New ESCB experimental statistics: Household Distributional Wealth Accounts

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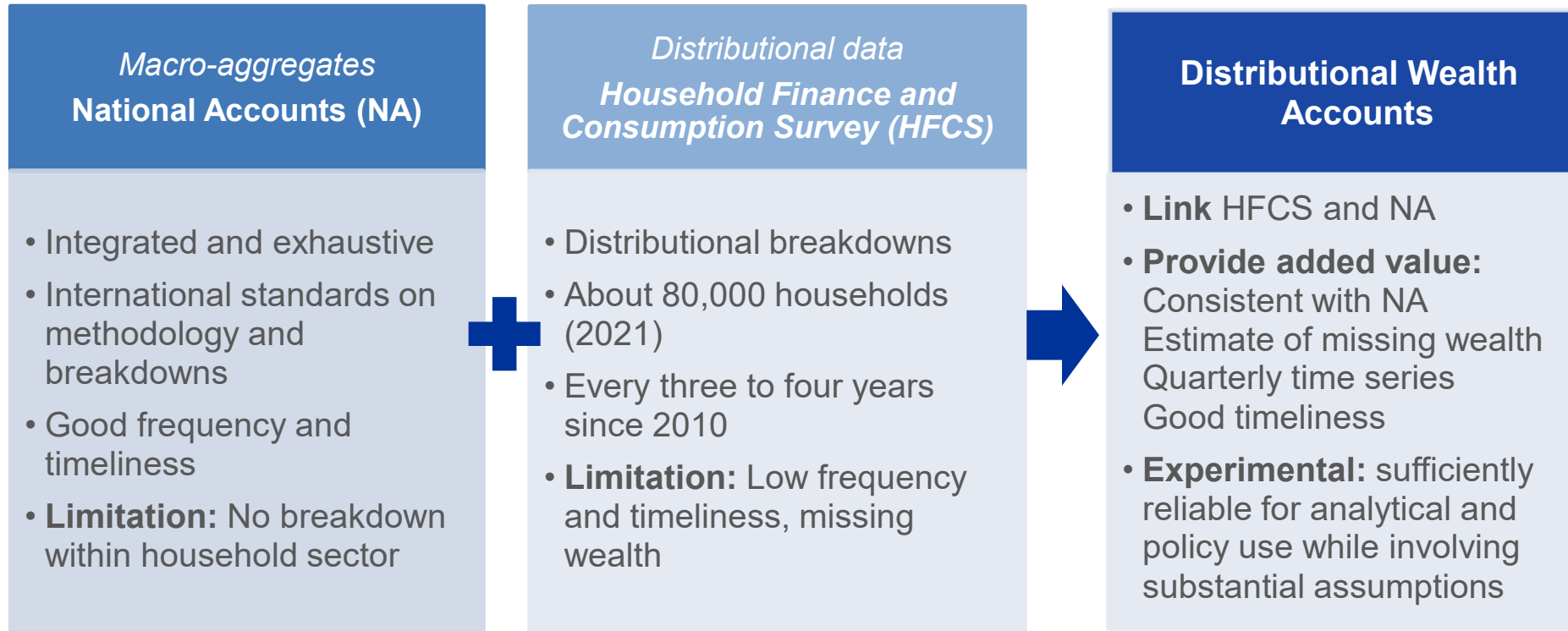Deputy Director General Statistics, European Central Bank

Overview

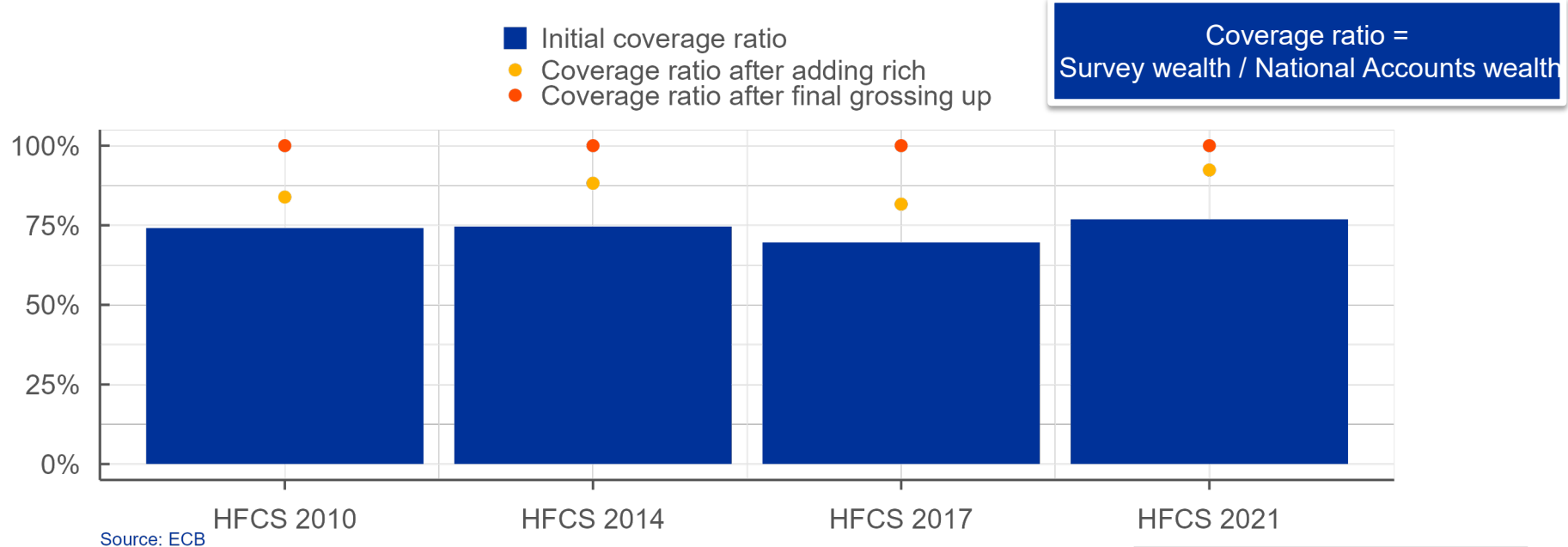| 1	Distributional Wealth Accounts (DWA): main features
2	DWA - key developments
3	ECB publications, data access and visualisations

1. DWA: main features

1. DWA main features

1.1 Linking micro and macro data on wealth

Macro-aggregates **National Accounts (NA)**	*Distributional data* **Household Finance and Consumption Survey (HFCS)**	**Distributional Wealth Accounts**
• Integrated and exhaustive • International standards on methodology and breakdowns • Good frequency and timeliness • **Limitation:** No breakdown within household sector	• Distributional breakdowns • About 80,000 households (2021) • Every three to four years since 2010 • **Limitation:** Low frequency and timeliness, missing wealth	• **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*)*
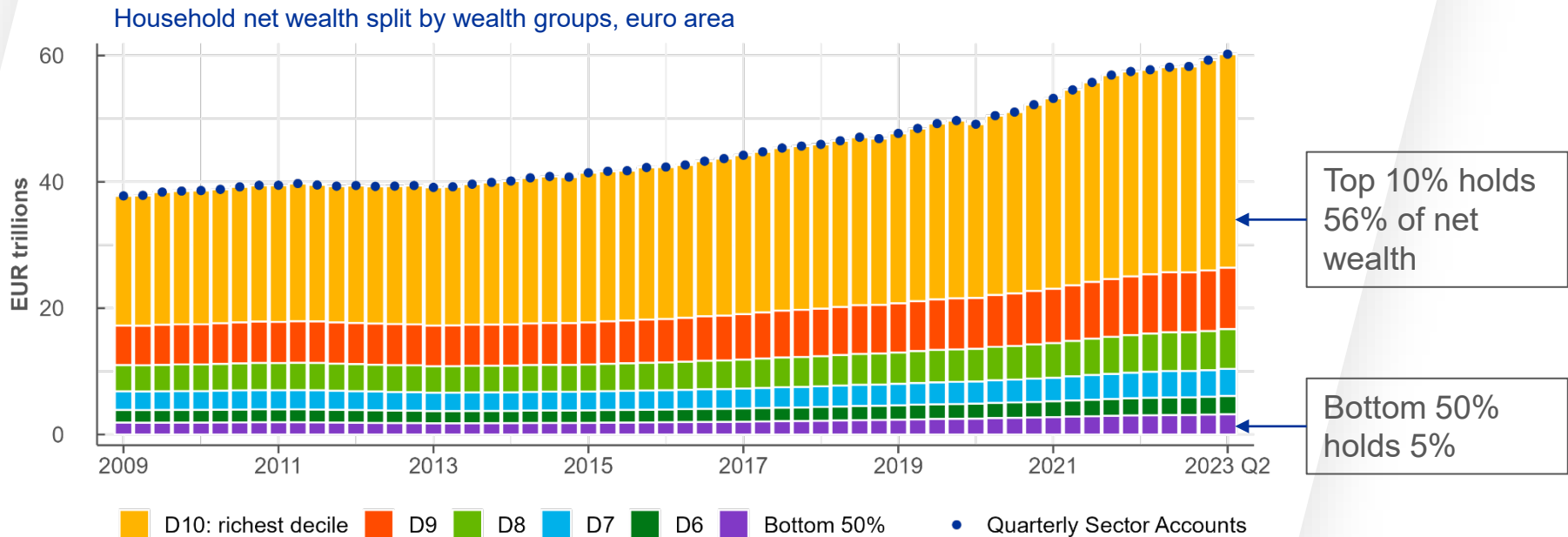

Legend:
- ■ Initial coverage ratio
- ● Coverage ratio after adding rich
- ● Coverage ratio after final grossing up

Coverage ratio =
Survey wealth / National Accounts wealth

Source: ECB

* See more details in slide 15

Gap is larger for some instruments, e.g. deposits, and differs across countries.

2. Key data developments

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2. Key data developments

2.1 Distinguishing developments by wealth decile

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

Household net wealth split by wealth groups, euro area

Top 10% holds 56% of net wealth

Bottom 50% holds 5%

Legend: D10: richest decile | D9 | D8 | D7 | D6 | Bottom 50% | • Quarterly Sector Accounts

Source: ECB

2. Key data developments

2.2 Distinguishing developments by housing and working status

Household net wealth

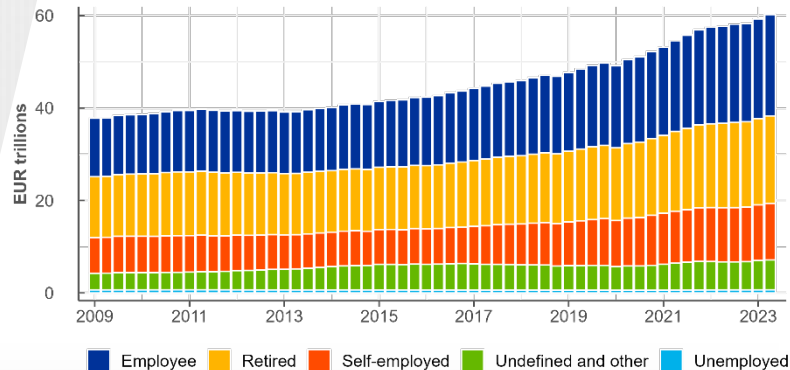Housing status, euro area
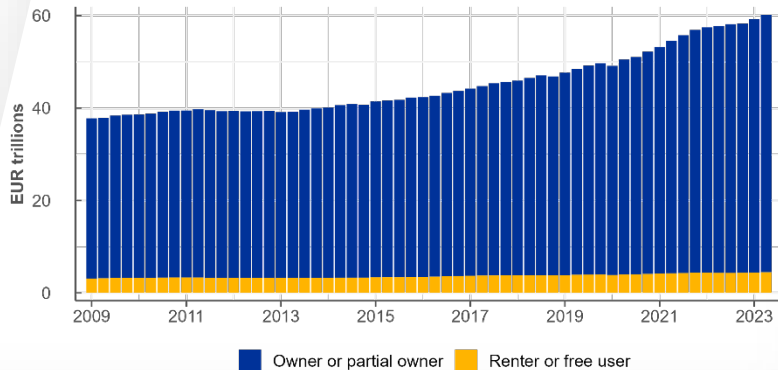
Working status, euro area

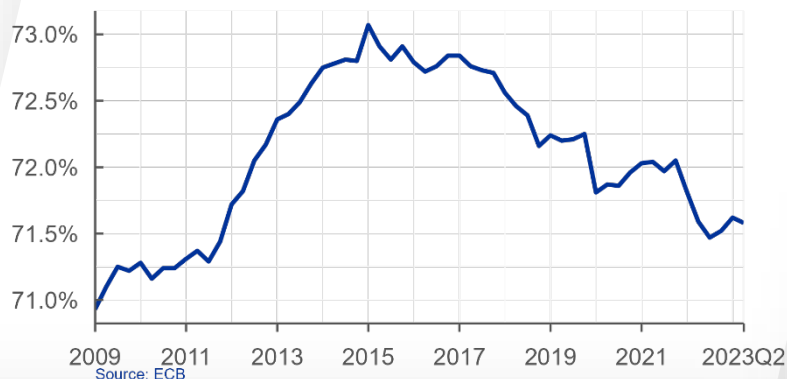**Growth concentrated amongst homeowners**

Working status not determinant
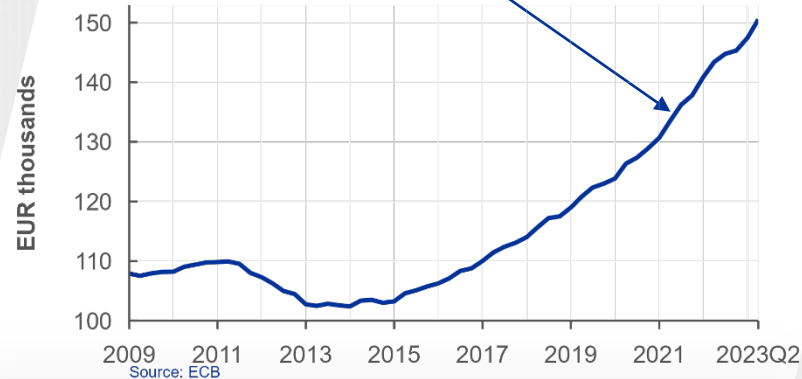
2. Key data developments

2.3 Inequality and trend in median net wealth

Median increased by around 40% from 2016 to Q2 2023

Gini coefficient, euro area
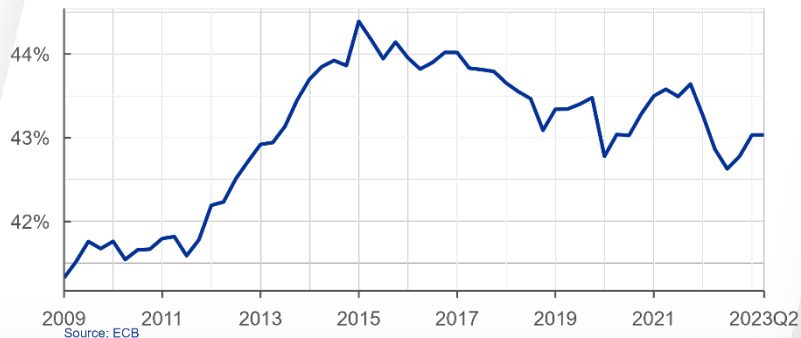

Median wealth, euro area

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).
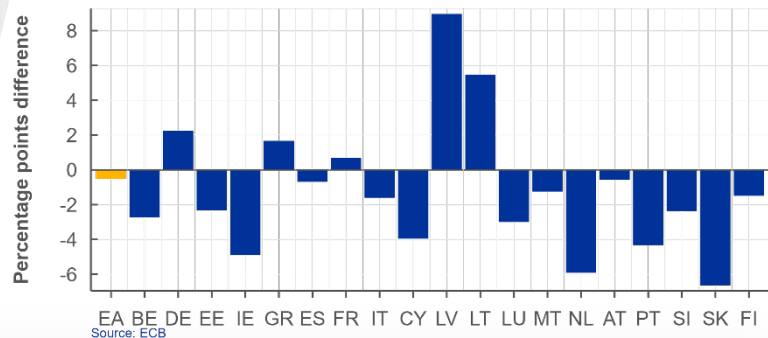
2. Key data developments

2.4 Share of wealth held by the top 5%

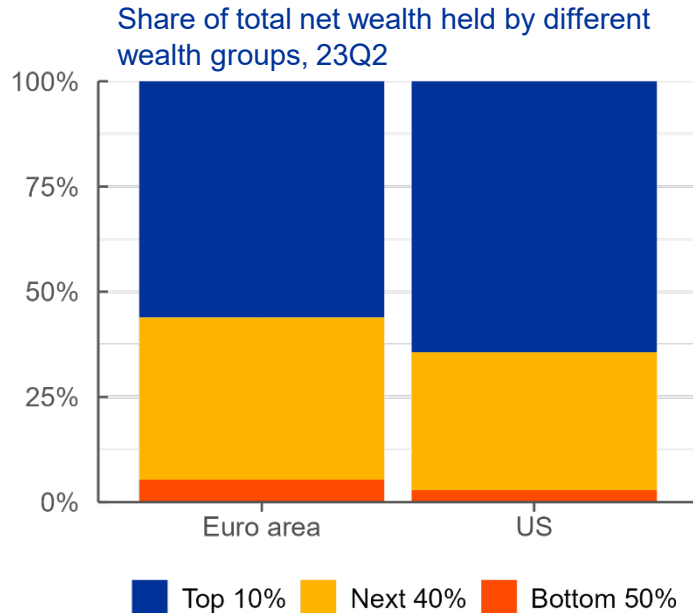### Share of wealth held by the top 5% of households, euro area

Source: ECB

Change in holdings of the top 5% households between 2018 Q2 and 2023 Q2, by country and euro area

Source: ECB

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

Share of total net wealth held by different wealth groups, 23Q2

Legend: ■ Top 10% ■ Next 40% ■ Bottom 50%

Sources: ECB, FED

Share of housing wealth held by different wealth groups, 23Q2

Legend: ■ Top 10% ■ Next 40% ■ Bottom 50%
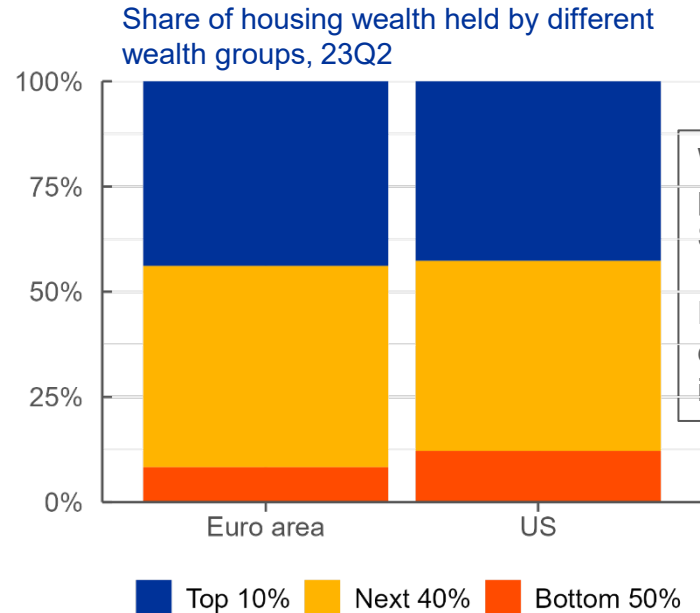
Sources: ECB, FED

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

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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:
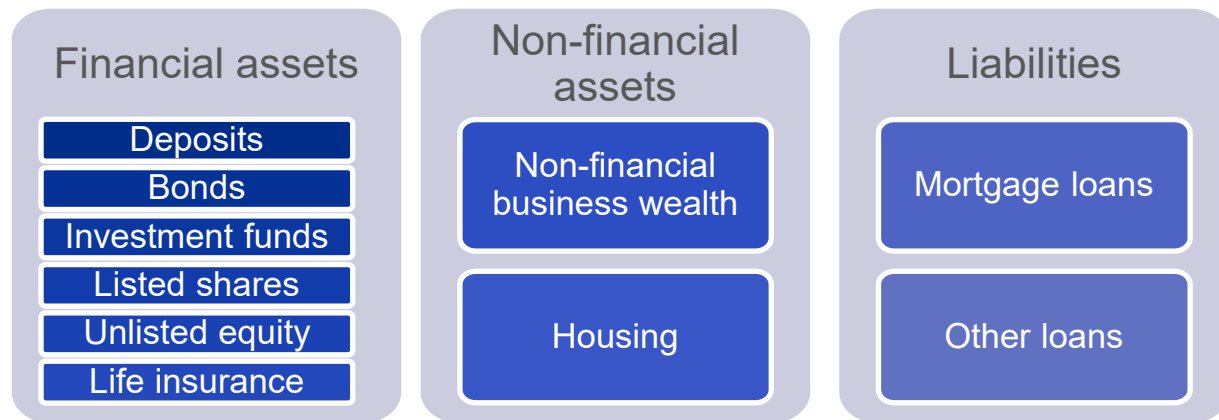
Items with low comparability not included in DWA:

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

Currency
(no data in HFCS)

Pension entitlements
(low comparability with HFCS)

Social security pensions
(outside the QSA)
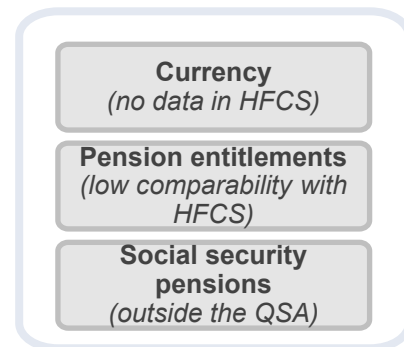
The DWA cover about **90%** of the euro area households' assets and liabilities.

Annex 1. DWA main features

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

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

Annex 1. DWA main features

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

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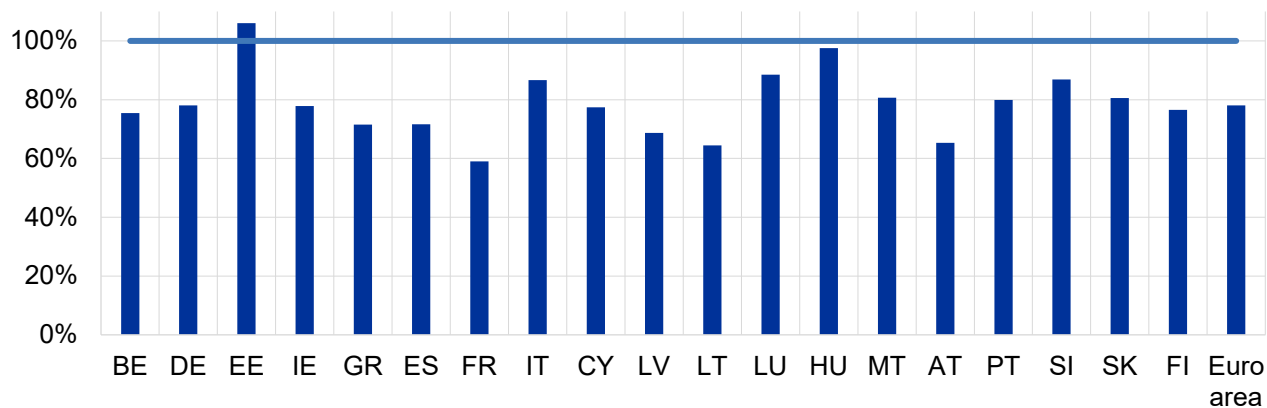
Annex 1. DWA main features

d. Estimation methods

Individual instruments (deposits, equity etc.) are matched, with some adaptations

- Concepts used in the NA and HFCS have to be bridged.

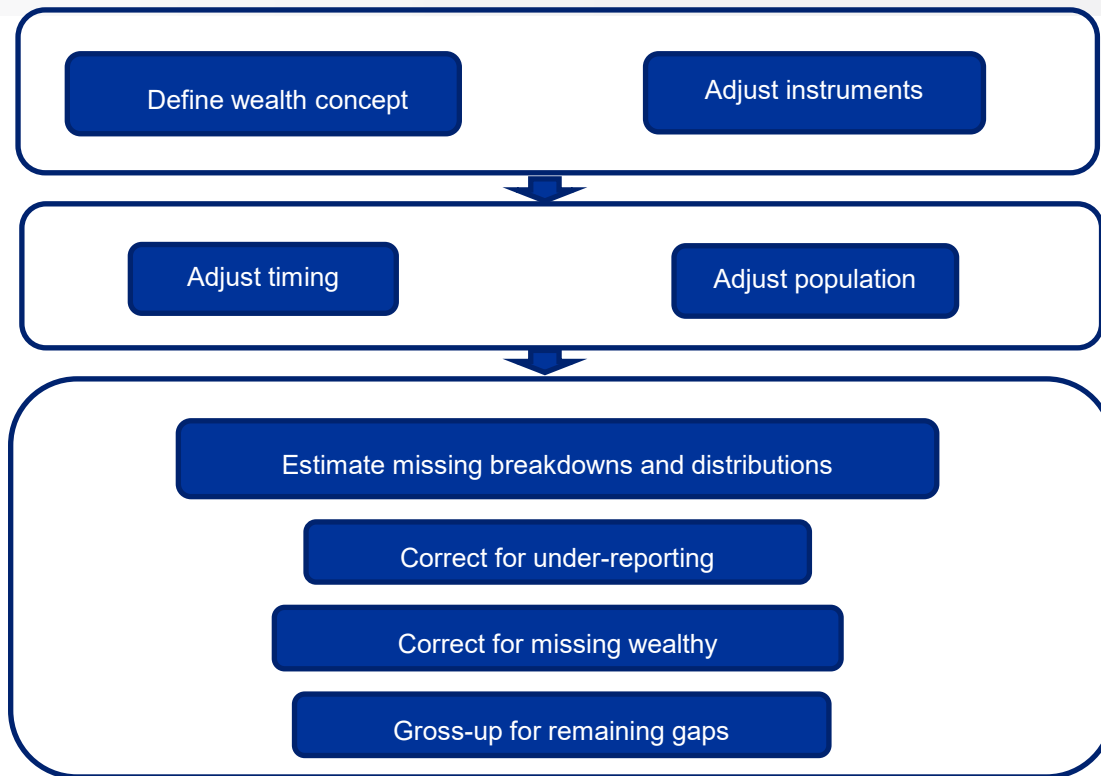**The missing wealthiest households are added**

- 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

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┌─────────────────────────────────────────────────────────┐
│   [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]              │
└─────────────────────────────────────────────────────────┘
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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
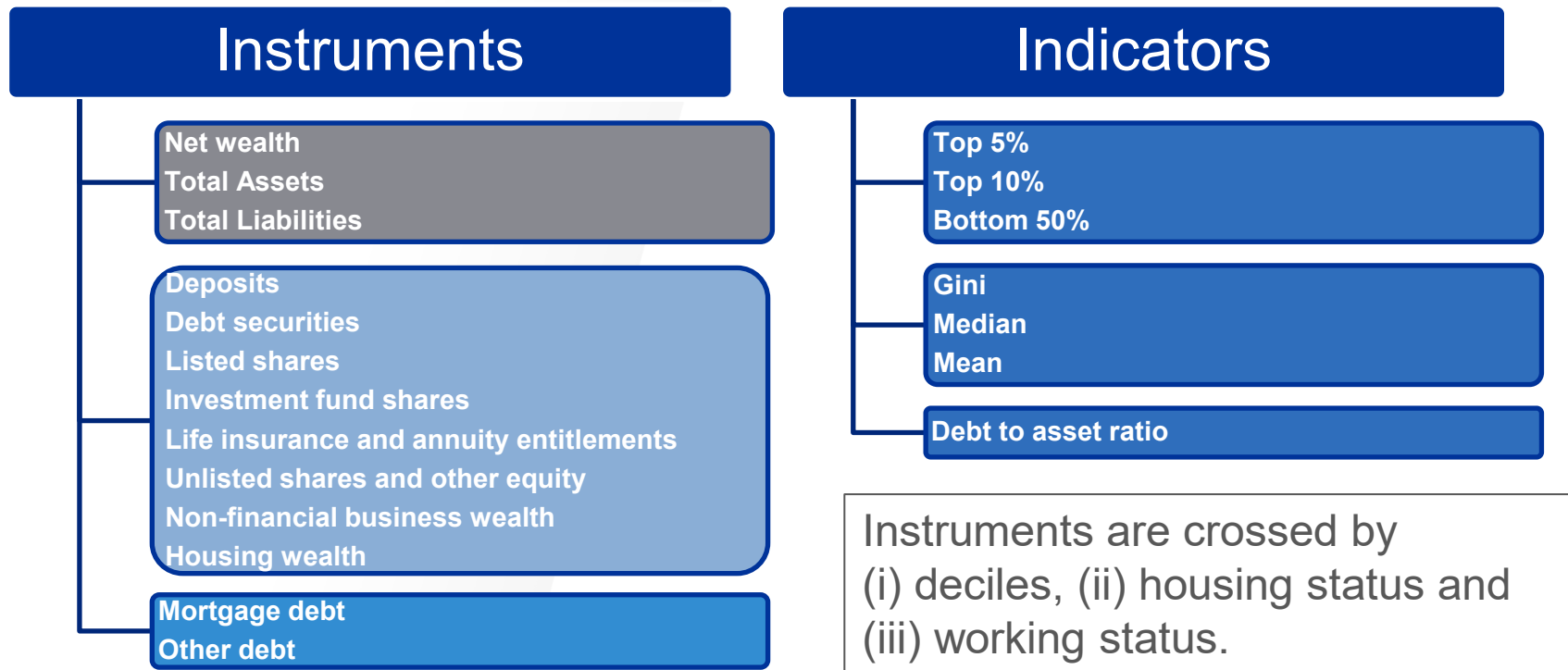
Instruments are crossed by
(i) deciles, (ii) housing status and
(iii) working status.