

Economic Research Unit



Irish household savings rate picks up sharply in early 2024

New CSO data this week showed the Irish household savings ratio rose sharply to 14.7% in Q1 2024. This is one of the highest levels for the household savings ratio on record, only surpassed twice in the past 25 years, during the Covid19 pandemic and briefly in 2009, following the global financial crisis. These were both periods in which consumer spending was clearly depressed. However, Irish consumer spending posted a solid 0.6% gain in Q1 2024, despite the rise in household savings. One factor at play may be the boost from Budget 2024, the tax cuts effective from January 1st worth 2% of disposable incomes close to the average wage. Elevated savings are also evident in the €1.8bn of bank deposits Irish households have accumulated in the first four months of 2024, rising to a fresh high of €154.5bn.

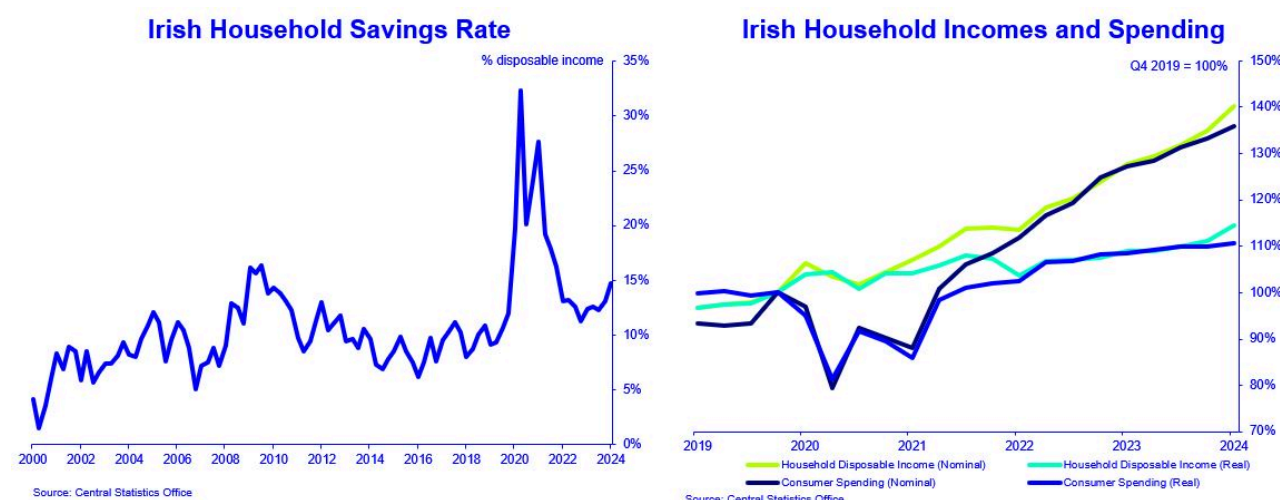
Irish household savings rate rises to 14.7% in Q1 2024: Central Statistics Office (CSO) data published this week showed household savings were €6.1bn in Q1 2024, or 14.7% of aggregate household disposable incomes. The household savings rate is up sharply from 13.1% in Q4 2023 and the highest since the 16.2% recorded in Q4 2021 when the Covid19 pandemic was still depressing spending. In fact, the 14.7% rate is one of the highest on record, only surpassed twice in the past twenty-five years, during the Covid19 pandemic and a brief period in 2009/10 following the global financial crisis (see chart below).

Household incomes still growing at a brisk pace: Aggregate household disposable incomes grew by 10% in the year to Q1 2024, to a fresh high of €42.3bn. This rise reflected the 2% employment growth and 4.7% rise in the average wage to €50,400 over the same period. However, tax cuts and increases in social welfare payments have helped too. The Budget 2024 changes to bands, credits and rates on income tax and the universal social charge (USC) added 2% to disposable incomes close to the average wage, effective from January 1st. It is this boost to household incomes, which in aggregate grew by 3.9% in Q1 2024 over Q4 2023, that has translated into higher savings (see chart below).

Consumer spending helped by buoyant labour market: The bigger picture is that Irish consumer spending has performed exceptionally well, despite the drag from elevated CPI inflation. Buoyant jobs and disposable income growth has helped real household spending rise to 10% above pre-pandemic levels. In Q1 2024 consumer spending posted a solid 0.6% rise in real terms on the quarter, despite the increase in the Irish household savings ratio to 14.7%. Of course, it is possible the savings rate could fall back later in 2024 if households decide to utilise the boost to their spending power from tax cuts and wage rises.

High household savings translating into deposit growth: In 2023 Irish household savings were €19bn, or a 12.7% rate. This translated into households accumulating €15bn of financial assets last year, including €5bn of currency and deposits and €9bn of insurance/pension fund assets. The early data for 2024 suggest high household savings have led to further accumulation of bank deposits. Irish household bank deposits grew by €1.8bn in the first four months of 2024, or a 3.5% annualised pace, to a fresh high of €154.5bn.

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