

Economic Research Unit



Irish household net worth hits fresh record high of €1.1trn

The news that Irish household net worth hit a fresh record high of €1.1trn at end-2023 illustrates the enormous improvement in finances over the past fifteen years since the global financial crisis. Although the Irish household savings rate fell to 10.9% in 2023, households still accumulated €15bn of financial assets, with little evidence the pressure on real incomes from energy prices and elevated CPI inflation led to excess savings built up during the Covid19 period being unwound. Household debt now stands at 90% of disposable incomes, its lowest level since the turn of century and well below the UK ratio at 113%. That said, the lack of housing, holding back younger-age groups from becoming homeowners, (in addition to balance sheet repair) has accentuated the sharp decline in the household debt income ratio.

Irish household net worth hits fresh record high: New Central Bank data show household net worth stood at €1,113bn at end-2023. Net financial wealth was €374bn, comprised of financial assets of €527bn, offset by liabilities of €152bn. However, housing is still by far the most important asset for Irish households, comprising two-thirds of net worth, now standing at €738bn. The 3% rise in Irish house prices in Q4 2023 meant the value of existing housing assets rose by €24bn on the quarter. Irish households' net financial worth at €374bn is now equivalent to 240% of aggregate incomes, or €71,000 per-capita, well up from the troughs of 70%, or €15,000 recorded in 2009.

Household savings rate falls slightly in 2023: We know from CSO data the household savings ratio fell from 12.4% in 2022, to 10.9% in 2023. Nonetheless, this still allowed households accumulate €15bn of financial assets in 2023, down from €19.6bn in 2022. Financial asset accumulation in 2023 was split between €5bn of currency and bank deposits, €1.5bn of direct equity holdings and €9.4bn of pension fund and other investment assets. So despite the pressure on individual households' real incomes from energy prices and elevated CPI inflation, at least in aggregate, there is no evidence of excess savings built-up during the Covid19 pandemic being unwound.

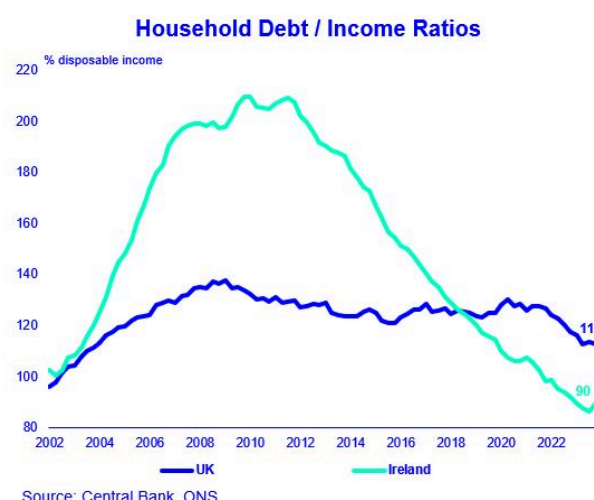
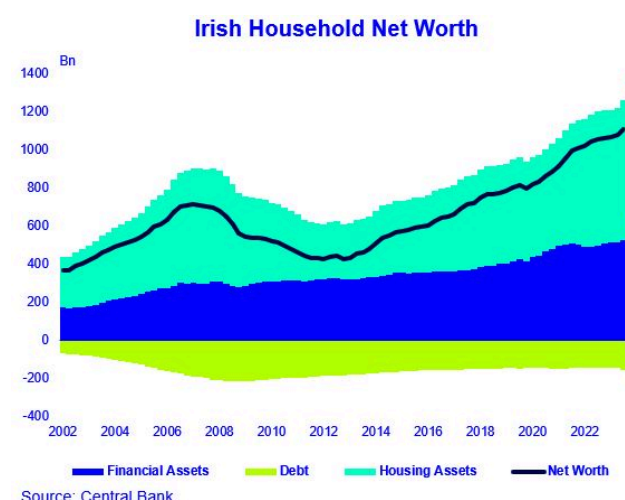
Household debt at lowest level since the turn of the millennium: Irish household debt stood at €140bn, or 90% of disposable incomes in Q4 2023, up from 87% in Q3 2023. This abrupt reversal of the trend decline in the household debt/income ratio reflects a technical issue. The Central Bank has acquired new data on non-bank lending to households, applied to the latest data, but not yet for previous quarters. Despite this, the household debt/income ratio is now at its lowest level since the series began in 2002, close to the EU average, but well below 113% in the United Kingdom, illustrating the extraordinary degree of de-leveraging by Irish households since the global financial crisis (GFC).

But falling debt/income ratios also reflect the lack of housing: The enormous improvement in households' finances has helped the Irish economy become more resilient to unexpected shocks such as the Covid19 pandemic and recent sharp rise in ECB interest rates. However, the lack of housing supply has held back younger age groups from becoming home owners and taking on mortgage debt. Census 2022 revealed that 522,000 adults were living at home with their parents, a group now comprising over 10% of the population. Of these, 275,000 were in employment, this group up 28% through 2016-2022, vs total population growth of just 8%. Had housing supply been more responsive to this demand, household debt levels would have been commensurately higher.

Bank of Ireland Group Chief Economist Conall MacCoille will be hosting an Interest Rate Outlook Webinar on Tuesday 21st May at 9am. If you would like to attend, please register at the link below.

<https://events.bizzabo.com/603583>

Group Chief Economist: Conall MacCoille



Contact Us at economics@boi.com

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