



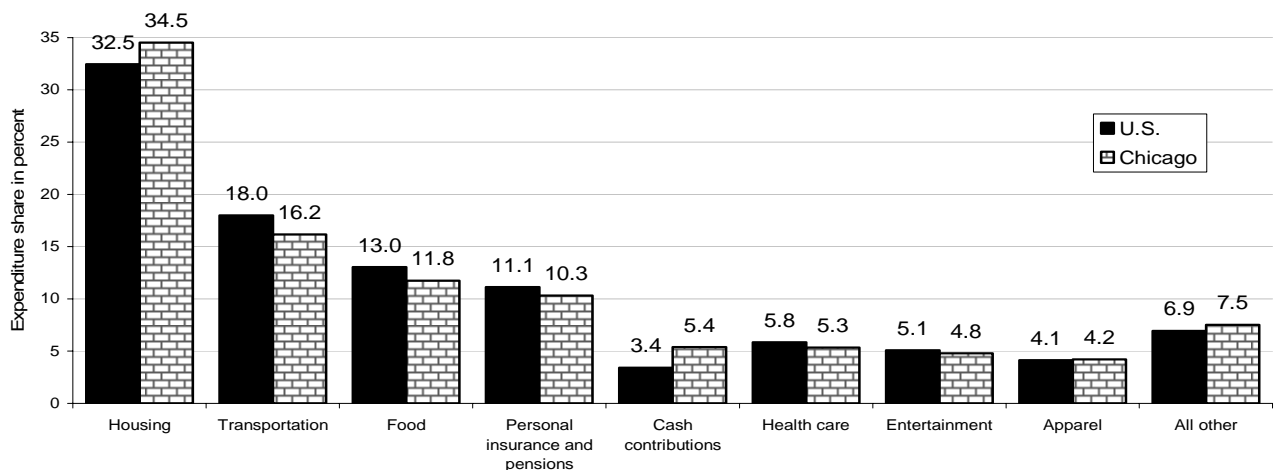
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CONSUMER SPENDING PATTERNS IN THE CHICAGO METROPOLITAN AREA, 2004-2005

Consumer units¹ in the Chicago-Gary-Kenosha, Illinois-Indiana-Wisconsin metropolitan area spent an average of \$54,935 per year in 2004-2005 according to the Bureau of Labor Statistics' Consumer Expenditure Survey. Regional Commissioner Jay A. Mousa noted that this figure was 22.3 percent higher than the \$44,928 expenditure level for a typical household in the United States. Not only did households in the Chicago area spend significantly more than the U.S. average, they allocated their dollars differently for several major expenditure categories, most notably housing and transportation (See chart A). The percentage of the budget allocated for housing accounted for a significantly larger portion of the total in Chicago than it did nationally, while transportation costs represented a smaller-than-average portion of overall expenses. Expenditure shares for

Chart A. Percent distribution of average annual expenditures, United States and Chicago CMSA, Consumer Expenditure Survey, 2004-05



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

food, personal insurance and pensions, and health care were also significantly below their respective U.S. averages.

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. CE data are available for the nation, 4 geographic regions of the country, and 24 metropolitan areas. Survey data cannot be used to make cost of living comparisons between areas. The survey provides average expenditures for consumer units. 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. An individual consumer unit may spend more or less than the average, depending on its characteristics.

Chicago is the third largest metropolitan area in the United States, surpassed in employment by only New York and Los Angeles. For comparative purposes, expenditure shares in Chicago were compared to these other two metropolitan areas. One other metropolitan area, Detroit, was also included, as it was geographically close to Chicago as well as one of the 12 largest areas in the nation.

Housing, the largest expenditure category for a Chicago area household, accounted for 34.5 percent of total expenditures, significantly exceeding the 32.5-percent national average. (See chart 1.) In Los Angeles (35.7 percent) and New York (37.1 percent), expenditure shares for housing were also measurably higher than that for the nation, while Detroit (32.2 percent) was not significantly different. Often, an above-average expenditure share for housing is a distinctive feature of large metropolitan areas, and this was true in the three largest employment centers in the country.

Shelter is the largest component of housing costs, which includes mortgage interest, property taxes, maintenance and repairs, and rent, among other items. Expenditure shares for shelter in Chicago accounted for 60.3 percent of housing costs; nationally, the average was 57.9 percent. (See table A.) The cost of shelter made up 58.6 percent of Detroit's housing costs, but 65.4 percent of Los Angeles' and 66.1 percent of New York's. Not unexpectedly, at 58 percent each, homeownership rates in New York and Los Angeles were

well below the national average of 68 percent. In contrast, Chicago (73 percent) and Detroit (78 percent) showed above-average homeownership rates.

Table A. Percent distribution of housing expenditures, U.S. and selected metropolitan areas, 2004-2005

Item	United States	Chicago	Detroit	Los Angeles	New York
Total housing	100.0	100.0	100.0	100.0	100.0
Shelter	57.9	60.3	58.6	65.4	66.1
Utilities, fuels & public services	21.0	18.7	21.3	14.6	17.6
Household operations	5.3	5.6	5.2	6.1	4.8
Housekeeping supplies	4.1	4.2	3.4	3.2	2.9
Household furnishings & equip.	11.7	11.2	11.5	10.6	8.6

At 16.2 percent of the total budget, transportation was the second largest expenditure category in the Chicago area; this was significantly below the national average of 18.0 percent. New York households (14.0 percent) also spent a smaller-than-average share on transportation while those in Detroit (18.1 percent) matched the U.S. average. Of the four metropolitan areas, only Los Angeles (19.7 percent) had a greater-than-average share for transportation. (See chart 2.)

Of the \$8,875 annual expenditure on transportation in Chicago, 92.7 percent was spent buying and maintaining private vehicles; this compared to the national average of 94.5 percent. (See table 2 for detailed expenditure levels.) The remaining 7.3 percent of Chicago transportation spending was spent on public transit, which includes fares for taxis, buses, trains, subways, and planes. Nationwide, households spent 5.5 percent of their transportation budget on public transit. Expenditure shares for public transit in Los Angeles (5.8 percent) and Detroit (4.8 percent) were close to the national average. However, at 13.9 percent, New York households allocated a higher percentage of transportation dollars for public transit compared to the typical U.S. household. (See table B.) Given the higher expenditure shares for public transit in both Chicago and New York, it was not surprising these metropolitan areas averaged fewer vehicles per household (1.8 in Chicago and 1.4 in New York) than the national average of 2.0.

Table B. Percent distribution of transportation expenditures, U.S. and selected metropolitan areas, 2004-2005

Item	United States	Chicago	Detroit	Los Angeles	New York
Total transportation	100.0	100.0	100.0	100.0	100.0
Vehicle purchases (net outlay)	43.0	45.2	31.5	45.5	30.6
Gasoline and motor oil	22.3	19.8	23.0	21.1	19.7
Other vehicle expenses	29.1	27.8	40.7	27.6	35.8
Public transportation	5.5	7.3	4.8	5.8	13.9

Chicago consumer units spent 11.8 percent of their budget on food, significantly less than the 13.0-percent national average. New York (13.5 percent), Detroit (13.2 percent), and Los Angeles (12.7 percent) all had expenditure shares for food that were not significantly different from that for the nation.

Households in Chicago spent 53.5 percent of their annual food budget on food prepared at home, joining Los Angeles and New York with shares significantly lower than the 56.7-percent national average whereas Detroit households allocated a larger share. (See table 2.) Chicago households spent 46.5 percent of their total food budget on food prepared away from home such as restaurant meals, carry-outs, board at school, and catered affairs, while the average U.S. household spent 43.3 percent. Of the four metropolitan areas, only residents of Detroit (41.5 percent) spent a smaller portion of their total food dollars on “eating out.”

Payments for personal insurance and pensions accounted for 10.3 percent of a typical household budget in both Chicago and Los Angeles, measurably lower than the 11.1 percent expenditure share spent nationally. Households in Detroit exceeded the national average with 12.6 percent of their budget spent on this item, while those in New York had a share, 11.2 percent, that was not significantly different.

Out-of-pocket health care expenses, which include health insurance premiums, medical services, drugs (prescription and nonprescription), and medical care supplies, accounted for 5.3 percent of total household expenditures in Chicago, significantly below the 5.8-percent national average. New York (4.5 percent), Detroit (4.4 percent), and Los Angeles (4.1 percent) also had measurably lower expenditure shares for health care.

Chicago area households spent 4.8 percent of their budget on entertainment, similar to the 5.1-percent share allocated nationally. Expenditure shares for entertainment were also not significantly different from the national average in Los Angeles (4.9 percent) and Detroit (5.1 percent). In New York, households spent a significantly smaller share of their budget on entertainment (4.3 percent) compared to the national norm.

Consumer units in Chicago spent 4.2 percent of their budgets on apparel and related services, not measurably different from the U.S. average of 4.1 percent. Similar spending shares also were found in Detroit (4.4 percent) and Los Angeles (4.3 percent). A typical New York household had a higher-than-average expenditure share for clothing at 5.3 percent.

Cash contributions accounted for 5.4 percent of a consumer unit’s spending in Chicago, above the national average of 3.4 percent. Cash contributions in New York and Los Angeles were below the U.S. average at 2.2 percent and 2.3 percent, respectively. Detroit was close to the national average with a cash contribution share of 3.0 percent.

Changes in 2004

Beginning in 2004 the Consumer Expenditure Survey includes 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 forward will not be strictly comparable to earlier years.

This change also affects those expenditure items in the personal insurance and pensions component that are derived from income data. As a result of the changes 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 collected by the U.S. Census Bureau for BLS. 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 expenditures on larger-cost items and those that occur on a regular basis. The data presented in this release are based on integrated data from both surveys.

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 sample 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 across the four regions 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 the areas.

The CE significance tests are used in this release to compare expenditure shares for the 14 major expenditure categories in the United States to selected metropolitan areas (areas used 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 24 metropolitan areas surveyed.

NOTE: A value that is statistically different from another does not necessarily mean that the difference has economic or practical significance. Statistics 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 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 the release are:

Chicago-Gary-Kenosha, Ill.-Ind.-Wis.: includes of Cook, De Kalb, Du Page, Grundy, Kankakee, Kane, Kendall, Lake, McHenry, and Will Counties in Illinois; Lake and Porter Counties in Indiana; and Kenosha County in Wisconsin;

Detroit-Ann Arbor-Flint, Mich.: includes Genesee, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne Counties;

Cleveland-Akron, Ohio: includes Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, and Summit Counties;

Minneapolis-St. Paul, Minn.-Wis.: includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties in Minnesota; and Pierce and St. Croix Counties in 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.

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 purchase 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, 2004-2005

Item	United States	Chicago	Detroit	Los Angeles	New York
Consumer unit characteristics:					
Income before taxes	\$56,593	\$67,726	\$66,189	\$65,810	\$74,851
Age of reference person	48.5	50.1	48.7	46.9	50.6
Average number in consumer unit:					
Persons	2.5	2.6	2.7	2.9	2.6
Children under 18	.6	.7	.8	.8	.6
Persons 65 and over	.3	.3	.3	.3	.3
Earners	1.3	1.4	1.4	1.5	1.4
Vehicles	2.0	1.8	2.1	1.9	1.4
Percent homeowner	68	73	78	58	58
Average annual expenditures					
Total (percent):	\$44,928	\$54,935	\$51,219	\$55,760	\$54,121
	100.0	100.0	100.0	100.0	100.0
Food	13.0	11.8	13.2	12.7	13.5
Alcoholic beverages	1.0	1.1	.7	.9	1.0
Housing	32.5	34.5	32.2	35.7	37.1
Apparel & services	4.1	4.2	4.4	4.3	5.3
Transportation	18.0	16.2	18.1	19.7	14.0
Health care	5.8	5.3	4.4	4.1	4.5
Entertainment	5.1	4.8	5.1	4.9	4.3
Personal care products & services	1.2	1.2	1.1	1.4	1.3
Reading	.3	.3	.3	.3	.3
Education	2.1	2.7	2.2	1.7	3.0
Tobacco products & smoking supplies	.7	.6	.9	.3	.5
Miscellaneous	1.7	1.7	1.7	1.5	2.0
Cash contributions	3.4	5.4	3.0	2.3	2.2
Personal insurance & pensions	11.1	10.3	12.6	10.3	11.2

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

Table 2. Average annual expenditures, U.S. and selected metropolitan areas, Consumer Expenditure Survey, 2004-2005

Item	United States	Chicago	Detroit	Los Angeles	New York
Average annual expenditures:	\$44,928	\$54,935	\$51,219	\$55,760	\$54,121
Food	5,855	6,456	6,780	7,062	7,283
Food at home	3,322	3,453	3,965	3,876	4,014
Cereals and bakery products	453	473	545	492	568
Meats, poultry, fish and eggs	822	815	1,047	976	1,109
Dairy products	374	365	405	411	462
Fruits and vegetables	556	609	635	749	766
Other food and home	1,116	1,192	1,333	1,248	1,111
Food away from home	2,533	3,002	2,815	3,185	3,269
Alcoholic beverages	442	581	380	485	553
Housing	14,586	18,962	16,490	19,911	20,065
Shelter	8,448	11,440	9,656	13,030	13,271
Owned dwellings	5,688	8,510	7,389	8,122	8,277
Rented dwellings	2,273	2,138	1,462	4,383	4,245
Other lodging	487	792	805	524	749
Utilities, fuels & public services	3,057	3,541	3,511	2,908	3,528
Household operations	777	1,063	864	1,224	957
Housekeeping supplies	603	792	568	632	579
Household furnishings & equip.	1,701	2,124	1,890	2,119	1,730
Apparel & services	1,851	2,318	2,251	2,386	2,858
Transportation	8,081	8,875	9,246	10,972	7,581
Vehicle purchases (net outlay)	3,478	4,013	2,914	4,996	2,316
Gasoline & motor oil	1,806	1,754	2,129	2,312	1,495
Other vehicle expenses	2,354	2,464	3,759	3,029	2,716
Public transportation	444	644	444	635	1,054
Healthcare	2,625	2,933	2,261	2,275	2,412
Entertainment	2,279	2,629	2,619	2,719	2,330
Personal care products & services	561	664	568	798	687
Reading	128	162	149	158	144
Education	924	1,456	1,140	960	1,643
Tobacco products & smoking supplies	303	346	480	179	265
Miscellaneous	751	920	895	848	1,064
Cash contributions	1,535	2,969	1,528	1,272	1,168
Personal insurance & pensions	5,006	5,665	6,430	5,736	6,068
Life & other personal insurance	386	384	451	298	422
Pensions & Social Security	4,619	5,282	5,979	5,438	5,646

