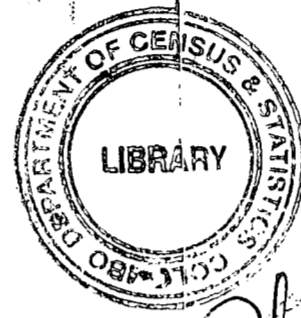


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Sri Lanka's latest household income and expenditure



By ROHAN SAMARAJIVA

The Household Income and Expenditure Survey (HIES) is my favorite among all the surveys done by the government.

Where else do you get information as granular as how much Kelawalla fish people buy? Given the ICT Agency's stated commitment to open data, I was expecting data in Excel at least, sadly, not so. And the first results are partial. No Kelawalla prices. Just whatever they thought would be of interest.

Before I got my teeth into it, I got a call asking for my views. Could not fully answer right then. But here goes.

It is wrong to claim, as journalists have, that mean household expenditure is now higher than mean household income. That can only happen if all households are run like the government.

Income and expenditure

It is true that household expenditures appear to have increased more rapidly than household incomes. But, even here, I advise caution. Income is notoriously difficult to ascertain. First, people with irregular income (most of us) have trouble giving an accurate number. Second, people have reasons to over-/under-state income.

Third, errors are introduced in moving from individual income to household income. Last time I wrote about the HIES data, I had not even mentioned income data.

Anyway, according to the Department of Census and Statistics (DCS) the mean household income was LKR 46,207 in 2012, showing an

increase of 26.8 per cent over 2.5 years. When adjusted for inflation, the increase is said to be 5.5 per cent over 2.5 years.

Expenditure data are less problematic. DCS states that mean household expenditure was LKR 40,887 in 2012, an increase of 30.5 per cent over the LKR 31,331 reported 2.5 years ago. Real (adjusted for inflation) household expenditure grew 8.5 per cent over 2.5 years.

So what has happened, if you take both sets of numbers to be equally credible, is that household expenditure increased at a slightly faster pace than household income. That suggests that Sri Lanka's already low saving rate has declined even further, but not much else. I happen to believe that expenditure numbers are a lot more credible than income numbers, so I do not place much weight on a few percentage points here or there.

Food ratio

In my analysis of the 2009/10 HIES, I found the food ratio for 2009/10 peculiar and said:

After declining from a high of 64.6 percent in 1990-91 to 37.6 in 2006-07, the proportion spent on food increased in the three years prior to the latest household survey by a significant 4.7 percent. Not only that, but a similar 4.6 percent increase has occurred in expenditure on rice as a percent of total food expenditures. Not only are we going counter to Engel's Law, but we are also going against its corollary which says there should be a shift from carbohydrates to protein within the food budget. Taken alone, these numbers could be interpreted as a rise in poverty. (LBO)