

## Household expenditure patterns in Vanuatu

In 2012, Vanuatu households spent VT 54,700 on average per month. An examination of spending patterns across three broad categories (Box 1) shows that 76 per cent of total expenditure was dedicated to food (41%), housing (19%) and transport (16%), leaving one-quarter to cover all other household expenses. These included communication, education and transfers (around 5% each), with more modest allocations for health, clothing, culture and leisure, as illustrated in Figure 1. Rice and kava were the most popular items bought in the household food and drinks category. Together they accounted for one-third of total expenditure on food and drinks. Spending on housing was dominated by maintenance and

construction costs (31% of the housing budget), and transport related expenditure was dominated by costs for transport services (58% of the total transport budget). Outside of these three broad categories, school fees and cell phone top-ups represented the two largest single expenditure items for Vanuatu households, accounting for 40 per cent of all other expenditure (Table 4).

Because expenditure varies greatly with access to income earning opportunities and to goods and services to purchase, this summary fact sheet will be complemented later this year by a more comprehensive assessment of differences in spending by rural and urban households.

### Box 1: Note on methodology

This publication deals with household cash expenditure only (estimated for the year 2012), including both consumption and non-consumption expenditure (transfer, investment).

The Classification of Individual Consumption by Purpose (COICOP) has been used in the Pacific Living Conditions Survey to code all final consumption items. In this study, it was modified to create three major expenditure categories:

(i) **food and drinks** (including alcohol, kava, restaurant and take-away food); (ii) **housing** (construction, maintenance and renovation of dwelling, utilities, furniture and furnishing, equipment, tools, domestic services, insurance and actual rents, noting that imputed rents are not part of household cash expenditure); and (iii) **transport** (purchase, insurance and maintenance of vehicle, fuel, and use of transport services – buses, taxis, boats, air travel).

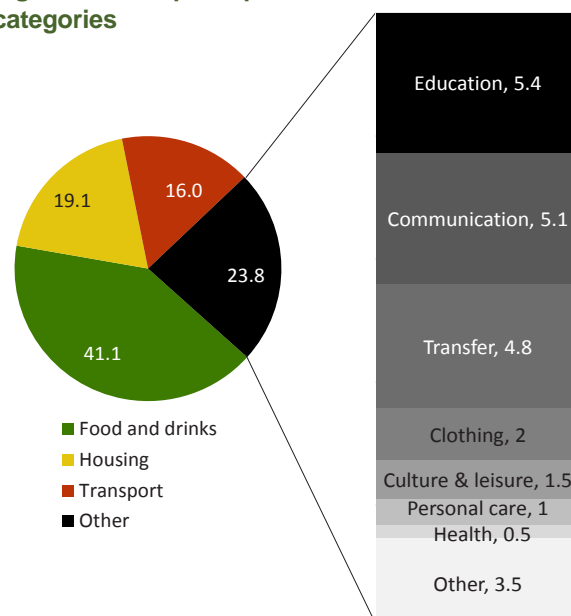
At a lower level, **education** includes expenditure on school uniform, school and boarding fees, 'voluntary' contributions to schools, school books and stationery. **Communication** expenditure comprises telephone bills, mail, purchase of cell phones and cell phone top-ups.

Household's transfers represent all taxes, including fines, as well as cash donations to support family, community, church groups and other associations.

## 1. FOOD AND DRINKS – THE MAIN DOMAIN OF HOUSEHOLD EXPENDITURE

On average, Vanuatu households spent VT 22,500 on food and drinks, representing 41 per cent of the entire household budget, with VT 10,500 spent on housing related expenses, VT 8,800 on transport, and around VT 2,800 each on education, communication and transfers. More modest monthly amounts were spent on clothing (VT 1,200), culture and leisure (VT 800), personal care (VT 500) and health (VT 300). The final broad expenditure category, other (VT 1,900), is dominated by expenditure on cigarettes and tobacco, averaging VT 1,100 per month.

Figure 1: Principal expenditure categories



## Rice – the principal food item bought by Vanuatu households

The *food and drinks* expenditure category also comprises kava, alcohol, restaurant and take-away food. Household expenditure on standard food items plus non-alcoholic drinks averaged VT 17,300 per month (Table 1). Across this category, **rice** was the main expenditure item for Vanuatu households, accounting for one-fifth (19%) of their broad *food and drinks* budget, averaging VT 4,200 per month. Rice is a near universal food item in Vanuatu and 90 per cent of households purchased it in 2012 at an average monthly cost of VT 4,700. **Meat**, either fresh, frozen or canned, was the second largest food expenditure item (13%) involving 74 per cent of all Vanuatu households and incurring a monthly cost of VT 3,900. *Tin fis* (canned fish) accounted for a greater share of food expenditure (6.2%) than fresh or frozen beef (5.1%), chicken (4.6%) or fish (1.5%). It was also purchased by 85 per cent of households, compared to a much smaller proportion purchasing fresh or frozen beef (64%), chicken (58%) or canned meat (64%). **Vegetables** and **fish/seafood** each accounted for 8 per cent of total *food and drinks* expenditure. Tubers and vegetables accounted for similar monthly expenditures, with two-thirds of Vanuatu households having purchased tubers (67%) and vegetables (70%) at monthly costs of VT 1,300 and VT 1,100 respectively.

The second biggest expenditure item in the *food and drinks* category is **kava**, accounting for 14 per cent of average monthly household expenditure at VT 3,200. Just over half of all households (51.5%) spent money on kava with monthly expenditure totalling VT 6,200. Alcohol accounted for 4.6% of total *food and drinks* expenditure. Beer was the most popular item, bought by one of ten households, with monthly beer expenditure in these households averaging VT 8,100.

One in four households spent money on **restaurant or take-away food** at an average cost of VT 3,600 per month.



**Table 1: Food and drinks (F&D) group expenditure (Vatu and %)**

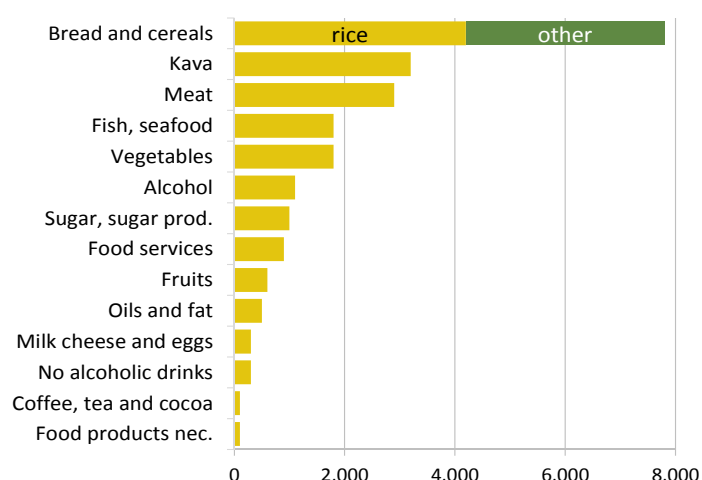
		AVERAGE MONTHLY EXPENDITURE			
		All house-holds (HHs)	Only HHs spending	% of HHs spending	% of Total F&D expenditure
Food and no alcoholic drinks		17,320	17,600	98.7%	77.1%
Bread and cereals		7,850	8,110	96.8%	34.9%
inc.	Rice	4,190	4,700	89.2%	18.7%
	Bread	1,530	1,940	78.7%	6.8%
	Biscuits	1,160	1,510	76.7%	5.2%
Meat		2,920	3,940	74.2%	13.0%
inc.	Beef (fresh or frozen)	1,140	1,770	64.2%	5.1%
	Chicken (fresh or frozen)	1,040	1,780	58.2%	4.6%
	Tinned meat	550	860	63.5%	2.4%
Vegetables		1,830	2,410	76.0%	8.2%
inc.	Tuber	880	1,330	66.5%	3.9%
	Vegetables (fresh)	800	1,150	69.6%	3.6%
Fish and sea food		1,800	2,080	86.4%	8.0%
inc.	Tinned fish and sea food	1,400	1,640	85.3%	6.2%
	Fish (fresh or frozen)	330	610	53.6%	1.5%
	Sea food (fresh or frozen)	70	130	51.3%	0.3%
Sugar, jam, honey, chocolate...		990	1,330	74.8%	4.4%
Fruit		580	930	62.6%	2.6%
Oils and fats		500	760	65.5%	2.2%
Mineral water, soft drinks, juices		340	700	49.1%	1.5%
Milk, cheese and eggs		270	470	56.6%	1.2%
Other food products		150	240	60.9%	0.7%
Coffee, tea and cocoa		100	230	42.9%	0.4%
Kava		3,170	6,200	51.5%	14.1%
Alcohol		1,040	8,100	12.9%	4.6%
inc.	Beer	890	8,160	10.9%	4.0%
	Wine	90	7,530	1.2%	0.4%
	Spirits	60	2,650	2.3%	0.2%
Food services		920	3,590	25.7%	4.1%
TOTAL F&D		22,460			100.0%

**Note:** This table contains two measures of monthly household expenditure: a total average across all households (column 1), and a second average referring only to households reporting monthly purchases of specific goods and services (column 2).

Figure 2 illustrates reported monthly household expenditure across the various components of the food and drinks expenditure category (Table 1), highlighting some marked contrasts and even surprises:

- Bread and cereals were dominant overall, accounting for one-third of all food and drinks expenditure;
- Kava emerged as the second most prominent item in this expenditure category – ahead of meat, fish and vegetables;
- Spending on kava and alcohol together equalled total household expenditure on rice, which was the number one staple food purchased by households.

**Figure 2: Monthly average household expenditure on sub-group items in food and drinks (in Vatu)**



## Main food items purchased

At the most detailed level of the classification, Table 2 shows the most popular food items, with 15 items accounting for 71 per cent of total household expenditure on food and drinks, and 29% of overall household expenditure.

**Table 2: The 15 most popular food items purchased by Vanuatu households**

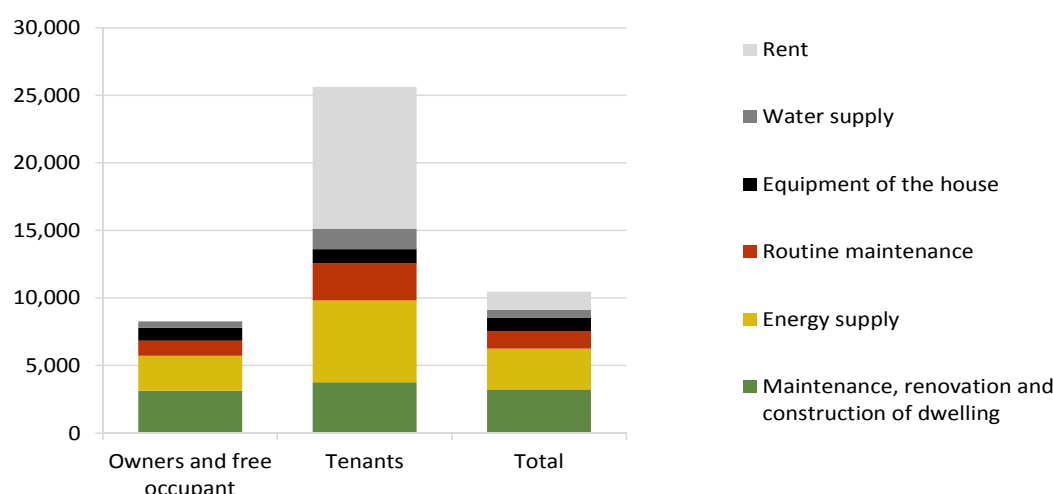
	% food and drinks budget	% total budget
Rice	18.7%	7.6%
Kava	14.1%	5.8%
Bread	6.8%	2.8%
Beef (fresh or frozen)	4.2%	1.7%
Canned tuna	4.0%	1.6%
Chicken in pieces	3.8%	1.6%
Local beer	3.8%	1.6%
Cabin biscuit	3.2%	1.3%
Sugar (white 'Chelsea')	2.3%	1.0%
Corned beef (Ox & Palm...)	2.1%	0.9%
Takeaway meals	2.1%	0.9%
Cream crackers	1.7%	0.7%
Canned mackerel	1.6%	0.6%
Cabbage (island cabbage)	1.4%	0.6%
Flour	1.4%	0.6%
<b>TOTAL FOOD BUDGET</b>	<b>71.4%</b>	<b>29.3%</b>

## 2. HOUSING EXPENDITURE: MAIN COSTS ASSOCIATED WITH CONSTRUCTION AND RENOVATION OF DWELLINGS

Monthly average household expenditure on housing totalled VT 10,500, which was closely related to occupational status. In 2012, 13% of all households paid rent for accommodation or a piece of land, with total 'housing' costs for rental accommodation being three times higher than similar costs for households living in their own, or in free accommodation: VT 25,700 versus VT 8,300 (Figure 3). While monthly rental costs increased overall housing expenditure

by approximately VT 10,000, most of these households could rely on paid employment. Incidentally, 95 per cent of all households paying rent for their accommodation had at least one member in regular paid employment. A more comprehensive picture will emerge after further analysis of these figures by urban-rural disaggregation to be reported in a complementary fact sheet later this year.

**Figure 3: Monthly average household expenditure on housing by occupational (rental) status**



## 4. SCHOOL FEES AND CELL PHONE TOP-UPS ARE MAJOR COMPONENTS OF REMAINING HOUSEHOLD EXPENDITURE

Outside these three broad expenditure categories which account for 76 per cent of Vanuatu household expenditure, education (5.4%), communication (5.1%) and transfer costs (4.8%) emerged as the three most prominent additional expenditure items (Table 4). Education-related expenditure was the fourth expenditure domain, averaging VT 4,550 per month; this amount covers all costs related to education, including fees, uniforms, stationery, books, bags, and 'voluntary' donations to local schools.

School fees represent the biggest expenditure item, with just over half of all households incurring monthly costs of VT 5,230. Secondary education fees were the highest cost in terms of school fees, averaging VT 5,900 per month for the 29 per cent of households incurring such expenditure. Households with members undertaking university study or technical-vocational training (7% of households) averaged monthly education-related expenditure of VT 7,750.

The growing use of cell phones in Vanuatu as an important means of communication is illustrated by average monthly expenditure of VT 3,200 for cell phone top-ups, which is more

than households spent on basic food items, such as bread (VT 1,940), tinned fish (VT 1,640), root crops (VT 1,330) and vegetables (VT 1,150). Fifty-five per cent of the population aged 15 years and older owned a cell phone, and 81 per cent of households had at least one member who owned one.

Internet costs did not feature prominently, with only 2 per cent of households connected to the internet. Six per cent of people 15 years and older claimed to use the internet at least once a month, with nearly half of them (40%) using work connections (free of charge).

Seventy per cent of households made donations to their churches, averaging VT 1,530 per month, with 40 per cent of households providing financial support to other households, at an average monthly cost of VT 2,900.

Tobacco was a not insignificant expenditure item for 40 per cent of households, averaging VT 2,760 per month, with clothing, leisure (electronic items such as computers or stereos), personal care (toilet paper, bathing soap) and health representing the lowest share of household expenditure.

**Table 4: Other groups of expenditure (Vatu and %)**

		AVERAGE MONTHLY EXPENDITURE				
		All HHs	Only HHs spending	% of HHs spending	% of other expenditure	% of housing expenditure
<b>Education</b>		<b>2,960</b>	<b>4,550</b>	<b>65.1%</b>	<b>22.8%</b>	<b>5.4%</b>
inc	School fees	2,720	5,230	52.0%	20.9%	5.0%
inc	Secondary education	1,690	5,870	28.9%	13.0%	3.1%
	University, vocational or technical education	540	7,750	7.0%	4.2%	1.0%
	Primary education	270	1,730	15.4%	2.0%	0.5%
	Kindergarten education	220	1,240	17.4%	1.7%	0.4%
	School uniform	130	850	14.7%	1.0%	0.2%
	Stationaries	90	260	35.5%	0.7%	0.2%
	Donation to school	60	260	24.4%	0.5%	0.1%
<b>Communication</b>		<b>2,810</b>	<b>3,460</b>	<b>81.4%</b>	<b>21.6%</b>	<b>5.1%</b>
inc.	cell phone top up	2,570	3,170	81.3%	19.8%	4.7%
<b>Transfer</b>		<b>2,640</b>	<b>3,330</b>	<b>79.2%</b>	<b>20.3%</b>	<b>4.8%</b>
inc.	transfer to another hhs	1,170	2,900	40.3%	9.0%	2.1%
	transfer to church	1,050	1,530	68.5%	8.0%	1.9%
<b>Clothing</b>		<b>1,090</b>	<b>1,650</b>	<b>65.9%</b>	<b>8.4%</b>	<b>2.0%</b>
<b>Culture and leisure</b>		<b>820</b>	<b>1,390</b>	<b>59.4%</b>	<b>6.3%</b>	<b>1.5%</b>
inc.	audio-visual, photographic and IT equipment	380	3,150	12.1%	2.9%	0.7%
<b>Personal care</b>		<b>500</b>	<b>1,160</b>	<b>42.7%</b>	<b>3.8%</b>	<b>0.9%</b>
inc.	cell phone top up	480	1,180	40.7%	3.7%	0.9%
<b>Health</b>		<b>290</b>	<b>670</b>	<b>43.8%</b>	<b>2.2%</b>	<b>0.5%</b>
inc.	cell phone top up	130	430	30.9%	1.0%	0.2%
<b>Other</b>		<b>1,890</b>	<b>3,210</b>	<b>58.9%</b>	<b>14.5%</b>	<b>3.5%</b>
inc.	cell phone top up	1,100	2,760	39.9%	8.5%	2.0%
<b>TOTAL OTHER EXP</b>		<b>13,010</b>				<b>23.8%</b>



Overall, *renovation* and *construction* accounted for most expenditure in this category, including work that households undertook in their own house or in another secondary dwelling, covering both labour costs and materials. This category is divided into two sub-groups (Table 3): major work on the dwelling (construction, extension), which is related to investment; and dwelling maintenance, which is related to household consumption. In 2012, almost one-third of households undertook such activities (31%).

*Energy* was the second major housing-related expense, with just under half of all households incurring energy costs, mainly for electricity. One in three households were connected to the main grid, incurring an average monthly electricity bill of VT 5,500. Other households used gas or kerosene lamps for lighting, or candles.

The average *monthly* rent for tenant households was VT 10,500. This was the third biggest expenditure in the housing category but it affected only 13 per cent of all households. Further expenditure related to routine maintenance costs (12.5%), costs for household goods (9.2%) and water supply (5.85), with the latter affecting one in three households and costing a monthly average of VT 1,800.

Under household goods, mattress purchases were the main expenditure item, followed by locally woven mats, with these two products representing 75 per cent of household spending on furniture and furnishing. Material (calico) accounted for 40 per cent of total household textile expenses. The two main household appliances purchased were refrigerators and sewing machines. In 2012, more than 7,000 households owned a refrigerator (16%), with 500 households buying one during the year.

**Table 3: Housing-related expenditure by households (Vatu and %)**

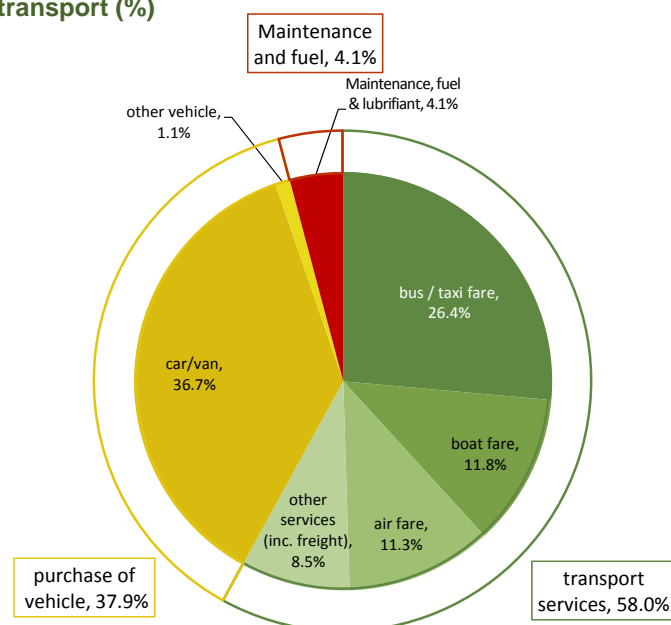
		AVERAGE MONTHLY EXPENDITURE			
		All HHs	Only HHs spending	% of HHs spending	% of housing expenditure
<b>Renovation, construction of dwelling</b>		<b>3,230</b>	<b>9,220</b>	<b>35.0%</b>	<b>30.9%</b>
inc.	Maintenance and repair of the dwelling	330	4,250	7.7%	3.2%
	Major work in the dwelling	2,900	9,390	30.9%	27.7%
<b>Energy supply</b>		<b>3,020</b>	<b>6,230</b>	<b>48.5%</b>	<b>28.8%</b>
inc.	Electricity charges	1,780	5,460	32.5%	17.0%
	Gas	490	3,250	15.0%	4.7%
	Liquid fuels	470	3,540	13.2%	4.5%
	Solid fuels eg firewood, coal etc	290	2,490	11.6%	2.8%
<b>Rent</b>		<b>1,330</b>	<b>10,500</b>	<b>12.7%</b>	<b>12.7%</b>
<b>Routine maintenance</b>		<b>1,310</b>	<b>1,800</b>	<b>72.9%</b>	<b>12.5%</b>
inc.	Domestic services	400	2,140	18.5%	3.8%
	Cleaning and maintenance products eg soaps	390	970	39.9%	3.7%
<b>Equipment</b>		<b>960</b>	<b>1,460</b>	<b>65.6%</b>	<b>9.2%</b>
inc.	Furniture and furnishings	200	540	36.2%	1.9%
	Household textiles	190	460	41.2%	1.8%
	Household appliances	140	1,090	12.5%	1.3%
<b>Water supply</b>		<b>610</b>	<b>1,800</b>	<b>33.7%</b>	<b>5.8%</b>
<b>Insurance</b>		<b>10</b>	<b>2,830</b>	<b>0.4%</b>	<b>0.1%</b>
<b>TOTAL HOUSING</b>		<b>10,470</b>			<b>100.0%</b>

### 3. HOUSEHOLDS SPENDING ON TRANSPORT

After food and housing, transport was the third highest expenditure category for Vanuatu households. Transport services accounted for most transport expenditure (58%), with buses and taxis representing the main means of transport for one-third of Vanuatu households (Figure 4). Other transport costs involved airfares and boat fares, with households spending an average of VT 1,000 each month (22% of households used boats and 10% air travel). Households also spent money on freight (VT 500) and minor transport related costs such as vehicle registration and insurance.

Eight per cent of households owned a motor vehicle and 3 per cent a boat. Two per cent of households bought a car in 2012, at an average cost of VT 1.3 million.

**Figure 4: Average monthly household expenditure on transport (%)**



## 5. TOP 15 HOUSEHOLD EXPENDITURE ITEMS – RICE REMAINS KING

Reviewing household expenditure by item/commodity across all categories shows that rice is the top expenditure item for Vanuatu, accounting for 7.6 per cent of total household expenditure, ahead of costs associated with motor vehicle purchase and maintenance (5.9%), kava (5.8%), house construction and renovation (4.9%) and cell phone top-ups (4.7%; Figure 5).

### Box 2: Note on methodology

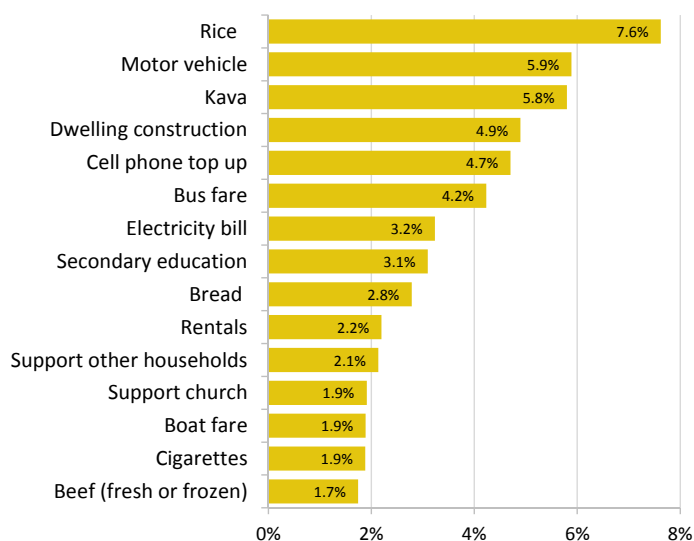
Household cash expenditure covers 3 main domains:

- Final consumption expenditure, classified using the 12 divisions of COICOP, represents all the good and services purchased by private households to satisfy their own needs.
- Household transfers include all one-way money transfers, such as financial support to others, donations to churches or charity, taxes and fines.
- Household investments comprise all expenses incurred to improve the house (e.g. extension, construction, purchase of a generator or solar panel).

Each of these three main expenditure domains was represented in the top 15 expenditure items listed in Figure 5:

- Household consumption (rice, cars, kava...)
- Household transfers (support to family, church)
- Household investment (extension/construction of dwelling).

Figure 5: Top 15 expenditure items for Vanuatu households



Overall, Vanuatu households dedicated 90 per cent of their total expenditure to their own final consumption, and 5 per cent each to transfer payments and household investments. Figure 6 summarises the distribution of total household expenditure across the 12 COICOP divisions, and the two additional categories of non-consumption expenditure comprising 'household transfers' and 'household investments'.

Applying this distribution, transport emerges as the second highest expenditure item in total household expenditure (VT 8,600), after food and non-alcoholic drinks (VT 17,300), and ahead of the COICOP division 'alcohol, kava and tobacco' (VT 5,300), which was equal third with COICOP division 4, housing utilities.

Figure 6: Average monthly expenditure (all households) by 12 COICOP divisions plus transfer and investment (in Vatu)

