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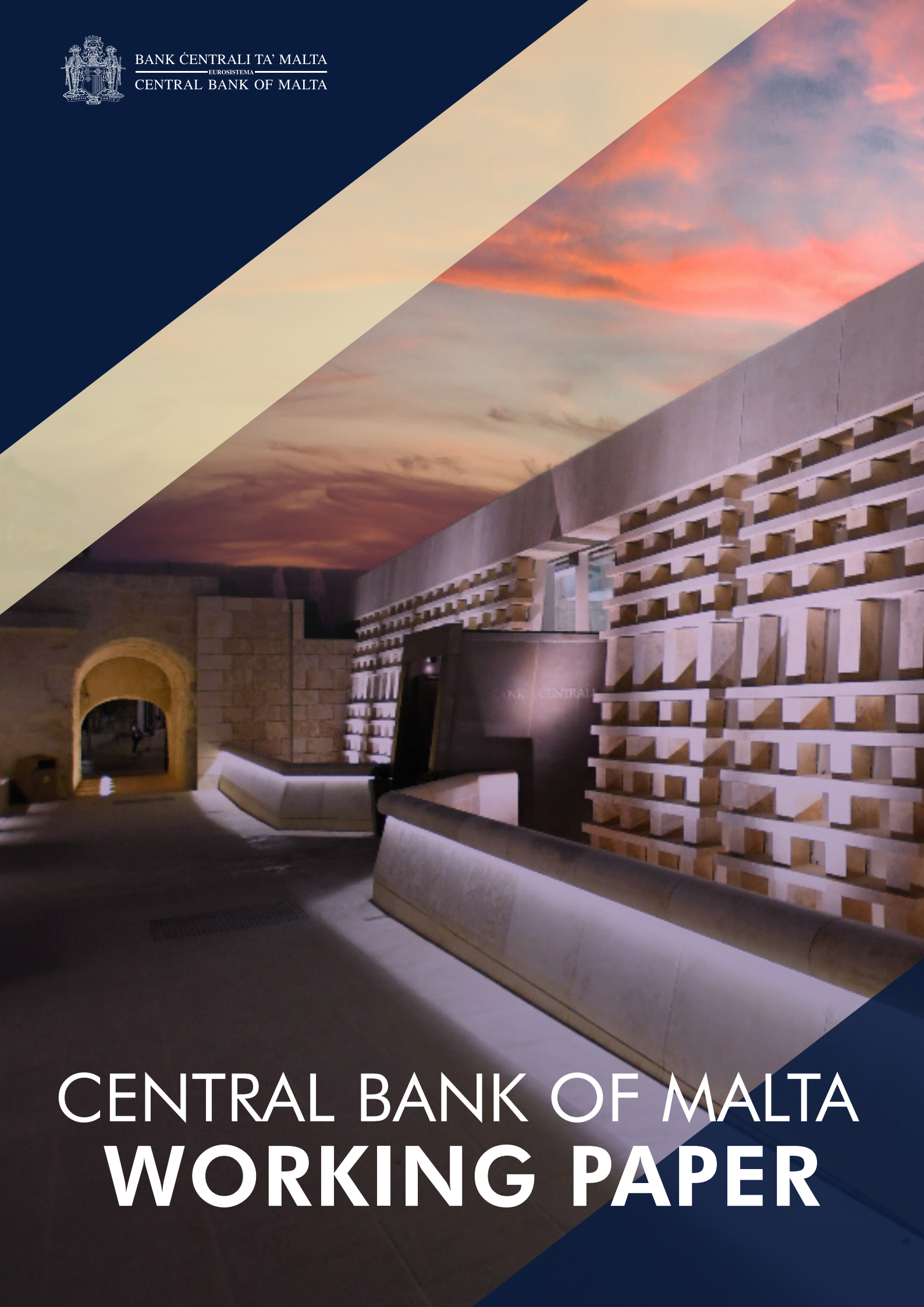

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Household Finance and Consumption Survey 2021: A comparison of the main results for Malta with the euro area

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The views expressed are those of the authors and do not necessarily reflect the views of the Central Bank of Malta. Any remaining errors are the sole responsibility of the authors.

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Abstract

This paper compares the main findings from the fourth wave of the Household Finance and Consumption Survey (HFCS) for Malta with those for the euro area. This comparative report finds that in 2020 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. 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 compared to euro area counterparts. Against different macroeconomic and socio-demographic backgrounds, the survey results highlight heterogeneous developments between Malta and the euro area as a whole. Furthermore, euro area averages mask 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

The Household Finance and Consumption Survey (HFCS; henceforth the Survey) is an initiative co-ordinated by the European Central Bank (ECB) in conjunction with the Household Finance and Consumption Network (HFCN), which consists of professionals from euro area national central banks (NCBs) and a number of national statistical institutes. The 2021 wave of the HFCS for Malta was conducted by the Central Bank of Malta (CBM) in cooperation with the National Statistics Office (NSO).[2] In most countries, the three previous waves were carried out in 2010, 2014 and in 2017, respectively.[3]

All participating countries ask a set of core questions which are based on common definitions and descriptive features according to an output-oriented approach. The survey provides detailed information on households' real and financial assets, their liabilities, net wealth, income, consumption and savings. It is the only harmonised source of information about household wealth and its distribution.[4]

The household represents the main unit of collection, but certain questions - such as demographics and information on labour market participation - are collected at individual level. The household is defined according to a variation of the "housekeeping concept", namely a household is defined as a person living alone or a group of people who live together in the same private dwelling and share expenses.[5]

Following the HFCN's methodological guidelines in all four 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.

The total euro area sample size comprised more than 74,000 households, ranging from 1,018 households in Malta to 10,253 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.[6] In the 2021 wave, 13 countries including Malta had a panel component, that is, households that had also participated in the third wave.

Due to the COVID-19 pandemic, there were delays in the collection of data in many countries, which was originally planned for 2020. Fieldwork was conducted in 2020 and 2021, with

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[2] More information on the HFCS in Malta, including previous research, are available on the CBM's dedicated webpage at https://www.centralbankmalta.org/en/household-finance-and-consumption-survey.

[3] The first wave (2010) of the HFCS was conducted in 15 euro area countries, the second wave (2014) in 18 euro area countries, as well as in Hungary and Poland, and the third wave (2017) in all 19 euro area countries, as well as in Croatia, Hungary and Poland. The fourth wave (2021) was conducted in all 19 euro area countries, as well as in Croatia, the Czech Republic and Hungary. Poland did not participate in the fourth wave.

[4] The HFCS questionnaire, list of output variables and paradata used in the fourth wave as well as the Methodological and Results Reports are available on the ECB's website at Household Finance and Consumption Survey (HFCS) (europa.eu).

[5] This is different to the dwelling concept, where all persons living in one dwelling are automatically considered as one household. Further information about the definition of household is available in the Appendix to the Methodological Report for the 2021 wave (ECB Statistics Paper Series No. 45).

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

significant variation across countries as a result of the pandemic. Consequently, reference periods also vary across countries, although the most common reference period was 2021. In the case of Malta, income is reported for 2020 while assets and liabilities refer to the position on October 2020.

The remainder of this report presents a comparison of Malta's results vis-à-vis the euro area average in terms of households' demographic characteristics, assets, liabilities, net wealth and income.[7] 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. Caveats

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.

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.

When comparing wealth across different countries, using household-level rather than per capita data accounts for variations in household structures and living arrangements, providing a more accurate basis for international comparisons. Households can vary significantly in size, from single individuals to extended families. Using a per capita measure might not account for

7 Euro area is calculated as the average across all euro area households, using household weights. Euro area comprises Belgium, Germany, Estonia, Ireland, France, Latvia, Luxemburg, Austria, Finland, Greece, Spain, Italy, Cyprus, Malta, Netherlands, Lithuania, Portugal, Slovenia and Slovakia. Non-euro area comprises Croatia, Hungary and Poland in 2017, and Czech Republic, Croatia and Hungary in 2021.

these differences, whereas household-level measurement considers the collective economic resources available to all members. Also, household-level data is essential for assessing income inequality and poverty rates. Researchers and policymakers can better understand how different households experience economic well-being and vulnerability.

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 across countries. In the latest wave of the HFCS, such heterogeneity may have been amplified by differences in the timing of fieldwork and in reference periods as a result of the pandemic-related disruptions. 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 facilitates the comparability of results, and thus remains an important source of data on households' income, wealth, and behavioural consumption patterns in the euro area.

3. Household Characteristics

Survey results show that the average household size in Malta stood at 2.4 persons compared to an average of 2.2 persons in the euro area. The most common household structures in Malta and in the euro area were the two-member and one-person households, respectively. Together, these accounted for close to 60.0% of all households in Malta and 67.3% in the euro area. In the euro area, the share of households having three or more persons, at 32.7%, was well below that in Malta (see Table 1).

Around 19% of reference persons in Malta who participated in the 2021 wave are younger than 35 years of age, while that in the euro area this share stood at 13.2%.[8] Households with a reference person aged between 35 and 65 years accounted for just above 55% both in Malta and in the euro area.

Indicators relating to the working status of the reference person show that 60.4% of reference persons in Malta were employees, markedly above the 49.4% average recorded in the euro

[8] In this report, the definition of reference person follows that applied by the ECB which differs from the one applied by the CBM in previous reports. Hence, values related to demographic breakdowns in this article (such as age cohorts, income quintiles, etc) might differ slightly from those published by the CBM in other research papers.

area. Despite increasing when compared to the previous waves of this survey, at 24.0%, the prevalence of reference persons with a tertiary level education stood lower when compared to the euro area average of 32.1%. This share ranged from a low of 16.6% in Italy to a high of 74.8% in Lithuania.

The homeownership rate in Malta stood at 79.0% in 2020, of which 60.4% of households were outright owners of their homes. The remaining 21.0% of households were renters or benefiting from usufruct or rent-free agreements. The homeownership rate in Malta is much higher than the average rate of 61.6% of the euro area, where outright owners amounted to 40.8%, whereas non-owners accounted for 38.3% of households. This notable divergence between Malta and the euro area highlights the local preference to own a property, whereas households in other euro area countries tend to rent or opt for other forms of housing agreements. On a cross-country comparison, heterogeneity in homeownership is considerable, varying from 44.5% in Germany to 94.0% in Lithuania.

Table 1
HOUSEHOLD STRUCTURE
(Percentage of households)

	EA	Malta
Household size		
Average household size (in members)	2.2	2.4
1 person	35.7	27.8
2 persons	31.6	32.0
3 persons	15.0	18.4
4 persons	12.6	15.0
5 and more persons	5.1	6.9
Housing status		
Owner-outright	40.8	60.4
Owner-with mortgage	20.8	18.6
Renter / Free-user	38.3	21.0
Age (in years) of reference person		
16-34	13.2	18.6
35-44	16.1	21.5
45-54	19.4	17.7
55-64	19.9	15.9
65-75	15.7	16.3
75+	15.7	10.1
Work status of reference person*		
Employee	49.4	60.4
Self-employed	9.3	7.4
Retired	31.2	23.1
Other not working	10.1	9.0
Education level of reference person**		
Primary (or no education)	27.7	52.3
Secondary	40.1	23.7
Tertiary	32.1	24.0

Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

The table shows weighted household structures of the HFCS data collected for the fourth wave.

* The 'Other' category includes reference persons who are not working for pay (unemployed, students, permanently disabled, etc).

** Educational attainment is measured on the basis of the ISCED-2011 scale, ranging from 0 to 8.

4. Household Assets

As outlined earlier, the HFCS collects valuable granular information on both real and financial assets held by households.[9] The former relates to the household's main residence, other real estate properties, vehicles, valuables and self-employment business. On the other hand,

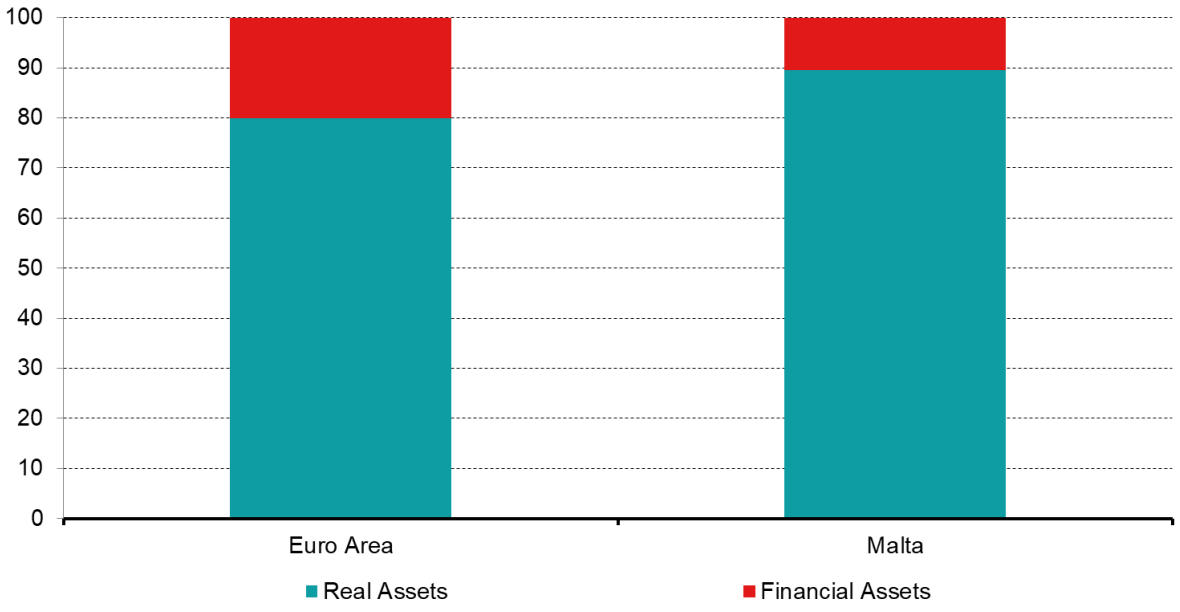
[9] Data on Maltese households' assets and debt relate to end-October 2020, whereas for some euro area countries the values relate to 2021.

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 €158,500, around half the self-declared value for Maltese households which stood at €311,900. Heterogeneity among euro area member states is notable, with the median asset value ranging from €33,400 in Latvia to €851,900 in Luxemburg. This dispersion is particularly pronounced among homeowners, mostly reflecting differences in the self-reported value for the main residence.

Overall, survey results from euro area countries show that on average 79.9% of households' assets consisted of real assets; in Malta this share stood higher, at 89.5% (see Chart 1). This means that the share of financial assets in households' total assets stood at 20.1% in the euro area and 10.5% in Malta. This share of financial assets in total assets varied between 3.1% in Croatia to 23.3% in Finland.

Chart 1
COMPOSITION OF ASSET HOLDINGS
(Percentage ot total assets)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

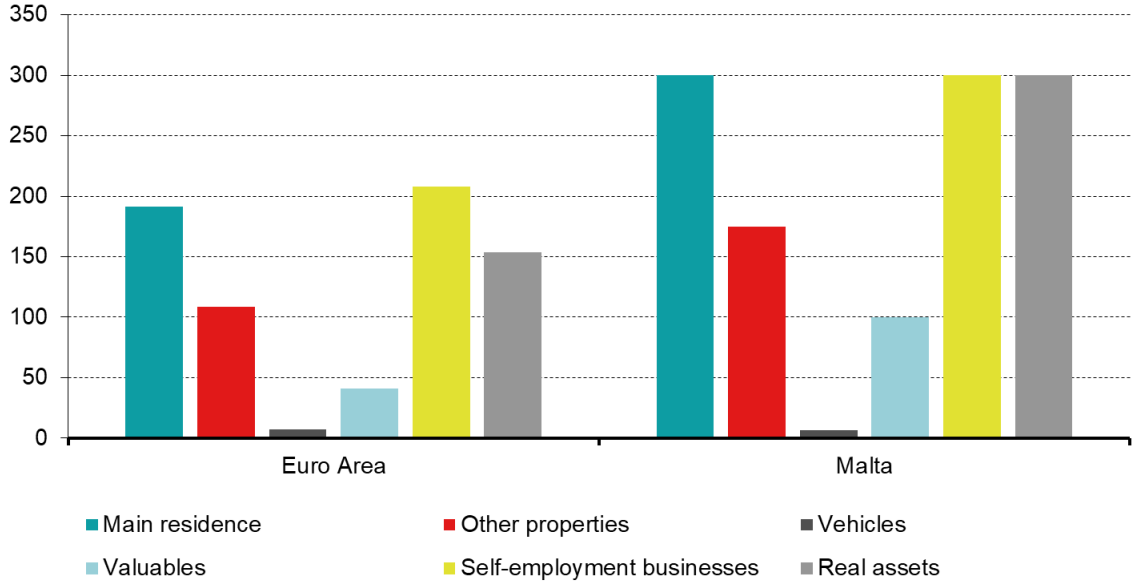
4.1 Household Real Assets

In the euro area, 91.7% of households held some form of real assets. In Malta, the share of households owning real assets was slightly higher at 94.3%. In monetary terms, the conditional median value of total real assets in the euro area stood at €153,700, whereas the conditional median value of real assets for Maltese households was almost double, at €300,000. With regards to the latter, Malta's median value was the second highest after

Luxembourg and exceeded Belgium's €274,900, Ireland's €254,500 and the €241,800 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 €300,000 in Malta, as opposed to €191,600 in the euro area as a whole. The second most important real asset held by households in Malta, and also in the euro area, relates to other real estate properties. The conditional median in Malta stood at €175,000, above the Euro Area's €108,700 (see Chart 2). Additionally, the median value of assets related to self-employment businesses held by Maltese households was more than double that in the euro area, although lower than that reported for Luxembourg and Cyprus.

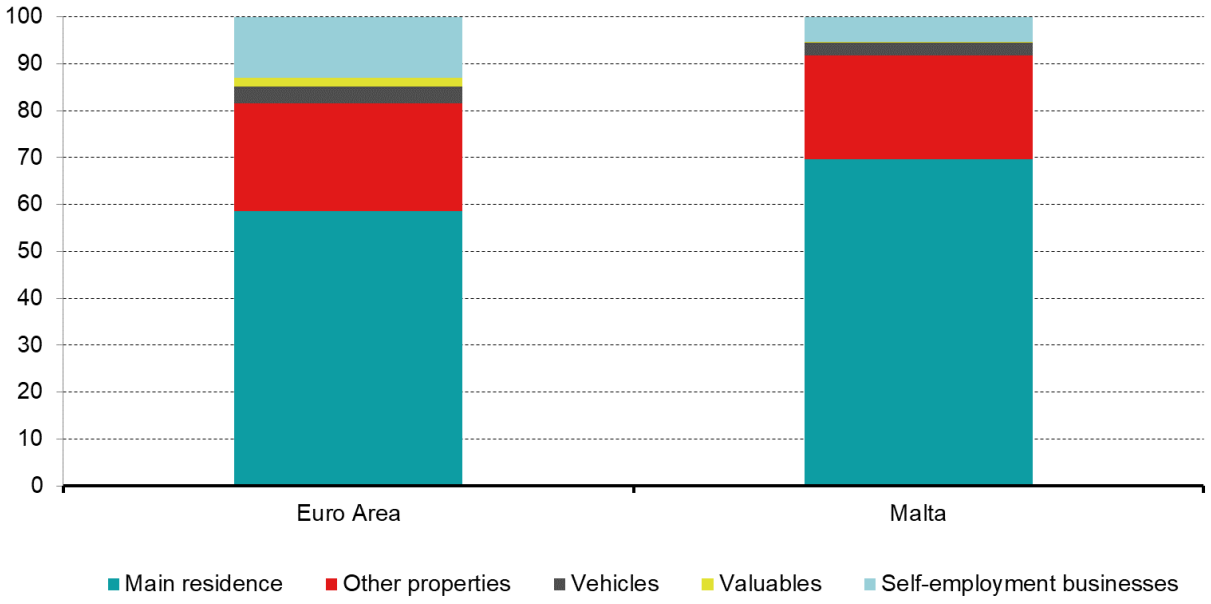
Chart 2
REAL ASSETS - MEDIANS
(EUR thousands)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

The main residential property constituted 58.6% of euro area households' total real assets as opposed to close to 69.6% in Malta. Meanwhile, the share of other real estate property in total real assets stood at 23.0% in the euro area and at 22.1% in Malta. Conversely, the value of valuables, vehicles and self-employment business is relatively lower in Malta, compared to the euro area (see Chart 3). A cross-country comparison indicates that at 5.3%, Malta's share of self-employment business is relatively lower than that in similar economies such as Cyprus at 12.8% and Ireland at 12.6%, however similar to that in Luxembourg at 5.4%. Vehicles and valuables constitute a markedly small share in total real assets in the vast majority of countries, generally hovering at less than 2%.

Chart 3
COMPOSITION OF REAL ASSETS
(Percentage of total real assets)

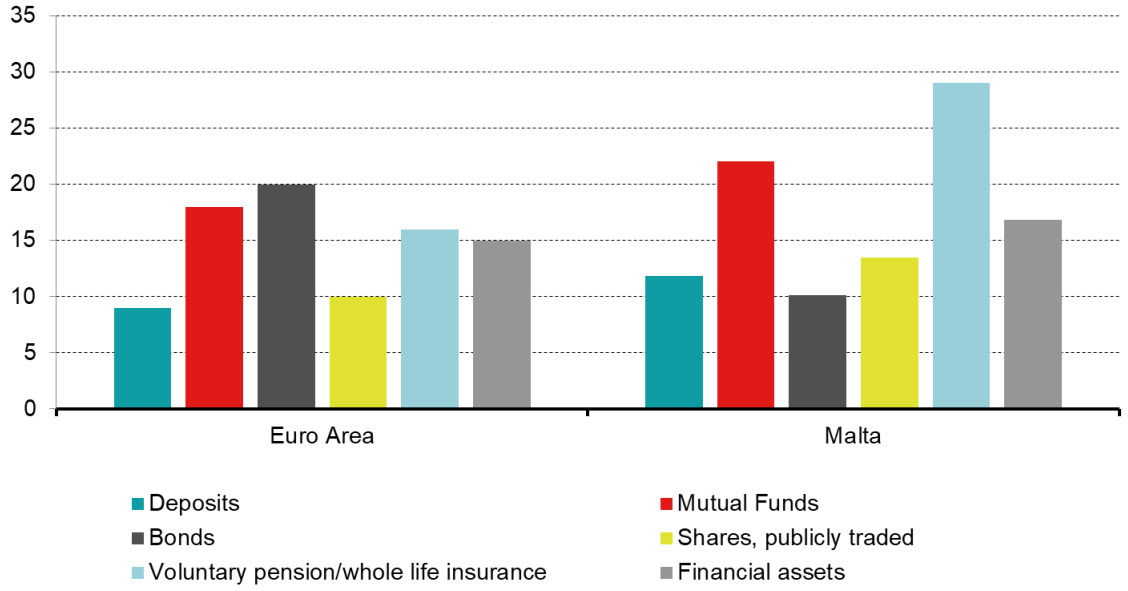


Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

4.2 Household Financial Assets

Survey results show that 98.7% of all euro area households held some type of financial asset. This figure is slightly higher than that reported in Malta which stood at 96.0%. The conditional median value of total financial assets held by euro area households was estimated at €15,000, ranging from as low as €1,500 in Lithuania to €80,400 in Luxemburg and €28,500 in Belgium. In Malta, the conditional median value of financial assets stood at €16,800, the sixth 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 €9,000 in the euro area and €11,800 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 €10,100 in Malta (see Chart 4).

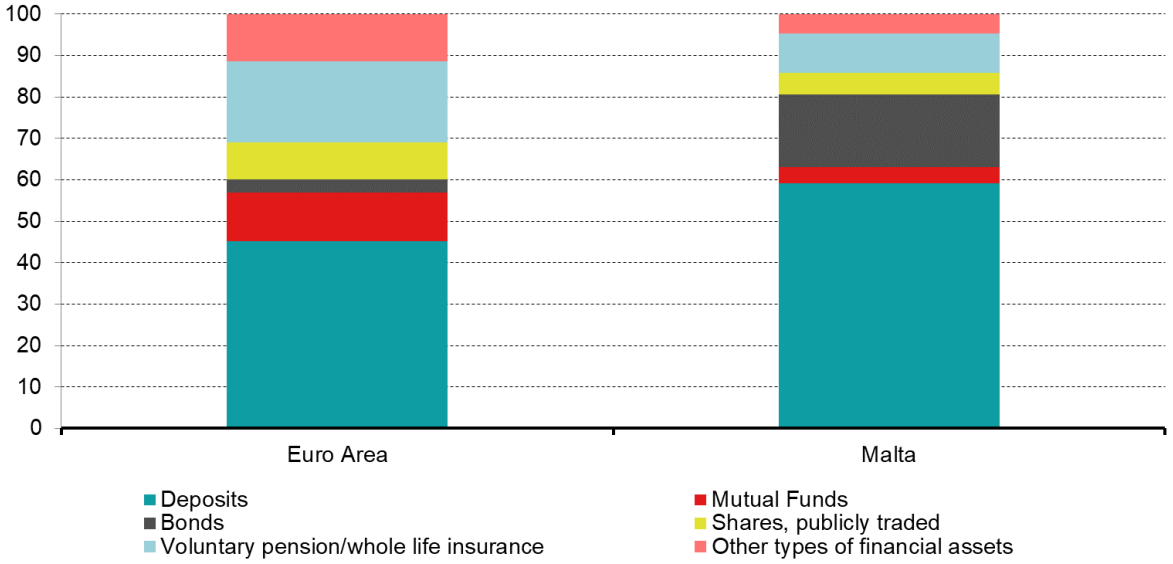
Chart 4
FINANCIAL ASSETS - MEDIANS
(EUR thousands)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

Bank deposits were the most widely held financial asset with 98.7% of all sampled households in the euro area and 96.0% of households in Malta owning such an asset. This type of financial asset constituted 45.2% of the total financial assets of euro area households, varying from a low of 36.0% in Luxembourg to 90.8% in Greece. In Malta's case, bank deposits made up 59.1% of households' financial assets in 2020. The second most important financial asset type held by households in the euro area were voluntary pension schemes and/or life insurance policies equivalent to 19.4% of total financial assets. Conversely, in Malta, the second most important financial asset type held by households were bonds with a share of 17.4% of total financial assets (see Chart 5). It is noteworthy to highlight that although the conditional median value of voluntary pension scheme and/or life insurance held by Maltese households is high, their importance in total households' financial assets is notably lower than in the euro area (both in terms of share of total asset and in terms of participation rate).

Chart 5
COMPOSITION OF FINANCIAL ASSETS
(Percentage of total financial assets)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.
Other types of dinancial assets include money owned to households and other instruments like futures,etc.

5. Household Liabilities

The percentage of indebted households in the euro area was 42.9% in the reference period, with the conditional median level of liabilities of these households standing at €30,400. By contrast, 33.1% of the surveyed households in Malta 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.

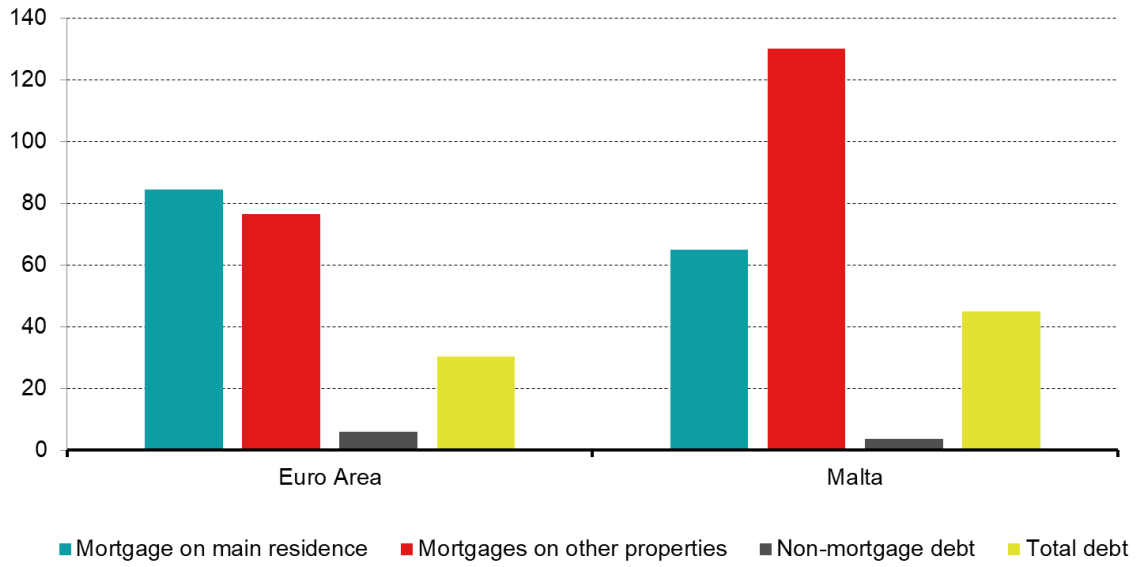
Despite a lower incidence of indebted households, the median total outstanding balance of household's liabilities of Maltese households was higher than that in the euro area, amounting to €45,000. In comparison, the median level of liabilities held in euro area countries ranged from €3,000 in Lithuania to €128,700 in Luxembourg and €116,900 in the Netherlands.[10] Although the conditional median level of outstanding balance on household main residence mortgages in Malta was lower (€65,000) than the euro area average of €84,400, the median level of debt on other properties in Malta exceeded the euro area average (see Chart 6). Indeed, households in Malta had an outstanding mortgage of €130,000 on additional properties compared to an average of €76,500 in the euro area. However, only 3.2% of households in Malta had a mortgage on such properties, a lower share than the 4.7% average in the euro area.

When comparing the percentage of households holding debt by age, Malta's percentages are lower than the euro area average for all age cohorts. However, Maltese households in the 16-34, 35-44 and 65-74 age brackets report a higher value of debt than corresponding

[10] 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.

households in the euro area. This means that even though a lower portion of Maltese households are indebted in each cohort, the median level of debt such households hold exceeds the euro area average.

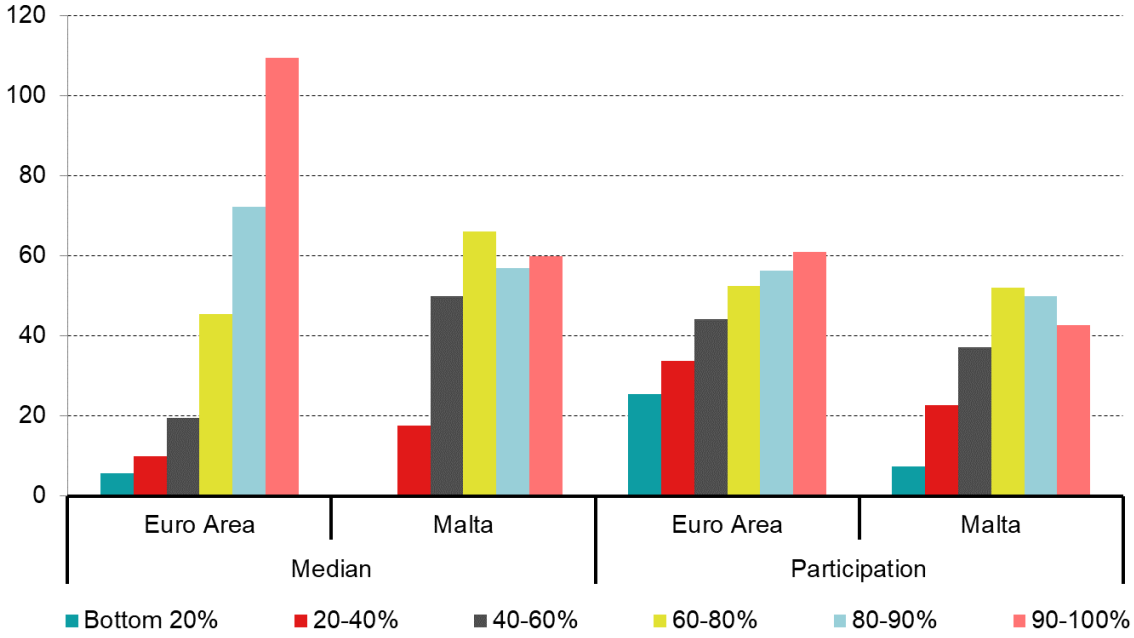
Chart 6
LIABILITIES - MEDIANS
(EUR thousands)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

Similarly, the percentage of Maltese households holding debt by income quintile is lower in all quintiles when compared to the euro area average (see Chart 7). At the same time, the conditional median debt in Malta exceeds the euro area average until the 60th percentile and the figure for the 4th quintile is almost equal to the euro area average (€52,000 vs €52,400). For the remaining households (p80 – p100), the reported conditional median debt held is lower than the euro area average.

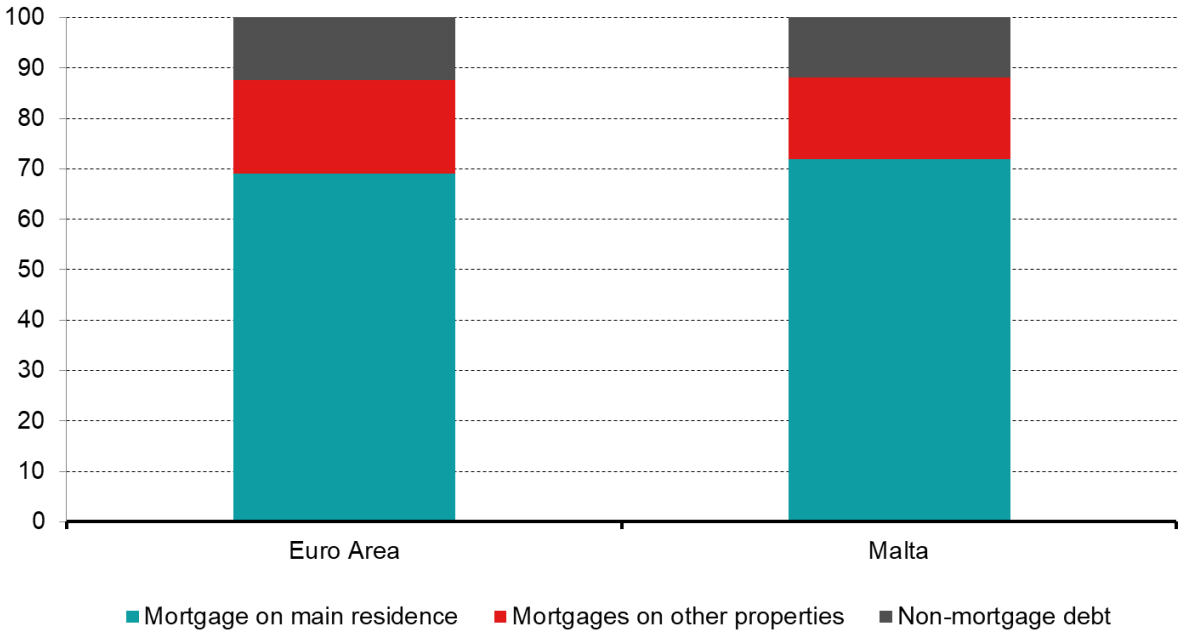
Chart 7
LIABILITIES - MEDIANS AND PARTICIPATION RATES BY INCOME QUINTILE
(EUR thousands, percentage of households)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

Mortgage debt accounts for the largest share of households' total liabilities, standing at 87.6% in the euro area and marginally higher at 88.1% in Malta. However, some differences can be noted when looking at the various debt categories. Outstanding balances on the primary residence made up 69.0% and 71.9% of all households' liabilities in the euro area and in Malta, respectively. At the same time, the remaining 18.6% of mortgage related liabilities in the euro area, and 16.2% in Malta, are on other properties which are not the households' main residence. Outstanding balances on non-mortgage debt accounted for 12.4% of euro area households' total liabilities, slightly more than 11.9% in Malta. The latter includes debt on other assets, including vehicles, credit cards and credit lines or overdraft facilities (see Chart 8).

Chart 8
COMPOSITION OF DEBT
(Percentage of total liabilities)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

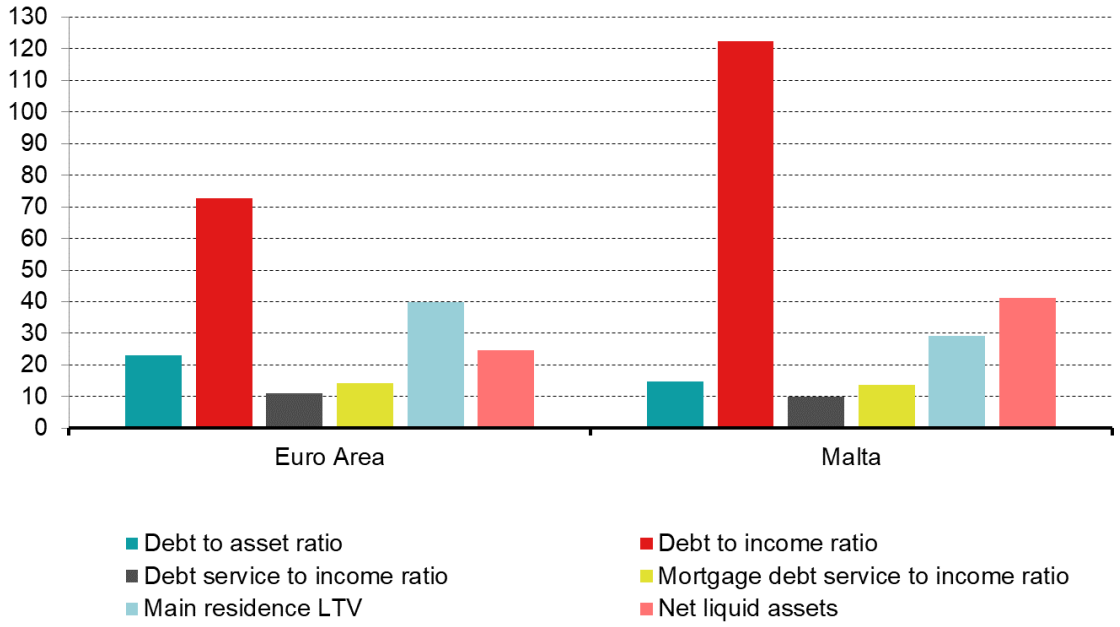
When assessing the debt burden to evaluate financial vulnerability, households in the euro area had a debt-to-asset ratio of 23.1%. This ratio varied from 6.4% in Lithuania to 43.9% in the Netherlands.[11] In Malta this ratio stood at 14.9% (see Chart 9). However, the debt-to-income ratio of indebted households in Malta exceeded that in the euro area. [12] In the euro area, this ratio stood at 72.8%, while that in Malta, this ratio was estimated at 122.3%. The latter is close to Portugal's 130.5% ratio, but considerably lower than the 221.0% value estimated for the Netherlands.

Furthermore, the debt service-to-income ratio of all indebted households stood at 11.0% in the euro area and at 10.1% in Malta.[13] This ratio varied between 0.9% in Lithuania and 18.6% in France. 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 14.3%, 0.7 percentage points higher than that estimated in Malta. Again, the lowest ratio was observed in Lithuania at 4.8% and the highest in France at 21.2%. The loan-to-value (LTV) ratio of households' main residence in the euro area stood at 40.0% and 29.3% in Malta, the latter being close to Germany's 28.0%.[14] The

[11] Debt-asset ratio: ratio of total liabilities to total gross assets. Defined for indebted households.
[12] Debt-income ratio: ratio of total liabilities and total gross household income. Defined for indebted households.
[13] Debt service-income ratio: ratio of total monthly debt payments to household gross monthly income.
[14] 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.

net liquid asset ratio in Malta stood at 41.3%, exceeding the euro area's 24.7%. Malta's figure was the highest across euro area countries.

Chart 9
FINANCIAL BURDEN INDICATORS - MEDIAN RATIOS
(Percentage)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

The survey also finds that 6.9% of euro area households are credit constrained compared to Malta's 4.7%, which implies that Maltese households find it less challenging to obtain credit.[15] Malta's figure was amongst the lowest reported by euro area countries and stood below Belgium's 4.9%.

6. 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 €273,600 as at October 2020, the third highest value reported among euro area countries. This is more than double the euro area median value of €123,500 reported in the latest HFCS wave. Heterogeneity among

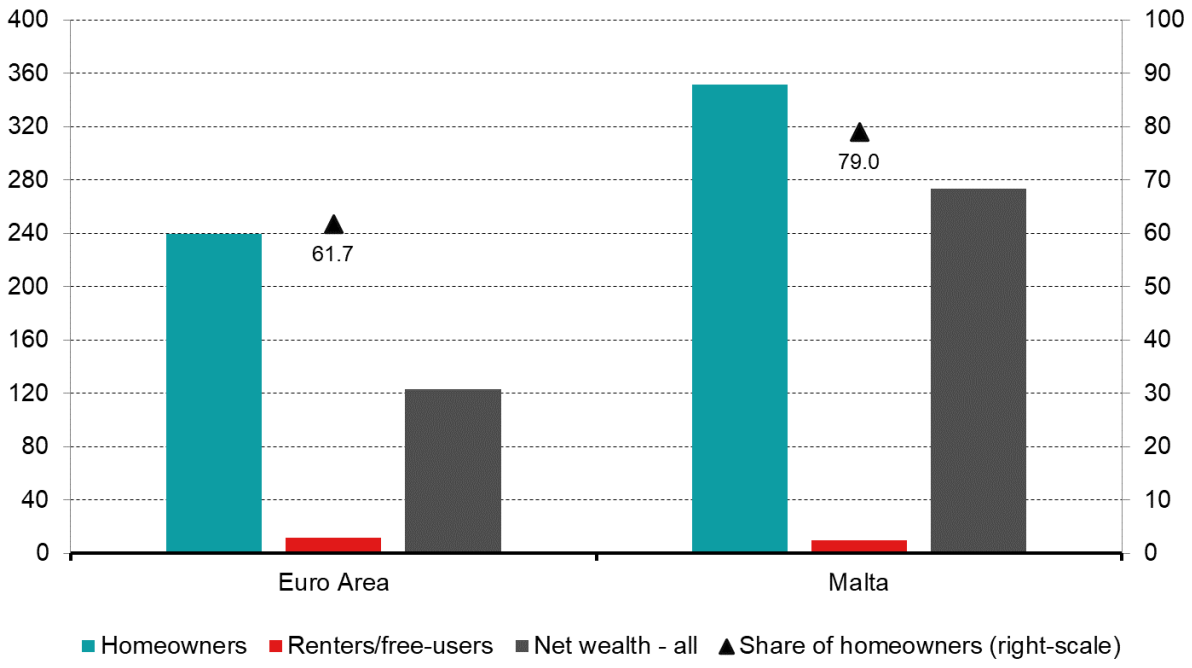
Mortgage debt service-income ratio: ratio of total monthly mortgage debt payments to household gross monthly income. This ratio is calculated for households with mortgage debt.

[15] A credit constrained household is defined as a household to which one or more of the following situations apply: (i) applied for credit within the last three years but was turned down, and did not report a successful re-application, (ii) applied for credit but was not granted the full amount applied for, or (iii) did not apply for credit owing to a perceived credit constraint.

member states is substantial, with the value ranging from €31,300 in Latvia to €717,700 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 €239,900, whereas households who did not own their home had a median net wealth value of just €12,000. Similarly, the median net wealth of Maltese households who own their main residence stood at €351,800, as opposed to only €10,000 for other households (see Chart 10). Higher net wealth in Malta can be partly explained by a higher share of households who are outright owners of their main residence.

Chart 10
MEDIAN NET WEALTH, BY HOME-OWNERSHIP
(EUR thousands, percentage of households)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

The net wealth inequality varies notably across euro area countries. The HFCS-based Gini coefficient suggests that inequality in the euro area ranged from 0.46 in Slovakia to 0.73 in Germany.[16] In Malta, inequality in households' net wealth stood at 0.55 in 2020, declining since the previous wave, and notably lower than the average of 0.69 for the euro area.

[16] 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 a society is.

With regards to the P90/P50 ratio, which measures how the wealth of the top 10% of households compares to the median net wealth, Malta's ratio is also notably lower than that of the euro area. It is the third lowest ratio in the euro area after Slovakia's and Lithuania's.

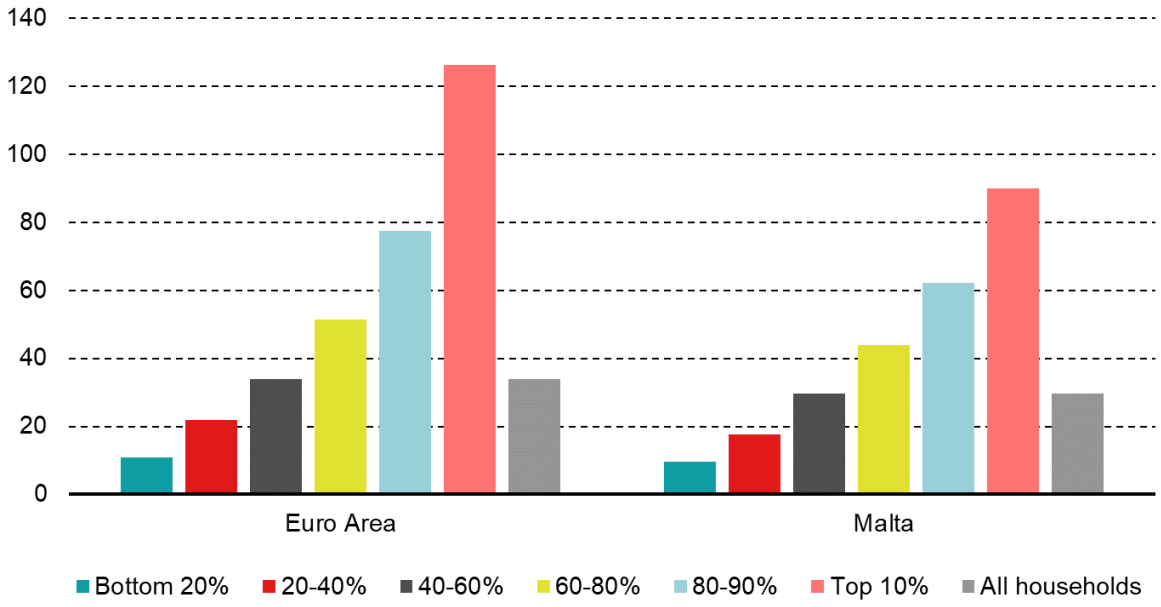
7. Household Income and Consumption

7.1 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 €34,000, varying from €13,700 in Latvia to €89,600 in Luxemburg. In Malta, the median gross income for Maltese households stood at €29,700, and thus below the euro area average (see Chart 11). When analysing gross income across different income groups, the median gross household income values for Malta were lower than in the euro area across all income groups. Once again, differences between euro area countries remain significant.

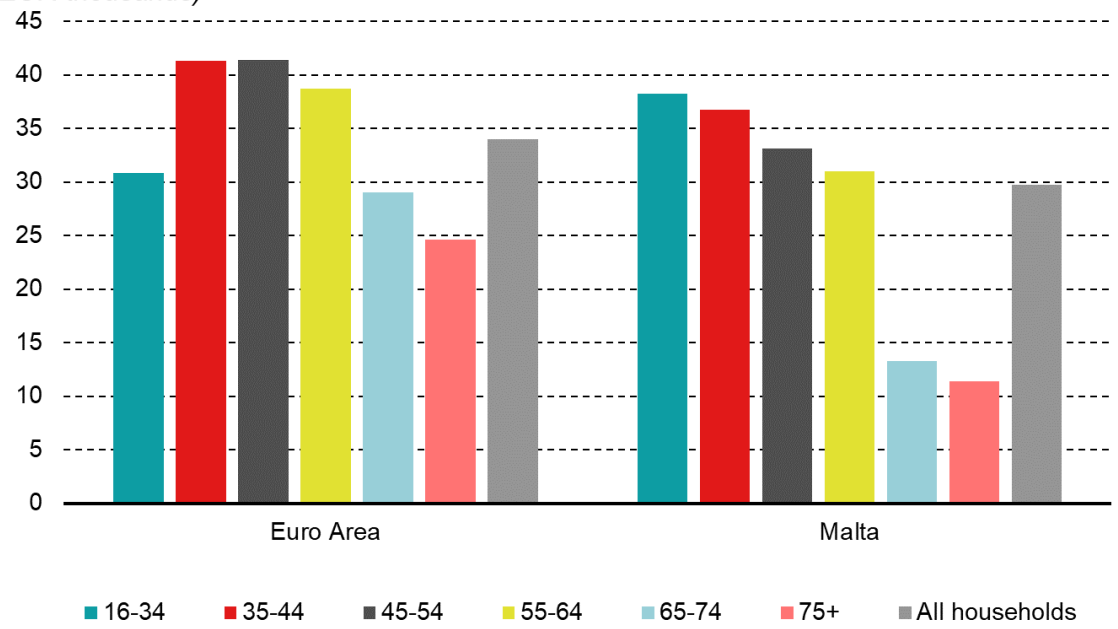
Chart 11
HOUSEHOLD GROSS HOUSEHOLD INCOME - MEDIANS, BY QUINTILE
(EUR thousands)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

The age cohort with the highest median income in the euro area is the 45 to 54 age bracket, with an annual gross household median income of €41,400 (see Chart 12), very closely followed by the 35-44 age cohort with a gross median income of €41,300. The corresponding median income for the 45-54 age group in Malta stood at €33,100 which was the third 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 €38,200. Income across different age cohorts appears to follow the life-cycle hypothesis theory in the euro area, while in Malta median income declines as the age of the reference person increases. Moreover, when compared to the euro area, a sharper drop in income can be noted for Maltese households aged 65 years and over in the latest HFCS wave.

Chart 12
HOUSEHOLD GROSS HOUSEHOLD INCOME - MEDIANS, BY AGE
(EUR thousands)



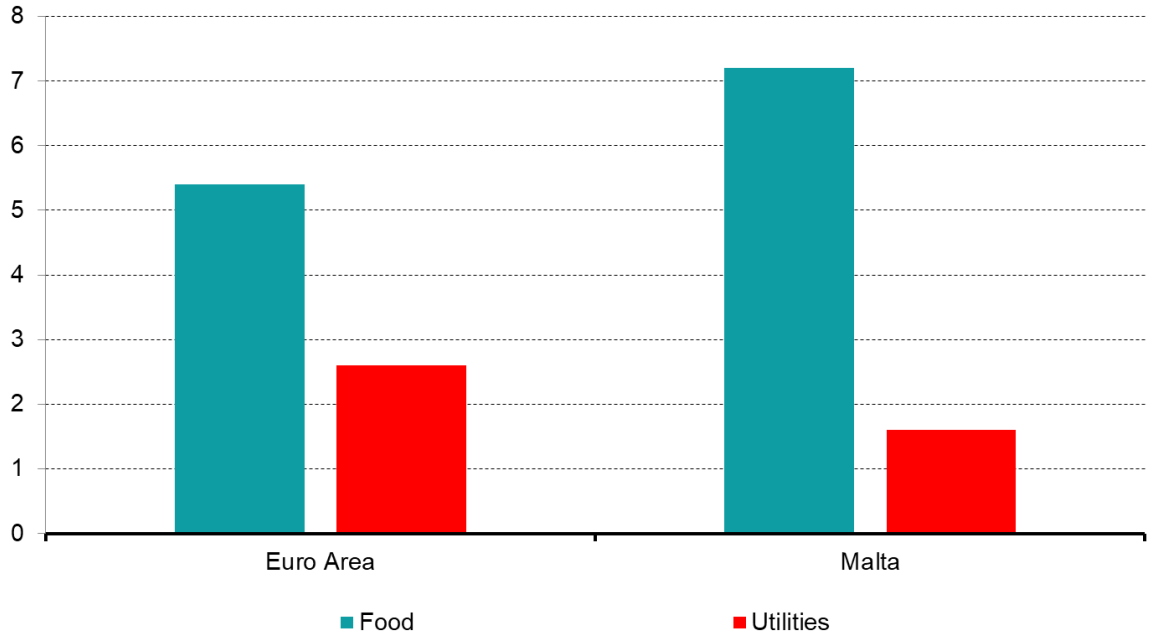
Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

7.2 Household Consumption and Saving

According to the HFCS, the overall annual median spending of households in the euro area on food consumption, including food consumed outside the home, stood at €5,400, ranging from €3,600 in Latvia to €11,500 in Luxembourg. Median spending by Maltese on food was estimated at €7,200 per household. The annual median expenditure on food consumed at home also shows dispersion across countries. The latter amounted to €4,800 in the euro area and €6,000 in Malta. With regards to utilities, the annual median expenditure in the euro area

stood at €2,600 and €1,600 in Malta (see Chart 13).[17] Spending on utility bills by Maltese households stood at the third lowest in the euro area, only slightly more than in Lithuania and Latvia and less than the amount spent on such services in Germany and Luxembourg. This may reflect fiscal support to keep energy prices in Malta stable.

Chart 13
ANNUAL MEDIAN CONSUMPTION ON FOOD AND UTILITIES
(EUR thousands)



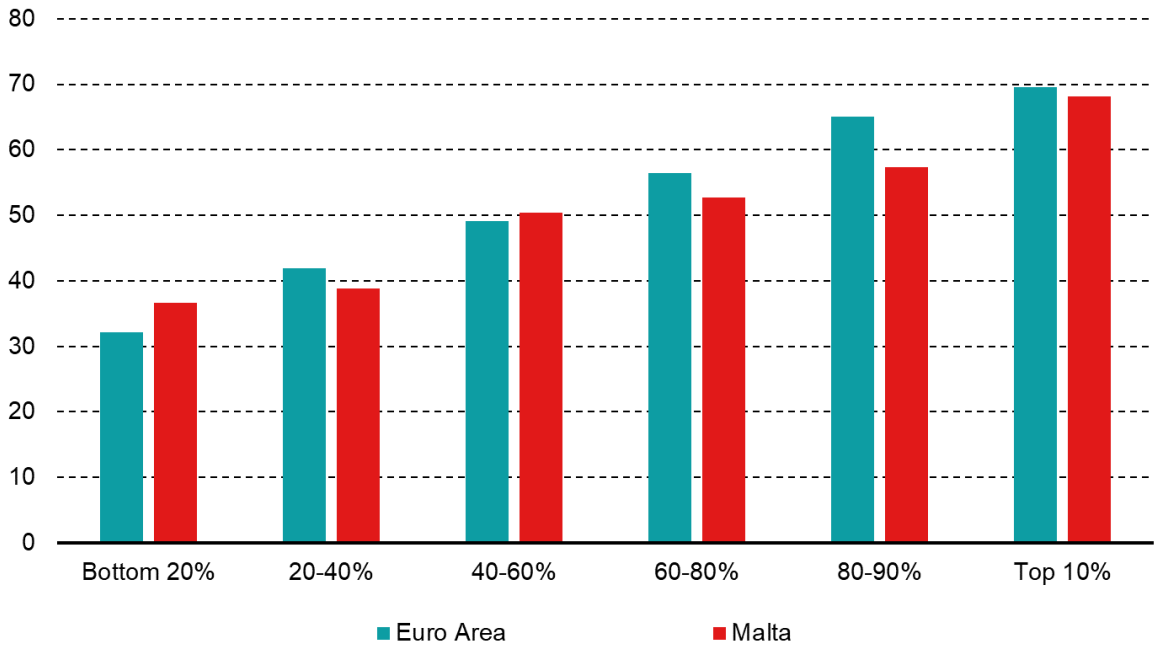
Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

With regards to savings, the share of households stating that their regular expenses were lower than their income was 49.3% in the euro area and 48.3% in Malta. Once again, significant heterogeneity across countries can be noted: only 20.5% of all Greek households reported that their income is higher than their expenses as opposed to a high of 66.7% in Germany. Nevertheless, 58.8% of households in the euro area, and 69.0% of Maltese households claimed that they are able to get financial assistance from friends or relatives in case of need.

Survey results show that only 36.6% of households in the bottom quintile claimed that they are able to save some of their income in Malta and only 32.1% in the euro area. This ratio increases to close to 70% for the highest income earners in both Malta and the euro area (see Chart 14).

[17] Utility bills include electricity, water, gas, telephone, internet and television.

Chart 14
ABILITY TO SAVE, BY INCOME QUINTILE
(Percentage of households)



Source: ECB-HFCS 2021 Statistical Tables and authors' calculations.

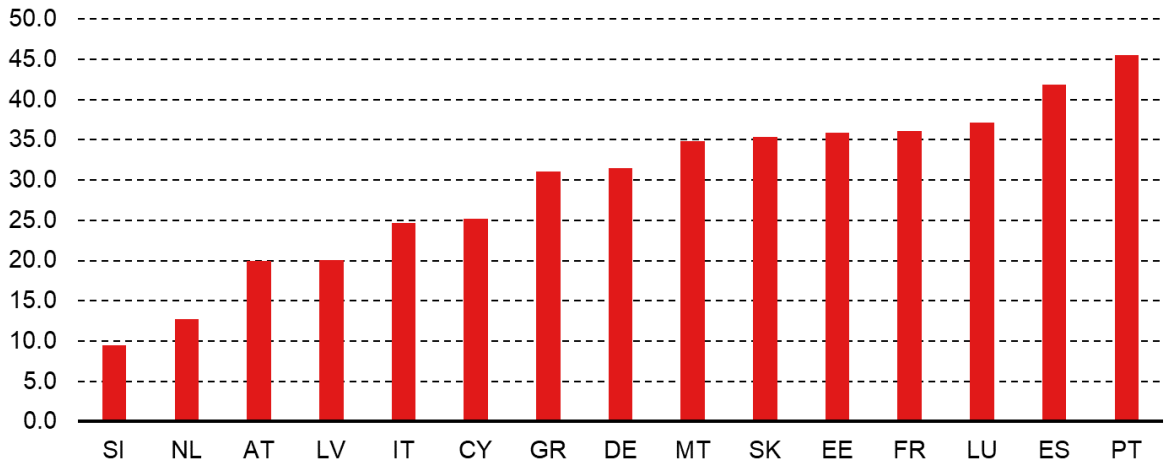
8. COVID-19 module

Given the exceptional circumstances of the COVID-19 pandemic faced by countries in 2020, the HFCN included an ad-hoc module to assess the impact of the pandemic on households' finances.[18] Not all countries opted to include the same set of questions for this module.[19]

One of the questions in the ad-hoc COVID-19 module asked respondents to comment how the pandemic affected their employment situation. The impact of the pandemic on labour market and income was heterogeneous both across countries and across households (Chart 15).[20] Among households with at least one active member in employment, the percentage of respondents reporting at least one type of adverse labour market change in Malta stood at 34.8%. In other countries, this ranged from less than 10% in Slovenia to around 40% in Spain and over 45% in Portugal.

[18] For a more detailed discussion of the effect of COVID-19 on income and employment for Maltese households: https://www.centralbankmalta.org/site/Reports-Articles/2023/Covid-impact-households-finances.pdf?revcount=694.
[19] The list of questions on the impact of the COVID-19 pandemic that were asked in various countries is given in the Appendix of HFCN (2023), "The Household Finance and Consumption Survey: Methodological report for the 2021 wave", ECB Statistics Paper No. 45, June 2023.
[20] The charts show results for available countries only.

Chart 15
CHANGES IN LABOUR MARKET STATUS/EARNINGS DUE TO COVID-19
(Percentage of households with at least one active member)

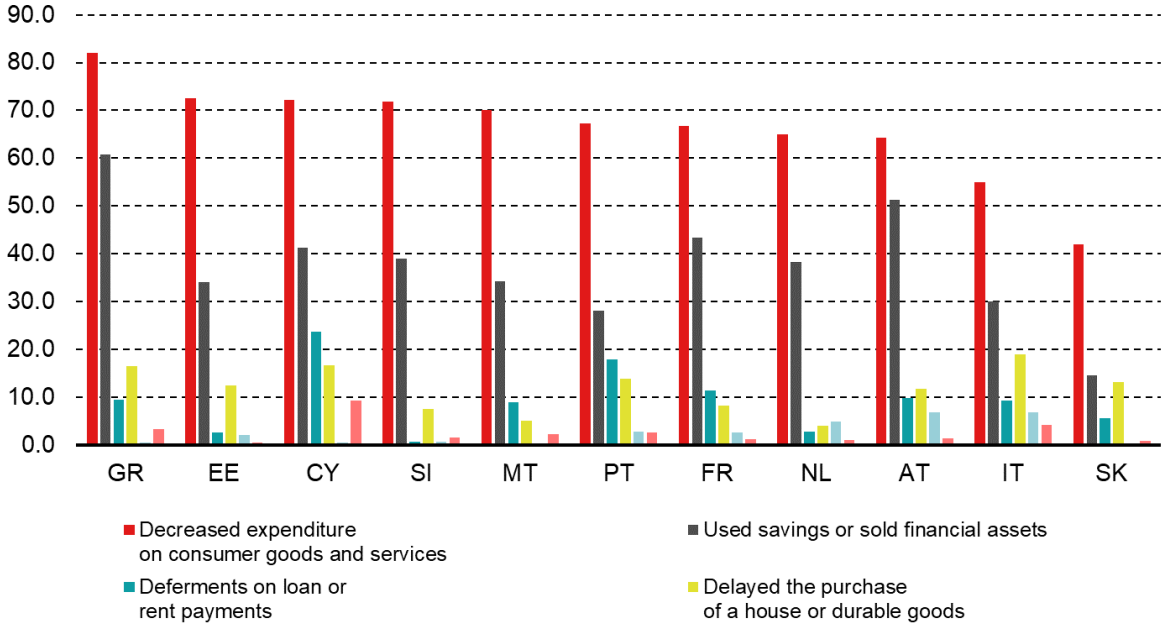


Source: ECB-HFCS 2021 Results Report and authors' calculations.

Note: The chart shows output based on the answers to the question: "Have you or any member of your household experienced any of the following changes in labour market status or labour earnings?" Respondents could select more than one option for each household member, amongst the following: quit job/laid off/closed business; kept job with a full/temporal loss of income; reduction in hours/leave to take care of family; or had to stop working due to illness/health problem. Here we plot if the household replied 'yes' to any of the above options, hence has been in any way impacted.

In most countries including Malta, the most frequent change was a temporary reduction in labour income. The most frequent strategy to compensate for the loss in income was to reduce spending on non-durable consumer goods and services. This response was the most prevalent response in more than half of the countries where data is available. In Malta, 70.0% of respondents said to have adopted this approach (see Chart 16). The second most frequent strategy was the use of savings or the sale of financial assets, with the share of households doing so ranging from about 15% in Slovakia to 61% in Greece and somewhat midway at 34.2% in Malta, where deferring loan or rent payments was also an important adjustment made (8.9%).

Chart 16
COMPENSATION FOR INCOME LOSS DUE TO COVID-19
(Percentage of households who experienced a decrease in income)



Source: ECB-HFCS 2021 Results Report and authors' calculations.
Note: The chart shows the answers to the question: "How did your household compensate for the loss of income?".

9. Conclusions

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 2020, the median Maltese household held €300,000 in real assets and €16,800 in financial assets; markedly more than the €153,700 and €15,000, respectively, held by the average euro area household. With regard to liabilities, 42.9% of households in the euro area were indebted against 33.1% in Malta. However, the median total liabilities of indebted Maltese households stood at €45,000, more than the €30,400 of the euro area households, reflecting a higher median debt level on properties other than the main residence. By contrast, median debt on main residence and non-mortgage debt stood lower than in the euro area.

Despite higher total liabilities, the debt-to-asset ratio indicates that Maltese households have a significantly higher share of assets to cover their debt. At the same time, the debt service-to-income ratio of all indebted households was lower in Malta (10.1%) with respect to the euro area average (11.0%).

Largely reflecting the higher prevalence of homeownership in Malta, the estimated median net wealth in Malta reached €273,600, more than double the euro area median value of €123,500. This divergence narrows when looking only at the median net wealth of homeowners, which stood at €351,800 in Malta and €239,900 in the euro area as a whole. The estimated survey Gini coefficient for net wealth, which gives us an indication of where a country stands in terms of inequality, was one of the lowest in Malta at 0.55, substantially lower than the euro area's average of 0.69.

The annual median gross income of Maltese households was estimated at €29,700, below the euro area's €34,000. Lower income can be noted across all age cohorts, with the exception of the 16-34 age bracket, which stands almost in line with the euro area figure. In the latest HFCS wave, Maltese households spent more on food than their euro area counterparts but considerably less on utilities. Around 49% of Maltese households disclosed that they are able to save part of their income and, over two thirds of Maltese households claimed that they are able to get financial assistance from relatives and friends in case of need, 10.2 percentage points more than in the euro area as a whole.

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