

Mind the Gap: Disparities in Assessments of Living Standards Using National Accounts and Surveys

Espen Beer Prydz, Dean Jolliffe and Umar Serajuddin

Abstract

Average per capita consumption and income from national accounts data can differ substantially from corresponding measures of consumption and income from household surveys. Using a new compilation of 1,664 household surveys matched to national accounts data, we find the gap between the data sources is larger and more robust than previously established. Survey means, on average, are 25 percent lower than corresponding means for household consumption from national accounts. The gap is largest in middle income countries, where also annualized growth rates for surveys are more than 1 percentage point lower than growth in national accounts, on average. We show how the gaps matter substantially for assessments of growth, poverty and inequality. We illustrate how typical survey measures, which do not account for these gaps, can exaggerate global poverty reduction and underestimate global inequality.

Keywords: National Accounts Systems, Household Income and Expenditure Surveys, Poverty, Inequality.

JEL Codes: I3, I32, E31, F01.