

Press release

Savings and Investment Index hits seven month low in October

‘October stock market volatility pushes investment sentiment sharply lower’

- Sentiment towards both saving and investment slips in October
- Confidence in the investment outlook at its weakest since October 2017
- Majority are favourable towards auto enrolment pension scheme

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, fell to its lowest level since March in October with the headline index falling from **103** to **99**. Both the saving and investment components of the index declined in the month but the drop in investment sentiment was more marked, driven by weaker investor confidence around the market outlook.

Additional research conducted as part of the Index showed that the majority of Irish people are positive about the proposed introduction of a state-backed auto enrolment pension scheme with six in ten (57%) describing the scheme as a ‘good’ or ‘great’ development.

Commenting on the October results for the Bank of Ireland/ESRI Savings and Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *“October’s results for the Bank of Ireland/ESRI Savings and Investment Index showed weaker sentiment towards saving and investment with stock market volatility representing the clearest factor driving the headline index to a seven month low.*

“Given that October’s sell off in the stock market effectively wiped out investors’ 2018 gains, it’s not surprising that this weighed heavily on Irish investors’ short term outlook for investment markets in the month. What was more surprising was that Irish attitudes towards investment actually improved in spite of the weaker stock market. It will be interesting to see if investor attitudes continue to hold up over the next few months, particularly should markets remain jittery.”

Investments Index

The Investment Index fell in October from **103** to **99**, hitting a three month low. Sharply weaker investor confidence around the market outlook was the main cause of the fall. The Investment Environment sub index slumped from **106** to **96** in October, its lowest level since launch. Big falls in technology shares, concerns about economic growth and corporate profits and a sudden rise in global bond yields all combined to drive global stock markets down by 5.2% in October, the worst monthly performance so far this year. As a result, the percentage of people that now felt it was a bad time to invest jumped from **17%** in September to **26%** in October with nervousness about the short term outlook particularly apparent among older investors.

Given the market backdrop, it was surprising to see the Investment Attitudes Index climb marginally from **101** to **102** in October. The percentage of regular investors dipped to 29%, the lowest since March. However people seemed more confident with the amounts they were investing in October, a factor that helped push the sub index modestly higher.

Savings Index

The monthly Savings Index also fell back from **102** in September to **100** in October. The decline was driven by a modest easing in both attitudes towards saving and people's views on the saving environment. The Savings Attitudes subindex fell from **104** in September to **102** in October. The percentage of people saving regularly fell to **47%** in October, the lowest since March, with saving patterns weakening amongst younger savers in particular. **51%** of people under 50 were saving regularly in October, down from **56%** in the previous month.

Somewhat surprisingly, the Savings Index has fallen back in recent months even as uncertainties around Brexit have risen. This would tend to suggest that Brexit is not spurring greater precautionary saving among Irish people. A review of the regional saving patterns in October also tended to back this up. The percentage of people saving regularly in the Border Midwest region, for example, dropped to **34%** in October which was the lowest response from savers in the region since September 2016.

In addition to saving activity easing in October, respondents' views of the environment for saving were also slightly weaker in the month. 47% of people felt they weren't saving enough in October, which was up slightly from the 45% reading in September. Concerns about not saving enough appeared more acute for older savers – the percentage of people over 50 that felt they weren't saving enough rose to 36% from 31% in September.

Pension Auto Enrolment

This month we asked Irish people for their views on the proposed introduction of an auto enrolment pension scheme by 2022. The responses produced a number of interesting results:

- The results indicated that the majority of Irish people were positive about the scheme with 57% describing the scheme as a 'good' or 'great' development
- Interestingly, those from professional or managerial backgrounds had a much more positive view of the proposed scheme compared to those from other occupations
- Of those currently without private pension coverage, 44% expressed some concern about the size of the employee contribution being too large. This suggests that if the scheme were to be introduced, an employee contribution of less than 6% may have more public support.

ENDS

For media queries or interview opportunities, please contact:

Mark Leech @ Bank of Ireland

Tel: 087-9053679

E: Mark.Leech@boi.com

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.