

Statistical bulletin

Consumer trends, UK: July to Spetember 2014

Household final consumption expenditure (HHFCE) for the UK, as a measure of economic growth. Includes all spending on goods and services by members of UK households.



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1 . Key points

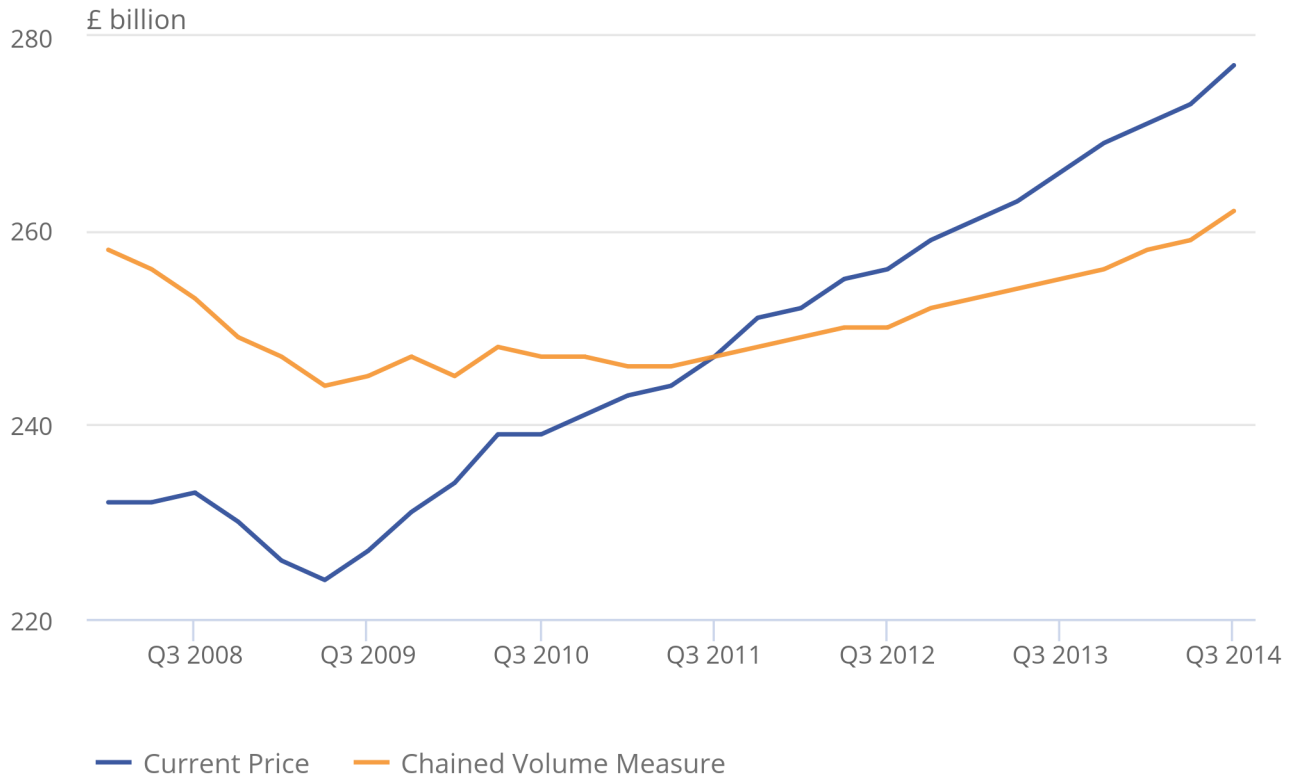
- In Q3 2014, household spending (adjusted for inflation) grew by 0.9% (£2.5 billion)
- The main contribution to growth can be seen in 'Transport' which has increased by 2.9% compared with Q2 2014. The largest negative contribution to growth can be seen in 'Miscellaneous goods and services' which has fallen by 0.5% compared with Q2 2014
- Household spending in volume terms, increased to £259.0 billion in Q4 2007, falling to £244.1 billion in Q2 2009. It has now increased to £261.6 billion, the highest volume spending since the start of the series. Volume spending for the latest two quarters has exceeded the previous high in Q4 2007
- Household spending when compared with the same quarter a year ago has been rising each quarter since Q3 2011, it was 2.5% higher in Q3 2014, when compared with Q3 2013
- The current price value of household spending, which includes inflation, shows how much UK households spent. In Q3 2014 current price spending increased by 1.6% compared with Q2 2014, continuing the trend of positive quarterly growth since Q3 2009
- The household expenditure implied deflator grew by 0.7% in Q3 2014. Within household spending categories the 'Miscellaneous goods and services' implied deflator showed the largest increase in percentage terms, growing by 2.2% in Q3 2014

2 . Summary of household expenditure in Q3 2014

The volume measure provides an estimate of the amount of goods and services purchased by households. In Q3 2014 it increased by 0.9%. The current price value of household spending (inflation included) shows how much UK households spent. In Q3 2014 it increased by 1.6% compared with Q2 2014. Current price spending has shown positive quarterly growth since Q3 2009. Figure 1 compares the levels of current price and volume spending from 2008 onwards.

Figure 1: Quarterly household final consumption expenditure total (£ billion), seasonally adjusted

Figure 1: Quarterly household final consumption expenditure total (£ billion), seasonally adjusted



Source: Office for National Statistics

3 . Trends in household expenditure

Household Final Consumption Expenditure (HHFCE) includes spending on goods and services except for: buying or extending a house, investment in valuables (paintings, antiques etc) or purchasing second-hand goods. Explanations for these exceptions and the related concepts are available in Consumer Trends guidance and methodology.

Household expenditure is used in the National Accounts to measure the contribution of households to economic growth and accounts for about 60% of the expenditure measure of GDP. There are two measures:

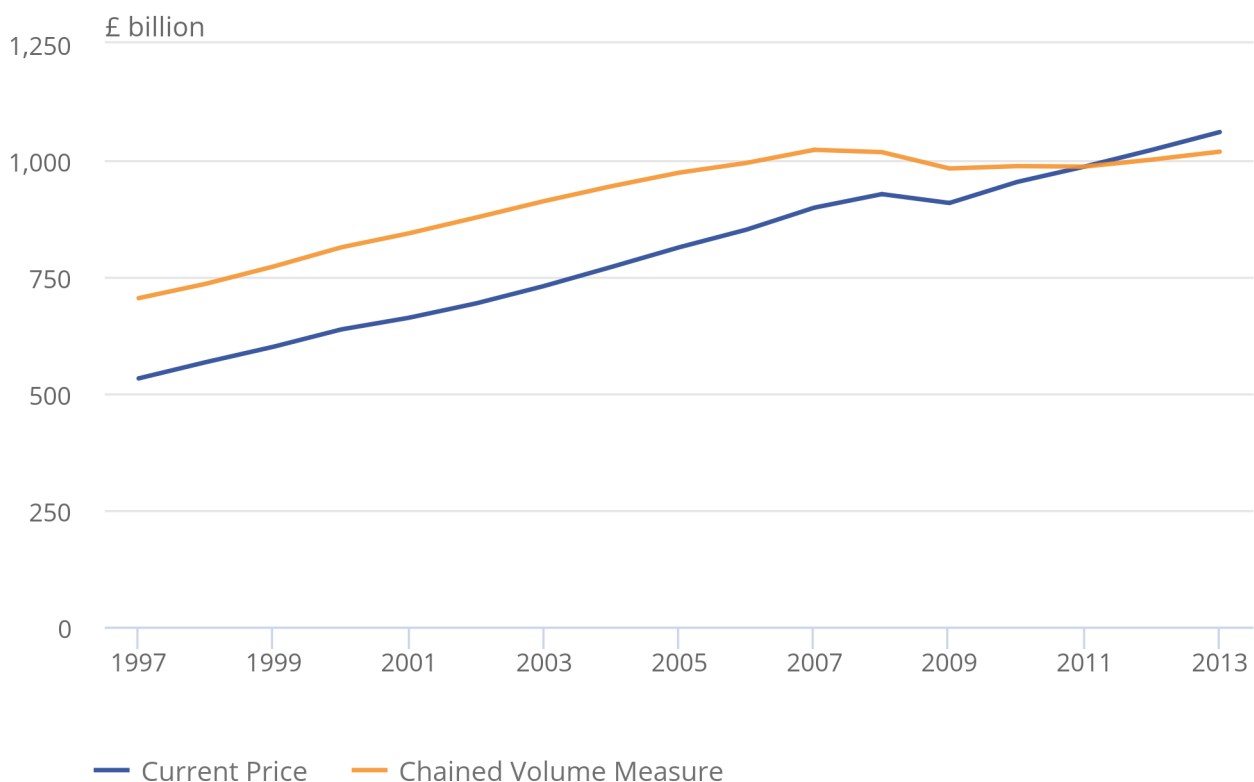
- Current prices - which is the value of spending in a particular quarter measured in the prices at that time
- Volume terms - which adjust for price inflation and gives a better picture of whether households are purchasing more goods and services

The estimate of HHFCE where net tourism expenditure is included is called the UK national estimate. When net tourism is excluded, this produces the aggregate total UK domestic expenditure. Lower level analyses in this bulletin are based on the domestic concept. This is discussed in greater detail in 'Definitions and Conventions for UK HHFCE'.

Figure 2 shows annual household final consumption expenditure from 1997 onwards. A detailed HHFCE dataset, from 1985 onwards, can be found in our [Time Series Dataset](#).

Figure 2: Annual household final consumption expenditure (£ billion)

Figure 2: Annual household final consumption expenditure (£ billion)



Source: Office for National Statistics

From 1997, household final consumption expenditure, seasonally adjusted:

- in current prices, increased to £232.7 billion in Q3 2008, falling to £224.4 billion in Q2 2009, then returning to positive growth in each quarter from Q3 2009 to reach £277.5 billion in the latest quarter
- in volume terms, increased to £259.0 billion in Q4 2007, falling to £244.1 billion in Q2 2009. It has now increased to £261.6 billion, the highest volume spending since the start of the series. Volume spending for the latest two quarters has exceeded the previous high in Q4 2007

The pre-2007 increases in household spending were a consequence of households facing higher prices and buying more goods and services. However, in 2008 and 2009 households spent less because they predominantly bought less, in volume terms. Since 2009, household spending has increased, but the volume of goods and services purchased has experienced far lower growth.

In Q3 2014, the value of household spending in current prices increased by 1.6% on the previous quarter, and by 4.3% on the same quarter in 2013. The volume measure of household spending increased by 0.9% on the quarter and 2.5% on the same quarter in 2013, signifying that households are spending more for a relatively lower volume of goods and services.

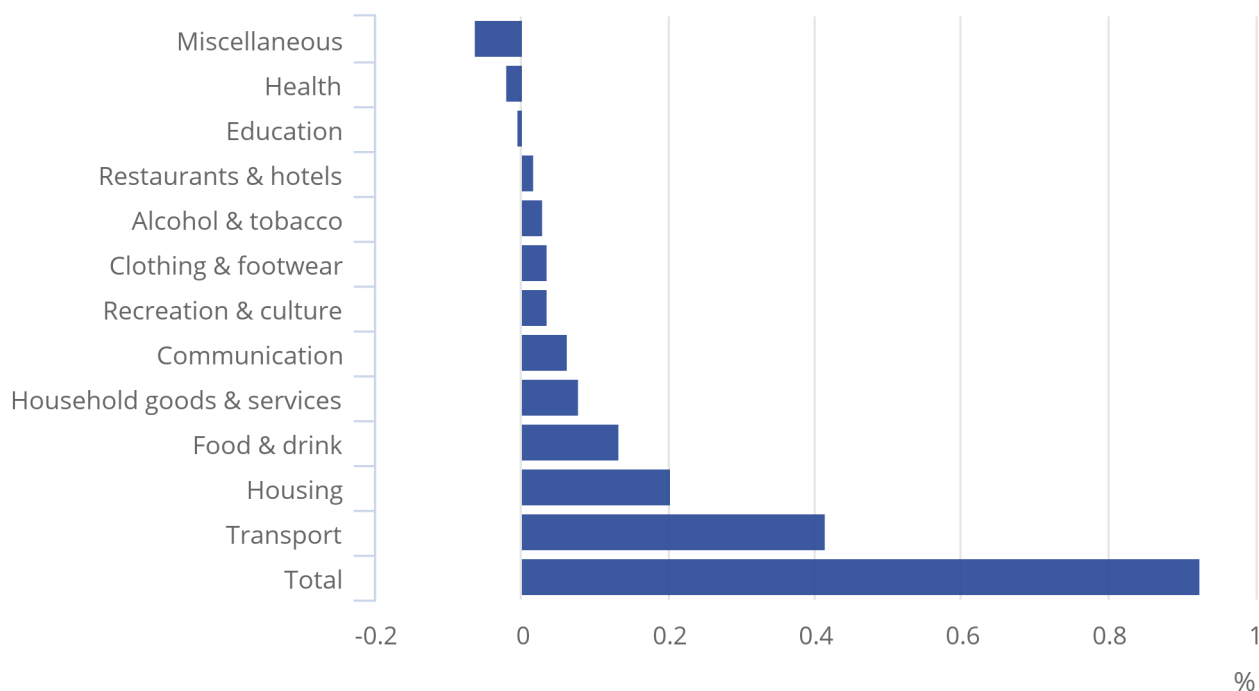
4 . Household spending by product, seasonally adjusted

Figure 3 shows spending in volume terms (adjusted for inflation) spending on 'Transport' has made the largest contribution to the positive growth in Q3 2014, increasing by 2.9% on the quarter. Within 'Transport', 'Motor cars' showed the largest increase of 7.6% compared with Q2 2014.

The largest negative contribution to growth over this quarter can be seen in 'Miscellaneous goods and services' which has fallen by 0.5% in volume terms. This is driven by decreased spending on 'Life insurance', which has fallen by 7.0%, and 'Transport insurance' which has fallen by 9.3%.

Figure 3: COICOP Contribution to Overall Growth, Domestic Measure, Chained Volume Measure, Seasonally Adjusted

Figure 3: COICOP Contribution to Overall Growth, Domestic Measure, Chained Volume Measure, Seasonally Adjusted



Source: Office for National statistics

5 . Focus on prices in household expenditure

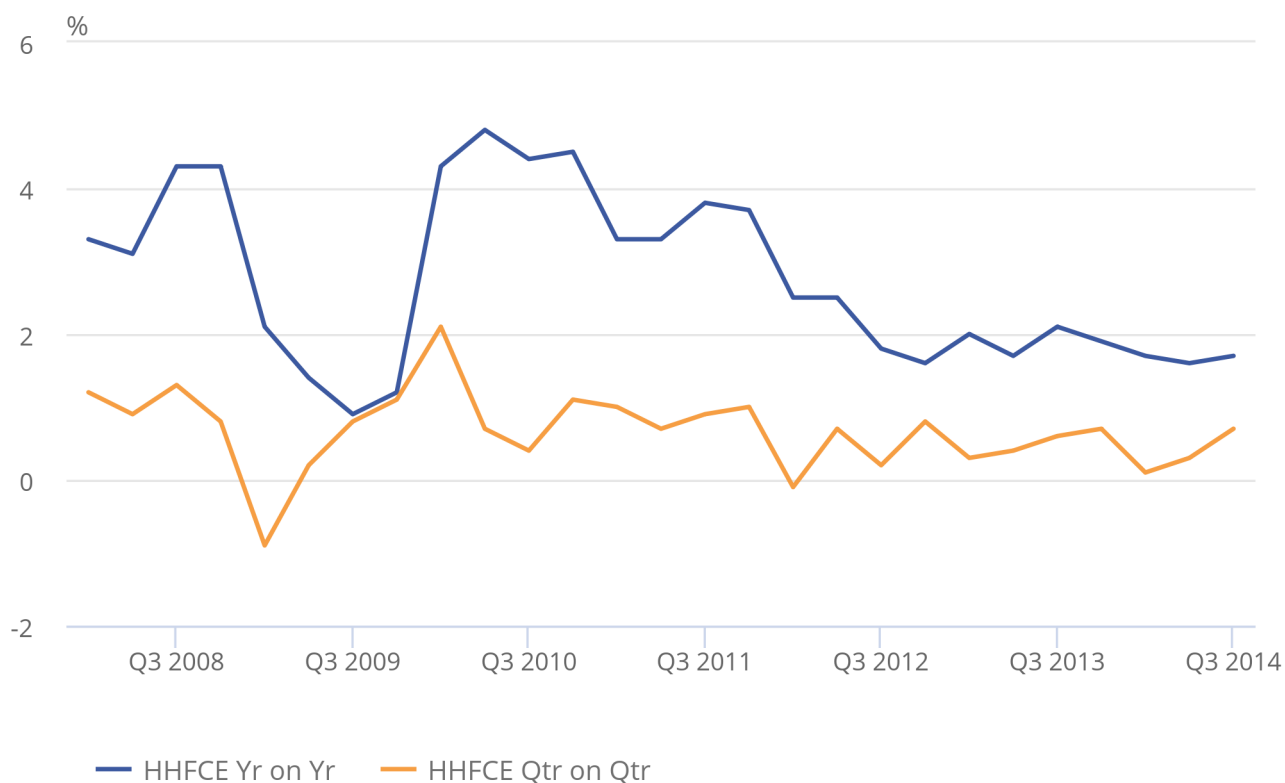
The household expenditure measure of prices is an important component of the GDP deflator which is used to determine price pressures in the economy. Figure 4 shows the household expenditure implied deflator both year on year and quarter on quarter percentage change.

This quarter the seasonally adjusted household expenditure measure of prices (the deflator) increased by 0.7%. This continues the trend of positive deflator growth since Q2 2012, indicating the increased prices that households face when purchasing goods or services. The household expenditure deflator (seasonally adjusted) is 1.7% higher than in Q3 2013.

'Housing' as the largest category of household expenditure has the most impact on the overall implied deflator. This quarter, the 'Housing' implied deflator increased by 0.5% when compared with Q2 2014, this has contributed to the overall implied deflator growth. The majority of other expenditure categories have contributed positively to growth in the implied deflator, the largest of which in percentage terms is 'Miscellaneous goods and services' which grew by 2.2% when compared with Q2 2014, a reflection of strong positive growth in 'Financial intermediation services indirectly measured (FISIM)' and 'Life insurance'.

Figure 4: Household expenditure implied deflator, seasonally adjusted, percentage change

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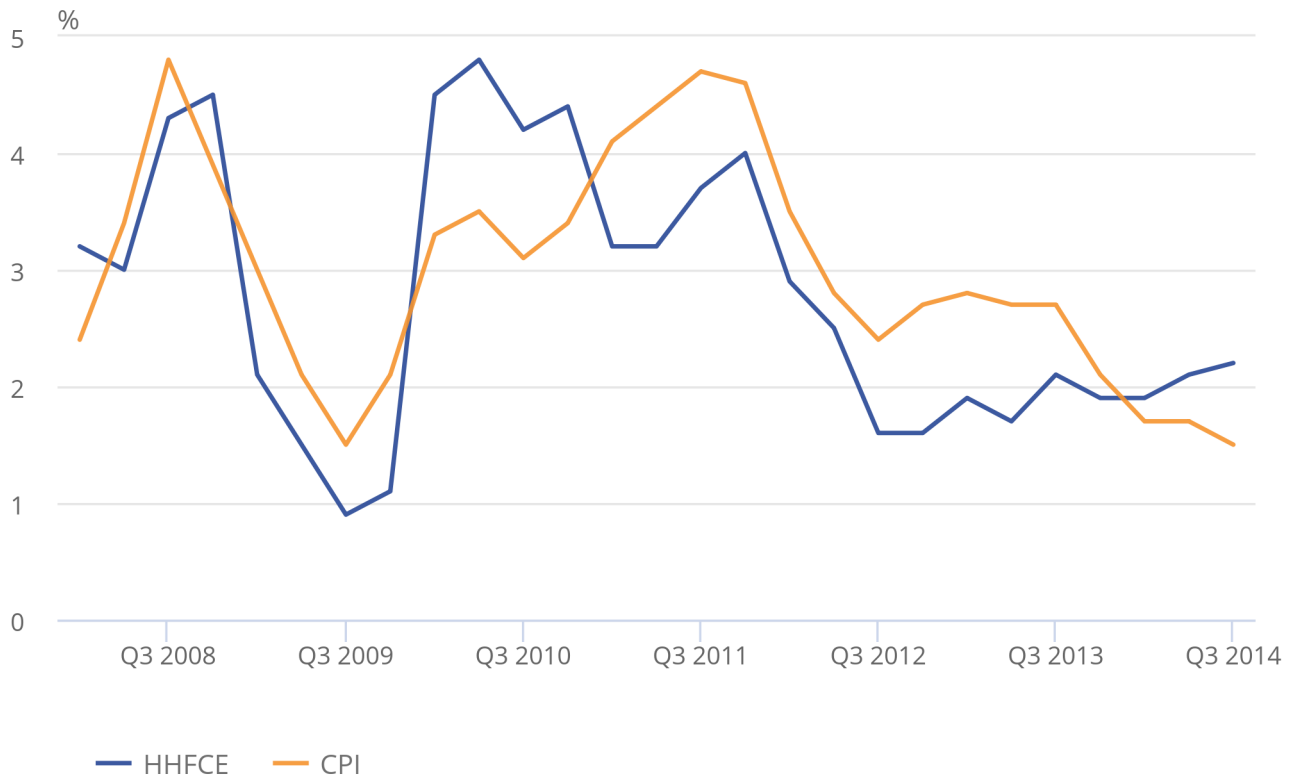


Source: Office for National Statistics

From Blue Book 2011, CPI has been used to deflate estimates of Household Expenditure. Figure 5 compares the household expenditure implied deflator growths in percentage terms, quarter on the same quarter a year ago, with those of the CPI from 2008 onwards.

Figure 5: Household expenditure implied deflator v CPI, not seasonally adjusted, year-on-year, percentage change

Figure 5: Household expenditure implied deflator v CPI, not seasonally adjusted, year-on-year, percentage change



Source: Office for National Statistics

6 . Household final consumption expenditure revisions, Q3 2014

In common with all components of UK Gross Domestic Product (GDP), household final consumption expenditure (HHFCE) estimates are subject to the revisions policy of the UK National Accounts. This allows revisions to estimates to be made at particular times of the year.

In Q3 2014, the revisions to total household final consumption expenditure have been made from the first quarter of 2013.

Revisions between the previous edition of Consumer Trends (Q2 2014) and the latest HHFCE estimates are summarised in Table 1 'Revisions to Household Final Consumption Expenditure'. They reflect updated data from suppliers, as well as adjustments to HHFCE as a result of the GDP balancing process.

Table 1: Household final consumption expenditure revisions, Q3 2014

	Revisions to value (current prices) £ million	Revisions to growth (current prices) %	Revisions to growth (volume measure) %
2012	–	–	–
2013	612	0.1	0.1
2013 Q1	-379	-0.1	-0.1
2013 Q2	215	0.2	0.1
2013 Q3	386	0.1	0.1
2013 Q4	390	–	0.1
2014 Q1	58	-0.1	-0.1
2014 Q2	-927	-0.4	–

Source: Office for National Statistics

7 . Guidance and methodology

HHFCE terms and definitions are outlined in Table 3. [Consumer Trends guidance](#) offers fuller details regarding this publication.

Table 2: Table of household final consumption expenditure terms and definitions

Term	Description
COICOP	Classification Of Individual Consumption by Purpose. COICOP is an internationally agreed system of classification for reporting consumption expenditure within National Accounts and is used by other household budget surveys across the European Union.
CPI	Consumer Price Index. Measures the price paid by consumers for a fixed group of goods and services.
GDP	Gross Domestic Product. The measure of all services and goods produced in a country over a specific period.
HHFCE	Household Final Consumption Expenditure. Spending by households on products or services to satisfy their immediate needs or wants. This includes expenditure on the administrative costs of insurances but excludes capital expenditure on dwellings and valuables.
SA	Seasonally adjusted. Seasonal adjustment removes the variations associated with the time of the year, i.e. seasonal effects; this allows consecutive quarters to be compared, providing a reliable estimate of short-term change.
CP	Current price. Current price series (also known as nominal, cash or value series) are expressed in terms of the prices of the time period being estimated. In short, they describe the actual price charged or paid for the goods or services at time of production or consumption.
CVM	Chained volume measure. This measure allows users to identify changes in expenditure on a good (or service) resulting from a change in the volume, rather than a change in the price of that good (or service).
IDEF	Implied deflator. An indirect measure of inflation. Calculated as current price data divided by chained volume measure data, multiplied by 100.
Domestic estimate	HHFCE aggregate total excluding net tourism
National estimate	Estimate of HHFCE including net tourism expenditure.
TOUREX	Estimates for foreign tourist expenditure in the UK.
TOURIM	Estimates for UK tourist expenditure abroad.

Source: Office for National Statistics

8. Background notes

1. **Date of this publication:** 23 December 2014
2. **Next Edition:** The next edition of Consumer Trends, Q4 2014, will be published on 31 March 2015. Estimates will be consistent with Blue Book 2014.
3. **Release policy.** Household Final Consumption Expenditure estimates produced in Consumer Trends are produced according to the National Accounts timetable. The preliminary estimate of GDP for the fourth quarter of 2014 will be published on 27 January 2015, followed by the second estimate of GDP on 26 February 2015. The next full set of Quarterly National Accounts will be published on 31 March 2015.

4. Basic Quality Information for Consumer Trends Statistical Bulletin

Summary Quality reports: A [Summary Quality Report \(134.3 Kb Pdf\)](#) for this Statistical Bulletin can be found on the National Statistics website.

Key quality issues: Household expenditure volume series are chainlinked annually. Estimates in this Consumer Trends are now based on 2011 price structures i.e. the chained volume measure estimate in 2011 equals the current price value of expenditure in 2011.

Growth in each year up to and including 2011 is calculated at average prices of the previous year. Growth from 2011 onwards is calculated at average prices of 2011. Volume series are only additive for the most recent periods, i.e. annual data for 2011 onwards and quarterly data for quarter one 2012 onwards. Very few statistical revisions arise as a result of 'errors' in the popular sense of the word. All estimates, by definition, are subject to statistical 'error' but in this context the word refers to the uncertainty inherent in any process or calculation that uses sampling, estimation or modelling. 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.

Coherence: Household Final Consumption Expenditure estimates published in Consumer Trends are a component of the GDP expenditure approach. However, the preliminary estimate for GDP is produced based on the GDP output approach. Historic experience shows that the output approach provides the best timely approach to measuring GDP growth. GDP growth according to the expenditure and income approaches is therefore brought into line with that recorded by output.

5. **Further information:** Further Quarterly National Accounts, Quarterly Sector Accounts and Financial Accounts tables are available in the [United Kingdom Economic Accounts](#).

Details of the policy governing the release of new data are available from the press office.

6. The ONS compliance plan can be found on the ONS website.

7. **Following ONS:** Follow ONS on [Twitter](#) and [Facebook](#).

8. **Code of practice:** National Statistics are produced to high professional standards set out in the UK Statistics Authority's Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference.

9. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

These National Statistics are produced to high professional standards and released according to the arrangements approved by the UK Statistics Authority.