

## Household Sector Balance Sheet 2008: Recent Trends and Developments

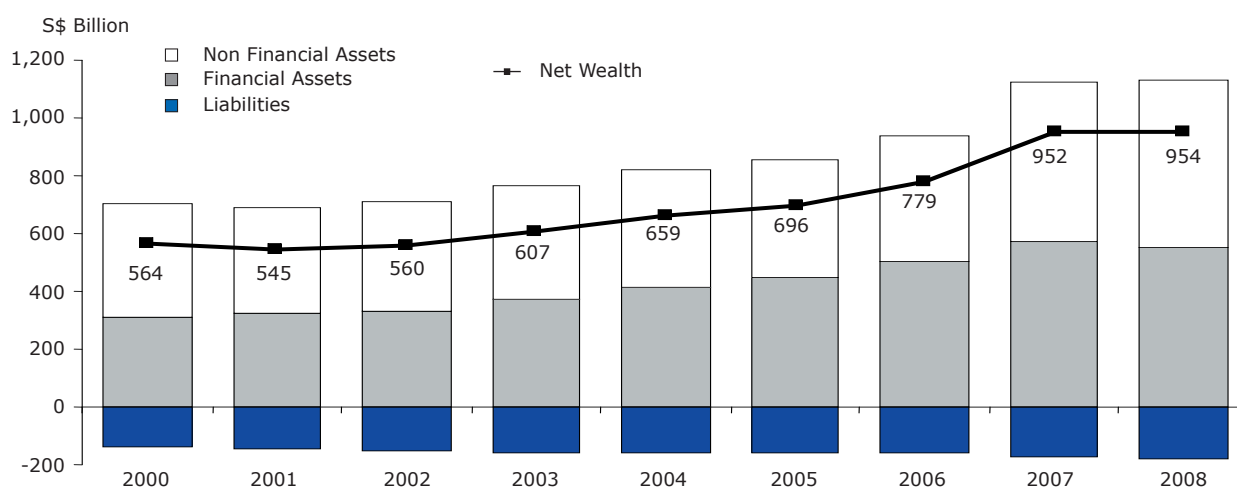
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### Introduction

Singapore household net wealth grew marginally by 0.3 per cent from S\$952 billion in 2007 to S\$954 billion in 2008 compared to a double-digit growth of 22 per cent in 2007 (Charts 1 & 2).

This article provides an update of Singapore's aggregate household sector<sup>1</sup> balance sheet to reference year 2008. An analysis of the updated balance sheet revealed that households' accumulation of net wealth increased nearly two-fold, from S\$564 billion in 2000 to S\$954 billion in 2008.

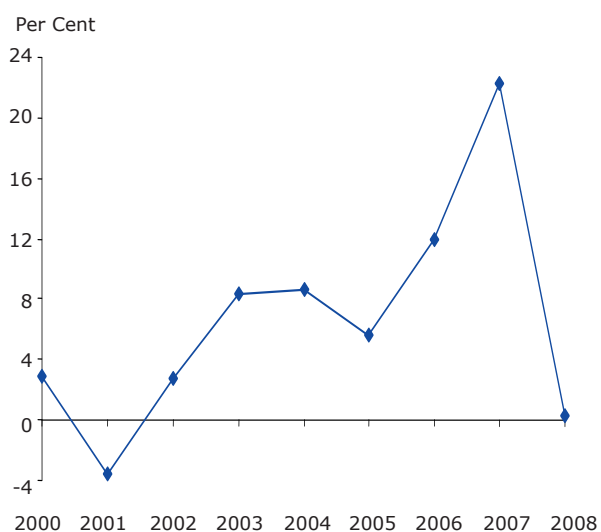
CHART 1 COMPOSITION OF HOUSEHOLD NET WEALTH, 2000-2008 (AS AT YEAR-END)



1 The System of National Accounts defines the household sector to include all households, including foreigners. The household sector also includes unincorporated enterprises such as sole proprietorships.

Financial prudence coupled with a relatively well-balanced asset portfolio had provided households with a substantial buffer in weathering the current economic downturn.

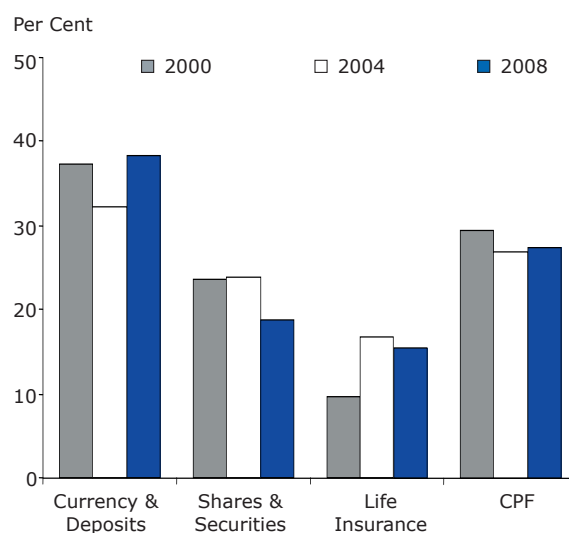
CHART 2 GROWTH IN HOUSEHOLD NET WEALTH, 2000-2008 (AS AT YEAR-END)



### Strong Holdings of Financial Assets in Currency & Deposits and Central Provident Fund (CPF)

Households' holdings of currency and deposits and CPF accounted for about two-thirds of total financial assets (Chart 3). The share of life insurance increased from 10 per cent in 2000 to 15 per cent in 2008. Similarly, holdings of currency and deposits and CPF rose to about 38 per cent and 27 per cent respectively in 2008. On the other hand, households' holdings of shares and securities declined to about 19 per cent in 2008, possibly due to weak performances in the financial markets.

CHART 3 SHARE OF FINANCIAL ASSETS BY TYPE, 2000-2008 (AS AT YEAR-END)



It is no surprise that the current global financial crisis had impacted the growth of shares and securities (-29 per cent) and life insurance (-12 per cent) in 2008 (Table 1). Nevertheless, relatively strong growth in holdings of currency and deposits (9.7 per cent) and CPF (11 per cent) had somewhat alleviated the decline in the overall growth of total financial assets in 2008. Financial assets declined by 3.8 per cent in 2008, in contrast with the 15 per cent growth in 2007.

TABLE 1 GROWTH OF FINANCIAL ASSETS BY TYPE, 2005-2008 (AS AT YEAR-END)

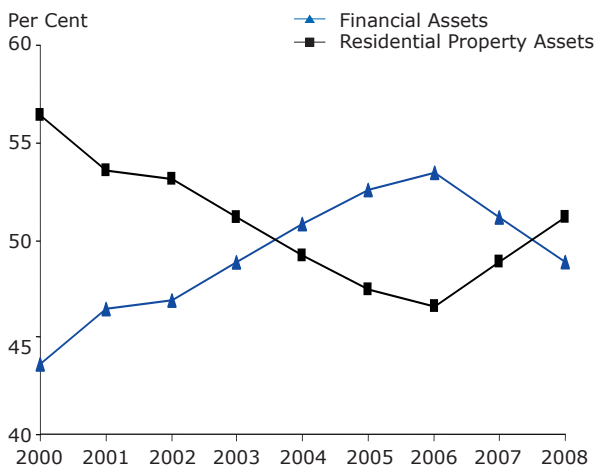
	Per Cent			
	2005	2006	2007	2008
<b>Financial Assets</b>	<b>8.3</b>	<b>11.5</b>	<b>14.6</b>	<b>-3.8</b>
Currency & Deposits	8.9	16.0	14.2	9.7
Shares & Securities	7.9	13.5	21.1	-29.2
Life Insurance	9.6	10.0	14.9	-12.2
CPF	7.1	5.0	8.6	10.5

## Moderation of Growth in Residential Property Assets

### Increasing Share of Residential Property Assets

The buoyant property market in 2007, coupled with the onset of the global financial crisis in 2008, had resulted in an increasing share of residential property assets. As at end-2008, the shares of financial assets and residential property assets were generally well-balanced at 49 per cent and 51 per cent respectively (Chart 4). This proportionate diversification in asset portfolio reduces the vulnerability of households to extreme fluctuations in either the financial or property market.

CHART 4 SHARE OF FINANCIAL AND RESIDENTIAL PROPERTY ASSETS, 2000-2008 (AS AT YEAR-END)

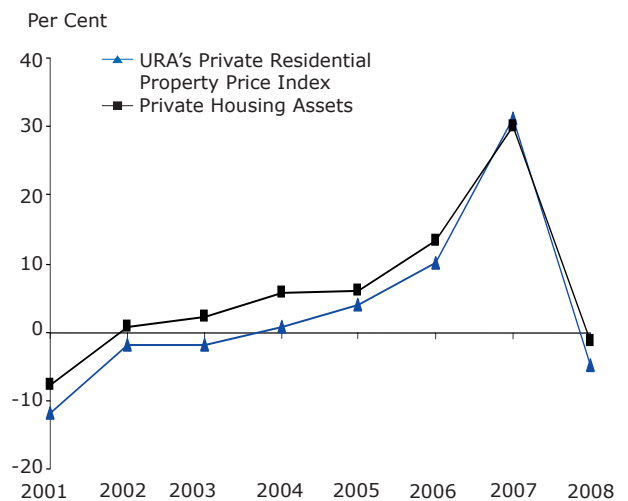


### Relatively Resilient Public Residential Property Market

Consistent with the decline of the underlying private residential property price index, private housing assets fell by 1.3 per cent in 2008, in contrast with 30 per cent growth in

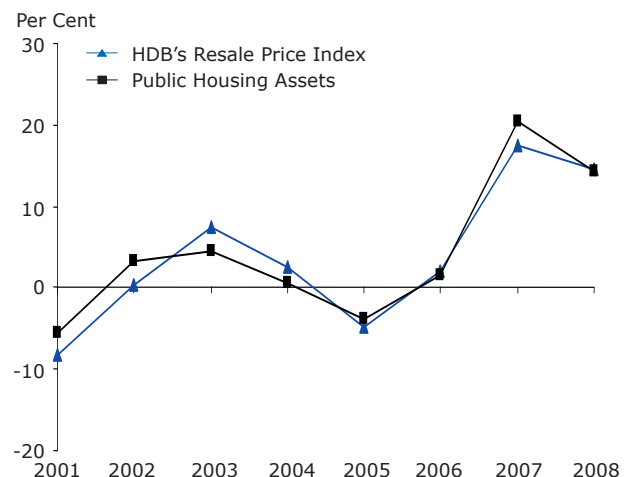
2007 (Chart 5). On the other hand, due to a relatively resilient public residential property market, growth in public housing assets moderated from 20 per cent in 2007 to 14 per cent in 2008 (Chart 6).

CHART 5 GROWTH OF PRIVATE HOUSING ASSETS & URA'S PRIVATE RESIDENTIAL PROPERTY PRICE INDEX, 2001-2008 (AS AT YEAR-END)



Sources: Singapore Department of Statistics (DOS) & Urban Redevelopment Authority (URA)

CHART 6 GROWTH OF PUBLIC HOUSING ASSETS & HDB'S RESALE PRICE INDEX, 2001-2008 (AS AT YEAR-END)



Sources: DOS & Housing Development Board (HDB)

Given that the value of public housing assets accounted for almost half of households' residential property assets, a moderate

growth of 5.6 per cent in the overall residential property assets in 2008 could be attributed to the resilience of the public residential property market (Table 2).

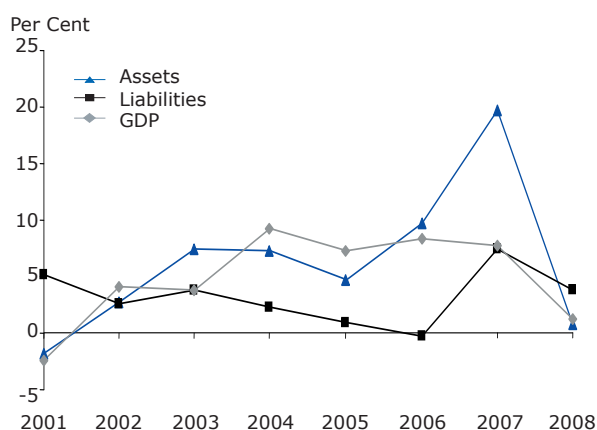
TABLE 2 GROWTH OF RESIDENTIAL PROPERTY ASSETS, 2005-2008 (AS AT YEAR-END)

	Per Cent			
	2005	2006	2007	2008
<b>Residential Property Assets</b>	<b>1.0</b>	<b>7.6</b>	<b>25.6</b>	<b>5.6</b>
Public Housing	-3.8	1.7	20.4	14.2
Private Housing	6.2	13.4	30.1	-1.3

### Growth in Liabilities Lagged Behind Assets

Households' liabilities generally grew at a slower pace than household assets, even during years of strong economic growth from 2004 to 2007 (Chart 7). Growth in households' liabilities moderated from 7.4 per cent in 2007 to 3.8 per cent in 2008, possibly due to households being cautious about incurring additional liabilities in the midst of the current economic downturn.

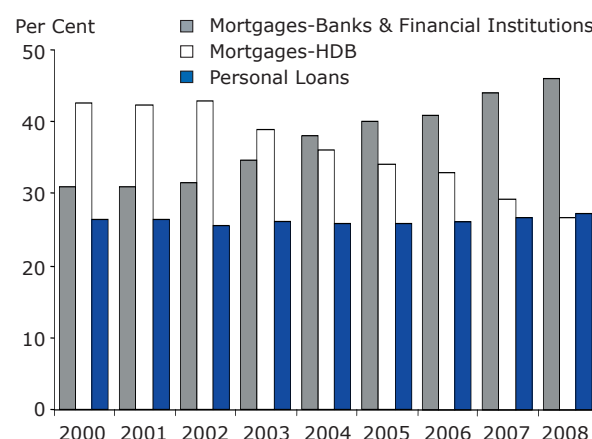
CHART 7 GROWTH IN GDP<sup>2</sup>, HOUSEHOLD ASSETS & LIABILITIES, 2001-2008 (AS AT YEAR-END)



### Growth of Mortgages Remained Relatively Restrained

With Singapore's high home ownership rate (90 per cent in 2008), it is no surprise that mortgage loans made up more than 70 per cent of total household liabilities (Chart 8).

CHART 8 COMPOSITION OF HOUSEHOLD LIABILITIES, 2000-2008 (AS AT YEAR-END)

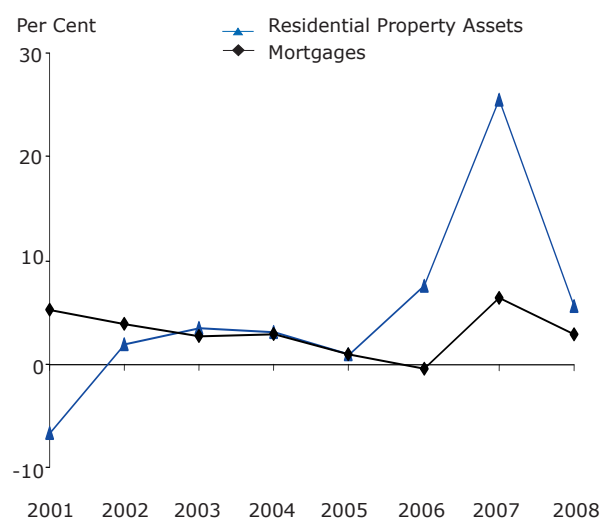


The increase in the share of mortgage loans from banks and financial institutions since 2003 could be attributed to a change in HDB's policy to focus on providing concessionary interest rate mortgage loans to eligible flat buyers and stop granting market rate housing loans in Jan 2003.

Interestingly, growth in mortgages remained relatively restrained during the recent property boom in 2007. Growth in mortgages had further moderated from 6.4 per cent in 2007 to 2.9 per cent in 2008 amid a slowdown in the property market (Chart 9).

2 GDP is valued at current market prices.

CHART 9 GROWTH IN RESIDENTIAL PROPERTY ASSETS & MORTGAGES, 2001-2008 (AS AT YEAR-END)



### Rising Credit/Charge Cards Loans

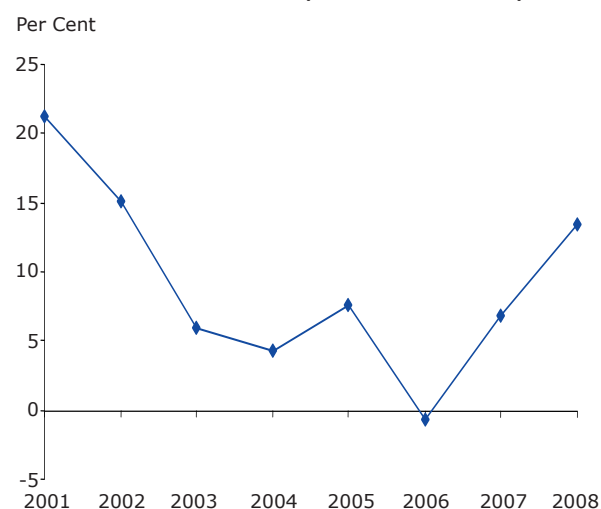
While credit/charge cards loan accounted for an average of about 10 per cent of personal loans during 2005 to 2008, its growth had strengthened steadily from 7.4 per cent in 2005 to 16 per cent in 2008 (Table 3). Credit cards loans amounted to about S\$5.5 billion in 2008 compared with S\$3.8 billion in 2005.

TABLE 3 GROWTH OF PERSONAL LOANS, 2005-2008 (AS AT YEAR-END)

	Per Cent			
	2005	2006	2007	2008
<b>Personal Loans</b>	<b>1.2</b>	<b>0.6</b>	<b>10.1</b>	<b>6.3</b>
Motor Vehicles Loans	3.6	0.2	4.7	2.9
Credit/Charge Cards	7.4	10.0	13.2	16.1
Others	-1.4	-0.7	13.4	6.7

As shown in Chart 10, credit card rollover balance had increased steadily since 2006, following a moderation in growth during the early 2000s.

CHART 10 GROWTH IN ROLLOVER BALANCE, 2001-2008 (AS AT YEAR-END)



Source: Monetary Authority of Singapore (MAS)

### Comparison of Household Balance Sheet in Singapore, UK & US<sup>3</sup>

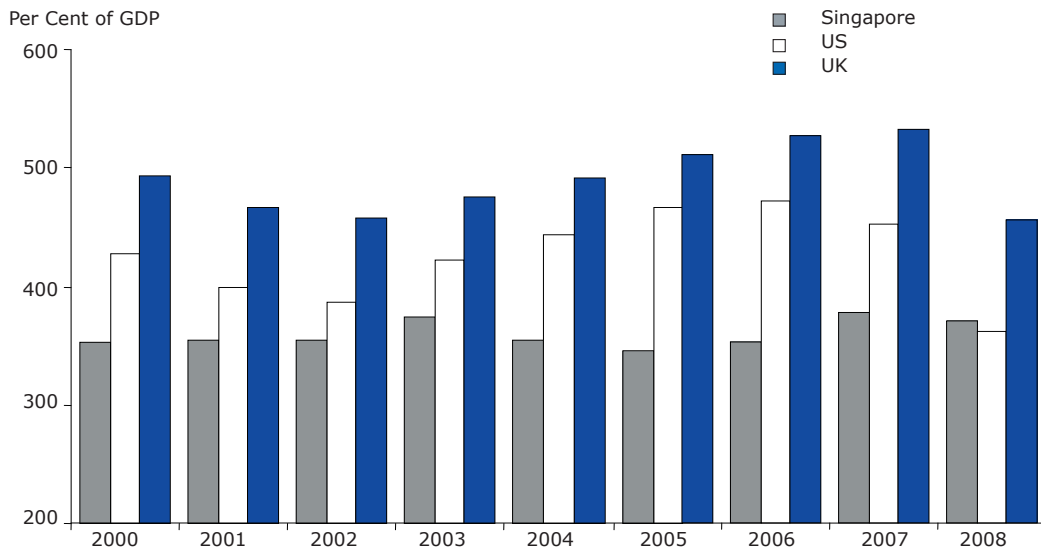
#### Net Wealth

Singapore's ratio of household net wealth to GDP<sup>4</sup> had ranged between 350 per cent and 380 per cent since 2000 (Chart 11). UK's household net wealth ratio had generally been higher than that of Singapore's. It is notable, however, that US's net wealth ratio fell significantly from 453 per cent of GDP in 2007 to 362 per cent of GDP in 2008. US's net wealth ratio had also, for the first time, fell slightly below that of Singapore's in 2008.

3 UK and US household sector balance sheets include both households and non-profit organizations whereas Singapore household sector balance sheet excludes non-profit organizations.

4 GDP is valued at current market prices.

CHART 11 NET WEALTH RATIOS AS A SHARE OF GDP, 2000-2008 (AS AT YEAR-END)



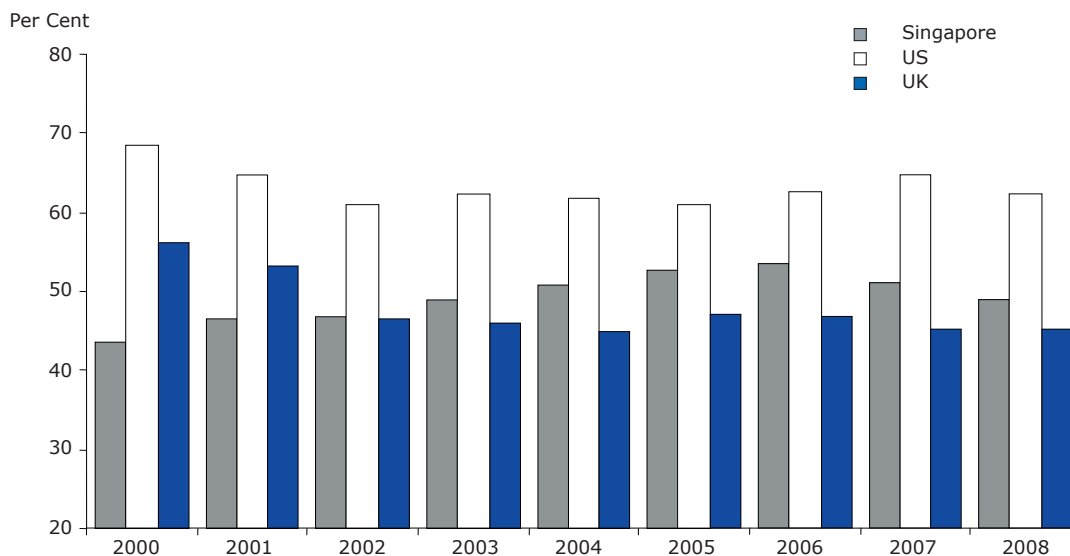
Sources: DOS, UK Office of National Statistics (ONS), US Federal Reserve (FED) & US Bureau of Economic Analysis (BEA)

### Financial Assets

A comparison of the share of financial assets between the selected countries revealed that households in US are most heavily skewed towards holdings of financial assets in their

portfolios (62 per cent in 2008) whereas the share of households' holdings of financial assets in Singapore and UK are relatively well-balanced, at about 49 per cent and 45 per cent in 2008 respectively (Chart 12).

CHART 12 SHARE OF FINANCIAL ASSETS BY COUNTRY, 2000-2008 (AS AT YEAR-END)



Sources: DOS, ONS & FED

### Assets-to-Liabilities & Household Indebtedness Ratios

It is noteworthy that Singapore’s assets-to-liabilities ratio had risen steadily over the years and in particular, had surpassed US and UK’s assets-to-liabilities ratio since 2007. This suggests that Singapore households had been accumulating their assets at a much faster rate compared to their incurrence of liabilities (Chart 13).

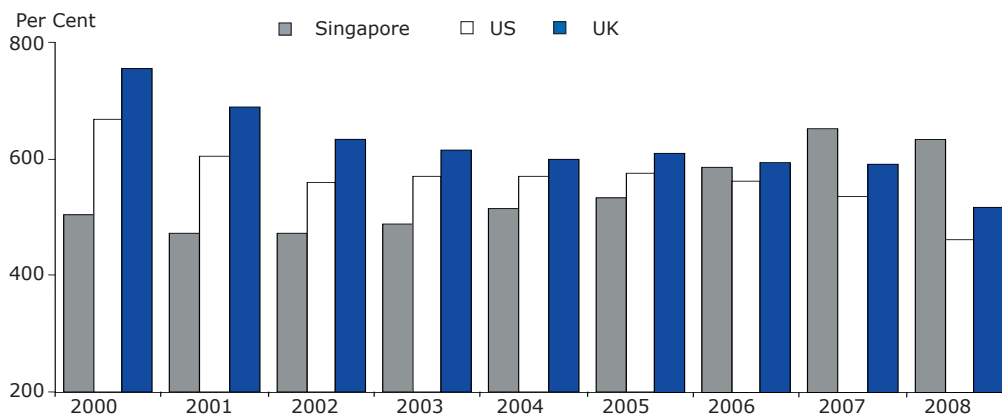
Singapore’s household indebtedness ratio (measured by the ratio of outstanding

liabilities to GDP at current market price) had declined considerably from 87 per cent in 2000 to 70 per cent in 2008 (Chart 14). Singapore’s household indebtedness ratio had remained consistently lower than that of US and UK since 2004.

### Conclusion

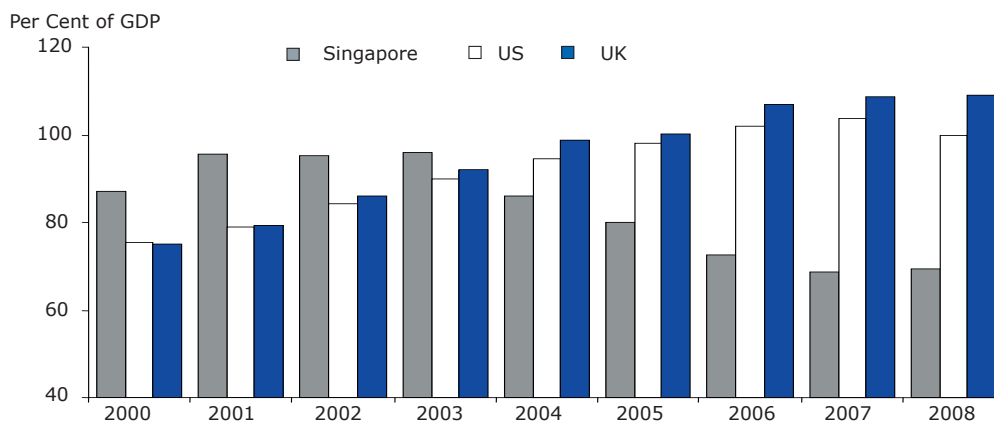
Despite the onset of the global economic downturn, Singapore’s household balance sheet had remained healthy, accumulating an additional S\$954 billion worth of net wealth by end-2008.

CHART 13 ASSETS-TO-LIABILITIES RATIO, 2000-2008 (AS AT YEAR-END)



Sources: DOS, ONS & FED

CHART 14 HOUSEHOLD INDEBTEDNESS RATIO, 2000-2008 (AS AT YEAR-END)



Sources: DOS, ONS, FED & BEA

Download table on the *Household Sector Balance Sheet, 2000 - 2008* (in Excel format) from the SingStat website at <http://www.singstat.gov.sg/stats/themes/economy/hist/hhldbance00-08.xls>