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**WEALTH AND LIABILITIES OF
SINGAPORE HOUSEHOLDS**

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WEALTH AND LIABILITIES OF SINGAPORE HOUSEHOLDS

INTRODUCTION

1 With rising income and high savings, Singapore households could be expected to have accumulated fairly substantial net wealth in the form of financial and non-financial assets. Preliminary household balance sheets compiled by the Singapore Department of Statistics (DOS) show that this is indeed the case, and that residential properties (which is the main non-financial asset owned by households) is the most important component of household wealth in Singapore.

2 This paper presents the preliminary household balance sheets as at end-2000 and end-2001 compiled by DOS. In compiling these preliminary household balance sheets, DOS has followed closely the guidelines of the United Nations' System of National Accounts. An analytical overview of Singapore households' financial position with comparison to selected OECD countries is also presented.

CONCEPTS AND DEFINITIONS

3 The household balance sheet shows the stocks of households' wealth and liabilities at a particular point in time. Household net wealth is defined as the value of households' financial assets (such as currency and deposits, shares and securities) and non-financial assets (primarily residential property assets) less households' liabilities. This can be expressed as:

$$W_t = A_t - L_t \quad (1)$$

where W_t = net wealth at time t,
 A_t = stock of assets at time t,
 L_t = stock of liabilities at time t

4 The stock of household wealth reflects both flows – ie net sale or purchase of an asset – and revaluations resulting from price movements. For households, saving¹ is an important source of fund for the acquisition of assets. This relationship (during the time period t) can be represented by:

$$\text{Changes in } W_t = \text{Volume Changes}_t + \text{Price Changes}_t \quad (2)$$

$$= \text{Saving}_t + \text{Capital Gains/Losses}_t \quad (3)$$

Main Categories of Assets and Liabilities

5 Table 1 shows the main components of Singapore’s household sector balance sheet. Households’ assets can be classified into financial and non-financial assets. Financial assets owned by Singapore households include currency, deposit with banks, shares and securities, equity in pension funds (ie CPF balance) and equity in life insurance reserves (attributable to households as policyholders). Non-financial assets include primarily residential property assets. Households’ financial liabilities consist mainly of loans from financial institutions and the Housing and Development Board (HDB).

TABLE 1 SINGAPORE’S HOUSEHOLD SECTOR BALANCE SHEET

Assets	Liabilities/Net Wealth
I. Assets	II. Liabilities (Loans)
1. Non-Financial Assets	1. Mortgages
(a) Public Housing	(a) Private Housing Loans
(b) Private Housing	(b) HDB Loans
2. Financial Assets	2. Personal and Other Loans
(a) Currency and Deposits	
(b) Shares and Securities	
(c) Equity in Pension Fund (CPF Balance)	
(d) Equity in Life Insurance	
	III. Net Wealth (I - II)

¹ Including net capital transfers received by the households sector.

HOUSEHOLD SECTOR BALANCE SHEET

6 Household net wealth in Singapore was estimated at about \$571 billion at end-2000, but declined by about \$6 billion or 1.1 per cent to \$565 billion at end-2001 (Table 2).

TABLE 2 SINGAPORE'S HOUSEHOLD SECTOR BALANCE SHEET, 2000-2001
(As At Year-End)

	Amount (S\$ Million)		Per Cent Change
	2000	2001	
I Total Assets	710,194	711,587	0.2
1 Financial Assets	348,272	368,603	5.8
(a) Currency & Deposits	152,844	163,129	6.7
(b) Shares & Securities	73,475	69,961	-4.8
(c) Equity in Pension Funds/CPF ¹	90,321	92,250	2.1
(d) Equity in Life Insurance	31,632	43,263	36.8
2 Residential Property Assets	361,922	342,984	-5.2
(a) Private Housing	169,714	162,205	-4.4
(b) Public Housing	192,208	180,779	-5.9
II Liabilities	139,153	146,760	5.5
1 Mortgage Loans	100,539	105,793	5.2
(a) Private Housing Loans	41,251	43,569	5.6
(b) HDB Loans	59,288	62,224	5.0
2 Personal Loans & Other Loans	38,614	40,967	6.1
Household Net Wealth (I-II)	571,041	564,827	-1.1
Change in Household Net Wealth	na	-6,214	-
Memo Item:			
Personal Saving	15,834	19,540	23.4

1 Total amount due to members (net of withdrawals).

7 The decline in household net wealth in 2001 was due largely to capital losses arising from the fall in property and equity prices, even as households continued to save (Table 3).

TABLE 3 FACTORS AFFECTING THE CHANGE IN HOUSEHOLD NET WEALTH DURING 2001

S\$ Million			
<i>Opening Stock</i>	<i>Plus:</i>	<i>Plus:</i>	<i>Equals:</i>
Household Net Wealth At End-2000	Net Acquisition of Assets from Current Savings	Capital Gains/Losses Due to Price Changes	Household Net Wealth At End-2001
571,041	19,540	-25,754	564,827

8 With the decline in net wealth, wealth ratios used to assess the net wealth of Singapore households (Table 4) have generally declined in 2001. However, the ratio of household net wealth to GDP has increased, as nominal GDP declined faster than the decline in household net wealth in 2001.

TABLE 4 SINGAPORE'S HOUSEHOLD SECTOR NET WEALTH RATIOS
(As At Year-End)

	Unit	2000	2001
Household Net Wealth/PDI	Per Cent	714	670
Household Net Wealth/GDP ¹	Per Cent	362	371
Per Capita ² Net Wealth	S\$'000	175	170
Per Household ³ Net Wealth	S\$'000	618	612

1 GDP at current market prices

2 Computed using resident population. Per capita net wealth (based on total population which include foreigners staying in Singapore for at least 1 year) was S\$142 and S\$137 thousands respectively.

3 Computed using number of resident private households

COUNTRY COMPARISON

9 The most common ratio used for international comparison is the ratio of household net wealth to personal disposable income (PDI). Using this ratio, Singapore compares very well to the OECD countries (Table 5). Among the countries compared, Singapore's net wealth to PDI ratio at 714 per cent in 2000 was the highest, substantially higher than Japan (633 per cent) and the United States (471 per cent).

TABLE 5 HOUSEHOLD NET WEALTH RATIOS

	(As At Year-End)			
	Household Net Wealth/ PDI		Household Net Wealth/ GDP	
	1995	2000	1995	2000
Singapore	na	714	na	362
United States	392	471	292	344
Japan	634	633	455	425
France	417	525	273	340
United Kingdom	500	631	347	425

10 However, as Singapore has a relatively low PDI to GDP ratio, it would be useful to consider also the ratio of household net wealth to GDP. Using this ratio, Singapore's household financial position is comparable to the US and France, but lower than Japan and the United Kingdom (Table 5). Despite Singapore's short history, our rapid economic growth and prudent economic policies have facilitated the wealth accumulation by the household sector resulting in the attainment of wealth ratios comparable to the developed countries.

11 Households' assets and liabilities are concentrated in long-term assets mainly in residential properties and mortgage liabilities. This may present liquidity risk for households, as property assets are less liquid (Table 6).

TABLE 6 STRUCTURE OF HOUSEHOLDS' ASSETS AND LIABILITIES IN SINGAPORE

	(As At Year-End)	
	2000	2001
I Total Assets	100.0	100.0
1. Liquid Financial Assets ¹	31.9	32.8
2. Long-term Assets	68.2	67.2
(a) Other Financial Assets ²	17.2	19.0
(b) Property Assets	51.0	48.2
II Total Liabilities	100.0	100.0
1. Mortgage Loans	72.2	72.0
2. Other Loans	27.8	28.0

1 Refer to currency and deposits, shares and securities.

2 Refer to equity in pension fund/CPF and life insurance.

Figures may not add up to totals due to rounding.

HOUSEHOLD FINANCIAL WEALTH

12 Total assets can be divided into financial assets and non-financial assets. Financial wealth or assets of the household sector in Singapore was 435 per cent of PDI. This is comparable to Japan (439 per cent), and higher than United States and France (Table 7).

TABLE 7 HOUSEHOLD FINANCIAL WEALTH RATIOS
(As At Year-End)

	Per Capita Financial Wealth	Household Financial Wealth/PDI		Household Financial Wealth/GDP	
	<i>Euro '000</i>	<i>Per Cent</i>		<i>Per Cent</i>	
	2000	1995	2000	1995	2000
Singapore	66,998 ¹	na	435	na	221
United States	124,104	334	405	248	296
Japan	107,621	403	439	289	295
France	na	229	308	150	200
United Kingdom	77,189	389	456	270	307

¹ Based on resident population. Per capita financial wealth (based on total population which include foreigners staying in Singapore for at least 1 year) is Euro 54,415.

13 However, Singapore's per capita financial wealth and household financial wealth to GDP ratio show a slightly different picture. The relatively low ratios for household financial wealth shown here could be explained by the higher ratio of non-financial assets (primarily residential properties) as a result of the government's home ownership policy.

Composition of Financial Wealth

14 The composition of household financial assets in Singapore was similar to that in Japan but differed sharply with other advanced economies particularly the United States.

15 In both Japan and Singapore, traditional assets (ie deposits with reliance on banking intermediation) accounted for the largest share followed by less risky assets (such as life insurance and pension funds). These assets represented about 80 per cent of total household financial wealth in both countries (Table 8).

TABLE 8 COMPOSITION OF FINANCIAL ASSETS FOR SELECTED COUNTRIES

(As At End-2000)

	Singapore	Japan	USA	UK	Italy	Per Cent France
Currency & Deposits	43.9	52.9	11.1	22.2	24.0	30.4
Shares & Securities	21.1	15.4	55.5	24.5	63.0	37.9
Life Insurance & Pension Funds	35.0	27.4	30.9	49.6	7.4	24.8
Life Insurance	9.1	17.7	7.1	27.5	6.2	23.3
Pension Funds/CPF	25.9	9.7	23.8	22.1	1.2	1.5
Others	–	4.4	2.5	3.7	5.5	6.9
Total Financial Assets	100.0	100.0	100.0	100.0	100.0	100.0
Memo item:						
Currency, Deposits, Life Insurance & Pension Funds	78.9	80.3	42.0	71.8	31.4	55.2

Figures may not add up to totals due to rounding.

16 This was in contrast with Italy, the United States, France and the United Kingdom where such assets accounted for between 32 per cent and 72 per cent of total household financial wealth. In most of these countries, investment in shares and securities accounted for a larger share of their household financial assets.

17 It is interesting to note that the share of life insurance and pension funds was more than one-fifth for most of the countries compared (except Italy). The proportion of household financial assets in life insurance and pension funds was the highest in the United Kingdom (49.6 per cent), followed by Singapore (35.5 per cent), the United States (30.9 per cent), Japan (27.4 per cent) and France (24.8 per cent). Despite demographic differences, retirement needs have prompted the allocation of a substantial proportion of household financial wealth to insurance and pension funds.

HOUSEHOLD RESIDENTIAL PROPERTY ASSETS

18 Consistent with Singapore's high home ownership rate, the ratios of household residential property assets to total assets, PDI and GDP were the highest when compared to the advanced economies (Table 9). These ratios for the other countries (with the exception of Japan, which is still experiencing asset deflation) have generally increased during the 1995-2000 period as a result of rising property prices.

TABLE 9 HOUSEHOLD RESIDENTIAL PROPERTY ASSET RATIOS

(As At Year-End)

	Per Cent					
	Residential Property Assets/Total Assets		Residential Property Assets/PDI		Residential Property Assets/GDP	
	1995	2000	1995	2000	1995	2000
Singapore	na	51	na	452	na	230
United States	29	28	138	155	103	113
Japan	45	40	331	294	238	198
France	51	47	237	271	155	176
United Kingdom	36	39	218	292	151	197

19 Data on the use of CPF funds also showed that Singapore households continued to favour residential property assets as a form of investment. The amount of CPF funds invested in residential property assets continued to increase in 2001. As end-2001, the amount of CPF funds invested in residential assets accounted for 42 per cent of the total. With the liberalisation of the CPF funds, Singaporeans have also diversified to other financial instruments such as insurance policies and unit trusts (Table 10).

TABLE 10 NET AND GROSS CPF ASSETS

(As At Year-End)

	Amount (S\$ Million)		Distribution (Per Cent)	
	2000	2001	2000	2001
	Gross CPF Balance	188,226	205,214	100.0
<i>Less:</i>				
Amount Withdrawn for Housing¹	78,113	86,403	41.5	42.1
(a) Public Housing	48,121	53,384	25.6	26.0
(b) Private Housing	29,992	33,019	15.9	16.1
Amount Withdrawn for Investment	18,758	25,418	10.0	12.4
(a) Stocks & Loan Stocks	9,691	8,301	5.1	4.0
(b) Insurance Policies	7,626	14,496	4.1	7.1
(c) Unit Trusts	1,140	2,391	0.6	1.2
(d) Others	301	230	0.2	0.1
Amount Withdrawn for Other Purposes	1,057	1,172	0.6	0.6
<i>Equals:</i>				
Net CPF Balance Due to Members	90,298	92,221	48.0	44.9

1 Estimated using data on net amount withdrawn by members during the year. Figures may not add up to totals due to rounding.

HOUSEHOLD FINANCIAL LIABILITIES

20 Household financial liabilities or borrowings in Singapore have been on the rise in the past few years. The level of household borrowings, as measured by the ratio of outstanding loans to personal disposable income (PDI), increased sharply from 118 per cent in 1995 to 174 per cent in 2000. The ratio of household financial liabilities to GDP also showed a sharp increase from 63 per cent to 88 per cent during this period. This reflects the sharp increase in public housing loans over the period.

21 Singapore's level of household borrowings, as measured by the ratios of outstanding loans to PDI and GDP, was the highest among the countries compared. However, this reflects Singapore's high home ownership (about 92 per cent) with a substantial proportion (about 85 per cent) of the population living in public housing. The ratios of outstanding loans (rescaled to the average home ownership level of about 65 per cent in OECD countries) to PDI and GDP would be 123 per cent and 62 per cent respectively. Excluding HDB loans, the ratios of outstanding loans would be about 100 per cent of PDI and 50 per cent of GDP. Both sets of adjusted ratios were comparable to the OECD countries (Table 11).

TABLE 11 HOUSEHOLD FINANCIAL LIABILITIES RATIOS
(Amount Outstanding As At Year-End)

	Financial Liabilities	Household Financial		Household Financial	
	Per Household ¹	Liabilities/PDI		Liabilities/GDP	
	<i>Euro '000</i>	<i>Per Cent</i>		<i>Per Cent</i>	
	2000	1995	2000	1995	2000
Singapore	94,609²	118	174	63	88
HDB Loans	-	34	74	18	38
Others	-	84	100	45	50
Private Housing Loans	-	39	52	21	26
Personal & Other Loans	-	45	48	24	24
United States	60,067	80	90	60	66
Japan	41,186	100	100	72	67
France	20,115	50	54	33	35
United Kingdom	39,565	107	116	74	78

1 Conversion into Euro for other countries except Singapore was based on purchasing power parity (PPP). Therefore, figures for these countries may not be fully comparable with Singapore. Nevertheless, it is useful to show such comparison as a rough gauge of the extent of household debt.

2 Based on the number of resident private households.

CONCLUSION

22 Rising income and high saving rates have enabled Singapore households to accumulate substantial net wealth. The various ratios of household net wealth in Singapore compared favourably to those of the OECD countries. The composition of household financial assets in Singapore was similar to that in Japan but differed sharply with other advanced economies particularly the United States. In both Japan and Singapore, traditional assets and less risky assets accounted for the bulk of household financial wealth. As households in Singapore are less exposed to equities and securities, they would be less vulnerable to declines in equity prices.

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