

Distributional Wealth Accounts for Germany

Alexander Eler / Monetary Policy and Analysis Division / Financial Accounts Section

November 4, 2021

Outline

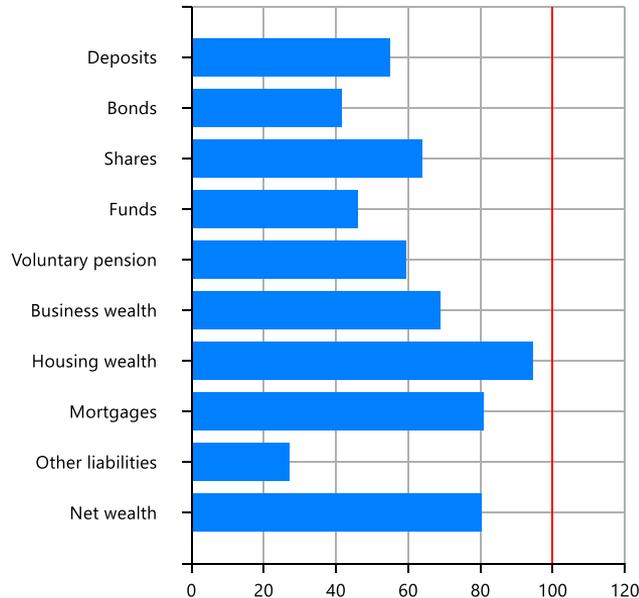
On the development of Distributional Wealth Accounts for Germany

1. Background
2. Stylised results
3. Policy use of DFA
4. Final remarks

1. Background: Starting point

Coverage ratios (Survey vs. QSA)

Survey aggregates (HFCS wave 2) in % of QSA



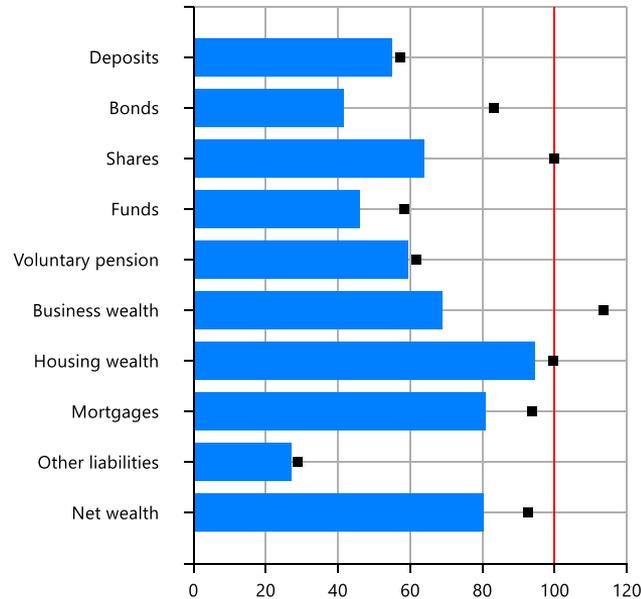
Source: Experimental DWA.
Based on EG DFA Progress Report.

- **Framework** developed by ECB **Expert Group on Linking Macro and Micro Data** (EG LMM) for the Household Sector and the ECB **Expert Group on Distributional Financial Accounts** (EG DFA) serves as a guideline.
- **Bundesbank** staff, i.e. Financial Accounts section (DG Economics) and HFCS-Team (DG Research), compiles **German DWA** ...
- ... and coordinates closely with ECB staff and colleagues from National statistical office (destatis).
- Coverage ratios (HFCS/FA) for items where a high or medium conceptual comparability has been assessed by the EG LMM / EG DFA serve as a starting point for DWA.

2. Stylised results: Coverage ratios

Coverage ratios (Survey vs. QSA)

Survey aggregates (HFCS wave 2) in % of QSA



Source: Experimental DWA.
Based on EG DFA Progress Report.

- Significant **improvements in coverage ratios** by adding **rich households** (see black squares).

- Two “critical” issues to be solved (in case of DE):

1. *Business wealth:*

- QSA value too low → HFCS figure as target value?
- Simple back-on-the-envelope calculations indicate that financial business wealth is too low in both statistics.

2. *Allocation of liabilities to added (synthetic) rich households:*

- Several options available. How to set parameters?
- Choosing parameters such that they minimise the deviations from benchmark portfolio (Socio-Economic Panel, SOEP-P).

2. Stylised results: Inequality indicators (Wave 3)

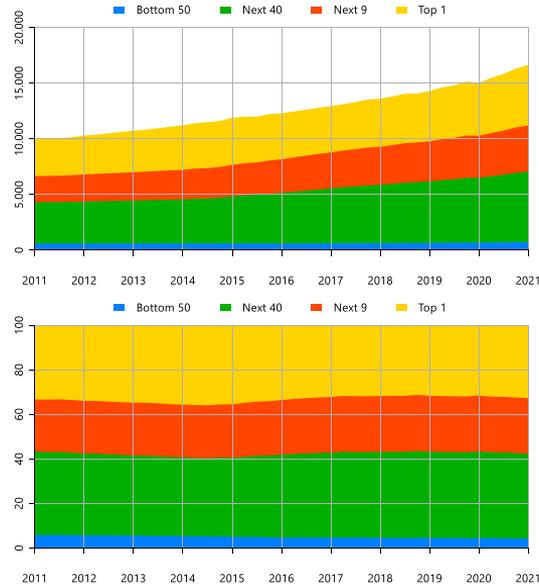
	HFCS (raw data)	+ “Add Rich”	= DWA
Share of wealth held by Top 1%	20%	27%	27%
Share of wealth held by Top 10%	60%	61%	61%
Median wealth	58,838	58,885	77,326
Mean wealth	219,699	241,704	279,870
Gini coefficient	76%	78%	79%

Source: Experimental DWA and HFCS.

2. Stylised results: DWA provides granular information on distribution of wealth along different dimensions

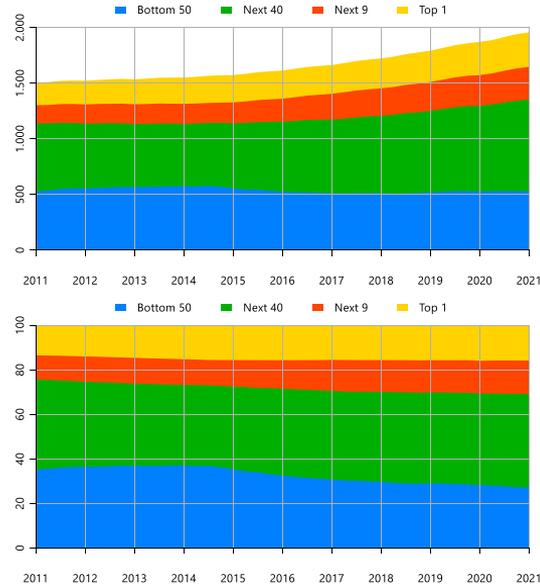
Total assets

in bn. EUR (upper figure); shares (lower figure)



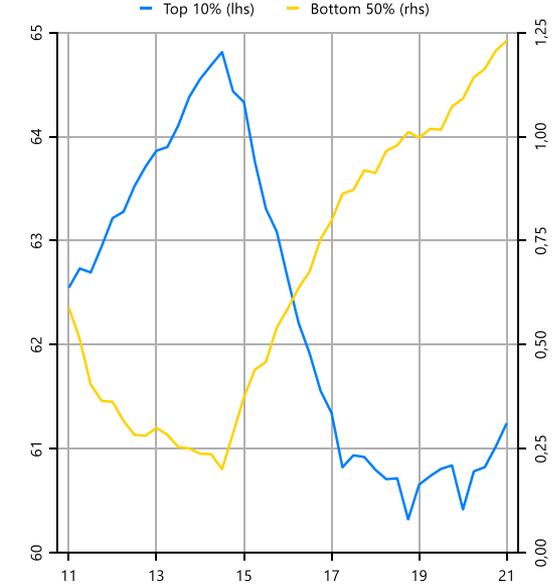
Total liabilities

in bn. EUR (upper figure); shares (lower figure)



Wealth held by Top 10% and Bottom 50%

in % of total net wealth

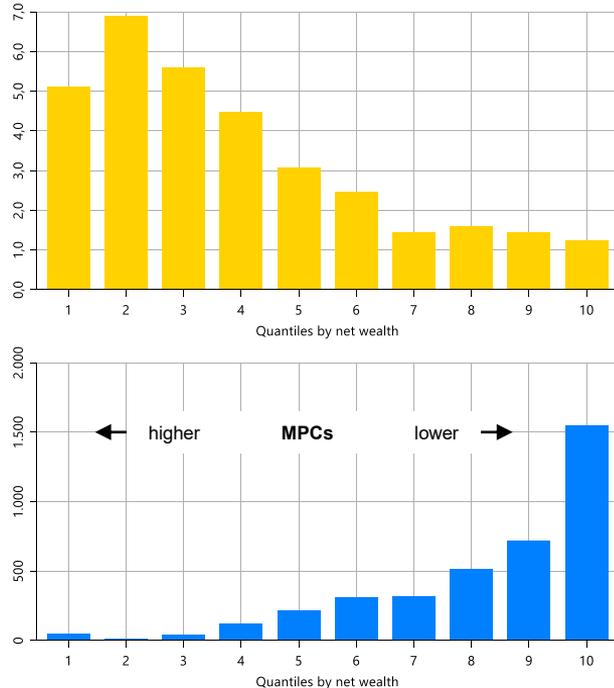


Source: Experimental DWA.

3. Policy use of DWA: Increase of liquid asset holdings by households with lower MPCs

Change in liquid asset holdings of households

in % of pre-pandemic total assets (yellow) and in EUR/month (blue)



Source: Experimental DWA. Change in deposit holdings between Q1 2020 und Q1 2021.

A. Erler (Deutsche Bundesbank)

November 4, 2021

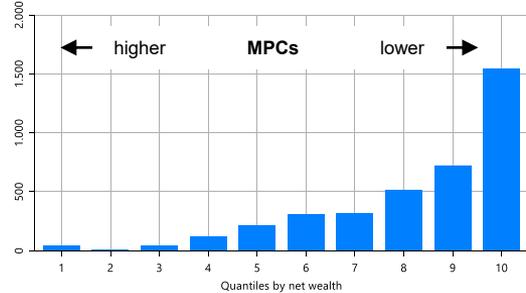
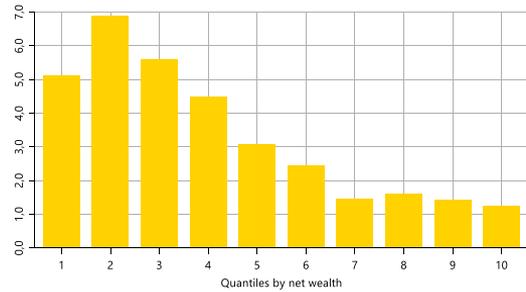
7

- **Rise in savings** is forced through the **direct pandemic effects**.
- The bulk of the savings of households went into **liquid assets**. Own estimates indicate that roughly 70% of forced savings are being invested in deposits. The remaining part has been invested mostly in equities and investment funds.
- Experimental Distributional Financial Accounts show that ...
 - ... low-wealth households increased deposits relatively strongly, ...
 - ... but the **increase in absolute terms is largely driven by high-wealth households**, which typically have a lower marginal propensity to consume (MPC).
- Potential catch-up effects may be less pronounced.

3. Policy use of DWA: Increase of liquid asset holdings by households with lower MPCs

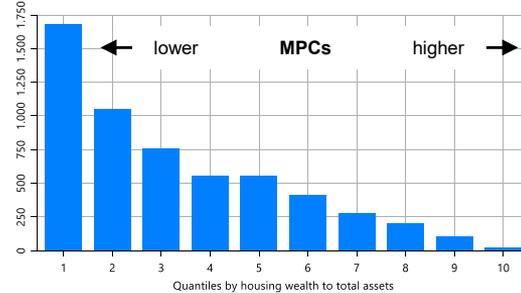
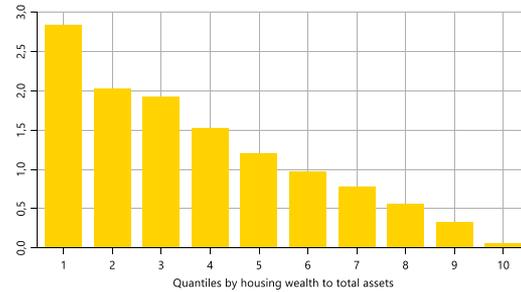
Change in liquid asset holdings of households

in % of pre-pandemic total assets (yellow) and in EUR/month (blue)



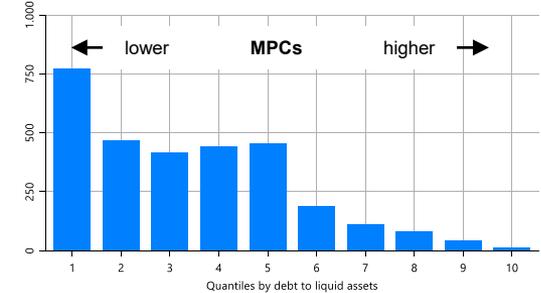
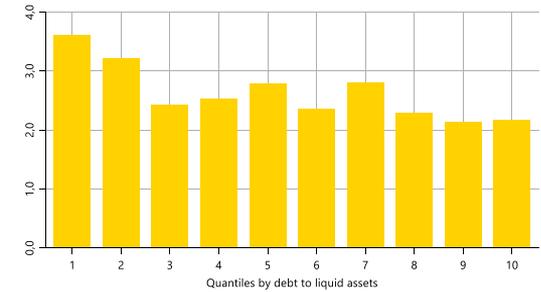
... by home owners

in % of pre-pandemic total assets (yellow) and in EUR/month (blue)



... by debt holders

in % of pre-pandemic total assets (yellow) and in EUR/month (blue)



Source: Experimental DWA. Change in deposit holdings between Q1 2020 und Q1 2021.

4. Final remarks

- The **compilation** of first experimental **DWA** shows **promising results** and ...
- ... is underlining its **policy relevance**.

- **Analysis of debt and wealth distribution of households in Germany:**
- “Monitoring” debt situation of households:
 - Balance sheet constraints caused by high debt or ...
 - ... liquidity constraints might affect monetary policy effectiveness.
- Stylised “stress testing” of household balance sheets.
- Determinants of net wealth distribution over time.

- **Further refinements of compilation process.**

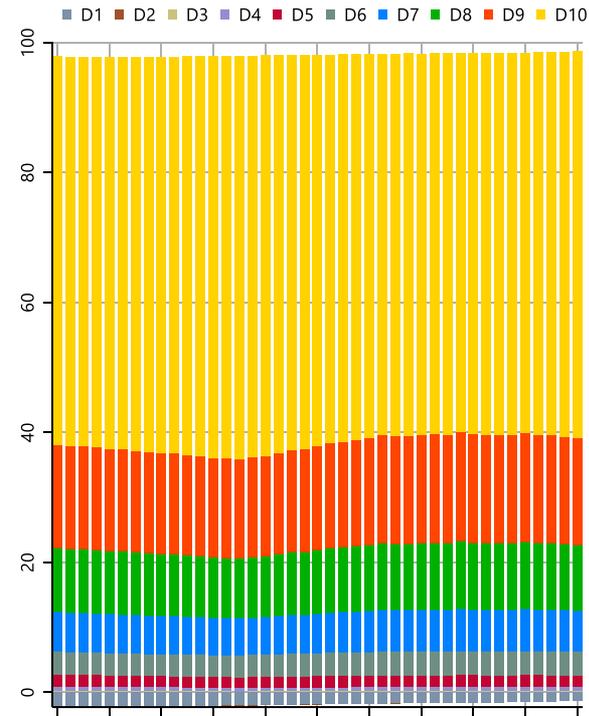
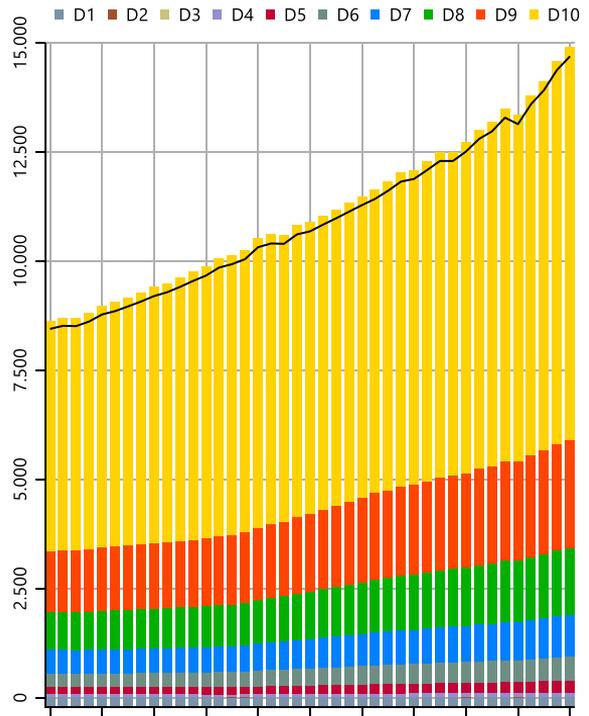


Appendix

DWA Results: Net wealth of households in Germany

Distribution of net wealth across households in Germany

wealth deciles in bn. EUR (left part) and wealth deciles in % of total net wealth (right part)



A. Erler (Deutsche Bundesbank)

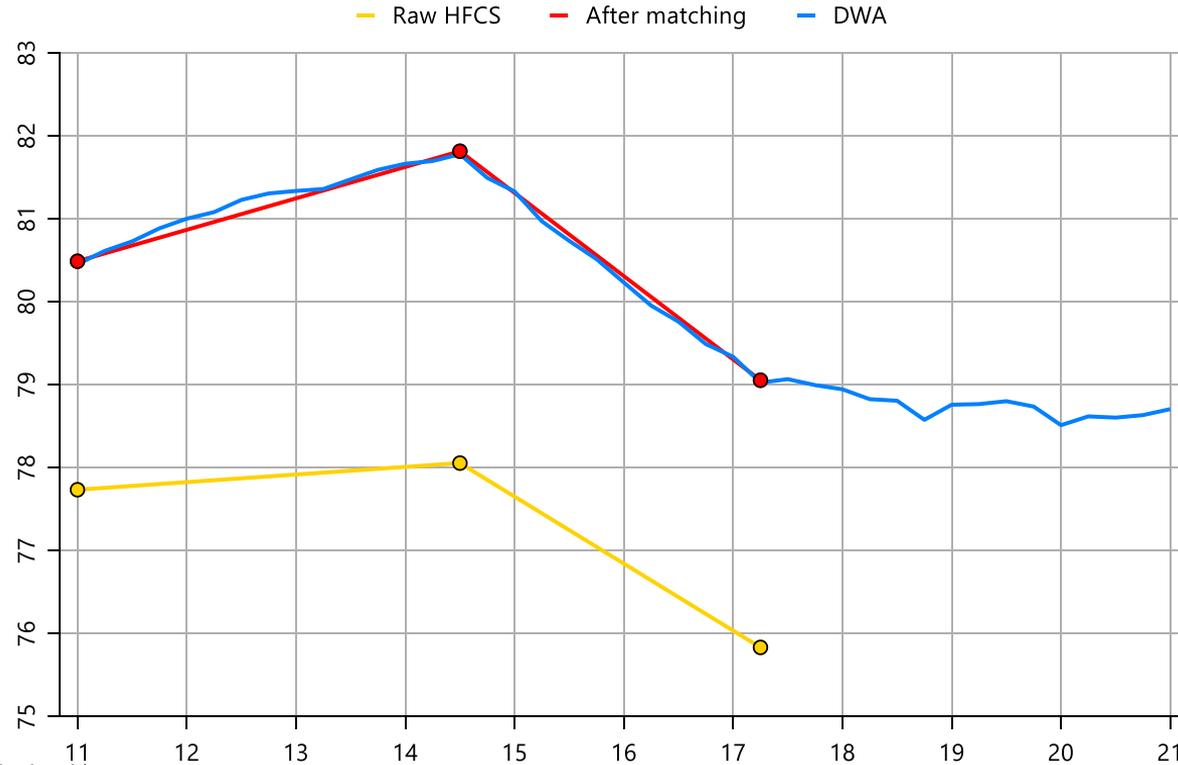
November 4, 2021

Source: Experimental DWA.

DWA Results: Wealth inequality over time

Gini coefficient over time

in %



Linking between the HFCS and the FA

ESA 2010 Code	National Accounts Instrument	HFCS Variable(s)	HFCS Wave 2 Variable and details	ParCal Alloc. group
Narrow wealth concept A				
F.22	Transferable deposits	DA21011	Sight accounts	Deposits
F.29	Other deposits	DA21012	Savings accounts	Deposits
F.3	Debt securities	DA2103	Bonds	Bonds
F.511	Listed shares	DA2105	Publicly traded shares	Shares
F.52	Investment fund shares	DA2102	Mutual fund shares	Funds
F.4	Loans Housing loans: F.4 multiplied by the share of housing loans in MFI BSI statistics	Part of DL1100	HFCS loans taken for the purpose of purchasing the household main residence or to refurbish and renovate the residence.	Liabilities.mort
F.4	Loans Non-housing loans: F.4 multiplied by the share of non-housing loans in MFI BSI statistics	Part of DL1200	HFCS loans taken for any purpose other than to purchase the household main residence or to refurbish and renovate the residence.	Liabilities.other
Adjusted financial wealth concept B (in addition to concept A)				
F.512 + F.519	Unlisted shares + Other equity	DA2104 + Part of DA1200	Non-self-employment not publicly traded businesses + Value of Self-Employment Businesses, depending on legal form of business and number of employees.	Business.wealth
F.62	Life insurance and annuity entitlements	DA2109	Voluntary pension/whole life insurance schemes	Voluntary.pension
Adjusted broad wealth concept C (in addition to concept B)				
N.111 + N.2111	Dwellings + Land underlying buildings	DA1110 + DA1120	Household main residence + Other real estate properties	Housing.wealth
(N.11 – N.111) + N.12 + (N.2 – N.2111)	(Fixed assets – dwellings) + Inventories + (Non-produced non-financial assets – land underlying dwellings)	Part of DA1200	Value of Self-Employment Businesses, depending on legal form of business and number of employees.	Business.wealth

EG DFA Wealth Concepts

		Wealth Concepts											
		A	Ag	As	B	Bg	Bs	C	Cg	Cs	C.2	Cg.2	C.2s
Instruments	Deposits	X	X	X	X	X	X	X	X	X	X	X	X
	Bonds	X	X	X	X	X	X	X	X	X	X	X	X
	Shares	X	X	X	X	X	X	X	X	X	X	X	X
	Funds	X	X	X	X	X	X	X	X	X	X	X	X
	Voluntary.pension				X	X	X	X	X	X	X	X	X
	F.biz wealth				X	X	X	X	X	X			
	NF.biz.wealth				X	X	X	X	X	X			
	Business.wealth										X	X	X
	Housing.wealth							X	X	X			
	Liabilities	X			X			X			X		
	Liabilities.mort			X			X			X			X
	Liabilities.other			X			X			X			X

Source: ECB Expert Group on Distributional Financial Accounts.