Office for National Statistics

Statistical bulletin

Economic well-being, UK: October to December 2017

Presents a rounded and comprehensive basis for assessing changes in economic well-being through indicators that adjust or supplement more traditional measures such as gross domestic product (GDP).

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Next release:
5 July 2018

Correction

5 April 2018

A correction has been made to the main point referring to property wealth. This was due to a small error when entering the initial reference period - it should have read July 2006 to June 2008 but it was incorrectly entered as July 2006 to June 2016. You can see the original content in the superseded version. We apologise for any inconvenience.

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1 . Main points

- Gross domestic product (GDP) per head grew by 0.8% in real terms in Quarter 4 (Oct to Dec) 2017 compared with the same quarter a year ago.

- Real household disposable income (RHDI) per head increased by 1.0%; the first quarter that RHDI per head has increased on an annual basis since Quarter 1 (Jan to Mar) 2016.

- Net national disposable income (NNDI) per head – which takes account of the depreciation of assets and the UK's foreign income balance – increased by 2.1%, due mainly to a £4.8 billion increase in the balance of income received from the UK's foreign direct investment from abroad.

- However, for the first time in over two years, consumers reported a worsening of their perception of their own financial situation for three consecutive quarters; in Quarter 4 2017, the average aggregate balance was negative 1.6 – a decrease from positive 0.7 recorded in Quarter 4 2016.

- The gap in net household property wealth between those aged 30 to 32 and 60 to 62 years has widened in the last 10 years; the net household property wealth of those aged 60 to 62 years was six times that of those aged 30 to 32 years during July 2006 to June 2008, however, this difference increased to 17 times by July 2014 to June 2016.

2 . Economic well-being indicators at-a-glance

This section presents the economic well-being indicators for the UK for Quarter 4 (Oct to Dec) 2017.

Figure 1: Economic well-being indicators, UK, Quarter 4 (Oct to Dec) 2017

Source: Office for National Statistics

3 . Things you need to know about this release

This release reports measures of economic well-being in the UK. Rather than focusing on traditional measures such as gross domestic product (GDP), these indicators aim to provide a more rounded and comprehensive basis for assessing changes in material well-being.

We prefer to measure economic well-being on a range of measures rather than a composite index. The framework and indicators used in this release were outlined in Economic Well-being, Framework and Indicators, published in November 2014.

Our 10 main economic well-being indicators are:

- gross domestic product (GDP) per head – the value of goods and services produced within the UK economy, divided by the number of people; this helps to remove the effects a growing population has on overall growth figures

- net national disposable income per head – this measure is similar to GDP but it takes into account the depreciation of assets – such as the day-to-day wear and tear on vehicles and machinery – and the income generated by foreign-owned businesses in the UK, but includes the money made by UK companies based in other countries

- real household disposable income per head – the total amount of money that households have to spend on consumption, or to save and invest, after taxes, National Insurance, pension contributions and interest have been paid, divided by the number of people

- real household final consumption expenditure per head – the total amount that households spend on goods and services, divided by the number of people

- real median equivalised household income – is based on survey results and represents the middle of the income distribution and is a good indication of the changing standard of living of the "typical" household in terms of income

- whole economy net wealth – represents the market value of financial and non-financial assets in the UK used to generate output, providing an indication of the sustainability of current levels of production and corresponding income flows

- household net wealth – market value of financial and non-financial assets in the household sector

- perception of financial situation – a subjective assessment of individuals' own financial situation over the past 12 months

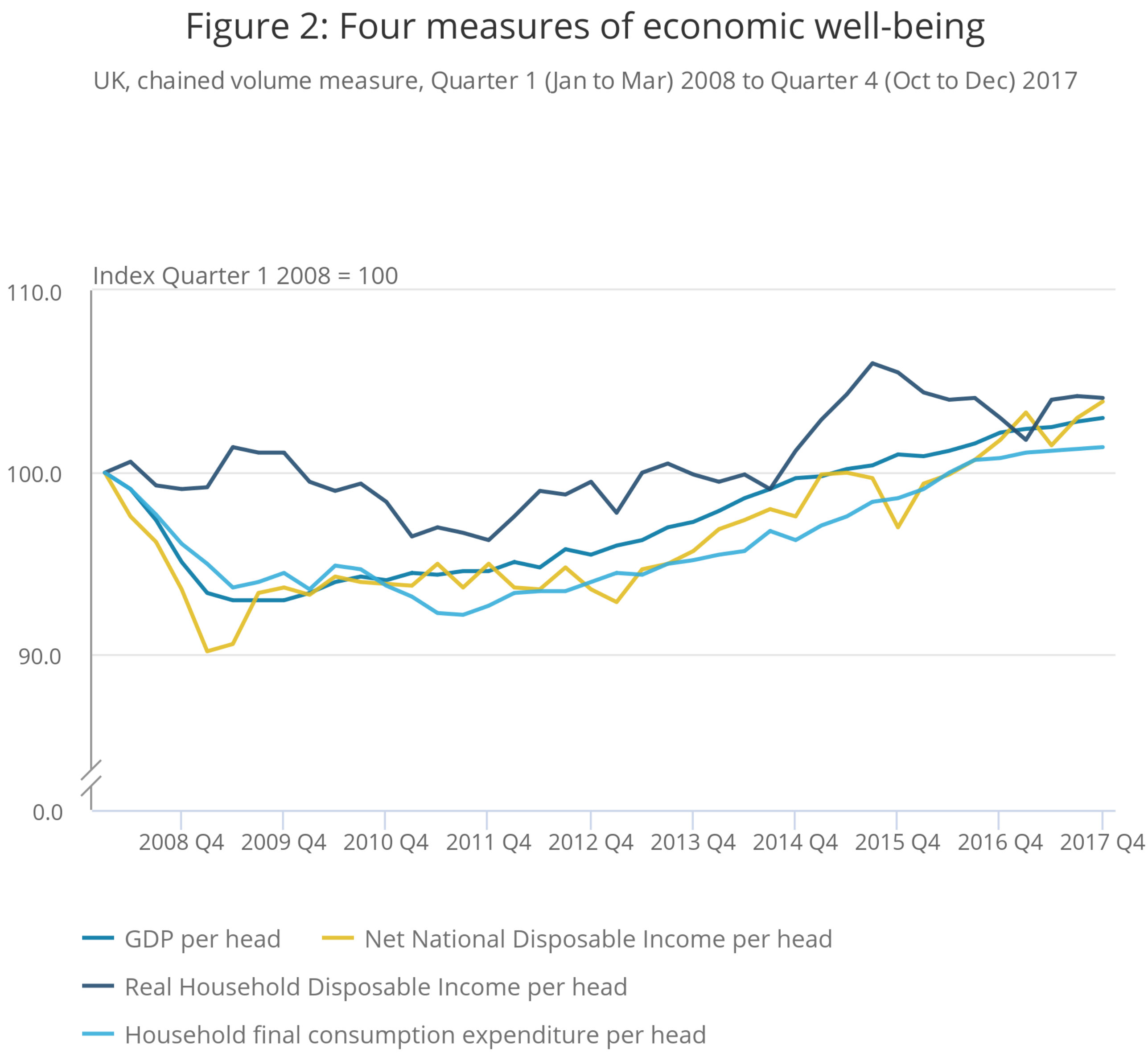
- unemployment rate – the proportion of those out of work who are actively looking for a job as a share of all those working or looking for a job

- inflation – change in prices of goods and services purchased by UK consumers; this is measured using our most comprehensive inflation index, Consumer Prices Index including owner occupiers' housing costs (CPIH)

4 . What were the main changes in economic well-being in Quarter 4 2017?

Figure 2: Four measures of economic well-being

UK, chained volume measure, Quarter 1 (Jan to Mar) 2008 to Quarter 4 (Oct to Dec) 2017



Source: Office for National Statistics: UK National Accounts

Notes:

1. Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 (July to September) and Q4 refers to Quarter 4 (October to December).

2. Households do not include non-profit institutions serving households (NPISH).

3. The above indicators are presented in constant prices. GDP per head and NNDI per head are deflated at the individual component level. RHDI per head and HHFCE per head are deflated using the household final consumption expenditure deflator.

Real GDP per head

Growth in real gross domestic product (GDP) per head was 0.2% in Quarter 4 (Oct to Dec) 2017 compared with the previous quarter – 0.1 percentage points lower than the growth rate in Quarter 3 (July to Sept) 2017. This was a slower growth rate than the 0.4% quarterly increase in GDP, due to population growth over the same period. GDP per head grew by 1.2% between 2016 and 2017 – up 0.1 percentage points from growth of 1.1% between 2015 and 2016.

Growth in GDP per head in Quarter 4 2017 was 0.1 percentage points lower than the average quarterly growth rate over the past four years. Growth in GDP per head increased by 0.8% between Quarter 4 2016 and Quarter 4 2017.

Real NNDI per head

Real net national disposable income (NNDI) per head increased by 2.1% between Quarter 4 2016 and Quarter 4 2017, compared with a 0.8% increase in GDP per head over the same period. Growth in NNDI per head recorded in Quarter 4 2017 continues the marked improvement in the series beginning in Quarter 2 (Apr to June) 2017.

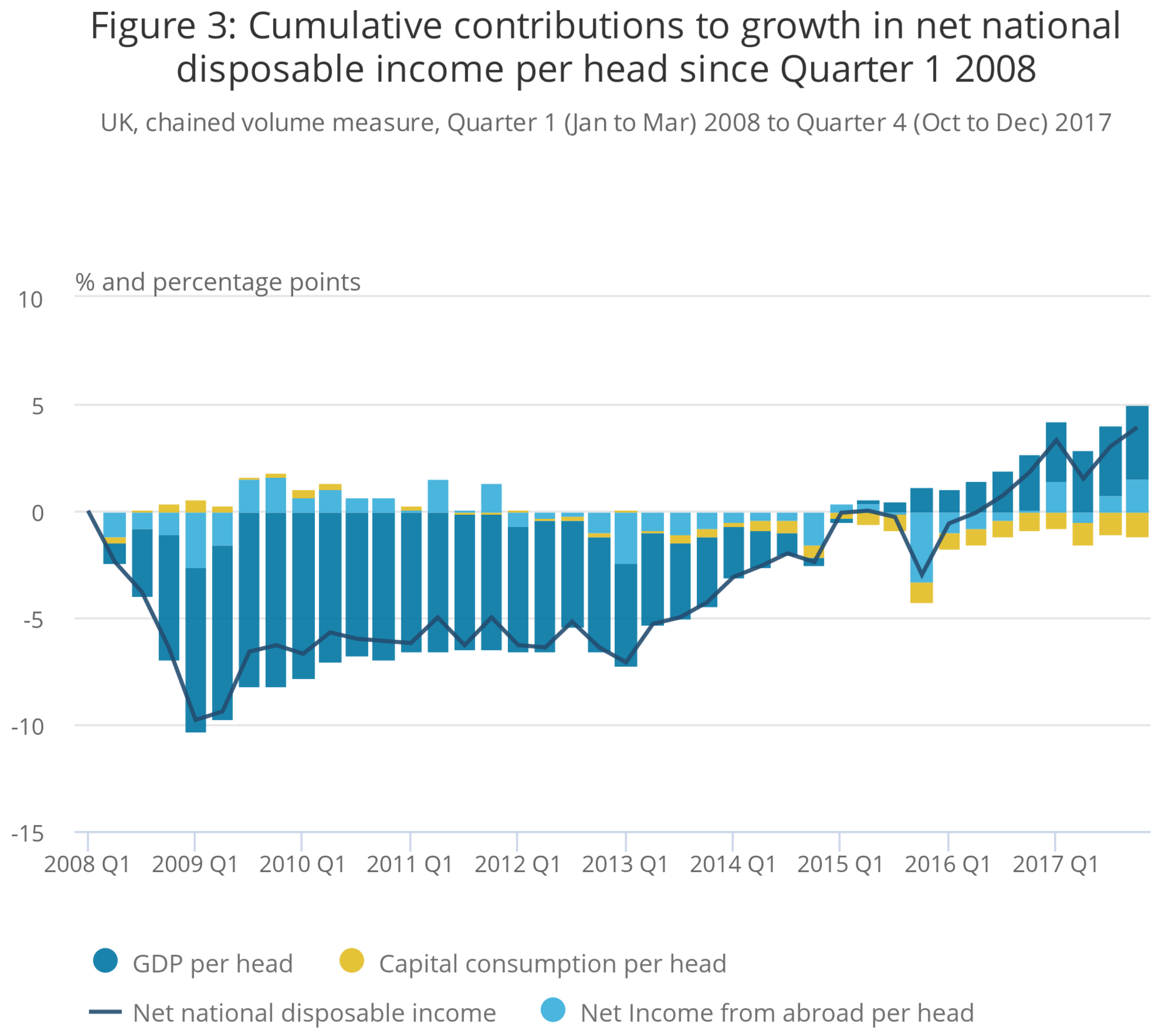
As shown in the “Economic well-being indicators at a glance” section, NNDI per head represents the income available to all residents in the UK. There are two main differences between GDP per head and NNDI per head.

First, not all income generated by production in the UK will be payable to UK residents. For example, a country whose firms or assets are predominantly owned by foreign investors may well have high levels of production, but a lower national income once profits and rents flowing abroad are taken into account. As a result, the income available to residents would be less than that implied by measures such as GDP.

Second, NNDI per head is adjusted for capital consumption. GDP is “gross” in the sense that it does not adjust for capital depreciation, that is, the day-to-day wear and tear on vehicles, machinery, buildings and other fixed capital used in the productive process. It treats such consumption of capital as no different from any other form of consumption, but most people would not regard depreciation as adding to their material well-being.

Figure 3: Cumulative contributions to growth in net national disposable income per head since Quarter 1 2008

UK, chained volume measure, Quarter 1 (Jan to Mar) 2008 to Quarter 4 (Oct to Dec) 2017



Source: Office for National Statistics

Notes:

1. Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 refers to Quarter 3 (July to September) and Q4 refers to Quarter 4 (October to December).

Figure 3 examines how changes in GDP per head, capital consumption per head and net income from abroad per head have influenced NNDI per head since Quarter 1 (Jan to Mar) 2008. It should be noted that net income from abroad comprises a number of components that aren't published on a quarterly basis. In this analysis, net income from abroad is derived using published information on net national disposable income, GDP and capital consumption.

Net income from abroad equals net national disposable income minus GDP plus capital consumption

Figure 3 shows both GDP per head and NNDI per head took until Quarter 2 2015 to regain their economic downturn levels of Quarter 1 2008 (where cumulative growth equals zero). More recently, there has been an improvement with the UK’s net income from abroad, so that NNDI per head was 3.9% above its pre-economic downturn level in Quarter 4 2017 compared with GDP per head, which was 3.0% above its pre-economic downturn level in the same quarter.

In the earlier years of the series, the contraction in GDP per head during the economic downturn was the main reason for a 9.8% decline in NNDI per head between Quarter 1 2008 and Quarter 1 2009. After Quarter 1 2009, GDP per head recovered – highlighted in the chart by the reduced negative cumulative contribution from GDP per head – while net income from abroad remained steady.

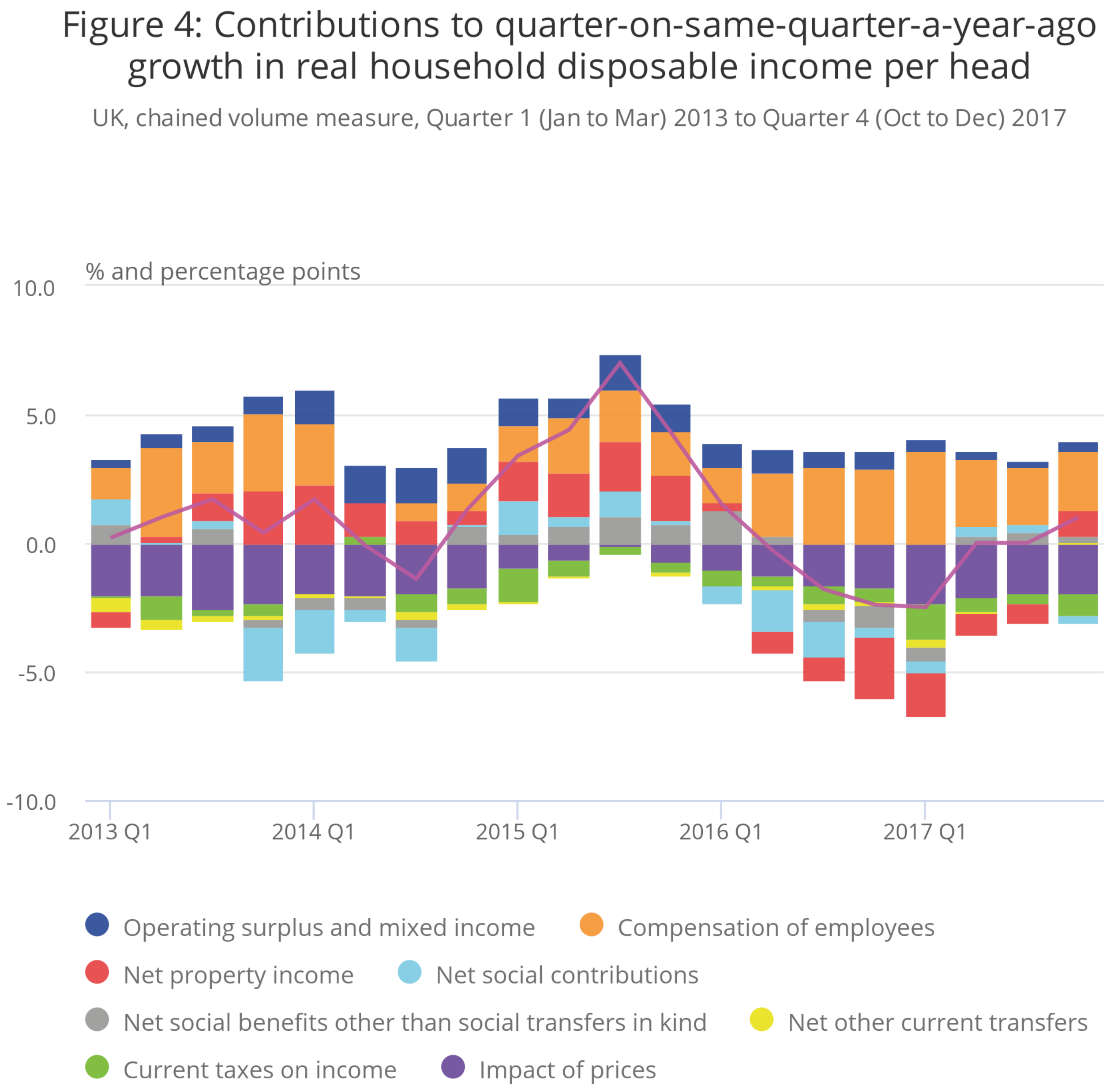
As a result, NNDI per head grew by an average of 0.4% between Quarter 1 2009 and Quarter 4 2011. However, following this, the UK’s net income balance with the rest of the world deteriorated. The effect was to introduce a gap between GDP per head and NNDI per head. Between Quarter 4 2011 and Quarter 4 2015, GDP per head increased by an average of 0.4% per quarter compared with average quarterly growth in NNDI per head of 0.1%. Changes in the balance of income over time have been discussed in Economic well-being, UK: July to September 2017.

Household income

In Quarter 4 2017, RHDI per head increased by 1.0% compared with the same quarter a year ago.Quarter 4 2017 marks the first quarter that RHDI per head has increased on an annual basis since Quarter 1 2017 – RHDI per head has been contracting from Quarter 2 2016 to Quarter 1 2017 and it remained flat from Quarter 2 2017 to Quarter 3 2017. However, RHDI per head has decreased slightly, by 0.1% between Quarter 3 2017 and Quarter 4 2017. In Quarter 4 2017, RHDI per head still remained 4.1% above its pre-economic downturn level.

Figure 4: Contributions to quarter-on-same-quarter-a-year-ago growth in real household disposable income per head

UK, chained volume measure, Quarter 1 (Jan to Mar) 2013 to Quarter 4 (Oct to Dec) 2017



Source: Office for National Statistics

Notes:

1. Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 refers to Quarter 3 (July to September) and Q4 refers to Quarter 4 (October to December).

2. Contributions may not sum due to rounding.

3. Real household disposable income is in constant prices, deflated by the household final consumption expenditure deflator. All other series are in current prices.

Following the growth in both NNDI per head and GDP per head in Quarter 4 2017 compared with the same quarter a year ago, RHDI increased for the first time since Quarter 1 2016. Figure 4 highlights the contributions to growth from different components of RHDI.

It shows higher prices (compared with the same quarter a year ago) made a negative contribution to RHDI growth in Quarter 4 2017, representing negative 1.9 percentage points, less than offsetting growth in compensation of employees (in nominal terms), which contributed 2.3 percentage points. Furthermore, net property income (in nominal terms) contributed 1.0 percentage point to RHDI per head, leading to an overall positive position. Property income is not (as might be suggested by the name) the income generated by the ownership of buildings (rental). It is in fact, made up of interest, the distributed income of corporations (dividends, repatriated profits and so on) and rent on land.

Household expenditure

Growth in real household spending per head was 0.1% in Quarter 4 2017 compared with the previous quarter. This means that household spending per head has grown for 12 consecutive quarters – the longest period since 2003.

As highlighted in Figure 1, real household spending per head in Quarter 4 2017 was 1.4% higher than its pre-economic downturn level while RHDI per head in Quarter 4 2017 was 4.1% above its pre-economic downturn level.

5 . Spotlight: analysis on personal financial wealth and household property wealth

Household income and consumption should be considered jointly with household wealth as wealth is an important determinant of well-being. It matters to households whether they have enough wealth, such as savings or property wealth, to respond to economic shocks or changes in fiscal and economic policy. So, understanding the distribution of wealth matters.

The main results from the Wealth and Assets Survey (WAS) for the period July 2014 to June 2016 were published in February 2018. The WAS started in July 2006 and is updated every two years. This bulletin includes analysis drawing on the longitudinal aspect of WAS covering the decade from July 2006 to June 2016. This bulletin analyses how household net property and net personal financial wealth have been distributed among the generations.

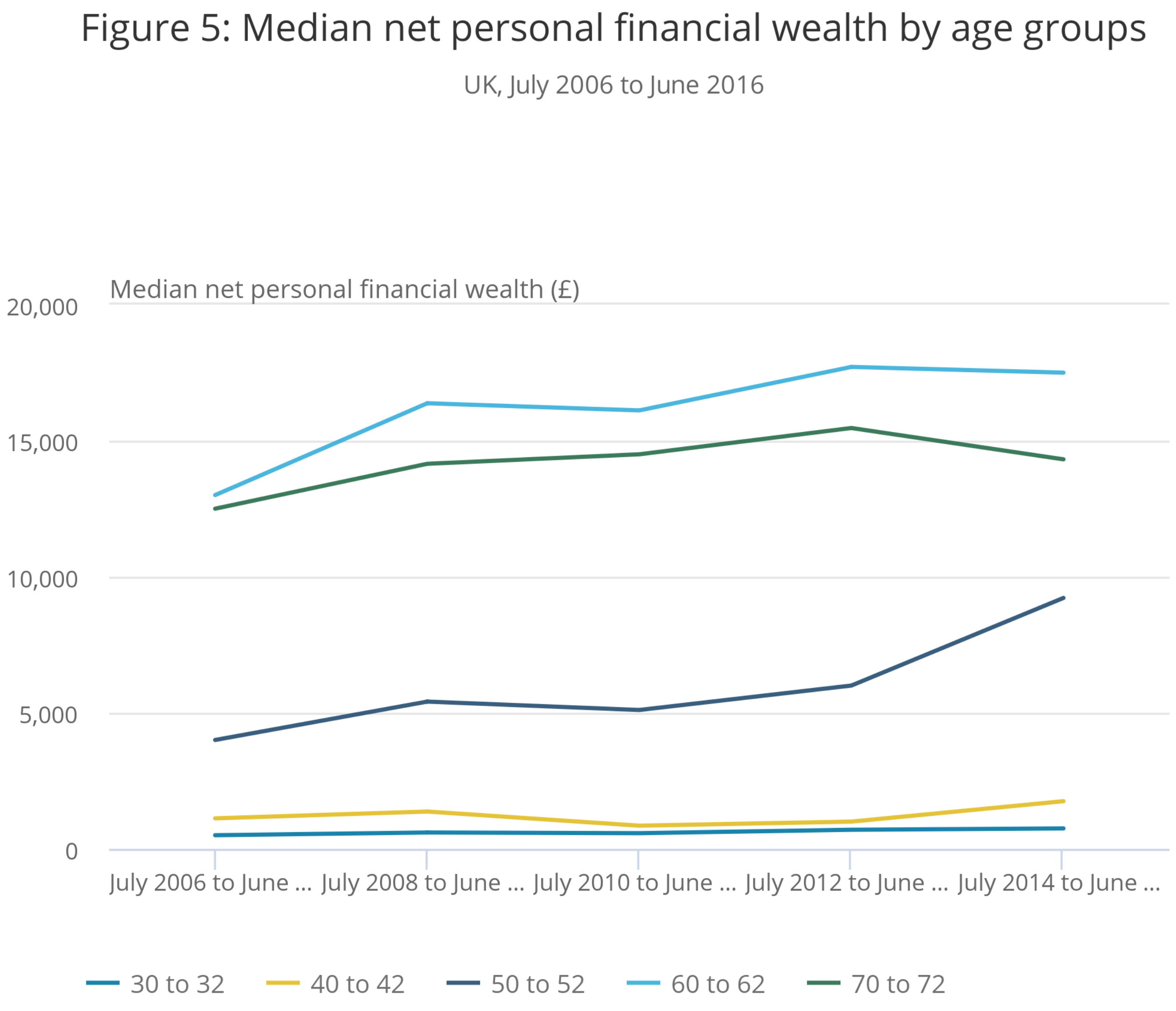
The analysis on net personal financial wealth is based on individuals included in the longitudinal WAS from July 2006 to June 2016. Personal net financial wealth is defined as the values of any financial assets held as both formal investments such as bank or building society current or saving accounts, investment vehicles such as ISAs, stocks and shares and so on and informal savings (money under the bed or loaned to family or friends) and children’s assets; less endowments and any financial liabilities such as outstanding balances on credit cards, arrears on household bills, loans (including student loans) from formal or informal sources.

The analysis on net household property wealth is based on the household reference person. Net property wealth is defined as the respondent’s self-valuation of any property owned, both their main residence plus any other land or property owned in the UK or abroad; less the outstanding value of any loans or mortgages secured on these properties.

Personal net financial wealth

Figure 5: Median net personal financial wealth by age groups

UK, July 2006 to June 2016



Source: Office for National Statistics, Longitudinal Wealth and Assets Survey, wave 1 to wave 5

Notes:

1. The individuals have been grouped by their starting age in July 2006 to June 2008.

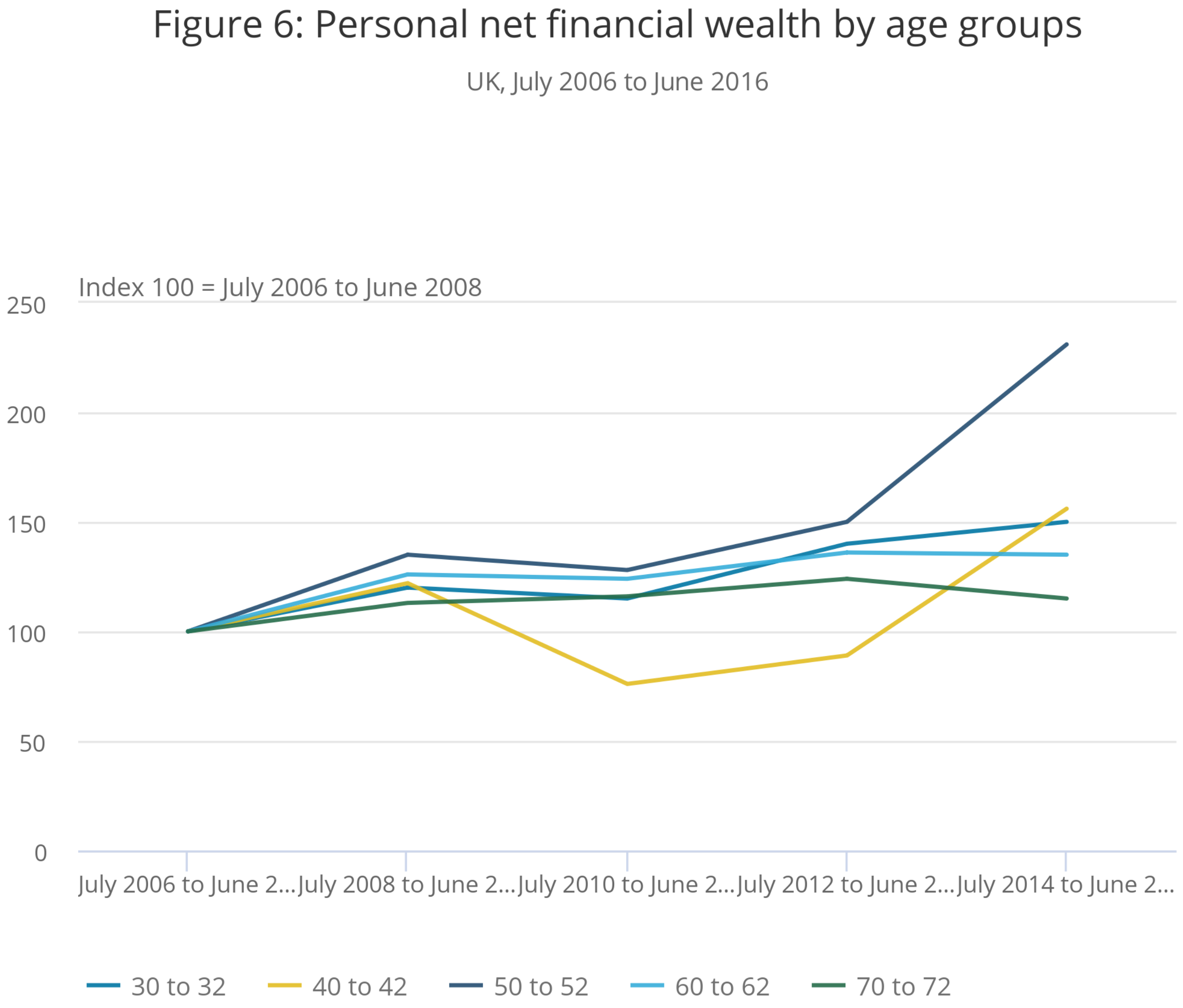
Figure 5 presents the change in personal net financial wealth among different age groups. The age groups are based on the age of individuals during July 2006 to June 2008 of WAS; the analysis follows the same individuals over a 10-year period from July 2006 to June 2016. The analysis is focused on individuals in their first two years of the age decade. That allows at least eight years' distance between the groups.

Those aged 30 to 32 years in the period July 2006 to June 2008 had the lowest median net personal financial wealth compared with older age groups across all years. Median net personal financial wealth for people aged 30 to 32 years in July 2006 to June 2008 was £500 and increased to £750 in July 2014 to June 2016.

Those aged between 60 to 62 years in July 2006 to June 2008 continued to have the highest net personal financial wealth, representing £13,000 in this period and rising to £17,500 in the period July 2014 to June 2016. The net personal financial wealth of those aged 60 to 62 years was 26 times that of those aged 30 to 32 years in the period July 2006 to June 2008, while that ratio fell to 23 times in the period July 2014 to June 2016.

Figure 6: Personal net financial wealth by age groups

UK, July 2006 to June 2016



Source: Office for National Statistics, Longitudinal Wealth and Assets Survey, wave 1 to wave 5

Notes:

1. The individuals have been grouped by their starting age in July 2006 to June 2008.

Figure 6 presents the change in net financial property wealth among different age groups based on July 2006 to June 2008 as an index of their net personal financial wealth during the same time period. Those aged 50 to 52 years in the period between July 2006 to June 2008 showed the greatest increase in their median net personal financial wealth – an average increase of 18% per wave (wave is a two-year period). On the other hand, people of 30 to 32 years increased their net personal financial wealth by 8% per wave.

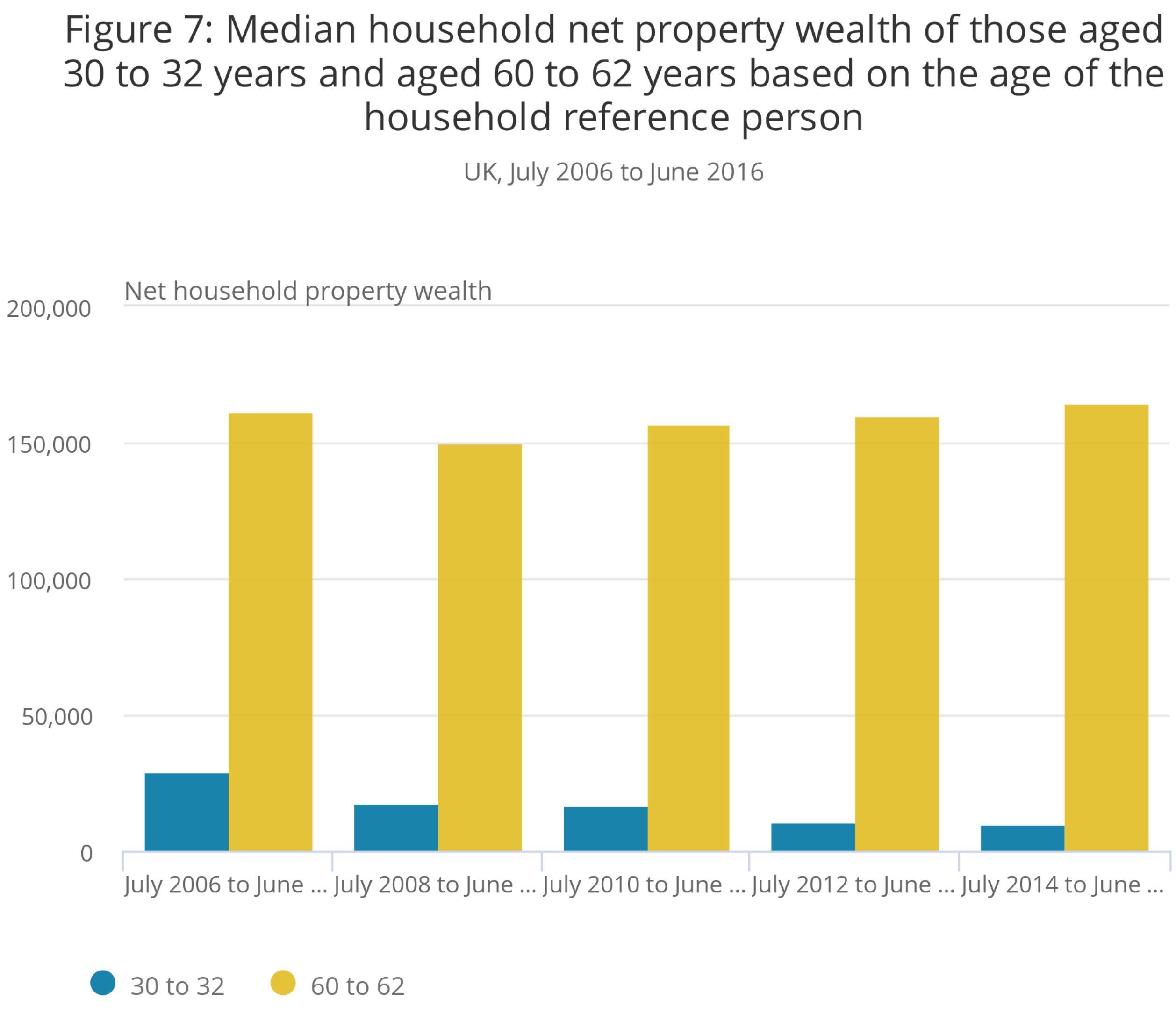
Net household property wealth

Alongside considering financial wealth we need to consider other forms of wealth such as property wealth. Household property wealth is best considered at household level as it is not easy to track at individual level over a range of years longitudinally due to household composition changes. Therefore, the approach taken here is cross-sectional in nature, taking a sample of different individuals who fall into two different age groups during each wave of the survey.

Figure 7 is based on those aged 30 to 32 years and those aged 60 to 62 years as they were the individuals who had the lowest and highest net personal financial wealth in Figure 5.

Figure 7: Median household net property wealth of those aged 30 to 32 years and aged 60 to 62 years based on the age of the household reference person

UK, July 2006 to June 2016



Source: Office for National Statistics, Wealth and Assets Survey, wave 1 to wave 5

Those aged 30 to 32 years in the period July 2006 to June 2008 had almost three times the net household property wealth of those of the same age in the period July 2014 to June 2016 (£29,000 to £10,000 respectively).

In contrast, those aged 60 to 62 years had £3,200 less net household property wealth in the period July 2006 to June 2008 compared with those of the same age in the period July 2014 to June 2016 (£161,800 to £165,000 respectively).

The net household property wealth of people aged 60 to 62 years was 17 times the net household property wealth of people aged 30 to 32 years in the period between July 2014 to June 2016. In the period between July 2006 to June 2008, the difference was only six times.

6 . Economic sentiment

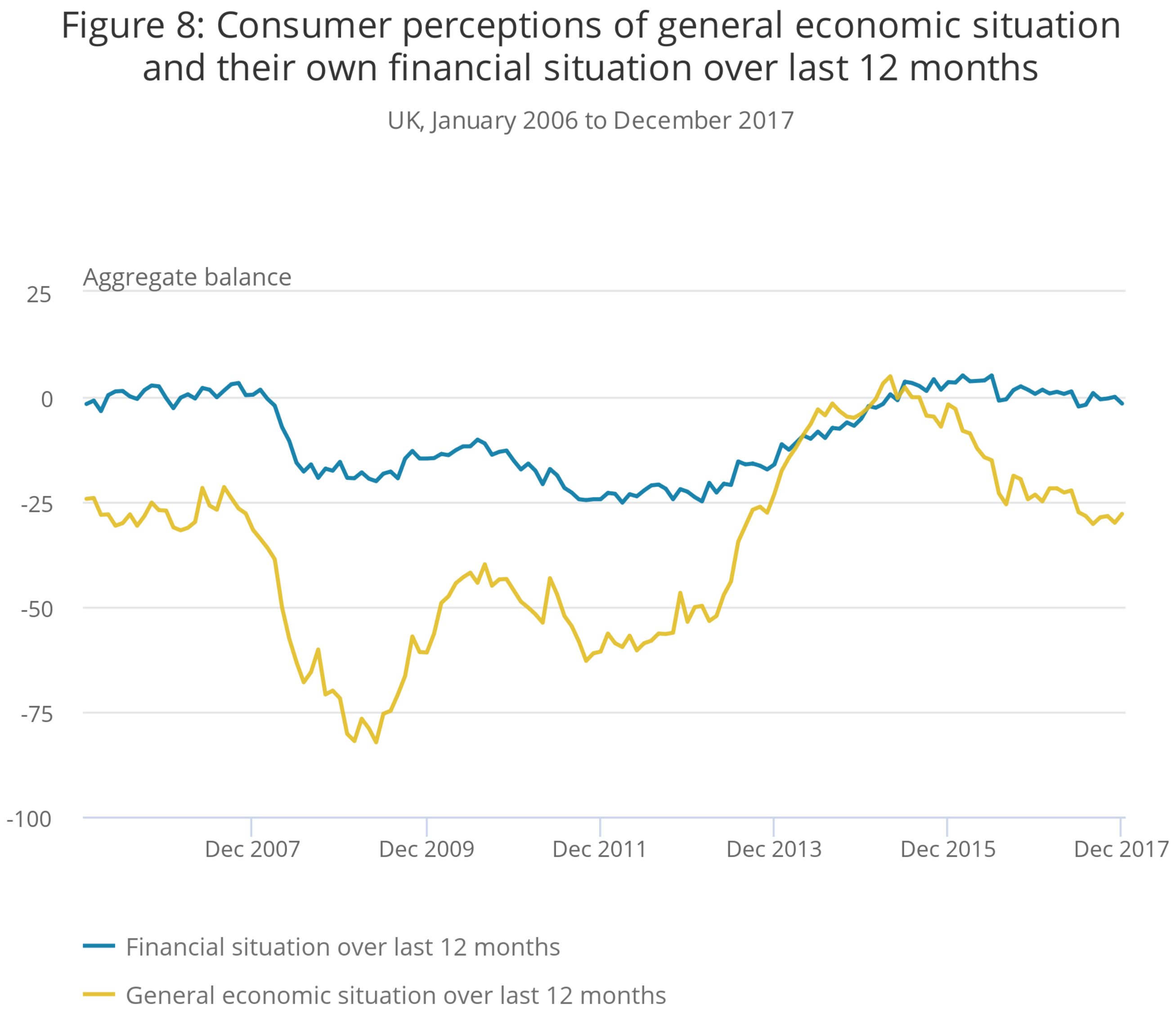
It is important to consider sentiment, along with other measures of economic well-being, to improve our understanding of how changes in official measures of the economy are perceived by individuals. The Eurobarometer Consumer Survey, conducted by GFK on behalf of the European Commission, provides information regarding perceptions of the economic environment. The “Quality and methodology” section provides more information regarding the Eurobarometer Consumer Survey.

General economic situation and perception of financial situation

The Eurobarometer Consumer Survey asks consumers their views on the state of the general economic situation over the previous 12 months. A positive balance means that consumers perceived an improvement within the economy, a zero balance indicates no change and a negative balance indicates a perceived worsening (Figure 8).

Figure 8: Consumer perceptions of general economic situation and their own financial situation over last 12 months

UK, January 2006 to December 2017



Source: European Commission

Notes:

1. The source is the Eurobarometer Consumer Survey, which is collected by GFK for the European Commission. Further information can be found in Quality and Methodology section.

2. A negative balance means that, on average, respondents reported the general economic situation worsened. A positive balance means they reported it improved and a zero balance indicates no change.

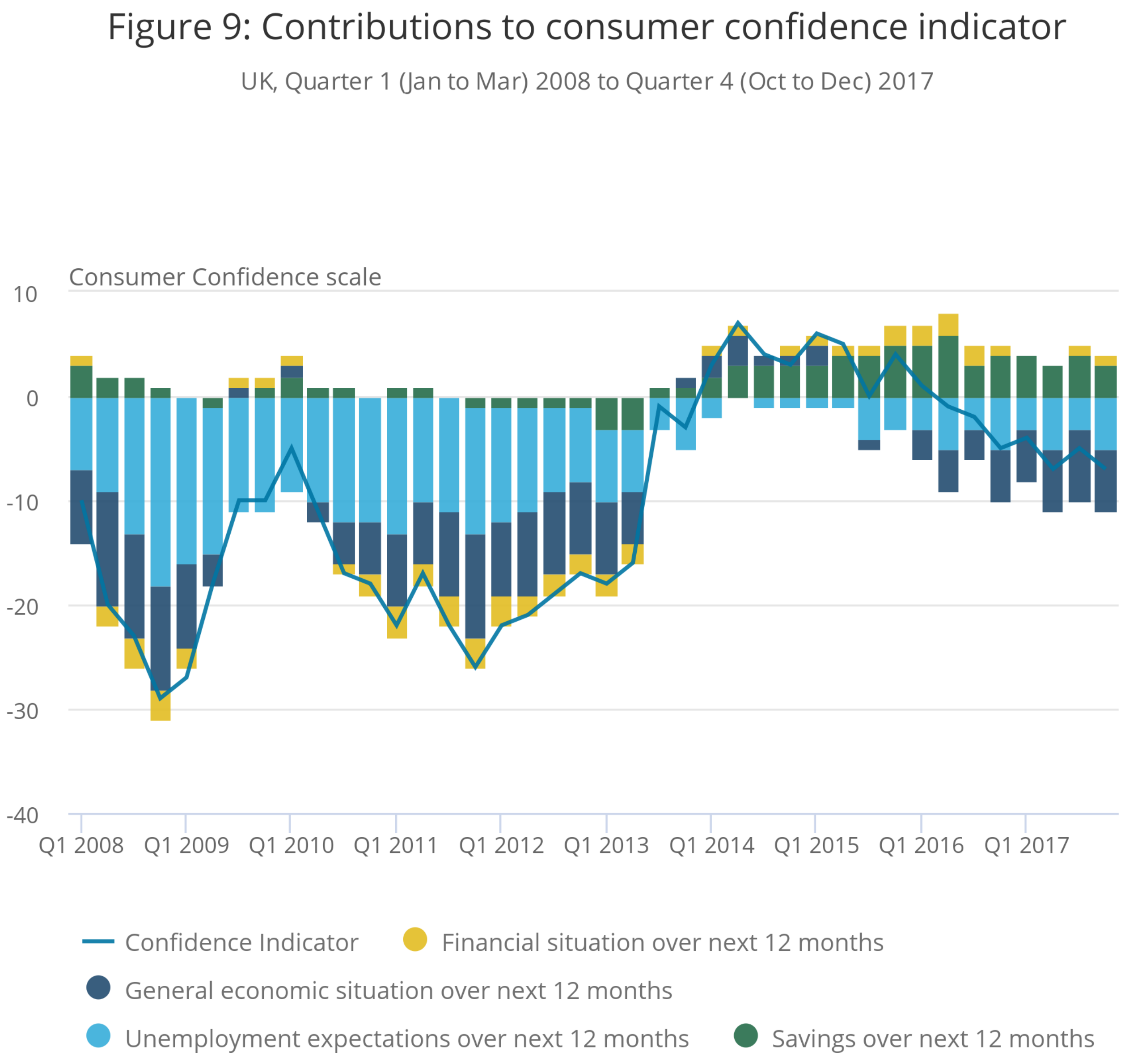
Between Quarter 3 (July to Sept) 2017 and Quarter 4 (Oct to Dec), the perception of the general economic situation slightly improved from a balance of negative 28.7 to negative 27.9. However, it has remained a negative balance for 10 consecutive quarters.

The survey also asks respondents about their own financial situation over the past 12 months. In Quarter 4 2017, the average aggregate balance was negative 1.6 – a decrease from negative 0.6 recorded in the previous quarter. According to analysis by GFK, the decrease was due to consumers being more cautious, [as there is still uncertainty for the process of the UK exiting the EU and the possibility of higher interest rates](#).

Consumer Confidence Index

Figure 9: Contributions to consumer confidence indicator

UK, Quarter 1 (Jan to Mar) 2008 to Quarter 4 (Oct to Dec) 2017



Source: European Commission, Office for National Statistics

Notes:

1. The source is the Eurobarometer Consumer Survey, which is collected by GFK for the European Commission.

2. A negative balance means that, on average, respondents are less confident about the economy. A positive balance means they are more confident and a zero balance indicates no change

The Consumer Confidence Index measures a range of consumer attitudes, including forward expectations of the general economic situation, households' financial positions, and unemployment and saving expectations.

Figure 9 shows the Consumer Confidence Index has been negative since Quarter 2 (Apr to June) 2016 suggesting that consumers in the UK felt less confident about the future of the UK economy since that time. Figure 9 highlights that the confidence indicator was negative 7.0 in Quarter 4 2017, which was 2.0 points lower than its aggregate balance the same quarter a year ago.

The main reason for the decrease in the Consumer Confidence Index was consumers' expectation of a negative general economic situation in the future. The expectation of the general economic situation decreased by 4.1 points to negative 23.4 between Quarter 4 2016 and Quarter 1 (Jan to Mar) 2017. Analysis by GFK suggests that the negative trend could potentially be explained by economic uncertainty abroad and later, in 2016, by reduced confidence following the EU referendum.

Earlier in the series, the Consumer Confidence Index was negative from Quarter 1 2008 to Quarter 4 2013 because of consumers' negative perception during and after the economic downturn. Consumers started feeling more confident about the economy from Quarter 1 2014 until Quarter 1 2016, reflected where the Consumer Confidence Index had a positive balance.

7 . Economic well-being indicators already published

Between 2015 and 2016, the total net wealth per head of the UK economy increased by 8.0% . The largest contribution was from the households sector.

Between 2015 and 2016, household wealth per head increased by 7.2%, driven mainly by a £6 billion increase in the wealth of net financial assets and liabilities (for example, household financial assets mainly comprise currency and deposits, equity and investment funds shares, and assets held with life insurance companies and pension funds; household financial liabilities mainly comprise mortgages and other loans) in 2016.

In December 2017, the Consumer Prices Index including owner occupiers' housing costs (CPIH) inflation 12-month rate decreased to 2.7% from 2.8% in September 2017. This is the first quarterly decrease since June 2015. The main contributors to the decrease in the rate of inflation were decreasing air fares, along with a fall in the prices of a range of recreational goods.

The unemployment rate in the three months to December 2017 was 4.3%, unchanged from the rate recorded in September 2017. The employment rate (the proportion of people aged from 16 to 64 years who were in work) increased to 75.2% from 75% in the three months to September 2017.

The estimate of median UK household disposable income was £27,300 in the financial year ending 2017; this was £600 higher than the previous financial year and £1,600 higher than the pre-downturn value of £25,700 in the financial year ending 2008 – after accounting for inflation and household composition.

The wealthiest 10% of households owned 44% of aggregate total wealth in July 2014 to June 2016 and were more than two times wealthier than the second wealthiest 10%. Over the same period, the wealthiest 10% of households were five times wealthier than the bottom 50% of households (the bottom five deciles combined), who owned 9% of aggregate total wealth.

8 . Links to related statistics

Internal

UK Economic Accounts, Table 1.1.5 (ONS)
The National Balance Sheet (ONS)
Wealth and Assets Survey (ONS)
Household disposable income and inequality (ONS)
Labour market statistics (ONS)
Consumer Price Indices (ONS)

External

Eurobarometer Consumer Survey (produced by GFK on behalf of the European Commission)
International comparisons of real household (including NPISH) disposable income per head index (OECD)
International comparisons of GDP per head index (OECD)
Contributions to growth in real household (including NPISH) disposable income per head (European Central Bank)

9 . Quality and methodology

Release policy

The data used in this version of the release are the latest available at 29 March 2018. The UK resident population mid-year estimates used in this publication are those published on 22 June 2017. Per head calculations are based on all residents of the UK regardless of age.

Basic quality and methodology information

Basic quality and methodology information for all indicators in this statistical bulletin:

- National accounts Quality and methodology Information report
- Consumer Price Indices Quality and methodology Information report
- Wealth and Assets Survey Quality and methodology Information report
- Effects of taxes and benefits Quality and methodology information report
- Labour market Quality and methodology Information reports

These contain important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- how the output was created
- the quality of the output including the accuracy of the data

Revisions and reliability

All data in this release will be subject to revision in accordance with the revisions policies of their original release. Estimates for the most recent quarters are provisional and are subject to revision in the light of updated source information. We currently provide an analysis of past revisions in statistical bulletins, which present time series. Details of the revisions are published in the original statistical bulletins.

Most revisions reflect either the adoption of new statistical techniques or the incorporation of new information, which allows the statistical error of previous estimates to be reduced.

Only rarely are there avoidable "errors", such as human or system failures and such mistakes are made quite clear when they do occur.

For more information about the revisions policies for indicators in this release:

- National accounts revisions policy (PDF, 42KB) – covers indicators from the quarterly national accounts, UK Economic Accounts and the National Balance Sheet
- Wealth and Assets Survey revisions policy (PDF, 93KB) – covers indicators on the distribution of wealth
- Effect of taxes and benefits on household incomes revisions policy – covers indicators on the distribution of income
- Labour market statistics revisions policy – covers indicators from labour market statistics
- Consumer Price Inflation revisions policy (PDF, 50KB) – covers indicators from consumer price indices

Our Revisions policies for economic statistics webpage is dedicated to revisions to economic statistics and brings together our work on revisions analysis, linking to articles, revisions policies and important documentation from the former Statistics Commission's report on revisions.

Data that come from the Eurobarometer Consumer Survey and Understanding Society releases are not subject to revision as all data are available at the time of the original release. These data will only be revised in light of methodological improvements or to correct errors. Any revisions will be made clear in this release.

Interpreting the Eurobarometer Consumer Survey

The Eurobarometer Consumer Survey, sourced from GFK on behalf of the European Commission, asks respondents a series of questions to determine their perceptions on a variety of factors, which collectively give an overall consumer confidence indicator. For each question, an aggregate balance is given, which ranges between negative 100 and positive 100.

Balances are the difference between positive and negative answering options, measured as percentage points of total answers. Values range from negative 100, when all respondents choose the negative option (or the most negative one in the case of five-option questions) to positive 100, when all respondents choose the positive (or the most positive) option.

The questions used in this release are:

Question 1: How has the financial situation of your household changed over the last 12 months? It has...

- got a lot better
- got a little better
- stayed the same
- got a little worse
- got a lot worse
- don’t know

Question 3: How do you think the general economic situation in the country has changed over the past 12 months? It has...

- got a lot better
- got a little better
- stayed the same
- got a little worse
- got a lot worse
- don’t know

Question 5: How do you think that consumer prices have developed over the last 12 months? They have...

- risen a lot
- risen moderately
- risen slightly
- stayed about the same
- fallen
- don’t know

Further information on this consumer survey is available from the Business and Consumer Survey section of the European Commission website.

Measuring national well-being

This article is published as part of our Measuring National Well-being programme. The programme aims to produce accepted and trusted measures of the well-being of the nation – how the UK as a whole is doing. Further information on Measuring National Well-being is available with a full list of well-being publications.