

## Consumption and Socioeconomic Classification in Brazil: a Study Based on the Brazilian Family Expenditure Survey

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Over the last two decades, the Brazilian economic stabilization, the set of government actions related to credit access, the expansion of credit via credit cards, financing, overdraft facilities, among other measures (Lacerda, 2009), never seen before in Brazil, promoted better levels of family income and well-being. The country has experienced reduction on poverty over the last 10 years and academic studies reached news headlines indicating that a substantive portion of the population has managed to move out of poverty to constitute an emerging group that is nationally known as the *new Brazilian middle class*. An appraisal of studies related to the living standards theme reveals that few of them focus on comparing different economic stratification criteria taking into account the family financial and expenditure characteristics such as family expenses, income and debt. This paper intends to contribute for the understanding of this process providing empirical evidence about socioeconomic characteristics and consumption habits of these people to enlighten the discussion. The results confirm an economic improvement over time for those individuals classified in the lower socioeconomic stratum, together with an increase of total and per capita average income, and an increase of expenses. On the other hand, there is also a visible reduction of savings for families in all economic strata and higher levels of household indebtedness are also observed.

The present study aims at analysing different stratification criteria used in Brazil by market research companies and academia, taking into account family profiles based on demographic, socioeconomic and expenditure variables. The study general objective is to present and discuss different strata profiles generated by two nationally well-known stratification criteria based on survey data from the two last editions of the Brazilian Family Expenditure Survey (2002/2003 and 2008/2009) and provides evidence on patterns of change over time. The first criterion, called “Brazil Criterion”, was developed by market research experts and, like many other social grade criteria around the world, is used as a good discriminating function for purchasing power. The other, developed by academics, is mainly based on per capita income and has been used to discuss issues related to poverty alleviation. This will be named here as the “Center for Social Policies” stratification criterion, with a reference to the research institution located in Rio de Janeiro (Centro de Políticas Sociais – FGV) where the criterion was created. In order to accomplish the general objective, the paper identifies strata membership according the two different criteria based on survey data and examines the strata profiles taking into account expenditure, income and debt related variables.

The “**Brazil Criterion**” of economic classification (ABEP<sup>4</sup>,(007) main goal is to estimate the purchasing power of individuals and urban families. This stratification criterion aims at generating a standardized scoring system that could work as a predictor of individuals’ and families’ consumption capacity, able to discriminate large groups according to their capacity for consuming products and services that are accessible to a significant part of the population. The criterion discrimination procedure takes into account tangible household characteristics such as possession and quantity of durable goods, number of bathrooms, employment of domestic workers and educational level of the head of household. Each item receives a score and the sum of scores is then associated to an economic grade or stratum (A1, A2, B1, B2, C1, C2, D and E). The “**Center for Social Policies (CSP) Criterion**” has a similar approach to the one generally used for the analysis of poverty issues related to the so-called absolute poverty concept and it is based on household per capita income. The lower economic stratum (named E) is comprise of families with household per capita income below (or equal to) a poverty line<sup>5</sup>. The subsequent stratum (D) belongs to families whose household per capita income is situated between the poverty line and the median of the distribution. Next, the families in class C are those with household per capita income between the median and the ninth decile of the income distribution and, finally, the so-called AB class is composed of families with household per capita income above the ninth decile. (Neri and Melo, 2008).

The Brazilian Family Expenditure Survey, conducted by the Brazilian Institute of Geography and Statistics, has a probabilistic sample and the survey target population comprises those living in urban and rural areas. The survey aims at uncovering families’ consumption structures which allows delineating the population life conditions based on their household budget and corresponding expenditure. The survey has several units of analysis: consumer units, households, families, individuals, and the products (listed on the expenditure questionnaire). The data collection period lasts 12 months, in which it is possible to capture changes on family budget across the whole year, embracing all income and

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<sup>5</sup> In this study, poverty line has the value of 135 reais, equivalent to 66 dollars. Exchange rate on January 18<sup>th</sup>, 2013.

expenses variations that may occur on the annual budget (IBGE,2010)<sup>6</sup>. For this paper, various calculations have been done for consumer units, since most of the household expenditure data is collected at this level, and the terms consumer unit, family, and household may be used interchangeably for convenience.

In order to illustrate some results, Table 1 presents the percentage distribution of consumer units by strata defined by the two stratification criteria where there is evidence of poverty alleviation and increase of family consumption in the lower strata over time. Table 2a and 2b show how families, according to both stratification criteria, respond when questioned about their views regarding on how difficult it is to cover expected monthly expenses with the available total income.

Table 1: Percentage distribution of consumer units by stratification criteria and corresponding strata

Brazil Criterion			Center for Social Policies		
Strata	2002/2003	2008/2009	Strata	2002/2003	2008/2009
A	1.61%	1.18%	AB	10%	10%
B	12.07%	14.71%	C	40.00%	40.00%
C	32.38%	42.73%	D	32.56%	42.92%
D	40.34%	34.35%	E	17.45%	7.08%
E	13.59%	7.03%			

Table 2a: Percentage distribution of level of difficulty per strata – Brazil Criterion

Level	A		B		C		D		E	
	2002/03	2008/09	2002/03	2008/09	2002/03	2008/09	2002/03	2008/09	2002/03	2008/09
Very difficult	6.12%	2.98%	9.19%	4.65%	15.80%	12.32%	34.44%	25.90%	50.37%	42.43%
Difficult	8.60%	4.31%	15.35%	10.99%	22.86%	20.11%	26.87%	26.63%	25.07%	27.56%
Slightly difficult	35.15%	17.84%	41.73%	35.53%	43.52%	40.94%	30.35%	33.36%	19.21%	21.17%
Slightly easy	28.40%	30.88%	20.15%	24.24%	11.03%	16.38%	5.00%	8.72%	3.00%	5.28%
Easy	19.15%	33.76%	11.75%	22.04%	6.06%	9.50%	2.60%	4.76%	1.51%	2.96%
Very Easy	2.43%	10.23%	1.62%	2.55%	0.54%	0.70%	0.55%	0.59%	0.66%	0.60%

Table 2b: Percentage distribution of level of difficulty per strata – CSP Criterion

Level	A		C		D		E	
	2002/03	2008/09	2002/03	2008/09	2002/03	2008/09	2002/03	2008/09
Very difficult	7.29%	4.41%	15.90%	10.10%	32.57%	23.48%	53.61%	46.39%
Difficult	14.25%	5.82%	21.93%	17.37%	27.55%	27.29%	25.64%	29.31%
Slightly difficult	36.67%	26.91%	43.32%	40.37%	32.39%	36.46%	17.35%	19.50%
Slightly easy	20.70%	26.46%	12.05%	19.69%	5.12%	8.38%	1.91%	3.16%
Easy	18.06%	30.76%	6.10%	11.84%	1.73%	3.87%	0.83%	1.48%
Very easy	2.57%	5.64%	0.59%	0.65%	0.45%	0.48%	0.48%	0.25%

The study reveals that the stratification criteria differ with respect to variables related percentage distribution of the strata, average number of persons per consumer unit, family arrangements, average income per capita, income per stratum, education of head of household, loans and debt. The results highlight how different criteria define the middle class stratum. Depending on the criteria, the middle class is composed of families with diverse education and income profiles, indicating that a full understanding of the stratification criteria is essential to inform the debate. Managerial implications and suggestions for future studies are also stated.

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<sup>6</sup> [http://www.ibge.gov.br/home/estatistica/populacao/condicaodevida/pof/2008\\_2009/POFpublicacao.pdf](http://www.ibge.gov.br/home/estatistica/populacao/condicaodevida/pof/2008_2009/POFpublicacao.pdf)