



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Distributional Wealth Accounts for euro area households

Use cases



CESS  
Paris, 15 October 2024

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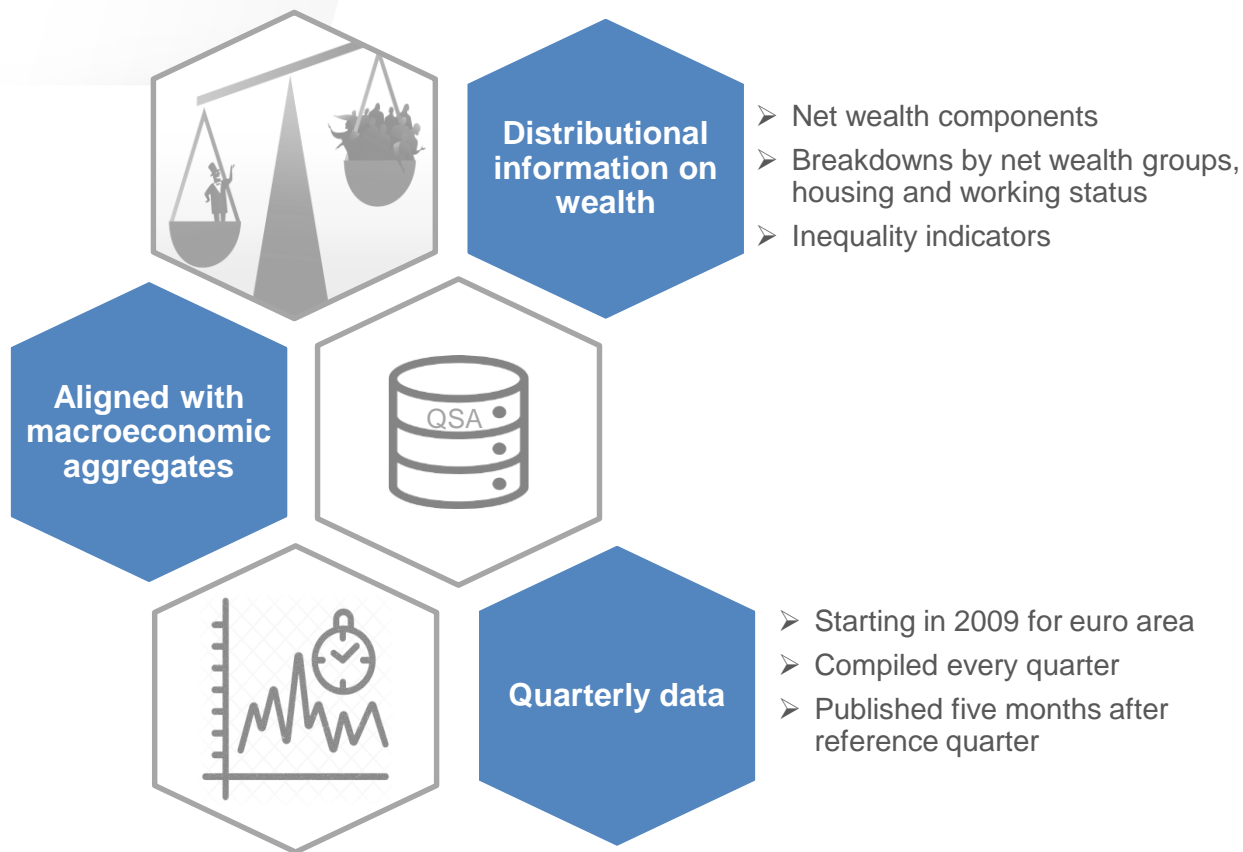
European Central Bank

# Overview

- 1 Methodology
- 2 Key stylised facts in the distributional data
- 3 Asset price fluctuations and the wealth distribution
- 4 Impact of inflation and monetary policy on the wealth distribution

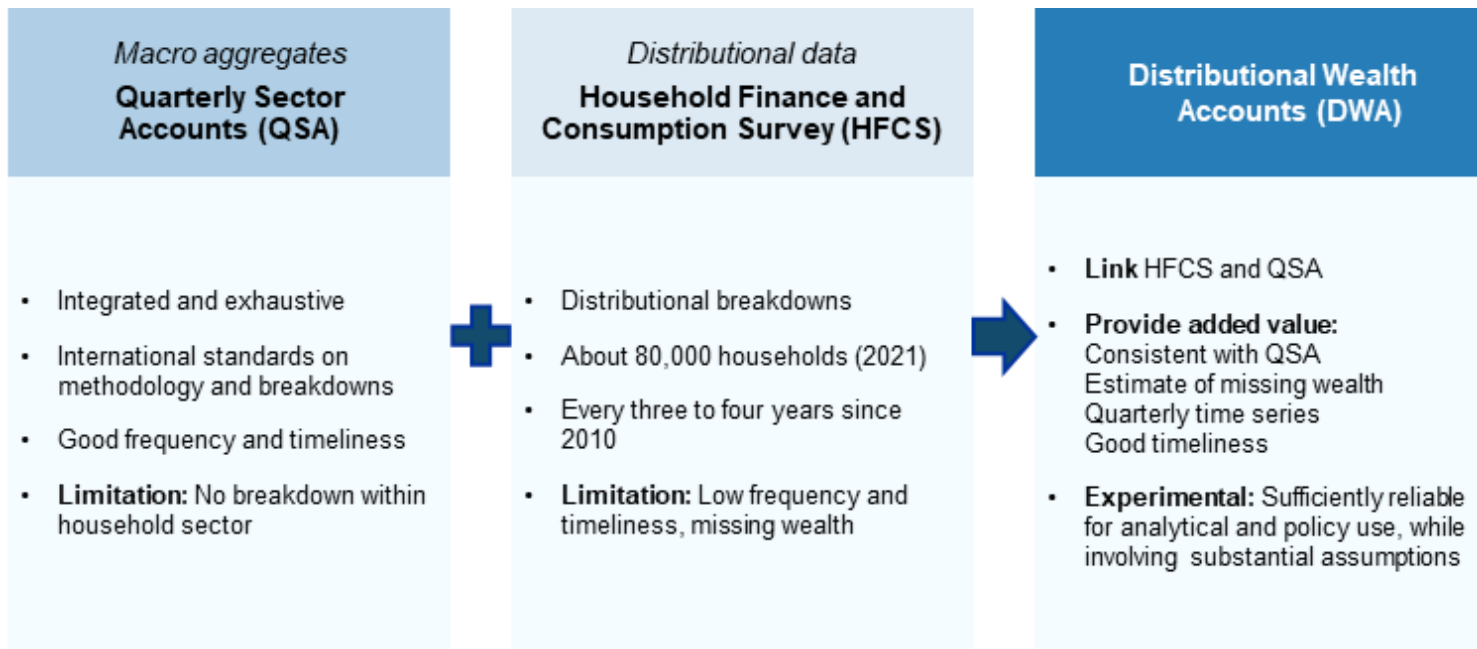
# 1. Methodology

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## *Linking micro and macro data on wealth*



# 1. Methodology

## *Estimation methods*

Individual instruments (deposits, equity etc.) are matched, with some adaptations

- Concepts used in the QSA and HFCS have to be bridged.

The missing wealthiest households are added

- Household survey results (HFCS) are augmented with (enriched) media sources and “synthetic” households, assuming the shape of the distribution of the top tail.

Quarterly time series are compiled by interpolation/extrapolation

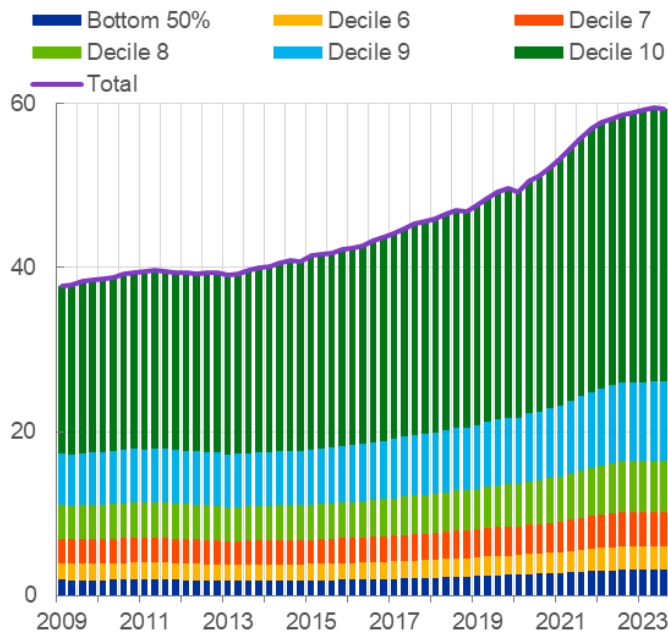
- Captures recent trends affecting wealth inequality (e.g. due to price changes), though assuming that the distribution of each individual instrument remains stable

## 2. Key stylised facts in the distributional data

# Developments in euro area wealth distribution

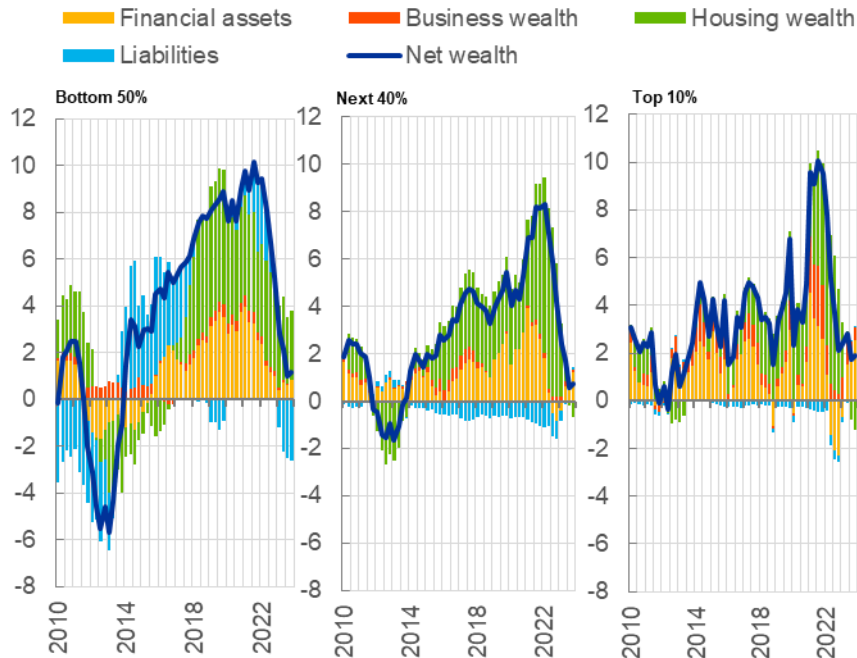
## Household net wealth by wealth group

(EUR trillions)



## Nominal growth in net wealth and contributions

(annual percentage changes; percentage point contributions)



Sources: Eurostat, ECB (DWA, QSA) and ECB calculations. Notes: Housing wealth refers to real estate assets; business wealth is the sum of non-financial business wealth and unlisted equity; financial wealth refers to the sum of all other assets; and liabilities refer to the sum of mortgages and other debt. The latest observations are for the fourth quarter of 2023.

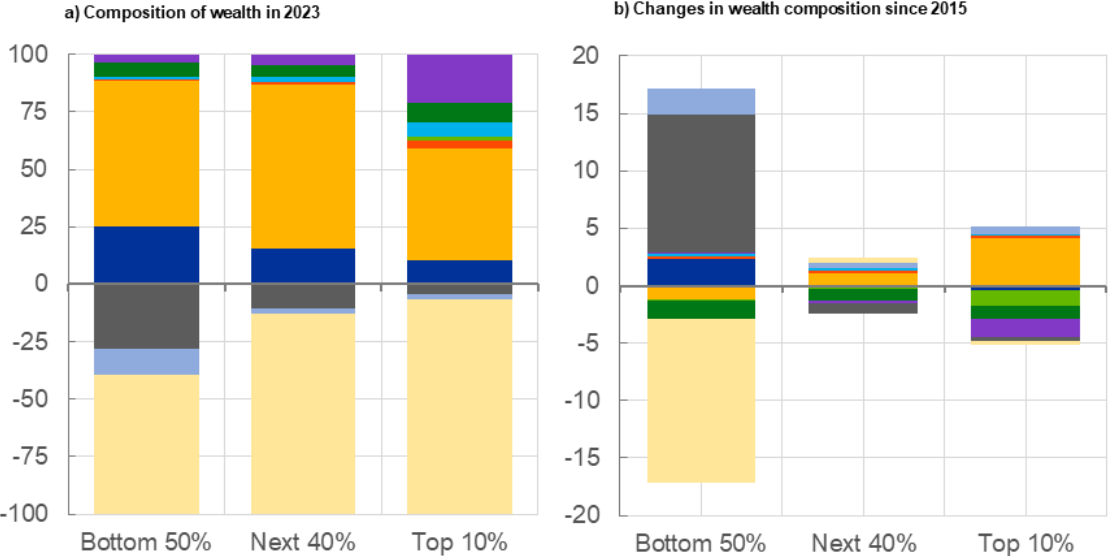


# Household balance sheets across wealth groups

## Composition of net wealth distribution

(percentages of group-specific net wealth; percentage point changes)

- Deposits
- Housing
- Equities
- Debt securities
- Investment funds
- Life insurance
- Business wealth
- Mortgages
- Other loans
- Net wealth

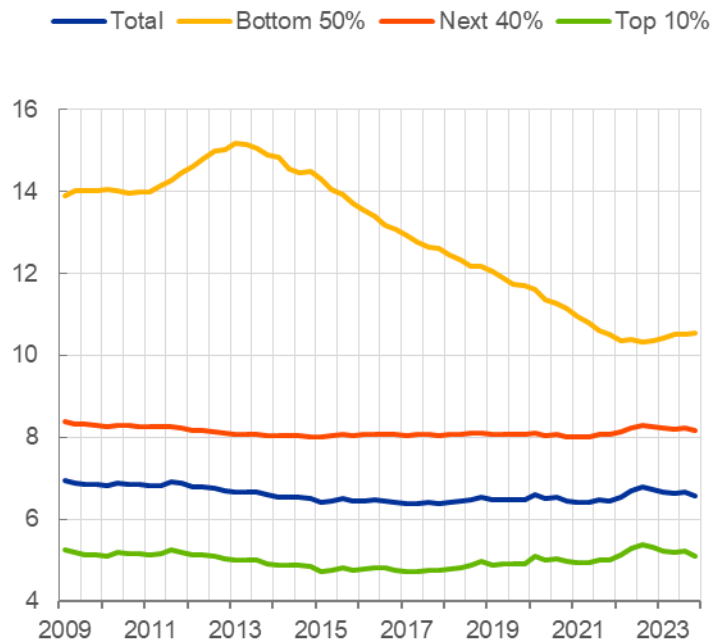


Sources: Eurostat, ECB (DWA, QSA) and ECB calculations.  
 Notes: Net wealth is shown with a negative sign.

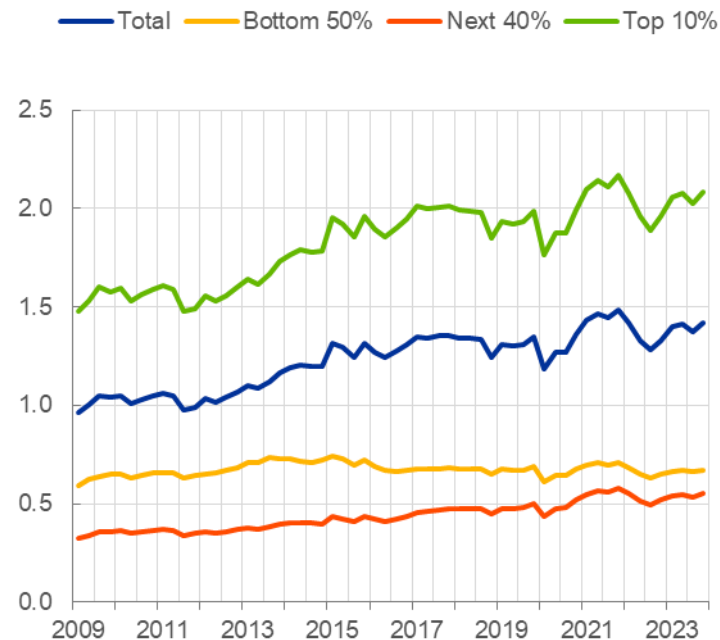
# 3. Asset price fluctuations and wealth distribution

# Net wealth changes across the distribution from a 10% rise in asset prices

## Net wealth gains from a 10% rise in house prices (percentages of net wealth)



## Net wealth gains from a 10% rise in equity prices (percentages of net wealth)

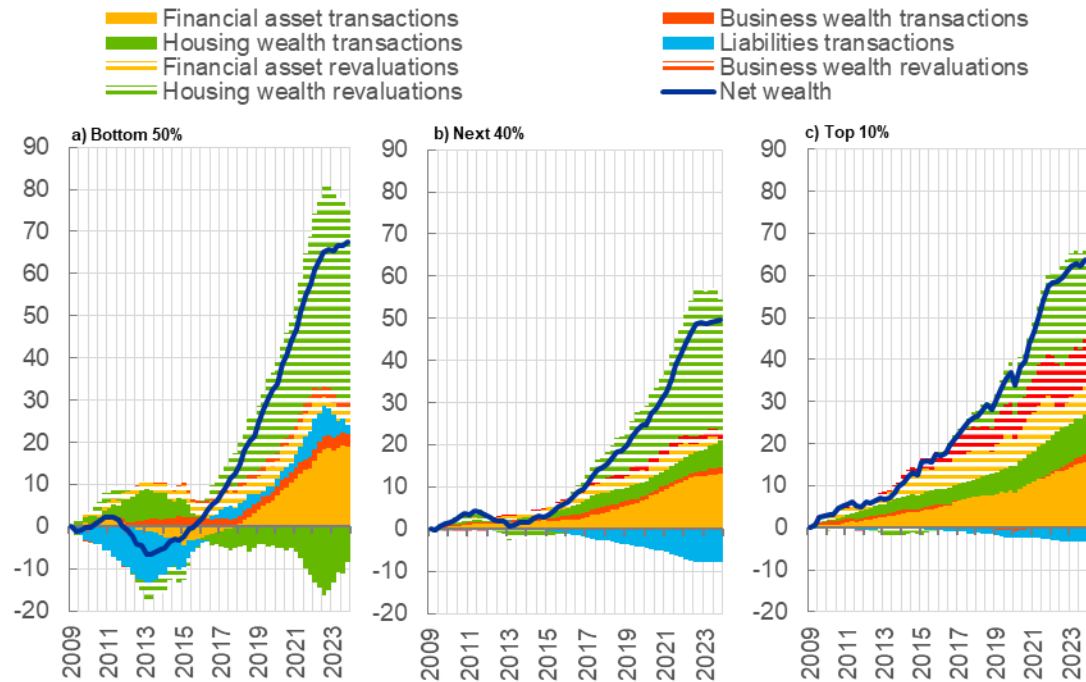


Sources: Eurostat, ECB (DWA, QSA) and ECB calculations. Notes: The sensitivity of wealth to a 10% rise in house prices and a 10% rise in equity prices is based on the ratio of housing wealth to net wealth and the ratio of equity asset holdings to net wealth respectively.

# Asset price fluctuations and wealth distribution

## Cumulative effects of transactions and revaluations on net wealth across the distribution

(cumulative percentage changes in net wealth since Q1 2009; percentage point contributions)



Sources: Eurostat, ECB (DWA, QSA) and ECB calculations.

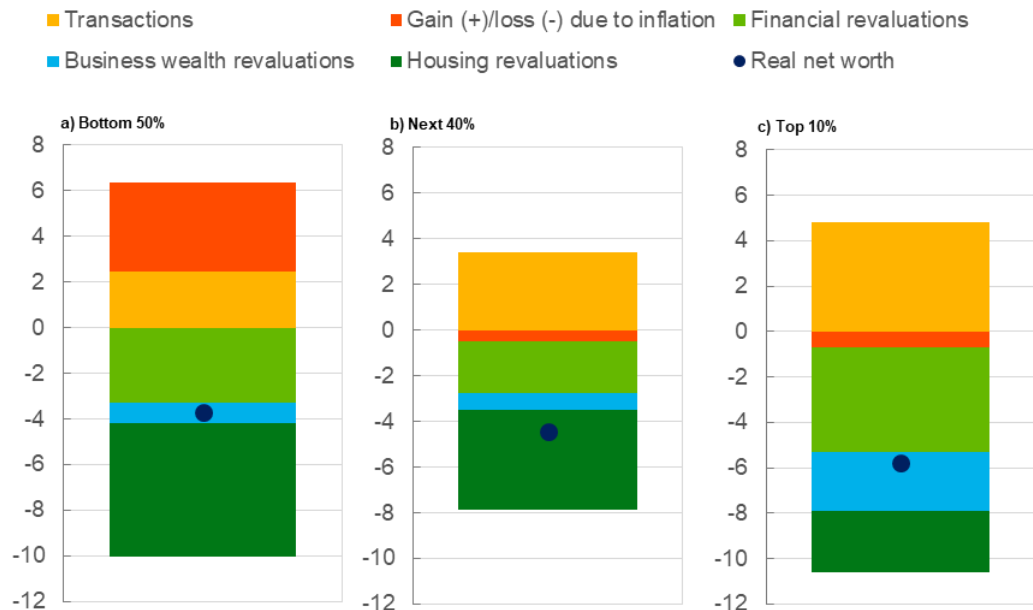
Notes: Valuation effects by instrument are computed from the aggregate Quarterly Sectoral Accounts (QSA) by subtracting quarterly transactions from differences in outstanding amounts (OA) which include flows, changes in valuations and other changes. The QSA valuation changes by instrument are then applied proportionately (in terms of quarterly percentage changes) to the corresponding instrument holdings across each decile in the wealth distribution to decompose OA stocks into valuation effects (including other changes) and notional stocks derived from the cumulation of transactions). Liabilities are assumed to result only from transactions.

# 4. Impact of inflation and monetary policy on the wealth distribution

# Impact of inflation on the wealth distribution

## Changes in real net wealth since Q2 2021 and contributions

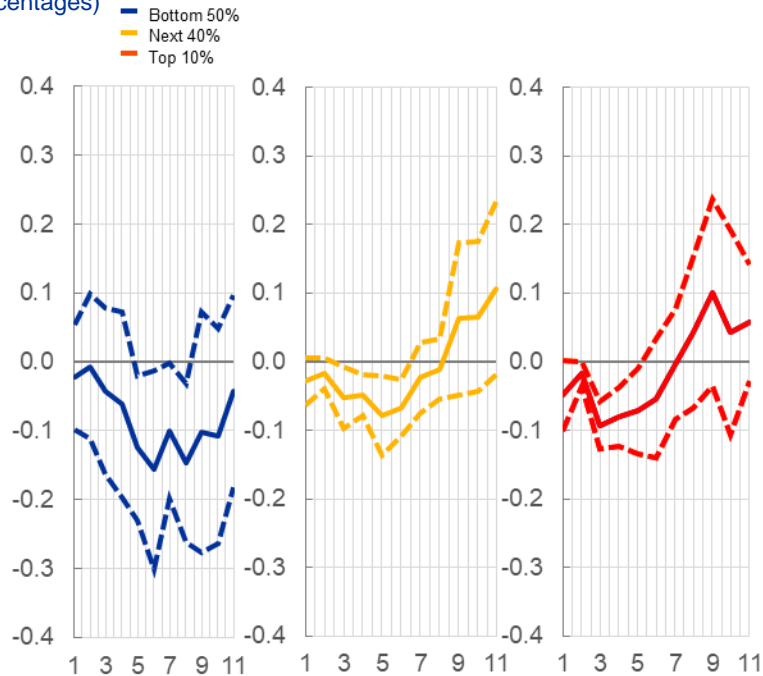
(cumulative percentage changes; percentage point contributions)



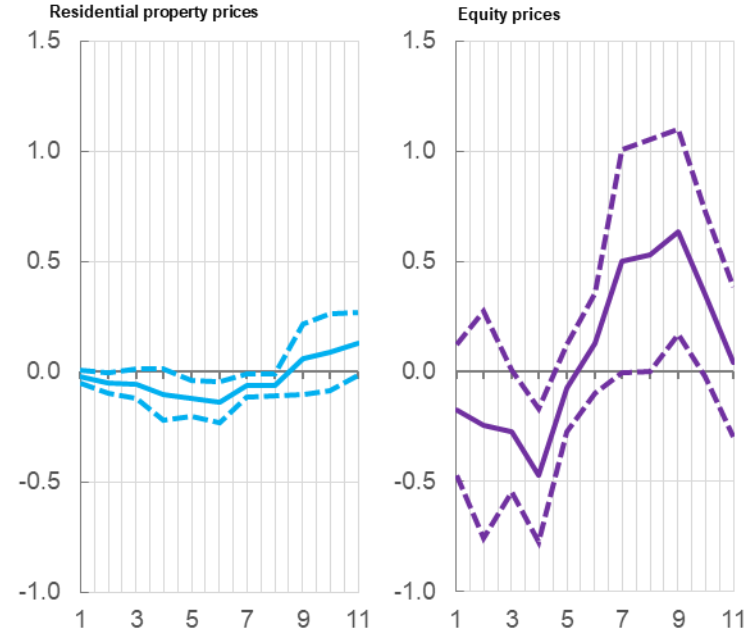
Sources: Eurostat, ECB (DWA, QSA) and ECB calculations. Notes: The decomposition is based on Infante, L. et al. (2023), Banca d'Italia OP Series No 817. Net worth is deflated with the private consumption deflator. Instruments highly exposed to inflation (whose reimbursement value is set in advance in nominal terms) include deposits and liabilities (mortgages and other debt). The net effect from the impact of higher inflation on deposits (negative) and on liabilities (positive) is aggregated under "Gain(+)/loss(-) due to inflation". For all other assets, revaluations are based on the contributions from cumulative real asset price changes applied at individual instrument class level, derived on the basis of nominal revaluations by instrument taken from the aggregate QSA deflated with the private consumption deflator, and applied to outstanding instrument positions by wealth decile as of the second quarter of 2021.

# Effects of monetary policy tightening

## Impact on net wealth (percentages)



## Impact on asset prices (percentages)



Sources: Eurostat, ECB (DWA, QSA) and ECB calculations. The left-hand side chart shows the results based on a panel local projections model for the five largest euro area countries (Germany, France Italy, Spain and the Netherlands) with an (unbalanced) sample, running from the fourth quarter of 2009 to the fourth quarter of 2023 and accounting for country-fixed effects. The dashed lines reflect the 95% confidence intervals.

Thank you!

[Economic Bulletin article “Introducing the Distributional Wealth Accounts for euro area households”](#)