

- Saving sentiment rises as older savers in particular turn more positive on the outlook for returns
- Lingering global uncertainties weigh on investors' outlook for markets
- Retirement optimism yo-yos lower as concerns around financial comfort in retirement re-emerge

The Bank of Ireland/ESRI Savings and Investment Index, which measures Irish peoples' sentiment towards saving and investment was unchanged at 100 in July 2018 as improvements in sentiment towards saving offset softer investor confidence.

### **Savings Index**

The monthly Savings Index increased to 102 in July from 99 in June, driven by a big rebound in the Savings Environment sub-index from 94 to 100. The most interesting aspect of the July increase in this sub index was a big improvement in sentiment among older savers that typically have larger lump sums for saving. For example, the percentage of over 50s that felt it was a good time to save hit 41% in July, the highest response since the question was first asked in October 2017. The ECB's recent comments around potential increases in interest rates from mid-2019 onwards probably boosted savers' outlook for returns.

Regular savings patterns remained strong in July with 50% of people saving regularly, up marginally from 49% in June. However people were less happy with the amounts they were saving – 47% of people felt they weren't saving enough in July, leading to an unchanged reading of 103 for the Savings Attitudes sub index.

### **Investments Index**

Like its savings counterpart, the Investment Index measures peoples' attitudes towards investing and how they view the investment environment. The monthly Investment Index fell to 97 points in July from 102 in June, driven by falls in both the Investment Attitude and Environment sub-indexes.

The Investment Attitudes sub index fell to 97 in July from 103 in June. The percentage of regular investors rose slightly to 32% but people were less happy with the amounts they were investing in July. The percentage of people that weren't investing as much as they would like jumped to 41% in July, the highest response since the index launch and up from 31% the previous month. This was the main cause of the fall in the Investment Attitudes sub index.

The Investment Environment sub index also dipped from 101 to 98 in July, a slightly surprising result considering world stock markets rose 2.8% for Irish investors in the month. Generally Irish people are still of the view that it is a good time to invest but confidence sagged slightly in July, probably as a result of ongoing trade tensions between the US and China.

## **Retirement Optimism Index**

Irish peoples' views on retirement have yo-yoed in recent months. In July the Retirement Optimism Index fell back sharply to 94 compared with 104 in May.

The most striking decline was in the number of people who felt they would be able to live comfortably in retirement from a financial point of view. The percentage who felt they would find it financially difficult jumped to 44% in July, the highest response since the question was first asked in November 2017.

Commenting on the July results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *“July was a contrasting month for the subcomponents of the Bank of Ireland/ESRI Savings and Investment Index. The drift lower in investment readings had a feel of ‘sell in May and go away’ about them as we moved into holiday season.*

*Savings sentiment improved sharply though, driven by greater optimism among older savers who tend to save larger amounts. Recent ECB comments on possible interest rate changes may have fed greater optimism on deposit rates among these savers. It remains to be seen whether this marks a real turning point in savers' confidence around what they can earn over the next few years.”*

## **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

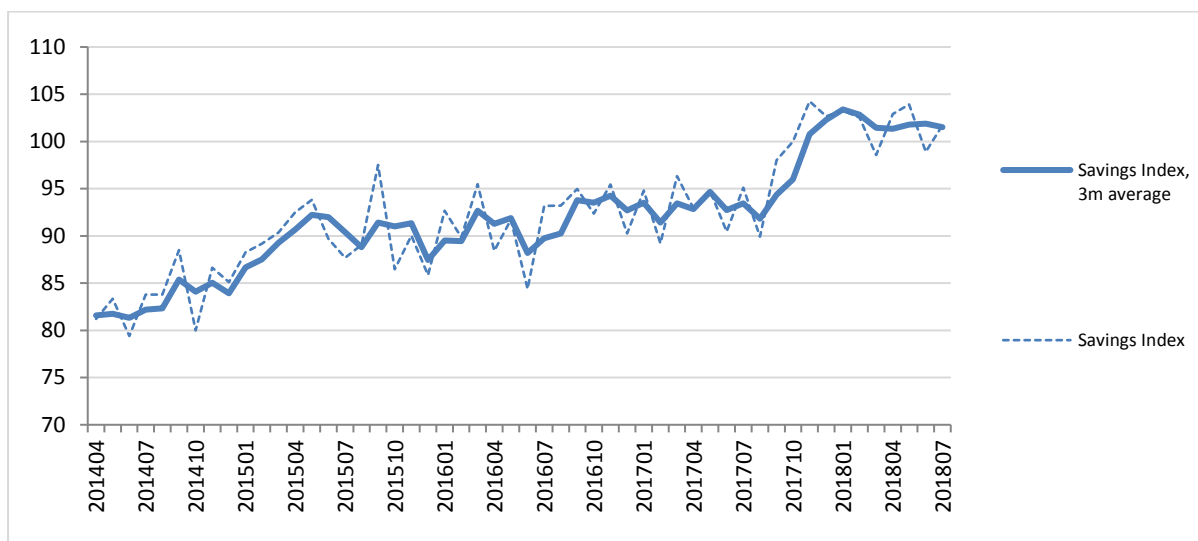
### The Savings and Investment Index

- 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 decreased modestly to 99.5 points in July from 100.4 index points in June 2018. Offsetting variations in two sub-indexes softened the overall decline. While the Savings Index improved in July, the Investment Index fell both with respect to attitudes and the investment environment.
- A number of offsetting factors are potentially driving the July numbers. The widescale recognition that a hard Brexit may materialise may be limited investment levels and be dampening investment sentiment. It may also be driving households to increase precautionary savings to ensure they have buffers to withstand shocks. The global trading environment and the possibility of trade disruption may also be increasing uncertainty. Counteracting these factors is the continued buoyancy of the Irish domestic economy which is raising household spending power and employment prospects. The key question going forward is how the investment and savings behaviour of Irish households balances against these two counter veiling forces.

### The Savings Index

- The two sub-indexes that compose the Savings Index are the Savings Attitudes and the Savings Environment. In July 2018 the Savings Index increased by 2.8 per cent to 101.7 index points, driven by an improvement in the Savings 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 2 - Savings Index**

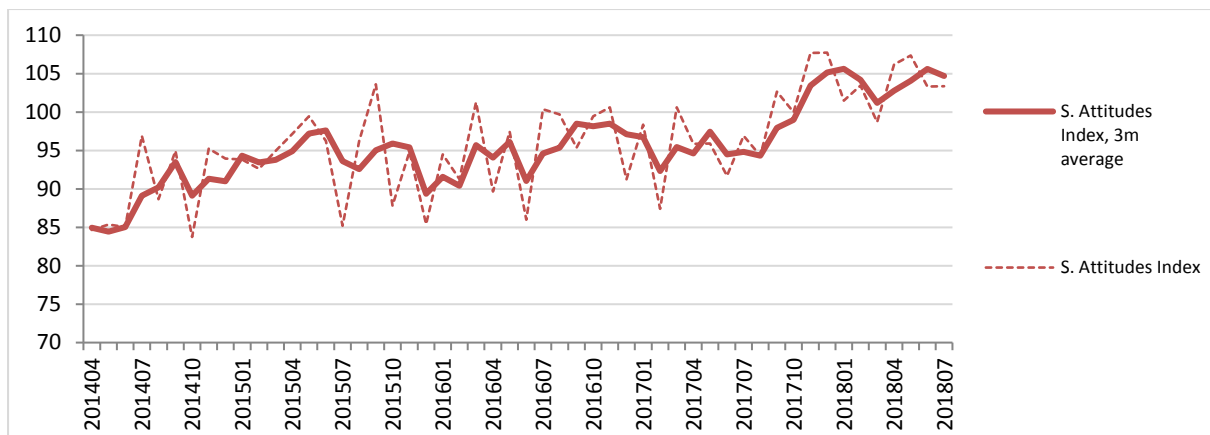


- The monthly Savings Attitudes Index remained level at 103 points in July due to gains in the number of savers being offset by a fall in the amount of savings.
- The Savings Environment Index increased by 6.0 per cent to 94 in June 2018 from 100 in July, as views on the present and future savings landscape rebounded. As seen in Table 2, improvements in the savings environment were experienced irrespective of immediate or 6 month savings horizons. Similarly to the transition from March to April, the spread for this pair of indicators has widened considerably.

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

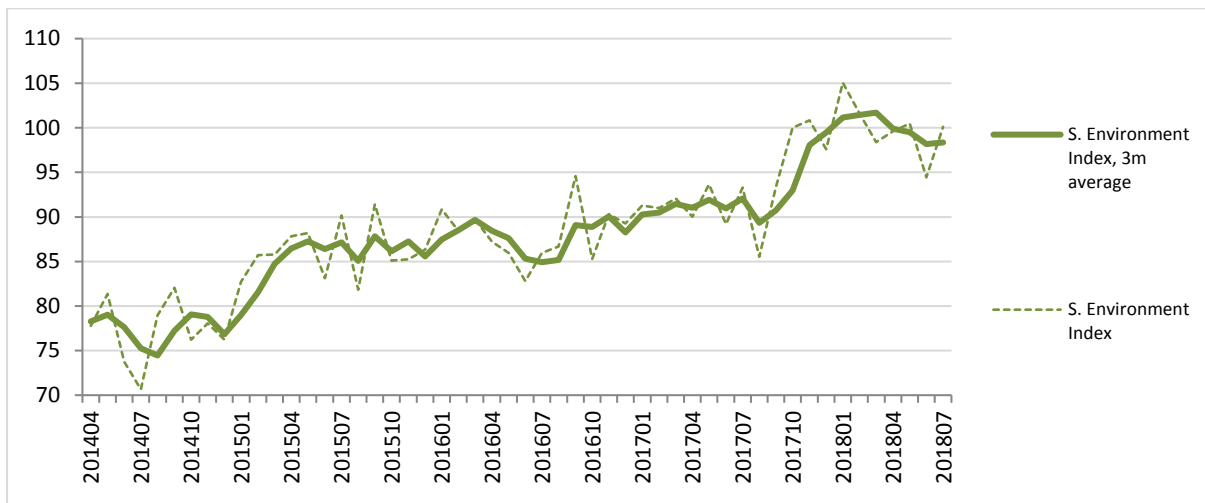
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	<b>100.0</b>	<b>100.0</b>	100.0	100.0	<b>100.0</b>	100.0	100.0
Nov-17	<b>104.2</b>	<b>107.7</b>	105.6	109.8	<b>100.8</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

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



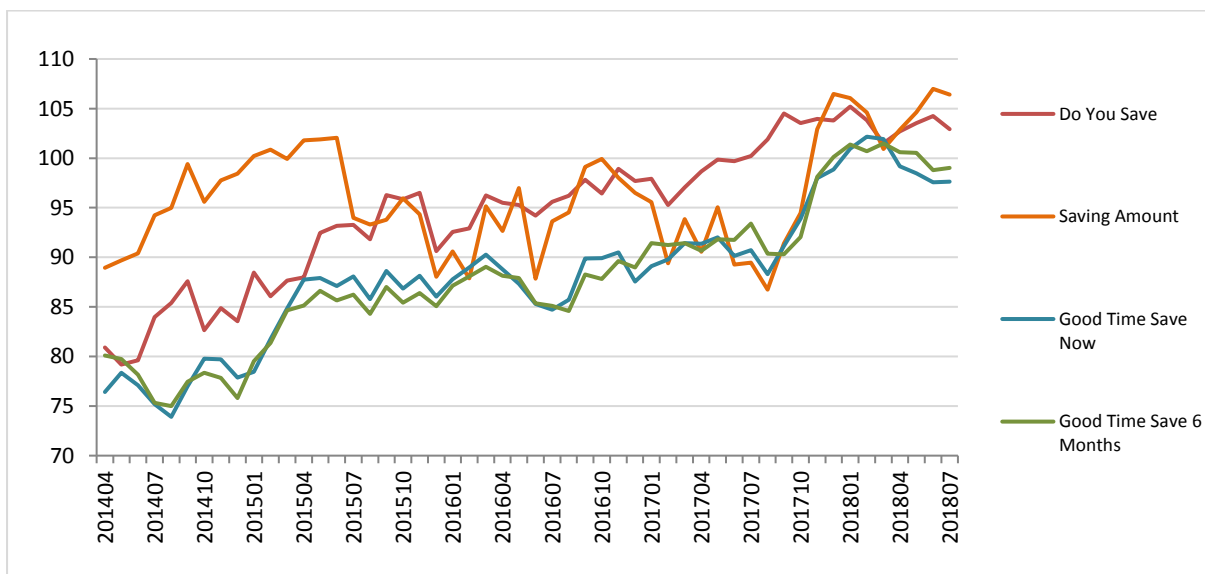
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The proportion of savers increased in July, reflected by a return to 103.9 index points. Roughly half of the households indicated they saved regularly in July 2018, 20.4 per cent mentioned they save occasionally and 29.5 per cent mention they did not save at all. This compares with 19.1 per cent and 31.9 per cent last month.
- Across regions, Dublin maintains the lowest share of non-savers. The BMW region saw a marginal increase the share of non-savers present while regions excluding Dublin and BMW saw a significant drop in this share.
- The share of non-savers rose among those with less than 50 years while it decreased significantly among those over 50 years in age. The proportion of regular savers increased among those below 50, while the share of occasional savers rose dramatically among older respondents.
- The sub-index capturing how much people save decreased by 2.7 per cent to 102.8 index points in July.
- The increase in the proportion of households stating that they were saving less than they should persisted in July (from 44.4 per cent in June to 47.0 per cent in July), consisting entirely of respondents under 50 years of age. Similarly to the previous month, this was mainly driven by households in the Dublin and rest of Ireland regions.

**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 July 2018, both the current and future saving sub-indices increased. The current sub-index rose from 94.3 to 98.4 index points, while the latter sub-index rose from 94.6 to 101.8 index points.
- The perceptions and expectations regarding the savings environment converged between those with less than 50 years and those of 50 years or more in age. Negative views continue to prevail mostly in the BMW and rest of Ireland regions, however, the BMW region experienced major reductions in the share of individuals expressing both periods being a bad time to save.

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



## Investment Index

- Similar its counterpart, the Investment Index measures how consumers feel about their ability to invest and monitors their investment patterns. This is the tenth month that investment data is available and therefore fewer data points of the Index are available.
- The monthly Investment Index fell to 97.3 points in July from 101.8 in June 2018. This decline was driven by a mild deterioration in both attitudes and the investment environment. The increased likelihood of a hard Brexit after the difficulties following the Chequers agreement and continued global trade issues may be diving the fall in July.

**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

- The monthly Investment Attitudes Index decreased by 5.4 per cent to 97 index points in July. The Investment Environment Index also fell, decreasing by 3.5 per cent to 97.6 index points from 101.1 in June.
- The Investment Attitude sub-index asks respondents about their investment behaviour and how they feel about the amount they invest. The first rose by a marginal 0.1 per cent. The latter decreased by 10.7 per cent to 92.8 index points in July from 103.9 in July 2018.
- Roughly a third of the respondents claimed to have invested regularly, while 5.8 per cent reported to invest occasionally, down from 5.9 per cent in June. The share of households not investing at all remains levelled at just under two thirds of respondents in July 2018.
- The rise in the proportion of households investing was driven by those less than 50 years old. The rise in investors was fully concentrated beyond Dublin and the BMW regions.
- The proportion of households feeling they invested more than they should increase from 1.7 per cent in May to 4.2 per cent in July 2018, while the proportion of households believing they invest the right amount fell to 54.4 per cent from 66.9 per cent in June 2018. The result was an increase in the share of households believing they do not invest enough from 31.4 per cent in June to 41.5 per cent in July 2018.

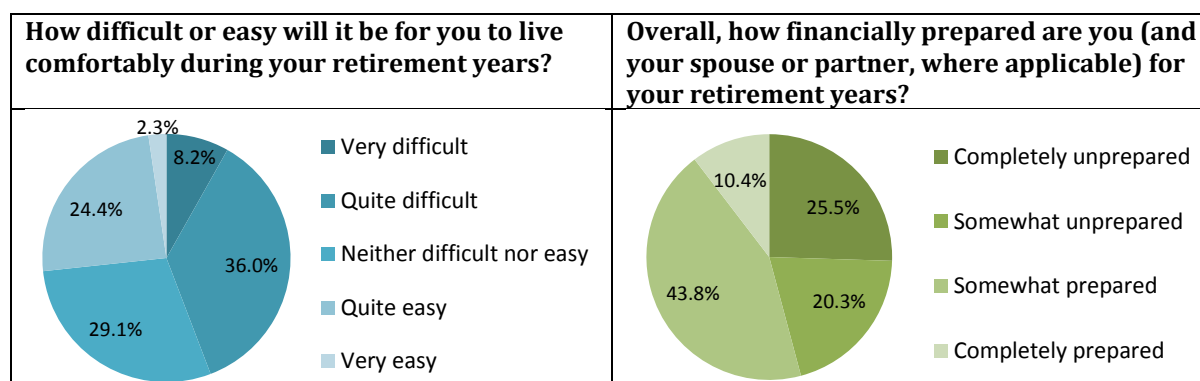


- Household's views on the investment environment decreased in July 2018 (-3.5 per cent) to 97.6 index points, led by a fall in both current and future environment perspectives. Respondents revised downwards their attitudes towards the investment environment both with respect to the immediate future (-2.2 index points) and in 6 months' time (-4.6 index points). Households under 50 years of age remain relatively more positive with respect to the current investment environment, though the change between June and July inverts when comparing the two age groups. While those younger consider July to be a worse environment, our older set of respondents reported an increasingly neutral stance on the investment environment.
- When examining differences in perspectives across regions, the BMW region in particular notes the investment environment in general as being a very good time to invest.

## 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 fell from 103.6 index points in June to 93.7 index points as of July 2018. Although individuals felt slightly less secure about their financial circumstances, it was the sub-index of comfort during retirement which drove this major decline, falling by 15.4 index points for the month. See Chart 1 and Table 4 for a visual breakdown.
- This rise in the proportion of individuals was especially pronounced among the survey's younger set of respondents, increasing to half of respondents experiencing difficulties from a third of individuals in June.

**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

## Question-of-the-Quarter: How often do you review your pension?

As the populations of developed nations continue to age, the sustainability of various pension schemes demands greater attention. While there is plenty of empirical literature discussing the development of this pressing matter on a national level, there is less knowledge of how much attention individuals place on their own pension programmes in Ireland.

To attempt to understand if Irish consumers are preparing for their golden years adequately by putting some money aside, Bank of Ireland and the ESRI undertook a bespoke survey module of our regular Savings and Investment Index to learn more.

Respondents were asked the following question:

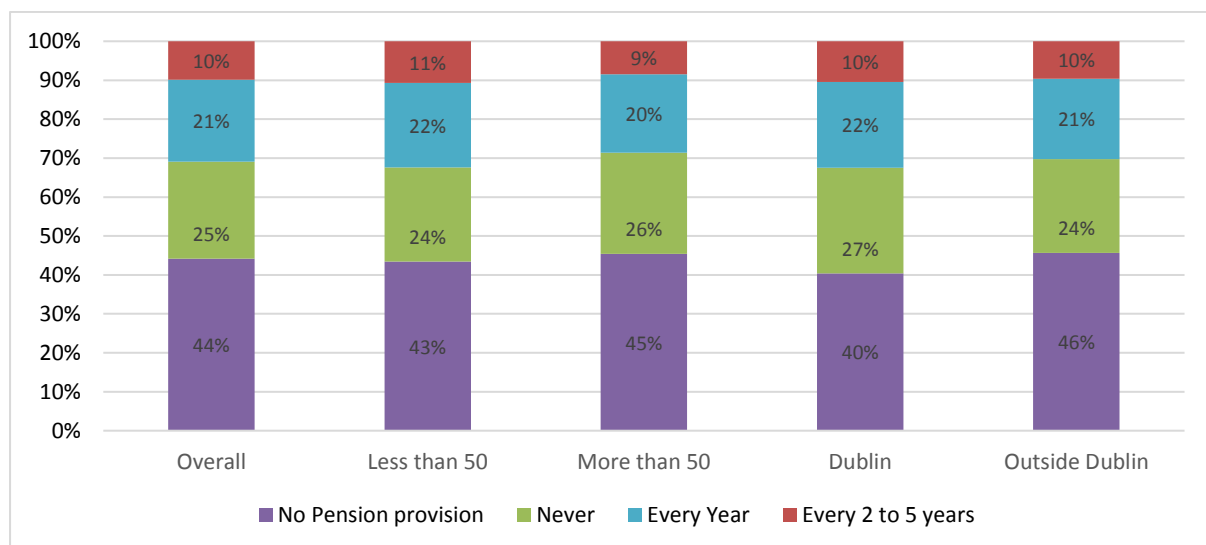
### How often do you review your pension provision?

- Every year
- Every 2-3 years
- Every 5 years
- Never
- I do not have pension provision

A number of key results arise:

- Over 40 per cent of respondents maintain no pension provisions, both below and above the age of 50. Slightly more of a share reported 'no provision' among those over 50.
- Of those that do prepare provisions, 45 per cent of respondents never review their pension schemes. This suggests a strong inelasticity among individuals, often observed in other pension-related studies.
- Roughly 20 per cent of respondents reported reviewing their pensions every year while 10 percent review within 2 to 5 year intervals.
- When comparing across regions, slightly more individuals have no pension provision outside of Dublin. A larger share of those in Dublin have never reviewed their pensions. When it comes to reviews, individuals maintain similar habits regardless of age or location.

**Figure 6 - How often do you review your pension?**



Note: Merged smaller percentages belonging to "2 to 3 years" and "5 years".

**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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