



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

HOUSEHOLD FINANCE AND CONSUMPTION SURVEY IN MALTA

Report published in the Quarterly Review 2013:2

HOUSEHOLD FINANCE AND CONSUMPTION SURVEY IN MALTA¹

In 2011 the Central Bank of Malta finalised a survey assessing households' wealth, financing and consumption in Malta, as part of a coordinated research exercise led by the European Central Bank (ECB), which involved national central banks and national statistical institutes in the euro area. The survey, the first one to be carried out in Malta, followed a homogenous methodology, which was employed across almost all euro area countries, thus enabling cross-country comparisons. The survey results shed light on the economic behaviour of households, while the availability of household-level data enables a better insight on developments in macroeconomic variables. Consequently, this provides important inputs on issues of relevance, such as monetary policy and financial stability. The survey is expected to be repeated every three years, with the next wave scheduled to take place in 2014.

This report summarises the main findings of the Malta Survey on the wealth, financing and consumption patterns of Maltese households.² The survey includes information on the composition, demographics, income, wealth, debts, consumption and financial decisions of local households in 2010.

The main findings of the Malta Survey

Household characteristics

On the basis of sample results, the number of households in Malta was estimated at almost 144,000. On average, each household was composed of 2.85 members. The distribution showed that almost 45% of households consisted of two members or fewer, another 44% included between three and four persons, while the remaining households were made up of five or more individuals.

Household income and net wealth

With regard to income, the Malta Survey shows that 60.2% of total gross household income was from employee compensation, while 11.8% was generated from self-employment activity. Meanwhile, 17.4% of total gross household income was in the form of transfer payments, such as public pensions, widows' and disability pensions and other regular social transfers. On the other hand, income from financial investment was estimated at almost 7%, while rental income accounted for 1%. The average annual household income, before payment of income tax and social contributions, amounted to €26,443, while the median income stood at €21,615.

Households' net wealth, which is defined as the sum of real and financial assets net of financial liabilities, was estimated at a median value of €215,932.

¹ Prepared by Karen Caruana and Christopher Pace. Ms Caruana is a Senior Economist Statistician and Mr Pace is a Manager in the Bank's Statistics Department.

² More exhaustive information on the salient findings of the survey is available on the Central Bank of Malta website at www.centralbankmalta.org. The report provides a brief overview of the questionnaire structure, the statistical methodology employed in the collection of data, inter-country comparison between Malta and other participating euro area countries, and detailed statistical tables.

Housing and other real assets

Results showed that 77.7% of households were owner-occupiers of their home, with the median value of their main residence estimated at €186,643. The remaining 22.3% of households were tenants occupying their residential units under rent, usufruct or rent-free agreements. It was also estimated that 31.4% of households owned other forms of property, including second homes, garages, commercial premises, and agricultural land.

Almost all households (99%) were owners of at least one type of asset, either in the form of a financial asset or in a non-financial form. It is estimated that 11.5% of Maltese households owned a business in which they worked as self-employed. Almost 85% owned one or more vehicles and 19.1% possessed valuables, such as antiques, jewellery and paintings.

Financial assets

While more than 97% of households owned at least one financial asset, financial assets represented 13.4% of the value of their total assets. The most widely held financial assets (83%) were interest-bearing deposits with banks. Current accounts were held by 74.3% of households, while 21.6% owned some form of debt security, mainly corporate bonds and government securities. Equity was held by 13.4% of all households, while 8% owned mutual funds. Furthermore, the Malta Survey results show that 24.2% of all households were covered by a life insurance policy or participated in a pension scheme. The overall median value of financial asset holdings was estimated at €26,229.

Household debt

A total of 34.1% of all households had some type of debt liability, averaging €35,814. Almost 16% of them had a bank loan to finance their main residence or other real estate. Around a quarter, or 25.2%, of households had credit facilities to finance some form of consumption expenditure via credit cards, overdrafts and/or other consumer/private loans. With respect to home-owning households, 15.5% used their main residence as collateral for bank loans. Furthermore, the results show that collateralised loans make up 76% of total debt of the indebted households. This notwithstanding, household debt represents only 3.2% of the total gross wealth of households.

The sustainability of households' financial burden was also measured by comparing the debt outstanding with annual income. The median ratio of household debt to gross households' income was calculated at 52%. In addition, when the same ratio was calculated solely for those households with mortgage debt as their debt liability, it rose to 132.2%. Debt servicing, (that is, capital repayments and interest payments on mortgage loans and consumer/private loans) as a proportion of gross households' income, was estimated at 11% in median terms. Similarly, when the ratio was calculated for those households having just mortgage loans, the median ratio was estimated at 12.8%.

Household expenses and saving

The median annual spending on food and beverages consumed at home was estimated at €4,800. Meanwhile, household median annual expenditure on food and beverages in cafeterias, bars, restaurants, etc. amounted to €1,120. The average annual spending on rent for those households that rented their dwellings was estimated at €1,004. In the case

of expenditure on utilities, the annual median expenditure amounted to €1,997. Information on households' savings provided by the survey shows that 23.7% of households were net savers, with a median annual savings amounting to €3,000 and a mean of €4,444.³ On the basis of the Malta HFCS, it is estimated that the overall household savings ratio measured by the ratio of mean savings to gross household income stood at 4%.

³ Around half of households surveyed, or 47.6% of respondents, declared that they are neither savers nor dissavers.