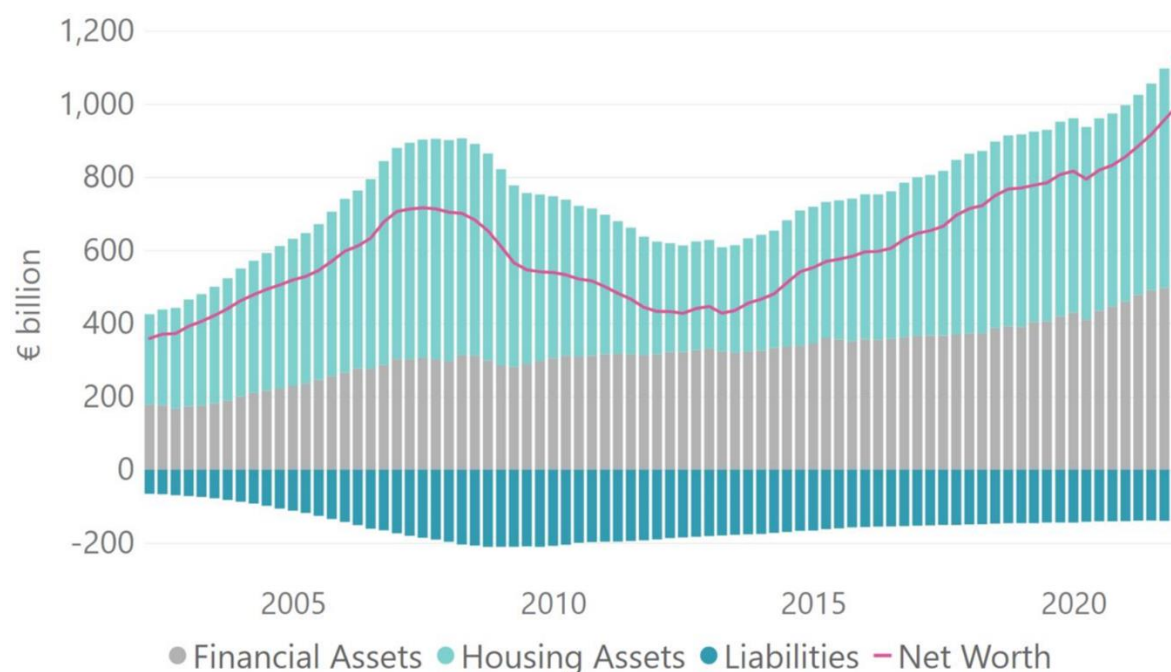


Quarterly Financial Accounts

Household net wealth reached record high in Q4 2021, driven by increases in the value of housing assets

- ❖ Household net wealth increased by €38.5bn in Q4 2021, to reach a record high €995bn. It should be noted that this growth may not reflect the underlying experiences of all households, or the distribution of wealth.
- ❖ Household housing assets also reached a series high of €630bn in Q4 2021, above its previous peak of €604bn in Q4 2007.
- ❖ Positive revaluations in housing assets represent the dominant driver of increases in net wealth in recent quarters. However, increasing deposits and upward revaluations of other financial assets have also been important sources of growth in net wealth.

Chart 1: Household Net Wealth



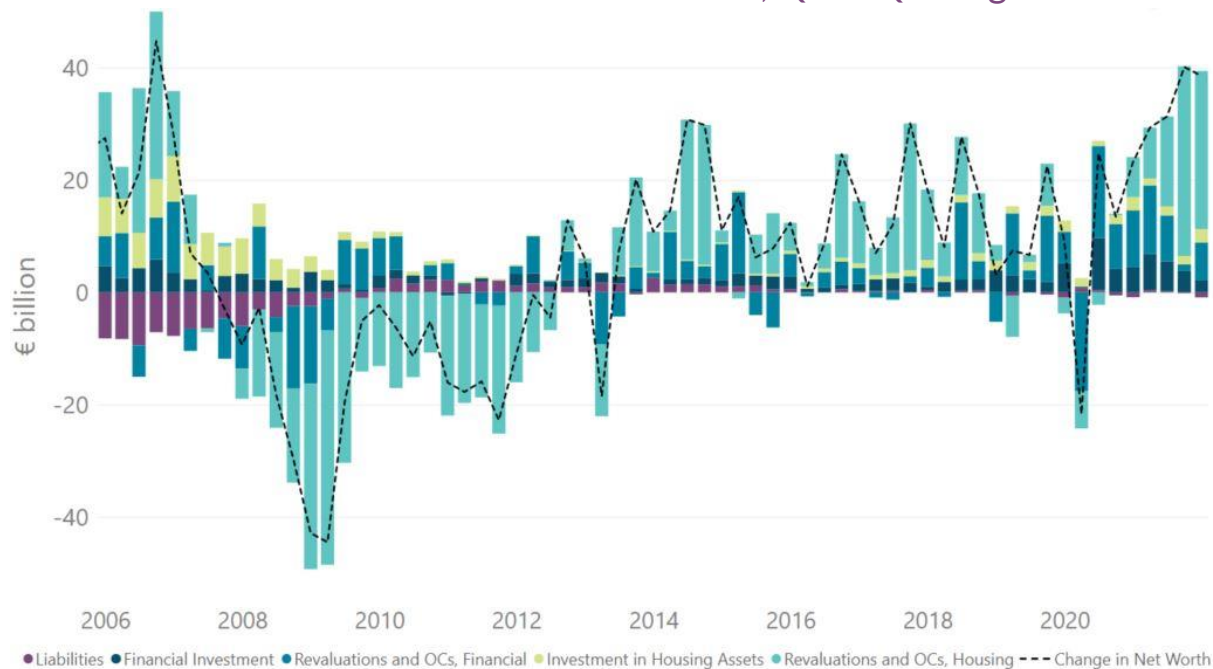
Household net wealth rose by €38.5bn to reach €995bn, or €198,498 per capita, in Q4 2021 (Chart 1). However, it should be noted that this rise in aggregate household wealth does not capture the wealth distribution effects across the sector, and the underlying experiences of individual households may vary. In particular, the COVID-19 pandemic is likely to have had varying effects on the wealth of different household groups. Forthcoming research will investigate the evolution in the distribution of net wealth in recent years.

The rise in net wealth in Q4 2021 was driven by a combination of growth in financial assets (€7.3bn) and housing assets (€30.5bn). For financial assets, this was primarily due to a rise in the value of insurance and pension schemes (€5bn), and to a lesser extent increases in deposits held

with credit institutions, as also shown in the Money and Banking Statistics.¹ However, the primary driver of growth in household net wealth was the significant increase in the value of housing assets by €30.5bn over the quarter. This rise resulted in household housing assets reaching a series high of €630bn in Q4 2021, above its previous peak of €604bn in Q4 2007.

Increases in housing assets are primarily the result of upward revaluations in existing housing with new investment in housing (i.e. the value of new houses) representing a smaller share of the increase (Chart 2).

Chart 2: Breakdown of Household Net Wealth, Q-on-Q changes²



While revaluations in housing have been a main source of growth in net wealth in recent quarters, upward revaluations in household’s financial assets and increases in deposits have also been important contributors to rising net wealth - particularly since the initial COVID-19 shock in Q1 2020. By contrast, household liabilities have a much smaller impact on quarterly changes in net wealth.

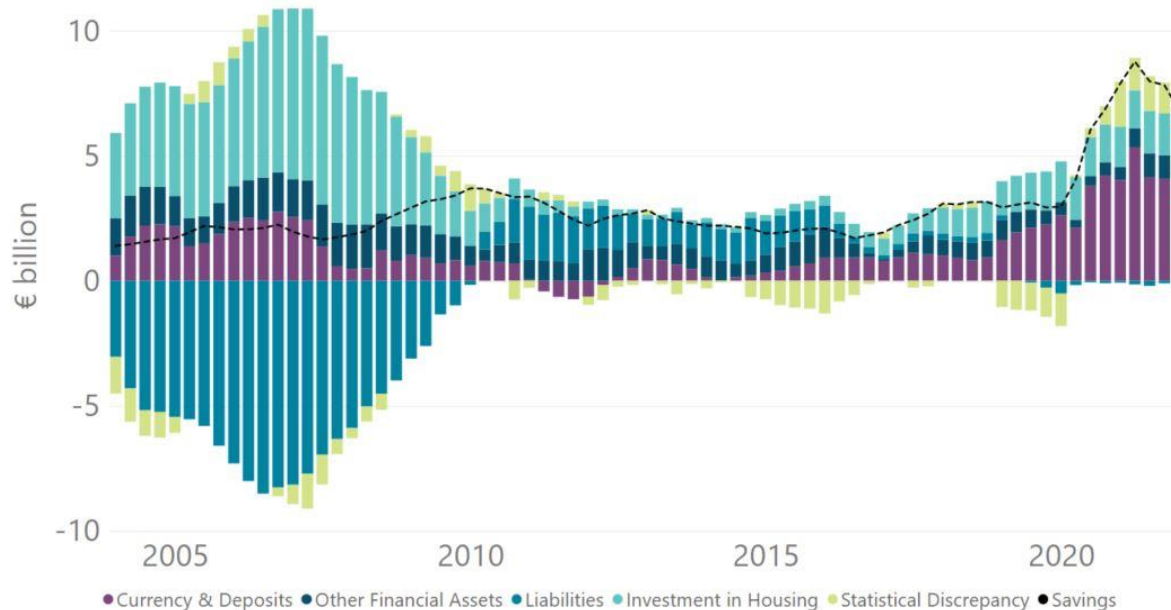
Gross household savings declined for the third consecutive quarter in Q4 2021, falling by €1bn to stand at €6.8bn for the quarter (Chart 3). However, this is still high when compared to pre-pandemic levels. The decline in savings reflects a combination of the usual rise in consumer spending during the Christmas period and more general increases in consumer spending after adjustments for this seasonal uplift.³

¹ See <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/bank-balance-sheets/money-and-banking-statistics-december-2021.pdf?sfvrsn=5>

² ‘OCs’ refers to ‘Other Changes’.

³ See Central Statistics Office (CSO) release “[Institutional Sector Accounts Non-Financial Accounts - Quarter 4 2021](#)” for further details.

Chart 3: Household Savings⁴

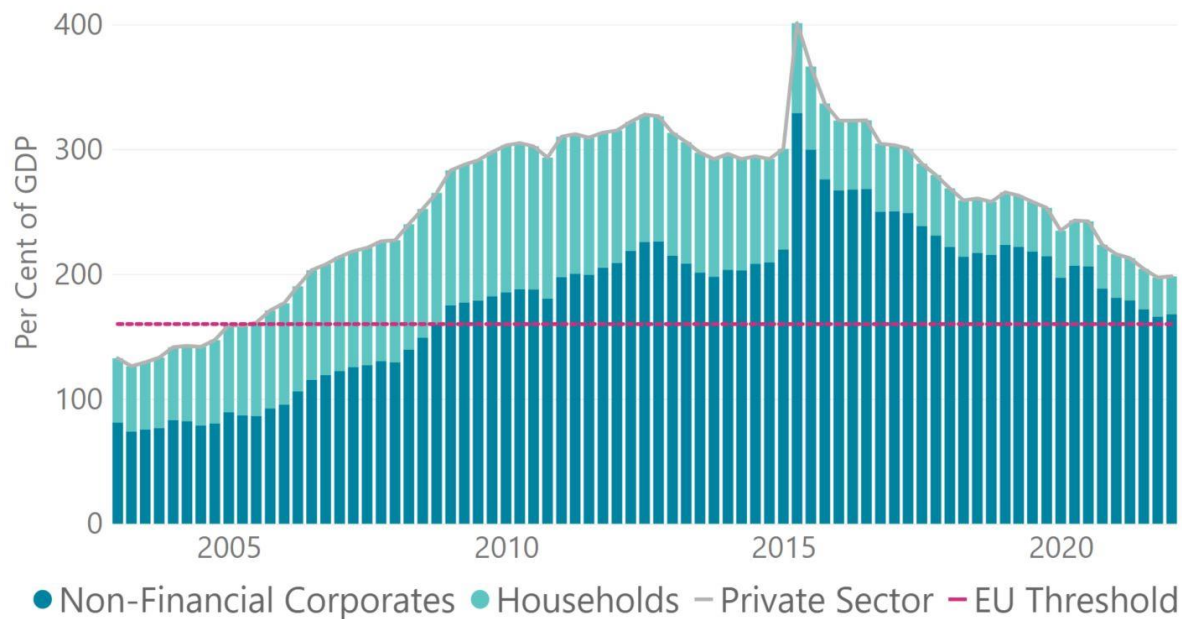


The increase in financial assets of €4.4bn in Q4 2021 is mainly related to investment in currency and deposits of €3.4bn. Additionally, investment in new housing has remained steady at €1.7bn.

Private sector debt as a proportion of GDP marginally increased by 1 percentage point to stand at 198 per cent in Q4 2021 (Chart 4). However, in terms of value, there was a large increase in private sector debt, to stand at €835bn in Q4 2021, driven by an increase in NFC debt by €28bn over the quarter.

⁴This chart presents data smoothed over four quarters and so differs to actual quarterly movements described in Charts 1 and 2. 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 on 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.

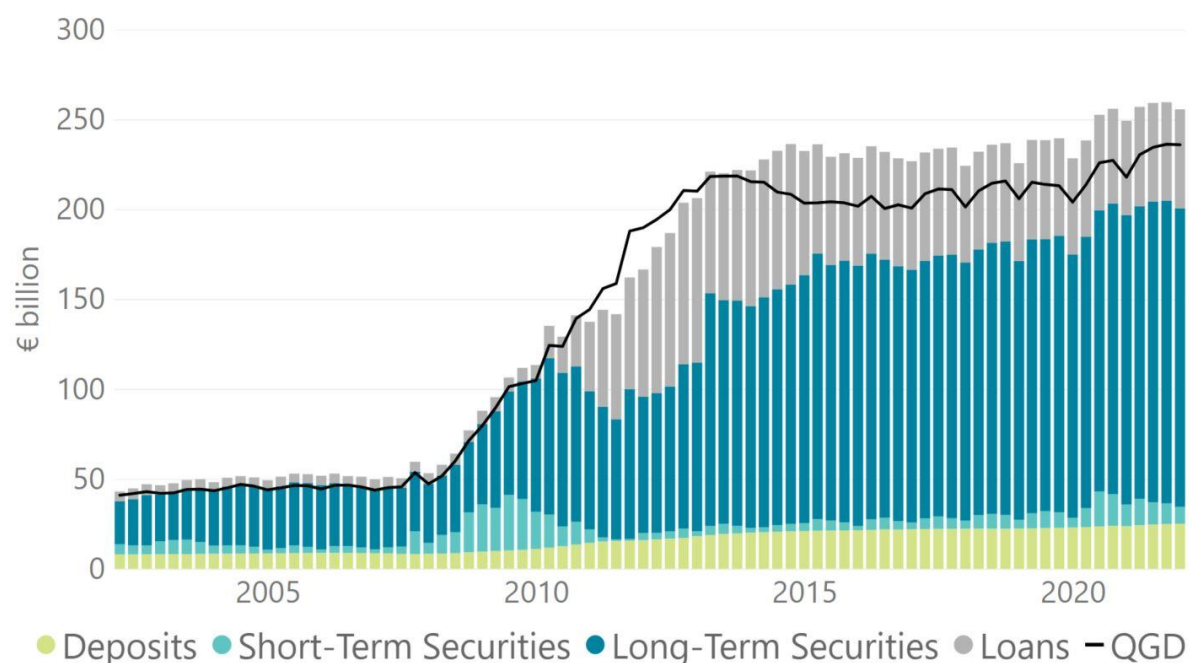
Chart 4: Private Sector Debt-to-GDP



Consequently, the relatively smaller growth in private sector debt as a proportion of GDP is due to continued strong growth in annualised GDP. This grew by €12bn over the quarter. 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 MNC sector in Ireland.

Chart 5: Government Debt



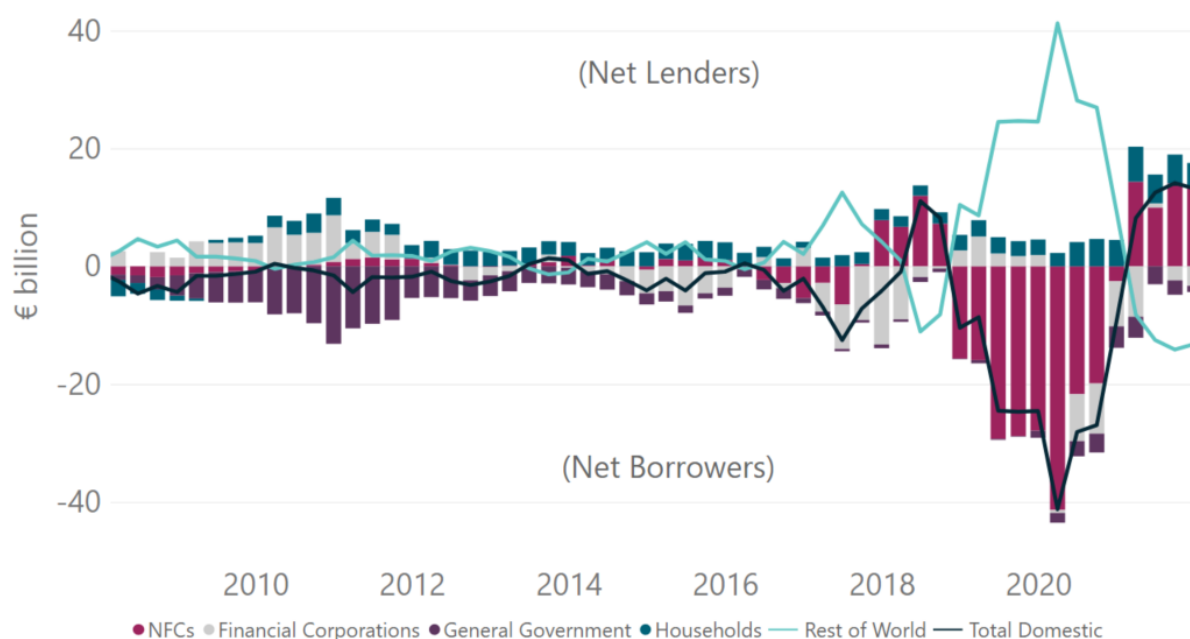
In response to the Covid-19 pandemic, the government introduced measures to increase the capacity of the health sector and provide supports to businesses and households. In Q4 2021, the Government continued to provide supports, such as the Employment Wage Subsidy Scheme (EWSS) and Pandemic Unemployment Payment (PUP).

Despite such continued supports over the quarter, total Government Debt has remained relatively stable, declining by €3.9bn in Q4 2021 to stand at €256bn (Chart 5). This fall was driven by a reduction in long-term debt securities of €2.4bn and declines in short-term debt securities of €2.1bn.

Government financial assets increased by €2.6bn to stand at €114bn, due primarily to growth in deposits (€0.9bn) and debt securities (€1.4bn). Consequently, Government net financial worth improved over the quarter, by €6.4bn.⁵ Chart 5 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, remained unchanged at €236bn.

⁵ Government net worth refers to the stock of total government assets minus total government liabilities.

Chart 6: Net Lending/Borrowing



The domestic economy continued to be a net lender in Q4 2021, for the fourth consecutive quarter. Net lending stood at €13.2bn, a decrease of €1bn compared to the previous quarter (Chart 6). This drop was driven by a combination of movements across sectors.

The NFC sector continued to be a net lender, despite a decline of €0.8bn to €13.2bn in Q4 2021. By contrast, financial corporations continued to be a net borrower, declining by €0.9bn over the quarter to stand at -€3.3bn. The government sector also continued to be a net borrower, increasing by €1.4bn to stand at a -€1bn. Households' net lending position declined €0.6bn to €4.3bn. Irish households have been net lenders since 2009.

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

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