

Household Balance Sheet, 2003

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Introduction

As noted in the occasional paper 'Wealth and Liabilities of Singapore Households' released by the Singapore Department of Statistics (DOS) in March 2003, Singapore households have been able to accumulate fairly substantial net wealth on the back of good economic growth and high savings.

This article, which updates the household balance sheet to end-2003, shows the continuing accumulation of both financial and non-financial assets (primarily residential property assets) by Singapore households. In line with the improving economic environment since mid-2003, household net wealth increased from S\$575 billion as at end-2002 to S\$610 billion as at end-2003.

Concepts and Definitions

The household balance sheet shows the stocks of households' assets and liabilities at a particular point in time (Table 1). Net wealth is defined as the value of assets less liabilities.

Households' assets can be either financial or non-financial assets. Financial assets include currency, deposits with banks, shares and securities, equity in pension funds (mainly CPF balances) and equity in life insurance reserves (attributable to households as policyholders). Non-financial assets are mainly residential property assets. Households' (financial) liabilities comprise personal loans (from banks and other financial institutions) and mortgage loans (from the Housing & Development Board, banks and other financial institutions).

TABLE 1 SINGAPORE'S HOUSEHOLD BALANCE SHEET

Assets	Liabilities / Net Weath
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)

Household Net Wealth Increased in 2003

Household net wealth increased by 6.1 per cent between 2002 and 2003. Total assets rose by 5.6 per cent or S\$40 billion, while financial liabilities increased by 3.6 per cent or S\$5.5 billion (Table 2). The increase in total assets was contributed by household savings in currency, deposits and CPF balances as well as the rise in the prices of HDB flats.

Wealth Ratios Comparable to Developed Countries

The ratios of household net wealth to personal disposable income (PDI) and to Gross Domestic Product (GDP) are commonly used to assess the relative sizes of household net wealth in international comparisons.

Singapore's wealth ratios compared very favorably to the Organisation for Economic Co-operation and Development (OECD) countries (Table 3). Among

the selected OECD countries, Singapore's ratio of net wealth to PDI at 700 per cent in 2000, was the highest. This ratio was substantially higher than that for Japan and the United States. Singapore's ratio of net wealth to GDP, at 358 per cent in 2000, was comparable to that for United States and France, but lower than that for Japan and United Kingdom (Table 3).

TABLE 3 COUNTRY COMPARISON OF NET WEALTH RATIOS, 2000 (As At Year-End)

	Per Cent	
	Household Net Wealth/ PDI	Household Net Wealth/ GDP
Singapore	700	358
United States	471	344
Japan	633	425
France	525	340
United Kingdom	631	425

TABLE 2 NET WEALTH OF SINGAPORE HOUSEHOLDS (As At Year-End)

	Amount (S\$ Billion)			Change (%)	
	2001	2002	2003	2002	2003
Net Wealth	570.82	574.88	609.81	0.7	6.1
Total Assets	717.35	726.13	766.56	1.2	5.6
Financial Assets	369.24	381.12	407.56	3.2	6.9
Currency & Deposits	163.13	160.24	170.64	-1.8	6.5
Shares & Securities	70.60	74.69	78.43	5.8	5.0
Equity in Life Insurance	43.26	49.73	54.91	15.0	10.4
Equity in Pension Funds/CPF	92.25	96.46	103.58	4.6	7.4
Residential Property Assets	348.11	345.01	359.00	-0.9	4.1
Financial Liabilities	146.53	151.25	156.76	3.2	3.6
Mortgage Loans	105.79	112.06	116.43	5.9	3.9
Personal & Other Loans	40.74	39.19	40.32	-3.8	2.9

Figures are calculated in Singapore million dollars and may not add up due to rounding.

Net Wealth Ratios Have Risen

In line with the increase in net wealth, the ratios of household net wealth to PDI and to GDP increased to 712 per cent and 383 per cent respectively in 2003 (Table 4).

TABLE 4 NET WEALTH RATIOS
(As At Year-End)

	2001	2002	2003
Net Wealth			
As Per Cent of PDI	675	674	712
As Per Cent of GDP	370	364	383

Structure of Financial Assets Remained Stable

The structure of households' assets had remained relatively stable over the past three years. Traditional financial assets (ie currency and bank deposits) continued to account for the largest share. The relatively safe financial assets and investments (such as pension funds and life insurance) came next, accounting for 21 per cent of total household assets. Singapore households' exposure to equities and securities was modest, at about 10 per cent of total assets in 2003.

TABLE 5 COMPOSITION OF HOUSEHOLD ASSETS IN SINGAPORE (As At Year-End)

	Per Cent		
	2001	2002	2003
Total Assets	100.0	100.0	100.0
Financial Assets	51.5	52.5	53.2
Currency & Deposits	22.7	22.1	22.3
Shares & Securities	9.8	10.3	10.2
Equity in Life Insurance/ Pension Fund	18.9	20.1	20.7
Equity in Life Insurance	6.0	6.8	7.2
Equity in Pension Funds/CPF	12.9	13.3	13.5
Residential Property Assets	48.5	47.5	46.8
Public Housing	25.9	26.0	26.0
Private Housing	22.6	21.5	20.9

Figures may not add up due to rounding.

Household Wealth Mainly in Non-Financial (Residential Properties) Assets

The share of non-financial (residential properties) assets had declined from 49 per cent of total household assets in 2001 to 47 per cent in 2003. Nonetheless, non-financial assets had remained the most important component of household wealth in Singapore (Table 5). Compared to selected OECD countries, Singapore's households had a higher proportion of their wealth in non-financial assets (Table 6).

TABLE 6 SHARE OF RESIDENTIAL PROPERTY ASSETS IN HOUSEHOLD ASSETS, 2000
(As At Year-End)

	Per Cent
Singapore	51
United States	28
Japan	40
France	47
United Kingdom	39

Household Liabilities Mainly in Mortgage Loans

Household financial liabilities or borrowings in Singapore increased from S\$147 billion as at end-2001 to S\$157 billion as at end-2003. Mortgage loans constituted the largest component of household liabilities, accounting for almost three-quarters of the total. Personal and other loans accounted for the remaining quarter (Table 7).

TABLE 7 COMPOSITION OF HOUSEHOLD LIABILITIES IN SINGAPORE (As At Year-End)

	2001	2002	2003
Total Liabilities (\$\$ Billion)	146.5	151.3	156.8
	As Per Cent of Total Liabilities		
Total Liabilities	100.0	100.0	100.0
Mortgage Loans	72.2	74.1	74.3
Private Housing Loans	29.7	31.5	35.4
HDB Loans	42.5	42.6	38.8
Personal Loans & Other Loans	27.8	25.9	25.7

The level of household borrowings, as measured by the ratio of financial liabilities to PDI, increased from 173 per cent in 2001 to 183 per cent in 2003. The ratio of household financial liabilities to GDP rose from 95 per cent to 99 per cent over the same period (Table 8).

TABLE 8 HOUSEHOLD FINANCIAL LIABILITIES RATIOS (As At Year-End)

	2001	2002	2003
Financial Liabilities			
As Per Cent of PDI	173	177	183
As Per Cent of GDP	95	96	99

...Due Largely to Singapore's High Home Ownership

Singapore's household indebtedness, as measured by the ratios of outstanding loans to PDI and GDP, might appear to be high. However, it is a reflection of Singapore's high home ownership (about 92 per cent in 2000), of which a substantial proportion (about 85 per cent) is 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 121 per cent and 61 per cent respectively. If HDB loans were excluded, the ratios of outstanding loans would be about 98 per cent of PDI and 50 per cent of GDP in 2000. Both sets of adjusted ratios were comparable to those of the OECD countries (Table 9).

TABLE 9 HOUSEHOLD FINANCIAL LIABILITIES RATIO (As At Year-End)

	Per Cent			
	Household Financial Liabilities/ PDI		Household Financial Liabilities/ GDP	
	1995	2000	1995	2000
Singapore	117	171	62	87
HDB Loans	34	73	18	37
Others	83	98	44	50
Private Housing Loans	38	51	20	26
Personal & Other Loans	45	47	24	24
United States	80	90	60	66
Japan	100	100	72	67
France	50	54	33	35
United Kingdom	107	116	74	78

Conclusion

Economic growth and high savings facilitated the accumulation of fairly substantial net wealth by Singapore households within a relatively short time. As a reflection of Singapore's home ownership policy, non-financial (residential properties) assets is the most important component of household net wealth. The increase in the net wealth of Singapore households, in tandem with the improving economic environment, has also resulted in higher net wealth ratios.

Softcopy of the occasional paper on *Wealth and Liabilities of Singapore Households* is available for sale from the SingStat DataShop which is accessible online through our Department's website (www.singstat.gov.sg).