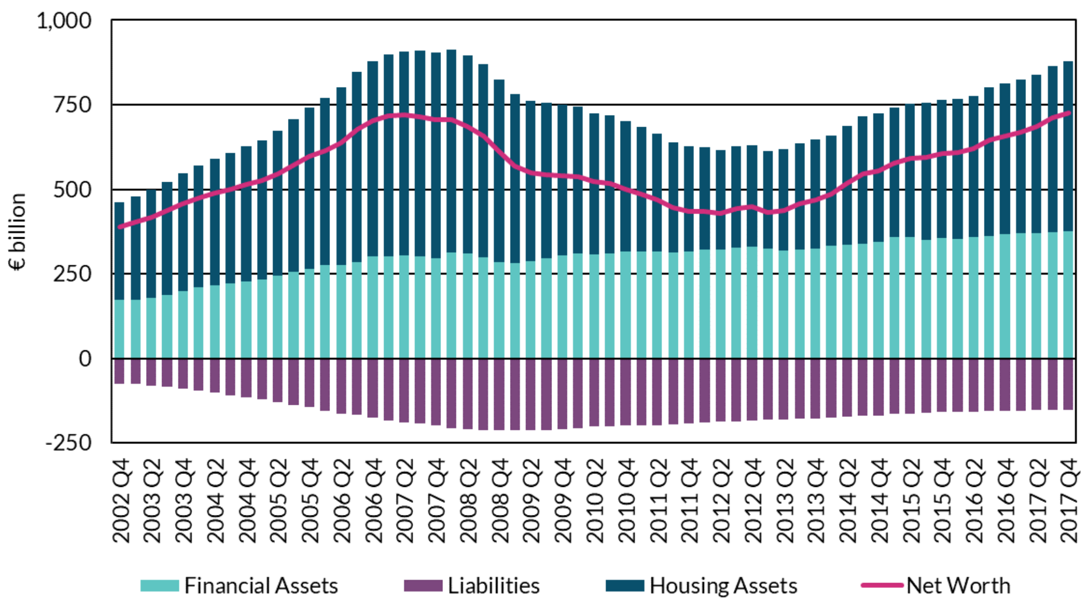
# Quarterly Financial Accounts

## Household net worth reaches new peak in Q4 2017

- Household net worth rose by 2.1 per cent in Q4 2017. It now exceeds its pre-crisis peak. This largely reflected increases in housing asset values.
- Household debt fell by €1.37bn to €140.5bn, or €29,307 per capita. Household debt is now at its lowest level since late 2005.
- Debt as a proportion of disposable income fell by 2.5 percentage points, to 136.9 per cent. However, Irish households continue to be the fourth most indebted in the European Union.
- NFC debt as a percentage of GDP continued to fall during Q4 2017. NFC debt fell by €11.9bn, largely due to an increase in NFC loan liabilities. NFC debt-to-GDP has decreased by 128.5 percentage points since its peak of 329.9 per cent in Q1 2015.

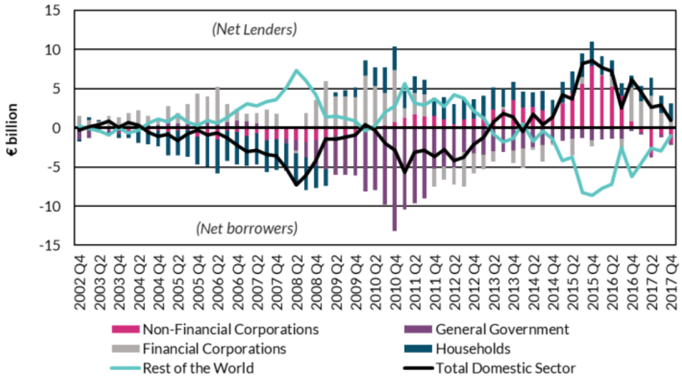
**Irish Household Net Worth**



## 1. Net Lending/Borrowing of All Sectors[1]

The domestic economy maintained its position as a net lender in Q4 2017, albeit to a lesser extent than in the previous quarter. Net lending totalled €1bn, compared to €2.9bn in Q4 2017 (Chart 1.1). This reduction in net lending was mainly attributable to decreased net lending by financial corporations of €1bn and increased net borrowing by non-financial corporations (NFCs) of €1bn. The net lending/net borrowing of the household and government sectors were broadly unchanged compared to the previous quarter.

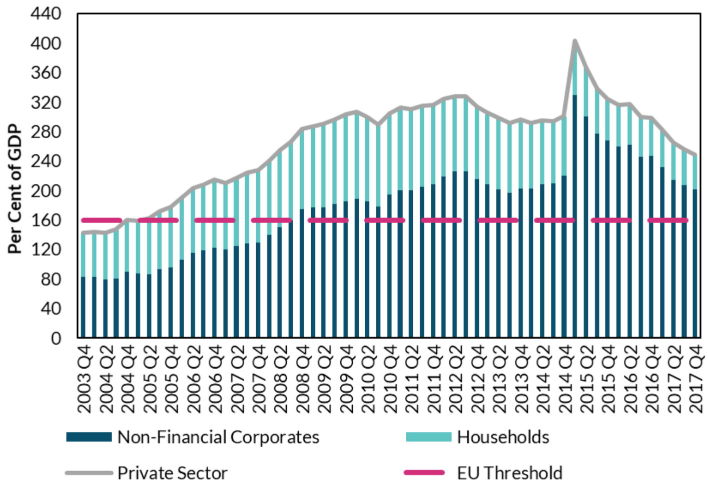
**Chart 1.1** Net Lending/Borrowing of all Sectors




## 2. Private Sector Debt

Private sector debt as a proportion of GDP fell by 7.2 percentage points over the quarter to stand at 249 per cent (Chart 2.1). This was its lowest level since mid-2008. Debt declined for both NFCs (-€11.9bn) and households (-€1.4bn) in Q4 2017. Growing GDP also contributed to the declining private sector debt burden, as annualised GDP increased by €3.2bn over the quarter. On a year-on-year basis, private sector debt as a proportion of GDP has fallen by 49.8 percentage points. It should be noted that private sector debt in Ireland is significantly influenced by 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.

**Chart 2.1** Private Sector Debt to GDP




Private sector indebtedness forms part of the 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 249 per cent. However, this threshold does not take account of the large MNC sector in Ireland.

[1] 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.

## 3 Households

Household net worth[2] increased by 2.1 per cent, or €14.8bn, in Q4 2017. Net worth exceeded its previous peak of €719.6bn in Q2 2007 by €7.2bn, to stand at its highest level to date. Over half of the increase in Q4 2017 was due to increases in the value of the housing stock (+€8.5bn). A rise in financial assets and a decline in liabilities, of €5.1bn and €1.2bn respectively, also contributed towards the increase in net worth over the quarter. Net worth stood at €726.8bn at the end of Q4 2017, the equivalent of €151,657 per capita (Chart 3.1). Household net worth has risen by 69 per cent since its lowest level of €430bn at Q2 2012, mainly due to increasing housing asset values.

Household debt fell during Q4 2017, declining by €1.37bn (Chart 3.2). At end-Q4 2017, debt stood at €140.5bn, or €29,307 per capita. Household debt is now at its lowest level since late 2005. Since its peak of €204.2bn in Q3 2008, household debt has decreased by 31.2 per cent, or €63.8bn.

Measures of household debt sustainability continued to improve in Q4 2017 (Chart 3.3). Debt as a proportion of disposable income fell by 2.5 percentage points, to 136.9 per cent. This was its lowest level since Q1 2004. The decline over the quarter reflected an increase of 0.8 per cent in annualised disposable income. Household debt as a proportion of total assets declined by 0.4 percentage points, falling to 16.0 per cent. This reflected an increase of 1.6 per cent in total assets over Q4 2017.

**Chart 3.1** Household Net Worth

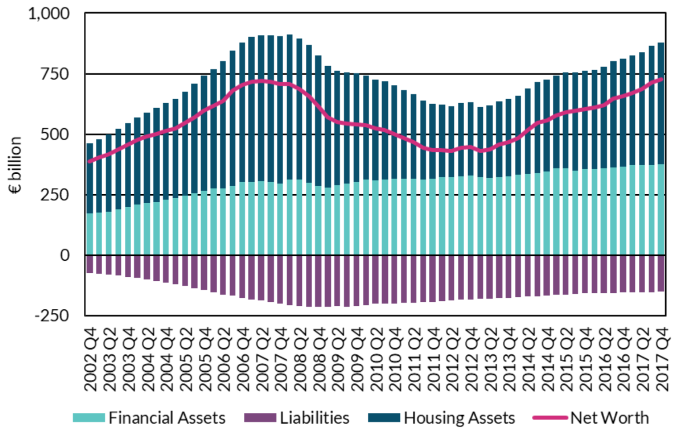



**Chart 3.2** Household debt

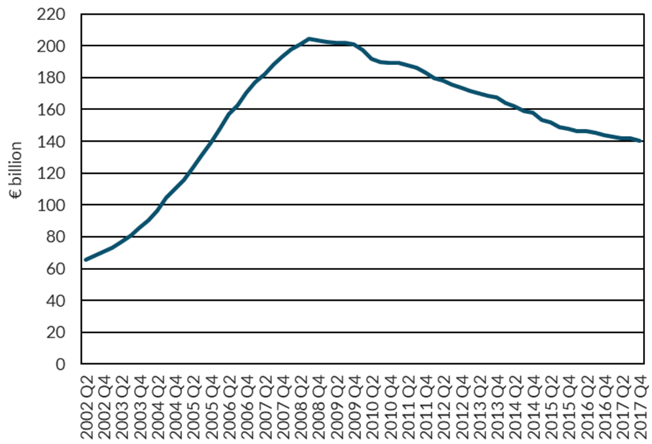
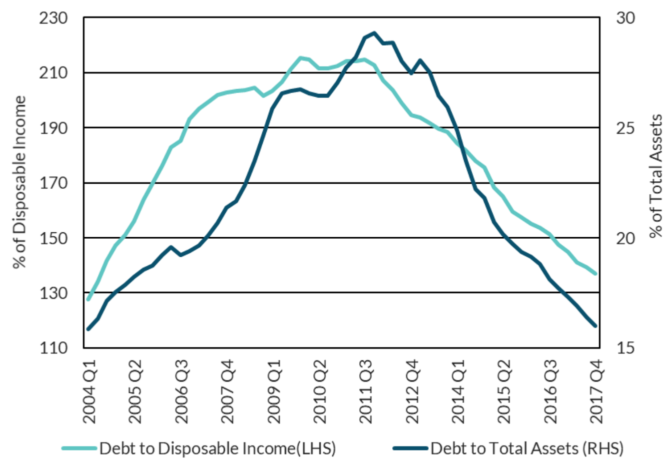



**Chart 3.3** Household Debt Indicators



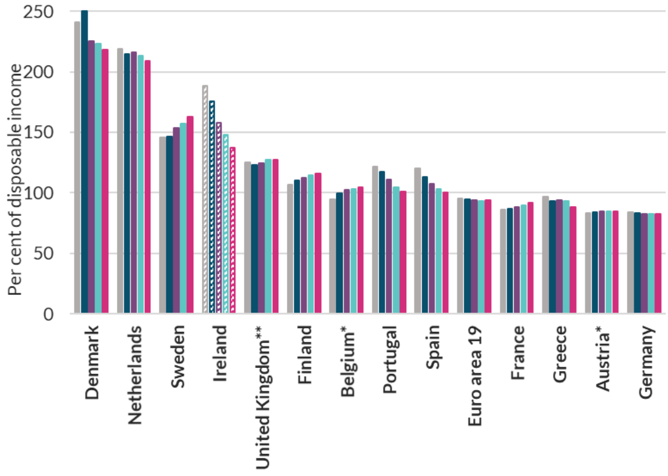

[2] Household net worth is calculated as the sum of household housing and financial assets minus their liabilities. The Central Bank of Ireland estimate of housing assets is based on the size and value of housing stock. Data on the value of housing is obtained from the CSO's 'Residential Property Price Index' (RPPI).

Irish household debt as a proportion of disposable income fell by 10.6 percentage points over the year to Q4 2017, the largest decline amongst the mostly highly indebted European Union (EU) countries. Household debt in Denmark, the most indebted country, fell by 4.9 percentage points. Irish households continue to be the fourth most indebted in the European Union (Chart 3.4). Irish debt to disposable income fell by 51.5 percentage points between Q4 2013 and Q4 2017. In comparison, the ratio for the euro area declined by 2 percentage points across the same period. Swedish household debt to disposable income increased by the most over the past four years, rising by 17.3 percentage points.

Household investment in financial assets remained largely unchanged during Q4 2017, rising marginally to 1.98bn. This represented an increase of just €11m compared to the previous quarter. Investment in financial assets over the quarter stood at its highest level since Q4 2015.

Investment in deposits declined by €70m during the quarter, falling to €0.9bn. While investment in government deposit accounts remained largely unchanged, investment in MFI deposit accounts fell by €72m.

**Chart 3.4** Cross Country comparison of Most Highly Indebted EU Countries, 2013Q4-2017Q4




***Latest data Q3 2017 **Latest data Q1 2017**

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

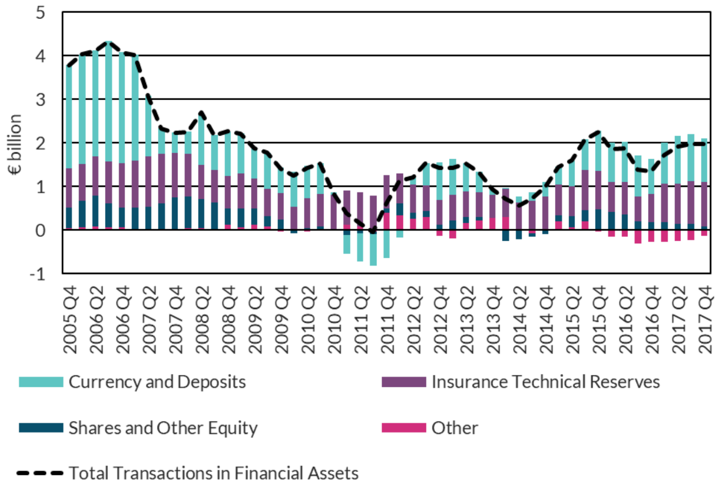
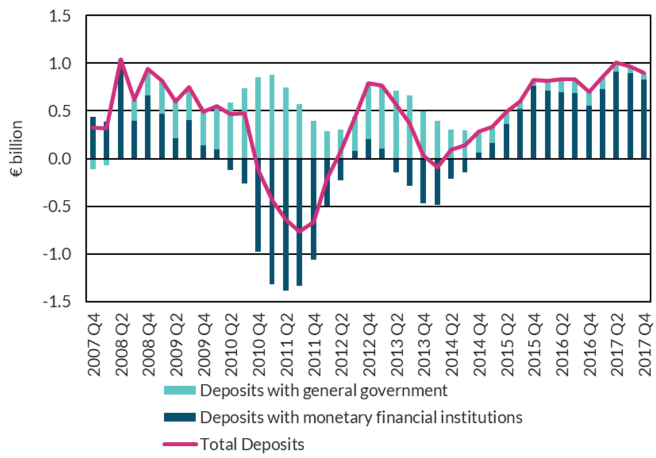



**Chart 3.6** Household Deposit Transactions with MFIs and Government, Four Quarter Moving Average



# 4 Non-Financial Corporations

NFC debt[3] as a percentage of GDP continued to fall during Q4 2017, decreasing by 6.2 percentage points to 201.4 per cent (Chart 4.1). NFC debt fell by €11.9bn over the quarter, largely due to a decrease in NFC long term loan liabilities. NFC debt-to-GDP has decreased by 128.5 percentage points since its peak of 329.9 per cent in Q1 2015. This decline reflects both higher annualised GDP, which has risen by 40.4 per cent since Q1 2015, and debt reduction of €99.3bn, or 14.3 per cent. The decrease in debt over the past 3 years was significantly impacted by MNC activities.

The decrease in NFC debt during Q4 2017 was largely due to a reduction in stock of loans from non-residents, which fell by €14.6bn (Chart 4.2). This was offset somewhat by an increase in NFC debt with Irish resident lenders, which rose by €2.4bn.

Irish NFC debt remains high when compared to other European countries (Chart 4.3). The debt-to-GDP ratio of Irish-resident NFCs was double that of the euro area. Ireland is 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 Q4 2017, the Irish NFC debt-to-GDP fell by 45.1 percentage points, which was the largest decrease amongst all EU countries.

**Chart 4.1** NFC Debt

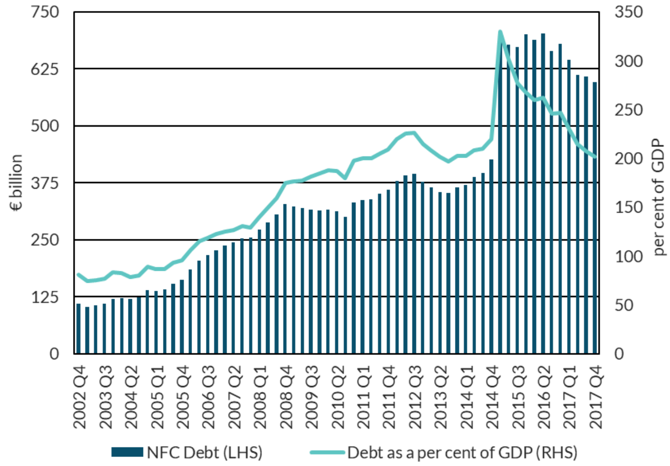



**Chart 4.2** Financing of NFC Loans

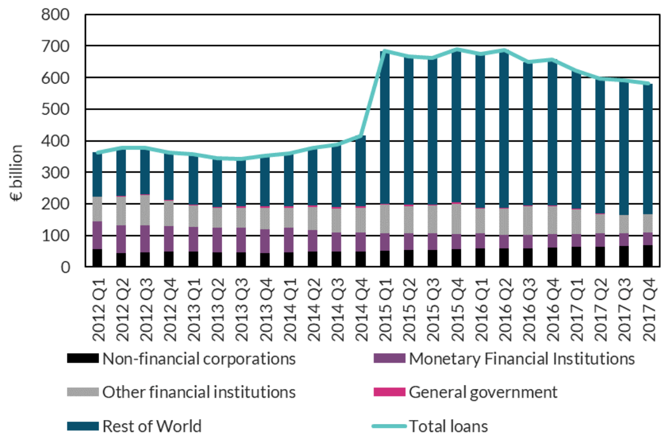
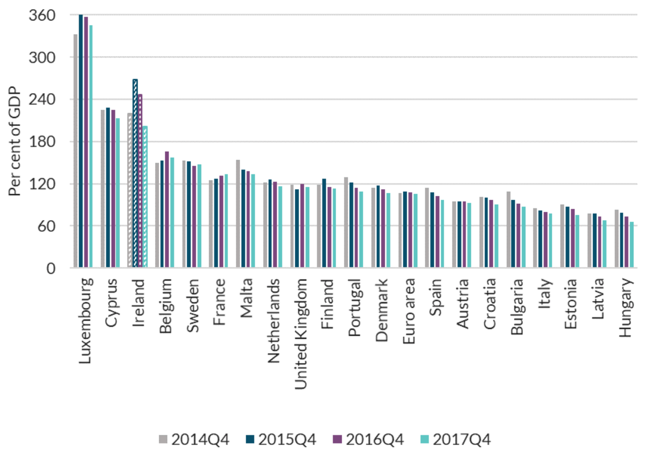



**Chart 4.3** Cross-Country Comparison of NFC Debt as a Percentage of GDP




[3] NFC debt is defined as non-consolidated debt securities and loans.

## 5 Government

Government debt fell significantly over the quarter, declining by €6.3bn (Chart 5.1). This was largely due to the repayment of loans with non-residents. In December, the Government repaid the outstanding IMF loan facility in full (€4.5bn), as well as the bilateral loans from Sweden (€0.6bn) and Denmark (€0.4bn). The decline also partly reflected debt security redemptions over the quarter. Chart 5.1 also shows that Quarterly Government Debt[4], which is based on the Excessive Deficit Procedure[5] (EDP) measure of debt, declined by €9.7bn in Q4 2017.

Despite the considerable decline in debt, government net financial wealth fell by €5.7bn during Q4 2017 (Chart 5.2). This was due to a decline in financial assets (-€12bn), which outstripped the decline in liabilities (-€6.3bn). At the end of the quarter net financial wealth stood at -€153bn.

Chart 5.3 shows a cross-country comparison of government net financial wealth as a percentage of GDP within the European Union[5]. Ireland is ranked 18th out of the 27 EU countries for which data is available. Irish net government financial wealth as a per cent of GDP amounted to -49.4. The euro area of average was -66.8 per cent.

**Chart 5.1** Government Debt

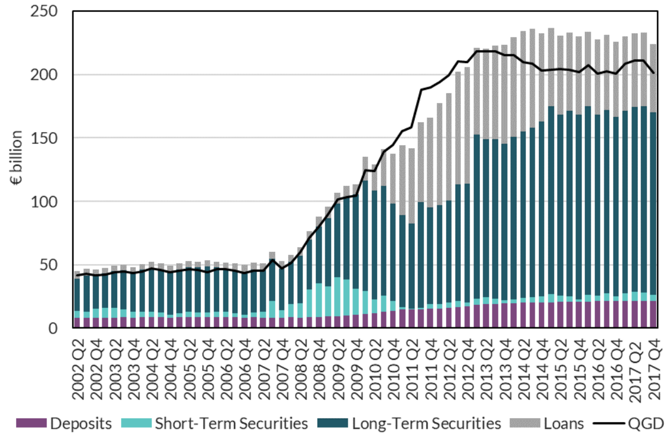



**Chart 5.2** Government Net Financial Wealth

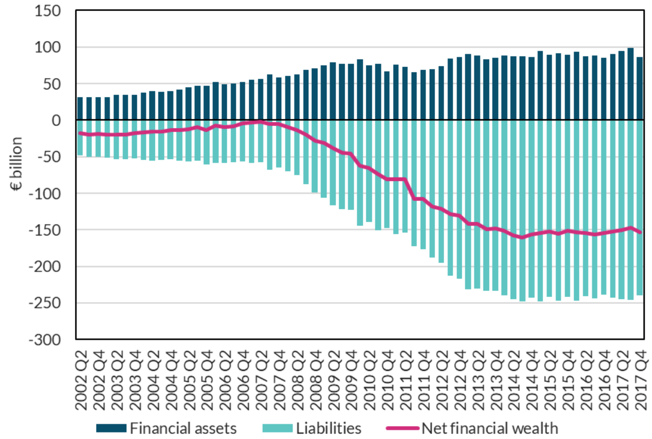
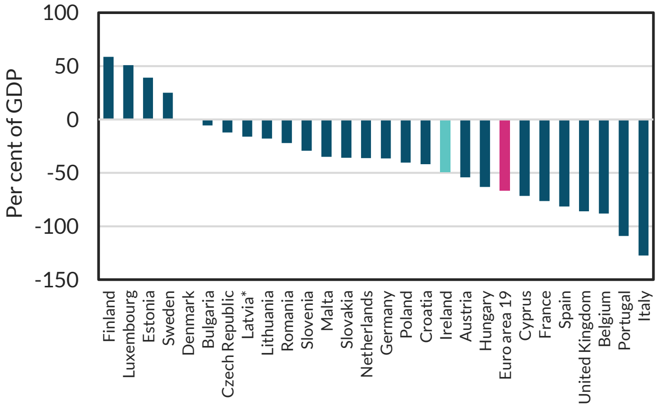



**Chart 5.3** Cross Country Comparison of Government Net Financial Wealth




***Latest data Q3 2017**

[4] 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.

[5] Data unavailable for Greece.

## 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

For queries contact: Central Bank, Press Office on (01) 224 6299.