

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

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### Outline

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

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### 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

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## 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	8	8	10	7
Education	6	9	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 39,829 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 (38.6%) compared to urban areas (13.8%)

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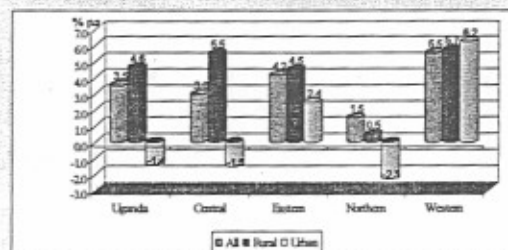
### Household expenditures (contd.)

- 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



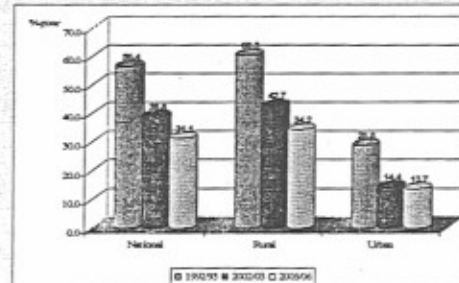
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### Poverty trends, 1992-2006

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

### Poverty trends (contd.)

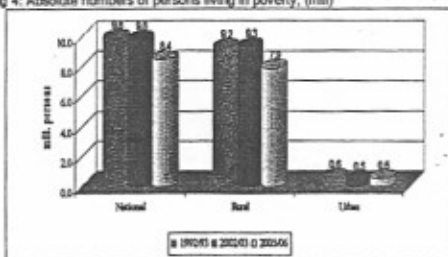
Fig. 3: Prop of poor persons, 1992-2006



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## Poverty trends (contd.)

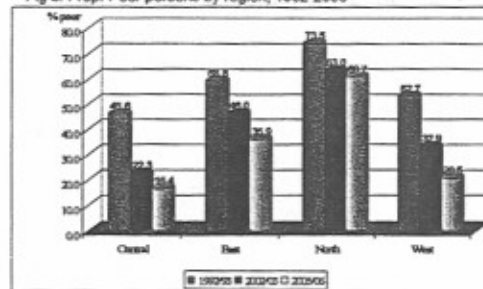
Fig 4: Absolute numbers of persons living in poverty, (mill)



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## Poverty trends (contd.)

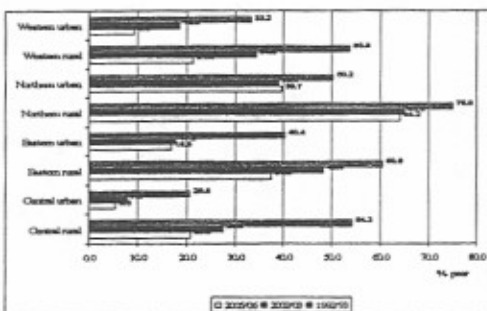
Fig 5: Prop. Poor persons by region, 1992-2006



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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?

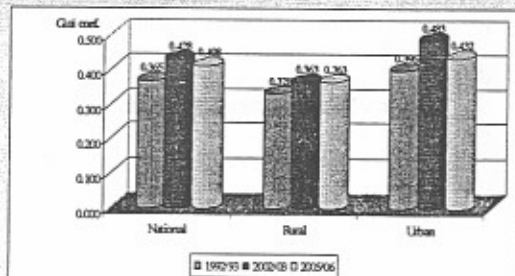
## Income inequality trends (contd.)

- 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.)

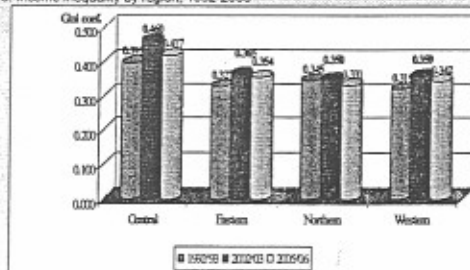
Fig 7: Gini coefficient, 1992-2006



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## Income inequality trends (contd.)

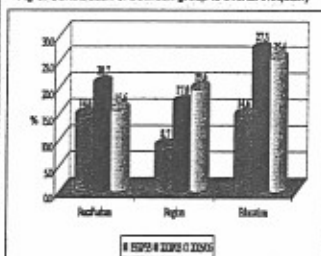
Fig 8: Income inequality by region, 1992-2006



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## Income inequality trends (contd.)

Fig 9: Contribution of between group to overall inequality



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- 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

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## 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

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### 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

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### 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

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### 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

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## 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

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