

HC1.1 HOUSING-RELATED EXPENDITURE OF HOUSEHOLDS

Definitions and methodology

Households spend a lot of money on housing and associated costs. This indicator presents information on the final consumption expenditure of households on housing, water, electricity, gas and other fuels, as a percentage of their overall final consumption expenditure. 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 categorisation in the Classification of Individual Consumption According to Purpose (COICOP).

The COICOP categorises 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 homeowners 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-occupant 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 is the single-largest household expenditure item on average

Housing-related expenditure constituted the single-highest household expenditure item in OECD and EU countries in 2019, at an average of around 22% of final household consumption expenditure. Figure HC1.1.1 shows that food and non-alcoholic beverages (13.8%) and transport (12.7%) are the next two most significant spending items. Meanwhile, household consumption expenditure is smaller for miscellaneous goods and services (11.0%), recreation and culture (8.4%), restaurants and hotels

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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.

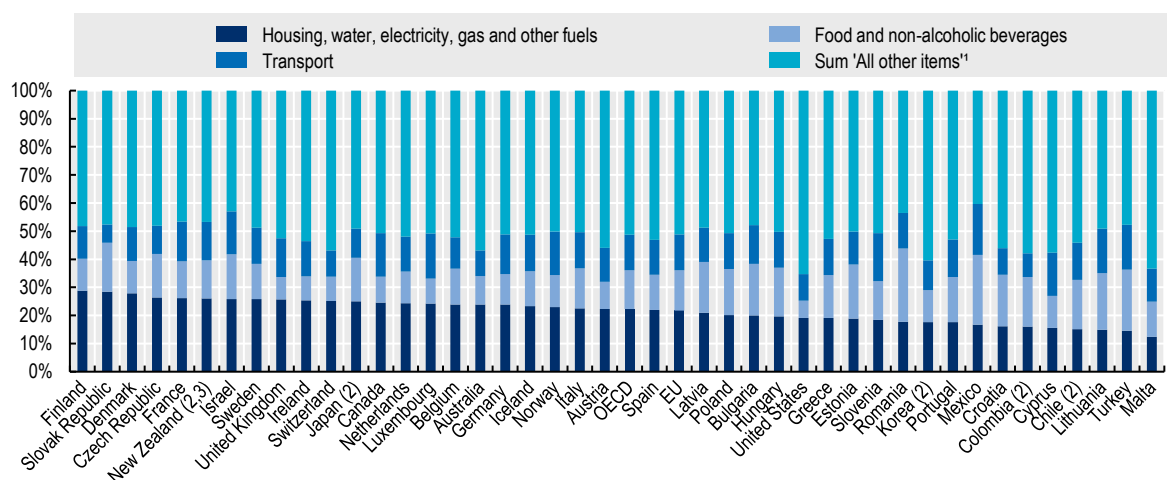
(8.7%), furnishings, household equipment and routine maintenance of the house (5.2%), health (5.0%), clothing and footwear (4.5%), alcoholic beverages, tobacco and narcotics (4.3%), communications (2.6%) and education (1.6%).

The relative importance of housing-related expenditure varies across countries, however. In 2019, countries with the lowest relative level of housing expenditure were Malta, Lithuania and Turkey, all recording less than 15% of overall household consumption expenditure on housing, followed by Chile, Cyprus, Colombia, Croatia and Mexico (between 15 and 17% of all household consumption spending). In contrast, in 15 countries (Finland, the Slovak Republic, Denmark, the Czech Republic, France, New Zealand, Israel, Sweden, the United Kingdom, Ireland, Switzerland and Japan), housing-related items constitute over a quarter of overall household consumption expenditure (Figure HC1.1.2, Panel A).

Chile, Colombia, Croatia, Estonia, Lithuania, Malta, Mexico, Romania and Turkey are the only countries in which food and non-alcoholic beverages constitute the largest share of household consumption expenditure. In the United States, spending on health was the largest household spending item (21.8%) (see the online xls.file with detailed information in Table HC1.1.1). The overall number of dwellings in relation to the population is highest in Bulgaria, Finland, France, Latvia, Portugal and Spain - and lowest in Chile, Korea, New Zealand and Poland.

Figure HC1.1.1. Final household consumption expenditure of households by item

Share of final household consumption expenditure, three main expenditure items and sum of all others, 2019 or latest available year ¹



Note: 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. 2) 2018 data, because of 2019 data unavailability. 3) Provisional values.

The present publication presents time series, which end before the United Kingdom's withdrawal from the European Union on 1 February 2020. The EU aggregate presented here therefore refers to the EU including the UK. In future publications, as soon as the time series presented extend to periods beyond the UK withdrawal (February 2020 for monthly, Q1 2020 for quarterly, 2020 for annual data), the "European Union" aggregate will change to reflect the new EU country composition.

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

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 the United Nations, Turkey shall preserve its position concerning the "Cyprus issue"; *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.

On average, spending on housing has increased in recent decades, though there are large differences across countries

Between 1995 and 2019, the share of housing-related expenditure has increased, on average, in the OECD by almost 2 percentage points (Figure HC1.1.5). However, the evolution of housing-related expenditure has not been linear. Between 1995 and 2007, housing related-expenditure increased gradually, from 20.8% in 1995 to 21.3% in 2007 – apart from a slight drop in average spending between 1999 and 2000. After 2007, average housing-related spending rose dramatically to its peak of 23.3% in 2013. The largest annual increases were recorded in 2008 (3%) and 2009 (4%), on average. Since 2013, the share of housing-related spending has declined somewhat to reach 22.6% in 2019, yet still well above the 1995 levels.

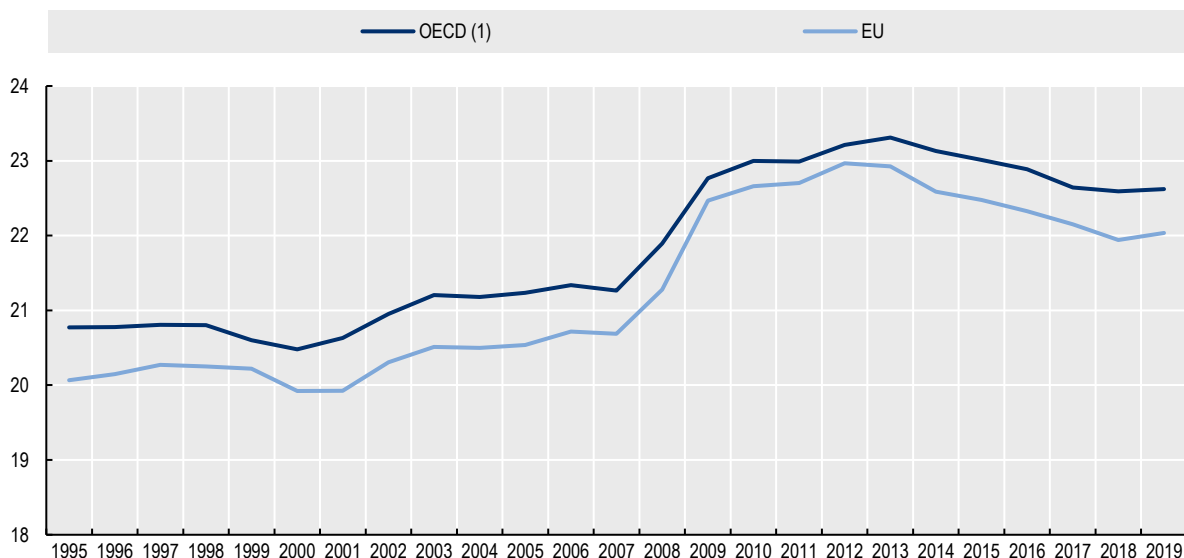
Moreover, there are considerable differences across countries. Between 1995 and 2019, the share of housing expenditure in the total household expenditure increased by over 50% in Ireland and Spain. Meanwhile, Mexico, Bulgaria and Lithuania all recorded a drop in average housing expenditure of at least 20% over this period. In Canada, Germany, Slovenia, in the United Kingdom and the United States, average housing-related spending remained relatively stable over this period.

Imputed rentals for housing represent the biggest housing-related share of spending on housing

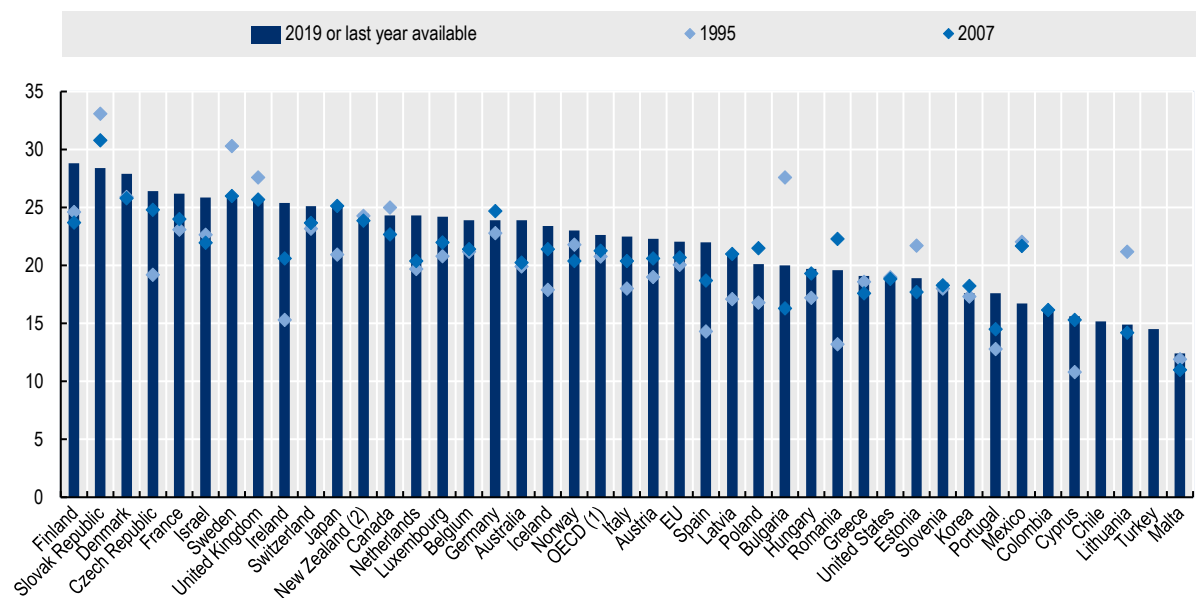
In terms of the composition of household expenditure on housing, imputed rentals for housing represent the largest component in all countries but one, comprising at least 60% of total housing-related expenditure in 16 countries. Poland is the exception, where electricity, gas and other fuels constitute the largest expenditure item. Figure HC1.1.3 shows that on average across the OECD, imputed rentals for housing made up 12.7% of total household consumption expenditure in 2019, with smaller shares of spending devoted to electricity, gas and other fuels (3.9%), actual rentals for housing (4.0%), water supply and miscellaneous services (1.4%), and maintenance and repair of the dwelling (0.8%).

Figure HC1.1.2. Housing expenditure as share of final consumption expenditure of households

Panel A.: Housing, water, electricity, gas and other fuels, % of final household consumption expenditure, OECD average and EU average, 1995-2019



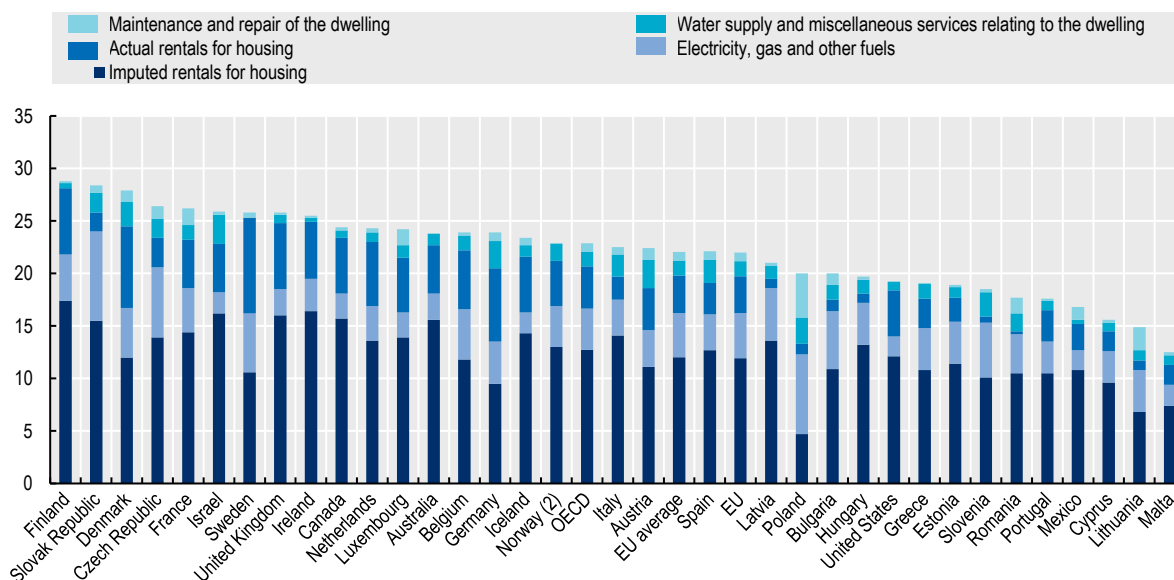
Panel B. Housing, water, electricity, gas and other fuels, % of final consumption expenditure of households on the territory, 1995, 2019 or last year available



Note: 1. The OECD average over time is calculated using the data of the countries available for all years. 2) Provisional values for 2019. Source: OECD Annual National Accounts Database; Eurostat Annual national accounts database.

Figure HC1.1.3: Breakdown of housing-related expenditure

Components of housing-related expenditure, % of final household consumption expenditure¹, 2019 or latest available year



Note: 1. A detailed disaggregation of housing-related expenditure is not available for the following countries: Chile, Colombia, Japan, Korea, New Zealand, Norway, Switzerland and Turkey. Data on Maintenance and repair of the dwelling is not available for Australia. 2) 2018 data, because of 2019 data unavailability.

Source: OECD Annual National Accounts Database; Eurostat Annual National Accounts Database.

Household consumption data suggest that housing spending has increased more than any other household expenditure item

On average in the OECD, people are spending more of their household budget on housing than they used to. Drawing on estimates of consumption data in 20 OECD countries² (see Data and comparability issues, below), 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 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.

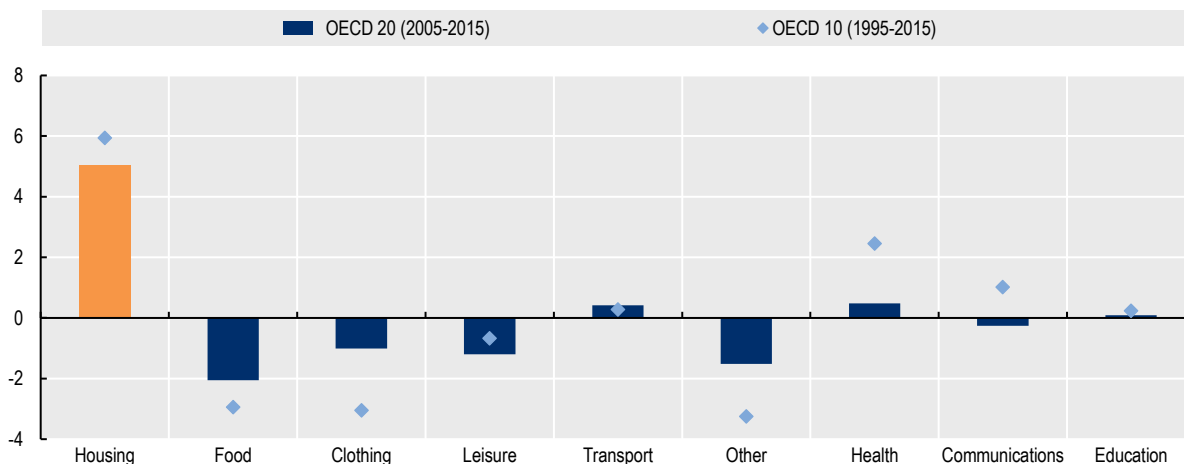
Going back even further in time (1995-2015), albeit for a smaller subset of countries³, consumption estimates suggest that the share of household spending on housing has increased even further: households were estimated to have spent almost 6 percentage points more of their budget on housing in 2015 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.

² 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.

³ Austria, Belgium, Finland, Germany, Greece, Ireland, Luxembourg, the Netherlands, Portugal and Sweden.

Figure HC1.1.4. Percentage point change in shares by item of household budgets for all income groups

OECD-20 average (2005-2015) and OECD-15 average (1995-2015)



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.

Source: Drawing on analysis prepared for OECD (2019), *Under Pressure: The Squeezed Middle Class*, OECD Publishing, Paris, <https://doi.org/10.1787/689afed1-en>. Estimates based on microdata from the Eurostat Household Budget Surveys (EU HBS) 2010 and tabulations from the EU HBS 2015, 2005 and 1999 and 1994 for European countries except Spain (Encuesta de Presupuestos Familiares 2015).

Data and comparability issues

The data used in Figures HC1.1.1, HC1.1.2, HC1.1.3 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. These data present the final consumption expenditure of households (in national currency, in current prices and constant prices, expressed in millions) according to the COICOP (Classification of Individual Consumption According to Purpose). 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 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.

Consumption data on household spending trends (Figure HC1.1.4) 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 COICOP (UN Department of Economic and Social Affairs - Statistics Division, 2018). Data 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

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