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High-Income Household Spending And The Economic Recovery

Abstract

In late 2007, the United States fell into a "Great Recession." According to the National Bureau of Economic Research the recession officially ended in June 2009, but it took several more years for average household income and expenditures to exceed their 2008 levels in nominal terms. The recession lowered household income and consumer expenditures across all income groups. This Spotlight on Statistics examines trends in income and expenditures and how unevenly the gains were distributed across socioeconomic groups.

Keywords

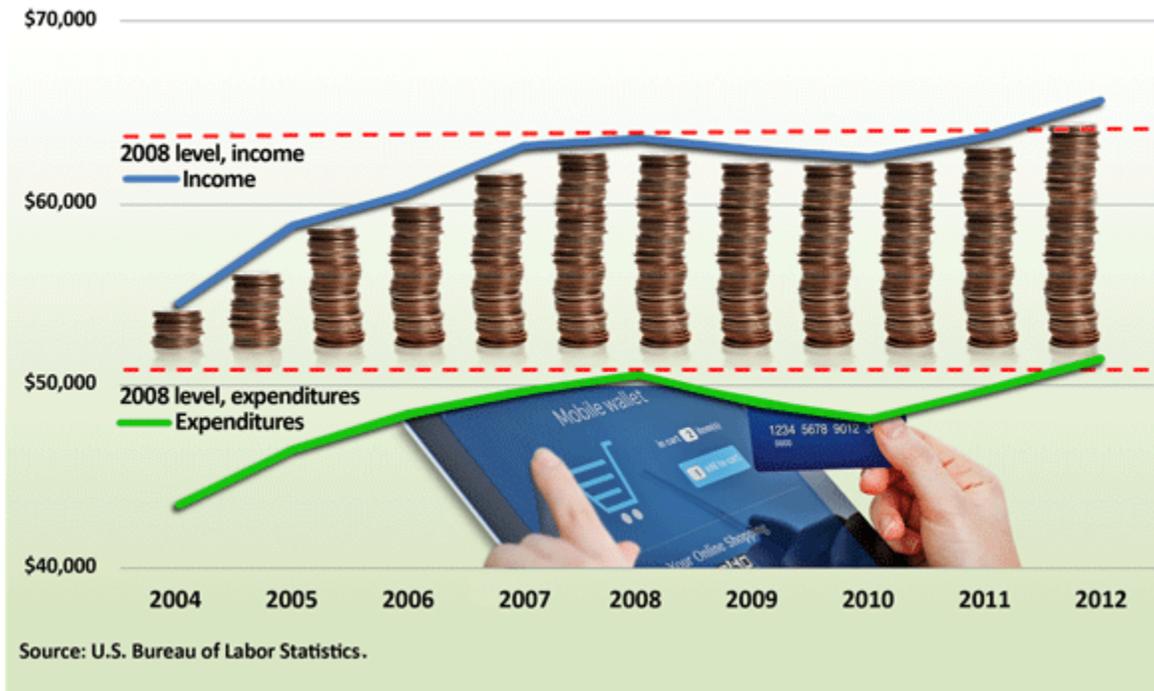
household spending, recession, consumer expenditures, recovery, household income

Comments

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Average annual income and expenditures, 2004–2012



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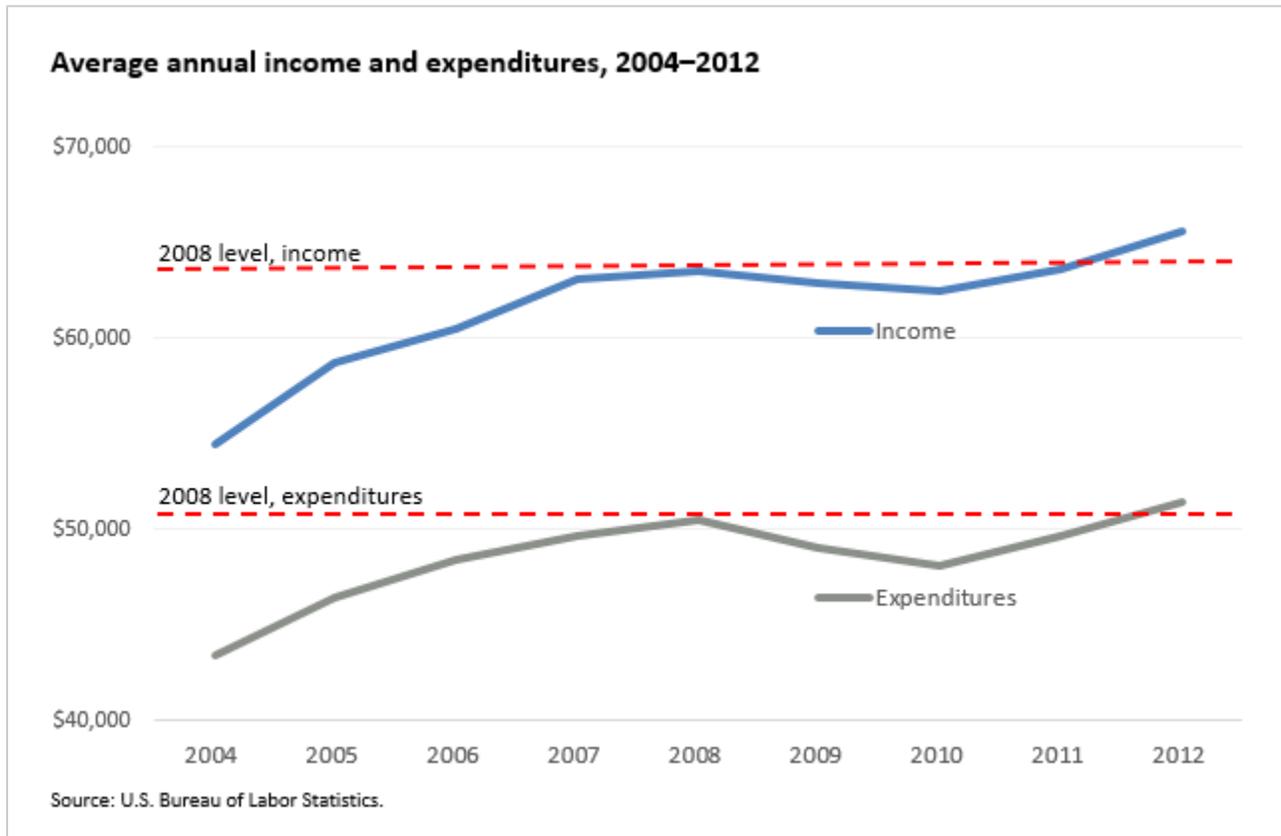
High-income Household Spending And The Economic Recovery

Aaron E. Cobet

In late 2007, the United States fell into a "Great Recession." According to the [National Bureau of Economic Research](#) the recession officially ended in June 2009, but it took several more years for average household income and expenditures to exceed their 2008 levels in nominal terms. The recession lowered household income and consumer expenditures across all income groups. This Spotlight on Statistics examines trends in income and expenditures and how unevenly the gains were distributed across socioeconomic groups.

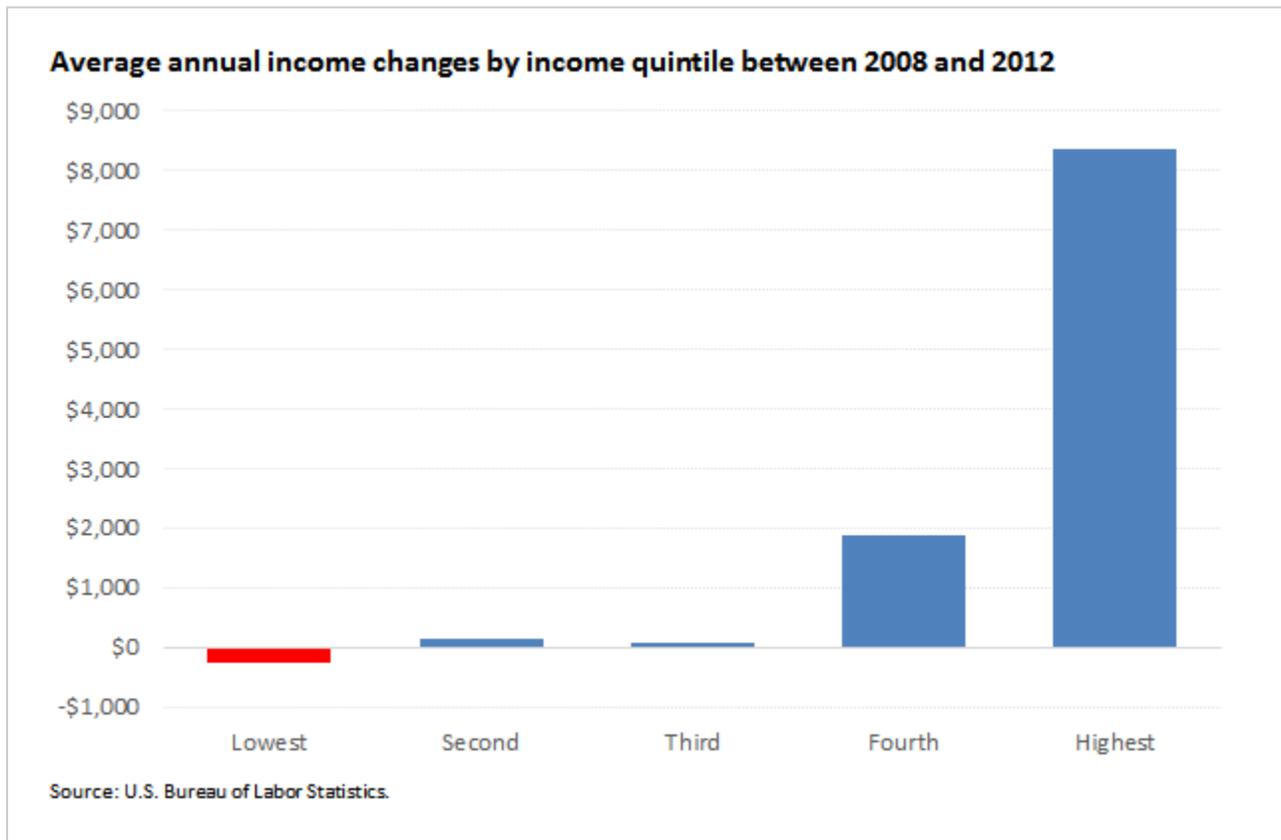
Income and expenditures have returned to 2008 levels

Average levels of income and expenditures have returned to prerecession levels in nominal dollars, which are not adjusted for price inflation. In 2011, average household income exceeded the 2008 level. Similarly, in 2012, average consumer expenditures exceeded 2008 levels.



Income grew predominantly for the higher income quintiles

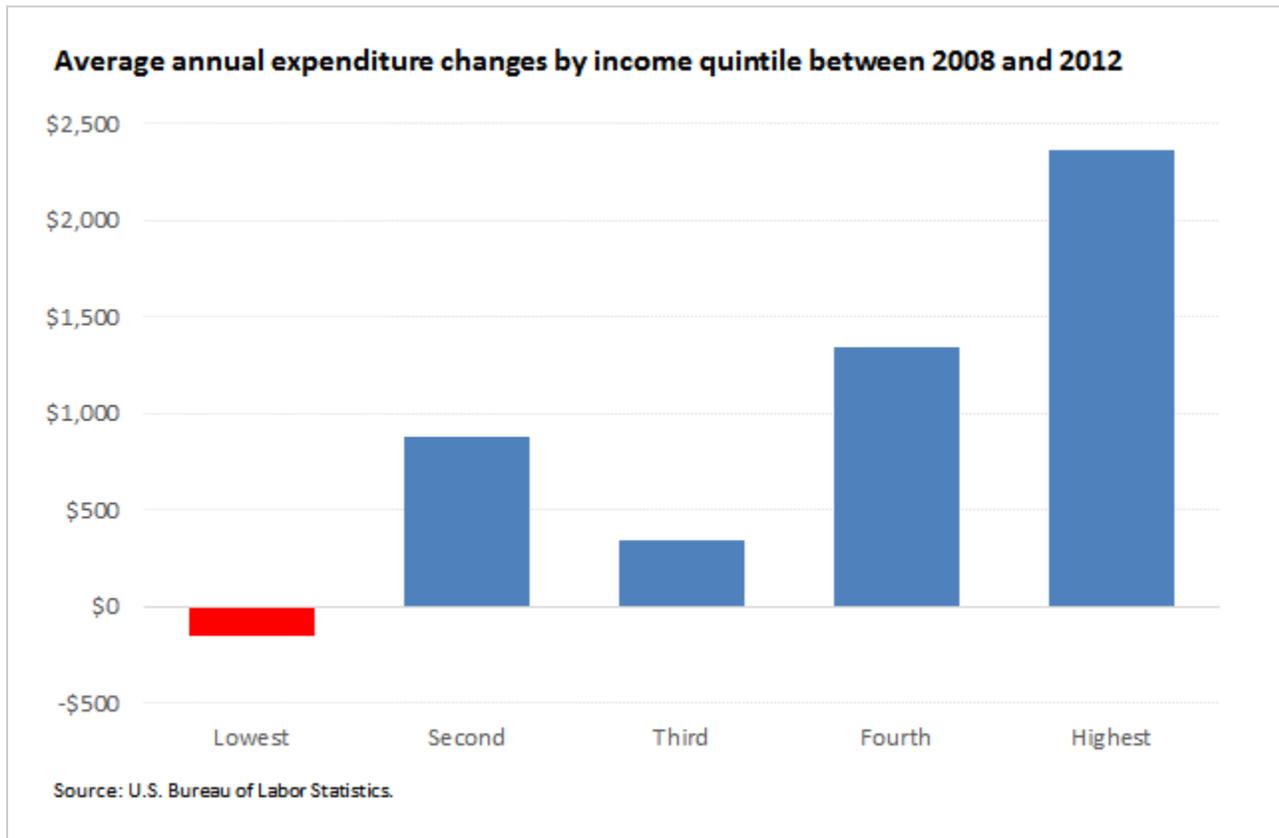
While average income has returned to prerecession levels, income gains have been distributed unevenly across income quintiles. (Income quintiles are five equally sized groups of households that have been divided from lowest to highest according to their annual income.) Between 2008 and 2012, the highest income quintile accounted for more than 80 percent of the total increase in household income in the United States. The fourth income quintile also experienced a significant gain between 2008 and 2012, while the lowest, second, and third income quintiles experienced essentially no change in income.



Expenditures also grew more for the higher income quintiles

The expenditure gains were also distributed unevenly, but their distribution was less extreme than the distribution of income. Between 2008 and 2012, the expenditure increases of the highest income quintile accounted for almost half of the total spending gains across all five quintiles.

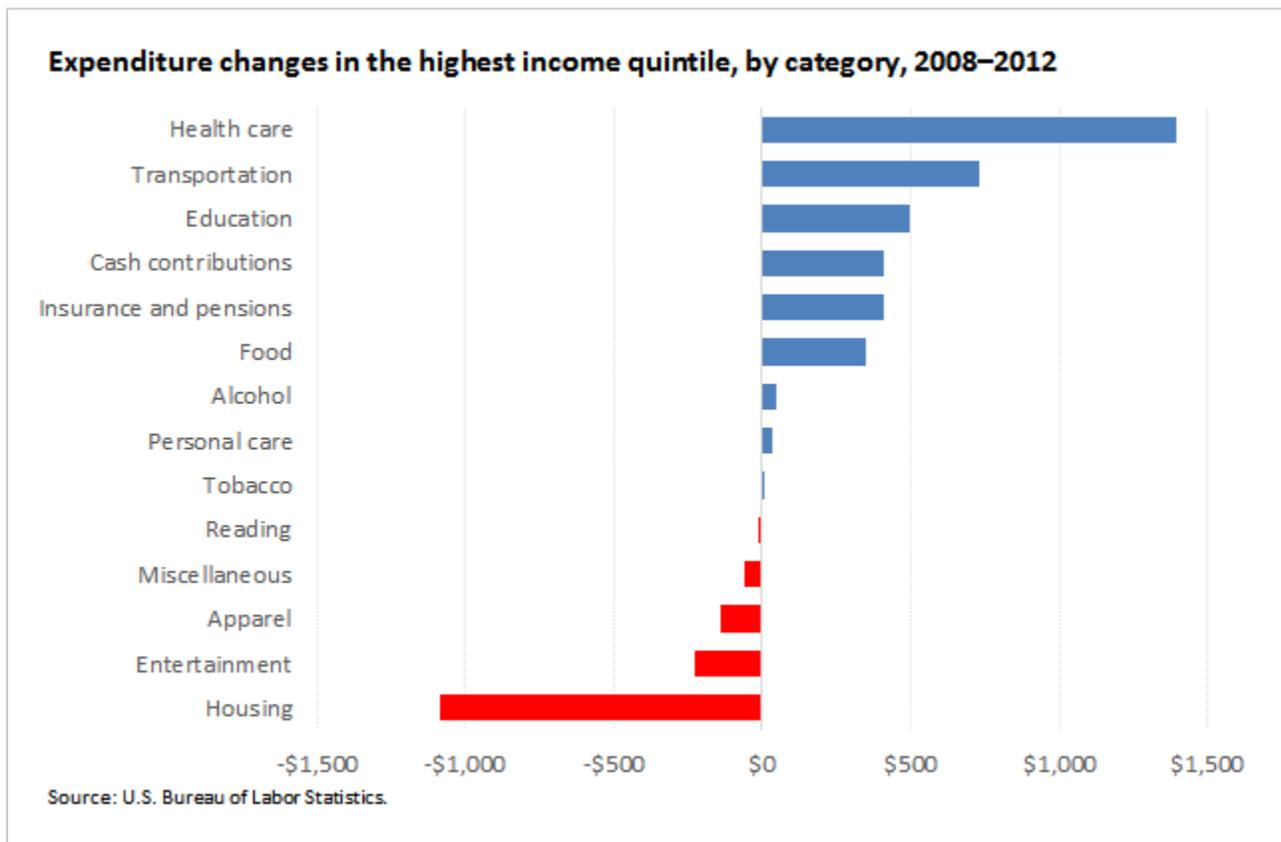
The expenditure increases of the fourth quintile were roughly equal to the combined spending increases of the lowest three quintiles. However, the second income quintile also recorded notable expenditure increases.



Sources of increased expenditures in the highest quintile

Between 2008 and 2012, the highest income quintile increased overall spending by more than \$2,300. Spending increased by about \$3,800 in nine categories, while spending decreased by about \$1,500 in five categories.

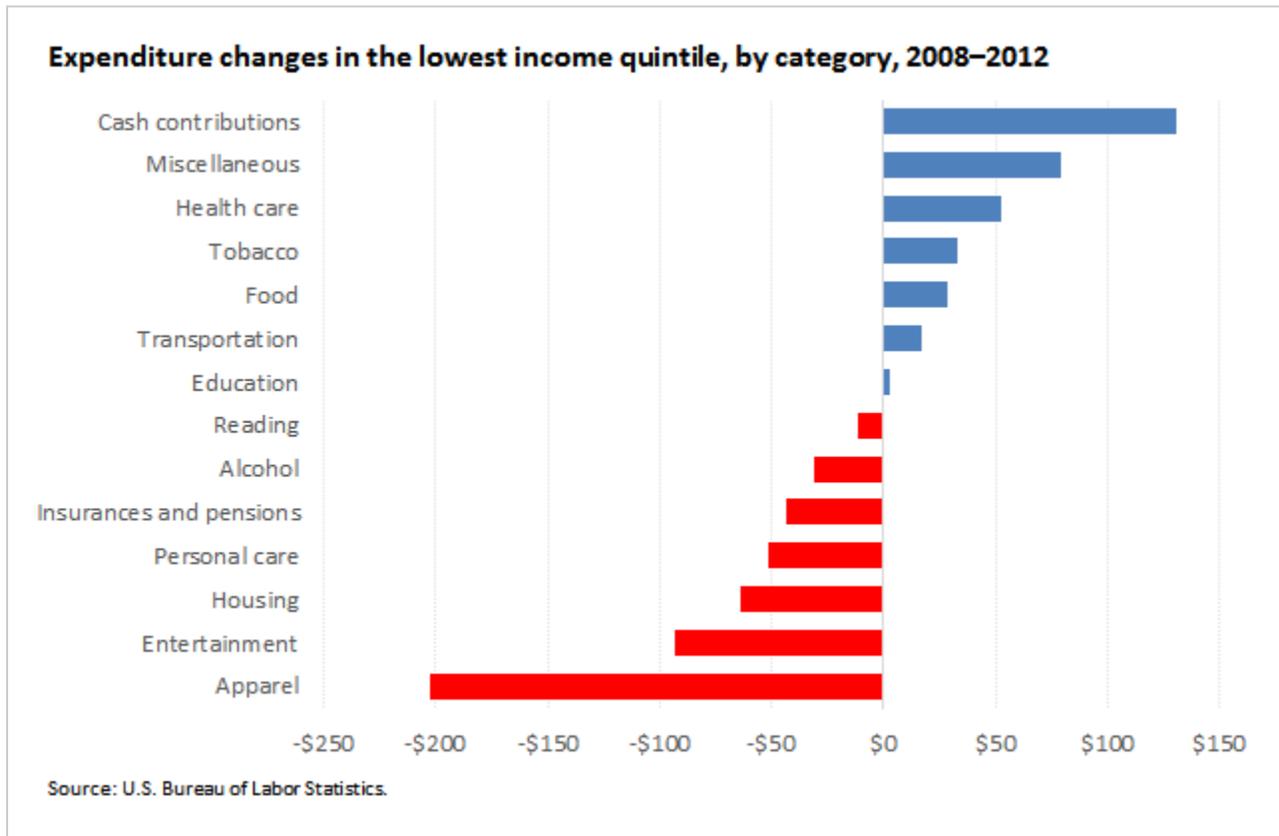
The largest spending increases were for health care, transportation, and education. Health care spending increased because of higher expenditures for health insurance and medical supplies; transportation spending increased because of vehicle purchases; and education spending increased because of college tuition. The largest spending decreases were for housing.



Sources of decreased expenditures in the lowest quintile

Between 2008 and 2012, the lowest income quintile decreased overall spending by about \$150. Spending decreased by about \$490 in seven categories and increased by about \$340 in seven categories.

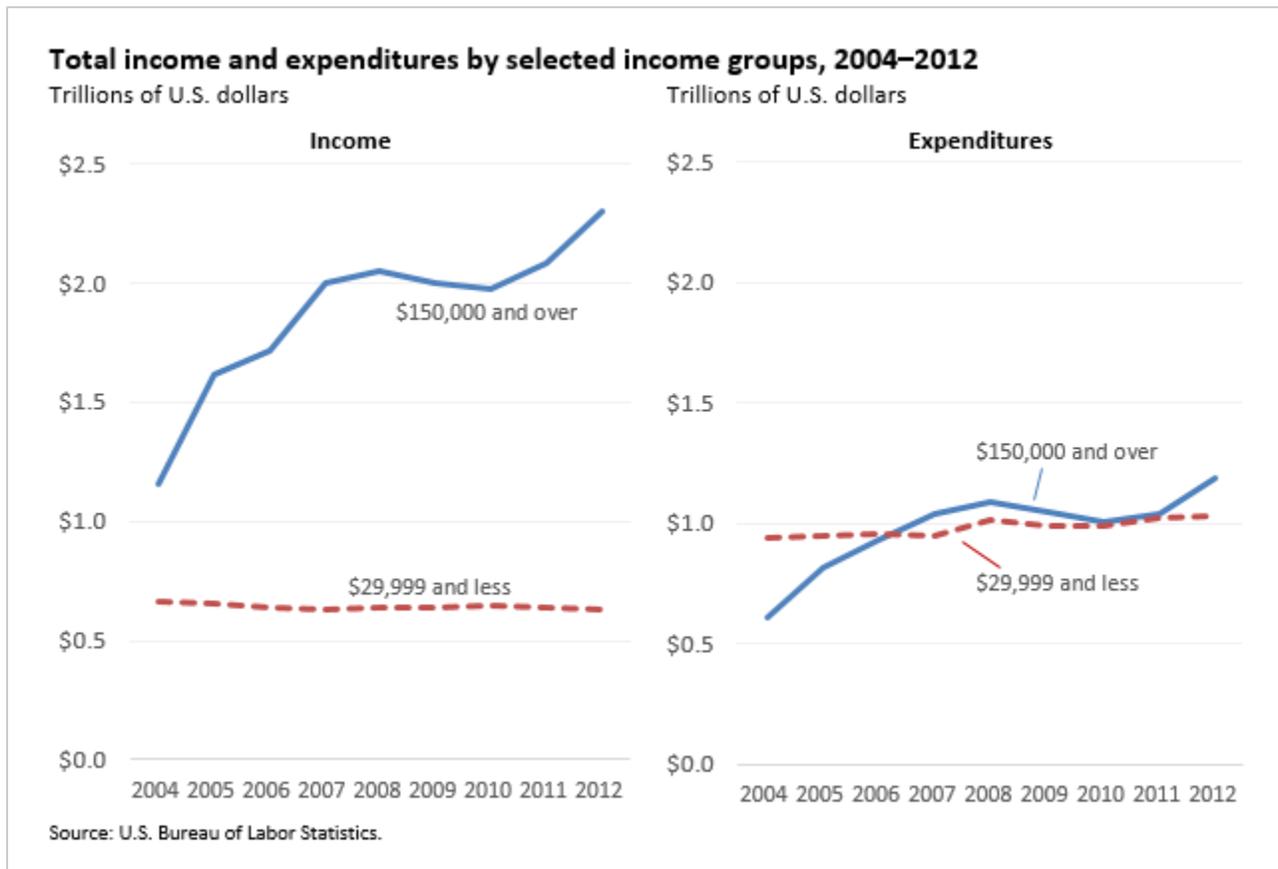
The decline in spending was due to lower expenditures on apparel—specifically women’s apparel—and the main increase in spending was because of higher cash contributions. Cash contributions include money given to people or organizations outside the household, such as alimony payments or contributions to charitable organizations.



Total household income and expenditures by income levels

The income and expenditure trends across different socioeconomic groups are more pronounced at the extremes of the income spectrum. Between 2004 and 2012, the total income of all households who earned more than \$150,000 (7 percent of the U.S. population in 2012) increased by 9 percent, while the total income of all households who earned less than \$30,000 (33 percent of the population in 2012) decreased by 1 percent.

During the same time period, each income group’s expenditure trends behaved similarly to their income trends. The total expenditures of all households earning more than \$150,000 increased by 9 percent, while the total expenditures of all households earning less than \$30,000 increased only by 1 percent.



More

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The Consumer Expenditure Survey (CE survey) is a survey of about 70,000 households annually and obtains information on personal expenditures, income, and other demographic information. Expenditures refer to all personal expenses, such as food, housing, or entertainment. Income refers to all personal income, such as wages or salaries, pensions, and unemployment or social security benefits. These expenditure and income data in the CE survey are all expressed in nominal U.S. dollars; they have not been adjusted for price changes.

The CE survey presents the data in different ways. One way is by income quintile. Quintiles are obtained by dividing the entire population in five income groups of equal size. Another way to present the data are by income segments, such as "less than \$5,000" or "more than \$150,000." The low income group of "\$29,000 or less" was chosen to mitigate methodological issues associated with the accuracy of the estimates of income among low income groups. Part of the decline in income for the lower income group can be explained by income losses from self-employment or property.

Additional information on consumer expenditures are available on the [CE website](#) and in [Consumer Expenditures in 2012](#).