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WEALTH DISTRIBUTION AMONG MALTESE HOUSEHOLDS – EVIDENCE FROM NEW DISTRIBUTIONAL WEALTH ACCOUNTS¹

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Introduction

Recent severe economic shocks have heightened interest in more timely, coherent, and consistent income and wealth distribution information for the household sector. Central banks, in particular, require insights into wealth distribution effects to also assess how monetary policy impacts different household groups. Changes in interest rates, for instance, may affect savers and borrowers, or renters and homeowners differently, necessitating an understanding of these dynamics for effective policy implementation. The income and wealth distribution of households also have implications for financial stability and fiscal policy and are an important input in economic research and analyses. Various studies have indicated that inequality can hinder economic growth, exacerbate recessions, and reduce the effectiveness of fiscal and monetary policies.²

Despite progress in developing internationally comparable datasets and information on wealth distribution, there has been a scarcity of consistent and higher-frequency data for detailed analysis across household types. Macroeconomic data, particularly quarterly sector accounts (QSA) statistics, provide a comprehensive view of the aggregate household sector's balance sheet at frequent intervals, but typically are available at national level and hence lack distributional details.³ Conversely, household surveys and other microdata sources offer detailed household-level information on assets, liabilities, income, and consumption, but suffer from infrequent updates and potential inconsistencies over time and across countries.

The G20 Data Gaps Initiative recommends the production and dissemination of distributional information on income, consumption, savings, and wealth for the household sector. On 8 January 2024, the ECB launched new experimental statistics on Distributional Wealth Accounts (DWA), which link household-level information from the Household Finance Consumption Survey (HFCS) with macroeconomic information in the QSA, facilitating the compilation of household assets and liabilities distribution as a further breakdown of QSA aggregates.⁴ These data support the 2021 ECB monetary policy strategy, which aims to systematically assess the two-way interaction between income and wealth distributions and monetary policy.⁵

Input data and methodological overview of the DWA

In the euro area, QSA include data on financial and non-financial assets and liabilities owned by the main institutional sectors, including the household sector. The time series is available at quarterly frequency, with a lag of three to four months, with most of the data sourced from financial institutions, Government finance statistics, and external statistics. However, these statistics do not provide information on the distribution of assets and liabilities across households. Conversely, the

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² See for example: OECD (2015), Dabla-Norris, et al. (2015), Pereira da Silva, et al. (2022).

³ See [Financial Accounts – Central Bank of Malta \(centralbankmalta.org\)](#).

⁴ See: European Central Bank (2024).

⁵ BE, CY, EE, ES, FI, GR, IE, LT, LU, LV, MT, PT, SI, SK and HU are currently compiled centrally by the ECB while National Central Banks from other countries (AT, DE, FR, IT, NL) compile the data themselves, using the same concept.

HFCS offers insights into the distribution of wealth among households in all euro area countries. However, such data are collected less frequently than sector accounts, as the HFCS is conducted approximately every three years, and the results are published with a lag of around 18 months. Moreover, values of assets and liabilities collected through the HFCS reflect the assessment of the participating households or, for selected instruments, their expectation of the sale value if they were to dispose of an asset. Four waves of the HFCS have been released, referring approximately to the years 2010, 2014, 2017, and 2021. Information on assets and liabilities is moreover reported for a particular point in time during a reference year. Preparations for the fifth wave of the HFCS are underway.⁶

DWA attempt to link these two different datasets and to provide an assessment of the distribution of household wealth consistent with aggregates compiled in the QSA. DWA data are available from 2009 for most euro area countries, and are updated at quarterly intervals, with a maximum lag of five months from the end of the reference quarter.

The linking process starts by developing a wealth concept that maps the instruments surveyed in the HFCS with their corresponding national QSA aggregates. However, only a selected set of instruments are included, which covers the most significant items on a household's balance sheet. Some items such as cash holdings, trade receivables, and pension entitlements are excluded, as these cannot be clearly identified in the HFCS microdata. Moreover, the selection takes into account data quality and users' needs. Table 1 lists the financial assets, non-financial assets, and liabilities of households included in DWA. The difference between total assets and liabilities equals households' net wealth.

The baseline process involves estimations and adjustments to align the two sources. First, households' assets and liabilities are categorized according to national accounts concepts. Then, data are adjusted to reflect differences in the population covered by HFCS and sector accounts, mainly

Assets	Liabilities
Deposits	Mortgages
Debt securities	Other debt
Life insurance	
Listed shares	
Investment fund shares	
Financial business wealth	
Non-financial business wealth	
Housing wealth	
	Net wealth

Source: ECB.
Note: Definitions of each of these variables can be found in 'Experimental Distributional Wealth Accounts (DWA) for the household sector – Methodological note', European Central Bank (2024).

⁶ The production of both QSA and the Maltese HFCS is jointly managed by the Central Bank of Malta and the NSO. Meanwhile, the Central Bank of Malta is responsible for compiling quarterly financial accounts, while the NSO handles the compilation of non-financial accounts. Additionally, the NSO manages the primary microdata collected as part of the HFCS, with the conceptual development overseen by the ESCB's Household Finance and Consumption Network, in which the Central Bank of Malta is involved.

to correct under-sampling of wealthy households in survey data. Data for periods between HFCS rounds are interpolated, whereas data for the periods after the latest available HFCS wave are extrapolated using the distribution of each individual instrument in that wave.⁷

The baseline process is also tailored to account for country specificities. For example, in the case of Malta, the target value for housing wealth is taken from HFCS rather than the QSA as is done in other instruments, as the HFCS value for this component is considered more accurate. Additionally, based on information from other comparable countries, the value of housing wealth in Malta is assumed by the ECB after consulting the Central Bank of Malta, to be composed of 30% dwellings and 70% land. This assumption, in turn, impacts the estimation of land not underlying dwellings, which is part of non-financial business wealth.

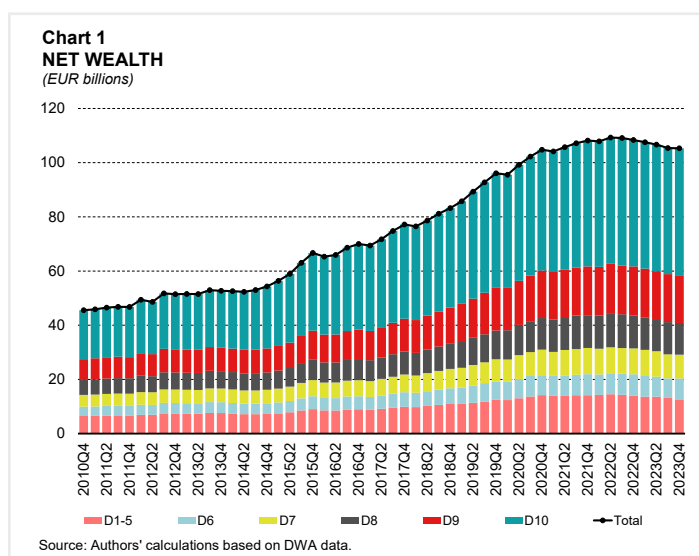
The Maltese DWA dataset includes quarterly data from 2010 Q4 onwards on the stock of assets and liabilities of resident households, split by deciles of household net wealth, employment, and home-ownership status. DWA also includes derived statistics and indicators, mainly the Gini coefficient for net wealth, data on median and mean net wealth levels, and the share of total wealth held by different sections of the population. These experimental data are published quarterly with a lag of no later than five months after the end of the quarter; the latest DWA available by the cut-off date for this article is as of December 2023.

The next section provides an overview of the evolution of household net wealth in Malta from the fourth quarter of 2010 to the corresponding quarter of 2023. Additionally, it discusses developments in wealth inequality, as indicated by the Gini coefficient, since the start of the series.

Wealth and inequality in Malta

Total net wealth held by Maltese households more than doubled since 2010 (increasing by €59.8 billion), to stand at €105.3 billion in the fourth quarter of 2023 (see Chart 1). The growth in net wealth over this period was driven by the appreciation of housing wealth and the accumulation of financial assets.

Previous studies examined the distribution of wealth among households at specific points in time, as defined by the HFCS reference years.⁸ The DWA now offers more detailed, high-frequency data on the quarterly distribution of assets and liabilities, aligned with national account statistics. With this richer, more granular data, this article explores the evolution of wealth, its varying composition among households, and the level of wealth inequality in Malta from 2010 to 2023.



⁷ DWA data will inevitably be revised given the regular updates of QSA aggregates and the release of new HFCS survey data as these updates will cause changes in national accounts totals and the interpolation/extrapolation process.

⁸ See Antonaroli, et al. (2023), Attard & Georgakopoulos (2019), Gaskin, et al. (2017) and Caruana & Pace (2013).

The development of Maltese household wealth

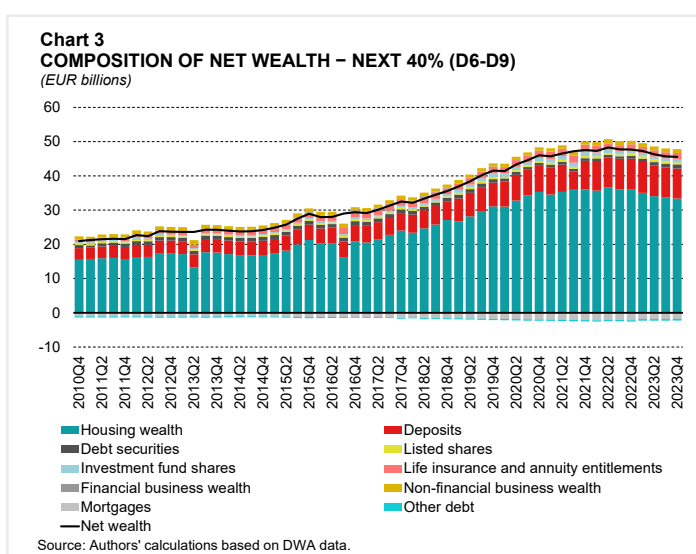
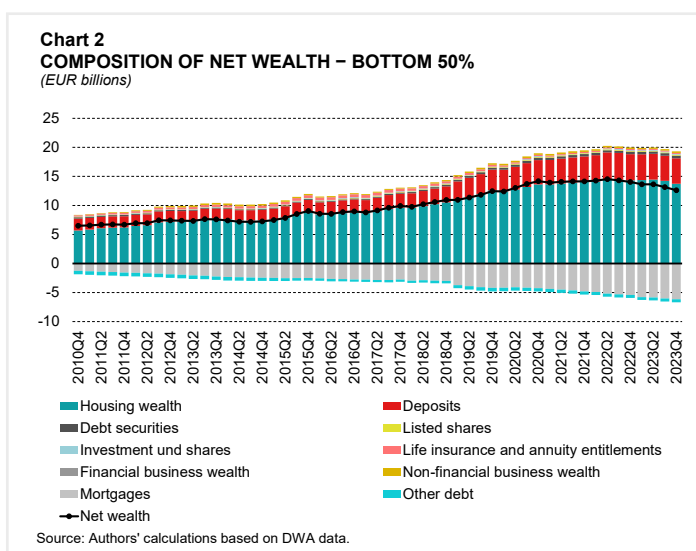
As at the last quarter of 2023, the wealthiest 10% (D10) of Maltese households held €47.1 billion, or 44.8% of total household net wealth in the country. This is almost four times the amount held by households in the bottom half of the net wealth distribution (D1-D5) altogether (€12.6 billion). The eighth and ninth deciles jointly held just above 25% of total wealth. Moreover, net wealth of households in the top decile grew by 160.7% since the beginning of the series, while that of the bottom half of the distribution grew by 94.1% since the fourth quarter of 2010. The richest 10% alone, in fact, account for half of the level increase in net wealth since 2010. This was followed by the ninth decile, which broadly accounted for a further tenth of the aggregate increase in household wealth, while the eighth decile and those in the bottom half of the distribution jointly accounted for a further eighth.

As a result, the share of net wealth held by households in the bottom half of the wealth distribution dropped from 14.3% to 12.0% between 2010 and 2023. The other deciles also experienced declining shares, although their relative losses were smaller than those of the bottom half. Conversely, the share of net wealth held by the top decile grew by five percentage points, from 39.7% to 44.8% over the same period.

The composition of wealth across Maltese households

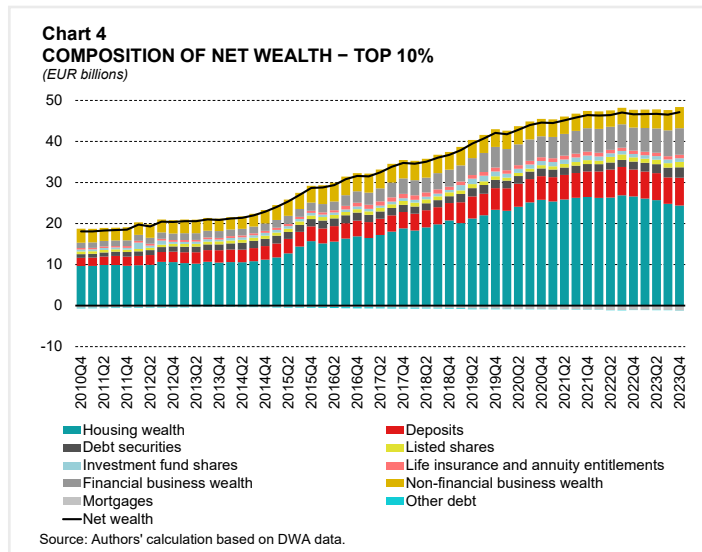
DWA data for the fourth quarter of 2023 reveal significant variation in the composition of Maltese households' wealth. Housing wealth remains the main asset category held across all deciles of the net wealth distribution (see Charts 2, 3, and 4), with this component's share in total assets, however, varying among different groups: 71.2% for households in the bottom half, 69.8% for households in deciles six to nine, and 50.4% for households in decile ten.

The assets of the wealthiest decile are more diversified compared to other groups, with business wealth (both financial and non-financial, including ownership stakes in unlisted companies) constituting a substantial portion of their portfolio at 24.0% in the final quarter of 2023, down from 25.1% in the corresponding quarter of 2010.⁹ Moreover, this asset is



⁹ Overall, as at December 2023 shares in listed companies amounts to 1.8% of total assets. This reflects that in Malta the majority of companies are unlisted.

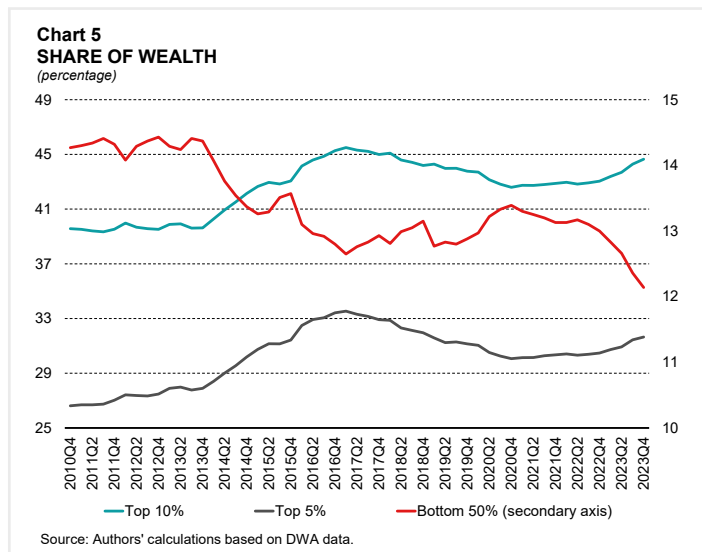
heavily concentrated at the top of the net wealth distribution, as the richest 10% of Maltese households possess 89.1% (equivalent to €11.6 billion) of all business wealth in Malta. Conversely, business wealth has accounted for only a negligible share of the wealth composition for the deciles one to nine over the past decade. Meanwhile, deposits represent the second-largest asset type for deciles one to nine but represent a lower share of total assets held by the tenth decile. For example, deposits account for just over a fifth of the assets of households in the bottom half of the wealth distribution, compared to around 14% of total assets of the top decile.



The overall amount of debt (including mortgages and other personal credit) of households in the bottom half of the net wealth distribution is estimated at €6.7 billion as at the fourth quarter of 2023, accounting for 65.6% of total household debt in Malta up from 47.5% of total debt held in 2010, reflecting by and large an increase in mortgage debt. Debt for the top decile and for deciles six to nine remained relatively stable over the past decade standing at €1.3 billion and €2.3 billion as at the fourth quarter of 2023. The share of total household debt held by deciles six to nine fell from 35.4% in the fourth quarter of 2010 to 22.2% in the corresponding quarter of 2023. Similarly, the share held by decile ten fell from 17.1% to 12.2% over the same period.

Net wealth inequality in Malta

Variations in the distribution of wealth instruments among households, along with their quarterly fluctuations, have influenced the developments of overall net wealth inequality in Malta. The share of net wealth held by households in the bottom 50% of the distribution declined over the past decade from 14.3% in the fourth quarter of 2010 to 12.0% in the final quarter of 2023. Whereas that of households in the top 10% of the distribution increased from 39.7% to 44.8%, throughout the same period (see Chart 5). At the same time, households in the top 5% of the net wealth distributions also exhibited an



increase in the share of wealth held. This grew from 26.6% in the fourth quarter of 2010 to 31.7% in the corresponding quarter of 2023 (see Chart 5). This implies a divergence in wealth held by the top and the bottom ends of the wealth distribution in Malta hinting at increased wealth inequality.

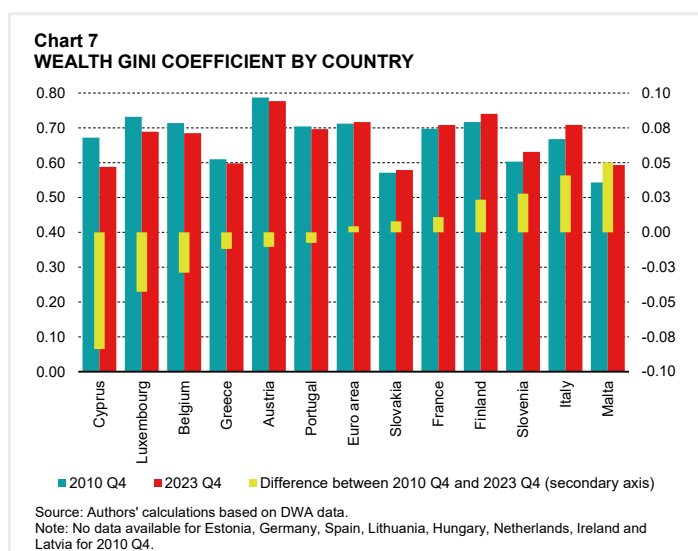
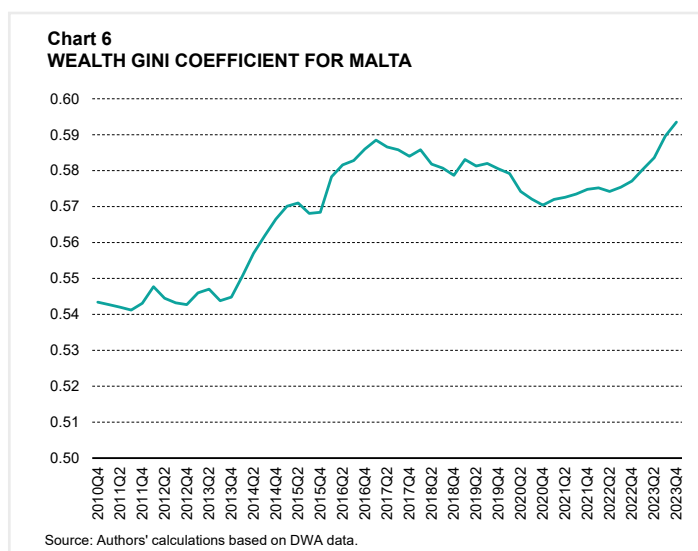
Since 2010, the Maltese wealth Gini coefficient of net wealth increased from 0.54 to 0.59, confirming a slight increase in inequality but is still well below the euro area average of 0.72 (see Chart 6).¹⁰ Despite this increase, Malta is the third least unequal European economy in the panel of countries part of the DWA. The Gini index remained stable – or only marginally changed – for most other countries in the DWA panel (see Chart 7). In the fourth quarter of 2023, this stood highest in Austria at 0.78, and lowest in Slovakia at 0.58.

Conclusion

This article has explored the dynamics of wealth distribution among Maltese households using new data from the DWA. The findings reveal significant growth in total net wealth in Malta over the past decade, but also highlights increasing wealth inequality. The wealthiest 10% of households have seen a substantial increase in their share of total wealth, while the bottom half of households have experienced a relative decline, even though in absolute terms their net wealth nearly doubled.

Housing remains the most critical asset for Maltese households, though its distribution is uneven. Debt levels, particularly among the lower half of the wealth distribution, have also risen significantly.

Overall, despite its experimental nature and scope for refinements, the DWA data is a valuable tool for assessing developments in wealth and inequality in Malta. The increase in the Gini coefficient indicates a rise in wealth inequality, although Malta remains one of the least unequal economies in the euro area. These insights are crucial for policymakers and researchers, as they could



¹⁰ The Gini coefficient is a commonly used measure of distance from a measure of perfect equality. It ranges from 0 (wealth is equally spread across the population) to 1 (all wealth is held by one individual).

highlight the need for targeted measures to address wealth disparities and ensure more equitable economic growth.

The comprehensive view provided by the DWA, integrating both macroeconomic and microeconomic data, marks a significant advancement in the analysis of wealth distribution. It offers a robust foundation for future research and policy development aimed at fostering financial stability and reducing inequality in Malta. Nevertheless, the assessment presented here should be considered as provisional. In particular, data for the period since the last HFCS wave stands to be revised significantly with future HFCS rounds.

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