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MEASURING DOMESTIC TOURISM AND THE USE OF HOUSEHOLD INCOME/EXPENDITURE SURVEYS (HI/ES)

THE METHODOLOGICAL BACKGROUND

Statistics and Tourism Satellite Account Programme

Madrid, July 2010

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Presentation¹

The World Tourism Organization (UNWTO) considers the Household Income / Expenditure Survey (HI/ES) to be the most efficient and suitable instrument for measuring domestic tourist activity based on different reasons:

- important information is furnished on the household environment and its components, thereby helping to explain the tourism activity of residents;
- it also allows for forecasting basic characteristics of household tourist activity;
- because of the solidity of this type of survey, primarily designed and used to measure the consumer expenditure of resident populations (one of the key variables of tourist activity);
- due to its widespread use in different countries;
- etc.

In light of that, the UNWTO requested in November 2002 the cooperation from International Labour Organization (ILO) in order to include tourism in the new HI/ES conceptual framework as a potential area of application.

ILO attended the demand and in fact, paragraph 76 of the final Resolutions of the Seventeenth International Conference of Labour Statisticians (held in Geneva, 24 November-3 December 2003) opens that possibility²:

“To the extent possible, data should be collected in such a way that various aggregates of household consumption expenditure, household expenditure, actual final consumption and household income may be computed to satisfy users’ needs for national account estimates, compilation of consumer price indices, welfare analysis and other analytical contexts. In particular, to the extent possible, data should be obtained from households or from other sources on:

- (a) *the consumption of social transfers in kind and other in-kind services;*
- (b) *outlays for investments, net changes over the reference period in savings (including valuables) and in household or personal liabilities and other such disbursements;*
- (c) *direct taxes, social contributions and transfers paid; and*
- (d) *the place of acquisition (e.g. location, type), for expenditures incurred while on tourism-related trips, where required for domestic tourism statistics.*

¹ The present document is a updated version of chapter I of ILO/UNWTO “Measuring Domestic Tourism and the Use of Household Surveys – a working paper”, drafted by September 2005.

² A common practice in HI/ES is to record the expenditure incurred by the residents in a specific administrative area (region, province, city) by products but do not take account of the precise location where this expenditure actually takes place; without determining such information it is not possible to distinguish tourism consumption from other types of consumption;

To ensure the quality and usefulness of the data, special data collection mechanisms may need to be adopted other than those used for household expenditure statistics.”

The revision process of the international standard adopted by the Seventeenth ICLS in 2003 on HI/ES has been quite ambitious and significant in many respects. This paper only highlights a limited number of issues identified in the Report II “Household income and expenditure statistics” presented to the Conference as well as their formal expression in the corresponding Resolutions adopted by the Conference.

Readers interested in issues such as

- data collection methods (parr. 216-218 of Report II)
- recording of data (parr. 226-229 idem)
- survey design (parr. 242-247 idem)
- sample design (parr. 248-254 idem)

and also in others more specifically related with the Tourism Satellite Account development like

- transfers (parr. 82-95 idem)
- income valuation methods (parr. 270-274 idem)
- owner occupied dwelling (parr. 275-288 idem)
- social transfers in kind (parr. 293-296 idem)

are invited to have a look to the official texts already mentioned (available at <http://www.ilo.org/public/english/bureau/stat/techmeet/16thicls/index.htm>)

Aside from presenting these methodological references, the purpose of this paper includes a proposal by the UNWTO for a “tourism module” for inclusion in HI/ESs, as well as a set of experiences having to do with a relatively new field in tourism statistics (as its current level of development is not comparable to that of inbound tourism).

1. General overview

1. This document lists the references of the new conceptual framework of Household Income/Expenditure Surveys (HI/ES) as approved by ILO in 2003 that are directly related to tourism observation units and characteristics: most of the mentioned conceptual references are centred on the estimation of tourism expenditure.

2. References applicable for tourism statistics purposes

2. Household income and expenditure statistics serve a variety of purposes with respect to economic, social and other forms of description and analysis.
3. From a tourism perspective, there are some specific applications uses of special interest:

- *Consumer price index (CPI) and derived "tourism price indexes".* Consumption expenditure statistics are used in the compilation of CPI to:

- (i). in the computation of CPI. The key statistics required are the identify the goods and services that should go into the basket; and
- (ii). derive the component expenditure shares for categories of the goods and services covered by the CPI. The latter are used as weights levels or share of expenditures for different categories of goods and services, assumed to have similar price movement for the population groups covered. Although other sources are used in the construction of weights, expenditure surveys are considered the main source for this purpose. (*para. 14 of Report II*).

Household consumption expenditure (HCE) (by type of expenditure) in the most appropriate aggregate for the estimation of weights for CPI, especially the monetary component of HCE. Actual final consumption is a more appropriate aggregate for welfare analysis as it takes into consideration all consumer goods and services available to a household for the satisfaction of its needs and wants. (*para. 114 of Report II*).

- *Welfare analysis.* The capacity to consume (measured by income, assets and access to credit) and actual consumption (measured by consumption expenditure) are two sides of the same coin of economic well-being. The relative conceptual and measurement advantages of using income or using consumption expenditure in doing this are well known. Consumption expenditure is relatively more stable over time, as households tend to smooth out their consumption, and so is a better measure of living standards. It is also easier to understand conceptually as well as less sensitive and so probably more accurately measured. Cash income, which in many countries forms the bulk of income, is less complex to measure and so can be observed reasonably accurately, frequently and relatively cheaply.....(*para. 17 of Report II*).

- *National accounts.* In the compilation of national accounts, income and expenditure statistics based on micro data can serve both as the basis for estimates of certain components for the household sector and as quality control checks for estimates of components produced from other types of statistics. For example, consumption expenditure statistics based on micro-data can be used for some components of personal consumption expenditure in national accounts supplementing production and sales statistics. These statistics could also be used for the production of satellite accounts such as the tourism satellite account (*para. 19 of Report II*).
 - *Other type of analysis.* Some other types of studies using income and expenditure statistics include:
 -
 - (2) labour market analysis – relationships between income, or some components of income, and characteristics of workers, jobs, place of work and job search;
 - (3) formulation and monitoring of wage policies – including the setting of minimum wages;
 - (4) analysis of the determinants of consumer behaviour;
 -
 - (9) measuring the economic impacts of tourism.
(*para. 22 of Report II*)
 - *Consumer demand and market research.* Household income and expenditure surveys provide a rich source of data for studying the consumption and buying habits of different population groups and for market research, provided sample sizes are large enough and expenditures at product categorization are available. Using synthetic methods to combine consumption expenditure statistics and data from population censuses enriches these types of analyses. (*para. 23 of Report II*).
4. All these applications are connected with different parts of WTO's Statistical Programme and related areas of analysis. That is the case of:
- the Tourism Satellite Account project (being "satellite" to the System of National Accounts 1993 (1993 SNA));
 - international comparability of domestic tourism figures;
 - tourism competitiveness not only between countries but also between different regions in a given country;
 - regional measurement and analysis of tourism activity of residents

3. The case of income and expenditure measurement

5. The framework for the measurement and analysis of domestic tourism identifies as the main variables the tourism trips, visitor and travel party and enumerated the corresponding characteristics of each of them (see IRTS 2008 Compilation Guide, chapter 2 “Conceptual background and related observations issues: general overview”). Household Income and Expenditure Surveys conceptual references are centred on the characteristics of households, statistical units and above all, on those relative to the estimation of income and expenditure.
6. All along this chapter, references to Resolution and Report II should be understood as:
 - final Resolutions of the Seventeenth International Conference of Labour Statisticians (held in Geneva, 24 November – 3 December 2003). *These references appear in italics;*
 - Report II “household income and expenditure statistics” presented to the above-mentioned Conference. These references are shown in boxes.

3.1. General Background

7. **Resolution paragraph 1.** *Household income and expenditure statistics may serve as a basis for the description and analysis of a wide range of economic, social and other issues among which its most important uses are:*
 - (a) *to assess the level, structure and trends of the economic well-being of households and individuals in terms of the distribution of income/consumption expenditure across households and individuals for various population subgroups of interest;*
 - (b) *to determine baskets of goods and services as well as to obtain weights and other useful information for the compilation of consumer price indices, cost of living indices, indices of comparative costliness, etc.;*
 - (c) *to compile the sequence of accounts for the household sector, to check the quality of estimates produced from other sources, and to reconcile national account estimates with micro-level data;*
 - (d) *to formulate, implement, monitor and evaluate social and economic policies;*
 - (e) *to carry out studies of the relationship between income and expenditure statistics and various socio-economic characteristics of individuals and households;*
 - (f) *to study consumer behaviour among socio-economic groups;*
 - (g) *to develop and monitor policies relating for example to tourism, nutrition, food security, housing, migration, education, labour market and health;*
 - (h) *to contribute to the study of poverty and social exclusion*

3.2. Statistical units

Resolution paragraphs 54.

8. *The statistical units for the collection and analysis of statistics on income and on expenditures are defined as follows:*
 - (a) *Household: The concept of household should be consistent with the one adopted in the latest version of the Principles and recommendations for population and housing censuses of the United Nations.*
 - (b) *A household may be either:*
 - *a one-person household, i.e. a person who makes provision for his or her own food or other essentials for living without combining with any other person, or*
 - *a multi-person household, that is to say, a group of two or more persons living together who make some common provision for food or other essentials for living.*
9. *The persons in the group may pool their incomes and may, to a greater or lesser extent, have a common budget; they may be related or unrelated persons or a combination of both.....*
10. *56. The household is the basic sampling unit and unit of enumeration. The dwelling unit or the individual may also be used as the sampling unit, as may the postal or physical address.*
11. *57. From the standpoint of statistics on consumption expenditures, the household is the appropriate unit of analysis*
12. **and 58.**

Household income and household expenditure statistics should cover all persons living in private households in a country, including students sharing accommodation, and lodgers. Collective households, such as retirement homes, university/school accommodation, etc. may be included provided the members are involved in decision making about their consumption, including the consumption of housing services. Other collective households like boarding houses, hotels, etc. and institutions such as military installations, hospitals, penal institutions, university/school accommodation where students are not involved in decision-making about their consumption, and so on, should be excluded from the coverage of these statistics. However, identifiable households within the institutions may be included.

supported by Report II paragraphs

190. The recommendation in all is that the household should be the unit of enumeration (data collection) although some components of income and consumption expenditures could be collected at the individual level. The units of analysis below the household level can be derived from the information collected. The

dwelling unit or household is usually the sampling unit when data are collected through surveys. Some components of income and consumption expenditures can be collected through administrative sources, sometimes at the individual level (e.g. from tax records) and sometimes at the household level (e.g. from social assistance records).

192. The Meeting of Experts agreed that the household should be the preferred unit of sampling, enumeration and analysis. However, for analysing income distribution, it may be useful to constitute an income unit based on the notion of shared command over income resources. The individual is a useful unit when using administrative registers. Participants, however, felt that the family was becoming less used as a unit.

supported by Report II paragraphs

193. In general, only the population living in private households in a country is covered by income and expenditure statistics collected at the micro level. Thus, people living in collective households like boarding houses, hotels, etc. (for example tourists), or in institutions like military installations, school dormitories, university housing, hospitals, penal institutions, religious institutions, retirement homes and so on, are usually excluded from coverage.

194. There are some borderline cases like students sharing accommodation, a large number of lodgers in a private house, etc., which could be classified as collective households. Also, in some private collective institutions such as for students or the elderly, residents may have considerable leeway in what they consume. Decisions on these borderline cases depend on national circumstances. Exclusions from coverage, especially of households of students and the elderly, could affect the distribution of income, as a high proportion of them are usually poor households.

195. The Meeting of Experts agreed with the proposal that all private households should be covered, including students sharing accommodation, lodgers (below some nationally specified maximum) and households of living-in workers of institutions. For CPI purposes the coverage should be as wide as possible but collective households should be omitted unless the members are involved in the taking of joint decisions about consumption expenditures.

3.3. Household characteristics

Resolution paragraph 59.

13. *The membership of a household consists of all persons usually resident in the household, where usual residence should be defined in a manner consistent with the provisions in the latest version of the Principles and recommendations for population and housing censuses of the United Nations. A minimum duration of six months may be used as one of the criteria for determining usual residence within the household.*

supported by Report II paragraphs

196. Assigning individuals to households can be done in one of three ways. Individuals who were present in the living quarters at the time of data collection (de facto), individuals who are legally recognized as residing at the living quarters (de jure) or individuals who usually reside at the living quarters. The choice is really between the de facto and the usual residence approaches. The de facto approach can misrepresent the economic well-being of a household with a short-term guest whose income is not in any way shared with the rest of the household. The decision can be crucial with respect to assessing the economic wellbeing of one-person households, e.g. students, persons temporarily away from their usual residence for reasons of work.

197. The recommendation in the “Principles and recommendations for the population and housing censuses”, which is the same as that of the Canberra Report (Canberra Group, 2001), is to use the usual residence criterion. The difficulty in this is specifying what is meant by usual. What should be the maximum period for an individual to be absent and under what circumstances will that person be considered to be no longer usually resident in the household? Conversely, what should be the minimum period for an individual to reside in a household before being considered as usually resident there? Also, as households may change in composition over the reference period, data collection for some usual members who have left the household could prove problematic.

198. The recommendation to the Meeting of Experts was to collect and record separately information for: (a) those usually resident and present at the time of data collection; (b) those usually resident but temporarily absent at the time of data collection (along with details about the period of absence); and (c) those present in the household at the time of data collection but who usually reside elsewhere (along with details on the period of stay in the household). Then, depending on the context of the analysis, the unit of analysis could be variously constituted. The criteria for deciding usual residence would depend on national circumstances.

199. The Meeting rejected this proposal as too impractical. It preferred the use of the criterion of usual residence with countries given the option to decide on how best to define “usual”. The Office was requested to carry out further work to determine how various countries define “usual residence” in the interest of comparability. The results of this study are available in the room document on practices of member States.

200. The EUROSTAT manual on income measurement recommends the use of six months as the criterion for usual residence provided the person does not have “a permanent address elsewhere (that is, another address where potentially they could be enumerated)”. It identifies the groups on the borderline as students, those working away from home, live-in domestic workers, boarders, lodgers, tenants and visitors (EU-SILC, 2002, page 69, section 4.2.1). The use of the residence criterion poses a particular problem for tourism statistics, as information relative to same-day visitors are then not provided (Pérez Mira, 2001, page 3).

201. It should be noted that the shorter the cut-off period for qualification as a usual resident, that is the more inclusive the definition, the larger households would tend to be in size and this itself would result in a higher mean household income (fewer households for the same total income) and less-dispersed income distribution.

3.4. Income: concepts and basic definitions

Resolution paragraph 16.

14. *Income from household production of services for own consumption consists of the net estimated value of housing services provided by owner-occupied dwellings, of unpaid domestic services and of services from household consumer durables. These are services that fall under the general production boundary of the system of national accounts. Because of measurement issues, owner-occupied dwellings may be the only part of this component that could be included for now. The operational definition of this component should be clearly described when estimates for it are presented or included in estimates of the total income of households. The net estimated values of housing services from owner-occupied dwellings should be presented separately from the estimates for other services. Estimates of the values of these services should be made in a consistent manner in producing household income and household expenditure statistics when these are to be analysed jointly.*

supported by Report II paragraphs

76. *Owner-occupied dwellings:* The Canberra Report treats the net imputed value of housing services provided by owner-occupied dwellings as self-employment income (Canberra Group, 2001). The basis for this is that the SNA treats homeowners as unincorporated enterprises providing these services to their own households. However, the SNA states that: "... There is no labour input into the production of the services of owner-occupied dwellings ..." (SNA, 1993, paragraph 4.150). Thus, SNA does not associate this income with any employment activity.

79. The recommendation to the Conference is to classify this net estimated value as income from household production of services and neither as property income nor as income from self-employment.

80. *Consumer durables:* A similar discussion to that for housing services applies to the services from household consumer durables such as cars, washing machines, cookers, etc. Conceptually, the imputed value of such services less expenses, even if it could be determined, cannot be classified as self-employment income but should be treated as a separate form of income that is not employment related. The Canberra Report excludes the imputed value of services from consumer durables from its income measurement on the grounds that, in comparison with housing, it is likely to be small, have a shorter life and less impact on income analysis. The Meeting of Experts disagreed with this assertion of insignificance for the value of these services but accepted the proposal that it should be excluded from the operational definition of income on grounds of the difficulty in valuing such services. As noted in the case of housing, it is important to ensure consistency between their treatment as income and as consumption expenditure.

Resolution paragraph 19.

15. *Transfer of housing services between households should be considered as income for the recipient household. Although income includes current transfers received in the form of services from governments and non-profit institutions (social transfers in kind) and in the form of other services from households, the operational definition of income should exclude such transfers until methods exist for valuing them that are widely acceptable.*

supported by Report II paragraphs

92. *Social transfers in kind (STIK)* come from government-provided services to individual households such as education, health, social welfare, transport and cultural services (when most funding comes from government). These are called individual services, as distinct from collective services such as security (law and order), defence and public administration.

95. The view of the Meeting of Experts was that these transfers of services, especially social transfers in kind, were important for welfare analysis, but their regular inclusion in an income measure would be difficult. A Government participant informed the Meeting that STIK were in fact valued from time to time in that person's country. The recommendation to the Conference is that social transfers in kind and transfers of services from other households be excluded for now from the operational definition of income but countries should value STIK from time to time because of their importance for welfare analysis.

3.5. Expenditure

a. Concepts, basic definitions, and classifications

Resolution paragraph 26.

16. The **actual final consumption** of a household is the sum of its household consumption expenditure and the value of consumer goods and services acquired or used by the household through transfers from government, non-institutions or other households. This is the most appropriate concept for welfare analysis as it takes into account all consumer goods and services available to a household for the satisfaction of the needs and wants of its members.

17. **and 27.**

Household expenditure is defined as the sum of household consumption expenditure and the **non-consumption expenditures** of the household. The latter are those expenditures incurred by a household as transfers made to government, non-profit institutions and other households, without acquiring any goods or services in return for the satisfaction of the needs of its members. Household expenditure represents the total outlay that a household has to make to satisfy its needs and meet its “legal” commitments.

supported by Report II paragraphs

110. Households have personal needs and wants that are directly satisfied through consumption of goods and services resulting from activities that are productive in an economic sense (SNA, 1993, 6.6, page 121). These goods and services are referred to as **consumer goods and services** and their individual value is defined as the **consumption expenditure** on these goods or services.

111. Household consumption expenditure (HCE) is the value of consumer goods and services that were acquired (used or paid for) by a household for the direct satisfaction of the needs and wants of its members:

- (a) through direct monetary purchases in the market;
- (b) through the market-place but without using any money as means of payment (barter, income in kind); or
- (c) from production within the household (own-account production).

112. This definition of HCE is consistent with that of the SNA, except for the latter’s limitation of own-account production to only goods, housing services and paid domestic services (SNA, 1993, paragraph 9.45, page 208). The EUROSTAT HBS manual (EU-HBS, 1997) and the existing Fourteenth ICLS resolution on household income and expenditure surveys use the same definition as that of the SNA. The ABS framework publication restricts the definition of HCE to only monetary purchases of services and non-durable goods (ABS, 1995).

113. Households also acquire (or use) consumer goods and services that satisfy the needs and wants of its members through social transfers in kind from government and non-profit institutions or through transfers from other households. The sum of HCE and the value of these transfers is referred to as **actual final consumption (AFC)** of the household. This is the total value of consumer goods and services available to the household for satisfying the needs and wants of the household members. The same aggregate is used in the SNA (SNA, 1993, section 9.72, page. 212), except for transfers from other households, and in the EUROSTAT HBS manual (EU-HBS, 1997). The ABS framework publication (ABS, 1995) includes services from unpaid household work in its own definition of AFC.

114. Household consumption expenditure (by type of expenditure) is the most appropriate aggregate for the estimation of weights for CPI, especially the monetary components of HCE. Actual final consumption is a more appropriate aggregate for welfare analysis as it takes into consideration all consumer goods and services available to a household for the satisfaction of its needs and wants.

115. The existing resolution on household income and expenditure surveys does not include any reference to AFC. The Meeting of Experts, however, agreed that both aggregates were useful and should be covered by the guidelines, although an Employer participant had some misgivings about the inclusion of in-kind consumption expenditure in the aggregates.

18. HI/ES uses the Classification of Individual Consumption by Purpose (COICOP). It should be mentioned that the list of products to be used should allow the correspondence between the list of characteristic tourism products proposed in the TSA official document and COICOP.

Resolution paragraphs 87.

19. Income should be classified by types of source, at as detailed a level as relevant and, to the extent possible, by means of payment so that users would have the option of including or excluding in-kind receipts, e.g. to facilitate international comparisons. Wages and salaries packaging that is negotiated at the discretion of the employee and is to be delivered as goods and services should be considered as monetary income and not in-kind income.

20. 88. Household expenditures should be reported in such a way as to permit their classification in various ways to meet different analytical and descriptive purposes. They should be classified in a way that is meaningful for analysis at national level, especially for purposes of compiling consumer price indices. However, to enhance international comparability, national classification systems of household expenditures should, as much as possible, be compatible with the Classification of Individual Consumption according to Purpose (COICOP), at least at the division level. Wherever possible, information should be available for regrouping expenditures into relevant COICOP categories at least at the group (three-digit) level.

supported by Report II paragraphs

263. For descriptive and analytical purposes, it is necessary to group the data collected on various variables into classes in some meaningful way. Factors that need to be taken into consideration include economic reality, users' needs and a grouping structure such that items within groups are more similar, in some sense, than items between groups, and the groups are mutually exclusive and exhaustive.

264. At present, there is no internationally accepted classification of types of income. Most countries, however, report their income statistics by sources of income at various levels of details with the highest aggregated group level given as paid employment, self-employment, property, transfer and other income. Another classification is by means of payment in terms of cash or non-cash (valued, imputed). The Canberra Report (Canberra Report, 2001, Appendix 1) identifies nine groups for total income – based on source as first level and means of payment (cash, non-cash) as second level. A task force set up by EUROSTAT in 1998 proposed seven groups for total income, and 11 for disposable income distinguishing different sources of income. ABS (1995) recommends a classification of income by source (at various levels of details) and then by means of payment (cash, in-kind), by type of employee, etc. It is also possible to report income according to the institutional

sector from which it is generated, to wit: corporations, government, NPISHs and households. Column 1 in Annex 2 of Chapter 3 is an example of categorization of income by source with ten groups for total income and 13 for disposable income.

(Paragraph 86 of the draft resolution)

265. The United Nations Statistical Commission has adopted the latest revision of the Classification of Individual Consumption According to Purpose (COICOP) for use with the SNA (UNSD, 1999). This classification system is a functional classification of expenditures by the purposes or objectives for which these expenditures occurred. It consists of 12 divisions, 47 groups and 114 classes of goods and services with the classes further distinguished into durable goods (D), semi-durable goods (SD), non-durable goods (ND) and services (S). The divisions are categories of purposes such as for nourishing the body, prevention and curing of illness, acquiring knowledge, travelling, etc. Below them, the groups and classes are product types. Some organizations, e.g. EUROSTAT, and some national statistical offices, e.g. the Bureau of Labor Statistics of the United States, have developed their own systems that have greater detailed levels than COICOP. Expenditures at the detailed level can be mapped in a compatible way to what is referred to as COICOP HBS (EU-HBS, 1997, page 3).

266. There are some issues with using COICOP. These stem mainly from multi-purpose items (e.g. sportswear could be used for both recreation and clothing) and bundled purchases (holiday packages include transportation, accommodation and catering) (UNSD, 1999). Moreover, the data are collected by type of product and not by purpose. So the classification by purpose requires the adoption of some general rules, especially for dealing with ambiguous cases (INSEE, 1999, page 32). For example, bicycles are classified under transportation or under leisure depending on their main use in the country where bicycles are predominantly used.

267. Other classifications exist. For example, classification may be by type of product based on one of (a) physical properties of the goods and nature of the services; (b) the economic activity from which the product originated; (c) the production process; and (d) how the goods and services were obtained (purchases, own production, from own enterprise, from an employer, from a charity, etc.).

268. When the main purpose for expenditure statistics is estimating CPI weights, CPI and consumption expenditures statistics should use compatible classifications. If not, documentation should be provided so that the data sets can be made compatible. Compatibility with the classification scheme used in national accounts is also important.

269. The Meeting of Experts accepted the recommendation that, to facilitate international comparability, national classification systems of consumption expenditures should as much as possible be compatible with COICOP, at least at the division level. The information required for regrouping expenditures into the relevant COICOP categories (i.e. a concordance file) should be available to users. For those countries updating their coding system or creating new ones, it would be preferable to incorporate COICOP digits, at least at the three-digit level, into the coding indices for their system. In particular, data on multipurpose items, e.g. bicycles, should be available in such a way that users could classify them differently if so required.

3.6. Scope

Resolution paragraph 75.

21. *Information on the membership of the household (socio-demographic and employment characteristics) and on the household characteristics (geographical location, level of urbanization, dwelling characteristics) should be collected. Other variables such as health situation, educational attainment may be collected for analytical purposes.*

Resolution paragraph 76.

22. To the extent possible, data should be collected in such a way that various aggregates of household consumption expenditure, household expenditure, actual final consumption and household income may be computed to satisfy users' needs for national account estimates, compilation of consumer price indices, welfare analysis and other analytical contexts. In particular, to the extent possible, data should be obtained from households or from other sources on:
- (a) *the consumption of social transfers in kind and other in-kind services;*
 - (b) *outlays for investments, net changes over the reference period in savings (including valuables) and in household or personal liabilities and other such disbursements;*
 - (c) *direct taxes, social contributions and transfers paid; and*
 - (d) *the place of acquisition (e.g. location, type), for expenditures incurred while on tourism-related trips, where required for domestic tourism statistics.*
23. *To ensure the quality and usefulness of the data, special data collection mechanisms may need to be adopted other than those used for household expenditure statistics.*

supported by Report II paragraphs

240. The recommendation for the population coverage of these statistics implies that only the expenditures of residents in the country or economic territory are to be collected. This, however, still leaves the key issue of the inclusion of their expenditures while on trips within the country (domestic tourism) or outside the country (outbound tourism). For welfare analysis the answer is clear; all expenditures should be included no matter where they occur. For the compilation of CPI, the question extends to which prices to use or what assumption should be made about these prices (CPI, 2003, Chapter 4). If it is decided to use a different set of prices, then these expenditures should be separately identified from the others (the local ones made while at the usual residence). To do so, it would be necessary to collect data on place of acquisition (in local area, elsewhere within the country, outside the country) for those who have made such trips.

241. The importance of identifying these expenditures also arises with tourism statistics where it is recognized that to quantify the economic impacts of tourism "it is necessary to quantify domestic tourism" (Massieu, 2002, page 3, section 2.3). Massieu argues that while statistics on outbound tourism can be obtained from other sources such as statistical operations at border-crossings, those for domestic tourism can only come from household surveys such as household expenditure surveys or similar surveys. Some countries have mounted special surveys (Ecuador, India, European Union countries), some others have used a sub-sample of their household budget surveys to do so (Switzerland) while others include certain questions on tourism expenditures in their budget surveys (Colombia, Spain and the United States). In the Netherlands, a special holiday diary is maintained for a year. At the Meeting of Experts, some participants also indicated that expenditures abroad were covered by their surveys, although data collection was in general more difficult and less detailed than those of in-country purchases. While accepting the importance of collecting expenditures on trips, the proposal is to do so through special modules and/or through sub-sampling to reduce the burden on the survey instrument.

3.7. Valuation

Resolution paragraph 89.

24. *Income in kind (goods and services) and other goods received as transfers in kind should be valued at market prices for equivalent goods and services. Own-produced goods for own consumption should be valued at market prices for equivalent goods when estimating consumption expenditure, and at producer or basic prices when estimating household income. Where this is not possible or not advisable, self-evaluation by the respondent may be used in both instances. Data should be collected on the quantities acquired and the relevant prices, unless self-evaluation is being used.*

Resolution paragraph 90.

25. *For consistency with the System of National Accounts, the services of owner-occupied dwellings should be valued as the rental equivalence when estimating consumption expenditure. For the estimation of household income, those housing costs normally paid by landlords should be deducted from the rental equivalence. These costs may include property taxes, property and liability insurance, mortgage interest, water and sewerage charges, repairs and maintenance of the dwelling. Details of the costs should be made available to facilitate different analytical and descriptive needs, e.g. international comparability.*

Resolution paragraph 91.

26. *Depending on national circumstances, the user-costs approach may be adopted for consumption expenditure of owner-occupied dwellings and the interest on home equity may be used for the corresponding measurement of household income. In particular, if rental markets are limited or do not exist, this approach or the out-of-pocket expenditures of owner-occupiers may be used. In the case of the latter, it should be noted that the estimated housing expenditure derived includes some non-consumption costs and that there are no corresponding additions to household income.*

Resolution paragraph 92.

27. *Where rents are subsidized, rental flows should be evaluated at market value for an equivalent dwelling.*

Resolution paragraph 93.

28. *To estimate consumption expenditure of owner-occupied dwellings, data should be collected on:*
- (a) housing characteristics (age, size, type of construction and facilities, maintenance and repair costs, status of neighbourhood);*
 - (b) rents for rented dwellings (from the survey or from other sources) and market value of dwellings;*

- (c) *housing costs normally paid by landlords for dwellings; and*
- (d) *the owner's assessment of the rental value for owner-occupied dwellings, where relevant.*

29. *Where alternative sources are not available and ownership of a second home is an issue, data on duration of use for vacation and weekend homes should also be collected.*

supported by Report II paragraph

290. Expenditure on second homes (i.e. holiday and weekend homes) is particularly important for measuring the actual tourism consumption of visitors (Pérez Mira, 2002, page 6). If a rental-equivalence approach is used for the flow of services from these second homes, then only that proportion corresponding to the days when the dwelling is occupied should be included in the estimate of consumption expenditure. This proportion less housing costs for the full period will be the value of net implicit rent for the estimation of household income. It should be noted that this value could be negative. If the user costs approach is used, the full costs would be included as consumption expenditure while the equity interest would be included as household income, since appreciation is not considered as income. Many countries do not, however, as yet include estimated value of such housing as consumption expenditure due to the difficulties inherent in its estimation (EU-HBS, 1997, page 49, section 5.4.1 and EU-SILC, 2002, page 89, section 5.4). The data required are the same as for OOD plus data on duration of use.

Resolution paragraph 94.

30. *When the flow of services from (major) durable goods is used, the value that is determined should be the same for household income and expenditure. Data on the initial purchase price, age and other important characteristics of these durable goods may be collected.*

supported by Report II paragraph

292. In theory, similar methods to those used for owner-occupied housing can be applied for services from major durable goods (e.g. vehicles), where relevant. If there is a rental market for a major durable, its rented or lease value could be used in a rental-equivalence approach. However, as for second homes, it may be necessary to take into account the intensity of use of the durable good. Rental equivalence net of maintenance and repair expenditures, insurance costs, etc. would then be used for household income. If no rental market exists, the user-costs approach could be used for consumption expenditures with the corresponding estimation of household income (essentially equity interest as these goods do not usually appreciate). The easiest option is the accounting approach based on the value of conventional depreciation (i.e. original value depreciated over the relevant period less expenses plus claims). An inventory of these items and their relevant characteristics would be required.

3.8. Measurement

Resolution paragraph 28.

31. *For purposes of registering their expenditures, services may be regarded as consumed at the time of acquisition or at the time of payment. For goods, the choice is between the time of acquisition and the time of use. The decision*

depends on the main purpose for compiling the consumption expenditure aggregate. In particular, if it is intended for the estimation of weights for consumer price indices, the choices made should be the same in producing the aggregate and compiling the consumer price indices.

supported by Report II paragraphs

117. The registration of expenditures on consumer goods and services may be based on whether these are acquired, used or paid for during a given reference period, to wit:

- (a) acquired during the reference period irrespective of when they were wholly paid for or used;
- (b) used during the reference period irrespective of when they were acquired or wholly paid for; or
- (c) paid for during the reference period irrespective of when they were acquired or used.

Often all three events occur during the same reference period, especially for non-durable goods and if the reference period is long, in which case these distinctions do not really matter.

118. It is assumed that services are consumed on acquisition. The choice therefore is between registering expenditures on services that are consumed (or acquired) during a reference period and those that are paid for in this period. In general, consumption expenditure on services should be recorded on the basis of their acquisition.

120. The choice for registering consumption expenditure on goods is therefore between acquisition and use. Even goods such as food items may not necessarily be consumed or wholly consumed during the reference period when they were acquired. The proposal to the Conference is that the choice should depend on the purpose of the consumption expenditure aggregate. For own-produced goods, especially food items, the recommendation to the Meeting of Experts was that use was preferable. Acquisition takes place when the items are added to stock and households might not know in advance how much of a stocked product they would finally consume and how much they would sell. Indeed, for food consumption studies, actual food consumption is of particular interest. The Meeting, however, rejected this approach in favour of acquisition on the grounds that this was easier to measure.

Resolution paragraph 29.

32. *Consumption expenditure may be measured in terms of:*

- (a) *the purchase values of the goods and services (referred to as the acquisition approach);*
- (b) *the cash outflows resulting from ownership of the goods or benefiting from the services (referred to as the payment approach); or*
- (c) *the estimated values of the service flow from the goods and the values of the actual services (referred to as the consumption costs approach).*

33. *The first two approaches are jointly referred to as the **expenditure basis** for measuring consumption expenditure while the last is the **consumption costs basis**.*

supported by Report II paragraphs

123. When the timing of registration is on the basis of those goods and services paid for in a reference period, consumption expenditure is the amount paid (or obligated to be paid) for these goods and services. This is referred to as the “**expenditure basis**” for estimating consumption expenditure (Garner and Short, 2002, page 16). It can be in terms of either the purchase value of the goods and services (**acquisition approach**) or the cash outflows made towards liquidating the corresponding payment liability (**payments approach**), i.e. the out-of-pocket expenditures. It is worth noting that with the payments approach, HCE will exclude any goods and services acquired through transfers or from production within the household.

124. If the timing of registration is based on those goods and services used during the reference period, then consumption expenditure is measured on the “**consumption costs**” basis, that is in terms of the estimated values of the service flows from the goods used by the household and the value of the direct services consumed.

Resolution paragraph 30.

34. *Consumer goods that are completely consumed on acquisition or gradually consumed over a period of time after acquisition (including bulk purchases) are referred to as **non-durable goods**. Consumer goods that are used many times over a long period of time without reducing their capacity to satisfy needs and wants are referred to as **durable goods**. In some instances, the notion of semi-durable goods (relatively shorter expected lifetime) may also be useful.*

supported by Report II paragraphs

125. For goods and services acquired during the reference period, consumption expenditure can be determined on the expenditure basis, extended to include the estimated values of in-kind goods and services, or on the consumption costs basis.

126. Some consumer goods can be consumed (and disappear) immediately upon purchase and some others can be consumed partly on several occasions during the reference period or even later (bulk purchase). Other consumer goods can be used many times over a period much longer than the reference period without reducing their capacity to satisfy needs and wants. The former two types of goods are usually referred to as **non-durable goods**, while the latter are called either semi-durable goods (shorter expected lifetime) or **durable goods**. Although the usual practice is to regard services as consumed on delivery, i.e. immediately, there are also services, e.g. education and health, that are consumed several times, if not continuously, over a very long period. These should then properly be considered as durable services. We, however, continue with the conventional treatment of regarding all services as consumed on delivery.

Resolution paragraph 31.

35. *For services acquired from the market and non-durable goods, consumption expenditure measured on an expenditure basis is a good approximation for measurement on a consumption costs basis. Consumption expenditure on services and non-durable goods may therefore be measured using the acquisition approach, where this approach is extended to include the estimated values of own production of non-durable goods and those received as income in kind or through barter.*

Resolution paragraph 32.

36. *Consumption expenditure on durable goods when estimated using the acquisition approach, is in general different from the value obtained using the consumption costs approach. For use in the compilation of weights for a consumer price index to be used to monitor inflation, the acquisition approach is often used, especially when restricted only to monetary purchases. When the purpose is for use in welfare analysis or to compile weights for a cost-of-living index, the consumption approach may be preferable.*

Resolution paragraph 33.

37. *These different approaches may be combined for computing consumption expenditure on goods by using one or other for different expenditure items. In particular, to be consistent with the conventions of the System of National Accounts, consumption expenditure on owner-occupied dwellings may be valued on the consumption costs basis while the acquisitions approach is used for durable goods, non-durable goods and services.*

Resolution paragraph 34.

38. *The consumption costs approach may also be used for durable goods for the purpose of welfare analysis and the production of tourism statistics. This use may be limited to major durable goods, since the consumption costs of other durable goods do not differ greatly from their acquisition costs. For this purpose, major durable goods may be defined in terms of a long expected lifetime, such as beyond five years, combined with a relatively high value (e.g. a car or bicycle but not socks or a hammer).*

Resolution paragraph 35.

39. *Whichever of the above approaches is adopted for estimating consumption expenditure for durable goods and owner-occupied dwellings, it should be consistent with that used for estimating their contribution to household income whenever these statistics are to be analysed jointly.*

3.9. Operational definitions

Resolution paragraphs 36.

40. *Expenditure on non-durable goods is measured as the purchase value of these goods or the estimated value of those received as income in kind, through barter, from own production, from stocks of household enterprises and from transfers from outside the household. Typical examples of non-durable goods include food items, personal care items (toiletries, make-up and medical products, etc.), fuel (firewood, heating oil, coal), education and entertainment (newspapers, books, etc.), household items (cleaning products, etc.).*

41. 37. *Expenditure on durable goods is assessed in the same way as for non-durable goods under the acquisitions approach. Typical examples of durable goods are household kitchen appliances (cookers, refrigerators, dishwashers, microwave ovens, etc.), household entertainment appliances (hi-fi equipment, televisions, cameras, etc.), other household appliances (washing machines, vacuum cleaners, dryers, etc.), household transportation equipment (cars, bicycles, etc.), other household items (furniture, soft furnishings, etc.), clothing, utensils, etc.*

42. **and 44.**

Expenditures on gambling should be recorded as consumption expenditure. Any winnings may be separately recorded so that household consumption expenditure could be computed gross or net of winnings to satisfy various analytical demands. For compilation of consumer price indices, use in national accounts and for joint analysis of consumption expenditure and household income, computing this expenditure net may be preferable.

supported by Report II paragraphs

164. *Gambling expenditures:* (lottery tickets and bets) They are specifically excluded in the existing ICLS resolution and some countries have adopted a similar approach in their surveys. There are, however, some others who treat these expenditures differently. The EUROSTAT manual (EU-HBS, 1997) recommends that the stakes should be recorded gross as consumption expenditure since these payments are voluntary and are made not only to governments but also to private institutions. Gambling windfalls, however, are not correspondingly considered as income nor deducted from losses (ONS, 2000). The treatment in the United States consumer expenditure survey is that net losses (stakes less winnings) are treated as consumption expenditures but only the stakes are recorded if there is a net gain. In the latter instance, the winnings are recorded in a special income category for balancing purposes. SNA treats stakes as consisting of a service charge paid to those operating the gambling, which is therefore consumption expenditure, and an element used for paying out winnings, which is an inter-household transfer payment. So only the former should be included as consumption expenditure. This is the treatment recommended in the draft revised CPI manual of the Inter-Secretariat Working Group on Prices Statistics (CPI, 2003). Again, as for insurance premiums, such a distinction would be difficult to implement at the micro level but at the aggregate level it is estimated as the difference between payables (stakes) and receivables (winnings).

165. The recommendation in the Canberra Report is that gambling expenditures less winnings should be treated as consumption expenditure (Canberra Group, 2001, page 27, section 2.5.2.2). One advantage in this recommendation is that, when consumption statistics are aggregated across households, the estimated consumption value on gambling would be a good estimate of the service component required for CPI and national accounts. The second is that large winnings would then not seriously distort the distribution of income, as they would be recorded as negative expenditures with only a resultant increase in savings. Although there would be a risk of distorting the distribution of consumption expenditure, the effect would be minimal. Large winnings are rare and affect only the upper end of the distribution, which is not usually of much interest in poverty analysis. However, regular small expenditures on stakes would be adequately reflected in household consumption expenditure. Most participants at the Meeting of Experts endorsed this approach after some discussion.

Resolution paragraph 45.

43. *Housing decoration, repairs and maintenance normally carried out by tenants should be recorded as consumption expenditures by tenants as well as by owner-occupiers. Other major repairs and home improvements should be*

regarded as capital expenditures. Since there are differences between countries in the legal obligations of tenants in this respect, expenditures on these items should be recorded separately to allow for flexibility in their treatment in cross-country analysis.

Resolution paragraph 46.

44. *Payments (e.g. subscriptions, membership fees) to non-profit institutions such as religious bodies, trade unions and political parties should be recorded as consumption expenditure when they give rise to the provisions of goods and services acquired by the donor household.*

Resolution paragraph 47.

45. *Licences and fees paid to governments that generate the delivery of specific individual services to households should be treated as consumption expenditures. Examples include testing, inspecting and licensing the use of certain equipment (TVs, radios, firearms, etc.); providing passports, court services, access to museums, garbage collection, driving or piloting licences; and so on. In those instances where payments for licences to own or use a vehicle, boat or aircraft go towards providing for or enhancing their use (e.g. maintaining roads), they should also be included as consumption expenditure.*

Resolution paragraph 48.

46. *Consumption expenditure on services from owner-occupied dwellings should be assessed as the gross estimated value of the flow of services from these dwellings. This should extend to all dwellings owned including vacation and weekend homes.*

Resolution paragraph 49.

47. *When the consumption costs approach is used for stocks of any category of durable goods, their consumption expenditure is assessed as the estimated value of their service flow. In these instances the purchase value or estimated value of acquiring this category of goods should not be included in any previous or current estimate of household consumption expenditure. This treatment of the stocks of durable goods facilitates apportioning expenditure when goods have multiple uses.*

supported by Report II paragraphs

171. As recommended in the discussion on the measurement of expenditure on durable goods in the above section on concepts, the service flow from stocks of these goods, especially major goods could be included in the operational definition of HCE. This should, however, be in lieu of the purchase value of new durable goods or the estimated value of those acquired in kind.

172. A useful consequence of this treatment of the stock of durable goods is that the expenditure value can then be apportioned to different uses of the goods, if necessary. An example of this is splitting the expenditure between personal use of goods (consumption expenditure) and its use as input into production for an unincorporated enterprise (intermediate consumption). Another is differentiating between the use of such goods, e.g. cars, purely for tourism purposes (actual final tourism consumption) and other uses (Pérez Mira, 2002, page 7).

3.10. Frequency

48. Final resolutions of the Conference provide clear guidelines on HI/ES frequency and consequently, identifies potential opportunities for including “modules”
49. *82. A major sample survey of household expenditures, so far as possible representing all private households in the country, should be undertaken preferably at intervals not exceeding five years. Under conditions of fast-changing socio-economic and political situations, lifestyles of the population and availability of different types of goods and services, the surveys should be undertaken more frequently. Where monetary income constitutes most of total household income, income surveys may be as frequent as annual.*
50. *83. Smaller-scale surveys or other sources of statistics could be used to estimate changes in important aggregates during the interval between two large-scale surveys.*
51. *84. In certain circumstances, a continuing survey with a smaller annual sample but covering the full scope of a major survey may be undertaken. The average of its results over several successive years may provide a satisfactory substitute for a large-scale survey. While this approach may reduce the volume of work compared to large-scale surveys, it may have implications for the statistical infrastructure, particularly the need to have a permanent field structure.*