

## Poverty Analysis Using a Comprehensive Consumption Measure

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In this paper we discuss efforts by the Bureau of Labor Statistics (BLS) to produce a comprehensive measure of consumption, some initial results from this measure, and the implications for poverty measurement. In 2020, the Bureau of Labor Statistics began an initiative to produce a comprehensive measure of consumption at the consumer unit level. This measure would build on data available in the U.S. Consumer Expenditure Surveys. The initial measure of consumption will be defined using expenditures for some goods and services and the flow of services for others like those for owner-occupied housing and the stock of vehicles owned, as well as the value of public in-kind transfers. In addition to measures of consumption, we also produce measures of income and total expenditures.

Using the measures of income, expenditures, and consumption, we produce poverty statistics for the years 2015-2020. Using a purely relative poverty threshold defined as 60 percent of the median of the given measure, we find that after tax income poverty is greater than consumption poverty and is relatively stable over the period while relative consumption poverty falls. When using an absolute threshold updated for inflation, income poverty falls by less than consumption poverty over this period. This is despite the fact that median after tax income is increasing faster than median consumption over this period. Better understanding of the joint changes at different points the distributions of the different measures will allow us to better understand the trends in measured poverty.

An additional area of inquiry is to better understand the disagreements in assigning households to poverty depending on the measure used. We view the consumption poverty measure as being a complement to existing income-based poverty measures. One issue is how to interpret consumption poverty statistics when it disagrees with income-based poverty measures (e.g. households that are consumption poor but not income poor and vice versa). We will examine the causes of the disagreements between measures to better understand how to interpret consumption-based poverty statistics. We will also characterize the types of households where the measures disagree and study trends over time.