HC1.1 HOUSING-RELATED EXPENDITURE OF HOUSEHOLDS

Definitions and methodology

Households spend a lot of money on housing and associated costs and, 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 by 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 that 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; and, 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 2017, at an average 22.3% of final household consumption expenditure. Figure HC1.1.1 shows that spending on food and non-alcoholic beverages (14.0%) and transport (12.9%) are the next two spending items of importance. The OECD National Accounts suggests that smaller items of household consumption expenditure include: miscellaneous goods and services (10.9%), recreation and culture (8.4%), restaurants and hotels (8.3%), furnishings, household equipment and routine maintenance of the...
house (5.2%), alcoholic beverages, tobacco and narcotics (4.4%), clothing and footwear (4.6%), health (4.8%), communications (2.6%) and education (1.5%). Chile, Estonia, Lithuania, Malta, Mexico and Turkey 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 (see the on-line xls.file with detailed Table HC 1.1.1).

Figure HC1.1.1 Final households consumption expenditure of households by item, 2017
Share of final household consumption expenditure, three main expenditure items and sum of all others¹

![Figure HC1.1.1](image)

Note: 2017 or latest available year

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) 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 2017, countries with the lowest relative level of housing expenditure were Lithuania and Malta, both below 15% of overall household consumption expenditure, followed by Chile, Cyprus, Mexico and Estonia and Turkey. In contrast, in the Czech Republic, Denmark, Finland, France, Israel, Japan, New Zealand, Sweden, and the United Kingdom Japan housing-related items constitute over a quarter of overall household consumption expenditure (Figure HC1.1.2, Panel A).
The relative importance of housing related expenditure in total consumer spending has increased over the 2000-2010 period in most OECD countries. The OECD average share of housing-related expenditure increased from 20.7% in 2000 to 23.0% in 2010 and stabilised thereafter: the share was 22.6% in 2017 (Figure HC1.1.2, Panel A). 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. Over the 2000-2017 period the share of housing related expenditure diminished most notably in Estonia and Mexico (see the on-line xls.file with detailed data for Figure HC1.1.2, Panel A).

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 average across the OECD imputed rentals for housing made up 12.4% of household consumption expenditure, with smaller shares of spending devoted to electricity, gas and other fuels (4.0%), actual rentals for housing (3.9%), water supply and miscellaneous services (1.4%), and maintenance and repair of the dwelling (0.9%).
Figure HC1.1.2: Housing related expenditure as share of final household consumption expenditure, 2000-2017

Panel A: Housing, water, electricity, gas and other fuels, % of final household consumption expenditure, OECD average\(^1\), 2000-2017

Panel B: Housing expenditure as share of final consumption expenditure of households, 2000 - 2017

Housing, water, electricity, gas and other fuels, % of final household consumption expenditure

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1) Footnote by OECD average: The OECD average overtime is calculated using the data of the countries available for all years.

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

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Figure HC1.1.3: Breakdown of housing related expenditure, 2017

Components of housing related expenditure, % of final household consumption expenditure¹

Notes:

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”;

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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. The data on Maintenance and repair of the dwelling is not available for Australia.

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

Housing spending over time

Many people are spending more of their household budget on housing than they used to. Drawing on estimates of consumption data in 20 OECD countries (see Data and comparability issues, below)¹, the share of housing in household budgets – which covers housing costs (e.g. rent), regular maintenance and repairs, and utilities – rose by nearly 5 percentage points between 2005 and 2015. Over the last decade, the share of household budgets also increased for other key consumption items such as transport, health and education, yet to a lesser extent (a less than 1 percentage-point increase). Meanwhile, as the share of

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¹ Austria, Belgium, the Czech Republic, Finland, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and Turkey.
housing expenditure in household budgets rose, the relative share of household spending on food, clothing, leisure, communications and other consumption items declined over this period on average across all income levels.

Going back twenty years in time (1995-2015), albeit for a smaller subset of countries\(^2\), consumption estimates suggest that the share of household spending on housing has increased even further: households were estimated to have spent almost 6 percentage points more of their budget on housing in 2015 relative to 1995, compared to just over 2 percentage points more on health, the budget item for which the next largest jump in spending was recorded.

\[HC1.1.4. \text{Percentage point change in shares by item of household budgets for all income groups, OECD average, 1995-2015 and 2005-15}\]

\[\text{Note: OECD 20 unweighted average refers to the following countries: Austria, Belgium, Czech Republic, Finland, Germany, Greece, Hungary, Ireland, Lithuania, Luxembourg, Latvia, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and Turkey. OECD 10 unweighted average refers to the following countries: Austria, Belgium, Finland, Germany, Greece, Ireland, Luxembourg, the Netherlands, Portugal and Sweden.}\]


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

\(^2\) Austria, Belgium, Finland, Germany, Greece, Ireland, Luxembourg, the Netherlands, Portugal and Sweden.
broken down by the COICOP (Classification of Individual Consumption According to Purpose) classification and by durability. Data for Cyprus, Bulgaria, Romania, Switzerland and Malta are taken from the Eurostat Annual 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.

Data on household spending trends draws on the work prepared for OECD (2019), which analysed micro-data relating to household consumption expenditures from household budget surveys. The expenditure categories available in national surveys have been harmonised by the OECD in accordance with the Classification of Individual Consumption according to Purpose (COICOP) (UN Department of Economic and Social Affairs - Statistics Division, 2018). This classification, developed by the United Nations Statistics Division, divides consumption into categories, with twelve main categories for the household sector. Data used follows the COICOP classification, with the exception of “insurance related to health”, classified as part of “health” consumption instead of “miscellaneous goods and services”.

Data on middle-income households were collected for 28 OECD countries (data are not available for Australia, Canada, Iceland, Israel, Japan, Korea, New Zealand and Switzerland); this indicator reports only data that were available across all income quintiles. Data for EU countries and Chile were readily compatible with COICOP. Data for the United States and Mexico were reclassified in accordance with COICOP. Data for EU countries for 1998, 2005 and 2015 were imputed with growth rates by quintile of disposable income based on data published by Eurostat (except for France, the United Kingdom and Spain between 2006-2015). Incomes have been adjusted for non-reporting using experimental statistics on income published by Eurostat (Eurostat, n.d.). For a full explanation of the data and data sources, please refer to Box 4.2 and Annex 4.A in OECD (2019).

Sources and further reading:


OECD (forthcoming 2020), Housing and Inclusive Growth policy report.

