The Eurosystem Household Finance and Consumption Survey

Carlos Sánchez Muñoz
Frankfurt – Fudan Financial Research Forum
25 September 2015
Surprising Portrait of Europeans

Are Germans Really Poorer Than Spaniards, Italians and Greeks?

by Paul de Grauwe and Yuemei Ji on 16 April 2013

Die Armutslüge
Wie Europas Krisenländer ihre Vermögen verstecken
Outline

1. **Background information on the HFCS**
   - Motivation
   - Characteristics
   - Content

2. Some descriptive statistics

3. The road ahead

4. How to access the data
• **Support policy analysis in all major functions of the Eurosystem**

  - Monetary policy and monetary analysis
  - Financial stability
  - Payment systems

• **Analyse impact of shocks, policies and institutional changes on HH sub-groups of particular policy interest:**

  - Lowest/highest income/wealth deciles
  - Over-indebted
  - Credit-constrained, etc.

• **Heterogeneity of the household sector**
The Eurosystem Household Finance and Consumption Survey

Decentralised undertaking ➔ country experts (HFC Network) + ECB coordinates

Despite voluntary nature, wide participation: 15 euro area countries ➔ 2nd wave (upcoming): whole EA (except LT) and a few EU countries

1st wave reference year (13 country surveys): 2010

Sample size: 62,000 households ➔ both country and euro area representativeness
Survey frequency **3 years** (IT, 2 years)

Cross-country comparability **ex-ante**

Complete datasets *(multiple imputation)* ➔ labour-intensive post-fieldwork: effects on timeliness

Oversampling wealthy households / Panel component in some countries
Content: areas covered by HFCS

- **Household wealth**
  - Real + financial assets
  - Liabilities

- **Pension wealth**
  - Future pension entitlements

- **Household saving / Wealth accumulation**
  - Annual income
  - Consumption indicators
  - Inheritances + gifts

- **Other covariates**
  - Demographics
  - Employment
Sources for systematic cross-checks

- **Demographic variables**
  - Population statistics
  - EU SILC

- **Employment status**
  - Labour Force Survey
  - EU-SILC

- **Home ownership**
  - EU SILC

- **Income**
  - EU SILC

- **Consumption**
  - National Accounts

- **Wages and salaries**
  - National Accounts

- **Deposits**
  - National Accounts

- **Mortgages**
  - MFI Balance Sheet Items
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Households’ indebtedness

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

<table>
<thead>
<tr>
<th></th>
<th>Euro Area</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st income quintile</td>
<td>36.0</td>
<td>25.8</td>
</tr>
<tr>
<td>2nd income quintile</td>
<td>13.1</td>
<td>18.5</td>
</tr>
<tr>
<td>3rd income quintile</td>
<td>8.9</td>
<td>15.3</td>
</tr>
<tr>
<td>4th income quintile</td>
<td>5.3</td>
<td>11.0</td>
</tr>
<tr>
<td>5th income quintile</td>
<td>3.9</td>
<td>4.2</td>
</tr>
</tbody>
</table>
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
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
Outline

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Users of the HFCS dataset

• Micro data of the HFCS are available for research use
• (Relatively) simple procedure to access the data
• Over 450 access requests have been received so far
Examples of Research Projects

• Distributional Effects of Monetary Policy / Inflation
  – *E.g. consider share of adjustable-rate mortgages substantially varies across countries*
  – *Impact of LTV caps on Households and Banks*

• Household Heterogeneity
  – *E.g. Microsimulation of HH distress by updating HFCS component by component ➔ aggregate data + increase in unemployment + estimate heterogeneity in debt service*

• Household Fragility
  – *E.g. broader vulnerability/debt-burden indicators considering distressed HHs can continue servicing their debt by selling assets*

• Wealth Effects on Consumption
The road ahead - second wave (“2014”)

- In progress, now for 17 euro area countries (LT incorporated as of 3rd wave)
- Reference periods more harmonised
  – mostly 2014
- Slight questionnaire expansion (e.g. more information on consumption expenditure and informal loans)

- Next report/dissemination of micro data: end-2016
**Third Wave (“2017”)**

- Preparations ongoing
- Questionnaire about to be finalised
- Fieldwork: mostly in 2017
- Data available mid-2019
Outline

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Information about the survey

- HFCS website: ECB>Research & Publications>Economic research>Research networks>HFCN

- Documentation
  - Questionnaire
  - List of variables (core and non-core)
  - Background documents
  - Methodological manual
  - Report on the results
  - Bibliography

- Google user group / forum
  https://groups.google.com/forum/#!forum/hfcs-users
How to access the data

- **PDF access form** on HFCS website
- Fill the form, **save** (in Adobe Acrobat Reader)
- Send to [hfcs@ecb.europa.eu](mailto:hfcs@ecb.europa.eu) with a CV
- HFCS team check application, accept the project, and **confirm** back to user
- Send the **signed paper** + copy of photo ID
- HFCS team **grants access** to the data (ECB extranet)
Thank you for your attention!
Any questions?

hfcs@ecb.europa.eu
# Main features of HFCS country surveys

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

<table>
<thead>
<tr>
<th>Non-financial assets</th>
<th>Financial assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household main residence</td>
<td>Deposits</td>
</tr>
<tr>
<td>Other real estate properties</td>
<td>Mutual funds</td>
</tr>
<tr>
<td>Vehicles</td>
<td>Bonds</td>
</tr>
<tr>
<td>Valuables</td>
<td>Publicly traded shares</td>
</tr>
<tr>
<td>Self-employment business wealth</td>
<td>Money owed to households</td>
</tr>
<tr>
<td></td>
<td>Voluntary private pensions/whole life insurances</td>
</tr>
<tr>
<td></td>
<td>Other</td>
</tr>
</tbody>
</table>
HFCS contents: blueprint questionnaire

Pre-interview: selection of main respondent / Household listing

Demographics

Real assets and their financing

Other liabilities / Credit constraints

Private businesses / Financial assets

Employment

Pensions and insurance policies

Income

Intergenerational transfers / gifts

Consumption

Post-interview: interviewer debriefing

Pre/post interview

Individual questions

Household questions
HFCS contents: blueprint questionnaire (II)

Pre-interview: selection of main respondent / Household listing

- 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 constraints**: 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

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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**
HFCS and NA mean net wealth and total assets per person

Note: only countries with complete NA data are shown.
Data from 1st wave: issues to be borne in mind

• Reference periods differ
  – Comparisons with US based on Survey of Consumer Finances 2010

• Single cross-section
  – does not allow identifying age, cohort and time effects as yet

• Self-reported prices for some assets (e.g. real estate)

• Net wealth includes only (funded) private pensions:
  occupational and public pensions excluded
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
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