

Interpreting the Data

Several factors should be considered when interpreting expenditure data, especially when relating averages to individual circumstances. Data are averages for the total population—urban and rural. Because not all consumer units purchased all items during the survey period, the mean expenditure for an item is usually considerably lower than the expenditure by those consumer units that purchased it. In addition, the less frequently an item is purchased, the greater the difference between the average for all consumer units and the average of those purchasing the item. For instance, reference table 1 shows average expenditures for new cars and trucks of only \$1,931 because relatively few consumer units actually purchased a new vehicle. Of course, the average cost for those who did make this purchase would be substantially higher. For example, if 8 percent of the households reported purchasing a new car or truck in 2005, the average expenditure on new cars and trucks for those households would be \$24,138. Even if all consumer units purchased a particular item, an individual consumer unit may have spent more (or less) than the average for that item. Even within a group with similar characteristics, there may be significant variation, because income, family size, age of family members, geographic location, and individual tastes and preferences influence expenditures.

Due to small sample sizes, special caution must be exercised when using data from the Metropolitan Statistical Area (MSA) tables (reference tables 27–30). Despite using 2 years' worth of data to increase sample sizes, average

expenditures for the most-detailed items may not be reliable, because there may be few reports of expenditures for those items. Additionally, even a small number of unusually large purchases, or increases (or decreases), in the number of expenditures for infrequently reported items, can cause large changes in means from one year to the next.

Expenditures reported here are direct out-of-pocket expenditures. Indirect expenditures—that can be significant—may be reflected elsewhere. For example, rental contracts often include utilities. Renters with such contracts would record no direct expense for utilities and, therefore, appear to have lower utility expenses than do those who reported utility costs. Also, employers or insurance companies frequently pay some consumer costs. Therefore, consumer units with members whose employers pay for all or part of their health insurance or life insurance would have lower direct expenses for these items than would those whose members pay the entire amount themselves.

In addition, caution should be used in interpreting changes in expenditures over a short time span. Average amounts spent on different expenditure components may fluctuate from year to year, due to changes in economic conditions. For example, a decrease in the supply of food products as a result of poor weather conditions, or a decrease in the oil supply arising from cutbacks in oil production, might result in sharp price increases and short-term changes in expenditure levels. A less-volatile measure of expenditure patterns is the share of total expenditures spent on major categories of consumption over a period of several years.