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Macroeconomics, microeconomics and structures

France's national wealth in 2018

Weaker growth in household wealth due to the fall in equity prices

France's national wealth continued to expand in 2018, reaching EUR 15,482 billion at the end of the year or 8.0 times its net domestic product. The rise was driven by non-financial wealth and especially land underlying buildings and structures. However, the rate of growth was more subdued than in the previous year, at 3.5% compared with 4.6%.

Household net worth rose to EUR 11,735 billion. The increase was markedly smaller than in the previous year (at 1.6% versus 4.7% in 2017), due to the temporary downturn in equity prices at the end of 2018. For the same reason, non-financial corporations' own funds were little-changed at end-2018, showing an increase of just 0.3% at EUR 9,945 billion. Financial corporations' net worth recovered to EUR 722 billion, with the rise stemming essentially from a rebound in financial net worth. General government net worth rose by 7.6% to EUR 303 billion at end-2018, from EUR 282 billion a year earlier.

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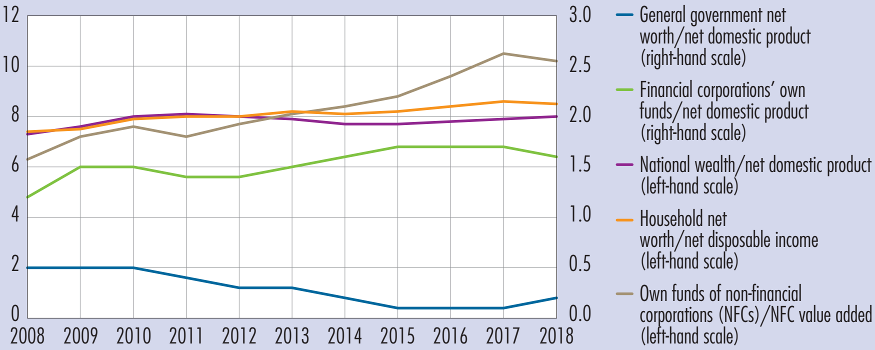
EUR 15,482 billion
national wealth
at end-2018

3.5%
increase in national
wealth in 2018

Change in the wealth of broad institutional sectors relative to macroeconomic flows
(number of years)



Sources: INSEE and Banque de France, 2014 base national accounts.
Key: At the end of 2018, national wealth was equivalent to 8.0 years of net domestic product.

At the end of 2018, France's national wealth (or net worth; see definition in Box 3) amounted to EUR 15,482 billion, the highest level seen since 2012 and equivalent to 8.0 times France's net domestic product for the year (see Chart 1 and Box 1). National wealth increased again in 2018, but at a more subdued rate than in 2017 (3.5% versus 4.6% previously – see Table 1). The rise was essentially fuelled by non-financial wealth (growth of 4.2%), and in particular by land underlying buildings and structures (growth of 5.5%).

Growth in financial assets and liabilities (see definition in Box 3) decelerated markedly in 2018 (1.2% and 1.6% growth respectively after rises of 7.7% for both assets and liabilities in 2017). With financial assets growing to a lesser extent than liabilities, France's financial net worth declined sharply to EUR 7 billion, down from EUR 96 billion in 2017.

BOX 1

Main economic aggregates used

Gross domestic product (**GDP**, EUR 2,353 billion in 2018) is the sum of the value added newly created by resident economic units in a given period, valued at market prices.

Net domestic product (**NDP**, EUR 1,924 billion in 2018) is obtained by subtracting fixed capital consumption (FCC) from GDP. FCC measures the depreciation of a country's capital goods over the period. A similar relationship exists between **net disposable income** and **gross disposable income**.

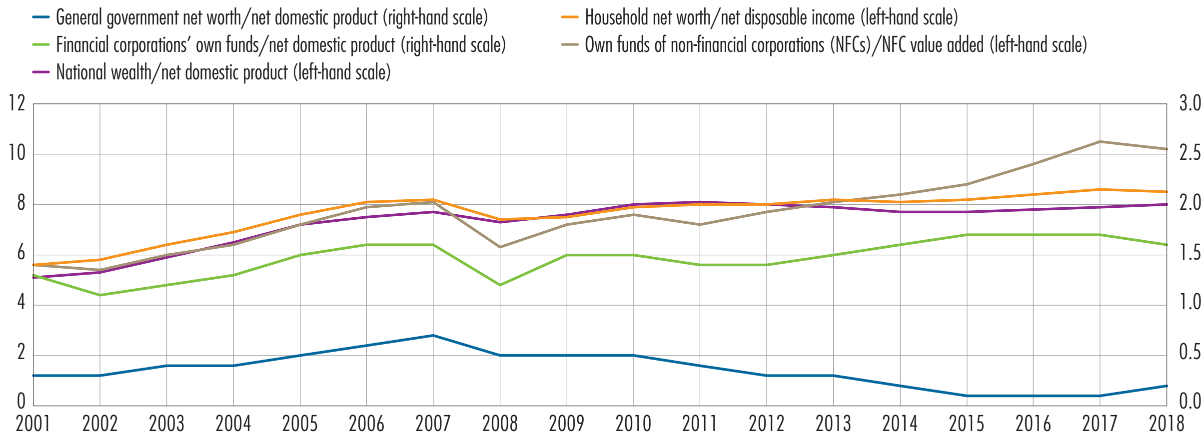
It is more useful to compare wealth (or net worth) against net macroeconomic flows than against gross flows. Net worth is itself a net stock that reflects capital deterioration and obsolescence.

1 Household wealth suffered from the steep fall in equity prices

At the end of 2018, household net worth (see definition in Box 3) was little-changed, showing growth of just 1.6% compared with 4.7% in 2017 (see Table 2). At EUR 11,735 billion, the figure was 8.5 times the level of household net disposable income (see Chart 1). Household financial net worth fell for the first time since 2008 (decline of 2.7% in 2018 after growth of 4.9% a year earlier).

On the financial assets side, households continued to favour bank savings products. Currency and deposit holdings grew at almost the same pace as in 2017 (4.5% rise after 4.6% previously), buoyed by stronger inflows into passbook savings and overnight deposits in a low interest rate environment. Holdings of equities and investment fund shares fell by 5.4% after

C1 Change in the wealth of broad institutional sectors relative to macroeconomic flows
(number of years)



Sources: INSEE and Banque de France, 2014 base national accounts.
Key: At the end of 2018, national wealth was equivalent to 8.0 years of net domestic product.

T1 Wealth of institutional sectors at end-2018

(EUR billions,% change)

	Total national economy	Households[a]	Corporations Non-financial	Corporations Financial	General government	Change in national wealth 2016-2017	Change in national wealth 2017-2018
Non-financial assets (NFA)	15,475	8,041	4,999	318	2,116	4.7	4.2
of which: Buildings and land, o/w:	12,278	7,368	2,843	250	1,817	4.6	4.0
Dwellings	*4,630*	*3,786*	*732*	*47*	*65*	*3.3*	*2.5*
Other buildings and structures	*2,096*	*166*	*856*	*74*	*1,000*	*3.2*	*3.2*
Land underlying buildings and structures	*5,553*	*3,417*	*1,255*	*129*	*752*	*6.3*	*5.5*
Machinery and equipment	642	41	552	18	31	2.5	2.7
Inventories	453	14	414	–	25	5.0	5.7
Other produced assets	626	154	325	18	129	4.0	3.2
Other non-produced assets	1,477	465	865	33	115	6.9	6.5
Financial assets (FA) other than derivative products	30,978	5,375	9,546	14,685	1,371	7.7	1.2
of which: Currency and deposits	6,325	1,559	650	3,956	160	8.1	7.7
Debt securities	3,839	46	63	3,676	54	0.9	2.7
Loans	5,530	11	1,891	3,527	102	4.6	8.9
Equity and investment fund shares/units	10,223	1,426	5,571	2,601	625	13.2	-4.0
Shares and other equity other than investment fund shares	*8,598*	*1,154*	*5,450*	*1,496*	*498*	*14.0*	*-3.6*
Investment fund shares/units	*1,624*	*272*	*121*	*1,106*	*126*	*9.3*	*-6.3*
Insurance, pension and standardised guarantee schemes, o/w:	2,173	2,001	42	126	5	2.2	-1.0
Life insurance	*1,907*	*1,907*	–	–	–	*1.4*	*-1.3*
Total assets (A) = (NFA) + (FA)	46,452	13,416	14,545	15,004	3,488	6.7	2.2
Financial liabilities (FL) other than derivative products	30,947	1,681	11,823	14,261	3,181	7.7	1.6
of which: Currency and deposits	6,989	–	–	6,858	131	8.7	10.9
Debt securities	4,410	–	612	1,522	2,276	0.6	2.0
Loans	5,206	1,412	2,978	513	303	4.7	6.5
Equity and investment fund shares/units (equity liabilities)	9,713	10	7,224	2,421	58	13.5	-3.4
Shares and other equity other than investment fund shares	*8,186*	*10*	*7,224*	*894*	*58*	*14.6*	*-2.6*
Investment fund shares/units	*1,527*	–	–	*1,527*	–	*8.1*	*-7.3*
Insurance, pension and standardised guarantee schemes, o/w:	2,196	–	–	2,195	–	2.1	-1.0
Life insurance	*1,923*	–	–	*1,923*	–	*1.4*	*-1.3*
Net derivative products (N)	-24	–	–	-21	-3	ns	ns
Financial net worth = (FA) – (FL) + (N)	7	3,694	-2,277	404	-1,813	–	–
Wealth (or net worth) = (A) – (FL) + (N)	15,482	11,735	2,722	722	303	4.6	3.5
Own funds = (net worth) + (equity liabilities)			9,945	3,143			

Sources: INSEE and Banque de France, 2014 base national accounts.
a) Including own-account workers and non-profit institutions serving households (NPISH).
"ns" means "non-significant".
"–" indicates that no assets are held.

9.4% growth in 2017. Equity holdings in particular fell by 9.3% over the year, due to the sharp drop in stock market prices: between 31 December 2017 and 31 December 2018, when the stock market hit a low, the SBF 120 index shed 11.7% (compared with growth of 10.8% in 2017). In addition, households were net sellers of equities and investment fund shares over the year. Household life insurance holdings (which make up 35% of their total financial assets) also declined by 1.3% (after 1.4% growth in 2017) due to negative valuation effects. In total, household financial assets fell by 1.0% in 2018 after rising by 5.3% the previous year.

T2 Change in the wealth of institutional sectors

(%)

	Households[a]			Non-financial corporations			Financial corporations			General government		
	2006 2016 avg/ year	2016 2017	2017 2018	2006 2016 avg/ year	2016 2017	2017 2018	2006 2016 avg/ year	2016 2017	2017 2018	2006 2016 avg/ year	2016 2017	2017 2018
Non-financial assets (NFA)	1.6	4.6	3.6	2.7	5.0	5.1	3.2	8.6	7.2	1.8	3.8	3.5
of which: Buildings and land, o/w:	1.7	4.4	3.6	1.8	5.0	4.7	2.4	9.3	7.6	1.7	4.0	3.6
Dwellings	*3.4*	*3.2*	*2.4*	*3.3*	*3.6*	*3.0*	*3.3*	*6.7*	*4.8*	*3.2*	*3.4*	*2.5*
Other buildings and structures	*0.7*	*0.9*	*0.8*	*2.5*	*3.9*	*4.1*	*4.0*	*7.9*	*6.9*	*2.3*	*2.8*	*2.7*
Land underlying buildings and structures	*0.2*	*6.0*	*5.2*	*0.6*	*6.8*	*6.2*	*1.2*	*11.3*	*9.0*	*0.9*	*5.7*	*4.9*
Machinery and equipment	-1.3	-2.5	-1.3	2.0	3.0	3.1	2.8	10.4	7.3	1.0	-1.9	-1.4
Inventories	-0.4	-3.0	-0.7	3.2	5.6	6.2	–	–	–	5.0	1.4	1.2
Other produced assets	0.8	6.1	1.5	3.4	4.1	4.7	4.8	7.2	8.5	2.2	1.0	1.1
Other non-produced assets	0.7	7.6	4.9	6.2	6.6	7.5	12.7	3.6	3.7	1.5	7.2	6.8
Financial assets (FA) other than derivative products	3.4	5.3	-1.0	4.9	13.0	0.1	4.1	5.5	2.8	3.2	6.0	1.8
of which: Currency and deposits	3.5	4.6	4.5	9.6	9.4	5.6	5.0	9.2	9.3	6.7	13.1	8.8
Debt securities	-0.4	-12.5	-20.8	-2.4	31.4	-7.9	4.5	0.9	3.4	3.3	-14.1	-7.6
Loans	-7.9	1.7	1.4	6.5	6.8	7.5	4.3	3.6	10.0	2.9	-1.0	-2.6
Equity and investment fund shares/units	1.1	9.4	-5.4	4.7	16.6	-3.3	1.3	10.3	-6.3	2.4	6.0	3.2
Insurance, pension and standardised guarantee schemes, o/w:	5.2	1.7	-1.3	-1.0	6.3	-0.8	5.8	9.8	3.3	-0.4	8.2	-0.7
Life insurance	*5.5*	*1.4*	*-1.3*	–	–	–	–	–	–	–	–	–
Total assets (A) = (NFA) + (FA)	2.3	4.9	1.7	4.1	10.2	1.8	4.1	5.5	2.9	2.3	4.7	2.8
Financial liabilities (FL) other than derivative products	3.6	6.3	2.9	4.0	11.8	0.9	3.8	5.9	1.9	6.7	2.3	2.4
of which: Currency and deposits	–	–	–	–	–	–	4.4	8.8	11.0	6.3	2.7	7.7
Debt securities	–	–	–	7.1	1.7	1.7	4.6	-0.9	2.0	7.7	1.4	2.0
Loans	4.5	5.4	5.1	4.9	6.7	7.4	3.3	-3.0	9.8	4.0	-2.0	-0.3
Equity and investment fund shares/units (equity liabilities)	6.1	4.1	4.0	3.5	15.8	-1.8	0.4	7.7	-8.5	ns	ns	ns
Insurance, pension and standardised guarantee schemes, o/w:	–	–	–	–	–	–	5.1	2.1	-1.0	–	–	–
Life insurance	–	–	–	–	–	–	*5.5*	*1.4*	*-1.3*	–	–	–
Net derivative products (N)	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns
Financial net worth[b]	3.4	4.9	-2.7	1.0	6.8	4.0	ns	-18.7	59.7	10.4	-0.3	2.8
Wealth (or net worth)	2.2	4.7	1.6	4.4	3.6	6.0	15.6	-5.9	31.3	-14.8	39.8	7.6
Corporate own funds				3.7	12.4	0.3	2.0	5.1	-1.7			

Sources: INSEE and Banque de France, 2014 base national accounts.
a) Including own-account workers and non-profit institutions serving households (NPISH).
b) The financial net worth of non-financial corporations and general government is structurally negative. Hence, a "positive" change reflects a decline in financial net worth, which becomes even more negative. Conversely, a "negative" development reflects an improvement.
"ns" means "non-significant".
"–" indicates that no assets are held.

On the liabilities side, outstanding loans continued to rise (growth of 5.1% after 5.4% in 2017), fuelled by the buoyant real estate market.

Non-financial assets (which make up 60% of household assets) grew at a more subdued rate of 3.6% compared with 4.6% growth in 2017. Even though real estate prices are continuing to rise (see definition in Box 3), household investment in dwellings has slowed in volume terms (growth of 3.8% in 2018 compared with 8.8% in 2017). Overall, household non-financial wealth amounted to EUR 8,041 billion in 2018.

2 Non-financial corporations' own funds have stabilised

At the end of 2018, the net worth of non-financial corporations (NFCs; see definitions in Box 3) amounted to EUR 2,722 billion. It grew at a faster rate of 6% in 2018, compared with 3.6% growth in 2017 (see Tables 1 and 2).

NFC non-financial wealth grew at the same pace as in 2017 (5.1% growth after 5.0% previously), reaching EUR 4,999 billion at the end of the year. NFC building and land assets grew to a slightly lesser extent than in 2017: investment slowed (rise of 6.0% after 6.3% in 2017) and there was a smaller positive valuation effect for land. In contrast, growth in intellectual property rights (other produced assets) accelerated over the year, driven by a dynamic pace of investment.

NFC financial assets remained stable in 2018 (growth of just 0.1%) after surging by 13.0% in 2017. Holdings of equities and investment fund shares, which account for 58% of total NFC financial assets, decreased by 3.3% to EUR 5,571 billion after 16.6% growth the previous year. The fall was due to negative valuation effects, which offset the 35.5% rise in net purchases (34.9% rise in net purchases in 2017). Investments in currency and deposits continued to grow, albeit at a more modest pace of 5.6% (after 9.4% previously), as companies opted to boost their cash holdings in the low interest rate environment. Outstanding lending by NFCs continued to rise sharply (7.5% growth after 6.8% in 2017), buoyed by growth in intragroup loans (see Box 2), mainly between resident NFCs (rise of 8.8% after 9.7% in 2017).

On the liabilities side, loan debt continued to rise at a robust pace (growth of 7.4% after 6.7% previously), fuelled by the increase in intragroup loans on the assets side and by higher borrowing from financial corporations (up 6.8% after 5.7% growth in 2017). Conversely, NFC equity liabilities declined by 1.8% (after growth of 15.8% in 2017) as negative valuation effects outstripped the rise in net issuance. NFC bond liabilities grew at the same pace as in 2017 (1.7%).

Overall, NFC own funds (see definition in Box 3) remained stable in 2018, edging up just 0.3% after growth of 12.4% in 2017, and reaching a total of EUR 9,945 billion.

3 Return to growth in financial corporations' financial net worth

At end-2018, the net worth of financial corporations (FCs; see definition in Box 3), which consists mostly of financial assets and liabilities, amounted to EUR 722 billion. The figure was up 31.3% after 2017's decline of 5.9% (see Tables 1 and 2), reflecting slower growth in financial liabilities than in financial assets. FC non-financial assets continued to rise at a robust pace (7.2% after 8.6% in 2017), reaching a total of EUR 318 billion.

Growth in FC financial assets eased to 2.8% in 2018 from 5.5% previously. Holdings of equities and investment fund shares fell by a sharp 6.3% after 10.3% growth in 2017, as net purchase flows and valuation effects both turned negative. Outstanding lending by FCs rose sharply (growth of 10.0% after 3.6% previously), buoyed by a strong flow of credit to households and NFCs. The growth is being fuelled by the Eurosystem's non-standard monetary policy, especially its targeted longer-term refinancing operations (TLTRO). FC holdings of debt securities also increased sharply (up 3.4% after 0.9% growth previously), thanks to higher net purchases and a smaller negative valuation effect. Holdings of currency and deposits continued to rise sharply (growth of 9.3% after 9.2% in 2017), driven mainly by transactions between financial corporations.

Growth in FC financial liabilities slowed to 1.9% from 5.9% previously. This was due to a sharp drop in the value of equity and investment fund share liabilities (down 8.5% after growth of 7.7%), caused by valuation effects and a negative flow of net issuance. Life insurance liabilities were also hit by negative valuation effects, falling by 1.3% after 1.4% growth in 2017. However, FC currency and deposit liabilities continued to grow at a sustained pace (11.0% after 8.8% previously), contributing to the rise in the broad money supply (M3).

As well as being fuelled by inter-MFI (monetary and financial institutions) deposits, growth in M3 was driven by household and NFC deposits, which increased by 4.8% after rising by 6.0% in 2017. Outstanding debt securities issued by FCs rose by 2.0% after falling by 0.9% in 2017.

BOX 2

Consolidated debt of non-financial corporations

Non-financial corporations' (NFC) liabilities are made up of loans, negotiable debt securities, shares and other equity. In the national accounts, they include cross-holdings between companies operating in the same sector. The loans booked under NFC liabilities are not only granted by resident financial intermediaries, they may also be granted by other NFCs, particularly those belonging to the same group. Similarly, the shares and other equity issued by NFCs may be held by other NFCs within the same group.

NFC financial net worth can be analysed in two ways: the first method, which is the one used in this study, consists in identifying the assets and liabilities of each institutional sector vis-à-vis the entire economy, including vis-à-vis entities within the same institutional sector. The second method, which is considered preferable for international comparisons, consists in consolidating cross-holdings in order to identify NFC liabilities to all other institutional sectors.

The amount of these cross-holdings is significant. At end-2018, total NFC consolidated debt (see definition in Box 3) amounted to EUR 1,753 billion, equivalent to 74.5% of French GDP (compared with EUR 3,589 billion of non-consolidated debt, or 152.5% of GDP). In 2017, the figures amounted to 72.8% and 146.9% of GDP respectively. Total consolidated NFC liabilities amounted to EUR 5,953 billion at end-2018. Growth in consolidated liabilities slowed sharply (1.6% rise after 8.3% in 2017), due to the drop in stock market prices in 2018.

Non-financial corporation liabilities

(EUR billions)

	Non-consolidated liabilities		Consolidated liabilities	
	2017	**2018**	**2017**	**2018**
Financial liabilities (FL) other than derivative products	11,724	11,823	5,859	5,953
of which: Debt	3,374	3,589	1,671	1,753
Debt securities	602	612	595	607
Loans, o/w:	2,772	2,978	1,076	1,146
Loans from financial institutions	*1,055*	*1,126*	*1,055*	*1,126*
Intra-group loans	*1,696*	*1,832*	–	–
Equity and investment fund shares/units (equity liabilities)	7,354	7,224	3,381	3,407

Sources: INSEE and Banque de France, 2014 base national accounts.

4 General government net worth continued to recover

General government financial net worth decreased in 2018 due to stronger growth in financial liabilities than in financial assets. However, this was more than offset by the rise in non-financial wealth, leading to 7.6% growth in overall general government net worth.

General government financial assets rose to a lesser extent than in 2017 (1.8% growth after 6.0% previously; see Table 2). In particular, growth in holdings of equities and investment fund shares (46% of total general government financial assets) slowed markedly to 3.2% (from 6.0%): the positive valuation effect observed the previous year dwindled in 2018, and the rise in net purchases was insufficient to compensate for this.

General government financial liabilities grew at the same rate as in 2017 (2.4% growth after 2.3%). Debt securities issuance, which is the government's main mode of financing, was lower in 2018 than in 2017 (EUR 57.0 billion compared with EUR 71.6 billion). However, the outstanding amount of debt securities grew by 2.0%, up from 1.4% growth a year earlier, thanks to both composition and valuation effects. Overall, the market value of general government debt increased by 2.0% in 2018, compared with a rise of 2.5% when measured in nominal terms in accordance with the Maastricht definition (see definition in Box 3).

At the end of 2018, general government non-financial net worth totalled EUR 2,116 billion (see Table 1). The figure was up 3.5% year-on-year, after 3.8% growth in 2017. The rise was mainly fuelled by non-produced assets: prices of land underlying buildings and structures continued to increase. General government investment gained momentum in 2018, rising by 4.2% after 2.1% growth in 2017. The acceleration was mainly driven by local government investment, which increased by 8.6% over the year. General government net fixed capital formation increased by close to EUR 2 billion.

Overall, general government net worth rose by 7.6% to EUR 303 billion, fuelled by investment and positive valuation effects.

BOX 3

Definitions

The national balance sheet records economic **assets and liabilities**, i.e. items over which ownership rights may be enforced and which are capable of procuring economic benefits for their owners. They may be financial or non-financial; the latter may arise from production processes or come from natural sources. Assets and liabilities are recorded at their year-end market value, with no consolidation within or between sectors. This value therefore includes any unrealised capital gains or losses in each asset class. Owing to movements in market prices, the value of an asset or liability may vary from one year to the next even if there are no net transaction flows. The value of unlisted shares is estimated on the basis of the value of listed shares.

The value of **real estate assets** is divided into the value of buildings and that of the underlying land. The bulk of real estate capital gains can be attributed to land.

Households include individuals, own-account workers and non-profit institutions serving households.

.../...

Companies are broken down into **financial and non-financial corporations**. Financial corporations include the central bank, credit institutions and other deposit-taking corporations, other financial institutions, insurance corporations, money-market and non-money market investment funds, financial auxiliaries and captive financial institutions.

Wealth (or **net worth**) is defined as the difference between the value of financial and non-financial assets and that of liabilities (which are by nature financial).

The **own funds** of financial and non-financial corporations are measured at market value, and correspond to the difference between the value of their assets and the value of their non-equity liabilities.

General government debt (as defined in the Maastricht Treaty) differs from general government liabilities in three ways: (i) the scope of financial transactions considered for government debt excludes derivatives and other accounts receivable/payable; (ii) government debt is consolidated, meaning that it excludes debts between government agencies; (iii) it is measured at nominal value, i.e. at principal repayment value.

Consolidation consists in offsetting transactions or exposures between entities within the same institutional sector. With regard to intragroup loans, the consolidation method used eliminates loans between resident NFCs and those taken out by resident NFCs with non-resident counterparties belonging to the same group.

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