

Questions and answers

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1. Why does Statistics Iceland collect data on household expenditure?

Statistics Iceland carries out a household expenditure survey to gather information for the base of the consumer price index. The Consumer Price Index (CPI) aims to reflect changes in prices of products and services that homes buy regularly. In order to accomplish this information on the weight of individual product- and service groups is needed. This information is taken from the household expenditure survey results.

2. Where does Statistics Iceland get information on household expenditure?

Statistics Iceland carries out a household expenditure survey. Households from all over the country are randomly chosen to participate in the survey and give information on their expenses. The results are based on expenditure of real households, not estimates. In a few cases households don't give complete answers. In those cases estimations, based on participating households of the same type

and living in the same type of area, are made for the missing data. For example, if a one-person household living in towns outside the capital region does not answer part of the survey, estimations are made by average expenditure of other one-person households living in towns outside the capital area.

3. Are the expenditure survey results significant? I can't remember how much I spend.

The household expenditure survey is a continuous survey that is carried out all year round. Each year 1,222 households are asked to participate. Those who agree are asked to keep detailed records of their expenses for two weeks. They can collect receipts from stores to ease their work. Participants are also interviewed about larger purchases that occurred over the last three months.

Response rates in the survey have been diminishing, as is the case in these types of surveys all over the world. That increases uncertainty in the results. In order to increase the reliability of the results that are published and used for further calculations Statistics Iceland combines the results of the three most recent preceding years.

Some types of households are more likely to agree to participate in the survey. Couples with children are the most likely to participate but one-person households are the least likely. Place of residence seems also to influence the willingness to participate. Households living in towns outside the capital area are more willing to participate in the survey than households living in the capital area. However, households in rural areas have been the most willing to answer. These differences are adjusted for in the results with weights.

4. What if people don't give right information, e.g. on their alcohol purchases?

A well-known problem of expenditure surveys is that they underestimate expenditure towards "sensitive" products since as people are reluctant to reveal their actual consumption. This applies e.g. to purchases of alcohol, tobacco, pharmaceuticals and games of chance. For these categories the results of the survey are compared to other sources of information and adjustments are made as needed.

5. Who participate in the household expenditure survey?

The sample for the household expenditure survey is selected from family numbers in the national register. All households where at least one person is in the age between 18 and 74 are eligible. Participants are all persons living under the same roof and sharing a household with the person that is selected during the survey period. Households from all over Iceland participate in the survey. The selected sample is compared to the national registry in order to ensure representation of age and residence. The results are also adjusted to account the fact that some households are more likely to be selected for the sample from the national register. This is due to how the national register is structured.

Response rates in the survey are dropping, as is the case in these types of surveys all over the world. That increases uncertainty in the results. In order to increase the reliability of the results that are published and used for further calculations Statistics Iceland combines the answers of the three last years.

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6. Are the household expenditure survey results benchmarks for minimum cost of living or optimal consumption?

The household expenditure survey sheds light on what households purchase and how expenditure is spread over different consumption categories. No attempt is made to estimate if expenditure is necessary or not. The survey therefore does not result in a benchmark of minimum cost of living or a standard of optimal consumption. All purchases are to be registered no matter if the household can afford them or how they are financed. The real purchase price is to be registered. For example not only purchases made in discount stores are looked at.

7. Are nutritional values or quality of life estimated in the survey?

The household expenditure survey only measures purchases of products and services. No assessment is made if the participants have made a good or bad choice in respect to nutrition or if the products are healthy or not. The survey is no shed light on all products and services bought by households irrespective of their nature. Comprehensive data on quantities of food products are not available from the survey.

8. Why do expenditure on food and beverages seem lower in the results of the study than in the household expenditure?

Is it really so? Possibly the explanation lies in the international classification for consumption of products and services, COICOP, issued by the United Nations. Products sold in grocery stores are for example distributed between different categories. The results of the household expenditure survey and the base for the consumer price index are categorized by this international classification. The abbreviation stands for Classification of Individual Consumption Expenditure According to Purpose. The first category is named *Food and non-alcoholic beverages*. Note that not all expenditure of food is defined in this first category. Category eleven is named *Restaurants and hotels* and includes expenditure on food and beverages in restaurants and cafés. Expenditure in canteens and restaurants offering fast-food (eaten in the restaurant or at home) are also defined in category eleven. Furthermore, ready-made dishes from grocery stores are also defined in this category.

I want to know more about the how consumption is categorized: <http://www.statice.is/pages/1246>

Homepage for the United Nations Statistics Division:

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=5>

9. I never eat out but still spend more than your results say in grocery stores.

When talking about expenditure in grocery stores or supermarkets one needs to remember that these stores do not only sell food and non-alcoholic beverages but also varieties of other household products. Larger stores also sell toys, books, clothes and more. In the COICOP classification system (see question eight) used for consumer price indices and household expenditure survey results classic items bought in grocery stores fall in seven categories.

01 Food and non-alcoholic beverages

02 Alcoholic beverages, tobacco and narcotics – malt and non-alcoholic beer are classified here

05 Furnishing and household equipment – includes batteries, light bulbs, cleaning products, and non-durable household goods such as plastic bags, aluminium foil, dishwashing brushes and more

06 Health – includes fish liver oil and vitamins

09 Recreation and culture – pet food and related products are classified here

11 Restaurants and hotels – Ready-made-dishes bought in grocery stores

12 Miscellaneous goods and services – includes products for personal hygiene such as shampoo, cosmetics, paper diapers and more

I want to know more about what is included in the consumer price index:

[http://www.statice.is/?PageID=2932&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIS01305%26ti=Consumer+price+index%2C+weight+for+subindices+from+1992%26path=../Database/visitolur/neyslurvedundir/%26lang=1%26units=per 10,000](http://www.statice.is/?PageID=2932&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIS01305%26ti=Consumer+price+index%2C+weight+for+subindices+from+1992%26path=../Database/visitolur/neyslurvedundir/%26lang=1%26units=per+10,000)

10. What is the cost of one meal?

The household expenditure survey observes real expenditure of households but does not show results for what is the minimum cost-of-living or optimal consumption. Participants are not asked to specify what is served for each meal or even if they use all the items they have bought. Purchased food could end up in the litterbin unused. In order to compile cost for one meal, one must first address the question „What is a meal?“ and make various assumptions about the number of meals per day, serving quantities and combinations of food. The survey does not inquire about these topics, and even if such questions were asked the answers were likely to be widely different between types of households and individual participants. Presumably the cost of a simple breakfast is far from being comparable to the cost for a nice weekend steak meal. It might be better to ask what the average expenditure on food is per month or per week. When measuring expenditure on food it is important to keep in mind that households often buy ready-made food and fast-food or purchase food in

canteens at work or in schools. In order to aggregate food costs this expenditure need to be added to food bought in grocery stores.

11. How much do the households really spend on food?

The latest published results for the household expenditure survey are averages for the years 2010 – 2012.

When all expenditure on food and beverages (excluding alcoholic beverages) is summed up, i.e. expenditure on food and beverages bought in grocery stores, expenditure in restaurants, on fast-food or in canteens, the average households spending in grocery stores amounts to 18.8% of total expenditure. This varies between types of households and is e.g. 20.7% for couples with children. It is worth mentioning that the average household in the survey consists of 2.4 individuals: 1.6 adults and 0.8 children. Couples with children have 1.9 children on average. The enclosed table shows the average annual expenditure for all household types on one hand and for couples with children on the other.

Household Expenditure Survey 2010-2012, all types of households			
Food and non-alcoholic beverages	Share of total expenditure	Annual expenditure, 2012 prices	Annual expenditure, September 2014 prices
	%	ISK	ISK
- purchased in grocery stores	14.9	849,754	897,135
- purchased in restaurants, cafés and bars	1.7	96,007	101,360
- purchased at fast food restaurants and ready made meals from grocery stores	1.9	110,194	116,338
- purchased in canteens	0.4	21,366	22,557
Food and non-alcoholic beverages, total	18.9	1,077,321	1,137,390

Household Expenditure Survey 2010-2012, couples with children			
	Share of total expenditure, percent	Annual expenditure, 2012 prices	Annual expenditure, September 2014 prices
	%	ISK	ISK
Food and non-alcoholic beverages			
- purchased in grocery stores	16.2	1,211,967	1,279,545
- purchased in restaurants, cafés and bars	1.4	102,858	108,593
- purchased at fast food restaurants and ready made meals from grocery stores	2.3	169,453	178,902
- purchased in canteens	0.7	49,379	52,132
Food and non-alcoholic beverages, total	20.6	1,533,657	1,619,172

12. How much do households spend in grocery stores?

The average household purchases various goods in grocery stores other than food products. When all items are counted (see question eleven) the households total expenditure in grocery stores is on average 16.9% of total household expenditure. This ratio varies between types of households, e.g. for couples with children the share is 18.2%. The enclosed table shows the annual expenditure in grocery stores in ISK, both at the 2012 price level and September 2014 prices.

Household Expenditure Survey 2010-2012, total expenditures in grocery stores			
	Share of total expenditure, percent	Annual expenditure, 2012 prices	Annual expenditure, September 2014 prices
	%	ISK	ISK
All types of households, average	16.9	965,248	1,019,069
Couples with children	18.2	1,363,670	1,439,706

13. Can the results of the survey be right? If I spend so much on food and drink I should have nothing left.

Information on whether households can afford their expenditure on goods and services is not gathered in the household expenditure survey. When the results of the survey are processed, information on respondents' disposable income is collected from tax records in order to decrease response burden. Averages, for consumption expenditure and disposable income, show that most household types earn enough to afford their spending. In the 2010-2012 survey, there were only two types of households which did not earn enough on average to afford their spending: Households which spent most (those in the fourth household expenditure quartile) which may have purchased e.g. a car, financed by a loan or savings, and households with the lowest income (in the first income

quartile), which had more expenses than income. In this category e.g. are students with low income since student loans are not considered disposable income.

14. Where can I find the results of the household expenditure survey?

Statistical series with results from the years 2010-2012 can be accessed free of charge: <https://hagstofa.is/?PageID=421&itemid=5bb2b24f-db20-442d-a265-fbc46526571a>.

Statistics and comparable earlier data can be accessed on our website:

<http://www.hagstofa.is/Hagtolor/Verdlag-og-neysla/Neysla-og-verd-ymissa-vorutegund>.

15. Can I decrease inflation if I take part in the household expenditure survey?

Results of the household expenditure survey do not directly affect inflation measured with the consumer price index. Inflation is the change in prices of goods and services, in stores or from service providers. Results of the household expenditure survey are used to assess the weight of price changes of different categories of goods and services in the total index.

16. What is an equivalent scale?

An equivalent scale is often mentioned in results of the household expenditure survey. Households vary in size and therefore it can be difficult to interpret the results. The fact that larger households are more economical than small ones and expenditure is usually less for children than adults is taken into consideration when the size of households is converted to an equivalent scale. Each individual is given a specific weight according to age and size of household in order to compare different types of households. International organisations such as OECD and Eurostat use equivalent scales for these purposes. OECD uses a scale which gives the first adult individual in a household the value 1, other adults in the household the value 0.7 and children the value 0.5. Eurostat has an equivalent scale which gives the first individual in a household the value 1, other adults the value 0.5 and children 0.3. Both systems assume that expenditure is the same for children 13 years and older and adults.