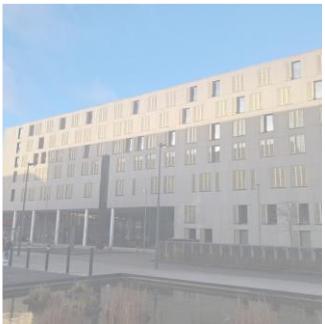


BUILDING A COMPARABLE MEASURE OF CONSUMPTION

CONCEPTS AND MEASUREMENT CHALLENGES FACED BY EMERGING AND ADVANCED ECONOMIES



The Luxembourg Consumption Study (LCS) Database Expert Workshop, Luxembourg, 14-15 January 2026

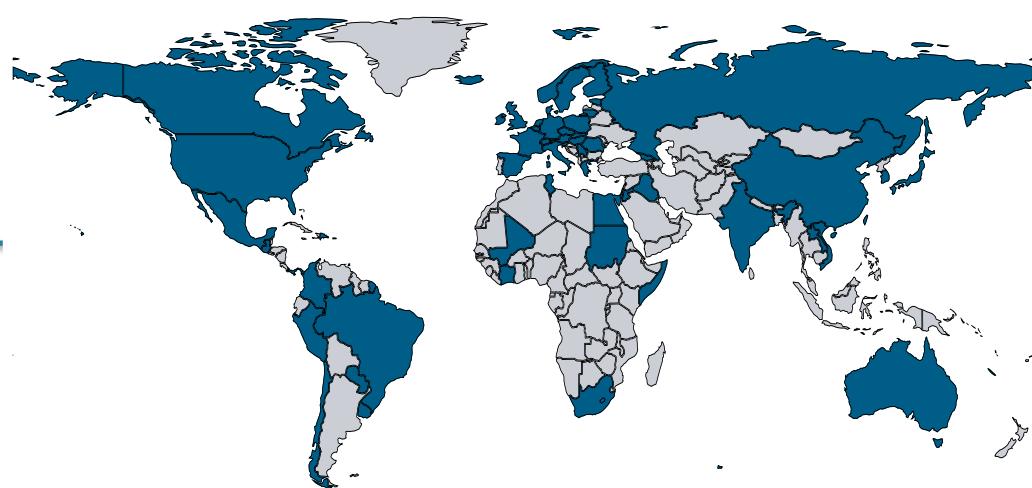
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Setting the context: LIS



LIS – the Institute

- data and research institute since 1984
- promotion of comparable research on socio-economic outcomes

LIS Data

2 cross-national ***ex-post* harmonised** databases that allow international comparative research using **micro-data**:

- the **Luxembourg Income Study Database - LIS** (focus on income): 1016 datasets from 52 countries (1963 to 2024)
- the **Luxembourg Wealth Study Database - LWS** (focus on wealth): 133 datasets from 22 countries (1995 to 2024)

Data access

- **remote execution system (LISSY)** - 1,000 researchers submit 100,000 jobs every year
- **free access** for students and data providers in **all countries**
- **free access** for researchers from **contributing member countries/organisations**



Motivation to Explore Consumption

- There is an old economic argument that current consumption is a better proxy of well-being or welfare than income (Sen, Stiglitz, Fitoussi, 2009)
 - *It captures the “achievement” of a particular level of welfare, as opposed to the “opportunity” offered by a measure of income*
 - *It smoothens short-run fluctuations in income*
 - *It reflects expected future changes in income*
- There may be particular welfare significance of certain consumption expenditures (e.g. food share)
- There is an interest to go beyond solely tallying up expenditures to include also the flow of services from owned housing and durables, as well as the value of home production.
- Comprehensive measures of consumption do not exist in administrative registers
 - *Can only be measured from household survey data*

Consumption and Relationships with Other Well-being Measures

- Consumption > expenditures
 - *Flow of services from own home versus own home without a mortgage*
- Consumption < expenditures
 - *Consume flow of services from car versus acquisition costs*
- Consumption > income
 - *Fund with debt (credit cards, loans)*
 - *Liquidate savings*
 - *Borrow from pension or home equity*
- Consumption high but
 - *Low economic security*
 - *Difficulty meeting expenses*

Approach to Building a Luxembourg Consumption Study (LCS) Database

- Expand the cross-national database coverage in the *Luxembourg Income Study project (LIS)* beyond **income** and **wealth**, first pulling from **household budget survey data** currently in the LIS and adding to this
- Follow best practices in building cross-national databases, and utilize the extensive **experience of national and cross-national statistical offices**, and **researchers**
- Build a system of comparable
 - *Variables*
 - *Aggregation plan*
- Provide **guidance** to statistical office authorities in building a **consumption-based economic well-being** measure at the household level

LCS Household Consumption: Main Components

1) NON-DURABLE CONSUMPTION

- Follows COICOP 2018
- *Food and beverages*
 - Purchased
 - Home produced
 - Gifts, subsidies, rations
- *Non-food and other non-durables*

2) HOUSING

- Follows COICOP 2018
- *Owned and rented (imputed rent)*
 - Possible departure from COICOP for maintenance and repairs

3) CONSUMPTION FLOWS FROM DURABLES

Excludes:

- Purchase of durables
- Investment expenditures (e.g. home improvement by home owners)
- Non consumption expenditures like allocations to pensions, child support payments

Guiding Principles

- Follow theoretical guidance wherever possible
 - *Objective is to assess inequalities in wellbeing*
 - e.g. distinguishing between consumption and investment
- Pragmatic stance
 - *Work with existing data*
 - *Major contextual and data differences between countries*
 - Notably high-income versus low and middle income countries
 - *Potential issues with housing, durable services, publicly provided goods and services, home production, education and health*
- So we cannot insist on theoretical gold-standard and impose air-tight, strict, comparability

Workshop Plan

■ Format for Day 1 – Virtual Session

- *Four thematic panels of 2–3 speakers each*
- *Each presenter will have 15 minutes*
 - Outline your work related to consumption
 - Reflect on the three sets of preparatory questions
- *Short panel discussion will follow each set of presentations*

■ Format for Day 2 – In-person Session

- *Four thematic panels*
- *Each presenter will have 30 minutes*
 - **15–20 minutes** presenting one of your related papers
 - **10–15 minutes** reflecting on the three preparatory questions
- *A panel discussion will follow each set of presentations*

Questions for Presenters

- Your measure
 - *Which consumption concept did you use?*
 - *What are its strengths and weaknesses?*
 - *What limitations would you have liked to address?*
 - *If you did not rely on a total consumption aggregate, which sub-components did you analyse, and how were they defined/measured?*
- Cross-country comparability
 - *What is your view? In particular, what are the implications of not including social transfers in kind (STIK)?*
- Based on the LCS note you received (variable list, aggregation plan, definitions),
What would you like to see included or adjusted?
- Any concrete recommendations (e.g. prices, quantities, health, education)?

17 issues and provisional decisions: Views welcome!

Issue 1. What is the appropriate reference unit for measuring consumption?

Choice 1. The reference unit is the household, defined as one individual or a group of individuals living together under the same housing arrangement.

Issue 2. What population should be covered when measuring consumption?

Choice 2. The population consists of all people living in private households who reside within the territory of the country.

Issue 3. Should consumption expenditure amounts be expressed in a common reference period and if so which one?

Choice 3. Yes, a common reference period is necessary. Expenditure amounts included in the consumption aggregate are annualized.

Issue 4. What approach is to be used to value consumption?

Choice 4. Consumption is valued as the expenditure amounts recorded in household surveys following the acquisition approach, with the exception of housing and durable goods.

Issue 5. Should expenditures be recorded in nominal or real values?

Choice 5. Expenditure amounts are recorded in nominal values.

Issue 6. How should users adjust for price differences over time and space?

Choice 6. Intertemporal and interarea indices, adaptable to the consumption aggregate and its subcategories, are further explored to allow adjustment for price development and spatial price differences.

Issue 7. Should the flow of shelter services be included in consumption?

Choice 7. The flow of shelter services is included; self-assessed rental equivalence or imputed rent is used as the first-choice method.

Issue 8. How should durable goods be treated in the consumption aggregate?

Choice 8. Consumption flows from durables are excluded from the main consumption aggregate; a second aggregate includes vehicle flows, and a third includes other durable flows where available.

Issue 9. Should consumption from unpaid domestic services be estimated?

Choice 9. Consumption from unpaid domestic services is not estimated.

Issue 10. Should home-grown food be included?

Choice 10. Home-grown food consumption is included in the consumption aggregate.

Issue 11. Should subsidies and rations be included in consumption?

Choice 11. Subsidies and rations are accounted for in the consumption aggregate.

Issue 12. Should maintenance and repairs of dwellings be included in consumption?

Choice 12. Minor maintenance and repair of the dwelling are included, with country-specific distinctions between minor and major repairs.

Issue 13. Should insurance premiums be included in consumption and if so how?

Choice 13. Total insurance premiums as reported by households are included in the consumption aggregate; treatment of health insurance premiums requires further consideration.

Issue 14. Should consumption of financial services be estimated?

Choice 14. Consumption of financial services is not included in the consumption aggregate.

Issue 15. Should consumption of health goods and services be included in the consumption aggregate?

Choice 15. All consumption of health goods and services, whether out-of-pocket or in-kind, is excluded from the consumption aggregate.

Issue 16. Should consumption of education goods and services be included in the consumption aggregate?

Choice 16. Consumption of education goods and services is included, while in-kind general education is excluded.

Issue 17. Should extraordinary ("lumpy") expenses be included?

Choice 17. Extraordinary expenses are excluded from the consumption aggregate, with country-specific guidance required to define such expenses.