Week 5
Consumption Measures
What is

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>the purchase of a particular goods or services in the marketplace.</td>
<td>resources/services actually consumed.</td>
</tr>
<tr>
<td>excludes services that is not based on market transactions e.g. cooking food at home</td>
<td>should ideally capture the benefits that come from the use of the good, rather than the value of the purchase itself</td>
</tr>
</tbody>
</table>
Measurement of Consumption

Consumption is measured with a particular reference period in mind, with many surveys aim to accurately measure the total consumption of the household in the last year.

Aggregate /total /sum of different components of consumption

Most surveys collect data on four main classes of consumption:

1) Food items
2) Non-food items
3) Consumer durables
4) Housing
i. Food Items

A food consumption sub-aggregate is constructed through the aggregation of:

I. Food that is home produced
II. Food items received in the market place
III. Food items received as gifts or remittances from other household
IV. Food received as in-kind payment from employers.
ii. Non-Food Items

- Most surveys only collect data on purchased of non-food items and do not consider home-production.

- Values rather than quantities are typically reported.

- The recall period may vary for different non-food consumption items, may be a month for daily-use items but longer for items that are purchased less frequently. They are then converted to a common reference period.

- Some non-food expenditures e.g. Tax payments, gifts, lumpy expenditures (funeral, marriages) are usually excluded.
iii. Consumer Durables

- The value is generally done on three basis:
  - date of purchase
  - cost of acquisition
  - the lifetime of the goods.

- Depreciation rates can be calculated using reported current values.
iv. Housing

- The most expensive durable item
- User cost of the good is computed
- Or rental value is computed.
Expenditure Survey in Malaysia

• First Household Expenditure Survey was done in 1957/58.
• Since 1993/94, HES is conducted every five years.
• Latest report available is HES 2009/2010.

Laporan Penyiasatan Perbelanjaan Isi Rumah Report on the Household Expenditure Survey by Department of Statistics Malaysia
Objective of HES

1) To gather information on level and polar/pattern of expenditure by households on products and services.

2) Determine the goods and services to be included in the basket of the Consumer Price Index (CPI) (Indeks Harga Pengguna).

3) To update the CPI weights which is a measure of inflation in the country.
Definition of Household Consumption Expenditure (HCE)

HCE is defined as proposed by United Nations (1993):

a) All monetary expenditure on goods and services.

b) All goods, services and facilities received in-kind (give produce besides money eg. food)

a) Free goods and services (eg. Free lodging)

b) Vegetables taken from own farm/shop are assigned retail value

c) Present rental value of the owner-occupied house
Measurement of Consumption Expenditure

Three approaches are used to determine consumption expenditure:

I. Acquisition approach – recorded at the time of purchase of goods and services

II. Consumption approach - e.g. water and electricity

III. Payment approach - advance deposit payment in acquiring certain goods and services
Method of Data Collection

• Interview survey and visit by interviewer on alternate day.

• Households will be given a record book where daily expenditure on products and services are entered for a month.

• Expenditure on durables, semi durable and some selected items are covered for the reference period of 12 months including the survey month.
Data Gathered

- Socio-demographic – relationship, marital status, gender, age, job, data of birth, education level, income.
- Household characteristics – composition, number of family members, type of house, ownership
- Income and sources
- Expenditure for every household member
- Areas are classified into metropolitan, big city, small city and rural region.
- A total sample size of 14,084 were involved from a population of
Classification of Expenditure Items

1. Food and non-alcoholic beverages
2. Alcoholic beverages and tobacco
3. Clothing and footwear
4. Housing, water, electricity, gas and other fuels
5. Furnishings, household equipment and routine household maintenance
6. Health
7. Transport
8. Communication
9. Recreation services and culture
10. Education
11. Restaurants and hotels
12. Miscellaneous good and services
<table>
<thead>
<tr>
<th></th>
<th>Composition of average monthly household expenditure in HES</th>
<th>09/10 %</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and non-alcoholic beverages</td>
<td>20.3</td>
<td>444</td>
</tr>
<tr>
<td>2</td>
<td>Alcoholic beverages and tobacco</td>
<td>2.2</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>Clothing and footwear</td>
<td>3.4</td>
<td>75</td>
</tr>
<tr>
<td>4</td>
<td>Housing, water, electricity, gas and other fuels</td>
<td>22.6</td>
<td>495</td>
</tr>
<tr>
<td>5</td>
<td>Furnishings, household equipment and routine, household maintenance</td>
<td>4.1</td>
<td>89</td>
</tr>
<tr>
<td>6</td>
<td>Health</td>
<td>1.3</td>
<td>29</td>
</tr>
<tr>
<td>7</td>
<td>Transport</td>
<td>14.9</td>
<td>327</td>
</tr>
<tr>
<td>8</td>
<td>Communication</td>
<td>5.6</td>
<td>124</td>
</tr>
<tr>
<td>9</td>
<td>Recreation services and culture</td>
<td>4.6</td>
<td>101</td>
</tr>
<tr>
<td>10</td>
<td>Education</td>
<td>1.4</td>
<td>31</td>
</tr>
<tr>
<td>11</td>
<td>Restaurants and hotels</td>
<td>10.9</td>
<td>239</td>
</tr>
<tr>
<td>12</td>
<td>Miscellaneous good and services</td>
<td>8.7</td>
<td>190</td>
</tr>
</tbody>
</table>

**Total:** 2190