



VII Family Budget Survey: Results and Comparisons

The last Family Budget Survey of the National Statistics Institute (INE) provides interesting results on the consumption and income structure in our country's households. The most positive conclusion of the 7th version is that the income fraction that families assign to satisfy their feeding needs has dropped throughout the years, which indicates that, in general, Chileans' wellbeing has increased.

During the last days of September, the National Statistics Institute (INE, in Spanish) published the results of the VII Family Budget Survey (*Encuesta de Presupuestos Familiares*, EPF), a research performed through household surveys in the regional capitals and some of their surrounding areas. The purpose is to know the expenditure structure in the average final consumption, a key input –although not the only one– for preparing the basket of goods and services covered by the CPI. As a secondary objective, the EPF also allows approaching the total available income structure of these households.

As of the first EPF, corresponding to 1956-1957 (and taken only in the city of Santiago), this survey has been carried out every 10 years. Only in the 6th version of 2006-2007 it was incorporated to other regional capitals, so as to build a CPI basket which better reflects consumption in the average Chilean household. Following the OECD guidelines, the VII EPF has been done for the first time with a five-year term schedule, which will allow improving the updating of products that have to be included in the inflation measurement.

Results

After interviewing more than 10 thousand households at national level, representative of more than 10 million people and 3 million households, the EPF provides interesting consumption and income

results, thus being useful to classify them by household quintiles ranked according to the income per capita (see Table 1).

Table 1

INCOME AND EXPENDITURE BY HOUSEHOLD QUINTILES FOR ALL REGIONAL CAPITALS

HOUSEHOLD QUINTILES	HOUSEHOLDS		AVERAGE MONTHLY INCOME		SHARE IN TOTAL INCOME	AVERAGE MONTHLY EXPENDITURE		SHARE IN TOTAL EXPENDITURE
	Nr	PEOPLE	PER HOUSEHOLD	PER CAPITA		PER HOUSEHOLD	PER CAPITA	
	3,009,720	10,516,225	884,743	297,727	100	807,409	269,859	100
I	601,944	2,569,335	265,348	60,637	5.79	367,064	90,020	9.09
II	601,944	2,316,941	435,690	112,778	9.85	490,032	133,253	12.14
III	601,944	2,061,687	584,235	170,878	13.21	598,720	178,946	14.83
IV	601,944	1,888,544	889,975	284,482	20.12	828,849	273,089	20.53
V	601,944	1,679,717	2,257,467	859,862	51.03	1,752,379	673,987	43.41

Source: VII Encuesta de Presupuestos Familiares (EPF), INE

First, we observe that the households' average monthly income accounts for CLP\$807,409, slightly below in the Greater Santiago area (CLP\$803,475) than in other regional capitals (CLP\$812,810). This corresponds to higher average monthly incomes on the side of the regions' households (CLP\$923,105), compared to those in the capital city (CLP\$856,803).

At quintile levels, the result is quite different. While an average household of the lowest income 20% (first quintile) earns a monthly income of CLP\$256,064 and one of the third quintile earns CLP\$584,235, the fifth quintile's income reaches CLP\$2,257,467. Thus, the first quintile presents a share of scarcely 5.79% of the total income, while the highest income 20% obtains a share of 51.03%. These results are relatively consistent with other measurements' data, like the National Socio-Economic Survey (CASEN) and the NESI income survey (*Nueva Encuesta Suplementaria de Ingreso*).

However, the EPF gives a wellbeing measure different from income, the expenditure in final consumption, which allows complementing the traditional wealth distribution measurements. In this manner, while the traditional 20/20 index, that calculates the average income ratio per capita of the wealthiest 20% above the poorest 20%, provides an index close to 14; when applied to the per capita

consumption we obtain a index around 7.5, which could suggest that the wellbeing levels derived from consumption presents less dispersion through the quintiles than that pointed out by income measures. The same measurement is applied to the last two EPF from 1996-1997 and 2006-2007, obtaining quite similar results, as shown in Chart 1. We should consider that in order to keep comparability, since the 1996-1997 survey only considers the Greater Santiago area, the calculation of the presented 20/20 index corresponds to that geographical region. If all regional capitals were considered, excluding the Greater Santiago, the index for 2011-2012 would be closer to 6.

Chart 1

20/20 INDEX FOR PER CAPITA INCOME AND EXPENDITURE

QUINTIL DE HOGARES	HOGARES		INGRESO PROMEDIO MENSUAL		PARTICIPACIÓN EN INGRESO TOTAL	GASTO PROMEDIO MENSUAL		PARTICIPACIÓN EN GASTO TOTAL
	N°	PERSONAS	POR HOGAR	PER CÁPITA		POR HOGAR	PER CÁPITA	
	3.009.720	10.516.225	884.743	297.727	100	807.409	269.859	100
I	601.944	2.569.335	256.348	60.637	5,79	367.064	90.020	9,09
II	601.944	2.316.941	435.690	112.778	9,85	490.032	133.253	12,14
III	601.944	2.061.687	584.235	170.878	13,21	598.720	178.946	14,83
IV	601.944	1.888.544	889.975	284.482	20,12	828.849	273.089	20,53
V	601.944	1.679.717	2.257.467	859.862	51,03	1.752.379	673.987	43,41

Source: L&D based on INE's V, VI and VII EPF.

As for the trajectory over time, although the level of both 20/20 indicators does not present major changes, absolute values of both income and consumption for all quintiles increase in a very significant way in real terms (see Table 2). This is one more indicator of the country's material improvements over the last 15 years, but it also suggests that the 2009 crisis may have reduced the expenditure levels, since they reach a maximum in real terms in 2006-2007.

Table 2

EXPENDITURE BY INCOME QUINTILE (CHILEAN PESOS 2013)
GREATER SANTIAGO

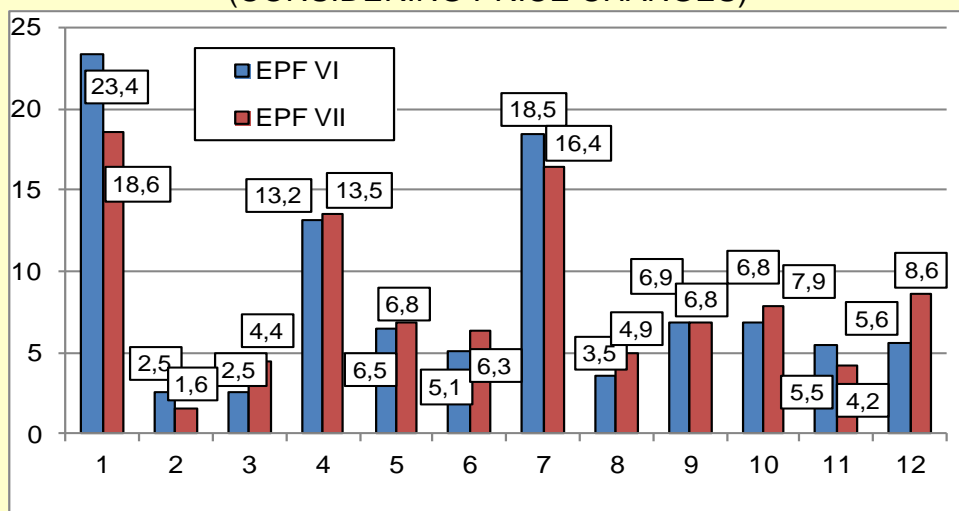
HOUSEHOLD QUINTILE	EPF V	EPF VI	EPF VII
Total	219,713	284,775	269,136
I	67,034	92,797	84,355
II	104,028	137,511	127,845
III	139,388	180,472	168,646
IV	220,656	287,576	247,987
V	567,461	725,518	716,849

Source: L&D based on INE's V, VI & VII EPF.

On the other side, the expenditure structure has presented quite relevant changes at the level of the twelve divisions in which consumption is classified. Over the five years since the last EPF, the participation of the two most preponderant divisions in the family budget, Food and Transport, have decreased when considering the changes in the relative prices from 23.4% (at today's prices) to 18.6%, and from 18.5% to 16.4% respectively, while other items such as Education, Clothing and Footwear have gained importance (See Chart 2).

Chart 2

EXPENDITURE STRUCTURE BY DIVISION, VI & VII EPF
(CONSIDERING PRICE CHANGES)



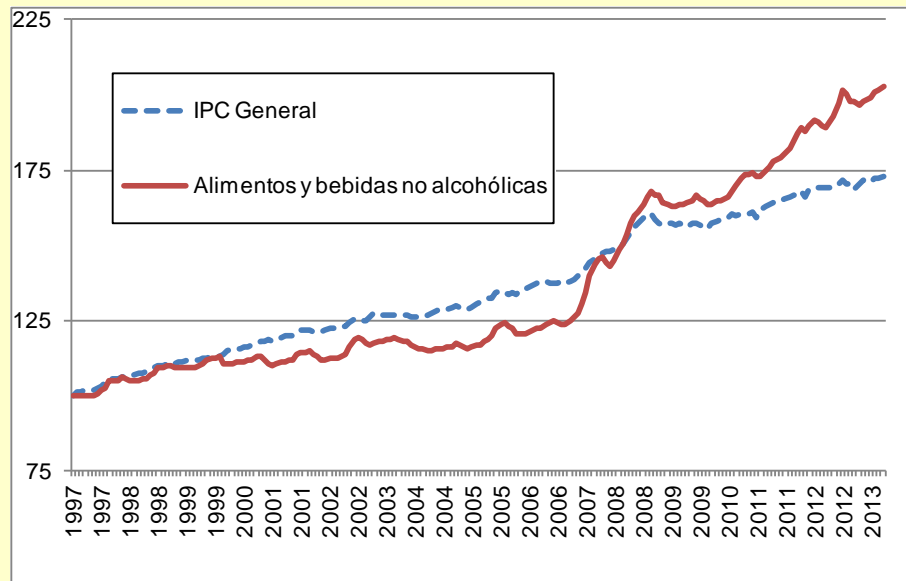
1. Food and non-alcoholic beverages	7. Transport
2. Alcoholic beverages, tobacco and narcotics	8. Communications
3. Clothing and footwear	9. Leisure and culture
4. Housing, water, electricity, gas and other fuels	10. Education
5. Furnishings, household equipment and routine household maintenance	11. Restaurants and hotels
6. Health	12. Miscellaneous goods and services

Source: VII Encuesta de Presupuestos Familiares, INE

This lower participation of food, in spite of their important price increase since 2008 (see Chart 3), is no doubt a positive news. It reflects that the families of the country, when seeing that their incomes grow, manage to satisfy their most basic needs with a smaller fraction of their wealth, thus being able to widen their possibilities to new goods and services.

Chart 3

GENERAL CONSUMER PRICE INDEX AND FOOD AND NON-ALCOHOLIC BEVERAGES, 1997-2013



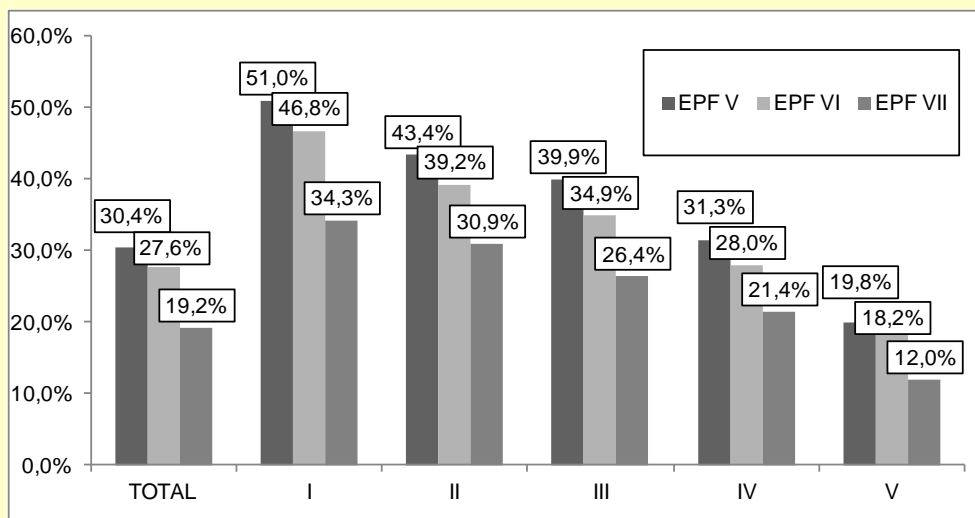
Source: L&D based on INE

When analyzing this decrease in the participation by quintile, we see that it is precisely the families of lower incomes who have most reduced the fraction assigned to food and, therefore, they have been able to modify their consumption thus increasing their wellbeing.

Chart 4 presents the evolution from 1996-1997 of the expenditure fraction allocated to Food and Non-Alcoholic Beverages for the different income quintiles of the Greater Santiago area, once again considering the relative price changes occurred during this period. If a family of the first quintile in 1997 had to spend 51% of its income in food with the current prices, today this value is close to 34%. And as wages continue to grow, it is to be expected that this fraction will further reduce.

Chart 4

PARTICIPATION OF FOOD IN THE EXPENDITURE - V, VI & VII EPF
(CONSIDERING PRICE CHANGES) GREATER SANTIAGO



Source: L&D based on V, VI & VII EPF.

At international level, this lower participation of food in the households' expenditure is similar to what we see in countries with higher development levels, such as Spain and Portugal, whose households allocated in their last measurement 17.4% and 19.1% to food and beverages respectively. On the other hand, in the last surveys for Colombia and Uruguay, they assigned fractions much higher than 20%.

The VII EPF provides interesting data in relation to the consumption structure of the households. It does not only constitute an essential input for the new CPI basket –which will come into force next year, thus updating the inflation official measurement in Chile-, but also gives an additional tool to evaluate the wellbeing of families from different income levels, and how the latter is distributed. It is necessary to highlight how the income fraction those families assign to satisfy their food needs has dropped, which is certainly a positive result.

In brief...

- The survey is a key input for the new CPI basket - which will come into force next year- and gives an additional tool to evaluate the families' wellbeing.
- The income fraction those families assign to satisfy their food needs has dropped, which is a positive result.