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# THE HOUSEHOLD FINANCE AND CONSUMPTION SURVEY 2013 – SALIENT RESULTS FOR MALTA

## **BOX 2: THE HOUSEHOLD FINANCE AND CONSUMPTION SURVEY 2013 – SALIENT RESULTS FOR MALTA<sup>1</sup>**

In 2014, the Central Bank of Malta conducted the second wave of the Household Finance and Consumption Survey (HFCS) in Malta. The Survey provides detailed information on households' income and savings, net wealth as well as financing patterns. It makes use of granular, household-level data collected during 2013, is part of a coordinated research project led by the European Central Bank (ECB) and involved central banks and statistical institutes within the euro area and some non-euro area countries. The first wave of the Survey was undertaken in 2010. A net sample of 999 households participated in the 2013 survey, 608 of which consisted of a panel, that is, households that also participated in the 2010 survey.<sup>2</sup> The remaining 391 households accepted to participate for the first time from the refreshment systematic sample of new households. The overall response rate was 51.0%. This article summarises the main findings for Malta, focusing on the characteristics of households, income and savings, their balance sheet and developments in net wealth. The data refer to the households' assets and debt position as at end-2013, whereas data on income and consumption pertains to January to December 2013.

### **Household characteristics**

According to the Survey, there were almost 160,000 households in Malta in 2013, with an average of 2.6 members in each household. The distribution of households showed that more than half of the households consisted of two members or less while two-fifths included between three and four members. The remaining 7.5% of households were made up of five or more individuals. The average size of the household was smaller in 2013 compared to 2010, with an increase in the share of one and two person households and a decline in those with four members or more (see Table 1).

The survey shows an increase in the home ownership rate from 77.7% in 2010 to 80.2% in 2013. The increase was mostly driven by home owners with a mortgage loan. In terms of age composition, the Survey points towards an increase in the share of households with a younger reference person<sup>3</sup>, defined as those between the age of 16 and 34, as well as those in the older age cohort (65+).

With regards to the work status of the reference person, increases were witnessed in the proportion of employees, self-employed and retired persons between the two waves. In terms of education attainment, the latest wave points to an increase in the share of people having a tertiary level of education compared to those with a secondary level of education.

<sup>1</sup> Prepared by Juergen Attard, Daniel Gaskin and Karen Caruana (Statistics Department). The views expressed are those of the authors and do not necessarily reflect those of the Central Bank of Malta.

<sup>2</sup> More information on the salient findings of the first wave of the Survey is available in the Central Bank of Malta's website at <https://www.centralbankmalta.org/file.aspx?f=883>. 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. The 2010 results in this article may not coincide precisely with the previously published results due to an update of data obtained in the latest survey.

<sup>3</sup> The 'reference person' is the person who replied to the questionnaire on behalf of the household.

**Table 1**  
**HOUSEHOLD STRUCTURE**

*Percentage of households*

	<b>2010</b>	<b>2013</b>
<b>Household size</b>		
1 person	18.8	23.6
2 persons	25.7	28.7
3 persons	22.3	21.5
4 persons	22.1	18.6
5 and more persons	11.1	7.5
<b>Housing status</b>		
Owner-outright	64.9	64.3
Owner-with mortgage	12.8	15.9
Other	22.3	19.8
<b>Age (in years) of reference person</b>		
16-34	8.8	12.8
34-44	22.2	17.2
45-54	21.0	20.0
55-64	23.1	20.3
65+	24.9	29.7
<b>Work status of reference person</b>		
Employee	36.2	40.1
Self-employed	7.3	7.7
Retired	27.3	28.8
Other	29.3	23.4
<b>Education level</b>		
Primary	23.2	23.8
Secondary	61.6	59.4
Tertiary	15.2	16.8

Source: MT-HFCS.

The share of households with the reference person having only a primary level of education remained broadly unchanged between the two waves, at around 23%.

### **Household income and savings**

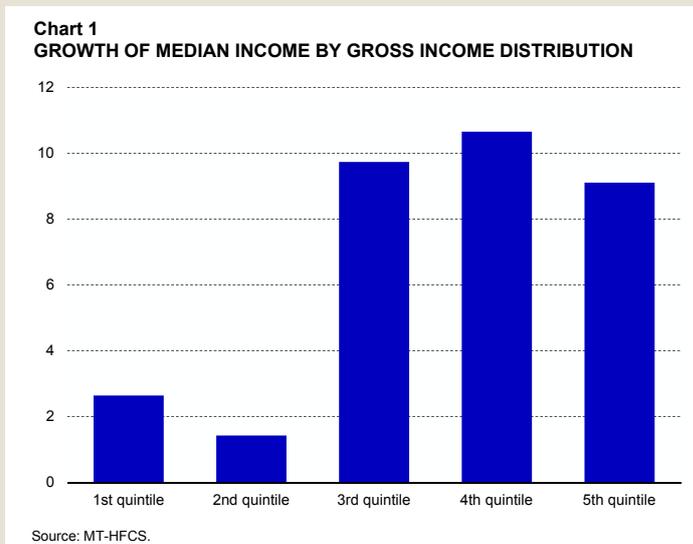
For the purpose of the Survey, household income is measured in gross terms, that is, before tax and is defined as the sum of both labour and non-labour income for all household members.

According to the survey, 61.2% of total gross income was from employee income, while 13.3% was generated from self-employment activity. Income from transfer payments such as public pensions, widows' and disability pensions and other regular social transfers amounted to 15.9% of total household gross income. Income from financial investment was estimated at 3.1%, other household income stood at 3.9% and regular social transfers excluding transfer payments accounted to 2.7%.

The median income of Maltese households was €23,021 in 2013 while the average income was €28,966. When compared to the 2010 results, both median and average income

increased by 10.6% and 12.9%, respectively. Chart 1 indicates that the rise in the median income is apparent in all income brackets, although it is more pronounced in the higher income brackets.

In 2013, 36.6% of households reported having expenses lower than their income, an increase of 12.9% over 2010. For these households, the median and mean savings to gross income in 2013 stood at 9.0% and 11.9%, respectively, down from 9.7% and 13.4% in 2010.



The median annual savings amounted to €2,501 in 2013, down from €3,000 in 2010. On the other hand, the average annual savings of these households saw an increase to €5,527 in 2013 from €4,444 in 2010. The average household savings increases with income, net wealth and level of education. Moreover, average savings by age cohort of the reference person indicate an increase until the age bracket 45-54, followed by a subsequent decline at ages 55 and over.

### Assets

Most Maltese households own both real and financial assets. Real assets include the value of the household main residence, other real estate property as well as the value of vehicles, valuables and self-employment businesses of household members. Financial assets consist of deposits, mutual funds, bonds, equities, private pension plans as well as money owed to households as private loans.

#### *Housing and other real assets*

The number of households holding real assets rose from 138,775 in 2010 to 148,767 in 2013, an increase of 7.2%. Around 80% of households were owner-occupiers of their home, with the median value of their main residence estimated at €180,595. This ratio was up marginally over 2010 figures which had shown an owner-occupier ratio of 77.7%. However, the median value of household's main residence remained relatively stable over the two waves with a value of €180,638 in 2010.

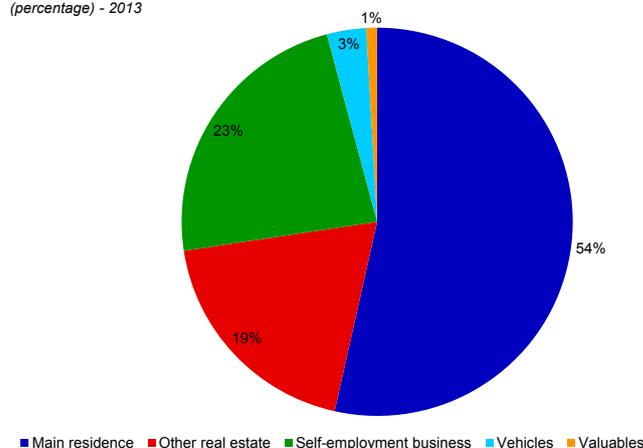
The Survey once again confirmed that the largest proportion of the real assets is predominantly made up of real estate property, composing around three-fourths of the total (see

Chart 2). Similarly, the self-employment business remained the second largest component of total real assets, which accounted for around 23%.

### Financial assets

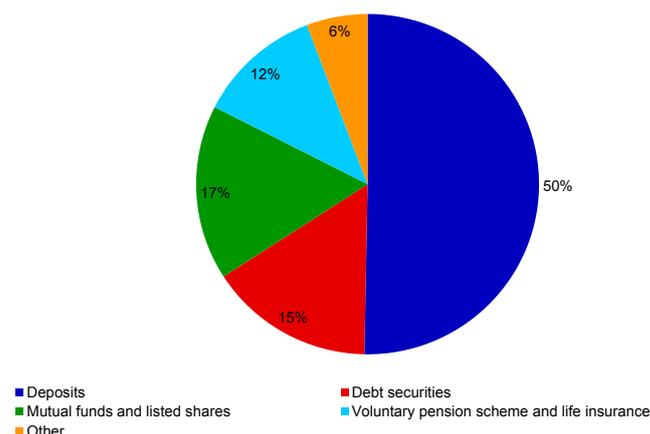
In 2013, financial assets represented 13.8% of household total assets with 95.4% of households owning at least one financial asset. Bank deposits were the most widely held financial assets, accounting for 50.3% of total household financial assets. The share of mutual funds (including listed shares) and debt securities in total financial assets amounted to 16.6% and 15.6% respectively (see Chart 3). Furthermore, the Survey indicated that 26.0% of all households were covered by a life insurance or participated in a voluntary pension scheme.

**Chart 2**  
**SHARE OF REAL ASSETS**  
(percentage) - 2013



Source: MT-HFCS.

**Chart 3**  
**SHARE OF FINANCIAL ASSETS**  
(percentage) - 2013



Source: MT-HFCS.

The overall median value of holdings in financial assets was estimated at €22,150, a decrease of 5.6% when compared to the median figure of 2010. On the contrary, average financial assets were estimated at €53,140, an increase of 13.4% over 2010.

### Household debt

According to the Survey, 37.1% of households had some form of debt liabilities, an increase of 2.4% over 2010. The overall median debt liabilities per household, which includes mortgage and non-mortgage debt such as credit cards, was estimated at €19,273 in 2013, an increase of 12.6% compared to 2010.

Mortgage debt amounted to 82.7% of total debt in 2013 with a median value of €61,200. In total, 19.1% of households had debt related to mortgages, up from 16.8% in 2010. The results suggest that the proportion of households with mortgage debt increases as the number of household members increase. Moreover, households which have two household

members in employment are shown to have the highest proportion of total mortgage debt in both 2010 and 2013 results. The median amount of debt outstanding related to the purchase of the household main residence was €54,610, a nominal increase of €17,754 over 2010.

The availability of micro-level data is also important to better understand households' financial vulnerability. For instance, when analysing standard measures of debt burden, the aggregate figures can mask emerging risks depending on how financial vulnerability is distributed across individual households.

Debt servicing as a proportion of gross households' income was estimated at 13.4% in 2013, an increase of 1.1% over 2010. This debt servicing ratio was below the euro area average which was calculated at 14.0% in 2013. Similarly, when the ratio was calculated for those households having solely mortgage debt, the median ratio was estimated at 14.0% in 2013, down marginally from 14.4% in 2010 and still below the euro area average calculated at 16.0% in 2013.

### Net wealth

Household net wealth, defined as the sum of real and financial assets net of debt, was estimated at a median value of €209,911 in 2013. Compared to the 2010 wave, net median wealth increased by €8,662 or 4.3%. The average net wealth was calculated at €350,403, an increase of 8.8% over 2010.

As can be seen in Chart 4, median net wealth consistently increased until the 45-54 age cohort at a median of around €280,000. This trend is subsequently reversed as the reference persons get older and median wealth is seen to fall to €240,000 for the 55-64 age group and fall further to €200,000 for ages 65+.

### Way forward

The Central Bank of Malta will be publishing on its website more detailed results comparing the results of the two waves of the Survey, including a report on the methodology used to collect the data. Meanwhile, the ECB will also be publishing the results of euro area and all participating countries, including the results for Malta, therefore allowing for cross-country comparability. The Bank is currently making the necessary preparations for the collection of data for the third wave of the Survey which is scheduled to take place in 2017.

