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## **The distribution of the disposable income and consumption expenditure of Belgian households in the national accounts.**

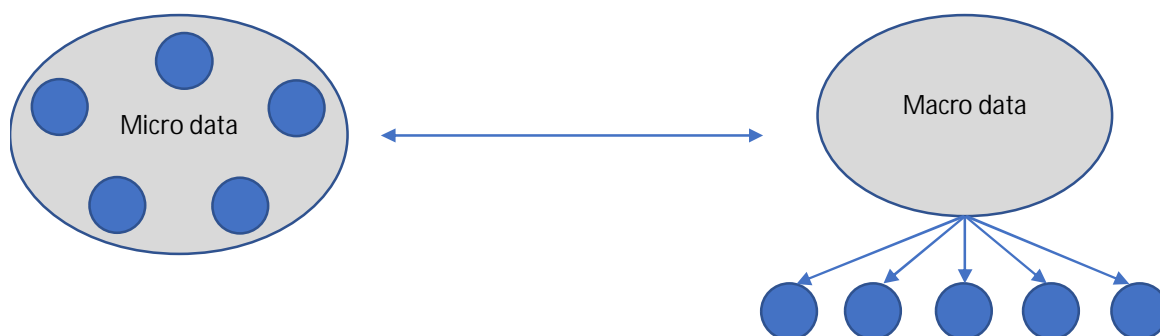
For some years now, there has been growing demand at national and international level for more and better indicators of households' well-being and prosperity. This is evident mainly in the interest in figures concerning the distribution of income, consumption and wealth and the associated inequality and redistribution issue. To address the question concerning the distribution dimension of its statistics, the National Bank of Belgium is committed to the joint project being conducted by the OECD and EUROSTAT. The EUROSTAT/OECD Expert Group on Disparities in a National Accounts Framework (EG DNA) was set up in 2011 with the aim of producing distributional results on income, consumption and saving consistent with the national accounts aggregates. Since 2019, the Bank has taken part in the activities of this group and embarked on the preparations for developing these distributional statistics itself.

### **Methodology**

The aim of the EG DNA is to develop the distributional dimension for the national aggregates of the household sector. The distributional aspect is added to the macro totals by confronting them with the micro data from surveys or administrative data, for example. The SILC survey (EU-SILC, Statistics on Income and Living Conditions) and the HBS survey (EU-HBS, Household Budget Survey) are the reference surveys for compiling these statistics, given their general availability to European countries. In addition, other administrative data sources available at national level, such as data from household tax returns, can be used.

For this purpose, the EG DNA uses a phased methodology in which the differences between micro data and macro aggregates are eliminated step by step. In the first instance, the primary aim is to minimise the conceptual deviations between the micro data and the macro aggregates. The residual deviations are allocated to the households in an appropriate way, paying close attention to the underlying reasons for the micro/macro gap. The allocation methods may be specific – e.g. by taking account of the age and composition of the households – or proportional, if the differences between micro and macro tend to be small. In the case of social transfers in kind, households with children, for example, derive more benefit from education while older people will make more use of health care.

Finally, the households are divided into groups, and indicators are then developed for the various household groups. Examples of key inequality indicators which can be measured are the Gini coefficient or the share of the poorest/wealthiest income group in Belgium's total disposable income.



*Figure 1 : confronting the micro sources/household surveys and the macro totals of the national accounts makes it possible to distribute the national aggregates per household group.*

## Experimental results 2020

For the EU Member States, an exercise was launched in which EUROSTAT develops results centrally for each Member State according to a harmonised methodology. This European exercise was conducted in consultation with the statistical institutions responsible for developing the household national sector accounts and the household surveys. On the basis of the SILC survey and the HBS survey the various income and consumption components of the household sector accounts were divided into income quintiles.

The results of this European exercise will be published for the first time in December 2020, under an experimental status. As the Bank joined the project at a later stage, it opted not to publish its own provisional estimates yet but to opt for the results produced by EUROSTAT in its European project. The experimental status means that the results are subject to methodological limitations.

## The way forward

This experimental exercise is the starting point of a long-term project of the Bank, with the objective of producing distributional statistics on a regular basis and for a long time series. The insights gained from the experimental exercise will be used to make qualitative improvements in the compilation process for the distributional statistics, while at the same time challenging the own macroeconomic aggregates. In addition to the main surveys used at European level, the Bank is also investigating the use of tax data and the integration of the Belgian part of the ECB-HFCS (Household Finance & Consumption Survey). Moreover, the extremes in the income distribution will be examined in depth. Depending on the progress of its internal improvement projects, the Bank will publish its own experimental results in subsequent years. The first official publication is scheduled for 2024, with time series extending over a longer time period, and is part of the 5-yearly benchmark revision of the national accounts.

**EUROSTAT publication:**

The Belgian results were developed by EUROSTAT and can be consulted on the website below. The results relate to the reference year 2015 for incomes and 2014 for consumption items. Both the micro totals (HBS/SILC) and the macro aggregates of the national accounts are distributed across 5 income quintiles for each income and consumption component. The differences between the micro and macro variables are identified on the basis of a coverage ratio, whereby the totals of the micro variables are compared with the totals of the national accounts. For each Member State there is also a sensitivity analysis in which various assumptions are simulated in order to test the robustness of the results. That analysis also includes a number of indicators for measuring inequality between the household groups. The methodological choices made in developing the results are also described in a document made available on the experimental section of their website. The results have experimental status and may therefore be revised on a regular basis as work on the project progresses.

<https://ec.europa.eu/EUROSTAT/web/experimental-statistics/ic-social-surveys-and-national-accounts>