

Household economic conditions

The most important source of information on household expenditure for goods and services is the renewed Household Budget Survey. The wide range of details relating to the various items of expenditure, together with the information gathered on single household members, allows for the survey to provide also an exhaustive overview of changes in level and composition of consumption expenditure according to changes in social and economic household conditions. Furthermore, the survey plays an important role in calculating quarterly and annual aggregates for National Accounts, in defining the weighting system for consumer price indices and for official relative and absolute poverty estimates.

This section presents data since 1973, when survey methods and expenditure classification were deeply reviewed with the aim of harmonising them with National Accounts¹ schemes.

Over the years, the survey has undergone several changes, the last but one of which is the one that caused the interruption of the time series in 1997, when all the phases of the statistical production process were reviewed in order to ensure higher quality in the disseminated information, to obtain representative estimates at the regional level and to harmonise definitions and methodology with the most recent Eurostat (European Union statistical office) directives.

In 2014 the renewed Household Budget Survey was the result of a long testing phase of techniques and methods to improve data quality. Substantial changes were introduced at all stages of the process, in order to better capture the spending behaviour of each household and provide quality estimates at the micro and macro level. The reference periods of the expenditure were therefore extended and the latest European classification of goods and services object of consumption (Classification of Individual Consumption by Purpose) was adopted, increasing from 264 to 473 the number of items of expenditure. The new classification implies that the current expenditure items differ, even for composition, from those published until 2013. The innovations introduced (synthesised in the widespread methodological note accompanying the statistical reports, see <http://www.istat.it/en/archive/164332>, have made it necessary to rebuild the time series of the main expenditure aggregates, since 1997, available on <http://dati.istat.it/?lang=en>. Time series comparisons can therefore be performed only with data reconstructed in time series and not with previously disseminated data.

Household consumption

The Household Budget Survey, was first conducted in 1968², through two distinct surveys: the first, on non-food goods and services expenditures, on a quarterly sample of 27,000 households (reduced by a half in 1972); the second, on food expenditures, on a sub-sample of the first survey households (of approximately 6,500 households).

In 1973 the two surveys were integrated into a single one and sampled households were asked about expenditures on food and non-food goods and services. Moreover, a new sample design was adopted with a sample of approximately 3,000 households per month, for a total of 36,000 per year. The design, substantially still in use, is based on a two-stage sample (with stratification of the first stage units represented by 673 municipalities), defined on a quarterly basis and applied to the four quarters of the year.

The survey questionnaires have also changed significantly over time.

¹ For the differences between the survey estimates and those disseminated by the National Accounts on final household consumptions, please refer to ISTAT publication *Le nuove stime dei consumi finali delle famiglie (New final household consumption estimates)*, 2000 - Metodi e norme, n. 7.

² Before this date, surveys on consumptions were sporadic and partial, as that on "non-farming" households.

In the expenditures diary, which did not include pre-printed items until 1973, the most frequent items were gradually pre-codified in order to help households in filling the diary.

To improve the estimation of a phenomenon which was becoming progressively less important due to the fall in the numbers of family-run farms and farming households, in 1986 a second diary was adopted to survey values and consumed quantities of self-consumption goods.

Later, the reference periods for expenditures afforded less than once every month were also modified.

In 1997, the survey was redesigned, as a result of an in-depth revision of the sample design, the data processing procedures and the questionnaires. Some of the main changes included those referring to the recording period of current expenditures and self-consumption, reduced from ten to seven days, and to the reference periods modified according to the household expenditure frequencies, varying from a monthly basis for clothing, housing and education expenditures, to a quarterly basis for extraordinary expenditures and to an annual basis for insurance expenditures.

Since 2014, the renewed Household Budget Survey while maintaining, as previously, a two-stage sample design with stratification of the first-stage units, included between the stratification variables the municipal type .

The survey collects data on all expenses incurred by households to buy goods and services for the direct satisfaction of their needs³. Every monetary output that the household supports for purposes other than consumption is excluded from the survey (for example, buying a house or land, payment of taxes, costs associated with the profession). The survey refers to the total amount of the expenditure at the time of purchase of goods or services, regardless of the time of actual consumption or use and of the method of payment (instalment buying by credit card).

In order to compare the expenditure levels of households with different characteristics and consumer behaviour and, in particular, for poverty estimates, some expenses such as those relating to the consumption of goods coming from the garden or from their farm (self-consumption) are also counted, as also the figurative expenditure related to the imputed rent of owner-occupied housing or enjoyed free of charge, for which the value (at market prices) of the rent that the household could get for the house in which it lives is estimated. Households that own the dwelling in which they reside, in fact, have access to a service which should be taken into account, i.e. the dwelling itself.

The survey is conducted with two different techniques: a) direct interview conducted by the interviewer in CAPI mode (Computer Assisted Personal Interview); b) self-compilation of a paper diary for a period of fourteen days. The household receives a first visit by the interviewer that performs the initial interview. This first interview detects some information invariant in the short term, such as socio - demographic characteristics of the household members, main characteristics of the dwelling, possession of some durable goods and the journeys made in the last quarter .

On this occasion a paper diary is given to the household to help it record purchases made with high frequency, almost daily (as, for example, those for food, tobacco, newspapers). The household, if any conditions, should also fill in its own consumption in the section where the quantity of self-produced goods and consumption in the reference fourteen days are recorded. , Furthermore, the places of purchase for some purchased goods are detected.

Finally, the interviewer visits one last time the household to pick up the diary and make the final interview to detect all other expenses not captured by the diary, i.e. those expenses which, for their character of periodicity (such as rent), or exceptionality (such as the purchase of a TV) or of high cost (like a car) may miss at first glance .

They are recognised with several reference periods; changing from expenses related to the last month up to the last three months and twelve months, depending on the type of purchase made. In addition, a study on characteristics of travels made by the household members and for certain expense items also the place of purchase are detected.

The survey produces estimates used by the National Accounts and for the weighting of the consumer price index.

The time series in this section refer to the 1973-2014 period, but time series comparisons can be made only with the reconstructed data available at <http://dati.istat.it/?lang=en>.

³ A summary of the expenses considered are: the cost of food and beverages, residential property and household needs for furniture, clothing, footwear, health, transport and communication, recreation, education, culture and those goods and services with more occasional or exceptional character (expenditure on fees to professionals, financial service costs for moving expenses, vehicle rental fees, etc. However, expenses incurred for the professional activity, costs that constitute an increase of the household assets (for example, the purchase of housing or land), transfers and donations of money (made, for example, to family, friends, associations, public or private entities) and fees and taxes are excluded.

Warnings for time series comparisons

- For the years 1973-1978, it has been necessary to regroup some expenditures in order to make them directly comparable with current data: therefore, the totals for food and drink and for non-food expenditures no longer coincide with data disseminated in previous publications (Households consumption expenditure, Years 1973, 1974, 1975, 1976, 1977 and 1978. Supplement to the monthly statistical bulletin no. 3 in 1975, nn. 1 and 13 in 1976, no. 8 in 1977, no. 15 in 1978 and no. 7 in 1979). In particular, "Other goods and services" expenditure includes household expenditures on "Hotels, guest-houses, trips and travels" and "Meals and snacks away from home". Since 1979, this last expenditure has been included among nonfood expenditures.
- For the years 1973-1979, 1984 and 1986 the lack of micro-data files prevented data analysis from being conducted in accordance with currently adopted classification modalities. In particular, see tables by household size, where households with 4 or more components are differently grouped.
- For the years 1973-1996, household consumption survey data have undergone several changes, so comparisons across years should be made with caution, especially when changes are slight.
- In 1977, substantial changes were made to the 1973 sample design, regarding in particular the substitution rules of municipalities which refuse or are unable to participate.
- In 1979, the most important change was the adjustment of the nomenclature to the one used by the ESA, which involved changes in some expenditure categories composition. In particular, the new composition of "Other non-food expenditure" category includes: "Meals and snacks away from home", previously classified under food expenditures; "Hotels and public concerns", "Trips and travels", "Games and betting" and "Stationery articles" originally classified under "Recreation, culture and entertainment"; "Leather bags and articles" and "Jewels and jewelry" previously under "Clothing".
- In the 1984-1985 period, according to the 1981 census data on household structure of the population (as it was done in the previous decade with a lighter impact), an ex novo municipalities stratification was adopted and the number of sampled households was redefined, fixing the minimum number of interviews to 9 per month.
- Since 1992, the "Reference person", i.e. the holder of the registry form according to the current Population Register Regulations (Presidential Decree no. 223 May 30, 1989, Official Gazette no. 132 June 08, 1989; Minister of the Interior memorandum no. 4 February 10, 1996, no. 11 July 23, 1996, no. 2 January 15, 1997, no. 3 January 20, 1997; Minister of Education memorandum no. 214 March 24, 1997, no. 124 March 09, 1998, no. 161 March 31, 1998), has replaced the "head of the household". Data classified by professional condition refer to the reference person professional condition (employee, self-employed or non-professional condition).
- Due to the survey review carried out in 1997, the time series has been interrupted and it cannot be rebuilt.
- In 2014 the new Household Budget Survey introduced a new classification including new and more detailed items of expenditure; current expenditure categories differ, even for composition, from those published until 2013. The innovations introduced at all stages of the process (synthesised in the widespread methodological note accompanying the statistical reports, see <http://www.istat.it/en/archive/164332>, have made it necessary to rebuild the time series of the main expenditure aggregates, since 1997, available on <http://dati.istat.it/?lang=en>. Time series comparisons can therefore be performed only with data reconstructed in time series and not with previously disseminated data.

Poverty

Official poverty estimates are disseminated by ISTAT on the basis of the Household Budget Survey. Poverty is measured at the household level, assuming that household members resources are equally distributed within the household and that all members share the same standard of life.

A household is defined as relatively poor if its monthly consumption expenditure (both for food and drink and for non-food goods and services) is lower than or equal to the threshold value, known as the “relative poverty line”(International Standard of Poverty Line), calculated on the basis of the distribution of consumption expenditure among households residing in Italy. A two-member household is defined poor if its consumption expenditure is lower than or equal to the average per-capita consumption expenditure. In other words, a two-member household is considered poor if its expenditure level is lower than or equal to the average level for a single person.

The consumption expenditure for households of different size is made equivalent to that of a two-member household using specific coefficients (Carbonaro’s scale of equivalence) which take into account different needs and scale economies that occur as the number of household members increases. In fact, the economic resources to achieve a given level of wellbeing are not directly proportional to the household size. Dividing household consumption expenditure by the coefficient referred to the household size, the equivalent consumption expenditure is obtained which can be directly compared to that of a two-member household.

The following scale of equivalence is applied:

Household size	Scale of equivalence (coefficients)
1	0,60
2	1,00
3	1,33
4	1,63
5	1,90
6	2,16
7 or more	2,40

Since the poverty threshold value, during the years, depends on the changes in the distribution of household consumption expenditure, the estimate of relative poverty may rise even during periods of growth or greater wellbeing. In fact, if economic development produces a rise in consumption expenditure for all households, but this increase is stronger among households with the highest expenditure levels, inequality rises as far as the poverty line value. This produces an increase in the number of poor households, even though the households with the lowest levels of consumptions expenditure have really improved their standards of living. Vice versa, stability or decrease in relative poverty estimate can also occur in periods of recession/economic stagnation. Briefly, relative poverty indices are influenced by rises and decreases in social differences, also influenced by the economic cycle, which may not coincide with a real worsening or improvement in population’s standards of living. The poverty line, as a threshold to group population into poor and non-poor, represents a convention which can significantly affect the level and characteristics of the household defined as poor. The analysis is therefore combined with the results obtained by using two additional lines, equal to 80% and 120% of the standard line. To disseminate estimates, most often used indicators are the relative poverty incidence and intensity presented in this section from 1980 onwards.