



Flossbach von Storch  
RESEARCH INSTITUTE

FVS WEALTH PRICE SERIES FOR THE EURO AREA 29/06/21

## **H2-2020: Inflation despite crisis**

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### Abstract

In 2020, asset prices in the Euro area increased by +3.9%. While prices were still under pressure in the first quarter of 2020, they recovered quickly in the following quarters driven by monetary and fiscal policy. There is considerable divergence in the inflation rates between the eurozone countries.

### Zusammenfassung

Im Jahr 2020 sind die Preise für Vermögenswerte in der Eurozone um +3,9 % angestiegen. Während noch im ersten Quartal 2020 die Preise unter Druck gerieten, erholten sie sich in den folgenden Quartalen dank Geld- und Fiskalpolitik schnell. Zwischen den Ländern der Eurozone besteht dabei eine erhebliche Divergenz.



## 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<sup>1</sup>, 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.

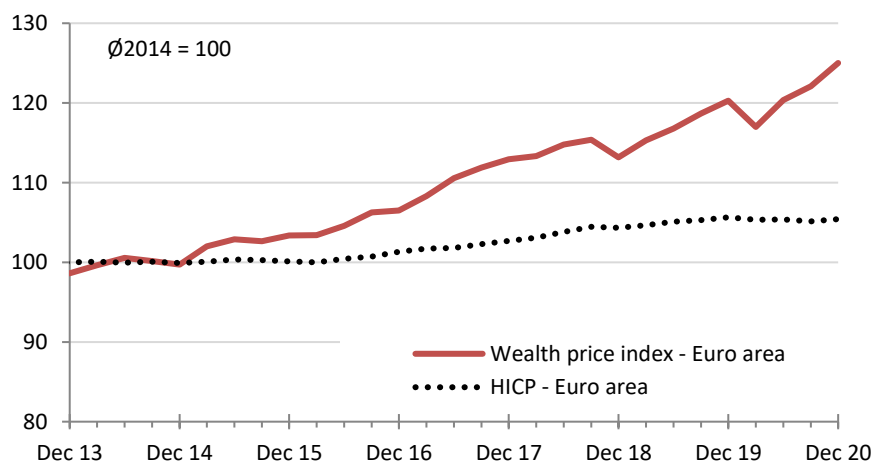
Household wealth and the respective index weights are constructed with help of the "Household Finance and Consumption Survey" by the European Central Bank (2016), which uses survey data from the year 2014. In addition, all price series have been indexed to their average of the year 2014. The appendix 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.<sup>2</sup>

## Asset price inflation in the Euro area

Despite a significant economic crisis, income shortfalls and uncertain prospects, asset prices in the eurozone increased significantly in 2020. At the end of the year, asset prices for the average household were +3.9% higher

*Inflation despite pandemic and crisis*

**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, June 2021.

<sup>1</sup> 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.

<sup>2</sup> Data is available on [www.flossbachvonstorch-researchinstitute.com](http://www.flossbachvonstorch-researchinstitute.com).



than at the end of the previous year. While in the first quarter of 2020 asset prices in the eurozone were still under pressure from the pandemic, prices recovered from the second quarter onwards supported by monetary and fiscal policy. There is considerable divergence between the countries of the eurozone in this respect, as asset price inflation is significantly higher in the northern countries of the eurozone than in the southern countries.

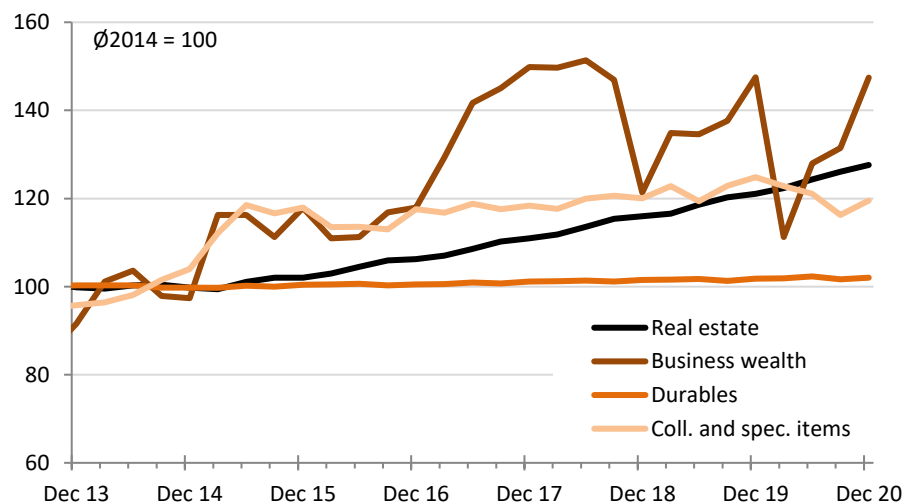
### Real assets in the Euro area

Real assets account for the largest fraction of total assets of the average Euro area household and are the dominant factor for the overall index. Despite high income uncertainties due to the Corona pandemic and the restrictions imposed by governments throughout the Euro area, the demand for real assets was high. As a result, prices for real assets held increased by +4.4%.

Within real assets, the high demand for real estate in the eurozone continued in 2020, pushing up real estate prices by +5.4%. Demand for residential real estate was particularly high, while commercial real estate prices suffered from the restrictions.

After prices for business wealth in the eurozone slumped in the first quarter due to the corona pandemic and the associated uncertainty about possible insolvencies, prices recovered in the following quarters. At the end of the year, prices for business wealth were -0.1%, unchanged from the end of the previous year.

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



*Real estate prices rise despite crisis.*

Source: Flossbach von Storch Research Institute, June 2021.



Prices for consumer durables were not significantly affected by the pandemic and increased by +0.2%. The inflation rate was at the level of recent years.

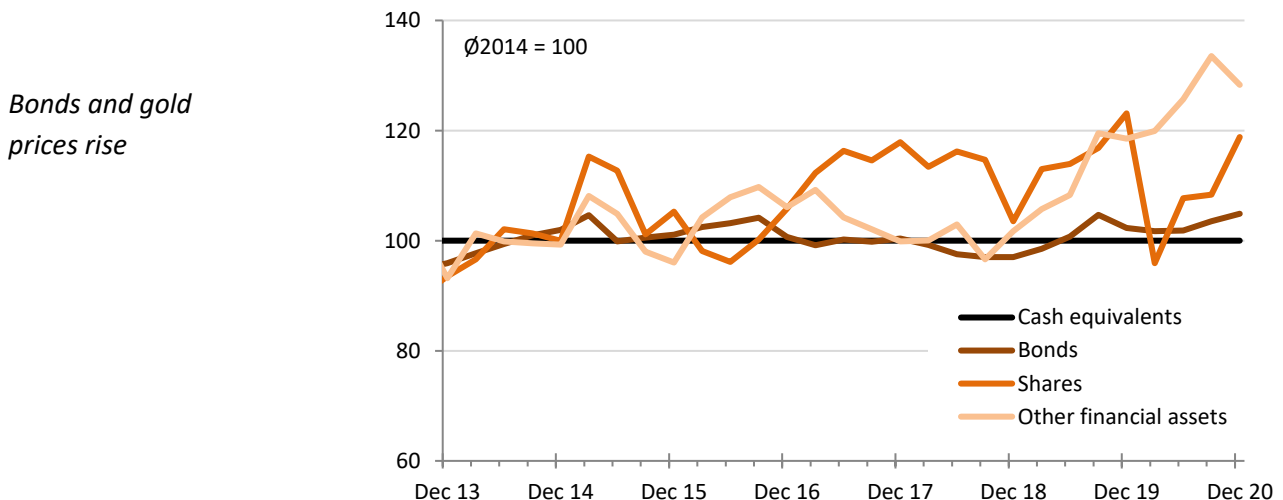
Collectibles and speculative items recorded a price decline of -4.3% compared with the end of the previous year. Within the category, prices for art objects fell, as many sales took place outside trade fairs and auctions (-16.4%). Prices for fine wines fell by -2.5% in the calendar year, as restaurants and retail outlets were closed for an extended period and at the end of the year in many eurozone countries. Prices for historic automobiles fell sharply in the first quarter but then recovered quickly, ending the year at the price level of the year's beginning (+0.5%). Precious metal jewellery increased in price across the eurozone, which can be explained by the rise in prices for precious metals.

### Financial assets in the Euro area

At the end of the year, the prices of financial assets held by private households in the Euro area were +1.3% higher than at the end of the previous year. While prices had still fallen significantly in the first quarter of 2020 due to the economic crisis of the corona pandemic, monetary and fiscal policy supported prices on the financial markets in the following quarters.

Prices for shares were particularly volatile. In the first quarter, prices for shares held by households in the eurozone slumped by -22.1%, but then recovered quickly. By the end of the year, prices were only -3.5% below the prior-year level.

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



Source: Flossbach von Storch Research Institute, June 2021.



Prices for bonds owned by private households fell at the beginning of the year due to potential insolvencies. Supported by monetary policy measures such as the cut in the key interest rate, prices stabilized again in the second quarter. In the third quarter in particular, a significant price increase was realized on the bond markets of the eurozone. By the end of the year, prices for bonds had risen by +2.5%.

Prices for other financial assets, which are measured by gold and commodity prices, rose significantly over the first half of the year, as commodity prices fell but gold, as a crisis metal, was in high demand on international markets. Over the year, the picture reversed as the price of gold fell as the corona pandemic progressed, but demand for commodities increased. At the end of the year, the price of other financial assets held by private households in the eurozone was +8.3% higher than at the end of the previous year.

### **The southern countries**

**Portugal** records the highest asset price inflation among the countries of the southern eurozone. Asset prices held by Portuguese households rose by +4.8% over the year 2020. The +8.6% increase in the price of real estate, which already accounts for 70% of the total assets owned by Portuguese private households, was the main contributor to this increase. The inflation rate was dampened by a huge drop in prices for business wealth, which at year-end were -27.7% lower than a year earlier. Industries such as tourism, which suffered particularly badly from the pandemic, are overrepresented in Portugal compared to other European countries. As a result, the price recovery at the end of the year was weaker than in other eurozone countries. At +0.7%, the prices of Portuguese households' financial assets hardly changed compared with the end of the previous year.

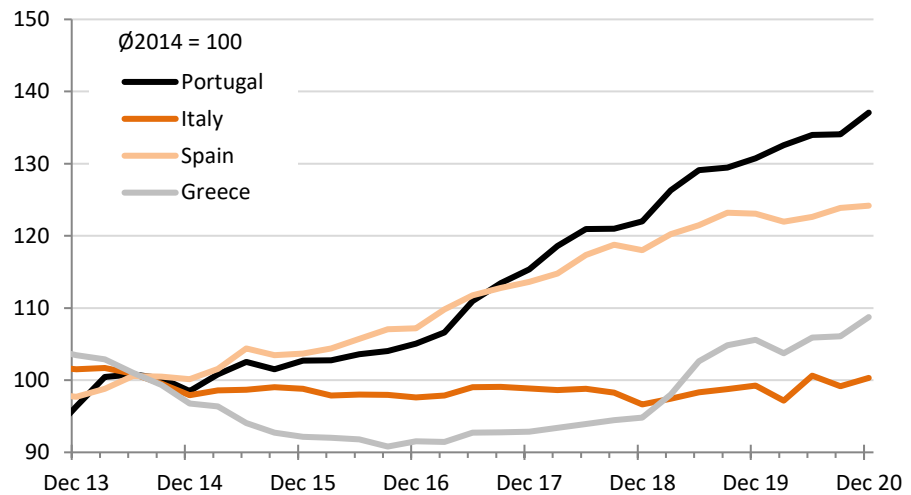
At +0.9%, asset price inflation in **Spain** was the lowest in the eurozone. Like Portugal, business wealth prices suffered significant markdowns, but prices recovered more strongly than in the neighboring country, ending the year only -8.1% below the end of the previous year. Real estate prices in Spain increased slightly in the first three quarters, but then fell in the fourth quarter, so that year-on-year the real estate assets of private Spanish households increased by only +1.7%.

In **Italy**, asset price inflation was also low at +1.0%. The main reason for this is a weak real estate market, where prices had already been falling since 2012. Prices on the Italian real estate market stabilized only a few quarters before the corona pandemic, but then began to stumble again due to the



Figure 4: Wealth price indices for the southern countries

Moderate growth in the south.



Source: Flossbach von Storch Research Institute, June 2021.

consequences of the pandemic. At the end of the year, the price of real estate owned by private Italian households was up +1.6% from the end of the previous year. Business wealth prices suffered badly in Italy at the start of the pandemic, but quickly stabilized again so that by the fourth quarter they were only -4.2% lower than a year earlier.

In **Greece**, prices for household assets increased by +3.0%. Prices for real estate owned by Greek households rose by +2.5%, and business wealth saw a price increase of +10.1%. Greek business wealth prices were already at a low level before the pandemic and fell relatively little in the wake of the pandemic, even though large parts of the Greek economy are closely linked to tourism.

### The northern countries

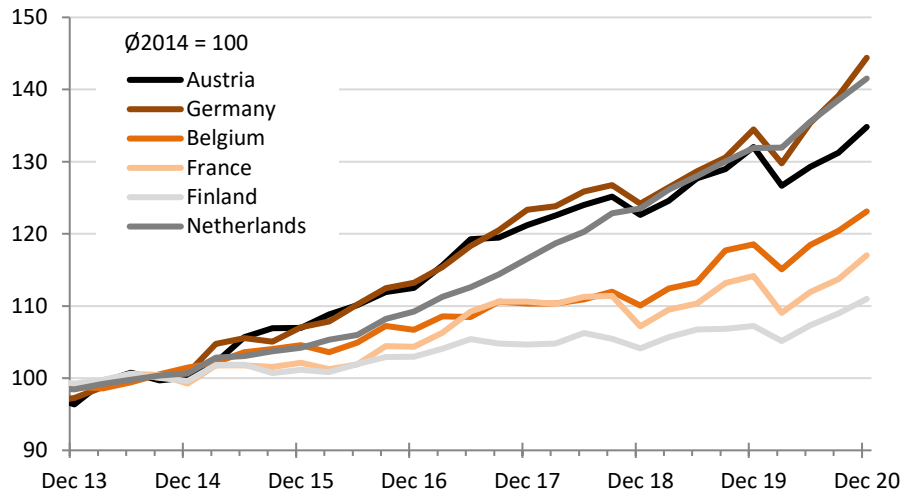
**Germany** recorded the highest asset price inflation of the eurozone at +7.4%. The reason for the significant price increase in the crisis year 2020 was the high demand and scarce supply of real estate, which increased in price by +8.1% and accounts for 62% of household wealth. Business wealth prices slumped in the first quarter but recovered supported by monetary and fiscal policy and were even +12.7% above the end of the previous year at the end of the year. Prices for financial assets held by German households also increased by +1.5%.

A comparable development was observed in the **Netherlands**. Prices for assets owned by private Dutch households rose by +7.3%. At +8.7%, real estate recorded an even higher price increase than in the neighbouring



Figure 5: Wealth price indices for the northern countries

*High inflation in the Netherlands and Germany*



Source: Flossbach von Storch Research Institute, June 2021.

country, and business wealth also rose by +13.4%, supported by monetary and fiscal policy. Prices for financial assets rose by +2.9% in the Netherlands in 2020.

At +3.9%, asset price inflation in **Belgium** last year was significantly lower than in Germany or the Netherlands. However, at +5.7%, the price of real estate owned by private Belgian households increased at a much slower rate than in neighbouring countries. At +1.5%, the price of Belgian business wealth was only slightly higher than a year earlier. The price of Belgian financial assets fell by -0.4%, as share prices were -8.0% cheaper than at the end of the previous year.

In **Finland**, prices for private household assets rose by +3.5% last year. Compared with other northern countries in the eurozone, real estate prices rose only moderately, by +3.3%. On the other hand, business wealth showed a significant year-on-year price increase of +15.9%. Prices of financial assets held by Finnish households increased by +1.6%.

In **France**, asset prices rose by +2.5% in the past year. Although real estate prices rose massively by +6.1%, business wealth prices at year-end were -8.0% lower than at the end of the previous year. In the first quarter, business wealth prices of French households fell sharply, subsequently stabilizing only slightly because of monetary and fiscal policy measures.

At +2.1%, **Austria** has the lowest asset price inflation of the Euro area's northern countries. Real estate prices also rose strongly in Austria last year (+7.3%), but Austrian business wealth prices were -14.9% below the previous year's level due to the high share of tourism and catering. With a share

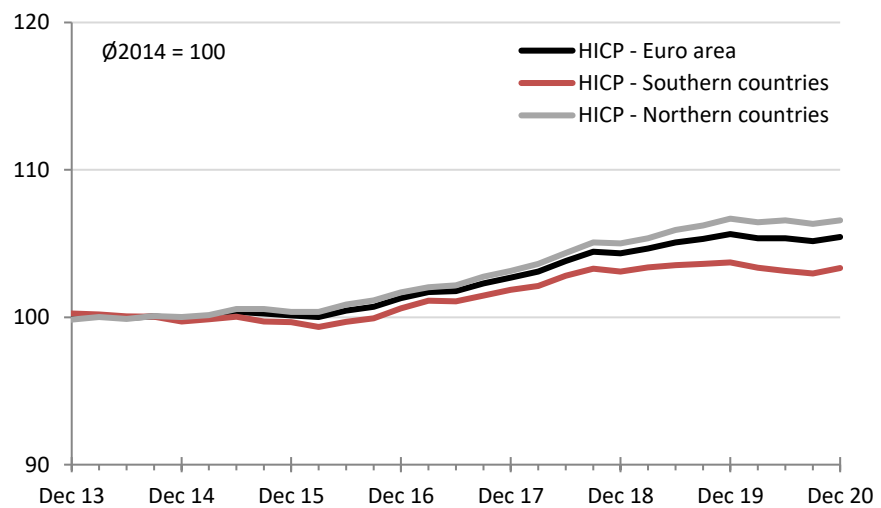


of 17.4% in the overall Austrian index, the decline in business wealth prices is more pronounced than in other eurozone countries.

### Consumer prices

In contrast to asset price inflation, consumer price inflation was low in 2020 as measured by the harmonized and seasonally adjusted consumer price index. Half of the ten countries considered (Germany, Greece, Italy, Portugal, and Spain) experienced price declines year-on-year. In the remaining five countries (Austria, Belgium, Finland, France, and the Netherlands), the growth rate of consumer prices was between zero and one percent. The price decline was most pronounced in Greece, where consumer goods became -2.4% cheaper in 2020. The highest price increase was seen in Austria (+1.0 %).

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



*Declining prices  
in six countries*

Source: Flossbach von Storch Research Institute and Macrobond, HICP seasonally adjusted, June 2021.





## 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
<b>Country weight in the overall index</b>	-	16,5%	1,4%	2,1%	15,2%	3,0%	5,0%	1,8%	22,9%	27,0%	5,0%
<b>average household wealth (in 1.000 €)</b>	256	236	112	185	308	276	370	239	279	240	233
<b>Weights</b>											
<b>Total real assets</b>	<b>82,1%</b>	<b>88,6%</b>	<b>93,4%</b>	<b>88,1%</b>	<b>85,1%</b>	<b>86,0%</b>	<b>76,7%</b>	<b>83,1%</b>	<b>81,2%</b>	<b>77,7%</b>	<b>75,2%</b>
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%
<b>Financial assets</b>	<b>17,9%</b>	<b>11,4%</b>	<b>6,6%</b>	<b>11,9%</b>	<b>14,9%</b>	<b>14,0%</b>	<b>23,3%</b>	<b>16,9%</b>	<b>18,8%</b>	<b>22,3%</b>	<b>24,8%</b>
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 ThomsonReuters. 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.<sup>3</sup>

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<sup>3</sup> 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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