

Statistical bulletin

Economic well-being, UK: April to June 2018

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).

Contact:
Gueorguie Vassilev
economic.wellbeing@ons.gov.uk
+44 (0)1633 456265

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1 . Main points

- Gross domestic product (GDP) per head rose by 0.2% in Quarter 2 (Apr to June) 2018, and increased by 0.6% compared with the same quarter a year ago.
- Despite the improvement in GDP per head, net national disposable income fell by 0.2% in the most recent quarter due to larger payments of investment income out of the country, increasing by £2.9 billion in Quarter 2 2018.
- Household wealth per head increased by 4.2% between 2016 and 2017, mostly driven by the increase in land values.
- Real household disposable income per head dropped by 0.1% compared with the same quarter a year ago, driven mainly by an increase in current taxes on income and wealth.
- Gross domestic product per head, real household disposable income per head and real household spending per head rose in Quarter 2 2018 by 0.2%.

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

This section presents the economic well-being indicators for the UK for Quarter 2 (Apr to June) 2018.

Figure 1: Economic well-being indicators, UK, Quarter 2 (Apr to June) 2018

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, the Consumer Prices Index including owner occupiers’ housing costs (CPIH)

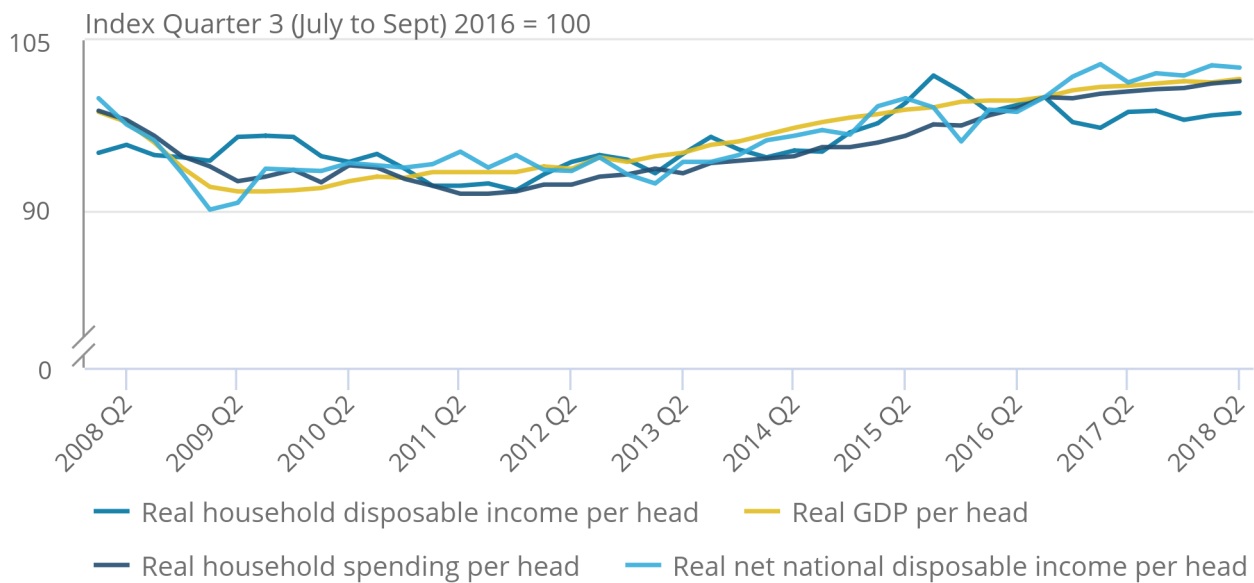
We are also releasing today an article describing alternative measures of income and saving. These measures remove imputed transactions and those unobserved by households from the national accounts methodology to more closely represent the disposable income and saving people experience.

While there are similarities in the presentation of these data and those in this publication, the use of different methodologies mean caution should be used when comparing data across these publications. Some of these differences include the exclusion of transactions, the use of different deflators and data presented on an aggregate and per head basis.

4 . What were the main changes in economic well-being in Quarter 2 2018?

Figure 2: Four measures of economic well-being, UK, Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2018

Figure 2: Four measures of economic well-being, UK, Quarter 1 (Jan to Mar) 2008 to Quarter 2 (Apr to June) 2018



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.
4. Index Quarter 3 (July to Sept) 2016 equals 100.
5. Household spending refers to household final consumption expenditure.

Growth in real gross domestic product (GDP) per head grew by 0.2% in Quarter 2 (Apr to June) 2018 compared with the last quarter. This follows a quarterly decrease of 0.1% between Quarter 4 (Oct to Dec) 2017 and Quarter 1 (Jan to Mar) 2018. Real GDP per head grew at a slower rate than the UK's real GDP, which grew by 1.2% in Quarter 2 2018 compared with the same quarter a year ago; this is compared with the 0.6% increase in per head growth over the same period, due to population growth.

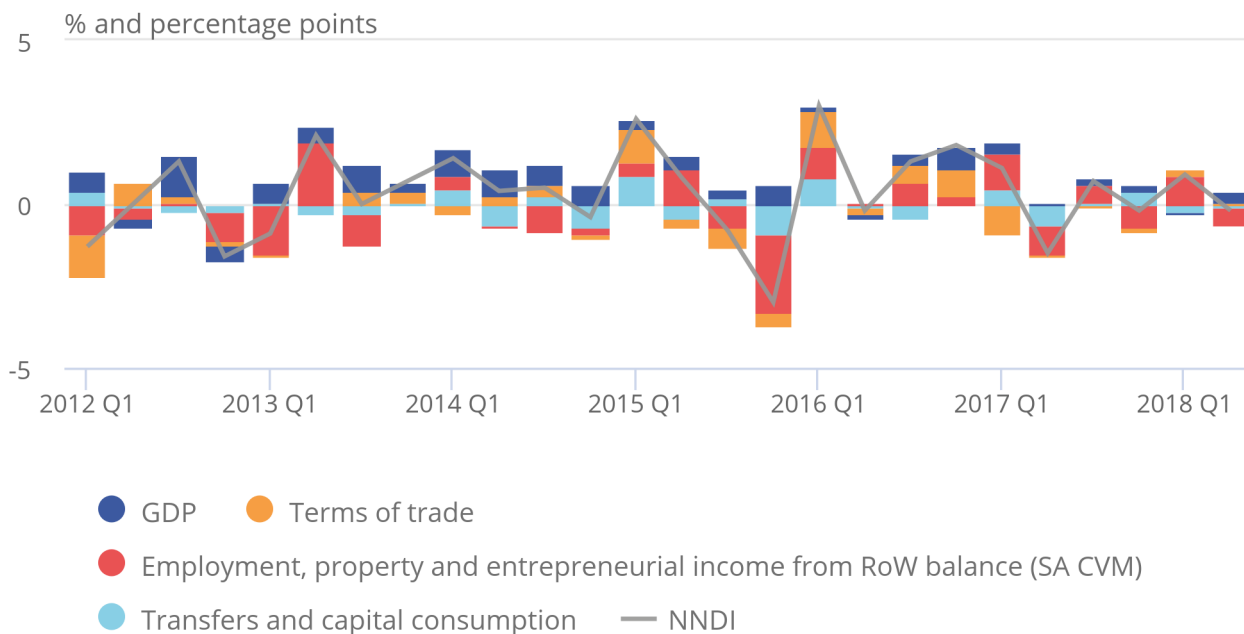
There was also positive quarterly growth of both real household disposable income (RHDI) per head and household final consumption expenditure per head between Quarter 1 and Quarter 2 of 2018. However, real net national disposable income (NNDI) per head decreased by 0.2% in the last quarter, still below its peak in Quarter 1 2017 of £6,499 per head.

NNDI per head

Figure 3 shows the contributions to quarterly growth for NNDI.

Figure 3: Contributions to quarter-on-quarter growth in net national disposable income, UK, Quarter 1 (Jan to Mar) 2012 to Quarter 2 (Apr to June) 2018

Figure 3: Contributions to quarter-on-quarter growth in net national disposable income, UK, Quarter 1 (Jan to Mar) 2012 to Quarter 2 (Apr to June) 2018



Source: Office for National Statistics

Notes:

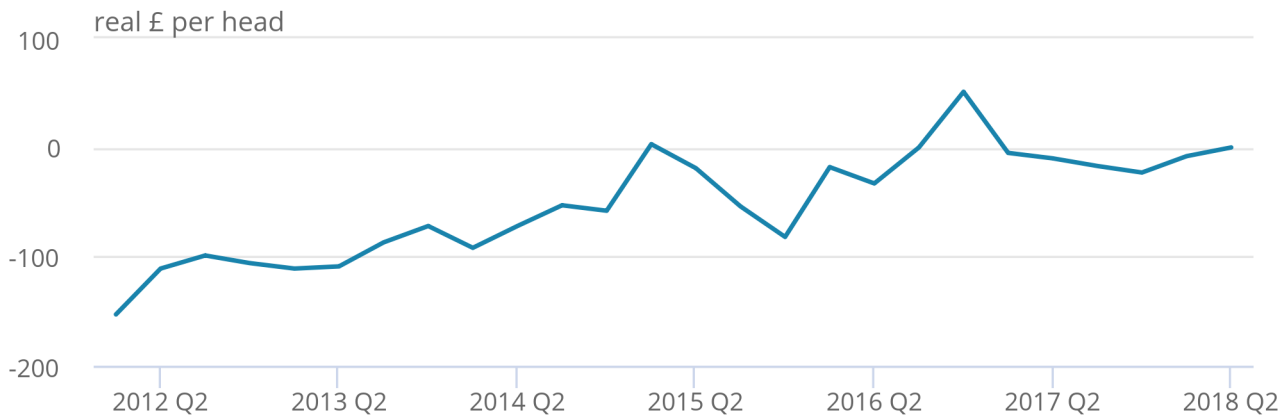
1. Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 refers to Quarter 3 (July to September) and Q4 refers to Quarter 4 (October to December).

The decrease in Quarter 2 2018 can be seen to be due to a decrease in the net employment, property and entrepreneurial income balance with the rest of the world. As the [Balance of Payments, UK: April to June 2018](#) bulletin shows, this is due to lower foreign direct investment (FDI) credit with the rest of the world, mostly from larger payments of investment income, increasing by £2.9 billion in Quarter 2 2018.

What is also notable is the decreasing impact from terms of trade since Quarter 1 2017. Since Quarter 1 2017, the terms of trade per head has been negative, as can be seen in Figure 4.

Figure 4: Terms of trade effect, UK, Quarter 1 (Jan to Mar) 2012 to Quarter 1 (Jan to Mar) 2018

Figure 4: Terms of trade effect, UK, Quarter 1 (Jan to Mar) 2012 to Quarter 1 (Jan to Mar) 2018



Source: Office for National Statistics

Notes:

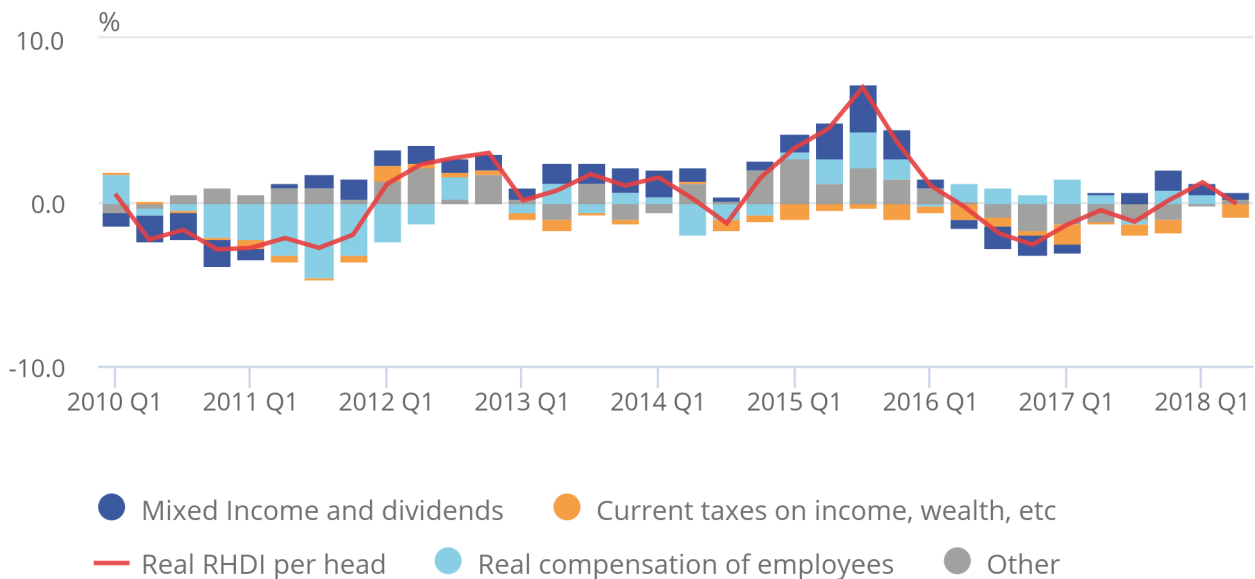
1. Estimates in chain volume prices per head.

RHDI per head

As seen in Figure 5, over the last two years since Quarter 3 (July to Sept) 2016, RHDI per head has decreased by 1.4% and it is the only one of the four main economic well-being indicators to have decreased. In Quarter 2 2018, the real value of disposable income to spend or invest in was £4,813 per person, £159 less than it was in its peak in Quarter 3 2015. Figure 5 shows the contributions to growth of RHDI when comparing this quarter with the same quarter a year ago.

Figure 5: Contributions to real household disposable income growth quarter on same quarter a year ago, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to June) 2018

Figure 5: Contributions to real household disposable income growth quarter on same quarter a year ago, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to June) 2018



Source: Office for National Statistics

Notes:

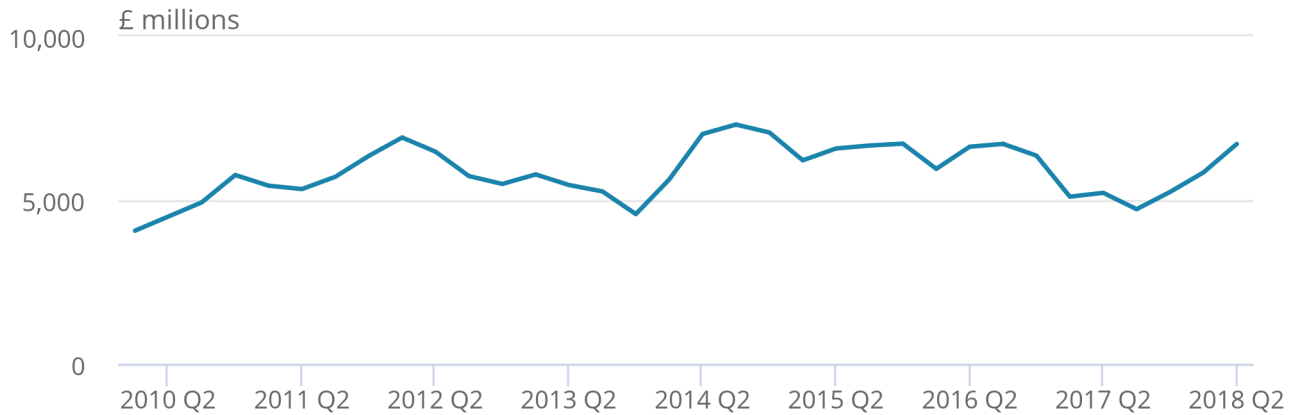
- Contributions may not sum due to rounding.
- Real household disposable income is in constant prices, deflated by the household final consumption expenditure deflator. All other series are in current prices.
- Other refers to net property income except dividends, net current transfers and social benefits minus social contributions.

There was a drop of negative 0.1% in Quarter 2 2018 compared with the same quarter a year ago. This was due mainly to an increase in taxes, equating to a £37.20 increase in taxes per person, as well as a drop in growth of compensation of employees per head, down from 3.4% in Quarter 1 2018 compared with the same quarter a year ago, to 2.6% this quarter. The weak period of RHDH per head movement over the last three years, since Quarter 3 2015, has resulted in an average quarterly growth rate of negative 0.3%. The last time a prolonged negative average growth over a three-year period occurred was in Quarter 1 2012, when the average quarterly growth rate over the period Quarter 2 2009 to Quarter 1 2012 was also negative 0.3%.

Additionally, there was an increase in the interest paid by households, which includes mortgage interest payments and interest on loans taken out. This was the largest sustained increase of three quarters in a row since Quarter 3 2014 and further dampened RHDH growth, as seen in Figure 6.

Figure 6: Households' interest paid, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to June) 2018

Figure 6: Households' interest paid, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 2 (Apr to June) 2018



Source: Office for National Statistics

Notes:

1. Estimates are in current prices.

5 . Sentiment analysis

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 7).

Figure 7: Consumer perceptions of general economic situation and their own financial situation over last 12 months, January 2007 to June 2018

Figure 7: Consumer perceptions of general economic situation and their own financial situation over last 12 months, January 2007 to June 2018



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.

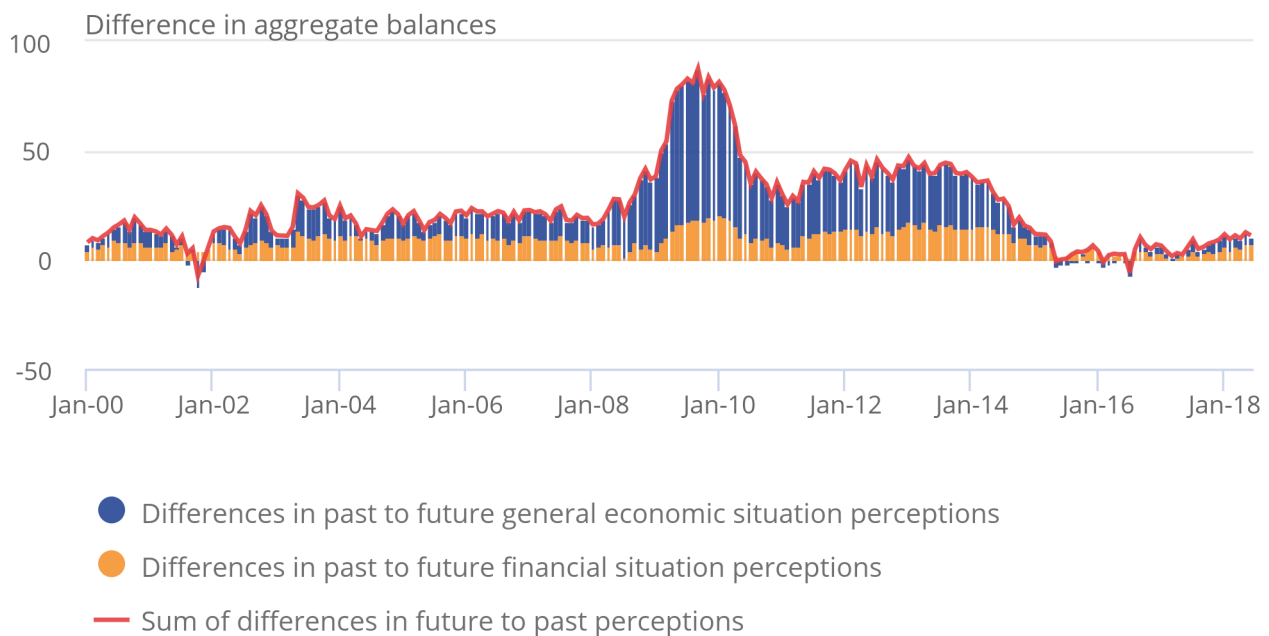
Since July 2016, people’s perceptions of the financial situation over the last 12 months has hovered around zero for every month, meaning no significant change in the perception of the general financial situation. For the latest period, there was a slight negative balance of 1.2 in Quarter 2 (Apr to June) 2018.

On the other hand, for the perceptions of the general economic situation over the last 12 months, there has been a persistently worsening perception since June 2015. In Quarter 2 2018, this negative perception balance was negative 28.4, down from negative 26.9 in Quarter 1 (Jan to Mar) 2018.

The Eurobarometer Consumer Survey also collects information on expectations for the next 12 months of the individuals’ financial situation, as well as the general economic situation. Figure 8 presents the differences in perception between the situation in the past 12 months, and the expectations over the next 12 months, for the financial situation and the general economic situation. A value of zero means that perceptions of the last 12 months and expectations over the next 12 months are equal, while a positive value implies that there is a more positive outlook of the expectation of the future, than the perception of the past.

Figure 8: Differences between future expectations and past perceptions of the economy, January 2000 to June 2018

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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 positive balance means that, on average, respondents reported a more positive future expectation of the economic indicators in the next 12 months than the perception of the last 12 months of the same indicator. A negative balance means they reported a less positive future expectation of the next 12 months than the perception of the last 12 months.

The differences between future and past perceptions have been small since Quarter 2 2015 compared with the rest of the 2000s, since the perception of the past has been less negative compared with future expectations.

In Quarter 2 2018, the difference in perceptions between the future and past financial situation was at 7.5 points, as seen in Figure 8. This is because there was a perceived improvement in the expectation of the future financial situation over the next 12 months, at 6.3, while the perceptions of the past 12 months worsened slightly, as shown earlier in Figure 7.

There have not been many differences in future expectations of the general economic situation and the past 12-months' experience. Both measures have been negatively perceived since Quarter 1 2015 and are tracking each other closely.

6 . Economic well-being indicators already published

Between 2016 and 2017, [the total net wealth per head of the UK economy increased by 4.4%](#), which was due mainly to the value of land rising by £450 billion since 2016.

[Household wealth per head increased by 4.2%](#) between 2016 and 2017. This was again mostly driven by land values increasing, accounting for 62.7% of the total increase. Additionally, financial assets (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), rose by 2.8%, less than the average growth since 2008 of 5.0%. This is due to slower than average growth in insurance pension and standardised guarantee scheme assets of 1.4%, compared with an average 5.5% increase since 2008. This was partially offset by larger than average increases in equity and investment fund share assets of 8.7%, compared with an average annual 5.9% increase since 2008. At the same time financial liabilities (for example, household financial liabilities mainly comprise mortgages and other loans) decreased the value of net worth by £56 billion.

In June 2018, the Consumer Prices Index including owner occupiers housing costs (CPIH) inflation 12-month rate was 2.3%. This is unchanged from the value in March.

The [unemployment rate for the second quarter in 2018 \(April to June\) was 4%](#). This is a decrease from the unemployment rate seen between January and March 2018, where it was 4.2%. [The employment rate](#) (the proportion of people aged from 16 to 64 years who were in work) decreased to 75.1% in Quarter 2 2018, down from 75.6% in the first three months of 2018.

The latest provisional estimate of [median UK household disposable income was £28,358](#) in the financial year ending 2018; this was £339 higher than the previous year and £1,987 higher than the pre-downturn value of £26,371 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 2.3 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.

7 . Links to related statistics

Internal

[UK Economic Accounts](#), Table 1.1.5

[The UK National Balance Sheet](#)

[Wealth and Assets Survey \(ONS\)](#)

[Household disposable income and inequality](#)

[Labour market statistics](#)

[Consumer Price Indices](#)

External

[Eurobarometer Consumer Survey](#) (produced by GFK on behalf of the European Commission)

8 . Quality and methodology

Release policy

The data used in this version of the release are the latest available for March 2018. [The UK resident population mid-year estimates](#) used in this publication are those published on 29 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 is available:

- [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 reports 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](#) – covers indicators from the quarterly national accounts, UK Economic Accounts and the national balance sheet
- [Wealth and Assets Survey revisions policy](#) – 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](#) – 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 2: How do you expect the financial position of your household to change over the next 12 months? It will

...

- get a lot better
- get a little better
- stay the same
- get a little worse
- get 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 4: How do you expect the general economic situation in this country to develop over the next 12 months? It will ...

- get a lot better
- get a little better
- stay the same
- get a little worse
- get 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

Question 6: By comparison with the past 12 months, how do you expect that consumer prices will develop in the next 12 months? They will...

- increase more rapidly
- increase at the same rate
- increase at a slower rate
- stay about the same
- fall
- 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.

9 . Acknowledgements

The author would like to thank Meera Parmar for her drafting help, and Tom Evans and Fiona Massey in providing suggestions into the analysis.