

# Household consumption in Kosovo 2003-2005

The Statistical Office of Kosovo (SOK) continuously measures the private consumption by the Household Budget Survey (HBS). The statistics are needed to determine the basket for the Consumer Price Index (CPI), the private consumption in National Accounts (NA) and analysis of welfare and poverty. The survey also measures education, employment, housing conditions, possession of durable goods, construction and other household related businesses and farming. The data are collected all over the year and all over Kosovo with a random sample of 2 400 households per year, following EU standards and international best practices. The response rate is more than 80 % if the substituted households are counted as non-response.

September, 2006

## Introduction

Consumption is an important part of people's life. Welfare and poverty is also dependent on other aspects in life, but the consumption level and patterns is core for welfare. While income is earned by individuals, consumption is mainly household related. Alcohol and tobacco, clothing, recreation and some specific items can be consumed individually, but the major parts, like food, housing and furnishing are shared by the household members.

The consumption is classified according to the COICOP (Classification of Individual Consumption by Purpose) standard to harmonise with National Accounts and Consumer Price Index. Besides some improvements, the same standards have been applied during the years, making it easier to compare over time.

Most of the consumption is based on goods bought and services paid for during a reference period. The reference period is one month for daily consumption (supported by diary keeping) and last 12 months for durable goods.

Following the international recommendations, the actual costs for housing is not collected, but the welfare value (imputed rent) based on the household's own assessment.

In this paper we will focus on the level of consumption for different consumption groups (food, clothing, housing, etc.) and their shares of the total consumption. The development over time for both levels and shares will be presented. We will also compare some household groups. Households with higher education and urban households can be seen as indicators for the future development of consumption, as more people get more education and Kosovo is urbanising.

Consumption is closely related to household size. The welfare value of the consumption cannot be compared between the groups unless the number of members sharing the consumption is included in the analysis. That will be done in a coming paper.

The figures in the text are rounded to signal that a sample survey only gives approximate estimates.

## Total consumption

The consumption per household has increased with about 5 % each year to 5 800 € in 2005.

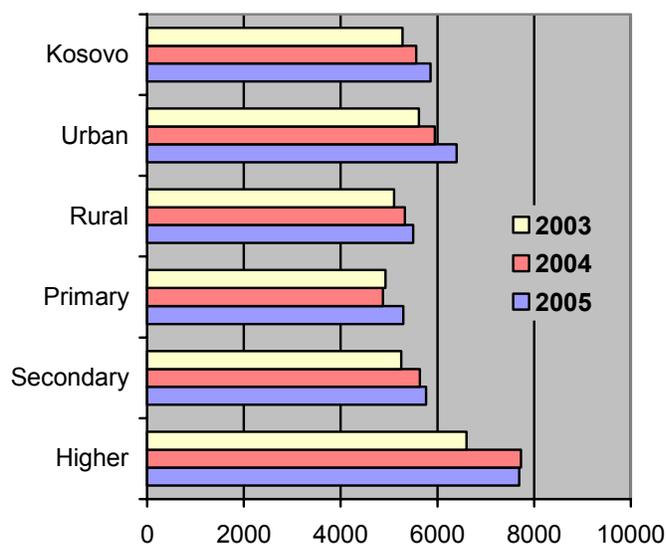
Urban households have a higher consumption (6 400 €) than the rural households with 5 500 €.

The increase over time has been similar in both areas.

The total consumption increase with more education. Households where the head have primary school or less consumed 5 300 €, while those with secondary consumed 5 800 € and those with higher education had a total consumption of 7 700 € in 2005.

Rural and less educated households have both lower consumption level and more members to share with.

**Graph 1 Total annual household consumption by locality and education level 2003-2005, €**



## Food

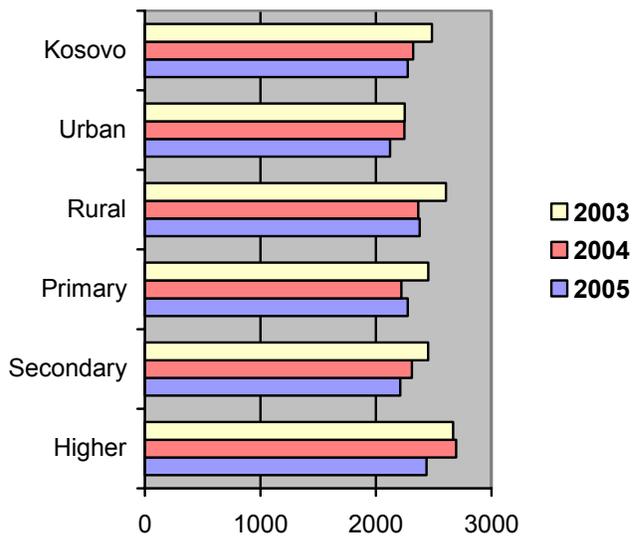
Food has the biggest share of the budget and counts for 2 300 € in 2005 or 39 %. Both the food consumption and its share of the budget have decreased over time. The share was 47 % in 2003.

The food consumption is rather even between the groups with some more for rural households and those with higher education (2 400 € in 2005).

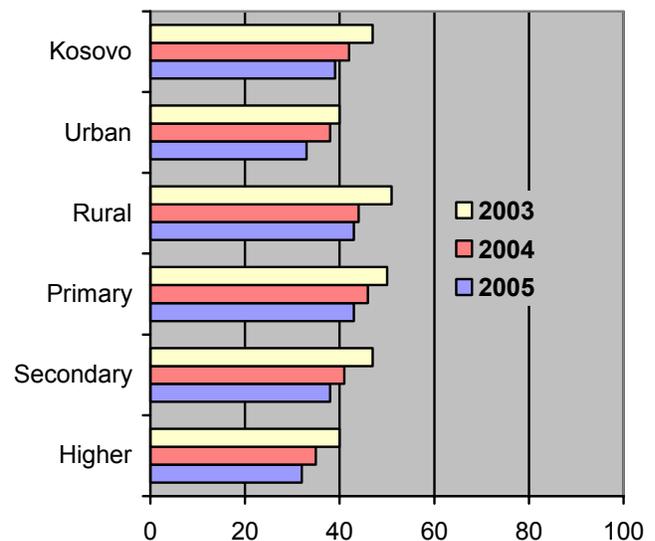
Lower food share of the budget indicate higher welfare. As expected the urban households and those with higher education have lower rates.

The food share varied between 10 and 19 % in the EU member states 1999.

**Graph 2 Annual food household consumption by locality and education level 2003-2005, €**



**Graph 3 Food share of total consumption by locality and education level 2003-2005, %**



## Housing

Housing is taking the second biggest share of the household budget with 1 800 € and 31 % of the budget. Food and housing takes together more than two thirds (70 %) of the budget.

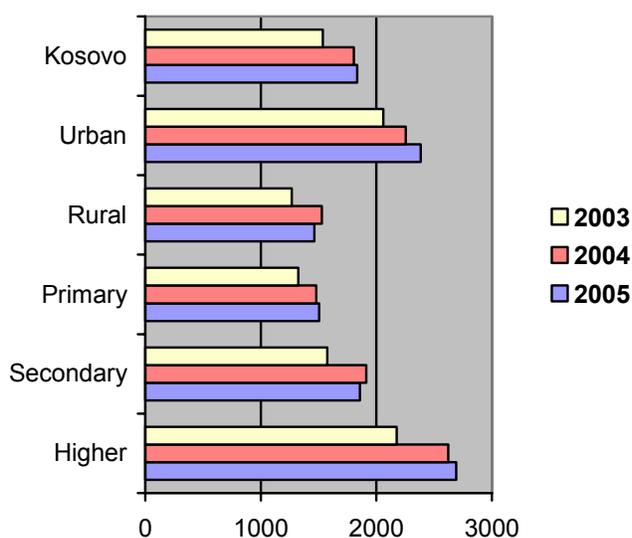
Though the amounts have increased for all groups, the budget share has been fairly stable over the three years for Kosovo as a whole and for the different groups.

Households with higher education have the highest value (2 700 €) followed by urban households (2 400 €).

The biggest part of housing is “imputed rent”, i.e. the welfare value of the house. Only a few pay rent.

The budget share for housing varies from 27 % for rural to 37 % for urban households. Housing varied between 20 and 31 % in the EU member states 1999.

**Graph 4 Housing consumption by locality and education level 2003-2005, €**



## Clothing and footwear

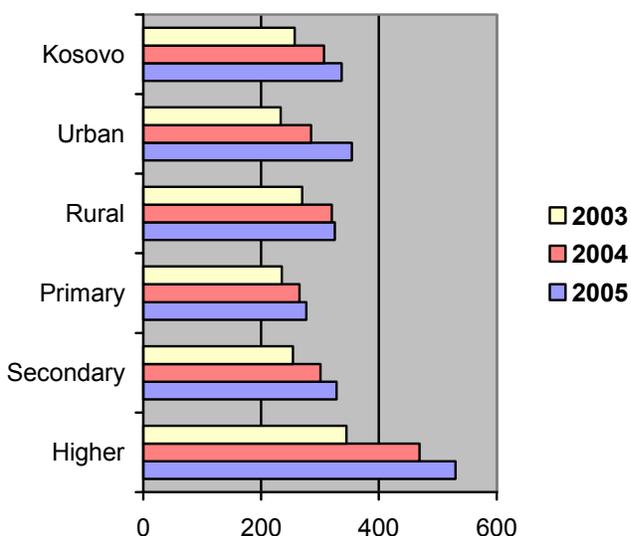
One of the first things people want to spend money on after taking care of food and shelter is clothing. Clothing is not only a mean of protection but also a way to show status. The share of the budget often increases in the beginning of a development process, but later decrease when the households can afford other things.

The amount as well as the share has increased some for all Kosovars and some more for those with higher education.

The average household spends 340 € per year on clothing and footwear or 6 % of the budget. The budget share varies between 5 and 7 %, compared to 5 – 9 % within EU in 1999.

The increase is due to higher consumption of clothing for women and children.

**Graph 5 Consumption of clothing and footwear by locality and education level 2003-2005, €**



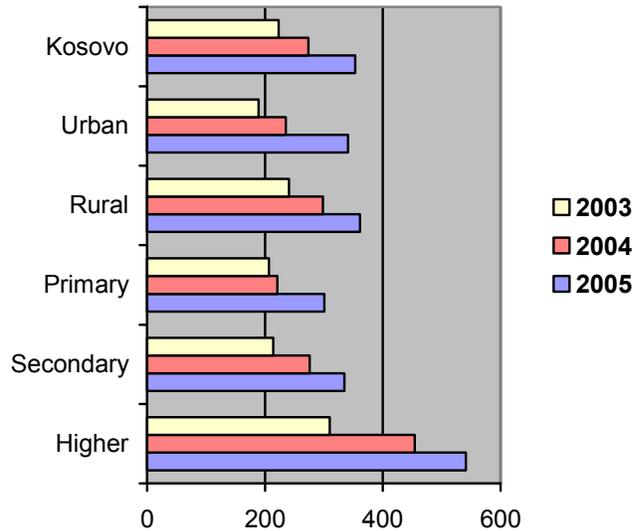
## Transport

When people get it better and can afford more than food, housing and clothing they usually put more on transports. Transports have increased rather much for all households, but particularly for those with higher education.

The budget share for transports range from 5 % for urban to 7 % for rural households. Those with highest education are also using 7 % of their budget on transports.

The budget share varied between 10 and 17 % in EU in 1999.

**Graph 6 Households' transport by locality and education level 2003-2005, €**

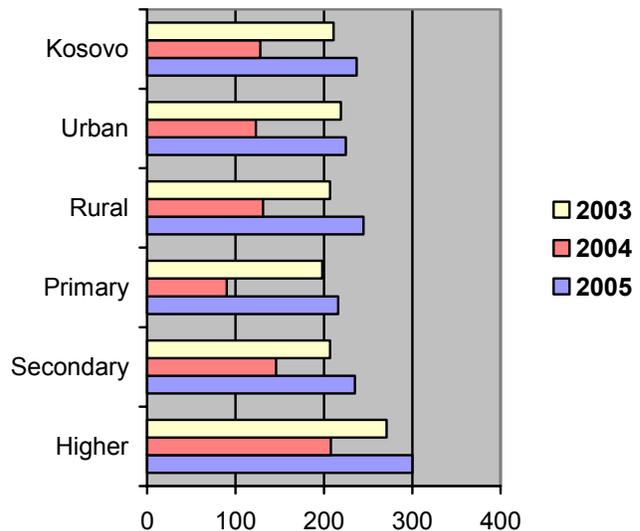


## Furnishing

The purchase of furniture dropped in 2004, but came back in 2005. The average household is spending 200 €, while those with the highest education spent 300 €.

The budget share was 4 % for all groups, compared to 5 - 8 % in EU in 1999.

**Graph 7 Furnishing by locality and education level 2003-2005, €**



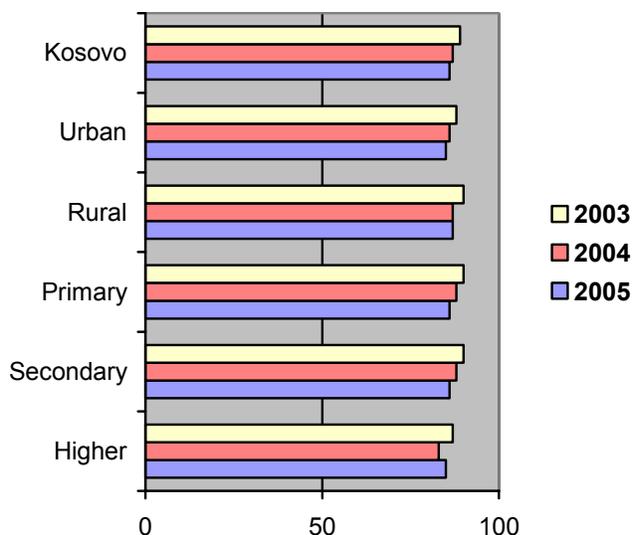
## “Main” consumption

The presented five biggest consumption categories (Food, Housing, Clothing and Footwear, Transport and Furnishing) represent 86 % of the all consumption. They are rather necessary parts of the consumption.

The other seven groups are limited to a few percentages each and the differences between household groups are small.

The “big five” are slowly decreasing for all groups and the urban and higher educated households are leading the development.

**Graph 8 The five biggest consumption categories by locality and level of education, total %**



## Alcohol and tobacco

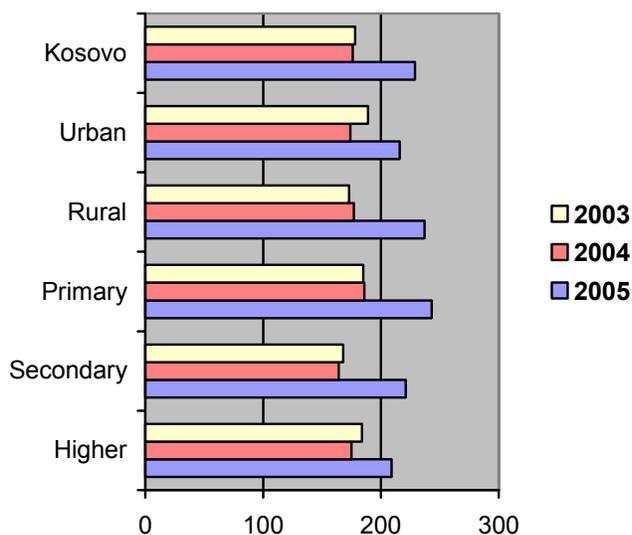
This consumption group is under estimated in most countries. It is often the women who keep records. Other household members' consumption can easily be forgotten. It is also a risk that the consumer is ashamed to tell their true costs for smoking and drinking. Another reason is that heavy alcohol consumers are difficult to include in the survey.

Alcohol and tobacco takes at least 4 % of the total household budget or 229 €. The consumption increased in 2005. The differences between the groups are rather small.

In the EU this consumption ranges from 2 to 7 %.

The survey had a supplementary question in 2005 and in the first survey round 2002/2003 asking how many cigarettes each person smoke per day. All together people were smoking 1.6 billion cigarettes in 2005 compared to 2.8 billion 2002/3. With an average price of 0.5 € per package 2002/3 and 0.7 € in 2005 the total annual consumption was 56 million € 2005 and 71 million € in 2002/3. The percentage smokers have decreased with 4 percentage points for both women and men. One of three men is still smoking. Women in all ages are smoking less than earlier, but only men 29 years or younger. Older men are not smoking less.

**Graph 9 Consumption of alcohol and tobacco by locality and education level 2003-2005, €**



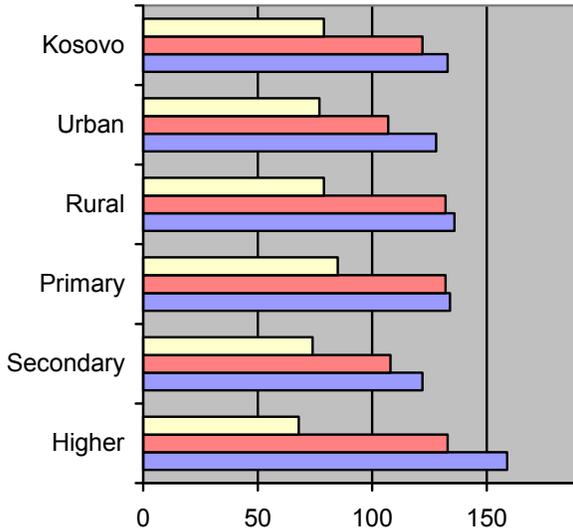
**Table 1 Percentage smokers in the population by sex and daily cigarettes, % of population 16 years and older**

	Men		Women		All	
	2002	2005	2002	2005	2002	2005
1-10	2%	2%	2%	2%	2%	2%
11-20	20%	22%	5%	3%	13%	12%
21+	14%	8%	2%	0%	8%	3%
Total smokers	36%	32%	9%	5%	22%	18%

## Health

Expenditure for health has increased a lot. They have more than tripled for those with higher education. The differences between the groups are small.

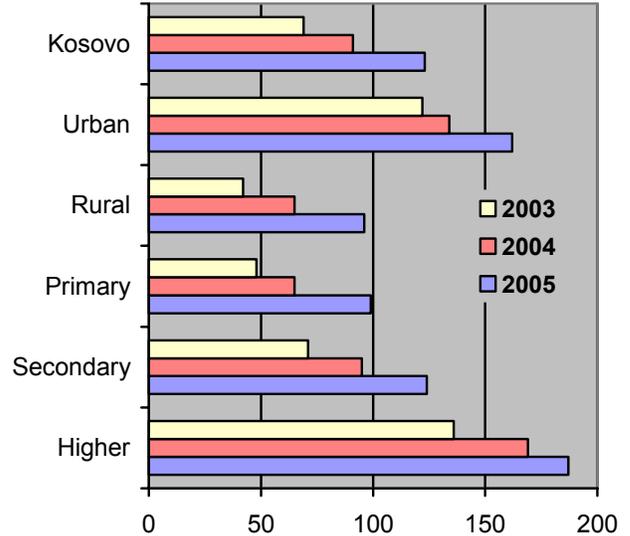
**Graph 10 Health expenditure by locality and education level 2003-2005, €**



## Communication

Communication expenditure has also increased a lot during the three years. Urban and higher educated households are spending much more than the others.

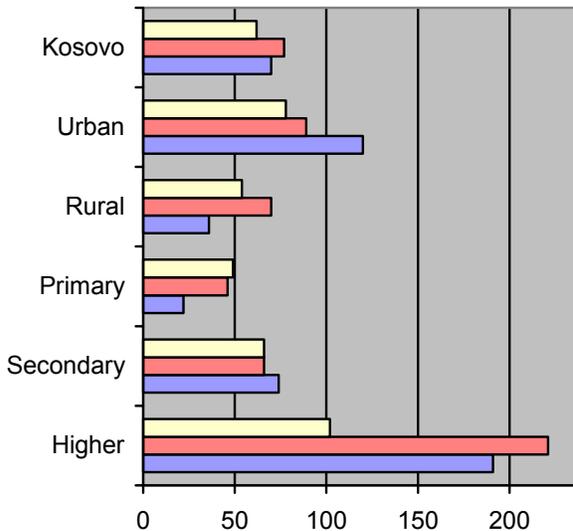
**Graph 11 Communication by locality and education level 2003-2005, €**



## Recreation

Expenditures for recreation and culture have mixed trends. There was a peak for most households in 2004. Only the urban households spent significantly more on recreation in 2005 than in 2004. The picture hints that the higher educated had a worse economy in 2005 compared to 2004.

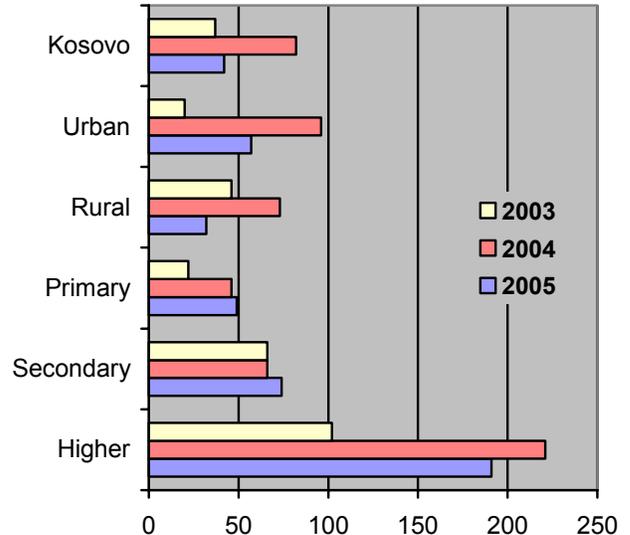
**Graph 12 Expenditure for recreation by locality and education level 2003-2005, €**



## Education

Education expenditures had also a peak in 2004 and the households with higher education spent more than double compared to other groups.

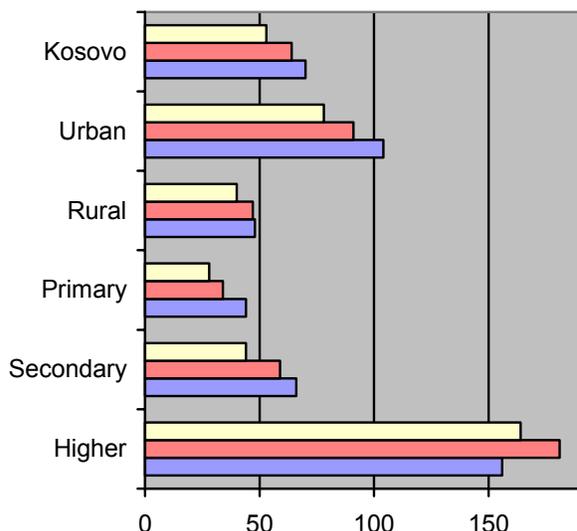
**Graph 13 Education costs by locality and education level 2003-2005, €**



## Hotel and restaurants

Expenditure for hotel and restaurants has a similar pattern as those for recreation both over time and between groups.

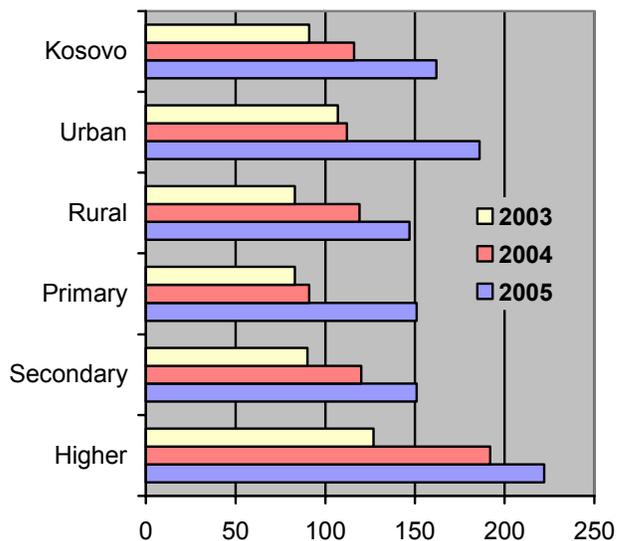
**Graph 14 Expenditure for hotel and restaurants by locality and education level 2003-2005, €**



## Miscellaneous

This group is a mixture of hair dressing, goods for personal care and expenditures for insurances and other financial costs. They have increased rather much for all household groups.

**Graph 15 Other expenditure by locality and education level 2003-2005, €**



## Conclusion

The Kosovo household economy is slowly transforming from food dominance to housing, clothing and transports. The urban and higher educated households are ahead and are increasing the budget share for communication, education, recreation and hotel and restaurants.

**Table 2 Annual household consumption in Kosovo 2003-2005 by consumption main groups, locality and education of head of household, € and % of total consumption**

Kosovo	House-holds	Food	Alc and tob	Clothing	Housing	Furni-shing	Health	Transp	Com	Recr	Educ	Hotel & rest	Misc	Total
2003	278 397	2 484 €	178 €	257 €	1 536 €	211 €	79 €	223 €	69 €	62 €	37 €	53 €	91 €	5 281 €
2004	274 371	2 320 €	176 €	307 €	1 806 €	128 €	122 €	274 €	91 €	77 €	82 €	64 €	116 €	5 563 €
2005	261 877	2 274 €	229 €	337 €	1 834 €	237 €	133 €	353 €	123 €	70 €	42 €	70 €	162 €	5 863 €
<b>Urban</b>														
2003	94 332	2 249 €	189 €	233 €	2 060 €	219 €	77 €	189 €	122 €	78 €	20 €	78 €	107 €	5 621 €
2004	105 308	2 246 €	174 €	285 €	2 254 €	123 €	107 €	235 €	134 €	89 €	96 €	91 €	112 €	5 946 €
2005	105 120	2 121 €	216 €	354 €	2 384 €	225 €	128 €	341 €	162 €	120 €	57 €	104 €	186 €	6 399 €
<b>Rural</b>														
2003	184 065	2 605 €	173 €	270 €	1 268 €	207 €	79 €	241 €	42 €	54 €	46 €	40 €	83 €	5 107 €
2004	168 964	2 366 €	177 €	320 €	1 528 €	131 €	132 €	298 €	65 €	70 €	73 €	47 €	119 €	5 326 €
2005	156 546	2 378 €	237 €	325 €	1 463 €	245 €	136 €	361 €	96 €	36 €	32 €	48 €	147 €	5 503 €
<b>Primary education or less</b>														
2003	131 599	2 454 €	185 €	235 €	1 323 €	198 €	85 €	207 €	48 €	49 €	32 €	28 €	83 €	4 927 €
2004	126 789	2 220 €	186 €	265 €	1 480 €	90 €	132 €	221 €	65 €	46 €	47 €	34 €	91 €	4 877 €
2005	115 943	2 274 €	243 €	277 €	1 506 €	216 €	134 €	301 €	99 €	22 €	33 €	44 €	151 €	5 300 €
<b>Secondary education</b>														
2003	108 976	2 451 €	168 €	254 €	1 576 €	207 €	74 €	214 €	71 €	66 €	38 €	44 €	90 €	5 252 €
2004	110 942	2 310 €	164 €	301 €	1 913 €	146 €	108 €	276 €	95 €	66 €	81 €	59 €	120 €	5 637 €
2005	104 725	2 210 €	221 €	328 €	1 858 €	235 €	122 €	335 €	124 €	74 €	42 €	66 €	151 €	5 766 €
<b>Higher education</b>														
2003	36 873	2 669 €	184 €	345 €	2 176 €	271 €	68 €	310 €	136 €	102 €	54 €	164 €	127 €	6 605 €
2004	36 455	2 695 €	175 €	469 €	2 621 €	208 €	133 €	454 €	169 €	221 €	208 €	181 €	192 €	7 728 €
2005	41 209	2 437 €	209 €	530 €	2 693 €	300 €	159 €	541 €	187 €	191 €	66 €	156 €	222 €	7 692 €

Kosovo	House-holds	Food	Alc and tob	Clothing	Housing	Furni-shing	Health	Transp	Com	Recr	Educ	Hotel & rest	Misc	"Big 5"
2003	278 397	47%	3%	5%	29%	4%	1%	4%	1%	1%	1%	1%	2%	89%
2004	274 371	42%	3%	6%	32%	2%	2%	5%	2%	1%	1%	1%	2%	87%
2005	261 877	39%	4%	6%	31%	4%	2%	6%	2%	1%	1%	1%	3%	86%
<b>Urban</b>														
2003	94 332	40%	3%	4%	37%	4%	1%	3%	2%	1%	0%	1%	2%	88%
2004	105 308	38%	3%	5%	38%	2%	2%	4%	2%	1%	2%	2%	2%	86%
2005	105 120	33%	3%	6%	37%	4%	2%	5%	3%	2%	1%	2%	3%	85%
<b>Rural</b>														
2003	184 065	51%	3%	5%	25%	4%	2%	5%	1%	1%	1%	1%	2%	90%
2004	168 964	44%	3%	6%	29%	2%	2%	6%	1%	1%	1%	1%	2%	87%
2005	156 546	43%	4%	6%	27%	4%	2%	7%	2%	1%	1%	1%	3%	87%
<b>Primary education or less</b>														
2003	131 599	50%	4%	5%	27%	4%	2%	4%	1%	1%	1%	1%	2%	90%
2004	126 789	46%	4%	5%	30%	2%	3%	5%	1%	1%	1%	1%	2%	88%
2005	115 943	43%	5%	5%	28%	4%	3%	6%	2%	0%	1%	1%	3%	86%
<b>Secondary</b>														
2003	108 976	47%	3%	5%	30%	4%	1%	4%	1%	1%	1%	1%	2%	90%
2004	110 942	41%	3%	5%	34%	3%	2%	5%	2%	1%	1%	1%	2%	88%
2005	104 725	38%	4%	6%	32%	4%	2%	6%	2%	1%	1%	1%	3%	86%
<b>Higher</b>														
2003	36 873	40%	3%	5%	33%	4%	1%	5%	2%	2%	1%	2%	2%	87%
2004	36 455	35%	2%	6%	34%	3%	2%	6%	2%	3%	3%	2%	2%	83%
2005	41 209	32%	3%	7%	35%	4%	2%	7%	2%	2%	1%	2%	3%	85%

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