

- One third of people say it will be ‘easy’ for them to live comfortably in retirement
- Savers split down age lines – 46% of under 50s feel it’s a good time to save compared to only 35% of over 50s
- Trade, geopolitics cools May investor sentiment despite rising stock markets

The Bank of Ireland/ESRI Retirement Optimism Index, which tracks how confident Irish people feel about their financial prospects in retirement increased to **104** points in May, the highest since the launch of the Index. May’s results showed that **57%** of Irish people have some financial plan in place for retirement, the highest response since the question was initially asked in November 2017. The improvement was particularly visible amongst people under 50 where almost half (49%) answered that they had some retirement planning in place.

May’s results also showed a rise in the number of people that felt they could live comfortably in retirement from a financial perspective. Overall one-third of people felt that it would be easy to live comfortably in retirement and again this increase was led by the under 50s. **31%** of under 50s felt they could live comfortably in retirement, slightly lower than the **34%** response for over 50s.

Commenting on the findings, Tom McCabe, Bank of Ireland Investment Markets said: *“May’s Retirement Optimism Index showed a greater degree of confidence amongst Irish people around retirement planning. The results may be the first evidence that improving household finances are allowing Irish people turn their attention to longer term retirement planning issues now, in much the same way as they have boosted shorter term savings in recent years.*

“The improvement in confidence among under 50s is particularly encouraging. However the proportion of this group with some retirement planning in place was still less than 50% and ideally this number should be higher. Without a doubt younger people have the unenviable task of juggling numerous competing financial goals of which retirement planning is just one. However, where possible they need to stay focused on this particular goal in order to secure a reasonable income in retirement.”

The Retirement Optimism Index was tracked alongside the Bank of Ireland/ESRI Savings and Investment Index, which was unchanged at **101** in May 2018. Whilst the Savings Index increased slightly, this was countered by a cooling in sentiment towards investment on the back of ongoing concerns about a global trade war and rising political instability in the Euro zone.

Savings Index

The monthly Savings Index increased to **104** in May from 103 in April driven by a slight rise in the Savings Attitudes sub-index. Saving patterns remained strong in May with 51% of people saying they saved regularly and another 18% answering that they saved occasionally. Regular savings patterns remained particularly strong amongst the under 50s with 57% of this group answering that they regularly put money away.

In the Savings Environment sub-index **42%** of people felt it was a good time to save in May, up from 39% in April. However there was a marked divergence in views on this across the age groups. Only 35% of over 50s felt it was a good time to save, a full **11%** lower than the response from under 50s. This likely reflects continued dissatisfaction among older lump sum savers with the returns on offer from deposits.

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 decreased to **98** points in May from **100** driven by a fall in the investment environment sub-index.

After rising considerably in April, peoples' views on the investment environment weakened again in May. The spectre of rising political instability in Italy and Spain, the US exit from the Iran nuclear deal and continued concerns about a global trade war all seemed to weigh on investor sentiment in the month.

The percentage of people that saw it as a good time to invest slipped to **30%** in May compared to 34% in the previous month. However a larger percentage (**34%**) felt it would be a better time to invest in six months time, suggesting that Irish people feel that these geopolitical and trade threats should fade in time.

Commenting on the Investment Index, Tom McCabe, Bank of Ireland Investment Markets said: *"At first glance, it is a little surprising that Irish peoples' views of the investment environment weakened in May, the strongest month so far this year for stock market returns with a gain of 3.6%.*

"However the continued whiff of a global trade war certainly poses a risk for the global economy. Furthermore, the political uncertainty in Italy, the sharp spike in Italian borrowing costs on world markets and even some murmurs of 'Itexit' in May were all queasy reminders of the 2011 Euro zone debt crisis. Given how painful this period was for Irish investors, perhaps it's not that surprising that Irish investors chose to see the glass as half empty rather than half full in May."

ENDS

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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

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 remained around 101 points in May 2018 due to offsetting variations in its two sub-indexes. While the Savings Index improved marginally, the Investment Index deteriorated.
- The short-term outlook of the Irish Economy remains strong and is likely to support household's savings and investment attitudes. The fall in investment environment sentiment may reflect renewed concerns about a global trade war, political instability in the Eurozone (most notably Italy) and other geopolitical tensions.

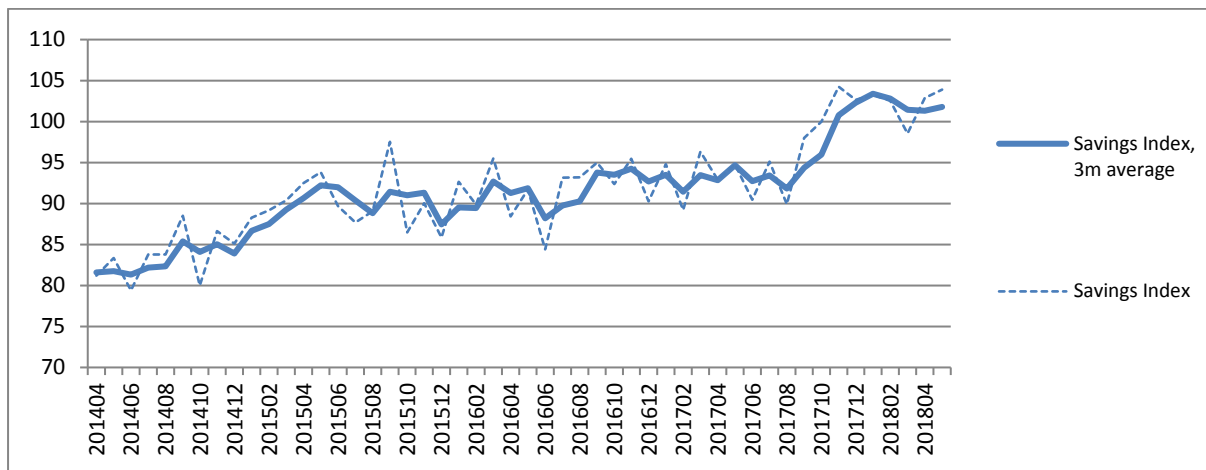
The Savings Index

- 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 increased by 1.0 per cent to 104 index points driven by a rise in its both sub-indexes, the Savings Attitudes and the Savings Environment.

Table 2 - Savings Index and components, monthly

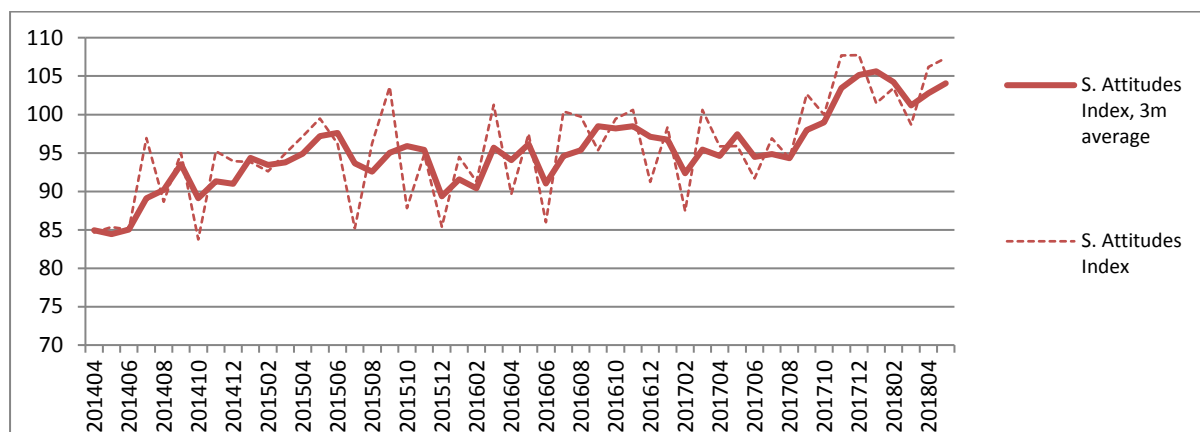
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	104.2	107.7	105.6	109.8	100.8	98.8	102.8
Dec-17	102.7	107.7	105.8	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

Figure 2 - Savings Index



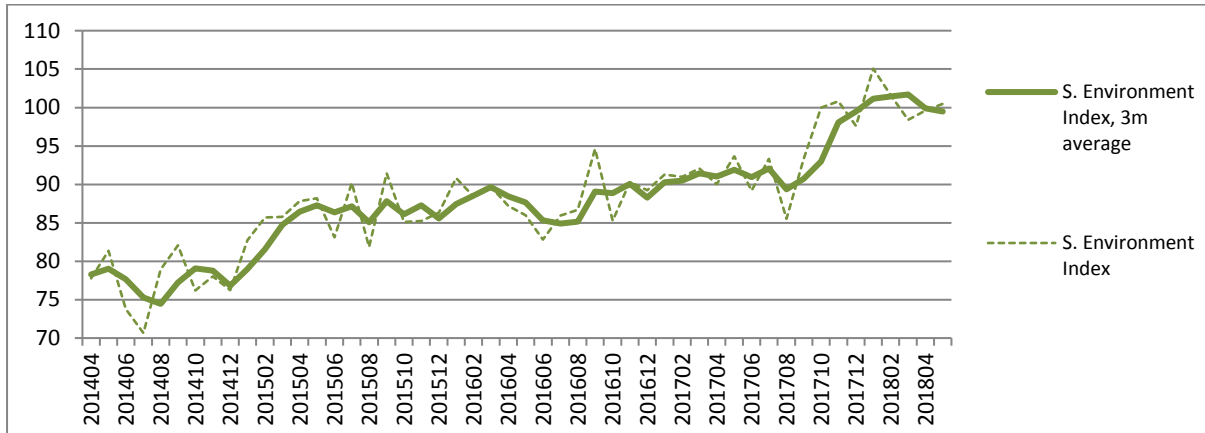
- The two sub-indexes that compose the Savings Index are the Savings Attitudes and the Savings Environment. The monthly Savings Attitudes Index increased by 1.1 per cent to 107 points in May from 106 in April 2018 due to offsetting variations in its underlying components.
- The Savings Environment Index increased by only 0.9 per cent to 104 in May 2018 as views on the present savings landscape improved slightly.

Figure 3 - Savings Attitudes Sub-Index



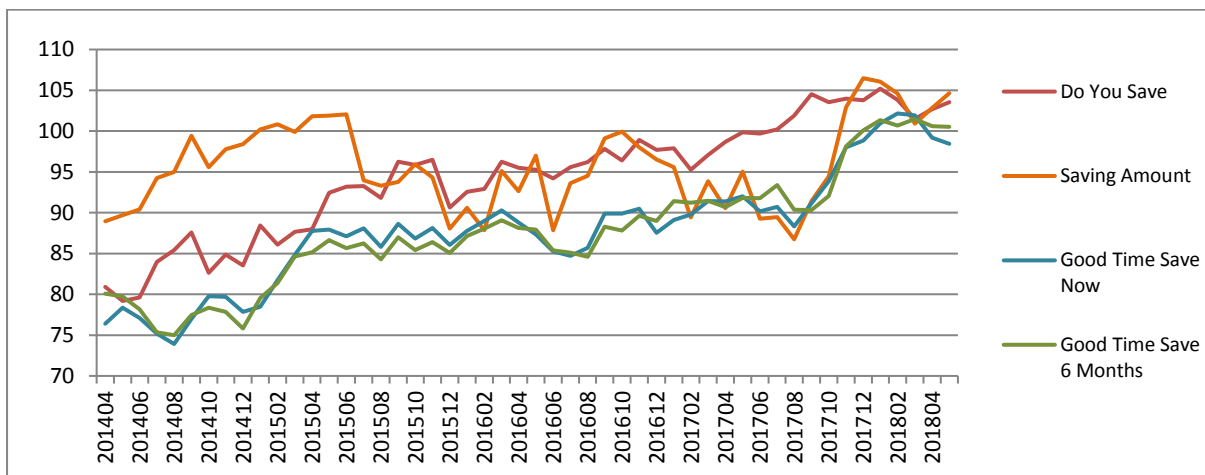
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- After increasing sharply in April 2018 to 108 points from 99 in March 2018, the sub-index capturing whether or not people save fell to 104 index points in May 2018 driven by a rise in the proportion of non-savers. Around 51.1 per cent of the households said they saved regularly in May 2018, 18.3 per cent mentioned they save occasionally and 30.6 per cent mention they did not save at all. This compares with 50.9 per cent, 18.3 per cent and 25.8 per cent in April 2018.
- Dublin had the highest increase in the proportion of non-savers while the BMW region had a slight increase and the Rest of Ireland had only a marginal decrease. The increase in the share of non-savers was higher among those with less than 50 years.
- The sub-index capturing how much people save increase by 6.0 per cent to 111 points in May from 105 April posting the third consecutive month of rising household satisfaction with the level of savings.
- There was a considerable decrease in the proportion of households stating that they were saving less than they should (from 45.8 per cent in April to 41.8 per cent in May) and an increase in the proportion of households feeling they were saving the right amount (from 44.6 per cent in April to 48.8 per cent in May 2018). This change was mainly driven by households under 50 years old. While the proportion of households stating that they were saving less than they should increased in Dublin and the BMW, it had a sharp decline in the rest of Ireland.
- This increase in the positivity around the alignment of savings plans with actual outturns can be indicative of increased household disposable incomes.

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 May 2018, the former sub-index increased to 100 index points from 98 in April 2018. The latter sub-index remained flat at 101 points.
- While global factors have weighted negatively on perceptions recently, these may have been more than offset by positive domestic economic performances leading to a more buoyant savings environment.

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 eight month that investment data is available and therefore only seven data points of the Index are available.
- The monthly Investment Index decreased to 98 points in May from 100 in April 2018 driven by a fall in the investment environment.

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

- The monthly Investment Attitudes Index remained flat at 98 index points in May 2018 driven by opposite variations in its sub-indexes. The Investment Environment Index decreased by 3.6 per cent to 98 index points in May 2018 from 102 in April.
- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. The first dropped by 4.1 per cent to 97 index points in May due to a fall in regular investors. The latter increased by 3.9 per cent to 98 index points in May from 94 in April 2018.
- In May 2018, about 30.4 per cent of the respondents claimed to have invested regularly, down from 32.8 per cent in April and 5.6 per cent reported to invest occasionally, up from 3.6 per cent in April. This represents a rise in the share of households not investing at all from 63.6 per cent in April to 64.0 per cent in May 2018. While the proportion of households not investing increased among those with less than 50 years old, it actually decreased among the older population. The rise in non-investors was particular concentrated in Dublin.
- The proportion of households feeling they invested more than they should increase from 2.9 per cent in April to 3.1 per cent in May 2018, while the proportion of households believing they do not invest enough decreased to 36.9 per cent in May from 39.1 per cent in April 2018. Like with the savings amount, there is a higher share of households (60.0 per cent in May versus 58.0 per cent in April) satisfied with the amount they are investing.
- Household's views on the investment environment decreased in May 2018 (-3.6 per cent), led by an accentuated fall in current environment perspectives. Respondents seem to believe that May is a slightly worse time to invest when compared to April (-5.2 per cent) and they believe that in 6 months' time it will be also worse time to invest (-2.0 per cent).
- Several international events took place in May, which might have influenced household's perceptions about the investment environment. Concerns about a global trade war were

renewed this month, the US pulled off of the Iran deal, talks with North Korea deteriorated and Italy might be getting the first populist government in Europe.

Retirement Optimism Index

- As Ireland’s population is ageing it is important for households to plan for their financial future. To understand better how Irish consumers are preparing for their retirement, a new Retirement Optimism Index has been developed which tracks the degree to which households feel they can live comfortably, and are prepared financially, for old age.
- Overall people seem to be more optimistic about their retirement. In March 2018, the Retirement Optimism Index had increased to 100 points from 92 in January. This month the Index increased further to 104 index points. The Comfort in Retirement sub-index increased significantly by 5.1 per cent to 104 points in May from 99 in March 2018 and the Financial Preparedness sub-index increased by 1.5 per cent to 103 points in May from 101 in March 2018.
- In May 2018, a lower proportion of households stated that it would be difficult to live comfortably in retirement (35.8 per cent versus 39.3 per cent in March 2018) while a higher share said it would be easy to live comfortably in retirement (32.6 per cent versus 31.3 per cent in March 2018).
- A higher proportion of households mentioned they were financially prepared for retirement (57.0 per cent in May versus 55.7 per cent in March) and a lower share said they unprepared (43.0 per cent in May versus 44.3 per cent in March).

Chart 1 – Retirement Optimism Questions

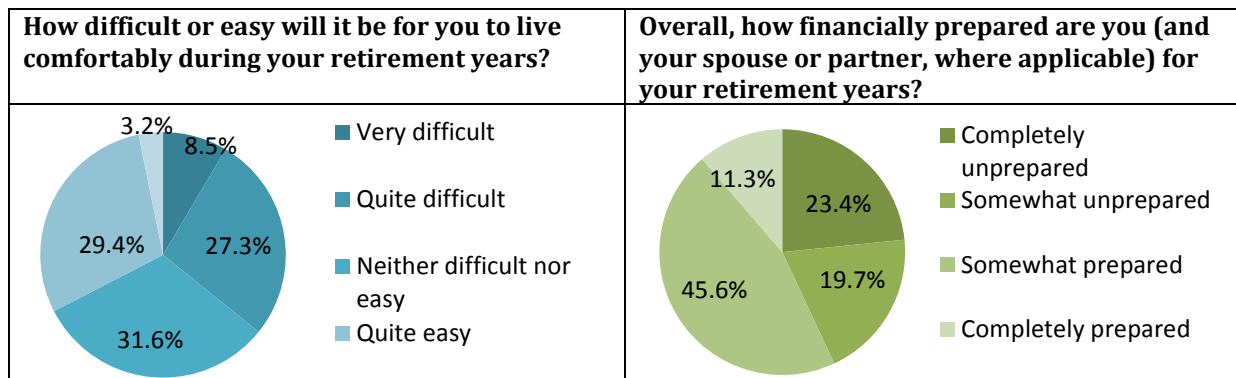


Table 4 Retirement Optimism Index, bi-monthly

Month	Retirement Optimism Index		
	Overall	Comfort in Retirement	Financially prepared in retirement
Nov-17	100.0	100.0	100.0
Jan-18	91.6	90.6	92.6
Mar-18	100.2	99.1	101.4
May-18	103.6	104.2	102.9

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.

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.

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