



THE ITALIAN HOUSEHOLDS' FINANCIAL ASSETS: AN ADJUSTMENT BASED ON UCI SURVEY

Preliminary and incomplete: do not quote

Meeting with *Pioneer Global Asset Management*
Milan, November 2nd 2004



Outline of the presentation

- Objective of the research
- The adjustment Process
- Main Results



Objective of the research

The Bank of Italy **Survey on Income and Wealth (SHIW)** collects a great amount of information on the economic behaviour of Italian Households

In the SHIW, the information on financial assets is severely under-reported

To improve data quality, auxiliary sources were used in the past (1987 with BNL)

To perform an adjustment on 2002 data, an experiment was devised, together with Unicredito research staff, using a sample of UCI customers and linking sampling data with administrative information

At this stage, the results of the experiment are fully satisfactory



Disadvantages of sample data

The Italian households' financial assets are evaluated mainly through the Financial Accounts (quarterly revised and updated) and by the sample Survey on Household Income and Wealth, carried out every two years.

The sample estimates are uniformly below those coming from the Financial Accounts, even after harmonising all the definitions in the two sources.

Problems of survey data:

- the distribution of financial assets is highly concentrated: as a consequence well-off households are selected with low probability (high **sampling error**);
- affluent households are less willing to participate in sample surveys (**selection bias** due to **non response** behaviour);
- households tend to **mis-report on their financial assets** (recall problems and/or reticence)



Advantages of sample data

Only survey data allow the...

- ...estimation of the distribution of financial assets;
- ...appraisal of the households' ownership of each different asset;
- ...combined evaluation of all the components of household wealth (tangible and financial assets, financial liabilities), together with their possible use (consumption, intragenerational transfers, bequest);
- ...understanding of the rationale of portfolio choice

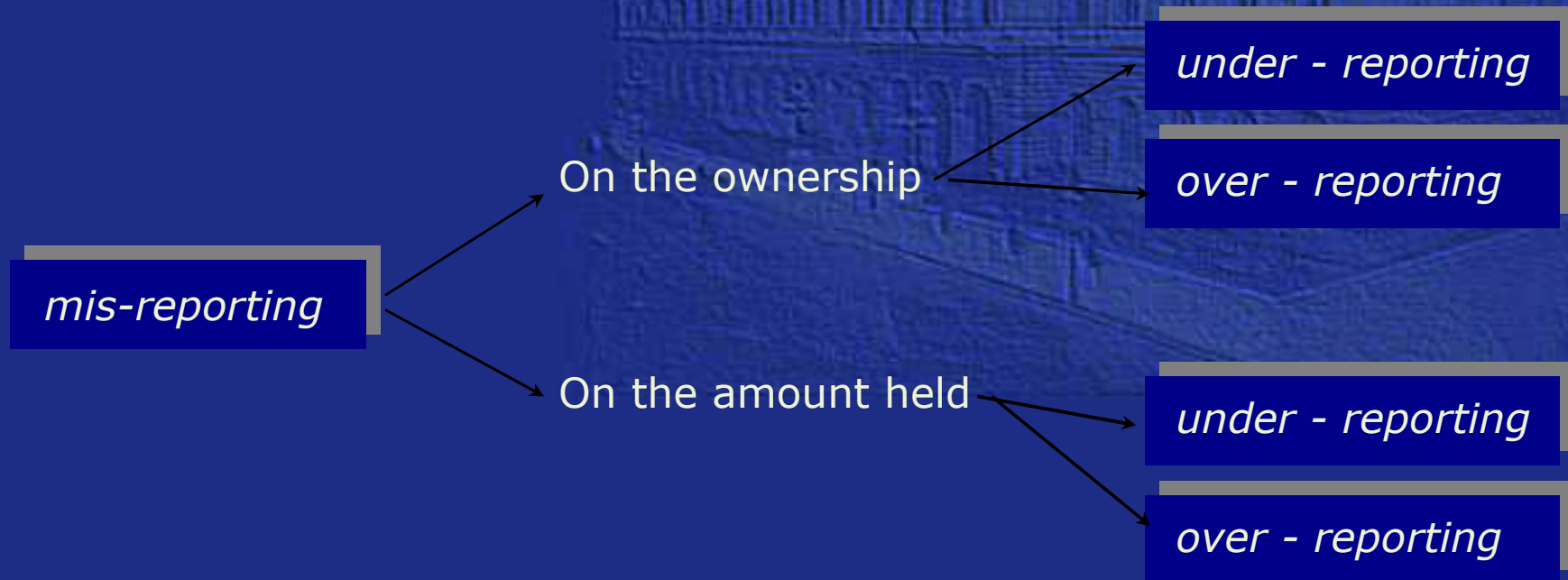


Outline of the presentation

- Objective of the research
- **The adjustment Process**
- Main Results



The adjustment procedure aims to correct the sample estimates for mis - reporting





A three-step adjustment procedure

The three steps work at the household level:

- Step 1 adjusts for *selection bias*;
- Step 2 corrects for mis - reporting on the ownership;
- Step 3: corrects for mis - reporting on the amount held.

(Step 2 and 3 are run for each financial asset)

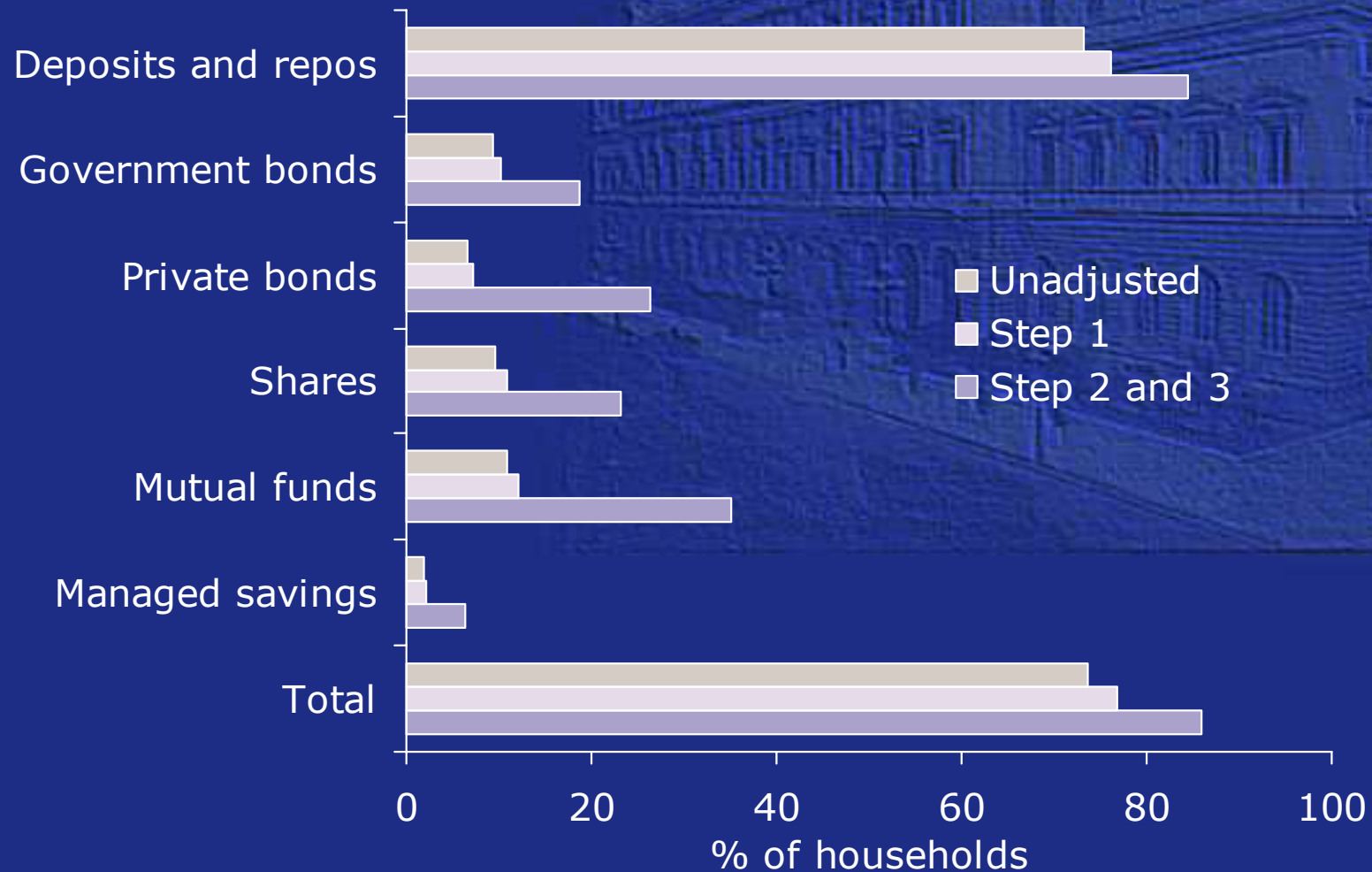


Outline of the presentation

- Objective of the research
- The adjustment Process
- **Main Results**

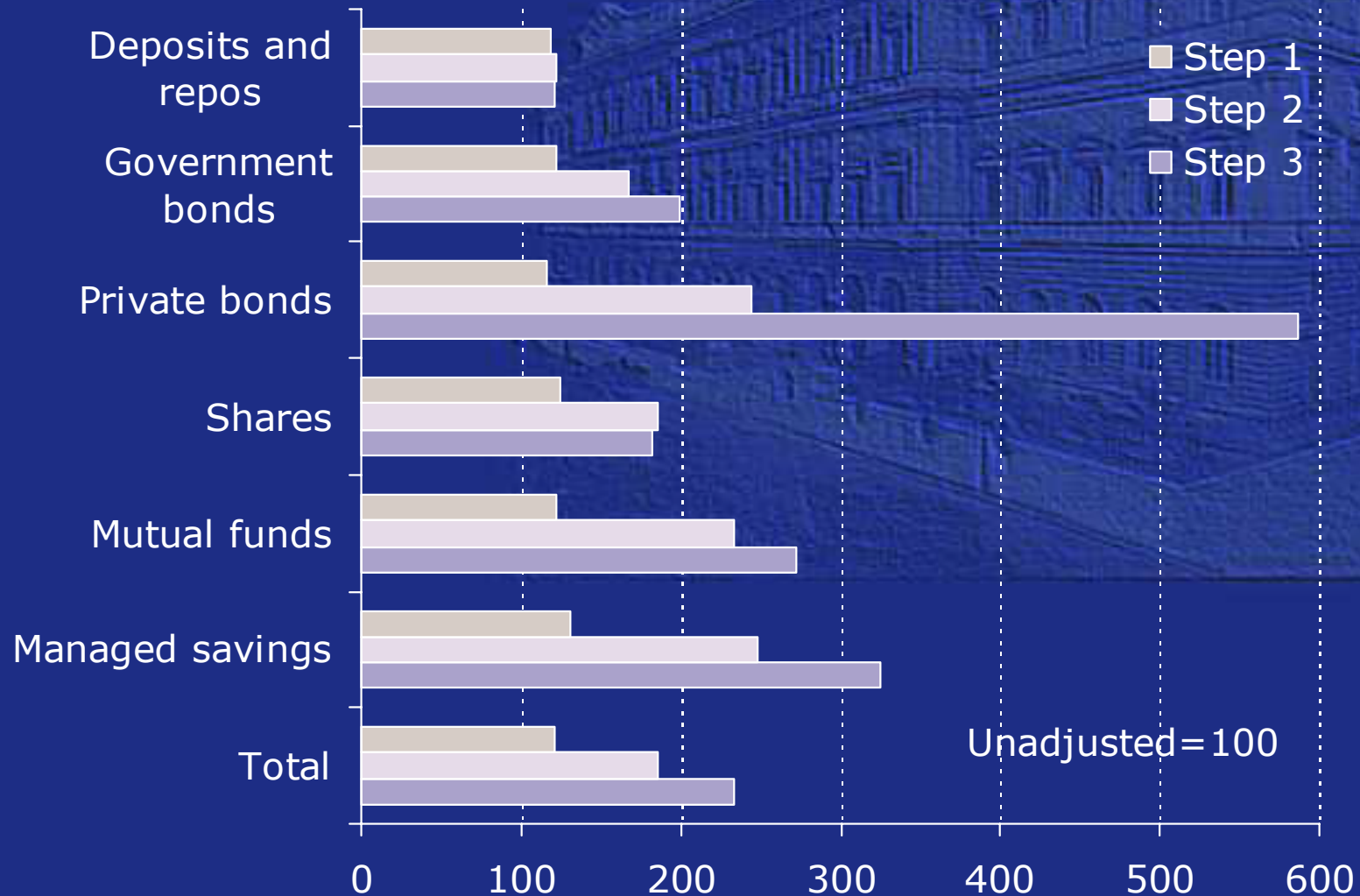


Main results: ownership of financial assets



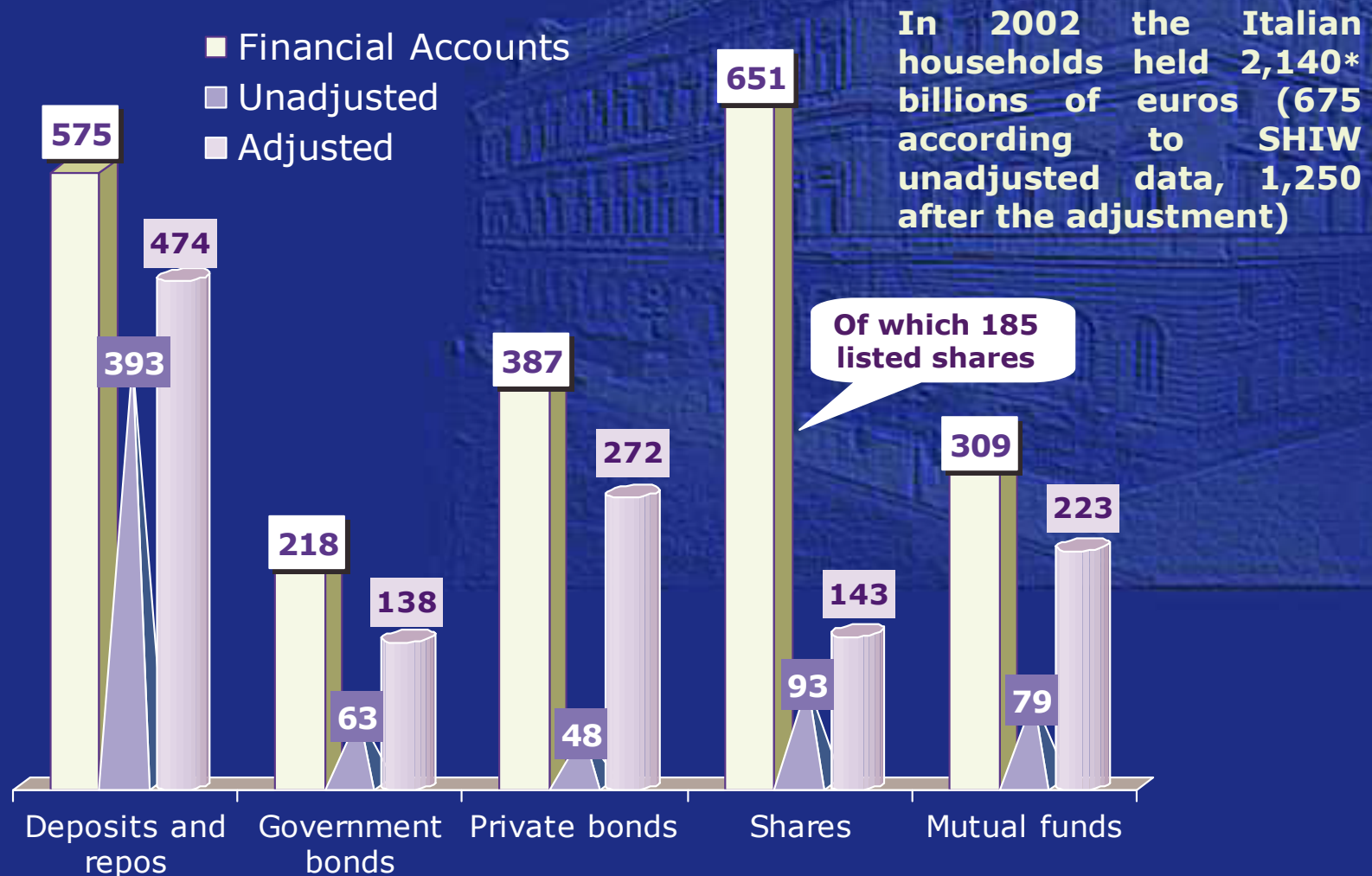


Main results: average amounts of financial assets





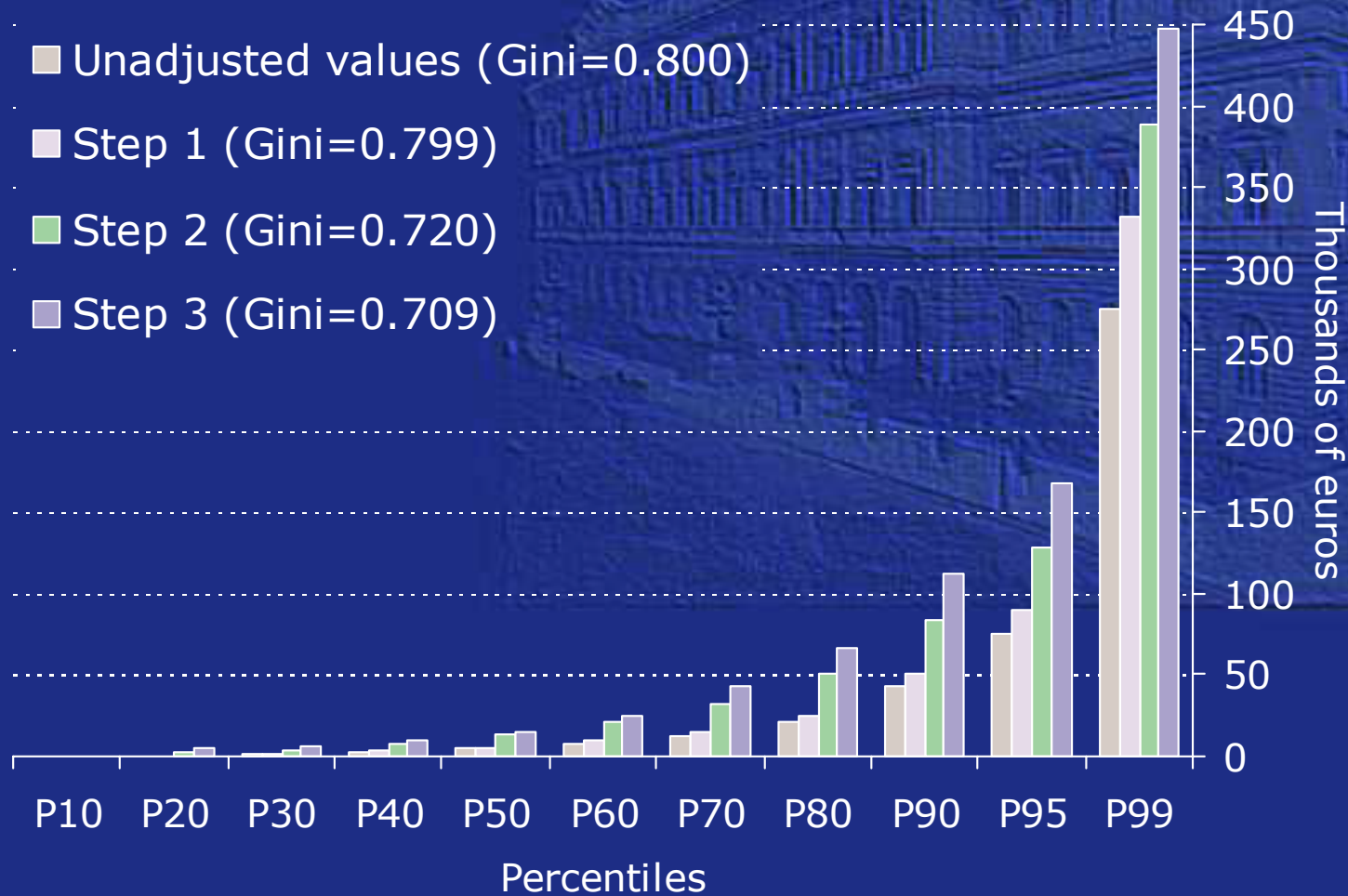
Comparison with the Italian Financial Accounts



* The amount does not include household insurance and pension fund reserves, assets owned by non-profit organizations and other residual items. Furthermore the evaluation of the instruments was harmonized between the two sources

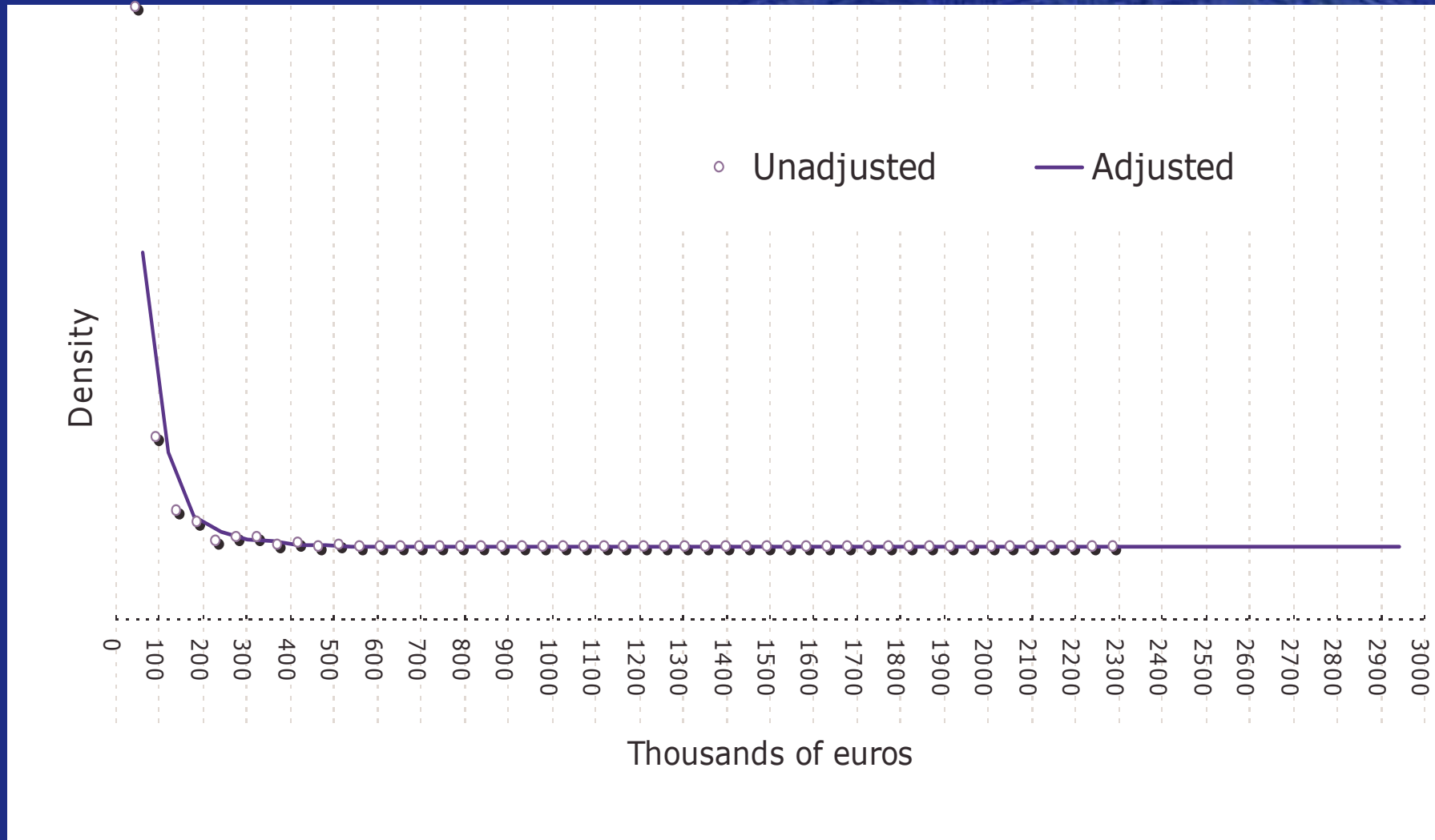


Main results: distribution of financial assets





Main results: distribution of financial assets





Conclusions

- **Non response** and **under-reporting** account for a large share of the gap between SHIW and Financial Accounts. The adjustment process improves significantly data quality. Overall the average amount of Financial Assets **increases more than twofold**
- Under reporting on the ownership outweighs that on the amounts. Under-reporting mainly affects private bonds and mutual funds.
- Under-reporting is higher for elderly, retired and low-educated heads of household. The average amount in '000 euro of the adjusted Financial Assets is 62 for those aged over 65 (20 unadjusted), 53 for the retired (19 unadjusted) and 36 for the low-educated (10 unadjusted)
- A full understanding of the financial wealth distribution would require an *ad hoc* analysis of the wealthiest households (over 3 millions of Euro)