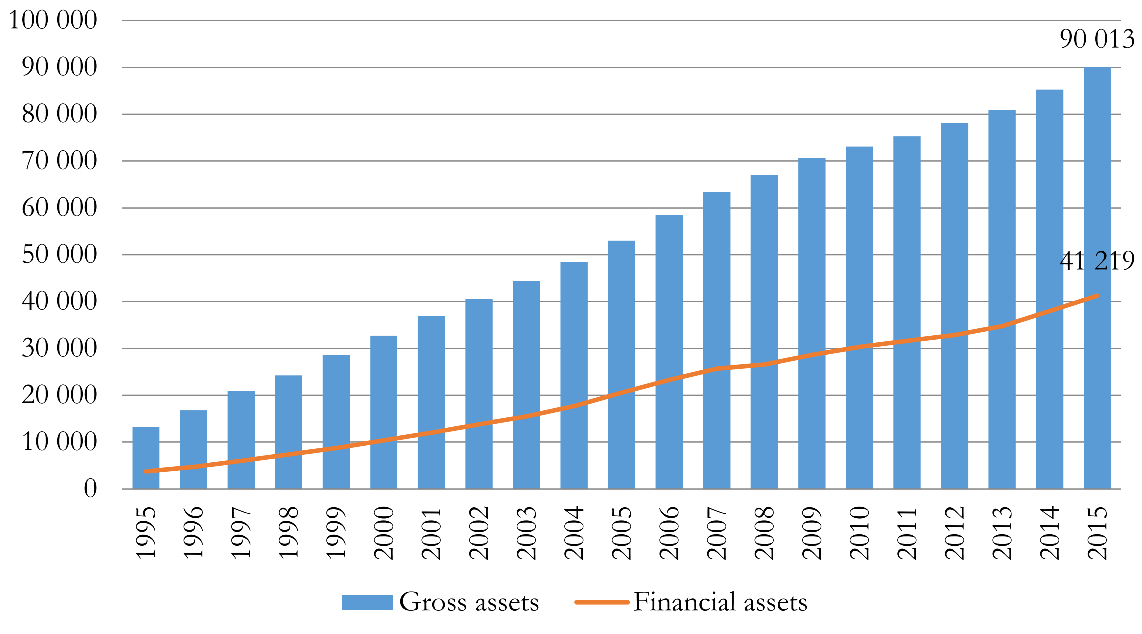
MINISTRY
FOR NATIONAL ECONOMY

Savings and assets of households continued to increase

Household savings continued to growth, while the ratio of assets held in financial instruments has almost hit 50 percent. The gross wealth of Hungarian households has reached a level which is considered high even within the region.

The National Bank of Hungary published a study of household wealth and financing on 13 June 2017, a more detailed and in-depth report than previous ones. In this, micro- and macro-economic data, international and domestic data were analysed along with the first Hungarian household asset survey conducted by the Hungarian Central Statistical Office (KSH) in 2014. In light of the report one can conclude that the value of household savings has increased, and gross wealth totalled HUF 90 013bn in 2015 (Fig. 1).

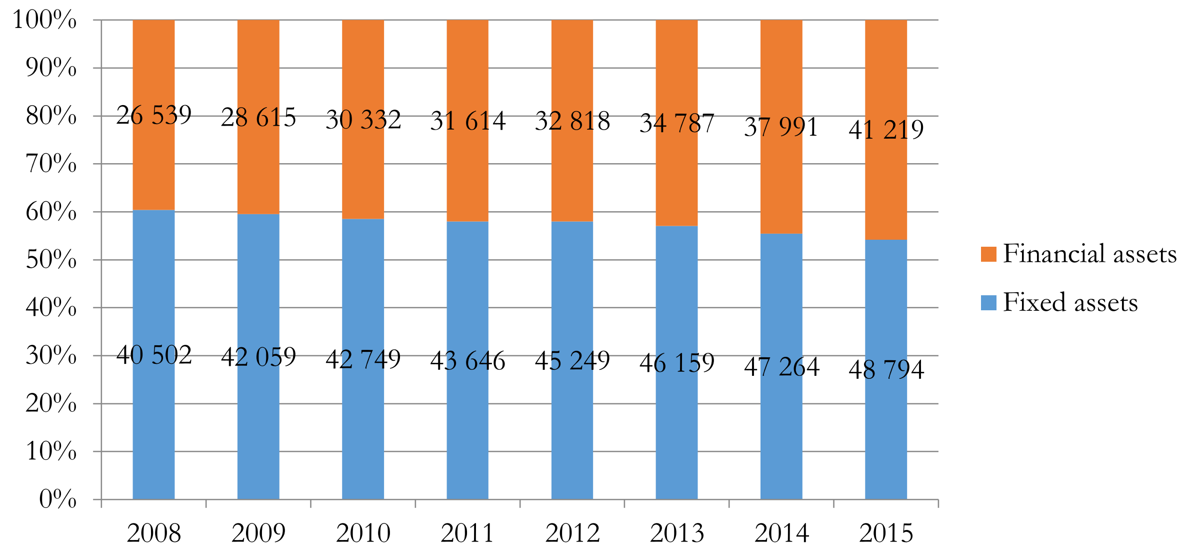
Fig. 1: Gross and financial assets of households (bn HUF)



Source: Magyar Nemzeti Bank (MNB)

The gross wealth of households has increased steadily, by 34 percent since 2008. In 2015, the share of financial assets within gross assets was some 46 percent. The value of assets grew from HUF 26 539bn in 2008 to HUF 41 219bn by 2015. The rising value and share of financial assets show that the proportion of accumulated wealth has increased and that of debt has declined.

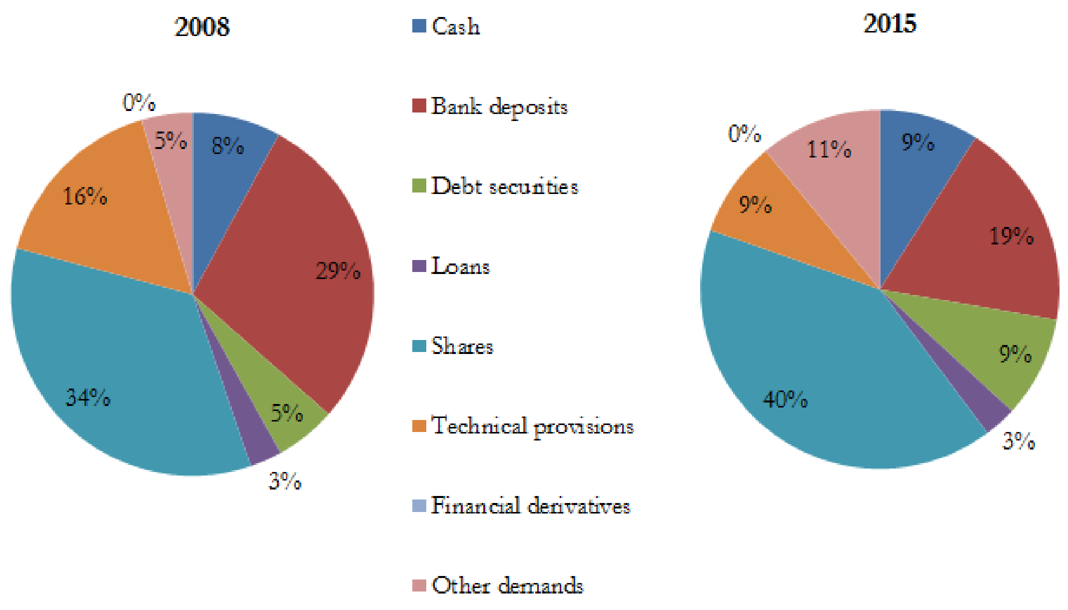
Fig. 2: Fixed and financial assets of households, (bn HUF)



Source: Magyar Nemzeti Bank (MNB)

Among the asset types that constitute household wealth, fixed assets have the largest weight (Fig.2). The share of this asset group has recently decreased steadily, from 60 percent in 2008 to only 54.2 percent in 2015. This indicator is still high, due to home ownership: residential property accounts for 70 percent of Hungary's stock of fixed assets. The survey on household assets reveals that almost every fourth household owns a second property, the 60 percent of which is a house, apartment or holiday home.

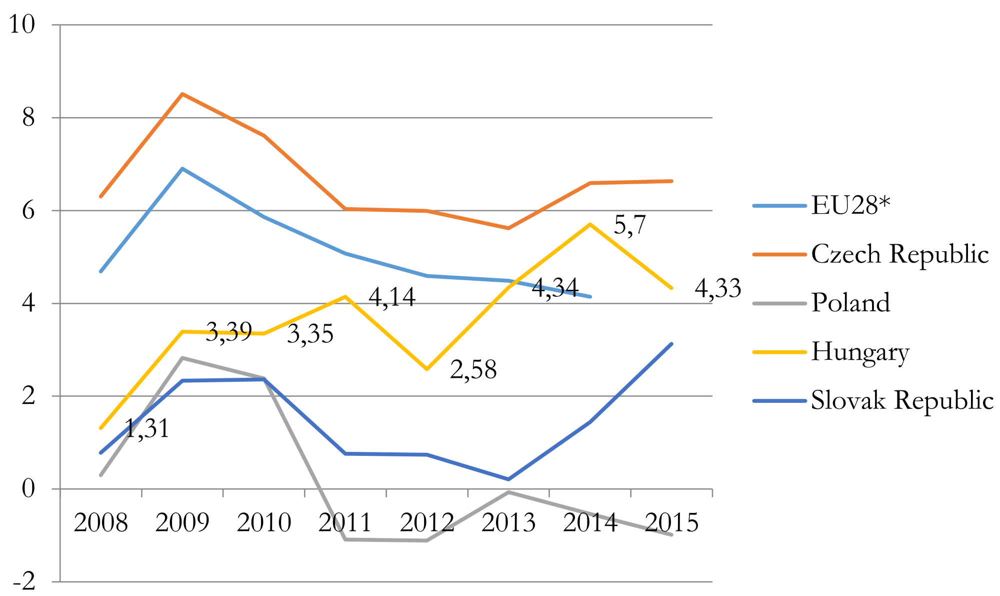
Fig. 3: Financial assets of households (%)



Source: Magyar Nemzeti Bank (MNB)

The composition of the financial assets of households has also changed (Fig. 3). The largest change was observed in the share of bank deposits, falling from 29 percent to 19 percent. In terms of value, however, the stock increased slightly, by HUF 149bn. Consumer confidence grew stronger regarding investment in securities, such as shares and bonds, and the share of these instruments has increased accordingly from the former 34 percent to 40 percent, while the corresponding value rose from HUF 9 106bn to HUF 16 729bn. Technical provisions, on the other hand, have declined to HUF 3 569bn in 2015.

Fig. 4: Household savings (% of household disposable incomes)



Source: OECD

** Data not available for 2015*

The rate of savings compared to the disposable income of households has also increased in a steady manner. (Fig. 4). While in 2008 this indicator showed 1.31 percent, it increased four-fold by 2014 and reached 4.33 percent in 2015. Within the Visegrad Four, the savings rate as percentage of household disposable income was higher than Hungary's only in the Czech Republic. However, medium-term trends are more favourable for Hungary.

Household savings are potential financial resources for other economic actors and thus they also underpin the country's macro-economic stability. The rising value and share of savings are partly attributable to the upward wage trend, which is also being driven by several Government incentives, such as tax cuts and mandatory wage hikes.