



PATTERNS OF CONSUMER SPENDING IN THE EMIRATE OF ABU DHABI IN THE LIGHT OF THE FAMILY BUDGET SURVEY 2007/2008

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Executive Summary:

The study of family living conditions and spending in the emirate of Abu Dhabi is essential to the process of economic and social development in the emirate. Meanwhile economic and social policies leave their implications on family living conditions and the needs of family members. The data derived from the "Income and Family Spending Survey" helped in the study and knowledge of the prevailing patterns of consumer spending, and the impact of economic and social changes that occurred during certain period of time.

This data helped in estimating the average family and individual spending on goods and services, and shed light on related affecting factors, in addition to the analysis of change in standards of living, derived from the indicators of family consumption and spending, and the provision of data to reflect the level of social welfare such as sources and levels of income, and families ownership of durable goods and their housing conditions.

Findings:

1. Private consumption expenditure is the most important engine of economic growth in the UAE and the GCC.
2. The average annual household spending in the emirate of Abu Dhabi in 2007 amounted to AED 136.4 thousand, while the average annual consumption expenditure by the same family stood at AED 135.3 thousand for the same year.

3. The average annual spending per capita in the emirate reached AED 24.9 thousand in 2007, while the average annual consumption expenditure by the individual himself was about AED 24.7 thousand.
4. Average annual consumption expenditure of the individual citizen which amounted to AED 29.9 thousand was twice and half the average annual consumption expenditure of collective family members, while the average annual consumption expenditure per capita for non-citizens stood at AED 25.2 thousand is twice the average annual consumption expenditure per capita of the collective family which amounted to AED 12 thousand.
5. The percentage of expenditure on food and drink constituted 16.4%, for the emirate and 16.0%; 15.2% and 24.7% of the citizen, non-citizen and collective families respectively. The average annual expenditure per capita on food and drinks reached AED 4.8 thousand , AED 3.8 thousand and AED 3 thousand for citizen, non-citizen and collective families respectively.
6. Rentals accounted for 30.9%; 44.9% and 42.5% of the total annual consumption expenditure for of citizen, non-citizen and collective families respectively.
7. Differences were noted in families average annual expenditure at the level of the various regions of the emirate, where Reef Abu Dhabi (Suburban) registered the highest average annual expenditure amounted to AED189.83 thousand, followed by Abu Dhabi Urban Region with AED 151.09 thousand, and Al Ain city which was marked for the lowest average annual expenditure of AED 88.82 thousand in 2007.
8. Citizen families recorded the highest level of annual consumption expenditure at AED 16.044 billion, followed by Arab, European, American and Asian families.

9. Compound families were the biggest spenders by 39% of the average consumption expenditure in the emirate, compared to other families, followed by extended families which registered 33%.
10. The average annual per capita income in the emirate of Abu Dhabi was AED 39.5 thousand in 2007, while the average annual per capita income for citizen family, non-citizen and the collective family amounted to AED 45 thousand, AED 41.1 thousand and AED 23.7 thousand respectively.
11. The difference between income and spending (savings) for the individual citizen, in averaged accounted for 33.6% of income; which is an indicator of the propensity to save, that can be converted into productive investment, whenever appropriate investment pools are provided.
12. The study showed that the food and drink category is inelastic, where the elasticity coefficient is less than one, hence they stand as essential goods, and therefore the demand for them does not increase by more than the same rate of increase in income. The same applies for rentals and health services categories, which recorded elasticity less than one, which indicate that they are inelastic, and are considered as essential goods in the budget of the consumer.
13. The study found that clothing, furniture, transport and communications, and entertainment are elastic goods, (elasticity coefficient more than one), and thus they represent luxury goods for the consumer.

Recommendations:

1. Developing a strategy to control prices of food commodities, as being essential goods within the context of the food security strategy of the state and the emirate.

2. To continue in implement policies and procedures to control the rate of inflation in order to alleviate the burden of living for the vulnerable segments.
3. Spreading the culture of rational economic behavior, among all families, particularly citizens, and urging them to follow a consumer behavior far from effects of traditions, affectation, extravagance and waste.
4. Encouraging savings behavior among citizen families and the provision of appropriate savings means to magnetize these savings.
5. Setting up investment funds to attract and invest savings of inexperienced citizen families.
6. The establishment of funds to attract non-citizen family savings.
7. Formulating policies to improve income distribution patterns in the emirate.