

Private household income in the regions of the European Union, 2004

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Regions

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Contents

1. Introduction 2
2. Primary Income: UK and German regions top the table.. 2
3. Disposable Income: Hamburg overtakes London 4
4. Dynamic development in Spain, the UK and the New Member States 6

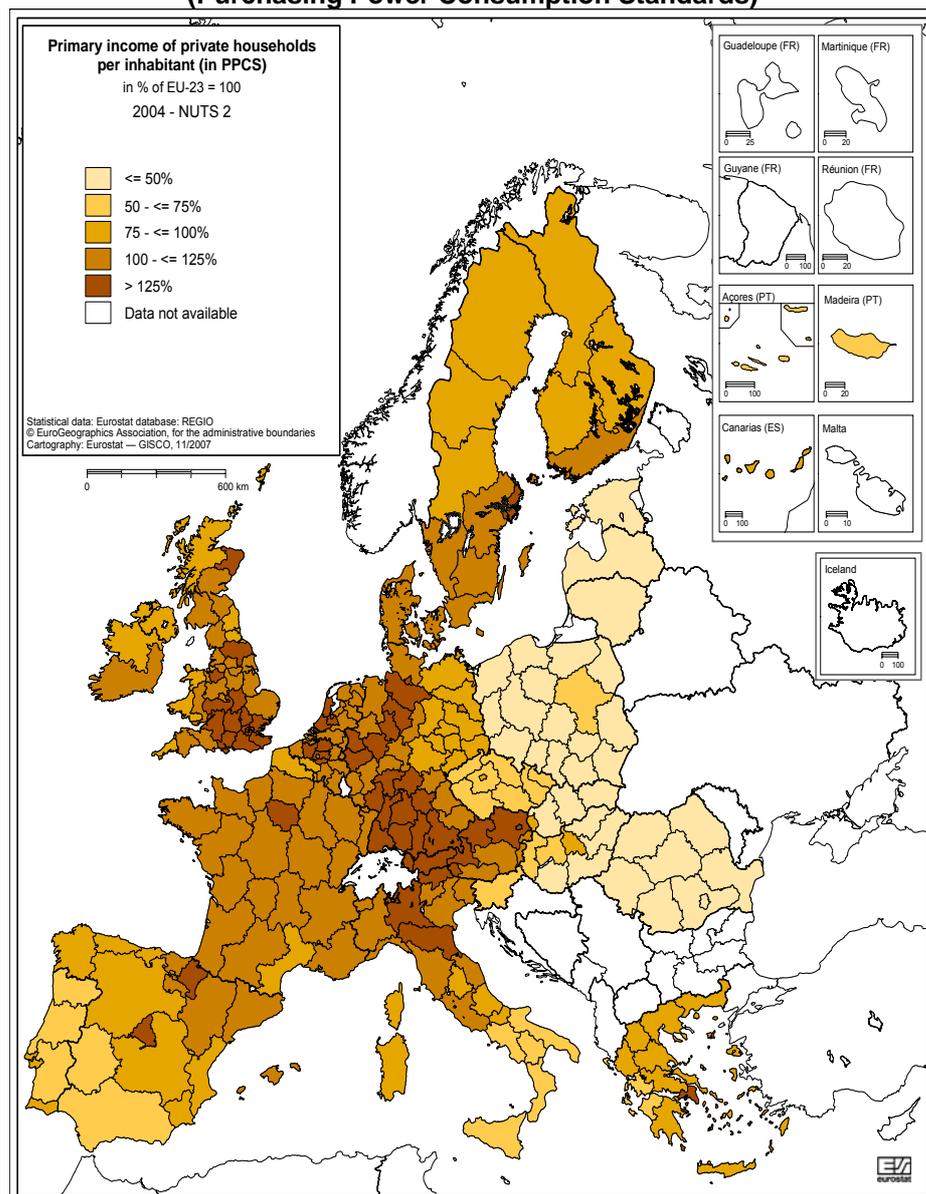


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The regions with the highest private household income are concentrated in the South of the United Kingdom, the Netherlands, Belgium, Southern Germany, Austria and Northern Italy. Inner London (UK) has the highest primary income in the EU; it is ten times higher than that of Nord-Est (Romania), which has the lowest value. State intervention reduces the factor between the highest and lowest regional value of income per inhabitant from 10.6 to 6.8.

Discrepancies in primary income of households between the regions of the EU have converged visibly between 2000 and 2004. Regions with above-average growth of primary income per inhabitant are concentrated in Spain, the UK and the new Member States, regions with below average growth in Italy, Germany and Belgium. Between 2000 and 2004 the regions of the New Member States have caught up with the EU average by 3.2 percentage points, of which 1.4 percentage points between 2003 and 2004.

Figure 1: Primary income of private households per inhabitant in PPCS (Purchasing Power Consumption Standards)



1. Introduction

In market economies with State redistribution mechanisms, a distinction is made between two stages of private-household income distribution. The primary distribution of income shows the income of private households generated directly from market transactions, i.e. the purchase and sale of factors of production and goods. First and foremost there is compensation of employees, i.e. income from the sale of labour as a factor of production. Private households may also have property income, particularly from interest, dividends and rents. Then there is also income from operating surplus and self-employment. Interest and rents payable are recorded as negative items for households at the

stage of primary distribution. The balance of all these transactions is known as the primary income of private households.

Primary income is used as a basis for calculating the secondary distribution of income, which shows the State redistribution mechanism. All social benefits and transfers other than in kind are now added to primary income, and it is from this total that households must pay income and wealth taxes, pay social contributions and make transfers. The balance remaining after these transactions have been carried out is known as the disposable income of private households. These data are recorded in the regional accounts at NUTS level 2.

2. Primary Income: UK and German regions top the table

Figure 1 shows primary income per inhabitant in the NUTS 2 regions of the 23 EU Member States featured here. There are clear centres of prosperity in the south of England, Paris, Brussels, the western Netherlands, northern Italy, Vienna, Madrid, Stockholm, as well as in North Rhine-Westphalia, Hessen, Baden-Württemberg and Bavaria. The north/south divide is clearly visible in both Italy and Spain, and the east/west divide in Germany. In the new Member States, only the capital regions have above-average levels of prosperity, particularly Prague, Bratislava, Közép-Magyarország (Budapest) and Mazowieckie (Warsaw). Apart from these capital regions only the remaining seven regions of the Czech Republic, Slovenia and two other regions of Hungary show a primary income per inhabitant which exceeds half of the EU-23 average.

Table 1 shows the 15 NUTS 2 regions with the highest and lowest primary income per capita. Of the 15 leading regions, six each are in the United Kingdom and Germany, two in Belgium and one in France. Compared with 2003, there is one more British region in this leading group and one Austrian region dropped out.

Of the 15 regions with the lowest primary income, seven are in Romania (the whole country with the exception of the capital region), six in Poland, and one each in Hungary and Latvia. Compared to 2003 one Polish region grew out of this group, while one region in eastern Hungary joined it.

As the figures in Table 1 show, there are still large discrepancies in primary income per inhabitant in the regions of the 23 Member States considered here. But the gap between rich and poor regions is beginning to narrow: For 2004, the range between Inner London (UK) and Nord-Est (Romania) varies by a factor of 10.6. In 2000, the corresponding figure was 11.8, which shows that over this 4-year period there has been a measurable convergence of primary income.

Table 1: EU Regions with the highest/lowest primary income in 2004

Region		Primary income of private households 2004 in PPCS per inhabitant
UKI1	Inner London	28434
DE60	Hamburg	25153
DE21	Oberbayern	24718
UKJ1	Berkshire, Buckinghamshire and Oxfordshire	24272
FR10	Île de France	24128
BE24	Prov. Vlaams-Brabant	24000
UKH2	Bedfordshire and Hertfordshire	23337
DE11	Stuttgart	23207
UKI2	Outer London	22930
DE71	Darmstadt	22907
UKJ2	Surrey, East and West Sussex	22692
BE31	Prov. Brabant Wallon	22471
DE12	Karlsruhe	21644
DE14	Tübingen	21617
UKH3	Essex	21285
...		
HU32	Észak-Alföld	5566
PL34	Podlaskie	5477
PL62	Warmińsko-Mazurskie	5434
PL33	Świętokrzyskie	5391
PL52	Opolskie	5308
LV00	Latvija	5277
PL31	Lubelskie	5000
PL32	Podkarpackie	4726
RO42	Vest	4613
RO12	Centru	3869
RO11	Nord-Vest	3728
RO22	Sud-Est	3618
RO41	Sud-Vest Oltenia	3300
RO31	Sud - Muntenia	3240
RO21	Nord-Est	2678

Figure 2: Disposable income of private households as percentage of primary income

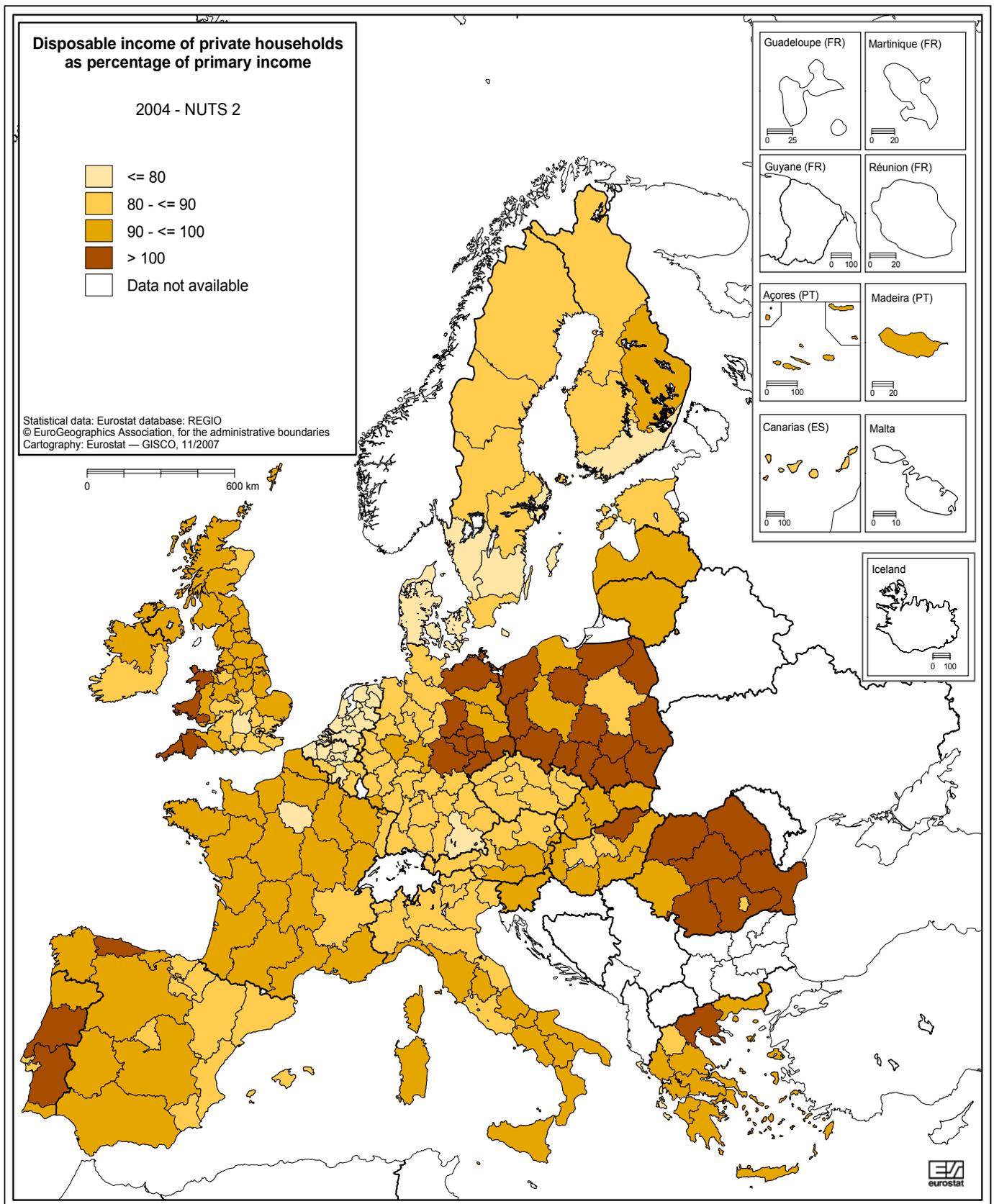


Table 2: Proportions of EU resident population in economically stronger and weaker regions

Percentage of population of EU-23 resident in regions with a per inhabitant primary income of	2000	2004
> 125 of EU-23=100	28.7	26.9
from 100% to 125% of EU-23=100	29.3	32.5
from 75% to 100% of EU-23=100	13.8	14.6
< 75% of EU-23 = 100	28.2	26.0
< 50% of EU-23 = 100	16.2	15.0

This finding is confirmed, in population terms: As Table 2 shows, the proportion of the EU-23 resident population with a primary income of more than 125% of the average decreased from 28.7% in 2000 to 26.9% in 2004. A similar development can be observed at the lower end of the scale, including for regions with an income of less than 50% of the average. In parallel the share of the population with a primary income between 75% and 125% of the average increased from 43.1% to 47.1%.

The regional discrepancies within the Member States are much smaller than for the EU-23 as a whole, the values generally varying by a factor of 1.5 to 2. The smallest differences occur in Ireland (factor of 1.14) and Austria, where the region with the highest primary income per capita (Vienna) is only 20% higher than that with the lowest (Kärnten). By contrast, the discrepancies in most of the new Member States exceed a factor of 2. The highest value is recorded by Romania with over 2.5.

When the data for 2004 are compared with those from 2000 to illustrate the 4-year trend, it can be seen that the ranges between regions in the new Member States, except in Poland, are widening, in particular in Romania, Hungary and Slovakia. One of the main reasons for this is the dynamic economic development in the capital regions, a phenomenon that is also visible in GDP.

By contrast, the regional discrepancies in most of the EU-15 Member States have changed only slightly, apart from a significant narrowing in Spain, Italy and the United Kingdom, and a slight widening of the gap in Belgium and Greece.

3. Disposable Income: Hamburg overtakes London

Unlike primary income, disposable income is strongly influenced by State interventions and other transfer payments (cf. methodological notes below). As a result of taxes withheld by the State, disposable income is usually lower than primary income. At the same time social contributions/benefits have a considerable levelling effect on household income.

Fig. 2 illustrates the effects of state intervention by showing the relationship between disposable and primary income. It appears clearly that disposable income is relatively higher in less affluent regions of the EU, and relatively lower in wealthier areas. The consolidated effect of all State interventions is a considerable reduction of the discrepancies between EU regions: The factor between the highest and the lowest regional value amounts to 6.8, while it is 10.6 for primary income. A country-based analysis shows that, in most Member States, State intervention reduces regional disparities by between one-fifth to one-sixth. Romania and the United Kingdom stand out clearly here from the other Member States with the disparities being levelled by almost one-third and one-quarter respectively. Germany used to show similar values in the past, but the levelling has reduced from one-fourth to one-fifth recently. Ireland and Austria show low values of about 5%, though this is not surprising, as in both these Member States primary income was already fairly evenly distributed.

Table 3 shows the 15 regions with the highest and lowest disposable income per inhabitant. It is interesting to compare this with primary income (Table 1). The effects of state intervention become particularly visible at the top of the ranking, which for the first time is led by Hamburg (DE). The reason that Hamburg and Inner London swap ranks is the different incidence of social benefits and contributions and direct taxes: Whereas social benefits are almost identical with social contributions in Hamburg, they are much lower in Inner London; this difference accounts for about 5% of primary income. In addition direct taxes amount to 20% of primary income in Inner London, but only to 12% in Hamburg. This effect can be seen to a larger or smaller extent in all of the most affluent regions.

At the lower end of the scale state interventions have similar effects. The most visible change among the last 15 regions of the ranking is the reduction of Polish regions from 6 to 3; the reason for this is that social benefits in most areas of Poland account for a relatively high share of disposable income. The opposite applies for Estonia, Lithuania and Východné Slovensko (SK) which move down the scale due to relatively low social benefits. The combined effect of state intervention may lead to the situation that disposable income exceeds primary income. In 2004 this was the case in 36 regions which are concentrated in Poland, Romania, Eastern Germany, the South-West of the UK and Portugal.

Figure 3: Change of Primary Income per inhabitant (in PPCS)

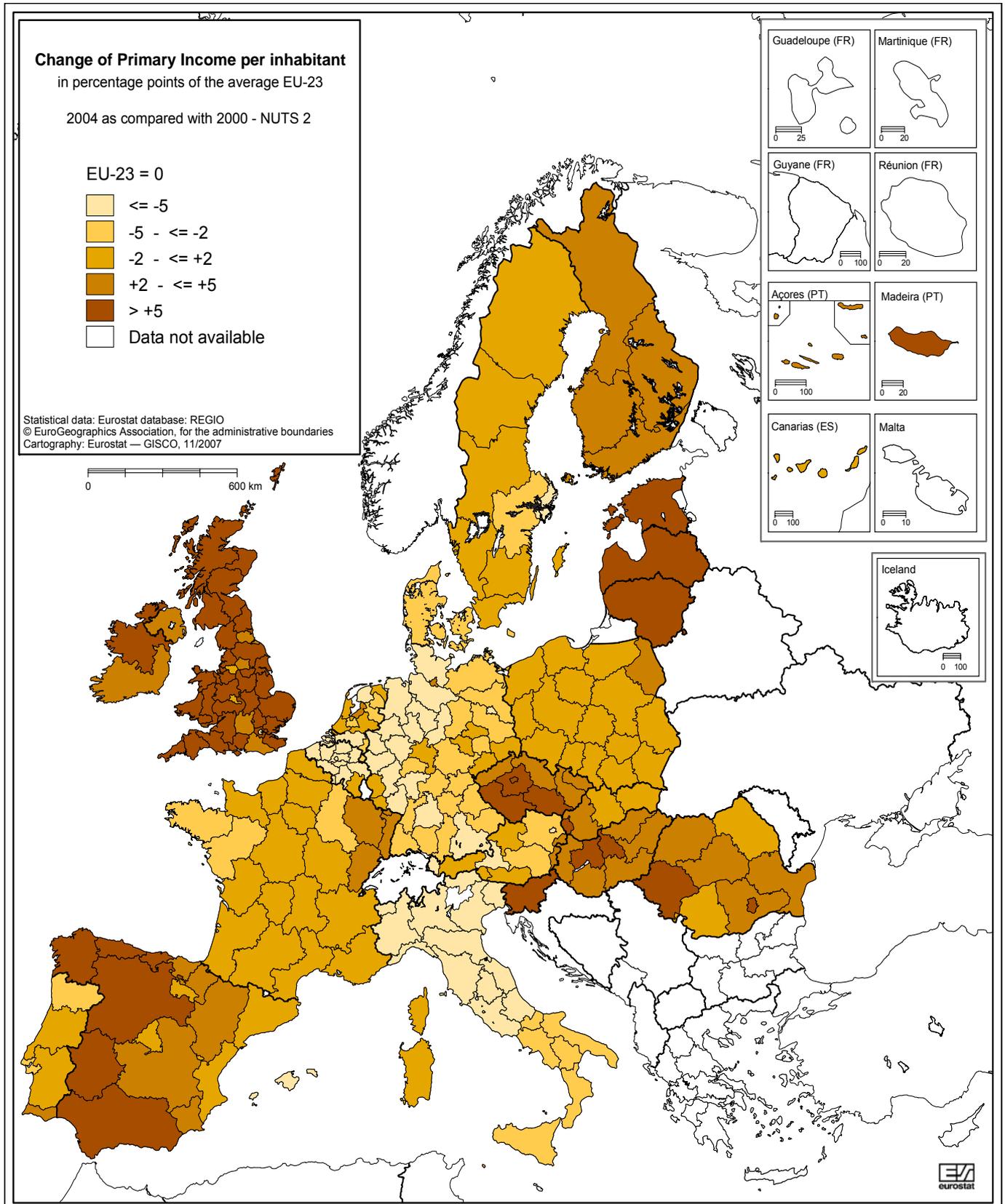


Table 3: EU Regions with the highest/lowest disposable income in 2004

Region		Disposable income of private households 2004 in PPCS per inhabitant
DE60	Hamburg	22054
UKI1	Inner London	21661
UKJ2	Surrey, East and West Sussex	19661
GR30	Attiki	19496
DE21	Oberbayern	19484
UKJ1	Berkshire, Buckinghamshire and Oxfordshire	19354
DE11	Stuttgart	19027
FR10	Île de France	18882
UKH2	Bedfordshire and Hertfordshire	18824
UKI2	Outer London	18689
DE50	Bremen	18649
AT13	Wien	18401
DE71	Darmstadt	18365
DE14	Tübingen	18225
DEA4	Detmold	18189
...		
RO32	Bucureşti - Ilfov	5643
PL52	Opolskie	5539
SK04	Východné Slovensko	5528
HU32	Észak-Alföld	5506
EE00	Eesti	5486
PL31	Lubelskie	5427
LV00	Latvija	5169
PL32	Podkarpackie	5056
RO42	Vest	4565
RO12	Centru	3957
RO11	Nord-Vest	3955
RO22	Sud-Est	3949
RO41	Sud-Vest Oltenia	3800
RO31	Sud - Muntenia	3697
RO21	Nord-Est	3241

Table 4: EU Regions with the greatest positive/negative change between 2000 and 2004

Region		Relative change of primary income per inhabitant (in PPCS) in percentage points, 2004 compared to 2000 (EU-22=0)
HU10	Közép-Magyarország	14.3
CZ01	Praha	12.1
UKD2	Cheshire	12.0
UKF2	Leicestershire, Rutland and Northamptonshire	11.3
UKM1	North Eastern Scotland	11.3
UKF1	Derbyshire and Nottinghamshire	10.9
UKG1	Herefordshire, Worcestershire and Warwickshire	10.7
UKJ4	Kent	10.0
LT00	Lietuva	9.9
IE01	Border, Midland and Western	9.6
UKD1	Cumbria	9.2
UKM2	Eastern Scotland	9.1
EE00	Eesti	8.9
UKK2	Dorset and Somerset	8.5
LV00	Latvija	8.4
...		
ITD3	Veneto	-9.2
ITC4	Lombardia	-9.2
DEF0	Schleswig-Holstein	-9.3
ITC1	Piemonte	-9.4
ITE1	Toscana	-9.4
ITE2	Umbria	-9.6
BE24	Prov. Vlaams-Brabant	-10.1
ITD5	Emilia-Romagna	-11.3
DE50	Bremen	-12.4
BE31	Prov. Brabant Wallon	-12.8
DE30	Berlin	-12.9
ITD1	Provincia Autonoma Bolzano/Bozen	-13.6
AT13	Wien	-13.9
BE10	Région de Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest	-15.3
ITD2	Provincia Autonoma Trento	-16.8

4. Dynamic development in Spain, the UK and the New Member States

Alongside the regional comparison for a specific year, it is very important to know how incomes in the regions have developed in comparison with the EU average. In order to assess this development, it is necessary to use an EU-23 average, as no data are yet available for Bulgaria, Cyprus, Luxembourg and Malta. This EU-23 average can, nevertheless, be regarded as a pretty good approximation of the EU-27 average; it can be assumed that it slightly over-estimates the (still unknown) EU-27 average by a margin of about 1%.

As Table 4 shows, the development of primary income over the 4-year-period from 2000-2004 ranges from +14.3 percentage points in Közép-Magyarország (Hungary) to -16.8 percentage points for Provincia Autonoma Trento (Italy). At the top and bottom ends of the scale there are significant clusters of regions from just a few countries: For example, of the 15 regions where development has been most dynamic in relative terms, 9 are in the UK. The opposite end of the scale is made up of 8 Italian, 3 Belgian and 3 German regions, providing a clear indication of below-average development in these founding members of the EU.

Another striking feature at the top end of the scale is that the table is led by two capital regions of new Member States (Budapest and Prague), and that

another three regions of new Member States (the Baltic States) appear among the top 15. A more detailed analysis reveals that during the period 2000-2004 the catching-up process of the new Member States has accelerated in comparison to previous years: Among the 47 regions of new Member States for which data are available there are 13 which have advanced by more than 5 percentage points in comparison to the EU-23 average, and another 15 which have gained between 2 and 5 percentage points. Particularly dynamic developments were noted in Hungary, the Czech Republic, Slovakia, the Baltic States and Romania. Only 8 regions - all of them in Poland - dropped back in relation to the EU-23 average; the weakest performance was recorded for Zachodniopomorskie in the Northwest of the country with a relative loss of -1.4 percentage points.

The level of primary income per inhabitant in the 9 new Member States for which data are available increased between 2000 and 2004 from 40.3% to 43.5% of the EU-23 average. This process of catching up, which is now underway in most regions of the new Member States, caused an average annual increase of around 0.8 percentage points; between 2003 and 2004 the rhythm accelerated to 1.4 percentage points.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Prior to an analysis of household income, a decision must be made about the unit in which data are to be expressed if comparisons between regions are to be meaningful. For inter-regional comparisons, regional GDP is generally expressed in purchasing power standards (PPS), the aim being to allow a volume-based comparison. Data on the income of private households should be treated accordingly. Therefore data on income of private households are recalculated using PPS for private consumption. These are known as PPCS (Purchasing Power Consumption Standards).

Eurostat does not yet have a complete set of data at NUTS 2 level. Data are still not available for the following Member States: Bulgaria, Cyprus, Luxembourg and Malta. Data for Ceuta and Melilla in Spain and the French overseas departments are not yet available for all years. Data for Hungary and Slovenia are available as from 2000 and for Romania as from 1998. For the purpose of comparisons of regional figures with values for the entire EU specific EU-23 aggregates excluding Bulgaria, Cyprus, Luxembourg and Malta were created. The EU-23 averages per inhabitant that were calculated on that basis can be regarded as a good approximation; it can be assumed that they slightly over-estimate the (unknown) EU-27 averages by a margin of about 1%.

Eurostat carried out a complete verification of the revised national accounts data for Greece. The revision that follows from the results of this verification has not yet been implemented in regional household accounts. Therefore data for Greece are not presented in detail in this publication and have to be regarded as provisional until the corresponding revision is completed.

According to the ESA Regulation (No. 2223/1996) data transmission to Eurostat is due 24 months after the end of the reference period. For the reference year 2004, 23 Member States provided data on a total of 255 regions at level NUTS 2. Data which reached Eurostat after 11 October 2007 are not included in this publication. All data are available online on Eurostat's website (see page 8 for the link).

In the European System of Accounts, the distributions of income accounts are defined as follows:

Primary distribution of the income of private households account

Uses	Resources
D.4 Property income	B.2/B.3 Operating surplus/mixed income
	D.1 Compensation of employees
B.5 Balance of primary income	D.4 Property income

Secondary distribution of the income of private households account

Uses	Resources
D.5 Current taxes on income, wealth, etc.	B.5 Primary income
D.61 Social contributions	D.62 Social benefits other than social transfers in kind
D.7 Other current transfers	D.7 Other current transfers
B.6 Balance of disposable income	

Further information:

Data:

[Eurostat Website/Home page/Data/Regions/Regional Economic accounts – ESA 95/Household accounts](#)

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