

Consumers consider options for spare cash as budget brings bad news for savers

Nationwide UK (Ireland) Savings Index drops by 12 points in October

14th November 2013: Following a strong rise in September, the Nationwide UK (Ireland) Savings Index, which measures attitudes to saving and saving conditions, has fallen across most measures in October. As consumers digested bad news in the budget and the ongoing declines in interest rates, the overall Savings Index dropped 12 points this month to 98 from 110 in September. The Savings Attitude sub-index declined by 14 points and the Savings Environment sub-index weakened by 8 points to 99. Despite the bad news for savers during the month, the year on year index remains largely unchanged and stood at 98 in October 2013 compared to 97 a year ago.

Behaviour and attitude toward saving is a cause for concern and the proportion of people saving regularly declined to 34% in October from 39% last month. This fall off in regular saving is even more apparent in the under 50's age group where regular saving has fallen by 10 percentage points to 36% from an all time high of 46% last month. There has also been an increase in the proportion of people not saving at all. This rose to 41% from 35% last month. The issue though is one that consumers are aware of and 65% of people now say they are saving less than they think they should, an increase from 63% last month.

Not surprisingly only one in ten believe that government policy encourages saving. However almost one in three (30%) still believe that that now is a good time to save. There has also been an increase in the proportion of people who intend to save any surplus cash, from 33% last month to 37% in October. In contrast, the proportion of people who would use surplus cash to pay down their mortgage or other debt has fallen from 51% last month to 47% in October.

Among savers, more than one quarter (27%) are saving more than €200 per month. Almost half (48%) are saving between €51 and €200 with the rest (25%) saving up to €50 per month. Saving for education has increased in popularity in the past year with 20% of people who are saving, doing so for this reason. The next biggest increase has been in saving for large consumer purchases with 9% saying they are saving for this purpose, up from just 5% a year ago.

Commenting on the Index, Brendan Synnott Managing Director of Nationwide UK (Ireland) said: *"This month all indicators for savings are negative. The increase in Deposit Interest Retention Tax announced in the budget was more bad news for savers while the European Central Bank rate cut announced last week is likely to lead to further interest rate reductions on savings. At the same time, we are seeing a change in preferred use for spare funds. In the past 12 months the proportion of people saving for planned purchases has almost doubled from 5% to 9% while saving for unexpected expenses, with no specific purchase in mind, has fallen from 44% to 40%. This may indicate that consumers are thinking about spending again, however any positive indicator is tentative and can easily be offset by uncertainty or negative events in the local or wider economic environment."*

Contd.

Savings Index Data

Month	Savings Index	Savings Attitudes index	Savings Environment Index
Oct-12	97	97	98
Nov-12	98	96	99
Dec-12	81	90	71
Jan-13	85	94	76
Feb-13	83	96	70
Mar-13	88	94	82
Apr-13	88	104	71
May-13	86	99	72
Jun-13	86	94	79
Jul-13	115	112	118
Aug-13	98	101	95
Sep-13	110	112	107
Oct-13	98	98	99

About the Savings Index

The Savings Index is constructed from monthly research on the attitudes of Irish consumers towards saving.

The Index measures peoples' responses to questions on their attitudes and behaviour towards saving (The Savings Attitude Index) and conditions in the wider environment (Savings Environment Index).

The Nationwide UK (Ireland) Savings Index is produced monthly from a minimum sample of 800 consumers over 15 years of age. The ESRI carries out the Savings Index research to ensure the indices represent a national sample.

Note: Prior to January 2011 the Nationwide (UK) Ireland Savings Index was constructed using quarter one, 2010 as its base period. From January 2011, The Index has been rebased using the year 2010 as the base period. The method for calculating the savings attitudes sub-index has been altered to reduce short-term volatility as the impact of small changes in the number of responses was being overstated when the number of respondents in a category was low.

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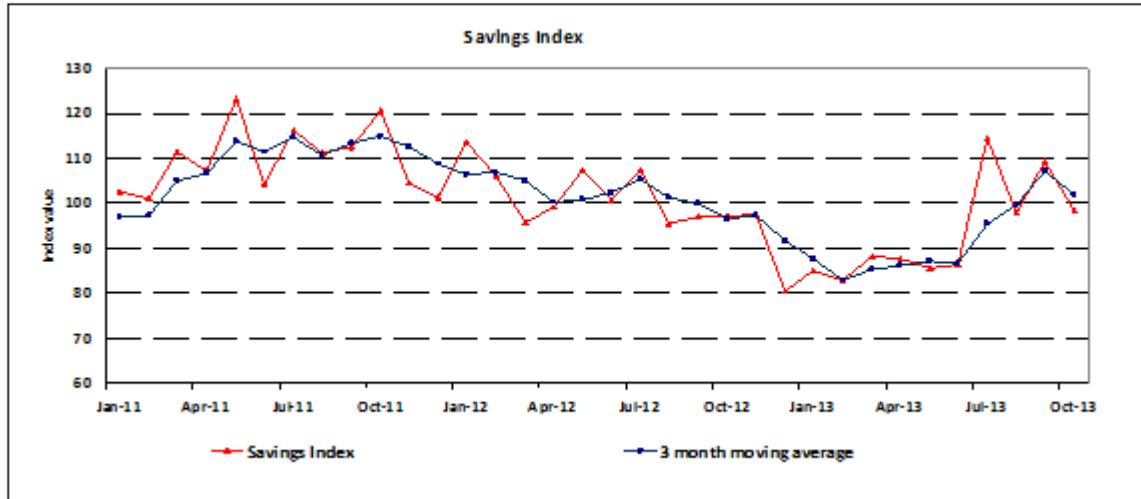
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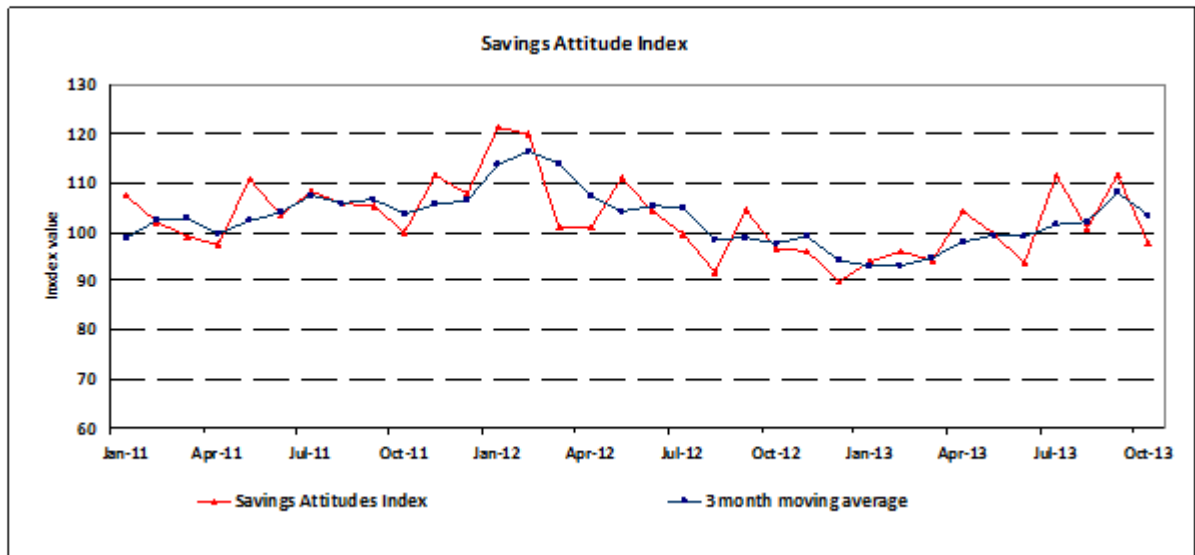
The Nationwide UK (Ireland) Savings Index (Graph 1)

- The savings index declined to 98 in October, from 110 last month. The three-month moving average fell to 102 from 107 last month.
- The Savings Attitude sub-index declined to 98 from 112 last month.
- The Savings Environment sub-index weakened to 99 in October from 107 in September.
- While all measures are showing a decline versus last month, the index is largely unchanged when compared to a year ago.



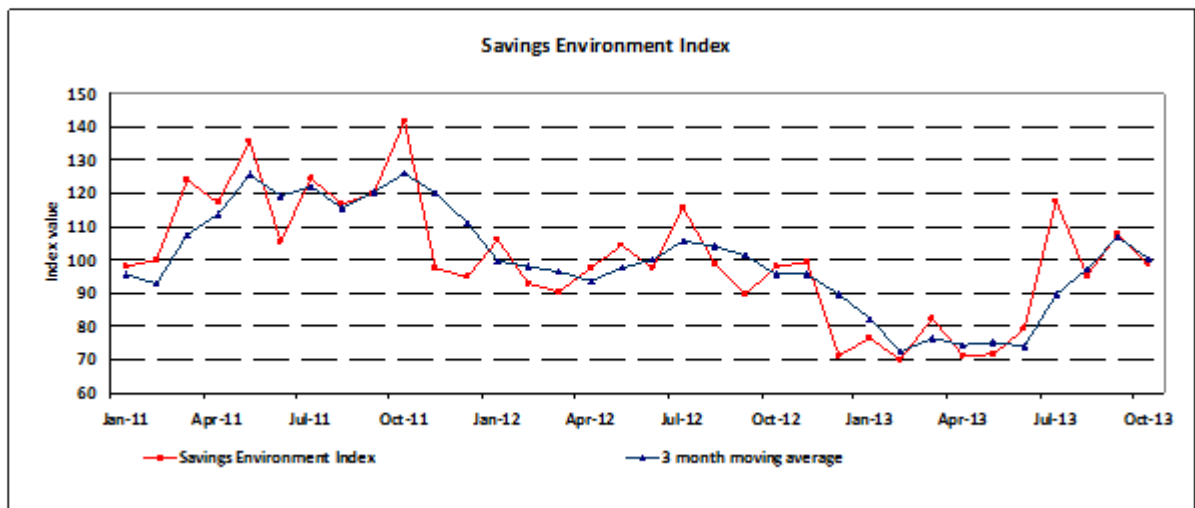
The Savings Attitude Index (Graph 2)

- The Savings Attitude sub-index asks respondents about their saving behaviour and how they feel about the amount they save.
- In October, the sub-index declined by 14 points to 98. The three-month moving average also decreased by 5 points to 103.
- The proportion of people saving regularly declined to 34% in October from 39% last month. This fall off in regular savings is more apparent in the under 50's age group. Regular saving amongst this age group has fallen by 10 percentage points to 36% from 46% last month.
- At the same time there has been an increase in the proportion of people not saving at all to 41% from 35% last month.
- People are also less content with the amount they are saving. 65% of people now say they are saving less than they think they should, an increase from 63% last month.



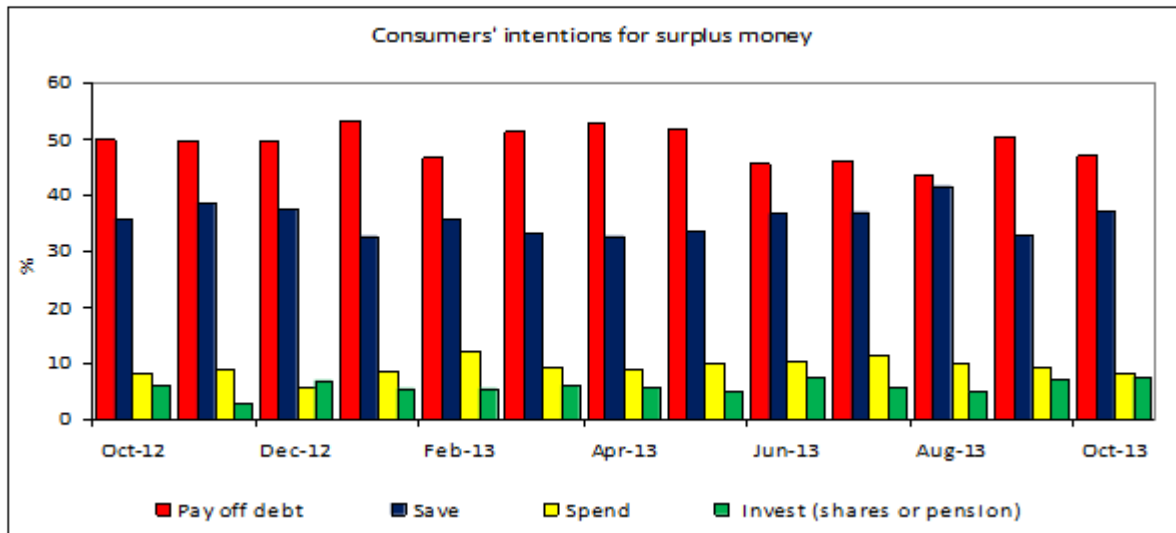
The Savings Environment Index (Graph 3)

- The Savings Environment sub-index asks whether or not respondents believe that the current period is a good time to save and whether they think government policy encourages people to save.
- This index fell to 99 in October from 107 in September.
- The share of respondents who believe that now is a good time to save declined to 30% from 33% in September.
- One in ten feels that government policy encourages saving while the 55% believe government policy discourages saving.



Consumer's intentions for any surplus money (chart 4)

- When asked about their preference as to how they might allocate any money over and above their everyday needs, 47% of respondents report that they would use the surplus to pay off debts including their mortgage, down from 51% last month. 8% said they would spend it, down slightly from 9% last month. 37% of respondents would save the money, up from 33% last month.



What are consumers saving for and how much are they saving?

- As part of the survey consumers were asked what they were saving for. The largest proportion of people, 40%, continue to indicate that they are savings to provide for unexpected expenses. This level is lower than that recorded a year ago when 44% were savings with this precautionary motive.
- 20% say they are saving for education/training, an increase from 14% a year ago.
- 10% are saving to buy or renovate a home, down slightly from 9% a year ago.
- 9% say they saving for a large consumer purchase, an increase from 5% a year ago.
- In terms of how much money people are saving, one in four is saving up to €50; 26% are saving between €51 and €100 a month; 22% are saving between €101 and €200, and 27% are saving more than €200.

Note: Prior to January 2011 the Nationwide (UK) Ireland Savings Index was constructed using quarter 1, 2010 as its base period. From January 2011, the Index has been rebased using the year 2010 as the base period. The method for calculating the savings attitudes sub-index was altered slightly so as to reflect a constant share of respondents who reported saving about what they should in the positive and negative categories so as to reduce short-term volatility.

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