

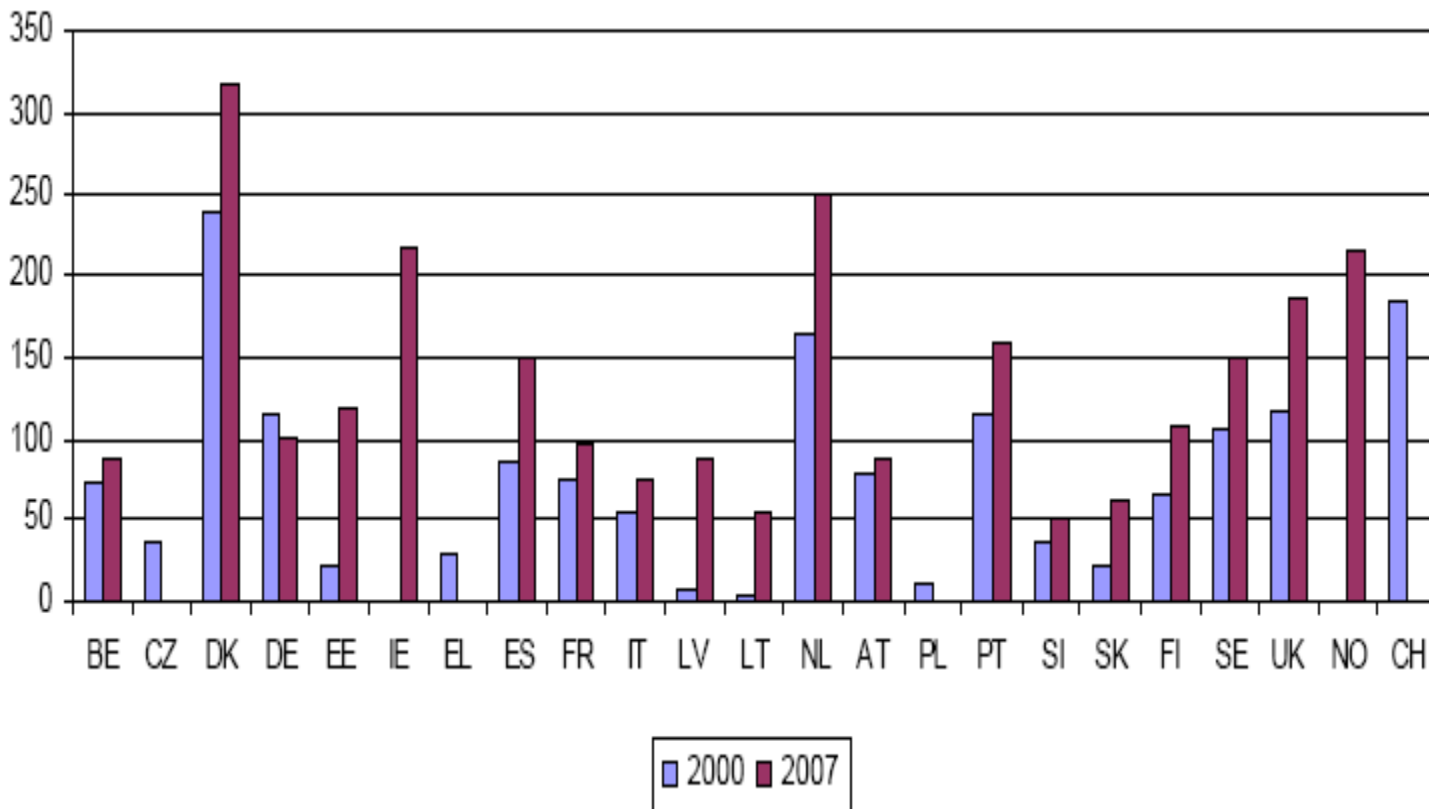
Changes in the behavior of households, new form of moral hazard

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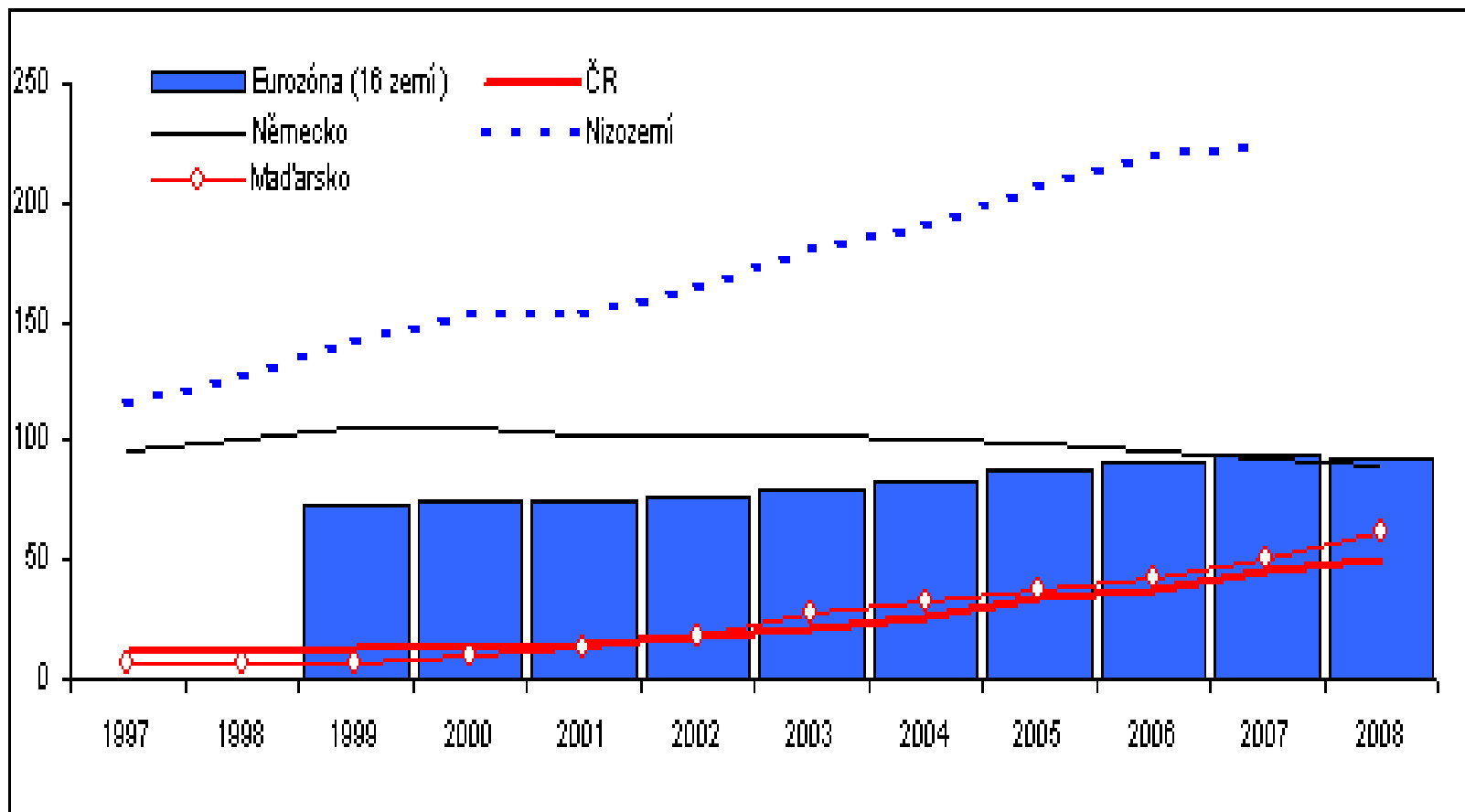
Famalicao, Portugal, 13th – 15th July 2011

Households' stock of liabilities as a percentage of Household Disposable Income, 2000 and 2007



Source: Eurostat, 2010

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Households%20stock_of_liabilities_as_a_percentage_of_Household_Disposable_Income,_2000_and_2007.PNG&filetimestamp=20090608090557



GROSS HOUSEHOLD DEBT IN SELECTED COUNTRIES AND THE EURO AREA

(Loans to gross disposable income of households for each given year)

Source: Czech Statistical Office, Eurostat, 2009

Eurozóna – Eurozone

Německo – Germany

Maďarsko – Hungary

ČR – Czech Republic

Nizozemí - Netherlands

**Households' stock of liabilities as a percentage of household disposable income
(1.0 = 100% of disposable income)**

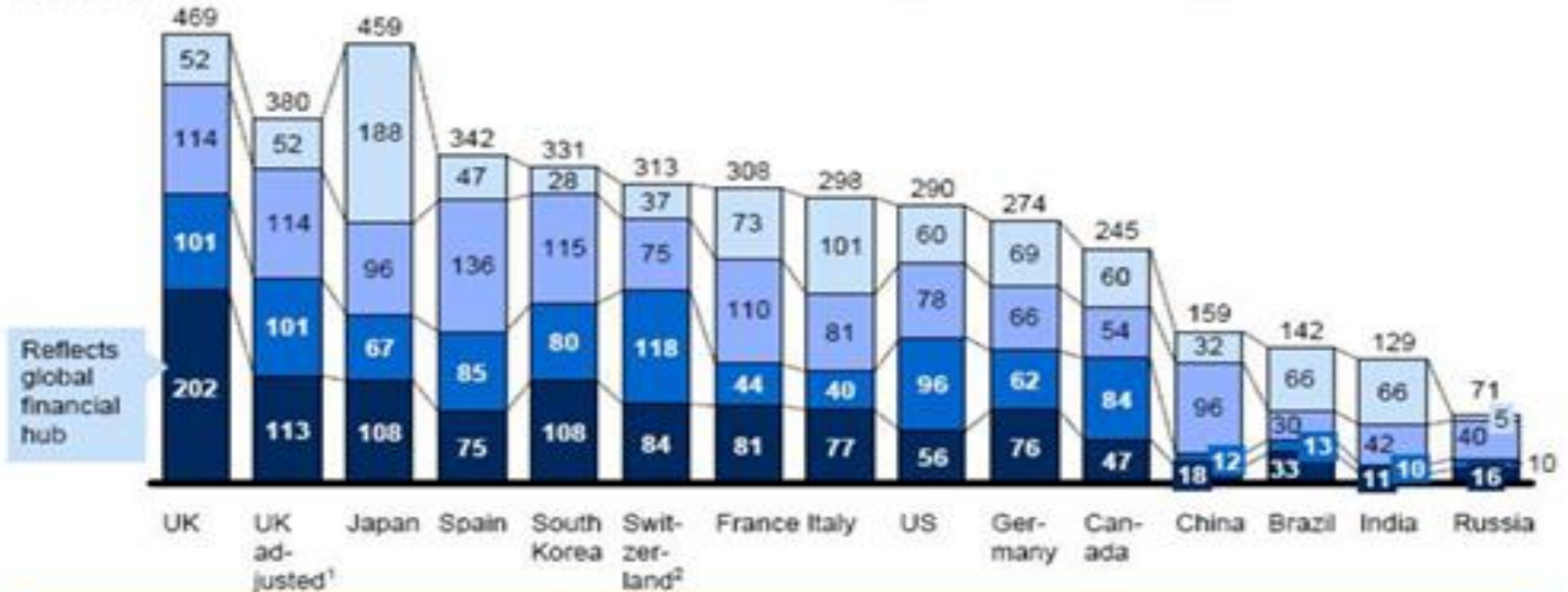
	Canada	France	Germany	Italy	Japan	United Kingdom	United States
1995	1.007	0.620	0.909	0.374	n.a.	1.057	0.916
1996	1.038	0.626	0.951	0.387	1.294	1.028	0.934
1997	1.061	0.636	0.982	0.416	1.276	1.027	0.945
1998	1.085	0.684	1.021	0.440	1.282	1.048	0.953
1999	1.109	0.711	1.067	0.473	1.299	1.086	0.993
2000	1.098	0.725	1.070	0.511	1.314	1.117	1.007
2001	1.111	0.736	1.045	0.506	1.320	1.157	1.046
2002	1.139	0.713	1.048	0.524	1.294	1.273	1.096
2003	1.173	0.751	1.038	0.552	1.283	1.380	1.164
2004	1.209	0.789	1.025	0.589	1.262	1.514	1.230
2005	1.261	0.858	1.002	0.630	1.270	1.537	1.298
2006	1.293	0.914	0.979	0.663	1.259	1.675	1.341
2007	1.356	0.933	0.949	0.696	n.a.	1.761	1.368
2008	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.307

Source: Eurostat 2010

The sectoral composition of debt differs across economies

Debt by country, 2008
% of GDP

Government Households
Nonfinancial business Financial institutions



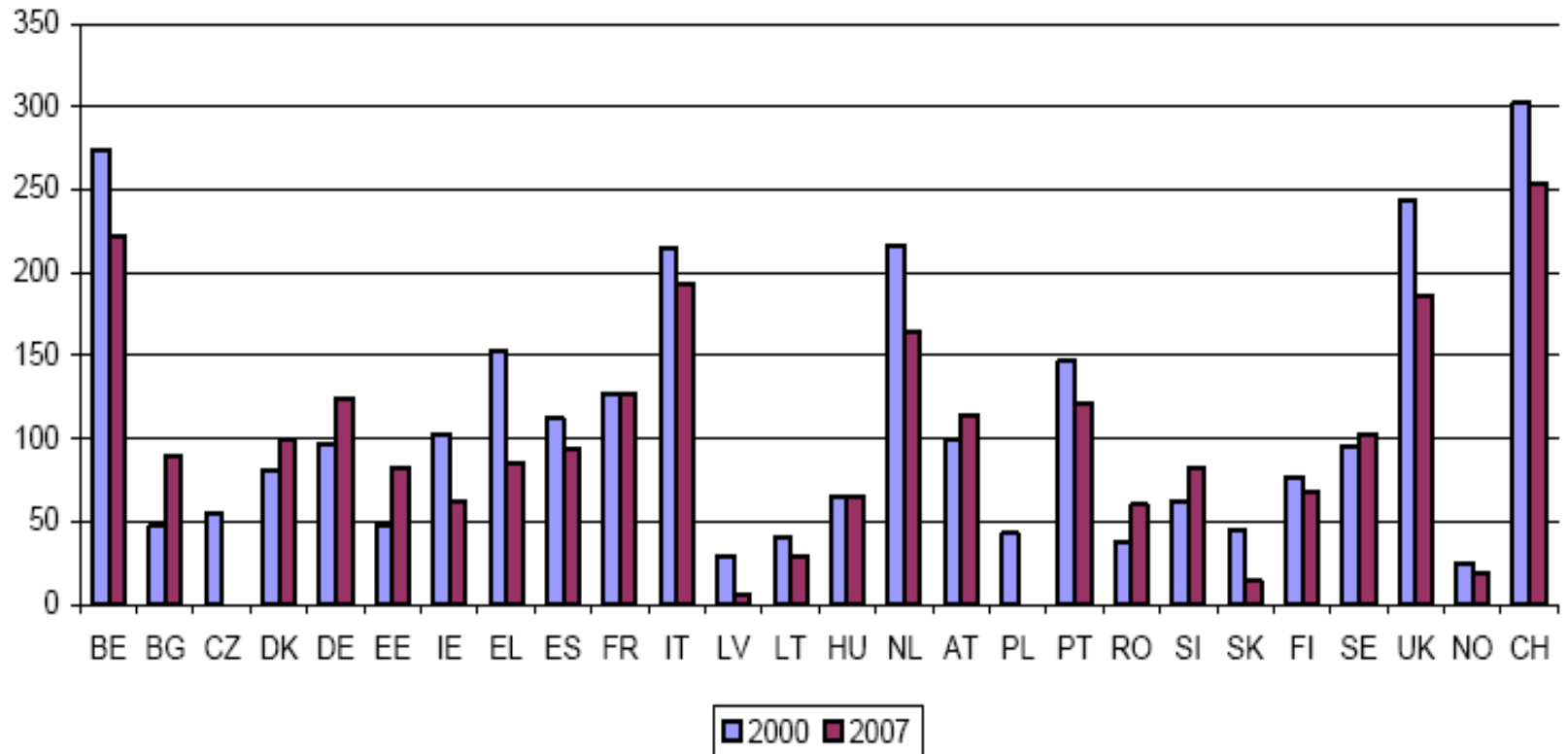
Country	Compound annual growth rate of debt in local currency, %
2000-08	10.2
UK	0.3
Japan	14.5
Spain	10.8
South Korea	4.5
Switzerland	7.7
France	6.3
Italy	8.1
US	2.5
Germany	6.1
China	15.1
Brazil	15.1
India	16.5
Russia	31.6

¹ The UK financial sector was adjusted to reflect its position as a financial hub. See the technical appendix for details.

² Data for Switzerland represent year-end 2007.

SOURCE: Haver Analytics; McKinsey Global Institute

Net Financial Wealth of Households as a percentage of GDP, 2000 and 2007



Data for Ireland and Slovenia refer to 2001.

Source: Eurostat, 2010

Moral hazard

During the past forty years, the average life expectancy in the developed countries grew significantly.

Belgium

Life expectancy at the age of 60 (years)	1998	2009
men	19,1	21,3
women	23,8	25,4

25(P) 25,5(S) +27, 5(F)

Life expectancy of men are lower about 3-4 years.

Lifespan and healthy lifespan in 2008

Country	Lifespan		Healthy lifespan	
	males	females	males	females
Belgium	76,92	82,56	63,20	63,77
Bulgaria	69,78	77,03	61,92	65,51
Czech Republic	74,06	80,52	61,16	63,33
Denmark	76,52	80,99	62,27	60,66
Estonia	68,71	79,52	52,75	57,24
Finland	76,47	83,28	58,56	59,38
France	77,80	84,84	62,41	64,21
Ireland	77,54	82,3	63,16	64,97
Italy	79,15	84,48	62,4	61,21
Cyprus	78,51	83,11	64,48	65,11
Lithuania	66,29	77,63	54,62	59,34
Latvia	66,97	77,70	51,46	54,15
Luxemburg	78,11	83,06	64,81	64,20

Hungary	69,98	78,25	54,65	57,97
Malta	76,90	81,88	68,62	71,69
Germany	77,63	82,68	55,78	57,42
Netherlands	78,43	82,47	62,41	59,76
Poland	71,26	80,02	58,42	62,63
Portugal	76,24	82,41	58,99	57,22
Romania	69,71	77,22	60,03	62,64
Austria	77,75	83,28	58,02	59,51
Greece	77,69	82,35	65,43	65,79
Slovakia	70,84	78,98	51,81	52,30
Slovenia	75,53	82,59	59,41	60,90
Spain	78,20	84,50	63,83	63,27
Sweden	79,19	83,25	69,22	68,71
UK	77,82	81,89	64,99	66,31

**Source: Health and life years indicator (2011), available on:
<http://www.healthy-life-years.eu/>**

Selected demographic data, Czech Republic

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Life expectancy at birth (years)											
men	68.1	67.6	68.2	68.4	69.2	69.5	69.7	70.4	70.5	71.1	71.4
women	75.4	75.4	75.7	76.1	76.4	76.6	76.6	77.3	77.5	78.1	78.1
Life expectancy at the age of 60 (years)											
men	14.9	14.7	15.0	15.2	15.6	15.9	15.9	16.3	16.4	16.7	16.8
women	19.2	19.5	19.5	19.8	19.9	20.0	20.0	20.4	20.7	21.0	21.0

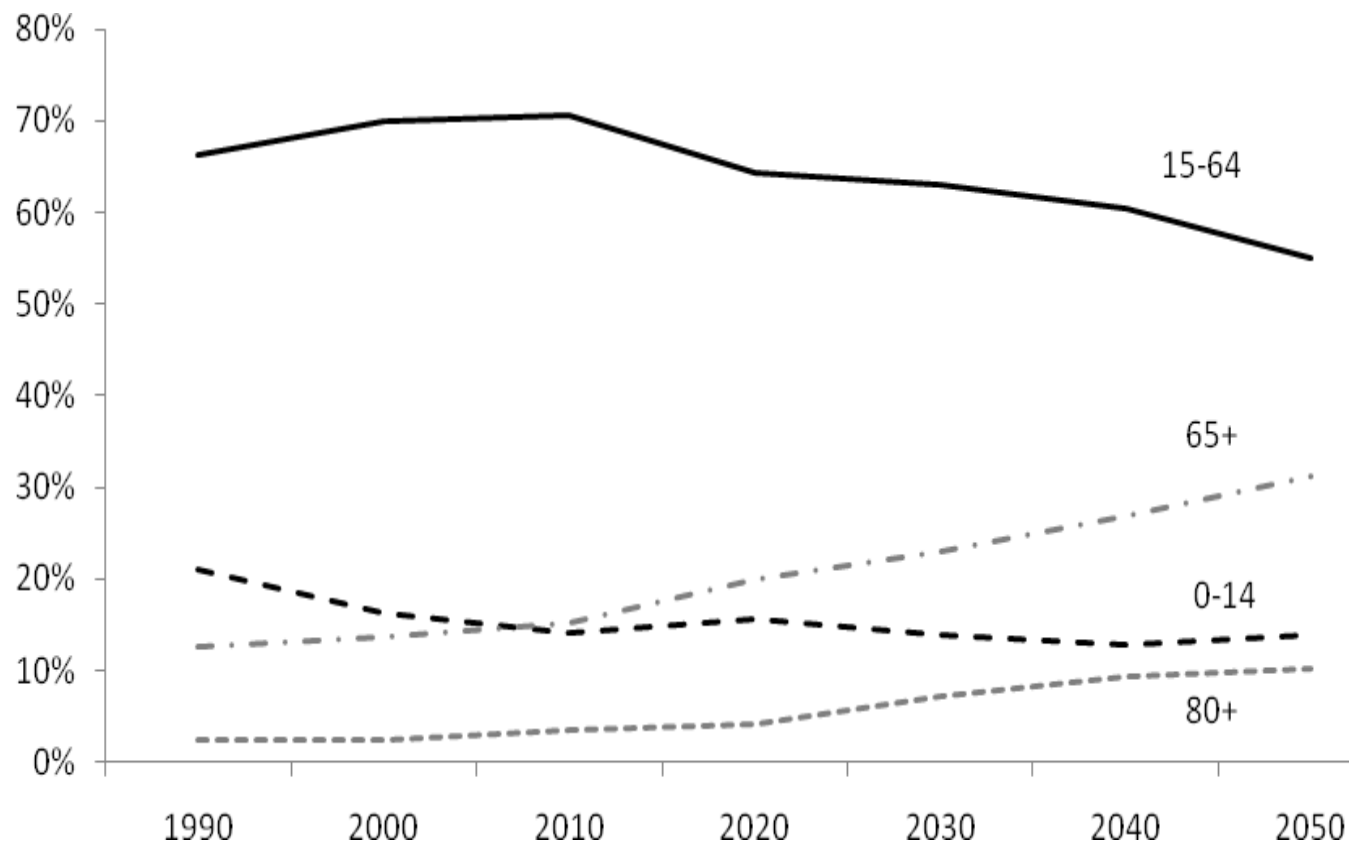
Source: Czech Statistical Office, 2011, Czech Republic since 1989 in numbers, http://www.czso.cz/csu/redakce.nsf/i/cr_od_roku_1989#01

Selected demographic data, Czech Republic

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Age groups (%) from all										
0 – 14	16.2	15.9	15.6	15.2	14.9	14.6	14.4	14.2	14.1	14.2
15 – 64	69.9	70.2	70.5	70.8	71.0	71.1	71.2	71.2	71.0	70.6
65 and older	13.9	13.9	13.9	13.9	14.0	14.2	14.4	14.6	14.9	15.2
Average age	38.8	39.0	39.3	39.5	39.8	40.0	40.2	40.3	40.5	40.6
Life expectancy at birth (years)										
men	71.6	72.1	72.1	72.0	72.5	72.9	73.4	73.7	74.0	74.2
women	78.3	78.4	78.5	78.5	79.0	79.1	79.7	79.9	80.1	80.1
Life expectancy at the age of 60 (years)										
men	17.0	17.3	17.3	17.2	17.6	17.8	18.2	18.4	18.5	18.6
women	21.2	21.2	21.3	21.3	21.6	21.7	22.1	22.3	22.6	22.5

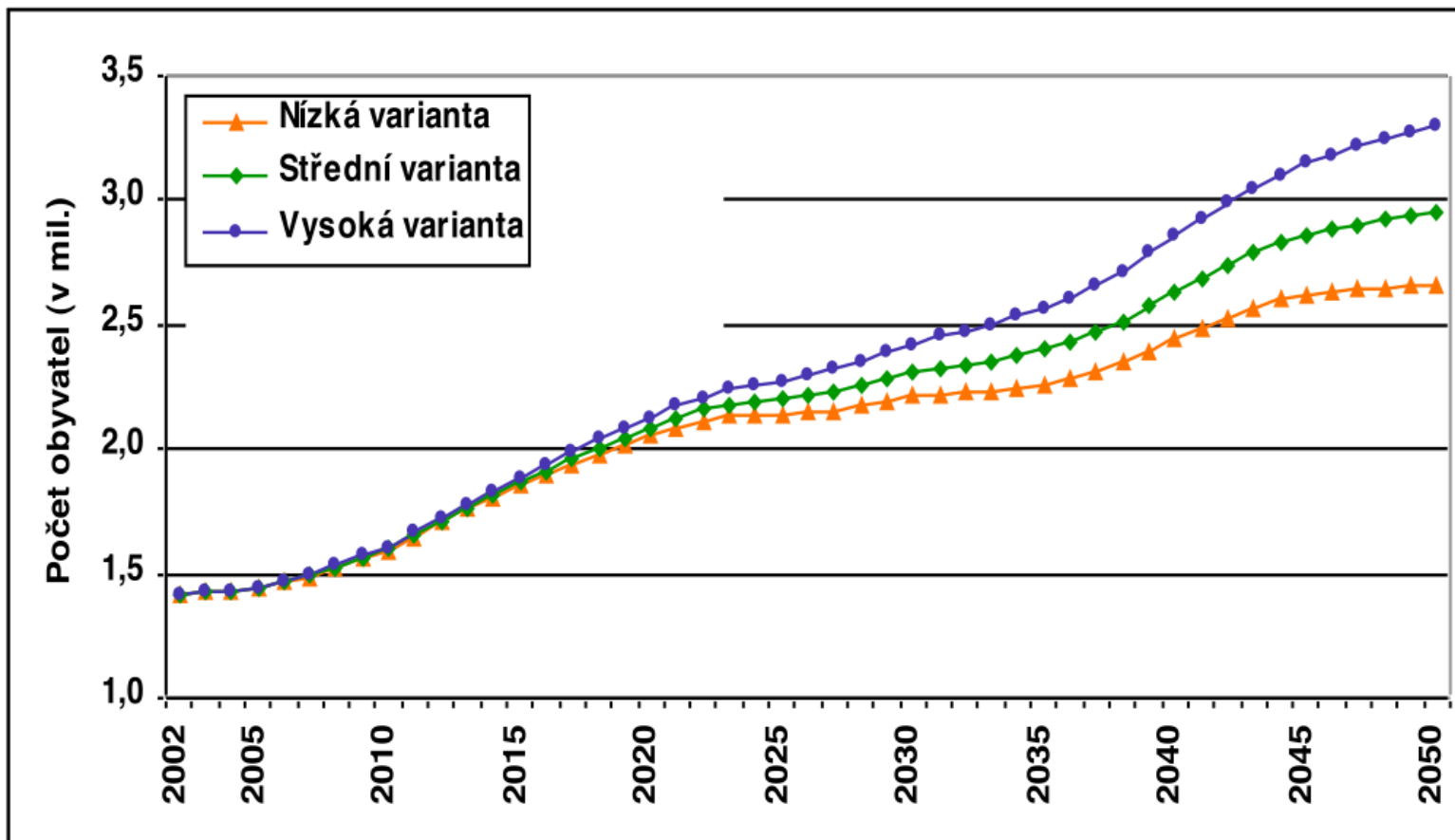
Source: Czech Statistical Office, 2011, Czech Republic since 1989 in numbers,
http://www.czso.cz/csu/redakce.nsf/i/cr_od_roku_1989#01

Development of population structure based on age groups in Czech Republic



**Source: Czech Statistic Bureau (2009), available on:
<http://www.czso.cz/csu/2009edicniplan.nsf/p/4020-09>**

Development of the number of inhabitants over 65 years in the Czech Republic



Explanation:

Počet obyvatel (v mil.) - [number of the population](#) (in mil.)

Nízká varianta – Low variety

Střední varianta – Mean variety

Vysoká varianta – High variety

Source: CSB

Conslusions

Financial and other household assets in the developed countries stopped increasing at the end of the first decade of the 21st century. When there is a growth, it is almost never consistent, and in most cases it is bound to the movement of prices on the stock markets or real-estate markets.

Considering the development of the total household assets, the development in the past few years can be at best called “fluctuation”.

The crises of 2008-2010 had a significant effect on the drop of prices of assets and thus on the drop of household wealth, however, even at times of previous economic growth there is no clear signal that the households created more wealth than before.

During the crises, the households used up part of their financial reserves.

There is a trend of higher debt, especially in the form of mortgage loans.

While analysing information on the development of households' wealth in the developed countries in connection with the development of demographic structure in these countries, we inevitably come to a conclusion that the creation of reserves is too slow and does not correspond to the pressure the future development will put on savings during retirement.

Although many developed countries are already carrying out reforms (and others are preparing them) of the pension schemes, it will not be sustainable to keep the retirement pensions on the levels now perceived in developed countries as standard. In future, households will be expected to rely on their private reserves created during the working life to a much higher extent than now.

Average number of years that will be spent in retirement is increasing and although the developed countries keep raising the retirement age, it will not be possible to do so for much longer – a simple fact given by a limited human ability to work until a very old age.

Longer average life expectancy also means longer period of time when people are rather strongly dependent on healthcare system or every-day assistance, and thus lowers the probability of death without a previous dependence on healthcare/assistance.

All these facts mean that already now but especially in the future people in retirement age will need to rely on their amassed reserves much more intensely while the transfers from the state pension schemes will tend to decrease.