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France's national wealth in 2017:
Robust growth driven by real estate prices

At the end of 2017, France's national wealth (or net worth) amounted to EUR 14,762 billion, equivalent to 7.9 times its net domestic product for the year. After already rising sharply in 2016 (growth of 2.7% in current euro), it grew by 3.7% in 2017, fuelled by increases in stock market prices and in the price of land and buildings. Household net worth rose by 3.8% over the year, largely driven by growth in real estate prices. The value of non-financial corporations' own funds also continued to rise at a very strong pace (10.2% growth after 5.8% in 2016). As in previous years, this was attributable to the gains in stock market prices over 2017. Financial corporations' own funds also increased over the year, albeit at a slower pace than for non-financial corporations. After declining for six consecutive years, general government net worth expanded to EUR 190 billion in 2017 from EUR 124 billion a year earlier, with the increase stemming mainly from price variations – in particular a rise in the valuation of publicly owned companies.

Valentin Guilloton
Institut national de la statistique et des études économiques – INSEE
General Summary of Accounts Division
Soizic Weber
Banque de France
Directorate General Statistics

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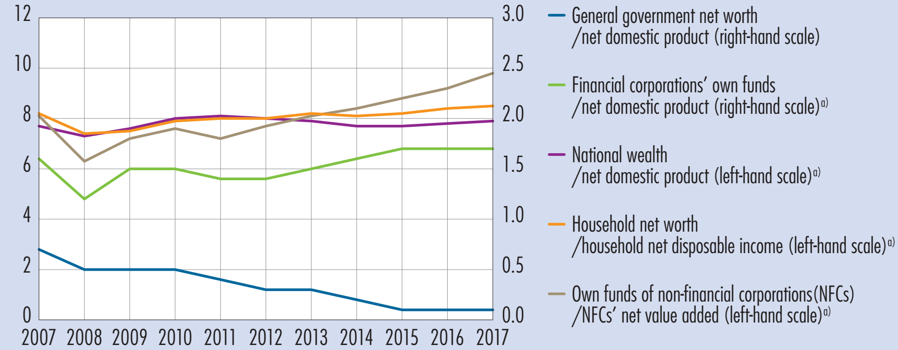
EUR 14,762 billion
national wealth at end-2017

3.7%
increase in national wealth in 2017

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.
a) The introduction of Solvency II regulations led to a break in the series between 2015 and 2016.
Key: At the end of 2017, national wealth was equivalent to 7.9 years of net domestic product.

At the end of 2017, France's national wealth (or net worth; see definitions in Box 3) amounted to EUR 14,762 billion, equivalent to 7.9 times its net domestic product for the year (see Chart 1 and Box 1). The figure was up 3.7% on the year, continuing the robust growth seen in 2016 (2.7%; see Table 1). As in 2016, the rise stemmed from stronger growth in non-financial wealth (3.9% after 3.1% in 2016), especially in the value of land underlying buildings, dwellings, and other buildings and structures. Financial assets and liabilities (see definitions in Box 3) both rose by 6.5% after respective growth of 4.5% and 4.8% in 2016. In total, France's financial net worth amounted to EUR 23 billion at end-2017, down from EUR 48 billion a year earlier.

BOX 1

Main economic aggregates used

Gross domestic product (GDP, EUR 2,292 billion in 2017) is the sum of the value added newly created by resident economic units in a given period, valued at market prices.

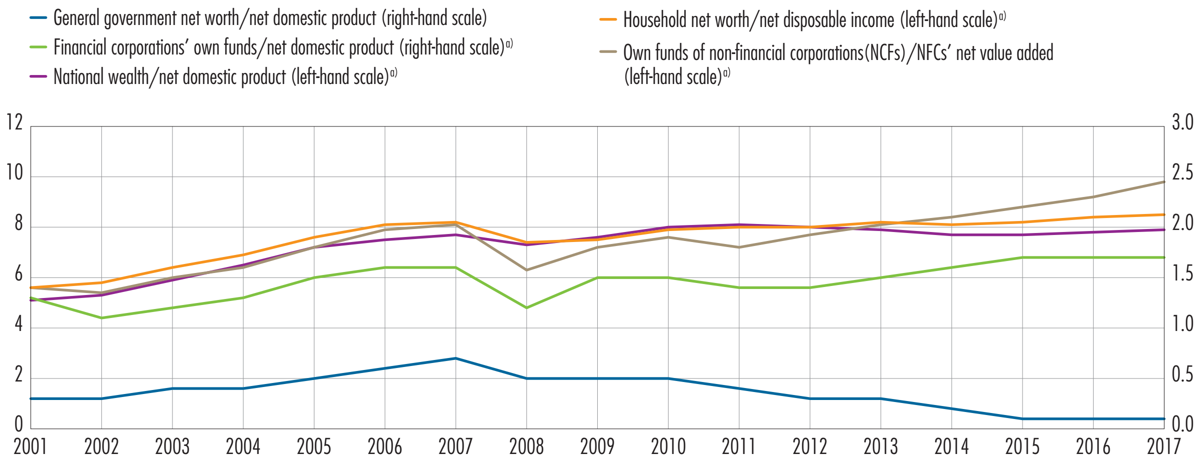
Net domestic product (NDP, EUR 1,878 billion in 2017) is obtained by subtracting fixed capital consumption (FCC) from GDP. FCC measures the depreciation of a country's capital goods over the period. A similar relationship exists between **net disposable income and gross disposable income**.

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

1 Household wealth continued to be buoyed by accelerating real estate prices

At the end of 2017, household net worth (see definitions in Box 3) totalled EUR 11,494 billion, equivalent to nearly 8.5 times their net disposable income (see Chart 1). The figure was up 3.8% year-on-year, after a 3.0% growth rate in 2016. Around two thirds of household net worth is made up of non-financial assets, the majority of which take the form of real estate holdings (see definitions in Box 3). In 2017, the value of these real estate holdings rose by 3.3% (compared with 2.9% growth in 2016). The acceleration was driven by stronger gains in the price of second-hand dwellings (3.3%) and by high volumes of new construction. Overall, household non-financial wealth expanded by 3.5% in 2017 to a

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.
a) The introduction of Solvency II regulations led to a break in the series between 2015 and 2016.
Key: At the end of 2017, national wealth was equivalent to 7.9 years of net domestic product.

T1 Wealth of institutional sectors at end-2017

(EUR billions, % change)

	Total national economy	Households[a)]	Non-financial corporations	Financial corporations	General government	Change in national wealth 2015-2016	Change in national wealth 2016-2017
Non-financial assets (NFA)	14,739	7,679	4,740	292	2,028	3.1	3.9
of which: Buildings and land, o/w:	11,702	7,039	2,695	227	1,740	3.0	3.6
Dwellings	*4,504*	*3,682*	*715*	*44*	*63*	*2.8*	*2.5*
Other buildings and structures	*2,017*	*163*	*814*	*68*	*971*	*1.2*	*2.7*
Land underlying buildings and structures	*5,181*	*3,194*	*1,166*	*115*	*706*	*3.9*	*5.0*
Machinery and equipment	625	42	535	17	32	1.9	2.7
Inventories	441	13	403	–	25	2.6	7.6
Other produced assets	602	150	310	17	126	2.8	3.4
Other non-produced assets	1,369	435	797	32	105	5.2	5.9
Financial assets (FA) other than derivative products	29,834	5,446	8,829	14,254	1,305	4.5[b)]	6.5
of which: Currency and deposits	5,876	1,491	617	3,621	147	3.1[b)]	8.2
Debt securities	3,762	58	68	3,581	55	5.5[b)]	0.5
Loans	4,922	10	1,610	3,201	101	4.4[b)]	3.7
Equity and investment fund shares/units, o/w:	10,035	1,555	5,200	2,705	575	6.5[b)]	10.9
Shares and other equity other than investment fund shares	*8,311*	*1,241*	*5,064*	*1,555*	*451*	*7.0*[b)]	*5.5*
Investment fund shares/units	*1,724*	*314*	*136*	*1,150*	*124*	*4.3*[b)]	*4.7*
Insurance, pension and standardised guarantee schemes, o/w:	2,198	2,027	42	125	5	2.0[b)]	2.2
Life insurance	*1,933*	*1,933*	–	–	–	*2.2*[b)]	*1.4*
Total assets (A) = (NFA) + (FA)	44,573	13,125	13,569	14,546	3,333	4.1[b)]	5.6
Financial liabilities (FL) other than derivative products	29,763	1,631	11,052	13,937	3,143	4.8[b)]	6.5
of which: Currency and deposits	6,311	–	–	6,186	122	3.9[b)]	8.7
Debt securities	4,378	–	655	1,492	2,231	4.5[b)]	0.6
Loans	4,739	1,342	2,629	463	305	4.6[b)]	3.8
Equity and investment fund shares/units (equity liabilities), o/w:	9,461	10	6,780	2,626	45	7.2[b)]	11.0
Shares and other equity other than investment fund shares	*7,815*	*10*	*6,780*	*980*	*45*	*7.5*[b)]	*5.5*
Investment fund shares/units	*1,646*	–	–	*1,646*	–	*5.6*[b)]	*5.7*
Insurance, pension and standardised guarantee schemes, o/w:	2,220	–	–	2,217	–	2.4[b)]	2.1
Life insurance	*1,948*	–	–	*1,948*	–	*3.1*[b)]	*1.4*
Net derivative products (N)	-48	–	–	-48	1	ns	ns
Financial net worth = (FA) – (FL) + (N)	23	3,815	-2,223	269	-1,837	–	–
Wealth (or net worth) = (A) – (FL) + (N)	14,762	11,494	2,517	561	190	2.7[b)]	3.7
Own funds = (net worth) + (equity liabilities)			9,298	3,187			

Sources: INSEE and Banque de France, 2014 base national accounts.
a) Including own-account workers and non-profit institutions serving households (NPISH).
b) The introduction of Solvency II regulations led to a break in the series between 2015 and 2016. The figures marked b) show the annual percentage change excluding the impact of Solvency II.
"ns" means "non-significant".
"–" indicates no assets are held.

total of EUR 7,679 billion. The increase was stronger than the 3.0% rise seen in 2016, and higher than the average rate of growth over the previous decade (2.4% per year between 2005 and 2015; see Table 2).

T2 Change in the wealth (net worth) of institutional sectors

(%)

	Household[a]			Non-financial corporations			Financial corporations			General government		
	2005 2015 avg/ year	2015 2016	2016 2017	2005 2015 avg/ year	2015 2016	2016 2017	2005 2015 avg/ year	2015 2016	2016 2017	2005 2015 avg/ year	2015 2016	2016 2017
Non-financial assets (NFA)	2.4	3.0	3.5	3.1	3.7	4.7	4.0	5.5	7.3	2.4	2.1	3.3
of which: Buildings and land, o/w:	2.5	2.9	3.3	2.4	3.6	4.2	3.1	5.6	7.6	2.5	2.0	3.5
Dwellings	*3.9*	*2.6*	*2.4*	*3.6*	*3.8*	*3.4*	*3.6*	*4.2*	*4.5*	*3.7*	*2.7*	*2.5*
Other buildings and structures	*1.1*	*-0.6*	*0.5*	*2.9*	*1.7*	*3.0*	*4.7*	*4.7*	*7.2*	*2.8*	*0.9*	*2.6*
Land underlying buildings and structures	*1.2*	*3.6*	*4.6*	*1.5*	*4.9*	*5.6*	*2.1*	*6.8*	*9.0*	*1.9*	*3.6*	*4.7*
Machinery and equipment	-0.8	-2.9	-2.0	2.2	2.4	3.1	2.5	6.6	10.2	1.2	-1.8	-0.6
Inventories	0.7	-4.6	-5.7	3.4	3.0	8.4	–	–	–	5.9	0.6	2.1
Other produced assets	1.5	1.4	4.4	3.5	3.6	3.9	4.9	6.2	7.1	2.1	2.1	0.5
Other non-produced assets	0.7	5.1	6.1	6.6	5.3	5.9	15.4	3.6	4.0	1.9	5.3	5.4
Financial assets (FA) other than derivative products	4.1	3.4[c]	4.4	5.2	6.5[c]	10.2	5.0	4.4[c]	5.1	3.8	-1.6	5.6
of which: Currency and deposits	3.3	4.1[c]	4.6	9.6	7.6[c]	9.3	5.7	2.2[c]	9.3	2.7	-0.8	13.7
Debt securities	-0.3	-3.8[c]	-12.5	-1.7	-0.6[c]	31.5	5.0	6.0[c]	0.5	7.7	-6.0	-15.4
Loans	4.6	2.5[c]	1.7	6.0	5.2[c]	3.7	4.8	4.5[c]	3.8	3.3	-10.5	-1.1
Equity and investment fund shares/units	3.0	4.9[c]	8.1	5.0	7.6[c]	13.8	2.8	6.6[c]	8.2	3.3	2.2	5.6
Insurance, pension and standardised guarantee schemes, o/w:	5.4	2.2[c]	1.7	1.5	3.9[c]	6.3	47.6	-0.6[c]	9.8	2.4	-21.8	8.2
Life insurance	*5.5*	*2.2*[c]	*1.4*	–	–	–	–	–	–	–	–	–
Total assets (A) = (NFA) + (FA)	3.0	3.2	3.9	4.4	5.4	8.2	5.0	4.5	5.1	2.9	0.6	4.2
Financial liabilities (FL) other than derivative products	5.3	4.3[c]	5.4	4.7	6.1[c]	9.3	4.7	3.9[c]	5.6	6.4	4.1	2.2
of which: Currency and deposits	6.5	4.3	4.1	–	–	–	4.9	3.9[c]	8.8	7.1	-0.5	2.7
Debt securities	–	–	–	7.0	7.2[c]	1.9	6.1	0.7[c]	-0.9	6.7	6.4	1.4
Loans	5.3	4.3[c]	5.4	4.9	4.6[c]	4.7	3.9	11.3[c]	-1.4	4.6	-3.4	-1.8
Equity and investment fund shares/units (equity liabilities)	6.5	4.3[c]	4.1	4.4	7.2[c]	12.8	1.3	7.4[c]	6.6	ns	ns	ns
Insurance, pension and standardised guarantee schemes, o/w:	–	–	–	–	–	–	6.0	2.4[c]	2.1	–	–	–
Life insurance	–	–	–	–	–	–	*5.5*	*3.1*[c]	*1.4*	–	–	–
Net derivative products (N)	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns
Financial net worth[b]	3.9	2.9[c]	4.4	2.9	4.9[c]	5.6	ns	20.2[c]	-20.9	8.9	8.3	-0.1
Wealth (or net worth)	2.8	3.0[c]	3.8	3.3	2.6[c]	3.9	15.1	14.8[c]	-8.4	-11.8	-45.0	53.8
Corporate own funds				4.1	5.8[c]	10.2	3.2	9.1[c]	3.6			

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" change reflects an improvement.
c) The introduction of Solvency II regulations led to a break in the series between 2015 and 2016. The figures marked c) show the annual percentage change excluding the impact of Solvency II.
"ns" means "non-significant".
"–" indicates no assets are held.

With regard to financial assets, households continue to favour bank savings products. Currency and deposit holdings thus rose by 4.6% in 2017 (after 4.1% growth in 2016), reflecting a preference for passbook savings over more high-risk investments, and continuing strong inflows into overnight deposits. In the low interest rate environment, household debt security holdings dropped fairly markedly (decline of 12.5% after a 3.8% fall in 2016). Meanwhile, holdings of equity and investment fund shares grew by 8.1% after 4.9% growth in 2016, reflecting a stronger price effect in 2017 – the SBF 120 index gained 10.8% over 2017 compared with 4.7% the previous year.

In contrast, growth in household life insurance investments slowed to 1.4% in 2017 from 2.2% in 2016. In total, household financial assets increased by 4.4% compared with 3.4% growth the previous year.

On the liabilities side, outstanding loans rose by 5.4% after 4.3% growth in 2016, buoyed by the strength of the property market. Overall, household financial net worth increased by 4.4% after growing by 2.9% in 2016.

2 Continued growth in the net worth of non-financial corporations

The net worth of non-financial corporations (NFCs, see definitions in Box 3) rose more sharply in 2017 than in 2016 (3.9% growth compared with 2.6% previously), reaching a total of EUR 2,517 billion at year-end.

Growth in non-financial wealth accelerated to 4.7%, taking the total value to EUR 4,740 billion. The rise was attributable to two main factors: on the one hand, an acceleration in investment (5.0% growth), driven by spending on intellectual property rights (especially for software and databases) and on machinery and equipment, and probably helped by the temporary extra depreciation allowance in place up to 14 April 2017; on the other hand, a 4.2% increase in the value of land and buildings.

NFC financial assets saw stronger growth than in 2016 (10.2% after 6.5%), reaching a total of EUR 8,829 billion at end-2017 and accounting for 65% of total assets. The pick-up was primarily the result of higher valuation gains on existing stocks of equity and investment fund shares (13.8% after 7.6% in 2016). However, currency and deposit holdings also rose more markedly than in 2016, adding 9.3% over 2017 compared with 7.6% the previous year. Overall, the total value of NFC assets rose by 8.2% after 5.4% growth in 2016. NFC loan borrowing continued to rise at a robust pace in 2017 (increase of 4.7% after 4.6% in 2016). In contrast, bond liabilities remained relatively stable, adding just 1.9% after the 7.2% jump seen in 2016. This was due both to slower growth in net issuance and to negative valuation effects caused by the rise in long-term interest rates.

Buoyed by the strength of the stock markets, the value of outstanding equities issued by NFCs rose by 12.8% after 7.2% growth in 2016. A large part of this rise is mirrored on the asset side of NFC balance sheets, as the issued equities are mainly held by other NFCs (intragroup holdings; see Box 2). Overall, NFC liabilities increased by 9.3% after growth of 6.1% in 2016.

NFC own funds (see definitions in Box 3) continued to climb at a very strong pace, adding 10.2% after 5.8% growth in 2016. At the end of 2017, they amounted to EUR 9,298 billion, equivalent to 9.8 times NFC net value added.

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.

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The amount of these cross-holdings is significant. At end-2017, total NFC consolidated debt (see definitions in Box 3) amounted to EUR 1,724 billion, equivalent to 75% of French GDP (compared with EUR 3,284 billion of non-consolidated debt, or 143% of GDP). At the same time, total consolidated NFC liabilities amounted to EUR 3,311 billion, less than half the value of the non-consolidated stock. The increase in NCF consolidated liabilities in 2017 can be attributed to higher stock market prices, and to an increase in borrowing in the form of bank loans.

3 Fall in the financial net worth of financial corporations

At end-2017, the net worth of financial corporations (FCs; see definitions in Box 3), whose balance sheets consist mainly of financial assets and liabilities, stood at EUR 561 billion against total assets of EUR 14,546 billion. The figure was down 8.4% on the year after 14.8% growth in 2016, with the decline reflecting faster growth in financial liabilities than in financial assets. Growth in FC non-financial assets (EUR 292 billion at end-2017) accelerated to 7.3% from 5.5% in 2016.

Growth in FC financial assets also picked up slightly in 2017, rising to 5.1% from 4.4% in 2016. Outstanding lending by FCs rose by 3.8% compared with 4.5% in 2016. In particular, lending to households and NFCs increased by 5.4% and 5.8% respectively (after 3.3% and 4.2% growth in 2016), helping to support investment and the rise in real estate transactions. FC holdings of equity and investment fund shares grew at a stronger pace in 2017 (8.2% after 6.6% in 2016), driven by high net acquisitions and positive valuation effects.

FC liabilities rose at a faster pace in 2017 (5.6% after 3.9% in 2016), fuelled by stronger growth in household and NFC deposits (5.9% in 2017 after 5.1% in 2016); total currency and deposit liabilities net of assets came to EUR 2,565 billion at the end of 2017. The trend contributed to growth in the broad money supply (M3), which remained robust at the end of 2017.

4 Rise in general government net worth

After falling by 1.6% in 2016, the value of general government financial assets rose by 5.6% in 2017, reaching a total of EUR 1,305 billion. Growth in outstanding holdings of equity and investment fund shares accelerated to 5.6% from 2.2%, reflecting stronger valuation gains over 2017. Equity and investment fund shares accounted for 44% of total general government financial assets at end-2017.

General government liabilities grew more slowly in 2017 than in 2016 (2.2% growth, down from 4.1%). Debt securities, which are the general government's main source of financing, accounted for 71% of total liabilities at end-2017. However, despite the rise in net issuance (increase of EUR 71.7 billion after a rise of EUR 61.3 billion in 2016), the value of outstanding debt security liabilities rose to a far lesser extent than in 2016. This reflects the increase in long-term interest rates which prompted a fall in the market value of those securities already issued (decline of EUR 41.7 billion in 2017). The yield on government 10-year bonds notably increased from 0.68% at end-2016 to 0.79% at end-2017. Overall, the market value of general government debt increased by 1.1% in 2017, compared with a rise of 3.2% when measured in nominal terms in accordance with the Maastricht definition (see definitions in Box 3).

In 2017, general government non-financial wealth rose by 3.3% after 2.1% growth in 2016, reaching a total of EUR 2,028 billion. The acceleration was mainly driven by price effects linked to holdings of land and buildings (excluding dwellings) which account for 82% of total general government non-financial assets. It is also attributable to the rebound in investment (3.1% growth compared with 0.3% in 2016), particularly in dwellings and other structures. In contrast, investment in military equipment decreased over the year due to lower deliveries of weapons systems.

In all, after six consecutive years of declines, general government net worth began to rise again in 2017, expanding by 53.8% to EUR 190 billion. The increase was primarily due to 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** (FCs and NFCs). Financial corporations include the central bank, credit institutions and other deposit-taking corporations, other financial institutions (mainly investment funds and financial vehicle corporations), insurance corporations, money-market and non-money market investment funds, financial auxiliaries and captive financial institutions.

Since the introduction of the Solvency II prudential framework in 2016, investments in life insurance contracts have been booked at market value (Bourlès et al., 2017). The impact of this change in methodology was stripped out for the calculation of variations in assets and liabilities between 2015 and 2016.

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 their non-equity liabilities.

General government debt (as defined in the Maastricht Treaty) differs from general government liabilities in three ways: the scope of financial transactions considered for general government debt excludes derivatives and other accounts receivable/payable; government debt is consolidated, meaning that it excludes debts between government agencies; 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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