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California's Households Spend More than U.S. Average, but Less on Utilities and Vehicles

Compared to U.S. consumer spending, Californians expend 20 percent more overall than the national average, and nearly 60 percent more on housing. Although spending on goods and services is higher than the national average, Californians spend considerably less for other life necessities, such as utilities, household fuels, public services, and health care. Californians are also showing restraint on new and used vehicles, as well as cigarettes and tobacco products. Despite differences in spending habits, California's households are spending close to the same percentage of their incomes on taxable goods as other U.S. households.

This edition of the **Economic Perspective** highlights the *Geographical Views of the U.S. Consumer Spending Related to California*.

California Household Spending vs. the National Average

- 20% higher on total spending
- 59% more on housing
- 9% more on taxable goods
- 15% less on utilities, fuels, public services
- 14% less on new and used vehicles

The U.S. Bureau of Labor Statistics (BLS) annually publishes detailed descriptions of national consumer spending for households, as well as various characteristics of average households. Often these BLS data provide the only quantitative description available of specific types of products U.S. households purchase. These data are typically used in revenue estimation for proposals in which we have no precise California information.

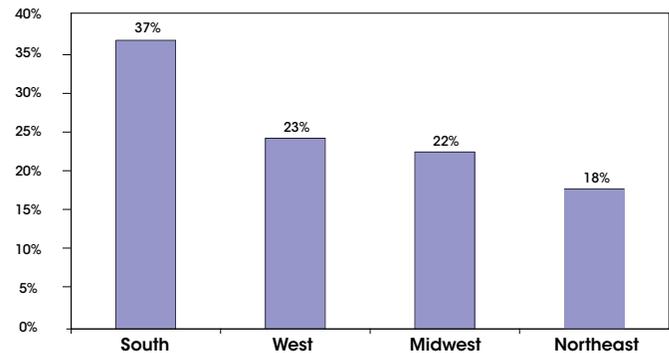
BLS U.S. Regional and Metropolitan Data

A critical question arises regarding the applicability of these data to California: How do the spending habits of California households differ from their national counterparts? The BLS provides some data for regions and metropolitan statistical areas (MSAs) to help answer this question. While the BLS does not have the same level of detail for regions and MSAs as they do for the nation as a whole, the data they have can provide insight as to how average California households compare to national average households in their spending patterns for various types of goods and services.

South Dominates Other U.S. Regions

The national BLS data reflect the regional dispersion of population. Of the four major regions of the U.S., the South has, by a wide margin, the largest concentration of households. As shown in Chart 1, 37 percent of U.S. households live in the South, as defined by the BLS. Since an average of 25 percent of population would live in each of the four regions if population were equally distributed, the South is much more heavily represented in the national data than any of the other regions. The West has 23 percent of U.S. households, so the South and West combined represent about 60 percent of U.S. households. The Northeast is the least heavily represented statistically, with only 18 percent of U.S. population, while the Midwest has 22 percent.

Chart 1
Proportions of All U.S. BLS Consumer Units by Major Region in 2010



Regional Implications for California

One implication of these data for California is that climate-related purchases, such as home heating fuels, are likely to be represented more accurately than if population were equally distributed. This is because proportionately more U.S. households live in relatively temperate areas of the country that have winter weather more similar to that of California's than that of the Northeast or the Midwest. Another implication is that vehicle driving habits and their related expenses are likely to be represented more accurately for California to the extent that average California driving habits and mileage are more likely to be similar to the West and the South than they are to the Northeast or Midwest.

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Western and U.S. Households

Table 1 shows a comparison of selected household characteristics of the U.S. and the West in 2010. California has the highest population, by far of any state, and it is heavily represented in the West, accounting for over 50 percent of the population of states in the West.¹

Table 1
Selected Household Characteristics in 2010

	U.S.	West	West as a Percentage of the U.S.
Income (Dollars)	\$62,481	\$67,603	108%
Spending (Dollars)	\$48,109	\$53,429	111%
Age of Reference Person (Years)	49	48	98%
Size of Household (Persons)	2.5	2.6	104%
Vehicles	1.9	2.0	105%
Homeowners (Percentage)	66%	60%	91%
Some College Education (Percentage)	60%	66%	110%

As shown in the far right hand side of Table 1, average household income and spending are both higher in the West compared to the nation as a whole. Western households on average are slightly younger, a bit larger in numbers of persons, and they own more cars than national households. Westerners are less likely to own homes, but a greater proportion of them are college educated.

U.S., West, and California Spending

While the BLS does not publish spending data for California, they do publish data for three MSAs in the state. We estimated spending for typical California households by using the BLS numbers of households in these MSAs as statistical weights (percentages) for the state. According to the BLS data, about 58 percent of California MSA households are located in the Los Angeles MSA, 30 percent are in the San Francisco MSA, and 12 percent are in the San Diego MSA.²

Table 2 shows household spending by selected category for the U.S. and proportions of U.S. spending for the West and California for these categories.³

Higher Spending in California

As shown in Table 2, household spending in the West is ten percent higher than the national average (110 percent of the U.S. in the table), while California spending is estimated to be

20 percent higher than the national average. These figures are in line with household income differentials showing six percent and 23 percent greater household incomes for the West and California respectively.

California Categories Similar to West

Californians and westerners generally have similar spending patterns when compared to their national counterparts for most spending categories. That is, when the West is above average, California is also above average, although not necessarily close to the same in magnitude. For example, both California and western households spend more than the national average on shelter. Californians spend an average of 59 percent more on shelter, while westerners spend 24 percent more.

Higher Spending Categories

There are other spending categories besides shelter where Californians spend much more than average national households. Californians spend 28 percent more on food away from home, 32 percent more on alcohol, and 35 percent more on apparel. California households spend 49 percent more on public transportation. Since the BLS definition of public transportation includes airlines, much of this difference could be greater airline travel than average U.S. households.

Table 2
Household Spending by Selected Category in 2009-2010 (Dollars)

Category	U.S.	West as a Percentage of the U.S.	California as a Percentage of the U.S.
Total Spending	\$48,588	110%	120%
Food at home	\$3,689	108%	107%
Food away from home	\$2,562	113%	128%
Alcoholic beverages	\$424	121%	132%
Shelter	\$9,944	124%	159%
Utilities, fuels, and public services	\$3,653	91%	85%
Household operations	\$1,009	117%	137%
Housekeeping supplies	\$636	99%	94%
Household furnishings and equipment	\$1,487	109%	105%
Apparel	\$1,713	110%	135%
Vehicles	\$2,623	98%	86%
Gasoline	\$2,059	102%	107%
Other vehicle expenses	\$2,500	106%	126%
Public transportation	\$486	133%	149%
Health care	\$3,142	102%	88%
Entertainment	\$2,599	108%	100%
Personal care	\$589	111%	117%
Reading	\$105	110%	105%
Education	\$1,071	97%	118%
Tobacco	\$371	73%	47%
Miscellaneous	\$833	120%	102%

¹ As defined by the BLS, the West includes Alaska, Arizona, California, Colorado, Hawaii, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. U.S. Census Bureau data indicate that California had 52 percent of July 1, 2011, population of these western states.

² The Los Angeles MSA includes Los Angeles and Orange counties. The San Francisco MSA includes San Francisco, Marin, San Mateo, Alameda and Contra Costa counties. The San Diego MSA is San Diego County.

³ The Table 2 West and MSA data are for 2009-2010, while Table 1 data are for 2010. The U.S. data for Table 2 are interpolated from the 2009 and 2010 data. As a result, U.S. income differs from what is shown in Table 1.

Lower Spending Categories

There are also several spending categories where Californians spend much less than their national counterparts. California residents spend 15 percent less on utilities, fuels and public services (85 percent of the U.S. average, or 15 percent less). Perhaps surprisingly, California households spend less than the national average on new and used vehicles (86 percent of the U.S. average, or 14 percent less). And Californians spend only about half the national average on cigarettes and tobacco products.

California MSA Spending

Californians also differ greatly within the state in some spending categories. Table 3 shows the same spending categories as Table 2, but for the three MSAs within California.

As shown in Table 3, average household spending in Los Angeles is 112 percent of the U.S. average household, while San Francisco is 139 percent, and San Diego is 107 percent. As with the California and West spending differences, there is evidence that differences in spending are correlated to differences in incomes. The respective figures for income as a percentage of the U.S. for the three MSAs are 111 percent, 144 percent, and 123 percent.

San Francisco Spending Patterns Unique

The San Francisco MSA stands out among the three California MSAs. As one might expect, shelter costs in San Francisco are much higher than average, nearly double those of the national average (93 percent higher). However, spending is generally much higher than national averages in the San Francisco MSA for a variety of goods and services. For example, San Francisco MSA households spend 45 percent more on food away from home and 60 percent more on alcohol. Some of the additional spending in these categories may reflect higher costs than other areas of the country.

Spending on Taxable Goods

Another way to analyze these data is to tabulate spending subject to California sales and use taxes. While the BLS data are not collected with respect to taxability, we used our best professional judgment in estimating taxable goods, summed them, and compared the sums to the national average. The results are summarized in Chart 2.

Spending Related Closely to Income

As shown in Chart 2, California households spend nine percent more than the U.S. average on taxable goods. The percentages vary from three percent less than average for the San Diego MSA to 16 percent more than average for the San Francisco MSA. Most of the differences in spending are accounted for by regional differences in incomes. As shown in Chart 3, California households spend an average of 22 percent of their incomes on California-taxable goods, similar to 24 percent calculated for the nation.⁴

⁴ These spending to income proportions are lower than others found in the literature because of definitional differences in BLS income and the likelihood that we were not able to account for all taxable goods because goods in some categories were aggregated with nontaxable goods and unable to be separated.

Table 3
Household Spending by Selected Category
California MSAs in 2009-2010
(Percentages of U.S. Spending)

Category	Los Angeles	San Francisco	San Diego
Total Spending	112%	139%	107%
Food at home	107%	114%	90%
Food away from home	126%	145%	98%
Alcoholic beverages	116%	160%	137%
Shelter	142%	193%	154%
Utilities, fuels, and public services	83%	88%	85%
Household operations	131%	148%	134%
Housekeeping supplies	94%	96%	86%
Household furnishings and equipment	100%	119%	92%
Apparel	137%	130%	140%
Vehicles	86%	94%	69%
Gasoline	113%	94%	109%
Other vehicle expenses	134%	122%	98%
Public transportation	125%	219%	90%
Health care	79%	110%	75%
Entertainment	93%	120%	88%
Personal care	110%	133%	116%
Reading	88%	150%	75%
Education	104%	164%	70%
Tobacco	53%	41%	36%
Miscellaneous	97%	129%	64%

Chart 2
West, California, and MSAs as Percentages of Estimated U.S. Taxable Sales

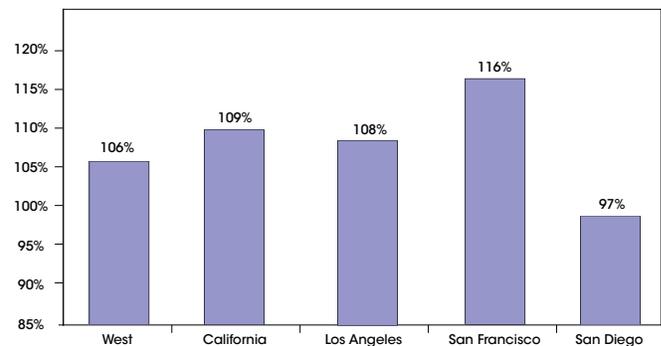
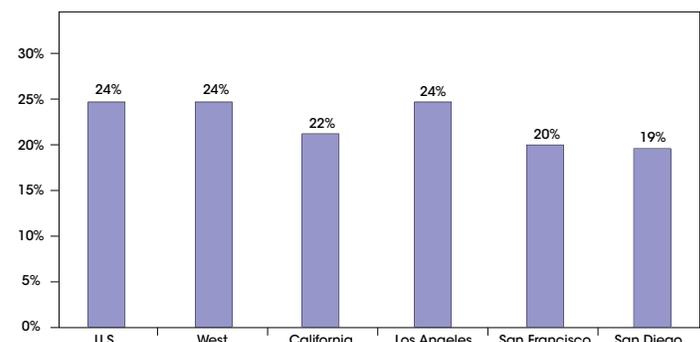


Chart 3
Estimated Taxable Sales as Proportions of Household Incomes



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Please contact us if you would like to be added to our email list, or have questions or comments.

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California Department of Finance
www.dof.ca.gov

California Employment Development Department (EDD), *Labor Market Conditions in California*
www.labormarketinfo.edd.ca.gov

Federal Reserve Bank of Philadelphia, *Survey of Professional Forecasters*
www.phil.frb.org/econ/spf/index.html

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