

Quarterly financial accounts: 4th quarter 2016

During the fourth quarter of 2016, the net financial wealth of individuals increased by €13.9 billion to €1058.1 billion as at 31 December 2016. However, there were divergent developments in the composition of household wealth.

TABLE 1 **CHANGE IN THE NET FINANCIAL WEALTH OF INDIVIDUALS IN THE 4th QUARTER OF 2016**
(Billions of euro)

	Net financial wealth as at 30 September 2016	Financial transactions in the 4th quarter of 2016	Other flows ¹	Net financial wealth as at 31 December 2016
Financial assets	1308.5	9.2	5.6	1323.3
Notes and coins	33.1	0.2	0.0	33.3
Sight deposits	66.6	1.9	0.1	68.6
Regulated savings deposits	243.4	4.2	-0.5	247.1
Other deposits	40.3	-0.6	0.6	40.4
Fixed-interest securities	58.6	-4.4	0.8	55.0
Listed shares	56.0	0.6	3.0	59.6
Unlisted shares and other equity	304.0	2.9	4.9	311.8
Investment fund shares	178.1	5.1	3.1	186.3
Insurance products	316.0	-3.8	-6.3	305.9
Miscellaneous ²	12.5	2.8	0.0	15.3
Financial liabilities	264.4	0.7	0.1	265.2
Short-term loans	12.8	-0.3	0.0	12.5
Mortgage loans	205.6	2.6	0.0	208.2
Other long-term loans	29.6	0.1	0.0	29.7
Miscellaneous ³	16.4	-1.8	0.1	14.7
Net financial wealth	1044.2	8.5	5.5	1058.1

Source: NBB

1. Other flows include price and exchange rate variations. They may also include selective elements such as the reclassification of operations with regard to other sectors.
2. Consists of the other financial instruments as determined by the ESA 2010, i.e. mainly loans, trade credit and other accounts receivable/payable, among which general government assessments.
3. Consists of the other financial instruments as determined by the ESA 2010, that is other equity, trade credit and other accounts receivable/payable, among which taxes due but not yet paid.

Household wealth showed significant growth in certain financial assets. First, investments in regulated savings deposits followed a seasonal trend evident at the end of every year (+ €4.2 billion). Next, the upward trend in international stock markets was a positive factor for individuals investing in shares. Apart from that rise in value, in responding positively to calls for funding, households were also net investors in shares both on the listed Belgian market (+ €0.6 billion) and on the market in unlisted shares and other equity (+ €2.9 billion). Finally, the amounts placed in investment fund shares benefited both from a favourable price environment (+ €3.1 billion valuation effect) and from the favours of individual investors (+ €5.1 billion in net inflows). Moreover, these net inflows are the largest recorded since the first quarter of 2015.

Nevertheless, households reduced their position in other financial assets. Holdings of debt instruments declined further at the end of this year (- €4.4 billion), though that was partly offset by a positive price and exchange rate effect (+ €0.8 billion). Since the first quarter of 2012, when the steady decline in individuals' investments in this product began, households' holdings of debt instruments have fallen by almost 50 %. That fall was accentuated in the fourth quarter of 2016 by the maturing of the "Leterme" 5-year bond which was highly successful when issued in December 2011. Finally, households greatly reduced their investments in insurance products (- €3.8 billion). Among the reasons for that were the redemption offers by certain insurance companies concerning savings insurance contracts that included high guaranteed interest rates for past payments. The valuation of insurance products was also adversely affected (- €6.3 billion) by the increase in the discount rates applied to the technical reserves in the fourth quarter of 2016.

The new financial liabilities of individuals were more or less stable, with an outstanding amount of €265.2 billion as at 31 December 2016. The growth of mortgage loans (+ €2.6 billion) and other long-term loans (+ €0.1 billion) was largely offset by a decline in short-term loans (- €0.3 billion), and especially in other accounts payable (- €1.8 billion).

Methodological note

The financial accounts of individuals make up a component of Belgium's financial accounts statistics that are compiled in accordance with the European System of National and Regional Accounts (ESA 2010). These statistics comprise the financial balance sheets, the financial accounts and other changes in financial assets and liabilities of the national institutional sectors (individuals, financial and non-financial corporations, general government). The individuals sector is made up of households and non-profit institutions serving households.

The various assets and liabilities are broken down by financial instrument (currency and deposits, loans, fixed-interest securities, shares, investment funds shares, insurance products, pension entitlements, financial derivatives and other accounts receivable/payable).

The net financial wealth of the different sectors is the result of the difference between the total of their respective financial assets and liabilities. When the net financial wealth of a sector is negative, the term net financial liabilities is used.

Since each financial asset held by a sector corresponds to a financial liability for another sector, the result is that the total net financial wealth of the domestic sectors is equal to the net financial liabilities of the rest of the world in respect of Belgium or, equivalently, to Belgium's net claim on the rest of the world.

The change in net financial wealth between the beginning and the end of a quarter is the result, on the one hand, of financial transactions carried out in the course of the period, and on the other, of other flows consisting mainly of price and exchange rate variations and other changes in volume.

Financial transactions are recorded in the financial accounts, which highlight the manner in which the different institutional sectors allocate their financial savings or find the financial resources which they need.

In the European system of national accounts, the financial accounts are linked together with the non-financial accounts of the different institutional sectors. Thus, while the non-financial accounts enable the financing positions to be derived from revenue and expenditure items, the financial accounts explain how the different sectors invest their surplus or finance their deficits. However, in practice, there are differences between real and financial balances associated mainly with the use of different sources.