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Expenditures of Urban and Rural Households in 2011

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Expenditures of Urban and Rural Households in 2011

Abstract

The United States is a nation of great diversity. Large houses and big red barns are found on the open farmlands of the Midwest while apartments and coffee shops occupy rs of busy city streets. The varying landscapes shape the lives, customs, and spending habits of Americans. Using data from the Bureau of Labor Statistics Consumer Expenditure Survey (CE), this BEYOND THE NUMBERS article examines demographic characteristics and spending habits of urban and rural households in the United States in 2011. In total, approximately 92 percent of households were urban and 8 percent were rural. The following data highlight important differences between consumer expenditures by rural and urban households in 2011:

- Urban households spent \$7,808 (18 percent) more than rural households.
- Urban households received \$15,779 (32 percent) more in yearly income than rural households.
- Higher housing expenditures by urban consumers accounted for about two-thirds of the difference in overall spending between urban and rural households.
- Rural households spent 32 percent more on prescription and nonprescription drugs than urban households.
- Urban households spent 28 percent more on food away from home and 5 percent less on food at home than rural households. Overall, urban households spent 7 percent more on food than rural households.
- Rural households spent more on gasoline and motor oil, and spent a higher percentage of their car and truck budgets on used vehicles. In the transportation spending category, urban households spent more on airline fares.
- Although rural and urban households spent about the same on entertainment, rural households spent more on pets, and urban households spent more on fees and admissions.

Keywords

household spending, rural, urban

Comments

Suggested Citation

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Expenditures of urban and rural households in 2011

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The United States is a nation of great diversity. Large houses and big red barns are found on the open farmlands of the Midwest while apartments and coffee shops occupy the corners of busy city streets. The varying landscapes shape the lives, customs, and spending habits of Americans. Using data from the Bureau of Labor Statistics Consumer Expenditure Survey (CE), this **BEYOND THE NUMBERS** article examines demographic characteristics and spending habits of urban and rural households in the United States in 2011. In total, approximately 92 percent of households were urban and 8 percent were rural.¹ The following data highlight important differences between consumer expenditures by rural and urban households in 2011:

- Urban households spent \$7,808 (18 percent) more than rural households.
- Urban households received \$15,779 (32 percent) more in yearly income than rural households.²

Related articles

More BLS articles and information related to consumer expenditures are available online at the following links:

- “Consumer expenditures in different-sized cities,” *Monthly Labor Review*, <http://www.bls.gov/mlr/1989/12/art6full.pdf>.
- Consumer Expenditure Survey: Geography, <http://www.bls.gov/cex/csxgeography.htm>.
- “Expenditures of urban and rural consumers, 1972-73 to 1985,” *Monthly Labor Review*, <http://www.bls.gov/opub/mlr/1988/03/rpt1full.pdf>.

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than their urban counterparts—49 percent compared with 63 percent, respectively. (See chart 1.) The homeownership rate for rural households was 83 percent, significantly higher than the homeownership rate of 63 percent for urban households. In addition, 49 percent of rural homeowners carried a mortgage, compared with 63 percent of urban homeowners who did. Rural households were more likely to own or lease a vehicle (93 percent) than urban households (87 percent). And rural households owned an average of 2.4 vehicles, compared with urban households’ average of 1.8 owned vehicles.

Urban households received \$15,779 (32 percent) more in yearly income than rural households received. Urban households received more income in the form of wages and salaries, and interest, dividends, rental, and other property income. Rural households received \$2,076, or 28 percent, more in Social Security, and in private and government retirement income.

Demographics and income

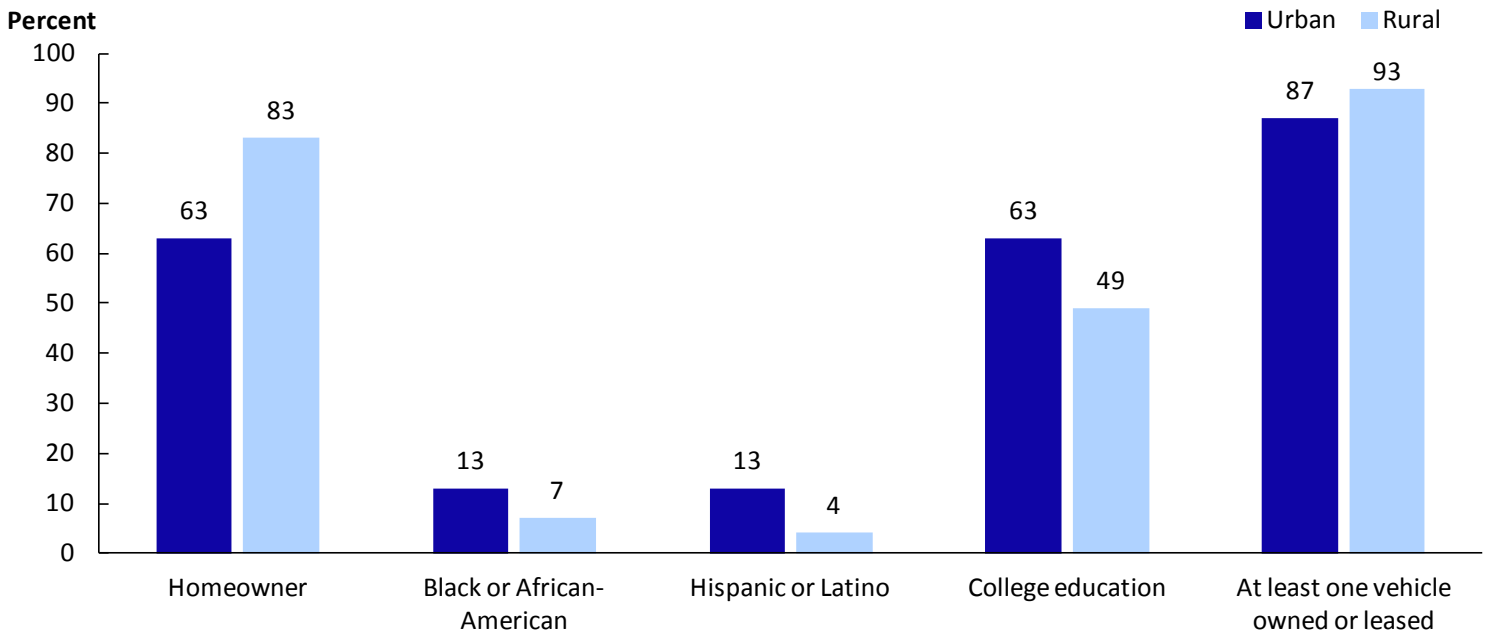
The reference persons of rural households were older than those of urban households, with average ages of 54 and 49, respectively.³ The reference persons of rural households were less likely to have a college education

Spending

In 2011, urban households spent \$50,348, which was 18 percent more than the \$42,540 spent by rural households. Urban households had higher expenditures

Chart 1

Selected demographic characteristics of urban and rural households, percent distribution, 2011



Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey.

on food, housing, apparel, and education, while rural households spent more on transportation, health care, and entertainment.⁴ (See chart 2.)

Housing

The principal differences in overall expenditures between rural and urban households are the amounts spent on the chief elements of housing: mortgage interest and rental payments. These expenditures are affected by many different variables, but can be understood fundamentally by supply and demand, and are often dependent on location. Land is scarce in urban areas, and many people are vying for limited housing; therefore, rent is higher and houses are more expensive. In many rural areas, land is plentiful, so prices tend to be lower. Urban households estimated that the market value of their owned home was \$153,147, while rural households estimated that the market value of their owned home was \$129,111, a difference of \$24,036. Urban renters reported paying \$699, on average, for monthly rent, while rural renters reported paying \$354, on average.

Urban households were two times more likely to rent than rural households, and urban households spent \$2,404 more on rented dwellings per year. Though urban

households were less likely to be homeowners than rural households, they spent \$1,946 more on owned homes per year. (See table 1.)

There were differences in spending on other elements of the housing budget, too. Urban households spent more on natural gas, \$438 to \$213, and water and other public services, \$520 to \$290, respectively, while rural households spent more than urban households on fuel oil and other fuels, \$423 to \$133, respectively.

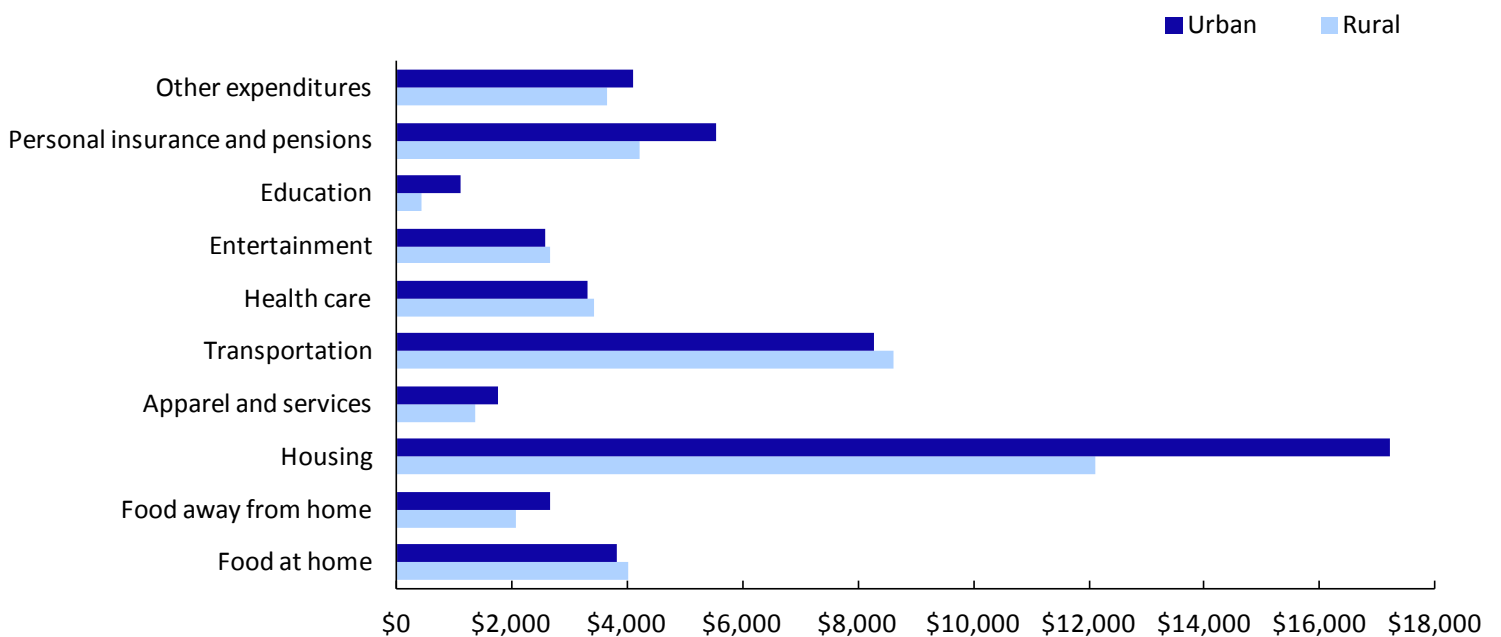
These data underscore the relative importance of housing in the average U.S. household budget. Housing expenditures accounted for 34.2 percent of all spending in urban households and 28.5 percent of all spending in rural households. As a point of comparison, urban households spent \$17,226 on housing in 2011, more than they spent on clothing, transportation, health care, and entertainment combined. Although their spending habits differ in many ways, both urban and rural households spend the greatest share of household budgets on housing.

Food

Rural households allocated a larger share of their budgets to food, but urban households spent almost \$400 more

Chart 2

Average annual expenditures of urban and rural households, 2011



Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey.

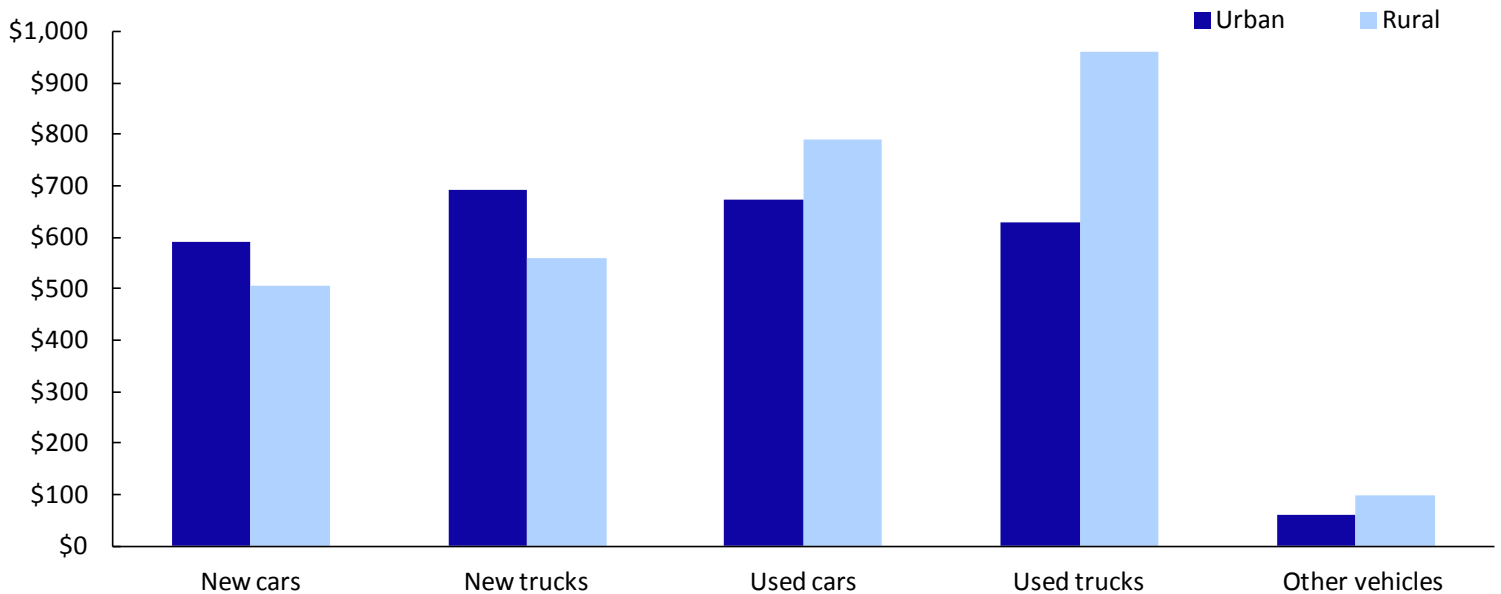
Table 1

Average annual housing expenditures of urban and rural households, 2011		
Item	Urban	Rural
Housing	\$17,226	\$12,115
Shelter	\$10,211	\$5,529
Owned dwellings	\$6,308	\$4,362
Mortgage interest and charges	\$3,282	\$2,094
Property taxes	\$1,892	\$1,316
Maintenance, repairs, insurance, other expenses	\$1,135	\$952
Rented dwellings	\$3,228	\$824
Other lodging	\$675	\$343
Utilities, fuels, and public services	\$3,723	\$3,766
Natural gas	\$438	\$213
Electricity	\$1,403	\$1,648
Fuel oil and other fuels	\$133	\$423
Telephone services	\$1,230	\$1,192
Water and other public services	\$520	\$290
Household operations	\$1,164	\$660
Personal services	\$419	\$165
Other household expenses	\$744	\$496
Housekeeping supplies	\$609	\$685
Laundry and cleaning supplies	\$142	\$180
Other household products	\$336	\$387
Postage and stationery	\$131	\$118
Household furnishings and equipment	\$1,519	\$1,475
Household textiles	\$109	\$109
Furniture	\$366	\$266
Floor coverings	\$19	\$29
Major appliances	\$192	\$216
Small appliances, miscellaneous housewares	\$89	\$94
Miscellaneous household equipment	\$743	\$761

Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey.

on food in 2011. (See chart 2.) Urban households spent 28 percent more on food away from home, but 5 percent less on food at home than rural households. These spending patterns provide insight into the preferences and habits of consumers. Urban households spent about \$200 less than rural households on food at home, but spent about \$600 more on food away from home, including meals at

restaurants, meals at carry outs, and food on out-of-town trips. Interestingly, based on percent reporting, both urban and rural households reported eating out at least once a week with similar frequency, with 70 percent of urban households and 72 percent rural households eating out at least once a week. But on a weekly basis, urban households spent more at restaurants.

Chart 3**Average annual vehicle expenditures of urban and rural households, 2011**

Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey.

Transportation

Whether traveling to work or school, to visit family and friends, or to go on a vacation, Americans spend a major part of their household budgets on transportation. How a household spends their money on travel is affected by different factors, such as whether they purchased a new or used vehicle, how many vehicles they own, how much money they spend on gasoline, and how much money they spend on airfare and other forms of transportation. Although transportation spending differs by less than \$400 between urban and rural households, the types of transportation expenditures vary greatly.

In 2011, urban and rural households spent an average of \$2,586 and \$2,817, respectively, on new and used cars and trucks. (See chart 3.) Rural households spent 62 percent of their car and truck budget on used cars and trucks, whereas 50 percent of the urban household's car and truck budget was spent on used cars and trucks.

Rural households spent \$3,115 on gasoline and motor oil, compared with the \$2,613 spent by urban households. But urban households spent more on other categories, such as airline fares (\$360 compared with \$137).

Health Care

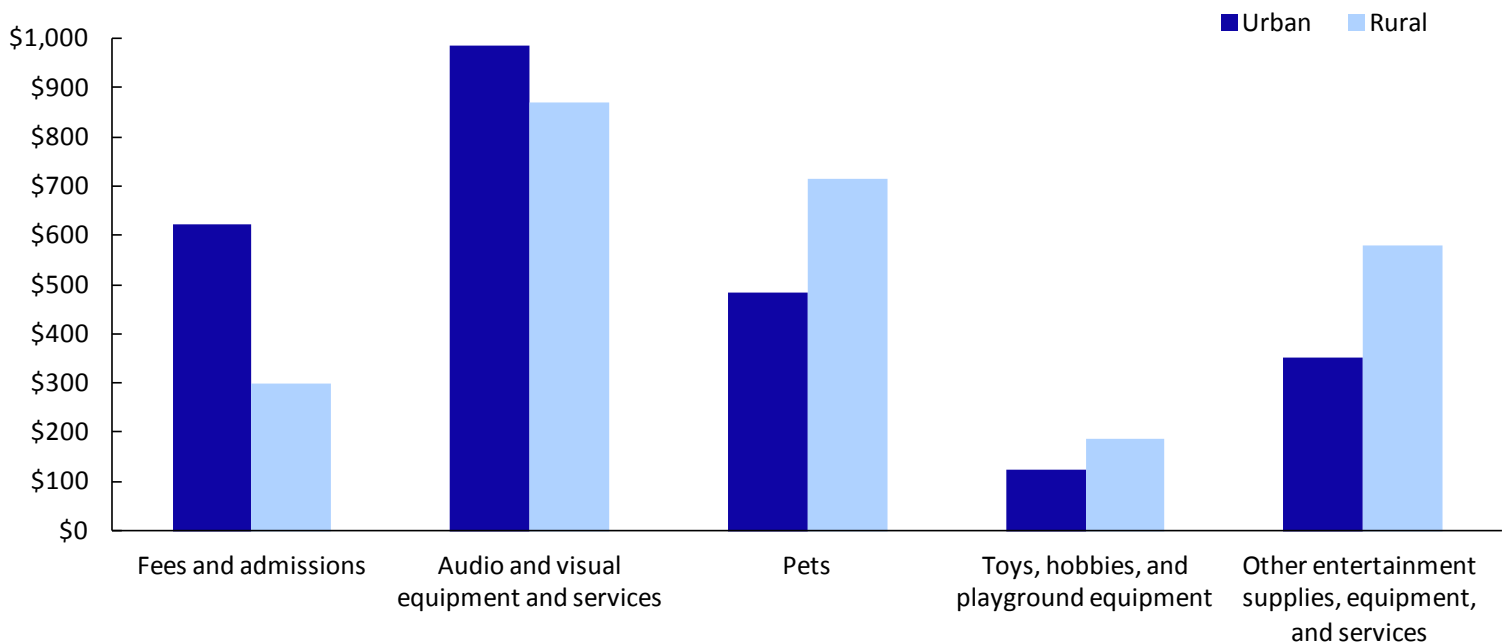
Rural households reported higher spending than urban households on health care, \$3,426 to \$3,303. (See chart 3.) Although the total amount spent by rural households was only slightly more than urban households, rural households spent a larger portion of their total expenditures on health care. Further, rural households reported spending 32 percent more on prescription and nonprescription drugs, including vitamins, than urban households.⁵

Entertainment

Finally, a look at entertainment expenditures reveals more differences in the preferences of urban and rural households. Urban and rural households spent about the same on entertainment. Rural households reported spending \$2,652 on entertainment in 2011, only \$86 more than urban households. (See chart 4.) However, a major difference in entertainment spending can be found in the fees and admissions category, with urban households reporting expenditures of \$621 per year, on average, and rural households reporting expenditures of \$299 in this category—a difference of \$322.

Chart 4

Average annual entertainment expenditures of urban and rural households, 2011



Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey.

Although urban households spent more on health club memberships, movie tickets, and admissions to sporting events, rural households spent 48 percent more on pets than urban households.⁶

Summary

The data from the 2011 Consumer Expenditure Survey reveal that urban households had a higher income and higher expenditures than rural households. The results of the survey also illustrate the differences in spending between urban and rural households. This **BEYOND THE NUMBERS** article addresses possible explanations for these differences. In the case of housing, the concept of supply, demand, and location affects the housing costs for rural and urban areas. Data on food expenditures show that urban households spent more money on food at restaurants than rural households. Differences in transportation expenditures result from the variance in gasoline usage as well as spending on airfare. The older age of the reference person in rural households contributes to increased health care costs for rural households. Larger pet expenditures by rural households narrows the gap between entertainment

spending by rural and urban households. Although rural households spent more on pets, urban households outspent rural households in a variety of other entertainment subcategories, including health club memberships, movie tickets, and admissions to sporting events. ■

This **BEYOND THE NUMBERS** report was prepared by William Hawk, economist in the Office of Prices and Living Conditions, Consumer Expenditure Survey division. Email: Hawk.William@bls.gov. Telephone: 202-691-5131.

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Notes

1. The Consumer Expenditure Survey defines urban households as all households living inside a metropolitan statistical Area (MSA) plus households living in urban areas even if they are outside of an MSA. It is important to note that using this definition means some rural areas could be considered urban areas if they reside in the MSA. For more information please see *Office of Management and Budget: Standards for Defining Metropolitan and Micropolitan Statistical Areas* (<http://www.whitehouse.gov/sites/default/files/omb/fedreg/metroareas122700.pdf>) and the U.S. Department of Health and Human Services publication *How is rural defined?* (<http://www.hrsa.gov/healthit/toolbox/RuralHealthITtoolbox/Introduction/defined.html>).
2. This figure represents income before taxes.
3. The reference person is the first household member mentioned by the respondent when asked to “start with the name of the person or one of the persons who owns or rents the home.”
4. For standard errors, please see the following table: <http://www.bls.gov/cex/2011/stnderror/tenure.pdf>.
5. Data from the Bureau of the Census show that the uninsured rate was 15.8 percent for people living inside MSAs and 15.4 percent for people living outside MSAs (<http://www.census.gov/prod/2012pubs/p60-243.pdf>).
6. Pet expenditures include: pet food; pet purchase, supplies, medicine; pet services; and vet services.