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Subject: How wealth indices align with income and consumption measures

Posted by [ruineddapper](#) on Tue, 16 Sep 2025 07:54:02 GMT

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Hi everyone, I'm new here and just getting started. I'm curious -- how do wealth indices compare with income and consumption measures? Could someone explain this to me? Thanks a lot!

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Subject: Re: How wealth indices align with income and consumption measures

Posted by [Yiqun Luan](#) on Fri, 03 Oct 2025 16:26:48 GMT

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Hello, I am not a DHS team member but a DHS data user.

My understanding is that the wealth indices are derived from a method called Principal Factor Analysis, which is a calculation based on what assets a household has. Such as whether the household has a designated place for handwashing, what material the walls or ceiling are made of, etc. The status of asset possession among households can be obtained through either the interviewer's observation or the respondents' responses. If I remember correctly, the DHS does not collect income and consumption data. The Living Standards Measurement Survey from the World Bank has modules that collect income and consumption data. These two types of measures, asset-based and income-and-consumption-based, have their own advantages and disadvantages. For example, respondents might overstate or understate their income/consumption, whereas the observation of asset possession is a more objective measure. However, on the contrary, the possession of assets may not be a reliable proxy for large temporary income or may not accurately reflect the current market value of assets.

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