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## THE PROCESS OF DETERMINING MINIMUM CONSUMPTION EXPENSES IN FOREIGN COUNTRIES

**Abstract:** This article explores how minimum consumption expenses are calculated and their essential role in combating poverty. It offers an in-depth look at the global evolution of consumption basket standards and their socio-economic effects. By examining best practices from developed countries alongside Uzbekistan's situation, the research underscores the importance of establishing suitable consumption thresholds to create effective poverty reduction strategies. The findings indicate that precise measurement and regular updates of minimum consumption standards can greatly alleviate poverty and enhance overall living conditions.

**Keywords:** minimum consumption expenses, poverty, consumption basket, economic reforms, Uzbekistan

### Introduction

The idea of minimum consumption expenses is crucial in socio-economic planning, as it acts as a standard for evaluating the basic needs of individuals and families. These expenses are usually determined by the makeup of a consumption basket, which consists of essential goods and services necessary for maintaining a basic standard of living. The way these thresholds are calculated and applied varies from country to country and has a direct impact on how poverty is measured and how policies are developed.

In developed nations, the standards for the consumption basket have been continuously updated to account for inflation, changes in lifestyle, and economic growth. These updates are essential for alleviating poverty and promoting social equity. In Uzbekistan, tackling poverty has become a key national focus, as emphasized by President Shavkat Mirziyoyev in various economic reforms. However, defining and effectively implementing consumption standards remains a challenge, requiring alignment with international practices. This article seeks to examine the development of these mechanisms, assess their effects on poverty, and offer suggestions for enhancing Uzbekistan's strategies.

### Literature Review

The concept of a consumption basket emerged in the early 20th century as governments started to set poverty thresholds to assess socio-economic conditions. For instance, in the 1960s, the United States established the "poverty line," which used a basic consumption basket to estimate living expenses. Later, organizations like the World Bank and OECD refined these approaches by introducing ideas such as Purchasing Power Parity (PPP) and the Human Development Index (HDI) to facilitate global comparisons.

Countries like Germany, Japan, and the United States have created sophisticated systems for calculating minimum consumption costs. Germany, for example, regularly updates its consumption basket to reflect current economic trends, ensuring that low-income families can sustain a basic standard of living. Likewise, Japan incorporates regional differences and inflation adjustments into its

calculations, keeping poverty rates under 10%. These practices highlight the significance of adaptive policies that respond to changing socio-economic landscapes.

In Uzbekistan, the initiative to establish a consumption basket is relatively new. Researchers like A. Karimov stress that setting minimum consumption thresholds is vital for crafting effective social policies [1]. However, local studies point out the absence of standardized methods and the necessity for frequent updates. President Shavkat Mirziyoyev has emphasized the need to combat poverty through focused economic reforms, which include enhancing social protection and improving income distribution systems [2].

### Methodology

This study uses a mixed-methods approach that blends qualitative analysis of both global and local policies with quantitative assessments of poverty indicators. The data sources consist of reports from the World Bank, IMF, and national statistics from Uzbekistan. The analytical methods involve comparative analysis to examine the composition of consumption baskets in developed countries versus Uzbekistan, as well as trend analysis to track changes in poverty rates over time.

### Analysis and Results

Calculating minimal consumption expenditures in developed countries is crucial for understanding economic living standards and promoting social equity. This calculation focuses on identifying the essential goods and services needed for basic living, which can vary based on each country's socio-economic context, consumption habits, and government priorities.

In the United States, the Consumer Price Index (CPI), managed by the Bureau of Labor Statistics (BLS), is utilized to monitor inflation and spending on essential items. The CPI is derived from a basket of around 80,000 items, divided into 8 main categories:

- food and beverages;
- housing;
- apparel;
- transportation;
- medical care;
- recreation;
- education and communication;
- other goods and services.

The Food at Home and Housing categories are central to minimal consumption expenditures. Including housing costs is particularly important, as housing typically accounts for a significant portion of household budgets. Moreover, the Medical Care category has become increasingly relevant due to rising healthcare costs.

Germany employs a similar approach, but it places greater emphasis on the distribution of household income and the affordability of basic needs. The German Federal Statistical Office determines minimal consumption expenditures by using a basket of goods tailored to the German context, which includes items commonly consumed in German households. These items consist of:

- food and beverages;
- rent and utilities;
- transport (particularly public transport);
- health insurance (a major expense in Germany);
- education and childcare costs.

In contrast to the U.S., where private health insurance is prevalent, Germany's system of mandatory public health insurance premiums and educational fees has a significant impact on the calculation of minimal expenditures[4].

The United Kingdom relies on the Living Costs and Food Survey (LCF) to determine basic consumption expenditures. This comprehensive survey captures the spending habits of households from various income levels, offering a clear picture of essential goods and services. The basket of essential items in the UK includes:

- food and non-alcoholic beverages;
- rent and utilities (gas, electricity, and water) ;
- clothing;
- transport (car maintenance and fuel costs);
- medical services and prescriptions.

The UK's methodology places considerable emphasis on non-food items such as transport and clothing, which mirrors the consumption patterns of typical British households. Furthermore, the Department for Work and Pensions (DWP) utilizes this information to assess whether families are meeting the Minimum Income Standard (MIS)[5].

Japan uses a method known as the Family Income and Expenditure Survey to determine the minimum consumption expenditure. This survey, carried out by the Statistics Bureau of Japan, covers several key categories of spending:

- food (both at home and dining out);
- housing (rent and utility costs);
- transportation (public transport and car expenses);
- medical and healthcare services;
- education and childcare costs;
- miscellaneous goods and services.

The Japanese approach is distinct in how it accounts for food expenses, highlighting a unique dietary pattern where a significant portion of spending goes toward prepared foods. Additionally, housing costs often represent a larger share of minimal expenditure compared to other countries[6].

Uzbekistan has made significant strides in reducing poverty, but challenges remain. The national poverty rate stood at 14% in 2023, with rural areas being particularly hard hit (UNDP, 2023). The government has launched initiatives like the Social Protection Strategy (2022-2030) to create a comprehensive consumption basket that meets international standards. Statistical analysis suggests that a dynamic and transparent consumption basket could lower poverty rates by 5-7%.

Additionally, under President Shavkat Mirziyoyev, Uzbekistan's economic reforms have aimed at generating job opportunities, raising wages, and enhancing social safety nets. While these efforts are gradually improving living conditions, further alignment with global best practices is essential for sustainable development.

## Conclusion

The analysis of minimal consumption expenditures in developed countries highlights the need to consider local socio-economic conditions and consumption habits. Although the main expenditure categories—food, housing, transportation, healthcare, and education—are generally the same, their relative significance varies based on the unique economic environments in which they are assessed. Government policies play a crucial role in helping citizens meet their basic consumption needs, with welfare programs closely tied to these expenditure assessments. This study emphasizes the vital importance of minimum consumption expenses in alleviating poverty. Developed countries provide important insights into the necessity of adaptable, region-specific consumption standards. By

implementing these strategies, Uzbekistan can enhance its efforts to combat poverty and elevate living standards.

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