

Communications

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Zurich, 20 November 2009

Household wealth in 2008

Rising real estate prices support household assets

Data on real estate assets included for first time

Since November 2005, the Swiss National Bank has been publishing data annually on financial assets held by households. These data form part of the Swiss financial accounts. This year, they will be supplemented for the first time by an estimate of assets held in real estate. This will provide an overall view of household assets.

The estimate of real estate assets is based on an evaluation of the dwellings – as well as the land belonging to the dwellings – recorded in the National Register of Buildings and Dwellings. The notes on the methodology and data sources attached to this press release (appendix 2) describe the estimation method.

Notes on the results

In 2008, the net worth of households fell for the first time since 2002. The sharp decline in prices on stock markets resulted in a massive drop in financial assets. By contrast, households benefited from price increases in real estate, which partially made up for the drop in financial assets. In quantitative terms, financial assets held by households declined by CHF 199 billion (10.4%) to CHF 1,718 billion, while assets held in real estate increased by CHF 73 billion (5.9%) to CHF 1,315 billion. Liabilities rose by CHF 15 billion (2.4%) to CHF 629 billion. As a result of these developments, households' net worth fell by CHF 141 billion (5.5%) to CHF 2,403 billion. In per capita terms, this amounted to roughly CHF 312,000 at the end of 2008, as compared with CHF 334,000 at the end of the previous year, with the largest components being claims against insurance corporations and pension funds (insurance technical reserves) and real estate assets after adjustment for mortgage loans, both of which accounted for approximately CHF 100,000.

On the financial assets side, the lower stock market prices were reflected in a drop in shares by CHF 84 billion to CHF 169 billion and a fall in units in collective investment schemes by CHF 63 billion to CHF 161 billion. Structured products slipped by CHF 23 billion to CHF 28 billion, due not only to price movements, but also to the fact that the

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repayments of securities falling due as well as sales were CHF 7 billion higher than purchases. The lower stock market prices also impacted negatively on household assets in an indirect manner, by affecting pension fund investments: although contributions exceeded the benefits drawn by CHF 23 billion, insurance technical reserves still declined by CHF 63 billion to CHF 748 billion. Given the fall in share prices, households increased their deposits with banks and PostFinance and invested in domestic debt securities. Deposits grew by CHF 25 billion to CHF 481 billion, while debt securities climbed by CHF 9 billion to CHF 130 billion, with medium-term bank-issued notes accounting for a large part of this increase.

The value of real estate owned by households (single-family homes, owner-occupied apartments and apartment buildings with rental apartments) came to CHF 1,315 billion at the end of 2008, exceeding the year-earlier figure by CHF 73 billion. The largest part of this advance was attributable to higher real estate prices in all three categories. At the end of 2008, real estate assets accounted for 43% of total assets, as compared with 39% in 2007.

About 90% of household liabilities take the form of mortgages. Mortgage loans rose by CHF 16 billion to CHF 581 billion. Consequently, the rise in mortgages was once again considerably lower than the increase in the value of real estate. At the end of 2008, mortgage loans corresponded to 44% of real estate assets, as compared with 46% a year earlier. At the end of 2004, this figure was 49% and has since been falling continuously due to the rise in real estate prices.

The data on the financial assets and liabilities of households form part of the Swiss financial accounts. Data on real estate assets are estimated by the Swiss National Bank. More detailed information on the data sources and estimation methods can be found in appendix 2 of this press release. The *Swiss Financial Accounts* (with data up to 2007) can be accessed on the internet at www.snb.ch, *Publications*.

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Appendix 1: Charts and tables

Chart 1: Stocks of household assets

Chart 2: Breakdown of household assets

Chart 3: Transactions in financial assets

Chart 4: Capital gains and losses in financial assets

Table 1: Balance sheet of households

Table 2: Transactions in financial assets and liabilities

Table 3: Capital gains and losses in financial assets and liabilities

Table 4: Statistical changes and reclassifications

Note on the charts and tables:

The assets side of the balance sheet comprises financial assets and real estate assets. The liabilities side contains liabilities and net worth. The net worth per capita is calculated on the basis of the average population of Switzerland as provided by the Swiss Federal Statistical Office.

Changes in the stocks of financial assets and liabilities correspond to the sum of the transactions (chart 3 and table 2), the capital gains and losses (chart 4 and table 3) and the statistical changes and reclassifications (table 4). A breakdown of the changes in stocks of real estate assets is not yet included.

Chart 1

Stocks of household assets

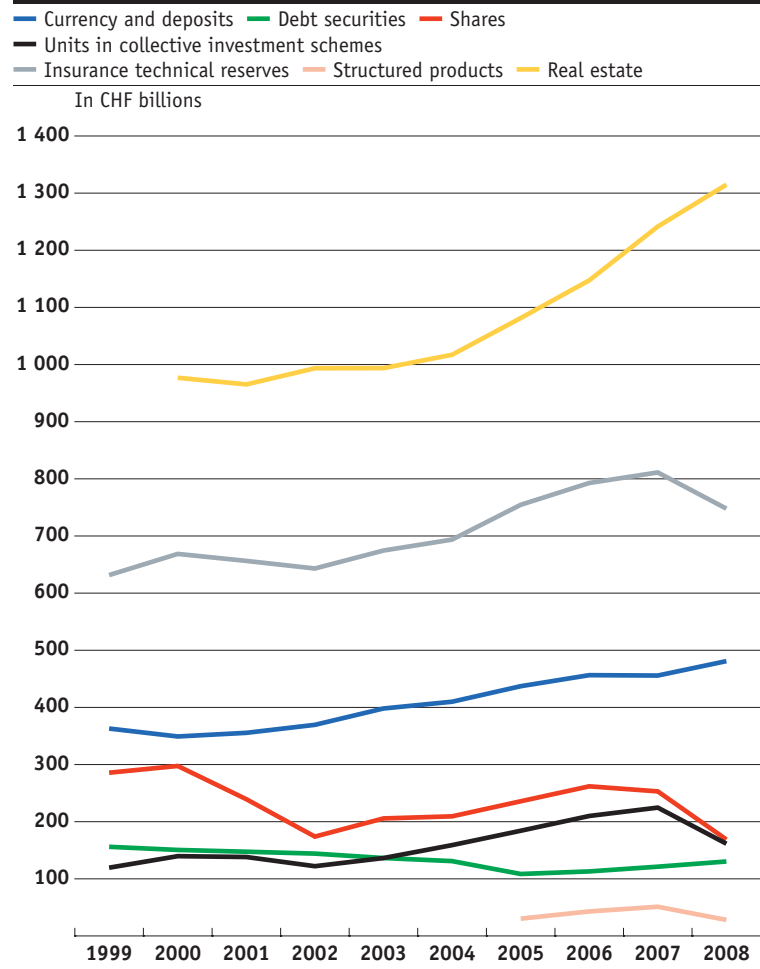
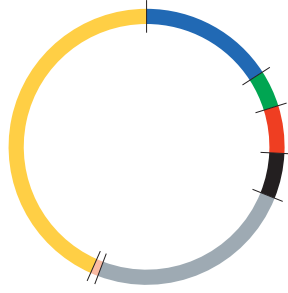


Chart 2



Breakdown of household assets
At year-end 2008, in %

Currency and deposits, 15.9

Debt securities, 4.3

Shares, 5.6

Units in collective investment schemes, 5.3

Insurance technical reserves, 24.7

Structured products, 0.9

Real estate 43.4

Chart 3
Transactions in financial assets

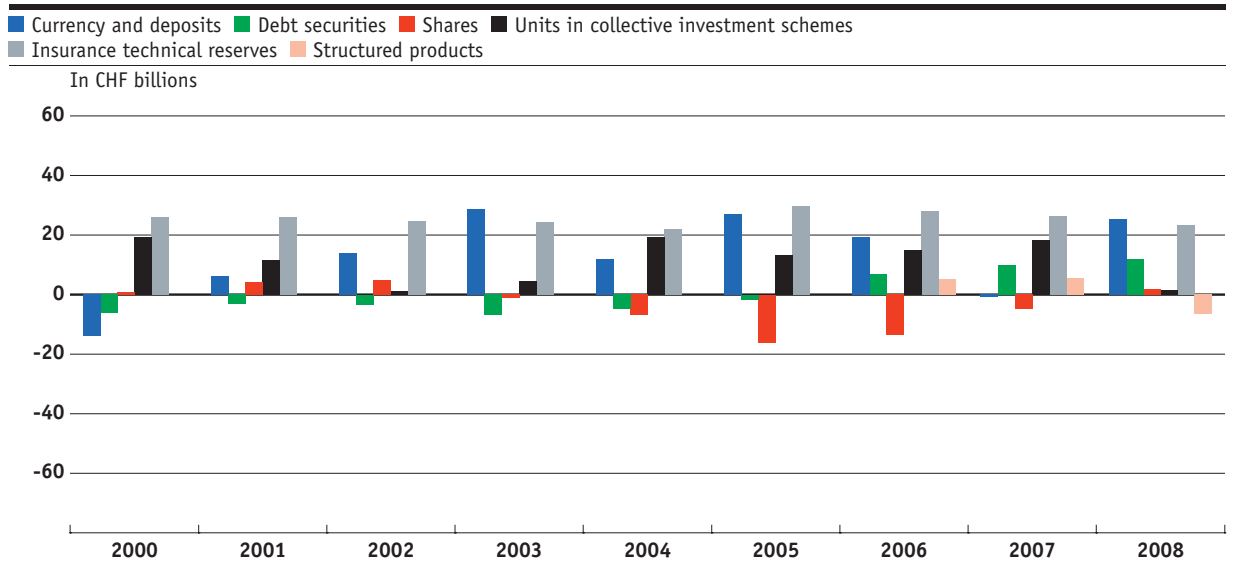
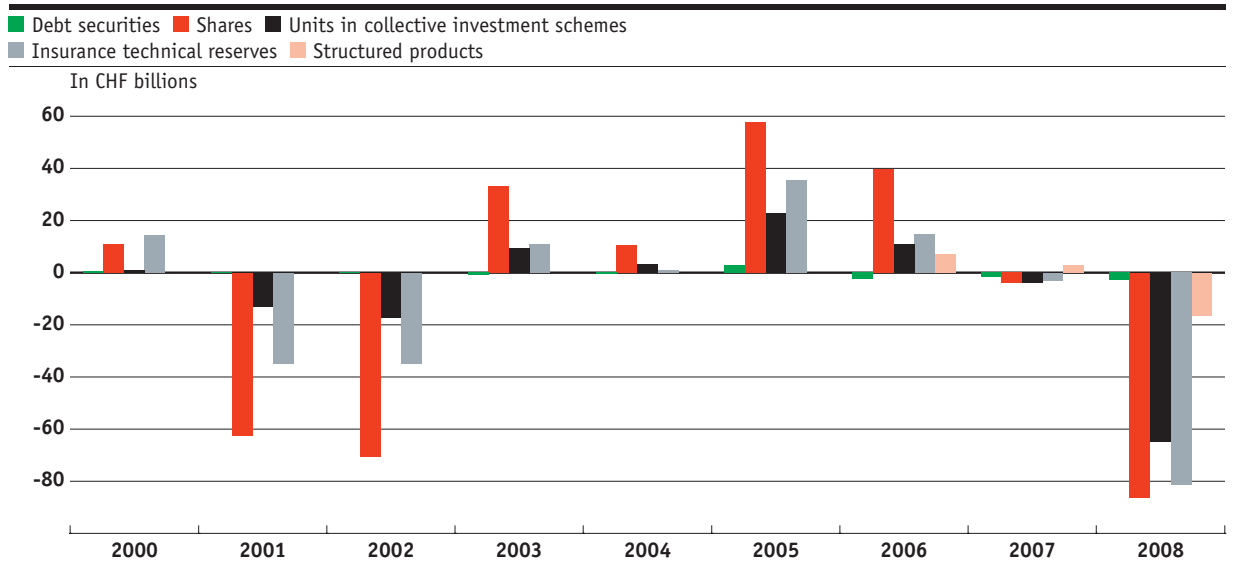


Chart 4
Capital gains and losses in financial assets



Balance sheet of households

In CHF millions

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Table 1

Item	2004	2005	2006	2007	2008
Assets					
Financial assets	1 603 026	1 750 355	1 876 999	1 917 084	1 717 667
Currency and deposits	409 949	437 097	456 438	455 758	481 004
Debt securities	131 030	108 511	112 999	121 265	130 382
Shares	209 372	235 728	261 895	253 059	168 829
Units in collective investment schemes	158 995	184 141	210 000	224 645	161 498
Structured products	..	30 343	42 931	51 155	28 097
Insurance technical reserves	693 679	754 536	792 735	811 201	747 857
Real estate	1 017 114	1 081 331	1 147 320	1 241 483	1 314 801
Total	2 620 140	2 831 686	3 024 319	3 158 567	3 032 468
Liabilities and net worth					
Liabilities	553 857	577 580	601 503	614 189	629 109
Loans	547 963	569 621	595 139	612 720	626 086
Mortgages	500 927	524 239	547 899	564 609	580 514
Other loans	47 036	45 382	47 240	48 111	45 572
Other accounts payable	5 894	7 960	6 364	1 469	3 024
Net worth	2 066 283	2 254 106	2 422 815	2 544 378	2 403 358
Total	2 620 140	2 831 686	3 024 319	3 158 567	3 032 468
<i>Net worth per capita (in CHF)</i>	277 200	300 497	320 580	333 969	311 677

.. No data available

Transactions in financial assets and liabilities

In CHF millions

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Table 2

Item	2004	2005	2006	2007	2008
Financial assets	41 628	52 117	61 212	54 675	57 396
Currency and deposits	11 851	27 148	19 341	-680	25 245
Debt securities	-4 962	-1 658	6 863	9 977	11 950
Shares	-6 843	-16 102	-13 440	-4 794	1 973
Units in collective investment schemes	19 460	13 165	15 091	18 358	1 605
Structured products	..	..	5 337	5 434	-6 637
Insurance technical reserves	22 121	29 564	28 020	26 380	23 259
Liabilities	14 218	23 724	23 923	12 686	14 920
Loans	17 108	21 658	25 518	17 581	13 366
Mortgages	16 285	23 312	23 660	16 711	15 905
Other loans	823	-1 654	1 858	870	-2 539
Other accounts payable	-2 891	2 066	-1 595	-4 895	1 554

Capital gains and losses in financial assets and liabilities

In CHF millions

Table 3

Item	2004	2005	2006	2007	2008
Financial assets	14 155	118 969	70 037	-9 643	-251 642
Currency and deposits	0	0	0	0	0
Debt securities	-444	2 849	-2 375	-1 711	-2 833
Shares	10 506	57 904	39 607	-4 042	-86 203
Units in collective investment schemes	3 170	22 826	10 768	-3 713	-64 753
Structured products	..	..	7 252	2 791	-16 421
Insurance technical reserves	923	35 390	14 784	-2 968	-81 432
Liabilities	0	0	0	0	0
Loans	0	0	0	0	0
Mortgages	0	0	0	0	0
Other loans	0	0	0	0	0
Other accounts payable	0	0	0	0	0

.. No data available

Statistical changes and reclassifications

In CHF millions

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Table 4

Item	2004	2005	2006	2007	2008
Financial assets	-3 883	-23 756	-4 604	-4 946	-5 171
Currency and deposits	0	0	0	0	0
Debt securities ¹	0	- 23 711	0	0	0
Shares ¹	0	- 15 446	0	0	0
Units in collective investment schemes ¹	0	- 10 845	0	0	0
Structured products ¹	..	..	0	0	0
Insurance technical reserves ²	-3 883	-4 097	-4 604	-4 946	-5 171
Liabilities	0	0	0	0	0
Loans	0	0	0	0	0
Mortgages	0	0	0	0	0
Other loans	0	0	0	0	0
Other accounts payable	0	0	0	0	0

.. No data available

1 2005: Revisions to securities survey statistics

2 Reclassification of claims against occupational pension schemes from the domestic households sector to the rest of the world due to employees and pensioners whose domicile has transferred to the rest of the world.

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Appendix 2: Notes on methodology and data sources

Household assets can be broken down into two parts – financial assets and real estate assets.

Financial assets

The data on the financial assets and liabilities of households are derived from the Swiss financial accounts. The Swiss financial accounts form part of the national accounts for Switzerland and are drawn up, commented on and published by the Swiss National Bank (SNB) (www.snb.ch, *Publications*).

The financial assets of households consist of currency and deposits, investment in securities and insurance technical reserves. The deposits consist mainly of deposits with banks and PostFinance in the form of savings and transaction accounts as well as time deposits. Investment in securities comprises debt securities (medium-term bank-issued notes, short-term securities, long-term securities), shares, units in collective investment schemes and structured products. Insurance technical reserves are essentially made up of net equity in life insurance contracts and claims against occupational pension schemes, where the occupational pension schemes include not only individual claims of insured persons, but also any excesses or shortfalls in the cover ratios of pension funds. Alongside the financial assets, liabilities are held in the form of loans. Most of these are bank loans (e.g. mortgages, Lombard loans, consumer credits, leasing liabilities) as well as mortgages granted by insurance corporations and pension funds. The *other accounts payable* item is a technical parameter for which there is no economic interpretation.

In addition to stocks, the two most important components explaining changes in asset holdings are also reported. These are transactions as well as capital gains and losses. Transactions comprise effective payment flows and certain imputed transactions. For instance, in the case of insurance technical reserves, investment income is taken into account in addition to paid premiums and pension fund contributions as well as insured persons' pension payments and capital withdrawn. Capital gains and losses are valuation changes arising from movements in market prices and exchange rates.

The data used to calculate the financial assets and liabilities are mainly taken from bank balance sheets, the survey on securities holdings in bank custody accounts and insurance company and pension fund balance sheets. Some individual items, such as currency holdings, are estimated.

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Real estate assets

Data on real estate assets are estimated by the SNB. The estimate is based on an evaluation of the dwellings recorded in the National Register of Buildings and Dwellings (RBD) issued by the Swiss Federal Statistical Office.

The real estate assets reported comprise single-family homes, owner-occupied apartments and apartment buildings with rental apartments located in Switzerland – including the land belonging to the buildings. Commercial real estate, undeveloped land and real estate in the rest of the world are not covered.

The estimate is based on a standard property for each of the three property types – a single-family home, an owner-occupied apartment and an apartment building with rental apartments. These three standard properties are valued by real estate consulting companies using hedonic pricing models. This is done for each municipality in Switzerland. The prices obtained in this manner are multiplied by the number of properties in each municipality. Adding the totals for all municipalities provides an estimate of the market value of all single-family homes, all owner-occupied apartments and all apartment buildings with rental apartments in Switzerland. Finally, the share of the households sector in the overall stock of each of the three property types is estimated, using a reference value taken from the Swiss Housing Census of 2000. The same data source is used to divide up the apartment stock into owner-occupied and rental apartments. The Housing Census has to be used because the requisite information is not available in the RBD.