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

Ph. Du Caju[*]

Introduction

The total financial wealth of households can be deduced from the financial accounts. Those accounts give an overview of the claims and debts of the national institutional sectors – non-financial corporations, financial corporations, governments and households – in relation to one another, and of the national economy in relation to the rest of the world. They form an integral part of the system of national accounts. The total real wealth of households can be assessed on the basis of estimates of property ownership and property prices[1]. However, these macroeconomic information sources reveal little about the distribution of wealth among households. That requires data at household level. Since there is no asset register in Belgium, and since registers of that sort maintained in other countries never offer a complete picture of all types of assets, it is necessary to conduct surveys in order to gain an idea of the distribution and structure of household wealth. Until recently, there was little or no microeconomic information of that type available in Belgium. That has changed with the creation of a Household Finance and Consumption Network (HFCN) in the Eurosystem. This network conducts a survey on household wealth and consumption (Household Finance and Consumption Survey, HFCS) in all euro area countries. This article uses the final results of the first wave of that survey to analyse the structure and distribution of household wealth.

The article is in four sections. The first section explains the creation of the HFCN and the background to it, before examining the content and organisation of the HFCS. The second section analyses the structure of household wealth, distinguishing between real and financial assets. The HFCS is based on a broad definition of the real and financial assets of households and systematically asks households whether they own a particular type of asset and how much it is worth. The survey therefore supplies information not only on the participation rate (households' participation in the various forms of investment) but also on the value of those investments. The third section deals with household debt. This mainly concerns mortgage debt (contracted for the purpose of buying the household's own principal residence or other property), but also takes account of non-mortgage debt such as credit lines and bank overdrafts, debit balances on credit cards, and other forms of credit (consumer credit, car loans, etc.). Finally the fourth section analyses the net wealth of households, paying particular attention to the distribution of the net wealth among households and comparing that with the income distribution. This section also presents a comparison with other euro area countries. The conclusion sums up the main findings on the basis of this new information source.

(*) The author thanks Laurent Van Belle for the statistical treatment of the data.
(1) Cf. Poullet Gh. (2013), "Real estate wealth by institutional sector", NBB, Economic Review, June, 87 101. These estimates give an idea of total real estate wealth in Belgium.

1. The Household Finance and Consumption Network and the corresponding survey

The financial accounts are the classic macroeconomic data source most commonly used for the purpose of analysing the financial situation, and more specifically the financial assets, of households. Since this macroeconomic data source tells us nothing about the distribution of household wealth, it is now supplemented with data from surveys at household level.

1.1 Context of the HFCN and the HFCS

In 2008, the Governing Council of the European Central Bank (ECB) decided to conduct a survey on the financial behaviour of households (Household Finance and Consumption Survey, HFCS) in the euro area. A specific research network, called the Household Finance and Consumption Network (HFCN), was set up for that purpose. It comprises researchers, statisticians and survey specialists from the ECB, the national central banks (NCBs) and various national statistical institutes, as well as external consultants. The National Bank of Belgium is responsible for the Belgian part of the survey, conducted jointly by the Research Department and the General Statistics Department. The aim of the network is to supplement the existing macroeconomic data obtained from the financial accounts with microeconomic data at household level. This facilitates specific scientific research and policy analyses to learn about aspects relating to the distribution of assets and liabilities. In specific cases, individual data might also be used to improve the financial accounts.

An article(1) in the Bank's June 2012 Economic Review has already given a detailed account of the operation of the HFCN and the organisation of the HFCS in Belgium. This article reiterates some of the essential points. The HFCN organises a harmonised survey of the financial behaviour of households in all euro area countries. It is based partly on the surveys which already exist in certain countries (e.g. in France, Italy, the Netherlands and Spain, and in the United States). The first wave of the HFCS was conducted in all euro area countries except Ireland and Estonia, which will be included from the second wave. For the first wave, interviews were conducted in 2010 in most countries, including Belgium. Altogether, more than 62 000 households were polled in the euro area, of which 2 364 were in Belgium. The next wave will take place in 2014 in most countries. The plan is to conduct this type of survey every three years in future. For each subsequent survey, some of the households which took part in previous waves will be interviewed again. That will result in a panel of households which will be monitored over time. In addition, that panel makes the survey dynamic, so that it also offers new scope for analysis and research for the purpose of determining policy.

The raw data from the first wave were processed within the HFCN, in accordance with the procedures, rules and timing specified by the network. This mainly concerned "imputation" and "anonymisation" of the data. Imputation consists in assigning a notional – but realistic – value to data missing from the responses of the interviewees by reference to other information available in the survey. Such imputation is statistically inevitable, since a household's decision not to answer certain questions cannot be considered a matter of chance. For instance, the wealthier households may be likely to be the most reticent to disclose the value of some of their assets. Consequently, the results could be distorted, and imputation is the only way to rectify that bias. This process has to be harmonised between countries, and that is very time-consuming.

Moreover, the data must be anonymised by a consistent method before being made available. Indeed, the protection of the private data of households taking part in the survey is an absolute priority. Statistical anonymisation means not only that the data on the respondent's identity must be deleted, but also that everything possible must be done to ensure that the information supplied by the survey cannot be used to trace particular households or individuals. Once again, the aim is to standardise the rules as far as possible, for all countries and all surveys. Finally, households in the sample are weighted according to their share in the total population. All the results presented here are based on imputed, weighted data.

For most countries (including Belgium), 2010 is the year of the fieldwork and the reference year. In some countries, the survey was conducted a little earlier or a little later, depending on the timing of pre-existing surveys of the same type. For future waves, the HFCN will endeavour to synchronise the timing of the fieldwork to a greater degree. Once the raw data had been collected, the NCB and ECB statisticians processed the input (a time-consuming procedure). The data were edited (e.g. by adding information from other sources and by correcting inconsistencies) and missing values were imputed. The data were published in April 2013(2).

(1) See Du Caju Ph. (2012), "Asset formation by households during the financial crisis", NBB, Economic Review, June, 87 101.

(2) See Eurosystem Household Finance and Consumption Network (2013), The Eurosystem Finance and Consumption Survey: Results from the First Wave, ECB Statistics Paper Series, 2, April.

The HFCS is intended to support the Eurosystem's policy analysis, particularly in relation to monetary policy and financial stability. Data which reflect the heterogeneity of the household sector, such as those collected by the HFCS, can usefully supplement the macroeconomic data (e.g. the national accounts) by adding information on distribution (notably on the asymmetric distribution of wealth). As such, the HFCS data permit analysis of the behaviour of specific groups of households which are of interest from the point of view of policy, e.g. the lowest and highest income and wealth deciles, households with excessive debts, and households facing credit constraints. The financial crisis has demonstrated that certain types of household – those with heavy debts – have a fairly significant influence on macroeconomic events. In addition, the relatively small group comprising the wealthiest households has a disproportionate impact on the overall statistics. Moreover, households face severe idiosyncratic shocks (such as job losses), and different types of household may vary considerably in their response. These variations are only shown up by microeconomic data. In Belgium in particular, where microeconomic data on household wealth are scarce, the HFCS provides a great deal of new information.

The ultimate aim of the Eurosystem's monetary policy is price stability. Strategic instruments such as the interest rate level are used to achieve that. However, a change in the interest rate may have an impact which varies from one household group to another, depending on whether the households are lenders or borrowers, owners or tenants. These groups may react differently to policy changes. The transmission of monetary policy may therefore depend on the financial situation of certain groups of households, so it is important for central banks to find out about the distribution of wealth in order to assess monetary policy transmission. Of course, this does not mean that monetary policy can adjust the distribution of wealth. Survey data are used to design and calibrate macroeconomic models incorporating heterogeneous agents in order to learn more about various aspects of the transmission of monetary policy and about financial stability.

The main aim of the HFCS is to gather structural microeconomic information on the assets and liabilities of euro area households. However, the survey also collects data which yield other information (demography, income, etc.) and permit analysis of households' financial decisions. The results of similar surveys already conducted in other countries have been used to carry out interesting research and analysis, e.g. on the proportion of households with substantial or excessive debts, the asymmetric distribution of wealth in general, and the finding that, in periods of deleveraging, debt-burdened households make larger cuts in their consumption.

This article uses the first results of the HFCS (2010) to present the structure and distribution of household assets. The HFCS only covers private households and is confined to household members resident in the country on the interview date. Households (persons) resident in institutions are disregarded. A household is defined as any individual or group of persons occupying one and the same private dwelling and sharing the living expenses[1]. The analysis relates to the following aspects:

i. *Participation rate:* the percentage of households owning a particular asset component. The participation rate therefore gives the distribution of balance sheet items between households.

ii. *Conditional median value:* this only concerns households participating in a particular asset component, and indicates the median value of that component in euro for those households. The median is the value of a given balance sheet item such that half of households own less and the other half more. The median therefore indicates the value for a "typical" household. Unlike the average value, the median is not biased by extreme readings. The average value, obtained by taking the total value and dividing it by the number of participating households, is heavily influenced by extreme values. Since the distribution of wealth is fairly uneven, so that there are extreme values which influence the average, median values are preferred as they give a better idea of the "typical" household. The HFCS systematically records the estimated value reported by the households themselves (see below).

iii. *Comparison:* comparisons are made between euro area countries and between groups of households, e.g. according to the income band or age group. These comparisons give some idea of the distribution of wealth between households.

1.2 Content of the HFCS

The HFCS offers detailed data at household level on various aspects of household wealth (real and financial assets and liabilities) and on related variables such as incomes, pensions, employment, gifts and consumption. The HFCS

(1) For a more detailed definition of the concept "household", see Eurosystem Household Finance and Consumption Network (2013), The Eurosystem Finance and Consumption Survey: Methodological Report for the First Wave, ECB Statistics Paper Series, 1, April.

provides representative data by country, collected according to harmonised procedures in the fifteen participating euro area Member States. In order to accurately establish the overall level of wealth, most countries (including Belgium) have also included in the sample a relatively large number of wealthy households[(1)]. The HFCS questionnaire is fairly detailed. For households with a wide range of assets and financial resources, the interviews could take over an hour (or even much longer). The questionnaire used in Belgium was confined to the core questions of the HFCN harmonised questionnaire, supplemented by just a few ad hoc questions on the impact of the financial crisis, questions which are likewise harmonised at Eurosystem level. This has already been discussed in the June 2012 Economic Review. The questions were answered by the person most familiar with the household's finances.

The questionnaire is in nine sections. The first section contains questions on the household's demographic data. For example, it offers information on the size and type of household, and on the age, sex and level of education of the household members. The second section deals with real assets and their financing. This mainly concerns real estate (primarily the household's main residence) and the associated mortgage loans, plus information on other real possessions, principally vehicles. The third section supplements that with information on non-mortgage debt, such as consumer credit. It also focuses specifically on any credit constraints which households have experienced recently. The fourth section covers own businesses and financial assets. As well as own businesses (including self-employed occupations) and shares in unlisted companies, it concerns all the financial instruments which households may use. The fifth section concerns employment. It looks at the labour market situation of the household members, namely their status (working, retired, etc.), occupation, type of contract, etc. The sixth section covers pensions, and is intended to ascertain the degree to which household members are covered by statutory or supplementary pension systems. The seventh section on household incomes is interested in all income sources, ranging from earned income and benefits of all kinds to other income sources (such as investments). The eighth section concerns transfers between the generations, covering both inheritances and gifts. The ninth section on consumption is reasonably short. This section contains quantitative questions on consumption of food and drink and more qualitative questions about expenditure in general, and its relationship to income. The intention is to extend this section of the questionnaire for the second wave of the survey. This article uses the results of the main (most detailed) sections of the survey, namely sections 2, 3 and 4 of the questionnaire on both the real and financial assets of households and on their debts. The information supplied by the other sections, especially sections 1 and 6 (household characteristics, demographic data and information on income), is useful mainly for analysing variations in household wealth. The survey data will of course be analysed in other future studies.

It should be noted that the HFCS records asset values as estimated by the households themselves. Where necessary, and if possible, the interviewers encourage households to consult documents such as bank statements, tax returns, etc. Of course, this is not possible for all assets, such as real estate. It was deliberately decided to ask households to give their own valuation of their possessions because the aim is to study the financial behaviour of households. For that it is important to understand how households themselves assess their assets and liabilities, because that is the perception that will determine households' behaviour and decisions. The households' own estimated figure may not always correspond to the real market value, especially in the case of real estate and particularly if the property was not purchased or built recently. In general, however, the households' valuation of their assets appears to tally with the available macroeconomic data sources, even where real estate is concerned (see also section 4). In the end, of course, the survey results depend on the quality of the answers that the interviewers are given.

Next comes an overview of the various assets and liabilities covered by the HFCS, and some key data on Belgian households to place the findings in an overall perspective[(2)]. We state how many households own a particular asset, i.e. the participation rate as a percentage of the population, and the median value of that asset item for the participating households.

According to the results of the HFCS, 89.8 % of households own real assets. The median value of the real assets of households owning real assets (the conditional median value) is € 220 000. The HFCS distinguishes between real estate and other real assets. Most of the real estate owned consists of the household's main residence (for home owners), and then other property such as second homes, holiday homes or property for letting out. In Belgium, 69.6 % of households own their main residence, the conditional median value being € 250 000. In addition, 16.4 % of households own other real estate with a median value of € 174 000.

(1) As the assets are concentrated on a relatively small group of wealthy households (which are not necessarily easy to interview), a totally random sample would require a relatively large base in order to be representative of this group as well, and that would soon become very expensive.

(2) The following sections present international comparisons and structural analyses of the distribution in Belgium.

Vehicles are a second real asset category measured by the HFCS, primarily cars but also, for example, motor bikes, boats, aircraft and caravans. In Belgium 77.2 % of households include a vehicle among their real assets, the conditional median value being € 6 200. The HFCS also assesses a whole range of valuables which may form part of a household's real assets. Households are questioned about items belonging to them such as jewellery, art works, antiques and other potentially valuable collections. In Belgium, 15.4 % of households state that they own this type of assets, the median value being € 5 000. Finally, the last significant component of real assets covered by the HFCS: business assets, particularly own unlisted companies, such as self-employed activities and family firms. According to the survey, 6.6 % of Belgian households have this type of assets, the conditional median value being € 50 000 per participating household.

The HFCS considers financial assets in the broad sense, but excluding cash; 98 % of Belgian households have financial assets in this sense. The median value of these assets is € 26 500. They consist mainly of deposits. The published HFCS statistics add sight accounts and savings deposits together. In Belgium, 97.7 % of households own deposits with a conditional median value of € 10 000. Investment funds cover all investments in mutual funds, regardless of the funds' underlying assets (equities, bonds, property, etc.). In Belgium, 17.6 % hold this type of funds in which they invest a median amount of € 20 400. The bonds and savings notes recorded by the HFCS are individual assets, not underlying assets of mutual funds. They may have been issued by a State, a bank or another enterprise. According to the survey, 7.5 % of Belgian households own securities of this type with a conditional median value of € 30 800. As in the case of bonds, the HFCS distinguishes between individual equities and shares or units which form the underlying assets of a mutual investment fund. The equities only concern shares in listed companies. The HFCS records the value of shares in unlisted (family) companies as a component of the real assets. The survey indicates that 14.7 % of Belgian households own shares in which they invest a median amount of € 5 100.

In regard to supplementary pensions and life insurance, the survey only records the value of voluntary individual plans and policies, and disregards the statutory pension and supplementary corporate or sectoral plans or policies. In Belgium, it is therefore only the "third pillar" that is included in the financial assets. The capital value of statutory pensions and corporate or sectoral pensions is often very difficult if not impossible to assess, even though it is feasible to produce macroeconomic estimates of these benefits. In Belgium, 43.3 % of households have a personal supplementary pension plan or life insurance with a conditional median value of € 19 900. The HFCS also takes account of the value of a range of other products for calculating the total financial assets of households, although it does not report and analyse them separately. This concerns investment accounts managed by third parties, options, futures, index certificates, precious metals etc., and assets with third parties (e.g. loans to families or friends).

The HFCS questions households not only about their assets but also about their debts. The results show that 44.8 % of Belgian households have a current loan and that the median value of the outstanding balance (conditional median value) is € 39 300. The survey distinguishes between mortgage debt and other debts. Thus, 30.5 % of Belgian households have one or more current mortgage loans. The conditional median value of the outstanding balance on these loans is € 69 300. The other debts taken into account by the HFCS are credit lines and bank overdrafts, debit balances on credit cards, and other borrowings such as car loans or consumer credit. In Belgium, 24.2 % of households have contracted a non-mortgage loan, the median value of the debit balance being € 5 200.

2. Real and financial asset components

This section analyses the composition and distribution of household assets. It distinguishes between real assets and financial assets, and then examines the various components of each, which households hold these assets, and what their value is. The tables and charts first present the overall results for Belgium, the euro area and five large euro area countries, namely Germany, Spain, France, Italy and the Netherlands. In some cases, they also give the available results for the other euro area countries. However, it should be noted that the survey will only be conducted in Ireland and Estonia from the second wave onwards, and that no results are available yet for those countries. When the article refers to the euro area as a whole, it therefore always means the euro area excluding those two countries. Apart from the international comparisons, this section examines in more detail the breakdown of assets in Belgium across the various household groups with different income and age profiles.

2.1 Real assets

As already mentioned, the HFCS examines a wide range of real assets, not only real estate but also a whole series of other potential assets. This section summarises the ownership and value of the real assets of households and of five types of real assets, namely the household's main residence, other real estate, vehicles, valuables and self-employment business (including real estate that forms an integral part of the business).

The vast majority of households, both in Belgium (89.8 %) and in the euro area (91.1 %), own real assets, the main item being their own home. In Belgium, according to the HFCS, 69.6 % of households own their home, compared to 60.1 % in the euro area as a whole. The relatively high percentage for Belgium is borne out by other available sources and illustrates the strong preference of Belgian households for buying their own house. Home ownership is generally very common in the southern euro area countries. Participation is lower in the northern countries (see also the table in the annex). Thus, the participation rate is high in Spain (82.7 %) and Italy (68.7 %), but lower in the Netherlands (57.1 %) and France (55.3 %) and lower still in Germany (barely 44.2 %). For the typical household in the home-owning group in Belgium, the dwelling is worth € 250 000 (conditional median value). That is comparable to the figure for the Netherlands (€ 240 000) and higher than in other countries or in the euro area as a whole (€180 300). The property market situation, and hence the timing of the survey (2010 for most countries), is important here. Since home ownership and the value of the residence form the principal real asset for the majority of households, this aspect will now be examined in more detail. Apart from their own home, 15 to 25 % of households also own other property, with a relatively high participation rate in the southern euro area countries.

Over three-quarters of households own a vehicle. Ownership of valuables varies quite widely between countries ; cultural differences, the wording of the question in the survey, and the way in which households interpret it are all relevant factors here[(1)]. Regarding entrepreneurship, only 6.6 % of Belgian households state that they pursue a self-employed activity, against 11.1 % in the euro area. The median value of this asset item is € 50 000 in Belgium, compared to € 30 000 in the euro area as a whole, where the businesses concerned are smaller on average. Once again, participation is higher on average in southern Europe (14.2 % in Spain and 18 % in Italy) than in the north (9.1 % in Germany, 8.9 % in France and 4.8 % in the Netherlands).

(1) In France, for example, vehicles and valuables were considered jointly and households could report any real assets (however small), resulting in a 100 % participation rate.

TABLE 1 PARTICIPATION IN REAL ASSETS

(in % of households, conditional median value in thousand euro in brackets)

	Real assets	Main residence	Other real estate	Vehicles	Valuables	Self-employment business
Belgium	89.8	69.6	16.4	77.2	15.4	6.6
	(220.0)	(250.0)	(174.0)	(6.2)	(5.0)	(50.0)
Euro area	91.1	60.1	23.1	75.7	44.4	11.1
	(144.8)	(180.3)	(103.4)	(7.0)	(3.4)	(30.0)
Germany	80.2	44.2	17.8	70.9	13.2	9.1
	(89.2)	(168.0)	(115.0)	(7.0)	(7.2)	(19.4)
Spain	95.3	82.7	36.2	77.3	17.2	14.2
	(201.7)	(180.3)	(120.2)	(6.1)	(3.0)	(50.8)
France	100.0	55.3	24.7	100.0		8.9
	(124.1)	(193.8)	(115.9)	(4.3)		(53.1)
Italy	97.7	68.7	24.9	83.3	85.6	18.0
	(176.0)	(200.0)	(100.0)	(8.0)	(2.0)	(15.0)
Netherlands	89.8	57.1	6.1	81.3	15.5	4.8
	(198.8)	(240.0)	(165.5)	(6.0)	(3.5)	(51.7)

Sources : HFCS, NBB.

The median values of the real assets, and especially of own homes, clearly reveal that the ownership or otherwise of the household's main residence (own home) and its value are the principal factors in the real assets of households. This section examines in more detail the characteristics of households that own real estate and the value of those assets. A breakdown of the rate of participation in real estate (own home) by income and age offers a more detailed picture of home ownership. For that purpose, households in each country are divided into five income-quintiles (incomes being ranked in ascending order from low to high) and six age groups (16 to 34 years, 35 to 44 years, 45 to 54 years, 55 to 64 years, 65 to 74 years, and 75 years or over).

2.1.1 Income profile of home ownership

The HFCS asks households about their gross income which, in addition to labour incomes, includes transfers (pensions and all kinds of benefits) and income derived from assets (rentals, annuities, dividends). The income distribution is described in more detail in section 4.

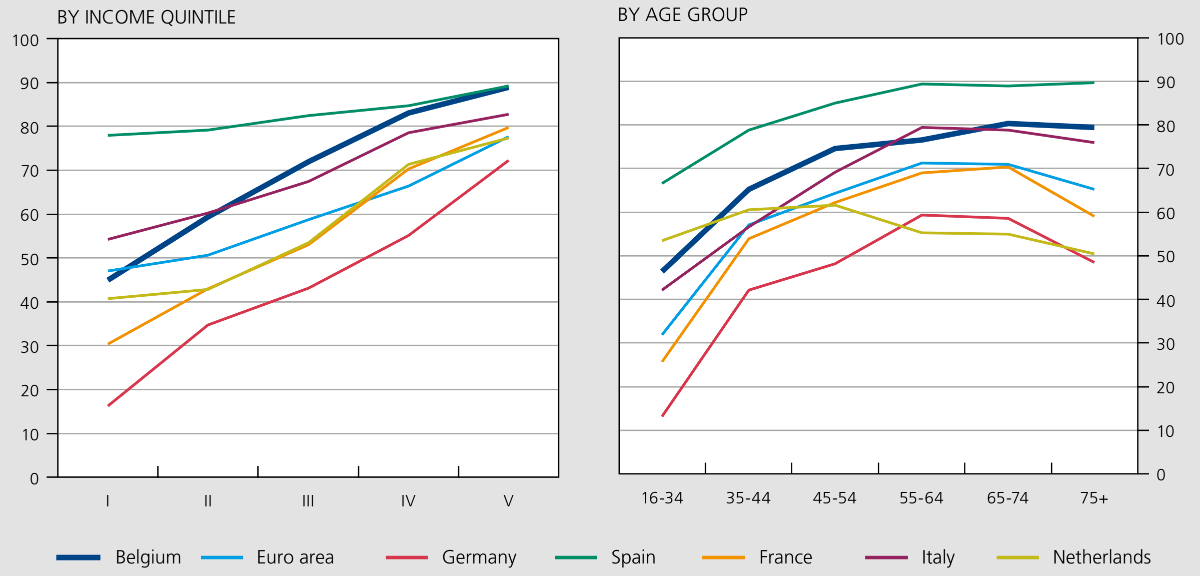
Unsurprisingly, the proportion of higher income households owning their home exceeds the figure for lower income households. Home ownership displays a clearly rising income profile. Thus, the participation rate of the highest income quintile in Belgium is 88.9 %, while that of the lowest income quintile is only 45 %. Consequently, home ownership in the lowest income group is no higher than in the euro area as a whole (47 %), whereas the participation rate of households with medium and higher incomes in Belgium exceeds the average for the rest of the euro area. Leaving aside the generally higher rate of home ownership in Belgium, the income profile is comparable to that in Germany, France and the Netherlands. It should be noted here that the low participation in Germany concerns all income quintiles. In Italy, and even more so in Spain, where the average participation is relatively high, the income profile of home ownership is flatter. In those countries, over half the households in the lowest income quintile own their home, a proportion which actually rises to 78 % in Spain.

2.1.2 Age profile of home ownership

The HFCS also asks households about the age of the family members. For the purpose of breaking down the household variables (in this case home ownership) according to the characteristics of individual persons (in this case age), it is necessary to designate a reference person in the household whose characteristics then apply to the household as a whole. As in the HFCN publications, this article uses the Canberra Group definitions. The following

CHART 1 HOW MANY HOUSEHOLDS OWN THEIR HOME ?

(in % of households)



Sources : HFCS, NBB.

sequence of steps is used to determine a single reference person for the household:

i. the type of household is defined as: a) one of the spouses or legally cohabiting partners in a household with dependent children, b) one of the spouses or legally cohabiting partners in a household without dependent children, or) a single parent with dependent children;

ii. the person with the highest income;

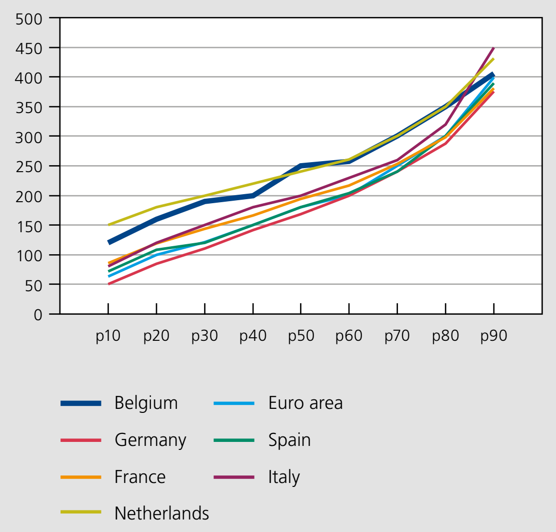
iii. the oldest person.

In the case of a couple, the reference person is therefore the one with the highest income or, if the incomes are equal, the older person.

Since incomes generally increase with age, the income profile of property ownership partly mirrors the age profile. However, other age related factors also play a role, as young people delay purchasing property, and home ownership declines among older people, e.g. because the home is sold or given away. Most countries including Belgium have a similar age profile, with low participation again being evident in all categories in Germany. In the Netherlands it is noticeable that the age profile is almost flat: here, home ownership among young households is as common as among older households. The reason is that, until recently, interest payments were largely tax deductible in the Netherlands, leading to a large number of mortgage loans over very long periods (up to 40 years, or even longer), often accompanied by repayment of the capital at maturity. That system makes loans – and hence housing – more accessible at a younger age. Of course, this also has an impact on the household debt ratio, which is discussed in section 3 of this article.

CHART 2 **HOUSEHOLD'S ESTIMATE OF THE VALUE OF THEIR MAIN RESIDENCE**

(deciles, in thousand euro)



Sources: HFCS, NBB.

2.1.3 Personal estimates of home values

The extent to which the property owned by households, and more specifically their main residence if they are home owners, contributes to their total assets naturally depends on the value of that property. Since most housing was not sold or built recently, an accurate market value is not available in the majority of cases. Households therefore have to assess the value of their home themselves according to the price that they think they could get if they sold it. That estimate will depend on the property market situation at the time of the survey (2010 in most countries) and the trend in property prices over preceding years. Thus, since 2002, property prices have outpaced the euro area average in Belgium, Cyprus, Spain, France and Luxembourg. Conversely, house prices only rose at a modest pace over the same period in Germany, the Netherlands, Austria and Portugal. These factors influence the valuation that households in those countries put on their property[(1)].

Belgian households which are home owners estimate the value of their main residence at € 273 100, on average, while the conditional median value is € 250 000. Property in Belgium is therefore valued at a higher figure than in most other euro area countries. The average is € 216 800, with a peak at € 611 900 in Luxembourg and a low point of € 68 700 in Slovakia (see also the table in the annex). The estimated value of homes in Belgium is likewise higher than the average in Germany (€ 205 800), for example, or in France (€ 222 200).

When the main residences of home-owner households are divided into deciles according to their estimated value, we find a relatively even distribution. More specifically, the value of a home in the first decile (at p10) is higher than that of 10 % of the country's homes and lower than that of 90 % of the country's homes; in the case of a home at p90, only 10 % of the country's homes have a higher value. According to the household estimates, Belgian and Dutch homes appear to be worth more than in the rest of the euro area across the board. Italy is the only country where homes in the top decile are worth more than homes in Belgium and the Netherlands. Disregarding the

(1) See also section 4.

extreme value for the top decile in Italy, the breakdown is very similar in most countries. According to the results of the HFCS, the main difference between countries concerns the general level of property prices.

2.2 Financial assets

Apart from real assets, the HFCS also covers a broad range of financial assets. For the analysis we distinguish between deposits, mutual funds, bonds, shares, and voluntary pension plans and individual life insurance policies.

Most households hold deposits(1). Conversely, ownership of other financial assets is rather low, especially as – according to economic theory – households spread their wealth across various forms of assets with different risk and return profiles. Thus, both in Belgium and in other countries, fewer than 15 % own shares or bonds. In contrast, in the case of supplementary pensions and personal life insurance – the third pension pillar – the participation rate is relatively higher in all countries.

In Belgium, a median household has deposits worth € 10000. Just under 15 % of households own individual shares in listed companies, with a median value of only € 5100 per household. Only 7.5 % of households own bonds or savings notes, with a median value of € 30800. Share ownership is therefore higher, but the median amount is lower. Mutual investment funds, which may also comprise equities and/or bonds, are held by 17.6 % of Belgian households, with the median household investing € 20 400 (conditional median value). Investment funds are thus more popular in Belgium than in the rest of the euro area. The third pension pillar is a more important financial asset item, being influenced by the value and the certainty or uncertainty of the statutory pension and any supplementary sectoral or corporate pensions. In Belgium, 43.3 % of households have financial assets of this kind. For those households, the median value of the assets is € 19 900, which is higher than the average for the euro area. Participation is comparable to that in Germany, but the median value in the latter country is much lower (€ 11 400). In the Netherlands, both the participation rate (49.8 %) and the median value (€ 53 200) are relatively high for these financial assets.

2.2.1 Income and age profiles of financial assets in Belgium

This section examines the correlation between income and age, on the one hand, and financial wealth on the other. Although participation in most financial assets is low, it still displays income and age profiles. The value of the financial investments also varies according to household income and age.

(1) As already stated, deposits in the published HFCS statistics are interpreted in the broad sense: they comprise both sight accounts and savings deposits.

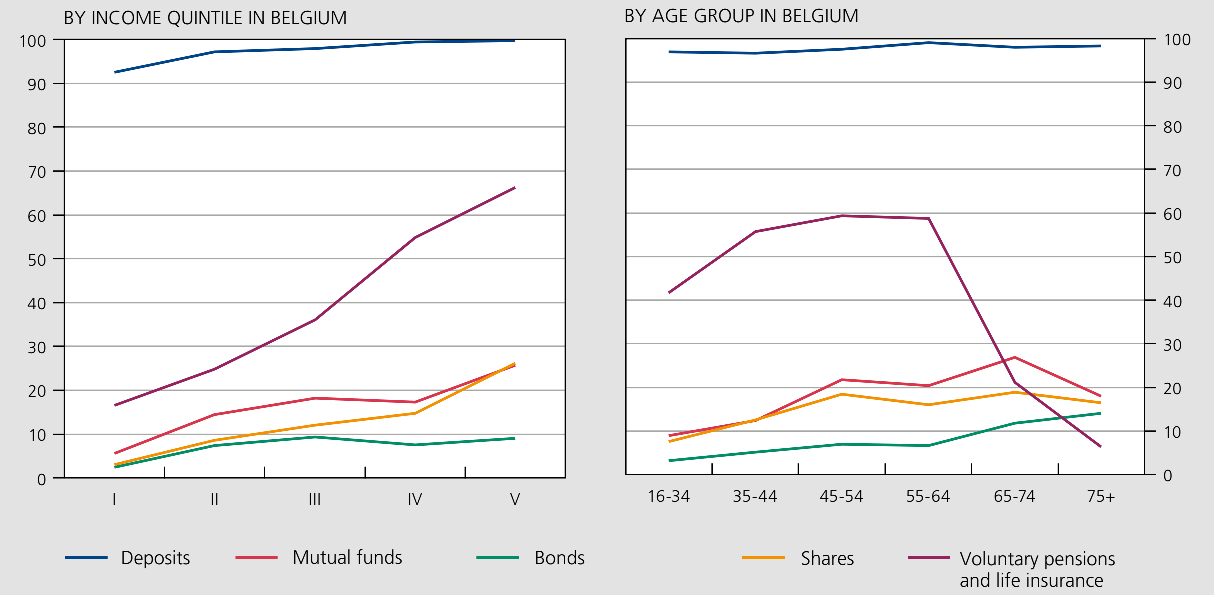
TABLE 2 PARTICIPATION IN FINANCIAL ASSETS

(in % of households, conditional median value in thousand euro in brackets)

	Financial assets	Deposits	Mutual funds	Bonds	Shares	Voluntary pensions and life insurance
Belgium	98.0	97.7	17.6	7.5	14.7	43.3
	(26.5)	(10.0)	(20.4)	(30.8)	(5.1)	(19.9)
Euro area	96.8	96.4	11.4	5.3	10.1	33.0
	(11.4)	(6.1)	(10.0)	(18.3)	(7.0)	(11.9)
Germany	99.3	99.0	16.9	5.2	10.6	46.5
	(17.1)	(7.9)	(10.0)	(16.0)	(8.6)	(11.4)
Spain	98.3	98.1	5.6	1.4	10.4	23.6
	(6.0)	(3.5)	(13.9)	(19.2)	(6.1)	(7.4)
France	99.6	99.6	10.7	1.7	14.7	37.5
	(10.7)	(6.5)	(6.9)	(12.0)	(6.9)	(10.6)
Italy	92.0	91.8	6.3	14.6	4.6	18.0
	(10.0)	(5.9)	(20.0)	(20.0)	(10.9)	(10.1)
Netherlands	97.8	94.2	17.7	6.0	10.4	49.8
	(34.7)	(10.1)	(7.1)	(15.5)	(5.6)	(53.2)

Sources: HFCS, NBB.

CHART 3 PARTICIPATION IN FINANCIAL ASSETS
(in % of households)



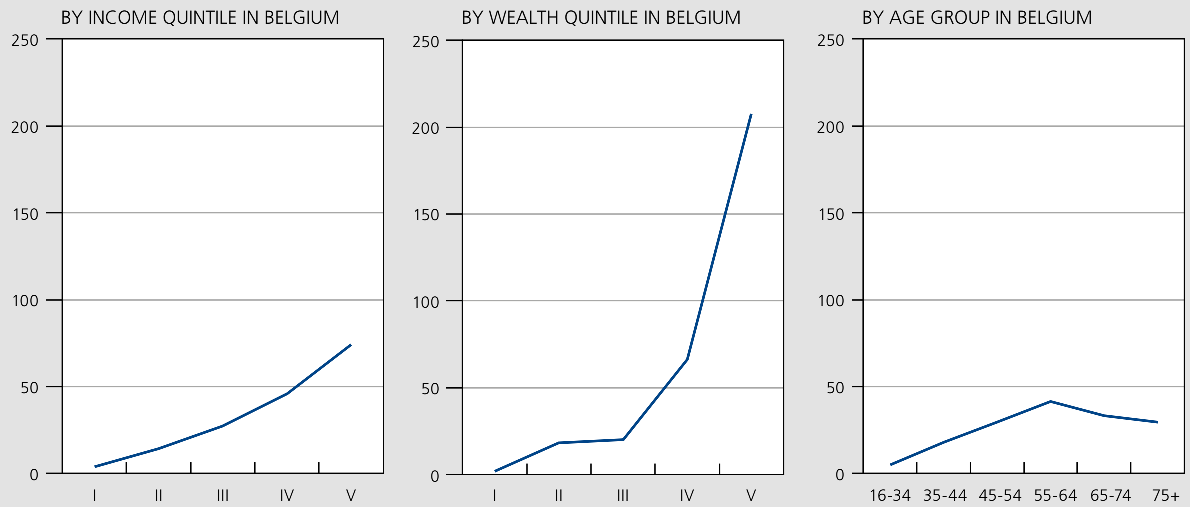
Sources : HFCS, NBB.

Examination of the income profile of participation in financial assets (other than deposits) reveals that the low participation rate only needs to be qualified somewhat for the highest incomes. It is only in the highest income quintile that more than one in five households owns listed shares or mutual investment fund units. The income profile of participation in the third pension pillar is more pronounced : it ranges from under 20 % for the lowest income quintile to over 60 % for the highest quintile. The holding of deposits (including sight accounts) is common in all income quintiles. In general, financial wealth is therefore not very diversified, particularly for households with relatively low incomes. They "invest" mainly in deposits, while the median portfolio of households with higher incomes is slightly more diversified and also includes equities, bonds and funds as well as individual supplementary pension plans and life insurance.

Wealth is accumulated over the years, with the youngest households having lower cumulative financial wealth, while households of working age focus on building up their assets, and the oldest households deplete their assets in favour of consumption, to supplement their pension. That cycle is already evident in the age profile of participation in financial assets, and particularly in participation in individual supplementary pension plans. Here, it should be noted that the first wave of the survey offers only cross section data, so that analyses over time are not yet possible. Consequently, the differences between age groups are due not only to a life cycle effect but also to cohort effects, as different generations have different habits. Thus, it is the oldest households that own the most bonds. They are relatively less interested in capital gains and relatively more concerned about liquidity and a fixed income (annuity). However, this need not only mean that as households grow older they invest more in bonds (life cycle effect), it may also indicate that this generation favours that form of investment more than subsequent generations (cohort effect).

It is evident from the median value of the financial assets that the median Belgian household has relatively substantial financial assets, compared to the rest of the euro area (see also the table in the annex). The median value of the financial assets of a Belgian household is € 26 500, compared to € 11 400 for the euro area as a whole. It is only the median households in Luxembourg (€ 27 900) and the Netherlands (€ 34 700) that have larger financial assets. In the Netherlands, that is due mainly to individual supplementary pensions. In Luxembourg, the general affluence of households is a factor.

CHART 4 MEDIAN VALUE OF FINANCIAL ASSETS
(in thousand euro)



Sources : HFCS, NBB.

The prevalence of households from the higher income groups in the holding of financial assets is already an indication that ownership of these assets is rather unevenly distributed in the population. That uneven distribution is clear if the value of the total financial assets of households is broken down by income, wealth and age. The value of the financial assets of Belgian households varies widely according to income. In the lowest income quintile, the median financial assets come to only € 4 000, and that figure increases with income to a median of € 74 000 in the highest income quintile. Since savings out of income accumulate to build wealth throughout life and across generations (via inheritance), it is instructive to break down the value of the financial assets not only according to households' income but also according to their total net wealth[(1)]. It then emerges that the wealth profile of the financial assets is much more pronounced than the income profile, giving an initial indication of the uneven distribution of wealth. Financial assets are concentrated mainly on the richest households, in this case the highest wealth quintile, which holds median financial assets in excess of € 200 000. Finally, it is clear from the figures that financial assets are built up gradually during working life. The median value ranges from € 5 100 for the youngest households to € 41 600 for those in the 55-64 age group. In the oldest age group, financial assets are gradually reduced, dropping to a median of € 29 600 in the over 75 age group.

2.2.2 Distribution of financial assets

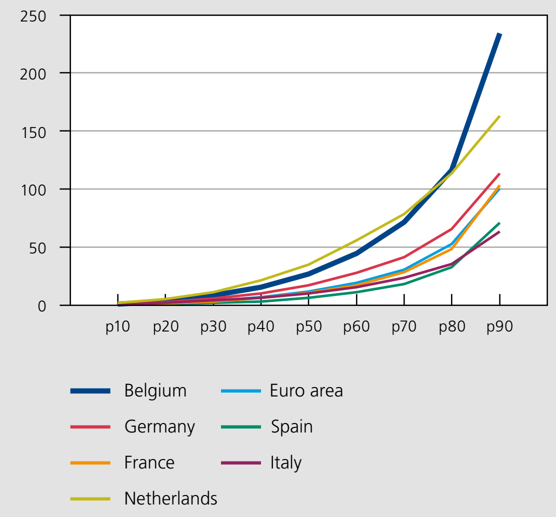
The uneven distribution of financial assets is already clear from the difference between the average financial assets of households (€ 109 400 in Belgium and € 44 500 in the euro area as a whole) and the median value (€ 26 500 in Belgium and € 11 400 in the euro area as a whole)[(1)].

We obtain a more detailed picture if we divide the value of the financial wealth into deciles, as we did for the value of real estate in the previous section. We then find fairly modest financial wealth in the lower half of the distribution, after which financial wealth increases sharply and is concentrated mainly in the top decile. A household at p90 (only 10 % of households thus have greater financial wealth) owns financial assets amounting to € 234 300 in Belgium, compared to € 163 300 in the Netherlands, € 113 300 in Germany, € 103 300

(1) This is the value of all assets less the outstanding total amount of debt. See section 4 of this article for an analysis of the net wealth of households.

CHART 5 DISTRIBUTION OF FINANCIAL ASSETS

(deciles, in thousand euro)



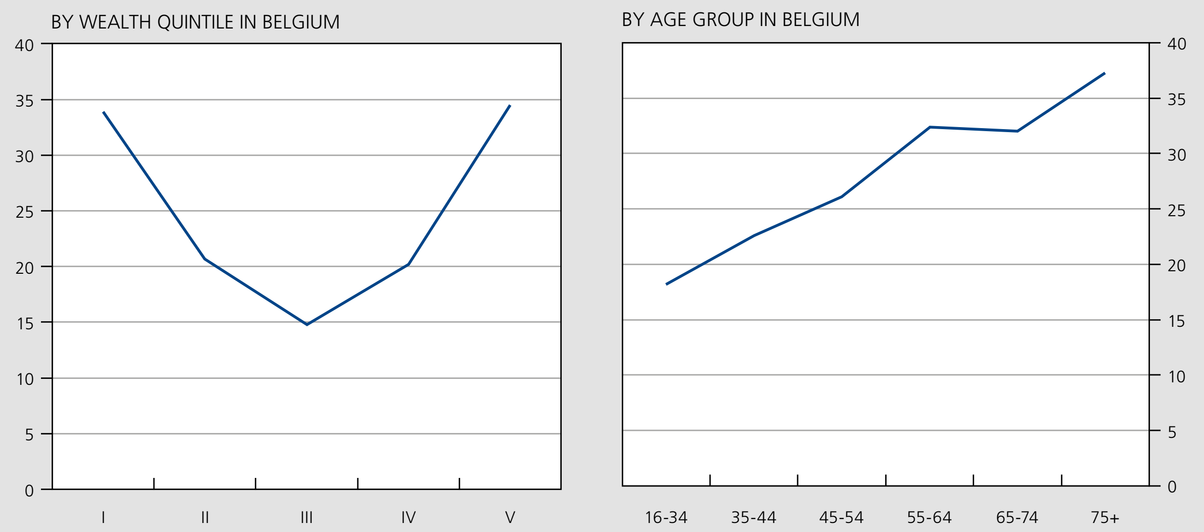
Sources : HFCS, NBB.

in France, € 71 000 in Spain and € 63 100 in Italy. In the euro area as a whole, the p90 value is € 100 600. Although that is much lower than in Belgium, the ratio between p90 and p50 – a measure of inequality in the upper half of the distribution – is 8.8, both in Belgium and in the euro area as a whole (see also the table in the annex).

To end this section we examine the composition of the total assets, particularly the share represented by the financial assets. According to the HFCS findings, for Belgian households financial assets make up 29.1 % of their total assets or gross wealth. That is higher than in all other euro area countries, where it averages only 16.8 % (see also the table in the annex). However, the weight of the financial assets in the total assets varies according to the level of wealth and household age. On average, households in the lowest wealth quintile hold almost 35 % of their wealth in the form of financial assets. In their case, real estate represents little or no value. The share of the financial assets then declines with income to an average of 15 % for the medium income quintile. These households hold significantly more property, which therefore represents a higher proportion of their assets. The wealthiest households in the top two quintiles-also build up a larger financial portfolio in addition to their real estate. On average, these financial assets represent 35 % for the top income quintile, so that the profile is U-shaped.

CHART 6 SHARE OF FINANCIAL ASSETS IN TOTAL ASSETS

(in % of total assets)



Sources : HFCS, NBB.

3. Debt

The HFCS covers both mortgage and non-mortgage debt. Households may contract mortgages in order to buy their own home or to purchase other real estate. The non-mortgage debt covered by the HFCS comprises credit lines and bank overdrafts, debit balances on credit cards, and other borrowings such as car loans or consumer credit.

This section compares mortgage debt with non-mortgage debt on the basis of an overall comparison between Belgium and the other euro area countries, and a structural analysis of the distribution of debt across Belgian households.

The participation of Belgian households in the credit market (44.8 %) is similar to that of the rest of the euro area (43.7 %). It is relatively modest in Italy (25.2 %). Fewer than 10 % of Italian households have a current mortgage loan, although the number of home-owning households is relatively high (68.7 %). That is attributable partly to the relatively large households (sometimes with several generations under one roof) and to the fairly significant level of inheritances and inter-generational gifts. In the case of households which do have a current mortgage loan, the median balance outstanding (€ 65 000) is comparable to the figures in Belgium (€ 66 800) and in the rest of the euro area (€ 65 200). In the Netherlands, far more households have contracted loans (65.7 %). Here, too, the difference mainly concerns mortgage loans. In the Netherlands, 43.9 % have taken out a loan for their own home, although only 57.1 % of households are home-owners. Similarly, the median outstanding balance (conditional median) on mortgage loans for own homes is relatively high in the Netherlands (€ 130 000). That is due to the specific institutional characteristics of the Dutch credit market, where many loans are contracted over long or very long terms, sometimes even being spread across multiple generations, and where it is quite common for the whole of the principal to be repaid at maturity. The Netherlands is also the only country where over one-fifth of households have bank overdrafts or credit lines, compared to 6.2 % of Belgian households. Other loans, mainly consumer credit, are used by 15 to 30 % of households, generally for quite small amounts, once again with the exception of the Netherlands, where the median outstanding balance on such loans is € 26 400.

We shall now look at the situation of Belgian households in more detail and examine how the various types of debt are broken down by income level and age. As in the case of assets, we examine the impact of income

TABLE 3 PARTICIPATION IN DEBT

(in % of households, conditional median value in thousand euro in brackets)

	Debt	Mortgage debt		Non-mortgage loans		
		Main residence	Other real estate	Credit lines and overdrafts	Credit cards	Other loans
Belgium	44.8	28.5	3.2	6.2	6.3	17.9
	(39.3)	(66.8)	(57.4)	(1.2)	(0.7)	(7.3)
Euro area	43.7	19.4	5.6	10.2	4.3	22.4
	(21.5)	(65.2)	(56.8)	(1.5)	(0.9)	(6.1)
Germany	47.4	18.0	6.0	19.8	3.4	21.7
	(12.6)	(67.0)	(81.6)	(1.5)	(0.5)	(4.5)
Spain	50.0	26.8	7.3	0.6	7.3	27.2
	(36.0)	(54.3)	(80.0)	(12.0)	(0.8)	(8.0)
France	46.9	16.9	10.1	7.0	n.	28.7
	(18.4)	(60.9)	(22.4)	(0.9)	(n.)	(6.0)
Italy	25.2	9.6	1.6	3.6	1.4	15.3
	(15.0)	(65.0)	(25.0)	(2.3)	(1.3)	(6.5)
Netherlands	65.7	43.9	2.5	20.8	4.6	24.6
	(89.1)	(130.0)	(102.9)	(2.1)	(1.1)	(26.4)

Sources: HFCS, NBB.

and age separately in a bivariate analysis. However, the qualitative income and age profiles which emerge are also confirmed in a multivariate analysis, in which we consider various explanatory factors simultaneously [1].

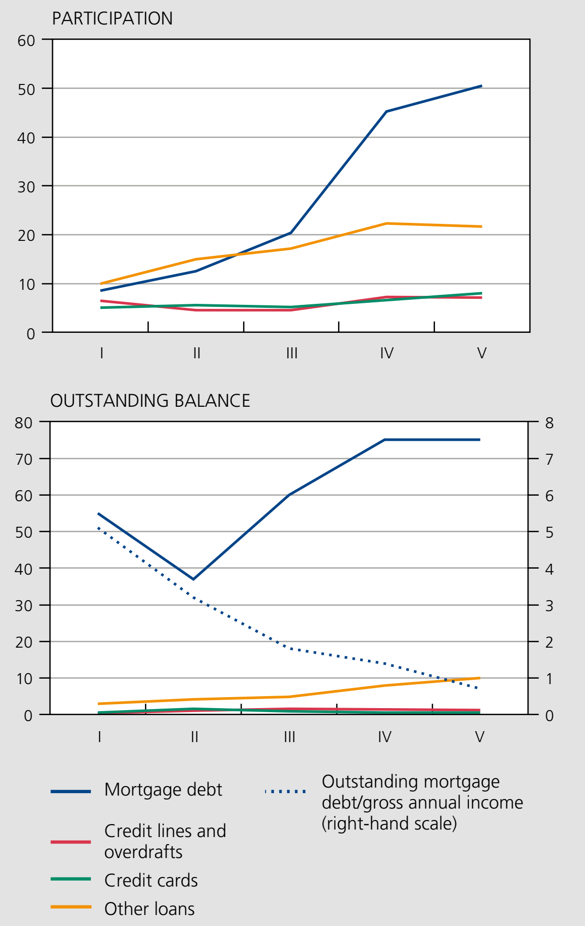
3.1 Income profile of Belgian household debt

Participation in most forms of credit exhibits a positive income profile : households with higher incomes are more inclined to contract loans, being better able to afford the repayments. It is also easier for them to obtain credit from the bank.

This profile is particularly marked in the case of mortgage loans : in the lowest income quintile, fewer than 10 % of households have a mortgage loan (as not many of them own property) ; for households in the highest quintile, that figure is over 50 % (they are also much more likely to own their home). Households in the higher income quintiles can also afford larger loans. The outstanding balance on mortgage loans therefore displays a positive correlation with household income, though that does not mean that the debts of households with higher incomes are more onerous. If we examine debt in relation to income, i.e. the outstanding amount of mortgage debt divided by the household's gross annual income (the debt-to-income ratio), it is clear that the ratio declines with income. The median mortgage debt/income ratio in Belgium is 1.3, but for households in the lowest income quintile the median ratio is 5, which means that a "median" household needs five years' gross annual income to repay its debt, and that represents a substantial debt burden. However, this concerns only a small proportion of households in this income quintile (the participation rate is 8.5 %), mainly young households which have just taken out a loan and can often look forward to a higher income in the future. For households in the highest income quintile, the median mortgage debt/income ratio is less than one year.

CHART 7 BELGIAN HOUSEHOLD DEBT, BY INCOME QUINTILE

(in % of households, conditional median values of the outstanding debt in thousand euro, unless otherwise stated)



Sources : HFCS, NBB.

Participation in other forms of credit, mainly car loans and consumer credit, also increases slightly with income, rising from 10 % in the lowest quintile to just over 20 % for higher incomes. The outstanding amounts are likewise slightly larger for the higher income groups. Participation in other forms of credit (credit lines and bank overdrafts, and debit balances on credit cards) is fairly low for all income groups. The median outstanding amounts are also quite small, and do not exhibit any marked income profile.

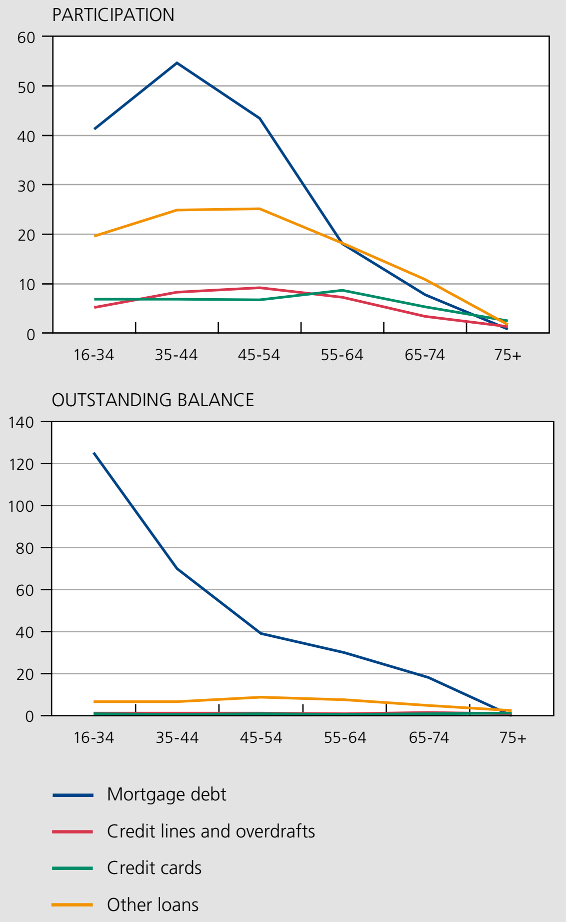
3.2 Age profile of Belgian household debt

Although participation in mortgage debt and the amount of the outstanding balance increase with income, they generally decline with age. While around 40 % of young households have a current mortgage loan, that rises to over half of households in which the reference person is aged between 35 and 44 years, then drops sharply to almost zero among the oldest households. The median outstanding balance is highest for the youngest households (where the reference person is under the age of 35 years), with a conditional median value of just over €120 000. They have only recently taken out a loan and can generally expect their income to increase. The

(1) Cf. Bover O., J.M. Cassado, S. Costa, Ph. Du Caju, Y. McCarthy, E. Sierminska, P. Tzamourani, E. Villanueva and T. Zavadil (forthcoming), The distribution of debt across euro area countries : the role of individual characteristics, institutions and credit conditions, ECB Working Paper.

CHART 8 BELGIAN HOUSEHOLD DEBT, BY AGE GROUP

(in % of households, conditional median values of the outstanding debt in thousand euro)



Sources : HFCS, NBB.

median outstanding mortgage debt is already halved in the case of households in which the reference person is aged between 35 and 44 years, and then falls to low or very low amounts in the case of the oldest households. The wealth of data offered by the HFCS permit a more detailed study of household debt in Belgium and in the euro area. In particular, it is possible to determine which households face excessive debt, and what are the explanatory factors. Such a study is currently in progress.

4. Net wealth of households

Following a review of the various assets and liabilities and their valuation, we can calculate the net wealth of households, which is equal to the value of all their assets less the total outstanding debts on the liabilities side, as recorded by the HFCS. Here it should be remembered that the capital value of statutory pensions and supplementary corporate or sectoral pensions is not included in the calculation of total net wealth.

4.1 Distribution of income and wealth in Belgium

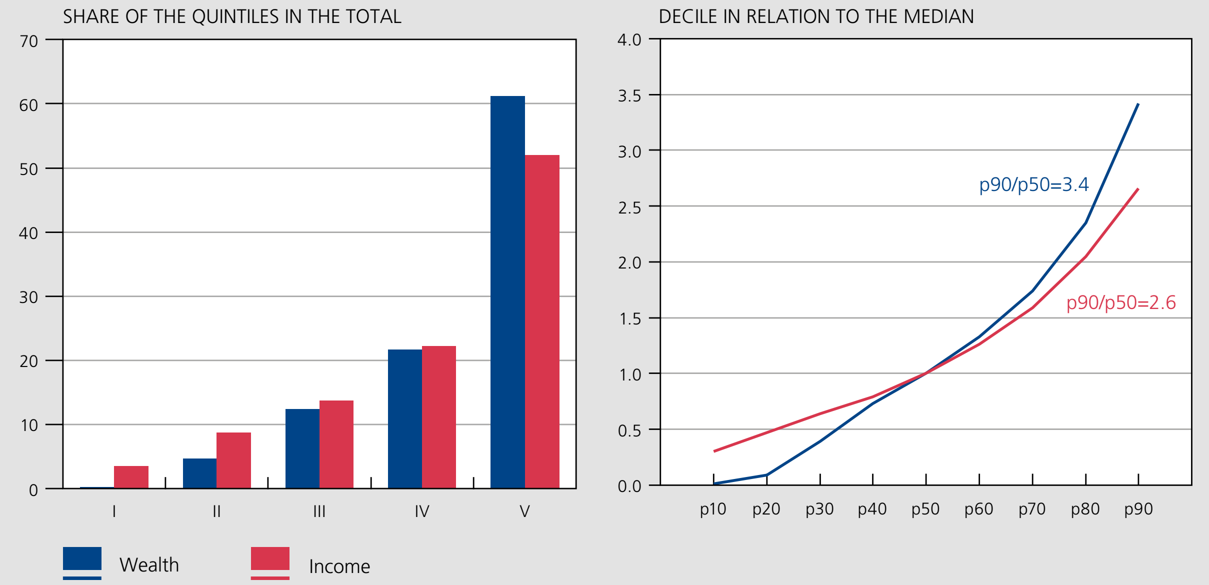
In addition to the data on assets (the main subject of the survey), the HFCS collects information on household income (as a supplementary variable). Wealth is built up by the accumulation of savings from income (apart from the impact of inter-generational and inter-sectoral transfers, e.g. transfers to the government via taxation). This makes it possible to study simultaneously the distribution of wealth and income across households.

In Belgium, the median net wealth of households is € 206 200. The average net wealth is € 338 600. The average is therefore considerably higher than the median, indicating that wealth is unevenly distributed, and substantial wealth is concentrated on a relatively small number of households. The same applies to income, albeit to a lesser extent. A household's median gross annual income is € 33 700, and the average is € 49 500. If households are divided into income quintiles and wealth quintiles we again find that wealth is more unevenly distributed than income. It is evident that the difference between income inequality and wealth inequality appears mainly at the upper and lower extremes of the distribution. Thus, in Belgium the wealthiest 20 % of households own 61.2 % of the total wealth. Similarly, the highest earning 20 % of households receive 52 % of total incomes in Belgium. At the other end of the scale, the poorest 20 % own only 0.2 % of the total wealth of Belgian households, and the 20 % on the lowest incomes account for 3.5 % of total household income in Belgium.

As in the case of real and financial assets, we can divide net wealth into deciles. If the deciles (p10 to p90) are divided by the median (p50) and the results are presented in the form of a chart, we can see the relative inequality of incomes and wealth, and the point in the distribution where the inequality is most noticeable. The p90/p50 ratio is 3.4 for Belgian wealth. This means that a household at position p90 (i.e. a household with net wealth greater than that of 90 % of the country's households, namely a "typical" wealthy household) has net wealth 3.4 times greater than that of a "typical" (median) household. This p90/p50 ratio, which therefore gives an idea of the inequality in the upper half of the distribution, is 2.6 for incomes in Belgium.

CHART 9 INCOME AND WEALTH DISTRIBUTION IN BELGIUM

(in % of the total, unless otherwise stated)



Sources : HFCS, NBB.

4.2 International comparison of wealth distribution

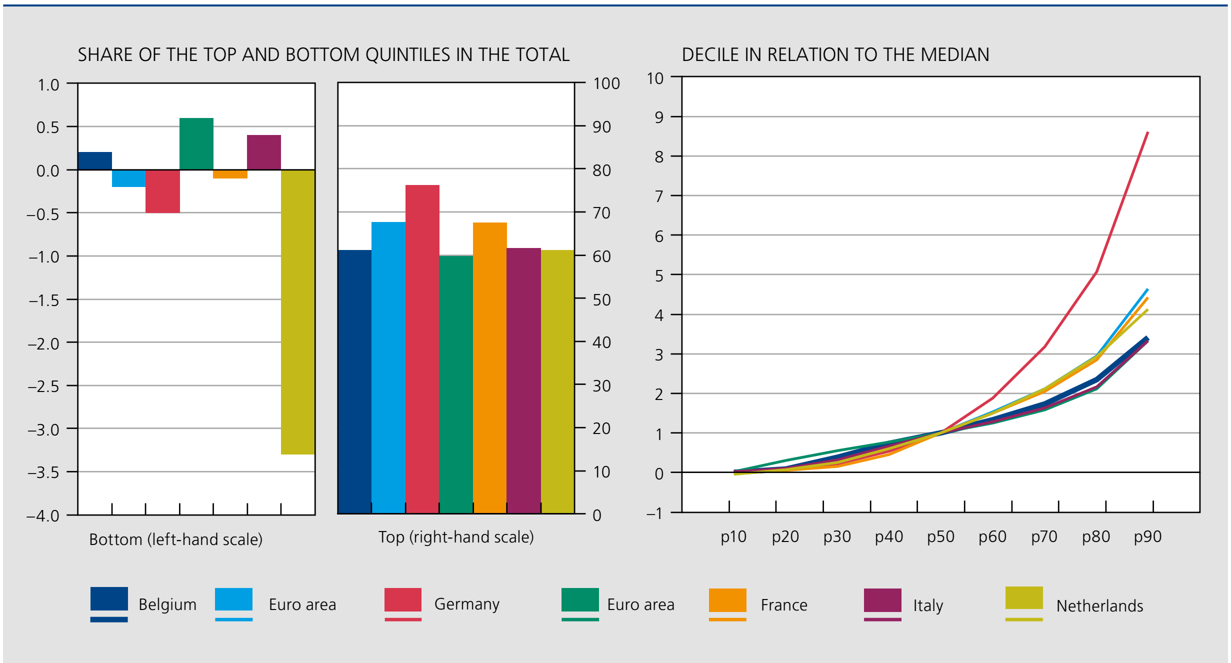
Net wealth therefore varies greatly from one household to another. Some households have hardly any assets, or none at all, while others are very wealthy. Various criteria can be used to summarise and compare the distribution between countries. Both the median and the average are statistics which summarise the distribution of wealth. These two concepts are quite useful, although they give only a very partial idea of the full distribution. Average net wealth is simply the total wealth divided by the number of households. This average is particularly affected by extreme values (outliers). In particular, for the purpose of measuring wealth, where a small percentage of households may own very substantial wealth, the average does not always tell us very much. The median net wealth indicates the middle of the distribution: half of the households have less wealth and the other half have more. The median therefore offers a picture of the average household.

Household wealth varies considerably from one euro area country to another (see the table in the annex). The median net wealth of households ranges from € 51 400 in Germany to € 397 800 in Luxembourg. It is € 109 200 for the euro area as a whole, and € 206 200 in Belgium. The average net wealth of households ranges between € 79 700 in Slovakia and € 710 100 in Luxembourg. It is € 230 800 in the euro area and € 338 600 in Belgium. We shall come back later to the absolute differences in net wealth between countries.

As already illustrated earlier in regard to incomes and wealth in Belgium, the p90/p50 ratio indicates the inequality in the upper half of the distribution. There are also considerable variations between the euro area countries in regard to the distribution of wealth. The p90/p50 ratio, i.e. the ratio between a "typical" wealthy household and a household in the middle of the distribution, ranges from 2.5 in Slovakia to 8.6 in Germany; it is 3.4 in Belgium and 4.6 in the euro area as a whole.

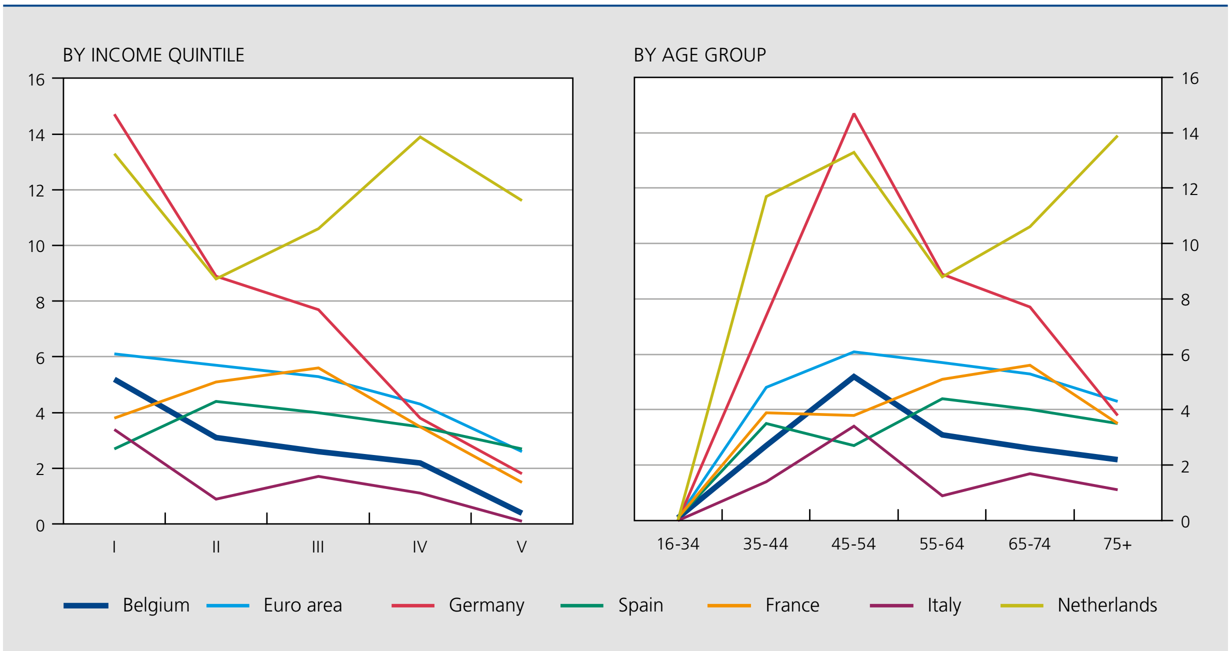
We know that the share of the poorest quintile in the total household wealth of a country is very small. It may even be negative if, on average, that group of households has negative wealth (their debts exceed their assets). That is particularly the case in the Netherlands, for example, and to a lesser extent in Germany. In those countries, and especially in the Netherlands, wealth is particularly unevenly spread at the bottom of the distribution. It is also known that, generally speaking, the wealthiest quintile represents a disproportionately large share of the total net wealth of a country. That share comes to 61.2 % in Belgium, compared to 67.7 % in the euro area as a whole. In Germany,

CHART 10 WEALTH DISTRIBUTION: INTERNATIONAL COMPARISON
(in % of the total, unless otherwise stated)



Sources : HFCS, NBB.

CHART 11 HOUSEHOLDS WITH NEGATIVE NET WEALTH
(in % of households)



Sources : HFCS, NBB.

that share is relatively substantial (76.3 %), so it is not only at the bottom of the distribution, but also at the top end that German wealth is more unevenly distributed, in relative terms, than in other countries, and certainly more so than in Belgium. That picture is even clearer if again the wealth deciles are calculated (p10 to p90) and each decile is divided by the median (p50). If the results are presented in chart form, we can clearly see the wealth inequality at the top of the distribution and the variations between countries. A more detailed study of income and wealth distribution based on the HFCS data is currently in progress.

The small share of the lowest quintile in the total wealth is therefore attributable partly to a group of households with more debts than assets, or in other words negative net wealth. The proportion of households with negative wealth is quite considerable in the Netherlands (11.7 %) and in Germany (7.4 %). In Belgium, it is 2.7 % of households, compared to 4.8 % in the euro area as a whole (see also the table in the annex). In Germany, these households are found mainly in the lower income quintiles, while in the Netherlands a relatively large number of households in the higher income quintiles also have negative net wealth. The substantial outstanding balance of mortgage loans and the sluggish property market are contributory factors here. In other countries, the proportion of households with negative net wealth is smaller and has a negative correlation with income. It is highest in the intermediate age groups. These groups have bigger mortgage debts and may already have seen the value of their property decline since they contracted the loan.

4.3 International comparison of net wealth

Although the HFCS is based on a common questionnaire, and a very great deal of effort has gone into ensuring that the results are comparable between countries, international variations need to be interpreted with caution (especially in the case of absolute differences between medians and averages). There are undeniably divergences between countries in regard to household characteristics, institutional factors, and factors relating to the macroeconomic environment. Thus, the HFCS measures wealth at household level, but households vary in their composition (size, number of members of working age). In addition, there are considerable variations in "public" assets, not only in regard to pensions and housing (social housing and other publicly owned housing), but also in terms of the public debt, which – in principle – has to be repaid by households sooner or later, via taxation. There may also be divergences in preferences for real and financial assets. Other crucial factors are the country's property market situation and the degree of borrowing (and loan terms) for the purchase of real estate. Finally, the wealth of a given sector, in this case households, cannot be separated from the other sectors (government and corporations). Similarly, the analysis of an economy as a whole must also take account of the country's net external position in relation to the rest of the world.

Caution is also necessary when microeconomic and macroeconomic approaches are combined. Thus, taxation represents a transfer of wealth from domestic sectors (in this case households) to the government. The tax burden then influences household wealth as measured by the surveys, whereas the country's prosperity remains unchanged overall. Furthermore, part of the household wealth may be held in the form of government bonds. The survey records this government debt held by households as a household asset, whereas the transaction is neutral in terms of the country's total net wealth. Household prosperity as measured by the HFCS therefore takes no account of public expenditure and public debt. The survey data on household wealth say nothing about the situation of the other sectors (corporations, government, position in relation to the rest of the world). They are therefore less suited to analysing a country's total wealth, or comparing national wealth with that of other countries.

According to the HFCS, the "typical" (i.e. the median) Belgian household has net wealth amounting to € 206 200 (where the average net wealth is € 338 600), much more than the median household in the euro area as a whole (€ 109 200) and more than in most other euro area countries. Luxembourg, Cyprus and Malta are the only countries where the median is higher. The HFCS can take account of household size, and thus calculate per capita wealth. In order to confirm the HFCS findings, the calculations can be compared in part with the data from other macroeconomic sources (national accounts and NCB estimates of real estate wealth, for example) and with other surveys such as the SILC *(Statistics on Income and Living Conditions)* or SHARE *(Survey on Health, Ageing and Retirement in Europe)*, bearing in mind that comparability is limited by differences in the concepts "household" and "wealth". Thus, in the published macroeconomic statistics, non-profit institutions serving households are generally recorded in the household sector, whereas the HFCS ignores them. As already stated, the HFCS does not include in the financial assets the capital value of statutory pensions and supplementary corporate or sectoral pensions, in contrast to the procedure followed, where possible, for the macroeconomic statistics. Generally speaking, surveys are better at recording real assets than financial assets. Compared to other sources, the HFCS results for Belgium look plausible : they cover 94 % of total net wealth as estimated by macroeconomic sources.

CHART 12 PER CAPITA NET WEALTH : INTERNATIONAL COMPARISON
(thousand euro)

Sources : HFCS, NBB.

To ensure comparability with macroeconomic sources, it is necessary to consider averages rather than medians. According to the HFCS, Belgian households have average net wealth of € 147 000 per capita (€ 157 000 according to macroeconomic estimates which, as we have said, are not entirely comparable). The international variations in per capita wealth as recorded by macroeconomic estimates in the countries where they are available are smaller than those calculated according to the HFCS. This illustrates that differences between surveys (e.g. the extent to which the wealthiest households take part in the interviews) may be a factor, and that surveys such as the HFCS are not designed to measure a country's total wealth (and hence the average). Instead, they are intended to analyse wealth distribution and to study the behaviour of individual households or groups of households. By that token they are not a substitute for the national (financial) accounts or other macroeconomic statistics ; on the contrary, they complement them.

A list of factors which may explain international differences in the net wealth of households starts with the characteristics of the survey. As far as possible, the HFCS is harmonised, but differences may still emerge, e.g. in regard to sampling and representativeness, and especially the participation rate of a country's wealthiest households. In addition, household composition is also a significant factor. Larger households, and primarily those with more persons of working age, accumulate more assets (real estate) than smaller households. In southern European countries, households are larger, on average, and contain more adults. There are also considerable divergences in home ownership, which is generally less prevalent in the northern countries, and especially in Germany. To interpret these differences would require a specific, detailed analysis, but they may be due partly to household structure (households being larger in the South, sometimes comprising multiple generations), the supply of public housing, and particularly social housing, credit markets, and the tax treatment of real estate and borrowings. Moreover, movements in house prices also play a role, as real estate is the main component of household wealth, and it is the households themselves that estimate the value of their home. That value therefore depends on the local property market situation at the time of the interview and in the preceding period. Home ownership is also influenced by the credit market in the country concerned. The tax treatment of loans (mortgages) and interest payments is another factor here. Since wealth is built up by accumulating savings out of income and their accumulation over the generations, differences in household income and the scale of inheritances also account for part of the differences in wealth. Finally, household wealth cannot be viewed separately from the wealth of other sectors, namely government and businesses. Apart from the share of wages in the economy, public (social) housing, taxation, (the credibility of) social security and statutory pensions, and the size of the public debt are likewise relevant factors.

A combination of these various factors is needed to explain the differences in household wealth between countries. There are complex interactions between many factors, yet the initial analyses only look at certain factors individually. Consequently, additional (multivariate) studies are necessary, and are currently being conducted by the HFCN. The same applies to income and wealth distribution. The information from the HFCS makes it possible to study that simultaneously and to take account of correlation factors. That research is ongoing.

Conclusion

This article examines the structure and distribution of household wealth on the basis of the first results of the *Household Finance and Consumption Survey* (HFCS). Real and financial assets are described along with debts, resulting in an analysis of the net wealth of households.

The HFCS is a rich statistical source containing a great deal of new information on household finances in the broad sense. These data are used for policy analysis and scientific research. The initial findings can be summarised as follows.

The statistical data from the HFCS are generally reliable, especially for Belgium. The HFCS microeconomic statistics are particularly well suited to structural analyses, e.g. concerning the composition and distribution of wealth. Macroeconomic data remain preferable for general analyses. In that sense, the HFCS and the financial accounts are therefore complementary, and are not substitutes for one another.

In regard to household assets, there are wide international variations in home ownership. In Belgium, seven out of ten households own their home (six out of ten in the euro area). Participation in most financial assets (other than deposits) is low, except for the wealthiest households. It is only in the highest income quintile that more than one in five Belgian households own listed shares or units in mutual investment funds. The income profile of participation in the third pension pillar is more pronounced : in Belgium, it ranges from less than 20 % for the lowest income quintile to over 60 % for the highest quintile.

In regard to debts, the proportion of households in debt is relatively low in the euro area, but once again there are significant international variations. That said, households in debt sometimes have a considerable debt burden. In Belgium, fewer than half of households have debts. Three out of ten Belgian households have a mortgage loan. On those loans, the median (conditional median value) of the outstanding balance amounts to five times the gross annual income of a household in the lowest income quintile. For a household in the highest income quintile, this mortgage debt/income ratio represents less than one year's income.

If we take account of all assets and debts, the substantial wealth of Belgian households is confirmed at international level. Net wealth is more unevenly distributed than income. Once again, there are significant disparities between euro area countries. Real assets and mortgage debts are major role factors in that respect.

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For more information on the HFCN and the HFCS, see the European Central Bank's website : http ://www.ecb.int/home/html/researcher_hfcn.en.html.

Annexe

SELECTED HFCS INDICATORS

(thousand euro, unless otherwise stated)

	Euro area	BE	DE	GR	ES	FR	IT	CY
Real assets								
Home ownership (in % of households)	60,1	69,6	44,2	72,4	82,7	55,3	68,7	76,5
Average value of own home	216,8	273,1	205,8	123,4	211,1	222,2	254,0	317,5
Financial assets								
Median	11,4	26,5	17,1	4,4	6,0	10,7	10,0	22,1
Average	44,5	109,4	47,4	14,9	34,1	50,2	31,2	68,7
Ratio p90/p50	8,8	8,8	6,6	8,2	11,8	9,7	6,3	6,5
Share in the total assets (in %)	16,8	29,1	21,2	7,0	10,3	19,3	10,0	8,1
Net wealth								
Median	109,2	206,2	51,4	101,9	182,7	115,8	173,5	266,9
Average	230,8	338,6	195,2	147,8	291,4	233,4	275,2	670,9
Ratio p90/p50	4,6	3,4	8,6	3,3	3,3	4,4	3,3	5,5
Households with negative net wealth (in % of households)	4,8	2,7	7,4	2,6	3,5	3,9	1,4	2,8
	LU	MT	NL	AT	PT	SI	SK	FI
Real assets								
Home ownership (in % of households)	67,1	77,7	57,1	47,7	71,5	81,8	89,9	67,8
Average value of own home	611,9	214,9	270,6	258,1	113,8	126,5	68,7	159,5
Financial assets								
Median	27,9	26,2	34,7	13,5	4,3	1,7	2,5	7,4
Average	89,9	52,3	68,4	46,9	22,5	9,2	7,5	29,6
Ratio p90/p50	7,3	4,7	4,7	7,7	13,4	14,2	7,7	9,0
Share in the total assets (in %)	11,2	13,4	26,6	16,9	12,5	5,6	8,3	15,0
Net wealth								
Median	397,8	215,9	103,6	76,4	75,2	100,7	61,2	85,8
Average	710,1	366,0	170,2	265,0	152,9	148,7	79,7	161,5
Ratio p90/p50	3,5	3,2	4,1	7,1	4,0	3,1	2,5	4,6
Households with negative net wealth (in % of households)	3,8	0,8	11,7	5,3	2,6	2,0	1,2	10,6

Sources: HFCS, NBB.