



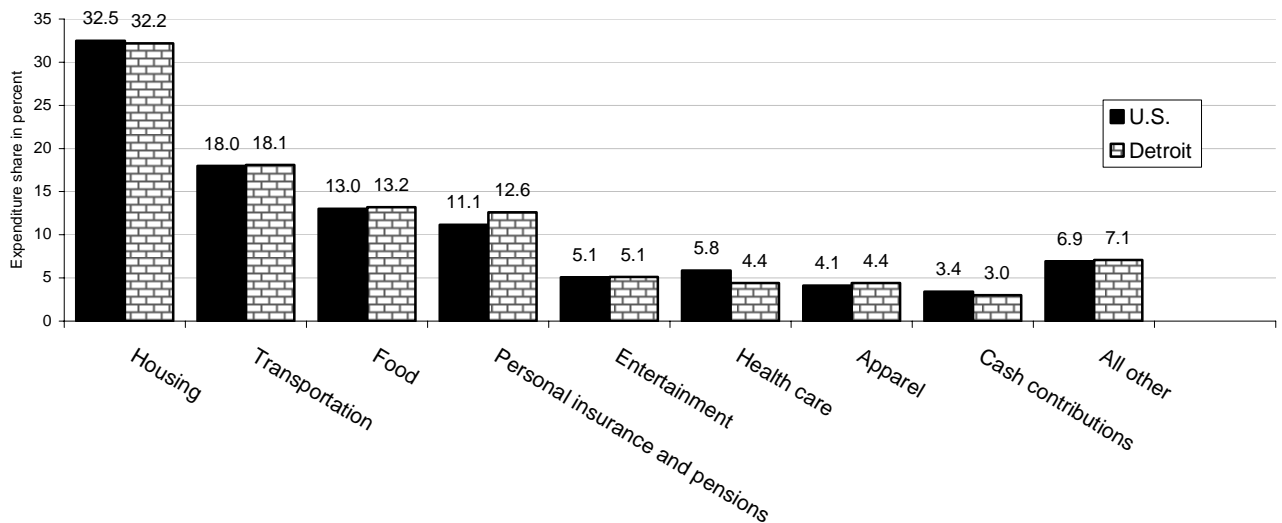
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CONSUMER SPENDING PATTERNS IN THE DETROIT METROPOLITAN AREA, 2004-2005

Consumer units¹ in the Detroit-Ann Arbor-Flint, Michigan metropolitan area spent an average of \$51,219 per year in 2004-2005, according to results from the Bureau of Labor Statistics' Consumer Expenditure Survey. Regional Commissioner Jay A. Mousa noted that this figure was 14 percent higher than the \$44,928 expenditure level for a typical household in the United States. Although households in the Detroit area spent significantly more than the U.S. average, how they allocated their dollars was generally similar to the typical American household. Of the major expenditure items for an average consumer unit in Detroit, only the share allocated for health care was significantly below the U.S. norm and only the share for personal insurance and pensions was measurably above that for the nation.

Chart A. Percent distribution of average annual expenditures, United States and Detroit 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.

This report contains annual data averaged over a two-year period—2004 and 2005. 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. CE data are available 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. An individual consumer unit may spend more or less than the average, depending on its characteristics.

Housing, the largest expenditure category for a Detroit household at \$16,490, accounted for 32.2 percent of total expenditures, close to the national share of 32.5 percent. In three other metropolitan areas in the Midwest chosen for comparison, the expenditure share for housing in Minneapolis-St. Paul (32.8 percent) was also not significantly different from the U.S. average while in Chicago (34.5 percent) and Cleveland (34.7 percent) the share was measurably higher. (See chart A and chart 1.)

The majority of housing costs in Detroit (58.6 percent) went for shelter, which includes mortgage interest, property taxes, repairs, and rent, among other items. (See table A.) Nationally, shelter made up 57.9 percent of all housing costs. Utilities, fuels and public services accounted for 21.3 percent of total housing expenditures locally, about the same as the 21.0-percent U.S. average. The rate of homeownership in Detroit, at 78 percent, was well above the national average of 68 percent and the highest among the selected metropolitan areas, though the other three also had above-average rates of homeownership.

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

Item	United States	Detroit	Chicago	Cleveland	Minneapolis-St. Paul
Total housing	100.0	100.0	100.0	100.0	100.0
Shelter	57.9	58.6	60.3	56.6	58.1
Utilities, fuels & public services	21.0	21.3	18.7	25.6	15.9
Household operations	5.3	5.2	5.6	3.3	5.8
Housekeeping supplies	4.1	3.4	4.2	4.3	4.2
Household furnishings & equipment	11.7	11.5	11.2	10.3	16.0

A typical Detroit area household allocated 18.1 percent of its budget for transportation, on a par with the 18.0-percent national average. However, expenditure shares for transportation were significantly below that for the United States in the other three Midwest areas, ranging from 16.2 percent in Chicago to 14.5 percent in Minneapolis-St. Paul. (See chart 2.)

Of the \$9,246 annual expenditure on transportation in Detroit, 95.2 percent was spent buying and maintaining private vehicles. (See table B.) The remaining 4.8 percent of a Detroit household's transportation budget was spent on public transit which includes fares for taxis, buses, trains, and planes; the national public transit share was 5.5 percent. The average number of vehicles per household in Detroit was 2.1, close to the national average of 2.0. Of the other three metropolitan areas in the Midwest, only Minneapolis-St. Paul exceeded the national average with 2.4 vehicles per, while Chicago and Cleveland averaged 1.8 vehicles per household, a bit below the average for the nation.

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

Item	United States	Detroit	Chicago	Cleveland	Minneapolis-St. Paul
Total transportation	100.0	100.0	100.0	100.0	100.0
Vehicle purchases (net outlay)	43.0	31.5	45.2	33.7	36.7
Gasoline and motor oil	22.3	23.0	19.8	23.8	21.7
Other vehicle expenses	29.1	40.7	27.8	38.2	33.1
Public transportation	5.5	4.8	7.3	4.3	8.5

Detroit households spent 13.2 percent of their budget on food, close to the nationwide average of 13.0 percent. The other three metropolitan areas in the Midwest recorded food expenditure shares that were significantly below that for the nation: Chicago and Cleveland (both 11.8 percent) and Minneapolis-St. Paul (11.6 percent).

Of their \$6,780 annual food expenditure, households in Detroit spent 58.5 percent on food prepared at home. This compares to a national average of 56.7 percent. Detroit households spent the remainder of their food dollars (41.5 percent) on food prepared away from home, which includes restaurant meals, carry-outs, board at school, and catered affairs.

Consumer units in Detroit spent 4.4 percent of their budgets on apparel, not significantly different from the 4.1 percent spent by the average U.S. household. Expenditure shares for apparel were also close to the national average in Chicago and Minneapolis-St. Paul. At 3.0 percent, Cleveland's expenditure share was significantly below that for the nation.

Payments for personal insurance and pensions accounted for 12.6 percent of the typical Detroit household's budget, measurably higher than the share spent nationally, 11.1 percent. Of the three other selected Midwest areas, only Chicago's expenditure share for personal insurance and pensions, 10.3 percent, was significantly below the national average.

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

Detroit area households spent 5.1 percent of their budget on entertainment, the same portion allocated nationally. Expenditure shares for entertainment averaged 4.8

percent in Chicago, 5.8 percent in Cleveland, and 6.2 percent in Minneapolis-St. Paul. None of these areas in the Midwest had expenditure shares that differed significantly from the national average.

Cash contributions in Detroit area households accounted for 3.0 percent of the total expenditures, close to the national average of 3.4 percent. Consumer units in Chicago and Minneapolis also had shares that did not differ significantly from that for the United States. Only households in Cleveland spent a measurably smaller portion of their budget on cash contributions, 2.7 percent.

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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	Detroit	Chicago	Cleveland	Minneapolis-St. Paul
Consumer unit characteristics:					
Income before taxes	\$56,593	\$66,189	\$67,726	\$51,602	\$78,388
Age of reference person	48.5	48.7	50.1	50.8	47.1
Average number in consumer unit:					
Persons	2.5	2.7	2.6	2.4	2.3
Children under 18	.6	.8	.7	.6	.5
Persons 65 and over	.3	.3	.3	.3	.2
Earners	1.3	1.4	1.4	1.3	1.4
Vehicles	2.0	2.1	1.8	1.8	2.4
Percent homeowner	68	78	73	74	75
Average annual expenditures					
Total (percent):	\$44,928	\$51,219	\$54,935	\$38,476	\$58,900
	100	100	100	100	100
Food	13.0	13.2	11.8	11.8	11.6
Alcoholic beverages	1.0	.7	1.1	1.1	1.3
Housing	32.5	32.2	34.5	34.7	32.8
Apparel & services	4.1	4.4	4.2	3.0	4.2
Transportation	18.0	18.1	16.2	15.8	14.5
Health care	5.8	4.4	5.3	6.8	5.3
Entertainment	5.1	5.1	4.8	5.8	6.2
Personal care products & services	1.2	1.1	1.2	1.1	1.2
Reading	.3	.3	.3	.4	.3
Education	2.1	2.2	2.7	1.9	2.2
Tobacco products & smoking supplies	.7	.9	.6	.9	.6
Miscellaneous	1.7	1.7	1.7	2.4	2.0
Cash contributions	3.4	3.0	5.4	2.7	3.9
Personal insurance & pensions	11.1	12.6	10.3	11.6	13.9

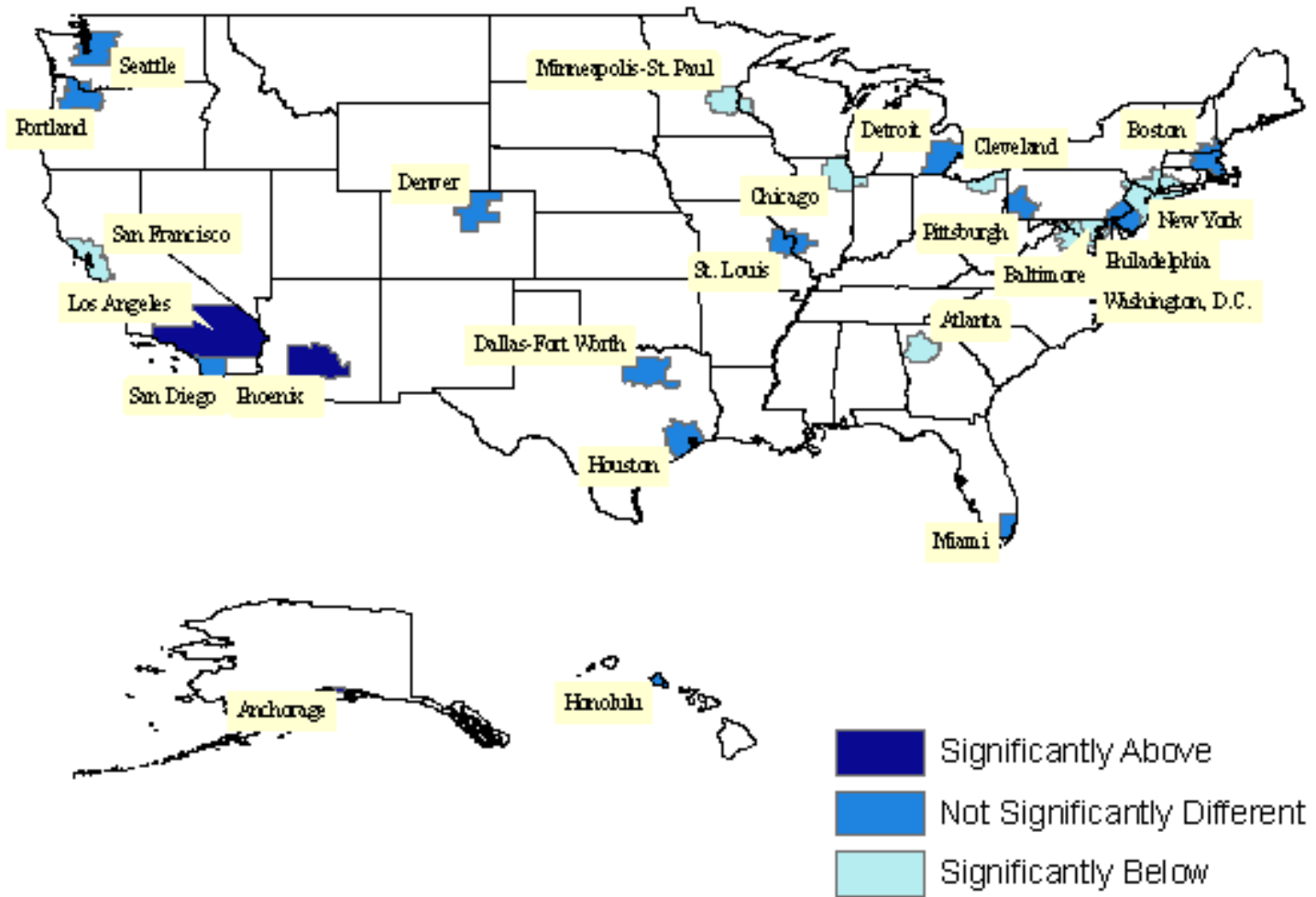
Note: Numbers may not add to 100 due to rounding.

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

Item	United States	Detroit	Chicago	Cleveland	Minneapolis-St. Paul
Average annual expenditures:	\$44,928	\$51,219	\$54,935	\$38,476	\$58,900
Food	5,855	6,780	6,456	4,526	6,850
Food at home	3,322	3,965	3,453	2,788	3,567
Cereals and bakery products	453	545	473	391	493
Meats, poultry, fish and eggs	822	1,047	815	726	713
Dairy products	374	405	365	320	458
Fruits and vegetables	556	635	609	455	600
Other food and home	1,116	1,333	1,192	896	1,303
Food away from home	2,533	2,815	3,002	1,738	3,282
Alcoholic beverages	442	380	581	435	750
Housing	14,586	16,490	18,962	13,349	19,341
Shelter	8,448	9,656	11,440	7,560	11,245
Owned dwellings	5,688	7,389	8,510	5,333	8,463
Rented dwellings	2,273	1,462	2,138	1,613	1,896
Other lodging	487	805	792	614	886
Utilities, fuels & public services	3,057	3,511	3,541	3,412	3,070
Household operations	777	864	1,063	434	1,126
Housekeeping supplies	603	568	792	570	810
Household furnishings & equip.	1,701	1,890	2,124	1,373	3,090
Apparel & services	1,851	2,251	2,318	1,156	2,472
Transportation	8,081	9,246	8,875	6,095	8,550
Vehicle purchases (net outlay)	3,478	2,914	4,013	2,056	3,140
Gasoline & motor oil	1,806	2,129	1,754	1,449	1,853
Other vehicle expenses	2,354	3,759	2,464	2,328	2,826
Public transportation	444	444	644	263	731
Health care	2,625	2,261	2,933	2,600	3,100
Entertainment	2,279	2,619	2,629	2,213	3,656
Personal care products & services	561	568	664	439	700
Reading	128	149	162	147	179
Education	924	1,140	1,456	719	1,296
Tobacco products & smoking supplies	303	480	346	364	346
Miscellaneous	751	895	920	926	1,177
Cash contributions	1,535	1,528	2,969	1,027	2,275
Personal insurance & pensions	5,006	6,430	5,665	4,478	8,210
Life & other personal insurance	386	451	384	294	414

Pensions & Social Security	4,619	5,979	5,282	4,184	7,796
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Chart 2. Expenditure shares spent on transportation for 24 metropolitan areas compared to the United States average, 2004-2005



Note: Statistical significance testing at the 95 percent confidence interval.