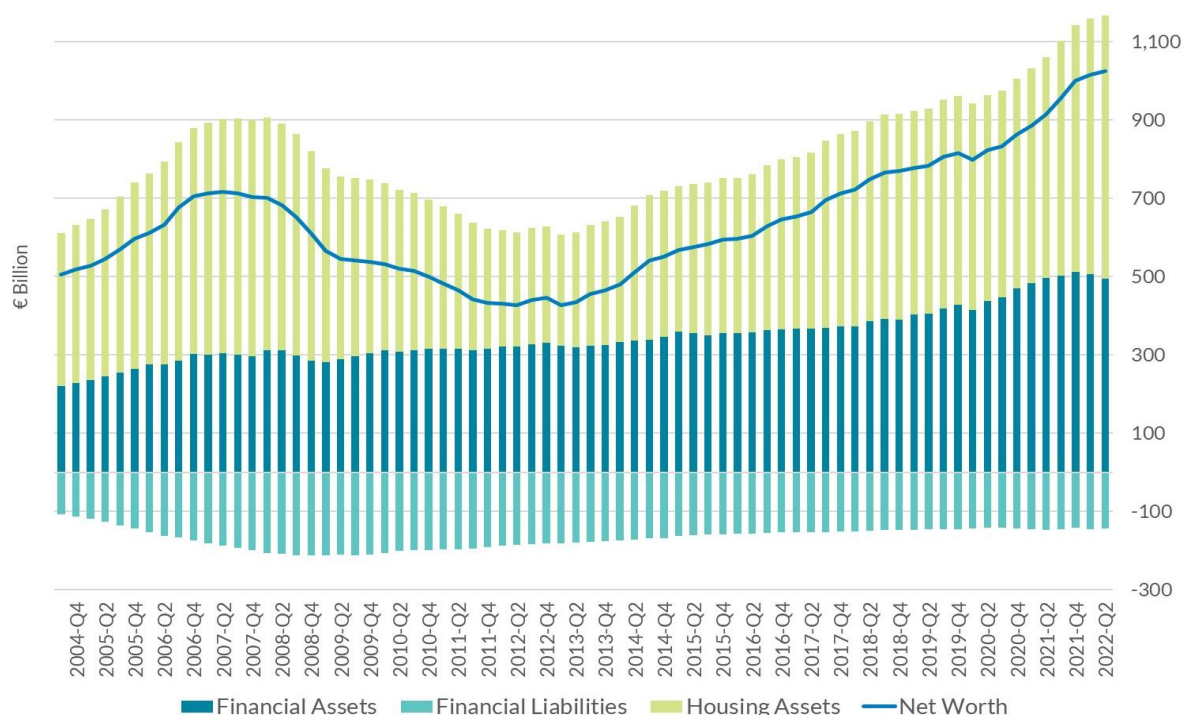


## Quarterly Financial Accounts

### *Household net wealth increases despite record reduction in the value of financial assets*

- ❖ Household net wealth grew by €9.2bn to reach €1,025bn in Q2 2022.
- ❖ The rise in net wealth has been primarily driven by an increase in the value of housing assets, which reached another series high of €674bn, above its previous peak last quarter. However, this growth may not reflect the underlying experiences of all households, or the distribution of wealth.
- ❖ Positive revaluations in housing assets offset a very large decrease in the value of households' financial assets, which declined for the second consecutive quarter in Q2 2022<sup>1</sup>.

Chart 1: Household Net Wealth



Household net wealth rose by €9.2bn to stand at €1,025bn in Q2 2022 (Chart 1). However, it should be noted that this increase in aggregate household wealth does not capture distribution effects across the sector. Analyses based on novel Distributional Wealth Accounts (DWA) data provide new insights into how these wealth gains have been distributed across households in Ireland<sup>2</sup>.

<sup>1</sup> Standard revisions have been applied to our data since our last "Quarterly Financial Accounts" release and figures may have changed from Q1 2020 to Q2 2022.

<sup>2</sup> See "The Evolution of Irish Household Wealth Inequality Since 2013: Insights from new Distributional Wealth Accounts" here: <https://www.centralbank.ie/statistics/statistical-publications/behind-the-data/the-evolution-of-irish-household-wealth>

The rise in net wealth in Q2 2022 was primarily driven by an increase in the value of housing assets. Investment in new housing during the quarter was equal to €2.7bn, with revaluations of housing assets totalling €17bn. As a result, the total value of the households' stock of housing reached a new all-time high of €674bn.

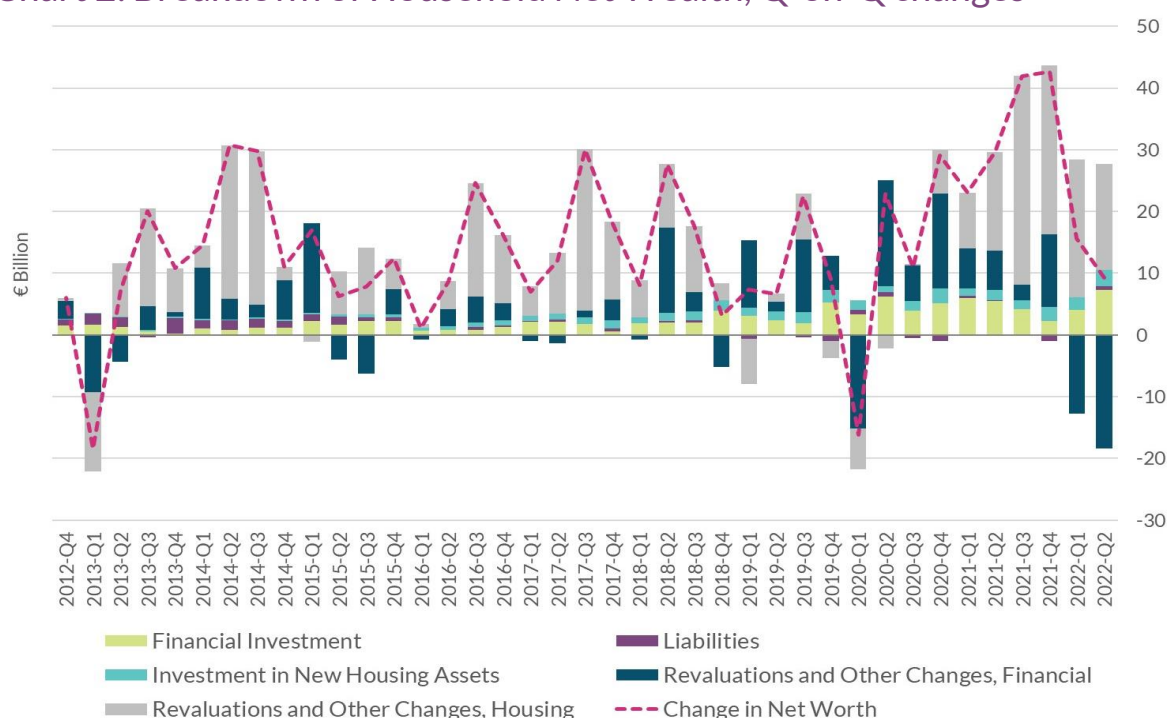
The increase in the value of housing property offset the largest quarterly negative revaluation of financial instruments held by Irish households ever recorded in the time series (€18.4bn). This adverse movement was primarily caused by downward revaluations of insurance and pension instruments totalling €17bn.

In Q2 2022, the level of quarterly financial investment also reached a series high of €7.3bn (Chart 2). This was mainly driven by an increase in currency and deposits held by households, accounting for €2.7bn of the quarterly variation, as well as other financial assets (including derivatives, stock options and trade receivables) and insurance and pension products.

However, given the larger negative revaluations of financial instruments, the overall value of households' financial assets fell below €500bn for the first time in the last four quarters. Financial liabilities of households also decreased in the quarter, to stand at €143bn in Q2 2022.

Together, the above movements caused the financial net worth of Irish households to fall to €351bn. This figure now represents 34% of the total household net wealth – equal to €1,025bn – the remaining part accounted for by the value of housing assets.

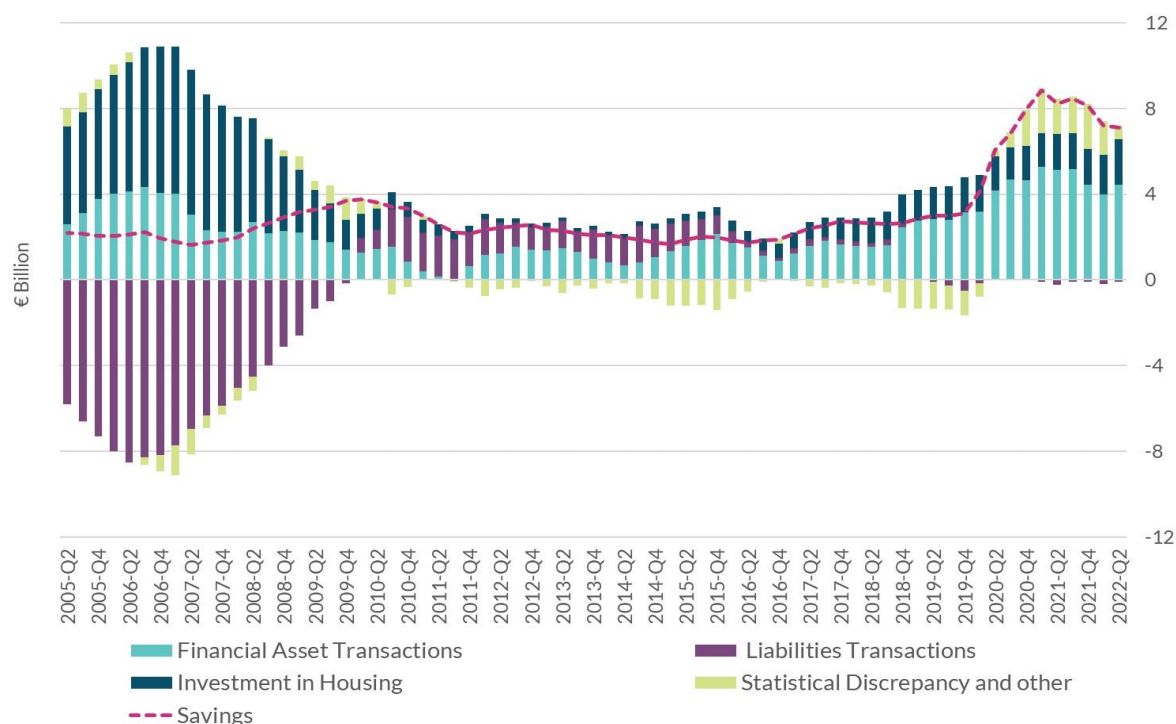
Chart 2: Breakdown of Household Net Wealth, Q-on-Q changes



In Q2 2022, household savings decreased for the second consecutive quarter by €0.1bn (Chart 3). While disposable income rose for the second consecutive quarter, mainly due to growing

wages across almost all sectors, price inflation contributed to increased spending by households in the period<sup>3</sup>.

Chart 3: Household Savings<sup>4</sup>



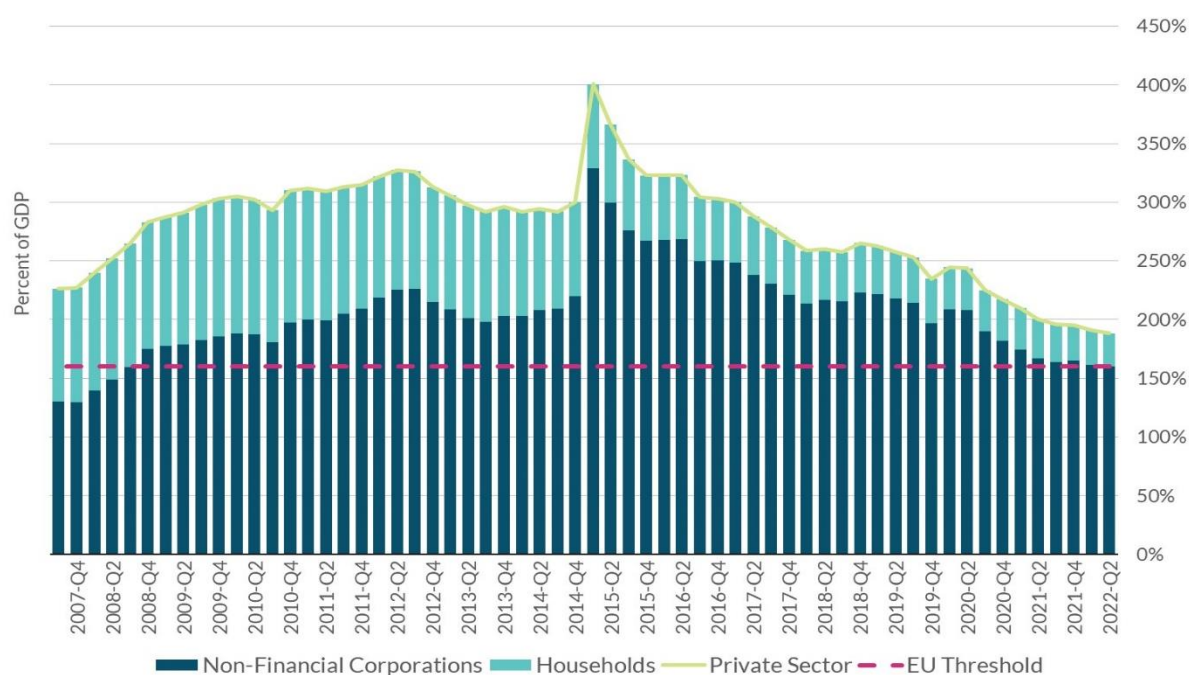
Private sector debt rose by €21bn in the quarter to reach an overall value of €867bn, this follows an increase of €60bn over the previous three quarters (Chart 4).<sup>5</sup> This increase was driven by growth in the stock of non-financial corporations' debt by €23bn, while households' debt declined by almost €2bn in the period.

<sup>3</sup> See Central Statistics Office (CSO) release "[Institutional Sector Accounts Non-Financial Accounts - Quarter 2 2022](#)" for further details.

<sup>4</sup> This chart presents data smoothed over four quarters and may 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. Note that the methodology for estimating 'Investment in Housing' has been revised. This is now calculated by the Central Bank (based new house price and completions data) rather than CSO estimates of Gross Capital Formation (GCF). Consequently, the revised series for 'Investment in Housing' excludes investment in other non-financial assets.

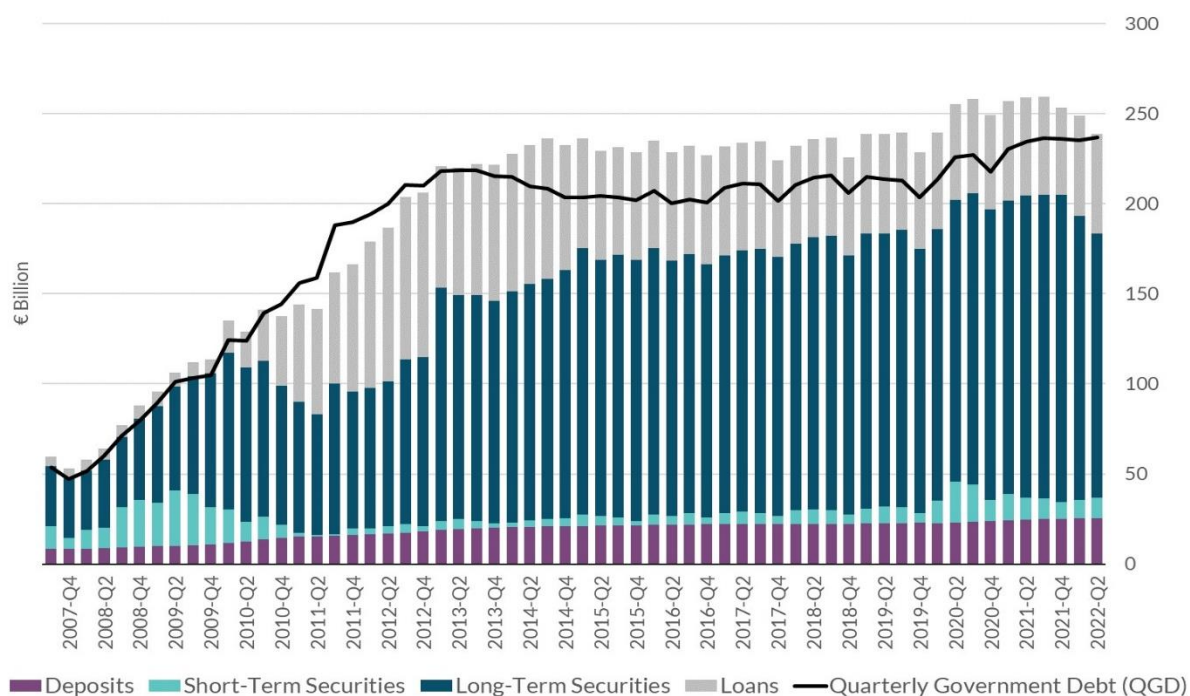
<sup>5</sup> However, due to stronger growth in quarterly GDP, the proportion of private sector debt to GDP declined by 3 percentage points to stand at 188% in Q2 2022 (Chart 4).

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



Private sector debt in Ireland is significantly influenced by the presence of large multinational enterprises (MNEs) 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 MNEs sector in Ireland.

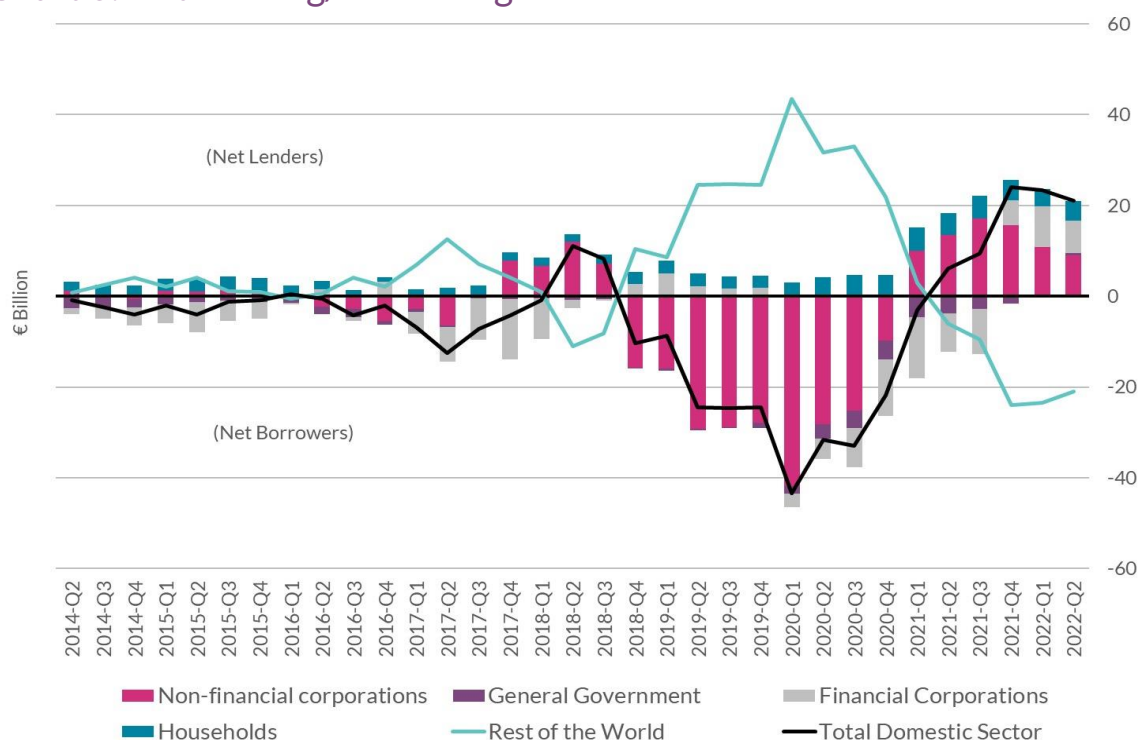
### Chart 5: Government Debt



Government debt declined by €10bn in Q2 2022, reaching €239bn (Chart 5). This was driven by a reduction in long-term debt securities of €11bn, which offset the increase in short-term debt securities of €1bn.

Government financial assets increased to stand at a series high of €124bn, while total liabilities decreased to reach €271bn. These movements resulted in an improvement in the negative net financial wealth position of the Government from €158bn in Q1 2022, to €147bn in Q2 2022.<sup>6</sup> Chart 5 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, increased by €1.5bn in the period, to reach €237bn.

Chart 6: Net Lending/Borrowing<sup>7</sup>



In Q2 2022, the domestic economy remained a net lender for the fifth consecutive quarter. Net lending totalled €21bn, declining from €23.5bn the previous quarter.

All sectors of the economy were net lenders in Q2 2022, with non-financial corporations being the largest contributors (€9bn) to the total figure. Unlike the financial and non-financial corporations sectors, both households and the Government recorded an increase in their net lending figure, by €0.5bn each, since Q1 2022. The Government became a net lender for the first time in over a decade, while Irish households have been net lenders continuously since 2009.

<sup>6</sup> Government net wealth refers to the stock of total Government assets minus total Government liabilities.

<sup>7</sup> This chart presents data smoothed over four quarters and may 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](http://www.ecb.int)

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