



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Quarterly Financial Accounts for Ireland

Q1 – 2023

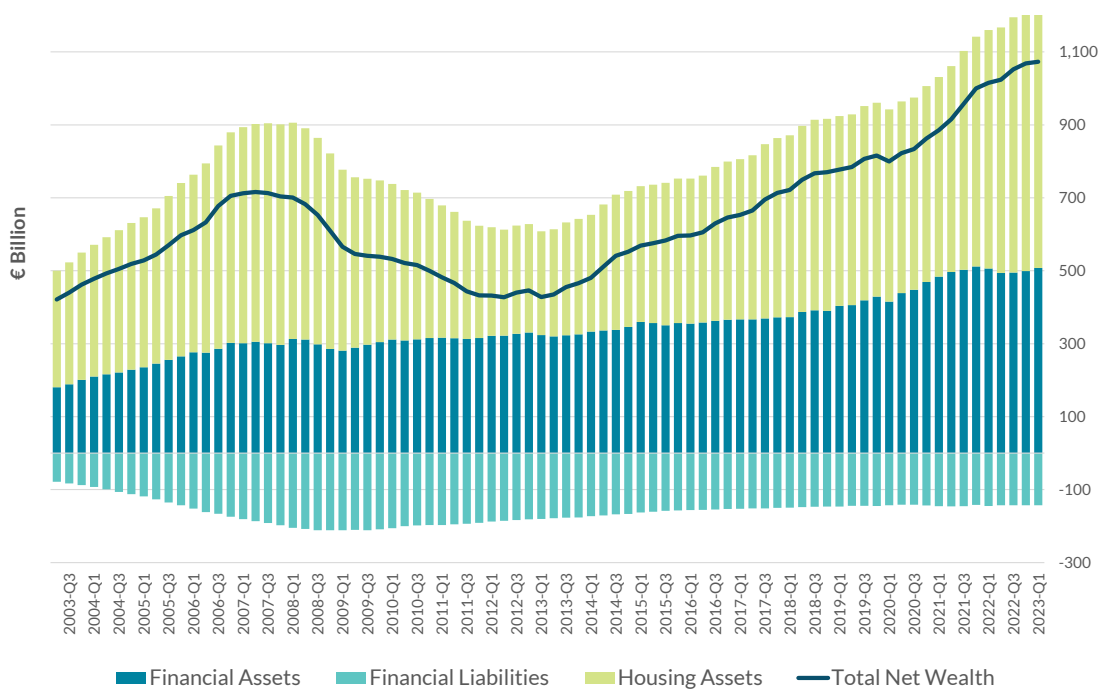
August 2023

Quarterly Financial Accounts

Key Points – Q1 2023

- ❖ Net wealth of Irish households increased by €4.6bn in the quarter, to reach a new all-time high of €1,073bn.
- ❖ This increase was mainly driven by financial investment and positive revaluations for the existing stock of financial instruments. Negative housing revaluations, for the first time since 2020 Q2, partially offset the gains.
- ❖ The private debt-to-GDP ratio decreased by 9 percentage points, now standing at 164 per cent. This was driven by a reduction in long-term loan debt of non-financial corporations (NFCs).
- ❖ Government debt was relatively stable in Q1 2023, standing at €219bn.

Chart 1: Household Net Wealth



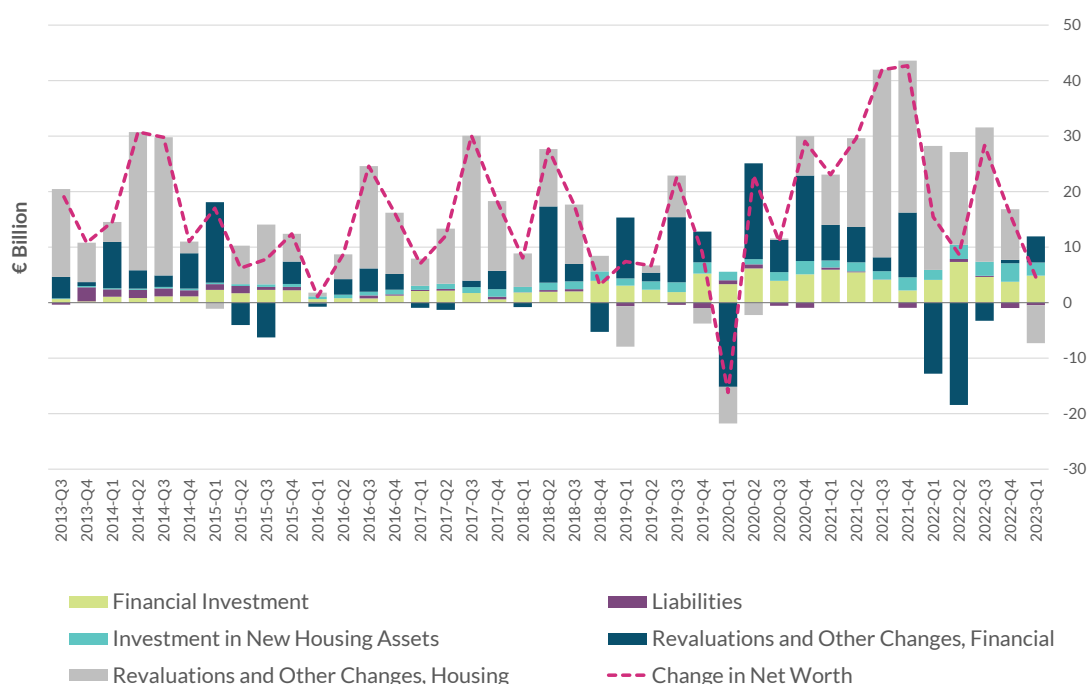
Household net wealth rose by €4.6bn, reaching €1,073bn in Q1 2023. However, it should be noted that this increase in aggregate household wealth does not capture distribution effects across the sector.

This increase was primarily driven by financial investments, which increased by €4.9bn as well as revaluations for financial assets (€4.2bn).

Investment in new housing totalled €2.4bn across the quarter, above the post-pandemic average. However, revaluations of existing properties were negative for the first time since Q2 2020, with the value of existing housing stock declining by €6.8bn. Overall, total housing wealth declined by €4.4bn to €708bn. In Q1 2023, housing assets represented 66 per cent of total household net worth (and 58 per cent of total assets), marginally decreasing during the quarter.

Households' financial wealth increased by €9.1bn, due to the combined effect of new investment in financial assets, positive revaluations and a marginal decrease in financial liabilities. As a result, total financial net wealth reached €365bn in Q1 2023.

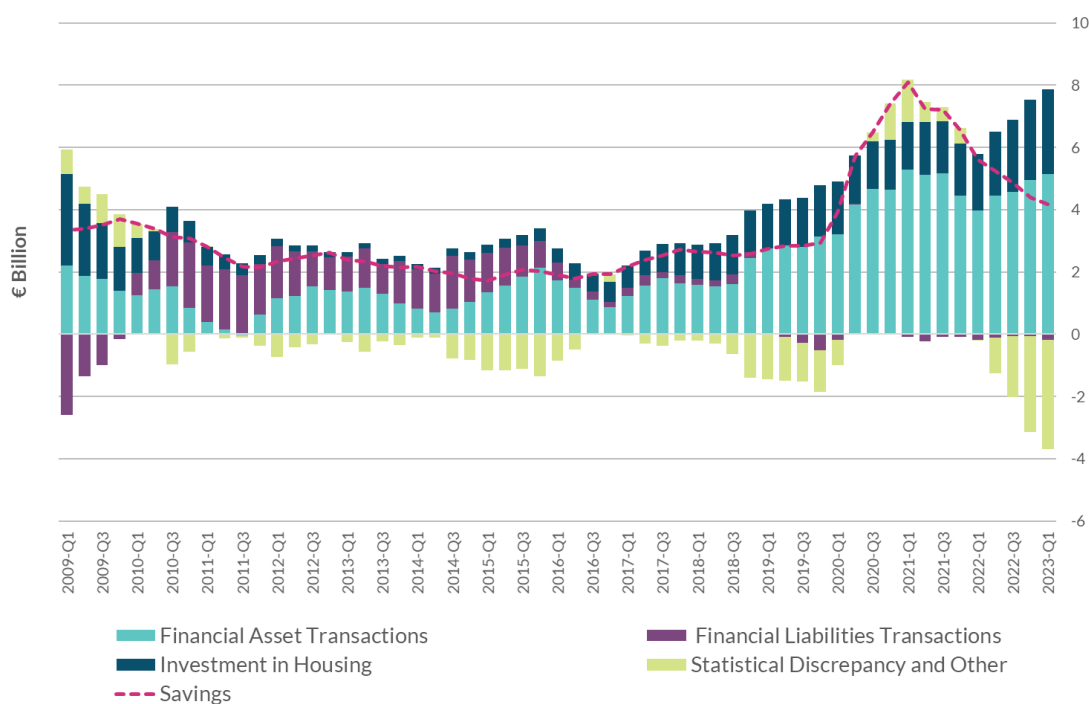
Chart 2: Breakdown of Household Net Wealth, Q-on-Q Changes



New financial investment by households totalled €4.9bn in the quarter. This was primarily driven by an increase in currency and deposit assets (€2.7bn) as well as insurance and pension entitlements (€1.9bn). Due to marginal levels of new borrowing in the period (€0.5bn), net financial investment of households equalled €4.4bn in Q1 2023.

Financial asset revaluations were positive in Q1 2023 (€4.2bn), having been negative in each quarter of 2022. Positive changes in equity and insurance assets offset adverse revaluations in other accounts receivable/payable.

Chart 3: Household Savings¹



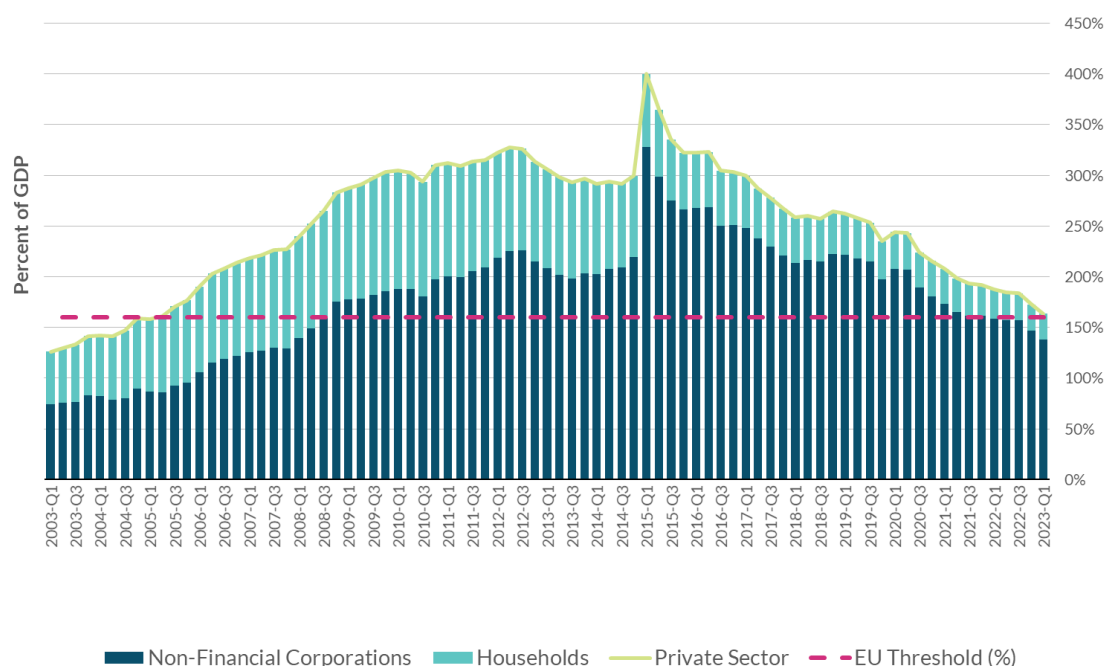
Savings in Q1 2023 totalled €4.2bn, and were driven by positive net acquisitions of financial instruments (mainly currency and deposit holdings, as well as insurance and pension entitlements) in addition to investment in new housing assets.

Households' disposable income grew by 2 per cent, according to CSO data². This combined with a continued decline in savings, which fell for the eighth quarter in a row based on revised CSO data, resulted in a savings rate of just under 12%, slightly above the pre-pandemic norm.

¹ This chart and the discussion which follows for savings and disposable income presents data averaged over four quarters and might therefore differ from actual quarterly movements. The statistical discrepancy presented in this chart is a result of differences between the CSO's estimate of 'Savings' and savings as estimated through Financial Accounts concepts.

² See the releases by the Central Statistics Office (CSO) "[Institutional Sector Accounts Non-Financial Quarter 1 2023](#)" and "[Household Saving Q1 2023](#)" for further details of the four quarter averaged data.

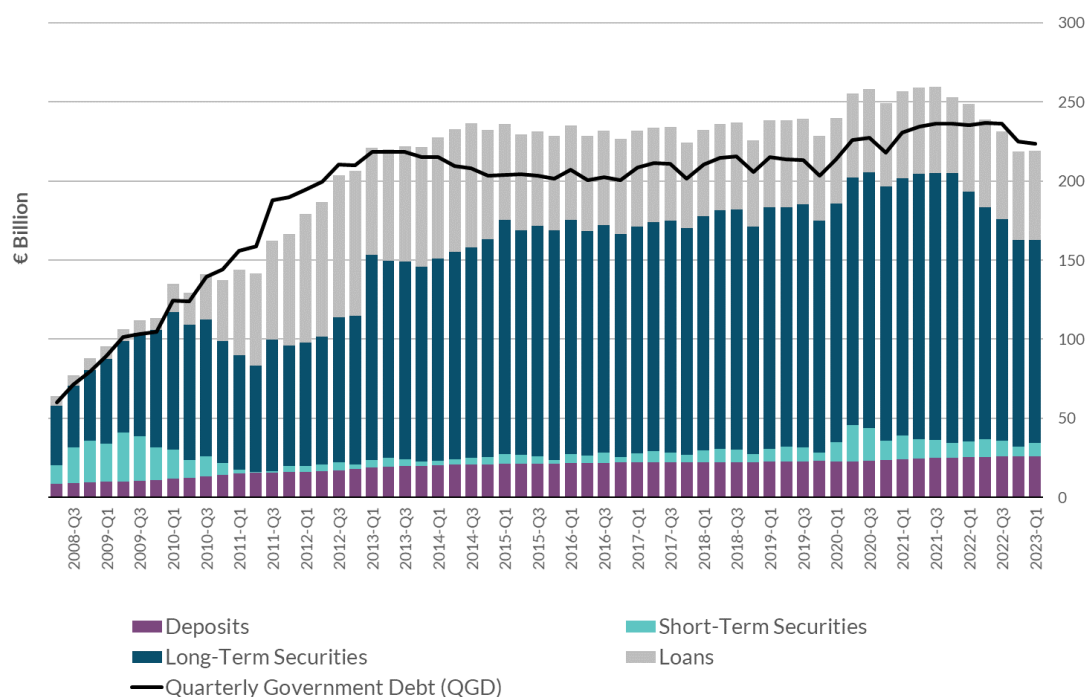
Chart 4: Private Sector Debt-to-GDP



Private sector debt decreased by €32bn over the quarter, to stand at €842bn. This reduction was driven by a decline in the stock of non-financial corporations' debt, particularly cross border long-term loans, which declined by €17bn, while households' debt level remained unchanged from the previous quarter. The continued drop in NFC debt caused the private sector debt-to-GDP ratio to fall by 9 percentage points over the quarter, to stand at 164 per cent. The trend of declining private sector debt relative to GDP stretches back to Q2 2020.

Private sector debt in Ireland is significantly influenced by the presence of large multinational enterprises (MNEs) and restructuring by these entities has resulted in large movements in Irish private sector debt, particularly from 2014 onwards. Private sector indebtedness forms part of the European Commission's scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt sustainability, which, however, does not take account of Ireland's large MNEs sector.

Chart 5: Government Debt

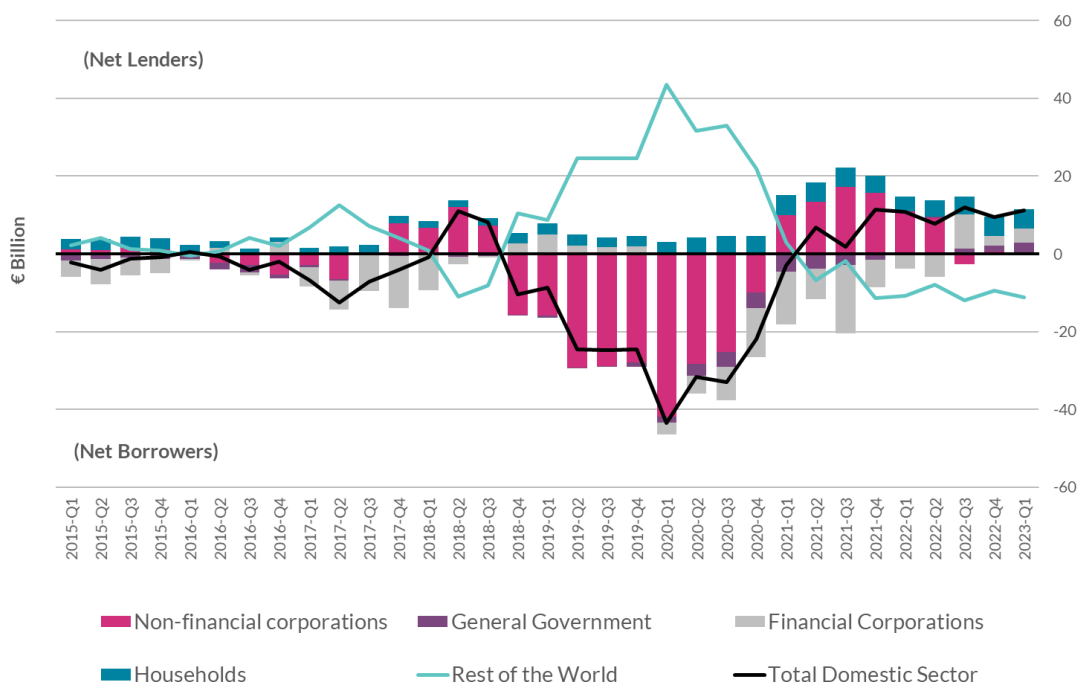


In Q1 2023, Irish government debt was unchanged and stood at €219bn. Long-term securities declined by €1.7bn but this was offset by increases of €1.8bn in short term securities.

Chart 5 also displays that the Quarterly Government Debt (QGD) indicator, which is based on the Excessive Deficit Procedure (EDP) measure of debt, and decreased by €1.2bn in the period, to reach €224bn.

In terms of net wealth, government financial assets increased by €3.6bn, driven by an increase in deposits and equity assets. Total government liabilities declined by €2.3bn in Q1 2023, resulting in an increase of government net financial wealth to -€135bn.

Chart 6: Net Lending/Borrowing³



The domestic economy remained a net lender in Q1 2023, with net acquisitions of assets surpassing liabilities by €11.2bn. All major sectors of the economy remained net lenders, with the exception of NFCs, which were net borrowers in Q1 2023 (-€0.2bn). Of the four major sectors, households had the highest net lending (€5.0bn) in the quarter.

The net lending position of financial corporations in Q1 2023 was €3.6bn. The other financial institutions subsector (€13.8bn) was the largest net lender and the investment funds subsector (-€11.7bn) the largest net borrower. The Central Bank and MFIs (€1.6bn) and insurance corporations and pension funds (-0.1bn) subsectors movements were both of smaller magnitudes.

³ This chart and the text which follows presents data averaged over four quarters and might therefore differ from actual quarterly movements.

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



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