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CHANGES IN THE STRUCTURE OF INCOME AND CONSUMPTION IN LITHUANIA

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ABSTRACT

Lithuania gained its independence in 1990. In the middle of 1993, the decrease in real wages was halted, with the rate of price increases and average wages becoming almost equal after the three-year period. The real income decrease stopped in the second half of 1993 and the increase in real income was 4% in 1993. Average cash income per household member has been increasing. Average monthly official income per household member at the end of 1993 was 40,2 USD per month (482,4 USD annually) and 66,28 USD per month or 795,36 USD over the year at the end of 1995. During this period, real household income has increased insignificantly and by the end of 1995, it amounted to just under 40 per cent of the December 1990 level in urban areas and it was even less in rural areas. The consumption and income structure in Lithuania during the years 1989 - 1995 is examined in this paper.

KEYWORDS:

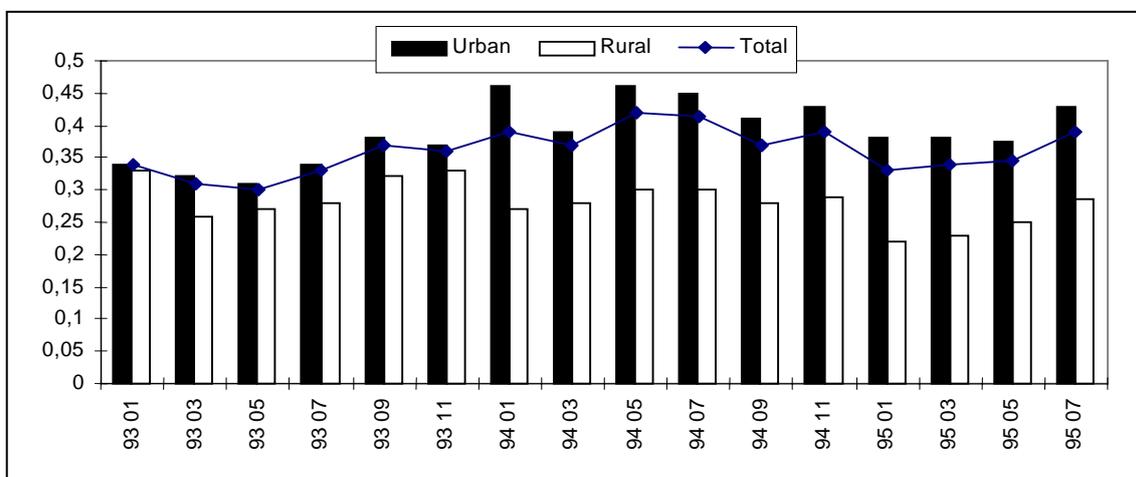
CONSUMPTION PATTERNS, INCOME, LITHUANIA

Lithuania gained its independence in 1990. The six years of independence were not momentous in either political or economic terms. But in the middle of 1993 the decrease in real wages was finally brought to a stop, with the rate of price increases and average wages becoming almost equal after the three-year period. The real income decrease stopped in the second half of 1993 and the real income increase was 4% in 1993 (Fig. 1). Average cash income per household member has been increasing. If average monthly official income per household member at the end of 1993 was 40,2 USD or 482,4 USD per household member over the year, average cash income per household member at the end of 1995 constituted 66,28 USD per month or 795,36 USD over the year. During this period real household income has increased insignificantly and during the recent months of 1995 this income has amounted to just under 40 per cent of the December 1990 level in urban areas and it was even less in rural areas.

Such a low income rate in rural areas could be explained by the fact, that many agricultural partnerships have broken down and farmers, set up in their place, have not become financially stable yet. In cities, concentration of income has been increasing. On the other hand, it is considerably more difficult to obtain reliable information on households with high income in urban areas. It should be noted that the decrease in household income in August 1994 or in January 1995 should not be considered as a newly emerging trend. This could be more likely explained by the seasonal prevalence of household income. The reason for the

instability of growth in changes of real household income was the bankruptcy of the main banks in 1994-1995.

Fig.1. Changes in real household income (index)¹



Note: 12/1990 - 01/00

Analyzing the sources of the income, some changes in their structure during this period can be seen (Table 1).

Table 1. Sources of Personal Income in Lithuania

Source, %	1989	1990	1991	1992	1993	1994	1995
Wages and salaries	68,7	70,8	67,4	66,4	59,05	59,5	69,26
Business income					6,15	7,2	
Income from personal agriculture	9,0	9,3	8,3	9,7	10,4	11,1	7,77
Dividends and interest					0,6	0,8	0,49
Rental income					0,1	0,1	
Total Transfers	11,5	12,1	16,0	18,7	15,9	15,8	17,84
Other sources	10,8	7,8	8,3	5,2	7,8	5,5	4,64
Total	100	100	100	100	100	100	100

The largest single source of income for Lithuania households are wages and salaries paid for labour. In the period of 1989-1995 wages and salaries made up about two-thirds of total personal income, a proportion that has changed very little over the years. This is a common tendency. From the table above we can see the new labour personal source - business income - makes up 6,15% of total personal income. This is a result of the privatization and market economy in Lithuania. The most specific source of income is that derived from the land. Lithuania has always been an agricultural country. Historical traditions and "collective garden" politics during the Soviet period determined about 10% of total income from personal farming. But income from personal agriculture is only 0,5% for households living in towns and 32,8% for households living in the country. A few new sources appeared in the time of new economic policy. Dividends, interests and rental income are being introduced to Lithuania households. These sources are very negligible, though making up only 0,6 - 1%. These percentages are probably higher in the market economy, otherwise, we think, our respondents did not answer accurately and these sources are concealed under the line "other".

¹ Survey of Lithuanian economy 1995 November. Department of statistics to the government of the Republic of Lithuania. 1996, p.18.

Table 2 shows the household consumption structure in Lithuania in 1989 - 1995. A bad trend is evident for food expenditure growth. However the percentage of total income spent on food slightly declined tendency softened a little in 1994. Food expenditures decreased in the second half of 1993 and it was influenced by income growth. Another tendency, which is also clear, is that the consumption of other goods decreased from 46,7% in 1989 to 8,11% in 1995. The reason for the decrease is the growth of food expenditures and slower increases in prices for other goods. Expenditures for housing fuel and power have decreased up to a rate of 14,65% in 1995 and expenditures for services (medical, transport and education) are also on the decline. Finally, there have been lower expenditures on alcohol.

We can conclude that income is low in Lithuania, but that there was been a definite increase in real income in the end of 1993. New personal income sources appeared and growth of food expenditures stopped. There is a hope for more good news in the fields of income and consumption in future for the Lithuanian economy.

Table 2: Household Expenditure Pattern (per cent)

	1989	1990	1991	1992	1993	1994	1995
Consumption expenditure	100	100	100	100	100	100	100
Food products	34,9	33,9	38,3	59,7	61,93	57,32	57,33
Alcoholic beverages and tobacco	61,1	6,1	5,5	2,9	2,91	2,51	2,40
Clothing and foot wear	45,7	47,5	47,3	27,4	10,66	10,36	8,11
Services	13,3	12,5	8,9	10,0			
Housing fuel and power					9,60	12,49	14,65
Household equipment and operation					2,6	2,88	2,77
Medical care and health services					1,20	1,77	1,89
Transport and communication					6,06	6,42	6,74
Education, recreation and entertainment					2,46	3,02	2,81
Other goods and services					2,58	3,23	3,30