Report on: Analysis of food expenditure

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1. Executive Summary

This report summarizes an analysis of food expenditure, highlighting key economic and social indicators. The primary driver of current trends is persistent food-price inflation, which has elevated the share of disposable income spent on food to its highest level since 1991. In response, consumers are adapting their behavior by trading down to cheaper products and altering dining habits. Analysis of expenditure is typically segmented into Food at Home (FAH) and Food Away from Home (FAFH), with spending patterns influenced by demographic factors such as income level and household size. The outlook suggests that elevated food expenditure will persist for the near future. A supplementary dataset provides specific household metrics, including income, family size, and food expenditure for 10 entities.

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2. Key Insights

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Key Trends and Drivers of Food Expenditure:

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Inflation:

High food-price inflation, driven by global events, energy costs, and supply chain disruptions, is the most significant recent factor impacting expenditure.

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Post-Pandemic Behavior:

A strong rebound in Food Away from Home (FAFH) spending has been observed post-pandemic, with FAFH spending once again surpassing Food at Home (FAH) spending.

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Consumer Adaptations:

Consumers are using coping strategies such as shifting to private-label brands, shopping at discount grocers, reducing food waste, altering diets to include cheaper proteins, and choosing fast-food or promotional deals when dining out.

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Share of Income:

In 2022, food spending in the United States reached 11.3% of disposable personal income, the highest share reported since 1991, according to the USDA ERS.

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Core Analytical Components:

- Expenditure is broken down into two main categories: FAH (grocery) and FAFH (restaurants, takeout). FAH is influenced by commodity and transportation costs, while FAFH is more sensitive to labor and rent costs.
- Demographic and socioeconomic factors significantly affect spending patterns. Lower-income households spend a larger percentage of their income on food (Engel's Law). Household size and age are also major determinants of food expenditure.

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Data Sources:

- Primary data for analysis is sourced from government agencies, including the U.S. Bureau of Labor Statistics (Consumer Expenditure Survey), the USDA (Economic Research Service), and the UK's Office for National Statistics.

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Provided Dataset Metrics:

- The provided data includes 10 records with the following variables: ID, Income ($1000s), Family_Size, Food_Price_Index, Monthly_Rent ($1000s), and Food_Expenditure ($100s).
- Across the 10 records, Income ranges from $3,500 to $7,500.
- Family size ranges from 2 to 6 people.
- Monthly Food Expenditure ranges from $380 to $680.

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3. Potential Risks or Limitations

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Ongoing Supply Chain Vulnerabilities:

These are identified as a factor contributing to inflationary pressures on food prices.

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Persistent Inflationary Pressure:

High food-price inflation is a significant factor that forces households to allocate a larger share of their budgets to food.

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Strain on Household Budgets:

The increase in food costs relative to average incomes is highlighted as a strain on households.

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Food Insecurity:

Lower-income households are disproportionately affected by food inflation and are noted as being more likely to experience food insecurity.

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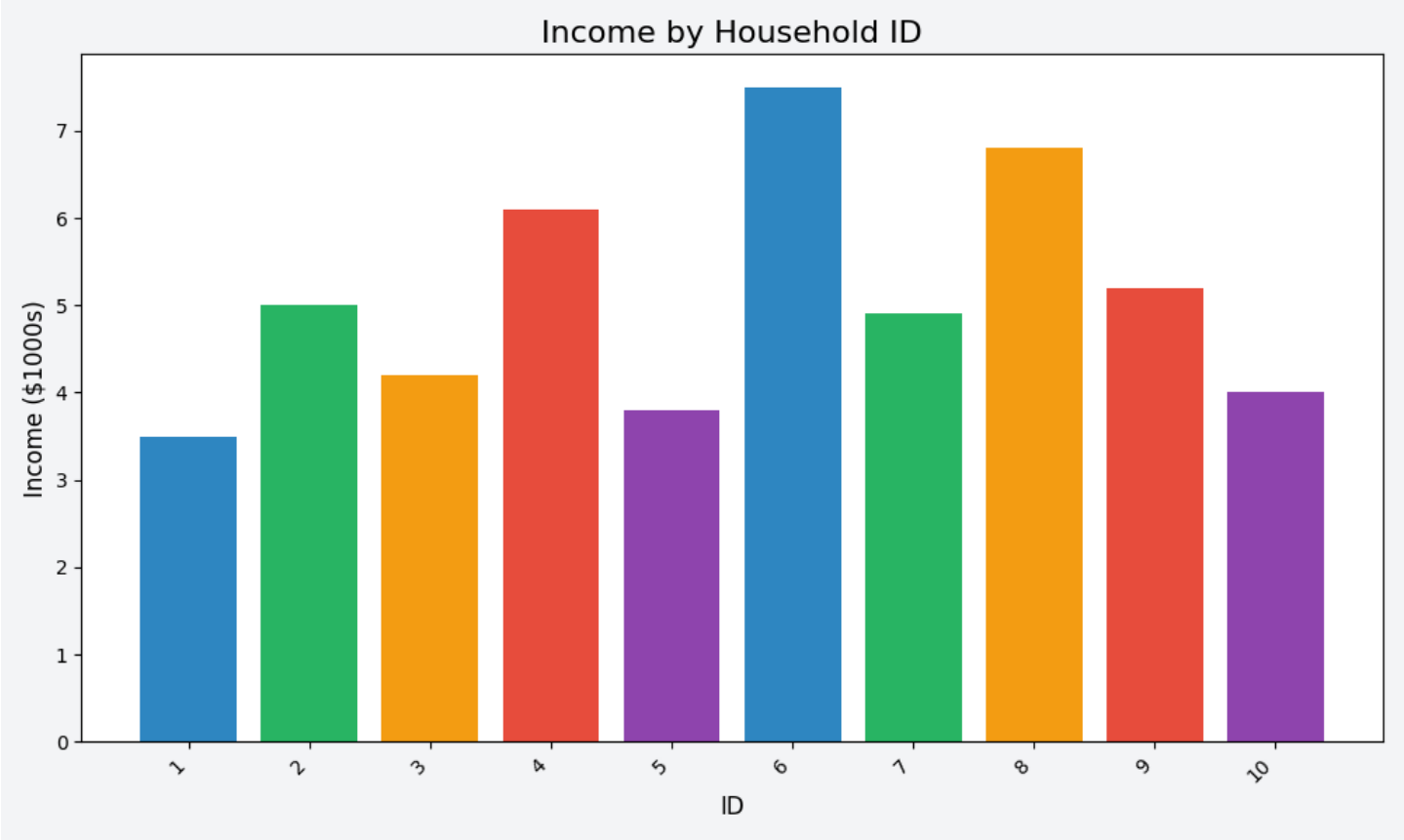
4. Conclusion

Based on the provided information, the outlook suggests that while the rate of food price inflation is slowing, a return to pre-2021 price levels is considered unlikely. Consequently, elevated food expenditure as a share of income is expected to be a "new normal" in the near future. This trend will continue to influence consumer purchasing habits and remain a central concern for public policy and food security. Businesses within the food sector are noted to be adapting by concentrating on value offerings and efficient supply chain management.

Visualized Data



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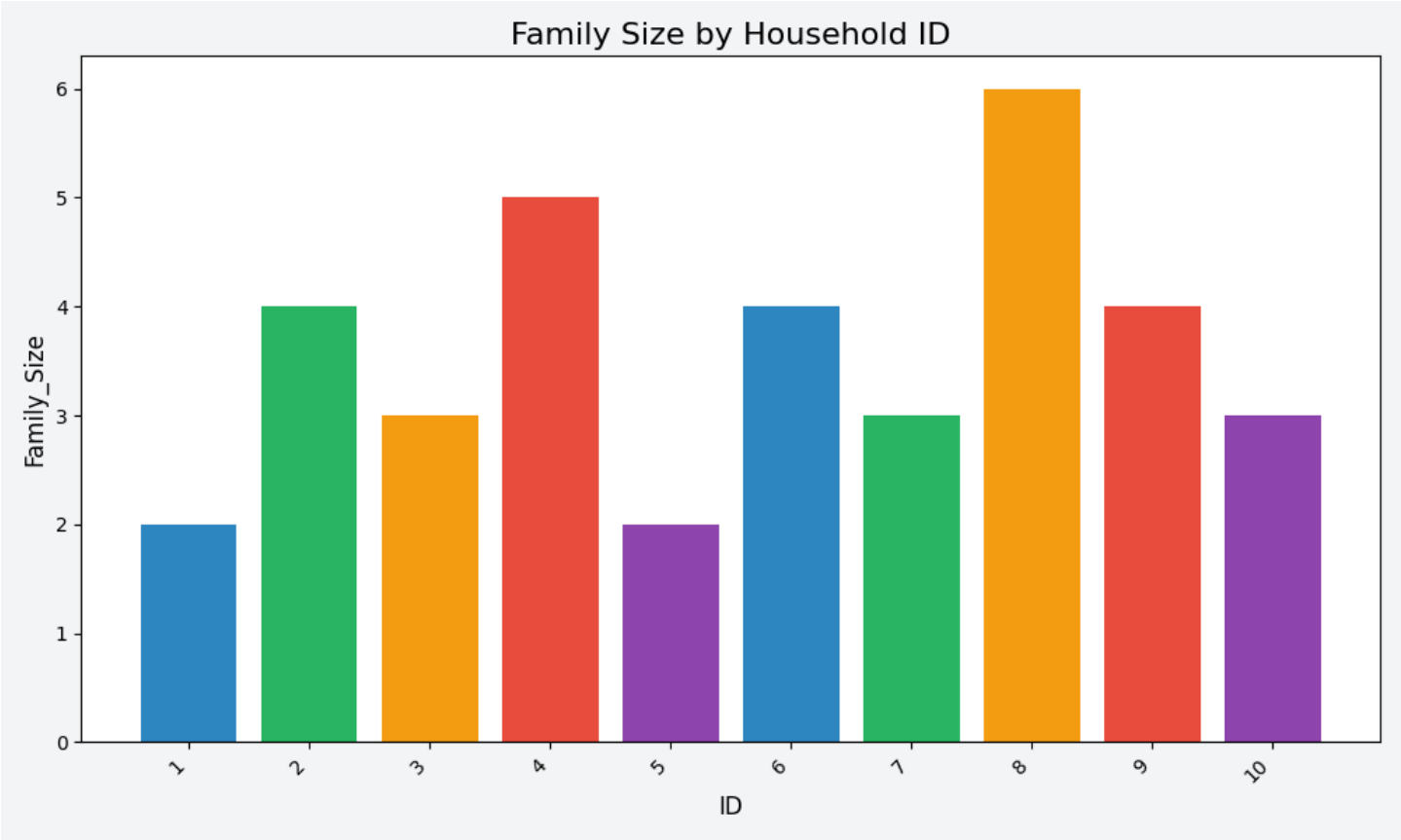

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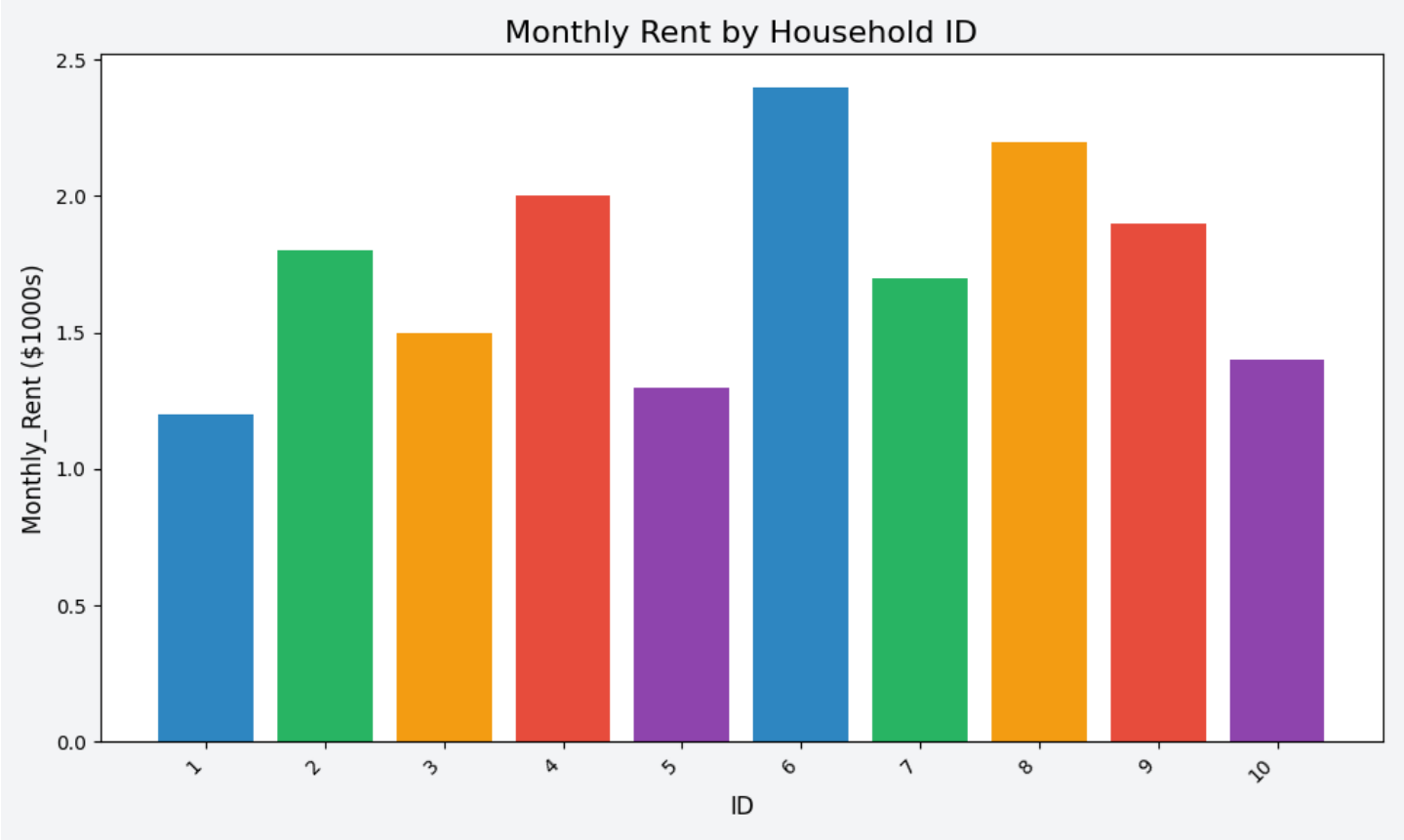

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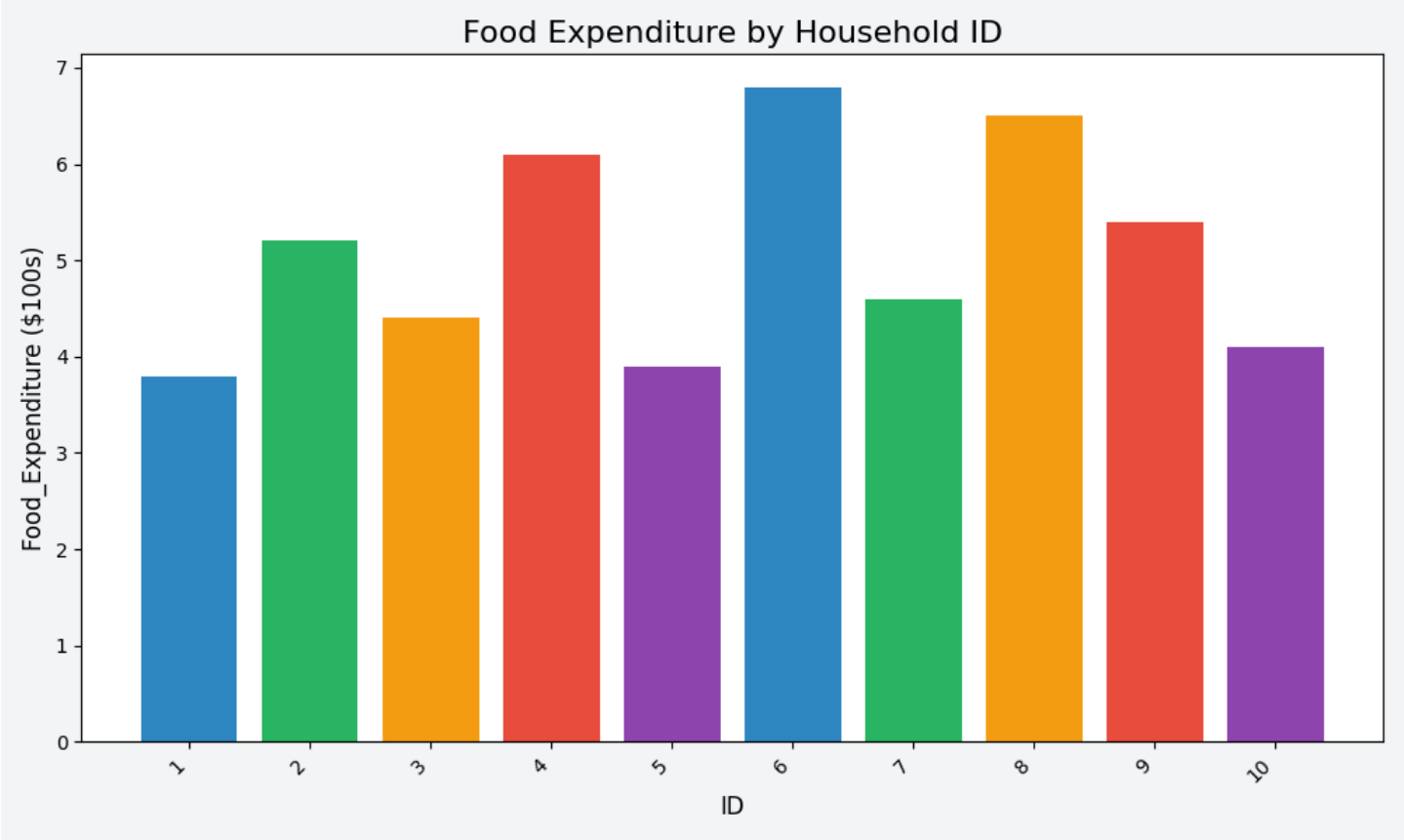

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