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PRESS RELEASE

Structure and distribution of household wealth: an analysis based on the HFCS

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Household wealth, both financial and real, can be estimated on the basis of statistical sources. The total financial wealth of households can be deduced from the financial accounts, and their total real wealth can be assessed on the basis of estimates of property ownership and property prices. However, these macro-economic information sources reveal little about the distribution of wealth among households. That requires micro-economic survey data. The Household Finance and Consumption Survey (HFCS) comprises that type of micro-economic data which was organised by the Bank within the context of a research network established by the Eurosystem and coordinated by the ECB.

This article uses the final results of the first wave of that survey to analyse the structure and distribution of the wealth of Belgian households. It starts by discussing the possessions on the assets side of the household balance sheet, distinguishing between real and financial assets. The HFCS uses a broad definition of real and financial household assets, and asks households 1) whether they own a particular asset, and 2) how much the asset is worth. The survey therefore tells us not only something about the participation rate (households' participation in various forms of investment) but also about the value of those investments. Next, the article examines the debts on the liabilities side of the household balance sheet. This concerns not only mortgage debts – relating to the purchase of the owner's principal place of residence or other property – but also non-mortgage debts, such as credit facilities and overdrafts, outstanding credit card debts and other debts (consumer credit, car loans, etc.). The article concludes with an analysis of the net wealth of the Belgian households, paying particular attention to the distribution of net wealth among households and comparing it with the income distribution. There is also a comparison with the other euro area countries.

The level of the wealth of the Belgian households is quite substantial by international standards as confirmed when all assets and debts are taken into account. Net wealth seems to be more unevenly distributed than income. Here, too, there are considerable variations between euro area countries, with real assets and mortgage debts being a significant factor. In regard to household assets, we find substantial international variations in home ownership. In Belgium, seven out of ten households own their main residence (six out of ten in the euro area). There is a low level of participation in most financial assets other than deposits, except for the wealthiest households. Only in the highest income quintile do more than one in five Belgian households own listed shares or units in mutual investment funds. The income profile for participation in the third pension pillar is more pronounced. In Belgium the participation ranges from under 20 % for the lowest income quintile to over 60 % for the highest quintile. In regard to debt, we find a relatively low percentage of households with debts in the euro area, but once again there are considerable international variations. However, households with debt sometimes have a considerable debt burden. In Belgium, fewer than half of households have debts. Three in ten Belgian households have a current mortgage loan. On average, the outstanding balance on these loans (conditional median value) is five times the gross annual income of a household in the lowest income quintile. For households in the highest income quintile, this mortgage debt equals less than one year's income.

The HFCS is a rich and – certainly for Belgium – reliable statistical source with a great deal of new information on household finances in the broad sense. The micro-economic statistics provided by the HFCS are suitable mainly for structural analyses, but the macro-economic data are useful for global analyses.