



**NINTH ANNUAL CONFERENCE ON  
ECONOMETRIC MODELLING FOR AFRICA**

**30 June  
to  
2 July 2004**

**South African Households: Are Expenditure  
Patterns Almost Ideal?**

Steven F. Koch

## South African Households: Are Expenditure Patterns Almost Ideal?

Steven F. Koch  
Department of Economics  
University of Pretoria  
Pretoria 0002  
Republic of South Africa  
Office: (012) 420-3468  
Fax: (012) 362-5207  
[skoch@postino.up.ac.za](mailto:skoch@postino.up.ac.za)

### **Abstract**

South African income and expenditure are not normally distributed over the population, primarily due to the fact that employment opportunities are not uniformly available to all members of the population. Importantly, however, expenditure system analysis has been conducted using developed economy data, which are more likely to satisfy the standard distributional assumptions used in these analyses. In this paper, I develop and estimate South African expenditure share elasticities, taking into account the distributional features of the data. The estimated model is non-parametric and the results from the non-parametric model are compared to regressions from more standard parametric models. Within either the parametric, or non-parametric version of this model, it is possible to embed both the Almost Ideal Demand System, and a modified version of the Almost Ideal Demand System to determine which of the ideal systems more accurately explains the data. Preliminary results from our analysis suggest that the non-regularity of the data distributions affects the estimates significantly, although the direction of the effect does not appear to fit an obvious pattern.