

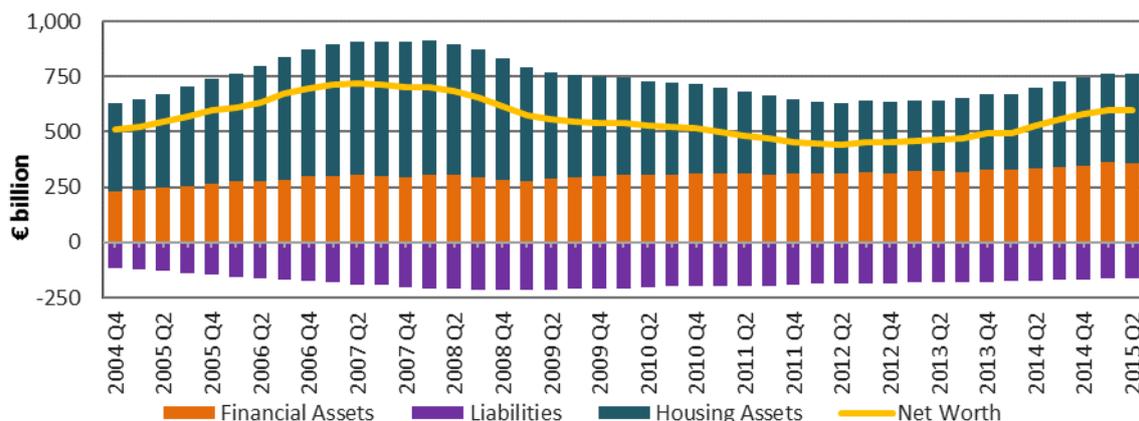


Quarterly Financial Accounts

Household Net Worth Continues To Increase

- ❖ Household net worth¹ rose to reach €600.1bn or €129,454 per capita during Q2 2015. This represented an increase of 0.6 per cent over the quarter.
- ❖ Household debt declined further during Q2 2015, falling to €153.2bn or €33,056 per capita. This represented a decrease of €1.3bn or 0.9 per cent. Household debt now stands at its lowest level since Q1 2006.
- ❖ Though Irish household debt has decreased significantly in recent years, it still remains high relative to other countries. In the EU, only Denmark and the Netherlands had higher household debt relative to disposable income during Q2 2015.
- ❖ Non-financial corporation (NFC) debt as a percentage of GDP fell from 193.8 per cent in Q1 2015 to 185.4 per cent in Q2 2015.

Household Net Worth



¹ 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).

1. Net Lending/Borrowing of All Sectors²

The domestic economy continued to be a net lender during Q2 2015, as deleveraging by households and non-financial corporates continued to outstrip the net borrowing of government and financial corporates (Chart 1.1). Net lending by the domestic economy was slightly lower in Q2 2015 compared to the previous quarter. This largely reflected a reduction in net lending by NFCs. Borrowing by the government sector has declined for the fourth consecutive quarter.

2. Private Sector Debt

The ratio of private sector non-consolidated debt to GDP declined in Q2 2015, falling by 11.3 percentage points to 261.9 per cent of GDP (Chart 2.1). This reflected both a decrease in private sector debt of €7bn, as well as an increase in annualised GDP of €5.7bn. A reduction in NFC debt of €5.6bn was the largest contributor to the decline in private sector debt during Q2 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 261.9 per cent. However, this threshold does not take account of the large Multinational Corporate sector in Ireland.

Chart 1.1 Net Lending/Borrowing of all Sectors

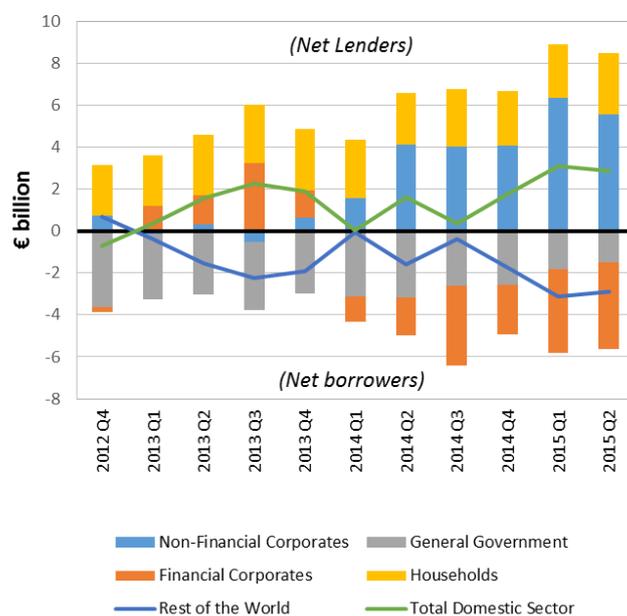
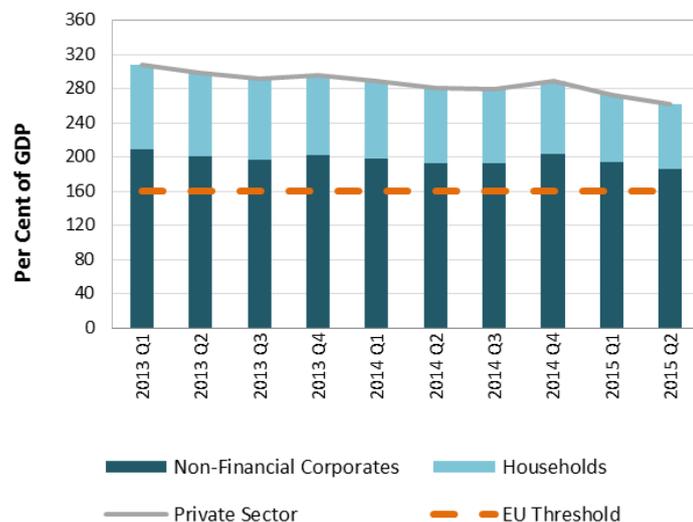


Chart 2.1 Private Sector Debt to GDP

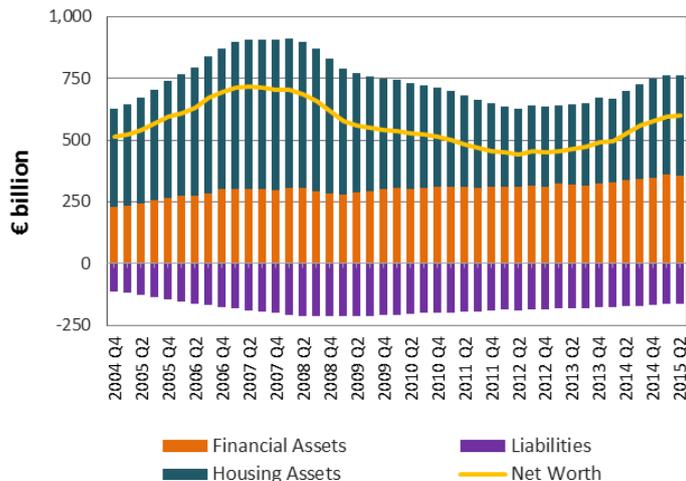


² A positive value indicates that a sector is a net lender and a negative value indicates that a sector is a net borrower. Overall, the sum of net lending/borrowing of all sectors will sum to zero as, for every lender, there must be a corresponding borrower.

3. Household Sector

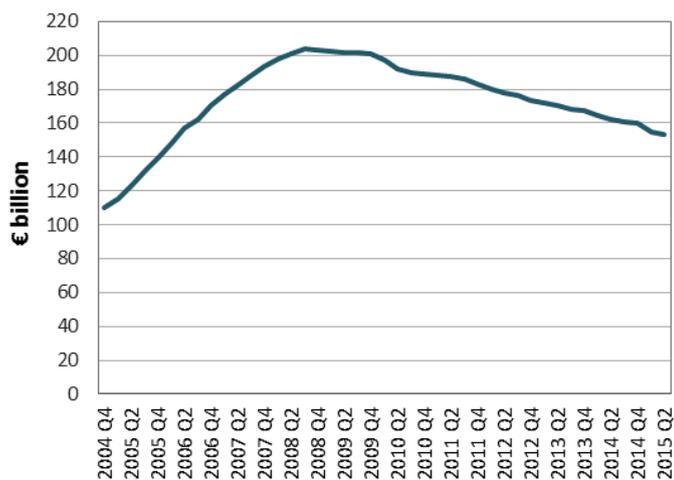
Household net worth³ rose to reach €600.1bn or €129,454 per capita during Q2 2015 (Chart 3.1). This represented an increase of 0.6 per cent over the quarter. This rise largely reflected a rise in housing asset values (€4.8bn), as well as, a further decline in household liabilities (€2.3bn). The increase in net worth was partly offset by a fall in financial assets (-€3.6bn) due to a decline in the value of insurance technical reserves⁴. This marked the first decrease in financial assets since Q3 2013. Overall net worth has risen by 36 per cent since its lowest level of €441.2bn in Q2 2012.

Chart 3.1 Household Net Worth



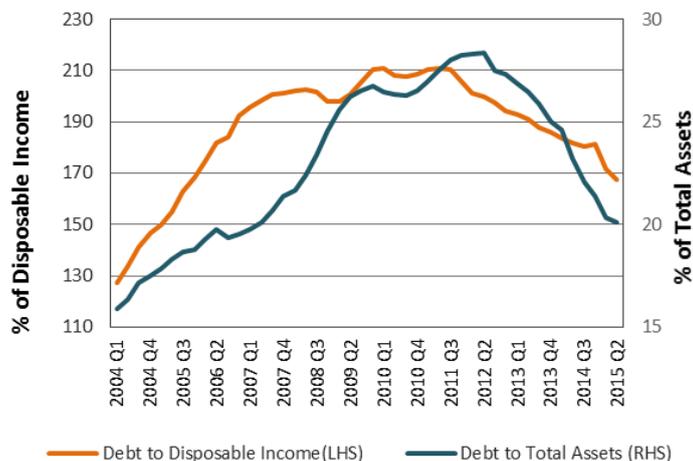
Household debt declined further during Q2 2015, falling to €153.2bn or €33,056 per capita (Chart 3.2). This represented a decrease of €1.3bn or 0.9 per cent. Household debt now stands at its lowest level since Q1 2006. The decline reflected net debt repayments (-€1.3bn), debt write-downs/write-offs (-€0.4bn) and reclassifications (+€0.4bn). The level of overall debt has fallen by 24.8 per cent since its peak of €203.7bn at Q3 2008.

Chart 3.2 Household Debt



Household debt sustainability continued to improve during Q2 2015 (Chart 3.3). Debt as a proportion of disposable income fell to 167.4 per cent, signifying a 4.3 percentage point decrease. Debt as a proportion of total assets also decreased, falling to 20.1 per cent. This represented a decline of 0.2 percentage points. The decrease in the indicators represented a rise in total assets and disposable income, as well as declining levels of debt.

Chart 3.3 Household Debt Indicators



³ 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).

⁴ Insurance technical reserves' include life assurance policies and pension funds.

Though Irish household debt to disposable income ratio has decreased significantly in recent years, it still remains high relative to other European Union countries (Chart 3.4). Only Denmark and the Netherlands had higher debt to disposable income ratios during Q2 2015.

Household investment in financial assets increased further during Q2 2015, totalling €1.4bn (Chart 3.5). This represented the fourth quarterly consecutive rise in household investment. The increase in financial asset transactions largely reflected increased investment in deposits by households and, to a lesser extent, in insurance technical reserves. Investment by households in financial assets during Q2 2015 was at its highest level in almost two years.

Household investment in deposits resumed an upward trend during Q2 2015, totalling €288m (Chart 3.6). Over the quarter, households continued to further increase lodgements with MFIs. Household deposits transactions with MFIs were at their highest level since the series began in Q4 2012. In contrast, households recorded further withdrawals from deposit accounts held with government.

Chart 3.4 Household Debt at Q2 2015⁵, Cross Country Comparison

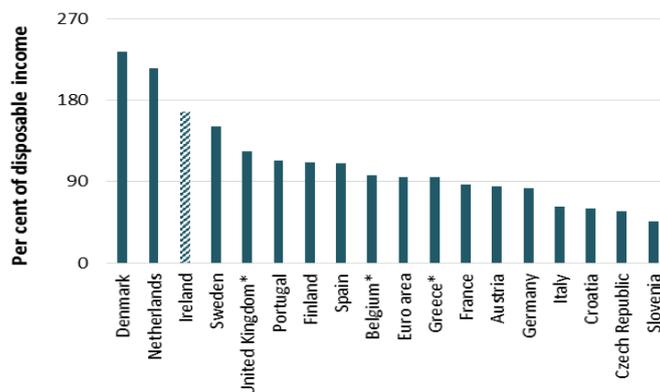


Chart 3.5 Household Transactions in Financial Assets, Four Quarter Moving Average

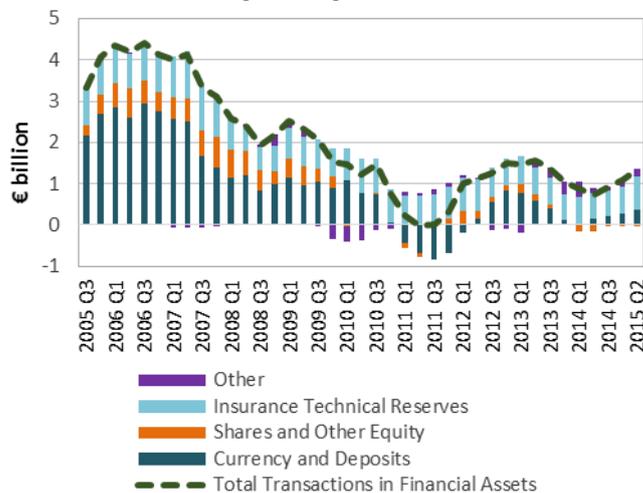
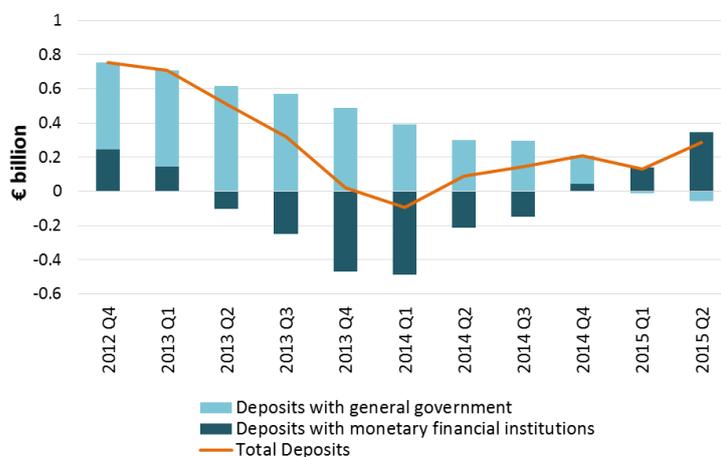


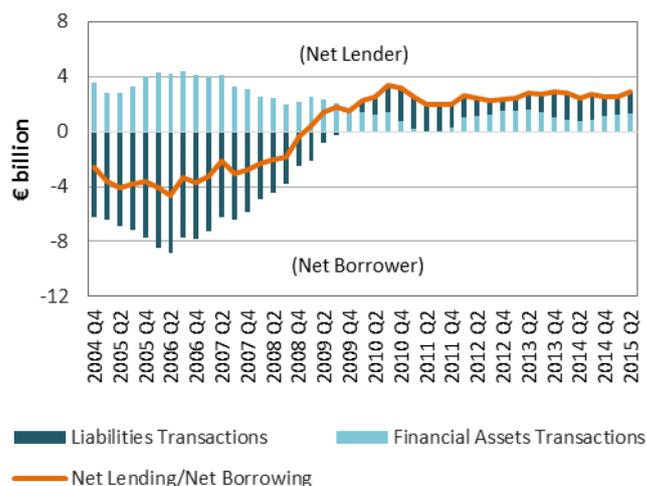
Chart 3.6 Household Deposit Transactions with MFIs and Government, Four-Quarter Moving Average



⁵ Q1 2015 ratio for United Kingdom, Belgium and Greece

Household net lending increased further during Q2 2015 to reach €2.9bn. This reflected both household’s increased investment in financial assets (€1.4bn) and further net debt repayments (€1.6bn).

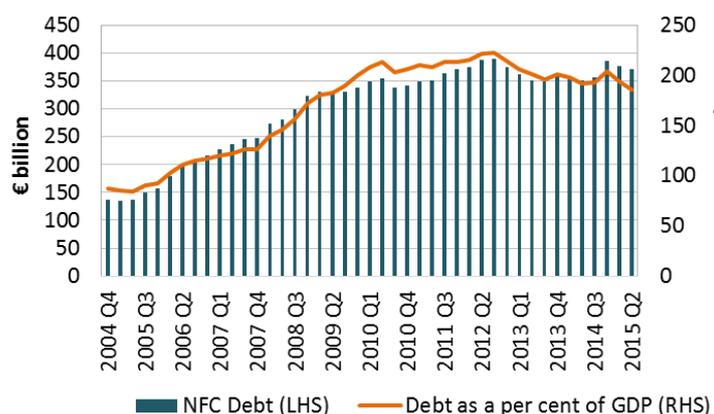
Chart 3.7 Household Net Lending/Borrowing, Four-Quarter Moving Average



4. Non-Financial Corporate Sector

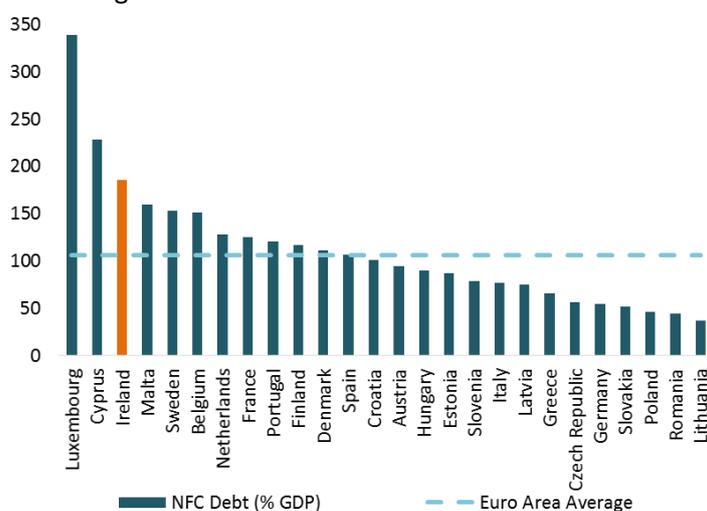
Non-financial corporation (NFC) debt as a percentage of GDP continued to decline in Q2 2015, falling from 193.8 per cent in Q1 2015 to 185.4 per cent (Chart 4.1). This decline reflects both an increase in the value of annualised GDP, which rose by 2.9 per cent over the quarter, as well as a 1.5 per cent fall in the stock of NFC debt. NFC debt as a percentage of GDP is currently at its lowest level since Q2 2009. When analysing Irish NFC debt trends, it is important to note that Ireland has substantial multinational corporation (MNC) activities, which can cause volatility in debt from quarter-to-quarter.

Chart 4.1 NFC Debt



In comparison with other EU countries, the NFC debt to GDP ratio in Ireland is relatively high, ranking third behind Luxembourg (339.1 per cent) and Cyprus (228.2 per cent) (Chart 4.2). The average euro area NFC debt to GDP ratio is 106.3 per cent. Again, the influence of MNCs is important to note, as both Luxembourg and Cyprus also have large multinational sectors.

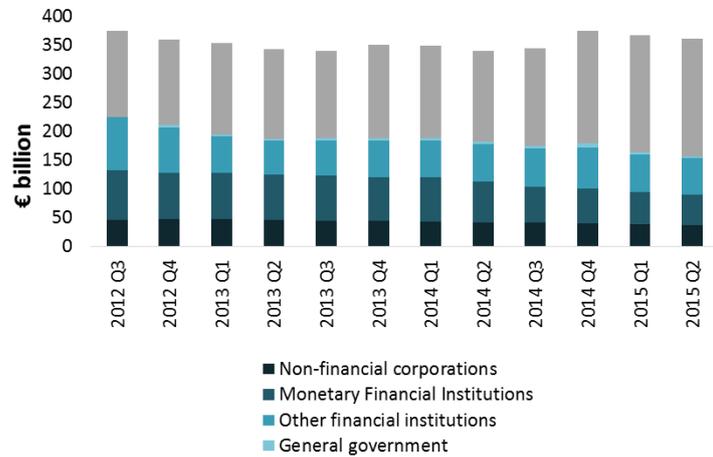
Chart 4.2 Cross-Country Comparison of NFC Debt as a Percentage of GDP



Looking more specifically at NFC loan liabilities, Chart 4.3 shows that loans have fallen in the first two quarters of 2015 to €361bn, although they are still 6

per cent higher than in Q2 2014. The recent fall masks significant divergence between domestic and foreign sources of financing of NFC loans. While loans from domestic sectors have fallen by 12.1 per cent since the end of 2014, loans from the rest of the world have increased by 4 per cent over the same period. This again largely reflects the significant activities of MNCs in Ireland. Domestic financing of NFC loans has fallen from €221bn in Q1 2012 to €157bn in Q2 2015.

Chart 4.3 Domestic and Foreign Financing of NFC Loans



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

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