



MEDIA RELEASE
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SAVINGS INDEX DECLINES BY 5 POINTS AS 64% OF PEOPLE SAVE LESS THAN THEY THINK THEY SHOULD

Nationwide UK (Ireland)/ESRI Savings Index June 2010

The Nationwide UK (Ireland) Savings Index for June 2010 declined by five points and reveals that 64% of people are saving less than they think they should. There was also an increase in the number of people who believe that it is a bad time to save.

In June, 47% of people stated that it was a bad time to save in the current economic climate compared to 41% in March when the Savings Index was launched. During the same period, there has also been a 10% decline in the number of people who believe the current economic conditions mean it is a good time to save. In June, only 24% of people felt the economic conditions meant it was a good time to save.

These environmental factors are key drivers behind a five point decline in the Savings Index for the month of June.

Attitudes towards savings in general remain strong with almost 65% of people believing that it is personally important to save. In June, there was a 7% increase in the number of people who were saving regularly (45%) and there has been a decrease in the negativity towards government policy on saving from 55% in March to 47% in June.

Commenting on the Index, Brendan Synnott, Managing Director of Nationwide UK (Ireland) said, *"Since March we have seen the gap widening between the importance of savings and the savings behaviour of individuals. In June, this is driven mainly by a decline in the 'Savings Environment index'.*

People are increasingly expressing the view that the current economic conditions mean that it is not a good time to save. This may reflect the current low interest rate environment for deposits but there has also been an increase in the percentage of people who say they are not saving as much as they should and this suggests that less disposable income is available for saving.

In broad terms, there remains a need for Irish consumers to increase savings in order to rebalance the economy. So far, the rise in savings has not benefited deposit accounts, as higher savings have mostly taken the form of debt repayment. The low interest rate environment has contributed to making debt repayment more attractive than accumulating deposits. However, over time deposits should benefit from the higher propensity to save that has resulted from the recession and we are already seeing signs of this in that the proportion of Irish consumers reporting that they save regularly has increased to 45% in June from 38% in May".



Key Highlights:

- **Nationwide UK (Ireland) Savings Index declines by 5 points in June 2010**
- **64% of consumers are negative about the amount they are able to save at present**
- **47% of consumers do not consider it to be a good time to save given the current economic conditions**
- **The proportion of consumers reporting that they are regular savers has increased to 45% from 38% in May 2010**

Summary Data:

	Savings Index	Importance of Savings Index	Savings Environment Index
Jan-10	95	101	107
Feb-10	101	100	94
Mar-10	105	100	99
Apr-10	93	99	99
May-10	87	100	103
Jun-10	82	101	93

The Nationwide UK (Ireland) Savings Index is produced 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.

The Nationwide UK (Ireland) Savings Index measures the impact of personal and environmental factors on savings. **An Importance of Savings index** is also produced and this tracks the importance of savings at a general and personal level.

Since its launch in March 2010, there has been a continuous downward trend in the Savings Index as both personal and environmental measures have declined and negative sentiment towards savings has outweighed the positive.

FURTHER INFORMATION:

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Additional Information:

Negative impacts on the index

In June, 64% of people said they are saving less than they should. In March this score was 61%. At the same time, the percentage of people saving more than necessary declined to 2% from 7% in March.

The economic environment is also contributing to the decline. In June, only 24% believed the current economic conditions meant it is a good time to save while in March this score was 34%. In June, 47% of people believed it is a bad time to save while in March this score was 6 percentage points lower at 41%.

Positive impacts on the index

At a personal level, 45% of people are saving regularly, an increase from 38% in May. At an environmental level, there has been a reduction in negative sentiment towards government policy on Savings. In June, 47% of people say that government policy discourages saving while in March this figure was considerably higher at 55%.

The importance of saving Index

In addition to the savings index, Nationwide UK (Ireland) measures the importance of savings.

The results for June show the proportion of respondents who think it is important to save has remained broadly constant. In June the index stood at 101. This compares to a value of 100 in May and 101 in January. Over 70% of respondents think it is important for people to save regularly. Nearly 65% responded that it is *personally* important to save regularly.

How regularly people save

Although the majority of consumers think regular saving is important only 45% responded that they save regularly, with a further 24% indicating that they save occasionally. When asked about the amount they were saving 64% felt that it is 'a bit less' or 'a lot less' than they should.

Even though a majority of consumers think they are saving less than they should, 53% think they will be saving the same amount in 6 months time. Only 13% expect to be saving more in the future than at present and 34% think they will be saving less.

Does Government policy encourage people to save?

Only 11% of respondents think that government policy encourages saving, with a majority of 47% answering that government policy discourages them from saving. Although the proportion feeling discouraged remains high it is down from the 55% recorded in March

Consumer's intentions for any surplus money

When asked their preference as to how they might allocate any money over and above their everyday needs the majority of consumers, 56%, would use the surplus to pay off debts, including their mortgage. A further 32% would save any surplus, while 9% would spend any spare cash. This compares to the result in April when over 13% indicated they would spend any spare cash.