

Households saved an extra €15bn in the last year



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Households have spent the last year saving more and paying down debt.

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HOUSEHOLDS where people have been able to work from home are saving so much that a new record has been reached for funds in banks and credit unions. Households in this country saved an additional €15bn in the year to April in response to the coronavirus pandemic.

This took total household savings to a new record of €131bn, according to Central Bank data. In the month of April alone an extra €2.2bn was saved in banks and credit unions. Over the last year people deposited €14.9bn more than they withdrew. Most of the additional cash was put into current accounts, the Central Bank said.

Opportunities to spend on holidays, meals out, weekends away and on much non-essential retail were restricted during the lockdowns, prompting those lucky enough to be still earning the same as they were before the pandemic to save more. And households here also used some of their spare cash to pay down debt. Net repayments of debts amounted to €242m in the year to April last.

This compares with same month last year, which was the first full month of strict Covid-19 restrictions, when there was net lending of €1.1bn in the year to April 2020. The surge in savings is despite banks paying little or nothing on deposits and people being charged for using current accounts where much of the additional funds are ending up.

Economist attribute much of the extra saving to what they call “forced savings”. This is due to the fact that there have been fewer spending opportunities because of pandemic restrictions. People have also reacted to the Covid crisis by engaging in what is called precautionary saving. Economist say this is in the context of households still being scarred from the last financial crisis. This has prompted them to save more, borrow less and pay down debt.

Tánaiste Leo Varadkar has appealed to the public to avoid thrift and to start spending the some of the household savings this summer to kick-start the economy. Mr Varadkar has urged consumers to spend big on clothes, household goods and repairs, nights out and weekends away in order to help the economy and employment to recover from the devastation wreaked by the Covid-19 pandemic. “Government stimulus combined with a consumer spending boom driven by pent-up demand and an investment boom led by private sector companies will ensure our economy will take off like a rocket in the next few months,” Mr Varadkar wrote in an article in the ‘Sunday Independent’.

The European Central Bank said the savings rate had risen to between 12pc and 13pc across the Eurozone during the pandemic. The savings rate is the percentage of disposable income

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that people set aside. The ECB said it was not unusual during a crisis for people to save at a higher rate.

But the “the magnitude of this increase is unusual, and is a result of the accumulation of funds due to the restrictions placed on spending activities (i.e. forced saving)”.

If we can help in any way, or you have any questions on other Savings & Investment opportunities and our [Cash Alternative Investment Solutions](#), please feel free to contact any member of the team shown.

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