

# Consumer trends, UK

Guide to consumer trends.

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# 1 . Introduction to consumer trends

The consumer trends publication presents comprehensive estimates of household final consumption expenditure (HHFCE), constructed to conform to the European System of Accounts 2010 (ESA 10) and the classification of individual consumption by purpose (COICOP).

HHFCE within the context of the UK National Accounts is defined as the following.

Personal expenditure on goods and services, including imputed rent of owner-occupied dwellings, the administrative costs of non-life insurance and life insurance and superannuation schemes. Business expenditure and expenses, interest and other transfer payments and capital expenditure on dwellings are all excluded from household final consumption.

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. These and other points which affect the general definition of household final consumption expenditure are discussed in greater detail in [definitions and conventions](#) for UK HHFCE.

## 2 . Users of consumer trends

The expenditure information contained within the publication is used by a range of public and private bodies as well as individuals. An example is the use of implied deflators. These are an important measure of price pressures for goods and services within the UK economy, and therefore useful to government policymakers and the Bank of England.

The total, national household final consumption expenditure (HHFCE) estimate contained in consumer trends accounts for approximately 60% of the gross domestic product (GDP) expenditure measure produced as part of the UK output, income and expenditure and Quarterly National Accounts statistical bulletins.

HHFCE estimates from consumer trends publication are also used in our other statistical outputs and publications, including the household saving ratio, The effects of taxes and benefits on household income and Annual Abstract of Statistics. HHFCE estimates are used by the private sector to analyse demand for different goods and services, for example, we have provided further detail on the changes in household expenditure on fuel to consultancy firms.

We welcome feedback and suggestions on this publication through the email address [consumer.trends@ons.gov.uk](mailto:consumer.trends@ons.gov.uk).

## 3 . Data sources

The quarterly and annual estimates of household final consumption expenditure (HHFCE) at current and previous year prices are built up commodity by commodity from a variety of independent sources. Each component series within HHFCE is individually seasonally adjusted in current price and volume terms.

The main sources of data used to compile HHFCE estimates are the Retail Sales Inquiry (RSI) and the Living Costs and Food Survey (LCF). Further detail, including the strengths and weaknesses of source data, are considered in [HHFCE Sources](#).

## 4 . Categories of expenditure (COICOP)

In consumer trends, household final consumption expenditure (HHFCE) estimates are categorised according to international classification of individual consumption by purpose (COICOP) standards. More information on COICOP classification can be found in [Classification of Household Consumption Headings](#) and at [United Nations Statistics Division](#).

The categories with COICOP codes are as follows:

- 01 Food and non-alcoholic beverages
- 02 Alcoholic beverages, tobacco and narcotics
- 03 Clothing and footwear
- 04 Housing, water, electricity, gas and other fuels
- 05 Furnishings, household equipment and routine household maintenance
- 06 Health
- 07 Transport
- 08 Communication
- 09 Recreation and culture
- 10 Education
- 11 Restaurants and hotels
- 12 Miscellaneous goods and services

Tables are also presented for durable goods, semi-durable goods, non-durable goods and services using COICOP divisions.

Each table has six variants, denoted by a suffix:

- CN for current prices, not seasonally adjusted
- CS for current prices, seasonally adjusted
- KN for chained volumes, not seasonally adjusted
- KS for chained volumes, seasonally adjusted
- DN for implied deflators, not seasonally adjusted
- DS for implied deflators, seasonally adjusted

Implied deflators are an indirect measure of inflation and are presented in the consumer trends briefing.

## 5 . Volume series and annual chainlinking

The consumer trends publication provides volume measures of household final consumption expenditure (HHFCE) estimates. These chained volume measures allow users to identify changes in expenditure on a good (or service) resulting from a change in the quantity purchased, rather than a change in the price of that good (or service).

Since the Quarter 2 (Apr to June) 2003 edition of consumer trends, volume measure estimates (.KN and .KS tables) have been produced by a process called annual chain-linking. This method is used to ensure changes in the structure of the economy are reflected in statistics of growth as early as possible.

Annual chain-linking uses a reference year in which current price series and the corresponding volume measures are equal in pounds sterling (or take the value 100 in index number form). The current reference year is 2016. Although the use of chain-linking produces more accurate growth rates there is a loss of additivity (components no longer sum to totals) for annual estimates before 2016, and Quarter 1 (Jan to Mar) 2017 for quarters.

More information on [annual chainlinking](#) can be found in [Definitions and Conventions](#) for UK HHFCE.

## 6 . Revisions analysis

An analysis of revisions to the main household expenditure series – growth rates of total expenditure at current prices and in chained volume terms – appears at the end of the consumer trends statistical bulletin.

## 7 . Consistency with other publications

The household final consumption expenditure (HHFCE) estimates in the consumer trends publication are consistent with those appearing at Tables E1 to E4 of the [Quarterly National Accounts](#) statistical bulletin for the same period.

## 8 . Household expenditure estimates work programme

This section outlines some of the main outputs and responsibilities of the Office for National Statistics (ONS) HH Delivery and Development Branches in producing household final consumption expenditure (HHFCE) estimates.

It also summarises what work is underway within ONS to further develop and improve the outputs to address existing limitations and also prepare for future changes (including the implementation of European statistical requirements).

This will help users understand the limitations of the currently published estimates, but also to highlight developments that will improve the estimates. As progress is made with the improvements listed below, we will provide updates and share information on the extent of planned revisions.

### Main outputs and responsibilities for household final consumption expenditure

## **Primary objectives of HH Delivery and Development teams in producing household expenditure estimates**

Household final consumption expenditure is part of national accounts, as such the team's responsibilities include:

- processing of HHFCE estimates to be included in the quarterly gross domestic product (GDP) releases
- provide supply and use balanced household final consumption expenditure estimates for the annual Blue Book; a description of the supply and use process can be found in the Input Output Supply and Use Tables
- review methodology in household expenditure for national accounts to ensure a robust set of estimates
- publish consumer trends and HHFCE estimates presenting a comprehensive set of estimates of household final consumption quarterly, in line with the national accounts schedule
- produce estimates which conform to the European System of Accounts 2010 (ESA10) Classification of Individual Consumption by Purpose (COICOP)
- production and delivery of HHFCE data to Eurostat – this delivery is required to comply with European legislation