

- Number of regular investors increases to 36% from 30% in January
- Pension funds still the most popular investment for Irish people
- Half of consumers still saving regularly in February

The Bank of Ireland/ESRI Savings and Investments Index remained unchanged at 102 in February 2018. The Savings Index was unchanged at 103 in February but the Investment Index surprisingly nudged higher to 101 against the backdrop of the first correction in global stock markets in two years.

Investments Index

The monthly Investment Index surprisingly nudged higher to 101 in February, despite the sharp rise in investment market uncertainty in the month. Global stock markets fell almost 10% from their January peak during February due to concerns about rising inflation, a theme which has also destabilised bond markets since the beginning of the year. February's fall in the Investment Environment Index from 105 to 98 reflected this heightened uncertainty as the proportion of people who thought it was a good time to invest fell to 32%, down from 39% the previous month.

Despite February's market declines, attitudes towards investment actually improved in the month with the Investment Attitudes Index increasing to 104 from 95 in January. 36% of people said they were regularly investing in February – this is the strongest response since the index began in October 2017 and a big increase on the 30% of people who said they were investing in January.

Savings Index

The Savings Index remained unchanged in February at 103 with a small improvement in attitudes towards saving being offset by a small decline in sentiment towards the savings environment. The savings index has been stable for the past few months having enjoyed a consistent improvement through 2017.

The February data showed that half (49%) of people were regularly saving. The proportion of people saving as much or more than they should also increased to 54%, reversing the four percentage point decline in January. So it appears that savers are now more satisfied with the amounts they are saving.

Save or invest €10K?

This Risk Barometer question asks people how they would consider using a windfall gain of €10,000. The February survey still indicates that Irish people retain a heavy preference for saving with 76% saying they would consider saving such a windfall. Over one third (34%) said they would consider investing some or all of the windfall with pension funds very much seen as peoples' preferred investment vehicle.

Commenting on the Bank of Ireland Savings and investments Index, Tom McCabe, Bank of Ireland Investment Markets said: "Despite the Savings and Investment Index showing no change in February, the Investment Index results were intriguing as they gave us the first insight into how Irish investors react to stock market volatility.

“The results were surprising as one would normally expect investment attitudes to weaken in the face of falling stock markets. The fact that the data still indicate we’re a nation of savers rather than investors could suggest that Irish people are less exposed to stock market volatility than in other countries and consequently don’t react as much to such periods.

“It will be fascinating to see if this investor resilience persists next month, particularly in light of growing concerns about trade wars which could keep markets on edge in the short term.”

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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
Nov-16		95.5	100.6	90.3			
Dec-16		90.2	91.2	89.2			
Jan-17		94.8	98.3	91.3			
Feb-17		89.2	87.4	91.0			
Mar-17		96.3	100.6	92.1			
Apr-17		92.9	95.8	90.0			
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

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 has been broadly flat around 102 points since December 2017. In February 2018, there was an improvement in savings and investment attitudes but there was a decrease in consumer's views on the savings and investment environment. The overwhelmingly optimistic view of respondent's on the savings and investments environment in the first month of the year seems to have faded in February 2018, although it remains above any other historical value. Having gone through the high spending season of December and early January, households seem to be more satisfied with their savings and investments amount.

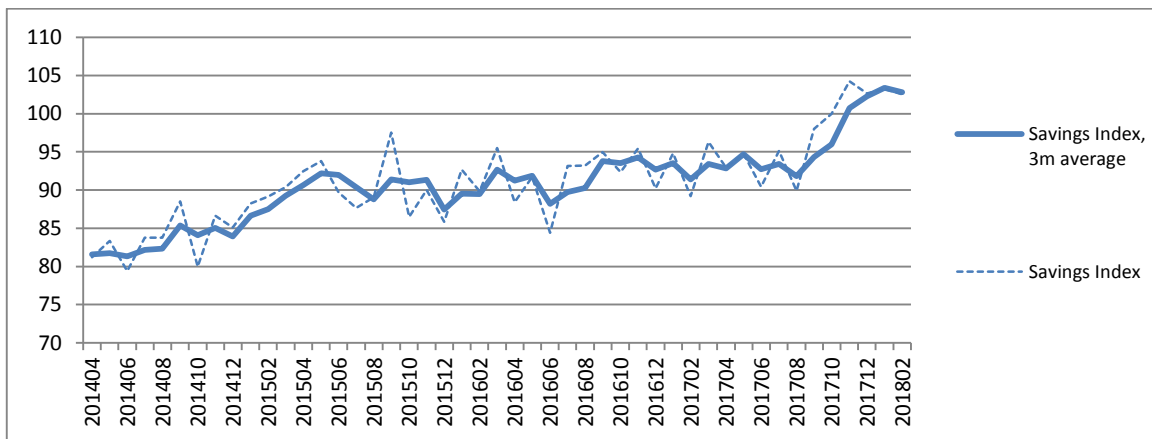
The Savings Index

- 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.
- The monthly Savings Index has been around 103 points since December 2017 due to offsetting variations in its two sub-indexes.

Table 2 - Savings Index and components, monthly

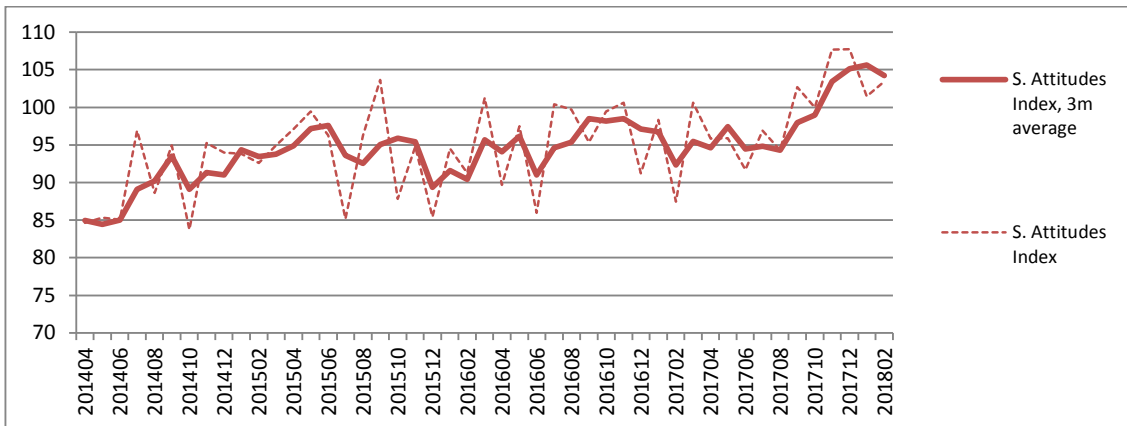
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nov-17	104.2	107.7	105.6	109.8	100.8	98.8	102.8
Dec-17	102.7	107.7	105.8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

Figure 2 - Savings Index



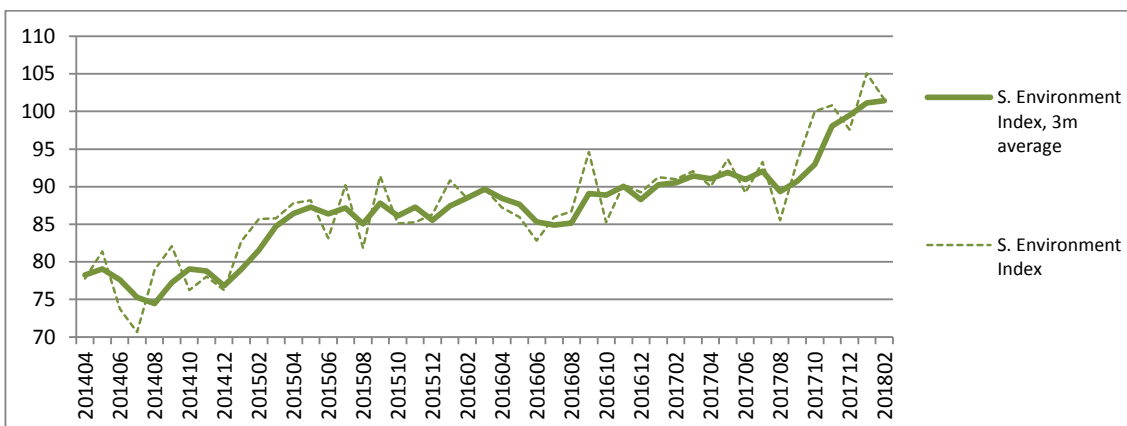
- The two sub-indexes that compose the Savings Index are the Savings Attitudes and the Savings Environment. The monthly Savings Attitudes Index increased to 103 points in February from 101 in January 2018. This increase was driven by heightened satisfaction with the amount consumers are saving and offset a marginal decline in the number of households saving. The Savings Environment Index decreased by 3 points to 102 in February 2018 as views on both the present and future savings landscape moderated. Some modest reversion in these attitudes is not surprising given the sizable increase in January.

Figure 3 - Savings Attitudes Sub-Index



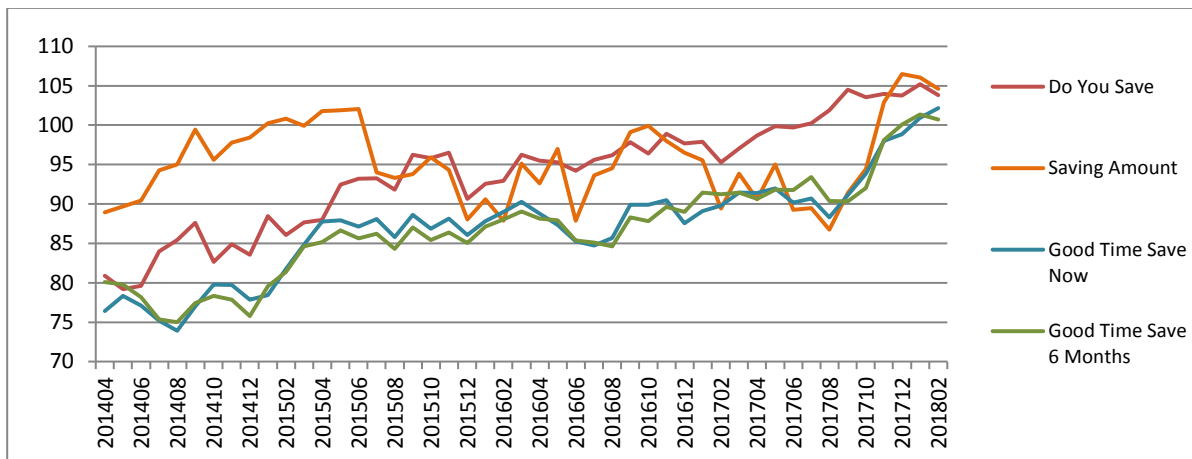
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save. In February 2018, the sub-index capturing whether or not people save decreased to 101 points from 104 in January 2018. On the other hand, the sub-index capturing how much people save increased to 105 points in February from 99 in January 2018. The general improvement in the satisfaction with the amount saved could be linked to households having more resources to put away following increases in after tax pay in January after budget 2018 changes kicked in.
- In February 2018, about 49% of the respondents claimed to save regularly and 19% reported to save occasionally. This compares with 50% and 20% in January 2018, respectively. Going forward, a continued strong broad-based economic performance would likely provide a supportive context for increases in the likelihood of households saving.
- About 44% of the respondents believe they saved the right amount, while 46% feel they saved less than they should and only 10% believe they saved more than they should in February 2018. This compares with 40%, 50% and 11% in January 2018, respectively. That fewer households indicate they save the right amount, relative to those that indicate they save less than they should, suggests there may be pent up demand for increased savings that might materialise as the labour market improves.

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 February 2018, the former sub-index decreased to 102 index points from 106 in January 2018. The latter sub-index also decreased to 101 points from 104 in January 2018.
- Some fading of the very strong views on the savings environment that were posted in January were not unexpected in the February numbers. Of particular note will be to monitor how such trends develop into the second quarter of this year. There are a number of global headwinds which may shape households views such as the widening Brexit divide between UK and EU. Developments in US trade policy may also affect a small open economy like Ireland and in turn affect households views on the environment going forward.

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 fifth month that investment data is available and therefore only three data points of the Index are available.
- The monthly Investment Index increased to 101 points in February from 100 in January 2018 ticking the level back up to the level in December 2017.

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

- In February, diverging trends were clearly evident between household's attitudes to investment and their views on the investment environment. The monthly Investment Attitudes Index increased by 9 index points to 104 in February and the Investment Environment Index decreased by 7 index point to 98 in February 2018. The former was driven by a rise in the number of households investing while the latter reflected a lowering of expectations regarding the current investment climate.
- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. The first increased to 113 index points in February from 96 in January. The latter rose to 96 index points in February from 94 in January
- About 36% of the respondents claim to invest regularly and 4% report to invest occasionally. From the regular investors at least 90% invest in pension plans (while they might have other investments)
- H The trend in households views on the investment environment in February dropped back from the January high. While some of this may reflect a moderation in new year's optimism, the global stock market corrections may also have weighted on consumers expectations. Respondents seem to believe that February is a slightly worse time to invest when compared to January (-9 index points) and they believe that in 6 months' time it will also be a worse time to invest (-4 index points).

Risk Barometer

- The risk barometer asks households if they would save and/or invest if they were given €10,000 tomorrow. About 76% said they would save at least part of it and 25% said they wouldn't save but they would invest.
- In February, the proportion of households choosing to invest at least part of the €10,000 decreased by about 14 percentage points and the proportion of households choosing to invest and not save decreased by about 13 percentage points relative to December 2017.

- The fall in the investment appetite amongst households in February may reflect a reduction in risk taking related to a change in the expected returns on investment following the global market correction. **Chart 1 – Risk Barometer Question**

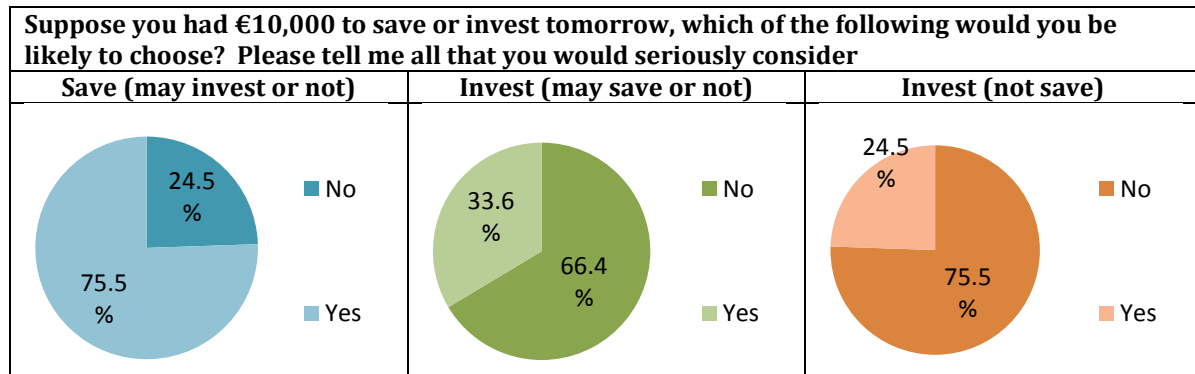


Table 4 – Risk Barometer, bi-monthly

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%

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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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