



HOUSEHOLD FINANCE AND CONSUMPTION SURVEY: MAIN FINDINGS FROM THE 2020 WAVE

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This article summarizes the main findings from the fourth wave of the Household Finance and Consumption Survey (HFCS) for Malta. The HFCS is part of a co-ordinated research project led by the European Central Bank and involves national central banks of all euro area countries and selected non-euro area EU member states. The results presented are obtained from micro-data collected during 2020 from households residing in Malta and compared with the previous three waves. The HFCS provides household-level data on assets, liabilities, wealth and income. As such, it plays an important role in analysing the economic behaviour of Maltese households and contributes to a better understanding of the developments underlying macro statistics. The results provide a glimpse of the impact of the COVID-19 pandemic on household balance sheets and finances.



Introduction

This article provides a summary of the main findings of the fourth wave of the Household Finance Consumption Survey (HFCS) for Malta.² The HFCS is co-ordinated by the European Central Bank (ECB)³ and it involves national central banks (NCBs) of all euro area countries and selected non-euro area EU member states.⁴ The Survey provides detailed information on households' real and financial assets, their liabilities, net wealth, income, and consumption. The reference year for the last vintage of the HFCS is 2020, while the three previous waves were carried out in 2010, 2014 and in 2017 respectively.⁵

Following the methodological guidelines of the Household Finance and Consumption Network (HFCN), a systematic sample selection was implemented, in line with the sampling criteria of the previous waves. The Survey is designed such that the probabilistic sample is representative of the entire population. Only private households are considered for the Survey and persons living in institutions are excluded from the sample.⁶ Due to the COVID-19 pandemic, data collection for this wave could not be carried out through face-to-face personal interviews unlike the previous waves. Instead, data was collected by means of Computer Assisted Telephone Interviews (CATI). The fieldwork took place between November 2020 and February 2021. The total net sample for the HFCS 2020 wave consisted of 1,018 households, of which 342 represented the panel component, i.e., households that had also participated in the third wave. The overall response rate amounted to 54.1%.

The remainder of this article presents a summary of the main findings for Malta and focuses on households' demographic characteristics, assets, liabilities, net wealth, and income. It also reports on households' consumption patterns and their ability to save during the COVID-19 pandemic. The concluding section summarises the key results of this study and delineates a few limitations of the Survey.

¹ The authors would like to acknowledge the assistance provided by various officials at the National Statistics Office who were responsible for carrying out this survey and who assisted in the compilation of the data.

² Data for the 2020 HFCS wave is provisional.

³ More detailed information on the HFCS can be retrieved from the ECB's website: https://www.ecb.europa.eu/pub/economic-research/research-networks/html/researcher_hfcn.en.html

⁴ The participating countries include Belgium (BE), Germany (DE), Estonia (EE), Ireland (IE), Greece (GR), Spain (ES), France (FR), Croatia (HR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Slovenia (SI), Slovakia (SK) and Finland (FI).

⁵ More information on the main findings of the first three waves of the HFCS conducted in Malta, including previous research, are available on the CBM's website: <https://www.centralbankmalta.org/en/household-finance-and-consumption-survey>.

⁶ Population in institutions include persons living in homes for elderly people, military compounds, prisons and boarding schools, amongst others.

Household characteristics

In 2020, around 60% of households in Malta consisted of one or two members (see Table 1). The latter increased when compared to the 2017 wave, which confirms the trends observed in previous waves whereby the size of households is getting progressively smaller. In terms of housing status, 60% of households are outright owners. This share has been declining slightly over time, as more households are either renting their main residence (21% in 2020) or still paying a mortgage on their property (18.6% in 2020).

Around 28% of reference persons who participated in the 2020 wave are older than 65 years of age. Another 12.8% of reference persons are aged between 16 and 34, while the remaining 59.2% of respondents are aged between 35 and 64 years.

“The share of population with a tertiary level of education has been increasing”

Around half of the reference persons are in employment while an additional 8% are self-employed. The proportion of people in employment has increased in comparison to the previous wave, while the number of reference persons who are either unemployed, students, permanently disabled, doing compulsory military service, fulfilling domestic tasks or not working for pay in other ways has decreased from 22.5% in 2017 to 17.4% in 2020.

Table 1
HOUSEHOLD STRUCTURE⁽¹⁾
(Percentage of households)

	2010	2014	2017	2020 ⁽²⁾
Household size				
1 and 2 persons	44.4	52.3	53.6	59.8
3 and more persons	55.6	47.7	46.4	40.2
Housing status				
Owners outright	64.9	64.5	63.5	60.4
Owners – with mortgage	12.9	15.6	17.8	18.6
Renters/other	22.3	19.9	18.6	21.0
Age (in years) of reference person				
16-34	8.8	12.8	12.7	12.8
35-44	22.3	16.8	18.2	22.1
45-54	21	20.1	18	18.3
55-64	23.1	20.4	20.5	18.8
65-74	13.7	17.7	18.9	17.7
75+	11.1	12.2	11.7	10.3
Work status of reference person⁽³⁾				
Employee	36.2	39.4	42.9	51.0
Self-employed	7.6	8.0	6.4	8.1
Retired	27.3	28.9	28.2	23.5
Other	28.9	23.7	22.5	17.4
Education level of reference person⁽⁴⁾				
Non-tertiary	84.8	83.6	81.3	78.9
Tertiary	15.2	16.4	18.7	21.1

Source: Own calculations based on MT-HFCS data.

⁽¹⁾ The table shows weighted household structure of the HFCS samples.

⁽²⁾ Provisional data.

⁽³⁾ The 'Other' category includes reference persons who are: unemployed, students, permanently disabled, doing compulsory military service, fulfilling domestic tasks, or not working for pay in other ways.

⁽⁴⁾ Educational attainment is measured on the basis of the ISCED-2011 scale, ranging from 0 to 8. The 'Non-tertiary' category is composed of reference persons with ISCED scale 0 to ISCED scale 4, while the 'Tertiary' category refers to ISCED scale 5 to ISCED scale 8.

The share of population with a tertiary level of education has been increasing across waves. Around 21% of persons interviewed in 2020 said to be in possession of a tertiary level of education, against the 18.7% figure reported in 2017.

Household assets

One of the main contributions of the HFCS is the collection of information on households' assets, with a distinction between real and financial assets.⁷ In 2020, the median value of households' total assets was estimated at €314,300 (see Chart 1). This value has been constantly increasing across waves with the most significant increase happening between 2017 and 2020 where the median value increased by €61,500.

“In 2020, the median value of households' total assets was estimated at €314,300”

Similar to previous waves, the composition of households' assets in 2020 is mainly in the form of real assets. The share of real assets rose compared to the previous wave (89.4% versus 86.4%). As a result, the proportion of financial assets declined from 13.6% in 2017 to 10.6% in 2020.

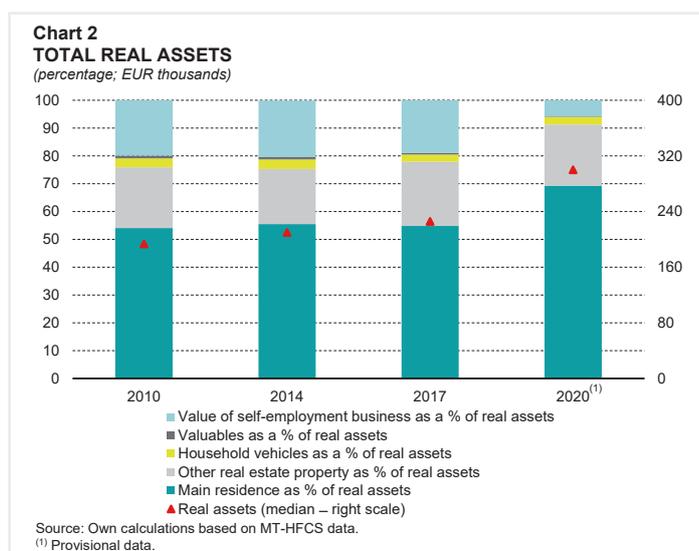
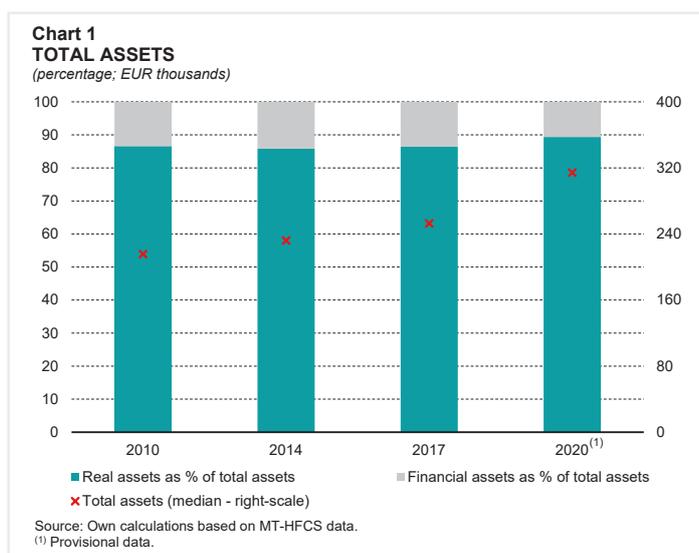
Real assets

The households' main residence and other properties owned represent 69% and 22%, respectively, of total real assets (see Chart 2). The composition of real assets is consistent across waves, except for the share of self-employment, which dropped from 19% in 2017 to 6% in 2020. The median value of real assets has increased significantly to €300,000 in 2020 from €225,800 in 2017, which was mainly driven by the increase in the median value of main residence. The percentage of households owing properties other than their main residence stood at 26.6% in 2020.

Financial assets

The majority of interviewed households hold some type of financial assets with deposits representing the largest category of financial assets at 57.7% (see Chart 3). Bonds make up 17% of total financial assets, followed by voluntary pensions/whole life insurance (11.8%) and investment funds and listed shares (8.9%).

The median value of total financial assets has decreased from €25,000 in 2017 to



⁷ Real assets comprise of the household's main residence, other real estate properties, vehicles, valuables and self-employment business. 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.

€20,000 in 2020. With regards to the median value of deposits it stood at €14,820, up from €12,612 in 2017. The biggest drop when compared to 2017 occurred in investment funds and listed shares: its median value declined by 34.1%.

Household liabilities⁸

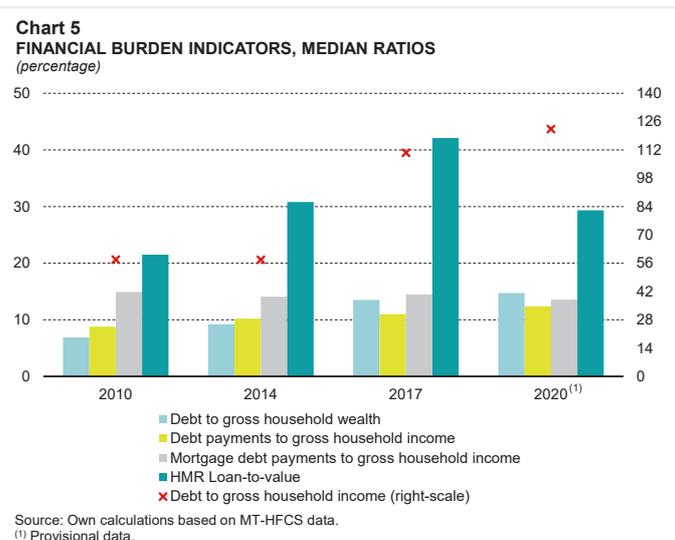
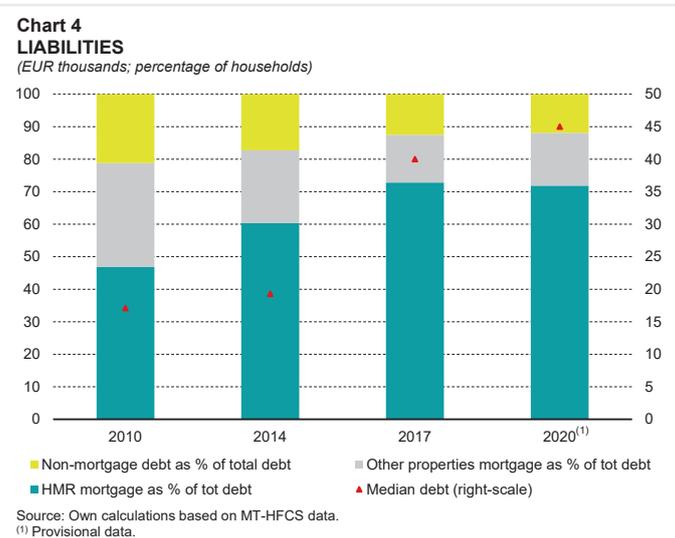
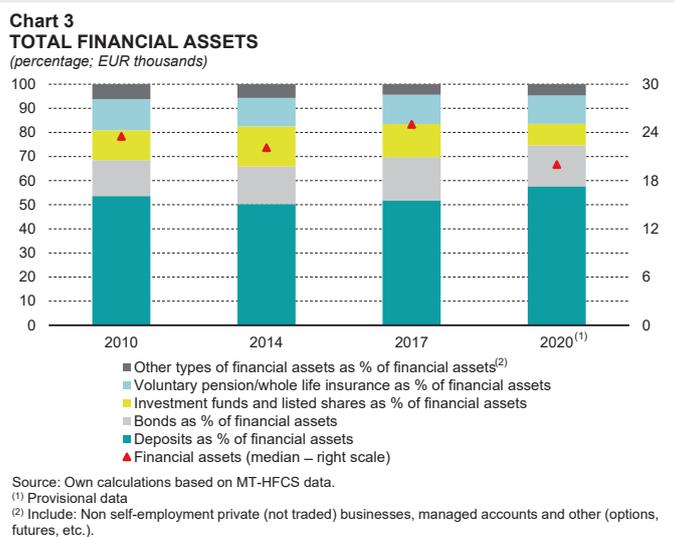
Around a third of Maltese households hold some form of debt and the percentage of households holding mortgage debt stood at 23.6%. This was mainly in the form of mortgage debt on the household main residence. The household main residence mortgage constituted 71.9% of total household debt. This declined marginally from the 72.8% found in 2017. At the same time, other properties mortgage as a percentage of total debt stood at 16.2% up from 14.7% in 2017.

“Around a third of Maltese households hold some form of debt and the percentage of households holding mortgage debt stood at 23.6%”

The median debt level rose from €40,000 in the 2017 to €45,000 in 2020 (see Chart 4). Meanwhile, the median debt on the household main residence and on other properties stood at €65,000 and €130,000 respectively in 2020.

Financial burden indicators

The survey contained a section on financial burden indicators, which are important in assessing the sustainability of households' finances. Debt to gross household wealth, debt payments to gross household income, as well as mortgage debt payment to gross household income have remained broadly unchanged compared to the previous waves (see Chart 5).⁹ This implies that the burden on household finances has remained constant over the past decade. Meanwhile, the debt to gross household income ratio rose to 122.3% from 110.6% in the previous wave. This extends the trend increase observed in previous



⁸ 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.

⁹ Debt payment to gross household income and gross debt payments to gross household income are defined for indebted households.

waves. Moreover, the HMR loan to value ratio, defined as the ratio between the outstanding amount of household main residence mortgage and the current value of the residence, has dropped significantly to 29.3% in 2020 from 42.1% in 2017 on the back of a substantial increase in the current value of household's main residence.

Household net wealth

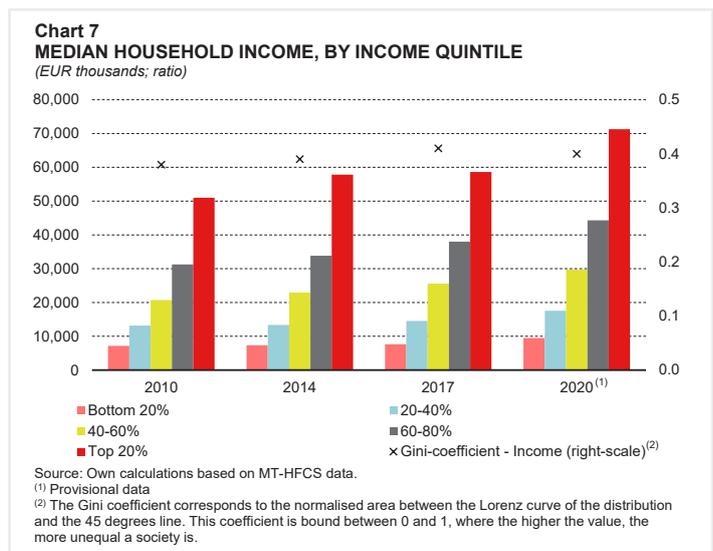
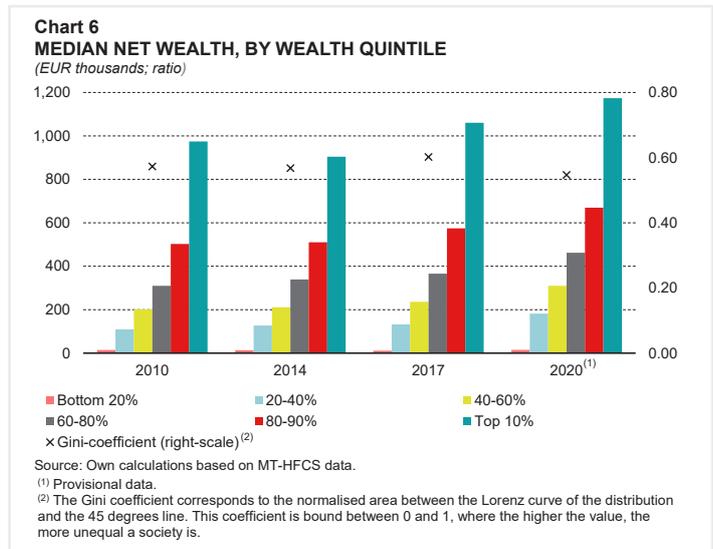
The estimated household median net wealth, which is defined as households' total assets net of liabilities, increased from €236,100 in 2017 to €282,500 in 2020 (see Chart 6). To shed light on the distribution of wealth, we split the last quintile in two sub-groups, namely 80-90% and above 90%. While net wealth for the lowest quintile of the population stood at €14,800, the median value for the wealthiest 10% of households stood above €1 million. Moreover, households in the top 10% of the population hold almost twice the wealth of households in the 80-90% bracket and more than four times the median value. This distribution has been rather stable over time.

“The estimated household median net wealth, which is defined as households' total assets net of liabilities, increased from €236,100 in 2017 to €282,500 in 2020”

The HFCS-based Gini coefficient¹⁰ for wealth in 2020 stood at 0.55, down from 0.60 in 2017, suggesting that wealth inequality in Malta has decreased in the past three years. In fact, we can observe that the median value of net wealth increased across all quintiles of income, but more so for the lowest brackets of the population. This is also confirmed by the fact that households in the top 10% of the distribution were 95 times wealthier than households in the 20-40% bracket in 2017, but this figure decreased to 80 times in 2020.

Household income and consumption

The annual household gross median income for Malta in 2020 stood at €29,716, up from €25,417 in 2017 (see Chart 7). This increase was broad-based across all income quintiles, but the most significant occurred in the bottom 20% quintile, which went up by 24.4% with a median value of €9,497. Households in the top 20% of the income distribution have a median income of €71,291, implying that they hold on average more than two times the overall median value and almost eight times that of households in the bottom 20%. These ratios are consistent across time.



¹⁰ The Gini coefficient is measure of statistical dispersion for inequality, ranging from 0 (maximum equality) to 1 (maximum inequality).

The HFCS-Gini coefficient for income in 2020 stood at 0.40, only slightly decreasing from 0.41 in 2017, suggesting that inequality in Malta has decreased in the past three years also from the income point of view.

“The annual household gross median income for Malta in 2020 stood at €29,716”

Food expenditure remains the biggest item in the consumption basket of Maltese families, in line with previous vintages of the Survey. Specifically, the median value of annual consumption on food increased by 5% from 2017 to €7,200 in 2020. Even though restaurants were forced to close for dine-in services as part of the containment measures introduced to mitigate the spread of the virus, the median value of expenditure on food from outside home increased in 2020 when compared to the 2017 wave due to the establishment of food delivery service companies, making take-away services more efficient. As expected, since many countries including Malta introduced travel bans, the median value of spending on holidays decreased by half in 2020.

“Food expenditure remains the biggest item in the consumption basket of Maltese families”

Comparing the results from the 2020 wave to that of 2017, the share of households for which expenditure was less than income, and were therefore able to save, increased by around 3 percentage points to 48.3%. The share of dissaving households remained at around 11%.

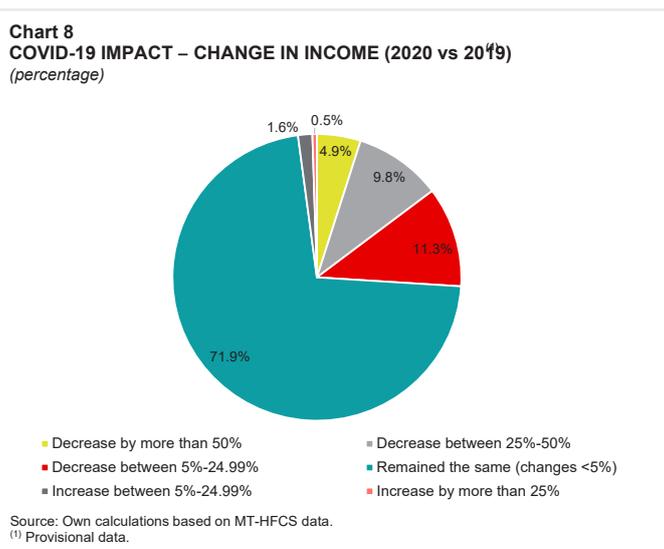
COVID-19 impact on household finances

Given the exceptional circumstances of the COVID-19 pandemic faced by countries in 2020, the HFCS network decided to include a section in the questionnaire to capture the impact of the pandemic on households’ finances. When comparing their income in 2020 with that in 2019, the majority of households (71.9%) stated that their income remained the same and was not impacted by the pandemic (see Chart 8). This was possible due to state aid schemes, such as the wage supplement implemented that was intended to safeguard household income for those whose jobs were most impacted by the pandemic-related lockdowns and containment measures. Despite these measures, around 26% reported a lower income, with most households replying that the reduction was between 5%-25%. The majority of respondents that reported a decrease in income stated that they have lowered their expenditure on food, clothes, travelling and other consumer goods and services to cope with the reduction in earnings. Only 2.1% of households reported a higher income in 2020 compared to a year earlier.

Conclusion

The HFCS provides valuable information on households’ consumption and finances, including information on their assets and liabilities, which in turn allows for a deeper understanding of household behaviour. This information helps to shed light on the transmission mechanism of monetary policy, as well as issues related to financial stability in the euro area.

Results from surveys need to be interpreted with caution due to a few caveats. The main limitation of the HFCS relies on the subjective self-assessed valuation of



assets. Whilst perceptions and preferences are crucial for understanding individual economic behaviour, such self-assessments are normally imprecise. Due to a relatively small sample size in Malta, another limitation of the survey relates to a possible lack of representation of population sub-groups. The latter is a concern, particularly with regards to households of foreign nationals living in Malta, rich households, and other sub-categories, such as self-employed that make it difficult to extract meaningful results from a small number of observations. Despite these limitations, however, the availability of this granular survey data opens interesting avenues for research, both on Malta and, at a later stage, cross-country studies utilizing the EU-wide HFCS dataset.

Currently, the Central Bank of Malta is preparing a detailed report on the main findings from the fourth wave which will be published later this year. Preparations for the collection of data for the fifth wave of the HFCS, which should be published in 2025, have already begun (Borg & Caruana, 2017).

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