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# **HOUSEHOLD FINANCE AND CONSUMPTION SURVEY: A COMPARISON OF THE MAIN RESULTS FOR MALTA WITH THE EURO AREA**

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## Abstract

This paper compares the main findings from the third wave of the Household Finance and Consumption Survey (HFCS) for Malta with those for the euro area. This comparative report finds that in 2016 the median Maltese household held more real and financial assets than households in the euro area. The median value of total liabilities of indebted Maltese households also stood higher than in the euro area. Despite higher total liabilities, the debt-to-asset ratio indicates that Maltese households have a significantly higher amount of assets to back their debt. Largely reflecting the higher prevalence of homeownership in Malta, the median net wealth in Malta was estimated to be significantly higher than in the euro area as a whole. At the same time, gross income of Maltese households stood notably lower when compared to the euro area. Results also show that Maltese households spend more on food but considerably less on utilities. Against different macroeconomic and socio-demographic backgrounds, the survey results highlight heterogeneous developments between Malta and the euro area as a whole. The latter masks notable cross-country differences.

*JEL Classification:* D1, D2, E21, O57

*Keywords:* Household finance, consumption, wealth, survey data, comparative studies

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## 1. Introduction

In 2017 the Central Bank of Malta (CBM) carried out the third wave of the Household Finance Consumption Survey (HFCS). The two previous waves were carried out in 2010 and in 2014.<sup>2</sup> This survey is part of a co-ordinated research project led by the European Central Bank (ECB) and involving national central banks (NCBs) of all euro area<sup>3</sup> countries and selected non-euro area EU member states.<sup>4</sup> The reference year for Malta was 2016, while for most euro area countries it was 2017. All participating countries ask a set of core questions which are based on a set of common definitions and descriptive features according to an output-oriented approach.<sup>5</sup> The survey provides detailed information on households' real and financial assets, their liabilities, net wealth, income, consumption and to an extent savings.<sup>6</sup>

This report summarises the main findings of the third wave of the survey in Malta and compares them with euro area-wide results.<sup>7</sup> The total euro area sample size comprised more than 78,000 households, ranging from 1,004 households in Malta to 13,685 households in France. Household samples have been designed in each country to ensure representative results at both the euro area and national level. The sampling of the HFCS includes only private households, as persons living in institutions were not targeted by the sampling frame.<sup>8</sup> Following the methodological guidelines of the Household Finance and Consumption Network (HFCN) in all three waves, surveys have a probabilistic sample design; meaning that each household has an ex-ante defined non-zero probability of being part of the sample. However, sampling designs vary across countries; stratification of the population prior to sample selection was a commonly-used technique.<sup>9</sup> Malta and the Netherlands were the only two countries where a systematic sample selection was implemented; this involved selecting households from the latest official demographic registry at specific intervals.

In the 2017 wave, twelve countries including Malta had a panel component, that is, households that also participated in the 2014 survey (second wave). In Malta, the panel

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<sup>2</sup>More information on the main findings of the first three waves of the HFCS conducted in Malta, including previous research, are available the CBM's website at <https://www.centralbankmalta.org/en/household-finance-and-consumption-survey>

<sup>3</sup>Euro area countries include Belgium (BE), Germany (DE), Estonia (EE), Ireland (IE), Greece (GR), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Austria (AT), Portugal (PT), Slovenia (SI), Slovakia (SK) and Finland (FI).

<sup>4</sup>Croatia (HR), Hungary (HU) and Poland (PL).

<sup>5</sup>The list of core output variables used in the third wave is available on the ECB's website at [https://www.ecb.europa.eu/home/pdf/research/hfcn/HFCS\\_2017\\_Wave\\_Core\\_and\\_Derived\\_Variables.pdf?5ce1bc6593bb55c73470e392589470b7](https://www.ecb.europa.eu/home/pdf/research/hfcn/HFCS_2017_Wave_Core_and_Derived_Variables.pdf?5ce1bc6593bb55c73470e392589470b7)

<sup>6</sup>In March 2020, the ECB published the results of the third wave of the HFCS which are available at <https://www.ecb.europa.eu/pub/pdf/scpsps/ecb.sps36~0245ed80c7.en.pdf?bd73411fbeb0a33928ce4c5ef2c5e872>

<sup>7</sup>For more information on the methodology used by the participating countries in the third wave, refer to <https://www.ecb.europa.eu/pub/pdf/scpsps/ecb.sps35~b9b07dc66d.en.pdf?8fcb3cd59213bac0784168618a9b5fb3>

<sup>8</sup>Population in institutions include persons living in homes for elderly people, military compounds, prisons and boarding schools, amongst others.

<sup>9</sup>In a stratified sample, various strata are constructed on the basis of auxiliary information that is known about the population, and sample units are selected independently from each stratum in a manner consistent with the survey's measurement objectives (UN, 2005).

component consisted of 539 households, whereas the remaining 465 households participated for the first time. The main advantage of a panel component in the Survey relate to the possibility of assessing the changing behaviour of the same set of households over successive waves. The overall response rate in Malta was of 64.8%, whereas response rates across euro area countries varied from as low as 31.5% in Germany up to 77.4% in Finland.

The remainder of this report presents a comparison of Malta's results vis-à-vis the euro area as a whole in terms of households' demographic characteristics, assets, liabilities, net wealth and income. It also reports on consumption patterns and the ability to save. The concluding section of the report summarises the key results of this study and delineates a number of limitations of the Survey.

## 2. Household Characteristics

Survey results show that the average household size in Malta stood at 2.5 persons compared to an average of 2.2 persons in the euro area.<sup>10,11</sup> The most common household structures in Malta were the two-member and one-person households, respectively. Together, these accounted for close to 54.0% of all households. Three-person, four-person and larger households made up 21.6%, 18.4% and 6.4%, of remaining households, respectively (see Chart 2.1). Similarly, the most common household structures in the euro area were the one and two member households with a share of 34.6% and 31.6% of total households, respectively. In the euro area, the share of households having three or more persons, at 33.8%, was well below that in Malta (see Chart 2.2).

The Survey shows that the homeownership rate in Malta stood at 81.3% in 2017; 63.5% of households were outright owners of their homes, and 17.8% had an outstanding mortgage on their main residence. The remaining 18.6% of households were renting their main residence, or benefiting from usufruct or rent-free agreements. Such households are listed under the 'other' category (see Chart 2.3). The homeownership rate in Malta is much higher than the average rate of 60.3% estimated for the euro area, where outright owners amounted to 39.8% of total households. A further 20.5% of euro area households were owners with a mortgage whereas the "other" category accounted to 39.7% of households (see Chart 2.4). This notable divergence between Malta and the euro area highlights the local preference to own ones main residence rather than renting, whereas households in other euro area countries tend to rent or opt for other forms of housing agreement. On a cross-country comparison, heterogeneity in homeownership is considerable varying from 43.9% in Germany to 93.2% in Lithuania.

With regards to the age of the reference person, the Maltese sample was very well balanced across the six main age groups.<sup>12</sup> Maltese reference persons aged between 16 and 34 years

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<sup>10</sup> Figures in this Report, particularly those relating to household characteristics, may differ slightly from those published by the CBM in other research papers due to different classifications or groupings used by the ECB.

<sup>11</sup> It should be noted that in the HFCS a household is defined as a person living alone or a group of people who live together in the same private dwelling and share expenditures, including the joint provision of essentials for living.

<sup>12</sup> The household reference person is chosen according to the international standards of the so-called Canberra Group (UNECE 2011).

accounted for 14.9% of all reference persons, whereas the share of reference persons aged between 35 years to 44, 45 to 54, 55 to 64, and 65 to 74 years old, all stood at around 18.0%. The remaining 11.9% were persons older than 75 years. In the euro area, 14.1% of reference persons were part of the 16 to 34 age groups. Similar to Malta, the four cohorts of reference persons aged between 35 and 75 years represented slightly more than 70.0% of total households, and those aged over 75 years was of 15.5%.

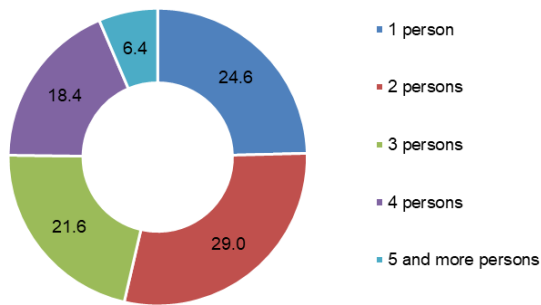
Indicators relating to the working status of the reference person show that 54.9% of reference persons in Malta were employees, markedly above the 50.1% average recorded in the euro area (see Charts 2.5 and 2.6). Self-employed persons accounted for 8.6% of reference persons in both Malta and the euro area, whereas 26.4% of Maltese main contact persons were retirees as opposed to 30.1% in the euro area. The share of reference persons forming part of the 'other' category in Malta amounted to 10.1%, slightly less than the 11.2% euro area average.<sup>13</sup>

Despite increasing when compared to the previous waves of this survey, the prevalence of reference persons with a tertiary level education stood at 20.7% compared to the euro area average of 28.9% (see Charts 2.7 and 2.8). This share ranged from a low of 13.3% in Italy to a high of 46.3% in Belgium.

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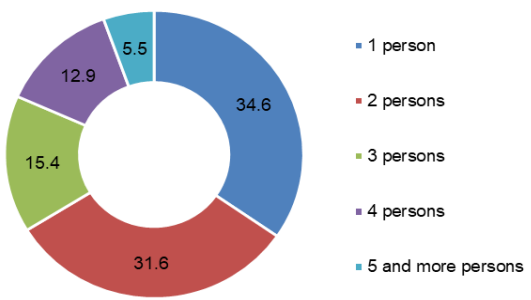
<sup>13</sup> The "other" category refers to all those persons who are not in employment or are retirees, including unpaid family work.

**Chart 2.1**  
**Malta Household size**  
*(percentage)*



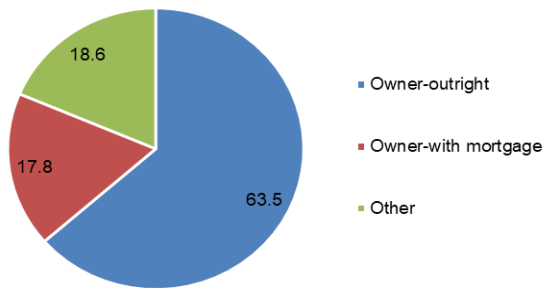
Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 2.2**  
**Euro Area Household size**  
*(percentage)*



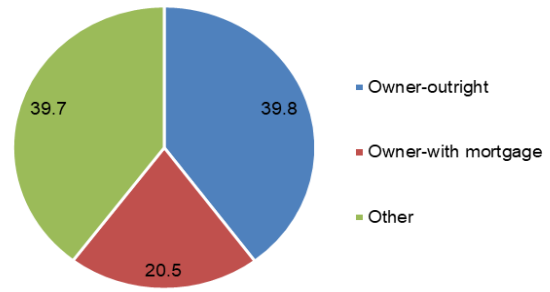
Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 2.3**  
**Malta Housing Status**  
*(percentage)*



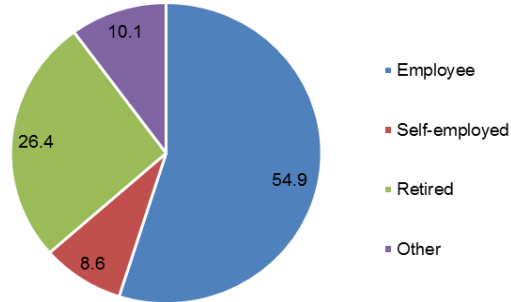
Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 2.4**  
**Euro Area Housing Status**  
*(percentage)*



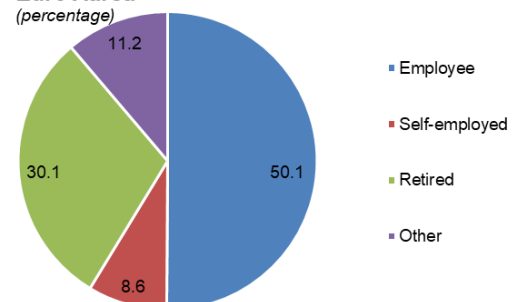
Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 2.5**  
**Work status of reference person in Malta**  
*(percentage)*



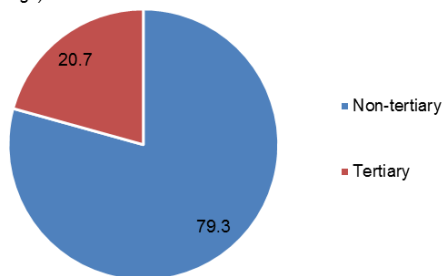
Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 2.6**  
**Work status of reference person in the Euro Area**  
*(percentage)*



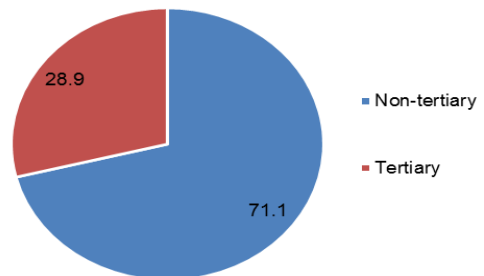
Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 2.7**  
**Education level of reference person in Malta**  
*(percentage)*



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

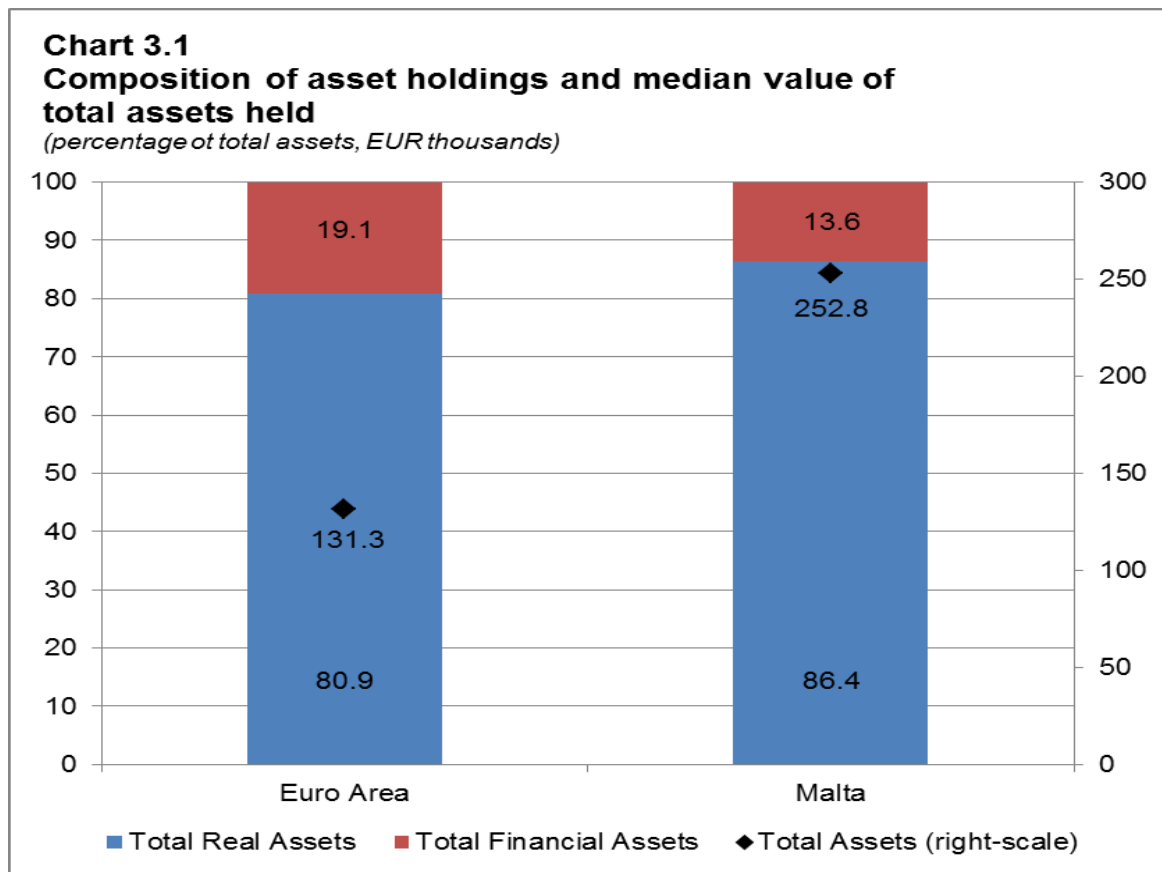
**Chart 2.8**  
**Education level of reference person in the Euro Area**  
*(percentage)*



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

### 3. Household Assets

As outlined earlier, the HFCS collects valuable granular information on households' assets, both real and financial assets.<sup>14</sup> The former relates to the household's main residence, other real estate properties, vehicles, valuables and self-employment business. On the other hand, financial assets refer to bank deposits, mutual funds, bonds, shares, money owed to the household, voluntary pension/whole life insurance and any other types of financial assets. In the euro area, the conditional median value of households' total assets was estimated to stand at €131,300, almost half the self-declared value for Maltese households which stood at €252,800 (see Chart 3.1). Once again, heterogeneity amongst euro area member states is notable, with the median asset value ranging from €23,600 in Latvia to €634,000 in Luxemburg. Overall, survey results from euro area countries show that on average 80.9% of households' assets consisted of real assets; in Malta this share stood higher, at 86.4%. This means that the share of financial assets out of households' total assets stood at 19.1% in the euro area and 13.6% in Malta, though in absolute terms financial assets of Maltese households are higher than in the euro area.



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

<sup>14</sup> Data on Maltese households' assets and debt relate to end-2016, whereas for some euro area countries the values relate to 2017.

### 3.1. Household Real Assets

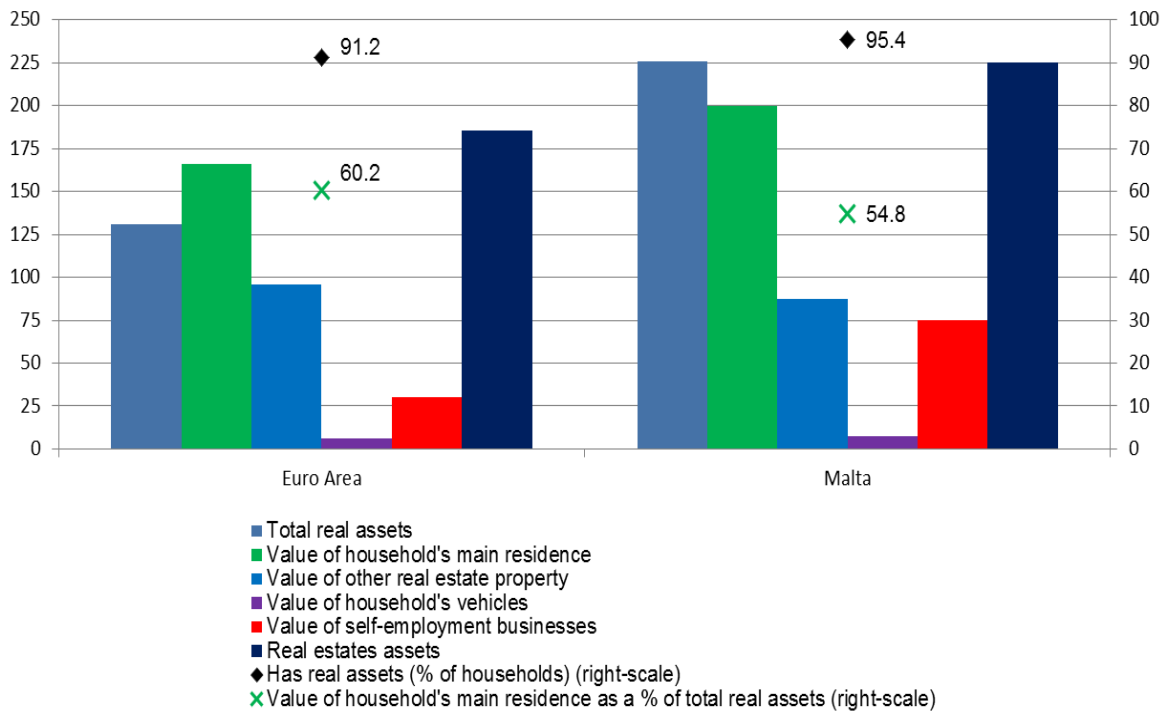
In the euro area, 91.2% of households held some form of real assets. In Malta, the share of households owning real assets was slightly higher at 95.4%. In monetary terms, the conditional median value of total real assets in the euro area was estimated at €131,000, whereas the conditional median value of real assets for Maltese households was estimated at €225,800. With regards to the latter, Malta's median value compare closely to Ireland's €233,900 and the €232,700 reported by Cypriot households.

Looking into the sub-components of real assets, households' main residence constitutes the most valuable real asset in the households' asset portfolio in both Malta and the euro area. The conditional median value of this asset was estimated at €200,000 in Malta, as opposed to €165,700 in the euro area as a whole. The second most important real asset held by households in Malta, but also in the euro area as a whole, relates to other real estate properties. The conditional median in the euro area stood at €95,900, above Malta's €87,500 (see Chart 3.1.1). Conversely, as can be seen in the chart, the median value of assets related to self-employment businesses held by Maltese households was more than double that in the euro area.

As already indicated, 60.3% of euro area households reported that they own their main residence, compared to 81.3% in Malta. Nonetheless, survey results indicate that the main residential property constituted 60.2% of euro area households' total real assets as opposed to close to 55.0% in Malta. Meanwhile, the share of other real estate property in total real assets stood at around 23.0% in both the euro area and in Malta. The most notable difference relates to the increased importance of self-employment business assets in total real assets for Maltese households (see Chart 3.1.2). A cross-country comparison indicates that at 18.9%, Malta's share is closer to the 15.3% share reported in Luxemburg, but less than the two highest shares of 28.1% and 25.4% reported in Cyprus and Estonia, respectively. Vehicles and valuables constitute a markedly small share in total real assets in all countries; nevertheless, their share was smaller in Malta, when compared to the euro are average.

**Chart 3.1.1**  
**Medians of real assets held by households**

(EUR thousands, percentage)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 3.1.2**  
**Composition of real asset holdings**

(percentage of total real assets)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

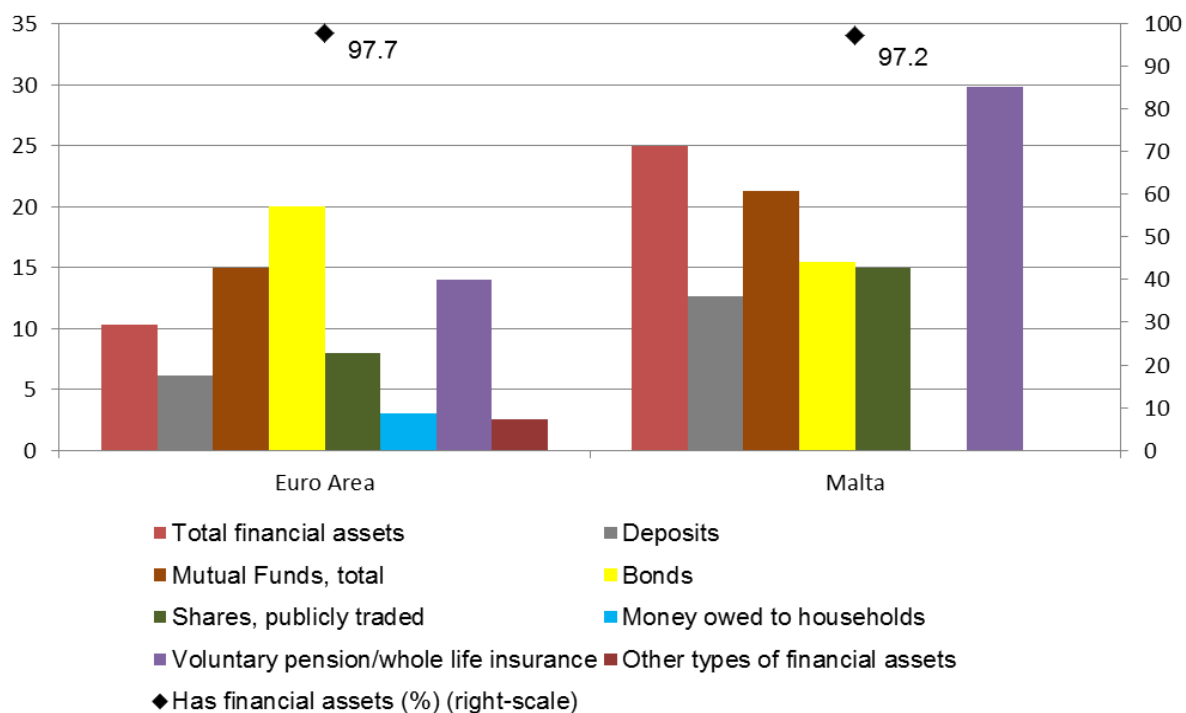
### 3.2. Household Financial Assets

Survey results show that 97.7% of all euro area households held some type of financial asset. This figure is close to that reported in Malta which stood at 97.2%. Therefore, as expected, the number of households holding at least one type of financial asset is larger than the number of households holding any real asset in both Malta and the euro area. The conditional median value of total financial assets held by euro area households was estimated at €10,300, ranging from as low as €400 in Latvia to €30,300 in Luxemburg. In Malta, the conditional median value of financial assets stood at €25,000, the third highest in the euro area. This large divergence across countries is also evident when looking at the conditional median value of deposits held by households which stood at €6,100 in the euro area and €12,600 in Malta. Similarly, the median values of households holding shares, mutual funds and voluntary pension schemes were higher in Malta than in the euro area. On the contrary, the conditional median value of bonds stood at €20,000 in the euro area, compared to €15,400 in Malta (see Chart 3.2.1).

Bank deposits were the most predominant financial asset type held by households with a holding rate of 97.6% of all sampled households in the euro area and 96.4% of all sampled households in Malta. This type of financial asset constituted 43.7% of the total financial assets of euro area households, varying from a low of 31.3% in Ireland to 90.3% in Greece. In Malta's case bank deposits made up 51.8% of households' financial assets by end of 2016. The second most important financial asset type held by households in the euro area were voluntary pension schemes and / or life insurance policies with a share of 23.2% of total financial assets. Conversely, in Malta, the second most important financial asset type held by households were bonds with a share of 17.9% of total financial assets (see Chart 3.2.2). It is noteworthy to highlight that although the median value of Maltese households with a voluntary pension scheme and/or life insurance is high; their importance in total households' financial assets is notably lower than in the euro area.

**Chart 3.2.1**  
**Medians of financial assets held by households**

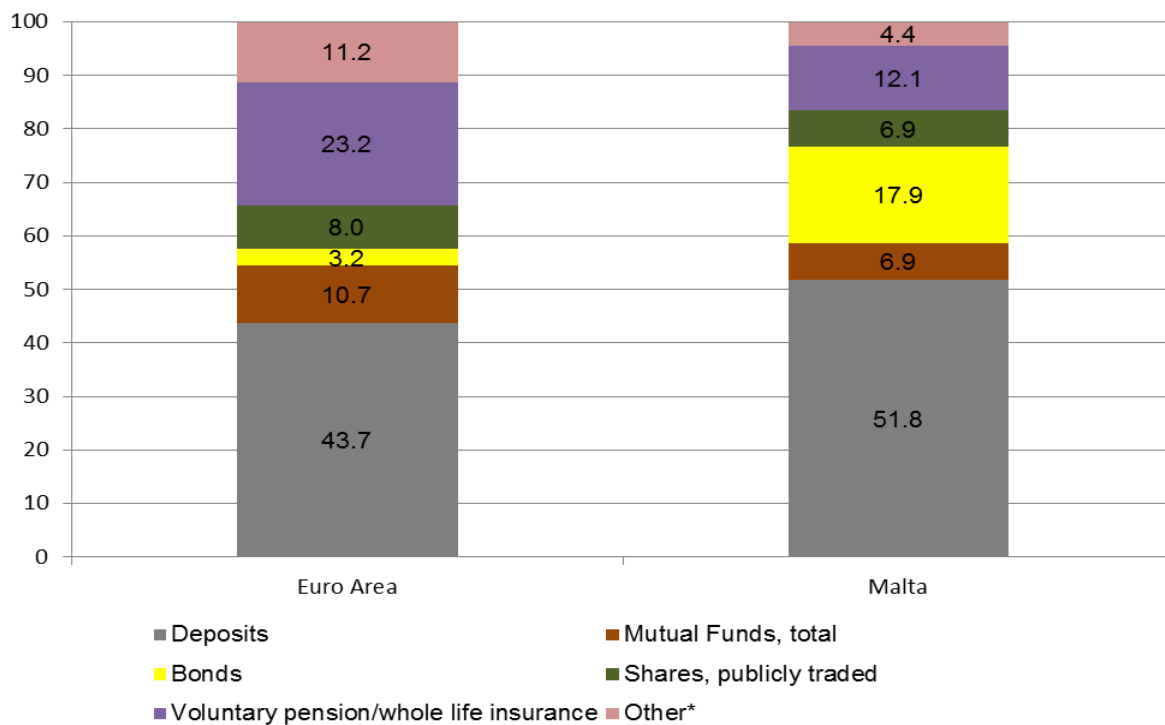
(EUR thousands, percentage)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 3.2.2**  
**Composition of financial asset holdings**

(percentage of total financial assets)



\*Other includes money owed to household and other types of financial assets.

Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

## 4. Household Liabilities

The percentage of indebted households in the euro area as whole was of 41.9% in the reference period, with the conditional median level of liabilities of these households standing at €29,500. In Malta, only 34.3% of the surveyed households were indebted. The percentage of households having outstanding debt on their main residences, on other properties and the percentage of those holding non-mortgage debt in Malta was lower than that in the euro area as a whole (see Chart 4.1).

Despite a lower incidence of indebted households, the median total outstanding balance of household's liabilities was higher than that in the euro area amounting to €40,000. In comparison, the median level of liabilities held in euro area countries ranged from €3,000 in Latvia to €133,700 in the Netherlands.<sup>15</sup> Although the, conditional median level of outstanding balance on household main residence mortgages in Malta equalled the euro area average of €80,000, the median level of debt on other properties in Malta exceeded the euro area average. In fact, the latter households in Malta had an outstanding mortgage of €100,000 compared to an average of €69,800 in the euro area. However, only 3.3% of households in Malta had a mortgage on other owned properties, lower than the 4.7% averaged in the euro area.

As expected, mortgage debt was found to be the largest share of households' total liabilities, standing at 88.0% in the euro area and marginally less at 87.5% in Malta. However, some differences can be noted when looking at the various debt categories; outstanding balances on the main residence made up 69.6% and 72.9% of all households' liabilities in the euro area and in Malta, respectively. At the same time, the remaining 18.4% of mortgage related liabilities in the euro area, and 14.6% in Malta, are on other properties which are not the households' main residence. Outstanding balances on non-mortgage debt accounted for 12.0% of euro area households' total liabilities, slightly less than 12.5% in Malta. The latter includes debt on; other assets, including vehicles, credit cards and credit lines or overdraft facilities (see Chart 4.2).

When assessing the debt burden, households in the euro area had a debt-to-asset ratio of 25.5%. This ratio varied from 7.8% in Slovenia to 52.1% in the Netherlands.<sup>16</sup> In Malta this ratio stood at 13.5% (see Chart 4.3). However, the debt-to-income ratio of indebted households in Malta exceeded that in the euro area. In the euro area, this ratio stood at 70.3%.<sup>17</sup> In Malta, this ratio was estimated at 110.6%, which is close to Spain's 112.9% but considerably lower than the 243.0% in the Netherlands. The positive gap against the euro area's debt-to-income ratio is mostly evident among households with an outstanding mortgage, as the ratio for outright owners in Malta was lower than that of corresponding euro area households.

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<sup>15</sup> Total liabilities include mortgages collateralised on household's main residence, mortgages collateralised on other real estate property owned by the household, non-mortgage loans, credit lines/bank overdrafts debt and credit card debt.

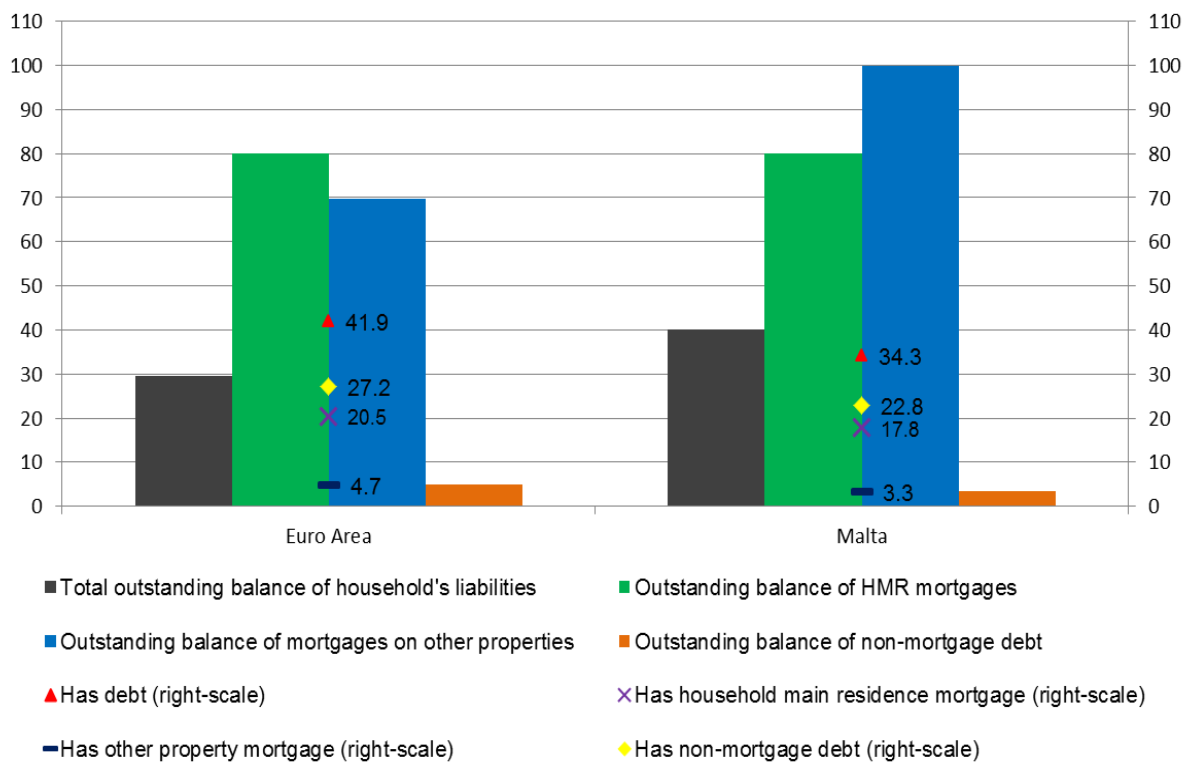
<sup>16</sup> Debt-asset ratio: ratio of total liabilities to total gross assets. Defined for indebted households.

<sup>17</sup> Debt-income ratio: ratio of total liabilities and total gross household income. Defined for indebted households.

Furthermore, the debt service-to-income ratio of all indebted households stood at 11.0% in both the euro area and in Malta.<sup>18</sup> Looking only at those households whose liabilities relate to real estate assets, the mortgage debt servicing cost as a proportion of the gross household income of indebted households in the euro area was estimated at 14.6%, just 0.1 percentage points higher than that estimated in Malta. The loan-to-value ratio of households' main residence in the euro area stood at 44.6% in the euro area and 42.1% in Malta.<sup>19</sup>

**Chart 4.1**  
**Median debt and share of indebted households**

(EUR thousands, percentage of households)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

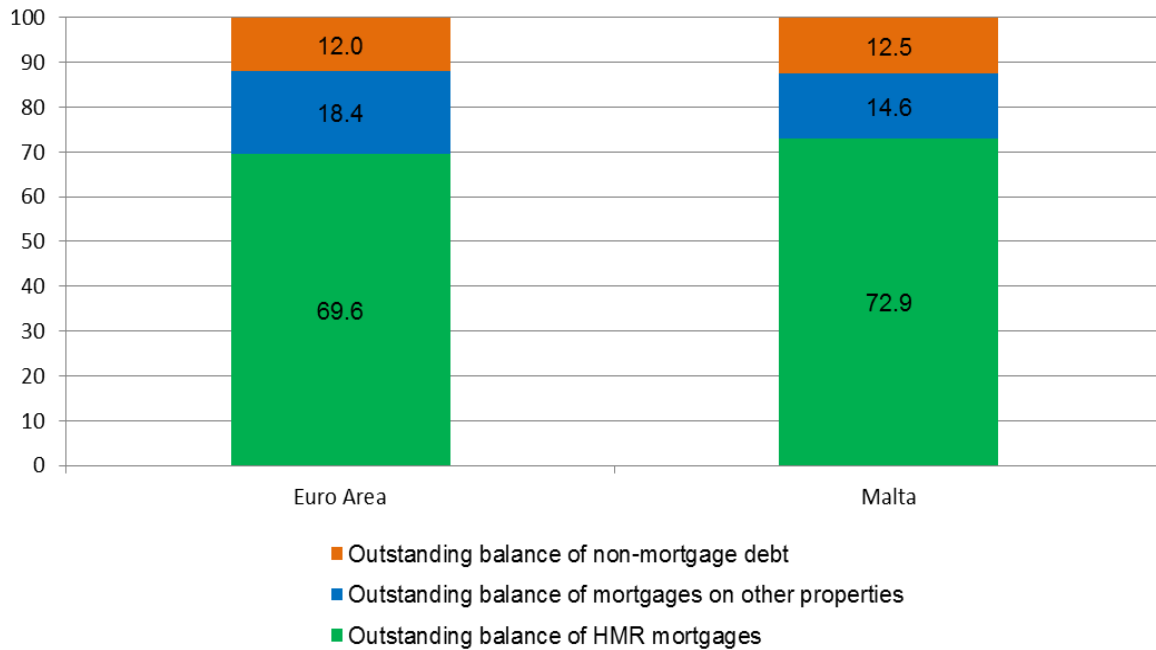
<sup>18</sup> Debt service-income ratio: ratio of total monthly debt payments to household gross monthly income

<sup>19</sup> Loan-Value ratio of HMR: ratio of outstanding amount of HMR mortgage to current value of the HMR. This ratio is calculated for households with HMR mortgage debt only.

Mortgage debt service-income ratio: ratio of total monthly mortgage debt payments to household gross monthly income. This ratio is calculated for households with mortgage debt..

**Chart 4.2**  
**Shares in total liabilities**

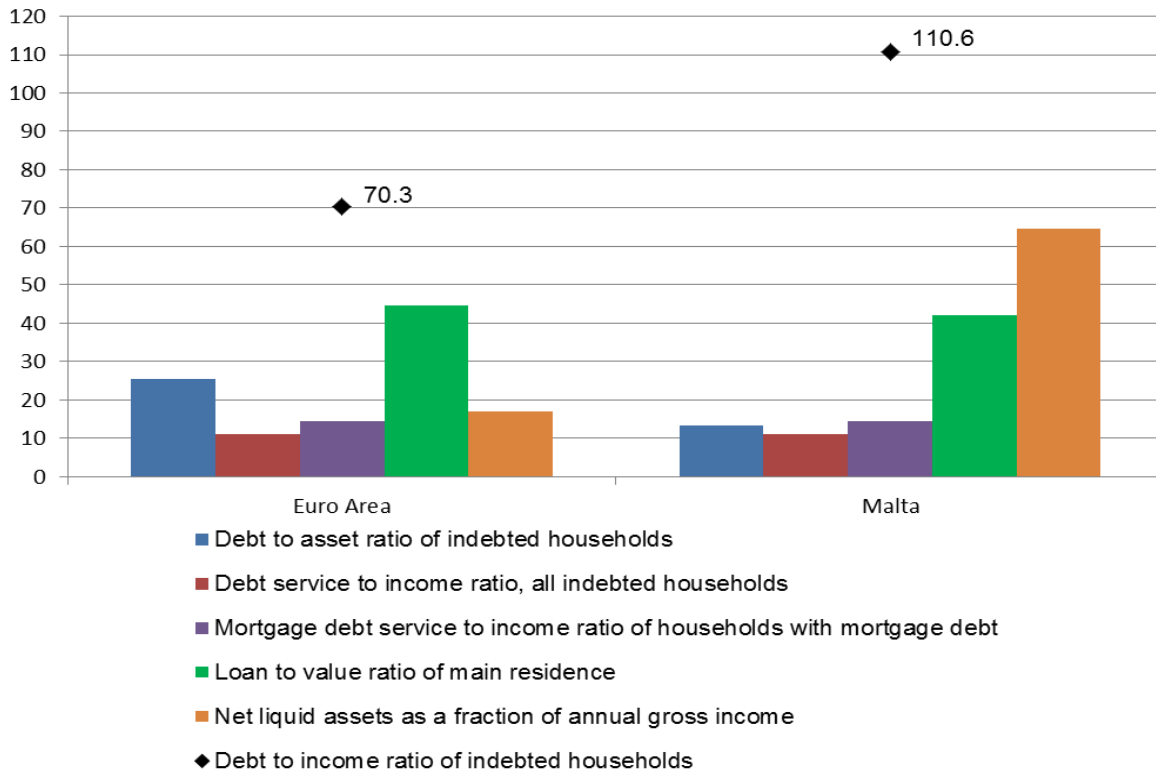
(percentage of total liabilities)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 4.3**  
**Financial burden indicators, median ratios**

(ratios in percentage)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

## 5. Household Net Wealth

The estimated household median net wealth in Malta, which is defined as households' total holdings of real and financial assets net of liabilities, stood at €236,100 as at end 2016. This is more than double the euro area median value of €99,400; however, heterogeneity among Member States is substantial, with the value ranging from €20,500 in Latvia to €498,500 in Luxemburg. Survey results clearly show that net wealth is significantly linked to homeownership. Evidently, in both the euro area and in Malta, households who were owners of their main residence had an exceptionally higher level of net wealth when compared to other households. In the euro area, households who owned their main residence had a median net wealth value of €203,000, whereas households who did not own their home had a median net wealth value of just €9,000. The same picture emerges from Malta's survey, where the median net wealth of Maltese households who own their main residence stood at €290,100, as opposed to only €10,000 for other households (see Chart 5.1). Higher net wealth in Malta can be partly explained by a higher share of households who are outright owners of their main residence as well as a larger number of adults in the same household as children keep on living with their parents longer than in other European countries.

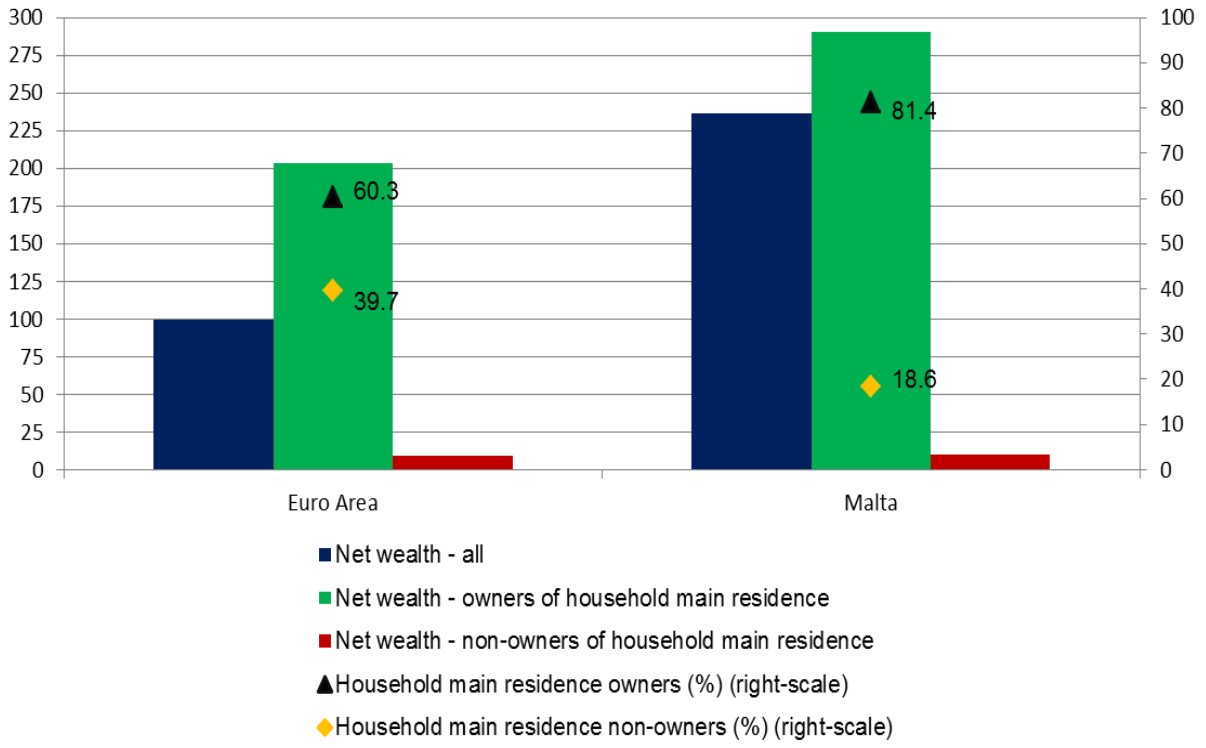
The net wealth inequality varies notably across euro area countries. The HFCS-based Gini coefficient suggests that inequality in the euro area as a whole stood at 0.695, ranging from 0.54 in Slovakia to 0.78 of the Netherlands.<sup>20</sup> In Malta, despite increasing marginally over the previous waves of the Survey, inequality in households' net wealth stood at 0.602 in 2016, notably lower than the average of the euro area as whole (see Chart 5.2). Another indicator that is derived from the Survey results relates to the P90/P50 ratio, which measures how the wealth of the top 10% of households compares to the median net wealth. As can be seen in Chart 5.2, even in this case, Malta's ratio is notably lower than that of the euro area. Indeed, the wealthiest 10% of Maltese households have only three times more wealth than the median household; this is the second lowest ratio in the euro area after Slovakia. By contrast, in the euro area as a whole, the net wealth of the highest income group is more than five times that of the median household.

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<sup>20</sup> The Gini coefficient corresponds to the normalised area between the Lorenz curve of the distribution and the 45 degree line. This coefficient is bound between 0 and 1, and the higher the value, the more unequal society is.

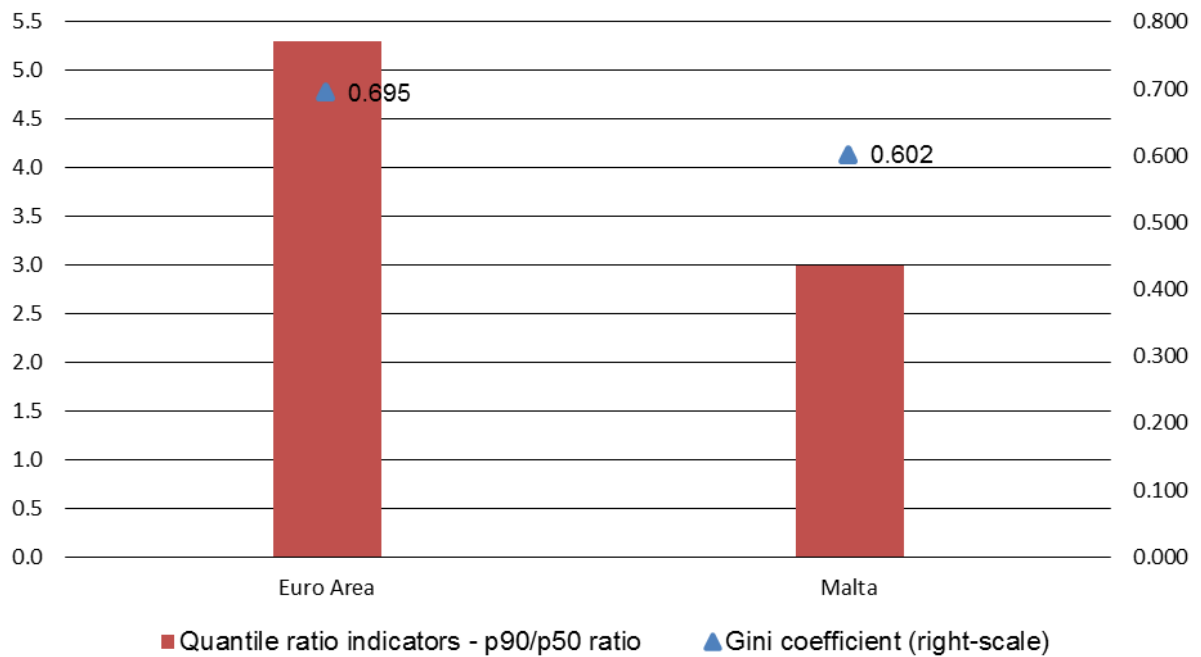
**Chart 5.1**  
**Net wealth medians broken down by ownership of household main residence**

(EUR thousands, percentage of households)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 5.2**  
**Net wealth inequality indicators**

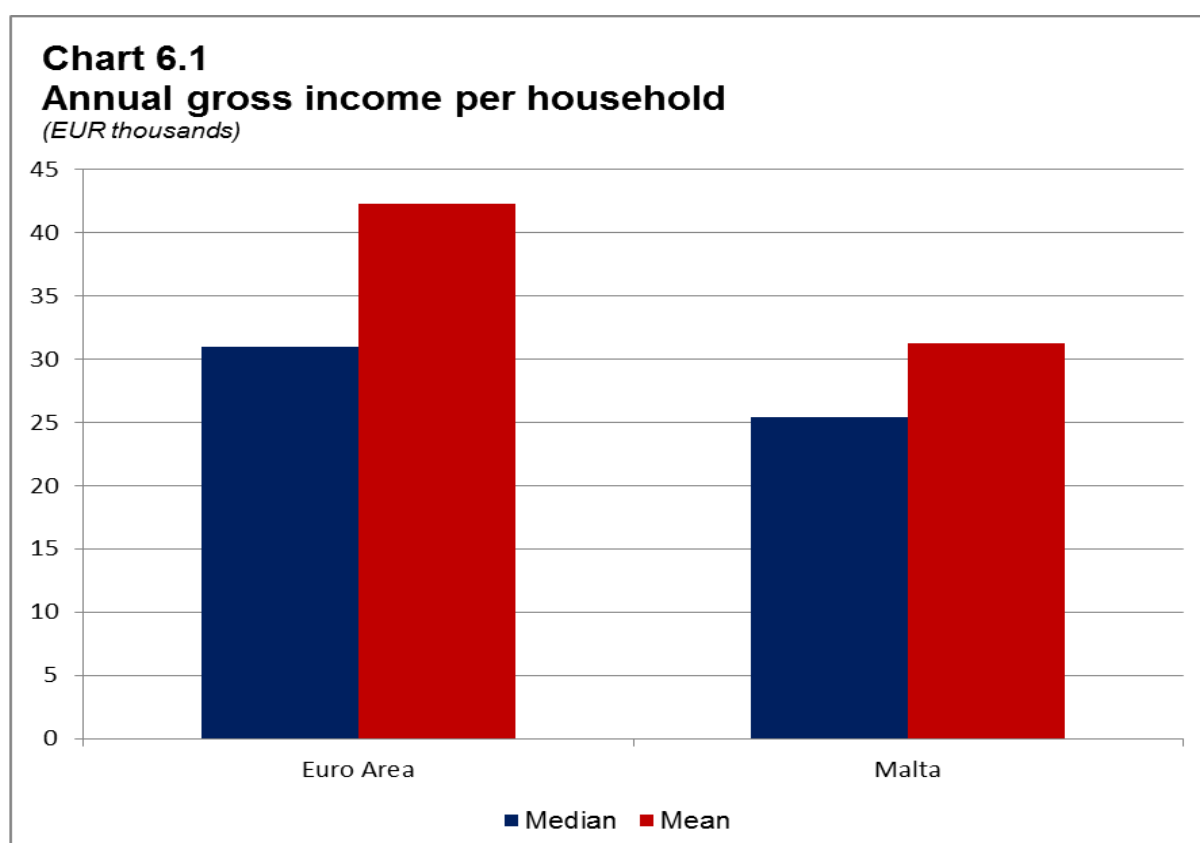


Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

## 6. Household Income

The survey defines gross household income as the sum of all pre-tax income and social contributions, including labour/pension income, rents from real estate assets, return from financial assets, regular social/private transfers, and any income from other sources of all members within the household. The annual gross household median income for the euro area was estimated at €31,000, varying from €7,100 in Lithuania to €71,100 in Luxemburg. In Malta, the median gross income for Maltese households was below that in the euro area, at €25,400. These figures are lower than the estimated mean gross household incomes in both the euro area and Malta which were estimated at €42,300 and €31,200, respectively (see Chart 6.1). Moreover, when analysing gross income across different income groups, it turns out that both the median and mean gross household income values for Malta were lower than in the euro area across all income groups (see Chart 6.2). Once again, differences between euro area countries remain significant.

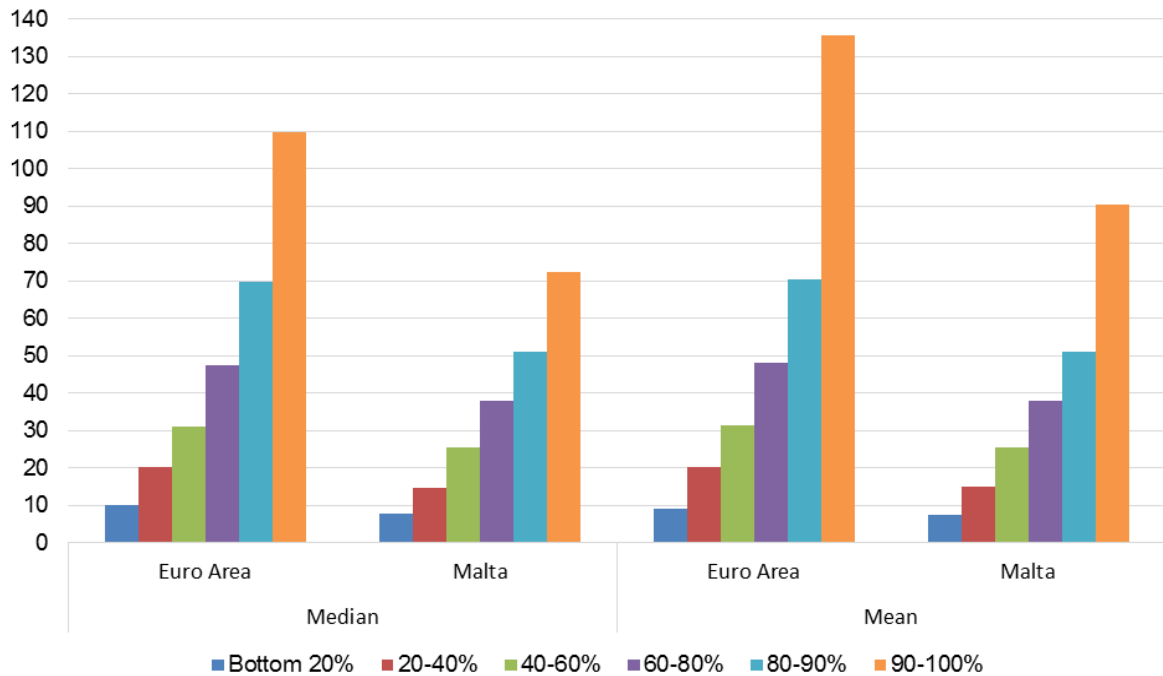
The age cohort with the highest median income in the euro area was found to be the 45 to 54 age bracket, with an annual gross household median income of €39,900 (see Chart 6.3). The corresponding median income for this age group in Malta stood at €34,500 which was the second highest among the six age groups. Possibly reflecting higher educational attainment, households with the highest median income in Malta were those aged between 16 and 34, with a median income of €35,500. With the exception of this particular age bracket for Malta, income across different age cohorts appears to follow the life-cycle hypothesis theory both in Malta and in the euro area. Nonetheless, when compared to the euro area as a whole, a sharper drop in income can be noted for Maltese households aged 65 years and over.



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 6.2**  
**Gross income per household - mean and median by**  
**income percentiles**

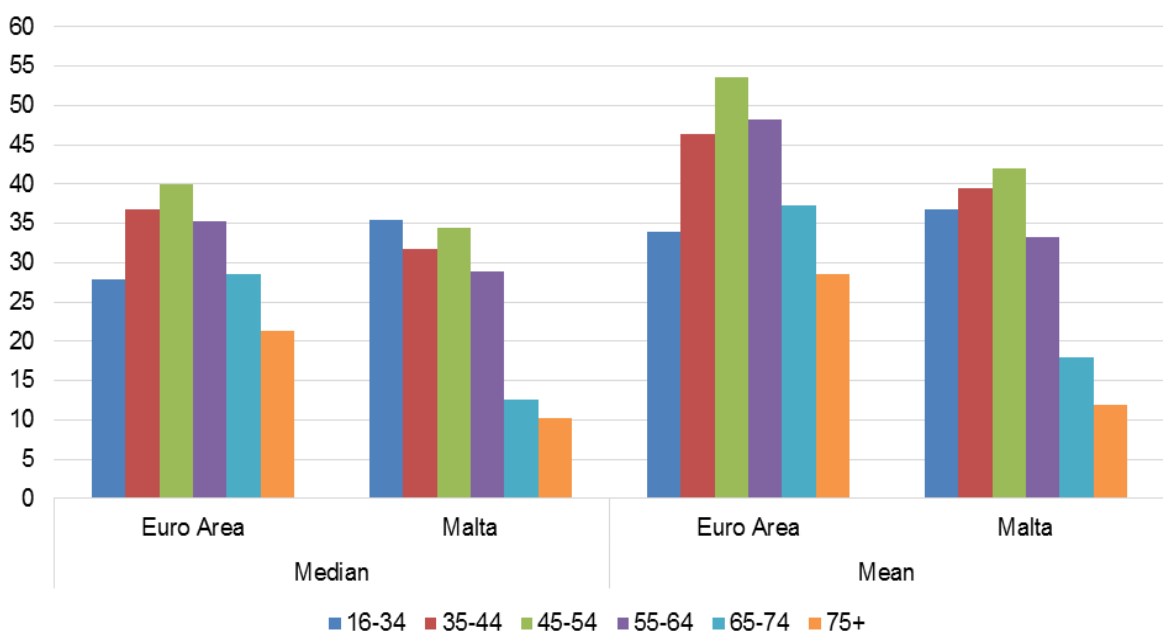
(EUR thousands)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

**Chart 6.3**  
**Gross income per household - mean and median by**  
**age cohorts**

(EUR thousands)

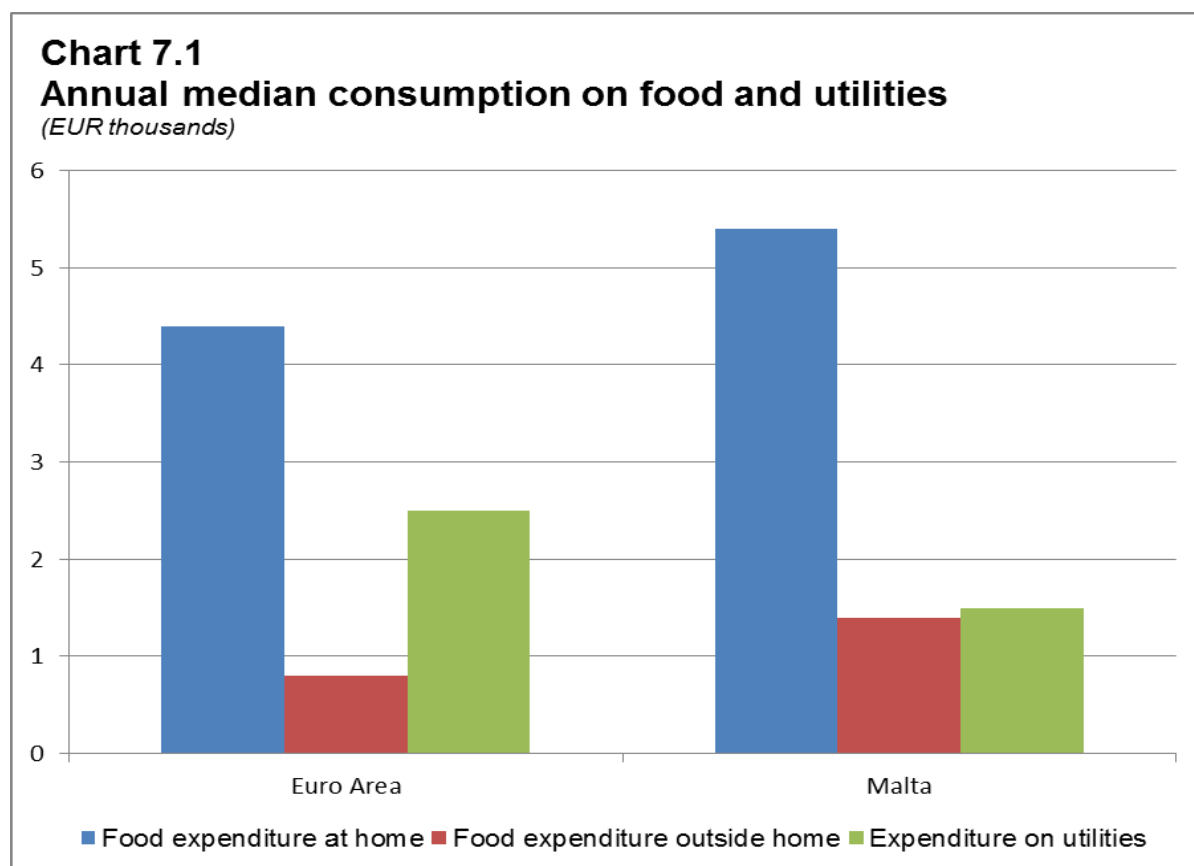


Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

## 7. Household Consumption and Saving

According to the HFCS, the overall annual median spending of households in the euro area on food consumption stood at €5,200, ranging from €3,000 in Latvia to €9,600 in Luxembourg. Median spending by Maltese was estimated at €6,800 per household. At the same time, the annual median expenditure on food consumed at home amounted to €4,400 in the euro area and €5,400 in Malta. When it comes to utilities, the annual median expenditure in the euro area stood at €2,500 and €1,500 in Malta (see Chart 7.1). Spending on utility bills by Maltese households stood at the third lowest in the euro area, only more than in Latvia and Lithuania. Lower spending in Malta is partly on account of relatively cheaper tariffs and possible lesser energy consumption due to milder winters.

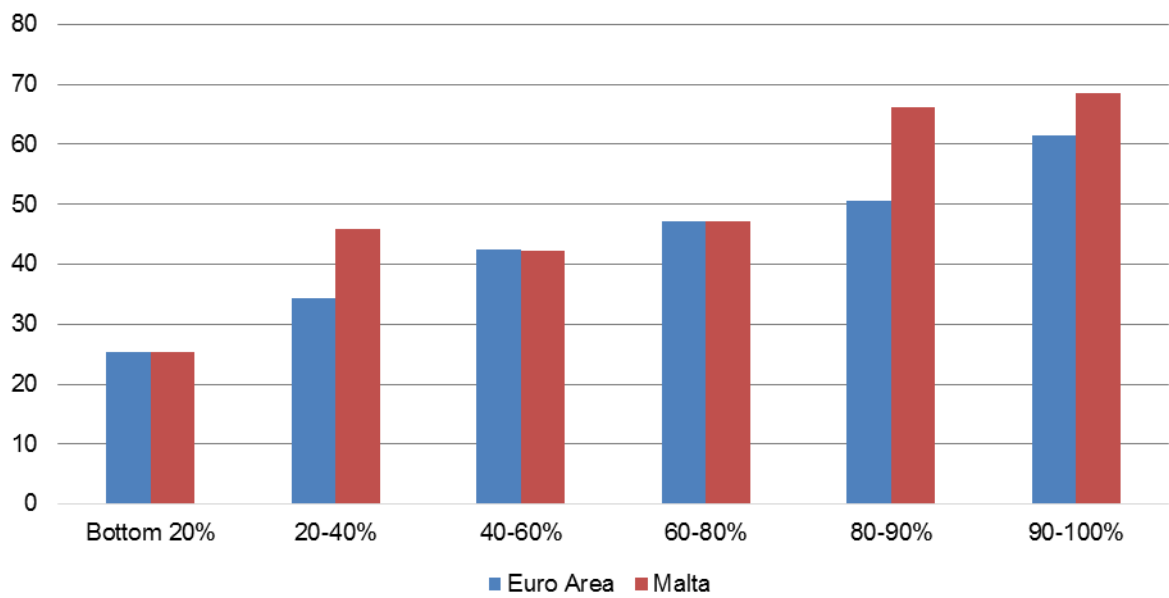
With regards to savings, the share of households stating that their regular expenses were lower than their income was 41.3% in the euro area and 45.6% in Malta. This implies that the majority of households in the euro area as a whole and in Malta are not able to save any of their income. Survey results show that only around 25.0% of households in the bottom quintile claimed that they are able to save some of their income, both in Malta and in the euro area. This ratio increases to close to 70% for the highest income earners in Malta; considerably more than in the similar cohort of euro area households (see Chart 7.2). Once again, notable heterogeneity across Member States can be noted; only 15.5% of all Greek households reported that their income is higher than their expenses as opposed to a high of 65.2% in Luxembourg. Nevertheless, 56.3% of households in the euro area, and 62.8% of Maltese households, claimed that they are able to get financial assistance from friends or relatives in case of need.



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

## Chart 7.2 Ability to save by income percentiles

(percentage of households)



Source: ECB-HFCS Statistical Tables (wave 3) and authors' calculations

## 8. Conclusion

The HFCS provides valuable micro data on households' consumption and finances, including information on their assets and liabilities which is not available from other official statistics, thus opening up various avenues for research and cross-country comparisons. The survey enables a deeper understanding of households' behaviour and provides insight into inequality, the transmission mechanism of monetary policy as well as issues related to financial stability in the euro area.

This comparative report finds that in 2016 the median Maltese household held €225,800 in real assets and €25,000 in financial assets; markedly more than the €131,000 and €10,300, respectively, held by the median euro area household. With regard to liabilities, 41.9% of households in the euro area were indebted against 34.3% in Malta. However, the median total liabilities of indebted Maltese households stood at €40,000, more than the €29,500 of the euro area households, largely reflecting a higher median debt level on properties other than the main residence. Despite higher total liabilities, the debt-to-asset ratio indicates that Maltese households have a significantly higher share of assets to back their debt. At the same time, the debt service-to-income ratio of all indebted households stood at 11% in both the euro area and in Malta.

Largely reflecting the higher prevalence of homeownership in Malta, the estimated median net wealth in Malta reached €236,100, more than double the euro area median value of €99,400. This divergence narrows somewhat when looking only at the median net wealth of households who owned their main residence, which stood at €290,100 in Malta and €203,000 in the euro area as a whole. On the basis of the Gini coefficient, net wealth inequality in Malta stood at 0.602, substantially lower than the euro area's average of 0.695.

The annual median gross income of Maltese households was estimated at €25,400, below the euro area's €31,000. Lower income can be noted across all age cohorts, with the exception of the 16-34 age bracket. Maltese households spend more on food than their euro area counterparts but spend considerably less on utilities. Around 45.6% of Maltese households disclosed that they are able to save part of their income against only 41.3% in the euro area. Concomitantly, possibly due to more closely knit family ties, 62.8% of Maltese households claimed that they are able to get financial assistance from relatives and friends in case of need, 6.5 percentage points more than in the euro area as a whole.

Results from surveys need to be interpreted with caution due to a number of well-known caveats. The main limitation of the HFCS is that it relies on the subjective self-assessed valuation of assets, including real assets and self-employment businesses. Whilst perceptions and preferences are crucial for understanding individual economic behaviour, such self-assessments could be imprecise. In general, households tend to under-report or underestimate (or understate) the value of their assets and under-declare income. However, the opposite can ensue when market prices of certain assets, particularly of real estate, are on the rise. Another feature of survey data relates to the existence of item non-response, that is, respondents' inability to provide a reliable answer to all questions asked. However, as economic analysis with survey data should always be run with complete datasets, these values are imputed (assigning values to variables that have been collected incorrectly or not at all). For the HFCS, a multiple stochastic imputation strategy has been chosen, this is common across all participating countries. The dataset provides five imputed values

(replicates) for every missing value corresponding to a variable entering the composition of household wealth, consumption or income.

Moreover, as with other countries, wealth tends to be relatively unevenly distributed, and hence a relatively small number of households possess a larger portion of total wealth. In order to capture these households correctly, over-sampling of wealthier households is usually conducted in countries where administrative data sources are available. This process is also important to correctly assess holdings related to financial instruments as these are almost exclusively held (and in large quantities) by the wealthiest households. This over-sampling exercise was not possible in the case of Malta since administrative data was not available to the statisticians of the survey. Furthermore, wealth differences across countries may have also risen from the size and composition of households participating in the survey. The use of households instead of per capita basis as a unit of measurement of wealth may explain why Maltese households scored highly in terms of household wealth, which is predominantly in the form of real estate assets and not in income.

Due to a relatively small sample size in Malta, another limitation of the Survey relates to a possible lack of representation of particular population sub-groups. The latter is a concern, particularly when capturing households of foreign nationals living in Malta and other sub-categories that make it difficult to extract meaningful results from a small number of observations.

Against different macroeconomic and socio-demographic backgrounds, the survey results highlight heterogeneous developments between Malta and the euro area as a whole. The latter masks notable cross-country differences. Moreover, differences between countries in statistics of interest must be assessed against relevant institutional differences and cultural preferences. The shape of the distribution of income or wealth among households crucially depends, for example, on the household structure, particularly on the age composition of the population and on factors affecting household formation.

Despite these limitations, the HFCS is designed around a common set of methodological principles, which ensures the comparability of results, and thus remain an important source of data on households' income, wealth and behavioural consumption patterns in the euro area.

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