

4. Economic well-being¹

After the outbreak of the *COVID-19* pandemic, which affected our economic system in unprecedented forms and intensity, economic well-being indicators show a picture of slow improvement.

In 2020, the health emergency strongly conditioned the purchasing behaviour of households, although government support measures mitigated its effects. Alongside the fall in income, final consumption expenditure fell significantly, while there was an increase in the propensity to save, which, on average in 2020, reached the highest level in the last twenty years (15.6%). This trend is explained both by the desire to accumulate precautionary reserves, in line with the negative outlook on income and employment and by the evolution of the pandemic, which has limited and discouraged certain types of purchases. GDP dropped by 8.9% compared to 2019 and the incidence of absolute poverty reached its highest level since 2005 (the first year for which data is available).

In 2021, household disposable income and purchasing power recovered, although remaining below pre-crisis levels. The sustained growth in final consumption, on the other hand, generated a decline in the propensity to save, which, however, did not return to pre-crisis levels. The share of households in absolute poverty showed substantially stable values at national level, although with a growth in the South and Islands (as shown by preliminary estimates).

The subjective assessment of the consumer confidence climate confirmed the recovery, reaching its highest value in September 2021 since the start of the series (January 1998). However, the analysis of the subjective indicators showed that in 2021, the percentage of households declaring a worsening of their economic situation compared to the previous year increased for the second year in a row, alongside the increase in households reaching the end of the month with great difficulty.

Income, purchasing power, consumer spending and savings: signs of recovery

After declining in the last quarter of the previous year, household disposable income and purchasing power rose by +2.3% and +1.6% respectively in the first quarter of 2021, although they remained below their pre-crisis levels (Figure 1); in the same period, the propensity to save of consumer households rose by 2.2 percentage points.

In the second quarter, while household disposable income and purchasing power remained broadly stable, sustained growth in final consumption reduced the propensity to save.

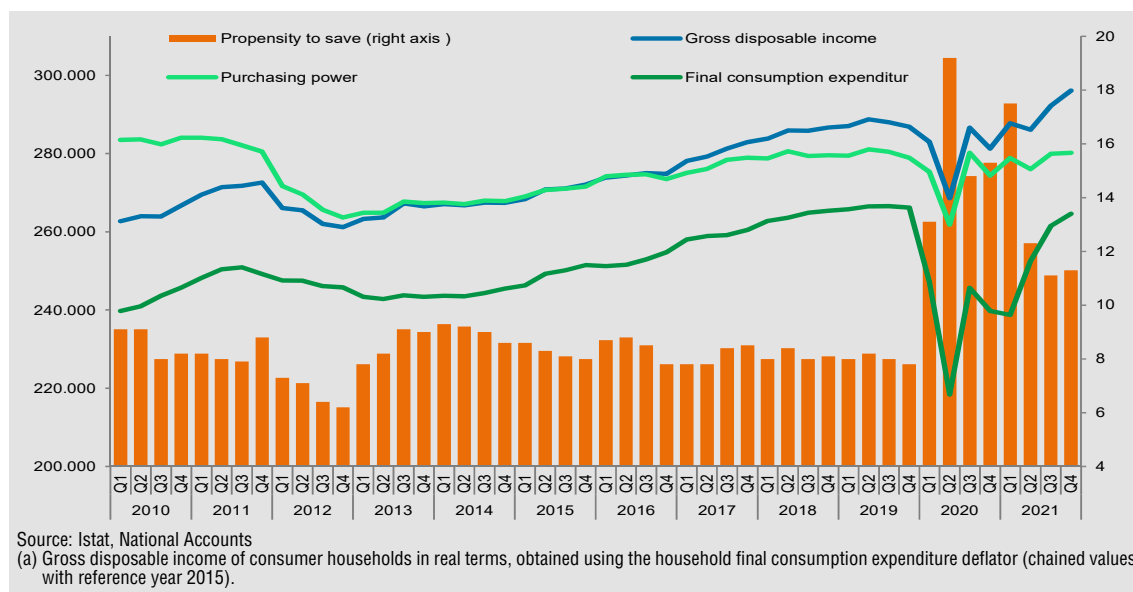
The third quarter saw a significant increase in both household disposable income and purchasing power (+2.2% and +1.4% respectively), which was accompanied by further growth in final consumption that generated a further drop in the propensity to save (11.1%), which nevertheless remained at levels above pre-crisis². In the fourth quarter, the gross disposable income of consumer households increased by 1.3% compared to the previous quarter, while the propensity to save amounted to 11.3% (+0.2 percentage points), the purchasing

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² See “Quarterly Non-Financial Account of General Government, Income and Savings of Households and Profits of Non-Financial Corporations” <https://www.istat.it/it/files/2022/04/comunicato-QSA2021Q4.pdf>

power of households was substantially stable. At the same time, the GDP increased markedly (+2.6% the cyclical variation), continuing the phase of rapid recovery in production rates that started in the second quarter. The improvement in the Italian economy was widespread among sectors, but with a more marked intensity of added value in services (+3.4% the cyclical variation) than in industry (excl. constructions) and construction (0.8% and +0.6% respectively).

Figure 1. Propensity to save (right-hand scale), gross disposable income, purchasing power (a), final consumption expenditure of consumer households. Years 2010-2021. Seasonally adjusted data in millions of euros and percentages



Positive dynamics for consumer confidence

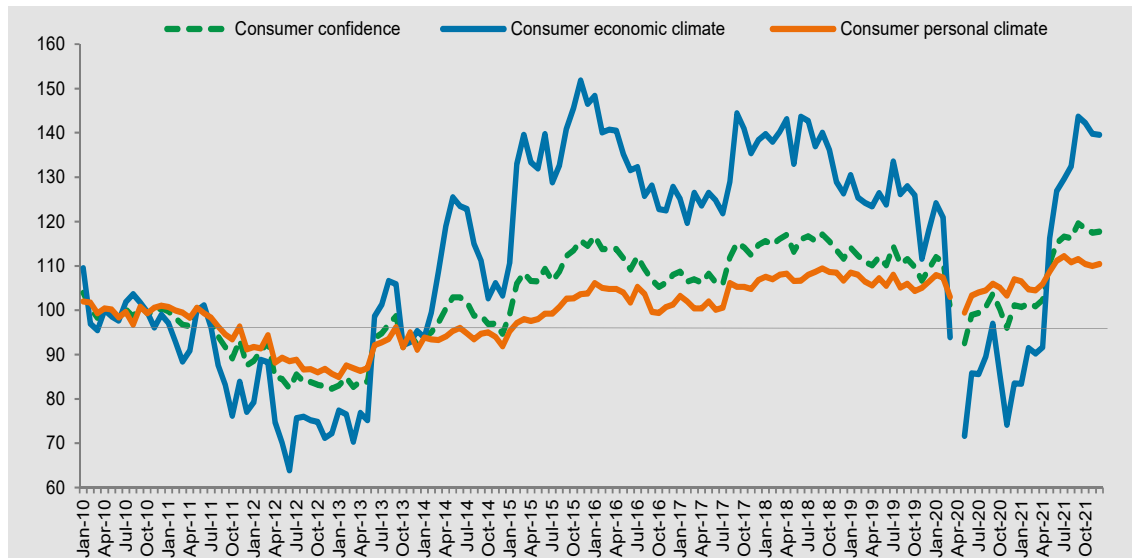
Consumer confidence³, which had plunged in March and May 2020, improved again in 2021, reaching in September its highest value since the start of the series (January 1998). This increase was mainly affected by the economic climate (Figure 2), calculated on the opinions and expectations on the situation in Italy; the indicator, on which the epidemic trend had a strong impact (the greatest contractions were felt in the months in which the contagions and the consequent containment measures started up again), increased significantly from May 2021, recovering the very low levels of the previous year. The current and

3 The consumer confidence climate is compiled on the basis of nine questions designed to assess consumer optimism/pessimism (opinions and expectations of the economic situation in Italy; expectations on unemployment; opinions and expectations on the economic situation of the household; current opportunities and future possibilities for savings; opportunities to purchase durable goods; opinions on the household budget). The results of the nine questions, expressed as weighted balances on raw data, are aggregated by simple arithmetic mean; the result is then reported as an index (base 2010) and seasonally adjusted using the direct method. Breakdowns of the total climate are also proposed, reported as index (base 2010) and seasonally adjusted (where necessary), i.e.: a) Economic climate, calculated on opinions and expectations about Italy's economic situation and expectations about unemployment; b) Personal climate, calculated on opinions and expectations about the economic situation of the household; current opportunities and future possibilities for saving; opportunities to purchase durable goods; household financial balance; c) Current climate, calculated on opinions; d) Future climate: calculated on expectations. See also: <https://www.istat.it/it/archivio/fiducia+consumatori+e+imprese>

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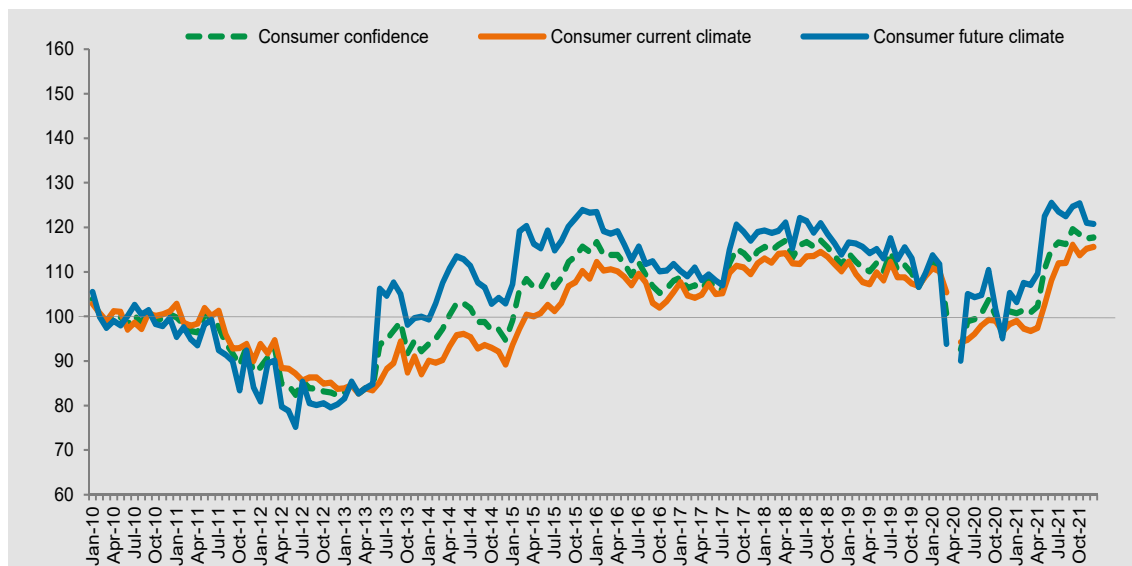
future climate also show a positive dynamic (Figure 3), with a strong recovery from 2020: values of the current climate, below 100 from May 2020 to April 2021, reached a peak (116.1) in September 2021; while the future climate reached a maximum (125.5) in June of the same year.

Figure 2. Indices of Consumer Confidence, Consumer Economic Climate (a), Consumer Personal Climate (b). Years 2010-2021 (c). Monthly seasonally adjusted indices base 2010=100



Source: Istat, Survey on consumer and business confidence
 (a) Consumer Economic Climate, related to both the assessments and expectations on the Italian general economic situation and the expectations on unemployment.
 (b) Consumer Personal Climate, related to assessments and expectations on the households' financial situation, assessments on savings current environment and expectations on savings intentions, assessments on the durable good major purchases, assessments on the family budget. Series not affected by seasonality.
 (c) The survey for April 2020 has been suspended due to the pandemic.

Figure 3. Indices of Consumer Confidence, Consumer Current Climate (a), Consumer Future Climate (b). Years 2010-2021 (c)



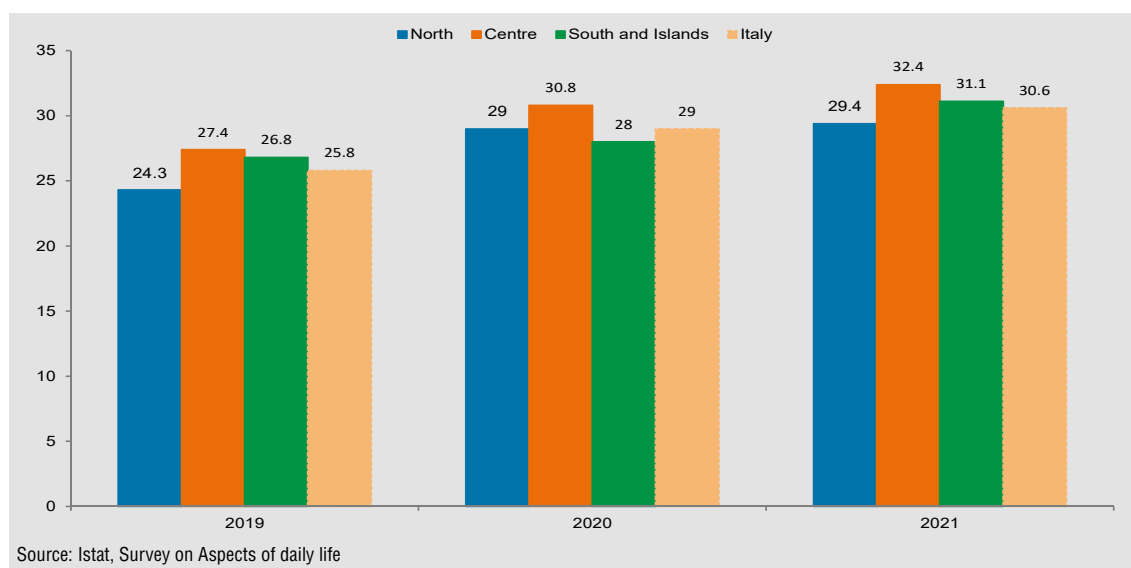
Source: Istat, Survey on consumer and business confidence
 (a) Consumer Current Climate, related to questions related to the assessments on economic situation. Series not affected by seasonality.
 (b) Consumer Future Climate, related to questions related to the expectations on economic situation.
 (c) The survey for April 2020 has been suspended due to the pandemic.

Households economic situation worsened again in 2021

Despite the recovering picture, 2021 was not an easy year for Italian households, the continuation of the health emergency has in fact determined a further increase in the share of households declaring that their economic situation has worsened compared to the previous year: 30.6% in 2021 (it was 29,0% in 2020), almost 5 percentage points more than in 2019 (25.8%), with values of the indicator equal to 32.4% in the Centre, 31.1% in the South and Islands and 29.4% in the North. The increase can be seen in all three breakdowns, but in the Centre and, above all, in the North, the highest increase occurred in the first year of the pandemic, while in the South and Islands it was mainly in the second year (Figure 4).

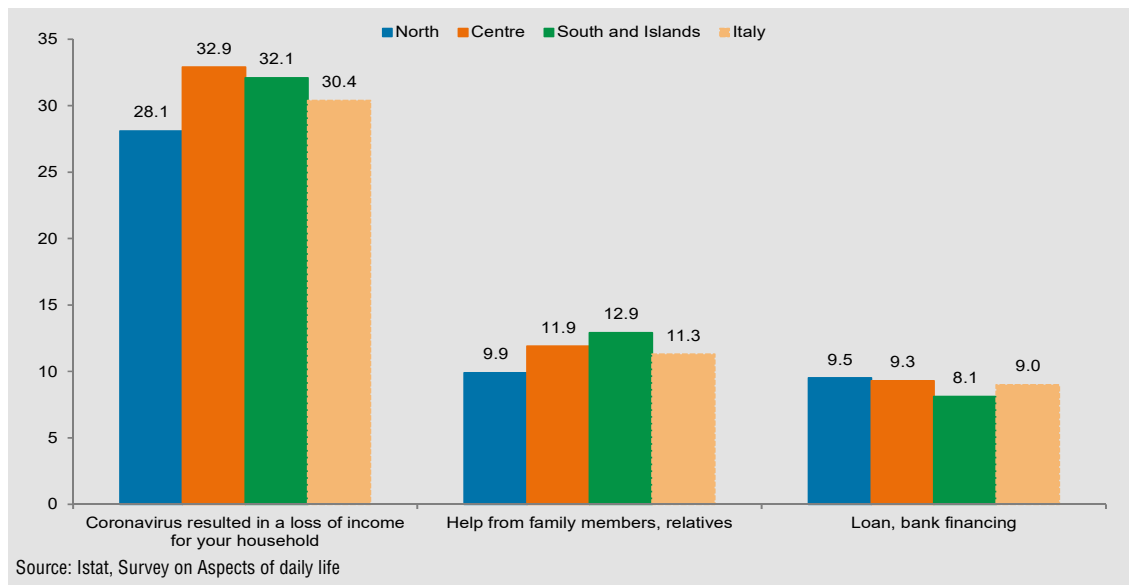
Moreover, a substantial proportion of households declare that *COVID-19* has led to a loss of income for their household (32.9%, 32.1% and 28.1%, respectively in the Centre, the South and Islands and the North), 11.3% have had to resort to economic aid from family members or relatives - a behaviour that is more widespread among households in the South and Islands (12.9%) and in the Centre (11.9%) than among those in the North (9.9%) - and 9% of households have requested bank loans or financing (more frequently in the North, with 9.5%, and in the Centre, with 9.3%, compared to 8.1% recorded in the South and Islands) (Figure 5).

Figure 4. Households reporting that the household economic situation has worsened or worsened a lot compared to the previous year by geographic area. Years 2019, 2020 and 2021. Percentages



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Figure 5. Households reporting that Coronavirus resulted in a loss of income for your household, help from family members, relatives and loan, bank financing by geographic area. Year 2021. Percentages



Absolute poverty stable in 2021, but rising in the South and Islands

The severe economic crisis caused by the pandemic in 2020, resulted in an increase in absolute poverty, which reached its highest level since 2005 (the first year from which the indicator is available) with about 1 million more absolute poor, and incidence values of 7.7% for households and 9.4% for individuals (Figure 6).

In 2021, despite the changed economic scenario, absolute poverty remained stable, affecting more than 1 million 950 thousand households (7.5%) and more than 5 million 500 thousand individuals. However, it should be noted that, without the growth in consumer prices recorded in 2021 (+1.9%), the incidence of absolute poverty would have been 7.0% at the household level and 8.8% at the individual level, slightly lower, therefore, than in 2020.

In 2021, the North partially recovered the sharp increase in absolute poverty observed in the first year of the pandemic, although it did not return to the levels observed in the previous year (6.8%, 9.3% and 8.2% in 2019, 2020 and 2021, respectively).

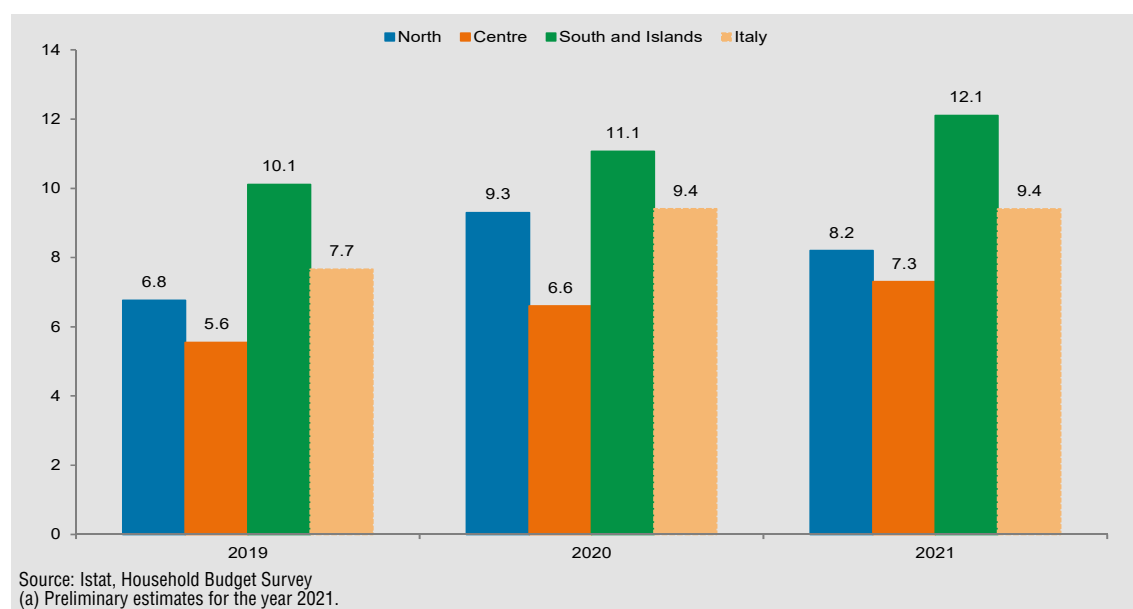
In the South and Islands, on the other hand, the number of poor people rose by almost 196,000 and the incidence of poverty was higher and rising, reaching 12.1% for individuals (it was 11.1% in 2020). Finally, the Centre presented the lowest value, although even in this area of the Country the incidence increased among individuals from 6.6% in 2020 to 7.3% in 2021.

Looking at the composition by citizenship, if in 2020 the incidence of absolute poverty increased both for households composed of Italians only and for those with at least one foreigner, with the latter experiencing a much more significant spread of the phenomenon, in 2021, there was a further worsening among households with foreigners only (from 26.7% in 2020 to 30.6%), while with Italians only the spread of the phenomenon remained stable (5.7%).

In general, compared with 2020, there was substantial stability for the different family types. The incidence of absolute poverty in 2021 remained higher for larger households: households in which there are couples with three or more children recorded an incidence of 20.0%, followed by households of other types with 16.3%, the most common. The presence of minor children continues to be a factor that most exposes households to hardship (11.5%), while the share of households with at least one elderly person in poverty was 5.5%, stable with respect to 2020 (5.6%), confirming the important protective role played by pension incomes that guarantee regular income in the household.

The total number of children in absolute poverty in 2021 was 1,384 million: the incidence remained high at 14.2%, stable compared to 2020, but almost three percentage points higher than in 2019, when it was 11.4%. The incidence of poverty was also stable among 18-34-year-olds (11.1%) and among the over-65s (5.3%).

Figure 6. Individuals in absolute poverty by geographic area. Years 2019-2021 (a). Percentages

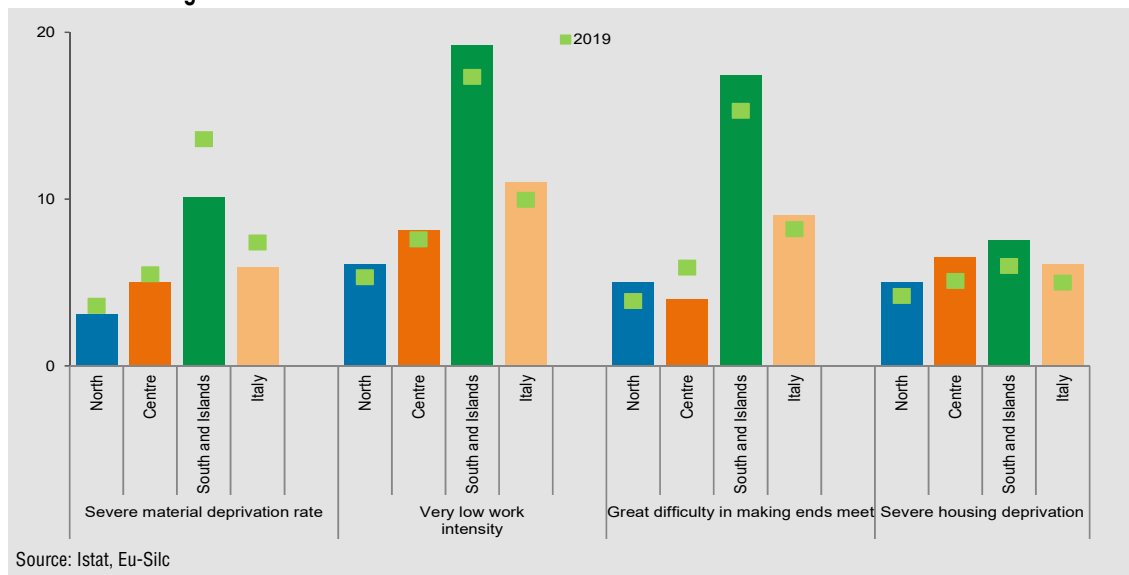


Most non-monetary indicators worsen in 2020, persisting high income inequality

In 2020⁴, non-monetary indicators describing the living conditions of households showed signs of worsening, although severe material deprivation affected a smaller share of individuals than in 2019.

⁴ The Eu-Silc 2020 edition was carried out in the year 2021, keeping the survey year as the reference period.

Figure 7. Several material deprivation rate, very low work intensity, great difficulty in making ends meet, several housing deprivation and housing cost overburden rate by geographic area. 2020 Survey year - 2019 Incomes. Percentages



In 2020, the share of those living in households where, in the previous year, household members of working age worked less than 20% of their potential⁵ was 11%, up from 10% in 2019. In addition, a share of 9% of people reported making ends meet with great difficulty (up from 8.2% in 2019). Individuals living in households with severe housing deprivation also increased from 5.0% to 6.1% between 2019 and 2020 (Figure 7).

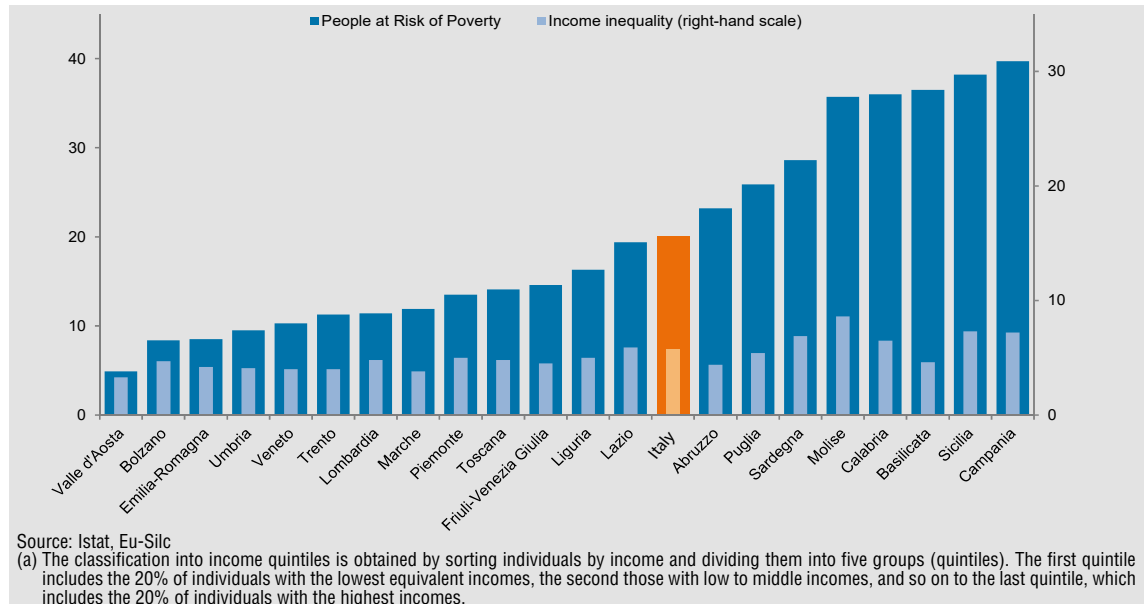
Alongside the worsening of non-monetary indicators, differences in the impact of the phenomena across the Country persist. The situation in the South and Islands was particularly critical, with the share of those living in low-work-intensity households increasing further (from 17.3% to 19.2%). The great difficulty in making ends meet affected more Southern Italy (17.4% of individuals compared with 4% in the Centre and 5% in the North), and increasing compared with 2019.

Deep territorial differences are also highlighted by the indicator on people at risk of poverty, calculated on 2019 incomes: while there were 20% of people with a net equivalised income less than or equal to 60% of the median equivalised income⁶, in Sicilia and Campania the phenomenon affected more than 38% of the population (Figure 8). In the regions of Southern Italy, the higher risk of poverty was also associated with higher values of the inequality index (the ratio between the income possessed by the richest 20% of the population and the poorest 20%), which exceeded the average value for Italy (5.7, while it was 6 on 2018 incomes) in Calabria (6.5), Sardegna (6.9), Campania and Sicilia (7.2 and 7.3 respectively) and Molise (8.6).

⁵ The very low work intensity indicator is calculated on the total number of months worked by household members during the year preceding the survey year.

⁶ The median equivalent income is estimated at €10,840 (€903 per month).

Figure 8. Income inequality (a) (right-hand scale) and people at risk of poverty by region. 2020 Survey year - 2019 Incomes. Ratio of S80/S20 incomes and percentages



Housing and material deprivation

The European indicator on severe material deprivation is based on the assessment of a plurality of "signs" of hardship that detect the lack of specific durable goods, the inability to carry out certain activities considered essential or to meet recurrent payment deadlines, due to economic problems.

In 2020, the positive trend that, starting in 2016, has seen the share of individuals in a condition of severe material deprivation (5.9%) continued in Italy (Figure 9). However, it should be emphasised that this dynamic is mainly a consequence of the trend of only one of the nine symptoms of deprivation considered by the indicator. In 2020, in fact, the share of those who state that they could not afford to take a week's holiday per year for economic reasons decreased significantly compared to the previous year (-6.2 percentage points). This is an apparently contradictory trend compared to the economic picture of 2020, an exceptional year, characterised, among other things, by rarer, closer holidays with different characteristics (e.g. rented houses rather than hotels) for those who could afford them. There was also an unexpected trend for another of the nine indicators that the severe deprivation index takes into account: the percentage of households reporting that they were unable to meet unforeseen expenses of 850 euro (-1.5 percentage points). The reason for the improvement in these two indicators, whose trends are usually in agreement⁷, is to be found in the sharp increase in the propensity to save that the recession induced by the *COVID-19* pandemic has caused in all the major economies, with particularly marked dynamics in Italy.

For a greater share of households than in 2019, being able to afford a week's holiday (if

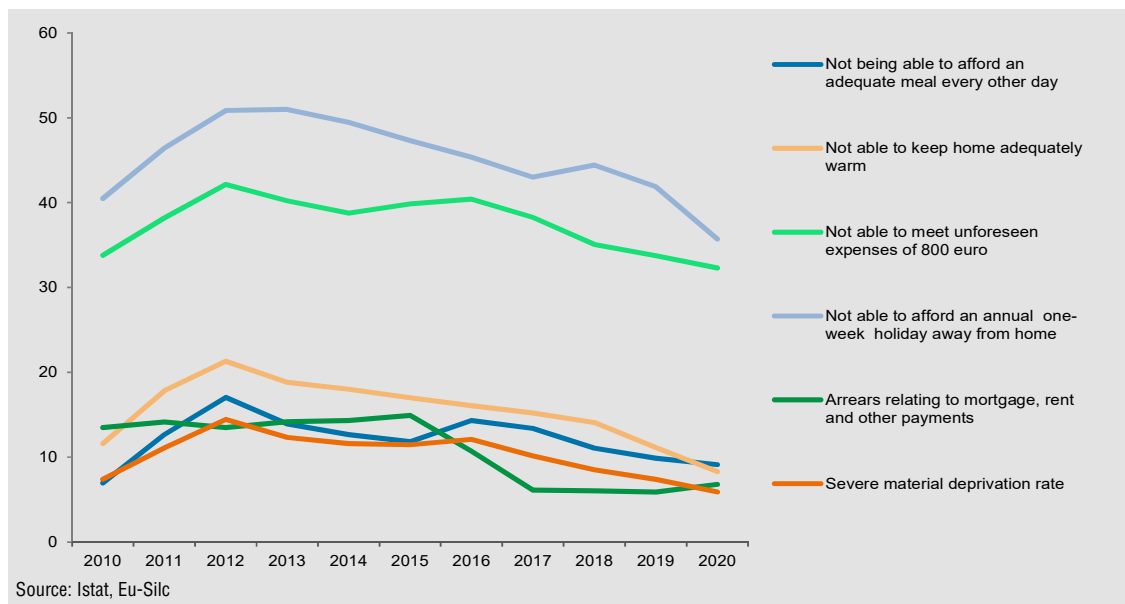
⁷ For example, in both 2019 and 2020, about 80 per cent of individuals lived in households that gave the same answer about being able to afford a week's holiday a year, away from home, and being able to meet unexpected expenses.

they wanted to)⁸ or being able to cope with an unexpected expenditure of 850 euro was the result of having contracted their consumption for precautionary purposes, which allowed them to count on an additional sum to meet sudden needs or to take a holiday, should they want to. In other words, at an aggregate level, the value of these indicators represents the synthesis between the worsening of the economic condition experienced by the segments of the population which was most vulnerable to the effects of the pandemic on the labour market (those employed on fixed-term contracts and in services, especially in single-income households, etc.) and the consumption behaviour of those households that, in a phase of great uncertainty and concern for the future, have managed to save more than they usually do. After all, similar trends can be observed in most other European countries, even among those that, like Italy, suffered a substantial drop in employment in 2020.

We should also remember the measures introduced to support citizens (citizenship income, emergency income, extension of the Wage Guarantee Fund, etc.)⁹ that have enabled families in economic difficulty, including those that were already in trouble before the pandemic, to remain above the poverty threshold or to maintain consumption expenditure not far from the threshold. This is reflected in the value of absolute poverty (i.e. how much the monthly expenditure of poor households is below the poverty line on average), which decreased from 20.3% to 18.7% between 2019 and 2020.

Finally, it remains to be noted that, net of the holiday variable, the indicator of severe material deprivation rose slightly at the national level (from 1.9% in 2019 to 2.1% in 2020) with a more significant increase for the South and Islands (from 3.9% to 4.4%).

Figure 9. People with severe material deprivation and specific deprivation conditions. Years 2010-2020. Percentages



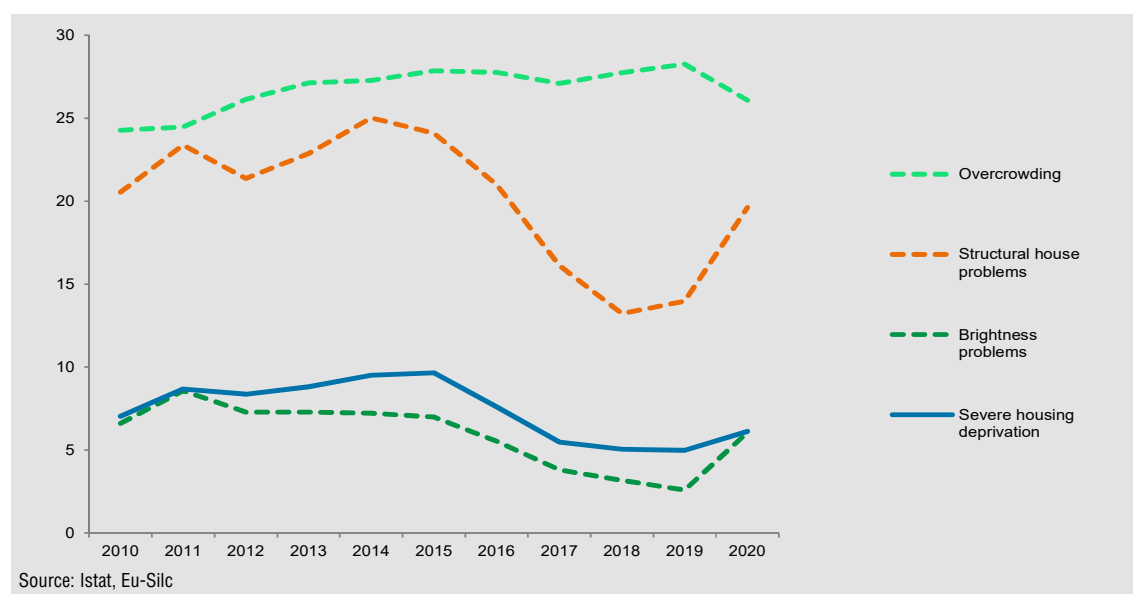
⁸ The question reads as follows: "If you wanted, could you afford a week's holiday a year away from home?".

⁹ The interventions implemented for the *COVID-19* emergency reached more than 15 million beneficiaries, corresponding to about 20 million individuals, for a total expenditure of 44.5 billion euro (Inps, XX Annual Report, July 2021).

Housing conditions are monitored at the European level through a specific indicator aimed at assessing their adequacy. In 2020, the percentage of people living in severe housing deprivation¹⁰, i.e. in overcrowded dwellings or in dwellings lacking certain services and with structural problems (ceilings, fixtures, etc.) was 6.1%, slightly up on 2019 (Figure 10). This value places Italy in fifth place in the EU ranking for worst housing conditions, surpassed only by Hungary (7.6%), Bulgaria (8.6%), Latvia (11.5%) and Romania (14.3%). In fact, the worsening, already evident in 2019, of the component of the indicator that detects the presence of structural housing problems continued, affecting 19.6% of the population in 2020, a trend that was only partially offset by the 2.2 percentage point reduction in the housing crowding indicator (from 28.3% in 2019 and 26.1% in 2020).

As far as housing costs are concerned, the deprivation indicator linked to having arrears for mortgages, rent, bills or other debts worsened slightly in 2020; the share of those who said they could not heat their home adequately also decreased (-2.8 percentage points), although this was at least partly the result of an exceptionally mild year in terms of climate, especially in winter¹¹.

Figure 10. People with severe housing deprivation and specific deprivation conditions. Years 2010-2020. Percentages



¹⁰ According to the methodology currently used by Eurostat, a dwelling is considered overcrowded when it does not have a minimum number of rooms equal to: - one room for the household; - one room for each couple; - one room for each member aged 18 and over; - one room for every two members of the same gender aged between 12 and 17; - one room for every two members up to 11, regardless of gender.

¹¹ Ispra, XVI Report "Climate indicators in Italy".

Indicators

- 1. Gross disposable income per capita:** Ratio between gross disposable income of consumer households and the total number of residents (current prices).
Source: Istat - National Accounts.
- 2. Disposable income inequality:** Ratio of total equivalised income received by the 20% of the population with the highest income to that received by the 20% of the population with the lowest income.
Source: Istat - Eu-Silc.
- 3. People at risk of poverty:** Percentage of persons at risk of poverty, with an equivalised income less than or equal to 60% of the median equivalised income.
Source: Istat - Eu-Silc.
- 4. Per capita net wealth:** Ratio of total net wealth of households to the total number of residents.
Source: Bank of Italy - Financial accounts and household wealth (SHIW).
- 5. Absolute poverty (incidence):** Ratio of people belonging to households with total consumption expenditure equal to or below the absolute poverty threshold value and total resident people.
Source: Istat - Household Budget Survey.
- 6. Severe material deprivation rate:** Share of population living in households lacking at least 4 items out of the following 9 items: i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses (of 850 euros from 2020 survey), iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, or could not afford) vi) a colour TV, vii) a washing machine, viii) a car, or ix) a telephone.
Source: Istat - Eu-Silc.
- 7. Severe housing deprivation:** Share of population living in a dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures. Housing deprivation is calculated by reference to households with a leaking roof, neither a bath, nor a shower, nor an indoor flushing toilet, or a dwelling considered too dark.
Source: Istat - Eu-Silc.
- 8. Great difficulty in making ends meet:** Share of individuals in households that, considering all the available income, declare to get to the end of the month with great difficulty.
Source: Istat - Eu-Silc.
- 9. Very low work intensity:** Proportion of people 0-59 living in households in which, in the previous year, household members of working age (person aged 18-59 years, excluding students aged 18-24) worked less than 20% of the number of months that could theoretically have been worked by the same household members (excluding households with only minors, students aged less than 25 and persons aged 60 and over).
Source: Istat - Eu-Silc.
- 10. Housing cost overburden rate:** Share of population living in households where the total housing costs represent more than 40 % of disposable income.
Source: Istat - Eu-Silc.
- 11. Economic situation of the household:** Households reporting that their economic situation has worsened or worsened a lot compared to the previous year.
Source: Istat - Aspects of daily life.

Indicators by region and geographic area

REGIONS GEOGRAPHIC AREAS	Gross disposable income per capita (a)	Disposable income inequality	People at risk of poverty (b)	Per capita net wealth (a)	Absolute poverty (incidence) (b)
	2020	2019 (*)	2020 (**)	2016	2021
Piemonte	20,899	5.0	13.5	....	....
Valle d'Aosta/Vallée d'Aoste	21,168	3.3	..	....	....
Liguria	21,421	5.0	16.3	....	....
Lombardia	22,456	4.8	11.4	....	....
Trentino-Alto Adige/Südtirol	23,130	4.3	9.9	....	....
<i>Bolzano/Bozen</i>	<i>25,150</i>	<i>4.7</i>	<i>8.4</i>	....	....
<i>Trento</i>	<i>21,148</i>	<i>4.0</i>	<i>11.3</i>	....	....
Veneto	20,212	4.0	10.3	....	....
Friuli-Venezia Giulia	20,959	4.5	14.6	....	....
Emilia-Romagna	22,140	4.2	8.5	....	....
Toscana	20,117	4.8	14.1	....	....
Umbria	18,496	4.1	9.5	....	....
Marche	18,935	3.8	11.9	....	....
Lazio	19,907	5.9	19.4	....	....
Abruzzo	16,143	4.4	23.2	....	....
Molise	14,828	8.6	35.7	....	....
Campania	13,830	7.2	39.7	....	....
Puglia	14,620	5.4	25.9	....	....
Basilicata	14,454	4.6	36.5	....	....
Calabria	13,374	6.5	36.0	....	....
Sicilia	14,105	7.3	38.2	....	....
Sardegna	15,583	6.9	28.6	....	....
Noth	21,663	4.6	11.4	104,892	8.2
North-west	21,928	4.9	12.4	....	....
North-east	21,299	4.2	10.0	....	....
Centre	19,745	5.2	16.0	102,924	7.3
South and Islands	14,329	6.7	34.1	55,603	12.1
South	14,261	6.4	33.4	....	....
Islands	14,472	7.3	35.6	....	....
Italy	18,805	5.7	20.0	87,451	9.4

(a) In euro;

(b) Per 100 persons;

(c) Data for Liguria, Trentino-Alto Adige, Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Umbria, Marche, Abruzzo, Basilicata and Sardegna statistically not very significant data, because it corresponds to a sample size between 20 and 49 units;

(d) Data for Valle d'Aosta, province of Trento and Bolzano, Friuli-Venezia Giulia, Molise and Calabria statistically not very significant data, because it corresponds to a sample size between 20 and 49 units;

(e) Percentage of people in families who manage to reach the end of the month with great difficulty;

(f) Data for Trentino-Alto Adige, province of Trento of Bolzano, Friuli-Venezia Giulia and Umbria statistically not very significant data, because it corresponds to a

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Severe material deprivation rate (b) (c)	Severe housing deprivation (b) (d)	Great difficulty in making ends meet (b) (e) (f)	Very low work intensity (b) (g)	Housing cost overburden rate (b) (h)	Households economic situation (b)
2020	2020	2020	2020	2020	2021
4.4	8.7	4.6	8.2	8.5	30.8
..	9.7	..	..	4.4	33.1
4.7	5.9	5.5	6.5	7.5	27.8
3.9	4.4	6.8	6.5	5.4	28.8
1.4	5.4	2.1	3.2	7.3	26.1
..	6.4	2.6	3.7	8.7	24.2
..	4.4	..	2.6	5.8	28.0
2.0	4.7	3.4	5.6	4.6	30.7
3.7	2.5	4.2	5.3	5.3	30.7
1.3	3.1	4.1	4.5	5.0	28.8
2.2	5.4	3.4	6.1	6.8	35.0
3.7	7.7	2.8	4.8	5.5	28.9
4.8	5.2	5.0	6.6	3.5	31.3
7.1	7.5	4.3	10.2	6.9	31.5
6.1	12.9	16.6	6.3	5.0	30.5
..	7.0	21.3	23.0	6.5	26.8
14.0	7.9	33.0	25.6	9.5	30.6
10.4	6.0	8.6	13.8	9.1	30.8
5.4	..	..	16.8	6.0	26.4
9.1	3.0	6.9	8.8	8.0	30.2
9.5	7.7	13.1	23.2	12.5	33.1
5.1	9.4	12.2	18.7	8.5	31.7
3.1	5.0	5.0	6.1	5.9	29.4
4.1	5.8	6.0	6.9	6.4	29.3
1.9	3.9	3.6	4.9	5.1	29.6
5.0	6.5	4.0	8.1	6.4	32.4
10.1	7.5	17.4	19.2	9.5	31.1
10.9	7.1	19.5	17.9	8.5	30.3
8.4	8.2	12.8	22.0	11.4	32.7
5.9	6.1	9.0	11.0	7.2	30.6

sample size between 20 and 49 units;

(g) Data for Liguria, Trentino-Alto Adige, province of Trento and Bolzano, Friuli-Venezia Giulia, Umbria, Abruzzo, Molise e Basilicata statistically not very significant data, because it corresponds to a sample size between 20 and 49 units;

(h) Data for Valle d'Aosta, province of Trento, Marche, Abruzzo, Molise and Basilicata statistically not very significant data, because it corresponds to a sample size between 20 and 49 units;

(*) The indicator refers to the year of achievement of income (2019) and not to the survey year (2020);

(**) The indicator refers to the year of achievement of income (2020) while the year in which income achievement is previous year (2019).

