



Banc Ceannais na hÉireann
Central Bank of Ireland

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Box B:

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Spending, credit, and deposits: An update on Irish household and business activity

By the Statistics Division

This Box provides an update on Irish households' and firms' financing activities, focusing on recent data developments. Consumer activity picked up strongly in the lead up to Christmas with a significant decline in household deposits and increase in card spending. The stock of deposits remains at high levels following the strong build up during the early pandemic period. Meanwhile, mortgage lending activity has shown tentative signs of recovery from the early pandemic period with SME and consumer lending continuing to lag pre-pandemic levels.

Household Spending

High frequency data show that card spending (including ATM withdrawals) remains strong in late-2021 and into early 2022. Spending in November was particularly high relative to 2020, due to a looser health restrictions and higher levels of consumer confidence leading up to the Christmas period. Early data for December show more modest increases but a strong second half of the month resulted in card spending up 8 per cent year-on-year over the month. The primary drivers of the increase was increased spending in service sectors such as accommodation, dining, and transport. Although January is typically associated with lower consumer spending, year-on-year comparisons indicate that people were more actively spending in the service sectors than in the heavily restricted 2020/21 post-Christmas period.



Figure 1: Strong levels of consumer card spending

Chart: Year-on-year change in card spending and cash withdrawals (daily data)



Source: Central Bank of Ireland

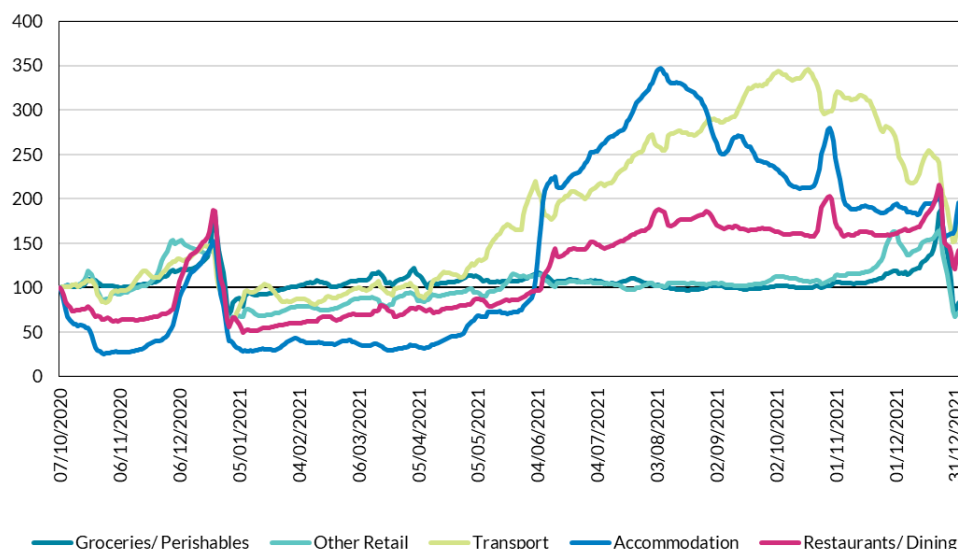
High-frequency data illustrate the immediate and sustained rise in accommodation and restaurants spending as service elements of the economy reopened in summer 2021 (Figure 2), with restaurant and dining recording strong activity December. The increased level of in-person spending is reflected in a higher share of in-store and ATM card activity, especially around the Christmas period. Spending in the accommodation sector peaked in early August before moderating at the start of the new academic year. The accommodation and dining spending spiked again during school mid-terms reflecting some normalisation spending and lifestyle patterns. Meanwhile, transport spending continued to increase into Autumn, while spending on groceries remained steady throughout the year, with a normal peak leading up to Christmas day. Nonetheless, the grocery spend remains significantly higher than pre-pandemic levels.



Figure 2: Spending in service sectors increased as restrictions were eased

Chart: Daily sectoral card spending by spending type

Index, 7 Oct 2020 = 100



Source: Central Bank of Ireland

Household deposits and lending

Aggregated household savings have risen sharply since the beginning of the Covid-19 pandemic and the introduction of the associated public health measures. In line with the increased consumer spending, the latest Credit and Banking Statistics indicate a sharp decline in deposits in November of €1.4 billion. This is the first month since the start of the pandemic where households have withdrawn a significant amount from deposits. Nonetheless, the stock of household deposits is still €22 billion the start of the pandemic reflecting the scale of the savings accumulated. The annual rate of growth has moderated further to 8.8 percent, slowing from its pandemic high of 14 per cent in early-2021 (Figure 3).

This marked rise in household deposits has translated into higher household financial assets, which was the primary driver, along with rising housing assets and a slight reduction in household liabilities, of an increase in overall household net worth. The latest data from the Quarterly Financial Accounts for Q2 2021 shows household net worth at a new series high of €935 billion (Figure 4), or 13 per cent higher than prior to the beginning of the pandemic (end-2019).