

# Consumer Trends, Q1 2014



Coverage: **UK**

Date: **27 June 2014**

Geographical Area: **UK**

Theme: **Economy**

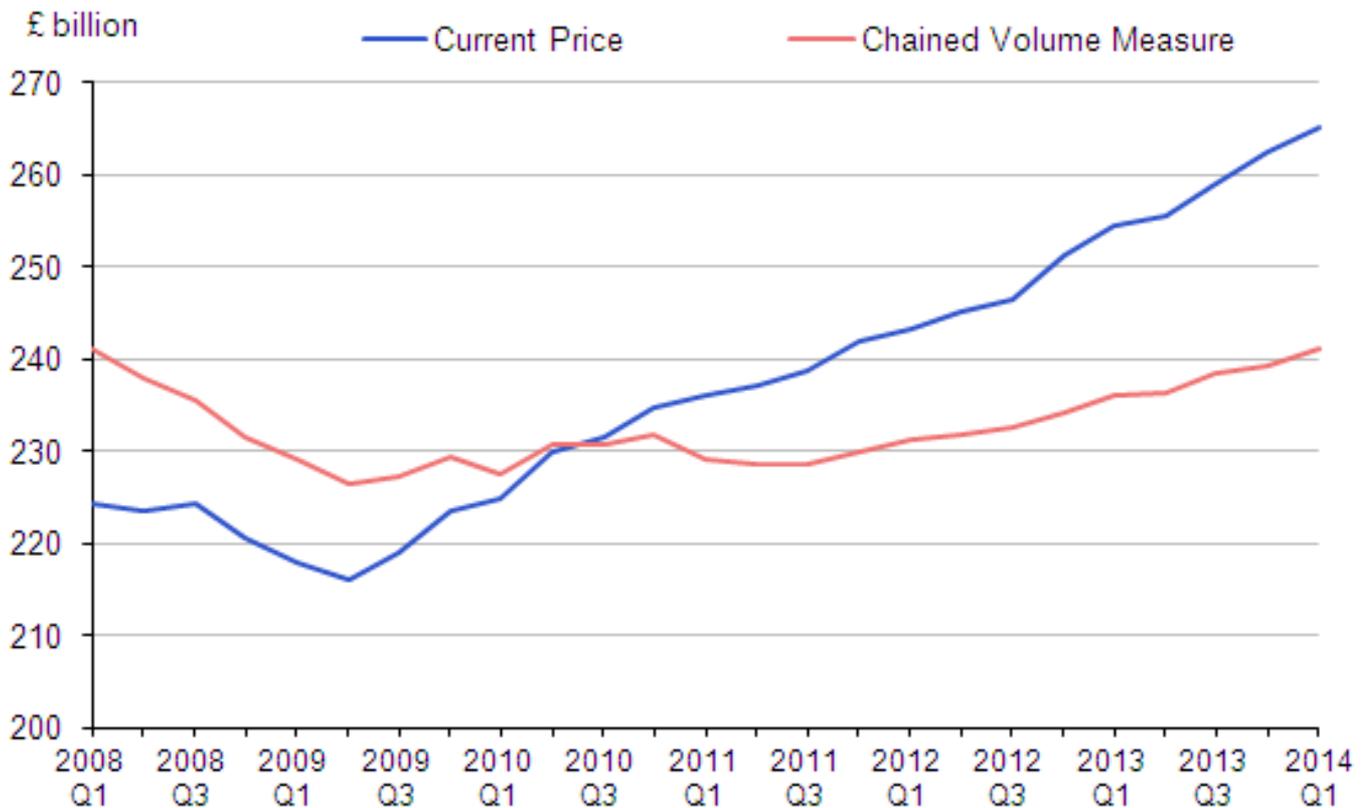
## Key Points

- In Q1 2014, household spending (adjusted for inflation) grew by 0.8% (£2.0 billion).
- The main contribution to growth can be seen in 'Transport' which has increased by 2.3% compared with Q4 2013. The largest negative contribution to growth can be seen in 'Food and drink' which has fallen by 1.3% compared with Q4 2013.
- Household spending when compared with the same quarter a year ago has been rising each quarter since Q1 2012 and was 2.2% higher in Q1 2014.
- The current price value of household spending, which includes inflation, shows how much UK households spent. In Q1 2014 current price spending increased by 1.0% compared with Q4 2013, continuing the trend of positive growth since Q3 2009.
- The household expenditure implied deflator grew by 0.2% in Q1 2014. Within household spending categories the 'Alcohol and tobacco' implied deflator showed the largest increase in percentage terms, it grew by 4.3% in Q1 2014.

## Summary of Household Expenditure in Q1 2014

The volume measure provides an estimate of the amount of goods and services purchased by households. In Q1 2014 it increased by 0.8%. The current price value of household spending (inflation included) shows how much UK households spent. In Q1 2014 it increased by 1.0% compared with Q4 2013. Current price spending has shown positive growth since Q3 2009. 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**



Source: Office for National Statistics

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## Trends in Household Expenditure

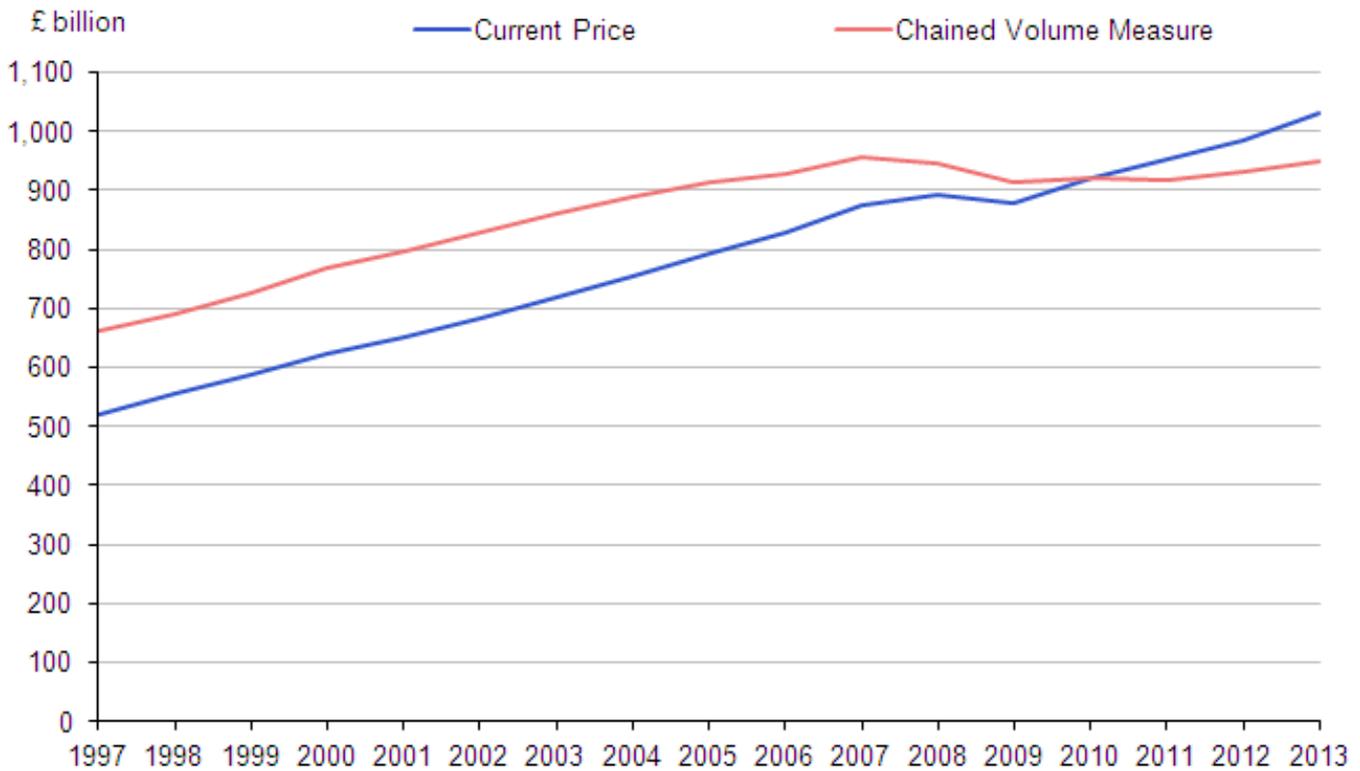
Household Final Consumption Expenditure (HHFCE) includes spending on goods and services except for: buying or extending a house, investment in valuables (paintings, antiques etc) or purchasing second-hand goods. Explanations for these exceptions and the related concepts are available in the Consumer Trends guidance and methodology section.

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 two 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' \(139.3 Kb Pdf\)](#) for UK HHFCE.

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



Source: Office for National Statistics

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Figure 2 shows annual household final consumption expenditure from 1997 onwards, the period from which a full HHFCE dataset is available.

From 1997, household final consumption expenditure:

- In current prices, increased to £224.3 billion in Q1 2008, falling to £216.0 billion in Q2 2009, then returning to predominantly positive growth to reach £265.2 billion in the latest quarter.
- In volume terms, increased to £242.1 billion in Q4 2007, falling to £226.4 billion in Q2 2009. It has now increased to £241.3 billion, the highest volume spending since Q4 2007.

The pre-2007 increases in household spending were a consequence of households facing higher prices and buying more goods and services. However, 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.

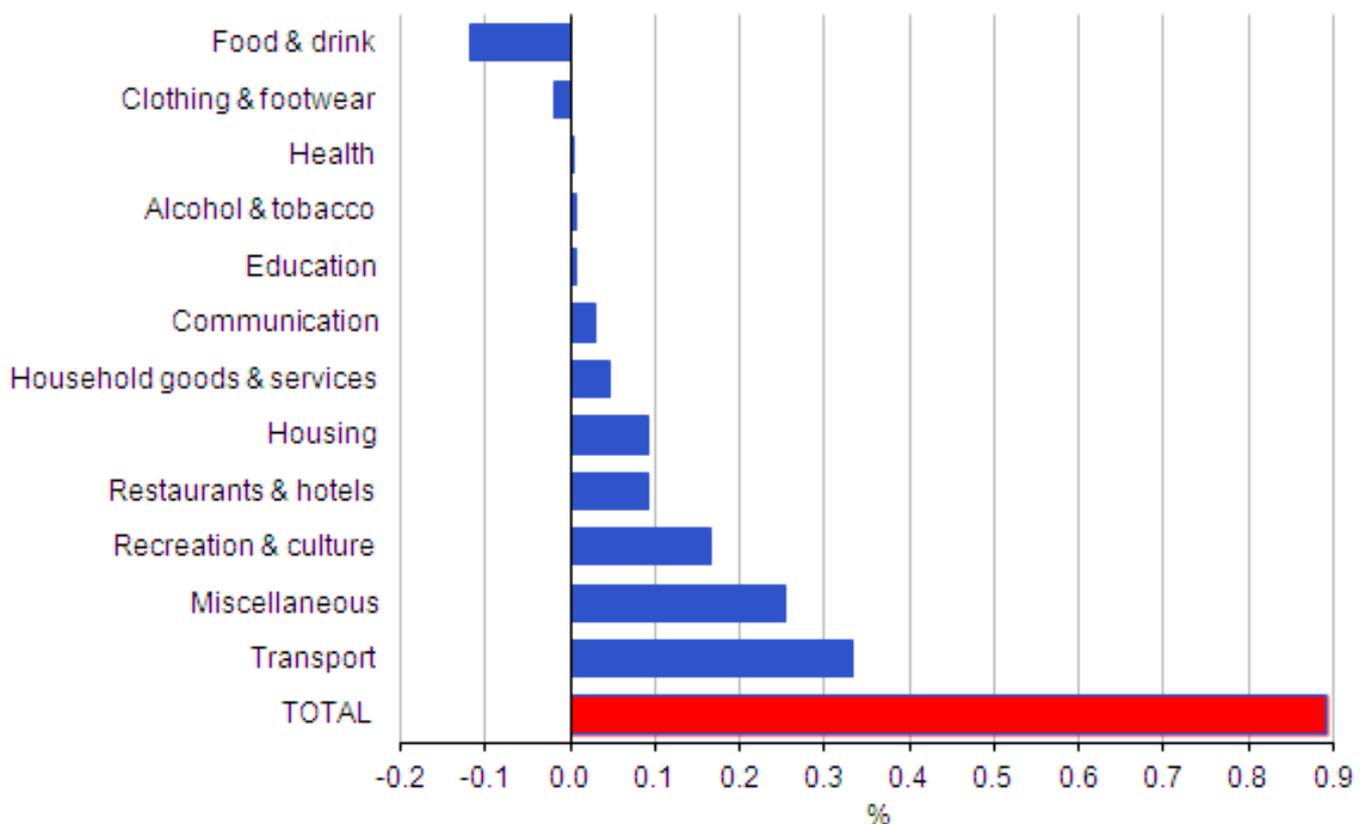
In Q1 2014, the value of household spending in current prices increased by 1.0% on the previous quarter, and by 4.2% on the same quarter in 2013. The volume measure of household spending increased by 0.8% on the quarter and 2.2% on the same quarter in 2013, signifying that households are spending more for a relatively lower volume of goods and services.

## Household Spending by Product

Figure 3 shows spending in volume terms (adjusted for inflation) on 'Transport' has made the largest contribution to the positive growth in Q1 2014, increasing by 2.3% on the quarter. Within 'Transport' 'Motor cars' showed the largest increase of 9.8% compared with Q4 2013.

The largest negative contribution to growth over this quarter can be seen in 'Food and drink' which has fallen by 1.3% in volume terms. This is driven by decreased spending on 'Vegetables' which has fallen by 3.8% and 'Milk, cheese and eggs' which has fallen by 2.4%.

**Figure 3: COICOP Contribution to Overall Growth, Domestic Measure, Chained Volume Measure, Seasonally Adjusted**



Source: Office for National Statistics

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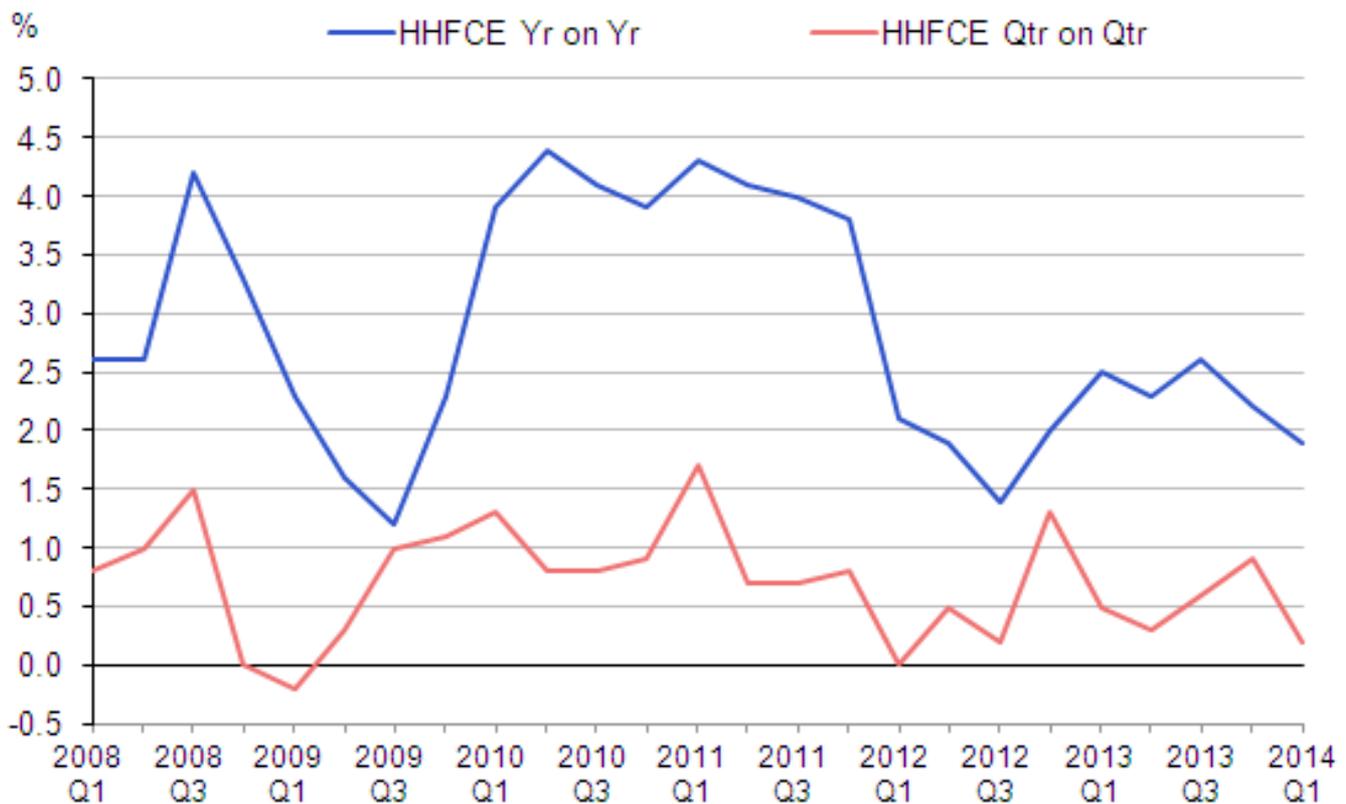
## Focus on Prices in Household Expenditure

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 the seasonally adjusted household expenditure measure of prices (the deflator) increased by 0.2%. This continues the trend of positive deflator growth since Q2 2012, indicating the increased prices that households face when purchasing goods or services. The household expenditure deflator (seasonally adjusted) is 1.9% higher than in Q1 2013.

'Housing' as the largest category of household expenditure has the most impact on the overall implied deflator. This quarter, the 'Housing' implied deflator fell by 0.6% when compared with Q4 2013, this has subdued the overall implied deflator growth. The majority of other expenditure categories have contributed positively to growth in the implied deflator, the largest of these in percentage terms is 'Alcohol and tobacco' which grew by 4.3% when compared with Q4 2013.

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



Source: Office for National Statistics

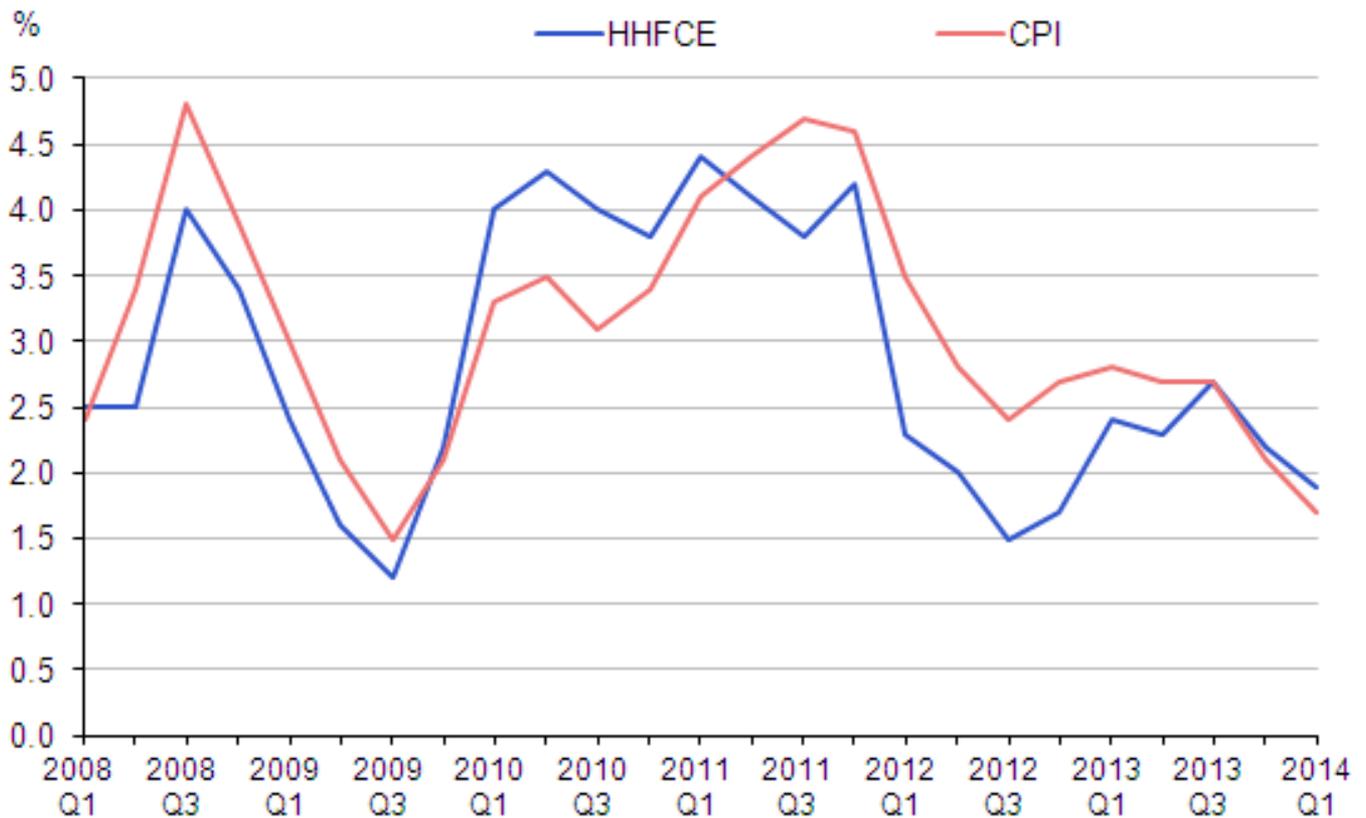
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From Blue Book 2011, CPI has been used to deflate estimates of Household Expenditure. Figure 5 compares the household expenditure implied deflator growths in percentage terms, quarter on the same quarter a year ago, with those of the CPI from 2008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

**Figure 5: Household Expenditure Implied Deflator v CPI, Not Seasonally Adjusted, Year-on-Year, Percentage Change**



Source: Office for National Statistics

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### Household Final Consumption Expenditure Revisions Q1 2014

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 Q1 2014, the revisions to total household final consumption expenditure have been made from the first quarter of 2013.

Revisions between the previous edition of Consumer Trends (Q4 2013) 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, Q1 2014**

	£ million	%	
	Revisions to value (current prices)	Revisions to growth (current prices)	Revisions to growth (volume measure)
2013	77	–	–
2013 Q1	22	–	-0.1
2013 Q2	71	–	0.1
2013 Q3	-123	-0.1	–
2013 Q4	107	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.

### Background notes

1. **Date of this publication:** 27 June 2014.
2. **Next edition:** The next edition of Consumer Trends, Q2 2014, will be published on 30 September 2014. Estimates will be consistent with Blue Book 2014.
3. **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 first quarter of 2014 will be published on 25 July 2014, followed by the second estimate of GDP on 15 August 2014. The next full set of Quarterly National Accounts will be published on 30 September 2014.
4. **Basic Quality Information for Consumer Trends Statistical Bulletin**

**Summary quality reports.** A [Summary Quality Report \(147.1 Kb Pdf\)](#) for this Statistical Bulletin can be found on the ONS website.

**Key quality issues.** Household expenditure volume series are chainlinked annually. Estimates in this Consumer Trends are now based on 2010 price structures i.e. the chained volume measure estimate in 2010 equals the current price value of expenditure in 2010.

Growth in each year up to and including 2010 is calculated at average prices of the previous year. Growth from 2010 onwards is calculated at average prices of 2010. Volume series are only additive for the most recent periods, i.e. annual data for 2010 onwards and quarterly data for quarter one 2011 onwards.

Common pitfalls in interpreting series: 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.

6. The [ONS compliance plan](#) can be found on the ONS website.
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