

Consumer Trends, quarter 1 (Jan to Mar) 2015



Coverage: UK

Date: **30 June 2015**

Geographical Area: UK

Theme: **Economy**

Main points

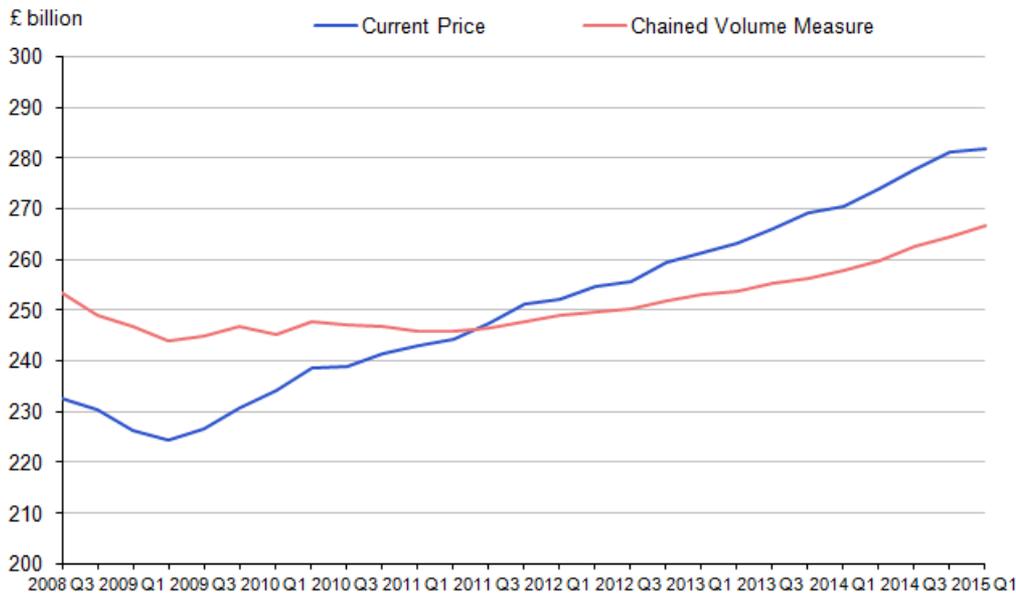
- In quarter 1 2015 (Jan to Mar 2015), household spending (adjusted for inflation) grew by 0.9% (£2.3 billion).
- The main contribution to growth can be seen in 'Housing', which includes 'Electricity, gas and other fuels' and 'Imputed rentals'. This has increased by 1.1% compared with Q4 2014 (Oct to Dec 2014). The largest negative contribution to growth can be seen in 'Miscellaneous goods and services' which has fallen by 1.4% compared with Q4 2014 (Oct to Dec 2014).
- Household spending in volume terms increased to £259.0 billion in Q4 2007 (Oct to Dec 2007) before falling to £244.1 billion in Q2 2009 (Apr to Jun 2009). It has now increased to £266.6 billion, the highest volume spending since the start of the series. In each quarter since Q2 2014 (Apr to Jun 2014) volume spending has exceeded the previous high in Q4 2007 (Oct to Dec 2007).
- Household spending when compared with the same quarter a year ago has been showing positive growth each quarter since Q4 2011 (Oct to Dec 2011). It was 3.4% higher in Q1 2015 (Jan to Mar 2015), when compared with Q1 2014 (Jan to Mar 2014).
- The current price value of household spending, which includes inflation, shows how much UK households spent. In Q1 2015 (Jan to Mar 2015), current price spending increased by 0.2% compared with Q4 2014 (Oct to Dec 2014).
- The household expenditure implied deflator fell by 0.7% in Q1 2015 (Jan to Mar 2015) compared with the previous quarter (Oct to Dec 2014).

Summary of household expenditure in quarter 1 2015 (Jan to Mar 2015)

The volume measure provides an estimate of the amount of goods and services purchased by households. In quarter 1 2015 (Jan to Mar 2015), it increased by 0.9%. The current price value of household spending (inflation included) shows how much UK households spent. In quarter 1 2015 (Jan to Mar 2015), it increased by 0.2% compared with Q4 2014 (Oct to Dec 2014). 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

UK, quarter 3 (July to Sep) 2008 to quarter 1 (Jan to Mar) 2015



Source: Office for National Statistics

Notes:

- Throughout this release 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).

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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 2 measures:

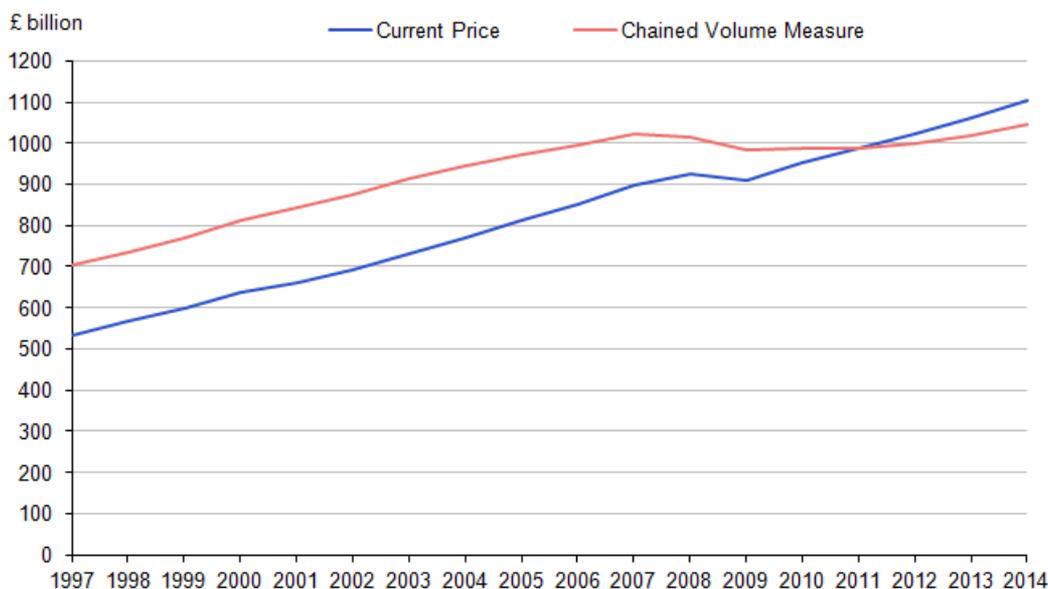
- current prices - which is the value of spending in a particular quarter measured in the prices at that time
- volume terms - which adjust for price inflation and gives a better picture of whether households are purchasing more goods and services

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, the period from which a full HHFCE dataset is available.

Figure 2: Annual Household Final Consumption Expenditure (£ billion)

UK, 1997 to 2014



Source: Office for National Statistics

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From 1997, household final consumption expenditure:

- In current prices, increased to £232.7 billion in Q3 2008 (Jul to Sep 2008), falling to £224.4 billion in Q2 2009 (Apr to Jun 2009), then returning to positive growth in each quarter from Q3 2009 (Jul to Sep 2009) to reach £281.8 billion in the latest quarter.

- In volume terms, increased to £259.0 billion in Q4 2007 (Oct to Dec 2007), falling to £244.1 billion in Q2 2009 (Apr to Jun 2009). It has now increased to £266.6 billion, the highest volume spending since the start of the series. In each quarter since Q2 2014 (Apr to Jun 2014) volume spending has exceeded the previous high in Q4 2007 (Oct to Dec 2007).

The pre-2007 increases in household spending were a consequence of households facing higher prices and buying more goods and services. 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 Q1 2015 (Jan to Mar 2015), the value of household spending in current prices increased by 0.2% on the previous quarter (Oct to Dec 2014), and by 4.2% on the same quarter in 2014 (Jan to Mar 2014). The volume measure of household spending increased by 0.9% on the quarter (Jan to Mar 2015), signifying that in the latest quarter households are spending less for a relatively higher volume of goods and services. When comparing the volume measure of household spending in Q1 2015 (Jan to Mar 2015) with the same quarter in 2014 (Jan to Mar 2014) it increased by 3.4%, reflecting the pattern since 2009 of households spending more for a relatively lower volume of goods and services.

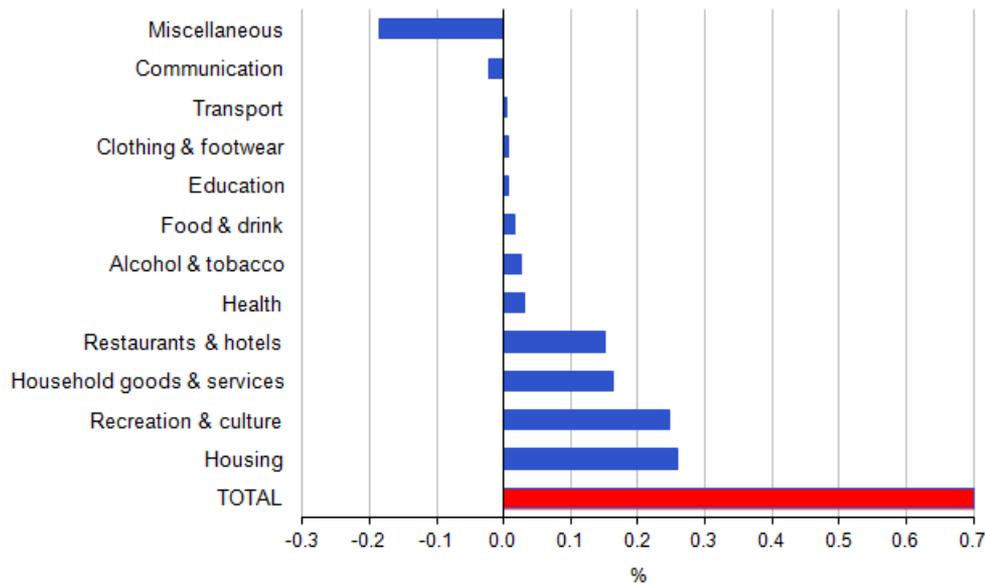
Household spending by product

Figure 3 shows spending in volume terms (adjusted for inflation). Spending on 'Housing' has made the largest contribution to the positive growth in quarter 1 2015 (Jan to Mar 2015), increasing by 1.1% on the quarter. Within 'Housing', 'Electricity' showed the largest increase of 11.1% compared with Q4 2014 (Oct to Dec 2014).

The largest negative contribution to growth over this quarter can be seen in 'Miscellaneous goods and services' which has fallen by 1.4% in volume terms. This is driven by decreased spending on 'Life insurance', which has fallen by 13.9%, reversing the increase in the previous quarter (Oct to Dec 2014). 'Dwelling insurance' has also fallen compared with Q4 2014 (Oct to Dec 2014) decreasing by 7.2%.

Figure 3: Classification of Individual Consumption by Purpose (COICOP) Contribution to Overall Growth, Domestic Measure, Chained Volume Measure, Seasonally Adjusted

UK, quarter 1 (Jan to Mar) 2015



Source: Office for National Statistics

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Focus on prices in household expenditure

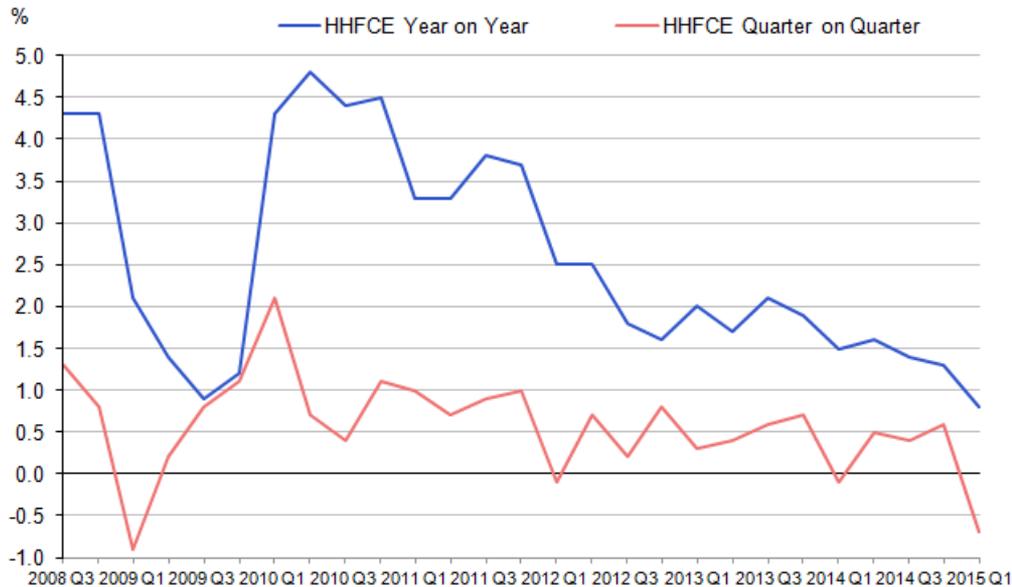
The household expenditure measure of prices is an important component of the GDP deflator which is used to determine price pressures in the economy. Figure 4 shows the household expenditure implied deflator both year on year and quarter on quarter percentage change.

This quarter, quarter 1 (Jan to Mar 2015) the seasonally adjusted household expenditure measure of prices, the implied deflator, fell by 0.7%. In addition to the effect of falling prices in some areas of expenditure in the latest quarter, particularly 'Food and drink' and 'Transport', the impact of the alignment of the household expenditure rental series with the CPIH deflator has subdued the level of current price data since 2012.

The household expenditure deflator (seasonally adjusted) is 0.8% higher than in Q1 2014 (Jan to Mar 2014).

Figure 4: Household Expenditure Implied Deflator, Seasonally Adjusted, Percentage Change

UK, quarter 3 (July to Sep) 2008 to quarter 1 (Jan to Mar) 2015



Source: Office for National Statistics

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1. Throughout this release 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).

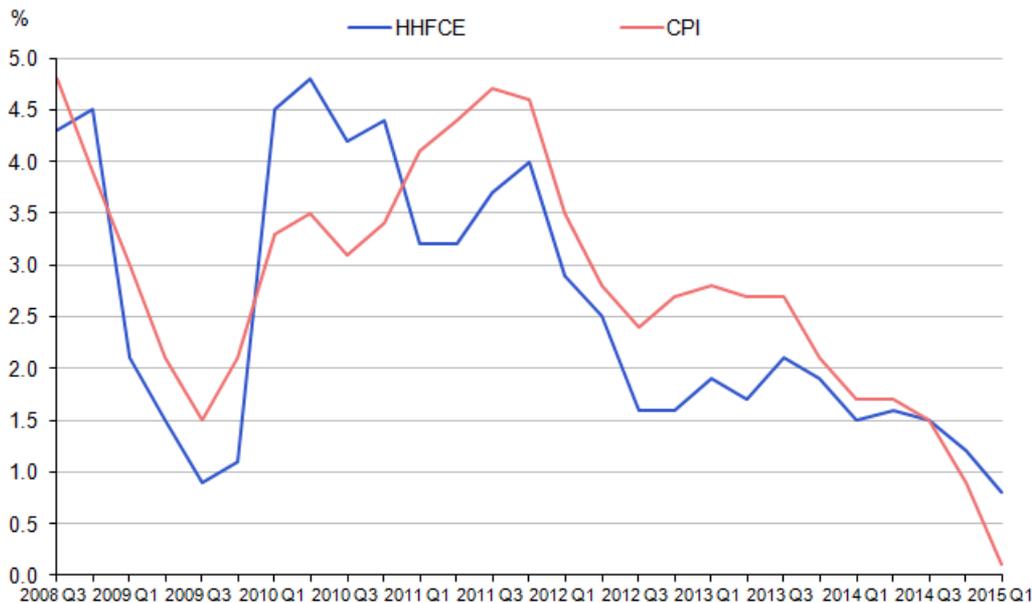
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From Blue Book 2011, the Consumer Price Index (CPI) has been used to deflate estimates of household expenditure. Figure 5 compares the household expenditure implied deflator growths in percentage terms, quarter on the same quarter a year ago, with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

Figure 5: Household Expenditure Implied Deflator v Consumer Price Index (CPI), Not Seasonally Adjusted, Year-on-Year, Percentage Change

UK, quarter 3 (July to Sep) 2008 to quarter 1 (Jan to Mar) 2015



Source: Office for National Statistics

Notes:

- Throughout this release 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).

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Household final consumption expenditure revisions, quarter 1 2015 (Jan to Mar 2015)

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 quarter 1 2015 (Jan to Mar 2015), the revisions to total household final consumption expenditure have been made from Q1 2014 (Jan to Mar 2014).

Revisions between the previous edition of Consumer Trends, Q4 2014, (Oct to Dec 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, quarter 1 2015

UK, quarter 1 (Jan to Mar) 2014 to quarter 4 (Oct to Dec) 2014

	£ million	%	%
	Revisions to value (current prices)	Revisions to growth (current prices)	Revisions to growth (volume measure)
2014	-877	-0.1	0.1
2014 Q1	-1,047	-0.4	-0.2
2014 Q2	-214	0.3	0.3
2014 Q3	-124	—	—
2014 Q4	508	0.2	0.1

Table source: Office for National Statistics**Table notes:**

1. Throughout this release 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).

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Guidance and methodology

HHFCE terms and definitions are outlined in Table 2. 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, that is 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.

Table source: Office for National Statistics

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Background notes

- Date of this publication:** 30 June 2015
- Next Edition:** The next edition of Consumer Trends, Q2 2015, will be published on 30 September 2015. Estimates will be consistent with Blue Book 2015.
- 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 second quarter of 2015 (Apr-Jun 2015) will be published on 28 July 2015, followed by the second estimate of GDP on 28 August 2015. The next full set of Quarterly National Accounts will be published on 30 September 2015.
- Basic quality information for consumer trends statistical bulletin**

Summary quality reports: A [Summary Quality Report](#) for this statistical bulletin can be found on our website.

Main 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.

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