

# Wealth in Canada:

## Recent Developments in Micro and Macro Measurement

Catherine Van Rompaey (Statistics Canada)

Presented and Discussed by Thomas Crossley (Essex and IFS)

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# Overview

This paper provides:

- ▶ a retrospective on macro household wealth measurement in Canada
- ▶ a retrospective on micro household wealth measurement in Canada
- ▶ a description of efforts on micro-macro linkage, and particularly new distributional tables
- ▶ some illustrative results.

# Motivation

Household wealth is a key policy concern in Canada

- ▶ adequacy of the pension system
- ▶ effects of real estate bubbles
- ▶ sustainability of rising consumer debt.

# The Household Sector in the National Balance Sheet Accounts

Statistics Canada has had a long program of developing household sector balance sheets

- ▶ 1997 integrated sector accounts
- ▶ 2000s improved frequency, valuation of some tradeable securities
- ▶ 2010 pension satellite account (covers entire retirement system)
- ▶ 2011 new financial indicators (household debt to gdp, debt service ratio, more)
- ▶ 2012-15 alignment with SNA 2008
  - ▶ 2012 remaining assets moved to market valuation
  - ▶ 2012 NPISH broken out
  - ▶ 2015 Actuarial valuation of pensions

# The Household Sector in the National Balance Sheet Accounts

Future plans include:

- ▶ From-whom-to-whom detail in FA
  - ▶ richer understanding of exposure
- ▶ 2000s improved frequency, valuation of some tradeable securities
- ▶ Interest and Dividends Matrix
  - ▶ coherence

# Micro data on household wealth

Occasional asset and debt modules in the Survey of Consumer Finance, 1957-1984

Survey of Financial Security

- ▶ 1999,2005,2012
- ▶ varying sample size (9,00-23,000)
- ▶ wealthy areas over-sampled
- ▶ detail on pension and pension wealth (npv) gave more comprehensive picture
- ▶ response rate around % 70

Permanent funding secured in 2015 for a triennial survey, starting with 2016

# Household distribution tables

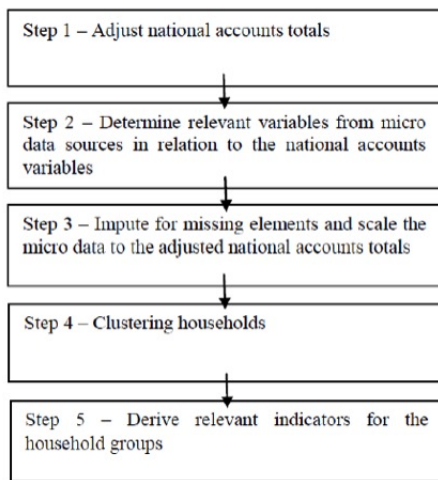
Work under way to develop annual household wealth distribution tables, linked to NA (NBSA).

Part of a larger macro-micro linkage project to estimate distribution of NA income, consumption and saving of household sector

- ▶ addresses Stiglitz, Sen, Fitoussi recommendations

# Estimation of distributional information

Figure 1. A step-by-step approach for the estimation of distributional information





## SFS aligns well with NBSA

<b>Survey of Financial Security (SFS) and National Balance Sheet Account (NBSA)</b> Pre- and Post-2015 Comprehensive Revision <i>(billions of dollars)</i>					
	SFS 2012	NBSA 2012Q3 pre- revision	NBSA 2012Q3 post- revision	Coverage Pre- Revision (SFS/NBSA)	Coverage Post- Revision (SFS/NBSA)
Total Assets	9,368	8,632	9,327	108.5%	100.4%
Total Financial Assets	4,666	4,589	4,778	101.7%	97.7%
Life Ins. & Pensions	1,871	1,614	1,878	115.9%	99.6%
Other Financial Assets	2,795	2,975	2,900	93.9%	96.4%
Total Non-Financial Assets	4,701	4,042	4,549	116.3%	103.4%
Real Estate	4,186	3,490	3,980	119.9%	105.2%
Other Non-Fin. Assets	515	552	569	93.4%	90.6%
Total Debt	1,337	1,681	1,688	79.5%	79.2%
Mortgage Debt	1,030	1,063	1,063	96.9%	96.9%
Other Debt	307	618	626	49.7%	49.1%
Net Worth	8,030	6,951	7,639	115.5%	105.1%

# Social Policy Simulation Database and Model (SPSD/M)

## Statistics Canada's microsimulation tool

- ▶ data base combines tax return data, UE claimant histories, survey data on income, consumption
- ▶ 300,000 "composite" individuals (100,000 households),
- ▶ non-confidential, statistically representative
- ▶ data base available as a public-use microdata file
- ▶ static accounting model computes taxes and transfers

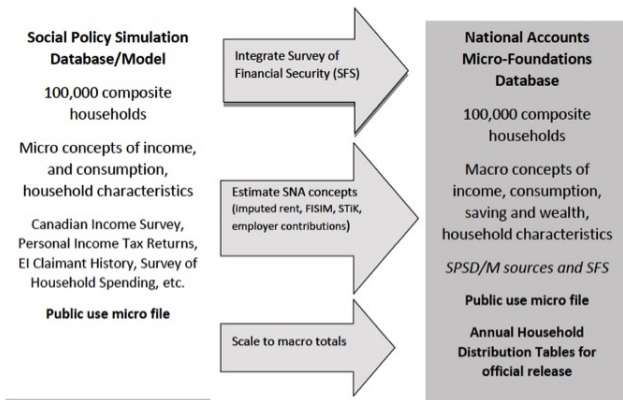
Key idea: SPSSD/M database ideal starting point for integrated distributions of macro income, consumption, saving, wealth.

# Strategy

Figure 2

## General Estimation Strategy for the Annual Household Distribution Tables

### Benchmark Period



# Illustrative Findings (1)

**Table 1.1: NBSA Net Worth (\$ millions) by Income Quintile, nominal terms**

Net Worth	1999	2012
Income Quintile	% of Total	% of Total
Q1	7%	6%
Q2	12%	13%
Q3	17%	17%
Q4	24%	24%
Q5	40%	40%
Total	100%	100%

# Illustrative Findings (2)

**Table 3.1 NBSA Net Worth (\$ millions) by Age Group of Head of Household, 1999 & 2012**

	1999	1999	2012	2012
Age Group	Net Worth	# of HH	Net Worth	# of HH
<35	7%	22%	5%	20%
35-44	18%	25%	13%	18%
45-54	26%	20%	25%	21%
55-64	24%	13%	30%	20%
65+	25%	20%	28%	22%
Total	100%	100%	100%	100%

# Conclusions

Stay tuned. (Public release: end of 2017)

## Comments and Questions

Canadian record on wealth measurement impressive (especially macro)

- ▶ SFS funding is excellent news
- ▶ micro-macro linkage plans too

Net worth share of top quintile looks low (Table 1.1)?

How does the SFS do so well (response rate, coverage)?

- ▶ how does it do on the tail? (Vermuelen type analysis?)

Scaling micro-data to macro-totals

- ▶ how much?
- ▶ why? (understanding matters)

It would be nice to know more about the matching/imputation in the SPSD/M

- ▶ for some things you might do with microdata, it really matters.

# Imputation concerns

