

THE SPANISH SURVEY OF HOUSEHOLD FINANCES (EFF) 2020: METHODS AND MAIN RESULTS

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SUERF/NBS/BOCCONI WEBINAR ON HFCS

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OUTLINE

1. Brief description of the methodological aspects of the 2020 edition
2. Brief summary of some of descriptive results of the EFF2020, and the most significant changes observed with respect to past editions
 - Income
 - Wealth
 - Assets
 - Debts
3. Some results from the COVID module: impacts of employment losses and income reductions

Seventh edition of the survey, following those of 2002, 2005, 2008, 2011, 2014 and 2017 (biennial frequency from 2020 on)

Interviews were collected from mid November 2020 until end of June 2021

Pandemic mobility and health restrictions led us to change the interview mode from CAPI to CATI

(A continuous monitoring and comprehensive analysis of several indicators of data quality show that comparability of the data with previous waves has not been compromised seriously by this circumstance)

The EFF2020 provides a representative picture of the composition and distribution of assets and debts referring to the end of 2020 (except for the annual income, that refers to 2019)

The number of valid interviews was 6313, 60.7% corresponds to panel households (hhs interviewed in 2017)

The questionnaire includes a new section on the impact of the covid-19 crisis on the economic situation of households

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HOUSEHOLD INCOME: THE ECONOMIC GROWTH BETWEEN 2016 Y 2019 LED TO IMPORTANT IMPROVEMENTS IN HOUSEHOLD INCOME, BUT WITH REMARKABLE DIFFERENCES ACROSS GROUPS

In the period 2016-19, the average income increased by 10.7% and the median income by 14.1% (*)

For most of the groups, the median income in 2019 was above the level observed in 2010 (including the youngest households)

Households whose head is **self-employed** experienced the largest increases in median household income, exceeding 20%

For households in the **bottom quintile of the income distribution**, the median income hardly changed in 2016-2019

MEDIAN HOUSEHOLD INCOME BY INCOME PERCENTILE

Percentage of variation (%)



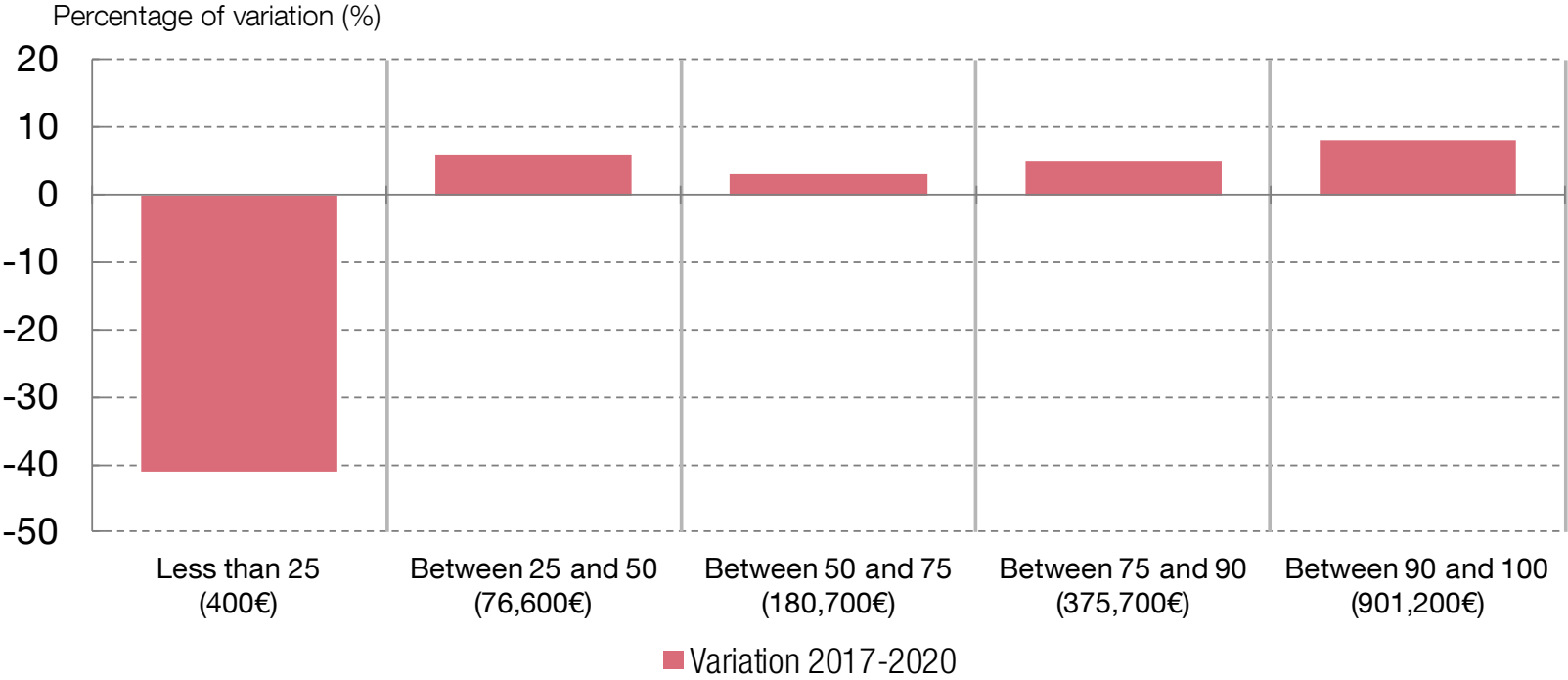
Sources: EFF and Banco de España.

(*) All magnitudes are expressed in euros of 2020.

NET WEALTH: AS IN THE CASE OF HOUSEHOLD INCOME IT HAS GROWN IN THE LAST YEARS, BUT THIS INCREASE MASKS DIFFERENCES ACROSS GROUPS

Between 2017 and 2020, the median net wealth grew by 4.6%, reversing the downward trend observed in the 2011-2017 period (which accumulated a decline of 27%)

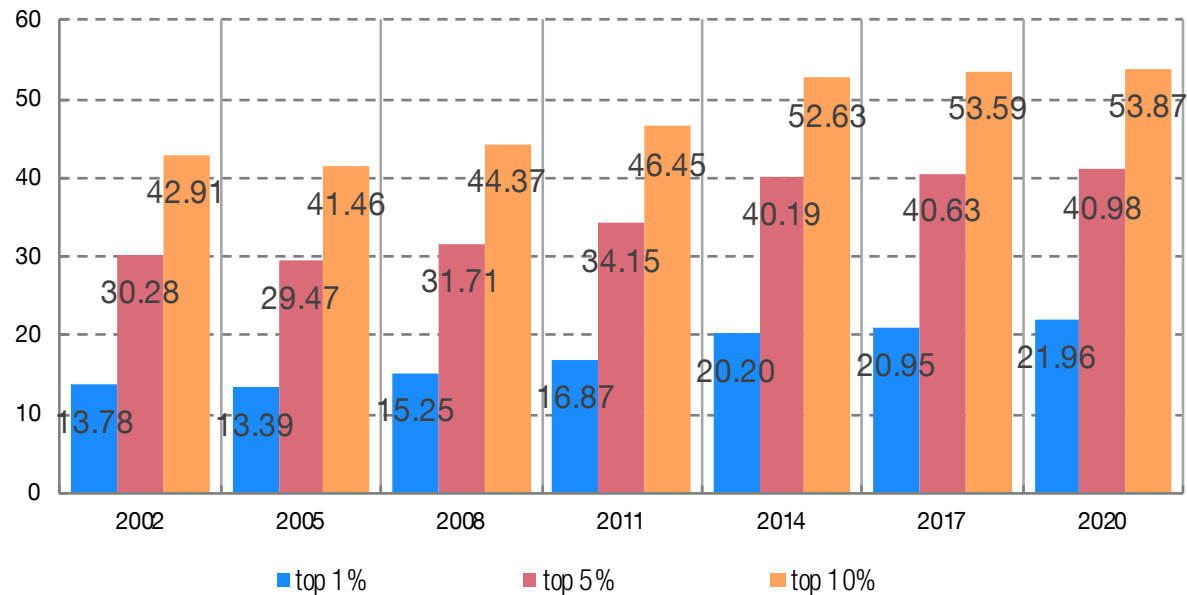
MEDIAN OF NET WEALTH BY NET WEALTH PERCENTILE



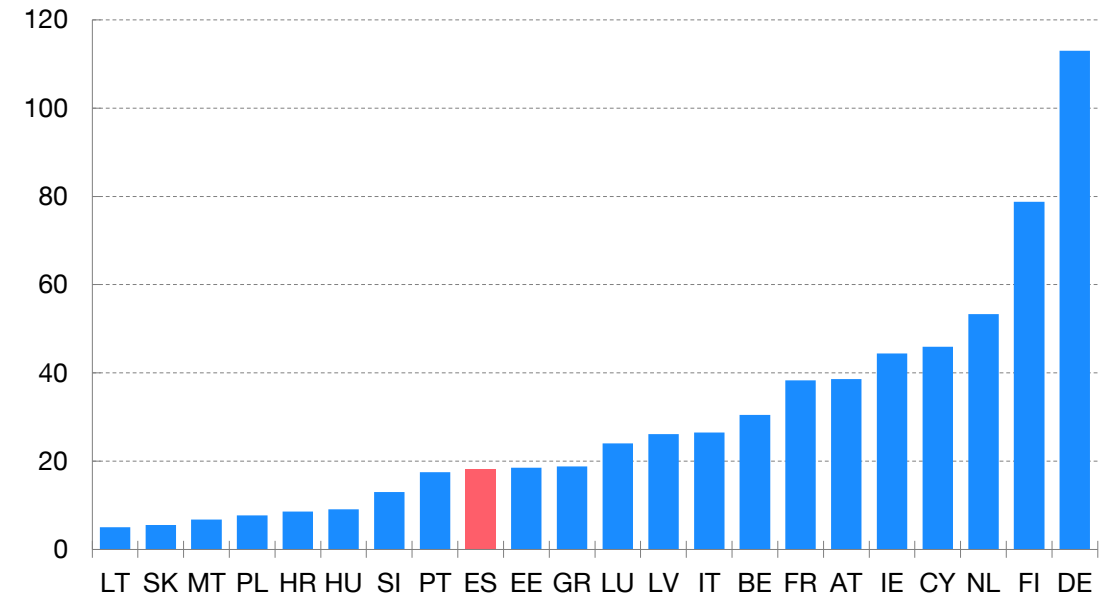
Sources: EFF and Banco de España
(*) Median net wealth by group in 2020 in parenthesis.

- The concentration of net wealth has increased continuously since 2002.
- However, from an international perspective, wealth inequality in Spain remains in relatively low levels

PERCENTAGE OF THE OVERALL NET WEALTH THAT IS OWNED BY THE HOUSEHOLD IN THE UPPER PART OF THE NET WEALTH



NET WEALTH INEQUALITY: RATIO P80/P20 IN 2017



Sources: EFF, Banco de España and HFCS.
 (*) Net wealth = Real assets + Financial assets - Debts.

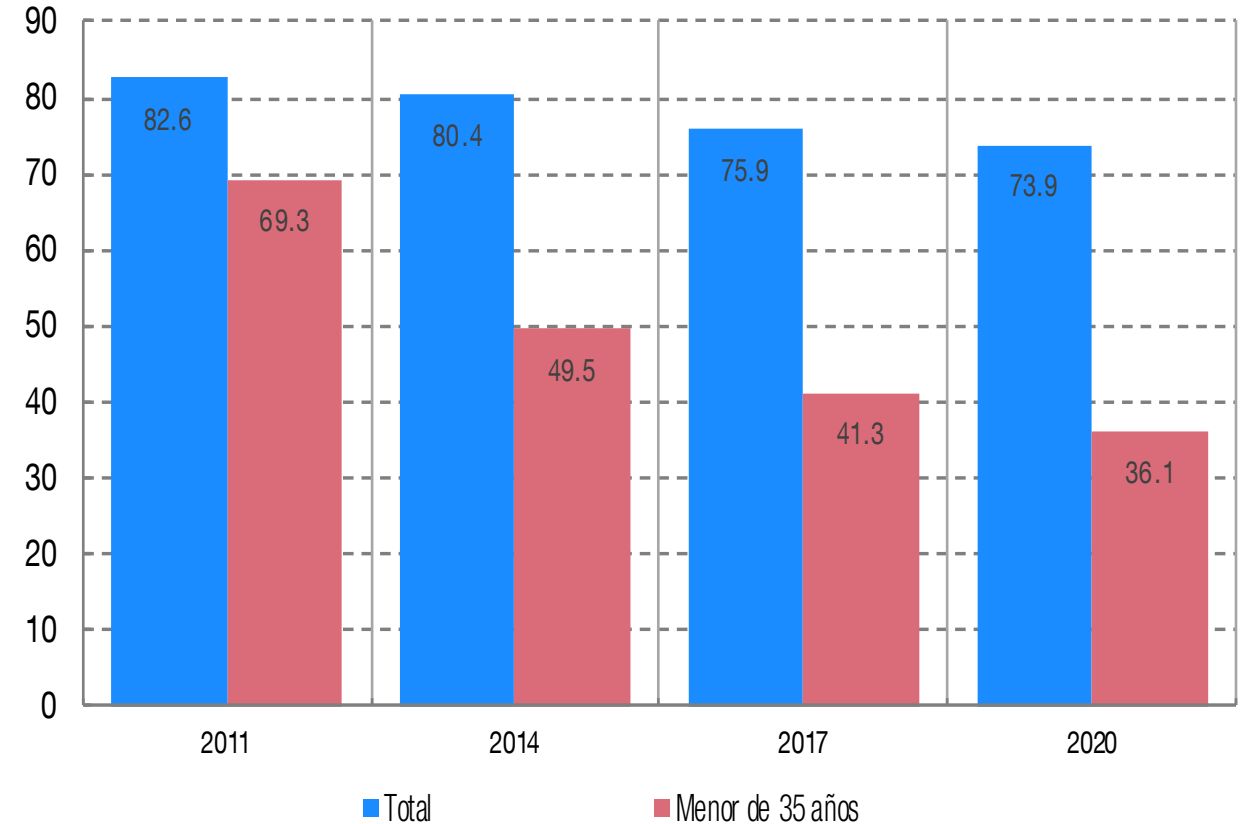
REAL ASSETS: BETWEEN 2017 AND 2020, THE PERCENTAGE OF HOUSEHOLDS OWNING THEIR MAIN RESIDENCE CONTINUED TO DECREASE (FROM 75.9% TO 73.9%)

This is specially the case among households whose head is under 35 years (decrease of 5.2 pp)

Between 2011 and 2020, the ownership rate among the youngest households fell by 33 pp (from 69.3% to 36.1%)

By the end of 2020, 32.6% of households owned a dwelling that was not their main residence (31.9% in 2017)

PERCENTAGE OF HOUSEHOLDS THAT OWN THEIR MAIN RESIDENCE

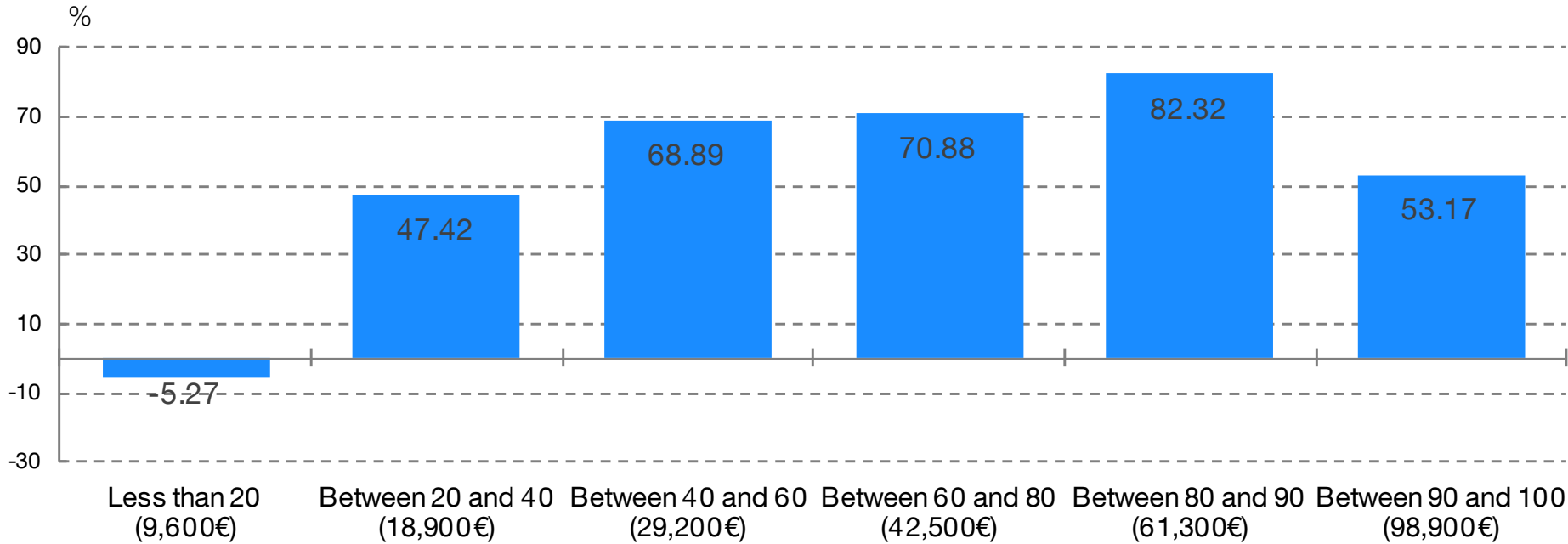


Sources: EFF and Banco de España.

FINANCIAL ASSETS: BETWEEN 2017 AND 2020, THE MEDIAN BALANCE IN BANK ACCOUNTS FOR MAKING PAYMENTS INCREASED VERY SUBSTANTIALLY (BY 54%), FROM 4,500 € TO 6,900 €.

Significant increase across the board, except for households whose head was unemployed or economically inactive (small increase) and households in the bottom quintile of the income distribution (median balance fell)

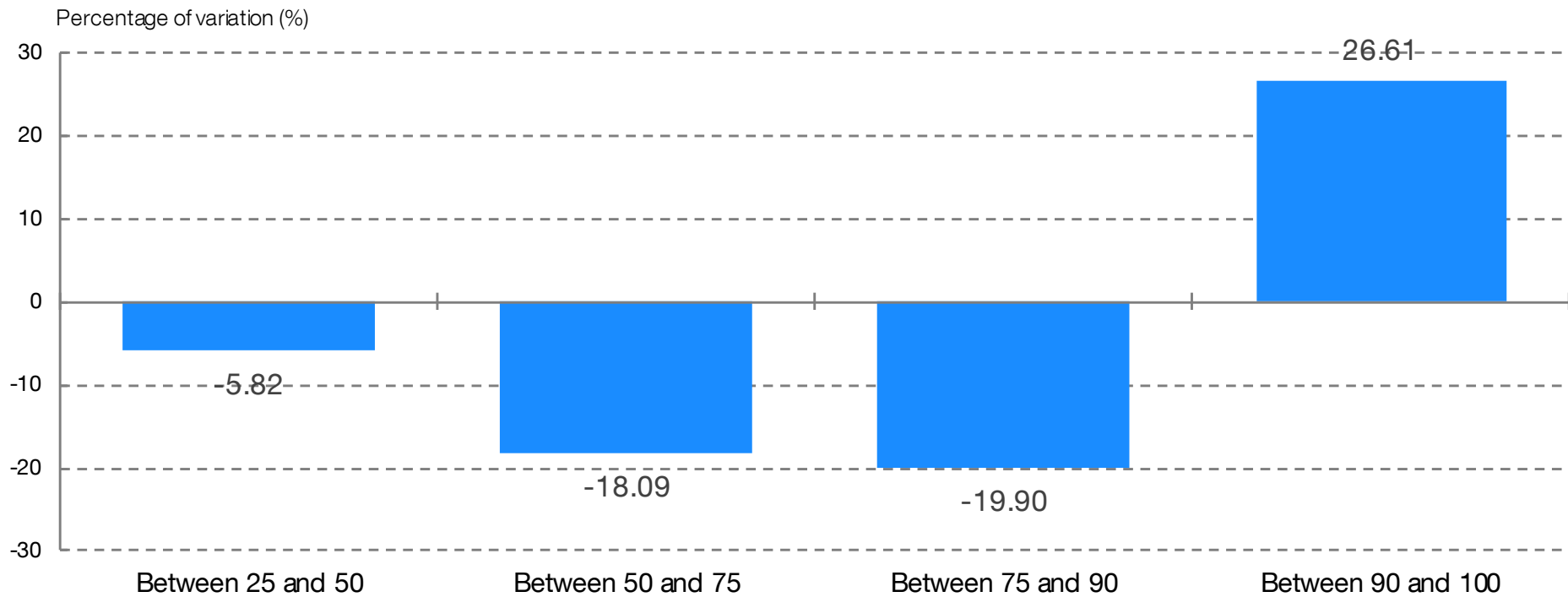
CHANGE BETWEEN 2017 AND 2020 IN THE MEDIAN BALANCE HELD IN BANK ACCOUNTS FOR MAKING PAYMENTS, BY INCOME GROUP



Sources: EFF Banco de España.
(* Median net wealth by group in 2020 in parenthesis.

Despite this decline is observed across almost all groups, for households in the top decile of the wealth distribution this balance increased by 26.6%, from 71,300 € to 90,200 €

CHANGE BETWEEN 2017 AND 2020 IN THE MEDIAN BALANCE INVESTED IN INVESTMENT FUNDS, BY NET WEALTH

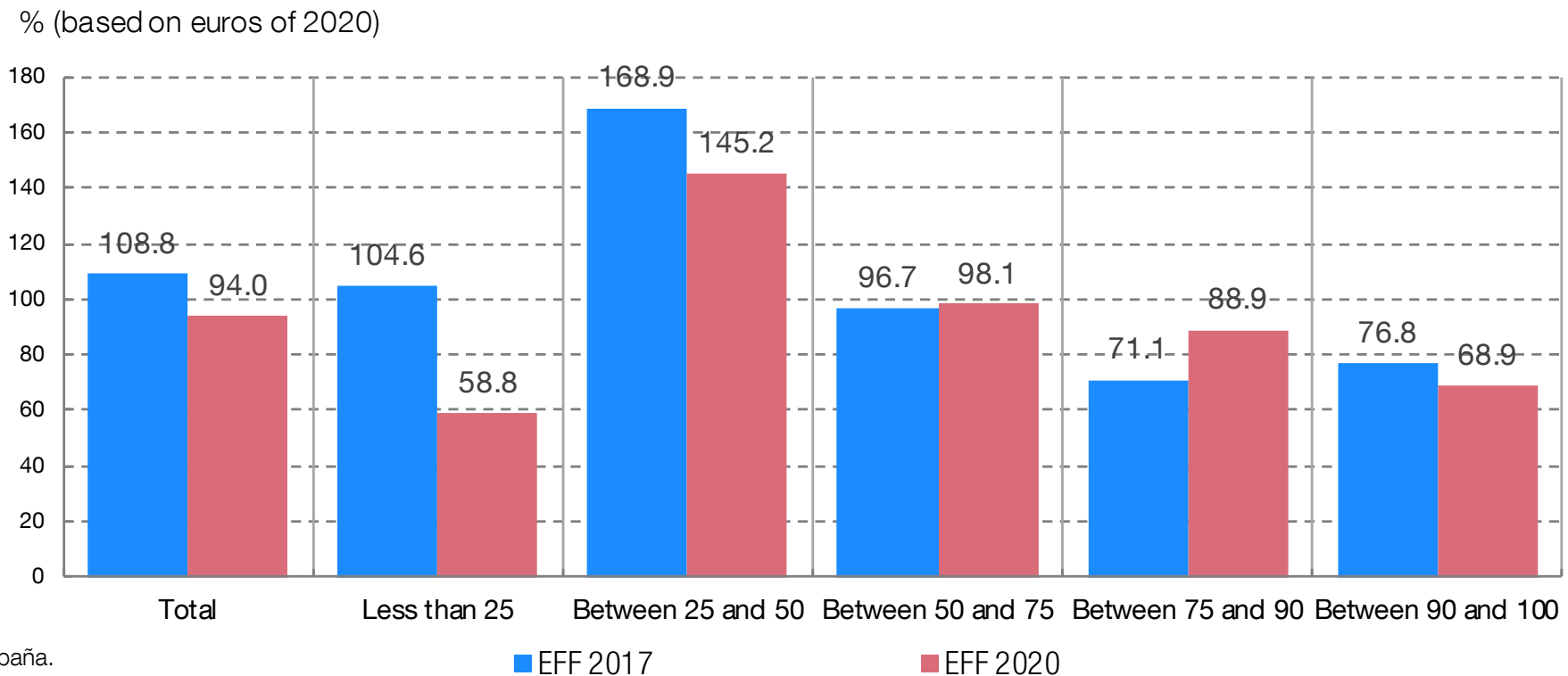


Sources: EFF and Banco de España.

DEBTS: FROM 2017, THE RATIO OF TOTAL DEBT TO GROSS HOUSEHOLD INCOME HAS DECREASED SHARPLY ...

- Among indebted households at the bottom of the net wealth distribution, the value of outstanding debts associated to **personal loans** grows
- Among indebted households in the upper part of the net wealth distribution, the value of outstanding debts associated to the purchase of “**other real estate properties**” grows

MEDIAN VALUE OF THE RATIO DEBT/HOUSEHOLD INCOME BY WEALTH GROUP

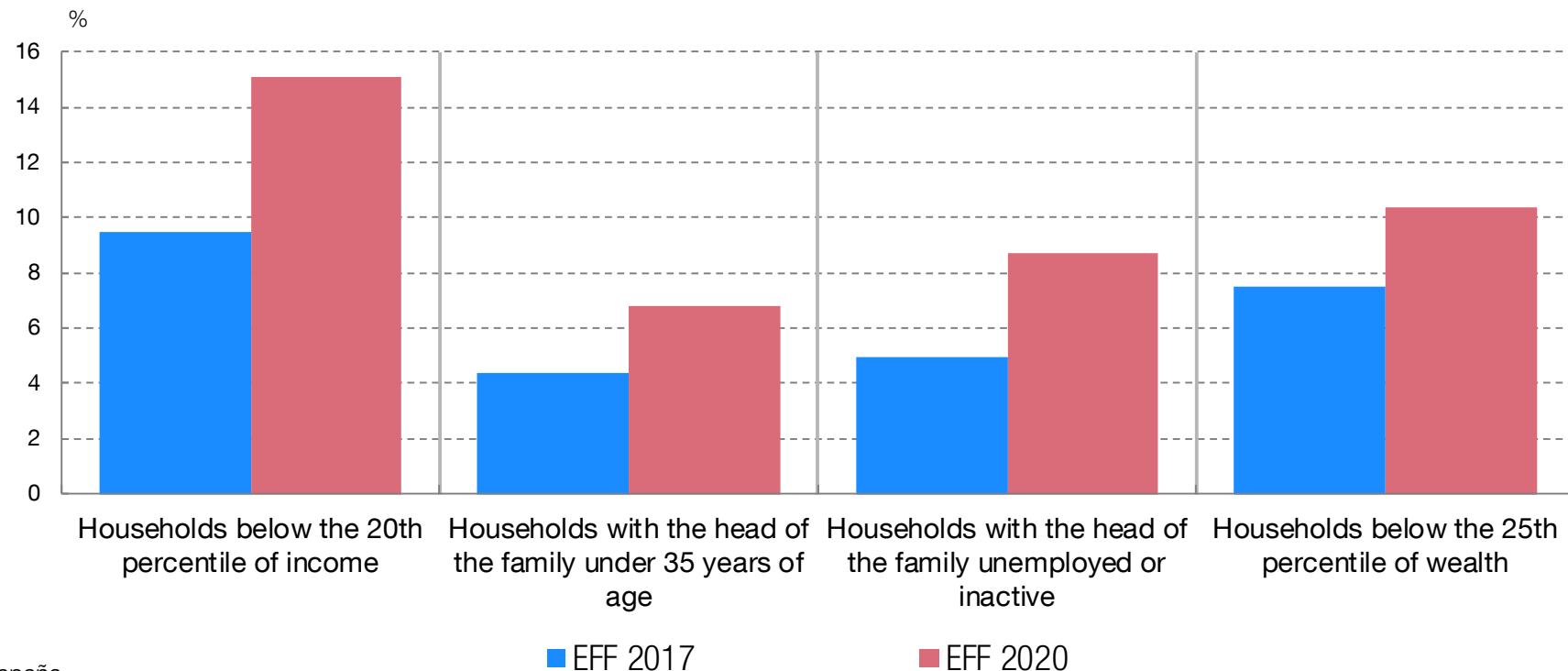


Sources: EFF and Banco de España.

DEBTS: ... AND THE PERCENTAGE OF HOUSEHOLDS SETTING ASIDE MORE THAN 40% OF THEIR GROSS INCOME TO DEBT PAYMENTS HAS INCREASED (BY 1 PP)

This increase was concentrated in **lower income** households, households whose head was **under 35**, those who was **unemployed or economically inactive** and those households in the **bottom quartile of the net wealth distribution**

PERCENTAGE OF HOUSEHOLDS SETTING ASIDE MORE THAN 40% PERCENT OF THEIR GROSS INCOME TO DEBT PAYMENTS, BY GROUPS



Sources: EFF and Banco de España.

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28% of Spaniards aged 18-64 and in the labour force experienced job losses or business closures, temporal reductions in the number of hours of work or salary, or had been on furlough between the beginning of the pandemic and June 2021.

- By duration:
 - 50% of those affected experienced employment shocks longer than 6 months.
- By type of employment shock:
 - 44% of those affected were on furlough,
 - 26% experienced job losses or business closures and
 - 30% kept their employment but with temporal reductions in the number of hours of work or salary.

Using the longitudinal information from the EFF2017 and EFF2020, we analyse how these employment shocks driven by the pandemic are associated to changes in particular outcomes related to the households' financial situation, expectations and life satisfaction between 2017 and 2020.

Individual labour income (median):

- It fell substantially (between 2019 and 2020) for individuals affected for more than 6 months (55%) and those who experienced job losses and business closures (100%) as opposed to individuals affected for shorter durations and non-affected.
- Public measures such as unemployment benefits and others associated to furlough schema seem to have played an important protective role. Once we account for them, those falls gets reduced to 21% and 30% respectively.

Uncertainty about future household income:

- **Uncertainty** (as measure by the standard deviation of households' subjective probabilistic expectations) increased for all groups between 2017 and 2020.
- **More important increases** among those longer affected, those who experienced job losses or business closures, and those who experienced reductions in working hours not covered by furlough schema.

Debts:

- The median level of total household debt increased by 29% for those individuals affected for more than 6 months.
- This increase is mainly driven by debts different from mortgages.

Net wealth:

- The increase in total household debt might explain why net wealth increased 8.3pp less among longer affected as compared to the rest.

Life satisfaction:

- Average life satisfaction levels remained stable for all groups except for those who experienced job losses and business closures, for whom it decreased.



More details can be found at:

<https://repositorio.bde.es/bitstream/123456789/22954/1/be2203-art21e.pdf>

Results on the covid-19 effects will be available in a BdE document to be released soon...

THANK YOU FOR YOUR ATTENTION

