

Household expenditures and income poverty estimates for Uganda, 1992-2006 (Preliminary findings)

Sarah Ssewanyana
Economic Policy Research Centre

Outline

- Introduction
- Household expenditures
- Poverty trends
- Income inequality trends
- Preliminary explanations for the observed trends between UNHS-2 & UNHS-3
- Conclusions

Preliminary analysis. Please DO NOT QUOTE

Introduction

- UNHS III (2005/06) covered 7,426 households
 - Survey period May 2005-April 2006
 - Actual # households used in the analysis 7,421
 - Survey timing coincided with national elections
- UNHS II (2002/03) covered 9,711 households
 - Survey period May 2002-April 2003 excluding Sept. 2002
 - Due to population & housing census
 - Actual # households used in the analysis 9,710
- IHS of 1992/93, conducted from Mar. 1992-Mar. 1993; covered 9,923 households

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Introduction (contd.)

- Household expenditure includes consumption expenditure and non-consumption expenditure
 - Consumption expenditure such as expenses on food, beverages & tobacco (7 days-recall period); non-durable & frequently purchased services (30 days-recall period); semi-durable and durables (365 days-recall period)
 - Non-consumption expenditures such as taxes, contribution to funeral etc (365 days-recall period)
- Further adjustments were made in the construction of the consumption aggregate used in the estimation of poverty estimates & details included in the Socio-economic report

Preliminary analysis. Please DO NOT QUOTE

Introduction (contd.)

- All expenditures were converted to 30 days
- Consumption aggregate (welfare measure) used in poverty analysis captures ONLY consumption expenditures
 - Household consumption expenditure used as a proxy for household income
- Methodological approach similar to that used in the previous poverty analysis
 - Welfare proxy – consumption expenditure per adult equivalent; and official absolute poverty line derived by Appleton
 - Both welfare measure and poverty line expressed in 1997/98 prices

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Household expenditures

How have they changed over time?

Household expenditures: Shares

| Item group | 2002/03 | | | 2005/06 | | |
|-------------------------------|---|-------|--------|---------|-------|--------|
| | Rural | Urban | Uganda | Rural | Urban | Uganda |
| Food, drink & tobacco | 49 | 32 | 44 | 49 | 34 | 44 |
| Clothing & footwear | 4 | 5 | 4 | 4 | 4 | 4 |
| Rent, fuel & energy | 17 | 23 | 19 | 15 | 20 | 16 |
| Household & personal goods | 7 | 7 | 7 | 5 | 6 | 5 |
| Transport & communication | 7 | 12 | 6 | 6 | 10 | 7 |
| Education | 6 | 6 | 7 | 8 | 13 | 10 |
| Health | 5 | 3 | 4 | 5 | 4 | 5 |
| Other consumption expenditure | 2 | 3 | 2 | 2 | 4 | 3 |
| Non-consumption expenditure | Preliminary analysis. Please DO NOT QUOTE | | | 3 | 5 | 4 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

Household expenditures (contd.)

Fig 1: Monthly consumption expenditure per capita



- Increasing trend in nominal consumption expenditure per capita from Shs 28,899 in 2002 to 38,829 in 2006
- Between UNHS-2 & UNHS-2, increased by 33.2% but the average CPI changed by 24.4% between the surveys
- Increase driven by rural areas (36.6%) compared to urban areas (13.8%)

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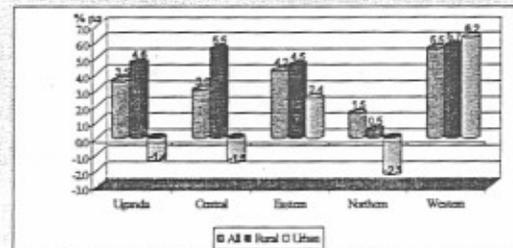
Household expenditures (contd.)

- Changes in household consumption expenditure per adult equivalent per month after all the necessary price adjustments on the expenditures
- In real terms, consumption increases from
 - UShs 35,736 in 2002 to UShs 39,746 at national level
 - Corresponding figures for rural were UShs 29,500 and UShs 33,900 respectively; and decreases for urban areas from UShs 74,800 to UShs 71,800 over the same period

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Household expenditures (contd.)

Fig. 2: Annualized growth rates in mean consumption expenditure per adult equivalent, 2002-2006



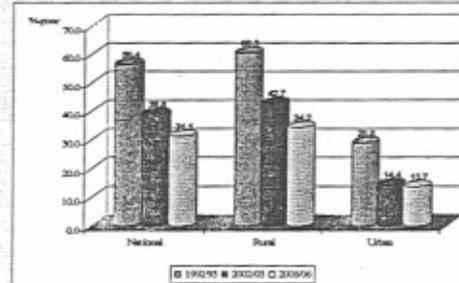
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Poverty trends, 1992-2006

How many people are poor or how bad is the poverty problem in Uganda?

Poverty trends (contd.)

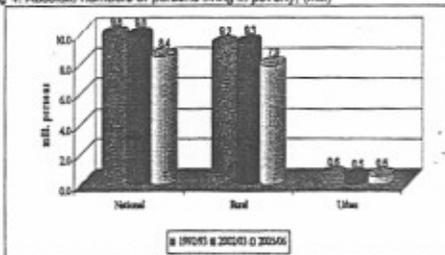
Fig. 3: Prop of poor persons, 1992-2006



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Poverty trends (contd.)

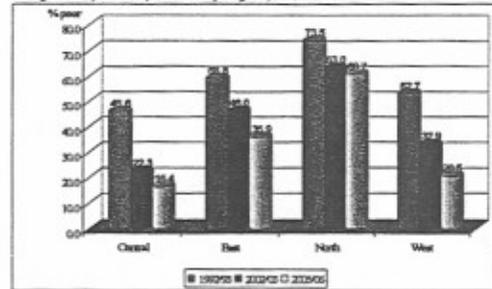
Fig 4: Absolute numbers of persons living in poverty, (mill)



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Poverty trends (contd.)

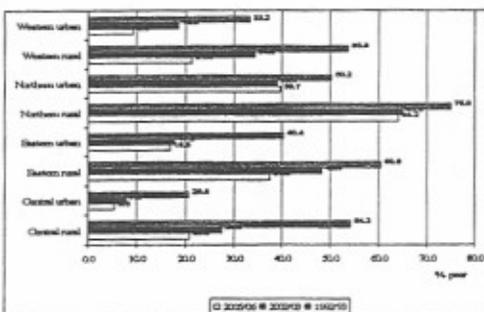
Fig 5: Prop. Poor persons by region, 1992-2006



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Poverty trends (contd.)

Fig 6: Prop of poor persons by region (rural/urban divide), 1992-2006



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Poverty trends: summary

- Poverty reduction based on the two most recent surveys was broad-based although
 - Rural population benefited more than their urban counterparts
 - Regionally, decline steeper in Western region followed by Eastern region
- Uneven progress in poverty reduction across geographical locations remains
 - As demonstrated by uneven growth in incomes as measured by household consumption expenditure
 - Northern region poverty remains high and did not register significant declines as observed in other regions
 - But cost of reducing poverty via direct transfer declined significantly

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Income inequality trends

What has happened to distribution of income since 1992/93?

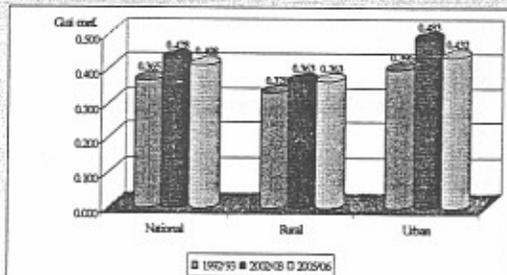
Income inequality trends (contd.)

- Our welfare measure increased both at mean from 35,736 in 2002 to 39,746 in 2006 (representing 3.5% pa); and at median from Shs. 24,737 to 28,532 (translating into a growth of 4.8% pa) at national level
 - Economic growth between UNHS-2 & UNHS-3 benefited the masses
- Quintile analysis also confirms that growth in consumption was broad based:
 - Bottom 20% => increased by 14.1% and top 20% increased by 6.7%

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Income inequality trends (contd.)

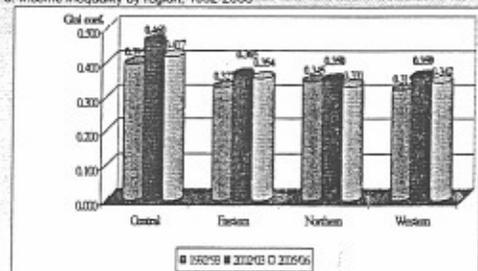
Fig 7: Gini coefficient, 1992-2006



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Income inequality trends (contd.)

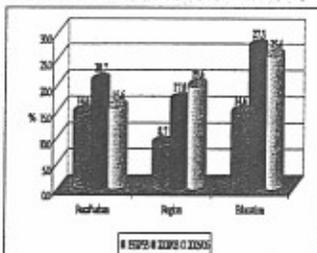
Fig 8: Income inequality by region, 1992-2006



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Income inequality trends (contd.)

Fig 9: Contribution of between group to overall inequality



Preliminary analysis. Please DO NOT QUOTE

- Within group inequality contributes more to total inequality than between groups
- Widening income gap between region on the rise
- Between UNHS-2 & UNHS-3 the income gap between education attainment dropped by about 2pp

Income inequality (contd.)

- What explains changes in poverty over time? Was it growth or redistribution that contributed to decline in poverty in Uganda?
 - growth effect contributed more to poverty reduction than redistribution
 - With the exception of the urban areas where redistribution effect dominated the growth effect

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Income inequality trends (Summary)

- Growth in consumption faster at the median than at the mean
- At national level, income inequality dropped by 4.5%
 - Significant drop in urban areas (10.6%)
 - Improvements in the distribution of income in urban areas relative to rural areas
 - Regionally, faster drop in Central region followed by Northern region
- Widening income gap between region
- Narrowing income gap between education attainment although remains very high

Preliminary analysis. Please DO NOT QUOTE

Preliminary explanations for recent trends

What do we make out of the analysis so far?

Preliminary explanations (contd.)

Some improvement in the Northern region though insignificant

- Improving security
- Benefited from greater interventions including NUSAF, development partners, trading between Southern Sudan etc

Preliminary analysis. Please DO NOT QUOTE

Preliminary explanations (contd.)

- Share of education and health goes up between UNHS-2 & UNHS-3
- In absolute terms private expenses on education and health more than doubled
 - Education expenses increased for all expenditure quintiles including the bottom 20% => Even the poor want their children educated
 - Some observed increases in gross enrollments at all levels.
 - Those already in the labour market getting back to school to improve on their skills

Preliminary analysis. Please DO NOT QUOTE

Preliminary explanations (contd.)

- With increased transfers and improved access to credit => any loss of employment or source of income will not immediately translate into low household income. UNHS-3 data shows that
 - Much of the transfer monies went into buying consumption goods & services; education and health expenses
 - A larger proportion of the borrowed monies went into non-agricultural enterprises followed by catering for education expenses
 - Overall households with access to transfers and credit were less likely to be poor

Preliminary analysis. Please DO NOT QUOTE

Preliminary explanations (contd.)

- Sale of assets
 - Data shows that those household that sold of their assets excl. livestock were more likely to be non-poor
- Increased spending on air time/phone especially for the bottom 20% where it more than doubled between UNHS-2 & UNHS-3
- Increased incidence of illness partly explains the increased expenditures on health

Preliminary analysis. Please DO NOT QUOTE

Conclusions

- Incidence of poverty declines
- Strong growth in mean consumption expenditure per adult equivalent observed between UNHS-2 & UNHS-3, especially for rural areas
- For the median Ugandan, the welfare has improved also true for other deciles
- Decreases in poverty more pronounced in rural areas especially in eastern and western regions.
- While rural areas experienced very strong growth in mean consumption levels, the urban areas experienced strong reduction in income distribution
- Overall, improvements in the living standards and improvements in the distribution of income observed between the two most recent national household surveys

Preliminary analysis. Please DO NOT QUOTE