
Investor sentiment rebounds due to strong market gains

Strong gains by markets in 2019 resonating with Irish investor

- Regular investment patterns strengthen and investors turn more positive on markets
- More people feel they are financially prepared for retirement

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, was unchanged at 102 in March, with investment and saving sentiment going in opposite directions. Investment sentiment improved on the back of a sharp increase in confidence about the outlook for markets. However, this was offset by softer saving sentiment which slipped back from February, when it reached an all-time high helped by ongoing uncertainty around Brexit.

March results for the Retirement Optimism Index showed another improvement in confidence levels around how people would fare financially in retirement. The index hit 103 in March, the highest level since September. More respondents felt they were financially prepared for retirement – 58% of people felt they had some financial preparation in place, up from 54% in January. In addition the results showed a slight fall in the number of people that would find it difficult to live comfortably in retirement from 38% to 36%.

Investment Index

The Investment Index improved significantly in March, rising from 97 to 101, the first concrete signs that the strong gains made by markets in 2019 were finally resonating with Irish investors.

Tom McCabe, Bank of Ireland Investment Markets commented: “Improved confidence in the outlook for investment markets was central to the gain in the Investment Index in March. This month’s results were the first tangible signs that Irish people are warming to the strong rebound in investment markets this year rather than geopolitical issues like Brexit. This is a positive development and hopefully one that suggests Irish investor sentiment is bottoming out.”

The Investment Attitudes Index was unchanged at 109 in March however there were some positive signs for investment sentiment.

The percentage of people investing regularly rose to 37% in March, the highest response since the question was first asked in September 2017.

The percentage of people comfortable with the amounts they were investing also rose slightly to 61% from 58%. However the big driver of the improved investor sentiment in March was the rise in the Investment Environment Index which climbed sharply from 85 to 94, having plummeted in recent months in the midst of rising market volatility and geopolitical concerns.

The percentage of people that felt it was a good time to invest in March rose from 25% to 30% while those who felt it was a bad time fell marginally from 31% to 29%.

The improvement was driven by the rebound in many investment markets from December lows – since the turn of the year world stock markets have generated strong returns of 14.2% for Irish investors.

Savings Index

The monthly Savings Index dropped from the all-time high posted in February, slipping from 107 to 103. Small declines in savings attitudes and a marginally weaker outlook for savers accounted for the drop in the index.

Savings trends eased back slightly in March which pushed the Saving Attitude sub index down from 110 to 106.

49% of people were saving regularly in March, down from 51% in the previous month but still a strong reading in a historical context.

Respondents remained comfortable with the amounts they were putting away for saving with 46% saying they felt they were saving the right amount.

Optimism around the environment for saving also dipped in March with the Saving Environment sub index declining from 103 to 101. Despite the decline in the month, Irish people remain positive on the outlook for saving – 43% of people felt it was a good time to save in March, outweighing the 28% that felt it was a bad time.

In addition to the strong economy, rising Brexit uncertainty has supported saving sentiment over the past couple of months and we saw more evidence of this in March. In the Border Midwest region for example, the incidence of total saving (regular and occasional) rose to 72% in March, the highest reading since October 2016. 54% of Border savers also felt it was a good time to save, the strongest response since the question was first asked in January 2010.

Tom McCabe said: “Saving sentiment weakened in March but the foundations for strong saving behaviour remain firmly in place. Irish economic momentum has slowed a touch but improving employment and wages continue to support positive Irish saving trends. On top of this, the ongoing Brexit uncertainty also seems to be bolstering precautionary saving and the responses from savers in the Border hinterland in March again confirmed this.”

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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 |
| Feb-19 | 101.8 | 106.5 | 110.3 | 102.8 | 97.1 | 109.5 | 84.8 |
| Mar-19 | 102.3 | 103.4 | 106.0 | 100.8 | 101.1 | 108.6 | 93.6 |

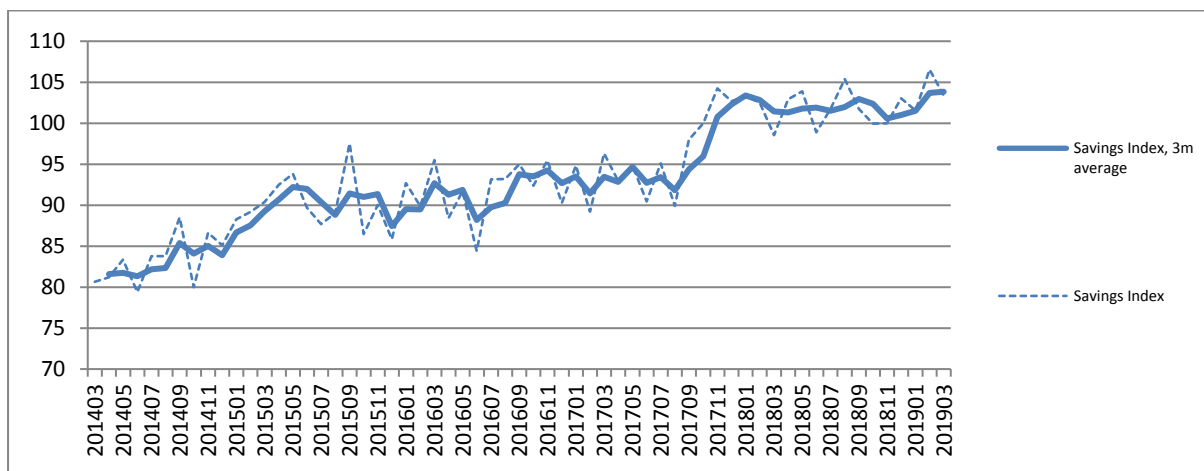
The Savings and Investment Index

- 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 increased to 102.3 index points in March, up by 0.5 points from February. The two sub-indexes composing the main index moved in opposite directions with the Savings index decreasing to 103.4 points and the Investment Index rising to 101.1 points.
- Attitudes towards savings fell from what had been a record high level in February due to falling saving participation and satisfaction with the amount being saved. The Investment Environment Index moved in the opposite direction as the strong performance of the stock market since the start of the year continued apace.

The Savings Index

- The two sub-indices that compose the Savings Index are the Savings Attitudes and the Savings Environment. In March, the Savings Index decreased by 3.1 points down to 103.4. Savings Attitudes fell by 4.3 points down to 106 while the Savings Environment index decreased by 2 points down to 100.8.
- 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



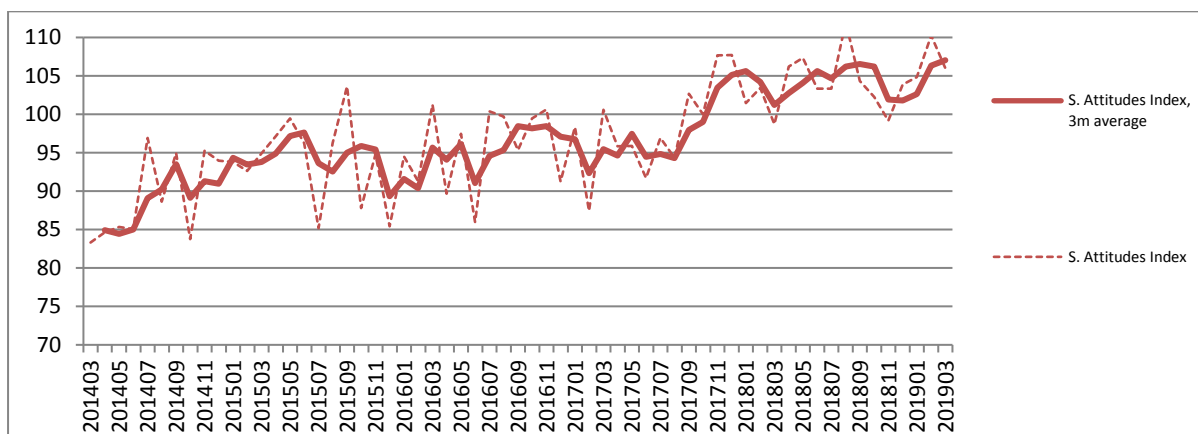
- The Savings Attitudes Index fell in March, down 4.3 index points from February to 106 index points. This was primarily due to a fall in the amount of people saving as well as a slight fall in satisfaction with the amount they were saving.
- The Savings Environment Index also decreased over this period, down by 2 index points to 100.8. This was due to a deterioration in people's views, both towards saving in 6 months' time and 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 | 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 |
| Jan-19 | 101.6 | 104.8 | 107.2 | 102.5 | 98.3 | 98.6 | 98.0 |
| Feb-19 | 106.5 | 110.3 | 108.0 | 112.5 | 102.8 | 102.9 | 102.8 |
| Mar-19 | 103.4 | 106.0 | 102.5 | 109.5 | 100.8 | 100.4 | 101.2 |

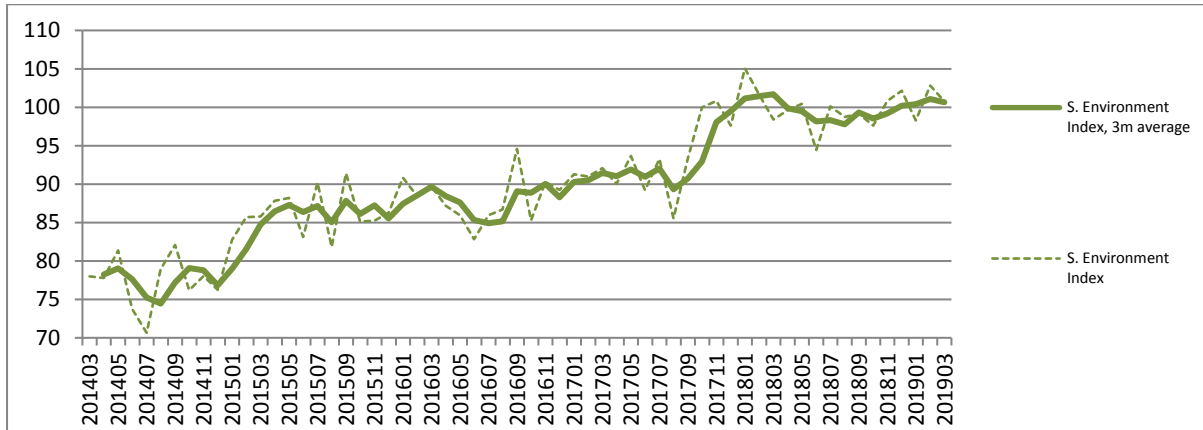
Figure 2 - Savings Attitudes Sub-Index



- 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 decreased slightly on the previous month, down to 49.2 per cent from 51.4 per cent in February. The total amount of people that are saving at least occasionally fell from 73.9 per cent to 69.7 percent. Just over 30 per cent of people indicated that they did not save at all.
- Breaking down by age, there was a similar fall in the rate of savings across both age groups. The amount of people under the age of 50 saving at least occasionally was down by 4.4 per cent and the amount of people over the age of 50 saving at least occasionally was down by 4.2 per cent. The proportion of people saving at least occasionally now stands at 72.6 per cent for those under the age of 50 and 65.3 per cent for those over the age of 50. The amount of people saving regularly also decreased across both age groups.
- The regional breakdown shows that saving rates amongst those in Dublin decreased by the greatest amount over the past month, down by 12.3 per cent. The proportion of people saving in the Rest of Ireland region also fell on the previous period, down by 3.9 per cent. Saving participation increased in the BMW region, up by 4 per cent.
- In terms of Savings Amounts, those who indicated they saved the right amount was unchanged at 46.3 per cent from the previous period. However, there was significant divergence between regions in terms of the level of satisfaction with the amount they were saving. While there was an increase of 18.5 per cent in terms of the level of satisfaction in the BMW region there was a fall of 16.8 per cent in Dublin.

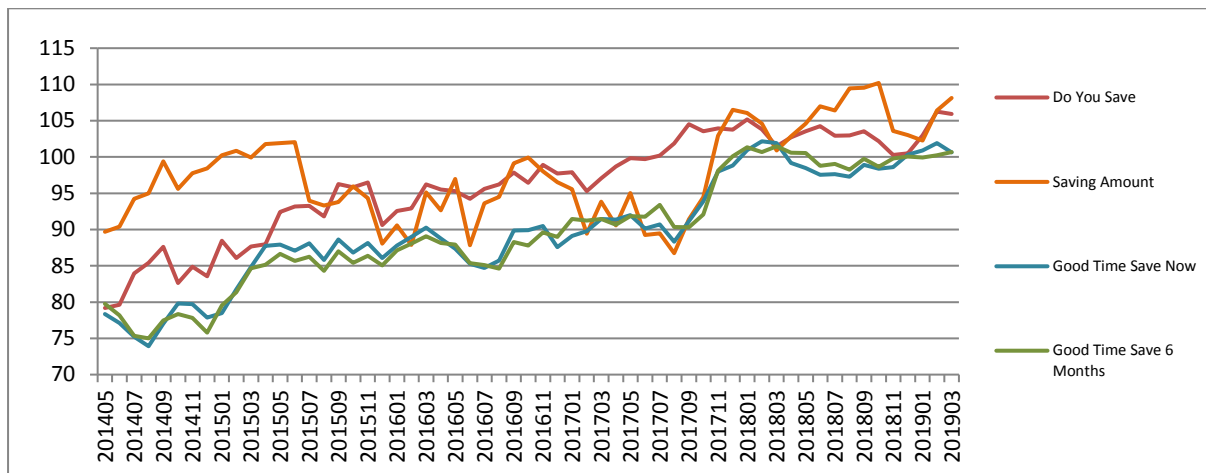
- There was a slight increase in those over the age of 50 who were satisfied with the amount they were saving, up 4.3 per cent. Amongst those under the age of 50 there was a fall of 2.2 per cent.

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.
- 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 decreased by 2.5 index points to 100.4, while the 'Good Time to Save in 6 months' index fell by 1.6 points to 101.2 points.
- Views towards whether it would be a good time to save in 6 months' time fell among those from the Rest of Ireland region by 5.1 per cent while for those in the BMW and Dublin region they increased by 4.2 and 4.1 per cent respectively. There was also a deterioration in views towards saving in the present among those from the Rest of Ireland region, down by 2.9 per cent.
- There was a decrease in those over the age of 50 who felt that now was a good time to save, down 8 per cent, while among those under the age of 50 there was an increase of 4.6 per cent. Similar patterns were seen in views towards saving in the future with the proportion of people under the age of 50 who felt it would be a good time to save in 6 months' time up 4.7 per cent and the proportion of people over the age of 50 down 7.7 per cent

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 4 index points to 101.1 between February and March. This rise can be attributed to an improvement in outlook on the investment environment. Views towards investing in 6 months' time in particular improved on the previous period. Countering the improvement in the investment environment, there was a slight fall in attitudes towards investment as investment participation and satisfaction fell over the 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 | 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 |
| Jan-19 | 97.2 | 104.7 | 103.7 | 105.8 | 89.7 | 86.5 | 92.9 |
| Feb-19 | 97.1 | 109.5 | 116.4 | 102.5 | 84.8 | 83.9 | 85.7 |
| Mar-19 | 101.1 | 108.6 | 115.9 | 101.3 | 93.6 | 90.3 | 97.0 |

- The Investment Attitude index asks respondents about their investment behaviour and how they feel about the amount they invest.
- Investment participation fell slightly on the previous month, down to 115.9 points from 116.4 points in February. Investment participation in Dublin decreased particularly sharply over the period, down by 20.6 per cent. Participation increased the most among those from the Rest of Ireland region where there was an increase of 7.5 per cent in those who were currently investing, while there was also an increase of 4.4 per cent in those investing from the BMW region. There was a slight fall in the proportion of people under 50 who were investing, down by 2.8 per cent. Investment participation among those over the age of 50 was similar to the previous period, increasing by just 0.3 per cent.
- There was also a slight decrease in satisfaction with the amount people were investing in March, down by 1.2 index points in comparison to February. In Dublin there was an 8.1 per cent fall in the proportion of people who felt they were investing the right amount. In the BMW and Rest of Ireland regions on the other hand there was an increase of 14.3 per cent and 3.2 per cent respectively in the amount of people who felt they were investing the right amount.
- In terms of age, satisfaction with the amount being invested was up among those under the age of 50 by 5.5 per cent. For those over the age of 50 there was a slight decrease in satisfaction of 0.4 per cent.
- Both the sub-indexes composing the Investment Environment, 'Good Time to Invest Now' and 'Good Time to Invest in 6 months' Time' improved on what had been record low levels the previous month. The 'Good Time to Invest Now' index increased by 6.4 index points to 90.3 while the 'Good Time to Invest in 6 months' Time' index increased by 11.3 index points to 97. The improvement in the outlook on the investment environment is likely due to the strong performance of equity markets over the first quarter of 2019. However the investment environment index remains relatively low compared to its historical level which is likely due to uncertainty around Brexit and concerns about weak growth for the global economy.
- Improving sentiment towards the investing environment was particularly strong in Dublin where there was an increase of 20.7 per cent in those who felt it was currently a good time to invest and an increase of 19 per cent in those who felt it would be a good time to invest in 6 months' time. There was also improving sentiment towards investing in 6 months' time in the other two regions but sentiment towards investing today declined in the BMW region by 6 per cent.
- Views on the investing environment were similar across both age groups with the proportion of those under the age of 50 who felt it was currently a good time to invest up 5 per cent and the proportion of those over the age of 50 who felt it was a good time to invest up 5.2 per cent. Views towards investing in 6 months' time were also up for both groups, improving by just over 6 per cent and 8 per cent for those under and over the age of 50 respectively.

Retirement Optimism Index

- As Ireland’s population is ageing it ever more important that households are planning for their financial future. To better understand how Irish consumers are preparing for their retirement, a 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 101 index points in January to 103.4 index points in March. This was due to an increase in both respondents perceptions about how financially prepared they are for retirement (up 3 points) and how easily they will find it to live comfortably in retirement (up 1.7 points). 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 6.2 per cent increase in those who felt they were financially prepared for retirement. This was followed by those from the Rest of Ireland region where there was an increase of 3.8 per cent.
- Among those from the BMW region there was a 10.4 per cent decrease in the number of people who felt they would find it difficult to live comfortably during retirement. In terms of age, there was a fall of 7 per cent in the number of people over the age of 50 who believed that they would find it difficult to live comfortably during retirement.

Chart 1 – Retirement Optimism Questions

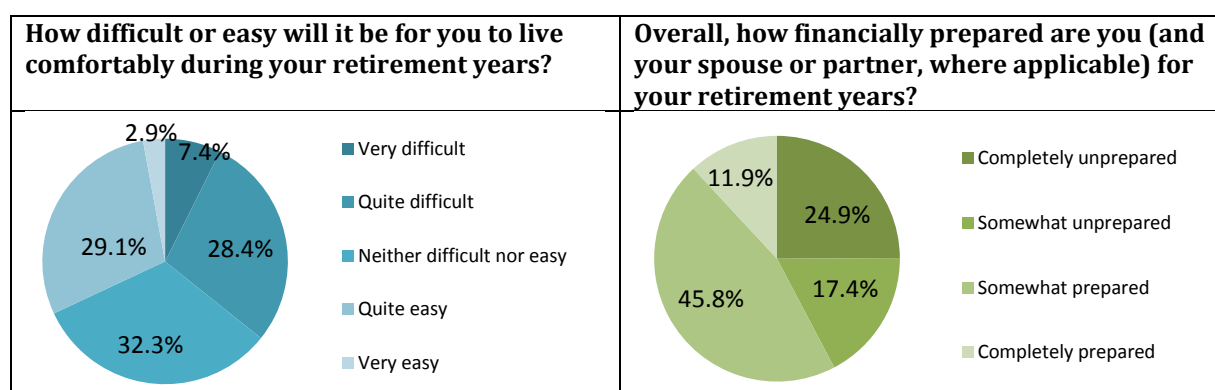


Table 4 – Retirement Optimism Index, bi-monthly

| 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 |
| Mar-19 | 103.4 | 103.6 | 103.2 |

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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