Household finance on a day-to-day basis

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Banking Data

Since the Covid-19 pandemic, the National Institute of Statistics and Economic Studies (Insee) has had access to banking data, available almost in real-time, which helps provide insight on the financial situation of households.

► Monitoring wealth, income, and consumption, but also banking-specific indicators like overdrafts

► Studying specific households (low-income households, welfare recipients, single-parents...)

Previous Work on Banking Data (Insee)

Publication of indicators on the financial situation of households, as well as economic studies :

▶ The consumption response to unemployment

▶ Cross-border shopping for fuel at the France-Germany border

▶ Fuel demand response to price changes

▶ The financial situation of households in France during the Covid-19 pandemic

▶ ...

Data description

- ▶ 2 major French banks : *La Banque Postale* and *Crédit Mutuel Alliance Fédérale*

- ▶ For each of them : 300,000 clients followed since 2019

- ▶ Anonymized data, at the client level :

    → monthly account balances

    → all transactions

    → socio-demographic variables (age, gender, region, occupation, marital status, etc.)

Data limitations

- ▶ Multi-banking :
  - → a client may hold accounts in multiple financial institutions, leading to a partial view of their financial assets and transactions
  - → difficulty in aggregating bank clients belonging to the same household
- ▶ Identifying income and expenses :
  - → not all incoming flows are income, and not all outgoing flows are expenses
  - → but recent improvements now allow for the categorization of some incoming/outgoing flows
- ▶ Representativeness issues :
  - → specificity of the bank customer base + exclusion of unbanked individuals
  - → but comparisons with other (representative) sources, such as surveys, are very reassuring

Household finance on a day-to-day basis

How does the financial situation of households change throughout the month ?

▶ Using bank account data from 300,000 clients of a major French bank (*La Banque Postale*), we analyze the day-to-day profile of overdraft and spending.

▶ Since not all individuals receive their income at the same time, we don't study this financial situation based on calendar days but relative to payday.

Overdraft

▶ Overdraft = negative balance on current account

▶ The share of households with an overdrawn account peaks the day before payday :

    → On average, the day before payday, 1/4 of households have at least one overdrawn account.

▶ Heterogeneity : the share of households with an overdrawn account before payday is

    → higher for the low-income households (31%), single-parents or households whose earnings mainly include welfare benefits (>40%)

    → a little lower for the high-income households (23%)
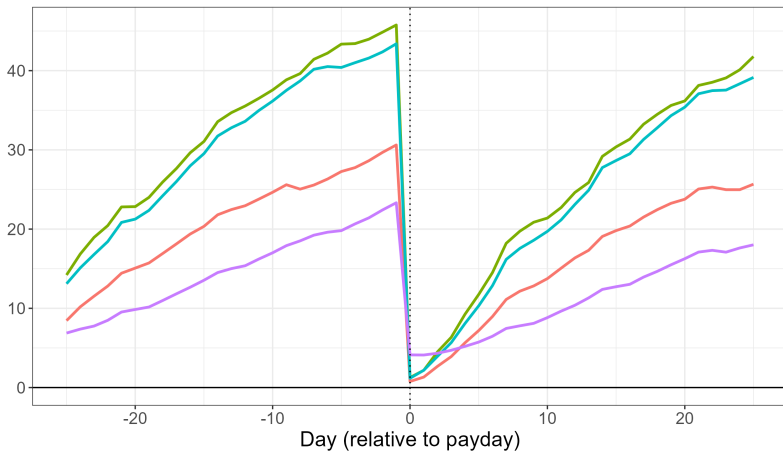
Overdraft

Share of households with an overdrawn account (%)
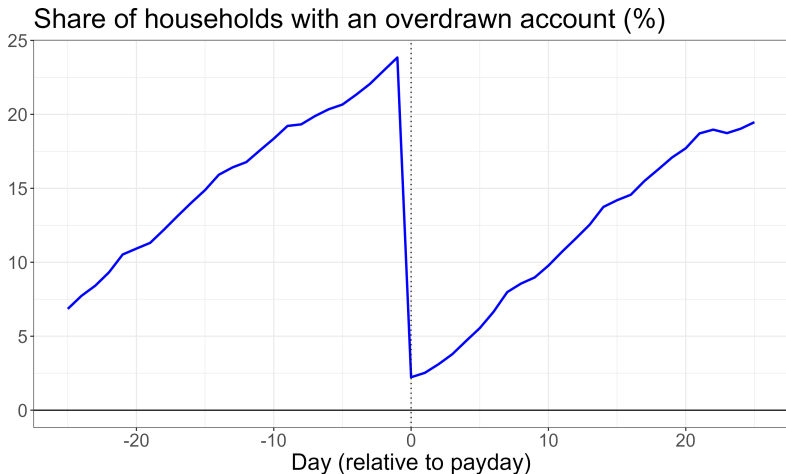
On average, the day before payday, 1/4 of households have an overdrawn account.

Overdraft

Share of households with an overdrawn account (%)

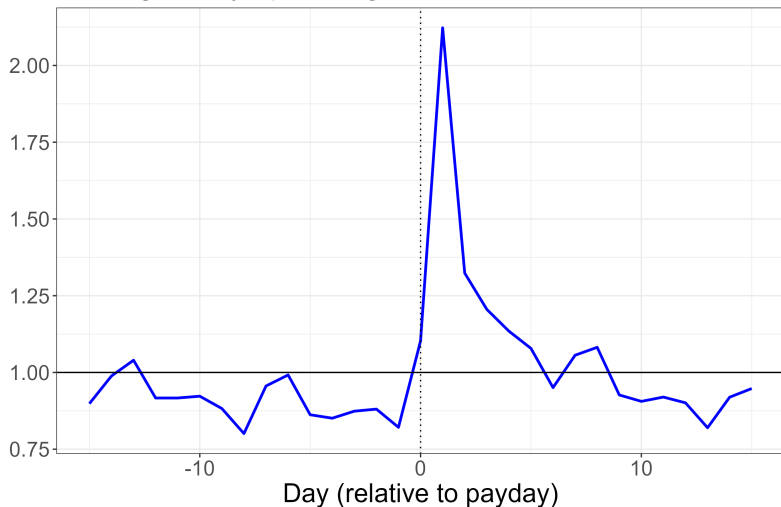# Spending

▶ On average, the day after payday, household debit card spending is twice as high as on an average day.

▶ <u>Heterogeneity :</u> the peak of spending is

$\rightarrow$ higher for the low-income households (3.6), single-parents (3.3) and households whose earnings mainly include welfare benefits (4.5)

$\rightarrow$ lower for the high-income households (1.6)
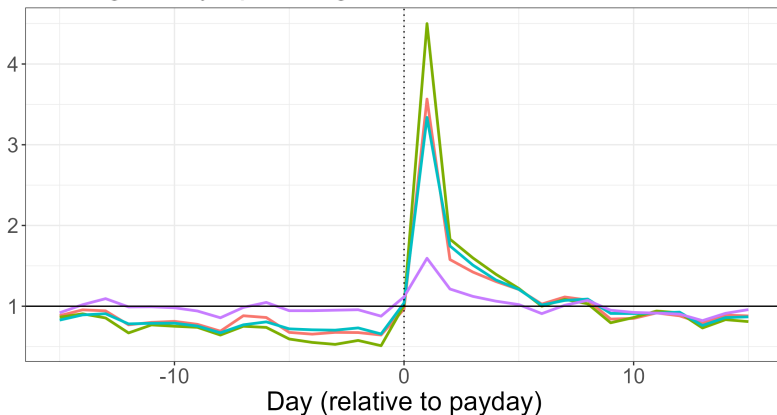
Spending

Average daily spending ratio

On average, the day after payday, household spending is twice as high as on an average day.
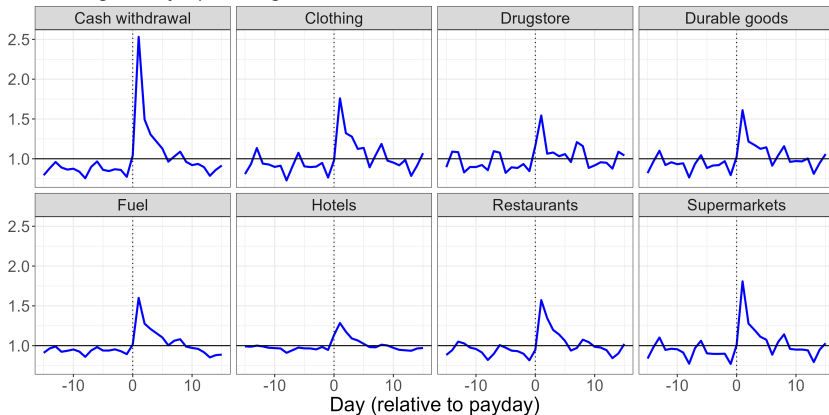
Spending

Average daily spending ratio

Legend:
- Bottom 25% income earners
- Households whose earnings mainly include welfare benefits
- Single-parents
- Top 25% income earners

Spending

Average daily spending ratio

Cash withdrawal : +150%, Supermarkets : +81%, Durable goods : +61%, Fuel : +60%, Drugstores : +54%, Hotels : +28%

Conclusion

▶ Households are increasingly financially constrained before payday

  → 1/4 of households have an overdrawn account before payday

▶ As a result, some transactions are postponed until after payday

  → the day after payday, household card spending is twice as high as on an average day

  → the delayed transactions are typically cash withdrawals and supermarket expenses

Thank you !