



BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

HOUSEHOLD FINANCE AND CONSUMPTION SURVEY – MALTA VS. EURO AREA

HOUSEHOLD FINANCE AND CONSUMPTION SURVEY – MALTA VS. EURO AREA¹

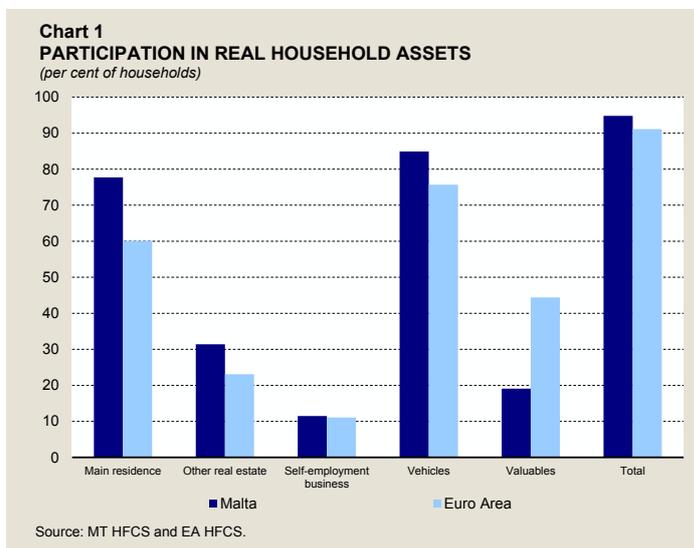
In 2011 the Central Bank of Malta finalised a Household Finance and Consumption Survey (HFCS) assessing households' wealth, as well as financing and consumption patterns in Malta. This Survey formed part of a coordinated research exercise led by the ECB, which involved national central banks and national statistical institutes in the euro area.²

This report summarises the main findings of the Survey and compares them with euro area-wide results.³ The reference year for most countries, including Malta, was 2010.

Household assets

Household assets are split into two types, real and financial. With regard to real assets, Survey results for Malta show that 77.7% of households owned their main place of residence in 2010, as opposed to 60.1% in the euro area (see Chart 1). While the median value of the Maltese households' main residence was estimated at €186,643, the median value in the euro area stood at €180,300. At the same time, while almost a third of Maltese households (31.4%) owned other forms of property, including second homes, garages, commercial premises and agricultural land, the corresponding proportion of euro area households was less than one-fourth (23.1%). While the percentage ownership of vehicles was moderately higher for Maltese households, the share of households reporting business ownership was comparable with that reported for the euro area. In contrast, Maltese households' ownership of valuables was significantly lower.

Concurrently, more than 97% of Maltese households held some form of financial asset in 2010 with bank deposits being the predominant option (see Chart 2). The next most commonly held financial asset category was that incorporating life insurance policies and voluntary pension schemes, with 24.2% of all households reporting that they hold such assets.⁴



¹ Prepared by Elaine Caruana Briffa. Ms Caruana Briffa is a Senior Economist in the Bank's Economics and Research Department.

² For more details refer to Box entitled "Household Finance and Consumption Survey" published in *Quarterly Review 2013:2*.

³ See Eurosystem Household Finance and Consumption Network (2013), "The Eurosystem Household Finance and Consumption Survey – Results from the first wave", European Central Bank, Frankfurt.

⁴ The Survey excluded public pensions.

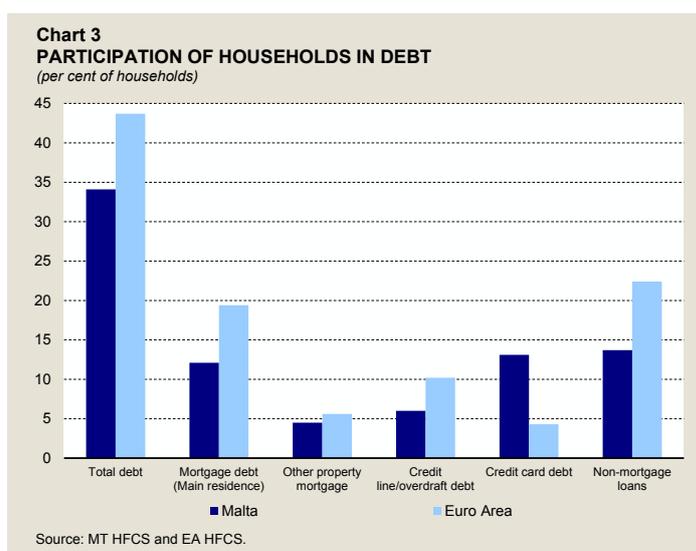
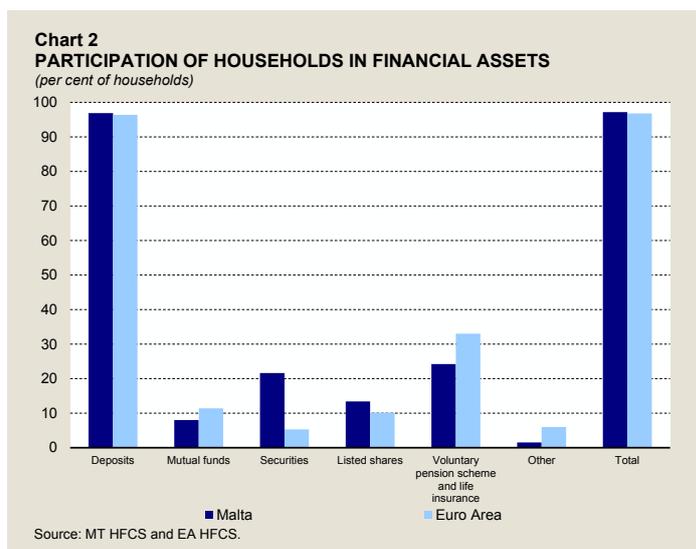
Similarly, in the euro area as a whole, both the ownership of at least one type of financial asset, as well as the portion of households holding deposits, was above 96%. Additionally, a third of euro area households benefited from participation in a pension scheme or a life insurance policy cover.

There was a significant disparity in the holdings of debt securities. While 21.6% of Maltese households owned bonds, only 5.3% of euro area households held such assets. The preference for listed shares was also stronger domestically. On the other hand, 24.6% of Maltese households participated in voluntary pension schemes and life insurance policies, compared with 33.0% in the euro area. In contrast, 11.4% of euro area households held mutual funds in their financial asset portfolio, as opposed to 8.0% of Maltese households. The overall median value of financial asset holdings of Maltese households was estimated at €26,229, more than double the amount estimated for euro area households (€11,400).

The share of financial assets belonging to Maltese households in the latter's total assets portfolio was estimated at 13.4%, compared with 16.8% in the euro area. Deposits made up 51.2% of total financial assets, while securities, voluntary pension schemes and life insurance cover accounted for another 31.8%. The corresponding percentages in the euro area stood at 42.9% and 32.9%, respectively.

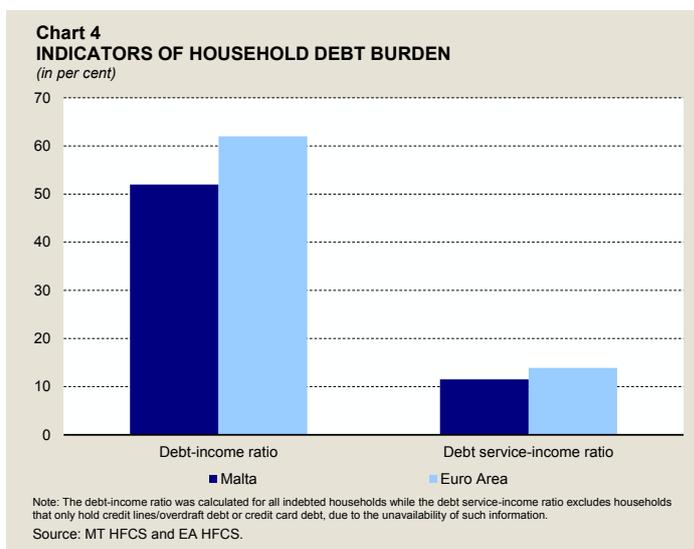
Household debt

More than a third of Maltese households (34.1%) had some type of debt liability in 2010 (see Chart 3), with almost 16% of the sample having an outstanding mortgage loan to finance their main residence or other real estate.



Moreover, 25.2% of households had credit facilities to finance some form of consumption expenditure via credit cards, overdrafts and/or other consumer/private loans.

Indebtedness was relatively higher in the euro area, where Survey results revealed that 43.7% of households had some type of debt liability, and that mortgage debt was extended to 23.1% of households. Non-mortgage debt, generally used to finance consumption, was taken up by 29.3% of households residing within the euro area.



The median value of total debt held by Maltese households was estimated at €15,700, as opposed to that of euro area households, which stood at €21,500. In Malta, more than three-fourths of total household debt consisted of mortgages (mostly taken to finance the main place of residence). The share of mortgages in total debt was estimated at 76.0% while the corresponding share in the euro area stood at 82.8%.

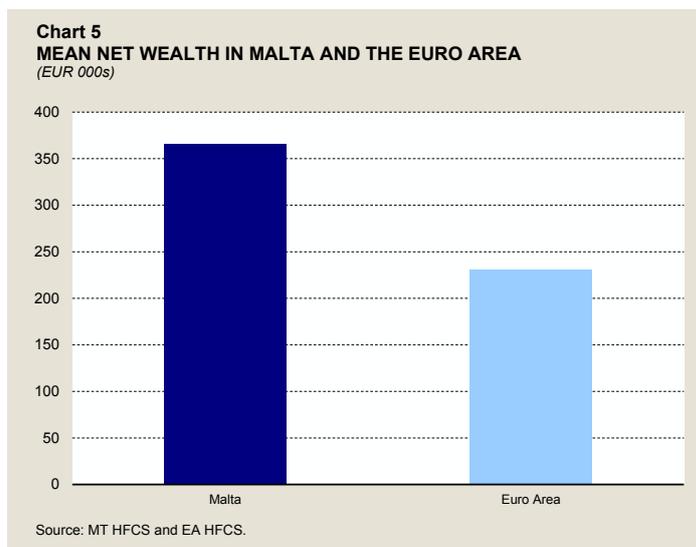
Results from the Survey can also be used to assess the debt burden and vulnerabilities pertaining to households. One widely used indicator is the ratio of outstanding debt to annual income. While the median ratio of household debt to gross household income was calculated at 52.0% for Maltese households, the same ratio for euro area households stood at 62.0% (see Chart 4).

Furthermore, overall debt servicing for Maltese households – capital repayments and interest payments on mortgage loans and consumer/private loans – expressed as a proportion of gross household income, was estimated at 11.0% in median terms. Similarly, when the ratio was restricted to those households having just mortgage loans, the median ratio was estimated at 12.8%. The corresponding debt servicing ratios for euro area households were 13.9% and 15.9%, respectively. Consequently, Survey results suggest that Maltese households are less indebted than their euro area counterparts and are also in a better position to meet their obligations.

Household net wealth

Overall, Maltese households' net wealth, defined as the sum of real and financial assets net of financial liabilities, was estimated at a median value of €215,932. This was significantly above the euro area median value of €109,200. The same message was portrayed

by mean net household wealth figures, where the average net wealth of Maltese households was well above the euro area average (see Chart 5). In part this reflected the fact that the proportion of Maltese households owning their main residence considerably exceeded that of euro area households at the time of the Survey. Furthermore, a lower indebtedness burden for Maltese households also contributed.



Household income

The average annual household income, before payment of income tax and social contributions, amounted to €26,443, while the median income reached €21,615. In the euro area the mean and median stood at €37,800 and €28,600, respectively.

The Survey revealed that in Malta 60.2% of total gross household income stemmed from employee compensation. While another 11.8% was generated from self-employment activity, 17.4% was in the form of transfer payments, such as public pensions, widows' and disability pensions and other regular social transfers. Income from financial investment was estimated at 6.6%, while rental income accounted for a mere 1.0%.

Household expenditure

The mean annual spending on consumption of food and beverages by Maltese households was estimated at €6,200, close to but below the estimate of €6,400 for the euro area. Maltese households' median ratio of food consumption to income was estimated at 27.1%, 8.7 percentage points higher than the euro area ratio. Generally, country disparities in this ratio reflect differences in income levels: the lower the income level, the higher the ratio of food expenditure to income.

Household savings

Information on households' savings provided by the Survey shows that 23.7% of households in Malta were net savers, with median annual savings amounting to €3,000 and a mean of €4,444.⁵ 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 4.0%. A comparable savings rate for the euro area is not available.

⁵ Around half of households surveyed, or 47.6% of respondents, declared that they are neither savers nor dissavers.

Conclusion

In 2010 the proportion of Maltese households owning their main place of residence exceeded that in the euro area, with domestic residences having a higher median value when compared with those in the euro area. With regard to financial assets, Maltese households showed a higher preference for deposits, debt securities and listed shares than their euro area counterparts. Nonetheless, participation in a voluntary pension scheme or life insurance policy was still lower than in the euro area.

On the liabilities side, Survey results suggest that Maltese households were less indebted than their euro area counterparts. In terms of net wealth, domestic households ranked highly.

Results from the Survey need to be interpreted with caution owing to a number of caveats. First, the Survey was carried out across the participating countries at different points in time between mid-2008 and mid-2011, with the majority of participating countries conducting the Survey in 2010. It should also be recalled that the Survey was carried out while the euro area sovereign debt crisis was still evolving, and the time gap between the effect of the crisis and data collection is likely to have varied between the participating countries.

Moreover, statistics were not adjusted for price differences arising from different reference years, nor for purchasing power parity differences across countries, while the valuation of real assets (e.g. property prices) was based on self-assessment by respondent households.

In terms of wealth, differences across countries may also stem from the size and composition of households, given that rather than conducting the Survey on a per capita basis, the unit of measurement was taken to be the household. On average, Maltese households were larger than other countries; larger households, particularly those with a higher number of adults, tend to have higher wealth accumulation.

Maltese households scored highly in household wealth, though not in income. This discrepancy may be related to the high proportion of Malta's household wealth that is in the form of real estate, and more specifically in the form of unutilized property. It is also important to note that the Survey focused on one type of wealth owner - the private household.

Despite these limitations, the HFCS provides a substantial amount of harmonised wealth data drawn from a large number of countries that can be used for a range of analytical studies. The second "wave" of the Survey has 2013 as the reference year and data collection will commence in Malta in January 2014. Comparisons of the new results with those from the first edition will provide important information on the development in various key statistics on households' finances.