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## Savings and Investment Index hits highest level since launch

### *‘Consumers starting to think of Christmas saving instead of summer spending’*

- Greater satisfaction around amounts saved powers saving sentiment to 4½ year high
- Almost 3/4 of people satisfied with the amounts they were investing in August
- One in three felt it was a good time to invest in August, a four month high

The Bank of Ireland/ESRI Savings and Investment Index, which measures Irish peoples’ sentiment towards saving and investment rose to **106** in August 2018, the highest level since October 2017. Much stronger attitudes to both saving and investment were the key driver behind the big jump in the headline index.

#### **Savings Index**

The monthly Savings Index increased to **105** in August from **102** in July – this marked the highest reading for the Savings Index since February 2014. The large increase was fuelled by a big improvement in the Savings Attitude sub-index which rose from **103** to **112**. Overall savings patterns remained strong in August with 49% of people answering that they were regular savers. However savers appeared happier with the amounts they were putting away each month – 51% felt they were saving the right amount in August, the strongest response to this question since April 2017.

The improvement in savings attitudes may to some extent reflect seasonal factors as people look to build saving buffers ahead of Christmas. Broader savings patterns (both regular and occasional saving) also picked up in August in the Border-Midwest region which could indicate extra precautionary saving as Brexit uncertainties rumble on.

The one negative in August’s data was that people still appear uncertain about the outlook for the savings environment. 40% of people felt it was a good time to save in August, down marginally from 41% in July. Older savers in particular were less optimistic on the savings outlook with 34% of over 50s saying it was a good time to save, down from 41% in July. Together this uncertainty pulled the Savings Environment sub-index down to **98** from **100** in July.

#### **Investments Index**

Like its savings counterpart, the Investment Index enjoyed a significant move in August, rising from **97** to **106**, marking its highest level since launch. As with the Savings Index, much stronger attitudes to investing were the key driver of the gain. The percentage of people that felt they invested the appropriate amount spiked to 73% in August, a massive increase on the 54% response in July. One in three (32%) were also investing regularly in August, unchanged compared to July. Both of these contributed to the Investment Attitude sub-index rising to **110** compared to **97** in July.

The Investment Environment Index also posted a solid gain in August, rising to **101** from **98**. The percentage of people that felt it was a good time to invest rose to a four month high of 34%, probably helped by another good month for returns with world stock markets up 1.4% for Irish investors.

Commenting on the August results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *“August’s results for the Bank of Ireland/ESRI Savings and Investment Index clearly illustrate that Irish savers are in a good place. Over the past year a strong Irish economy has provided a fertile environment for saving. Seasonal trends with consumers starting to think of Christmas saving instead of summer spending combined with ongoing Brexit uncertainties probably bolstered the saving trend in August.*

*“It is also encouraging to see the mood of Irish investors improve at the same time, particularly given continuing concerns around global trade and geopolitics in particular. Taken together the August results suggest that despite possible economic risks, Irish savers and investors are quietly confident about the global outlook.”*

#### **Additional €10k**

August’s responses for our risk barometer question saw little change compared to June. When asked how people would use a windfall gain of €10,000, **66%** of people said they would prefer to save it with **34%** preferring to invest it, little changed from the June responses of **62%** and **38%**. The results continue to indicate Irish peoples’ preference for saving over investment, even when it comes to once off windfall sums.

#### **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
Jul-17		<b>95.1</b>	96.9	93.3			
Aug-17		<b>89.9</b>	94.3	85.5			
Sep-17		<b>98.0</b>	102.7	93.4			
Oct-17	<b>100.0</b>	<b>100.0</b>	100.0	100.0	<b>100.0</b>	100.0	100.0
Nov-17	<b>103.4</b>	<b>104.2</b>	107.7	100.8	<b>102.5</b>	106.1	98.9
Dec-17	<b>101.9</b>	<b>102.7</b>	107.7	97.6	<b>101.2</b>	104.2	98.2
Jan-18	<b>101.6</b>	<b>103.3</b>	101.5	105.1	<b>100.0</b>	95.2	104.8
Feb-18	<b>102.0</b>	<b>102.5</b>	103.4	101.6	<b>101.4</b>	104.4	98.3
Mar-18	<b>97.6</b>	<b>98.5</b>	98.7	98.4	<b>96.6</b>	94.2	99.1
Apr-18	<b>101.5</b>	<b>102.9</b>	106.2	99.6	<b>100.1</b>	98.0	102.2
May-18	<b>101.0</b>	<b>103.9</b>	107.3	100.5	<b>98.1</b>	97.7	98.5
Jun-18	<b>100.4</b>	<b>98.9</b>	103.3	94.4	<b>101.8</b>	102.5	101.1
Jul-18	<b>99.5</b>	<b>101.7</b>	103.3	100.1	<b>97.3</b>	97.0	97.6
Aug-18	<b>105.5</b>	<b>105.3</b>	112.3	98.4	<b>105.7</b>	110.3	101.1

### The Savings and Investment Index

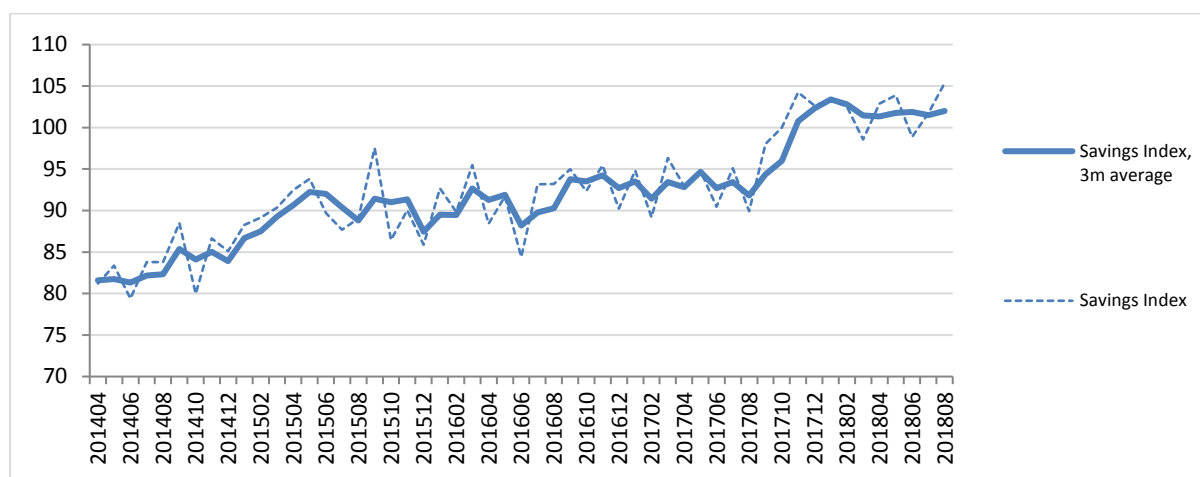
- The overall Bank of Ireland/ESRI Savings and Investment Index aims to capture the sentiment of Irish households towards their ability to save and invest as well as the broader savings and investment environment. The Index combines two sub-indices on savings and investments to provide a broad understanding of household's views on their financial decision making.
- The monthly Savings and Investment Index rose to 105.5 points in August from 99.5 index points in July 2018. Unlike the previous month, both sub-indices forming the Index experienced significant gains in confidence. This was especially felt in the attitudes of savers and investors towards their current activity rather than reflected through a major re-appraisal of the external environment.
- The sharp increase in satisfaction with the amount households are saving and investing is notable. It occurs following a period in which the Irish economy has grown rapidly, raising spending power and employment prospects, which inevitably provided households with additional resources to save and invest. However, the increasing international geopolitical tensions and risks, in particular the changes or a hard Brexit and an increase in trade protectionism are potentially tempering sentiment towards a prudent course. Investors and savers are potentially following a "wait and see" policy using their current level of activity as a satisfactory benchmark.

### The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. In August 2018 the Savings Index increased by 3.5 per cent to 105.3 index points, driven by an improvement in satisfaction regarding the amounts individuals are saving.

- 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.

**Figure 2 - Savings Index**

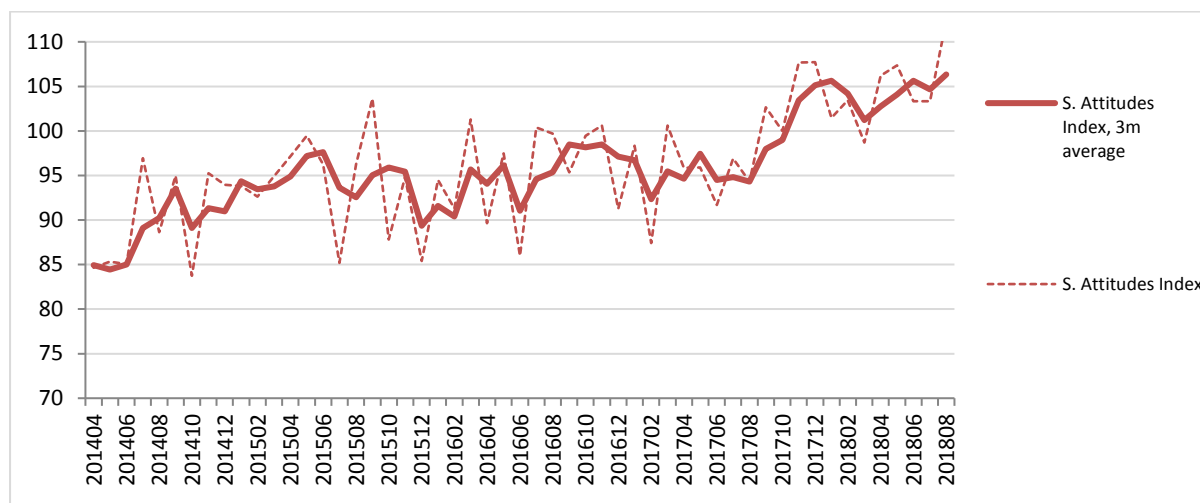


- The Savings Attitudes Index experienced a major increase of 9 index points in August as improved sentiment regarding savings amounts outweighed a slight reduction in the amount of individuals who save. This marks an all-time high for the Saving Attitudes Index by a considerable margin, rising to 112.3 index points.
- The Savings Environment Index fell by 1.7 index points to 98.4 in August, as views towards saving in 6 months rather than now deteriorated. This shift in preferences towards immediate savings may be a product of increasingly tense geopolitical tensions observed in this month.

**Table 2 - Savings Index and components, monthly**

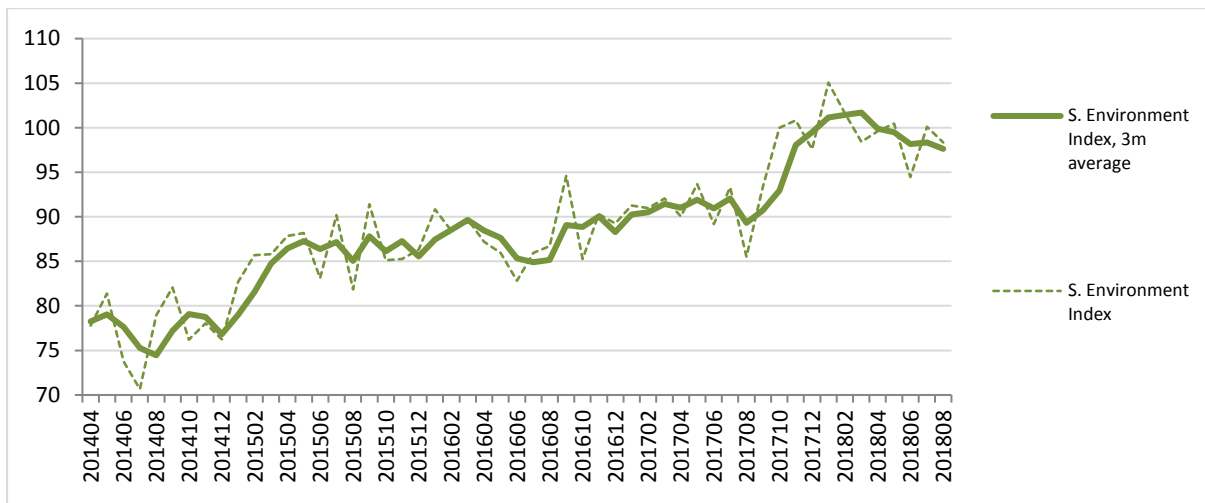
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	<b>100.0</b>	<b>100.0</b>	100.0	100.0	<b>100.0</b>	100.0	100.0
Nov-17	<b>104.2</b>	<b>107.7</b>	105.6	109.8	<b>100.8</b>	98.8	102.8
Dec-17	<b>102.7</b>	<b>107.7</b>	105.8	109.7	<b>97.6</b>	97.7	97.5
Jan-18	<b>103.3</b>	<b>101.5</b>	104.3	98.7	<b>105.1</b>	106.3	103.8
Feb-18	<b>102.5</b>	<b>103.4</b>	101.4	105.5	<b>101.6</b>	102.4	100.8
Mar-18	<b>98.5</b>	<b>98.7</b>	98.8	98.6	<b>98.4</b>	97.0	99.8
Apr-18	<b>102.9</b>	<b>106.2</b>	107.9	104.5	<b>99.6</b>	98.1	101.1
May-18	<b>103.9</b>	<b>107.3</b>	103.9	110.8	<b>100.5</b>	100.3	100.7
Jun-18	<b>98.9</b>	<b>103.3</b>	101.0	105.6	<b>94.4</b>	94.3	94.6
Jul-18	<b>101.7</b>	<b>103.3</b>	103.9	102.8	<b>100.1</b>	98.4	101.8
Aug-18	<b>105.3</b>	<b>112.3</b>	103.5	121.2	<b>98.4</b>	98.8	97.9

**Figure 3 - Savings Attitudes Sub-Index**



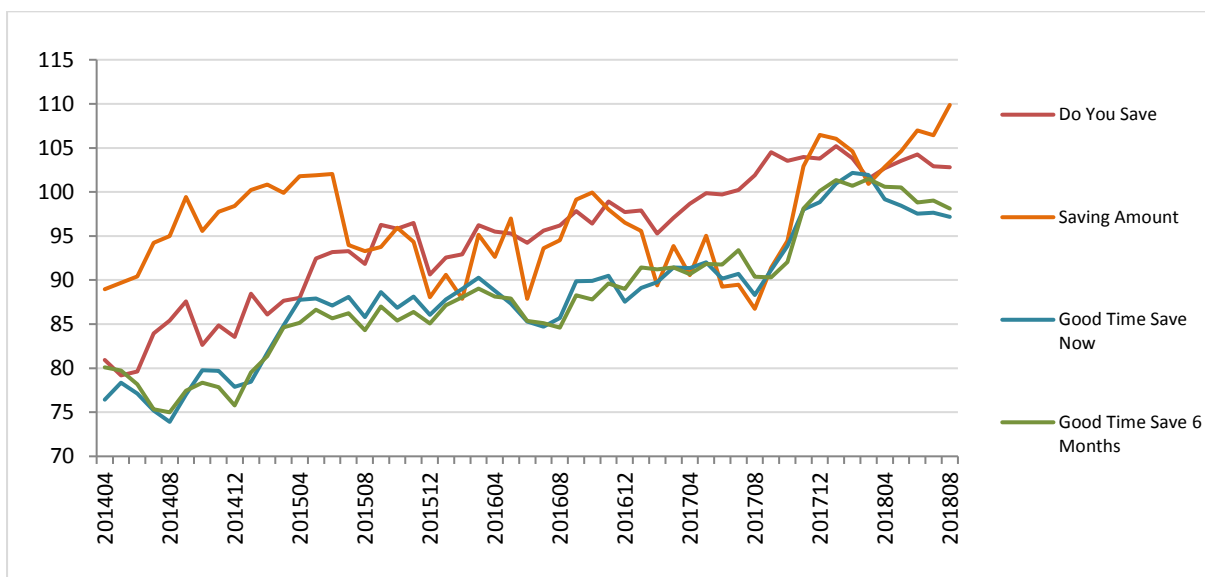
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The proportion of savers slightly decreased in August. Roughly half of the households indicated they saved regularly in August 2018, 22 per cent mentioned they save occasionally and 29 per cent mention they did not save at all. This compares with 20 per cent and 30 per cent last month.
- Across regions, Dublin maintains the highest share of savers while the share of savers outside Dublin and the BMW region fell by 2.7 per cent this month.
- In terms of an age split, households aged below 50 indicated a deterioration in savings activity, with individuals saving less frequently on average as compared to those those above 50.
- The sub-index capturing how satisfied respondents are with the amount they save rose significantly by 17.9 per cent to 121.2 index points in August. Respondents increasingly signalled both satisfaction with current savings amounts and slightly greater tendencies to over save.
- Individuals below the age of 50 experienced the greatest adjustment in this sub-index, with the change in Dublin particularly strong in August. For example, while 39.3 per cent of Dublin respondents indicated satisfaction with current savings amounts in July, this increased to 56 per cent in August. The BMW region however differs from the rest of the country as households indicated a deterioration in satisfaction with the amount they save in August. . Their potential exposure to Brexit and the increasing likelihood of a no-deal scenario may be contributory factors.

**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.
- While perceptions of the current savings environment increased slightly, there was a notable shift away from savings in 6 months' time. The current sub-index rose from 98.4 to 98.8 points, while the latter sub-index fell from 101.8 to 97.9 points.
- Appetites for the savings environment in 6 months' time shifted downwards most strongly among those over 50 with 28.5 per cent of respondents suggesting it was a bad time invest relative to 22.8 per cent in July 2018. This shift was driven primarily in Dublin, where the region experienced an 8.9 percentage point increase in the number of individuals claiming it would be a bad time to save after 6 months have passed.

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



## Investment Index

- The Investment Index measures how consumers feel about their ability to invest and monitors their investment patterns. This is the eleventh month that investment data is available and therefore fewer data points of the Index are available.
- The monthly Investment Index increased to 105.7 points in August from 97.3 in June 2018. Improvements were displayed among respondents both with respect to investment attitudes and the investment environment perceived by respondents. As will be seen in the Risk Barometer section however is a shift of preferences away from investment activity in a similar fashion to how savings amounts have surged in August.

**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	<b>100.0</b>	<b>100.0</b>	100.0	100.0	<b>100.0</b>	100.0	100.0
Nov-17	<b>102.5</b>	<b>106.1</b>	103.1	109.2	<b>98.9</b>	96.4	101.3
Dec-17	<b>101.2</b>	<b>104.2</b>	105.8	102.7	<b>98.2</b>	97.4	99.0
Jan-18	<b>100.0</b>	<b>95.2</b>	95.9	94.5	<b>104.8</b>	104.6	104.9
Feb-18	<b>101.4</b>	<b>104.4</b>	112.6	96.2	<b>98.3</b>	96.1	100.5
Mar-18	<b>96.6</b>	<b>94.2</b>	90.7	97.7	<b>99.1</b>	99.2	99.0
Apr-18	<b>100.1</b>	<b>98.0</b>	101.6	94.3	<b>102.2</b>	100.7	103.6
May-18	<b>98.1</b>	<b>97.7</b>	97.5	98.0	<b>98.5</b>	95.5	101.5
Jun-18	<b>101.8</b>	<b>102.5</b>	101.2	103.9	<b>101.1</b>	97.2	105.0
Jul-18	<b>97.3</b>	<b>97.0</b>	101.3	92.8	<b>97.6</b>	95.1	100.2
Aug-18	<b>105.7</b>	<b>110.3</b>	100.7	119.9	<b>101.1</b>	98.9	103.3

- The distribution of increases in the Investment Index behaved similarly to that of Savings Index for August. The monthly Investment Attitudes Index rose by 13.7 per cent to 110.3 index points. The Investment Environment Index increased far more moderately, rising by 3.6 per cent to 101.1 index points.
- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. The former fell by a marginal -0.6 per cent. The latter rose by 29.2 per cent, similarly to changes in satisfaction of amounts saved. As the domestic economy has grown through the past 18 months it is likely that investors have increased the volume of investments in line with this. However, given these increases, investors may now be more comfortable with their investment level and the increased satisfaction reflects investors closing in on their optimal investment plans.
- While the share of investing households remained levelled at approximately 37 per cent, the proportion of those above 50 increased in August.
- Gains in the proportion of individuals increasingly investing in the BMW region were similarly balanced out by declining shares of investors among respondents in Dublin and the Rest of Ireland.

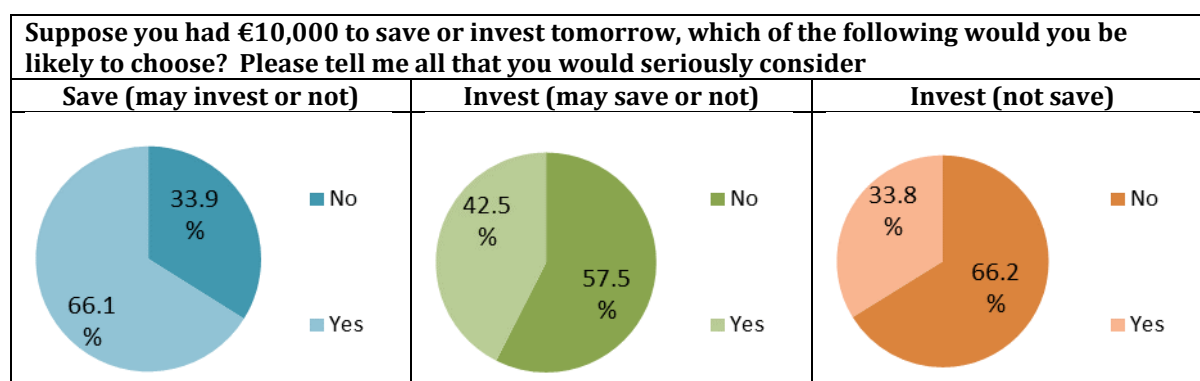
- The 29.2 per cent rise in the 'Investment Amount' subcomponent of investor attitudes was primarily driven by investor below 50 years of age, with two thirds of younger investors now satisfied with their current level of investment relative to 44.2 per cent as of July 2018.
- Dublin saw the largest increase in satisfaction with respect to savings amounts, rising by 21.1 percentage points though weaker patterns were exhibited by the BMW and Rest of Ireland regions.
- Household's views on the investment environment improved more modestly in August 2018, rising by 3.6 per cent to 101.1 index points. Respondents suggest both current and future investment prospects are better, reflected through these subcomponents rising by 3.8 and 3.1 index points, respectively. Households over 50 years of age remain the most optimistic with regard to current and future investment prospects.
- When examining differences in perspectives across regions, the BMW region in particular steps away from national trends yet again, becoming more critical of investment prospects. Dublin and the Rest of Ireland improved their views of both current and investment prospect in August.



## Risk Barometer

- The risk barometer asks households if they would save and/or invest if they were given €10,000 tomorrow. About 61.1 per cent said they would save at least part of it and 33.8 per cent said they would not save but they would invest.
- August 2018 households seem to be less willing to take risk. The proportion of households choosing to invest at least part of the €10,000 decreased by 6 percentage points and the proportion of households choosing to invest and not save fell by about 4.2 percentage points relative to June 2018.
- Of those willing to take a risk and invest, respondents increasingly selected safer securities such as pension schemes and government bonds while signalling a reduction of interest in investment funds, stocks and property.
- Conversely, with a now larger proportion of households choosing to save at least part of the €10,000 when compared to June (from 61.9 to 66.1 per cent), such a development also signals an increased degree of caution among respondents.
- This feature of caution within the risk barometer held especially strong among those below the age of 50 and/or reside in the Dublin region.

**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%
Aug-18	33.9%	66.1%	57.5%	42.5%	66.2%	33.8%

**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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