

Income and Wealth of Euro Area Households in Times of Ultra-Loose Monetary Policy – Stylised Facts from New National and Financial Accounts Data

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This The ECB's ultra-loose monetary policy is often attributed to significantly affect household's income and financial wealth. Low interest rates in general supposedly reduce households' returns from their savings, and the various asset purchase programmes are expected to provide additional incentives for households to restructure their financial portfolio in favour of higher risks. Against this background, this paper addresses two major questions: Firstly, how did net interest income of households in France, Germany, Italy and Spain as well as the euro area as a whole develop in times of ultra-loose monetary policy? And secondly, did households change the structure of their financial portfolio in this environment in favour of riskier assets? Based on recently published national and financial accounts data, I derive stylized facts which suggest that net interest income of households indeed changed with the monetary policy stance. Extent and shape, however, vary significantly across countries. While households in some countries suffer from declining interest incomes in recent years, households in other countries achieved net interest incomes which are, considered in real-terms, substantially higher than in the past – despite much lower policy rates. In order to shed some light on the mechanics behind this diversity, the developments are tentatively linked to households' balance sheets as well as interest rate fixation of households' liabilities, suggesting that these factors clearly outweigh the meaning of monetary policy. Regarding the portfolio behaviour, less divergence is observed though. In all countries, risk taking of households did not visibly increase in recent years, despite the low rate of return of safe assets. The results rather suggest that the latter gained importance since the shares of risky assets are well below their long-term average, everywhere. General statements which accuse monetary policy to provide the basis for severe macroeconomic distortions via the channels mentioned above therefore seem inadequate.