

Determinants of Household Consumption: New Evidence from Selected Sub-Saharan Africa

Ernest Simeon Odior^{1*}, Adedoyin Raphael Da-Silva¹, Ikechukwu Peter Nwele¹, Darlington Uzoma AKAM¹

¹Department of Economics, Faculty of Social Sciences, University of Lagos, Nigeria

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*Corresponding author: Ernest Simeon Odior

Department of Economics, Faculty of Social Sciences, University of Lagos, Nigeria

Abstract

This paper investigates the macroeconomic determinants of household consumption in 37 Sub-Saharan African economies with annual time series from 2000 to 2023. The determinants include income, wealth, exchange rate, and population. Using a battery of econometric techniques, the result suggested the existence of a long-run relationship between the household consumption and its determinants. However, only income exerted positive and significant influence on household consumption in SSA countries. Therefore, the paper recommended that policymakers in the SSA countries should focus more on the improvement of households' income base in the region. Also, since income is an important determinant of household consumption in the region, expansionary fiscal policies (such as public investment in infrastructure, tax incentives for businesses, and support for small and medium-sized enterprises (SMEs)) should be aimed at, so as to increase employment opportunities, income and wealth creation.

Keywords: Income; Wealth; Fully modified ordinary least squares; Sub-Sahara Africa, Household consumption.

JEL Classification: C31; D63; O15; O18.

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1. INTRODUCTION

Household consumption expenditure is crucial in stimulating aggregate demand and economic activities (Rahayu *et al.*, 2021; Salo *et al.*, 2021). Essentially, it is the main reason behind productive activities of goods and services by firms and industries in any nation and determines the well-being of individuals. Therefore, understanding its determinants is crucial for macroeconomic modeling and policymaking, with far-reaching implications on saving, investment, employment, human development, and economic growth (Crawley & Kuchler, 2023).

According to the World Bank (2025), household consumption expenditure contributed an average of 55% of the global gross domestic product (GDP) from 2000 to 2023.¹ In a similar period, South Asia household consumption expenditure contributed 62% to GDP; In Latin America & Caribbean region 57%; Arab World 47%; East Asia & Pacific 46%; North America 67%; European Union 53%. However, in Sub-

Sahara Africa (SSA), household consumption expenditure has largely driven economic activities substantially stimulated aggregate demand, and spurred economic growth. In comparative terms, household consumption in SSA countries, on average, contributed 81% to Gross Domestic Product (GDP) between 2000 and 2023, which is far above other regions in the world. In SSA economies like Kenya, household consumption contributed 80% to GDP, on average over the same period. In Ghana, South Africa, and Senegal, household consumption has contributed 84%, 66%, and 78% to GDP respectively. The WDI data revealed a significant contribution to household consumption in the SSA economies.

Despite the remarkably high percentage of household consumption expenditure in sub-Saharan Africa, the region is still the poorest in the world. According to World Bank Report (2025), the region accounts for 16% of the world's population, and about 67% of the population is living in extreme poverty. Many

¹ NPISH refers to Non-profit institutions serving households, that are not mainly financed and controlled by the government, and provide goods or services to households for free or at prices that are not economically

significant. Examples include churches and religious societies, sports and other clubs, trade unions, and political parties. Source: Eurostat 2010.

households still struggle to meet the necessities of life, which include food, clothing, shelter, healthcare, clean water, and education. Low growth, low income, high exchange rate, and non-inclusive growth have been attributed as the problems of the region. Moreover, Signe (2018) noted that Africa is one of the fastest-growing consumer markets in the world due to the size of household consumption expenditure. This is why Chai (2018) concurred that household consumption expenditure has key implications for the growth of industries. Given the important role consumption plays in the economy, understanding the factors that influence household consumption becomes imperative.

In economic literature, it is generally acknowledged that household consumption is an important component of economic activities. Substantially, it stimulates aggregate demand and domestic production, which results in job creation, employment, income generation, and economic growth, thereby improving the living standards of people and reducing the poverty level. However, there is scholarly divergence as to what factors or variables constitute the determinants of household consumption expenditure. In Asian countries, Arapova, (2018) the growing middle class of the Asia sub-region is the main driver of consumption expenditure, thus spurring economic growth in the region. Hossain and Al-Amin (2019) concluded that high per capita income, education, family size, gender, and lower dependency ratio are key drivers of consumption expenditure of households in Bangladesh. Nguyen (2020) noted that in countries like Vietnam, the Philippines, Indonesia, Thailand, and Cambodia, changes in household income, education, and household size influence are the major drivers of household consumption expenditure.

The available literature cited shows that studies on the determinants of household consumption are still varied and ongoing. There exist several divergences on the factors or variables that determine household consumption. This gap in literature provides an opportunity for the study to fill in the gap. Moreover, to the best of this study's knowledge, studies on the determinants of household consumption in sub-Saharan Africa are rare. This also provides an opportunity for the study to contribute to the knowledge of literature in the region for further studies and references. Therefore, understanding key drivers of household consumption in the region will provide vital information for policymakers and other economic stakeholders to guide policies to improve the living standards of citizens in the region and further spur poverty economic growth. This study therefore intends to model the determinants of household consumption in Sub-Saharan Africa.

2. LITERATURE REVIEW

2.1 Theoretical Review

Theoretically, several scholars have examined different determinants of household consumption. For

instance, Keynes (1936) pioneered the debate on determinants of consumption with his model of consumption theory. Keynes's Absolute Income Hypothesis (AIH) posited that current income is the main determinant of current consumption expenditure. As such, as income increases, consumption expenditure also increases but less than proportionately. According to the theory, the marginal propensity to consume is smaller than the average propensity to consume. The criticism of this theory is that it did not consider individuals' expected path of income or time preference for consumption.

In another study, James Duesenberry (1948) criticized the central assumption of the Absolute Income Hypothesis (AIH), which postulated independence of the consumption of individuals. He thereafter postulated the Relative Income Hypothesis (RIH) theory that consumption patterns are interdependent among individuals. The theory posited that an individual's satisfaction from a given level of consumption is a function of its relative magnitude in society. However, the RIH central assumption of social interdependence in consumption was disputed by Modigliani and Brumberg's (1954) Life Cycle Hypothesis (LCH) theory and Friedman's (1957) Permanent Income Hypothesis (PIH) theory. On one hand, the LCH theory posited that a given consumption level is maintained throughout an individual's lifetime, either by taking on debt or liquidating assets early and late in life in a period when income levels are low, and saving in a period of prime earning years when income is high. On the other hand, the Permanent Income Hypothesis postulated that consumption is influenced by long-term expected income rather than the current level of income.

2.2 Empirical Review

The empirical literature on the determinants of household consumption expenditure is varied and the debate as to what factors or variables influence consumption spending is still ongoing. For instance, Abba & Abdullahi (2024) studied the Empirical analysis of the impact of inflation on household consumption expenditure in Nigeria from 1981 to 2020 and used the Autoregressive Distributed Lag Model (ARDL) for the regression analysis. The study revealed that inflation and population growth have a negative and significant effect on household consumption expenditure. The findings also showed that household consumption expenditure is positively and significantly impacted by personal income and interest rates. The study recommended that the government should step up efforts to rein in Nigeria's high rate of inflation to boost household consumption expenditures and preserve price stability in the nation.

In another study, Ekong & Effiong (2020) empirically investigated Economic determinants of household consumption expenditures in West Africa: A Case Study of Nigeria and Ghana. Using data from the World Development Indicator, and employing the panel data regression approach, the Fixed Effects Least

Squares Dummy Variable (FELSDV) panel regression approach for regression analysis. The study found a positive and significant effect of income on household consumption expenditures in West Africa. Again, it found that there is a positive and significant effect of the inflation rate on household consumption expenditure in West Africa. According to the study, Households expecting higher inflation are more likely to buy durables compared to households that expect constant or decreasing inflation. However, the study found that there is a negative effect of interest rates on household consumption expenditures in West Africa. This means that when the rate of interest is high, households will be willing to keep their money in the financial market to take advantage of the rising interest rate; hence a decline in present consumption. However, when the rate of interest is low, there will be no incentive to keep income in the financial market hence, there is a likelihood that consumption will increase in this scenario. The study also found a negative and significant effect of savings on household consumption expenditures in West Africa.

Iheonu *et al.*, (2020) empirically examined the Macroeconomic determinants of household consumption in selected West Africa for the period 1989 to 2018. The study used the AMG estimation procedure for the regression analysis. The study analyzed the stationary properties of the variables in the model as well as the cointegrating properties to justify the utilization of a long-run cointegrating estimator. Empirical results showed that inflation negatively influences household consumption in West Africa while GDP per capita, personal remittances, exchange rate, and domestic credit to the private sector positively influence household consumption in West Africa.

Mignouna *et al.*, (2020) adopted a quantile regression model approach in the analysis and examined the consumption patterns of 1700 producers of yams in a randomly selected sample. The study revealed that the basic determinant of the disparities in household consumption expenditures and quantiles is educational attainment. The study also found that there is an insignificant relationship between total income and consumption expenditure, which is contrary to the a priori expectation.

Bonsu *et al.*, (2017) examined the macroeconomic determinants of consumption expenditure in Ghana and used the vector autoregressive model and Johansen cointegration econometric approach to analyze time series data spanning 1961 to 2013. The VAR model and Johansen cointegration approach were used to capture the short- and long-run relationships between selected macroeconomic variables (income, inflation, and real exchange rate) and RHC in Ghana). The study showed that income and inflation have a long-run effect on household spending in Ghana. The short-run findings showed that household spending in Ghana

is mostly driven by changes in price level and it has a ripple effect on real income and the real exchange rate.

Zin and Nabilah (2015) studied the determinants of households' consumption behaviour and identified the following explanatory variables as factors influencing household consumption; gender, age, ethnicity, education levels, marital status, employment status, and household size, from the period 1999, 2005, and 2010 in Malaysia. The study employed used Ordinary Least Squares (OLS) and Quantile Regression (QR) models in the regression analysis. The study found that education level has a positive and significant effect on consumption expenditures for urban areas, but household size, and work status of family heads are the most relevant variables in determining consumption expenditures for the rural areas.

The literature reviewed indicates that determining factors contributing to household consumption expenditure is varied; therefore, the ongoing debate at untangling the determinants of household consumption spending, given its crucial role in stimulating aggregate demand and economic, affords the study a rare opportunity to contribute to the body of knowledge with geographical scope centered on sub-Saharan region. As mentioned earlier, there is a rare study on the subject concerning sub-Saharan Africa.

3. THEORETICAL FRAMEWORK AND METHODOLOGY

3.1 Theoretical Framework

The theoretical framework of this paper is hinged on life cycle hypothesis. This can be written as:

$$C_t = Bk_t \quad (1)$$

Where C_t the current level of consumption, B represents the proportionality factor, k_t represents the resource value of the economy, and t is the time period. Moreover, the availability of the total resources of an individual over their life span indicates the summation of its net worth at the ending period plus the current income from non-property sources during the period plus the expected discounted value (total) of the non-property income in future (Modigliani, 1986; Draskopoulous, 2021). Given this, the aggregate consumption function can be written as:

$$C_t = A_{t-1} + RY_t^n \quad (2)$$

Where A_{t-1} is the net worth aggregation at the previous period and Y_t^n is the current aggregate income, and R is the number of years until retirement. Moreover, assuming the real interest rate is set at zero, the consumption resources on the right-hand side in equation (2) can be divided by lifetime (T) to smoothen the consumption function (Drakopoulous, 2021; Yanık, & İncekara, 2024). This can be written as:

$$C_t = \frac{A_{t-1} + RY_t^n}{T}$$

$$C_t = \frac{A_{t-1}}{T} + \frac{RY_t^n}{T}$$

$$C_t = \frac{1}{T}A_{t-1} + \frac{R}{T}Y_t^n \quad (3)$$

Equation (3) can be written as:

$$C_t = \alpha A_{t-1} + \beta Y_t^n \quad (4)$$

where $\alpha = \frac{1}{T}$ represents the marginal propensity to consume (MPC) out of wealth and the $\beta = \frac{R}{T}$ is MPC out of income.

3.2 Model Specification

The model of this paper can be specified while translating the theoretical exposition in eqn (4) to empirical exposition. This can be written as:

$$HCE_{it} = \partial_0 + \partial_1 W_{it} + \partial_2 GDPPC_{it} + \partial_3 Z_{it} + U_{it} \quad (5)$$

where HCE indicates consumption expenditure of the household (also known as C_t in the LCH), W represent monetary aggregate (which represent A_{t-1} in the LCH), $GDPPC$ represents income (which represents Y_t^n in the LCH), and Z represents control variable (this include exchange rate and population size). Also, $\partial_0 - \partial_3$ indicates the parameters of the variables, i (number of countries), t (time variation) and U (error term). Equation (5) can be written as:

$$HCE_{it} = \partial_0 + \partial_1 W_{it} + \partial_2 GDPPC_{it} + \partial_3 REXCH_{it} + \partial_4 POP_{it} + U_{it} \quad (6)$$

Theoretically, $\partial_1 - \partial_2, \partial_4 > 0$ shows the consumption (enhancing) impacts of wealth, income, and population, while $\partial_3 < 0$ shows the consumption (inhabiting) impact of exchange rate, which is an implication import dependent countries.

3.3 METHODOLOGY

The methodology of this paper is hinged on the Panel fully modified least squares (FMOLS) by Pedroni (1996, 2000), alongside other techniques such Im *et al.* (2003) unit root test, two residual-based cointegration (Kao, 1999; Pedroni, 2004) tests, and Pedroni's (2000; 2001) dynamic ordinary least squares (DOLS) test. The relevance of these tests is given below:

i. Unit Root test: Unit root tests serve as a guide for selecting the appropriate econometric techniques (Akam *et al.*, 2022). For the determination of the integrating order of the included variables, this paper utilizes the Im-Pesaran-Shin (IPS) unit root test proposed by Im *et al.*, (2003). The IPS is a simple and flexible procedure (with relevance to t -bar statistics) that allows for heterogeneity dynamics and error variance in testing unit roots across panel series (Barbieri, 2006). Moreover, the application of this test is justified as a result of its allowance for testing an unbalanced non-stationarity panel (with relatively large N and T) series (Firat, 2006). Hence, the H_0 of IPS indicates the presence of a unit root in the series against the alternative hypothesis (H_1) of

at least one stationary series. The IPS can be specified as:

$$\Delta B_{it} = \alpha_i + \beta_i B_{i,t-1} + \rho_{ij} \Delta B_{i,t-j} + \epsilon_{it} \quad (7)$$

where B_{it} is the series of the paper, ΔB_{it} is the first difference of B_{it} , is the distributed random variable, n is the number of lags, and k is the number of variables. Also, $i=1, 2, \dots, 37$ and $t=2000, 2001, \dots, 2023$.

ii. Cointegration Test: The debate on the combination of the cointegration of two variables without stationarity at the level has been a contest among researchers (Abidin *et al.*, 2014). This is why the current paper applies two residual-based cointegration (Kao, 1999; Pedroni, 2004) techniques, to understand the cointegrating relationship among the included variables. According to Afonso and Rault (2008) and Odhiambo *et al.* (2019), these techniques assume that only variables at their first difference are relevant for testing, given the nature (unbalanced) of the series (Afonso & Rault, 2008; Odhiambo *et al.*, 2019). However, while Kao's (1999) test is proposed using Dickey-Fuller type statistics and augmented Dickey-Fuller statistics, Pedroni's (2004) test assumes heterogeneity N relating T to observable variables, deterministic trend of first-differenced variables with fixed effect. Kao's (1999) cointegration test can be demonstrated as:

$$A_{it} = \alpha_i + \beta_i B_{it} + \mu_{it} \quad (8)$$

where A_{it} and B_{it} represents cointegration of first-differenced variables, β_i indicates the slope parameter. However, Pedroni's (2004) cointegration test can be specified as:

$$y_{i,t} = \alpha_i + \delta_i t + \beta_i x_{it} + e_{i,t} \quad (9)$$

Where $y_{i,t}$ and $x_{i,t}$ are the panel time series observable variables, assumed to be (first difference) $I(1)$ series for countries N and period T . Also, δ_i and α_i represents countries' deterministic trend and specific fixed effects. Further, within the panel, β_i is the slope coefficient which varies across each country.

iii. Long-run Estimation test: For long-run estimation, this paper employs the Pedroni (1996, 2000) fully modified ordinary least squares (FMOLS). The FMOLS, while assuming CS independence, accommodates heterogeneity across panels that are nonstationary but cointegrated. Moreover, the technique exhibits some relevance which include the production of asymptotic unbiased estimates that differ from other standard OLS estimators with endogeneity problems and the assumption of nuisance parameter-free standard normal distribution. Besides, the test can be specified as:

$$A_{it} = \gamma_i + \delta_i B_{it} + \mu_{it} \quad (10)$$

$$B_{it} = B_{it-1} + \epsilon_{it} \quad (11)$$

where A_{it} and B_{it} are the dependent and independent variables, respectively, for panel i and t , γ_i represents the individual-specific fixed effect, δ_i represents the parameter with cointegrating slope, and $V=(\mu_{it}, \epsilon_{it})$ represents vector error processes, with μ_{it} being the error term and ϵ_{it} representing the independent variable's stochastic disturbances.

To analyze for robustness of the result, this paper utilizes the dynamic ordinary least squares (DOLS) technique as proposed by Pedroni (2000, 2001), which is an update of the parametric DOLS proposed by Kao and Chiang (1997). This test is relevant as it augments long-run estimating regression with lagged and lead differenced values of the independent variables while controlling for endogenous feedback effect. The test can be specified as:

$$A_{it} = \beta_i + \partial_i B_{it} + \sum_{k=k_i}^{k_i} \alpha_{ik} \Delta B_{it-k} + \mu_{it}^* \quad (12)$$

where A_{it} and B_{it} are cointegrated variables, β_i represents the individual-specific fixed effect, ∂_i

represents the parameter with cointegrating slope, Δ represent change. More interestingly, Pedroni (2001) indicates that FMOLS and DOLS techniques agree with each other in most cases.

3.4 Data

This current paper utilizes unbalanced data for 37 Sub-Saharan African countries between 2000 and 2023.² Thus, the study explores the determinants of household consumption in Sub-Saharan African countries. These countries include Angola, Cameroon, Chad, Congo Republic, Equatorial Guinea, Gabon, Botswana, Burkina Faso, Central African Republic, Congo, Dem. Rep., Ghana, Guinea, Mali, Namibia, Niger, Sierra Leone, South Africa, Tanzania, Zimbabwe, Benin, Burundi, Cabo Verde, Comoros, Cote d'Ivoire, Ethiopia, Guinea-Bissau, Kenya, Madagascar, Mauritius, Mozambique, Rwanda, Senegal, Seychelles, Togo, The Uganda Gambia, and Lesotho. The study's data is sourced from the World Bank (2025). Moreover, the measurement and description of the variables are shown in Table 1.

Table 1: Data Description and Measurements of the Variables

Symbol	Measurement	Definition	Related Literature	Source
HCE	Households and NPISHs Final consumption expenditure per capita (US\$)	Household consumption	Muzindutsi and Mjeso (2018) and Iheonu and Nwachukwu (2020)	World Bank (2025)
GDPPC	GDP per capita (US\$)	Income	Iheonu and Nwachukwu (2020), Dilanchieve and Taktakishuili (2022), and Paramastuti and Suliswanto (2024)	World Bank (2025)
W	Broad money (US\$) deflated by Consumer price index	Financial wealth	Algaeed (2016), Muzindutsi and Mjeso (2018), Keho (2019), and Yanik and Incekara (2024)	World Bank (2025)
REXCH	Official exchange rate per Consumer price index Multiplied by foreign Consumer price index (US\$)	Real Exchange rate	Bonsu and Mazindutsi (2017), Keho (2019)	World Bank (2025)
POP	Population, Total	Population size	Arapova (2015), and Paramastuti and Suliswanto (2024)	World Bank (2025)

Source: Authors' computation

4. RESULTS AND DISCUSSION

In this section, the paper present and discuss the results of different methodology relating the determinants of consumption in sub-Saharan Africa.

Table 2: Summary Statistics Result

Variables	HCE	W	GDPPC	REXCH	POP
Mean	1394.163	18600000000	2276.708	595.0033	18068770
Maximum	13789.27	202372074125.114	19481.65	8337.605	128691692
Minimum	195.4625	36440.84	252.8067	2.031	81131
Observations	813	806	888	842	888
HCE	1				
W	-0.177	1			
GDPPC	0.931	-0.188	1		
REXCH	-0.277	0.572	-0.279	1	
POP	-0.201	0.499	-0.253	0.128	1

Source: Authors' computation from World Bank (2025). HCE, W, GDPPC, REXCH, and POP are proxy for household consumption, financial wealth, income, real exchange rate, and population size, respectively.

² The justification for the use of the selected countries is due to the limitation of Households and NPISHs Final

consumption expenditure per capita data (proxy for household consumption).

Starting with the preliminary statistics as given in Table 2, the paper discusses both the descriptive and correlation results for Sub-Saharan African countries for the period between 2000 and 2023. In Table 2, the average value of household consumption (HCE) is US\$1394.163 between 2000 and 2023, with Seychelles having the highest value of US\$13789.27/person in 2021 and Burundi having the lowest value of US\$195.4625/person in 2023. Also, the average value of financial wealth (W) is US\$18.6 billion between 2000 and 2023, with Tanzania having the highest value of US\$202.37 billion in 2023 and Sierra Leone having the lowest value of US\$36440.84 in 2019. Moreover, the average value of income (GDPPC) is US\$2276.708 per person between 2000 and 2023, with Seychelles having

the highest value of US\$13789.27/person in 2021 and Ethiopia having the lowest value of US\$195.4625/person in 2003. However, the average value of exchange rate (REXCH) was 595.0033/US\$ between 2000 and 2023, with Guinea having the highest (depreciating) value of 8337.605/US\$ in 2006 and Ghana having the lowest (appreciating) value of 2.031/US\$ in 2018. Further, the average value of population size (POP) is 18 million persons between 2000 and 2023, with Ethiopia having the highest value of 128.69 million persons in 2023 and Seychelles having the lowest value of 81131 persons in 2000. In terms of the correlation result, Table 2 indicates a negative association between HCE and the explanatory variables, except for GDPPC. Thus, GDPPC in SSA correlates positively with HCE.

Table 3: Panel Unit root Result

Variables	Statistics		Integration order
	Level	First difference	
	<i>t</i> -bar	<i>t</i> -bar	
HCE	1.044	-7.755**	I(1)
W	1.068	-6.599**	I(1)
GDPPC	0.96896	-8.086**	I(1)
REXCH	-1.575	-13.887**	I(1)
POP	-1.308	-7.317**	I(1)
Note: ** represents <i>P</i> value < 5% significance levels. Null hypothesis (H_0) of unit root. HCE, W, GDPPC, REXCH, and POP are proxy for household consumption, financial wealth, income, real exchange rate, and population size, respectively.			

Subsequently, Table 3 presents the Im *et al.*, (2003) unit root test result. The outcome of the test indicates that all the variables exhibit unit roots at level. Thus, the result shows the acceptance of the H_0 (presence of unit root individually among the variables).

However, after the first differencing of the variable, stationarity set in among all the variables. Thus, the rejection of H_0 after integrating the variable at order 1 (I(1)).

Table 4: Result for Cointegration

<i>HCE/W, GDPPC, REXCH, POP</i>	Statistics
Pedroni Test	
Within-dimension	
Panel v-Statistic	-0.939
Panel rho-Statistic	-4.176**
Panel PP-Statistic	-20.699**
Panel ADF-Statistic	-4.857**
Between-dimension	
Group rho-Statistic	5.512
Group PP-Statistic	-12.122**
Group ADF-Statistic	-4.201**
Kao Test	
ADF	2.182**
Note: ** represents <i>P</i> value < 5% significance level. HCE, W, GDPPC, REXCH, and POP are proxy for household consumption, financial wealth, income, real exchange rate, and population size, respectively.	

Next, the paper presents the residual-based cointegration tests by Kao (1999) and Pedroni (2004) in Table 4. Based on the result, both tests indicate the existence of a long-run relationship among the variables in Sub-Sahara Africa. For instance, four out of Pedroni's

(2004) six tests show that there is a rejection of the H_0 of no cointegration. Also, Kao's (1999) test shows a rejection of the H_0 of no cointegration. Hence, evidence of a long-run relationship exists between HCE, W, GDPPC, REXCH, and POP in SSA.

Table 5: Determinants of Household consumption in Sub-Saharan Africa

Dependent variable: $\ln HCE$		
Variables	[1]	[2]
$\ln W$	-0.017 [-1.746]	-0.003 [-0.096]
$\ln GDPPC$	0.841** [16.946]	0.733** [6.845]
$REXCH$	0.000 [0.039]	0.000 [-1.162]
$\ln POP$	-0.045 [-0.193]	-0.076 [-0.159]
R-Squared	0.996	0.998
Adjusted R-Squared	0.996	0.995
Trend	Included	Included
No of countries	37	37
<i>Note: **represents Pvalue < 5% significance level. HCE, W, GDPPC, REXCH, and POP are proxy for household consumption, financial wealth, income, real exchange rate, and population size, respectively. Also, [1] and [2] represents FMOLS, and DOLS, respectively.</i>		

Further, to analyze the important determinants of household consumption in SSA, this study presents the results of both fully modified ordinary least squares (FMOLS) and dynamic ordinary least squares (DOLS). Column [1] represents the result for FMOLS and column [2] represents the result for DOLS. All the variables are transformed in their logarithm forms (except for REXCH due to the zero values) to remove their scaler effect. Moreover, the result of [1] shows that only income (GDPPC) is a significant determinant of household consumption (HCE), with a positive coefficient of 0.84, in Sub-Sahara Africa. Thus, a percentage increase in income will lead to a rise in household consumption by 0.84%, in the long run.

This result is not surprising as the positive income as a determinant has been well-documented in Sub-Saharan Africa, due to the region's agricultural sector as a primary source of income (Dzanku, 2015; Dufera *et al.*, 2023). Moreover, this result is in line with several previous studies such as Arapova (2015) for Asian economies, Varlamova and Larionova (2015) for Organization for Economic Co-operation and Development (OECD) countries, Bonsu and Muzindutsi (2017) for Ghana, Keho (2019) for Cote d'Ivoire, Ekong and Effiong (2020) for comparative study between Nigeria and Ghana, Iheonu and Nwachukwu (2020) for selected West African countries, Sugiarto and Wibowo (2020) for Indonesia, Donmez and Gunes (2021), Paramastuti and Suliswanto (2024) for middle east countries, Yanik & İncekara (2024). Further, this result is consistent with [1], whose value is positive and significant but slightly different (0.733).

5. CONCLUSION AND POLICY RECOMMENDATION

The literature on the determinants of household consumption has been popular over the past few decades. Several studies have examined different macroeconomic

determinants of household consumption. Despite these several studies, a few gaps still exist in the literature. For this reason, this study examined the macroeconomic determinants of household consumption in sub-Saharan Africa. Unlike other African studies, this paper utilizes the life-cycle hypothesis (LCH) framework in analyzing the household consumption determinants in selected sub-Saharan African countries between 2000 and 2023.

To achieve the objectives, this paper employed the first-generation techniques (IPS test for unit root analysis, the residual-based (Kao and Pedroni) tests for cointegration analysis, and FMOLS, and DOLS for long-run impact analysis). Empirically, the study utilized income, wealth, exchange rate, and population as determinants of household consumption in sub-Saharan Africa. All the variables of interest exhibit the first order of integration, and these variables co-exist in the long run. Also, the study found income as the only significant determinant that influences household consumption in SSA countries. This influence appeared positively with less than one marginal propensity to consume in SSA.

Following the results of this work that income has the potential to drive household consumption in SSA countries, policymakers should focus more on the improvement of households' income base in the region. Also, since income is an important determinant of household consumption in the region, expansionary fiscal policies (such as public investment in infrastructure, tax incentives for businesses, and support for small and medium-sized enterprises (SMEs)) should be aimed at, increasing employment and income. Further, due to the inadequate influence of wealth, policymakers should provide households with investment opportunities that can increase their wealth and in turn, boost their propensity to consume.

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