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**Private Consumption – Theoretical Concept and Consumption Analysis in Slovenia
1995–2006**

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Summary

In national accounts methodology, household final consumption expenditure consists of expenditure incurred by resident households and by non-profit institutions serving households (NPISH) on the consumption of goods and services, whether that expenditure is incurred within the domestic territory or abroad. It excludes expenditure on dwellings and valuables, which constitutes gross fixed capital formation. A good knowledge of national accounting methodology is necessary for monitoring and assessing consumption.

Private consumption is an important category of GDP, as it represents more than half of its value. There are two connections between the household sector and the economy – the direct role households play through consumption and saving decisions, and the impact on financial institutions as households appear on both sides of banks' balance sheets (savings, borrowing).

Households consume in line with their disposable income and other available sources. The main support for consumption forecasting is therefore disposable income, which is composed of different groups of incomes (and also outgoings). For continuous monitoring of consumption, we use short-term indicators which, combined with appropriate expert assessment, are very useful. In Slovenia private consumption represented more than 53% of GDP in 2006, while households and NPISH consumed around 86% of their disposable income. That is one of the lowest propensities to consume in the EU.

In the context of consumption, we also have to mention the structure of consumption. The structure by purpose is one of the indicators of welfare – people in countries with higher welfare spend a smaller part of their income on basic life needs and more on luxury goods. The structure of the consumption of Slovenian households is also changing in that direction – in the period from 1995 till 2006 we can notice a decrease in the share of expenditures on food and clothing and an increase in the share for luxury items and services such as communication, recreation, and culture, and also for health and education. The structure by type of goods shows that in the last few years there has been an increase in expenditure on durable goods, which is connected with the wide range of borrowing possibilities and housing construction.