

The Eurosystem Household Finance and Consumption Survey

First Results

**Miguel Ampudia (ECB)
Copenhagen – September 24th, 2014**

The views expressed here are my own and not necessarily represent those of the ECB or the Eurosystem.

Outline

- **Background information on the HFCS**
 - Motivation
 - Characteristics
 - Content
 - Public release
- **Results from first wave**
 - Debt and financial pressure
 - Assets
 - Net Wealth
- **Use of the data: Research and Policy**
- **The road ahead**

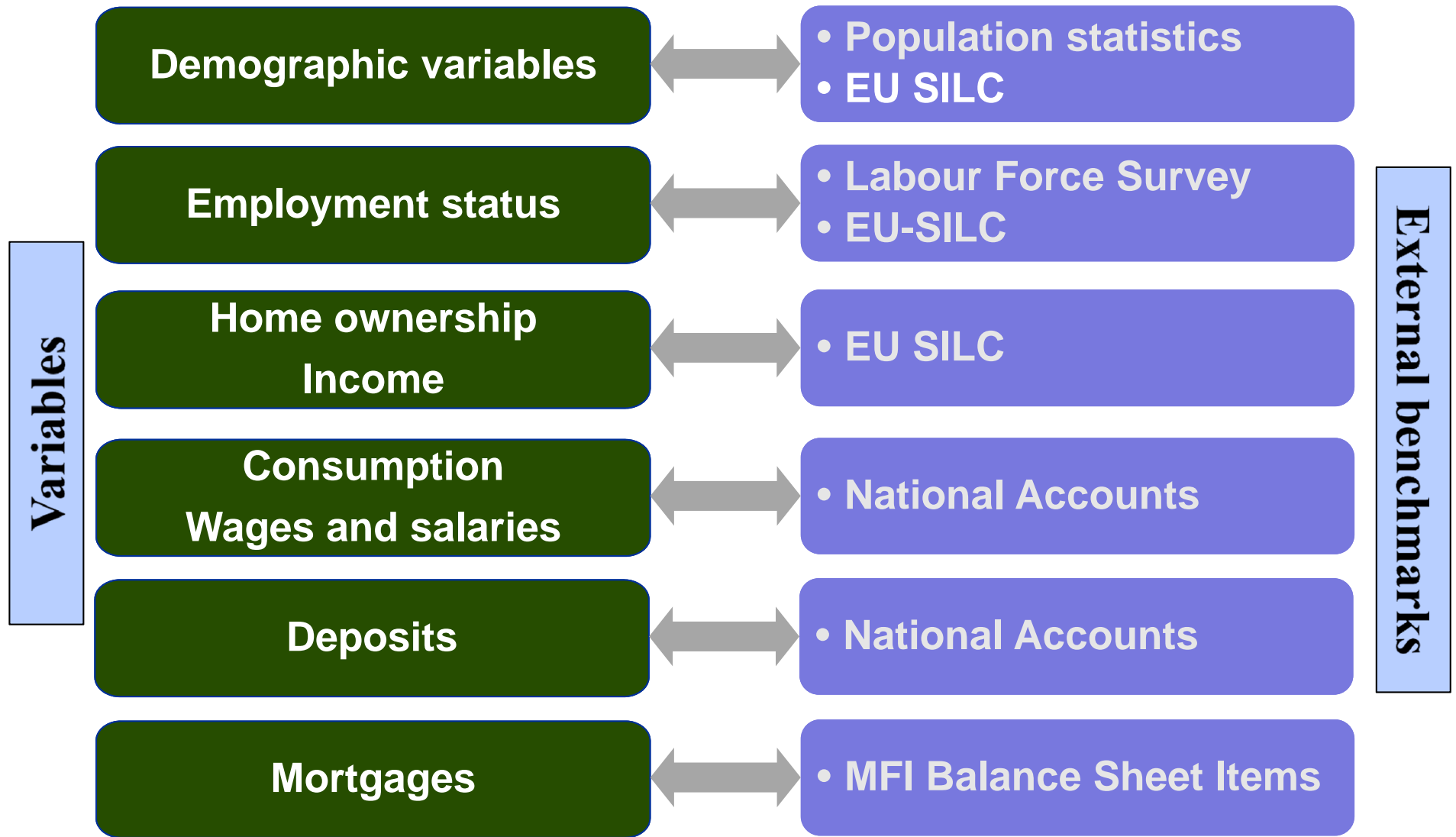
What is the HFCS?

- A cross-country survey collecting **household-level data** in the **euro area** countries
 - First wave: All except Ireland, Estonia and Latvia.
 - 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 and demographic characteristics.
- **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)**

Sources for systematic cross-checks



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**

Why a Eurosystem survey?

- **Specific issues micro data may help understand**
 - **Do household debt levels raise sustainability concerns?**
 - **Portfolio choice: (lack of) demand for certain assets (e.g. stock market participation)**
 - **Real estate / other asset prices: effect on consumption (marginal propensity to consume out of wealth)**
 - **Credit constraints: effects on consumption**
 - **Ageing / pension reforms: impact on household saving/consumption**

Publication of results *(9 April 2013)*

- **Timing for publication decided back in 2011**
- **Unexpected nature of some results required thorough explanations**
- **Two exhaustive (methodological and descriptive) publications to put numbers in perspective**
- **DG-C organised press briefing with journalists**
- **Nonetheless, extensive echo in the media, often mis-interpreting the numbers**
- **FAQs and answers**

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Issues to be borne in mind

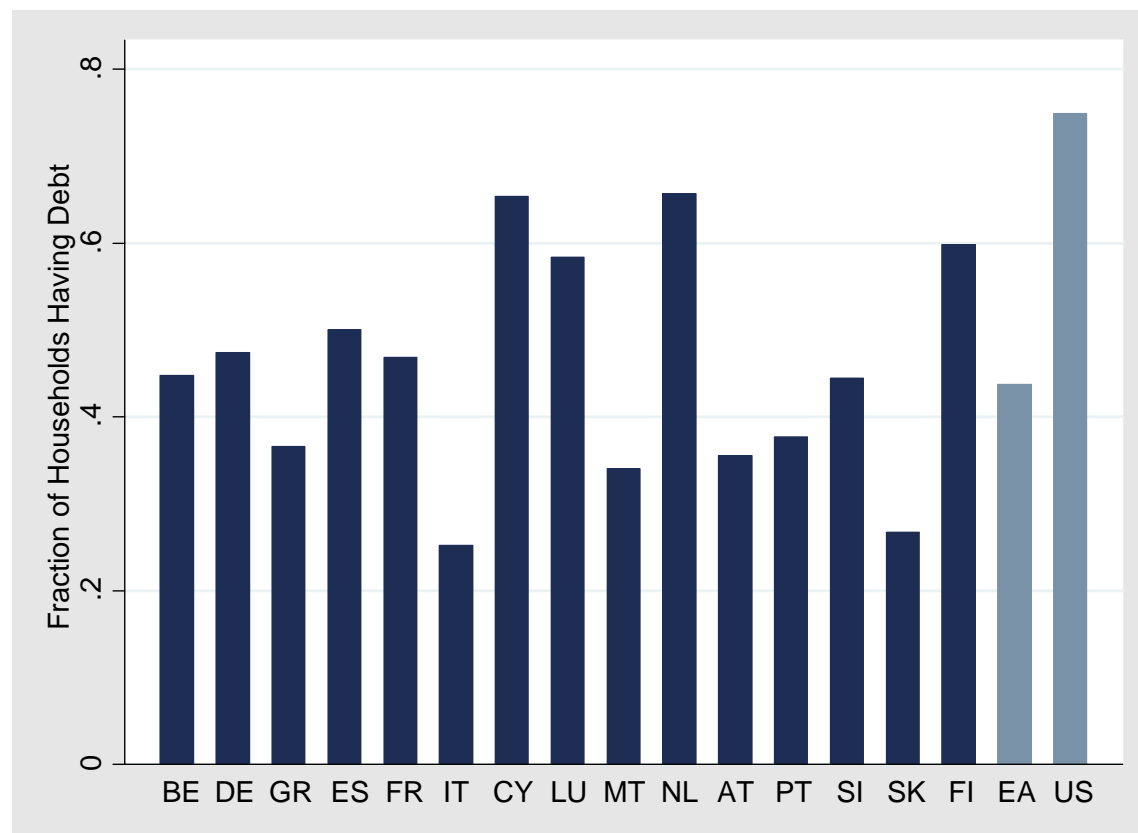
- **Just description of first results: much deeper research needed**
- **Reference periods differ**
 - *Comparisons with US based on SCF 2010 (reference year in 11 euro area countries)*
- **Single cross-section: does not allow identifying age, cohort and time effects as yet**
- **Self-reported prices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

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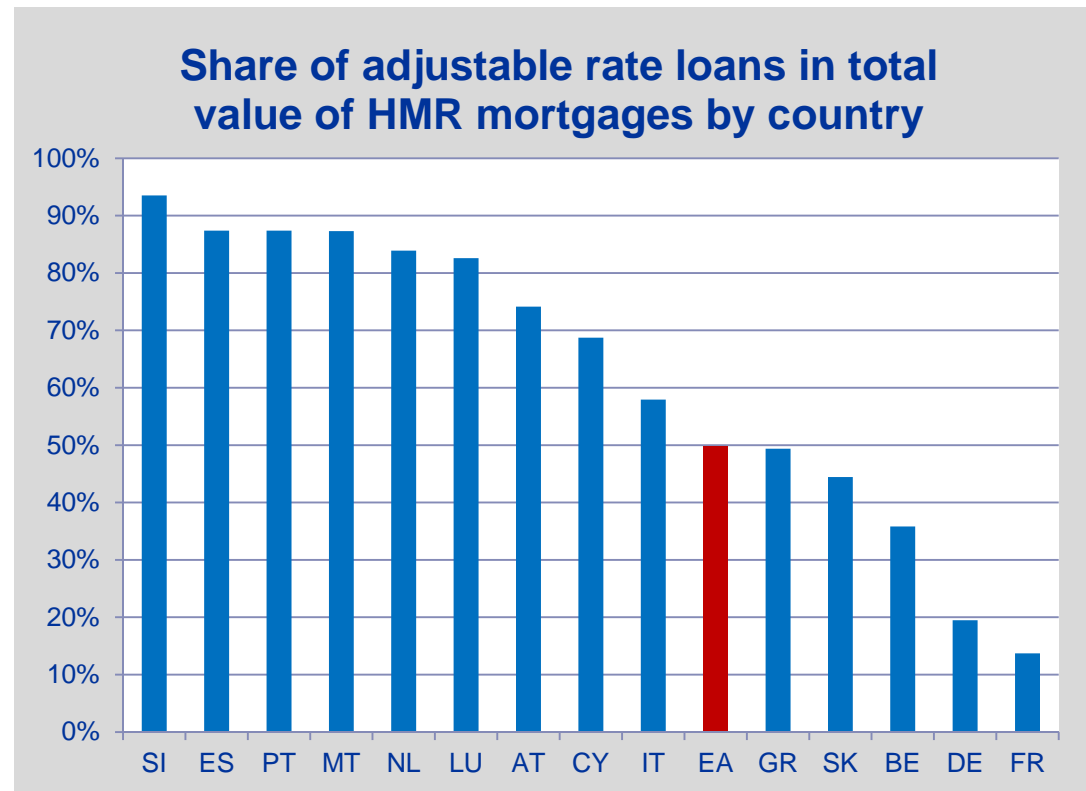
Households' indebtedness

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



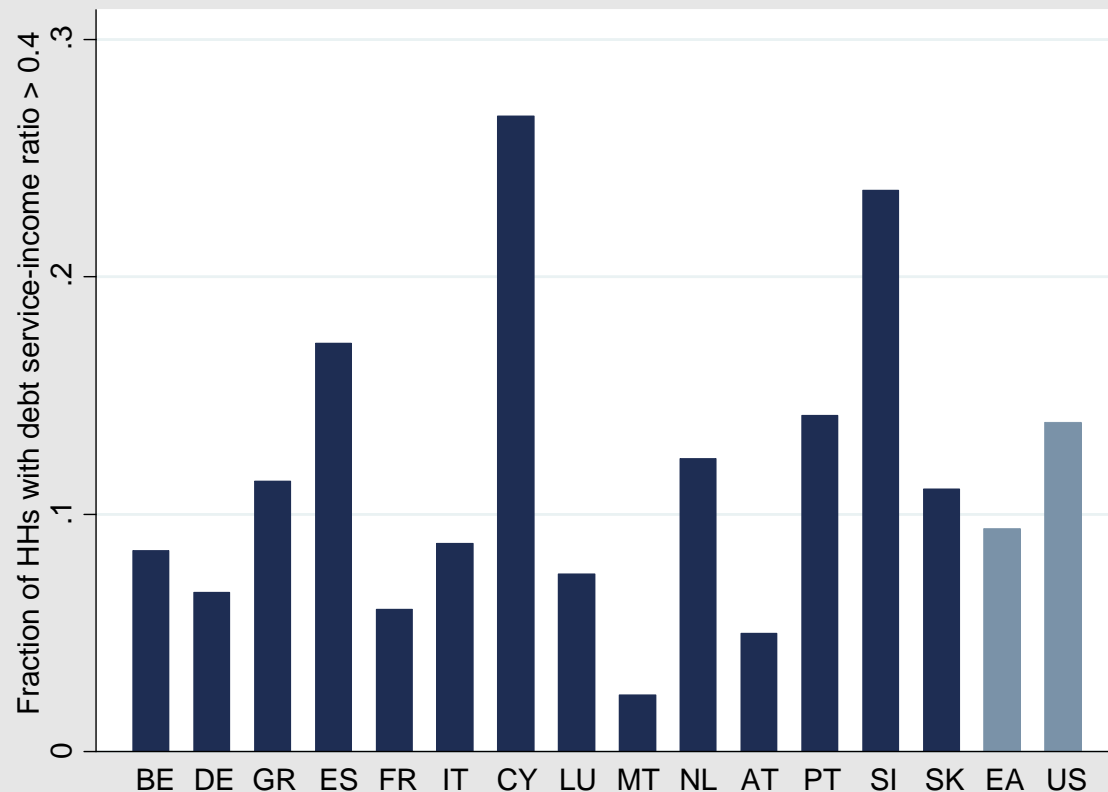
Fixed vs. adjustable interest rates

- 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



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

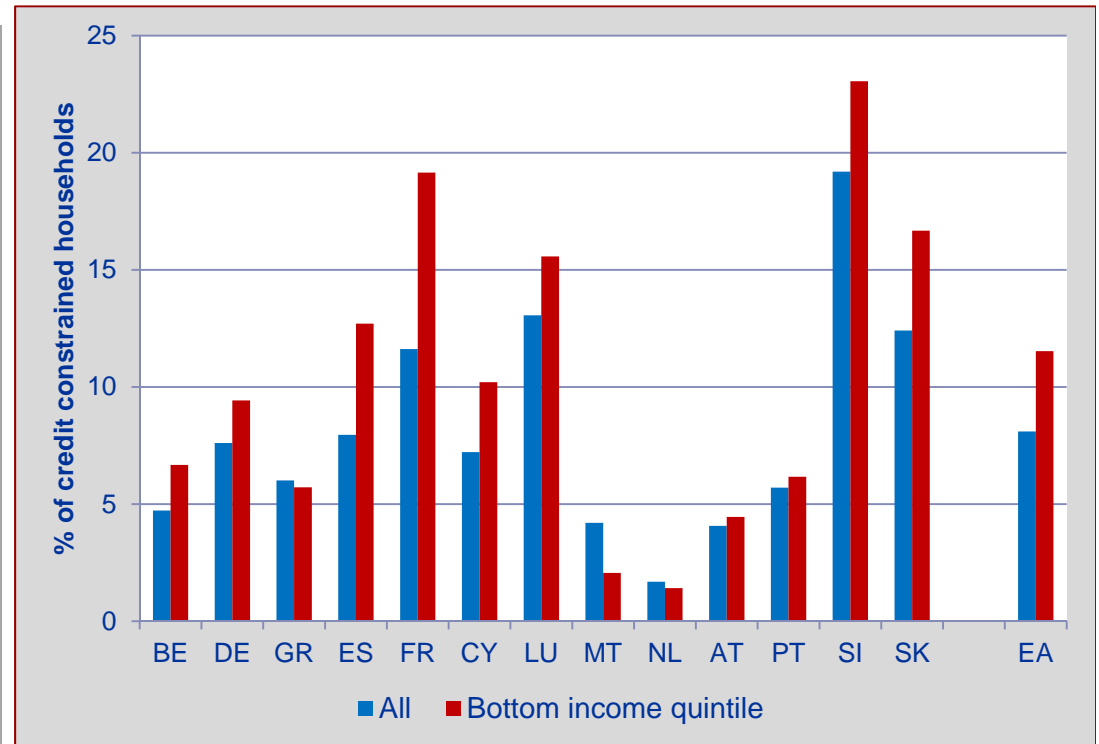
- Prevalence of high debt burden decreases with income
- Indebted low-income households particularly vulnerable

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.

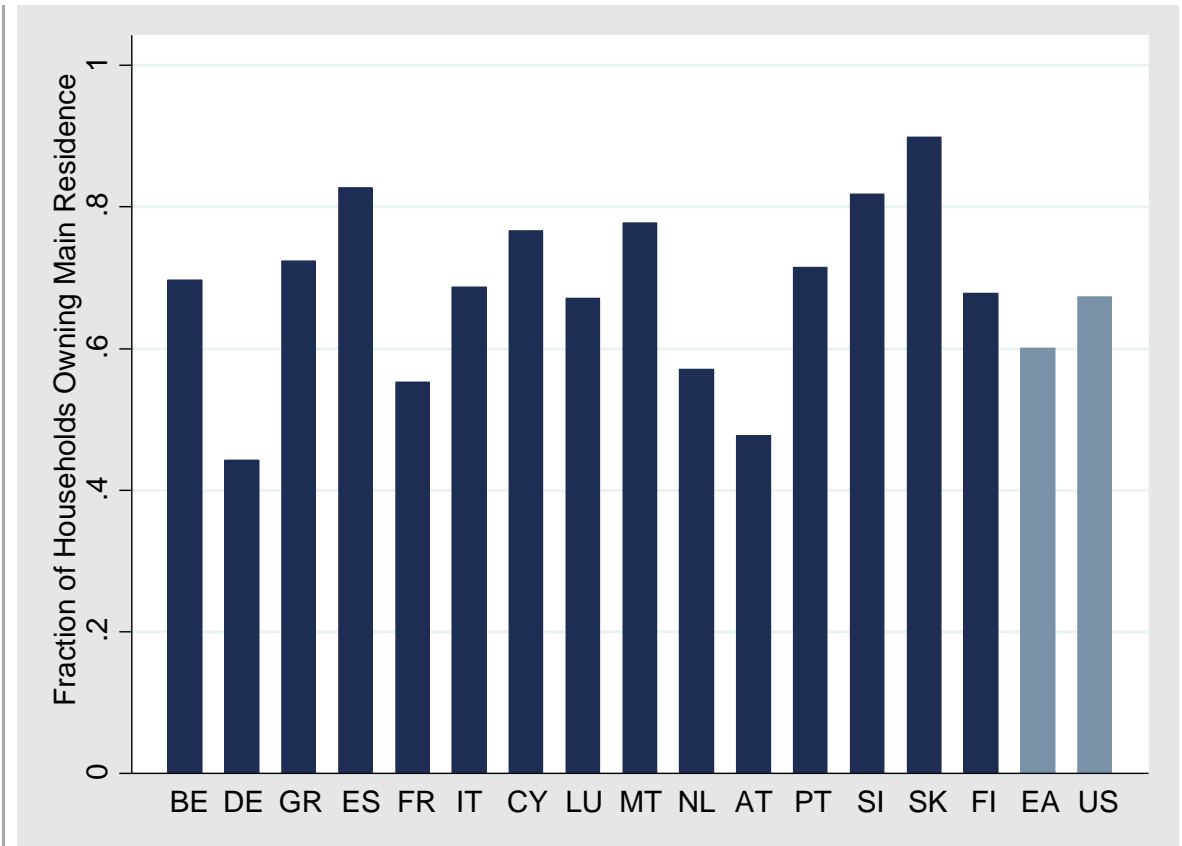
Income quintile classifications based on rankings of equivalised gross income in each country

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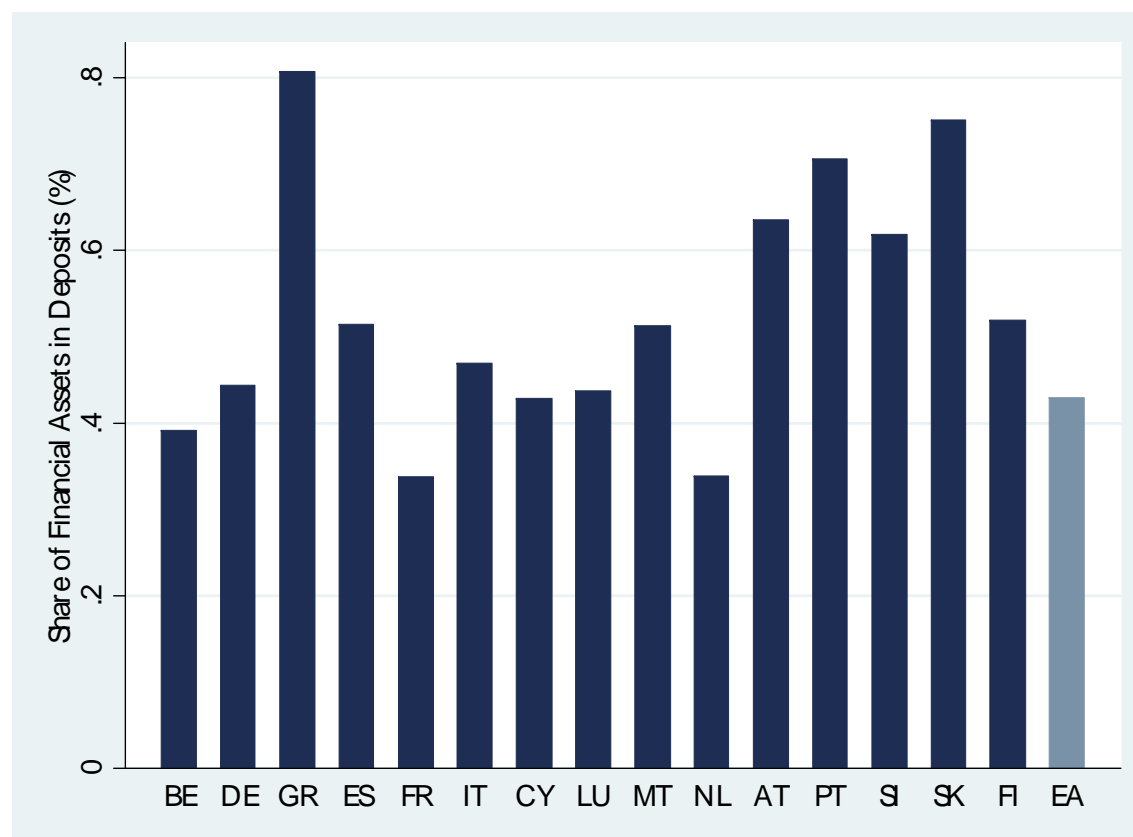
Home ownership across countries

- 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



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).

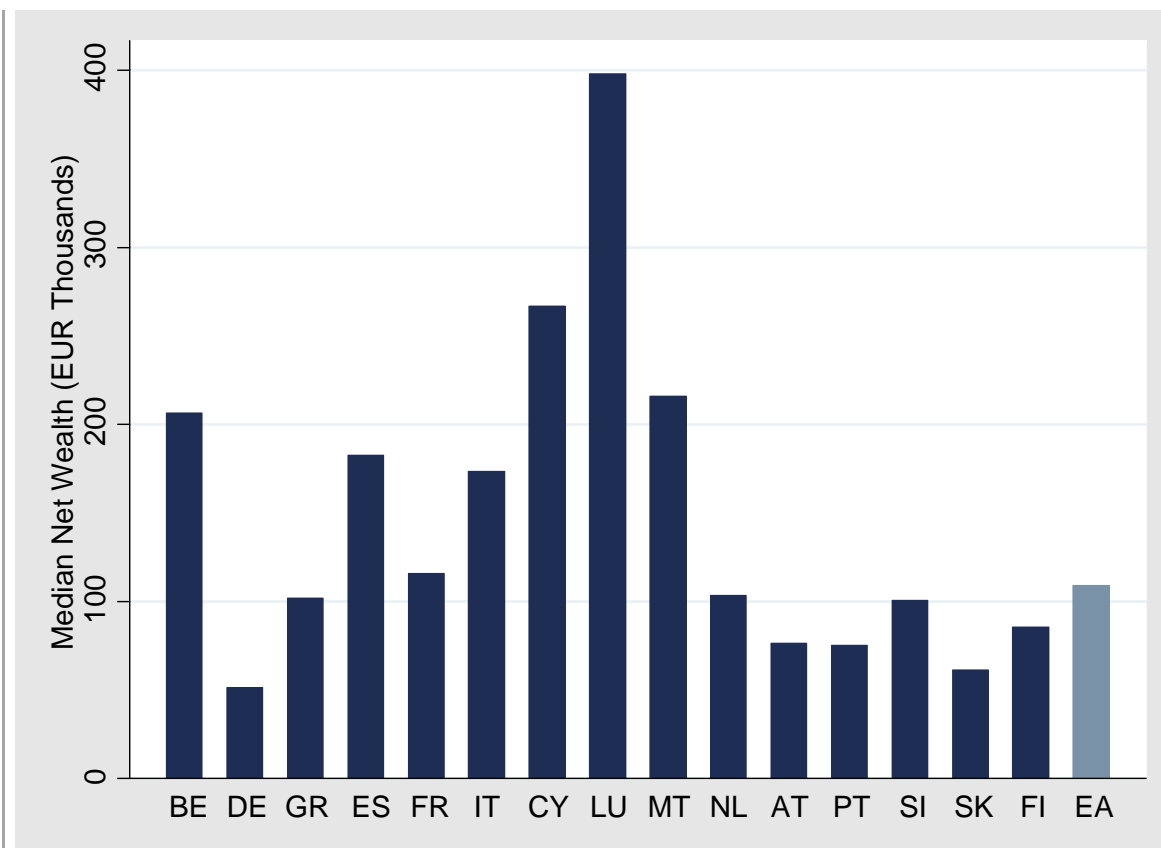


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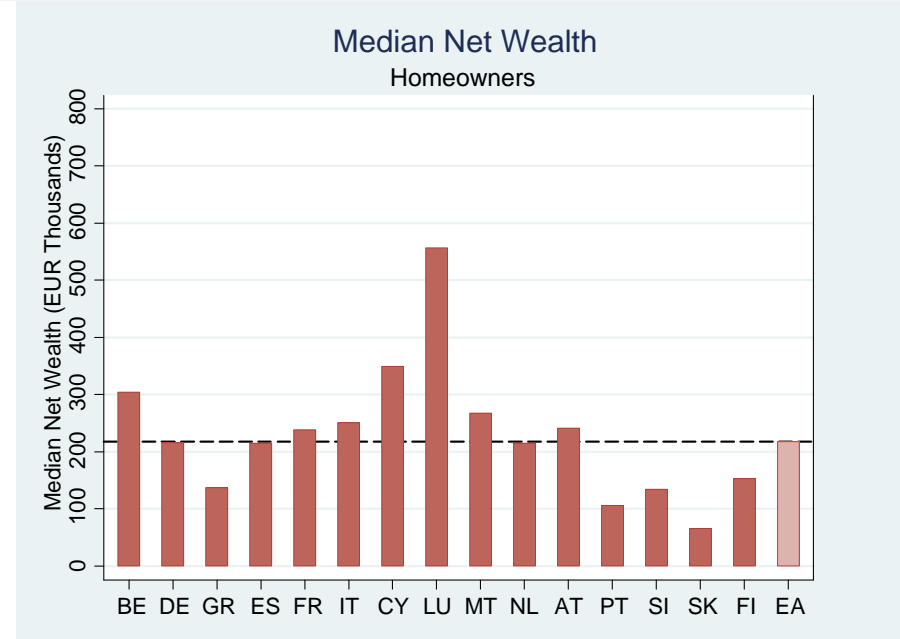
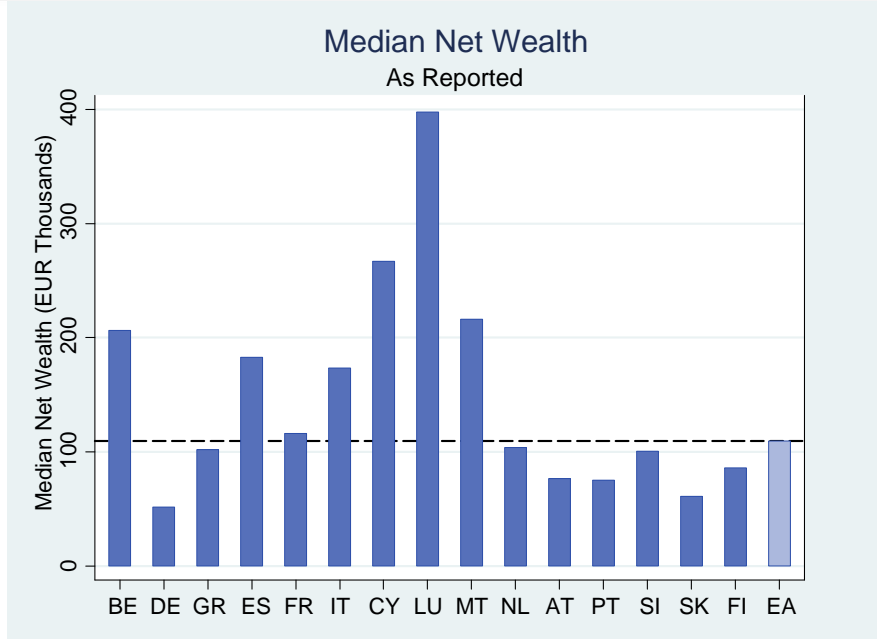
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Median net wealth across countries

- Median net wealth €109,200
- Large differences across countries
- Many factors at play

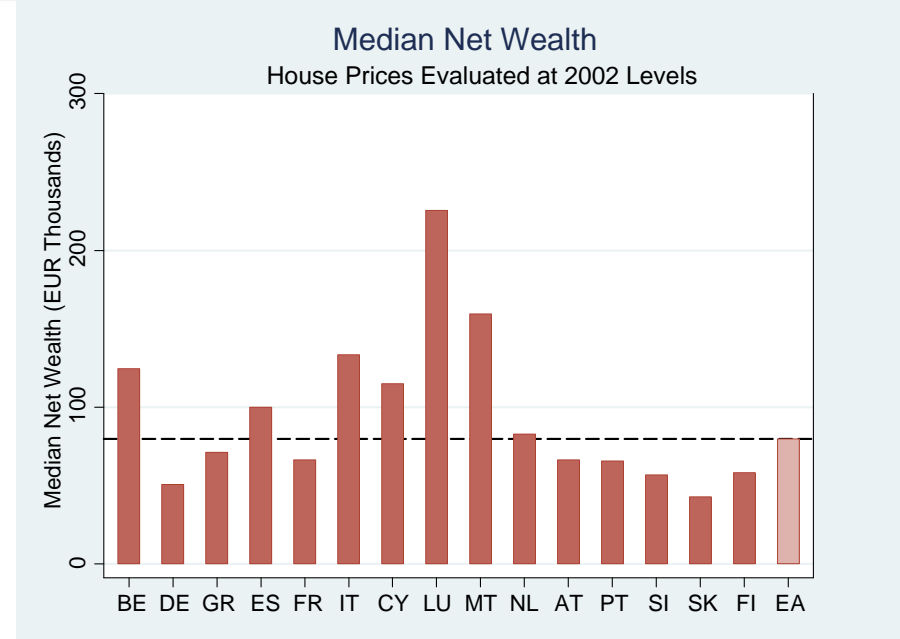
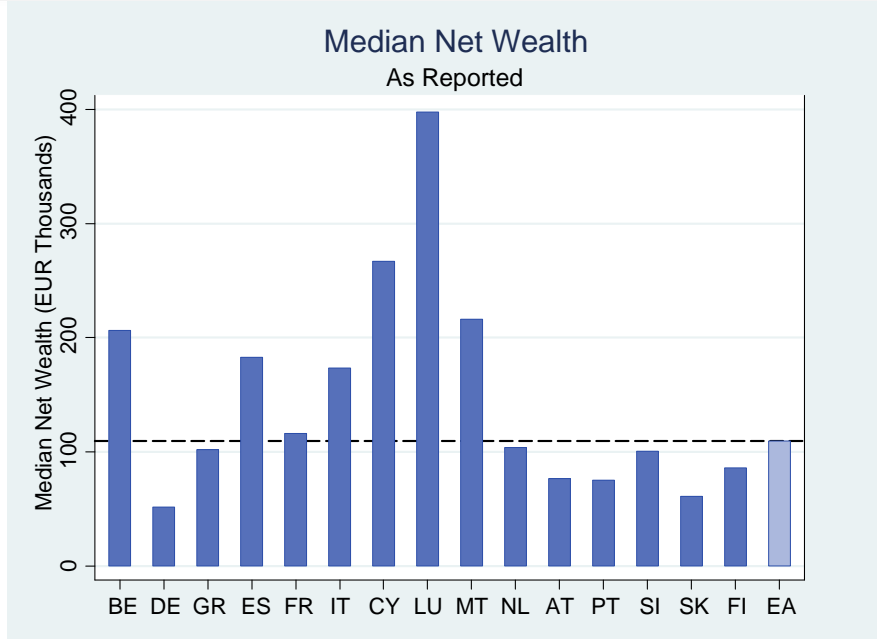


The role of home ownership



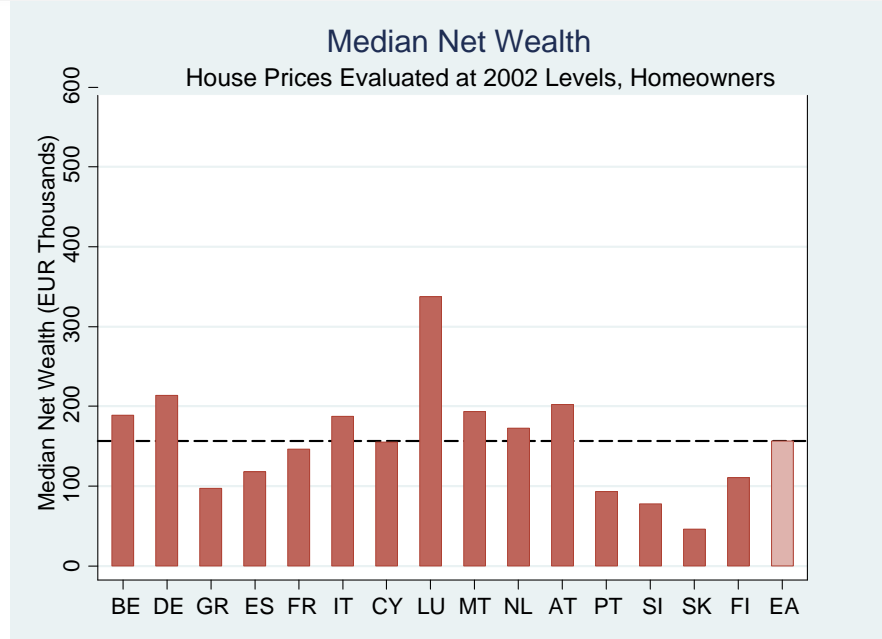
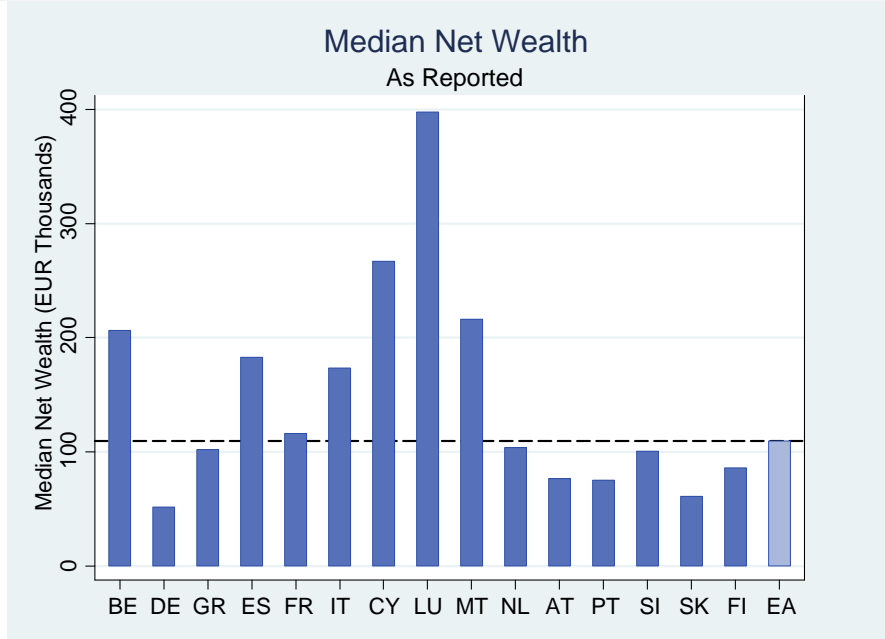
- How do the relative country positions change for home owners? We compare
 - Median net wealth, as originally reported (blue)
 - Median net wealth for home owners (red)
- Differences substantial

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

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Use of the data: Research and Policy

- **Research**

- **Several projects at the ECB:**

- » **Mortgage choice (Ehrmann & Ziegelmayr).**
 - » **Macroeconomic experiences and risk taking (Ampudia & Ehrmann).**
 - » **Wealth distribution (Vermeulen).**
 - » **Differences in household debt across countries (Christelis, Ehrmann & Georgarakos).**
 - » **Cross-country evidence on wealth distribution and the response of consumption (Carroll, Slacalek & Tokuoka).**
 - » **Financial Fragility (Ampudia, van Vlokhoven & Zochowsky).**
 - » **Evolution of households' balance sheets (Ampudia, Pavlickova, Slacalek & Vogel).**

Use of the data: Research and Policy

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

Use of the data: Research and Policy

- **Policy**
 - **MB article (April 2013) and MB Box (July 2013)**
 - **Contribution to Financial Stability Report (May 2013)**
 - **Collaboration between DGR and DGE**

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The road ahead

- **Second wave**
 - **In progress, now for all 18 euro area countries**
 - **Reference periods: mostly H2/2013 and H1/2014**
 - **Slight questionnaire expansion (e.g. more information on consumption expenditure and informal loans)**
 - **Next report: expected in 2016**

The road ahead

- **Options for use of HFCS data outside the ECB:**
 1. **Statistical tables** (*available in HFCS website*) provide many breakdowns + standard errors
 2. **Micro data** available for specific research projects through simple application process.

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