



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

Research project on Stockholding in Europe

“Stockholding in Italy”

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Outline

- Macroeconomic trends
 - Main developments
- Microeconomic picture
 - Stockownership data
 - Stock market participation
 - Who are the stockholders?
 - The wealth-portfolio and the age-portfolio profiles
 - Future work

Macroeconomic trends

- Dramatic change in portfolio strategy
 - more risky assets, less safe assets
 - increased direct stockholding
 - marked increase of indirect stockholding through mutual funds
 - increased importance of foreign assets

Macroeconomic trends

- Higher return on equities and mutual funds
- Development of mutual funds (from 10 in 1984 to over 1,000 in 2000)
- Privatization of state-owned firms (71 trillion Euro)
- Reform of the social security system and diminished expectations of pension benefits
- Lifting of capital controls, in place until 1989

The microeconomic data

- Survey of Household Income and Wealth
- Run biannually by the Bank of Italy. Since 1989 has data on financial portfolio
- Financial assets are reported with bracketing.
- Number of financial assets reported increases over time.
- Details on stockownership in recent years

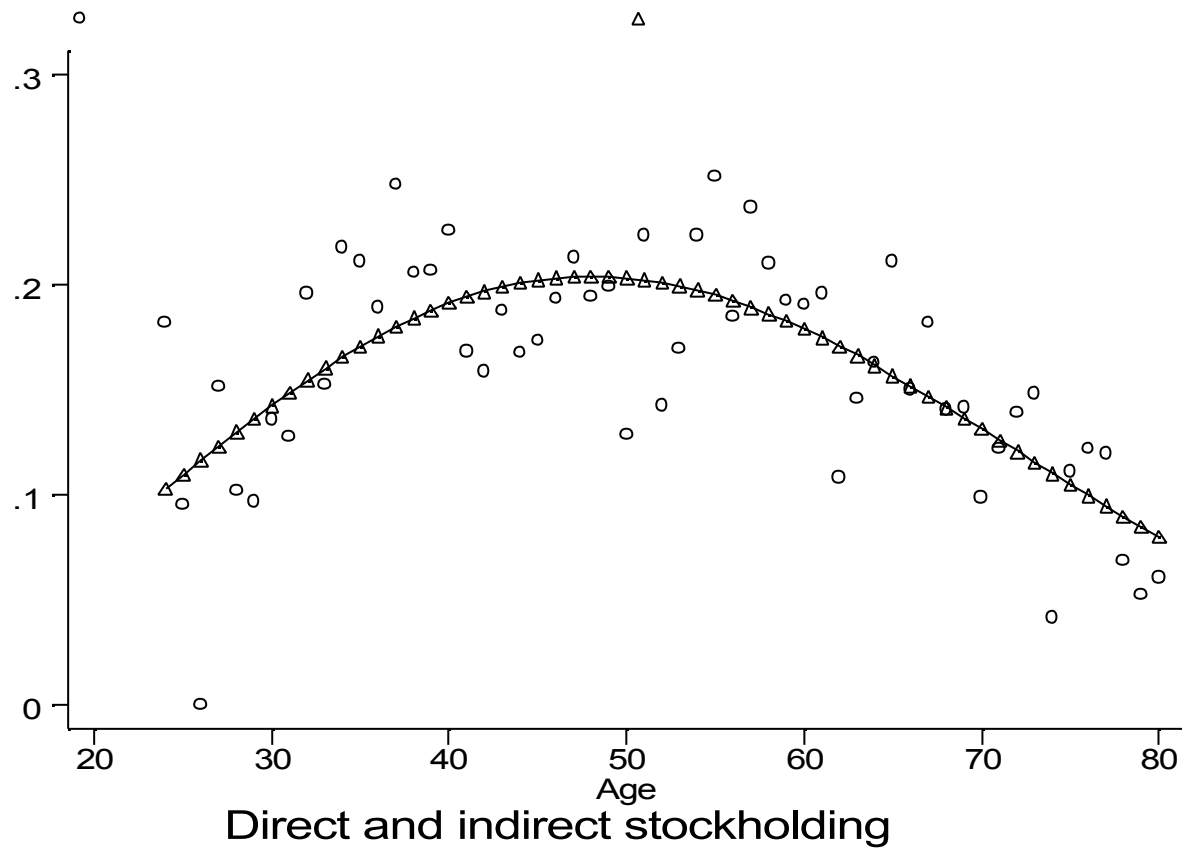
Stock market participation

- Direct stockholding: 8 percent
- Indirect stockholding: 11 percent
- Upper bound of stockownership: 15 percent
- Participation has increased (8% in 1989). But still only a minority invests in stock.
- Two reasons: high entry and management costs; high stock market volatility (SD of stock price growth is 35% in Italy; 16 to 19% in France, Germany, UK and US)

Age and stockownership

- Profile of participation is hump-shaped
- It peaks around age 50
- At peak:
 - direct stockholding = 10% (2 p. above average)
 - ind. stockholding = 14% (3 p. above average)

The age profile of stockownership



Wealth and stockownership

- Below median wealth households do not invest in stocks
- The same is true for indirect stockholding
- Even in the III quartile less than 5% have stocks
- Participation is much higher in the IV quartile of wealth (27%)
- Even higher in top 5 and 1% of the wealth distribution (51 and 61%)

Education and stockownership

	Less than High School	High School	College	Average
Direct stockholding	4.2	12.5	22.2	7.9
Indirect Stockholding	6.3	17.5	28.5	11.1
Direct plus indirect stockholding	8.7	24.1	37.5	15.2
Sample proportion	61.7	29.5	8.7	100.0

Who holds stock?

- Main tracts:
 - Individuals in their middle age, with high financial wealth and high education
- Other features:
 - More likely to be married, male, 2 to 4 household members, more than one income recipient, self-employed or work in a large company



Stockholding among stockholders

- **Types of stocks**
 - 44% invest in stocks of listed companies (half are privatized companies)
 - 16% invest in stocks of their employer; for half of them this is their only stock investment
- **Number of stocks**
 - 44% have only one share
 - very few have more than 5

For future work

- **Complete analysis of portfolio**
 - asset shares
 - regression analysis
- **Inquire into the reasons for portfolio change**
 - Privatization
 - Transparency and structure of corporate governance
 - Asset trading
 - Financial information
 - Financial education
 - Transaction costs
 - Tax treatment
 - Social security reform