



Consumer Trends, Quarter 3 (July to Sept) 2015

Coverage: UK

Date: 23 December 2015

Geographical Area: UK

Theme: **Economy**

Main points

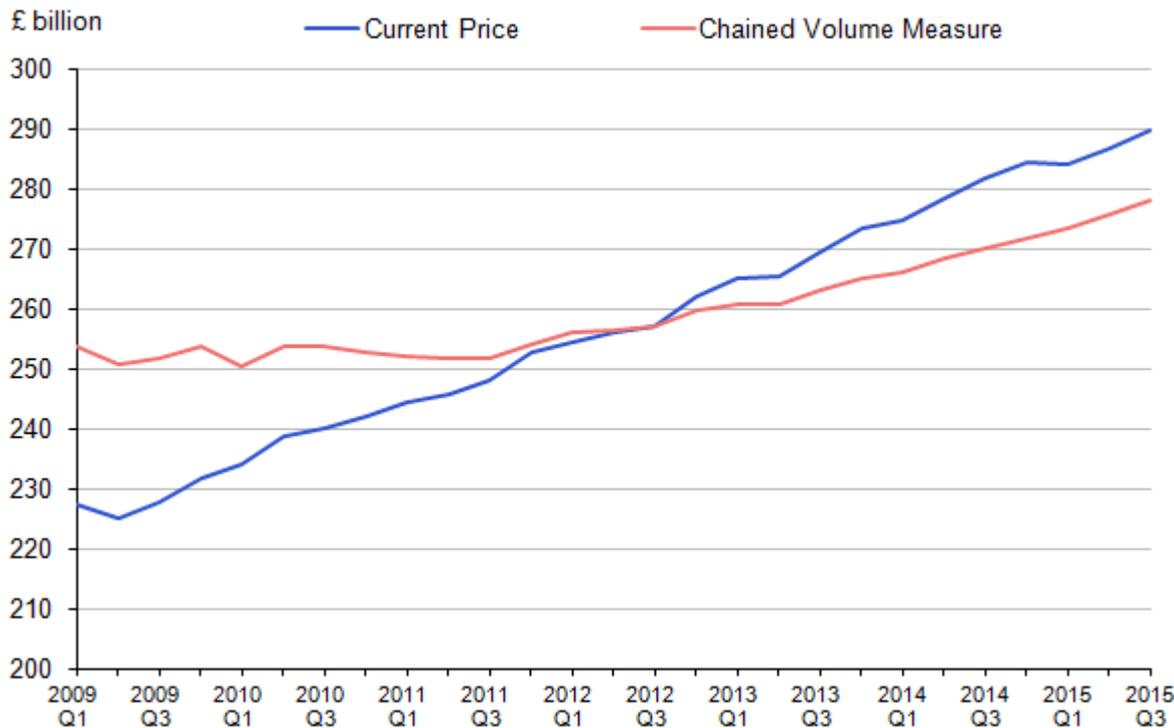
- In Quarter 3 (July to Sept) 2015, household spending (adjusted for inflation) grew by 0.9% (£2.5 billion).
- The main contribution to growth can be seen in “Transport”, which includes “Purchase of motor cars”. Transport has increased by 1.7% compared with Quarter 2 (Apr to June) 2015. “Alcoholic beverages, tobacco and narcotics” and “Restaurants and hotels” are the only areas showing small negative contributions to the overall growth in the current quarter (July to Sept) 2015.
- Household spending in volume terms increased to £267.4 billion in Quarter 4 (Oct to Dec) 2007 before falling to £250.8 billion in Quarter 2 (Apr to June) 2009. Following falls in 2010 and 2011, it has now increased to £278.2 billion, the highest volume spending since the start of the series. In each quarter since Quarter 2 (Apr to June) 2014, volume spending has exceeded the previous high in Quarter 4 (Oct to Dec) 2007.
- Household spending when compared with the same quarter a year ago has been showing positive growth each quarter since Quarter 4 (Oct to Dec) 2011. It was 3.0% higher in Quarter 3 (July to Sept) 2015, when compared with Quarter 3 (July to Sept) 2014.
- The current price value of household spending, which includes inflation, shows how much UK households spent. In Quarter 3 (July to Sept) 2015, current price spending increased by 1.0% compared with Quarter 2 (Apr to June) 2015.
- The household expenditure implied deflator increased by 0.1% in Quarter 3 (July to Sept) 2015 compared with the previous quarter (Apr to June) 2015.

Summary of household expenditure in Quarter 3 (July to Sept) 2015

The volume measure provides an estimate of the amount of goods and services purchased by households. In Quarter 3 (July to Sept) 2015, it increased by 0.9%. The current price value of household spending (inflation included) shows how much UK households spent. In Quarter 3 (July to Sept) 2015, it increased by 1.0% compared with Quarter 2 (Apr to June) 2015. 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 1 (Jan to Mar) 2009 to Quarter 3 (July to Sept) 2015



Source: Office for National Statistics

Notes:

- In this chart Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec)

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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:

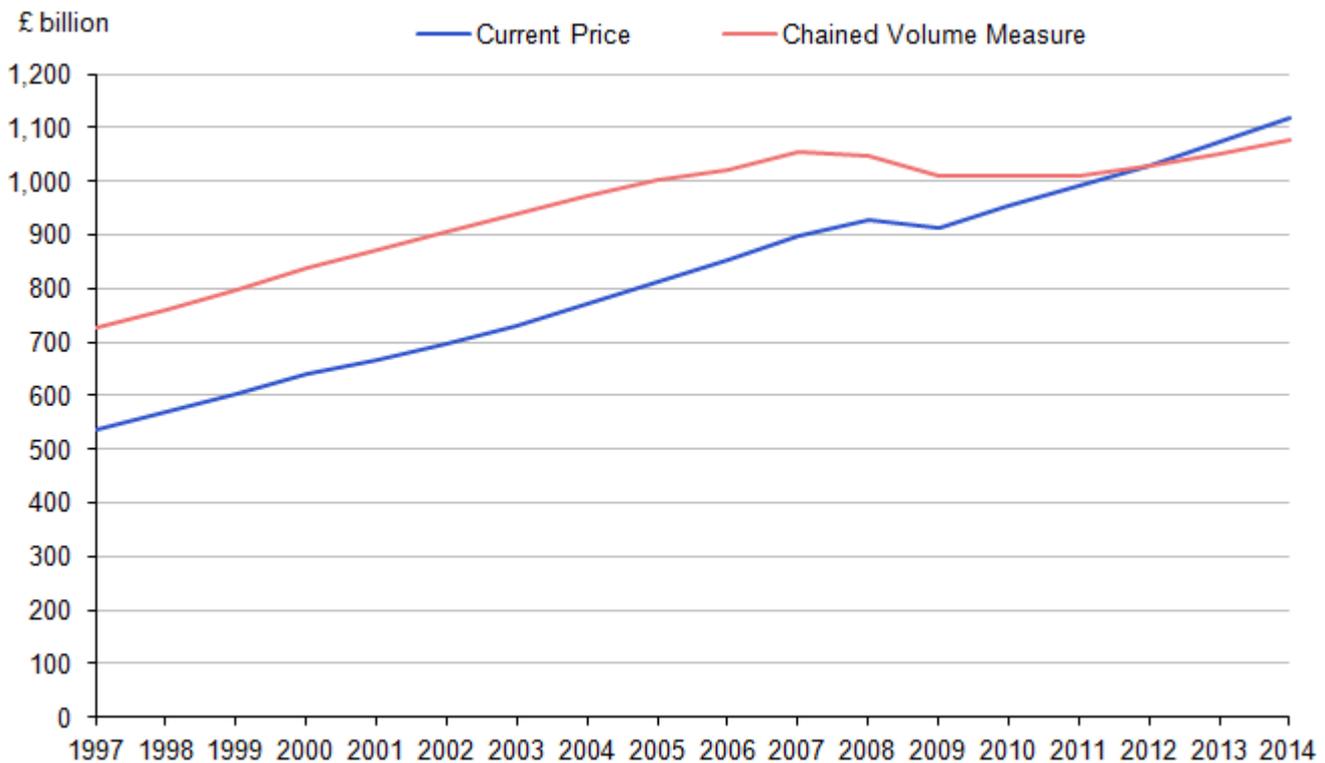
- current prices - which is the value of spending in a particular quarter measured in the prices at that time
- volume terms - which adjusts for price inflation and gives a better picture of whether households are purchasing more goods and services

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 \(139.3 Kb Pdf\)](#).

Figure 2 shows annual household final consumption expenditure from 1997 onwards.

Figure 2: Annual household final consumption expenditure total (£ 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 £232.6 billion in Quarter 3 (July to Sept) 2008, falling to £225.0 billion in Quarter 2 (Apr to June) 2009, then returning primarily to positive growth in each quarter since Quarter 3 (July to Sept) 2009 to reach £289.7 billion in the latest quarter (July to Sept) 2015
- in volume terms, increased to £267.4 billion in Quarter 4 (Oct to Dec) 2007, falling to £250.8 billion in Quarter 2 (Apr to June) 2009. Following falls in 2010 and 2011, it has now increased to £278.2 billion, the highest volume spending since the start of the series. In each quarter since Quarter 2 (Apr to June) 2014, volume spending has exceeded the previous high in Quarter 4 (Oct to Dec) 2007

The pre-2007 increases in household spending were a consequence of households predominantly 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 Quarter 3 (July to Sept) 2015, the value of household spending in current prices increased by 1.0% on the previous quarter (Apr to June) 2015, and by 2.8% on the same quarter in 2014 (July to Sept) 2014. The volume measure of household spending increased by 0.9% on the quarter (July to Sept) 2015. When comparing the volume measure of household spending in Quarter 3 (July to Sept) 2015 with the same quarter in 2014 (July to Sept) 2014 it increased by 3.0%, reflecting the pattern seen in the Consumer Price Index (CPI) of the headline rate of inflation showing ["negligible growth"](#).

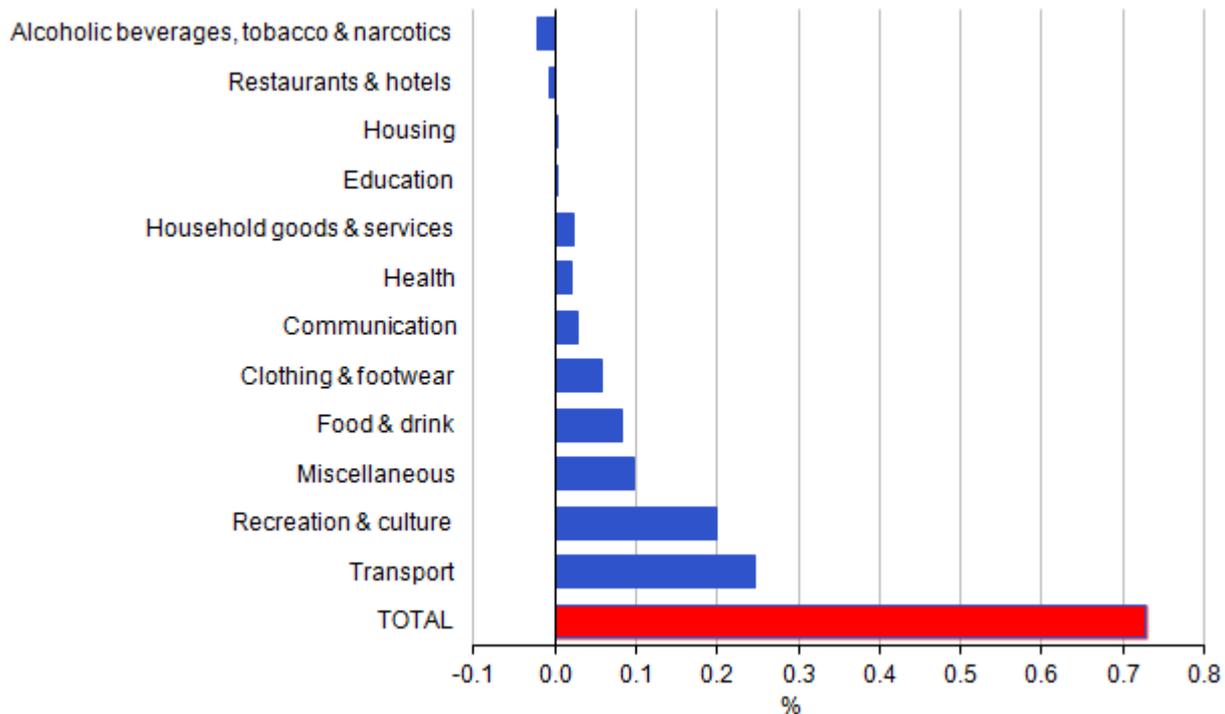
Household spending by product

Figure 3 shows spending in volume terms (adjusted for inflation). Spending on "Transport" has made the largest contribution to the positive growth in Quarter 3 (July to Sept) 2015, increasing by 1.7% on the quarter. Within "Transport", "Purchase of motor cars" showed the largest increase of 3.5% compared with Quarter 2 (Apr to June) 2015.

The largest negative contribution to growth over this quarter can be seen in "Alcoholic beverages, tobacco and narcotics" which has fallen by 0.6% in volume terms. This is driven by decreased spending on "Wine", which has fallen by 1.2% compared with the previous quarter (Apr to June) 2015 and "Tobacco", which has fallen by 0.5% in volume terms compared with the previous quarter (Apr to June) 2015.

Figure 3: Classification of Individual Consumption by Purpose (COICOP) contribution to overall growth, domestic measure, chained volume measure, seasonally adjusted

UK, Quarter 3 (July to Sept) 2015



Source: Office for National Statistics

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Focus on prices in household expenditure

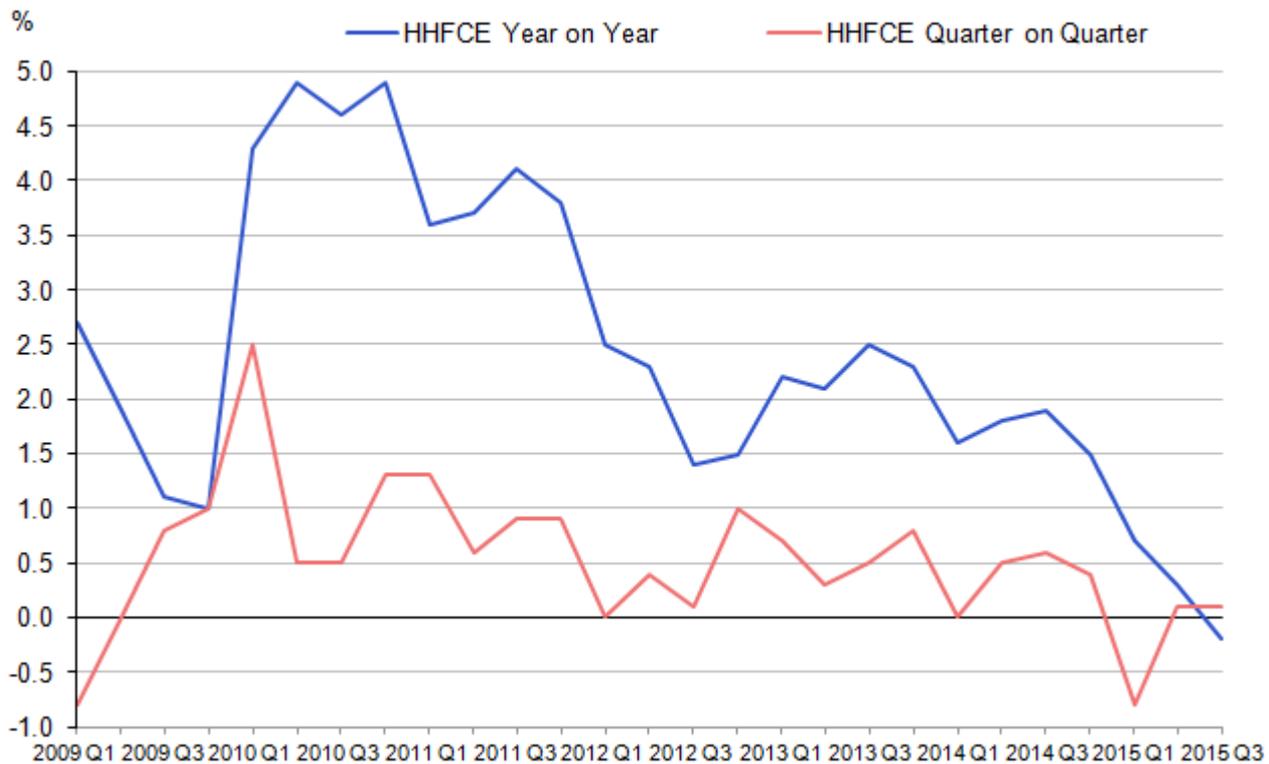
The household expenditure measure of prices is an important component of the GDP deflator which is used to determine price pressures in the economy. Figure 4 shows the household expenditure implied deflator both year on year and quarter on quarter percentage change.

This quarter (July to Sept) 2015, the seasonally adjusted household expenditure measure of prices, the implied deflator, increased by 0.1%, indicating the small increase in prices that households face when purchasing goods or services. 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 0.2% lower than in Quarter 3 (July to Sept) 2014. Again, this is broadly in line with recent CPI data.

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

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 3 (July to Sept) 2015



Source: Office for National Statistics

Notes:

1. In this chart Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec)

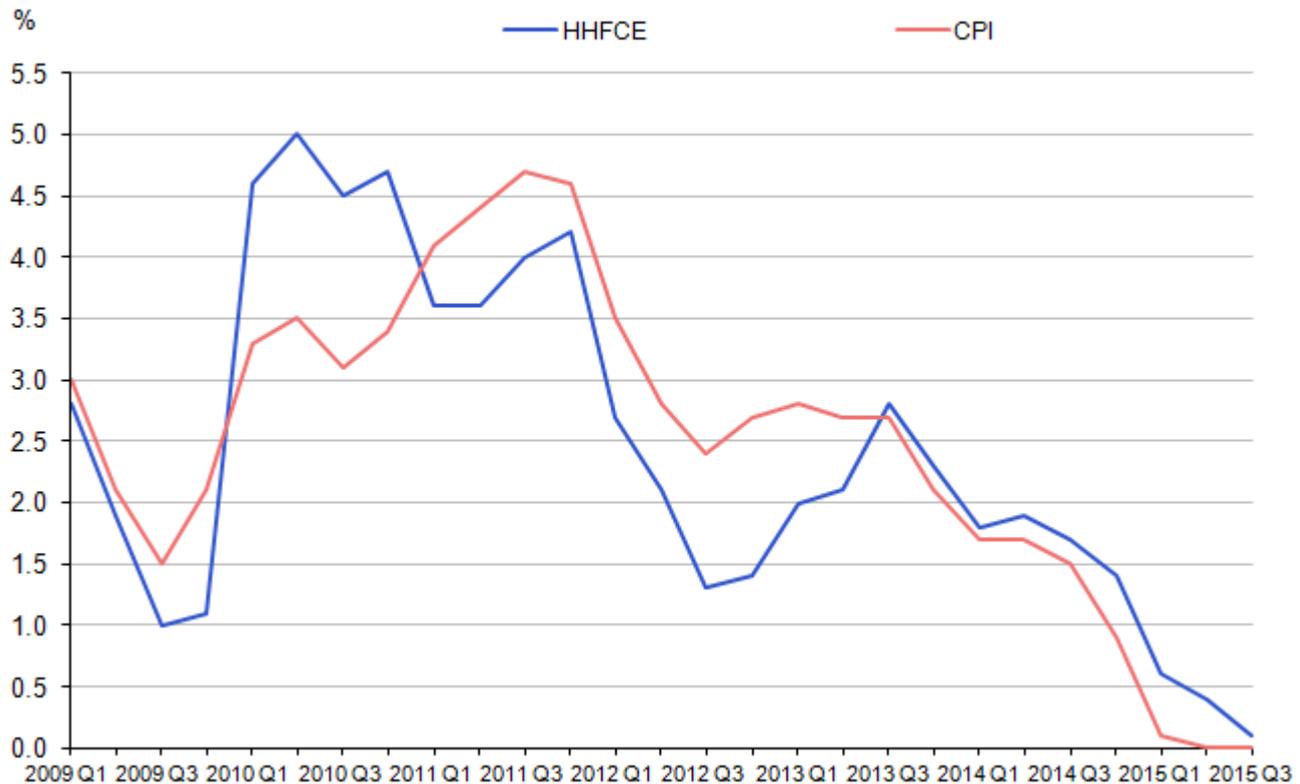
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From Blue Book 2011, CPI has been used to deflate estimates of Household Expenditure. Figure 5 compares the household expenditure implied deflator growths in percentage terms, quarter on the same quarter a year ago, with those of the CPI from 2008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

Figure 5: Household expenditure implied deflator versus CPI, not seasonally adjusted, quarter-on-quarter-a-year ago, percentage change

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 3 (Jul to Sept) 2015



Source: Office for National Statistics

Notes:

1. In this chart Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec)

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Household final consumption expenditure revisions, Quarter 3 (July to Sept) 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 3 (July to Sept) 2015, the revisions to total household final consumption expenditure have been made from Quarter 1 (Jan to Mar) 2014.

Revisions between the previous edition of Consumer Trends Quarter 2 (Apr to June) 2015 and the latest HHFCE estimates are summarised in Table 1 “[Revisions to Household Final Consumption Expenditure \(1.27 Mb Excel sheet\)](#)”. They reflect updated data from suppliers, including the take on of new financial inquiry data, as well as adjustments to HHFCE as a result of the GDP balancing process.

Table 1: Household Final Consumption Expenditure Revisions, Quarter 3 (July to Sept) 2015

UK

	£ million	%	%
	Revisions to value (current prices)	Revisions to growth (current prices)	Revisions to growth (volume measure)
2014	-504	–	-0.1
2014 Q1	-472	-0.2	-0.1
2014 Q2	333	0.3	0.1
2014 Q3	252	–	-0.2
2014 Q4	-617	-0.3	-0.1
2015 Q1	-1,246	-0.2	-0.1
2015 Q2	-1,448	-0.1	–

Table source: Office for National Statistics

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All growth rates in Consumer Trends are rounded to one decimal place. This may cause disparity between revisions displayed in the main Consumer Trends tables and the revisions table above.

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

UK

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

Term	Description
	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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(38.5 Kb)

Background notes

1. Next edition

The next edition of Consumer Trends, Quarter 4 (Oct to Dec) 2015, will be published on 31 March 2016. Estimates will be consistent with Blue Book 2015.

2. 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 2015 (Oct to Dec) 2015 will be published on 28 January 2016, followed by the second estimate of GDP on 25 February 2016. The next full set of Quarterly National Accounts will be published on 31 March 2016.

3. 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.

4. Main quality issues

Household expenditure volume series are chain linked annually. Estimates in this consumer trends are now based on 2012 price structures, that is, the chained volume measure estimate in 2012 equals the current price value of expenditure in 2012.

Growth in each year up to and including 2012 is calculated at average prices of the previous year. Growth from 2012 onwards is calculated at average prices of 2012. Volume series are only additive for the most recent periods, that is, annual data for 2012 onwards and quarterly data for Quarter 1 (Jan to Mar) 2013 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.

5. 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.

Due to differences in low level rounding, National chained volume measure data presented in these tables will vary from those presented in the Quarterly National Accounts bulletin.

6. 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 our media relations office.

Our [compliance plan](#) can be found on our website.

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9. **Contact Details:**

For information about the content of this publication, contact David Matthewson

Tel: +44 (0)1633 45 5612

Email: consumer.trends@ons.gsi.gov.uk

10. **Other customer enquiries**

ONS Customer Contact Centre

Tel: 0845 601 3034

International: +44 (0)845 601 3034

Minicom: +44 01633 815044

Email: info@statistics.gsi.gov.uk

Fax: +44 01633 652747

Post: Room D.265

Government Buildings,

Cardiff Road,

Newport,

South Wales

NP10 8XG

www.ons.gov.uk

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Statistical contacts

Name	Phone	Department	Email
David Matthewson	+44 (0)1633 455612	Household Accounts Delivery	consumer.trends@ons.gsi.gov.uk

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Office for National Statistics

Media Contact Details:

Telephone: 0845 604 1858
(8.30am-5.30pm Weekdays)

Emergency out of hours (limited service): 07867 906553

Email:

media.relations@ons.gsi.gov.uk