BANCA D'ITALIA
EUROSISTEMA

Statistics

Survey on Italian Household Income and Wealth

12 March 2018

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Main findings

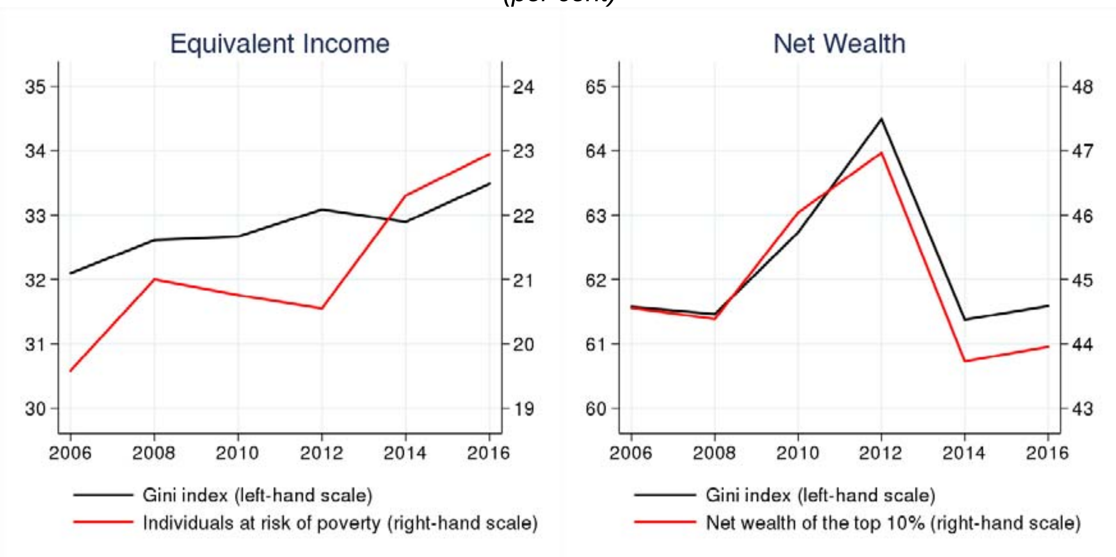
According to the Survey on Household Income and Wealth, the mean income of Italian households, at constant prices and adjusted to enable a comparison of households of differing compositions, was 3.5 per cent higher in 2016 than in 2014. This increase comes after an almost uninterrupted fall since 2006. It was nonetheless still 11 per cent below the 2006 peak. Income growth was driven by the increase in employees' mean earnings and in the number of earners. At all income levels, the share of households that were able to save part of their income increased in 2016. Households expect income growth to continue in 2017.

Income inequality, measured by the Gini index, increased, returning close to the level prevailing at the end of the last century. The share of individuals at risk of poverty, defined as those with an equivalent income below 60 per cent of median equivalent income, also rose to an all-time high of 23 per cent. This condition affects primarily young households, those living in the South, and those of foreign born residents.

Mean and median net wealth decreased by 5 and 9 per cent at constant prices. As in the past, the decline was due almost entirely to the fall in house prices.

The share of indebted households decreased again, to 21 per cent; the median value of the ratio between total household debt and income fell to 63 per cent from the peak of 80 per cent recorded in 2012.

Distribution of equivalent income and household net wealth
(per cent)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

Reference period: 2016

Italian household income and wealth in 2016[1]

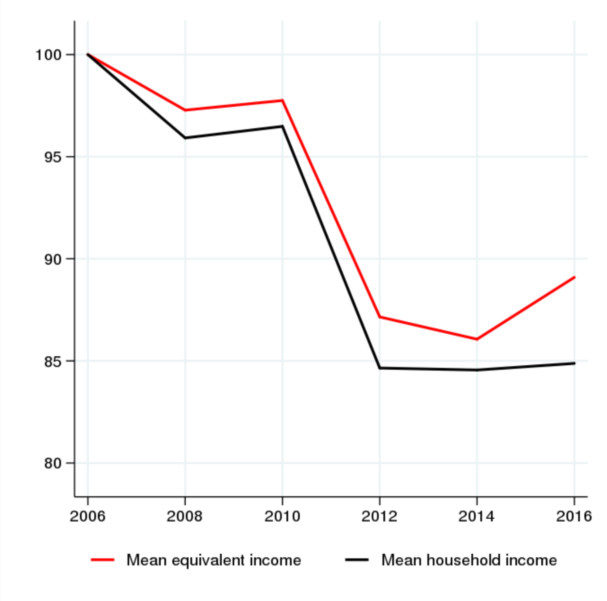
Household income and its distribution

Last October the Bank of Italy completed the 37th edition of the Survey on Household Income and Wealth for the year 2016. According to the data provided by the more than 7,000 households interviewed, annual household income net of tax and social contributions in 2016 was on average equal to about €30,700 in 2016 (€30,600 in 2014). Net of the change in prices, this figure is largely analogous to that reported in the surveys for 2012 and 2014 but still about 15 per cent lower than that recorded in 2006, prior to the start of the global financial crisis.[2]

Between 2014 and 2016 the mean household income was driven by payroll earnings, which benefited from the rise in the number of earners and the increase in average annual per capita income. By contrast, income from self-employment, property, pensions and transfer payments decreased, albeit modestly; in the latter case, the drop is the result of the reduction in the share of recipient households, against an increase in their mean value. Looking just at households headed by someone under 65 years of age, the share of persons living in households without a wage earner fell in 2016 to 8.7 per cent from 10.4 per cent in 2012; however, this is still 1.2 points higher than in 2006. Between 2006 and 2016, the share of persons who live in households with two or more earners fell from 50.7 to 45.4 per cent, in part owing to demographic factors. In Southern Italy, 13.3 per cent of individuals live in non-earner households, compared with 6.1 per cent in the North and 6.9 per cent in the Centre.

Figure 1

Mean household income and equivalent income
(*constant prices, 2006=100*)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

While the mean household income remained essentially stable in real terms, the mean equivalent income, a

[1] The report was prepared by Romina Gambacorta, Giuseppe Ilardi, Alfonso Rosolia, Antonietta di Salvatore and Francesca Zanichelli. We would like to thank the household that agreed to partecipate in the survey, providing the information requested in sometimes lengthy and demanding interviews without any compensation. http://www.bancaditalia.it/statistiche/tematiche/indagini-famiglie-imprese/bilanci-famiglie/index.html.

[2] Nominal variables (i.e., income and wealth) are deflated by the ratio of households' consumption expenditure at current prices to the same variable at chain-linked prices as taken from the national accounts published by Italy's National Institute of Statistics (Istat).

measure that better approximates individual financial well-being taking account of household size and resulting economies of scale, rose to about €18,600 in 2016, 3.5 per cent more than two years earlier, after having fallen, to varying extents, between 2006 and 2014 (Figure 1).[3]

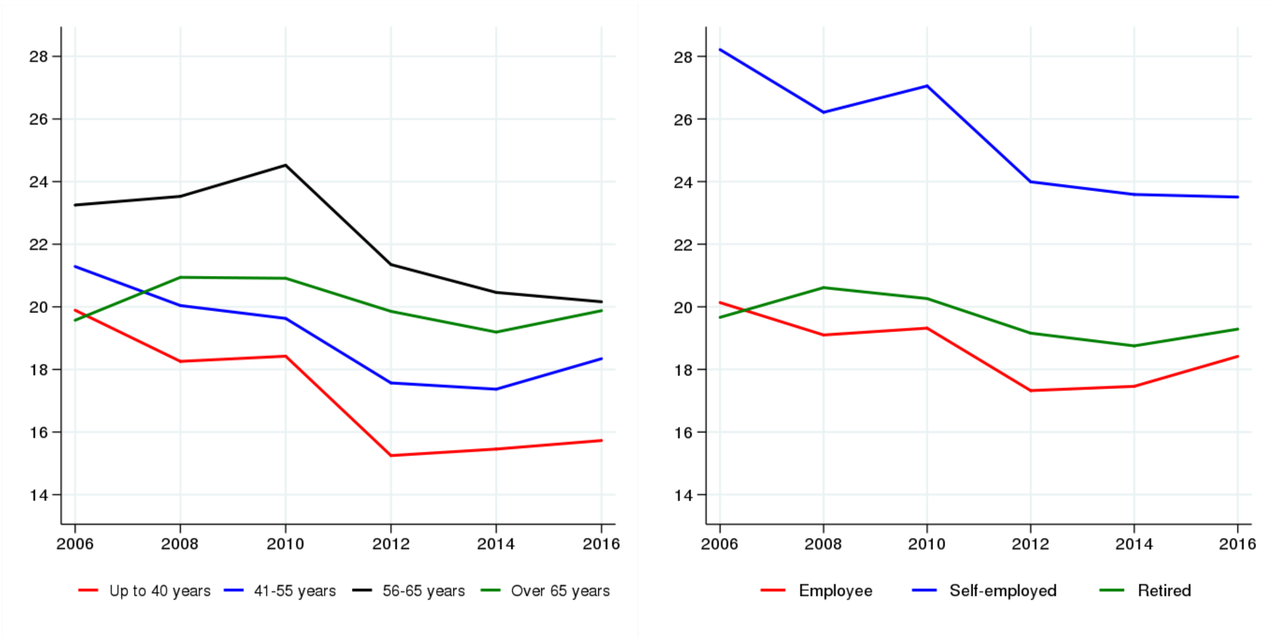
The favourable trend in equivalent income has been accompanied by a recovery in the share of households at all income levels that declare that they have been able to save a part of their income over the year (on average, from 27 to 33 per cent). Among households belonging to the bottom 30 per cent in terms of income, the percentage of those stating that they had to rely on their savings or get into debt to finance their spending also rose. There was also a decline in the share of households that declared, at the time of the interview in 2017, that they had trouble making it to the end of the month (to 31 from 35 per cent in the survey two years earlier); the drop was even more evident among households with income below the median. Overall, households expected an even better performance in terms of income in 2017: the share that expected income growth to outpace prices doubled to 8 per cent, while that of households that expected their income to contract fell by more than 8 points, to 44 per cent.

The increase in real equivalent income was not uniform among socio-demographic groups. The recovery benefited, albeit to varying extents, households whose head (i.e. the member with the largest income) is 55 years of age or younger and over 65 years, as well as households headed by payroll employees and pensioners. Equivalent income for households headed by someone between 56 and 65 years of age continued to decline, as did that for the self-employed, although their income remains higher than average (Figure 2).

Figure 2

Mean equivalent income by characteristics of head of household

(thousands of euros; 2016 prices)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

In 2016 the Gini index of equivalent income, a synthetic measure of inequality that ranges from 0 to 1, rose to 33.5 per cent, from 33 per cent in 2012 and in 2014. The increase in inequality was accompanied by a further increase to around 23 per cent - a very high level - of the percentage of individuals with equivalent income of less than 60 per cent of the median income, a commonly used threshold to define poverty; this amount was equal to around €830 per month in 2016 (Table 1).[4] The at-risk-of-poverty rate is higher for

[3] Equivalent income is the income required by a member of a household to attain the same level of well-being that they would have living alone. It is calculated by assigning to each member of the household a weight based on their age. The sum of these weights yields the number of equivalent adults in the household. Equivalent income is equal to the ratio of total household income to the number of equivalent adults. We adopt the OECD-modified equivalence scale, which assigns a value of 1 to the household head, a value of 0.5 to each member aged 14 or over, and a value of 0.3 to each member under age 14.

[4] The definition of a person at risk of poverty based on equivalent income is the same as that adopted by Eurostat; the absolute and relative poverty figures released by Istat are instead based on household consumption expenditure.

households whose heads are younger, less educated or foreign born and for households residing in the South. In the previous ten years, following the global financial crisis, the level of inequality, measured by the Gini index, rose by 1.5 percentage points, bringing it close to the levels reached at the end of the 1990s (34.3 per cent); as a result of the protracted fall in household income, the risk of poverty is higher than in that period, but lower for households headed by someone over 65 years of age or retired.[5]

Table 1

At-risk-of-poverty rate for individuals by characteristics of head of household

(per cent)

Head of household	2006	2016
Age		
Up to 35 years	22.6	29.7
35 to 45 years	18.9	30.3
45 to 55 years	20.2	24.1
55 to 65 years	16.6	20.9
Over 65 years	20.2	15.7
Geographical area		
North	8.3	15.0
Centre	9.7	12.3
South	39.5	39.4
Work status		
Payroll employee	18.4	21.2
Self-employed	14.6	19.5
Pensioner	19.0	16.6
Other	75.9	83.0
Country of origin		
Italy	18.8	19.5
Foreign	33.9	55.0
Total	19.6	22.9

Sources: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

Wealth

At the end of 2016 the average net wealth of Italian households, calculated as the sum of real and financial assets net of financial liabilities, was around €206,000 (€218,000 in 2014). The median value, which separates the poorest half of households from the richest half, was significantly lower (€126,000 from €138,000 in 2014), reflecting the marked asymmetry of the distribution.[6]

According to the survey, the share of net wealth held by the bottom 30 per cent of households, on average around €6,500, is 1 per cent; three quarters of these households are also at risk of poverty (see the box ‘Measure of financial deprivation based on wealth and income’). The richest 30 per cent of households, of which just over one tenth are at risk of poverty, hold about 75 per cent of the total net wealth reported, with a mean net wealth of €510,000. More than 40 per cent of this share is held by the top 5 per cent, who have a

[5] A. Brandolini, R. Gambacorta and A. Rosolia (2018), ‘Inequality amid income stagnation: Italy over the last quarter of a century’, in B. Nolan (ed.), *Inequality and inclusive growth in rich countries: shared challenges and contrasting fortunes*, Oxford University Press, Oxford.

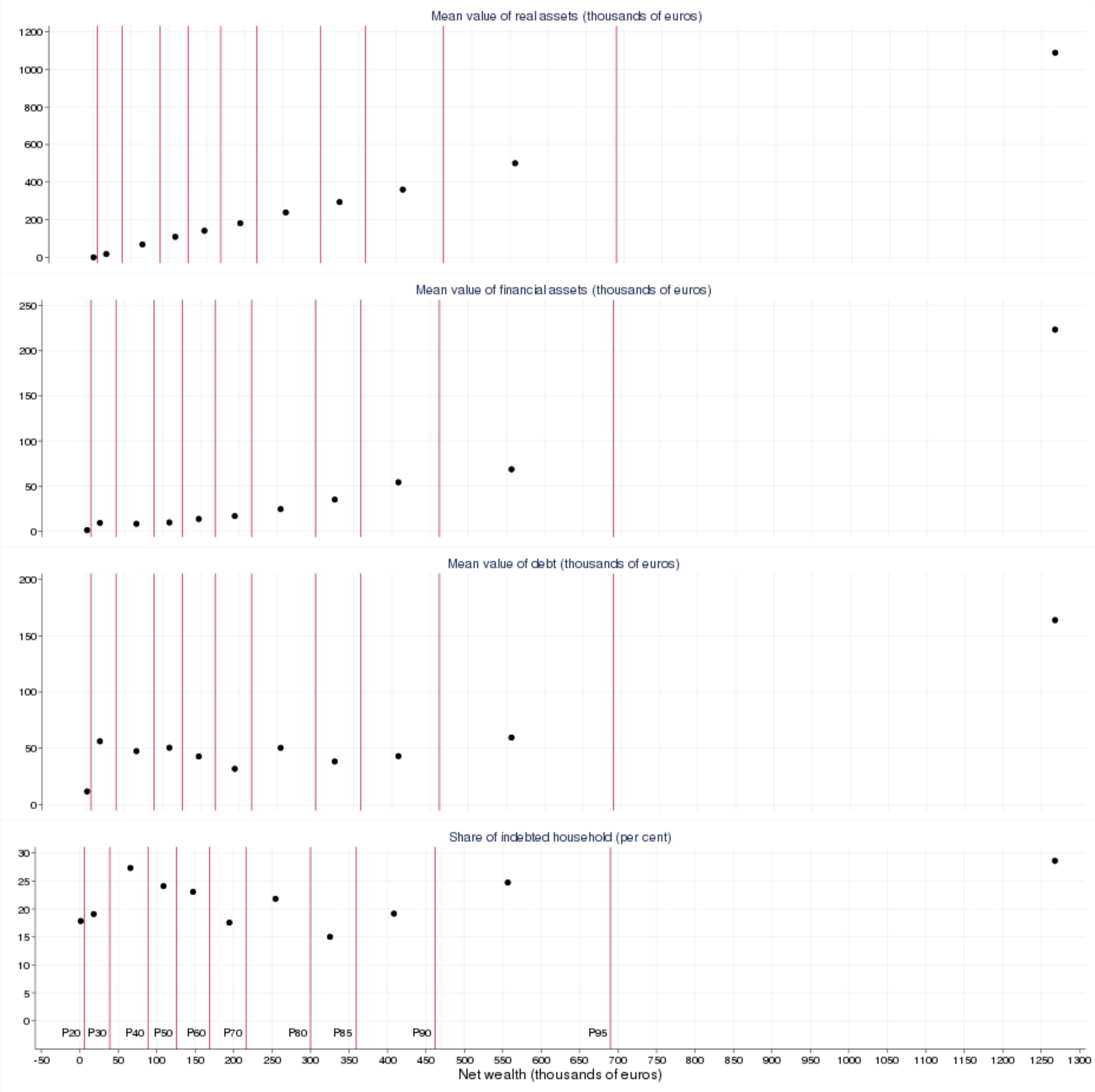
[6] The estimates of wealth reflect underestimations caused by the reticence of respondents and the difficulty they encounter in making evaluations and by sampling error associated with highly concentrated phenomena. For these reasons, beyond the differences in definition and methodology, the value of household wealth reported in the survey is much less than that of the aggregate estimates. For a review of studies that address the various levels of underestimation of household balance sheet items, see G. D’Alessio and A. Neri, ‘Income and wealth sample estimates consistent with macro aggregates: some experiments’, Banca d’Italia, Questioni di Economia e Finanza (Occasional Papers), 272, 2015.

net wealth averaging €1.3 million.

Figure 3

Financial and real assets and financial liabilities of households in 2016

(*thousands of euros and per cent*)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.
Note: the dots indicate the mean values and percentages for households with net wealth belonging to the intervals expressed by the vertical lines indicating some chosen percentiles of net wealth distribution (the percentile P*x* indicates the net wealth amount below which lies the percentage *x* of households whose wealth is less than that amount; for example, 70 per cent of households have wealth that does not exceed the P70 percentile while the remaining 30 per cent have greater wealth).

Real assets (real estate, business equity, valuables) represent 87 per cent of the gross wealth of the Italian households reported in the survey. Their value, primarily determined by the household's main residence, improves, however, starting with the fourth poorest decile, where it is on average equal to about €70,000, and rises to almost €800,000 on average for the richest decile. For these households, the share of financial assets fluctuate around 10 per cent of gross wealth, approaching 20 per cent only for the richest 5 per cent (Figure 3). By comparison, around 70 per cent of households belonging to the bottom decile of the population do not have any financial assets and around half do not own real assets; for those who do own such assets, the values are modest (on average around €1,500 and €2,500 respectively).

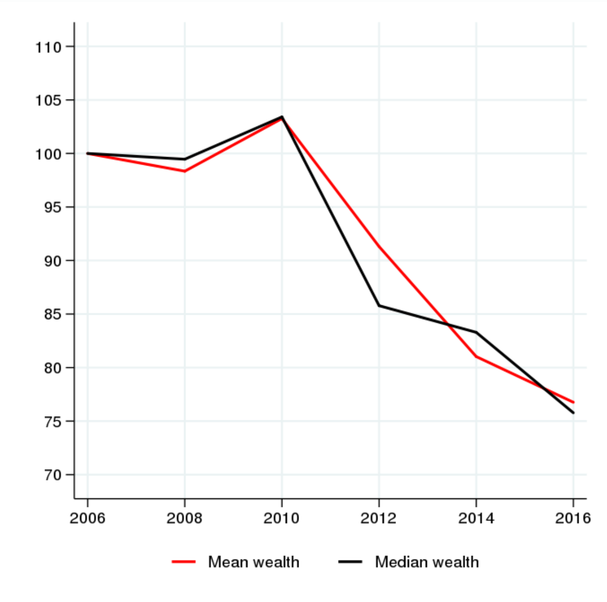
The financial liabilities of Italian households represent less than 5 per cent of their gross wealth; the share is around 18 per cent if only indebted households are included (around 21 per cent of the total). The mean value of the liabilities of the latter is fairly homogenous on most of the net wealth distribution, being around €50,000; it is, however, much less, around €12,000, for the bottom 20 per cent of households and much higher, €171,000, for the 5 per cent wealthiest households.

Between 2014 and 2016 the mean net wealth fell by 5 per cent at constant prices, in line with the evidence implied by the available aggregate statistics, continuing the decline that began in 2010 (Figure 4). As in the past, the drop was caused by the trend in real assets, which was largely a reflection of the decline in property values. It therefore primarily affected the wealth of property owners, which is generally higher: while the median and ninth net wealth decile decreased, measured at constant prices, by 9 per cent and more than 6 per cent respectively, the second decile increased by around 4 per cent.

Figure 4

Mean and median net household wealth

(*2016 prices; 2006=100*)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

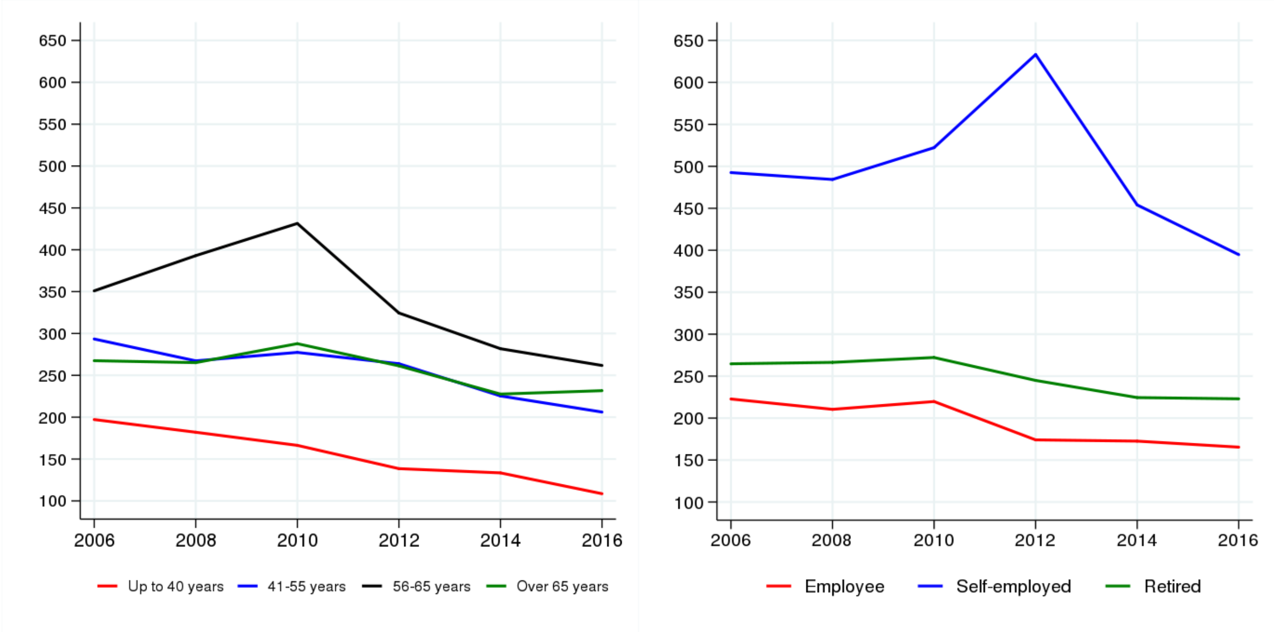
During the decade between 2006 and 2016, the bottom two net wealth deciles went, respectively, from €2,300 to €1,100 and from €12,000 to €6,200, the median fell from €166,000 to €126,000 and the ninth decile decreased from €580,000 to €462,000.

All the households experienced a decline in wealth during the decade between 2006 and 2016, regardless of the age or main activity of the head of household (Figure 5). Over the period as a whole, the Gini index of net wealth remained fairly stable at around 61 per cent, returning to its starting levels after rising between 2008 and 2012.

Figure 5

Mean net wealth by household type

(thousands of euros; 2016 prices)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

Financial assets and means of payment

At the end of 2016, the share of households that owned financial assets rose to 84 per cent from a low of 79 per cent in 2012, returning to pre-crisis levels. The mean value of these assets was €33,000 (€31,000 at constant prices in 2014). Only around 22 per cent of households had at least one financial asset other than a bank deposit or post office account (about 26 per cent in 2014), for the most part in the form of direct investments in government securities, private-sector bonds, equity shares and securities issued abroad. The mean financial wealth of these households was around €87,000.

The distribution of financial assets is similar to that of net wealth. The bottom 30 per cent of Italian households in terms of net wealth hold only about 4 per cent of total financial wealth (a mean of around €4,000 per household); the top 30 per cent own just under 80 per cent (a mean of about €72,000), of which more than half is held by the wealthiest 5 per cent of households, which own on average about €220,000 worth of financial assets.

This divergence is attributable to the very different portfolio compositions. Households belonging to the poorest quintile primarily have bank or post office deposits;[7] the share of government securities, private-sector bonds and managed investments (mainly investment funds) rises gradually across the central net wealth classes; the wealthiest 20 per cent of households are the ones most likely to directly own stocks and to entrust the management of a significant portion of their financial assets to investment professionals (Table 2).

Between 2006 and 2016 financial wealth became more concentrated: the share of financial assets held by the poorest half of households fell by around 5 percentage points to just below 11 per cent; that held by the top 10 per cent rose by almost 5 points to a little under 53 per cent. The increased concentration was accompanied by a broad reduction in the share of households holding government securities, private-sector bonds, equity shares, investment funds and managed investments, while the share of wealthiest households with securities issued abroad increased, although it remains modest overall (Figure 6), in line with the generalized rise in the share of international assets. However, these developments contributed only marginally to the greater concentration, which instead primarily reflected the decline in the overall value of the portfolios held by the poorest four fifths of households and the increase in those owned by the wealthiest 20 per cent.

[7] This includes certificates of deposit and repos.

Table 2

Breakdown of financial assets by net wealth distribution decile

(per cent)

	Share of financial assets	Per cent						
		Government securities	Private-sector bonds	Equity shares and other participating interests	Managed investment schemes	Securities issued abroad	Other (deposit, certificates of deposit, repos)	Total financial wealth
Decile of net wealth								
First	0.2	0.0	0.0	0.0	1.8	0.0	98.2	100.0
Second	0.9	0.0	0.0	0.0	0.0	0.0	100.0	100.0
Third	3.4	3.3	2.8	0.6	3.3	0.3	89.8	100.0
Fourth	3.0	5.7	2.0	1.1	3.9	0.6	86.7	100.0
Fifth	3.6	6.6	5.4	0.4	4.2	0.0	83.3	100.0
Sixth	5.0	5.8	5.5	1.5	14.7	0.6	71.9	100.0
Seventh	6.2	9.5	5.3	1.9	7.2	0.7	75.5	100.0
Eighth	9.0	11.2	8.1	2.8	10.4	0.3	67.2	100.0
Ninth	16.3	8.6	10.4	3.7	16.2	0.6	60.4	100.0
Tenth	52.5	8.9	10.5	12.2	21.1	2.4	44.9	100.0
Total	**100.0**	**8.5**	**8.9**	**7.6**	**16.2**	**1.5**	**57.4**	**100.0**

Sources: Based on data from the historical archives of the Survey on Household Income and Wealth, version 2016.

The definition of financial wealth used up to this point does not include, as is the usual practice in this type of analysis, sums invested in supplementary pension schemes, personal pension plans and life insurance policies since they are not fully accessible to the household. As the national accounts show, the value of insurance technical provisions, which include both pension funds and supplementary pension schemes, is equal to about 23 per cent of households' total financial wealth. According to the survey, in around 15 per cent of households at least one member was paying into a pension fund or a life insurance policy in addition to the state pension scheme; the share was highest in the Centre and North (17 per cent; 11 per cent in the South). Among payroll employees, these types of supplementary pension scheme are more common among managers (43 per cent, compared with around 25 and 14 per cent respectively for white- and blue-collar workers), while the gap between age groups is much smaller (just under 20 per cent for those aged 20 to 45 years and 56 to 65 years and 30 per cent for those 46 to 55 years); 17 per cent of self-employed persons participate, without any appreciable differences between age groups.

The use of electronic payment instruments is widespread. As reported in the previous edition, in 2016 three quarters of the households interviewed possessed a debit card and around one third had a credit card; the share of households that used prepaid payment cards increased (about 25 per cent from 21 per cent in 2014). All socio-demographic groups continued to increase their use of online banking; in 2016 just under one third of households did.

Real estate and housing

At the end of 2016, almost 70 per cent of Italian households owned their main residence and around one quarter also owned other property; only 2 per cent of households owned property that did not include their main residence.

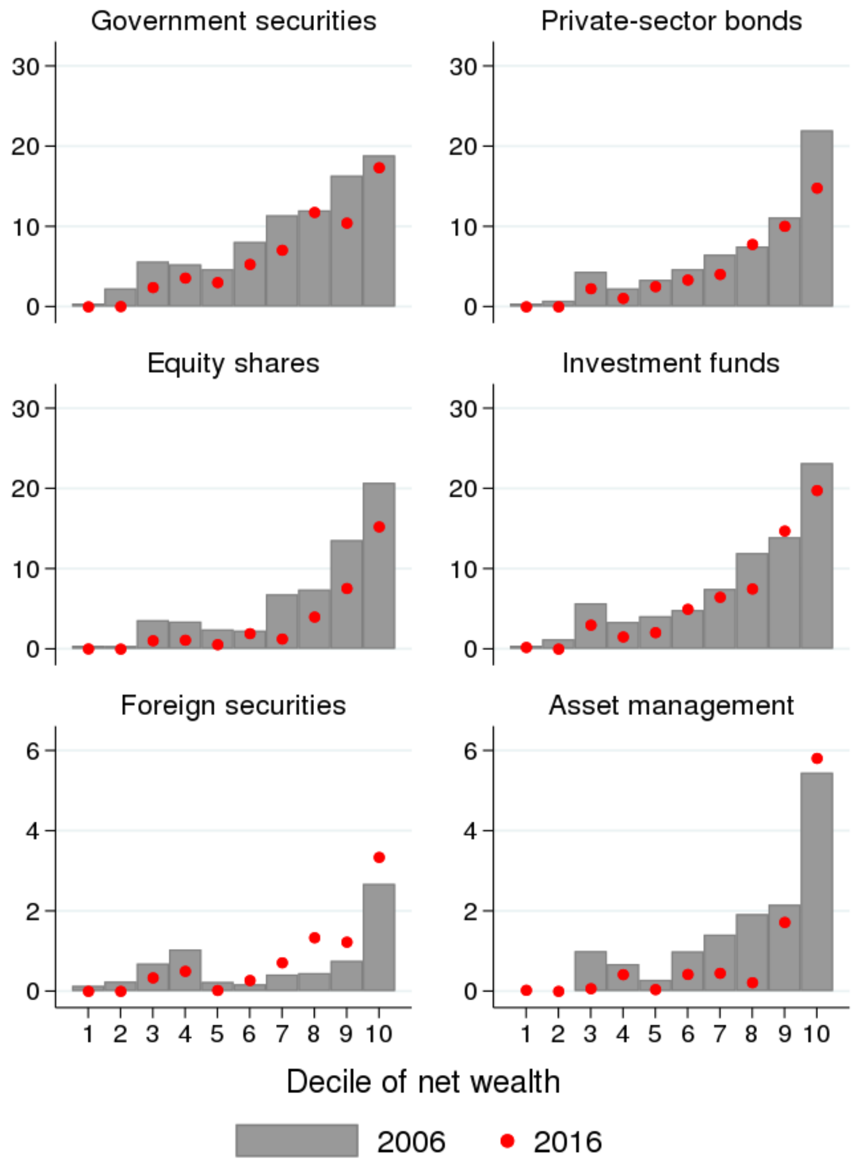
The share of households that own their main residence remained fairly stable compared with 2006. The 7 percentage point drop, to 52 per cent, in the share of property owners among households headed by someone 45 years or younger was offset by the sharp decline in the percentage of these households out of the total, from 37 to 27 per cent, continuing the trend that began in the early 1990s.

According to the households' assessment, their main residence, regardless of the type of tenancy, was worth on average just under €1,800 per square metre, 7 per cent lower than in 2014 and 23 per cent below 2006, a trend that overall is in line with that shown by Istat's house price index. The households interviewed expect prices to remain virtually stable in 2018, dropping on average by about 1 percentage point.

Figure 6

Participation in financial asset components by net wealth distribution decile

(shares of households; per cent)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

Around one fifth of the households resided in a rented dwelling and the remaining one tenth lived rent free. The annual rent was just above €4,000 on average and about 5 per cent higher than the rent reported in the previous survey; it amounted to at least one fifth of household income for about 68 per cent of households with equivalent income below the median and about 46 per cent for those above the median.

Indebtedness

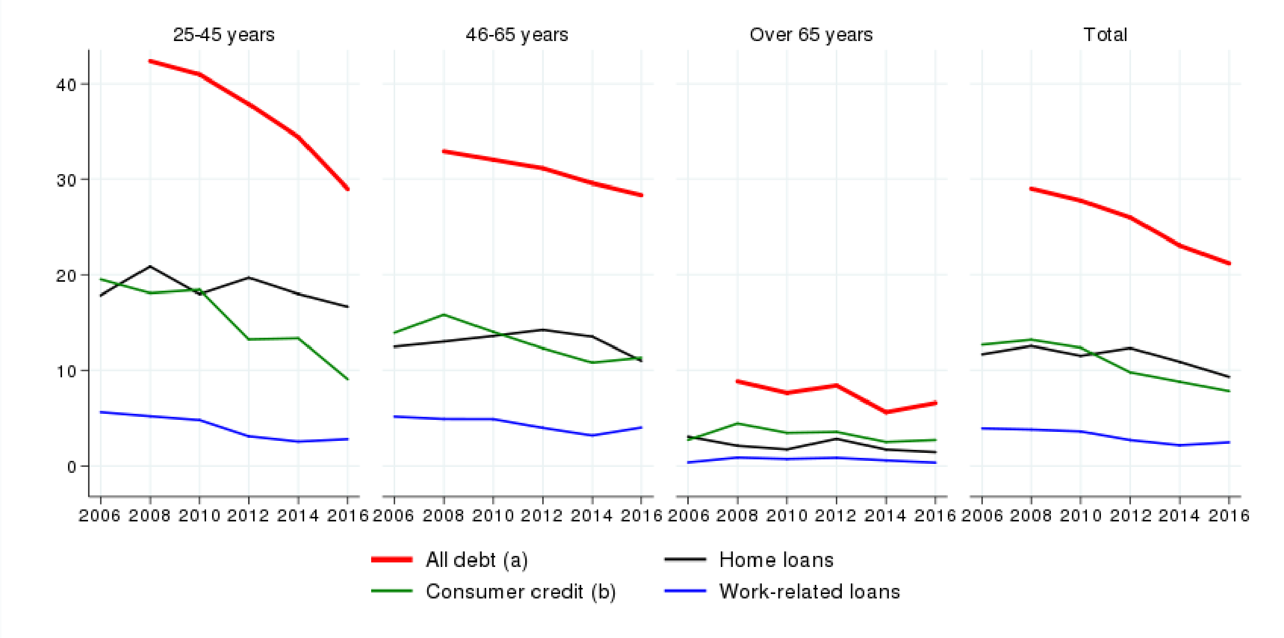
In 2016 the share of indebted households decreased further to 21 per cent from 23 per cent in 2014, continuing a trend that began in 2010.[8] The decline was seen across all the main forms of debt to varying degrees, with the exception of those used for work-related purposes, which are relatively uncommon.

[8] Households are defined as indebted when they have at least one of the following financial liabilities: a home purchase or renovation mortgage, a loan from a financial intermediary for the purchase of durable or non-durable goods, a loan from friends or relatives, trade debts or bank loans in connection with a sole proprietorship or family business, a current account overdraft, or a negative credit card balance.

Between 2006 and 2016, the decrease in the share of indebted households related almost entirely to households headed by someone over 45 years of age (from 38 to 29 per cent), reflecting the steep drop in the use of consumer credit (from 20 to 9 per cent); instead, the share of those that incurred debt to purchase or renovate property remained steady (around 17 per cent) (Figure 7).

Figure 7

Household indebtedness
(per cent)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.
Notes: (a) includes consumer credit, home purchase or renovation loans, work-related debts, loans from friends or relatives, current account overdrafts and debt on revolving credit cards (the latter two items have only been included in the survey since 2008); (b) includes loans for the purchase of means of transport, other durable goods (e.g. furniture and household appliances) and non-durable goods.

The ratio of total debt to annual monetary income (defined as household income net of imputed rents but including financial costs) decreased further: for the median household it fell to 63 per cent from the high of 80 per cent registered in 2012. It is still far above the 45 per cent recorded in 2006.

The cost of servicing the debt, which includes both the share of principal to be paid back and the corresponding interest, rose for households belonging to the quartile with the highest monetary income and fell for the other groups (Table 3). However, the ratio to monetary income rises as income falls. In 2016 almost 28 per cent of households in the highest quartile of monetary income were indebted to finance the purchase or renovation of property or consumer spending; for these households, instalment payments were equal to 14 per cent of their income; the mean annual instalment payment was €7,300. Conversely, less than 6 per cent of households with a monetary income in the first quartile were indebted, but their annual instalment payment amounted to €3,200 or 37 per cent of their income.

The share of financially vulnerable households, defined as those with a monetary income below the median and debt service payments equal to more than 30 per cent of their income, remained stable at 11 per cent of indebted households[9] and 2 per cent of total households. Vulnerability becomes more common as income drops: in 2016 around 60 per cent of indebted households in the first quartile and 29 per cent in the second quartile were vulnerable (respectively, approximately 57 and 34 per cent in 2014).

[9] G. D'Alessio and S. Iezzi, 'Household over-indebtedness: definition and measurement with Italian data', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 149, 2013.

Table 3

Household financial vulnerability
(per cent; euros)

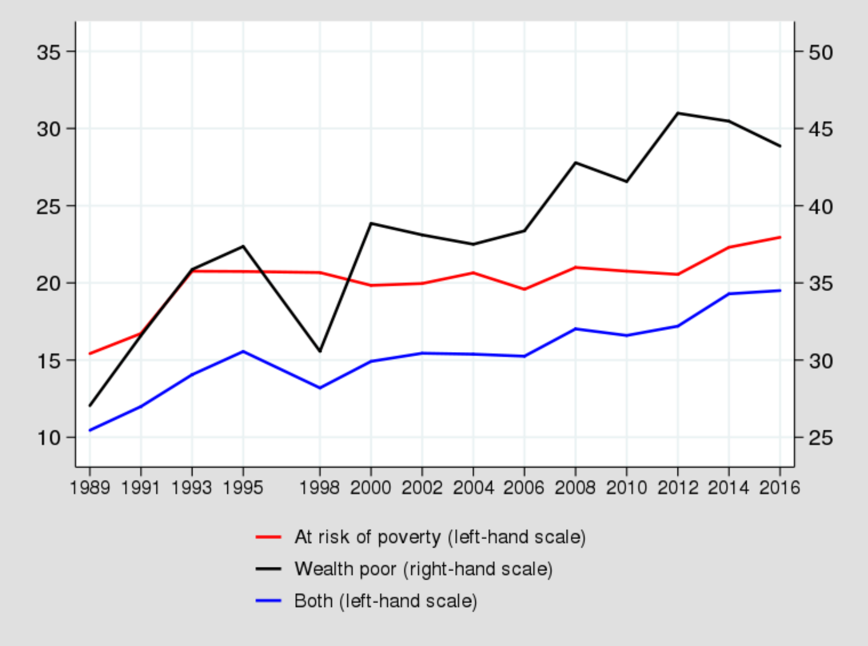
Share of monetary income	Share of indebted households	Indebted households only					Share of vulnerable households on total population
		Median value of instalment	Median ratio of instalment to income	Mean annual instalment	Ratio of mean instalment to mean income	Share of vulnerable households	
1st quartile	5.7	2,500	38.0	3,247	36.6	60.4	3.4
2nd quartile	12.0	3,400	20.5	3,930	23.8	28.9	3.5
3rd quartile	16.4	4,200	15.8	4,479	17.2	-	-
4th quartile	27.6	6,500	12.8	7,316	14.1	-	-
Total	15.4	4,500	16.1	5,529	16.2	11.2	1.7
Memorandum item 2014	17.5	4,800	17.1	5,564	17.3	11.4	2.0

Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.
Note: Only includes debt for purchases or renovations property and for purchases of consumer goods.

MEASURES OF FINANCIAL DEPRIVATION BASED ON WEALTH AND INCOME

The material well-being of a household is usually connected to the total equivalent income (i.e. modified to make it easier to compare households of different sizes and composition) received in a year. Persons whose income is below a socially acceptable threshold, conventionally set at 60 per cent of median equivalent income, are deemed at risk of poverty. This definition, however, does not take account of other financial resources that households may rely on to meet their needs: for a variety of reasons households accumulate wealth to be able to handle expected and unexpected events that reduce household income, such as retirement, job loss or serious illness. To measure a household's inability to handle short-term financial difficulty, households are defined as 'financial-wealth poor' when their wealth in the form of easily liquidated financial assets, adjusted to take account of household structure, is less than one fourth of the at-risk-of-poverty threshold (60 per cent of median equivalent income). In other words, a household is financial-wealth poor if it would not have sufficient resources to avoid the risk of poverty for at least three months even if it liquidated all its readily accessible financial assets.[a]

Figure A. Individuals at-risk-of-poverty and financial-wealth poor
(per cent)

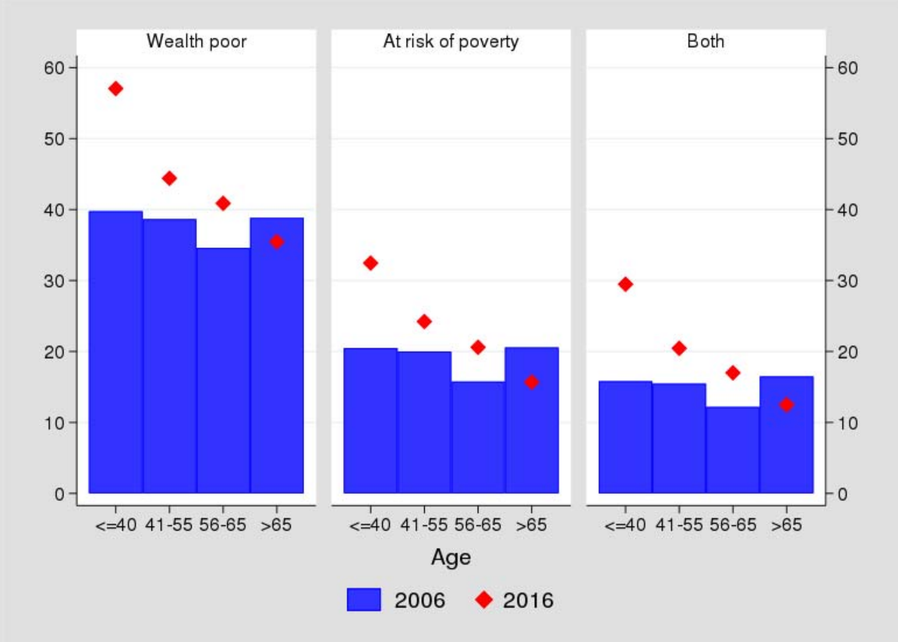


Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

In 2016, 44 per cent of the population found itself at this level of vulnerability, a share that is still much higher than that recorded in 2006, prior to the start of the global financial crisis, but below the peak registered in 2012 (Figure A).[b] Wealth poverty is more concentrated among persons at risk of income poverty: around 85 per cent of persons with equivalent income below 60 per cent of the median do not possess sufficient financial resources to cover an emergency. However, just under one third of all persons with equivalent income above this threshold and about 15 per cent with equivalent income in the highest quartile of the distribution are also financial-wealth poor. With the start of the financial crisis, the incidence of financial wealth poverty rose faster than at risk of income poverty. This led to a rapid rise in the share of persons who fall under both categories - from 15 per cent in 2006 to almost 20 per cent in 2016 - after remaining essentially stable for the previous 10 years. The effects of the extended crisis therefore seem to have been more severe when both income and wealth are considered.

Between 2006 and 2016 the trend in the incidence of material deprivation measured on the basis of income or wealth differed by age group; the differences between these groups, previously small, widened (Figure B). The incidence of wealth poverty declined from 39 to 35 per cent among households with the head over 65 years of age, while it rose among those with younger heads of household, mostly markedly among those 40 and under (from 40 to 57 per cent). The share of persons at risk of income poverty saw analogous, although less dramatic, changes. The occurrence of both situations doubled to almost 30 per cent among households headed by someone aged 40 or under, it rose just 5 percentage points for those with heads of household between 41 and 65 years of age, and fell 4 points for those over 65 years.

Figure B. Individuals at-risk-of-poverty and financial-wealth poor by age
(per cent)



Source: Based on data from the historical archives of the Survey on Household Income and Wealth, version 10.0.

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[a] A. Brandolini, S. Magri and T. M. Smeeding, 'Asset-based measurement of poverty', Journal of Policy Analysis and Management, 29, 2, 2010.
[b] For an international comparison, see the box "Income and wealth adequacy" in 'The Household Finance and Consumption Survey: results from the second wave', European Central Bank, Statistics Papers Series, 18, 2016.

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