



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Introduction to the Eurosystem Household Finance and Consumption Survey

Sébastien Pérez-Duarte

OEE seminar

22 January 2014

The opinions of the author do not necessarily reflect the views of the ECB or the Eurosystem

Any publicity is good publicity?

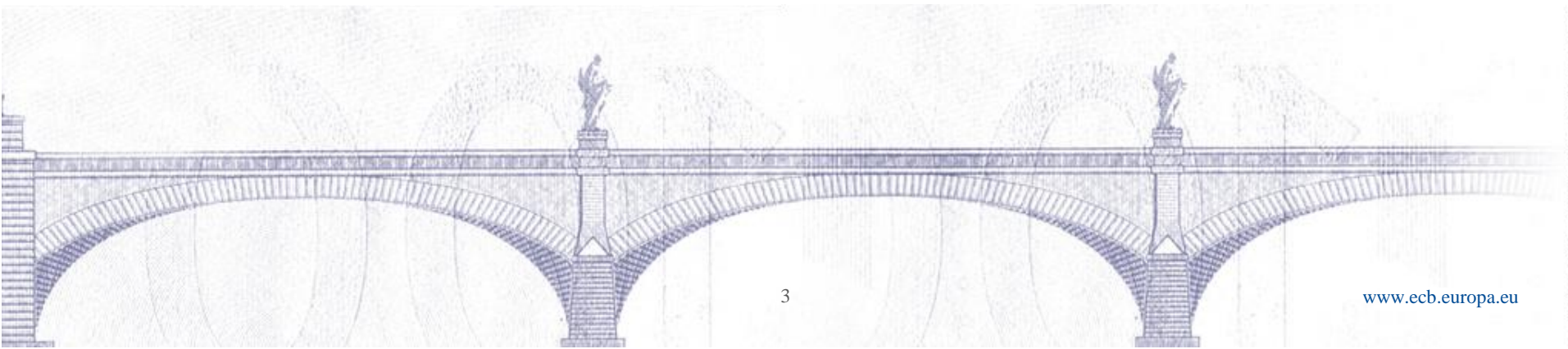


Selected headlines...

- Pánico al informe que puede dar la puntilla a Europa
- The rich and the poor of the euro area
- Zahlen «arme» Deutsche für «reiche» Zyprioten
- ECB Survey Shows Wealth Divide
- Selective truths and Spanish riches: The Bundesbank's study on household wealth
- Une étude de la BCE ravive l'exaspération des contribuables allemands
- ECB publishes a lie dressed up in statistics – and the New York Times falls for it

Outline

- **Background information on the HFCS**
 - Motivation
 - Characteristics
 - Content
- Summary of key facts
- Communication challenges
- The road ahead



Why a Eurosystem survey?

- Micro data allow a better understanding of the **transmission mechanism** of monetary policy and of the impact of shocks on financial stability
 - Sub-population developments may cancel out / hide behind macro aggregates
 - Micro data allows analysis of specific groups of HHs:
 - Lowest/highest income/wealth deciles / Over-indebted / Credit-constrained, etc.
 - Survey data may complement national accounts with distributional information
 - Cross-country comparative analysis: institutions / shocks / policies vary across countries

Why a Eurosystem survey?

- Specific **issues** micro data may help understand
 - Do household debt levels raise **sustainability** concerns?
 - Which households are under **financial pressure**?
 - **Portfolio choice**: (lack of) demand for certain assets (e.g. stock market participation), share of risky assets
 - Real estate / other asset prices: effect on consumption (**marginal propensity to consume out of wealth**)
 - **Credit constraints, precautionary saving**: effects on consumption
 - **Home-ownership**: Does availability of mortgage finance affect home-ownership?
 - Ageing / **pension reforms**: impact on household saving/consumption

What is the HFCS?

- A **cross-country** survey collecting **household-level** data in 15 euro area countries
 - All except Ireland and Estonia
 - All countries will participate in the second wave
- Focus on **wealth** (real and financial assets, liabilities), but also covering consumption/savings, income, employment, pension entitlements, intergenerational transfers, etc.
- **Decentralised** effort. Each NCB/NSI finances and conducts its own wealth survey
- ECB coordinates and ensures **common methodology** and definitions across countries

What is the HFCS?

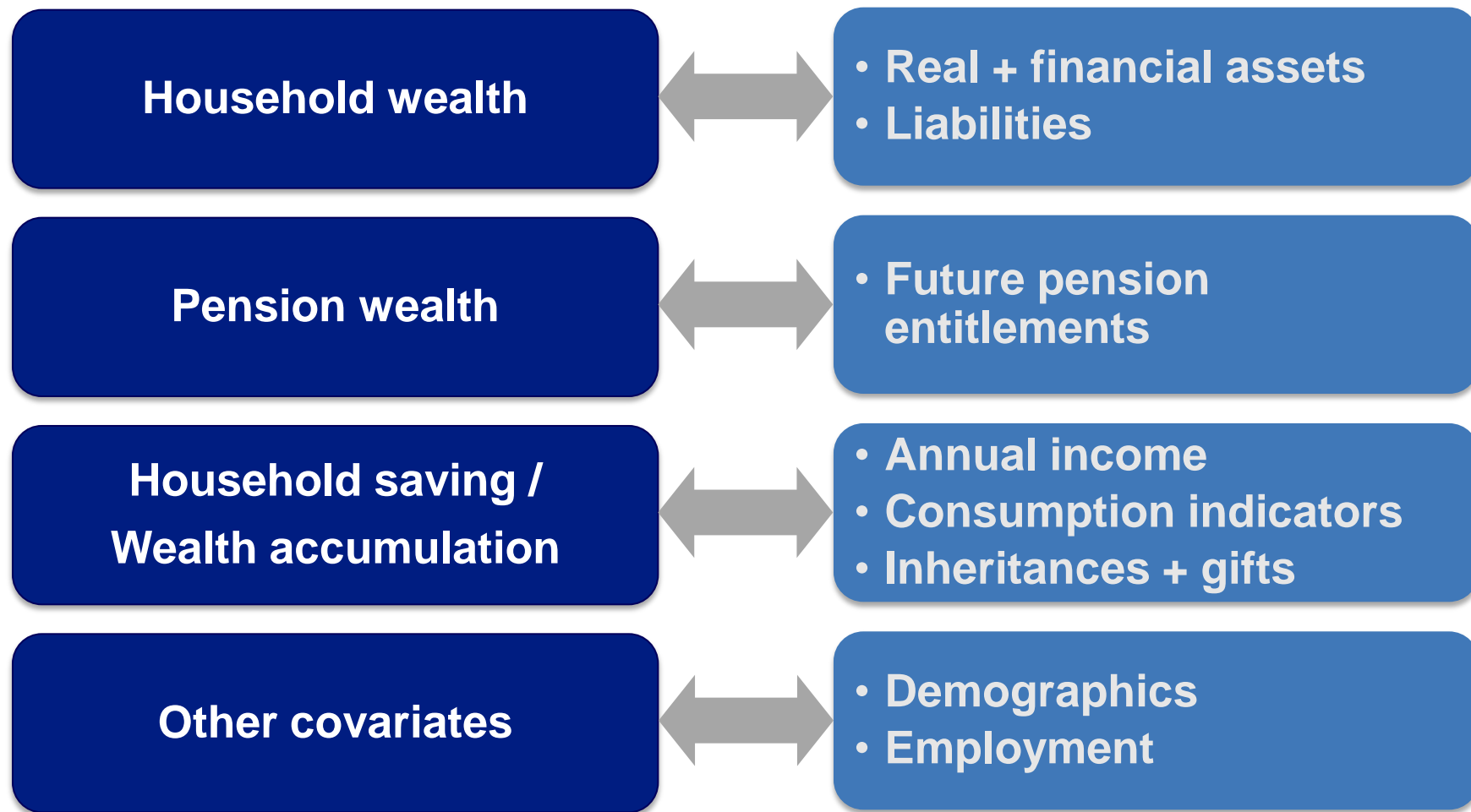
- Representative sample: **62,000 households** (1st wave)
- Reference year for most (11) country surveys: **2010**
- Complete dataset (balance sheet) **multiple imputation** → labour/time-intensive post-fieldwork at NCBs/ECB
- Wealthy HHs **oversampled** in most countries (using different methods)
- **Panel** component (same HHs in subsequent waves): BE, DE, ES, IT, NL
- Survey frequency: every **3 years** (2 in some countries)

General characteristics (cont'd)

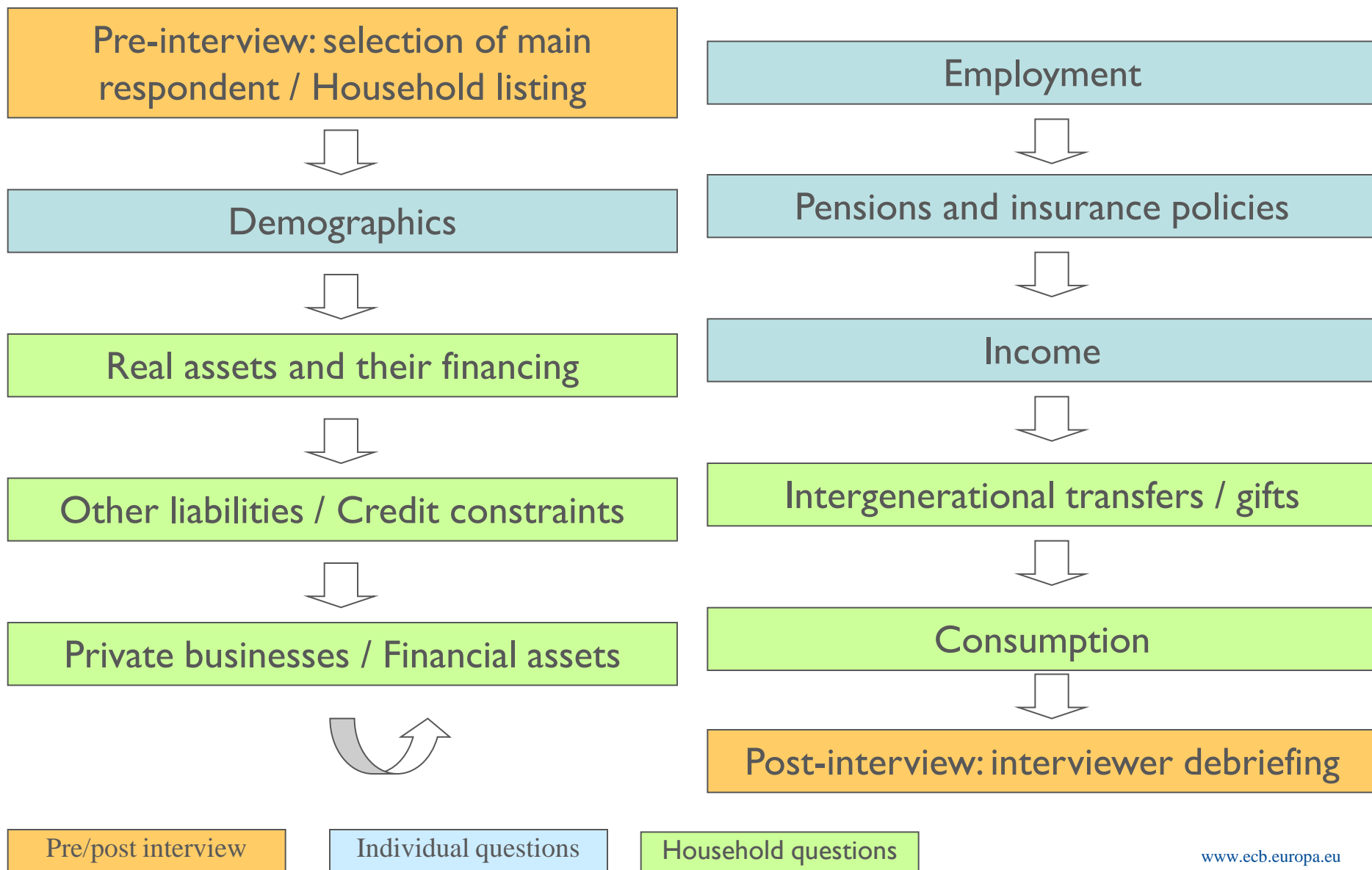
- ECB coordinates / ensures **common methodology**:
 - Probability **sampling**
 - **Multiple** imputation
 - Re-weighting / **calibration** to external sources
 - Variance estimation/replicate weights
- Ex-ante commitment on **output harmonisation** (common definitions / output variables / blueprint questionnaire)
 - ➔ **no precedent** for wealth surveys!

HFCS unique case: joint data collection on euro area household income, consumption and wealth **via a single survey tool**

Content: areas covered by HFCS



HFCS contents: blueprint questionnaire



HFCS contents: blueprint questionnaire (II)

Pre-interview: selection of main respondent / Household listing



Demographics



Real assets and their financing



Other liabilities / Credit constraints



Private businesses / Financial assets



Employment



Income



Pensions and insurance policies



Intergenerational transfers / gifts

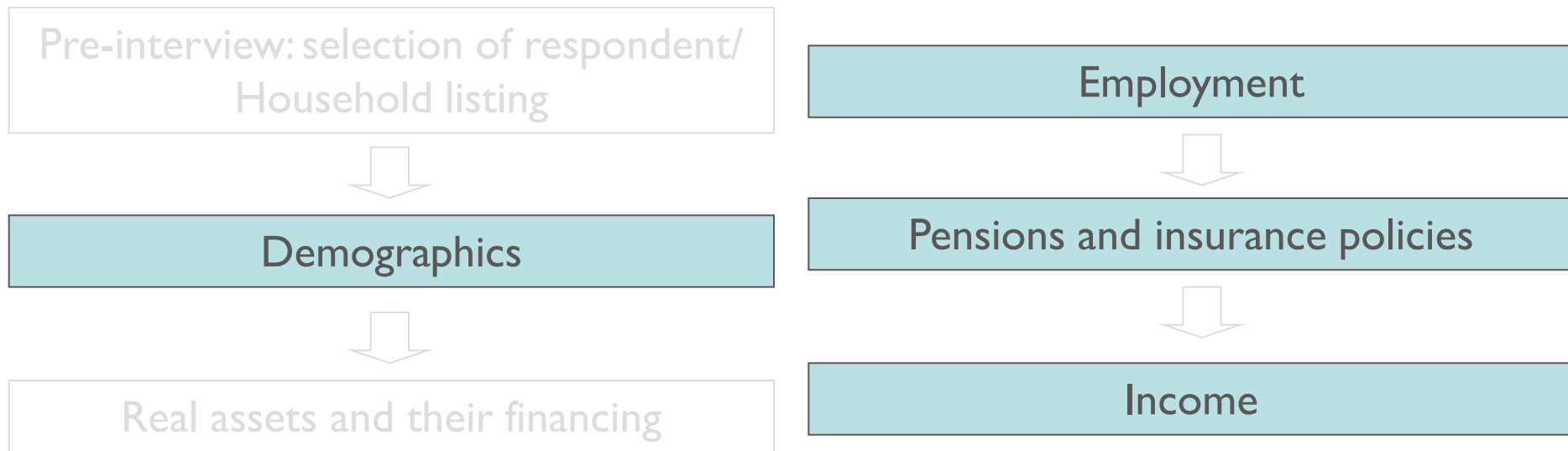


Consumption



Post-interview: interviewer debriefing / paradata

Individual questions (HH members 16+)



- **Demographics** (age, gender, education, country of birth, marital status, relationship in household)
- **Employment** (status, main employment, employment history, expected age of retirement, etc.)
- **Future pension entitlements / life insurance** (public, employment-related and private pension plans)
- **Income** (12-month gross income by individual sources / comparison with average / next-year expectations)

Household-level questions (I)

Pre-interview: selection of respondent/
Household listing



Demographics



Real assets and their financing



Other liabilities / Credit constraints



Private businesses / Financial assets



Employment

- **Real assets:** main residence / other properties / vehicles / valuables
- **Debts / financial constrains:** mortgages / overdrafts / credit lines / credit-card borrowing / leases / consumer / instalment loans, etc. → collateral, purpose, outstanding balance, maturity, monthly payments, refinancing, home equity withdrawal, fixed/adjustable interest rates, etc.
- **Private businesses:** passive vs. self-employment, activity, legal form, employees, value, etc.
- **Financial assets :** deposits / mutual funds / bonds / stocks / managed accounts

Household-level questions (II)

Pre-interview: selection of respondent/
Household listing



Demographics



- Int. transfers / gifts: when, how much, from whom, expected inheritance, etc.
- **Consumption:** Food in and out of the home / regular HH transfers (alimony, assistance, etc.) / comparison with average and with income / saving motives / emergency assistance



Employment



Income



Pensions and insurance policies



Intergenerational transfers / gifts

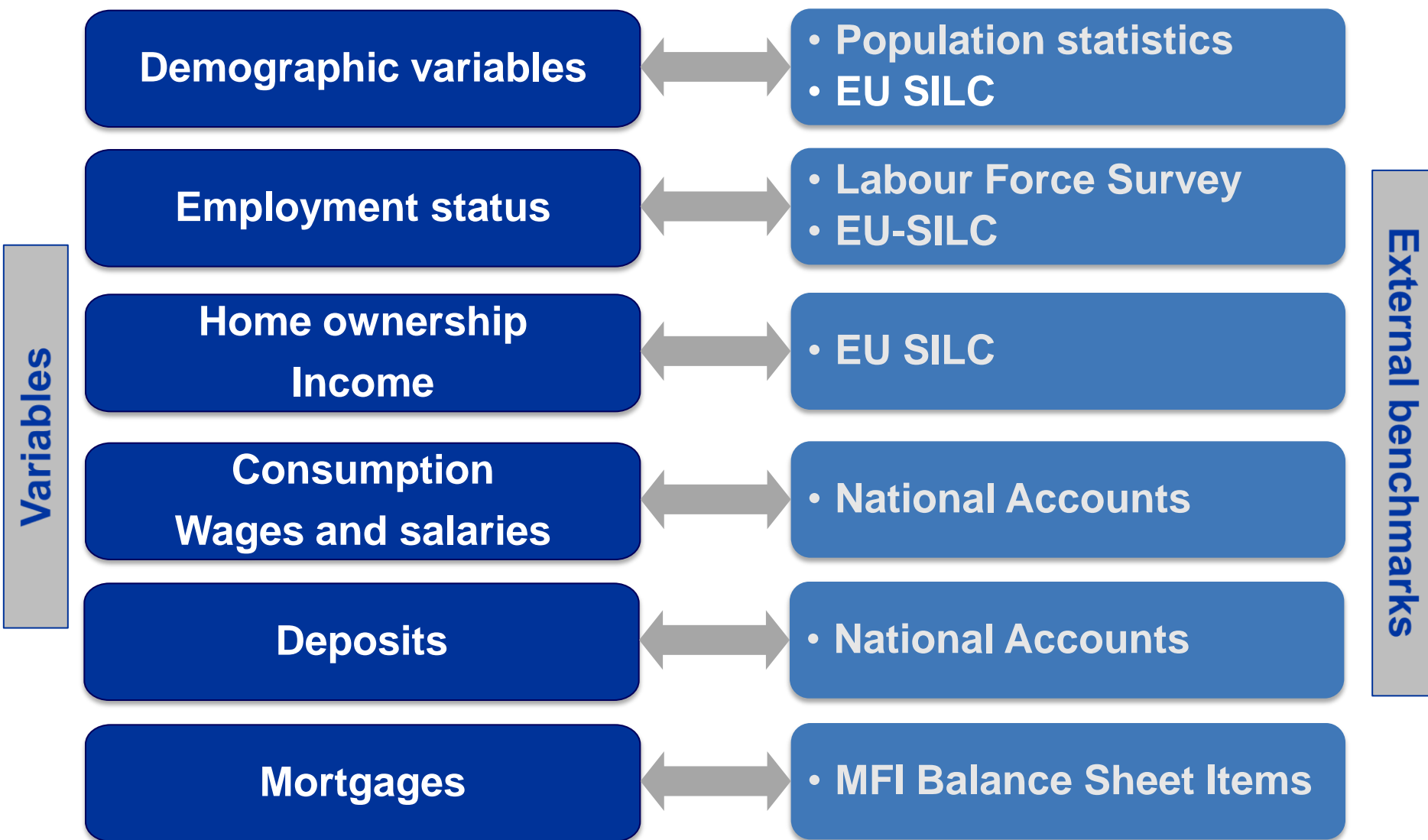


Consumption



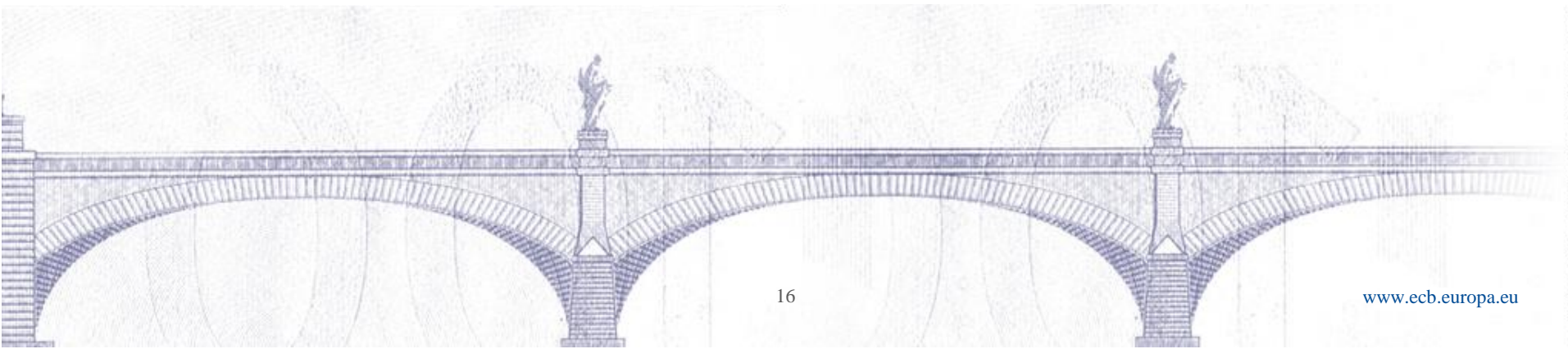
Post interview

Sources for systematic cross-checks



Outline

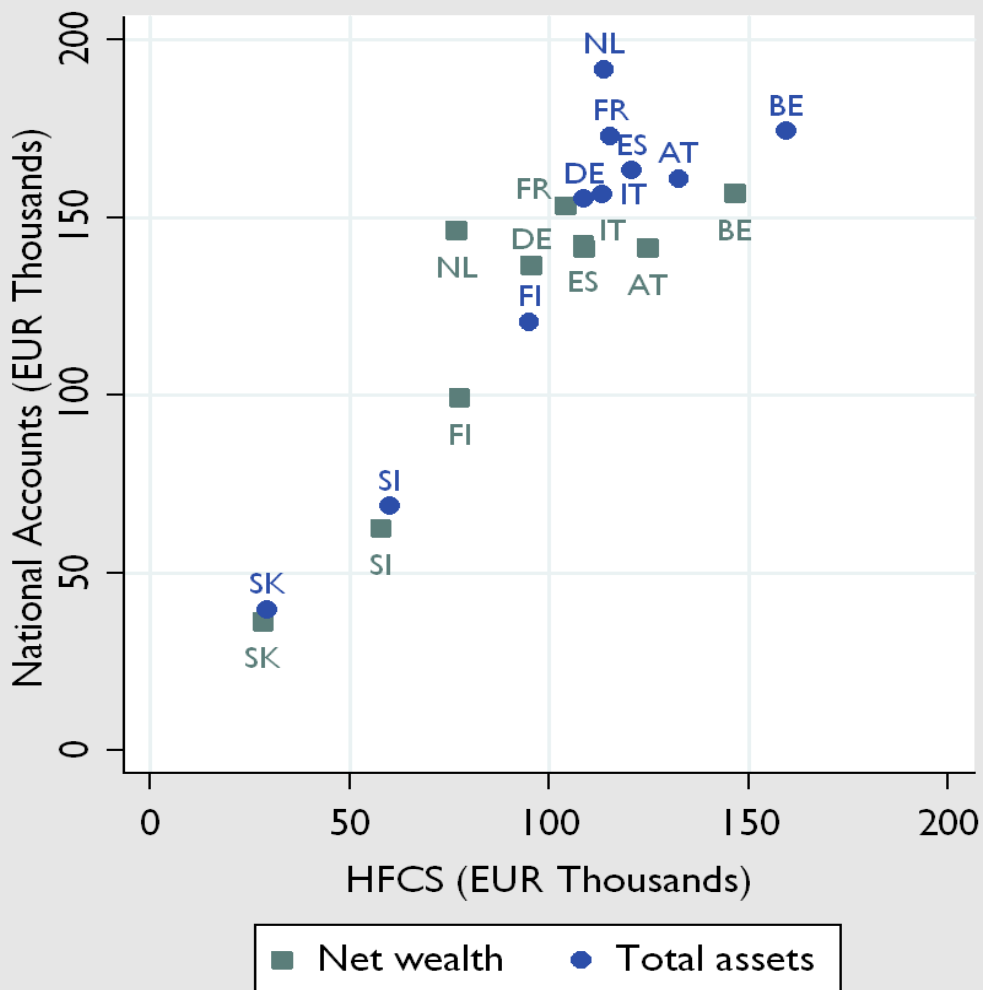
- Background information on the HFCS
 - Motivation
 - Characteristics
 - Content
- **Summary of key facts**
- Communication challenges
- The road ahead



Issues to be borne in mind

- **Reference periods** differ
 - Comparisons with US based on SCF 2010 (reference year in 11 euro area countries)
- **Single cross-section**
 - does not allow identifying age, cohort and time effects as yet
- Self-reported prices for some assets (e.g. real estate)

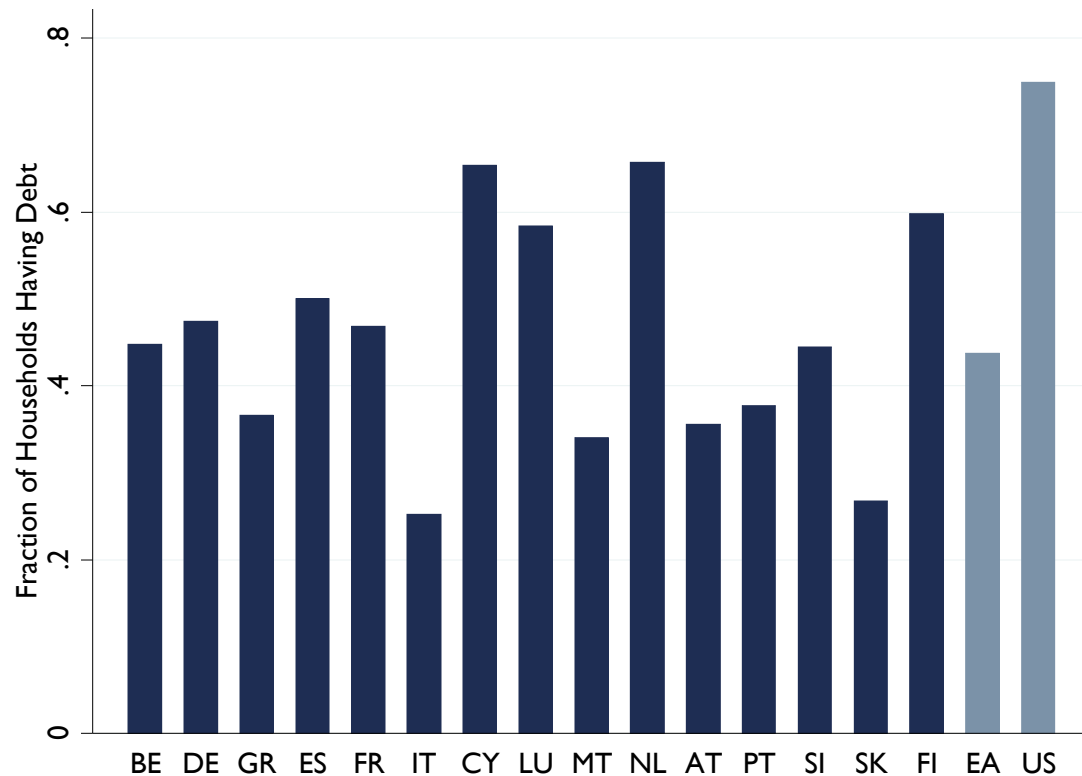
HFCS and National Accounts mean net wealth and total assets per person



Note: only countries with complete NA data are shown

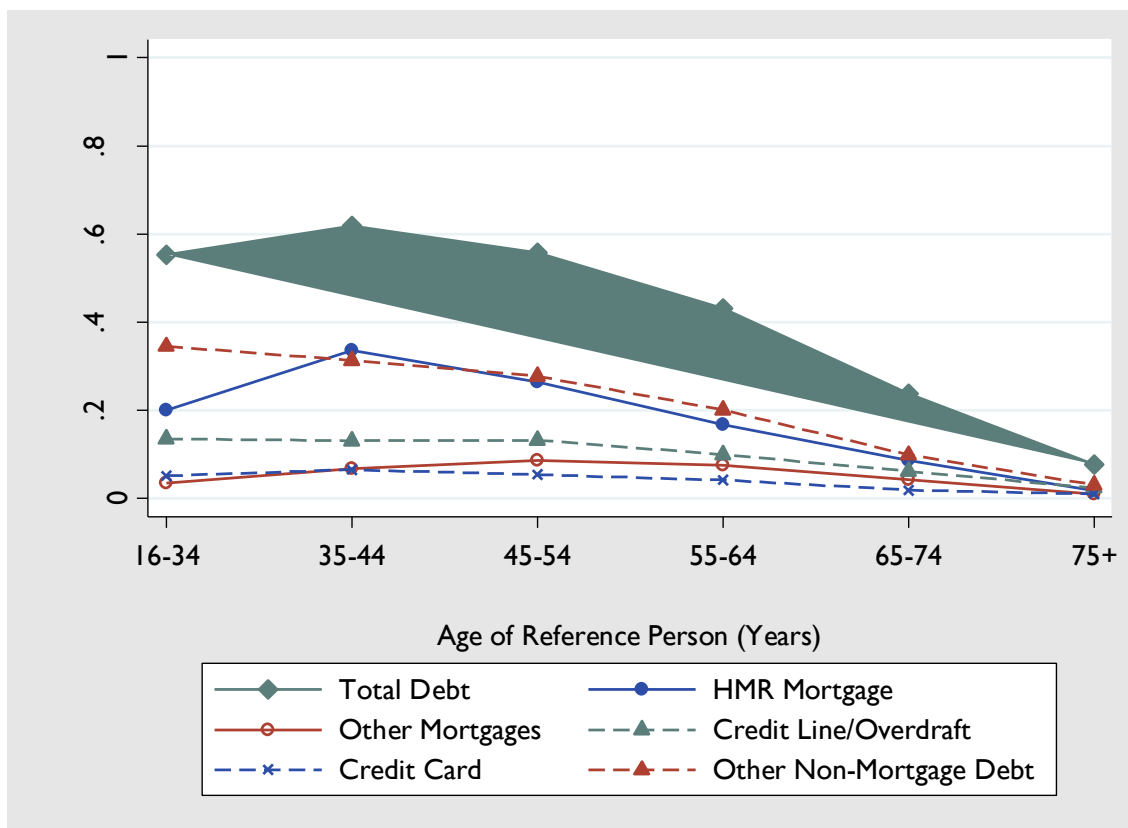
Households' indebtedness

- 44% of euro area households have debt
- Considerably below US (75%)
- Large cross-country variation



Participation in debt by age

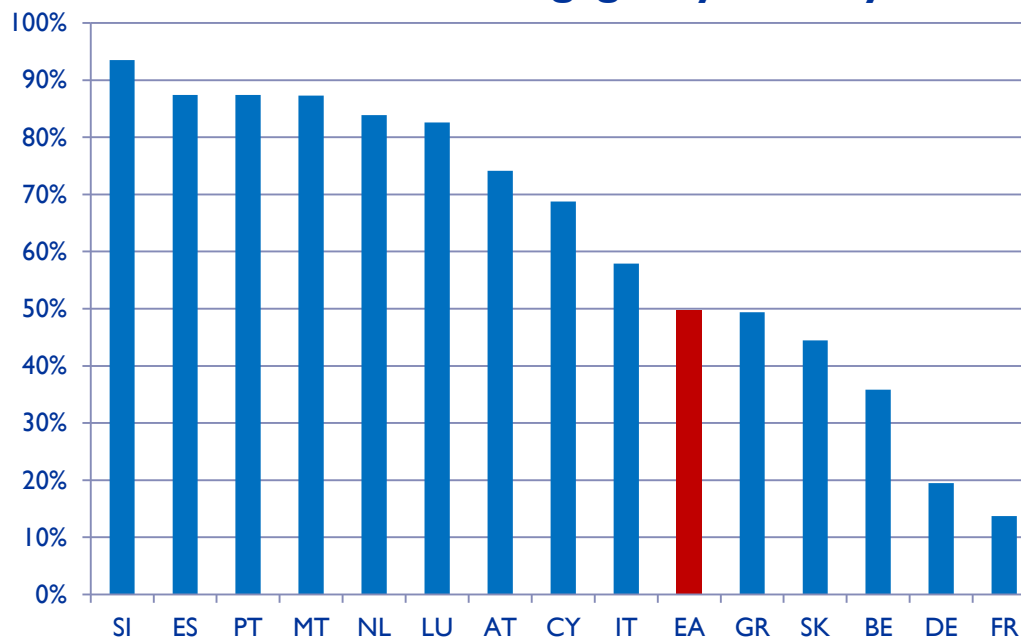
- Hump-shaped profile
 - Driven by mortgage debt
 - Substantial decline around retirement



Fixed vs. adjustable interest rates

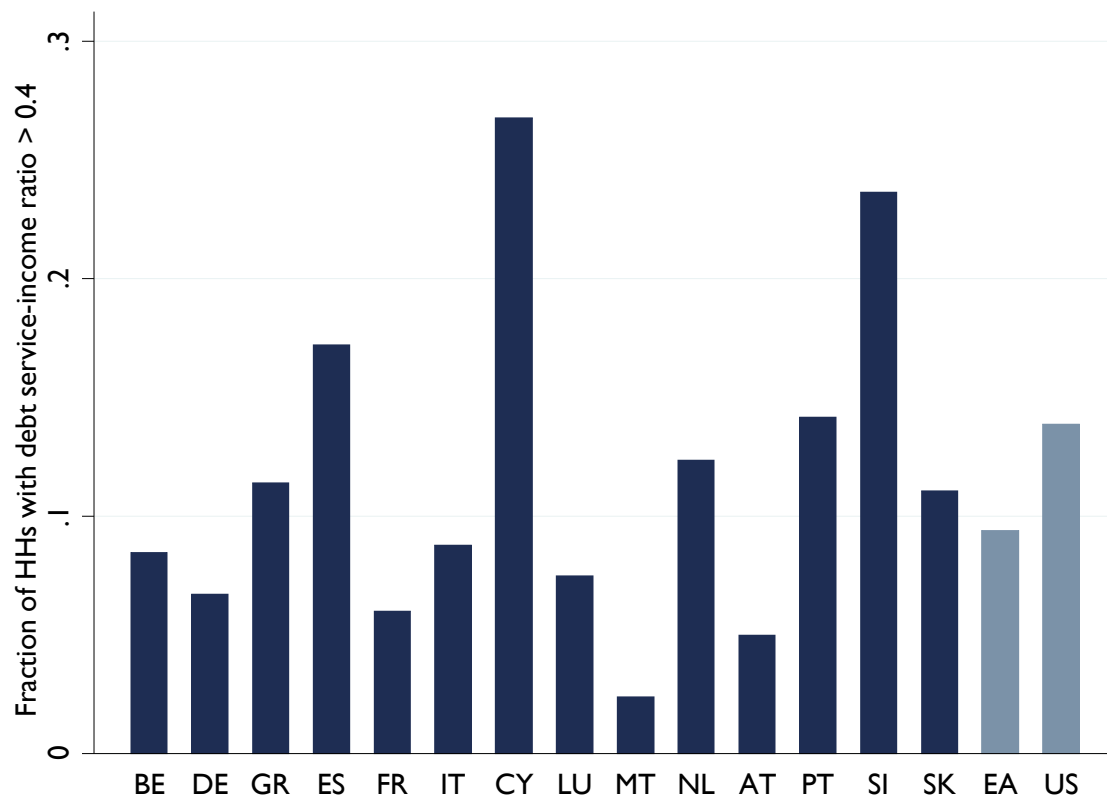
- Large cross-country variation in the use of fixed / adjustable interest rate HMR mortgages
- Fixed-rate loans have on average shorter maturity and smaller outstanding amounts

Share of adjustable rate loans in total value of HMR mortgages by country



Debt burden - the prevalence of high debt service-to-income ratios

- Debt service-to-income ratio measures the drain of debt servicing on current gross income
- 9% of euro area indebted HHs have debt service-income ratios > 0.4
 - Somewhat below US
- Large cross-country differences



Debt burden - the prevalence of high debt service-to-income ratios, by income quintiles

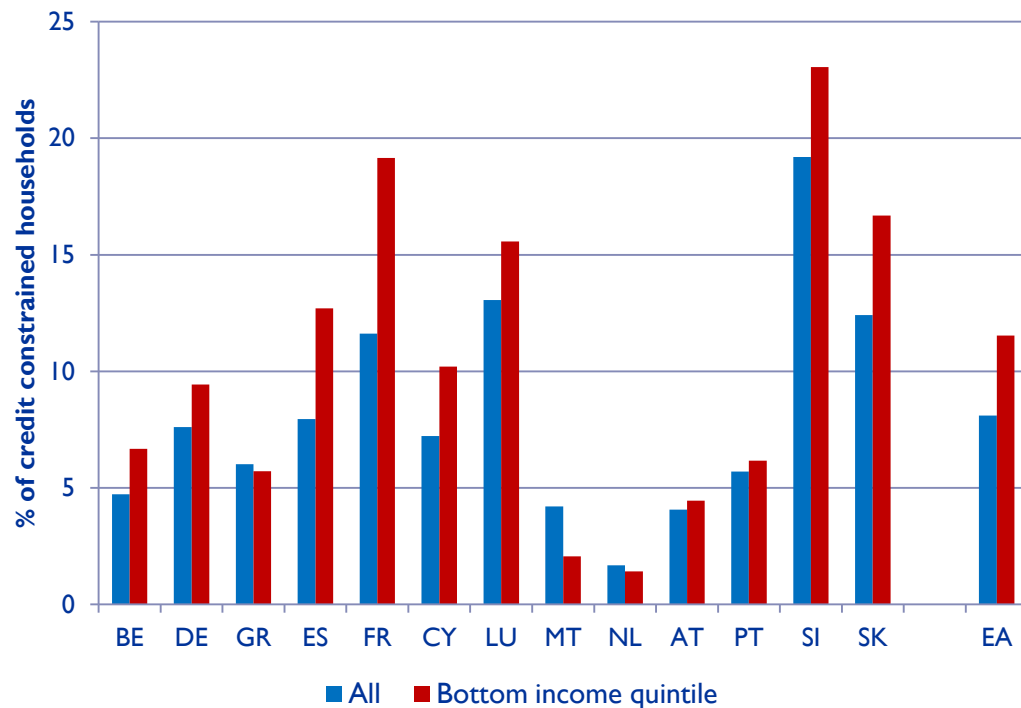
- Prevalence of high debt burden decreases with income
- Indebted low-income households particularly vulnerable

Share of indebted households with debt service-income ratios > 0.4

	Euro Area	United States
1st income quintile	36.0	25.8
2nd income quintile	13.1	18.5
3rd income quintile	8.9	15.3
4th income quintile	5.3	11.0
5th income quintile	3.9	4.2

Credit constrained households

- 8% of households in the euro area are **credit constrained**
- 12% of **low income** households in the euro area are credit constrained
- Cross-country variation: 19% of credit-constrained households in SI, while less than 5% in MT, NL and AT
- Only in some countries the share of credit constrained households significantly higher in the bottom income quintile (access to credit by poor HHs very limited though)

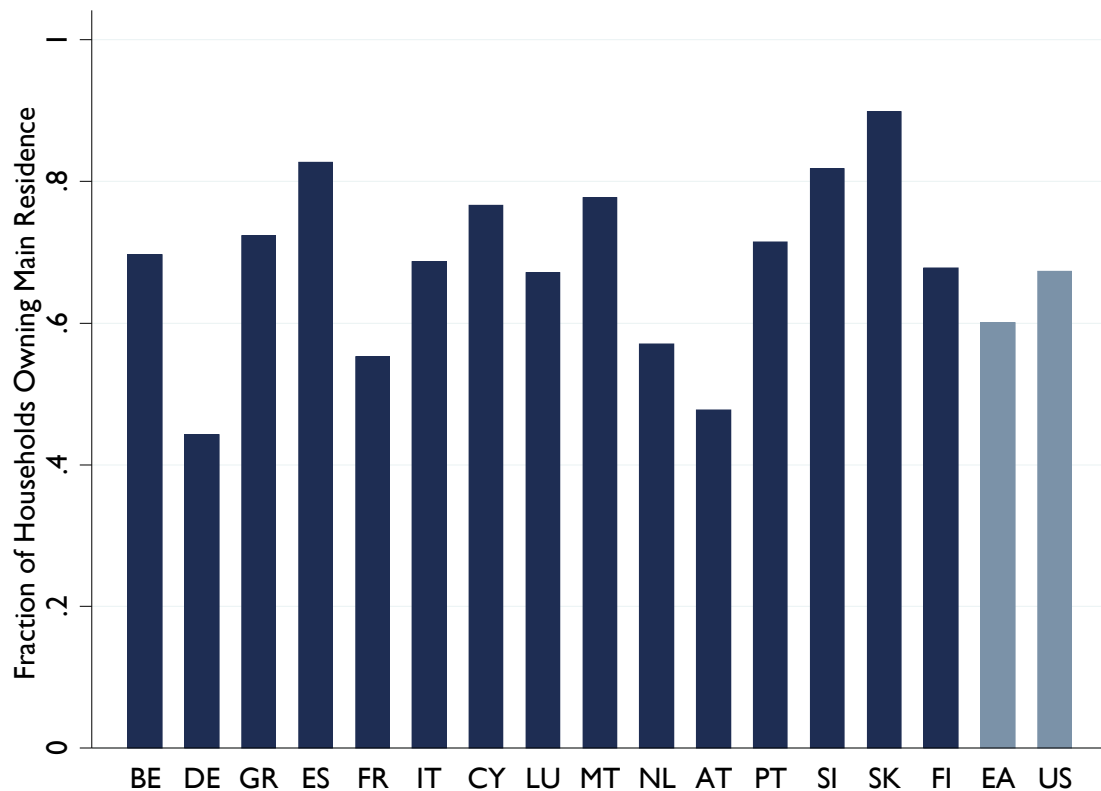


Credit constrained households: applied for credit and turned down and do not report successful later re-application, or applied for credit and were not given as much as they applied for, or did not apply for credit due to perceived credit constraint.

Income quintile classifications based on rankings of equivalised gross income in each country

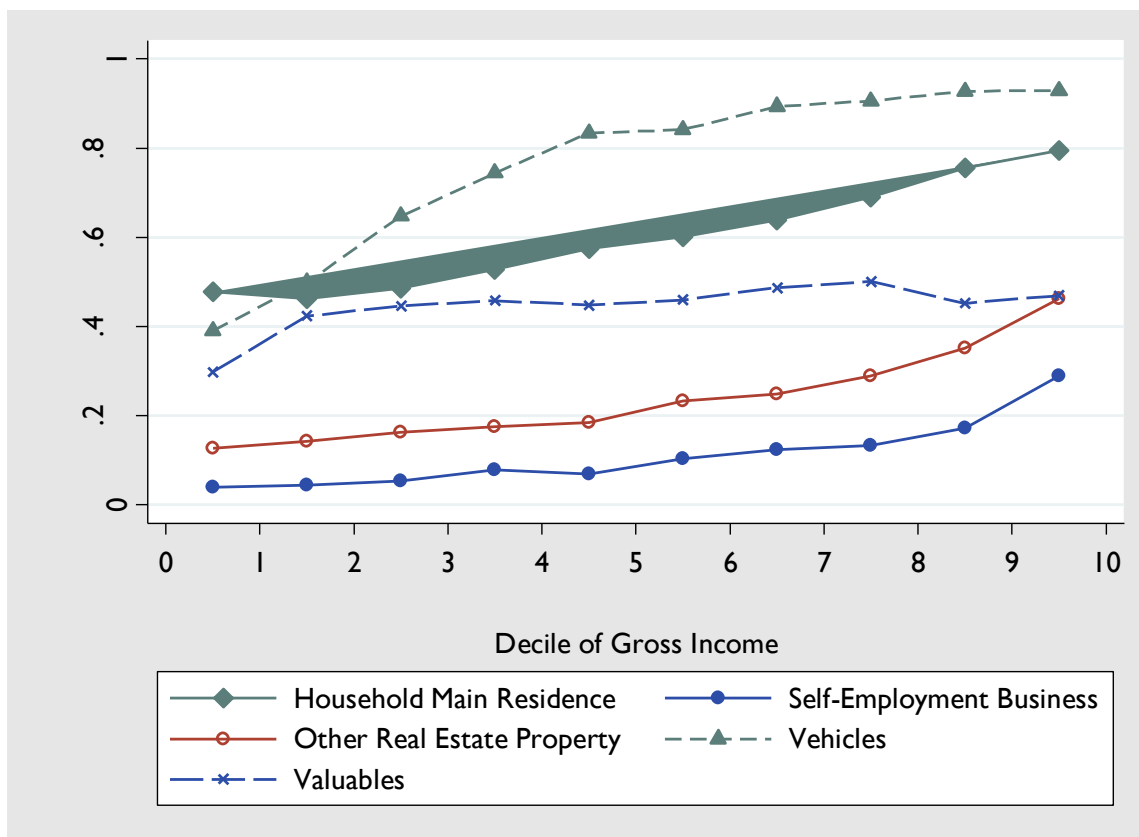
Home ownership across countries

- Ownership of the household main residence varies substantially across countries
 - EA average 60%, somewhat below US (67%)
 - <50% in DE and AT
 - >80% in ES, SI and SK



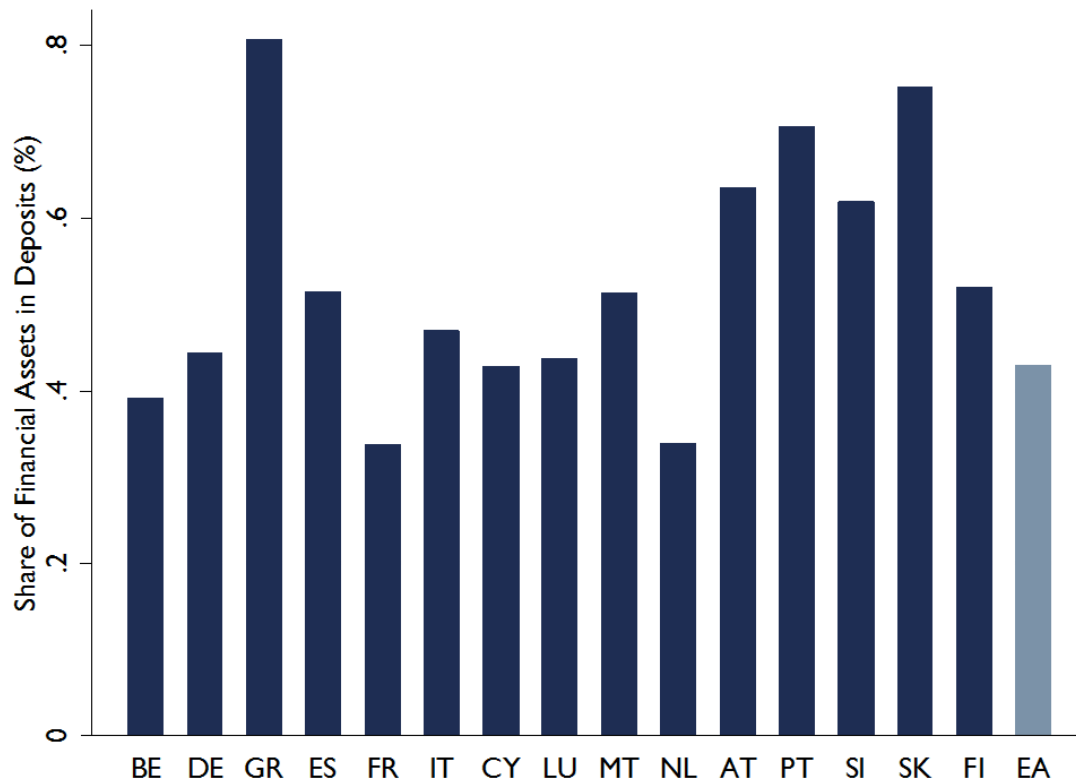
Participation in real assets by income

- Main residence and vehicle most prevalent real assets
- Ownership rates increasing with income
 - Particularly steep for self-employment business and other real estate property



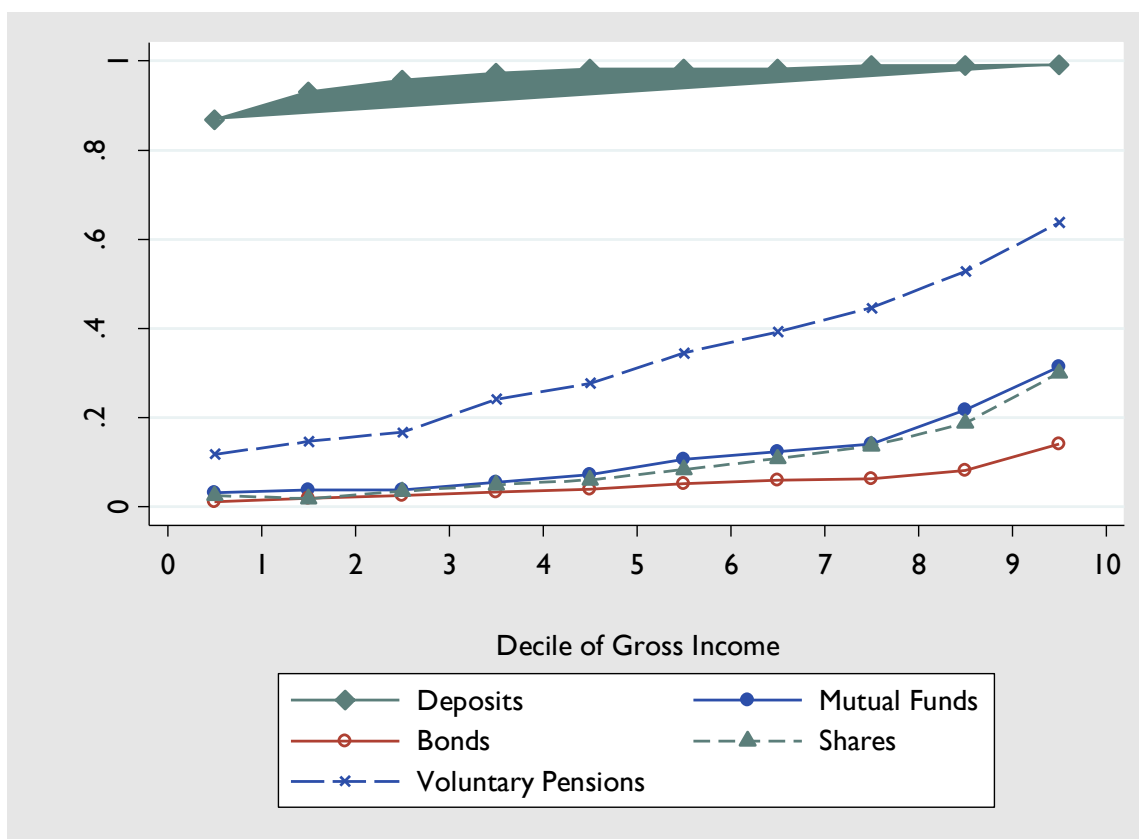
Share of financial assets in deposits

- Although participation rates in deposits are very high across countries, there are substantial differences in the importance of these: 33.8% (FR) to 80.7% (GR).



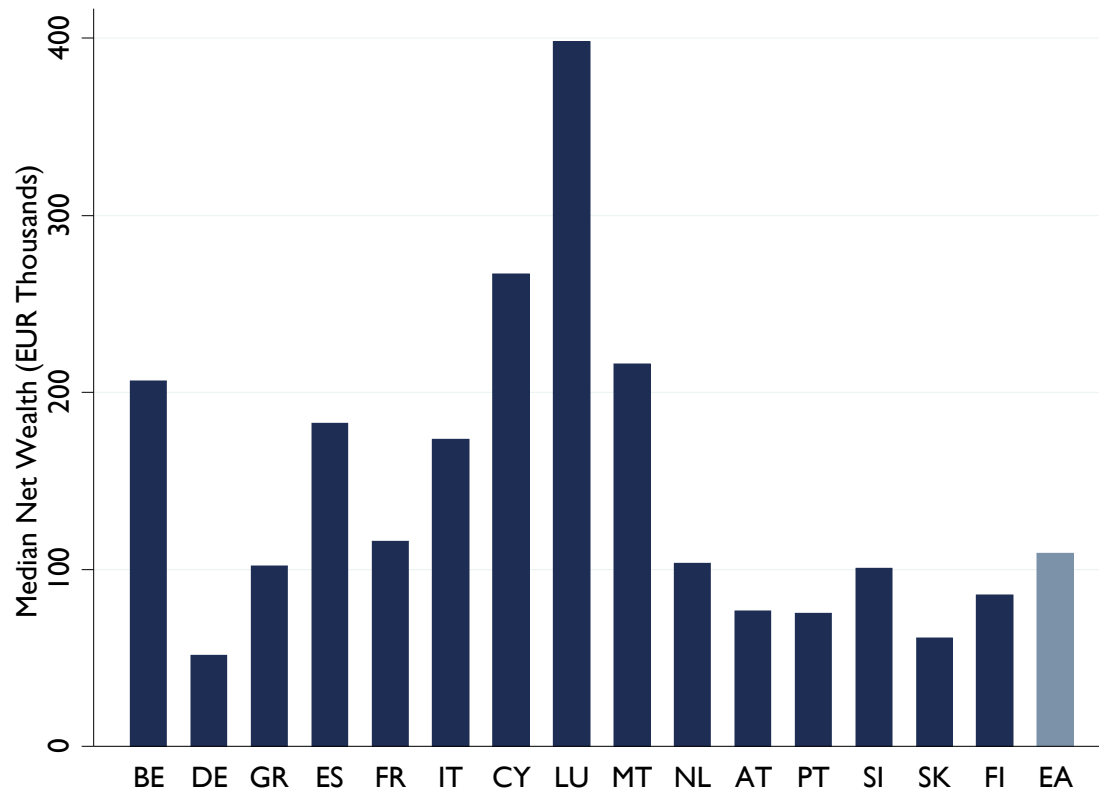
Participation in financial assets by income

- Deposits (sight and savings accounts) most prevalent financial asset
- All others: low participation, especially by low-income households

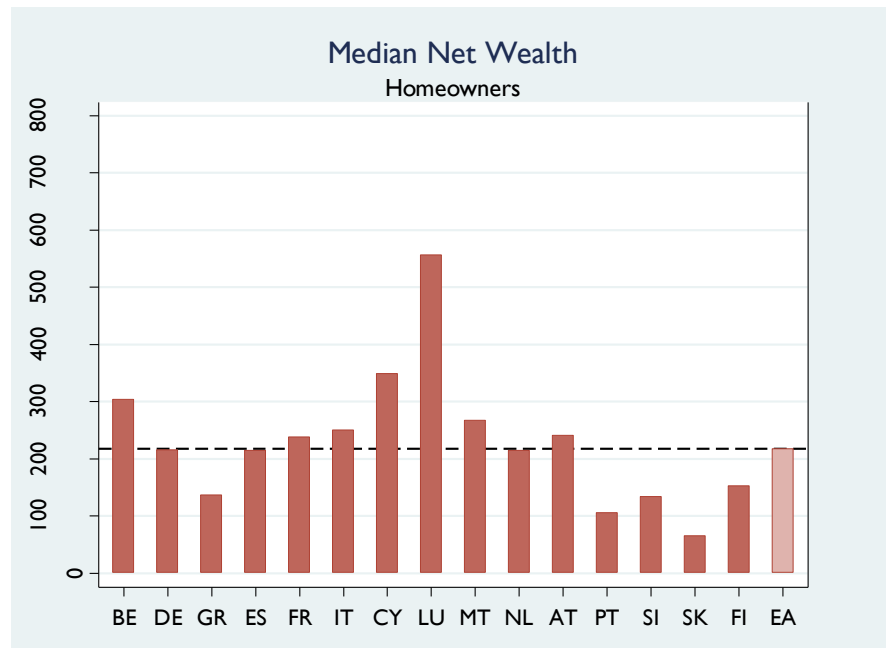
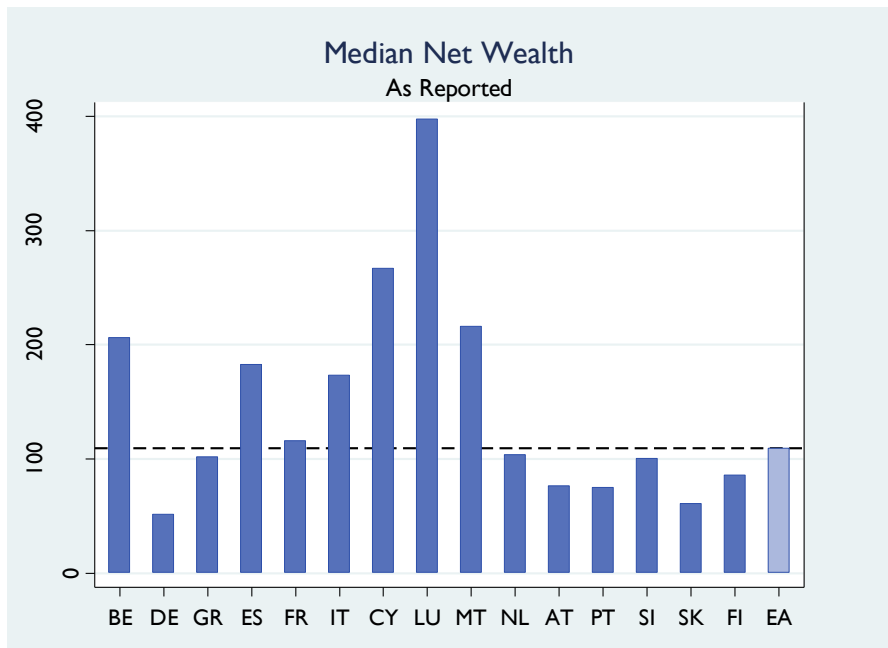


Median net wealth across countries

- Median net wealth €109,200
- Large differences across countries

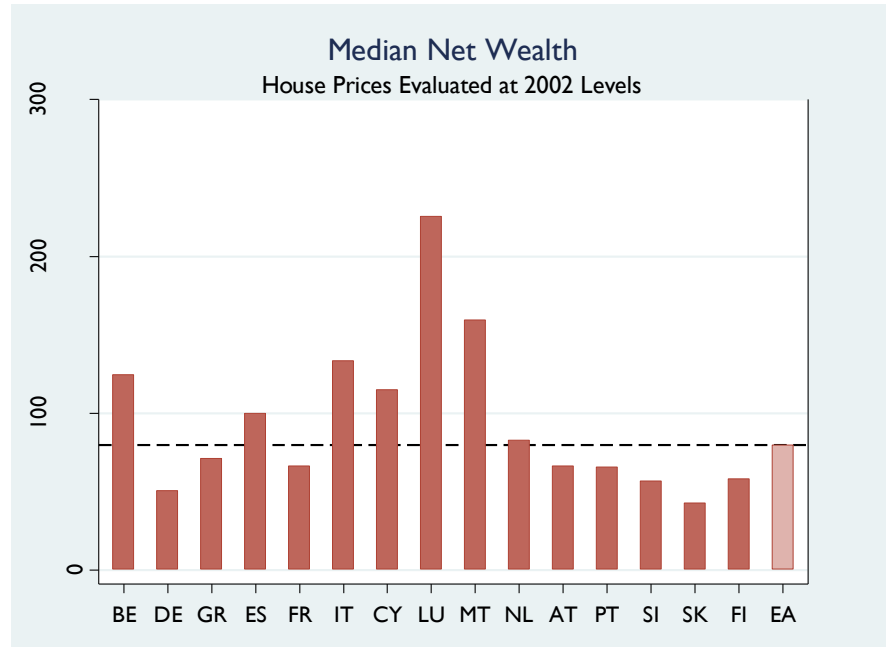
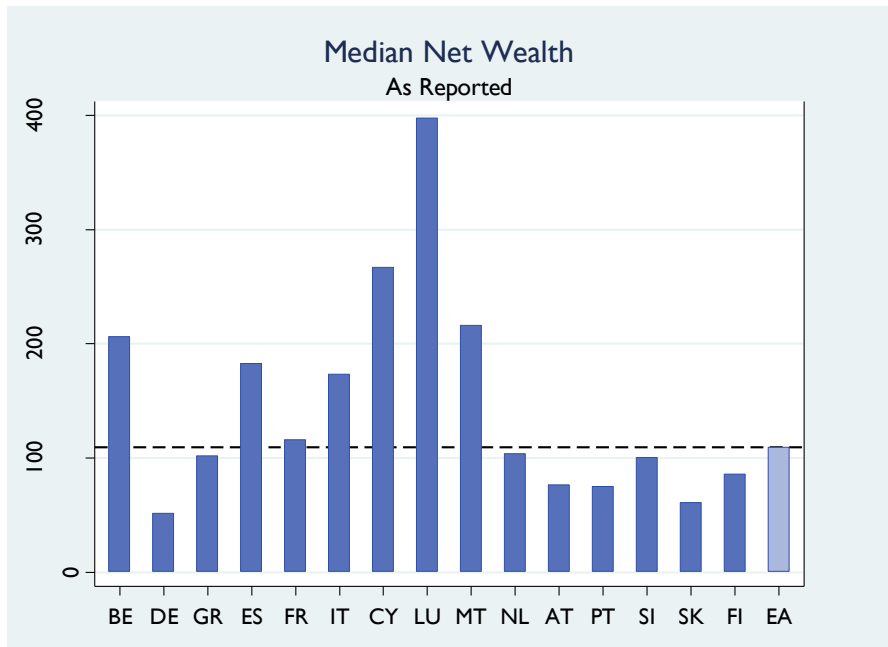


The role of home ownership



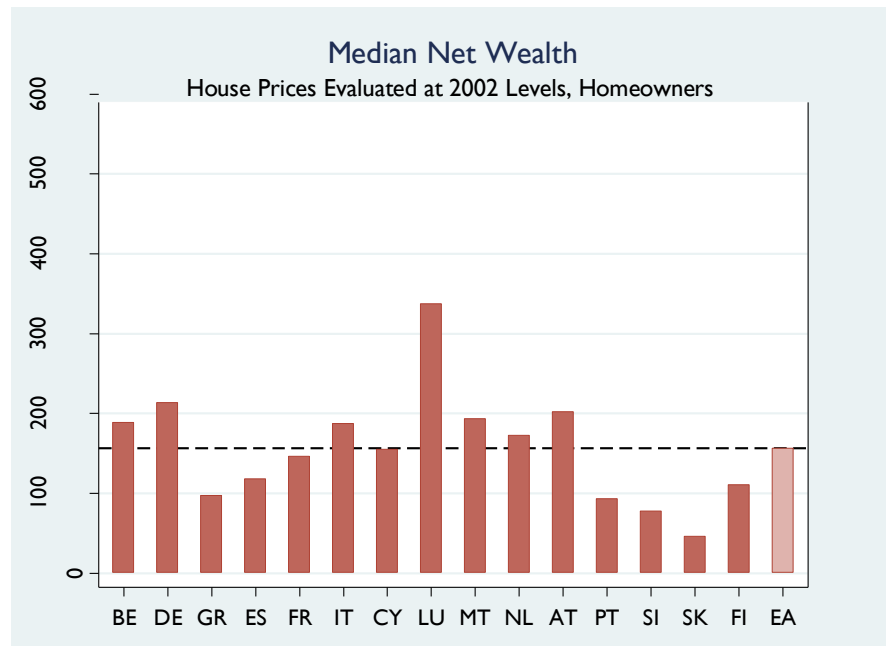
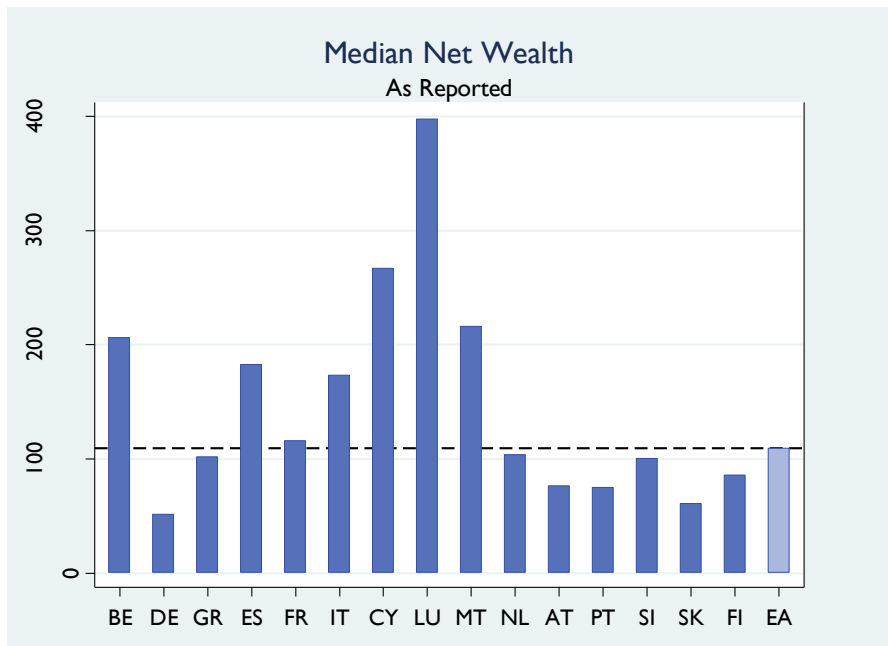
- How do the relative country positions change for home owners? We compare
 - Median net wealth, as originally reported (blue)
 - Median net wealth for home owners (red)
- Differences substantial

The role of house price developments



- How would the relative country positions change if we were to evaluate house prices in 2002? We compare
 - Median net wealth, as originally reported (blue)
 - Median net wealth, real estate values deflated to 2002 by national developments (red)
- Differences substantial

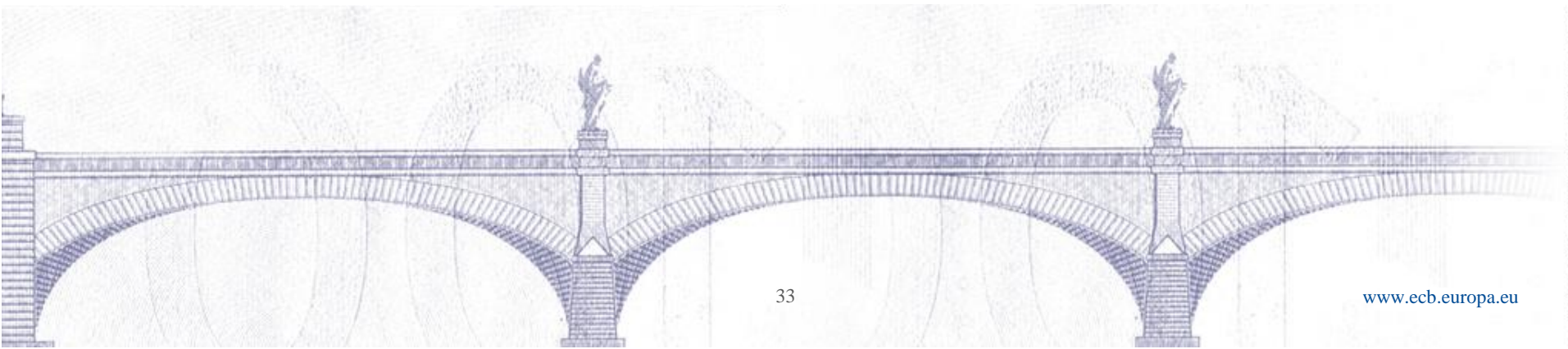
The role of home ownership and house price developments combined



- How would the relative country positions change if we were to combine both factors? We compare
 - Median net wealth, as originally reported (blue)
 - Median net wealth for home owners, real estate values deflated to 2002 by national developments (red)
- Differences substantial

Outline

- Background information on the HFCS
 - Motivation
 - Characteristics
 - Content
- **Communication challenges**
- The road ahead

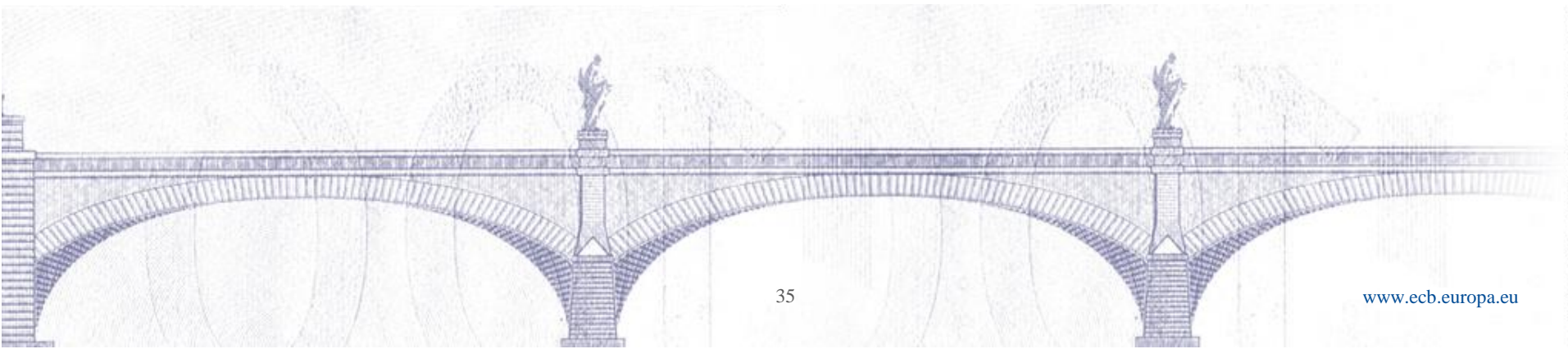


Presentation of results - challenges

- Unexpected nature of some results required thorough **explanations**
- Two exhaustive (methodological and descriptive) **publications** to put numbers in perspective
- Press Office of the ECB organised **press briefing** with journalists
- Nonetheless, the **media** often misinterpreted the numbers

Outline

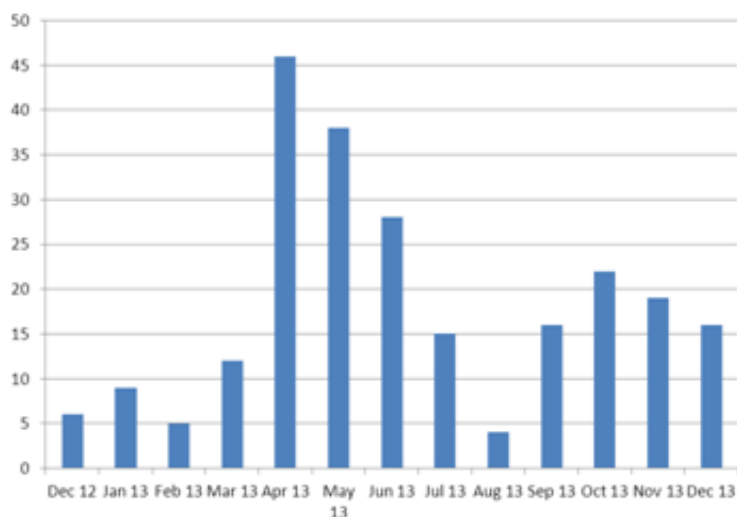
- Background information on the HFCS
 - Motivation
 - Characteristics
 - Content
- Communication challenges
- **The road ahead**



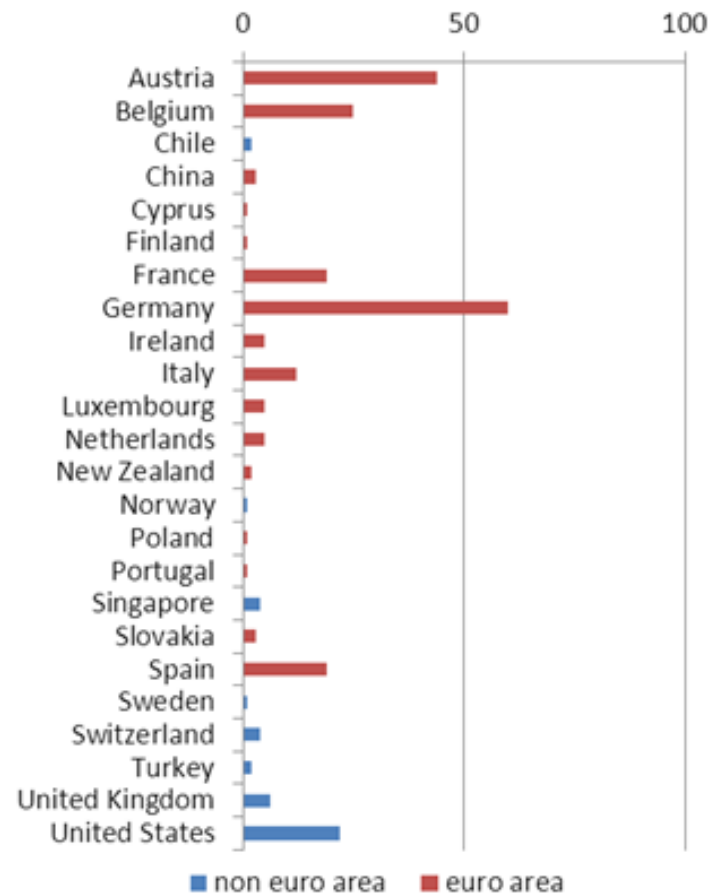
Uses of the HFCS dataset

- Micro data of the HFCS are available for research use
- (Relatively) simple procedure to **access the data**
- Over 200 access requests have been received so far

Number of researchers by month of application



Number of researchers by country of residence



The road ahead - second wave

- In progress, now for all **17 euro area** countries (and soon 18)
- Reference periods more **harmonised**
 - mostly 2nd half of 2013 and 1st half of 2014
- Slight **questionnaire expansion** (e.g. more information on consumption expenditure and informal loans)
- Next report: expected in **2016**

	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2
AT																			
BE																			
CY																			
DE																			
ES																			
FI																			
FR																			
GR																			
IE																			
IT																			
LU																			
MT																			
NL																			
PT																			
SI																			
SK																			
EE																			
1.	Preliminary steps of survey development (e.g. sample design, tender procedure, signature of contract, etc.)																		
2.	Implementation / fieldwork																		
3.	Data processing / ex-post data editing and imputation																		
4.	Tentative deadline for data reporting to the ECB																		

Third Wave

- Preparations already starting!
- Questionnaire to be finalised **end-2015**
- Fieldwork: end of 2016 – beginning of 2017
- Data available **mid-2019**

Thank you for your attention!
Any questions?

For further information and survey materials, see:
http://www.ecb.europa.eu/home/html/researcher_hfcn.en.html



EUROPEAN CENTRAL BANK
EUROSYSTEM

Background slides

Main features of HFCS country surveys

Country	Responsible institution	Fieldwork period	Frequency (years)
Belgium	National Bank of Belgium	2010	Three
Germany	Deutsche Bundesbank	2010/2011	Two/Three
Estonia	Bank of Estonia	n.a.	Three
Ireland	Central Bank of Ireland	n.a.	Three
Greece	Bank of Greece	2009	Three
Spain	Banco de España	2008/2009	Three
France	Insee / Banque de France	2009/2010	Three
Italy	Banca d'Italia	2010	Two
Cyprus	Central Bank of Cyprus	2010	Three
Luxembourg	Banque centrale du Luxembourg	2010/2011	Three
Malta	Central Bank of Malta	2010/2011	Three
Netherlands	De Nederlandsche Bank	2010	Three
Austria	Oesterreichische Nationalbank	2010/2011	Three
Portugal	INE Portugal / Banco de Portugal	2010	Three
Slovenia	Banka Slovenije	2010	Three
Slovakia	Národná banka Slovenska	2010	Three
Finland	Statistics Finland / Suomen Pankki	2009/2010	Three

The road ahead

- Research
 - Projects within the HFCN network:
 - 3 coordinated papers on assets, liabilities and saving behaviour/credit constraints.
 - Work on portfolio decisions, wealth distributions, methodological issues...
 - Public access of the data for researchers: more than 200 petitions received.

Summary: key facts

Debts

- Lower proportion of households holding debt than in US (though large cross-country variation)
- Yet indebted households considerable debt burden in terms of
 - resources to manage stock of debt;
 - flow of income versus stock of debt; and
 - debt service drain on current income
- Particularly substantial for indebted low-income households

Summary: key facts

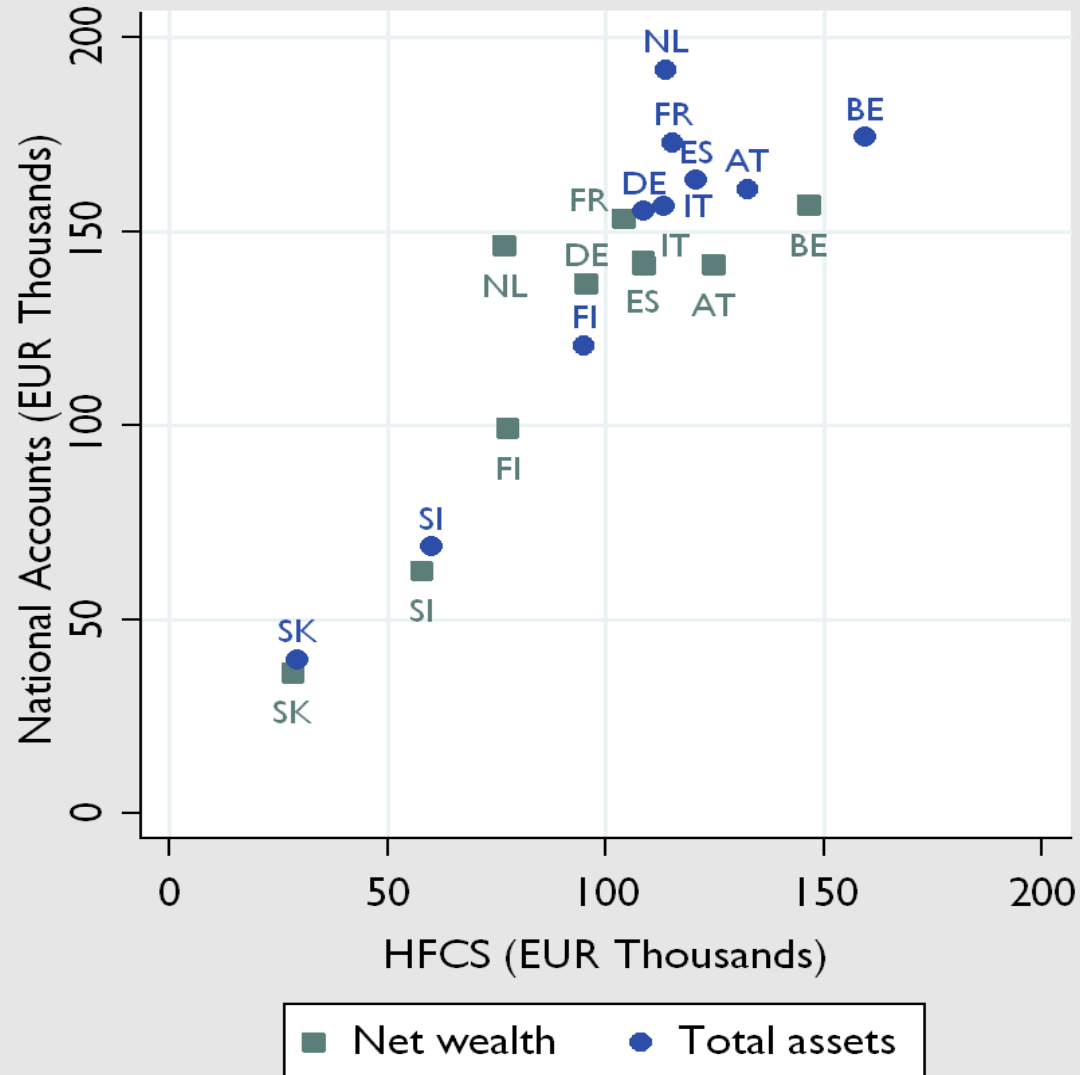
Assets

- Cross-country differences in home ownership rates
- Low participation rates (especially of low-income HHs) in most financial assets

Wealth distribution

- Cross-country differences in median/mean net wealth
 - Key role of home ownership and house price developments, but...
 - ... no single explanation: other factors important role

HFCS and NA mean net wealth and total assets per person



Note: only countries with complete NA data are shown

The case of real assets in the HFCS

Country	Household main residence (HMR)	Other real assets	Home ownership rate	(Conditional on ownership) mean value of HMR
	(Unconditional on ownership) <i>per capita</i> means			
BE (2010)	82,331	30,917	69.7%	273,000
DE (2010)	44,543	41,117	44.2%	206,000
GR (2009)	33,832	22,461	72.4%	123,000
ES (2008)	65,107	43,225	82.7%	211,000
FR (2010)	54,829	38,102	55.3%	222,000
IT (2010)	68,953	33,048	68.7%	254,000
CY (2010)	95,325	176,256	76.5%	344,000
LU (2010)	165,563	117,935	67.1%	612,000
MT (2010)	58,512	56,218	77.7%	215,000
NL (2009)	69,684	13,871	57.1%	271,000
AT (2010)	59,170	51,427	47.7%	258,000
PT (2010)	30,095	25,024	71.5%	114,000
SI (2010)	40,313	16,227	81.8%	127,000
SK (2010)	21,789	5,077	89.9%	69,000
FI (2009)	51,956	28,846	69.2%	160,000

- Reasonable results for HMR
- More difficult to benchmark other real assets (properties, self-employment businesses, valuables, etc.)