Household Wealth and Finances in Lithuania

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Household Wealth and Finances in Lithuania*

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* The views expressed in this paper are those of the authors and do not necessarily represent the official views of the Bank of Lithuania or the Eurosystem.

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ABSTRACT

This report presents the stylized facts gathered in the fourth wave of the Eurosystem Household Finance and Consumption Survey, which was conducted in Lithuania as the second wave of results. The survey provides household-level data on wealth, finances, consumption, savings, and additional individual characteristics, covering a sample of 1,664 households. Although the reference period for the data varies across countries, for Lithuania, it pertains to 2021. The report compares new results with those from the previous survey conducted in 2017. The results indicate an increase in measures for household wealth and finances that were only minimally affected by the COVID-19 pandemic.

Keywords: Household-level data, assets, liabilities, net wealth, financial pressure, consumption

JEL codes: D12, D14, D31

1 Introduction

The Household Finance and Consumption Survey (HFCS) constitutes a joint project among several national central banks in Europe, as well as diverse national statistical institutes. The Bank of Lithuania, in particular, is solely accountable for collecting the data from Lithuania's households and revealing the findings of the second wave. The HFCS presents comprehensive data regarding household balance sheets, income, consumption, and related economic and demographic variables, on a level of individual households[1]. For the 2021 survey wave, data has been collected from a total sample of 1664 households in Lithuania, of which approximately 1/3 is a panel component that includes the same households that participated in the previous HFCS wave. The fieldwork, which was initially planned for 2020, was significantly impacted by the coronavirus (COVID-19) pandemic. Consequently, data collection was first commenced in autumn of 2020, then interrupted and finally completed in early 2022. The reference period became 2021 due to the delays caused by the pandemic.

As in the rest of the Eurozone, the Lithuanian economy underwent significant fluctuations between 2017, when the previous survey was conducted, and 2021. The economy witnessed growth between 2017 and 2019, with an economic growth accompanied by labour market improvement, a consistent decrease in the unemployment rate, and significant wage increases. The macroeconomic landscape underwent drastic changes in 2020 due to the COVID-19 pandemic outbreak. Bans on public events, strict lockdowns and restrictions on numerous activities were imposed in the spring of 2020, resulting in a significantly adverse impact on the economy. In response to the pandemic, Lithuania, along with other euro area countries, implemented fiscal stimulus measures. These measures included providing liquidity support to companies for preserving jobs and social transfers for assisting the jobless and other vulnerable groups.

Box 1 illustrates the heterogeneous impact of the COVID-19 pandemic on the population of Lithuania. The impact on household income was effectively reduced by the substantial fiscal support from the government. Over 73% of households in Lithuania reported no change in their income following the pandemic compared to 2019. Furthermore, about 19% of households reported increasing their savings during the pandemic period. Comparable findings and trends were observed in other European countries as well.

From a general perspective, asset prices experienced a growth trend in Europe during the 2017-2021 period. Although equity prices initially decreased due to the pandemic, they eventually rebounded. In total, Euro Stoxx 50 price index rose by 18% throughout the analyzed duration. Meanwhile, house prices in Lithuania also surged, increasing by approximately 50-60% between 2017 and 2021. Consequently, the HFCS outcomes for Lithuania demonstrate significant net wealth gains across households of various income levels.

Different macroeconomic changes (output growth, increase in average salary, low level of unemployment and others) had a significant impact on Lithuania, contributing to a median increase of 14.5% in total asset value from 2017 to 2021. This growth was largely driven by the rise in real estate prices, influenced by Lithuania's high homeownership rate, which is over 90%. As a

[1] More details on HFCS and the report on the Euro area aggregated results can be found here: https://www.ecb.europa.eu/stats/ecb_surveys/hfcs/html/index.en.html

result of these changes, participation rates for most asset classes also increased. Participation rates in voluntary pension and life insurance showed the greatest improvement among financial assets, growing by almost 5%. In contrast, participation rates in real assets saw milder improvements, with the highest increase of 3.3% occurring in the additional real estate property group.

Overall, the liabilities section of the household balance sheet also improved. Participation rates for all debt components decreased, resulting in a 2.4% decrease in total debt. Additionally, the conditional median total debt decreased from 5,700 € to 3,000 € between 2017 and 2021. However, due to the lower participation rates, the conditional median mortgage debt increased from 23,400 € to 30,200 €.

Financial stability ratios have also improved in accordance with the other components of the household balance sheet. The median monthly debt service to income ratio decreased from 8.8 to 4.5 between 2017 and 2021. During the same period, the median debt-to-asset ratio also improved from 11.3 to 6.4. Finally, the median debt-to-annual income ratio also decreased from 43.9 to 20.8.

Between 2017 and 2021, the net wealth of households in Lithuania experienced significant growth, with the median household wealth increasing by 17.0% (almost 4% higher than that of the Eurozone) and the mean household wealth by 7.7%, reaching 53,700 € and 90,800 €, respectively. Additionally, households within the middle quintile of net wealth experienced a greater increase in their net wealth.

In keeping with prior findings that showed most sections of the balance sheet improving, the mean household's gross income in Lithuania also increased considerably from 10,800 € to 19,800 €. The median household's income also rose to 14,600 €. This increase is considerably greater than in most other European countries and is closely linked to recent changes in public policies, including increased minimum wages, the transfer of employer taxes to the employees, and an increase in basic pensions.

Household spending on food and utilities in Lithuania experienced a slight rise between 2017 and 2021. Conversely, median household spending on goods and services increased more significantly, from 5,400 € to 6,600 €. The data suggests that most households across the income and wealth distribution experienced an increase in expenditure. Only the bottom quintile of the income distribution in Lithuania reported identical expenditures in 2017 and 2021.

Finally, the proportion of households in Lithuania experiencing credit constraints increased from 10.1% to 11.8% between 2017 and 2021. This was primarily due to a higher percentage of households choosing not to apply for credit due to perceived credit constraints, as well as increased denial rate or lower than requested credit amounts.

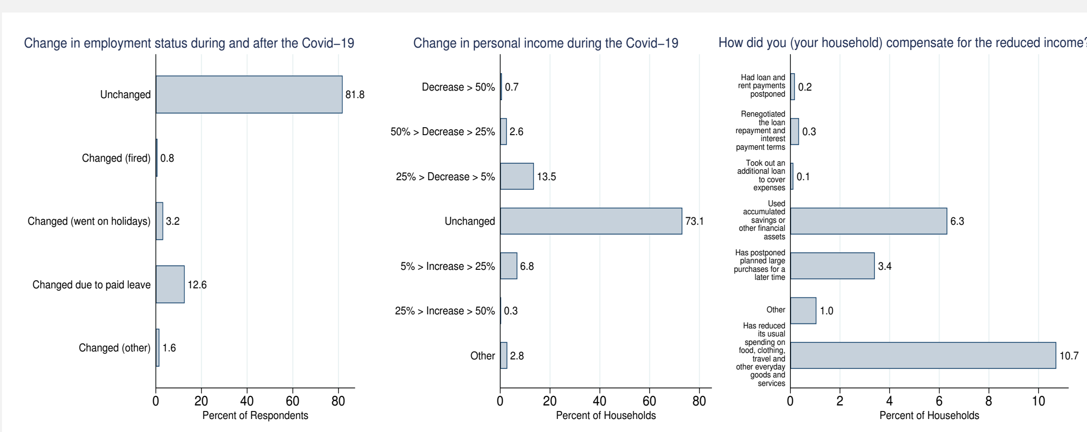
Box 1. Changes in household economic and financial behaviour during the COVID-19 pandemic shock

This box analyses the consequences of the (COVID-19) pandemic shock that occurred in 2020 and affected the economic and financial situation of households in different subgroups of the population. National accounts provide aggregated information on the main phenomena that occurred during the pandemic, such as the slump in expenditure, the moderate reduction in income, the significant changes in the value of different asset classes and the sharp increase in saving in liquid assets. This box complements this aggregate information by showing trends and changes in these variables at the household level, based on information collected by the Household Finance and Consumption Survey (HFCS) in Lithuania. It also presents key stylised facts that help to understand the economic and financial behaviour of households during the pandemic period. Finally, it explains how households adjusted their finances and behaved during the period of uncertainty.

The impact of the pandemic on labour markets and earnings was not only heterogeneous across countries but also across households (Box Figure 1). The graph on the left shows that more than 80% of households in Lithuania reported that their employment status did not change as a result of the pandemic situation. The only difference is that some employees started working from home instead of going to the office, while the working hours remained the same. In addition, more than 12% of employees took time off work with the support of social benefits, and only less than 1% of respondents were dismissed due to the pandemic situation.

The change in employment status has a direct impact on personal income, as shown in the middle graph (Box Figure 1). As the employment status of most households was not affected by COVID-19, personal income remained the same for more than 73% of households. At the same time, benefits were less generous than previous wages. As a result, around 13.5% of households saw their income fall by up to 25% and more than 3% of households saw their income fall by more than 25%. In order to cope with the fall in personal income, households were asked to identify the mechanisms they used to compensate for the loss of income. The right-hand graph in Box Figure 1 summarizes the responses given by households that experienced income loss during the pandemic[a]. Results show that more than 10% of households reduced their usual spending on food, clothing, travel and household goods (right-hand chart). In addition, 6.3% of households used their accumulated savings to compensate for the reduced income, while 3.4% of households postponed planned major purchases.

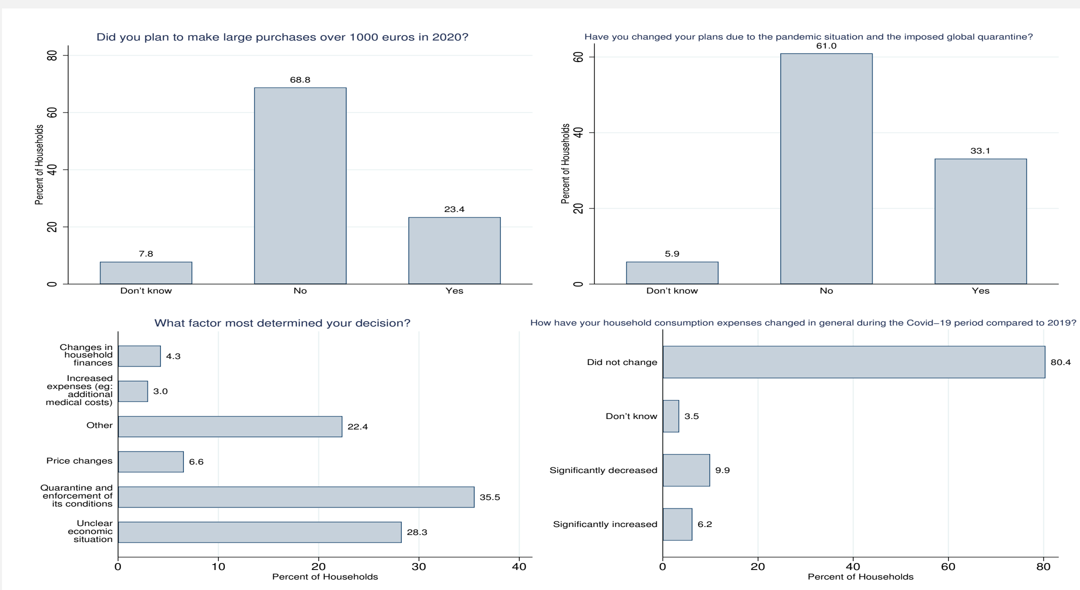
Box Figure 1: Changes in the employment status and income of households in Lithuania during the COVID-19 period



Notes: Sources: Household Finance and Consumption Survey (HFCS) 2021 (wave 4), questions from the special module on the impact of COVID-19 on household finances.

As the beginning of COVID-19 was associated with a strict closure of economic activities and a significant drop in household spending, the following years were full of uncertainty, which affected the consumption behaviour of households for a longer period of time. The first graph (top left) in Box Figure 2 shows that more than 23% of households planned to make major purchases in 2020. However, 1/3 of households decided to change their plans due to the pandemic situation and the imposed global quarantine (top right graph).
The quarantine and its enforcement was cited by more than 35% of households as the main factor explaining this behaviour (bottom left graph in Box Figure 2). On the other hand, 28.3% of households in Lithuania cited the uncertain economic situation as the main factor explaining their consumption behaviour. It is also important to note that almost 11% of households saw changes in household finances and prices as limiting their economic behaviour and spending. Finally, the bottom right graph (Box Figure 2) shows that the COVID-19 shock did not have a lasting impact on household consumption in Lithuania, as more than 80% of households reported that their expenditure did not change between 2019 and 2020. However, more households reported that their expenses decreased than increased, which is consistent with the decrease in aggregate consumption that occurred at the beginning of the pandemic period.

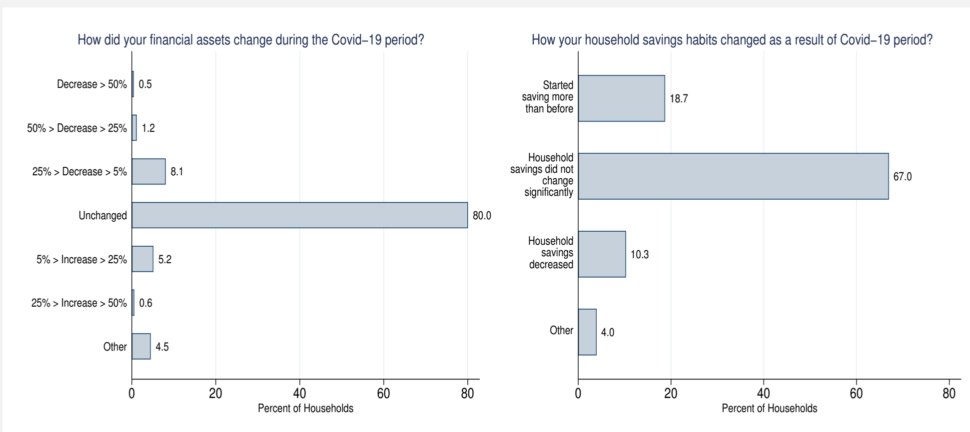
Box Figure 2: Household consumption and expenditure in Lithuania during the COVID-19 period



Notes: : Sources: Household Finance and Consumption Survey (HFCS) 2021 (wave 4), questions from the special module on the impact of coronavirus on household finances.

In line with changes in consumption, the pandemic period also had a significant impact on the prices and values of different asset classes and on household savings. The left-hand graph in Box Figure 3 shows that 80% of households describe their financial assets as unchanged during the COVID-19 period. More importantly, only 5.8% of households increased their financial assets during the pandemic period, while almost 10% of households experienced a significant decrease in the balance of their financial assets. Households' savings behaviour was also affected by this situation. The graph on the right shows that household savings did not change significantly for 2/3 of respondents. At the same time, the pandemic period and job losses meant that some households had to compensate for the loss of income by drawing on their accumulated savings. Therefore, about 10% of households faced a similar situation and had a decrease in their accumulated savings. However, the most important fact and the highlight of the pandemic situation is that almost 20% of households experienced a significant increase in their accumulated savings. In some cases this was due to a reduction in their personal consumption. This finding complements the aggregate statistics, which show that total household deposits increased significantly during the COVID-19 period.

Box Figure 3: Changes in household financial assets and saving habits in Lithuania over the COVID-19 period



Notes: : Sources: Household Finance and Consumption Survey (HFCS) 2021 (wave 4), questions from the special module on the impact of COVID-19 on household finances.

To summarize, as only a small part of households experienced a significant drop in income due to job losses, the greater share of households changed their saving behaviour and improved their balance sheets. This was partly due to mobility restrictions, the closure of some economic activities and increased economic uncertainty. Both of these factors impacted households' behaviour, as they increased their savings to protect themselves against the uncertain economic future.

[a]The aggregate percentage of households from the right-hand graph in Box Figure 1 is compatible with the percentage of households that experienced income loss during the pandemic identified in the middle graph in Box Figure 1

2 Assets

2.1 Assets and asset components

Between the 2017 and 2021 waves, participation rates for both real and financial assets remained largely stable or showed slight increases, according to Table 2.1. The total participation rate in real assets has increased by 0.7% and reached 97.4%, while participation in financial assets rose from 90.7% to 92.7%. Participation in total real assets was primarily influenced by the 3.3% rise in the ownership of other real estate properties, while the ownership of housing as the main residence increased by only 0.8% between 2017 and 2021. Meanwhile, participation in self-employment business wealth decreased from 3.9% to 2.1%. Moreover, the growth in the participation rate of financial assets was predominantly driven by a 1.8% increase in deposits ownership. Additionally, participation in voluntary pension schemes and whole life insurance policies also increased significantly, by 4.8%. This increase is linked to changes in the rules governing the selection and inclusion of young people into additional pensions savings. In contrast to the 2017 situation, young people are now automatically enrolled in additional pension savings plans, with the option to withdraw in the subsequent six months. Even though many people chose to abstain from the supplementary pension saving schemes, a substantial proportion of them remained and enhanced the general participation rates.

Over the same period, the median values of various asset types, based on participation, have mostly increased. Median total assets have increased by 14.5% to reach 56,700 € in 2021. Given that the average household portfolio in Lithuania is mostly influenced by the real estate assets, changes in total assets are closely associated with dynamics in real estate values. Even though the median value of other real estate properties has decreased from 20,700 € to 12,000 € between 2017 and 2021, the median value of housing as the primary residence has increased by 25%, from 40,000 € to 50,000 €. This could be partly explained by households prioritizing improvements to their main residence over this period rather than looking for some additional real estate. In addition, Table 2.1 shows that the overall participation in the other real estate assets increased by more than 3%, but mostly in terms of lower average values, shifting the overall distribution to the left and affecting the median value of other real estate assets. Alongside this, the median value of vehicles also rose from 2,700 € to 3,600 €. Overall, the significant improvement in household wealth could be associated with a sharp increase in the average wages in Lithuania and a much smaller improvement in average household consumption. These facts allowed households to improve their wealth between 2017 and 2021, mostly in the form of real assets.

The median amount of total financial assets followed the same trend as the real assets in Lithuania, increasing from 1,000 € to 1,500 € between HFCS waves (see Table 2.1). This growth was primarily driven by significant increases in the median values of deposits, publicly traded shares, voluntary pensions and life insurance plans. Some drops in median values were associated with the mutual funds and money owed to other households. In any case despite the fluctuating dynamics in median values of various financial assets and the changing macroeconomic environment between 2017 and 2021, there was an overall rise in the median financial assets of Lithuanian households.

Table 2.1: **Assets and asset components in Lithuania**

Asset type	Participation rate 2017	2021	Change	Conditional median 2017	2021	% Change
Total assets				49.5	56.7	14.5
Real assets						
Total real assets	96.7	97.4	0.7	48.4	55.2	14.5
Household main residence	93.2	94.0	0.8	40.0	50.0	25.0
Other real estate property	21.9	25.2	3.3	20.7	12.0	-42.0
Vehicles	61.6	62.8	1.2	2.7	3.6	33.3
Self-employment business wealth	3.9	2.1	-1.8	17.0	N	
Financial assets						
Total financial assets	90.7	92.7	2.0	1.0	1.5	50.0
Deposits	90.4	92.2	1.8	0.6	1.0	66.7
Mutual funds	2.0	2.8	0.8	3.2	2.3	-28.1
Bonds	0.7	0.9	0.2	N	N	
Shares (publicly traded)	1.0	1.2	0.2	5.6	7.0	25.0
Money owed to households	5.9	7.3	1.4	1.2	0.2	-83.3
Voluntary pensions/whole life insurance	9.0	13.8	4.8	6.4	8.5	32.8
Other financial assets	1.6	2.0	0.4	11.6	N	

Notes: The table reports the statistics for households' asset holdings and their participation rates and distinguishes between different real and financial asset components. The first three columns show the participation rates and the change in them during the period. Participation rates are given as the percentages of households holding the particular type of assets. Columns four to six show the conditional medians (in EUR thousands), i.e. the median asset value for households holding that asset, in 2017 and 2021, and the percentage change from 2017 to 2021. N = too few observations.

2.2 Heterogeneity in asset components across households

Table 2.2 below presents conditional medians for household real estate and total financial asset holdings among households with different characteristics in Lithuania. Real estate is of particular importance as the majority of households own some form of property, while monitoring changes in financial assets is also crucial for understanding household wealth structure and dynamics.

Single-person households held fewer assets than couples or households with children (or other people). In 2021, the conditional median value of real estate holdings among single-member households was 40,500 €, substantially below the median across all households of 54,800 €. The disparity was much less notable for financial assets: the median value of financial assets owned by individuals living on their own was 1,100 €, lower than the median of 1,500 € for all households.

Households accumulate assets over time by saving income, via inheritance or through capital gains. Upon retirement, household members often receive less income and may start drawing on their accumulated assets to sustain their consumption. This life-cycle behaviour usually results in a hump-shaped pattern of household asset holdings in relation to the age of the reference person. The HFCS data also captures this pattern. In 2021, households with a reference person below 35 years of age held real estate assets with a conditional median value of 51,600 €, which falls slightly below the median value for all households. The median real estate value increases as reference persons grow older, with those between 35 and 44 years of age holding the highest conditional median value (80,000 €). Thereafter, the median value of the real estate decreases for the older age cohort and falls below 50,000 € for retired households (aged 65 or older). These trends align with the traditional life-cycle savings behaviour (Lydall (1955)).

Owners who retain their real estate rights experienced a somewhat smaller rise in the value of their property in comparison to those who also hold a mortgage. The former saw their median real estate value increase from 45,000 € to 50,000 €, while the latter experienced an 18.7% increase in their median real estate value, which reached 86,400 € in 2021. Furthermore, both household groups also faced notable changes in median financial asset values. Households with their full housing rights also saw an increase in their financial assets, rising from 1,000 € to 1,400 €. Similarly, homeowners with mortgages saw a growth in their financial assets from 1,800 € to 2,700 €.

Finally, the conditional median value of both real estate and financial types of assets, decreased for households at the bottom of the income distribution. For the remainder of households in the income distribution, financial assets increased slightly, while the median value of real estate assets increased by at least double digits in percentage terms for all groups. In terms of the wealth distribution, the value of financial assets remained the same or increased slightly for all households. Whereas the median value of the real estate increased the most for households in the middle of the wealth distribution, it also dropped for other households in both tails of the wealth distribution.

Table 2.2: **Conditional amount of real estate and financial assets in Lithuania**

Household characteristics	Conditional median, real estate assets 2017	2021	% Change	Conditional median, financial assets 2017	2021	% Change
All households	46.9	54.8	16.8	1.0	1.5	50.0
Number of household members						
1	40.0	40.5	1.3	0.7	1.1	57.1
2	50.0	68.6	37.2	1.1	2.0	81.8
3	52.4	60.6	15.6	0.7	1.2	71.4
4	70.0	58.0	-17.1	1.0	2.0	100.0
5 and more	54.0	79.6	47.4	1.7	N	
Age of reference person						
18-34	50.0	51.6	3.2	0.8	1.4	75.0
35-44	55.2	80.0	44.9	1.2	1.8	50.0
45-54	52.4	55.6	6.1	0.6	2.0	233.3
55-64	49.7	56.0	12.7	1.0	1.3	30.0
65-74	41.2	50.0	21.4	1.0	1.0	0
75+	34.2	40.0	17.0	0.6	1.0	66.7
Housing status						
Owner-outright	45.0	50.0	11.1	1.0	1.4	40.0
Owner-with mortgage	72.8	86.4	18.7	1.8	2.7	50.0
Renter or other	24.8	N		0.3	1.4	366.7
Percentile of income						
Below 20	36.4	30.4	-16.5	0.9	0.8	-11.1
20-39.9	35.0	44.8	28.0	0.7	0.7	0
40-59.9	46.0	52.0	13.0	0.6	1.7	183.3
60-79.9	57.0	69.0	21.1	1.0	1.9	90.0
80-89.9	64.0	79.0	23.4	1.2	2.5	108.3
90-100	72.8	99.6	36.8	3.4	5.1	50.0
Percentile of net wealth						
Below 20	15.0	13.1	-12.7	0.5	0.8	60.0
20-39.9	27.1	30.0	10.7	0.7	0.7	0
40-59.9	42.6	50.0	17.4	0.7	1.6	128.6
60-79.9	70.0	80.0	14.3	1.1	1.8	63.6
80-89.9	112.7	110.0	-2.4	1.9	3.1	63.2
90-100	266.6	196.5	-26.3	2.5	5.2	108.0

Notes: The table reports the median values of households' real, financial and total assets, conditional on holding such assets, and differentiates by several breakdowns of household types. The first three columns show the median values of real assets (in EUR thousands) in 2017 and 2021 and the percentage change from 2017 to 2021. Columns four to six show the median values of financial assets (in EUR thousands). Each type of asset is broken down by different household groups, using the following criteria: (1) all households, (2) number of household members, (3) age of the reference person, (4) housing status of the household, (5) percentile of the household income within the country, (6) percentile of the household net wealth within the country. N = too few observations. N = too few observations.

3 Liabilities

3.1 Debt and debt components

The percentage of households holding debt in Lithuania has declined from 26.1% in 2017 to 23.7% in 2021. The participation rates of such households also declined similarly for mortgage and non-mortgage debt, with a slight reduction of around 2.1% and 2.6%, respectively (see Table 3.1). Therefore, in 2021, the percentage of individuals holding mortgage debt in Lithuania decreased to 9.6%, while the figure for non-mortgage debt holders decreased to 15.9%. In contrast, the percent age of indebted households in the euro area remained essentially unchanged since 2017 and reached the level of 42.9% in 2021 (HFCN (2020, 2023a)).

Table 3.1: **Debt and debt components in Lithuania**

	Participation rate			Conditional median		
Asset type	2017	2021	Change	2017	2021	% Change
Total debt	26.1	23.7	-2.4	5.7	3.0	-47.4
Mortgage debt						
Total mortgage debt	11.7	9.6	-2.1	23.4	30.2	29.1
Household main residence mortgage	10.4	9.0	-1.4	26.7	30.6	14.6
Other property	2.0	1.2	-0.8	9.7	15.7	61.9
Non-mortgage debt						
Total non-mortgage debt	18.5	15.9	-2.6	1.0	1.0	0

Notes: The table reports the statistics for households' outstanding debt balances and their participation rates, and distinguishes between mortgage and non-mortgage debt components. Mortgage debt is defined as the outstanding balance of mortgage debt (collateralised liabilities and secured debt) owed by households on all properties they own. This is the sum of mortgage debt with the household main residence as collateral and the mortgage debt collateralised by other household properties. Non-mortgage debt is defined as the outstanding balance of other, non-mortgage debt (total unsecured debt and non-collateralised liabilities) and includes outstanding balances on credit lines or overdrafts, outstanding balances of credit cards for which the owner of the card is charged interest, and outstanding balances on all other loans (car loans, consumer loans, instalment loans, and private loans from relatives, friends, employers etc.). The first three columns show the participation rates and the change in them during the period. Participation rates are given as the percentages of households holding the particular type of assets. Columns four to six show the conditional median (in EUR thousands) of each debt component among indebted households in 2017 and 2021 and the percentage change between 2017 to 2021.

The conditional median total household debt in Lithuania decreased noticeably from 5.7% in 2017 to 3.0% in 2021. This trend was mainly influenced by two factors. Firstly, total non-mortgage debt remained stable throughout the period. Secondly, the percentage of individuals holding mortgage debt saw a significant decrease and was lower than the non-mortgage holders. Therefore, it can be concluded that the overall median household debt was mainly influenced by non-mortgage debt holders who had lower levels of non-mortgage debt. In contrast, median mortgage debt increased from 23.4% to 30.2% between 2017-2021.

The distribution of indebted households varied across the population, as demonstrated in Table 3.2. The table displays the distribution of households by age and income. The percentage of total indebted households remained stable or decreased among the youngest and three oldest age groups, but increased for households aged 35 to 54. Additionally, the participation rates in mortgage debt decreased for all age cohorts except for those aged 45-54, and remained similar for households aged 75 and older. Regarding income distribution, the situation remains unchanged as the participation rate in mortgage debt has decreased for all the households except for those in the third quintile.

Table 3.2: **Participation rates and conditional amount of liabilities in Lithuania**

Household characteristics	Participation rate, total debt 2017	2021	Participation rate, mortgage debt 2017	2021	Conditional median, total debt 2017	2021	Conditional median, mortgage debt 2017	2021
All households	26.1	23.7	11.7	9.6	5.7	3.0	23.4	30.2
Age of reference person								
18-34	49.4	45.2	28.9	24.4	11.6	9.7	26.1	23.4
35-44	40.6	43.8	25.2	22.0	13.5	3.9	26.7	29.7
45-54	30.6	33.1	8.8	12.3	2.7	3.0	15.0	47.7
55-64	17.7	14.8	3.6	2.3	0.8	0.9	15.4	19.4
65-74	10.6	7.3	1.6	0.2	0.9	0.5	61.2	47.9
75+	2.4	2.5	0	0.7	0.5	0.9	0	17.2
Percentile of income								
Below 20	11.9	10.3	3.6	0.8	3.3	1.0	65.0	56.1
20-39.9	14.6	14.8	3.4	2.2	2.0	1.0	32.3	18.5
40-59.9	20.0	21.9	4.8	8.4	1.5	3.0	22.7	23.8
60-79.9	40.5	29.5	19.1	12.6	6.7	3.2	26.1	27.9
80-100	45.6	42.2	28.8	24.2	13.2	9.1	21.4	36.0

Notes: The table reports the median values of households' real, financial and total assets, conditional on holding such assets, and differentiates by several breakdowns of household types. The first three columns show the household participation rates in holding any kind of debt in 2017 and 2021 and the percentage change from 2017 to 2021. Columns four to six show the conditional median values of the total debt (in EUR thousands). Total debt is broken down by different household groups, using the following criteria: (1) all households, (2) age of the reference person, (3) percentile of the household income within the country.

The trend for the conditional median level of indebtedness varied across Lithuania. The median total debt value decreased for almost all age cohorts, and most notably for the youngest cohorts. Median total household debt also decreased for the majority of quintiles in the income distribution, with the exception of the households in the middle of the distribution, where their median total debt increased slightly between 2017 and 2021. A contrasting situation arises when examining mortgage debt results. The median amount reduced for the youngest age group, but risen for all other age cohorts. Furthermore, for households within the two bottom income quintiles, median mortgage debt decreased, but increased for those in the middle and top income brackets.

3.2 Debt burden and financial vulnerability

Indicators of debt burden and financial vulnerability exhibited various trends in the underlying variables, specifically debt, assets, debt servicing, and income. As property prices have significantly increased in Lithuania in recent years and debt values have remained relatively stable, the debt-to-asset ratio has decreased for all household groups, categorized by the number of individuals in the household, age, homeownership status, level of income, or wealth.

Additionally, the debt-asset ratio indicates a household's ability to repay its debts. A ratio of over 100% signifies a heightened risk of insolvency. This ratio can vary widely among individuals, but the median values indicate relatively positive results across all household groups. Since the median debt-asset ratio among all households decreased in the euro area and reached 23.1% in 2021 (HFCN (2023a)), it decreased even more in Lithuania, reaching 6.4% in 2021 (see Table 3.3). Importantly, no household groups have a median value of debt-asset ratio greater than 50%. The ratio for only the bottom quintile in the wealth distribution is 44.2, while mortgage owners hold a ratio of 33.1, and the youngest age cohort maintains a ratio of 24.2. All the other households with different characteristics demonstrated even lower median values of debt-to-asset ratio in 2021.

To support the previously analyzed situation, debt-income ratio demonstrates the amount of annual income required by a household to cover its total debt. Within the euro area, this ratio decreased to 72.8% between 2017 and 2021. Conversely, during the same period, households in Lithuania experienced significant salary growth, resulting in a substantial decrease in the median debt-income ratio, from 43.9 in 2017 to 20.8 in 2021. The same dynamics were observed for all characteristics and different household groups. Additionally, of great significance is the fact that the median debt-income ratio for mortgage holders decreased notably from 172.4 to 114.2 between 2017 and 2021.

Lastly, the debt service-income ratio provides insight into the impact of debt payments place on the current income flow and reflects the burden of short-term commitments. This ratio only slightly improved in the euro area to 14.3% in 2021 (HFCN (2023a)), but in Lithuania, it dropped even further from 8.8 in 2017 to 4.5 in 2021. The trend was consistent across all groups of households, regardless of their characteristics.

Table 3.3: **Debt burden and financial fragility in Lithuania (ratios)**

Household characteristics	Conditional median, debt-asset ratio 2017	2021	Conditional median, debt-income ratio 2017	2021	Conditional median, mortgage debt service to income ratio 2017	2021
All households	11.3	6.4	43.9	20.8	8.8	4.5
Number of household members						
1	12.1	4.4	42.0	22.9	15.5	8.3
2	7.1	3.4	38.7	12.2	7.8	4.8
3	13.0	13.6	74.7	48.2	8.1	4.5
4	13.9	8.3	51.5	10.6	7.1	2.4
5 and more	N	N	141.2	N	N	N
Age of reference person						
18-34	30.6	24.2	93.2	56.3	7.7	3.1
35-44	13.6	9.2	71.1	20.3	8.7	5.1
45-54	5.8	4.2	26.3	19.7	7.6	4.8
55-64	2.9	2.0	17.0	5.4	10.4	N
65-74	N	0.7	N	4.6	N	N
75+	N	N	N	N	N	N
Housing status						
Owner-outright	1.9	1.7	15.8	5.2	6.9	2.0
Owner-with mortgage	37.1	33.1	172.4	114.2	9.2	5.0
Renter or other	N	N	19.2	N	N	N
Percentile of income						
Below 20	N	3.4	N	N	N	N
20-39.9	N	N	N	N	N	N
40-59.9	5.2	4.6	30.1	16.1	13.7	8.2
60-79.9	10.0	4.2	36.7	15.1	10.5	5.0
80-89.9	13.7	10.1	54.1	17.5	6.9	3.1
90-100	16.3	14.3	38.7	46.2	4.0	2.9
Percentile of net wealth						
Below 20	63.9	44.2	73.6	31.2	9.2	4.7
20-39.9	18.1	6.4	91.4	17.4	10.1	2.7
40-59.9	4.1	2.8	20.2	8.0	N	3.5
60-79.9	4.6	2.5	32.2	17.9	7.0	5.0
80-89.9	1.5	N	30.6	N	N	6.2
90-100	3.4	3.3	52.0	29.4	13.3	8.3

Notes: The table reports different measures of financial burden in 2017 and 2021. The first two columns report the medians of the debt-asset ratio, which is calculated as the ratio between total liabilities and total gross assets for indebted households. The third and the fourth columns report the medians of the debt-income ratio, which is calculated as the ratio between total liabilities and household annual gross income for indebted households. The fifth and sixth columns show the mortgage debt service-income ratio, defined as the ratio between total monthly mortgage debt payments and household gross monthly income. All indicators are calculated for households broken down using the following criteria: (1) all households, (2) number of household members, (3) age of the reference person, (4) housing status of the household, (5) percentile of the household income within the country, (6) percentile of the household net wealth within the country. N = too few observations.

4 Net wealth

In the Household Finance and Consumption Survey, net wealth is defined as the difference between a household's total assets and total liabilities. Between 2017 and 2021, net wealth was conspicuously augmented in the euro area (HFCN (2020, 2023a)). A comparable trend was observed in Lithuania, where the median net wealth escalated from 45,900 € in 2017 to 53,700 € in 2021. During the same time frame, the mean net wealth amplified from 84,300 € to 90,800 €.

The rise in net wealth primarily results from a surge in the value of various assets, including financial assets, coupled with a modest increase in outstanding debt, as well as a lower proportion of households effectively holding it. Nevertheless, the significant augmentation in the value of the housing market witnessed in recent years significantly propelled the increase in net wealth, given that the majority of Lithuanian households possess an array of real estate holdings.

Since there is still substantial heterogeneity in the structure of balance sheets across households, changes in net wealth varied among income and wealth quintiles (see Table 4.1). Median and mean values of net wealth have decreased for households in the bottom of income and wealth distributions. On the contrary, the mean net wealth value rose by 58.3% for the top 10 percent of households in income distribution, while the median values of net wealth for the other income quintiles have also increased. In terms of wealth, households in the middle of the distribution enjoyed the greatest gains and saw an increase in their net wealth.

Across households, the increase in net wealth was highest for those with 2 people in the household or for those with 5 or more. Conversely, net wealth either decreased or remained unchanged for households with 1 or 4 individuals. Given that real estate is the dominant asset on the balance sheets of Lithuanian households, Table 4.1 demonstrates a significant improvement in both median and mean net wealth amongst property owners.

Finally, when compared with the age of the reference person, net wealth has increased at different rates. Households in the age cohort of 35-44 experienced the highest increase in their median net wealth, reaching 80,200 € in 2021. In contrast, the median net wealth for households in the age cohort of 65-74 remained almost unchanged. Median values of net wealth have increased mildly for the remaining age cohorts. At the same time, the average net wealth of households aged between 45 and 74 was decreasing, whereas for those in the 35-44 age bracket, it increased by 85.9%. In other words, this complements the aggregate statistics showing that younger households increased their wealth due to strong average wage growth in Lithuania, while also increasing the value of their financial assets, which are less held by pensioner households. At the same time, the increase in pensioners' wealth is more associated with an increase in the value of their dwellings and improvements in their deposits. Social pensions have also increased between 2017 and 2021, but at a lower rate than average wages.

4.1 Wealth inequality

In general, the period from 2017 to 2021 was substantially impacted by the shock of the COVID-19 pandemic, while several other factors, such as considerable fluctuations in different asset markets, a sharp rise in the minimum wage, and low interest rates, also contributed to the particular modi-

Table 4.1: **Net wealth in Lithuania**

Household characteristics	Median net wealth 2017	Median net wealth 2021	Median net wealth % Change	Mean net wealth 2017	Mean net wealth 2021	Mean net wealth % Change
All households	45.9	53.7	17.0	84.3	90.8	7.7
Number of household members						
1	39.4	40.5	2.8	69.9	53.4	-23.6
2	50.4	73.2	45.2	83.8	123.5	47.4
3	52.7	59.3	12.5	95.7	100.9	5.4
4	67.0	54.6	-18.5	118.1	104.2	-11.8
5 and more	54.0	74.8	38.5	105.9	119.4	12.7
Age of reference person						
18-34	37.4	43.4	16.0	65.3	73.2	12.1
35-44	53.7	80.2	49.3	92.6	172.1	85.9
45-54	54.5	60.7	11.4	104.4	84.2	-19.3
55-64	49.2	57.7	17.3	94.0	84.6	-10.0
65-74	49.7	51.4	3.4	87.9	65.8	-25.1
75+	34.8	43.0	23.6	49.3	55.7	13.0
Housing status						
Owner-outright	49.7	57.6	15.9	88.3	92.9	5.2
Owner-with mortgage	41.4	60.7	46.6	94.8	126.6	33.5
Renter or other	0.8	3.2	300.0	18.8	8.8	-53.2
Percentile of income						
Below 20	36.0	31.9	-11.4	62.8	45.0	-28.3
20-39.9	33.6	45.0	33.9	57.9	71.6	23.7
40-59.9	45.1	53.5	18.6	83.1	69.6	-16.2
60-79.9	57.7	68.0	17.9	95.0	98.8	3.8
80-89.9	63.7	79.7	25.1	102.1	111.2	8.9
90-100	73.3	97.6	33.2	145.3	230.0	58.3
Percentile of net wealth						
Below 20	11.2	9.8	-12.5	8.5	8.2	-3.5
20-39.9	28.9	31.2	8.0	28.9	32.0	10.7
40-59.9	46.1	53.8	16.7	46.5	55.2	18.7
60-79.9	73.4	83.4	13.6	75.1	84.7	12.8
80-89.9	120.3	121.1	0.7	122.1	123.1	0.8
90-100	295.1	230.0	-22.1	404.4	428.6	6.0

Notes: The table reports the median and mean values of households' net wealth in 2017 and in 2021. The first three columns report the median (in EUR thousands) for 2017 and 2021, and the percentage change from 2017 to 2021 of various household groups in the population. Columns four to six report the means (in EUR thousands) and the corresponding percentage change. Net wealth is defined as the difference between total gross assets and total liabilities. All statistics are calculated only for households with non-missing net wealth values and are broken down by different household groups, using the following criteria: (1) all households, (2) number of household members, (3) age of the reference person, (4) housing status of the household, (5) percentile of the household income within the country, (6) percentile of the household net wealth within the country.

fications in the household balance sheet in Lithuania. Although the net wealth dynamics improved at the aggregate level between 2017 and 2021, the distribution of wealth also varied among households. Graph 4.1 summarizes all this information and illustrates the shift in net wealth inequality across European countries between 2017 and 2021. The graph aims to identify change based on a country's position relative to the 45-degree line. If a country is above this line, it indicates an increase in wealth inequality during the period. Conversely, if a country is below the 45-degree line, its wealth inequality is decreasing between the HFCS waves. Therefore, Graph 4.1 shows that the wealth Gini coefficient remained similar in Lithuania, keeping it also as one of the lowest in Europe. Additionally, when taking confidence intervals into account, it confirms the idea that there is no significant statistical change in the wealth Gini coefficient in Lithuania between HFCS waves.

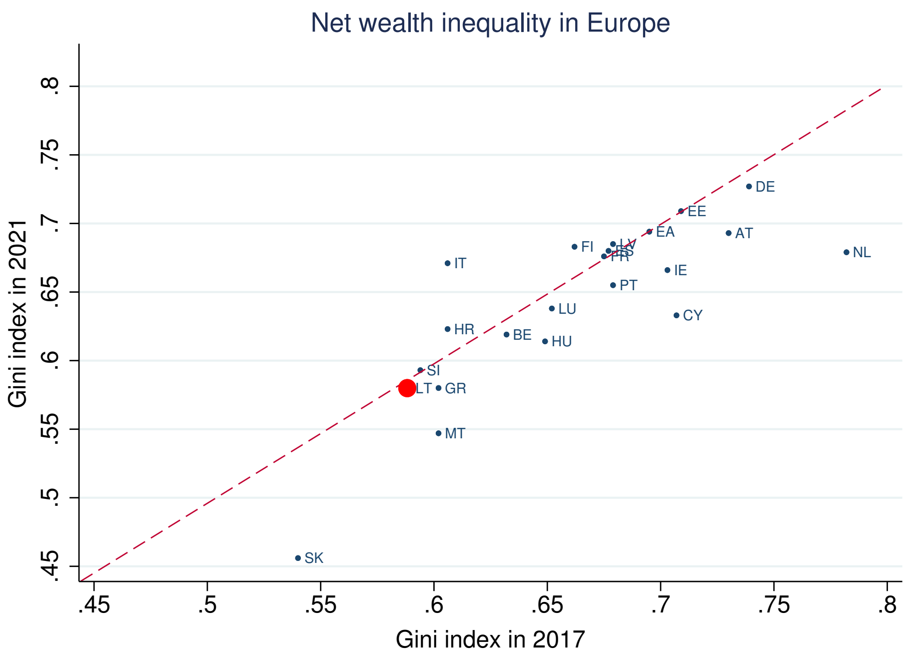


Figure 4.1: Net wealth inequalities among European countries

An alternative indicator of wealth inequality can be derived from experimental data on the Distributional Wealth Account (DWA). DWA results are established using the distributional properties of the HFCS and dynamics obtained from the Quarterly Financial Accounts. The main advantage of the Distributional Wealth Account is the application of distinct procedures to adjust the initial data and to account more for the wealth of the richest households that are usually underrepresented in surveys. Graph 4.2 summarizes the results of the DWA and illustrates the fluctuation of the wealth Gini coefficient in Lithuania since the 2016Q4. In terms of dynamics, wealth inequality in Lithuania experienced growth until 2020, when it reversed direction and began a gradual decline. Based on the information presented in Graph 4.2, it is noteworthy that overall wealth inequality in Lithuania remains relatively low in comparison to other European countries.

One reason for Lithuania's relatively low wealth inequality in Europe stems from institutional and historical factors related to the housing market after the 1990s. In particular, the promotion of household privatization of their real estate and homeownership led to a majority of households owning their own property. Therefore, the high rate of homeownership in Lithuania contrasts with that of most Western European countries. Housing inequality plays a primary role in the relatively low measures of wealth inequality, even though income inequality is among the highest in Lithuania. However, given that this situation is related to previously mentioned institutional factors, it is vital to monitor housing affordability, as it can have a substantial effect on the dynamics of housing and wealth inequality in Lithuania in the long run.

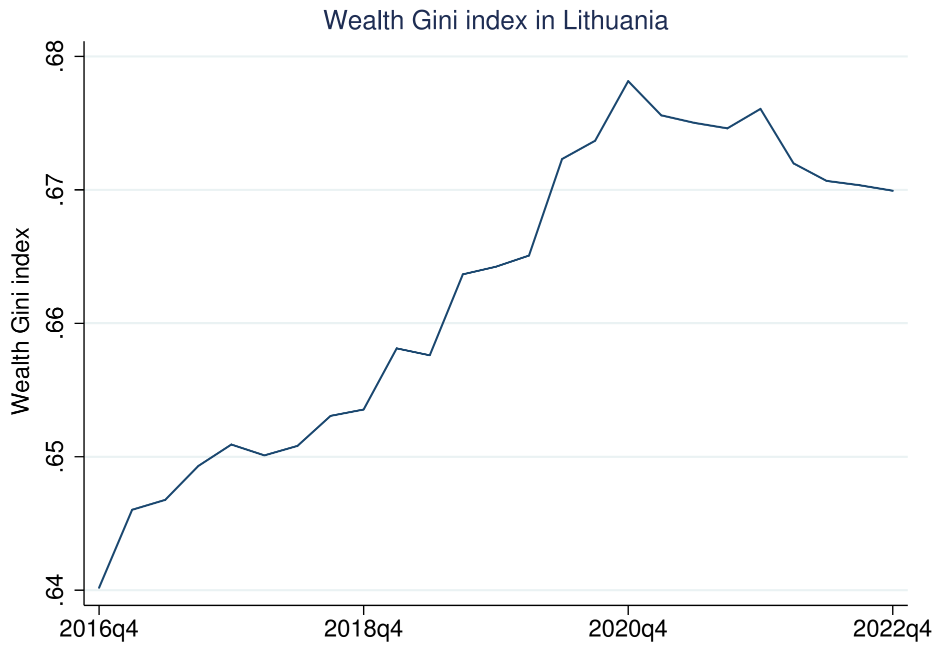


Figure 4.2: Dynamics of wealth Gini index in Lithuania

5 Income

Gross household income increased moderately across European countries from 2017 to 2021 (HFCN (2020, 2023a)). For the median household, gross income grew by 3.1% and for the mean household by 3.4%. However, Lithuania experienced a more dynamic increase in gross household income during the same period. Table 5.1 displays how the median household gross income increased from 7,100 € in 2017 to 14,600 € in 2021. Additionally, mean household gross income also significantly increased from 10,800 € to 19,800 € during the same period of time. This significant increase can be explained from a few perspectives. On the one hand, data collection in the 2021 wave of the HFCS study in Lithuania was carried out more thoroughly by a new company and statistical valuation identified the results as being more reliable than in the previous HFCS wave. This suggests that income results in Lithuania in the previous wave were under-represented. On the other hand, the gathered statistics also affirm a substantial increment in the minimum and average wages in Lithuania from 2017 to 2021. The rise primarily resulted from political determinations on the minimum wage, favourable job market conditions, overall economic growth and some other contributing factors. Consequently, both of these outlooks elucidate the noteworthy rise in household income documented in Lithuania from 2017 to 2021.

Looking across household characteristics, considerable variance in income can be observed, but it is less than that which was captured for the wealth. Household income tends to increase with household size, as larger households typically have more income earners and therefore end up with a higher total income from all possible sources. The median gross income value for a single-member household was close to 4,100 € in 2017 but increased to 5,900 € in 2021. Other households increased their incomes even further in 2021, with median ranging from 18,000 € to 32,100 €. Regarding ownership status, median gross income also improved for all households, reaching 12,900 €, 31,600 €, and 17,500 € in 2021, for homeowners, mortgage holders, and renters, respectively.

When compared with the age of the reference person, gross income exhibits its highest values for younger households and progressively decreases for those in the pension age-bracket (above 65 years old). Moreover, Table 5.1 demonstrates that the income increase was substantially greater among working-age households than pensioners. These findings align with the aggregate results from alternative statistics. Wage growth, the primary source of income for Lithuanian households aged 18 to 65, surpassed pension growth, the primary source of income for pensioners in Lithuania.

In 2021, the median income ranged from 3,600 € for the lowest income quintile in Lithuania to 52,000 € for the top 10% of the income distribution. Income grew across the entire income distribution from 2017 to 2021, with the strongest growth being observed in the middle of the distribution. Although the upper part of the income distribution also experienced a significant increase in their household income, it was relatively lower than for the middle of the distribution. The dynamics of mean income growth were consistent and reflected the highest increase in income among the middle quintiles of income.

Similar trends can be observed when examining wealth distribution rather than income. Household gross income experienced significant growth throughout the wealth distribution. The median household gross income ranges between 9,300 € and 29,000 € for various percentiles in 2021, whereas the mean household gross income fluctuates between 13,300 € and 38,600 € across different households in the wealth distribution. Overall, it can be seen that households at the top of the wealth distribution experienced higher levels of income growth, which may partially account for their position in the distribution. This is due to income being one of the key sources for accumulating wealth in Lithuania.

6 Consumption and credit constraint

6.1 Consumption

Between 2017 and 2021, the median annual household consumption of food spending and on utilities in Europe remained roughly unchanged (HFCN (2023a)). Lithuania shows a similar dynamic. Table 6.1 shows that the median annual household consumption of food in Lithuania increased slightly from 3,600 € to 3,700 € over the period analyzed, while the spending on utilities remained almost unchanged, reaching 1,300 € in 2021. At the same time, median household expenditure on goods

Table 5.1: **Gross household income in Lithuania**

Household characteristics	Median income 2017	2021	% Change	Mean income 2017	2021	% Change
All households	7.1	14.6	105.6	10.8	19.8	83.3
Number of household members						
1	4.1	5.9	43.9	5.4	10.0	85.2
2	8.0	18.0	125.0	11.4	22.3	95.6
3	12.2	27.6	126.2	15.8	31.6	100.0
4	16.2	32.1	98.1	21.0	32.6	55.2
5 and more	13.3	25.7	93.2	16.7	32.8	96.4
Age of reference person						
18-34	10.4	26.2	151.9	13.1	27.5	109.9
35-44	10.5	25.6	143.8	14.6	32.7	124.0
45-54	9.1	21.0	130.8	13.1	25.5	94.7
55-64	6.5	14.6	124.6	9.9	17.0	71.7
65-74	4.7	6.2	31.9	7.0	9.5	35.7
75+	3.6	5.0	38.9	4.9	7.0	42.9
Housing status						
Owner-outright	6.6	12.9	95.5	9.7	18.1	86.6
Owner-with mortgage	16.2	31.6	95.1	20.6	36.1	75.2
Renter or other	6.2	17.5	182.3	9.0	20.2	124.4
Percentile of income						
Below 20	0.0	3.6		0.6	3.2	
20-39.9	4.0	7.8	95.0	4.1	7.7	87.8
40-59.9	7.1	14.6	105.6	7.2	14.6	102.8
60-79.9	12.2	24.5	101.6	12.4	24.2	95.2
80-89.9	19.8	35.7	80.3	20.0	36.4	82.0
90-100	33.8	52.0	53.8	40.3	63.3	57.1
Percentile of net wealth						
Below 20	6.0	10.2	70.0	8.2	15.1	84.1
20-39.9	4.6	9.3	102.2	8.0	13.3	66.3
40-59.9	7.1	13.3	87.3	9.6	17.1	78.1
60-79.9	9.0	17.3	92.2	12.7	20.2	59.1
80-89.9	10.6	24.9	134.9	13.4	28.5	112.9
90-100	11.2	29.0	158.9	17.6	38.6	119.3

Notes: The table reports the median and mean values of household income in 2017 and in 2021. The first three columns report the median income (in EUR thousands) for 2017 and 2021, and the percentage change from 2017 to 2021 of various household groups in the population. Columns four to six report the mean income (in EUR thousands) and the corresponding percentage change. Income is defined as the total gross household income net of interest paid on mortgages and non-collateralised loans. All statistics are calculated only for households with non-missing net wealth values and are broken down by different household groups, using the following criteria: (1) all households, (2) number of household members, (3) age of the reference person, (4) housing status of the household, (5) percentile of the household income within the country, (6) percentile of the household net wealth within the country.

and services in Lithuania increased significantly from 5,400 € to 6,600 €. The later rise in inflation in Europe, and in Lithuania in particular, has certainly affected these figures, but these results are outside the scope of the available HFCS data.

However, the changes are more pronounced for different groups of households. Median expenditure on goods and services have increased more for the younger households than for the older ones. While food expenditure remained stable for old households, it increased by 15-20% in value terms for working-age households. At the same time, only the young households had to face a significant increase in their consumption of utilities, while the rest of the households in the different age cohorts kept this type of expenditure at the similar levels.

Table 6.1 also indicates that the expenditure on utilities remained similar for all households in the income distribution. In contrast, median expenditure on food fell for households at the bottom of the income distribution, while it increased for the rest of the distribution and especially for households at the top of the income distribution. Median household spending on goods and services shows a similar dynamic, as expenditure remained similar for the bottom of the income distribution, and increased exponentially for the rest of the distribution, with the highest increase among the top earners.

The dynamics of household spending remained similar when looking at the wealth distribution. The median household expenditure on utilities remained the same for the majority of households, with a slight increase for the richest households. Spending on food also remained the same for households at the bottom and the middle of the wealth distribution, while households at the top of the wealth distribution increased their expenditure on food by 20-25% between 2017 and 2021. Finally, the median household spending on goods and services has increased by 15-40% for all households across the wealth distribution. Such an increase in total spending can therefore be linked to the fact that most types of household income (e.g. wages, public pension) in Lithuania increased over the same period, and even at a higher rate than expenditure.

6.2 Credit constraint

The availability of credit and the number of credit-constrained households seems to be another important issue to mention when discussing the household balance sheet. The percentage of credit-constrained households in Lithuania is one of the highest in Europe (HFCN (2023b)). Moreover, Table 6.2 shows that the percentage of credit-constrained households has increased in Lithuania from 10.1% in 2017 to 11.8% in 2021. It is important to note that a household is identified as credit-constrained if one or more of the following situations applies: (i) applied for credit within the last four years but was rejected, and did not report a successful reapplication, (ii) applied for credit but was not granted the full amount applied for, or (iii) did not apply for credit due to a perceived credit constraint.

The percentage of households that applied for credit fell in Lithuania from 17.8% to 15% in 2021. From a distributional point of view, the percentage of such households decreased for different household sizes, except for those with 3 members in the household. Similarly, the percentage decreased for different ages of households, except for the younger age cohorts between 18-34 and 45-54 years old. Another important feature is that the percentage of households that applied for credit

Table 6.1: **Household consumption in Lithuania**

Household characteristics	Median expenditures on goods and services 2017	2021	Median expenditures on food 2017	2021	Median expenditures on utilities 2017	2021
All households	5.4	6.6	3.6	3.7	1.2	1.3
Number of household members						
1	4.2	4.8	2.9	2.4	1.2	1.2
2	6.0	7.2	4.2	4.2	1.4	1.4
3	6.6	9.6	4.9	5.4	1.8	1.6
4	8.4	10.8	6.0	6.0	1.9	1.8
5 and more	9.0	9.0	6.0	5.6	2.4	2.4
Age of reference person						
18-34	6.0	9.6	4.2	5.0	1.2	1.8
35-44	7.2	9.6	4.8	6.0	1.6	1.8
45-54	6.0	8.4	4.2	4.8	1.4	1.4
55-64	4.8	6.0	3.0	3.6	1.2	1.2
65-74	3.9	4.8	3.0	2.9	1.2	1.2
75+	3.6	4.0	2.4	2.4	1.1	1.1
Housing status						
Owner-outright	4.8	6.0	3.6	3.6	1.2	1.2
Owner-with mortgage	8.4	12.0	6.0	6.6	1.6	2.2
Renter or other	4.6	8.4	3.6	4.2	1.2	1.2
Percentile of income						
Below 20	3.6	3.6	2.5	2.0	1.0	0.9
20-39.9	3.8	4.8	2.5	2.9	1.1	1.2
40-59.9	5.0	7.2	3.6	3.6	1.2	1.4
60-79.9	7.2	9.0	4.2	5.4	1.4	1.4
80-100	8.4	12.0	5.4	7.2	1.8	1.8
Percentile of net wealth						
Below 20	4.2	4.8	3.0	3.0	1.2	1.2
20-39.9	4.3	5.4	3.0	3.0	1.2	1.4
40-59.9	5.4	6.4	3.6	3.6	1.2	1.2
60-79.9	6.0	8.4	3.7	4.8	1.4	1.4
80-100	7.2	9.6	4.8	6.0	1.4	1.8

Notes: The table reports household consumption in 2017 and 2021. The first two columns report the medians of the total annual household expenditure on consumer goods and services (in EUR thousands). The third and the fourth columns report the medians of the annual household expenditure on food (in EUR thousands). The fifth and sixth columns show the total annual households expenditure on utilities (in EUR thousands). All statistics are broken down by different household groups using the following criteria: (1) all households, (2) number of household members, (3) age of the reference person, (4) housing status of the household, (5) percentile of the household income within the country, (6) percentile of the household net wealth within the country.

has decreased significantly for mortgage holders, from 59.3% in 2017 to 46.7% in 2021. Finally, the percentage of the same measure also decreased for most households across the income and wealth distribution (see Table 6.2).

On the contrary, the share of households that did not apply for credit due to a perceived credit constraints increased in Lithuania in recent years from 5.9% in 2017 to 7.6% in 2021. At the same time, this percentage remained stable in Europe and amounted to 5.4% in 2021 (HFCN (2023a)). In terms of distribution, the same pattern holds for almost all household sizes, with the largest increase for large households with 5 or more members. The percentage for these has increased from 3.6% to 11.2%. The same dynamics apply to the age distribution. While the percentage remained similar for households of pension age in Lithuania, it increased for other households of working age. In terms of housing status, the same percentage increased only slightly for households that are already owners, while it increased strongly for renters, from 6.5% in 2017 to 17.8% in 2021. In terms of income, the percentage decreased for the households at the bottom of the distribution, but increased for the remaining households. Finally, the same dynamics apply to the wealth distribution as well. The percentage of households not applying for credit due to perceived credit constraints decreased at the bottom of the wealth distribution, but increased for households between the 20th and 100th percentiles.

Table 6.2 also shows the number of households that had applied for credit from 2017 to 2021 but were denied it or were offered less than the amount they had applied for. The results in columns 5 and 6 show that the percentage increased from 33.6% in 2017 to 38.8% in 2021. The percentage of such households has increased for all groups across the different numbers of members in the household. In addition, the percentage of households that were denied or offered a smaller amount of credit increased significantly for the younger households (aged 18-54). At the same time it fell for older households (aged 55 and over). Another important feature is that the same measure also increased significantly for households at the bottom and middle of the wealth distribution, while it decreased for the households at the top of the distribution.

As mentioned above, the overall percentage of credit-constrained households increased between 2017 and 2021, as shown in the columns 7 and 8. From a distributional perspective, the percentage of credit-constrained households increased for different types of families, but more significantly for those with 2 or 3 members. From an age perspective, the number of credit-constrained households increased most for those aged 18-34 and 45-54. The percentage also rose sharply for renters and only slightly for owners. The percentage of credit-constrained households decreased for those with the lowest incomes, while the largest increase in the number of credit-constrained households was recorded for households between the 20th and 60th percentiles of the income distribution. In terms of wealth distribution, the same dynamic holds – the largest increase in the percentage of credit-constrained households occurs among the households in the middle of the distribution, while the numbers decreased among the poorest households. Overall, the results in Table 6.2 show that the percentage of credit-constrained households increased in Lithuania between 2017 and 2021, and even more significantly for households with the particular characteristics mentioned.

Table 6.2: **Credit-constrained households in Lithuania**

Household characteristics	(1) 2017	(1) 2021	(2) 2017	(2) 2021	(3) 2017	(3) 2021	(4) 2017	(4) 2021
All households	17.8	15.0	5.9	7.6	33.6	38.8	10.1	11.8
Number of household members								
1	10.7	8.3	4.2	5.2	52.3	58.7	8.0	9.0
2	16.3	15.2	5.6	8.1	22.7	33.2	8.4	11.3
3	30.6	33.3	10.3	10.8	32.0	36.5	16.7	20.8
4	28.3	17.6	11.0	9.7	20.8	22.6	15.2	13.0
5 and more	25.8	12.9	3.6	11.2	N	41.7	11.6	11.2
Age of reference person								
18-34	39.5	43.2	13.1	15.1	28.1	44.4	22.7	28.1
35-44	28.7	21.7	8.0	9.6	31.3	35.9	13.6	15.0
45-54	14.9	20.9	7.3	11.0	42.9	46.3	11.6	19.1
55-64	15.2	8.4	5.0	7.7	34.1	13.6	8.8	8.2
65-74	3.4	2.1	1.9	1.9	N	N	2.1	1.9
75+	1.0	0.8	1.1	0.9	N	N	1.4	1.8
Housing status								
Owner-outright	12.6	11.7	6.3	6.9	39.1	40.8	9.4	10.6
Owner-with mortgage	59.3	46.7	5.1	6.7	20.1	27.3	16.0	17.2
Renter or other	16.0	14.8	6.5	17.8	N	N	12.6	20.3
Percentile of income								
Below 20	8.6	3.9	3.5	2.0	N	N	6.4	3.2
20-39.9	9.9	9.6	3.0	7.0	N	N	5.5	9.1
40-59.9	13.3	14.6	10.2	11.0	39.9	N	12.9	18.0
60-79.9	27.3	17.9	7.0	9.0	22.1	31.0	12.0	12.8
80-100	30.5	29.2	7.0	8.9	33.0	29.4	14.5	15.9
Percentile of net wealth								
Below 20	23.6	15.1	8.0	7.4	35.0	45.1	14.2	11.0
20-39.9	13.2	16.8	4.1	6.3	31.4	48.9	6.8	13.5
40-59.9	13.9	13.2	6.1	8.6	41.9	58.1	9.7	14.7
60-79.9	15.7	10.5	7.0	8.6	33.7	33.0	10.8	10.8
80-100	22.2	19.5	5.8	6.9	25.2	15.8	9.9	9.0

Notes: The table reports households' credit constraints. The first two columns (indicated by 1) show the percentage of households that applied for credit in 2017 and 2021. Columns three and four (indicated by 2) show those not applying for credit owing to a perceived credit constraint and columns five and six (indicated by 3) show those that had applied for credit but were denied it or were offered a smaller amount than they had applied for. The last two columns (indicated by 4) show the percentage of credit-constrained households in 2017 and in 2021. A credit-constrained household is defined as a household to which one or more of the following situations apply: (i) applied for credit within the last four years but was turned down, and did not report a successful reapplication, (ii) applied for credit but was not granted the full amount applied for, or (iii) did not apply for credit owing to a perceived credit constraint. Households with missing information on applying for credit or on not applying for credit due to a perceived credit constraint are not included. All statistics are broken down by different household groups using the following criteria: (1) all households, (2) number of household members, (3) age of the reference person, (4) housing status of the household, (5) percentile of the household income within the country, (6) percentile of the household net wealth within the country. N = too few observations.

7 Concluding Remarks

In 2021, the changes on both sides of the household balance sheet improved, leading to an increase in household net wealth. However, some groups of households gained significantly in recent years, leading to a small increase in wealth inequality. The significant improvement in household net wealth was mainly related to rising real estate prices and the high homeownership rate that still prevails in Lithuania. This was the main source of wealth accumulation for households. At the same time, the overall debt situation for households has also improved, as both mortgage and non-mortgage debt participation rates have fallen. Growing incomes were also reflected in the lower financial vulnerability, as measured for households. However, even with the significant increase in the average income in Lithuania, a relatively large share of households is considered to be credit-constrained and this share has been increasing in recent years.

In line with the results, it is important to highlight a number of questions that arise from the observed findings in Lithuania. The data suggest that individual incomes have grown rapidly, while consumption has grown less. It is interesting and important to understand the channels and behavioural aspects of what Lithuanians choose to do with their rapidly growing savings: try out new asset classes or invest in those they already have. It would also be interesting to analyze how much of the increase in wealth is due to rising incomes and how much to other factors (increase in asset values, bequests, etc.). Additionally, it is interesting to note that the net wealth of the most and the least wealthy households decreased over the course of the wave. At the same time, the wealth of households in the middle of the distribution increased. It is important to understand the reasons for these differences – are they related to differences in the composition of households' portfolios, are they the result of differences in labour markets and related changes, or did other factors play a role in generating these differences? Another important fact to understand is the high percentage of households with credit constraints. What are the characteristics of these households and how does their sub-group differ from other European countries? Finally, it is crucial to further investigate and understand the inequality puzzle – high income inequality and low wealth inequality – recorded in Lithuania. What is the relationship between the two and what are their dynamics? These are all open questions that could be explored in more depth to better understand household finances in Lithuania.

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