

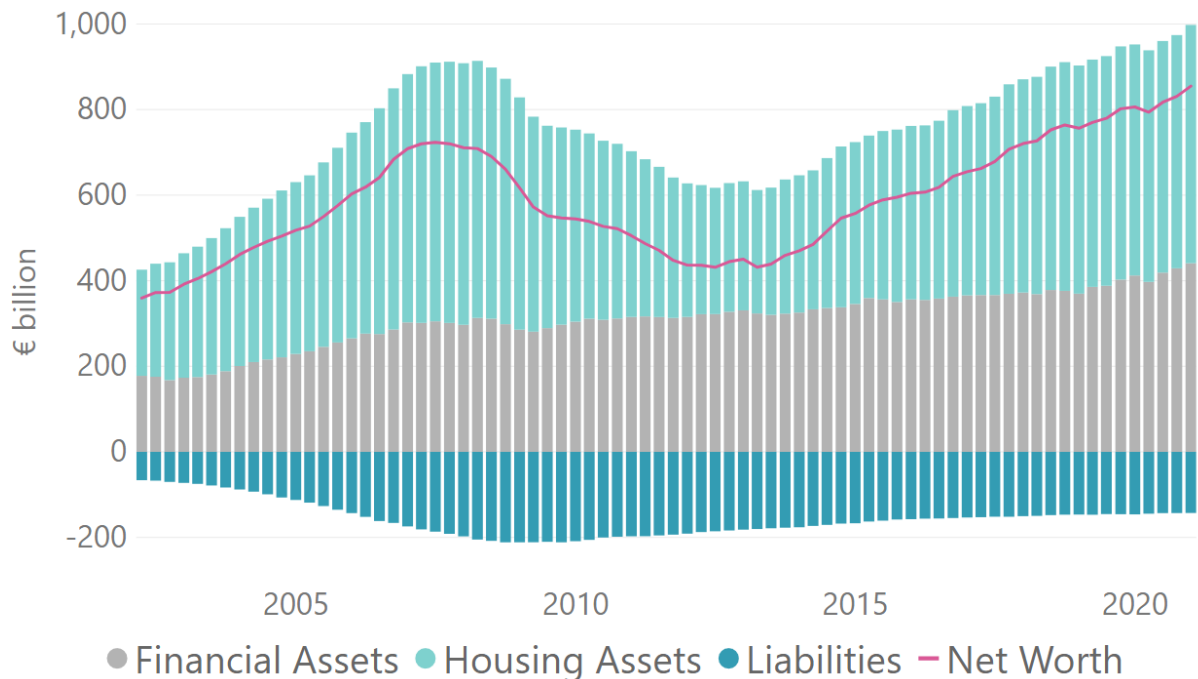


Quarterly Financial Accounts

Household net worth at all-time series high in Q4 2020

- ❖ Increasing deposits and housing assets has led to household net worth reaching a high of €855bn in Q4 2020, an increase of €49bn in 2020. This headline figure however, may not reflect the underlying experiences of all households, or the distribution of wealth.
- ❖ Gross household savings continued to increase, up by €1.0bn in Q4 2020, to stand at €7.4bn.
- ❖ Government debt fell by €5.9bn during Q4 2020. Despite this, Government net financial worth also decreased, by €4.1bn. This is due to a fall in financial assets of €9.2bn.

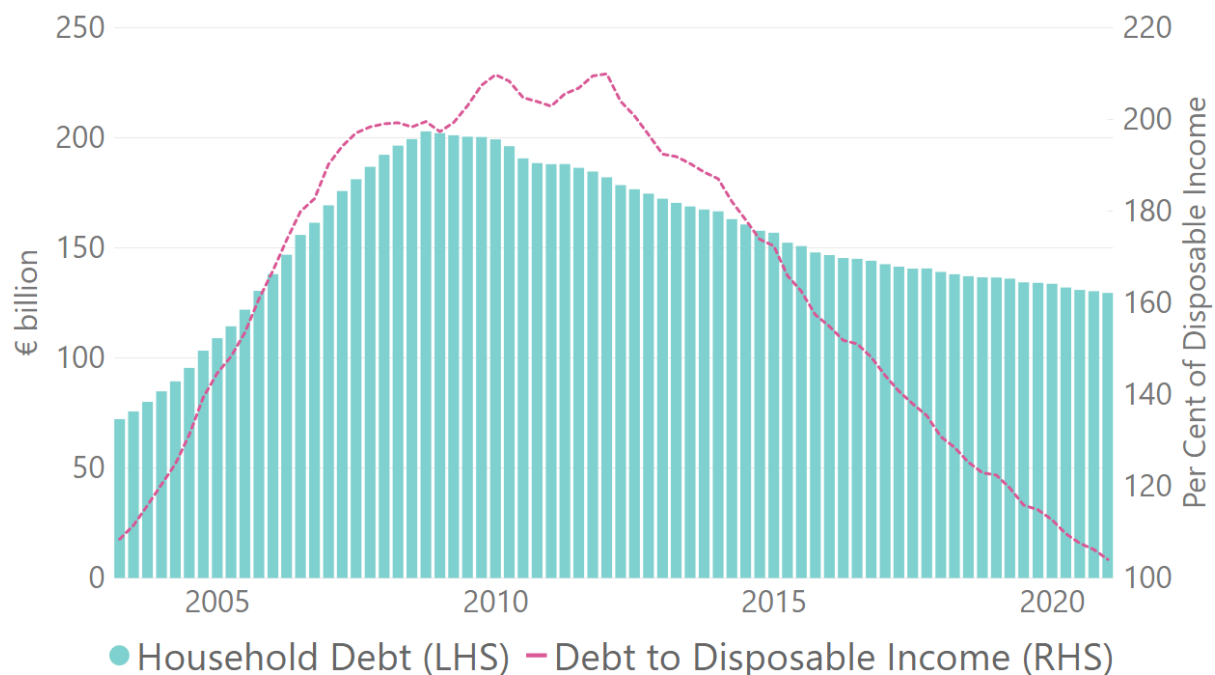
Chart 1: Household Net Worth



Household net worth rose by 2.9 per cent, or €24.0bn (Chart 1), to a series high of €855bn in Q4 2020. This equates to €171,769 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 €11.9bn, primarily due to increasing investment in currency & deposits. Household deposits held with credit institutions have risen over Q4, as shown in the Money and Banking statistics¹. Housing assets also increased by €11.9bn during the quarter, while household liabilities remained relatively stable over the quarter.

In 2020, household net worth increased by €49bn. This is due to increases in both housing and financial assets, alongside a fall in liabilities across the year. Household net worth has grown annually since 2012. The rise in wealth is in contrast to the impact of the pandemic on many households. On aggregate, households experienced a fall in pay (€5.1bn) over this year.² Households have also seen a €11.1bn rise in Social Transfers (PUP) and Subsidies (TWSS/EWSS) alongside a fall in Consumption (€9.2bn) in 2020. These counteracting movements lessen the impact of unemployment and the fall in pay experienced by household net worth in aggregate.

Chart 2: Household Debt



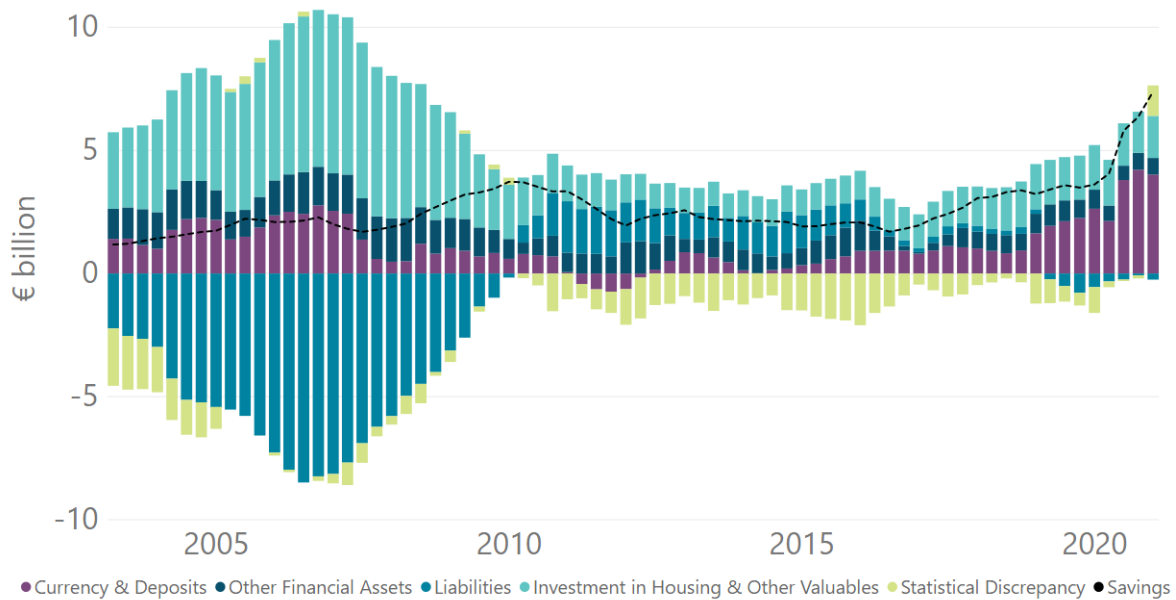
Household debt fell by €789m over the quarter, continuing the downward trend in the series, to stand at €129.5bn in Q4 2020 (Chart 2). Total debt now equates to €26,021 per capita. Household debt has decreased by 36% since Q4 2008.

¹ <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/bank-balance-sheets/money-and-banking-statistics-december-2020.pdf?sfvrsn=4>

² <https://www.cso.ie/en/statistics/nationalaccounts/institutionalsectoraccountsnon-financial-quarterly/>

Household debt as a proportion of disposable income fell by 2.2 percentage points, to stand at 104 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.

Chart 3: Household Savings³

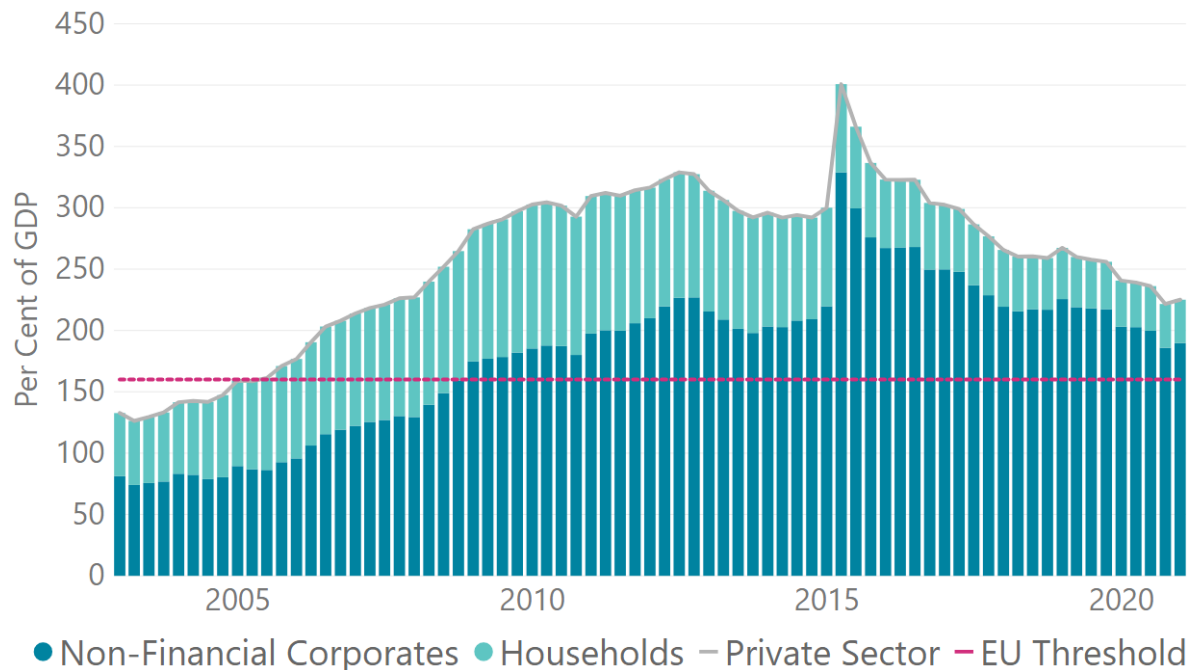


Gross household savings increased by €1.0bn in Q4 2020, to stand at €7.4bn for the quarter. This rise in savings is likely due to restricted spending opportunities and increased precautionary saving as a result of the COVID-19 pandemic and restrictions. The rise in savings correlates to an increase in financial assets, totalling €4.7bn in Q4 2020. This was primarily driven by investment in currency and deposits, while investment in housing and other valuables⁴ has remained steady, at €4bn and €1.7bn respectively.

³ 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.

⁴ This represents Gross Capital Formation of households.

Chart 4: Private Sector Debt-to-GDP

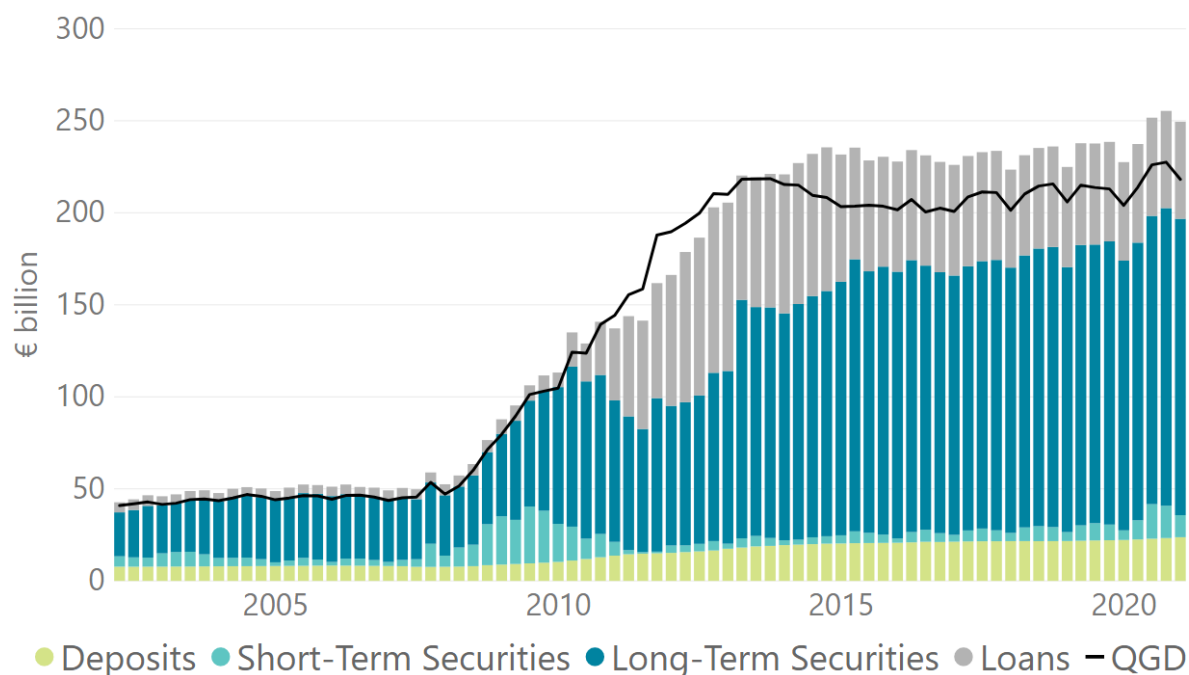


Private sector debt as a proportion of GDP increased by 3.5 percentage points to stand at 225 per cent in Q4 2020 (Chart 4). Annualised GDP increased by €1.5bn over the quarter. Private sector debt increased by €16.1bn over this period, driven by an increase in NFC debt of €16.9bn, which was slightly offset by a fall in household debt across the quarter.

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.

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: Government Debt

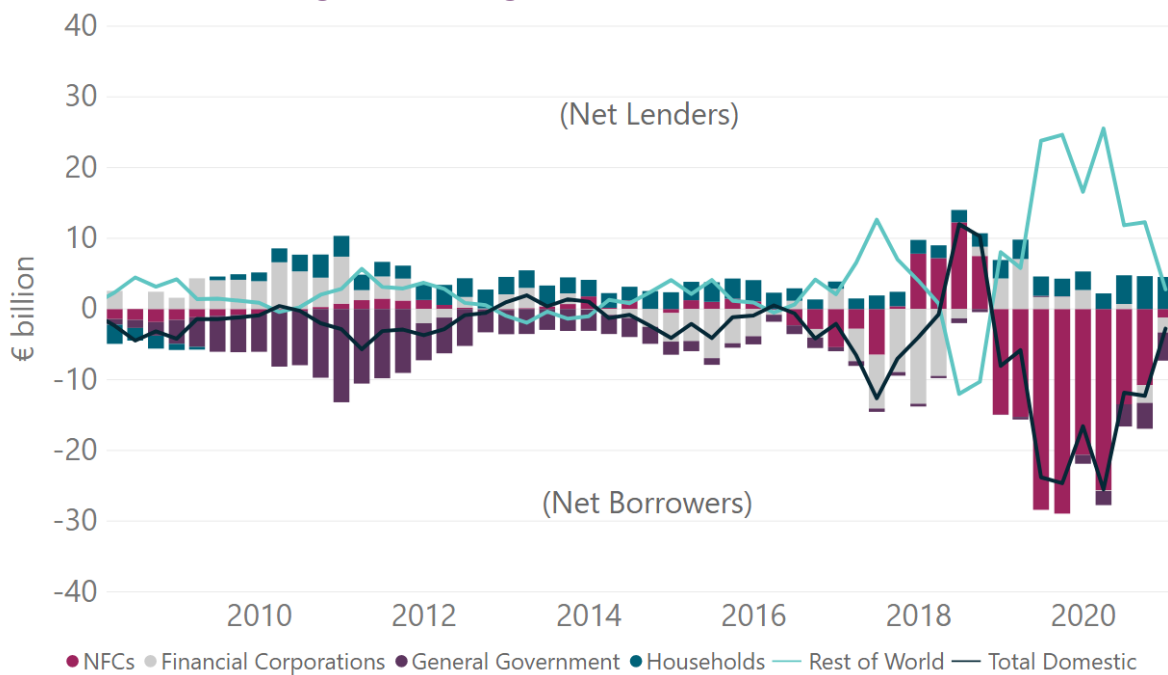


In response to the Covid-19 pandemic, the Government introduced measures to increase the capacity of the health sector and provide supports to businesses and households. These measures were established in March and remained in place for the rest of 2020.

Government debt decreased by €5.9bn during Q4 2020, to stand at €249bn (Chart 5). This fall was driven by redemptions of debt securities, which decreased by €6.3bn during the quarter. Loans fell by €76m and deposits increased by €453m over the quarter. Despite the fall in liabilities, Government net financial worth decreased by €4.1bn this quarter⁵. This was due to a decrease in financial assets of €9.2bn. Chart 5 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, decreasing by €9.4bn in Q4 2020 to stand at €218.2bn.

⁵ Government net worth shows the stock of total Government assets minus total Government liabilities.

Chart 6: Net Lending/Borrowing



The domestic economy was a net borrower in Q4 2020 for the ninth consecutive quarter. Net borrowing stood at €2.8bn, a decrease of €9.5bn compared to the previous quarter (Chart 6). The Q4 2020 Irish net borrowing position was at its lowest level since Q3 2018. This shift in borrowing of the domestic economy is due to a fall in the borrowing of Non-Financial Corporations of €9.6bn over the quarter. The other sectors in the domestic economy have remained relatively stable in Q4 2020. The Government sector continued to be a net borrower this quarter, increasing by €321m to stand at a €4.0bn. Households' net lending position decreased by €116m to stand at €4.5bn. 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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