

Appendix B

About the Consumer Expenditure Survey

History

The Consumer Expenditure Survey is an ongoing study of the day-to-day spending of American households. In taking the survey, government interviewers collect spending data on products and services as well as the amount and sources of household income, changes in saving and debt, and demographic and economic characteristics of household members. The Bureau of the Census collects data for the Consumer Expenditure Survey under contract with the Bureau of Labor Statistics, which is responsible for analysis and release of the survey data.

Since the late 19th century, the federal government has conducted expenditure surveys about every 10 years. Although the results have been used for a variety of purposes, their primary application is to track consumer prices. Beginning in 1980, the Consumer Expenditure Survey became a continuous survey with annual release of data. The survey is used to update prices for the market basket of products and services used in calculating the Consumer Price Index.

Components of the Consumer Expenditure Survey

The Consumer Expenditure Survey consists of two separate surveys: an interview survey and a diary survey. In the interview portion of the survey, respondents are asked each quarter for five consecutive quarters to report their expenditures for the previous three months. The interview survey records purchases of big-ticket items such as houses, cars, and major appliances as well as recurring expenses such as insurance premiums, utility payments, and rent. It covers about 95 percent of all expenditures.

The diary survey records expenditures on small, frequently purchased items during a two-week period. These detailed records include expenses for food and beverages purchased in grocery stores and at restaurants as well as other items such as tobacco, housekeeping supplies, nonprescription drugs, and personal care products and services. The diary survey is intended to capture expenditures respondents are likely to forget or recall incorrectly over longer periods of time.

The average spending figures shown in this report are the integrated data from both the diary and interview components of the survey. Integrated data provide a more complete accounting of consumer expenditures than either component of the survey is designed to do alone.

Data Collection and Processing

For the interview survey, about 7,100 consumer units are interviewed on a rotating panel basis each quarter for five consecutive quarters. Another 7,100 consumer units keep weekly diaries of spending for two consecutive weeks. Data collection is carried out in 91 areas of the country.

The Bureau of Labor Statistics reviews, audits, and cleanses the data, then weights them to reflect the number and characteristics of all U.S. consumer units. Like any sample survey, the Consumer Expenditure Survey is subject to two major types of error. Nonsampling error occurs when respondents misinterpret questions or interviewers are inconsistent in the way they ask questions or record answers. Respondents may forget items, recall expenses incorrectly, or deliberately give wrong answers. A respondent may remember how much he or she spent at the grocery store but forget the items picked up at a local

convenience store. Most surveys of alcohol consumption or spending on alcohol, for example, suffer from underreporting. Mistakes during the various stages of data processing and refinement can also cause nonsampling error.

Sampling error occurs when a sample does not accurately represent the population it is supposed to represent. This kind of error is present in every sample-based survey and is minimized by using a proper sampling procedure. Standard error tables documenting the extent of sampling error in the Consumer Expenditure Survey are available from the Bureau of Labor Statistics at <http://www.bls.gov/cex/csxcombined.htm>.

Although the Consumer Expenditure Survey is the best source of information about the spending behavior of American households, it should be treated with caution because of the above problems. Comparisons with consumption data from other sources show that Consumer Expenditure Survey data tend to underestimate expenditures except for rent, fuel, telephone service, furniture, transportation, and personal care services. Despite these problems, the data reveal important spending patterns by demographic segment that can be used to better understand consumer behavior.

Definition of Consumer Unit

The Consumer Expenditure Survey uses the consumer unit as the sampling unit rather than the household, which is the sampling unit used by the Census Bureau. The term “household” is used interchangeably with the term “consumer unit” in this book for convenience, although they are not exactly the same. Some households contain more than one consumer unit.

The Bureau of Labor Statistics defines consumer unit as (1) members of a household who are related by blood, marriage, adoption, or other legal arrangements; (2) a person living alone or sharing a household with others or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent; or (3) two or more persons living together who pool their income to make joint expenditure decisions. The bureau defines financial independence in terms of “the three major expenses categories: housing, food, and other living expenses. To be considered financially independent, at least two of the three major expense categories have to be provided by the respondent.”

The Census Bureau uses the household as its sampling unit in the decennial census and in the monthly Current Population Survey. The Census Bureau’s household “consists of all persons who occupy a housing unit. A house, an apartment or other group of rooms, or a single room is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live and eat with any other persons in the structure and there is direct access from the outside or through a common hall.”

The definition goes on to specify that “a household includes the related family members and all the unrelated persons, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit or a group of unrelated persons sharing a housing unit as partners is also counted as a household. The count of households excludes group quarters.”

Because there can be more than one consumer unit in a household, consumer units outnumber households by several million. Young adults under age 25 head most of the additional consumer units.

For More Information

To find out more about the Consumer Expenditure Survey, contact the specialists at the Bureau of Labor Statistics at (202) 691-6900, or visit the Consumer Expenditure Survey home page at <http://www.bls.gov/cex/>. The web site includes news releases, technical documentation, and current and historical summary-level data.