

Housing, transport dominate household spending

By [Michael Appel](#)

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South Africans are spending close to 60% of total household expenditure on food, housing and transport.

This is according to the 2005/2006 Income and Expenditure of Households Survey (IES) which was released on Tuesday, 4 March.

“The three largest components in the IES were housing, transport, food and non-alcoholic beverages,” said Statistics South Africa (Stats SA) Deputy Director General for Economic Statistics Dr Rashad Cassim.

“The phenomenal increase in transport expenditure [which includes the purchase of motor vehicles] was more significant than we expected but is inline with the growth in the economy over the last five years.”

Analysis of household income and expenditure is based on the results of a survey conducted by Stats SA between September 2005 and August 2006, namely through the IES.

The survey is based on 24,000 households.

Food expenditure vs. consumption

The survey also noted a substantial reduction in expenditure on food in relation to total consumption from 2000 to 2005/06.

Cassim said, however, that a change in methodology from the 2000 IES from a recall system to the recall and diary system for surveyed households could have an affect.

The 2005/06 methodology required surveyed households to recall and diarise expenditure on everyday goods and expenses in the form of a diary.

This internationally accepted method, he said, could mean that food expenses in 2000 were possibly over estimated through the recall system alone.

Impact of social grants

Another result raised in the survey was the impact that the social grant system has on the income and expenditure of South Africans.

South Africa's social security system provides over 12 million people with financial support every month.

Cassim said social grants, as is evident in comparing the 2000 IES, are playing an increasingly important role in reducing inequality as they are a major source of income for the poor.

According to Stats SA, from 2000 to 2005/06, black households' share of consumption expenditure rose from 42.9% to 44.3%.

White households' share of the consumption expenditure fell from 44.1% in 2000 to 42.9% in 2005/06.

White's share of the population also declined from 10.1% to 9.2%, resulting in black people's share of the population rising from 78.3% to 79.4%.

Black African households experienced increases in their share of expenditure in each category except for miscellaneous goods and services.

Notable differences

The largest percentage point increase was in food and non-alcoholic beverages, furnishings, household equipment and maintenance and communication including cellular phone purchases.

The gap between the rich and the poor remains a concern with 10% of the population continuing to earn 50% of household income in the country.

The poorest 40% of the population accounts for less than 7% of household income.

Inequality continues to remain high between population groups and within individual population groups, said Stats SA.

The Gini coefficient

The Gini coefficient, which is a measure of inequality based on disposable income, was 0.72.

Dr Cassim explained the coefficient by saying that if everyone in the country earned the same amount of money, then the Gini coefficient would be zero.

Within individual groups the Gini coefficient was highest at 0.63 among black African households, with other population groups ranging between 0.56 and 0.59.

If state social security grants were not included in calculating the Gini coefficient, the whole country would be 0.80 rather than 0.72.

Estimated annual gross income for all South African households in the 2005/2006 survey was R929.2 billion, with the bulk of the amount being derived from work activities.

Wages and salaries totalled some R559.9 billion or 64.4% of gross income.

Dr Cassim said due to the nature of the survey questions, especially those regarding earnings derived from dividends and the amount of tax paid in relation to earnings, that there could be discrepancies.

"Biases arose on the income side whenever respondents under-reported their earnings whether through forgetfulness or out of a misplaced concern that their reported data could fall into the hands of the taxation authority."

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