Why develop the Primerica Household Budget Index™ (HBI™)?

When families make monthly budgets, they plan for how much money they will need to keep groceries in their cupboards and gas in their cars. Unfortunately, the prices of these and other necessities can change quickly – even from one day to the next – meaning how much a family can afford can also shift. This volatility disproportionally impacts middle-income families with tight budgets.

Understanding middle-income families’ purchasing power is important because it directly impacts their ability to save money vs. increase debt. Because there was no reliable and consistent measure to track this change over time, Primerica created the monthly HBI™ to fill the gap.

Why does the Primerica Household Budget Index™ (HBI™) target the income range $30k to $130k?

This income range encompasses the financial experiences of more than half (56%) of US middle-income households. The lower end is set at roughly double the US federal minimum wage and the upper end of $130,000 encompasses at least 50% of households, using the most recent data available (2022 Population Survey data).

What does the Primerica Household Budget Index™ (HBI™) measure?

The Primerica Household Budget Index™ (HBI™) measures middle-income families’ purchasing power. It looks at how the current economic climate affects families’ ability to afford necessities, including food, gas, utilities and health care. The index focuses on these items because their cost can vary month-to-month because of economic and other events, such as global trade issues, weather issues, animal and plant disease, pandemics and international
conflicts. These factors create supply and demand imbalances, which can lead to big price changes.

The index also takes earned income into account because tracking differences in inflation and wage growth is key to measuring the strength of household budgets.

**What does the Primerica Household Budget Index™ (HBI™) not measure?**

The HBI™ is not meant to measure the overall financial stability of middle-income Americans. Such a measurement would need to consider how much debt households are carrying and/or how much money they have saved. Instead, the HBI™ assesses whether these households can get ahead financially, or whether they are falling further behind based on the affordability of the everyday necessities.

**Why not use the Consumer Price Index (CPI) to measure the strength of household budgets?**

The Consumer Price Index (CPI), released monthly by the Bureau of Labor Statistics, provides an excellent measure of inflation as a whole but does not offer a clear picture of how this change in prices impacts middle-income Americans.

The CPI includes expenses middle-income households can plan for, such as buying a car or a dishwasher, and it includes the purchasing patterns of households of all income ranges. The HBI™ removes these infrequently purchased or predictable expense items and focuses solely on the purchasing patterns of middle-income households, defined as those with incomes of $30,000-$130,000.

**Why does the Primerica Household Budget Index™ (HBI™) only consider earned income?**

Earned income includes wages, salaries, tips and other taxable employment-related compensation. We look at earned income for several reasons. First, when setting a budget, households are not factoring in one-time payments, such as pandemic relief aid. Secondly, earned income is the primary source of income for middle-income households. Finally, we rely on the same data source as the Atlanta Federal Reserve Bank's Wage Tracker, which validates the data used in the HBI™ and provides a reliable monthly data source.

**How do you talk about the Primerica Household Budget Index™ (HBI™)?**

The index is presented as a percentage and uses January 2019 as its baseline. This point in time reflects the most “normal” economic
times prior to the pandemic and for the purposes of our index it is when the middle-class had 100% purchasing power. So, if any given month the index is above 100%, this means that households may have extra money left over at the end of the month that can be applied to things like entertainment, extra savings or debt reduction. If it is under 100% households may have to reduce overall real spending to levels below budget, reduce savings (smaller additions or outright withdrawals), or increase debt to cover expenses.

How has the Primerica Household Budget Index™ (HBI™) trended over the past decade?

The HBI™ shows that middle-income families experienced gains in purchasing power from 2014 to 2020, meaning households had more money to pay down debt, buy better quality goods, make larger purchases or save for the future. But since those gains peaked in November 2020, households have lost ground each month through June 2022 as everyday household expenses have increased much faster than earned incomes. Essentially, the hard-earned financial gains households made over six years were wiped out in just two years.

Since last summer, inflation has eased some but remains high. That means household budgets continue to be pressured by the high cost of everyday expenses. Middle-income households are still in recovery mode, and it will take them a while to fully recover. The income deficits of the past have resulted in a rise in debt and fall in assets, leaving households in a precarious position.

Why is the Primerica Household Budget Index™ (HBI™) baseline set at January 2019?

All indexes require the establishment of a baseline, or a starting point used for comparisons. January 2019 is used for the HBI™ because it is the most recent “normal” year prior to the COVID-19 pandemic.

How does the Primerica Household Budget Index™ (HBI™) complement the Financial Security Monitor™ (FSM™)?

Launched in September 2020, the Financial Security Monitor™ (FSM™) is a quarterly national survey that measures changes in the sentiments of middle-income families about their finances. The HBI™ complements the FSM™ by providing the first index that uses government data to track changes in the cost of everyday necessities against changes in average wages. The HBI™ uses the same household income range as the FSM™ of $30,000-$130,000. You can read more about the FSM™ here: The Primerica Financial Security Monitor.