

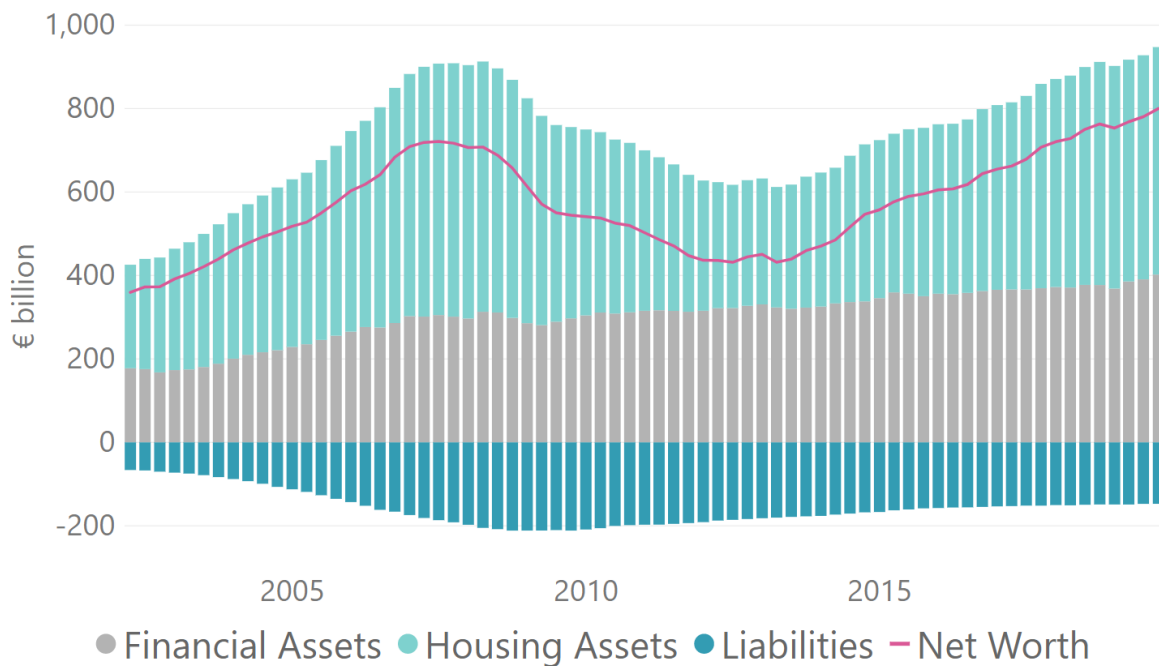


Quarterly Financial Accounts

Household net worth continuing to rise, with increased investment in currency and deposits

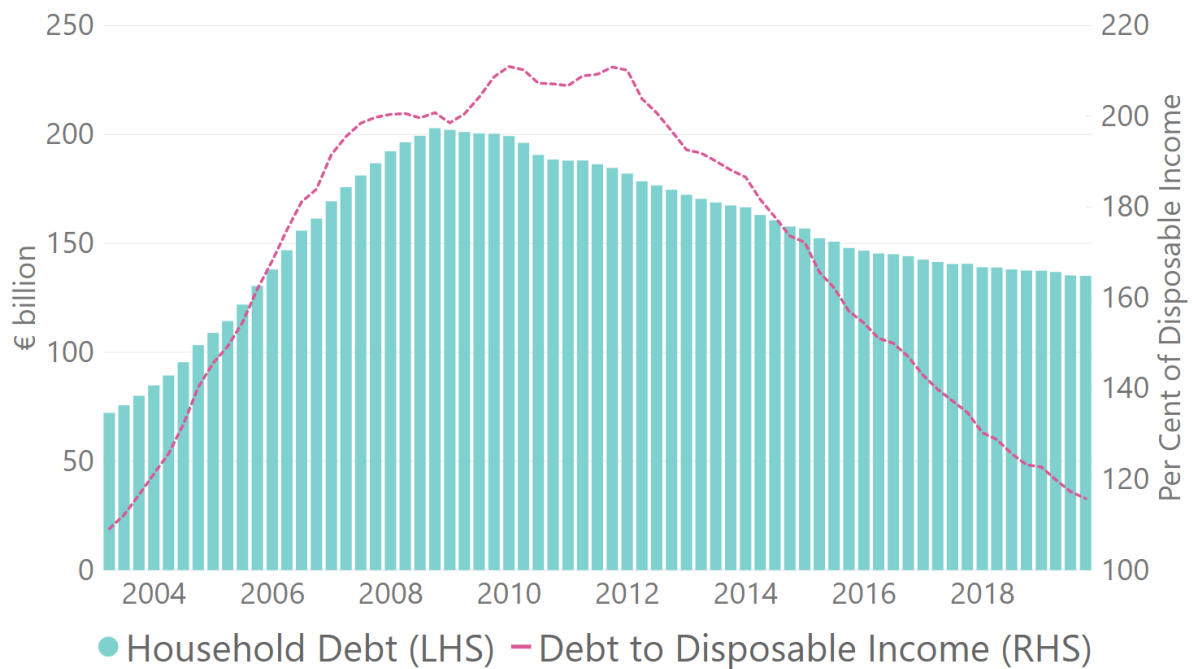
- ❖ Household net worth reached a new high of €800bn in Q3 2019, equating to €162,577 per capita.
- ❖ Household debt continued its downward trend, falling by €176m in Q3 2019.
- ❖ Growth in household investment in financial assets continues to be driven by currency and deposits, which is at its highest level since Q1 2007.

Chart 1: Household Net Worth



Household net worth continued to rise in Q3 2019, increasing by 2.5 per cent, or €19.8bn (Chart 1). Household net worth reached a new high of €800bn, which equates to €162,577 per capita. The increase over Q3 2019 was driven by improvements in both households' financial assets and housing assets. Financial assets rose by €11.5bn, due primarily to increases in the value of insurance and pension schemes. Housing assets rose to €545bn, an increase of €8.2bn over the quarter, the highest it has been since Q4 2008. Household liabilities remained unchanged at €147bn.

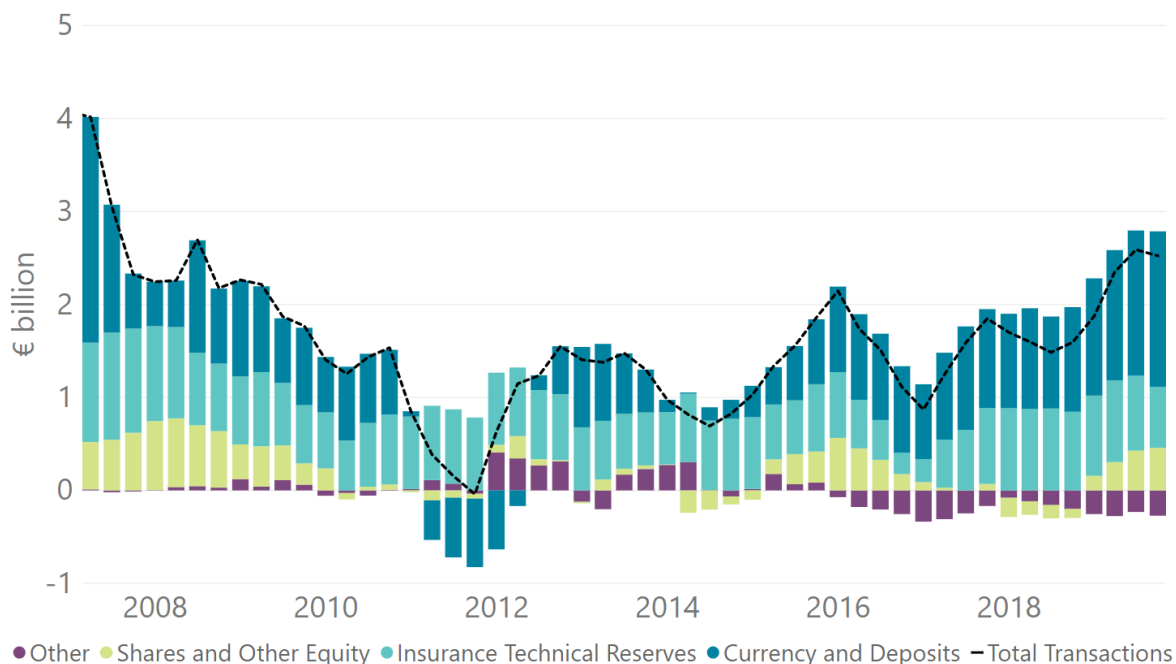
Chart 2: Household Debt



Household debt fell by €176m over the quarter, continuing the downward trend in the series. Household debt stood at €135bn, its lowest level since Q3 2005. This equates to €27,453 per capita. Household debt has decreased by a third, or €67.8bn, since its peak of €202bn in Q3 2008.

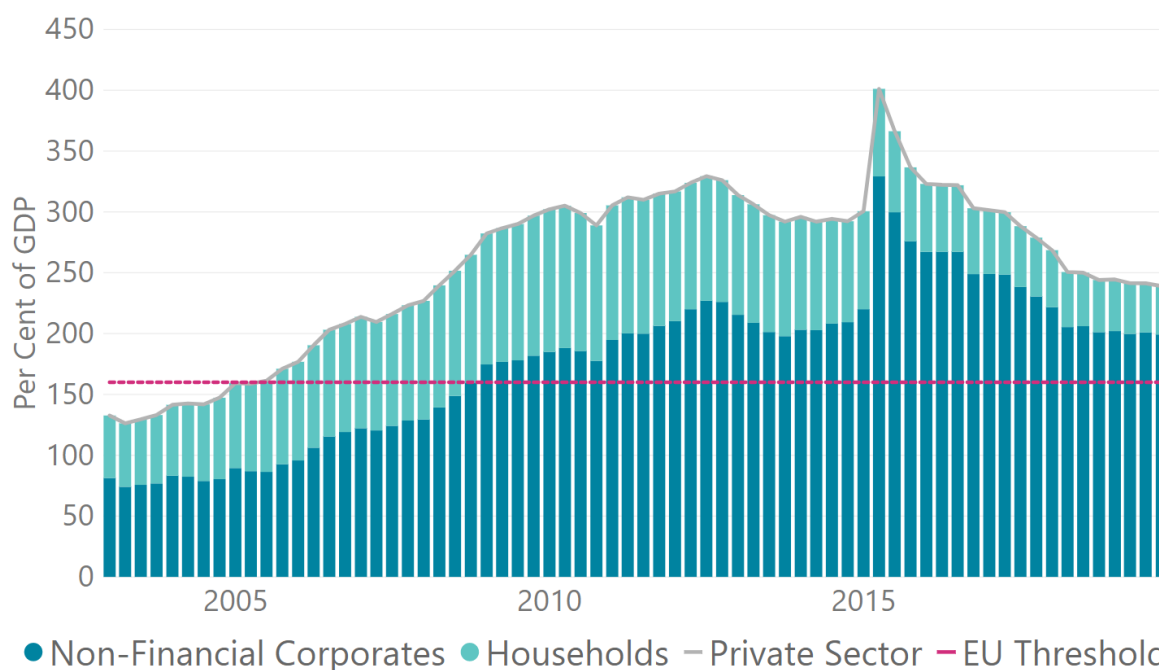
Household debt as a proportion of disposable income fell by 1.6 percentage points, to stand at 115 per cent. The decline over the quarter was driven by an increase of €1.4bn in annualised disposable income, in addition to the decrease in debt.

Chart 3: Household Investment in Financial Assets



Household investment in financial assets decreased by €67m during Q3 2019, to stand at €2.5bn (Chart 3). This was primarily due to a decrease in investment by households in insurance and pension schemes, which fell to €657m, a decline of €148m over the quarter. This decline was partially offset by additional investment in currency and deposits of €110m and investment in shares and other equity of €29m. The majority of household investment continues to be in currency and deposits, which amounts to €1.7bn and is at its highest level since Q1 2007.

Chart 4: Private Sector Debt-to-GDP



Private sector debt as a proportion of GDP decreased by 2.4 percentage points to stand at 239 per cent in Q3 2019 (Chart 4). Private sector debt grew over this period by €5.6bn. However this rise was offset by rising GDP, reducing the debt-to-GDP ratio. 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. However, this threshold does not take account of the large MNC sector in Ireland.

Chart 5: NFC Debt-to-GDP, Cross-Country Comparison

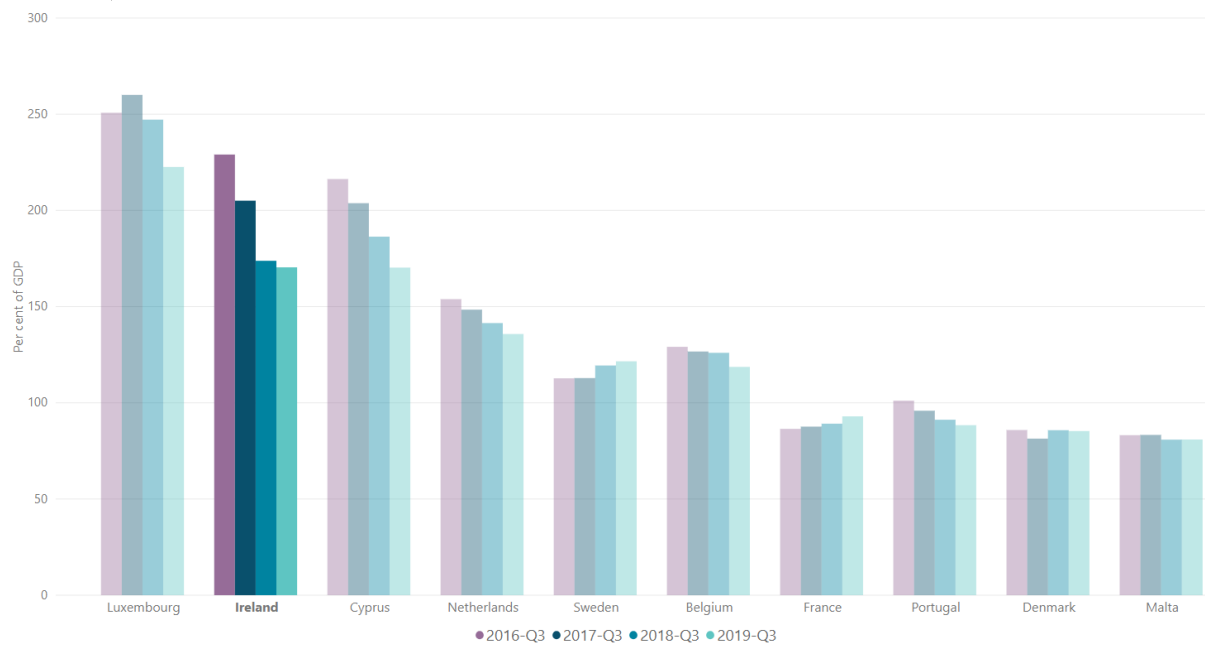
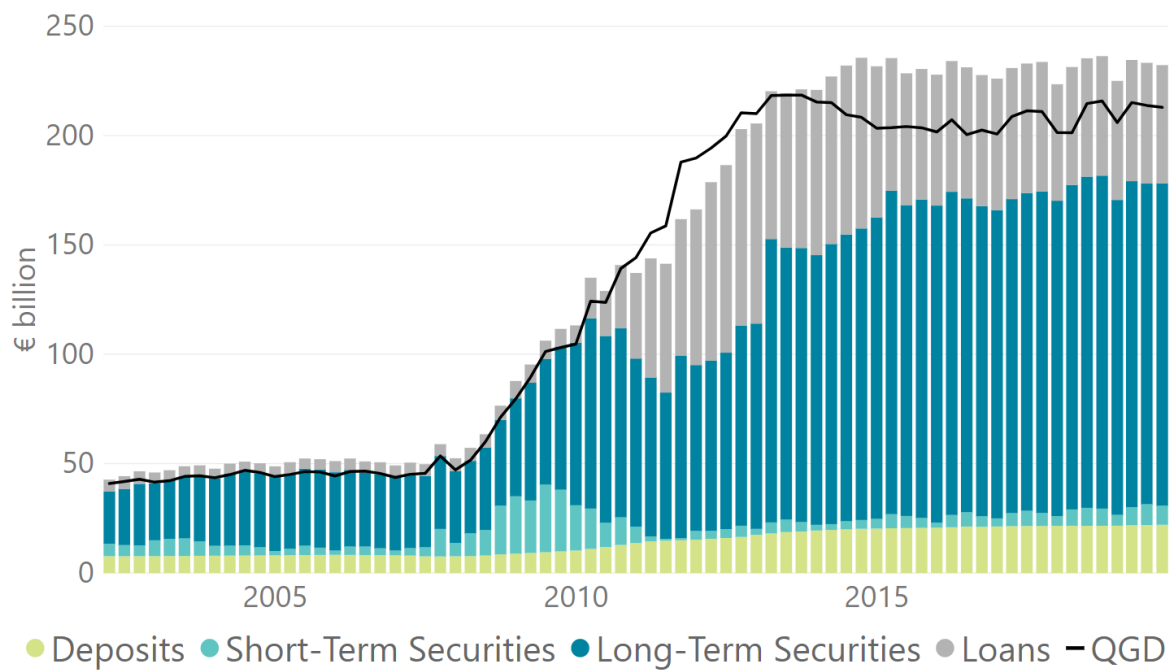


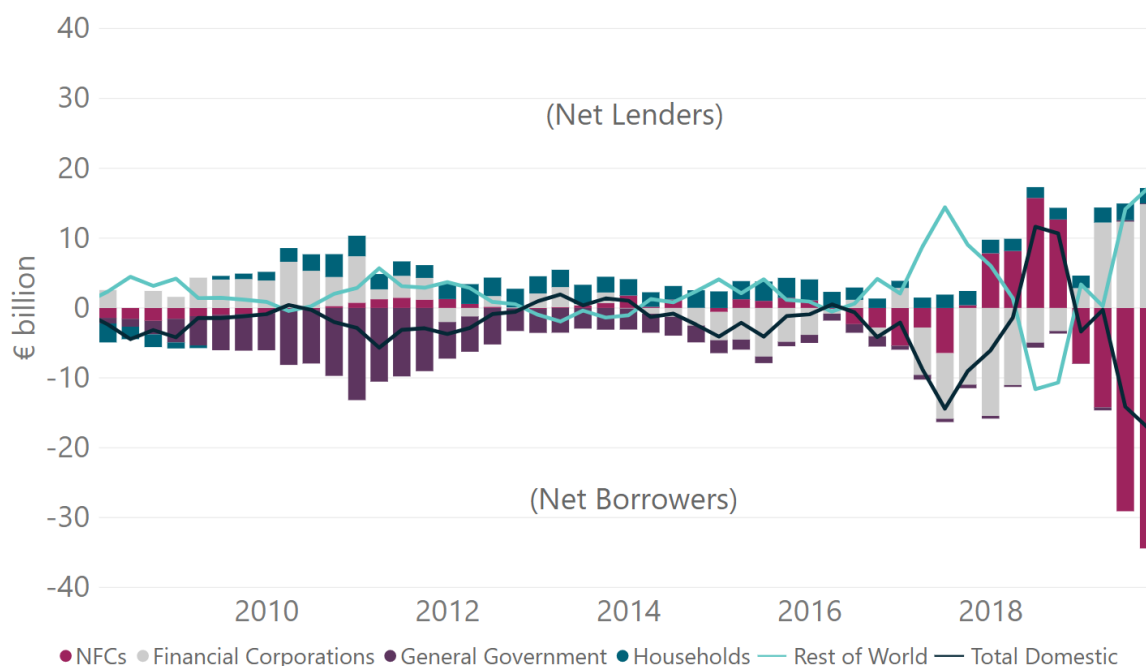
Chart 5 shows the ten most indebted countries in the EU in Q3 2019, according to their NFC debt-to-GDP ratio. Irish-resident NFCs moved from being the third to the second most indebted amongst EU countries. Ireland switched places with Cyprus, who experienced a fall in their NFC debt-to-GDP ratio of 16.1 percentage points. The Irish ratio also fell, but by 3.4 percentage points to stand at 170 per cent in Q3 2019.

Chart 6: Government Debt



Government debt decreased by €1bn during Q3 2019, to stand at €232bn (Chart 6). This was largely due to a drop in loans of €1.1bn during the quarter. There was also a decrease in short-term securities of €780m, which was almost entirely offset by an increase in long-term securities of €778m. This quarter also saw an increase in deposits of €106m. Government net financial worth fell by €2.1bn during the quarter due to a decrease in financial assets of €3.7bn. Chart 6 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, decreased by €849m to stand at €213bn.

Chart 7: Net Lending/Borrowing



The domestic economy was a net borrower in Q3 2019, with net borrowing totalling €17.2bn, compared to €14.1bn in the previous quarter (Chart 7). This fall was driven primarily by NFCs, as they increased their net borrowing position from €29.1bn last quarter to €34.4bn in Q3 2019. The increase in net borrowing by NFCs of €5.3bn relates to the financing activities of multinational corporations which have been significant in previous quarters. Financial corporates increased their net lending position from €12.4bn to €14.9bn this quarter. Households' net lending position decreased by €192m to €2.2bn, reflecting a drop in investment in financial assets. The government sector continued to be a net lender, with government lending of €100m during the quarter.

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

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