

Household Consumption Behaviour: A cross-country comparison for Italy and the UK

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This paper provides a full comprehensive cross-country comparison of household consumption behavior disaggregated into its components for two countries, Italy and the UK, over the period 1970-2007. Cross-country comparison of household final consumption expenditure is traditionally based on either individual or few divisions of commodities, and normally gives partial and biased descriptions of household spending habits. This paper provides a detailed assessment of the phenomenon by considering simultaneously all the first twelve divisions of the Classification Of Individual Consumption by Purpose (COICOP), and is developed through two broad levels of analysis. The first is an analytic description of the key patterns of Italian and British consumption in volume terms, budget shares and relative prices, and a full qualitative assessment of cross-country differences and similarities in household consumption behavior is provided. The second level of analysis is an empirical evaluation of the way by which price and income influenced consumer demand in Italy and the UK: this is obtained by using the Indirect Translog System as defined by Christensen, Jorgenson and Lau (1975). The empirical findings show significant results in terms of elasticity, and specific country patterns in consumer behavior, mainly driven by three factors: consumption habits, income and relative price differentials. In particular, the paper demonstrates that deep-rooted consumption habits characterize consumer behavior in Italy much more than in the UK.

Keywords: Household consumption behavior, Indirect Translog System, Cross-country comparison.