

Statistical bulletin

Average household income, UK: Financial year ending 2019 (provisional)

Provisional estimates of median and mean disposable income for people in the UK for the financial year ending 2019.

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1 . Main points

- Median household disposable income in the UK was £29,400 in the financial year ending (FYE) 2019, up 1.4% (£400) compared with FYE 2018, after accounting for inflation.
- This continues a period of modest growth over recent years; median income grew by an average of 0.7% per year between FYE 2017 and FYE 2019, compared with 2.8% between FYE 2013 and FYE 2017.
- The rise in median income has occurred during a period where the employment rate grew by 0.5 percentage points, while real total pay for employees increased by an average of 1.0% across the 12 months in FYE 2019 compared with FYE 2018.
- Median income of people living in retired households increased by 1.1% (£300), while the median income of people living in non-retired households grew by 1.3% (£400).

2 . Information about this release

This release presents provisional estimates of people's household disposable income in the UK for the financial year ending (FYE) 2019.

These provisional figures are “nowcasts” produced using a microsimulation model based on Living Costs and Food Survey (LCF) data, up-to-date information on tax and benefit policy, and the latest economic data in FYE 2019. More information about this process can be found at the end of the release.

Alongside this release, estimates of changes in income inequality in FYE 2019 are presented in [Household income inequality, UK: Financial year ending 2019 \(provisional\)](#).

Average household income is estimated by focusing on the distribution of household income of individuals, consistent with statistics published earlier this year in [Average household income, UK: Financial year ending 2018](#). This marks a change from the analysis presented in provisional estimates for FYE 2018 and earlier, where average incomes are measured on the distribution of households.

Provisional estimates presented for FYE 2019 in this bulletin are not comparable with historical bulletins presenting provisional estimates, such as [Effects of taxes and benefits on UK household income – flash estimate: financial year ending 2018](#). The associated datasets within this release present estimates on a person basis for the full time series.

The financial years used in this release are the 12 months from April to March.

3 . Analysis of average income

This bulletin looks at two measures of people's household disposable income: median and mean. Both measures are equivalised, meaning that they take into account that households with more people will need a higher income to achieve the same standard of living as households with fewer members. They are also measured before accounting for housing costs.

The distribution of people's household disposable income is skewed towards higher income people; mean income (£35,300) is £5,900 larger than median income (£29,400).

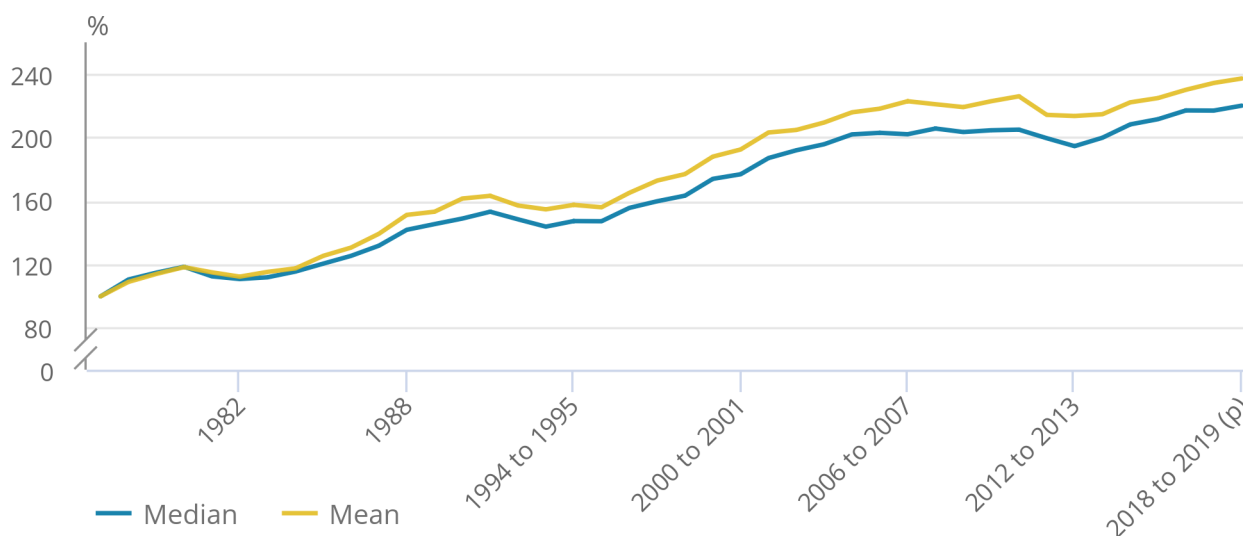
This section presents the provisional estimate for the financial year ending (FYE) 2019. The provisional estimate shows that median disposable income in the UK was £29,400. This was 1.4% (£400) higher than in FYE 2018 (£29,000) (Figure 1).

Figure 1: Median income increased by 1.4% in financial year ending (FYE) 2019

Mean and median income, 1977 to FYE 2019, 1977 = 100

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Mean and median income, 1977 to FYE 2019, 1977 = 100



Source: Office for National Statistics – Living Costs and Food Survey

Notes:

1. 2018 to 2019, which represents the financial year ending 2018, (April to March), and similarly for all other years expressed in this format.

The increase in median income in FYE 2019 continues a period of modest growth since FYE 2017. Over this period, median income grew by an average of 0.7% per year, compared with 2.8% per year between FYE 2013 and FYE 2017.

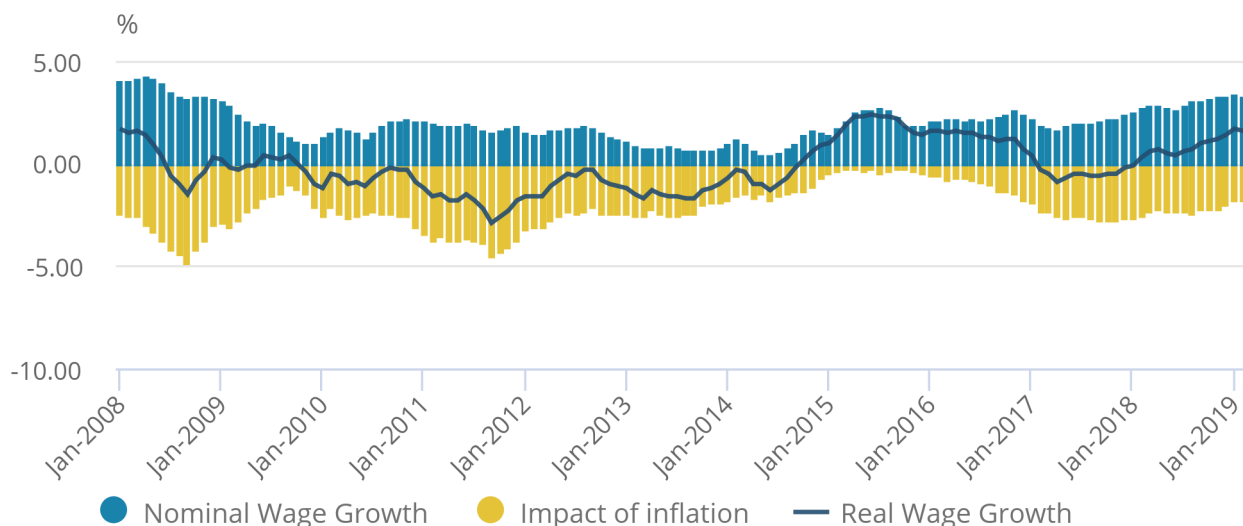
Mean income displayed a similar pattern of growth. The provisional estimate in FYE 2019 was £35,300, an increase of 1.2% (£400) from FYE 2018. This is the sixth consecutive year of growth, growing at an average of 1.8% per year.

Figure 2: Real wages increased in financial year ending (FYE) 2019

Contributions to the growth of real regular pay: Consumer Prices Index including owner occupiers' housing costs (CPIH) inflation and the growth of average regular weekly earnings, UK, January 2008 to March 2019

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Contributions to the growth of real regular pay: Consumer Prices Index including owner occupiers' housing costs (CPIH) inflation and the growth of average regular weekly earnings, UK, January 2008 to March 2019



Source: Office for National Statistics – Living Costs and Food Survey

Notes:

1. The data for regular pay present the three months on three months a year ago growth rate for the month at the end of the period (the final data are for January to March 2019).

An important influence on levels of growth in average household incomes in FYE 2019 has been the improvement in real wages between FYE 2018 and FYE 2019. Over this period, real wages increased by an average of 1%, following an increase in nominal earnings, coupled with a moderation in price growth (Figure 2).

Alongside growth in average real earnings during FYE 2019, the employment rate increased from 75.6% to 76.1%. In addition, there were some policy changes that will have had an impact on changes in household income. In FYE 2019, the personal allowance rose from £11,500 to £11,850, while the starting point for the 40% higher tax rates increased from £45,000 to £46,350. The National Living Wage also increased from £7.50 per hour to £7.83 per hour (up 4.4%).

The basic State Pension increased in line with the “triple guarantee” (or “triple lock”) that was introduced in FYE 2012. The current guarantee ensures that it increases by the highest of the increase in earnings, price inflation (as measured by the Consumer Prices Index (CPI)) or 2.5%. From April 2018, the basic State Pension increased by 3%, matching the CPI inflation rate for September 2017.

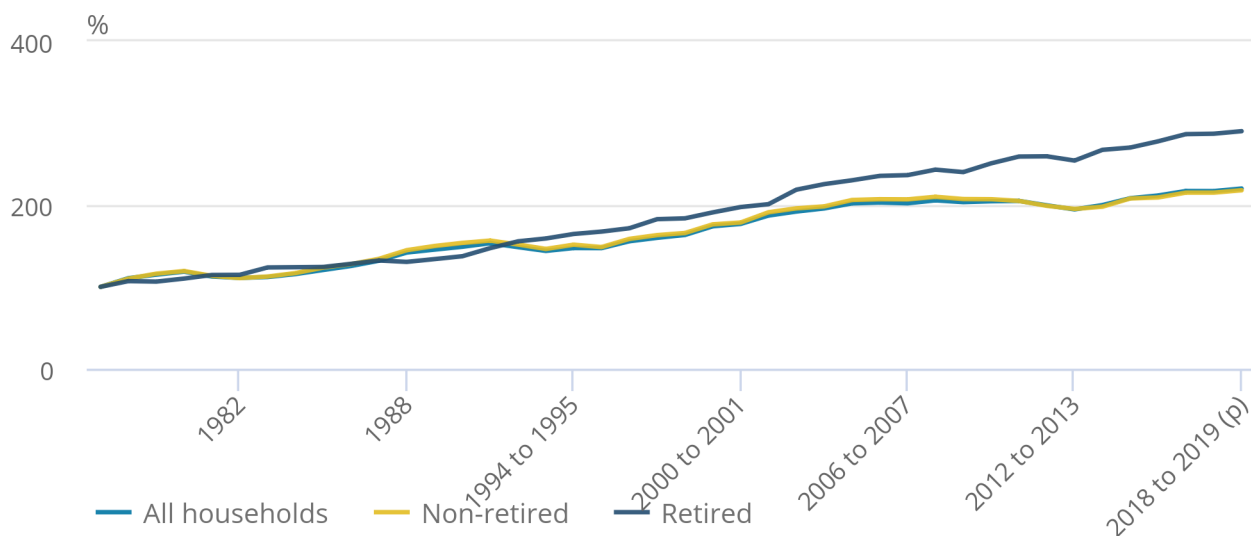
However, there was also a continued freeze on certain working-age benefits, such as Housing Benefit, Child Benefit and Tax Credits, which remained at FYE 2016 cash values. This contributed to the average value of benefits received by non-retired households falling in real terms between FYE 2018 and FYE 2019.

Figure 3: Growth in average disposable income of people living in retired and non-retired households increased in financial year ending (FYE) 2019

Median disposable income of individuals by household type – 1977 to FYE 2019 (p) 1977 = 100

Figure 3: Growth in average disposable income of people living in retired and non-retired households increased in financial year ending (FYE) 2019

Median disposable income of individuals by household type – 1977 to FYE 2019 (p) 1977 = 100



Source: Office for National Statistics – Living Costs and Food Survey

Notes:

1. 2017 to 2018, which represents the financial year ending 2018, (April to March), and similarly for all other years expressed in this format.
2. Incomes are adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH) excluding Council Tax.
3. Indices are calculated relative to 1977 values.

Median income for people living in retired households grew by 1.1% in FYE 2019 to £24,600. This will likely be partly influenced by the State Pension which, as described earlier, increased by 3% in April 2018 – a real terms increase over FYE 2018

Median income for people living in non-retired households increased by 1.3% in FYE 2019 to £30,700. This is the sixth consecutive increase, during a period in which their median income grew by an average of 2.1% per year (Figure 3).

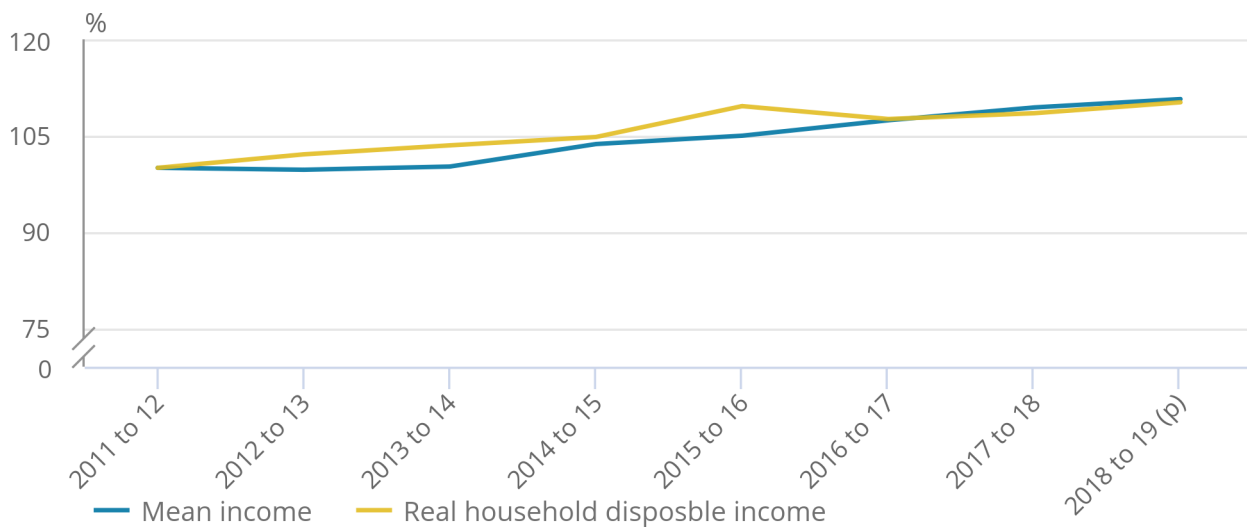
4 . Background information

Figure 4: Mean income has closely followed real household disposable income over recent years

Mean income of individuals and real household disposable income (cash basis), financial year ending 2012 to financial year ending 2019, real prices, FYE 2012 = 100

Figure 4: Mean income has closely followed real household disposable income over recent years

Mean income of individuals and real household disposable income (cash basis), financial year ending 2012 to financial year ending 2019, real prices, FYE 2012 = 100



Source: Office for National Statistics – Living Costs and Food Survey

Notes:

1. Indices are calculated relative to FYE 2012 values.

Figure 4 compares estimates of mean income with real household disposable income (RHDI) per head. This is a measure derived from the national accounts, highlighting the amount of income available to households. These estimates are on a cash basis, removing some “imputed” transactions, so that they are comparable with survey-based measures of disposable income.

In the financial year ending (FYE) 2019, RHDI per head increased by 1.6%, slightly higher than the increase in the provisional estimates of mean income over the same period.

5 . Provisional estimates and outturn data

This is the fifth release of provisional estimates of household income using nowcasting techniques, with Figure 4 demonstrating their accuracy compared with final estimates published later each year.

This is the first year in which the provisional estimates of median household income are estimated by considering the distribution of people, rather than households. As such, estimates of median income for years financial year ending (FYE) 2015 to FYE 2018 in Figure 4 are based on the distribution of households and not people, and are therefore not comparable with estimates presented for FYE 2019 in the remainder of this bulletin.

Figure 5: Provisional estimates of median income are broadly in line with final estimates

Median income on a household basis. Provisional and final estimates (%), and 95% confidence intervals of the final estimates, UK, financial year ending (FYE) 2015 to FYE 2018

Source: Office for National Statistics – Living Costs and Food Survey

Figure 5 highlights that the provisional estimate of median income provides a good indication of the final estimate over time. Within the four years in which they can be compared, the provisional estimate always lies within the 95% confidence intervals of the final estimate.

6 . Glossary

Disposable income

Disposable income is the amount of money that households have available for spending and saving after direct taxes (such as Income Tax and Council Tax) have been accounted for. It includes earnings from employment, private pensions and investments, as well as cash benefits provided by the state. More information on the different stages of income can be found in the Things you need to know about this release section of [Effects of taxes and benefits on UK household income: financial year ending 2017](#).

Equivalisation

Comparisons across different types of individuals and households (such as retired and non-retired, or rich and poor) or over time is done after income has been equivalised. Equivalisation is the process of accounting for the fact that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members. Equivalisation considers the number of people living in the household and their ages, acknowledging that while a household with two people in it will need more money to sustain the same living standards as one with a single person, the two-person household is unlikely to need double the income.

This analysis uses the [modified-Organisation for Economic Co-operation and Development \(OECD\) equivalisation scale \(PDF, 165KB\)](#).

Mean and median income

The mean measure of income divides the total income of individuals by the number of individuals. A limitation of using the mean is that it can be influenced by just a few individuals with very high incomes and therefore does not necessarily reflect the standard of living of the “typical” person. However, when breaking down changes in income and direct taxes by income decile or types of households, the mean allows for these changes to be analysed in an additive way.

Many researchers argue that growth in median household incomes provides a better measure of how people's well-being has changed over time. The median household income is the income of what would be the middle person, if all individuals in the UK were sorted from poorest to richest. Median income provides a good indication of the standard of living of the "typical" individual in terms of income.

Real total pay

Real total pay measures the average weekly earnings per employee. It includes bonus payments, unlike regular pay, which excludes them.

Retired households

A retired person is defined as anyone who describes themselves (in the Living Costs and Food Survey) as "retired" or anyone over minimum State Pension age describing themselves as "unoccupied" or "sick or injured but not intending to seek work". A retired household is where the combined income of retired members amounts to at least half the total gross income of the household.

7 . Measuring these data

Statistics that reflect the experience of a typical person such as median income reported here, are important to properly understand changes in material living conditions. However, the complexities involved in collecting, processing and analysing household and individual financial survey data mean indicators concerning the distribution of income are typically only available with a sizeable time lag.

For instance, estimated median income (estimated using survey data) for the financial year ending (FYE) 2018 was published more than 11 months after the end of the reference period. Meeting the considerable user demand for more timely data on the distribution of household income , we have developed these Experimental Statistics, which are produced using so-called "nowcasting" techniques.

Nowcasting is an increasingly popular approach for providing initial estimates of economic indicators, such as median income. In contrast to forecasting, which relies heavily on projections and assumptions about future economic circumstances, nowcasting uses data that are more timely and already available for the period of study.

Although, at the time of producing these statistics, detailed survey data on household incomes are not yet available for FYE 2019, a lot is known about its individual components and the factors that affect them. This includes data on earnings, employment and inflation, as well as details of how changes to the tax and benefits system affect different types of households and individuals. This information is used to adjust income survey data for recent years to reflect the current period and measures such as median income are published earlier than was previously possible.

While nowcast estimates do not perfectly reflect changes in the distribution of income, particularly when examining smaller sub-groups of the population, they provide an early indication of what the full survey-based data may show when published later this year, or early next.

The methodology used in this bulletin has undergone significant testing and benefitted from having a range of external experts to ensure it is as robust as possible. As Experimental Statistics, the content of this bulletin and the associated dataset will continue to be evaluated to ensure that user needs are met."

How are these estimates adjusted?

All measures of income for the UK given in this article are calculated without adjusting for expenses relating to housing costs. The measures have been deflated to FYE 2019 prices using the Consumer Prices Index including owner occupiers' housing costs (CPIH), excluding Council Tax, to give a better comparison of households' standards of living. These deflated measures are referred to as "real" in this publication. This contrasts with "nominal" measures, which have not been deflated.

The provisional estimate income publication requires a deflator dating back to 1977. The CPIH, excluding Council Tax, is currently available from January 2005. The Consumer Prices Index (CPI) is available from 1996, with a modelled historical series available from 1950. For this analysis, the owner occupiers' housing costs (OOH) component is estimated using the actual rental series available from the Retail Prices Index (RPI). The OOH component is factored into the CPI (and modelled CPI prior to 1996) using the average OOH weight. Prior to 2005, this series is classed as experimental.

Methodology

The input data for this analysis come from the Living Costs and Food Survey (LCF) and the Effects of taxes and benefits on household income (ETB) dataset, which is derived from the LCF. Together, these provide information on income, expenditure and important family characteristics.

There are four main steps involved to produce nowcast estimates of disposable income. These are:

- compile base data – this involves joining three years of historic LCF data
- uprate base data – adjust the base data to reflect changes in the macro-economic conditions that have affected households at different points of the income distribution; for instance, taking into account wage growth from more timely earnings growth data
- model tax and benefit changes – apply rules of the current tax and benefit system to the uprated base data
- recalibrate weights – account for changes in labour market participation and the socio-demographic characteristics of the population between base data and reference period

For this analysis, historical LCF data covering the financial years ending (FYE) 2013, 2014, and 2015 were combined to produce nowcast estimates of disposable income for different household types and measures of inequality for FYE 2018 and FYE 2019. The growth rate between the various nowcasts are applied to the published FYE 2018 estimates presented within [Average household income, UK: Financial year ending 2018](#). A more detailed description of the methodology is provided in the accompanying article, [Nowcasting household income in the UK: Methodology, 2016](#).

The historical data in this article are based on the Effects of Taxes and Benefits (ETB) series, produced by the Office for National Statistics, which itself is derived from the LCF. This series has been chosen for this article because of its long time series and its use as the primary input for the Intra-Governmental Tax and Benefit Model (IGOTM) used for producing the FYE 2019 provisional estimates.

More information about the accuracy and reliability of these statistics is contained in the Quality and methodology section of [Effects of taxes and benefits on UK household income – flash estimate: financial year ending 2018](#).

How do these estimates fit in with other official statistics on household incomes?

These experimental estimates have been developed to serve as early or provisional estimates of figures that are currently published in within [Average household income, UK: Financial year ending 2018](#). When the survey-based estimates for FYE 2019 are available they will supersede these estimates. We will also use these survey-based figures to evaluate the accuracy of these nowcasts.

The figures published in this bulletin use the same definition of disposable income used in these other releases, which in turn is consistent with the concepts set out in the second edition of the [United Nations Economic Commission for Europe Canberra Handbook \(UNECE, 2011\)](#); this sets out the main international standards in this area.

Future plans

In February 2019, the Office for National Statistics published [Using tax data to better capture top earners in household income inequality statistics](#). This investigates the adjustments made to deal with the issues of under-reporting of UK top incomes. This will be fully incorporated in the survey-based estimates for FYE 2019 release.

8 . What are Experimental Statistics?

The UK Statistics Authority [Code of Practice for Statistics](#) defines [Experimental Statistics](#) as: “new official statistics undergoing evaluation, which are published in order to involve users and stakeholders in their development and as a means to build in quality at an early stage”. The data contained within this release have undergone the same high levels of quality assurance as other official statistics. However, as Experimental Statistics, the methodology used to create them remains under development and may be revised following further evaluation. It is therefore recommended that this is considered when using the findings.

As with any other nowcast, the accuracy of these indicators will inevitably depend on many factors. Throughout the development work feeding into this bulletin, a variety of approaches have been tested to develop a robust methodology and the experience of external experts has been used to make use of international best practice. Despite this, it is unrealistic to expect nowcast estimates to perfectly reflect changes in the distribution of income, particularly when examining smaller sub-groups of the population. This means that the final survey data may show different patterns of change for some groups. This is taken into account in the level of detail presented in this bulletin.

In line with the UK Statistics Authority’s statement on [Assessment and Designation of Experimental Statistics \(PDF, 44KB\)](#), we will be carefully evaluating these new estimates against the Code of Practice for Statistics. This will include assessments of both the quality of the estimates themselves and the extent to which they meet user needs.

9 . More about household income

[Households below average income \(HBAI\)](#)

Released 28 March 2019

The Department for Work and Pensions produce statistics on the number and percentage of people living in low-income households in the UK.

[Average household income](#) and [Household income inequality](#)

Bulletins | Released on 26 February 2019

Two separate bulletins providing first survey-based statistics on average household income, and income inequality for the financial year ending 2018.

[Effects of taxes and benefits on UK household income: financial year ending 2018](#)

Released 30 May 2019

The redistribution effects on individuals and households of direct and indirect taxation and benefits received in cash or kind analysed by household type, and the changing levels of income inequality over time.

10 . You may also be interested in

[A guide to sources of data on earnings and income](#)

Article | Updated 4 February 2019

Further information on other sources of income and earnings data, including the appropriate uses of and limitations of each data source.

[Employee earnings in the UK](#)

Statistical bulletins | Updated 25 October 2018

Important measures of employee earnings, using data from the Annual Survey of Hours and Earnings (ASHE). Figures are presented mainly for full-time employees, although some detail for part-time workers is also included.

[Centre for Equalities and Inclusion](#)

Article | Released on 12 December 2018

The Centre for Equalities and Inclusion aims to improve the evidence base for understanding equity and fairness in the UK today, enabling new insights into important policy questions. They are a multi-disciplinary convening centre based at the Office for National Statistics, bringing together people interested in equalities data and analysis from across central and local government, academia, business and the third sector

[Personal and economic well-being in the UK: April 2019](#)

Statistical bulletins | Updated 11 April 2019

Estimates of the combined findings for personal well-being (January to December 2018) and economic well-being (October to December 2018) in the UK. This is part of a new series on people and prosperity.

[Wealth in Great Britain Wave 5: 2014 to 2016:](#)

Statistical bulletins | Updated 1 February 2018

Main results from the fifth wave of the Wealth and Assets Survey covering the period July 2014 to June 2016.

[Family spending in the UK: April 2017 to March 2018.](#)

Statistical bulletins | Updated 24 January 2019

Average weekly household expenditure on goods and services in the UK, by region, age, income, economic status, socio-economic class and household composition.