

Household Consumption through Recent Recessions

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Appendix

It has been documented by Brewer and O'Dea (2012) that there are inconsistencies between the aggregate levels of income and expenditure implied by the Living Costs and Food Survey¹ and those reported as part of the UK Economic Accounts. In particular, the proportion of the total household expenditure recorded in the UKEA that is reported by households in the LCFS has been falling steadily since the early 1990s.² We adjust the micro data so that the implied aggregates are consistent with the UKEA. In the absence of evidence to the contrary, we base our adjustment on the assumption that under-reporting varies across time but not systematically across households. For a particular household, the proportion of expenditure that it reports is equal to the ratio of aggregate expenditure implied by reports to the LCFS in the household's year of sampling to the aggregate measure in the UKEA in that same year.³

Much of our analysis of expenditure patterns uses broadly-defined expenditure categories – for example, total expenditure, non-durable expenditure, semi-durable expenditure and durable expenditure. We also present results on changes in spending on groups defined more narrowly – for example, food. To account for potential under-reporting of expenditures here, we gross up the individual reports of expenditure on a narrowly-defined category with the grossing factor pertaining to the broadly-defined category to which it belongs. For example, given that the narrowly-defined category food is part of the broadly-defined category non-durables, we gross

¹This was previously known as the Expenditure and Food Survey (from 2001 to 2007) and the Family Expenditure Survey (up to 2001); in what follows, we use LCFS to refer to all of these surveys.

²Low recorded expenditure in micro data relative to the National Accounts aggregates has also been documented in the US. See Attanasio, Battistin and Leicester (2006) for a comparison of the implied aggregate expenditure recorded in the US Consumer Expenditure Survey and aggregates published as part of the National Income and Product Accounts.

³The approach we take is exactly the same when it comes to income and to components of expenditure (non-durables, semi-durables and durables).

up food expenditure reports in a given year by the ratio of aggregate implied non-durable expenditure in the LCFS in that year to aggregate non-durable expenditure in the UKEA in that same year.

References

- Attanasio, O., Battistin, E. and Leicester, A. (2006), 'From micro to macro, from poor to rich: consumption and income in the UK and the US', paper presented at National Poverty Center conference 'Consumption, Income, and the Well-Being of Families and Children', Washington DC, 20 April.
- Brewer, M. and O'Dea, C. (2012), 'Measuring living standards with income and consumption: evidence from the UK', Institute for Social and Economic Research (ISER), Working Paper no. 2012-05.