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## “Save more, spend less, cut debt” the mantra for Irish people in 2019

### Saving more, spending less and debt pay down the top 3 financial priorities

- Sentiment towards saving and investment unchanged in January
- Confidence in investment outlook hits a fresh low despite January stock market bounce
- Retirement optimism rises but concerns about financial comfort in retirement linger

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, was unchanged at **99** in January 2019. A weaker outlook for the saving environment caused the savings index to edge lower. In contrast investment sentiment improved slightly, mainly thanks to stronger investment patterns as investment attitudes shifted to their most positive since August.

Additional research conducted as part of the Index showed that the top three financial New Year resolutions for Irish people in 2019 are; save more money (**41%**), spend less money (**24%**) and pay down/pay off debt (**16%**). Compared to the 2018 responses it appears that Irish people are trying to be more financially prudent this year. This is particularly the case in respect of paying down debt which increased from **12%** in 2018 to **16%** in 2019.

Commenting on the results of the research on new year financial resolutions, Tom McCabe, Bank of Ireland Investment Markets, said *“The results of our research on new year financial resolutions show that Irish people are clearly keen on pursuing their own version of ‘Operation Financial Transformation’ in early 2019. The responses also show that, compared to 2018, Irish people are intent on being more financially prudent this year.*

*It’s positive to see that people are so focused on improving their personal finances this year. However, longer term financial planning issues still seem to be something of a ‘blind spot’. Only 5% of people were intent on learning more about their pension and only 3% said they would save more for retirement. This is worrying in light of improved longevity and the inevitable drop in income people face in the post retirement period.”*

### Investments Index

The Investment Index clawed back some of its recent losses in January, rising from **96** to **97**, spurred by improving attitudes to investment which reached their strongest since August. The percentage of regular investors inched higher to **33%** in January from **32%** in December and people also appeared more comfortable around the amounts they were investing each month. **63%** of people felt they were investing the correct amount in January, up from **57%** in December.

However the pessimism around the outlook for markets continues to linger – the Investment Environment sub index hit a fresh lifetime low of **90** even as stock markets rebounded impressively by 7.5% in January following their December slide.

Commenting on the December results for the Bank of Ireland/ESRI Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *“Investors remained very downbeat in January about the investment market outlook. For the first time in the index’ history, the percentage of people that felt it was a bad time to invest outweighed those that felt it was a good time to invest. Investors clearly need a dose of good news in order to restore their faith in investment markets but the strong market rebound in January should help here.”*

### **Savings Index**

The monthly Savings Index dipped to **102** in January from **103** in December with improved attitudes towards saving more than offset by a re-emergence of some gloominess about the outlook for the saving environment, a slightly surprising development given rising concerns of a no deal Brexit. **53%** of people were saving regularly in January with savings intentions boosted by spending patterns returning to normal post-Christmas. Respondents’ feedback that they were keen to save more as part of their New Year resolutions probably also impacted saving patterns in the month.

The prospect of a hard Brexit also appears to be driving some extra precautionary saving – the percentage of regular savers in the Border Midwest region rose to **51%** in January, the highest reading going all the way back to March 2010.

### **Retirement Optimism Index**

The January results for the Bank of Ireland/ESRI Retirement Optimism Index showed a modest improvement in optimism levels around retirement with the headline index rising from **99** to **101**. This was mainly driven by better sentiment around the levels of financial preparation that people had in place for retirement – **54%** of people said they had some preparation in place in January, up from **51%** in November. However people still seem concerned about how financially comfortable they will be in retirement – the percentage of people that felt they would find it difficult to live comfortably in retirement rose from **35%** to **38%**.

### **ENDS**

#### **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.

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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		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
Jan-19	99.4	101.6	104.8	98.3	97.2	104.7	89.7

### The Savings and Investment Index

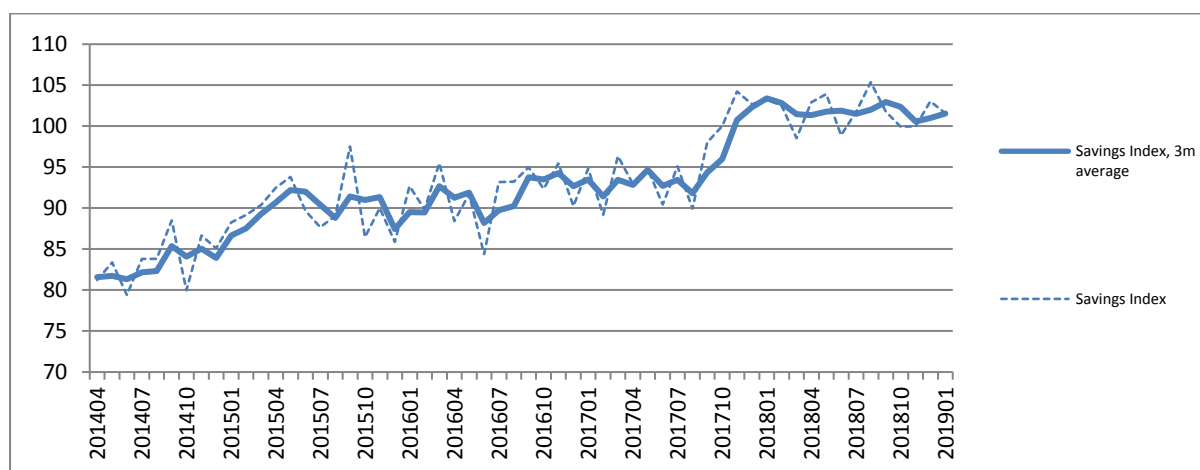
- The overall Bank of Ireland/ESRI Savings and Investment Index aims to capture the sentiment of Irish households towards their ability to save and invest as well as the broader savings and investment environment. The Index combines two sub-indices on savings and investments to provide a broad understanding of household's views on their financial decision making.
- The monthly Savings and Investment Index remained at the same level in January as it had been the previous period at 99.4 index points. The two sub-indexes composing the main index moved in opposite directions with the Savings index decreasing to 101.6 points and the Investment Index rising to 97.2 points.
- The Investment Environment Index deteriorated even further from the previous record low point in December and now sits under 90 index points for the first time. This is likely due to escalating concern amongst investors towards the uncertainty of the outcome of Brexit which became no clearer in January. The investment environment index is now more than 15 points lower than it was in the same period last year.

### The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. In January, the Savings Index fell slightly from the previous period, down by 1.4 points to 101.6. Savings Attitudes were relatively stable, increasing by 0.9 points to 104.8 while the Saving Environment Index fell by 3.8 points down to 98.3.

- 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**

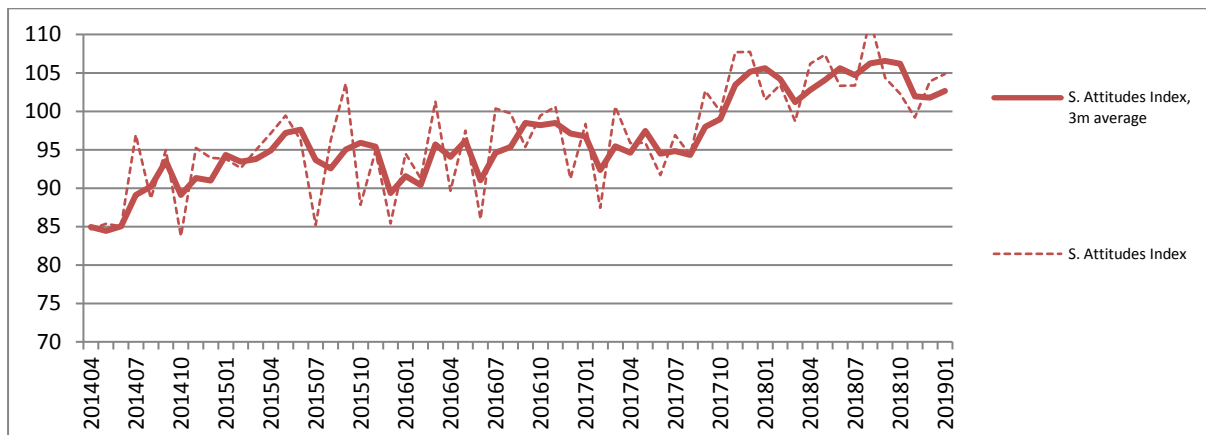


- The Savings Attitudes Index rose in January, up 0.9 index points from December to 104.8. This was as a result of an increase in the number of people who were currently saving.
- The Savings Environment Index decreased over the same period, down by 3.8 index points to 98.3. This was due to a deterioration of people's views, both towards saving in 6 months' time and, more significantly, towards saving today.

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

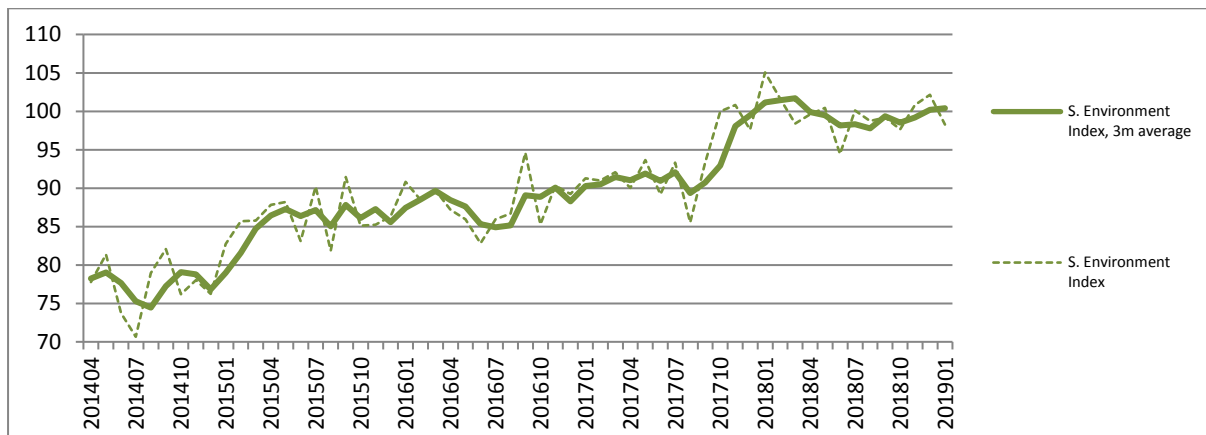
Month	Savings Index						
	Overall	Sav. Attitudes Index			Sav. Environment Index		
		Sav. A. Index	Do You Save	Savings Amount	Sav. E. Index	Good Time Save Now	Good Time Save 6 Months
Oct-17	<b>100.0</b>	<b>100.0</b>	100.0	100.0	<b>100.0</b>	100.0	100.0
Nov-17	<b>104.2</b>	<b>107.7</b>	105.6	109.8	<b>100.8</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
Nov-18	<b>100.0</b>	<b>99.2</b>	98.3	100.1	<b>100.8</b>	99.8	101.8
Dec-18	<b>103.0</b>	<b>103.9</b>	103.5	104.3	<b>102.1</b>	104.3	100.0
Jan-19	<b>101.6</b>	<b>104.8</b>	107.2	102.5	<b>98.3</b>	98.6	98.0

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



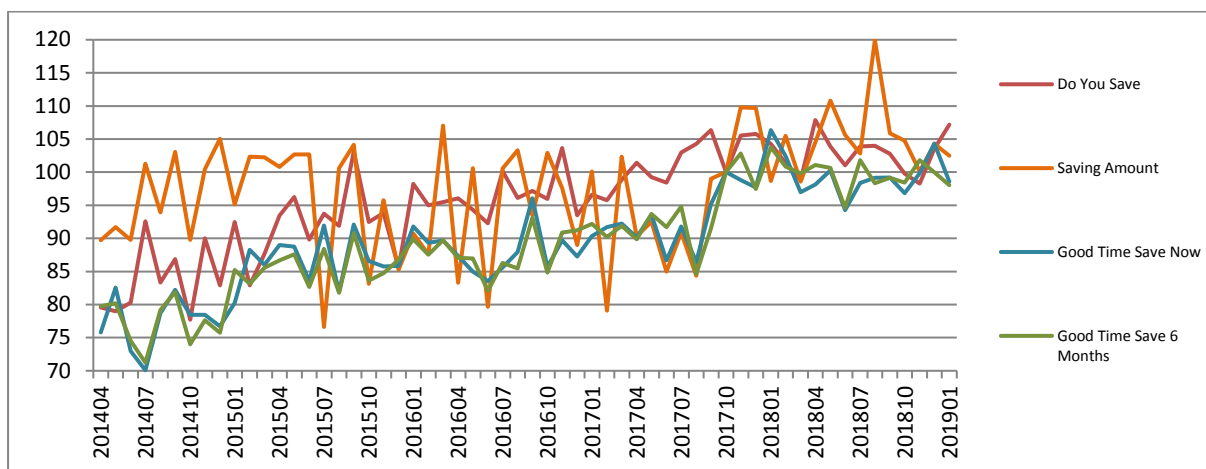
- The Savings Attitude Index is built on two questions which ask respondents about their saving behaviour and how they feel about the amount they save.
- The amount of people that are saving regularly increased on the previous month, up to 53.3 per cent from 48.6 per cent in December. The total amount of people that are saving at least occasionally remained stable at around 71 per cent. 29 per cent of people indicated that they did not save at all.
- Breaking down by age, younger respondents continue to save more than those in the older cohort. The amount of people under the age of 50 that were saving at least occasionally remained stable at 76 per cent in comparison to 62.5 per cent of those over the age of 50. Amongst those under the age of 50 there was an increase of over 7 per cent in those who were saving on a regular basis.
- The regional breakdown shows that saving rates amongst those in Dublin have increased over the past month, up to 77.7 per cent. Savings rates in the BMW and Rest of Ireland regions both decreased on the previous period and are now at 67 and 69 per cent respectively.
- In terms of Savings Amounts, those who indicated they saved the right amount increased by 1.2 per cent in January. Those in the BMW region in particular showed the largest increase in satisfaction with the amount they were saving, up nearly 6 per cent from December. In Dublin there was a slight decrease in satisfaction with the amount being saved but the capital is still the region with largest share of people who feel they save the right amount at 54.3 per cent.
- There was a slight increase in those under the age of 50 who were satisfied with the amount they were saving, up to 42.2 per cent. However they still trail the older cohort in this regard amongst whom 53.2 per cent were happy with the amount they were saving.

**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.
- The overall Savings Environment index declined on the previous period as result of fall in sentiment towards whether it was a good time to save today and in 6 months' time. The 'Good Time to Save Now' index experienced a significant decrease of 5.7 index points to 98.6, while the 'Good Time to Save in 6 months' index fell by 2 points to 98 points.
- Views towards the saving environment, both in terms of saving now and in 6 months' time, were down across all three regions. Dublin in particular saw a large drop of 9.1 per cent in those who thought it would be a good time to save in 6 months and a fall of 8.6 per cent in those who thought it was a good time to save now.
- There was an increase in both those under and over the age of 50 who felt that now was not a good time to save, up 4.8 per cent and 5.5 per cent respectively. In terms of saving in 6 months' time, there was a significant drop of 7.8 per cent amongst the older cohort who thought that it would be a good time to save.

**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 increased by 1.5 index points to 97.2 between December and January. This rise can be attributed to an improvement in attitude towards investment. In particular there was a significant increase in the level of satisfaction with the amount people were investing in comparison to the previous period. Countering the improvement in attitudes towards investing, there was further deterioration in the Investment Environment Index over the same period.

**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
Nov-18	<b>100.3</b>	<b>101.8</b>	107.4	96.1	<b>98.7</b>	98.0	99.4
Dec-18	<b>95.7</b>	<b>99.2</b>	102.9	95.6	<b>92.2</b>	90.1	94.4
Jan-19	<b>97.2</b>	<b>104.7</b>	103.7	105.8	<b>89.7</b>	86.5	92.9

- The Investment Attitude index asks respondents about their investment behaviour and how they feel about the amount they invest.
- Investment participation increased slightly on the previous month up to 103.7 points. Participation increased the most amongst those from the BMW region where there was an increase of 4.4 per cent in those who were currently investing. Investing patterns between the two age groups diverged significantly over the period. There was an increase of 5.1 per cent of those under the age of 50 who were investing while amongst those over the age of 50 there was an 8 per cent drop in those who were currently investing.
- Looking at the investment amount sub-index, there was a sharp increase in satisfaction with the amount people were investing in January. In particular, there was a substantial jump in those from the BMW region who thought they were investing the right amount, up 21.2 per cent on the previous month. In the Rest of Ireland region there was also a significant increase of 7.5 per cent in those who thought they were investing the right amount. In Dublin on the



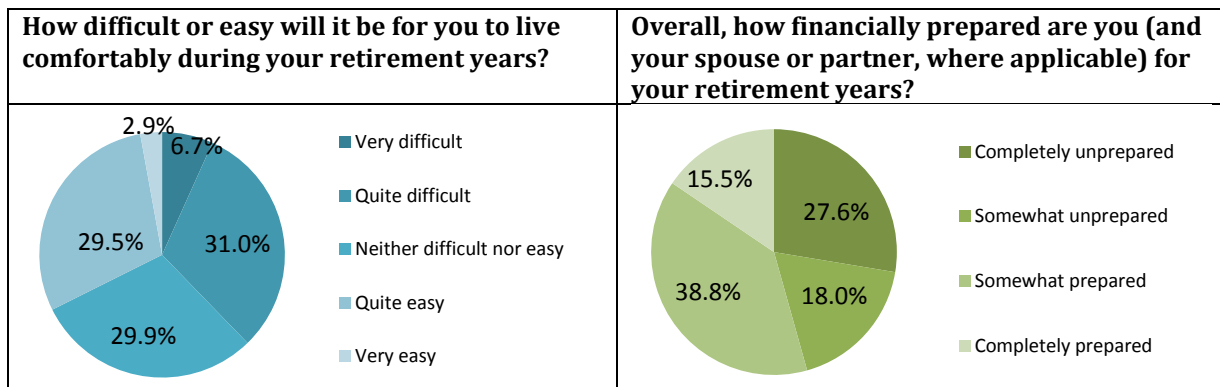
other hand there was a significant increase in the level of *dissatisfaction* with the amount being invested, up 10.9 per cent.

- Contentment with the amount being invested was quite similar across age groups with satisfaction amongst those under the age of 50 increasing by 6.5 per cent and those over the age of 50 increasing by 5.8 per cent.
- Both the sub-indexes composing the Investment Environment, 'Good Time to Invest Now' and 'Good Time to Invest in 6 months' Time', fell even further on what were already record low levels the previous month. This leaves the Investment Environment index below 90 points for the first time since the index was introduced. At 86.5 points, sentiment towards whether it is good time to invest today is particularly low. As the March deadline for Brexit draws ever closer and the chance of a 'no deal' increases, it is unsurprising that investors are not optimistic about the short term investment horizon. Global trade disagreements between the US and China are also likely to a limiting factor on investment sentiment.
- Declining sentiment towards the investing environment was strongest amongst the older cohort where there was a fall of nearly 4 per cent in those who thought it was a good time to invest in 6 months' time and a fall of just over 1 per cent in those who thought it was a good time to invest today.
- Breaking down by region, amongst people living in Dublin there was an increase of over 17 per cent in those who felt that now was a bad time to invest. In the BMW and Rest of Ireland regions there were increases of 2.4 and 3.8 per cent in those who felt that it would be a bad time to invest in 6 months' time.

## 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 98.6 index points in November to 101 index points in January 2019. This was due to an increase of 7.6 points in the sub-index measuring respondents perceptions about how financially prepared they are for retirement. Over the same period however there was a fall of 2.8 index points in the sub index measuring anticipated comfort in retirement. See Chart 1 and Table 4 for a visual breakdown.
- The greater preparedness among respondents is most strongly embodied amongst those from the Dublin region where there was a 7 per cent increase in those who felt they were financially prepared for retirement. In terms of age, the largest increase in preparedness was amongst those under the age of 50 where there was an increase of 5.8 per cent. The Rest of Ireland region had the greatest increase in those who felt they could easily live comfortably in retirement, up 4.5 per cent on the previous period.

**Chart 1 – Retirement Optimism Questions**



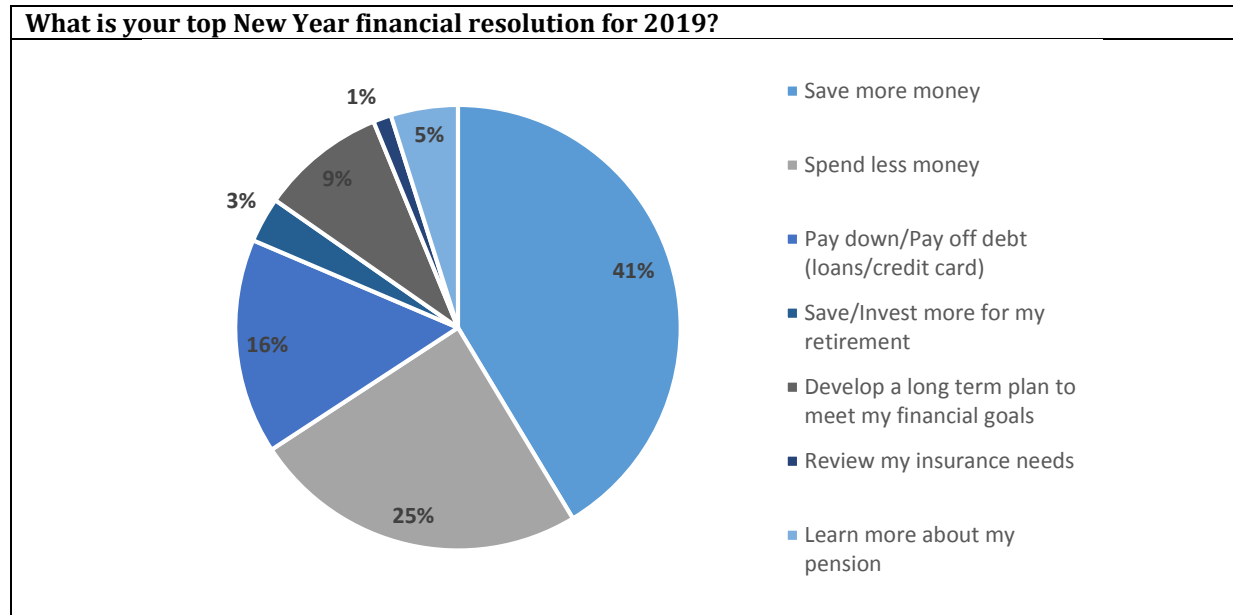
**Table 4 – Retirement Optimism Index, bi-monthly**

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
Nov-18	98.6	104.7	92.6
Jan-19	101.0	101.9	100.2

## Special Topic: Financial resolution for 2019

For the first special topic of the year consumers were asked about their top New Year financial resolution for 2019. There were 7 options which are listed below. About 41% of them said they would like to save more money, 25% to spend less money, 16% to pay off debt, 9% to develop a long term plan to meet financial goals, 5% to learn more about their pension, 3% to save/invest more for retirement and just 1% to review insurance needs.

**Chart 2 – 2019 Financial Resolution Question**



**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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