Irish people intend to save more, spend less and pay down debt in 2020

Brexit respite boosts investor sentiment, while saving sentiment drops

- Savings and Investment Index eases as weaker saving sentiment offsets rebound in investor optimism
- Christmas spending and ECB interest rate cuts push saving sentiment to lowest since August 2017
- Investment index rebounds, helped by Brexit extension

The top three financial New Year resolutions for Irish people in 2020 are to save more money, spend less money and pay down or pay off debt, according to research for Bank of Ireland's Savings and Investment Index. Irish people are also prioritising longer term financial planning issues in 2020, with more than twice as many planning to learn more about their pension next year.

The Bank of Ireland Savings and Investment Index, which measures sentiment towards saving and investment, fell slightly from **94** to **93** in Q4 2019. Saving sentiment weakened over the past quarter, falling from **100** to **95** and hitting its lowest level since August 2017. In contrast, Irish investor sentiment enjoyed a rebound in the quarter, rising from **88** to **91**.

Tom McCabe, Bank of Ireland Investment Markets commented: "*Our research is showing some good intentions from the public, with save more, spend less and pay down or pay off debt identified as the main actions for next year. Brexit has been the biggest factor shaping Irish investor sentiment in recent months and the Q4 results for the Investment Index showed sentiment recovering slightly as the Brexit can was again kicked down the road. The Savings Index shows that Irish saving sentiment remains relatively strong in a historic context. In spite of this, two factors have likely dragged it lower this quarter. Christmas spending has probably meant that saving is taking more of a backseat for Irish people in the short term. And the recent interest rate cut in the Euro zone has most likely also depressed sentiment.*"

Investment Index

The Investment Index recovered some ground in the past three months, rising from **88** to **91** and marking its first rise since March 2019. Improved confidence in the investment outlook was the key driver of the rise in the overall index as the Investment Environment sub index climbed from an all-time low of **76** back up to **82**.

The gloominess surrounding the investment outlook that abounded during the Autumn seemed to dissipate somewhat in Q4. The percentage of people that felt it was a bad time to invest dropped to **34%** from the record high of **39%** in Q3 while those that now felt it was a good time to invest rose marginally from **23%** to **25%**. On balance people also felt the horizon looked a little brighter six months out with again less people answering that it would be a bad time to invest.

Despite the uncertainty around the investing environment in recent months, Irish attitudes to investing have generally remained fairly solid. The percentage of people investing regularly was steady at **35%** for the third quarter in a row in Q4 although patterns of regular investment were certainly much stronger for younger age groups compared to older ones.

According to Tom McCabe, "With over one third of people still saying it is a bad time to invest, the 'Brexit bounce' in Q4 feels more like a collective sigh of relief rather than people genuinely feeling more bullish about the investment outlook. Against this backdrop, the results of the forthcoming UK General Election and what they mean for Brexit will be crucial. If the election result clears a path for the UK's withdrawal agreement through Parliament, then this quarter's upturn could be the start of a more enduring recovery in investor sentiment."

Savings Index

The Savings Index fell from **100** to **95** in Q4, the lowest reading since August 2017. November's decline in the index owed to both weaker attitudes to saving and a stronger view that the environment for saving had also deteriorated. The percentage of people saving regularly in Q4 dropped to **46%**, the weakest since July 2017. Savings patterns dropped more notably for older savers in the quarter – with only **38%** of over 50s regularly saving in the period, again the lowest in around two years. Given the fall in savings patterns it also wasn't surprising to see people a little concerned about the amounts they were saving – **56%** of people felt that they weren't saving enough in the quarter.

In terms of the outlook for savers, there was a notable rise in the percentage of people that felt it was a bad time to save now which rose from **19%** to **25%**. This was again particularly visible amongst older savers - here the percentage of over 50s that felt it was a bad time to save rose from **26%** to **35%**, the highest since March.

New Year Financial Resolution 2020

Additional research conducted as part of the Index this month showed that the top three financial New Year resolutions for Irish people in 2020 were; save more money (35%), spend less money (20%) and pay down/pay off debt (14%). 11% plan to learn more about their pension (up from 5% last year), while 7% said they would be more interested in saving or investing for their retirement (up from 3% last year).

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For media queries contact:
Mark Leech @ Bank of Ireland Tel: 087-9053679

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.