



## France's national wealth in 2019

### Growth underpinned by stock market prices

France's national wealth (or net worth) continued to expand in 2019, reaching EUR 16,421 billion at the end of the year or 8.3 times its net domestic product. The robust rise (+4.8% after +4.4% in 2018) was driven by an increase in the country's financial net worth, which was in turn linked to the stock market rally (rise of 25% in the SBF 120 after a drop of 12% in 2018).

Household net worth rose by 6.2% to EUR 12,561 billion. The increase was much larger than in the previous year (+2.1% in 2018), and was largely attributable to the rise in the valuation of financial assets.

The same factor also fuelled a sharp rise in non-financial and financial corporations' own funds, which amounted respectively to EUR 11,042 billion (+13.4%) and EUR 3,270 billion (+6.1%). In contrast, general government net worth increased at a lower rate than in 2018 (+10.3% after +13.3% previously), reaching EUR 328 billion at the end of 2019.

In 2020, the Covid-19 crisis is expected to have had an impact on national economic wealth: net lending by households and net borrowing by non-financial corporations both increased sharply in the first half of the year.

**Inès Karmous**

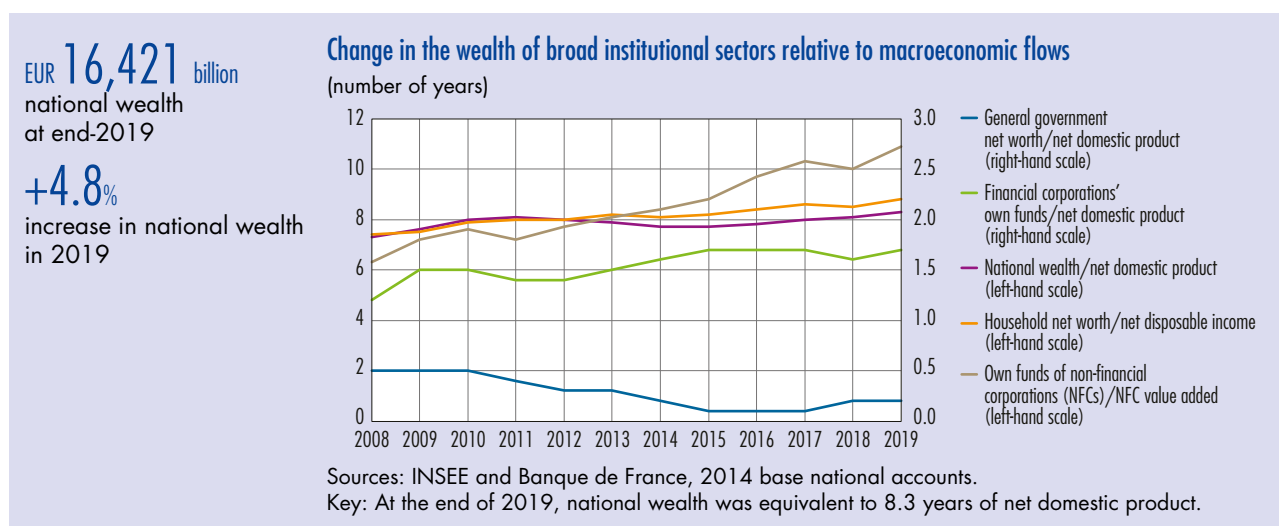
Institut national de la statistique et des études économiques – INSEE

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Banque de France

JEL code  
E60

Published in parallel with *INSEE Première* No. 1832 of 17 December 2020.





At the end of 2019, France's national wealth amounted to EUR 16,421 billion, equivalent to 8.3 times its net domestic product (NDP) for the year (see Chart 1 and Box 1). The wealth-to-NDP ratio exceeded the previous highs of 2011 and 2018 (8.1 times NDP for those years). National wealth grew at a slightly higher rate of 4.8% in 2019 compared with 4.4% in 2018 (see Table 1). As in the previous year, the non-financial component was buoyed by consistent growth in the value of land underlying buildings and structures (+6.6% after +6.2% in 2018). In 2019, both financial assets and liabilities rose at a much higher rate than in 2018 (+9.3% and +9.2% respectively, after +0.6% and +0.8% the previous year), fuelled by the rebound in equity prices. France's financial net worth amounted to EUR 125 billion at end-2019.

In 2020, the Covid-19 crisis is expected to have had an impact on national wealth: in the first half of the year, household net worth was driven upwards by an increase in net lending, while non-financial corporations' net borrowing also rose (see Box 2).

### 1 Household wealth was buoyed by the rise in equity prices

At the end of 2019, household net worth totalled EUR 12,561 billion or 8.8 times household net disposable income (see Chart 1). After slowing markedly in 2018,

#### BOX 1

##### Main economic aggregates used

**Gross domestic product (GDP, EUR 2,426 billion in 2019)** is the sum of the value added newly created by resident economic units in a given period, valued at market prices.

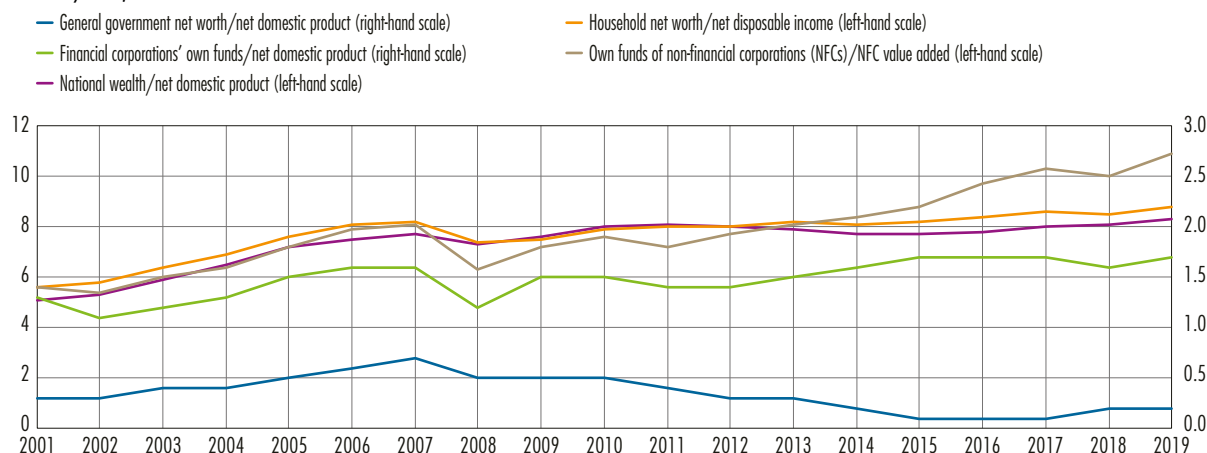
**Net domestic product (NDP, EUR 1,976 billion in 2019)** is obtained by subtracting consumption of fixed capital (CFC) from GDP. CFC measures the decline in value over the period of fixed assets owned, as a result of normal wear and tear and obsolescence. A similar relationship exists between **net disposable income** and **gross disposable income**.

It is more useful to compare wealth (or net worth) against net macroeconomic flows than against gross flows. Net worth is itself a net stock that reflects capital deterioration and obsolescence.

it rose sharply in 2019 (+6.2% after +2.1% previously; see Table 2 below), fuelled by a rebound in financial wealth.

#### C1 Change in the wealth of broad institutional sectors relative to macroeconomic flows

(number of years)



Sources: INSEE and Banque de France, 2014 base national accounts.

Key: At the end of 2019, national wealth was equivalent to 8.3 years of net domestic product.



Household non-financial wealth expanded by 4.2% in 2019 (after +4.5% in 2018) to a total of EUR 8,451 billion. Household non-financial assets consist primarily of real estate (buildings and land which account for 92% of total non-financial assets), the value of which grew at a slightly lower rate than in 2018 (+4.0% after +4.5% in 2018), despite the strength of land prices.

Household investment in dwellings continued to grow at a modest rate (+3.3% in 2019 and 2018) while prices of buildings and structures slowed (+1.0% after +1.9% in 2018).

Overall, household financial net worth increased by 10.4% after falling by 2.6% in 2018. On the asset side,

### T1 Wealth of institutional sectors at end-2019

(EUR billions, % change)

	Total national economy	Households <sup>a)</sup>	Corporations		General government	Change in national wealth	
			Non-financial	Financial		2017-2018	2018-2019
<b>Non-financial assets (NFA)</b>	<b>16,296</b>	<b>8,451</b>	<b>5,266</b>	<b>348</b>	<b>2,231</b>	<b>4.7</b>	<b>4.7</b>
of which: Buildings and land, o/w:	12,930	7,736	3,005	274	1,915	4.6	4.5
<i>Dwellings</i>	4,809	3,924	768	49	68	3.6	2.6
<i>Other buildings and structures</i>	2,164	170	879	80	1,035	3.0	3.3
<i>Land underlying buildings and structures</i>	5,957	3,642	1,358	145	812	6.2	6.6
Machinery and equipment	671	42	578	20	31	3.2	3.5
Inventories	467	16	425	-	26	4.2	3.5
Other produced assets	646	151	342	19	134	3.6	3.4
Other non-produced assets	1,582	506	916	35	125	6.2	7.4
<b>Financial assets (FA) other than derivative products</b>	<b>33,442</b>	<b>5,872</b>	<b>10,448</b>	<b>15,693</b>	<b>1,429</b>	<b>0.6</b>	<b>9.3</b>
of which: Currency and deposits	6,828	1,650	703	4,302	173	7.7	8.0
Debt securities	3,968	41	67	3,806	54	2.3	4.4
Loans	5,693	10	1,825	3,753	105	9.2	4.0
Equity and investment fund shares/units	11,661	1,635	6,487	2,874	665	-5.0	16.3
<i>Shares and other equity other than investment fund shares</i>	9,895	1,337	6,366	1,671	521	-4.8	17.8
<i>Investment fund shares/units</i>	1,766	298	121	1,203	145	-6.3	8.7
Insurance, pension and standardised guarantee schemes, o/w:	2,375	2,181	43	146	5	-0.8	9.1
<i>Life insurance</i>	2,084	2,084	-	-	-	-1.1	9.0
<b>Total assets (A) = (NFA) + (FA)</b>	<b>49,738</b>	<b>14,323</b>	<b>15,714</b>	<b>16,041</b>	<b>3,660</b>	<b>2.0</b>	<b>7.8</b>
<b>Financial liabilities (FL) other than derivative products</b>	<b>33,273</b>	<b>1,762</b>	<b>12,759</b>	<b>15,423</b>	<b>3,329</b>	<b>0.8</b>	<b>9.2</b>
of which: Currency and deposits	7,461	-	-	7,319	142	11.0	6.9
Debt securities	4,720	-	671	1,641	2,408	1.6	7.2
Loans	5,457	1,498	2,972	683	304	7.3	5.1
Equity and investment fund shares/units (equity liabilities)	10,849	10	8,087	2,693	59	-5.6	16.1
<i>Shares and other equity other than investment fund shares</i>	9,219	10	8,087	1,063	59	-5.2	17.9
<i>Investment fund shares/units</i>	1,630	-	-	1,630	-	-7.3	6.8
Insurance, pension and standardised guarantee schemes, o/w:	2,401	-	-	2,401	-	-0.8	9.1
<i>Life insurance</i>	2,102	-	-	2,102	-	-1.1	9.0
Net derivative products (N)	-44	-	-	-41	-3	ns	ns
Financial net worth = (FA) - (FL) + (N)	125	4,110	-2,311	229	-1,903	-21.1	23.6
Wealth (or net worth) = (A) - (FL) + (N)	16,421	12,561	2,955	577	328	4.4	4.8
Own funds = (net worth) + (equity liabilities)			11,042	3,270			

Sources: INSEE and Banque de France, 2014 base national accounts.

a) Including own-account workers and non-profit institutions serving households (NPISH).

"ns" means "non-significant".

"-" indicates that no assets are held.



households continued to favour bank savings products. Growth in currency and deposits accelerated to 5.8% from 4.6% in 2018, buoyed by a rise in overnight deposits and passbook savings. In the persistent low interest rate environment, household debt security holdings continued to fall, albeit at a more moderate rate than in 2018 (-7.0% after -14.4%). In addition, the recovery in equity prices in 2019 (the SBF 120 rose

by 25% after falling by 12% in 2018) led to a sharp rebound in holdings of equity and investment fund shares/units (+13.9% after -6.7% in 2018). Households continued to purchase shares and other equity, but were again net sellers of investment fund shares/units. Household life insurance holdings (which make up 35% of their financial assets) increased by 9.0% after declining by 1.1% in 2018. This mainly reflected the sharp rise

### T2 Change in the wealth of institutional sectors (%)

	Households <sup>a)</sup>			Non-financial corporations			Financial corporations			General government		
	2007 2017 avg/ year	2017 2018	2018 2019	2007 2017 avg/ year	2017 2018	2018 2019	2007 2017 avg/ year	2017 2018	2018 2019	2007 2017 avg/ year	2017 2018	2018 2019
<b>Non-financial assets (NFA)</b>	1.4	4.5	4.2	2.5	5.1	5.0	3.2	8.2	9.5	1.5	3.9	5.0
of which: Buildings and land, o/w:	1.4	4.5	4.0	1.7	5.2	5.1	2.4	8.4	10.5	1.5	4.0	5.0
<i>Dwellings</i>	3.0	3.4	2.5	3.1	4.4	3.3	3.2	5.6	5.0	2.8	3.8	3.0
<i>Other buildings and structures</i>	0.3	1.3	1.2	2.1	3.3	3.2	3.7	7.1	9.8	1.8	2.7	3.2
<i>Land underlying buildings and structures</i>	0.0	5.9	5.9	0.7	6.9	7.3	1.5	10.1	12.8	0.9	5.7	7.5
Machinery and equipment	-1.5	-0.4	-0.3	1.9	3.5	3.8	3.5	8.2	5.8	0.8	-1.1	1.7
Inventories	-1.9	4.4	11.1	3.3	4.1	3.4	-	-	-	3.8	4.2	1.1
Other produced assets	1.5	0.7	-0.6	3.4	5.2	5.1	5.2	8.3	8.3	2.1	2.5	3.0
Other non-produced assets	0.8	6.4	8.9	5.6	6.1	6.5	11.0	6.7	5.4	1.7	6.1	9.0
<b>Financial assets (FA) other than derivative products</b>	3.5	-1.3	9.1	5.2	-1.3	13.6	3.3	2.6	7.0	2.7	0.8	6.3
of which: Currency and deposits	3.6	4.6	5.8	9.5	5.3	8.6	3.8	9.3	8.8	7.6	9.4	7.3
Debt securities	-3.9	-14.4	-7.0	-3.2	-2.8	8.4	3.5	2.8	4.5	0.0	-8.4	1.9
Loans	-7.6	1.4	-2.3	5.8	5.9	3.4	3.3	11.3	4.5	2.3	-2.1	0.5
Equity and investment fund shares/units	1.8	-6.7	13.9	5.5	-4.5	19.6	1.4	-6.6	12.0	1.5	1.2	10.5
Insurance, pension and standardised guarantee schemes, o/w:	4.6	-1.1	8.8	-0.9	-0.8	3.4	6.0	3.3	15.6	-0.1	-0.7	3.5
<i>Life insurance</i>	4.9	-1.1	9.0	-	-	-	-	-	-	-	-	-
<b>Total assets (A) = (NFA) + (FA)</b>	2.2	2.1	6.2	4.2	0.8	10.6	3.3	2.7	7.0	2.0	2.7	5.5
<b>Financial liabilities (FL) other than derivative products</b>	3.3	1.8	6.1	4.0	-1.4	12.6	3.3	2.3	7.8	6.6	1.8	5.0
of which: Currency and deposits	-	-	-	-	-	-	3.5	11.0	6.8	5.9	7.9	8.6
Debt securities	-	-	-	8.4	1.7	11.8	2.5	1.7	7.2	7.7	1.6	6.0
Loans	4.0	5.1	6.1	4.3	6.5	4.0	2.1	22.3	10.3	2.8	-0.2	-0.3
Equity and investment fund shares/units (equity liabilities)	4.3	4.0	3.8	3.7	-4.5	17.9	1.6	-9.0	11.2	ns	ns	ns
Insurance, pension and standardised guarantee schemes, o/w:	-	-	-	-	-	-	4.5	-0.8	9.1	-	-	-
<i>Life insurance</i>	-	-	-	-	-	-	4.9	-1.1	9.0	-	-	-
<b>Net derivative products (N)</b>	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns	ns
<b>Financial net worth<sup>b)</sup></b>	3.6	-2.6	10.4	0.0	-1.7	8.1	10.8	31.7	-33.2	11.0	2.5	4.1
<b>Wealth (or net worth)</b>	2.0	2.1	6.2	5.3	10.7	2.7	6.1	19.2	-12.6	-13.6	13.3	10.3
<b>Corporate own funds</b>				4.1	-0.5	13.4	2.2	-4.1	6.1			

Sources: INSEE and Banque de France, 2014 base national accounts.

a) Including own-account workers and non-profit institutions serving households (NPISH).

b) The financial net worth of non-financial corporations and general government is structurally negative. Hence, a "positive" change reflects a decline in financial net worth, which becomes even more negative. Conversely, a "negative" development reflects an improvement.

"ns" means "non-significant".

"-" indicates that no assets are held.



in stock market prices which pushed up the value of shares in unit-linked contracts. In total, household financial assets rose by 9.1% in 2019 after falling by 1.3% the previous year.

On the liabilities side, outstanding loans continued to rise (+6.1% after +5.1% previously), buoyed by a 3.8% increase in the price of dwellings.

## 2 Non-financial corporations' own funds began to rise again

At the end of 2019, the net worth of non-financial corporations (NFCs) amounted to EUR 2,955 billion.

NFC non-financial wealth grew at the same pace as in 2018 (+5.0% after +5.1% previously), reaching EUR 5,266 billion at the end of the year. This was mainly attributable to continued strong investment in buildings (+6.1% in 2018 and 2019). In addition, growth in intellectual property rights accelerated slightly (+5.6% after +5.2%) due to robust investment in software and databases.

After declining by 1.3% in 2018, NFC financial assets began to rise again at a very sharp pace in 2019, increasing by 13.6% over the year. At the end of the year, holdings of equity and investment fund shares amounted to EUR 6,487 billion, accounting for 62% of total NFC financial assets. The figure was up 19.6% on the previous year after a decline of 4.5% in 2018, buoyed by the combined effect of net acquisitions and above all positive valuation effects at end-2019. Holdings of currency and deposits (mainly overnight deposits) continued to expand, adding 8.6% after growth of 5.3% in 2018. In addition, outstanding lending by NFCs remained dynamic (+3.4% after +5.9%).

NFC liabilities began to rise again in 2019 (+12.6% after -1.4% in 2018). On the one hand, NFCs continued to take out loans, albeit at a weaker rate than in 2018 (+4.0% after +6.5%). On the other hand, outstanding equity and bond liabilities rose sharply in 2019, increasing by 17.9% and 11.8% respectively, after a fall of 4.5% for equity liabilities in 2018, and growth of just 1.7% for bond liabilities. As in the case of financial

assets, the rise in equity liabilities was primarily driven by the rise in stock market indices.

In total, NFC own funds rose by 13.4% after inching down by 0.5% in 2018. At the end of 2019, they amounted to EUR 11,042 billion, equivalent to 10.9 times NFC net value added.

## 3 Financial corporations' financial liabilities grew faster than their financial assets

At end-2019, the net worth of financial corporations (FC) amounted to EUR 577 billion. The figure was down 12.6%, compared with 19.2% growth in 2018 (see Tables 1 and 2). FC non-financial assets grew at a faster rate of 9.5% after 8.2% growth in 2018, reaching a total of EUR 348 billion. The acceleration was driven by buildings and land holdings, which rose by 10.5% in 2019 thanks to stronger growth both in building investment (+12.3% after +10.4%) and in the valuation of land underlying buildings and structures (+6.0% after +4.8%). Investment rose by 18.5% after growth of 17.3% in 2018; 71.8% of the additional investment was attributable to non-money market funds, and especially to real estate investment funds (SCPI). As FC balance sheets consist mainly of financial assets and liabilities (EUR 15,693 billion and EUR 15,423 billion respectively), the decline in their net worth can mainly be attributed to faster growth in financial liabilities (+7.8%) than in financial assets (+7.0%).

Growth in FC financial assets accelerated in 2019 to 7.0% from 2.6% previously. Although lending to households and NFCs remained dynamic, the outstanding stock of loans granted by FCs grew at a lower rate of 4.5% in 2019 (compared with +11.3% in 2018). This slowdown can mainly be explained by a reduction in lending flows to the rest of the world and, to a lesser extent, within the financial sector. FC investments in debt securities continued to accelerate in 2019, rising by 4.5% after 2.8% growth in 2018. In parallel, holdings of equity and investment fund shares/units recovered sharply (+12.0% after -6.6% in 2018), buoyed by a sustained flow of net acquisitions and positive valuation effects. Holdings of currency and deposits continued to rise sharply (+8.8% after +9.3% in 2017), driven mainly by transactions between financial corporations.



### BOX 2

#### How will Covid-19 affect national wealth?

The public health crisis had a considerable impact on household and corporate wealth in the first half of 2020. On the one hand, there were significant flows of deposits and borrowing. On the other hand, asset prices, which determine the valuation of wealth, fluctuated markedly.

Growth in household bank deposits accelerated sharply in the first half of 2020 (increase of EUR 112 billion, compared with a rise of EUR 62 billion in the first half of 2019).

At the same time, households began to take out bank loans again as of May, especially housing loans which accounted for 84% of loan originations in June 2020. Overall, net lending by households (the positive balance remaining after subtracting net growth in liabilities from net acquisitions of financial assets) increased markedly in the first half of 2020, amounting to EUR 139 billion, up from EUR 65 billion in the same period of 2019 (see Table a).

Non-financial corporation (NFC) debt – bank credit and debt security issuance – also rose significantly in the first half of 2020: it increased by EUR 190 billion compared with a rise of EUR 63 billion in the first half of 2019.

This additional borrowing is primarily designed to cover immediate and future liquidity needs – especially the payment of deferred taxes and social security contributions when they eventually fall due.

However, cash holdings (deposits and shares in money market funds) rose at a similar rate to debt, with the result that net debt remained stable in the first half of 2020. At the same time, the deferment of tax payments has also led to a decline in firms' other net investments, with the result that net borrowing by NFCs (the negative balance remaining after subtracting net growth in liabilities from net acquisitions of financial assets) has increased. In June 2020 it amounted to EUR –44 billion compared with EUR –15 billion in the first half of 2019 (see Table b).

How household and NFC wealth evolve will depend on the valuation of equity holdings. If stock market prices do not recover sufficiently by end-2020, the valuation effects for equity and life insurance holdings could be negative for the year, and would thus have an opposite impact on household and NFC wealth to that seen in 2019.

**Ta Half-yearly household flows in 2019-2020**

(EUR billions)

	H1 2019	H2 2019	H1 2020
Currency and deposits	61.9	35.8	111.5
Other net investments	40.8	17.9	51.4
Bank loans	37.4	51.9	24.5
<i>of which: Housing loans</i>	<i>33.1</i>	<i>43.5</i>	<i>25.1</i>
Net lending	65.4	1.8	138.5

Source: Banque de France, 2014 base national accounts.

**Tb Half-yearly NFC flows in 2019-2020**

(EUR billions)

	H1 2019	H2 2019	H1 2020
Cash	13.3	33.3	166.4
Other net investments	35.4	0.8	-21.1
Bank loans	36.6	13.9	115.0
<i>of which: State-guaranteed loans</i>			<i>108.2</i>
Debt securities	26.7	12.6	74.7
Net borrowing	-14.5	7.6	-44.3

Source: Banque de France, 2014 base national accounts.



Growth in FC financial liabilities also accelerated to 7.8% from 2.3% previously. Currency and deposit liabilities continued to rise (+6.8% after +11.0%). The increase was fuelled by stronger growth in household and NFC deposits (+6.6% after +4.8%) as well as by inter-MFI (monetary and financial institutions) deposits. Outstanding debt securities jumped by 7.2% after 1.7% growth a year earlier. Equity and investment fund liabilities increased sharply due to positive valuation effects, rising by 11.2% after a 9.0% drop in 2018. Life insurance liabilities also rose by 9.0% (after a 1.1% fall), fuelled again by positive valuation effects but also by a rise in net inflows from households.

Overall, FC own funds amounted to EUR 3,270 billion at end-2019, up 6.1% on the year after a steep 4.1% drop in 2018.

#### 4 Growth in general government net worth slowed slightly

General government financial assets rose at a higher rate than in 2018 (+6.3% after +0.8% previously; see Table 2). This was particularly true of holdings of equity and investment fund shares/units (47% of total general government financial assets), which jumped by 10.5% after adding just 1.2% in 2018, fuelled by positive valuation effects.

Growth in general government financial liabilities also accelerated in 2019, but to a lesser extent than for assets (+5.0% after +1.8%). Debt security issuance, which is the government's main mode of financing, was higher in 2019 than in 2018 (EUR 72 billion after EUR 57 billion previously). Overall, the market value of general government debt increased by 5.4% in 2019, compared with a rise of 2.8% when **measured in nominal terms in accordance with the Maastricht definition**.

General government non-financial wealth grew by 5.0%, accelerating from 3.9% in 2018; at the end of the year it amounted to EUR 2,231 billion. It primarily consists of buildings and land (86% of non-financial assets), holdings of which rose by 5.0% after (+4.0% in 2018). This stronger growth is attributable both to a higher positive valuation effect for land underlying buildings

and structures (+6.3% after +4.8%), and to an acceleration in investment in buildings other than dwellings (+5.3% after +4.8%). Local government accounted for 78% of the rise in non-financial wealth: investment by local government accelerated, and its building and land holdings increased sharply (+8.1% after +6.2%).

Overall, despite the increase in debt, general government net worth rose by 10.3% to EUR 328 billion, fuelled by investment in buildings and land, and by higher stock market valuations.



### BOX 3

#### Definitions

The national balance sheet records economic **assets and liabilities**, i.e. items over which ownership rights may be enforced and which are capable of procuring economic benefits for their owners. They may be financial or non-financial; the latter may arise from production processes or come from natural sources. Assets and liabilities are recorded at their year-end market value, with no **consolidation** within or between sectors. This value therefore includes any unrealised capital gains or losses in each asset class. Owing to movements in market prices, the value of an asset or liability may vary from one year to the next even if there are no net transaction flows. The value of unlisted shares is estimated on the basis of the value of listed shares.

The value of **real estate assets** is divided into the value of buildings and that of the underlying land. The bulk of real estate capital gains can be attributed to land.

**Households** include individuals, own-account workers and non-profit institutions serving households.

Companies are broken down into **financial and non-financial corporations**. Financial corporations include the central bank, credit institutions and other deposit-taking corporations, other financial institutions (mainly investment funds and financial vehicle corporations), insurance corporations, money-market and non-money market investment funds, financial auxiliaries and captive financial institutions.

**Wealth** (or **net worth**) is defined as the difference between the value of financial and non-financial assets and that of liabilities (which are by nature financial).

The **own funds** of financial and non-financial corporations are measured at market value, and correspond to the difference between the value of their assets and their non-equity liabilities.

**General government debt (as defined in the Maastricht Treaty)** differs from general government liabilities in three ways: (i) the scope of financial transactions considered for government debt excludes derivatives and other accounts receivable/payable; (ii) government debt is consolidated, meaning that it excludes debts between government agencies; (iii) it is measured at nominal value, i.e. at principal repayment value.





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Banque de France

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ISSN 1952-4382

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