



Flossbach von Storch
RESEARCH INSTITUTE

FVS WEALTH PRICE SERIES FOR THE EURO AREA 22/04/2024

H2-2023: Prices fall in the north, but rise in the south

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Abstract

While asset prices fell in France and Germany, they rose in Greece, Portugal and Spain. The change in expectations regarding further interest rate hikes towards the end of 2023 shaped price trends.

Zusammenfassung

Während in Frankreich und Deutschland die Vermögenspreise fielen, stiegen sie in Griechenland, Portugal und Spanien an. Die Veränderung in den Erwartungen über weitere Zinsschritte gegen Ende des Jahres 2023 prägten die Preisentwicklung.



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, Germany¹, 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

With a change of just +0.6% compared to the end of the previous year, asset prices in the eurozone stagnated. The sideways movement in asset prices in the eurozone has now been ongoing for two and a half years and is caused by asset prices falling in the two largest countries in the eurozone, Germany and France, while stagnating or rising in the other countries.

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 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

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.

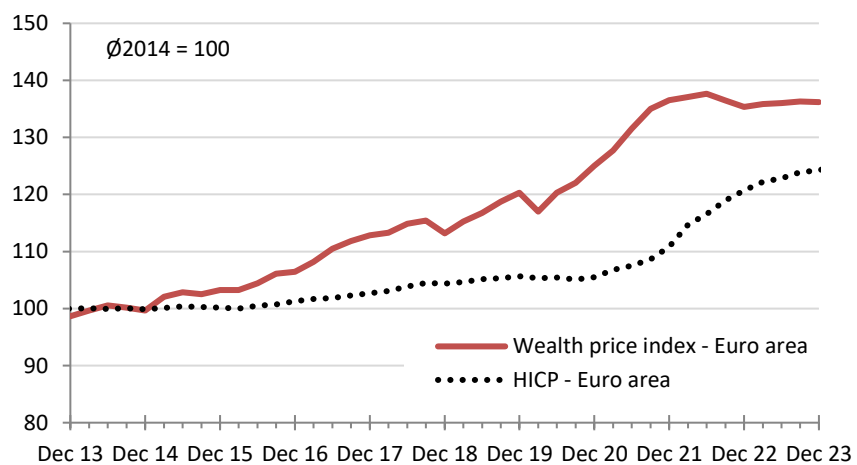
² Data is available on www.flossbachvonstorch-researchinstitute.com.



exacerbated by the economic consequences of the global lockdowns and the war in Ukraine. Both the European Central Bank and other major central banks reacted 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. While asset price inflation declined slightly in the aggregate of all eurozone countries, the range across the cross-section of countries is high. It ranges from -7.2 % in Germany to +18.0 % in Greece.

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

Stagnating prices



Source: Flossbach von Storch Research Institute and Macrobond, HICP seasonally adjusted, April 2024.

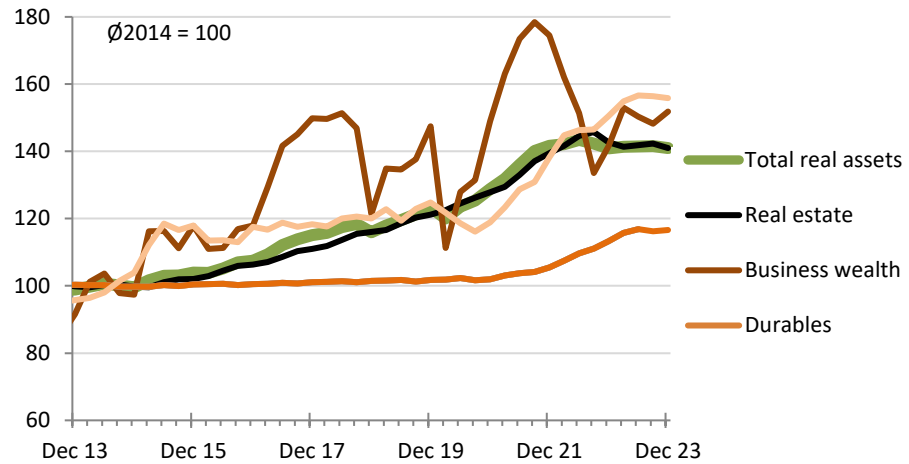
Real assets in the Euro area

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 estate** accounts for the largest share of real assets and thus also of the total assets of private households. Prices for the real estate assets of private households in the eurozone fell by -1.3% compared to the end of the previous year. The fall in prices occurred in only four of the ten countries surveyed and is attributable to the abandonment of the low interest rate policy. In Greece (+12.1 %), Portugal (+7.8 %) and Spain (+4.3 %), on the other hand, real estate prices rose significantly, which is primarily due to a catch-up effect rather than a change in the interest rate environment. Real estate prices in these countries suffered massively during the euro crisis and were only able to recover to a limited extent even in times of low interest rates.



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

Real estate prices fall



Source: Flossbach von Storch Research Institute, April 2024.

Prices for **business wealth** (privately owned companies) traded +7.3% higher at the end of the year than at the end of the previous year. In addition to the differing economic prospects of the eurozone countries, expectations regarding the future development of key interest rates played an important role. As the likelihood of further interest rate hikes fell at the end of the year, prices for business wealth stabilized or, in some cases, rose again. The price increase was particularly strong in Greece (+49.1%) and in Spain and Italy (+20.3% each).

Prices for **consumer durables** in the eurozone reflected the general rise in asset price inflation. Compared to the end of the previous year, prices rose by +2.9%. The increase was particularly pronounced in Belgium and the Netherlands (+5.5% and +6.2% respectively). Finland was largely unaffected by the rise in prices for consumer durables (+0.8%).

Collectibles and speculative items increased in price by +3.5% compared to the end of the previous year. On the one hand, the upward trend since the end of the coronavirus pandemic continued, while on the other hand the price increase slowed due to the uncertain economic situation in the eurozone.

Financial assets in the Euro area

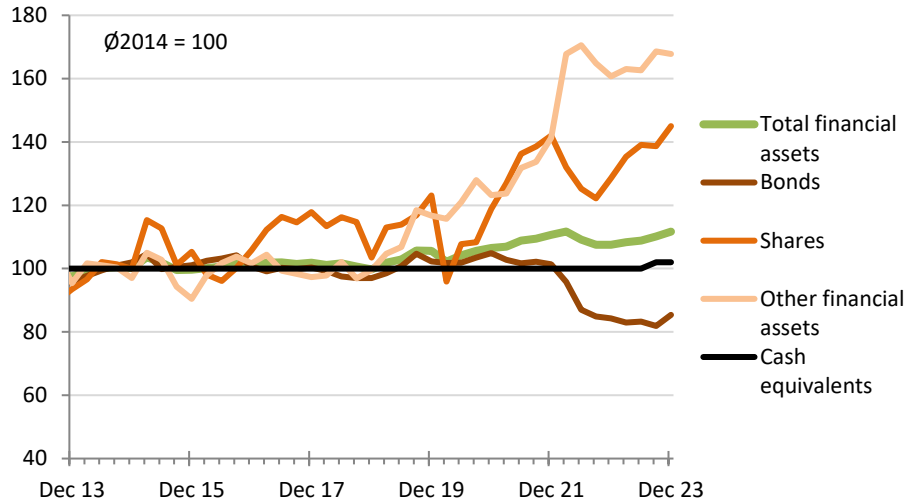
Bond prices had reached their lowest point in the third quarter of 2023, driven by the interest rate environment. Bond prices recovered again when expectations regarding future interest rate hikes changed and the expectation of an initial peak in interest rates emerged. Compared to the end of the previous year, bonds in the eurozone were +1.3 % more expensive at the end



of 2024 than at the end of the previous year. At +2.0%, the increase was most pronounced in Italy, while the recovery was least pronounced in Spain, Austria, and Belgium at just +0.8%.

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

Prices on bond markets rise again



Source: Flossbach von Storch Research Institute, April 2024.

Share prices recovered throughout the eurozone and rose by +12.8 %. Here, too, the trend in interest rates was reflected, but dampened by the economic growth prospects. While the price performance of German shares was in the midfield at +12.8 %, Portuguese shares only achieved price growth of +4.3 %. The recovery was most pronounced in Greece with a price increase of +24.4% and in Spain with +21.9%.

The price of **other financial assets**, which is measured by the price of gold and commodities traded on the stock exchange, was up +4.4% on the previous year. While the price of gold rose by ten percent over 2024, commodity prices fell due to the economic situation.

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

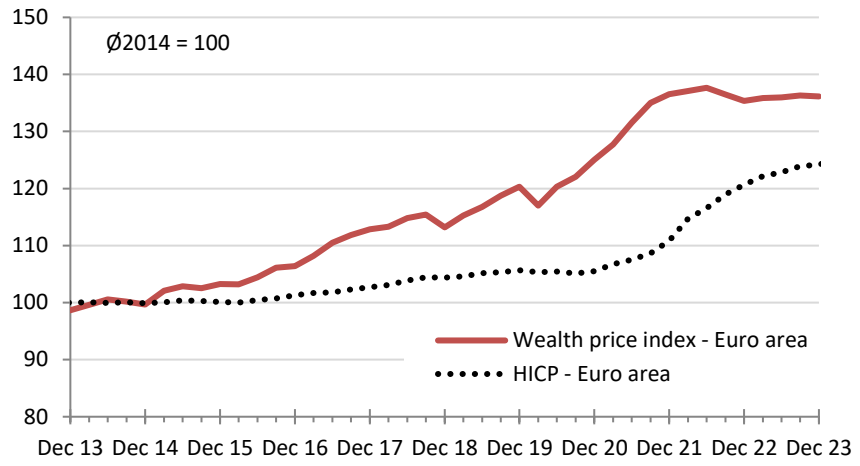
Consumer prices

Consumer price inflation according to the harmonized index of consumer prices in the eurozone (HICP) was +2.9% at the end of the year and was therefore higher than asset price inflation. The growth momentum of consumer price inflation slowed somewhat. At +4.2 %, consumer price inflation was highest in Austria and lowest in Finland at +0.6 %.



*Consumer prices
continue to rise*

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



Source: Flossbach von Storch Research Institute and Macrobond, HICP seasonally adjusted, April 2024.



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



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