Household income, consumption and wealth in Austria in 2017

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In 2017, the net disposable income of Austrian households (defined as consumer households, self-employed individuals and sole proprietorships) and nonprofit institutions serving households (NPISHs) totaled EUR 205 billion. Including capital transfers and loans, households and NPISHs were able to spend EUR 212 billion. Thereof, they used EUR 192 billion for consumer goods, EUR 8.4 billion for real investment and EUR 11.4 billion for financial investment. These figures for the supply and use of funds during 2017 compare with a year-end financial wealth of EUR 668 billion and an estimated housing wealth of EUR 822 billion as well as a debt exposure of EUR 189 billion (above all housing loans in the amount of EUR 133 billion).

In 2017, the net disposable income of the Austrian household sector (defined as households including NPISHs) totaled EUR 205 billion, which represents an annual increase of 2.1% (or 0.4% when adjusted for inflation). The largest contribution to the sector's disposable income, namely EUR 174.2 billion (+3.3% compared with 2016), came from labor compensation.

Social benefits other than transfers in kind and social contributions received (such as public pension benefits based on the pay-as-you-go system, social assistance and child allowances) totaled EUR 70.2 billion (+0.9% compared with 2016). The biggest offsetting items were taxes on income and wealth as well as social contributions paid, which added up to EUR 98 billion (+3.6% compared with 2016). Investment income received less investment income paid for loans remained broadly unchanged on 2016 at EUR 18.6 billion (or EUR 22.3 billion as adjusted for FISIM[2]). Households accounted for a share of 96% or about EUR 197 billion of the disposable income of the household sector.

The household sector topped up net disposable income above all with new net borrowing of EUR 4.8 billion in 2017 (2016: EUR 3.3 billion). The new loans were typically housing loans granted by domestic banks. By the end of 2017, the household sector was indebted in the amount of EUR 189 billion. Of this amount, households accounted for EUR 185.8 billion (and, more specifically, consumer households for the lion's share of EUR 150 billion). Most of the loans granted to households were housing loans (EUR 133.4 billion[3]), and most of the loans were provided by domestic banks (EUR 156.7 billion of all loans outstanding to households). Outstanding housing loans provided by the public sector amounted to EUR 24.7 billion. Interest paid on loans outstanding to the household sector totaled EUR 3.7 billion in 2017. Interest rates averaged 1.89% per annum for housing loans provided by banks and 3.06% interest rates for consumer and other loans

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[2] *Investment income as adjusted for financial intermediation services indirectly measured (FISIM). Before adjustment for FISIM, investment income received totaled EUR 22.3 billion; deducting interest paid on loans in the amount of EUR 3.7 billion leaves a balance of EUR 18.6 billion.*

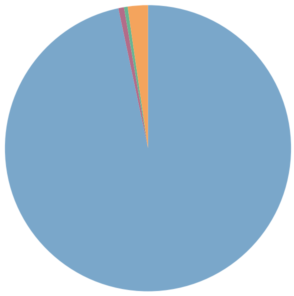
[3] *Bullet loans accounted for EUR 13.2 billion of all household loans outstanding at the end of 2017 (and loans with repayment vehicles for EUR 12.1 billion). In other words, these amounts will remain outstanding until loan maturity. Among households, repayment vehicles (typically life insurance products and mutual fund shares) have been the loan repayment instrument of choice.*

Chart 1

Household sector income, consumption and investment in 2017

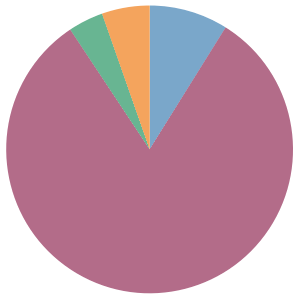
Available resources

Shares of EUR 212 billion in 2017



Use of available resources

Shares of EUR 212 billion in 2017



Source: Statistics Austria, OeNB.

(which is equivalent to a slight decrease compared with 2016 in both instances). As is evident from the data on land and buildings[4] collected by Statistics Austria (including OeNB estimates on the changes in the market value of built-up land for 2016 and 2017), the household sector owned real estate property worth EUR 823 billion at the end of 2017.

In 2017, the household sector spent EUR 192.3 billion – or 91% of the available resources (EUR 212 billion) – on consumption. This corresponds to a 3.2% increase on 2016. With income growth trailing the growth rate of consumption expenditure, the saving rate dropped markedly, from 7.8% in 2016 to 6.8% in 2017. Regarding the consumption expenditure, about 11% can be mapped to consumer durables, whereas the lion's share was used for nondurable consumer goods. The single biggest consumption expenditure items of the household sector were housing including maintenance (23%), followed by food and beverages (13%), accommodation and food services (13%) as well as transportation (12%). Significantly smaller amounts were spent on health and education.

The share of households in the household sector's consumption expenditure was EUR 184.5 billion. The share of resources available to the household sector that was not used for consumption – amounting to 9% – was used for real investment (EUR 8.4 billion or 4%) and for financial investment (EUR 11.4 billion or 5%). Of those EUR 11.4 billion, EUR 11 billion were attributable to households.

Household financial investment continued to be heavy on cash and deposits, amounting to EUR 9 billion, with the increase of deposits being accompanied by portfolio reallocations from deposits with agreed maturity to overnight deposits. Until the end of 2017, the amount of demand deposits increased by EUR 13.2 billion, to EUR 137.2 billion, which corresponds to about 21% of households' total financial wealth and was equivalent to 74% of household consumption spending in 2017. By the end of 2017, domestic households had put EUR 245 billion into deposits, of which EUR 132.8 billion were savings deposits (of which EUR 20.5 billion were

[4] *See also the section entitled "National accounts data on land held by the household sector" in this issue.*

attributable to savings plans with building and loan associations). Income from deposits added up to a mere EUR 0.4 billion. On existing deposits, domestic MFIs paid interest in the amount of 0.11% per annum for overnight deposits, 0.25% per annum on average for deposits with an agreed maturity of up to two years and 0.98% per annum for deposits with an agreed maturity of more than two years deposits (which includes deposits under savings plans with building and loan associations).

During 2017, households also invested EUR 0.8 billion in marketable securities. Households sold bonds (above all domestic bank bonds) and shares in the amount of EUR 2.8 billion being offset by net acquisitions of mutual fund shares in the amount of EUR 3.7 billion (of which EUR 1.3 billion went into domestic investment schemes and EUR 2.4 billion into foreign investment schemes). By the end of 2017, households had invested EUR 116.3 billion in marketable securities, with mutual fund shares accounting for more than half of this amount (EUR 59.5 billion). The share of domestic mutual fund shares amounted to EUR 42.5 billion, with the focus being on balanced funds (EUR 18.2 billion). However, a look-through analysis[5] of holdings of domestic mutual fund shares highlights that EUR 32.5 billion were indirectly invested in foreign assets. The bulk of the indirect investments abroad are attributable to debt securities (EUR 15.5 billion; half of which were invested in sovereign bonds) and to mutual funds (EUR 9.8 billion) investing above all in shares.[6]

Direct holdings of debt securities by households had a market value of EUR 31.5 billion at the end of 2017, of which EUR 25.6 billion were attributable to domestic issuers. This means that households had a 5.2% share in the amount of debt securities issued by residents. Investment in bank bonds added up to EUR 17.2 billion, with the maturity of bonds ranging from 5 to 10 years in half of these cases. 70% of all bank bonds outstanding at the end of 2017 were set to mature by the end of 2019. Investment income from debt securities totaled EUR 0.8 billion in 2017.

Moreover, the portfolios of private investors included quoted shares with a market value of EUR 25.2 billion at the end of 2017. The portfolio share of quoted shares issued by residents amounted to EUR 10.7 billion, thus corresponding to some 8.1% of all outstanding shares. The portfolio share of quoted shares issued by nonresidents totaled EUR 14.6 billion, with euro area issuers and non-euro area issuers accounting for roughly equal parts. Regarding issuing sectors, the stock investment portfolio of households was heavy on corporate shares (81%). The annual increase compared with 2016 resulted entirely from valuation gains, amounting to EUR 4.1 billion, which are attributable to price gains in the U.S. stock market but even more so to price rallies in the domestic stock market (+30%). Dividend payments received in 2017 amounted to EUR 0.5 billion.

Taken together, life insurance entitlements and funded pension entitlements of households – i.e. benefits to be provided by either by insurance companies or by pension funds or severance funds[7] or by employers – decreased marginally, by EUR 0.4 billion, through transactions in 2017. The stagnation can essentially be explained with the decline of life insurance entitlements, by about EUR 1.0 billion,[8]

[5] *Look-through analyses serve to determine the ultimate beneficial ownership of assets.*

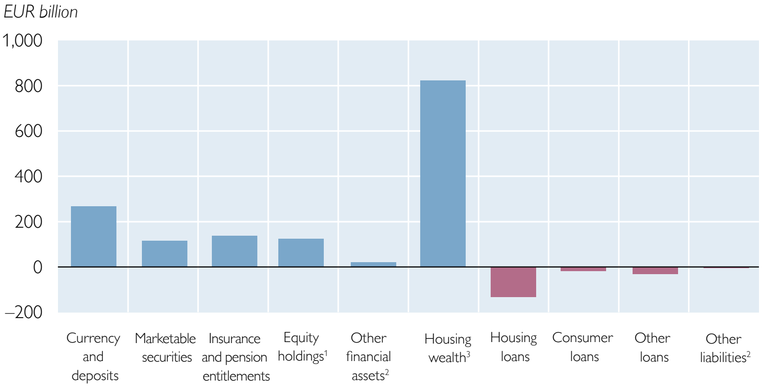
[6] *See also the section entitled "Indirect financial investment by Austrian households" in this issue.*

[7] *The new severance pay scheme adopted in 2003 as an integral part of the second pillar of pension provision requires employers to contribute a share of employees' paychecks to individual savings accounts managed by severance funds.*

[8] *A significant part of the net changes in life insurance entitlements registered in 2017 reflects reclassifications between life insurance and nonlife insurance entitlements as well as valuation effects resulting from the use of Solvency II data.*

Chart 2

Household sector wealth and debt in 2017



Source: Statistics Austria, OeNB.

[1] Including equity in private foundations.
[2] Including assets or liabilities of NPISHs.
[3] Buildings and built-up land.

given that (same as in 2015 and 2016) payouts exceeded the new premium payments received. In contrast, households' entitlements under pension fund and severance fund schemes were on the rise. On balance, households had accumulated entitlements worth EUR 134.7 billion by the end of 2017, of which life insurance entitlements had a share of EUR 80 billion (of which EUR 75.5 were attributable to domestic insurance companies). Funded pension entitlements amounted to EUR 22.5 billion with regard to benefits to be provided by employers, and to EUR 21.8 billion with regard to benefits to be provided by pension funds and under company group insurance programs. Under the new severance pay scheme, households had moreover accumulated severance entitlements in the amount of EUR 10.6 billion by the end of 2017.

The financial wealth of households rose to about EUR 655 billion in 2017 (+3.0% compared with end-2016 figures). Another EUR 13.2 billion were attributable to NPISHs. The resulting investment income totaled EUR 22.3 billion before and EUR 23.3 billion after adjustment for FISIM. Deposits and other assets held with domestic banks (including cash reserves held with the OeNB) accounted for about 44% of the financial wealth of households, adding up to about 31% of banks' liabilities at the end of 2017. The amount of wealth tied up in foreign financial instruments totaled EUR 51.4 billion, which corresponds to a share of about 7.8%. However, indirect investment through mutual fund shares and other institutional investors pushed up the nonresident share to EUR 188.2 billion.[9]

At the end of 2017, the net wealth of the household sector came to EUR 479 billion. Expressed as a share of GDP (127.5%) the net financial wealth of the domestic household sector was broadly equivalent to the corresponding measure for Germany (131.3%) and below the respective euro area average (151%). Including real estate property (buildings and built-up land), the net financial wealth of the household sector increased to EUR 1,331 billion in 2017, or 3.6 times Austria's GDP in 2017.

[9] *See also the section entitled "Indirect financial investment by Austrian households" in this issue.*