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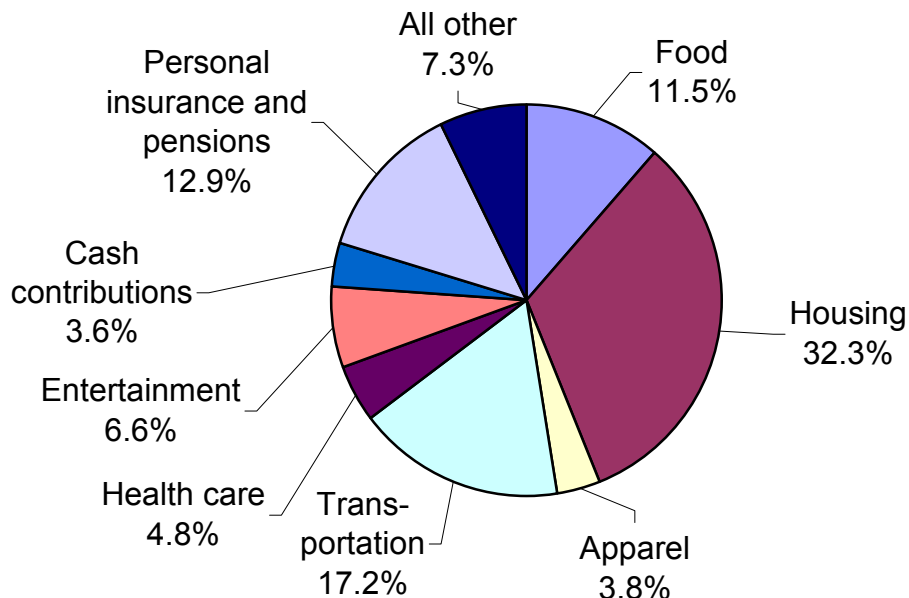
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CONSUMER SPENDING PATTERNS IN MINNEAPOLIS-ST. PAUL, 2002-2003

Consumer units¹ in the Minneapolis-St. Paul, Minnesota metropolitan area spent an average of \$54,088 per year in 2002-2003, a 5.4-percent increase from 2000-2001, according to results from the Bureau of Labor Statistics' Consumer Expenditure Survey. Regional Commissioner Jay A. Mousa noted that this figure was 32.7-percent higher than the \$40,748 expenditure level for a typical household in the United States. Not only did households in the Twin Cities spend more than the U.S. average, they also allocated their dollars differently. Expenditures for transportation, food, and health care all accounted for smaller portions of the total budget in Minneapolis-St. Paul than they did nationwide. On the other hand, spending on entertainment and personal insurance and pensions represented larger than average shares of the total budget in the Twin Cities.

The percentage of the total budget spent by a typical Minneapolis-St. Paul household for food, housing, and transportation was 60.9 percent—below the 65

**Minneapolis-St. Paul Expenditure Shares
Consumer Expenditure Survey 2002-2003**



¹ See Technical Note for definition of consumer unit. The terms consumer unit and household are used interchangeably throughout the text for convenience.

percent spent by the average U.S. household. (See table 1.) Among three other selected major metropolitan areas in the Midwest chosen for comparison, households in Chicago (66 percent), Detroit (65.8 percent), and Milwaukee (64.6 percent) all had expenditure shares for these major categories close to the national average.

This report contains annual data averaged over a two-year period—2002 and 2003. The data are from the Consumer Expenditure Survey, 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. 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.

Housing, the largest expenditure category for a household, accounted for 32.3 percent of total expenditures in Minneapolis-St. Paul, not too different from the 32.8-percent share spent nationally and the lowest percentage among the Midwest areas under comparison. The majority of housing costs in Minneapolis-St. Paul (60.6 percent) went for shelter which includes mortgage interest, property taxes, repairs, and rent, among other items; this was above the U.S. share (58.8 percent). Utilities, fuels, and public services accounted for 15.9 percent of total housing expenditures; nationally, it made up 20.6 percent. The rate of home ownership in Minneapolis-St. Paul, at 71 percent, was above the national average of 67 percent. Of the four metropolitan areas in the Midwest, only residents of Milwaukee (61 percent) were less likely to be homeowners than their national counterparts.

Table A. Percent distribution of housing expenditures, U.S. and selected metropolitan areas, 2002-2003

Item	United States	Minneapolis-St. Paul	Chicago	Detroit	Milwaukee
Total housing	100.0	100.0	100.0	100.0	100.0
Shelter	58.8	60.6	60.3	61.1	61.2
Utilities, fuels & public services	20.6	15.9	18.7	20.2	17.8
Household operations	5.3	4.9	5.1	5.1	4.3
Housekeeping supplies	4.0	4.2	3.7	3.7	4.2
Household furnishings & equip.	11.3	14.5	12.2	10.0	12.5

At 17.2 percent of the total budget, transportation was the second largest expenditure category in the Minneapolis-St. Paul area; this was below the national average of 19.1 percent. Shares in Milwaukee (16.6 percent) and Chicago (16.9 percent) were also under the nationwide average, but exceeded the national norm in Detroit (20.5 percent). Of the \$9,280 annual expenditure on transportation in Minneapolis-St. Paul, 92.8 percent was spent buying and maintaining private vehicles. (See table 2 for detailed expenditure levels.) The average number of vehicles per household in Minneapolis-St. Paul was 2.6. This was considerably more than the national average of 2.0 vehicles and highest among the four Midwest cities. The remaining 7.2 percent of a Minneapolis-St. Paul household's transportation budget was spent on public transit which includes taxis, buses, trains, and planes.

Minneapolis-St. Paul consumer units spent 11.5 percent of their budget on food, below the nationwide average of 13.1 percent. At 12.8 percent, households in both

Milwaukee and Chicago had food expenditure shares closer to the national average, as did those in Detroit at 12.5 percent. Of the \$6,235 annual food expenditure, households in the Twin Cities spent 55.2 percent on food prepared at home, joining the other three areas with shares lower than the 58.1-percent national average. The remainder of a Minneapolis-St. Paul household's food budget, 44.8 percent, was spent on food prepared away from home (such as restaurant meals, carry-outs, board at school, and catered affairs); this was above the U.S. average of 41.9 percent.

Payments for personal insurance and pensions accounted for 12.9 percent of the typical Minneapolis-St. Paul household's budget, the highest share among the selected Midwest areas and above the national average of 9.8 percent. Expenditure shares for personal insurance and pensions matched the U.S. average in Detroit and Milwaukee and trailed in Chicago (8.7 percent).

Spending on apparel and related services accounted for 3.8 percent of total expenditures in Minneapolis-St. Paul; the national average was 4.2 percent. Of the four selected Midwest areas, only Detroit's share exceeded 5 percent.

Out-of-pocket health care expenses, which include health insurance premiums, medical services, drugs (prescription and nonprescription), and medical supplies, accounted for 4.8 percent of a Minneapolis-St. Paul's household budget. Households in Chicago (5.2 percent) and Detroit (4.5 percent) joined those in the Twin Cities with shares less than the 5.9-percent nationwide average. Milwaukee households matched the national percentage.

Minneapolis-St. Paul area households spent 6.6 percent of their budget on entertainment, above the 5.1-percent share allocated nationally and the highest among the four areas under comparison.

Cash contributions accounted for 3.6 percent of a consumer unit's spending in Minneapolis-St. Paul. Shares for households in Milwaukee (3.3 percent) and Chicago (3.0 percent) were closer to the 3.2-percent U.S. average; in Detroit, the percentage of the budget allocated for cash contributions trailed that for the nation at 2.6 percent.

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Additional Data Available

Data tables are available for the four Census regions and for the national average. These tables may be obtained from the Bureau's automated Fax-on-Demand service. See below. Additional tables are offered under the heading "*Tables Created by BLS*" on the BLS Internet site www.bls.gov/cex.

BLS Fax-on-Demand - Chicago (312) 353-1880	Number of pages	Document number
Consumer Expenditures in 2003 - national news release (annual)	2	2705
U.S. data tables containing consumer expenditures -		
By quintiles of income before taxes (Table 1)	4	2710
By income before taxes (Table 2)	4	2715
By age of reference person (Table 3)	4	2720
By size of consumer unit (Table 4)	4	2725
By composition of consumer unit (Table 5)	4	2730
By number of earners (Table 6)	4	2735
By housing tenure and type of area - urban or rural (Table 7)	4	2740
By region of residence (Table 8)	4	2745
By occupation of reference person (Table 9)	4	2750
By education of reference person (Table 10)	4	2760
By selected metropolitan statistical area	4	9279

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 105 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 consumer unit preferences or characteristics such as consumer unit size, age, 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. The survey sample for the nation is much larger than for individual metropolitan areas, meaning the resulting national estimates 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.

The Metropolitan Statistical Areas (MSAs) and Consolidated Metropolitan Statistical Areas (CMSAs) covered by the Consumer Expenditure Survey represent areas designated by the U.S. Office of Management and Budget and are based on definitions in effect as of December 1992. The general concept of an MSA is one of a large population nucleus, together with adjacent communities which have a high degree of economic and social integration with that nucleus. The following metropolitan areas are discussed in this release:

Chicago-Gary-Kenosha, Illinois-Indiana-Wisconsin CMSA which is comprised of Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will Counties, Illinois; Lake and Porter Counties, Indiana; and Kenosha County, Wisconsin;

Detroit-Ann Arbor-Flint, Michigan CMSA which is comprised of Genesee, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne Counties;

Milwaukee-Racine, Wisconsin CMSA which is comprised of Milwaukee, Ozaukee, Racine, Washington, and Waukesha Counties; and

Minneapolis-St. Paul, Minnesota-Wisconsin CMSA which is comprised of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties, Minnesota; and Pierce and St. Croix Counties, Wisconsin.

The Consumer Expenditure Survey also provides data for the four regions of the country as defined by the U.S. Census Bureau - Northeast, South, Midwest, and West. Data for metropolitan areas presented in tables 1 and 2 of this release are part of the Midwest region which includes the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

Definitions

Consumer unit - members of a household related by blood, marriage, adoption, or other legal arrangement; a single person living alone or sharing a household with others but who is financially independent; or 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. The terms household and consumer unit are used interchangeably for convenience.

Complete income reporter - in general, a consumer unit that provides values for at least one of the major sources of its income such as wages and salaries, self-employment income, or Social Security income. Even complete income reporters may not have provided a full accounting of all income from all sources.

Expenditures - consists of the transaction costs, including excise and sales taxes, of goods and services acquired during the interview or recordkeeping period. Expenditure estimates include expenditures for gifts, but exclude purchases or portions of purchases directly assignable to business purposes. Also excluded are periodic credit or installment payments on goods or services already acquired. The full cost of each purchase is recorded even though full payment may not have been made at the date of purchase.

Income before taxes - the total money earnings and selected money receipts during the 12 months prior to the interview date.

Table 1. Consumer unit characteristics and percent distribution of expenditures, U.S. and selected metropolitan areas, Consumer Expenditure Survey, 2002-2003

Item	United States	Minneapolis-St. Paul	Chicago	Detroit	Milwaukee
Consumer unit characteristics:					
Income before taxes <u>1</u> /	\$50,302	\$69,758	\$64,670	\$57,541	\$48,531
Age of reference person	48.2	47.4	47.7	48.8	49.9
Average number in consumer unit:					
Persons	2.5	2.4	2.8	2.6	2.5
Children under 18	.6	.6	.8	.7	.7
Persons 65 and over	.3	.2	.2	.3	.3
Earners	1.3	1.4	1.5	1.3	1.3
Vehicles	2.0	2.6	1.7	2.0	2.0
Percent homeowner	67	71	69	74	61
Average annual expenditures	\$40,748	\$54,088	\$47,016	\$44,039	\$40,890
Total (percent):	100.0	100.0	100.0	100.0	100.0
Food	13.1	11.5	12.8	12.5	12.8
Alcoholic beverages	.9	1.2	1.0	1.0	1.3
Housing	32.8	32.3	36.3	32.8	35.1
Apparel & services	4.2	3.8	4.3	5.6	4.6
Transportation	19.1	17.2	16.9	20.5	16.6
Health Care	5.9	4.8	5.2	4.5	5.9
Entertainment	5.1	6.6	4.9	4.4	5.2
Personal care products & services	1.3	1.2	1.3	1.4	1.3
Reading	.3	.4	.3	.3	.4
Education	1.9	1.9	2.6	1.7	1.6
Tobacco products & smoking supplies	.7	.6	.6	.9	.9
Miscellaneous	1.7	2.1	2.0	1.8	1.3
Cash contributions	3.2	3.6	3.0	2.6	3.3
Personal insurance & pensions	9.8	12.9	8.7	9.8	9.8

1/ Components of income and taxes are derived from "complete income reporters" only; see definitions.

Table 2. Average annual expenditures, U.S. and selected metropolitan areas, Consumer Expenditure Survey, 2002-2003

Item	United States	Minneapolis -St. Paul	Chicago	Detroit	Milwaukee
Average annual expenditures:	\$40,748	\$54,088	\$47,016	\$44,039	\$40,890
Food	5,357	6,235	6,001	5,511	5,234
Food at home	3,114	3,444	3,418	3,073	2,882
Food away from home	2,243	2,791	2,583	2,439	2,352
Alcoholic beverages	384	634	486	430	536
Housing	13,359	17,451	17,059	14,429	14,364
Shelter	7,859	10,575	10,290	8,814	8,786
Utilities, fuels & public services	2,749	2,766	3,190	2,911	2,558
Household operations	706	849	876	732	622
Housekeeping supplies	537	730	624	530	601
Household furnishings & equip.	1,508	2,531	2,080	1,442	1,796
Apparel & services	1,694	2,056	2,017	2,473	1,880
Transportation	7,770	9,280	7,961	9,024	6,797
Vehicle purchases (net outlay)	3,699	4,209	3,570	3,955	3,002
Gasoline & motor oil	1,285	1,400	1,325	1,354	1,284
Other vehicle expenses	2,400	3,007	2,410	3,229	2,142
Public transportation	387	664	657	486	368
Health care	2,384	2,576	2,462	1,999	2,429
Entertainment	2,069	3,596	2,326	1,950	2,114
Personal care products & services	526	650	588	630	521
Reading	133	202	138	145	147
Education	768	1,044	1,224	767	634
Tobacco products & smoking supplies	305	309	300	383	368
Miscellaneous	698	1,126	945	805	537
Cash contributions	1,324	1,937	1,431	1,158	1,342
Personal insurance & pensions	3,978	6,993	4,077	4,335	3,988
Life & other personal insurance	402	641	324	304	414
Pensions & Social Security	3,576	6,352	3,754	4,031	3,575