cent in May to 1.7 per cent in June 2018, while the proportion of households believing they invest the right amount increased to 66.9 per cent in June from 60.0 per cent in May 2018. The result was a decrease in the share of households believing they do not invest enough from 36.9 per cent in May to 31.4 per cent in June 2018.
- Household's views on the investment environment increased in June 2018 (+2.7 per cent) to 101 index points, led by a rise in both current and future environment perspectives. Respondents seem to believe that June is a slightly better time to invest when compared to May (+1.8 per cent) and they believe that in 6 months' time it will be even better time to invest (+3.5 per cent). The positive view over the investment environment was only among visible among households with less than 50 years old.
- Despite global uncertainties, the ongoing low interest rate environment (as announced by the ECB this month) may to have fuelled households risk appetite and encourage a shift towards investments. Households with less than 50 years old seem to be the ones thinking that returns on investments are worth the risk involved.

Risk Barometer

- The risk barometer asks households if they would save and/or invest if they were given €10,000 tomorrow. About 61.9 per cent said they would save at least part of it and 38.0 per cent said they wouldn't save but they would invest.
- Consistent with the Savings and Investment Index, in June 2018 households seem to be more willing to take risk. The proportion of households choosing to invest at least part of the €10,000 increased by about 1.3 percentage points and the proportion of households choosing to invest and not save increased by about 2.2 percentage points relative to April 2018.
- Most of the households would pick pensions or property has an investment. Nevertheless, households preferences seem to be shifting away from Government Bonds and Property investments towards Investment Funds and Stocks, which again signals a higher risk appetite.
- In June there was smaller proportion of households choosing to save at least part of the €10,000 when compared to April (from 64.2 per cent to 61.9 per cent).
- For all the three months observable in 2018, the Risk Barometer as exhibit a growing trend in favour of investment.

Chart 1 – Risk Barometer Question

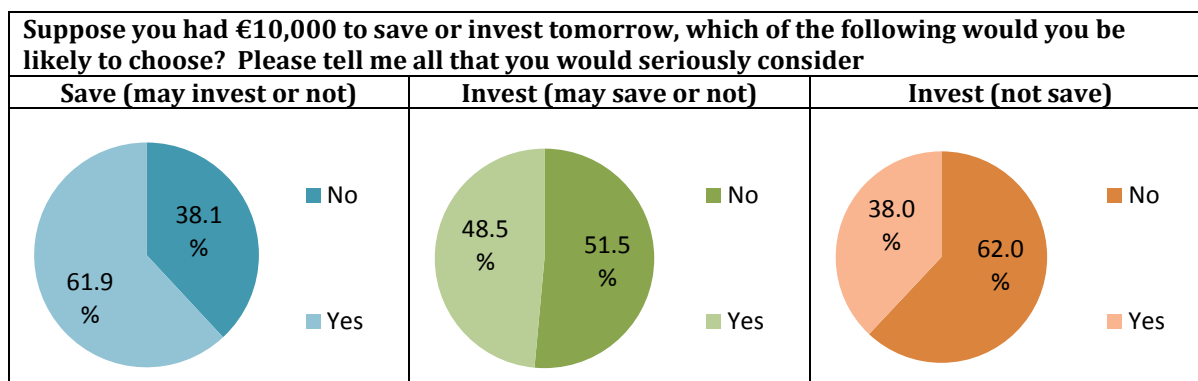


Table 4 – Risk Barometer, bi-monthly

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%
Feb-18	24.5%	75.5%	66.4%	33.6%	75.5%	24.5%
Apr-18	35.8%	64.2%	52.8%	47.2%	64.2%	35.8%
Jun-18	38.1%	61.9%	51.5%	48.5%	62.0%	38.0%

About the Index: The Bank of Ireland/ESRI Savings and Investment Index tracks household views on attitudes towards savings and investment as well as understanding 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 the retirement planning. These 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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