

Listed shares and mutual fund shares in 2020: Higher risk but more lucrative than savings deposits¹

Stefan Wiesinger²

Austrian households tend to be risk-averse investors, which is reflected in their financial wealth portfolio: Deposit accounts and savings deposits have been the most popular financial instruments for decades. Even though real deposit interest rates were in markedly negative territory during the low-interest phase and capital market conditions were relatively favorable, households stayed the course in terms of asset allocation. Still, in the reporting period of this special issue, 2020, a new phenomenon was observed for higher-risk investment instruments, specifically listed shares and mutual fund shares. Austrian households invested a total of EUR 6.5 billion³ in these assets in 2020 – not least because prices were low due to the COVID-19 pandemic. Over the past 20 years, a comparable figure was recorded only once in the time series covered by this publication (EUR 5.9 billion in 2000).

However, this does not invalidate the observation that Austrian households tend to be risk-averse investors. While macroeconomic statistics trace national economic developments in as much detail as possible, they do not show the distribution of income, consumption or, indeed, financial investment. According to the Household and Consumption Survey (HFCS), which provides information on this distribution, only a few Austrian households held listed shares (5%) or mutual fund shares (8.5%) in 2017. It is safe to assume, though, that the higher-risk capital market has attracted new investors – not least because of the current interest rate environment and the pandemic-driven digitization push starting in 2020.

Listed shares: transactions, price effects and structure

At the turn of the millennium, Austrian households held listed shares worth EUR 10.7 billion, which corresponded to around 3.3% of total financial wealth at the time. This percentage peaked at 4.7% of total household financial wealth shortly before the onset of the financial crisis in 2008, then hovered at 3.3% on average between 2009 and 2019 and rose again to 4.0% (EUR 30.3 billion) due to the outbreak of the COVID-19 pandemic.

Stock data on listed shares provide information on household financial wealth at a certain point in time, but they do not reveal anything about the associated flows. In the financial accounts, a distinction is made between transactions and price effects for marketable securities in particular. While transactions refer to the capital used to purchase stocks, price effects essentially cover changes in stock prices. A look at the financial wealth data of Austrian households over the past 20 years reveals that net purchases of listed shares accounted for only one-half of the increase in value (which totaled EUR 21.1 billion). The Austrian household

¹ This contribution mainly refers to tables 5.4.1 to 5.5.2 in the annex.

² Oesterreichische Nationalbank, External Statistics, Financial Accounts and Monetary and Financial Statistics Division, stefan.wiesinger@oenb.at.

³ The value recorded for the first three quarters of 2021, at EUR 7.4 billion, even exceeds this figure.

sector invested around EUR 0.5 billion per year on average in listed shares. In 2020, however, net inflows⁴ were significantly higher at EUR 2.4 billion.⁵ Listed share prices nose-dive time and again in the wake of stock market crashes, which, in turn, provides a lucrative incentive for investors. Especially the onset of the financial crisis 2008 led to a hefty plunge in stock market wealth: It contracted by EUR 10.8 billion to less than one-half of the 2007 value (2007: EUR 19 billion; 2008: EUR 8.7 billion). In contrast, the stock market crash at the onset of the pandemic had little impact on annual price effects in 2020: The deep slump in stock markets observed in early 2020 was more than offset later that year, so the household sector's stock market wealth even edged up by EUR 0.8 billion.

Of the listed shares worth EUR 30.3 billion in the household portfolio in 2020, more than two-thirds were invested abroad, one-third even in non-euro area countries. Stocks from the USA ranked first among foreign stock holdings (EUR 5.7 billion), followed by stocks from Germany (EUR 4.7 billion), Switzerland (EUR 1.8 billion) and the United Kingdom (EUR 1.1 billion).

Mutual fund shares: transactions, price effects and structure

In addition to listed shares, mutual fund shares also play an essential role in Austrian households' higher-risk investments. In 2000, Austrian households held mutual fund shares worth EUR 30.8 billion, which was equivalent to 9.4% of financial wealth at the time. Over the past 20 years, households invested another EUR 36.5 billion in this asset class. A comparison with data on listed shares (transaction value: EUR 10 billion in that period) shows a clear preference for mutual fund shares. At end-2020, households held just under EUR 70.3 billion in mutual funds, which corresponded to 9.2% of household financial wealth (a slightly lower share than in 2000).

A look at the performance of listed shares and mutual fund shares in the period from 2008⁶ to 2020 shows that Austrian households purchased listed shares for EUR 5.2 billion and saw their value rise to EUR 15.8 billion. They invested five times as much in mutual fund shares in that period (EUR 27.8 billion) but recorded only half the price gains – reflecting the fact that mutual funds are essentially designed to diversify (and thus reduce) investment risk. Of the domestic mutual fund shares worth EUR 47.6 billion in 2020, slightly more than one-third (37%) was reinvested in debt securities, and only a little over one-fourth in listed shares. The rest was invested in other mutual funds (23%), housing and other real assets (12%) as well as deposits (5%). This implies that even Austrian investors in the capital market prefer mutual funds (i.e. relatively safe investments compared with listed shares), which usually also require less of an effort than listed shares, as the mutual fund is in charge of the investment strategy.

Country comparison underscores Austrian households' conservative investment strategy

Listed shares and mutual fund shares account for roughly every tenth euro (13.2%) in Austrian households' financial investment. A comparison with selected euro

⁴ Net inflows are new investment inflows less disinvestment.

⁵ In the first three quarters of 2021, inflows totaled EUR 0.7 billion.

⁶ Unlike the preceding paragraph, this paragraph looks at the period from the onset of the financial crisis 2008.

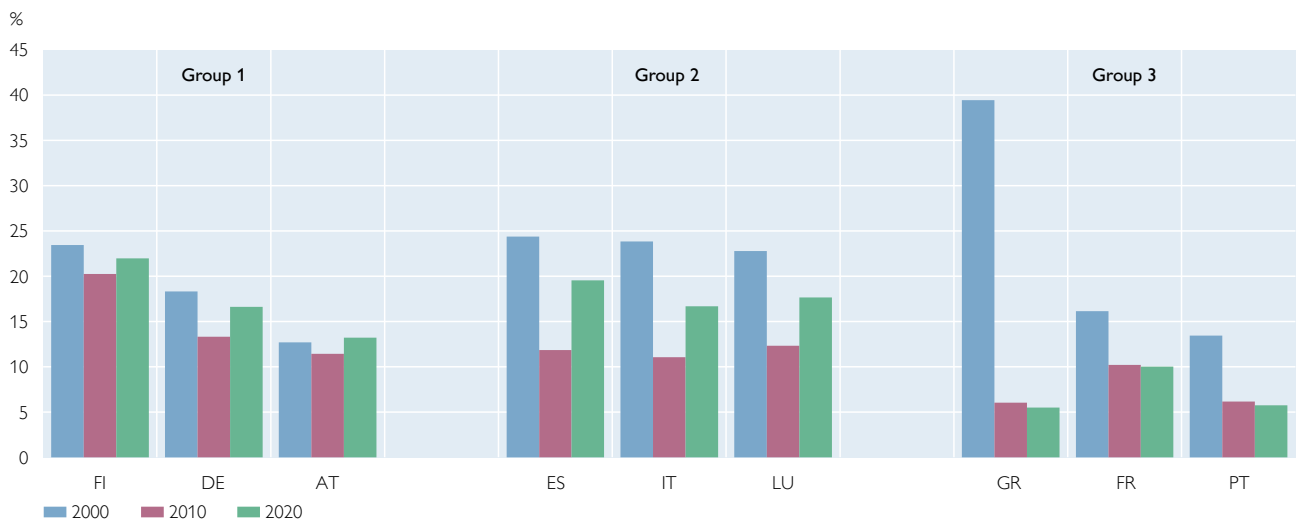
area countries⁷ shows that Austria is still lagging behind with respect to these higher-risk types of investment: Finland tops the list (22.0%), followed by Spain (19.5%) and Luxembourg (17.7%).

Looking at three selected years (2000, 2010, 2020), we can subdivide the country sample into three groups (chart 1): The first group covers Finland, Germany and Austria, i.e. countries that posted a relatively stable share of higher-risk assets in total financial assets in all three years. Spain, Italy and Luxembourg form the second group of countries. They seem to have been hit especially hard by the financial crisis 2008 – the proportion of listed shares and mutual fund shares in financial wealth temporarily halved in 2010 but recovered again over the past ten years. The third group consists of Greece, France and Portugal, where this proportion declined (in some cases sharply) between 2000 and 2010 but failed to increase again over the past ten years.

Chart 1 presents changes in the proportion of listed shares and mutual fund shares in household financial wealth. Interestingly, Austria is the only country in the sample where this value has edged up somewhat over the past 20 years (2000: 12.7%; 2020: 13.2%) – Austrian households may finally have started catching up.

Chart 1

The role of listed shares and mutual fund shares in household financial wealth



Source: OeNB, ECB.

⁷ This comparison includes countries for which analyzable data were available for 2000.