

# Press Release

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**The Halifax measure of household wealth includes the value of residential buildings and financial assets held by UK households.** The amount of outstanding household debt has been deducted to calculate net wealth. **The Halifax estimates differ from the household wealth figures published by the ONS in the National Accounts.** The ONS measure of the household sector - and therefore household wealth - is broader as it includes **non-profit institutions serving households** such as charities and unincorporated enterprises where the finances of the business are linked with the families that run them. On average, the Halifax estimate is approximately 10% lower than the ONS figure.

## **UK HOUSEHOLD WEALTH INCREASES FIVE FOLD IN THE PAST 50 YEARS**

- **Total household wealth has increased more than five times in real terms in the past 50 years**
- **By decade, the biggest rise was in the 1980s, when household wealth more than doubled (108%). Housing and financial wealth increased by 92% and 124% respectively.**
- **Substantial rises in both financial and housing wealth have driven the increase in total household wealth in the past 50 years**
- **Housing wealth has increased in value by nine times in real terms since 1959. This is a function of significant rises in both house prices and the level of home ownership**
- **The value of households' financial assets has increased four-fold in real terms since 1959**
- **Housing wealth has increased significantly as a proportion of total household wealth; up from 22% in 1959 to 38% in 2009**
- **Household wealth fell by 15% between 2007 and 2008 and remained 8% below its 2007 peak despite an improvement in 2009**

### **KEY FINDINGS**

**Total household wealth<sup>1</sup> in the UK has increased by over five times in "real" terms (i.e. after allowing for retail price inflation) over the past 50 years, new Halifax research shows.** There has been an increase from £1,251 billion in 1959 to an estimated £6,316 billion in 2009 in today's prices. *(All figures are expressed in real terms to allow for meaningful comparisons over the period).*

**Average wealth per household has risen over three times from £72,719 in 1959 to £236,998 in 2009.** This is a smaller increase than that for total wealth due to the significant increase in the number of households from 16.6 million in 1959 to an estimated 26.6 million in 2009.

**Housing wealth's<sup>2</sup> contribution to total household wealth has increased significantly - from 22% in 1959 to 38% in 2009 – due to its more rapid rise compared with other types of wealth.**

<sup>1</sup> after deducting outstanding debt balances.

<sup>2</sup> the value of housing less the amount of mortgages outstanding.

**Housing wealth has increased in value nine times from £276 billion in 1959 to £2,519 billion in 2009.** Increases in average house prices and the substantial growth in the number of privately owned homes - from 12.1 million in 1959 to 22.1 million in 2009 - have been the main drivers behind the growth in housing wealth. The increase in the number of privately owned homes was largely due to an increase in owner occupation from 43% in 1961 to 68% in 2009. Rising housing wealth has benefited those who own their homes and those who privately rent out properties.

**The value of financial assets (such as savings, pensions and shares) increased four times from £993 billion in 1959 to £4,024 billion in 2009.** The deregulation of financial markets, the rise in share ownership and changes to private pensions provision have all helped to boost the holdings of financial assets. Share prices, as measured by the FT All Share Index, have risen at a much faster rate than overall consumer prices. Whilst the retail price index has risen by over 13 times, the FT All Share Index has grown 25 fold since 1965 (when records first became available for this series).

**Nitesh Patel, economist at Halifax, commented:**

"The past half century has seen a dramatic increase in wealth for UK householders. In addition to greater overall economic prosperity, Government policy measures such as "Right to Buy" and the privatisation of nationalised industries, coupled with the liberalisation of financial markets, have provided the impetus for increased household wealth in the forms of both housing and financial assets.

The financial position of UK households has weakened since 2007 as a result of deteriorating economic activity and reduced house and share prices. Nevertheless, much of this was recouped in 2009 as both house and equity prices recovered somewhat and notably household wealth has still risen over the past decade."

## **ADDITIONAL FINDINGS**

### **1980s**

**By decade, the biggest rise was in the 1980s, when household wealth increased by 108%.** This was a period when both the housing and financial services markets underwent significant transformations.

**Housing and net financial wealth<sup>3</sup> increased by 92% and 124% respectively during the 1980s.** Households' financial wealth was boosted by a combination of privatisations, the deregulation of share dealing, a booming stockmarket and changes to private pension provisions. Significant house price rises and a marked increase in the proportion of households owning their own homes – from 57% to 68% - drove the rise in housing wealth during the 1980s.

### **2000s**

**Household wealth increased by just 18% in the 2000s (comparable to the increases in both the 1960s and 1970s).** The more modest increase compared with the preceding two decades – 1980s and 1990s - was primarily due to the significant declines in stock prices due to both the dotcom collapse in 2000 and the recession at the end of the decade. Overall, the value of financial assets grew by just 3% during the 2000s. Housing wealth, on the other hand, increased by 59% as a result of the significant house price gains during the decade.

**The downturn in economic activity towards the end of the decade had an adverse impact.** Household wealth fell by 15% between 2007 and 2008 as a result of declines in the values of both housing and financial assets due to falls in house prices and share prices. Much of this decline, however, was recouped in 2009 as both house and equity prices recovered somewhat. Household wealth increased by 9% due to the combination of an estimated 3% rise in housing wealth and a 14% gain in financial wealth (driven by a 25% increase in the FT All Share Index). Nonetheless, household wealth at the end of 2009 remained 8% below its 2007 peak.

<sup>3</sup> The net value of financial assets after the deduction of consumer credit balances outstanding

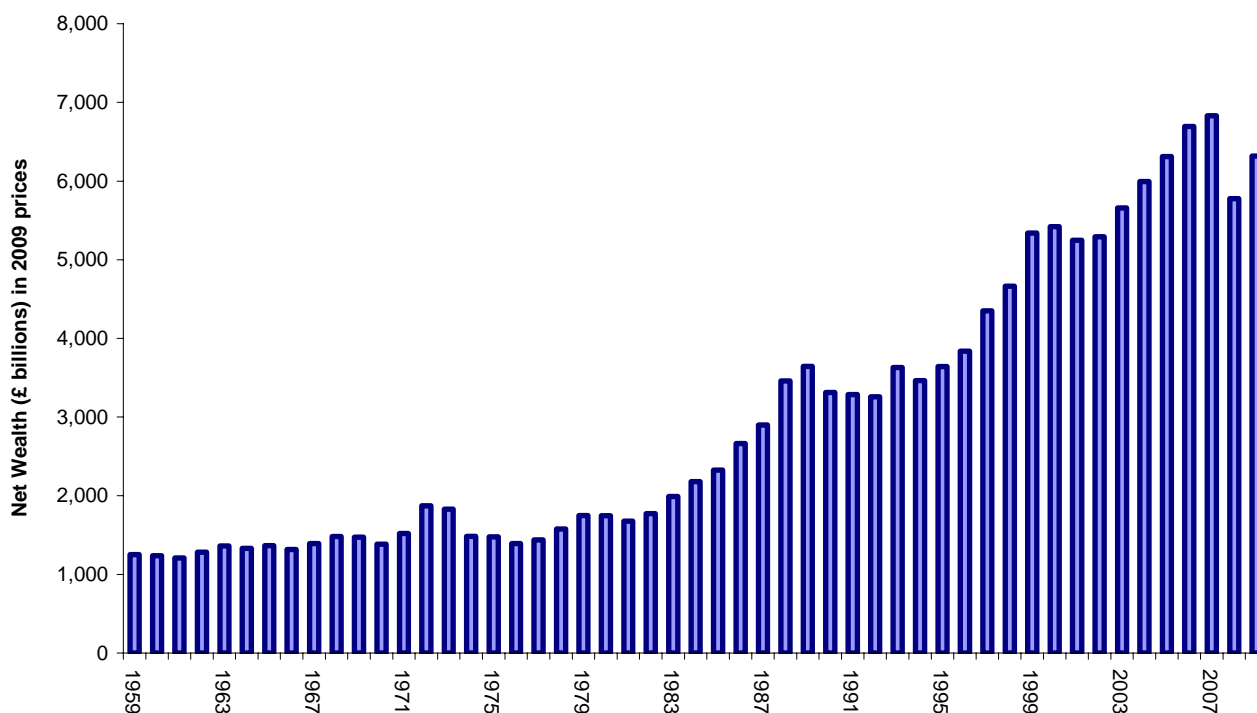
**Table 1: Household Sector Wealth 1959 – 2009 (£ billion)**

	Household Sector Wealth (£ bn), 2009 prices							
	1959	1969	1979	1989	1999	2009	Average Annual Increase 1959-2009 (£bn)	Average Annual Compound Growth 1959-2009
Value of Residential Properties	330	541	1,041	2,153	2,221	3,755	68	5.0%
Less Mortgage Loans	54	126	170	478	639	1,235	21	6.5%
<b>Net Housing Equity</b>	<b>276</b>	<b>415</b>	<b>871</b>	<b>1,675</b>	<b>1,581</b>	<b>2,519</b>	<b>45</b>	<b>4.5</b>
Total Household Financial Assets	993	1,083	916	2,058	3,912	4,024	61	2.8
Less Consumer Credit Loans Outstanding	17	26	38	90	156	227	4	5.3%
<b>Net Financial Wealth</b>	<b>975</b>	<b>1,057</b>	<b>879</b>	<b>1,968</b>	<b>3,756</b>	<b>3,797</b>	<b>56</b>	<b>2.8%</b>
<b>Net Household Wealth</b>	<b>1,251</b>	<b>1,472</b>	<b>1,749</b>	<b>3,643</b>	<b>5,337</b>	<b>6,319</b>	<b>101</b>	<b>3.3%</b>

Source: ONS, CLG and Halifax estimates. All figures rebased to 2009 prices.

**Chart 1**

**Real Net Household Wealth in the UK 1959 - 2009**



Source: ONS, CLG, Halifax. Figures rebased to 2009 prices.

## Editors' Notes:

The data in this release has been sourced from the Communities and Local Government (CLG) department for UK house prices, private dwelling completions and stock of private properties. The data for financial assets and consumer credit is from the ONS, as is the long term series on housing wealth and mortgage debt which date back to 1962. For years where data is not available estimates have been made.

**Value of residential buildings** for 1962-2008 is from the ONS (series code CGRI), all other years have been estimated by Halifax. The 2009 estimate of housing wealth is derived from the Communities and Local Government house prices index for 2009 and the estimated number of privately owned residential buildings in the UK. This methodology varies from that used by the ONS, which takes the numbers of dwellings in each council tax band (by region) from the CLG, which are valued using council tax valuations in a base period uprated to current year prices using the CLG house price index.

**Mortgages outstanding** (ONS series code AMWT and Bank of England code LPQVTXH) data covers the period 1962 to 2009 quarter 4.

**Financial assets** (ONS series code NNML) for the period 1959 to 2008 is from [http://www.statistics.gov.uk/elmr/04\\_08/downloads/elmr\\_apr08\\_sbano.pdf](http://www.statistics.gov.uk/elmr/04_08/downloads/elmr_apr08_sbano.pdf) and the ONS. Latest figures are to 2009 quarter 3; an estimate for quarter 4 is used for 2009. As these figures include financial assets held by both households and non-profit institutions serving households (NPISH), an adjustment of 3% has been made to the official series to remove the NPISH element. This adjustment is based on ONS evidence.

**Consumer credit balances outstanding** data (ONS series code VZRI) for the period 1979 to 2009 is from the ONS; for the years 1959 to 1978 the figures used are Halifax estimates.

The calculation of real wealth is based on the RPI Long run series (ONS code CDKO) with prices rebased to 2009=100.

The ONS definition of household wealth has many different components, including financial assets, houses, non-residential properties, jewellery, and other valuables. **The Halifax measure of wealth includes only residential buildings and financial assets held by UK households (i.e. a group of people that feed and house themselves), and in this respect differs from the household wealth figures published by the ONS in the National Accounts.** The ONS measure of household wealth includes, besides households, non-profit institutions serving households such as charities and unincorporated enterprises (e.g. shops, taxi firms, farms) where the finances of the business are linked with the families that run them. These largely non-household categories have been excluded as this research is focused only on the financial position of households. **On average, the Halifax estimate is around 10% lower than the ONS figure.** For example, the published ONS figure for net household wealth for 2008 is £6,575 billion, whereas the Halifax estimate is £5,896 billion.

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