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DRAFT



**Vanuatu**

**Household Income and Expenditure Survey 2006**

*Preliminary Report*



## Preface

This Report presents some of the preliminary findings of the 2006 Household Income and Expenditure Survey (HIES). This is the first of a number of reports and outputs planned by the NSO for the HIES survey.

This HIES was the first of its comprehensive one of its kind conducted NSO. The 1985 survey covered only the two urban centres Port Vila and Luganville. The 1997 HIES covered the two urban centres and the households within the provincial head quarters and near-by villages. Due to poor response rate of the diary, the results were neither used for the rebasing of the CPI nor for the Income and Expenditure Accounts of the national accounts.

This survey, though had a wider coverage of rural households within the islands where located the provincial head-quarters, and other islands, had a far better response rate.

It is to be noted though that this survey has had more TAs than any other surveys. There were more about nine different TAs involving at least one time in this survey. There was also various coordinators involved in the undertaking at various stages of the survey. This reflected the difficult situation the NSO had gone through to complete this project. NSO lost three of its senior staffs during the undertaking. The first coordinator resigned, and the second one passed away. The Government Statistician had to leave the office for other assignment.

While the 2006 HIES has yet to be edited for more detailed analysis, and subsequent imputations and adjustment, the results have been delayed due to unforeseen circumstances beyond NSO capacity, it is felt the results so far obtained are of sufficient reliability to warrant preliminary release.

Simil Johnson,  
Acting Government Statistician

## Acknowledgements

The 2006 Vanuatu Household Income and Expenditure Survey was funded by the Australian Government through AusAid, the US Government through the Millennium Challenge Corporation (MCC), and the Vanuatu Government. I therefore, wish to take this opportunity to acknowledge the assistance that AusAid, MCC and the Vanuatu Government, have provided for the undertaking of this project.

The Secretariat of the Pacific Community (SPC) has provided invaluable support in terms of providing training to the coordinator in charge of the above survey, especially on tabulation, analysis and report writing of the HIES under the supervision of Mr Gregory Keeble. SPC provided Mr Chris Ryan during the initial planning stages of the survey to advise in the questionnaire design, training of trainers and the sampling design.

In addition to its funding for the operation of the survey, AusAid funded the technical assistance for the subject matter person Mr Leon Pietsch, whose intervention was very timely. Thanks to the Ms Anne Reader from Australian Bureau of Statistics (ABS), who facilitated the funding and the recruitment of the TA. I would also like to extend my appreciation to Mr Pietsch for meticulously documented the data processing materials and for his adventure into the CSPro to pave the way for the data editing process.

I also wish to convey my appreciation to the Fiji Islands Bureau of Statistics (FIBOS) that allowed the release of Mr Serevi Baledrokadroka (Senior Statistician Survey Unit) to assist the data processing team with the data editing. My acknowledgement is extended to Mr Serevi for his dedication and his team work spirit during the stressful period of the data processing.

Also had it not been for the dedication and perseverance of the NSO staffs during trialling moments, these results would not have been released. I wish to record by my acknowledgements Mr Harry Nalau, the data processing manager, who had been also the assistant coordinator. This acknowledgement is also extended to Mr Pita Toa, who had been instrumental in the rescue of the HIES project.

Last but not the least I wish to record my acknowledgements to the field workers for patience with NSO during their hard time encountered in the field. My special thanks is also extended to the sampled households, who have willingly responded to the questions and also to those who have contributed towards this project in one way or the other, I thank you for your contributions.

Finally, I would like to take this solemn moment to dedicate this report to the memory of late Mr Peter Morris Jimmy, the second coordinator for this HIES. To his memory for his last contribution to the work of statistics development in NSO and to the development of the Nation as this data will not only be vital for NSO, but will be necessary for the benchmarking of the impact on Vanuatu's economy by MCC infrastructure projects in Vanuatu.

Simil Johnson,  
Acting Government Statistician

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## 1. Introduction

The 2006 Household Income and Expenditure Survey (2006 HIES) is the third HIES survey conducted in Vanuatu.

The survey was initiated by Vanuatu National Statistical Office (VNSO) to review its income and expenditure patterns for the national accounts system, to update the Consumer Price Index (CPI) and subsequently revise its Gross Domestic Products (GDP).

Although the 2006 HIES is primarily designed to satisfy the data requirements of the Vanuatu NSO, it is also expected to provide benchmark data for the Millennium Challenge Accounts' (MCA's) infrastructure projects for its impact assessment on the rural economy.

The survey is also expected to provide other useful information, such as the incidence of poverty and saving propensities of different groups of urban and rural population in Vanuatu. This information will assist policy makers in framing socio-economic developmental policies and in initiating financial measures for improving economic conditions of the people.

The main objectives of the survey are:

- (a) To obtain expenditure weights and other useful data for the up-dating of the basket and weight of the CPI;
- (b) To supplement the data available for use in compiling official estimates of household accounts in the systems of national accounts;
- (c) To supply benchmark data needed for assessment for MCA infrastructure projects;
- (d) To provide data for assessing the impact on household living conditions of existing or proposed economic and social measures, particularly changes in the structure of household expenditures and in household consumption;
- (e) To supply basic data needed for policy making in connection with social and economic planning;
- (f) To gather information on poverty lines and incidence of poverty for determining nutritional level of people;

## 2. Background

In 1985, NSO conducted its first HIES survey. It was an urban survey which only focussed on the two urban centres of Port Vila and Luganville. It collected benchmark data of levels and structures of household income and expenditures, which were critically needed for developing the household sector accounts in the system of national accounts. In addition, the survey provided a picture of household consumption patterns, which served as weight for the CPI.

The second HIES survey was held in 1998. Its coverage was extended to rural households, particularly the six provincial head quarters. The aims of the survey were to provide up-date on income and expenditure patterns, to update estimates of household sector of national income accounts and to provide information to update CPI weights.

Unfortunately, the main objectives of the 1998 survey were not achieved, as the available income and expenditure estimates obtained from the survey were generally suspected of having large errors of estimation and observation. There were some conceptual problems as well. As a result a des-aggregation of the national accounts estimates designed to show the flow of consumption between the different expenditure groups could not be updated.

The necessity of a more up-to-date and reliable HIES survey has been highlighted in a number of reports. It was then envisaged that a Household Income and Expenditure Survey be conducted. A HIES survey which, as far as possible, represents all private households in the country should be undertaken at intervals not exceeding ten years. Under conditions such as recently experienced in Vanuatu, migration from rural provinces to urban areas like Port Vila and Luganville brings significant changes in the economy. It is therefore recommended that HIES surveys should be undertaken at a five years interval.

### 3. Survey Method

This section provides an explanation of the methods used in the data collection and processing of the survey. This includes: the concepts and definitions used in the survey, the scope and coverage of the data collection, the sample design methodology, a brief commentary on the survey operations, and an assessment of data quality.

#### 3.1 Concepts and definitions

There have been various international guidelines prepared to help in developing definitions of income and expenditure. This survey closely follows the international standard of the International Conference of Labour Statisticians (ICLS). The broad concept of household income and expenditure is described as follows:

##### Household Income

“Household income consists of all receipts whether monetary or in kind (goods and services) that are received by the household or by individual members of the household at annual or more frequent intervals, but excludes windfall gains and other such irregular and typically onetime receipts. Household income receipts are available for current consumption and do not reduce the net worth of the household through a reduction of its cash, the disposal of its other financial or non-financial assets or an increase in its liabilities. Household income may be defined to cover: (i) income from employment (both paid and self-employment); (ii) property income; (iii) income from the production of household services for own consumption; and (iv) current transfers received”. (ICLS Resolution)

##### Household Expenditure

“Consumer goods and services are those used by a household to directly satisfy the personal needs and wants of its members. Household consumption expenditure is the value of consumer goods and services acquired, used or paid for by a household through direct monetary purchases, own-account production, barter or as income in-kind for the satisfaction of the needs and wants of its members. Household expenditure is defined as the sum of household consumption expenditure and the non-consumption expenditures of the household. The latter are those expenditures incurred by a household as transfers made to government, non-profit institutions and other households, without acquiring any goods or services in return for the satisfaction of the needs of its members. Household expenditure represents the total outlay that a household has to make to satisfy its needs and meet its “legal” commitments.” (ICLS Resolution)

It should be noted that in this report imputed rents for owner-occupied dwellings and rent-free dwellings have not been included in the detailed tables. However a separate table is included in the appendix. A more detailed explanation of what income and expenditure items are included in the survey are also provided in the appendix.



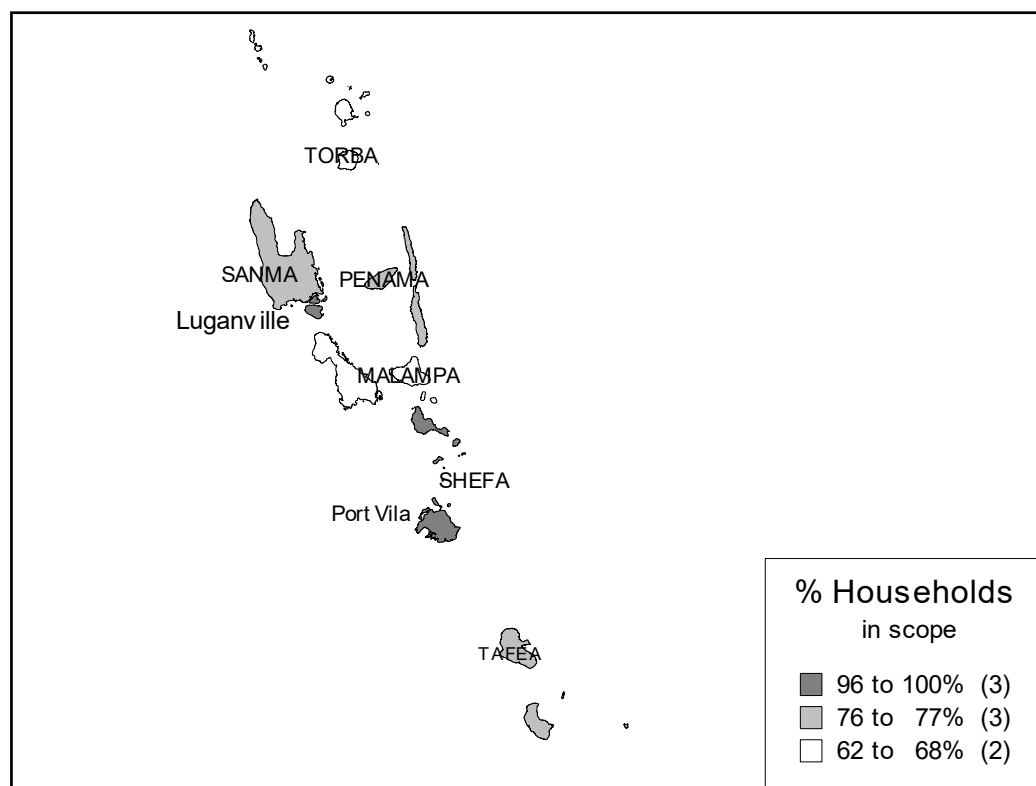
### 3.2 Scope and coverage

There are eight main populations of interest for which estimates are required for the 2006 HIES: the provincial rural areas of Torba, Sanma, Penama, Malampa, Shefa, Tafea and the urban areas of Luganville and Port Vila. For this reason, the detailed analysis focuses on households from each of the eight sub-populations. Based on the 2006 agricultural census, 78 percent of the households are located in rural areas and 22 percent in urban areas.

Owing to cost and time constraints, some remote areas were not considered eligible for selection for the survey. Therefore the scope of the survey was reduced to 82.5 percent of all households in the population. As shown in figure 3.1, substantial reductions in scope occurred in Torba (62% in scope) and Malampa (68%) provinces. No enumeration areas were excluded in urban areas. While this may introduce some systematic bias, especially for the areas affected, the reduction of scope is not expected to affect the overall representativeness of the sample.

The survey coverage included only persons living in private households during the survey period (September to November 2006). Persons living in institutions, such as school dormitories, hospital wards, hostels, prisons, as well as those households which had temporarily vacated their dwellings were excluded from the survey. Also excluded from the survey were ex-patriot temporary residents and permanent residents who were not residing (and intending to reside) in Vanuatu for at least 12 months.

**Figure 3.1: Percentage of Households in Scope of the Survey by Province**



### 3.3 Sample Design

The sampling method adopted for the survey was a two-stage approach. The first stage involved the selection of Enumeration Areas (EA) using probability proportional to size (PPS) sampling. The size measure was the number of expected households in the EA, based on 2006 population census estimates. Although it would be desirable to cover all of Vanuatu for this survey, due to cost and time constraints some EAs were excluded from the frame before the selections were made. The impact on sub-population estimates will differ, as some areas have had larger scope reductions.

The second stage of sampling adopted systematic sampling from a list of all households contained in the EA. These lists were produced in the field by enumerators during the first visit to the EA. Once the sample had been selected, a review of where the selections were made was conducted to see how well they covered the projects of interest to the MCA. A total of 9 additional EAs were selected to better cover some of the project areas which weren't suitably represented by the original sample. A sample size of 4,532 households was adopted for the survey representing around 10 percent of the total households in Vanuatu.

Eight target areas were identified as sub-populations for which estimates would be desirable. These eight areas included the six provinces with separate target areas for the urban centres of Port Vila and Luganville. In order to achieve the required level of accuracy, different sample allocations were produced to determine which allocation would produce estimates of similar level accuracy for each target area. The sample allocation resulted in approximately 600 households selected for each province, except for Luganville and Torba where less than 500 households were selected.

Within each target area, further stratification was adopted in order to enhance suitable representation within each of the different area types. Strata were determined by allocating Area Councils to area types based on the Area Council's accessibility. As a result, 21 strata were created for the final sample. Sample allocation to each stratum was performed by allocating proportionally to the population within each "target area". The sample weights were calculated for each stratum separately and were adjusted for non-response and benchmarked against household counts from the 2006 agricultural census.

### **3.4 Survey operations**

The survey was conducted over a 3 month period beginning in the first week of September and finishing at the end of November 2006. (Some EAs that has not been enumerated as planned were later enumerated in December). The National Statistics Office recruited and trained six provincial coordinators, 30 supervisors and 118 interviewers to conduct the survey in the 6 provincial areas and 2 urban centres. Over the survey period each interviewer completed three workloads of about 45 households in total.

Four questionnaire forms were designed to collect information on household size and composition, personal and household income, major household expenditure, and regular food and household supply expenditures in the diaries. The household control form and the household questionnaire were administered by interview during the survey period, and the diaries were completed by the households over a two-week period. The personal questionnaire was administered to collect detailed information on health facility utilization and access, educational attendance and attainment, and labour force status.

The completed survey forms were checked by provincial coordinators and processed by staff of the National Statistics Office who recorded their receipt from the supervisors and checked the questionnaires for completeness. Incomplete questionnaires were referred back to the field supervisors to collect the necessary information. The status of incomplete questionnaires was recorded as either out of scope, vacant dwelling, unable to be contacted, and refused to respond.

Households that had completed the household questionnaire and at least one week of the diaries were accepted for further data processing. The data coding and manual editing of the questionnaires began in January 2007 and the data entry and micro editing was completed by the mid-July 2007. The completed questionnaires were entered into a data entry system (CSPPro) by nine data entry operators and three data editors. The questionnaires were entered twice into the system to ensure the accuracy of the data entry. After macro-editing and imputation, the data was transformed into a dataset that could be used for analysis, and tabulations were performed using Excel pivot tables.

### 3.5 Data quality

A total of 3884 out of 4590 selected households fully responded to the survey, representing an overall response rate of 84.6 percent (refer table 3.1). Only 4 percent did not fully respond or provided inadequate information to be included in the survey. However 11.4 percent of households were reported as vacant dwellings which, most probably, includes households that could not be contacted during the survey period.

Lower responses rates were reported for Port Vila (69%) and the rest of Shefa (76%) than in the other surveyed provinces. This was largely due to inadequate enumeration in Shefa province. However, apart from these areas the overall response rate indicated a high level of response especially in the provincial rural areas.

**Table 3.1 Number and Percentage of Sample Households by Response Status**

Province (Rural)	Complete Response	Vacant Households	Incomplete Response	Total Selected	% Complete Response
Torba	421	38	6	465	90.5%
Sanma	566	28	6	600	94.3%
Penama	552	51	28	631	87.5%
Malampa	596	43	3	642	92.8%
Shefa	445	99	41	585	76.1%
Tafea	485	83	18	586	82.8%
Total Rural	3065	342	102	3509	87.3%
<b>Urban Area</b>					
Luganville	414	52	29	495	83.6%
Port Vila	405	127	54	586	69.1%
Urban Total	819	179	83	1081	75.8%
<b>Grand Total</b>	3884	521	185	4590	84.6%

It should be noted that the analysis of the data contained in this report is based on a sample of households and therefore the estimates produced are subject to sampling error. It is anticipated that the relative standard error for the key estimates of total household income and expenditure will be less than five percent, which is the level at which the estimates are considered to be reliable. Standard errors for the key estimates will be calculated and included in the final report.

During the editing process, a number of imputations were made to adjust for non-response to expenditure items. In particular, expenditure was imputed for households that reported no food purchases or own consumption, and values for stated individual expenditure items were imputed where missing. Rents were also imputed for households which owned their own dwellings or occupied dwellings rent free; however, these imputations were not included in the analysis. It should be noted that some households (n=18) did not report any source of income for the 12 month reference period, and therefore total household income is likely to be understated.

## 4. Analysis of Results

This section presents a preliminary analysis of the 2006 HIES survey. This includes the demographic profile of the respondents, and a summary of the results of the analysis of household income and expenditure.

### 4.1 Demographic Profile

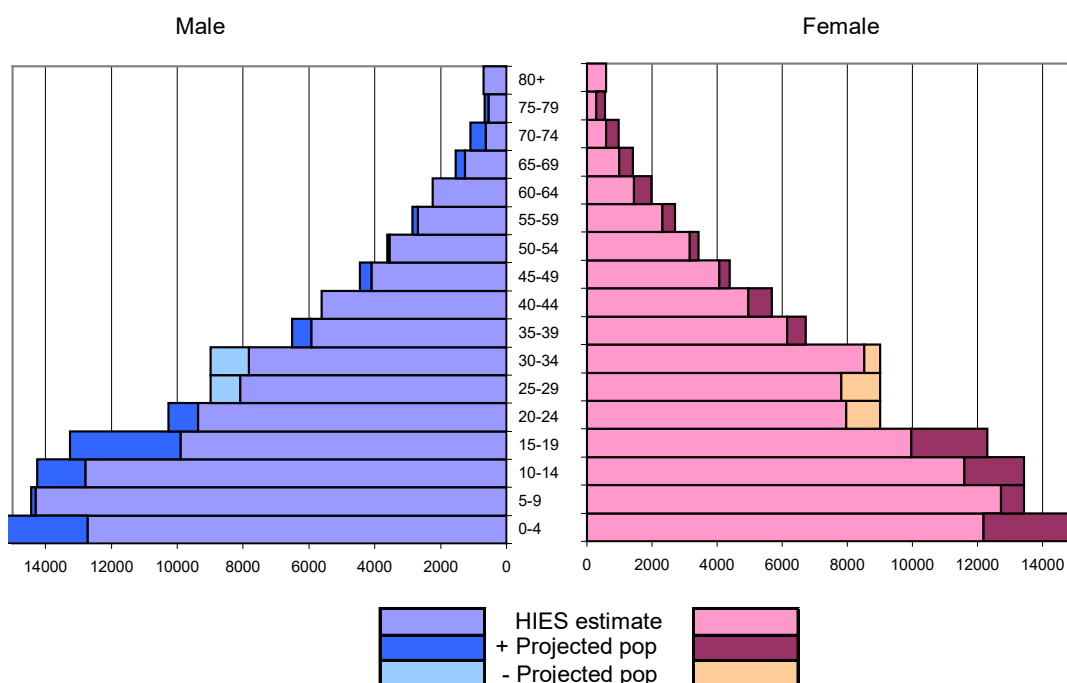
A comparison between the household and population counts of the 2006 Agricultural Census and the 2006 HIES (Table 4.1) shows that the weighting of households in the HIES, while matching perfectly the number of private households in the census, recorded 18,278 fewer persons living in those households. Comparing the average household size by island group shows that fewer persons were recorded in both rural and urban areas. The average household size estimated by the HIES was 4.7 persons compared to 5.1 in the census. Some of the differences in average household size may be explained by household members being temporarily away from their usual residence during the period of the enumeration.

**Table 4.1: Comparison of Household and Population Counts for Agricultural Census and HIES**

Province (Rural)	Agric Census 2006				HIES 2006 Estimates			
	House- holds	Pop- ulation	% Total Pop	Average HH Size	House- holds	Pop- ulation	% Total Pop	Average HH Size
Torba	1798	9253	4.2%	5.1	1798	9139	4.2%	5.1
Sanma	5914	29052	13.7%	4.9	5914	26263	13.7%	4.4
Penama	6447	33180	14.9%	5.1	6447	31459	14.9%	4.9
Malampa	7348	34925	17.0%	4.8	7348	31163	17.0%	4.2
Shefa	5643	30557	13.0%	5.4	5643	27639	13.0%	4.9
Tafea	6577	33848	15.2%	5.1	6577	33515	15.2%	5.1
Total Rural	33727	170815	77.9%	5.1	33727	159178	77.9%	4.7
<b>Urban Area</b>								
Luganville	2358	12543	5.4%	5.3	2358	10896	5.4%	4.6
Port Vila	7227	38149	16.7%	5.3	7227	33155	16.7%	4.6
Urban Total	9585	50692	22.1%	5.3	9585	44051	22.1%	4.6
<b>Grand Total</b>	43312	221507	100.0%	5.1	43312	203229	100.0%	4.7

Almost all of the population aged 15 and over were Ni-Vanuatu or part Ni-Vanuatu (99.6%), and two-thirds of these were currently married. The age-sex distribution of the population in the HIES (Figure 4.1) shows that there were significantly less numbers of children aged less than five years compared to the projected population. Comparing the distribution with the population projections reveals that there were more men and women aged 25-35 recorded in the HIES than in the projected population. However for both sexes, significantly fewer young persons aged 15-19 were recorded in the HIES suggesting that the ages had been incorrectly reported during the enumeration. A possible reason for the under-reporting may be to avoid answering questions on income that were asked for persons aged 15 years and over.

**Figure 4.1: Population Distribution by Age group and Sex  
(HIES Estimates and Population Projections)**



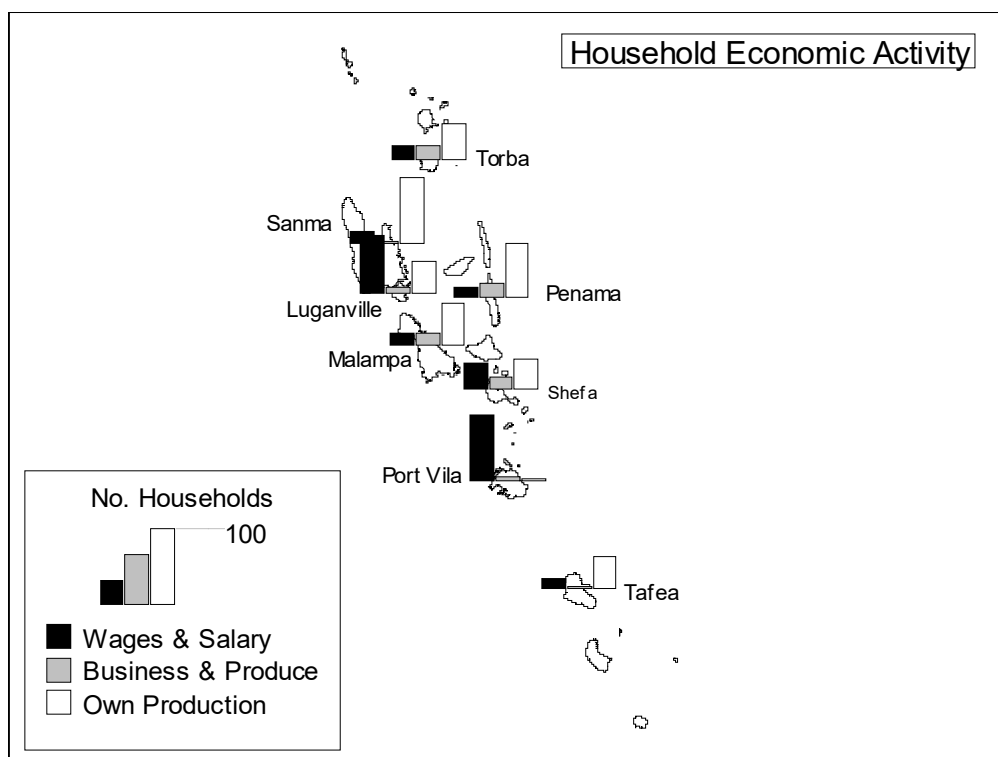
The main economic activity of the population aged 15 years and over by sex is shown in table 4.2. In all 63 percent of the adult population (69% of men and 56% of women) were currently engaged in work activity. Around 23 percent of men and 14 percent of women were working for wages and salaries in either full-time or part-time work. Seven percent were working in their own business or selling produce, and 38 percent were working mainly for subsistence. Another 10 percent reported that they were unemployed and looking for cash work.

**Table 4.2 Percentage of Persons Aged 15+ by Main Type  
of Economic Activity and Sex**

Activity	Male	Female	Total
Wages & Salaries	23.3%	13.6%	18.5%
Own Business	8.8%	5.6%	7.2%
Subsistence	37.0%	38.2%	37.6%
Unemployed	8.7%	11.6%	10.1%
Not Active	22.2%	30.9%	26.5%
Total	100.0%	100.0%	100.0%

The distribution of households by economic activity of household members for each province is shown in figure 4.2. Around 90 percent of the households in Port Vila and 80 percent of households in Luganville currently receive income from wage and salary employment. In the rural areas, apart from Shefa where almost 40 percent of households receive wage and salary income, less than 20 percent of households in the other provinces receive wages and salaries. Around 20 percent of households in rural provincial areas, apart from Sanma and Tafea, are engaged in their own business or sell agricultural produce, fish and handicrafts. Only 4 percent of households in Sanma and and 6 percent in Tafea are engaged in this type of activity.

**Figure 4.2: Distribution of Households by Main Economic Activity**



## 4.2 Household Income

The 2006 HIES, as shown in table 4.3, gives estimations on the total annual income for all Vanuatu private households. In 2006 the total annual household income was slightly more than 31 billion (31,386 million VT). Though the 2006 estimated income excludes imputed rent, it is much higher than the current estimated household income from the Vanuatu national accounts, which stood at about 27 billion Vatu (*to be checked*).

The household income is comprised of income from wages and salaries, sales of agriculture, fish and handicrafts, other cash income, own account production (subsistence), income in-kind and gifts received. Personal income from wages and salaries was the main source of income for households with a total annual amount of 11,092 million VT, followed by own account production with 8,614 million VT; sales of agriculture, fish and handicrafts (8,277 million VT), other cash income (1,941 million VT), income in-kind (987 million VT), and gifts received (475 million VT).

The average annual income for Vanuatu households is also presented in table 3.1. The average annual household income is obtained by dividing the annual income by the total number of households. The average annual household income was estimated to be around 725,000 Vatu. That is, on average each household receives income of 725,000 Vatu per year. However, the average annual income for those households receiving income for each source of income was much higher. For example, while the average household income from wages and salaries was about 256,000 Vatu, the average income for households with wages and salaries earners was 704,000 VT.

**Table 4.3 Total and Average Household Annual Income and Number of Households by Source of Income**

Source of Income	Annual Income (in million Vatu)	Average Annual Income (in Vatu)	Number Households
Wages and Salaries	11,092	256,087	15,760
Agriculture, Fish, and Handicrafts	8,277	191,104	28,583
Other Cash Income	1,941	44,805	12,043
Own Account Production	8,614	198,883	37,342
Income in-Kind	987	22,798	7,790
Gifts Received	475	10,970	9,328
Total	31,386	724,647	43,312

Source: Vanuatu 2006 HIES

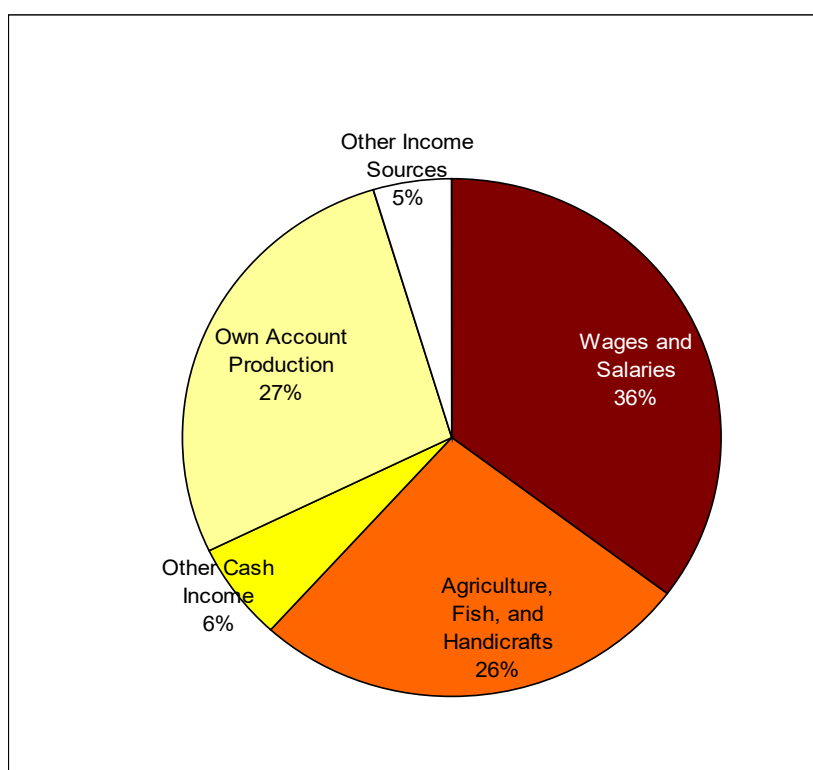
Nationally, 86 percent of households are involved in subsistence activities, such as growing food, catching fish or making handicrafts. Two-thirds of households receive cash income from sales of agricultural produce, fish and handicrafts and more than a third of households (36%) receive income from wages and salaries. Around two out of five households receive some form of income-in-kind or receive gifts from other households.



Figure 4.3 presents the percentage of total annual household income by sources of income. More than two-thirds of households receive some form of cash income. Household income from wages and salaries represents more than one third (36%) of the total household income. The second main source of income for households was own account production (27%), followed by agriculture, fish and handicraft (26%) and the remaining income (11%) was generated from by other cash income, income-in-kind and gift received.

Wages and salaries was the main source of household income followed by Own Account Production. This is typical to a country like Vanuatu which has a dual economy of cash base and subsistence economy. On the one hand, urban households depend on cash income from wages and salaries for daily necessities, on the other hand, the rural households depend mostly on producing their own food and partly on cash income from sales of agricultural products, fish and handicrafts. In rural areas, cash is only needed for basic items such as kerosene, soap, salts and government services, such as school fees.

**Figure 4.3 Percentage of total annual household income by income sources.**



As shown in table 4.4, the main income source for rural households were from subsistence activities (own account production); and from sales of agricultural products, fish and handicrafts, with 38 percent and 36 percent of the total rural household income respectively. Wages and salaries income earners contributed 16 percent of the total annual household income for rural households. Less than 4 percent came from income-in-kind or from gifts received from other rural households.

This is typical of a subsistence based economy, where subsistence production is the main activity for the households. Rural households have less formal employment opportunities, thus income from wages

and salaries only represented a minor part of the total annual income for rural households. However cash income from produce sales, wages and salaries, and other sources of cash income comprised 58 percent of total rural household income.

The main source of income for households in the urban areas of Port Vila and Luganville was wages and salaries. This accounted for more than three quarters (76%) of the total monthly household income for urban households. Urban household incomes received from non-cash sources was much lower than rural households and represented only 13 percent of total household income. The urban economy is largely cash based and therefore non-cash other sources of income such as own account production, agricultural and fisheries products and handicrafts are not as important for sustaining households as in rural areas.

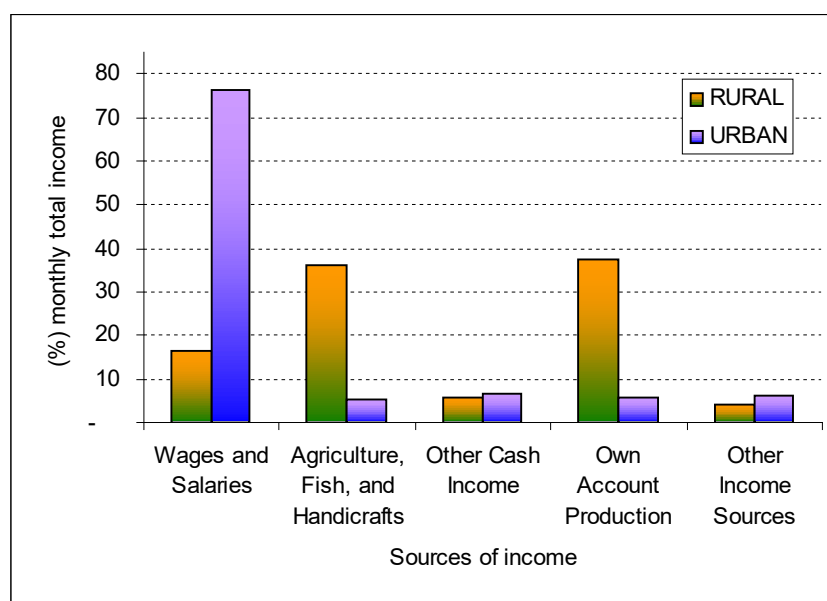
**Table 4.4 Percentage of total annual household income by source and location**

Source of Income	(%) of total income		
	RURAL	URBAN	TOTAL
Wages and Salaries	16	76	36
Agriculture, Fish, and Handicrafts	36	5	26
Other Cash Income	6	7	6
Own Account Production	38	6	27
Income in-Kind	2	6	3
Gifts Received	2	1	2
Total	100	100	100

Source: Vanuatu 2006 HIES

The percentage of annual household income by rural and urban areas, as depicted in the figure 4.4, gives a contrast between the households income from the two areas by sources of income. Income for urban households was generated mostly from wages and salaries. Rural households, which in earlier years used to depend entirely on subsistence production, have now a bigger share from cash income from sales of agriculture, fish and handicrafts as well as from own account production.

**Figure 4.4. Percentage of household income by income sources and by location**



### 4.3 Household Expenditure

Table 4.5 shows the total annual expenditure for all households in Vanuatu. In 2006, the total annual household consumption expenditure was estimated at 32 billion Vatu. This is including imputed rent. However, without the imputed rent the total household expenditure was 27.5 billion. The estimated household final consumption expenditure estimated from the 2006 national income account was 27 billion. This official figure has been considered to be an underestimate, and therefore the HIES figure of 32 billion Vatu suggests a somewhat higher estimate of the total annual expenditure of households in Vanuatu.

The main components of household expenditure are food purchases, own account production (subsistence), housing (including imputed rents), household operation, gifts, transport, tobacco and alcohol, clothing, miscellaneous and non consumption expenditure. Some of the sub-expenditure groups were lumped together into the table expenditure groupings. For example the household items and imputed rent were grouped into housing, while gifts given and received were aggregated into income in-kinds. Non consumption expenditure is comprised mainly of contributions to religious organisations and to other non-profit organisations.

Table 4.5 also provides the average annual household expenditure by type of expenditure. The average household expenditure is obtained by dividing the total annual expenditure by the total number of households. On average a Vanuatu household spent 735,000VT on an annual basis. Average expenditure on own account expenditure (consumption of home produced items) was around 200,000 VT, followed by food purchases with 146,000 VT. Average household expenditure on each of the other expenditure groups was less than a 100 thousand Vatu per year.

**Table 4.5 Total and average annual household expenditure by expenditure group**

	Total (million VT)	Average (Thousand VT)
Food	6,339	146,361
Own Account Production	8,614	198,883
Housing <sup>1</sup>	5,936	68,528
Household Items	1,608	37,120
Imputed Rent	4,328	99,937
Household Operation	2,374	54,816
Clothing	429	9,894
Transport	1,539	35,543
Tobacco and Alcohol	757	17,489
Income in-kind	2,099	48,461
Miscellaneous	2,315	53,457
Non Consumption Expenditure <sup>2</sup>	1,452	33,529
Total Expenditure <sup>1</sup>	31,855	735,488

Source: Vanuatu 2006 HIES

Figure 4.5 depicts overall household spending by expenditure groups. Own account production accounted for 27 percent of the total annual expenditure, followed by food purchases (20%), housing (19%) and all the other remaining expenditure groups which each accounted for 7 percent or less. More than eighty percent of the own account production which is the main expenditure group, is made of own produced food. Taken together, total food spending represents more than 40 percent of total household expenditure.

**Figure 4.5: Percentage of total household expenditure by expenditure group**

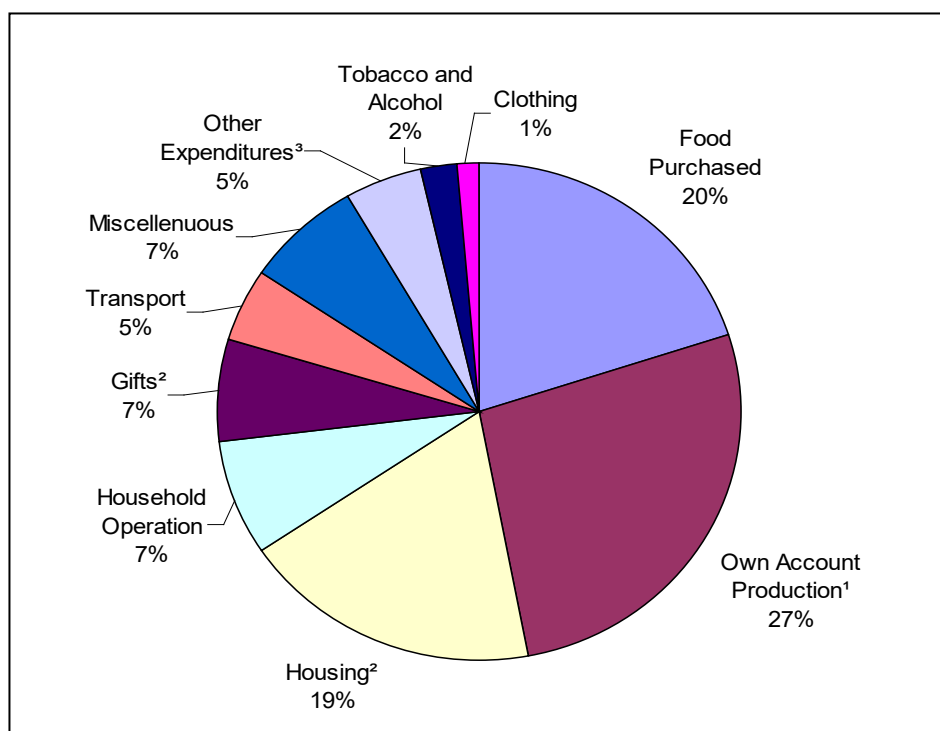


Table 4.6 shows the percentage of household expenditure by expenditure group for urban and rural areas separately. The main type of expenditure of rural households was consumption of own produced food and other basic items, which accounted for 39 percent of their total expenditure. Food purchases accounted for 17 percent and housing costs 16 percent of total expenditure. Rural households spent 7 percent or less on each of the other expenditure groups. Taken together, food purchases and own account production accounted for more than half of total household expenditure.

In contract, urban households spent a large part of their income on food purchases and housing, which accounted for 25 percent and 24 percent of total expenditure respectively. This was followed by housing operation (13 percent), miscellaneous expenses (10 percent) and transport (8 percent). This type of spending reflects the needs of households in urban areas to pay for utility services and transport. All the other expenditure groups accounted for less than 7 percent each of the total household expenditure.

**Table 4.6 Percentage of household expenditure by expenditure group by location**

Expenditure Sub-group	Household annual Expenditure (%)		
	RURAL	URBAN	TOTAL
Food Purchased	17	25	20
Own Account Production	39	5	27
Housing	16	24	19
Household Operation	4	13	7
Tobacco and Alcohol	2	3	2
Transport	3	8	5
Clothing	1	2	1
Gifts	7	6	7
Miscellaneous	6	10	7
Other Expenditures <sup>2</sup>	5	4	5
Total Expenditure	100	100	100

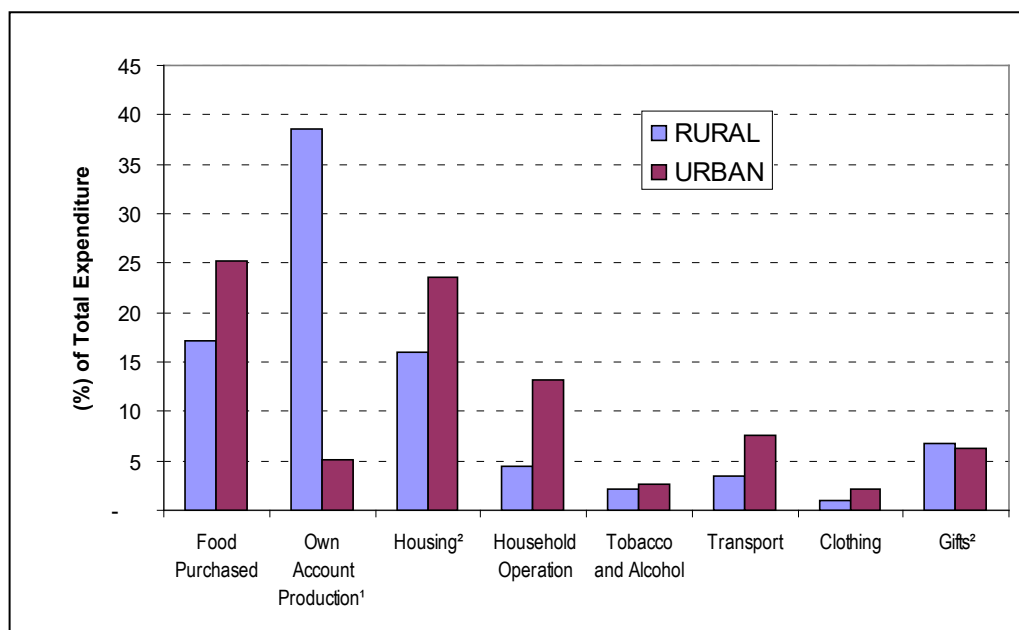
<sup>1</sup>Includes Imputed Rent

<sup>2</sup>Includes Expenditures in-kind, Gifts given, Other non-consumption expenditure

Source: Vanuatu 2006 HIES

Figure 4.6 shows a comparison of household expenditure for rural and urban households by expenditure group. The largest difference in expenditure is for own account production where almost 40 percent of rural households consume produce they produced themselves compared to only five percent of urban households. Urban households also spent proportionately more on all other groups except on income-in-kind and gifts.

**Figure 4.6: Total of household expenditure by expenditure group: urban and rural comparison**



## 5. Conclusion

The proposal for a more recent HIES, had been a long issue since it had become apparent that the information from 1998 was not usable for the updating of the CPI basket, and its weight. The funding of this project has benefited the NSO in that the agency was finally able to collect the data required for the update of its statistics. However the effects of seasonality in the results may need to be further explored to ensure that the figures are truly representative of the annual household economy.

In summary, the HIES survey found that Vanuatu households earned a total annual income of slightly more than 31 billion and spent a total of 27.5 billion Vatu, excluding imputed rent. When imputed rent is included, the HIES figures are considerably higher than the estimated household final consumption expenditure in the national income account.

While the final data is yet to be released, it is felt that the data quality reached thus far warranted a preliminary report. When we compare the total annual household expenditure with the total annual household income, it shows a savings of 4 billion Vatu. However, comparison of household income and expenditure is not directly comparable due to differences in the composition of the income and expenditure figures.

However, it is quite an achievement to release these results and produce this report, especially given the challenges and the uncertainties faced by the NSO. The HIES survey outputs are being developed to ensure maximum use of the information. It is therefore recommended, that stake holders, researchers, policy and decision makers take the challenge to make maximum use of this information to ensure informed and evidenced-base decision making.

## 6. Appendix

### List of HIES Tables

	A. Demographic characteristics tables:	
1.1.	Number of persons by age, sex and location (urban/rural)	
1.2	Number of persons by marital status, age, sex and ethnicity;	
1.3	Number of persons by educational attainment, sex and age;	
1.4	Number of persons by type of health problem, sex and age;	
1.5	Number of persons by age, sex, ethnicity and economic activity;	
1.6	Number of economically active persons by occupation, sex and by ethnicity;	
1.7	Number of economically active persons by industry, sex and by ethnicity;	
1.8	Number of economically active persons by occupation, age and sex;	
1.9	Number of economically active persons by reasons for non-activity, by age and sex;	
	B. Household tenure and Dwelling characteristics:	
2.1.	Number o households by tenure of dwelling by location (urban/rural);	
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2.3	Number of households by housing tenure by sex and ethnicity of head of household;	
2.4	Number of households by tenure of dwelling by sex and ethnicity of head of household;	
2.5	Number of households by household size and number of rooms;	
2.6	Number of households by type of dwelling;	
2.7	Number of households by source of water supply;	
2.8	Number of households by source of electricity supply;	
2.9	Number of households by source of lighting;	
2.10	Number of households by source of cooking fuel;	
2.11	Number of households by type of toilet facilities	
	C. Household Income tables:	
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3.6	Average annual personal income from wages and salaries by sex and ethnicity;	
3.7	Per capita annual income by income sources by location (rural/urban);	
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4.2	Average monthly household total expenditure sub-groups by location (urban/rural);	
4.3	Average monthly household expenditure by sex & ethnicity of head of household;	
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4.5	Average monthly household cash and non-cash expenditure groups and sub-groups;	
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