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Household wealth has more than doubled in the past ten years

New research from Halifax Financial Services shows that the total value of wealth held by all households in the UK has risen by 127% over the past ten years. Net household wealth – i.e. following deduction for outstanding debt balances - increased from £2,795 billion at the end of 1996 to £6,336 billion a decade later. Over the same period, retail prices have increased by 30% and average earnings have risen by 52%.

The value of assets increased by more than five times the rise in household debt

The total value of household assets rose by £4,343 billion between 1996 and 2006 from £3,284 billion to £7,627 billion. Household debt increased by £802 billion from £489 billion to £1,292 billion over the period.

Housing accounted for more than half of the rise in total household wealth

The substantial rise in house prices has been a key factor driving the increase in household wealth over the past decade. Housing equity (the value of residential properties minus mortgage debt outstanding) increased by £1,915 billion (244%) from £787 billion in 1996 to £2,702 billion in 2006. Net financial assets (the value of financial holdings minus the value of outstanding consumer credit loans) rose by £1,625 billion from £2,009 billion in 1996 to £3,634 billion in 2006.

Housing assets grew by 216%, comfortably outpacing the 163% growth in mortgage debt

Halifax Financial Services estimate that the value of housing assets exceeded the total value of outstanding mortgage balances by £2,702 billion at the end of 2006, representing a 244% (£1,915 billion) increase in housing equity over ten years.

Housing has taken on a more significant role in households' total wealth over the past decade

Housing equity now forms 43% of households' total net wealth compared to 28% in 1996. Mirroring this rise, holdings of net financial assets fell from 72% to 57% between 1996 and 2006.

Household savings in deposit accounts set to exceed £1 trillion in 2007

Balances of deposit based liquid savings have doubled in the past decade to £960 billion at the end of 2006. Halifax Financial Services expects the total to exceed £1,000 billion (£1 trillion) by the end of 2007.

Total financial savings to increase to over £4 trillion by the end of 2007

Deposit based savings account for around one quarter of total financial wealth held by households. Total financial savings are predicted to increase to over £4 trillion (£4,000 billion) by the end of the year. This is more than three times the level of household debt.

Table 1: Household Sector Wealth (£ billion)

	1996	1998	2000	2002	2004	2006
Value of Residential Properties	1,196	1,505	1,968	2,568	3,221	3,781
Less Mortgage Loans	410	457	536	675	878	1,079
Net Housing Equity	787	1,048	1,431	1,893	2,344	2,702
Total Household Financial Assets	2,088	2,660	3,130	2,699	3,152	3,846
Less Consumer Credit Loans Outstanding	79	106	135	168	199	213
Net Financial Wealth	2,009	2,554	2,995	2,530	2,954	3,634
Net Household Wealth	2,795	3,602	4,427	4,423	5,297	6,336

Source: ONS, Bank of England, Halifax estimates

KEY FINDINGS

Financial assets

Total financial savings have risen by £1,759 billion. Households' holdings of all financial assets - including bank and building society deposits, government bonds, shares in companies, life assurance and pensions - have increased by £1,759 billion (84%) from £2,088 billion in 1996 to £3,846 billion in 2006.

Halifax Financial Services predict that total financial savings will increase by around 10% in 2007 to over £4,000 billion by the end of the year. This is more than three times the current level of debt (£1,300 billion).

Liquid Savings

Holdings of liquid (deposit based) savings have doubled over the past 10 years, rising from £475 billion in 1996 to £960 billion in 2006.

Deposit based savings to exceed £1 trillion in 2007. In percentage terms, liquid savings increased by 8.4% in 2006. For the first time, the amount of savings held by households in deposit accounts is expected to exceed £1 trillion (£1,000 billion) in 2007.

Liquid savings balances increased by £74 billion in 2006. This marked a pick-up from the £60-65 billion increases recorded in each of the previous three years. The £74 billion increase in 2006 was significantly bigger than the monetary increase in any year in the previous two decades.

Liquid savings' share of total financial assets has increased. Deposit based savings have risen as a proportion of total financial wealth by 2 percentage points since 1996 from 23% to 25% in 2006.

The fortunes of the liquid savings market are closely linked to the equity markets. For example, when stock markets are falling, such as after the dotcom bubble burst in the early 2000s, the liquid savings markets was given a boost as investors sought less risky investment options.

Holdings of deposit based savings accounts are likely to be boosted by the recent volatility in share prices. Financial service providers will also be looking to attract funds through offering higher savings rates in wake of the recent turmoil in the credit markets.

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Long Term Savings

Deposit based accounts savings constitute around one quarter of total household financial savings.

Pensions and life assurance policy funds represent by far the biggest proportion of households' savings, accounting for 55% at the end of 2006. A further 15% are held directly in equities.

Equities' share of total financial assets has fallen to 15% from 24% at the height of the dotcom boom in 1999. Despite all the talk of popular capitalism, households are net sellers of stocks and shares, having sold more than they purchased since 1996.

Housing Wealth

During 1996-2006, the gross value of housing assets grew by 216%, significantly outpacing the growth in outstanding mortgage debt of 163%.

Housing equity has risen significantly in the past decade. Halifax Financial Services estimate that the value of housing assets exceeded the total value of outstanding mortgage balances by £2,702 billion in 2006 compared with £787 billion in 1996, representing a 244% increase in housing equity over the decade.

Housing assets have taken on a much more significant role in households' total wealth over the past decade. Housing equity now forms 43% of total households' wealth compared to 28% in 1996. Mirroring this rise, holdings of net financial assets fell from 72% to 57% over the same time.

Martin Ellis, chief economist at Halifax Financial Services, commented:

"The financial position of households in total has strengthened substantially over the past decade. Whilst much has been said about the rise in debt, it is important to note that the value of households' assets has risen at a faster pace. Housing has played an important part in increasing wealth, but there has also been a significant rise in the value of investments in financial assets in the last ten years."

Notes to Editors:

Household wealth has many different components, including financial assets, houses jewellery and other valuables, but the official measure of wealth includes only housing and financial wealth.

Chart 1

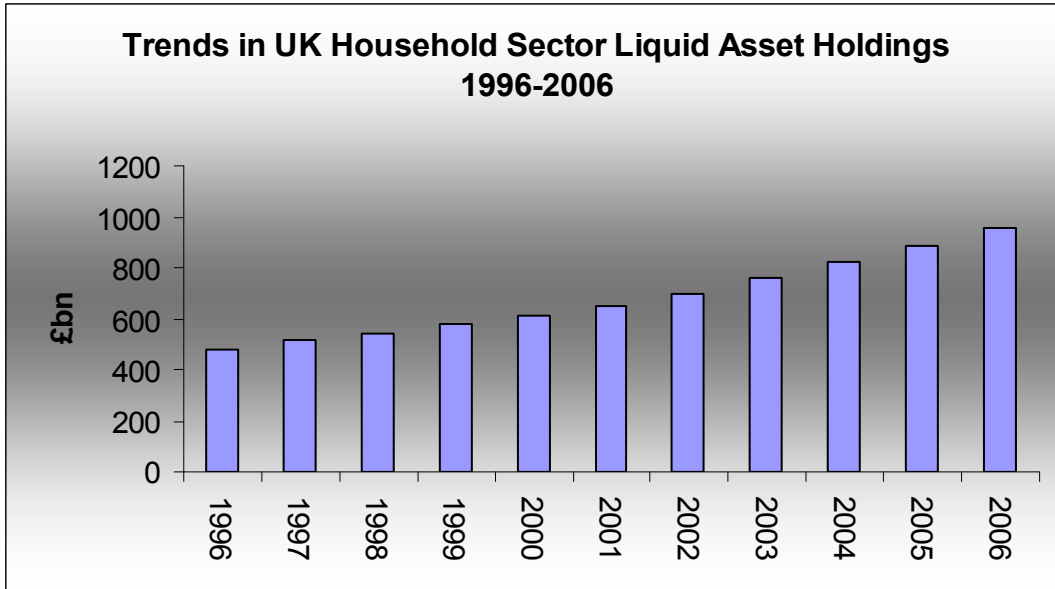
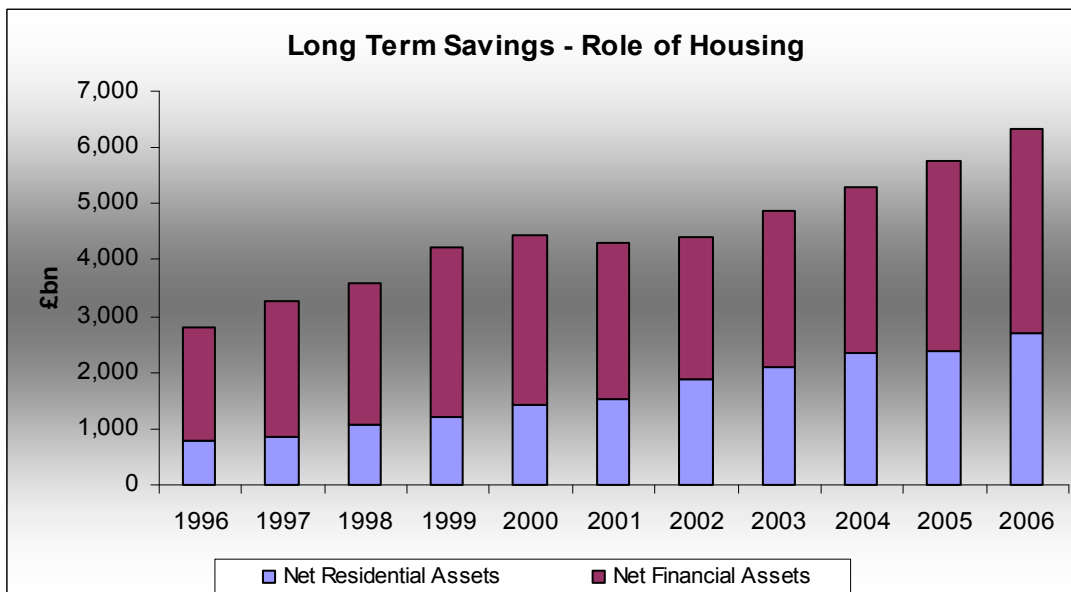


Chart 2



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