



Rural and Small Town Canada ANALYSIS BULLETIN



Rural and Small Town Canada Analysis Bulletin
Vol. 1, No. 4 (March 1999)

Catalogue no. 21-006-XIE

RURAL AND URBAN HOUSEHOLD EXPENDITURE PATTERNS FOR 1996

Jeff Marshall and Ray D. Bollman

HIGHLIGHTS

- ◆ **Rural and urban households spend the same share of their budget on the necessities of food, clothing and shelter but rural households spend more on food and less on shelter.**
- ◆ **Distance influences rural household expenditure patterns. Rural households spend a higher share on transportation and a lower share on some services (e.g., cablevision, Internet) which are more difficult to access.**

Introduction

A defining feature of rural populations is that they are distant from major metropolitan centres. Thus, households in rural areas have different needs than those in urban areas and, therefore, different spending patterns. In 1996, the total expenditure of an average Canadian household was \$49,054. Rural households spent an average of \$42,620 while urban households had an average spending of \$50,283¹. This article gives an overview of the differences and similarities in the spending patterns of rural and urban households.

¹ Rural households also have lower incomes. These household expenditures represent 96 percent of rural household income and 95 percent of urban household income.



Statistics Canada
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**Rural and Small Town Canada
Analysis Bulletin**

ISSN 1481-0964

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Published in collaboration with The Rural Secretariat, Agriculture and Agri-Food Canada. The *Rural and Small Town Canada Analysis Bulletin* is an occasional publication of the Agriculture Division of Statistics Canada. It is available without charge at www.statcan.ca.

Editorial committee: Denis Chartrand, Ross Vani, Robin Armstrong, Rick Burroughs and Heather Clemenson.

Special thanks to: Roland Beshiri, Cindy Heffernan, Louise Larouche, Lucie Pilon and Marc Saint-Laurent.

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Note of Appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

The basics: food, shelter and clothing

On average, both urban and rural households spent just over one-third of their total budgets on food, clothing and shelter in 1996. While they spent the same share of their total budgets on clothing, the proportion of total expenditure spent on food and shelter differed.

Definition of "rural" and "urban" in the Family Expenditure Survey (FAMEX)

Recall that the first ANALYSIS BULLETIN in this series defined "Rural and Small Town" (RST) Canada as the population living outside the commuting zones of larger urban centres – specifically, outside Census Metropolitan Areas (CMAs) and Census Agglomerations (CAs). A CMA has an urban core of 100,000 or over and includes all neighbouring municipalities where 50 percent or more of the work force commutes into the urban core. A CA has an urban core of 10,000 to 99,999 and includes all neighbouring municipalities where 50 percent or more of the work force commutes into the urban core. Thus, RST Canada is the non-CMA and non-CA population. It is the population outside the commuting zones of larger urban centres.

Also recall that "rural", as published by the Census of Population, refers to the population outside centres of 1,000 or more. "Urban" refers to the population in centres of 1,000 or more.

The "rural" population in FAMEX is, essentially, the rural component of RST Canada. The correspondence is not exact because the sampling frame for FAMEX is based on the Labour Force Survey sampling frame and, for various operational reasons, the standard urbanisation classification cannot be replicated.

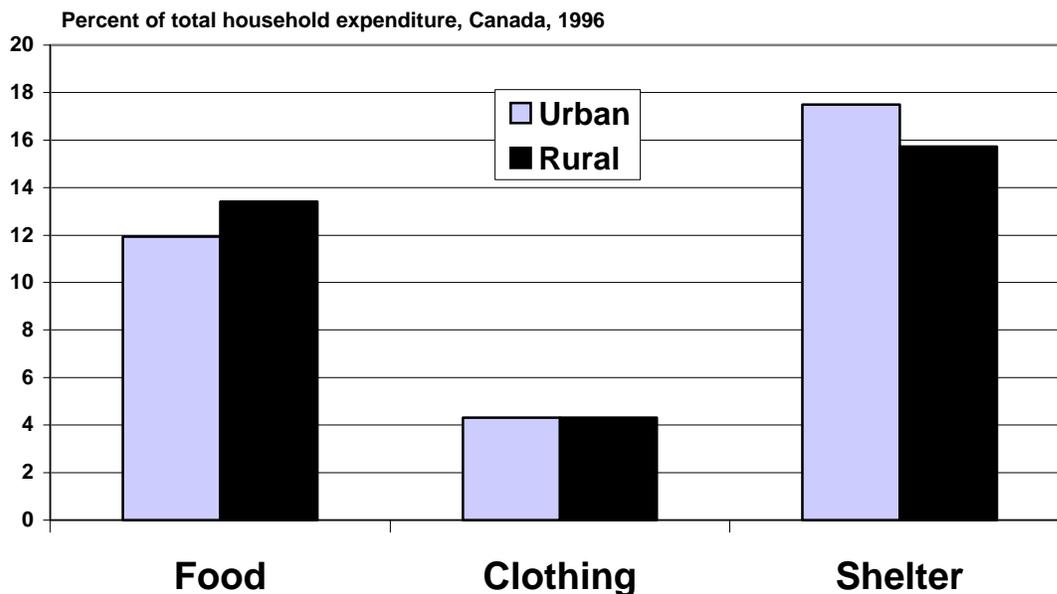
The "urban" population in FAMEX is, essentially, the total population in CMAs and CAs plus the small town component of RST areas.

In 1996, rural households spent 13 percent of their total budgets on food, while urban households spent 12 percent (Figure 1). This difference could be attributed to the fact that the average household size is moderately larger in rural areas (2.75 persons) than in urban areas (2.58 persons). Moreover, higher prices in remote rural areas, because the higher cost of transporting food to remote locations causes remote food prices to be higher, increases rural food budgets. While about 94 percent of both urban and rural households reported purchasing food from restaurants, households in urban areas, on average, spent more on restaurant food (\$1,559), than did households in rural areas (\$1,273).

Both rural and urban households spent about the same share of their total budgets on clothing in 1996 (4.3 percent). However, spending on various clothing items was allocated differently. Urban households, for example, spent an average of \$174 on clothing services (such as tailoring and dry cleaning), whereas rural households spent, on average, only \$76. Urban households spent more on men's suits, while rural households spent more on men's jeans.

Figure 1

Rural households spend a higher share of their budget on food and a lower share on shelter



Source: Statistics Canada, Family Expenditure in Canada, 1996 (Cat. No. 62-555-XPB).

Shelter expenses were notably different between rural and urban areas. In 1996, households in rural areas spent an average of \$6,705 on shelter (16 percent of their household budgets), while urban households spent an average of \$8,800 (17 percent). A larger proportion of rural

households owned their homes (82 percent) than urban households (64 percent). In addition, a larger share of rural homeowners (56 percent) had no mortgage payments compared to urban homeowners (45 percent). However, the average rural household spent more on maintenance and repairs, \$620, compared to the average of \$446 spent by urban households. Rural households spent, on average, \$1,847 on water, fuel and electricity, compared to the much lower amount of \$1,437 spent by urban households. One component of the higher rural fuel expenditure was the expenditure of \$101, on average, on fuel wood compared to \$22 for the average urban household. Only 9 percent of the urban households purchased wood but 29 percent of rural households purchased wood.

Transportation expenditures

Spending on transportation also differed in urban and rural areas. Rural households spent an average of \$6,328 on transportation in 1996, 15 percent of their total expenditure, while urban households spent \$5,990, just 12 percent of their total expenditure (Table 1). The higher expenditure by rural households may reflect the greater distances travelled to shop and to work. Urban households reported spending 10 percent of their total transportation budget on public transit, compared to only 3 percent for rural households. Since the availability of public transit is more limited in rural areas, rural households rely more heavily upon private transportation.

Table 1

Average household expenditure on transportation, 1996

	Urban		Rural	
	Amount (\$)	% of transportation expenditure	Amount (\$)	% of transportation expenditure
Private transportation	5,414	90	6,113	97
Public transportation	576	10	215	3
Total	5,990	100	6,328	100

Source: Statistics Canada, Family Expenditure in Canada, 1996 (Cat. No. 62-555-XPB).

Access to services

Access to recreation services² may be more limited in rural areas. In 1996, only 85 percent of rural households reported spending on recreation services, compared to 94 percent of urban households. On average, rural households spent \$547 on recreation services, while urban households spent \$1,033.

For most components of recreation services, rural households spent less. For example, rural households spent, on average, \$169 on the use of recreation facilities compared to \$303 for urban households (Figure 2). Rural households spent, on average, \$29 going to the movies compared to \$63 for urban households.

Partially due to a lack of availability, cablevision expenditures were less for rural households (\$134 on average versus \$277 for urban households) with only 37 percent of rural households reported spending on cablevision, compared to 75 percent of urban households. As would be expected, rural households spent more on satellite services (\$20 on average versus \$3 for the average urban household). Within rural areas, 4.9 percent of the households reported satellite services compared to 0.7 percent of urban households.

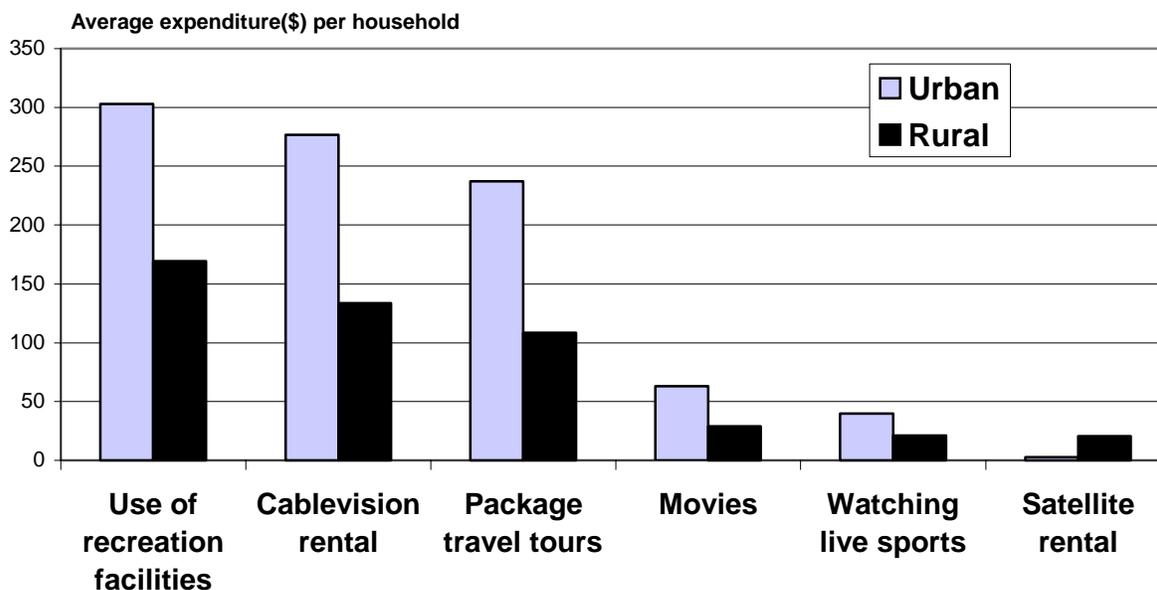
Fewer rural households purchased Internet services (4 percent) than did urban households (8 percent), perhaps because local Internet service is not available to some rural areas and because long distance charges may be associated with this service for many rural households.

Households in rural areas spent more on long distance telephone charges in 1996 (\$443) than urban households (\$373). The increase in long distance expenditures in rural areas (27 percent) between 1992 and 1996 was larger than the increase in urban areas (7 percent). The increase in expenditures on basic services was the same (17 percent in rural and 16 percent in urban).

² Recreation services include admission to entertainment events (movies, sports, concerts, etc.), cable and satellite dish rental, use of recreation facilities (golf courses, ski hills, recreation centres, etc.), and package travel tours. Note that for all recreation expenditures (i.e. including the purchase of televisions and audio equipment, toys, sports equipment and sport vehicles such as bicycles, etc.), rural households spent a larger share (6 percent) than urban households (5 percent) (see Appendix Figure 2). One significant difference is the higher expenditure of rural households on purchasing and operating snowmobiles.

Figure 2

Rural households spend less on recreation services



Source: Statistics Canada, Family Expenditure in Canada, 1996 (Cat. No. 62-555-XPB).

Rural households spend more on tobacco

Compared to urban households, rural households spent more on tobacco (the average across all rural households was \$620 and the average across all urban households was \$512) (Figure 3). This is a substantial decline from the 1992 expenditure level. However, this decline is almost entirely due to the decline in tobacco prices – tobacco prices were 36 percent lower in 1996 compared to 1992. When tobacco purchases are adjusted for the change in the price of tobacco, we see that the consumption of tobacco in 1996 was essentially the same as in 1992 (Figure 4). Note that the level of consumption in 1986 was considerably higher, averaging \$795 (in constant 1996 dollars) per rural household. One reason for the decline in consumption between 1986 and 1992 was the increase in prices, which more than doubled (an increase of 125 percent) in this period.

Although the consumption stayed essentially constant between 1992 and 1996 (as shown in Figure 4, after adjusting for the change in the price of tobacco), the consumption was spread over fewer households – the percent of rural households that reported spending on tobacco products declined from 51 percent in 1992 to 44 percent in 1996.

Figure 3

Rural household spend more on tobacco products

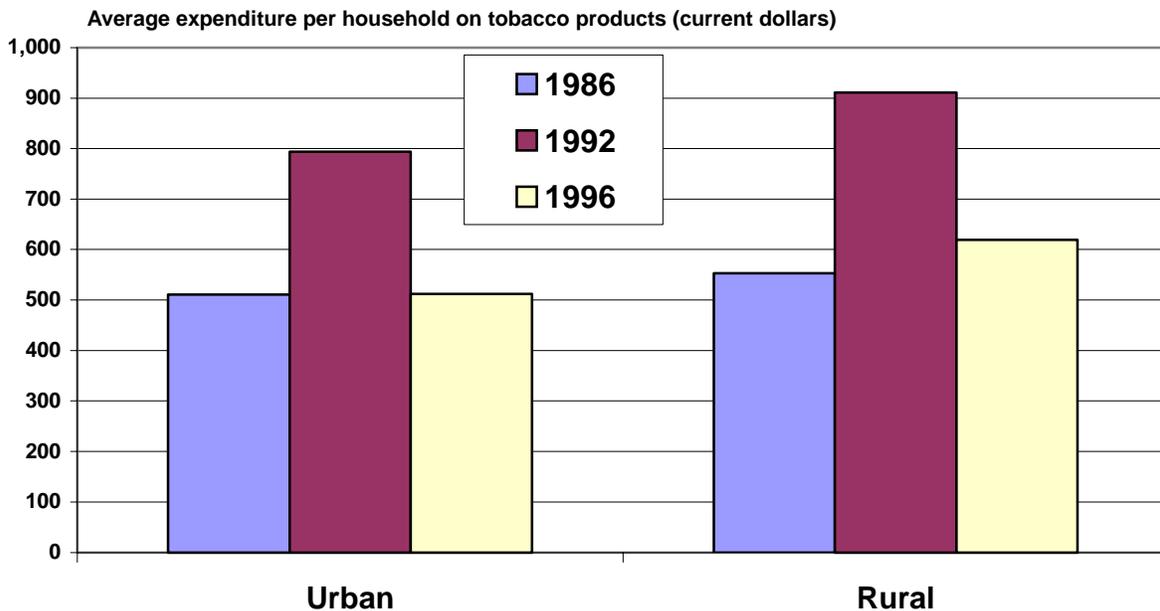
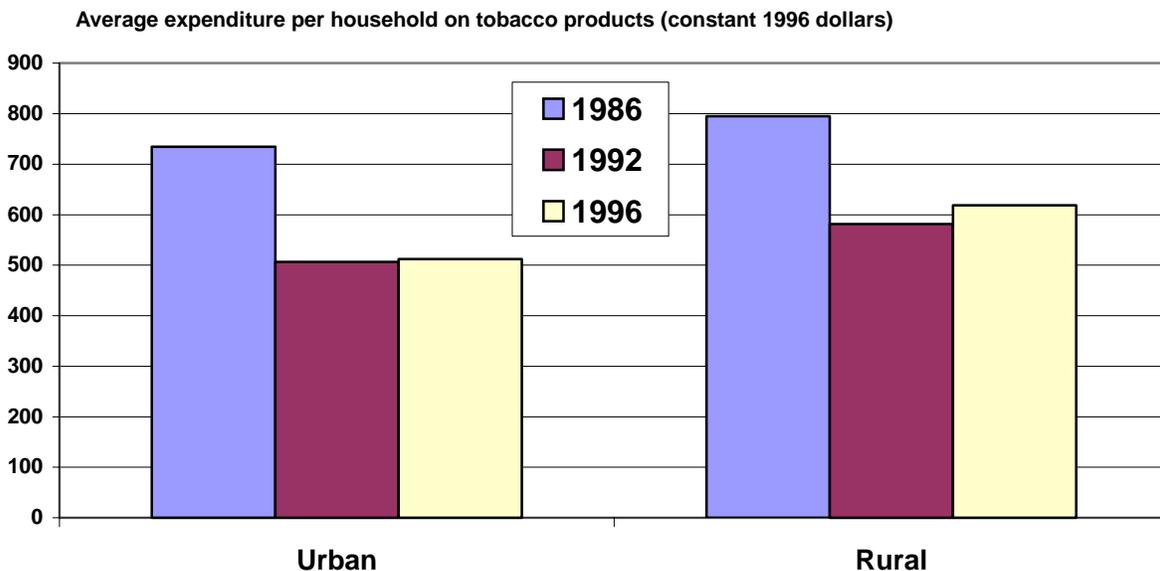


Figure 4

Rural households spend more on tobacco products



Source: Statistics Canada, Family Expenditure in Canada, 1986, 1992 and 1996 (Cat. No. 62-555-XPB).
 Note that tobacco expenditures are deflated by the change in the price of tobacco, not by the overall rate of price change.

Urban households spent, on average, \$627 on alcoholic beverages, the same as in 1992. Meanwhile, rural households spent less (\$562) on alcoholic beverages than did urban households, although this was up considerably from the average of \$445 for rural households in 1992. The price of alcoholic beverages increased by 6 percent between 1992 and 1996. Thus, if the expenditure level stayed the same, the quantity purchased decreased by 6 percent.

Other spending differences

Another difference between urban and rural households was the expenditure on pets³. Rural households spent considerably more, on average, on pets in 1996 (\$342) than did their urban counterparts (\$219). Almost two-thirds of rural households reported pet expenses in 1996, compared to 44 percent of urban households.

Rural households also spent more on recreational vehicles. In 1996 alone, the average rural household spent \$350 to purchase recreational vehicles⁴ compared to \$199 for urban households. In rural areas, 20 percent of the households made such purchases in 1996 compared to 15 percent of the urban households.

Conclusion

Although households in rural and urban Canada share similar spending patterns, there are some key differences. In particular, rural households on average spend more on food, private transportation and long distance telephone services. In contrast, we have seen that urban households spend more on leisure services and recreation services. This may be due to their close proximity to such services. Location is an important factor in looking at spending patterns of households; where you are located impacts your household expenditure pattern.

³ The questionnaire did not explicitly define "pets". Thus, a few respondents may have included the cost of feeding a pet pony, llama, etc. that were not part of a business enterprise.

⁴ Recreational vehicles include bicycles, travel trailers, tent trailers, motorcycles, snowmobiles, motor homes, truck campers, boats and other watercraft.

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“Rural and Urban Household Expenditure Patterns for 1996”
(Vol. 1, No. 4)

The data for this analysis bulletin are drawn from the 1986, 1992 and 1996 issues of **Family Expenditure in Canada** (Statistics Canada Cat. No. 62-555-XPB). Jeff Marshall is a student at the University of Waterloo and worked on this analysis during a co-op work term with Statistics Canada. Ray Bollman may be contacted at (613) 951-3747 (bollman@statcan.ca).

Appendix

Figure A1

Average expenditure per household, Canada, 1996

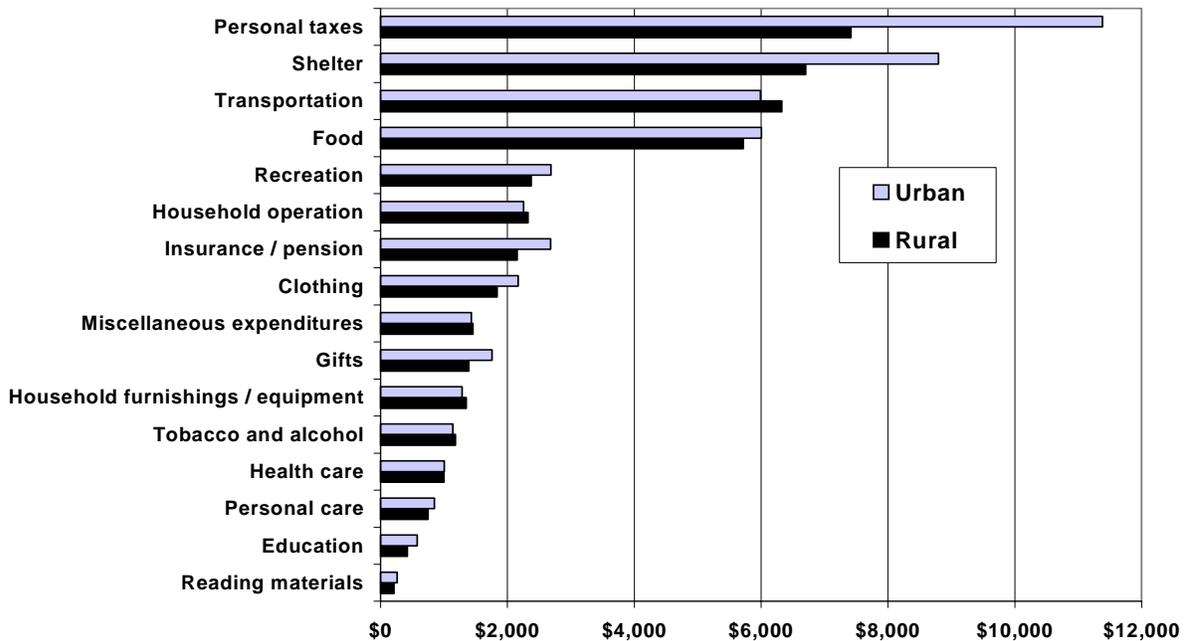
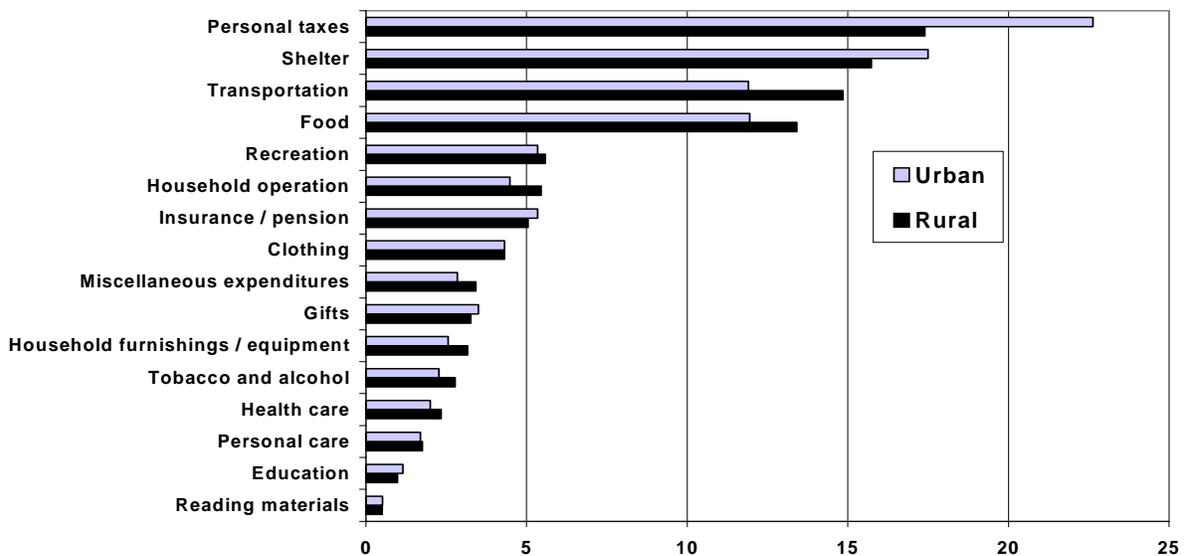


Figure A2

Percent of total household expenditure, Canada, 1996



Source: Statistics Canada, Family Expenditure in Canada, 1996 (Cat. No. 62-555-XPB).

Appendix (continued)

Table A1

Rural and Urban Households Spend a Similar Share (about one-third) on Food, Clothing and Shelter

	Urban			Rural		
	1986	1992	1996	1986	1992	1996
Food	14.1	12.3	11.9	15.4	13.7	13.4
Clothing	6.3	4.9	4.3	6.4	4.9	4.3
Shelter	16.5	18.1	17.5	14.2	15.8	15.7
Total	36.9	35.3	33.7	36.0	34.4	33.4

Table A2

Expenditure per Household on Transportation, Canada

	Expenditure (\$) per household			Percent of transportation expenditures		
	1986	1992	1996	1986	1992	1996
Urban						
Private transportation	4,194	5,108	5,415	90	91	90
Public transportation	468	503	576	10	9	10
Total	4,662	5,611	5,990	100	100	100
Rural						
Private transportation	4,430	5,630	6,113	96	97	97
Public transportation	202	150	215	4	3	3
Total	4,632	5,780	6,328	100	100	100

Table A3

Expenditure per Household on Tobacco Products and Alcoholic Beverages, Canada

	Urban			Rural		
	1986	1992	1996	1986	1992	1996
Current dollars						
Tobacco products and smokers' supplies	511	794	512	553	911	619
Alcoholic beverages	631	627	627	511	446	562
Constant 1996 dollars						
Tobacco products and smokers' supplies	734	507	512	795	581	619
Alcoholic beverages	927	642	627	750	456	562

Source: Statistics Canada, Family Expenditure in Canada, 1986, 1992 and 1996 (Cat. No. 62-555-XPB).

Note that tobacco and alcohol expenditures are deflated by the change in the price of tobacco and alcohol (respectively), not by the overall rate of price change.