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United Nations | DESA Statistics Division

Global Conference on Macroeconomic Statistics for the Future

Brussels, 10-11 November 2022

#Statistics4Future

Distributional National Accounts

Session 2: Beyond GDP

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- **The new SNA provisions on Household Distributional Accounts**
- **Italian experience**
- **The way forward**

Change to current statistics guidance

Added specific chapter on the compilation of distributional results on household income, consumption and wealth

Contents:

- **importance** of distributional information
- **scope** of the work
- **main balancing items**, including where they may differ from SNA
- possible **breakdowns**

Importance of distributional information

Traditionally, focus on macroeconomic aggregates such as GDP and GNI

More demand on well-being and sustainability, including its distribution across households, *Trilussa's style* (focus on variances rather than averages)

Aggregates and averages only provide a partial picture, and averages may conceal large discrepancies between households

Focus on three dimensions of material well-being simultaneously: income, consumption and wealth

Advantages of distributional results: coherent, consistent and comparable

Scope

Population

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

Unit of observation

- **equivalized** results:
  - to take into account different consumption needs of households of different size and composition

Main balancing items and possible breakdowns

Balancing items

Income: Primary income and (adjusted) disposable income

Consumption: Final consumption and actual final consumption

Wealth: Net (financial) worth

Possible breakdowns

Standard of living on basis of current/permanent income ((i.e. removing temporary income shocks) and/or wealth

Main source of income

Household type (number and age of household members), and Regions

Age of reference person

Labor market status of reference person, etc.

...

Household income distributional data – Italian estimates

National estimates of distributional data on household disposable income (and its components), following OECD – Eurostat Expert Group on Disparities in National Accounts Guidelines

Data for 2015 – 2017 published in December 2020 as experimental estimates in OECD and Eurostat databases, in the context of the EG on Disparities in National Accounts, 3rd exercise (in 2019-2020)

Revised estimates for 2015 - 2018, extended to STiK (Social Transfers in Kind), published by Eurostat in summer 2022

Household income distributional data - Method

An intense collaboration between NA and micro source (EU SILC, Survey on Income and Living Conditions) experts to:

- highlight conceptual and methodological differences between the two sources.

As a consequence:

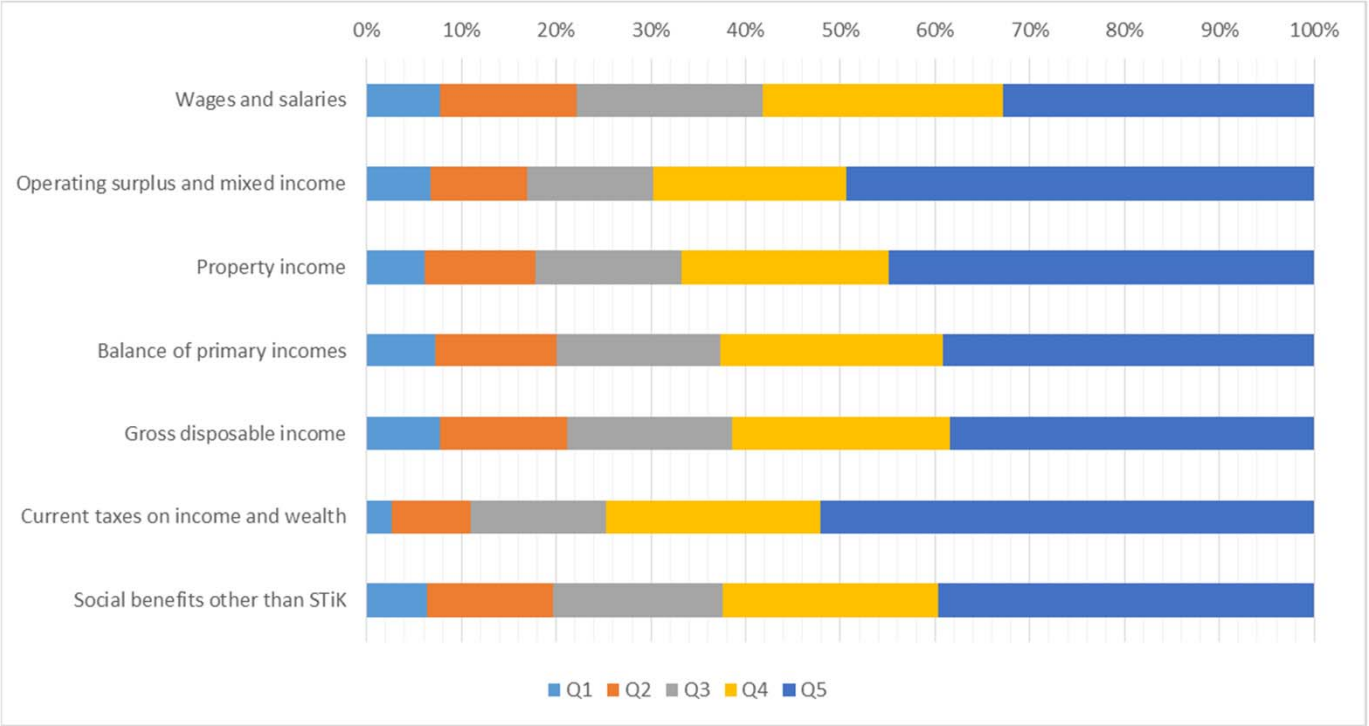
- micro-macro gap allocation at the highest possible level of disaggregation,
- with a careful choice of method for each income component.

For a large share of total household disposable income EU SILC can supply good proxy variables to estimate the distribution

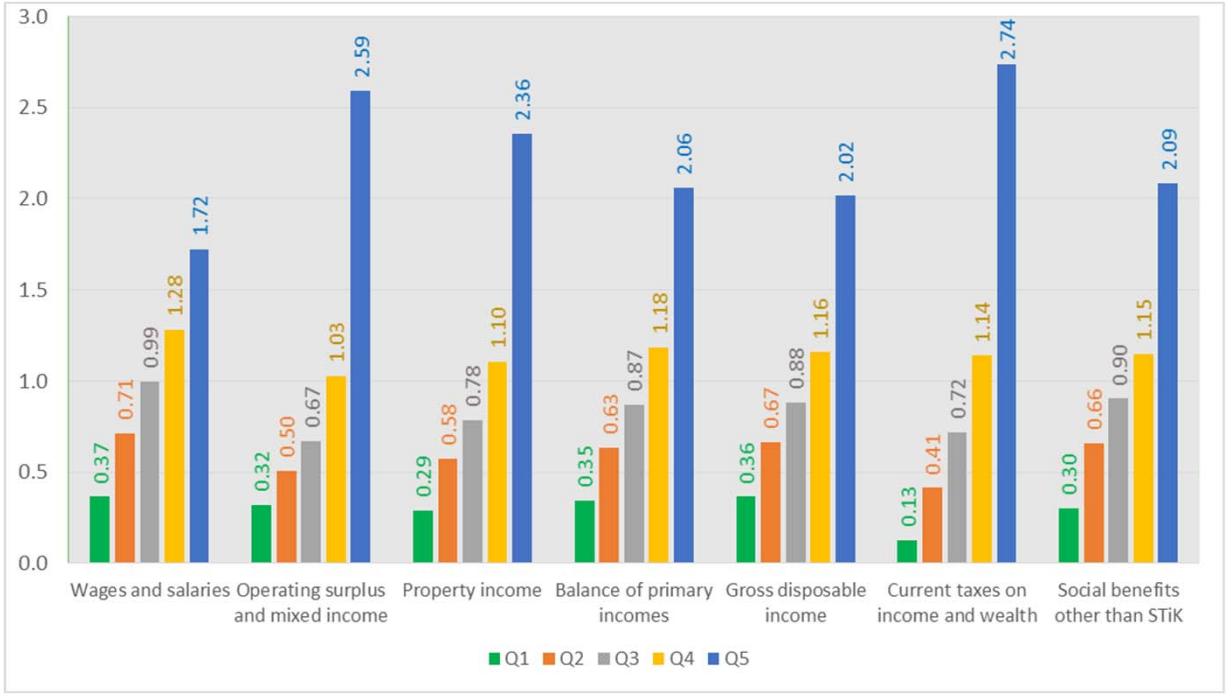
Some components remain for which:

- differences in definitions or measures between EU SILC and NA components are relevant or
- no SILC proxy exists

Disposable income and its main components by quintile, 2018



Disposable income per consumption unit: ratio between average in each quintile and national average, 2018

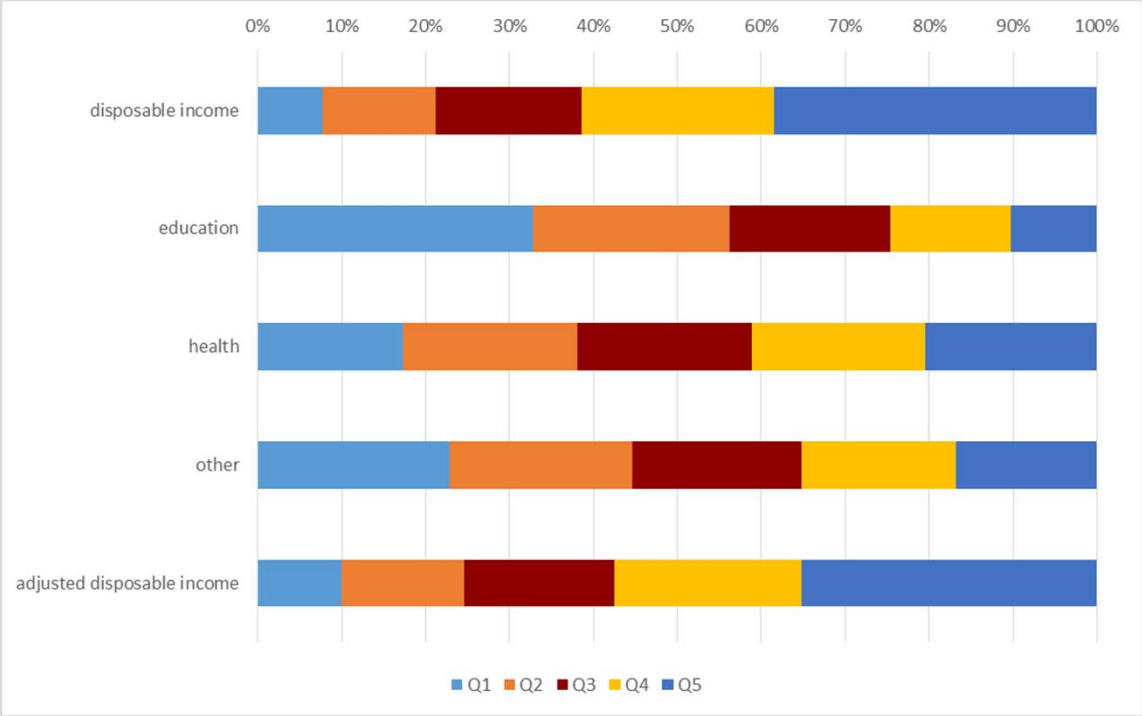


From disposable income to adjusted disposable income: estimating the distribution of Social Transfers in Kind (STiK)

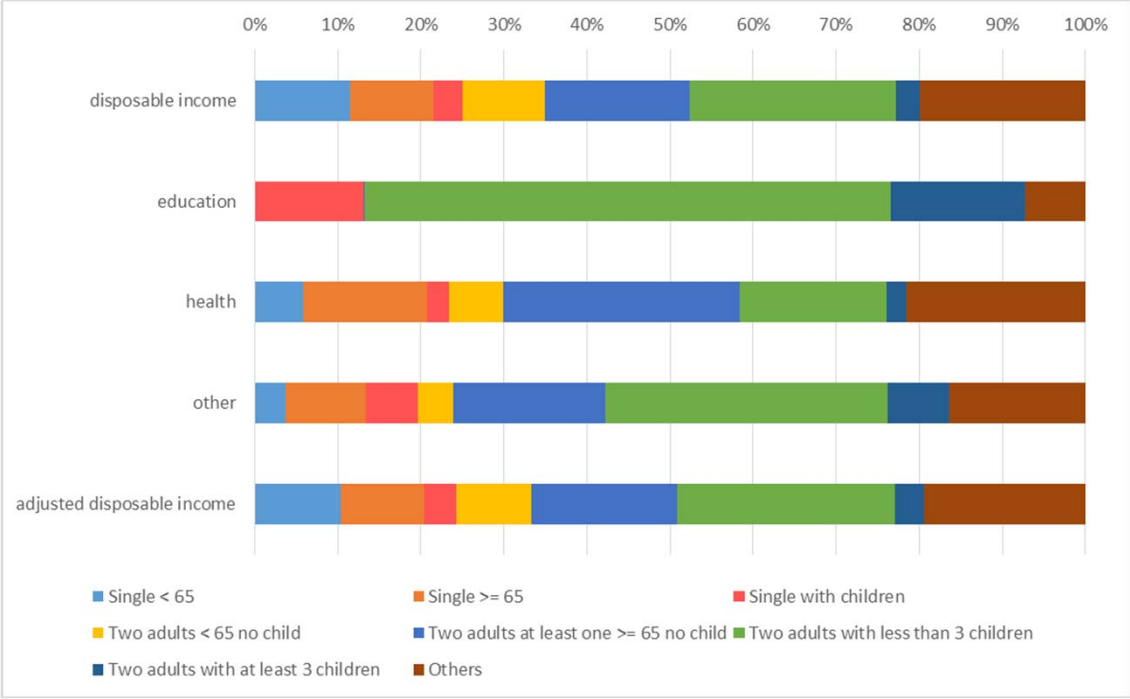
Education and Health

- consumption approach
  - administrative information on actual expenditure by Public Administration (for health, by age and gender)
  - combined with information on household composition and, for education, also on education attendance in SILC

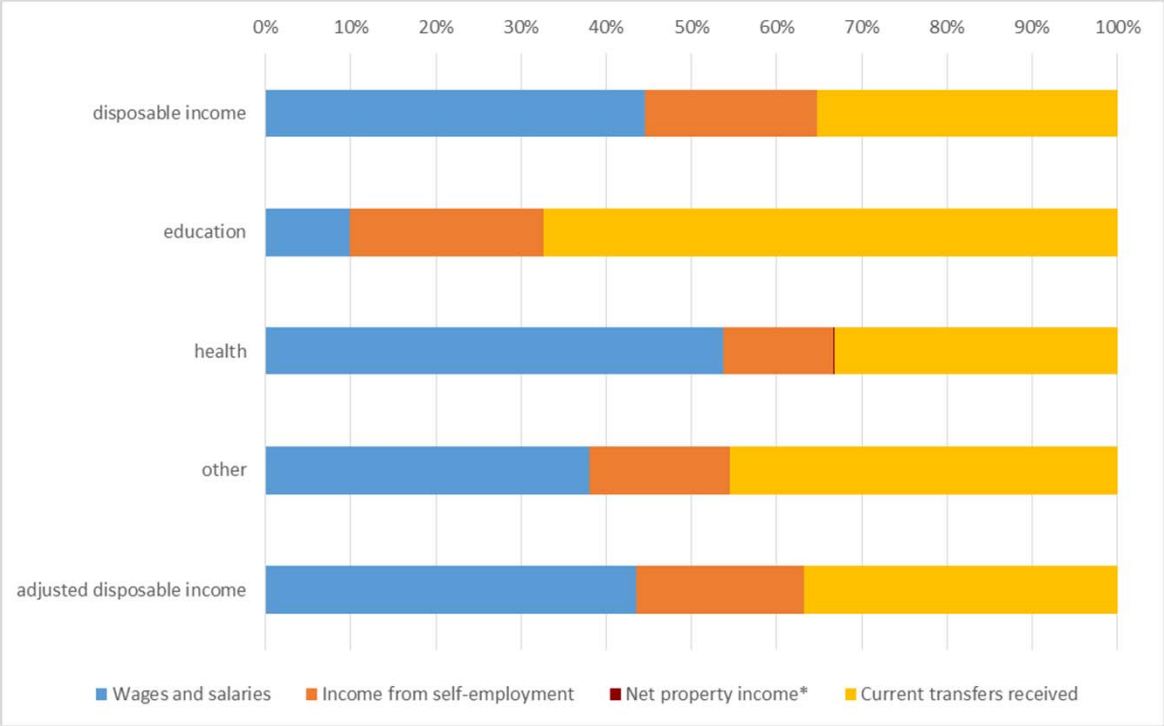
Disposable income, STiK, adjusted disposable income by quintile, 2018



Disposable income, STiK, adjusted disposable income by type of household, 2018



Disposable income, STiK, adjusted disposable income by main source of income, 2018



Way forward – On income distribution

Extension of the time series to 2019 and 2020

- timeliness constraints related to the micro source production process
- in the next years, programmed reduction in processing times of the survey microdata.

Revision of methods to estimate the distribution for the income components for which differences in definitions or measures between EU SILC and NA components are relevant or no EU SILC proxy exists:

- withdrawals from income of quasi-corporations and, for Italy, other distributed income of corporations (observed and non observed components)
- received interests and dividends.

Integration with the Income Register currently being developed at Istat

Way forward – On income distribution

Extension of estimates and analysis to consumption distribution

- micro source: Italian household budget survey
- microlinkage of income and consumption data (work done in the context of the Eurostat-Oecd Expert Group on Measuring the Joint Distribution of Household Income, Consumption and Wealth at Micro Level, and, in Italy, in collaboration between Istat and Bank of Italy)
- propensity to consume and impact on it of STiK

Joint analyses of income, consumption and wealth distributions in cooperation with the Bank of Italy

- Bank of Italy is participating in the production of experimental estimates on Distributional Wealth Accounts, in the context of the ESCB Expert Group on Distributional Financial Accounts

Way forward – On income distribution

Istat Working Group of NA and micro source experts (both on income and consumption) to better organize the essential cooperation between macro and micro experts

Paper on our experience at the IARIW - Bank of Italy Conference on “Central Banks, Financial Markets and Inequality”, 29 March – 1 April 2023, Naples, Italy

Participation in the OECD EG on Disparities within a National Accounts Framework and the Eurostat Task Force on Household Distributional Accounts, both working in coherence with the recommendations on HDA in the new G20 - DGI

THANK YOU!

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