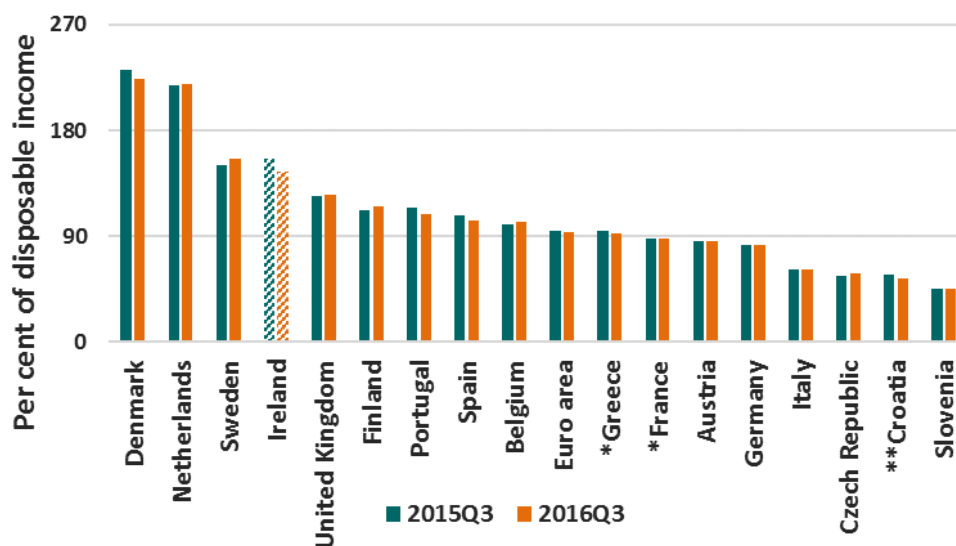


## Quarterly Financial Accounts

**Irish households reduced debt as a proportion of income more than any country in European Union over the past 12 months.**

- ❖ Irish households reduced debt as a proportion of disposable income more than any country in European Union (EU) over the past year. Despite this however, they continued to be the fourth most indebted country in the EU during Q3 2016.
- ❖ Household debt continued to fall during Q3 2016, declining by €0.9bn to €145.3bn. Per capita, household debt stood at €31,096. The decline in debt over the quarter largely reflected net repayments of loans with other financial intermediaries and monetary financial intermediaries.
- ❖ Household net worth increased by 3.9 per cent over the quarter to reach €661bn in Q3 2016. Household net worth per capita now stands at €141,427. The increase in net worth was mostly driven by a rise in housing assets (€18.4bn).
- ❖ NFC debt as a percentage of GDP fell to 231.5 per cent by end-Q3 2016. This represented a decrease of 28.5 percentage points. The decline reflected both a reduction in NFC debt, as well as, a 1.8 per cent increase in annualised GDP.
- ❖ Government net financial wealth decreased from -€155.8bn to -€159.3bn during the quarter, as the increase in government liabilities was only slightly offset by the rise of government financial assets.

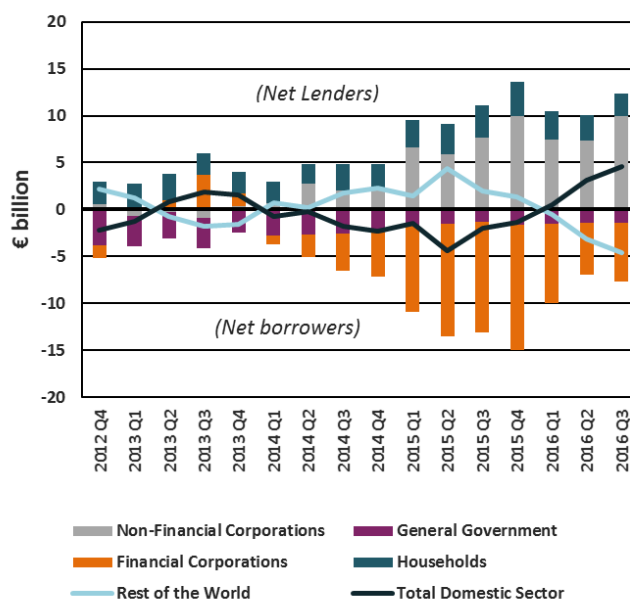
Household Debt at Q3 2016 and Q3 2015, Cross Country Comparison



## 1. Net Lending/Borrowing of All Sectors<sup>1</sup>

The domestic economy continued to be a net lender to the rest of the world during Q3 2016, as the deleveraging by households and non-financial corporations (NFCs) exceeded the net borrowing of government and financial corporations (Chart 1.1). Net lending by domestic sectors amounted to €4.5bn in Q3 2016, its highest level since the beginning of the series. While financial corporation net borrowing increased in the most recent quarter, this was more than offset by rise in net lending by NFCs. Net lending by the domestic economy increased significantly over the year ending Q3 2016.

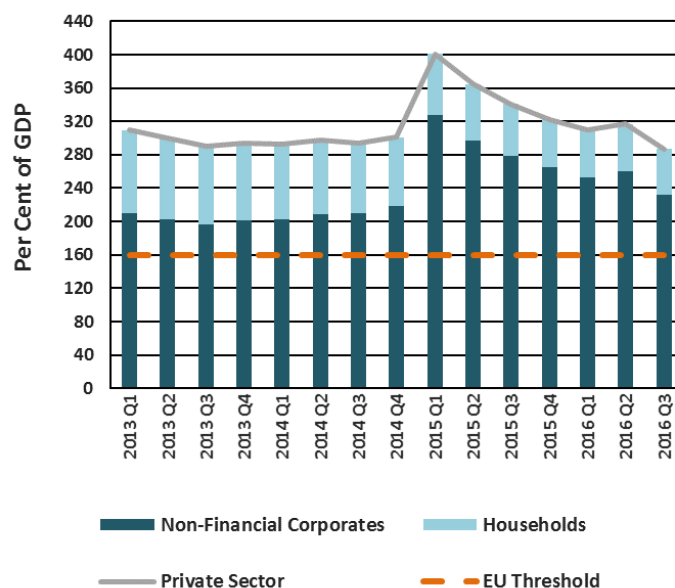
Chart 1.1 Net Lending/Borrowing of all Sectors



## 2. Private Sector Debt

Private sector debt as a per cent of GDP fell during Q3 2016 to 287 per cent, a decrease of 29.9 percentage points over the quarter. This fall was driven by a reduction in NFC debt during Q3 2016. 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



<sup>1</sup> 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. Household Sector

Household net worth<sup>2</sup> increased by 3.9 per cent over the quarter to reach €661bn in Q3 2016 (Chart 3.1). Household net worth per capita now stands at €141,427. The increase in net worth was mostly driven by a rise in housing assets (€18.4bn). This was largely due to rising house prices over the quarter. Financial assets also rose in Q3 2016 (€5.5bn), largely reflecting an increase in the value of insurance technical reserves (€2.6bn) and increased holdings of currency and deposits (€1bn). Household liabilities fell slightly during the quarter, declining by €1.2bn.

Household debt continued to fall during Q3 2016, declining by €0.9bn to €145.3bn (Chart 3.2). Per capita, household debt stood at €31,096. The decline in debt over the quarter largely reflected net repayments of loans with other financial intermediaries (€0.6bn) and monetary financial intermediaries (€0.1bn). Household debt has declined every quarter since its peak of €203.7 in Q3 2008 and has fallen by 28.7 per cent.

Indicators of household debt sustainability improved during Q3 2016 (Chart 3.3). Debt as a proportion of disposable income fell from 147.8 per cent to 144.8 per cent, a decline of 69 percentage points from its peak of 213.9 per cent in Q4 2009. The fall in Q3 2016 reflected both the reduction in debt, as well as, growth in annualised disposable income of 1.4 per cent. Debt as a proportion of total assets continued to decrease over the quarter, falling from 18.4 per cent to 17.8 per cent.

<sup>2</sup> 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).

Chart 3.1 Household Net Worth

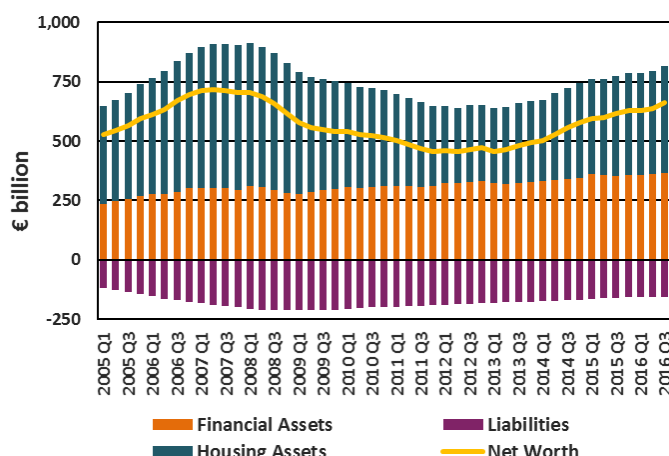


Chart 3.2 Household Debt

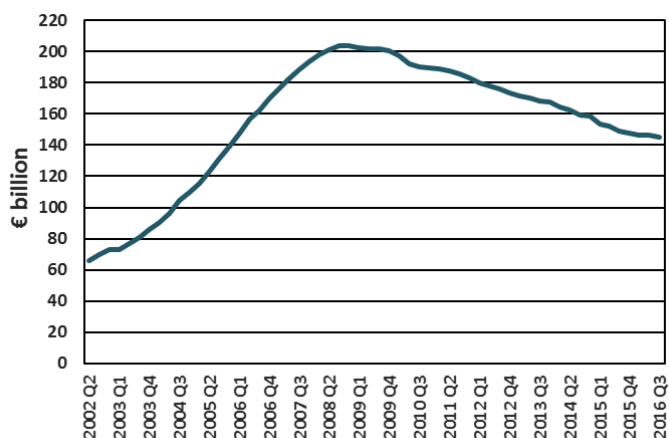
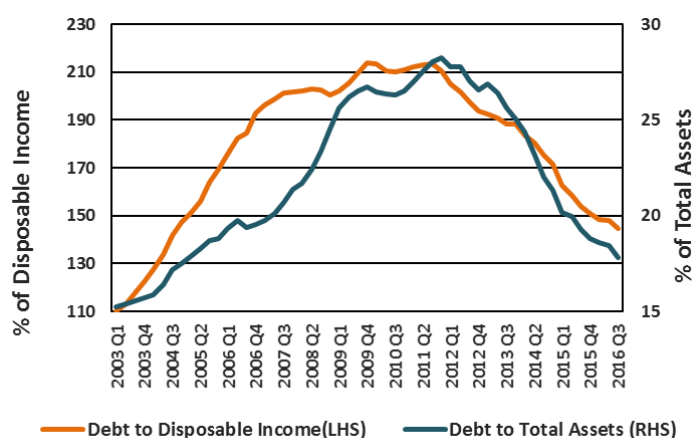


Chart 3.3 Household Debt Indicators

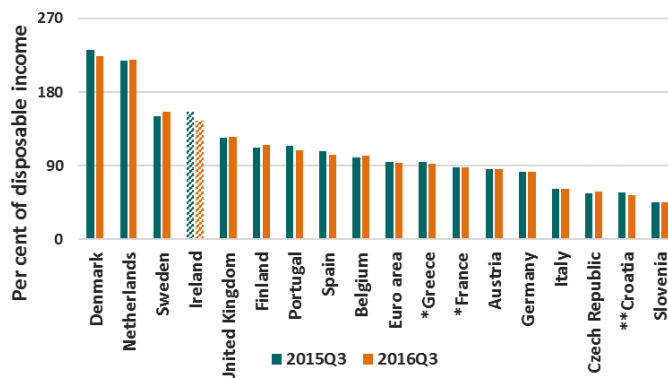


Though Irish households' ratio of debt to disposable income has fallen significantly over recent years, it remains high relative to other European countries. With a debt to disposable income ratio of 144.8 per cent, Irish households are the fourth most indebted in the European Union, but recorded the largest decline in this indicator in the year to Q3 2016 (Chart 3.4). Irish household debt as a per cent of disposable income has fallen 11.3 percentage points since Q3 2015, compared to a decline of 0.7 per cent in the euro area as a whole. Danish households recorded the second largest annual decline among the European Union countries, for which data are available. Their household debt to disposable income ratio fell by 7.9 percentage points. Danish households remain the most indebted in the European Union, with household debt amounting to 223.3 per cent of disposable income.

Household investment in financial assets remained positive during Q3 2016, albeit at a lower level than in previous quarters, primarily reflecting a reduced rate of investment in insurance technical reserves and shares and other equity (Chart 3.5). Total transactions in financial assets fell from €2.1bn last quarter to €1.7bn in Q3 2016. The majority of households' financial investments were in the form of currency and deposits, which accounted for 56 per cent (€0.9bn) of total transactions in financial assets in Q3 2016.

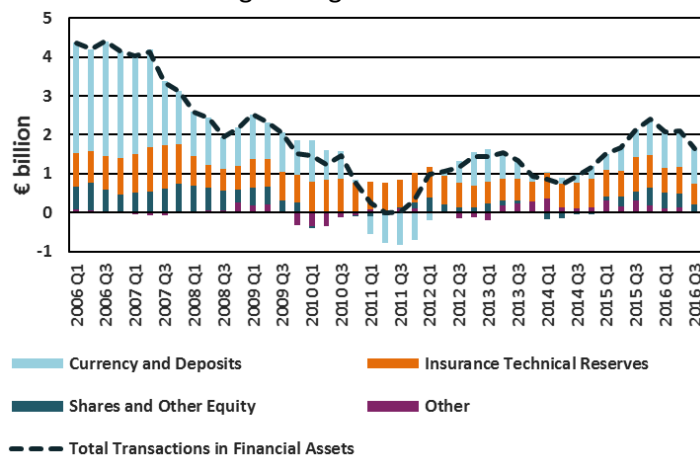
Household investment in deposits remained largely unchanged during Q3 2016, standing at €0.8bn (Chart 3.6). Over the quarter, households continued to on net lodge most of their deposits with MFIs, which amounted to €0.7bn. Net lodgements with Government represented €0.1bn, a slight increase compared to the previous quarter.

**Chart 3.4** Household Debt at Q3 2015 and Q3 2016, Cross Country Comparison

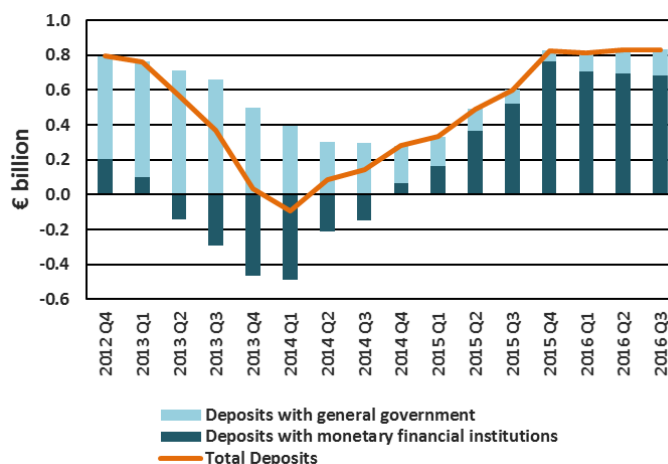


Source: European Central Bank.  
Note: \* data is for Q2 2016 \*\* data is for Q1 2016

**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



The household sector remained a net lender in Q3 2016 as Irish households continued to both invest in financial assets and pay down financial liabilities (Chart 3.7). Net lending declined to €2.3bn in Q3 2016 from €2.7bn in Q2 2016 as an increase in liabilities transactions of €0.1bn was offset by a larger decline in financial assets transactions of €0.5bn. Nevertheless, net lending continues to be driven primarily by investment in financial assets, rather than deleveraging.

#### 4. Non-Financial Corporation Sector

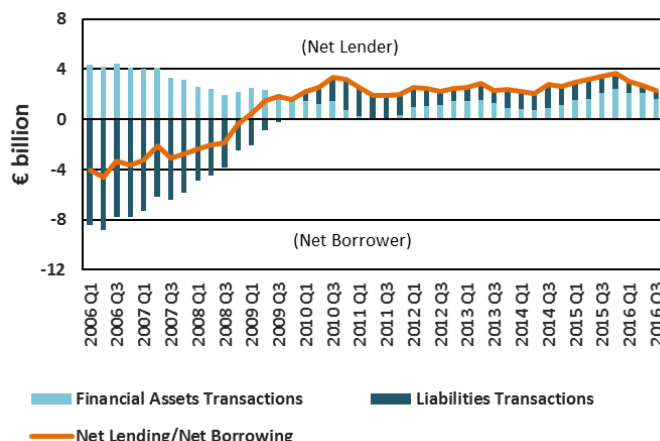
NFC debt as a percentage of GDP fell to 231.5 per cent by end-Q3 2016 (Chart 4.1). This represented a decrease of 28.5 percentage points. The decline reflected both a reduction in NFC debt, as well as, a 1.8 per cent increase in annualised GDP.

NFC debt fell by €62.8bn over the quarter. The decline predominantly reflected restructuring and redomiciling activities of large MNCs (€58.3bn). Continued debt reduction by NFCs with Irish MFIs also contributed to the decrease in debt (€0.9bn), albeit to a much lesser extent.

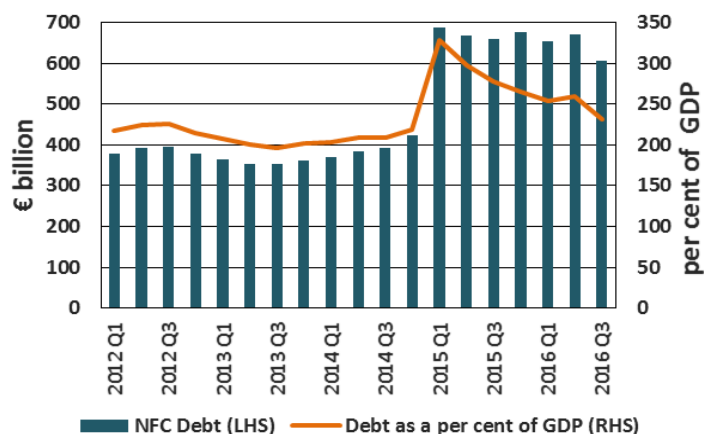
Despite the significant decline in NFC debt to GDP, Irish NFCs continued to be the second most indebted in the EU (Chart 4.2). Luxembourg and Cyprus, both of which also have very large MNCs relative to the size of their economies, were the most indebted and third most indebted, respectively.

Overall, Irish NFC liabilities fell by €18.2bn during Q3 2016, as the decrease in debt was offset by increases in other liabilities (Chart 4.3). The latter also largely reflected MNC activities. Exchange rate movements, redomiciling and restructuring by MNCs contributed to increases in shares and other equity (€33.2bn) and trade credits and advances (€13.9bn) over the quarter.

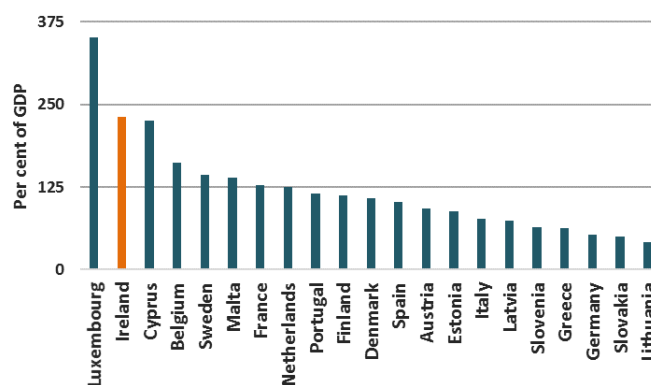
**Chart 3.7** Household Net Lending/Borrowing, Four-Quarter Moving Average



**Chart 4.1** NFC Debt



**Chart 4.2** Cross-Country Comparison of NFC Debt as a Percentage of GDP



## 5. Government Sector

Government debt rose by €3.9bn, or 1.7 per cent, to €235.1bn in Q3 2016 (Chart 5.1). The increase in debt was mainly a result of net issuances of debt securities (€1.9bn) and an increase in the value of outstanding debt securities (€1.6bn). The chart also shows that the standard Excessive Deficit Procedure<sup>3</sup> (EDP) measure of debt increased by €2bn in Q3 2016.

Government net financial wealth decreased from -€155.8bn to -€159.3bn during the quarter, as the increase in government liabilities was only slightly offset by the rise of government financial assets (Chart 5.2). This was the lowest level of government net financial wealth, since the series began. An increase in other deposits held by government was the main driver of the €0.6bn rise in government assets during Q3 2016.

Chart 4.3 Total liabilities

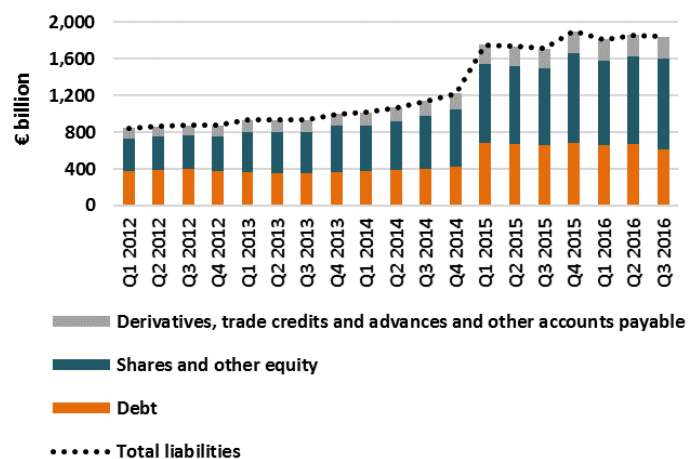


Chart 5.1 Government Debt

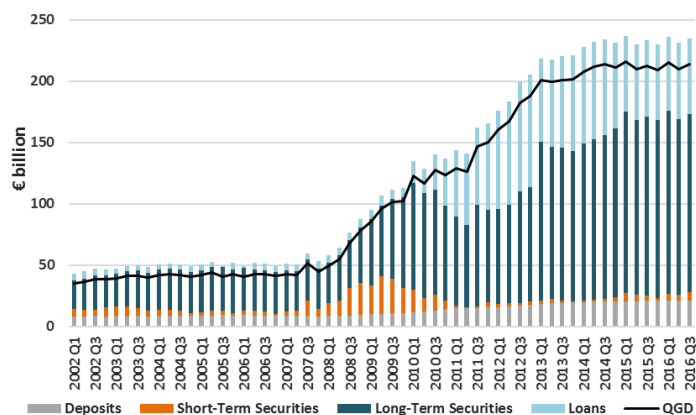
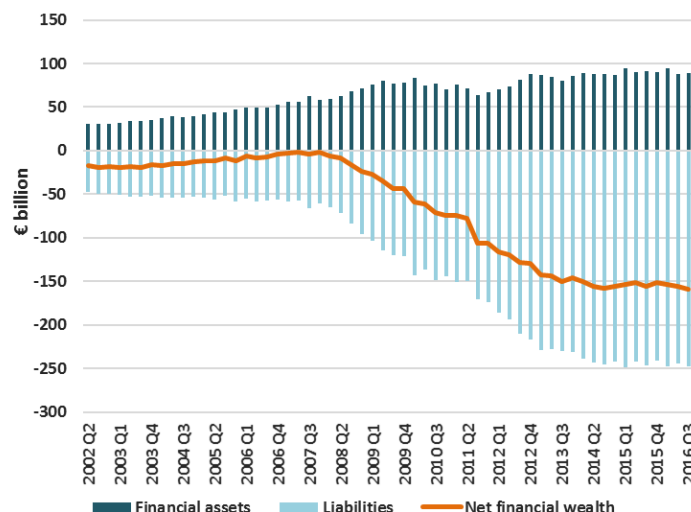


Chart 5.2 Government Net Financial Wealth



<sup>3</sup> Government debt in QFA differs from the EDP measure of debt as it is calculated on a non-consolidated basis, and employs different valuation criteria.

## 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](http://www.ecb.int)

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