

Finances in strong shape ahead of virus crisis

Financial Accounts

- **Wealth:** Total household wealth (net worth) rose by 3.3 per cent to a record high \$11,309 billion in the December quarter.
- **Per capita wealth:** In per capita terms, wealth rose by \$10,809 in the December quarter to a record-high \$442,705.
- **Foreign holdings of shares:** Foreigners held a record \$697.6 billion of Australian listed shares at the end of December, 33.1 per cent of the total.

The wealth data is important as a guide to future spending.

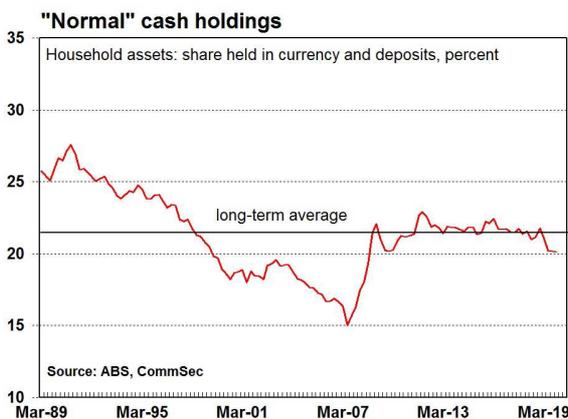
What does it all mean?

- The *Finance & Wealth* publication from the Bureau of Statistics (ABS) shows the state of household and business balance sheets at the end of last year. Ancient history? It is important that we have data to show what shape we were in before the virus crisis. A base, if you like.
- And the data is positive. Higher home prices and share prices pushed household wealth to record highs at the end of 2019. In the period since, share prices have retreated 25 per cent but home prices have lifted by 3 per cent. Around two-thirds of household wealth is held in property.
- When the virus crisis ends, shares have the potential to rebound quickly. But the key uncertainty is the time period for stabilisation of virus cases and discovery of a vaccine or treatment for the virus.

What do the figures show?

Financial Accounts: December quarter

- **Total household wealth** increased 3.3 per cent in the December quarter 2019 to a record high of \$11,309 billion.
- **Average household wealth** increased by \$12,809 to a record \$442,705 per person in the December quarter. Household wealth grew 10.2 per cent through the year, with household wealth per person increasing 8.6 per cent.
- **Household assets** rose by 3.9 per cent in the December quarter while financial assets rose by 2.9 per cent.



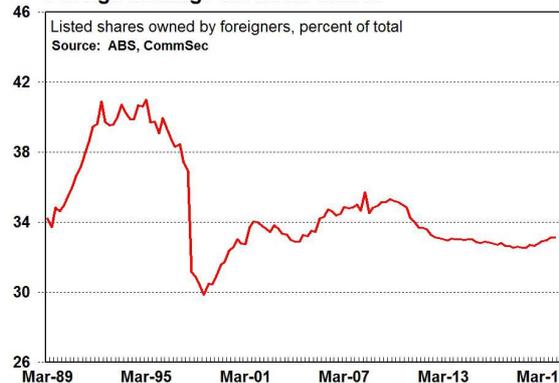
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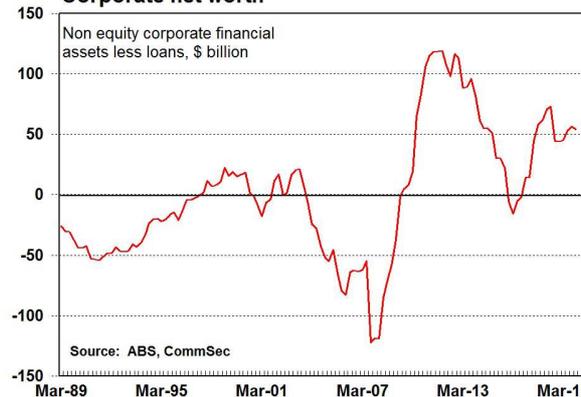
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- **The Bureau of Statistics noted (media release):** “Residential real estate posted another quarter of strong real holding gains, reflecting a 3.9 per cent rise in residential property prices in the December quarter 2019. The value of household financial assets including shares and holdings in superannuation funds had a modest increase of 1.5 per cent, reflecting the smaller holding gains on financial assets. While holdings in superannuation funds are at a high of 55.7 per cent of total household financial assets, the share of deposits remains at a nine year low of 19.4 per cent. The long term decline in deposits as a proportion of financial assets is in line with record low interest rates, which recorded a total cash rate cut of 75 basis points from June through to December quarter 2019.”
- **Households held a record \$1,175.9 billion in cash and deposits** at the end of December. Cash and deposit holdings represented 20.1 per cent of financial assets, down from 20.2 per cent in the September quarter and below the 21.5 per cent average since the global financial crisis and long-run average of 21.4 per cent.
- **Households held a record \$1,088.8 billion in shares** or 18.6 per cent of all financial assets in the December quarter, broadly unchanged from the September quarter, but below the 19.5 per cent average since the global financial crisis and the long-run average of 22.2 per cent.
- **Pension fund (superannuation fund) assets** rose by \$41.6 billion to a record-high \$2,509.6 billion in the December quarter. Cash and deposits stood at 9.7 per cent of financial assets, below the 12.4 per cent average since the global financial crisis, but above the long-term average of 9.2 per cent.
- **Foreigners held a record \$697.6 billion of Aussie listed shares** in the December quarter, up from \$693.9 billion in the September quarter. Foreigners held 33.1 per cent of total listed shares, below the 33.4 per cent average since the global financial crisis and long-term average of 34.7 per cent.
- **Corporate non-equity assets less loans** stood at \$54.1 billion at the end of December, down \$2.1 billion in the quarter but above the long-term average of \$0.8 billion. Cash/deposits were at a decade low of 39.6 per cent of financial assets.
- **Corporate loans** stood at a 7-year low of 59.9 per cent of assets in the December quarter.

Foreign holdings of Aussie shares



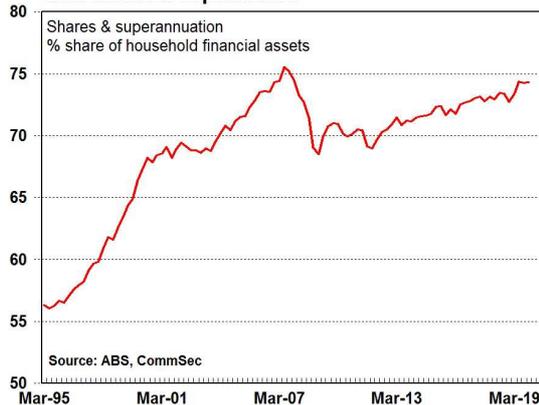
Corporate net worth



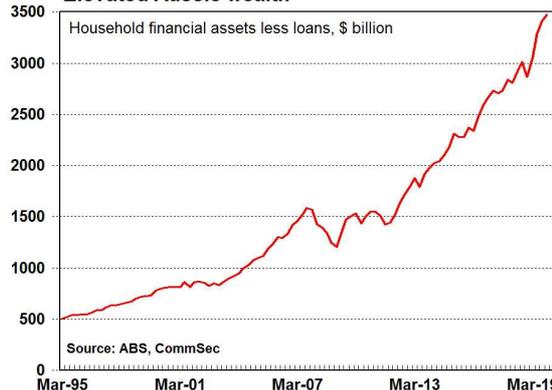
What is the importance of the economic data?

- The Australian Bureau of Statistics releases the **Finance and Wealth** publication each quarter. The data covers assets, liabilities and financial flows for the key sectors of the economy. Figures on financial wealth help reveal

Sharemarket dependence



Elevated Aussie wealth



the true state of household and corporate finances.

What are the implications for investors?

- Household balance sheets were in good shape going into the financial crisis. The real question now is how long will it take for new virus cases flatten out and a sense of normalcy returns. The longer it takes, the longer that unemployment becomes a problem for household finances, for retailers and for the economy as a whole.
- Corporate balance sheets were also well positioned going into the crisis with conservative loan holdings.

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