

2023-01-12

PRESS RELEASE

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Financial wealth of Belgian households fell by €23.6 billion in Q3 2022

- **Falling stock market prices and rising interest rates once again caused the value of financial assets to depreciate in the third quarter of 2022.**
- **Households were less active in the third quarter and, overall, in the first nine months of 2022 than in the same periods in 2021.**

In the third quarter of 2022, the net financial wealth of Belgian resident individuals decreased by €23.6 billion to €1,119.9 billion as of 30 September 2022. This decline was due to a combination of falling share prices and rising interest rates. Both factors led to depreciation of investment fund holdings (-€5.6 billion). The equity market downturn caused the value of listed shares to drop (-€4.0 billion). Furthermore, as in the first half of the year, the value of insurance products fell in the third quarter (-€10.4 billion) due to the rising yield curve. This curve is an important factor in the valuation of technical provisions for life insurance and pension entitlements.¹ Rising interest rates also brought about a slump in the value of debt securities (-€0.3 billion).

Investments by individuals in financial assets decreased by €1.0 billion in the third quarter of 2022. Indeed, individuals were less active in the third quarter and, overall, in the first nine months of 2022 than in the corresponding periods of 2021. This declining investment pattern mirrors the decline in the household saving rate.

Sight deposits (-€1.4 billion) and regulated savings deposits (-€1.2 billion) declined. Moreover, individual investors disposed of insurance products in the third quarter (-€1.9 billion), while limited purchases of investment fund shares (+€0.5 billion) were recorded. It is noteworthy that for the first time since the fourth quarter of 2011, net investment in debt securities rose (+€0.3 billion).

New financial liabilities incurred by individuals rose by €3.3 billion in the third quarter to an outstanding amount of €336.7 billion on 30 September 2022, due almost entirely to an increase in mortgage loans (+€3.6 billion).

¹ For more information, please refer to the methodological note.

Methodological note

In the third quarter of 2022, the value of insurance products declined as a result of rising interest rates. A similar trend was observed in the first and second quarters of 2022. The counterpart to the assets held by individuals in the form of insurance products is the technical provisions of insurance companies for life insurance and pension entitlements. The valuation of these technical provisions is highly dependent on the evolution of the yield curve, which is used to discount the future liabilities of insurance companies and pension funds to policyholders. As a result, an increase (or decrease) in the yield curve will lead to a corresponding decrease (or increase) in the valuation of technical provisions.

The value of technical provisions can be found in the Solvency II² reports of insurance companies. This value is the present value, based on the yield curve published by EIOPA,³ of an insurance company's future net liabilities to policyholders. It takes into account all future cash flows required to settle all liabilities over the entire term of the insurance contracts.

This methodology is in line with that of the European System of National and Regional Accounts (ESA 2010).⁴ Indeed, ESA 2010 states as follows: "The amounts recorded for life insurance and annuity entitlements represent the reserves needed to meet all expected future claims". In other words, insurance products are financial assets representing future claims of policy holders against insurers. It is thus very difficult for households to monetise these assets in the short term. Therefore, life insurance and pension entitlements are very different from other types of financial instruments, which exhibit greater liquidity.

² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009

³ European Insurance and Occupational Pensions Authority

⁴ Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013

CHANGE IN THE NET FINANCIAL WEALTH OF BELGIAN RETAIL INVESTORS IN THE THIRD QUARTER OF 2022
(IN €BILLION)

Financial instruments	Net financial wealth as at 30 June 2022	Financial transactions in the 3rd quarter of 2022	Other flows ¹	Net financial wealth as at 30 September 2022
Financial assets	1476.8	-1.0	-19.2	1456.6
Notes and coins	34.1	0.8	0.0	34.9
Sight deposits	115.1	-1.4	0.2	113.8
Regulated savings deposits	296.0	-1.2	0.0	294.8
Other deposits	41.5	0.8	0.2	42.5
Debt securities	25.3	0.3	-0.3	25.3
Listed shares	76.9	-0.1	-4.0	72.8
Unlisted shares and other equities	335.3	0.2	0.6	336.1
Investment fund shares	249.1	0.5	-5.6	244.0
Insurance products	287.9	-1.9	-10.4	275.6
Miscellaneous ²	15.6	1.1	0.1	16.8
Financial liabilities	333.3	3.3	0.0	336.7
Short-term loans	9.1	-0.4	0.0	8.8
Mortgage loans	283.3	3.6	0.0	287.0
Other long-term loans	31.9	0.1	0.0	32.0
Miscellaneous ³	9.0	-0.1	0.0	8.9
Net financial wealth	1143.5	-4.3	-19.2	1119.9

Source: NBB.

¹ Other flows include price and exchange rate variations and possibly selected elements such as the reclassification of operations with regard to other sectors.

² This category consists of other financial instruments as determined by ESA 2010, i.e. mainly loans, trade credit and other accounts receivable/payable, including general government assessments.

³ This category consists of other financial instruments as determined by ESA 2010, that is other equity, trade credit and other accounts receivable/payable, including taxes due but not yet paid.