



AN ECONOMETRIC ANALYSIS OF THE PATTERN OF CONSUMER SPENDING ON FOOD IN EGYPT

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ABSTRACT

The research aims to study the patterns of consumer spending on food in EGYPT, and derive the price and expenditure elasticity for various categories of food goods in Egypt by applying Complete Demand Systems (The Linear Expenditure System LES) & Partial Demand Models (Analysis of Engel Curves), using cross-section data from the Egyptian Household Income, Expenditure, and Consumption Survey (HIECS) conducted in 2010 & 2015 by CAPMAS: the results show that:

The results of the LES model show that about 40% of the Supernumerary Expenditure is directed to the meat group, followed by the milk, cheese and eggs group by 16%, the fish group by 10%, then, the fruit group by 9% and the cereal and bread group by 8%, so this groups has an important place in the menu of the Egyptian consumer. The Food Poverty line for each person in 2015 is estimated at LE 6042 / person / year. From the previous results, A family of five- person needs LE 2517 per month to meet their basic needs.

The expenditure elasticity of demand is estimated based on the regression model of Engel

curves. According to the expenditure elasticity, the commodities are classified into three categories as necessities, luxuries and Giffen Good. The commodities, which have expenditure elasticity less than one, are called necessities, while, the commodities whose expenditure elasticity exceeds one, are called luxuries, then, the commodities whose negative expenditure elasticity, are called Giffen Good. The results of the analysis of food expenditure showed that expenditure elasticity for all food commodity were positive (without pasta & Lentil); indicating that demand for these products will continue to increase with growing real income and improving the level of Egyptian society. Therefore, the future demand for these foods would most likely increase steeply. Egypt will need to increase its production of these foods, especially livestock products that have high expenditure elasticity. The same holds true for Non Subsidized bread, natural butter, honey, dairy, yogurt, and fresh fine fish.

- From the previous results, Family of five- person needs LE 2517 per month to meet their basic needs, so a policy must be adopted to ensure the redistribution of income among individuals in order to raise the standard of living of certain groups under The Food Poverty line.
- The current estimates of price elasticity's should be very useful in the design of many different government policies.

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