

G20

DATA GAPS INITIATIVE 3

Work by the ESCB on Distributional Results on Wealth for the Euro Area and EU Countries

G20 DGI-3 GLOBAL CONFERENCE: JUNE 14, 2023 – SESSION IV

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PEOPLE, PLANET, ECONOMY

DGI-3

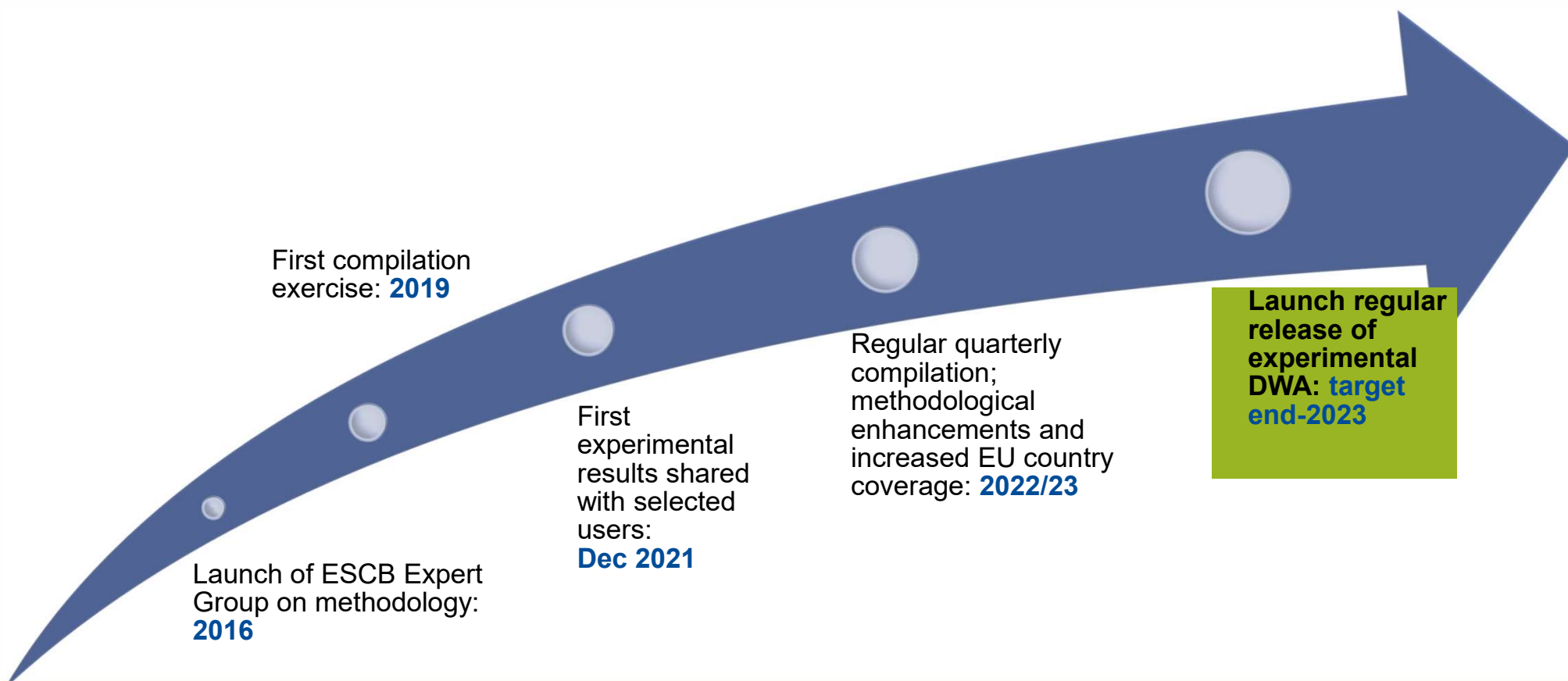
DELIVERING INSIGHTS FOR ACTION

Overview

- Introduction and progress until 2023
- DWA Methodology
- DWA results
- DWA specific features
- Lines of further DWA development

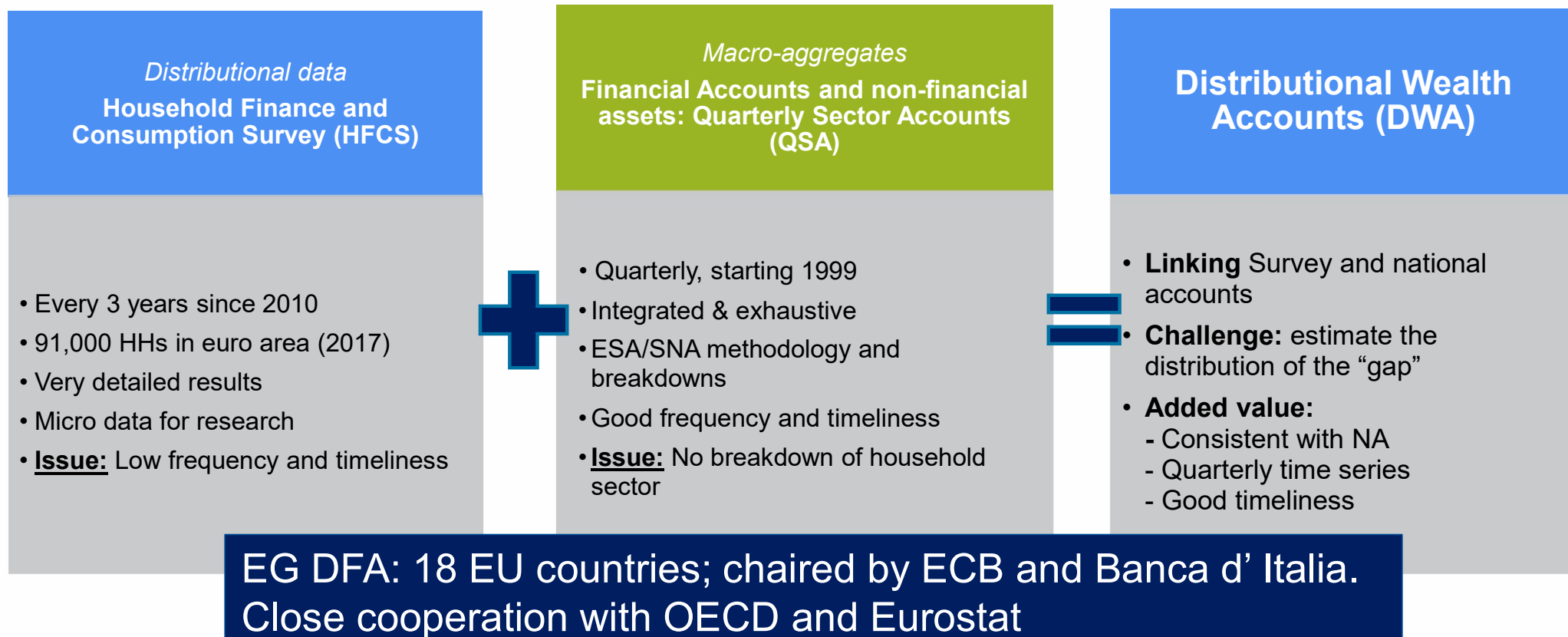
1. Introduction and Progress Until 2023

Milestones of development of distributional wealth accounts (DWA)



1. Introduction and Progress Until 2023

From household surveys to national accounts



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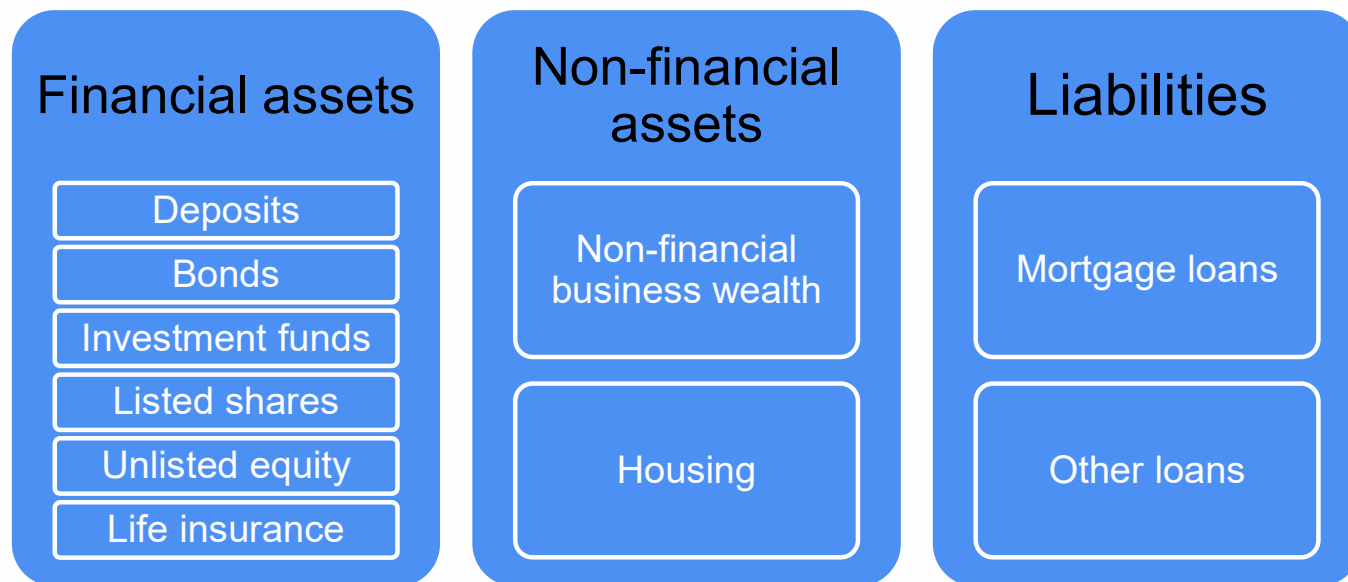
2. Methodology

Wealth concept for DWA

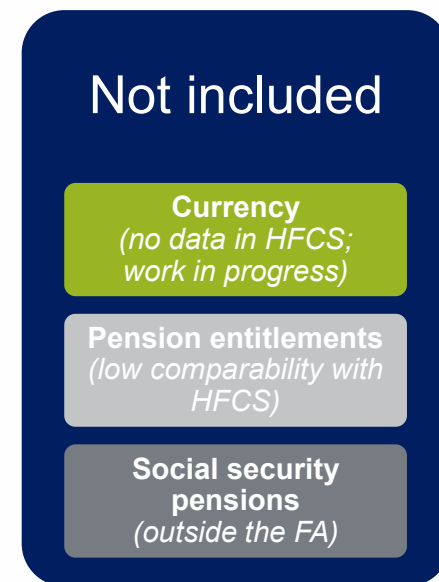
The DWA cover about 90% of the euro area households' assets and liabilities

Linking items in household net wealth between the HFCS and quarterly sector accounts

Items with high or medium comparability of concepts



Items with low comparability



2. Methodology

Overview of DWA estimation steps

Baseline method applies all steps. If justified, changes at country level.

Adjust population and other available components

- Population, reference periods, specific instruments and outliers

Assess and adjust country specific features and data

- Country-specific issues in both HFCS and QSA

Missing wealthy households

- Augment survey with “rich list” and synthetic households, assuming Pareto distribution

Final grossing-up

- Proportional allocation of the remaining difference to QSA totals

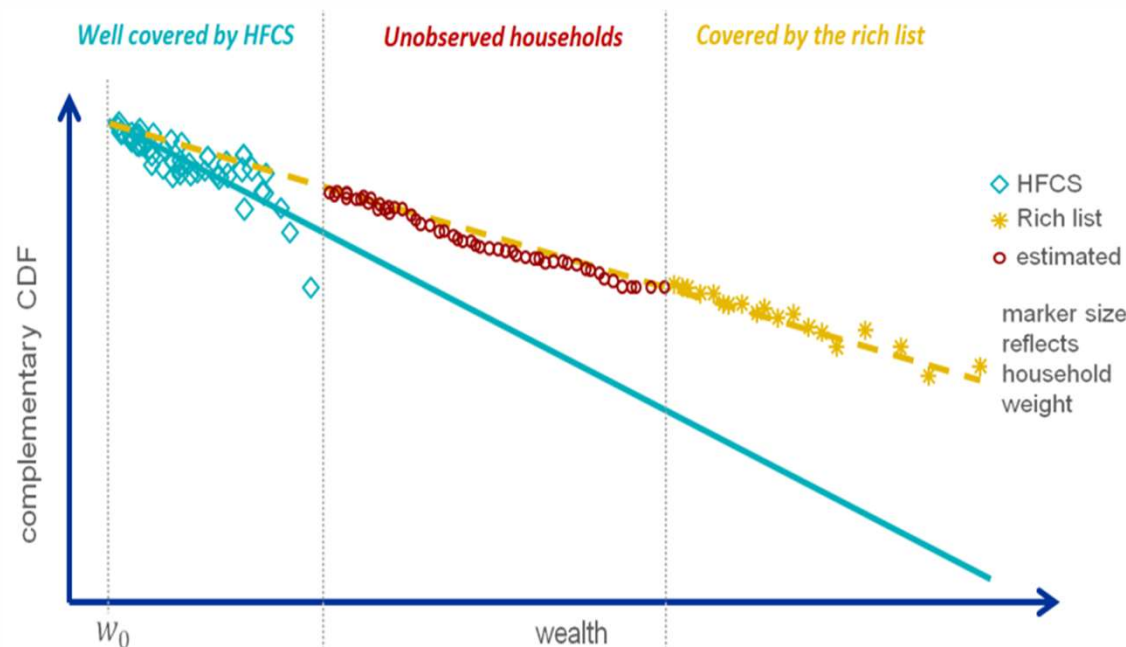
Time series

- Interpolation between HFCS waves and extrapolation to latest QSA period

2. Methodology

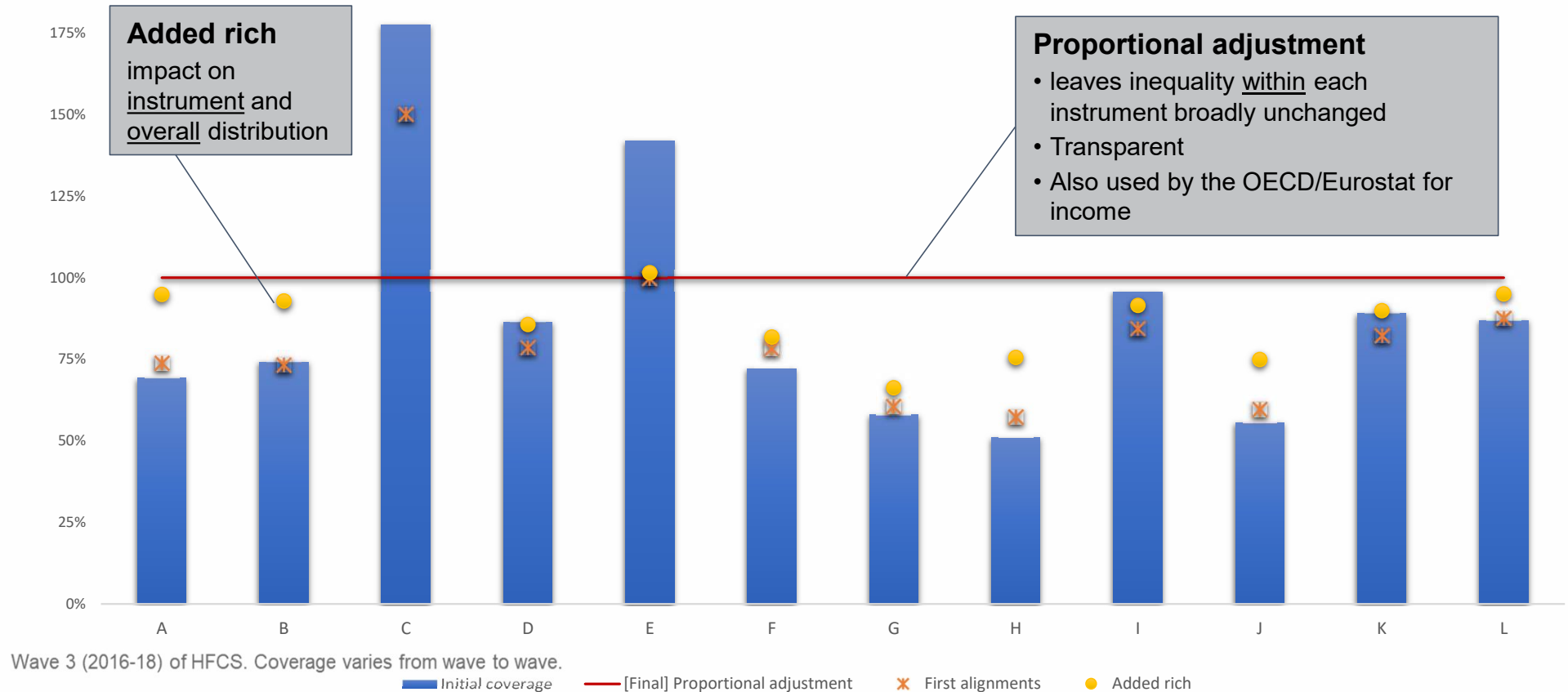
Estimation methods – missing wealthy households

- Despite oversampling wealthy households not fully covered in surveys
- Complementing survey sample with “rich lists”
- In most countries, gap remains between *richest HFCS household* and “*poorest*” in *rich list*
 - Synthetic households sampled from the estimated Pareto tail



2. Methodology

Survey / QSA ratio for 12 EU countries for net wealth (DWA concept)



2. Methodology

Time series, frequency and timeliness

ECB users: demand for distributional data that can be used together with other regular statistics used in analysis and briefing, in particular national accounts

■ Time series?

- Wealth / outstanding amounts: changes much slower than transactions/flows
- Interpolate between survey waves
- Extrapolate after latest survey assuming fixed distribution in micro data. This captures relevant short-term changes impacting on distribution (e.g. major house price inflation benefiting home owners)

■ Frequency?

- Quarterly DWA feasible and use the same assumptions as annual DWA would

■ Timeliness?

- 5 months after reference quarter, 1 month after main quarterly release of sector accounts

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3. DWA Results

Available items

- **Net wealth**
- **Total assets**
- Deposits
- Debt securities
- Listed shares
- Investment fund shares
- Life insurance
- Unlisted shares and other equity
- Non-financial business wealth
- Housing wealth
- **Total liabilities**
- Mortgage debt
- Other debt

Working status:

- Employee
- Self-employed
- Retired
- Unemployed

- Undefined and other

Housing status:

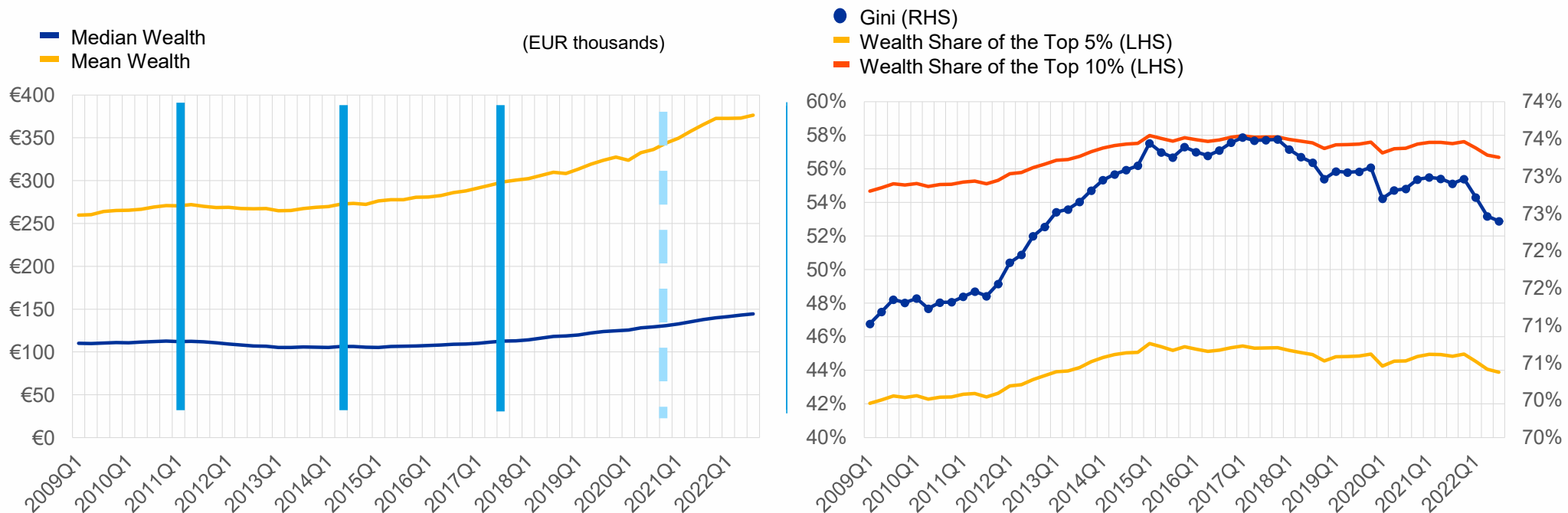
- Owner / Partial owner
- Rental / Free use

- Number/proportion of household with wealth > 1mln
- Share of wealth of top 5%, 10% and bottom 50%

- Gini (net wealth)
- Median and mean wealth
- Debt-to-assets ratios

3. DWA Results – Euro Area

Some measures of inequality on wealth



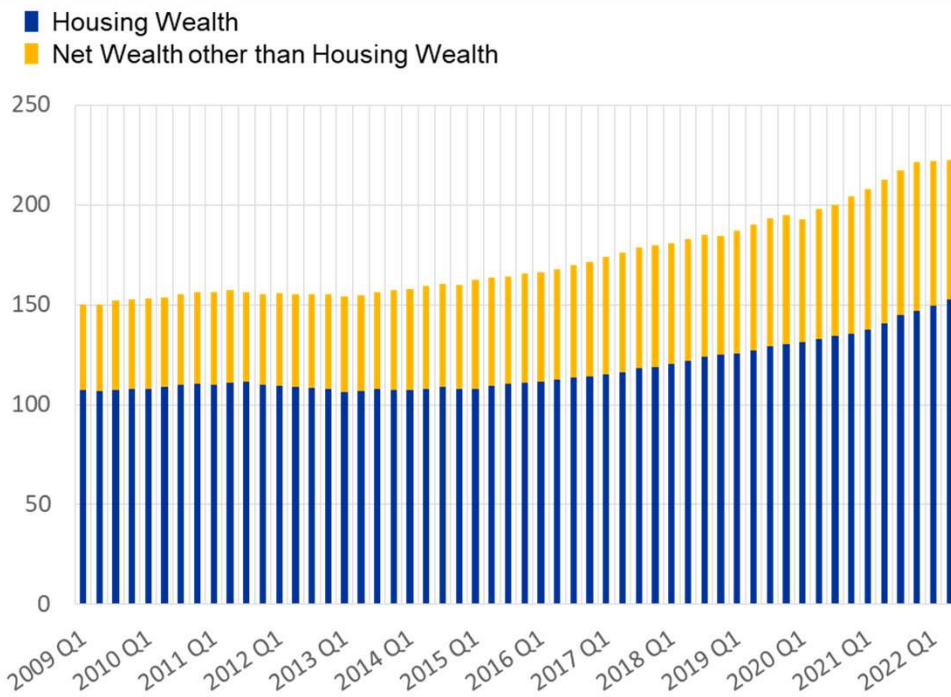
The Gini coefficient dropped in recent years, in the context of rising housing prices.

The solid vertical lines represent the period of the available household survey (HFCS waves 1 to 3), the dashed line the latest wave to be integrated to DWA

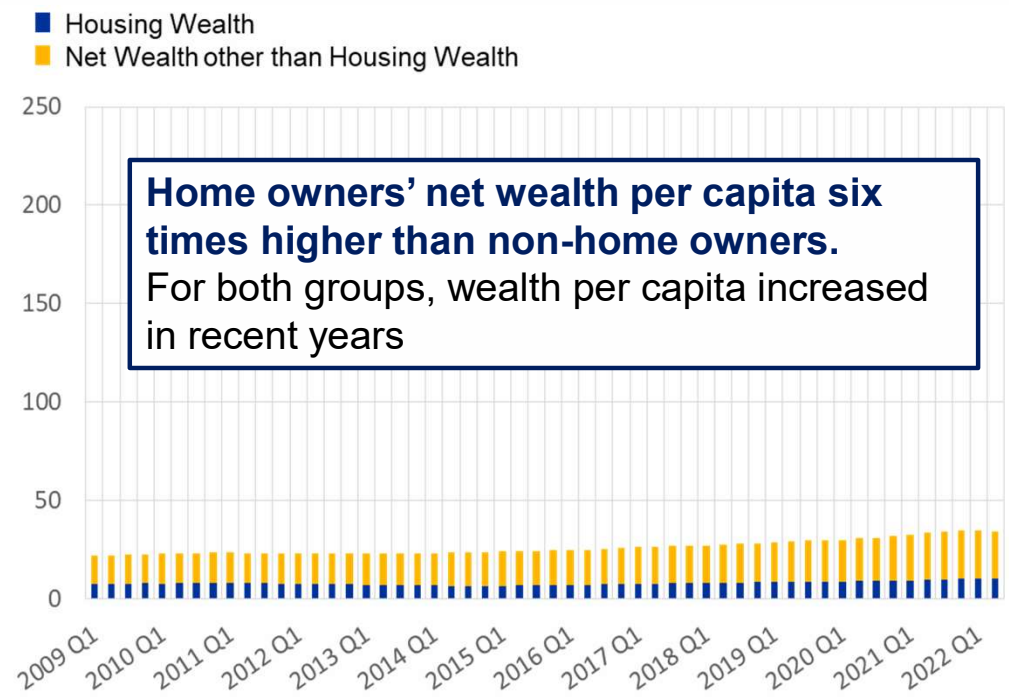
3. DWA Results – Euro Area

Wealth per capita for home owners and non-home owners

Home owners



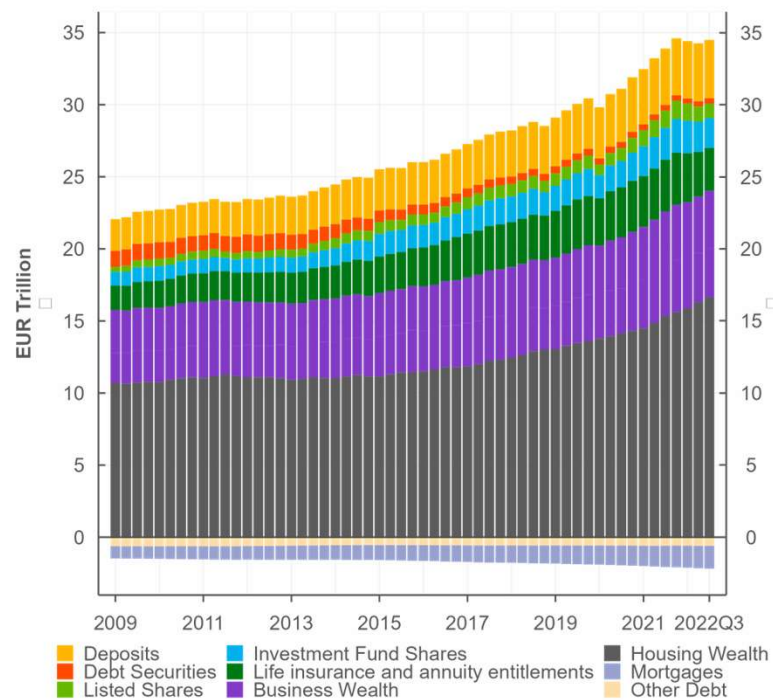
Non-home owners



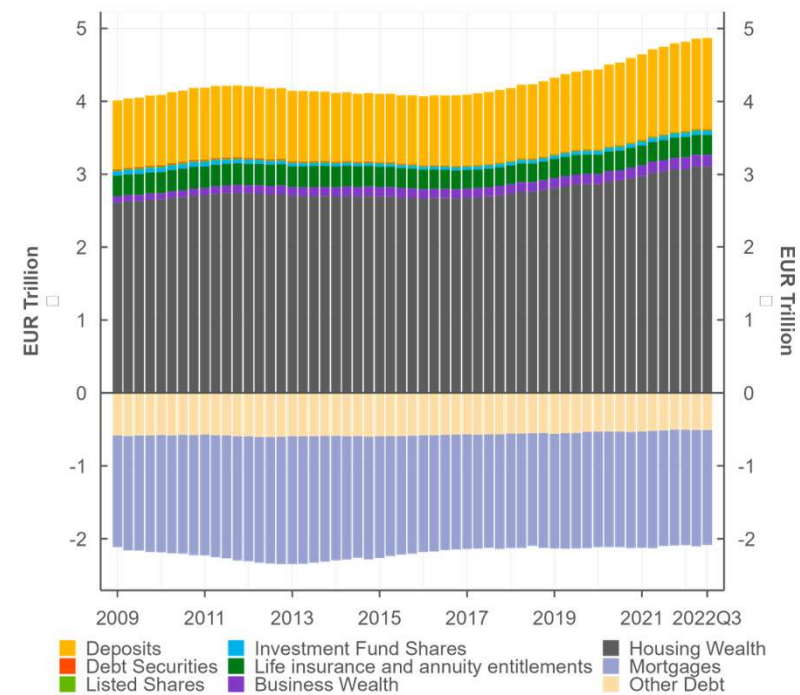
3. DWA Results – Euro Area

Portfolio composition across the distribution

Portfolio of top 10%



Portfolio of bottom 50%



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4. DWA Specific Features

Learnings from ESCB work

- **Specific features supporting DWA compilation**
 - Wealth distribution very skewed (some assets only held by wealthy households)
 - The high stock of wealth changes slowly (slower than e.g. annual income)
 - Impact of revaluations often higher than that of active portfolio rebalancing
- **Specific challenges for DWA**
 - (Accessible) administrative sources (even) more scarce than for income
 - Significant issues of non-response, underreporting and “missing rich” in surveys
- **Specifics of the ESCB approach**
 - For all countries involved the same (micro) household survey source (HFCS)
 - Common DWA “baseline” estimation model – further fine-tuned at country level

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5. Lines of Further DWA Development

- **Regular quarterly releases** for euro area and about 20 countries planned from end-2023, after incorporating latest survey wave
- **Further desirable enhancements:**
 - close instrument gaps (e.g., currency, pension entitlements)
 - Enhance method for DWA extrapolation after latest household survey
- **Improvements by individual countries** (e.g., integrating available administrative data)
- Develop **link to income distribution** (required also for DGI Rec 9)
- Contribute to **DGI-3** work and EG DHW, share European experiences with other countries and learn from experiences worldwide

→ **Important milestones achieved, while potential for further improvement**



**Thank you. Comments
welcome!**