

Press release

Investors suffer a dose of the Brexit blues

'Half of people likely to invest less because of Brexit'

- Savings and Investment Index drops to **94** as investment sentiment buckles
- Nearly two in five feel that now is a bad time to invest
- Saving sentiment slightly stronger in August, **47%** of people saving regularly

The Bank of Ireland Savings and Investment Index, which measures sentiment towards saving and investment, fell from **96** to **94** in August. Saving sentiment improved modestly compared to earlier in the summer but investment sentiment slumped as trade war and Brexit concerns in particular grew. Since hitting its 2019 peak of **102** in March, the Savings and Investment Index has now fallen to **94** with the majority of the fall resulting from weaker investment sentiment.

Investment Index

The Investment Index dropped sharply from **94** to **88** in August, its lowest level since the index' inception in October 2017. The fall was caused by a collapse in investor confidence around the market outlook. The Investment Environment subindex tumbled from **91** to **76**, by far the lowest reading on record. A record high (**39%**) percentage of people felt it was a bad time to invest in August. This gloominess was visible across the board but seemed most acute for baby boomers (nearly one in two of over 60s felt it was a bad time to invest in August) and for lower income groups.

Tom McCabe, Bank of Ireland Investment Markets commented: *"August's results for the Investment Index clearly show that Brexit concerns stalked Irish investors over the summer. Boris Johnsons' ascension to the position of UK Prime Minister increased fears of the UK crashing out of the EU, leading to a record fall in Irish investor sentiment. Unfortunately the strong gains accumulated by investment markets this year no longer appear to mean much, if anything, to Irish investors. Instead, in the short term at least, investor sentiment looks set to be dominated by the outcome of EU-UK negotiations and the looming deadline of October 31st."*

At first glance this buckling in investor confidence looks at odds with how markets have performed in 2019. Up to the end of August world stock markets had increased by **18%** for Irish investors and given this strong performance the collapse in investment sentiment is surprising.

However the fact that investor sentiment has dropped during a period which coincided with Boris Johnson's election as UK Prime Minister strongly suggests that Irish concerns about the UK crashing out of the EU lie at the heart of this pessimism.

This finding was confirmed by a special topic question asked this quarter where **50%** of people answered that they were likely to invest less as a result of Brexit concerns. The sentiment expressed here was broadly based, although the responses were more negative outside Dublin, possibly indicating some nervousness about the impact a UK crash out could have on the agricultural sector of the economy.

Savings Index

The Savings Index rose modestly from **99** to **100** in August, pulled higher by slightly stronger attitudes to saving. The percentage of people saving regularly inched higher to **47%** compared to **46%** in June with larger numbers of baby boomers in particular saving regularly. In addition, the percentage of people that felt they were saving the right amount rose slightly to **34%** in August, another factor that led saving sentiment higher.

The percentage of people that felt that it was a good time to save now rose from **47%** in June to **49%**. So far Brexit does not look like it has had the same outsized impact on savers as it had on Irish investors over the summer. However our special topic question in August showed that Brexit could yet have a big impact on saving patterns with **40%** of people answering that they felt they were likely to save more as a result of Brexit concerns. Millennials and Generation Xers seemed most likely to save more as a result of Brexit concerns compared to baby boomers. **43%** of under 50s said they would save more as a result of Brexit compared to only **35%** for over 50s.

Tom McCabe, Bank of Ireland Investment Markets said: *“The latest results for the Savings Index shows that Irish saving sentiment remains on a solid footing, underpinned by continued favourable economic conditions. So far we haven’t seen evidence of savers responding to growing Brexit uncertainty in the way Irish investors did over the summer. However our finding that 40% of Irish people are likely to save more because of Brexit concerns indicates that precautionary saving could certainly spike suddenly were the UK to crash out of the EU with no deal.”*

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About the Bank of Ireland Savings and Investments Index:

The Bank of Ireland 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 Savings and Investment Index also provides a Retirement Optimism Index to give insight into household retirement planning.

The Bank of Ireland Savings and Investment Index is produced quarterly from a nationally representative sample of 1,000 consumers aged 16 years and above. The fieldwork is conducted by Ipsos MRBI, an independent research agency.