

Introduction

How much do Americans spend in a year, and how do they allocate those expenditures? In 2007, data from the Consumer Expenditure Survey (CE) showed that on average, consumer units¹ spent \$49,638—an increase of 2.6 percent from 2006. This followed a 4.3-percent increase in spending in 2006 and a 6.9-percent increase in 2005. (See text table 1.) These spending increases occurred during a period of moderate inflation and strong economic growth. The Consumer Price Index (CPI) rose 3.2 percent in 2006 and 2.8 percent in 2007.² The civilian unemployment rate was 4.6 percent in both 2006 and 2007.³ Gross domestic product (GDP), measured in current dollars, rose 6.1 percent in 2006 and 4.8 percent in 2007. Disposable personal income, in current dollars, rose 6.4 percent in 2006 and 5.5 percent in 2007.⁴

The major components of spending—food, housing, apparel and services, transportation, healthcare, entertainment, cash contributions, and personal insurance and pensions—account for about 94 percent of consumer units' average annual expenditures in the CE. In 2007, changes in expenditures varied among the major components. All major components showed an increase in expenditures except for cash contributions, which decreased by 2.6 percent. The increases ranged from a 13.6-percent increase for entertainment—the largest increase—to a 0.4-percent increase for food and for apparel and services, the smallest increases.

Expenditures on food increased 3.0 percent in 2006 and 0.4 percent in 2007. However, because of increased spending in other areas, the share of average annual expenditures spent on food fell from 12.6 percent in 2006 to 12.4 percent in 2007. (See text table 2.) Spending on food at home increased by 3.6 percent in 2006, and 1.4 percent in 2007. In 2006, expenditures on fruits and vegetables experienced the largest increase of all the food-at-home subcomponents, 7.2 percent, those on meats, poultry, fish and eggs, increased 4.3 percent, and dairy expenditures were the only subcomponent that decreased,

falling 2.6 percent. In 2007, spending on meats, poultry, fish, and eggs decreased by 2.5 percent, while all other subcomponents increased, accounting for the overall increase in spending on food at home. The increases ranged from a 1.4-percent increase in spending on fruits and vegetables to a 5.2-percent increase in spending on dairy products. The share of expenditures spent on food at home also declined from 7.1 percent in 2006 to 7.0 percent in 2007. Expenditures on food away from home increased by 2.3 percent in 2006 but then decreased by 1.0 percent in 2007. The share of expenditures spent on food away from home declined from 5.6 percent in 2006 to 5.4 percent in 2007.

Housing expenditures in 2007 represented 34.1 percent of all expenditures, a slight increase over the 33.8 percent they represented in 2006. This compares with 32.1 percent in 2004 and 32.7 in 2005. Expenditures on housing increased by 3.4 percent in 2007, after an increase of 7.9 percent in 2006. Expenditures on all housing subcomponents (shelter, utilities, fuels, and public services; household operations; housekeeping supplies; and household furnishings and equipment) increased in both 2006 and 2007, except for household furnishings and equipment, which decreased in 2006 and housekeeping supplies, which decreased in 2007. Shelter expenditures increased by 9.9 percent in 2006, followed by a 3.6-percent increase in 2007. Shelter includes items such as mortgage interest, property taxes, maintenance and repair, insurance expenses, rent, and vacation homes. The 2006 increase was driven by a 12.4-percent increase in mortgage interest. Spending on shelter accounted for almost 60 cents of every dollar spent on housing. Expenditures on utilities, fuels, and public services increased 2.4 percent in 2007 following a 6.7-percent increase, in 2006. The 2006 increase was driven by a 9.6-percent increase in expenditures on electricity and by a 7.6-percent increase in expenditures on natural gas. Spending on utilities, fuels, and public services accounted for about 21 cents of every dollar spent on housing. Household furnishings and equipment expenditures rose 5.2 percent in 2007, after declining 3.3 percent in 2006. This subcomponent includes such items as furniture, floor coverings, small and major appliances, linens and draperies and other miscellaneous equipment. Expenditures on household operations increased 18.4 percent in 2006 followed by a 3.8-percent increase in 2007. The 2006 increase was driven largely by a 17.8-percent increase in spending on day care centers, nursery and preschools, a 23.9-percent increase in spending on housekeeping services, and a 13.5-percent increase in spending on gardening and lawn care service.

Spending on apparel and services increased 0.4 percent

¹A 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 persons 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.

²Bureau of Labor Statistics, www.bls.gov/cpi, 2009

³Bureau of Labor Statistics, www.bls.gov/cps, 2009

⁴Bureau of Economic Analysis, www.bea.gov/national/index.htm#gdp, and www.bea.gov/national/nipaweb/TableView.asp#Mid, 2009

in 2007, after decreasing 0.6 percent in 2006. The increase in 2007 was driven by a 7.6-percent increase in spending on footwear. For all other subcomponents expenditures decreased in 2007, ranging from a decline of 3.1 percent for apparel for children under 2 to a 0.3-percent decline for women's and girls' apparel. The share of total annual expenditures on apparel and services has declined steadily over the long term from 5.9 percent in 1987 to 5.0 percent in 1997 and 3.8 percent in 2007. In 2005, the share spent on clothing was 4.1 percent; in 2006 it was 3.9 percent

Transportation expenditures rose 2.9 percent in 2007, following a 2.0-percent increase in 2006. Expenditures on gasoline and motor oil rose significantly in both 2006 and 2007, 10.6 percent and 7.0 percent, respectively. This followed increases of 26.0 percent in 2005 and 19.9 percent in 2004. In 2006, gasoline and motor oil spending was 26.2 percent of total transportation spending and in 2007, it rose to 27.2 percent of the total. Public transportation spending, which includes such items as airplane and train fares, as well as intra-city transit fares, rose by 12.7 percent in 2006 and by 6.5 percent in 2007. Spending on vehicle purchases was the only subcomponent of transportation to decrease in 2006 and 2007. Expenditures on vehicle purchases declined by 3.5 percent in 2006 and by 5.2 percent in 2007. The share of total annual expenditures on vehicle purchases declined from a share of 7.6 percent in 2005 to 7.1 percent in 2006 and to 6.5 percent in 2007.

Health care expenditures, out-of-pocket only, rose 3.1 percent, in 2007 and 3.8 percent in 2006, after rising 3.5 percent in 2005. The health insurance subcomponent of health care rose 5.5 percent in 2007, following a 7.6-percent increase in 2006. These expenditures include only what the consumer unit paid for health insurance, not any amount paid for by a third party, such as an employer. In 2007, health insurance expenditures accounted for 54.2 percent of total health spending, which was up from 53.0 percent in 2006, and 51.1 percent, in 2005. Spending on the drugs subcomponent of health care declined 6.4 percent in 2007, following a 1.3-percent decrease in 2006. This subcomponent includes prescription drugs, non-prescription drugs, and non-prescription vitamins. Spending on medical services, which includes such items as dental and eye-care services, lab tests and x-rays, and physicians' services, rose 5.8 percent in 2007, after declining 1.0 percent in 2006. Expenditures on medical supplies rose 0.9 percent in 2007, after rising 11.4 percent in 2006. Medical supplies, which includes such items as eyeglasses and contact lenses, hearing aids, and supportive and convalescent medical equipment, represented about 4.0 percent of total health care spending in both 2006 and 2007.

Entertainment expenditures remained nearly constant in 2006, declining by 0.5 percent but then rose by 13.6 percent in 2007. This followed a 7.7-percent increase in spending on entertainment in 2005. Expenditures on audio and visual equipment and services, which includes televisions, rose 8.9 percent in 2007, another 2.0 percent in 2006, and 12.7 percent, in 2005. This subcomponent represents a little over a third of

total entertainment spending. Fees and admissions—the second largest subcomponent—showed expenditure increases of 8.6 percent in 2007 and 3.1 percent in 2006. Expenditures on pets, toys, hobbies, and playground equipment increased by 35.9 percent in 2007, following a 1.9-percent decline, in 2006. NOTE: The large change seen in 2007 is not typical of this item. It was driven mainly by a change in the survey source for the data which changed from the Interview Survey to the Diary Survey. (See appendix B. Survey methods for a detailed explanation of source selection.) The subcomponent of other supplies, equipment, and services includes such items as recreational vehicles, boats, campers, and sports and exercise equipment. It represents a little under a fifth of total entertainment expenditures. Because some of these items tend to be large and are purchased infrequently, this category tends to show expenditure fluctuations across years. Spending increased 9.3 percent in 2007, after declining 8.3 percent in 2006.

Spending on cash contributions, which includes, among other things, contributions to charities, contributions to religious organizations, child support, and support for college students, fell by 2.6 percent, in 2007, following increases of 12.4 percent in 2006 and 18.1 percent in 2005. The decrease in 2007, was driven by decreases in contributions to churches and religious organizations and to educational institutions. Both these items had increased significantly, in 2006, relative to 2005 and were main drivers of the 12.4-percent increase in 2006.

Spending on personal insurance and pensions rose by 1.3 percent, in both 2006 and 2007, following a 7.9-percent increase in 2005. Both increases were due largely to expenditure increases in pensions and Social Security, which represents well over 90 percent of total expenditures on personal insurance and pensions. The pensions and Social Security subcomponent rose 1.6 percent in 2007 and 2.6 percent in 2006. Spending on life and other personal insurance declined by 4.0 percent in 2007 and by 5.5 percent in 2006. For the sixth straight year in 2007 spending on life and other personal insurance declined.

Expenditure shares, which show the percent distribution among components, do not fluctuate much over time and are more useful for identifying long-term spending trends than examining percent changes in expenditures from one year to the next. Of the major components of spending, the shares for food, housing, apparel and services, and personal insurance and pensions changed only slightly in 2007 from those in 2006. For example, the share for housing was 34.1 percent in 2007 and 33.8 percent in 2006, while the share for food was 12.4 percent in 2007 and 12.6 percent in 2006. Shares for health care and transportation were the same in both years, 5.7 and 17.6 percent, respectively. Only the share for entertainment in 2007, at 5.4 percent, seemed to diverge from the long term trend; the shares for the years 2004–06 were 5.1, 5.1, and 4.9 percent, respectively. This divergence in the entertainment share can be traced back to a change in the survey source for several items that are classified as entertainment expenditures. (Again, see appendix B. Survey methods.)

Text table 1. Average annual expenditures of all consumer units and percent changes, Consumer Expenditure Survey, 2005–07

Item	2005	2006	2007	Percent change	
				2005–06	2006–07
Annual expenditures.....	\$46,409	\$48,398	\$49,638	4.3	2.6
Food	5,931	6,111	6,133	3.0	0.4
At home	3,297	3,417	3,465	3.6	1.4
Cereals and bakery products.....	445	446	460	0.2	3.1
Meats, poultry, fish, and eggs.....	764	797	777	4.3	-2.5
Dairy products	378	368	387	-2.6	5.2
Fruits and vegetables	552	592	600	7.2	1.4
Other food at home.....	1,158	1,212	1,241	4.7	2.4
Away from home.....	2,634	2,694	2,668	2.3	-1.0
Alcoholic beverages.....	426	497	457	16.7	-8.0
Housing	15,167	16,366	16,920	7.9	3.4
Shelter	8,805	9,673	10,023	9.9	3.6
Utilities, fuels, and public services.....	3,183	3,397	3,477	6.7	2.4
Household operations.....	801	948	984	18.4	3.8
Housekeeping supplies	611	640	639	4.7	-0.2
House furnishings and equipment.....	1,767	1,708	1,797	-3.3	5.2
Apparel and services	1,886	1,874	1,881	-0.6	0.4
Transportation.....	8,344	8,508	8,758	2.0	2.9
Vehicle purchases (net outlay)	3,544	3,421	3,244	-3.5	-5.2
Gasoline and motor oil.....	2,013	2,227	2,384	10.6	7.0
Other vehicle expenses.....	2,339	2,355	2,592	0.7	10.1
Public transportation.....	448	505	538	12.7	6.5
Health care	2,664	2,766	2,853	3.8	3.1
Entertainment	2,388	2,376	2,698	-0.5	13.6
Personal care products and services	541	585	588	8.1	0.5
Reading	126	117	118	-7.1	0.9
Education.....	940	888	945	-5.5	6.4
Tobacco products and smoking supplies.....	319	327	323	2.5	-1.2
Miscellaneous.....	808	846	808	4.7	-4.5
Cash contributions.....	1,663	1,869	1,821	12.4	-2.6
Personal insurance and pensions	5,204	5,270	5,336	1.3	1.3
Life and other personal insurance	381	322	309	-15.5	-4.0
Pensions and Social Security	4,823	4,948	5,027	2.6	1.6

Text table 2. **Component shares of total annual expenditures, Consumer Expenditure Survey, 2004–07**

Item	2004	2005	2006	2007
Total expenditures	100	100	100	100
Food	13.3	12.8	12.6	12.4
At home	7.7	7.1	7.1	7.0
Away from home.....	5.6	5.7	5.6	5.4
Alcoholic beverages.....	1.1	0.9	1.0	0.9
Housing	32.1	32.7	33.8	34.1
Apparel and services	4.2	4.1	3.9	3.8
Transportation.....	18	18	17.6	17.6
Vehicle purchases	7.8	7.6	7.1	6.5
Gasoline and motor oil.....	3.7	4.3	4.6	4.8
Other vehicle expenses.....	5.5	5.0	4.9	5.2
Public transportation.....	1.0	1.0	1.0	1.1
Health care	5.9	5.7	5.7	5.7
Entertainment	5.1	5.1	4.9	5.4
Personal care products and services	1.3	1.2	1.2	1.2
Reading	0.3	0.3	0.2	0.2
Education.....	2.1	2.0	1.8	1.9
Tobacco products and smoking supplies.....	0.7	0.7	0.7	0.7
Miscellaneous.....	1.6	1.7	1.7	1.6
Cash contributions.....	3.2	3.6	3.9	3.7
Personal insurance and pensions	11.1	11.2	10.9	10.8
Life and other personal insurance	0.9	0.8	0.7	0.6
Pensions and Social Security.....	10.2	10.4	10.2	10.1