

Press release

Investor sentiment slumps to lowest level since launch

Mounting uncertainties drive December split in saving and investment sentiment

- Confidence in investment outlook battered by 8% December decline for stock markets
- 27% felt it was a bad time to invest in December, highest reading since launch
- Brexit concerns help push saving sentiment to four month high

The Bank of Ireland/ESRI Savings and Investment Index, which measures sentiment towards saving and investment, slipped from **100** to **99** in December 2018. The modest change in the headline index masked a big split in sentiment towards saving and investment however. A combination of investment market volatility and geopolitical uncertainty drove investment sentiment to a record low while simultaneously pushing saving sentiment to a four month high.

Investments Index

The Investment Index fell from **100** to **96** in December, the lowest level in the index' history as investment patterns weakened and confidence levels in the outlook for investment markets collapsed. The percentage of regular investors dropped to **32%** in December from **34%**. Regular investment patterns often weakened in 2018 in response to episodes of rising market volatility so it wasn't surprising to see this happen again in December given that world stock markets fell by 8% in the month. This capped a fall of 12.6% for world stock markets in the final three months of the year, the worst quarterly performance since the depths of the Euro zone debt crisis in 2011.

However the key factor dragging the investment index lower was a collapse in confidence levels around the outlook for investment markets. The Investment Environment sub index dropped from **99** to **92** in December, its lowest level on record. Younger investors appeared most alarmed by the continued market volatility in December as the percentage of under 50s that felt it was a bad time to invest rose a full ten percentage points to **29%**.

People weren't as negative on the market outlook six months out but the data still hinted at a lingering pessimism going forward – **22%** of people answered that it would still be a bad time to invest in six months' time, up from **18%** in November.

Commenting on the December results for the Bank of Ireland/ESRI Investment Index, Tom McCabe, Bank of Ireland Investment Markets said *"Unfortunately the much hoped for 'Santa Claus' rally didn't materialise for investors in December. Instead stock markets shed another 8% for Irish investors as concerns about the 2019 economic outlook reached fever pitch while Brexit and the US government shutdown added further to the sense of gloom.*

"Against this backdrop it's not surprising to see Irish investor sentiment hit a record low in December. The Irish response to the recent market volatility wasn't out of line with international norms with a number of global investor surveys showing that equity market sentiment hit two year lows in December. In the short term however, some improvement in market conditions and the geopolitical outlook are vital if Irish investor sentiment is to stage a recovery over the next few months."

Savings Index

The monthly Savings Index rose to a four month high of **103** in December from **100** in November, driven by improved attitudes towards saving and a brighter outlook for the savings environment. Regular saving patterns improved in December – the percentage of regular savers rose to **49%** in December from **47%** in November, fuelled by improved participation from younger savers in particular.

Interestingly the percentage of regular savers in the Border Midwest region has climbed sharply from **34%** in October to **44%** in December. Furthermore, the percentage of people in the Border Midwest region that felt they weren't saving enough rose to **57%** in December, the highest response for that region over the past year. Together this indicates that anxiety levels are rising in the border hinterland and that this is spurring increased precautionary saving.

Saving sentiment was further spurred on by greater positivity around the outlook for the savings environment as the Saving Environment sub index hit **102**, its highest level since February. The percentage of people that felt it was a good time to save rose to **46%** in December (the highest reading of 2018) from **43%** in November and more positive responses were visible across most age and regional groups.

Looking at historical patterns it is unusual for savings sentiment to improve in December given the extra spending households typically incur as a result of Christmas. So in this respect, December's improvement in the Savings Index is unusual. Overall it looks as though the fear factor associated with short term issues like Brexit and broader financial market uncertainty was at the forefront of savers' minds and that this spurred a more 'just in case' saving habit in the month.

Tom McCabe commented: "The improvement in peoples' outlook for the saving environment in December was notable, given it has weighed on saving sentiment in recent months However, it is unusual for saving sentiment to improve in a month typically dominated by spending. Overall it's hard to escape the feeling that the rise in saving sentiment and the collapse in investment sentiment in December were two sides of the same coin, in other words a direct response to rising financial and geopolitical risks."

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.