

HC1.1 HOUSING-RELATED EXPENDITURE OF HOUSEHOLDS

Definitions and methodology

This indicator presents information on the final consumption expenditure of households on housing, water, electricity, gas and other fuels, as a percentage of overall final consumption expenditure of households. Data refer to aggregate expenditure at national level. The indicator helps to understand the relative importance of housing-related expenditures within consumer spending and facilitates comparison with other household budget items, across countries as well as over time. The data in this indicator are mainly taken from the OECD Annual National Accounts Database on Final consumption expenditure of households, along the categorization in the Classification of Individual Consumption According to Purpose (COICOP).

The COICOP categorizes the following items under housing-related expenditure:

Actual rentals for housing: rentals normally include payments for the use of the land on which the property stands, the dwelling occupied, the fixtures and fittings for heating, plumbing, lighting, etc., and, in the case of a dwelling let furnished, the furniture. Rentals also include payments for the use of a garage to provide parking in connection with the dwelling.

Imputed rentals for housing: imputed rentals of owners occupying their main residence (the rental-equivalence that home owners would pay for a house with similar characteristics to the one they own, which is designed to capture the segment of owner occupied housing)

Maintenance and repair of the dwelling: expenditure which tenants and owner-occupiers incur for materials and services connected with activities undertaken regularly in order to maintain the dwelling in good working order.

Water supply and miscellaneous services relating to the dwelling: expenditure associated with water supply (such as hiring and reading of meters, standing charges, etc), refuse collection and disposal, sewage collection and disposal, other services related to the dwelling (including co-proprietor charges for caretaking, gardening, stairwell cleaning, heating and lighting, maintenance of lifts and refuse disposal chutes, etc. in multi-occupied buildings; security services; snow removal and chimney sweeping).

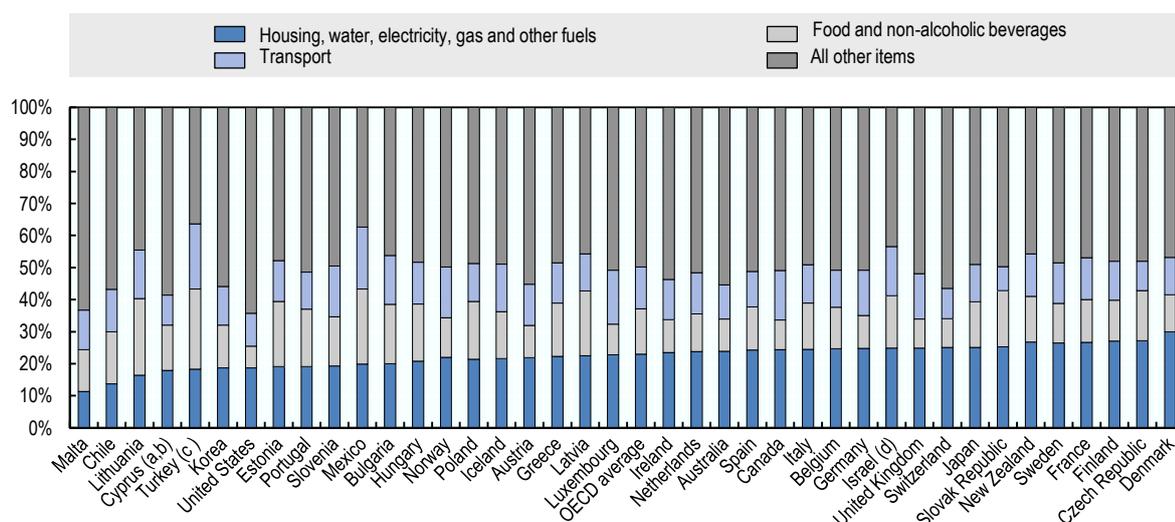
Electricity, gas and other fuels: expenditure associated with the domestic use of, for example, electricity, natural gas, liquefied hydrocarbons and liquid and solid fuels.

Key findings

Housing-related expenditure constituted the single highest household expenditure item in OECD countries in 2013, at on average 22.9% of final household consumption expenditure. Figure HC1.1.1 shows that spending on food and non-alcoholic beverages (14.1%) and transport (13%) are next two spending

items of importance. The OECD national Accounts suggests that smaller items of household consumption expenditure include: miscellaneous goods and services, recreation and culture (10.8), restaurants and hotels (7.6%), furnishings, household equipment and routine maintenance of the house (5.1%), alcoholic beverages, tobacco and narcotics (4.5%), clothing and footwear (4.4%), health (4.7%), communications (2.8) and education (1.6%). Malta, Chile, Lithuania, Turkey, Estonia and Mexico are the only countries where food and non-alcoholic beverages constitute the largest share of household consumption expenditure while in the United States the spending on health was the largest item of household consumption expenditure.

Figure HC1.1.1 Final households consumption expenditure of households by item, 2013
Share of final household consumption expenditure, three main expenditure items and sum of all others¹



a) Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

b) Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

c) Data for Turkey on final household consumption expenditure do not identify the following items: alcoholic beverages, tobacco and narcotics; communications.

d) The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. “All other items” include the following COICOP categories: Miscellaneous goods and services; Recreation and culture; Restaurants and hotels; Furnishings, household equipment and routine maintenance of the house; Clothing and footwear; Alcoholic beverages, tobacco and narcotics; Health; Communications; and Education.

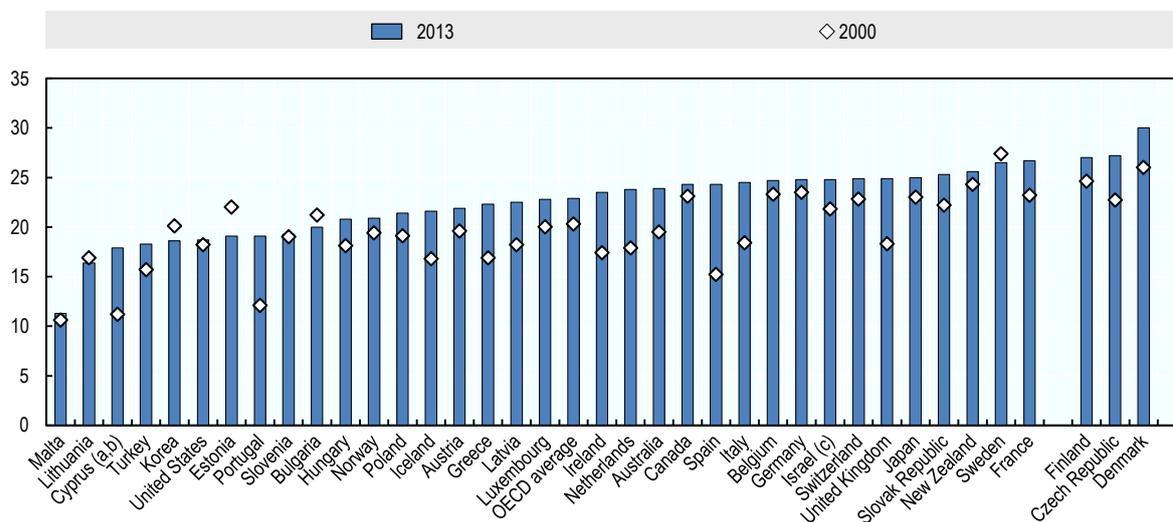
Sources: OECD Annual National Accounts Database; Eurostat Annual national accounts database.

The relative importance of housing-related expenditure varies across countries. In 2013, countries with the lowest relative level of housing expenditure were Chile and Malta, both below 15% of overall household consumption expenditure, followed by Lithuania, Turkey, Korea and the United States (data on the United States do not include expenditure on maintenance and upkeep of the dwelling). By contrast, in

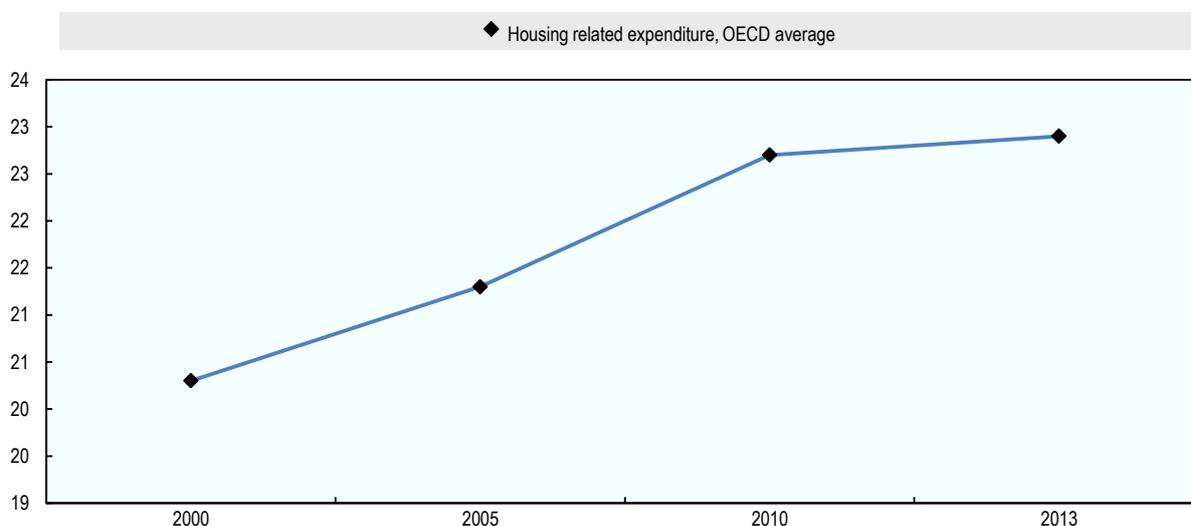
Denmark, the Czech Republic, Finland, France, Sweden, New Zealand and the Slovak Republic housing-related items constitute over a quarter of overall household consumption expenditure.

The relative importance of housing related expenditure in total consumer spending has increased over the past decade in most OECD countries. The OECD average share of housing-related expenditure increased from 20.3% in 2000 to 22.7% in 2010 and 22.9% in 2013 (Figure HC1.1.2, Panel A). During this period, most countries registered the strongest increase in the relative share of housing-related expenditure between 2005 and 2010, as housing-related consumption did not decrease following the global financial crisis unlike other items of consumer spending. The only countries where the share of housing related expenditure diminished between 2000 and 2013 were Lithuania, Korea, Estonia, Bulgaria and Sweden (Figure HC1.1.2, Panel B).

Figure HC1.1.2: Housing related expenditure as share of final household consumption expenditure
 Panel A: Housing, water, electricity, gas and other fuels, % of final household consumption expenditure, 2000 and 2013



Panel B: Housing, water, electricity, gas and other fuels, % of final household consumption expenditure, OECD average, 2000-2013



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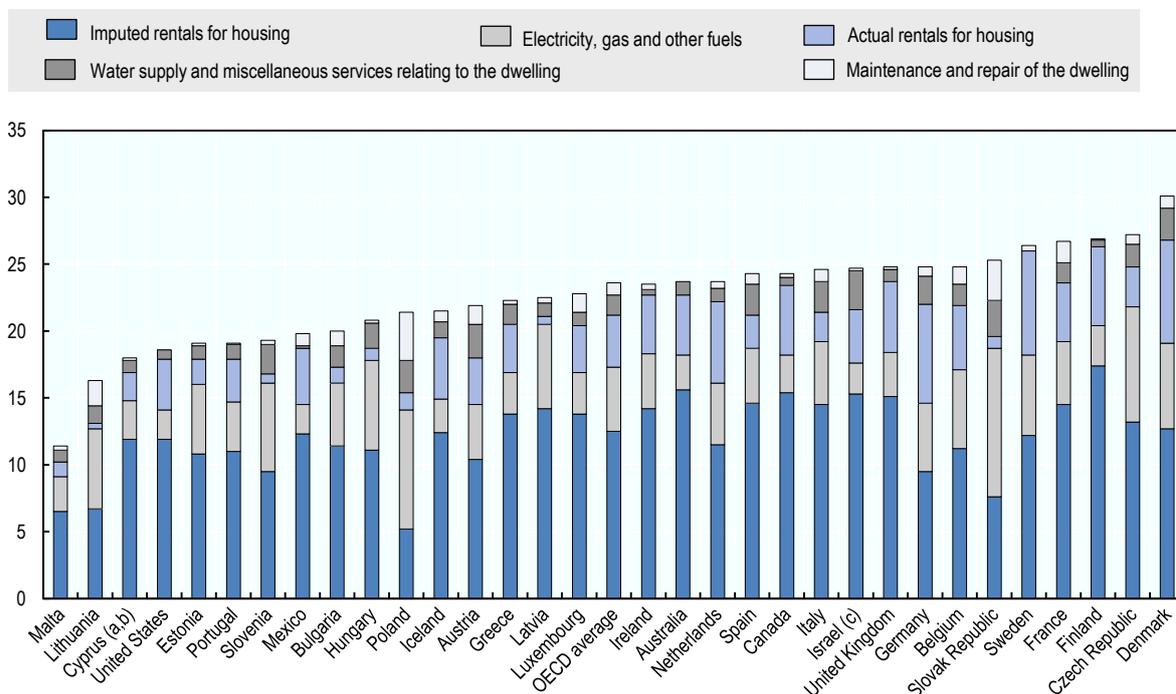
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Sources: OECD Annual National Accounts Database; Eurostat Annual national accounts database

In terms of the composition of household expenditure on housing, imputed rentals for housing is the largest component everywhere except for Poland and the Slovak Republic where electricity, gas and other fuels constitute the main item in spending terms. The share of expenditure on imputed rentals has also increased in most countries since 2000, while the share of outlays on actual rentals changed little. Figure HC1.1.3 shows that on average across the OECD imputed rentals for housing made up 12.5% of household consumption expenditure, with smaller shares of spending devoted to electricity, gas and other fuels (4.8%), actual rentals for housing (3.9%), water supply and miscellaneous services (1.7%), and maintenance and repair of dwellings (0.9).

Figure HC1.1.3: Breakdown of housing related expenditure, 2013
 Components of housing related expenditure, % of final household consumption expenditure¹



Notes:

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1. A detailed disaggregation of housing-related expenditure is not available for the following countries: Chile, Japan, Korea, New Zealand, Switzerland and Turkey.

Sources: OECD Annual National Accounts Database; Eurostat Annual national accounts database.

Data and comparability issues

The data used in this indicator are mainly taken from the OECD Annual National Accounts Database and more specifically from the section on Detailed Tables and Simplified Accounts - Final consumption expenditure of households, which presents the final consumption expenditure of households (in national currency, in current prices and constant prices, expressed in millions) along the categorization in the broken down by the COICOP (Classification of Individual Consumption According to Purpose) classification and by durability. Data for Cyprus, Bulgaria, and Malta are taken from the Eurostat Annual

OECD Affordable Housing Database – <http://oe.cd/ahd>

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

national accounts database, Detailed breakdown of main GDP aggregates (by industry and consumption purpose) - Final consumption expenditure of households by consumption purpose. Percentages are calculated based on aggregate expenditure in current prices.

Sources and further reading:

OECD National Accounts Database, Final consumption expenditure of households, available from <http://dotstat.oecd.org/?lang=en> (accessed on 16 June 2016)

Parlasca Frics, P. (2011) *The Housing Sector – Household Consumption From a European Perspective*, RICS, London

UNSTATS, COICOP (Classification of Individual Consumption According to Purpose), Detailed structure and explanatory notes, <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5> (accessed on 14 June 2016)