Working Party on Financial Statistics

EXPERT GROUP ON LINKING MACRO AND MICRO STATISTICS FOR THE HOUSEHOLD SECTOR (EG-LMM)

JOINT MEETING

To be held on 25-27 October 2016
OECD Conference Centre
Beginning at 2:00 pm on the first day

This document has been prepared by Ilja Kristian Kavonius - European Central Bank and will be presented under item 9 of the draft agenda

The complete document is only available in PDF format
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Expert Group on Linking Macro and Micro Statistics for the Household Sector (EG-LMM)

OECD National Accounts Working Party Meeting
OECD, Paris, 24-28 October 2016
Expert Group Linking Macro and Micro statistics

Background

• Following the discussions in the Statistics Committee of the European System of Central Banks in December 2015, a temporary Expert Group to link macro and micro statistics on wealth for the household sector was established.

• A combined macro-micro view, a coherent overall framework comprising both balance sheets and distributional information for each sector of the economy, would allow deeper insights into monetary policy transmission and financial stability.

• Parties involved:
  – Micro statistics: Household Finance and Consumption Survey (HFCS) / Household Finance and Consumption Network
Mandate

- First step: **understand, quantify and explain the main differences** between FA and HFCS:
  - Stocktaking of existing comparisons, assessing data gaps and the design of a questionnaire
    -> additional detail of information
    -> to help linking the two data sets
  - Based on the questionnaire: develop a bridging template for the first and second wave and complete this for all countries participating to the HFCS in time for the release of the second survey
  - Examine whether the work could be broadened to cover non-financial assets

- Second step: developing additional analytical breakdowns for the Financial Accounts – subject to STC/HFCN approval in 2017
Expert Group composition

• Chairpersons and secretaries from the ECB (Macroeconomic statistics + Statistics development/coordination)
• Macro experts from DE, IE, ES, GR, FR, IT, NL, AT, PT, SK, UK
• Micro experts from DK, DE, IT, MT, NL, AT
• Observers: Eurostat, OECD
Work done so far

• First Meeting (April 2016)
  – A draft bridging template assessing the comparability between various assets in FA and HFCS
  – Questionnaire to participating countries to complement the analysis

• Second meeting (October 2016)
  – Completing the bridging table and analysis with the results of the questionnaire
  – Particular focus on business wealth, pensions and non-financial assets
  – Practical results and adjusted concept of net wealth
  – Final report
The starting point: Naïve Comparison Financial Wealth

*Mind the gap* – Empirical results of ECB-Study
How to explain the data gap?

• Exclude items that are not comparable / do not exist in one of the sources => adjusted concepts of wealth
  – Significant improvement of coverage, results yet preliminary

• Explain and quantify generic differences: target population, oversampling the wealthy, timing, measurement errors (sampling and reporting bias in HFCS, balancing and treatment as residuals in FA)

• Classification / delineation issues
  – Household sector
  – Real and financial assets
## Bridging template: financial wealth

<table>
<thead>
<tr>
<th>Financial accounts</th>
<th>HFCS</th>
<th>Comparability (conceptual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>F.21 Currency</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>F.22/F.29 Deposits</td>
<td>Sight and savings accounts</td>
<td>High</td>
</tr>
<tr>
<td>F.3 Debt securities</td>
<td>Bonds</td>
<td>High</td>
</tr>
<tr>
<td>F.4 Loans</td>
<td>Amount owed to household</td>
<td>High</td>
</tr>
<tr>
<td>F.511 Listed shares</td>
<td>Publicly traded shares</td>
<td>High</td>
</tr>
<tr>
<td>F.512/9 Unlisted shares and other equity</td>
<td>Non-self-employed businesses</td>
<td>Low/medium</td>
</tr>
<tr>
<td>F.52 Mutual funds shares</td>
<td>Mutual funds</td>
<td>High</td>
</tr>
<tr>
<td>F.61 Non-life insurance</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>F.62 Life insurance and annuity entitlements</td>
<td>Voluntary pensions / whole life insurances</td>
<td>Medium</td>
</tr>
<tr>
<td>F.63 Pension entitlements</td>
<td>Occupational pensions</td>
<td>Low</td>
</tr>
<tr>
<td>N/A</td>
<td>Public pensions</td>
<td></td>
</tr>
</tbody>
</table>
For medium and high comparable instruments (first wave)

- F22 [Transferable deposits]
- F29 [Other deposits]
- F3 [Debt securities]
- F511 [Listed shares]
- F51M [Unlisted shares and other equity]
- F52 [Investment fund shares/units]
- F62 [Life insurance and annuity entitlements]
- F4 [Loans]
For medium and high comparable assets (first wave)
Future work

• Report to WG FA/HFCN and Statistical Committee including proposal for further work, Q1/Q2 2017

• New mandate (short-term work):
  – Focus on highly conceptual comparable (debt liabilities, deposits, debt securities and investment fund shares)
  – Housing wealth when available
  – Indicators: debt to financial assets, growth rate of household debt and growth rate of household assets (comparable items) – indicators used ECB financial stability review and the EAA press release
  – What differences mean to the distribution?
  – Is it possible to estimate correction in order to bridge better?
  – Time series: interpolation vs extrapolation?
  – Additional sources for supporting the estimation
  – User consultation

• Long run: extend the work, improved data availability, recommendations