PRESS RELEASE

8 August 2017

LLOYDS BANK

NOT FOR BROADCAST OR PUBLICATION BEFORE 00.01 HRS TUESDAY 8 AUGUST 2017

The Lloyds Bank Private Banking measure of household wealth includes the value of residential buildings and financial assets held by UK households. The amount of outstanding household debt has been deducted to calculate net household wealth.

UK household wealth rises to over £10 trillion

- **Total household wealth grows by £892 billion in 2016 – driven by growth in the value of both financial and housing assets**
- **Household wealth grows by £3.9 trillion since 2006 – equivalent to £143,000 per household**

Research from Lloyds Bank Private Banking shows that the total household wealth[1] in the UK reached an estimated £10.5 trillion in 2016. This is an increase of £892 billion (or 9%) from £9.6 trillion in 2015. The past decade has seen wealth held by households increase by £3.9 trillion (59%) from £6.6 trillion in 2006.

The increase of £3.9 trillion in household wealth is equivalent to £143,059 per household since 2006. This means the value of household wealth has grown faster (59%) than both the Retail Price Index (up 33%) and gross household disposable income (up 37%) in the past decade.

Both housing and financial assets grow strongly in the past year

Average house prices rose by 4.9%[2] during the year and an additional 183,000 homes were added to the stock of private properties (both owner occupied and those in the private rental sector). This resulted in housing wealth[3] contributing an estimated £431 billion to the overall increase in wealth - accounting for 48% of the total rise. [See Table 1]

Having fallen in importance relative to financial wealth over much of the past 10 years, the contribution of housing wealth in the household portfolio mix has edged up in the past year from 41% to 42% in 2016. The proportion accounted for by financial assets is 58%.

The total value of financial assets[4] (such as bank and building society deposits, government bonds, shares in companies, life assurance and pensions) held by households increased by a similar amount - £461 billion or 8% - in 2016. In previous years, the value of financial wealth has

MEDIA CONTACTS
Adrian Jones
07990 567855
adrian.jones@lloydsbanking.com

been driven by growth in the value of equities held by households in life assurance and pension fund reserves, which in 2016 grew by just 10%.

Sarah Deaves, Private Banking Director at Lloyds Bank, commented:
"For many people, their overall wealth is locked up in assets that they hold for the longer term like their homes, their pensions, ISAs and investments. With rising house and equity prices, net worth has increased substantially in the past decade, growing by £143,000 per household on average. Increasing levels of wealth are clearly positive for households, but with recent changes, like pensions freedoms, it also highlights the increasing importance of proper financial planning, especially as people approach and move into retirement."

A decade of wealth accumulation generated by rise in value of financial assets

Over half (57% or £2.2 trillion) of the £3.9 trillion rise in household wealth since 2006 is accounted for by financial assets, which have grown by one-and-a half times in value from £3.9 trillion to £6.1trillion. Life assurance and pension funds make up over three-quarters (77%) of households' total financial assets, and a further 21% is in the form of deposits held with financial institutions.

During this period the market value of pensions has grown by £1.5 trillion (or 65%) to £4.0 trillion whilst the value of equities and investment funds has grown by £31.3 billion (5%) to £687 billion.

The increase in housing wealth has been driven by the £1.7 trillion rise in the value of the national private housing stock from £2.6 trillion in 2006 to £4.4 trillion in 2016. This rise, in turn, has been driven by growth in both average house prices – 51% higher than in 2006 - and the number of privately owned homes - which grew by 9% from 21.5 million in 2006 to 23.4 million in 2016.

While the value of the housing stock has increased substantially, growth in mortgage debt has slowed sharply since 2008. Mortgage debt in 2006 and 2007 grew at an average annual rate of £106 billion (11%), but since then the annual rate has declined to just £16 billion (1%).

Table 1: Household Sector Wealth 2006-2016 (£ billion)

	2006	2015	2016
Value of Residential Properties	3,696	5,235	5,679
Less Mortgage Loans	1,052	1,288	1,301
Net Housing Equity	2,644	3,947	4,379

MEDIA CONTACTS

Adrian Jones
07990 567855
adrian.jones@lloydsbanking.com

Total Household Financial Assets	4,138	5,882	6,350
Less Consumer Credit Loans Outstanding	213	263	270
Net Financial Wealth	3,925	5,619	6,080
Net Household Wealth	6,569	9,566	10,458

Source: Office for National Statistics, The Bank of England and Lloyds Bank calculations

-ends-

Editors' Notes:

This information is intended for the sole use of journalists and media professionals.

Notes:
[1] after deducting outstanding debt balances
[2] based on the ONS House Price Index
[3]the value of housing less the amount of mortgages outstanding
[4] value of financial assets less the amount outstanding on unsecured consumer debts
[5] ONS Wealth and Assets Survey 2012-2014

Data sources and calculations

The data in this release has been sourced from the Communities and Local Government (CLG) department for private dwelling completions and stock of private properties. House prices are from the ONS and Halifax.

Value of residential buildings for 2006-2016 in the UK is from the ONS (series code CGRI).

Mortgages Loans data (ONS series code AMWT and Bank of England code LPQVTXH) data covers the period to December 2016.

Household financial assets data (ONS series code NNML) for the period to 2016. As these figures include financial assets held by both households and non-profit institutions serving households (NPISH), an adjustment of 3% has been made to the official series to remove the NPISH element. This adjustment is based on ONS evidence.

Consumer Credit Loans data (Bank of England code LPQVZRI) for the period Q4 2016.

The ONS definition of household wealth has many different components, including financial assets, houses, non-residential properties, jewellery, and other valuables. The Lloyds Bank Private Banking measure of wealth includes only residential buildings and financial assets held by UK households (i.e. a group of people that feed and house themselves), and in this respect differs from the household wealth figures published by the ONS in the National Accounts. The ONS measure of household wealth includes, besides households, non-profit institutions serving households such as charities and unincorporated enterprises (e.g. shops, taxi

MEDIA CONTACTS

Adrian Jones
07990 567855
adrian.jones@lloydsbanking.com

firms, farms) where the finances of the business are linked with the families that run them. These largely non-household categories have been excluded as this research is focused only on the financial position of households.

MEDIA CONTACTS

Adrian Jones
07990 567855
adrian.jones@lloydsbanking.com