HFCS 2021: main results in Italy

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SUERF - NBS- BAFFI Bocconi workshop, 28th September 2023
Outline

- Some caveats (new sample design and timespan)
- Income
- Income support measures
- Wealth
- Liabilities and financial fragility
...has been collecting information on income and wealth of Italian households since 1965.

Yearly up to 1986, every two years from 1987 to 2016

Approximately 8,000 households, Panel component (about 50 %) since 1989, Face to face interview (CAPI methodology).

Micro data freely available on the Internet (data from 1977).

In 2021 due to the pandemic: mixed data collection mode CAPI & CATI, 6,239 interviewed hhs (52% panel, participation rate halved).

The design of the SHIW was revised in 2020 to improve data quality and coverage.

- Use of (previously unavailable) administrative data on HHS’ tax records and liabilities.
- Improved the survey’s ability to observe small but economically relevant segments of the population.
- Resulting in a more accurate picture of the aggregate values and their distribution across the population.
- Yet, this change caused breaks in the time series to be dealt with.

Degree of coverage of the main macroeconomic aggregates
(ratio of sample estimates to macroeconomic data; per cent)

![Degree of coverage chart](chart-image-url)
Two weighting schemes

- **Weights for historical comparison** obtained by applying statistical methods that completely neutralize the effects of the changes introduced in 2020 (i.e. approximating the composition of the sample that would have been obtained without the changes made to the sampling methodology). Used for trends description.

- **New design weights** which allow to take full advantage of the greater accuracy of the new sample design. Used for 2020 cross-sectional values.

- **Alert**: the timespan between the last two waves is longer than usual (2016-2020). Please bear this in mind when trends will be presented in the following slides.
Household income was higher than four years earlier...

Mean household income and equivalized income
(constant prices, 2006=100)

...but still significantly lower compared with the peak recorded in 2006.
Household income was higher than four years earlier...

...but still significantly lower compared with the peak recorded in 2006.
The increase in real equivalized income was not uniform across groups.

Change in mean equivalized income by household type from 2016 (1)

*(percentage points; changes at constant prices)*

**Work status**

- Payroll employee
- Self-employed
- Pensioner
- Other (not working)

**Quintiles of equivalized income**

- 1st quintile
- 2nd quintile
- 3rd quintile
- 4th quintile
- 5th quintile

(1) Work status refers to the household’s primary income earner.
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(percentage points; changes at constant prices)

Work status

Quintiles of equivalized income

(1) Work status refers to the household’s primary income earner.

Differences mainly attributable to social transfers.
Income distribution was influenced by the income support measures

A) Those introduced between 2016 and 2019 (esp. the minimum income/pension schemes)
B) Those temporary adopted in 2020 to cope with the pandemic (XO wage supplementation, emergency income, and COVID payments)

Some key facts:

- Total transfers in 2020 amounted to 2.3% of the respondent households’ monetary income (doubled w.r.t. 2016),
- Received by nearly one in four households (average amount €3,133),
- Greatest impact on household income from A) (received by 4% of households only; average amount €6,135; 65% recipients' income).
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Transfers limited the pandemic impact on inequalities in income distribution.

The Gini index remained broadly stable and the share of low-income individuals decreased.

Data source: David Loschiavo (Banca d’Italia)

Graph legend:
- Red line: Gini index
- Black line: Low-income individuals
- Orange line: Gini index (1)
- Black triangle: Low-income individuals (1) (2)

Notes:
1. New design weights.
2. 60% of median equivalized income. RHS scale.
Transfers limited the pandemic impact on inequalities

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(1) New design weights. (2) 60% of median equivalized income. RHS scale.
Average net wealth rose by 1.7%

- Growth driven by financial assets while real assets value was slightly lower than in 2016.
Average net wealth rose by 1.7%

- Growth driven by financial assets while real assets value was slightly lower than in 2016.
- The gap widened further between mean and median net wealth.
Therefore, net wealth inequality has increased.
Net wealth decreased for the middle-class

Average value of household net wealth across distribution
(thousands of euros; 2020 prices)

Figure: Bottom 30%

Figure: Central classes

Figure: Top 5%

- Increase for the top 5% driven by higher value of financial assets, savings growth, business-related assets.
Net wealth decreased for the middle-class

Average value of household net wealth across distribution

(Thousands of euros; 2020 prices)

**Figure: Bottom 30%**

**Figure: Central classes**

**Figure: Top 5%**

- Increase for the top 5% driven by higher value of financial assets, savings growth, business-related assets.
- Poorest 30% still accounting for less than 2% of total assets.
Net wealth decreased for the middle-class

Average value of household net wealth across distribution
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- **Figure: Bottom 30%**
- **Figure: Central classes**
- **Figure: Top 5%**

- Increase for the top 5% driven by higher value of financial assets, savings growth, business-related assets.
- Poorest 30% still accounting for less than 2% of total assets.
- Decrease for distribution’s central classes due to lower house prices.
The share of indebted households increased

Share of indebted households by reason for borrowing

(\textit{per cent})

\begin{itemize}
  \item[(1)] Includes consumer credit, home purchase or renovation loans, work-related debts, loans from friends or relatives, current account overdrafts and debt on revolving credit cards (the latter two items have only been included in the survey since 2008).
  \item[(2)] Includes loans for the purchase of means of transport, other durable goods and non-durable goods.
  \item[(3)] Values obtained using historical comparison weights.
  \item[(4)] Values obtained using the new design’s weights.
\end{itemize}
Yet, there was a decrease in the share of financially vulnerable households over total households (1) over those with debt (2) over those with debt(1) (2)

Households with an equivalized income below the median and annual debt service payments equal to more than 30 per cent of their income. (1) New design weights. (2) RHS.
Yet, there was a decrease in the share of financially vulnerable households.

Households with an equivalized income below the median and annual debt service payments equal to more than 30 per cent of their income. (1) New design weights. (2) RHS.

**Reduction due to lower interest rates and debt moratoriums (obtained by 7% of indebted HH)**
Takeaways

**Income**
Income growth stronger at the bottom of the distribution
Income inequality stable
Both results largely hinge on new income support measures

**Wealth**
Mild growth driven by financial wealth
Increase in inequality due to the different portfolio composition across the distribution

**Liabilities**
Higher share of indebted households...
...but less vulnerable (thanks also to moratoriums)

**According to the new design a country more unequal than it was previously thought**
Thank you!

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Household expenditure reached a historical low since 1980

Mean household consumption expenditure
(2020 prices; 2006=100)

The higher the income the greater the reduction.

David Loschiavo (Banca d’Italia)
Household expenditure reached a historical low since 1980

Mean household consumption expenditure

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As a result there was a sharp rise in saving rates

Share of households that saved part of their earnings by quintiles of equivalized income

(\textit{per cent})

\begin{itemize}
  \item 1st quintile
  \item 2nd quintile
  \item 3rd quintile
  \item 4th quintile
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\end{itemize}

\footnotesize{(1) New design weights.}
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Savings surge common among income classes but, in terms of absolute value, highest for the top quintile of income.

(1) New design weights.
Gini index of net wealth: cross country comparison

![Chart showing Gini index comparison for Germany, euro area, Spain, Netherlands, France, Italy - new design, and Italy - old design.](chart.png)
The effect of the new survey design on inequality and financial fragility measures (2020)

<table>
<thead>
<tr>
<th></th>
<th>New design weights</th>
<th>Weights for historical comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gini index</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household income</td>
<td>42.8</td>
<td>35.8</td>
</tr>
<tr>
<td>Equivalized income</td>
<td>39.5</td>
<td>33.3</td>
</tr>
<tr>
<td>Household net wealth</td>
<td>68.2</td>
<td>64.7</td>
</tr>
<tr>
<td><strong>Low-income individuals (1)</strong></td>
<td>21.6</td>
<td>21.4</td>
</tr>
<tr>
<td><strong>Indebted households (2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of total households</td>
<td>21.3</td>
<td>18.9</td>
</tr>
<tr>
<td>Share of households in the 1st quartile of equivalized income</td>
<td>12.4</td>
<td>11.1</td>
</tr>
<tr>
<td>Share of financially vulnerable households (3)</td>
<td>1.8</td>
<td>1.2</td>
</tr>
</tbody>
</table>

(1) Low-income individuals are defined as those who live on an equivalized income that is less than 60 per cent of the median. (2) Only includes debt for property purchases or renovations and for purchases of consumer goods. (3) Share of indebted households over total households with an equivalized income below the median and annual debt service payments equal to more than 30 per cent of their income.