



EUROPEAN CENTRAL BANK

EUROSYSTEM

Household Heterogeneity and Monetary Transmission

Central Bank of Ireland/ECB

Conference on Household Finance
and Consumption

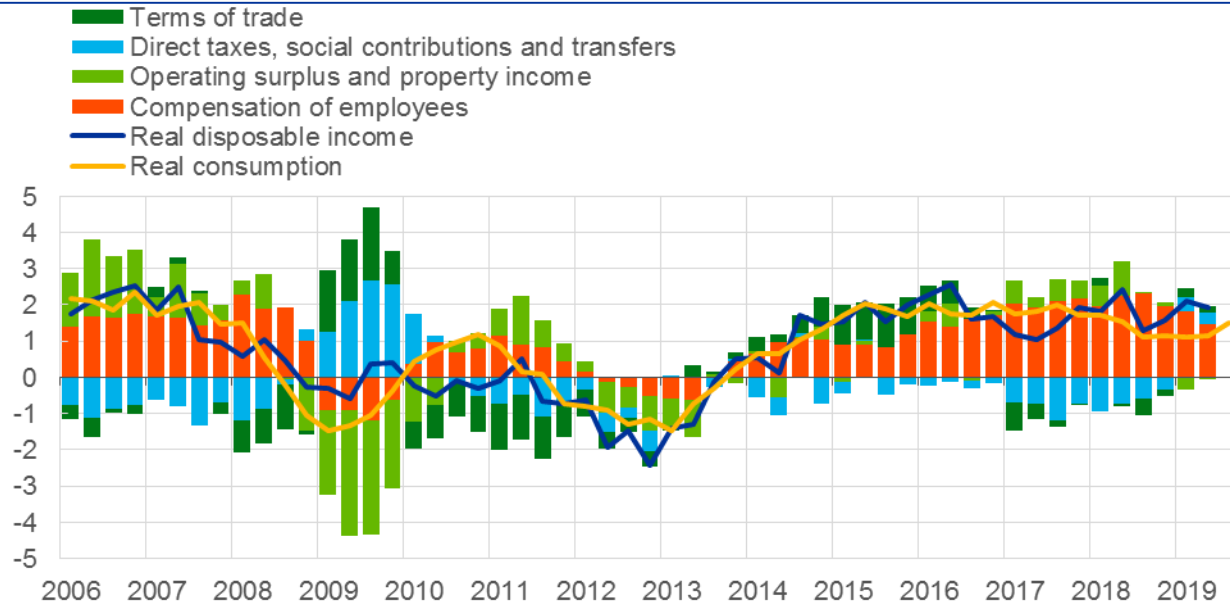
Dublin
16 December 2019



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Member of the Executive Board
Central Bank of Ireland - UNRESTRICTED

Households' real disposable income and consumption

(year-on-year percentage changes, percentage point contributions)



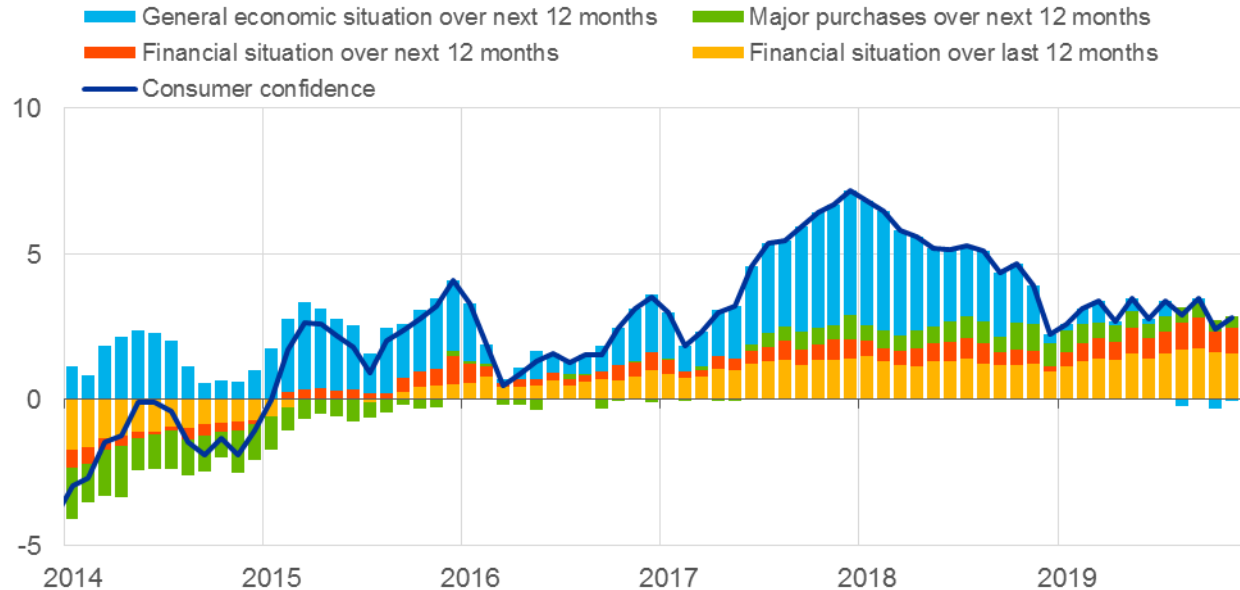
Sources: Eurostat and ECB calculations.

Notes: All income components are deflated with the GDP deflator. The contribution from the terms of trade is proxied by the differential in the GDP and consumption deflator. Consumption and total disposable income are deflated with the consumption deflator.

Latest observation: Q3 2019 for real consumption and Q2 2019 for the rest.

Euro area consumer confidence

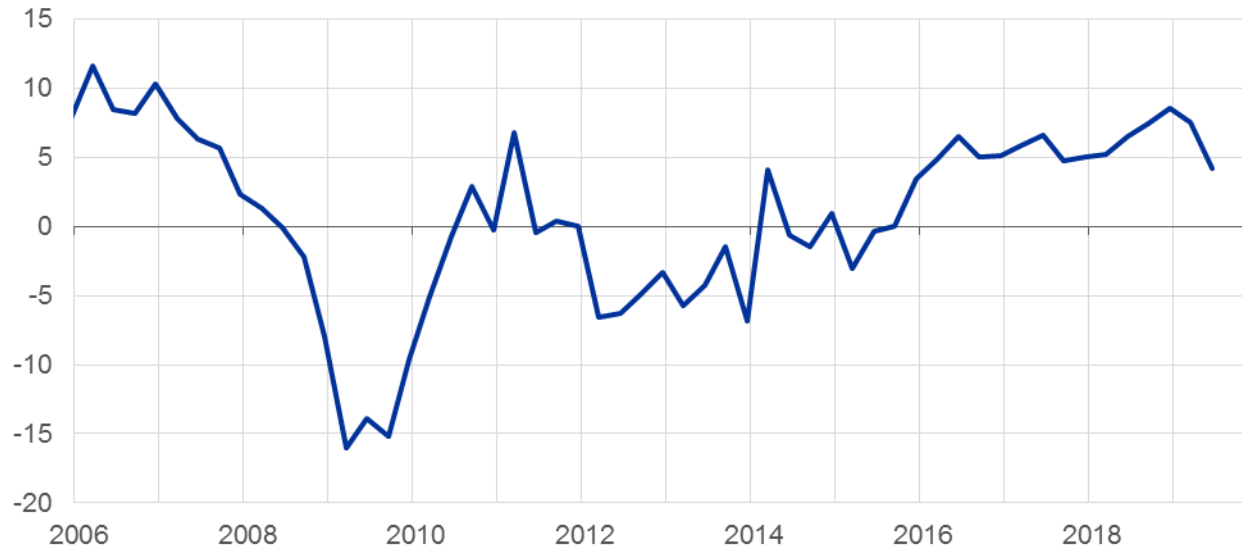
(percentage balances, deviation from mean)



Sources: European Commission and ECB calculations.
Latest observation: November 2019.

Household investment

(year-on-year percentage changes)



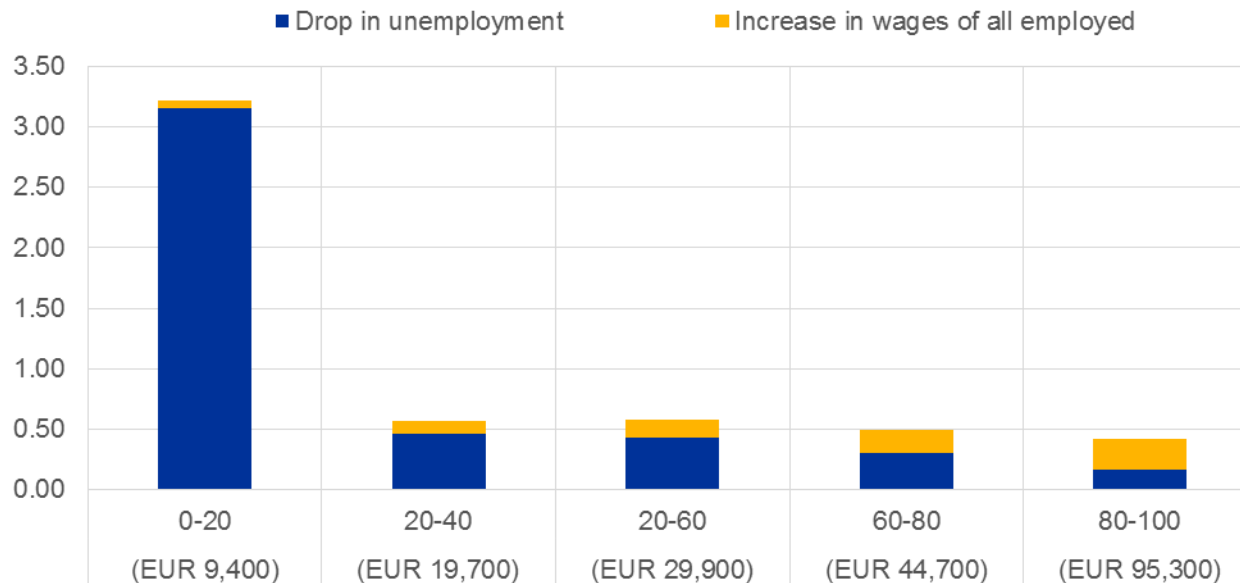
Sources: Eurostat and ECB.

Notes: The data refer to nominal gross fixed capital formation by households and non-profit institutions serving households.

Latest observation: Q2 2019.

Effect of monetary policy easing on household income by income quintile

(percentages)

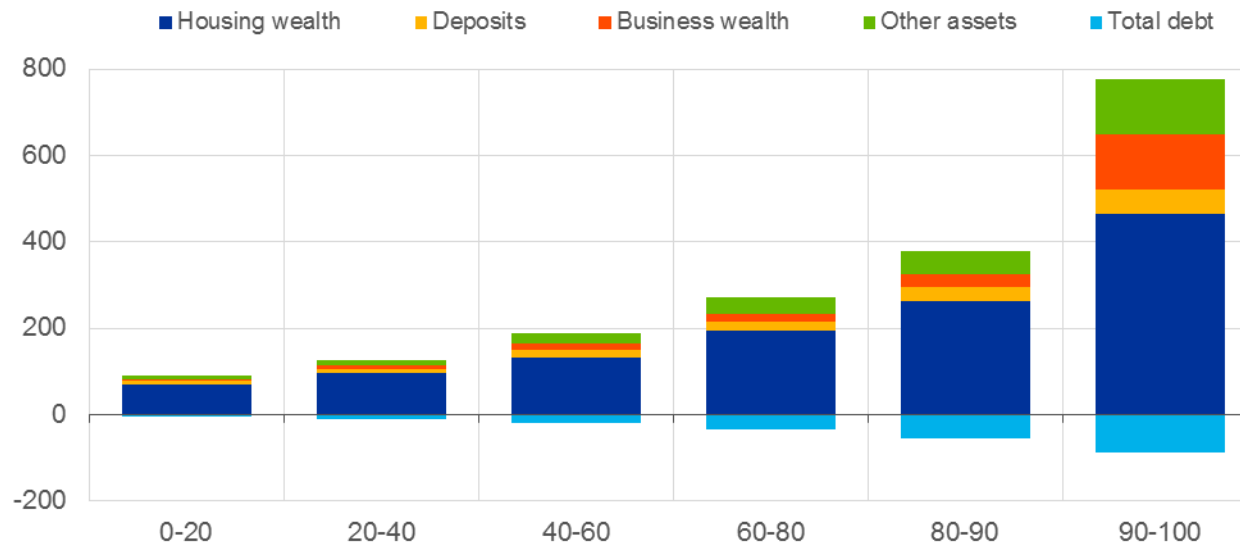


Sources: Lenza, M. and Slacalek, J. (2018), *Eurosystem Household Finance, and Consumption Survey, wave 2*.

Notes: The chart, taken from Lenza, M. and Slacalek, J. (2018), shows the percentage change in mean income across income quintiles in the euro area four quarters after the impact of a quantitative easing shock, which is assumed to correspond to a 30 basis point drop in the spread between a 10-year sovereign bond and the policy rate. It also shows the decomposition of the change into the extensive margin (transition from unemployment to employment) and the intensive margin (increase in wages). The numbers in brackets show the initial levels of mean gross household income in each quintile. The statistics cover the euro area, which is modelled here as an aggregate of France, Germany, Italy, and Spain.

Household assets and debt by income quintile

(x-axis: quintiles and deciles; y-axis: EUR thousands)

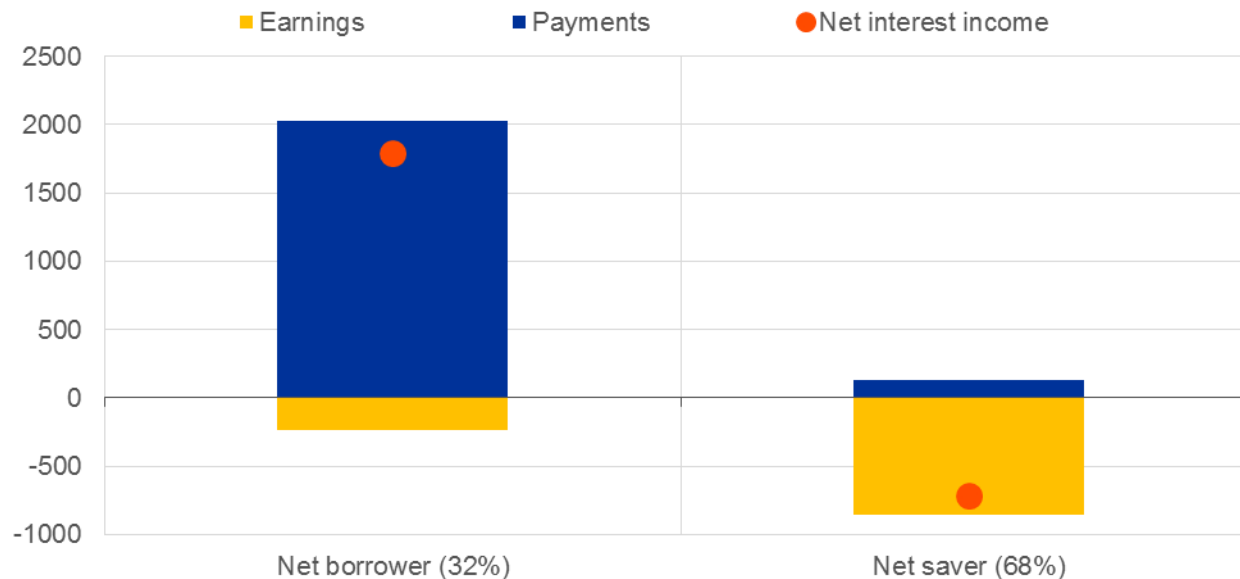


Sources: de Bond, G. et al. (forthcoming) and Household Finance and Consumption Survey, results from the second wave.

Notes: The chart shows the average value of assets and debt per household across five income quintiles for the euro area. The top quintile is further broken down into two deciles. Housing wealth is composed of the households' main residence and other real estate. Other assets include the value of households' vehicles, voluntary pension/life insurance, shares, valuables, bonds, managed accounts and money owed to households.

Change in net interest income for borrowers and savers in the euro area

(euros per household; change in annual net interest income, 2007-2017)

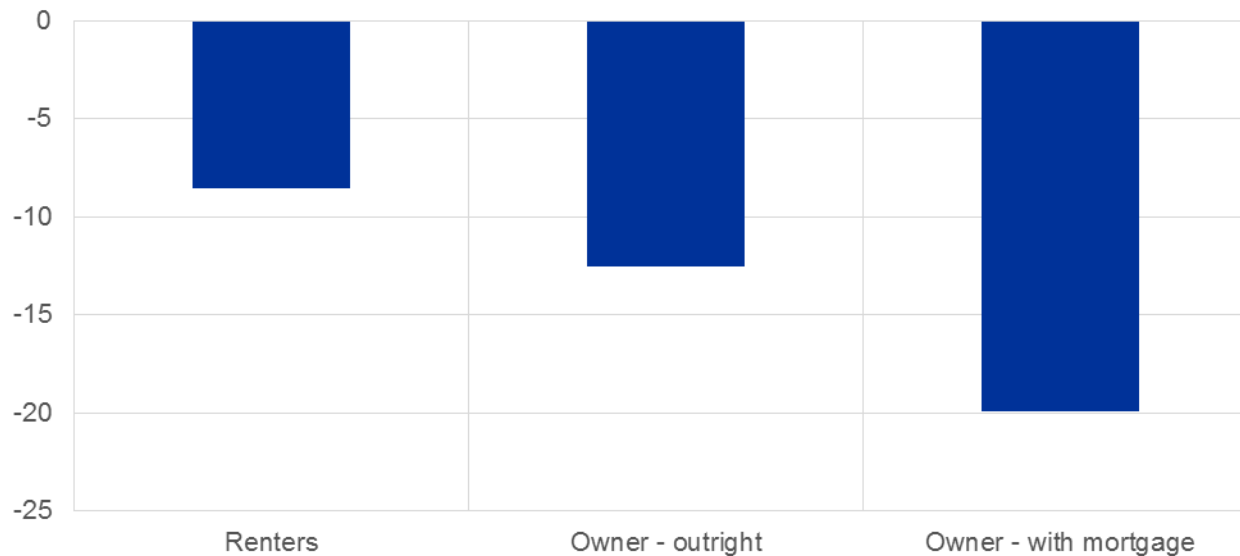


Sources: Dossche, Hartwig, Pierluigi and Velasco (2019) using the Household Finance and Consumption Survey (second wave).

Notes: Net borrowers are defined as households with a negative net financial wealth position and net savers are defined as households with a positive net financial wealth position. Percentages in brackets indicate the share of net borrowers and net savers in the total household population.

Growth of median net wealth by housing status, 2011-2014

(HICP-adjusted; percentage)

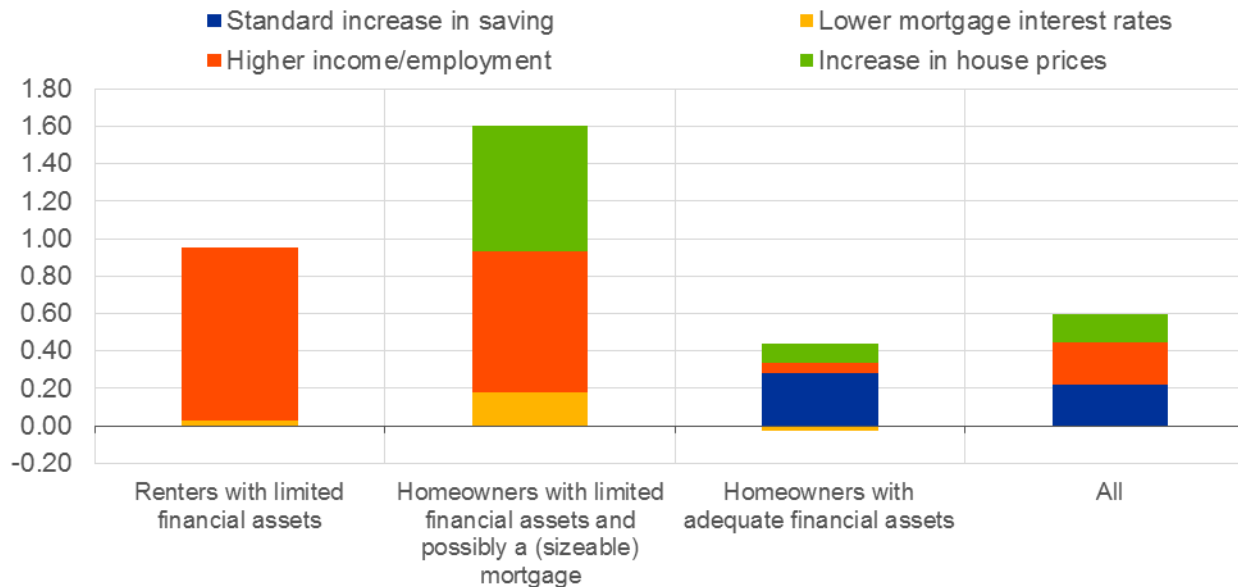


Source: Household Finance and Consumption Survey, waves 1 and 2.

Note: The chart shows the growth rates of the median net wealth in the euro area for outright owners, owners with a mortgage and renters from 2011 to 2014, deflated by the HICP.

Effects of a 100 basis point cut in interest rates on consumption in euro area, depending on household wealth

(change in consumption; percentages)



Source: Slacalek, Tristani and Violante (2019), Household Finance and Consumption Survey, wave 2.

Notes: The figure shows a decomposition of the effects of a 100 basis point cut in interest rates on consumption. The total consists of four parts. The standard intertemporal substitution effect (IES), the cash-flow effect, the income effect and the housing wealth effect. The size of these effects varies depending on households' wealth. Euro area in this chart refers to France, Germany, Italy and Spain.