

Economic and Finance statistics



Distributional Financial Accounts for Germany

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Outline

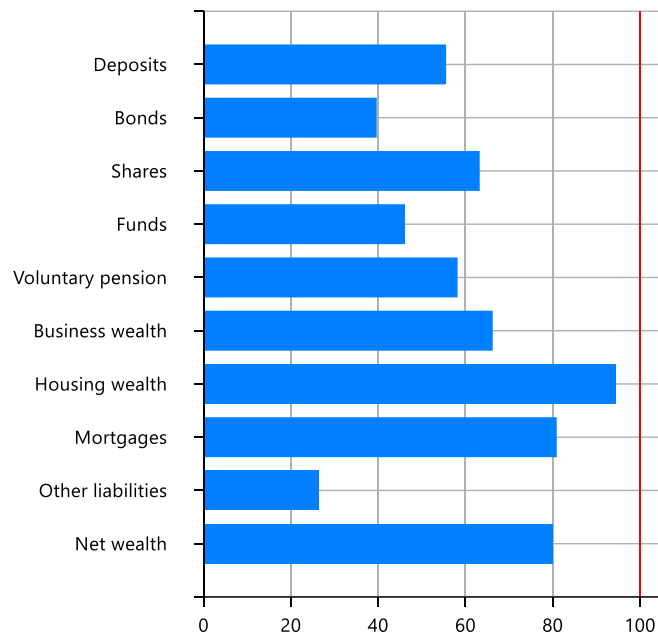
On the development of Distributional Financial Accounts for Germany

1. Background
2. Linking HFCS and NA/FA
3. First Assessment of Results
4. Policy Use of DFA

Starting point of the work of EG DFA

Coverage ratios (HFCS/FA) in the raw HFCS data

HFCS Wave 2 in % of FA (incl. non-financial assets)



Sources: EG DFA and own calculations.
Based on EG DFA Progress Report.

- Expert Group on Linking Macro and Micro Data (EG LMM) for the Household Sector: comparing and linking the Financial Accounts (FA)/National Accounts (NA) and Household Finance and Consumption Survey (HFCS).
- EG DFA as follow up has been created to further develop the results of the EG LMM ...
- ... with the primary objective to compile Distributional Financial Accounts (DFA).
- Coverage ratios (HFCS/FA) for items where a high or medium conceptual comparability has been assessed by the EG LMM serve as a starting point for EG DFA.

Linking HFCS and FA: Concept

EG LMM

Comparing and linking the Financial Accounts (FA)/National Accounts (NA) and Household Finance and Consumption Survey (HFCS)

Enhanced Linking

Adjust the timing

Adjust the population

Adjust the wealth concept

Progress in national availability of administrative data

Estimation Methods

Estimate missing breakdowns and distributions (3 options)

Corrections for underreporting

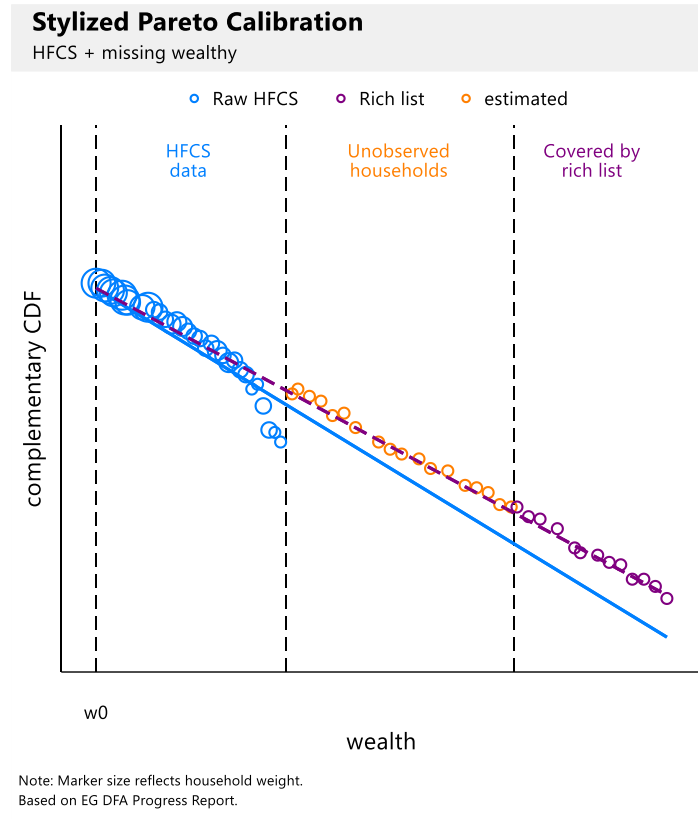
Corrections for missing wealthy (2 options)

Gross-up for remaining gaps (3 options)

Compile DFA

Based on EG DFA Progress Report.

Linking HFCS and FA: Estimation Methods

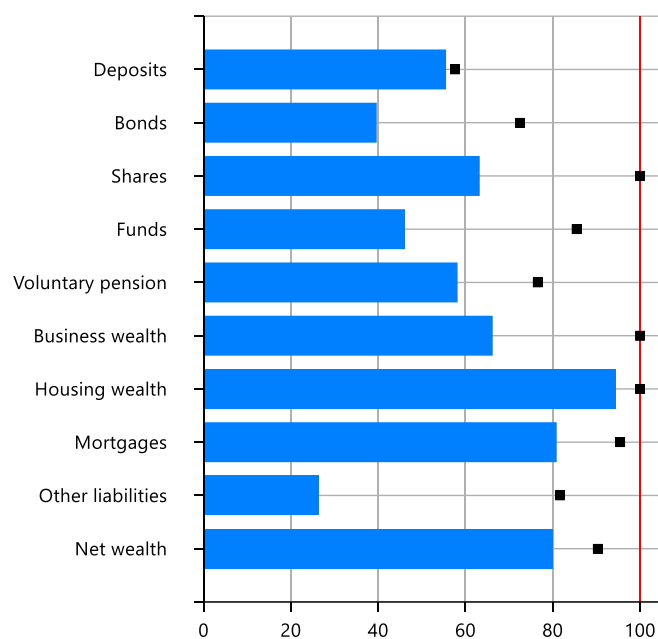


- Wealthy households are missing → HFCS + “rich list”.
- Assumption that households’ net wealth follows a Pareto distribution above a certain threshold.
- Sample of synthetic households drawn from a Pareto distribution fitted both on the HFCS and the rich list.
- Observations from the rich list as well as the synthetic households are given in terms of their net wealth. Further steps required to estimate liabilities and gross assets held by the wealthiest households.
- Final grossing-up.

First Assessment of Results: Coverage ratios

Coverage ratios (HFCS/FA) in the raw HFCS data

HFCS Wave 2 in % of FA (incl. non-financial assets)



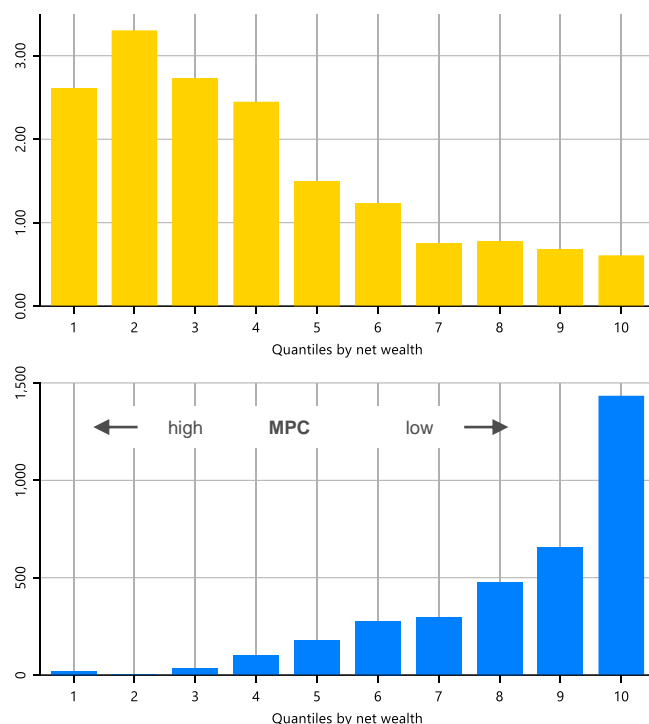
Sources: EG DFA and own calculations.
Based on EG DFA Progress Report.

- Significant improvements in coverage ratios by adding rich (see black squares).
- Final grossing up: proportional allocation.
- Two “critical” issues in case of German DFA:
 1. Marginal improvement of deposit holdings.
 - EG DFA proposes deposits adjustments → identification of “outliers”. BUT: Does this adjustment introduce a bias wrt. imputations?
 2. “Target value” for business wealth.
 - FA value markedly below HFCS aggregate.
 - Simple back-on-the-envelope calculations indicate that financial business wealth is too low in both statistics.

Policy use of DFA

Change in liquid asset holdings of households

in % of pre-pandemic total assets (upper part) and in EUR/month (lower part)



Sources: Experimental DFA. Change in deposit holdings between Q1 and Q3 2020.

- Rise in savings is forced through the direct pandemic effects.
- The bulk of the savings of households fly into liquid assets.
- Experimental Distributional Financial Accounts show that low-wealth households increased deposits relatively strong, 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.

Thank you



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Appendix



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Linking between the HFCS and the FA

ESA 2010 Code	National Accounts Instrument	HFCS Variable(s)	HFCS Wave 2 Variable and details	DFA 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.	Mortgages
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.	Other Liabilities
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

Inequality indicators (Wave 3)

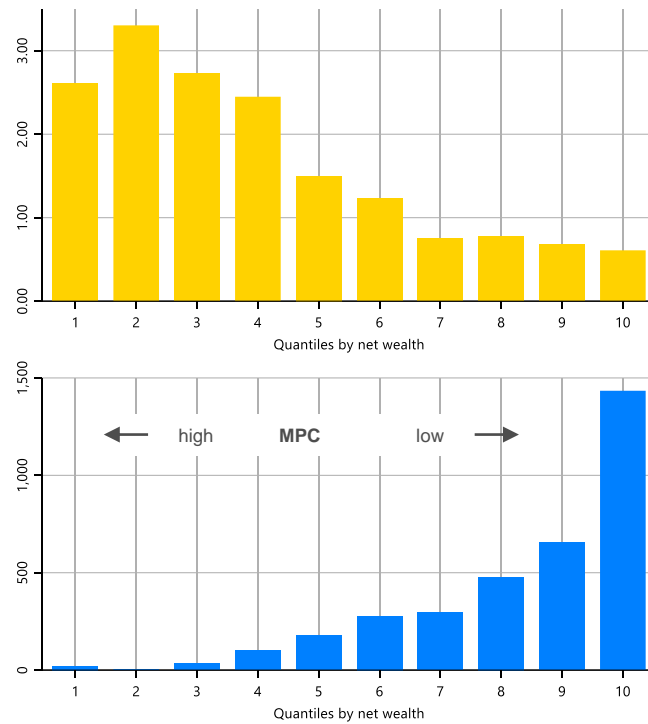
	HFCS (raw data)*	+ “Add Rich”	= DFA
Share of wealth held by Top 1%	19%	24%	25%
Share of wealth held by Top 10%	56%	59%	59%
Median wealth	59,500	59,468	82,218
Mean wealth	219,455	233,172	279,749
Gini coefficient	0.75	0.77	0.76

Note: Data comparable only to a limited extent with PHF figures due to slightly different wealth concepts.

Policy use of DFA

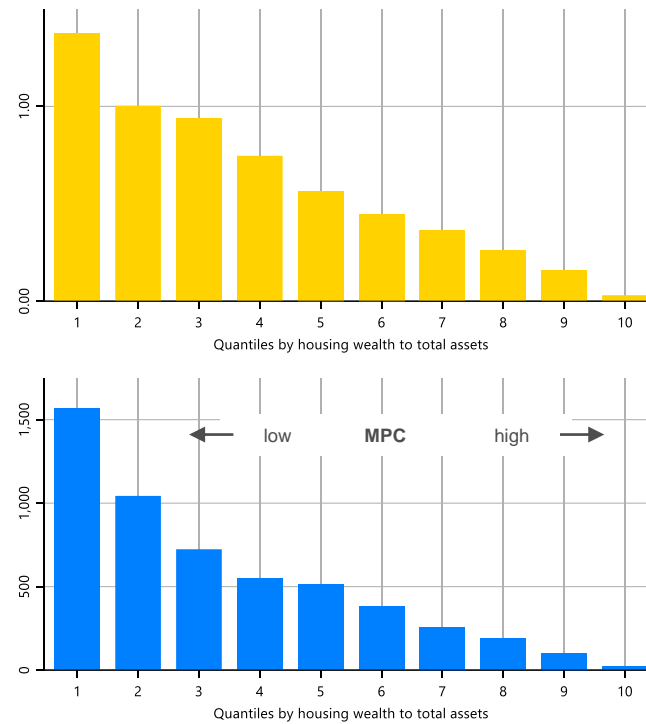
Change in liquid asset holdings of households

in % of pre-pandemic total assets (upper part) and in EUR/month (lower part)



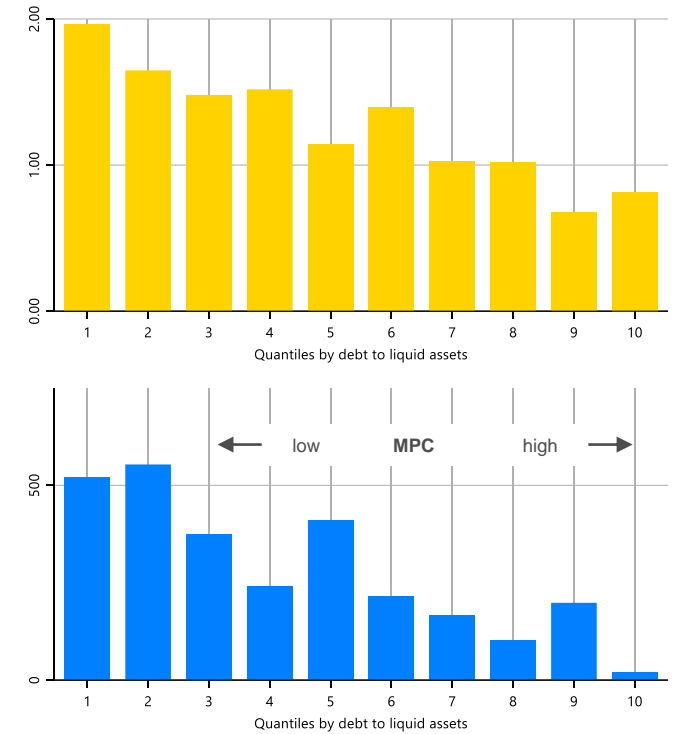
... by home owners

in % of pre-pandemic total assets (upper part) and in EUR/month (lower part)



... by debt holders

in % of pre-pandemic total assets (upper part) and in EUR/month (lower part)



Sources: Experimental DFA. Change in deposit holdings between Q1 and Q3 2020.

References

- ECB Statistics Paper Series No 37 / July 2020:
Understanding household wealth: linking macro and micro data to produce distributional financial accounts.

<https://www.ecb.europa.eu/pub/pdf/scpsps/ecb.sps37~433920127f.en.pdf?3a224bdf5368fcbca627453f071f2b72>