THE DISTRIBUTION OF HOUSEHOLD WEALTH

The Distributional Wealth Accounts (DWA) for the household sector represent an innovation in national accounts that make it possible to keep timely records of the trends in the distribution of wealth and its components in a manner that is consistent with aggregate statistics. For the euro-area countries, the DWA were first published in early 2024, albeit as experimental statistics.[1] The DWA, which are quarterly and cover the period 2009-23, incorporate data from the Household Finance and Consumption Survey (HFCS), coordinated by the ECB and conducted every three years since 2009.[2]

Based on DWA data, Italian households can be divided into three groups in terms of net wealth distribution, with the top 10 per cent of households accounting for 60 per cent of overall wealth in 2023 and the bottom 50 per cent accounting for only 7 per cent. Compared with 2010, the share of wealth held by the most affluent decile of households has increased by about 7 percentage points, mainly at the expense of the middle group of households (whose net wealth stands between the 50th and the 90th percentile). At the same time, the share of wealth held by the bottom 50 per cent only declined slightly.[3]

The increase in overall net wealth, of about 14 per cent at current prices between 2010 and 2023,[4] was driven by the very strong growth (29 per cent) among the wealthiest decile of households, mainly due to the positive performance

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1 A. Neri, M. Spuri and F. Vercelli, 'Distributional Wealth Accounts: methods and preliminary evidence', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 836, 2024 (only in Italian). The data for Italy are available on the Bank of Italy's website: 'Distributional Accounts on Household Wealth'. The DWA methodology uses specific techniques to align the data gathered through household surveys with the macroeconomic variables in the national accounts, mitigating the main biases inherent in these surveys, namely: (a) the difficulty and reluctance of households in giving an accurate representation of their wealth; and (b) the lower propensity found among wealthier households (which typically hold significant shares of total wealth) to take part in surveys. For further details on the methodology used for Italy, see A. Neri, M. Spuri and F. Vercelli, 'Combining survey and administrative data to estimate the distribution of household deposits', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 802, 2023.

2 The HFCS gathers detailed information on holdings of financial and non-financial assets for around 80,000 households across the euro area, the Czech Republic and Hungary. The individual central banks each use a harmonized methodology and a common questionnaire template to conduct the surveys in their own country, in some cases collaborating with the country's national statistical institute. The year of the first wave of the HFCS varies across countries. For instance, the earliest data for Italy are from the Bank of Italy's Survey on Household Income and Wealth and refer to 2010, which is why DWA statistics for Italy start in the fourth quarter of 2010.

3 The breakdown of the total distribution into groups is performed separately for each quarter, as from one period to the next, a (minor) share of households moves between the three net wealth groups, while new households form and others disappear. Consequently, the changes over time in the wealth of each group should be interpreted as distributional changes and not as average changes in the wealth of individual households.

4 The wealth assessed by the DWA diverges from the national accounts aggregates in that it excludes certain instruments (currency, pension entitlements, non-life insurance products, derivatives, other accounts payable and receivable) for which the data are not available in the HFCS or the definitions are not consistent with those used in the national accounts. However, the instruments included in the DWA account for over 85 per cent of the total financial assets of households and over 75 per cent of their liabilities. The DWA only provide data on the stock of assets and liabilities and therefore do not make it possible to break down changes in the stock into transactions and price effects.

Table

Composition of wealth by net wealth groups in 2023 (1)
(per cent of total assets)

INSTRUMENTS	Percentiles of net wealth			
	0-50	50-90	90-100	Total
Non-financial assets	79.6	73.5	42.3	55.9
Housing	75.1	66.3	32.8	47.6
Other non-financial assets	4.5	7.2	9.5	8.3
Financial assets	20.4	26.5	57.7	44.1
Deposits	16.7	14.4	10.5	12.3
Debt securities	0.6	2.8	4.9	3.8
Listed shares	0.3	0.6	2.0	1.4
Unlisted shares and other equity	0.3	1.0	21.5	12.9
Investment fund shares	0.7	3.0	9.4	6.5
Life insurance products	1.8	4.7	9.4	7.2
Total assets	100.0	100.0	100.0	100.0
Financial liabilities	25.0	6.4	4.8	7.2
Net wealth	75.0	93.6	95.2	92.8

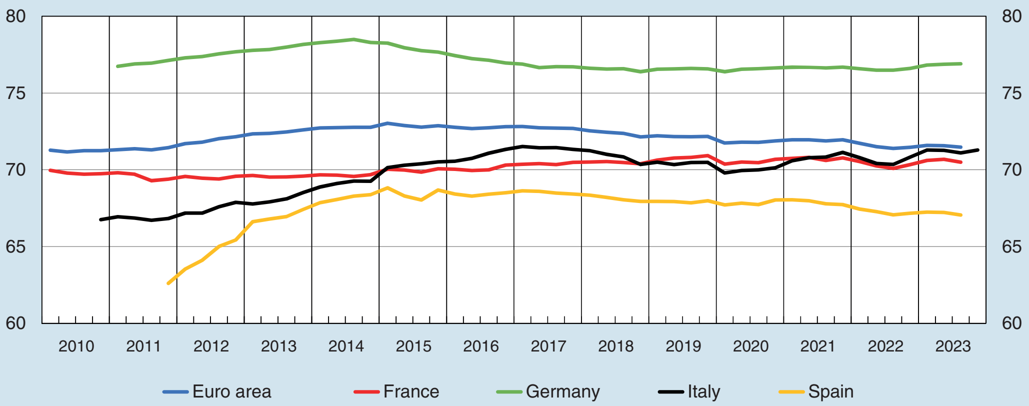
Source: Based on data from the Bank of Italy, Distributional Accounts on Household Wealth.
(1) Households are divided into three groups based on the distribution of net wealth (the difference between assets and liabilities): below the 50th percentile; between the 50th and 90th percentile; and above the 90th percentile.

of riskier financial instruments (shares and other equity, investment fund shares, and life insurance products). The decline in the wealth held by the middle group of households (-4.8 per cent) was instead due to the fall in the value of real estate, which was only slightly offset by the developments in riskier financial instruments. The net worth of the poorest half of households remained largely stable following an increase in the value of real estate that was almost fully offset by a decline in financial wealth and higher debt.

At the end of 2023, housing accounted for three quarters of the gross wealth of the bottom 50 per cent (see the table), which is a relatively high share compared with

Figure

Net household wealth inequality
(quarterly data; Gini index in percentage terms)



Sources: ECB and based on data from the Bank of Italy, Distributional Accounts on Household Wealth.

the other euro-area countries, whereas more liquid financial instruments (deposits and debt securities) accounted for 17 per cent, while debt was one quarter of their gross wealth. Conversely, the wealth of the most affluent decile was more diversified, with housing accounting for about one third of gross wealth and risky financial instruments for just over 40 per cent, whereas debt was 5 per cent of their gross wealth.

The Gini index of net wealth, which measures the degree of inequality in its distribution, shows that concentration increased between 2010 and 2016 (from 67 per cent to 71 per cent; see the figure) and then stabilized. The level of inequality in Italy is currently in line with the euro area and France, higher than in Spain and lower than in Germany. The lower level of inequality in Italy as against Germany is mainly an effect of the share of net wealth held by the bottom 50 per cent, which is relatively higher in Italy, also owing to the lower ratio of debt to gross wealth.