

Compendium

# Chapter 4: Trends in household expenditure over time



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# 1 . Introduction

This chapter examines trends in household expenditure over time. [Table 4.1 \(78.5 Kb Excel sheet\)](#) and [Table 4.2 \(87 Kb Excel sheet\)](#) present expenditure for the survey year ending March 2002 to December 2014, 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 (in current prices) ( [Table 4.3 \(82.5 Kb Excel sheet\)](#) ).

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

Each year the Living Costs and Food Survey (LCF) is reviewed and changes are made to keep it up to date. As such, year on year changes should be treated with caution.

## 2 . Main points

In 2014:

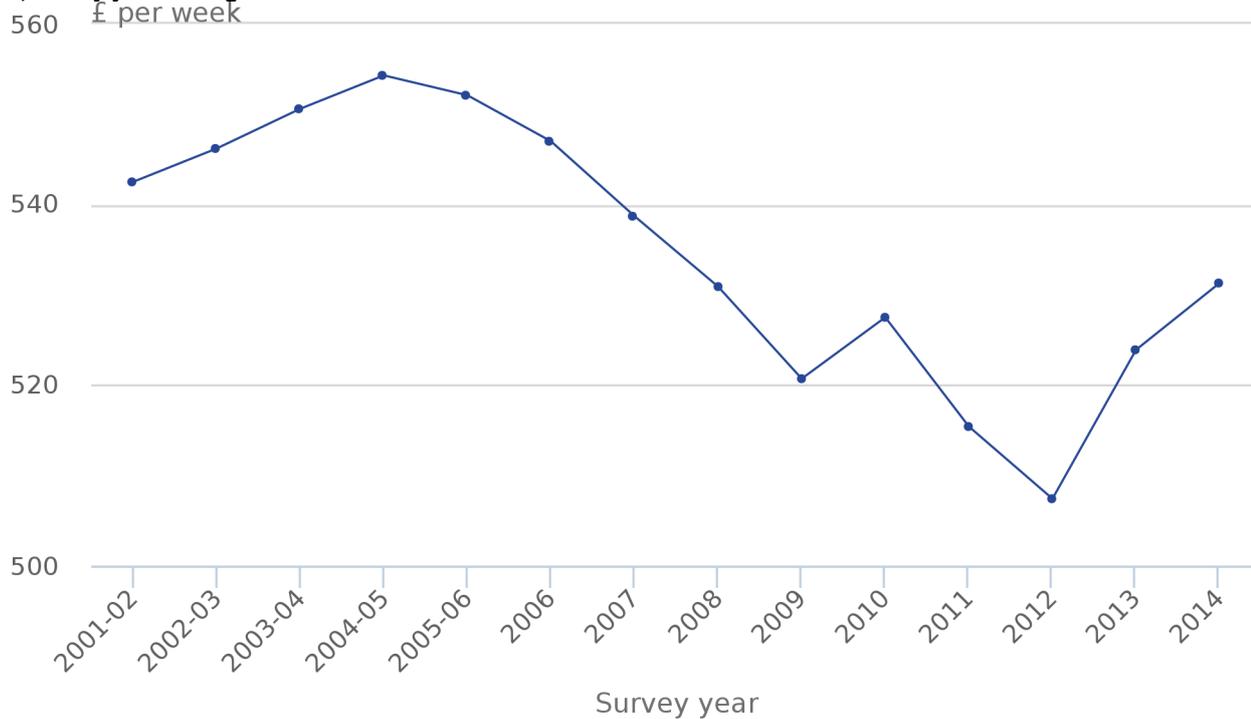
- average household weekly spending increased to £531.30, from its lowest level in 2012 (adjusted to 2014 prices) when households spent an average of £507.40 per week
- average expenditure remains at a lower level than that seen before 2007
- transport accounted for the highest average weekly spend, at £74.80, an increase from £70.60 in 2013 (adjusted to 2014 prices); the increase in spending on transport can partly be attributed to an increase in purchases of new and second hand cars, and follows a decreasing trend between the survey year ending March 2002 and December 2012
- housing (net), fuel and power (excluding mortgage payments) was the second highest expenditure category, averaging £72.70 per week; this was a decrease from £76.60 in 2013, driven by a decrease in spending on household fuel, and follows a generally upward trend from the survey year ending March 2002
- there were slight increases between 2013 and 2014 across most expenditure categories, providing evidence that consumer confidence is increasing as the economic recovery continues

## 3 . Trends in average household spending

This section discusses some of the trends seen in average household weekly spending since the survey year ending March 2002, once the effects of inflation have been taken into account.

**Figure 4.1: Total household expenditure at 2014 prices**

UK, survey year ending March 2002 to 2014



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

**Notes:**

1. Figures have been deflated to 2014 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.
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census

Figure 4.1 shows total expenditure from the year ending March 2002 to 2014. Average weekly household spending started to decline before the economic downturn, falling from £547.00 in 2006 to £507.40 in 2012. However, in 2013 average spending started growing again (increasing to £523.90) and continued growing in 2014 when it reached £531.30<sup>1^</sup>.

Disposable<sup>2</sup> household income, which is shown in [Table 4.1 \(78.5 Kb Excel sheet\)](#), followed a somewhat different trend. It continued growing until reaching its peak in 2008 at £686. Between 2008 and 2014 disposable income followed a broadly downward trend contracting by 4.8%. However, disposable income increased by 0.5% from 2012 to 2013 and 4.6% from 2013 to 2014.

The trend observed in household spending in 2008, 2009 and 2010 is broadly consistent with the wider economic context. A financial market shock affected UK and global economic growth in 2008 and 2009. Economic growth resumed towards the end of 2009, but generally at a slower rate than the period prior to 2008. From the peak in Quarter 1 (Jan to Mar) 2008 to the trough in Quarter 2 (Apr to June) 2009 GDP decreased by 6.1%. This coincided with a decline in household spending (that had started in 2007).

From Quarter 3 (July to Sept) 2009 GDP growth continued to be erratic, particularly between 2010 and 2012 with two quarters recording negative growth. This two-year period coincided with special events (for example severe winter weather in Quarter 4 (Oct to Dec) 2010 and the Diamond Jubilee in Quarter 2 2012) that are likely to have affected growth both adversely and positively. Housing spending followed a generally decreasing trend during this time.

Since 2013, the economic recovery gained pace and became more consistent, exceeding pre-downturn peak levels in Quarter 2 2013. This coincided with a resumption to growth of household spending. The wider economic context summarised here is described more fully in the [Second Estimate of GDP, Quarter 3](#).

If spending is considered without adjusting for inflation we see a different trend ( [Table 4.3 \(82.5 Kb Excel sheet\)](#) ). Household spending, at the prices at the time the surveys were carried out, has increased from £398.30 in the survey year ending March 2002 to £531.30 in 2014.

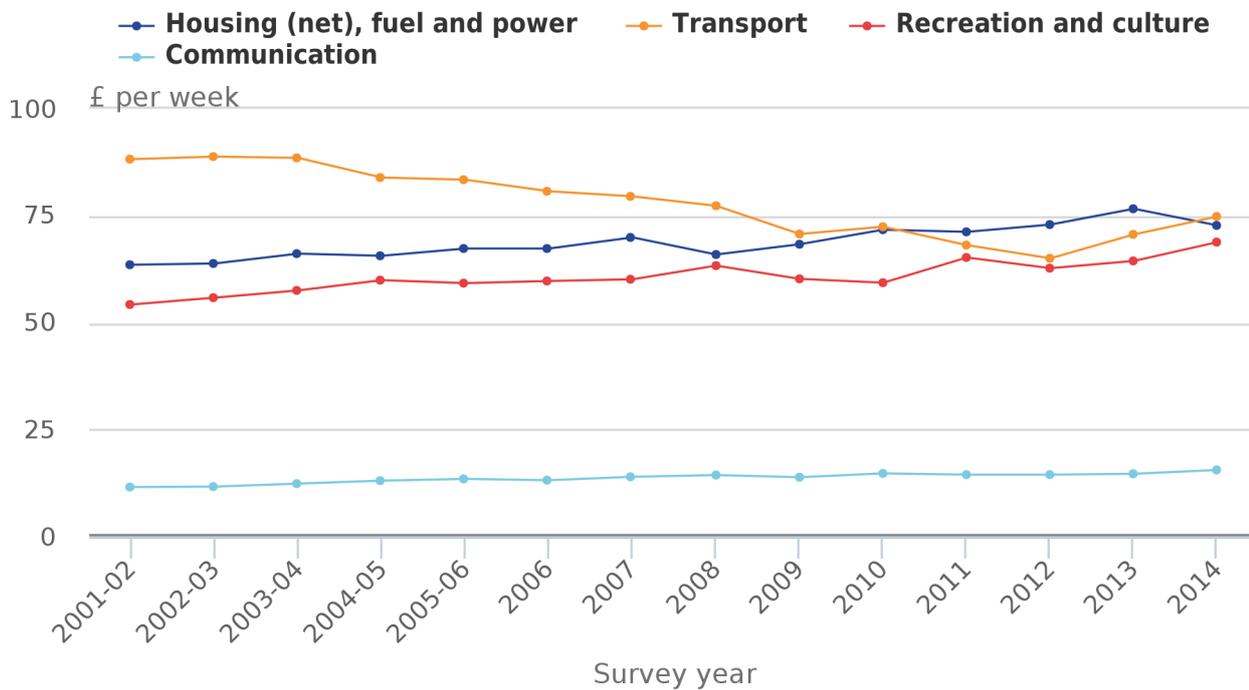
## Notes for Trends in average household spending

1. The increase between 2012 and 2013 was found to be significant at the 95% confidence level. However, the increase between 2013 and 2014 was not found to be significant at the 95% confidence level. Refer to the background section of the chapter for further details of significance testing.
2. Disposable income is defined as gross weekly cash income less the statutory deductions and payments of income tax and National Insurance contributions.

## 4 . Trends in spending patterns

Figure 4.2: Expenditure on selected categories at 2014 prices

UK, survey year ending March 2002 to 2014



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

Notes:

1. Figures have been deflated to 2014 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 to 2002 to 2005 to 2006, 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
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census

Figure 4.2 shows the total household expenditure from the survey year ending March 2002 to December 2014 on transport, housing (net), fuel and power, recreation and culture and communication, adjusted to 2014 prices. There was a significant difference in spending between 2013 and 2014 for each of these categories. Spending on recreation and culture, transport and communication increased, while spending on housing (net), fuel and power decreased.

Transport accounted for the highest average weekly household spending in 2014, increasing to £74.80 from £70.60 in 2013. The increase between 2013 and 2014 can partly be attributed to an increase in purchases of new cars. Purchase of vehicles makes up a large proportion (33% in 2014) of spending on transport. [Purchases of new cars](#) were recorded as increasing between 2013 and 2014. In 2013 and 2014 there was a [decrease in the price of motor fuels](#) which may have increased the disposable income of households and contributed toward their purchases of more new cars.

In 2014 housing (net), fuel and power<sup>1</sup> accounted for the second highest level of spending despite decreasing to £72.70 in 2014 from £76.60 in 2013 ( [Table 4.1 \(78.5 Kb Excel sheet\)](#) ). Spending on electricity, gas and other fuels makes up a high proportion (35% in 2014) of spending in the category housing (net), fuel and power. Although energy prices rose in 2014, warmer weather and further [improvements in energy efficiency resulted in a fall in consumption](#). This has resulted in expenditure on housing fuel falling, contributing to the decrease in spending on housing (net), fuel and power seen in 2014.

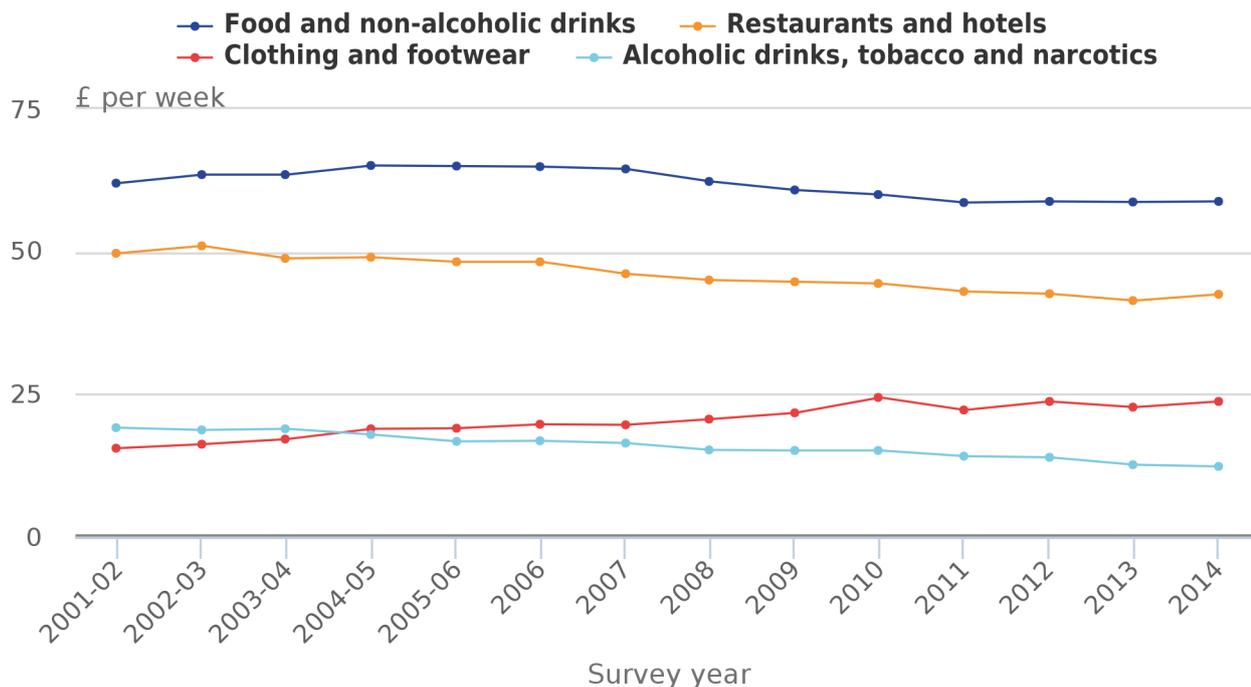
Average weekly spending on recreation and culture followed a generally upward trend between the years ending March 2002 and December 2014, increasing from £54.20 to £68.80. This category includes a wide range of goods and services. The increase between 2013 and 2014 is mainly attributable to increases in spending on personal computers (including tablets), plants for the garden, as well as sports admissions and subscriptions. The increase seen in spending on computers (including tablets) has coincided with an increase in the proportion of adults using portable devices (such as laptops and tablets) to access the internet from 32% in [2013 \(as seen in table 10\)](#) to 43% in [2014 \(as seen in table 9\)](#).

A common feature of the products and services included in the recreation and culture category is that they are generally considered to constitute discretionary spending. The larger increase seen between 2013 and 2014 coincides with the increased rate of economic growth, when households had more disposable income allowing them to spend more on discretionary items.

Spending on communication also increased between 2013 and 2014 following a broadly upward trend since the year ending March 2002. This is partly attributable to an increase in spending on mobile phones – both on new handsets and contract payments. This coincides with an increase in the proportion of adults using their mobile or smartphones to access the internet from 53% in [2013 \(as seen in table 10\)](#) to 58% in [2014 \(as seen in table 9\)](#). Note that tablet computers are included under recreation and culture, as described above, because they are classified as personal computers.

**Figure 4.3: Expenditure on further selected categories at 2014 prices**

UK, survey year ending March 2002 to 2014



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

**Notes:**

1. Figures have been deflated to 2014 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
4. From 2013, figures are based on weighted data using non-response weights based on the 2001 Census and population estimates based on the 2011 Census

Average spending on food and non-alcoholic drinks has been relatively flat at approximately £59 since 2011, having fallen from £65.10 in the survey year ending March 2005 (at 2014 prices). This coincided with the increase of discount supermarket chains, increasing consumer choice and competition in the market.

Expenditure on clothing and footwear has fluctuated only slightly between 2011 and 2014 (from £22.20 to £23.70 respectively on average per week). This is following a substantial increase from £15.50 in the survey year ending March 2002 (adjusted for inflation).

Spending on restaurants and hotels has followed a broadly downward trend between the year ending March 2002 and 2014. However, there was a small increase between 2013 and 2014 from £41.40 to £42.50<sup>2</sup>.

Expenditure on alcoholic drinks, tobacco and narcotics was very similar in 2013 (£12.60) and 2014<sup>3</sup> (£12.30), following a longer-term fall from £19.10 in the year ending March 2002. A contributing factor to the decrease in alcoholic drinks, tobacco and narcotics is the continuing decrease in the proportion of people who smoke; [latest smoking figures](#) show that the proportion of people smoking has decreased to 18.3% in 2014 from 21.0% in 2010.

The trends in different types of spending between 2013 and 2014 provide evidence that consumer confidence increased as economic conditions improved. An increase in spending was observed in most categories of spending (although not all increases were statistically significant), including those that can be considered to be discretionary, such as recreation and culture. Alongside the continuing economic recovery, consumers are also shown to have reduced spending on essential items, such as heating their homes or paying for petrol fuels, with rising disposable income allowing for greater spending elsewhere.

## Notes for Trends in spending patterns

1. The category housing (net), fuel and power does not include mortgage payments. Mortgage interest payments are included within the “other expenditure items” category. Capital repayment of mortgages for 2014 is detailed in section 14 (“other items recorded”) of [Table A1 \(154.5 Kb Excel sheet\)](#) 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.
2. The increase between 2013 and 2014 was not found to be significant at the 95% confidence level. Refer to the background section of the chapter for further details on significance testing.
3. The decrease in alcoholic drinks, tobacco and narcotics between 2013 and 2014 was not found to be significant at the 95% confidence level. Refer to the background section of the chapter for further details on significance testing.

## 5 . 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.

Data presented in the figures and tables has been deflated to 2014 prices using the Consumer Prices Index (CPI) and the indices are specific to each major COICOP category. For items that are not applicable to the CPI, for example mortgage interest payment and council tax payments, the Retail Prices Index (RPI) was used. The approach used to deflate figures to 2014 prices is consistent with the approach used for Family Spending, 2012 and Family Spending, 2013. However, it is different from editions previous to this, when the all-items RPI was used.

The Living Costs and Food Survey (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. 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 \(154.5 Kb Excel sheet\)](#).

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 2014 prices (standard errors are discussed in more detail in the Methodology chapter). 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 are 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, which are published in Consumer Trends. 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.

## 6. Background notes

### 1. Symbols and conventions used in Family Spending 2015 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 2014 (1 January 2014 to 31 December 2014).

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