

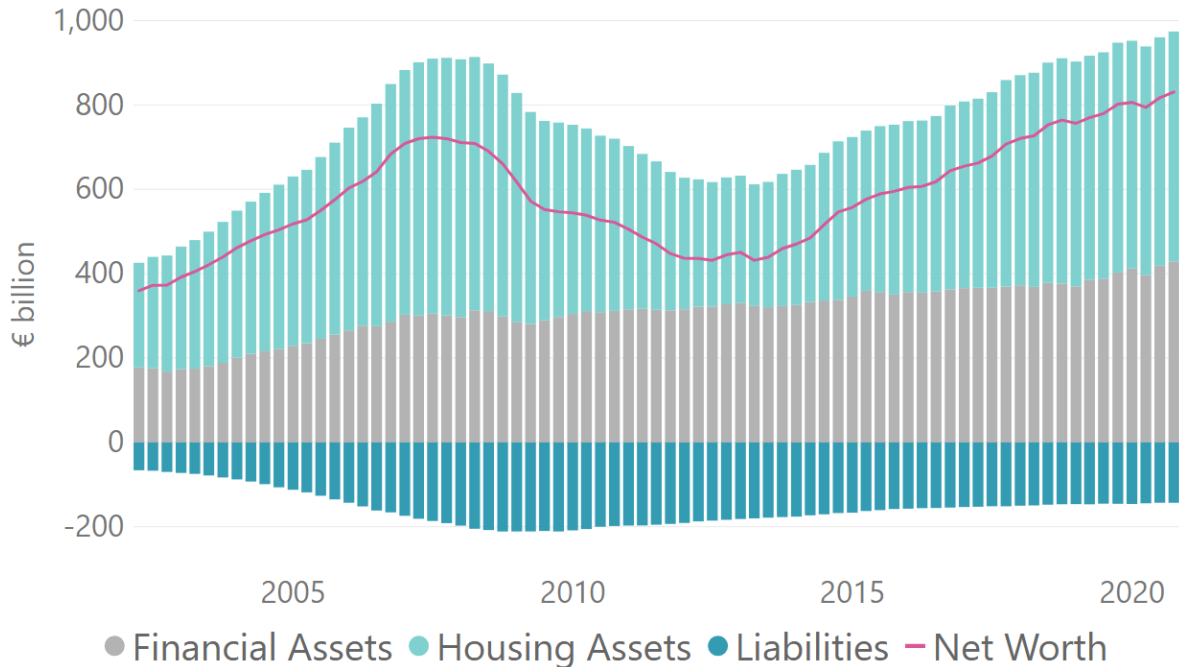


Quarterly Financial Accounts

Household savings rise in Q3 2020, continuing the upward trend

- ❖ Gross household saving increased by €570m in Q3 2020, to stand at €6.4bn.
- ❖ Private sector debt as a proportion of GDP continued its downward trend, falling by 15.1 percentage points to stand at 221 per cent in Q3 2020, driven by a fall in NFC long term liabilities with the rest of the world.
- ❖ A strong increase in deposits and a fall in debt has led to household net worth reaching a high of €831bn in Q3 2020. This headline figure may not reflect the underlying experiences of all households, or the distribution of wealth.
- ❖ Government debt increased by €3.7bn to stand at €255bn in Q3, the highest level in the series for a second consecutive quarter.

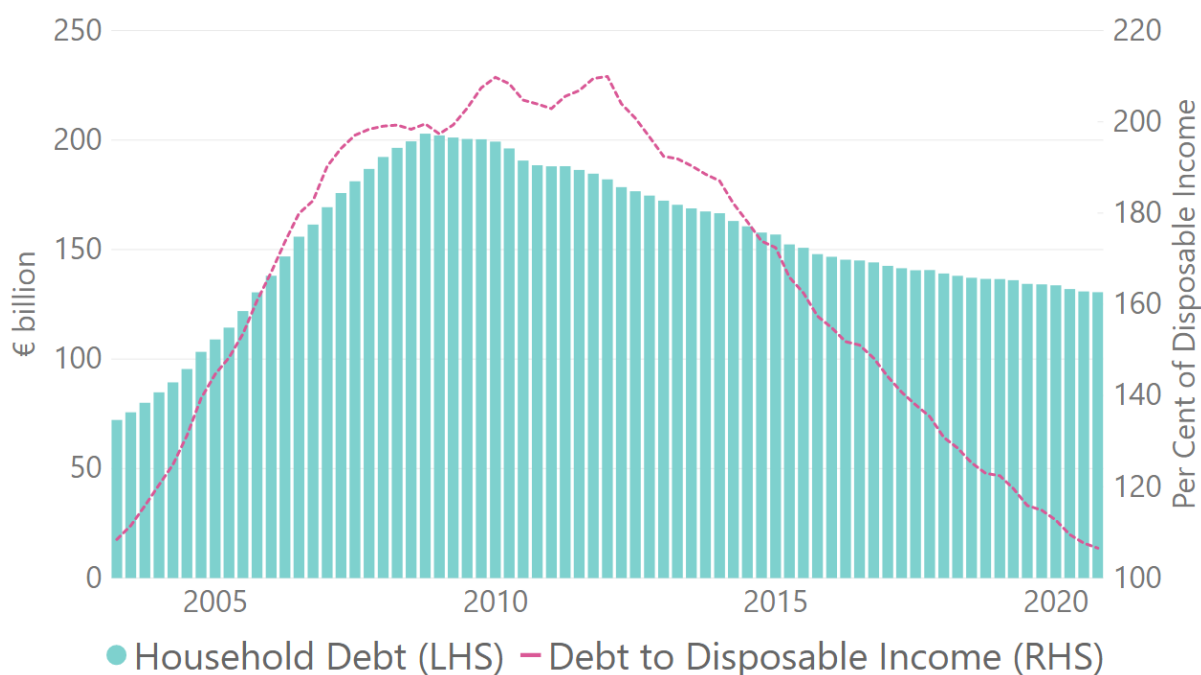
Chart 1: Household Net Worth



Household net worth rose by 1.7 per cent, or €13.74bn (Chart 1), to a series high of €831bn in Q3 2020. This equates to €166,932 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 €10.2bn, primarily due to increasing investment in deposits and a rise in the value of insurance and pension schemes. Housing assets also increased marginally during the quarter, while household liabilities remained stable over the quarter.

The rise in wealth is in contrast to the impact of the pandemic on many households. On aggregate, households experienced a fall in pay (-€1.0bn) over this quarter.¹ However, at the same time households have also seen a €2.9bn rise in Social Transfers (PUP) and Subsidies (TWSS) alongside a fall in Consumption (-€1.3bn). These counteracting movements lessen the impact of unemployment and the fall in pay experienced by household net worth in aggregate.

Chart 2: Household Debt

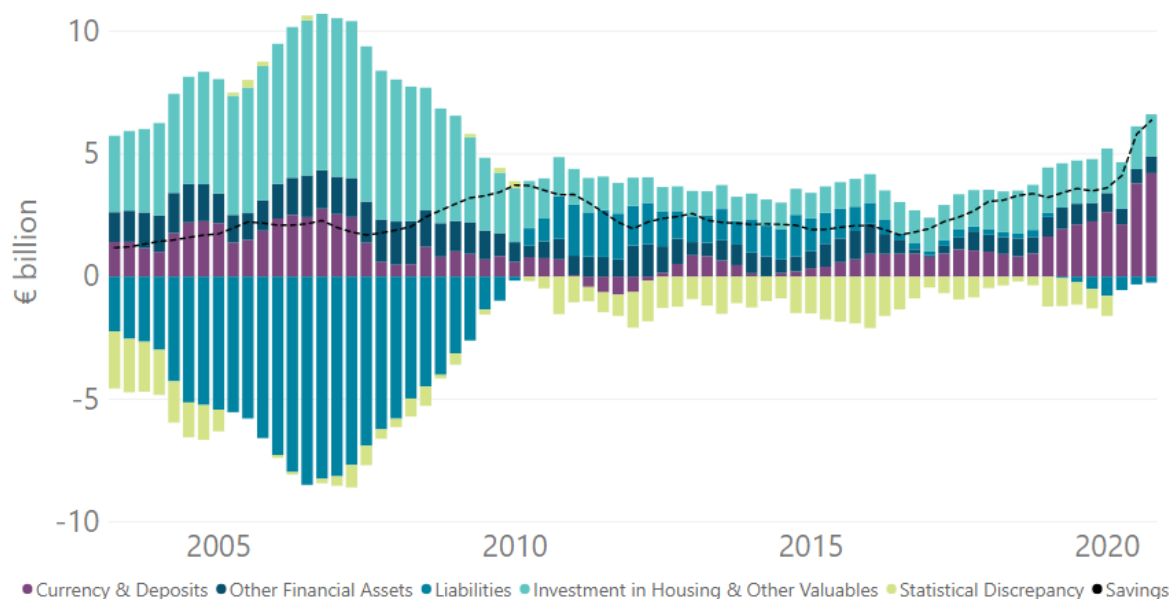


Household debt fell by €352m over the quarter, continuing the downward trend in the series, to stand at €131bn in Q3 2020 (Chart 2). Total debt now equates to €26,225 per capita. Household debt has decreased by 36% since Q3 2008.

Household debt as a proportion of disposable income fell by 1 percentage point, to stand at 107 per cent. The decline over the quarter was driven by an increase in household disposable income over the quarter, in addition to the decrease in debt.

¹ <https://www.cso.ie/en/statistics/nationalaccounts/institutionalsectoraccountsnon-financial-quarterly/>

Chart 3: Household Savings²

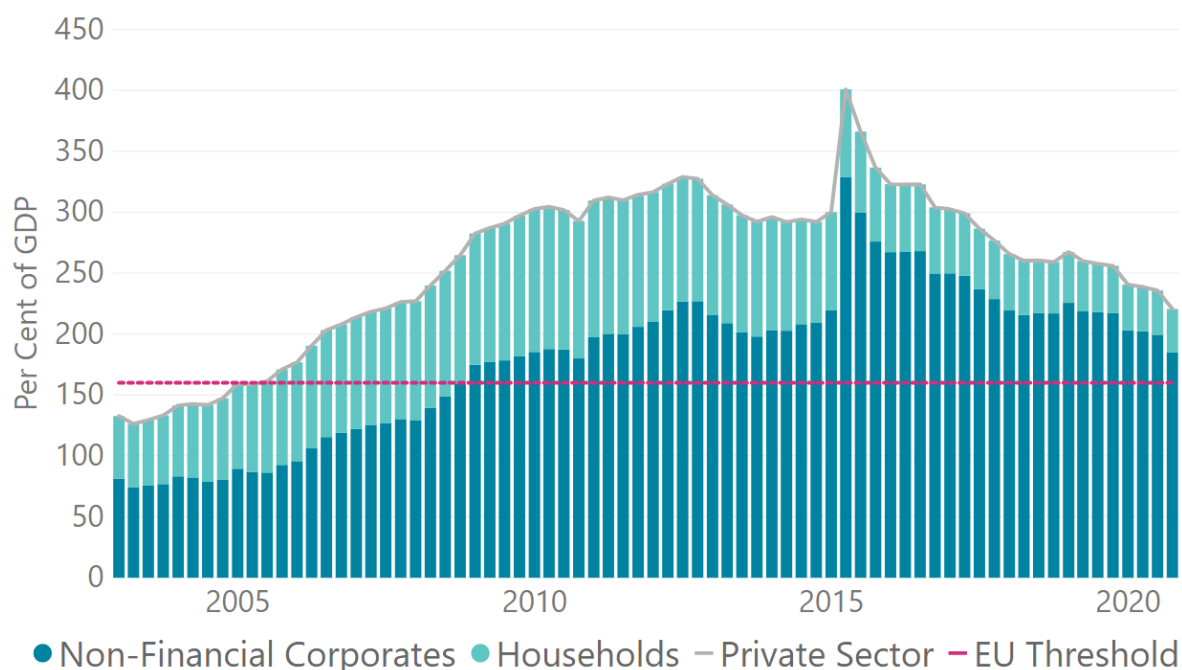


Gross household saving increased by €570m in Q3 2020, to stand at €6.4bn for the quarter. Albeit to a lesser extent than the rise in Q2 2020, this increase could be a result of the limited spending opportunities of the sector or increased precautionary savings due to the impact of the pandemic. This correlates to an increase in investment in financial assets, to stand at €4.9bn. This was primarily driven by increasing investment in currency and deposits, which stands at €4.9bn over the quarter. Investment in housing and other valuables³ has remained steady at €1.7bn this quarter.

² 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.

³ This represents Gross Capital Formation of households.

Chart 4: Private Sector Debt-to-GDP



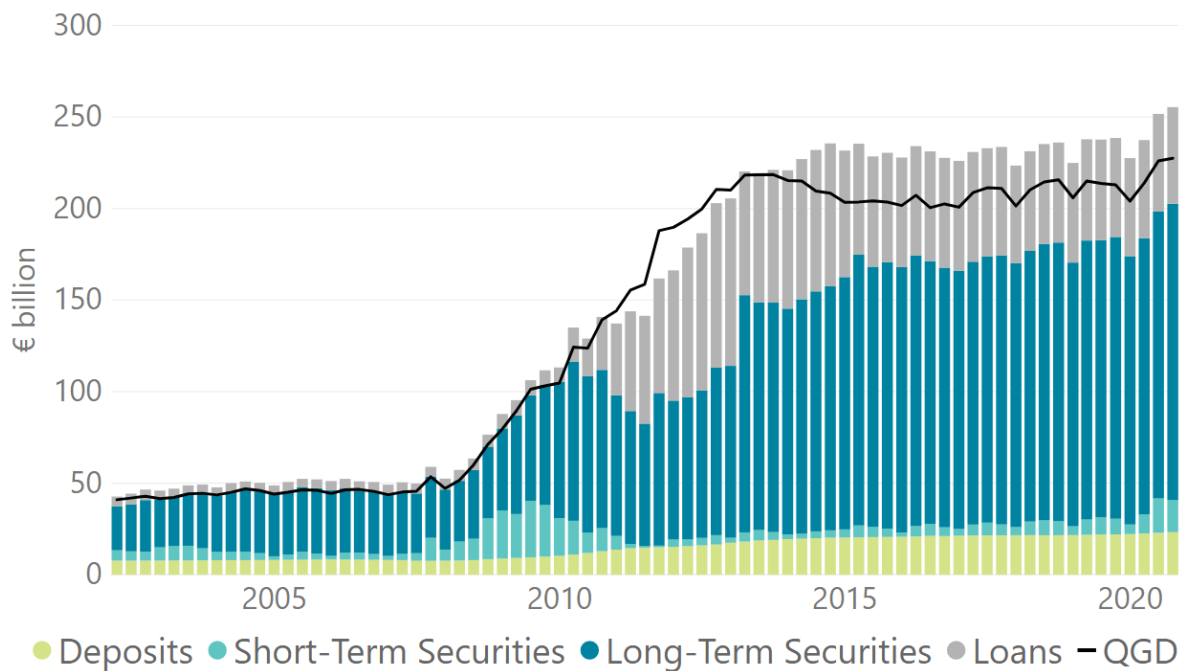
Private sector debt as a proportion of GDP decreased by 15.1 percentage points to stand at 221 per cent in Q3 2020 (Chart 4), the lowest level since Q1 2007. Private sector debt fell by €41.2bn over this period, with NFCs accounting for €40.8bn of this fall. Initial estimates indicate that GDP⁴ in volume terms increased by 20.1 per cent for Q3 2020, contributing to the fall in the private sector debt to GDP ratio this quarter.

This fall in private sector debt is due to a large reduction in NFC long term loan 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. There was also a decline in new loans to NFCs and a number of payment breaks agreed with the NFC sector since the onset of the pandemic.

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.

⁴ <https://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter22020/>

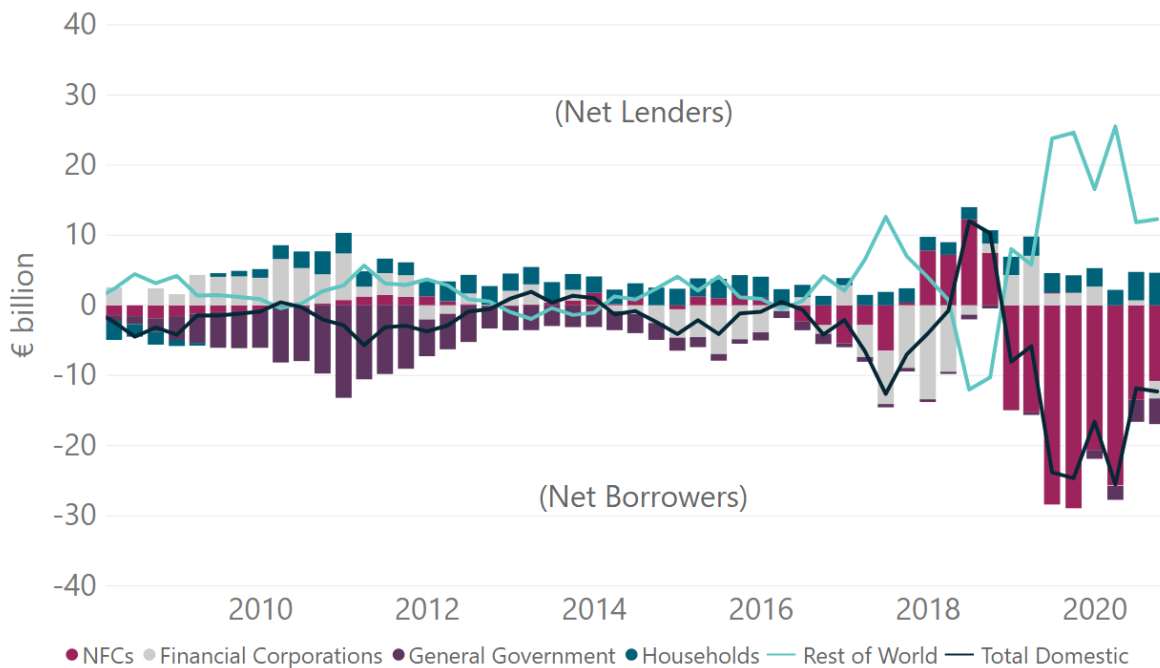
Chart 5: Government Debt



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 and have remained in place for the duration of Q3 2020.

Government debt increased by €3.7bn during Q3 2020, to stand at €255bn (Chart 5), the highest in the series for the second successive quarter. This was driven by an increase in debt securities of €3.9bn during the quarter. Loans fell by €557m and deposits increased by €368m over the quarter. Government net financial worth decreased this quarter, by €3.4bn. This was due to a decrease in financial assets of €846m and an increase in financial liabilities of €2.6bn. Chart 5 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, increasing by €1.4bn in Q3 2020 to stand at €227.5bn.

Chart 6: Net Lending/Borrowing



The domestic economy was a net borrower in Q3 2020 for the eighth consecutive quarter. Net borrowing stood at €12.3bn, an increase of €439m compared to the previous quarter (Chart 6). All sectors show moderate changes this quarter. A €2.7bn decrease in borrowing by NFCs was more than offset by a €3.2bn increase in borrowing by Financial Corporations, as the sector moved to a net borrower in Q3 2020. The government sector continued to be a net borrower this quarter, increasing by €517m to stand at a €3.7bn. Households' net lending position increased by €596m to stand at €4.7bn. 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:

<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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