

## Cashing in on Wealth: Links Between Wealth and Income Inequality from the Lens of Distributional Wealth Accounts

Nina Blatnik

DG Statistics, European Central Bank

[Nina.Blatnik@ecb.europa.eu](mailto:Nina.Blatnik@ecb.europa.eu)

Ilja Kristian Kavonius

DG Statistics, European Central Bank

Luís Teles Morais

DG Statistics, European Central Bank

In past years, there have been several attempts to include distributional aspects in the national accounts' framework. Household distributional information will also be covered in the forthcoming version of the System of National Accounts. Additionally, increasing emphasis has been put on covering all material aspects of welfare in the same framework: income, consumption, and wealth. Several recent projects have followed such an integrated approach, covering these three dimensions in both micro data sources and in their application in distributional national accounts.

Our starting point is the Distributional Wealth Accounts (DWA), an experimental quarterly dataset currently under development by the European System of Central Banks. DWA integrates the Household Finance and Consumption Survey with macroeconomic statistics on household balance sheets (from the Quarterly Sector Accounts, QSA). In this article, using the same data sources – namely, retrieving distributional data from the HFCS -- we extend the DWA framework to also cover income accounts. In particular, we present estimates of the distributions of different capital income sources, such as interest, dividends and real estate rents, and analyse their development over time in the same framework as the corresponding stocks (i.e. asset holdings). In doing so, we provide implied rates of return on households' investments in financial and non-financial assets, and how they vary over the distribution of income and wealth.

The rich information available in the DWA, complemented with data on income, allows us to shed new light on the links between the income and wealth dimensions of inequality: how capital income, varying with the level and portfolio composition of wealth, feeds into overall inequality