New ESCB experimental statistics: Household Distributional Wealth Accounts

Press briefing
Frankfurt, 8 January 2024

Caroline Willeke
Deputy Director General Statistics, European Central Bank
Overview

1. Distributional Wealth Accounts (DWA): main features
2. DWA - key developments
3. ECB publications, data access and visualisations
1. DWA: main features
1. DWA main features

1.1 Linking micro and macro data on wealth

**Macro-aggregates**
National Accounts (NA)

- Integrated and exhaustive
- International standards on methodology and breakdowns
- Good frequency and timeliness
- **Limitation**: No breakdown within household sector

**Distributional data**
Household Finance and Consumption Survey (HFCS)

- Distributional breakdowns
- About 80,000 households (2021)
- Every three to four years since 2010
- **Limitation**: Low frequency and timeliness, missing wealth

**Distributional Wealth Accounts**

- **Link** HFCS and NA
- **Provide added value**: Consistent with NA
  Estimate of missing wealth
  Quarterly time series
  Good timeliness
- **Experimental**: sufficiently reliable for analytical and policy use while involving substantial assumptions
1. DWA main features

1.2 Comparing HFCS and NA totals

**Challenge:** closing the coverage gap on net wealth (*main assets minus liabilities*)

Coverage ratio = Survey wealth / National Accounts wealth

* See more details in slide 15

Gap is larger for some instruments, e.g. deposits, and differs across countries.
2. Key data developments
2. Key data developments

2.1 Distinguishing developments by wealth decile

Household net wealth split by wealth groups, euro area

Top 10% holds 56% of net wealth
Bottom 50% holds 5%

Source: ECB

DWA distinguish developments by deciles, while so far National Accounts showed only totals for all households.
2. Key data developments

2.2 Distinguishing developments by housing and working status

Growth concentrated amongst homeowners

Working status not determinant

Household net wealth
More than 60% of households are homeowners and have benefited from the rise in housing prices, leading to a slight decrease in wealth inequality (the Gini coefficient has declined by about 1 percentage point).
The share of wealth held by the top 5% in the euro area has not increased since 2015, and in fact has slightly decreased in recent years across most (though not all) countries. Still, the top 5% still hold close to 43% of wealth.
2. Key data developments

2.5 Comparison with the USA

Wealth inequality more pronounced in the United States.

Home ownership dampens inequality both in euro area and US.

Note: Data for the US include more instruments: currency, pension entitlements and consumer durables.
3. ECB publications, data access and visualisations
3. ECB publications, data access and visualisations

Access to data:
- ECB Data Portal

Visualizations:
- Interactive tables on ECB website

Further information:
- Overview note
- Detailed methodological note

Future releases
- DWA is published 5 months after the end of the reference quarter
Annexes
Annex 1. DWA main features

a. Wealth concept for DWA

Linking net wealth items between the household survey and Sector Accounts

*Items with high or medium comparability included in DWA:*

- **Financial assets**
  - Deposits
  - Bonds
  - Investment funds
  - Listed shares
  - Unlisted equity
  - Life insurance

- **Non-financial assets**
  - Non-financial business wealth
  - Housing

- **Liabilities**
  - Mortgage loans
  - Other loans

*Items with low comparability not included in DWA:*

- Currency (no data in HFCS)
- Pension entitlements (low comparability with HFCS)
- Social security pensions (outside the QSA)

The DWA cover about 90% of the euro area households’ assets and liabilities.
Annex 1. DWA main features

b. Net wealth: DWA coverage of the instruments available in national accounts

<table>
<thead>
<tr>
<th>Code</th>
<th>Instruments</th>
<th>Assets</th>
<th>Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Included in DWA</td>
<td>Not included</td>
<td>Included in DWA</td>
</tr>
<tr>
<td>F21</td>
<td>Banknotes and coins</td>
<td>1%</td>
<td>0%</td>
<td>88%</td>
</tr>
<tr>
<td>F2M</td>
<td>Deposits</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F3</td>
<td>Debt securities</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F4</td>
<td>Loans</td>
<td>0%</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>F5</td>
<td>Equity</td>
<td>12%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>F62</td>
<td>Life insurance</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F6O</td>
<td>Non-life insurance</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F6M</td>
<td>Pension entitlements</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F8</td>
<td>Trade credits and other accounts receivable</td>
<td>1%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Housing wealth</td>
<td>54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business assets</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total coverage in DWA</td>
<td>93%</td>
<td>7%</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td>Total sector accounts</td>
<td>100%</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>
Annex 1. DWA main features

c. Coverage ratios for each country (for net wealth)

Initial HFCS/QSA coverage ratios, HFCS wave 4 (net wealth)
Annex 1. DWA main features

\textit{d. Estimation methods}

- Individual instruments (deposits, equity etc.) are matched, with some adaptations
  - Concepts used in the NA and HFCS have to be bridged.

- The missing wealthiest households are added
  - Household survey results (HFCS) are augmented with (enriched) media sources and “synthetic” households, assuming the shape of the distribution of the top tail.

- Quarterly time series are compiled by interpolation/extrapolation
  - Captures recent trends affecting wealth inequality (e.g. due to price changes), though not all causes of changes in distribution.
Annex 1. DWA main features

e. More detailed steps from HFCS to DWA results

- Define wealth concept
- Adjust instruments
- Adjust timing
- Adjust population
- Estimate missing breakdowns and distributions
- Correct for under-reporting
- Correct for missing wealthy
- Gross-up for remaining gaps
Annex 2. DWA publication & developments

Instruments, indicators and breakdowns published

**Instruments**

- Net wealth
- Total Assets
- Total Liabilities
- Deposits
- Debt securities
- Listed shares
- Investment fund shares
- Life insurance and annuity entitlements
- Unlisted shares and other equity
- Non-financial business wealth
- Housing wealth
- Mortgage debt
- Other debt

**Indicators**

- Top 5%
- Top 10%
- Bottom 50%
- Gini
- Median
- Mean
- Debt to asset ratio

Instruments are crossed by (i) deciles, (ii) housing status and (iii) working status.