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PRESS RELEASE

The distribution of household wealth in Belgium: initial findings of the second wave of the Household Finance and Consumption Survey (HFCS)
(Article for the September 2016 Economic Review)

Households' total assets and liabilities can be derived from macroeconomic statistics, but these sources reveal little or nothing about the actual distribution of household wealth, as this requires data at household level. To access this data, the Eurosystem has designed a wealth survey known as the Household Finance and Consumption Survey (HFCS). In view of analysing the structure and distribution of wealth for the Belgian households, this article draws on the preliminary findings of the second wave (2014) of this survey, which is organised in Belgium by the Bank, and compares these with the findings of the first wave (2010) as pertaining to Belgium. Reviewing both real and financial assets as well as debts, the outcome is an analysis of net household wealth.

All things considered, income and wealth distribution in Belgium have remained fairly stable from the first to the second wave. The 20 % of wealthiest households continued to account for about 60 % of total net wealth in Belgium (61 % in 2010 and 59 % in 2014). Breaking the figures down further, the proportion held by the top 10 % of wealthiest households was unchanged at 43-44 %, with the 5 % wealthiest holding 30-31 % and the top 1 % holding 12 % of total net household wealth in Belgium. However, it should be noted that error margins apply to survey data and that these can be quite significant for any extremes in such findings. This makes survey data, though often the only available source, less suitable for analysing smaller groups, such as the top 1 % of households and the share of wealth attributable to these. And this becomes even more of a problem in the analysis of individual assets, as some are typically owned only by a small number of households. What is more, the wealthiest households do not usually rank among the respondents and survey findings may well underestimate the actual wealth at the top.

Home ownership accounts for the bulk of the wealth of Belgium's middle classes, supplemented mainly by deposits. This group typically also has the largest amount of outstanding mortgage debt. In contrast, wealthier households tend to own properties with higher average values than middle-class households, but these account for less than half of their total wealth. The wealthy also own other types of property, their own independent businesses and financial assets other than deposits, such as equities, bonds and investment funds, which incidentally are almost exclusively found among these particular households. Mortgage loans to pay for other property are typically also taken out by wealthier households. A comparison of survey findings for 2010 and 2014 reveals increased investment in – and loans attracted towards – other property, in addition to households' main residences. The survey also finds that households have shifted away from direct investment in the equity and bond markets and now have more investments in mutual funds. With such assets held almost exclusively by wealthier households, it is this particular group's portfolio decisions that determine this overall outcome.

Income and wealth distribution are pretty much in step: high-income households typically enjoy great wealth while low-income households do not. That said, some households report low incomes but a high level of wealth, such as pensioners or those left an inheritance: 6 % of households in the lowest income quintile rank among the highest wealth quintile. At the other end of the spectrum, the survey identifies households with high incomes but little wealth, such as young, highly educated double-income families: 4 % of households in the highest income quintile rank in the lowest wealth quintile. Relatively few older households – and almost no elderly people living alone – are found in the highest income quintile, whereas a fairly large proportion are in the highest wealth quintile. Also clear from the figures is the tough position faced by single-person households, both those without children but particularly those with: most of these are in the low income and wealth quintiles. Income from capital – i.e. interest income, dividends and rental income – came down on average in the 2010-14 period, mainly due to lower interest rates. This type of income is primarily found in the wealthiest households.

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While it is difficult for surveys to completely capture financial assets – due to the high concentration of such assets among a small group of households – they reflect real assets, debts and income much more accurately and comprehensively. As a result, this data lends itself extremely well to prudential risk analyses of credit markets. Survey findings reveal increased participation and higher outstanding amounts for all types of loans. A rather more detailed analysis points to potential pockets of risk in the mortgage market, particularly for single-parent families and to a lesser degree also single-person households. It finds that one in ten single-parent families needs over 30 % of household income to repay their mortgage – that is one in four households with debts in this particular category.

The preliminary findings of the Bank's wealth survey will be processed in the European research network " Household Finance and Consumption Network (HFCN)" and released at the end of 2016, together with the same data for other euro area countries. The third HFCS wave is set for 2017, with findings scheduled to be published in 2019.

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