

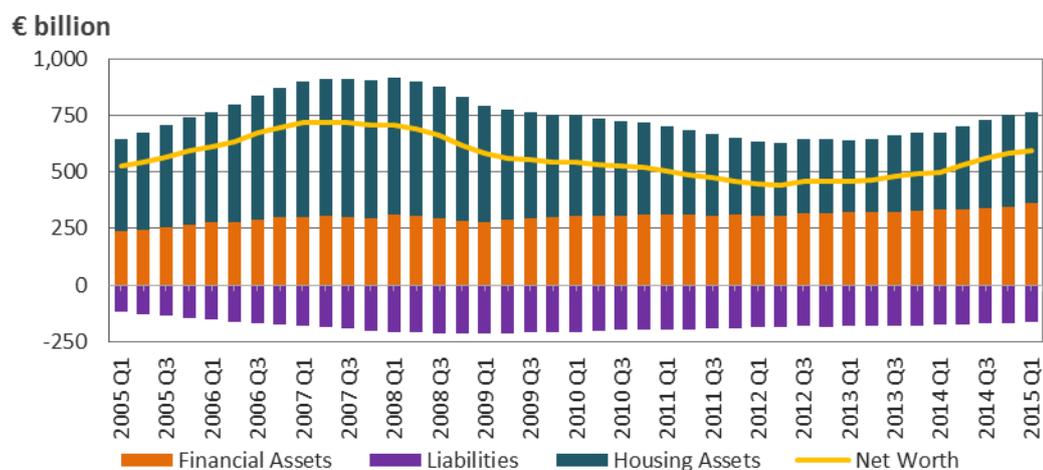


### Quarterly Financial Accounts

#### Household Net Worth Continues To Increase

- ❖ Household net worth continued to increase during Q1 2015, albeit by a lesser extent than in previous quarters. Net worth rose by 2.2 per cent over the quarter, to reach €595.7bn or €129,238 per capita.
- ❖ Household debt declined further during Q1 2015, falling to €154.6bn or €33,530 per capita. This represented a decrease of 2.3 per cent or €3.7bn. This was the largest decline in debt since Q2 2010.
- ❖ Though Irish household debt has decreased significantly in recent years, it still remains high relative to other countries. Only Denmark and the Netherlands had higher household debt relative to disposable income during Q1 2015.
- ❖ Non-financial corporation (NFC) debt as a percentage of GDP fell from 205 per cent in Q4 2014 to 194 per cent in Q1 2015. The decline reflected both an increase in the value of annualised GDP, as well as, a €10.4bn fall in the stock of NFC debt.

#### Household Net Worth



## 1. Private Sector Debt

Private sector non-consolidated debt to GDP declined in Q1 2015, falling by 15.2 percentage points to 273.4 per cent of GDP (Chart 1.1). This reflected both a decrease in private sector debt of €14.1bn, combined with an increase in annualised GDP of €5.3bn. A reduction of €10.4bn in NFC debt was the largest contributor to the decline in private sector debt during Q1 2015.

Private sector indebtedness forms part of the EU Commission’s scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt sustainability, substantially lower than Ireland’s 273.4 per cent. However, this threshold does not take account of the large Multinational Corporate sector in Ireland.

## 2. Household Sector

Household net worth<sup>1</sup> continued to increase during Q1 2015, albeit by a lesser extent than in previous quarters (Chart 2.1). Net worth rose by 2.2 per cent over the quarter, to reach €595.7bn or €129,238 per capita. This increase largely reflected a further rise in financial assets (€14.3bn) and a further decline in liabilities (€2.3bn). The former was largely due to a significant increase in the value of insurance technical reserves<sup>2</sup> during Q1. The increase in net worth was

Chart 1.1 Private Sector Debt to GDP

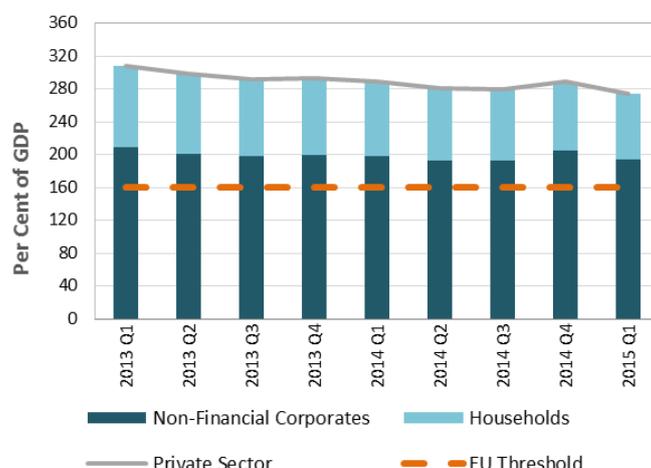
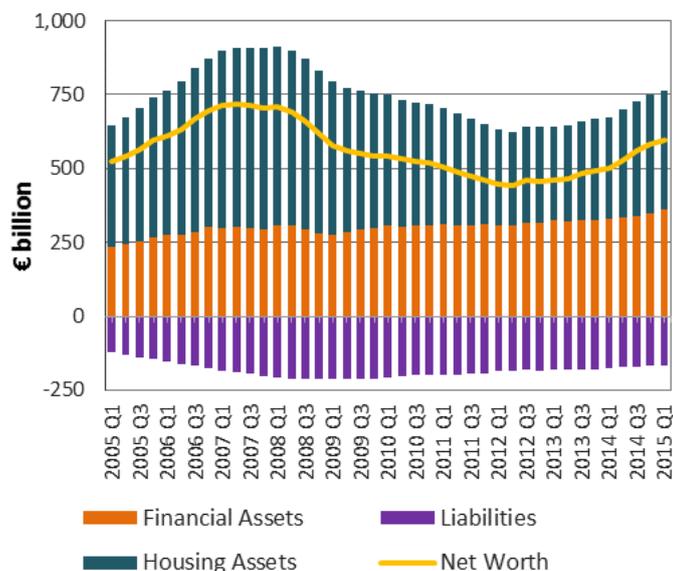


Chart 2.1 Household Net Worth



<sup>1</sup> Household net worth is calculated as the sum of household housing and financial assets minus their liabilities. The Central Bank of Ireland estimate of housing assets is based on the size and value of housing stock. Data on the value of housing is obtained from the CSO’s ‘Residential Property Price Index’ (RPPI).

<sup>2</sup> Insurance technical reserves’ include life assurance policies and pension funds.

partly offset by a decline in housing asset values (-€3.8bn) due to a fall in the value of houses in January and February 2015. This marked the first decline in housing assets since Q1 2014. Overall net worth has risen by 34.8 per cent since its lowest level of €441.8bn in Q2 2012.

Household debt declined further during Q1 2015, falling to €154.6bn or €33,530 per capita (Chart 2.2). This represented a decrease of €3.7bn or 2.3 per cent. This was the largest quarterly decrease in debt since Q2 2010. The decline reflected net debt repayments (€1.6bn), debt write-downs/write-offs (€1.7bn) and reclassifications (€0.4bn). Overall debt has fallen by 24.1 per cent since its peak of €454bn at Q4 2008.

Debt sustainability improved further during Q1 2015 (Chart 2.3). Debt as a proportion of total assets fell to 20.3 per cent, representing a decline of 0.8 percentage points<sup>3</sup>. The decrease in the indicator represented both declining debt levels and increased total assets.

Though Irish household debt has decreased significantly in recent years, it still remains high relative to other countries (Chart 2.4). Only Denmark and the Netherlands had higher household debt to disposable income ratios during Q1 2015.

Chart 2.2 Household Debt

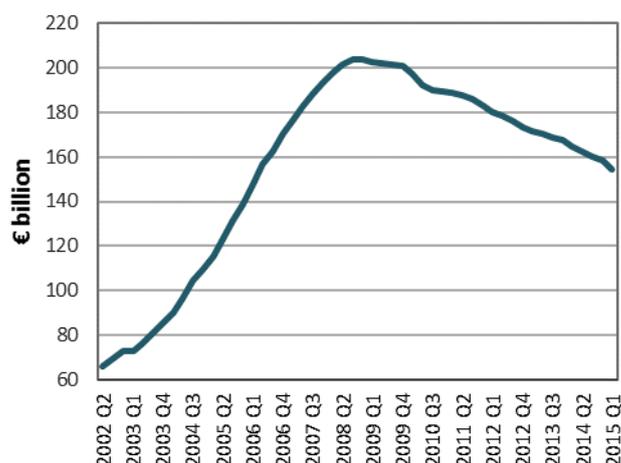


Chart 2.3 Household Debt Indicators

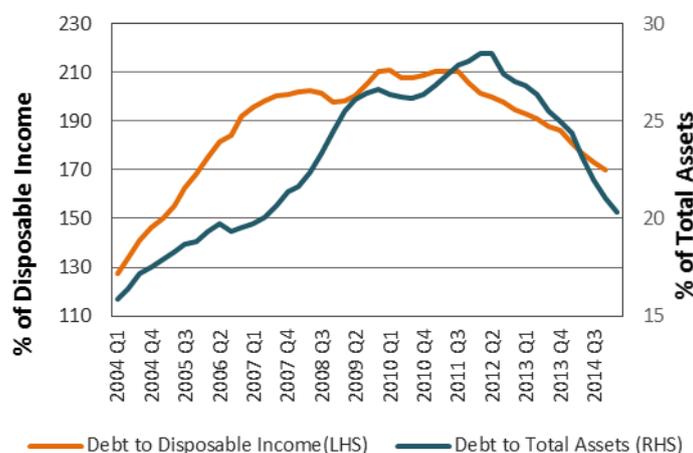
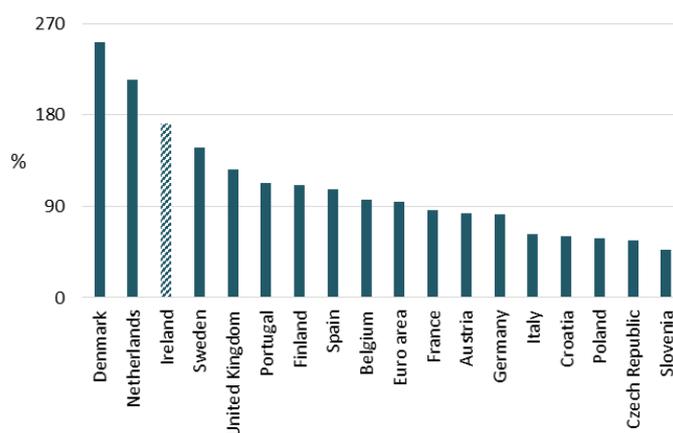


Chart 2.4 Household Debt, Cross Country Comparison



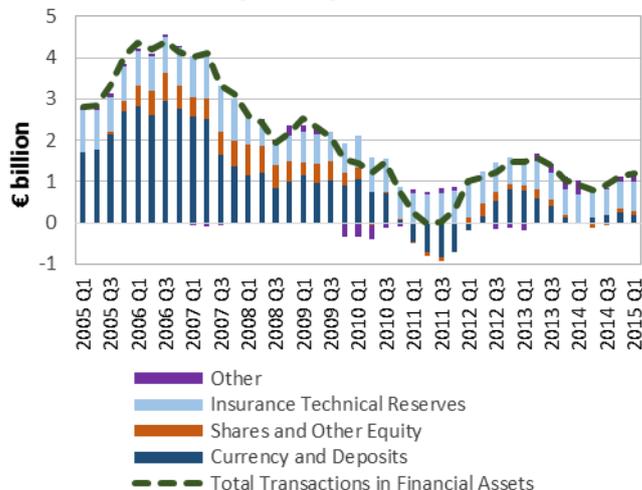
<sup>3</sup> It is not yet possible to calculate debt as a proportion of disposable income for Q1 2015, as the latter has not yet been published by the CSO.

Household investment in financial assets totalled €1.2bn during Q1 2015 (Chart 2.5). This represented the third consecutive rise in investment in financial assets. The increase largely reflected increased investment in insurance technical reserves and other financial assets. Investment in deposits fell slightly by €70m over the quarter. This represented the first fall in investment in deposits since Q1 2014.

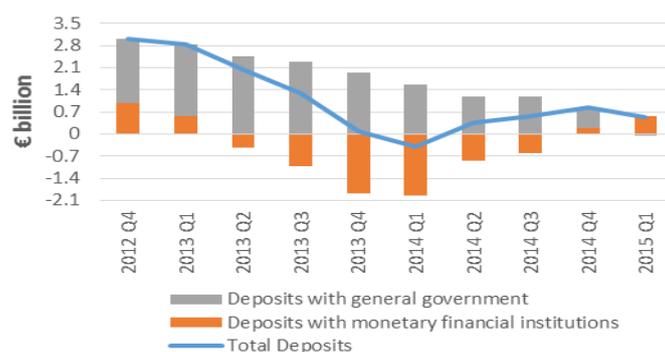
Chart 2.6 shows that withdrawals by households from MFI deposit accounts have fallen every quarter since Q1 2014. Furthermore, on net, households have lodged money in MFI deposit accounts since Q4 2014. In contrast, lodgements in government deposit accounts have declined every quarter since Q3 2013. During Q1 2015 households, on net, withdrew money from government deposit accounts for the first time since the series began in Q1 2012.

Household net lending/borrowing remained largely unchanged during Q1 2015 falling by just €44m (Chart 2.7). While investment in financial assets increased by €55m over the quarter, this was more than offset by a reduction in deleveraging. Households reduced liabilities by €1.3bn, a decline of €100m compared to the previous quarter.

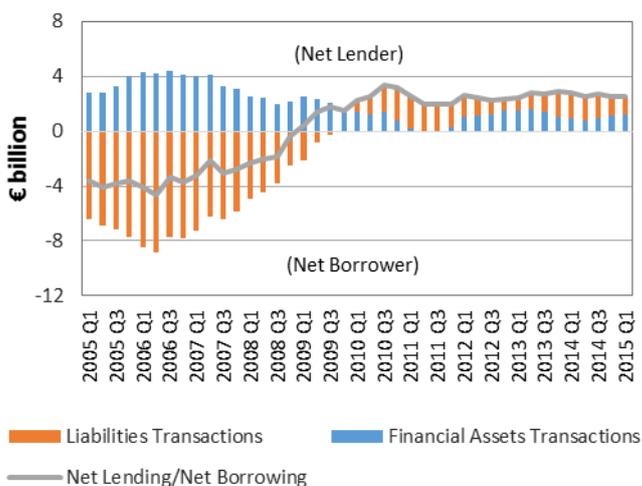
**Chart 2.5 Household Transactions in Financial Assets, Four Quarter Moving Average**



**Chart 2.6 Household Deposit Transactions with MFIs and Government, Four-Quarter Moving Average**



**Chart 2.7 Household Net Lending/Borrowing, Four-Quarter Moving Average**



### 3. Non-Financial Corporate Sector

Non-financial corporation (NFC) debt as a percentage of GDP fell from 205 per cent in Q4 2014 to 194 per cent in Q1 2015 (Chart 3.1)<sup>4</sup>. The decline reflected both an increase in the value of annualised GDP, as well as, a €10.4bn fall in the stock of NFC debt. When analysing Irish NFC debt trends, it is important to note that Ireland has substantial multinational corporation (MNC) activities, which can make debt volatile from quarter-to-quarter.

In comparison with other EU countries, the NFC debt to GDP ratio in Ireland is relatively high ranking third behind Luxembourg (335 per cent) and Cyprus (225 per cent) (Chart 3.2). Again, the influence of MNCs is important to note, as both Luxembourg and Cyprus also have large multinational sectors.

Looking more specifically at NFC loan liabilities, Chart 3.3 shows that loans have risen from €348bn in Q1 2012 to €366bn in Q1 2015. Increasingly, NFC loans have been funded by non-residents. This again largely reflects the significant activities of MNCs in Ireland. Domestic financing of NFC loans has fallen from 61 per cent of total loans in Q1 2012 to 45 per cent in Q1 2015.

Chart 3.1 NFC Debt

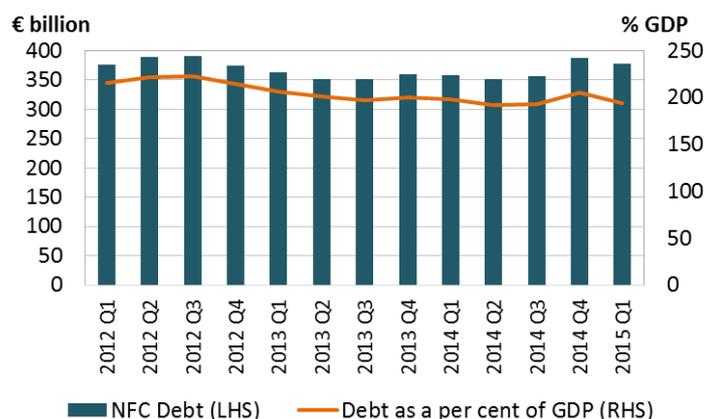


Chart 3.2 Cross-Country Comparison of NFC Debt as a Percentage of GDP

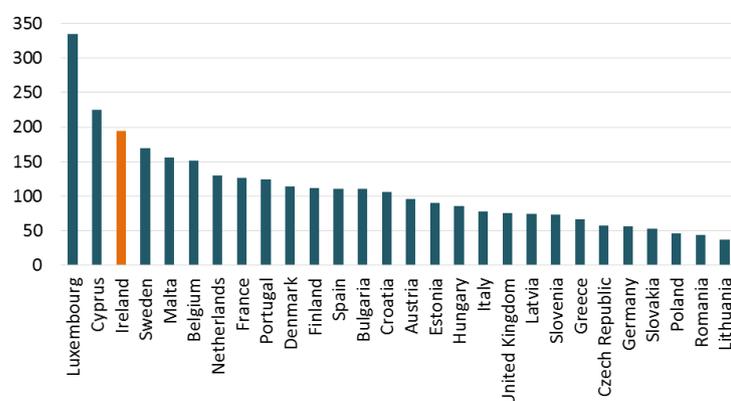
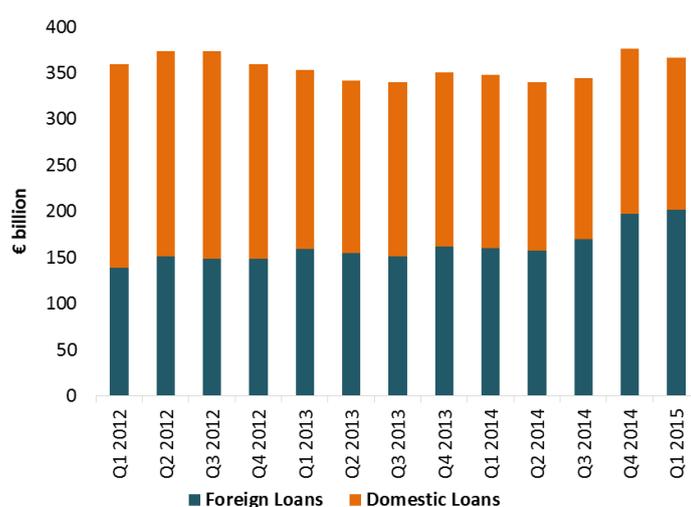


Chart 3.3 Domestic and Foreign Financing of NFC Loans



<sup>4</sup> It should be noted that this quarter's data release incorporates the most recent CSO revisions to the international investment position data.

#### **4. Further information**

The full data series for Ireland, quarterly commentary and notes on compilation are available from the Central Bank website at:

<http://www.centralbank.ie/polstats/stats/qfaccounts/Pages/releases.aspx>

AFA published by the CSO and QFA published by the Central Bank show differences for the MFI and government sectors. These arise from the classification and revision practices adopted by each institution following the introduction of ESA 2010. These differences are fully explainable and do not draw into question the quality of the respective statistical data. Both institutions are working closely to ensure a consistent approach in future publications.

Euro area statistics are available from the ECB website at:

[www.ecb.int](http://www.ecb.int)

For queries contact: Central Bank, Press Office on (01) 224 6299.