FI Analysis

Liquid assets of Swedish households

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Summary

Economic research emphasises that savings buffers, consisting of liquid financial assets, help households manage a loss of income and unexpected expenses. Small buffers mean that households must choose between borrowing more, consuming less or, in a worst-case scenario, having problems making their payments. If many households with small buffers were to experience such problems, for example during an economic recession, demand in the economy could drop significantly.

Aggregate statistics indicate that households hold significant liquid assets. Today, the total value corresponds to almost SEK 1 million per household. However, because these buffers are unevenly distributed between households, the average is a poor measure for assessing the risk of a significant drop in consumption. The percentage of households with small liquid assets is a better measure. This measure requires information about how liquid assets are distributed between households. We use a so-called capitalisation method based on tax form data for different types of capital incomes to calculate each household's liquid assets in 2012. Even though the data is eight years old, there are circumstances that indicate that the distribution should be the same today. For example, the percentage that cannot pay an unexpected expense of SEK 12,000 within one month has largely remained the same since 2008.

We find that a large percentage of households have small liquid assets: approximately 45 per cent of households had less than SEK 100,000, and the median households had around SEK 130,000 in 2012. This can be compared to aggregate statistics from 2012, which indicate that Swedish households on average had SEK 580,000 in liquid assets. In other words, our calculations confirm that the distribution is skewed.

For many households, their liquid financial assets are also small in relation to their disposable income. Approximately one out of ten households has liquid assets corresponding to at the most two months' disposable income, and one out of three households has liquid assets corresponding to at the most four months' income. These results are in line with similar studies for other countries and Swedish surveys.

Households with large loans or high loan-to-income ratios are sensitive to both a fall in income and higher interest expenses. We find that the liquid assets are just as unevenly distributed among households with the largest interest expenses. Overall, this means that the liquid assets of a large percentage of households are so small that these households may be forced to reduce their consumption expenses immediately following an economic shock.