REPUBLIC OF SLOVENIA
STATISTICAL OFFICE

In 2015 the level of indebtedness for the fifth of the income-poorest households was 10 p.p. lower than in 2012

Distributional measures across household groups in national accounts

In 2015 the level of indebtedness for the fifth of the income-poorest households was 40%, while the fifth of the income-richest households saved a third of disposable income – their income was 60% and consumption only 20% above the average for all households.

In 2011, the Statistical Office of the Republic of Slovenia (SURS) joined the expert group for measuring disparities in national accounts led by the OECD in cooperation with Eurostat. The group's aim is to provide inequality indicators for macroeconomic aggregates: income, consumption and savings, and gradually also assets. Below we present the results for 2012 and 2015.

In 2015, one fifth of the lowest-income households were indebted less than during the crisis, i.e. in 2012

A comparison of inequality indicators for 2012 and 2015 showed the largest change in the aggregate saving. Chart 1 shows changes in the level of savings of individual income groups of households. Each income group (quintile)[1]represents one-fifth of all households; the first quintile includes 20% of households with the lowest disposable income and the fifth quintile 20% of households with the highest disposable income. The saving rate is one of the basic macroeconomic indicators for the household sector. It is a percentage of gross savings in disposable income with the change in pension entitlements.

Chart 1: Saving as percentage of disposable icome by income quintile, Slovenia, 2012 and 2015
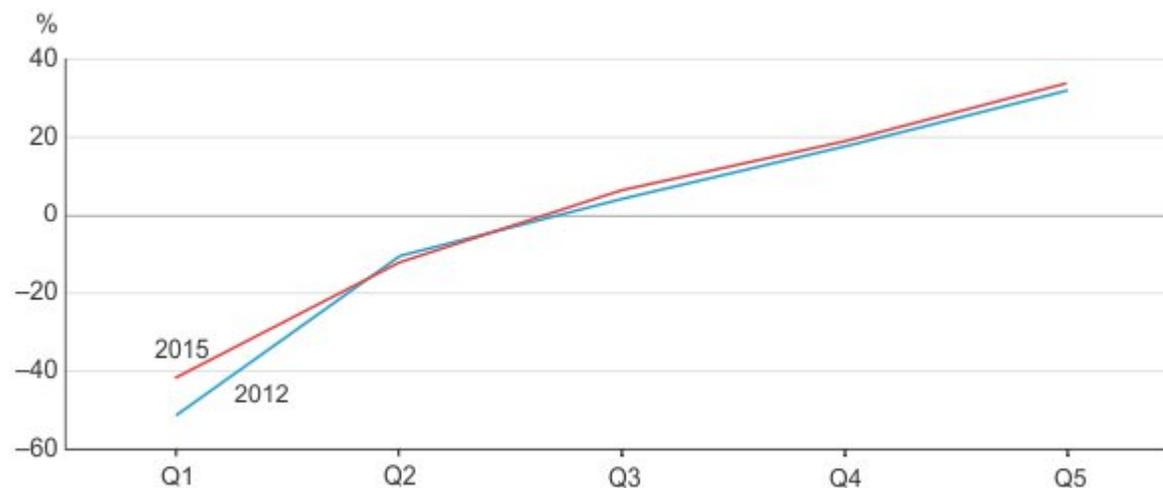
Q: quintile
Source SURS   © SURS

Chart 1 shows that the households of the first two income quintiles borrowed in both years; level of indebtedness for a fifth of the income-poorest households in the period of the crisis (in 2012) was just over 50%. This means that this group of households covered only half of their consumption with their disposable income, and for the remaining half they had to borrow. After the crisis (in 2015), the same group of households borrowed only about 40%, which is 10 percentage points less. Minor differences between the years were also shown in the middle class (third quintile) and among 20% of the income-richest households

(fifth quintile); the latter saved about 30% in 2012 and about one third of their disposable income in 2015, which is 3 percentage points more.

The greatest inequality between household income groups in their consumption was, as expected, in the consumption of more luxurious goods, while social transfers in kind contributed to greater equality

The actual final consumption of households includes, in addition to final consumption expenditure (expenditure on food, clothing, footwear, housing, health, insurance, leisure-related services, etc.), also social transfers in kind, which are mostly intended for health (e.g. orthopedic appliances) and education. The distribution of individual expenditures and social transfers in kind by household quintile groups in relation to the average gave a similar picture for both 2012 and 2015. Chart 2, for 2015, shows the distribution of each consumption category between household groups, and thus their contribution to the distribution curve for the actual final consumption of households.

Chart 2: Relative position of each income quintile compared to the average, by consumption categories, Slovenia, 2015
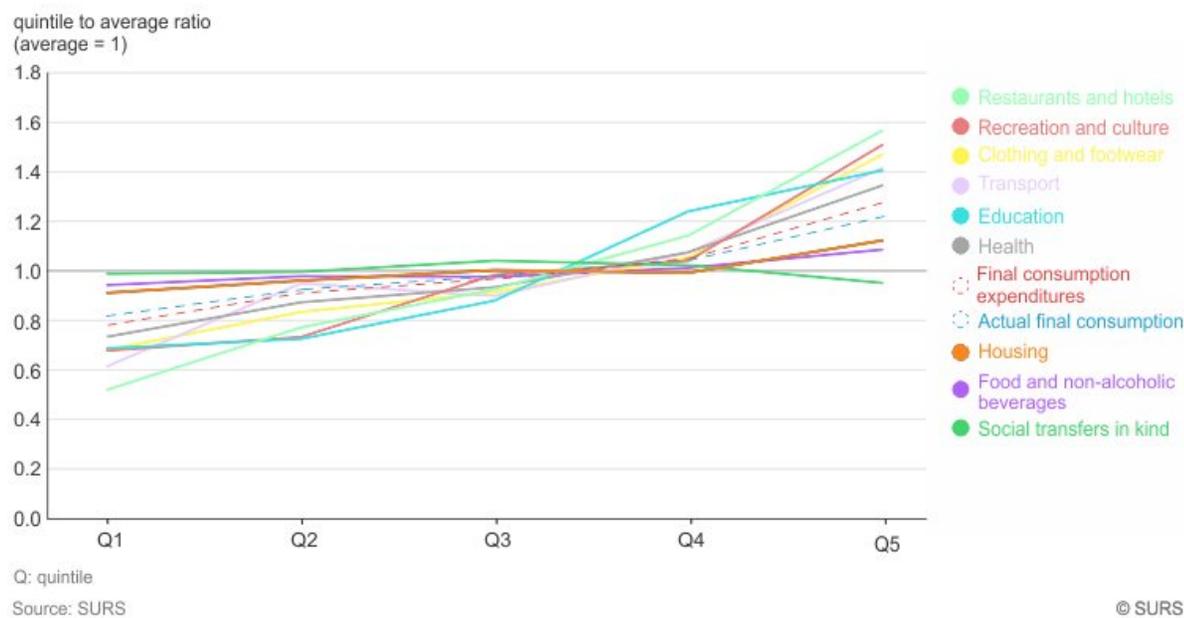
For expenditure on restaurants and hotels, the difference between household income quintiles in terms of the average (which is at the value of 1) is the highest. While households in the fifth quintile could afford this expenditure by 56% above the average for all households, spending for the income poorest fifth was by 48% below the average. Expenditure on essential goods, such as food and beverages, and housing costs, was fairly evenly distributed among household groups, especially in the middle three income quintiles. Social transfers in kind were the only consumer category that declined for the highest income quintile, which led to a reduction of inequality in actual final consumption between income groups of households.

Approximately 60% of all households had the value of dwellings property that was lower than the average in 2015. As expected, income-richest households were richest also in their dwellings property.

Dwellings property is one of the dimensions that contribute to the economic well-being of households. In our case, mortgage loans that reduce the value of dwellings property were not taken into account because these data are not available. However, Chart 3 can roughly display the distribution; in 2012, the income-richest fifth of households had dwellings property that exceeded the average value by 73% in 2012 and by only 58% in 2015. Taking into account mortgage loans, the distribution for both years would be somewhat more even - the highest income quintiles (fourth and fifth) would show a somewhat smaller deviation from the average. Namely, these income quintiles were largely represented in the total number of households which were owner occupied with mortgages, as with their income mortgage loans were easier to afford.

Chart 3: Relative position of each income quintile compared to the average for dwellings property, Slovenia, 2012 and 2015

quintile to average ratio
(average = 1)

Q: quintile
Source: SURS

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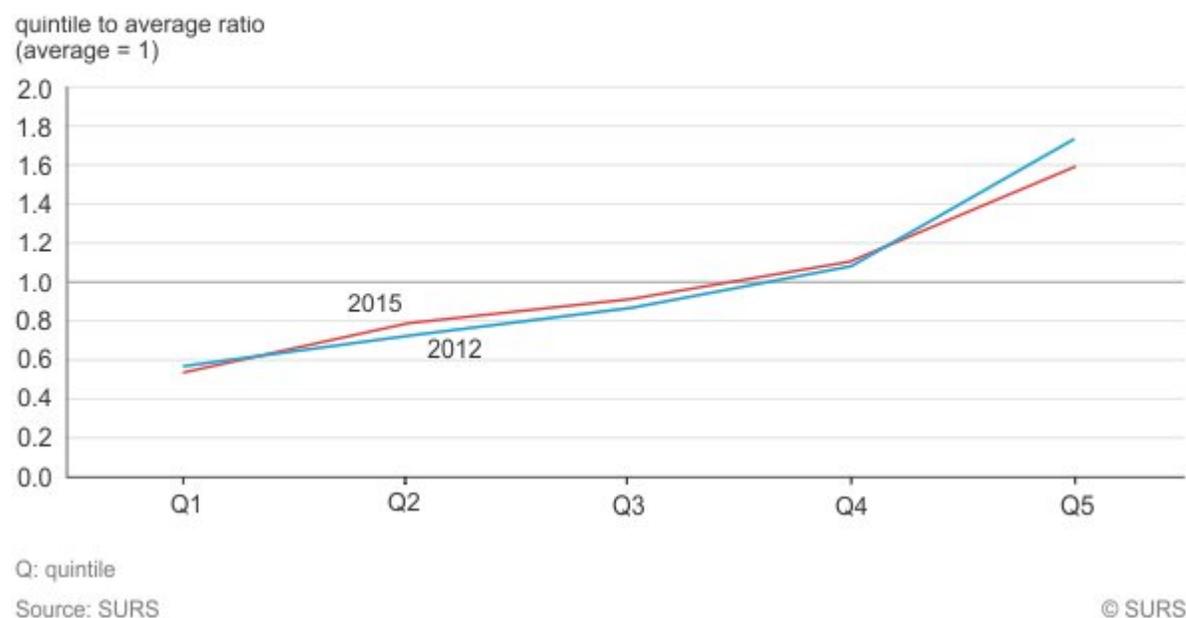
Households whose main source of income was social transfers were in a better position as regards dwellings property than income in comparison to other two groups of households whose main source of income was wages and salaries and income from self-employment

Measuring inequalities between different groups of households with regard to their main source of income showed differences when we observed the distribution of their income on one hand or dwellings property on the other. Households whose main source of income was property income (dividends, interest, rents from land, etc.) received the highest adjusted disposable income, which was 2.7 times the average for all households. The lowest adjusted disposable income was received by households whose main source of income was social transfers (mostly pensioners); they only had 80% of the average adjusted disposable income. There was a different picture as regards dwellings property; households whose main source of income was social transfers had a dwellings property that was 30% above the average for all households, by which they ranked second behind the households whose main source of income was property income.

[1] When determining the quintile class in which an individual household is classified, we derive from the formula for calculating disposable income used in national accounts which is in line with the ESA 2010.

Methodological note

The results are based on the guidelines and recommendations of the OECD and Eurostat. The methodology is still in the final development phase, so the published results are of experimental nature. A more detailed paper with analyses is attached.

Attachments

✎ Measuring economic and social inequality of households in national accounts, 649kB

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