

Compendium

Chapter 4: Trends in household expenditure over time

A report on the Living Costs and Food Survey 2013, including spending on housing, utilities and other outgoings.



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1 . Abstract

This chapter examines trends in household expenditure over time. Table 4.1 and table 4.2 (see tables section) represent expenditure for the years 2001/02 to 2013, adjusted to take account of inflation mainly using the Consumer Prices Index (CPI). This enables a comparison of expenditure to be made between survey years that allows for changing prices. More detail on this is given in the Background section. Year-on-year comparisons must be treated with caution, because each year the LCF is reviewed and changes are made to keep it up to date. Expenditure over the same period is also shown without adjusting for inflation in table 4.3 (see tables section).

2 . Key points

- Household average weekly expenditure has decreased since 2006, once inflation has been taken into account
- Spending declined to £517.30 in 2013, from its peak in 2006 (adjusted to 2013 prices) when households spent an average of £539.80 per week
- Between 2001/2 and 2006, average expenditure was at a higher level than that seen since 2006
- Housing (net), fuel and power accounted for the highest average weekly spending in 2013, at £74.40, an increase from £70.70 in 2012 (adjusted to 2013 prices). Renting was the biggest area of expenditure in this category, followed by electricity gas and other fuels (it does not include mortgage payments, council tax or Northern Ireland rates). This category accounted for 14% of household expenditure, on average, in 2013
- Transport remains the second highest expenditure category, averaging £70.40 per week in 2013. This was an increase from £64.80 per week in 2012, driven by an increase in the sales of new cars. However, transport expenditure has decreased in recent years from £88.00 in 2001/2 (adjusted for inflation)

The results show slight increases across a range of expenditure categories. However, these findings should be treated with caution due to changes to the way the survey recorded certain types of expenditure in 2013

3 . About this chapter

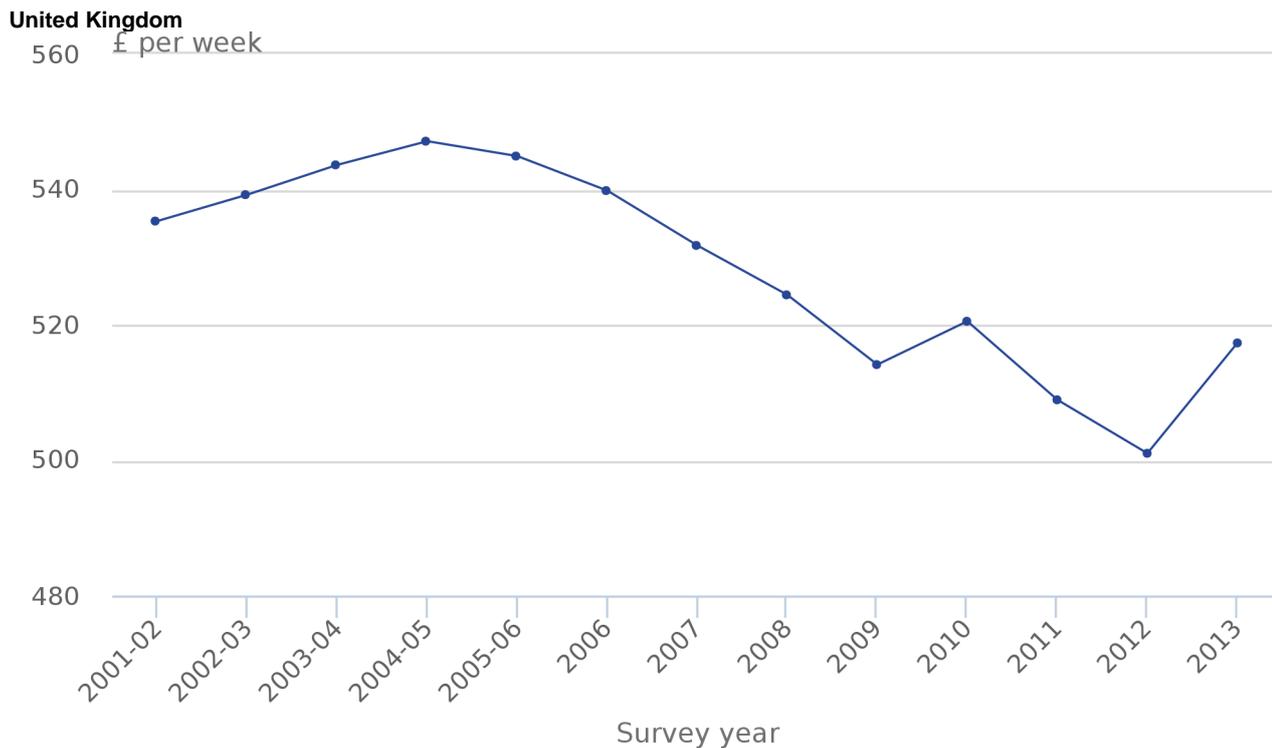
This chapter examines trends in household expenditure over time. [Table 4.1 \(82.5 Kb Excel sheet\)](#) and [table 4.2 \(91.5 Kb Excel sheet\)](#) present expenditure for the years 2001/2 to 2013, adjusted to take account of inflation using mainly the Consumer Prices Index (CPI). This enables a comparison of expenditure to be made between survey years that allows for changing prices. Expenditure over the same period is also shown without adjusting for inflation ([table 4.3 \(82 Kb Excel sheet\)](#)).

Changes and differences mentioned in the text have been found to be statistically significant at the 95% confidence level, unless stated. There is more detail in the background section.

4 . Trends in average household spending

This section discusses some of the trends seen in average household weekly spending since 2001/2, once the effects of inflation have been taken into account.

Figure 4.1: Total household expenditure based on COICOP classification, 2001-02 to 2013, at 2013 prices [1]



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

Notes:

1. Figures have been deflated to 2013 prices using deflators specific to the COICOP category
2. In 2006, Family Spending changed to report for a calendar year instead of a financial year
3. From 2001-02 to 2005-06, figures shown are calculated from weighted data using non-response weights based on the 1991 Census and population figures from the 1991 and 2001 Censuses. From 2006 onwards, figures shown are calculated from weighted data using non-response weights and population figures based on the 2001 Census

Figure 4.1 shows total expenditure over the years from 2001/2 to 2013. The figures have been adjusted to 2013 prices, to allow for the effects of inflation. Average weekly household spending was £539.80 in 2006, and started declining, just before the economic downturn, in 2007 (when £531.70 per week was recorded). Average spending decreased further to £501.00 in 2012, and then increased to £517.30 in 2013¹. [Table 4.1 \(82.5 Kb Excel sheet\)](#) shows that household income declined slightly later than expenditure, following the start of the downturn. Disposable household income peaked in 2008 at £676 (adjusted to 2013 prices), declining to £612 in 2012 and £614 in 2013².

The trend observed in household spending after 2008 is broadly consistent with the wider economic context. Between 2008 quarter 1 and 2009 quarter 2, Gross Domestic Product (GDP) fell by 6.0%, marking the deepest economic downturn since ONS records began in 1948. The latest downturn is similar to the 5.9% fall in the early 1980s, while output fell by 2.4% in the early 1990s. The subsequent recovery has also been the [slowest](#). However, the UK economy showed signs of increasing momentum throughout 2013 with GDP growing by 1.7%. The UK economy is now estimated to have surpassed the quarter 1 2008 pre-downturn peak in the quarter 3 2013. These figures can be found on the [Office for National Statistics website](#).

If spending is considered without adjusting for inflation we see a different trend. Household spending, at the prices at the time the surveys were carried out, has increased from £398.30 in 2001/2 to £517.30 in 2013.

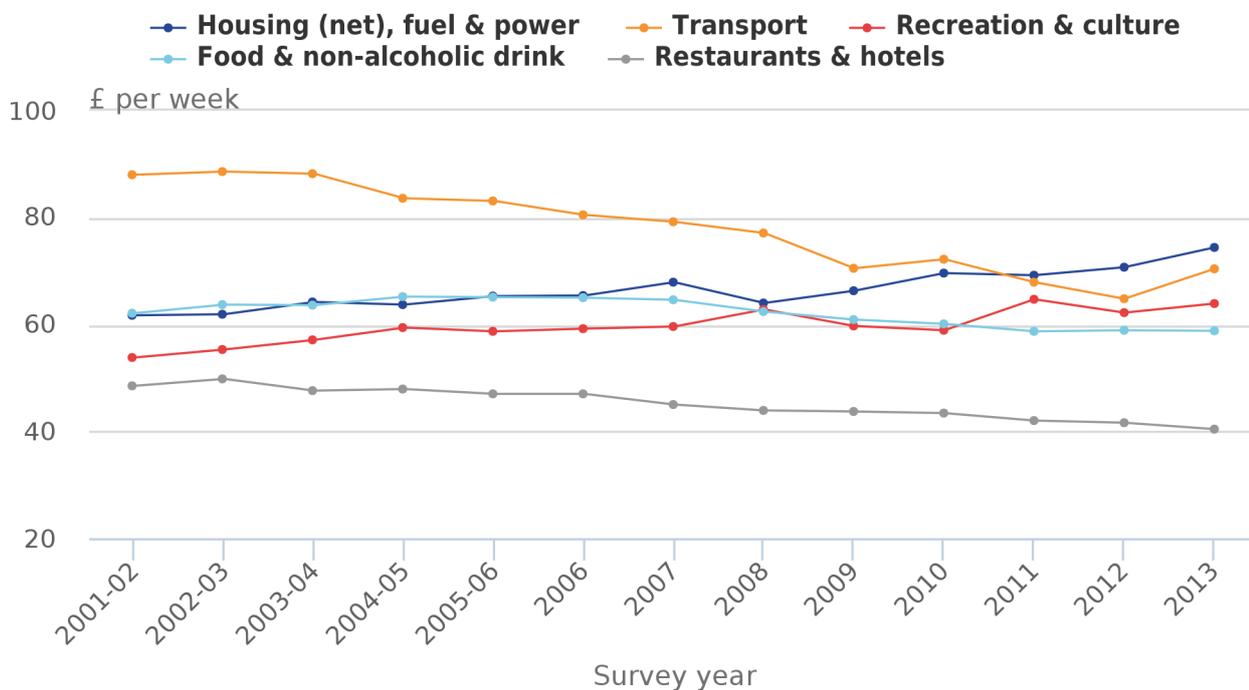
Notes for trends in average household spending

1. This increase was not found to be significant at the 95% confidence level; refer to the background section of the chapter for further details.
2. Standard errors are not calculated for income estimates in Family Spending. Therefore this change has not been tested for statistical significance at the 95% confidence level; refer to the background section of the chapter for further details.

5 . Trends in spending patterns

Figure 4.2: Expenditure on selected categories based on COICOP classification, 2001-02 to 2013, at 2013 prices [1]

United Kingdom



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

Notes:

1. Figures have been deflated to 2013 prices using deflators specific to the COICOP category
2. In 2006, Family Spending changed to report for a calendar year instead of a financial year
3. From 2001-02 to 2005-06, figures shown are calculated from weighted data using non-response weights based on the 1991 Census and population figures from the 1991 and 2001 Censuses. From 2006 onwards, figures shown are calculated from weighted data using non-response weights and population figures based on the 2001 Census

Figure 4.2 shows the total household expenditure from 2001/2 to 2013 on housing (net), fuel and power, transport, recreation and culture, food and non-alcoholic drink and restaurants and hotels adjusted to 2013 prices. These were the five categories with the highest spending over this period. The household expenditure trends for these categories are discussed in more detail below.

Housing (net), fuel and power has again accounted for the highest average spending in 2013. This category is mainly made up of:

- net rent: £32.00 per week in 2013
- electricity gas and other fuels: £26.50 in 2013
- maintenance and repair of dwelling: £7.10 in 2013
- water supply and miscellaneous charges: £8.70 in 2013.

Note: these figures are averaged across all households, for example, whether they pay rent or not.

The category housing (net), fuel and power does not include mortgage payments. Mortgage interest payments are included within the “other expenditure items” category. Spending in this category has fluctuated over time, decreasing overall from £78.30 in 2001/2 (adjusted for inflation) to £73.00 in 2013¹ ([table 4.1 \(82.5 Kb Excel sheet\)](#)). Capital repayment of mortgages for 2013 is detailed in section 14 (“other items recorded”) of [table A1 \(153.5 Kb Excel sheet\)](#) of this report. A full picture of housing related expenditure is provided in Chapter 2, including those, such as mortgage payments, that fall outside the Classification of Individual Consumption by Purpose (COICOP) classification.

Rent payments make up the largest proportion of household expenditure in the category housing (net), fuel and power. The number of households renting accommodation has increased over recent years, as reported by the [English Housing Survey](#). This is supported by figures published in [table A50 \(50 Kb Excel sheet\)](#) of Family Spending for 2013, and the corresponding table for 2006, which showed the proportion of households renting increased, from 29% in 2006 to 35% in 2013². Therefore, the increased proportion of households renting has contributed to higher spending on housing (net), fuel and power.

Average household spending on transport decreased between 2001/2 (adjusted to 2013 prices) and 2013. However, it increased to £70.40 in 2013, from £64.80 per week in 2012. Households allocated an average of 14% of total expenditure to transport in 2013. Higher average household expenditure on transport between 2012 and 2013 can partly be attributed to increased purchase of new cars. Vehicle purchases were recorded as being at a six-year high with 1,074,622 new private [cars registered](#).

Purchasing new cars is an area where households could moderate or defer expenditure, which may lead to demand building up over time. This is sometimes referred to as “pent up demand”. This may have fuelled the increase in sales of new cars seen in 2013, with consumers replacing vehicles they kept hold of through the recent downturn.

Recent years have seen the price of petrol and diesel increase substantially, with costs rising above the overall rate of inflation in 2012. However, between 2012 and 2013 prices [decreased slightly](#) so the increase in transport expenditure in 2013 cannot be attributed to spending on fuel.

Decreases in expenditure have been seen in categories that include some elements of discretionary spending, but not all. For example, spending on restaurants and hotels has gradually decreased to £40.40 in 2013, from £48.50 in 2001/2. This suggests that, in less favourable economic conditions, households are prepared to limit their spending on hotel stays and restaurant visits.

In contrast, overall spending on recreation and culture increased between 2001/2 and 2013, from £53.80 (adjusted for inflation) to £63.90 on average per week. This category includes a wide range of expenditure, including: information processing equipment, games, gardening items, sport, cinema and theatre admissions, and package holidays. A common feature of these products and services is that they would generally be considered to constitute discretionary spending (though see discussion below), so it is interesting that these types of expenditures have held up over time. For example, package holidays abroad accounted for an average of £21.00 per week of household expenditure in 2013³. This reflects the continued growth of the UK cruise market, with the [number of people taking an ocean cruise](#) continuing to grow by 1.5% in 2013. Expenditure on items such as TV, video, computers and recreational activities has also held up over time, showing the high priority placed on these goods and services by many households, regardless of economic circumstances.

There has been a slight decrease in the average weekly expenditure on alcoholic drinks, tobacco and narcotics in 2013 compared with 2012. Average weekly expenditure has gone down from £18.20 in 2001/2 to £12.00 in 2013, once inflation has been taken into account. Another likely factor is the well-documented decrease in the proportion of people who smoke; [latest smoking figures](#) show that the proportion of people smoking has decreased to 19% in 2013, from 27% in 2000.

Expenditure on clothing and footwear has fluctuated only slightly over the years 2011 to 2013 (when a weekly average of £22.60 was recorded). This is following a substantial increase from £15.40 in 2001/2 (adjusted for inflation). Spending on food and non-alcoholic drink remained very similar for the years 2011 to 2013 (£58.80 in 2013), having fallen from £65.00 in 2006.

The trend in expenditure after 2008 is broadly consistent with the wider economic context. There has been an overall reduction in weekly spending from 2001/2 to 2013 in real terms, but a slight (not-statistically significant) increase between 2012 and 2013. GDP is estimated to have increased by 1.7% in 2013, compared with 2012, showing signs of the economic recovery building momentum.

The trends for different types of spending show that consumers may be remaining price conscious following the economic downturn. For example, consumers are continuing to spend less on certain items that may be considered discretionary such as restaurants and hotels, and alcohol and tobacco. The picture is not straightforward, however, as decreases have not been observed over time on clothing and footwear, and goods and services in the recreation and culture category. This highlights that the label “discretionary” should be treated with caution since items or services that may have traditionally been considered discretionary, may be considered essential by many households after they get used to having these products. By contrast, other goods, such as tobacco, may become considered less desirable over time.

The economy has witnessed signs of economic recovery, despite consumers remaining price conscious. There is evidence that consumer confidence is increasing slowly; increases in household expenditure are largely focused on items such as housing. However, the results have also seen an increase in expenditure on big ticket items, such as new cars in 2013, indicating that pent up demand is being realised.

The year-on-year changes presented in this chapter should be treated with caution because changes in recording expenditure were implemented by the Living Costs and Food (LCF) survey in 2013.

Notes for trends in spending patterns

1. This increase was not found to be significant at the 95% confidence level; refer to the background section of the chapter for further details
2. Standard errors are not calculated for table A50 of the Family Spending report 2013. Therefore this change has not been tested for statistical significance at the 95% confidence level; refer to the background section of the chapter for further details.
3. Recording of spending on package holidays was also subject to questionnaire changes in 2013.

6 . Background

This chapter presents household expenditure data over time using the Classification of Individual Consumption by Purpose (COICOP) classification. The expenditure figures have been deflated to allow comparison of expenditure in real terms across survey years.

The figures and tables present figures that have been deflated to 2013 prices using the consumer prices index (CPI), using indices specific to each major COICOP category. This is with the exception of specific items to which the CPI is not applicable: for mortgage interest payment and council tax payments the Retail Prices Index (RPI) was used. The approach used to deflate figures to 2013 prices is consistent with the approach used for Family Spending, 2012. However, it is different from editions previous to this, when the all-items RPI was used.

Tables based on the Family Expenditure Survey (FES) classification, used by the survey for years prior to 2001 /2, have been reported in previous editions. They are not presented here, but can be made available on request. The time series presented, based on COICOP, has been increased to include 2001/2 to 2013; the range of years on which the survey has reported on COICOP.

The LCF is reviewed every year and changes are made to keep it up to date. Therefore, year-on-year changes should be interpreted with caution. This is particularly relevant for 2013 data; substantial changes were made to the questionnaire following research and testing. These changes included recording of household utility expenses, purchase of furniture and spending on air fares. It is important to continue to review the survey, to make sure it captures all types of spending as fully as possible, in an environment where products and methods of payment change rapidly. A detailed breakdown of the items that feed into each COICOP heading can be found in [table A1 \(153.5 Kb Excel sheet\)](#).

Standard errors for categories with lower levels of spending tend to be higher, so trends for these categories need to be treated with a degree of caution. Standard errors have been calculated for the data presented in this chapter; including the figures that have been deflated to 2013 prices (standard errors are discussed in more detail in [appendix B](#)). These calculations have been taken into account in the testing for statistical significance. This testing indicates the probability with which we are confident that the difference between the estimates under examination did not occur by chance.

Changes and differences mentioned have been found to be statistically significant at the 95% confidence level, unless stated. This means that the probability that the difference occurred by chance is low (1 in 20 or lower). Note that spending on certain items, notably tobacco and alcohol, may be under-reported.

COICOP time series data in this publication are not directly comparable with UK National Accounts household expenditure data, published in Consumer Trends (this publication can be downloaded from the [Office for National Statistics website](#)). National Accounts figures draw on a number of sources in addition to the LCF ([Consumer Trends guidance](#) has more details) and may be more appropriate for finding long term trends on expenditure.

7. Background notes

1. Symbols and conventions used in Family Spending 2014 edition

[] Figures should be used with extra caution because they are based on fewer than 20 reporting households.

.. The data is suppressed if the unweighted sample counts are less than 10 reporting households.

- No figures are available because there are no reporting households.

Rounding: Individual figures have been rounded independently. The sum of component items does not therefore necessarily add to the totals shown.

Averages: These are averages (means) for all households included in the column or row, and unless specified, are not restricted to those households reporting expenditure on a particular item or income of a particular type.

Period covered: Calendar year 2013 (1 January 2013 to 31 December 2013).

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