Press release

Improved saving sentiment pushes Saving and Investment Index higher

Brexit uncertainty helps drive saving sentiment to all time high

- Strong improvement in saving attitudes and outlook for saving environment in February
- People at their most positive on record about the saving environment
- Confidence in the investment outlook hits a record low for third month in a row

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, hit a five month high in February, rising from **99** to **102**. The headline improvement in the index was driven exclusively by stronger saving sentiment with the Savings Index hitting an all-time high of **107** in February. In contrast the Investment Index remained at **97**, close to its recent lows.

Savings Index
The monthly Savings Index rose to an all-time high of **107** in February, up from **102** in January, driven by both improved attitudes toward saving and greater confidence in the outlook for the savings environment. Regular savings patterns remained strong in February with **51%** of people saving regularly. People also seemed more comfortable around the amounts that they were saving - the percentage saying the felt they didn't save enough falling to a six month low in February. Together this pushed the Saving Attitude subindex to a six month high of **110**.

The more notable aspect of the improved saving sentiment in February was the increased positive sentiment among Irish people towards the savings environment, something which has tended to hold back overall savings sentiment in the past year. The percentage of people that felt it was a good time to save rose to **43%** in February (up from **41%** in January) while the percentage of people that felt it was a bad time to save fell to **26%,** the lowest in a year and down from **29%** in January. In addition, people felt it would be an even better time to save in six months – **42%** felt it would be a good time to save in six months' time, more than double the **18%** that felt it would be a bad time to save. Together these responses pushed the Saving Environment subindex to **103** in February, the strongest reading since January 2018.

Commenting on the February results for the Bank of Ireland/ESRI Investment Index, Tom McCabe, Bank of Ireland Investment Markets said*: "The improvement in peoples' outlook for the savings environment was the key takeaway from the gain in saving sentiment in February. 1 in 2 people are saving regularly and the proportion of people who say they are saving more than they think they should is increasing, at a time when deposit rates remain very low. These responses possibly reflect the growing risk of a disruptive Brexit and the likely short term difficulties this could cause to the Irish economy. In short it seems that uncertainty around the UK's departure from the EU is leading to greater precautionary saving ahead of a possible no deal Brexit*."

Investments Index
The Investment Index treaded water in February, remaining unchanged at **97** compared to January. However investment activity patterns and sentiment on the market outlook went in completely opposite directions in the month. Given the backdrop of recent investment market volatility and the fast approaching Brexit date, the Investment Attitudes subindex surprisingly rose to **109** in February, its highest level since August. The percentage of people investing regularly hit a one year high of

36% in February, driven by stronger investment patterns from younger people (under 50) and those in Dublin in particular.

This positivity however was offset by other data indicating that Irish people remain very downbeat on the outlook for investment markets. For the third month in a row the Investment Environment subindex hit a fresh all-time low of **85**. This was despite the recent stock market recovery continuing in February with global stock markets now up **11%** for Irish investors since the beginning of the year.

On a net basis people felt it was a bad time to invest with **31%** of people saying it was a bad time to invest compared to **25%** who felt it was a good time. People were a little more optimistic about investing in six months' time which suggested that it is near term factors (of which Brexit is likely to be one) that are really depressing investment sentiment.

Tom McCabe commented: *"The February results reflect the dilemmas currently faced by investors. A good start to the year for markets together with continued weak returns from deposits could explain why we saw more people investing in February. However, at the same time investors' concerns about what Brexit will eventually look like seems to be overshadowing everything else when it comes to their short term market outlook. With investors facing so many short term quandaries, it's not surprising investment sentiment treaded water last month."*

Additional €10k

February's responses for our risk barometer question also tended to indicate that temporary factors like Brexit seem to be distorting 'normal' saving and investment trends. When asked how people would use a windfall gain of €10,000, **60%** of people said they would prefer to save it – the lowest reading since we first asked the question. In contrast **40%** of people said they would invest the windfall, the highest response since we first asked the question.

At first glance this would suggest that risk appetites are rising when in fact the data from the Savings and Investment Index appear to indicate the opposite. The big contrast here again signals that Irish people are presently attaching a heavy significance to prevailing issues like Brexit when saving or investing their hard earned cash. However, free of this 'weight', the response here hints that their saving and investment behaviour could be very different.

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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.