

PAYING FOR THE ESSENTIALS: SHELTER, FOOD AND ENERGY CONSUMPTION BY HOUSEHOLD INCOME QUINTILE, FOR 2010 AND 2016

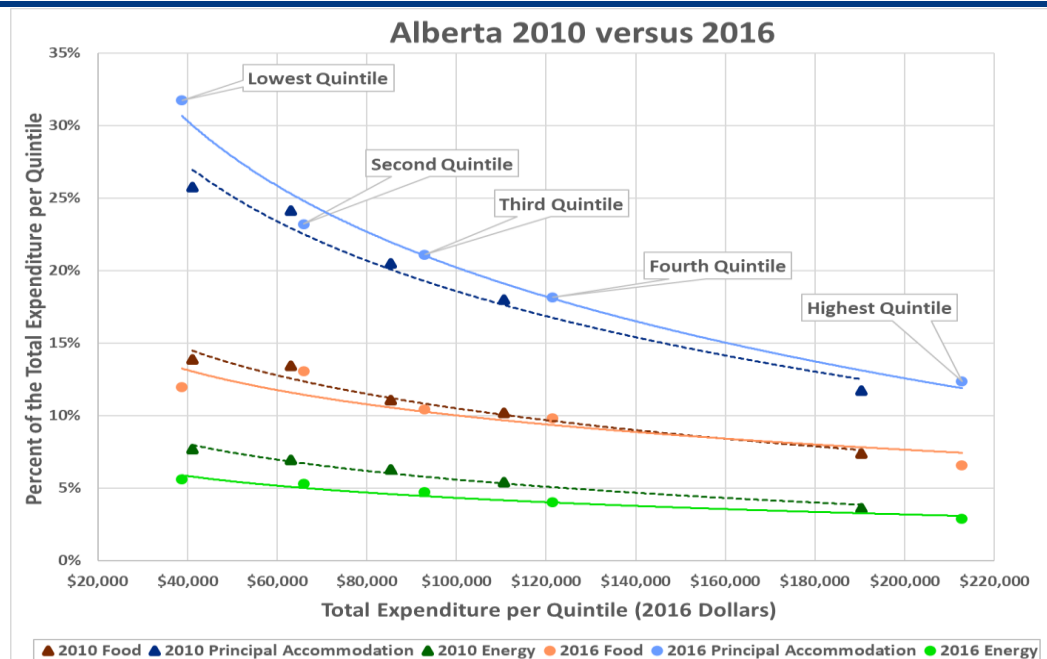
In Alberta, over the period 2010 to 2016, the rise in shelter costs may have crowded out food and energy consumption, especially for low income households.

The figure shows, on its vertical axis, what percentage, on average, of total household expenditure is allocated to spending on essentials, namely, shelter, food and energy use by its corresponding income quintile. The horizontal axis measures total expenditure by household income quintile. Moving from left to right, each marker represents a quintile and shows the average percentage of total expenditure that is budgeted to spending on essentials by the poorest 20% to the richest 20% of households.

Shelter expenditures are defined as those for a household's principal accommodation only. Energy expenditure is the expense of heating the residence, as well as the cost of fuel for a vehicle. The solid trend lines approximate the expenditure patterns for the year 2016, while the dashed lines estimate the same variables for the year 2010. All monetary values are measured in 2016 dollars. The shape of the curves indicates that as incomes rise, expenditures on essentials consume a smaller and smaller fraction of the average total household budget.

Relative to 2010, in 2016, the expenditure share on shelter by the lowest income households increased by 23%. The share of total expenditure on food and energy fell by 14% and 27%, respectively.

In 2010 the entire expenditure budget for the lowest quintile of households averaged \$41,145, with shelter expense averaging 25.8% of the total, food 13.9% and energy consumption 7.7%. In 2016, the average lowest quintile household budget had decreased to \$38,756, with values for the respective shares of 31.7% for shelter, 11.9% for food and 5.6% for energy.



Sources: Statistics Canada Average Household Expenditure per Quintile, CANSIM table 2030022; Consumer Price Index, CANSIM table 3260021 and author's calculations.

Over the period, average shelter costs in Alberta increased by 9.8%, food prices rose by 15.5% and energy prices fell by 7.3%. With a shrinking expenditure budget, low income households had tough choices to make between shelter, food and energy consumption. The choices they made indicate that to remain housed, they reduced consumption of food, and possibly, energy use.

Over this period, total average expenditure increased for all but the lowest quintile of households. Rising shelter costs were therefore guaranteed to put the most pressure on the budgets of those with the lowest incomes. While more thorough analysis needs to be conducted, the data suggests that higher shelter costs tend to crowd-out food and energy consumption for most income quintiles, and in particular for low-income households.

These data show that a great number of important public policy issues – from the application of taxes on energy consumption, to the effects of exchange rates and supply management on the price of essential food items, to policies aimed at housing costs – impact low income households most of all.