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# Business Review

### **Higher Payout?**

... Dividends rise more slowly than other types of income, but new CID guidelines may help.

### **Western Consumer Budgets**

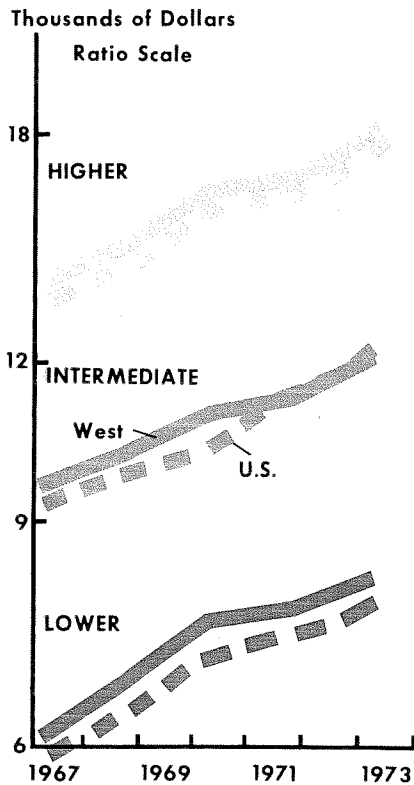
... A moderate budget for the typical urban Western family probably now costs over \$12,000.

### **RCPC's—Transitional Step**

... Regional check-processing centers represent a step towards new payments system.

**Business Review** is edited by William Burke, with the assistance of Karen Rusk (editorial) and Janis Wilson (graphics). Copies of this and other Federal Reserve publications are available from the Administrative Services Department, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, California 94120.

# Western Consumer Budgets



Budget levels rise rapidly over past half-decade

The intermediate (moderate) budget for an urban Western family of four amounted to about \$11,780 in the fall of 1972, and with adjustment for rising prices, the same budget probably would have cost about \$12,180 in the spring of 1973. The figures represent population-weighted averages based upon Labor Department budget estimates for major metropolitan areas in the West.

Based on the same survey data, average budget costs for lower-income Western families amounted to \$7,925 last fall, while the average "higher" budget costed out at \$17,260. (Again, with prices rising, the same budgets this spring would have cost about \$8,170 and \$17,850, respectively.) The Western lower-budget figure recently has averaged about 5 percent higher than the figure for all metropolitan areas nationwide, but the averages for intermediate and higher levels have been almost identical for the region and the nation.

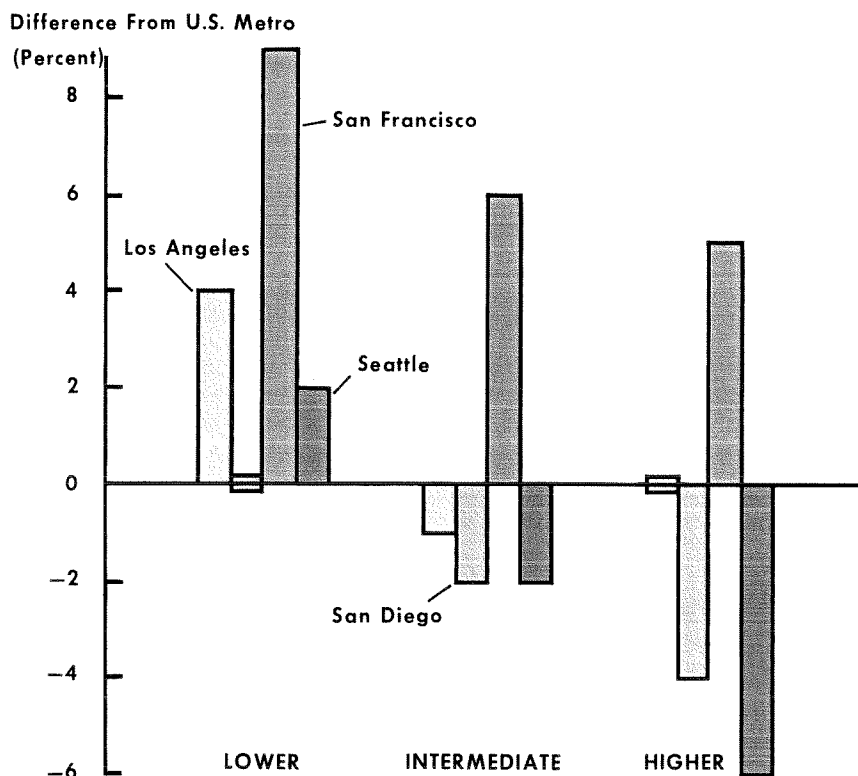
Budget levels rose substantially in the half-decade between the spring-1967 and autumn-1972 survey periods, reflecting sharp price increases in various consumer categories as well as shifts in personal-income and social-security taxes. The average

lower-income family budget in the West rose about 30 percent over this period, while the intermediate and higher budgets both increased almost 25 percent. (In all cases, however, the increases over this period were greater nationally than regionally.) The uptrend was not constant, but moderated somewhat during the 1970-72 period, as a reflection first of income-tax reductions and then of controls on consumer prices.

The Bureau of Labor Statistics computes budget estimates for an urban family of four: a 38-year-old employed husband with considerable work experience, his non-working wife, a boy of 13, and a girl of 8. The budgets are illustrative of three different levels of living and provide for different specified types and amounts of goods and services. The data show that food spending declines relative to income, accounting for roughly one-third of the consumption budget at the lower level and for roughly one-fourth at the higher level. In contrast, these proportions are practically reversed for housing and house-furnishings. Roughly one-seventh of the total is allocated to clothing and personal care at all three levels, and for transportation (one-tenth of the total) the proportionate differences between the levels are also small.

The manner of living represented by the lower budget differs from that in the intermediate and higher budgets primarily because the family lives in rental housing without air conditioning, performs more services for itself, and utilizes free recreation facilities in the community. The life style reflected by the higher budget, in comparison with the intermediate budget, represents a higher level of homeownership, more complete inventories of household appliances and equipment, and more extensive use of services for a fee. For most of the items that are common to all three budgets, both the quantity and quality levels increase with rises in income levels.

In late 1972, family budgets for the lower living standard were above the national average in most of the major Western metropolitan areas. The figure for San Francisco-Oakland was 9 percent higher than the \$7,510 average for all metropolitan areas, while Los Angeles-Long Beach exceeded the average by 4 percent and Seattle-Everett by 2 percent. San Francisco-Oakland was third highest in the nation in this lower-budget category, but it was surpassed by two other Western communities, Honolulu and Anchorage, which were 21 and 48 percent above the national average, respectively.



Westerners generally pay more at lower budget levels, but pay less at higher levels—except in San Francisco

In the intermediate- and higher-budget categories, only San Francisco-Oakland, of the major metropolitan areas, exceeded the national average. (Again, however, Honolulu and Anchorage were by far the highest-cost areas in the nation.) The Bay Area's intermediate budget was 6 percent above the national figure of \$11,730, and its higher budget was 5 percent above the \$17,110 nation-wide; on the other hand,

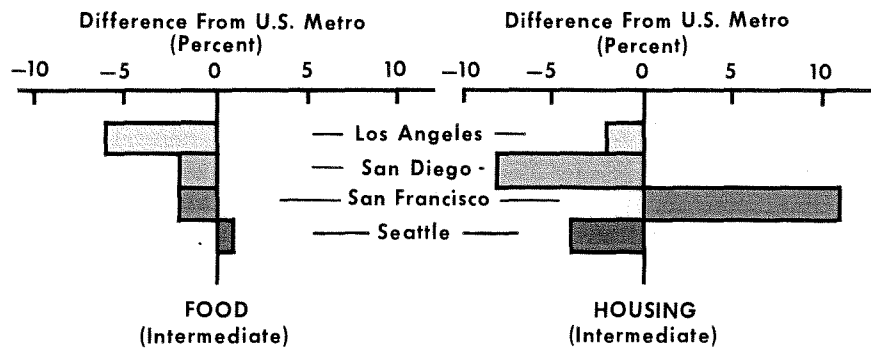
Bay Area living costs fell considerably below costs in such major Eastern centers as Boston and New York.

Food-spending patterns last year varied somewhat from the national pattern, in all three budget categories. Seattle paid higher-than-national food costs, and San Francisco was about average, while Los Angeles and San Diego

paid somewhat below-average costs in all categories. On the other hand, Honolulu was the highest-cost area in the nation, paying 15-20 percent more for food at all income levels; and Anchorage was also considerably above average.

Housing spending was much higher in the West in the lower budget, but generally in line with the national average at intermediate and higher levels of living. In the lower category, Los Angeles was 10 percent more costly and San Francisco 20 percent more expensive—and Anchorage was twice the national average. In other budget categories, San Francisco homeowners paid somewhat above average and Anchorage and Honolulu far exceeded the national average, but homeowners in Los Angeles, San Diego and Seattle remained closely in line with the national housing-cost figures.

Western families in San Francisco paid somewhat more than average for clothing and personal care, in all budget categories, but the Los Angeles and Seattle figures were roughly in line with the national averages. As for



Westerners of moderate income generally pay less for food and housing than other metro residents—except in San Francisco

transportation costs, families in the largest Western centers paid somewhat more than average in the lower-budget category, but little if any above average in other categories, except again for San Francisco. Medical costs were another story; in all three budget categories, Los Angeles families paid about 20 percent more than the national average for medical care, and San Francisco and San Diego families paid about 10 percent more.