



## BRITISH COLUMBIA BUSINESS INDICATORS

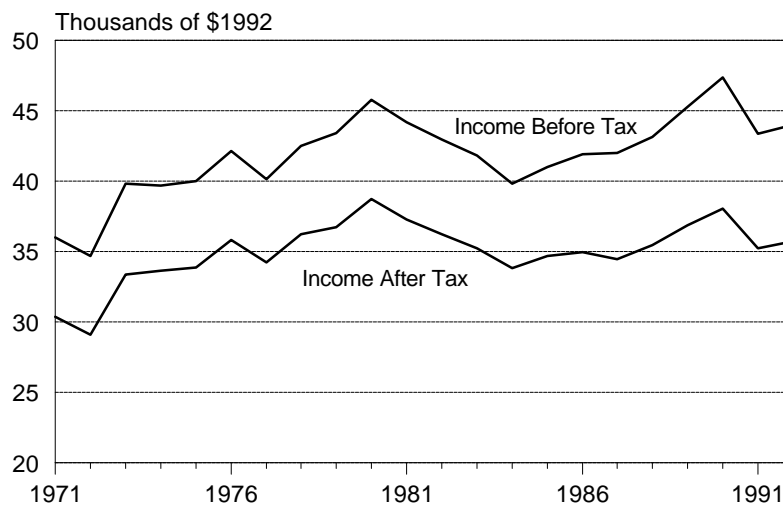
### January 1995

#### Spending Patterns of Households in British Columbia, 1969-1992

Real household income has risen substantially over the last 20 years. In 1992 constant dollars, the average British Columbia household earned approximately \$36,000 in 1971, compared to about \$44,000 in 1992. Some of this increase was taken up by a concurrent increase in taxation, although the average after tax household income still grew, from just over \$30,000 in 1971 to just under \$36,000 in 1992. One of the reasons for the increase is the growth in dual-

earner families. Between 1970 and 1990 there was a 20 per cent increase in the proportion of Canadian families in which both spouses worked. Another reason for higher incomes is the greater level of education attained by more family members. Families have more high school graduates and more members with university degrees than was the case 20 years ago, and consequently, these people are able to secure higher paying jobs.

#### British Columbia Average Income of Families and Unattached Individuals



Source: Statistics Canada

Figure 1

Spending patterns have also undergone a transformation over this period. There have been significant social and demographic changes that have affected the way people spend their money. Technological changes have resulted in a shift in expenditures to things like computer equipment or advanced electronic home entertainment items. More women are choosing to work outside the home, which means there is more demand for child care, but at the same time, families are smaller, so expenditures related to children take up a smaller portion of the household budget. The population is ageing in a demographic sense, resulting in a larger portion of the average household budget going toward goods and services targeted at the elderly.

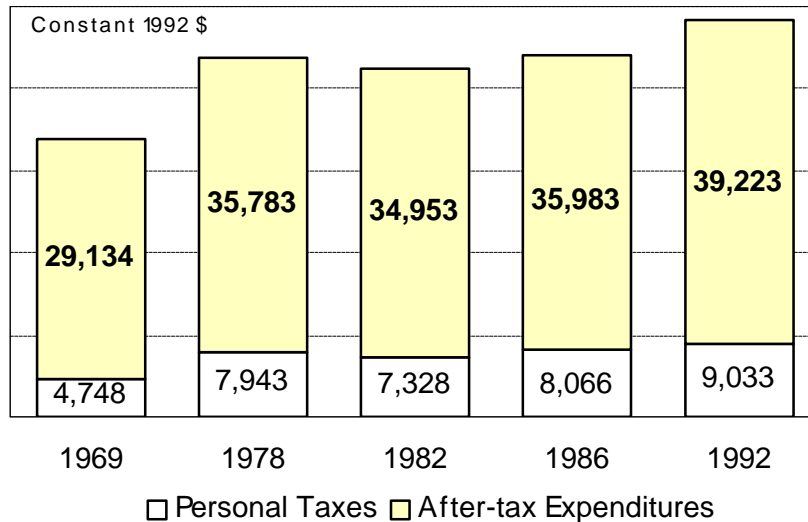
over the years, increasing from 14 per cent of total expenditures in 1969 to 19 per cent in 1992 (see figure 2).

Spending on shelter, including rent, mortgage interest, repairs, utilities, etc., increased to 23 per cent of after-tax expenditures in 1992 from 18 per cent in 1969. This is partially due to the larger proportion of home owners in 1992 (66%) compared to 1969 (61%), and the fact that home owners' shelter costs tend to exceed those of renters.

Household operation expenditures such as telephone, cleaning supplies and child care, have also increased slightly, but expenditures on furniture and equipment have declined from 6 per cent in 1969 to 4 per cent in 1992.

Personal income taxes have taken a larger bite out of household income

**Personal Taxes Account For an Increasing Share of Household Expenditures in B.C.**



Source: Statistics Canada, Household Surveys Division, Survey of Family Expenditures

Figure 2

Spending on food slipped from a ranking of first in 1969 at 21 per cent of total after-tax expenditure, to third in 1992 at 16 per cent, behind shelter and transportation. The main reason for this decline is that the average household size fell from 2.93 people in 1969 to 2.55 people in 1992. Despite the decline in food expenditure, food purchased in restaurants increased its share of the household budget over the same period from 3 per cent to 4 per cent. The decline was the result of a sharp drop off in store-bought food, from 17 per cent of after-tax

expenditures in 1969, to 12 per cent in 1992.

Transportation was ranked second in the distribution of household expenditures in 1992. It increased its share from 16 per cent in 1969 to over 17 per cent in 1992. This increase was entirely due to spending on private vehicles, as expenditure on public transportation stayed almost constant. Well over one half of all household after-tax expenditure was on the combination of transportation, shelter and food.

### **Distribution of Total Household Expenditures After Personal Taxes, British Columbia**

	1969	1978	1982	1986	1992
			%		
Shelter	18.0	19.5	21.2	20.4	23.1
Transportation	16.1	15.2	13.4	15.2	17.5
Food	20.5	18.6	15.9	17.2	15.7
Recreation	4.8	7.5	7.0	6.3	7.0
Gifts & Contributions	3.2	3.1	3.6	4.2	5.8
Clothing	8.3	6.5	5.8	6.6	5.6
Security Premiums	4.9	4.4	4.2	5.3	5.6
Household Operation	4.7	4.7	4.7	5.4	5.2
Furniture & Equipment	5.8	5.5	4.2	4.1	4.1
Tobacco & Alcohol	4.1	3.3	3.3	3.4	3.9
Health Care	3.4	2.2	2.2	2.5	3.2
Personal Care	2.3	1.6	1.8	2.1	2.1
Education	1.0	0.7	0.8	1.4	1.1
Reading	0.8	0.6	0.6	0.7	0.7
Miscellaneous	2.2	2.8	3.5	3.4	3.8

Source: Statistics Canada, Household Surveys Division, Survey of Family Expenditures

Somewhat surprisingly, expenditures on tobacco increased as a portion of the household budget. This is despite a decline in use, and is due to price increases well above the all-item consumer price index. Alcohol, on the other hand, experienced a decline in its percentage of household expenditure. Some of that discretionary expenditure traditionally funnelled toward tobacco and alcohol may have been diverted to recreation, which increased as a portion of household after-tax expenditure from 5 per cent in 1969 to 7 per cent in 1992.

With smaller families and fewer children, the expenditures on clothing has taken up a smaller portion of the household budget. Expenditures declined from over 8 per cent to under 6 per cent of the overall after-tax budget. The average number of children 15 and under per household has declined from 0.95 in 1969 to 0.56 in 1992. Another factor in the smaller proportion of expenditure on clothing relative to all other expenditures is that

clothing has experienced relatively smaller price increases compared to other commodities.

Charitable contributions have stayed virtually constant as a percentage of after-tax expenditure at 1 per cent, but gifts and transfers to other households have increased, pushing the expenditure on gifts and contributions from just over 3 per cent of the household budget, to just under 6 per cent. Some of this increase is due to more money transferred for child support payments.

It is almost impossible to predict where people will be concentrating their spending in the future, since the variables impacting spending patterns are virtually infinite. While food, shelter and transportation will likely always take up a large proportion of the household budget, technological and demographic change will cause large shifts in the future patterns of spending for households.