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Research Note: a revised set of New Zealand wealth estimates

In the February 2015 issue of *Policy Quarterly* I presented a table and chart tracing New Zealand's national wealth from 1980 to 2014, including private wealth figures drawn from the Reserve Bank of New Zealand's household-sector balance sheets. Expressed as percentages of GDP, these figures provided estimates of Thomas Piketty's beta (the ratio of national wealth to national income) over those 35 years. In the February 2015 article I compared my results with the beta values calculated by Piketty for a number of other OECD countries over much longer time spans. New Zealand seemed at that point to have a lower beta than the typical developed economy, though with a parallel rising trend (Bertram, 2015, pp.43-5, Table 1 and figures 7 and 8).

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Barely had that article been published when in March 2015 the Reserve Bank released a new, revised set of quarterly estimates of household wealth for the period December 1998–December 2014 (Reserve Bank of New Zealand, 2015).¹ The main changes from the earlier Reserve Bank data on household net worth were (1) the inclusion of household equity in non-incorporated enterprises and trusts, which substantially boosts the estimate of net financial wealth; and (2) the reclassification of residential rental properties as business assets, which means that they now appear as part of the financial wealth of households (through holdings of equity in the relevant businesses) instead of as housing wealth. The effect of this second change is to reduce the Reserve Bank figure for households' net equity in housing and land by nearly \$100 billion, most of which will have reappeared as financial net wealth in the new statistics.

The overall effect of the revisions is to increase the Reserve Bank's estimate of private wealth, as at 2014, by \$231 billion, equivalent to more than 120% of GDP. The impact on my previous estimate of Piketty's beta is substantial, raising the estimate of total national wealth at 2014

Table 1: Changes in estimate of national wealth due to new RBNZ household balance sheet data

Year	Household net wealth						Govern- ment net worth	Total NZ-held net wealth 6+7 (Piketty's beta)	Net foreign holdings of New Zealand assets	Total net wealth incl foreign holdings 8+9	NBR Rich List wealth	Orthodox capital stock						
	Equity in housing and land		Other assets		Total household net wealth													
	Calculated from former RBNZ Table C19	Calculated from new RBNZ Table C22	Calculated from former RBNZ Table C19	Calculated from new RBNZ Table C22	Calculated from former RBNZ Table C19	Calculated from new RBNZ Table C22												
1	2	3	4	5	6	7	8	9	10	11	12							
1980				193		na	193*	36	228			354						
1990				222		na	222*	62	284	4		279						
1993				238		10	247	82	330	4		288						
1998				259		10	269	86	355	8		274						
1999	158	136	104	211	262	346	6	352	82	435	9	277						
2000	147	126	101	213	248	339	8	347	78	425	10	274						
2001	143	123	97	198	240	321	10	331	74	405	11	272						
2002	146	124	89	192	235	316	14	330	67	397	12	266						
2003	171	144	87	208	258	353	21	373	67	441	14	268						
2004	209	174	88	220	297	393	28	421	70	491	16	274						
2005	232	192	89	217	320	409	35	444	72	517	20	281						
2006	245	203	94	247	339	450	52	502	73	575	22	290						
2007	269	222	100	260	369	482	57	539	76	616	23	297						
2008	234	194	91	235	325	429	57	486	75	561	24	294						
2009	223	184	92	236	314	420	53	473	86	559	21	308						
2010	228	187	93	240	321	428	50	477	80	558	20	301						
2011	216	177	95	244	312	421	40	461	67	528	23	292						
2012	219	177	95	250	315	427	29	455	71	527	28	290						
2013	238	192	105	255	343	446	32	478	71	550	30	292						
2014	223	192	98	252	321	444	33	477	65	543								

* Excluding Government

from 350% of GDP to 480%, which moves New Zealand from its previously estimated position below the comparator countries in Figure 8 of my February 2015 article to a position in the middle of the bunch. This reinforces the conclusion drawn in the article that New Zealand is subject to strong convergence forces operating across the advanced economies, and overturns the anomalously-low value which I previously estimated for beta.

Table 1 here shows how the revised data for the period 1998–2014 change the figures that appeared in Table 1 of my February 2015 article. (In addition, the table corrects an error in the seventh column of the previous table which had

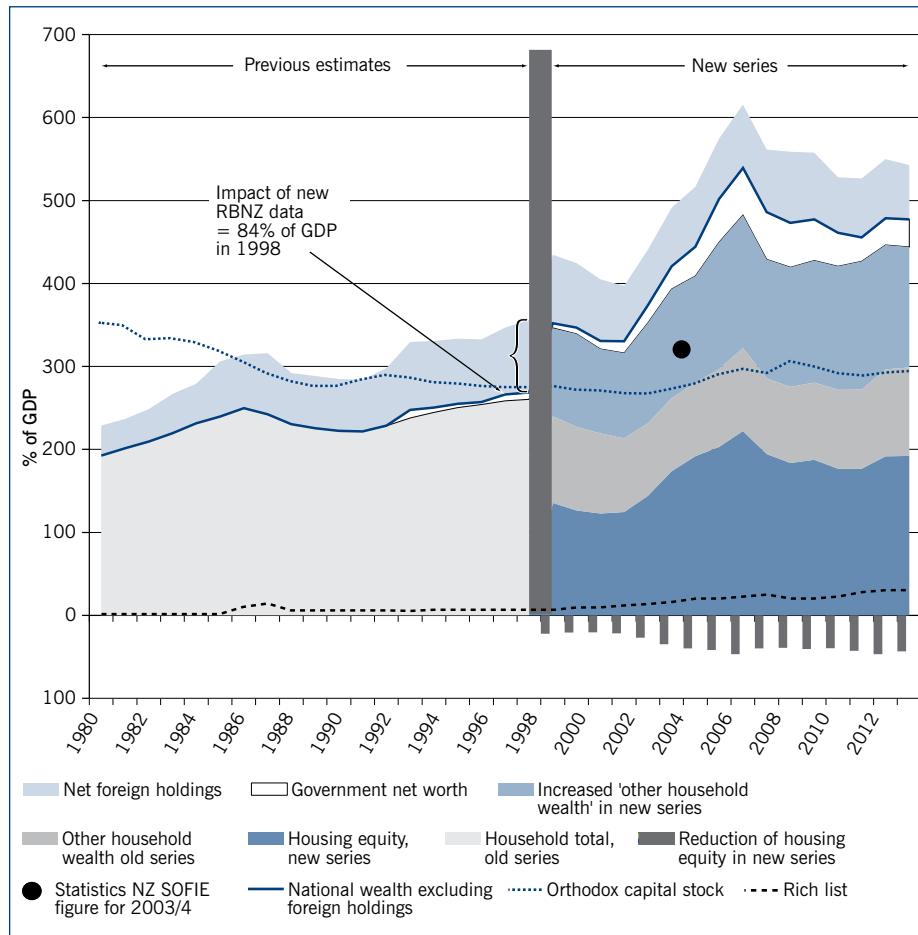
subtracted rather than added net foreign holdings of assets.) Figure 1 shows the impact of the new data on the picture of national wealth that was presented in Figure 7 of my February article. Figure 2 presents a revised version of Figure 8 from the February article, showing that, whereas the previous estimates had New Zealand's wealth/income ratio lagging behind that of other developed economies, the new figures place New Zealand up among the others and on the same trajectory.

Unfortunately, the Reserve Bank's revised household data do not extend back before December 1998; hence Figure 1 shows the impact of the new data only

for the period March 1999–March 2014. The earlier estimates, although now known to be serious underestimates, are still shown for comparative purposes.

One major issue that remains to be explored is foreign ownership of housing in New Zealand. In Table 1 and Figure 2 the data for total value of housing include foreign-owned housing together with locally-owned, while the data for 'net foreign holdings of New Zealand assets' do not include housing.² Given the importance of housing in total wealth, and the considerable recent public interest in foreign purchases of housing stock in New Zealand, this gap in our available statistical information is unfortunate.

Figure 1 New Zealand wealth: effect of the March 2015 revisions in Reserve Bank estimates of household balance sheets



1 The new data are available online at <http://rbnz.govt.nz/statistics/tables/c22/hc22.xls>: Table C22, 'Household Balance Sheet (NZ\$million)'. The Reserve Bank's previous tables C18, C19 and C20 were discontinued, and Table C21 was completely revised all the way back to 1998.

2 In response to my enquiry, the Reserve Bank stated that in preparing its household balance sheet estimates 'we didn't do any adjustment for ownership of housing overseas, nor non-resident ownership of housing in New Zealand. We aren't aware of any reliable estimates of overseas ownership (perhaps the new SNZ household survey on net worth that is in the field now?) and we wouldn't want to adjust only one side of the balance sheet if we did. So technically, non-resident ownership of housing is assumed to be NZ household. However, NZ household ownership of land overseas is not included' (Rochelle Barrow, email, 13 April 2015).

3 Data for the other countries in the figure are from <http://piketty.pse.ens.fr/files/capital21c/en/> and <http://piketty.pse.ens.fr/files/capitalisback/Australia.xls>. The New Zealand data are from Table 1 in the paper.

References

Bertram, G. (2015) 'A New Zealand perspective on Thomas Piketty's *Capital in the Twenty-first Century*', *Policy Quarterly*, 11 (1), pp.39-46

Reserve Bank of New Zealand (2015)

'Improvements to household balance sheet statistics', 27 March, www.rbnz.govt.nz/statistics/tables/c22/specialnote.html

Figure 2 Wealth/income ratios in rich countries 1870-2010³

