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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.

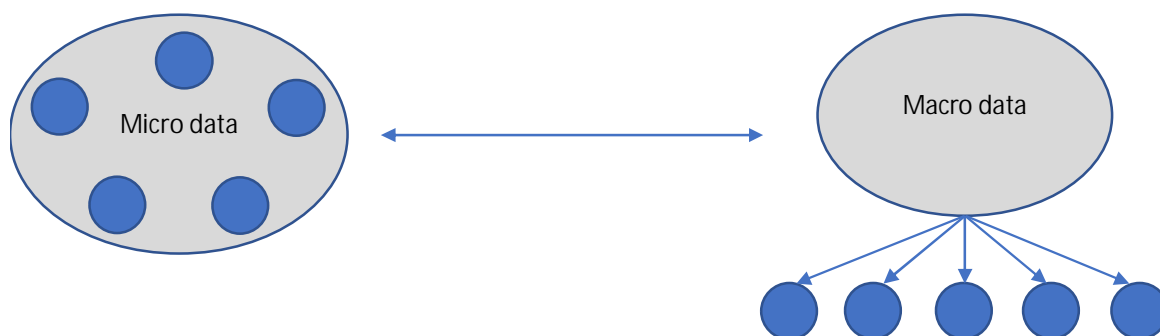


Figure 1 : confronting the micro sources/household surveys and the macro totals of the national accounts makes it possible to distribute the national aggregates per household group.

## Experimental results 2022

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.

Results from this European exercise were first published in December 2020, under an experimental status. In June 2022, a new set of results from this experimental centralised exercise was made available to all EU countries. Compared to the previous version, methodological improvements have been made for the calculation of certain income items and income results are available at a more detailed level. The experimental status means that the results are subject to methodological limitations.

## Distributional National Accounts project

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 will also use administrative tax and demographic data and the Belgian part of the ECB-HFCS (Household Finance & Consumption Survey). Moreover, the extremes in the income distribution will be examined in depth. For the Belgian Distributional National Accounts (DNA) project, the Bank cooperates with the European Commission (Eurostat), which also finances part of the project through a grant. 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 and EU-Grant:**

### **Eurostat centralised exercise**

The Belgian results were developed by EUROSTAT and can be consulted on the website below. The results relate to the period 2015 to 2019 for the income items and to the year 2014 for the consumption items. Both the micro totals (HBS/SILC) and the macro aggregates of the national accounts are distributed across 10 income deciles 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. 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.

Link to the results:

[Income and consumption: social surveys and national accounts - Experimental statistics - Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

Link to the methodological note:

[Distributional national account estimates for household income and consumption: methodological issues and experimental results - Products Statistical working papers - Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

### **Eurostat Grant: Distributional National Accounts (DNA) project summary<sup>1</sup>**

The development of the Belgian DNA-project is funded by the European Union. The DNA project will be developed over the next two years and aims to produce distributional results on income, consumption and wealth that are consistent with the aggregates of the national accounts. To add the distributional dimension to the aggregates, micro data sources such as surveys and administrative sources will be used. These sources will be integrated into a household database that will serve as the basis for developing the distributional results. The goal is to develop a time series so that distribution results will be available for a period of 10 years or longer. In compiling the results, particular attention will be given to more detailed breakdowns, and more specifically to the extremes of the income distribution. The reliability of the results will be tested through a sensitivity analysis.

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