Flossbach von Storch
RESEARCH INSTITUTE

FVS WEALTH PRICE SERIES FOR THE EURO AREA 13/12/2023

H1-2023: Prices fall in the north, but rise in the south

Philipp Immenkötter

Abstract

The turnaround in interest rates led to falling asset prices in the northern countries of the eurozone in mid-2023. In the southern countries, a catch-up effect led to asset prices rising despite rising interest rates.

Zusammenfassung

Die Zinswende führte zur Jahresmitte 2023 zu fallenden Vermögenspreisen in den Nordländern der Eurozone. In den Südländern führte ein Aufholeffekt dazu, dass die Vermögenspreise trotz steigender Zinsen zulegten.

What is the FvS Wealth Price Series?

The index measures price changes of assets held by private households in key Euro area countries.

The Flossbach von Storch Wealth (FvS) Price Series measures the price development of the assets held by private households in key Euro area countries (Austria, Belgium, Finland, France, Germany[1], Greece, Italy, Netherlands, Portugal, and Spain). The price index for the Euro zone, as well as for the single countries, are calculated as the weighted average of the price development of real assets (real estate, business wealth, durable consumer goods, and collectors' items) and financial assets (stocks, bonds, cash equivalents and other financial assets) owned by private households.

Household wealth and the respective index weights are constructed with help of the "Household Finance and Consumption Survey" by the European Central Bank (2016), which uses survey data from the year 2014. In addition, all price series have been indexed to their average of the year 2014. The appendix provides further information on the methodology as well as on the index weights. Country-specific data on asset prices can be downloaded from our website.[2]

Asset price inflation in the Euro area

After asset prices for private households in the eurozone had risen for almost ten years, the turnaround in interest rates and consumer price inflation put an end to the growth momentum. Asset prices were still at a record level in the middle of the previous year and then fell in the second half of 2022. Prices recovered slightly in the spring of 2023 and finally moved sideways in the second quarter of 2023. Compared to the middle of the previous year, there was therefore a slight fall in asset prices in the eurozone of -1.2 %.

The turnaround in asset prices is closely linked to the turnaround in monetary policy. The monetary and fiscal policy support measures taken during the coronavirus pandemic boosted consumer price inflation, which came up against an already greatly expanded money supply and was further exacerbated by the economic consequences of the global lockdowns and the war in Ukraine. Both the European Central Bank and other major central banks responded to consumer price inflation and the rise in market interest rates by raising their key interest rates. In addition, rising consumer prices and high energy costs stoked fears of an impending recession. The combination of effects meant that the growth trend for capital goods came to an end.

---

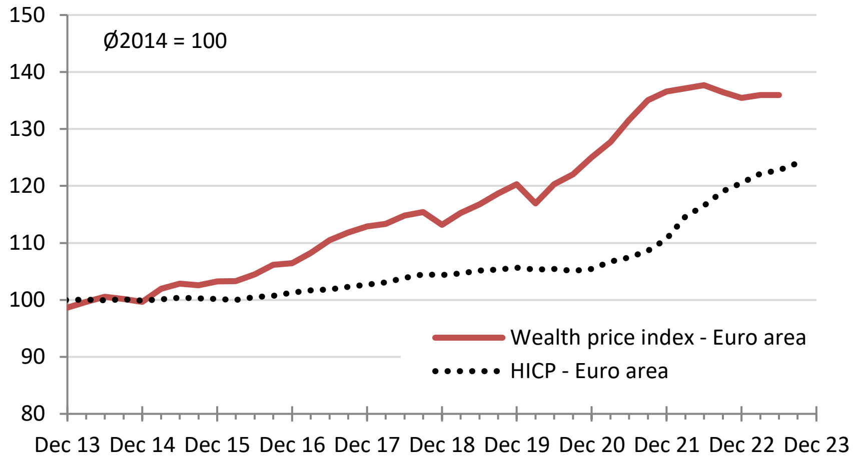
[1] The index for Germany included in the FvS Wealth Price Series for the eurozone differs from the FvS Wealth Price Index Germany, which is published separately on a quarterly basis, due to the availability of comparable data in the eurozone.

[2] Data is available on www.flossbachvonstorch-researchinstitute.com.

While asset price inflation declined slightly in the aggregate of all eurozone countries, the range across the countries is high. It ranges from -7.2 % in Germany to +18.0 % in Greece.

Further price correction

Figure 1: Wealth price index and consumer price index (HICP) for the Euro area



Source: Flossbach von Storch Research Institute and Macrobond, HICP seasonally adjusted, December 2023.

While asset price inflation declined in the aggregate of all Euro area countries, the range in the cross-section of countries is high. It ranges from -6.4% in Germany to +12.6% in Greece.

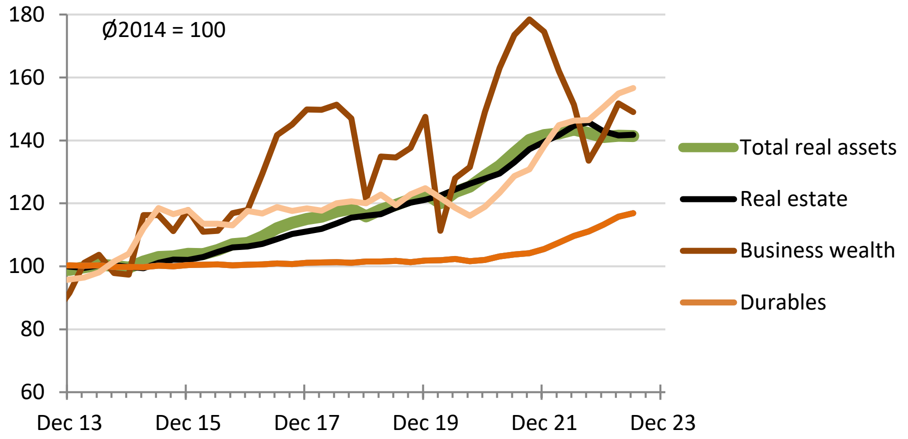
Real assets in the Euro area

Real assets make up the majority of the total assets of the average household in the eurozone and have a decisive influence on the development of the overall index. Real assets prices reached their historic record high in the middle of the previous year and have since fallen slightly, down 1.4% at the middle of the year.

Real estate accounts for the largest share of real assets and thus also of the total assets of private households in the eurozone. Real estate prices in the eurozone peaked in the third quarter of 2022 and have fallen since then, with prices stabilizing in the second quarter of 2023. By the middle of the year, real estate in the eurozone was -2.0% cheaper than in the middle of the previous year. The reason for the halted upward trend can be found in the rise in mortgage interest rates. These are in turn due to the rise in market and key interest rates. The increase in costs for property buyers due to the higher mortgage interest rates has not yet been fully reflected in the fall in the price of properties sold. One of the reasons for this is that construction and material costs are high and the supply of real estate in the metropolitan regions of the eurozone is low. In addition, property owners across the board are not under any major pressure to sell, meaning that the number of transactions has fallen massively, but prices have fallen only slightly. As expected, real estate prices are thus reacting very slowly to the changed conditions, as mortgage interest rates already rose in the second half of 2021.

Real estate prices fall

Figure 2: Real assets in the Euro area – Price levels



Source: Flossbach von Storch Research Institute, December 2023.

Prices for **business wealth** (privately owned companies) were -1.5% lower at mid-year compared to the middle of the previous year. The changed macroeconomic conditions of high consumer price inflation, higher interest rates and low economic growth had caused prices for business wealth to fall at the beginning of 2022. However, prices could stabilize again from the fourth quarter of 2022 onwards, meaning that a comparison over four quarters shows only a slight fall in prices.

The problems in global supply chains and the war in Ukraine continued to have an impact on prices for **consumer durables** in the eurozone in 2022, with prices at the end of the year 7.4% higher than at the end of the previous year. In contrast to the aforementioned real assets, prices for consumer durables were already on the rise at the start of the coronavirus pandemic and the rate of increase accelerated throughout.

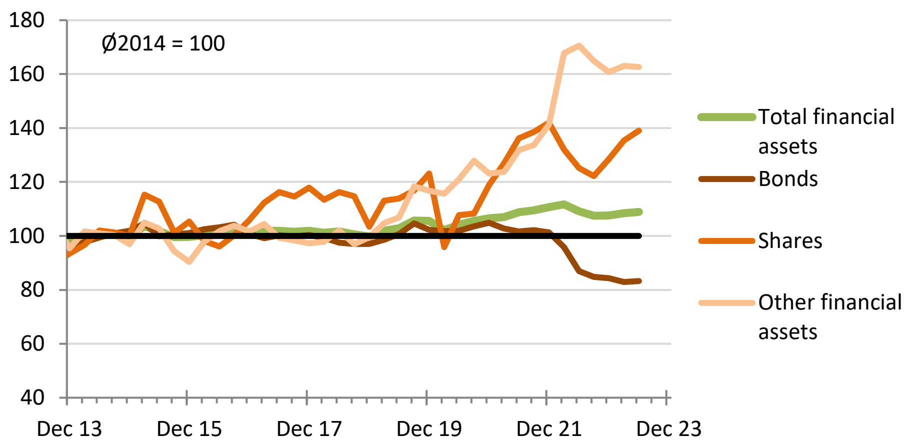
Collectibles and speculative items have enjoyed high demand over the past four quarters, with prices rising by 7.1% compared to the middle of the previous year. Due to the rise in consumer price inflation and uncertain macroeconomic outlook, collectibles and speculative items continue to be a sought-after way of storing money and value.

Financial assets in the Euro area

Prices for **financial assets** of private households in the eurozone were at the same level as in the middle of the previous year (-0.3 %).

Price decline on bond markets eases

Figure 3: Financial assets in the Euro area – Price levels



Source: Flossbach von Storch Research Institute, December 2024.

Bonds fell by -4.3% in the period under review due to the continuous increase in key and market interest rates. The reason for the rise in interest rates is to be found in the global rise in consumer price inflation. However, now that inflation has not been as strong as feared in recent months, the fall in prices on the bond markets has slowed.

The prices of **equity** assets held by private households in the eurozone rose by +11.1% compared to the middle of the previous year. Although global growth prospects were low, inflation fell faster than expected, which meant that the rise in interest rates was lower than originally expected and share prices were able to recover to some extent.

The price of other financial assets, which is measured by the prices of gold and commodities traded on the stock exchange, was down 4.6% on the previous year. While gold became more expensive, prices on the commodities markets corrected.

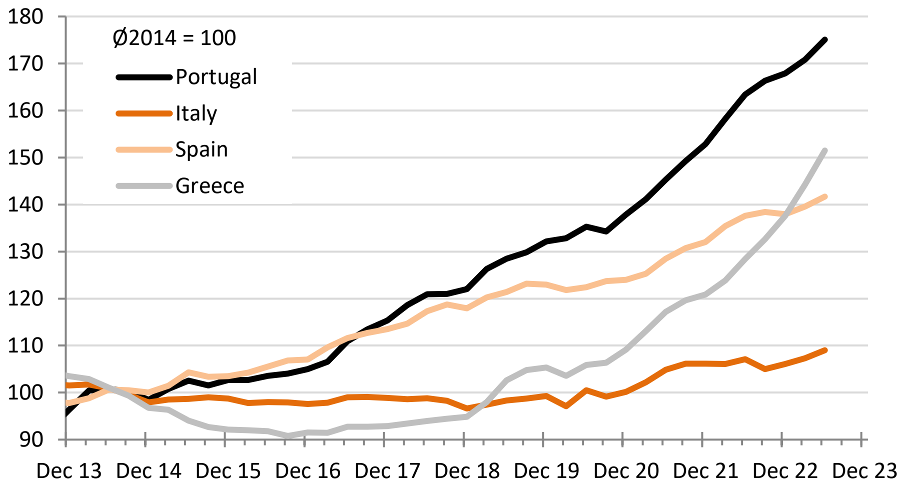
The prices for **savings and sight deposits** remain unchanged by definition.

The southern countries

Asset price inflation remains high in the southern countries of the eurozone. In all four countries (Greece, Italy, Portugal & Spain), asset prices for private households have risen. This means that the turnaround in asset price inflation, which is already underway in the northern countries, has not yet been seen in the south of the eurozone. The reason for this is the low price level in the southern countries. While asset prices quickly stabilized and rose in the northern countries after the financial crisis, they fell in the southern countries until 2014 and in some cases even into 2019. The subsequent recovery has not yet been able to compensate for the price differences between the country groups.

Rising prices due to a catch-up effect

Figure 4: Wealth price indices for the southern countries



Source: Flossbach von Storch Research Institute, December 2023.

In **Greece**, asset prices rose by a record +18.0% compared to the middle of the previous year. This development was driven by sharp rises in prices for real estate (+14.1%) and business wealth (+57.6%). The remarkably high price growth came about even though mortgage interest rates have also risen in Greece since the interest rate turnaround. The price increase was made possible by the fact that prices for Greek real assets had fallen continuously since the financial crisis until 2018. Over the past six years, prices have started to recover, with prices for Greek real assets now at the level they were in 2009, but still 15 percent below their peak values from the years before the financial crisis in 2007. By comparison, prices for real assets in the eurozone have risen by 30 percent over the same period (2007 to 2023). The recent price increase belies the fact that prices for Greek assets remain at a low level internationally.

In **Portugal**, asset price inflation was also high at +7.2% in the middle of the year. This was driven by Portuguese real estate prices, which rose by almost nine percent compared to the middle of the previous year. The increase in mortgage interest rates in Portugal slowed the rise in property prices. Business wealth fell in price by just under six percent.

Prices for the assets of private **Spanish** households rose by 3.0% compared to the middle of the previous year. This development was driven by a solid real estate market, where prices rose by almost four percent despite the rise in interest rates and have now reached the price level of 2007. Prices for Spanish business wealth stagnated.

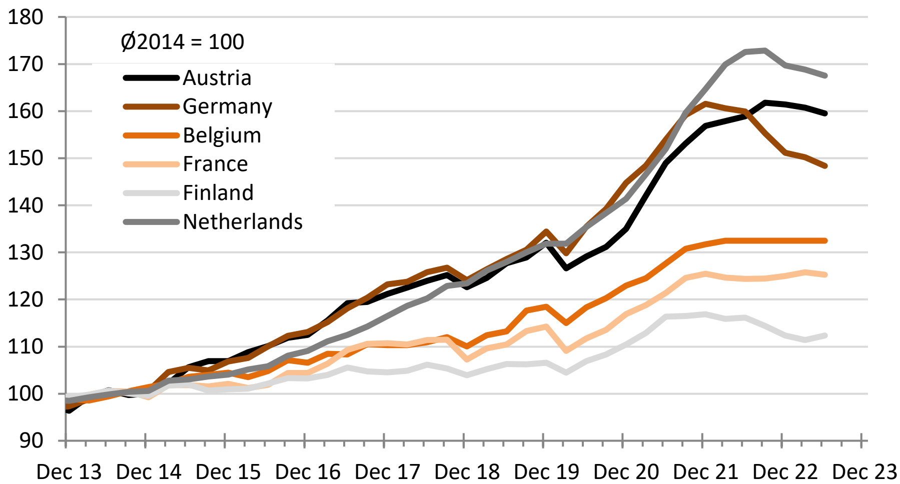
In **Italy**, asset price inflation was moderate at +1.8% in the middle of the year. Although property prices stagnated, the price of business wealth rose by more than ten percent. Nevertheless, prices for real assets in Italy are also below the price level seen before the financial crisis.

The northern countries

In the **northern countries** of the eurozone, the turnaround in interest rates and the weak economic growth prospects were clearly noticeable. The long-standing rally on the asset markets came to an end and prices moved sideways or even fell.

Sideways movement or price correction

Figure 4: Wealth price indices for the southern countries



Source: Flossbach von Storch Research Institute, December 2023.

Asset prices fell the most in **Germany** (-7.2%). The price decline was caused by a weak real estate market (-10%) and falling prices for business wealth (-4%).

In **Finland**, asset prices also fell by -3.3%. Interest rates also had a direct impact on the real estate market, where prices fell by almost six percent. Prices for Finnish business wealth stabilized and by the middle of the year were just above the prices of the middle of the previous year.

There was also a fall in asset prices in the **Netherlands**. The falling prices for real estate were cushioned by slightly rising prices for business wealth, resulting in a fall in prices for total assets of -2.9 % at mid-year.

In neighboring **Belgium**, asset prices stagnated compared to the middle of the previous year (+0.0%). Although the price growth momentum on the Belgian real estate market slowed somewhat, real estate prices still rose by around two percent compared to the middle of the previous year. Belgian business wealth, on the other hand, fell by around twelve percent, plagued by low growth prospects.

In **Austria**, asset prices stagnated (-0.3%). There was a slight fall in prices on the real estate market and business wealth rose in price by just under two percent.

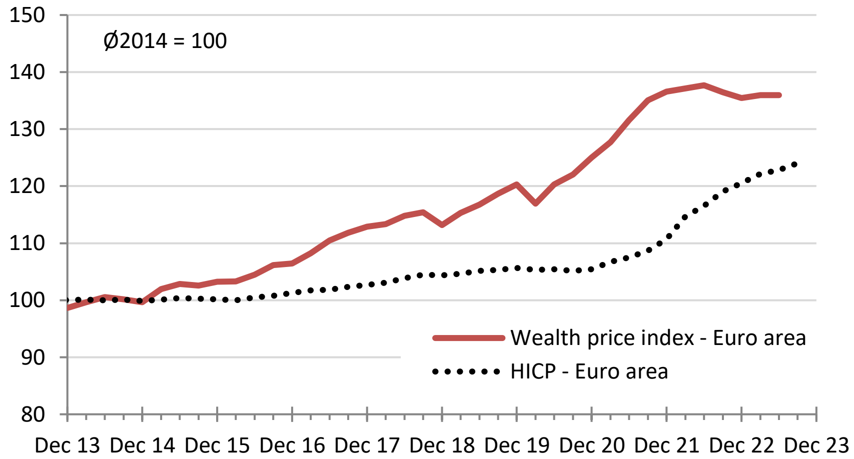
In France, asset prices were moving sideways at +0.7% in the middle of the year compared to the middle of the previous year. Both business wealth and real estate prices were at the same level as in the middle of the previous year.

Consumer prices

Consumer prices continue to rise

Consumer price inflation according to the harmonized index of consumer prices in the eurozone (HICP) was +5.4% at mid-year and was therefore higher than asset price inflation. The growth momentum of consumer price inflation slowed somewhat.

Figure 6: Consumer prices (HICP) in the Euro area



Source: Flossbach von Storch Research Institute and Macrobond, HICP seasonally adjusted, December 2023.

Methodology and data sources

This study covers the southern Euro area countries Greece, Italy, Portugal, and Spain as well as the northern countries Austria, Belgium, Finland, France, Germany, and the Netherlands. For each country, the asset composition of the average household is calculated based on “The Household Finance and Consumption Survey: Results from the Second Wave 2” (HFCS, European Central Bank, Statistics Paper Series No.18, December 2016). The assets of a household are split up into real assets and financial assets. Real assets consist of real estate, business capital, durable goods, and collectors’ items. Financial assets are broken down into cash equivalents, bonds, stocks and other types of financial assets. Table 5 reports the overall and country-specific weights. Mutual funds, pension funds and life insurances are broken down into their respective asset classes and allocated to these classes accordingly.

For each asset class, we calculate the country-specific quarterly price change. We use wealth prices and not asset valuation indicators and we exclude cash flows from assets, such as interest, dividends or rental yields. For real asset prices, such as real estate or consumer durables, we use data adjusted for quality changes. Thus, our wealth price indices correspond conceptually to consumer price indices.

Table: Weighting schemes

	all	Southern countries				Northern countries					
		IT	GR	PT	ES	AT	BE	FI	FR	DE	NL
Country weight in the overall index	-	16,5%	1,4%	2,1%	15,2%	3,0%	5,0%	1,8%	22,9%	27,0%	5,0%
average household wealth (in 1.000 €)	256	236	112	185	308	276	370	239	279	240	233
Weights											
Total real assets	**82,1%**	**88,6%**	**93,4%**	**88,1%**	**85,1%**	**86,0%**	**76,7%**	**83,1%**	**81,2%**	**77,7%**	**75,2%**
Real estate	67,7%	77,6%	82,2%	70,1%	74,1%	64,5%	66,3%	73,6%	61,8%	61,9%	69,7%
Business wealth	9,7%	6,9%	6,6%	13,6%	7,8%	17,4%	7,5%	4,5%	11,9%	11,7%	1,2%
Consumer durables	3,9%	3,4%	3,8%	3,6%	2,7%	3,4%	2,4%	4,1%	6,2%	3,4%	3,5%
Collector's items	0,8%	0,7%	0,8%	0,8%	0,6%	0,7%	0,5%	0,9%	1,3%	0,7%	0,7%
Financial assets	**17,9%**	**11,4%**	**6,6%**	**11,9%**	**14,9%**	**14,0%**	**23,3%**	**16,9%**	**18,8%**	**22,3%**	**24,8%**
Cash equivalents	9,2%	5,7%	5,3%	9,3%	7,7%	9,9%	10,6%	8,6%	7,6%	12,9%	11,5%
Bonds	4,2%	4,0%	0,5%	1,4%	2,3%	2,0%	5,8%	1,5%	6,1%	3,7%	6,8%
Shares	2,3%	0,7%	0,5%	0,6%	1,9%	1,1%	4,5%	5,3%	3,1%	2,3%	4,0%
Other fin. assets	2,3%	1,0%	0,4%	0,6%	3,0%	0,9%	2,3%	1,5%	2,0%	3,3%	2,5%

Source: HFCS, European Central Bank, 2016.

The index is calculated as a Laspeyres price index. All of the time series are indexed to 100 in 2014 which is the year that the results of the HFCS refer to. For time series available on a daily or weekly frequency, the quarterly index value is based on the average price within the last month of the quarter. For monthly time series, the last month of the quarter determines the index value.

Economic data are from Macrobond. Business wealth is measured through MSCI Small Cap price indices of the respective country provided by Thomson-Reuters. The price development of durable consumer goods is captured through the HICP time series for the respective country provided by Eurostat.

The price series for collectors' items and objects for speculation consists of the four representative subcategories jewellery, art, fine wines and historic automobiles. While jewellery prices are measured with help of the respective national or HICP time series, the three other categories consist of the same price series for every country. The All Art index by Art Market Research Developments provides information on prices art objects such as paintings, drawings, sculpture, photographs and prints. The Liv-ex Fine Wine 100 by Liv-ex Ltd. denotes prices of fine wine and the HAGI Top Index by the Historic Automobile Group International measures the price development of historic cars.

The geographical distribution of stock and bond investments is captured with help of the coordinated portfolio investment survey (CPIS) by the International Monetary Fund (IMF). The price development of the resulting investments is measured with help of Bloomberg-Barclays bond indices and MSCI stock price indices. Other financial instruments are measured with help of the London Bullion gold price and ThomsonReuters Continuous Commodity Index, both provided by ThomsonReuters.

Consumer prices (HICP) are taken from Macrobond and are seasonally adjusted with help of the X13-ARIMA SEATS method.

The quarterly values for asset price index are published every six months.

Due to data availability, the methodology of the Flossbach von Storch Wealth Price Series for the Euro countries differs slightly from the Flossbach von Storch Vermögenspreisindex for Germany, which is published separately on a quarterly basis.[3]

[3] For further details on the FvS Vermögenspreisindex see http://www.fvs-ri.com/.

List of data sources

Art Market Research Developments Ltd.
Bloomberg
Eurostat
European Central Bank (ECB)
Oxford Economics
HAGI (Historic Automobile Group)
International Monetary Fund (IMF)
Liv-ex Ltd.
Macrobond
MSCI
ThomsonReuters

LEGAL NOTICE

SITE INFORMATION

Publisher: Flossbach von Storch AG, Research Institute, Ottoplatz 1, 50679 Cologne, Germany; Phone +49 221 33 88-291, research@fvsag.com, *Directors:* Dr Bert Flossbach, Dr Till Schmidt, Kurt von Storch, Dirk von Velsen; *Registration*: No. 30 768 in the Commercial and Companies Register held at Cologne District Court; *VAT-No*. DE200075205; *Supervisory authority*: German Federal Financial Services Supervisory Authority, Marie-Curie-Straße 24 – 28, 60439 Frankfurt / Graurheindorfer Straße 108, 53117 Bonn, www.bafin.de; *Author*: Dr Philipp Immenkötter; *Editorial deadline*:13th of December 2023