

News

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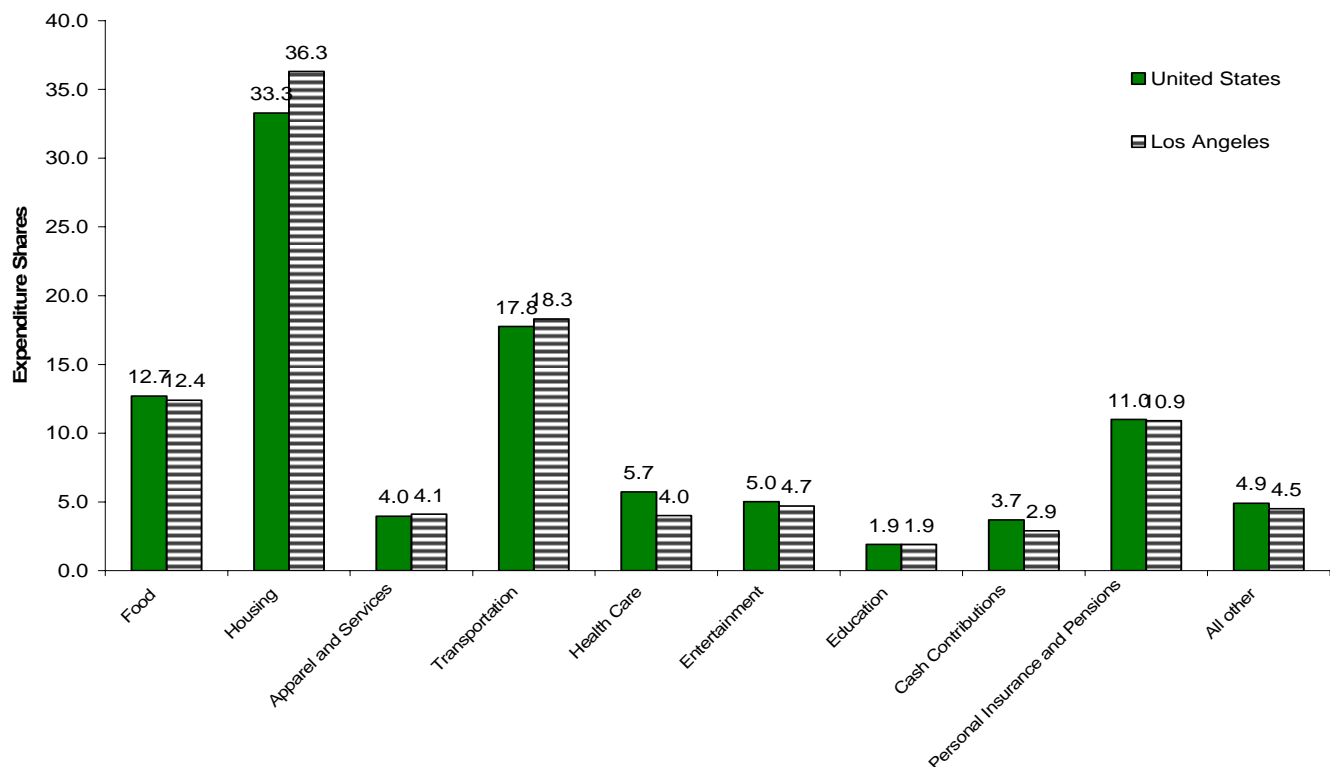
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CONSUMER SPENDING PATTERNS IN THE LOS ANGELES METROPOLITAN AREA, 2005-2006

Consumer units¹ in the Los Angeles-Riverside-Orange County, California metropolitan area spent an average of \$58,404 per year in 2005-2006, according to results from the Bureau of Labor Statistics' Consumer Expenditure Survey. Regional Commissioner Richard Holden noted that this figure was 23.2 percent higher than the \$47,421 average expenditure level for a typical household in the United States. Although households in the Los Angeles area spent more than the U.S. average, they tended to allocate their dollars similarly among a number of major categories including transportation and food. However, expenditures for housing accounted for a significantly larger² portion of the total budget in the Los Angeles area than it did in the United States, whereas spending on health care represented a significantly smaller-than-average share. (See chart A.)

Chart A. Percent distribution of average annual expenditures in the United States and Los Angeles metropolitan area, 2005-2006



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

² Statistical significance tests were introduced for metropolitan area expenditure shares beginning with 2004-2005 data. See the Technical Note for further discussion of Consumer Expenditure significance testing.

This report contains annual data averaged over a two-year period, 2005 and 2006. 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. CE data are available for the nation, the 4 geographic regions of the country, and 18 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.

Housing, the largest expenditure category, accounted for \$21,190 or 36.3 percent of a Los Angeles area household's total budget, exceeding the 33.3 percent national share by a significant margin. (See table 1.) Compared to three other metropolitan areas in the West region of the country with similar population sizes to that of Los Angeles, expenditure shares for housing in San Francisco (39.8 percent) were higher than the national average, while in Phoenix (30.7 percent) the share was significantly lower. The expenditure share for housing in Seattle (34.5 percent) was similar to that for the nation. Overall, the percentage of a consumer unit's budget spent on housing in 11 of the 18 metropolitan areas surveyed was significantly above that for the nation and in 2 others, it was significantly below the national average. (See chart 1.)

Just over two-thirds or 67.5 percent of housing expenditures in Los Angeles went toward shelter, which includes mortgage interest, property taxes, repairs, and rent, among other items; nationwide, this percentage was considerably lower at 58.6 percent. Utilities, fuels, and public services expenses accounted for 14.1 percent of total housing expenditures in Los Angeles; nationally, this component made up 20.9 percent. The rate of homeownership, at 57 percent, was lower than the national average of 67 percent. Among the three areas chosen for comparison, the homeownership rate was also lower than that for the nation in San Francisco (58 percent), but about on a par in Phoenix (68 percent) and Seattle (67 percent). (See table A.)

Table A. Percent distribution of housing expenditures, United States and selected metropolitan areas, 2005-2006

Category	United States	Los Angeles	San Francisco	Phoenix	Seattle
Total Housing	100.0	100.0	100.0	100.0	100.0
Shelter	58.6	67.5	71.4	56.3	64.1
Utilities, fuels and public services	20.9	14.1	11.1	20.3	15.9
Household operation	5.5	5.8	6.0	5.5	3.8
Housekeeping supplies	4.0	3.0	2.4	4.8	3.2
Household furnishings and equipment	11.0	9.5	9.2	13.1	12.9

Note: Numbers may not add to 100 due to rounding

Transportation expenditures accounted for 18.3 percent of the total budget and were the second-largest expenditure category in the Los Angeles area; this share was not significantly different from the national average of 17.8 percent. Among households in the three areas chosen for comparison, those in Phoenix (20.5 percent) and Seattle (18.2 percent) also allocated a similar share of their budgets to transportation, while those in San Francisco (15.3 percent) spent a smaller-than-average percentage. Among the 18 metropolitan areas nationwide, only 1 area had an above-average transportation share and 6 had below-average shares. (See chart 2.)

Of the \$10,716 annual expenditure for transportation in Los Angeles, 93.2 percent was spent buying and maintaining private vehicles; this compared to the national average of 94.4 percent. The remaining 6.8 percent of a Los Angeles household's transportation budget was spent on public transit, which includes fares for taxis, buses, trains, and planes. (See table B for shares and table 2 for detailed expenditure levels.) In comparison, expenditure shares for public transportation ranged from 4.5 percent in Phoenix to 10.1 percent in San Francisco; the average nationally was 5.6 percent. Interestingly, the average number of vehicles per household in Los Angeles, as well as Phoenix, and San Francisco, was the same as the national average, 1.9, but was higher in Seattle at 2.4.

Table B. Percent distribution of transportation expenditures, United States and selected metropolitan areas, 2005-2006

Category	United States	Los Angeles	San Francisco	Phoenix	Seattle
Transportation	100.0	100.0	100.0	100.0	100.0
Vehicle Purchases (net outlays)	41.3	41.5	34.6	49.5	40.9
Gasoline and motor oil	25.2	23.9	22.9	20.2	21.9
Other vehicle expenses	27.9	27.8	32.4	25.8	29.1
Public transportation	5.6	6.8	10.1	4.5	8.0

Note: Numbers may not add to 100 due to rounding

The portion of a Los Angeles consumer unit's budget spent on food, 12.4 percent, was not significantly different from the 12.7 percent U.S. average. Among the other metropolitan areas in the West, San Francisco (12.0 percent), Seattle (12.4 percent), and Phoenix (13.4 percent) also spent a similar portion on food compared to the national average.

Households in Los Angeles spent \$3,873, or 53.6 percent, of their food dollars on food prepared at home and the remaining 46.4 percent on food prepared away from home, such as restaurant meals, carry-outs, board at school, and catered affairs. In comparison, the average U.S. household spent 44.3 percent of its budget on food prepared away from home.

Payments for personal insurance and pensions accounted for 10.9 percent of the typical Los Angeles household's budget, close to the 11.0-percent share allocated nationally. Households in Phoenix (10.6 percent) and Seattle (11.1 percent) also spent a share similar to the U.S. average. San Francisco residents allocated 11.7 percent of their budgets to personal care and pensions, significantly above the national average.

The typical Los Angeles area household spent \$2,743 or 4.7 percent of its budget on entertainment, little different from the national average of 5.0 percent. Phoenix and San Francisco households also spent close to the U.S. average on entertainment, while those in Seattle (5.8 percent) allocated a significantly higher share.

Los Angeles households spent an average of 4.1 percent of total expenditures on apparel and services, not significantly different than the 4.0 percent national average. Phoenix and San Francisco households also had apparel expenditure shares close to the national average; only Seattle's expenditure share, at 2.8 percent, was significantly below average.

Out-of-pocket health care expenses—which include health insurance premiums, medical services, drugs (prescription and nonprescription), and medical care supplies—accounted for 4.0 percent of total household expenditures in Los Angeles, significantly less than the 5.7 percent recorded nationwide. San Francisco consumer units also spent significantly less of their budget on out-of-pocket health care than the national average, while those in Phoenix and Seattle had expenditure shares that differed little from that for the nation.

Cash contributions accounted for 2.9 percent of a typical consumer unit's spending in Los Angeles, significantly below the national average of 3.7 percent. Cash contributions were also lower than average in San Francisco, but not significantly different from that for the nation in Phoenix and Seattle.

As noted, Los Angeles is 1 of 18 areas nationwide for which Consumer Expenditure data are available. We encourage users interested in learning more about the Consumer Expenditure Survey to contact the Western Information Office at (415) 625-2270. Metropolitan area CE data and that for the four geographic regions and the United States are available on our Web site at <http://www.bls.gov/ro9/>.

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 7,000 consumer units are sampled for the Diary Survey. The Interview Survey is conducted on a rotating panel basis, with about 7,000 consumer units participating each quarter. The data are collected on an ongoing basis in 91 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. Differences among areas may result from variations in demographic 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.

The CE significance tests in this release compare expenditure shares for the 14 major expenditure categories in the United States to expenditure shares in selected metropolitan areas (areas in this release are listed below). Expenditure shares for housing and transportation that are above or below that for the nation after testing for significance at the 95-percent confidence interval are identified in charts 1 and 2 for the 18 metropolitan areas.

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 affect the relative error of the data being tested.

Metropolitan areas 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:

Los Angeles-Riverside-Orange Co., Calif. -- includes Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties in California.

Phoenix-Mesa, Arizona -- includes Maricopa and Pima Counties in Arizona.

San Francisco-San Jose-Oakland, Calif. -- includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties in California.

Seattle-Tacoma-Bremerton, Wash. -- includes Island, King, Kitsap, Pierce, Snohomish and Thurston Counties in Washington

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 or consumer unit are used interchangeably for convenience.

Expenditures - consist 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, 2005-2006

Category	United States	Los Angeles	San Francisco	Phoenix	Seattle
Consumer unit characteristics					
Income before taxes	\$59,628	\$70,847	\$90,781	\$65,520	\$65,672
Age of reference person	48.7	46.7	47.5	44.3	47.8
Average number in consumer unit					
Persons	2.5	2.9	2.5	2.7	2.3
Children under 18	.6	.8	.6	.8	.5
Persons 65 and over	.3	.3	.3	.2	.2
Earners	1.3	1.5	1.4	1.4	1.5
Vehicles	1.9	1.9	1.9	1.9	2.4
Percent homeowners	67	57	58	68	67
Average annual expenditures					
Percent distribution	100.0	100.0	100.0	100.0	100.0
Food	12.7	12.4	12.0	13.4	12.4
Alcoholic beverages	1.0	.8	1.1	1.3	1.4
Housing	33.3	36.3	39.8	30.7	34.5
Apparel and services	4.0	4.1	3.8	3.8	2.8
Transportation	17.8	18.3	15.2	20.5	18.2
Healthcare	5.7	4.0	4.3	5.9	5.2
Entertainment	5.0	4.7	4.6	4.9	5.8
Personal care products and services	1.2	1.4	1.1	1.2	1.1
Reading	.3	.2	.3	.2	.3
Education	1.9	1.9	1.7	1.5	1.5
Tobacco products and smoking supplies	.7	.3	.2	.8	.5
Miscellaneous	1.7	1.7	1.6	1.7	1.7
Cash contributions	3.7	2.9	2.6	3.6	3.6
Personal insurance and pensions	11.0	10.9	11.7	10.6	11.1

Note: Columns may not add to 100 due to rounding.

Numbers in bold indicate shares that were significantly different from the U.S. average at the 95-percent confidence interval.

Table 2. Average annual expenditures, U.S. and selected metropolitan areas, Consumer Expenditure Survey, 2005-2006

Category	United States	Los Angeles	San Francisco	Phoenix	Seattle
Consumer unit characteristics					
Income before taxes	\$59,628	\$70,847	\$90,781	\$65,520	\$65,672
Age of reference person	48.7	46.7	47.5	44.3	47.8
Average number in consumer unit					
Persons	2.5	2.9	2.5	2.7	2.3
Children under 18	.6	.8	.6	.8	.5
Persons 65 and over	.3	.3	.3	.2	.2
Earners	1.3	1.5	1.4	1.4	1.5
Vehicles	1.9	1.9	1.9	1.9	2.4
Percent homeowners	67	57	58	68	67
Average annual expenditures					
Food	\$47,421	\$58,404	\$66,344	\$53,570	\$55,544
Food at home	6,022	7,222	7,942	7,187	6,887
Cereals and bakery products	3,357	3,873	4,173	3,822	3,778
Meats, poultry, fish, and eggs	446	470	527	482	479
Dairy products	781	914	965	894	743
Fruits and vegetables	373	395	443	433	417
Other foods at home	572	795	839	672	662
Food away from home	1,185	1,297	1,399	1,342	1,477
Alcoholic Beverages	2,665	3,349	3,769	3,365	3,109
Housing	462	475	757	693	752
Shelter	15,782	21,190	26,382	16,469	19,142
Owned dwellings	9,253	14,312	18,845	9,279	12,279
Rented dwellings	6,250	8,994	12,442	6,249	8,515
Other lodging	2,468	4,775	5,112	2,456	2,796
Utilities, fuels, and public services	535	543	1,290	573	968
Household operations	3,291	2,996	2,925	3,348	3,046
Housekeeping supplies	875	1,235	1,574	899	733
Household furnishings and equipment	625	643	625	784	611
Apparel and services	1,737	2,004	2,414	2,158	2,473
Transportation	1,880	2,396	2,524	2,019	1,541
Vehicle purchases (net outlay)	8,427	10,716	10,080	10,964	10,127
Gasoline and motor oil	3,482	4,443	3,492	5,422	4,145
Other vehicle expenses	2,121	2,566	2,309	2,217	2,221
Public transportation	2,347	2,980	3,261	2,832	2,950
Healthcare	476	727	1,017	493	810
Entertainment	2,716	2,316	2,820	3,134	2,889
Personal care products and services	2,382	2,743	3,080	2,615	3,196
Reading	563	815	734	657	626
Education	122	141	205	115	179
Tobacco products and smoking supplies	914	1,127	1,106	794	848
Miscellaneous	323	199	151	411	289
Cash contributions	827	1,014	1,073	919	924
Personal insurance and pensions	1,767	1,710	1,741	1,910	1,995
Life and other personal insurance	5,237	6,340	7,748	5,683	6,149
Pensions and Social Security	351	307	342	312	371
	4,886	6,033	7,406	5,371	5,779

Chart 1. Expenditure shares spent on housing in all 18 metropolitan statistical areas compared to the U.S. average, 2005-2006

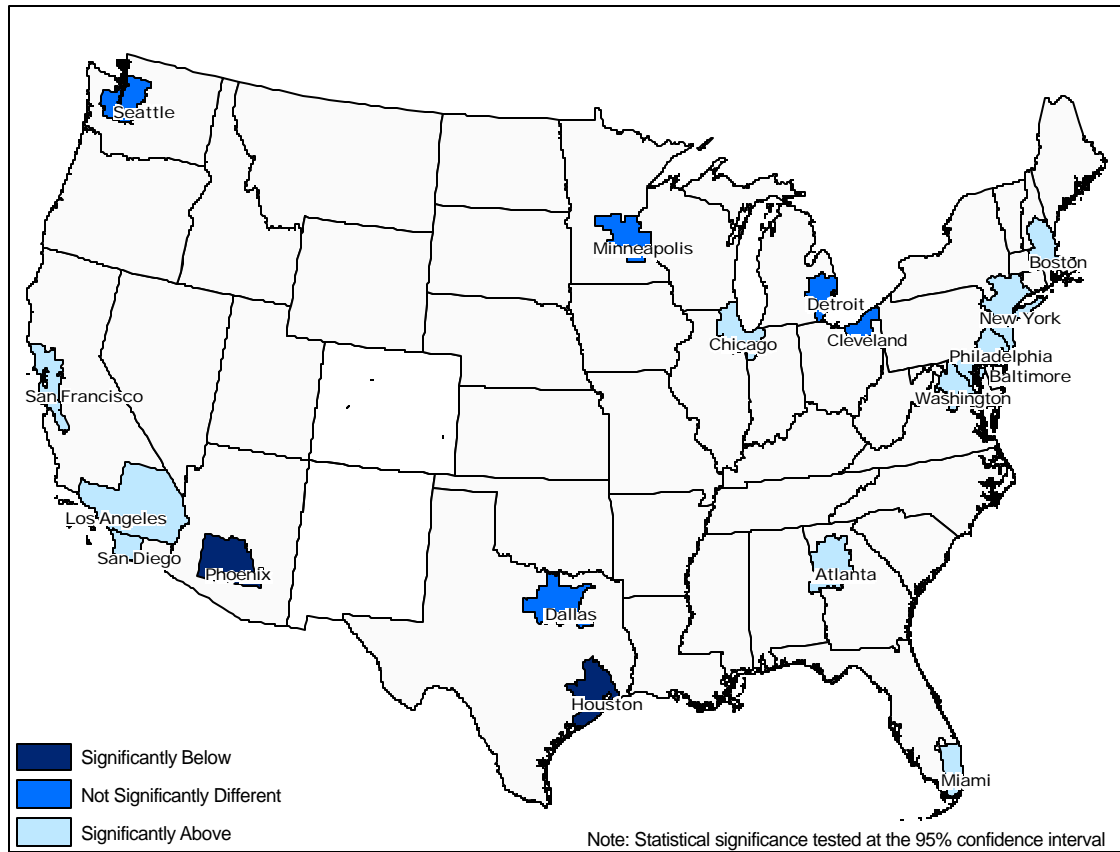


Chart 2. Expenditure shares spent on transportation in all 18 metropolitan statistical areas compared to the U.S. average, 2005-2006

