

THE SPANISH SURVEY OF HOUSEHOLD FINANCES (EFF)

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1.- INTRODUCTION (I)

- **The BdE conducts a survey on household finances since 2002**
- **EFF only statistical source in Spain that allows linking income, assets, debt and expenditure of households**
- **Detailed data about individual financial behavior and household characteristics are essential to understand potential financial mistakes made by households**
- **4 waves : 2002, 2005, 2008, 2011**
- **It is included in the National Statistics Plan**
- **Collaboration of the National Statistics Institute and the Tax Office**

1.- INTRODUCTION (II)

- **Two long standing household wealth surveys:**
 - SCF (US Board of Governors)
 - SHIW (Banca d'Italia)
- **HFCS: survey in all euro area countries (National Central Banks and ECB)**
- **Chile, Korea, Philippines ... Israel, China**

1.- INTRODUCTION (III)



2 distinctive characteristics of the EFF

■ **Oversampling of wealthy households**

- distribution of wealth heavily skewed
- some types of financial assets held only by a small fraction

(unless prepared to collect a much bigger sample)

■ **Panel with refreshment sample**

- a panel component to provide statistical info on transitions and to facilitate the study of causal effects
- complement with refreshment sample by wealth stratum to ensure representativity and overall sample size
- up to 10 years of the life-cycle of panel households will soon be available

1. - INTRODUCTION (IV)

Oversampling in the actual sample



Net worth decile group	EFF 2008	
	Number of observations	Oversampling rate
Bottom 50%	2,095	0.68
50% to 90%	2,304	0.93
90% to 95%	499	1.61
95% to 99%	712	2.87
Top 1%	587	9.47

1. - INTRODUCTION (V)

Questionnaire

▪ Contents

- Demographic characteristics
- Real assets and associated debts
- Other debts
- Financial assets
- Insurance and pension plans
- Labour market situation and related income (all members of the household)
- Incomes not related with labour market
- Means of payment
- Expenditure

▪ **Median duration around 1h (90% less than 90mn); Average n^o of questions asked 225 (median 221, min. 108, max. 540); Average number of questions in € excluding ranges 25 (median 24, min. 6, max. 75)**

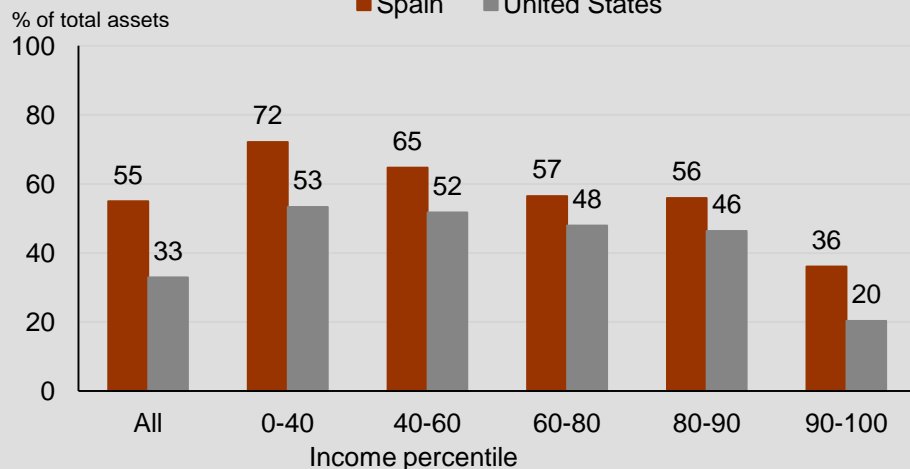
2.- SOME RESULTS IN AN INTERNATIONAL PERSPECTIVE (Spain-EFF2008 US-SCF2007)



(i) How is wealth invested in different assets for different groups?

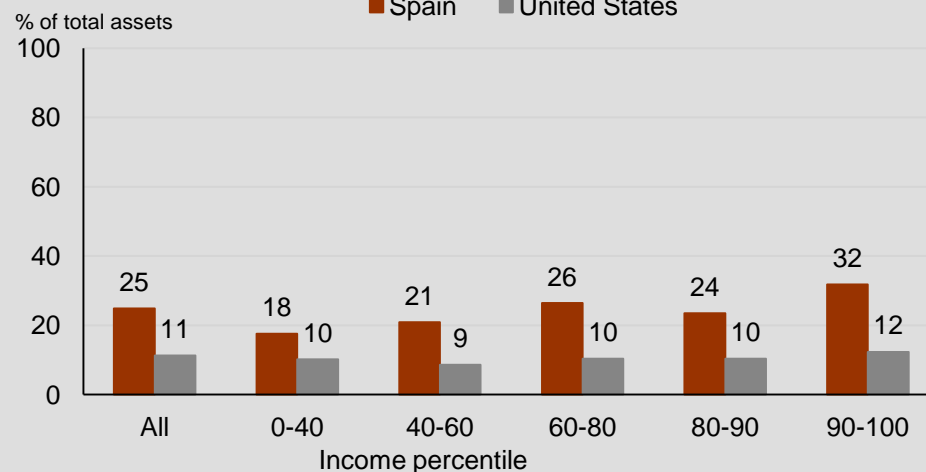
Main Residence

Spain United States



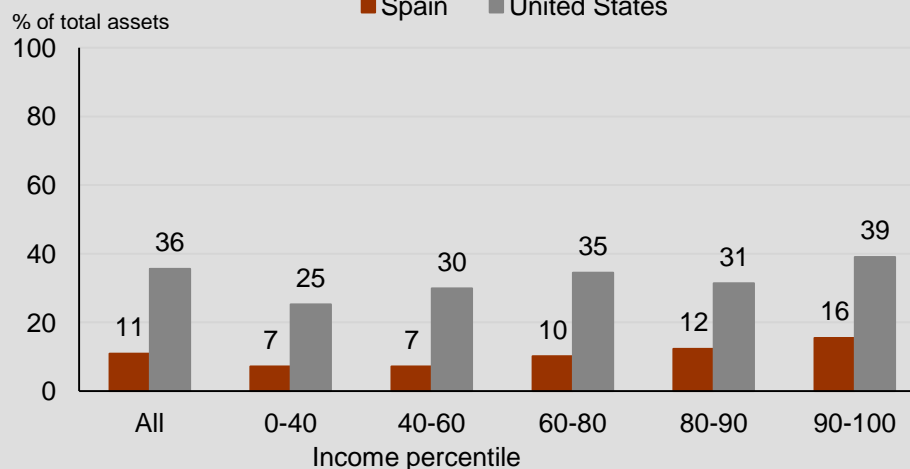
Other real estates properties

Spain United States



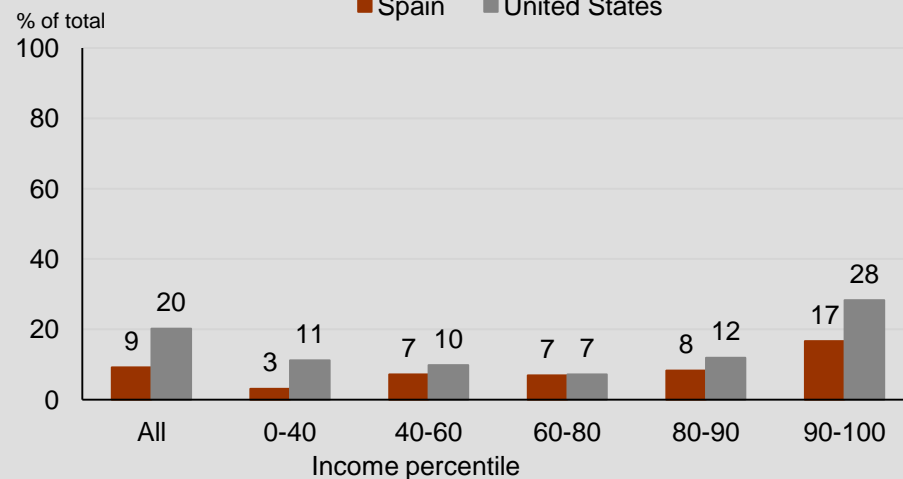
Financial Assets

Spain United States



Businesses related to self-employment

Spain United States



2.- SOME RESULTS IN AN INTERNATIONAL PERSPECTIVE (II)

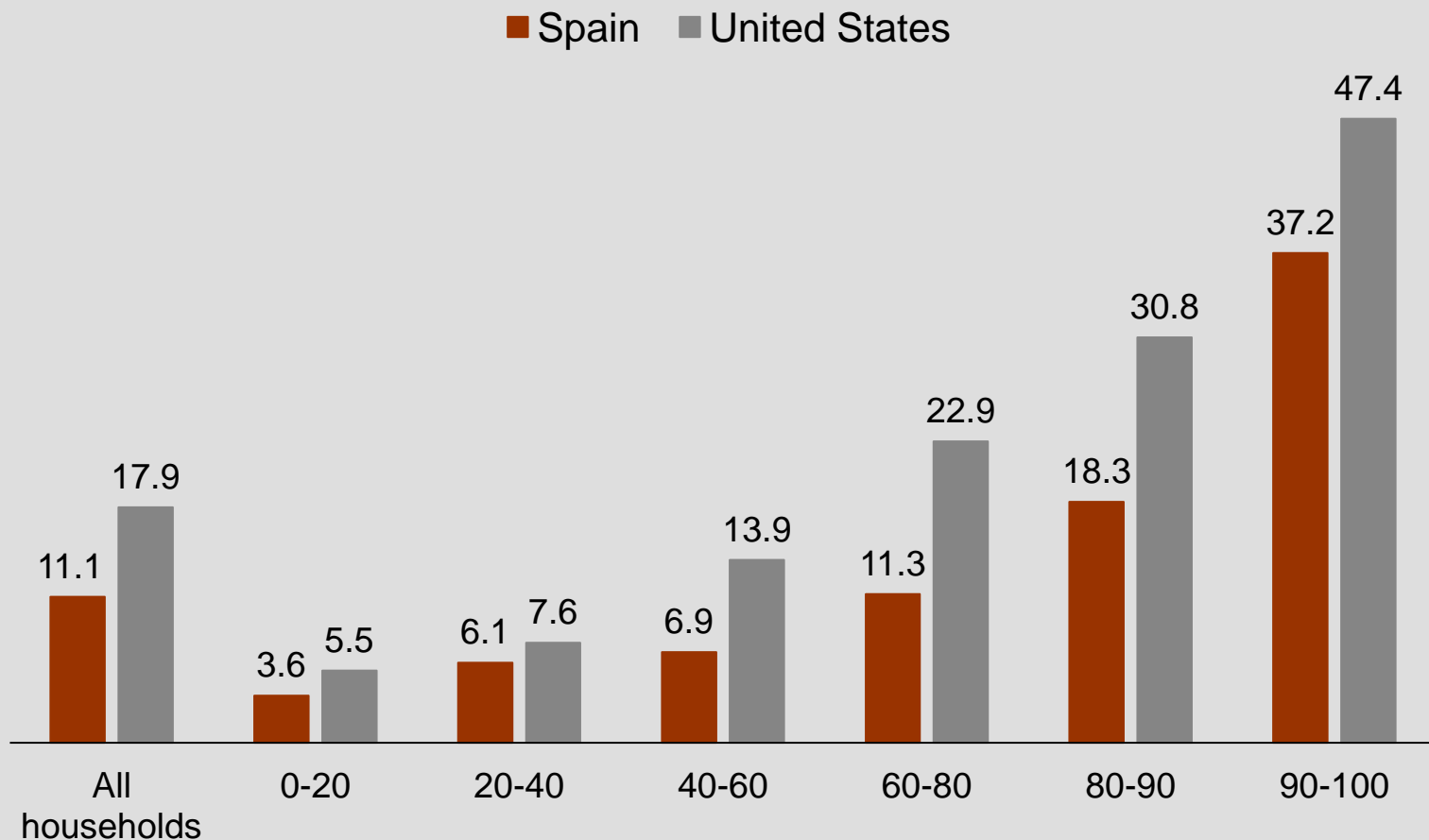
(ii) Percentage of households owning various assets

	Spain	US
Real assets		
Main residence	82.7	68.6
Other real estate	36.1	19.0
Business (related to self-employment)	12.0	13.6
Financial assets		
Accounts and deposits	92.6	92.2
Mutual funds	5.6	15.5
Fixed-income securities	1.4	16.1
Pension schemes and mixed life insurance	25.7	60.9
Shares and other equity	11.1	17.9
Other financial assets	6.8	9.6

2.- SOME RESULTS IN AN INTERNATIONAL PERSPECTIVE (III)

(iii) Households owning shares and other equity

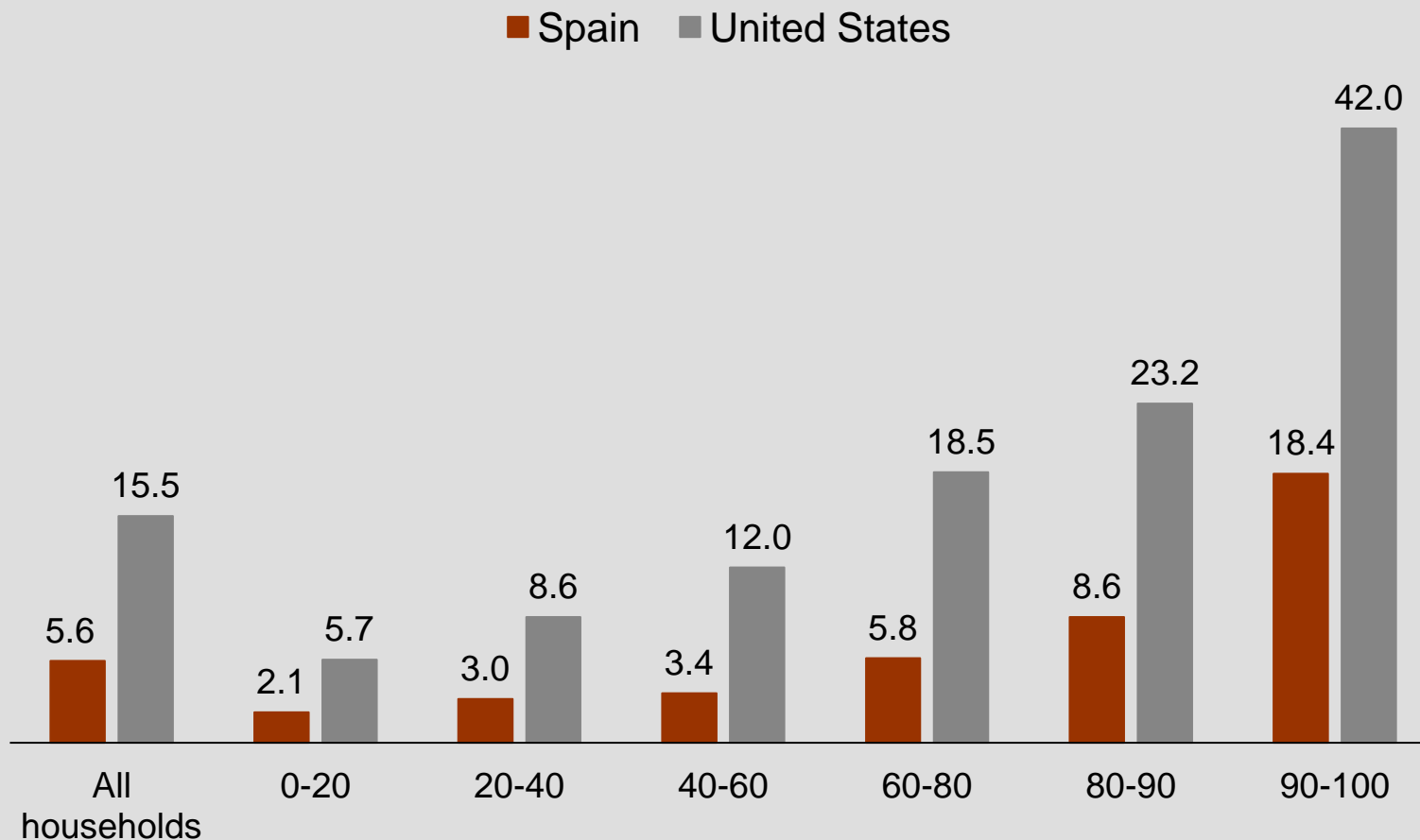
Percentage of households owning the asset, by income percentile



2.- SOME RESULTS IN AN INTERNATIONAL PERSPECTIVE (IV)

(iv) Households owning mutual funds

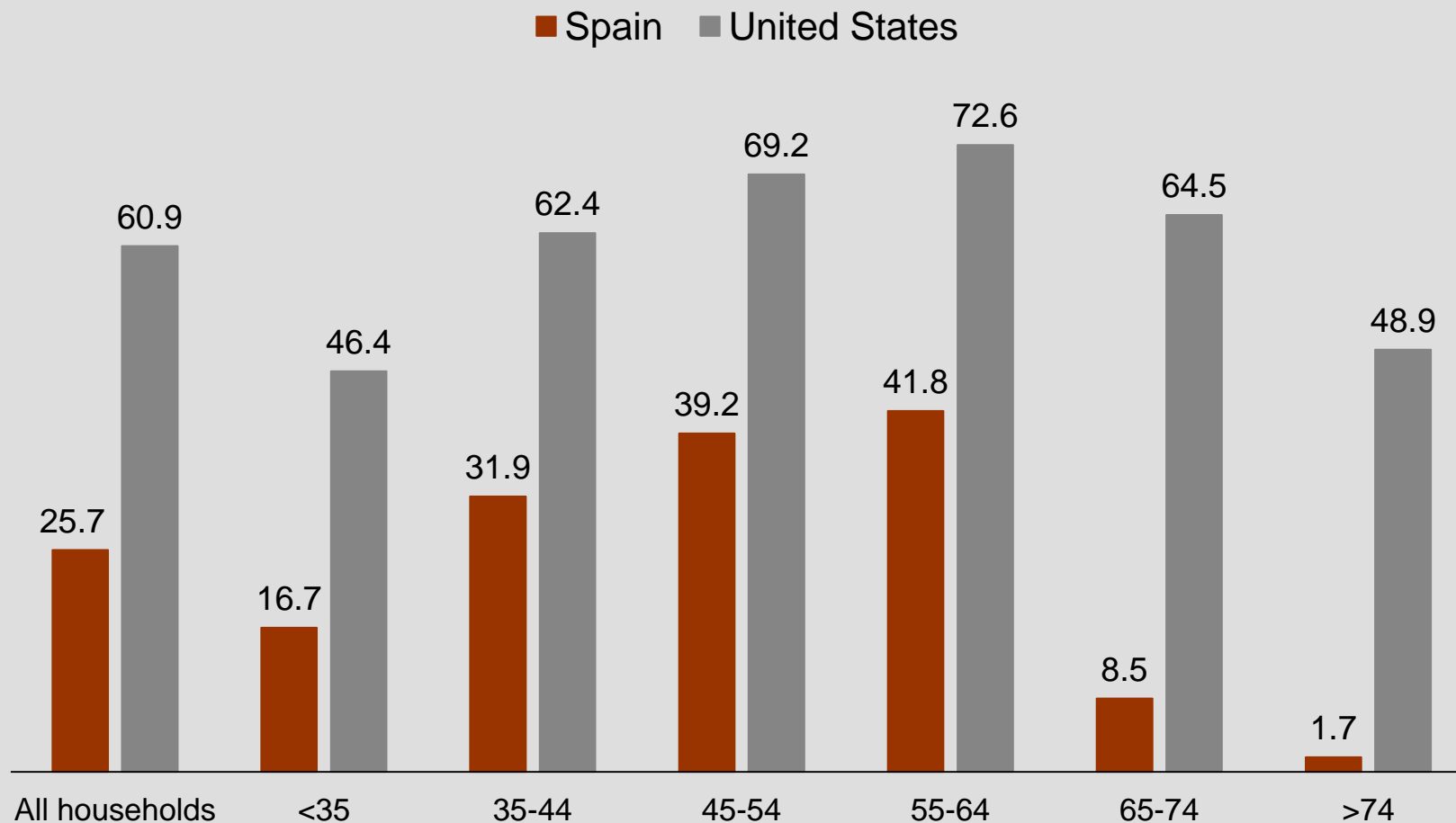
Percentage of households owning the asset, by income percentile



2.- SOME RESULTS IN AN INTERNATIONAL PERSPECTIVE (V)

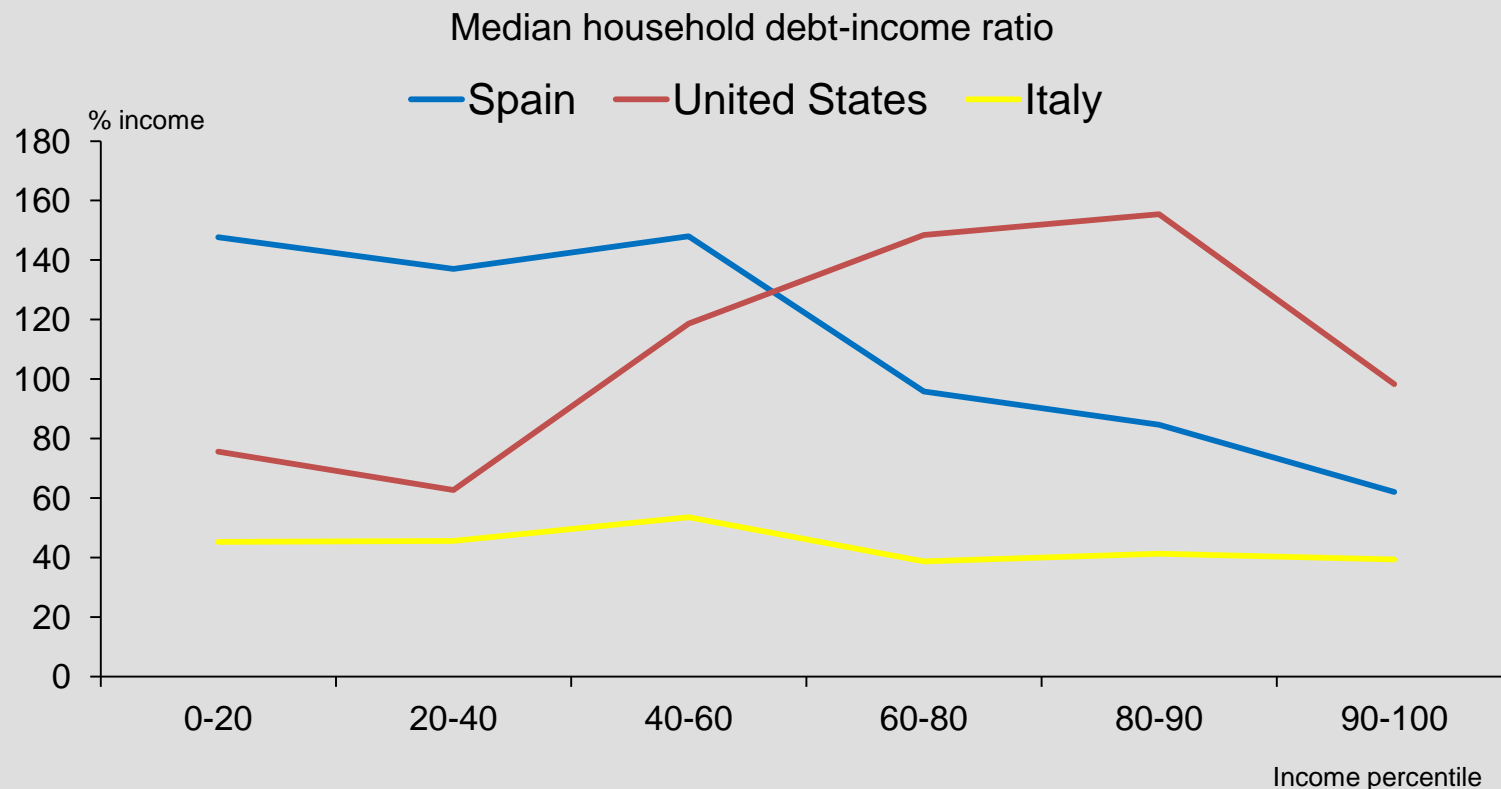
(v) Households owning pension schemes and unit-linked or mixed life insurance

Percentage of households owning the asset, by age of household head



2.- SOME RESULTS IN AN INTERNATIONAL PERSPECTIVE (VI)

(vi) Financial fragility: household debt to income ratios



- In Spain outstanding debt represent 105% of household income for the median indebted household \approx to the US (111%) but this masks significant heterogeneity
- In the US the highest ratios correspond to the upper part of the income distribution while in Spain the contrary occurs and it is households in the lower part of the income distribution that have the highest ratios

2B.- INTERNATIONAL COMPARISONS AND HOUSEHOLD STRUCTURE (I)



- **Influence of differences in household structure on cross-country comparisons may be important (eg. patterns of household formation by young adults)**
- **More single person households in the US compared to Spain 40% vs 29%**
More lone parent households 8% vs 2%
- **Study whether differences between US and Spain are reduced or amplified when the Spanish distribution is compared with a counterfactual US distribution with the same structure of households**

2B.- INTERNATIONAL COMPARISONS AND HOUSEHOLD STRUCTURE (II)



	US 2001	Spain 2002	US with Spanish mix of households
Percentage of owner occupiers	67.7	81.9	74.9
Percentage of households holding financial assets			
. All financial assets (excluding bank accounts)	71.0	35.2	73.9
. Stocks	21.7	12.5	24.3
. Mutual funds	21.5	7.2	24.2
. Fixed-income securities	18.9	1.9	20.6
. Pension schemes	61.6	24.1	65.1

3.- SOME RESULTS FROM THE PANEL



CHANGES IN ASSET HOLDINGS (Stable household panel)

	Prob. (Asset held in 2005 = 1 Asset held in 2002 = 0)	Prob. (Asset held in 2008 = 1 Asset held in 2005 = 0)	Prob. (Asset held in 2005 = 0 Asset held in 2002 = 1)	Prob. (Asset held in 2008 = 0 Asset held in 2005 = 1)
Real-estate properties (other than main)	23.0	20.5	21.6	23.2
Listed shares	4.5	1.5	30.1	40.6
Fixed-income securities	1.4	1.3	86.0	78.6
Mutual funds	6.4	3.1	49.0	61.8
Pension schemes	15.8	10.0	17.8	26.7

4.- SOME EFF BASED RESEARCH

(i) Wealth effects

- Estimation at the micro level important because of heterogeneity; these are expected to vary with age, composition of wealth, amount of wealth...
- With aggregate data, instability over long periods due to changes in credit markets
- Potential endogeneity more difficult to resolve with macro data

(ii) Response of household wealth to the risk of losing the job

Do workers who are more exposed to the risk of losing the job accumulate higher wealth balances?

(iii) Effect of tax incentives on retirement

- Do tax incentives to retirement savings lead households to save more or just to reshuffle their portfolios?

(iv) Portfolio choice

- Do households hold efficient portfolios? Are they hedging adequately against financial and housing risk?

(i) Housing purchases and the dynamics of housing wealth accumulation

- Which are the factors that explain the purchase of housing (secondary)?
Demographic variables vs. expected return of investing in housing

5.- FINAL COMMENTS

- **The microdata from the EFF 2002, 2005 and 2008 are freely available on the BdE web page**
- **The purpose is to facilitate the use of the EFF both for the construction of statistics and to enable research**



THANK YOU FOR YOUR ATTENTION