Wealth Statistics

Presented by Statistics Iceland for DESTATIS
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Wealth Project presentation

In 2012 the Icelandic government initiated a new micro wealth project for Statistics Iceland.

The object was to gather data from all lenders regarding debt of individuals and companies for statistical purposes.

This presentation describes the history of this project, the future planning of that work and the first results based mainly on tax return data

Micro Wealth Statistics

Micro level information on household wealth refers to data describing the assets and liabilities held by individual households that will support:

- policy development, implementation and evaluation in and across a range of areas
- research into household economic behaviour
- analysis of the economic well-being of different types of households
- analysis of aggregates in the national accounts, including the distributional implications

Macro Wealth Statistics

Macro level primary focus is on the household sector's wealth, its relation with the other sectors of the economy, and its role within the broader economic system;

Over recent years there has been increasing recognition of some important analytical needs for macro-level wealth information that are currently not satisfied.

- 2009 report of the Stiglitz-Sen-Fitoussi Commission and the 2009 report of the G20 Finance Ministers and Central Bank Governors
- Both reports pointed to a number of critical data issues related to: *i)* data availability; *ii)* data interpretability; and *iii)* macro/micro data linkage.

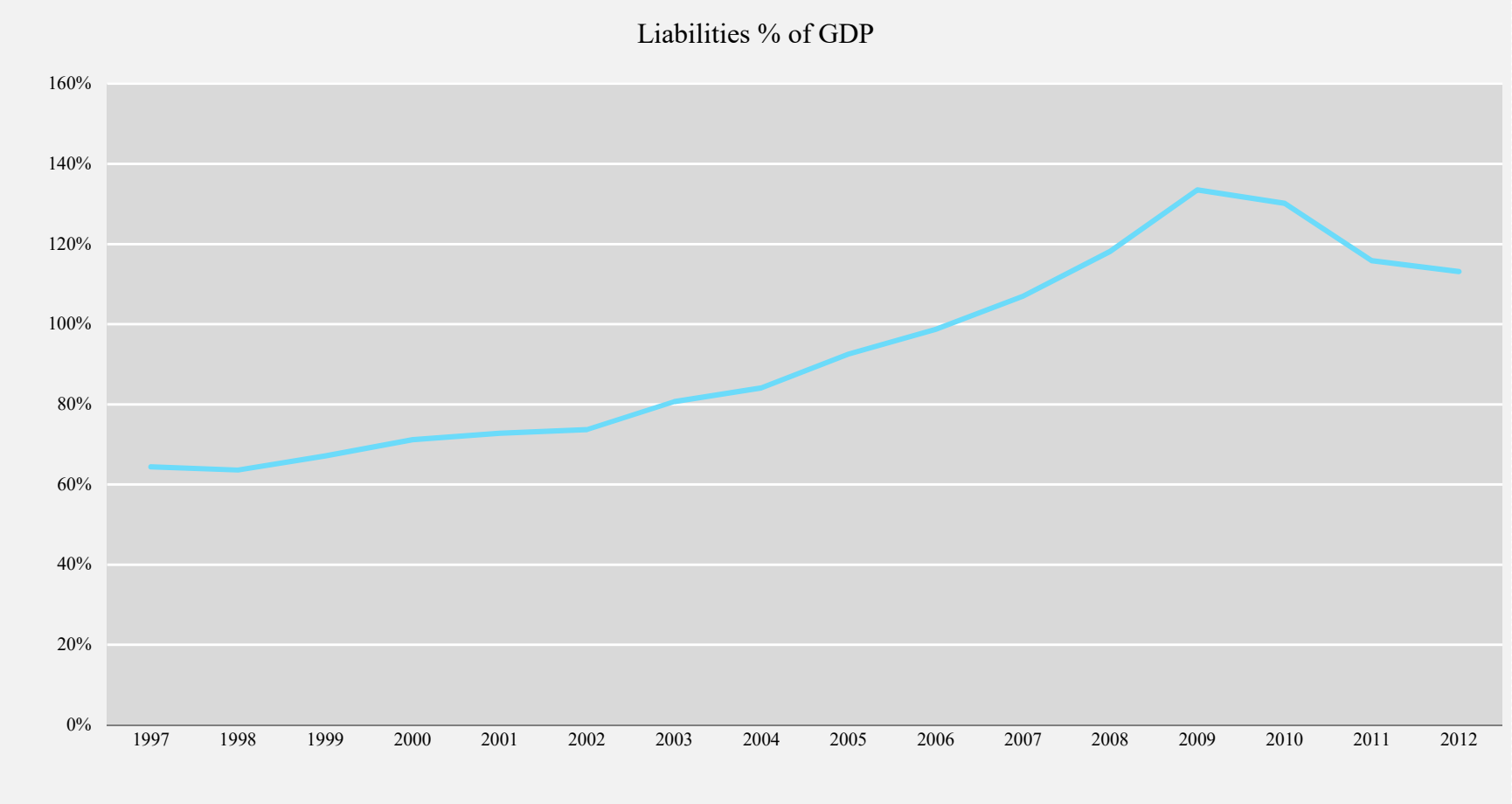
Wealth Project in Iceland

Household debt has arisen sharply in Europe under the current crises and more detailed and timely debt information is required.

- In Iceland there was no institution gathering detailed debt data.
- Difficulties in analysing the housing market.
- Lack of detailed debt information for families according to liabilites, properties and income.

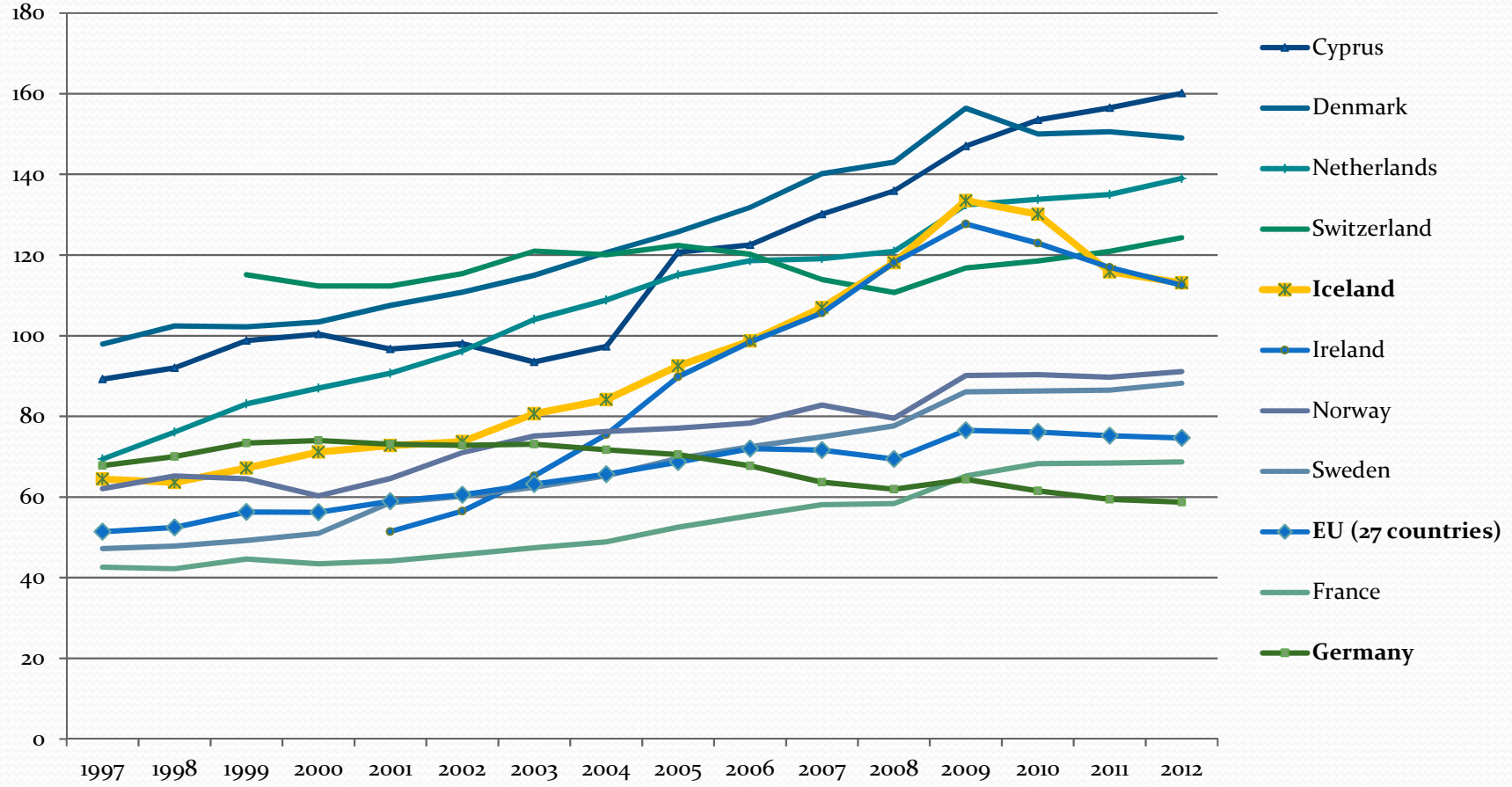
The demand for more and timely information in that regard triggered this project.

Total Liabilities of families in Iceland, % GDP



Household liabilities in Europe, % of GDP

Eurostat



Legal changes needed

When approached, financial institutions argued that due to confidentiality (bank secrecy) and 3rd party information they were not allowed to deliver such infomation to the statistical office.

Further legal support was needed for Statistics Iceland to get the necessary data.

The Legal Act 163/2007 on Statistics Iceland and official statistics was therefore amended by Act 104/2013

Issues brought up in the debate

- Constitutional rights
  - Freedom from interference with privacy
  - Principal of proportionality
- Parliament
  - Addressed the issues and made amendments to the legal bill such as particular lenders (all financial companies who are professional lenders),
  - Collecting individual data with micro information (bank secrecy) was allowed in the legal act for this particular project

Issues (cont)

- Parliament (cont)
  - Enriched data security such as encryption of data and deletion of data overseen by The Data Protection Authority at latest 18 months after publication of results
  - Statice is required to get a Data Security Certification for its operation. The plan is to get certified in accordance with ISO27001 information security management standard by 2015. Work on that started with the micro wealth project.
  - Act is temporary (until 2018).

Data and information

Information needed?

- Main Assets
  - Real Estate
  - Vehicles
  - Monetary Assets
  - Other Assets
- All Liabilites in detail
  - Type of Loans
  - Interest Rates
  - Number of Payments
  - Start date, End date, etc.
- Lien, Payment in arrears, Debt Mitigation Solutions Applied
  - Depreciation, Written Down
- Income information
  - Total income, Disposable income

Available data used and procured

- In the first analysis Statice used Tax Return Data to generate annual net wealth of individuals
- Procured information by family type, age, residence and distributions of assets, liabilites, net wealth, total income and disposable income

Upcoming data from lenders

- Lenders:
  - Housing funding fund, Banks, saving banks and other lenders
    - Housing loans, car loans, overdrafts, credit cards etc.
  - Pension funds, Student loans fund, Other lenders
- How?
  - Use XML to gather all data from parties through website
- What?
  - Detailed loan information such as: Type of loan, interest rates, lien, debt mitigation occured, due loans, currency, indexed loan vs. currency loans, mortagage vs. overdraft or car loans, credit card, student loans, all loan stock and flow information, depreciation and written down debt – all items disclosed in the legal amendment
- Why?
  - To analyse debt and/or payment issues of families, effects of debt mitigation from government and lenders or lack thereof
  - To see in a timely, coherent and concise manner the wealth status of families w.r.t. assets, liabilities, net wealth and income, age and residence as well as w.r.t. debt burden, payment issues, interest rates, inflation, debt mitigation, lien and soforth

Quarterly publications

- Statice will publish quarterly information of Liabilities of families
  - Development of Liabilites, Debt and Payment issues, Debt mitigation effects, Changes in Due Payments, Lien etc.
  - Distributions from the new data shown, such as mitigation solutions applied, interest rate by type of loans, repayment dates, loan types, debt burden, payment burden etc.
  - Traditional statistics published as well such as Mean, Stdev, Median, Quantiles, top 90%, 95%, 99% for a large amount of data.
- First Publication of results is expected this fall if relevant data is delivered in due time.

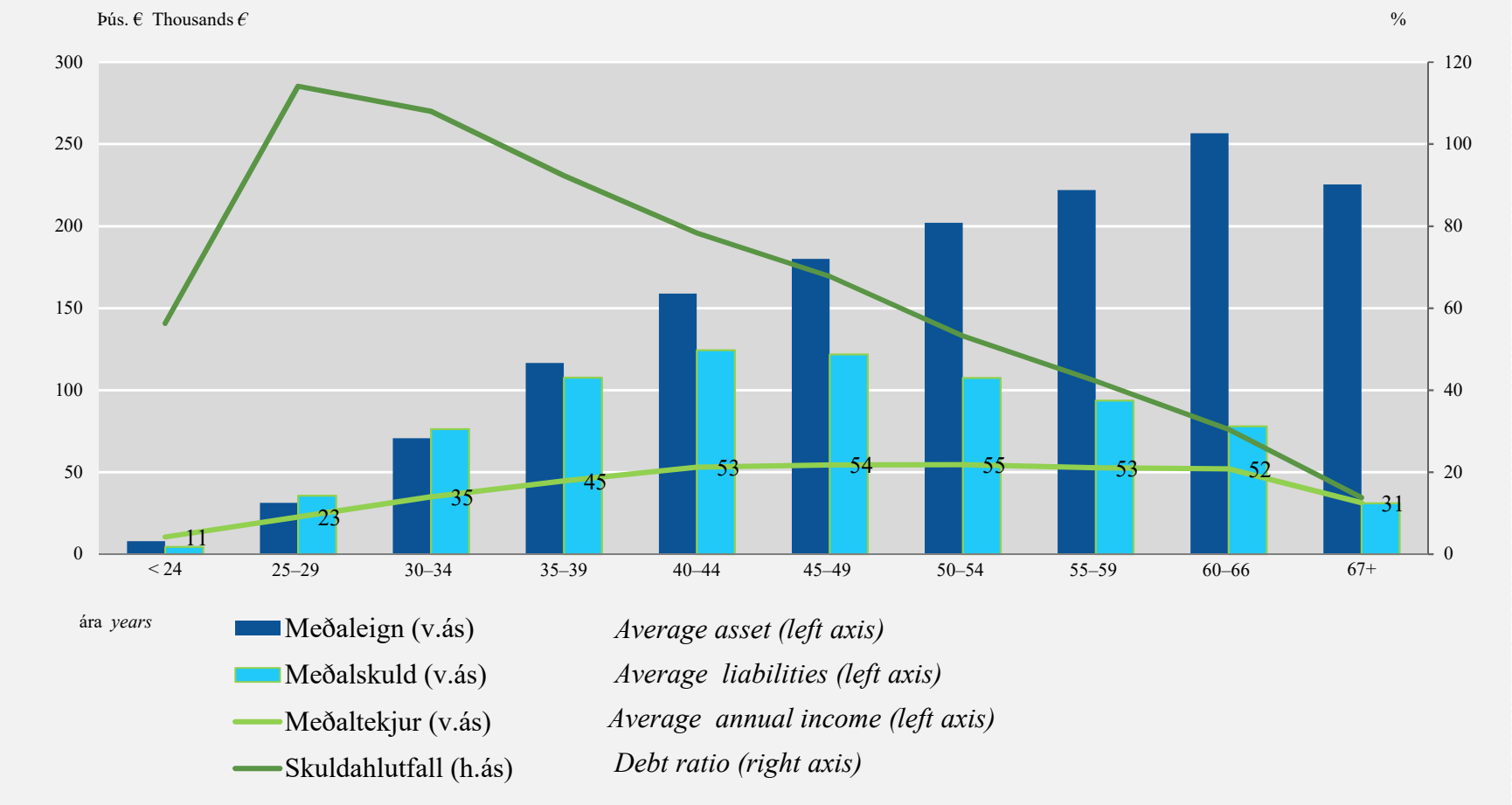
Liabilities, Assets and Net Worth of Individuals

Graphs of recently published data for 1997-2011 and for 2012

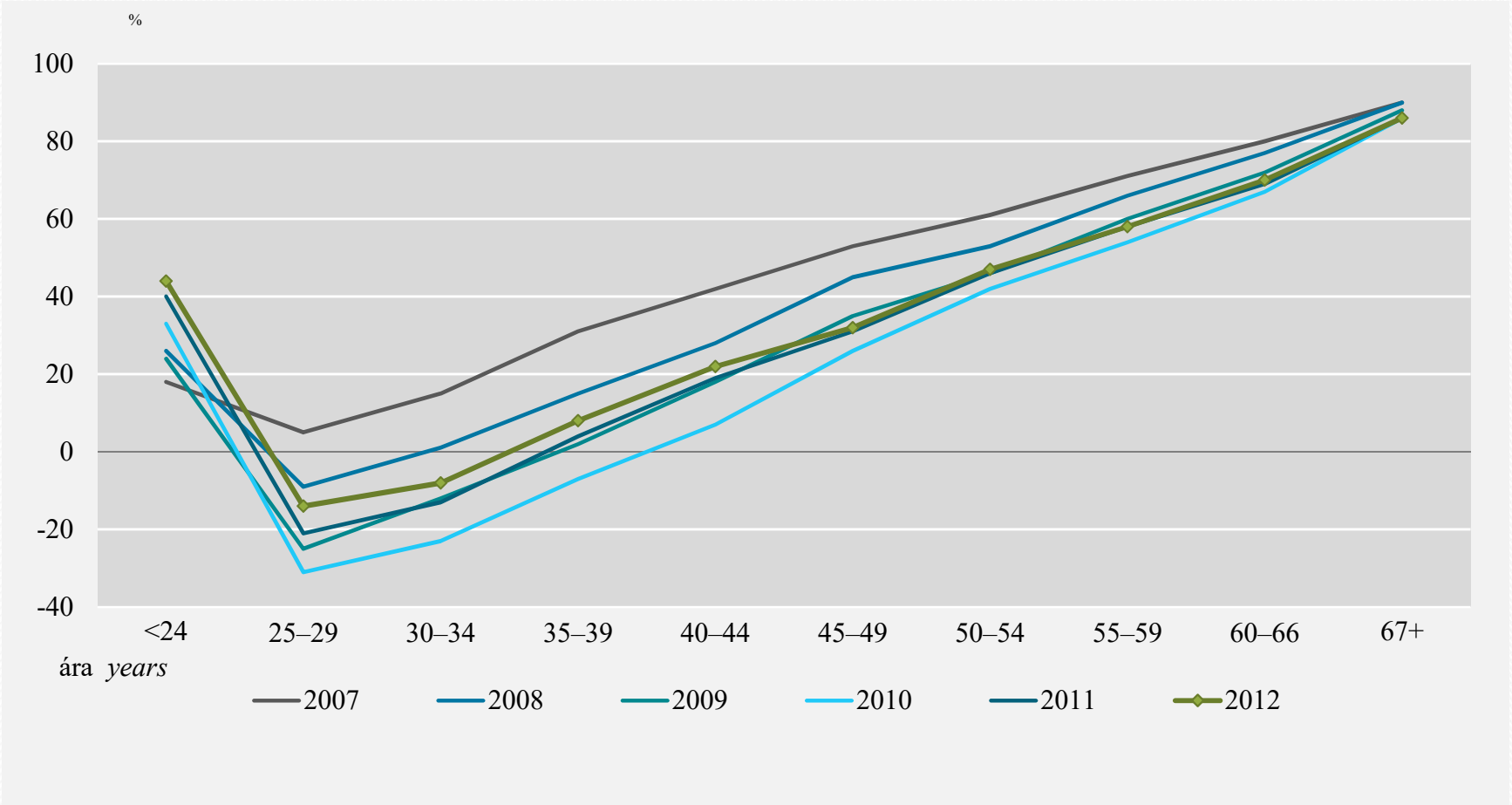
Annual results, 1997-2012

- Statistics Iceland has prepared data by analysing detailed tax returns on an individual basis.
- Information obtained on assets, liabilities in relation to income for families, their age and residence.
- Coherent information for all families presented in statistical tables and reports for the years 1997-2011 and for 2012.
- In August 2014 the 2013 annual tax return data will be published and each year forthcoming.
- All data results are available on the Statice website

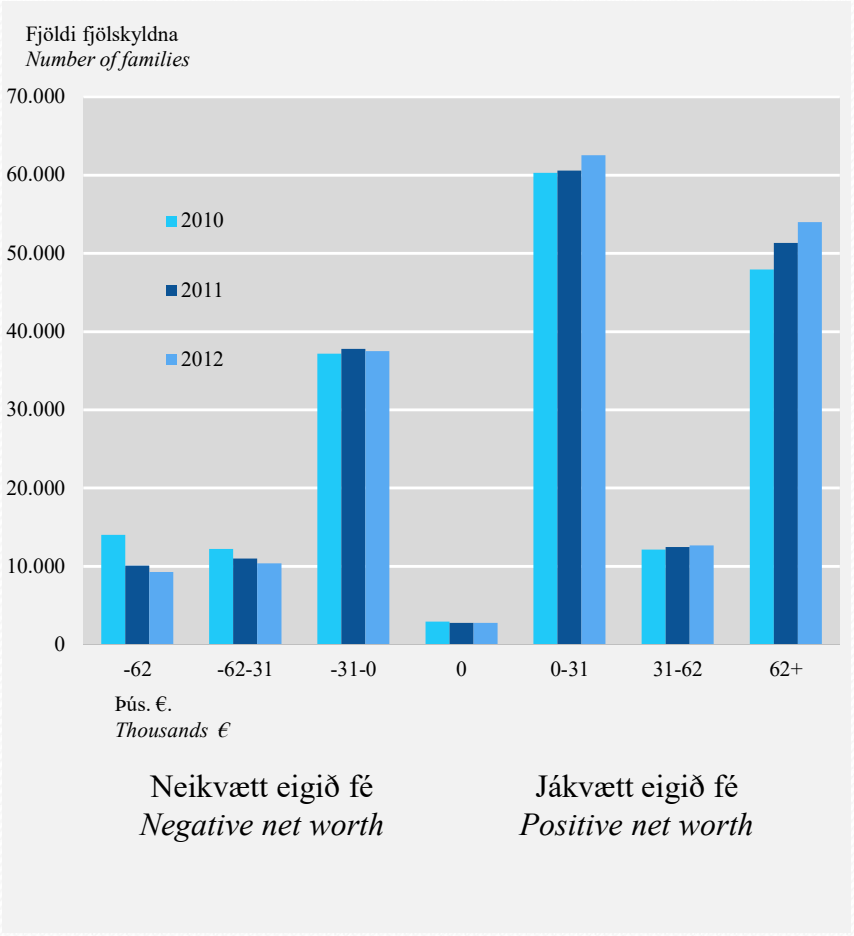
Debt Ratios and Average Assets, Liabilities and Income -by Age of Family 2012

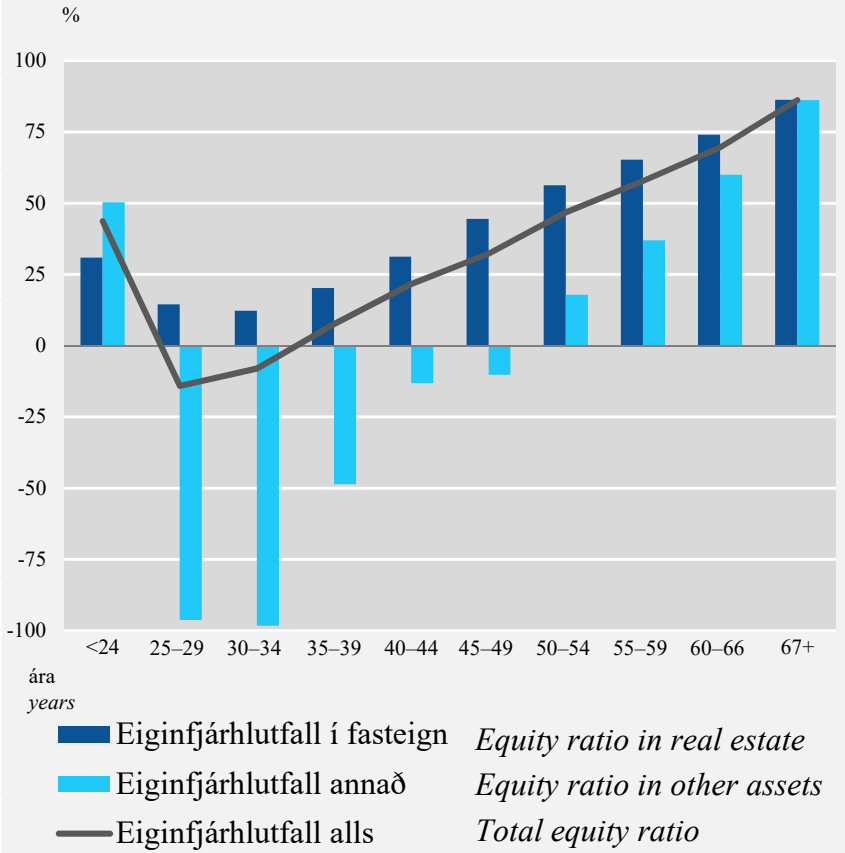


Net Worth Ratio by age 2007-2012

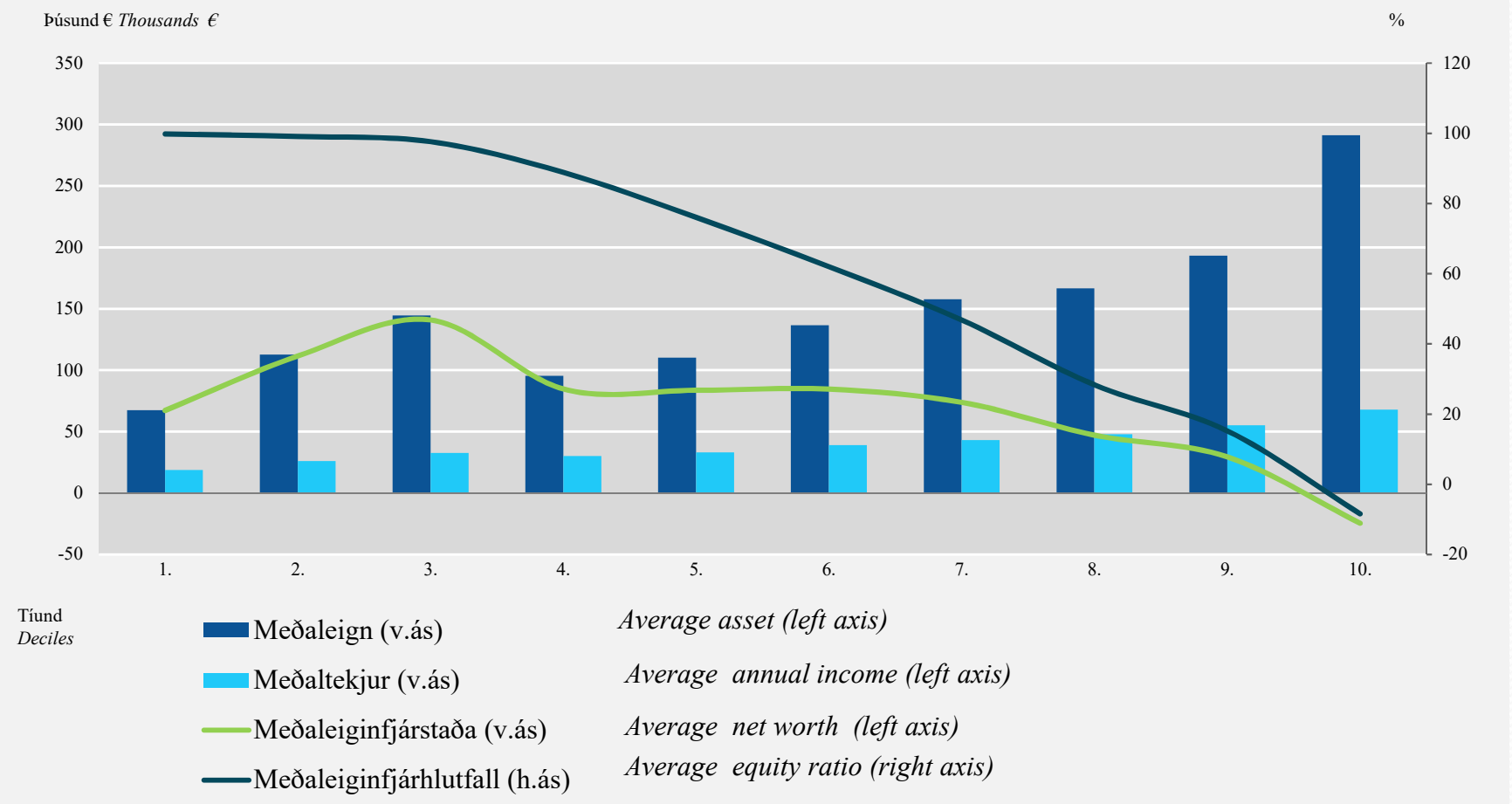


Net Worth of Families 2012

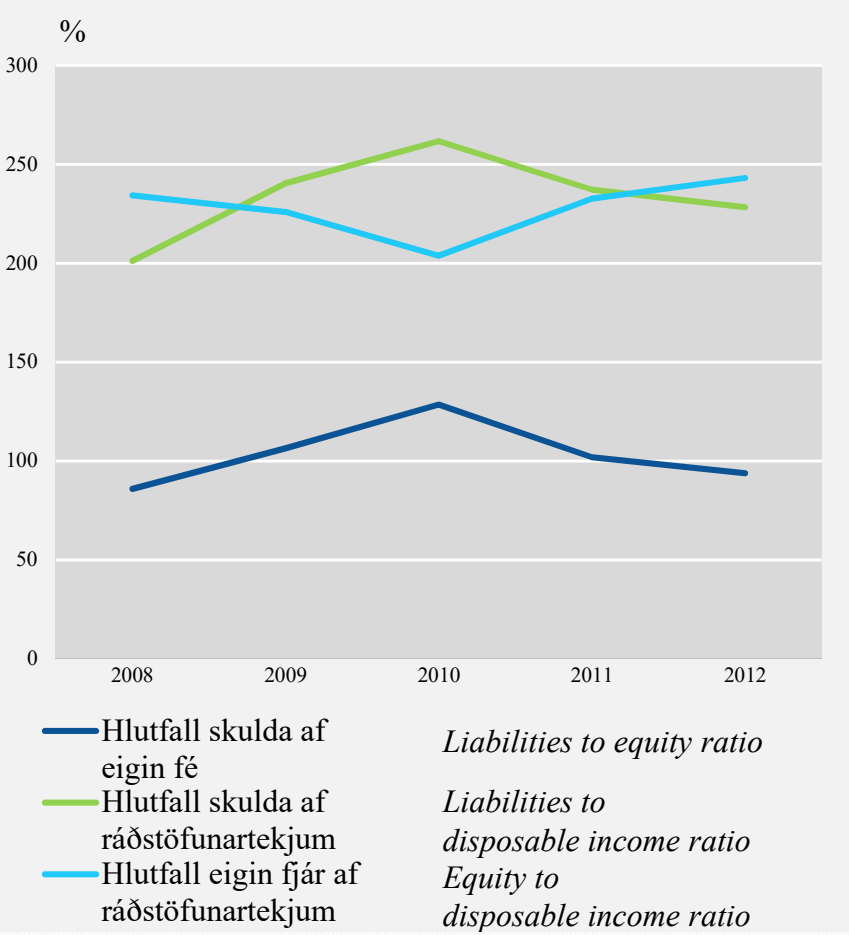


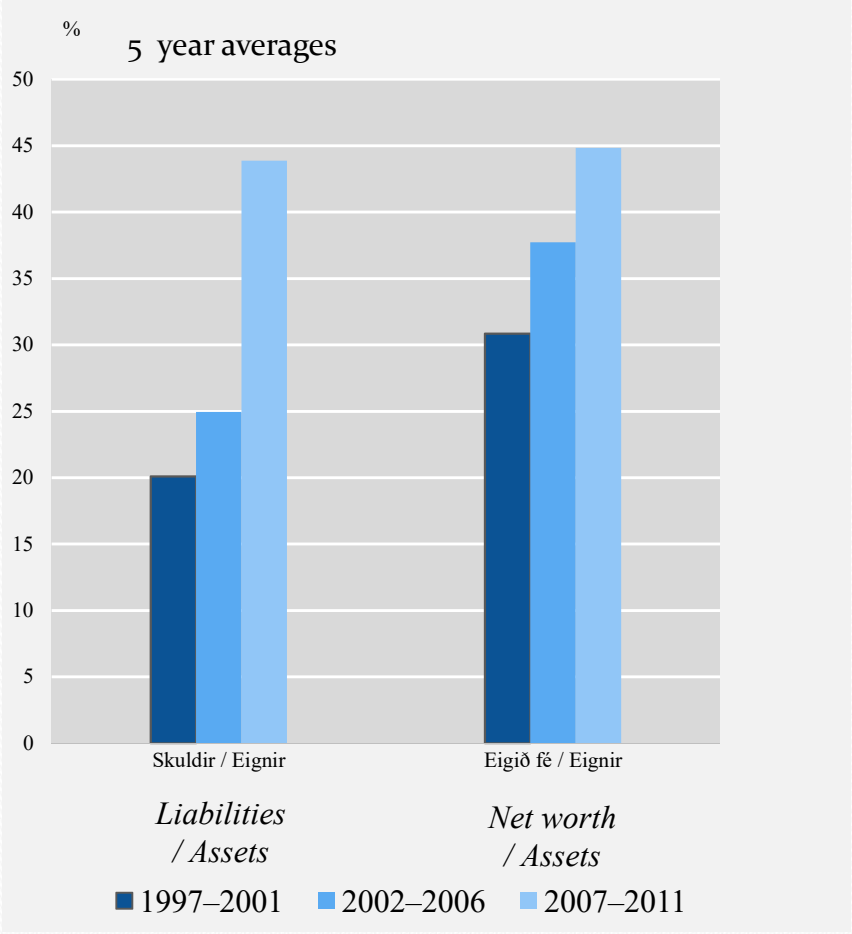


Assets, Income and Net Worth Averages -by Liability Deciles 2012

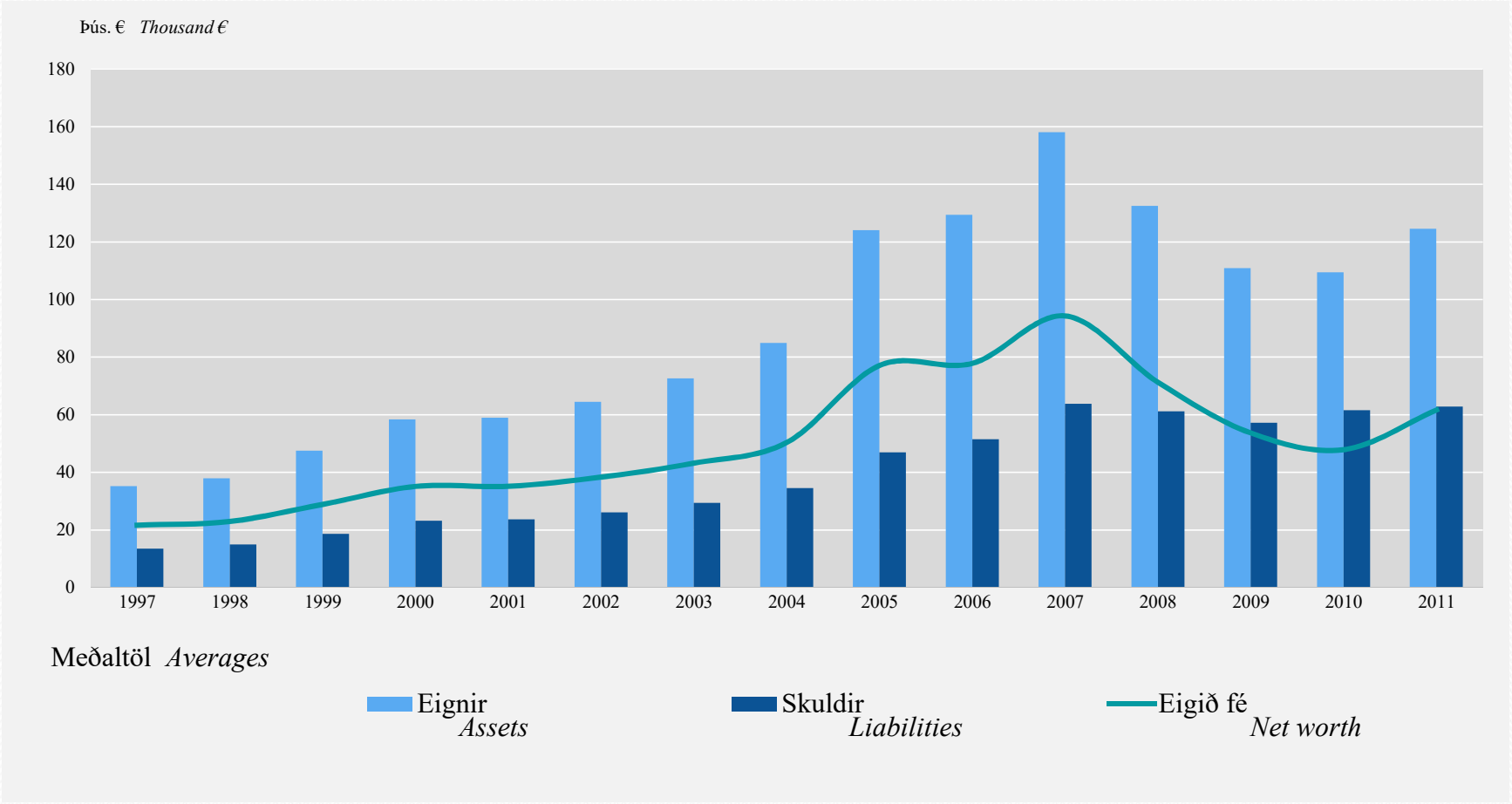


Changes in Ratios

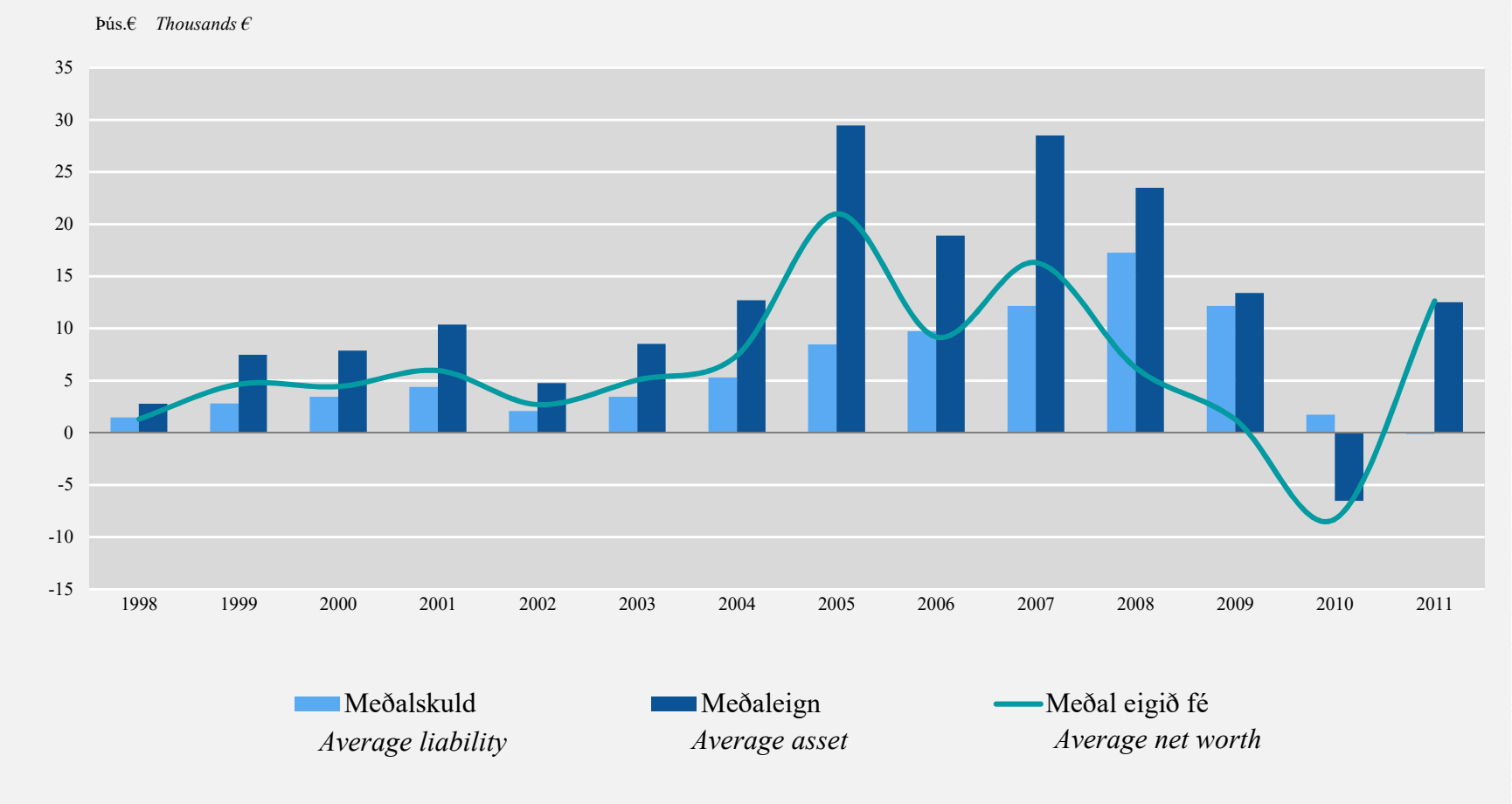




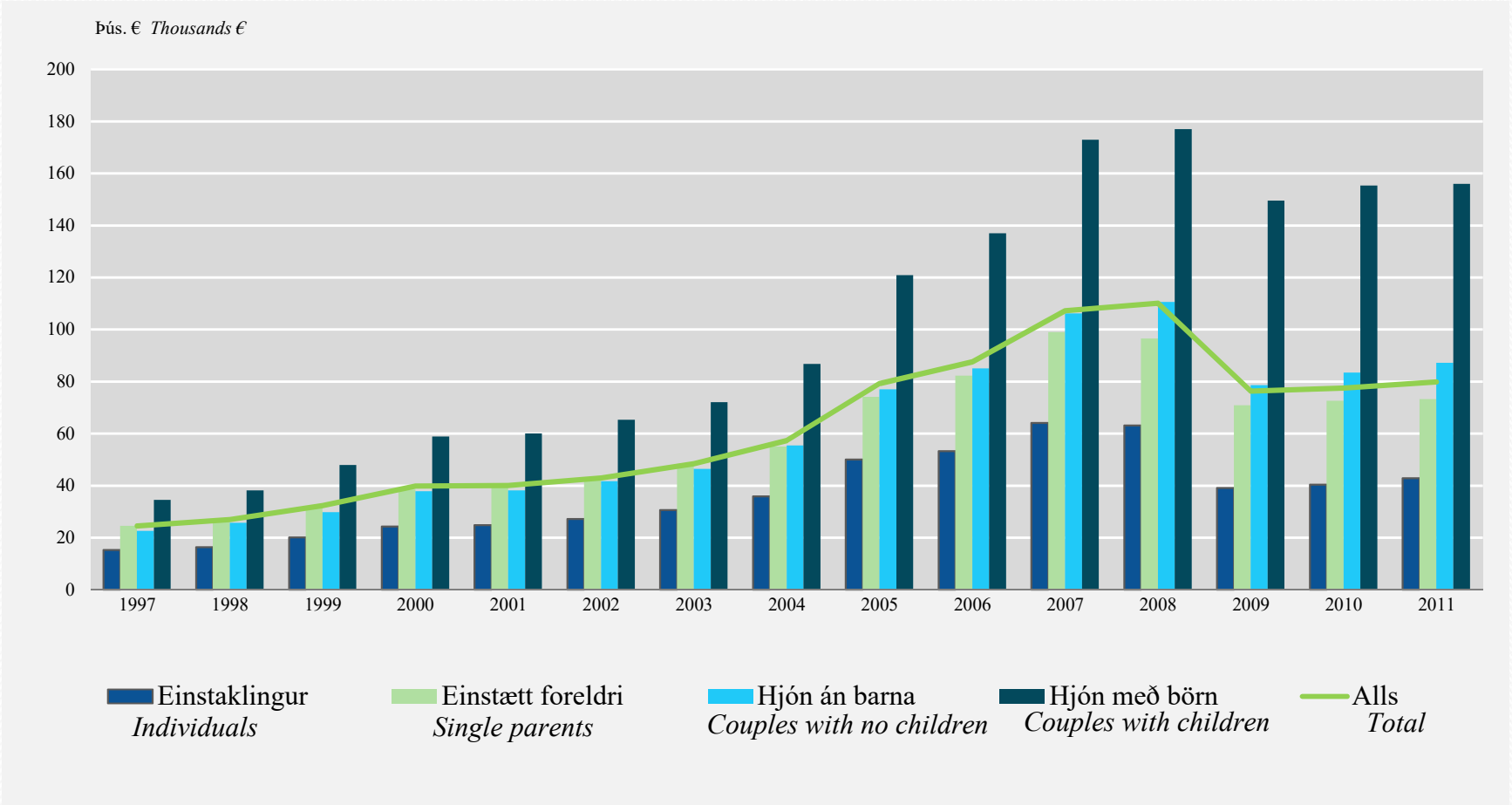
Average Liabilities, Assets and Net Worth for Indebted Families



Change in Average Assets, Liabilities and Net Worth in 2011 prices



Indebted Average Liability by Type of Family, 2011 prices



Thank you