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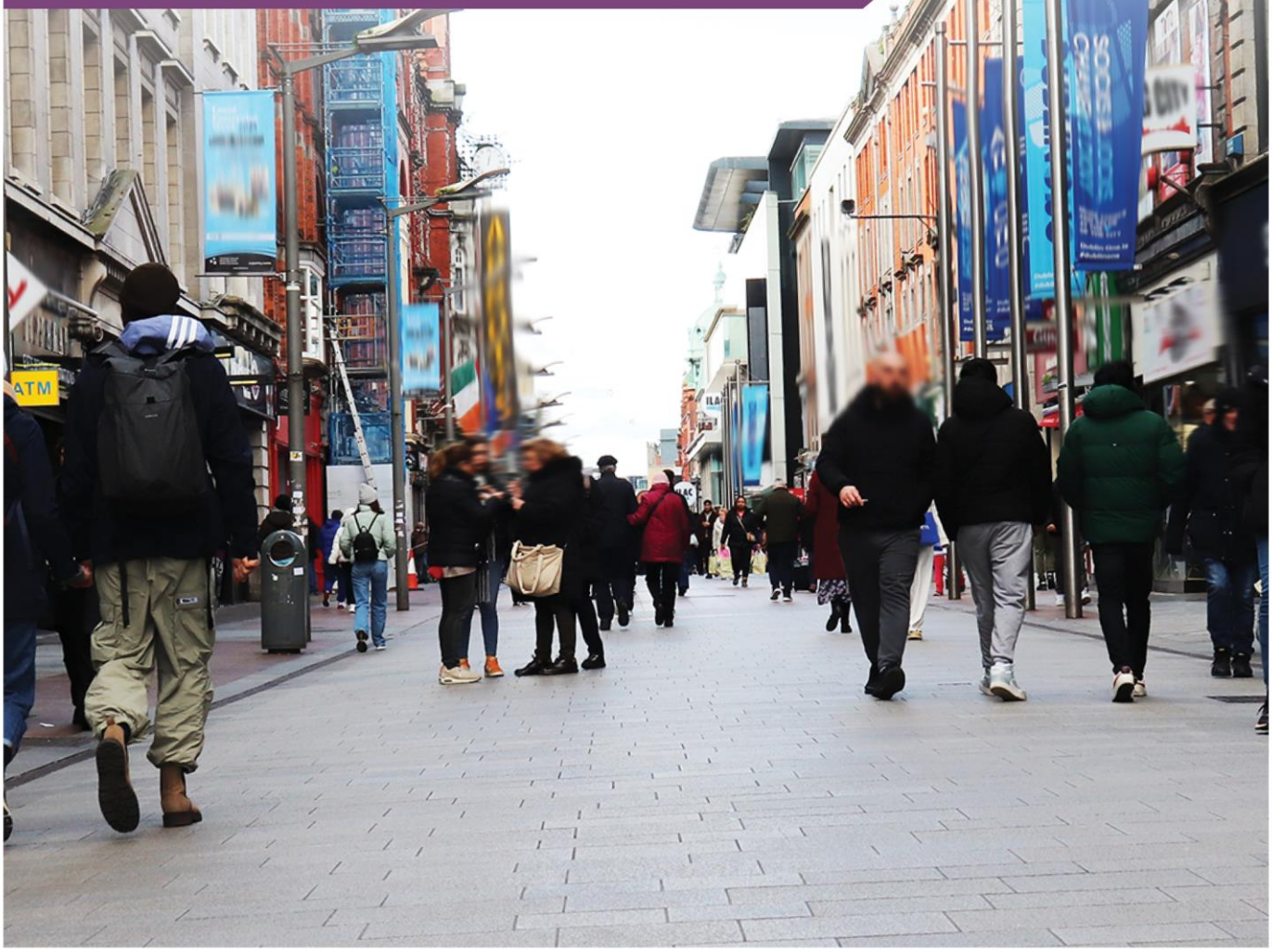

Contents

The evolution of household savings: determinants and implications

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Abstract

The fraction of their income that households across the income distribution save has grown over the past two decades. In this *Article*, we show that higher savings rates are consistent with structural features of the economy – including an increasing share of households preparing for or in retirement, as well as an increase in the savings of younger households who cite housing as a reason for saving. Detailed household-level data suggest that older households have increased their savings to fund intergenerational transfers. We also show an increasing preference for households to save in riskier financial assets and private pensions. Looking ahead, the savings rate is projected to remain high with the share of wealth held in financial assets likely to grow as housing constraints limit the ability to invest in these real assets.

1. Introduction

Irish households are saving more of their income today than a decade ago (Figure 1). The aggregate household savings rate averaged approximately 12.6 per cent over 2013-2019. In 2024, the rate had increased to 13.8 per cent. While the sharp rise in savings during the Covid-19 pandemic was largely a function of restricted consumption opportunities and heightened precautionary behaviour, the savings ratio had been rising steadily in the twenty years preceding the pandemic.

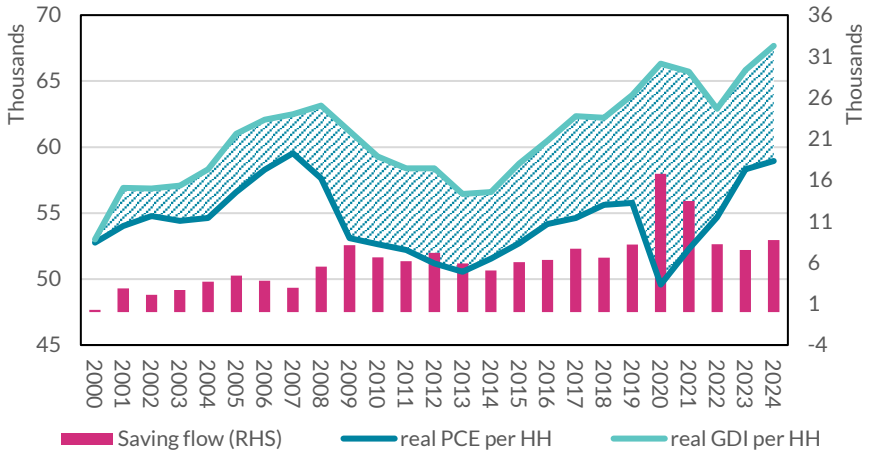
This raises key questions for policymakers: Are current saving dynamics still driven by post-pandemic adjustments in income and consumption, or are they reflective of longer-term structural shifts in household preferences? If it is the latter, what drives those shifts in preferences, and are there implications for how households

[1] Irish Economic Analysis Division. We would like to thank Robert Kelly, Martin O'Brien, Thomas Conefrey and Cian Ruane (Central Bank) for comments on an earlier draft. The views expressed in this Article are those of the authors and do not necessarily reflect those of the Central Bank of Ireland or the European System of Central Banks.

save in addition to how much and in what assets? The answers to these questions are crucial for understanding future developments in investment and consumption.

The proportion of household income being saved is increasing over time, resulting in larger flows of real savings

Figure 1: Gross disposable income and personal consumption expenditure, real



Source: CSO and authors' calculations.
Note: Personal Consumption Expenditure and Gross Disposable income deflated using the Personal Consumption Expenditure deflator. Shaded area indicates savings.

The lifecycle hypothesis and permanent income hypothesis suggest both cyclical and structural reasons for changes in the household savings rate over time. Using a variety of data sources – both macro and micro – this *Article* conducts an analysis of recent saving trends, before exploring potential structural drivers of the savings rate. In this way the *Article* considers the role of lifecycle dynamics as well precautionary motives (saving for old age and unexpected events) and intention to bequeath to explain the savings behaviour of Irish households over two decades.

Analysis of savings trends allows us to distinguish between the roles of income and consumption dynamics in understanding *how* the rising savings rate has been supported. We find that households' average propensity to save out of income has increased. We then present evidence on the *why*. In particular we find that higher savings rates are consistent with structural features of the economy – including the increasing share of households preparing for retirement, housing market dynamics (pushing younger households to save) and older households displaying a stronger desire to fund intergenerational transfers with their savings.

Empirical evidence shows that broad-based income growth has outstripped growth in spending and explains *how* more households are able to save. Descriptive evidence suggests longer-run factors play an important role in *why* households already able to save are choosing to save more of their income than before. The role of these structural factors are unlikely to wane in the future and they are also relevant for the allocation of household savings. We show that over 2013-2020,

the share of household wealth held in non-deposit financial assets grew by around 7 percentage points, with notably large increases in households headed by a reference person aged 45-59 year old, who are preparing for retirement. This age group has increased in size over this period and will continue to do so as the overall population ages.

This *Article* builds on previous work which has examined the impact of the joint income, consumption and wealth distribution and demographic trends on household savings (such as Arrigoni, Boyd & McIndoe-Calder, 2022 and Boyd, McCann, McGeever & McIndoe-Calder, 2024). It makes four novel contributions. First, it provides a decomposition of the Irish household savings rate, identifying the relative roles of income and consumption. Second, it shows that households are saving less in housing wealth and more in financial wealth, in particular private pension wealth, than was the case previously. Third, it provides descriptive evidence for the role of an aging population with strong bequest motives in explaining the increasing preference for saving out of income, given current consumption patterns. Fourth, it explores the economic implications of a higher savings rate over the medium term and the policy implications of changes in the asset choice of households.

The remainder of the *Article* is structured as follows. Section 2 describes key trends in Irish households' saving flows and provides a decomposition of savings rate developments to evaluate the relative role of income compared to spending. It shows that income has been the key driver. Given this, Section 3 examines income dynamics in more detail and structural factors which may also be contributing to increased household saving. These include changes in demographics and saving motives. Section 4 explores household balance sheets and changes in investment behaviour. Section 5 discusses policy implications of both an elevated savings rate and changes in the distribution of household savings. Finally, Section 6 concludes.

2. Saving rate trends

2.1 Developments in saving flows

From a macroeconomic perspective, two identities define savings. The first of these reflects *what* form savings can take:

$$(1)\ Savings = Investment\ in\ Gross\ Fixed\ Capital\ Formation + Investment\ in\ Financial\ Assets$$

From a household perspective, this identity reflects that households can save (and in turn add to their wealth) by purchasing real fixed assets such as land, a new home

or extension of their current home or by choosing to earn interest in a bank account, invest in other financial instruments or reduce debt.

The other key savings identity defines *how* much households have to save:

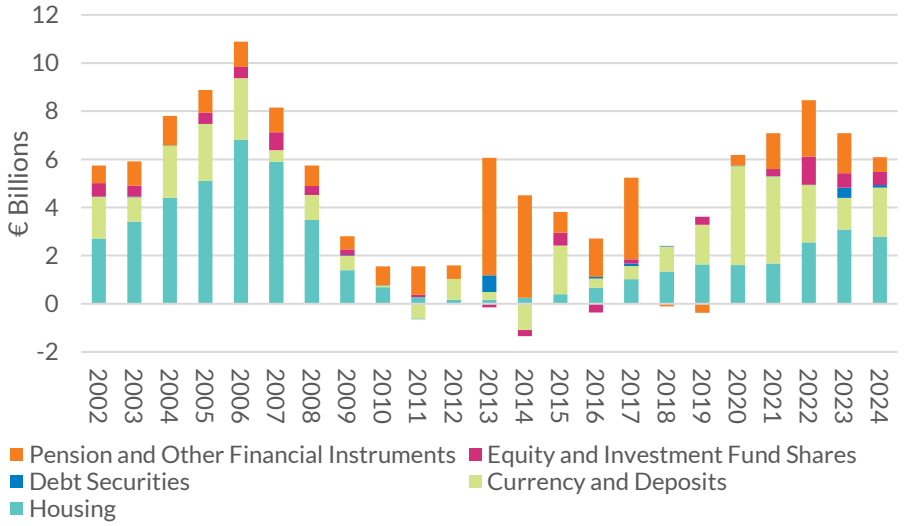
$$(2)\ Savings = Household\ Gross\ Disposable\ Income - Final\ Consumption\ Expenditure\ of\ Households + Adjustment\ for\ pension\ funds.$$

This identity explains that households receive disposable income (labour and non-labour income plus net taxes and transfers), which is consumed in different proportions, with the balance representing their savings. All of the variables – in both identities – can be measured as a flow, that is, how they occur in a period in time. Period by period savings flows in the second identity contribute to the overall stock of savings held in the different assets defined by the first identity.[2]

In the case of the first identity, the Central Bank of Ireland's Quarterly Financial Accounts (QFA) data report the flow of household savings each quarter by type of investment asset as well as the cumulative stocks of these savings flows over time. Over 2002-2024, Irish households, on average, invested over two fifths of their savings each quarter into housing, followed by approximately one quarter into each of pensions and other financial instruments and currency & deposits (Figure 2).

Housing, deposits and other financial instruments accounts for 94 per cent of household investment flows since 2002

Figure 2: Quarterly investment of Irish households (2002-2024), € billions



Source: Central Bank of Ireland and authors' calculations

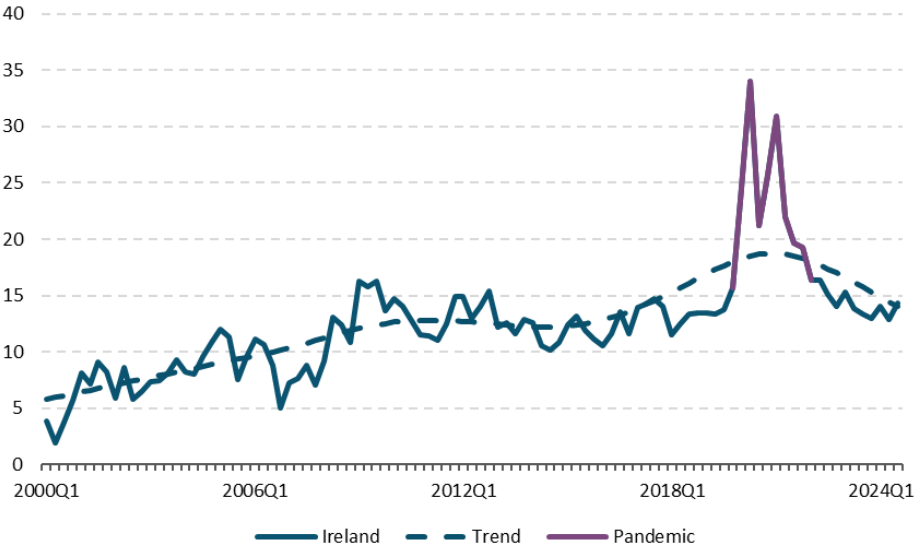
[2] The two identities should equal each other. Therefore, any divergences are typically ascribed to "statistical error".

However, the relative size of the investment flows into different assets has varied over time. Whilst housing has dominated over most of the period, this is waning slightly. For instance, flows into other financial assets showed notable growth in particular, reaching nearly one in every five euro of household investments over 2020-2024, a period in which household investment flows returned to levels not seen since the early 2000s. Nevertheless, Irish households retain a strong preference for highly liquid assets, with close to one in every four euro saved going to cash and deposits.

In the case of the second identity, the CSO's Institutional Sector Accounts report the flow of household total disposable income and household individual consumption expenditure each quarter, alongside the derived savings. From this, the gross household saving *ratio* can be calculated, as derived savings over income. The savings ratio has trended slowly upwards over the past two and a half decades preceding the pandemic, and the savings ratio over the past four quarters appears to have returned to that trend (Figure 3).

The fraction of their income that households save has grown over the last decade

Figure 3: Household saving rate (%)



Source: CSO and authors' calculations
Note: Trend estimated using the boosted HP filter from Phillips, P. C., & Shi, Z. (2021), which uses a machine learning approach to perform a trend-cycle decomposition. Meia, Z., Phillipsb, P. C., & Shia, Z. (2022) show that this method is particularly suited to series affected by the Covid-19 pandemic.

This in contrast to the saving rate in the euro area which had been trending – very gradually – lower over 2000-2019 yet has remained elevated above its long-run average even beyond the post-pandemic recovery in 2023 and 2024 (ECB, 2024). This indicates a larger proportion of household income is being saved, reflecting

structural changes resulting in increased preferences for savings over spending by households in both Ireland and the euro area.

During the Celtic Tiger period (2001–2007), the savings ratio rose before surging during the financial crisis. It then stabilised at approximately 12.5 per cent between 2008 and 2016. From early 2017 to late 2019, the estimate of the trend savings ratio rose by about 2 percentage points. Since the onset of the pandemic, disentangling trend and cyclical components is challenging, but the evidence suggests that the ratio had been rising since at least early 2017.

What is more, the saving ratio is not just increasing over time but evidence from microdata indicates higher saving also across the full income distribution. For example, data from the Household Budget Survey (HBS) provides snapshots of the flow of savings by different households.[3] Deriving saving rates from this data (Table 1) shows that the gap between average weekly household income and spending as a share of income is rising in income and over time.[4]

Table 1: Average weekly income less average weekly spending as a share of average weekly income, across the household income distribution (2005-2023)

	2005	2009	2015	2023
Q1	-29.2	-50.6	-34.3	-15.1
Q2	-14.9	-7.4	-4.8	5.0
Q3	-6.4	2.5	4.3	14.7
Q4	5.4	9.7	9.2	11.6
Q5	21.3	22.0	18.8	28.0
All	6.6	8.5	8.1	16.4

Source: CSO (HBS and SILC) and authors' calculations.
Note: HBS for spending in all years. HBS income for 2005, 2009, 2015, SILC 2022 incomes for 2023.

In 2005, the gap between weekly income and spending was negative in the bottom three fifths of the income distribution. By 2023, the average household in all but the bottom fifth of the income distribution had a positive gap between average weekly income and spending. This gap has become more positive over each wave of the HBS between 2005 and 2023.

[3] The HBS is a CSO survey providing household level income and spending data over a longer time period than HFCS. The survey comprises an interview and 14 day spending log-books from each member of a given sampled household that is aged 16 years and over. The collected data is highly granular and a key input into defining the basket of goods used to determine and track inflation.
[4] The HFCS data can also be used to generate an approximate saving rate, which rises in household income. The HFCS derived average saving rate varies rises in net wealth, home ownership (compared to renter households) and is a function of age (rising until retirement before falling yet remaining positive in retirement).

2.2 Decomposing the saving rate

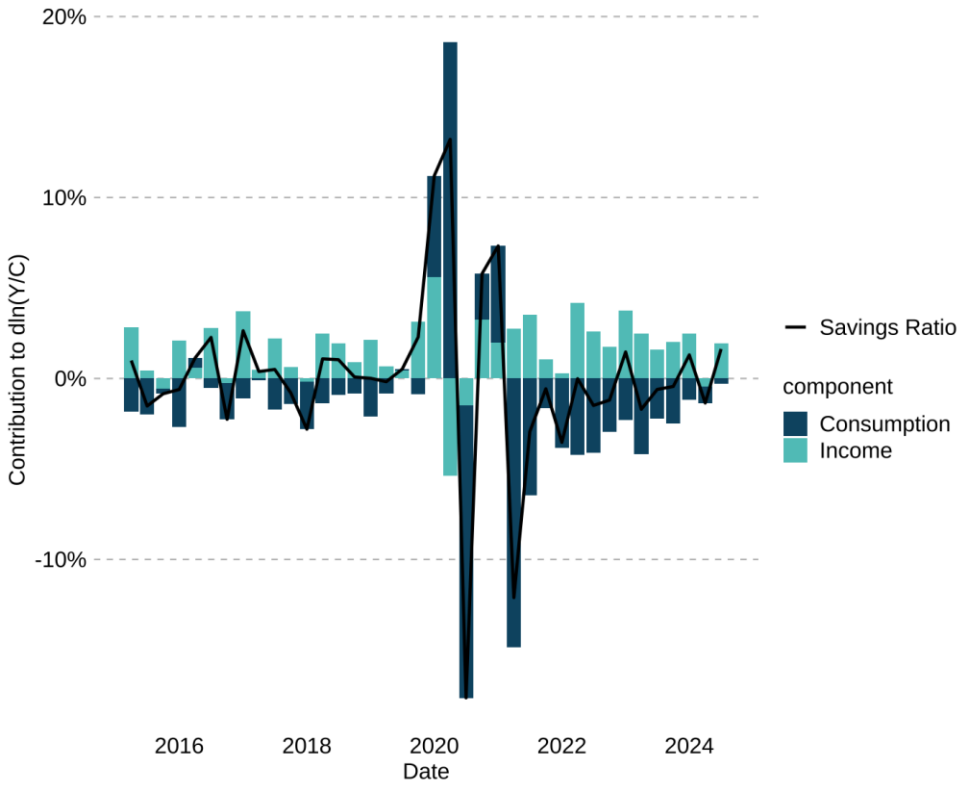
In order to understand the dynamics of the savings ratio, it is instructive to examine the relative contributions of income and consumption to *changes* in the savings ratio over time. Recall, the savings ratio is equal to:

$$Savings\ ratio = \frac{(income - consumption)}{income} = \frac{Income}{Consumption} - 1$$

Taking logs, $ln\frac{Income}{consumption} = lnIncome - lnConsumption$. In other words, the change in the savings ratio is approximately equal to the difference between the growth rates of income and consumption. This allows us to attribute changes in the savings ratio to its constituent parts. Figure 4 presents this decomposition. As we are looking at a ratio, careful interpretation is required. The red and green bars represent the relative contributions of consumption and income to the quarter–on–quarter change in the savings ratio.

Income has been the most important driver of the saving rate in recent years

Figure 4: Log Decomposition of Changes in the Savings Ratio (2015-2024)



Source: CSO and authors' calculations.

When the "consumption contribution" and "income contribution" are equal and opposite, the proportional change in income offsets the change in consumption resulting in no net change in the savings ratio (i.e. the black line is 0). When the

negative consumption contribution is larger than the positive income contribution, consumption is growing at a faster rate than income, pushing down on the savings ratio. Alternatively, if the positive income contribution is larger than the negative consumption contribution, income growth is proportionally larger than the increase in consumption, leading to a higher savings ratio. Finally, there are rare instances where both bars contribute positively, most notably during the onset of the Covid-19 pandemic, where income continued to grow while consumption fell sharply, with both effects pushing the savings ratio up significantly. This dynamic was reversed in the first half of 2021, as consumption rebounded strongly while income remained broadly stable, which pushed the savings ratio back down to levels more in line with the historical trend in the savings ratio.

After 2021, the negative consumption bars are getting smaller while the positive income bars are remaining roughly the same. During the pandemic, it was expected that that households would spend the savings they accumulated during the lockdown periods. However, this spending recovery remains incomplete, the large negative red bars in Figure 4 – as consumption grew relatively faster than income – tailed off much more quickly than anticipated.[5]

Instead, while income growth has remained relatively robust, households appear to have resumed spending at levels similar to before the pandemic. This implies that contrary to expectations, much of the spending that did not occur during the pandemic was foregone rather than deferred. Most likely, this is because of the nature of the pandemic shock, which disproportionately affected the consumption of so-called "contact intensive" services, for example spending in restaurants. When the pandemic ended, households simply resumed spending on these services. Consumption of goods were relatively less affected during the pandemic. This foregone spending is consistent with a substantially higher level of financial assets remaining on household balance sheets into 2024 (Heffernan, 2025). [6]

From Figures 3 and 4, the increase in the savings ratio appears to begin in late 2016. This begs the question, why has consumption growth not kept pace with income growth? Two further questions are whether this structural break occurred before the pandemic and whether it is driven by a change in the long run relationship between income and consumption or by short-run cyclical dynamics. To test this formally, we estimate an error correction model:

[5] Lydon and McIndoe-Calder (2021) and IFAC (2021).
[6] As a result, the "excess savings" during the pandemic are believed to have been largely unspent (Heffernan, 2025a and 2025b).

$$\Delta \log PCE_t = \alpha + \gamma ECT_{t-1} + \beta 1 \Delta \log GDI_t + \beta 2 \Delta \log NFA_t + \beta 3 \Delta \log EMP_t + \beta 4 \text{COVID} + \epsilon_t$$

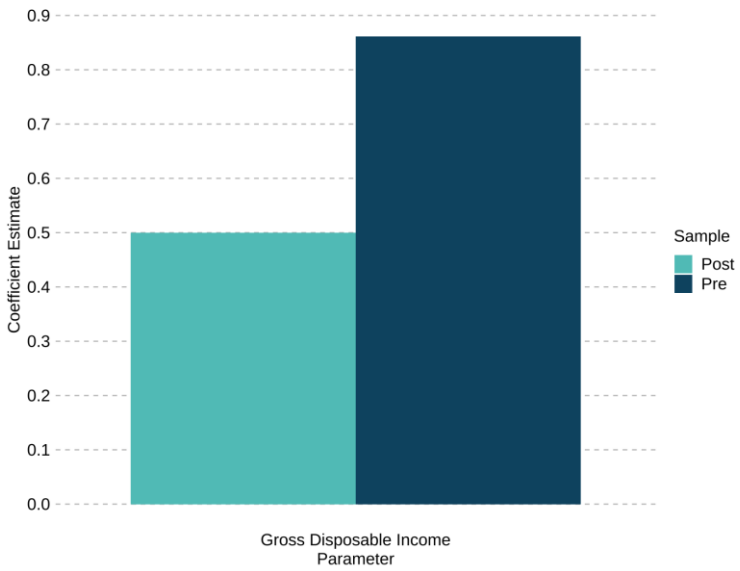
Where the variables GDI, NFA, EMP represent the short run effects of changes in gross household disposable income, net financial assets and employment respectively. $COVID$ is a dummy taking the value 1 in 2020Q1, 2020Q2 and 2021Q1. The error correction term represents the deviation from the long run equilibrium relationship estimated in the cointegration equation, and its coefficient γ represents the speed of adjustment to the long run equilibrium after a shock:

$$ECT_{t-1} = logPCE_{t-1} - \theta_1 logGDI_{t-1} + \theta_2 logNFA_{t-1} - \theta_2 logEMP_{t-1}$$

where the θ coefficients capture the long run relationship between consumption and income, employment and net financial assets.

The estimated elasticity of consumption to income has fallen since 2017

Figure 5: Long run elasticity of income to consumption from cointegrating equation of the error correction model



Source: CSO and authors' calculations.

Two things stand out from the estimation. First, we use a statistical test to confirm the presence of a structural break in the long-run relationships in the model in 2016Q4.[7] This confirms that the increasing savings ratio began well before the pandemic and that this is consistent with a break in the long run dynamics in the model. This finding is consistent with the increase in the trend savings ratio at the beginning of 2017 estimate shown in Figure 3.

[7] We use a chow test, which tests whether the difference in the regression coefficients from two splits of the data set, i.e. before the proposed structural break and after, is statistically significant.

Second, this increase in the savings ratio is consistent with a change in the long run relationship between consumption and income (as shown in Figure 5). The elasticity of consumption to a change in income falls from 0.8 when the model is estimated up to the structural break to ~0.5 when the model is estimated after the structural break (from 2017Q1 to 2024Q4).

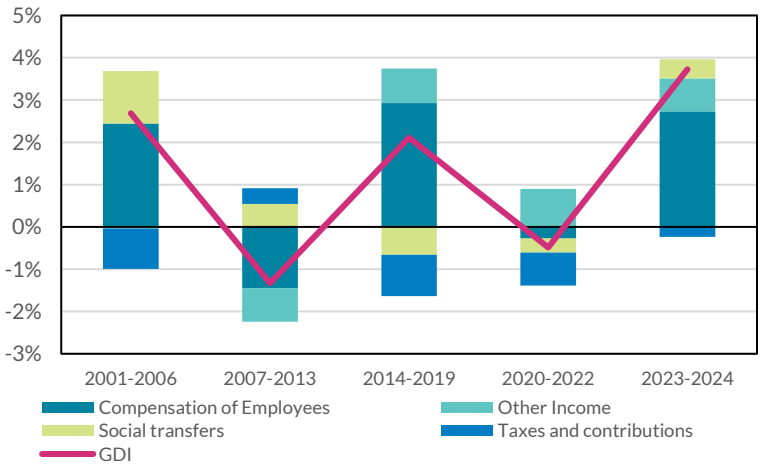
3. Structural and cyclical factors affecting saving rates

3.1 Income dynamics

The previous section showed that income growth has been the key driver of the higher saving ratio observed today. Indeed, income growth has been consistently strong since the early 2000s. Over this period, growth in the gross disposable income (GDI) accruing to households has been driven primarily by developments in compensation of employees (COE) – mostly wages (Figure 6). For example, the COE share in GDI rose from 81 per cent in 1999 to 87 per cent in 2024.

Compensation of employees has been the main driver of income growth since the early 2000s

Figure 6: Contributions of GDI components to average annual growth rates, per household



Source: CSO and authors' calculations.

That being said, over 2023 to 2024, social transfers have contributed positively to household GDI growth, at levels not seen since prior to 2013.[8] Whilst the growth of COE dominated contributions to GDI growth over 2014 to 2019, the growth in non-labour income since 2020 and in transfers since 2023 are notable.[9] The growth

[8] Social transfers also had a large contribution in 2020 but these pandemic gains were largely and immediately offset by social transfer falls in 2021 and 2022.
[9] The share of transfers in aggregate GDI is trending down on average over the last 15 years.

in transfer income represents the impact of cost of living packages for households introduced by the government in successive budgets since 2022.

To consider the distributional pattern of income growth, we draw on microdata from the CSO's Survey on Income Living Conditions (SILC) and the CSO's Labour force Survey (LFS).[10] LFS is the official source of labour market data in Ireland and is collected quarterly. Respondent's employee earnings are then matched from administrative sources to provide a measure of gross employee income for those in employment.[11] This measure does not account for income apart from employment and does not account for taxes and transfers, but is useful for filling the gap where SILC 2023-2024 is not available.

Real weekly disposable income per household accrued progressively over at least 2013-2022 (Table 2). This has been driven by wage gains for those in the first four quintiles in particular and GDI growth for the bottom half more generally. This is consistent with findings in Roantree (2024), who notes the substantial work done by the tax-benefit system in Ireland to redistribute market income. Substantial employment gains over the last decade have also supported these income developments.

Table 2: Real average weekly household income growth by component and income quintile, 2013-2022

	Net disposable income	Employee income	Other market income	Social transfers	Taxes and social contributions
Q1	6.0%	73.2%	37.3%	0.7%	93.1%
Q2	4.7%	36.9%	26.5%	-3.9%	49.1%
Q3	4.7%	15.0%	16.4%	-4.6%	19.0%
Q4	3.8%	8.2%	8.8%	-5.8%	10.4%
Q5	2.8%	2.9%	19.4%	-7.1%	6.6%
All	3.8%	6.8%	17.6%	-4.3%	9.5%

Source: CSO and authors' calculations

Real disposable income growth is driven by rapid employee income growth at the bottom (matched by tax growth: highest for Q1 households and lowest for Q5 households). Non-labour income growth is volatile. Transfers remained stable for Q1 households and shrank progressively for the rest.

[10] SILC is the official income source in Ireland and is collected annually. In this survey, respondents are asked to report the income they have received from a range of sources including employment income, self-employment income, capital/investment income and benefits and pensions.
[11] Earnings information is reported only for LFS respondents who have worked a minimum of 12 weeks in the respective quarter, therefore it is taken as a measure of regular and consistent earnings not affected by temporary work. Data refer to employees only with no self-employed income data available. See Keenan 2024 for further details on LFS Earnings data.

Over 2022-2024 (where SILC data is not available), the LFS suggests this progressive real income growth pattern may have narrowed. In particular, the real wage contraction may have been stronger for lower wage households compared with higher wage households in 2022 and 2023.[12]

Table 3: Real average weekly household wage growth, 2022-2024

	Q1	Q2	Q3	Q4	Q5
2022	-7.0%	-4.9%	-4.7%	-4.8%	-3.3%
2023	-5.3%	-4.5%	-5.0%	-4.4%	-4.3%
2024	3.7%	1.6%	1.8%	2.4%	2.5%
Annual Average	-2.6%	-2.5%	-2.9%	-2.7%	-4.2%

Source: CSO and authors' calculations

Aside from observed market income growth, households also received substantial fiscal supports over 2022 to 2024. These included lump sum cash transfers, energy credits, mortgage interest relief, a new rent tax credit and double week social welfare payments. The package of supports were largely income measures intended to directly boost the disposable income of households. The gross fiscal cost of these cost of living supports is estimated to total around €3.1bn in 2022, €4.1bn in 2023 and €3.9bn in 2024. Many of these measures were not subject to tax and its estimated that approximately only one in three euros of the expenditure was targeted (QB4, 2024). Transfers to higher income households are more likely to have been (at least partially) saved as the propensity to spend out of additional income is falling across the income distribution.

These fiscal supports will have provided a further uplift to disposable incomes, offsetting some of the real wage falls (especially for lower wage households where fixed supports such as the energy credits or lump sum welfare payments represent a larger share of their disposable income). In addition, these measures are temporary and Ricardian responses may be encouraging households to choose to save these 'extra' payments. That is, when tax-benefit changes are understood to be temporary, positive impacts on income may be – at least partially - saved to offset the expected removal of fiscal support in the future (Checherita-Westphal and Stechert, 2021).

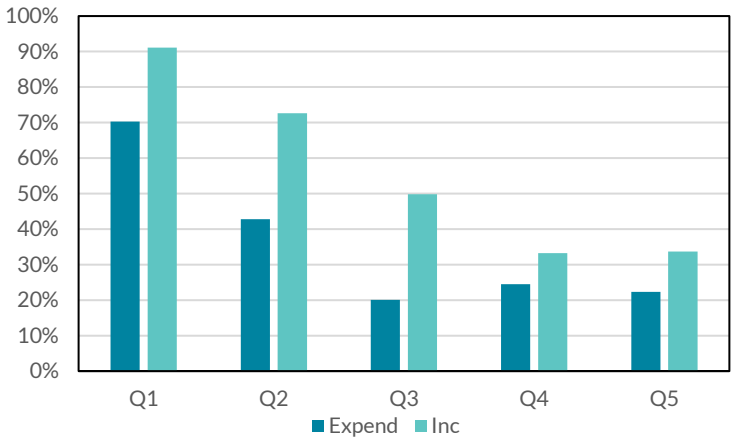
Importantly, microdata from the HBS also shows spending has grown progressively across the distribution – following the same growth pattern as income – but at a slower pace enabling higher saving (Figure 7).[13]

[12] Using spending basket specific deflators would likely exacerbate the real wage falls of lower wage households, due to the higher share of spending on goods and services experiencing the highest price rises during 2022-2023 (Boyd et al, 2023).

[13] The HBS is another CSO survey and comprises an interview and 14 day spending log-books from each member of a given sampled household that is aged 16 years and over. The collected data is

Household income growth has exceed household spending growth over the past two decades, enabling households across the income distribution to save more

Figure 7: Growth rate in spending and income across the income distribution, 2005-2023



Source: CSO and authors' calculations.
Note: In Figure 7 HBS 2005 and 2023 for spending. HBS income for 2005, SILC 2022 incomes for 2023.

Summing up, progressive growth in disposable income over the last two decades has resulted in a broad-based rise in standards of living. This has enabled households to save more of their incomes. This strong income growth is consistent with the pace of economic growth which has occurred in Ireland since 2013. This suggests a cyclical dimension to the higher household income growth. However, it is household preferences and behaviour which results in this higher income growth being saved rather than spent, as the permanent income hypothesis would otherwise predict. We next explore potential structural factors that are relevant and their effect on saving.

3.2 Demographic trends

The life-cycle hypothesis and the permanent income hypothesis provide foundational explanations for savings decisions. Broadly speaking, households smooth consumption over their lifetime in response to expected income changes – saving unexpected, temporary income gains and relying on savings to finance the reverse. Under this theory, younger households save, while older households run down their assets. This theory has implications for Ireland, given the population is ageing (Figure 8).

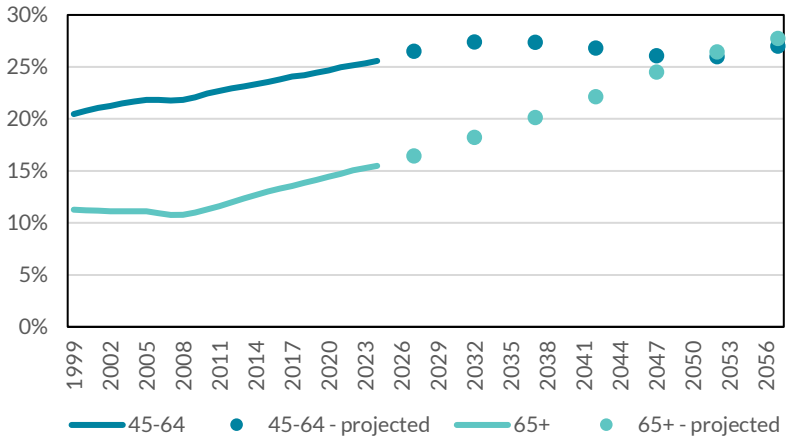
For instance those aged 45-64 accounted for one fifth of the total population of Ireland at the end of the 1990s, rising to one quarter 2024 and projected to rise another two percentage points by the end of the 2050s. While, those beyond

highly granular and a key input into defining the basket of goods used to determine and track inflation. Separate analysis by the Central Bank exploring spending dynamics using the new CES data suggests that this progressive spending pattern may have reversed, with spending rising at a faster rate for higher income households than lower income households over 2022-2024. Analysis is ongoing.

retirement age are projected to account for over one quarter of the population over the next 25 years.

The Irish population is ageing

Figure 8: Population aged 45-64 and 65+ as a share of total (%)



Source: CSO, Eurostat and authors' calculations.
Note: Projections from CSO's high migration (M1) scenario.

Population ageing is also observed in surveys such as the Household Finance & Consumption Survey (HFCS) which provides microdata to explore the level and distribution of income, spending and wealth at a household level at specific points in time.[14] In total, three waves of data are available for Ireland, collected in 2013, 2018 and 2020 by the Central Statistics Office (CSO).[15] Combining age and income characteristics, HFCS data shows that, in 2013, 15 per cent of Irish households were in the bottom 40 per cent of the distribution and headed by a 20-44 year old (Figure 9).

By 2020, the share had declined to 10 per cent. However, over that same period there was a 1 percentage point increase in households in every income quintile with a 45-54 years old household head and a five percentage point increase in the proportion of households located in the bottom 40 per cent headed by someone aged 60 years or older. This indicates a growing proportion of retirees, with households headed by those aged at least 60 increasingly located in the bottom 40 per cent of the income distribution.

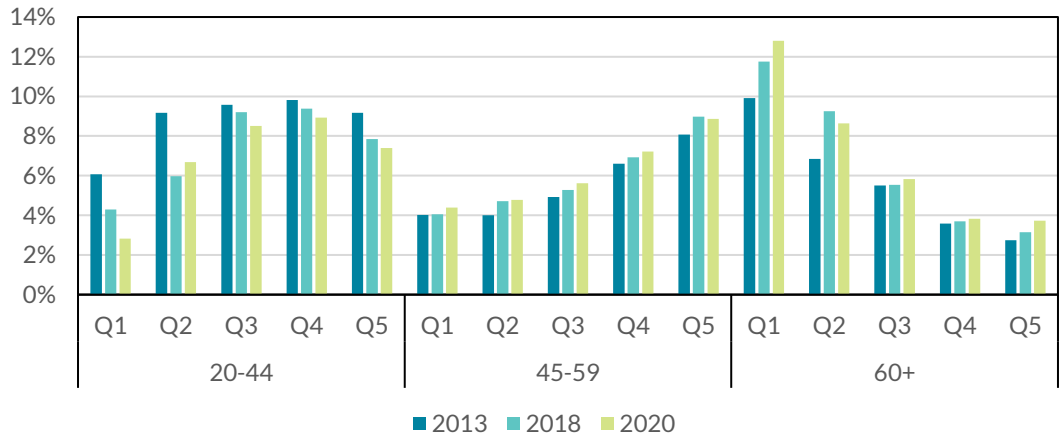
This demographic change over the period is relevant for savings as HFCS data also shows important differences in savings ability across these groups (Table 4). While the ability to save has increased over time for all groups, the largest improvement is observed for 45-59 year old headed households in the middle to top of the

[14] The HFCS collects granular and comparable information on households' balance sheets across the euro area as part of a Eurosystem project coordinated by the European Central Bank (ECB).
[15] Each wave provides a representative sample of the Irish population at that given point in time.

distribution. As a whole, the average saving rate of a household headed by a 45-59 year old experienced a 12 percentage point increase between 2013 and 2020. This is in contrast to an approximately 3 percentage point decline for young and older headed households on average.

The proportion of households headed by a 20-44 year old is declining

Figure 9: Age-Income population shares in Ireland over time (%)



Source: HFCS and authors' calculations.
Note: Distribution is calculated using gross household income.

While, income growth over the seven year period was fairly equitable, growth in wealth shows more variation. Younger households with higher incomes show the largest gains in median net wealth between 2013 and 2020, supported by a reduction in debt but also possibly a mechanical feature associated with this cohort reducing in size over 2013-2020. Older households experienced the next largest wealth gains at around 40 percent on average, supported by their high share of outright home ownership (78 per cent in 2020 compared to 31 per cent and 7 per cent for 45-59 year old and 20-44 year old headed households respectively).

Controlling for age, income and wealth simultaneously explains around 45 per cent of the variation in the savings rate in Ireland during 2020.[16] Under the lifecycle hypothesis, net wealth should peak at the point of retirement, with the accumulated savings then drawn upon during retirement. Population ageing is therefore important as, holding all else constant, it implies demographic change will push up the savings rate for those cohorts preparing to retire (Carroll, 1997). Adding to this upward trend is the fact that contrary to what the lifecycle hypothesis predicts, older cohorts save at only slightly lower rates than their working age cohorts. Survey data attributes this to strong bequest motives (Laitner and Ohlsson, 2001), which are discussed next.

[16] Regression results available on request.

Table 4: Share of Irish households with regular income greater than regular expenses, by household characteristic

	Able to save (%)		Average saving rate (%)		Median net wealth (€)	
	2013	*2020*	*2013*	*2020*	*2013*	*2020*
Income						
Q1	20.4	40.1	-49.8	-22.3	74,974	112,332
Q2	25.2	43.9	17.9	13.8	52,650	145,944
Q3	30.1	49	35.9	32.4	84,858	136,072
Q4	39.9	63.3	53	48	115,878	205,014
Q5	48	69.2	66.2	62.2	217,613	407,573
Age						
20-44	33.2	55.7	27.1	29.1	9,096	53,793
45-59	29.6	53.4	25.2	32.3	171,399	243,081
60+	34.9	50.3	20.4	19.7	206,735	304,974
Tenure						
Own outright	37.5	55.3	21.2	26.4	251,314	365,185
Mortgaged	29.9	59.3	41.6	43.8	92,755	232,455
Renter/other	30	44	9.6	10.3	3,680	5,507
All	32.7	53.1	24.7	26.8	105,783	193,455

Source: HFCS and authors' calculations. Income refers to the quantile position of the household in the gross household income distribution. Age is based on the age of the reference person.

3.3 Precautionary and bequest motives

It is important to consider the reasons households save. Two of the most important discussed in the literature are precautionary and bequest motives. Precautionary motives capture preparing for unexpected spending or periods of reduced income. It includes saving for old age when the individual is no longer working.[17] Bequest motives describe households wanting to save in order to make inter-generational transfers via gifts and inheritances. However, investment in children's education is another important form of intergenerational wealth transfers (Becker and Tomes, 1979).

The HFCS can provide insight into the extent to which different motives drive saving behaviour. The survey asks households that are able to save what their main reasons for saving are.[18] In 2020, precautionary motives for the most common reasons for saving, with 60 per cent of Irish households reported one of their main reasons for saving was for unexpected events and 38 per cent for old age. This compares to 53 per cent and 31 per cent respectively in 2013.

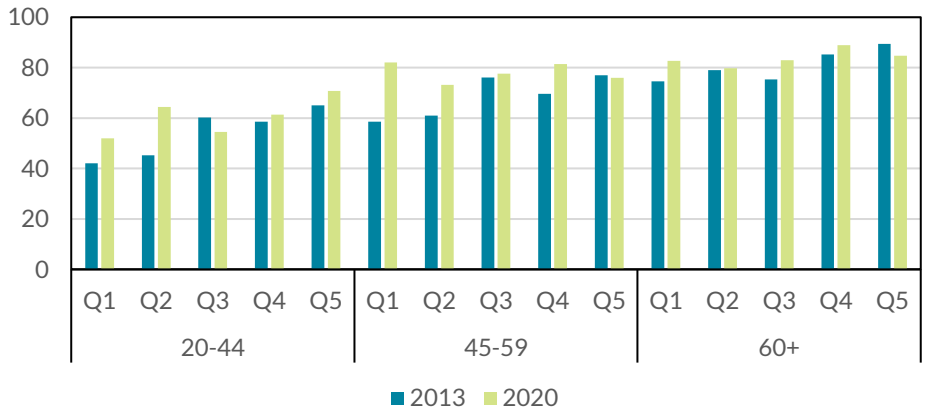
Combining both of these reasons into a single measure of precautionary motives, the HFCS data shows this motive increases over age, income and time (Figure 10).

[17] Jappelli and Pistaferri (2025) shows that target precautionary or "buffer stock" savings are shown to increase in both income and wealth.
[18] In HFCS 2020, this was around 53 per cent of households.

This preference for precautionary saving in order to manage uncertainty is observed in cross-country analysis (Carroll, 1997) and the findings are consistent with previous analysis by Boyd, McCann, McGeever & McIndoe-Calder, (2024) who find saving for an unexpected event is the most commonly reported main reason to save for the average household in all income quintiles.

Households show an increasing preference to save for precautionary purposes

Figure 10: Share of Irish households who can save reporting their main reason to save is for old age or unexpected events – by age-income cohort over time (%, 2013-2020)[1]



Source: HFCS and authors' calculations.

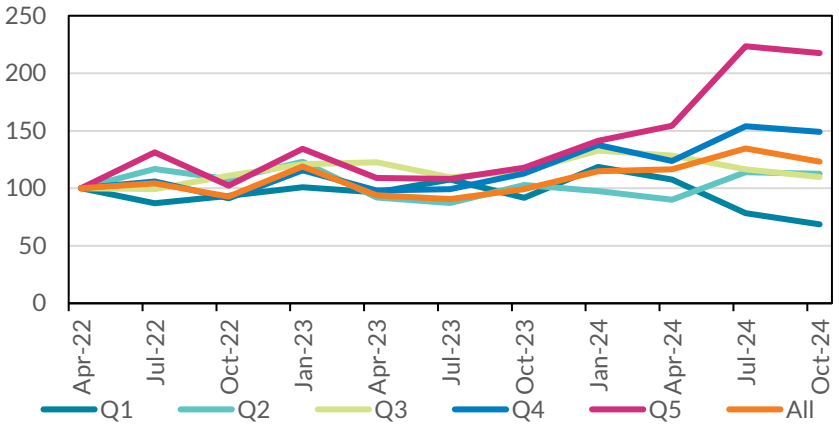
Further evidence of the importance of this motive is also available via a separate pandemic module in the HFCS which asked households whether they increased their savings specifically during March to June 2020 and if so, what they planned on using the savings for. Analysis of this module for Ireland shows the most commonly reported planned use for the additional savings (around 40 per cent) was to save for a "rainy day". When households face higher uncertainty about their future income, they are incentivised to save more to "buffer" against transitory income shocks (Carroll, 1997; Bayer et al, 2019).

Given the population is ageing, the importance of the precautionary motive is likely to increase. The increased uncertainty arising from geo-political events and heightened inflation in recent years may also be boosting the prevalence of this motive in the short-term. For example, survey evidence from the ECB's Consumer Expectations Survey (CES) indicates households' expectations of their precautionary saving needs over the next year and next five years are increasing over time (Figure 11).[19] The rise in expected savings for precautionary reasons is increasing in income, this is consistent with higher income households saving more both on average and out of additional income (Kennickell and Lusardi, 2005).

[19] The CES is collected on a monthly basis, with the primary purpose to capture the perceptions and expectations of euro area consumers about the economy.

Irish households expectations of how much they need to save more for precautionary purposes is increasing over time

Figure 11: Expected precautionary saving needs over the next 5 years – by income quintile (Index, April 2022=100)

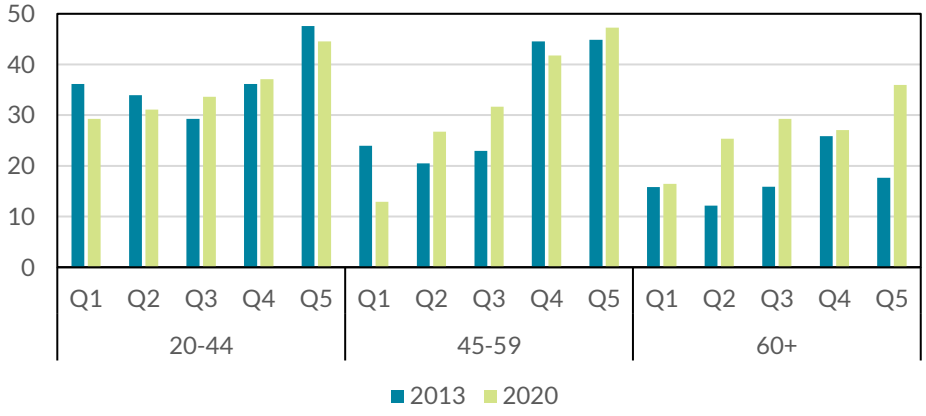


Source: CES and authors' calculations.
Note: Base=100=April 2022. Responses to CES respective questions winsorised at the 2nd and 98th percentile of the weighted distribution in each wave.

In relation to the bequest motive, around one third of Irish households in 2020 reported this was a main reason for saving. This share has been rising over time and appears broad based, in age and income (outside of the first income quintile which has seen a fall in these motives from 23 per cent in 2013 to 17 per cent in 2020). Higher income households are more likely to report saving for this reason, with a particularly large jump observed for older households located in the top fifth of the income distribution (Figure 12).

Between 2013 and 2020, there was an 8 percentage point increase in the proportion of older households reporting saving for bequest reasons

Figure 12: Share of Irish households who can save reporting their main reason to save is to leave an inheritance, make a gift or support children or grandchildren including through education provision – by age-income cohort over time (%, 2013-2020)



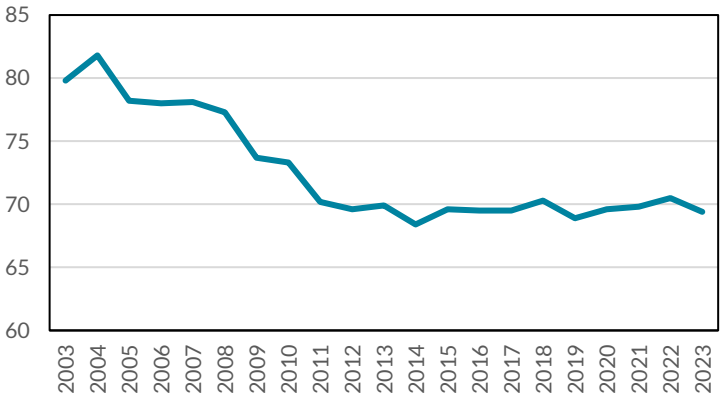
Source: HFCS and authors' calculations.

3.4 Homeownership trends

In Ireland, homeownership is lower today than two decades ago (Figure 13). The homeownership rate fell from 79.8 percent in 2003 to 69.4 per cent in 2023.[20] Yet, the home typically represents the largest asset of Irish households, accounting for around two thirds of the median Irish household's total assets (CSO, 2018).

Homeownership rate in Ireland declined between 2003 and 2013, stagnating in the following decade

Figure 13: Home ownership, share of Irish households (%)



Source: CSO, Eurostat and authors' calculations.

Given the large share of wealth held in housing assets in Ireland, housing market dynamics are particularly important determinant of savings dynamics in the Irish case. First, rising house prices have likely incentivised higher savings among younger households aiming to accumulate deposits for house purchases. Analysis of the same HFCS question on purpose for saving discussed above shows that the desire to buy a home motivates over 18 per cent of saving households in Ireland in 2020. However, for younger households (headed by someone aged 20-44 years old), saving to buy a main home is the second most common reason at over 40 per cent (not old age, unlike the other groups illustrated in Table 4). The intention to save for house purchase increased by 17 percentage points for this cohort between 2013 and 2020. A future purchase was also the primary planned use for any additional savings accrued during March to June 2020 amongst this age cohort (Figure 14). This suggests pent-up demand for housing could be driving increased saving behaviour of younger households.

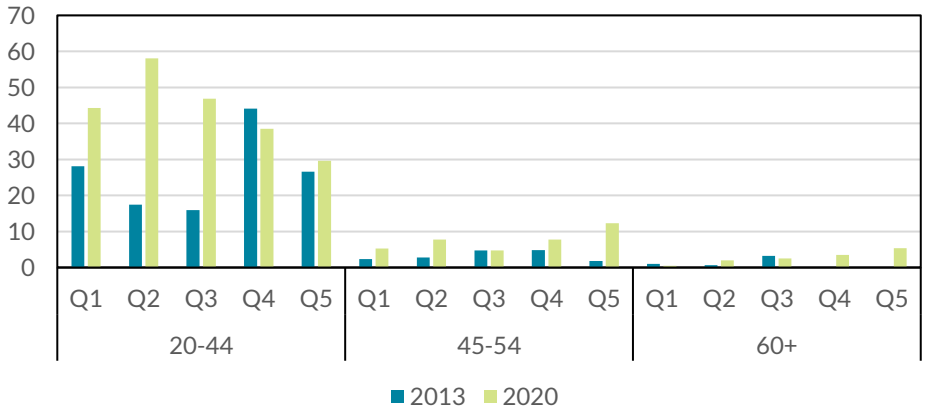
A second reason that housing dynamics are relevant for saving dynamics is that rising house prices also affect the rate of return on wealth, potentially reinforcing savings among homeowners seeking to build further assets. Third, if house price inflation outpaces wage growth, the share of income required for mortgage

[20] Eurostat – Distribution of population by tenure status, type of household and income group.

repayments increases for cohorts who have used mortgages to purchase homes recently, mechanically increasing the aggregate savings ratio.

Between 2013 and 2020, the proportion of young, saving households whose main reasons for saving was to buy a home rose by 17 percentage points

Figure 14: Share of Irish households who can save reporting their main reason to save is to buy a house – by age-income cohort over time (%, 2013-2020)



Source: HFCS and authors' calculations.

In sum, the descriptive evidence in this section suggests that strong economic growth over the past decade, and in turn strong income growth, has supported the savings rate. This explains *how* the savings rate has increased. *Why* households are saving more out of income is explained by structural factors including changes in demographics and preferences for precautionary and bequest motives which seem to be increasingly important over the period since the early 2000s.

4. Distribution of household savings

The positive net flow of household investments cumulates over time into stocks of household wealth. The increased share of households able to save, as well as the aggregate household investment flows and stocks over the same time period, suggest not just higher household wealth in aggregate but also a broadening of the share of households holding positive net wealth. It is also possible that the composition of household wealth has changed; that households are allocating their savings differently today than previously and that the cyclical and structural drivers identified in the previous section could be relevant here too.

Housing has historically been the most important asset held by households, with a large proportion of saving flows directed to housing deposits and mortgage repayments. However, comparing net housing wealth to the stock of financial wealth held by households shows the share of net wealth held as housing has falling from 56 per cent in the first part of the 2000s to 53 per cent during the post-pandemic period (2023-2024). With the remaining 46 per cent held in financial

assets (Figure 15). The relative rebalancing from housing wealth to financial wealth in household portfolios is consistent with the declining participation in home ownership over the same period discussed above. However, the principal dwelling home (PDH) remains the key asset of Irish households. (Figure 16). Despite rising wealth, income and savings rates, housing wealth continues to dominate and household wealth.

Financial assets as a share of total household net wealth rising marginally but the home remains the key asset of Irish households

Figure 15: Household net wealth, real € bn

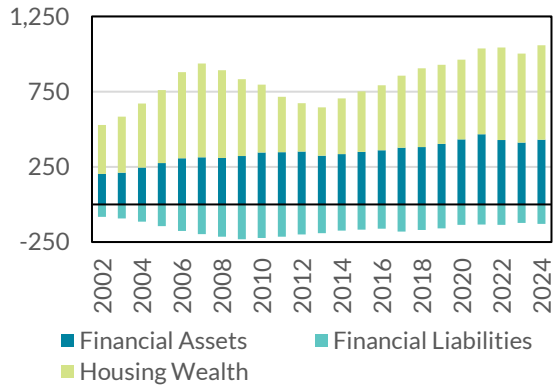
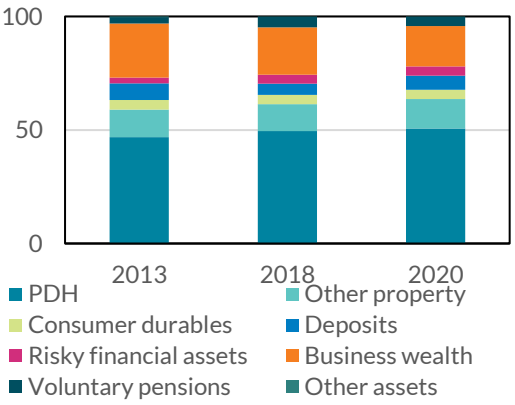


Figure 16: Share of different assets in gross total wealth (%, 2013-2020)



Source: Central Bank of Ireland, Eurostat and authors' calculations.
Note: Wealth components deflated using Personal Consumption Deflator to constant 2019 prices.
PDH = Principal Dwelling Home; Consumer durables include vehicles and jewellery; Deposits refer to cash held in current or savings accounts; Riskier financial assets include shares, bonds, mutual funds and managed accounts.

To explore further developments in the portfolio choice of Irish households, the following three tables provide breakdowns relating to the household balance sheet across different household statistics. Table 5 presents developments in participation of different assets over 2013-2020. Conditional on positive participation (i.e. the household holding the asset), Table 6 presents the median value of different assets. Finally, Table 7 presents the share of different assets in total gross wealth of households over 2013-2020.

Beginning with participation, the most recent (2020) HFCS shows around 93 per cent of households hold some form of real assets with a median gross value of €251,000.[21] Participation is slightly higher in financial assets, where almost 97 per cent of Irish households hold savings in a bank account. In contrast, participation in *Riskier Financial Assets* (defined as shares, bonds, mutual funds or managed accounts) is much lower at 22 per cent, while only 16 per cent of Irish households hold a voluntary pension.

[21] Real assets include housing, other property, valuables and self-employment business wealth, vehicles are excluded for this analysis of investment behaviour.

Table 5: Share of Irish households holding different assets, by characteristic (%, 2013-2020)

	2013					2020				
	Housing and real assets	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*	*Housing and real assets*	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*
Income										
Q1	81.1	86.1	7.6	3.8	6.2	85.7	90.7	11.6	2.9	3.1
Q2	81.3	89.3	8.9	4.3	4.7	88.5	93.6	16.8	6.0	3.4
Q3	88.4	95.4	11.7	8.0	5.0	91.7	99.0	18.5	14.9	7.6
Q4	93.9	98.8	20.0	13.7	7.0	97.8	99.9	23.5	22.3	6.7
Q5	99.0	99.7	41.9	20.3	7.9	99.3	99.9	39.5	31.6	6.5
Age										
20-44	82.8	95.2	15.6	8.8	8.4	89.5	97.9	17.5	16.3	7.2
45-59	92.6	93.1	20.9	16.1	5.1	93.2	97.1	24.4	24.8	4.6
60+	94.1	92.5	18.8	6.0	3.8	95.1	95.0	24.2	6.6	4.5
Tenure										
Own outright	100.0	94.8	21.5	10.7	4.1	100.0	96.7	28.0	12.3	5.3
Mortgaged	100.0	97.5	23.3	15.2	4.1	100.0	99.8	26.9	28.8	4.4
Renter/ other	61.8	88.5	7.6	3.1	11.1	75.6	93.4	9.2	6.4	6.7
All	88.7	93.9	18.0	10.0	6.2	95.3	96.6	22.0	15.5	5.5

Source: HFCS and authors' calculations

Note: Age refers to age of corresponding adult. Income refers to position in the gross household income distribution. Riskier financial assets include shares, bonds, mutual funds and managed accounts. Other financial assets include non-self-employment business wealth, and relatively newer – or less traditional – financial asset classes such as cryptocurrency. Housing and real assets includes land, other property, valuables and self-employment business wealth, vehicles are excluded. Assets are recorded in gross values (i.e. not net of debt).

However, over time, holding financial assets beyond deposits has been a growing preference of Irish households. Between HFCS 2013 and 2020, there was a 4 percentage point (pp) increase in overall participation in riskier financial assets. Notably strong gains were observed for households who own outright (+6.6pp) as well as those located in the second and third income quintiles (+8.0pp and +6.8pp respectively) and those with an older household head (+5.5pp). These findings are consistent with Boyd, McCann, McGeever & McIndoe-Calder (2024) who document increased preference for saving into riskier financial assets and a positive, monotonic relationship between income and participation of the same.

There is also a positive relationship between income and participation in *Voluntary Pensions*. Higher income households also have a higher share of their overall wealth held in these assets. Unsurprisingly, older households are also more likely than younger households to hold voluntary pensions, although participation peaks for those households headed by a reference person who is aged 45 to 59 years old. Averaging across households, around one in every four euros of all financial assets are held as voluntary pension assets. This increases from just under a one in 10 in the first income quintile to one in three euros in the top income quintile.

Table 6: Conditional median value held in different assets by Irish households, by characteristic (€, 2013-2020)

	2013					2020				
	Housing and real assets	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*	*Housing and real assets*	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*
Income										
Q1	110,410	2,103	3,155	29,443	2,103	146,000	4,000	3,000	18,700	2,000
Q2	126,183	2,103	3,155	35,489	999	182,184	6,000	2,300	24,000	1,100
Q3	159,306	3,155	3,943	31,546	2,629	204,000	7,091	10,000	29,000	1,500
Q4	192,429	5,783	6,572	46,267	2,050	277,000	10,600	5,893	30,000	5,000
Q5	300,999	15,773	10,552	62,530	3,155	460,000	21,000	15,778	49,168	10,000
Age										
20-44	141,956	2,944	4,206	29,443	999	162,000	6,500	3,000	19,237	1,500
45-59	216,614	5,205	9,201	55,738	6,309	295,626	8,200	11,500	51,937	10,000
60+	189,800	8,938	11,381	55,738	10,515	285,000	12,000	15,000	65,366	6,000
Tenure										
Own outright	210,305	10,515	15,289	55,738	8,412	307,000	15,000	20,000	62,029	10,000
Mortgaged	214,248	4,206	4,206	38,696	6,309	335,000	10,001	5,951	32,631	7,000
Renter/ other	2,103	1,262	3,155	29,443	946	2,000	3,102	1,867	10,000	1,200
All	178,759	4,732	6,309	47,003	2,103	251,000	8,700	9,000	34,031	4,000

Source: HFCS and authors' calculations

Note: Age refers to age of corresponding adult. Income refers to position in the gross household income distribution. Riskier financial assets include shares, bonds, mutual funds and managed accounts. Other financial assets include non-self-employment business wealth, and relatively newer – or less traditional – financial asset classes such as cryptocurrency. Housing and real assets includes land, other property, valuables and self-employment business wealth, vehicles are excluded. Assets are recorded in gross values (i.e. not net of debt).

Over 2013 to 2020, double digit gains in the share of households with voluntary pensions is observed for households at the top of the income distribution and those who own with a mortgage, while those headed by a reference person aged 45-59 years show an almost 9pp increase and a 2pp increase in the share of total wealth held in voluntary pensions. The only group in Table 6 to show a decline in voluntary pension participation are households at the bottom of the income distribution. As a result of these strong participation gains, the overall conditional median value of voluntary pensions declined from around €47,000 in 2013 to €34,000 in 2020. Although, given the presence of the pandemic in 2020, some of this decline in value could reflect temporary valuation falls in response to this shock.

Compared to homeowners, renters have the lowest participation rates in all categories presented in Table 5, with the exception of *Other Financial Assets* (which includes money owed by family and friends and complex products such as options, futures, commodities or cryptocurrency). Younger households also appear slightly more likely to have savings in these than households headed by older reference person, but both the participation rate and share of total wealth in other financial assets is largely unchanged between 2013 and 2020.

Table 7: Share of Irish households gross *total* wealth held in different assets, by characteristic (%, 2013-2020)

	2013					2020				
	Housing and real assets	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*	*Housing and real assets*	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*
Income										
Q1	91.2	6.3	1.0	0.9	0.6	91.8	5.7	1.4	0.7	0.1
Q2	90.6	6.5	1.1	1.3	0.2	87.4	7.6	2.9	1.6	0.1
Q3	90.7	5.8	1.3	1.7	0.2	81.8	8.4	4.3	4.5	0.5
Q4	89.2	6.0	1.7	3.1	0.2	88.1	5.5	2.4	3.2	0.3
Q5	83.1	7.9	4.2	3.7	0.6	82.6	5.2	5.5	5.7	0.4
Age										
20-44	89.0	6.6	1.6	2.3	0.4	88.1	5.9	1.5	3.5	0.5
45-59	88.5	4.9	2.0	4.0	0.5	83.6	5.2	4.4	6.1	0.4
60+	84.4	9.1	4.0	1.7	0.3	84.7	7.0	5.1	2.5	0.3
Tenure										
Own outright	85.2	8.3	3.6	2.3	0.4	84.0	6.9	5.2	3.5	0.3
Mortgaged	91.3	3.7	1.3	3.2	0.4	88.0	3.6	2.6	4.8	0.4
Renter/ other	73.0	18.8	2.5	3.1	0.8	60.7	25.9	3.1	4.7	1.4
All	87.1	6.9	2.6	2.7	0.4	85.0	6.1	4.1	4.1	0.4

Source: HFCS and authors' calculations

Note: Age refers to age of corresponding adult. Income refers to position in the gross household income distribution. Riskier financial assets include shares, bonds, mutual funds and managed accounts. Other financial assets include non-self-employment business wealth, and relatively newer – or less traditional – financial asset classes such as cryptocurrency. Housing and real assets includes land, other property, valuables and self-employment business wealth, vehicles are excluded. Assets are recorded in gross values (i.e. not net of debt).

Deposits are held by close to all households, they make up just over two fifths of household financial assets by total value. Deposits as a share of total asset holdings is falling in income, while a U-shape pattern is observed for age. Renters hold a substantially higher share of wealth in deposits. For this group of households, over one in every four euros of savings is held in deposits in 2020; up from one in five in 2013. These households may be holding a higher level of liquid savings in order to acquire housing, as house prices increase and lending standards remain contained reflecting current levels of risk appetite on behalf of mortgage lenders and the existence since 2015 of the macroprudential mortgage lending rules (Boyd, McCann, McGeever & McIndoe-Calder, 2024).

However, all households show strong gains in the median value of deposits over the seven year period. This is likely driven in part by pandemic restrictions at the time of the survey constraining consumption, enabling households to build up cash balances. Despite this, deposits as a share of total financial wealth declined across each of the income, age and tenure distributions in turn between 2013 and 2020. In its place, the share of total financial wealth held in riskier financial assets was up across the income distribution by between 5 and 11pp as well as around 8pp of homeowners. The only groups to show declines in the share are renters (-1.3pp) and households headed by a reference person aged 20-44 years old (-1.0pp).

Looking at the age-income profiles generated in the previous section, we see evidence of important variation in holdings of non-deposit financial wealth by age (Table A.1 in Appendix). Younger households, particularly those lower down the income distribution are less likely to hold real assets in 2020 than 2013. In contrast, participation in non-deposit financial assets rose for all profiles, except for the average first income quintile headed by a 20-59 year old. The notably strong participation gains for the average 45-59 year old in the middle of the income distribution possibly reflects the lifecycle position of these households as they direct savings to riskier assets in order to save for retirement. This is also illustrated by the notably large gains between 2013 and 2020 in the share of wealth held as voluntary pensions for 45-59 year old headed households located in the second and third income quintiles.

Controlling for income, older households generally show the lowest participation gains, while the distribution of their savings is more stable, albeit with broad-based declines in the share of wealth held as deposits. This may be consistent with wealth decumulation as these households retire. It is also empirically well established that those in retirement have only marginally lower savings rates compared to those of working age (Carroll, 2006). Whilst this may be inconsistent with the standard permanent income and life-cycle hypotheses, it is consistent with buffer stock saving behaviour and changing preferences, including bequest motives, for example. Further, the financial wealth patterns in Table A.2 are consistent with buffer stock and preferences for bequests for older cohorts also. This suggests the structural factors outlined in the previous section are not only relevant for explaining saving rate dynamics but also have implications for the distribution of household wealth.

Evidence in this section suggests that precautionary, bequest and demographic factors are relevant not only for the flow of savings (Section 3), but also for the distribution of savings stocks. For example, as older households preparing for retirement are more likely to save in voluntary pensions while younger households are motivated to save in deposits to meet unmet housing demand. In addition, we show here that households have an increasing preference for financial assets over time. This is consistent with the QFA data. HFCS data suggests different reasons depending on household characteristics for increased participation and value of financial assets: deposits for younger and renter households, riskier financial assets and private pensions for home owners and higher income households.

5. Outlook and policy implications

Together, the microdata from household surveys indicates an improved ability amongst households to save over time. This is a positive development. Assigning

households to one of four groups according to their joint income-consumption-wealth (YCW) distribution, we observe a clear movement of Irish households up the joint YCW distribution over time (Table 8).[22] Between 2013 and 2020, households in a position to save out of monthly income increased from one in three to over one in two. Those in a more precarious financial position and therefore unable to save fell from over one in four households to around one in 20 households. Even before the pandemic, fully 75 per cent of households were able to meet their monthly spending requirements and also had buffers to draw on to support additional unforeseen spending needs. This share rose to 85 per cent in 2020. It is worth noting an additional 41 per cent of households in 2020 held wealth but reported that they were not increasing these stocks of wealth with savings out of income.

Table 8: Share of households across the joint income, wealth and consumption distribution over waves of the HFCS, %

	2013	2018	2020
Precarious limited buffers	26.6	6.7	5.7
Precarious, illiquid buffers	16.0	17.4	8.5
Affluent, not savers	24.6	34.5	32.5
Affluent, savers	32.7	40.0	53.1
All	100.0	100.0	100.0

Source: Arrigoni at al (2022)

Note: "Precarious, limited buffers": Households who cannot meet regular spending out of income (self-reported), savings or other wealth. "Precarious, illiquid assets": Households who cannot meet regular spending out of income or savings, but do have other wealth. "Affluent, not savers": Households who may not meet regular spending with income, but have savings of at least one month of regular spending. "Affluent, savers": Households who can meet regular spending with income and can also save.

Improved ability to save enables households to build up buffer stocks of savings which they can draw upon to smooth consumption (Modigliani & Brumber, 1954) or respond to income shocks (Gjertson, 2016). This improves the overall resilience of the household sector. For example, HFCS data shows using savings was the second most frequently reported compensation strategy by euro-area households in response to experiencing income losses during the an unexpected economic shock of the pandemic (HFCN, 2023).[23] Not only can more households save, but the analysis in this *Article* indicates households are saving at higher rates today than a decade ago. Looking ahead, CES data indicates Irish households demonstrate a continued increased preference for saving since 2022 (Figure 17).

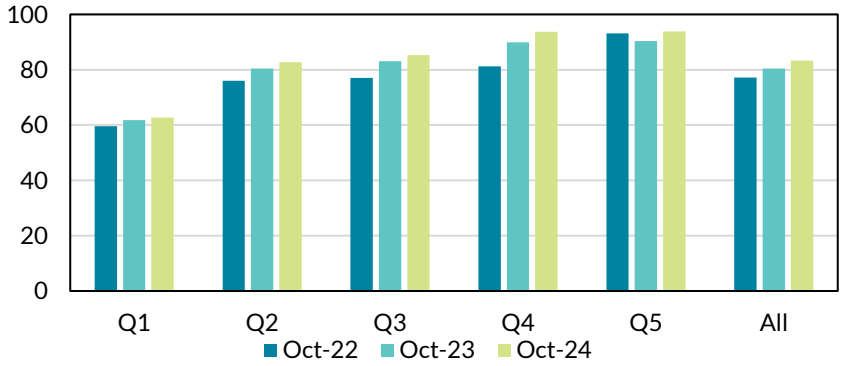
It is possible that "sticky expectations" at play, where inattentive households have a lagged savings response to consistently higher incomes (Carroll and Slacalek, 2006). The implication being that household spending decisions will eventually catch-up to income growth, all else equal. Although, given households have been

[22] Arrigoni et al (2022) previously showed was important for understanding household behaviour.
[23] The unexpected income shock in this analysis was the pandemic and the most commonly reported compensation strategy was to reduce spending (HFCN, 2023).

saving at notably higher rate since 2017 (and experienced a pandemic spike in saving), they may have adjusted to a higher saving level and empirical evidence indicates habit formation is important to household savings outcomes too (Carroll, 2006).

The proportion of Irish households planning to save over the next year is growing over time

Figure 17: Share of households who report they plan to save in the next 12 months (%)



Source: ECB CES and authors' calculations.

Growth in real GDI per household is expected to moderate, with earnings playing an increasingly prominent role as temporary government transfers to households are expected to tail off (see Earnings Section in the *Quarterly Bulletin* for more detail). However, even if future income growth is not as strong as observed in recent years, the ageing of the population and the associated increased preference to save for precautionary and intergenerational transfer purposes is expected to exert upward pressure on the saving rate. Unmet housing demand may also be encouraging higher saving flows, which could take some time to unwind. The evidence therefore suggests that the saving rate is likely to remain at a higher level in the future than observed over the previous two decades.

Another key finding from this analysis is that households are also saving into more risky asset classes. A higher preference for less liquid assets with more volatile values and returns implies that an increasing share of households have reached a desired level of "safe" assets, or desired "buffer liquid savings stock" as commonly referred to in the literature (Carroll, 1997) and well established empirically. From a policy perspective, higher household saving in an open economy like Ireland may lead to reduced reliance on foreign capital to finance investments (Cavallo et al., 2018) and in turn improve current account balances. However, higher household saving implies less household spending which could reduce aggregate demand and indirect tax receipts (Boyd, McCann, McGeever & McIndoe-Calder, 2024).

The higher saving into voluntary pensions supports households' in their retirement. From a fiscal perspective, this should be welcomed as more individual preparation

for retirement should alleviate the potential future burden of the State supporting those same households. While HFCS data shows all age groups and tenure groups increased both their participation and share of financial wealth in voluntary pensions, we note gains were greatest for home owners. With housing constraints meaning homeownership is increasingly delayed, it is possible that retirement saving will in turn be delayed leaving households with fewer years to save and importantly, earn investment returns to build up pension wealth.

More generally, our analysis suggests housing market dynamics are possibly motivating younger households to save. The high share of assets held in deposits by renters but increasingly in more complex products, such as cryptocurrency suggest that progressing the Savings and Investments Union could support these households in facilitating savings choice. It would also increase the finance available to fund the necessary housing expansion in Ireland.

These savings developments also have implications for wealth inequality. Wealth is much more concentrated than income, reflecting the compounding effect of higher saving rates by wealthier (usually also higher income) households over time. We illustrate this concentration using the ECB's Distributional Wealth Accounts (DWA). The DWA uses HFCS data for household wealth participation and distribution information, augmented to account for very high wealthy households that survey data often struggles to capture. This household level data is then aggregated to match Quarterly Financial Account (QFA) aggregates.[24]

Household wealth is growing over time but there are differences in the returns of financial wealth across the distribution

Figure 18: Real net wealth across the wealth distribution, 2013-2024 (2013=100)

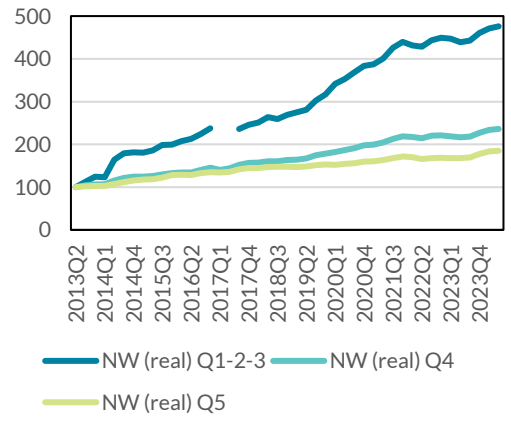
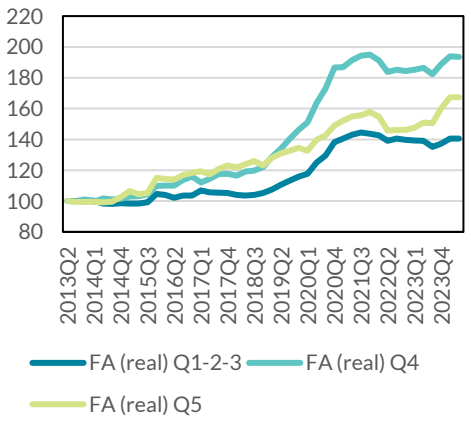


Figure 19: Real financial assets across the net wealth distribution, 2013-2024 (2013=100)



Source: European Central Bank Distributional Wealth Accounts and authors' calculations.

[24] The data is interpolated between and extrapolated beyond HFCS survey years – maintaining wealth participation at the household level and matching with QFA aggregates.

The DWA suggest that whilst the growth in net wealth has been progressive across the wealth distribution over 2013-2024 (Figure 18), the trend for the growth in financial wealth has been less so (Figure 19). The first three quintiles of the wealth distribution have experienced lower growth in financial wealth compared to that of higher wealth households. This is despite substantial and positive real financial wealth growth for all households over the 2013-2023 period and particularly so during the pandemic.

In summary, we provide evidence that the trend increase in the savings rate since 2017 (and the more gradual savings rate trend prior to this, from 2000) are consistent with both an increased propensity to save out of current income, due to changes in savings preferences including higher saving to buy property for younger cohorts and higher saving for bequests for older cohorts, and an increase in the share of relatively higher saving cohorts as the population ages.

6. Conclusion

In this Article, we draw on both micro and macro data to explore current saving trends in the Irish economy. We show that significantly more households are actively saving in Ireland today compared to a decade ago. Not only has the average propensity to save increased, but the composition of household savings has also undergone notable shifts, with an increasing preference for non-deposit financial assets. These trends appear to reflect deeper structural changes rather than temporary fluctuations.

The primary driver of the recent elevation in the savings rate has been strong and sustained income growth, underpinned by record employment levels and significant fiscal transfers aimed at mitigating the effects of heightened inflationary pressures. Whilst income growth explains *how* savings rate have increased, we demonstrate the *why* by exploring the role of structural factors shaping household saving behaviour. In particular, the ageing demographic profile of the population and associated shifts in saving motives have become increasingly prominent, reflecting growing precautionary saving and an intensified desire to accumulate wealth for retirement and for intergenerational transfers. Younger households have also increased their savings, citing housing as a reason. This dynamic has become a persistent feature of the Irish economy, suggesting that elevated savings levels among younger demographics will continue as long as housing supply constraints remain.

Our analysis also highlights the significant implications these evolving savings dynamics hold for the allocation of financial resources within the economy. With households increasingly directing savings into non-deposit financial assets, with implications for domestic investment, financial stability, and monetary policy transmission.

Looking ahead, the saving rate is likely to persist at a structurally higher level compared to historical averages. This has several implications. First, a sustained higher saving rate could support long-term investment growth if efficiently channelled into productive domestic investments. Second, it may also temper consumption-driven growth, potentially leading to lower aggregate demand.

Ultimately, the elevated saving rate reflects deeper, structural economic features of the economy, which are not expected to reverse in the near term. Understanding these trends and their implications will be essential for policymakers aiming to balance short-term economic policy with long-term sustainability and growth objectives.

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Appendix

Table A.1: Share of Irish households holding different assets, by characteristic (%, 2013-2020)

	2013					2020				
	Housing and real assets	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*	*Housing and real assets*	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*
Age-income										
Q1_20-44	67.3	88.0	5.8	3.8	9.8	97.4	65.2	4.9	2.2	2.5
Q2_20-44	70.6	90.2	5.8	2.9	7.2	88.4	80.3	13.8	5.0	4.3
Q3_20-44	81.5	95.7	8.0	7.4	6.7	83.4	87.9	10.7	13.4	8.8
Q4_20-44	90.6	99.6	17.1	10.9	10.4	88.8	97.5	20.4	20.6	9.8
Q5_20-44	98.1	99.8	38.5	17.0	8.2	87.7	99.4	30.1	30.0	6.6
Q1_45-59	85.1	81.5	7.3	6.2	7.3	89.4	81.1	5.5	7.1	3.3
Q2_45-59	80.9	82.1	6.8	10.6	3.1	88.2	88.1	15.8	12.2	4.9
Q3_45-59	91.8	94.4	8.8	12.9	3.9	81.4	92.0	19.8	25.6	6.8
Q4_45-59	96.3	97.8	19.4	18.0	3.3	88.2	97.4	22.2	28.8	2.2
Q5_45-59	99.7	99.7	43.2	24.3	7.1	82.0	99.3	42.9	36.6	5.5
Q1_60+	87.8	86.8	8.8	2.8	3.6	91.6	91.7	15.1	1.7	3.1
Q2_60+	95.8	92.4	14.1	2.4	2.5	86.9	95.1	19.8	3.5	1.8
Q3_60+	97.4	95.7	20.7	4.8	2.9	81.6	97.1	28.4	6.7	6.7
Q4_60+	98.7	98.4	28.8	13.2	4.7	87.9	99.5	33.2	14.0	8.1
Q5_60+	100.0	99.5	49.5	19.4	8.9	80.1	99.0	50.0	22.7	8.9

Source: HFCS and authors' calculations

Note: Age refers to age of corresponding adult. Income refers to position in the gross household income distribution Other financial assets include shares, bonds, mutual funds, non-self-employment business wealth, and relatively newer – or less traditional – financial asset classes such as cryptocurrency. Housing and real assets includes land, other property, valuables and self-employment business wealth (vehicles are excluded). Assets are recorded in gross values (i.e. not net of debt).

Table A.2: Conditional median value held in different assets by Irish households, by characteristic (€, 2013-2020)

	2013			2020		
	Housing and real assets	**Deposits**	**Non-deposit financial wealth**	**Housing and real assets**	**Deposits**	**Non-deposit financial wealth**
Age-income						
Q1_20-44	3,155	526	631	3,000	1,399	-
Q2_20-44	5,258	1,009	1,703	3,000	3,565	1,730
Q3_20-44	115,668	2,103	3,680	7,000	4,950	7,200
Q4_20-44	157,729	3,680	7,361	215,000	9,800	10,353
Q5_20-44	241,851	13,533	15,773	375,000	17,000	20,000
Q1_45-59	133,018	1,577	7,361	75,000	2,000	10,000
Q2_45-59	165,089	2,103	14,721	182,000	5,000	10,000
Q3_45-59	157,729	2,103	34,700	237,000	4,500	54,603
Q4_45-59	215,563	5,258	39,432	307,096	9,000	30,000
Q5_45-59	342,271	13,880	47,108	478,482	22,000	47,000
Q1_60+	137,750	5,258	11,381	180,000	5,500	5,192
Q2_60+	162,986	6,309	10,515	269,963	12,000	10,008
Q3_60+	231,335	10,515	34,939	355,000	22,846	29,088
Q4_60+	273,396	18,402	31,546	477,000	16,007	40,473
Q5_60+	509,990	42,948	71,504	713,000	32,000	60,000

Source: HFCS and authors' calculations

Note: Fewer categories than Table A.3 and some cells suppressed for statistical disclosure purposes.

Table A.3: Conditional median value held in different assets by Irish households, by characteristic (€, 2013-2020)

	2013					**2020**				
	Housing and real assets	***Deposit***	***Riskier financial assets***	***Voluntary pensions***	***Other financial wealth***	***Housing and real assets***	***Deposit***	***Riskier financial assets***	***Voluntary pensions***	***Other financial wealth***
Age-income										
Q1_20-44	3,155	526	-	-	499	3,000	1,399	-	-	-
Q2_20-44	5,258	1,009	-	-	841	3,000	3,565	-	-	-
Q3_20-44	115,668	2,103	1,052	11,567	894	7,000	4,950	2,500	10,000	
Q4_20-44	157,729	3,680	3,155	31,395	999	215,000	9,800	1,500	14,651	3,000
Q5_20-44	241,851	13,533	9,464	31,667	1,630	375,000	17,000	5,000	21,490	
Q1_45-59	133,018	1,577	-	-	6,309	75,000	2,000			
Q2_45-59	165,089	2,103	-	-	1,262	182,000	5,000	2,100	20,000	
Q3_45-59	157,729	2,103	3,891	-	15,773	237,000	4,500	13,500	57,197	-
Q4_45-59	215,563	5,258	7,361	-	6,309	307,096	9,000	5,000	50,000	-
Q5_45-59	342,271	13,880	11,567	78,864	7,361	478,482	22,000	20,000	65,405	15,000
Q1_60+	137,750	5,258	-	-	11,567	180,000	5,500	3,416	-	3,000
Q2_60+	162,986	6,309	-	-	5,258	269,963	12,000	5,000	-	
Q3_60+	231,335	10,515	-	-	3,155	355,000	22,846	25,000	45,700	15,000
Q4_60+	273,396	18,402	-	-	24,185	477,000	16,007	34,160	45,000	13,000
Q5_60+	509,990	42,948	21,030	-	16,824	713,000	32,000	20,000	141,093	5,000

Source: HFCS and authors' calculations

Note: Some cells suppressed for statistical disclosure purposes.

Table A.4: Share of Irish household gross *total* wealth in different assets, by characteristic (%, 2013-2020)

	2013			2020		
	Housing and real assets	*Deposits*	*Non-deposit financial wealth*	*Housing and real assets*	*Deposits*	*Non-deposit financial wealth*
Age-income						
Q1_20-44	92.6	4.9	2.2	92.4	2.0	0.9
Q2_20-44	90.4	6.8	2.4	84.8	8.4	2.0
Q3_20-44	93.0	4.9	2.0	86.1	9.1	6.5
Q4_20-44	90.8	5.2	3.8	90.7	6.6	4.0
Q5_20-44	85.7	8.0	5.7	87.2	5.0	7.0
Q1_45-59	92.2	4.7	2.8	90.3	6.1	4.7
Q2_45-59	94.4	2.5	3.0	92.1	5.7	6.0
Q3_45-59	90.9	4.0	4.9	87.0	4.8	13.2
Q4_45-59	90.5	4.2	5.1	88.3	4.9	6.7
Q5_45-59	85.5	5.7	8.3	81.5	5.2	12.8
Q1_60+	90.2	7.0	2.4	92.3	6.3	2.0
Q2_60+	88.7	8.4	2.4	87.5	8.2	4.6
Q3_60+	89.4	7.5	3.1	82.5	10.5	7.6
Q4_60+	84.0	9.5	6.2	78.2	5.2	6.5
Q5_60+	76.1	11.6	11.9	83.5	5.5	13.9

Source: HFCS and authors' calculations

Note: Fewer categories than Table A.5.

Table A.5: Share of Irish household gross *total* wealth in held in different assets, by characteristic (%, 2013-2020)

	2013					2020				
	Housing and real assets	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*	*Housing and real assets*	*Deposit*	*Riskier financial assets*	*Voluntary pensions*	*Other financial wealth*
Age-income										
Q1_20-44	92.6	4.9	0.3	1.4	0.4	92.4	2.0	0.4	0.4	0.0
Q2_20-44	90.4	6.8	0.4	1.8	0.1	84.8	8.4	0.3	1.7	0.1
Q3_20-44	93.0	4.9	0.5	1.3	0.2	86.1	9.1	0.9	5.4	0.3
Q4_20-44	90.8	5.2	0.9	2.8	0.2	90.7	6.6	0.9	2.8	0.3
Q5_20-44	85.7	8.0	2.6	2.6	0.6	87.2	5.0	2.3	4.0	0.7
Q1_45-59	92.2	4.7	0.4	1.8	0.6	90.3	6.1	1.4	3.1	0.2
Q2_45-59	94.4	2.5	0.4	2.5	0.1	92.1	5.7	2.7	3.0	0.4
Q3_45-59	90.9	4.0	0.8	3.5	0.6	87.0	4.8	3.9	8.5	0.8
Q4_45-59	90.5	4.2	0.9	4.1	0.1	88.3	4.9	2.1	4.5	0.1
Q5_45-59	85.5	5.7	3.1	4.5	0.7	81.5	5.2	5.7	6.7	0.4
Q1_60+	90.2	7.0	1.3	0.5	0.6	92.3	6.3	1.6	0.3	0.1
Q2_60+	88.7	8.4	1.8	0.4	0.2	87.5	8.2	3.6	1.0	0.0
Q3_60+	89.4	7.5	2.1	0.9	0.1	82.5	10.5	5.8	1.4	0.3
Q4_60+	84.0	9.5	4.0	2.0	0.2	78.2	5.2	4.0	2.0	0.6
Q5_60+	76.1	11.6	8.1	3.3	0.5	83.5	5.5	8.2	5.5	0.3

Source: HFCS and authors' calculations

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