Evolution of household financial assets in nominal and real terms in Spain

Increase in savings in nominal terms since the pandemic

In this article, we analyse the purchasing power of the stock of Spanish households' financial assets[1] in a context of high inflation.

In 2020 and 2021 there was a significant increase in savings among Spanish households. In particular, the COVID-19 restrictions and lockdowns made it difficult for households to spend their money on in-person activities (such as tourism and leisure), while at the same time the support from economic policies softened the decline in gross disposable income – it fell by just 2.0% year-on-year in 2020, and by 2021 it was already back above the pre-pandemic level.

In this context, the stock of households' financial assets[2] increased by over 224 billion euros between the end of 2019 and Q2 2022. This is a vast increase; to put it in context, between the end of 2015 and the end of 2019 the stock of assets rose by 119.9 billion, far short of the increase of the last two and a half years.

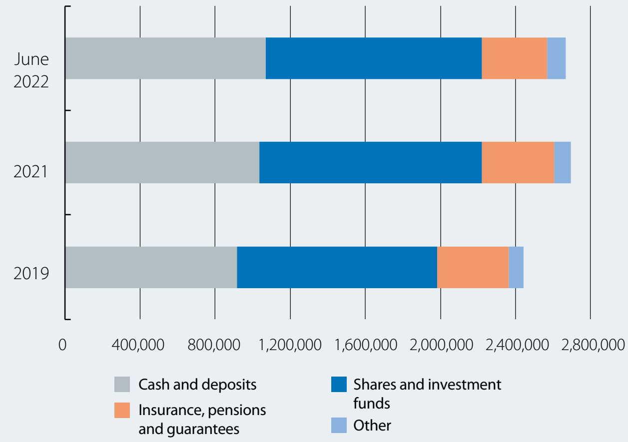
This growth corresponds to an acquisition of assets of 229 billion euros and a revaluation effect of –8 billion. The savings accumulated by households during the pandemic have played a significant role in this increase in financial assets:[3] in view of the restrictions on leisure and social activities, households opted to acquire more financial assets. Specifically, in each year between 2015 and 2019, Spanish households acquired financial assets worth an average of 2.6% of their gross disposable income. This figure rose to 14.9% in 2020 and 9.1% in 2021, and in the first two quarters of 2022 it was still above the average of those same quarters in the years prior to the pandemic. In fact, if we compare the observed level of acquisition of financial assets between the end of 2019 and Q2 2022 with the «theoretical» acquisition that would have occurred over the same period if households had allocated the same percentage of their disposable income as they did in 2015-2019, then the «excess» acquisition of these assets amounts to more than 150 billion euros.

Inflation has eroded households' financial wealth

A 224-billion-euro increase in the stock of financial assets seems high, but we have to bear in mind that we are in an inflationary context in which rising prices have significantly eroded the value of assets in real terms. Indeed, the accumulated inflation between the end of 2019 and Q2 2022 amounts to 12.4%. In particular, by deflating the stock of financial assets in order to assess their value in real terms, we see that it is clearly lower in Q2 2022 than it was at the end of 2019 (see third chart). This is despite the significant increase in the stock in nominal terms. Thus, the significant increase in these assets driven by the savings amassed during the pandemic has not prevented a fall in the stock of assets in real terms.

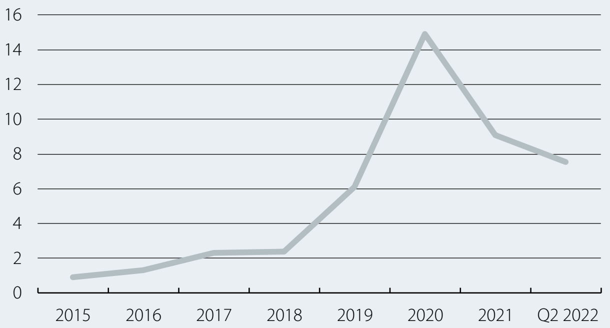
In other words, the increase in the stock of financial assets in nominal terms has not been sufficient to prevent a loss of their purchasing power due to the high inflation. In addition, it should be borne in mind that the increase in financial wealth may have been concentrated

Spain: households' financial assets
(EUR millions)



Source: *CaixaBank Research, based on data from the Bank of Spain.*

Spain: household financial savings rate *
Acquisition of financial assets/GDI (%)



Notes: ** Unlike the standard savings rate, which is determined based on the portion of gross disposable income (GDI) which is not allocated to final consumption expenditure, the financial savings rate includes only the portion of savings that is allocated to the acquisition of financial assets. We use the ratio of this acquisition divided by GDI.*
Source: *CaixaBank Research, based on data from the Bank of Spain.*

1. Throughout this article, when we talk about households we are including non-profit institutions serving households (NPISHs).
2. Gross financial assets, i.e. we do not take into account the stock of financial liabilities, which has remained fairly stable since the pandemic.
3. However, a portion of the savings amassed during the pandemic were spent on acquiring real estate rather than financial assets, resulting in an «over-investment» in non-liquid assets.

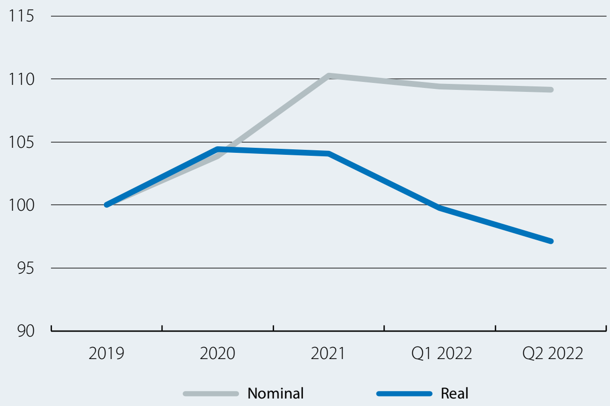
among those with higher incomes, who have a greater capacity to save and a lower propensity for consumption, as suggested by an analysis conducted by CaixaBank Research on the savings accumulated during the pandemic, based on internal data.[4]

This simple exercise has significant implications in the complex economic context in which we currently find ourselves. Firstly, while the savings accumulated during the pandemic will cushion the fall in consumption, it seems that it will not be enough to prevent a contraction in consumption in real terms. In particular, if we analyse the historical relationship between real consumption and its main determining factors (gross disposable income, the stock of financial assets and other relevant macroeconomic variables such as inflation, interest rates and home prices, etc.), we see that consumption is very likely to register a negative growth rate next year. This consumption forecast is consistent with a moderate fall in the savings rate in 2023, which makes sense insofar as we believe that precautionary saving in the face of the heightened uncertainty ought to largely mitigate the fall in the savings rate.

Javier García- Arenas

Spain: stock of financial assets

Index (100 = 2019)



Source: *CaixaBank Research, based on data from the Bank of Spain.*

4. See the article «To borrow or not to borrow: a dilemma that depends on what was saved during the pandemic» in the MR11/2021. In particular, this article shows that in the case of households on low and medium-low incomes (the first two income quintiles), in 2021 they will have already consumed all the excess savings which they accumulated during 2020 due to the pandemic.