

Statistics in focus

POPULATION AND SOCIAL CONDITIONS

POPULATION AND LIVING CONDITIONS

THEME 3 – 3/1999

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HOUSEHOLD BUDGETS BETWEEN 1988 AND 1994

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In the period 1988 -1994, final household consumption in the EU-15 increased on average almost 2 percents a year.

The distribution of consumption expenditures of private households by type of consumption item changed between the two years. In 1994 households spent significantly more of their budget on housing and less on food than in 1988. For the group of households with a low consumption budget, housing and food still represents 60 % of the total expenditure. These results apply to nine EU countries taken together, i.e. Belgium, Germany, Greece, Spain, Italy, Luxembourg, The Netherlands, Portugal and Finland. For the other six countries, comparable data is not yet available for both years.

Between 1988 and 1994, final household consumption in volume increased on average almost 2 percents annually in the 15 EU Member States. The yearly pattern is marked by steadily decreasing growth rates between 1988 and 1992, with even a fall back in the level of consumption in 1993. In 1994 household consumption increased again.

This report compares private households' consumption by goods and services categories and expenditure classes from the Household Budget Surveys¹ (HBS) 1988 and 1994. The HBSs are sample surveys carried out by all the EU-15 countries where data is collected about a wide variety of items concerning private households: consumption expenditure, income and household characteristics. Due to lack of data at the time of publication of this document, the comparison of the HBS waves 1988 and 1994 is restricted to the countries Belgium, Germany, Greece, Spain, Italy, Luxembourg, The Netherlands, Portugal and Finland.

In 1994, total consumption expenditure per adult equivalent varied between 8 400 and 10 300 ECU/PPS for Portugal, Greece, Spain and Finland, and between 12 800 and 23 300 ECU/PPS for Italy, The Netherlands, Belgium and Luxembourg (Figure 1). Comparable data are not yet available for Germany. Although large differences in national purchasing standards existed, there are common changes between 1988 and 1994 in the composition of household budgets for the nine countries. Those changes will be analysed below.

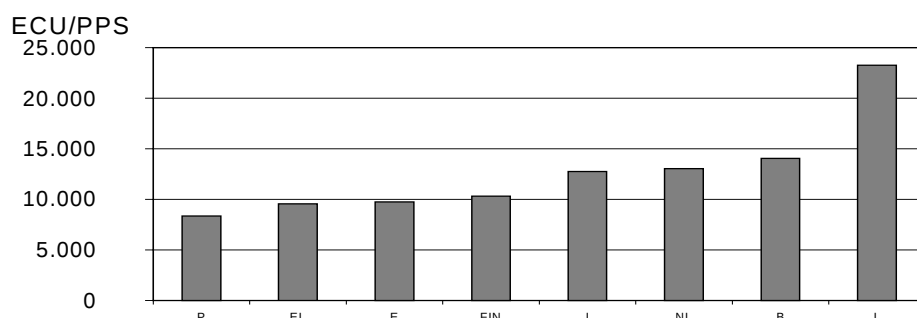
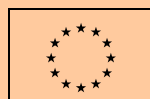


Figure 1: Total household consumer expenditure per adult equivalent in 1994 (ECU/PPS²)

1) See the methodological note on page 3.

2) To take account of economies of scale, an equivalence scale is applied to adjust consumption expenditure for the varying size and composition of the households. A coefficient of 1 attributed to the first adult, 0.5 to other persons over 13 years or under. The PPS, or purchasing power standard, is used to correct for differences in purchasing power between the countries.



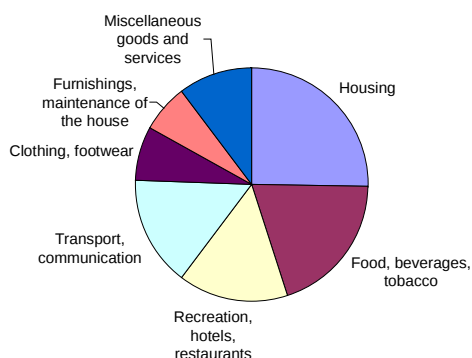


Figure 2: Structure of the total consumer expenditure³ in 1994

Stronger importance of housing

Housing⁴ accounted for 25.3 % of the household expenditure in 1994. The corresponding share in 1988 was 20.6 %. The share devoted to food⁴ decreased on average 3.2 points from 22.9 % in 1988 to 19.7 % in 1994 (Table 1). The gap between housing and food increased in all the countries. In Belgium for instance, housing and food accounted for 29.0 % and 14.0 % of

the budgets in 1994. In 1988, it was 23.9 % and 18.5 %. Not in each country, expenditure on housing was higher than on food in 1994: Spain and Portugal still had larger shares on food.

Expenditure on recreation and hotels/restaurants remained third with around 15 % of the budgets of the 9 countries as a whole. By country, the difference between 1988 and 1994 was about +/-1.5 points except in Greece (-3.2 points) and Luxembourg (+4.2 points).

Transport and communication had about the same share as recreation, hotels and restaurants, 15.2 % on average. It had increased by 1.4 points since 1988. The increase was larger in Germany (+3.1 points), Luxembourg (+2.4 points) and Portugal (+1.8 points). Only Italy and Finland noted decreases, -0.4 and -2.3 points respectively.

Expenditure on clothing and footwear decreased by about 2 points in Spain, Italy and Portugal as well as in the Netherlands and Finland. In the other four countries, the share did not change significantly.

	Year	Weighted average (9 EU countries)	Minimum reached in	Maximum reached in
Housing	1988	20,6	12,2	P
	1994	↗ 25,3	19,9	P
Food, beverages and tobacco	1988	22,9	15,7	NL
	1994	↘ 19,7	14,0	B
Recreation, hotels and restaurants	1988	14,9	11,5	L
	1994	- 15,2	9,0	EL
Transport, communication	1988	13,8	10,2	EL
	1994	↗ 15,2	10,9	EL
Clothing and footwear	1988	8,5	6,0	FIN
	1994	↘ 7,6	4,6	FIN
Furnishings, routine maintenance of the house	1988	7,2	5,5	FIN
	1994	- 6,6	4,6	FIN
Miscellaneous goods and services	1988	12,2	8,3	I
	1994	↘ 10,3	7,6	D

Table 1: Structure of total consumption expenditure in the 9 countries in 1988 and 1994

Notable changes for households in all classes of total expenditure

Households in each country have been divided into four groups (quartiles) according to their total expenditure. Quartile 1 consists of the households with the lowest total expenditure, quartile 4 with the highest expenditure. The quartiles are equally large in number of households⁵. It is evident that households in quartile 4 spend relatively more on recreation,

hotels/restaurants, transport and communication, less on housing and food than others (Figure 3). This was true for all countries both in 1988 and 1994.

Taking all countries together, the change in budget structure is the same for all quartiles between 1988 and 1994 although there are differences between countries.

3) Weighted average for 9 countries: Belgium, Germany, Greece, Spain, Italy, Luxembourg, The Netherlands, Portugal and Finland.

4) "Housing" includes water, electricity, fuels, rents paid by tenants as well as imputed rents of owner occupiers which are around 60 % of the function "housing". The purpose of calculating imputed rents is to be able to compare the levels of consumption of households with different housing patterns: the monetary expenditure of tenants is taken into account, whereas the purchase of dwellings by owners is not (capital expenditure). "Food" includes beverages and tobacco.

5) For each country, the classes Q1, Q2, Q3 and Q4 have been fixed by sorting the total expenditure per equivalent adult in

ascending order so as to obtain an identical number of households in each class.

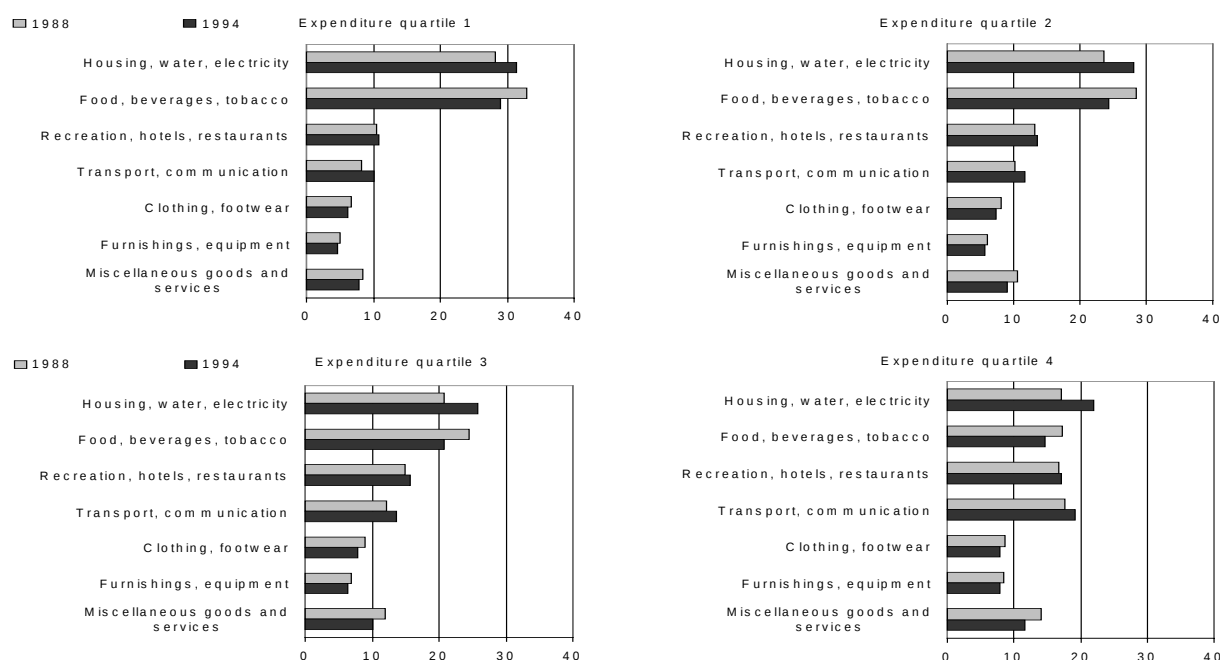


Figure 3: Structure of consumption expenditure quartile in the 9 countries⁶ in 1988 and 1994

In Germany and Luxembourg, the budget structure changed more in quartile 4 than in quartile 1 with a relatively large increase of recreation in Luxembourg and transport in Germany. On the other hand, households from Belgium, Spain, Finland, Greece, Italy, the Netherlands and Portugal experienced larger changes in quartile 1 than in quartile 4 with a large increase of housing and decrease of food.

Expenditure is of course clearly related to income. Because of lack of comparability, it was not possible to analyse this relationship. To give some indication of this, however, Table 2 shows the composition of the quartiles in eight countries regarding socio-economic status of the head of household in 1994. Quartile 1 has the largest share of retired while quartile 4 has the largest share of non-manual workers.

	Manual workers	Non-manual workers	Self-employed	Farmers	Retired	Other ⁷	TOTAL
Expenditure quartile 1	18	13	8	7	36	18	100
Expenditure quartile 2	22	22	12	5	28	11	100
Expenditure quartile 3	19	31	14	4	23	8	100
Expenditure quartile 4	15	39	16	3	19	7	100
All expenditure quartiles	19	26	12	5	26	11	100

Table 2: Composition of the expenditure quartiles per socio-economic category of the head of household⁸ in 1994

6) Each bar is the weighted average of the nine national results (Belgium, Germany, Greece, Spain, Italy, Luxembourg, Netherlands, Portugal and Finland).

7) "Other" includes the categories "other inactive" and "unemployed".

8) Weighted average of 8 countries: Belgium, Greece, Spain, Italy, Luxembourg, Netherlands, Portugal and Finland. Comparable data are not yet available for Germany in the Eurostat database.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

This issue of Statistics in Focus draws data from the Household Budget Surveys. In order to obtain comparability Eurostat harmonises these data in a process of converting national data into a predefined Community format. The 1994 German and Finnish data are provisional. The 1988 German data refer to 'Western Germany' (before reunification).

Any comparisons with final household consumption data from National Accounts should take into account that:

- Household Budget Surveys cover only national 'private households' excluding institutional households (hospital etc.) and foreign tourist consumption.
- Household Budget Surveys collect individual data from a representative sample through individual questionnaires. National Accounts may use other statistical sources (retail sales for instance) to build the final consumption aggregates.

- Data collection procedures may affect the comparability of data regarding the main items of consumption such as “health” and “housing”.

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