

Private household income in the regions of the European Union, 2001

Statistics in focus

GENERAL STATISTICS

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Author
Andreas Krüger

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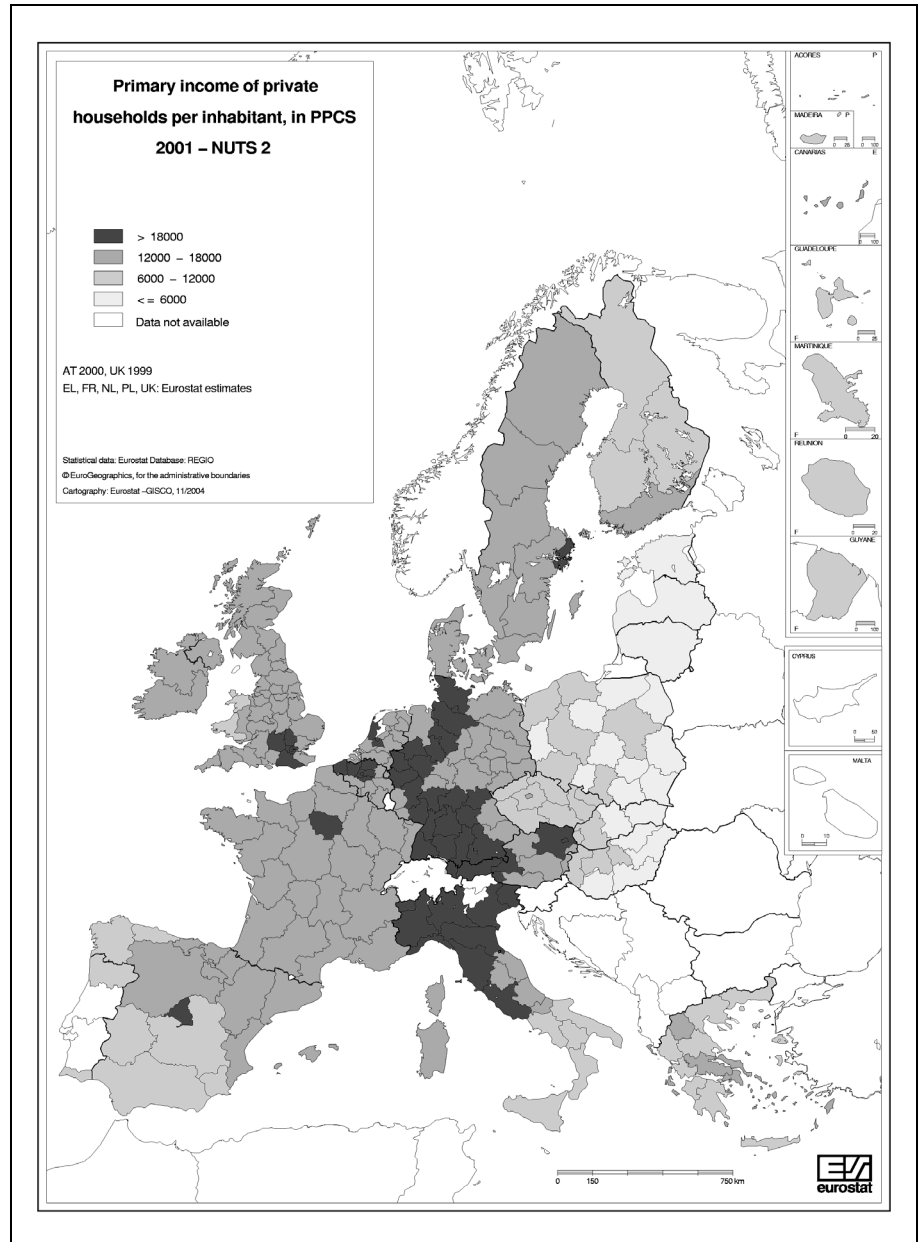


Figure 1: Primary income of private households (in PPCS) – NUTS Level 2 – 2001

According to the latest estimates for 2001, regional primary income *per capita* ranged from 4 003 PPCS in Lithuania to 24 406 PPCS in the Belgian region of Vlaams (Flemish) Brabant¹. In the region with the highest value, primary income was thus about six times that of the region with the lowest value. The region with the highest value in the new Member States was Praha in the Czech Republic, with a primary income of 12 658 PPCS.



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¹ There are no data on Cyprus, Luxembourg, Malta, Slovenia and some other regions. 21 Member States supplied data for a total of 243 NUTS 2 regions.

1. Introduction

One of the major aims of regional statistics is to measure regions' wealth - not merely out of academic interest, but as a basis for policy measures aimed at fostering the less prosperous regions. However, providing a statistical record of regional wealth is not as easy as it may first appear.

The indicator most frequently used to measure the wealth of a region is regional gross domestic product (GDP). This is usually expressed in purchasing-power standards (PPS) and per capita, to make the data comparable between regions. The latest GDP figures were published in April 2004 in *Statistics in Focus* Theme 1, Nos 1 and 2/2004.

GDP at regional level is calculated using the output approach. It is the total value of the goods and services produced in a region by persons employed there. Complex regional interpenetration plus measures taken by the State have ensured that a region's GDP is not usually the same as the income actually accruing to the inhabitants of that region, however. We can therefore obtain a fairly accurate picture of a region's economy only if we take into account the income of private households.

In market economies with State redistribution mechanisms, there are two types of household income distribution.

The allocation of primary income refers to the income received by private households by virtue of their direct participation in the production process, i.e. the purchase and sale of production factors and goods – particularly compensation of employees, i.e. income from the sale of labour as a production factor. Private households may also receive property income – particularly interest, dividends and rents. There is also, of course, income in the form of an operating surplus or self-employment income (mixed income). Interest and rents payable are recorded as negative items. The balance of all these transactions is termed the primary income of private households.

Primary income is the point of departure for the secondary distribution of income, which means the general-government redistribution mechanism. All social benefits and transfers other than in kind (monetary transfers) are now added to primary income. Households have to pay taxes on income and wealth, pay their social contributions and effect transfers from their income. The sum remaining after these transactions have been carried out, i.e. the balance, is called the disposable income of private households.

It is only in recent years that Eurostat has had data available for these income categories of private households. They are collected as part of the regional accounts at NUTS Level 2.

2. Wide regional disparities in primary income

Figure 1 shows primary income in the NUTS 2 regions of EU-25. Southern England, Paris, Northern Italy, Vienna, Madrid, Flanders, the western Netherlands, Stockholm, and North Rhine Westphalia, Hessen, Baden-Württemberg and Bavaria are obvious centres of prosperity. The north-south divide in Italy and the west-east divide in Germany are also clearly visible. In the new Member States, however, household primary income is substantially below the EU-25 average. It is usually the capital regions – particularly Praha, Bratislavský kraj, Közép-Magyarország (Budapest) and Mazowieckie (Warsaw) – which stand out as having above-average wealth.

Table 1 shows the ten NUTS 2 regions with the highest or lowest primary income per inhabitant. Of the ten leading regions, four are in Germany, two in Belgium and one each in France, Italy, Sweden and the United Kingdom. The ten regions with the lowest primary income are all in the new Member States: six regions in Poland, one in Hungary, and Estonia, Latvia and Lithuania.

The primary income per inhabitant of the wealthiest region (Flemish Brabant) is roughly six times that of the

Region	Primary income of private households per inhabitant 2001 (in PPCS)
Prov. Vlaams-Brabant (BE)	24406
Oberbayern (DE)	24096
Île-de-France (FR)	23877
Prov. Brabant Wallon (BE)	22838
Stuttgart (DE)	22681
Inner London (UK)	22394
Lombardia (IT)	22297
Hamburg (DE)	22095
Darmstadt (DE)	21692
Stockholm (SE)	21553
.....
Eszag-Alföld (HU)	5076
Podlaskie (PL)	4997
Opolskie (PL)	4987
Sw ietokrzyskie (PL)	4933
Warminsko-Mazurskie (PL)	4891
Eesti (EE)	4761
Podkarpackie (PL)	4617
Lubelskie (PL)	4598
Latvija (LV)	4473
Lietuva (LT)	4003

Table 1: EU Regions with the highest/lowest primary income 2001

least wealthy (Lithuania). Within a Member State the disparity is far narrower, with the wealthiest region usually enjoying between 1.5 and 2.5 times the primary income of the least wealthy. There are no significant differences here between old and new Member States; the only real anomaly is the very even distribution in the Netherlands, where the value for the region with the highest primary income per inhabitant (Utrecht) is only a third above the lowest value (Groningen).

All data used for the production of this publication can be accessed free of charge on Eurostat's Website under the following link:

http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/general/regio/econ-esa95/hh95&language=en&product=EU_general_statistics&root=EU_general_statistics&scrollto=0

3. Primary income and GDP

Regional per capita GDP and the income of private households can differ substantially due to a wide variety of influences. This is particularly apparent in the case of capital regions, such as Brussels or London, where per capita GDP in the capital is higher than average, whereas it is comparatively low in the surrounding regions. This effect is caused by the fact that GDP is allocated to the place of production, even though it is partly produced by workers living in the area surrounding the capital region.

The opposite effect can be observed with income, which is partly allocated to regions surrounding capital cities in which many households are resident. The per capita income there is thus higher than in the capital itself.

These effects are illustrated in Table 2, which ranks EU regions with the highest and lowest per capita GDP. When GDP is compared with primary income (cf. Table 1) it can be seen that the regions with the highest or lowest per capita GDP do not necessarily also have the highest/lowest primary income: five of the ten regions with the highest per capita primary income do not appear amongst the top ten regions for per capita GDP. It is also shown that the ratio of primary income to GDP fluctuates considerably in regions with significant commuter flows. For example, the ratio is just 43.3% in Bruxelles-Capitale, but stands at 96.8% in the province of Vlaams-Brabant situated to the north and even reaches 98.8% in neighbouring Brabant Wallon to the south. Values of between 55% and 70% would, however, be expected for NUTS2 regions where there are no great trans-regional commuter flows. If the three regions - Bruxelles-Capitale, Vlaams-Brabant and Brabant Wallon - are taken together, thus neutralising a significant proportion of the commuter flows, the ratio obtained for these three NUTS 2 regions combined is a perfectly normal 63.2%.

Region	Per capita GDP (in PPS) 2001	Per capita primary income 2001	
		in PPS	as % of GDP (in PPS)
Inner London (UK)	58881	22394	38.0
Luxembourg (LU)	48721	:	:
Bruxelles-Capitale (BE)	43601	18898	43.3
Hamburg (DE)	38275	22095	57.7
Ile-de-France (FR)	36915	23877	64.7
Wien (AT)	35459	21171	59.7
Berkshire, Buckinghamshire & Oxfordshire (UK)	33297	19506	58.6
Oberbayern (DE)	33163	24096	72.6
Stockholm (SE)	32488	21553	66.3
....			
Vlaams-Brabant (BE)	25217	24406	96.8
Brabant Wallon (BE)	23108	22838	98.8
....			
Latvija (LV)	7659	4473	58.4
Eszag-Alföld (HU)	7644	5076	66.4
Opolskie (PL)	7623	4987	65.4
Vychodne Slovensko (SK)	7615	5412	71.1
Eszag-Magyarország (HU)	7504	5373	71.6
Swietokrzyskie (PL)	7171	4933	68.8
Podlaskie (PL)	7115	4997	70.2
Warminsko-Mazurskie (PL)	6795	4891	72.0
Podkarpackie (PL)	6700	4617	68.9
Lubelskie (PL)	6577	4598	69.9

Table 2: Primary income as a % of GDP

At the bottom end of the table, which is exclusively made up of regions from the new Member States, this effect is much less pronounced: of the ten regions with the lowest primary income, only two do not feature in the corresponding group for GDP. The ratio of primary income to GDP lies within a fairly narrow band of 58% to 72%. One of the conclusions that can be drawn from this is that trans-regional commuter traffic in the economically less-developed regions of the new Member States currently plays a significantly less important role than in the EU-15 countries.

4. State measures shrink regional disparity

Unlike primary income, disposable income is largely the result of general-government measures and other transfers (see the methodological notes at the end of this publication). Because of the taxes withheld by the State, disposable income is usually less than primary income.

The most obvious result of general-government taxation and subsidies is a substantial levelling of incomes (see Figure 2). This rebalancing of incomes between the regions is noticeable in the whole of Germany, Southern and Central Italy, the United Kingdom and France, but also in Belgium, Spain and the Czech Republic. State redistribution reduces the discrepancy in such a way that the region with the highest income per inhabitant in the EU has only about four and a half times, rather than six times, the income of the region with the lowest. An analysis by country shows that, in most Member States, the disposable-income disparity between the regions is roughly an eighth to a sixth smaller than the primary-income disparity. Germany and the United Kingdom see their regional distributions levelled most, by a quarter, and the Czech Republic, Finland and the Netherlands least, by a tenth.

For 30 of the 243 regions for which data are available, disposable income is higher than primary income. Eight of these regions are in Poland, seven each in the United Kingdom and Germany, five in Greece, and one each in Italy, Lithuania and Hungary. Such a situation cannot be the result of State measures alone, however; transfers also play a role, e.g. from economically active persons formerly resident in a region but having moved to other regions and who support their dependents via transfer payments. The difference between primary and disposable income is not therefore attributable to State measures alone.

Table 3 shows that the effects described change not only the level of income, but also the rank order of EU regions. A comparison of the two tables shows that four of the ten regions with the highest primary income are

Regions	Disposable income of private households per inhabitant, 2001 (in PPCS)
Bremen (DE)	18856
Emilia-Romagna (IT)	18688
Oberbayern (DE)	18530
Lombardia (IT)	18459
Valle d'Aosta (IT)	18307
Hamburg (DE)	18259
Wien (AT)	18201
Stuttgart (DE)	18000
Ile-de-France (FR)	17984
Vlaams-Brabant (BE)	17932
.....
Eszag-Magyarország (HU)	5152
Podlaskie (PL)	5111
Eszag-Alföld (HU)	4996
Warminsko-Mazurskie (PL)	4980
Opolskie (PL)	4955
Lubelskie (PL)	4920
Podkarpackie (PL)	4747
Lietuva (LT)	4741
Eesti (EE)	4729
Latvija (LV)	4330

Table 3: EU Regions with the highest/lowest disposable income 2001

not in the top ten with the highest disposable income. At the bottom end of the spectrum, nine of the ten regions with the lowest primary income are also amongst the ten with the lowest disposable income. In five of these nine regions – four Polish regions and Lithuania – disposable income is higher than primary income. In the remaining four, disposable income is no more than 3.2% below primary income; the average difference for the Member States for which Eurostat has data is around 14%.

5. "Weak" regions dependent on social transfers

General government affects income distribution not only by withholding taxes, but also by paying out monetary social transfers. Both the volume and the regional distribution of these social transfers from the State show up characteristic differences between Member States. In some Scandinavian countries they amount to over 40% of disposable income; in the United Kingdom and Germany the figure is roughly 30%, and in Ireland and

Estonia only about 19%. Lithuania shows the lowest rate of all Member States, at slightly over 17%. In general, the proportion of monetary social transfers is smaller in the new Member States than in the older ones.

Table 4 lists the ten NUTS 2 regions with the highest and the lowest proportions of social transfers. If we leave aside the four Scandinavian regions, where general-government transfers are traditionally very high,

Region	Monetary social transfers as a percentage of disposable income, 2001 (2) (in %)
Dessau (DE)	47.0
Oevre Norrland (SE)	47.0
Halle (DE)	46.7
Norra Mellansverige (SE)	45.3
Chemnitz (DE)	45.2
Magdeburg (DE)	44.1
Leipzig (DE)	43.9
Dresden (DE)	43.5
Mellersta Norrland (SE)	43.2
Danmark (DK)	43.0
.....
Lietuva (LT)	17.4
Stereia Elada (EL)	17.3
Southern and Eastern (IE)	17.2
Dytiki Elada (EL)	16.9
Ionía Nisia (EL)	16.8
Ipeiros (EL)	15.5
Kriti (EL)	14.5
Notio Aigaio (EL)	13.8
Dytiki Makedonia (EL)	12.2
Bratislavsky (SK)	11.5

(2) EL, NL, AT: 2000; FR, UK: 1999

Table 4: Monetary social transfers as a percentage of disposable income, 2001

all six of the remaining regions with the highest transfer payments are in the new German Länder of Sachsen and Sachsen-Anhalt.

The differences between the values for the NUTS 2 regions and the national averages show that regional redistribution is far more marked in Germany than in Sweden: for Dessau the difference is 16% of disposable income (the average for Germany is 30.9%); for Oevre Norrland it is just under 10% (average for Sweden: 37.1%).

Greek regions (seven of the ten with the lowest shares of monetary social transfers) dominate the lower end of the scale, along with Lithuania, Southern and Eastern (IE) and Bratislavsky (SK).

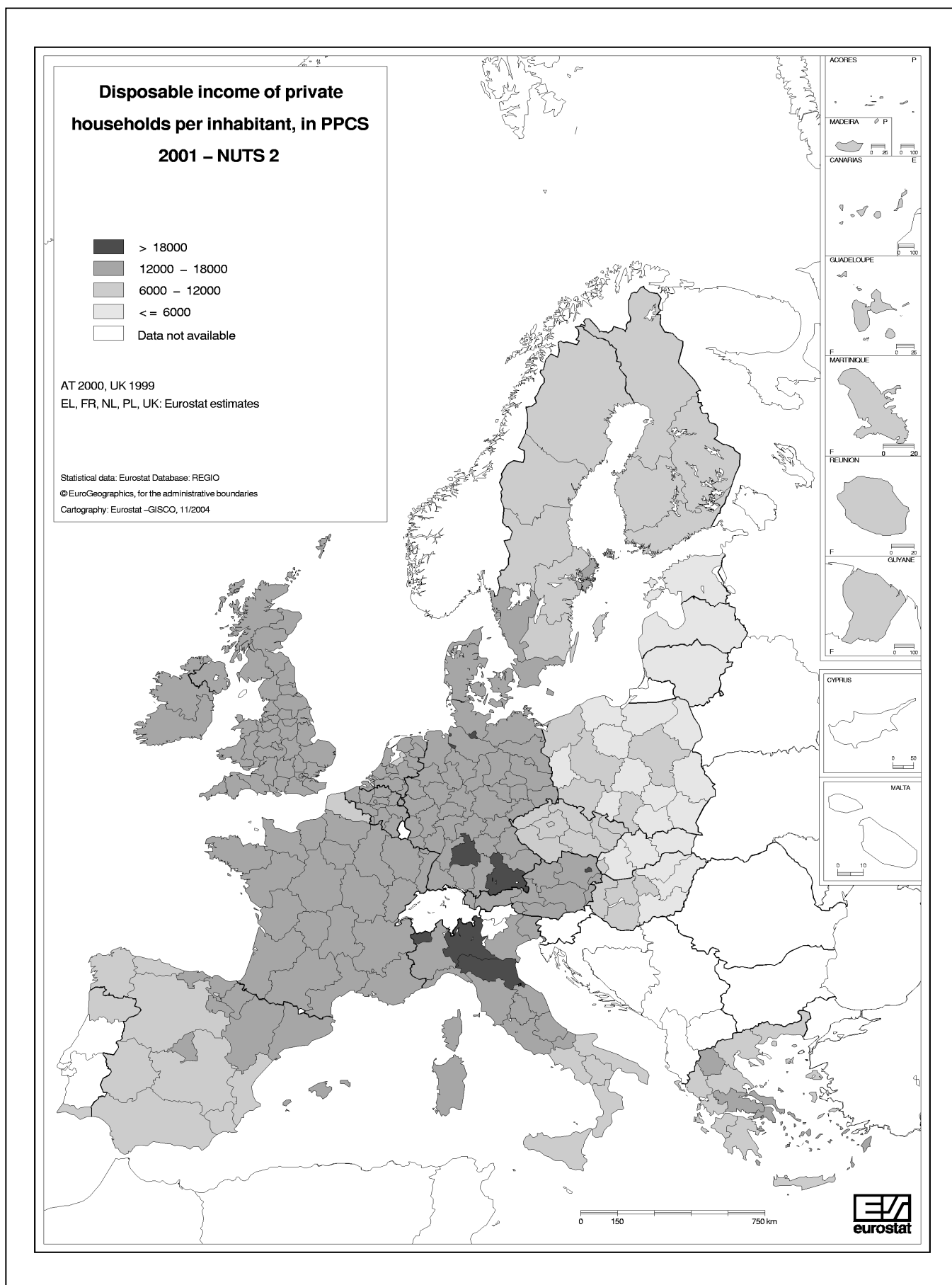


Figure 2: Disposable income of private households per inhabitant, in PPCS 2001 – NUTS 2

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

METHODOLOGICAL NOTES:

When analysing household income, we first need to decide which unit of measurement to use for the data to ensure that comparisons between regions are meaningful.

For the purposes of inter-regional comparison, regional GDP is generally expressed in purchasing power standards (PPS) so that volume comparisons can be made. The same process should therefore be applied to the private-household income parameters, so that these can then be compared with regional GDP and with each other.

There is a problem with this, however. PPS are designed to apply to GDP as a whole. The calculations use the expenditure approach and PPS are subdivided only on the expenditure side.

In regional accounts the expenditure approach cannot be used, as this would require data on regional import and export flows. These data are not available at regional level, so regional accounts are calculated only from the output side. This means that there is no exact correspondence between the income parameters and the PPS. PPS exist only for private consumption.

Eurostat regards these conceptual differences as unimportant, and converts the income parameters of private households into PPCS (purchasing-power consumption standards) by means of the consumer components of PPS.

Eurostat does not yet have a full set of data at NUTS 2 level. Data are still missing for the following regions: Ceuta-Melilla in Spain, Provincia Autonoma Bolzano and Provincia Autonoma Trento in Italy, Centre, Lisbon and Alentejo in Portugal, and Cyprus, Luxembourg, Malta and Slovenia. The 2001 data for Greece, France, the Netherlands, Austria and the United Kingdom were estimated by extrapolation.

Under the terms of Council Regulation No. 2223/96, Member States must send their data to Eurostat within 24 months of the reference period. Certain Member States are granted extra periods of time until 2005; others have sometimes failed to meet the deadline laid down in the Regulation.

The disposable income/GDP quotient is methodologically slightly inaccurate, since a value in PPCS is divided by one in PPS. The resulting inaccuracy can be regarded as insignificant, however.

The income distribution accounts are compiled as follows in the National Accounts:

Allocation of primary income account (private households)

Uses	Resources
D.4 Property income	B.2/B.3 Operating surplus / Mixed income
	D.1 Compensation of employees
B.5 Primary income (balance)	D.4 Property income

Secondary distribution of income account (private households)

Uses	Resources
D.5 Current taxes on income and wealth	B.5 Primary income
D.61 Social contributions	D.62 Social benefits other than social transfers in kind
D.7 Other current transfers	D.7 Other current transfers
B.6 Disposable income (balance)	

Further information:

➤ **Databases**

[EUROSTAT Website/General statistics/Regions/Economic accounts/Economic accounts - ESA95/Household accounts - ESA95](http://ec.europa.eu/eurostat/General_statistics/Regions/Economic_accounts/Economic_accounts_-_ESA95/Household_accounts_-_ESA95)

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