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Early results of the fourth wave of the Belgian Household Finance and Consumption Survey

by M. de Sola Perea and L. Van Belle

National Bank OF BELGIUM

Eurosystem

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Introduction

The Household Finance and Consumption Survey (HFCS) is a European-wide exercise, coordinated by the ECB and national central banks, sometimes jointly with the national statistical institutes. Its goal is to build a dataset on household finances that makes European analyses and cross-country comparisons possible.

Micro data add a great deal of value to aggregated data. By allowing us to identify differences across households (according to their demographic characteristics, type and level of income, wealth, debt burden, etc.), they make it possible to analyse the distributional impact of economic policy measures and to identify which policies are more effective, or which parts of the population may be at higher risk when the economy faces negative shocks. More generally, this survey contributes to a better knowledge of the Belgian and euro area economies, and of the impact of economic shocks as well as subsequent policy responses.

In Belgium, organisation of the survey falls under the responsibility of the National Bank of Belgium (NBB), with support from the National Register and Statbel. The NBB adapts the European questionnaire to Belgian characteristics and specific needs, designs the sample, and processes and analyses the data. The fieldwork is outsourced to a specialist agency by public tender, although it is followed up closely by NBB. The survey is then conducted through face-to-face interviews with households. The first wave of the Belgian survey took place in 2010. Since 2014, it has been conducted every three years.

This article presents the first results of the fourth wave of the Belgian HFCS, which took place in 2020 and 2021. This time framework, coinciding with the COVID-19 pandemic, has implied important challenges for the implementation of the survey (see box 1), but it also made it possible to obtain data that are relevant for an assessment of the impact of this crisis on households.

The article is split into five sections. The first section offers a very brief account of the macroeconomic and financial context around the time the survey was conducted. The second presents the main results concerning households' income and its distribution. The third section is devoted to the assets held by Belgian households, while the fourth focuses on their liabilities. The fifth section examines the net wealth of households in Belgium, and its distribution. The article ends with some provisional conclusions based on these findings.

1. Macroeconomic context

The fieldwork for the fourth wave of the Belgian HFCS took place between July 2020 and June 2021. Demographic questions, as well as questions about assets, debt, and employment status refer to the moment when the interview with each household was held. Information about income, on the other hand, refers to the year 2019.

The previous wave of the survey, which serves as a comparison for most of the results discussed in this article, took place in 2017 (income for 2016). Between 2017 and 2019, economic growth remained positive in Belgium, despite slowing down somewhat. The COVID-19 pandemic caused a strong fall in economic activity in 2020, followed by a robust recovery in 2021, as the epidemic situation improved, on the back of government support for households and firms. The unemployment rate, which increased in 2020, fell markedly in 2021. Consumer price inflation, which had dropped in 2020 due to plummeting demand for (certain) goods and services. It rose again in 2021 but remained moderate over the first half of the year (during which the fieldwork for the survey was taking place). The recovery, however, was not homogeneous across sectors (see box 1 for a discussion on the impact of the pandemic on the implementation of the Belgian HFCS and box 3 for an overview of the first results of the effects on households' finances).

House prices went up steeply during the survey period. Stock markets, which had crashed at the start of the pandemic, recovered relatively quickly. Overall household debt levels went up, propelled by housing loans. The latter were supported by low borrowing rates, a positive outlook for the property market, and improving consumer confidence during the recovery. These developments have exerted some influence on the results presented in the rest of the article.

BOX 1

Impact of COVID-19 on the conduct of the HFCS and its findings

The HFCS is conducted by means of personal, face-to-face interviews with members of households randomly selected in Belgium. So, the outbreak of the COVID-19 pandemic and the measures taken by the government to minimise contagion implied that interviews, scheduled to start at the end of March 2020, had to be postponed.

As the health situation improved at the end of the first wave of the pandemic and restrictions were lifted, the National Bank launched the fieldwork early in July 2020, though still experimentally. This made it possible to assess the willingness of households to take part in the proposed interviews in the midst of the pandemic and to react quickly if conditions deteriorated, including by changing the interview method or suspending the fieldwork if necessary. The data collection started with "panel" households (i.e. households that had taken part in the 2017 wave of the survey), and with measures to prevent contagion, including wearing face masks, keeping a distance, and giving preference to interviews outdoors or in well-ventilated places.

▶

The worsening of the country's public health situation in the autumn of 2020 first led to an interruption and then a change in the interview method: starting from November, interviews were conducted on the phone (663) or through videocalls (80), after a first and brief contact in person with the household.

The circumstances and change in interview mode had an impact on the data collection: the fieldwork had to be extended until the end of June 2021, while fewer households than in previous waves took part in the survey: the sample of the fourth wave amounts to 2 130 households, down from 2 329 for the third wave of the survey.

In addition to this impact on the sample size, the pandemic and the extraordinary circumstances of this wave may have also affected its structure. In contrast to previous waves, it was not possible to reach people living in collective households, such as homes for the elderly, for instance. Concerns about the pandemic may have caused some, possibly more vulnerable, households to refuse any face-to-face encounter. Interviews by telephone or video call may have also been more complicated for some people.

These effects are likely not to be completely random, which could bias the sample away from certain types of households, although households' weightings have been adjusted to counter the lack of representativeness in some cases. After comparison with external sources, and in particular the European Union's Statistics on Income and Living Conditions (EU-SILC) for 2020, the most noticeable differences concern the change in percentage of tenants since the previous wave (HFCS figures show a decline but EU-SILC figures an increase) and a strong fall in the representation of low-educated elderly people (over 65 years old), in comparison with a more moderate decrease for the EU-SILC. Some of these divergences in representativeness were already evident, although to a lesser extent, in previous waves of the survey. All in all, the comparison with external sources (be it macro statistics or surveys) shows a relatively similar pattern to previous waves, although some differences seem to have become somewhat more acute.

Another possible difference with previous waves could be linked to the higher mortality suffered in Belgium due to the pandemic: among households with a reference person older than 75 years, the share of single-person (as opposed to couples) households has increased in the last few years. In addition, the proportion of households having received a gift or inheritance was higher than in previous years.

2. Income

Households that participated in the latest wave of the HFCS provided information on their gross annual income in 2019 and its sources. The concept of income used within the HFCS refers to the gross annual revenues of the entire household. Recording gross rather than net income implies that taxes and social security charges are not discounted. Social transfers (such as child benefits), unemployment assistance and other (public or private) transfers are, however, included, whether regular (e.g. child alimony) or one-off (e.g. lottery wins). In principle, then, net disposable income would be lower than the figures reported by the HFCS.

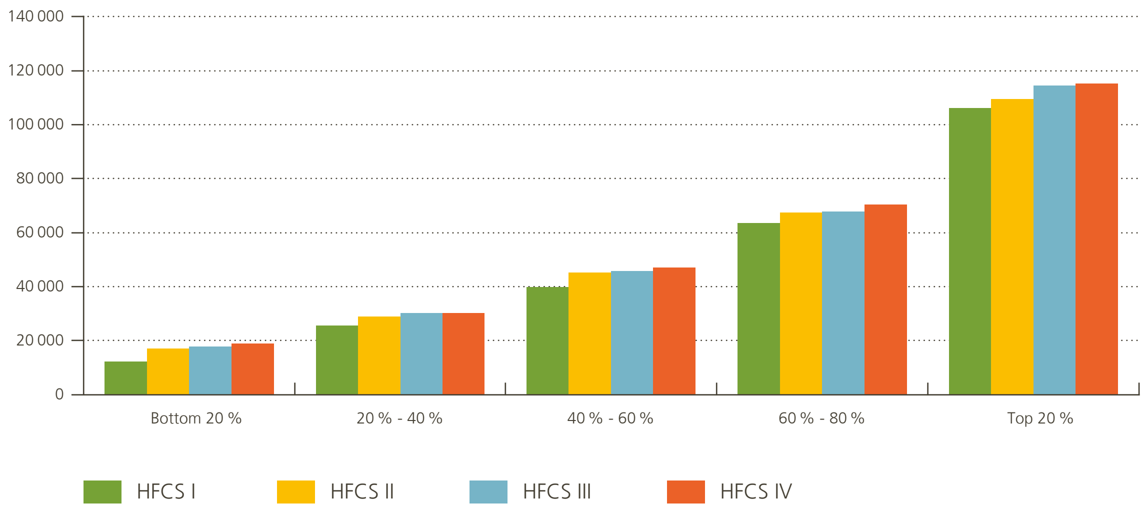
Compared to the previous wave (whose figures for income refer to the situation in 2016), median income went up by 3 % in real terms (i.e. adjusted for inflation), to € 47 100. The increase in median income was more

Chart 1

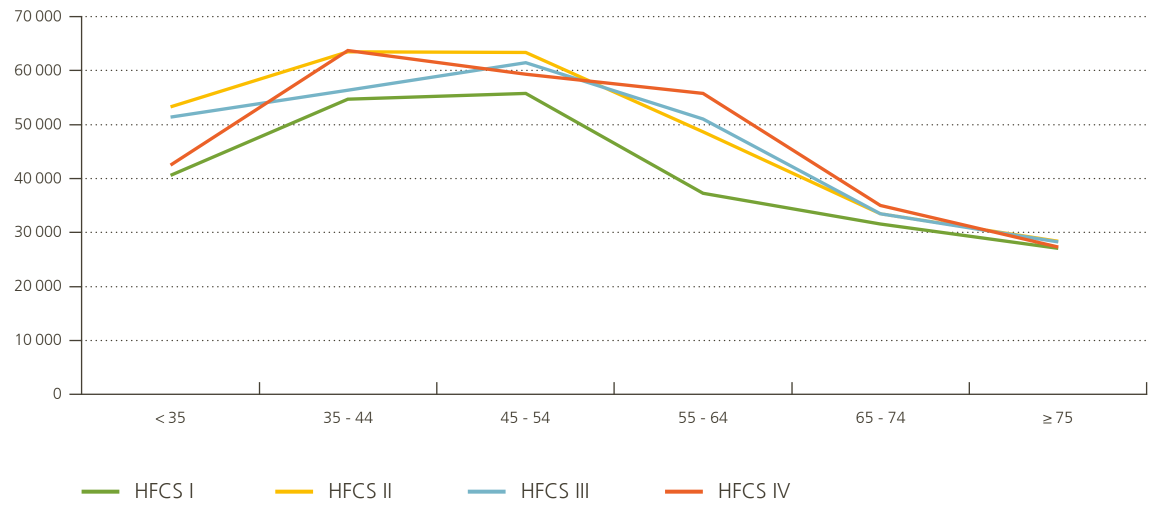
Household income

(conditional median ; in € at 2020 prices ; annual gross income ; age ranges in years)

Per income quintile



Per age of reference person



Source : NBB (HFCS).

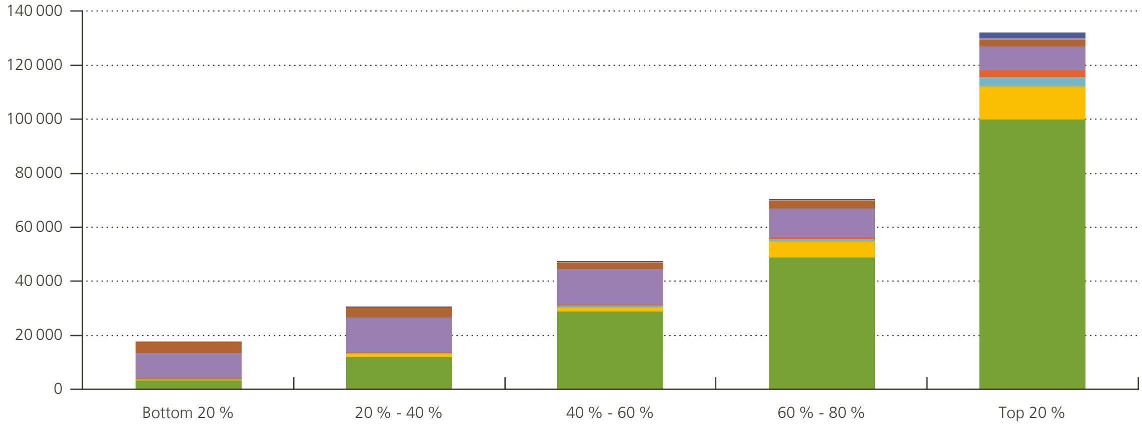
important for households in the lowest income and wealth quintiles, for those where the reference person was unemployed or out of the labour market at the time of the interview, and for households with a reference person aged between 35 and 44 years. As observed in previous waves, income went up for households aged between 55 and 64 years old, possibly reflecting more reduced recourse to anticipated retirement and, therefore, a continued presence in the labour market, consistent with a 5-percentage point decrease in the share of households where the reference person is retired and aged 55-64 years [1].

1 The share of households headed by a person aged between 55 and 64 years old in employment went up by 6 pp between the third and the fourth wave of the survey. This is also consistent with statistics on the employment rate in Belgium, which indicate an increase of almost 6 pp (from 47.7 % to 53.5 %) between the second quarter of 2017 and the first quarter of 2021 (source : Statbel).

Chart 2

Composition of income per income quintile

(unconditional averages; in € at 2020 prices; annual gross income)



Source: NBB (HFCS).

Median income fell for households with a reference person younger than 35 years. To a lesser extent, it went down for households with a self-employed reference person too. Table 1 in the Annex provides more details on changes in income across household characteristics.

In the aggregate, wages (employee income) were the main source of revenue, followed by pensions, which represent a larger fraction of total income among households in the lower income quintiles.

In equivalent terms, that is, taking the number of members in the household into account, median income (adjusted for inflation) fell slightly between the third and the fourth wave of the survey.

Almost 60 % of Belgian households declared earning an income larger than their regular expenses. This share was higher than in the previous wave of the survey, although it should be remembered that the interviews took place at times where some types of consumption remained restricted because of the pandemic. This percentage was lower for households in the bottom quintile of the income distribution (47 %) and for those headed by a person who is unemployed or inactive, without being retired (29 % and 35 %, respectively). It was higher (75 %) for those in the top income quintile. A majority of households (71 %) said they were able to obtain financial assistance from family and friends in case of need, though with large differences across the income distribution: the share fell to 47 % for households in the lowest quintile and exceeded 80 % for those in the top 40 %. Financial assistance was available to 62 % of households who were not able to save regularly. Thus, around 15 % of all Belgian households had limited ability to save and could not resort to family and friends in case of need.

The distribution of income remained relatively unchanged between the third and fourth waves of the survey, with the top 20 % of earners taking up 44 % of the total gross income (down from 45 %). The Gini coefficient fell slightly, indicating a more equal distribution of income than in previous waves of the survey. But the impact of the COVID-19 crisis is not included, given that income data refer to 2019.

3. Assets

The survey asks households to provide exhaustive information about the assets they hold, i.e. both their type and value based on their own estimate. Assets are divided into two broad categories: real assets, including real estate, and financial assets. This section provides an overview of their distribution and worth. The conditional[1] median value of total assets went up by 2 % between the third and fourth waves of the survey and amounted to € 303 000 for the latest wave. The conditional average value rose by 6 % to € 458 000. The higher value of the average compared to the median indicates an asymmetric distribution, skewed towards the highest values: lowest values will be bound by zero (as gross assets cannot take on negative levels), while there will be outliers corresponding to a limited number of households with very large amounts of assets.

The increase in assets has been particularly marked for households in the lowest net wealth quintiles, and even more important for those in the bottom 20 % of the income distribution. As mentioned in the box on “Impact of the COVID-19 crisis on the HFCS”, this could be partly linked to a change in the sample, but other factors, such as an increase in the percentage of households receiving gifts or inheritances (in particular for the lowest income quintiles) could also be at play.

3.1 Household main residence and other real estate

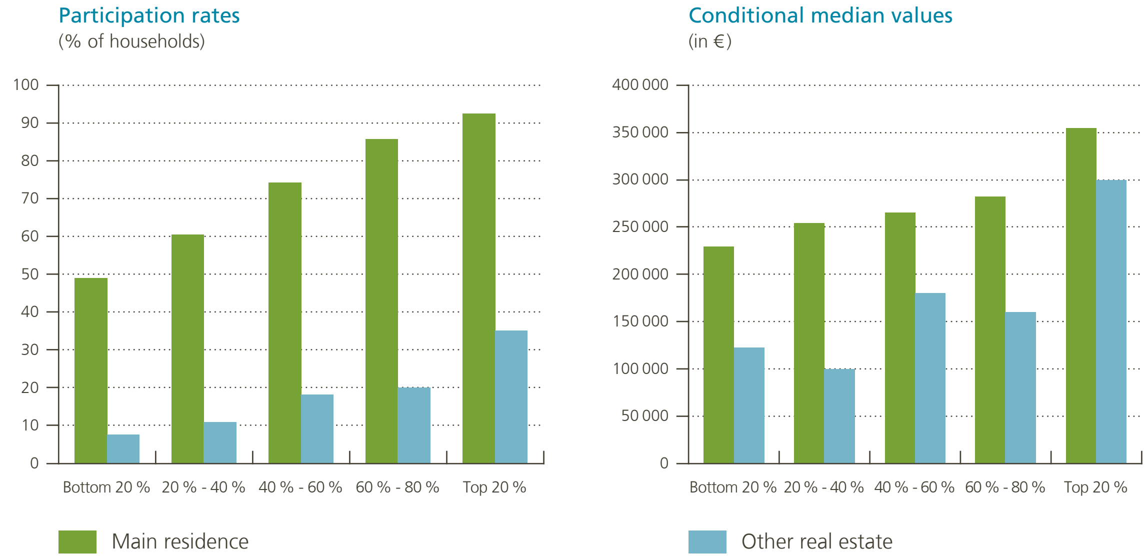
Real estate, in particular property used as the household’s main residence, is the most valuable asset of Belgian families. According to replies to the fourth wave of the survey, 72 % of Belgian households owned their home in 2020-2021, three percentage points more than in the previous wave of the survey.

1 Conditional medians and averages are calculated excluding zero values, i.e. not taking into account those households that replied they did not own the type of asset or liability mentioned.

Chart 3

Ownership of the main residence and other real estate, per income quintile

(conditional median; in € at 2020 prices; annual gross income; age ranges in years)



Source: NBB (HFCS).

While this change is limited, and has little statistical significance, it is considerably stronger for households in the lower income quintile, where the ownership rate went up by 11 pp between the two latest waves. But this may be a consequence of a change in the survey sample (see box 1). Compared to other contemporaneous surveys[1], the ownership rate that stems from the latest HFCS wave could be overestimated. This may also have implications for the indicators related to net wealth, more notably for the lowest income quintile.

Households headed by a person unemployed or not in the labour market, those composed of one single person, younger households, households in the lowest income quintile and, in particular, those in the lowest quintile of the net wealth distribution were less likely to own their main residence (for more details, see table 2 below). The ownership share was also lower for households where the reference person had, at most, a primary education diploma.

Between the third and fourth waves of the survey, the median value of households' main residences went up by 5 % (after adjusting for inflation of consumer prices) to € 296 000, reflecting a general appreciation in the residential real estate market[2]. This median value is based on the surveyed households' own estimates. Households where the reference person was self-employed or employed owned a more valuable home compared to households whose reference person was unemployed or otherwise out of work (except retirees). Similar disparities were observed between the bottom and the top of the income distribution. Across the net wealth distribution, the differences were even more significant, with homes owned by the top 20 % worth three times more than those for the bottom quintile.

About 18 % of Belgian households owned at least one property which was not used as their main residence. For most of these households (which represent 16 % of all households), this second property was added to the ownership of their home. In most cases (13 % of all households), the property was a house or apartment, most often rented out or kept for the household's own private use.

3.2 Other real assets

Households taking part in the survey are also asked about their ownership of other real assets, namely vehicles, valuables and self-employment businesses.

The distribution of these assets is remarkably diverse. Vehicles are the most widespread: over three-quarters of Belgian households, spanning the entire wealth and income distribution, declared owning at least one motor vehicle (including electric bicycles), a percentage similar to those in previous waves of the survey. Also like previous waves was the share of households owning valuables (13 %), rather heavily concentrated among the richest households (top 20 % in the net wealth distribution). The median values of both types of goods were quite comparable to those recorded in previous years (after adjusting for inflation), amounting to € 8 000 for vehicles and € 7 200 for valuable objects.

One in eight households owned self-employment businesses, that is two percentage points more than in the previous wave of the survey, continuing the trend observed earlier. Households in the highest income and wealth quintiles were more likely to own such a business. The median value of these assets, as estimated by respondents, has halved in the past three years. Although the reason is not clear, this could be due to the bigger impact of the COVID-19 crisis on economic sectors where self-employed workers are more likely to operate[3]. However, given the divergence in the values of this kind of asset, and the small sample of owners, the margin of error of this kind of estimate is quite high.

1 Eurostat Survey on Income and Living Conditions (run by Statbel for Belgium).
2 As indicated in the NBB Annual Report 2021.
3 See NBB Annual Report 2020.

Self-employment businesses amount to one-quarter of the (gross) value of real assets of households in the top 20 % of the wealth distribution, while its importance is minimal for households in the four lower quintiles. As a share of total value of their real assets, vehicles have a major importance for households in the lower quintile, as a far larger proportion of these own a vehicle rather than a real estate or a business.

3.3 Financial assets

In Belgium, financial assets generally account for a lower share of a households' worth than real assets. For the median household, their value rose by 5 % to € 28 000, while the average reached € 106 000, a 12 % increase on the previous wave of the survey in 2017.

In terms of components, bank accounts (including both sight and savings accounts) are the most widespread type of asset, with 98 % of households holding at least one. Their median value rose markedly, by 18 %, between the two latest waves of the survey, to € 14 000, in the context of reduced consumption (of certain goods and services) during the pandemic. In general, money deposited in bank accounts represents the largest single financial asset of Belgian households, but its relative importance is higher for households with lower levels of wealth, as they invest only very marginally in more sophisticated instruments.

Voluntary pension plans and life insurance contracts are an exception to this. They constitute the second most widespread type of financial asset despite a slight fall in their popularity between the latest two waves of the

Chart 4

Average portfolio by net wealth quintile

(unconditional means ; € thousands at 2020 prices)

Source : NBB (HFCS).

survey: 41 % of Belgian households owned at least one such plan or contract, the median value of which fell by 12 % between 2017 and 2021, to € 14 000.

By contrast, a slightly higher share of households (23 %) invested in mutual funds compared to 2017. The median value of such holdings fell by 3 % to € 36 000, as more households in the lowest income quintiles became attracted by this sort of asset. Investments in mutual funds are considerably important for households in the higher part of the wealth distribution, representing over one-third of financial holdings of the top 20 %.

Holdings of riskier or more sophisticated assets were more limited and concentrated on households with higher levels of wealth and income. The share of households investing in quoted shares rose by 1 pp to 11 %, while investments in bonds continue their declining trend, both in prevalence (becoming an exceedingly unusual type of asset) and in amounts invested. The rarity of such holdings justifies the need to oversample rich households to obtain information on their distribution and makes the estimate of these amounts subject to considerable uncertainty.

BOX 2

Green and ethical concerns in financial and real investments

Investing in ethical financial assets remains infrequent in Belgium, according to replies to a new question[1] added to the latest HFCS wave: on average, 6 % of Belgian households declared investment in such types of assets. These assets are more common among households with higher income and net wealth levels, who are already more likely to hold financial investments other than deposits. They are held by 14 % of households in the highest net wealth quintile and by 11 % of those with the highest income. An additional 5 % of households said they were planning to invest in ethical assets within the next 12 months.

Per age of the reference person, the likelihood of investing in ethical funds was quite similar to that of holding stocks, bonds, and shares in mutual funds, although with smaller differences across age groups. The frequency is higher (7 %) for households around the retirement age (55 to 64 years old) and slightly lower (5 %) for the youngest households. The only exception relates to households with a reference person aged 75 years or older, whose propensity to invest in ethical assets (4 % of them) was lower than for the youngest, despite a tendency to invest more often in other financial assets.

The fourth wave of the Belgian HFCS also included questions on whether households had taken out loans to improve the energy efficiency of their home, or that of their other properties. 37 % of households that had taken out a mortgage on their main residence indicated that its purpose (which is not necessarily unique) was to refurbish or renovate their home. The vast majority of them (84 %) indicated that renovation work would involve an improvement in terms of its energy efficiency. This objective held a higher importance for younger households (up to 44 years old) and was rarer for households in the lower

1 The question households were asked was: “Does the household have assets invested in socially responsible investment products (current or savings accounts in ethical banks; savings accounts recognised as sustainable or responsible; UCIs, mutual funds or other funds labelled or recognised as sustainable or responsible; bonds or shares of private or state companies, labelled or recognised as issued by sustainable or responsible companies)?”.

two income quintiles. Most of the mortgage loans taken out to renovate or refurbish another property (87 %) were also intended to make it more energy-efficient.

Similarly, among those households that took out an unsecured loan to renovate their home, 63 % indicated that the work would contribute to improving its energy efficiency. This was more frequently the case for households with higher income levels, as well as those aged between 35 and 54 years.

In this fourth wave of the HFCS, we also asked questions about homes' energy performance. Almost three-quarters (72 %) of the households living in their own property did not know its energy performance score. Of those who did, half indicated an intermediate score (B or C), while A+ was the least frequent score mentioned (2 % of the households that provided a score).

4. Debt

Half of all Belgian households questioned declared having some kind of debt, a percentage similar to that from the previous HFCS wave. However, this trend was not homogeneous across all households' characteristics: the share of indebted households declined for those with a younger reference person (under 35 years old), as well as for those headed by a self-employed or unemployed person.

The median amount of debt owed by households fell by 16 % between the two latest waves of the survey. This decline was bigger for younger households, as well as for those beyond retirement age, for the unemployed, and for households in the highest income and wealth quintiles.

The HFCS distinguishes between three main types of liabilities: mortgage loans using the main residence as a collateral, other mortgages, and unsecured debt (including consumer loans, credit card debt, and other liabilities). Generally speaking, mortgages on the main residence are the most frequently held (33 %) and the largest single type of debt owed by households (82 % of total liabilities). However, their relative importance varies depending on the household's income level (see chart 5): it is lower for the bottom 20 % of the income distribution, due to a lower share of households that have obtained a mortgage and own a property. For these households, non-mortgage debt represents a larger share of their liabilities than for households with higher income.

The proportion of households that had a mortgage on a property other than their main residence went down slightly (from 5 % to 4 %). That share is directly proportional to the level of household income, reaching 12 % for households in the top 20 % of the income distribution.

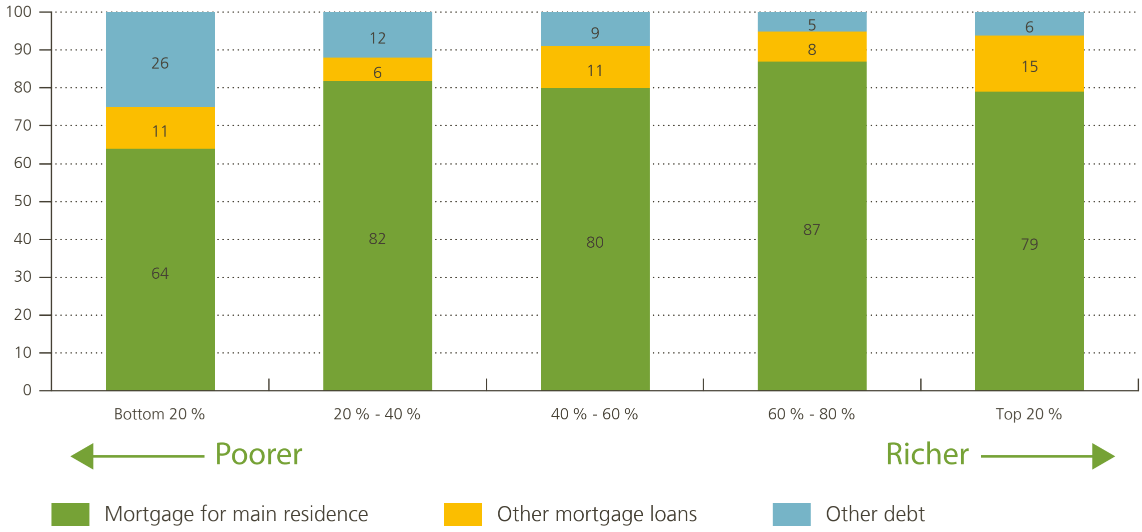
Non-mortgage debt accounts for 7 % of the total amount owed by Belgian households. The share of households who have incurred this type of liability inched down between the latest two waves of the survey, while the median amount owed fell by 4 % (although it went up for households in the lowest income quintile).

Access to credit, and mortgages in particular, remains strongly linked to income: households with higher revenues are more likely to have (at least one) home loan. Between 2010 and 2017 (reference years of the first and third waves of the survey), the share of households with mortgages went up for all income quintiles, except the lowest one, where it stagnated. By contrast, the trend reversed between the third and fourth waves:

Chart 5

Debt per quintile of gross income

(in % of total debt; unconditional means)



Source: NBB (HFCS).

the proportion of low-income households with a mortgage inched up, while it fell for the rest. The latter development may be linked to higher-than-usual early redemptions, as households might have preferred to pay off debt rather than invest in financial assets[1].

The share of households that applied for a credit within the three years prior to the survey went up somewhat. The rise in applications was higher for households with higher income. The share of credit-constrained households (i.e. households that did not apply due to perceived credit constraints, or those whose application was refused or only partially accepted) rose from 3 % to 5 %. The increase was quite broad-based across household categories, but more pronounced for households where the reference person was inactive or self-employed. The highest shares of credit-constrained households are found among those whose reference person is unemployed or younger than 35 years, and in the bottom 20 % of the wealth distribution.

Debt burden indicators have not got any worse since the third wave of the survey. The (median) value of debt relative to total gross annual income has roughly stabilised, while the median ratio over the worth of the household's total assets has declined a little, in line with the appreciation in real estate observed over the last few years in Belgium. The National Bank's macroprudential measures, designed to limit risks in the mortgage market, may also have played a role for mortgages granted in the most recent years[2]. Thus, the share of households with a debt larger than three times their gross annual income has remained unchanged at 16 %, while that of households with a debt greater than 75 % of the value of their assets is down to 10 %. For 4 % of the households, both indicators stood at excessive levels in the last survey round.

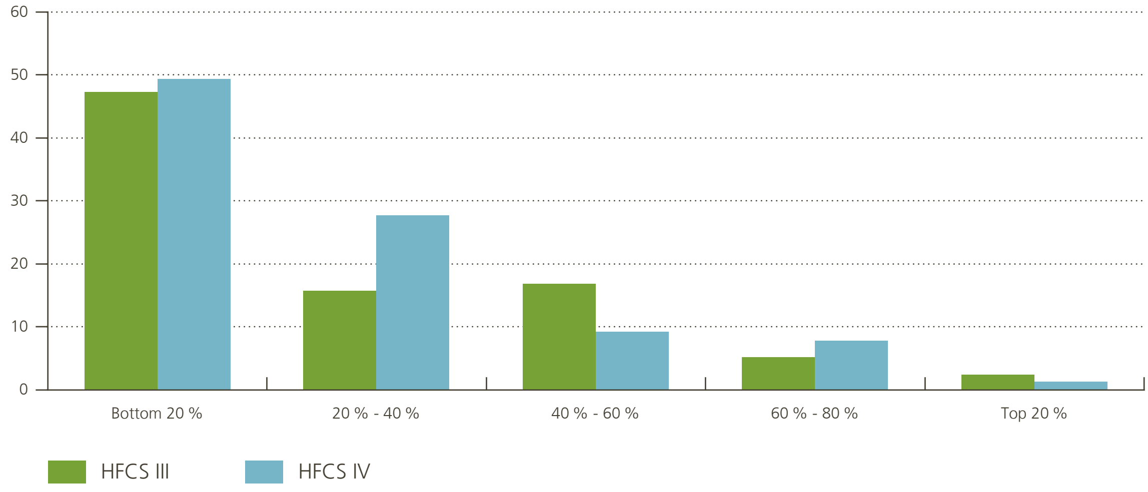
1 Preliminary analysis of panel data seems to support this assumption. As mentioned in the box on the impact of the COVID-19 crisis, there has been an increase in gifts and inheritance over the last three years, which may have also contributed to these developments, together with higher savings due to limitations on consumption opportunities during the pandemic. These two factors could also have helped lower-income households trying to get a mortgage.

2 See information on these measures on the National Bank's website: https://www.nbb.be/en/financial-oversight/macroprudential-supervision/macroprudential-instruments/real-estate.

Chart 6

Share of households with a mortgage debt-service-to-income ratio exceeding 30 %, per income quintile

(in % of households with mortgages; gross income)

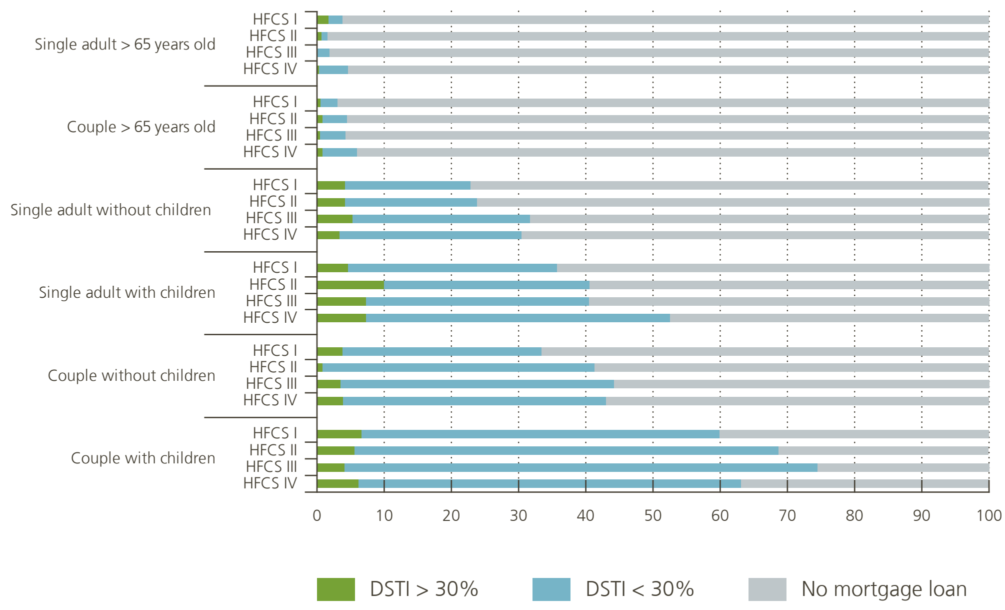


Source: NBB (HFCS).

Chart 7

Mortgage-debt-service-to-income ratio per type of household

(in % of total households)



Source: NBB (HFCS).

Across the income distribution, the share of households with elevated levels of debt relative to income went up for households in the second income quintile (and, to a lesser extent, for the top 40 %), while continued to fall for households in the bottom 20 %. High debt‑to‑assets ratios became less frequent for all income quintiles, but are still higher for the lowest quintile.

An additional indicator to assess the burden of debt on a household's repayment capacity is the mortgage‑debt‑service‑to‑income (MDSTI) ratio, i.e. the proportion between debt payments (including interest) and the household's (gross) income. This indicator remained roughly unchanged between the third and the fourth waves of the survey, and inversely proportional to income. For the bottom 20 % in the income distribution, the median ratio stood at 29 % ; that of households at the top 20 % was 11 %.

One in ten households with a home loan had a MDSTI ratio higher than 30 % of their gross income, i.e. one percentage point more than in 2017. Almost half of the households with a mortgage in the bottom quintile in the income distribution were in this situation, while that was the case for only 1 % of those in the top 20 %.

Per type of household, single parents are those with a higher prevalence of very high levels of mortgage‑debt‑service‑to‑income ratios (7 % of all households of this type, whether indebted or not, and 14 % of those with a mortgage had a MDSTI ratio above 30 %).

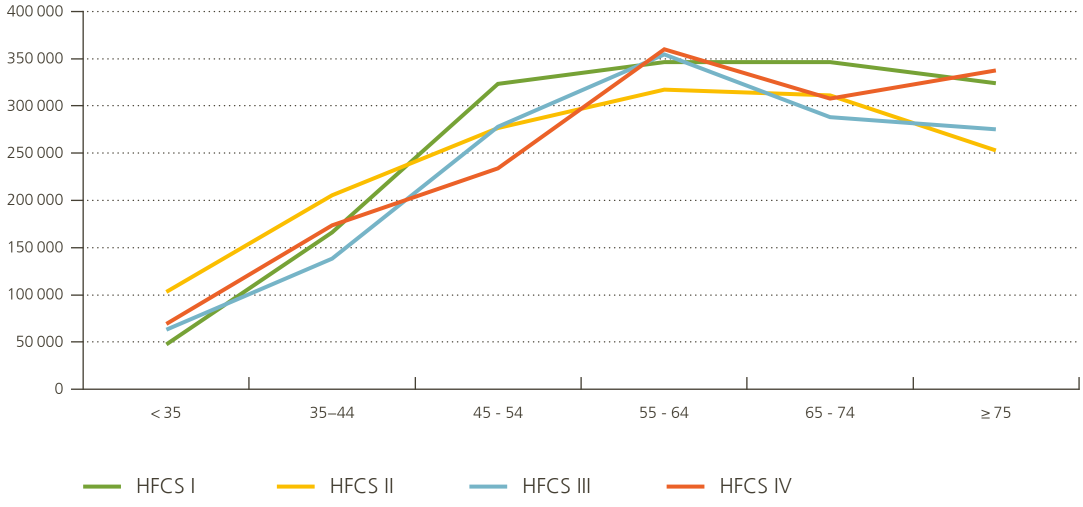
5. Net wealth

Median net wealth (i.e. the sum of the assets' worth minus the value of debts held) increased by 9 %, to € 242 400, between the third and the fourth waves of the Belgian HFCS. As was the case with income, the trend was not homogeneous across all types of households. It rose most for households in the first quintile of

Chart 8

Households' net wealth per age of the reference person

(median values ; in € at 2020 prices)



Source : NBB (HFCS).

the income distribution and those where the reference person had attained only a basic education level. Yet, it fell most strongly for households headed by a person unemployed at the time of the survey, and for those with a reference person aged between 45 and 54 years.

In terms of level, net wealth was lower for households with a reference person unemployed or otherwise not working (and not retired), for those who do not own their home, and – to a lesser extent – for the youngest. Roughly 3 % of Belgian households questioned had a negative net wealth at the time of the survey (their debts were higher than their assets), slightly less than at the time of the previous wave.

As is the case with income, net wealth follows the expected path along the life cycle, being lower for households where the reference person is younger, reaching a peak in the years preceding retirement age, and declining afterwards, as households slowly dissave (for instance, by spending the amounts previously held in pension funds). The change in net wealth across age categories remained relatively similar between the latest two waves of the survey, except for older households (over 75 years). Without ruling out other possible explanations, a likely cause is the absence of data from households living in collective homes for the elderly, that were included in previous waves of the survey. Thus, it is possible that older households interviewed during the latest wave were more likely to retain ownership of their home. For the youngest households (those headed by a person younger than 35 years), net wealth went up compared to the third wave, but it remains well below the levels observed in the second wave (2014).

Net wealth was slightly less concentrated at the top than at the time of the third wave but remained somewhat higher than in previous years. In the same vein, the Gini coefficient, which measures inequality, went down slightly from its 2017 level. This might be partly due to the appreciation of real estate, given the prevalence of home ownership in Belgium and the fact that their home is households' most valuable asset. Households in the top 20 % of the distribution owned 63 % of total households' net wealth, as measured in the survey. The wealth of households in the 90th percentile (i.e. whose net worth exceeded that of 90 % of the country's households) was 3.5 times larger than that of the median household, and 300 times bigger than that of households in the 10th percentile (down from 400 in 2017).

These measures, although informative, must be treated with caution, as household surveys do not provide a fully accurate measure of inequality, mainly because households at the extremes of the wealth distribution are less likely to be reached or to answer the questionnaire.

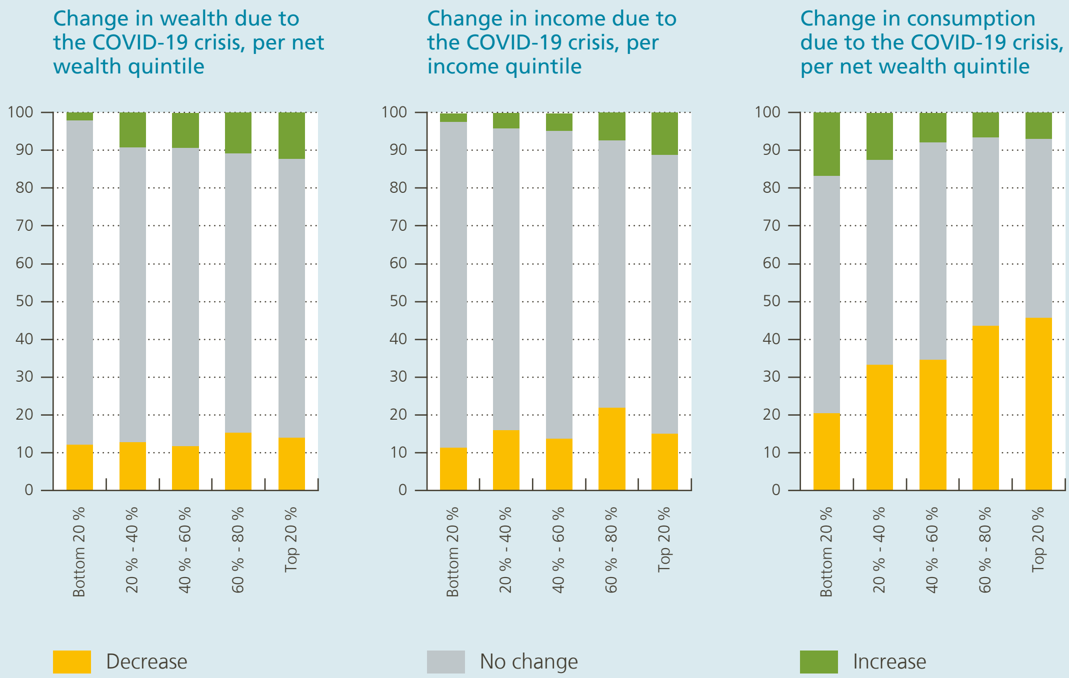
BOX 3

The uneven impact of the COVID-19 crisis on households

Households taking part in the fourth wave of the survey provided information about the impact of the COVID-19 crisis on their financial position. While this issue will be further analysed in upcoming publications, we present a first overview of the answers to three qualitative questions on the type of impact of the crisis on households' income, net wealth and consumption.

Impact of the crisis on households' wealth, income and consumption

(in % of households)



Source: NBB (HFCS).

Around 80 % of Belgian households considered that the crisis had not had any significant impact on their wealth and income. Among those who indicated that these variables had been affected, a negative impact was signalled more often. Households at the top of the wealth and the income distributions replied more frequently that the impact has been positive, however. Thus, 13 % of households in the top wealth quintile said their net worth had gone up during the crisis, while only 2 % of the households in the bottom 20 % replied the same. Indicators were similar for the impact on income across the income distribution.

These developments in wealth may also be related to those in consumption: larger shares of households indicated that the crisis had had an impact on their consumption, at a time where certain business activities were severely constrained or forbidden to limit the probability of contagion. In this case too, there seems to be a relationship between the frequency of the responses and the level of wealth of the household. Thus, richer households would indicate more often that their consumption had been reduced (and less often than it had increased), and vice versa. This may be related to the less essential character of the goods and services that suffered most the crisis, and which typically account for a higher share in the consumption of wealthier households.

Conclusion

This article presents a first analysis of the results of the fourth wave of the Belgian HFCS, comparing them with findings from previous rounds of the survey.

In the context of slowing but positive growth, Belgian household income rose slightly between the third and fourth waves of the survey. The value of their biggest assets, namely their main residences and, even more so, bank deposits, increased more markedly.

Households’ debt levels have stabilised. In terms of outstanding amounts, the main debt is a mortgage, although non‑mortgage debt is still important for households at the bottom of the income distribution. The debt burden has remained moderate, although with some heterogeneity, as some groups are still vulnerable. Debt‑to‑assets ratios fell across the board between the third and fourth surveys, possibly due to the appreciation of households’ real estate.

Overall, the distribution of income and wealth remained relatively stable between 2017 and 2020‑2021, despite the COVID‑19 crisis and indications of heterogeneous effects. However, further analysis and additional data may help to better assess the trends in inequality in Belgium, as well as the impact of the pandemic on Belgian households.

Annex

Table 1

Income and distribution across households

(conditional means ; in € at 2020 prices and in % change between the third and fourth waves)

	Median Income			Mean Income		
	Wave 3	Wave 4	Percentage change	Wave 3	Wave 4	Percentage change
All Households	45 618	47 117	3.3	59 138	59 636	0.8
Number of household members						
1	25 947	25 935	0.0	31 798	32 858	03.3
2	49 663	54 041	8.8	59 449	62 348	4.9
3	64 587	63 140	–2.2	76 552	75 832	–0.9
4	79 435	80 759	1.7	94 135	93 651	–0.5
5 and more	72 026	74 680	3.7	89 616	87 461	–2.4
Age of reference person						
16-34	51 345	42 475	–17.3	55 699	53 673	–3.6
35-44	56 385	63 773	13.1	66 811	70 550	5.6
45-54	61 465	59 358	–3.4	75 817	72 153	–4.8
55-64	51 058	55 714	9.1	65 558	72 847	11.1
65-74	33 494	34 966	4.4	44 105	44 958	1.9
75+	28 230	27 346	–3.1	36 059	35 139	–2.6
Education of reference person						
Basic education	25 967	26 004	0.1	35 912	37 323	3.9
Secondary	42 932	42 554	–0.9	49 454	50 546	2.2
Tertiary	63 429	60 994	–3.8	77 055	75 244	–2.4
Housing Status						
Owner – outright	41 632	44 393	6.6	58 218	59 888	2.9
Owner with mortgage	69 465	69 412	–0.1	80 491	78 111	–3.0
Renter or other	27 367	28 796	5.2	36 146	37 349	3.3
Work status of reference person						
Employee	63 102	63 192	0.1	75 279	75 338	0.1
Self-employed	59 580	57 294	–3.8	87 622	67 860	–22.6
Retired	31 423	30 741	–2.2	40 308	39 536	–1.9
Other not working	17 211	21 982	27.7	24 496	27 843	13.7
Unemployed	17 509	22 200	26.8	26 139	27 122	3.8
Income quintile						
Quintile I	17 726	18 884	6.5	16 809	17 770	5.7
Quintile II	30 403	30 398	0.0	30 615	30 607	0.0
Quintile III	45 628	47 201	3.4	46 303	47 340	2.2
Quintile IV	67 810	70 479	3.9	68 889	70 509	2.4
Quintile V	114 464	115 066	0.5	133 432	132 172	–0.9
Net wealth quintile						
Quintile I	23 069	25 485	10.5	28 130	31 388	11.6
Quintile II	44 673	48 846	9.3	50 024	51 778	3.5
Quintile III	49 968	48 332	–3.3	57 851	54 627	–5.6
Quintile IV	52 856	56 499	6.9	66 186	67 255	1.6
Quintile V	73 300	75 613	3.2	93 575	93 278	–0.3

Source : NBB (HFCS).

Table 2

Households' real and financial assets

(in % and in € at 2020 prices)

	Participation Rate		Conditional Median			Conditional Mean		
	Wave 3	Wave 4	Wave 3	Wave 4	Percentage change	Wave 3	Wave 4	Percentage change
Total Assets	99.3	99.4	297 414	302 965	1.9	434 531	458 497	5.5
Real Assets								
Total Real Assets	88.3	90.6	273 482	274 921	0.5	383 899	388 118	1.1
Household main residence (HMR)	69.3	72.4	283 137	296 358	4.7	309 217	318 801	3.1
Other real estate property	18.9	18.4	207 429	200 000	−3.6	351 948	300 829	−14.5
Vehicles	77.1	77.2	7 341	8 000	9.0	11 850	13 333	12.5
Valuables	12.7	12.8	7 261	7 199	−0.9	22 887	35 736	56.1
Self-employment business wealth	10.9	12.4	25 885	13 000	−49.8	423 312	410 347	−3.1
Financial Assets								
Total Financial Assets	97.9	98.1	27 076	28 466	5.1	94 466	106 211	12.4
Deposits	97.7	97.8	12 010	14 170	18.0	41 480	48 918	17.9
Mutual funds	21.3	22.8	37 602	36 462	−3.0	103 500	135 760	31.2
Bonds	2.9	2.2	23 406	12 000	−48.7	172 762	47 417	−72.6
Shares (listed)	9.8	11.1	10 344	14 360	38.8	68 843	67 600	−1.8
Money owed to households	5.2	6.5	5 719	5 000	−12.6	14 282	17 857	25.0
Voluntary pensions / Whole life insurance	42.9	41.3	16 015	14 060	−12.2	29 371	29 351	−0.1
Other financial assets	3.4	4.7	10 487	15 187	44.8	140 731	77 140	−45.2

Source: NBB (HFCS).

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For more information about the HFCN and the HFCS:

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https://www.nbb.be/en/publications-and-research/study-financial-behavior-households-household-finance-and-consumption

ECB website:
https://www.ecb.europa.eu/pub/economic-research/research-networks/html/researcher_hfcn.en.html

Conventional signs

€	euro
%	per cent
e.g.	*exempli gratia* (for example)
etc.	*et cetera*
i.e.	*id est* (that is)
pp	percentage point

List of abbreviations

Abbreviations

COVID-19	Coronavirus disease-19
ECB	European Central Bank
EU-SILC	European Union’s Statistics on Income and Living Conditions
HFCS	Household Finance and Consumption Survey
HMR	Household main residence
MDSTI	Mortgage-debt-service-to-income
NBB	National Bank of Belgium
Statbel	Belgian Statistical Office
UCI	Undertaking for Collective Investment

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