DISTRIBUTIONAL INDICATORS OF INCOME, CONSUMPTION AND WEALTH IN A NATIONAL ACCOUNTS FRAMEWORK

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DRAFT GUIDANCE NOTE

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Change to current statistical guidance

- Proposal is to **add a specific chapter** on compilation of distributional results

    1. Highlighting **importance** of distributional information

    2. Discussing **scope** of the work

    3. Presenting **main balancing items**, explaining where they may differ from SNA

    4. Presenting possible **breakdowns**

    5. Highlight **specific issues** in compilation of distributional results

Importance of distributional information

Importance of distributional information

- **Traditionally** there is a lot of focus on macroeconomic aggregates such as GDP and GNI

- However, more demand for information on well-being and sustainability, including its **distribution** across households
  - Aggregates and averages only provide a partial picture
  - May conceal large discrepancies between households

- Important to focus on three dimensions of material well-being simultaneously, i.e. income, consumption and wealth

- Benefit of distributional results within National Accounts' framework: **coherent, consistent and comparable**

Scope

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- **Population:**
  - Focus on **households,** not individuals**:** households share living accommodation, pool income and wealth, consume certain types of goods and services collectively
  - Focus on **private** households, as institutional households behave differently and results are not comparable (results on institutional households should be presented in a separate subgroup)

- **Unit of observation:**
  - Focus on **equivalized** results, i.e. taking into account different consumption needs of households of different size and composition

Main balancing items

Main balancing items (1)

- **Income:** Primary income and (adjusted) disposable income
  - <u>Proposal:</u> Different treatment of **non-life insurance benefits** and **lottery winnings**

    Treatment as <u>capital transfer instead of current transfer</u> makes more sense from household perspective
  - Possibly envisage additional **broader income concepts**: including undistributed profits; (realised and unrealised) holding gains; …

- **Consumption:** Final consumption and actual final consumption
  - <u>Proposal:</u> Different treatment of **non-life insurance premiums** and **lottery tickets**

    Treatment as consumption instead of current transfers makes more sense from household perspective
  - <u>Proposal:</u> Record **consumer durables** as separate (of which) category – they cannot be regarded as part of current consumption and may significantly affect savings

Main balancing items (2)

- **Wealth:** Net (financial) worth
  - Envisage broader wealth concept: Including **social security pension entitlements**
  - Proposal: Record **stock of consumer durables** as memorandum item

Possible breakdowns

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- Standard of living on basis of **current income and/or wealth**

- Standard of living on basis of **permanent income** (i.e. removing temporary income shocks)

- **Main source of income**

- **Household type** (number and age of household members)

- Regional

- **Age** of reference person

- Labour market status of reference person

- ...

Specific issues in compiling distributional results

Practical, conceptual and methodological issues

- Importance of taking into account **inter-household flows and stocks** (remittances, bequests, second-hand trade)

    The starting point of the work may be consolidated data

- How to allocate **imputed items**?

    - Specific issue with **social transfers in kind on health**

        Proposal:

        1) Show that government is providing **free insurance** against certain health risks: insurance value approach to allocate amounts

        2) Show the **actual benefits** from this insurance (via capital transfers): actual value approach

- Issue of equivalence scales

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Thank you for your attention!

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