

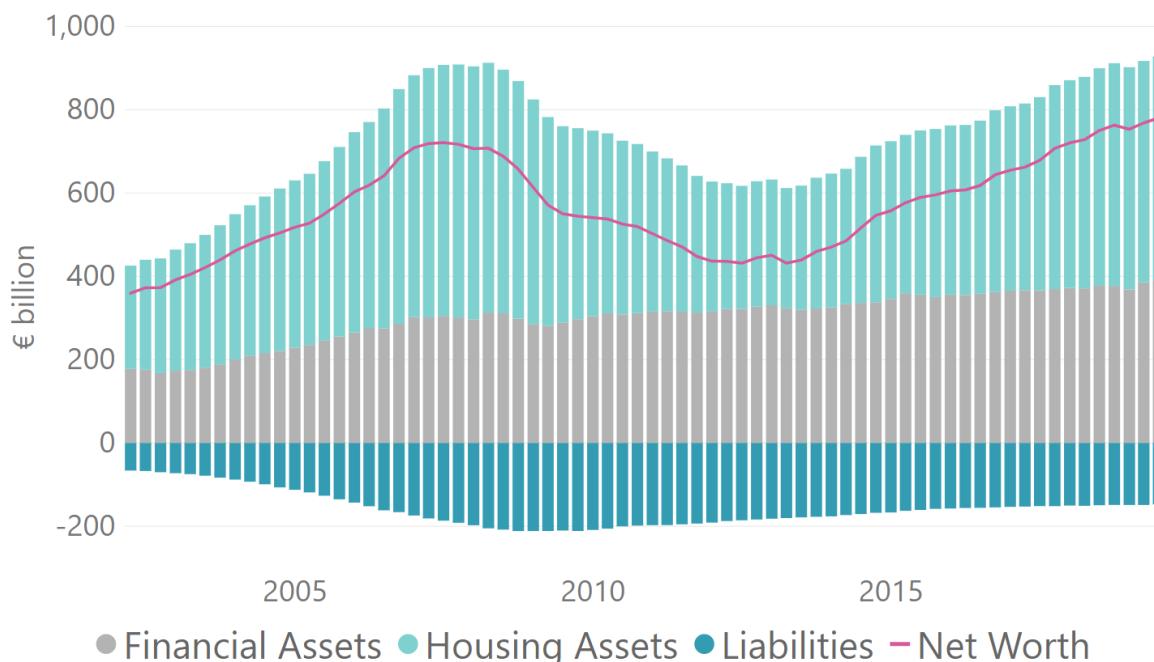


Quarterly Financial Accounts

Net lending by households at its highest level since Q4 2015

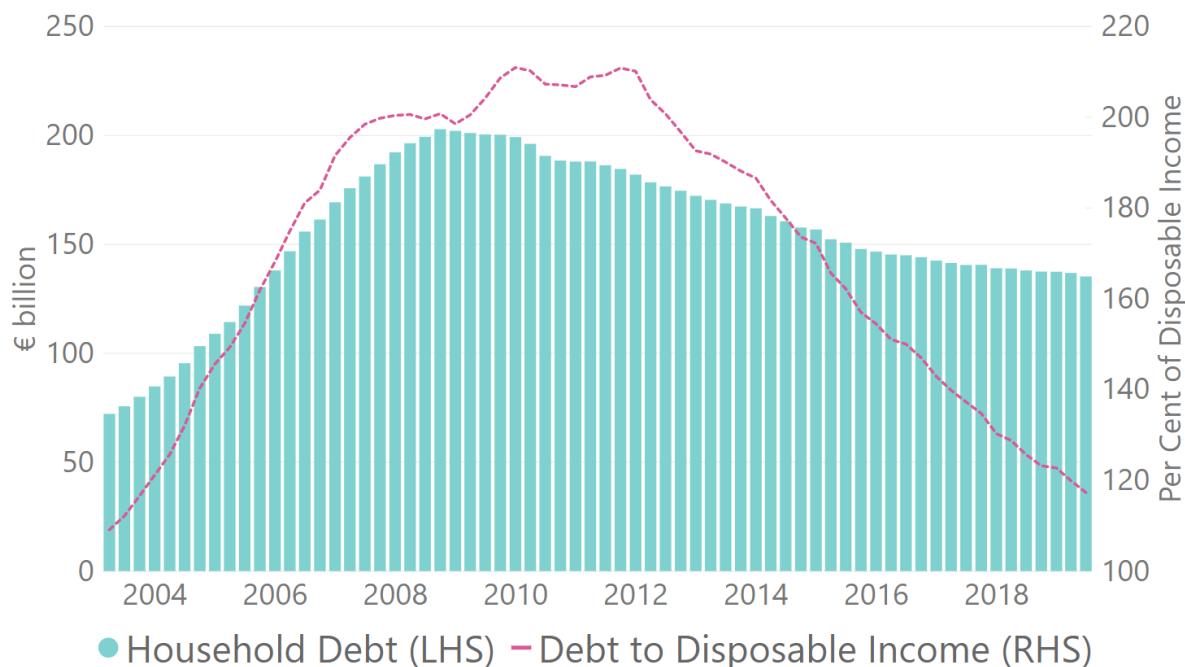
- ❖ Household net worth reached a new high of €780.4bn in Q2 2019, which equates to €158,574 per capita.
- ❖ Household debt continued to fall during Q2 2019, decreasing by €1.6bn.
- ❖ Government debt decreased by €1.3bn during Q2 2019, to stand at €233.3bn. The government sector became a net lender for the first time since Q4 2007.

Chart 1: Household Net Worth



Household net worth continued to rise in Q2 2019, increasing by 1.6 per cent, or €12.2bn (Chart 1). Household net worth has reached a new high of €780.4bn, which equates to €158,574 per capita. The increase over the quarter was driven by improvements in both households' financial assets and housing assets. Financial assets rose by €5bn, due primarily to increases in holdings of deposits and insurance technical reserves. Housing assets rose to €537bn, an increase of €5.6bn over the quarter, the highest it has been since Q4 2008. Household liabilities fell by €1.6bn during the quarter, mostly due to decreases in long-term loans.

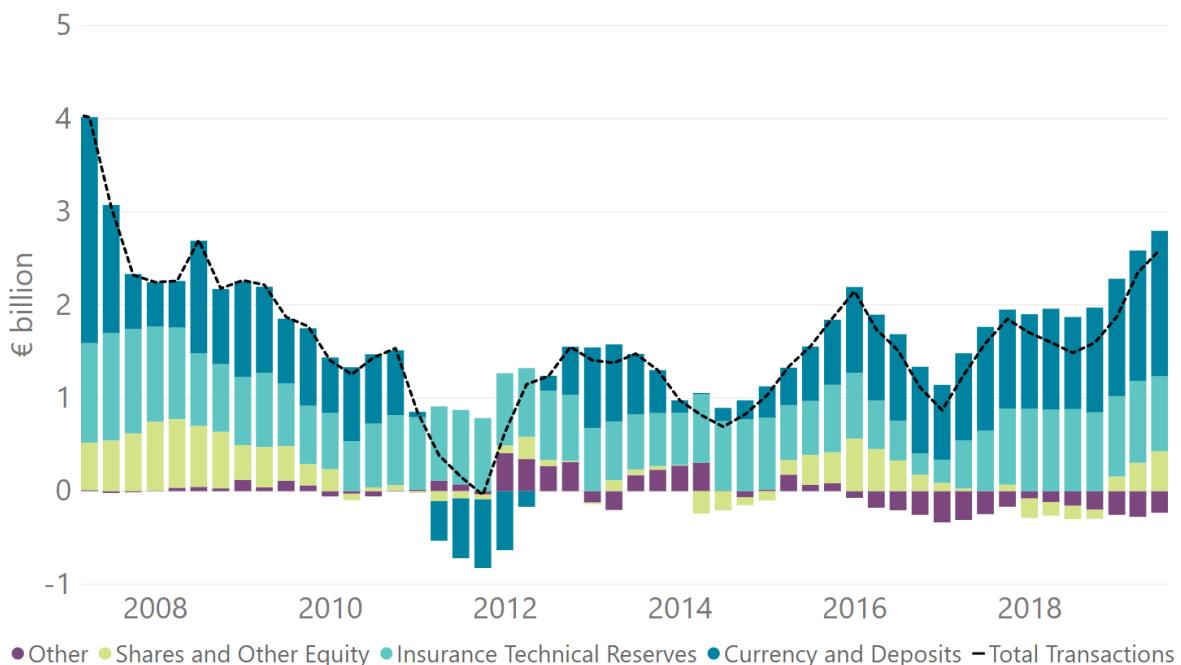
Chart 2: Household Debt



Household debt continued to fall during Q2 2019, decreasing by €1.6bn (Chart 2), to stand at €135.3bn, or €27,489 per capita. Household debt is at its lowest level since Q3 2005. Since its peak of €202.9bn in Q3 2008, household debt has decreased by 33.3 per cent, or €67.6bn.

Household debt as a proportion of disposable income fell by 2.6 percentage points, to stand at 117.3 per cent. The decline over the quarter was driven by an increase of 1.2 per cent in annualised disposable income, in addition to the decrease in debt.

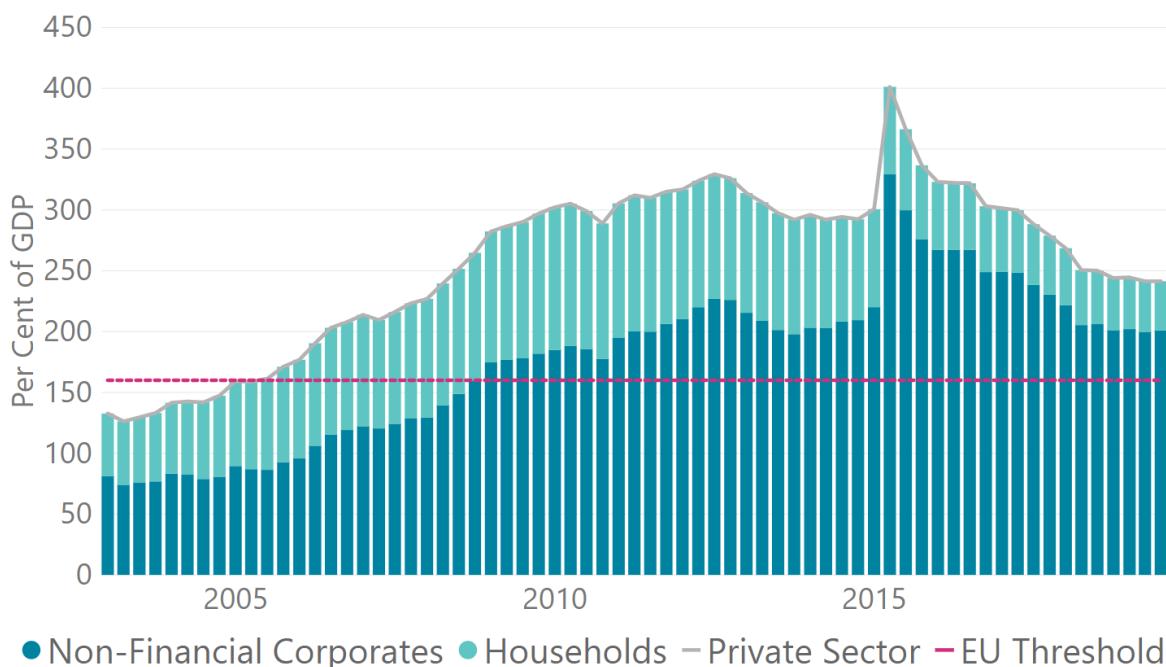
Chart 3: Household Investment in Financial Assets



● Other ● Shares and Other Equity ● Insurance Technical Reserves ● Currency and Deposits — Total Transactions

Household investment in financial assets increased by €242m during Q2 2019, to stand at €2.6bn (Chart 3). The majority of investment was in currency and deposits, amounting to €1.6bn, and in insurance technical reserves, amounting to €0.8bn. Household investment in deposits with Monetary Financial Institutions was at its highest level since 2007, standing at €1.4bn, while investment in shares and other equity reached €429m, its highest level since Q1 2016.

Chart 4: Private Sector Debt-to-GDP

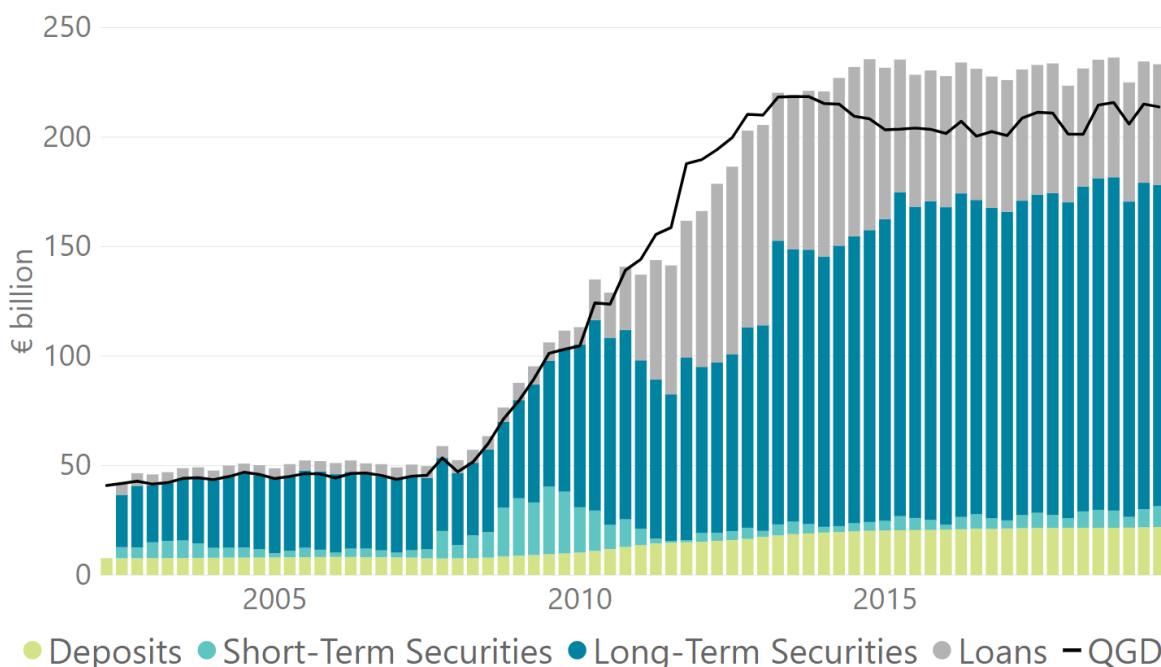


● Non-Financial Corporates ● Households — Private Sector — EU Threshold

Private sector debt as a proportion of GDP decreased by 0.1 percentage points to stand at 241.4 per cent in Q2 2019 (Chart 4). NFC debt increased by €15.8bn, while household debt fell by €1.6bn in Q2 2019. It should be noted that private sector debt in Ireland is significantly influenced by the presence of 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.

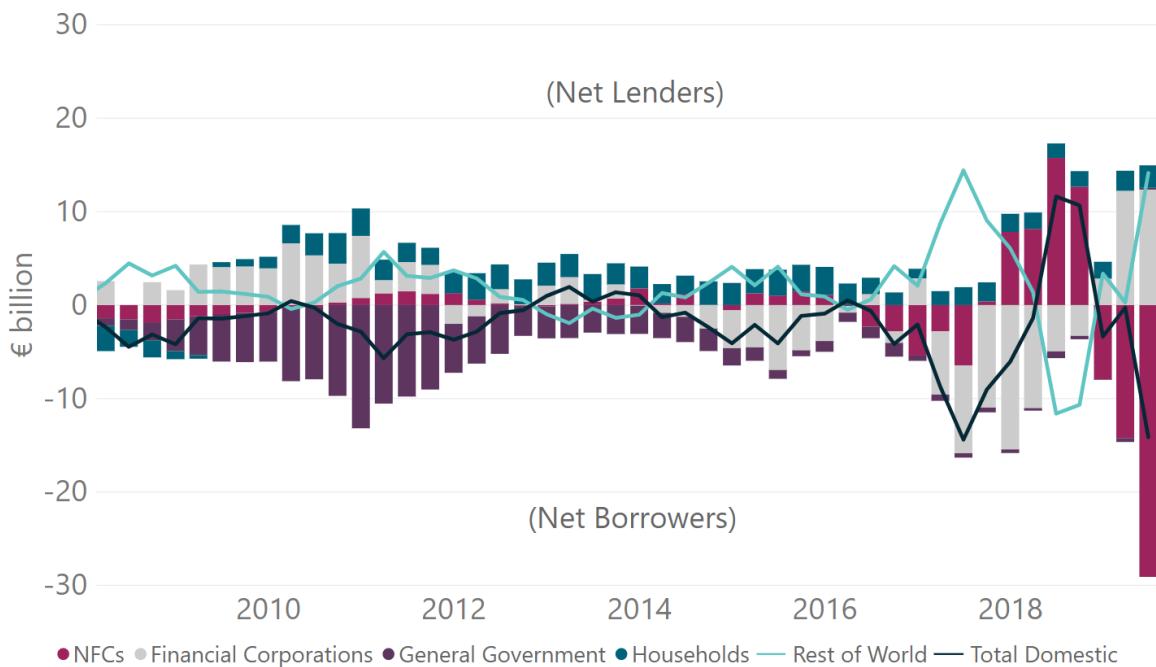
Private sector indebtedness forms part of the European Union (EU) Commission's scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt sustainability. However, this threshold does not take account of the large MNC sector in Ireland.

Chart 5: Government Debt



Government debt decreased by €1.3bn during Q2 2019, to stand at €233.3bn (Chart 5). This was largely due to net debt redemptions of €1.25bn during the quarter. Long-term securities and loans both decreased, by €2.4bn and €211m respectively, which was slightly offset by an increase in short-term securities of €1.2bn. This quarter also saw an increase in deposits of €150m. Government net financial worth decreased by €1.6bn during the quarter due to a decrease in financial assets of €2.2bn. Chart 5 also shows that Quarterly Government Debt (QGD), which is based on the Excessive Deficit Procedure (EDP) measure of debt, decreased by €1.3bn to stand at €213.8bn.

Chart 6: Net Lending/Borrowing



The domestic economy was a net borrower in Q2 2019, with net borrowing totalling €14.1bn, compared to €275m in the previous quarter (Chart 6). This fall was driven primarily by NFCs, as they decreased from a net borrowing position of €14.2bn last quarter to €29.1bn in this quarter. This increase in net borrowing by NFCs of €14.9bn relates to the financing activities of multinational corporations. Financial corporates increased their net lending position from €12.2bn to €12.4bn this quarter. Households' net lending position increased by €250m to €2.4bn, reflecting rising investment in financial assets. The government sector became a net lender for the first time since Q4 2007, with government lending of €195m during the quarter, an increase of €622m on the previous quarter.

Further information

The full data series for Ireland, quarterly commentary and notes on compilation are available from the Central Bank website at:

<http://www.centralbank.ie/polstats/stats/qfaccounts/Pages/releases.aspx>

AFA published by the CSO and QFA published by the Central Bank show differences for the MFI and government sectors. These arise from the classification and revision practices adopted by each institution following the introduction of ESA 2010. These differences are fully explainable and do not draw into question the quality of the respective statistical data. Both institutions are working closely to ensure a consistent approach in future publications.

Euro area statistics are available from the ECB website at:

www.ecb.int

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