More people saving regularly during Covid-19, while attitudes to investing are divided

Bank of Ireland Savings & Investment Index shows consumer resilience through Covid-19

- Savings and Investment Index up in Q2 2020 as savings sentiment strengthens
- 51% of people saving regularly in Q2 2020, up from 46% in Q4 2019
- Surprising increase in optimism about retirement - up 12% in Q2 2020

Set against the backdrop of the Covid-19 lockdown, the Bank of Ireland Savings and Investment Index demonstrates the resilience of Irish consumers, with slightly **more people saving regularly** in Q2 and a significant spike in people thinking it's a good or very good time to save. With less options for spending, the Savings Index rose to its second highest level since the index started in 2017. However, the Index also shows that attitudes are likely to shift again with less people seeing the need for saving in 6 months' time, which **may indicate a rise in spending as the reopening progresses**.

In what was a very volatile period for investing with equity markets dropping by 30% and recovering almost all of these losses in a matter of weeks, **attitudes to investing understandably became quite divided**. The Q2 Investment Index saw an increase in those saying they saw it as a good time to invest, while there was also an increase amongst those who saw it as a bad time to invest.

Somewhat surprisingly, there was a **significant increase in our optimism about retirement**, perhaps a consequence of people having had time and space to reflect on their futures.

Overall index improves

The overall Bank of Ireland Savings and Investment Index, which gauges attitudes to savings and investing, **increased in Q2 by 6% on the previous quarter**, rising from 94 to 100. The driver for the increase was a further improvement in savings sentiment, with the Savings Index rising to 106 in Q2 from 95 in Q4 last year. Interestingly investor sentiment, which had been quite muted at the start of the year, also improved with the Investment Index rising from 90 in Q1 to 94 in Q2.

Kevin Quinn, Bank of Ireland Investment Markets commented:

"The challenges and difficulties we have faced as a country in the past quarter have been met with great resilience and it appears that this is reflected in how we view our finances also.

*Attitudes to savings have strengthened as might be expected during a period of economic strain of this kind – less spending saw an increase in cash balances for some and **those who could afford to put cash aside.** With greater uncertainty, the precautionary reason for saving has also come to the fore, and we've seen an increase in those who think it's a good time to save in the short-term.*

More surprisingly perhaps, is a significant increase in our optimism about retirement. Perhaps a consequence of ***people having had time and space to reflect on their futures,*** *there has been a growth in optimism about what life can be like in retirement.*

Thirdly, despite huge volatility in investment markets, attitudes to investing showed a modest improvement, largely driven by improvements in expectations about the investing environment in the months ahead."

Savings Index

The Savings Index rose from 99 to 106 in the second quarter of the year, the second highest level since the index started in 2017. The improved saving sentiment was squarely down to **stronger attitudes to saving** in the period. The percentage of people saving regularly continued to rise steadily (from 46% in Q4 2019, to 50% in Q1, to 51% in Q2) but there was a very significant rise in people's short term outlook for savings. About 55% of people now think it's a good or very good time to save, up from just 38% in Q1. Interestingly when asked to consider 6 months into the future, the number drops back to 43% suggesting that spending habits will quickly respond to the re-opening of the economy.

According to Kevin Quinn, "Given the backdrop of the crisis, it seems intuitive that people would increase their appetite for saving and the fact that we saw a big move upwards in those who see it as a good time to save bears this out. However, the reality is that ***spending habits were constrained in the lockdown period*** *and we can see that attitudes are likely to shift again with less people seeing the need for saving in 6 months' time."*

Investment Index

The Investment Index rose to 94 in Q2 from 90 in Q1 with a small improvement in the investment outlook offsetting weaker short term attitudes towards the immediate environment.

In a very volatile period for investing, with equity markets dropping by 30% and then recovering three quarters of these losses in a matter of weeks, attitudes to investing understandably became quite divided. **Some saw opportunity in the crisis conditions** with 32% of people saying they saw it as a good time to invest compared to 23% in Q1. In contrast, there was **also an increase amongst those who saw it as a bad time to invest** with 47% seeing it as a poor time to invest, compared to 32% in Q1. Interestingly this falls to 33% when asked about how they view things in 6 months' time.

Kevin Quinn commented, "With the spike in investment market volatility that came with the Covid-19 Crisis, short term opinion became quite divided. Many people very understandably viewed events as meaning it was a poor time to invest and held back plans. In contrast, almost a third of people saw opportunity amidst what turned out to be a short-lived downturn in investment markets. With the bounce in markets since late March, those who followed that viewpoint have been well rewarded".

Retirement Optimism Index

The most striking finding from the survey was the **significant increase in our Retirement Optimism** Index which showed a 12% rise in Q2, increasing from 107 in Q1 to 120 in Q2. Financial preparedness for retirement rose by a smaller amount from 103 to 109, whereas 'comfort in retirement' rose from 111 to 131.

There was an improvement in the number of people who felt they would face a difficult time when asked about comfort in retirement (dropping from 33% of people in Q1 to 24% in Q2).There was also an **improvement in how people felt about their financial preparedness for retirement** (up to 61% in Q2 who felt prepared vs 57% in Q1). These sentiments stand in stark contrast to the fact that 65% of respondents said they had made no pension provision in the last 12 months.

Kevin Quinn commented *"the shift in attitudes we are seeing about retirement was the surprise result in the survey. It suggests that attitudes to retiring may have shifted somewhat as a result of the experience of the lockdown period, with a greater emphasis on comfort and well-being in later years. Improved optimism about retirement however stands in contrast to the numbers who are making adequate provision for retirement."*

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For media queries contact:

Mark Leech, Bank of Ireland, 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. Q2 fieldwork took place from 1st -14th May.