

Level and structure of household consumption

Income, income structure

According to data from the household budget survey (HBS) in 2007 the per capita annual average gross income was HUF 1 million 120 thousand, while net income represented HUF 876 thousand. The ratio of net income to gross income – due to the rise in social security contribution and employee's contribution – was lower by 2.2 percentage points in comparison with the previous year.

In 2007 income from work took a share of 69.6% of total income, with social incomes representing 28.8% on the average. The ratio of income from work to social incomes was 47.7 to 50.9% in the lowest income decile, and 80.9 to 16.8% in the tenth. This can partly be attributed to the different ratio of earners-dependants and to the diverse income level by source.

Level and structure of consumption expenditure

Since 2000 household budget surveys have used COICOP (*Classification of Individual Consumption by Purpose*) to classify individual consumption by purpose. COICOP is an international, decimal system, four-level nomenclature harmonized in content. When surveying consumption expenditure, this classification is used.

In 2000 the annual average consumption expenditure per capita totalled HUF 383 thousand, and HUF 706 thousand in 2007, when the volume of total consumption decreased by 2.9% as against the previous year, along with 8% rise in consumer prices.

In the reviewed period the structure of expenditure slightly changed as well:

– In the period between 2002 and 2005 the share of food and non-alcoholic beverages consumption decreased within total consumption by 6 percentage points; from 2006 it took a rise, reaching 23.7% of total consumption expenditure of households in 2007.

– The share of expenditure on clothing within total consumption showed a declining trend. Within this the share of sum spent on clothing fell back to 2.9%, while that spent on footwear fell back to 1.3%.

– Since 2001 the share of „housing, water, electricity, gas and other fuels” within consumption expenditure has constantly increased: with its value exceeding 21% it represents the second largest item of household expenditure after food.

– The share of expenditure on health care increased within total consumption. While in 2000 households spent 2.5% of their total expenditure on medicaments, pharmaceutical products and therapeutical equipment, in 2007 this rate was 3.4%. 68.6% of health expenditure were spent on medicaments and medical products, representing nearly 8 percentage point growth in the reviewed period. At the same time ever less has been spent on dental care, HUF 2,656 in 2007.

– Within the section “Transport and communication” the share of expenditure on transport services significantly increased. In the period between 2000 and 2007 the share of expenditure on transport by rail fell back from 4.4% to 3%, while that of road transport grew from 7.5% to 14.3%.

– Within expenditure on telecommunication, the share of postal services

decreased, but – due to changes in lifestyle – inhabitants spent more on phones and other telecommunication services.

– Share of expenditure on “Hotels and restaurants” has been gradually growing, representing 3.5% within total consumption in 2007.

Food consumption

The largest item of household consumption expenditure is food consumption. When surveying this item, it must be taken into consideration, that COICOP classification surveys only food consumed within the household (COICOP 01.1). Its volume is significantly influenced by the fact, however, that the forint value of eating out is taken into account in combination with other products and services according to the different character of activities. E.g. COICOP 11 main group „Restaurants and hotels” comprises expenditure on typical restaurant and canteen catering including alcoholic and refreshment beverages, while nursery provision and social catering belong to „social protection” COICOP 12.4, and food consumed in the frame of organized tourism is taken into consideration at main group 09 „Recreation and culture”.

In 2007 nearly HUF 153 thousand per capita was spent on food consumed within households and HUF 14 thousand on non-alcoholic beverages, representing nearly 24% of total expenditure. In 2007 the rise in producer and external trade prices increased consumer price growth of food to 12.8%, exceeding the average price growth. The volume of food consumption decreased by 4.1% in comparison with the previous year, which can mainly be attributed to the consumer price rise and the permanent change of lifestyle.

At the beginning of the reviewed period the living standard rose and owing to the change in consumption patterns households increasingly gave up own production of food, which was also the result of significantly growing production costs. So by 2007 own produced food consumption radically fell back to 11.7% from the 20.8% of 2000.

Sums spent on catering services – eating and drinking in restaurants, canteens – continuously increased in 2007. The per capita expenditure was HUF 22 500 representing more than double rise at current prices, and 21% growth in volume in comparison with 2000. Within this a distinction has to be made between catering in work and school canteens and in restaurants. While the former one was characterised by decreasing volume due to the price rise, the latter – because of the popular, relatively cheap restaurants and fast-food restaurants – showed continuous rise.

In 2007 the fall in life standard had its impact on catering services as well. Catering in work and school canteens became more expensive by almost 10%, while catering in restaurants increased by 7.6% on the average, with volume declining by 8.6% and 0.3% resp. in comparison with the previous year.

In recent years household food consumption patterns also changed. Much less animal fats have been consumed, while oil consumption stabilized around a value of 10 kg/capita/year. Consumption of less sugar and cereals shows a move towards more healthy nutrition. Even in

this area a slight restructuring could be observed: bread consumption significantly decreased, while that of baker's ware constantly increased. Meat consumption stagnated in the reviewed period, pork consumption slightly fell back, while consumption of processed meat products, offals increased. In European comparison milk, fish, vegetable and fruit consumption is quite low in Hungary, and it keeps decreasing. Consumed quantity of various products is quite versatile among different income categories. People in the lower income categories react more sensitively to price changes: if the price of a product increases more than the average, consumers choose a substitute product with lower price. However, purchases reflect the endeavour of people to give preference to more healthy food within their possibilities and knowledge.

Food consumption of population groups in different income deciles

When investigating consumption of people belonging to the highest and lowest income deciles, it is clearly seen, that the per capita consumption of people in the highest income decile is higher in almost all food types with the exception of e.g. bread and dry pulses. The greatest volume disparity – more than 3.5-fold – can be observed in cheese and cottage cheese consumption, but there is also a significant difference in consumption of fruits and vegetables essential for healthy nutrition. At surveying per capita food consumption it also should be taken into account, that in the highest decile mainly adults live in households with few members whose needs are higher than that of children living in households with many members belonging to the lowest income decile. Expenditure on food – despite the difference in volume and quality between the lowest and highest deciles – means higher burden for poorer people, they spend proportionately much more on food.

Food consumption of active, pensioner households and households with and without children

In 2007 households with active earners spent HUF 158 thousand per capita annually on food, while pensioners spent 30% more, i.e. HUF 205 thousand, representing 22.3%, and 27.6% resp. of the total expenditure. During the past decade these rates remained quite stable within the total expenditure.

Pensioner households were mainly characterised by this relatively high share of food expenditure, and by the slackening rate of consumption from own-production. Another typical feature of these households is that – since in the majority of these households adults live – their needs are higher, than those of families with little children, and they more often invite their family members, who are no longer living with them. In the field of given and received supports, the deficit, typical of active, young households can also be seen in the purchasing habit of pensioners: pensioners support their children and grandchildren with purchased or home-made food – although this type of help shows a decreasing tendency, in relation to the decline in own production.

In 2007 the per capita food expenditure of pensioner households in the upper income quintile represented 22.9% of the total personal expenditure (HUF 254 thousand/capita/year). Volume indicators of pensioners' food consumption with higher income did not grow so dynamically, than those of pensioners belonging to the lower quintile, which is mainly due to the preference of healthier, higher quality foods. 33% of households, i.e. 1.2 million households raise 20-year-old or younger children. Consumption pattern of households with children differs from those without children. Consumption data show that the per capita food quantity of households with children is generally lower, than that of childless households, and per capita food consumption decreases with the rise in the number of children. This means a negative tendency mainly in the case of food like vegetable or fruit. From the latter,

households with one child consumed 65%, while households with three or more children consumed only 43% of the consumption per capita in childless households in 2007.

Dwelling maintenance costs

The second basic expenditure item of households is the dwelling maintenance costs. These costs substantially rose in recent years, in 2007 households spent more than double (HUF 148.6 thousand/capita/year) on housing, water, electricity, gas and other fuels than in 2000. After food this item is the largest one in household expenditure, the greatest share of which is spent on energy. The per capita household energy costs (HUF 91 thousand/year) represented more than 60% of dwelling maintenance costs and 13% of total expenditure.

Household energy consumption has been characterised by slackening use of traditional energy carriers in the past decade. The share of piped gas within energy expenditure constantly grew, representing 29% in 2000 and 33.5% in 2007, which meant averagely HUF 13 thousand per capita, and HUF 30 thousand per capita value, resp. In line with the improvement of supply, the price index of piped gas by far exceeded the average price rise in latter years.

Several factors influenced the sum of household expenditure on gas:

- Owing to the fact that the major share of household energy expenditure was spent on heating, it cannot be left out of consideration, if the household used the energy for household heating or for water heating, only. In 2007 the lowest gas bill (HUF 25 thousand) was paid in dwellings with district heating, where gas was used mainly for cooking, and the highest bill (HUF 124 thousand) was paid in households with gas heating.

- The type of dwelling unit also significantly influenced the sum of the bill. Since heating costs of detached houses are relatively higher than those of dwellings, a household in an average detached house or terrace-houses paid more than twice as much gas fee, than the one living in a multiflat building.

As a conclusion, not the sum of the income itself, but the related different lifestyle – size of the dwelling, size of the household, modern heating and water heating equipment and heat insulation or their absence – increased or reduced expenditure on gas energy.

Stock of consumer durables

Since the 1990s the stock of consumer durables has increased continuously. The Western European consumption model came into fashion in Hungary, too, and the newer and more up-to-date products appearing in the market of household appliances and electronic devices motivate the people to continuous consumption. Prices of so called consumer durables significantly differ, cheap products from mass production within the same product group also spread on the market. Although these cannot be considered typically „durable”, but it is necessary to survey them, since their possession or lack of possession reflect lifestyle situations and their change.

All households possess TV, 98.7% of them possess colour TV, and the great majority own more TV-sets. Nearly 20% of households have digital cameras, 8% own videocamera. While 64% of households with children had DVD, 48% had hifi equipment and 31% had digital camera, the same rates for households without children were 30%, 26% and 14% resp.

Personal computer supply constantly increased: in 2007 more than 43% of households possessed PC and 6% had laptops. The number of mobile phones rapidly grew in recent years. In 2000 the number of mobile phones per 100 households was 27, and in 2007 it was 166. In 2007 82.4% of households possessed mobile phone and 49.7% of households owned passenger cars.

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