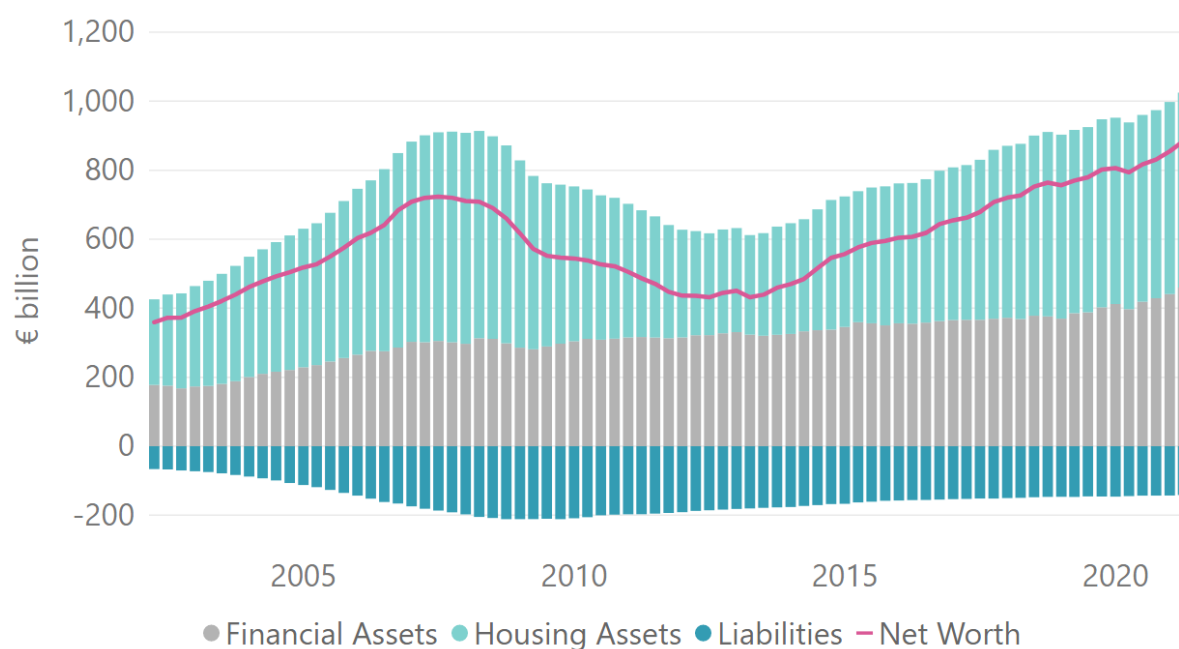


# Quarterly Financial Accounts

## Household savings continues its upward trend in Q1 2021

- ❖ Gross household savings continued to increase, up by €1.5bn in Q1 2021, to stand at €7.4bn.
- ❖ Increasing deposits and housing assets has led to household net worth reaching a high of €883bn in Q1 2021. It should be noted that this may not reflect the underlying experiences of all households, or the distribution of wealth.
- ❖ The domestic economy was a net lender in Q1 2021, following nine consecutive quarters as a net borrower.

Chart 1: Household Net Worth



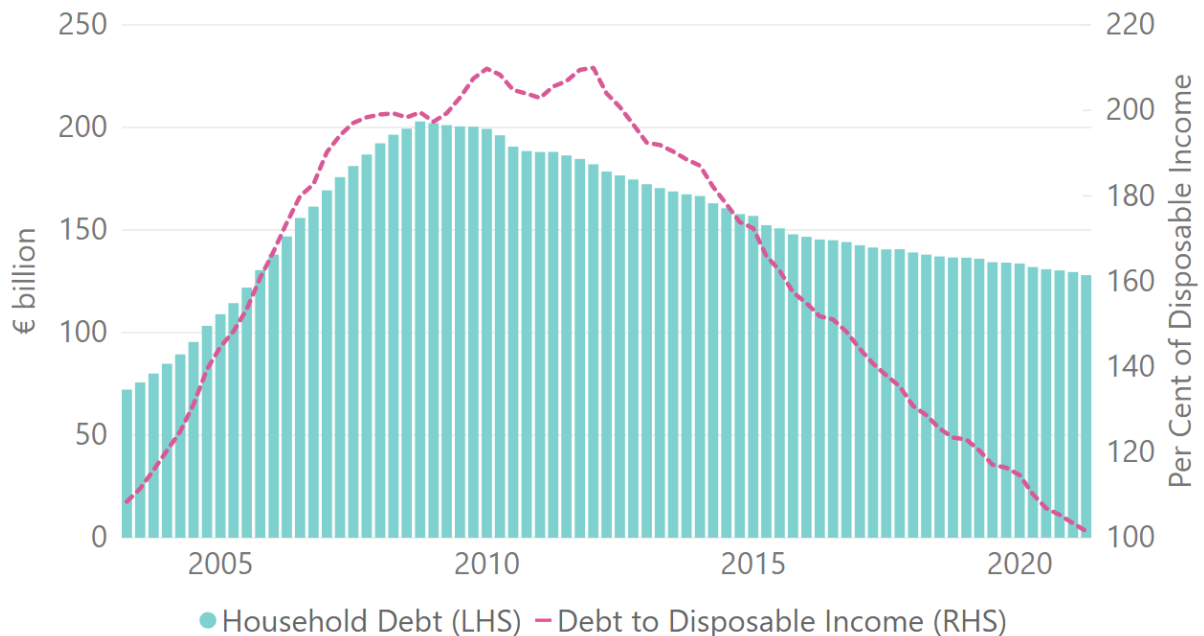
Household net worth rose by 3.3 per cent, or €28.5bn (Chart 1), to a series high of €883bn in Q1 2021. This equates to €177,493 per capita. This measure does not capture the wealth distribution effects across the sector, and the underlying experiences of individual households may vary. The rise in household net worth was driven by an increase in financial assets of €18.9bn, primarily due to increasing investment in currency and deposits and a rise in the value of insurance and pension schemes. Household deposits held with credit institutions have risen over Q1, as shown in the Money and Banking statistics<sup>1</sup>. Housing assets also increased by €8.2bn during the quarter, while household liabilities fell by €1.5bn.

Compared to Q1 2020, household net worth increased by €89bn. This is due to increases in both housing and financial assets. Household net worth has grown annually since 2012. The rise in

<sup>1</sup> <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/bank-balance-sheets/money-and-banking-statistics-march-2021.pdf?sfvrsn=4>

wealth is in contrast to the impact of the pandemic on many households. On aggregate, households experienced a fall in pay (€2.5bn) compared to Q1 2020.<sup>2</sup> Households have also seen a €3.9bn rise in Social Transfers (PUP) and Subsidies (EWSS) alongside a fall in Consumption of €2.9bn. These counteracting movements lessen the impact of unemployment and the fall in pay experienced by household net worth in aggregate.

Chart 2: Household Debt

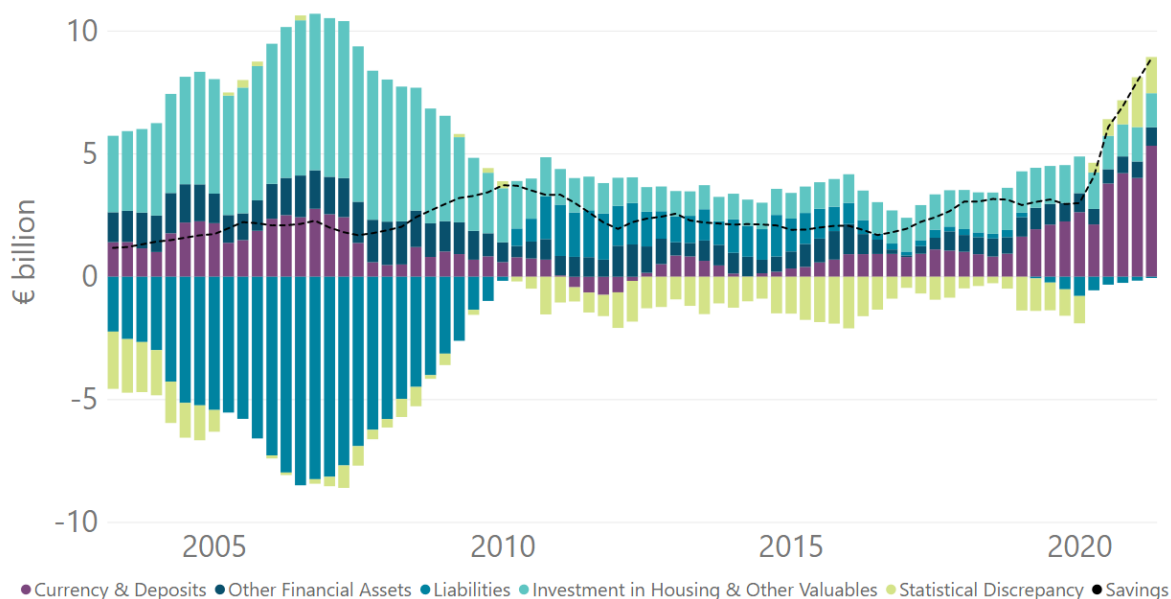


Household debt fell by €1.5bn over the quarter, continuing the downward trend in the series, to stand at €128bn in Q1 2021 (Chart 2). Total debt now equates to €25,717 per capita. Household debt has decreased by 36% since Q1 2009.

Household debt as a proportion of disposable income fell by 1.9 percentage points, to stand at 102 per cent. The decline was driven by an increase in household disposable income over the quarter, in addition to the decrease in debt.

<sup>2</sup> <https://www.cso.ie/en/statistics/nationalaccounts/institutionalsectoraccountsnon-financial-quarterly/>

Chart 3: Household Savings<sup>3</sup>

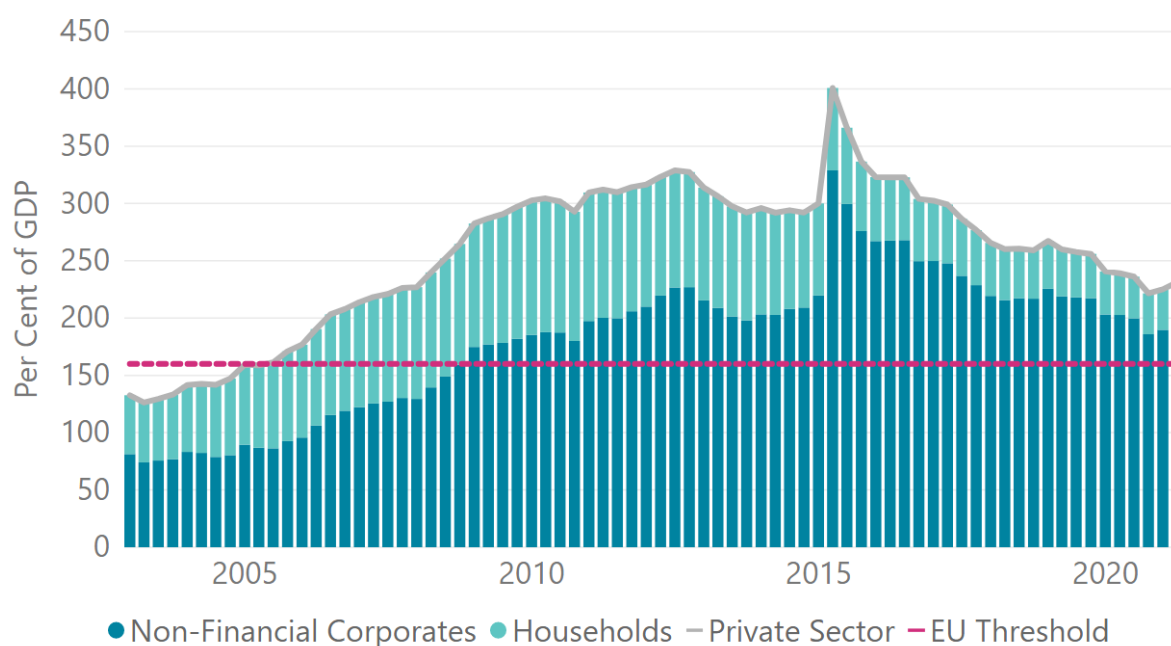


Gross household savings increased by €1.5bn in Q1 2021, to stand at €7.4bn for the quarter. This rise in savings is likely due to restricted spending opportunities and increased precautionary saving as a result of the COVID-19 pandemic and restrictions. The rise in savings correlates to an increase in financial assets, totalling €6.1bn in Q1 2021. This was primarily driven by investment in currency and deposits, while investment in housing and other valuables<sup>4</sup> has remained steady, at €5.3bn and €1.4bn respectively.

<sup>3</sup> This chart presents data smoothed over four quarters. The statistical discrepancy presented in this chart is a result of differences arising from comparing National Accounts ('Investment in Housing and Other Valuables' and 'Savings') and Financial Accounts concepts.

<sup>4</sup> This represents Gross Capital Formation of households.

### Chart 4: Private Sector Debt-to-GDP

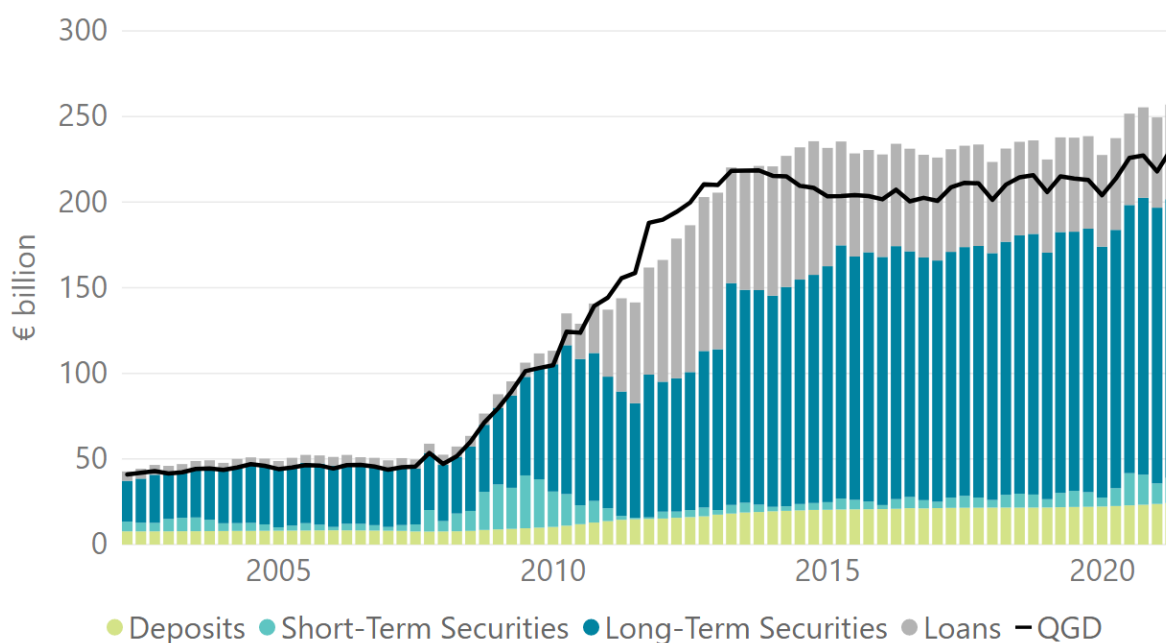


Private sector debt as a proportion of GDP increased by 6.1 percentage points to stand at 231 per cent in Q1 2021 (Chart 4). Annualised GDP increased by €9.2bn over the quarter. Private sector debt increased by €43.7bn over this period, driven by an increase in NFC debt of €45.2bn, which was slightly offset by a fall in household debt across the quarter.

This rise in private sector debt is due to a large increases in NFC long-term loan and long-term debt securities liabilities with the rest of the world. Private sector debt in Ireland is significantly influenced by the presence of large multinational corporations (MNCs) and restructuring by these entities has resulted in extremely large movements in Irish private sector debt, particularly from 2014 onwards.

Private sector indebtedness forms part of the European Union (EU) Commission's scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt sustainability. However, this threshold does not take account of the large MNC sector in Ireland.

Chart 5: Government Debt

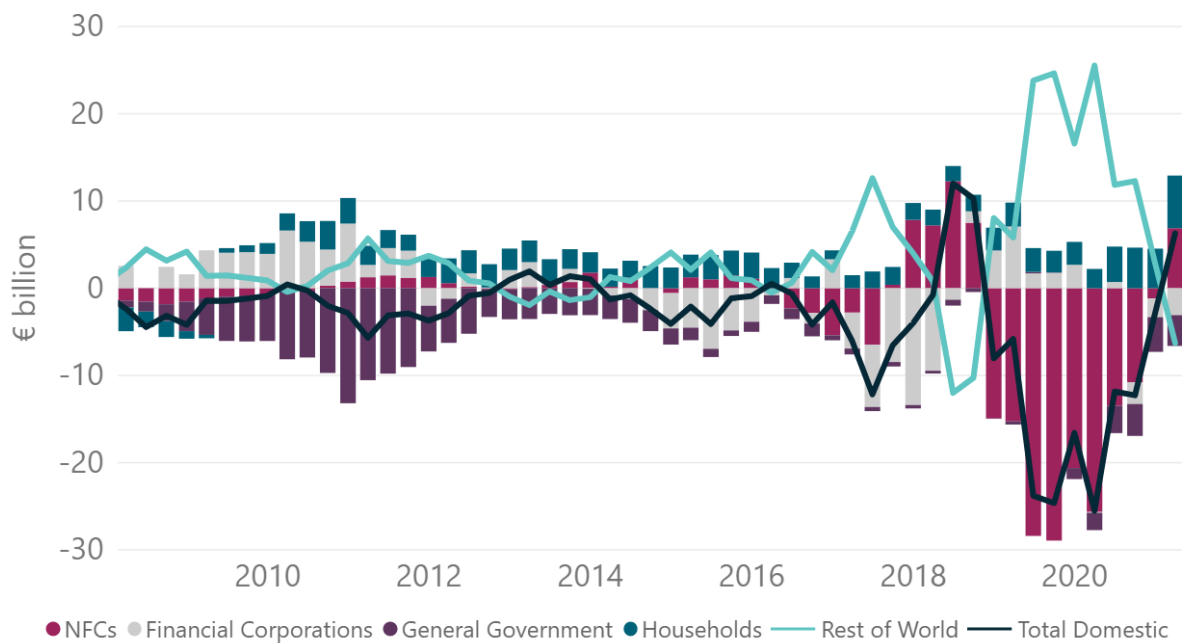


In response to the Covid-19 pandemic, the government introduced measures to increase the capacity of the health sector and provide supports to businesses and households. These measures were established in March 2020 and have remained in place up to and including Q1 2021.

Government debt increased by €7.5bn during Q1 2021, to stand at €257bn (Chart 5). This increase was driven by debt securities and loans, which increased by €4.4bn and €2.6bn, respectively, during the quarter. Deposit liabilities increased by €564m over the quarter. Government financial assets increased by €7.7bn to stand at €108bn, due to increases in deposit assets of €9.0bn. Government net financial worth<sup>5</sup> increased by €2.1bn, driven by revaluation gains over the quarter. Chart 5 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, increased by €12.6bn in Q1 2021 to stand at a series high of €230bn.

<sup>5</sup> Government net worth shows the stock of total government assets minus total government liabilities.

Chart 6: Net Lending/Borrowing



The domestic economy was a net lender in Q1 2021, following nine consecutive quarters as a net borrower. Net lending stood at €6.3bn, an increase of €9.1bn compared to the previous quarter (Chart 6). This increase was driven by NFC lending of €8.1bn over the quarter. The other sectors in the domestic economy have remained relatively stable in Q1 2021. The government sector continued to be a net borrower, decreasing by €447m to stand at a €3.5bn. Households' net lending position increased by €1.5bn to stand at €6.0bn. Irish households have been net lenders since Q2 2009.

## Further information

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

<https://www.centralbank.ie/statistics/data-and-analysis/financial-accounts>

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