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**Household sector and unincorporated enterprises****The Household sector in Italy: an analysis for producer and consumer units****Note by the Italian Institute of Statistics<sup>1</sup>***Summary*

In Italy, separate accounts are compiled for producer and consumer households, given the sizeable contribution of small enterprises to the economy. This paper begins by giving an overview of the methodologies developed to compile a complete set of non-financial institutional accounts for the two subsectors. This is followed by the presentation of the main outcomes for generation and distribution of income, saving and capital formation (2000-2010) for households as producers and as consumers. Subsequently, international comparison of selected macro-economic indicators (2000-2010) is provided. Following the endowment of non-financial assets for producer and consumer households, the regional distribution of household disposable income is discussed.

<sup>1</sup> The views expressed in this paper are those of the authors and do not necessarily reflect the views of the Italian National Institute of Statistics. The paragraphs were authored as follows: paragraphs 1, 2, 3 and 6.2 were written by F. Chiucchiolo, paragraph 4 by A.M.M. Carucci, paragraphs 6.1, 6.3 and 7 by M. Ascione, paragraph 8 by P. Santoro and paragraph 5, 9 and Annex by L.Ciaccia.

## I. Introduction

1. The Households sector covers individuals or group of individuals whose principal function is consumption. It also includes own-account workers or entrepreneurs and unincorporated partnerships producing goods and services, when their activities cannot be separated from those of their owners (in particular, they do not keep a separate set of accounts). It may include a higher (e.g. Italy) or lower proportion of unincorporated enterprises depending on the structure of the economy. This generates quite relevant differences in the generation of primary incomes in the different countries and may impact on saving and investment rates of Households (HH).

2. The productive structure of Italy is characterized by a huge number of small enterprises, many of which come out to be individual entrepreneurs or unincorporated partnerships employing a small number of workers, and which are classified in the Households sector. Labour input of such institutional units accounts, on average, for 25% of the total and their gross mixed income represents more than 30% of total gross operating surplus+ mixed income.

3. In Italian National Accounts (NA), separate accounts are compiled for Producer and Consumer Households (PH and CH), both on an annual and a quarterly basis and both at national and regional (NUTS2) levels in order to better represent and analyse the behaviour of economic agents and in particular to better interpret the saving rate pattern. Separate accounts are compiled for Producer and Consumer Households (PH and CH), both on annual and quarterly basis and both at national and regional (NUTS2) level.

4. In the first part, after having introduced the criteria used to classify institutional units into sectors and having displayed their structure and their composition by economic activity through the analysis of labour input, the paper provides an overlook of the methodologies developed to compile a complete set of non-financial institutional accounts for the two subsectors. In particular the assumptions that underlie the estimate of the share of mixed income which is deemed to be transferred from the productive activity to satisfy consumption needs are displayed.

5. In the second section the main outcomes for generation and distribution of income, saving and capital formation for HH as producers and HH as consumers, both annual and quarterly, are displayed for the period 2000-2010.

6. The third section provides some international comparisons of the most meaningful patterns of some key macroeconomic indicators along the period 2000-2010 for the EA, EU and for some selected European countries.

7. An overview on the endowment of non-financial assets for Producer and Consumer Households is provided in paragraph 8. A last section focuses on the regional distribution of HH disposable income.

## II. Why decomposing the Households sector: an analysis of the dimension and typology of Italian enterprises

8. In 2009, the operative market enterprises in Industry, Services and Construction<sup>2</sup> are about 4.5 million, of which 95% employ less than 10 workers, most of them (around 64% of total enterprises), are family-run and come to have a simple organizational structure. In particular, 89% are micro enterprises (size class 1-5) and produce around 19% of the total turnover.

9. About 46% of the labour force is employed in very small enterprises (size class 1-9), 21.2% work in small enterprises (size class 10-49) and 12.5% in medium-sized enterprises (size class 50-249); while only 0.1% (3700 enterprises) employ more than 249 employees, accounting for more than 20% of the total labour force and producing 31% of the total turnover, showing therefore a higher productivity compared to the units of other size classes (Table 2.1).

10. Another interesting feature to analyse to understand better the Italian productive structure is the organizational forms which characterize our enterprises: in fact the enterprise dimension underlies different organizational forms, with different ownership structures, ranging from sole proprietorships and unincorporated enterprises, usually small/medium units, to corporations; each legal status entails a different organizational complexity, different legal/tax regimes and different degrees of autonomy of the enterprise from the owner.

11. Table 2.1 proves that the Italian production system is characterized by a relevant presence of individual entrepreneurs (38.8%) and self-employed and own account workers (25.5%), which altogether produce only 9% of total turnover, whereas 17,6% of enterprises is organized as partnerships and the 16.6% as corporations (15.8% of them are Limited liability companies). The presence of corporations is higher in size class 10 and more and they do generate 77% of the total turnover. Even so, the number of Limited liability companies in very small size class is considerable: in the 1-9 size class, they employ 19.4% of labour force and contribute to the generation of 39% of turnover. On the contrary sole proprietorships and partnerships are very small enterprises. Sole proprietorships prevail in the 1-5 size class: they employ 60.1% of the labour force and produce 36.2% of the turnover of this size class. Instead, we find partnership mostly in the 6-9 size class accounting for 35.3% of the labour force and 24,8% of the turnover of this class.

12. The services sector prevails over other sector in term of number of enterprises in all typology of enterprises. In particular, the sole proprietorship and corporations are mainly concentrated in the other services, (43% and 35.3% respectively), while partnerships account for 43.4% in wholesale, transportation, accommodation and food service. Sole proprietorship operate also in the construction sector (14.2%) and in manufacturing (7.1%) (Chart 2.1).

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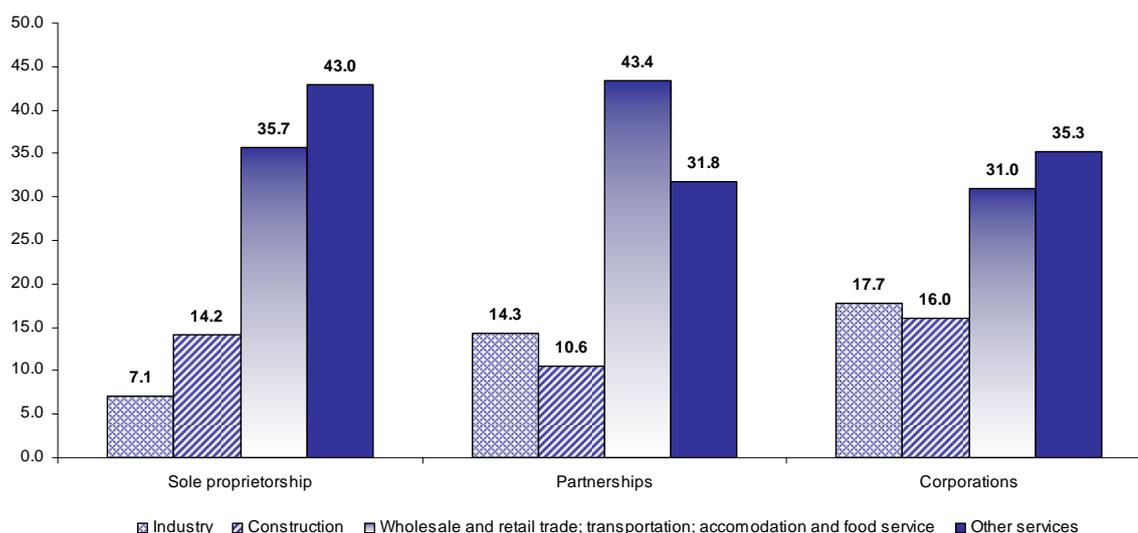
<sup>2</sup> The analysis is based on Italian Statistical Business Register data (ASIA): it covers all active enterprises (without any size limit), obtained from a process of integration of administrative files, where statistical methodologies have been developed to estimate and impute characteristics and is updated yearly. It is used as a frame of reference for economic surveys and as population for Business demography analysis. It does not cover agricultural activities.

**Table 2.1**

Composition of enterprises by legal status and size class: number, persons employed and turnover, year 2009

		Total enterprises											
		Sole proprietorship <sup>a</sup>				Partnerships <sup>d</sup>				Corporations <sup>g</sup>			Co-operative societies <sup>j</sup>
		of which		of which		of which		of which					
		Individual entrepreneur <sup>b</sup>	Self-employed and own account worker <sup>c</sup>	General partnerships <sup>e</sup>	Other partnerships <sup>f</sup>	Joint-stock companies <sup>h</sup>	Limited liability companies <sup>i</sup>						
1-5	Enterprises	88.9	70.3	41.8	28.5	16.3	8.5	7.8	12.4	0.3	12.1	0.6	
	Persons employed	36.3	60.1	39.8	20.3	23.8	13.5	10.3	14.8	0.3	14.5	0.9	
	Self-employed	85.2	64.2	40.2	24.0	23.8	13.9	9.9	11.0	0.3	10.8	0.6	
	Turnover	18.9	36.2	25.2	11.0	19.1	10.5	8.6	39.6	4.3	35.3	1.4	
6-9	Enterprises	5.7	23.5	21.4	2.0	35.6	22.5	13.1	37.3	0.9	36.4	3.1	
	Persons employed	9.8	22.8	20.8	2.0	35.3	22.4	12.9	38.3	1.0	37.3	3.1	
	Self-employed	8.0	21.4	20.2	1.2	48.3	32.4	16.0	25.8	0.6	25.1	4.2	
	Turnover	7.1	14.5	13.2	1.3	24.8	15.5	9.3	56.7	6.7	50.1	1.8	
10-49	Enterprises	4.8	9.0	8.4	0.6	21.5	13.8	7.7	62.9	6.1	56.8	5.9	
	Persons employed	21.2	6.8	6.5	0.4	17.6	11.2	6.4	67.6	9.1	58.5	7.0	
	Self-employed	6.2	8.9	8.5	0.4	32.0	21.9	10.1	49.5	4.8	44.7	9.1	
	Turnover	22.8	3.0	2.8	0.2	10.2	6.3	3.9	81.5	25.2	56.4	2.8	
50-249	Enterprises	0.5	0.5	0.5	0.0	2.5	1.2	1.3	80.7	40.3	40.4	14.8	
	Persons employed	12.5	0.4	0.4	0.0	2.0	0.9	1.1	80.7	43.9	36.8	15.4	
	Self-employed	0.5	0.5	0.5	0.0	4.4	2.3	2.1	63.6	31.7	31.9	30.3	
	Turnover	19.8	0.1	0.1	0.0	1.2	0.5	0.7	91.6	64.2	27.4	4.9	
250 and more	Enterprises	0.1	0.1	0.1	0.0	0.3	0.1	0.2	84.6	63.1	21.4	13.2	
	Persons employed	20.3	0.0	0.0	0.0	0.1	0.0	0.1	86.9	72.0	15.0	10.8	
	Self-employed	0.1	0.0	0.0	0.0	0.3	0.1	0.2	70.1	52.3	17.8	28.0	
	Turnover	31.4	0.0	0.0	0.0	0.0	0.0	0.0	93.1	80.7	12.4	4.8	
Total	Enterprises	100	64.3	38.8	25.5	17.6	9.6	8.1	16.6	0.8	15.8	1.1	
	Persons employed	100	25.5	17.9	7.6	16.1	9.6	6.5	51.1	22.2	28.9	6.2	
	Self-employed	100	57.0	36.4	20.6	26.2	15.8	10.4	14.9	0.8	14.1	1.6	
	Turnover	100	8.6	6.4	2.2	7.9	4.6	3.3	77.5	45.1	32.4	3.5	

Source: ASIA 2009

<sup>a</sup> Impresa individuale; <sup>b</sup> Imprenditore individuale; <sup>c</sup> Libero professionista e lavoratore autonomo;<sup>d</sup> Società di persone; <sup>e</sup> Società in nome collettivo; <sup>f</sup> Altre società di persone; <sup>g</sup> Società di capitale;<sup>h</sup> Società per azioni; <sup>i</sup> Società a responsabilità limitata; <sup>j</sup> Cooperative.**Chart 2.1: Distribution of enterprises by legal status and economic activity, year 2009<sup>a</sup>**

Source: ASIA 2009

<sup>a</sup> Chart 2.1 displays information on the most representative legal status of enterprises. Less than 2% of enterprises are left out from the analysis.

## A. Classification of institutional units into sectors

13. The Business Register data show that about 82% of Italian enterprises in 2009 are sole proprietorships or other unincorporated businesses; they account for nearly 41% of total employment and 16% of total turnover, thus representing a very significant share of economic activity (see Table 2.1). Most of them (about 48% of the total Italian enterprises) are micro firms, with 5 employees or less: they account for 84% on total unincorporated enterprises in terms of employment and for about 55% in terms of turnover. Their weight with respect to total enterprises is about 19% in terms of employment and 5% in terms of turnover.

14. According to international recording standards as set out in ESA95, unincorporated businesses may be classified either in Non-financial corporations, as Quasi-corporations, or in Households.

15. Quasi-corporations are defined as organizations not having independent legal status, that keep a full set of accounts, and whose economic and financial behaviour is different from that of their owners. This is a rather general description and it entails the definition of operative criteria, suitable to correctly represent national specificities. In Italy the unincorporated units classified as non-financial quasi-corporations are all unlimited partnerships<sup>3</sup> regardless of their size, together with simpler partnerships<sup>4</sup> and sole proprietorships, provided they have more than five employees. Such enterprises are assumed to be separate entities with respect to their owners; as a consequence, their financial assets and liabilities and their real assets are assets/liabilities of the corporate sector. Their total net worth should be included in the financial instrument representing items associated with property rights on corporations and quasi-corporations.

16. The operational definition chosen to select the productive units to be classified as producer households, letting the remaining units in the corporation sector, implies the existence of self-employed workers in S.11, which derogates from ESA95 definitions. This choice rests with the economic features of Italian productive system, where most proprietors of small and medium enterprises do personally work in their firm, regardless its legal status.

17. The criteria which the classification has been based on, aims at identifying those productive units that actually are autonomous entities and whose operational choices do not rebound on their owners' financial/patrimonial sphere, even if the owners intervene in their management. To better comply with ESA95, two alternatives would exist: including all unincorporated businesses and the corresponding self-employed in households, which would have not only included a number of enterprises with a perfect patrimonial autonomy, but also generated a oversized households sector. A second option would have been reclassifying all self-employed of unincorporated businesses as employees, which, on the other hand, would have prejudiced a correct representation of income flows generated in the enterprise and distributed to households.

18. The other unincorporated enterprises not classified as Quasi corporations in S.11, i.e. simple partnerships and sole proprietorships with up to five employees, are classified in the households sector, as producer households. For them, no separation is assumed to exist between the firm and its owner(s). All the assets and liabilities of such firms are recorded as

<sup>3</sup> In Italy they are "società in nome collettivo" and "società in accomandita semplice".

<sup>4</sup> In Italy they are "società semplici" and "società di fatto"

assets/liabilities of households. On the other hand, the real assets of these firms, such as buildings or machinery, are considered as part of households' real wealth.

19. The remarkable weight of small unincorporated enterprises classified as households calls for an attentive analysis of the sector. This is the reason why Italian National Accountants decided to try to distinguish the production sphere from consumption features, by decomposing households into two sub-sectors and compiling a complete set of accounts for each of them: Producer Households and Consumer Households. Of course, from an operational point of view, this entails a number of assumptions, which may somehow contrast with ESA95 assertion: In the case of unincorporated enterprises in the households sector, the balancing item of the generation of income account implicitly contains an element corresponding to remuneration for work carried out by the owner or members of his family which cannot be distinguished from his profits as entrepreneur. This is referred to as mixed income<sup>5</sup>.

20. The distinction between Producer and Consumer Households does not only allow to better interpret the productive and distributive flows of the two sub-sectors, but it also supplies a tool to better represent the economic behavior of the whole productive system, made up not only of Corporations (S.11 and S.12), but also of small market producers which are indeed a most relevant but at the same time a most fragile share of our economic system - since they prove to be more exposed to the economic cycle – and which most part of hidden economy is concentrated.

21. The compilation of two separate sets of accounts for the two sub-sectors is based on the assumption that the assets of enterprises classified as Producer Households only include financial and non-financial assets and liabilities which are functional to production activities. Producer Households Mixed Income includes actual rents on dwellings and other buildings owned by HH. Therefore dwellings and other buildings let out by households are included among assets of the Producer Households.

22. The accumulation of saving is a typical function of households as consumer units. All distributive and re-distributive flows of Producer Households are estimated according to this hypothesis. Table 2.2 shows the flows included in producer households main aggregates.

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<sup>5</sup> SEC95 (paragraph 8.19)

**Table 2.2**  
 Producer Households main flows

<i>Main aggregates</i>	Contents
Mixed income	Income generated by unincorporated enterprises Actual rents
Property income receivable	
Interest	Interest on deposits of producer units (FISIM estimation) Interest on bonds
Other property income	Rents on land received Property income attributed to insurance policy holders
Property income payable	
Interest	Interest on loans of producer units (FISIM estimation)
Other property payable	
CH Mixed income of PH transferred to	Mixed income minus property income paid minus current taxes minus consumption of fixed capital
Social contributions receivable	Social contributions related to employees of unincorporated enterprises
Social benefits payable	Social benefits paid to employees of unincorporated enterprises
Current taxes	Taxes on interest flows
Other current transfers receivable	Non-life insurance claims current transfers received from Government
Other current transfers payable	Non-life insurance premiums current transfers paid to Government
Capital transfers receivable	Investments grants
Capital transfers payable	None
Gross Fixed capital formation	Unincorporated enterprises capital formations: machinery and equipment, transport equipment, non-residential buildings Residential and non-residential buildings bought by households to be let.
Consumption of fixed capital	Related to capital formation

### III. Employment by institutional sector and economic activity

23. In the framework of NA, the amount of labour input has to reflect the real volume of labour engaged in the production activity. In the Italian NA such coherence is implicitly assured because 70% of total value added is obtained by using labour input by industry as a coefficient to gross up information derived from business surveys to target population and to guarantee the exhaustiveness of GDP. The Italian approach is based on the hypothesis that non observed productive activities (both due to statistical reasons and to voluntary underreporting) may be correctly measured through an exhaustive estimate of the volume of labour that contributes to the production of income.

24. The measure of labour input used in the Italian NA is the full-time equivalent unit (FTEU), which coincides with the number of full-time equivalent jobs<sup>6</sup>.

25. Labour input by institutional sector is not only relevant to analyse the labour market, but, in Italian practice, it is also a key tool to estimate production, value added and all main aggregates up to gross operating surplus for the unincorporated enterprises classified in HH sector and for Non-financial corporations. In compiling sector accounts, in fact, a same procedure is improved as for the other relevant domains of NA: for each transaction average per capita values are estimated from the surveys and then are applied to the relevant FTEUs (by institutional sector/sub sector, industry and size class), in order to gross up to target population.

26. Hence, for each institutional sector a labour input matrix is produced<sup>7</sup> on the basis of information on size, legal status and economic activities of the enterprises derived from the Business Register (ASIA).

27. Table 3.1 displays the structure of the labour input matrix by size class, legal status for each institutional sector. As it may easily be noticed, about 66% of the self-employed are concentrated in producer households while 22.6% accrue to micro- corporations (15.2% in partnerships and 6.5% in limited liability companies and 0.9% in other corporations). On the other hand, around 65% of total employees accrue to non-financial corporations, mainly in size class 10 and more persons employed (50.8%), while only 8.1% accrue to producer households.

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<sup>6</sup> FTEUs are obtained by adding to the main jobs, part-time and multiple jobs transformed into full-time units by means of coefficients (defined as the ratio of total hours worked divided by the average annual number of hours worked in full-time jobs) that differ by industry and group of jobs.

<sup>7</sup> The matrix of labour input by institutional sector/subsector is estimate by Nace Rev.2 5 digit, 8 size classes, separately for registered and non-registered jobs, and for employees and self-employed workers

Table 3.1  
**Composition of employment by institutional sector: employees and self-employed by size classes and legal status, year 2008**

Institutional sector/subsector	Legal status	Size class	Employees	Self - employed
<b>Consumer Households</b>			4.8	2.5
<b>Producer Households</b>			8.1	66.1
	Sole proprietorships <sup>a</sup>	1-5	7.0	65.1
		6-9	1.1	1.0
<b>Non-financial corporations</b>			64.8	31.3
		1-5	6.4	22.6
		6-9	7.6	4.4
		10 and more	50.8	4.3
<b>Quasi-corporations</b>	Partnerships <sup>b</sup>	1-5	2.8	15.2
		6-9	3.7	2.8
		10 and more	6.1	1.9
<b>Corporations</b>	Limited liability companies	1-5	2.9	6.5
		6-9	3.3	1.3
		10 and more	18.1	1.8
	Joint-stock companies	1-5	0.1	0.1
		6-9	0.1	0.0
		10 and more	19.7	0.2
Other societies <sup>c</sup>	1-5	0.6	0.8	
	6-9	0.5	0.3	
	10 and more	6.9	0.4	
<b>Financial corporations</b>			2.7	0.0
<b>Non profit institutions serving Households</b>			0.8	0
<b>General Government</b>			18.8	0
<b>Total economy</b>			100	100

<sup>a</sup> Sole proprietorships include simpler partnerships;

<sup>b</sup> Partnerships include sole proprietorships and simpler partnerships with more than 5 employees;

<sup>c</sup> Other societies include co-operatives, consortiums, market NPIs market.

28. Chart 3.1 below shows the distribution of total employment by industry for producer households, non-financial corporations and non-financial quasi corporations. Labour input is concentrated in services both in non-financial corporations and in producer households, but in the latter sector their weight is significantly higher. In particular, households look to be concentrated in “Wholesale and retail trade; transportation; accommodation and food service activities” (33.5%) and in “Professional, scientific and technical activities” (19.4%). The weight of producer households also prevails in construction and in agriculture, forestry and fishing. These results reflect the distribution of producer households self-employed by industry (Chart 3.2).

29. Non-financial corporation employment is concentrated in manufacture where the weight of quasi-corporation is higher than the one of corporations because of the presence of self-employed in the sub-sector, mainly in the construction activity.

Chart 3.1

**Distribution of total employment by industry for Producer Households, Non-financial corporations and Non-financial quasi-corporations, year 2008**

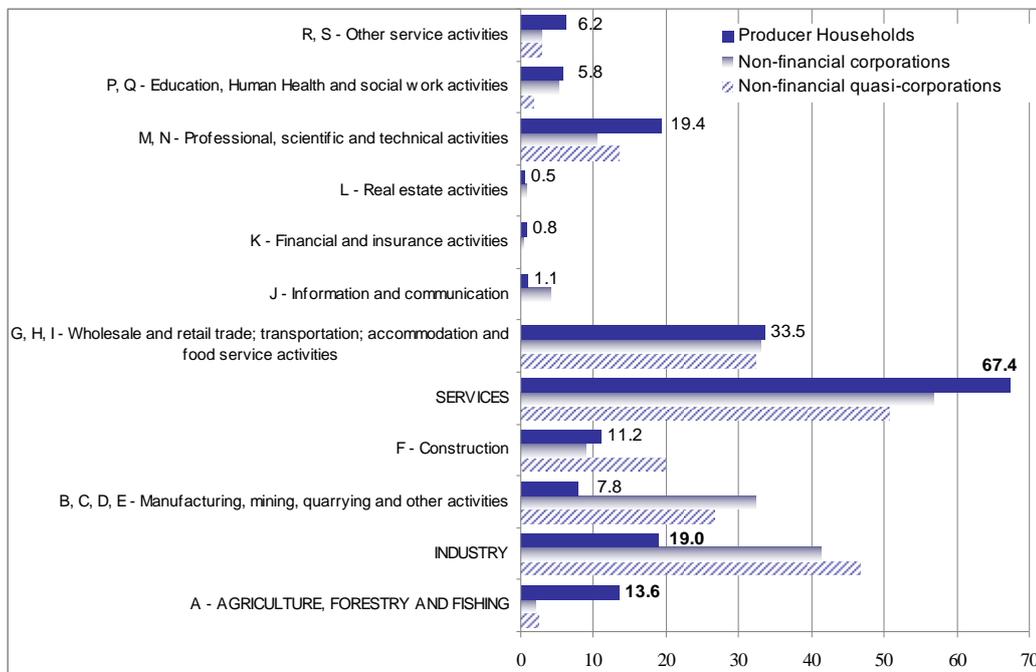
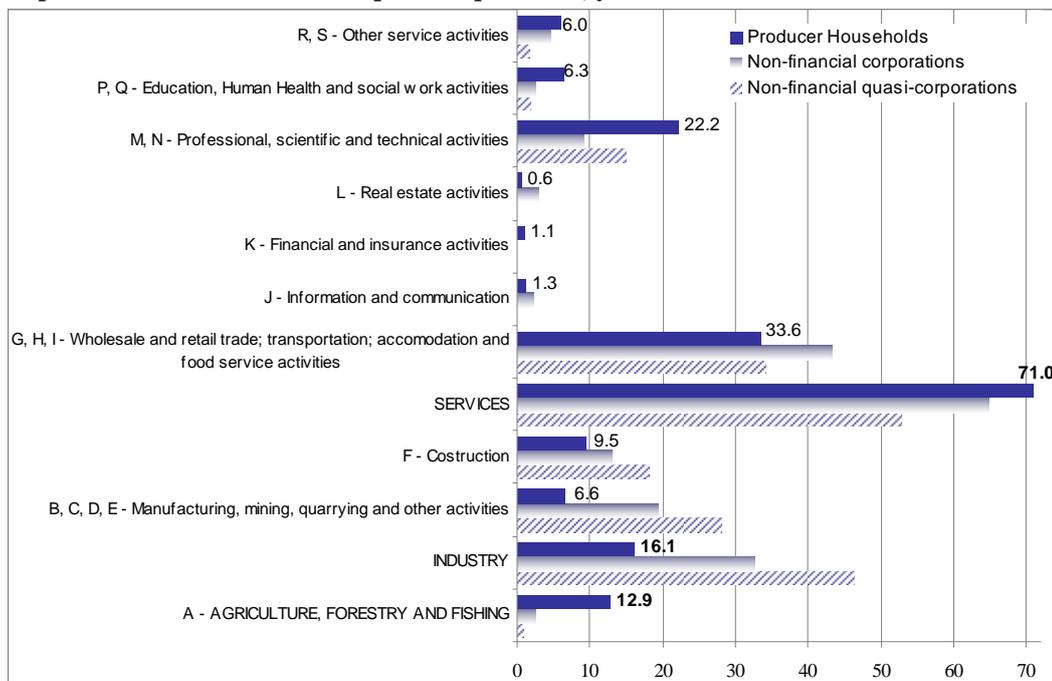


Chart 3.2

**Distribution of self-employed by industry for producer households, Non-financial corporations and Non-financial quasi-corporations, year 2008**



#### IV. The generation of gross operating surplus/mixed income and its distribution to households

30. All flows that define the gross operating surplus/mixed income by institutional sector are estimated by economic activity and legal status of the institutional units classified in different productive sectors. The estimation process allows to adequately represent the contribution that each flow identified in the sectors brings to the economic process and to ensure cross-consistency for sector and industries. On the other hand, this entails conducting a detailed analysis of remunerative flows of productive factors involved in economic process by different institutional units.

31. Table 4.1 shows the cross-section analysis of value added by industry in 2008. Households sector provides for about 33% of value added of the total market economy, while non-financial corporations account for approximately 61% and the remaining 6% is produced by the financial corporations. Table 4.1 provides clear evidence on how agriculture, real estate, education and other services are typical activities of the household sector, while the manufacturing and mining, information and communication activities are carried out almost exclusively by non-financial corporations.

Table 4.1

##### Value added by institutional sector and by industry - year 2008

Breakdown by industry (NACE Rev.2)	Households		Non-financial corporations			Financial corporations	Total economy	
	<i>of which</i>		<i>of which</i>					
	Consumer Households	Producer Households	Quasi corporations	Corporations				
A - Agriculture, forestry and fishing	77.9	6.0	72.0	22.1	7.1	15.0	0	100
B, C, D, E - Manufacturing, mining, quarrying and other activities	4.9	0	4.9	95.1	13.2	81.9	0	100
F - Construction	34.5	0.3	34.2	65.5	23.5	42.0	0	100
G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities	25.0	0	25.0	75.1	22.4	52.7	0	100
J - Information and communication	4.5	0	4.5	95.5	3.7	91.8	0	100
K - Financial and insurance activities	2.6	0	2.6	3.4	0.0	3.4	94.0	100
L - Real estate activities	83.8	63.5	20.3	16.2	6.3	9.9	0	100
M, N - Professional, scientific and technical activities	48.0	0	48.0	52.0	8.6	43.5	0	100
P, Q - Education, human health and social work activities	59.2	0	59.2	40.8	10.9	29.9	0	100
R, S - Other service activities	68.6	37.2	31.4	31.4	13.9	17.6	0	100
<b>Total economy</b>	<b>32.9</b>	<b>11.0</b>	<b>21.9</b>	<b>61.1</b>	<b>13.2</b>	<b>48.0</b>	<b>6.0</b>	

32. Economic flows of consumer households derive from the production of goods and non-financial services for exclusively own final use: the main share comes from imputed rentals for own occupied dwellings. The contribution of non-financial corporations to the formation of Value added mainly comes from Manufacturing and Information and

communication activities (around 95%): in terms of subsector of S.11 the most relevant contribution is given by corporations.

Table 4.2

**Gross operating surplus/ mixed income by institutional sector and industry - 2008**

Breakdown by industry (NACE Rev.2)	Households			Non-financial corporations			Financial corporations	Total economy
	<i>of which</i>		<i>of which</i>					
	Consumer Households	Producer Households	Quasi corporations	Corporations				
A - Agriculture, forestry and fishing	88.3	7.5	80.8	11.7	4.6	7.1	0	100
B, C, D, E - Manufacturing, mining, quarrying and other activities	9.1	0	9.1	90.9	16.2	74.7	0	100
F - Construction	50.9	0.5	50.4	49.2	23.3	25.8	0	100
G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities	38.9	0	38.9	61.1	25.4	35.7	0	100
J - Information and communication	6.6	0	6.6	93.4	3.4	89.9	0	100
K - Financial and insurance activities	5.9	0.0	5.9	0.1	0.0	0.1	94.1	100
L - Real estate activities	84.6	64.4	20.2	15.4	6.1	9.3	0	100
M, N - Professional, scientific and technical activities	70.3	0	70.3	29.7	8.1	21.6	0	100
P, Q - Education, human health and social work activities	74.0	0	74.0	26.0	11.1	14.9	0	100
R, S - Other service activities	61.5	0	61.5	38.5	20.0	18.6	0	100
<b>Total economy</b>	<b>49.6</b>	<b>16.9</b>	<b>32.8</b>	<b>45.8</b>	<b>13.4</b>	<b>32.4</b>	<b>4.5</b>	

33. The allocation of gross operating surplus/mixed income by institutional sector (Table 4.2) reflects the one of value added. Actually, almost 33% of total gross operating surplus/mixed income accrue to producer households: this reflects the importance in the sector of self-employed labour input, whose compensation is derived from this economic aggregate.

34. The choice of the disaggregation level to estimate the economic flows generated by institutional sectors allows an accurate analysis of the distribution of income flows that remunerate labour input, both employees and self-employed, and it also helps to describe interrelations between institutional sectors.

Table 4.3  
**Value added and Gross operating surplus/Mixed income by institutional sector and industry - 2008**

Breakdown by industry (NACE Rev.2)	Value added						Gross operating surplus/Mixed income					
	Households		Non financial corporations				Households		Non-financial corporations			
	<i>of which</i>		<i>of which</i>		<i>of which</i>		<i>of which</i>		<i>of which</i>		<i>of which</i>	
	Producer Households		Quasi corporations	Corporations		Limited liability companies		Producer Households	Quasi corporations	Corporations		Limited liability companies
A - Agriculture, forestry and fishing	5.7	7.9	0.9	1.3	0.8	0.6	5.9	8.2	0.9	1.1	0.7	0.5
B, C, D, E - Manufacturing, mining, quarrying and other activities	3.6	5.4	37.6	24.2	41.3	35.0	3.0	4.6	32.8	20.0	38.1	29.4
F - Construction	7.9	11.8	8.1	13.5	6.6	11.3	7.2	10.8	7.5	12.2	5.6	10.4
G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities	18.2	27.4	29.5	40.8	26.4	29.4	17.1	25.9	29.1	41.4	24.0	27.6
J - Information and communication	0.7	1.1	8.2	1.5	10.1	5.7	0.7	1.1	10.8	1.4	14.7	5.7
K - Financial and insurance activities	0.5	0.8	0.4	0	0.5	0	0.6	0.9	0	0	0	0
L - Real estate activities <i>of which actual rents for dwellings</i>	38.6	14.1	4.0	7.3	3.1	6.5	43.9	15.9	8.6	11.8	7.4	14.4
M, N - Professional, scientific and technical activities	13.9	20.9	8.1	6.2	8.6	8.3	14.4	21.8	6.6	6.1	6.8	8.4
P, Q - Education, human health and social work activities	3.9	5.9	1.5	1.8	1.4	1.8	4.1	6.2	1.6	2.3	1.3	1.9
R, S - Other service activities	6.9	4.8	1.7	3.5	1.2	1.5	3.1	4.7	2.1	3.7	1.4	1.7
<b>Total economy</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

35. To better describe the impact of each economic activity on the formation of economic aggregates it is necessary to move from cross-section analysis by industry to the description of institutional sector composition. For example, households contribute to the generation of about 84% of valued added of real estate activities in 2008 (Table 4.1): such activity accounts for about 39% to the formation of total Households' value added (and

about 44% to the formation of their Gross operating surplus/Mixed income (see Table 4.3). In other service activities, however, households account for 69% of the total value added (Table 4.1): these activities only represent 7% of the value added of the sector (Table 4.3).

36. In such a context, the breakdown into producer and consumer households turns out to provide quite interesting outcomes. Producer households are concentrated in construction, trade, transport, hotels and restaurants and personal service activities. A quite relevant issue concerns the treatment of actual rental services. As they correspond to a market production, even if no labour input is deemed to contribute to it, actual rents have been treated as accruing to producer households and have been included in mixed income, on which they account for about 6% in 2008. Such a treatment may be revised in the future, as SNA2008 explicitly suggests not to include residential rents, both actual and imputed in mixed income, but to consider them as a component of gross operating surplus of consumer households.

37. The analysis of market producers by legal status and industry is crucial to define economic flows produced by the sub-sectors of non-financial corporations, it is quasi corporations and corporations. It allows to describe the generation of income which used to remunerate self-employed labour input that has a different weight in each institutional unit.

38. Table 3.1 shows that in 2008, 66% of self-employed are concentrated in producer households, while about 31% in non-financial corporations: in particular, 20% of the self-employed works in quasi corporations, while 9,5% in limited liability companies. The presence of self-employed in non-financial corporations requires an in deep analysis of gross operating surplus and value added of the sector.

39. The value added of non-financial corporations is produced for about 22% by units classified as quasi corporation and for 78% by corporations. In the latter subsector, about 46% of the value added and 50% of gross operating surplus is produced by limited liability companies.

40. Analysis by industry (Table 4.3) shows that more than 40% of value added and of gross operating surplus of quasi corporations comes from trade, transportation and public exercises activities; manufacturing activity contributes for 24% to the value added formation and for about 20% to the gross operating surplus and construction industry explains value added and gross operating surplus for about 13%.

41. In contrast, the production of corporations mainly comes from the manufacturing sector, where it accounts for about 40% of the value added and gross operating surplus. Follows, in order of importance, trade (26% in terms of value added, 24% in terms of gross operating income) and information and communication activities (10% in value added, 15% in terms of gross operating surplus).

## **A. The distribution of mixed income**

42. The decision to keep a complete set of accounts for consumer and producer households entails the necessity to separate not only all flows directed to households, but also the share of mixed income that should remain in producer households accounts from the one that has to be distributed to consumer households. It is only this share of mixed income that contributes to pure consumer household disposable income.

43. The hypothesis is that the enterprise is the source of present and future income of the household, therefore it and its future growth have to be preserved. When economic crisis occurs the households will compress their consumption and postpone investment decisions. On the other hand, in periods of boom they will channel more resources to consumption and saving.

44. To guarantee the firm development and therefore the future sustainability to household consumption and saving, not all mixed income is transferred to the household, as it is necessary to keep in the firm disposal what is necessary to replace capital consumption, to pay interest on loans taken out to finance the market activity, to pay rents for land used for agricultural production and taxes which accrue to the enterprise. The share of mixed income which is distributed to the consumer household is therefore computed by deducting from mixed income: consumption of fixed capital (K1), paid interests (D41PAY), rents (D45PAY), taxes on income (D5) accruing to producer households.

45. The share of mixed income transferred to consumer households accounts for about 16% of their primary income<sup>8</sup>.

## **B. The distribution of gross operating surplus of non-financial corporations**

46. About 30% of self-employed do work in corporations, mainly in small size units (see Table 3.1). The estimate of the share of Gross operating surplus distributed to Households as income of self-employed from the corporations where they work follows the approach described above for mixed income.

47. In a first step, a proxy of profit is estimated for quasi-corporations and limited liability companies by compiling a complete sequence of accounts for these sub-sectors, where self-employed are concentrated. This proves to be quite easy for transactions up to gross operating surplus, as their calculation is developed by legal form and class size. Distributive and re-distributive flows are estimated on the bases of information derived from Structural Business Statistics (SBS). The accounts (from allocation of primary income account to secondary distribution of income account) up to net disposable income are completed for the two sub-sectors:

- Quasi-corporations, regardless of their size. This sub-sector employs about 20% of self-employed, who are remunerated through the flow “Withdrawals from the income of quasi-corporations” (D422), which accounts for about 5% of CH Primary income in 2008;
- Limited liability companies and cooperatives in the class size 1-19. This sub-sector employs about 10% of self-employed. To record the income flows that remunerate the self-employed working in this sub-sector a specific the flow named “Other income distributed from corporations” (D423) has been introduced in the accounts, which is not envisaged by ESA95. This flow accounts for about 5% of CH Primary income.

48. This leads to the distribution to consumer households of 65% of gross operating surplus of quasi-corporations and 55% of gross operating surplus of small limited liability companies and cooperatives<sup>9</sup>. Summing the two flows, 35% of S11 gross operating surplus is distributed to CH.

<sup>8</sup> This transfer does not impact on total household disposable income, since it adds up to zero when summing consumer and producer households. What impacts on total household disposable income is total mixed income.

<sup>9</sup> While quasi corporations profit are taxed when distributed to households, corporations profit are taxed before distributing profits, moreover limited liability companies are legally obliged to set aside a share of their profits. For this reason a lower share of their gross operating surplus is distributed.

## V. Estimating interest for Producer and Consumer Households

49. Gross interest flows are estimated through a quite detailed procedure: in general whom-to-whom matrices for financial assets and liabilities at a very high degree of detail (instrument/sector) are compiled starting from Financial Accounts (FA)<sup>10</sup>. Then appropriate interest rates are applied to financial stocks to obtain interest flows. Total interest paid and received by S.2 and S.13 are a constraint; the same is true for S.121+ S.122 (Central bank + banks) whose data are provided by the Bank of Italy<sup>11</sup>.

Interest matrices are then balanced through a Stone-based method.

50. The flows of interest received and paid by households is then divided into consumer and producer households. The distinction is based on the assumption that financial assets and liabilities are held by Producer households only as a means to allow carrying out production activities, while the accumulation process is devoted to consumer households.

51. As a consequence financial assets held by producer households are limited to deposits with resident and non-resident banks and short-term securities held by the sector for liquidity management. Financial liabilities taken out by the sector consist of loans received by residents and non-residents banks and other financial intermediaries for productive activities. The remaining assets and liabilities are all deemed to attain to Consumer Households.

52. As to interest paid by producer and consumer households, a data base provided by the Bank of Italy allows distinguishing:

- loans granted to consumer households in the form of consumer credit
- mortgages granted to consumer households to buy dwellings and
- loans granted to unincorporated enterprises classified in the Households sector

by banks and other financial intermediaries.

53. The definition of market rates on loans for the two sub-sectors is developed in detail for the three types of loans mentioned above. The maturity structure of loans is taken into account, as market rates are calculated as the weighted average of interest rates for different maturities (0-1,1-5,5+ years). (source: Monthly Statistical Bulletin BDI).

54. As to interest received on deposits, the estimate of the market rate to be applied to the relevant stocks of PH and CH, takes into account the maturity structure of financial instruments, too, as the rate is defined for each sub-sector as the weighted average of rates applied to different maturities.

55. Interest received on securities are allocated to PH and CH as a proportion of the stock of such assets held by each subsector, as the interest rate is assumed to be the same for both of them.

56. Table 5.1 shows the composition of interest flows by financial instrument for PH and CH: the main share of interest pertains to consumer households. In a second step interest are adjusted for FISIM (see Annex).

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<sup>10</sup> The definition of institutional sectors is the same both in non financial and financial accounts.

<sup>11</sup> Balance sheet for the Central Bank, published in "Relazione Annuale", Bank of Italy; supervisory data from "Matrice dei Conti" for banks.

Table 5.1  
**Composition of receivable and payable interests for consumer and producer households, 2008**

	Households	
	Consumer Households	Producer Households
<b><u>Interest received</u></b>		
Currency and transferable deposits	83%	17%
Other deposits	100%	0%
Short-term securities	96%	4%
Medium and long-term securities	95%	5%
Other accounts receivable/payable	18%	82%
<b>Total</b>	<b>78%</b>	<b>22%</b>
<b><u>Interest paid</u></b>		
Short-term loans	77%	23%
Medium and long-term loans	76%	24%
<b>Total</b>	<b>77%</b>	<b>23%</b>

## VI. Annual and quarterly Sector Accounts in Italy

### A. Disposable income: an analysis by components

57. Table 6.1 shows the composition of disposable income of producer and consumer households in 2008, and its use in final consumption expenditure and acquisition of financial and non-financial assets.

58. In 2008, wages and salaries, net of social contributions paid by employees, contribute to the generation of 42% of consumer households disposable income: they are the primary factor of disposable income generation and their importance increased across the period analysed (Chart 6.1). However, the flows of income which remunerate the self-employed classified in the household and the corporate sectors, prove to reduce their contribution to households income in the same period. In fact, the share of mixed income transferred to CH by enterprises classified in the household sector (PH) accounts for less than the 15% of the households disposable income in 2008, while it was about 17% in 1995. Likewise, the income distributed by corporations, that includes the withdrawals from the income of quasi-corporations and the other income distributed from corporations, represents the 11% of disposable income of households in 2008 (its contribution to disposable income in 1995 was 12,5%). In 2008, the other property income, mainly net interest flows and dividends, explains less than the 11% of disposable income, while the relevance of gross operating surplus proves to increase, in large part generated by owner occupied dwellings: it represents the 11% of disposable income, but the share was less than 8% in 1995.

Chart 6.1  
**Composition of Disposable Income of Consumer Households, years 1995-2010**

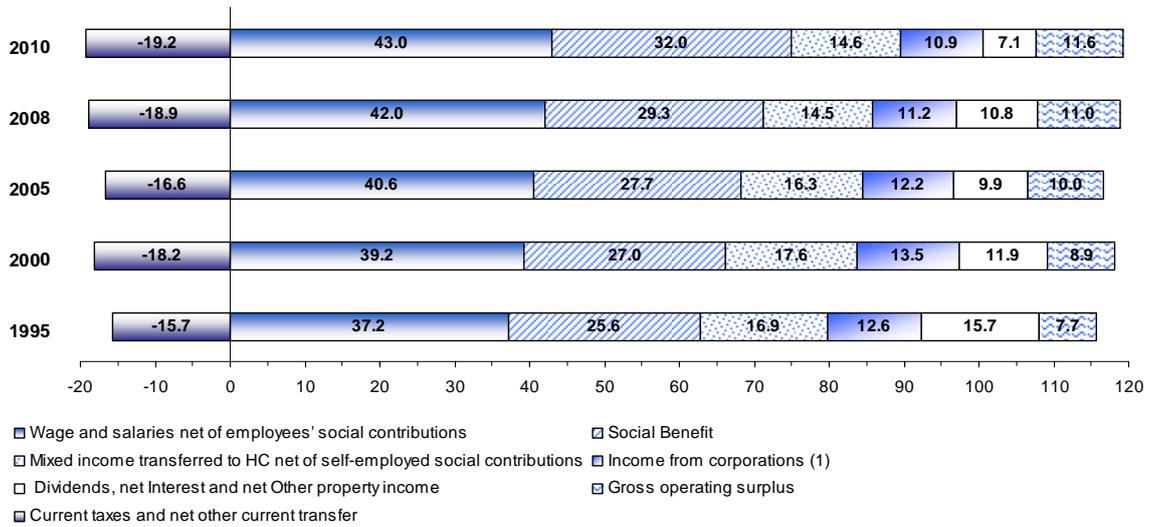


Table 6.1  
**Disposable Income of Households sector in 2008m in millions of euros**

	<b>Households Sector</b>		
	<b>Total</b>	<b>Consumer Households</b>	<b>Producer Households</b>
<b>Gross operating surplus (1)</b>	<b>115799</b>	<b>115799</b>	
<b>Mixed income, gross</b>	<b>224954</b>		<b>224954</b>
Compensation of employees	658890	658890	
wages and salaries	481034	481034	
employers' social contributions	177856	177856	
Property income receivable	438932	432298	6634
Interest	87938	82227	5711
income from corporations	149709	149709	
of which: dividends	31892	31892	
withdrawals from the income of quasi-corporations	59331	59331	
other income from corporations	58487	58487	
other property income	19337	18414	923
Mixed income of PH transferred to CH	181948	181948	
Property income payable	209581	18967	190614
interest	23743	18967	4776
other property income	3889		3889
Mixed income of PH transferred to CH	181948		181948
<b>Primary income, gross</b>	<b>1228996</b>	<b>1188022</b>	<b>40974</b>
Social contributions receivable	2196	555	1641
Actual social contribution	1741	493	1248
Imputed social contributions	455	62	393
Social contributions payable	248795	248795	
Actual social contribution	236026	236026	
of which: Employers actual social contributions	165133	165133	
Employees' social contributions	41127	41127	
Social contributions by self-employed and non-employed persons	29766	29766	
Imputed social contributions	12769	12769	
Social benefits receivable	307683	307683	
Social benefits payable	1704	555	1149
Current taxes	189027	188489	538
Other current transfers receivable	29269	26834	2435
Other current transfers payable	40305	36604	3701
<b>Disposable Income, gross</b>	<b>1088313</b>	<b>1048651</b>	<b>39662</b>

Adjustment for the change in the net equity of households in pension funds reserves	3875	4367	-492
Final consumptions expenditure	925991	925991	
<b>Saving, gross</b>	<b>166198</b>	<b>127027</b>	<b>39171</b>
Capital transfers receivable	2705	1898	807
Capital transfers payable	1714	1701	13
Gross Fixed capital formation plus k2	121641	81155	40486
<b>Net lending/Net borrowing</b>	<b>45548</b>	<b>46070</b>	<b>-522</b>

## B. Analysis of Gross fixed capital formation by kind of fixed asset

59. Gross fixed capital formation (GFCF) is a key variable for the purpose of economic analysis on the demand side. It consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year.

60. In Italian National Accounts, annual and quarterly estimation of Gross fixed capital formation by institutional sector is computed by 18 kinds of fixed assets. Table 6.2.1 reports the weight of each kind of fixed asset for each institutional sector in 2008.

61. In the case of non-financial corporations, GFCF is mainly concentrated in machinery and equipment (51%) and in non-residential buildings (27%); producer households mainly invest in machinery and equipment (35%), road transport equipment (21%), and non-residential buildings (21%). GFCF of consumer households only consists of dwellings.

Table 6.2.1

### Composition of Gross Fixed Capital Formation by institutional sectors and kind of fixed asset, 2008

	Non-financial corporations	Producer Households	Consumer Households
Machinery, equipment and furniture	50.8	35.0	0
Dwellings and costs of ownership transfer	2.4	18.3	100
Non-residential buildings and costs of ownership transfer	26.9	21.2	0
Road transport equipment and repair of motor vehicles	9.5	20.6	0
Other transport equipment	2.9	0.2	0
Intangible fixed assets	7.5	3.6	0
Cultivated assets	0.1	1.0	0
<b>Total GFCF</b>	<b>100</b>	<b>100</b>	<b>100</b>

62. The capital formation of non-financial corporations and producer households together accounts for 64% of total economy GFCF, which turns into 83% net of dwellings. In particular table 6.2.2 shows that GFCF of non-financial corporations represent more than 80% of the total machinery and equipment while the weight of producer households is limited to 12%. The corporations hold also a relevant part of the GFCF of total economy in intangible fixed assets (76.6%). Instead producer households invest 68.4% of GFCF total economy in cultivated assets and 32% in road transport equipment.

Table 6.2.2

**GFCF by kind of fixed asset (Weight of institutional sector on total GFCF) - 2008, (%)**

	<b>Non-financial corporations</b>	<b>Producer Households</b>	<b>Consumer Households</b>	<b>Other sectors</b>	<b>Total economy</b>
Machinery, equipment and furniture	80.8	12.8	0	6.4	<b>100</b>
Dwellings and costs of ownership transfer	4.4	7.8	85.6	2.2	<b>100</b>
Non-residential buildings and costs of ownership transfer	55.7	10.1	0	34.2	<b>100</b>
Road transport equipment and repair of motor vehicles	64.9	32.0	0	3.1	<b>100</b>
Other transport equipment	91.0	1.4	0	7.5	<b>100</b>
Intangible fixed assets	76.6	8.6	0	14.8	<b>100</b>
Cultivated assets	31.4	68.4	0	0	<b>100</b>
<b>Total GFCF</b>	<b>51.9</b>	<b>11.9</b>	<b>23.8</b>	<b>12.4</b>	<b>100</b>

**C. Quarterly key indicators for households: main outcomes in 2011**

63. Non-financial quarterly sector accounts (QSA) are compiled within 90 days after the reference period; they give a timely description of the performance of national economy with a breakdown by institutional sector<sup>12</sup>.

64. Quarterly indicators are presently released only for the total households sector, including non-profit institution serving households (NPISHs). In this paper we focus on households saving rate<sup>13</sup> and households investment rate<sup>14</sup>, that are presented for consumer households sector alone for the first time.

65. Charts 6.3.1 and 6.3.2 show gross saving rate (SR) and gross investment rate (IR) for consumer households. In the first nine months of 2011 the saving rate declines, as final consumption expenditure increases more than Gross Disposable Income. In the same period the consumer households investment rate held steady.

<sup>12</sup> Regulation n. 1161/2005 of the European Parliament and of the Council provided the regular production of quarterly non-financial accounts by institutional sector in the European Union. The first release of non-financial quarterly sector accounts aggregates for the Euro Area (EA) and European Union (EU), took place on the 1st of June 2007.

<sup>13</sup> It is defined as gross saving divided by gross disposable income, with the latter being adjusted for the change in the net equity of households in pension funds reserves.

<sup>14</sup> It is defined as gross fixed capital formation divided by gross disposable income, with the latter being adjusted for the change in the net equity of households in pension funds reserves.

Chart 6.3.1  
Gross Saving rate and its components for Consumer Households

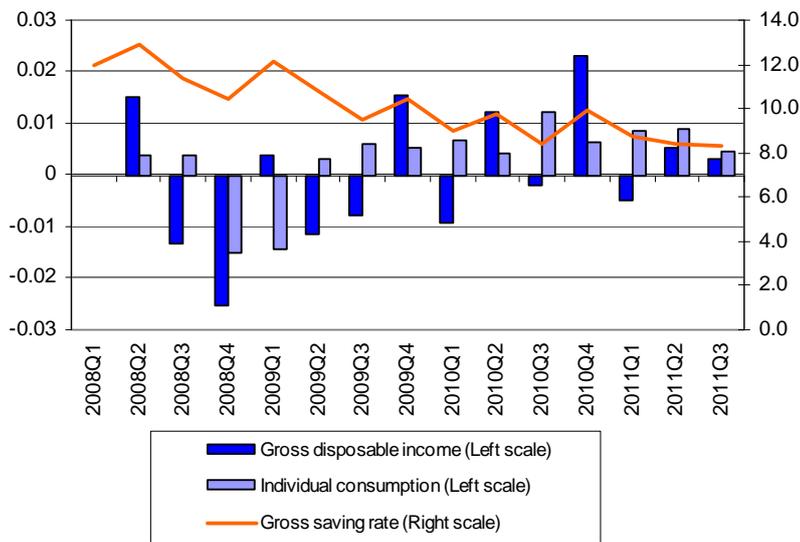
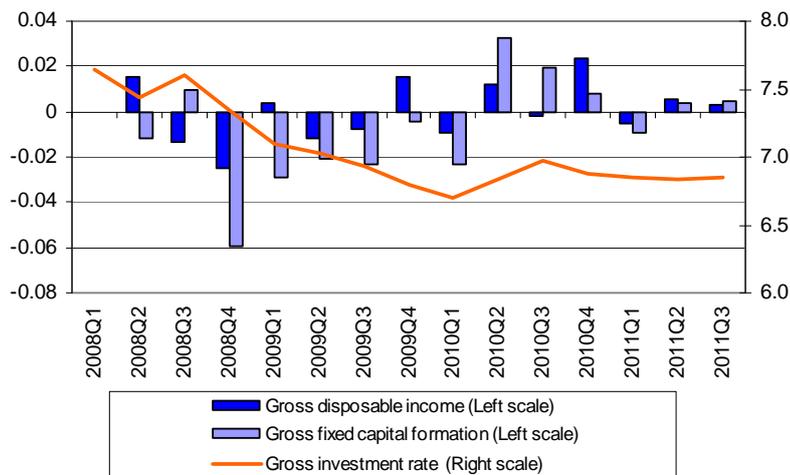


Chart 6.3.2  
Gross Investment rate and its components for Consumer Households



## VII. Households' sector across EU countries

66. Sector accounts are an important data source to compare the productive systems of European countries. In this section the main economic balances and indicators for the Households sector<sup>15</sup> (HH) in Italy (IT), Spain (ES), Germany (DE), France (FR) with respect to Euro Area (EA) and European Union (EU) are compared.

<sup>15</sup> In this section, we refer to Households sector (HH) including NPISH because for EU, EA and DE NPISH data are not available separately.

67. The comparability of definitions and methodologies across countries is a crucial aspect to take into account, mainly concerning the recording of some transactions and the classification of institutional units into sectors. For instance, the productive units classified in HH sector differ among the EU countries both in terms of organization and size<sup>16</sup>.

68. The analysis we performed on HH provides a clear evidence on how the distribution of income differs from country to country for the peculiarity of the behaviour of the economic operators.

69. The first part of this section is based on a comparative analysis, then the pattern of the main balancing items by country in the last period is presented.

70. Table 7.1 shows that in Italy and Spain, HHs produce the highest share of gross value added of the total national private sector (more than 28%) while in Germany and France, it accounts for less than 26%. On the other hand, in Italy and France, the share of compensation of employees paid by HHs only accounts for about the 10% of the total amount paid by the private sector, while in Germany this share is more than 17%: this feature may be explained by the weight of unincorporated enterprises included in this sector. In fact, Germany also has the lowest share of Gross Operating Surplus generated by HH in comparison to the total generated by the private sector.

Table 7.1

**Share of Households Value added, Compensation of Employees paid and Gross Operating Surplus/Mixed Income on National private sector by country**

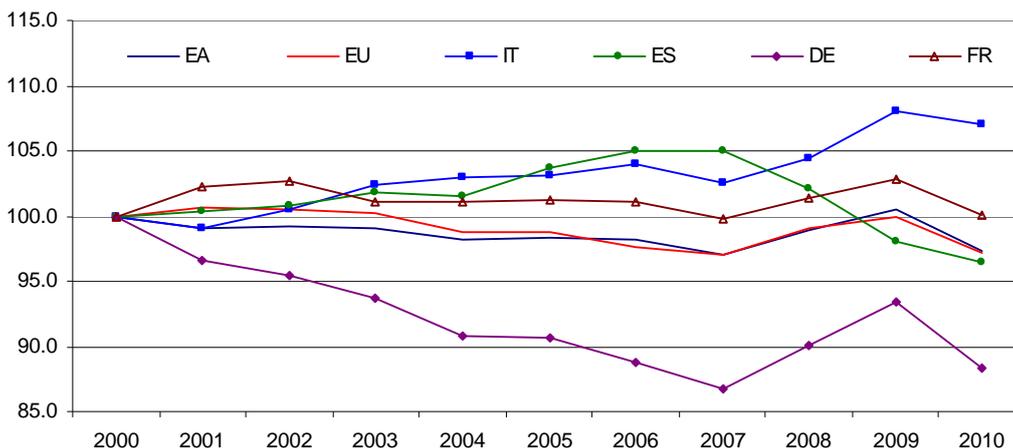
		EA	EU	IT	ES	DE	FR
Value added	2000	28.2	26.6	28.7	32.5	27.6	25.7
	avg 2001-2009	28.0	26.6	29.1	33.5	26.5	25.6
	2010	27.7	26.2	29.5	32.4	26.2	25.4
Compensation of Employees	2000	13.5	12.7	10.0	14.2	18.0	9.3
	avg 2001-2009	13.1	12.4	10.3	14.3	17.6	8.9
	2010	13.2	12.5	11.0	14.0	18.0	9.0
Gross Operating Surplus/mixed income	2000	43.4	42.0	47.4	50.7	39.2	46.2
	avg 2001-2009	42.9	41.6	48.8	51.7	36.0	46.9
	2010	42.3	40.8	50.7	48.9	34.6	46.2

<sup>16</sup> For example, in Italy the productive units classified in HH sector are own account workers, sole proprietorships, informal and de facto partnerships that employ up to 5 employees, while in France the productive units consist of sole proprietorships only.

71. Chart 7.1 shows the share Gross operating surplus/ Mixed income of Households in the last ten years. It proves to have considerably increased in IT, in particular from 2007 on. Spanish HHs present a similar pattern up to 2007 to sharply decline afterwards. On the contrary, in DE the weight of HHs declines in the whole period while in FR it remains quite steady.

Chart 7.1

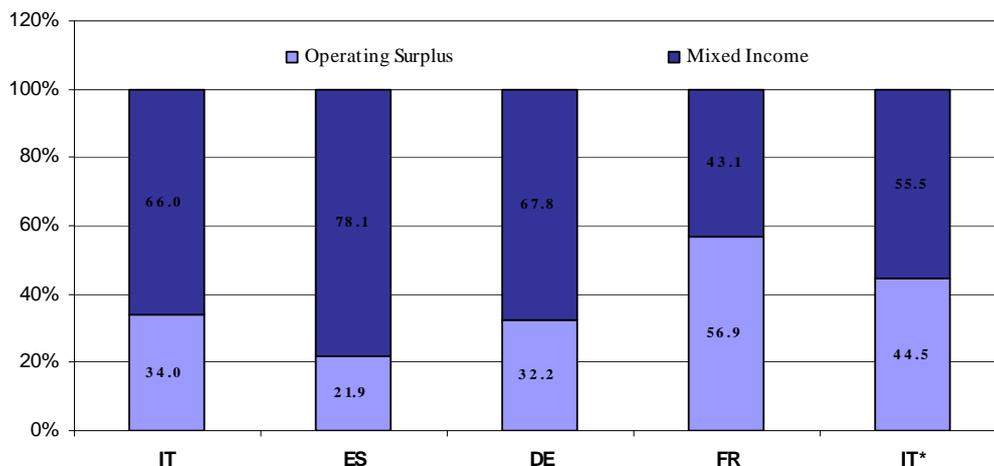
**Share of Households Gross Operating Surplus/Mixed Income on National private sector by country (base year 2000 = 100)**



72. Chart 7.2 shows the relative composition of gross operating surplus and mixed income in the households sector by country. Spain shows the highest share of mixed income (78.1% of total gross operating surplus+ mixed income), while France the lowest one (43.1%); in Italy the share is 66%. This feature may be explained not only by the different classification criteria of producers units in the institutional sectors, but also by the inclusion of actual rents in mixed income rather than gross operating surplus. To neutralize the effect of the treatment of actual rents, in chart 6.2 we also present for Italy (IT\*) the composition of mixed income/gross operating surplus in case actual rents are included in gross operating surplus.

Chart 7.2

**Composition of Gross Operating Surplus/Mixed Income of HH by country in 2008**



73. Table 7.2 introduces a focus on the contributions of each transaction to Disposable Income in 2008: at the beginning of the economic crisis, HHHs' Disposable Income increased in all countries (IT +1.9%, ES +6.5%, DE +2.7%, FR +3.4%, EA +3.2% and EU + 1.6%) mainly boosted by rising compensation of employees and social benefits.

74. The impact of property income on primary income is much more relevant in IT and in DE than elsewhere. The impact of secondary distribution is quite different across countries.

75. In particular, in ES the growth of HHHs' disposable income was supported by a huge increase of compensation of employees and by the reduction of current taxes: Spain proves to be the only country where households benefit from secondary distribution of income.

76. In France the secondary distribution does not have a relevant impact on HHHs' Disposable Income, while in Italy and Germany the increase of taxes paid has not been compensated by other social benefits received.

Table 7.2

**Contributions to growth of Household Disposable Income by country, 2008 (%)**

	Operating surplus (gross)	Compensation of Employees	Property Income net	Interest net	Balance of Primary Income (gross)	Social Contributions net	Social Benefits <i>net</i>	Other Current Transfers net	Current taxes on income paid	Disposable income (gross)
EA	0.7	3.1	0.1	0.1	3.8	-1.3	1.2	0.1	-0.6	3.2
EU	0.3	1.4	-0.2	0.2	1.5	-0.6	0.9	0.0	-0.2	1.6
IT	0.8	2.3	-0.4	0.7	2.7	-1.3	1.3	0.1	-0.9	1.9
ES	0.6	4.4	-0.1	-0.5	5.0	-1.4	2.4	0.4	0.3	6.5
DE	0.7	2.7	0.9	0.3	4.3	-1.0	0.2	0.0	-0.9	2.7
FR	0.7	2.5	0.3	-0.1	3.6	-0.9	1.0	0.3	-0.6	3.4

77. The following table summarizes the percentage change year on year of the main balancing items in the period 2001-2010.

In 2010:

- The balance of primary income increased in EA and Italy by +0.7% and +0.6% respectively, in EU and DE by +2.4 and +2.3% respectively and in FR by +1.6% while it decreased in ES (-2.6%);

- Gross disposable income that is the result of the combination of different factors increased everywhere: in EA and IT by +1.1% and +0.8% respectively, while in EU and DE by +2.7% and FR by +2% while it decreased in ES (-2.4%);

- Gross saving increased only in Germany and it decreased strongly in Italy and Spain by 10.6% and by 26.7% respectively;

- Final consumption expenditure increased in 2010 in all the countries more than 2.5%;

- Gross Fixed Capital Formation after a fall in 2009 increased; above all in DE (more than 5%);

- Gross saving rate increased in all countries: EA +13.7%, Italy + 12.5%, Spain +13.9%, Germany +17% and France +15.6% but the growth is lower than the previous year due to final consumption expenditure that increases more than Gross Disposable Income;

- After having decreased, during last period gross investment rate held steady in all countries due to the general slowdown of gross fixed capital;
- Current Tax burden held steady in all the countries except for ES and IT (the highest) where it increased during last year.

Table 7.3  
Percentage change year on year by country

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EA	Gross Operating Surplus	4,8	3,6	3,1	4,5	4,0	5,8	5,5	2,6	-4,7	0,4
	Balance of Primary Income	4,5	2,7	2,8	3,4	3,6	4,7	5,0	3,4	-2,5	0,7
	Gross Disposable Income	5,2	3,4	3,2	3,8	3,5	4,0	4,4	3,2	-0,4	1,1
	Final Consumption Expenditure	4,3	2,8	3,4	3,7	4,1	4,4	3,8	3,1	-1,6	2,6
	Gross Fixed Capital Formation	0,3	2,2	4,1	4,9	6,8	10,3	5,4	-3,0	-13,4	0,1
	Gross Saving	10,2	7,1	2,6	3,9	0,6	1,6	7,9	4,7	6,3	-8,4
	Gross Saving rate	14,0	14,5	14,4	14,4	14,0	13,7	14,1	14,3	15,3	13,9
	Gross Investment rate	10,1	9,9	10,0	10,1	10,5	11,1	11,2	10,5	9,1	9,1
	Current Tax burden	12,5	12,3	12,0	11,7	11,8	12,2	12,5	12,6	12,3	12,2
EU	Gross Operating Surplus	5,4	3,8	1,9	5,0	4,7	5,6	6,2	1,2	-7,6	2,5
	Balance of Primary Income	4,7	2,4	1,2	4,1	4,3	5,0	5,5	1,3	-4,5	2,4
	Gross Disposable Income	5,5	3,2	1,5	4,1	4,1	4,4	4,7	1,6	-2,1	2,7
	Final Consumption Expenditure	4,3	3,4	1,7	4,6	4,5	4,8	4,9	1,0	-4,5	4,3
	Gross Fixed Capital Formation	1,8	4,4	3,2	7,9	6,7	10,4	6,2	-7,0	-16,2	3,3
	Gross Saving	14,2	1,6	1,0	0,7	2,1	1,6	4,7	4,6	15,7	-7,9
	Gross Saving rate	12,2	12,0	12,0	11,6	11,3	11,0	11,0	11,4	13,4	12,1
	Gross Investment rate	9,1	9,2	9,3	9,6	9,9	10,4	10,6	9,7	8,3	8,4
	Current Tax burden	13,7	13,5	13,2	13,1	13,3	13,5	13,9	13,8	13,2	13,2
IT	Gross Operating Surplus	4,6	4,3	4,7	4,9	0,6	2,7	3,5	2,6	-0,8	0,6
	Balance of Primary Income	4,8	3,2	2,8	3,9	3,3	4,3	3,9	2,4	-4,5	0,6
	Gross Disposable Income	5,5	4,2	3,4	3,6	3,1	3,6	3,4	1,9	-2,8	0,8
	Final Consumption Expenditure	3,3	3,0	3,7	3,4	3,5	4,0	3,4	2,3	-1,6	2,5
	Gross Fixed Capital Formation	3,0	9,1	0,8	4,3	7,4	6,9	4,3	-0,9	-11,7	2,1
	Gross Saving	19,2	10,0	0,4	5,5	2,6	0,0	0,1	0,1	-9,7	-10,6
	Gross Saving rate	15,8	16,7	16,3	16,5	16,4	15,9	15,5	15,2	14,1	12,5
	Gross Investment rate	9,9	10,4	10,1	10,2	10,6	10,9	11,1	10,8	9,8	9,9
	Current Tax burden	14,0	13,6	13,4	13,3	13,3	13,9	14,3	14,7	14,7	14,9
ES	Gross Operating Surplus	10,1	8,9	8,4	7,5	9,5	9,7	8,1	1,8	-6,5	-1,7
	Balance of Primary Income	7,8	6,1	7,1	6,5	8,2	8,4	7,8	4,4	-3,3	-2,6
	Gross Disposable Income	6,8	6,2	7,2	6,7	7,7	7,0	6,6	6,5	0,9	-2,4
	Final Consumption Expenditure	7,0	5,7	6,1	8,0	7,8	7,8	6,8	2,9	-5,5	3,2
	Gross Fixed Capital Formation	11,7	13,4	15,0	13,8	13,6	10,9	5,6	-9,2	-26,2	-5,1
	Gross Saving	6,3	7,0	17,1	-3,4	6,0	1,3	8,4	38,7	37,7	-26,7
	Gross Saving rate	11,0	11,1	12,1	11,0	10,8	10,2	10,4	13,5	18,5	13,9
	Gross Investment rate	11,4	12,2	13,1	14,0	14,8	15,3	15,1	12,8	9,4	9,2
	Current Tax burden	9,8	10,1	9,4	9,5	9,8	10,5	11,4	10,6	9,5	10,2
DE	Gross Operating Surplus	0,3	1,6	-1,0	2,5	3,9	5,3	3,9	3,5	-6,8	1,9
	Balance of Primary Income	2,3	0,3	1,3	1,0	1,7	3,6	3,2	3,7	-2,1	2,3
	Gross Disposable Income	3,5	1,2	2,2	1,8	2,1	2,3	1,8	2,7	-0,5	2,7
	Final Consumption Expenditure	3,2	0,6	1,9	1,5	1,8	2,5	1,3	2,3	0,0	2,6
	Gross Fixed Capital Formation	-6,7	-6,1	-1,5	-1,4	-1,4	8,8	5,3	-1,0	-5,0	5,3
	Gross Saving	4,0	4,5	4,0	2,6	3,0	3,3	4,6	6,5	-2,6	2,6
	Gross Saving rate	15,2	15,7	16,0	16,1	16,3	16,4	16,8	17,4	17,0	17,0
	Gross Investment rate	9,8	9,1	8,8	8,5	8,2	8,7	9,0	8,7	8,3	8,5
	Current Tax burden	12,2	11,8	11,4	10,7	10,7	11,1	11,8	12,3	11,9	11,3

	Gross Operating Surplus	6,7	2,0	1,5	4,0	3,3	5,2	5,7	3,3	-4,7	0,8
	Balance of Primary Income	4,9	3,5	2,6	4,0	3,3	4,6	4,5	3,2	-1,0	1,6
	Gross Disposable Income	5,3	4,6	2,4	4,4	3,0	4,6	5,1	3,4	0,7	2,0
	Final Consumption Expenditure	4,5	3,0	3,7	3,9	4,3	4,3	4,5	3,2	-0,4	2,6
FR	Gross Fixed Capital Formation	3,7	4,0	5,2	7,8	8,8	11,1	9,1	2,9	-10,0	1,0
	Gross Saving	10,2	13,5	-4,0	7,4	-4,0	6,2	8,7	4,4	6,7	-1,4
	Gross Saving rate	14,8	16,0	15,0	15,4	14,4	14,6	15,1	15,3	16,2	15,6
	Gross Investment rate	8,3	8,3	8,5	8,8	9,3	9,8	10,2	10,2	9,1	9,0
	Current Tax burden	12,1	11,6	11,7	11,5	11,8	11,7	11,3	11,4	10,9	10,9

## VIII. Non-financial assets for producer and consumer households

78. The compilation of Balance sheets (BS) for non-financial assets by institutional sector is a substantial improvement to the statistical framework of National Accounts (NA) data: combined with BS for financial assets and liabilities they complete the information on wealth. In fact, as shown by the recent economic crisis, not only economic flows are important, but stocks are just as important. The decline in real estate prices in the United States has, for example, been a major contributor to the economic crisis.

79. The Stiglitz Sen Fitoussi commission<sup>17</sup> clearly indicates that measures of wealth are fundamental to evaluate sustainability: “(...) Income and consumption are crucial for assessing living standards, but in the end they can only be gauged in conjunction with information on wealth. A household that spends its wealth on consumption goods increases its current well-being but at the expense of its future well-being. The consequences of such behaviour would be captured in a household’s balance sheet, and the same holds for other sectors of the economy, and for the economy as a whole. (...) Measures of wealth are central to measuring sustainability. What is carried over into the future necessarily has to be expressed as stocks – of physical, natural, human and social capital (Recommendation 3: Consider income and consumption jointly with wealth)”.

80. Since Balance sheet presents the endowment of non-financial assets for institutional sectors and of the economy as a whole, it is a useful tool to policy makers; in particular, the estimates of the wealth of households are crucially important.

81. In 2010-2011, Italy was the rapporteur for a project of enhancing the compilation of BS for Households inside the Task Force “Households perspective” (TF-HP) set-up by Eurostat and INSEE Sponsorship Group on measuring progress, wellbeing and sustainable development. In its final report, the TF-HP<sup>18</sup> established that statistical data on non-financial assets in European countries seem to be still widely incomplete and the TF-HP pointed out that there is a strong need to harmonize the available data; it considered that a better measurement of household total wealth should go first through an increase in the coverage of non-financial assets, in particular dwellings and land underlying buildings and structure; the timeliness was another dimension stressed by the Task Force (t+12 months instead of t+24 months as scheduled by the current ESA<sup>19</sup> transmission programme); finally, it proposed some actions to improve the comparability of estimates across countries (e.g. by harmonising the delineation of the household sector).

<sup>17</sup> Stiglitz J. E., Sen A., Fitoussi J-P., 2009.

<sup>18</sup> Emphasise the Household Perspective, Report of the task force on the household perspective and distributional aspects of income, consumption and wealth, 2011.

<sup>19</sup> Eurostat, European System of Accounts, ESA1995, Luxembourg, 1995.

82. To construct the Balance sheet accounts for households, we need to have comprehensive accounts of their non-financial assets.

83. Balance sheets for Households as consumers (CH) and for Households as producers (PH) are very different: by definition, PH compile BS for every types of non-financial activity, while the only fixed asset included in CH BS are dwellings. Residential buildings generates two kinds of activities:

- non market production: the production of housing services by owner-occupiers is considered in the system as own account production (ESA95, 3.08 c); the output of services of owner-occupied dwellings should be valued at the estimated value of rental that a tenant would pay for the same accommodation (ESA95, 3.64) (imputed rent);
- market production: households can also own dwellings for investment purposes. The output of real estate services of dwellings is measured by the value of the rentals due.

84. So dwellings are to be allocated to:

- a) Households as consumers (as to dwellings occupied by the owners and other dwellings at household disposal),
- b) Households as producers (as to let houses whose owner is an individual)<sup>20</sup>,
- c) Other sectors (as to dwellings for investment purposes held by financial corporations, non-financial corporations, General Government, Non-profit Institutions Serving Households).

85. To analyse the CH sub-sector more deeply, we use information provided by the Istat Households Consumptions Survey on the “home tenure” (tenant, owner), and the “nature of dwelling owner” (individual, other private owner). In particular, separate percentages can be identified for:

- houses inhabited by the owners, assigned to CH,
- let houses whose owner is an individual, assigned to PH.

86. CH can also own valuables (not estimated in Italy, yet) and land (land underling dwellings, agricultural land, other land; the last type of land is not estimated in Italy, yet). In particular, land under cultivation can generate market production and non-market production for HH; land used for own account production is assigned to CH.

87. All the other durable goods (such as cars, furniture, television, radio, hi-fi, photographic equipment, etc.) are owned by households not for production but for final consumption; they are treated as consumer durables and are included in CH balance sheets as memorandum items (ESA95, 7.63).

88. Since 2010, Istat Directorate of National Accounts transmits the value of Dwellings (AN.1111) by institutional sector to Eurostat, to fulfil the obligation set by ESA95 transmission program<sup>21</sup>.

89. Draft estimates for other non-financial assets are available too, in particular non-residential buildings and other structures (AN.1112); machinery and equipment (AN.1113);

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<sup>20</sup> As explained above, in Italian NA only very small size enterprises are included in PH; insofar we can assume that their housing patrimony is rather negligible. Moreover, the value of housing services for the market producers classified in PH is rather low: in a first hypothesis, we assume that the stock of dwellings of small enterprises classified as PH is zero.

<sup>21</sup> In the current TP the only compulsory item is dwellings (AN.1111). In the ESA 2010 transmission program (still in discussion) many other items become compulsory from 2014.

computer software (AN.1122), land underlying buildings and structures (AN.2111); land under cultivation (AN.2112). An estimate for consumer durables (AN.m) is also available.

90. By applying a direct approach (quantity x price), the value of buildings (residential and non-residential) including underlying land is obtained<sup>22</sup> and it is assigned to the institutional sectors; cadastral data<sup>23</sup> – integrated with information provided by Istat<sup>24</sup> and CRESME<sup>25</sup> - are used for these estimates.

91. The weight of land underlying buildings is estimated by assuming its value equal to the difference between the value of the stock estimated by applying the direct approach and the one as resulting by applying the Perpetual Inventory Method (P.I.M.)<sup>26</sup>: since in P.I.M. the purchasers' price of GFCF is used, the value of constructions does not include the value of land underlying buildings and capital gains/losses. Therefore all nominal holding gains/losses are assumed to accrue to land<sup>27</sup>.

92. The other assets owned by PH are estimated by applying the P.I.M. under the hypothesis of constant average service life, normal distribution of retirements and linear consumption of fixed capital.

93. Finally, the value of land under cultivation is estimated by a direct approach (quantity x price)<sup>28</sup>. Dwellings represent 42% of the total fixed assets, mostly owned by households; 78% of them are occupied by the owner while let houses are 12%. The wealth of consumer households, expressed by dwellings, accounts for 35% on the total stock of fixed assets owned by all the institutional sectors.

94. The value of non-financial assets owned by an institutional sector in residential buildings is better measured by the value of dwellings including the underlying land: if we consider the total value, expressed by market price, the wealth more than doubles for each sector.

95. As to the other fixed assets, generally the share of stock owned by producer household (both including dwellings and net of residential buildings) is lower than their share of value added: in 2008, against a weight of value added equal 17% for this sector, the share of stock held by PH is 13% (including dwellings; net of residential buildings it equal 14%). Non-financial corporations produce 47% of the total value added, using in their

<sup>22</sup> To estimate dwellings and non-residential buildings, market prices are used, distinguished by type of construction. So they also include the value of the land underlying buildings and all the net nominal holding gains.

<sup>23</sup> These data are provided by the Observatory of the Real Estate Market (OMI).

<sup>24</sup> Istat, 14th Population and Dwellings Census (CP), year 2001 and Households Consumptions Survey.

<sup>25</sup> Centre for Social and economic research on Construction and Territory.

<sup>26</sup> At the moment, the PIM value is available only for total economy: the currently available time series of Gross Fixed Capital Formation (GFCF) by institutional sector are too short to apply P.I.M. for dwellings and non-residential buildings and other structures. The land incidence calculated for total economy has been assumed to be the same for all the institutional sectors, households included.

<sup>27</sup> For details about the Italian estimation methodology and the main open issues see "Compilation of annual balance sheets for non-financial assets: methodological approach, main outcomes and open issues in the Italian experience", Conference on Strengthening Sectoral Position and Flow Data in the Macroeconomic Accounts, IMF – OECD, February 28 – March 2, 2011, Giuseppe Cinquegrana, Carolina Corea, Paola Santoro.

<sup>28</sup> The UAA (Utilized Agricultural Area) is surveyed by Istat in "Structure and productions of the agricultural enterprises" and in "Census of agricultural holdings, year 2000"; market prices are provided by INEA (National Institute of Agricultural Economics); to attribute the value to the institutional sectors, the distribution of UAA by legal status of the owner, for the year 2000, is used.

production processes 36% of the total fixed assets; but, if we consider the value of stock net of dwellings, this share rises to 56%. The capital intensity crucially depends on the type of economic activity the enterprises are involved in; it is typically higher in manufacturing and lower in services activities, where are mainly concentrated producer households.

96. More in deep, PH hold around 13% of non-residential buildings and other structures (but if we consider only the category “non- residential buildings” the share of PH is around 26%): small enterprises prefer to lease buildings rather than to immobilize huge amount of money; Non-financial corporations own 47% of non-residential buildings and other structures.

97. As to machinery and equipment (including office machinery and computers, communication equipment and apparatus, furniture) the weight of households as producers is around 14% while non-financial corporations hold about 80%, confirming that these units operate mostly in manufacturing.

98. PH hold around 24% of transport equipment, while non-financial corporations weights on 71%; the composition deeply differ between the two sectors: if we exclude sea and air transport equipment, mainly owned by non-financial corporations, the share of PH rises to 32%.

99. As to land under cultivations, in Italy Households hold 87% of the total stock, confirming their significant activity in agricultural industry; more in deep, the share of land used by Households for own-account production is 16% while agricultural land used for market production is 71%.

Table 8.1  
**Stock composition by non-financial assets, 2008**

	CH	PH	NFC	Other sectors	Total
Dwellings	78	12	8	2	100
Other buildings and structures	0	13	47	40	100
Machinery and equipmet	0	14	80	6	100
Transport equipment	0	24	71	5	100
Other fixed assets (including cost of ownership transfer)	50	11	32	7	100
Total fixed assets	35	13	36	16	100
Total fixed assets net of dwellings	5	14	56	26	100
Land under cultivation	16	70	6	8	100

Table 8.2  
**Stock composition by institutional sectors, 2008**

	CH	PH	NFC	Other sectors	Total
Dwellings	92	38	9	6	42
Other buildings and structures	0	33	45	84	33
Machinery and equipment	0	17	34	6	16
Transport equipment	0	7	7	1	4
Other fixed assets	8	5	5	2	6
<b>Total fixed assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Chart 8.1  
Share of fixed assets owned by Consumer Households, 2008

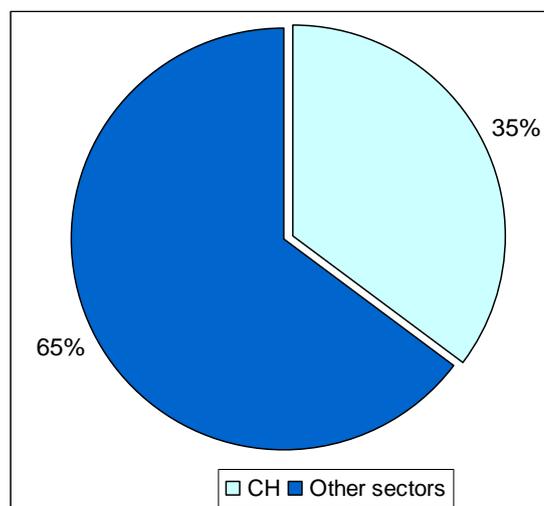
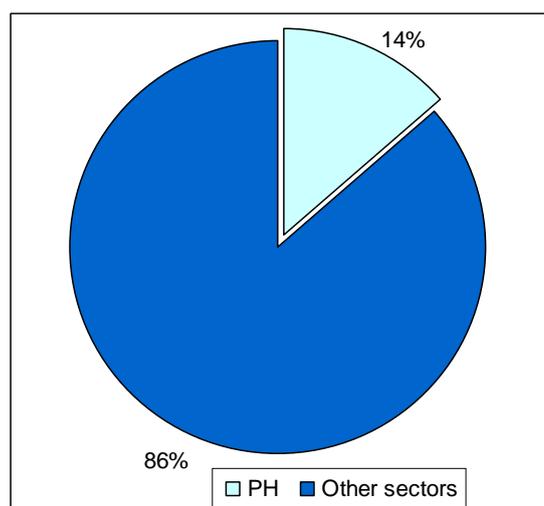


Chart 8.2  
Share of fixed assets owned by Producer Households (net of dwellings), 2008



## IX. Estimating regional Households' disposable income

100. The distinction between consumer and producer households is carried out also at a regional level to compile regional household accounts. The regional estimates are carried out separately for each of the disaggregated flows that compose the aggregates of household accounts. For each flow the most suitable indicator for regionalization is used.

101. The production account and therefore mixed income and gross operating surplus are first estimated in the region where they are produced, coherently with Regional Accounts producing regional GDP, but from the generation of primary income accounts, all flows are estimated according to household residence. Therefore some inter-regional transfer flows are estimated. Mixed income is estimated in the region where it is produced, then

distributed according to the household regions, at the same way also gross operating surplus generated by dwelling at household disposal which are located in a region which is not the residence one is distributed according to household residence. Household disposable income is therefore computed according to household residence.

102. The main findings for consumer households are:

- Southern regions show a lower contribution of labour incomes to disposable income (in terms of compensation of employees, income distributed from producer households and income distributed from corporations) and higher weight of social protection benefits;
- In central regions the incidence of compensation of employees is the highest;
- Property incomes contribute more to consumer households disposable income in northern regions.

Table 9.1

**Composition of Consumer Household disposable income in the Italian regions, 2008**

	Gross operating surplus (+)	Compensation of employees (+)	Mixed income transferred to CH (+)	Income from corporations (D422+D423) (+)	Other property income, net (+)	Primary income (=)
<b>Italy</b>	<b>11.1</b>	<b>62.9</b>	<b>18.1</b>	<b>10.8</b>	<b>10.7</b>	<b>113.6</b>
North-West	11.3	62.6	18.7	11.4	13.7	117.6
North-East	11.1	63.5	18.6	11.9	12.3	117.4
Centre	11.6	64.7	18.1	11.6	8.7	114.6
South and Islands	10.3	61.1	16.9	8.7	7.4	104.4

	Current taxes (-)	Social contribution (-)	Social Benefits (+)	Other current transfers (+)	Disposable income (=)
<b>Italy</b>	<b>18.2</b>	<b>23.6</b>	<b>29.4</b>	<b>-1.1</b>	<b>100</b>
North-West	20.4	23.8	28.3	-1.7	100
North-East	18.6	24.2	26.9	-1.6	100
Centre	18.6	24.3	29.5	-1.2	100
South and Islands	14.9	22.5	32.7	0.2	100

103. Performing the estimates and the analysis separately for consumer and producer households also at a regional level also consents to compare the performance of small enterprises to the average one.

104. From Chart 9.1 it is possible to see how producer households display lower average growth rate for each sector of economic activity in the period 2005-2008 (the only exception is agriculture in the South of Italy). This proves to be not a specific regional feature, but it is true for all areas and all sector of economic activity.

105. If small size enterprises may slow down economic growth, at the same time they show to be more flexible during economic crises, showing a lower decline of gross value added in 2009 (Chart 9.2).

Chart 9.1  
Average gross value added 2005-2008 growth rate for total economy and PH only by geographic area

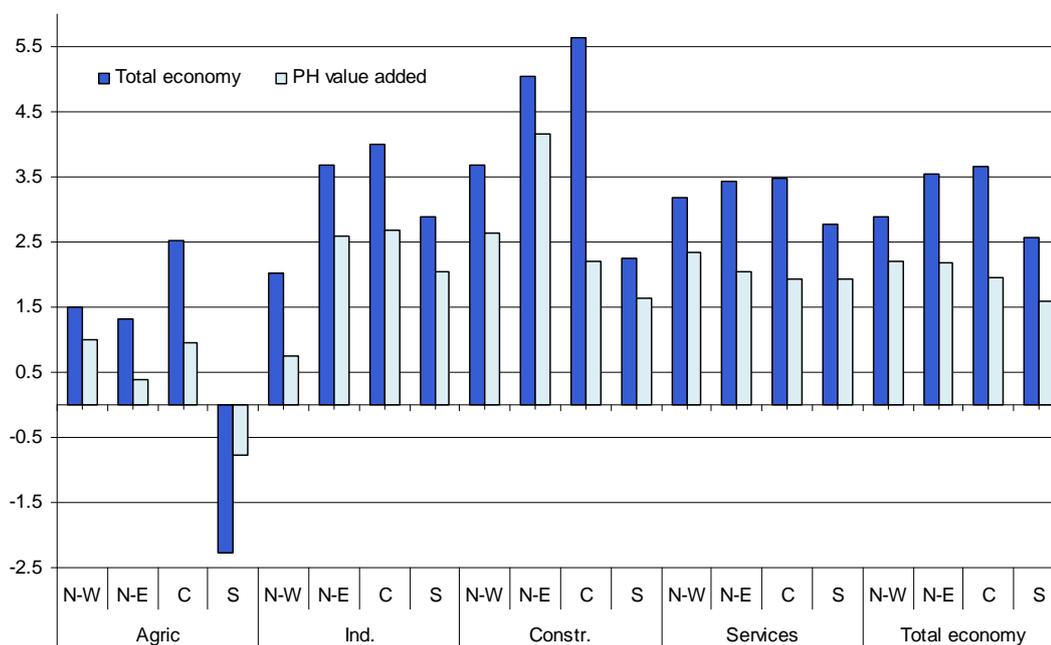


Chart 9.2  
Gross value added 2009 growth rate for total economy and PH only by geographic area

