1. 1991-92 Household Budget Survey: Preliminary Analysis

2. The Updated Consumer Price Index  
   (Base: July 1991 - June 1992 = 100)

1991-1992 HOUSEHOLD BUDGET SURVEY: PRELIMINARY ANALYSIS

Introduction

The 1991-92 Household Budget Survey was the fifth of its kind to be conducted in this country by the Central Statistical Office. The first survey which was carried out in 1961 was followed by a second one after a lapse of fourteen years in 1975. Thereafter, household budget surveys have been conducted at regular intervals of about five years, in 1980-81 and 1986-87.

2. The primary objective of the survey was to obtain data on the pattern of consumption expenditure of Mauritian households for the derivation of new weights for the Consumer Price Index, which was up to now based on similar survey carried out in 1986-87. The data collected, however, constitute a wealth of socio-economic information useful for a variety of purposes in planning and policy decisions and research.

3. A first formal report dealing with the technical details on the methodology of the survey and on the construction of the updated C.P.I, with base period July 1991 - June 1992 will be published in December 1992. The present paper is a preliminary analysis of some advance results obtained so far. It is intended to publish a second volume of the report which will contain a more comprehensive analysis on the findings of the survey, early next year.

Household Size

4. The results of the survey show a further reduction of average household size to 4.3, down from 4.7 in 1986-1987 and 5.0 in 1980-1981. The rapid pace of growth witnessed by the economy over the last decade has resulted in a perceptible and continued improvement in the economic well-being of the average Mauritian with far-reaching implications on the social front. One of the implications has been a gradual shift away from the extended family structure towards the nuclear family system as an increasing number of young couples on becoming financially better off, prefers to break away with the tradition of multi-generational living- i.e, household that includes a child, a parent and a grand parent. Growing urbanisation and industrialisation and
better family planning programmes resulting in lower child dependency and overall dependency ratio have further contributed to bringing down the average household size.

5. The survey also reveals an increase in the average number of income earners per household from 1.52 in 1986-87 to 1.64 in 1991-92. This is attributable in the main to improved employment opportunities and greater participation of women in the labour force. The figure obtained tends to support the results of the Employment survey which shows a rising trend in the number of new jobs created over the period.

**Household Income**

6. A brief analysis of household income shows the following:

* The average monthly income has increased nominally by 90% to Rs 6,500 in 1991-92 compared to Rs 3,500 in 1986-87. After making necessary allowances for cumulative inflation (around 50%) over these years (or deflating the current figure to constant 1986-87 prices), the average household has seen its purchasing power increasing by about 25% since 1986-87. However, given that the household size is also getting smaller, the average household is, in fact, better off than what the figures infer.

* In 1991-92, about half of all private households have incomes of less than Rs 5,300. The corresponding value was Rs 2,660 in 1986-87.

* The 25% households in the lowest income brackets receive incomes of the order of Rs 3,500 or less compared to Rs 1,700 five years ago.

* The 25% households in the highest income groups have incomes of Rs 8,250 or more, compared to Rs 4,375 in 1986-87.

7. The survey results point to a further shift towards more equitable income distribution in 1991-1992. The Gini coefficient which is a measure of inequality in income distribution and whose values range between 0 for complete equality and 1 for complete inequality, has declined from 0.445 in 1980-81 to 0.396 in 1986-87. It now stands at 0.379.
8. While in 1986-87 about 57% of households in the lower income groups shared around 29% of total income, in 1991-92 they shared 32% of total income, implying that the distribution of income has advanced towards greater equality between these two periods. A movement towards more equitable distribution is also noted in the share of the 5% of households in the highest income band which declined from 19% in 1986-87 to 17.5% in 1991-92. The corresponding figure for 1980-81 was 23%.

9. The country's economic strategy has had a major contributory role in such favourable outcome. The increased democratisation of the economy and the encouragements given to private initiatives have created a class of entrepreneurs and considerably broadened the wealth base of the economy. Hence, many Mauritian, taking advantage of the enabling environment, have over the last decade launched their own businesses and enterprises and prospered.

10. The cautious wage policy pursued since the beginning of the 1980's which fully compensates the low income groups as well as the most vulnerable groups of society like the pensioners, the disabled etc, for increase in cost of living is another major factor that has contributed in reducing income inequality in the country.

**Household Expenditure**

11. As regards total expenditure, the average now stands at around Rs 6,030 per household per month, of which about Rs 5,250 covers final consumption expenditure. However, it is this latter figure which is taken into account when computing the CPI; this after making necessary adjustment to items which are known to be grossly underreported by respondent households in the survey. Apart from "alcoholic beverages and tobacco", no major discrepancies was registered between the survey figures and data used for cross-checking purposes from sales, production and import sources. The adjusted consumption expenditure, thus, averages around Rs 5,400 in 1991-92, almost double the amount of Rs 2,764 registered in the 1986-87 survey.

12. Consumption pattern is following trends in development level. The elasticity of expenditure (i.e, the degree of responsiveness of expenditure to changes in income) is below unity for "food and non-alcoholic beverages". This is to be expected given that as income rises the amount spent on food will, in general, not rise commensurately. Thus, households who used to allocate over 50% of the consumption expenditure to
food and drinks some three decades ago (1961-50.4%) now devote less than 40% in this respect. The low expenditure elasticity further confirms that these commodities are "necessary" items of consumption.

13. Over the last two budget surveys there has been some changes in the food expenditure pattern of the average household. Staples, like bread, rice and flour now eat up only 5.5% of consumption expenditure as against 7.7% in 1986-87. Oils and fats, and in particular "cooking oil and butter"; "milk and eggs" and "vegetables" also carry lower importance than previously. Their shares in the household budget have fallen from 3.1% to 2.1%, from 4.3% to 3.9% and from 7.2% to 6.5% respectively over that period. It may be pointed out that, in spite of the downward shift in the weights of certain sub-group of items, there are some movements in the opposite direction at the level of individual item. For instance, rice imported by traders, which is of better quality than the so-called "riz ration", has doubled its weight in the consumption basket from 0.4% to 0.8%. Likewise, fresh vegetables have increased their share in consumption expenditure from 2.6% to 2.8%.

14. In parallel, more weight is given by households to consumption of fish (rising from 3.5% to 3.7%), fruits (1.2% to 1.9%), food drinks and confectionery (4.5% to 4.9%) and meat (6.4% to 6.7%). As regard meat consumption, there has been a relative increase in importance of chicken (2.1% to 2.9%) and canned meat (0.3% to 0.5%) at the expense of beef (declining from 2.3% to 2.0%) and goat (0.5% to 0.4%)

15. Apart from "food and non-alcoholic beverages", a downward shift in relative importance is also noted in the commodity group "fuel and light" and "housing and household operations", with their share in total consumption expenditure amounting to 5.2% and 13.1% respectively as compared to 5.7% and 13.5% five years earlier. The other commodity groups show marginal increases.

16. About 8.2% of household budget goes into the consumption of alcoholic beverages and tobacco in 1991-92, up from 7.2% in 1986-87. Another 3.6% of the budget is spent on medical care and health expenses. Expenditure on these commodity groups seems to have the highest elasticity values, hovering around 1.44 for alcoholic beverages and tobacco and 1.52 for medical care. This means that a one percent increase in income has resulted in a 1.44% increase in expenditure on alcoholic
beverages and tobacco. Likewise, a one percent increase in income has increased expenditure on medical care by 1.52%.

17. The expenditures in respect of the other commodity groups, apart from "food and non-alcoholic beverages" and "fuel and lighting" are all sensitive to changes in income, with elasticities greater than one: "clothing and footwear"- 1.22; "housing and household operations"- 1.04; "transport and communication"- 1.20; "recreation, entertainment, education and cultural services"- 1.34; "miscellaneous goods and services"- 1.39.

18. A note of caution should be sounded here. An increase in expenditure share or a high expenditure elasticity in respect of an item does not necessarily imply a real increase in consumption of that item. Thus, the consumption of "alcoholic beverages and tobacco" is observed to fall by four percentage points in real term between 1986-87 and 1991-92, as prices of this commodity group register a more than two-fold rise over this period to 233.4%. The other commodity groups have, however, registered a real increase in expenditure.

Some Other Findings

19. The survey bears out a number of other interesting findings as follows:

* The increased importance in the household budget of such items like ready-made dress (increasing from 0.5% to 0.9%); ladies shoes (0.7% to 1.0%); hairdresser- female (0.1% to 0.2%); goods for personal care like cosmetics (0.4% to 0.6%) and jewellery (0.2% to 0.4%) signals an improvement in economic condition owing partly to greater access by women to income-earning opportunities.

* Living environment of households is improving as houses get better equipped with furniture and fixtures such as vinyl and tiles (1.3% to 1.6%) and household utensils (0.5% to 1.1%).

* Cooking practices are getting safer and more efficient with a shift from the use of kerosene (falling from 1.4% to 0.4%) to cooking gas (up from 0.6% to 2.0%).
There are also indications that households having satisfied their needs for such luxuries as television (down from 0.9% to 0.2%), video set (0.6% to 0.2%) are now becoming attracted to a new set of wants like refrigerators (0.3% to 0.4%), washing machines (negligible to 0.2%) and fans (0.1% to 0.2%).

Households are enjoying a higher living standard. This partly shows itself in the increased importance in the household budget of expenditure on personal transport relative to bus fare. With an increasing number of Mauritians now owning their own means of travelling, e.g. cars, motorcycles, vans, etc., there has been greater expenditure on such items like parts and accessories (0.5% to 0.8%), repairs charges (0.4% to 0.5%) and gasoline, oil (1.9% to 2.4%). On the other hand, expenditure on bus fares has registered a sensible decline, from 4.8% to 2.5%. As regards taxi fare, it now accounts for 1.0% of consumption expenditure as compared to 0.7% in the last survey.

It is worth noting that households no longer restrict themselves to travelling inland. Foreign travelling, once the preserve of only the very rich is slowly becoming more affordable with airfare accounting for 0.7% of the household budget.

With growing affluence, entertainment now occupies almost twice as much weight in the household budget, increasing from 0.9% to 1.6%.

Private services in respect of health and education are becoming more affordable. This is reflected in the shares of the household budget going to "medical care and health expenses" and "education" which have increased from 3.0% to 3.6% and from 1.8% to 2.4% respectively. The greatest impact of the expenditure increase in education is on private tuition and school textbooks at the secondary level which increases its share from 0.9% to 1.5%.

Conclusion

20. As pointed out earlier, the above are just preliminary results of the 1991-92 Household Budget Survey. Once the processing is completed, a more detailed analysis will be published.

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