

Revisions to Household Balance Sheet statistics

30 May 2017

The March 2017 quarter publication of the Reserve Bank's Household Balance Sheet statistics includes revisions to a number of items in the balance sheet and the overall net wealth of the household sector.

The Household Balance Sheet statistics are compiled from a range of data sources including Reserve Bank surveys of financial institutions and Stats NZ estimates.

The revisions to household assets and liabilities reflect:

- Improved data reporting of household deposits, debt securities and loans in the Reserve Bank's new Bank Balance Sheet (BBS) survey and Securities database.
- Changes to the method used to compile estimates of household equity and investment fund shares by Stats NZ in the [Annual Balance Sheets](#) publication.¹
- New estimates of items that were not previously captured, including households' non-life insurance claims.

¹ The Annual Balance Sheets are part of a multi-year project to improve the range and integration of New Zealand's national accounts. Annual releases of balance sheets are likely to include revisions from upcoming development work, and these will impact on quarterly Household Balance Sheets.

This note outlines the main changes to the household sector's assets and liabilities and the impact on previously published data.

Figure 1: Household net wealth (\$b)

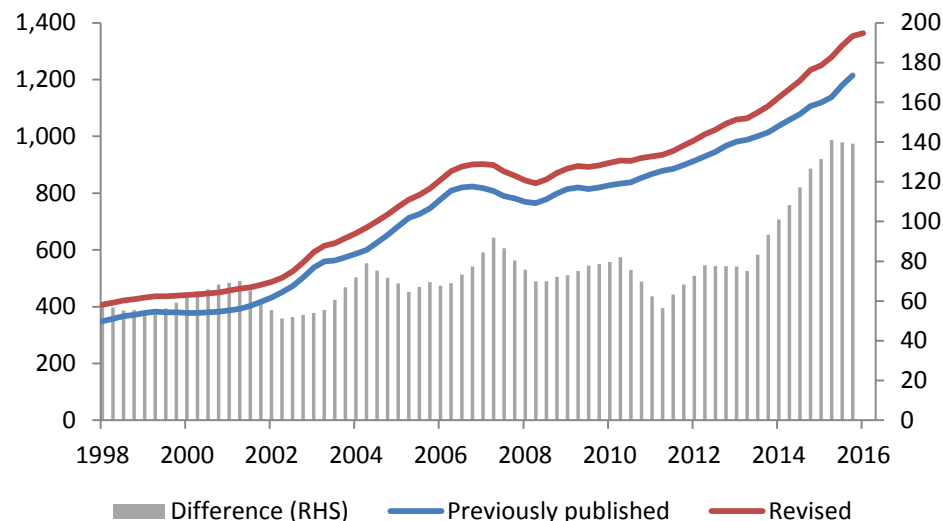


Table 1: Household balance sheet, September 2016 (\$b)

	Published	Revised	Difference
Total financial assets	636	796	160 ↑
Currency	3	3	0
Deposits	159	155	-4
Debt securities	14	5	-9
Loans	0	0	0
Equity	324	492	168
Investment fund shares	55	53	-3
Insurance technical reserves	80	88	8
Total liabilities	173	191	18 ↑
Housing loans	142	161	19
Consumer loans	16	15	-1
Student loans	15	15	0
Housing and land	752	749	-2 ↓
Net wealth	1,214	1,354	140 ↑

Household deposits

Household deposits comprise deposits held with registered banks and non-bank deposit taking institutions.

Main changes

- Household deposits were previously sourced from the Reserve Bank's Standard Statistical Return (SSR). In February 2017, the SSR was retired and replaced by a new collection, the BBS survey.
- The SSR collected data on household funding which included both deposits and debt securities. The majority of household funding was likely to be deposits but it could not be separately identified from household holdings of bank issued debt securities.
- The BBS separately identifies deposits and debt securities held by households and banks have improved their reporting and classification of household deposits.
- Previously deposits held in banks' PIE funds were included in household investment fund shares as they are a managed fund product. However, captive bank PIEs are similar in nature to standard bank deposits and are now reported as a household deposit with banks. This affects household bank deposits back to 2007 when PIEs were first introduced.
- The estimate of deposits held in solicitors trust accounts has been removed from household deposits as we could not clearly identify the deposits held by households from other sectors and we had concerns about the quality and accuracy of the estimate.

Impact on previously published data

Figure 2: Household deposits (\$b)

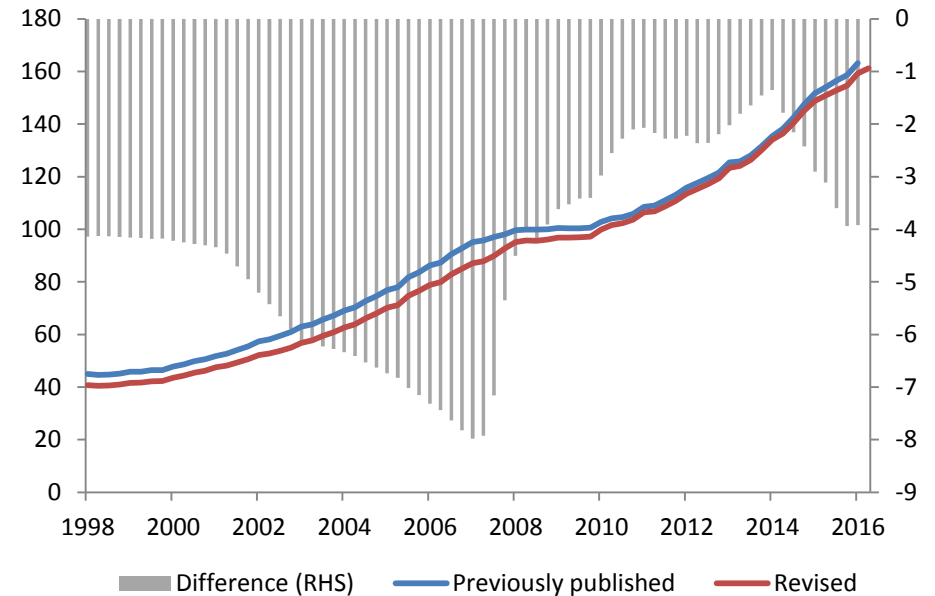


Table 2: Household deposits, September 2016 (\$b)

	Published	Revised	Difference
Total deposits	159	155	-4 ↓
Registered banks	148	151	4 ↑
Non-bank deposit takers	3	3	0 →
Other	8	0	-8 ↓

- All changes have been backdated to 1998 to provide a long-run consistent time series of household deposits.

Household debt securities

Household holding of debt securities include central and local government debt securities and retail bonds.

Main changes

- The Reserve Bank’s new Securities database has enabled us to better identify debt securities held by the household sector.
- Central and local government debt securities held by households has increased as household trusts are better identified in the Securities database.
- Retail bonds were overestimated in the previously published data as it was assumed that all retail bonds on issue were held by the household sector. The Securities database provides better information on the household sector’s holdings of retail bonds.

Impact on previously published data

Figure 3: Household debt securities (\$b)

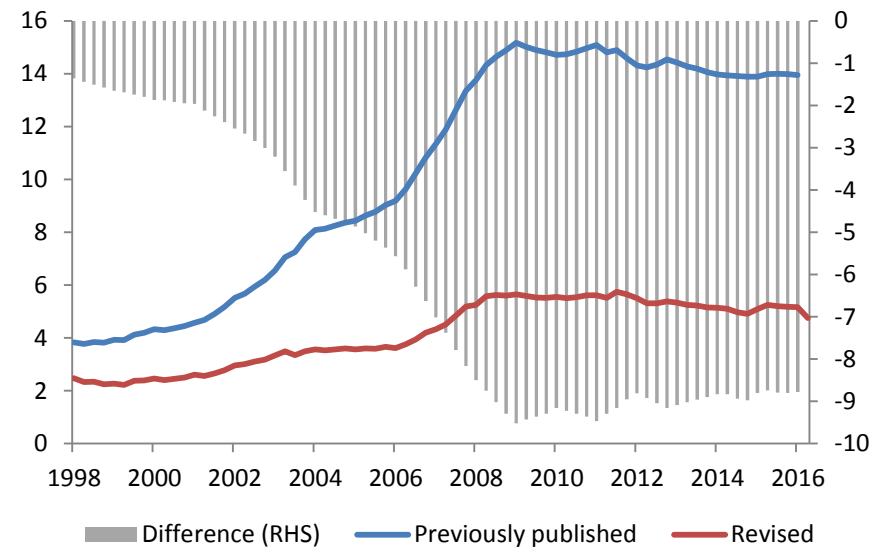


Table 3: Household debt securities, September 2016 (\$b)

	Published	Revised	Difference
Total debt securities	14	5	-9 ↓
Central government	0	1	0 →
Local government	0	0	0 →
Other	13	4	-9 ↓

- All changes have been backdated to 1998 to provide a long-run consistent time series for debt securities held by households.

Household equity

Household equity comprises NZ listed shares, NZ unlisted shares, equity in unincorporated NZ businesses and overseas listed shares.

Main changes

- Stats NZ's development of sectoral balance sheets has resulted in changes in the method used to compile household equity estimates.
- Previous household equity estimates have been updated and now contain improved integration with other sectors. In the sector balance sheets the equity assets of all sectors must match the equity liabilities of all sectors and all residual values have been allocated to the household sector².
- Previous estimates of NZ listed shares were Reserve Bank estimates based on share registry information and market capitalisation of equities from the NZX. The Reserve Bank estimates have been replaced with Stats NZ estimates from the sectoral balance sheet publication, which have been validated with NZX data.
- Stats NZ has implemented a new method for estimating the equity in unincorporated NZ businesses which replaces the book values for fixed assets and inventories with perpetual inventory method (PIM) values and changed the allocation of land value across sectors.

² Stats NZ [note](#) that the household sector equity estimates are a residual and acknowledge that errors/omissions/inconsistencies in underlying data or methods will adversely affect the household sector estimates but is a common situation internationally. We have used Stats NZ's equity estimates to maintain consistency with the sectoral balance sheet publication.

- The value of NZ unlisted shares held by households is now derived as a residual from other known sector estimates of equity assets. Previously these estimates were compiled in isolation from other equity estimates.

Impact on previously published data

Figure 4: Household equity (\$b)

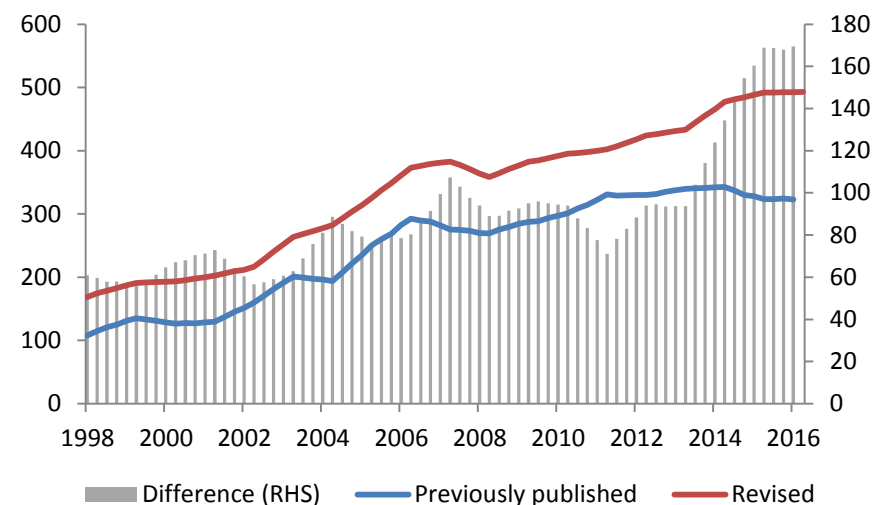


Table 4: Household equity, September 2016 (\$b)

	Published	Revised	Difference
Total equity	324	492	168 ↑
NZ listed shares	33	120	88 ↑
NZ unlisted shares	108	118	9 ↑
Equity in unincorporates	176	247	71 ↑
Overseas listed shares	7	7	0 →

- All changes have been backdated to 1998 to provide a long-run consistent time series for equity held by households.³

³ Data for March 2007 to 2015 quarters are Stats NZ estimates. All other quarters are Reserve Bank estimates.

Household investment fund shares

Household investment fund shares comprise cash management trusts and managed funds.

Main changes

- As noted in the changes to household deposits, previously captive bank PIEs were included in household investment fund shares. But as they are similar in nature to bank deposits they are now included in household bank deposits. This affects data back to 2007 when PIEs were first introduced.
- The remaining changes are Stats NZ adjustments made in the compilation of total equity and investment fund shares for the sectoral balance sheets publication.

Impact on previously published data

Figure 5: Household investment fund shares (\$b)

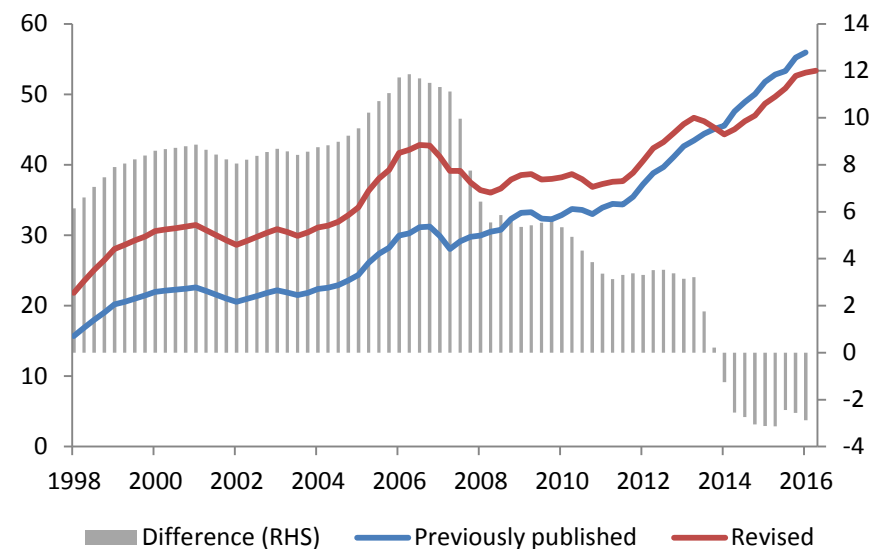


Table 5: Household investment fund shares, September 2016 (\$b)

	Published	Revised	Difference
Total investment fund shares	55	53	-3 ↓
Cash management trusts	10	8	-2 ↓
Other	45	45	0 →

- All changes have been backdated to 1998 to provide a long-run consistent time series for household investment fund shares.

Household insurance technical reserves

Household insurance technical reserves comprise life insurance, superannuation (including KiwiSaver) and non-life insurance claims.

Main changes

- The estimate of superannuation has been expanded to include an estimate of the unfunded superannuation liabilities of the National Provident Fund (NPF). Previously only the unfunded superannuation liabilities of the Government Superannuation Fund (GSF) were included.
- Estimates for non-life insurance claims of households have been compiled by Stats NZ, which comprises non-life insurance liabilities of the Earthquake Commission (EQC) and non-life insurance liabilities of companies in New Zealand that is attributable to households. Previously reliable estimates were not available.

Impact on previously published data

Figure 6: Household insurance technical reserves (\$b)

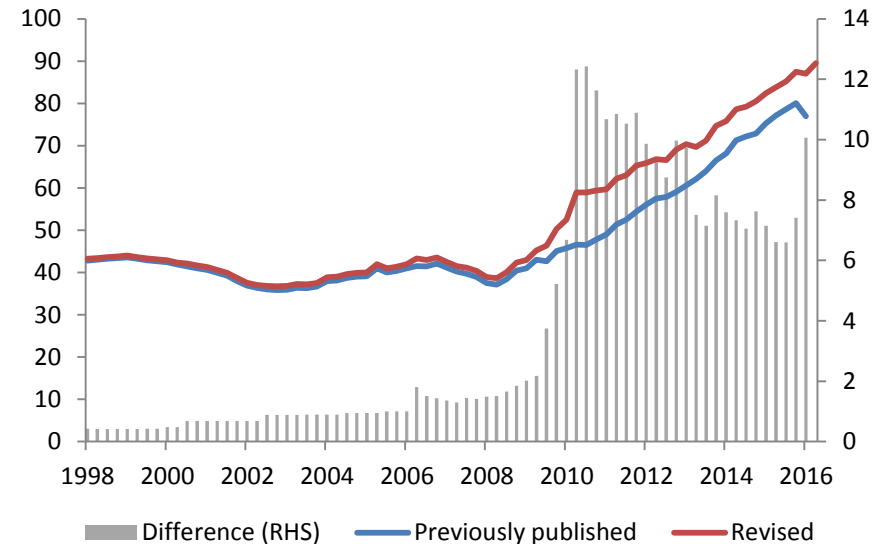


Table 6: Household technical reserves, September 2016 (\$b)

	Published	Revised	Difference
Total insurance technical reserves	80	88	8 ↑
Life insurance	9	9	0 →
Superannuation	71	73	2 ↑
Non-life insurance	0	6	6 ↑

- Unfunded superannuation liabilities of the NPF have been backdated to 1998.
- The non-life insurance claims of households have not been backdated and a series break occurs in March 2007 when the first estimates are available.

Household housing loans

Household housing loans includes lending to owner occupied households by registered banks and non-bank lending institutions.

Main changes

- Previous estimates of housing loans to owner occupiers were estimated using data provided by Stats NZ as the Reserve Bank's SSR did not collect a breakdown of housing loans between owner occupied and residential property investment use.
- The Reserve Bank's new BBS survey collects a breakdown of residential mortgages for owner occupier use and residential property investment use and therefore no longer needs to be derived using Stats NZ estimates. The BBS shows a higher level of owner occupier housing loans than previously estimated using Stats NZ data.

Impact on previously published data

Figure 7: Household housing loans (\$b)

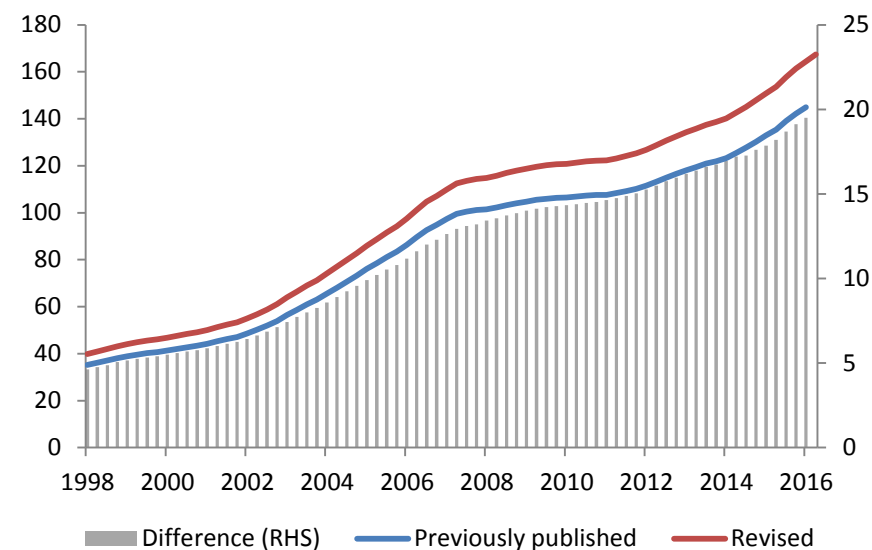


Table 7: Household housing loans, September 2016 (\$b)

	Published	Revised	Difference
Total housing loans	142	161	19 ↑
Registered banks	140	160	19 ↑
Non-bank lending institutions	2	2	0 →
Other	0	0	0 →

- Owner occupier housing loans have been backdated to 1998 to provide a long-running consistent time series.

Household consumer loans

Household consumer loans includes personal consumer lending to households by registered banks and non-bank lending institutions.

Main changes

- Previous estimates of consumer loans were sourced from the Reserve Bank's SSR and were sometimes derived as a residual in banks' SSR reporting of claims by industry.
- Personal consumer lending is better defined in the Reserve Bank's new BBS survey and as a result there was some data cleansing by banks in their BBS reporting. Personal consumer loans are now lower than previously published.

Impact on previously published data

Figure 8: Household consumer loans (\$b)

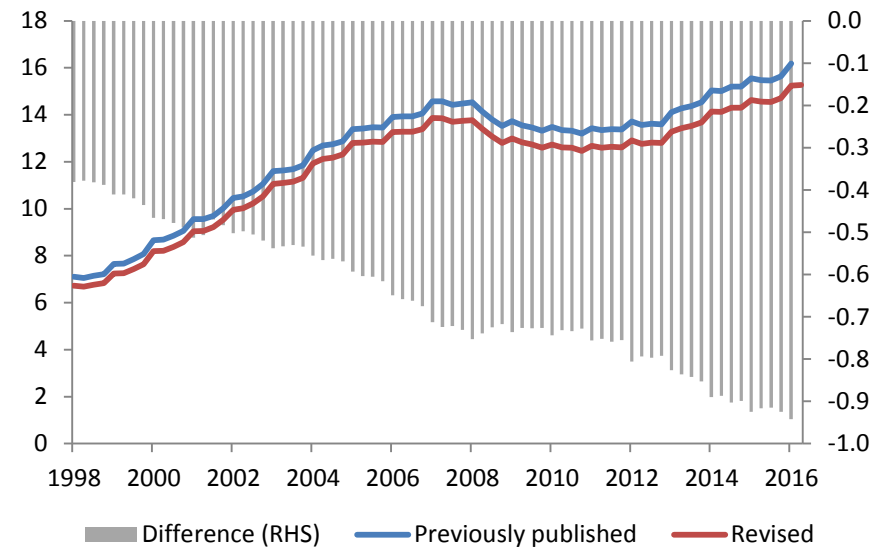


Table 8: Household consumer loans, September 2016 (\$b)

	Published	Revised	Difference
Total consumer loans	16	15	-1 ↓
Registered banks	11	10	-1 ↓
Non-bank lending institutions	4	4	0 →
Other	0	0	0 →

- Personal consumer loans have been backdated to 1998 to provide a long-running consistent time series.

Household liabilities including rental properties

The Household sector balance sheet does not include the assets and associated liabilities of residential rental property investors. Only the equity that households hold in these businesses is captured on the balance sheet of the household sector.

However, the Reserve Bank continues to publish selected data that include rental properties as when analysing the financial exposure of the household sector most analysts will want to include the liabilities of the rental properties because of the full recourse nature of mortgages in New Zealand.

Main changes

- Previous data for housing and consumer lending was sourced from the Reserve Bank's SSR, which has now been replaced by the BBS survey.
- Housing lending for owner occupied use and residential property investment use is largely unchanged in the new BBS survey.
- Personal consumer lending is better defined in the BBS survey and as a result there was some data cleansing by banks in their BBS reporting. Personal consumer loans are now lower than previously published.

Impact on previously published data

- Decrease in total household financial liabilities including rental properties.
- Household liabilities including rental properties as a percentage of household disposable income is largely unchanged (Figure 9).

Figure 9: Household liabilities including rental properties as a percentage of household disposable income (%)

