

Statistical bulletin

Personal and economic well-being in the UK: April 2019

Estimates looking across both personal well-being (January to December 2018) and economic well-being (October to December 2018) in the UK. This bulletin is part of a new series on "people and prosperity" introduced in February 2019.

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1 . Main points

- Most economic well-being indicators such as real household disposable income and spending per head continued to improve in the final quarter (October to December) of 2018, similar to recent trends; although other aspects of personal well-being remained flat, anxiety ratings improved in the year ending December 2018.
- Real household disposable income per head grew quicker than real household spending per head, compared with the same quarter a year ago for only the third time in the past 12 quarters.
- Looking beneath the aggregate picture, up to the financial year ending 2018, the richest fifth of individuals saw a 4.7% annual increase in their real equivalised household disposable income compared with a 1.6% contraction for the poorest fifth, resulting in increased income inequality.
- Prices on essentials such as food and non-alcoholic beverages grew by 0.7% up to December 2018, slower than prices for non-essentials such as recreation and culture, which grew by 2.9%.
- Although average anxiety ratings reached a three-year low in 2018, about 10.3 million people or around a fifth of the population continued to report high anxiety, and this proportion has remained similar since 2014.

2 . Dashboard of well-being indicators

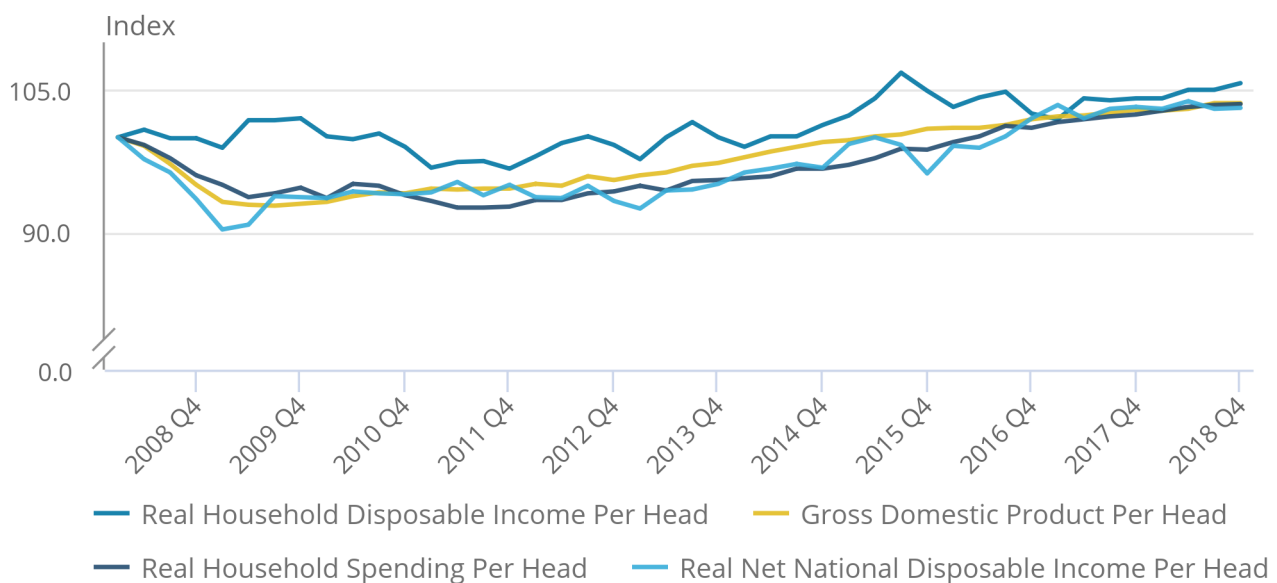
3 . Real household disposable income per head grew faster than real household spending per head, for only the third time in 12 quarters

Figure 1: All four main measures of economic well-being increased in the latest quarter ending December 2018

UK, Quarter 1 (Jan to Mar) 2008 to Quarter 4 (Oct to Dec) 2018, index, 2008 Quarter 1 = 100

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UK, Quarter 1 (Jan to Mar) 2008 to Quarter 4 (Oct to Dec) 2018, index, 2008 Quarter 1 = 100



Source: Office for National Statistics - UK National Accounts

Notes:

1. Quarter 1 (Jan to Mar) 2008 = 100 is the base period.
2. Real net national disposable income per head adjusts total domestic output (GDP per head) to account for flows in and out of the country, as well as removing wear and tear in the nation's capital used up in production.
3. Real household spending per head is the amount of expenditure by households to meet their everyday needs.
4. Real household disposable income is the money households have, which they can spend on consumption, or to save and invest after taxes, National Insurance, pension contributions and interest have been paid.
5. Gross domestic product (GDP) is the amount of goods and services produced during a period. GDP per person is an indicator of the trend in an economy's output controlling for population growth.

Real household disposable income per head – which is the money households in the UK have available to spend, save or invest after taxes, adjusted for inflation – increased by 1.6% in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago.

This was higher than the increase in real household spending per head, which is the amount of spending by households and individuals for their everyday needs, such as buying food and toiletries as well as non-essentials, adjusting for inflation.

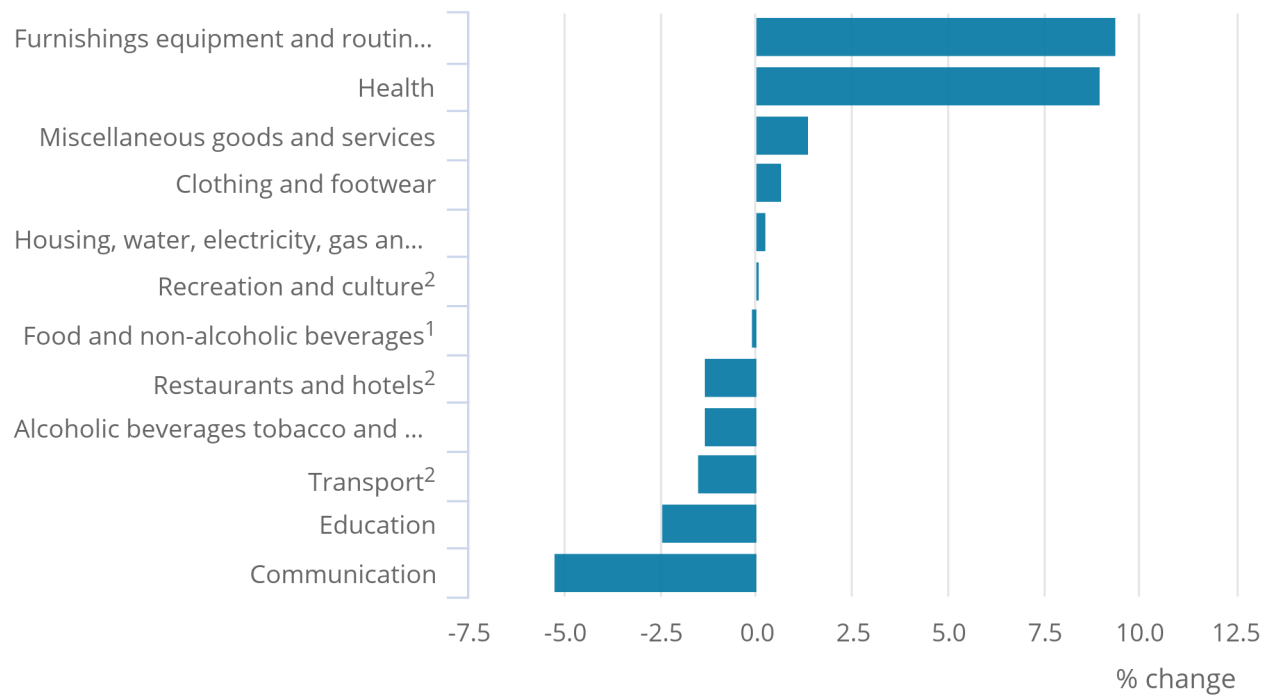
Real spending per head increased by 1.1% in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago, and changed by 0.1% from the previous quarter. This was reflected in a slight [increase to the savings ratio](#), though the debt to income ratio [remains at 1.33](#), similar to its recent flattening off since Quarter 2 (Apr to June) 2017.

Figure 2: Real household spending per head on household furnishings, equipment, and routine household maintenance grew more than any other spending category

UK, Quarter 4 (Oct to Dec) 2017 to Quarter 4 (Oct to Dec) 2018, annual percentage change

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UK, Quarter 4 (Oct to Dec) 2017 to Quarter 4 (Oct to Dec) 2018, annual percentage change



Source: Office for National Statistics – Consumer Trends.

Notes:

1. Represent household spending categories that the bottom 20% of households spend more on, on average.
2. Represent household spending categories that the top 20% of households spend more on, on average.

The increase in real household spending per head in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago, was driven mainly by spending on items such as furnishings, equipment and routine household maintenance, health and miscellaneous goods, and services such as insurance.

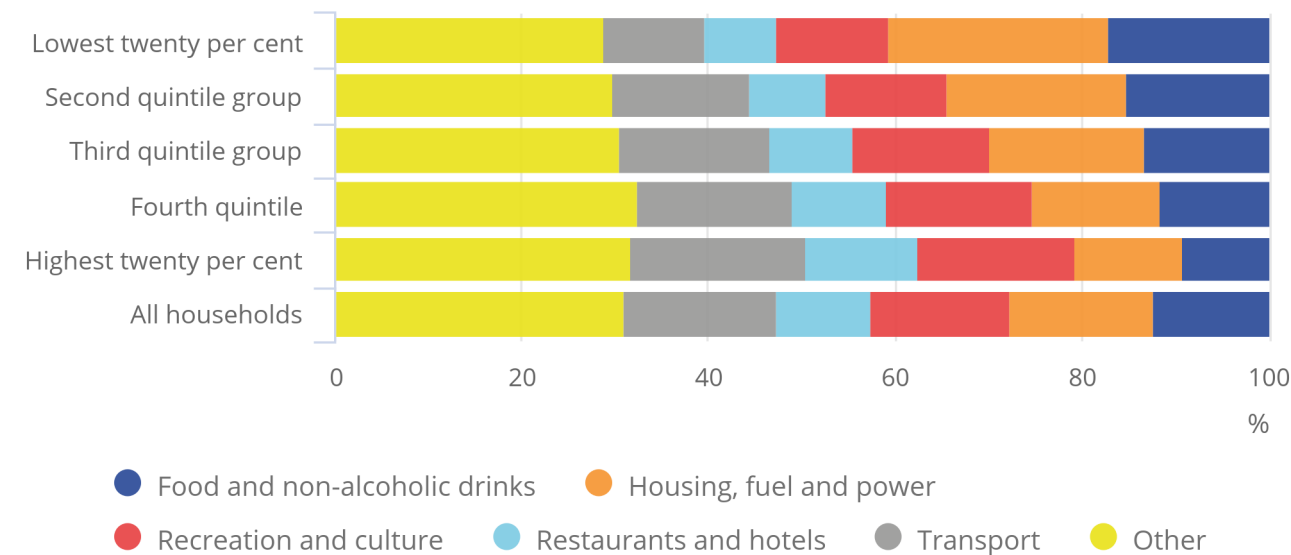
Real spending per head on furnishings, equipment, and routine household maintenance increased by 9.4% over the period, since Quarter 4 (Oct to Dec) 2017 and contributed most (0.5 percentage points) to the overall change in real per head spending.

Figure 3: Lower income households spent a higher proportion of their spending on essentials, such as food and non-alcoholic drinks and housing, fuel and power

UK, financial year ending 2018

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UK, financial year ending 2018



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

Notes:

1. “Other” spending category includes alcohol and tobacco, clothing and footwear, household goods and services, health, communication, education, and miscellaneous goods and services.

As shown in Figure 3, for the financial year ending 2018 (April 2017 to March 2018) the poorest fifth of households spent 17% of their overall expenditure on food, and 24% on housing, water, electricity, gas and other fuels. At the other end of the distribution, those at the top 20% of the income distribution spent a bigger share on transport (19%), recreation and culture (17%), and restaurants and hotels (12%).

Bringing this back to the average spending per head seen in Figure 2, real household spending per head on food and non-alcoholic beverages, and housing, fuel and power increased respectively by negative 0.1% and 0.3% in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago.

On the other hand, spending on items that those in the top 20% of the income distribution spend more on, increased more slowly. For example, spending on recreation and culture increased by 0.1% in Quarter 4 (Oct to Dec) 2018 compared with the same quarter a year ago, and spending on transport, and restaurants and hotels decreased over the same period. It is worth noting that spending on more discretionary items and leisure experiences, such as recreation and culture, and hotels and restaurants, is [positively associated with personal well-being](#).

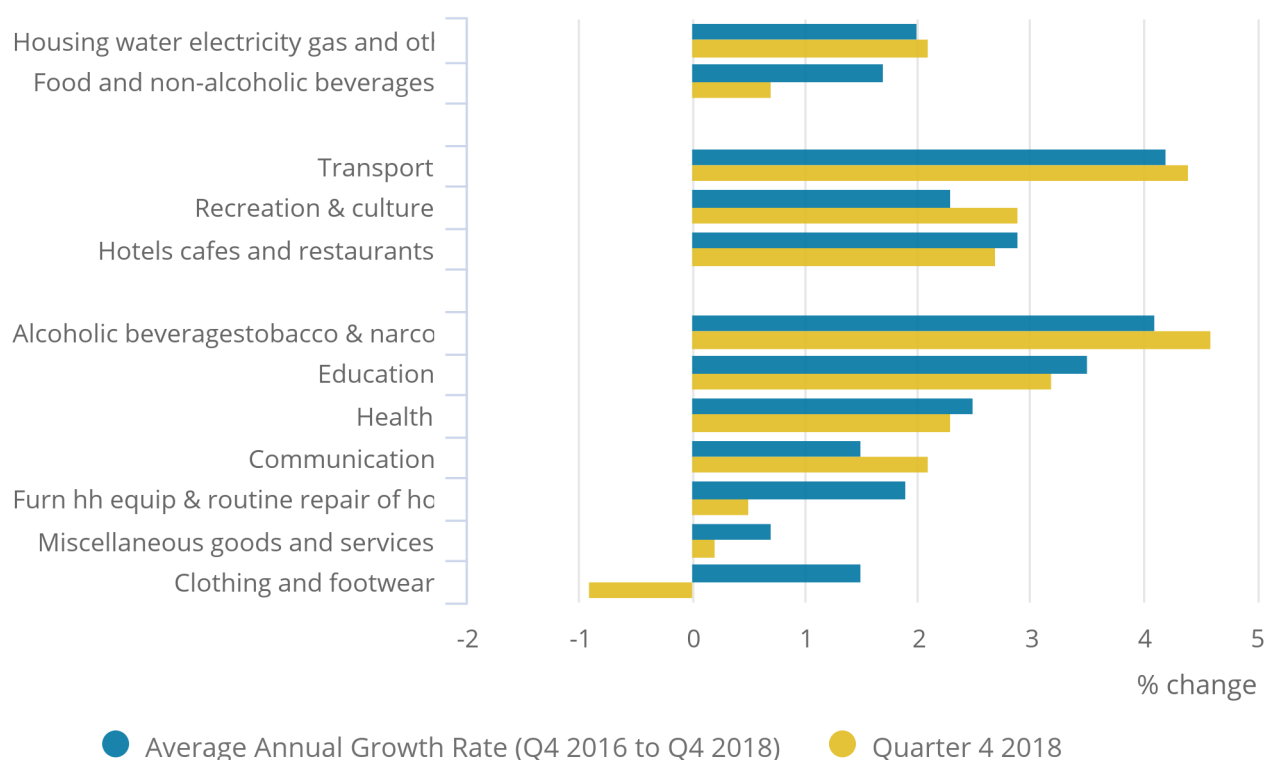
4 . Prices on essentials such as food and non-alcoholic beverages grew more slowly up to December 2018 than prices for non-essentials such as recreation and culture

Figure 4: Prices for food and non-alcoholic beverages grew slower and prices for housing, fuel and power grew faster than average inflation over the year to Quarter 4 2018

UK, annual percentage change, Quarter 4 (Oct to Dec) 2017 to Quarter 4 (Oct to Dec) 2018

Figure 4: Prices for food and non-alcoholic beverages grew slower and prices for housing, fuel and power grew faster than average inflation over the year to Quarter 4 2018

UK, annual percentage change, Quarter 4 (Oct to Dec) 2017 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Consumer Price Inflation

Notes:

1. Consumer Prices Index including owner occupiers' housing costs (CPIH).

Nominal spending is important in determining spending priorities for households. However, an increase in prices for goods and services may lead to households spending more on certain items for the same quantity, if they do not switch to buying other products. For example, an increase in the prices of essentials such as food, may lead to households spending more on food to consume the same amount they did previously. This means that they would have proportionally less to spend on other discretionary spending, such as recreation and culture.

[Consumer price inflation](#) including owner occupiers' housing costs (CPIH) – which is a measure of price change based on the cost of a fixed basket of goods and services consumed by households, such as transportation and food – was 2.0% in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago. This is the slowest increase in consumer prices over the last two years.

Prices for food and non-alcoholic beverages increased by 0.7% in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago. This growth was at a much slower rate compared with the average for the past year (1.7%). Prices for housing, water, electricity, gas and other fuels have instead increased by 2.1% up to Quarter 4 (Oct to Dec) 2018, slightly quicker than the average increases seen over the past two years (2.0%) (Figure 4).

Discretionary spending on recreation and culture, as well as restaurants and hotels, has increased by 2.9% and 2.7% respectively in Quarter 4 (Oct to Dec) 2018 compared with Quarter 4 (Oct to Dec) 2017.

Given these different trends in recent prices, it is likely that they impact on households' spending habits disproportionately across the income distribution. For the bottom 20%, the prices of some of their main spending categories such as food and non-alcoholic beverages, increased more slowly in the three months up to December 2018 than over the past year, while the reverse was true for spending on housing and utilities, which increased more than average inflation.

On the other hand, transport, recreation and culture, as well as restaurants and hotels prices all rose higher than inflation. Their prices have continued to increase in the three months up to December 2018 at rates close to their average for the past two years and these categories are the largest-spending categories for those at the top 20% of the income distribution.

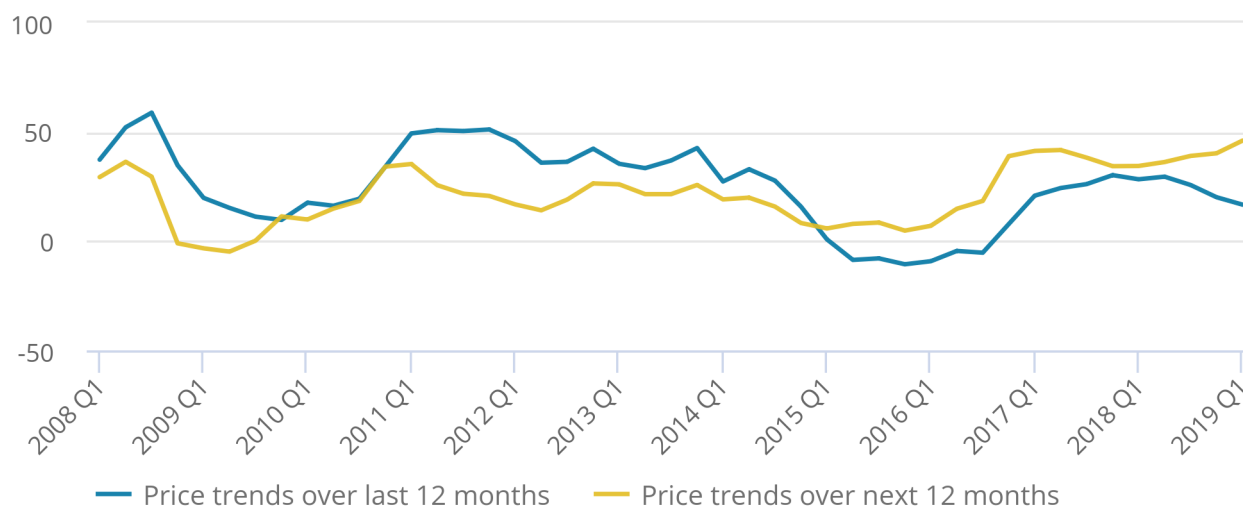
It is important to highlight the relationship between price expectations and household spending. If consumers expect higher prices tomorrow, they may decide to make more purchases today rather than wait for prices to rise. On the other hand, if consumers expect lower prices tomorrow, they may withhold spending on purchases today and wait for prices to fall.

Figure 5: People continue to expect prices over the next 12 months to increase, at a similar rate seen since Quarter 4 2016 for the average individual

UK, positive balance means that consumers perceive an increase in prices and a negative balance shows perception of a decrease in prices, Quarter 1 2008 to Quarter 1 2019

Figure 5: People continue to expect prices over the next 12 months to increase, at a similar rate seen since Quarter 4 2016 for the average individual

UK, positive balance means that consumers perceive an increase in prices and a negative balance shows perception of a decrease in prices, Quarter 1 2008 to Quarter 1 2019



Source: Eurobarometer

Notes:

1. The Eurobarometer Consumer Survey, conducted by GFK on behalf of the European Commission, provides information regarding perceptions of prices. A positive balance means that consumers perceive or expect an increase in prices, a zero balance indicates no perceived change to prices and a negative balance indicates a perceived or expected decrease in prices.
2. The Eurobarometer Survey results are also available for February 2019 across the measures presented here.

The slower increase in overall consumer prices in Quarter 4 2018, compared with the same quarter a year ago corresponds with households' perceptions of price trends over the same period (Figure 5). People have perceived consumer prices to have grown, albeit at a slower rate. In contrast, individuals' expectations for the next 12 months continued to be that prices will increase, at a rate similar to the one seen since Quarter 4 2016. For Quarter 1 (Jan to Mar) 2019, the expectations for higher prices over the next year increased.

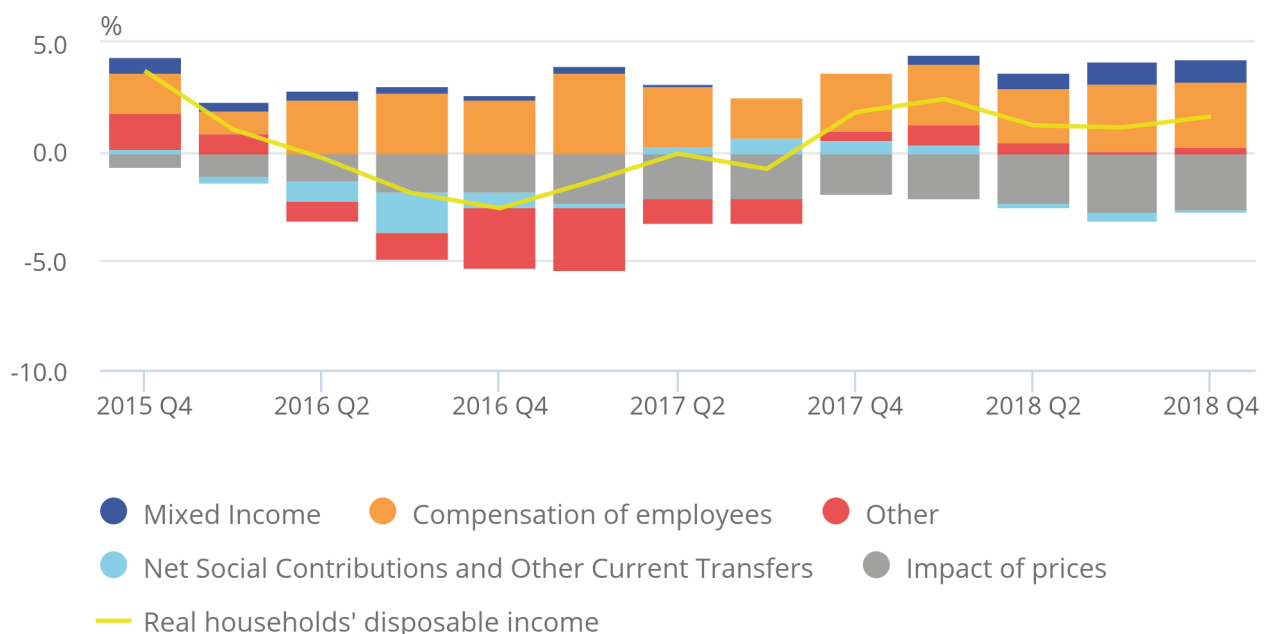
5 . While average real household disposable income increased in the latest period, income inequality also increased for the financial year ending 2018

Figure 6: The increase in real household disposable income per head has been driven by contributions from employment income

Quarter 4 (Oct to Dec) 2015 to Quarter 4 (Oct to Dec) 2018

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Quarter 4 (Oct to Dec) 2015 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – National Accounts

Notes:

1. Other contains gross operating surplus, net property income, and current taxes on income, wealth and so on.

Compensation of employees – which is the wages and salaries received by employees, along with employer's social contributions – contributed the most to the change in household income per head, contributing 3.0 percentage points in Quarter 4 (Oct to Dec) 2018, compared with the same quarter a year ago (Figure 6). These larger contributions from compensation of employees in Quarter 4 (Oct to Dec) 2018 and the previous quarter coincide with stronger wage growth in the labour market, with average weekly earnings (excluding bonuses) continuing to grow at a faster pace (3.6% over the same period).

Alongside the stronger contributions from compensation of employees, mixed income – which is the income earned by the self-employed – contributed 1.0 percentage point to the increase in real household disposable income per head for the same period. This could be partly attributed to the increase in the number of self-employed workers, which grew by 1.3% in the year to Quarter 4 (Oct to Dec) 2018, compared with the same quarter the previous year, with part-time workers making up most of the increase in self-employed workers.

Though mean real household income has increased, this has differed across the income distribution, seen in a rise in income inequality up to the financial year ending 2018

The average income of the richest fifth of the population – when ranked by equivalised household disposable income – increased by 4.7% due largely to increases in average household earnings from employment. The average income of the poorest fifth, on the other hand, contracted by 1.6%, driven mainly by a fall in the average value of cash benefits their households receive.

Further analysis can be seen in the [Average household income, UK: financial year ending 2018](#) release, published on 26 February 2019. These are the latest available data, but we will be monitoring how this compares with income inequality over the financial year ending March 2019 in subsequent releases.

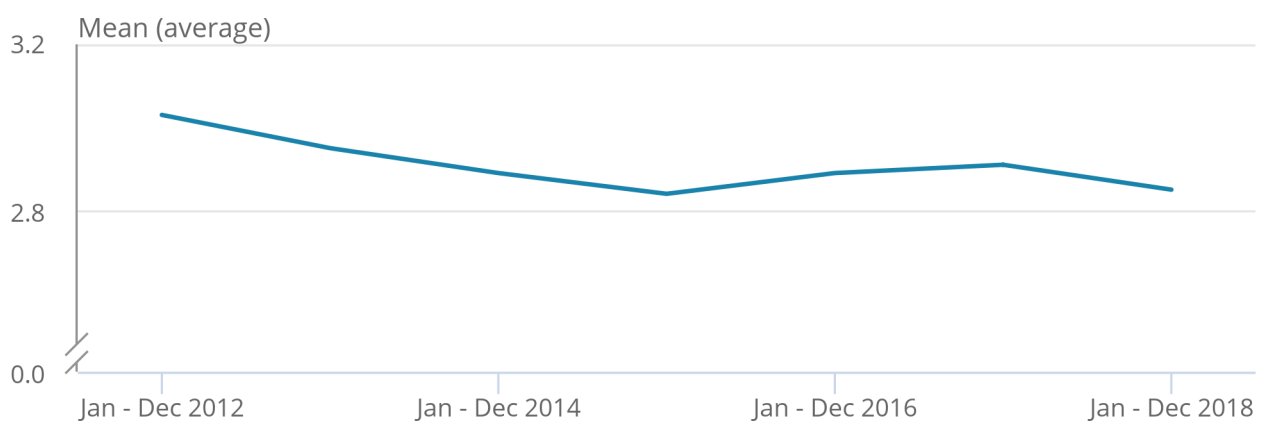
6 . While average anxiety levels reached a three-year low in 2018, about 10.3 million people continued to report high anxiety scores

Figure 7: In the year ending December 2018, the average rating of anxiety in the UK reached its lowest level since the year ending December 2015

UK, average ratings of anxiety for the year ending December 2012 to December 2018

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UK, average ratings of anxiety for the year ending December 2012 to December 2018



Source: Office for National Statistics - Annual Population Survey

Alongside increases in real household disposable income, there has been an improvement in the average ratings of anxiety. Between the years ending December 2017 and December 2018, anxiety scores fell across the UK from 2.91 to 2.85 measured on a scale from 0 to 10 (Figure 7). This was the lowest average rating of anxiety since the year ending December 2015 and represents a decrease of 2.1% in the average anxiety across the UK. This was replicated in the average anxiety ratings across England, also showing similar improvements in reported levels of anxiety.

However, this is the only measure of personal well-being to show any significant change during this period. For the other measures of personal well-being – life satisfaction, feeling that the things done in life are worthwhile, and happiness – average ratings remained level with no significant changes since the year ending December 2016.

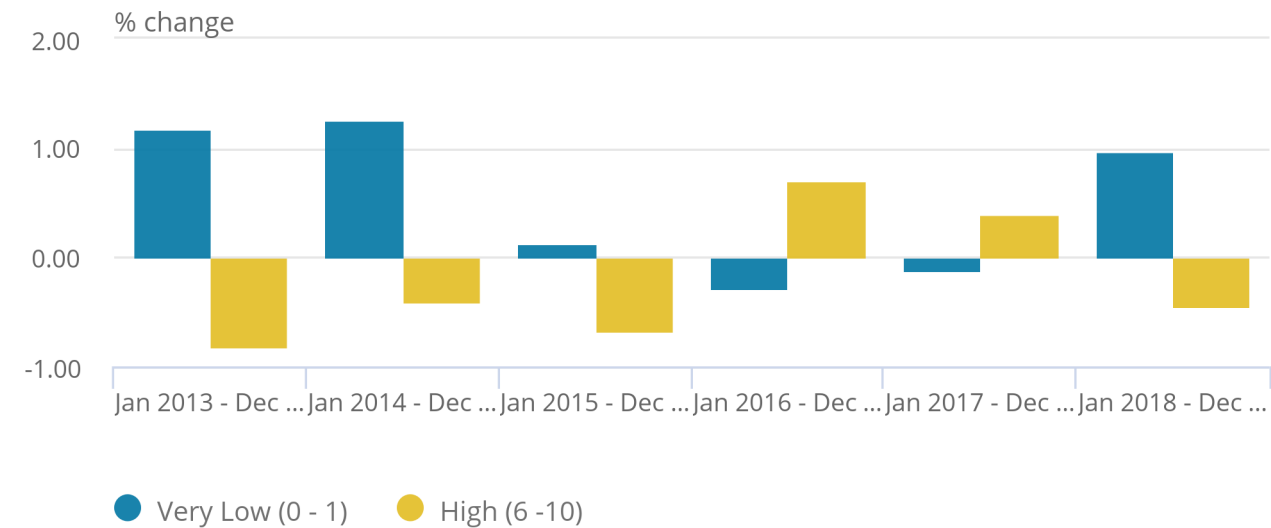
In addition to looking at average ratings, we also monitor potential inequalities in personal well-being by comparing those rating each aspect of their well-being either at a very high level or a very low level (Figure 8).

Figure 8: About 10.3 million people continue to report “high” levels of anxiety for the year ending December 2018

UK, yearly percentage change of “very low” and “high” ratings of anxiety since year ending December 2012

Figure 8: About 10.3 million people continue to report “high” levels of anxiety for the year ending December 2018

UK, yearly percentage change of “very low” and “high” ratings of anxiety since year ending December 2012



Source: Office for National Statistics – Annual Population Survey

Notes:

1. “Very low “anxiety refers to those providing a rating of 0 to 1, “high” anxiety refers to those reporting a score of 6 to 10 (on an 11-point scale from 0 to 10).

During the years ending December 2017 and 2018, there was an increase in the people reporting very low levels of anxiety in the UK, from 40.2% to 41.2% of the population. This improvement in anxiety was driven by an increase in the very low ratings in England, rising from 39.9% to 41.1%. This change in the proportion of respondents reporting very low levels of anxiety is the biggest improvement since the year ending December 2014.

However, in the year ending December 2018, among the UK population 19.7% or about 10.3 million people reported high levels of anxiety. There was no significant change compared with the year ending December 2017 (20.1%). The proportion of respondents reporting “high” levels of anxiety has not seen an improvement since the year ending December 2013.

7 . Conclusion and next steps

As suggested by the user feedback provided for our first personal and economic well-being publication in February 2019, this bulletin looked at how households are faring across society by focusing on those indicators that have changed the most over the period up to December 2018.

In the next few months, we plan to provide insights into well-being inequalities and a range of factors that might have an impact on people's personal well-being, such as personal characteristics, household circumstances and household income and expenditure – as these are clear areas of interest identified by our users.

We also intend to focus more on the environmental aspects of well-being, both in terms of how the environment affects our living standards now and the extent to which growth is environmentally sustainable. In doing this, we will move a step closer to looking holistically at “people, prosperity and planet”.

8 . Quality and methodology

[The Personal well-being in the UK Quality and Methodology Information report](#) contains important information on the strengths and limitations, uses of the data as well as how outputs are created and the quality and accuracy of those outputs. For more information on personal well-being, please see the [Personal well-being user guide](#) and [Harmonised principles of personal-well-being](#).

The framework and indicators for economic well-being used in this release were outlined in [Economic Well-being, Framework and Indicators](#), published in November 2014. Basic quality and methodology information for all economic well-being indicators included in this statistical bulletin is available from [Gross domestic product 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](#) and [Labour Force Survey Quality and Methodology Information report](#).

Measuring “people and prosperity”

In November 2010, we set up the [Measuring National Well-being programme](#) to monitor and report UK progress by producing accepted and trusted measures of the well-being of the nation. We have pioneered the measurement of well-being in the UK in addition to traditional measures of prosperity, enabling policy-makers to make better, more well-informed decisions. We have also been monitoring economic well-being by assessing how households are faring using measures of household wealth and disposable income.

Traditionally, we reported our quarterly updates on personal well-being and economic well-being in separate publications; however, [a recent user feedback survey](#) suggested the need for more in-depth analysis on the relationship between personal and economic well-being.

In February 2019, we introduced [a new series on “people and prosperity”](#) as part of our “Beyond GDP” initiative bringing together personal and economic well-being for the first time. The aim is to provide timely, quarterly indicators and analysis of household financial health as well as personal well-being. In measuring economic growth, we want to know the extent to which it affects different groups in society. This will make it easier for policy-makers and other users to consider questions such as whether changes in the size of the economy, and the distribution of that income, are reflected in our personal well-being.

Data quality

This release is based on the most recent data available as of April 2019. It is important to note that the data underpinning the personal and economic well-being indicators come from various sources with different timeliness and coverage.

The personal well-being estimates are from the Annual Population Survey (APS), which provides a representative sample of those living in private residential households in the UK. People living in communal establishments (such as care homes) or other non-household situations are not represented in this survey and this may be important in interpreting the findings in relation to those people reporting lower personal well-being. Most of the economic indicators capture the full coverage of the UK regardless of people's economic status.

APS data reweighting

Weighting answers to survey questions ensures that estimates are representative of the target population. Each person in the survey data has a “weight” the number of people that person represents in the population, which is used to produce estimates for the population.

More accurate weighting is based on the latest available population estimates for that time-period. When new population estimates become available, data can be reweighted to ensure better representation and so precision of estimates. For greater accuracy, it is common practice to revise previously published estimates when new weights become available.

Based on new population estimates, new well-being weights are now available for the APS data. We have used this reweighted data to produce [annual personal well-being estimates for the UK and its countries](#) for January to December 2012 to 2018. We plan to produce the quarterly UK, regional and local authority level estimates based on most recent weightings later in the year.

Your feedback

In February 2019, alongside our [previous publication](#), we launched a survey to gather user feedback about our personal and economic well-being outputs.

Users told us that our work fitted their requirements well – the language used, analytical detail and visual analyses met their needs. But the feedback also highlighted ways in which we could improve the quality and usability of our outputs such as shortening the length of bulletins. Additionally, there were requests to focus on more in-depth analysis, such as more insights into regional data and inequalities, and providing more information or explanation of more technical aspects.

Over the coming months, we will continue to address feedback and engage further with our users to improve the usability and usefulness of our work. Our feedback identified a demand for further analysis of other factors associated with well-being and this will be explored in a regression analysis to be published in May. We also aim to better promote our well-being dashboard and explore opportunities to improve our interactive tools.

Your feedback will be very valuable in making our results useful and accessible. If you have any questions, please contact us at PeopleAndProsperity@ons.gov.uk. Thank you!

9 . Authors

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