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Measuring Household Investment in Poland

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Measuring Household Investment in Poland

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Goal

- In this paper we analyze the household material wellbeing through household investment in financial and non-financial assets and factors determining them

- We show the structure of the household savings allocated for and withdrawn from different financial and non-financial assets, e.g. loans and credits taken up and repaid, deposits made and withdrawn, purchase and sale of non-financial assets and life insurance

- The research is based on data for 37 282 households from Household Budget Surveys in Poland in 2006

- We found that the structure of the household investment depends on the level of education of the household head, age, gender and the subjective valuation of income

- Main investments and disinvestments are in non-financial assets and loans and less in bank deposits and life insurance

Percent of income allocated for investment
(breaking down in income quintiles)
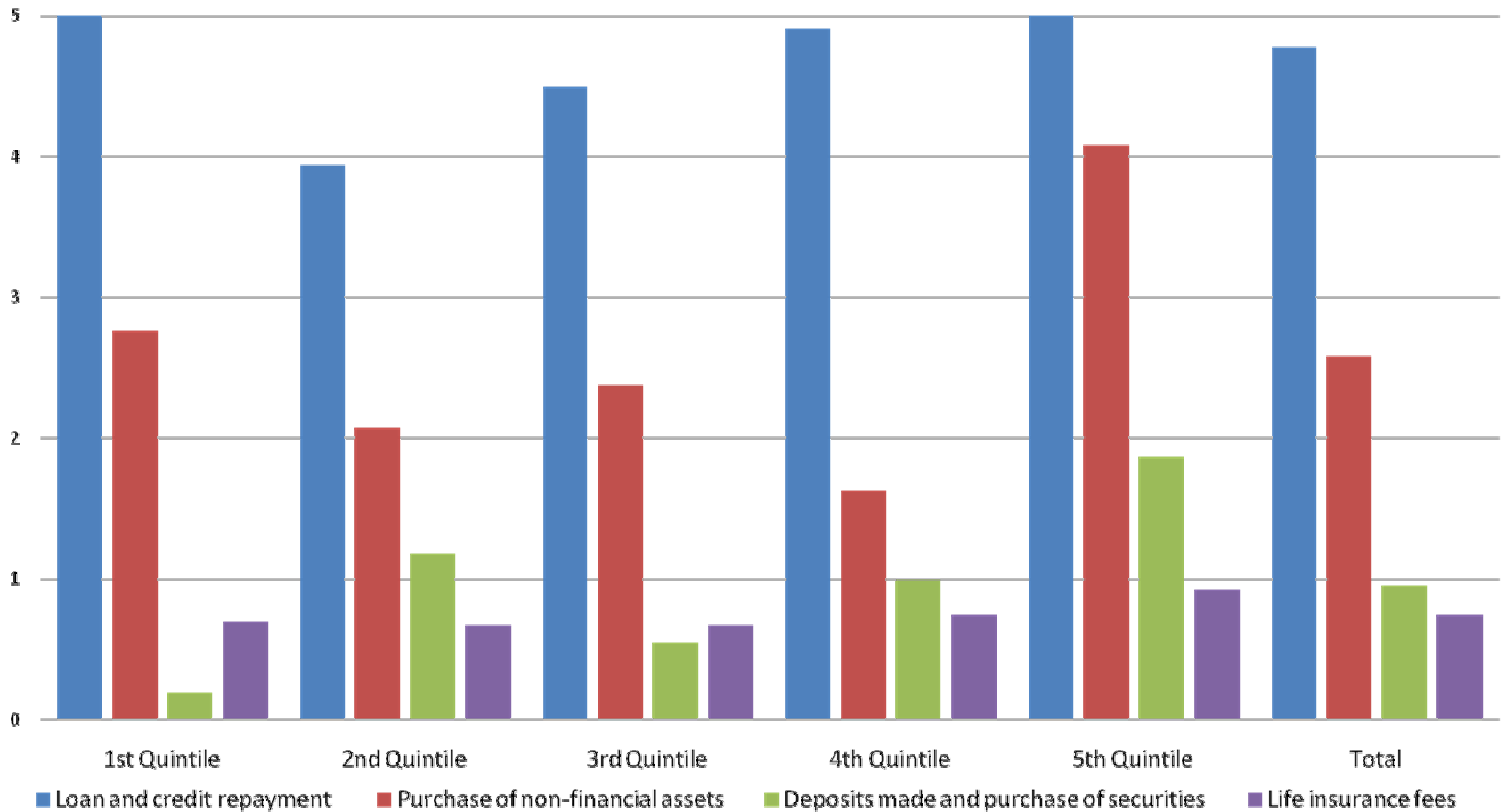
Legend:
- **Loan and credit repayment** (blue)
- **Purchase of non-financial assets** (red)
- **Deposits made and purchase of securities** (green)
- **Life insurance fees** (purple)

The richest quintile of households invests in non-financial assets relatively more than others; all households put most of their savings into repayment of loans and credits
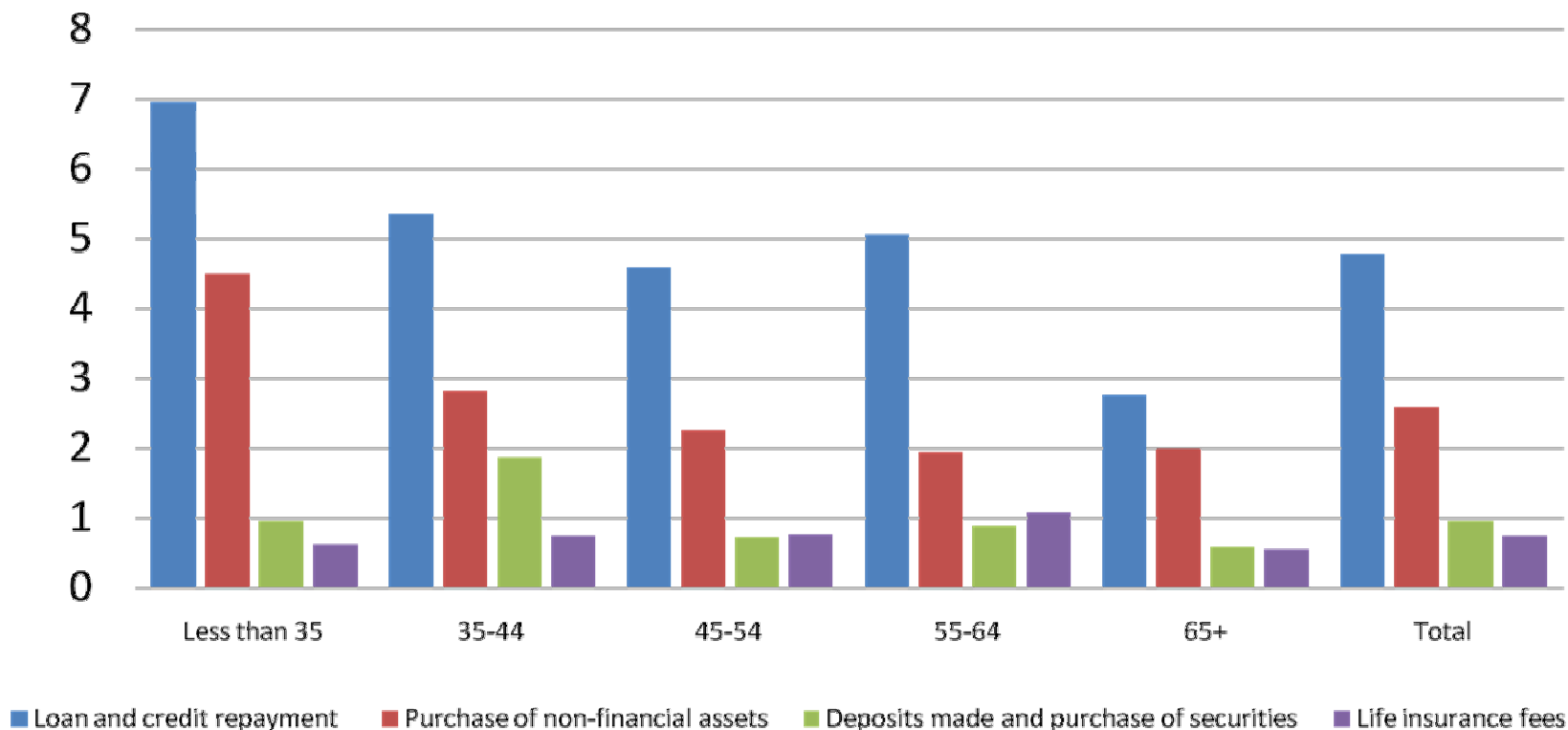
Percent of income withdrawn from investment
(breaking down in income quintiles)
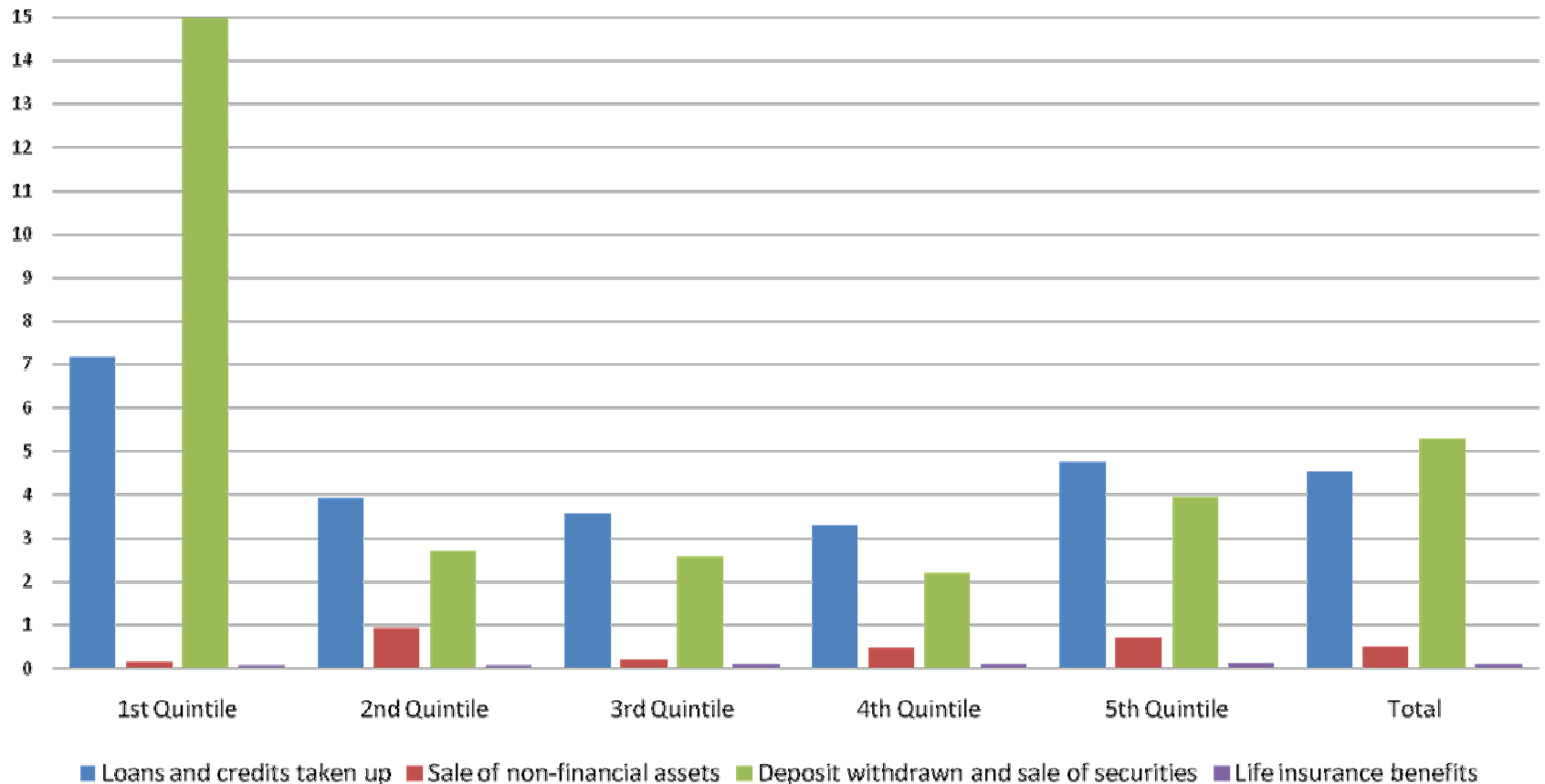
Besides loans and credits taken up, deposits withdrawn and sales of securities form the largest item diminishing the net financial assets of households
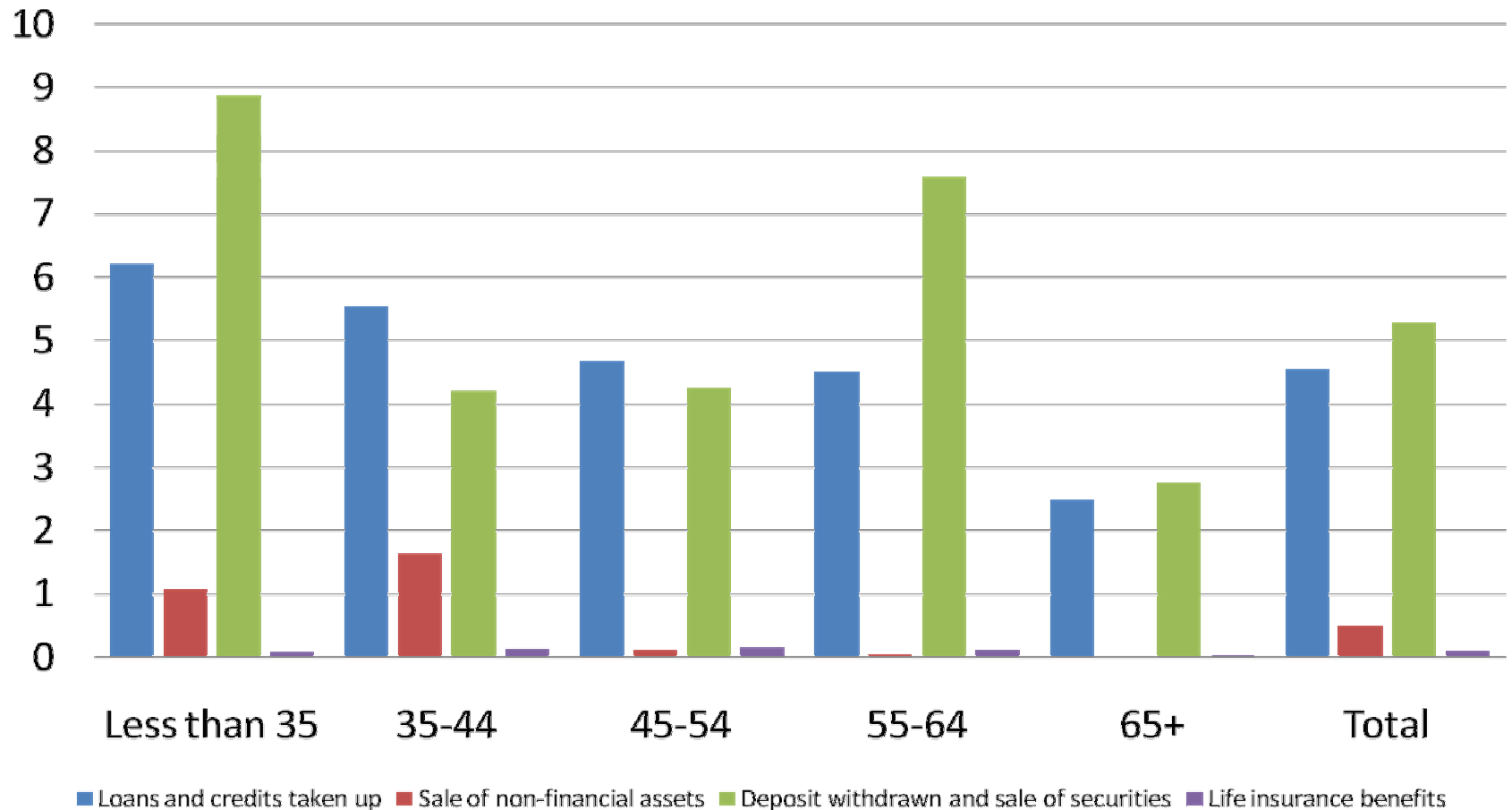
Percent of income allocated for investment
(Breakdown according to age groups)

Legend: ■ Loan and credit repayment ■ Purchase of non-financial assets ■ Deposits made and purchase of securities ■ Life insurance fees

Very young households invest in non-financial assets, mainly houses, relatively more than others. Repayment of credits becomes dominant in the age 25-44
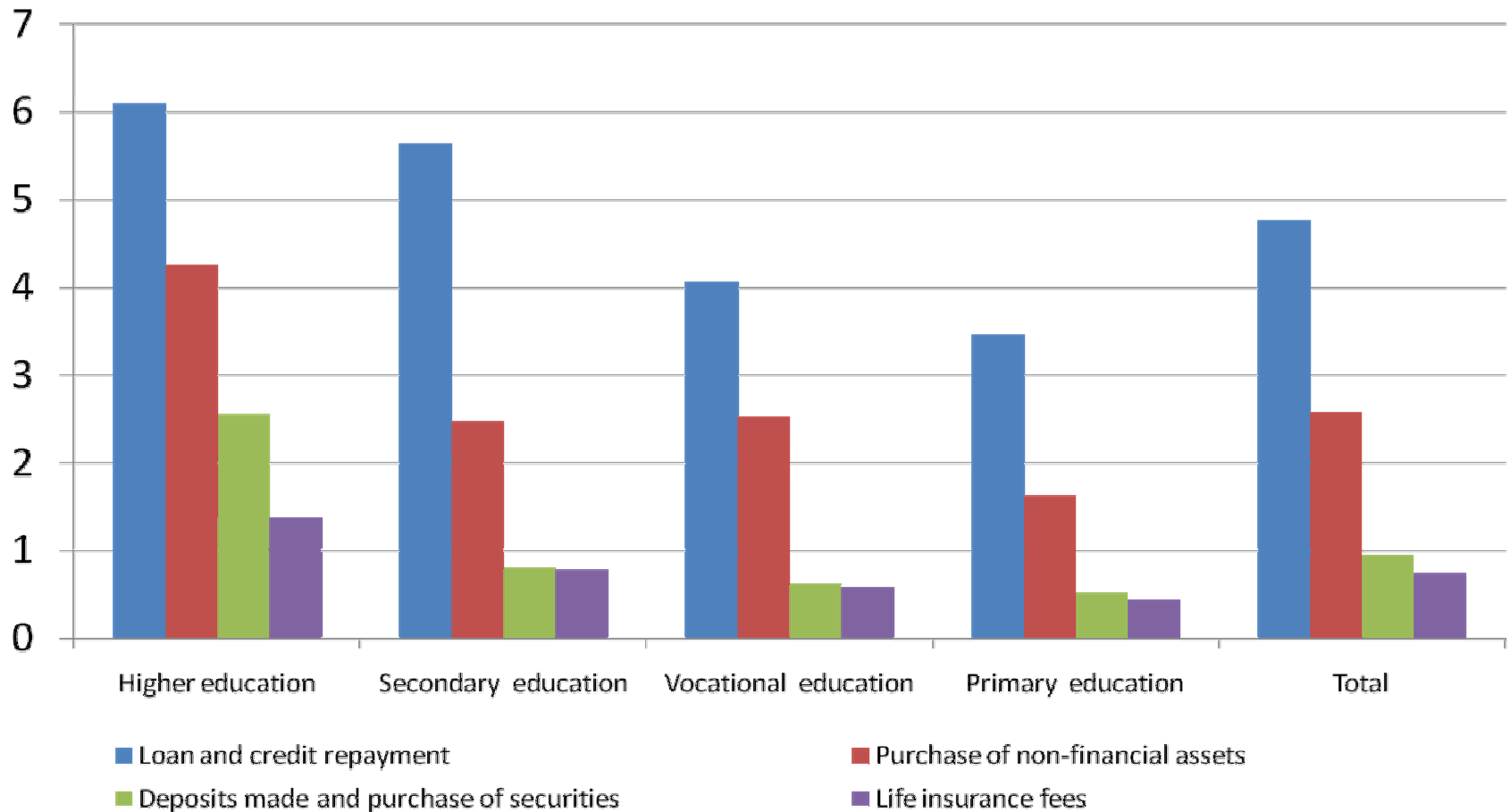
Percent of income withdrawn from investment
(Breakdown according to age groups)

Legend: ■ Loans and credits taken up ■ Sale of non-financial assets ■ Deposit withdrawn and sale of securities ■ Life insurance benefits

Loans, mainly for housing and other non-financial assets, are mostly taken by young households. The age group 35-44 sales non-financial assets more often than others
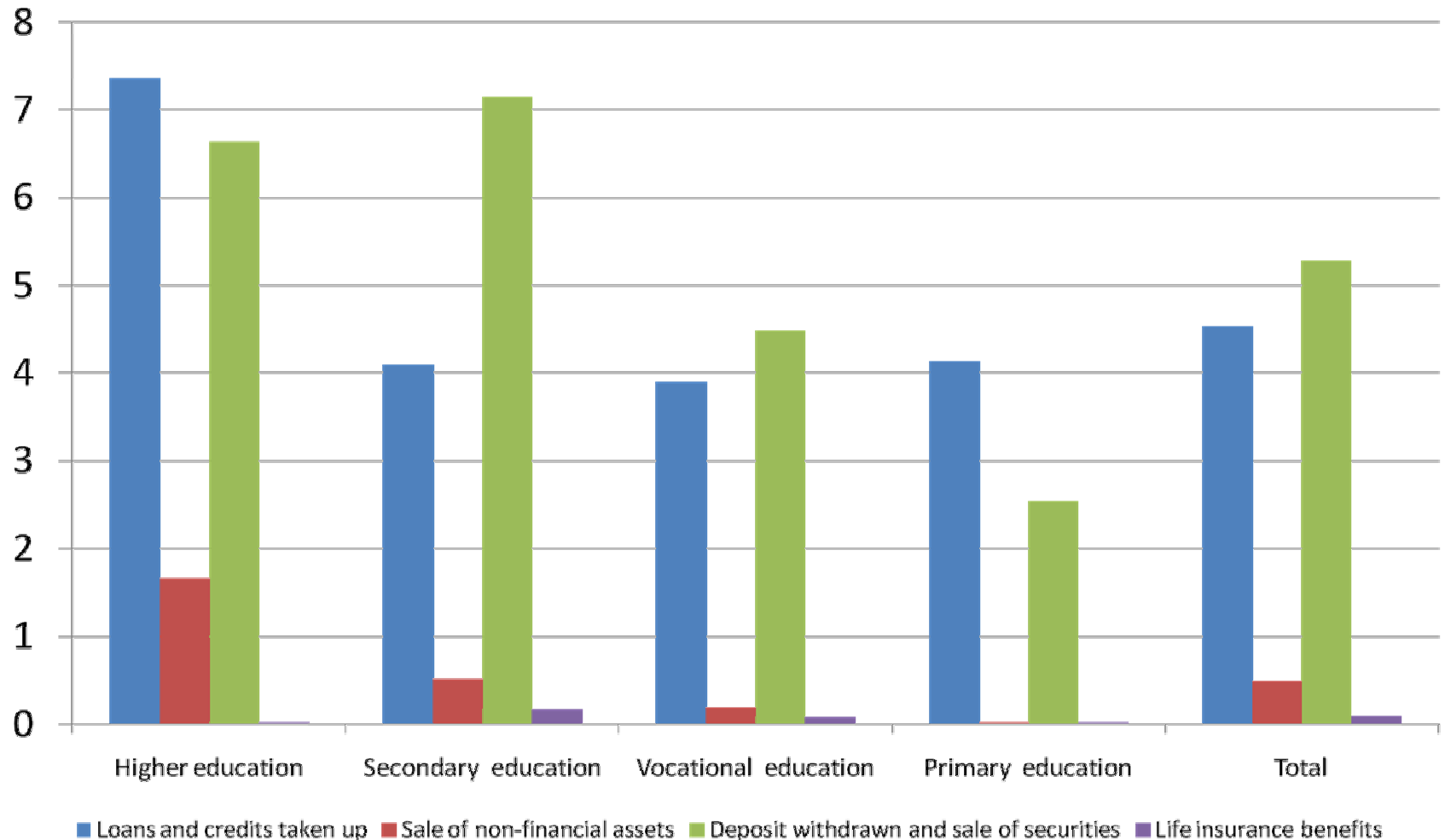
Percent of income allocated for investment
(Breakdown according to education)

People with tertiary education repay more loans, deposit more funds in banks and more often buy non-financial assets than do less educated household heads

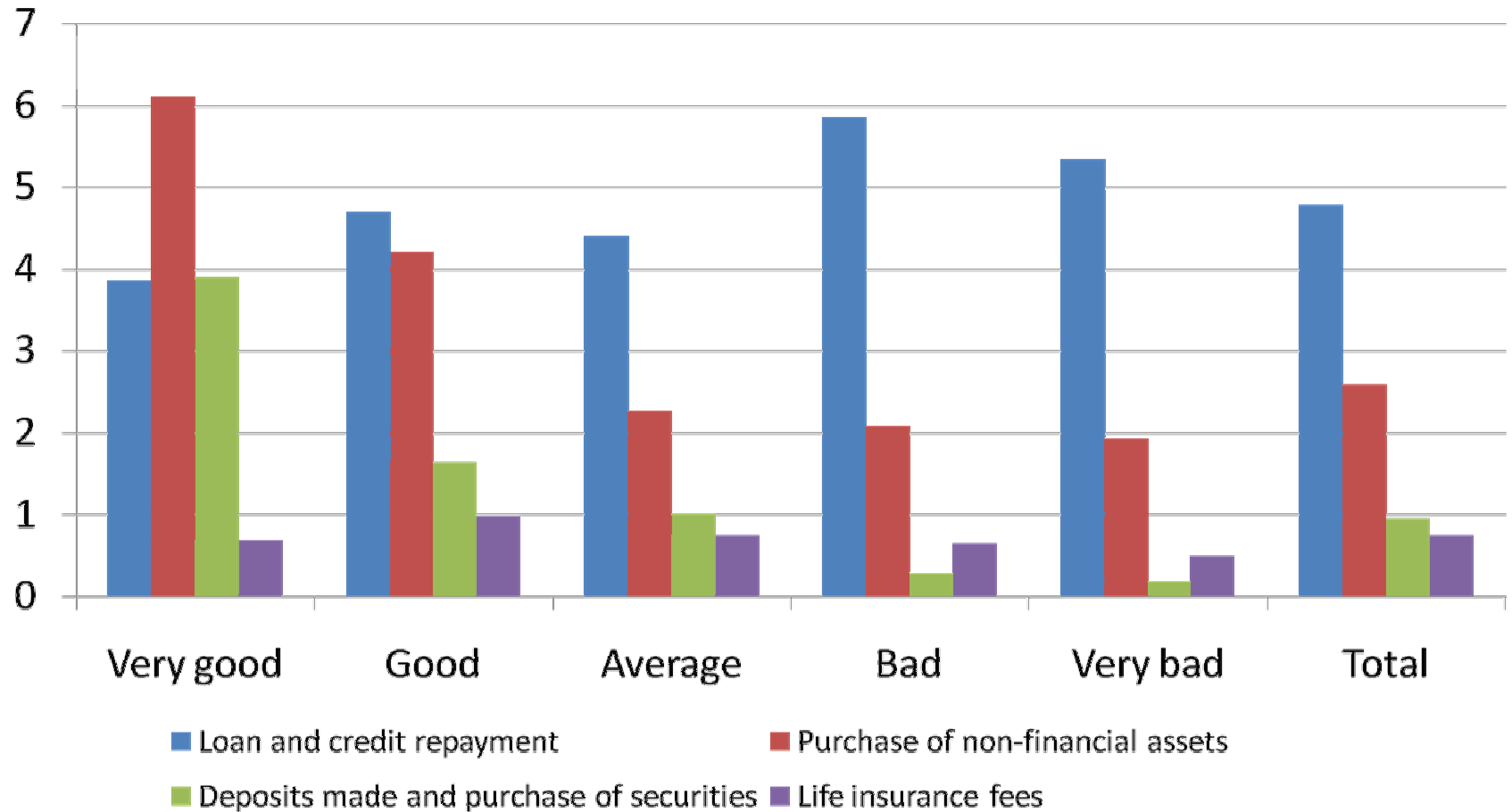# Percent of income withdrawn from investment
(Breakdown according to education)

People with tertiary education take more loans and more often sale material assets than do less educated household heads

Percent of income allocated for investment
(Breakdown according to subjective perception of income)

Legend:
- ■ Loan and credit repayment
- ■ Purchase of non-financial assets
- ■ Deposits made and purchase of securities
- ■ Life insurance fees

ersons that value their income subjectively as very good locate most savings in non-financial ssets and those with worse income perception increase net savings mainly by loan repayment
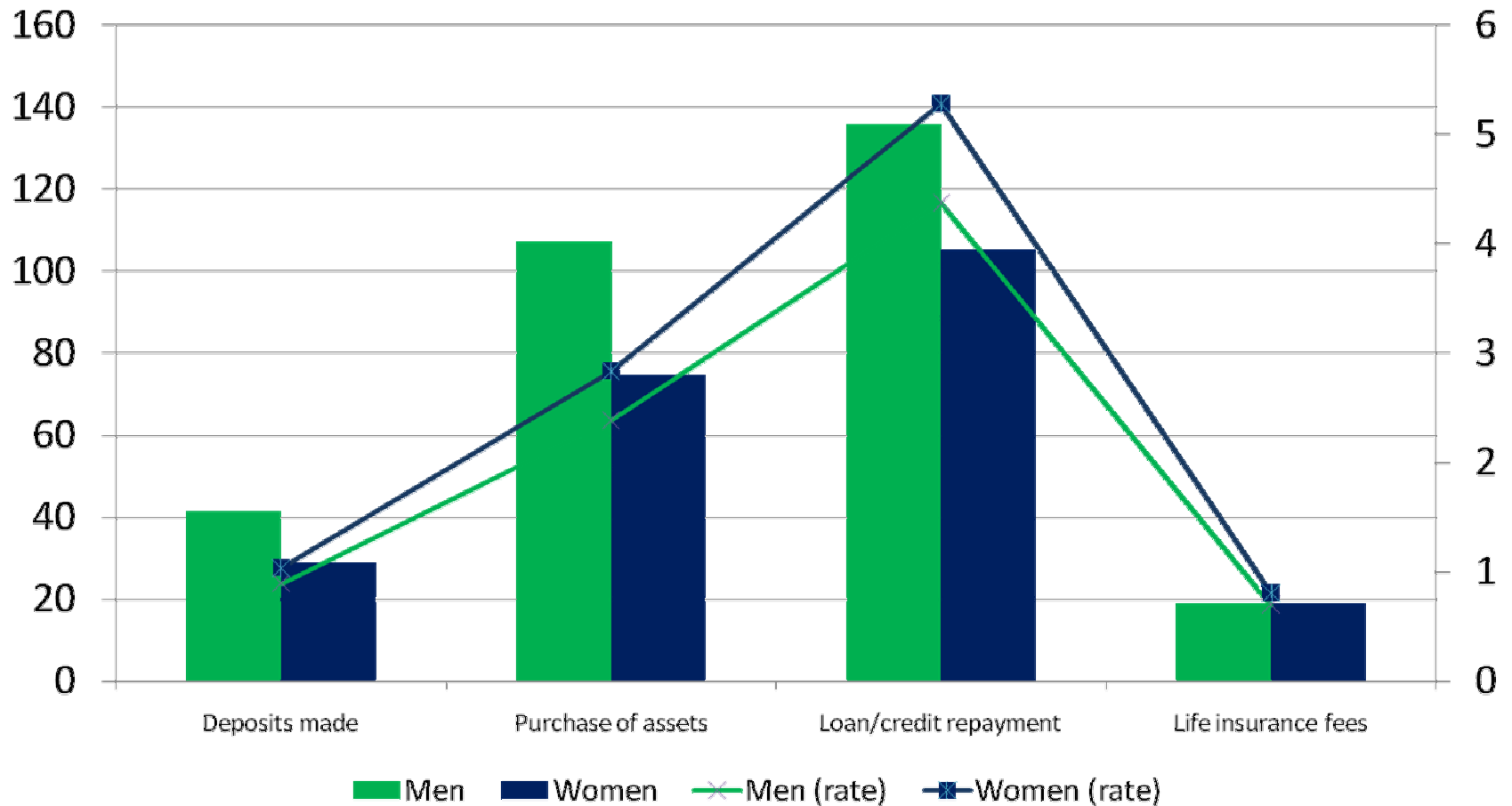
Percent of income withdrawn from investment
(Breakdown according to subjective perception of income)


Except for persons with very good income perception who withdraw deposits more often, other households reduce net savings mainly by taking loans and credits

Percent of income allocated for investment
(Gender breakdown)

As heads of households women save more from their income than do men in all forms of investments, starting with credit repayment and purchase of non-financial assets

Percent of income withdrawn from investment
(Gender breakdown)
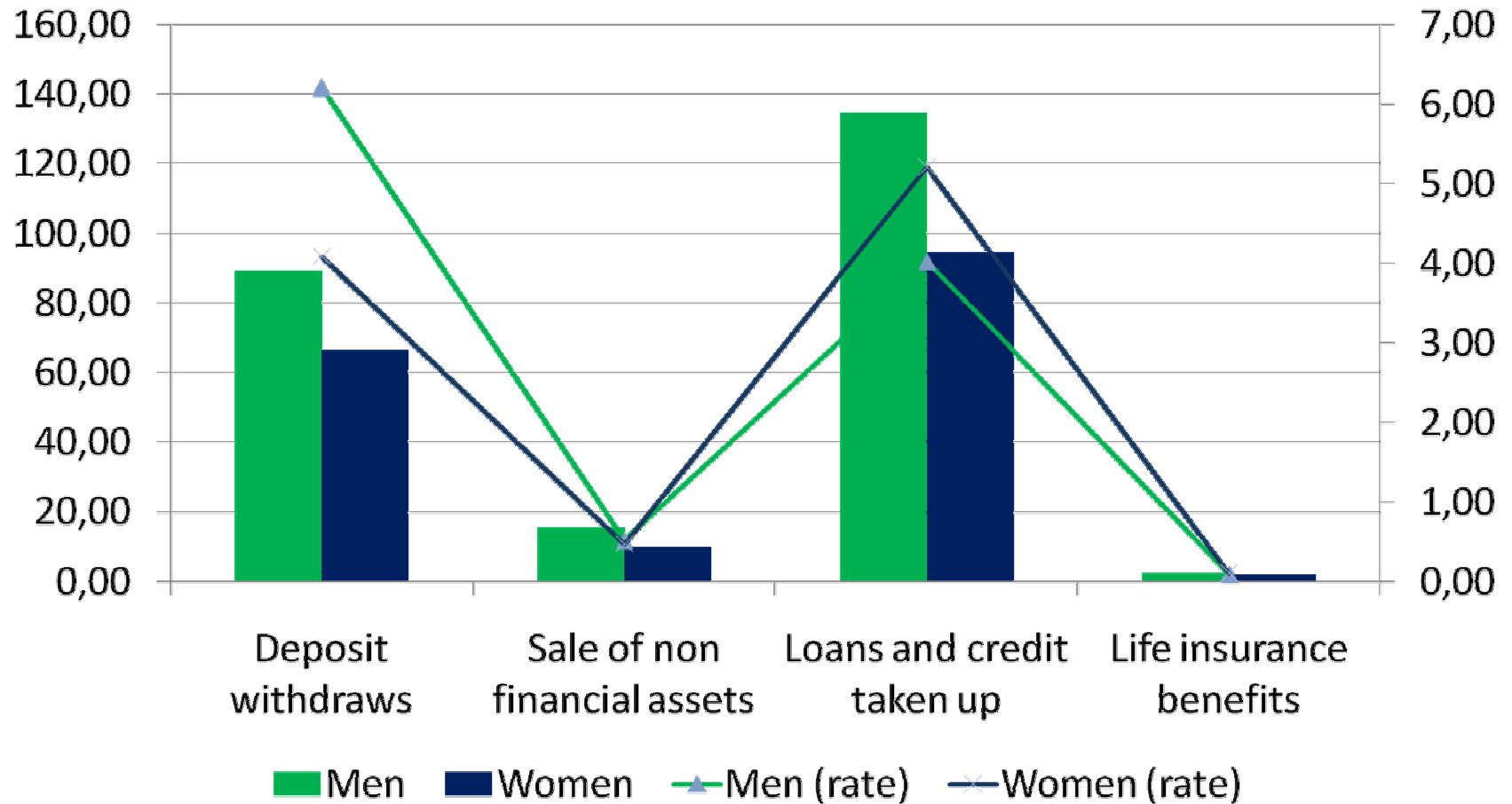
As heads of households women take more loans relative to their income and withdraw less money from deposits than do men. It is partly caused by lower income of women's households

Determinants of household investment

Regressors	(1)	(2)	(3)	(4)	(5)	(6)
	Total saving items on receipts side (decreases the level of savings)			Total saving items on outgoings side (increases the level of savings)		
(Constant)	-17,15	270,80	79,50	-146,82	265,80	33,8
Age	6,24	**-19,33**	2,87	7,43	**-29,21**	0,4
Age squared	-0,08	**0,16**	-0,05	-0,10	**0,24**	-0,0
Higher education	**277,29**	**-155,12**	**222,92**	**259,90**	**-359,75**	**150,7**
Secondary education	40,27	-82,49	30,02	26,83	-149,08	-2,9
Vocational education	15,37	-7,68	22,08	24,34	-8,68	27,3
Woman (man)	-12,12	**149,74**	3,70	12,34	**244,28**	52,1
Household of employees (unemployed)	87,65	**-214,76**	61,72	150,04	**-283,32**	79,9
Household of farmers (unemployed)	**599,06**	**-799,10**	**485,32**	896,77	**-1106,79**	677,1
Household of self employed (unemployed)	-16,09	**-517,97**	-66,28	107,26	**-611,92**	-1,1
Household of retirees and pensioners (unemployed)	30,47	22,72	42,05	90,09	78,98	102,5
Town (village and very small towns)	-24,68	**-75,45**	-29,94	39,40	-33,35	27,6
Own house (not owners)	-42,44	**-150,98**	-57,92	6,59	**-148,95**	-25,4
Bad income (very bad income)	-15,32	-83,59	-14,17	-17,03	-114,87	-26,6
Medium income (very bad income)	-6,29	**-324,44**	-30,33	45,26	**-410,64**	-26,6
Good income (very bad income)	**297,18**	**-444,70**	**216,58**	**350,04**	**-713,07**	**175,6**
Very good income (very bad income)	**538,83**	**-1117,27**	**409,18**	**934,52**	**-1438,66**	**680,8**
Total income		**0,43**			**0,61**	
2nd income quintile group			-5,63			36,9
3rd income quintile group			-10,16			68,5
4th income quintile group			-6,31			**106,3**
5th income quintile group			268,19			538,6

Subjective perception of income as very good and tertiary education of the household head as well as economic activity in agriculture affect positively household investment

Summary and Conclusions

- We analyzed the household material wellbeing through investments of income into non-financial and financial assets

- Structure of investments differ between households

- Young households invest mainly in non-financial assets and take more loans for that purpose

- Tertiary educated people are more active on the markets for credit, deposit and non-financial assets

- Women invest relatively more than men in all forms of investment

- The richest quintile of households invests in non-financial assets relatively more than others
- Persons that value their income subjectively as very good locate most savings in non-financial assets
- Lower income quintiles of households and persons that value their income subjectively as not very good put most of their savings into repayment of loans and credits
- People invest not only when income is high but also when they value it subjectively as good

Thank you!

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