

Media Release  
Tuesday 11<sup>th</sup> March 2014

## **84% of non-savers have no money left after paying for necessities**

### **February data shows nearly one fifth of consumers expect to be able to save more in six months time**

The Nationwide UK (Ireland)/ ESRI Savings Index, which measures people's attitude towards saving, was unchanged in February at 97 though results show a recovery in regularly saving which had previously fallen significantly during 2010-2013.

The Savings Attitude sub-index, which asks people about their saving behaviour and how they feel about the amount they save, declined by one point to 110 largely due to an increase in the proportion of people not saving at all to 38% from 36% last month. Of these, non savers, 84% say that their reason for not saving is that they have no money left after paying for necessities.

However, 16% of people overall say they are happy with the amount they are saving which is the highest level recorded since July 2013. In addition, 17% of people expect to be able to save more in six months time and this is the highest level recorded since February 2013.

The Savings Environment sub-index, which gauges opinion on economic conditions and the impact of government policy on saving increased to 85 in February from 82 last month. 40% of people believe that now is a bad time to save, an increase from 36% in January. This negativity is more apparent among the under 50 age group with 39% thinking that now is a bad time to save, an increase from 29% last month.

Negativity towards government policy on saving remains strong but has improved slightly versus last month. 64% of respondents believe that government policy discourages saving. This negativity is particularly felt in the over 50s with 67% of this group expressing negative sentiment.

Consumers were also asked what they are saving for and the largest proportion said that they are saving with a precautionary motive, with 38% of people indicating that they are saving for unexpected expenses – a decline from 42% a year ago. Meanwhile, 10% said they were saving to buy or renovate a home, an increase from 6% a year ago.

Commenting on the Index, Brendan Synnott Managing Director of Nationwide UK (Ireland) said: *"While the index is unchanged this month, the underlying trend is showing a recovery in regular saving to normal longer term levels. From 2010 to 2013 the proportion of people saving regularly fell from 40% to 31% due to an inability to save with 90% of non-savers saying they had no money left after paying for necessities. In 2014 so far, 37% of people say they are saving regularly, therefore a recovery has taken place in terms of ability to save.*

*It seems that consumers retain a strong preference to save but have adjusted their saving behaviour in light of economic conditions. We expect that if the economic environment remains stable, there will be a period of consolidation with consumers re-establishing their normal saving behaviour before any sustained increase in spending.*

*However, we have seen a change in reasons for saving in the past year. There has been a decline in saving for precautionary reasons and an increase in saving for a house purchase or renovation. This seems to indicate that more people are making specific plans to spend*

*nonetheless, the economic environment will have a major influence on whether these plans are acted upon.”*

### Savings Index Data

Month	Savings Index	Savings Attitudes index	Savings Environment Index
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
Nov-13	88	97	79
Dec-13	88	101	74
Jan-14	97	111	82
Feb-14	97	110	85

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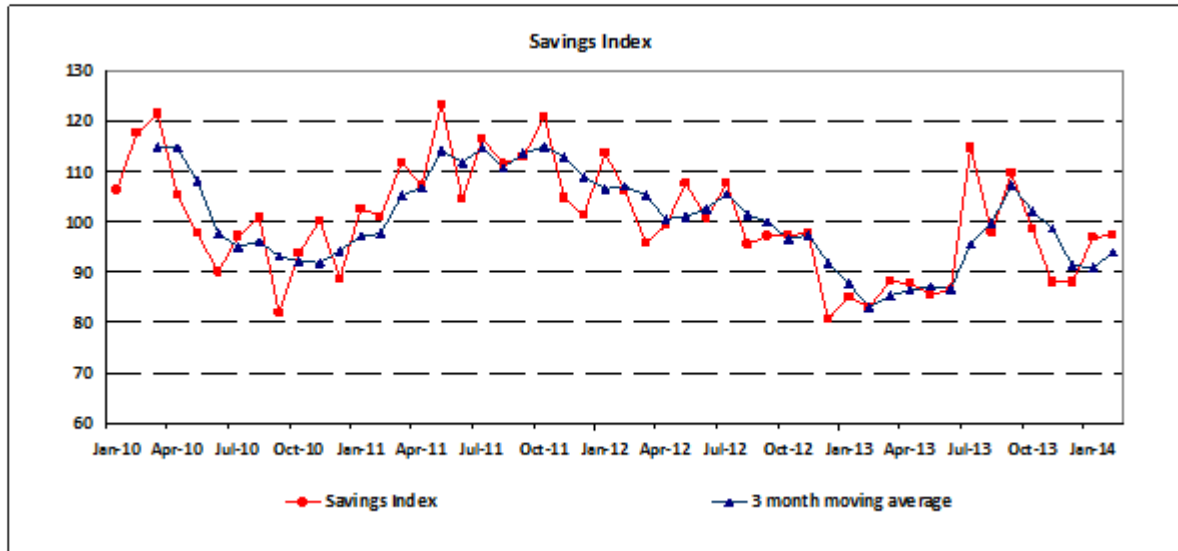
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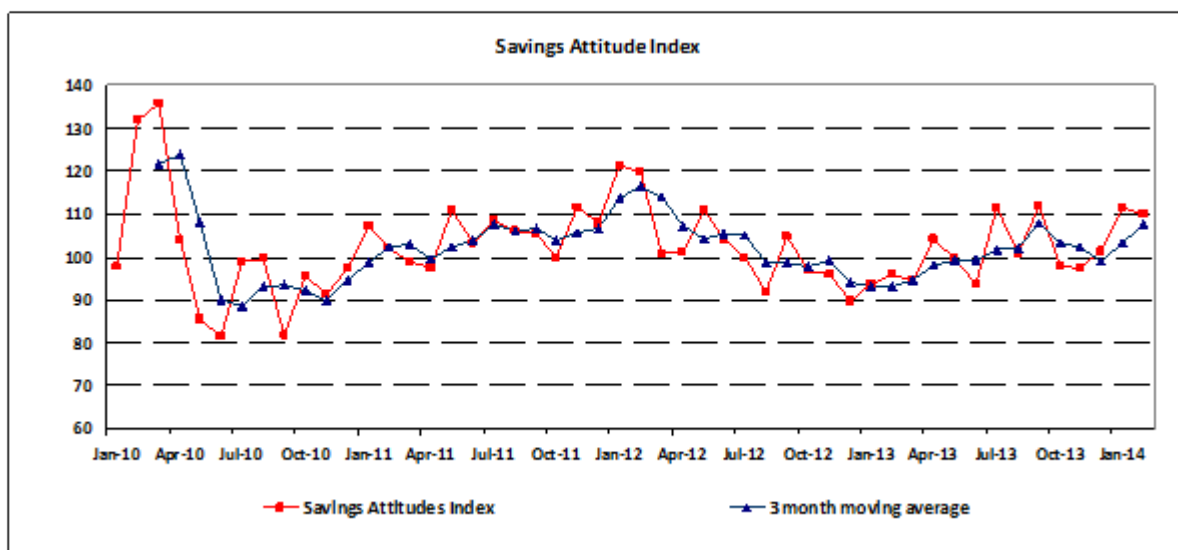
## The Nationwide UK (Ireland) Savings Index (Graph 1)

- The savings index remained unchanged at 97 in February.
- The Savings Attitude sub-index decreased slightly to 110 from 111 last month.
- The Savings Environment sub-index increased to 85 from 82 last month.



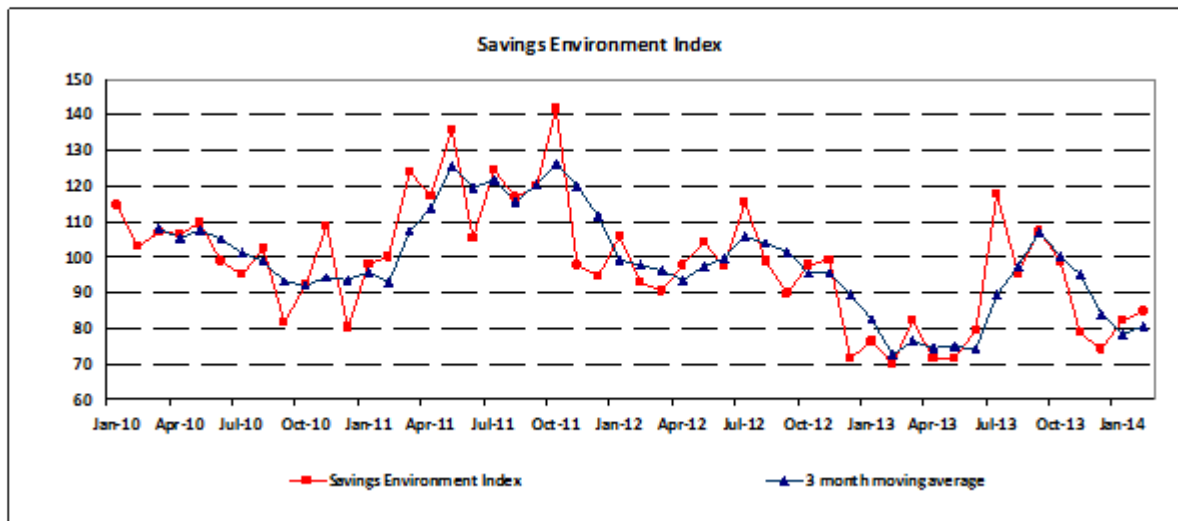
## The Savings Attitude Index (Graph 2)

- The Savings Attitude sub-index asks respondents about their saving behaviour and how they feel about the amount they save.
- In February, this sub-index stands at 110, a decrease of one point since last month.
- 36% of people say they are saving regularly, a slight decrease from 37% last month.
- 38% of people say they are not saving at all, a slight increase from 36% last month.
- Of those not saving at all, 84% say that they have no money left after paying for necessities, a decrease from 90% in January 2013. 16% of non-savers prefer to spend on other things for now, an increase from 10% in January 2013
- In February, 16% of people say they are happy with the amount they are savings, the highest level recorded since July 2013.
- 17% of people expect to be able to save more in six months time, this is an increase from 16% last month and the highest level recorded since February 2013.



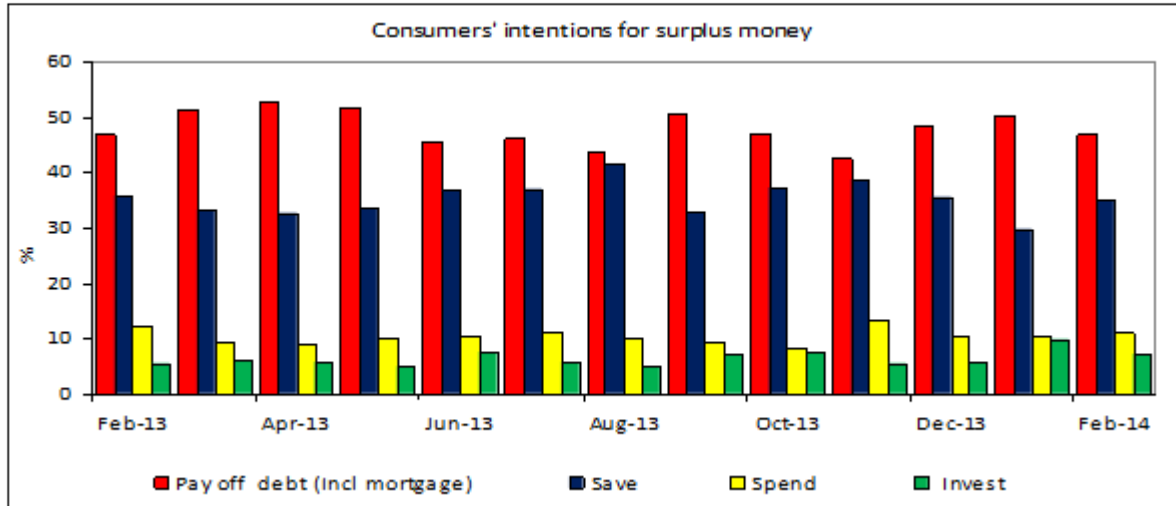
### The Savings Environment Index (Graph 3)

- 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 sub-index increased to 85 in February from 82 in January.
- 40% of people believe that now is a bad time to save, an increase from 36% in January. This negativity is more apparent amongst those aged under 50, with 39% of this age group expressing the view that now is a bad time to save, which is an increase from 29% since last month.
- Amongst those aged over 50, 42% think now is a bad time to save, a decrease from 47% last month.
- 8% of people think that government policy encourages saving, an increase from 6% last month
- 64% think government policy discourages saving, a decrease from 65% last month. Negativity towards government policy on saving is more apparent amongst those aged over 50 with 67% of this group expressing negative sentiment.



### 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, the largest share, 47% of people would use the surplus to pay off debts including their mortgage, the same as this time last year; 11% per cent would spend it, down slightly from 12% a year ago; 7% would invest it, up slightly from 6% a year ago. Meanwhile 35% would save the money, down from 36% a year ago.



### 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 said that they are saving with a precautionary motive, with 38% of people indicating that they are saving for unexpected expenses. This however is a decline from 42% a year ago.
- 10% said they were saving to buy or renovate a home, an increase from 6% a year ago.
- 14% said they are saving for education/training, the same as this time last year.
- A further 14% said they were saving for a holiday, the same as this time last year
- 7% are saving for a large consumer purchase, down slightly from 8% a year ago.

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.