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***‘October stock market volatility pushes investment sentiment sharply lower’***

- Sentiment towards both saving and investment slips in October
- Confidence in the investment outlook at its weakest since October 2017
- Majority are favourable towards auto enrolment pension scheme

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, fell to its lowest level since March in October with the headline index falling from **103** to **99**. Both the saving and investment components of the index declined in the month but the drop in investment sentiment was more marked, driven by weaker investor confidence around the market outlook.

Additional research conducted as part of the Index showed that the majority of Irish people are positive about the proposed introduction of a state-backed auto enrolment pension scheme with six in ten (57%) describing the scheme as a ‘good’ or ‘great’ development.

Commenting on the October results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *“October’s results for the Bank of Ireland/ESRI Savings and Investment Index showed weaker sentiment towards saving and investment with stock market volatility representing the clearest factor driving the headline index to a seven month low.*

*“Given that October’s sell off in the stock market effectively wiped out investors’ 2018 gains, it’s not surprising that this weighed heavily on Irish investors’ short term outlook for investment markets in the month. What was more surprising was that Irish attitudes towards investment actually improved in spite of the weaker stock market. It will be interesting to see if investor attitudes continue to hold up over the next few months, particularly should markets remain jittery.”*

**Investments Index**

The Investment Index fell in October from **103** to **99**, hitting a three month low. Sharply weaker investor confidence around the market outlook was the main cause of the fall. The Investment Environment sub index slumped from **106** to **96** in October, its lowest level since launch. Big falls in technology shares, concerns about economic growth and corporate profits and a sudden rise in global bond yields all combined to drive global stock markets down by 5.2% in October, the worst monthly performance so far this year. As a result, the percentage of people that now felt it was a bad time to invest jumped from **17%** in September to **26%** in October with nervousness about the short term outlook particularly apparent among older investors.

Given the market backdrop, it was surprising to see the Investment Attitudes Index climb marginally from **101** to **102** in October. The percentage of regular investors dipped to 29%, the lowest since March. However people seemed more confident with the amounts they were investing in October, a factor that helped push the sub index modestly higher.

## **Savings Index**

The monthly Savings Index also fell back from **102** in September to **100** in October. The decline was driven by a modest easing in both attitudes towards saving and people's views on the saving environment. The Savings Attitudes subindex fell from **104** in September to **102** in October. The percentage of people saving regularly fell to **47%** in October, the lowest since March, with saving patterns weakening amongst younger savers in particular. **51%** of people under 50 were saving regularly in October, down from **56%** in the previous month.

Somewhat surprisingly, the Savings Index has fallen back in recent months even as uncertainties around Brexit have risen. This would tend to suggest that Brexit is not spurring greater precautionary saving among Irish people. A review of the regional saving patterns in October also tended to back this up. The percentage of people saving regularly in the Border Midwest region, for example, dropped to **34%** in October which was the lowest response from savers in the region since September 2016.

In addition to saving activity easing in October, respondents' views of the environment for saving were also slightly weaker in the month. 47% of people felt they weren't saving enough in October, which was up slightly from the 45% reading in September. Concerns about not saving enough appeared more acute for older savers – the percentage of people over 50 that felt they weren't saving enough rose to 36% from 31% in September.

## **Pension Auto Enrolment**

This month we asked Irish people for their views on the proposed introduction of an auto enrolment pension scheme by 2022. The responses produced a number of interesting results:

- The results indicated that the majority of Irish people were positive about the scheme with 57% describing the scheme as a 'good' or 'great' development
- Interestingly, those from professional or managerial backgrounds had a much more positive view of the proposed scheme compared to those from other occupations
- Of those currently without private pension coverage, 44% expressed some concern about the size of the employee contribution being too large. This suggests that if the scheme were to be introduced, an employee contribution of less than 6% may have more public support.

## **ENDS**

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**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		<b>94.8</b>	95.9	93.7			
Jun-17		<b>90.4</b>	91.7	89.2			
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>105.4</b>	112.0	98.7	<b>105.7</b>	110.2	101.2
Sep-18	<b>102.6</b>	<b>101.8</b>	104.3	99.2	<b>103.4</b>	101.2	105.7
Oct-18	<b>99.4</b>	<b>99.9</b>	102.3	97.6	<b>98.8</b>	102.0	95.6

### The Savings and Investment Index

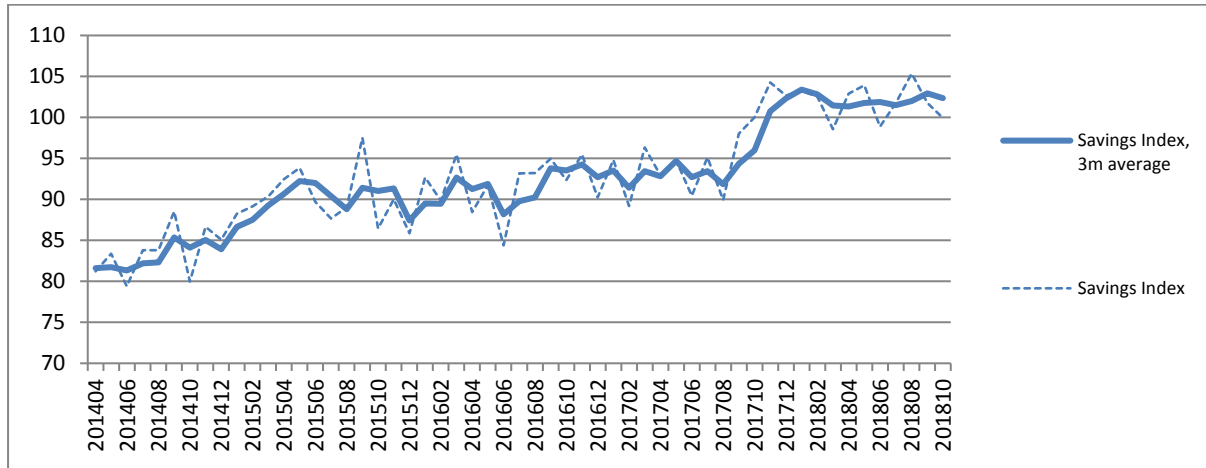
- The overall Bank of Ireland/ESRI Savings and Investment Index aims to capture the sentiment of Irish households towards their ability to save and invest as well as the broader savings and investment environment. The Index combines two sub-indices on savings and investments to provide a broad understanding of household's views on their financial decision making.
- The monthly Savings and Investment Index fell to 99.4 points in October from 102.6 points in September 2018. This was as a result of both the Savings and Investment indices experiencing significant declines over the last month. This in turn was largely due to a fall in the perceived suitability of the environment for investing. Attitude shifts on the other hand were relatively stable over the period.
- The most notable change in the index from the previous month is the dramatic fall in attitudes towards the investing environment, a fall of over 10 index points. In a period of increasing uncertainty with regards to Brexit and the escalation of international trade wars, Irish investors are understandably wary about the risks of investing in the short term.

### The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. In October 2018 the Savings Index decreased by approximately 1.8 per cent to 99.9 index points. This was as a result of a fall, both in the satisfaction regarding the amounts individuals are saving and the negative perception of the saving environment.
- 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 1 - Savings Index**

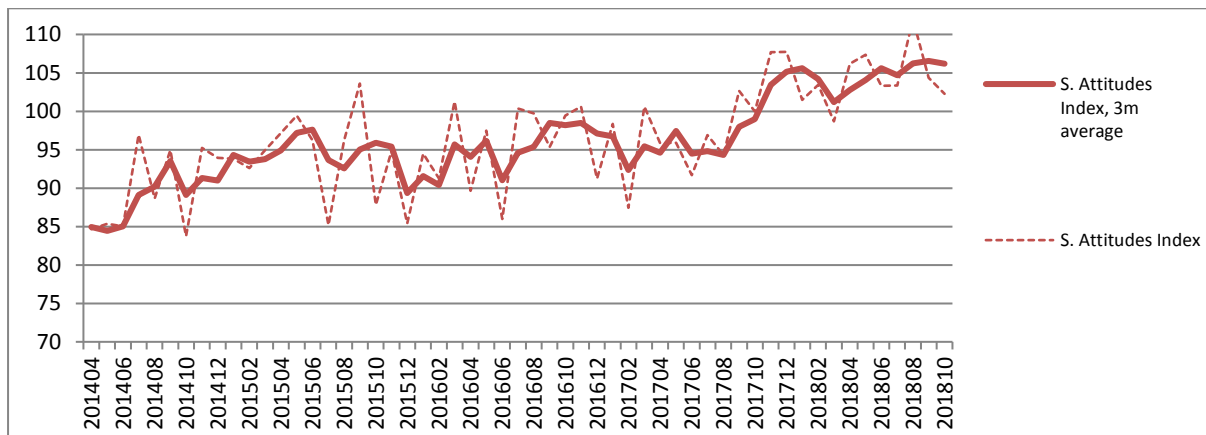


- The Savings Attitudes Index saw a decrease of 2 index points in October due largely to decrease in the amount of households that are currently saving. There was also a slight drop in satisfaction towards the *amount* households were saving.
- The Savings Environment Index fell by 1.6 index points to 97.6 in October, as views towards saving, both today and 6 months in the future, deteriorated. This deterioration of views was much more pronounced amongst younger respondents. Those under the age of 50 were 6 per cent less likely to feel it was a good time to save now than in the previous month. Those over the age of 50 on the other hand, were over 4 per cent more likely to feel it was a good time to save now than in the previous month.

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

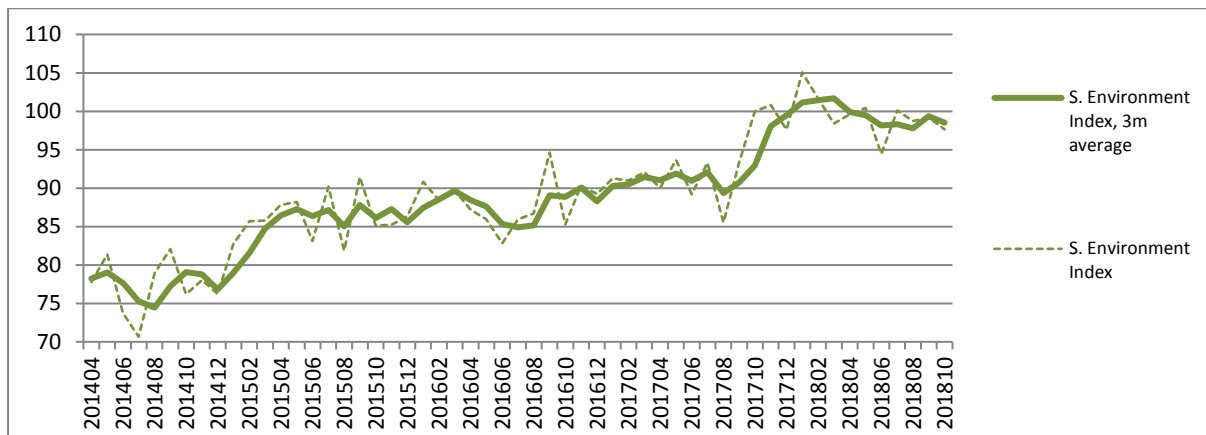
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	<b>100.0</b>	<b>100.0</b>	100.0	100.0	<b>100.0</b>	100.0	100.0
Nov-17	<b>104.2</b>	<b>107.7</b>	105.6	109.8	<b>100.8</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>105.4</b>	<b>112.0</b>	104.0	120.0	<b>98.7</b>	99.1	98.3
Sep-18	<b>101.8</b>	<b>104.3</b>	102.8	105.9	<b>99.2</b>	99.2	99.2
Oct-18	<b>99.9</b>	<b>102.3</b>	99.8	104.7	<b>97.6</b>	96.8	98.4

**Figure 2 - Savings Attitudes Sub-Index**



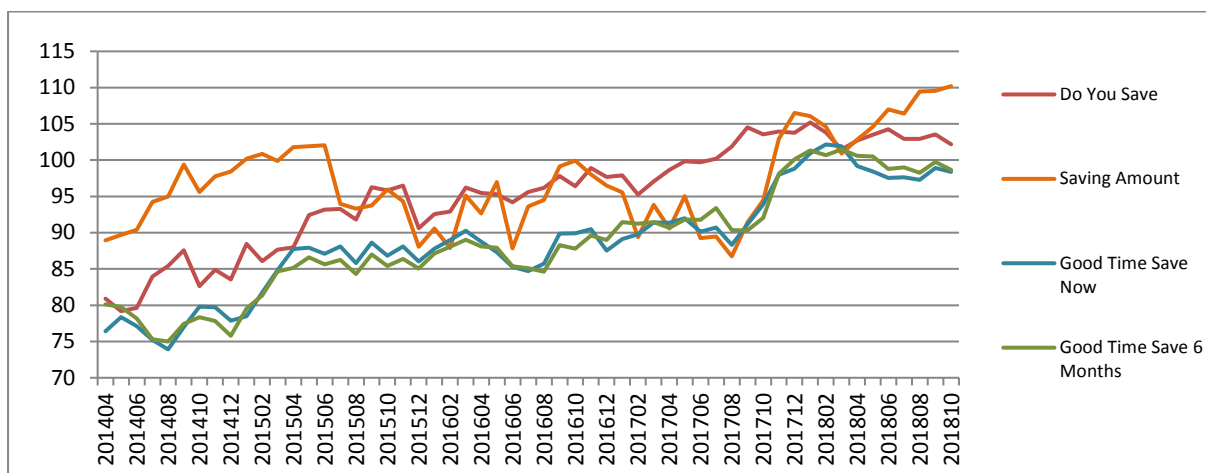
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The proportion of savers slightly decreased in October. 47.5 per cent of the households indicated they saved regularly in October 2018 compared with 49.9 per cent the previous month. 20.7 per cent indicated they save occasionally while 31.8 per cent mention they did not save at all. This is up slightly on the 30.7 per cent of respondents who did not save at all last month.
- There was an increase in those who were currently saving in the counties outside of Dublin and the BMW area. Households from this 'Rest of Ireland' region now have the highest share of savings, taking over from Dublin. There was a substantial fall in those saving from the BMW counties, down over 10 per cent on the month.
- Those above the age of 50 were about 4 per cent less likely to save in comparison to the previous month, while those below the age of 50 were about 1 per cent more likely to save.
- In terms of the second component of the Savings Attitude Index, Savings Amounts, those who indicated they didn't save enough were up by 2.5 per cent in October. This feeling was most prevalent among those from the Dublin region which had an increase of 7 per cent in those who felt they weren't saving enough. There were also increases in this regard in the BMW region and the rest of the country but the change was marginal.
- The change in sentiment to the current amount being saved was similar across age groups, with increases of about 5 per cent in both the over 50 and under 50 groups in those who felt they didn't save enough.

**Figure 3 - 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.
- Sentiments about whether it was a good time to save now or in 6 months’ time decreased from the previous month. The ‘Good Time to Save Now’ sub index fell by 2.4 index points to 96.8, while the ‘Good Time to Save in 6months’ index fell by .8 points to 98.4.
- There was an increase of over 13 per cent in those from the BMW region who believed that saving in 6 months’ time would be a bad idea. Nearly the exact opposite effect was seen in the Rest of Ireland area (outside Dublin and the BMW), where those who thought it would be a good time to save in 6 months was up 11per cent.
- Those under the age of 50 exhibited the most significant apprehension to saving in 6 months’ time, with an extra 2 per cent of respondents in that group believing that it would be a bad time to save in comparison to last month.

**Figure 4 - 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.
- The monthly Investment Index declined by 4.6 index points to 98.8 between September and October. This fall can be attributed to the sharp decline in the investment environment index which fell by over 10 points in the period to 95.6. This is the lowest the investment environment index has been since the index was originated and is likely due to increasing uncertainty around the outcome of Brexit and anxiety in global equity markets. This was only fractionally counteracted by a small increase in the investment attitudes index, up 0.8 points to 102.

**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>110.2</b>	100.4	120.0	<b>101.2</b>	99.0	103.3
Sep-18	<b>103.4</b>	<b>101.2</b>	98.0	104.3	<b>105.7</b>	104.1	107.2
Oct-18	<b>98.8</b>	<b>102.0</b>	98.0	106.1	<b>95.6</b>	95.1	96.1

- The Investment Attitude index asks respondents about their investment behaviour and how they feel about the amount they invest.
- Investment participation remained stable from the previous month at 98 index points. Breaking down by region there was a slight decrease in those who invest in the BMW area (down 1.3 per cent) and slight increases in Dublin (up 3.4 per cent) and the Rest of the Country (up 2.7 per cent). In terms of age, there was a rise of 3.4 per cent to 43.6 in those under the age of 50 who were investing, while there was slight fall of half a per cent to 28.4 of those over the age of 50.
- Looking at the investment amount sub-index, there was a rise in satisfaction amongst investors in the amount they were investing with the index rising to 106.1. Those under the age of 50 in particular were more satisfied this month than last with the amount they were investing. There was an increase of over 10 per cent in this group over the period.
- Dublin saw the largest increase in satisfaction with respect to investing amounts, rising by 14 per cent. The BMW region on the other hand saw a slight increase in dissatisfaction with the amount they were investing over this time of around 2 per cent.

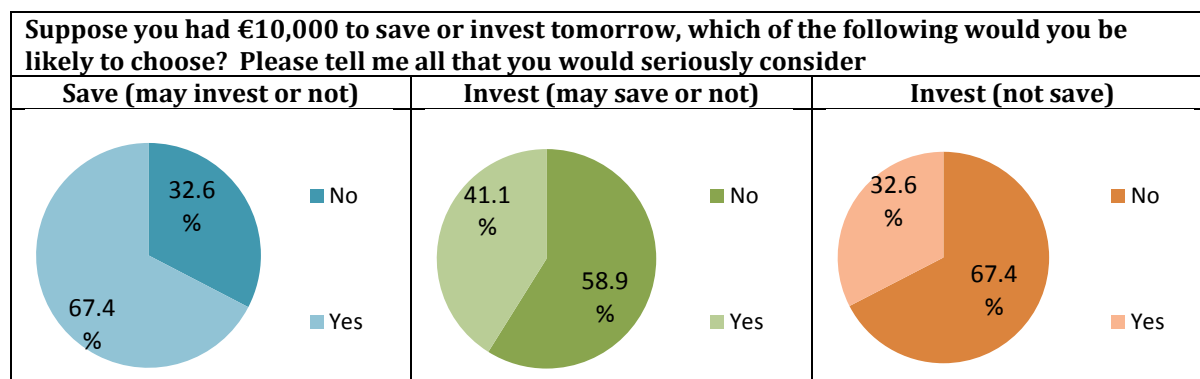
- Both the sub-indexes composing the Investment Environment, Investing Now and Investing in 6 Months' Time, fell dramatically in comparison to the last period. Both sub-indexes are at their lowest point since the survey began, at 95.1 and 96.1 respectively. This deterioration in views towards the investing environment comes on the back of increasing uncertainty around the outcome of the ongoing Brexit negotiations and heightened anxiety about the possibility of Britain leaving the EU with no deal in place. The general decline in stock markets globally over the last month is also likely to have been a significant contributor to investors' bearish outlook on the investing environment.
- This fall in optimism about the investing environment is reflected similarly between both the young and old cohorts. In both groups there were approximately double the amount of responders who believed that it would be a bad time to invest in 6 months compared to the previous period.
- At a geographical level, all three regions had more negative views of the investing environment in comparison to the previous month. Dublin households in particular were seen to have the most negative change in attitude towards the investing environment, with a sizeable 21 per cent increase in those who thought it would be a bad idea to invest in 6 months' time and a 16 per cent increase in those who thought it was currently a bad time to invest. As the primary hub of financial activity in Ireland, the negative consequences of a hard/no deal Brexit and/or shocks in the equity market are likely to have a sizeable impact in Dublin, hence why there can be seen such an aversion to investment in the capital.



## Risk Barometer

- The risk barometer asks households if they would save and/or invest if they were given €10,000 tomorrow. About 67.4 per cent said they would save at least part of it and 32.6 per cent said they would not save but they would invest.
- For the second month running there has been a fall in household willingness to take risk. The proportion of households choosing to invest at least part of the €10,000 decreased by 1 percentage point and the proportion of households choosing to invest and not save fell by just under 1 percentage point relative to August 2018.
- Of those willing to take a risk and invest, the types of investment that respondents said they would consider investing in was very similar to what was seen in August. However reflecting the general fall in appetite for investing, interest in all investments types was down on the previous period.
- The trend for more caution in this periods Risk Barometer primarily came through those over the age of 50 and from outside the Dublin/BMW regions.

**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	33.5%	66.5%	57.9%	42.1%	66.5%	33.5%
Oct-18	32.6%	67.4%	58.9%	41.1%	67.4%	32.6%

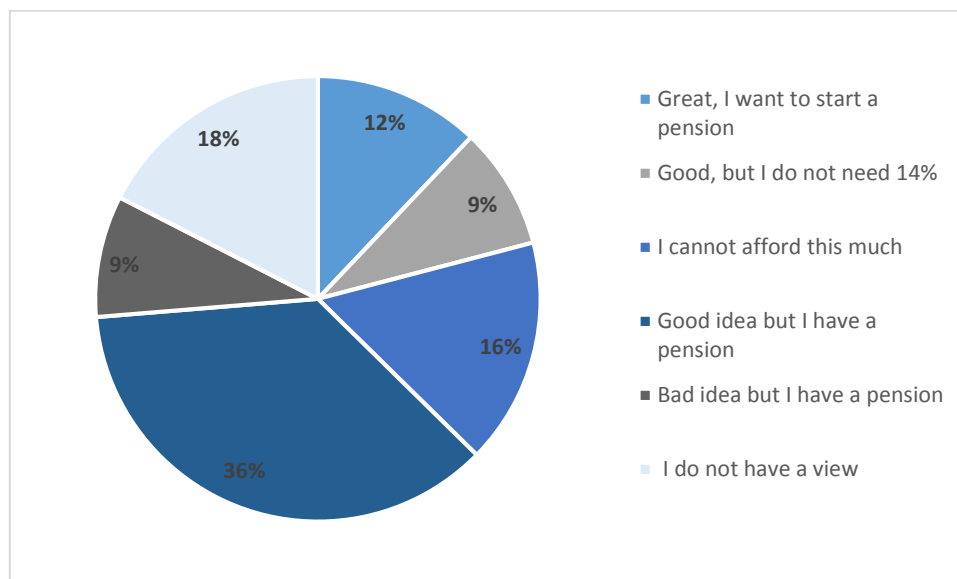
## Special Topic: Auto Enrolment Pension Scheme

As the average age in Ireland continues to increase, the more we as a country need to think about how we can improve the financial security of retired citizens. One way to ensure that a greater proportion of the population are saving for their retirement would be to introduce an auto enrolment pension scheme whereby workers who don't currently have a pension would be automatically registered on one. In order to gauge the appetite amongst the Irish public for such a scheme, respondents were asked the following hypothetical question, with the results presented in Chart 2:

**The government plans to introduce a scheme where, if you are aged between 23 and 60, earn over €20,000 and don't already have a pension, you will be automatically enrolled in one. You will contribute 6% of your pay, your employer will contribute 6% and the government will contribute 2%. Which of the following do you agree with most strongly?**

1. Great, I want to start a pension
2. Good, but I do not need 14%
3. I cannot afford this much
4. Good idea but I have a pension
5. Bad idea but I have a pension
6. I do not have a view

**Chart 2 – Auto Enrolment Pension Scheme**



- The results show that the majority of respondents were positive about the scheme, with 57 per cent of people saying the scheme was either 'Good' or 'Great'.
- However, amongst those without a pension, 43 per cent expressed concern about the size of the employee contribution. This suggests that if such a scheme were to be introduced an employee contribution below 6 per cent may have more public support.
- There were no major differences in opinion between respondents from different age groups or from different regions but it was found that professionals were 16% more likely to have a positive view of the scheme than those from other occupations.

**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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