

- Investment sentiment falls to lowest level on record
- Views toward the investing environment deteriorate significantly on the back of Brexit uncertainty and another poor month for global equity markets
- Despite the gloom, the risk barometer is still on the rise

The Bank of Ireland/ESRI Savings and Investments Index, which measures public sentiment towards savings and investments decreased to **99.4** index points in December 2018. This was primarily driven by a fall in sentiment towards the investment environment.

Savings Index

The monthly Savings Index rose to **103** index points in December from **100** points in November, driven by increases in both savings attitude and the savings environment. The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. The monthly Savings Attitudes Index rose to **103.9** points in December, due to a rise in the number of people who were saving and an increase in satisfaction with the level of savings. The Savings Environment Index also increased on the previous month, up to 102.1 index points. This increase was driven by an increase in those who thought it was presently a good time to save.

There was a significant increase in those who were currently saving in the BMW region, as well as those under the age of 50. However, those from the BMW region also showed the most significant level of dissatisfaction with the amount they were saving. Border proximity might be spurring people to build up savings buffers ahead of Brexit.

Investments Index

The Investment Index measures respondents' attitudes towards investing and how they view the investment environment. The monthly Investment Index fell to **95.7** points in December from **100.3** points the previous month.

The Investment Attitudes Index decreased to **99.2** index points in December, down from **101.8** the previous month. There was a significant drop-off in the proportion of individuals who were investing in December from what had been an eight month high in November. The level of satisfaction with the amount individuals were investing was also down on the previous period. Those from the BMW region in particular were unsatisfied with the amount they were investing.

Household's views within the Investment Environment Index deteriorated significantly in December 2018 to **92.2** index points, the lowest level on record. This was reflected both in respondents negative views as to whether it was a good time to invest today and whether it would be a good time to invest in 6 months. These views reflect the poor performance of the stock market in December and the increasing uncertainty around the outcome of Brexit. The BMW region in particular was seen to have the most negative change in attitude towards the investing

environment which is likely a reflection of the significant impact Brexit will have on the border counties.

Risk Barometer

The Risk Barometer asks respondents whether they would save or invest a €10,000 windfall. The percentage of people saying they would invest a €10,000 windfall increased to **36.4** per cent from **32.6** per cent in October. The percentage answering that they would prefer to save at least some of the windfall decreased to **63.6** per cent from **67.4** per cent. This demonstrates an increased willingness from respondents to take on more risk. However, these figures also show that Irish people still have a significant preference for saving over investment.

ENDS

For media queries or interview opportunities, please contact:

Mark Leech, Media Relations Manager @ Bank of Ireland

Tel: +353 (0)76 623 4773

E: Mark.Leech@boi.com

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
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
Oct-18	99.4	99.9	102.3	97.6	98.8	102.0	95.6
Nov-18	100.1	100.0	99.2	100.8	100.3	101.8	98.7
Dec-18	99.4	103.0	103.9	102.1	95.7	99.2	92.2

The Savings and Investment Index

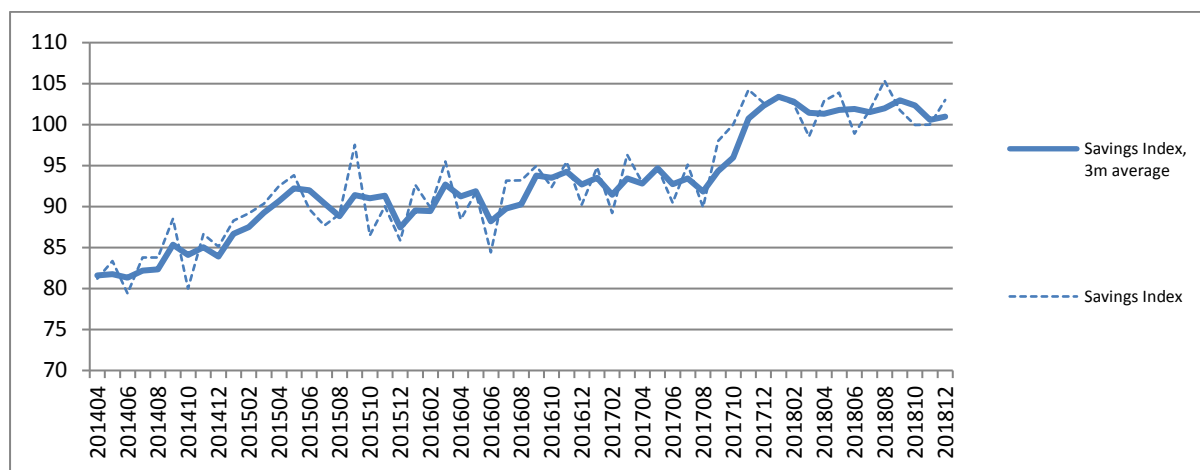
- The overall Bank of Ireland/ESRI Savings and Investment Index aims to capture the sentiment of Irish households towards their ability to save and invest as well as the broader savings and investment environment. The Index combines two sub-indices on savings and investments to provide a broad understanding of household's views on their financial decision making.
- The monthly Savings and Investment Index fell to 99.4 points in December from 100.1 points in November 2018. This was as a result of the sizeable drop in the Investment Index which was only partially offset by the rise in the Savings Index. While the Savings Index increased to 103 points, the Investment Index fell to an all-time low of 95.7 points.
- The most notable change in the index from the previous month is the dramatic deterioration of views towards the investing environment, a fall of 6.5 index points. The final outcome of Brexit, which was meant to become clearer in December, is becoming progressively more uncertain, while the possibility of a no deal Brexit has also increased. This is making investors wary about the prospect of investing today and in 6 months' time.

The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. In December 2018 the Savings Index increased by 3 per cent to 103 index points. This was as a result of an increase in the number of people saving, increased satisfaction regarding the amount they are saving and an improvement in the perception of the current saving environment.

- The overall Savings Index is presented in Figure 1. 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

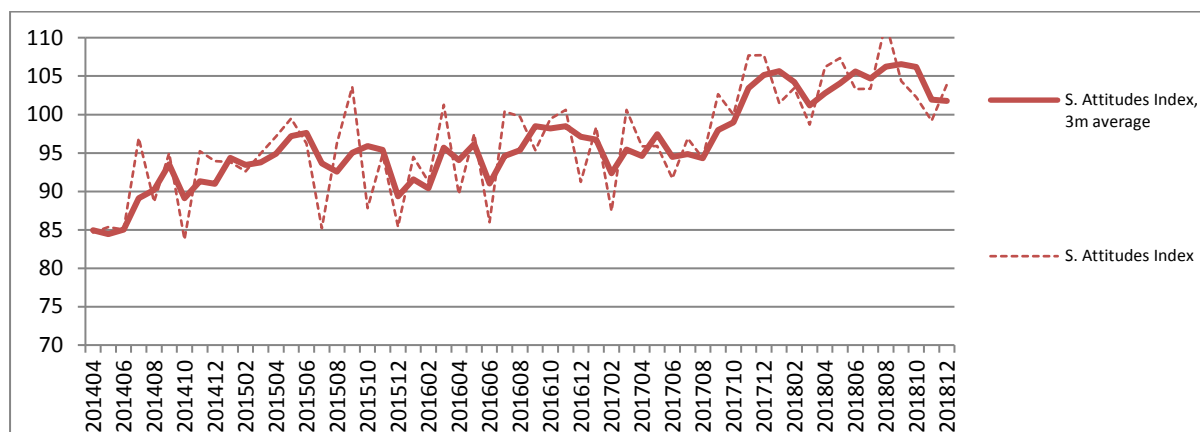


- The Savings Attitudes Index rose by 4.7 points in December, up to 103.9 index points due to increases, both in the number of people who were saving and satisfaction with the amount they were saving.
- The Savings Environment Index rose by 1.3 index points to 102.1 in December, as views towards whether it was a good time to save currently improved significantly. Those from the BMW region in particular viewed the current savings environment as favourable with an increase of 7.3 per cent in those who thought now was a good time to save.

Table 2 - Savings Index and components, monthly

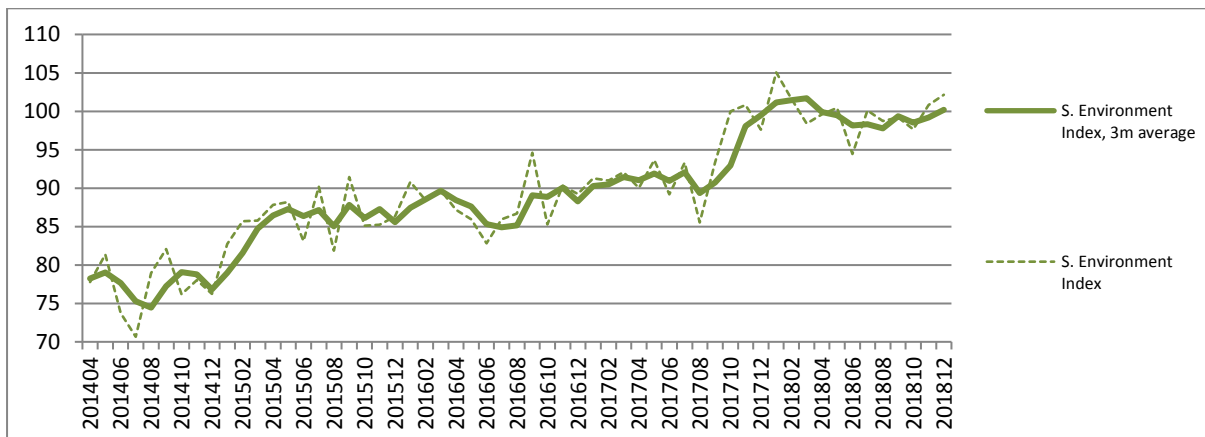
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	104.2	107.7	105.6	109.8	100.8	98.8	102.8
Dec-17	102.7	107.7	105.8	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
Oct-18	99.9	102.3	99.8	104.7	97.6	96.8	98.4
Nov-18	100.0	99.2	98.3	100.1	100.8	99.8	101.8
Dec-18	103.0	103.9	103.5	104.3	102.1	104.3	100.0

Figure 2 - Savings Attitudes Sub-Index



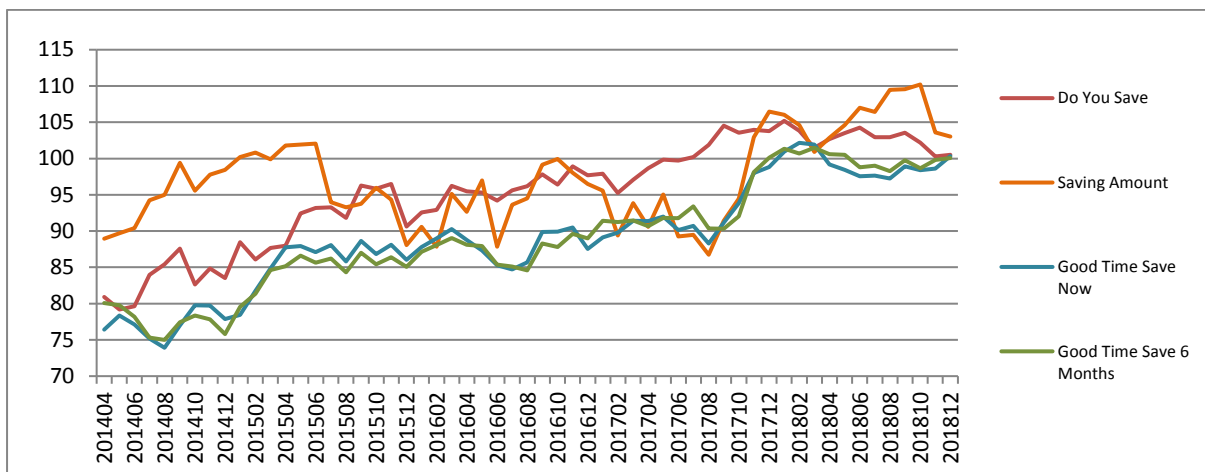
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The proportion of savers increased in December with 71.5 per cent of respondents indicating they saved at least occasionally in comparison to 67 per cent the previous month. 48.6 per cent indicated they saved regularly while 28.5 per cent said they did not save at all.
- There was an increase in those who were currently saving across all three regions in the country with the BMW region in particular having a large increase in savers, up over 10 per cent in the period. The proportion of savers across all three regions are now broadly in line, ranging from 70.5-72 per cent.
- Those under the age of 50 were nearly 9 per cent more likely to save in comparison to the previous month, while those over the age of 50 were about 2 per cent less likely to save.
- In terms of the second component of the Savings Attitude Index, Savings Amounts, those who indicated they didn't save enough was down by 2.3 per cent in December. This improved satisfaction towards the amount people were saving was particularly strong amongst those under the age of 50 where there was a decrease of 6.5 per cent in those who felt they weren't saving enough. Interestingly, even though the proportion of savers increased most rapidly in the BMW region in December, this was also the region that saw the largest increase in dissatisfaction with the amount being saved, up 5 per cent.

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.
- Sentiment about whether it was a good time to save in 6 months' time decreased slightly from the previous month whereas sentiment towards saving today increased to its highest level since January 2018. The 'Good Time to Save Now' sub index increased by 4.5 index points to 104.3, while the 'Good Time to Save in 6months' index fell by 1.8 points to 100.
- There was an increase of 4.3 per cent in those from the Rest of Ireland region who believed that saving in 6 months' time would be a bad idea. Nearly the exact opposite effect was seen in Dublin, where those who thought it was a bad time to save in 6 months was down 3.7 per cent.
- Those under the age of 50 exhibited the most significant apprehension to saving in 6 months' time, with a fall of 4.1 per cent in those who believed that it would be a good time to save in comparison to the previous period. On the other hand, there was an increase of 4.4 per cent in those over the age of 50 who thought it would be a good time to save in 6 months' time.

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 between November and December to 95.7. This marks the lowest level the Investment Index has been at since the survey began. Though both Investment sub-indices declined over the period, the Investment Environment sub index fell by the largest amount, now down to 92.2 index points. This is also the lowest level the investment environment index has been since the index was originated and is likely due to increasing uncertainty around the outcome of Brexit and another bad month for global equity markets in December. The investment attitudes index fell by 2.6 points to 99.2 index points which is the lowest level it's been at since July 2018.

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
Oct-18	98.8	102.0	98.0	106.1	95.6	95.1	96.1
Nov-18	100.3	101.8	107.4	96.1	98.7	98.0	99.4
Dec-18	95.7	99.2	102.9	95.6	92.2	90.1	94.4

- The Investment Attitude index asks respondents about their investment behaviour and how they feel about the amount they invest.
- Investment participation dropped sharply from the previous month, down by 4.5 points to 102.9 index points. At a regional level there was a decrease in the number of people who invest in the BMW and Rest of Ireland areas (down 2.3 per cent and 5 per cent respectively) and an increase in the number of investors in Dublin (up 4.4 per cent). In terms of age, there was a slight increase of 1.2 per cent in those over the age of 50 who were investing, while amongst those under the age of 50 there was a fall of 3.6 per cent in investment participation.
- Looking at the investment amount sub-index, there was a slight fall in satisfaction amongst investors in the amount they were investing with the index falling to 95.6 from the already low level of 96.1 the previous month. There was a sizeable increase in those from the BMW

region who were dissatisfied with the amount they were investing up nearly 20 per cent on the previous period. In contrast, in Dublin and the Rest of Ireland regions there was increased levels of satisfaction with the amount being invested (up 6.1 per cent and 4.2 per cent respectively).

- Those over the age of 50 had the largest increase in level of dissatisfaction with the amount they were investing, up 7.4 per cent on the previous period. Amongst those under the age of 50, there was a 2.5 per cent increase in who thought they were investing just the right amount.
- Both the sub-indexes composing the Investment Environment, Investing Now and Investing in 6 Months' Time, fell significantly in comparison to the last period. Both these sub-indexes are now at their lowest point since the survey was first conducted, at 90.1 and 94.4 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.
- The younger cohort in particular were more pessimistic about the current investing environment with nearly 10 per cent more of those under the age of 50 saying now was a bad time to invest in comparison to the previous period. Likewise, in comparison to the previous period there was a greater increase in those under the age of 50 who thought it would be a bad time to invest in 6 months than those over the age of 50.
- At a geographical level, all three regions had more negative views of the investing environment in comparison to the previous month. The BMW region in particular was seen to have the most negative change in outlook towards the investing environment in the future, with a 7.4 per cent increase in those who thought it would be a bad idea to invest in 6 months' time. As the border area is likely be impacted by the consequences of Brexit more than other regions, it is not a surprise that responders in this part of the country are showing increasing aversion to investment in the future.

Risk Barometer

- The risk barometer asks households if they would save and/or invest if they were given €10,000 tomorrow. About 63.6 per cent said they would save at least part of it and 36.4 per cent said they would not save but they would invest.
- There has been an increase in the willingness of households to take risk in comparison to the previous period. The proportion of households choosing to invest at least part of the €10,000 increased by 2.5 percentage point and the proportion of households choosing to invest and not save increased by 1.8 percentage points relative to October 2018.
- Of those willing to take a risk and invest, the types of assets that respondents said they would consider investing in was broadly in line with October. However, reflecting the general increase of willingness to take risk amongst those surveyed, interest in investing in government bonds which are considered less risky assets was down on the previous period and there was increased interest in investing in property and investment funds.
- The increased willingness to take risk in December was reflected in areas outside of Dublin across both age groups.

Chart 1 – Risk Barometer Question

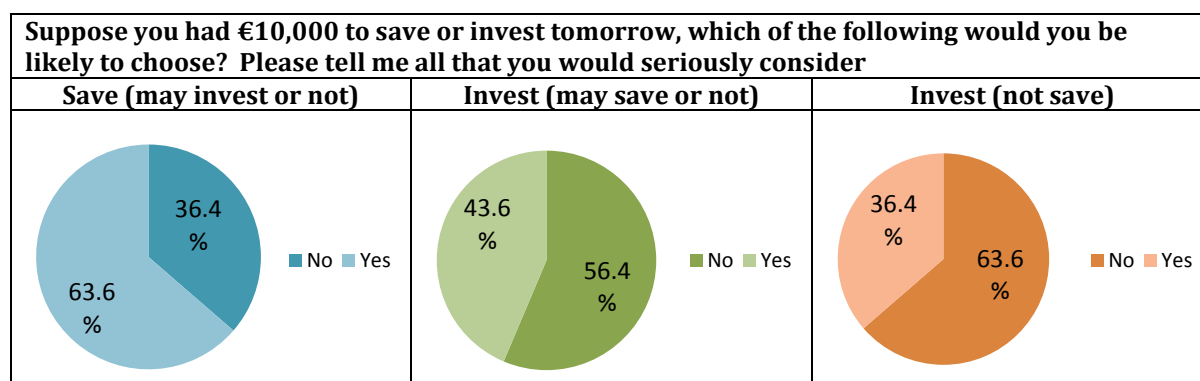


Table 4 – Risk Barometer, bi-monthly

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%
Dec-18	36.4%	63.6%	56.4%	43.6%	63.6%	36.4%

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.

For further information contact:

Tom McCabe – Bank of Ireland – tom.mccabe@pb.boi.ie

or

Matthew Allen-Coghlan – ESRI – matthew.allencoghlan@esri.ie

Conor O’Toole – ESRI – conor.otoole@esri.ie