

## How do United States consumer expenditures compare with the United Kingdom and Japan?

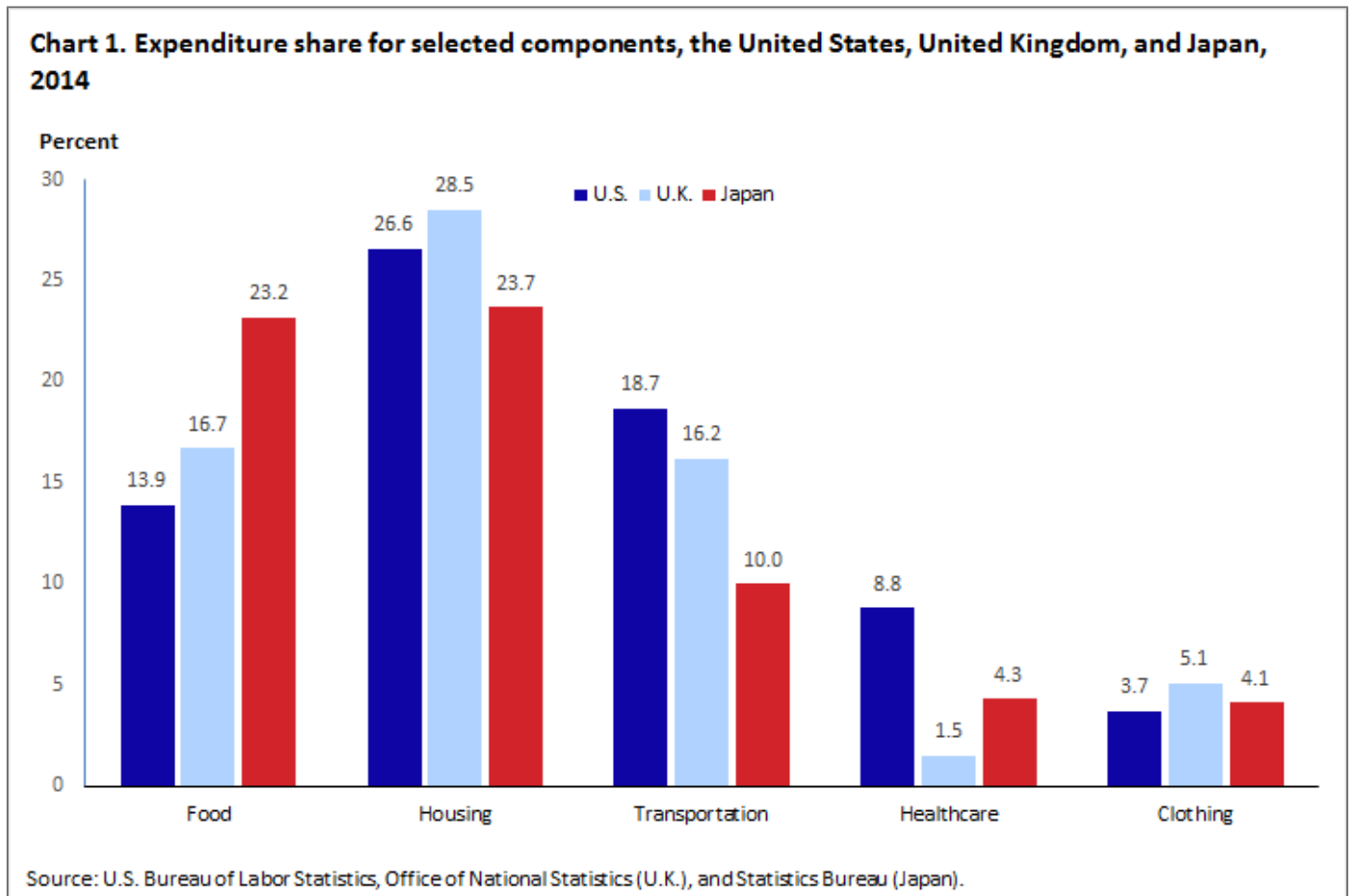
*By Brett Creech*

In 2014, U.S. consumers spent almost 19 percent of every dollar on transportation, which is 87 percent higher than what Japan spent. U.S. households also spent about 9 percent on out-of-pocket healthcare expenditures, which was over 5 times higher than the U.K. Expenditure shares are the percentages of total expenditures allotted to each spending category. Japan's share of food expenditures was the highest among the three countries. The United States had increases in expenditure shares of transportation and healthcare from 2009 to 2014.

This **Beyond the Numbers** article explores how consumer expenditure shares for selected components have changed in the United States, United Kingdom, and Japan from 2009 to 2014. Consumer expenditure shares usually do not fluctuate much in the short term and are more useful for identifying long-term spending trends than for examining percent changes in expenditures from year to year. For this analysis, BLS harmonizes the spending categories so that we can make valid comparisons between the countries. In order to provide comparisons of the international shares data to U.S. shares data for this report, several adjustments are made to ensure the consistency of components that make up an expenditure category.<sup>1</sup>

## Comparisons of expenditure shares by component

The major components of consumer spending for each country are food, housing, transportation, healthcare, and clothing. Chart 1 shows how consumers in the United States budget their spending differently than those in the United Kingdom and Japan. The U.S. spent the most in transportation and healthcare. Japan allocated the highest expenditures of food and the United Kingdom spent the most in housing and clothing.



### Food

Although the United States had a lower total food expenditure share compared with Japan and the U.K. in 2014, the United States had a higher percentage of food away from home expenditures. Of the 13.9 percent allocated to food expenditures in the United States, 41 percent of it was spent away from home. Japan had the highest

food expenditure share of the three countries in both 2009 and 2014, with food expenditures accounting for 23.2 percent of total expenditures in 2014 and 21.8 percent in 2009. (See table 1.) The United Kingdom followed, 16.7 percent of total expenditures spent on food. Of that amount, 32.9 percent was spent on food away from home.

## Housing

The United Kingdom had the highest housing share of total expenditures in both 2009 and 2014 at 27.1 percent and 28.5 percent respectively. (See table 1.) All three countries had an increase in housing expenditure shares from 2009 to 2014, with the increase in the U.S. housing expenditures shares being the smallest. For both years, housing was the largest expenditure component in all three countries. Similar to 2009, Japan had the lowest housing share among these countries at 23.7 percent in 2014. For the purposes of this article, the housing expenditures for the United States and the United Kingdom were adjusted to exclude mortgage interest and principal payments and property taxes for consistency with the definition of housing totals in Japan (which include rent, utilities, and communication, but do not include mortgage payments, which are not collected).

## Transportation

All three countries increased transportation expenditures shares from 2009 to 2014. The transportation category consists of automobile purchases, public transportation, and other transportation subgroups including automobile maintenance. The United States had the largest transportation share of total expenditures, at 18.7 percent, compared with the other countries. This was an increase from 17.5 percent in 2009. The transportation share for the United Kingdom was 16.2 percent, followed by Japan's share at 10 percent. This relatively small share for Japan is due to low expenditures for public transportation and automobile purchases. Of the 10 percent allocated transportation share in Japan, 25 percent was for public transportation, 16 percent was for the purchase of automobiles, and 59 percent was for all other transportation. In comparison, of the 18.7 percent transportation share in the United States, 6.4 percent was for public transportation, 36.4 percent was for the purchase of automobiles, and 57.2 percent was for all other transportation.

## Healthcare

The United States had the highest out-of-pocket healthcare share, 8.8 percent in 2014, compared with 7.2 percent in 2009. This was followed by Japan, at 4.3 percent, and the United Kingdom at 1.5 percent. The healthcare share for the United States is higher because the United Kingdom and Japan have a significant portion of medical costs paid indirectly through a national healthcare system. Medical costs paid indirectly are not included in out-of-pocket healthcare expenditures.

## Clothing

The United Kingdom had the highest clothing expenditures as a share of total expenditures in 2014 among the countries at 5.1 percent. Japan had the second highest clothing share, with 4.1 percent and the United States has the smallest share at 3.7 percent. These country rankings were unchanged from 2009 and all three countries saw the share for clothing expenditures decrease from 2009 to 2014.

**Table 1. Shares of total expenditures for selected categories, the United States, United Kingdom, and Japan, 2009 and 2014**

Categories	U.S.		U.K.		Japan	
	2009	2014	2009	2014	2009	2014
Food	14.6	13.9	19.9	16.7	21.8	23.2
Food at home	8.6	8.2	13.6	11.2	17.2	18.5
Food away from home	6.0	5.7	6.3	5.5	4.6	4.8
Housing	26.3	26.6	27.1	28.5	22.2	23.7
Transportation	17.5	18.7	15.2	16.2	9.8	10.0
Automobile purchases	6.1	6.8	5.1	5.4	2.2	1.6
Public transportation	1.1	1.2	2.5	3.5	2.3	2.5
All other transportation	10.3	10.7	7.6	7.3	5.3	5.9
Healthcare	7.2	8.8	1.4	1.5	4.3	4.3
Clothing	4.0	3.7	5.5	5.1	4.2	4.1
Education	2.4	2.5	1.8	2.1	4.0	3.6
Culture, entertainment, and recreation	6.5	5.8	15.1	14.9	10.6	9.8
Alcoholic beverages and tobacco products	1.9	1.7	4.8	6.3	1.6	1.6
Other categories <sup>(1)</sup>	19.7	18.4	9.1	8.7	21.6	19.6

<sup>(1)</sup> Other categories include miscellaneous expenditure shares and also categories that are unique to a particular country. Since these categories were different for each country, they were not used as a direct comparison for this article.

Source: U.S. Bureau of Labor Statistics, Office of National Statistics (U.K.), and Statistics Bureau (Japan).

## Survey data

The data used for the United States come from the Consumer Expenditure Survey, which collects information from the nation's households and families on their buying habits (expenditures), income, and household characteristics. The data are collected for BLS by the U.S. Census Bureau. The collection unit per household is called the consumer unit.<sup>2</sup> The survey consists of two components, a quarterly Interview Survey and a weekly Diary Survey, each with its own questionnaire and sample. In the Interview Survey, each consumer unit is interviewed every 3 months over four interviews. In the Diary Survey, respondents are asked to keep track of all their purchases made each day for two consecutive 1-week periods. There are approximately 26,000 interviews for the Interview Survey and approximately 13,000 usable diaries for the Diary Survey annually.

The United Kingdom's expenditure data are derived from the Living Costs and Food Survey (LCF).<sup>3</sup> This survey primarily collects information on expenditures of goods and services for households while also collecting income information of the household members. The LCF is a continuous survey, with interviews spread evenly over the year to account for seasonality. The collection unit is the household and approximately 12,000 addresses are selected resulting in 6,000 responding households per year. These data are published as average weekly expenditures. For purposes of this article, the weekly expenditure averages are multiplied by 52 to obtain annual averages.

Japan's expenditure data are derived from the National Survey of Family Income and Expenditure (NSFIE).<sup>4</sup> The NSFIE is a sample survey conducted for the Japan Statistics Bureau every 5 years, with the latest survey conducted in 2014. The survey collects information on household income and expenditures, savings and liabilities, consumer durables, and residences and residential property. The collection unit is the household and approximately 54,000 households were surveyed in 2014.

## Conclusion

Housing continues to be the biggest expenditure share in all three countries. The United States housing share increased slightly in 2014, while the shares of transportation and healthcare cost increased by a greater amount. In both 2009 and 2014, the United Kingdom had the highest housing expenditure share. This is mainly due to a large decline in the share of food expenditures in the United Kingdom. Japan continued to spend the most on food compared with the other two nations and education and culture, entertainment, and recreation expenditures have decreased.

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This **Beyond the Numbers** article was prepared by Brett Creech, economist in the Office of Prices and Living Conditions, U.S. Bureau of Labor Statistics. Email: [creech.brett@bls.gov](mailto:creech.brett@bls.gov), telephone: (202) 691-5120.

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### NOTES

<sup>1</sup> Some adjustments had to be made to the components in order to make them comparable with the other countries. For the United States, alcohol beverages and tobacco products are separate categories. These two expenditures were combined to be comparable with the United Kingdom and Japan. Mortgage expenditures are excluded as these data are not available for Japan.

For the United Kingdom, the hotels portion of the restaurant and hotels category is allocated to the housing, fuel, and power category, whereas the restaurant portion is allocated to food away from home. Expenditures on alcoholic beverages bought at restaurants are included in the alcoholic beverages and tobacco category. The mortgage interest and mortgage principal expenditures are excluded from the housing calculations in order to be consistent with the Japanese housing expenditure grouping.

In Japan, transportation expenditures are combined with communication expenditures, and in order to provide a comparable transportation expenditure category with the United States, communication expenditures are moved into the housing category. After moving communication expenditures to housing, the transportation category included public and private transportation. Private transportation includes automobiles and automobile maintenance. For Japan, fuel, light, and water charges, furniture and utensils, hotel charges, and communications are added to housing to form a combined housing category. Expenditures for alcoholic beverages and tobacco products are separate categories in the United States and Japan, and for comparison purposes, these expenditures are combined.

<sup>2</sup> A consumer unit comprises either: (1) all members of a particular household who are related by blood, marriage, adoption, or other legal arrangements; (2) a person living alone or sharing a household with others or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent; or (3) two or more people

living together who use their income to make joint expenditure decisions. Financial independence is determined by the three major expense categories: Housing, food, and other living expenses. To be considered financially independent, at least two of the three major expense categories have to be provided entirely, or in part, by the respondent. The terms consumer unit, family, and household are often used interchangeably for convenience. However, the proper technical term for purposes of the Consumer Expenditure Survey is consumer unit.

<sup>3</sup> For more information regarding the United Kingdom's Living Costs and Food Survey is available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015>.

<sup>4</sup> For more information on Japan's National Survey of Family Income and Expenditure is available at: <http://www.stat.go.jp/english/data/zensho/index.htm>.

#### SUGGESTED CITATION

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