

THE WEALTH OF SPANISH HOUSEHOLDS:
A MICROECONOMIC COMPARISON WITH THE UNITED STATES,
ITALY AND THE UNITED KINGDOM

The wealth of Spanish households: a microeconomic comparison with the United States, Italy and the United Kingdom

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Introduction

The financial situation of households in Spain has changed significantly over the last few years. Particularly noteworthy is the upsurge in household debt relative to their gross available income which, by the end of 2004, had more than doubled since the middle of the previous decade. This increase in indebtedness has, nevertheless, been accompanied by a rise in household wealth – both financial and, more especially, housing-related – stemming from the increase in house prices and from high residential investment.

However, for a more precise assessment of the wealth position of Spanish households, it is necessary to carry out a more detailed analysis. Indeed, the analysis of differences in indebtedness or in the composition of wealth, according to income or age, will be important for drawing conclusions on aspects relating to macroeconomic and financial stability in the Spanish economy, such as possible sector vulnerability to unfavourable developments in financing costs, asset prices or incomes. The recent Spanish Survey on Household Finances (EFF) conducted by the Banco de España offers the possibility to analyse these issues¹.

This article analyses the financial situation of Spanish households through comparisons with other countries, with a view to identifying both common and distinctive characteristics of the financial position of households in Spain. More specifically, the analysis compares Spain with the United States, Italy and the United Kingdom, where the detailed data needed to construct the variables needed in this analysis are readily available². The comparisons drawn with the United States and the United Kingdom are of particular relevance, since the position of households in these two countries, particularly on account of their high ratios of indebtedness, is considered to be one of the determining factors in the countries' macroeconomic prospects.

In addition to this introduction, the article has six sections and one annex. The first describes the databases used, a more detailed description of which is given in the annex. Next follows an analysis of the distribution of net household wealth and income in the countries under review. The following section analyses the ownership and composition of household assets and liabilities for all households and for different population sub-groups, defined according to income level and age. In the case of indebted households, ratios that measure the magnitude of the debt contracted in relation to household income and wealth are also given. Finally, the last section sets out the main conclusions.

Data used

This study analyses, country by country, the household surveys that contain greater information on household assets and liabilities. In the case of Spain, the first wave of the EFF, corresponding to 2002 and conducted by the Banco de España, is used. The *Indagine sui Bilanci delle Famiglie (IBF)* for 2002, undertaken by the Banca d'Italia, is the reference database used in the case of Italy. The United States is the country whose survey, the *Survey of Consumer Finances (SCF)*, conducted by the Board of Governors of the Federal Reserve System, presents

1. For more detailed results, see *Survey of Household Finances (EFF): description, methods, and preliminary results* (2004) and, for further information about this survey, see Bover (2004). 2. The results of this article may occasionally differ from those set out in the aforementioned article since, for the purposes of this study, in order to draw comparisons with other countries, valuables are excluded from the definition of wealth and the rate of inflation has been applied to 2001 income levels to express it in 2002 euros.

the greatest similarities with the EFF; the wave used corresponds to 2001. In the case of the United Kingdom, the database that best compares with the others is the British Household Panel Survey (BHPS) from 2000, which is conducted by the Institute for Social and Economic Research. For the purpose of this comparative analysis, the annex describes the most relevant characteristics of these surveys.

All monetary amounts are expressed in 2002 euros and have been adjusted for inflation, in the cases of the United States and the United Kingdom, and for purchasing power parity for 2002, in the case of the various countries vis-à-vis Spain.

In principle, for similar sample sizes, oversampling of wealthy households in some surveys but not in others may give rise to differences in the results of certain analyses (obviously, after weighting the observations by their population weights). These differences will be more relevant in the analyses in which the values at the high end of the distribution range play an important part, owing to the lack of observations in certain cells in the absence of oversampling.

In the cases considered here, in Italy and the United Kingdom there is no oversampling of wealthy households unlike for Spain and the United States, although the sample sizes are somewhat larger. Nevertheless, the analyses carried out as part of this study tend to use measurements that are less sensitive to extreme values at the high end of the distribution ranges. For example, priority is given to the use of the median instead of the mean as a measurement of position, and the use of the 25th and 75th percentiles instead of standard deviations (or more extreme percentiles) as measures of dispersion³.

From the annex, it can be seen that the surveys available for Spain and the United States are very similar. The surveys for Italy and the United Kingdom contain some irreconcilable differences in the information relating to household assets and income, which hinder the comparison of some of the variables studied with the corresponding data for Spain and the United States.

More specifically, the IBF slightly understates Italian household wealth, particularly financial wealth, because of the non-availability of information on the value of pension schemes (which, according to the information contained in the IBF and the Italian financial accounts, represent between 2% and 3% of total household assets). In the case of the United Kingdom, the degree of understatement is greater on account of the non-existence of information on business values and, above all, pension scheme values. The latter represent approximately 30% of total UK household assets. Last, the Italian IBF includes information on household income net of tax, whereas the surveys for the other countries rely on information based on gross income. Accordingly, it is important to bear in mind that the income levels and dispersion given for Italy are less than those that would result from its gross income.

These differences have been taken into account in the comparative analysis, but they should also be remembered when comparing the results given in the tables.

Distribution of net wealth and income

DISTRIBUTION OF NET WEALTH

Table 1 shows measures of the distribution of net wealth in the four countries under review, both for all households and for different groups of the population, defined according to income and age, employment situation and level of education of the head of household.

3. The median of a variable is the value that comes mid-way in its distribution. It is obtained by selecting the middle value when all of the values are arranged in increasing order of size. The 25th (75th) percentile is the value which, after ordering all observations in increasing order of size, has 25% (75%) of them below it and the remaining 75% (25%) above it.

The table shows that the distribution of wealth among Spanish households is the most equal of the four countries. Consequently, the dispersion, as measured by the relative difference between the 25th and the 75th percentiles, is considerably smaller in Spain (3.4%) than in the United States (75.3) and the United Kingdom (55.5), and also smaller than in Italy (9.9). Generally, this smaller dispersion is also maintained in more homogenous population groups.

Mean household wealth in Spain is less than in both Italy and – by a far larger margin – the United States. However, in the case of variables, such as wealth, that produce some very high values for a small number of households, the mean is not a good indicator of the representative household situation. In these cases, it is better to use the median because it is less sensitive to extreme values. In the case of cross-country comparisons like the one here, the comparison of mean values can also be particularly misleading, since means are more sensitive to the different sample designs used for each country and capture the high part of wealth distribution to a different degree. In fact, as the table shows, the median net wealth of Spanish households is somewhat higher than that in Italy and considerably higher than that in the United States. Despite the household sector, as a whole, having greater wealth in both of the other countries, the lower concentration of wealth in Spain means that the typical Spanish household has greater wealth, especially when compared with its US counterpart⁴.

According to income levels, these differences increase considerably for the bottom half of the distribution, but are reversed for the top half. In the case of households in the bottom half of the income distribution, these comparatively higher values for Spanish households are observed not only in the median, but also in the mean. This partly reflects the differences between the property market in Spain and in other countries, given that a much higher percentage of Spanish households at the bottom of the income distribution are homeowners.

Similarly, the analysis by age shows that the highest median wealth values for the youngest age group (households whose head is aged less than 35) are to be found in Italy and Spain, where they are much higher than in the United States. This situation may, however, reflect – at least partially – cross-country differences in patterns of household formation and of independence among the young⁵.

It is noteworthy that the difference in median values for the different levels of education in Spain is less than that observed in the rest of the countries, and that in the case of the United States the difference is particularly large.

According to employment situation, the self-employed have a higher median net wealth in all of the countries, along with a smaller dispersion. For this population group, the levels observed in Spain and Italy for both measures (median and dispersion) are similar and also much lower than in the US case.

As previously mentioned, the database used for the United Kingdom contains no information on the amount invested in pension schemes, which is very relevant in the case of this country

4. If, instead of adjusting for purchasing power parity, we adjust only for the exchange rate, the differences are less since no allowance is made for prices, which are higher in the United States than in Spain. For example, adjusting for the exchange rate, the median wealth for all US households would be €78,000 (compared with €56,400 for purchasing power parity), still significantly less than the €95,700 in Spain. By income or wealth levels, the differences in the lower part of the distribution between adjusting for purchasing power parity or for the exchange rate are much less than the values for all households. Accordingly, adjusting only for the exchange rate, the median for the two lower quintiles of income distribution in the United States would be €1,700 and €29,000, respectively, compared with €1,200 and €21,000 after adjusting for purchasing power parity. 5. According to the data analysed, 14% of heads of household in Spain and Italy, 17% in the United Kingdom and 23% in the United States are less than 35 years old.

**HOUSEHOLD NET WEALTH (a).
DISTRIBUTION BY HOUSEHOLD CHARACTERISTICS**

Medians and averages in thousands of 2002 euro

| Household characteristics | SPAIN | | | ITALY (c) | | |
|--|-------------------|---------|-------------------|---------------|---------|---------------|
| | Median | Average | (p75-p25)/p25 (b) | Median | Average | (p75-p25)/p25 |
| ALL HOUSEHOLDS | 95.7 (2.6) (e) | 152.5 | 3.4 | 90.8 (1.8) | 156.5 | 9.9 |
| INCOME PERCENTILE | | | | | | |
| Less than 20 | 52.5 | 74.8 | 5.6 | 11.3 | 42.4 | (f) |
| Between 20 and 40 | 77.8 | 99.2 | 3.3 | 54.5 | 74.2 | 18.1 |
| Between 40 and 60 | 87.2 | 119.6 | 3.4 | 90.5 | 117.9 | 6.9 |
| Between 60 and 80 | 114.7 | 165.1 | 2.7 | 130.6 | 165.8 | 2.0 |
| Between 80 and 90 | 151.5 | 208.2 | 2.2 | 204.3 | 246.8 | 1.4 |
| Between 90 and 100 | 243.1 | 398.7 | 2.6 | 344.0 | 516.7 | 2.1 |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| Under 35 | 54.0 | 85.1 | 10.4 | 75.5 | 120.3 | 35.0 |
| 35-44 | 87.8 | 125.3 | 3.3 | 83.6 | 138.3 | 17.6 |
| 45-54 | 126.2 | 194.8 | 2.6 | 122.1 | 200.1 | 6.8 |
| 55-64 | 122.2 | 214.1 | 3.0 | 129.2 | 213.0 | 3.7 |
| 65-74 | 102.1 | 154.5 | 2.8 | 87.7 | 152.9 | 5.5 |
| Over 74 | 76.8 | 119.8 | 2.8 | 59.6 | 104.5 | 11.9 |
| LABOUR MARKET SITUATION OF HOUSEHOLD HEAD | | | | | | |
| Employee | 91.8 | 129.3 | 3.6 | 83.6 | 132.0 | 23.0 |
| Self-employed | 183.3 | 325.5 | 2.8 | 180.8 | 298.9 | 3.0 |
| Retired | 102.9 | 155.7 | 2.8 | 83.2 | 139.0 | 6.0 |
| Other inactive or unemployed | 64.3 | 96.0 | 5.2 | 31.6 | 75.3 | (f) |
| LEVEL OF EDUCATION OF HOUSEHOLD HEAD | | | | | | |
| Below secondary education | 82.0 | 118.1 | 3.0 | 69.2 | 108.2 | 14.3 |
| Secondary education | 107.4 | 159.2 | 4.0 | 131.9 | 205.5 | 7.0 |
| University education | 155.9 | 273.7 | 3.2 | 203.7 | 316.4 | 2.5 |
| NET WEALTH PERCENTILE | | | | | | |
| Less than 25 | 7.4 | 12.4 | 48.7 | 1.6 | 2.8 | (f) |
| Between 25 and 50 | 68.0 | 68.0 | 0.5 | 55.6 | 55.3 | 1.1 |
| Between 50 and 75 | 126.4 | 131.2 | 0.4 | 132.5 | 134.3 | 0.5 |
| Between 75 and 90 | 230.6 | 238.3 | 0.3 | 244.6 | 252.1 | 0.3 |
| Between 90 and 100 | 475.6 | 637.6 | 0.7 | 525.3 | 705.7 | 0.8 |

SOURCES: Spain: Spanish Survey of Household Finances (EFF) 2002; Italy: Indagine sui Bilanci delle Famiglie (IBF) 2002; United States: Survey of Consumer Finances (SCF) 2001; United Kingdom: British Household Panel Survey (BHPS) 2000.

- a. The net wealth figures presented do not include either vehicles, jewellery or other valuables.
b. Dispersion measure, where p25 is the value of the 25th percentile and p75 that of the 75th percentile.
c. The wealth figures for Italy do not include pension schemes.
d. The wealth figures for the United Kingdom do not include either pension schemes or business values.
e. Bootstrap standard errors in brackets.
f. 25th percentile nil or negative.

(30% of the total asset value), or on business values in the case of the self-employed. Consequently, the median values given for this country in the table are understated and cannot be compared with the values for the other countries.

DISTRIBUTION OF INCOME

Table 2 presents the results of an analysis for income, similar to that for wealth in Table 1. As can be seen, the asymmetry in the distribution of this variable is much smaller than for wealth, on account of the latter being the result of the accumulation of savings flows and intergenerational transfers.

TABLE 1

| UNITED STATES | | | UNITED KINGDOM (d) | | | Household characteristics |
|---------------|---------|---------------|--------------------|---------|---------------|---|
| Median | Average | (p75-p25)/p25 | Median | Average | (p75-p25)/p25 | |
| 56.4 (2.5) | 291.9 | 75.3 | 56.4 (1.3) | 127.6 | 55.5 | ALL HOUSEHOLDS |
| | | | | | | INCOME PERCENTILE |
| 1.2 | 36.2 | (f) | 4.4 | 54.3 | (f) | Less than 20 |
| 21.0 | 78.6 | 777.3 | 31.3 | 107.5 | (f) | Between 20 and 40 |
| 38.9 | 113.3 | 61.2 | 56.4 | 111.8 | 27.8 | Between 40 and 60 |
| 91.7 | 207.6 | 7.2 | 63.6 | 126.3 | 8.8 | Between 60 and 80 |
| 181.9 | 325.4 | 3.9 | 94.7 | 247.9 | 4.4 | Between 80 and 90 |
| 618.0 | 1,696.7 | 5.2 | 160.6 | 230.9 | 3.4 | Between 90 and 100 |
| | | | | | | AGE OF HOUSEHOLD HEAD |
| 1.7 | 56.2 | (f) | 2.7 | 31.6 | (f) | Under 35 |
| 46.6 | 187.1 | 47.3 | 42.4 | 91.7 | 26.2 | 35-44 |
| 88.6 | 362.0 | 16.2 | 84.8 | 129.5 | 5.5 | 45-54 |
| 120.5 | 546.1 | 10.8 | 112.6 | 187.1 | 5.4 | 55-64 |
| 118.5 | 503.3 | 7.5 | 101.0 | 213.3 | 11.5 | 65-74 |
| 110.5 | 352.0 | 6.6 | 62.4 | 137.6 | 52.0 | Over 74 |
| | | | | | | LABOUR MARKET SITUATION OF HOUSEHOLD HEAD |
| 37.8 | 162.9 | 115.6 | 48.0 | 96.3 | 16.0 | Employee |
| 253.0 | 935.2 | 10.9 | 111.3 | 201.2 | 5.1 | Self-employed |
| 80.5 | 337.7 | 20.3 | 82.3 | 180.9 | 40.7 | Retired |
| 0.9 | 132.4 | (f) | 0.0 | 56.7 | (f) | Other inactive or unemployed |
| | | | | | | LEVEL OF EDUCATION OF HOUSEHOLD HEAD |
| 12.4 | 74.4 | (f) | 45.5 | 105.1 | 131.6 | Below secondary education |
| 34.9 | 128.5 | 157.1 | 57.4 | 121.1 | 28.6 | Secondary education |
| 103.4 | 457.7 | 22.9 | 106.6 | 226.3 | 8.5 | University education |
| | | | | | | NET WEALTH PERCENTILE |
| -0.7 | -5.0 | (f) | 0.0 | -3.6 | (f) | Less than 25 |
| 22.2 | 24.5 | 2.6 | 21.8 | 25.3 | 3.3 | Between 25 and 50 |
| 104.6 | 114.7 | 0.9 | 90.7 | 93.8 | 0.6 | Between 50 and 75 |
| 312.8 | 330.8 | 0.6 | 199.5 | 206.0 | 0.4 | Between 75 and 90 |
| 978.1 | 2,086.1 | 1.7 | 434.0 | 676.2 | 0.7 | Between 90 and 100 |

The median income for Spain is very similar to that for the United Kingdom, albeit with a somewhat smaller dispersion, while the values for the United States are higher in the case of both measures. An analysis based on more homogenous groups reveals that, in general, the similarity between Spain and the United Kingdom is maintained by income and age group, and that in the United States the median values are higher for almost all groups.

The income data for Italy are net of tax, unlike for the other countries, with the result that their level is lower and their dispersion smaller than would be the case if gross income were used.

**HOUSEHOLD INCOME.
DISTRIBUTION BY HOUSEHOLD CHARACTERISTICS**

TABLE 2

Medians in thousands of 2002 euro

| Household characteristics | SPAIN | | ITALY (a) | | UNITED STATES | | UNITED KINGDOM | |
|--|-------------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| | Median | (p75-p25)/p25 | Median | (p75-p25)/p25 | Median | (p75-p25)/p25 | Median | (p75-p25)/p25 |
| ALL HOUSEHOLDS | 22.8 (0.5) (b) | 1.8 | 20.8 (0.3) | 1.5 | 30.8 (1.0) | 2.5 | 22.7 (0.3) | 2.2 |
| INCOME PERCENTILE | | | | | | | | |
| Less than 20 | 7.9 | 0.7 | 8.6 | 0.6 | 7.8 | 0.8 | 7.4 | 0.6 |
| Between 20 and 40 | 15.2 | 0.3 | 14.3 | 0.2 | 18.0 | 0.3 | 13.6 | 0.3 |
| Between 40 and 60 | 22.8 | 0.2 | 20.8 | 0.2 | 30.0 | 0.3 | 22.7 | 0.3 |
| Between 60 and 80 | 33.3 | 0.2 | 29.2 | 0.2 | 49.6 | 0.3 | 35.1 | 0.2 |
| Between 80 and 90 | 48.6 | 0.2 | 39.4 | 0.1 | 75.8 | 0.2 | 48.2 | 0.1 |
| Between 90 and 100 | 73.0 | 0.5 | 57.9 | 0.4 | 131.0 | 0.9 | 70.0 | 0.3 |
| AGE OF HOUSEHOLD HEAD | | | | | | | | |
| Under 35 | 24.1 | 1.2 | 22.7 | 1.2 | 25.7 | 2.1 | 23.5 | 1.8 |
| 35-44 | 25.0 | 1.5 | 23.1 | 1.2 | 39.9 | 1.9 | 33.2 | 1.1 |
| 45-54 | 30.0 | 1.6 | 27.8 | 1.2 | 42.5 | 2.1 | 35.9 | 1.5 |
| 55-64 | 26.3 | 1.6 | 24.0 | 1.4 | 35.1 | 2.6 | 25.4 | 1.7 |
| 65-74 | 17.1 | 1.9 | 16.1 | 1.3 | 21.7 | 2.9 | 14.5 | 1.4 |
| Over 74 | 10.6 | 1.6 | 12.5 | 1.1 | 17.2 | 2.2 | 10.9 | 1.0 |
| LABOUR MARKET SITUATION OF HOUSEHOLD HEAD | | | | | | | | |
| Employee | 27.7 | 1.3 | 24.2 | 1.2 | 36.6 | 1.9 | 34.2 | 1.1 |
| Self-employed | 31.3 | 1.5 | 29.5 | 1.4 | 48.7 | 3.1 | 31.8 | 1.4 |
| Retired | 17.4 | 1.7 | 16.0 | 1.3 | 16.3 | 2.7 | 12.4 | 1.3 |
| Other inactive or unemployed | 12.5 | 2.2 | 6.9 | 3.6 | 13.1 | 4.3 | 12.3 | 1.8 |
| LEVEL OF EDUCATION OF HOUSEHOLD HEAD | | | | | | | | |
| Below secondary education | 18.1 | 1.7 | 16.3 | 1.2 | 13.1 | 2.1 | 16.3 | 2.1 |
| Secondary education | 26.8 | 1.3 | 27.8 | 1.0 | 26.5 | 2.0 | 29.9 | 1.7 |
| University education | 39.4 | 1.6 | 37.8 | 1.1 | 44.0 | 2.1 | 35.1 | 1.6 |
| NET WEALTH PERCENTILE | | | | | | | | |
| Less than 25 | 16.6 | 1.6 | 12.7 | 1.2 | 16.8 | 2.5 | 13.3 | 1.6 |
| Between 25 and 50 | 19.6 | 1.6 | 16.3 | 1.1 | 25.4 | 1.9 | 23.1 | 1.8 |
| Between 50 and 75 | 23.9 | 1.6 | 23.9 | 0.9 | 37.6 | 2.0 | 23.5 | 2.3 |
| Between 75 and 90 | 31.0 | 1.5 | 32.6 | 0.8 | 54.3 | 1.5 | 29.0 | 1.8 |
| Between 90 and 100 | 47.2 | 1.4 | 44.7 | 1.0 | 98.3 | 2.4 | 37.0 | 1.5 |

SOURCES: EFF 2002, IBF 2002, SCF 2001 and BHPS 2000.

a. In Italy's case, the concept of disposable income is net income, unlike in the other countries in which it is gross income.

b. Bootstrap standard errors in brackets.

Composition of gross wealth

DISTRIBUTION OF WEALTH BY ASSET TYPE⁶

Table 3 shows the contribution of real assets and financial assets to the value of gross household wealth (columns 1 and 2). The two categories have been broken down further into distinct items, as follows: the first category into main residence, other real estate properties and businesses related to self-employment (columns 3 to 5); and the second category into accounts and deposits, pension schemes, mutual funds, fixed-income securities, shares and other equity, and other financial assets (columns 6 to 11)⁷.

⁶ In view of the non-availability of information on business and pension plan values, no comments are made as to the composition of asset portfolios for the United Kingdom. ⁷ Pension schemes include unit-linked or mixed life insurance.

As can be observed, the non-financial component has the greatest weight in all of the countries. However, while this component accounts for 56% of portfolio value in the United States, it amounts to more than 85% in Spain and Italy⁸. In the latter two countries, this contribution is high for all income groups and, although it diminishes slightly with income, the differences are small. In the case of lower-income population strata, the related figure is somewhat over 90%, whereas for the higher-income strata it is above 80%. In the United States, the variation observed is slightly larger (67.4% for low-income strata and 53.6% for high-income strata).

For all households, in all of the countries, the asset with the greatest weight is the main residence, although its importance is much greater in Spain and Italy (59%) than in the United States (28.5%). As household income increases, the contribution of this asset decreases in all of the countries. While it remains the main asset in Spain and Italy, with a weight of approximately 43% in the top decile, in the United States businesses related to self-employment is the largest portfolio component, accounting for about 24% of its total value compared with 18% in the case of the main residence.

Other real estate properties is the asset with the second largest weight in the portfolios of Spanish and Italian households, amounting to 21% and 16%, respectively, while in the United States, although the weight of these assets is also large (10%), it is less than that for businesses related to self-employment (17%) and pension schemes (15%). Consequently, Spain is the only country considered where the contribution to wealth of real estate properties other than the main residence is much higher than the contribution of all the financial assets put together.

Turning now to the financial component of wealth, important differences in composition can be observed among countries. Accounts and deposits are the main asset for Spanish (40%) and Italian households, with a contribution of almost three times that in the United States (15%), where pension schemes, mutual funds and shares and other equity have higher weights (33.5%, 23.1% and 21.5%, respectively). In Spain, shares and other equity owned directly⁹ by households are the second most important financial asset (26.2%), followed by pension schemes (17.5%) and mutual funds (9.5%).

By income level, for the top income decile, shares are much more important in Spain, where they are the asset with the greatest weight in the financial portfolio (43%), much more so than pension schemes (19%) and mutual funds (10%). In the United States, however, all three asset types have a similar weight (27.6%, 27.6% and 23.3%, respectively).

OWNERSHIP OF DIFFERENT ASSET TYPES

Table 4 shows the percentages of households that own different types of real estate assets, from which it is possible to see how extended each asset is among households. Table 5 sets out an equivalent analysis for financial assets.

Ownership of real assets

In Spain, 82% of households are owner-occupiers, the highest percentage observed in the countries under analysis, whereas the other three countries all have similar percentages close to 70%. The differences are greater in the case of the lower income levels. While the percentage in all of the countries is as high as 90% in the case of households with incomes in the highest decile of the distribution, significant differences can be observed for the 20% with the

⁸. The difference in the financial component of the portfolio between Spain and Italy is, in fact, greater than that indicated in Table 3 (12.6% and 14.7%, respectively) given that the data used in the IBF do not include information on pension schemes. Accordingly, if this item were excluded from the Spanish data, the contribution of financial assets to the total would be 10.6%. ⁹. In the case of the United States, unlisted shares and other equity are included in "other financial assets", but ownership is very limited.

**DISTRIBUTION OF THE VALUE OF HOUSEHOLDS' ASSETS,
BY TYPE OF ASSET AND HOUSEHOLD CHARACTERISTICS (% OF TOTAL ASSETS)**

| Household characteristics | Real assets as a percentage of total assets | | Financial assets as a percentage of total assets | | Main residence | Other real estate properties | Businesses related to self-employment |
|---------------------------|---|------|--|------|--------------------|------------------------------|---------------------------------------|
| | SPAIN | | SPAIN | | | | |
| ALL HOUSEHOLDS | 87.4 | 12.6 | 58.5 | 21.2 | 7.7 | | |
| INCOME PERCENTILE | | | | | | | |
| Less than 40 | 91.4 | 8.6 | 72.6 | 15.7 | 3.1 | | |
| Between 40 and 60 | 90.9 | 9.2 | 65.3 | 19.6 | 6.0 | | |
| Between 60 and 80 | 89.0 | 10.9 | 59.1 | 22.4 | 7.5 | | |
| Between 80 and 90 | 87.4 | 12.7 | 55.8 | 22.0 | 9.6 | | |
| Between 90 and 100 | 80.3 | 19.8 | 43.2 | 25.2 | 11.9 | | |
| UNITED STATES | | | | | | | |
| ALL HOUSEHOLDS | 55.7 | 44.3 | 28.5 | 9.9 | 17.3 | | |
| INCOME PERCENTILE | | | | | | | |
| Less than 40 | 67.4 | 32.6 | 51.9 | 7.9 | 7.7 | | |
| Between 40 and 60 | 57.9 | 42.1 | 43.5 | 7.3 | 7.0 | | |
| Between 60 and 80 | 56.0 | 44.0 | 39.9 | 7.9 | 8.2 | | |
| Between 80 and 90 | 55.9 | 44.1 | 35.9 | 8.4 | 11.6 | | |
| Between 90 and 100 | 53.6 | 46.4 | 17.9 | 11.5 | 24.3 | | |
| ITALY (a) | | | | | | | |
| ALL HOUSEHOLDS | 85.3 | 14.7 | 59.1 | 16.4 | 9.8 | | |
| INCOME PERCENTILE | | | | | | | |
| Less than 40 | 90.1 | 10.0 | 73.7 | 8.5 | 7.9 | | |
| Between 40 and 60 | 87.3 | 12.6 | 68.8 | 14.0 | 4.5 | | |
| Between 60 and 80 | 86.6 | 13.4 | 65.6 | 11.5 | 9.5 | | |
| Between 80 and 90 | 81.6 | 18.4 | 59.1 | 13.6 | 8.9 | | |
| Between 90 and 100 | 82.9 | 17.2 | 43.7 | 25.5 | 13.7 | | |
| UNITED KINGDOM (b) | | | | | | | |
| ALL HOUSEHOLDS | 70.3 | 29.7 | 63.0 | 7.3 | Not available (NA) | | |
| INCOME PERCENTILE | | | | | | | |
| Less than 40 | 64.4 | 35.4 | 59.1 | 5.4 | NA | | |
| Between 40 and 60 | 72.5 | 27.4 | 65.9 | 6.6 | NA | | |
| Between 60 and 80 | 79.6 | 20.3 | 71.4 | 8.3 | NA | | |
| Between 80 and 90 | 57.6 | 42.3 | 51.4 | 6.2 | NA | | |
| Between 90 and 100 | 77.8 | 22.2 | 67.7 | 10.1 | NA | | |

SOURCES: EFF 2002, SCF 2001, IBF 2002 and BHPS 2000.

a. The percentages for Italy are not relative to total assets but to the sum of assets that are available, which excludes pension schemes.

b. The percentages for the United Kingdom are not relative to total assets but to the sum of assets that are available, which excludes pension schemes and businesses related to self-employment.

c. Other financial assets, excluding pensions schemes.

lowest incomes. Here, the percentage for Spain is much higher (74%) than in the other three countries, where the percentages range from 40% to 47%. These marked differences are maintained until the middle of the income distribution. The percentage of owner-occupiers among young households (less than 35 years old) is also higher in Spain (68%), followed by Italy (58%), the United Kingdom (51%) and the United States (40%).

Similarly, the percentage of households owning real estate properties other than the main residence is notably different among the countries. Spain is the country with the highest per-

TABLE 3

| Accounts and deposits | Pension schemes and unit-linked or mixed life insurance | Mutual funds | Fixed-income securities | Shares and other equity | Other financial assets | Household characteristics |
|-----------------------|---|--------------|-------------------------|-------------------------|------------------------|---------------------------|
| SPAIN | | | | | | |
| 5.0 | 2.2 | 1.2 | 0.3 | 3.3 | 0.6 | ALL HOUSEHOLDS |
| INCOME PERCENTILE | | | | | | |
| 5.6 | 1.0 | 0.6 | 0.3 | 0.9 | 0.2 | Less than 40 |
| 5.2 | 1.2 | 0.7 | 0.3 | 1.2 | 0.6 | Between 40 and 60 |
| 5.3 | 1.9 | 1.2 | 0.4 | 1.7 | 0.4 | Between 60 and 80 |
| 5.0 | 3.0 | 1.5 | 0.3 | 2.3 | 0.6 | Between 80 and 90 |
| 4.3 | 3.8 | 2.0 | 0.2 | 8.5 | 1.0 | Between 90 and 100 |
| UNITED STATES | | | | | | |
| 6.5 | 14.8 | 10.2 | 2.3 | 9.5 | 0.9 | ALL HOUSEHOLDS |
| INCOME PERCENTILE | | | | | | |
| 9.6 | 9.6 | 8.7 | 0.7 | 2.8 | 1.2 | Less than 40 |
| 9.5 | 16.0 | 10.7 | 0.5 | 4.1 | 1.4 | Between 40 and 60 |
| 6.8 | 19.0 | 9.1 | 1.9 | 6.7 | 0.5 | Between 60 and 80 |
| 6.1 | 20.4 | 9.5 | 1.2 | 6.4 | 0.4 | Between 80 and 90 |
| 5.7 | 12.9 | 10.8 | 3.2 | 12.8 | 1.0 | Between 90 and 100 |
| ITALY (a) | | | | | | |
| 8.2 | Not available (NA) | 2.3 | 2.4 | 1.0 | 0.8 | ALL HOUSEHOLDS |
| INCOME PERCENTILE | | | | | | |
| 7.8 | NA | 0.4 | 0.6 | 0.3 | 0.9 | Less than 40 |
| 9.1 | NA | 1.2 | 1.6 | 0.4 | 0.3 | Between 40 and 60 |
| 7.2 | NA | 1.9 | 2.4 | 0.9 | 1.0 | Between 60 and 80 |
| 11.5 | NA | 2.5 | 2.9 | 1.0 | 0.5 | Between 80 and 90 |
| 7.0 | NA | 3.9 | 3.4 | 1.9 | 1.0 | Between 90 and 100 |
| UNITED KINGDOM (b) | | | | | | |
| 17.6 | Not available (NA) | | | 12.1 (c) | | ALL HOUSEHOLDS |
| INCOME PERCENTILE | | | | | | |
| 28.0 | NA | | | 7.4 | | Less than 40 |
| 14.2 | NA | | | 13.1 | | Between 40 and 60 |
| 11.7 | NA | | | 8.6 | | Between 60 and 80 |
| 20.2 | NA | | | 22.1 | | Between 80 and 90 |
| 11.7 | NA | | | 10.5 | | Between 90 and 100 |

centage (30%), followed by Italy, the United States and the United Kingdom with 22%, 17% and 8.5%, respectively. Once again, the greatest differences vis-à-vis Italy and the United States are observed at the bottom of the income distribution. Accordingly, 18.5% of the 20% of the Spanish households with the lowest incomes own real estate property other than the main residence (more than three times that observed in the United States and twice that in the case of Italy), whereas at the top of the distribution this difference is considerably less; approximately half of Spanish, Italian and US households in this income group own other real estate assets. In the case of the United Kingdom, however, these percentages are much lower throughout the income distribution and even in the top decile only rise slightly above 15%.

On the other hand, the ownership of businesses related to self-employment is quite similar in the three countries for which information is available, and ranges between 12% and 13%.

**HOLDINGS OF REAL ASSETS: PERCENTAGE OF HOUSEHOLDS OWNING THE ASSET,
BY TYPE OF ASSET AND HOUSEHOLD CHARACTERISTICS**

TABLE 4

| % of households owning the asset | | | | | | |
|----------------------------------|----------------|------------------------------|--|----------------|------------------------------|--|
| Household characteristics | Main residence | Other real estate properties | Businesses relating to self-employment | Main residence | Other real estate properties | Businesses relating to self-employment |
| | SPAIN | | | ITALY | | |
| ALL HOUSEHOLDS | 81.9 | 30.1 | 12.4 | 69.0 | 22.4 | 12.7 |
| INCOME PERCENTILE | | | | | | |
| Less than 20 | 73.7 | 18.5 | 4.0 | 47.0 | 8.2 | 4.2 |
| Between 20 and 40 | 79.0 | 22.9 | 8.5 | 62.8 | 15.2 | 8.0 |
| Between 40 and 60 | 80.8 | 27.4 | 12.8 | 70.1 | 19.4 | 8.9 |
| Between 60 and 80 | 85.1 | 33.5 | 15.3 | 77.4 | 27.5 | 15.4 |
| Between 80 and 90 | 89.6 | 42.7 | 19.9 | 85.1 | 32.7 | 19.8 |
| Between 90 and 100 | 92.3 | 53.7 | 22.6 | 89.9 | 50.7 | 34.1 |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| Under 35 | 68.3 | 16.6 | 13.0 | 57.6 | 17.2 | 17.4 |
| 35-44 | 78.9 | 26.0 | 16.5 | 60.1 | 19.6 | 17.7 |
| 45-54 | 83.2 | 36.3 | 16.8 | 72.2 | 26.6 | 17.8 |
| 55-64 | 88.4 | 40.9 | 15.8 | 80.6 | 31.3 | 14.1 |
| 65-74 | 87.9 | 32.8 | 5.1 | 77.4 | 23.6 | 4.0 |
| Over 74 | 84.1 | 23.8 | 1.3 | 68.5 | 15.2 | 0.9 |
| UNITED STATES | | | | | | |
| ALL HOUSEHOLDS | 67.7 | 16.8 | 11.9 | 69.7 | 8.5 | Not available (NA) |
| INCOME PERCENTILE | | | | | | |
| Less than 20 | 39.8 | 5.1 | 2.4 | 42.4 | 4.3 | NA |
| Between 20 and 40 | 57.1 | 10.6 | 7.1 | 54.6 | 4.3 | NA |
| Between 40 and 60 | 65.2 | 12.7 | 8.8 | 74.1 | 7.6 | NA |
| Between 60 and 80 | 81.8 | 18.2 | 11.8 | 83.7 | 10.1 | NA |
| Between 80 and 90 | 90.1 | 27.4 | 18.2 | 90.8 | 15.4 | NA |
| Between 90 and 100 | 94.3 | 45.9 | 38.8 | 94.9 | 16.4 | NA |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| Under 35 | 39.9 | 5.7 | 7.0 | 51.3 | 5.1 | NA |
| 35-44 | 67.8 | 15.1 | 14.2 | 76.7 | 11.0 | NA |
| 45-54 | 76.3 | 21.6 | 17.1 | 82.3 | 11.6 | NA |
| 55-64 | 83.2 | 24.3 | 15.6 | 78.4 | 12.0 | NA |
| 65-74 | 82.5 | 22.9 | 11.6 | 70.9 | 6.4 | NA |
| Over 74 | 76.2 | 19.4 | 2.4 | 57.6 | 4.2 | NA |

SOURCES: EFF 2002. IBF 2002. SCF 2001 and BHPS 2000.

Ownership of financial assets

As can be seen from Table 5, bank accounts and deposits are the financial assets most frequently found in household portfolios in all countries. Ownership of this type of asset is highest among Spanish households (98%, compared with 80.5% in the United Kingdom, where ownership is less frequent). By income group, the largest differences are concentrated in the lower-income strata; 95.5% of lower-income Spanish households own some assets of this type, considerably more than in the United States (70%), Italy (57%) and the United Kingdom (65%). Among higher-income households, these percentages are close to 100% in all of the countries.

Aside from bank accounts and deposits, pension schemes – owned by 24% of households – are the most common financial assets in Spain. Their popularity holds for all income levels, although the higher the income, the higher the ownership rate. In the United States, pension

schemes are also the most popular financial products (after bank accounts and deposits) for all income levels, but their degree of penetration is much greater than in Spain (61% of households).

Another prominent feature is the low direct ownership rate of fixed-income securities among Spanish households. Indeed, these securities are the least popular financial asset type across all income and age groups. This low ownership rate (only 1.9% of households own this type of asset) is not, however, observed in other countries. In the United Kingdom and Italy, these assets are one of the most popular among households, after bank accounts and deposits, with ownership rates of 29.5% and 14%, respectively, and 19% in the United States.

Composition of indebtedness

DISTRIBUTION BY PURPOSE OF DEBT

Table 6 shows the distribution of value of debt by purpose for Spanish, US and Italian households. In the case of the United Kingdom, the BHPS classification of liabilities is according to guarantee (mortgage or non-mortgage). The table also shows the debt incurred as a percentage of the total assets held, both for all households and the income levels considered.

The level of debt incurred by Spanish households amounts to a moderate percentage of their assets (8.7%), which, while lower than in the United States (12.6%), is higher than in Italy, where it is only 3.5%¹⁰. The low value observed in the case of Italy reflects the limited use of mortgage loans in that country where, historically, such loans were practically non-existent on account of the legal difficulties in executing guarantees in the event of non-payment. More recently, following reforms of the legal procedures, credit levels have begun to increase.

For the lower income levels, the median level for this percentage in Spain (6%) is lower than that observed for all households, unlike in the United States (15%) and Italy (4.5%). Indeed, for indebted households with incomes in the bottom 40% of the distribution, the differences between Spain and Italy here are considerably smaller than for all households.

By purpose of debt, the liabilities incurred to finance investment in housing or financial assets (or home refurbishments) account for 88% of the total value of Spanish household debt, higher than in the United States (82%) and, more especially, Italy (65%). In the case of the United Kingdom, mortgage debt amounts to 88% of the total, although this type of financing cannot be compared with property investment debt, given the importance that the financing of consumer spending using the value of a property as collateral has in this country.

For approximately half of the lower-income households, the proportion of debt used to finance consumption and education is much higher in Italy and the United States than in Spain (31%, 34% and 15%, respectively). This situation helps clarify why, for lower-income households, debt accounts for a higher proportion of assets in the United States and even in Italy (where resorting to credit is more limited), as will be seen later on.

Indebtedness to finance education, which cannot really be considered consumption, is higher in the United States than in Spain or Italy. Accordingly, 3.4% of US household liabilities are used to invest in human capital; in the case of lower-income households the percentage rises to 10%. By contrast, according to the EFF, the amount of debt incurred for this purpose is insignificant in Spain, while the Italian survey does not even consider this use among possible reasons for indebtedness. This lower level of private investment

¹⁰ Owing to the non-availability of information on pension schemes and businesses related to self-employment in the United Kingdom, the ratio for this country has an upward bias and it is not therefore possible to draw comparisons with other countries.

HOLDINGS OF FINANCIAL ASSETS: PERCENTAGE OF HOUSEHOLDS OWNING THE ASSET, BY TYPE OF ASSET AND HOUSEHOLD CHARACTERISTICS

| Household characteristics | % of households owning the asset | | | | | |
|------------------------------|----------------------------------|--------------|-------------------------|--|-------------------------|------------------------|
| | Accounts and deposits | Mutual funds | Fixed-income securities | Pensions schemes and unit-linked or mixed life insurance | Shares and other equity | Other financial assets |
| SPAIN | | | | | | |
| ALL HOUSEHOLDS | 98.2 | 7.2 | 1.9 | 24.1 | 12.5 | 4.5 |
| INCOME PERCENTILE | | | | | | |
| Less than 20 | 95.5 | 2.4 | 1.0 | 4.8 | 3.9 | 3.5 |
| Between 20 and 40 | 97.8 | 2.9 | 1.0 | 15.6 | 6.5 | 2.6 |
| Between 40 and 60 | 98.7 | 5.4 | 2.2 | 22.0 | 8.9 | 4.6 |
| Between 60 and 80 | 99.3 | 9.5 | 2.3 | 30.5 | 14.9 | 4.3 |
| Between 80 and 90 | 99.4 | 11.9 | 2.6 | 39.1 | 19.3 | 5.3 |
| Between 90 and 100 | 99.8 | 19.9 | 3.4 | 55.6 | 37.1 | 9.9 |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| Under 35 | 97.9 | 5.6 | 0.8 | 19.8 | 9.0 | 4.8 |
| 35-44 | 97.9 | 7.1 | 1.8 | 31.9 | 13.1 | 6.7 |
| 45-54 | 97.6 | 9.3 | 2.3 | 38.7 | 16.3 | 7.0 |
| 55-64 | 98.3 | 8.8 | 1.7 | 32.1 | 15.1 | 3.6 |
| 65-74 | 98.9 | 6.6 | 2.0 | 6.2 | 10.5 | 1.6 |
| Over 74 | 99.0 | 4.3 | 2.9 | 2.4 | 8.0 | 1.1 |
| UNITED STATES | | | | | | |
| ALL HOUSEHOLDS | 91.1 | 21.2 | 18.8 | 61.2 | 21.3 | 9.6 |
| INCOME PERCENTILE | | | | | | |
| Less than 20 | 70.4 | 5.1 | 4.1 | 23.0 | 3.7 | 6.4 |
| Between 20 and 40 | 89.3 | 11.1 | 11.8 | 45.9 | 10.6 | 10.7 |
| Between 40 and 60 | 95.8 | 19.3 | 15.0 | 62.0 | 16.2 | 10.0 |
| Between 60 and 80 | 98.7 | 24.9 | 26.5 | 81.8 | 25.8 | 9.0 |
| Between 80 and 90 | 99.8 | 33.3 | 33.1 | 89.0 | 36.8 | 11.3 |
| Between 90 and 100 | 99.7 | 55.0 | 37.9 | 91.1 | 60.7 | 12.8 |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| Under 35 | 86.0 | 12.7 | 12.9 | 50.2 | 17.4 | 10.6 |
| 35-44 | 90.7 | 19.1 | 23.9 | 67.4 | 21.6 | 9.7 |
| 45-54 | 92.3 | 23.6 | 22.8 | 71.6 | 22.1 | 9.1 |
| 55-64 | 93.6 | 28.8 | 18.5 | 68.2 | 26.6 | 11.0 |
| 65-74 | 93.8 | 25.8 | 14.8 | 59.3 | 20.5 | 8.4 |
| Over 74 | 94.7 | 25.1 | 17.3 | 44.4 | 21.8 | 8.2 |

SOURCES: EFF 2002, IBF 2002, SCF 2001 and BHPS 2000.

in human capital in Spain (and Italy) is due, in part, to a greater public provision of education.

HOUSEHOLDS WITH OUTSTANDING DEBTS

In Spain, the liabilities of the household sector are accounted for by just under half of the population, given that 44% of households have some type of outstanding debt (see Table 7). This proportion is much higher than in Italy (22%) and lower than in the United Kingdom (61%) and the United States (75%). While the differences between Spain, Italy and the United Kingdom are relatively stable in all population strata, there is a particularly pronounced divergence between Spain and the United States in the lower-income population strata (16% and 49%, respectively).

By purpose of debt, the percentage of households that have incurred debts to finance consumption is relatively similar in Spain and Italy, both for all households and by income level. Between

TABLE 5

| Accounts and deposits | Mutual funds | Fixed-income securities | Pension schemes and unit-linked and mixed life insurance | Shares and other equity | Other financial assets | Household characteristics |
|-----------------------|--------------|-------------------------|--|-------------------------|------------------------|---------------------------|
| ITALY | | | | | | |
| 85.8 | 12.1 | 14.2 | 8.6 | 9.7 | 7.2 | ALL HOUSEHOLDS |
| INCOME PERCENTILE | | | | | | |
| 57.2 | 1.0 | 1.8 | 1.9 | 0.5 | 3.3 | Less than 20 |
| 82.9 | 3.2 | 4.9 | 2.6 | 2.6 | 4.4 | Between 20 and 40 |
| 92.6 | 7.5 | 13.2 | 6.7 | 4.8 | 5.1 | Between 40 and 60 |
| 97.1 | 18.0 | 19.2 | 11.8 | 13.7 | 7.1 | Between 60 and 80 |
| 98.5 | 25.1 | 27.5 | 16.7 | 20.8 | 12.6 | Between 80 and 90 |
| 99.2 | 36.3 | 36.6 | 23.6 | 33.2 | 19.6 | Between 90 and 100 |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| 86.8 | 9.8 | 9.2 | 9.1 | 6.4 | 8.3 | Under 35 |
| 90.8 | 13.0 | 13.4 | 15.5 | 13.7 | 9.6 | 35-44 |
| 90.9 | 16.8 | 17.0 | 12.6 | 13.3 | 10.2 | 45-54 |
| 86.9 | 15.7 | 19.4 | 6.4 | 11.5 | 7.8 | 55-64 |
| 79.5 | 10.3 | 14.5 | 2.4 | 7.3 | 3.6 | 65-74 |
| 74.9 | 4.3 | 10.6 | 0.7 | 2.2 | 1.4 | Over 74 |
| UNITED KINGDOM | | | | | | |
| 80.5 | 20.8 | 29.5 | 18.4 | 29.7 | 6.1 | ALL HOUSEHOLDS |
| INCOME PERCENTILE | | | | | | |
| 65.2 | 5.9 | 16.3 | 2.7 | 10.7 | 2.8 | Less than 20 |
| 72.1 | 14.1 | 24.0 | 5.9 | 17.6 | 3.7 | Between 20 and 40 |
| 82.6 | 19.5 | 30.8 | 18.3 | 31.2 | 5.6 | Between 40 and 60 |
| 88.7 | 26.3 | 31.7 | 27.4 | 37.1 | 8.2 | Between 60 and 80 |
| 92.4 | 31.8 | 41.2 | 37.5 | 47.8 | 10.4 | Between 80 and 90 |
| 96.9 | 46.9 | 50.3 | 40.6 | 59.9 | 10.7 | Between 90 and 100 |
| AGE OF HOUSEHOLD HEAD | | | | | | |
| 72.5 | 9.7 | 15.7 | 19.4 | 20.7 | 4.4 | Under 35 |
| 81.0 | 19.7 | 24.8 | 27.8 | 33.3 | 5.8 | 35-44 |
| 83.9 | 26.2 | 35.3 | 32.0 | 36.6 | 6.3 | 45-54 |
| 83.8 | 33.0 | 37.3 | 23.2 | 39.3 | 8.0 | 55-64 |
| 80.9 | 28.2 | 38.9 | 4.0 | 30.0 | 8.2 | 65-74 |
| 82.0 | 11.3 | 28.7 | 0.8 | 19.8 | 4.5 | Over 74 |

Spain and the United states, the difference is considerable (for all households, 20.5% and 62%, respectively), although for low-income levels it is even greater (8% and 40%, respectively).

Nevertheless, despite the fact that three-quarters of all US households have outstanding debts and that more than 60% rely on credit merely to finance consumption, it is also worth highlighting that 15% do so to finance investment in education. The proportion of families that use credit for this purpose is relatively stable by income level but, as mentioned previously, in the case of lower-income households these debts account for a greater share of their indebtedness. By age group, 30% of households whose head is aged less than 35 have incurred debts to finance investment in human capital, a percentage not so different from the 39% observed for the acquisition of real estate property or financial assets.

The financial situation of indebted households

In the analysis of the degree of financial burden on households with debts outstanding, different measures can provide useful information: the ratio of regular debt payments

**DISTRIBUTION OF THE VALUE OF HOUSEHOLD DEBT
BY HOUSEHOLD CHARACTERISTICS (% OF TOTAL DEBT)**

TABLE 6

| % | | | | |
|---------------------------|--|---|-----------|--|
| SPAIN | | | | |
| Household characteristics | Purchase of main residence, other real estate properties, investment and home refurbishments | Purchase of vehicles and other goods and services | | Memorandum: debt as a percentage of total assets |
| ALL HOUSEHOLDS | 87.8 | 12.2 | | 8.7 |
| INCOME PERCENTILE | | | | |
| Less than 40 | 85.3 | 14.7 | | 6.2 |
| Between 40 and 60 | 85.1 | 14.9 | | 9.8 |
| Between 60 and 80 | 88.6 | 11.4 | | 10.0 |
| Between 80 and 90 | 87.7 | 12.3 | | 9.7 |
| Between 90 and 100 | 90.3 | 9.8 | | 8.5 |
| UNITED STATES | | | | |
| Household characteristics | Purchase of main residence, other real estate properties, investment and home refurbishments | Purchase of vehicles and other goods and services (excluding education) | Education | Memorandum: debt as a percentage of total assets |
| ALL HOUSEHOLDS | 82.2 | 14.4 | 3.4 | 12.6 |
| INCOME PERCENTILE | | | | |
| Less than 40 | 65.9 | 24.2 | 10.0 | 15.2 |
| Between 40 and 60 | 75.5 | 19.4 | 5.1 | 20.3 |
| Between 60 and 80 | 81.5 | 15.6 | 2.9 | 19.2 |
| Between 80 and 90 | 83.7 | 13.8 | 2.5 | 19.4 |
| Between 90 and 100 | 89.3 | 9.0 | 1.7 | 7.7 |
| ITALY | | | | |
| Household characteristics | Purchase of main residence, other real estate properties, investment and home refurbishments | Purchase of vehicles and other goods and services | | Memorandum: debt as a percentage of total assets (a) |
| ALL HOUSEHOLDS | 64.8 | 35.2 | | 3.5 |
| INCOME PERCENTILE | | | | |
| Less than 40 | 69.2 | 30.8 | | 4.5 |
| Between 40 and 60 | 69.8 | 30.2 | | 3.4 |
| Between 60 and 80 | 65.6 | 34.4 | | 4.6 |
| Between 80 and 90 | 69.0 | 31.0 | | 2.7 |
| Between 90 and 100 | 55.7 | 44.3 | | 2.7 |
| UNITED KINGDOM | | | | |
| Household characteristics | Mortgage debt | Non-mortgage debt | | Memorandum: debt as a percentage of total assets (b) |
| ALL HOUSEHOLDS | 88.1 | 11.9 | | 16.6 |
| INCOME PERCENTILE | | | | |
| Less than 40 | 80.1 | 19.9 | | 5.7 |
| Between 40 and 60 | 87.0 | 13.0 | | 14.6 |
| Between 60 and 80 | 88.1 | 11.9 | | 22.8 |
| Between 80 and 90 | 89.6 | 10.4 | | 17.2 |
| Between 90 and 100 | 89.8 | 10.2 | | 23.8 |

SOURCES: EFF 2002, SCF 2001, IBF 2002 and BHPS 2000.

a. The percentages for Italy are not relative to total assets but to the sum of assets that are available, which excludes pension schemes.

b. The percentages for the United Kingdom are not relative to total assets but to the sum of assets that are available, which excludes pension schemes and businesses related to self-employment.

**PERCENTAGE OF HOUSEHOLDS WITH DEBT OUTSTANDING,
BY PURPOSE OR TYPE OF DEBT AND HOUSEHOLD CHARACTERISTICS**

TABLE 7

| % of households with debt outstanding | | | | | | | |
|---------------------------------------|--|---|-------------------|-------------------|--|---|-------------------|
| Household characteristics | SPAIN | | | | ITALY | | |
| | Purchase of main residence, other real estate properties, investment and home refurbishments | Purchase of vehicles and other goods and services | Some type of debt | | Purchase of main residence, other real estate properties, investment and home refurbishments | Purchase of vehicles and other goods and services | Some type of debt |
| ALL HOUSEHOLDS | 30.5 | 20.5 | 43.6 | | 11.1 | 14.5 | 22.1 |
| INCOME PERCENTILE | | | | | | | |
| Less than 20 | 9.3 | 7.7 | 15.9 | | 3.4 | 7.9 | 10.1 |
| Between 20 and 40 | 22.7 | 19.7 | 37.4 | | 8.2 | 12.4 | 18.8 |
| Between 40 and 60 | 33.1 | 24.2 | 49.2 | | 8.9 | 15.6 | 21.9 |
| Between 60 and 80 | 39.0 | 26.7 | 54.2 | | 16.5 | 17.9 | 29.6 |
| Between 80 and 90 | 44.1 | 24.4 | 57.5 | | 16.5 | 16.1 | 27.8 |
| Between 90 and 100 | 52.8 | 23.6 | 64.7 | | 20.3 | 20.6 | 32.3 |
| AGE OF HOUSEHOLD HEAD | | | | | | | |
| Under 35 | 52.3 | 26.0 | 64.7 | | 15.7 | 19.0 | 30.1 |
| 35-44 | 49.3 | 26.7 | 63.5 | | 18.6 | 21.4 | 34.2 |
| 45-54 | 32.9 | 27.0 | 51.9 | | 13.9 | 20.8 | 30.0 |
| 55-64 | 23.5 | 22.4 | 41.0 | | 9.1 | 12.7 | 18.8 |
| 65-74 | 8.8 | 10.2 | 17.0 | | 3.1 | 5.6 | 7.9 |
| Over 74 | 3.8 | 1.5 | 5.3 | | 1.3 | 1.4 | 2.5 |
| UNITED STATES | | | | | | | |
| Household characteristics | Purchase of main residence, other real estate properties, investment and home refurbishments | Purchase of vehicles and other goods and services (excluding education) | Education | Some type of debt | UNITED KINGDOM | | |
| | | | | | Mortgage debt | Non-mortgage debt | Some type of debt |
| ALL HOUSEHOLDS | 46.8 | 62.0 | 14.6 | 75.1 | 40.3 | 45.8 | 60.7 |
| INCOME PERCENTILE | | | | | | | |
| Less than 20 | 15.2 | 40.0 | 12.5 | 48.8 | 8.5 | 22.2 | 27.2 |
| Between 20 and 40 | 27.0 | 61.8 | 14.1 | 69.8 | 15.8 | 30.3 | 38.7 |
| Between 40 and 60 | 45.5 | 69.1 | 16.2 | 81.0 | 41.5 | 52.6 | 68.3 |
| Between 60 and 80 | 63.6 | 73.7 | 16.8 | 85.5 | 61.1 | 62.3 | 81.5 |
| Between 80 and 90 | 79.3 | 73.0 | 14.6 | 91.5 | 71.4 | 66.0 | 86.3 |
| Between 90 and 100 | 79.4 | 54.5 | 12.2 | 85.3 | 75.4 | 62.8 | 88.7 |
| AGE OF HOUSEHOLD HEAD | | | | | | | |
| Under 35 | 39.0 | 72.4 | 30.3 | 82.7 | 49.8 | 71.2 | 84.8 |
| 35-44 | 61.3 | 73.8 | 15.0 | 88.6 | 72.6 | 67.2 | 89.9 |
| 45-54 | 62.1 | 68.4 | 13.7 | 84.6 | 62.6 | 59.2 | 82.5 |
| 55-64 | 51.2 | 59.4 | 9.3 | 75.6 | 32.7 | 46.0 | 59.4 |
| 65-74 | 33.3 | 42.8 | 2.5 | 56.8 | 8.3 | 17.3 | 23.0 |
| Over 74 | 10.3 | 24.1 | 0.1 | 29.2 | 3.5 | 6.0 | 9.1 |

SOURCES: EFF 2002, IBF 2002, SCF 2001 and BHPS 2000.

**DEBT TO INCOME RATIOS OF HOUSEHOLDS WITH DEBT OUTSTANDING,
BY HOUSEHOLD CHARACTERISTICS**

TABLE 8

| Household characteristics | SPAIN | | ITALY (a) | | UNITED STATES | | UNITED KINGDOM | |
|---------------------------|--------|-----------------|-----------|-----------------|---------------|-----------------|----------------|-----------------|
| | Median | 75th percentile | Median | 75th percentile | Median | 75th percentile | Median | 75th percentile |
| ALL HOUSEHOLDS WITH DEBT | 70.8 | 153.3 | 38.2 | 105.5 | 76.8 | 163.6 | 95.5 | 189.3 |
| INCOME PERCENTILE | | | | | | | | |
| Less than 20 | 125.1 | 376.3 | 52.0 | 250.0 | 57.5 | 207.4 | 63.9 | 498.8 |
| Between 20 and 40 | 85.0 | 205.3 | 43.0 | 149.7 | 47.2 | 148.9 | 28.6 | 193.5 |
| Between 40 and 60 | 84.8 | 169.8 | 37.5 | 97.8 | 72.7 | 181.7 | 87.6 | 213.7 |
| Between 60 and 80 | 71.2 | 143.2 | 33.1 | 104.8 | 99.4 | 167.3 | 116.6 | 192.7 |
| Between 80 and 90 | 50.9 | 117.5 | 30.4 | 30.4 | 102.1 | 157.1 | 112.9 | 162.6 |
| Between 90 and 100 | 52.6 | 94.9 | 37.6 | 85.5 | 79.7 | 127.0 | 141.5 | 234.5 |
| AGE OF HOUSEHOLD HEAD | | | | | | | | |
| Under 35 | 129.3 | 220.1 | 46.0 | 147.0 | 75.0 | 168.2 | 141.5 | 234.5 |
| 35-44 | 84.2 | 173.4 | 45.8 | 118.3 | 101.0 | 184.1 | 140.9 | 211.4 |
| 45-54 | 46.6 | 113.9 | 33.1 | 86.3 | 82.3 | 157.9 | 81.8 | 152.7 |
| 55-64 | 40.3 | 103.9 | 29.2 | 91.9 | 68.2 | 153.0 | 34.9 | 103.4 |
| 65-74 | 25.5 | 60.0 | 25.4 | 57.7 | 51.9 | 133.4 | 16.7 | 69.6 |
| Over 74 | 41.6 | 137.9 | 27.8 | 38.4 | 19.9 | 91.4 | 8.1 | 58.4 |

SOURCES: EFF 2002, IBF 2002, SCF 2001 and BHPS 2000.

a. In Italy's case the concept of disposable income is net income, unlike in other countries in which it is gross income.

(including repayment of principal and interest) to income and the ratios of debt to income and debt to wealth. While the first measure reflects the ability to honour financial commitments in the short term, the latter two provide greater information about the debt burden over a longer horizon. In this section, Tables 8 and 9 refer to the second type of measure, since comparisons between countries cannot be made with the information available for the first measure. The tables give the median values and the 75th percentile of the distribution of the ratios of debt to income and wealth. This is because the analysis of the top part of the distribution of the financial burden indicators is of particular importance when studying the impact of an adverse development in the capacity to honour debt repayments.

DEBT TO INCOME

In Spain, outstanding debts amount to 71% of the gross income of the median indebted household (see Table 8). This percentage is similar to that observed in the United States (77%), but lower than that in the United Kingdom (95.5%). Italy is, by far, the country with the lowest median household indebtedness (38.2% in terms of net income and possibly even lower in terms of gross income).

However, these median ratios mask significant heterogeneity among different population segments, meaning that, even between Spain and the United States – which have a similar ratio for all households – considerable differences between groups can be observed. Although for all households the highest median by far is observed in the United Kingdom, the larger ratios correspond to the wealthiest households in the country (in the top part of the income distribution) and to the youngest ones (those with a higher income growth potential). The same can be said of the United States, where the ratio of debt to income increases with the level of income, whereas in Spain and Italy the opposite occurs, with the households with comparatively higher ratios being those with lower incomes.

**DEBT TO GROSS WEALTH RATIOS OF HOUSEHOLDS WITH DEBT OUTSTANDING,
BY HOUSEHOLD CHARACTERISTICS**

TABLE 9

| Household characteristics | SPAIN | | ITALY (a) | | UNITED STATES | | UNITED KINGDOM (b) | |
|---------------------------|--------|-----------------|-----------|-----------------|---------------|-----------------|--------------------|-----------------|
| | Median | 75th percentile | Median | 75th percentile | Median | 75th percentile | Median | 75th percentile |
| ALL HOUSEHOLDS WITH DEBT | 18.0 | 41.0 | 12.0 | 37.4 | 36.2 | 82.2 | 46.5 | 84.2 |
| INCOME PERCENTILE | | | | | | | | |
| Less than 20 | 21.6 | 53.1 | 40.0 | 500.0 | 81.8 | 1,026.0 | 218.8 | (c) |
| Between 20 and 40 | 19.1 | 47.7 | 30.7 | 78.4 | 48.2 | 147.4 | 66.7 | 6,307.5 |
| Between 40 and 60 | 18.7 | 44.3 | 13.5 | 52.2 | 45.6 | 95.2 | 46.0 | 89.5 |
| Between 60 and 80 | 19.8 | 40.3 | 11.6 | 34.4 | 37.6 | 68.5 | 46.5 | 75.2 |
| Between 80 and 90 | 15.3 | 32.4 | 6.2 | 6.2 | 29.3 | 55.9 | 41.7 | 65.1 |
| Between 90 and 100 | 16.0 | 29.1 | 5.9 | 15.7 | 17.7 | 34.9 | 34.8 | 59.1 |
| AGE OF HOUSEHOLD HEAD | | | | | | | | |
| Under 35 | 36.9 | 58.3 | 18.3 | 48.3 | 83.9 | 299.2 | 82.4 | 566.8 |
| 35-44 | 21.6 | 43.1 | 17.1 | 52.4 | 43.3 | 80.2 | 53.4 | 81.5 |
| 45-54 | 12.3 | 26.8 | 7.3 | 26.7 | 30.3 | 61.8 | 29.5 | 55.0 |
| 55-64 | 11.1 | 27.3 | 6.6 | 26.3 | 16.9 | 39.4 | 15.3 | 41.4 |
| 65-74 | 8.1 | 18.3 | 5.6 | 12.1 | 10.0 | 27.1 | 5.0 | 24.8 |
| Over 74 | 10.5 | 17.6 | 3.3 | 7.0 | 5.3 | 32.7 | 3.5 | 19.6 |

SOURCES: EFF 2002, IBF 2002, SCF 2001 and BHPS 2000.

- a. The wealth figures for Italy do not include pension schemes.
- b. The wealth figures for the United Kingdom do not include pension schemes or values of businesses.
- c. Over 25% of the observations have zero gross wealth.

In fact, the level of indebtedness in relation to income of households in the bottom half of the income distribution is, in contrast to what is observed for all households, much higher in Spain than in the other countries. More specifically, for indebted households with lower incomes (below the first quintile of income), the median ratio is 125% in Spain, 64% in the United Kingdom and 57.5% in the United States. For the next income segment, the ratio is 85% in Spain, 29% in the United Kingdom and 47% in the United States.

DEBT TO WEALTH

Table 9 sets out the distribution of the ratios of debt to gross assets. The non-availability of information on pension schemes and businesses related to self-employment in the United Kingdom means that the ratio for this country is overstated, with the result that it can only be used as a maximum value.

For the median indebted household, Spanish household debt implies a low proportion of its assets (18%), although slightly higher than in Italy (12%)¹¹, but lower than in the United States (36%). These differences are more significant in the case of households in the bottom part of the income distribution. Thus, indebted Spanish households with income levels below the fifth quintile have a smaller ratio (22%) than in the United States (82%) and even Italy (40%). For indebted households in the next income segment, the ratio is 19% in Spain, 31% in Italy and 48% in the United States.

¹¹ The ratio given for Italy may be slightly overstated, given the non-availability of information on pension schemes, although, as previously mentioned, they play only a minor role in this country, at least as far as the household sector as a whole is concerned. By contrast, in the United Kingdom the importance of this type of asset in household portfolios means that the overstatement of the ratio given may possibly be much greater.

The discrepancies between countries in the levels of this ratio stem partly from differences in the composition of debt. Thus, a substantial proportion of Spanish household liabilities are used to finance the acquisition of real estate assets, while the weight of loans to finance consumption is rather low. By contrast, in the United States and Italy, the debt incurred for this purpose has a much greater weight, especially in the case of lower-income households, as previously mentioned.

It is also true that indebtedness to finance investment in education in the United States is significant, unlike in Spain (and Italy), especially for households in the bottom part of the income distribution. However, human capital is not included in the calculation of wealth.

A further aspect to be taken into account on assessing Spanish indebted households' debt to wealth ratios is that assets are made up, in a large proportion, of real estate property. As a result, this ratio largely depends on the price of a single asset, namely housing. Moreover, especially in the case of lower-income households, much of the value of their wealth is in their principal dwelling, which in turn meets their lodging needs.

Conclusions

This article has compared the financial position of Spanish households with that of households in the United States, Italy and the United Kingdom. This comparative study allows several worthwhile conclusions to be drawn and highlights the usefulness of analysis based on types of households for assessing the wealth position of households.

The analysis conducted firstly shows that the distribution of net wealth is more equitable in Spain than in the other countries considered. Further, median wealth is higher than that in the other countries analysed, especially in the bottom half of the income distribution.

This situation reflects, in part, significant differences in the composition of assets seen in the four countries. In the analysis, Spain is the country where the proportion of households owning their main dwelling and that of owners of other real estate assets are highest. This difference is even more marked for households in the bottom half of the income distribution. The information on the contribution of real estate properties to the total volume of assets is along the same lines, and points to Spain as the country where financial assets have least weight.

The study of the composition of liabilities shows that Spain is the country where debt to finance consumption is of least significance. Once again, this difference between Spain and the other countries is even greater for households in the lower part of the income distribution.

In terms of financial situation, the median debt ratios in Spain are at moderate levels. However, indebted households in the bottom half of the income distribution in Spain bear greater debts relative to their income than those of the other countries analysed. At the same time, however, these debts account for a much lower proportion of their assets than is the case for the other countries. Naturally, this stems from their greater propensity to purchase, and finance via loans, their principal dwelling.

Accordingly, any comparison of the wealth position of indebted Spanish households relative to that of the other countries should take into account Spain's greater dependence on changes in real estate property prices. In this respect, it should be borne in mind that not only are such assets generally less liquid than financial instruments, but also that, insofar as households' main asset is the house in which they live, they have greater dif-

difficulties in adjusting the size and composition of their wealth in the face of adverse shocks.

18.4.2005.

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ANNEX: Description of the financial surveys used

Spain: Survey of Household Finances (EFF) 2002

The EFF includes an extensive range of questions to households on their real and financial assets, liabilities, income (labour and non-labour), expenditure and socio-demographic characteristics, for a sample of more than 5,000 households. A significant characteristic of this survey, shared with the US SCF, is that it includes an oversampling of the wealthiest households in order to be able to study financial behaviour in the upper bracket of the wealth distribution.

Italy: Indagine sui Bilanci delle Famiglie (IBF) 2002

The Italian survey on household income and wealth, conducted every two years, interviews approximately 8,000 households and, since 1989, a portion of these have been interviewed again in successive editions of the IBF.

Regarding the comparison made in this article, one limitation of these data is the lack of information on the value of household pension schemes. According to the aggregated Financial Accounts, pensions schemes for households as a whole account for a similar proportion of the total value of household assets in Italy and Spain. However, it is not known whether the distribution for the different types of household is also similar. A further difference with the data from the EFF, the SCF and the BHPS is that the income included in the IBF is net of taxes.

United States: Survey of Consumer Finances (SCF) 2001

In its current form, the SCF has been conducted every three years in the United States since 1989. It provides highly detailed information on household wealth. The sample, of some 4,500 households, includes a random part and one with an oversampling of the wealthiest households.

United Kingdom: British Household Panel Survey (BHPS) 2000

The annually conducted British household panel survey includes information on various socio-economic variables at the individual and household levels for the period between 1991 and 2002. The sample comprises approximately 9,000 households, which are interviewed again in each edition of the BHPS¹. Although the survey on which this panel is based is annual, some questions - on financial assets and non-mortgage debts - are not posed every year. Accordingly, we have used the closest comparable wave with the EFF in which this information is available, corresponding to the year 2000.

This panel is the only data source allowing the household financial situation in the United Kingdom to be analysed, though it does have certain limitations in this connection which should be taken into account. The most important of these is that it does not include information on the value of businesses for households with self-employed members, or on the value of pension schemes. The lack of information on the value of the latter is particularly problematic since, according to the UK aggregate Financial Accounts, they account, for all households, for around 30% of household assets and they are the second most significant asset after real assets. Further, for the financial assets on which information is included, the breakdown is fairly limited in respect of amounts (it only allows a distinction to be drawn between the amount invested in deposits and other assets).

Another difficulty with the use of the BHPS wealth variables is the absence of generalised imputation when there is a failure to respond to questions on the value of the various assets and debts considered. That is contrary to the EFF and the SCF, which do include overall imputation processes. As for the IBF, it does not envisage as part of the sample those households which do not respond to certain key questions.

1. Northern Ireland was not included until 2001.

Specifically, when a household does not answer one or more of these questions, the BHPS provides imputed values for revenue, the value of the house in which it resides and mortgage debt, but it does not do so for unanswered questions on the value of non-mortgage debt, real estate properties other than the main residence, bank accounts and deposits, and financial assets. For 30.2% of the households present in the sample available for the year 2000, there is no information for one or more of these variables for one or more members of the family unit².

Any analysis based exclusively on households with these questions completed might give rise to significant biases in the results. To address this problem, this paper has devised imputations for the unanswered values of the variables mortgage debt, real estate properties other than the main residence, accounts and deposits, and other financial assets, using randomisations from regression predictions³.

2. To obtain the quantitative variables at the household level drawing on the information relating to each household member, the value of the variable in question is added for all the household components. In those cases where there is no figure for one of the individuals, that household cannot be used in the analysis. 3. For more information on imputation methods and their rationale, see Bover (2004).