



Nepal Rastra Bank Research Department

Fifth Household Budget Survey
Findings Dissemination Program
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Outline

- **Section A**

Fifth Household Budget Survey 2014/15

- **Section B**

Consumer Price Index

Section A

Fifth Household Budget Survey 2014/15

1. Background

- NRB started to publish unweighted price index for Kathmandu valley by collecting the prices of 15 consumer goods in 1957 A.D.
- Publication of unweighted price index for Terai region was started in 1962 and Hills was added in 1963.

Background...

- Publication of weighted price index was started only after the First Household Budget Survey conducted by Nepal Rastra Bank in 1973/74.
- Till now, five such household budget surveys have been conducted.

Background...

Summary of the Household Budget Surveys

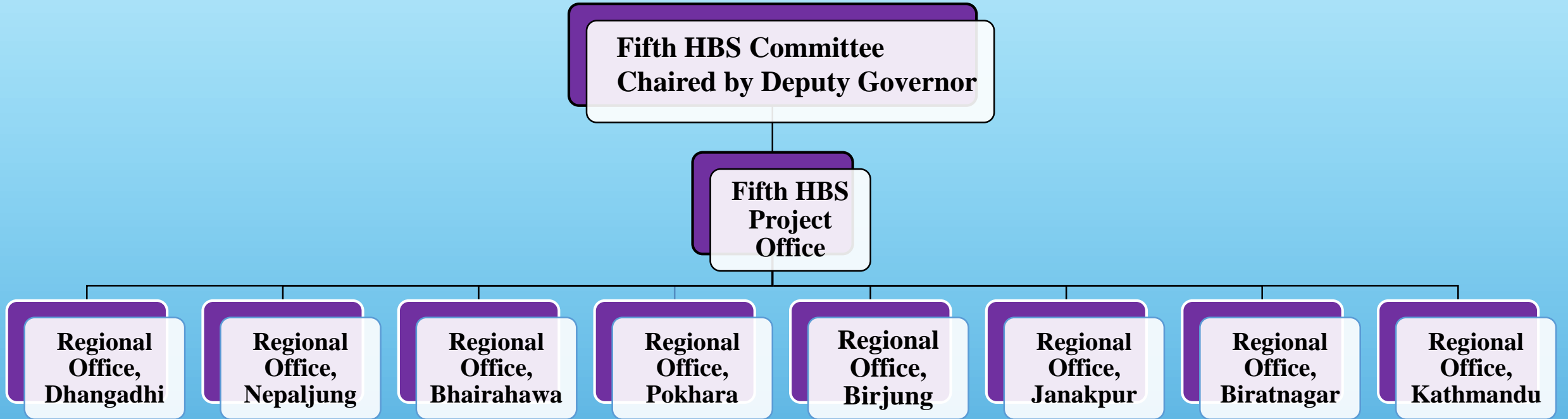
Surveys	Survey Period	Coverage	No. of Market Centers	Sample Households
First HBS	1973/74	Rural and Urban	18	6625
Second HBS	1984/85	Rural and Urban	35 (23 Rural+12 Urban)	5323
Third HBS	1995/96	Urban Only	21 Urban	2500
Forth HBS	2005/06	Rural and Urban	52 (29 Rural+23 Urban)	5095
Fifth HBS	2014/15	Rural and Urban	84 (47 Rural+37 Urban)	8028

2. Objective of the Fifth Household Budget Survey

- Household budget surveys till the fourth one had multiple objectives.
- The Fifth Household Budget Survey has a single objective:
“To review the consumption pattern of goods and services of Nepalese households and thereby provide a new commodity basket with updated expenditure weights required for the calculation of national consumer price index.”

3. Organization

Organizational Chart



Organization...

- For collecting data from the selected households, 309 surveyors were selected from the public school teachers of the survey areas.
- Altogether 42 NRB staff were involved in the survey project.

4. Methodology

- Sample design was outsourced to Central Department of Statistics, Tribhuvan University.
- Sampling frame was divided into 27 strata for drawing a representative sample.
- Three stage stratified sampling was used to select the sample households in which 84 market centers from the 27 strata were selected as the first stage units, 207 wards from the selected market centers were selected as the second stage units and 8028 households were selected from the wards as the third stage units.

Methodology...

- Reference period for data collection was February 13, 2014 to February 12, 2015.
- Data collected by using **Household Diary Method**.
- **Acquisition Approach to Consumption** was adopted in which the value of goods and services was recorded in the household diaries as soon as they were acquired by the households.
- Value of goods and services purchased from the market, received free of cost, received from exchange and home produced goods and services acquired for consumption purpose was included in consumption expenditure.

Methodology...

- As per the COICOP (Classification of Individual Consumption according to Purpose) Classification by United Nations Statistics Division, the consumption expenditure was categorized into the following twelve groups:

COICOP Classification	
1. Food and Non-alcoholic Beverages	7. Transport
2. Alcoholic Beverages, Tobacco and Narcotics	8. Communication
3. Clothing and Footwear	9. Recreation and Culture
4. Housing, Water, Electricity, Gas and other Fuels	10. Education
5. Furnishings, Household Equipment and Routine Household Maintenance	11. Restaurants and Hotels
6. Health	12. Miscellaneous Goods and Services

Methodology...

Data Editing, Cleaning and Analysis

- **Rental Equivalence Approach** was used to impute the rent of owner occupied dwellings.
- According to this approach, imputed rent of an owner occupied dwelling is imputed on the basis of actual house rent from similar type of dwellings in that area.
- The **5-percent Winsorizing Technique** used to treat the undesirable effect of outliers.
- In this technique, the values below the 5th percentile are replaced by the 5th percentile and values above the 95th percentile are replaced by the 95th percentile.

Methodology...

Data Editing, Cleaning and Analysis

- Number of households has been used as **sampling weights** to aggregate the variables from ward level to sub-national and national levels.

5. Main Findings...

A) Average Monthly Household Expenditure:

Analytical Domain	Consumption Expenditure		Non-consumption Expenditure		Total Household Expenditure	
	Amount (Rs.)	Share(%)	Amount (Rs.)	Share(%)	Amount (Rs.)	Share(%)
Rural Area	20,904	91.17	2,024	8.83	22,928	100
Urban Area	26,411	92.75	2,063	7.25	28,474	100
National	23,883	92.11	2,045	7.89	25,928	100

Main Findings...

B) Average Monthly Household Expenditure by Ecological Belts:

Analytical Domain	Consumption Expenditure		Non-consumption Expenditure		Total Household Expenditure	
	Amount (Rs.)	Share(%)	Amount (Rs.)	Share(%)	Amount (Rs.)	Share(%)
Terai	22,007	91.43	2,062	8.57	24,070	100
Hills*	22,799	91.60	2,091	8.40	24,890	100
Mountain	18,211	91.71	1,646	8.29	19,858	100
Ktm Valley	29,748	93.66	2,013	6.34	31,761	100
*Hills excludes Kathmandu valley.						

Main Findings...

C) Average Monthly Household Expenditure on Food Items:

Expenditure Group	Forth HBS		Fifth HBS	
	Amount (Rs.)	Share (%)	Amount (Rs.)	Share (%)
Food and Beverages	5,882	38.88	10,372	40.0
1. Food and Non-Alcoholic Beverages	4,936	32.64	9,425	36.35
2. Alcoholic Beverages and Tobacco	326	2.16	256	0.99
3. Restaurant and Hotel	620	4.08	690	2.66

Main Findings...

D) Average Monthly Household Expenditure on Non-food and Service Items:

Expenditure Group	Forth HBS		Fifth HBS	
	Amount (Rs.)	Share (%)	Amount (Rs.)	Share (%)
Non-food and Services	9,248	61.12	15,557	60.0
1. Clothing and Footwear	771	5.09	1,699	6.55
2. Housing and Utilities	3,669	24.25	4,796	18.50
3. Furnishing and Household Equipment	495	3.27	1,015	3.92
4. Health	343	2.27	819	3.16

Main Findings...

D) Average Monthly Household Expenditure on Non-food and Service Items:

Expenditure Group	Forth HBS		Fifth HBS	
	Amount (Rs.)	Share (%)	Amount (Rs.)	Share (%)
Non-food and Services				
5. Transport	562	3.71	1,261	4.86
6. Communication	294	1.95	665	2.57
7. Recreation and Culture*	1,323	8.74	581	2.24
8. Education	1,150	7.60	1,750	6.75
9. Miscellaneous	641	4.24	925	3.57
Non-Consumption Expenditure	-	-	2,025	7.89

*Expenses on party, picnic, marriage and other religious and cultural ceremonies have been classified as non-consumption expenditure in Fifth HBS. Thus, the amount as well as share of this group is low in comparison to the Forth HBS.

Main Findings...

E) Average Monthly Household Income:

- The average monthly household income was Rs. 30,121.

Rural Area Rs. 27,511

Urban Area Rs. 32,336

Main Findings...

F) Sources of Household Income

Source of Income	Share
Salary, Wages, Allowances and Pensions	30.26
Business Income	24.43
Remittance	17.61
Agriculture, Livestock and Fishery	7.12
Rent and imputed rent	17.25
Other	3.33
Total	100.00

Section B

Consumer Price Index

1. Commodity Basket

- The commodity basket for the new CPI series includes **496** goods and services:

1. New Commodity Basket...

- The new commodity basket for the CPI series includes **496** goods and services:

Current CPI			New CPI		
Goods	Services	Total	Goods	Services	Total
331	79	410	402	94	496

New Commodity Basket...

- Goods and Services included in the basket cover 97 percent of household expenditure at national level.
- Goods and services on which expenses has been reported by at least 50 percent of the sample households during the survey period have been included.

2. Weights of Goods and Services

- Expenditure weights for the goods and services included in the new commodity basket have been derived from the results of Fifth Household Budget Survey with the following adjustments.
- Expenses on social functions like expenses on picnic, marriage ceremony, party, bratabandha, etc. have been excluded.
- Expenses on gifts and charities have been excluded.
- Expenses for paying life insurance premium have been excluded.
- Expenses on the goods whose price can not be obtained have been excluded.

Weights of Goods and Services...

	Current CPI	New CPI
Food and Beverages	46.82	43.91
Non-food and Services	53.18	56.09

Weights of Goods and Services...

Group-wise Weights for CPI

Expenditure Group	Current CPI*	New CPI**
Food and Beverages	46.82	43.91
Cereals Grains & their products	14.81	11.33
Legume Varieties	2.01	1.84
Vegetables	5.65	5.52
Meat & Fish	5.70	6.75
Milk Products and Egg	5.01	5.24
Ghee and Oil	2.70	2.95
Fruits	2.23	2.03
Sugar & Sweets	1.36	1.74
Spices	1.46	1.26
Soft Drinks	0.96	1.24
Hard Drinks	1.72	0.68
Tobacco Products	0.85	0.41
Restaurant & Hotel	2.35	2.92
* Based on the results of 4th HBS.		
**Based on the results of Fifth HBS.		

Weights of Goods and Services...

Group-wise Weights for CPI

Expenditure Group	Current CPI*	New CPI**
Non-food and Services	53.18	56.09
Clothing & Footwear	8.49	7.19
Housing & Utilities	10.87	20.30
Furnishing & Household Equipment	4.89	4.30
Health	3.25	3.47
Transport	6.01	5.34
Communication	3.64	2.82
Recreation and Culture	5.39	2.46
Education	8.47	7.41
Miscellaneous Goods & Services	2.17	2.80

* Based on the results of 4th HBS.

**Based on the results of Fifth HBS.

3. Selection of Market Centers

- Altogether 60 market centers have been selected for price collection.

Market Centers by Rural-Urban Area

Rural_Urban Area	Current CPI	New CPI
Rural	14	29
Urban	19	31
Total	33	60

Market Centers by Ecological Belt

Ecological Belt	Current CPI	New CPI
Terai	16	23
Hills	16	32
Mountain	1	5
Total	33	60

4. Selection of Base Year

- The base year for the existing **CPI is 2005/06** whereas the base year for new CPI is **2014/15**.

5. Calculation of Consumer Price Index

- **Geometric Laspeyres Index** has been used to compute the price index.

THANK YOU