

occasional paper  
on  
economic statistics

**SINGAPORE HOUSEHOLD BALANCE SHEET:  
2005 UPDATE AND RECENT TRENDS**

Singapore Department of Statistics  
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# Singapore Household Balance Sheet: 2005 Update and Recent Trends

## Introduction

1. The Singapore Department of Statistics (DOS) has since 2003 compiled the aggregate household balance sheet from reference year 2000. As reported in previous papers<sup>1</sup>, Singapore households have accumulated significant net wealth over the years.

2. This paper presents the underlying concept and methodology as well as updates the household balance sheet to 2005. An examination of the recent trend shows not only has household net wealth continued to rise, but also that there has been a subtle change in the relative composition of household assets.

## Concepts and Methodologies

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

Table 1 Singapore Household Balance Sheet

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

\* CPF refers to Central Provident Fund

# HDB refers to Housing Development Board

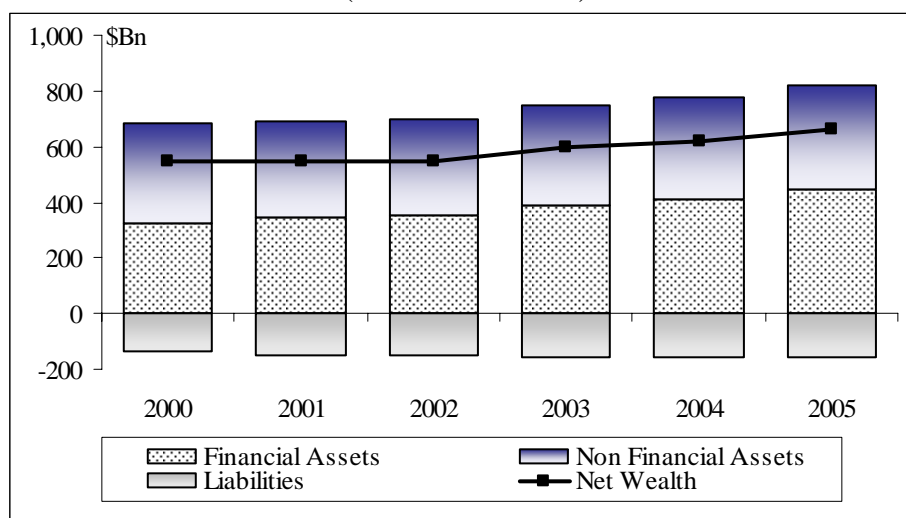
<sup>1</sup> DOS Occasional Paper 'Wealth and Liabilities of Singapore Households', March 2003 and Statistics Singapore Newsletter 'Household Balance Sheet, 2003', September 2004.

4. Household assets can be either classified as 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. Household (financial) liabilities comprise mortgage loans (from HDB, banks and other financial institutions) and personal loans (from banks and other financial institutions).

### Rising Household Net Wealth

5. Household net wealth was relatively stable in the early 2000s even as households continued to save. This largely reflected the economic uncertainties as well as relatively weak property and equity markets in those years. However, with economic growth accompanied by rising property and equity markets in recent years, household net wealth grew steadily from S\$549 billion in 2002 to about S\$660 billion in 2005 (Chart 1).

Chart 1 Composition of Household Net Wealth 2000 – 2005  
(As At Year-End)



6. Total assets stood at S\$820 billion in 2005, reflecting a growth of 5.4 per cent (or S\$42 billion) from the previous year. Financial assets grew by 8.9 per cent (or S\$36 billion) while non-financial assets (property assets) increased by 1.4 per cent (or S\$5.3 billion). Household liabilities increased by a moderate 0.7 per cent (or S\$1.1 billion) to reach S\$160 billion in 2005. Mortgage loans grew by 1.0 per cent (or S\$1.2 billion) while personal and other loans declined slightly by 0.3 per cent (or S\$0.1 billion). Household net wealth consequently grew by 6.6 per cent (or S\$41 billion) to reach S\$660 billion in 2005.

## Rising Share of Financial Assets

7. Households' holdings of financial assets grew faster than its holding of non-financial (or property) assets (Chart 2). Consequently, financial assets as a share of total household assets grew from 47 per cent in 2000 to 54 per cent in 2005. Conversely, the share of non-financial declined steadily from 53 per cent in 2000 to 46 per cent in 2005 (Chart 3).

Chart 2 Growth of Household Assets 2000 – 2005  
(As At Year-End)

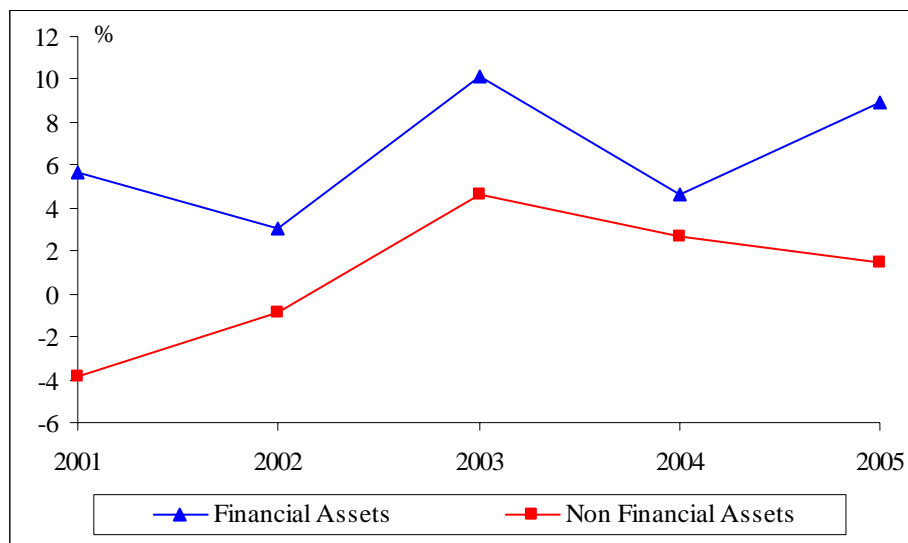
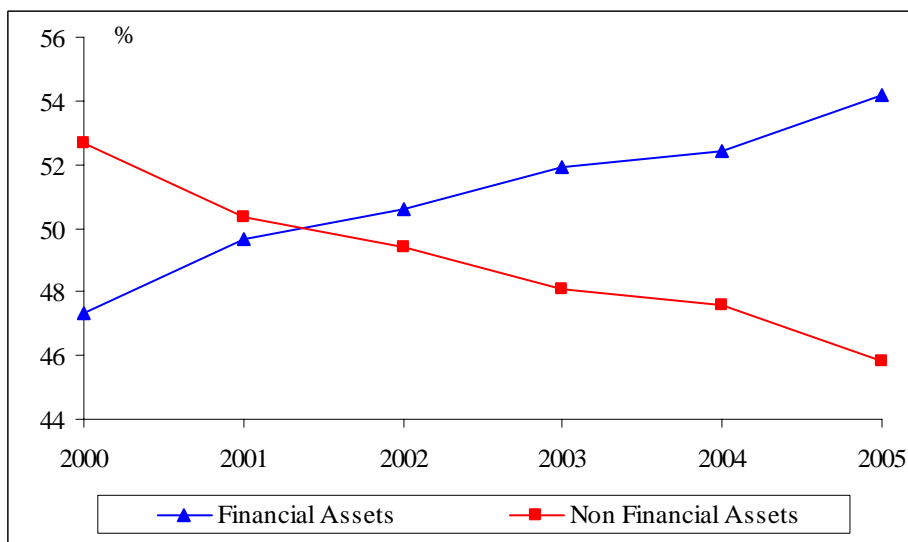
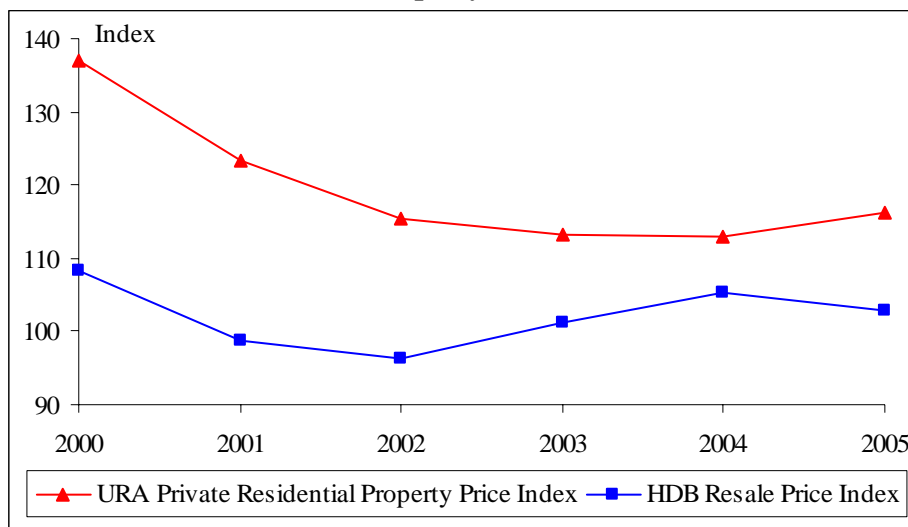


Chart 3 Share of Household Assets 2000 – 2005  
(As At Year-End)



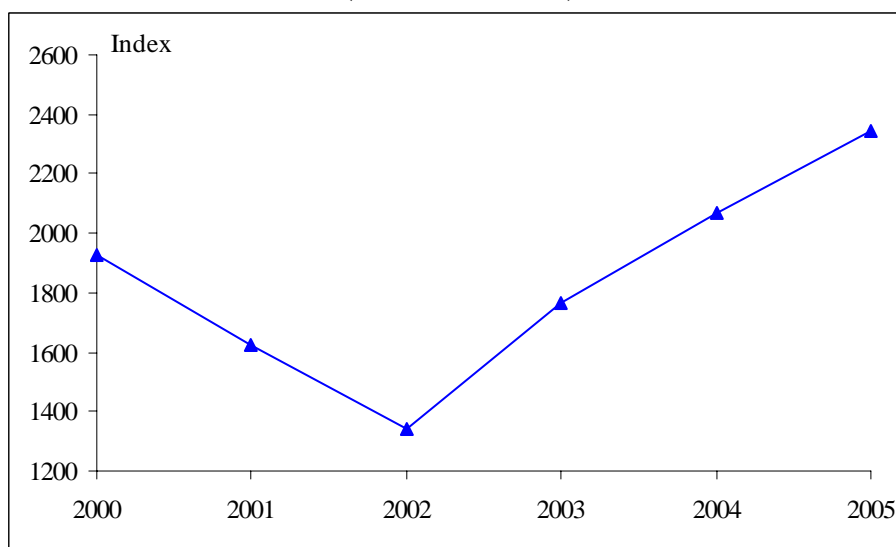
8. The change in the relative shares of financial and non-financial assets is largely driven by changes in their relative prices. Until recently, the sluggish performance of the property market could have prompted households to diversify their asset portfolios towards increasing their holdings of financial assets so as to reduce the investment risks from property assets (Chart 4). In addition, the rising stock market since 2002 had resulted in an increase of the value of equity holdings and consequently an increase in the share of financial assets in household asset portfolios (Chart 5).

Chart 4 Residential Property Price Indices 2000 – 2005



Sources: Urban Redevelopment Authority (URA) & HDB

Chart 5 Straits Times Index 2000 – 2005  
(As At End-Dec)

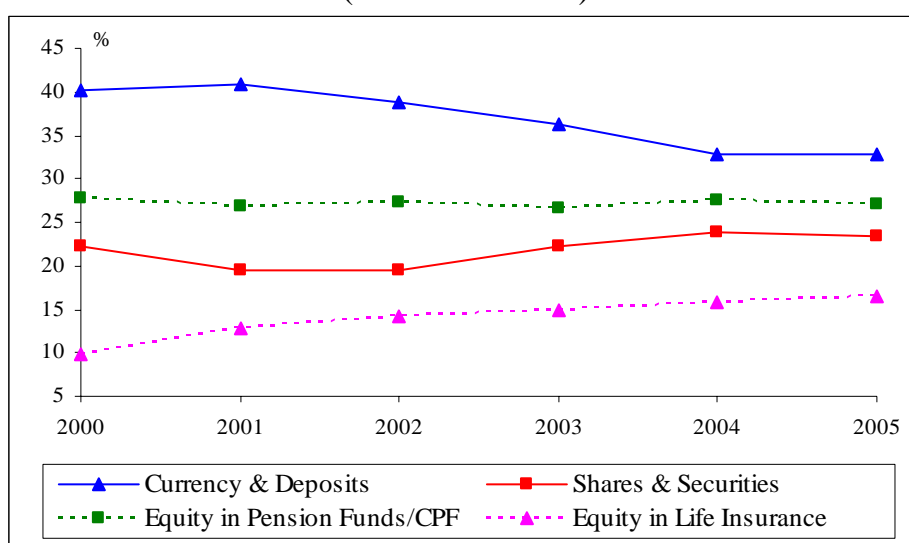


Source: Singapore Exchange (SGX)

## Steady Decline in Currency and Deposits

9. Households' holdings of currency and deposits (which comprise the majority of household financial assets) declined steadily in recent years, with its share to financial assets dropping from 40 per cent in 2000 to about 33 per cent in 2005. Conversely, the share of equity in life insurance as well as shares and securities had exhibited an upward trend in recent years. The share of equity in pension funds/CPF had remained relatively stable at about 27 per cent (Chart 6).

Chart 6 Share of Financial Assets 2000 – 2005  
(As At Year-End)



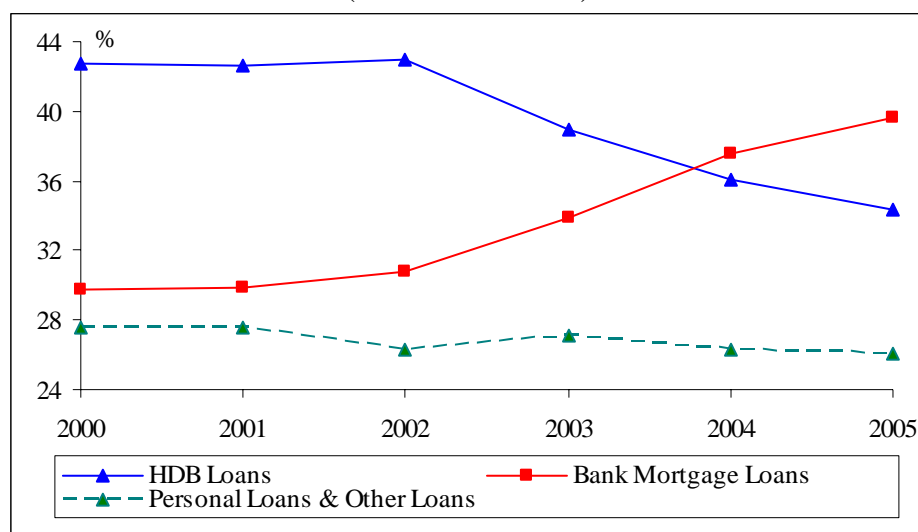
10. The steady decline in households' holdings of currency and deposits could be attributed to the active promotions in a wide range of financial or investment products (eg unit trusts, investment-linked insurance policies, etc) by banks, insurance companies and other financial institutions to households, seeking to increase the return or yield on their savings relative to low deposit interest rates prevailing in these years.

## Increase in Bank Mortgage Loans

11. Reflecting Singapore's high home ownership (about 92 per cent<sup>2</sup> in 2005), mortgage debts continued to contribute to the bulk of household liabilities with HDB loans and bank mortgage loans making up 34 and 40 per cent of total liabilities in 2005 respectively (Chart 7).

<sup>2</sup> Singapore in Figures 2005, DOS

Chart 7 Composition of Household Liabilities 2000 – 2005  
(As At Year-End)



12. The share of bank mortgage loans had increased fairly significantly from 30 per cent in 2000 to 40 per cent in 2005 while that of HDB loans had declined from 43 per cent in 2000 to 34 per cent in 2005 (Chart 7). The change in the relative composition of mortgage loans by banks and HDB could be attributed to the policy change in 2003 for banks to take over from HDB the provision of market-rate housing loans for the purchase of HDB flats.

## Household Balance Sheet in Selected OECD Economies

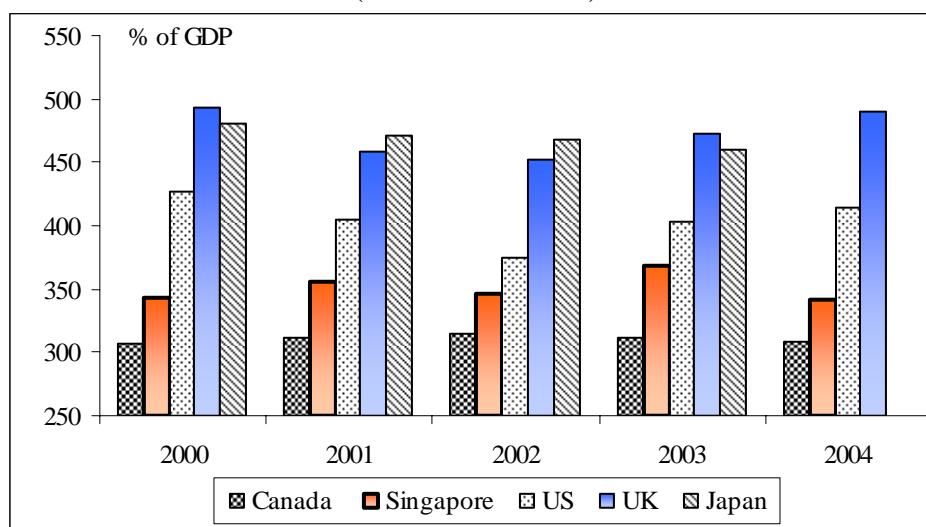
### *Net Wealth*

13. Singapore's ratio of household net wealth to GDP<sup>3</sup> remained relatively stable at around 350 per cent over the past five years. In 2004, this was higher than Canada's net wealth ratio but lower than that of US and UK (Chart 8).

<sup>3</sup> GDP is valued at current market prices.



Chart 8 Country Comparison of Net Wealth Ratios 2000 – 2004  
(As At Year-End)



Source: OECD Economic Outlook

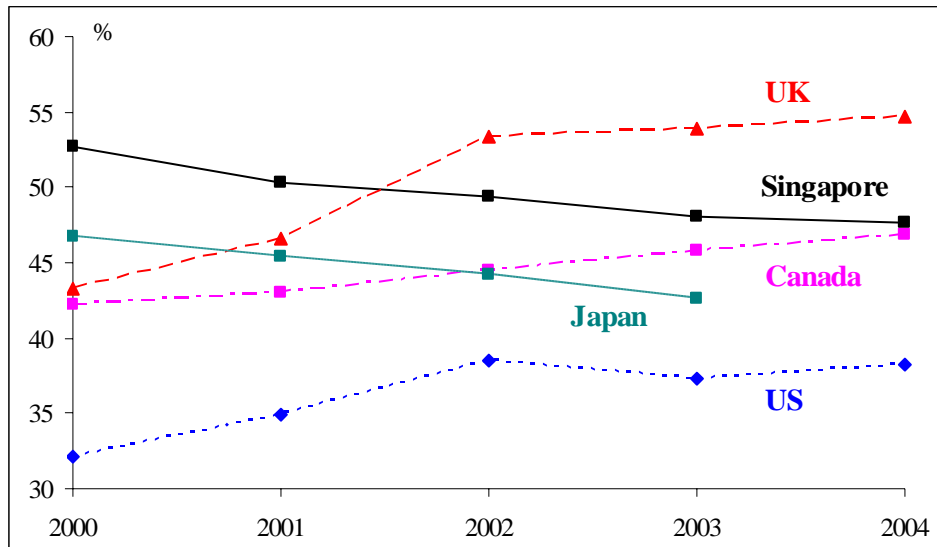
Note: 2004 data for Japan are not available.

### *Household Assets*

14. Singapore households generally possess a higher proportion of non-financial assets<sup>4</sup> in their portfolios compared with those in Canada, Japan and US. Consistent with the relatively weak property market, the share of property in household total assets had exhibited a declining trend since 2000 (Chart 9). In contrast, the buoyant property market in UK, US and Canada had resulted in a rising share of property in these countries. UK's share of non-financial assets to household total assets had exceeded Singapore's since 2002.

<sup>4</sup> Data on non-financial assets for OECD countries (ie UK, US, Japan & Canada) include stock of durable goods at replacement cost and property assets at market value while data on non-financial assets for Singapore refers to property assets at market value.

Chart 9 Share of Non-Financial Assets to Household Assets 2000 – 2004  
(As At Year-End)



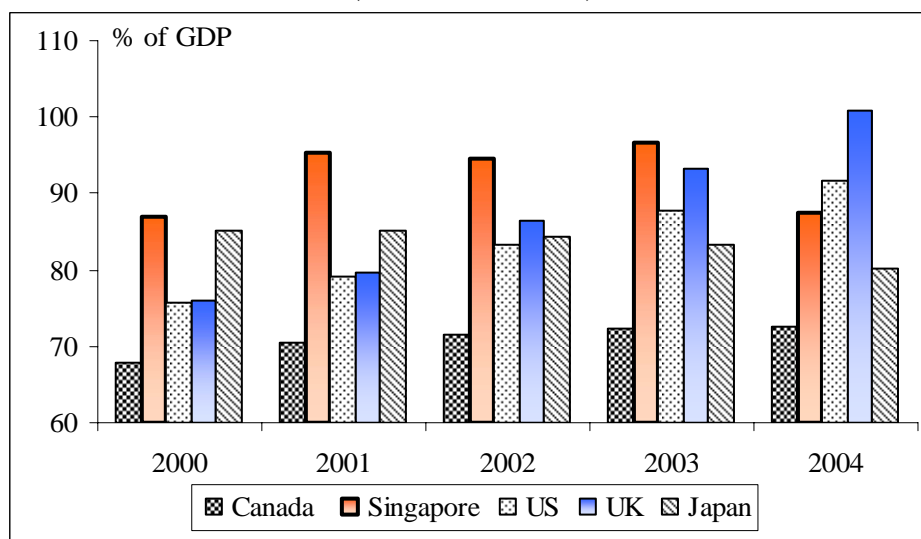
Source: OECD Economic Outlook

Note: 2004 data for Japan are not available.

### Household Liabilities

15. Singapore's household indebtedness (measured by the ratio of outstanding loans to GDP) declined considerably in recent years, from 97 per cent in 2003 to 88 per cent in 2004 (Chart 10). As at end-2004, Singapore's household indebtedness ratio was lower than that of UK and US.

Chart 10 Household Liabilities Ratios 2000 – 2004  
(As At Year-End)

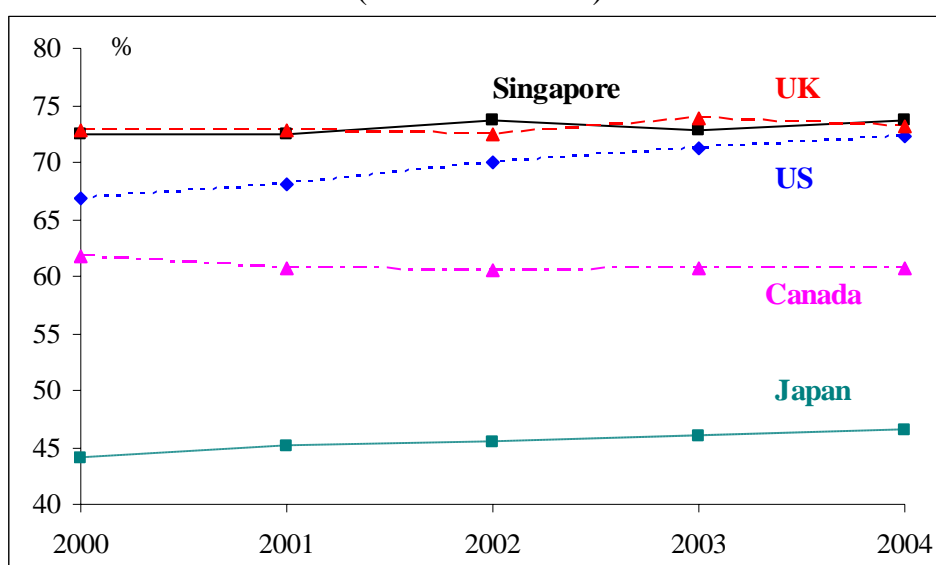


Source: OECD Economic Outlook

## Mortgage Ratios

16. Singapore's ratio of mortgage to household liabilities remained stable at around 73 per cent for the period 2000 to 2004, and was generally comparable to that of UK and US (Chart 11). The relatively high and stable ratio of mortgage loans to household liabilities could be attributed to the high home ownership rate in Singapore. For the UK and US, the increasing ratio of mortgage to household liabilities was a reflection of the rapidly rising property prices in recent years.

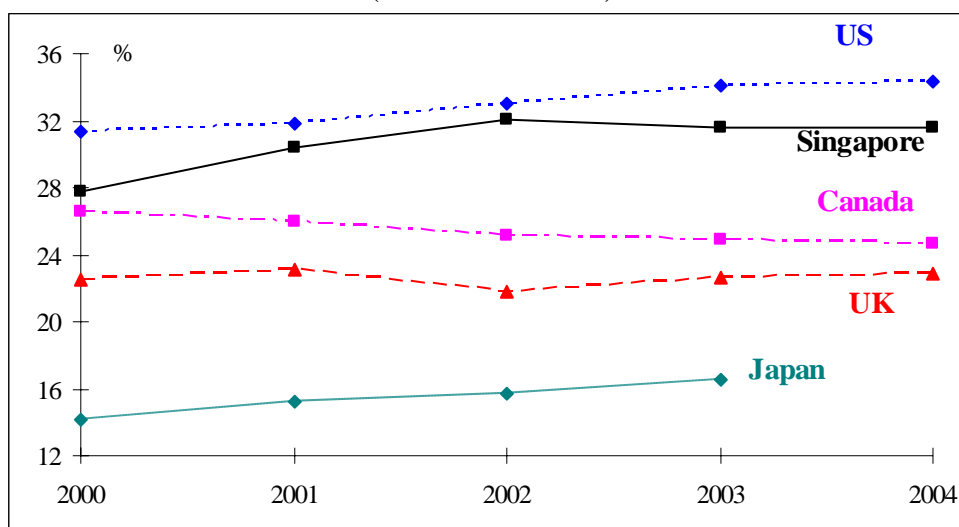
Chart 11 Share of Mortgage in Household Liabilities 2000 – 2004  
(As At Year-End)



Source: OECD Economic Outlook

17. Singapore and US generally had higher ratios of mortgage to non-financial assets compared to Canada, UK and Japan, reflecting the larger extent to which the purchase of properties was financed by mortgage loans in these countries (Chart 12). In particular, Singapore's ratio of mortgage to property assets had increased from 28 per cent in 2000 to 32 per cent in 2004.

Chart 12 Ratio of Mortgage to Non-Financial Assets 2000 – 2004  
(As At Year-End)



Source: OECD Economic Outlook

Note: 2004 data for Japan are not available.

## Conclusion

18. In line with good economic growth and rising asset prices, Singapore household net wealth grew by 6.6 per cent to S\$660 billion as at end-2005 from S\$619 billion as at end-2004. The growth in financial assets had outpaced that of non-financial (property) assets. Financial assets had since 2002 comprised more than half of households' total assets. Currency and deposits' share in financial assets had declined in recent years reflecting the subtle shift towards investments in equities, insurance and unit trusts by households seeking to increase returns on their savings.

**Singapore's Household Sector Balance Sheet 2000 – 2005**  
(As At Year-End)

	Amount (S\$ Million)					
	2000	2001	2002	2003	2004	2005 <sup>1</sup>
<b>Household Net Wealth (I–II)</b>	<b>548,086</b>	<b>545,411</b>	<b>548,801</b>	<b>594,463</b>	<b>619,372</b>	<b>660,024</b>
<b>I Total Assets</b>	<b>686,887</b>	<b>691,544</b>	<b>698,753</b>	<b>750,622</b>	<b>778,449</b>	<b>820,168</b>
Financial Assets	324,965	343,431	353,748	389,692	407,842	444,232
(a) Currency & Deposits	130,725	139,963	137,610	141,245	134,238	146,132
(b) Shares & Securities	72,253	66,841	69,169	87,116	97,028	104,390
(c) Equity in Life Insurance	31,659	44,371	50,510	57,761	64,675	73,105
(d) Equity in Pension Funds/CPF <sup>2</sup>	90,327	92,256	96,459	103,570	111,901	120,604
Residential Property Assets	361,922	348,113	345,005	360,930	370,607	375,936
(a) Public Housing	192,208	185,908	188,977	201,031	202,804	198,905
(b) Private Housing	169,714	162,205	156,028	159,899	167,803	177,031
<b>II Liabilities</b>	<b>138,801</b>	<b>146,133</b>	<b>149,952</b>	<b>156,159</b>	<b>159,076</b>	<b>160,144</b>
Mortgage Loans	100,539	105,795	110,545	113,787	117,209	118,419
(a) Bank Loans	41,251	43,571	46,135	52,899	59,798	63,462
(b) HDB Loans	59,288	62,223	64,410	60,888	57,411	54,956
Personal Loans & Other Loans	38,262.0	40,338	39,408	42,372	41,867	41,725

Figures may not add up due to rounding.

<sup>1</sup> Figures for 2005 are preliminary.

<sup>2</sup> Total amount due to members (net of withdrawals).

**Singapore's Household Sector Balance Sheet 2000 – 2005**  
(As At Year-End)

	Growth Rate (%)					
	2000	2001	2002	2003	2004	2005 <sup>1</sup>
<b>Household Net Wealth (I–II)</b>	-	<b>-0.5</b>	<b>0.6</b>	<b>8.3</b>	<b>4.2</b>	<b>6.6</b>
<b>I Total Assets</b>	-	<b>0.7</b>	<b>1.0</b>	<b>7.4</b>	<b>3.7</b>	<b>5.4</b>
Financial Assets	-	5.7	3.0	10.2	4.7	8.9
(a) Currency & Deposits	-	7.1	-1.7	2.6	-5.0	8.9
(b) Shares & Securities	-	-7.5	3.5	25.9	11.4	7.6
(c) Equity in Life Insurance	-	40.2	13.8	14.4	12.0	13.0
(d) Equity in Pension Funds/CPF <sup>2</sup>	-	2.1	4.6	7.4	8.0	7.8
Residential Property Assets	-	-3.8	-0.9	4.6	2.7	1.4
(a) Public Housing	-	-3.3	1.7	6.4	0.9	-1.9
(b) Private Housing	-	-4.4	-3.8	2.5	4.9	5.5
<b>II Liabilities</b>	-	<b>5.3</b>	<b>2.6</b>	<b>4.1</b>	<b>1.9</b>	<b>0.7</b>
Mortgage Loans	-	5.2	4.5	2.9	3.0	1.0
(a) Bank Loans	-	5.6	5.9	14.7	13.0	6.1
(b) HDB Loans	-	5.0	3.5	-5.5	-5.7	-4.3
Personal Loans & Other Loans	-	5.4	-2.3	7.5	-1.2	-0.3

Figures may not add up due to rounding.

<sup>1</sup> Figures for 2005 are preliminary.

<sup>2</sup> Total amount due to members (net of withdrawals).

**Singapore's Household Sector Balance Sheet 2000 – 2005**  
(As At Year-End)

	Share (%)					
	2000	2001	2002	2003	2004	2005 <sup>1</sup>
<b>Household Net Wealth (I–II)</b>	-	-	-	-	-	-
<b>I Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Financial Assets	47.3	49.7	50.6	51.9	52.4	54.2
(a) Currency & Deposits	19.0	20.2	19.7	18.8	17.2	17.8
(b) Shares & Securities	10.5	9.7	9.9	11.6	12.5	12.7
(c) Equity in Life Insurance	4.6	6.4	7.2	7.7	8.3	8.9
(d) Equity in Pension Funds/CPF <sup>2</sup>	13.2	13.3	13.8	13.8	14.4	14.7
Residential Property Assets	52.7	50.3	49.4	48.1	47.6	45.8
(a) Public Housing	28.0	26.9	27.0	26.8	26.1	24.3
(b) Private Housing	24.7	23.5	22.3	21.3	21.6	21.6
<b>II Liabilities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mortgage Loans	72.4	72.4	73.7	72.9	73.7	73.9
(a) Bank Loans	29.7	29.8	30.8	33.9	37.6	39.6
(b) HDB Loans	42.7	42.6	43.0	39.0	36.1	34.3
Personal Loans & Other Loans	27.6	27.6	26.3	27.1	26.3	26.1

Figures may not add up due to rounding.

<sup>1</sup> Figures for 2005 are preliminary.

<sup>2</sup> Total amount due to members (net of withdrawals).

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