

Savings and Investment Index moderates in September

'Weaker saving and investment attitudes pulls index lower in month

- Saving, investment attitudes fall from record highs in August
- Irish saving habit remains strong, 50% of Irish people were saving regularly in September
- Confidence in the investment outlook at its highest since launch in October 2017

The Bank of Ireland/ESRI Savings and Investment Index, which measures Irish peoples' sentiment towards saving and investment fell back from its August peak last month, easing from **106** to **103**. Despite this, Irish sentiment towards both saving and investment has risen from **100** to **103** in the first year since the index was launched in October 2017.

Savings Index

The monthly Savings Index fell back from **105** in August to **102** in September. The decline was driven exclusively by weaker attitudes towards saving which fell from a record high in August. The Savings Attitudes subindex fell from **112** in August to **104** in September. Saving patterns have been very strong in the first year of the Savings and Investment Index. This remained the case in September with 50% of people answering that they were regular savers.

However the percentage of people that felt they weren't saving enough rose from **38%** in August to **45%** in September. The 45% reading is in line with the average response over the past twelve months so it doesn't necessarily indicate a notable step up in anxiety levels around how much people are saving. However at the margin it could reflect a desire to pick up the pace of saving as we move closer to Christmas. Nervousness around Brexit could also be a factor although September's regional data wasn't clear cut on the subject – for example, while dissatisfaction around savings amounts rose in the Border Midwest region the incidence of any saving (regular and occasional) actually fell in the month.

The Savings Environment subindex was unchanged at **99** in the month. Generally Irish people were still of the view that it was a good time to save in September – **41%** of people felt it was a good time while **28%** felt it was a bad time. However, older savers' views of the saving environment deteriorated in the month which could reflect the re-emergence of frustrations around the rates of return on offer for deposits in this low interest rate environment.

Investments Index

The Investment Index also fell in September from **106** to **103**. As with the savings index, weaker attitudes towards investment were the catalyst for the fall. The percentage of regular investors was stable at **31%**. However the percentage of people that said they weren't investing enough rose to **34%** from a record low of **23%** the previous month – this drove the Investment Attitudes subindex down to **101** in September from **110** the previous month.

Despite the weaker attitudes to investment, Irish people were very optimistic about the outlook for investment markets in September. **34%** of people felt it was a good time to invest in September, double the amount that felt it was a bad time (**17%**). This drove the Investment Environment subindex up to **106** in September, its highest level since launch. World stock markets enjoyed another solid month in September (up 0.6% for Irish investors) as US stock markets hit fresh all-time highs.

Commenting on the September results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *“September’s results marked the first anniversary for the Bank of Ireland/ESRI Savings and Investment Index. Although the index dropped in September, Irish sentiment towards both saving and investing has improved over the past year.”*

“Irish savings patterns have been very strong recently and the improved economy has been the key driver behind this. This continued to be the case in September. On the investment side, it is clear that prices are moving sentiment and that the stock market’s gains are resonating strongly with Irish investors. Ten years on from the collapse of Lehman Brothers, one of the darkest episodes of the Global Financial Crisis, investors appear to be in a better place.”

Retirement Optimism Index

The September results for the Bank of Ireland/ESRI Retirement Optimism Index continue to highlight that Irish attitudes towards the financial aspects of retirement remain changeable. The percentage of people that said they would find it difficult to live comfortably in retirement from a financial perspective fell to **38%** compared to **44%** in July. In addition the percentage of people saying that they had some financial preparation in place for retirement hit **60%** in September, the highest response since the question was first asked a year ago. Together these combined to drive the Retirement Optimism Index up from **95** to **104**, the highest level for the Index in its first year.

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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
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
Jul-18	99.5	101.7	103.3	100.1	97.3	97.0	97.6
Aug-18	105.5	105.4	112.0	98.7	105.7	110.2	101.2
Sep-18	102.6	101.8	104.3	99.2	103.4	101.2	105.7

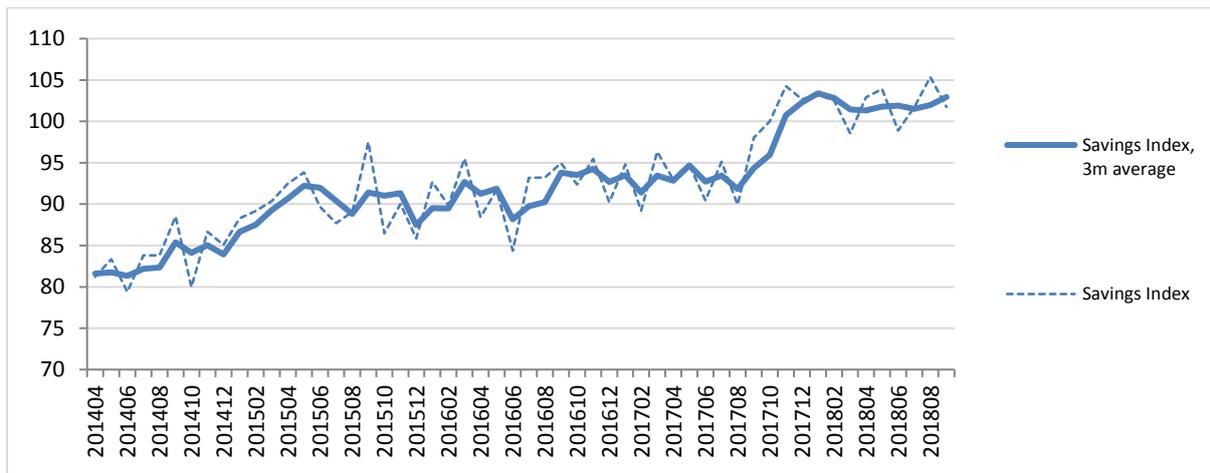
The Savings and Investment Index

- 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 fell to 102.6 points in September from 105.5 index points in August 2018. Rather changes in the external environment for savers and investors, it appears a deterioration in attitudes towards savings and investment contributed to the majority of this decline.
- Declining confidence with respect to savings attitudes is reflected through a decline in the share of respondents who save or invest. Additionally, of this lower share of savers and investors, the amount these individuals have put aside has also diminished. With consumption growing strongly in the first half of 2018, it is likely this trend has persisted going into September. As a result, the remaining share of income attributed to savings and/or investment would understandably decline.

The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. September 2018 saw the Savings Index fall by 3.6 points to 101.8 index points, driven by a decline in saver attitudes towards engaging in saving and regarding the amounts they save. However, a marginal improvement in the savings environment prevented the Savings Index falling even further.
- 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

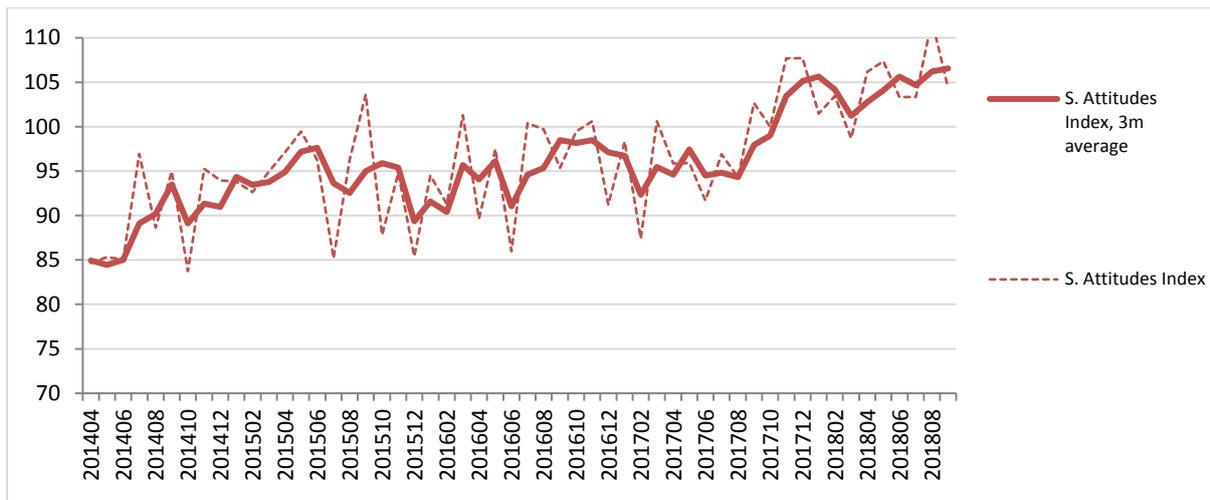


- The Savings Attitudes Index declined by 7.6 index points in September mainly driven by fewer households indicating satisfaction with the level of savings. This pull back is not unsurprising given the surge in savings level satisfaction indicated in August.
- The Savings Environment Index increased marginally by 0.4 index points to 99.2 in September, as views towards saving improved, particularly with respect to saving in 6 months' time. Younger respondents as well as those residing in the BMW region were the most representative among those signalling an improvement in savings prospects in 6 months' time.

Table 2 - Savings Index and components, monthly

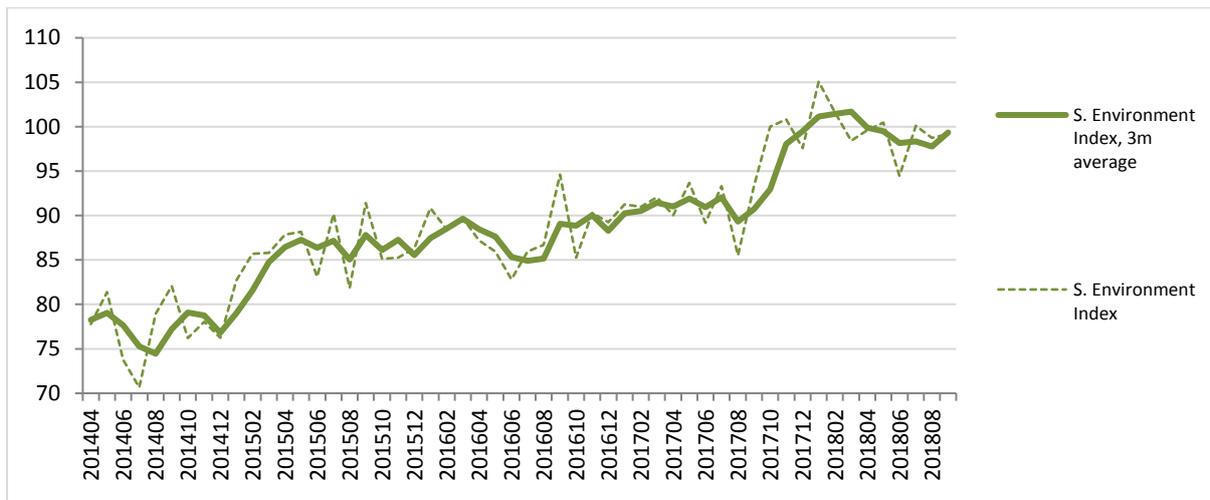
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	104.2	107.7	105.6	109.8	100.8	98.8	102.8
Dec-17	102.7	107.7	105.8	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
Jul-18	101.7	103.3	103.9	102.8	100.1	98.4	101.8
Aug-18	105.4	112.0	104.0	120.0	98.7	99.1	98.3
Sep-18	101.8	104.3	102.8	105.9	99.2	99.2	99.2

Figure 3 - Savings Attitudes Sub-Index



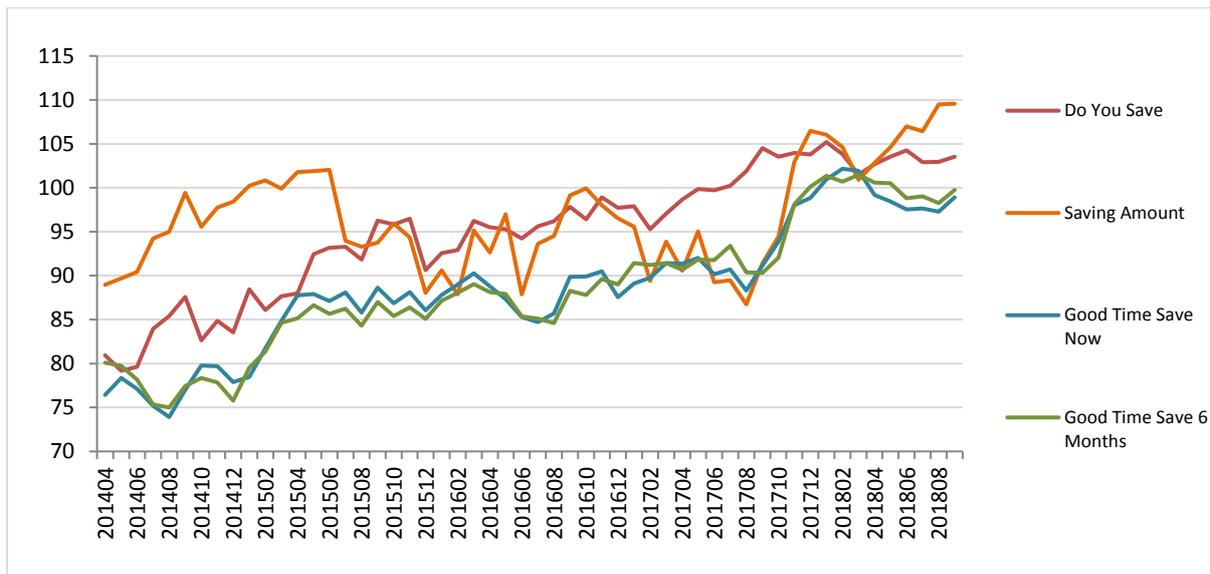
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The proportion of savers decreased in September. Roughly half of the households indicated they saved regularly in September 2018. In total, the non-saver cohort of respondents rose from 29 per cent of the sample to 31 per cent between August and September.
- Across regions, Dublin maintained the highest share of savers in September at 73 per cent. The BMW region saw a substantial decrease in the number of regular savers, falling by 18.3 per cent to 36 per cent of respondents. However, the Rest of Ireland broke away from this trend, yielding a 4.2 index point increase in regular savers to 54 per cent of respondents.
- Those both below and above 50 years of age experienced an increase in the number of savers. Fewer older savers indicated saving, with the decline in regular savers fully contributing to this response. Conversely, it was a decline in occasional savers which translated into the increase in non-savers among younger survey respondents.
- Regarding the second component of Savings Attitudes, Savings Amounts, individuals on a national basis appear to be less satisfied with the amount they are saving, relative to August. Of those reporting dissatisfaction, their share of total respondents rose from 38 per cent in August to 45 per cent in September. This was particularly felt among younger savers, with the share of dissatisfaction rising from 45 to 54 per cent whereas among the older cohort of respondents, this share only rose from 28 to 31 per cent.
- The same trend emerges across our three regions of Dublin, BMW and Rest of Ireland. The BMW region appears particularly exposed, reporting a 7.7 index point decline from 42 to 50 per cent of respondents. 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.
- The Savings Environment Index, examining the present and future with respect to savings behaviour experienced a marginal improvement in confidence. The current sub-index rose from 99.1 to 99.2 points.
- Similarly to current preferences, there was a marginal shift towards it being a good time to save in 6 months' time among respondents. The expectation-based sub-index increased from 98.3 to 99.2 points.
- Appetites for the savings in 6 months' time shifted upwards most strongly among those below 50 years of age with 46 per cent of respondents suggesting it was a good time save relative to 44 per cent in August 2018. Similarly to present-saving, saving in 6 months experienced the largest increase in interests among those in the BMW region, with the share of individuals appraising savings in 6 months as a good choice rising from 33 per cent to 43 per cent between August and September.

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 declined by 2.3 index points to 103.4 between August and September. Similarly to the overall decline in the Saving Index, this decline can be entirely attributed towards a deteriorating in investment attitudes given that respondents suggest the investment environment has improved in September. The monthly Investment Attitudes Index declined by 9 index points to 101.2. The Investment Environment Index increased by 4.5 index points to 105.7.

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
Jul-18	97.3	97.0	101.3	92.8	97.6	95.1	100.2
Aug-18	105.7	110.2	100.4	120.0	101.2	99.0	103.3
Sep-18	103.4	101.2	98.0	104.3	105.7	104.1	107.2

- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. Investment participation fell in September by 1.6 index points to 98, suggesting there were less individuals investing relative to August.
- A decline in the share of investors above 50 years of age drove this decline, falling from 34 per cent in August to 29 per cent in September. The younger cohort, though increasing slightly in terms of investor share, was outweighed by this drop in older investors.
- On a regional basis, the BMW region and Dublin both drove the decline in investors while the Rest of Ireland experienced a minor increase in the share of investors represented in the region.
- Satisfaction regarding the amount invested by remaining investors declined significantly in September. This was particularly reflected among younger respondents, which signalled a 14.7 percentage point increase in the share of individuals suggesting they felt the amounts they had invested were insufficient.
- Households in Dublin had the largest fall in satisfaction with the level of investment. A falling trend in the BMW and Rest of Ireland regions was also evident.
- The Investment Environment sub-index asks respondents if it is a good time to invest now and in 6 months' time. Relative to August, the index rose by 4.5 points, reaching 105.7 index points. Investment environments both with respect to current and future opportunities appear to have improved. This also marks the highest level for the Index since its inception.
- Focusing firstly on present investment opportunities, the general consensus signalled a 5.1 index point improvement to 104.1 points. Given that the younger cohort of investors remained relatively static between August and September, it appears those above 50 in age have driven this upward shift.
- The BMW region is the region with the strongest increase in the Index.
- Interests in investment in 6 months' time rose by 3.9 index points, increasing in September to 107.2. This trend was largely driven by a larger consensus view that opportunities in 6 months' will present a good timing to investment. It must be noted that March 2019, the official Brexit date, coincides with this increase in optimism.
- Both age groups experienced increased confidence in investment opportunities. Similarly to current investment opportunities, the BMW region remains far more optimistic with respect to it being good timing to invest in six months, with the share of BMW respondents maintaining this view rising from August's 33 per cent to 42 per cent in September.
- Given that both components of the investment environments have improved, it may be the case that investors in Ireland are poised for developing arbitrage opportunities. As March 2019 approaches, dysphoria regarding the UK's position on Brexit is likely to intensify. This will have implications for asset prices in the region, as greater risks are weighed into asset valuations. When markets react initially to major shocks, this often leads to an overcorrection which effectively causes assets to become undervalued. Hence, any active investors currently studying the Brexit scenario likely anticipates a temporary time window for major investment opportunities to arise as the value of the pound becomes shaken.
- The fact that the Border-Midwest region has experienced the greatest gains in confidence for investment opportunities arising appears to support this claim, as nearby Northern Irish properties and assets will likely yield a wide variety of arbitrage opportunities towards more shrewd and adaptive investors.

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.
- The Index rose from 93.7 index points in July to 105.2 index points as of September 2018. While both anticipated comfort and financial preparedness both improved this month, it was the former which drove the majority of the overall index's increase, rising by 12.4 index points. See Chart 1 and Table 4 for a visual breakdown.
- This rise in the proportion of individuals experiencing greater ease to live comfortably during retirement years was especially pronounced among the younger share of the population, with 30 per cent in September rather than 20 per cent in August reporting some degree of ease. This development was especially pronounced in the Dublin region, rising by 16.3 index points from 22 per cent of respondents in August.

Chart 1 – Retirement Optimism Questions

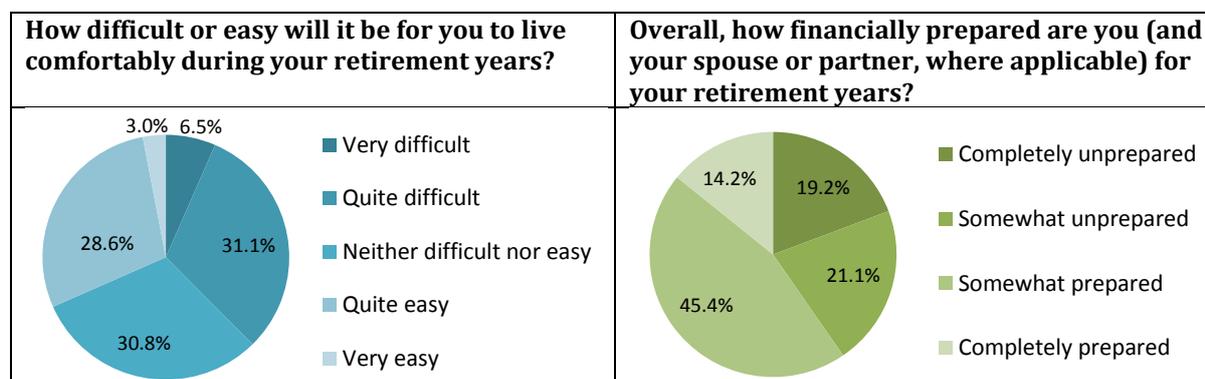


Table 4 – Retirement Optimism Index, bi-monthly

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
Jul-18	93.7	88.8	98.5
Sep-18	105.2	101.2	109.1

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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