

Regional Course on 2008 SNA (Special Topics): Improving Exhaustiveness of GDP Coverage

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Owner Occupied Dwellings- Conceptual Issues

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The concept of owner occupied houses

Why are OOH so difficult?

- The complex nature of OOH creates problems in identifying scope and prices
- Are OOH investments or consumer durables?
- OOH involves two activities: The purchase of the house and the actual consumption over time of the service of the house
- The OOH market is not always transparent or easy to delineate in practice
- Good and timely data may be difficult to obtain

The concept of owner occupied houses

OOH in national accounts

- Houses are considered *fixed assets*, unlike other durables like washing machines, cars etc.
- The purchase of OOH is considered an investment and included in *gross fixed capital formation*
- The purchase of the OOH is not included in *household final consumption expenditure*
- Extensions and major repairs of OOH are also considered *gross fixed capital formation*

The concept of owner occupied houses

- The ownership of a house provides a service which is actually consumed over time by the owner
- The value of the services provided by OOH is included in *household final consumption expenditure*
- The value of the OOH should be estimated as the rental value of similar rented houses, if there are suitable and well-organised rental markets.
- In absence of suitable rental markets, other methods are suggested in 2008 SNA, chp. 20

The Production Boundary

- * Production of all goods or services supplied to other units or intended to, including those for intermediate use;
- * Own-account production of knowledge capturing products for own use or sell except households;
- * Own account goods-retained for final consumption, gross fixed capital formation.

The Production Boundary

- * Production of domestic and personal services of paid domestic staff;
- * Own account production of housing services by owner occupiers.



Focus of this presentation

2008SNA-Owner Occupied dwellings

Conceptual Issues

- * Production boundary issues
- * Assets issues
- * Household unincorporated enterprises
- * Notional Resident

What is OOH?

- * When one lives in a home, one consumes a « housing service ».
- * Dwellings are owned by somebody (household, private company, government, special agency)
- * In market economies, households can own dwellings

What is OOH?

- * Households have two « ways » of housing:
 - * Rent a home from an owner. The housing service is measured by the rent.
 - * Own their home and live in it.
- * **Owner Occupied Housing service** is the estimate of the imputed housing service that households owning their home and living in it produce *for themselves*.

Why impute OOH?

- * GDP = sum of all productions (without double counting).
- * Housing service is produced, and is thus part of GDP.
- * National accounts aggregates should be « robust » to differences in « institutional » settings.
- * The fact that one can own one's house or not is an institutional setting which should not affect the aggregate production figure.

Why impute OOH?

- * If OOH was not imputed:
 - * The comparison of the level of GDP between two countries would be affected by a difference in the rate of ownership by households of their houses.
 - * The change in GDP between two periods would be affected by the change in the rate of ownership of households of their own dwellings.
- * History: OOH has **always** been imputed in national accounts

Comparisons of level of GDP

Some Examples

- * France = higher rate of household ownership
- * Germany = lower rate of household ownership

Final consumption of housing services, 2011, in % of GDP

Country	Actual rents	Imputed Rents	Total rents
France	2.3	7.9	10.2
Germany	3.8	5.3	9.0

Why OOH and not other services?

- * System of National Accounts excludes own-account production of services, *except* for OOH (&10.34).

Why?

- * Size of the problem (housing services = ???% of GDP)
- * Use of GDP data in administrative context.
- * Proximity of the « non-market » and the « market » situation for housing.
- * A good estimate can be made.

Measurement of inequalities

- * The imputation of OOH is useful for statistics on revenue inequalities.
- * Some (rare) countries tax OOH!
- * How to compare the situation of a household which does not have to pay rent with one which pays a rent?
- * The method is based on assuming a rental value equivalent to the market value of similar dwellings.
- * Benchmarking micro inequality indicators with macro inequality indicators needs to: (1) impute OOH, (2) social transfers in kind.