Household Finance and Consumption Survey: results from wave 2021

Jirka Slacalek
based on joint work with members of the
Household Finance and Consumption Network

SUERF/NBS/Bocconi webinar

28th September, 2023

All opinions expressed are personal and do not necessarily represent the views of the European Central Bank or the European System of Central Banks.

What is the HFCS?

Household Finance and Consumption Survey

- Best source of cross-country comparable micro data on household wealth in the euro area

- Comprehensive common list of output variables (~270):
wealth components (assets, debt); income; consumption and credit constraints

- Collected in 2010, 2014, 2017 and 2021*; next wave in 2023

- In the last wave 83,000 households interviewed in 22 countries (EA + CZ, HU)

- Probability sampling used in all countries, with oversampling of the wealthy applied in most countries (important to maximise the reliability of estimates)

- Panel dimension in 13 countries

Main results, 2017-2021

1. Rebound of net wealth
   Strong gains in net wealth across distribution: 13.3% median, 13.1% mean. However, heterogeneity in growth rates for particular groups

2. Broad-based real income gains: 3.2% median, 3.8% mean

3. Financial vulnerability declining
   - For most household groups, declining debt-assets, LTV ratios; stable debt-income, debt service-income ratios
   - Reduction in debt-income ratios of low-income households
   - Some decline in share of adjustable-rate mortgages: from 46% to 42%

4. Wealth inequality stable
   Small reduction in lower half, small increase in upper half of distribution

Size and composition of real and financial assets

Mean assets and liabilities by net wealth quintile, euro area, 2021, EUR thousands
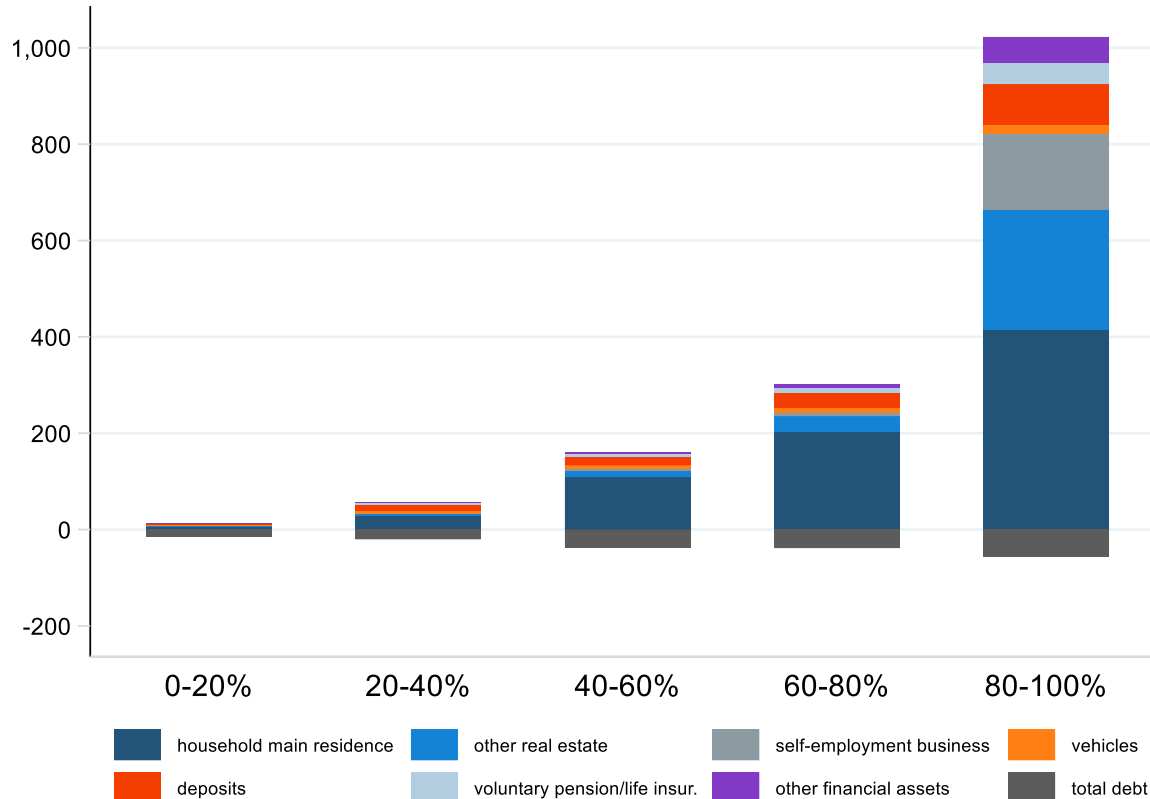

Stylized Facts:

1. Assets increase with net wealth, much more than debt

2. Household Main Residence (HMR) is the largest asset for most households

3. Total assets are dominated by real assets (HMR, other real estate)

4. Portfolios are in general not very diversified, though more so for the rich
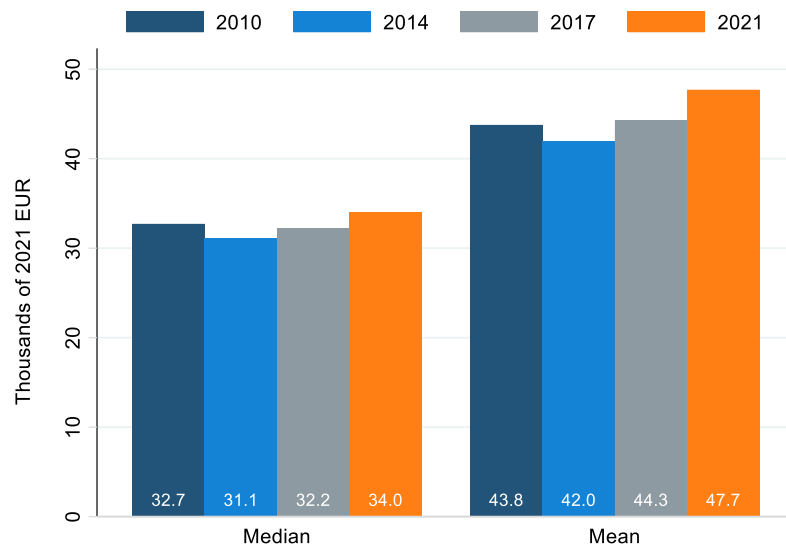
Wealth and income; median, mean 2010-2021

Rebound of net wealth; growth 2017-2021: 13.3% median, 13.1% mean

Broad-based gross household income gains; growth 2017-2021: 3.2% median, 3.8% mean

Net wealth, median and mean, euro area
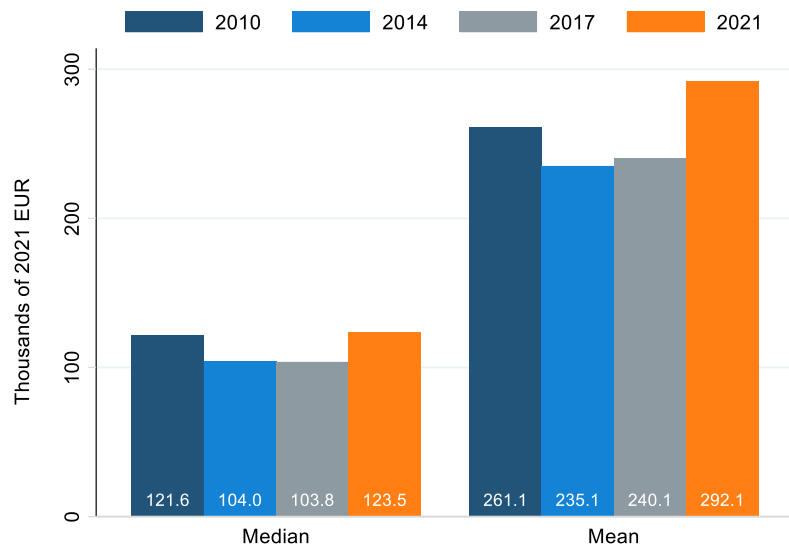
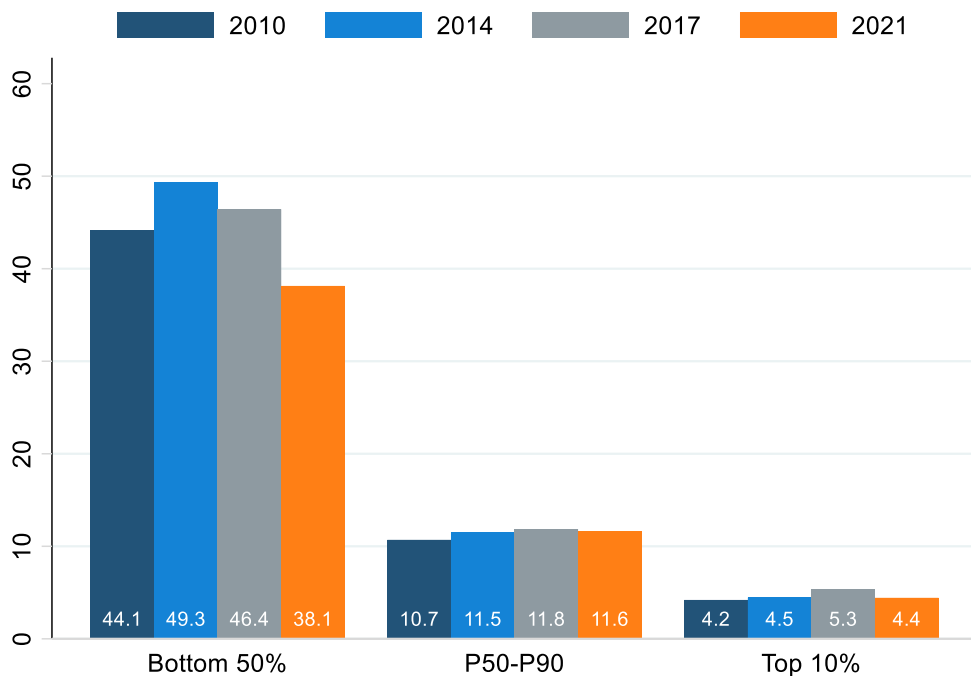**Gross household income**, median and mean, euro area

Source: HFCS. Data for 2010 do not include Estonia, Ireland, Latvia, and Lithuania; data for 2014 do not include Lithuania.

Three additional results

# 1. Deleveraging for poorer households, due to higher assets

Total debt over total assets, across net wealth distribution, percent

- Lower parts of wealth distribution have much higher debt-assets ratios

- 2017-2021: Large decline in ratios for bottom 50%

- Small decline for top half, including top 10%

- Decline largely due to higher values and accumulation of assets

# 1. Deleveraging and accumulation of liquid assets

Debt service over liquid assets, debtors, across net wealth distribution, percent
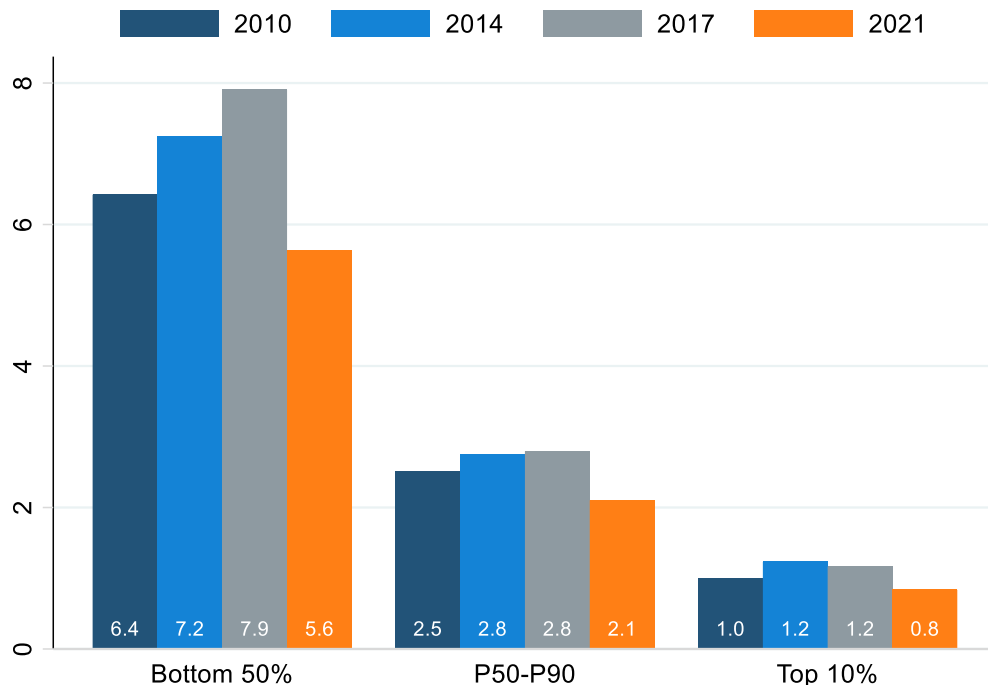
- Large buffers for top 10%: Mean liquid assets about 100 times monthly debt service

- Strong drop across distribution, especially for bottom half

- Driven mostly by increasing liquid assets

2. Decline in share of hand-to-mouth households from 22 to 17%, some decrease in marginal propensity to consume

Share of wealthy and poor hand-to-mouth

Marginal propensity to consume out of transitory income
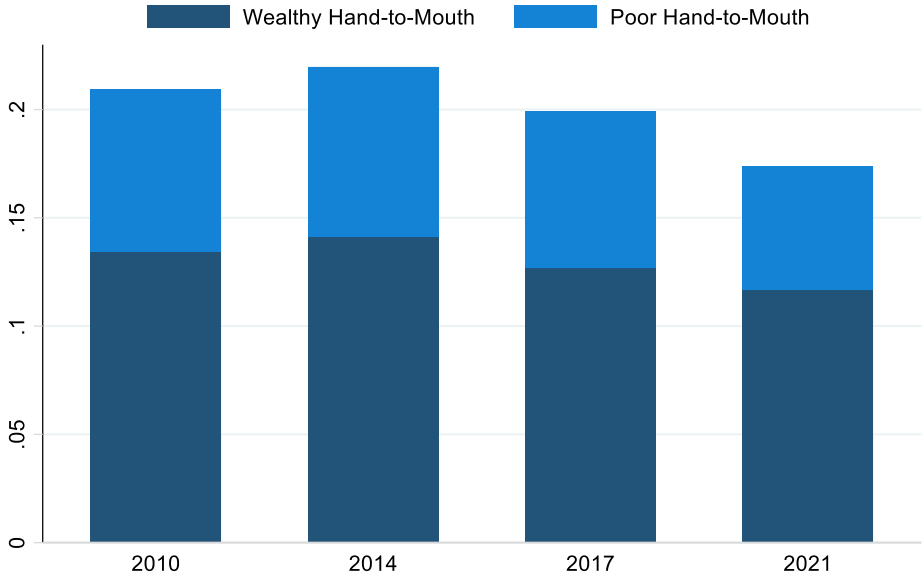
Hand-to-mouth households are those who hold liquid assets worth less than two weeks of their income. Wealthy hand-to-mouth own illiquid assets (housing); poor hand-to-mouth do not.
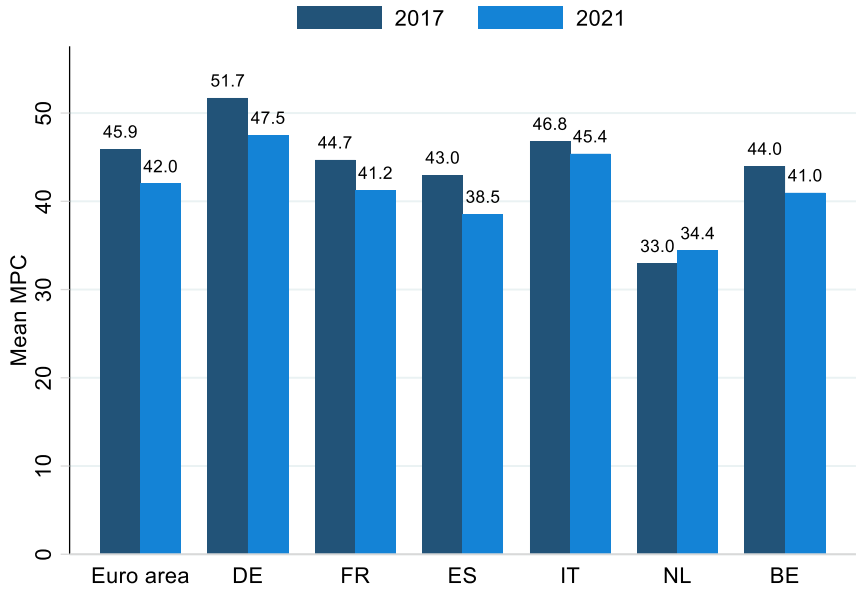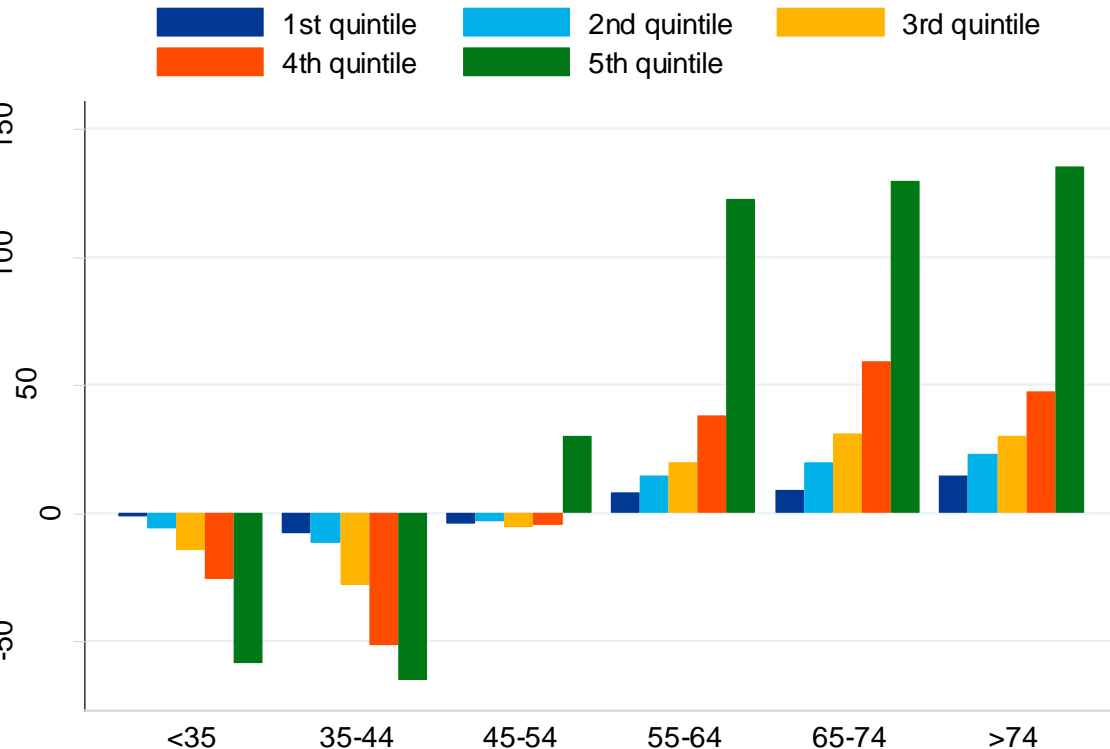
Answers to a counterfactual survey question on spending over one year horizon from unexpected windfall lottery gain worth one month of income. Euro area + top 6 countries.

# 3. Exposures to inflation risk – Net nominal positions, 2021

Average net nominal positions by age and income quintile
(within age), 2021, EUR thousands

- Older and richer households tend to have larger nominal deposits
  => lose from inflation shocks

- Younger households tend to hold debt, benefit (via this channel)

3. Exposures to inflation risk – Net nominal positions, 2017

Average net nominal positions by age and income quintile (within age), 2017, EUR thousands

- 1st quintile
- 2nd quintile
- 3rd quintile
- 4th quintile
- 5th quintile
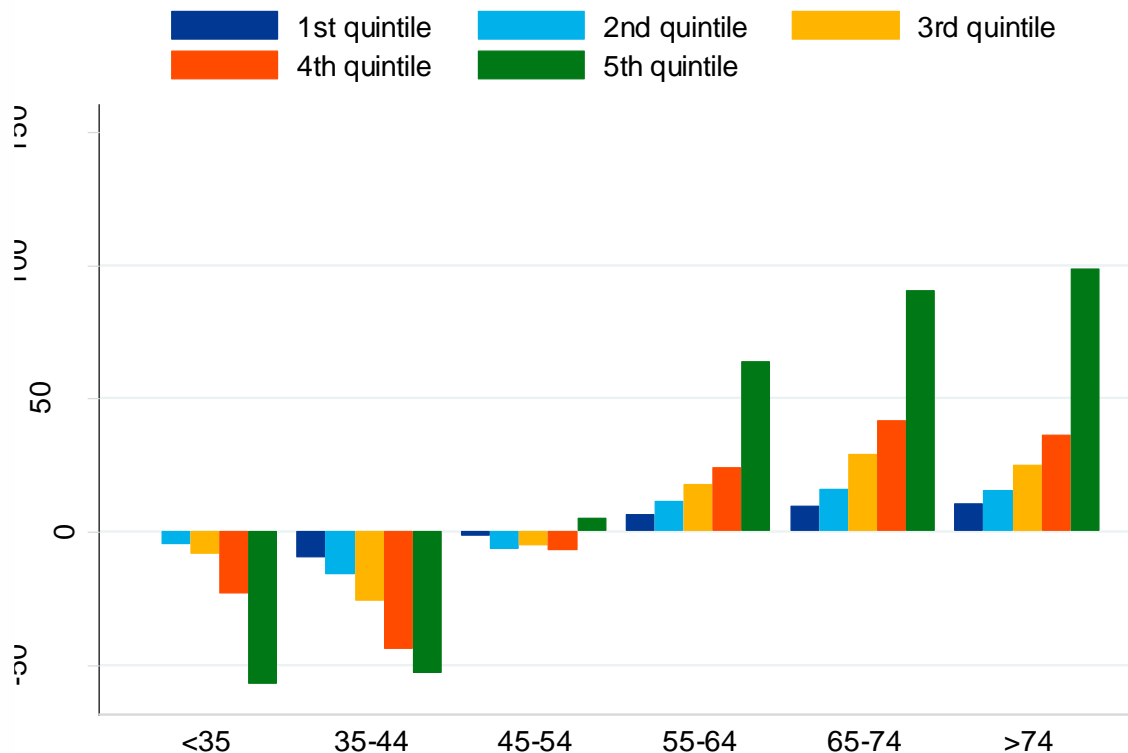
- Since 2017 increase in positions in top quintiles

Thank you