

BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
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## HFCS 2021 – MALTA VS EA RESULTS COMPARISON

## BOX 1: HFCS 2021 – MALTA VS EA RESULTS COMPARISON<sup>1</sup>

This box provides a summary of the comparison of the results of the fourth wave of the Household Finance and Consumption Survey (HFCS) for Malta and the euro area.

The HFCS, henceforth the Survey, is an initiative coordinated by the 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.<sup>2</sup>

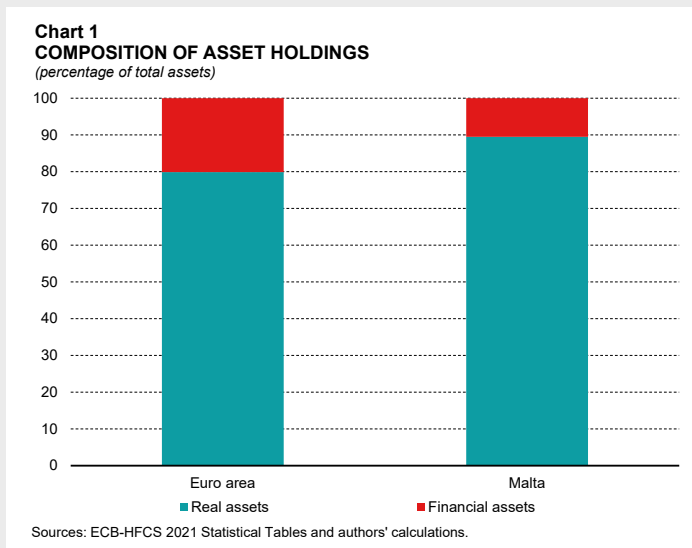
All participating countries ask a set of core questions, which are based on common definitions and descriptive features, according to an output-oriented approach. The Survey provides detailed information on households' real and financial assets, their liabilities, net wealth, income, consumption, and savings. It is the only harmonised source of information about household wealth and its distribution.<sup>3</sup>

Fieldwork for the fourth wave of the HFCS was conducted in 2020 and 2021. Due to the pandemic, reference periods for this wave 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.

### 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.<sup>4</sup> Dispersion across countries is significant, and mainly reflects differences in the self-reported value of the main residence.

The majority of households' assets consisted of real assets, which make



<sup>1</sup> Prepared by Valentina Antonaroli, Warren Deguara and Aleandra Muscat, Principal economists and Economist, respectively within the Economic Projections and Conjunctural Analysis Office. 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.

<sup>2</sup> More information, data and studies on the [HFCS in Malta](#).

<sup>3</sup> 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 \(HFCS\) \(europa.eu\)](#).

<sup>4</sup> As outlined earlier, the HFCS collects valuable granular information on both real and financial assets held by households. 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.

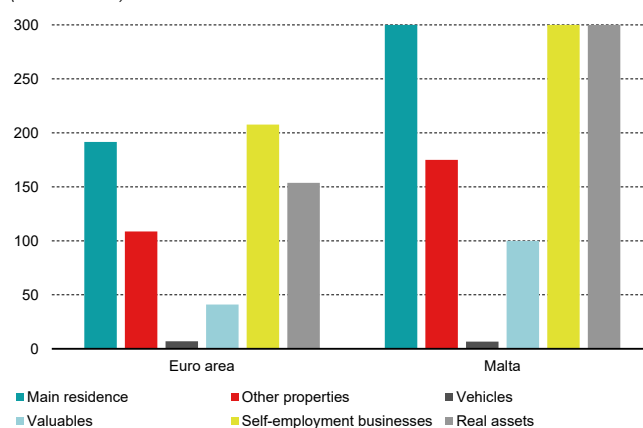
up 79.9% of total assets in the euro area, and 89.5% of all assets in Malta (see Chart 1). In fact, the home ownership rate in Malta stood at 79.0% in 2020, of which 60.4% were outright owners of their homes.<sup>5</sup> This is well above the euro area average of 61.6%, of which 40.8% were outright owners. At 94.3%, the share of households owning real assets is also slightly higher than that of the euro area, which stood at 91.7%.

Even the conditional median value of real assets was much higher for Maltese households. This stood at €300,000, exceeding the €153,700 reported for the euro area (see Chart 2).

The main residence is the household's most valuable real asset, both in the euro area and in Malta. This is followed by other real estate properties. However, in Malta the median value of households' main residence (HMR) (€300,000), is significantly higher than that in the euro area, which stands at €191,600. Additionally, the median value of assets related to self-employment businesses held by Maltese households was more than double that in the euro area.

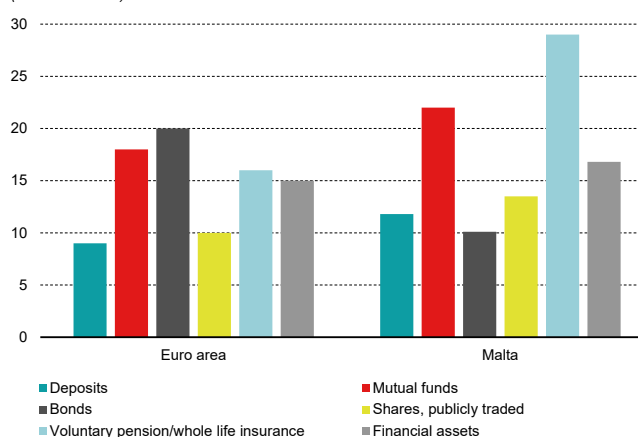
The share of euro area households holding some type of financial assets stood at 98.7%, which is marginally higher than that reported in Malta, which stood at 96.0%. However, the conditional median value of such assets in Malta is the sixth highest in the euro area at €16,800, which is also higher than the euro area average of €15,000 (see Chart 3). In part, this reflects a large divergence in the conditional median value of the most widely held financial

**Chart 2**  
**REAL ASSETS – MEDIANS**  
(EUR thousands)



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

**Chart 3**  
**FINANCIAL ASSETS – MEDIANS**  
(EUR thousands)



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

<sup>5</sup> An outright owner is somebody who has no mortgages on their property.

asset – deposits held by households – which stood at €9,000 in the euro area and €11,800 in Malta. Deposits made up 59.1% of Maltese households’ financial assets, compared with 45.2% in the euro area.

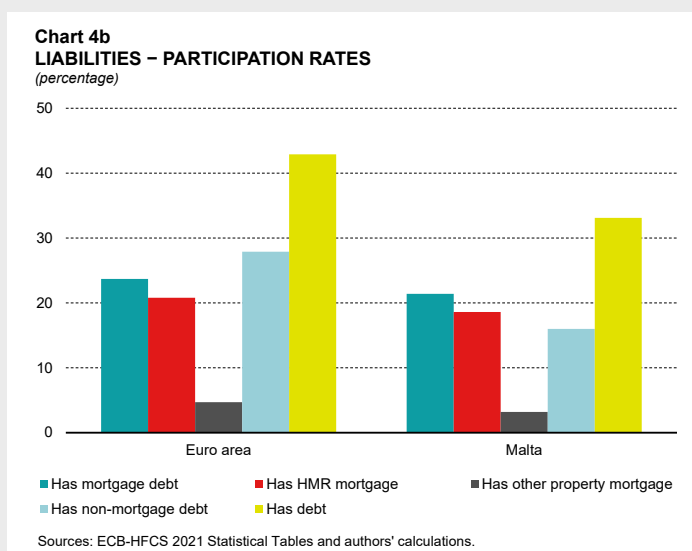
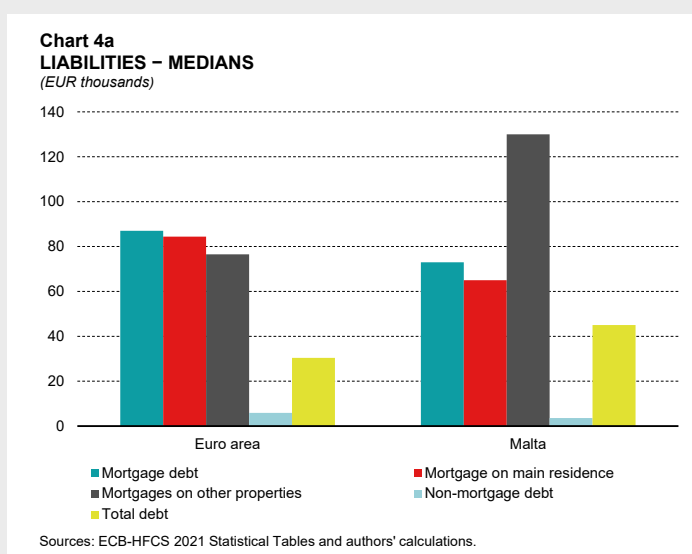
The median values of shares, mutual funds and voluntary pension schemes held by Maltese households also exceeded corresponding values in the euro area.

## 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 (see Charts 4a and 4b). By contrast, 33.1% of the surveyed households in Malta were indebted, but the median level of liabilities in Malta stood at €45,000.<sup>6</sup>

The largest component of household debt is mortgage debt, standing at 87.6% of total debt in the euro area, and at 88.1% in Malta. 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, while 18.6% of related liabilities in the euro area, and 16.2% in Malta, are on other properties. Non-mortgage debt accounted for 12.4% of euro area households’ total liabilities, slightly more than Malta’s 11.9%.

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



<sup>6</sup> Total liabilities include mortgages collateralised on HMR, mortgages collateralised on other real estate property owned by the household, non-mortgage loans, credit lines/bank overdrafts debt and credit card debt.

euro area. Although the conditional median level of outstanding debt on household main residence in Malta was lower (€65,000) than the euro area average of €84,400, the median level of debt on other properties in Malta was higher, standing at €130,000 compared to the euro area's €76,500.

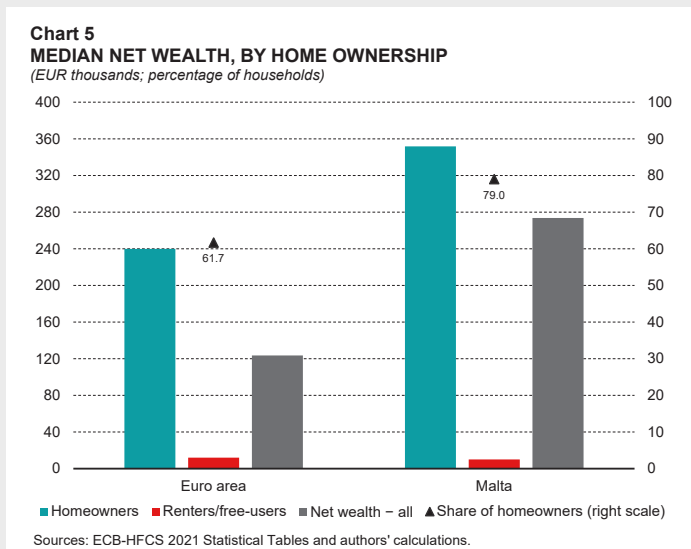
The share of indebted households in Malta is lower than in the euro area across all age cohorts, but Maltese households in the 16-34, 35-44 and 65-74 age brackets report a higher value of median debt than corresponding households in the euro area.

### 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, more than double the euro area median value of €123,500 (see Chart 5). Heterogeneity among member states is substantial, with the value ranging from €31,300 in Latvia to €717,700 in Luxembourg.

Survey results clearly show that net wealth is significantly linked to home ownership across the euro area. Households who owned their main residence had a median net wealth value of €239,900 in the euro area, 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. Higher net wealth in Malta can be partly explained by a higher share of households who are outright owners of their main residence.

The HFCS-based Gini coefficient suggests that net wealth inequality in the euro area ranged from 0.46 in Slovakia to 0.73 in Germany.<sup>7</sup> Malta's Gini coefficient stood at 0.55 in 2020, notably lower than the euro area average of 0.69.



### Debt burden

Data from the HFCS allows the computation of measures of debt burden, which are useful to assess the financial vulnerability of households. Households in the euro area

<sup>7</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 a society is.

had a debt-to-asset ratio of 23.1%, though with large variation across countries.<sup>8</sup> In Malta, this ratio stood at 14.9% (see Chart 6). However, the debt-to-income ratio of indebted households in Malta (122.3%) exceeded that in the euro area (72.8%).<sup>9</sup> The debt service-to-income ratio of all indebted households stood at 11.0% in the euro area and at 10.1% in Malta.<sup>10</sup> 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 point higher than that estimated in Malta. The loan-to-value (LTV) ratio of HMR in the euro area stood at 40.0%, much higher than the 29.3% observed in Malta.<sup>11</sup> The net liquid asset ratio in Malta was the highest across countries standing at 41.3%, almost double to the euro area's 24.7%.

Almost 7% of euro area households are credit constrained compared to Malta's 4.7%. This was among the lowest shares reported by euro area countries.

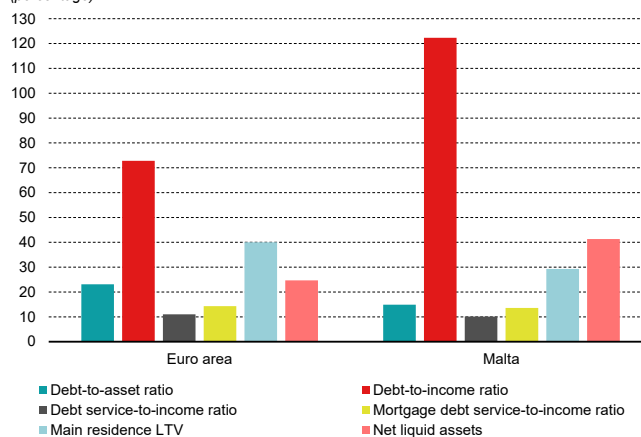
### Income and consumption

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.

In Malta, the median gross income stood at €29,700, and thus below the euro area average of €34,000. This pattern holds across all income categories (see Chart 7). Large variations in income are noted between countries.

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

**Chart 6**  
**FINANCIAL BURDEN INDICATORS – MEDIAN RATIOS**  
(percentage)



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

<sup>8</sup> Debt-asset ratio: ratio of total liabilities to total gross assets. Defined for indebted households.

<sup>9</sup> Debt-income ratio: ratio of total liabilities and total gross household income. Defined for indebted households.

<sup>10</sup> Debt service-income ratio: ratio of total monthly debt payments to household gross monthly income.

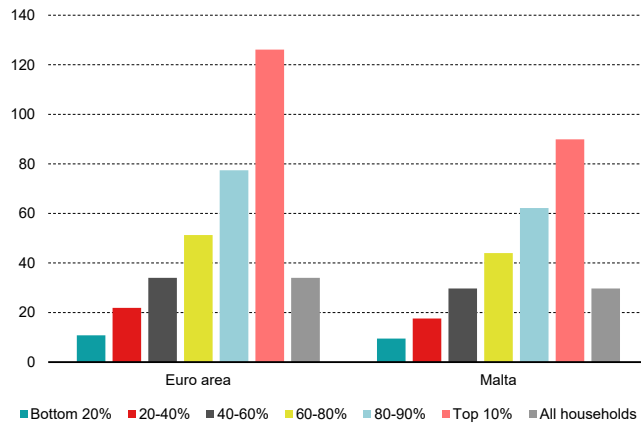
<sup>11</sup> LTV ratio of HMR: ratio of outstanding amount of HMR mortgage to current value of the HMR. This ratio is calculated for households with HMR mortgage debt only. Mortgage debt service-income ratio: ratio of total monthly mortgage debt payments to household gross monthly income. This ratio is calculated for households with mortgage debt.

noted for Maltese households aged 65 years and over in the latest HFCS wave.

The HFCS also gathers data related to consumption. Median spending on food in Malta was estimated at €7,200 per household, which is relatively higher than €5,400 in the euro area of (see Chart 8). Conversely, at €1,600, annual spending on utilities in Malta stood lower than the euro area spending of €2,600 and in fact was the third lowest in the euro area.

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.

**Chart 7**  
GROSS HOUSEHOLD INCOME – MEDIAN, BY QUINTILE  
(EUR thousands)



**Chart 8**  
ANNUAL MEDIAN CONSUMPTION ON FOOD AND UTILITIES  
(EUR thousands)

