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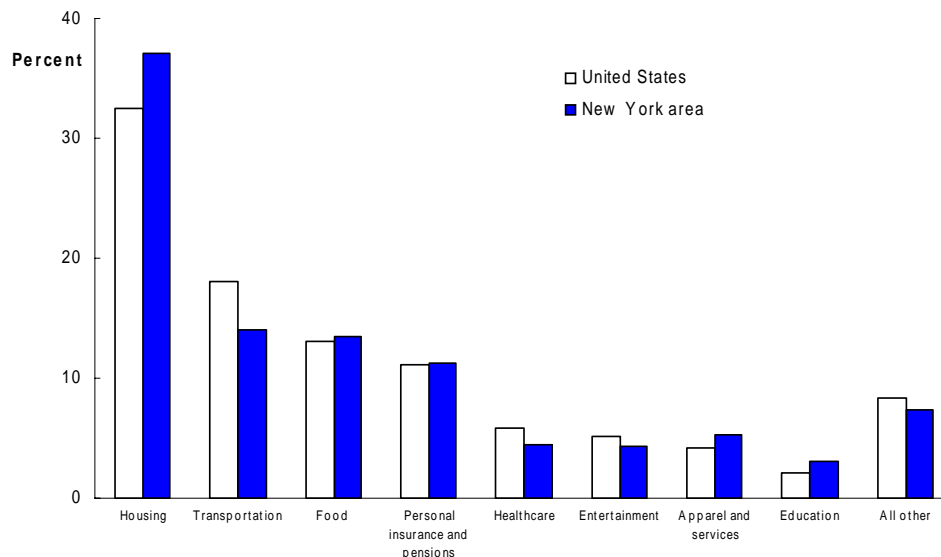
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CONSUMER EXPENDITURES IN THE GREATER NEW YORK AREA, 2004-05

Consumer units in the New York metropolitan area spent an average of \$54,121 per year in 2004-05 period, 20.5 percent more than the typical U.S. household, according to the latest results from the Consumer Expenditure Survey released by the Bureau of Labor Statistics of the U.S. Department of Labor.¹ Regional Commissioner Michael L. Dolfman noted that the 7.6-percent rise in expenditures from the 2002-03 period was about in line with the 7.1-percent rise in area retail prices, as measured by the annual average Consumer Price Index for All Urban Consumers (CPI-U).

Not only did households in the greater New York area spend more than the U.S. average, they also allocated their dollars differently. The percentages, or shares, of annual expenditures allocated for housing, apparel, and education in the greater New York area were significantly larger than the portions spent nationally, while the shares allocated to transportation, healthcare, and entertainment were significantly below the national average. (See chart A.)

Chart A. Expenditure shares by major category, United States and the greater New York area, 2004-05



¹ For convenience, the New York metropolitan area, which includes counties in three states—New York, New Jersey and Connecticut—will be referred to as the greater New York area throughout this release. Also, the terms consumer unit and household will be used interchangeably. See the Technical Note for more detail on these definitions.



This report contains annual data averaged over a two-year period, 2004 and 2005. The data are from the Consumer Expenditure Survey (CE), which is collected on an ongoing basis by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS). The Consumer Expenditure Survey is the only national survey that provides both complete data on household expenditures and the demographic characteristics of those households for the nation, the 4 geographic regions of the country and 24 metropolitan areas. Survey data cannot be used to make cost of living comparisons between areas. Expenditures vary among areas not only because of economic factors such as the prices of goods and services and family income, but also because of differences such as the age of the population, climate, consumer tastes, family size, etc. However, expenditure shares, or the percentage of a consumer unit's budget spent on a particular category, can be used to compare spending patterns across areas. The survey provides average expenditures for consumer units. An individual consumer unit may spend more or less than the average, depending on its particular characteristics.

In the greater New York area, spending on housing, the largest expenditure category, averaged \$20,065 in 2004-05, 37.6 percent above the national average of \$14,586. (See table 1.) Compared with the 2002-03 period, housing expenditures increased 6.1 percent, while the CPI-U for housing advanced 8.6 percent. The increase for housing in New York was largely due to greater expenditures for shelter, up 7.0 percent, and utilities and fuels, up 15.5 percent.

Housing accounted for 37.1 percent of the budget in New York in 2004-05, significantly above the 32.5 percent allocated nationally. Often, an above-average expenditure share for housing is a distinctive feature of large metropolitan areas; even so, New York's share stands out when compared with those of other major metropolitan centers. For example, the portions of the budget spent on housing in Los Angeles (35.7 percent) and Chicago (34.5 percent), the metropolitan areas ranking second and third in population behind New York, were also significantly above the national average, but not as high as in New York. (See table 2.)

New York households spent an average of \$13,271 on shelter, the largest component of the housing category. Nationally, a typical consumer unit spent significantly less—\$8,448—for shelter, which includes mortgage interest, property taxes, repairs and rent, among other items. Households in Los Angeles also spent measurably more than the national average for shelter. Not unexpectedly, residents of New York and Los Angeles were far less likely to be homeowners than their national counterparts—58 percent versus 68 percent. However, this was not the case in Chicago. Even though households in Chicago also spent more on shelter than the average consumer unit, their rate of homeownership was above the national average at 73 percent.

In the greater New York area, households spent \$7,581 on transportation, the second largest budget category after housing. The New York area expenditure share for transportation, 14.0 percent, fell significantly below the national average of 18.0 percent. In contrast, the transportation share in Los Angeles (19.7 percent) was significantly above that for the nation and in Chicago (16.2 percent), it was not appreciably different.

Compared with the 2002-03 period, New York's transportation expenditures declined by 1.9 percent, as a 35.9-percent increase in spending on gasoline and motor oil was more than offset by a 20.9-percent decrease in spending on vehicle purchases.

Nationally, households allocated 43.0 percent of their transportation expenditures to new vehicles; in the greater New York area, new vehicles accounted for only 30.6 percent of transportation spending. In Los Angeles and Chicago the shares were 45.5 and 45.2 percent, respectively. New York area consumer units also averaged the lowest number of vehicles per household, 1.4, while residents of Los Angeles (1.9) and Chicago (1.8) were closer to the national average of 2.0 percent. By contrast, households in the New York area spent a larger-than-average percentage of their transportation budgets on public transit, 13.9 percent versus 5.5 percent for the nation. The proportion of spending allocated to public transportation (which includes fares for subways, trains, buses, taxis, and planes) was also above average in Chicago (7.3 percent), though not nearly as high as in New York, but little different from that for the nation in Los Angeles (5.8 percent).

New York area households spent an average of \$7,283 on food, the third largest budget category. New Yorkers allocated 13.5 percent of their overall expenditures for food, not appreciably different from the national average of 13.0 percent. Los Angeles residents allocated 12.7 percent of their budget for food, which was also close to that for the nation. Chicago households, however, spent a measurably smaller portion of their budget on food, 11.8 percent.

Households in New York allocated \$4,014, or 55.1 percent of their food budgets, to food prepared at home, while the national figure was 56.7 percent. Conversely, New Yorkers devoted 44.9 percent of their expenditures for food to food prepared away from home, such as restaurant meals, carry-outs, board at school, and catered affairs; nationally, the typical household spent 43.3 percent.

Payments for personal insurance and pensions, the fourth largest expenditure category, accounted for 11.2 percent of the typical New York area budget, in line with the national average of 11.1 percent. In Chicago and Los Angeles, expenditure shares for personal insurance and pensions were both significantly below average at 10.3 percent.

A typical consumer unit in the New York area spent a significantly larger portion of its household budget on apparel and related services (5.3 percent) than did the average consumer unit in the U.S. (4.1 percent). In Los Angeles and Chicago, the expenditure shares for apparel (4.3 and 4.2 percent, respectively) were not so different from that for the nation.

Out-of-pocket health care expenses—which include health insurance premiums, medical services, drugs (prescription and nonprescription), and medical supplies—accounted for 4.5 percent of total household expenditures in New York, significantly less than the 5.8 percent recorded nationwide. Shares for health care were also measurably lower in Los Angeles (4.1 percent) and Chicago (5.3 percent).

New York area households also spent a significantly smaller share of their budgets on entertainment, 4.3 percent, than the 5.1-percent national average. In comparison, households in Chicago and Los Angeles allocated 4.8 and 4.9 percent, respectively, for entertainment, little different from the percentage allocated nationwide.

Expenses for education accounted for 3.0 percent of a typical New York area household's total expenditures, significantly higher than the 2.1-percent U.S. average. In contrast, the percentage spent on education did not vary significantly from the national average in Los Angeles (1.7 percent) and Chicago (2.7 percent). Compared with the 2002-03 period, education expenditures in the greater New York area increased by more than 30 percent. At the national level, education expenses rose about 20 percent.

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Changes in 2004

Beginning in 2004, the Consumer Expenditure Survey tables included imputed income estimates. While the imputed data provide more reliable income estimates because they allow the inclusion of households for which income data are not otherwise available, income data from 2004 and 2005 are not strictly comparable to data from 2003 and earlier years.

This change also affected those expenditure items in the personal insurance and pensions component that are derived from income data. As a result of the changes that started in 2004, income data, personal insurance and pensions, and average annual expenditures are not strictly comparable to data from previous years. Data for 2004 and 2005 are comparable to each other.

For further information, contact the Division of Consumer Expenditure Surveys, Office of Prices and Living Conditions, Bureau of Labor Statistics, 2 Massachusetts Ave., N.E., Washington, DC 20212-0001 or call 202-691-6900.

Technical Note

The current Consumer Expenditure Survey (CE) program began in 1980. Its principal objective is to collect information on the buying habits of American consumers. The consumer expenditure data are used in a wide variety of research by government, business, labor, and academic analysts. The data are also required for periodic revision of the Consumer Price Index (CPI).

The survey consists of two components, a diary or recordkeeping survey, and an interview survey. The Diary Survey, completed by participating consumer units for two consecutive 1-week periods, collects data on frequently-purchased smaller items. The Interview Survey, in which the expenditures of consumer units are obtained in five interviews conducted every 3 months, collects data for larger-cost items and expenditures that occur on a regular basis. The U.S. Census Bureau collects the survey data.

Each component of the survey queries an independent sample of consumer units which is representative of the U.S. population. Over the year, about 7,500 consumer units are sampled for the Diary Survey. The Interview Survey is conducted on a rotating panel basis, with about 7,500 consumer units participating each quarter. The data are collected on an ongoing basis in 102 areas of the country.

The integrated data from the BLS Diary and Interview Surveys provide a complete accounting of consumer expenditures and income, which neither survey component alone is designed to do. Due to changes in the survey sample frame, metropolitan area data in this release are not directly comparable to those prior to 1996.

The expenditure data in this release should be interpreted with care. The expenditures are averages for consumer units with the specified characteristics, regardless of whether or not a specific unit incurred an expense for that specific item during the recording period. The average expenditure may be considerably lower than the expenditure by those consumer units that purchased the item. This study is not intended as a comparative cost of living survey, as neither the quantity nor the quality of goods and services has been held constant among areas. Differences may result from variations in characteristics such as consumer unit size, age, preferences, income levels, etc. Users should keep in mind that prices for many goods and services have risen since the survey was conducted.

In addition, sample surveys are subject to two types of errors. Sampling errors occur because the data are collected from a representative sample rather than the entire population. Nonsampling errors result from the inability or unwillingness of respondents to provide correct information, differences in interviewer ability, mistakes in recording or coding, or other processing errors. The year-to-year changes are volatile and should be interpreted carefully. Sample sizes for the metropolitan areas are much smaller than for the nation, so the U.S. estimates and year-to-year changes are more reliable than those for the metropolitan areas.

Some expenditure components are subject to large fluctuations from one year to the next because these components include expensive items that relatively few consumers purchase each year. Thus, shifts from year to year in the number of consumers making such purchases can have a large effect on average expenditures. Examples of these types of expenses are purchases of new cars and trucks in the transportation component, and spending on boats and recreational vehicles in the entertainment component.

Tests of statistical significance are used in this release to compare expenditure amounts and shares for the 14 major expenditure categories in the United States to the amounts and shares of the following metropolitan areas: Chicago, Los Angeles, and New York. For these three areas, the release identifies expenditure amounts and shares different from the national figure after testing for significance at the 95 percent confidence interval.

NOTE: A value that is statistically different from another does not necessarily mean that the difference has economic or practical significance. Statistical significance is concerned with our ability to make confident statements about a universe based on a sample. It is entirely possible that a large difference between two values is not significantly different statistically, while a small difference is, since both the size and heterogeneity of the sample effect the relative error of the data being tested.

Metropolitan area definitions are based on Core-based Statistical Areas defined by the U.S. Office of Management and Budget. The metropolitan areas and their component counties and cities discussed in this release are:

Chicago-Naperville-Michigan City, Ill.-Ind.-Wis.: consists of Cook, De Kalb, Du Page, Grundy, Kankakee, Kane, Kendall, Lake, McHenry, and Will Counties in Illinois; Jasper, Lake, Newton, and Porter Counties in Indiana; Kenosha County in Wisconsin.

The Los Angeles-Long Beach-Riverside, Cal.: consists of consists of Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties in California.

The New York-Newark-Bridgeport, N.Y.-N.J.-Pa.: consists of Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union Counties in New Jersey; Fairfield, Litchfield, and New Haven counties in Connecticut; and Pike County in Pennsylvania.

Definitions

Consumer unit - Members of a household consisting of (a) occupants related by blood, marriage, adoption, or some other legal arrangement; (b) a single person living alone or sharing a household with others but who is financially independent; or (c) two or more persons living together who share responsibility for at least 2 out of 3 major types of expenses—food, housing, and other expenses. Students living in university-sponsored housing are also included in the sample as separate consumer units.

Total expenditures - The transaction costs, including excise and sales taxes, of goods and services acquired during the interview period. Estimates include expenditures for gifts and contributions and payments for pensions and personal insurance.

Income - The combined income earned by all consumer unit members 14 years or old or over during the 12 months preceding the interview. The components of income are wages and salaries, self-employment income, Social Security and private and government retirement income; interest, dividends, and rental and other property income; unemployment and workers' compensation and veterans' benefits; public assistance, Supplemental Security Income and Food Stamps; rent or meals or both as pay; and regular contributions for support, such as alimony and child-support payments.

Table 1. Average annual expenditures and consumer unit characteristics, United States and the three largest metropolitan areas, Consumer Expenditure Survey, 2004-05

Item	United States	Chicago	Los Angeles	New York
Number of consumer units (in thousands)...	116,808	3,189	5,112	7,687
Consumer unit characteristics:				
Income before taxes	\$56,593	\$67,726	\$65,810	\$74,851
Age of reference person.....	48.5	50.1	46.9	50.6
Average number in consumer unit:				
Persons.....	2.5	2.6	2.9	2.6
Children under 18.....	.6	.7	.8	.6
Persons 65 and over.....	.3	.3	.3	.3
Earners.....	1.3	1.4	1.5	1.4
Vehicles.....	2.0	1.8	1.9	1.4
Percent homeowner.....	68	73	58	58
Average annual expenditures.....	\$44,928	\$54,935	\$55,760	\$54,121
Food.....	5,855	6,456	7,062	7,283
Food at home.....	3,322	3,453	3,876	4,014
Cereals and bakery products.....	453	473	492	568
Meats, poultry, fish, and eggs.....	822	815	976	1,109
Dairy products.....	374	365	411	462
Fruits and vegetables.....	556	609	749	766
Other food at home.....	1,116	1,192	1,248	1,111
Food away from home.....	2,533	3,002	3,185	3,269
Alcoholic beverages.	442	581	485	553
Housing.....	14,586	18,962	19,911	20,065
Shelter.....	8,448	11,440	13,030	13,271
Owned dwellings.....	5,688	8,510	8,122	8,277
Rented dwellings.....	2,273	2,138	4,383	4,245
Other lodging.....	487	792	524	749
Utilities, fuels, and public services... ..	3,057	3,541	2,908	3,528
Household operations.....	777	1,063	1,224	957
Housekeeping supplies.....	603	792	632	579
Household furnishings and equipment.....	1,701	2,124	2,119	1,730
Apparel and services.....	1,851	2,318	2,386	2,858
Transportation.....	8,081	8,875	10,972	7,581
Vehicle purchases (net outlay).....	3,478	4,013	4,996	2,316
Gasoline and motor oil.....	1,806	1,754	2,312	1,495
Other vehicle expenses.....	2,354	2,464	3,029	2,716
Public transportation.....	444	644	635	1,054
Healthcare	2,625	2,933	2,275	2,412
Entertainment.....	2,279	2,629	2,719	2,330
Personal care products and services.....	561	664	798	687
Reading.....	128	162	158	144
Education.....	924	1,456	960	1,643
Tobacco products and smoking supplies....	303	346	179	265
Miscellaneous.....	751	920	848	1,064
Cash contributions.....	1,535	2,969	1,272	1,168
Personal insurance and pensions.....	5,006	5,665	5,736	6,068
Life and other personal insurance.....	386	384	298	422
Pensions and Social Security.....	4,619	5,282	5,438	5,646

Table 2. Percent distribution of total annual expenditures, United States and the three largest metropolitan areas, Consumer Expenditure Survey, 2004-05

Item	United States	Chicago	Los Angeles	New York
Total	100.0	100.0	100.0	100.0
Food	13.0	11.8	12.7	13.5
Alcoholic beverages	1.0	1.1	.9	1.0
Housing	32.5	34.5	35.7	37.1
Apparel and services	4.1	4.2	4.3	5.3
Transportation	18.0	16.2	19.7	14.0
Healthcare	5.8	5.3	4.1	4.5
Entertainment	5.1	4.8	4.9	4.3
Personal care products and services	1.2	1.2	1.4	1.3
Reading3	.3	.3	.3
Education	2.1	2.7	1.7	3.0
Tobacco products and smoking supplies7	.6	.3	.5
Miscellaneous	1.7	1.7	1.5	2.0
Cash contributions	3.4	5.4	2.3	2.2
Personal insurance and pensions	11.1	10.3	10.3	11.2