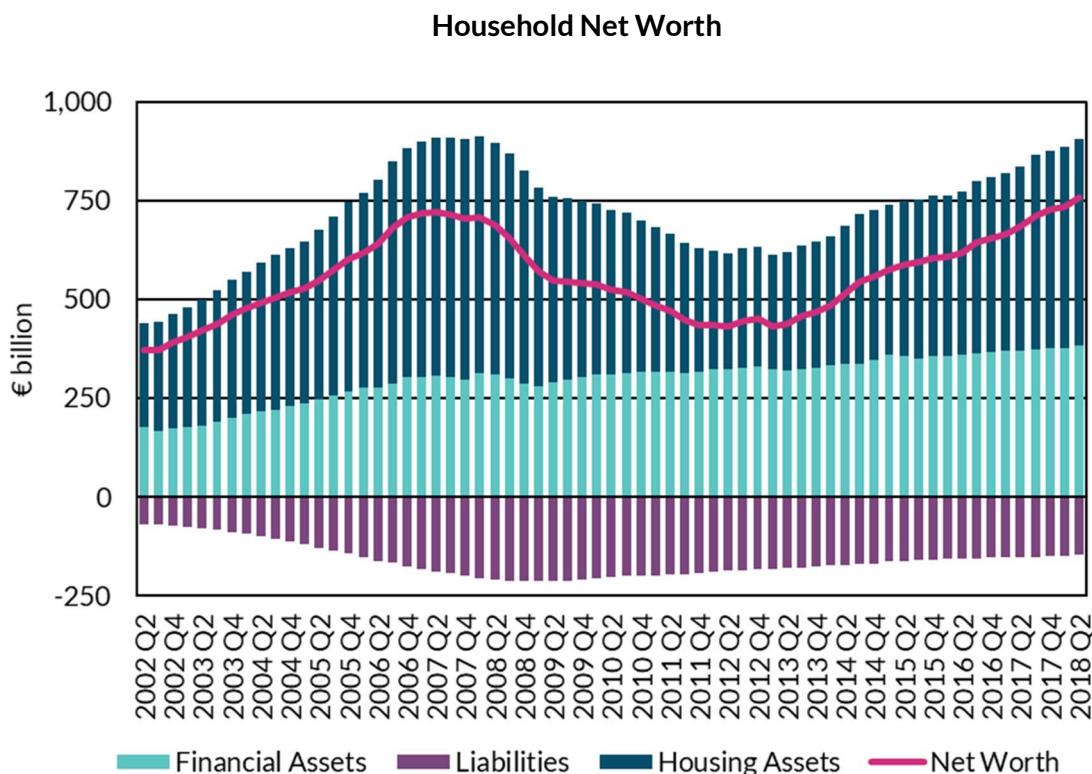




### Quarterly Financial Accounts

#### Household net worth reaches a new peak

- ❖ Household net worth increased by 3.0 per cent to reach €757bn in Q2 2018. Household net worth per capita now stands at €155,856. The increase over the quarter was due to an increase in households' housing assets and financial assets of €14.3bn and €6.5bn respectively.
- ❖ Household debt as a proportion of disposable income fell to 128.5 per cent, a 2.6 percentage point decrease compared to the previous quarter.
- ❖ Household debt as a proportion of disposable income has fallen by 83.9 percentage points since its peak in Q3 2011.
- ❖ NFC debt fell by €15.8bn, largely due to exchange rate effects on loans owed to non-resident entities. NFC debt-to-GDP has decreased by 130.5 percentage points since its peak of 326.5 per cent in Q1 2015.



## 1. Net Lending/Borrowing of All Sectors<sup>1</sup>

The domestic economy continued to be a net lender in Q2 2018, exceeding the previous quarter by €4.6bn to stand at €14bn (Chart 1.1). The rise in net lending was due to substantial inflows to the non-financial corporations sector, increasing by €5.5bn over the quarter to €9.4bn. This was offset slightly by a decline in net lending by financial corporations and households sector, falling by just €0.2bn and €0.3bn respectively. Net borrowing by government increased from €0.3bn in Q1 2018 to €0.8bn in Q2 2018.

### Private Sector Debt

Private sector debt as a proportion of GDP fell by 1.1 percentage points to stand at 240 per cent in Q2 2018 (Chart 2.1). Private sector debt as a proportion of GDP is at its lowest level since Q4 2007. The decrease in Q2 2018 was due to both rising GDP and falling levels of household debt, which was partially offset by increasing NFC debt during the quarter. It should be noted that private sector debt in Ireland is significantly influenced by the presence of large multinational corporations (MNCs) and that 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, substantially lower than Ireland's 240 per cent. However, this threshold does not take account of the large MNC sector in Ireland.

Chart 1.1 Net Lending/Borrowing of All Sectors

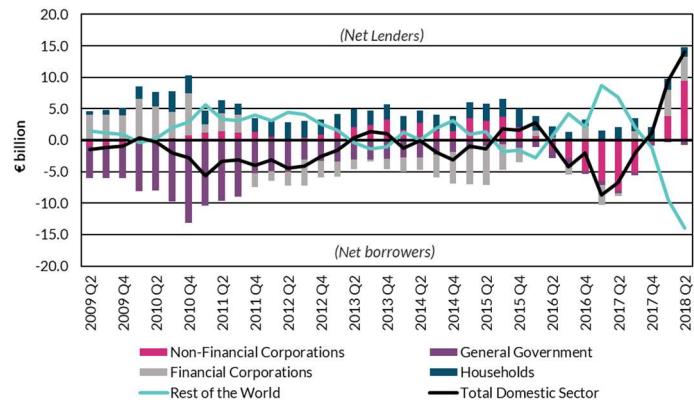
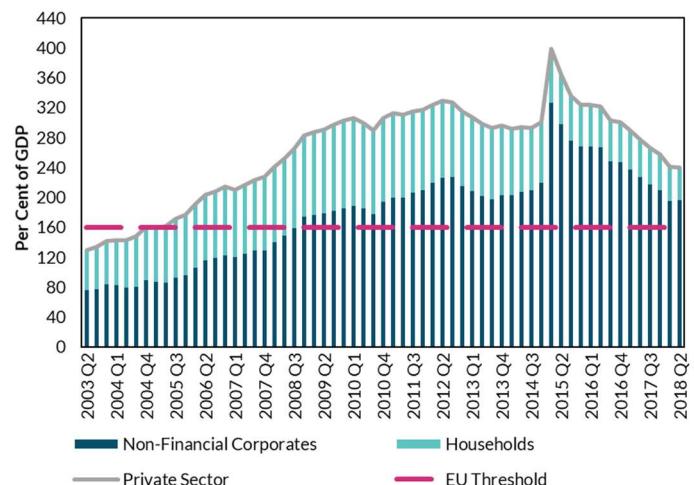


Chart 2.1 Private Sector Debt-to-GDP



<sup>1</sup> 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. These figures are calculated as a four-quarter moving average.

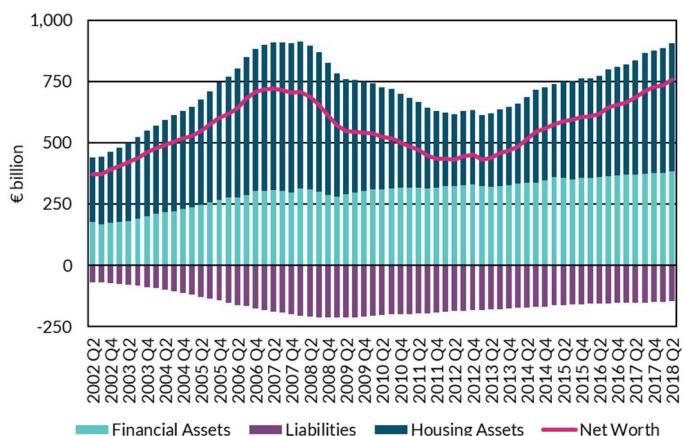
### 3. Households

Household net worth<sup>2</sup> increased by 3 per cent, or €22.2bn, in Q2 2018, setting a new highest level to date of €757bn (Chart 3.1). The increase over the quarter was due to an increase in households' housing assets (€14.3bn) and financial assets (6.5bn) as well as a decrease in liabilities (€1.4bn). At end-Q2, net worth per capita stood at the equivalent of €155,856. Household net worth has risen by 75.9 per cent since its lowest level of €430.3bn in Q2 2012. This is mainly due to increases in the value of housing assets, which have increased by 77.1 percent over the same period. In comparison, financial assets increased by 18.6 percent in this time.

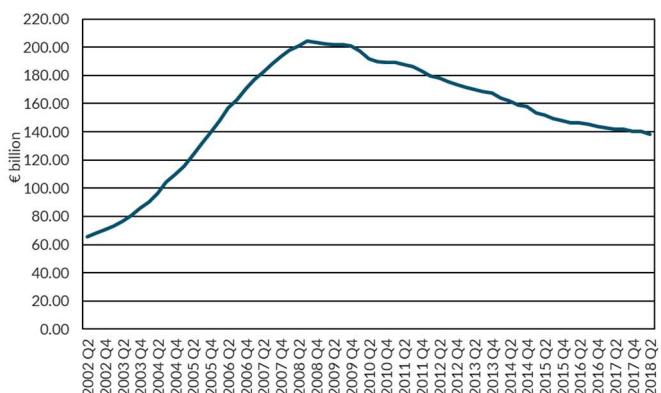
Household debt decreased in Q2 2018, falling by €887m (Chart 3.2). At end-Q2 2018, debt stood at €138.1bn, or €28,423 per capita. Household debt is at its lowest level since Q3 2005. Since its peak of €204.2bn in Q3 2008, household debt has decreased by 32.4 per cent, or €66.2bn.

The decrease in household debt was reflected in measures of household debt sustainability, which continued to improve over the quarter (Chart 3.3). Debt as a proportion of disposable income fell by 2.6 percentage points, to 128.5 per cent. The decline over the quarter reflected an increase of 1.3 per cent in annualised disposable income, as well as the decrease in debt. Household debt as a proportion of total assets declined by 0.5 percentage points, falling to 15.3 per cent. This reflected an increase of 1.7 per cent in households' financial assets over Q2 2018.

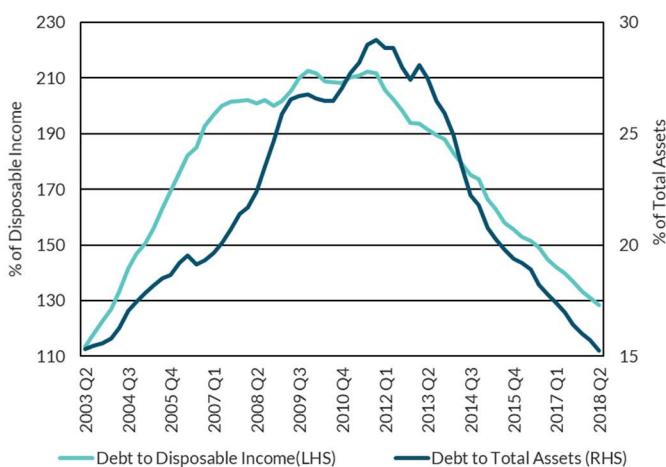
**Chart 3.1 Household Net Worth**



**Chart 3.2 Household Debt**



**Chart 3.3 Household Debt Indicators**

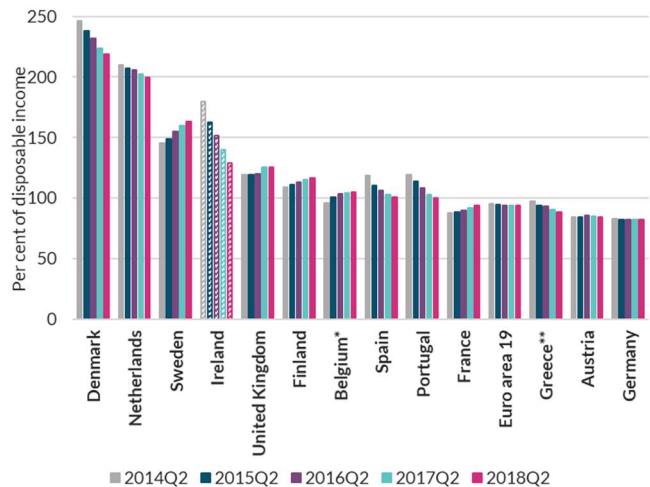


<sup>2</sup> Household net worth is calculated as the sum of household housing and financial assets minus their liabilities. The Central Bank of Ireland estimate of housing assets is based on the size

and value of housing stock. Data on the value of housing is obtained from the CSO's 'Residential Property Price Index' (RPPI).

Irish household debt as a proportion of disposable income fell by 11.3 percentage points over the year to Q2 2018, the largest decline amongst the most highly indebted EU countries. Household debt in Denmark, the most indebted country, fell by 4.8 percentage points. Irish households continue to be the fourth most indebted in the EU (Chart 3.4). Irish debt to disposable income fell by 50.9 percentage points between Q2 2014 and Q2 2018. In comparison, the ratio for the euro area declined by 1.6 percentage points during the same period. Swedish household debt to disposable income experienced the largest increase over the past four years, rising by 18 percentage points.

**Chart 3.4 Cross-Country Comparison of Most Highly Indebted EU Countries, 2014Q2-2018Q2**



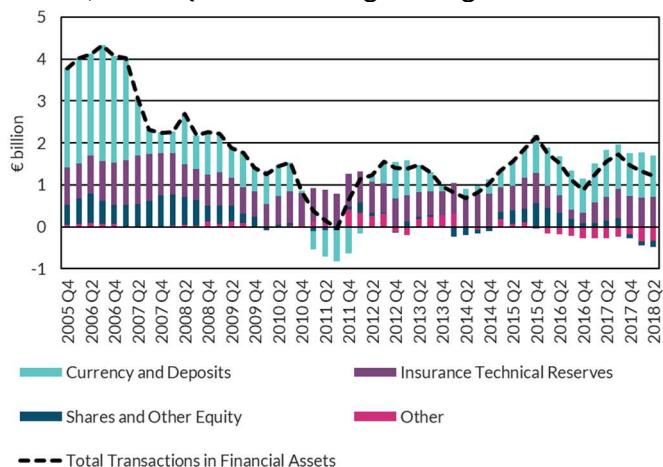
\* Latest data Q1 2018

\*\* Latest data Q4 2017

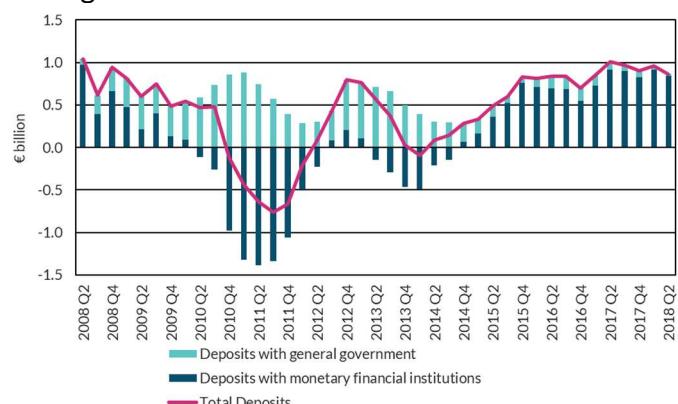
Household investment in financial assets declined during Q2 2018, falling to €1.2bn. This represented a fall of €100m compared to the previous quarter. This trend mostly reflected a decrease in investment in currency and deposits and shares and other equity, of €95m and €57m respectively. The decrease was partly offset by a combined increase in investment in insurance technical reserves and other financial instruments of €53m.

Investment in deposits decreased by €96m during the quarter, falling to €864m (Chart 3.6). Investment in government deposit accounts decreased by €27m, while investment in deposit accounts with Monetary Financial Institutions (MFIs) fell by €69m.

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

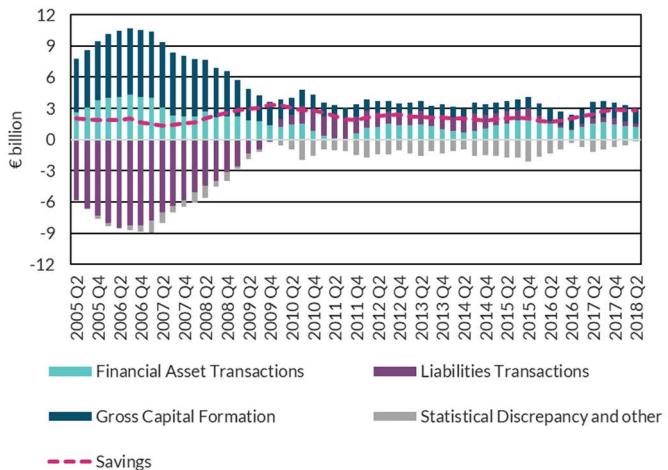


**Chart 3.6 Household Deposit Transactions with MFIs and Government, Four-Quarter Moving Average**



Households' saving behaviour can be analysed by combining data from the Quarterly Financial Accounts and the CSO's non-financial accounts. Household saving was mostly unchanged over the quarter, remaining at €2.8bn (Chart 3.7). Of this, financial asset transactions accounted for €1.2bn, liability transactions accounted for €0.3bn and investment in gross fixed capital formation<sup>3</sup> accounted for €1.5bn.

**Chart 3.7 Household Saving Decomposed by Use, Four-Quarter Moving Average**

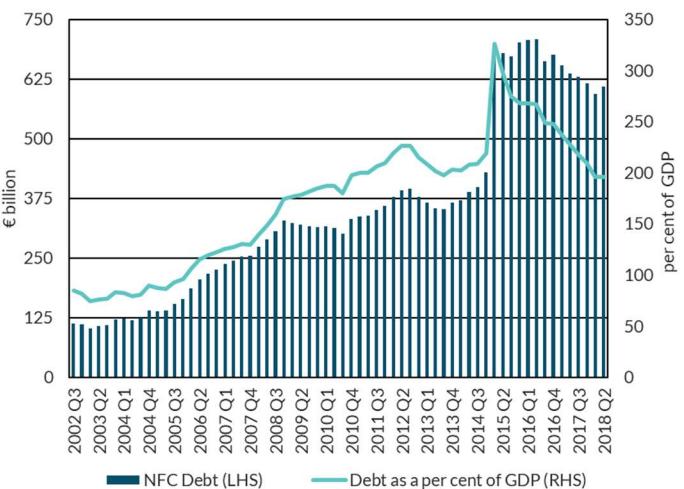


#### 4. Non-Financial Corporations

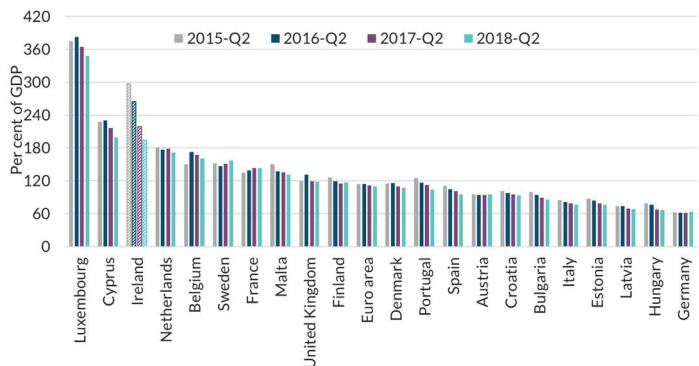
NFC debt<sup>4</sup> as a percentage of GDP remained unchanged at 196 per cent during Q2 2018, as GDP and NFC debt both expanded at a similar pace (Chart 4.1). NFC debt rose by €15.8bn over the quarter, with the majority of this increase due to exchange rate effects on loans owed to non-resident entities.

Irish NFC debt remains high when compared to other European countries (Chart 4.3). The debt-to-GDP ratio of Irish-resident NFCs was slightly less than double that of the euro area. Ireland continues to be ranked third amongst EU countries, with only Luxembourg and Cyprus having more highly indebted NFC sectors. Both countries also have very large MNC sectors relative to the size of their economies. In the year to Q2 2018, the Irish NFC debt-to-GDP fell by 24.5 percentage points, which was the largest decrease amongst all EU countries.

**Chart 4.1 NFC Debt**



**Chart 4.3 Cross-Country Comparison of NFC Debt-to-GDP**



<sup>3</sup> Gross capital formation consists of acquisitions of fixed assets less disposals. It includes acquisitions of dwellings.

<sup>4</sup> NFC debt is defined as non-consolidated debt securities and loans.

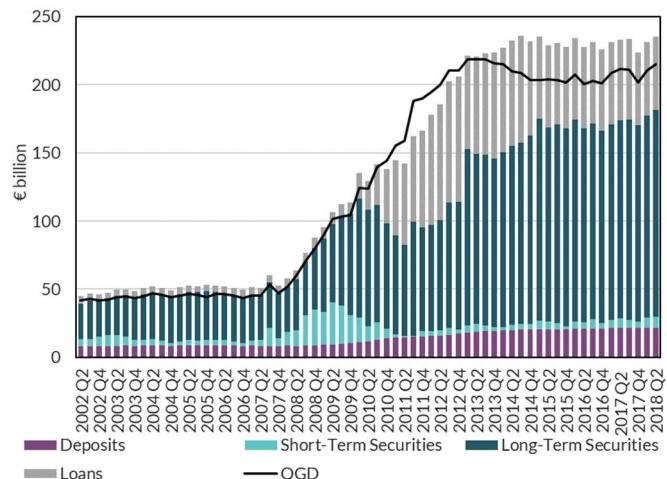
## 5. Government

Government debt rose by €4bn during Q2 2018 (Chart 5.1). This increase was partly due to the issuance of €4.4bn of government debt securities during the quarter. Government debt stood at €235.3bn in Q2 2018, compared to a peak of €235.6bn in Q3 2014. Chart 5.1 also shows that Quarterly Government Debt<sup>5</sup> (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, increased by €4.7bn in Q2 2018 to €214.9bn, its highest level since Q1 2014.

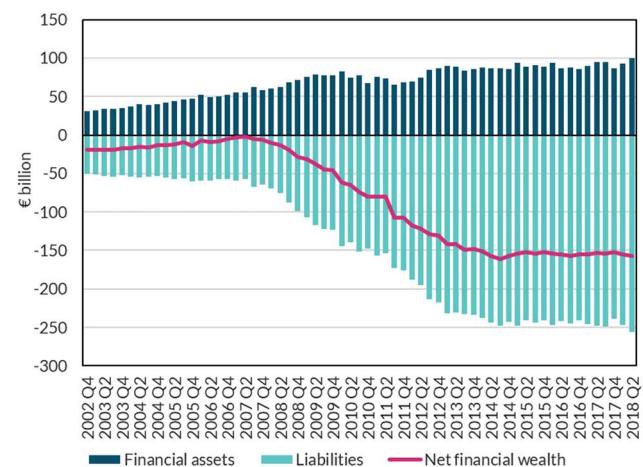
Government net financial wealth fell by €2.3bn during Q2 2018 (Chart 5.2). This was due to an increase in financial liabilities during the quarter (€9.2bn), which outstripped the increase in financial assets (€7bn). The increase in government financial assets was due to an increase of €5.1bn in deposit holdings and a €4.8bn increase in other accounts receivable, and was somewhat offset by decreased holdings of equity assets (-€3.2bn) and loan assets (-€171m). At the end of the quarter net financial wealth stood at -€157.1bn.

Chart 5.3 shows a cross-country comparison of government net financial wealth as a percentage of GDP within the European Union<sup>6</sup>. Ireland is ranked 18<sup>th</sup> out of the 27 EU countries for which data is available. Irish net government financial wealth as a per cent of GDP amounted to -48.3. The average for the euro area was -66.8 per cent.

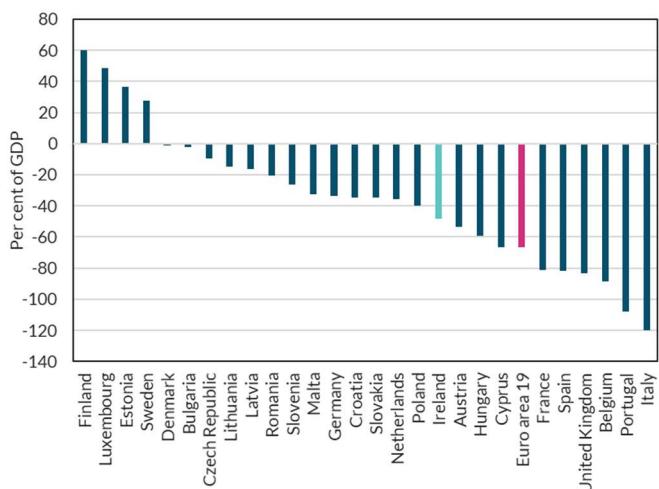
**Chart 5.1 Government Debt**



**Chart 5.2 Government Net Financial Wealth**



**Chart 5.3 Cross Country Comparison of Government Net Financial Wealth**



<sup>5</sup> Government debt in the Quarterly Financial Accounts differs from the EDP measure of debt as it is calculated on a non-consolidated basis, and uses market rather than nominal values.

consolidated basis, and uses market rather than nominal values.

<sup>6</sup> Data for Greece is unavailable.

## **6. 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.