Statistical bulletin

Personal and economic well-being in the UK: February 2020

Estimates looking across personal and economic well-being in the UK for Quarter 3 (July to Sept) 2019.

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1 . Main points

- Life satisfaction fell in Quarter 3 (July to Sept) 2019 compared with the year before, as concerns about future employment prospects grew.

- This is the first time (since we started measuring them in 2011) that both our life satisfaction and feeling that things done in life are worthwhile significantly fell, when compared with the year before.

- Average anxiety ratings remained at an elevated level in the quarter to September 2019, with around 10.6 million people reporting high anxiety.

- People's concerns about the general economic outlook continued to grow up to September 2019, reaching their highest level since late 2011.

- Expectations about the economy were reflected in real household spending per person, which grew at its slowest rate since the end of 2016, when comparing the latest quarter with the same quarter a year ago.

- On average, people spent less on cars in Quarter 3 2019 than they did in 2016, with spending on recreation and culture, and utilities growing more slowly over the same time.

2 . Dashboard of well-being indicators

The dashboard below provides information on the main changes and historical trends over time for the main personal and economic well-being measures.

Notes

1. p.p. refers to percentage point change.

2. "Compared with last year" refers to Quarter 3 (July to Sept) 2019 compared with Quarter 3 (July to Sept) 2018.

3. "Change in aggregate balance compared with last year" refers to Sept 2019 compared with Sept 2018.

4. "Compared with previous year" refers to 2018 to 2019 compared with 2017 to 2018.

5. "In the year to Q3 (July to Sept 2019)" refers to Quarter 3 (July to Sept 2019) compared to Quarter 3 (July to Sept 2018).

3 . Life satisfaction and feeling that things done in life are worthwhile are down

Figure 1: Life satisfaction and feeling that things done in life are worthwhile have deteriorated in the last year

Average ratings of life satisfaction, feeling that the things done in life are worthwhile and happiness, UK, Quarter 2 (Apr to June) 2011 to Quarter 3 (July to Sept) 2019

Figure 1: Life satisfaction and feeling that things done in life are worthwhile have deteriorated in the last year

Average ratings of life satisfaction, feeling that the things done in life are worthwhile and happiness, UK, Quarter 2 (Apr to June) 2011 to Quarter 3 (July to Sept) 2019
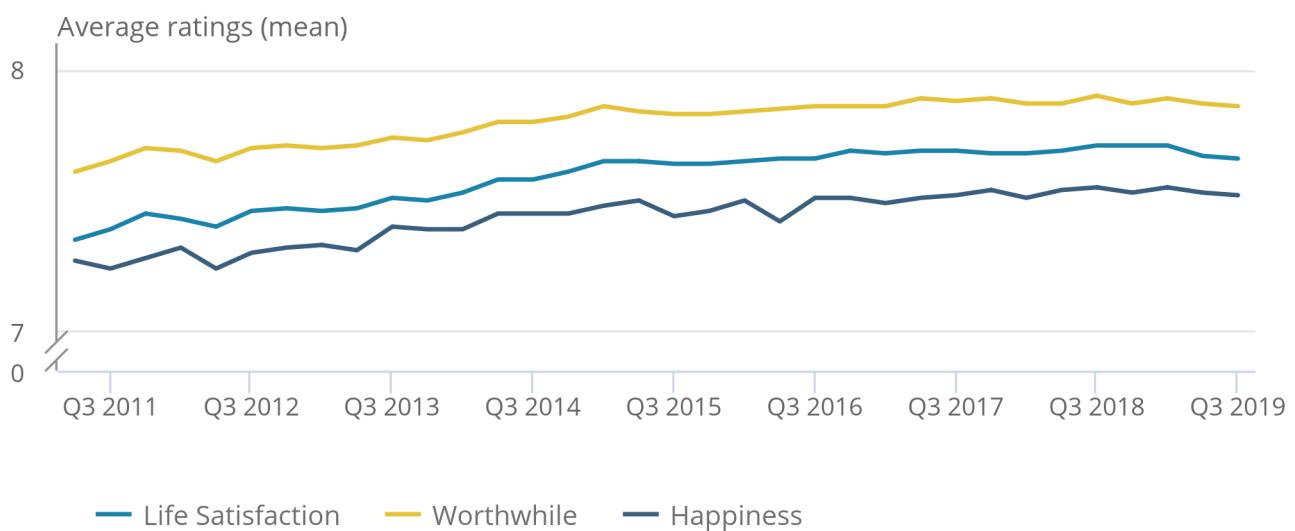
Source: Office for National Statistics - Annual Population Survey

Notes:

1. Chart axis has a break in it.

2. The data have been seasonally adjusted – see Personal well-being quarterly estimates technical report for more information.

Figure 1 shows that average life satisfaction decreased by 0.7%, from 7.71 to 7.66 (out of 10) between Quarter 3 2018 and Quarter 3 2019. This is the first time ratings of life satisfaction significantly fell when comparing with the same quarter the year before, since we started measuring it in 2011. It is also the first significant change since early 2015 in what was a stable picture of life satisfaction in the UK. After this period, average life satisfaction ratings reached a plateau, with fluctuations quarter on quarter but no significant changes up to their deterioration in the latest quarter.

This deterioration in average life satisfaction was also reflected in the share of people reporting "low"' life satisfaction in the last year, which increased by 0.6 percentage points in the year to Quarter 3 2018 (from 4.2% to 4.8%).

Figure 1 also shows that average ratings for the feeling that things done in life are worthwhile decreased by 0.5% in the year to Quarter 3 2019 (from 7.90 to 7.86). This is also the first time that these ratings significantly fell when comparing with the same quarter the year before, since we started our measurement in 2011.

There were no significant changes in the measures of happiness and anxiety in the most recent quarter. Average anxiety ratings (2.94 out of 10) remained stable, neither improving nor worsening since the increase seen up to Quarter 2 2019. It should be noted that 20.8%, or about 10.6 million people (out of a population aged 16 years and over), continued to report high anxiety, meaning there was no significant decrease in the share of people who might be struggling the most.

4 . Household expectations have worsened

Figure 2: There are increasing concerns about future unemployment levels in the latest quarter

Aggregate balance of expectations and unemployment rate (aged 16 years and over, seasonally adjusted), UK, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2019

Figure 2: There are increasing concerns about future unemployment levels in the latest quarter

Aggregate balance of expectations and unemployment rate (aged 16 years and over, seasonally adjusted), UK, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2019

Source: Office for National Statistics - Labour market statistics time series and European Commission – Eurobarometer Consumer Survey

Notes:

1. The Eurobarometer Consumer Survey is collected by GfK (Growth from Knowledge) for the European Commission.

2. A negative balance means respondents expected the measure to decrease either slightly or sharply. A positive balance means that respondents expected the measure to increase either slightly or sharply. A zero balance indicates no change.

3. Unemployment rate is calculated for those aged 16 years or over.

The deterioration in personal well-being could reflect worries about future unemployment (Figure 2), with the reported concerns reaching their highest point since March 2013. A 2008 paper by Knabe and Rätzel (PDF, 379.72KB) suggests that the fear of future unemployment substantially reduces current life satisfaction. People who are employed and are more concerned about their job security report worse levels of well-being than those who are less concerned. Furthermore, people who have been unemployed in the past may worry that this might happen to them again, affecting their current life satisfaction.

The unemployment rate has been falling steadily since 2012, with future unemployment expectations generally reflecting this. However, since 2015, expectations of worse employment prospects have been increasing while the actual unemployment rate continued to fall. The balance of respondents who expected the level of unemployment to increase over the next year rose by 7.8 points in the year to Quarter 3 (July to Sept) 2019 despite unemployment continuing to fall to 3.8%.

What could have affected people's expectations about future unemployment? The number of firms who have ceased trading has been well publicised in the media, which could be linked to the growing fear of unemployment. Since 2014, the number of firms who ceased trading has been increasing, reaching a high of 362,000 businesses in 2017, and remaining higher than the average in 2018, according to our Business demography, UK: 2018 release. In the most recent period, redundancies have also seen an increase, from 3.1 to 4.3 per 1,000 employees between Quarter 3 (July to Sept) 2018 and Quarter 3 2019, according to the latest Office for National Statistics labour market data.

Figure 3: Expectations for next year's economic situation continued to deteriorate

Aggregate balance of expectations, UK, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2019

Figure 3: Expectations for next year's economic situation continued to deteriorate

Aggregate balance of expectations, UK, Quarter 1 (Jan to Mar) 2008 to Quarter 3 (July to Sept) 2019
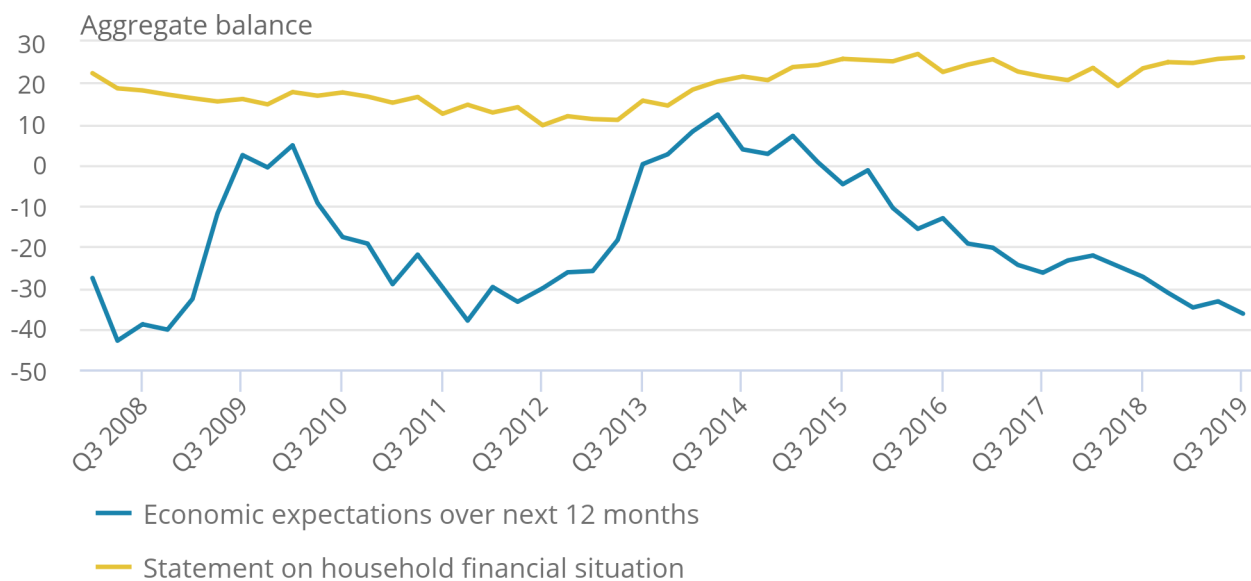
Source: European Commission – Eurobarometer Consumer Survey

Notes:

1. The Eurobarometer Consumer Survey is collected by GFK (Growth from Knowledge) for the European Commission

2. A negative balance means respondents expected the measure to decrease either slightly or sharply. A positive balance means that respondents expected the measure to increase either slightly or sharply. A zero balance indicates no change.

Consistent with the downturn in optimism about future employment prospects, expectations about the general economic situation over the next 12 months also declined by 9.0 points in Quarter 3 2019 (Figure 3). This continues the downward trend seen since Quarter 2 (Apr to June) 2014. This was despite people's perception of their personal financial situation remaining positive.
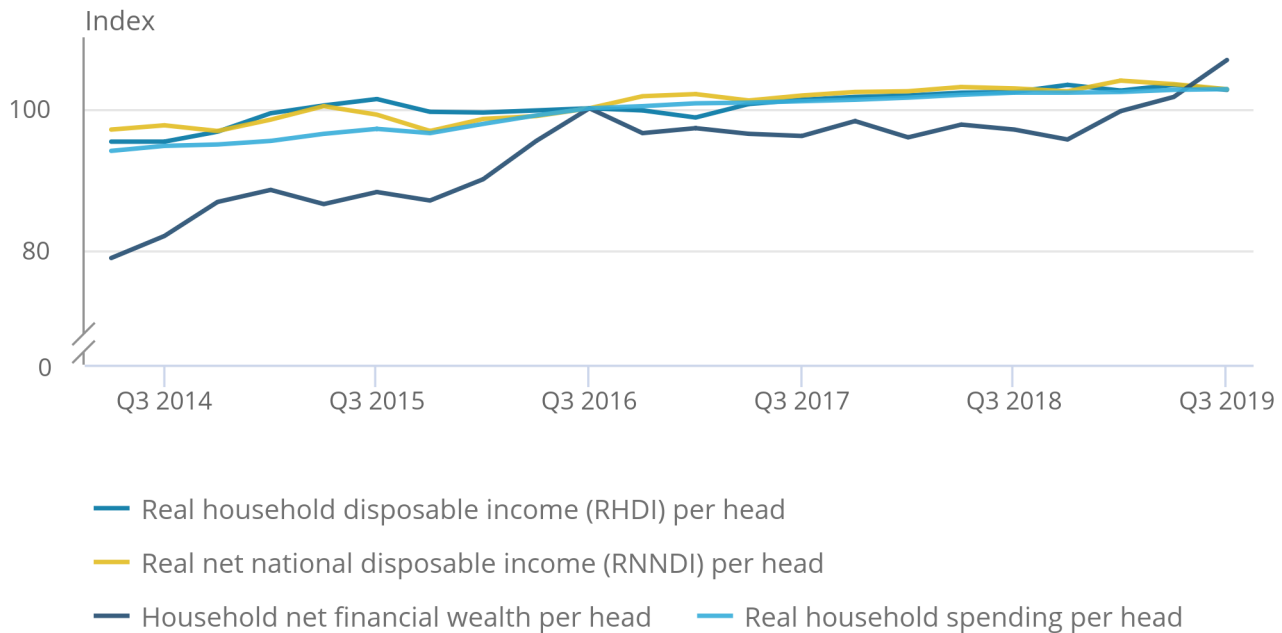
5 . Household finances grew slightly

Figure 4: Household net financial wealth per head has continued to rise in the latest quarter

Index (Quarter 3 2016 = 100), UK, Quarter 2 (Apr to June) 2014 to Quarter 3 (July to Sept) 2019

Figure 4: Household net financial wealth per head has continued to rise in the latest quarter

Index (Quarter 3 2016 = 100), UK, Quarter 2 (Apr to June) 2014 to Quarter 3 (July to Sept) 2019

Index

```
     100

      80

       0
         Q3 2014   Q3 2015   Q3 2016   Q3 2017   Q3 2018   Q3 2019
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— Real household disposable income (RHDI) per head

— Real net national disposable income (RNNDI) per head

— Household net financial wealth per head   — Real household spending per head

Source: Office for National Statistics – UK National Accounts

Notes:

1. Quarter 3 2016 = 100.

2. Real household disposable income is the amount of money available to a household for spending or saving. It is calculated so that taxes, national insurance, pension contributions and interest have been taken into effect.

3. Real net national disposable income adjusts gross domestic output to take into account the inflows and outflows from the UK. It includes the wear and tear of the capital (such as machinery) used in the UK's production process.

4. Household net financial wealth is the balance of financial assets over financial liabilities. For example, assets include savings accounts, shares and pension funds whereas liabilities include debts such as mortgages and loans.

5. Real household spending is household spending adjusted for the change in price of goods and services.

As shown in Figure 4, the biggest growth among the main household finance measures is in household net financial wealth per head, which grew by 10% in the year to Quarter 3 (July to Sept) 2019. The other measures grew at a slow pace or fell slightly.

Household net financial wealth measures the total financial assets people hold (such as current and savings accounts, investments and pensions assets) less the liabilities they owe (for example, loans and mortgages) per average person in the UK. The rise in net financial wealth was driven by an increase to people's defined benefit pension assets, which accumulate even if they are due to be paid out in the future.

Alongside the increase in net financial wealth, real household disposable income per head increased by 0.3% in the year to Quarter 3 2019, albeit at a slower rate compared with the previous quarter (1.0%). Real household spending per head also increased in the year to Quarter 3 2019 by 0.5%, compared with 0.6% in the previous quarter. This may help to explain people's continued optimism about their personal finances. However, this is the slowest increase in real household spending per head since Quarter 1 (Jan to Mar) 2012, and continues the sluggish growth seen since 2016.

Figure 5: Household spending and income per head growth is below pre-downturn average

Real household spending and real household income per head growth rate compared to the same quarter a year ago, percent, UK, Quarter 1 (Jan to Mar) 2001 to Quarter 3 (July to Sept) 2019

Figure 5: Household spending and income per head growth is below pre-downturn average

Real household spending and real household income per head growth rate compared to the same quarter a year ago, percent, UK, Quarter 1 (Jan to Mar) 2001 to Quarter 3 (July to Sept) 2019

— Real household spending per head   — Real household income per head
— · Pre-downturn average in real household spending and income per person
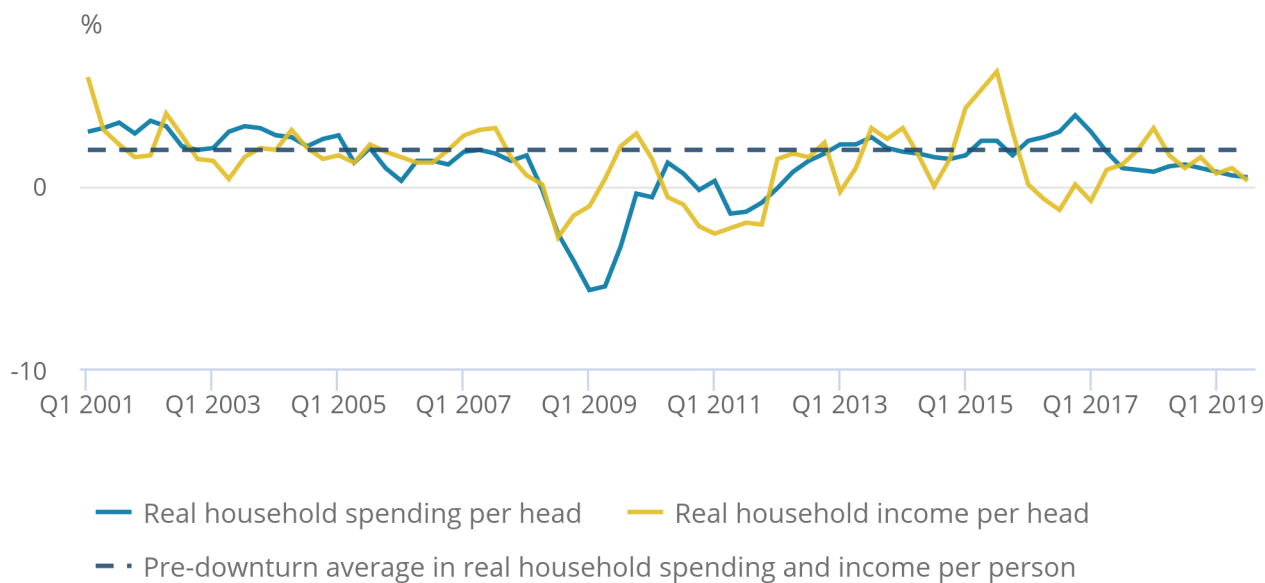
Source: Office for National Statistics - UK National Accounts

Notes:

1. The pre-downturn average is the rounded compound annual growth rate for both real household spending and income per person between Quarter 3 2002 and Quarter 3 2007.

Figure 5 shows the slowdown in real household disposable income and spending. Before the 2008 economic downturn, the average annual growth rate in real household disposable income and spending closely tracked one another, growing at an annual average growth rate of 2% to the nearest whole percent. While real household disposable income and spending fell during the economic downturn, it did recover to its pre-downturn growth rate around 2013. However, since 2016, the growth in real household spending has steadily slowed, which could be partially attributed to the slowdown in the growth of real household disposable income, as well as households experiencing increased uncertainty in relation to unemployment expectations and the general economic condition.

Figure 6: Spending on recreation and culture, transport and utilities has slowed

Real household spending per head contributions to two-year growth compared with the previous two-year period, UK, two-year aggregated period ending Quarter 3 (July to Sept) 2005 to Quarter 3 2019

Figure 6: Spending on recreation and culture, transport and utilities has slowed

Real household spending per head contributions to two-year growth compared with the previous two-year period, UK, two-year aggregated period ending Quarter 3 (July to Sept) 2005 to Quarter 3 2019
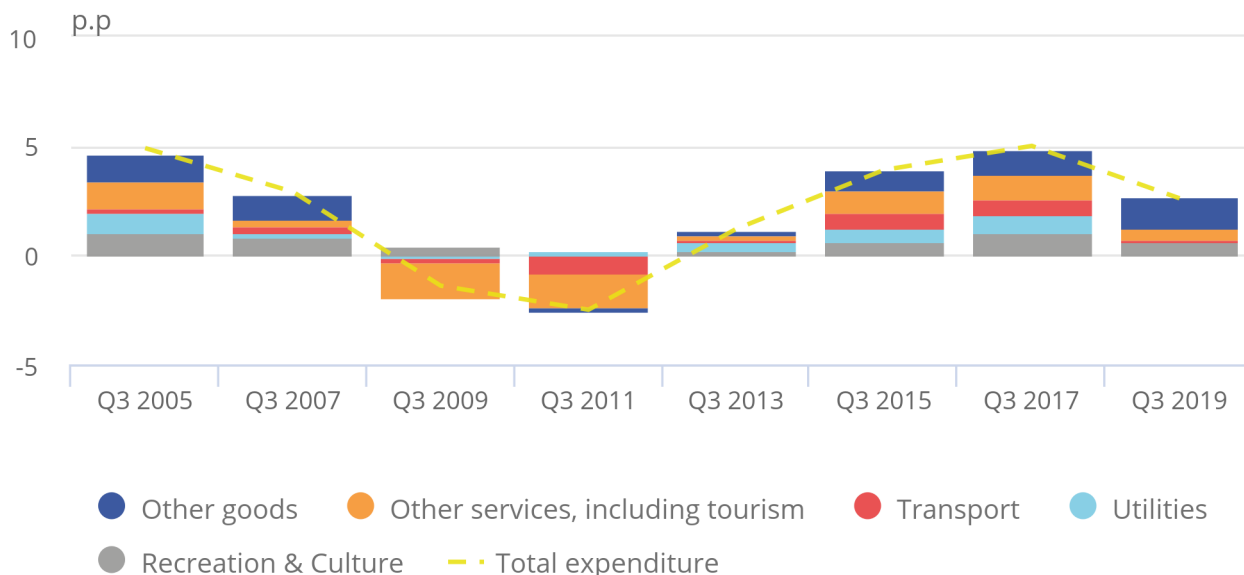
Source: Office for National Statistics - UK National Accounts

Notes:

1. "Other goods" can be used repeatedly over a period longer than one year, for example a washing machine.

2. "Other services" (including tourism), is all spending on services (excluding transportation, recreation and culture, and utilities).

3. Utilities includes spending on net housing (which excludes mortgage interest payments, Council Tax for households in Great Britain and domestic rates for households in Northern Ireland) as well as spending on electricity and gas.

4. The sum of the categories will not equal total household spending because of non-additive methods of calculating "real" estimates.

This slowdown in real household spending per head over the last two years was driven by lower spending on recreation and culture, transport (particularly cars), and housing and utilities. This is in line with overall slower spending growth on durable goods (such as furniture and sports equipment) over the past two years, which may be linked to people's continued negative expectations about the future economic situation. We will continue to monitor people's spending habits as the economic situation evolves towards the end of 2019.

6 . Personal and economic well-being data

Personal well-being data

Quarterly personal well-being estimates - Seasonally Adjusted
Dataset | Released 6 February 2020
Experimental seasonally adjusted quarterly estimates of life satisfaction, feeling that the things done in life are worthwhile, happiness and anxiety in the UK.

Quarterly personal well-being estimates - Non-seasonally Adjusted
Dataset | Released on 6 February 2020
Experimental quarterly statistics of life satisfaction, feeling that the things done in life are worthwhile, happiness and anxiety in the UK.

Quality information for quarterly personal well-being estimates
Dataset | Released on 6 February 2020
Confidence intervals and sample sizes for experimental quarterly statistics of life satisfaction, feeling that the things done in life are worthwhile, happiness and anxiety in the UK.

Annual personal well-being estimates
Dataset | Released on 6 February 2020
Annual estimates of life satisfaction, feeling that the things done in life are worthwhile, happiness and anxiety in the UK.

Quality information for annual personal well-being estimates
Dataset | Released on 6 February 2020
Confidence intervals and sample sizes for annual estimates of life satisfaction, feeling that the things done in life are worthwhile, happiness and anxiety in the UK.

Economic well-being data

Economic well-being estimates
Dataset | Released on 6 February 2020
Estimates of economic well-being, including household income, spending and wealth, distribution of wealth and income, whole economy wealth, and unemployment.

7 . Glossary

Economic well-being

Our economic well-being measures present 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).

Personal well-being

Our personal well-being measures ask people to evaluate, on a scale of 0 to 10, how satisfied they are with their life overall, whether they feel they have meaning and purpose in their life, and about their emotions (happiness and anxiety) during a particular period.

Thresholds

Thresholds are used to present dispersion in the data. For the life satisfaction, feeling that things done in life are worthwhile and happiness questions, ratings are grouped in the following way:

- 0 to 4 (low)

- 5 to 6 (medium)

- 7 to 8 (high)

- 9 to 10 (very high)

For the anxiety question, ratings are grouped differently to reflect the fact that higher anxiety is associated with lower personal well-being. The ratings for anxiety are grouped as follows:

- 0 to 1 (very low)

- 2 to 3 (low)

- 4 to 5 (medium)

- 6 to 10 (high)

8 . Measuring the data

Data sources

The data underpinning the personal and economic well-being indicators come from various sources with different timeliness and coverage. This release is based on the most recent data available as of February 2020. The personal well-being estimates are from the Annual Population Survey (APS), which is a continuous household survey, covering the UK, with the aim of providing estimates between censuses of important social and labour market variables at a local area level.

The economic well-being estimates are from the UK Economic Accounts, which aim to provide detailed estimates of national product income and expenditure, the UK sector accounts, and UK balance of payments. The economic expectations estimates are sourced from the Eurobarometer Consumer Survey, which is collected by GFK (Growth from Knowledge) for the European Commission. The questions included in the survey (PDF, 285KB) provide information on the general perception of the financial and economic situation.

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, to add to traditional measures of prosperity, enabling policymakers to make better, 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 policymakers 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.

Quality and methodology information

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the Personal well-being in the UK QMI. For more information on personal well-being, please see the Personal well-being user guidance 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 (GDP) QMI

- Consumer Price Indices QMI

- Wealth and Assets Survey QMI

- Effects of taxes and benefits on household income (ETB) QMI

- Labour Force Survey (LFS) QMI

Interpreting the term "aggregate balance"

Aggregate balance is a measure which shows the difference between positive and negative answering options, measured as percentage points of total answers. For example, if there are six options: "very positive", "positive", "stayed the same", "negative", "very negative" and "don't know", with PP, P, S, N, NN and D representing the respective percentages of respondents choosing these options, the aggregate balance (AB) is calculated as follows:

AB=(PP+0.5*P)-(0.5*N+NN)

Therefore, the aggregate balance is a scale from negative 100 (where all respondents chose "very negative") to positive 100 (where all respondents chose "very positive"). See section 3.3 of the Eurobarometer User Guide (PDF, 770.34KB) for more information.

Feedback and future publications

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. 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.

9 . Strengths and limitations

Data quality

We first published quarterly data for the personal well-being figures in November 2019 as Experimental Statistics. The aim is to use the quarterly data to explore short-term changes in personal well-being by looking at fluctuation over the years and comparisons over quarters one year apart. Additionally, using quarterly estimates for personal well-being has the benefit of making them more comparable with the economic well-being estimates which use quarterly data for its indicators.

Seasonal adjustment

The data published for our quarterly personal well-being figures are all seasonally adjusted (although non-seasonally adjusted estimates are also available). This aids interpretation by removing recurring fluctuations caused, for example, by holidays or other seasonal patterns. Further information on the seasonality in the quarterly personal well-being can be found in the accompanying Personal well-being quarterly estimates technical report.

Annual Population Survey 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 have been available for the Annual Population Survey (APS) data since March 2019. We have used this reweighted data to produce our quarterly personal well-being estimates and our annual personal well-being estimates for the years ending September 2012 to 2019 at the UK level.

Statistical significance

Please note that:

- any changes mentioned in this publication are "statistically significant"

- comparisons have been based on unrounded data

- the statistical significance of differences noted within the release are determined based on non-overlapping confidence intervals in the unadjusted data

- if a change is considered significant in the unadjusted data, we translate this as significant in the seasonally adjusted data

We are considering alternative measures of testing significance, following the new methodology introduced in deriving quarterly estimates for personal well-being. One way is to examine the variance of change between quarters. This would allow us to analyse significance on seasonally adjusted data directly. We would be interested in getting your thoughts, and other ways that may be suggested; if you have any comments, please contact us at PeopleAndProsperity@ons.gov.uk.

10 . Related links

Personal and economic well-being: what matters most to our life satisfaction?
Article | Released on 15 May 2019
Examines how socio-demographic and economic factors are associated with life satisfaction. These factors include sex, age, health, marital and economic status as well as household income and expenditure.

Beyond GDP: How ONS is developing wider measures of well-being
Article | 4 February 2019
A summary of how ONS is continuing to develop new ways of measuring and reporting the UK's economic and social progress and an introduction to the Personal and economic well-being publication.