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HOUSEHOLD FINANCE AND CONSUMPTION SURVEY: A COMPARISON OF THE MAIN RESULTS FOR MALTA WITH THE EURO AREA AND OTHER PARTICIPATING COUNTRIES

BOX 2: HOUSEHOLD FINANCE AND CONSUMPTION SURVEY: A COMPARISON OF THE MAIN RESULTS FOR MALTA WITH THE EURO AREA AND OTHER PARTICIPATING COUNTRIES[1]

In 2014 the Central Bank of Malta conducted the second wave of the Household Finance and Consumption Survey (HFCS, or henceforth interchangeably referred to as the Survey) among Maltese households with the aim of collecting detailed information on households' real and financial assets, liabilities, net wealth, income and consumption. The Survey is part of a coordinated statistics and research project led by the European Central Bank (ECB), involving national central banks and national statistical institutions within the euro area and some non-euro area countries.[2,3] The first wave of the Survey was conducted in 2010.[4]

This note compares the salient findings of the HFCS for Malta with those of other euro area and other participating countries.[5] The overall sample for all the participating countries consisted of over 84,000 households, with the sample size varying between countries from 999 households in Malta to 12,035 households in France. The participating countries conducted their surveys between mid-2010 and mid-2015.[6,7]

Households' demographic characteristics

Survey results show that the average household size in the euro area stood at 2.27 persons. The countries reporting the lowest size were Germany and Finland, with 2.01 and 2.02 persons per household, respectively. Conversely, Poland and Slovakia had the largest household size, with 2.70 and 2.74 persons respectively. In Malta, the average household consisted of 2.58 persons (see Table 1).

In the euro area, the distribution of households by size shows that almost two-thirds of households consisted of two members or less. In Germany and Finland, around three-fourths of the households were made up of two or fewer members, while less than half the households in Spain and Slovakia were of this size. In Malta, around 52% of the

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[2]   Euro area countries include Belgium (BE), Germany (DE), Estonia (EE), Ireland (IE), Greece (GR), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Luxembourg (LU), Malta (MT), Netherlands (NL), Austria (AT), Portugal (PT), Slovenia (SI), Slovakia (SK) and Finland (FI).
[3]   Hungary (HU) and Poland (PL).
[4]   More information on the salient findings of the first wave of the Survey is available on the Central Bank of Malta's website at https://www.centralbankmalta.org/file.aspx?f=883. The Report provides a brief overview of the questionnaire structure, the statistical methodology employed in the collection of data, inter-country comparison between Malta and other participating euro area countries, and detailed statistical tables. A detailed explanation of the methodology on the non-collected data or data that was reported by them in the form of monetary ranges is given in Annex 1 of the Report. The methodology used in the first wave was applied in the second wave as well.
[5]   In December 2016, the ECB published the results of the second wave of the Household Finance and Consumption Survey. See European Central Bank. Household Finance and Consumption Survey: results from the second wave. Statistics Paper Series No. 18. In this publication the data from the previous wave is inflated by the HICP.
[6]   For more information on the methodology used by the participating countries, refer to European Central Bank. Household Finance and Consumption Survey: methodology used from the second wave. Statistics Paper Series No. 17.
[7]   Data collection for the third wave of the Survey, which is expected to have 2016 as the reference year, will take place in the first months of 2017.

Table 1
HOUSEHOLD STRUCTURE BY COUNTRY[1]
Percentage

Country	EA	BE	DE	EE	IE	GR	ES	FR	IT	CY	LV	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI
Household size																					
Average	2.3	2.3	2.0	2.2	2.7	2.5	2.6	2.2	2.4	2.7	2.3	2.4	2.3	2.6	2.2	2.1	2.7	2.6	2.5	2.7	2.0
1	32.9	33.8	40.3	35.8	22.6	25.7	19.8	35.1	29.3	20.8	31.7	33.3	33.4	23.6	36.9	38.3	24.0	20.0	32.6	25.7	40.9
2	31.7	31.7	34.6	29.8	30.3	29.5	29.8	32.9	27.3	30.9	30.3	27.4	29.6	28.8	34.0	33.6	25.7	32.0	25.1	21.9	34.9
3	16.1	15.1	12.5	16.3	17.9	19.9	24.3	13.6	19.4	18.2	18.2	15.9	17.2	21.5	10.6	11.6	20.2	24.6	18.6	19.5	10.1
4	13.9	12.6	9.2	12.7	16.9	19.1	20.6	13.2	17.8	17.5	12.4	15.0	12.7	18.6	12.7	10.4	16.2	16.3	11.7	18.7	9.4
5+	5.4	6.8	3.4	5.4	12.4	5.9	5.4	5.2	6.3	12.6	7.5	8.4	7.1	7.5	5.8	6.1	13.9	7.1	12.0	14.3	4.7
Housing status[2]																					
Owners - outright	41.5	38.4	27.8	57.8	36.6	60.7	55.3	39.8	58.6	39.2	62.6	38.5	65.5	64.3	16.9	32.2	65.4	42.0	65.6	70.2	34.9
Owners - with mortgage	19.7	31.9	16.5	18.7	33.9	11.4	27.8	19.0	9.6	34.3	13.5	29.1	18.8	15.9	40.6	15.5	12.1	32.7	8.2	15.2	32.8
Renters/other	38.8	29.7	55.7	23.5	29.5	27.9	16.9	41.3	31.8	26.5	24.0	32.4	15.8	19.8	42.5	52.3	22.6	25.3	26.3	14.6	32.3
Age of reference person																					
16-34	14.8	13.6	18.4	20.0	19.7	12.5	12.0	17.8	7.2	14.5	15.1	17.6	13.0	13.7	16.0	15.8	16.1	11.2	11.3	9.8	21.6
35-44	17.9	18.6	15.5	17.6	23.7	18.0	22.3	17.4	17.6	23.9	17.7	20.5	19.8	18.0	20.1	14.9	19.5	20.8	16.3	24.7	14.8
45-54	20.0	19.1	20.8	18.0	19.4	19.9	20.6	17.8	22.1	22.2	19.0	22.7	18.7	19.3	18.2	20.2	20.1	20.1	20.8	20.1	17.8
55-64	17.9	18.5	16.8	17.5	16.6	18.0	16.7	18.8	18.1	16.7	19.8	17.3	20.7	20.1	20.3	19.0	21.8	18.0	23.0	21.8	18.4
65-74	14.4	13.5	13.4	13.5	11.1	16.1	14.2	13.4	16.4	14.6	14.0	11.9	16.4	16.7	16.0	17.6	12.2	15.2	14.7	14.8	14.5
75+	15.0	16.6	15.1	13.5	9.6	15.4	14.2	14.9	18.7	8.2	14.4	9.9	11.5	12.2	9.4	12.5	9.7	14.7	13.9	8.7	12.9
Work status of reference person[3]																					
Employee	48.9	50.1	56.1	57.4	52.4	36.5	44.5	46.0	44.5	48.2	52.2	58.7	50.9	48.8	53.2	48.3	51.3	45.5	43.7	51.4	47.1
Self-employed	8.6	5.9	8.1	5.1	11.4	14.4	10.4	6.4	11.7	13.0	6.6	5.0	6.4	10.2	4.0	7.1	11.2	10.8	6.4	12.3	6.3
Retired	30.7	33.3	28.4	26.8	18.1	39.3	27.9	35.8	30.7	23.9	31.1	27.3	34.2	30.2	21.1	39.6	26.4	31.2	41.6	28.7	29.6
Other not working	11.8	10.7	7.5	10.7	18.1	9.8	17.2	11.8	13.1	15.0	10.2	9.1	8.5	10.8	21.7	5.0	11.2	12.6	8.3	7.6	17.0
Education of reference person[4]																					
Basic education	32.0	26.5	11.0	16.5	31.3	39.3	53.6	31.2	52.1	31.4	18.8	29.8	20.8	55.8	28.1	14.6	14.4	69.4	22.1	12.5	25.0
Secondary	41.6	33.1	57.9	49.5	34.7	42.4	17.5	41.4	34.5	42.5	48.8	38.4	48.9	26.5	36.2	65.0	61.0	13.7	56.5	68.0	39.9
Tertiary	26.4	40.4	31.1	34.0	34.0	18.3	28.6	27.4	13.4	26.1	32.4	31.8	30.3	17.6	35.7	20.4	24.6	16.9	21.5	19.5	35.1

[1] The table shows the weighted structure of the households of the HFCS samples.

[2] "Owners" refer to households owning their main residence; "Owners outright" are owners without mortgage collateralised on the household's main residence; "Owners with mortgage" are owners with mortgage collateralised on the household's main residence.

[3] The category "Other not working" under the work status panel includes households where the reference person is unemployed, a student, permanently disabled, doing compulsory military service, fulfilling domestic tasks or not working for pay in other ways.

[4] Education is measured in the questionnaire on the basis of the ISCED-97 scale, ranging from zero to six. "Basic education" comprises the classes ISCED0, ISCED1 and ISCED2, "Secondary" refers to ISCED3 and ISCED4, "Tertiary" includes individuals with level ISCED5 and ISCED6.

Source: ECB-HFCS (Wave 2) Statistical Tables.

households had two or less members. On the other hand, Slovakia and Poland had the largest number of households, whereby households with five or more members made up around 14% of the households. While in the euro area 5.4% of households consisted of more than four members, in Malta 7.5% of the households comprised five or more members.

Survey results show that 61.2% of the households in the euro area are homeowners. This proportion ranges from 44.3% in Germany to 85.4% in Slovakia. According to the Survey, the homeownership rate in Malta was 80.2%, the fourth largest rate of all participating countries.

With regards to the age of the reference persons,[8] 43.4% of respondents in Ireland were under 45 years of age, as opposed to 24.8% of respondents in Italy. Meanwhile, at 35.1%, Italy had the highest share of respondents over the age of 65, whereas 20.7% of participating households in Ireland fell within this age group. In the euro area, 32.7% of

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[8] For the purposes of inter-country comparisons, the reference person is chosen using the analogy of the Canberra Group Handbook on Household Income Statistics (UN 2011) by sequential application of the following criteria: (1) One of the partners in a registered or de-facto marriage, with dependent children; (2) One of the partners in a registered or de-facto marriage, without dependent children; (3) A lone parent with dependent children; (4) The person with the highest income, or if there is more than one such person; (5) The eldest person among them.

respondents were under 45 years of age, while 29.4% were over 65 years old. Similarly, 31.7% of the reference persons in Malta were under 45 years of age and 28.9% were over 65 years old.
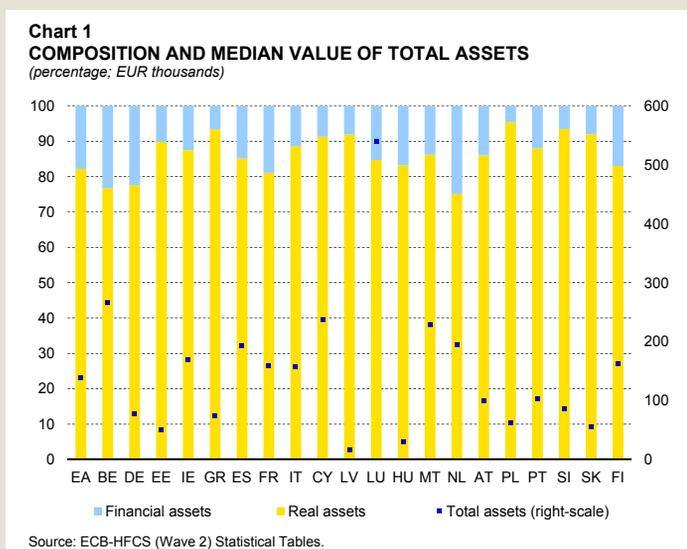
Indicators relating to the work status of the reference person show that 58.7% of the reference persons in Luxembourg were employees. This contrasts with 36.5% of respondents in Greece and the euro area average of 48.9%. In Greece, 14.4% of the reference persons were self-employed, as opposed to 4% in the Netherlands. On average, 8.6% of the reference persons in the euro area were self-employed. The rate in Malta stood slightly higher, with around 10.2% of respondents in self-employment. Domestically, 48.8% of reference persons were employees.

In terms of the level of education attained by the reference persons, 69.4% and 55.8% of respondents in Portugal and Malta respectively, declared that they had only a basic level of education. In contrast, in Slovakia and Germany, the corresponding ratios were significantly lower, standing at 12.5% and 10.9% respectively. The euro area average was 31.5%. The highest number of reference persons with a tertiary level of education was recorded in Belgium and the Netherlands, at 40.4% and 35.7% respectively. Conversely, in Italy and Portugal only 13.4% and 16.9% of respondents respectively, had completed this level of education. In Malta, this ratio stood at 17.6%.

Households' assets

The HFCS also collects information about the assets that households hold. Households' assets consist of both real[9] and financial[10] assets. In the euro area, the median value of the households' total assets was estimated to be €138,900 (see Chart 1). At €538,700, Luxembourg had the highest estimated median value of total assets, 3.8 times as much that in the euro area. Conversely, households in Latvia had a median value of only €17,000, the lowest median value of households' assets in the euro area. In Malta, Survey results show that the households' median value of assets, which also includes the value of real estate, stood at €229,000, well above the euro area median.

Overall, Survey results from all participating countries show that more than 75% of households' assets consisted of real assets. While their share

Chart 1
COMPOSITION AND MEDIAN VALUE OF TOTAL ASSETS
(percentage; EUR thousands)

Legend: Financial assets ■ | Real assets ■ | Total assets (right-scale) ■

Source: ECB-HFCS (Wave 2) Statistical Tables.

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[9]   Real assets comprise the main residence, other real estate properties, self-employment business, vehicle and valuables.
[10]   Financial assets comprise bank deposits, collective investment funds, securities, private pension voluntary schemes, life insurance schemes and other financial assets.
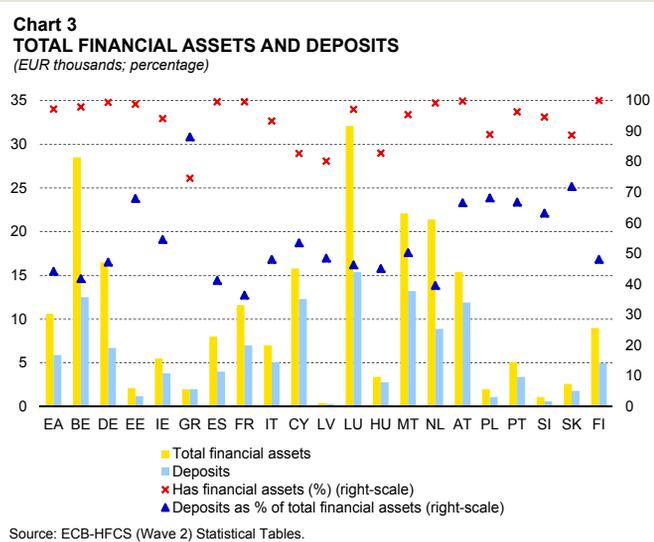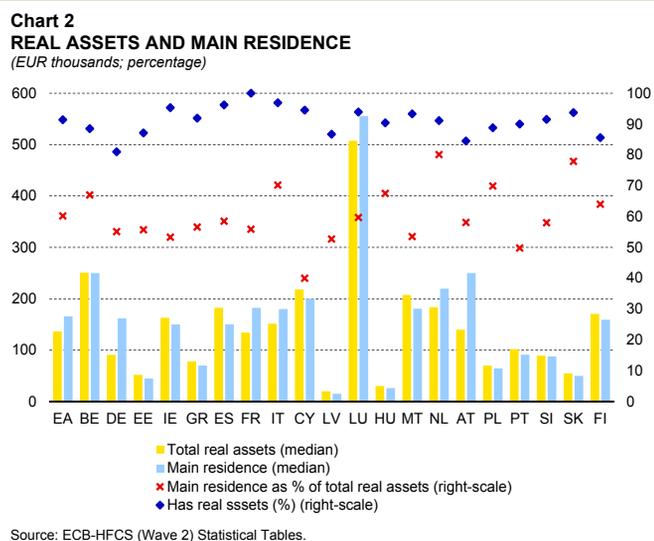
in total assets averaged 82.2% in the euro area, the ratio ranged from 75.1% in the Netherlands to more than 90% in Slovakia, Slovenia, Poland, Latvia and Cyprus. In Malta, 86.2% of households' assets consisted of real assets.

Households' real assets

The median value of real assets in the euro area was estimated at €136,600. Cross-country heterogeneity however, prevails. In Luxembourg and Belgium, the highest median values were recorded at €507,400 and €250,700 respectively, while in Hungary and Latvia, the lowest median values were reported at €30,100 and €20,000 respectively. The median value of real assets for Maltese households was estimated at €207,400. Survey results indicate that in the euro area more than 60.2% of households' total real assets were taken up by their main residential property. At 80.1%, the percentage was highest in the Netherlands and lowest in Cyprus, at 40.0%. In Malta, households' main residence accounted for 53.5% of the total real assets (see Chart 2).

Households' financial assets

Survey results show that 97.2% of all euro area households hold some type of financial asset, with bank deposits being the predominant option. The median value of total financial assets held by euro area households was estimated to be €10,600. However, this value varied across participating countries, from €32,100 in Luxembourg to €1,100 in Slovenia. In Malta, the median value of financial assets stood at €22,100. Meanwhile, in the euro area the median value of deposits for households was €5,900. At €13,200, the median value of deposit holdings in Malta was more than double that of the euro area (see Chart 3).

Chart 2
REAL ASSETS AND MAIN RESIDENCE
(EUR thousands; percentage)

- Total real assets (median)
- Main residence (median)
- × Main residence as % of total real assets (right-scale)
- ◆ Has real sssets (%) (right-scale)

Source: ECB-HFCS (Wave 2) Statistical Tables.

Chart 3
TOTAL FINANCIAL ASSETS AND DEPOSITS
(EUR thousands; percentage)

- Total financial assets
- Deposits
- × Has financial assets (%) (right-scale)
- ▲ Deposits as % of total financial assets (right-scale)

Source: ECB-HFCS (Wave 2) Statistical Tables.

Households' liabilities

The percentage of indebted households also varied significantly across countries. This ranged from around 20% of households in Italy, with a median level of indebtedness at €19,000, to more than 60% of households in the Netherlands, whose median value stood at €86,700. In the euro area, 42.4% of households were indebted with a median level of debt of €28,200. In Malta, the ratio of indebted households stood at 37.1%, while the median debt level amounted to €19,300, lower than the euro area median (see Chart 4).

The debt burden ratio, which measures the ratio of debt to assets, was 25.7% in the euro area (see Chart 5). The ratio for Ireland was the highest at 38.5%, while that for Maltese households stood at the lower end of the scale, at 9.1%. Meanwhile, the debt-to-income ratio in the euro area stood at 71.8%. This ratio exceeded 100% in Cyprus, Portugal, the Netherlands, Spain, Luxembourg and Ireland whereas in Latvia, Slovakia, Estonia, Germany, Austria, Slovenia and Poland, it was below 40%. In Malta the debt-to-income ratio was 55.3%. Furthermore, the debt service-to-income ratio of all indebted households ranged from 30.4% in Cyprus to 2.1% in Austria. The euro area average stood at 11.0%, while that in Malta was estimated at 9.8%.

Households' net wealth

Overall, Maltese households' net wealth, defined as the sum of households' real and financial assets net of liabilities, was estimated at a median value of €209,900. This is double the euro area median value of €104,100. Country specific estimations show significant

Chart 4
LIABILITIES AND MORTGAGE
(EUR thousands; percentage)

Total liabilities | Mortgage debt | Has liability (right-scale) | Has mortgage debt (right-scale)
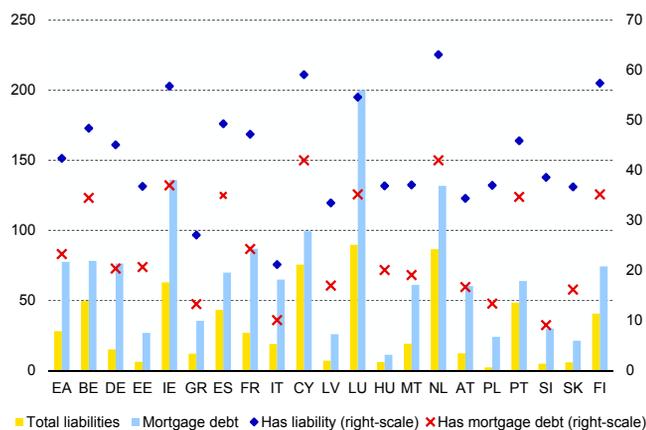
Source: ECB-HFCS (Wave 2) Statistical Tables.

Chart 5
FINANCIAL BURDEN INDICATORS (ALL INDEBTED HOUSEHOLDS)
(percentage)

Debt to asset ratio of indebted households
Debt service to income ratio, all indebted households
Debt to income ratio of indebted households (right-scale)
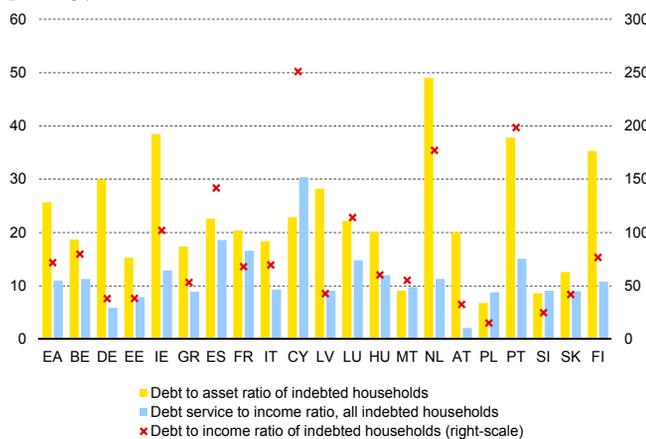
Source: ECB-HFCS (Wave 2) Statistical Tables.

heterogeneity, with the median value ranging from €14,200 in Latvia to €437,500 in Luxembourg and €217,900 in Belgium (see Chart 6). Survey results show the importance of residential property in net wealth, since in the euro area, households who were owners of their main residence had a higher net wealth when compared with those tenants who did not own their property. In the former case, the median

Chart 6
NET WEALTH BY HOMEOWNERSHIP OF MAIN RESIDENCE
(EUR thousands; percentage)

Source: ECB-HFCS (Wave 2) Statistical Tables.

value stood at €201,500, whereas in the latter case, the median value of net wealth was substantially lower at €38,800. Similarly, the median net wealth of Maltese households who owned their main residence amounted to €255,700, whereas tenants' median net wealth was only €19,800. On average, Maltese households were larger than other countries and consequently tended to have higher wealth accumulation. In fact, larger households, particularly those with a higher number of adults tend to accumulate more wealth.

Households' income and consumption

The annual household gross median income for the euro area was estimated at €29,500. Cross-country comparisons revealed once again pronounced differences in median income. The countries with the highest household income were Luxembourg and the Netherlands, with their median income standing at €64,600 and €43,900 respectively. At the lower end of the spectrum, Hungary and Latvia had the lowest median income, at only €7,900 and €8,700 respectively. In Malta, the median gross income for Maltese households was below that in the euro area, at just over €23,000 (see Chart 7).

With regards to consumption, the HFCS indicated

Chart 7
MEDIAN GROSS INCOME
(EUR thousands)
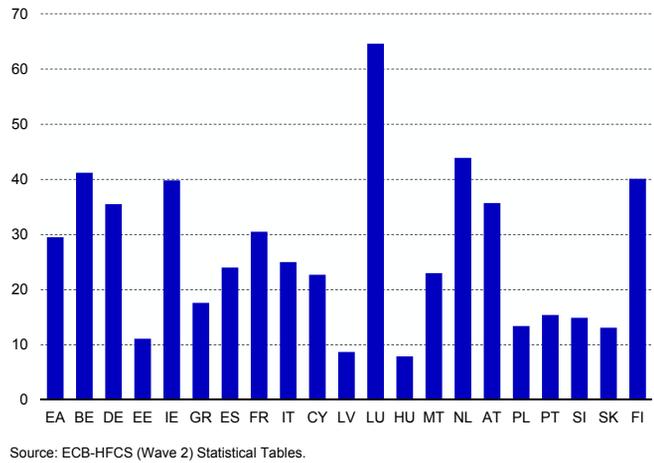
Source: ECB-HFCS (Wave 2) Statistical Tables.

that in the euro area, the annual median value of households' consumption of goods and services was €9,600. While Malta's median value was the same as the euro area average, it ranged from €19,700 in Luxembourg to €4,800 in Latvia.

Conclusion

The HFCS provides valuable micro data on households' consumption and finances, including information on their assets and liabilities. Consequently, it enables a deeper understanding of individual behaviour and provides insight into the transmission mechanism of monetary policy as well as issues related to financial stability in the euro area.

Results from the Survey however, need to be interpreted with caution owing to a number of caveats. The last Survey round was carried out across participating countries at different points in time between mid-2010 and mid-2015, with the majority of participating countries conducting the Survey in 2014. Given that the Survey took place while the impact of the sovereign debt crisis on the euro area was still evolving, the time gap that elapsed between data collection and the emerging effects of the crisis is likely to have varied between the participating countries.

Another caveat is that Survey statistics were not adjusted for price differences that arose from the use of different reference years. Furthermore, the valuation of real assets, such as property prices was based on self-assessment by respondent households. In terms of wealth, differences across countries may have also stemmed from the size and composition of households participating in the Survey. In fact, rather than conducting the Survey on a per capita basis, the unit of measurement was taken to be the household. This may explain why Maltese households scored highly in terms of household wealth, which is predominantly in the form of real estate, but not in income.

Nevertheless, despite these limitations, the HFCS remains an important source of harmonised data on households' consumption and wealth that enables analytical and comparative studies of behavioural patterns in the euro area.