

COMPARISON OF INCOME AND CONSUMPTION EXPENDITURE ESTIMATES FROM THE FIFTH ROUND OF GHANA LIVING STANDARDS SURVEY

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ABSTRACT

The effectiveness of government policies and programs relies heavily on measurements of poverty and inequality. Living Standards Surveys (LSS), such as the recent Ghana Living Standards Survey of 2005/2006 provides information on both *income* and *expenditure* collected from 8687 households survey across the country. The survey identifies six (6) different sources of income and expenditure including *income* from employment, household agriculture, non-farm self-employment, rent, remittances and other incomes whilst *expenditure* were on food, housing, remittances and other expenditures.

The objectives of the study are to compare estimates from the two indicators of poverty and to determine the magnitude of over-reported households estimates of the consumption expenditure. Results seem to indicate that the *total average* annual household income is GH¢1,288.74 vs. GH¢1,983.24 (Ghana Cedis) for expenditure for an average household size of four. With respect to income, regional comparisons show Greater Accra region to have the highest income (GH¢ 1,673.60). In general, the coastal regions have income higher than the national average except Volta Region (GH¢ 961.57). Households in Greater Accra have a higher *expenditure* (GH¢ 3,061.07) followed by households in Ashanti region (GH¢ 2,055.67). In all levels of comparison, the reported expenditure estimates are *significantly higher* (31%) than estimates from income (p-value < 0.001). Estimated Gini coefficients are also different in the two indicators. They are 0.57 and 0.40 for total expenditure and total income respectively.

Key words: Income, Consumption Expenditure, Living Standards Survey, Indicator, Poverty measures, Gini coefficient, Ghana Cedis.

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