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# **Economic Trends**

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London: The Stationery Office

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#### Articles

This month we feature one article.

Caroline Lakin of the ONS discusses the effects of taxes and benefits on household income in 1999–2000. The article examines how the distribution of income among households in the UK is modified by government benefits and taxation, which reduce the differences in incomes between households. Before taxes and benefits, the top fifth of households have an average income of around nineteen times as great as the bottom fifth; after taxes and benefits the ratio is greatly reduced to four to one. The study also shows how the distribution of income has changed over time. Inequality of disposable income was stable in the first half of the 1980s, and then increased rapidly to a peak around 1990. Inequality then fell slightly in the first half of the 1990s, although the fall only reversed a small part of the rise seen in the previous decade. The latest data shows that inequality of disposable income rose again in the late 1990s.

#### Changes

#### Productivity data

The new data on 'output per hour' announced in the March edition of *Economic Trends* is not available in time for publication in the April edition. It was released on April 11 on the National Statistics web site along with an article describing the changes and assessing their impact on productivity. The article will now be published in the May edition of *Economic Trends*.

#### **Recent economic publications**

#### Quarterly

Consumer Trends: 2000 quarter 4 The Stationery Office, ISBN 0 11 621319 1. Price £45. UK Economic Accounts: 2000 quarter 4. The Stationery Office, ISBN 0 11 621400 7. Price £26. UK Trade in Goods Analysed in Terms of Industries (MQ10): 2000 quarter 3. The Stationery Office, ISBN 0 11 538058 2. Price £75 p.a.

#### Monthly

Consumer Price Indices (MM23): January 2001. The Stationery Office, ISBN 0 11 538081 7. Price £185 p.a. Financial Statistics: March 2001. The Stationery Office, ISBN 0 11 621302 7. Price £23.50. Monthly Review of External Trade Statistics (MM24): December 2000. The Stationery Office, ISBN 0 11 538027 2. Price £185 p.a.

All of these publications are available from The Stationery Office, telephone 0870 600 5522, fax 0870 600 5533, e-mail bookorders@theso.co.uk or The Stationery Office bookshops; details on the inside back cover.

## Economic Update - April 2001

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#### Overview

Recent economic data gives a mixed picture of the UK economy. GDP growth shows some slowdown, partly but not entirely driven by special factors in the energy sector. Manufacturing showed reasonable growth for 2000, but activity dominated by high-tech industries, and a decline across a number of industries into January 2001. Services growth remains robust, but slowed a little into the fourth quarter. Demand data shows household demand weakening into the latest quarter, but not unambiguously so, but growth in 2000 still strong, while business demand strengthened into the latest quarter, but weakening sharply into 2000 as a whole. Sector accounts data shows household saving low and business borrowing fairly high. On trade, imports and export growth is robust, with exports to the United States remaining strong into 2001. Labour market information has been relatively more volatile, but latest data continues to portray an improvement. Price data continues to remain fairly inconsistent with a portrayal of an overheating economy. Average earnings growth remains reasonably subdued, retail price inflation continues to slow and producer price data now also shows a deceleration in inflationary pressure.

#### **GDP** Activity

GDP in the fourth quarter of 2000 showed quarterly growth of 0.4 per cent, a slowdown compared with 0.8 per cent in the third quarter and 0.9 per cent in the second (chart 1). Comparing with the same quarter a year ago, annual growth was 2.6 per cent. This apparent slowdown was driven largely, but not wholly, by a sharp fall in the output of the energy sector, reflecting extended maintenance work and the reversal of gas flows in the 'Bacton-Zeebrugge interconnector' pipeline, which is now being used to import rather than export oil. Excluding energy, GDP quarterly growth in the fourth quarter would have been 0.6 per cent.

#### Chart 1



Overall the data shows a robust year, with GDP growth into 2000 as a whole at 3.0 per cent, up from 2.3 per cent for 1999 and 2.6 per cent for 1998. Gross domestic product growth has now been positive for nine years in a row.

Quarterly growth in the service sector slowed to 0.7 per cent in the fourth quarter following 1.1 per cent in the third. This slowdown was driven largely by a slowdown in business activities such as computing, market research and architecture. However the slowdown in the sector as a whole has been somewhat exaggerated by a fall of 1.3 per cent in the activity of transport and storage industries following the railway disruption in the fourth quarter. Nevertheless, over 2000 as a whole GDP growth continues to be dominated by service sector activities, with growth of 3.4 per cent up from 2.9 per cent in 1999. Chart 2 (data by broad industrial group) shows growth stronger in 2000 than in 1999 in both 'distribution hotels and catering; repairs' and 'business services and finance'. While 'transport storage and communication' growth has slowed, the rate remains very high relatively speaking and is driven by the very strong growth of 11.5 per cent in the post and telecommunications industries.



Manufacturing output has made a reasonable contribution to GDP growth in the second half of the year, with growth of 0.6 per cent in quarter four and 0.8 per cent in quarter three. Growth for the year 2000 as a whole of 1.6 per cent was the strongest since 1994. However, movements to hightech industries continue to be key to interpreting manufacturing activity. The growth in 2000 was dominated by 34.6 per cent growth in 'radio, TV and telecommunications' and 4.2 per cent growth in 'office machinery and computers'. Manufacturing excluding these two industries declined by 0.2 percent.

Subsequent IOM data for January showed a fairly sharp fall of 0.9 per cent from December in the headline index (chart 3). While one should be cautious about reading too much into one month's worth of figures, it is notable that apart from 'basic metals and metal products', all industries shared this decline to varying degrees. An aggregate of high-tech industries defined as 'electrical and optical equiptment' showed a particularly sharp

index, 1995=100

106

105



Manufacturing Output percentage changes 2.0 1.5 1.5 1.0 0.5



#### fall of 4.9 per cent.

External information on activity showed a reasonably optimistic position in the fourth quarter but some concerns into the first quarter. The British Chamber of Commerce data shows modest rises in both services and manufacturing orders and deliveries into the fourth quarter, set against modest slowdowns in both according to NS figures. The CBI monthly manufacturing survey also echoed this increased optimism into the fourth quarter, but this may have been primarily driven by an erratic figure for December, with data for January and February showing falls in confidence.

#### Domestic demand

National Accounts expenditure data showed that in the year 2000, total household demand grew by a still vigorous 3.8 per cent, although this was down a little on the growth of 4.5 per cent in 1999. The quarterly profile of growth shows a fairly sharp slowdown into the fourth quarter, with quarterly growth of 0.6 per cent compared with 1.2 per cent in the third quarter. Comparing the fourth quarter of 2000 with the same quarter a year ago, annual growth fell to 3.4 per cent from 4.2 per cent in the third quarter.

Retail sales data on the other hand exhibits continuing and fairly strong growth, with the index showing strong monthly rises into January and



February, and growth in the three months to February at 1.6 per cent, up from 1.4 per cent in the three months to January, and growth in the fourth quarter of 1.3 per cent (chart 4). Differences in the fourth quarter with National Accounts data are mainly accounted for by weaker service and vehicle consumption. Other data indicating strength in demand is the Bank of England gross consumer credit data; here quarterly figures showed an acceleration of growth to 2.8 per cent following a fall of 1.1 per cent in the third quarter. At the same time consumer confidence data has been broadly stable for several months, although data into 2001 for both GfK and MORI may be indicative of some slightly increased confidence over the end of 2000. External retailing information is also optimistic, with BRC and CBI data also showing an improvement over the same period.

Overall, on domestic demand the message is a little mixed and is not unabiguously indicating slowdown. At the same time chart 5 shows that the overall pace of consumption relative to income over the past three years has led to a fairly substantial decline in the saving ratio, although these trends have been exacerbated by an increased tax take.

Turning to investment demand, new National Accounts data shows some





pick up of growth into the second half of the year, with quarterly growth of 2.6 per cent into the fourth guarter, and annual growth of 3.2 per cent comparing the fourth quarter with the same quarter in 1999. Data for the year as a whole however shows the more generally subdued nature of investment demand, with growth of 2.6 per cent into 2000, following 5.4 per cent in 1999 and 10.1 per cent in 1998. More generally the slowdown in investment may have been partly driven by the overall financial position of the corporate sector, which has been in deficit for the third successive year (chart 6). However the deficit in 2000 is now seen to be significantly less than the deficit in 1999. Two factors have driven this recovery. First a recovery in profits and second a reduction in the exceptionally high dividends paid in 1999. The profits recovery is illustrated on chart 7; of the £13.1 billion increase between the two years, £7.8 billion is accounted for by an increase to the profits of UK continental shelf companies following oil price increases. The latest guarterly figures also suggest some decline in non-continental shelf companies profits, which may be reflecting the perceptions of increased levels of profits warnings from UK private sector companies. These factors suggest that some of the improvements in corporate finances may be due to exceptional circumstances and profitability concerns may continue to be a threat.



#### Chart 8

-15000

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At the same time financial corporations have become substantial net borrowers in 2000. Chart 8 shows the sharpness of the decline in their position. This decline has been driven by lower profits for insurance companies and security dealers, as well as by a substantial increase in dividends paid by the sector.

93

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Government demand saw only modest quarterly growth of 0.2 per cent into the fourth quarter. Growth into the year 2000 as a whole is recorded as 2.7 per cent; this is below growth of 4.0 per cent into 1999, but significantly above growth of 1.1 per cent in 1998 and the fall of 1.4 per cent in 1997. This increased expenditure comes alongside an ongoing improvement in government finances. Public sector net borrowing data shows a surplus of £21.2 billion between April 2000 and February 2001 compared with a surplus of £16.5 billion in the same period of the previous year. The improvement in overall finances is due to the continued growth in tax revenues, which have more than accounted for the stronger expenditure growth. Finally, on domestic demand, imports remained robust in the fourth quarter with quarterly growth at 1.7 per cent, compared to 1.5 per cent in the third.

#### Overseas demand

Despite concerns about threats to UK economic activity from international developments, in particular from the slowdown in the United States, exports are seen to have remained robust in the fourth quarter. National Accounts data showed exports growing by 2.3 per cent into the fourth quarter, up from 1.0 per cent in the third quarter. Comparing the fourth quarter with the same quarter in 1999, annual growth was 8.7 per cent. Goods data shows quarterly growth into the fourth quarter was primarily driven by a 6.6 per cent surge in exports to non-EU countries, offset by a fall of 0.7 per cent to EU economies. At the same time service exports accelerated with growth of 3.0 per cent into the fourth quarter.

Value data shows quarterly growth in exports to the United States in the fourth quarter at 10.1 per cent, and 25.6 per cent compared with the

same quarter in the previous year. Monthly figures for January and February show further increases, and quarterly growth in the three months to February at 6.7 per cent. There is therefore no real evidence of the slowdown in US GDP growth impacting on the UK's exports at this stage.

Lastly on trade, overall trends in goods and services trade as well as net income flows from financial and direct investment show the UK in substantially increased deficit in 2000 compared with 1999. Chart 9 shows the deficit decreased to  $\pounds$  16.2 billion from  $\pounds$  9.9 billion, although as a



proportion of GDP the figures remain substantially below those seen at the end of the 1980s.

#### Labour Market

The labour market dataset has shown some volatility over the latest periods relative to previous smooth trends. Labour Force Survey data shows the employment rate increasing by 0.2 per cent to 74.8 per cent between November – January and August – October; this follows a decline of 0.1 per cent between the two previous three month periods (chart 10). At the same time unemployment fell by 0.3 percentage points

#### Chart 10

Employment and unemployment rates seasonally adjusted



to 5.2 per cent following a increase of 0.2 per cent in the previous period (also chart 10).

Employer survey workforce jobs data also shows an increase in employment into quarter four following a decline into the third quarter. However, these figures continue to exhibit lower growth than the corresponding labour force survey figures, with annual growth in the fourth quarter slowing to 0.2 per cent compared to annual growth of 0.8 per cent in the LFS.

Finally claimant count figures have continued to show a decline into 2001. Claimant count unemployment rate fell to 3.4 per cent in February, and the actual level of unemployment according to this measure fell to below one million. Nevertheless international guidelines continue to suggest that it is more appropriate to use the ILO definition when examining the level of unemployment. The ILO measure of unemployment stands at 1.5 million.



#### Prices

percentages

Chart 11 shows overall earnings and prices data continuing to remain very subdued.

The average earnings headline rate remained static at 4.4 per cent into January. While 4.4 per cent is a modest increase from the second half of 1999, this rate of annual growth remains below the 4.8 per cent recorded in 1999, despite ongoing increases to employment.

Similarly, the governments' inflation target RPIX at 1.9 per cent continues a run of low inflation figures, again with figures for 2001 and 2000 lower than in 1999. Finally, chart 11 shows the recent sharp fall in headline output producer prices. The recent acceleration of these prices since 1999 has been dominated by increases to the price of oil; the latest declines partially reflect the fall in the price of oil, but also falling inflation at the factory gate more generally.

## Forecasts for the UK Economy

### A comparison of independent forecasts, March 2001

The tables below are extracted from HM Treasury's "FORECASTS FOR THE UK ECONOMY" and summarise the average and range of independent forecasts for 2001 and 2002, updated monthly.

	Inde	ependent Forecasts for 200	1
	Average	Lowest	Highest
GDP growth (per cent)	2.5	1.5	3.1
Inflation rate (Q4: per cent)			
- RPI	1.9	1.0	3.0
- RPI excl MIPs	2.0	1.3	2.5
Unemployment (Q4: mn)	1.02	0.85	1.20
Current Account (£ bn)	-18.0	-25.5	-10.0
PSNB *(2001-02: £ bn)	-9.3	-16.9	-1.7

	Inde	pendent Forecasts for 200	02
Manage Armin	Average	Lowest	Highest
GDP growth (per cent)	2.6	0.7	3.3
Inflation rate (Q4: per cent)			
- RPI	2.5	1.1	3.3
- RPI excl MIPs	2.3	1.4	3.1
Unemployment (Q4: mn)	1.03	0.72	1.18
Current Account (£ bn)	-18.1	-30.9	-8.0
PSNB* (2002-03: £ bn)	-3.3	-24.0	8.0
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NOTE: "FORECASTS FOR THE UK ECONOMY" gives more detailed forecasts, covering 27 variables, and is published monthly by HM Treasury, available on annual subscription, price £75. Subscription enquiries should be addressed to Miss C T Coast-Smith, Public Enquiry Unit, HM Treasury, Room 110/2, Parliament Street, London SW1P 3AG (Tel: 020-7270 4558). It is also available at the Treasury's internet site: http://www.hm-treasury.gov.uk.

\* PSNB: Public Sector Net Borrowing (Treasury forecast excluding windfall taxes and associated spending).

## International Economic Indicators - April 2001

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#### Overview

The EU15 has seen robust economic growth for a number of years now, but recent aggregate data hides a widening divergence in performance between the three main continental economies. French economic growth remains strong, driven by buoyant investment and a positive contribution from net trade in guarter four. In contrast, German economic growth has fallen sharply in the second half of 2000 as consumption growth fell away, Italian economic growth continues to fluctuate. Moving outside of the EU, the situation in the US continued to worsen in guarter four, and early indicators for 2001 suggest that this trend may be continuing. Japanese growth in the third quarter of 2000 has been revised away, the series now shows that the Japanese economy contracted guite sharply in the third guarter, mainly due to the falls in investment.

#### EU 15

The EU15 economies grew by 0.6 per cent in guarter three 2000, down slightly from 0.8 per cent in guarter two. This reflects slight falls in the contributions of consumption (chart 1 shows annual percentage changes) and stock building. Net trade made a positive contribution of 0.1 percentage points, a reversal on the previous guarter.



Industrial production in the EU15 economies had grown strongly in quarter two, but then slipped back from 2.0 per cent to 1.1 per cent in guarter three. The decline continued into quarter four, with growth of just 0.6 per cent. However, for 2000 as a whole industrial production grew by 4.7 per cent on the previous year, up considerably on growth of 1.8 per cent in 1999.

Annual growth of retail sales fell quite sharply into quarter four, with growth falling from 2.5 per cent in quarter three to 1.2 per cent. This was mainly due to a very weak October figure.

Annual consumer price inflation rose slightly from 2.7 per cent in quarter three to 2.8 per cent in quarter four. Monthly data shows that the annual growth rate remained at 2.7 per cent in January 2001. The growth rate for the year as a whole was 2.5 per cent, following 1.2 per cent in 1999. Annual growth of producer prices levelled off in guarter four 2000, remaining at 5.1 per cent. Monthly data shows that the rate has fallen quite sharply, down to 4.4 per cent in December, and to 3.7 per cent in January 2001. The growth rate for 2000 was 4.8 per cent, up from no arowth in 1999.

Annual growth in earnings dropped slightly in the third quarter of 2000, down by 0.1 percentage points to 3.5 per cent. Quarterly employment growth was negative in guarter one, with the index declining by 0.8 per cent, but this was reversed in guarter two with positive growth of 1.2 per cent. Growth then slowed to 0.8 per cent in quarter three. Unemployment in the EU15 continues to fall, with the rate reaching 8.1 per cent in guarter four, down from 8.2 per cent in guarter three and 8.4 per cent in guarter two. Monthly data shows the rate has fallen to 8.0 per cent in January 2001.

#### Germany

Following a slowdown in quarterly GDP growth in quarter three from 1.2 per cent to 0.3 per cent (chart 2), growth continued at a slow pace in



percentage changes, guarters



quarter four, recording growth of just 0.2 per cent on the quarter, 2.6 per cent at an annual rate. The slowdown in the second half of the year was mainly driven by the sharp slowdown in private final consumption (a contribution of 0.9 percentage points in the first half of the year compared to -0.2 percentage points in the second half) as well as a deterioration in the net trade situation.

Reflecting the downturn in GDP, German industrial production contracted by 0.6 per cent in quarter four, after recording strong growth of 2.3 per cent and 2.8 per cent in quarters three and two respectively. Despite the slowdown business remain confident, with survey data for new orders from domestic and foreign sources both showing rises into the final quarter of 2000.

In line with private final consumption, the annual growth of retail sales dropped sharply into quarter four, falling by 0.5 per cent, following growth of 2.1 per cent in quarter three. For 2000 as a whole they grew by 1.3 per cent, up from 0.5 per cent in 1999. Not surprisingly, consumer confidence dipped into quarter four, although monthly data suggests a slight improvement in the opening months of 2001. The Bundesbank comments that the drop in consumption is possibly a result of higher oil prices feeding through to impact on household real incomes.

Annual consumer price inflation rose to 2.4 per cent in quarter four, a rise of 0.7 percentage points since the start of the year, mainly reflecting rises in fuel prices which recorded annual growth of 15.7 per cent in quarter four. The rate rose to 2.4 per cent in January 2001, just 0.1 percentage points off the previous peak in September 2000. This latest rise is due to a number of factors, such as rises in motor vehicle taxes for older vehicles, higher television and radio licence fees, and an ecological tax on petrol and electricity usage. Annual growth of producer price inflation rose from 3.7 per cent in quarter three to 4.5 per cent in quarter four, although as with the EU15 average, the monthly figures show a sharp decline in December as oil prices fell. December also saw a sharp fall in agricultural producer prices as the BSE crisis intensified.

The German labour market showed signs of continuing improvement into the third quarter of 2000. Annual earnings growth fell from 2.8 per cent in quarter one to 2.4 per cent in quarter two, but then rose to 3.3 per cent in quarter three. Quarterly employment growth rose by 1.4 per cent in quarter two and then by 0.9 per cent in quarter three. Unemployment fell by 0.1 percentage points per quarter throughout 2000, ending the fourth quarter at 7.9 per cent.

#### France

In contrast to the German GDP performance, French GDP growth rose to 0.9 per cent in quarter four 2000, up from 0.6 per cent in quarter three

(chart 3). For 2000 as a whole the economy grew by 3.2 per cent, the same as in 1999. The run of strong growth has been driven mainly by the buoyant investment contributions and steady consumption in the private sector. Net trade also made a positive contribution of 0.3 percentage points in quarter four.



However, in tandem with Germany, industrial production growth slipped into quarter four, down from a strong 1.4 per cent in quarter three to 0.6 per cent. The growth was mainly driven by production of intermediate and capital goods. Capital utilisation in quarter four also fell back from its peak in quarter three. Business confidence peaked in December and then began to gradually fall away into the first two months of 2001, possibly reflecting concerns over the performance of the US economy. Over the year 2000 as a whole industrial production grew by 3.2 per cent, up from 2.1 per cent in 1999.

Annual consumer price inflation remained relatively high in quarter four, recording annual growth of 1.9 per cent for the second consecutive quarter, although this still remains 0.9 percentage points below the EU15 average. Monthly rates in December and January 2001 have fallen quite sharply, following a sharp decline in oil prices and substantial discounting in winter sales which more than offset rises in food and tobacco prices. Annual growth of producer prices fell from 2.7 per cent in quarter three to 2.5 per cent in quarter four, although in contrast to a number of other countries the monthly data does not show a fall into December following the fall in the oil price.

French earnings have been growing strongly in the year 2000. The figures first rose sharply into quarter one 2000, by 1.8 percentage points to reach 5.2 per cent. There were suggestions by some commentators that the high rate of growth in earnings in quarter one was related to millennium related payments, however, growth then rose further to 5.4 per cent in quarter two 2000, and remained high at 5.2 per cent in quarter

three, suggesting that there may be other factors at work here. Following a fall of 0.3 percentage points to 0.6 per cent in quarter two, quarterly employment growth remained steady at 0.7 per cent in quarter three. Reflecting the continued employment growth, the unemployment rate continues to fall, down 0.5 percentage points to reach 8.9 per cent in quarter four 2000, the lowest rate seen since the fourth quarter of 1983. For 2000 as a whole the unemployment rate was 9.5 per cent, compared with 11.3 per cent in 1999. This fall may be linked at least partly to the implementation of the 35-hour working week in France.

#### Italy

Italian GDP grew by 0.6 per cent in quarter three, up from 0.3 per cent in quarter two. The breakdown shows that this was driven almost entirely by a very strong pick up in net trade, with its contribution rising from -0.8 percentage points in quarter two to 0.7 percentage points in quarter three. Other sources of demand remain subdued, with quarter three also seeing a marginal slowdown in private final consumption, government final consumption and investment, as well as a significant fall in stockbuilding. At an annual rate, growth in the Italian economy slowed from 2.8 per cent in quarter two to 2.6 per cent in quarter three.

On a quarterly rate, industrial production grew by a 1.3 per cent in quarter four 2000, up from just 0.3 per cent in quarter three. Surveys showed that capital utilisation has also picked up in quarter four following a slight dip in quarter three. However, business expectations are down on this time last year, again possibly reflecting concern over a global slowdown led by the US.

Annual consumer price inflation remained at 2.6 per cent for all four quarters of 2000. However, the monthly figures show that the rate has risen to 3.0 per cent for the first two months of 2001. Annual growth of producer price inflation fell into quarter four, down by 0.2 percentage points to 6.5 per cent. This reflects the sharp fall in the index in December,

#### Chart 4



presumably related to the fall in the oil price. In contrast to the consumer price figures, the monthly producer price figures show that the rate has continued to fall into 2001.

Annual employment growth rose from 2.1 per cent in quarter three 2000 to 2.8 per cent in quarter four. The standardised unemployment rate fell from 10.6 per cent in quarter two to 10.3 per cent in quarter three, the lowest rate since the second quarter of 1993; monthly figures show that the rate has further declined to 10.1 per cent in October. Italian earnings data (chart 4) show that the annual growth rate has fallen marginally into quarter four, down 0.1 percentage points to 1.9 per cent, but more generally is very low compared to recent history.

#### USA

US GDP growth fell to 0.3 per cent in quarter four 2000, after a fall of 0.9 percentage points to 0.5 per cent in quarter three. Falls in private final consumption, and stockbuilding, coupled with low investment all contributed to the fall in GDP in the most recent quarter, although the net trade position improved marginally. Previously GDP growth had been driven by the strong consumption growth, but over the year 2000 the US has seen a slowdown in consumption, from a contribution of 1.2 percentage points in quarter one 2000 to 0.5 percentage points in quarter four. The contribution of investment has also slowed dramatically across the course of the year.

Quarterly growth of industrial production declined in quarter four, shrinking by 0.2 per cent following growth of 0.9 per cent the previous quarter. This is the first time industrial production has declined since the first quarter of 1991. Monthly data shows that this decline was not driven by a one-off movement, with the index declining in all three months of quarter four, and continuing in to the first month of 2001. Capital utilisation also declined into quarter four, as did business surveys data on the value of new orders.

In slight contrast with the pick up in private final consumption in quarter three, annual growth of retail sales continued to fall into quarter three, down from 7.0 per cent in quarter two to 6.3 per cent, the lowest annual growth rate seen since the third quarter of 1998. Consumer confidence in February 2001 fell to the lowest level seen since May 1996.

Annual growth of consumer prices fell slightly from 3.5 per cent in quarter three to 3.4 per cent in quarter four, and as with most countries the December figure shows a slight downturn in the annual growth rate, possibly reflecting lower oil prices (chart 5). The annual growth of producer prices fell for the third successive quarter, down by 0.6 percentage points to reach 3.3 per cent in quarter four 2000. The monthly data shows that the annual growth rate fell 0.6 percentage points between November and December to reach 2.9 per cent.

#### Chart 5



Annual growth of earnings picked up into quarter four, rising from 2.9 per cent in quarter three to 3.5 per cent, although this appears to have fallen back sharply in January 2001. Quarterly employment growth rose marginally in quarter four following a significant drop in quarter three, up from 0.1 per cent to 0.2 per cent in quarter four. However, the unemployment rate in quarter four remained at 4.0 per cent, for the fourth consecutive quarter. Monthly data for January 2001 shows that the unemployment rate has since risen to 4.2 per cent, and that employment growth contracted on the month by 1.2 per cent, although one month's data alone should always be treated with caution.

#### Japan

Japanese GDP figures for quarter three have seen substantial revisions since last publication. Latest figures show that the economy contracted by 0.6 per cent in quarter three (as opposed to growing by 0.2 per cent), following growth of 0.2 per cent in quarter two (chart 6). This revision is driven entirely by a downwards revision to investment, making its contribution to GDP in quarter three -0.6 percentage points. Consumption and government expenditure remain subdued, whilst the contribution of net trade fell into the quarter.

#### Chart 6



Japan - GDP growth percentage changes, quarter Industrial production figures had been showing some healthy signs, recording growth of 1.8 per cent in quarter three for example. However, growth fell to 0.3 per cent in quarter four. The monthly data remains rather erratic, but generally the low growth was caused by a strong quarter three rather than just weak growth in quarter four.

Annual growth of retail sales continues to record negative growth, quarter four saw an annual decline of 1.1 per cent, the same as in quarter three. For 2000 as a whole sales declined by 1.7 per cent. 2000 as a whole was the fourth year in a row of declines in retail sales.

Quarter four saw a marginal fall in the annual rate of deflation of consumer prices, down from 0.7 per cent to 0.5 per cent. For 2000 as a whole consumer prices fell by 0.7 per cent, after falling by 0.3 per cent in 1999. After two quarters of inflation, producer price inflation recorded zero growth for quarter four 2000. The producer price inflation rate for 2000 as a whole was 0.1 per cent, the first positive annual figure since 1997, but was mainly dominated by oil.

Annual earnings growth remained positive throughout 2000, growing by 1.0 per cent in quarter four, down from 1.4 per cent in quarter three. Quarter four also saw employment record no quarterly growth, for the second quarter in a row. The unemployment rate increased marginally from 4.7 per cent in quarter three to 4.8 per cent in quarter four 2000, the rate at which it started the year.

#### World Trade

OECD exports of goods grew by 2.7 per cent in quarter three 2000, following growth of 2.0 per cent in quarter two (chart 7). Within this, exports of manufactures grew by 2.7 per cent, also following growth of 2.0 per cent in quarter two. OECD imports of goods grew by 2.9 per cent in quarter three, whilst imports of manufactures grew by 3.0 per cent.

Exports of goods by non-OECD countries (chart 8) grew by 4.0 per cent



ST MALVE STREET, TS.

in quarter three, following growth of 3.8 per cent in quarter two. Non-OECD exports of manufactures grew by 4.7 per cent in quarter three, after growth of 4.4 per cent in quarter two. Imports of goods rose by 5.2 per cent, up from 4.9 per cent in quarter two. Within this, imports of manufactures by non-OECD countries grew by 5.4 per cent, up from 5.1 per cent in quarter two.

#### Chart 8



#### Notes

The series presented here are taken from the OECD's Main Economic Indicators and are shown for each of the G7 (except the UK) economies and for the European Union (EU15) countries in aggregate. The definitions and methodologies used conform to SNA 68 and SNA 93.

Comparisons of indicators over the same period should be treated with caution, as the length and timing of the economic cycles varies across countries.

For world trade, goods includes manufactures, along with food, beverages and tobacco, basic materials and fuels.

Data for France, Germany, Italy, the USA and Japan has been updated to SNA93 basis, EU 15 tables are only available on an SNA68 basis. The two bases are not directly comparable meaning that cross-country comparisons with countries on different bases are less valid. All the European data is likely to be put on the SNA93 basis in OECD data very soon.

All data is seasonally adjusted except for the following: Consumer Price Indices Producer Price Indices Earnings (excluding Japan) Employment

## **European Union 15**

			0	ontribution	to change in	GDP								
-	GDP	PFC	GFC	GFCF	ChgStk <sup>1</sup>	Exports	less Imports	IoP	Sales	CPI	PPI	Eamings	Empl	Unempl
Percentage cr 1992 1993 1994 1995 1996	ILGB 1.0 -0.4 2.7 2.4 1.7	HUDS 0.9 -0.2 1.0 1.1 1.1	HUDT 0.5 0.2 0.2 0.1 0.3	HUDU -0.1 -1.2 0.5 0.6 0.4	HUDV -0.2 -0.4 0.7 0.2 -0.5	HUDW 0.8 0.4 2.4 2.3 1.4	HUDX 0.9 -0.9 2.0 2.0 1.2	ILGV -1.3 -3.5 4.9 3.6 0.6	ILHP   -0.3 0.6	HYAB 4.5 3.6 3.1 3.1 2.5	ILA1 1.2 1.4 2.1 4.5 0.7	ILAR 5.6 4.3 4.0 3.4 3.7	ILIJ -1.8 -2.0 -0.2 0.5 0.5	GADR 9.1 10.7 11.1 10.7 10.8
1997 1998 1999 2000	2.6 2.8 2.5	1.2 1.9 1.8	0.1 0.3 0.4	0.7 1.2 1.1 	0.2 0.4 -0.2	3.1 2.0 1.5	2.7 2.9 2.1	3.9 3.7 1.8 4.7	1.5 2.9 1.9 2.5	2.0 1.8 1.2 2.5	0.9 0.4 	3.2 2.5 3.0	0.8 1.6 1.7	10.6 9.9 9.2 8.3
1998 Q1 Q2 Q3 Q4	3.5 2.8 2.6 2.1	1.8 1.7 2.0 1.9	0.2 0.2 0.3 0.3	1.4 1.0 1.3 1.0	0.6 0.5 0.2 0.3	3.3 2.5 1.6 0.7	3.7 3.1 2.7 2.2	5.7 4.7 3.3 1.5	2.6 2.6 3.3 2.9	1.8 2.2 1.6 1.4	0.7 0.2 0.8 1.7	2.9 2.8 2.8 1.8	1.5 1.3 1.7 1.8	10.2 10.0 9.9 9.7
1999 Q1 Q2 Q3 Q4	2.1 2.2 2.6 3.3	1.9 1.8 1.7 1.8	0.4 0.4 0.4 0.4	1.0 1.2 1.1 1.1	0.1 -0.3 -0.2 -0.2	0.3 0.9 1.9 3.1	1.6 1.7 2.3 2.9	0.5 0.5 2.1 4.1	2.3 1.2 1.5 2.8	1.1 1.1 1.2 1.5	-1.8 -0.9 0.5 2.4	2.8 2.8 2.7 3.6	1.8 2.0 1.6 1.6	9.5 9.3 9.1 8.9
2000 Q1 Q2 Q3 Q4	3.5 3.7 3.3	1.7 1.8 1.5	0.3 0.4 0.3	1.2 1.1 1.0	-0.3 0.2 0.3	4.0 3.9 3.7	3.3 3.6 3.5 	4.1 5.6 4.9 4.1	2.8 3.5 2.5 1.2	2.2 2.3 2.7 2.8	4.1 4.8 5.1 5.1	3.6 3.6 3.5	1.5 1.5 1.5	8.7 8.4 8.2 8.1
2000 Jan Feb Mar Apr May Jun		**				** ** ** **	44 44 47 47 49 49	2.7 4.7 4.9 5.4 6.6 4.7	2.8 4.7 0.9 3.8 4.7 1.9	2.1 2.2 2.2 2.1 2.2 2.6	3.7 4.2 4.6 4.4 4.9 5.2		**	8.8 8.7 8.6 8.5 8.4 8.3
Jul Aug Sep Oct Nov Dec	  	   	**	43 14 14 14 14 14 14 14 14 14 14 14 14 14	** ** ** **		n 97 97 97 97	4.8 5.1 4.6 3.7 3.8 4.9	1.9 2.8 2.8 - 1.8 1.8	2.5 2.5 2.9 2.8 2.9 2.7	5.0 4.8 5.3 5.5 5.3 4.4	** ** ** **	··· ··· ···	8.2 8.2 8.1 8.1 8.0
2001 Jan		.,						**		2.7	3.7			8.0
Dornantago al		avaulaura	quarter											
1998 Q1 Q2 Q3 Q4	ILGL 0.7 0.5 0.6 0.3	HUDY 0.6 0.4 0.5 0.4	HUDZ 0.1 0.1 0.1 0.1	HUEA 0.4 0.1 0.4 0.2	HUEB 0.1 -0.1 0.3	HUEC 0.5 0.4 -0.3	HUED 0.9 0.5 0.3 0.4	ILHF 1.3 0.6 0.2 -0.6	ILHZ 1.3 0.7 0.7 0.3				ILIT -0.6 1.0 1.2 0.2	
Q2 Q3 Q4	0.7 0.6 1.1 0.9	0.6 0.2 0.5 0.5	0.1 0.1 0.1	0.3 0.3 0.2	-0.1 -0.3 -0.2	0.1 1.0 1.1 0.9	0.3 0.7 0.9 0.9	0.3 0.6 1.8 1.4	0.7 -0.4 0.9 1.6				-0.6 1.2 0.9 0.2	
2000 Q1 Q2 Q3 Q4	0.8 0.8 0.6	0.5 0.4 0.2	0.1 0.1 0.1	0.3 0.2 0.2	-0.2 0.2 0.1	1.0 0.8 1.0	0.8 0.9 0.9	0.3 2.0 1.1 0.6	0.6 0.3 				-0.8 1.2 0.8	
Percentage ch	nange on	previous	month											
2000 Jan Feb Mar Apr May Jun								ILKF -0.9 1.3 0.6 0.5 1.4 -1.0	ILKP 1.8 -1.8 -2.8 -2.7					
Jul Aug Sep Oct Nov Dec								1.0 0.9 -0.4 -0.3 0.9 0.8	0.9 					

2001 Jan

GDP = Gross Domestic Product at constant market prices GFC = Private Final Consumption at constant market prices GFC = Government Final Consumption at constant market prices GFCF = Gross Fixed Capital Formation at constant market prices

ChgStk = Change in Stocks at constant market prices

Exports = Exports of goods and services

Imports = Imports of goods and services IoP = Industrial Production

\*\* Sales = Retail Sales Volume

CPI = Consumer Prices, measurement not uniform among countries PPI = Producer Prices (manufacturing)

Earnings = Average Wage Earnings (manufacturing), definitions of coverage and treatment vary among countries

Empl = Total Employment not seasonally adjusted

..

Unempl = Standardised Unemployment rates: percentage of total labour force Source: OECD SNAGE 2

			Co	ntribution to	o change in	GDP								
	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empi <sup>1</sup>	Unempl
Percentage 1992 1993 1994 1995 1996	e change on ILFY 1.8 -1.1 2.4 1.8 0.8	a year ear HUBW 1.3 0.1 0.6 1.3 0.5	lier HUBX 1.0 0.5 0.3 0.4	HUBY 0.8 1.1 0.9 0.1 0.2	HUBZ -0.6 -0.1 0.3 0.2 -0.4	HUCA -0.5 -1.3 1.7 1.4 1.3	HUCB 0.1 -1.2 1.6 1.3 0.8	ILGS -2.5 -7.6 3.5 1.1 0.7	ILHM -2.1 -4.2 0.8 -1.1	HVLL 5.0 4.5 2.7 1.7 1.4	ILAF 1.6 0.1 0.7 1.9 -1.2	ILAO 5.4 5.1 3.7 4.0 3.5	ILIG -1.4 -1.0 -0.4 -0.2 -0.3	GABD 4.5 7.9 8.4 8.2 8.9
1997 1998 1999 2000	1.5 1.8 1.4 3.1	0.4 1.1 1.4 1.0	-0.2 0.1 	0.2 0.5 0.6 0.7	0.2 0.5 0.2 0.1	2.9 1.8 1.4 4.2	2.1 2.1 2.2 3.2	3.7 4.2 1.6 6.2	-1.6 1.0 0.5 1.3	1.9 1.0 0.6 1.9	1.1 -0.4 -1.0 3.4	1.5 1.8 2.6	-0.4 0.7 0.9	9.9 9.3 8.6 8.1
1998 Q1 Q2 Q3 Q4	3.0 1.7 1.6 1.0	0.9 0.5 1.4 1.5	- 0.1 0.3	1.0 0.4 0.5 0.1	0.5 0.5 0.2 0.7	3.0 2.8 1.3	2.4 2.5 1.9 1.6	6.2 4.8 4.4 1.4	0.8 -0.8 2.4 1.9	1.2 1.4 0.7 0.4	0.7 0.2 -0.8 -1.7	1.3 1.8 2.1 2.2	0.1 0.4 0.9 1.4	9.8 9.5 9.1 8.8
1999 Q1 Q2 Q3 Q4	0.6 1.0 1.6 2.5	1.4 1.5 1.3 1.3	-0.1 0.1	0.2 0.6 0.8 0.9	0.7 0.3 -0.1 -0.1	-0.1 0.6 1.9 3.1	1.5 1.9 2.4 2.8	-0.6 0.4 1.8 4.4	1.6 -0.3 -0.2 0.7	0.3 0.5 0.7 1.0	-2.4 -1.7 -0.7 0.6	2.5 2.4 2.7 3.0	1.5 1.3 0.7 0.2	8.7 8.6 8.6 8.5
2000 Q1 Q2 Q3 Q4	2.6 4.0 3.3 2.6	0.5 1.6 1.0 0.8	0.3 0.4 0.1 0.3	0.9 0.8 0.5 0.5	-0.7 0.7 0.5	4.3 4.0 3.9 4.8	2.7 2.8 2.9 4.2	4.9 7.0 7.4 5.6	-0.6 4.5 2.1 -0.5	1.7 1.6 2.0 2.4	2.3 2.6 3.7 4.5	2.8 2.4 3.3	0.4 0.5 0.5 	8.2 8.1 8.0 7.9
2000 Jan Feb Mar Apr May Jun								2.7 5.8 6.0 6.9 8.8 5.2	0.1 2.1 -3.8 6.7 7.7 -0.8	1.6 1.8 1.9 1.5 1.4 1.9	2.0 2.4 2.4 2.1 2.7 2.9			8.3 8.2 8.2 8.2 8.1 8.1
Jul Aug Sep Oct Nov Dec								8.0 6.7 7.3 5.3 5.7 5.7	-0.1 2.2 4.4 -2.0 0.2 0.5	1.9 1.8 2.5 2.4 2.4 2.2	3.3 3.5 4.3 4.6 4.7 4.2			8.1 8.0 7.9 7.9 7.9 7.9 7.8
2001 Jan		+1		••						2.4	4.6			7.8
Percentage 1998 Q1 Q2 Q3 Q4	e change on ILGI 1,1 -0.5 0.3 -	Previous HUCC 0.9 -0.3 0.5 0.3	quarter HUCD 0.3 - 0.1	HUCE 0.3 -0.3 0.3 -0.2	HUCF 0.1 0.1 0.1 0.4	HUCG 0.3 0.5 0.3 0.5	HUCH 0.8 0.5 0.2 0.1	ILHC 2.4 -0.1 0.5 -1.4	ILHW 1.4 0.7 0.7 0.4				ILIQ -2.2 1.5 1.5 0.6	
1999 Q1 Q2 Q3 Q4	0.8 -0.1 0.9 0.9	0.9 -0.2 0.4 0.3	-0.1 0.1	0.4 0.1 0.5 0.1	0.1 -0.2 -0.4 0.5	0.2 1.2 1.0 0.7	0.7 0.9 0.7 0.5	0.5 0.8 1.9 1.1	1.2 -2.6 0.8 , 1.3				-2.1 1:3 0.9 0.1	
2000 Q1 Q2 Q3 Q4	1.0 1.2 0.3 0.2	0.1 0.8 -0.2	0.3  0.1 0.1	0.4 - 0.2	-0.6 0.4 0.3 0.3	1.4 0.9 0.9 1.5	0.6 1.0 0.8 1.8	1.0 2.8 2.3 -0.6	-0.1 2.4 -1.5 -1.3				-1.9 1.4 0.9	
Percentage	e change on	previous	month					11 1/0	11 1/14					
2000 Jan Feb Mar Apr May Jun								-0.5 2.0 0.3 1.5 2.1 -2.6	-1.1 2.4 -2.3 2.8 4.4 -7.5					
Jul Aug Sep Oct Nov Dec								3.2 0.3 -0.3 -0.9 0.6	1.4 1.6 -0.5 -2.5 0.9 1.3					

2001 Jan

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Earnings = Average Earnings (manufacturing), definitions of coverage and treatment vary among countries

Empl = Total Employment not seasonally adjusted

Unempl = Standardised Unemployment rates: percentage of total workforce

Source: OECD - SNA93

			Co	ontribution i	to change in	GDP								
	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI <sup>1</sup>	Earnings	Empl <sup>2</sup>	Unempl
Dereentano	abanna an	-	ller											
1992 1993 1994 1995 1996	ILFZ 1.3 0.9 1.8 1.9 1.0	HUBK 0.4 -0.1 0.3 0.9 0.7	HUBL 0.8 1.0 0.1 - 0.5	HUBM -0.3 -1.3 0.3 0.4 -	HUBN -0.2 -1.2 1.0 0.5 -0.6	HUBO 1.0 - 1.6 1.7 0.7	HUBP 0.3 -0.7 1.6 1.8 0.3	ILGT -1.1 -3.7 3.9 2.5 0.8	ILHN 0.3 0.2 -0.1 - -0.3	HXAA 2.3 2.2 1.7 1.7 2.0	ILAG -1.1 -2.2 1.2 5.2 -2.7	ILAP 4.0 3.0 2.0 2.4 2.6	ILIH 0.6 1.3 0.1 0.9 0.2	GABC 10.4 11.7 12.3 11.7 12.3
1997 1998 1999 2000	1.9 3.3 3.2 3.2	0.1 2.0 1.5 1.3	0.5 0.1 0.6 0.4		0.1 0.6 -0.3 0.2	2.8 2.0 1.0 3.6	1.5 2.5 1.0 3.6	3.8 5.3 2.1 3.2	1.0 2.6 2.4 0.6	1.2 0.8 0.5 1.7	-0.6 -0.9 -1.6 2.1	2.6 2.2 2.5	0.7 1.6 1.9	12.3 11.8 11.3 9.5
1998 Q1 Q2 Q3 Q4	3.3 3.6 3.4 3.0	1.5 2.2 2.3 1.9	0.1	1.1 1.2 1.3 1.3	0.5 0.9 0.4 0.7	3.2 2.4 1.7 0.6	3.1 3.1 2.2 1.6	7.7 6.9 3.9 2.7	2.3 3.2 2.4 2.7	0.9 1.1 0.7 0.4	0.5 -0.3 -1.4 -2.3	2.4 2.0 2.1 2.0	1.2 1.6 1.8 1.8	11.9 11.8 11.8 11.8
1999 Q1 Q2 Q3 Q4	2.9 2.8 3.2 3.7	1.7 1.3 1.5 1.4	0.5 0.6 0.6 0.6	1.5 1.4 1.3 1.3	-0.1 -0.3 -0.7 -0.2	0.4 1.5 2.3	0.6 0.6 0.9 1.7	1.1 0.4 2.6 4.1	3.3 1.8 2.3 2.0	0.2 0.4 0.5 1.0	-2.7 -2.3 -1.6	2.0 2.0 2.7 3.4	2.0 1.9 1.8 2.0	11.7 11.5 11.2 10.7
2000 Q1 Q2 Q3 Q4	3.6 3.4 3.0 2.8	1.7 1.3 1.1 1.0	0.4 0.3 0.4 0.3	1.2 1.2 1.3 1.6	-0.1 0.8 0.1	3.3 3.8 3.4 4.0	2.9 3.3 4.0 4.0	3.8 3.6 3.3 2.3	2.1 1.4 -1.4	1.5 1.5 1.9 1.9	1.2 2.1 2.7 2.5	5.2 5.4 5.2	2.3 2.4 2.6	10.2 9.6 9.4 8.9
2000 Jan Feb Mar Apr May Jun							13 14 17 17 14 14	3.4 3.9 4.1 4.3 3.2 3.2	1.9 2.5 2.0 -0.9 4.1 1.1	1.6 1.4 1.5 1.3 1.5 1.7	0.8 1.2 1.4 1.9 2.1 2.2	**		10.3 10.2 10.0 9.8 9.6 9.4
Jul Aug Sep Oct Nov Dec							**	3.7 3.7 2.5 2.4 1.6 2.9	-1.6 1.7 0.1 -1.2 -1.4 -1.4	1.7 1.8 2.2 1.9 2.2 1.5	2.6 2.7 2.7 2.5 2.5 2.6	**		9.4 9.4 9.3 9.1 8.9 8.8
2001 Jan						**			1.4	1.1	2.5			8.7
Deserved														
1998 Q1 Q2 Q3 Q4	LGJ 0.8 1.0 0.6 0.6	HUBQ 0.4 0.8 0.3 0.4	4UBR -0.1 0.1 0.1	HUBS 0.3 0.4 0.3 0.3	HUBT 0.4 0.1 - 0.2	HUBU 0.6 0.3 0.1 -0.3	HUBV 0.9 0.6 0.1 0.1	ILHD 1.8 1.3 -0.5 0.2	ILHX -0.1 1.1 0.7 1.1				ILIR 0,4 0.6 0.5 0,3	
1999 Q1 Q2 Q3 Q4	0.7 0.9 1.0 1.1	0.1 0.4 0.5 0.3	0.2 0.2 0.1 0.1	0.5 0.3 0.2 0.3	-0.4 -0.1 -0.5 0.7	0.6 1.1 0.5	0.2 0.5 0.5 0.9	0.2 0.5 1.7 1.6	0.5 -0.4 1.1 0.8				0.6 0.5 0.5 0.5	
2000 Q1 Q2 Q3 Q4	0.6 0.7 0.6 0.9	0.4 0.3 0.2	0.1 0.1 0.1	0.4 0.3 0.4 0.5	-0.2 	1.0 1.1 0.8 1.1	1.0 0.9 1.2 0.8	-0.1 0.3 1.4 0.6	0.6 -1.0 -0.3 -0.7				0.9 0.6 0.7	
Percentage	change on	previous	month					ILIZE						
2000 Jan Feb Mar Apr May Jun								-0.2 0.6 0.3 -0.2 0.1 0.1	-0.1 0.7 -2.6 2.5 -1.0					
Jul Aug Sep Oct Nov Dec								1.5 -0.4 0.6 0.3 0.1	-0.2 -0.1 -0.3 -0.9 0.9 -0.2					
2001 Jan									2.7					

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Empl = Total Employment not seasonally adjusted Unempl = Standardised Unemployment rates: percentage of total workforce IoP=Index of Production

			Co	ntribution to	o change in	GDP								
	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	ioP	Sales	CPI	PPI	Earnings	Empl	Unempl
Dercentade	change on :	a vear earl	ier											
Percentage	ILGA	HUCI	HUCJ	HUCK	HUCL	HUCM	HUCN	ILGU	ILHO	HYAA	ILAH	ILAQ	ILU	GABE
1992	0.8	1.2	0.1	-0.3	-0.1	1.4	1.6	-1.0	-0.4	5.3	2.0	5.4	-1.0	8.9
1993	-0.9	-2.3	-	-2.2	-0.7	1.9	-2.5	-2.3	-1.6	4.6	3.7	3.6	-4.1	10.2
1994	2.2	0.9	-0.2	-	0.8	2.2	1.7	5.8	-1.5	4.1	3.7	3.4	-1.7	11.1
1995	2.9	1.0	-0.4	1.1	0.2	3.1	2.1	5.8	0.5	5.3	7.9	3.1	-0.6	11.7
1996	1.1	0.7	0.2	0.7	-0.7	0.2	-0.1	-1.6	1.3	4.0	1.8	3.1	0.5	11.7
1997	1.8	1.7	0.1	0.2	0.3	1.7	2.3	3.9	0.9	2.0	1.3	3.6	0.4	11.8
1990	1.0	10	0.1	0.0	0.4	-0.1	0.9	-0.1	11	1.7	-0.2	23	1.2	114
2000								4.1	-0.6	2.5	5.9	2.1	1.9	
1998 Q1	2.8	1.5	0.1	1.2	1.3	2.3	3.6	5.3	0.7	2.0	1.2	2.2	1.0	11.8
Q2	1.5	1.1	0.1	8.0	0.1	1.6	2.2	2.5	1.7	2.1	0.6	3.1	0.9	11.9
Q3 Q4	1.5	1.3	0.1	0.8	0.2	-0.7	1.5	-2.3	1.0	1.7	-1.2	2.8	1.1	11.8
1999 O1	1.2	1.5	0.1	0.3	1.4	-1.5	0.6	-1.3	1.3	1.2	-1.8	3.0	1.2	11.6
Q2	1.0	1.0	0.1	0.8	0.8	-0.6	1.0	-2.5	0.3	1.4	-1.4	2.1	1.3	11.4
03	1.2	0.9	0.1	1.0	0.2	-	0.9	0.5	0.3	1.7	-	2.3	1.2	11.3
Q4	2.2	0.8	0.1	1.3	-0.6	1.7	1.0	3.1	2.3	2.1	2.2	1.8	1.4	11.1
2000 Q1	2.9	1.2	0.2	1.4	-1.3	2.9	1.5	3.5	-0.6	2.6	4.6	1.9	1.2	11.0
Q2	2.8	1.3	0.2	1.4	-0.4	2.4	2.2	3.0	-0.5	2.0	67	2.5	1.0	10.0
Q3 Q4	2.0	1.2	0.2	1,2	-0.2	3.4	5.2	3.5	-1.3	2.6	6.5	1.9	2.8	10.5
2000 Feb	.,		11				**	4.8	-	2.4	4.7	1.9		11.0
Mar	4.					**	.,	3.7	-1.9	2.5	5.4	1.9		10.8
Apr			**	••		++		4.0	-	2.3	5.3	2.1		10.6
May		**				**		7.8	-	2.5	6.4	2.7	**	10.6
Jun				**	**			5.0	-1.0	2.7	6.9	2.9	"	10.6
Jul Aug			••					2.9 3.6	1.0	2.6 2.6	6.6 6.5	2.0 2.0	**	10.5 10.3
Sep						**		4.0	1.0	2.6	6.8	2.0		10.2
Oct							**	2.4	-1.0	2.6	6.8	1.9	**	10.1
Nov								2.6	-1.9	2.7	6.7	1.9	44	
Dec			••				**	5.5	-1.0	2.7	6.2	1.9	"	
2001 Jan			**							3.0	5.4		**	**
Feb					**					3.0		17		
Percentage	change on ILGK	Previous of HUCO	HUCP	HUCO	HUCR	HUCS	HUCT	ILHE	ILHY				ILIS	
1998 Q1	-0.4	0.4	-	0.3	-0.6	0.3	0.7	-0.8	0.7				-0.7	
Q2	0.6	0.6	0.1	-0.1	0.1	-	0.1	0.5	1.0				1.1	
Q3	0.6	0.4	-	0.1	-	-0.1	-0.2	-0.8	-				1.4	
Q4	-0.4	0.3	0.1	0.1	1.2	-0.9	1.0	-1.3	-0.7				-0.3	
1999 Q1	0.4	0.2	-	0.3	0.1	-0.6	-0.4	0.2	1.0				-1.0	
Q2	0.4	0.1	-	0.4	-0.4	0.9	0.5	-0.7	-				1.2	
Q3 Q4	0.8 0.6	0.3	0.1	0.3	-0.6	0.6	-0.2	2.3	1.3				1.3	
2000 01		0.6	-	0.4	-0.6	07	01	0.6	-19				-12	
02	0.3	0.2	0.1	0.3	0.4	0.4	1.2	1.3	0.3				1.5	
03	0.6	0.1	-	0.1	-0.4	1.5	0.8	0.3	0.3				1.9	
Q4								1.3	-				0.6	
Percentage	change on	previous I	month											
2000 Feb								1.6	ILKO -					
Mar								0.4	-1.0					
Apr								-0.7	1.0					
May								2.5	-					
Jun								-0.8	-					
lest.								_0.9	10					
Aug								12	-10					
Sen								0.1	1.9					
Oct								-0.6	-1.0					
Nov								1.0	1.0					
Dec								22	-10				-	

GDP = Gross Domestic Product at constant market prices

PFC = Private Final Consumption at constant market prices GFC = Government Final Consumption at constant market prices GFCF = Gross Fixed Capital Formation at constant market prices

ChgStk = Change in Stocks at constant market prices

Exports = Exports of goods and services

Imports = Imports of goods and services IoP = Industrial Production

2001 Jan

Feb

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Sales = Retail Sales volume CPI = Consumer Prices, measurement not uniform among countries PPI = Producer Prices (manufacturing) Earnings = Average Wage Earnings (manufacturing), definitions of coverage and treatment vary among countries Empl = Total Employment not seasonally adjusted Unempl = Standardised Unemployment not seasonally adjusted Source: OECD - SNA93

Source: OECD - SNA93

			Co	ntribution to	o change in	GDP								
	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	loP	Salas	CPI	PPI	Earnings	Empl <sup>1</sup>	Unempl
Percentage (	change on a	vear earli	er											
1992 1993 1994 1995 1996	ILGC 3.1 2.7 4.0 2.7 3.6	HUDG 1.9 2.2 2.5 2.0 2.1	HUDH 0.1 -0.1	HUDI 0.8 1.0 1.2 0.9	HUDJ 0.3 - 0.7 -0.5	HUDK 0.6 0.3 0.9 1.0 0.9	HUDL 0.6 0.9 1.2 0.9 1.0	ILGW 3.2 3.4 5.4 4.8 4.6	ILHQ 3.4 4.9 6.5 3.6 4.9	ILAA 3.0 2.9 2.6 2.8 2.9	ILAJ 1.3 1.5 1.4 2.9 2.3	ILAS 2.7 2.6 2.4 2.6 3.3	ILIK 0.6 1.5 2.3 1.5	GADO 7.5 6.9 6.1 5.6 5.4
1990	5.0	6.1	0.1	1.0		0.5	1.0	4.0	4.5	2.0	2.0	0.0		5.4
1997 1998 1999 2000	4.4 4.4 4.2 5.0	3.1 3.5 3.6	0.3 0.2 0.3 0.3	2.1 1.9 1.9	0.4 0.2 -0.4 0.2	0.3 0.3 1.1	1.6 1.5 2.1	4.7 4.2 5.6	4.1 6.4 8.6	2.3 1.6 2.1 3.4	-1.1 1.8 4.1	3.1 2.5 2.9 3.5	2.3 1.5 1.5 1.3	4.5 4.2 4.0
1998 Q1 Q2 Q3 Q4	4.8 4.1 3.9 4.6	2.8 3.4 3.0 3.3	0.2 0.2 0.2 0.3	2.0 2.2 1.9 2.2	0.8 0.3 0.3 	0.8 0.2 -0.2 0.3	1.8 1.7 1.3 1.5	6.3 5.3 4.3 3.2	4.8 7.5 5.3 7.7	1.4 1.6 1.6 1.5	-1.5 -0.9 -1.0 -0.9	2.8 2.8 2.5 1.9	1.9 1.5 1.1 1.3	4.7 4.4 4.5 4.4
1999 Q1 Q2 Q3 Q4	3.9 3.8 4.3 5.0	3.4 3.4 3.5 3.7	0.4 0.1 0.3 0.4	2.0 1.8 1.9 1.9	-0.8 -0.5 -0.4 0.1	0.2 0.6 0.5	1.2 1.4 1.8 1.8	3.3 3.8 4.4 5.1	9.0 7.8 9.3 8.3	1.7 2.2 2.4 2.6	1.1 2.4 3.2	1.8 2.8 3.7 3.6	1.7 1.4 1.4 1.5	4.3 4.3 4.2 4.1
2000 Q1 Q2 Q3 Q4	5.3 6.1 5.2 3.4	4.0 3.6 3.5 3.0	0.2 0.5 0.3 0.1	2.1 2.2 1.9 1.4	-0.1 0.7 0.4 -0.2	0.9 1.2 1.3 0.8	2.0 2.2 2.3 1.8	5.8 6.5 5.9 4.2	8.5 7.0 6.3	3.4 3.3 3.5 3.4	4.6 4.4 3.9 3.3	4.3 2.9 2.9 3.5	1.6 1.6 1.1 1.0	4.0 4.0 4.0 4.0
2000 Jan Feb Mar Apr May Jun		•• •• •• ••		   	,, ,, ,, ,, ,,	*****	   	5.6 5.9 5.7 6.4 6.4 6.8	8.9 8.6 8.0 7.6 6.7 6.6	3.0 3.3 3.8 3.0 3.1 3.7	3.6 5.0 5.2 4.0 4.2 5.0	4.5 4.5 3.6 2.7 2.7 3.6	1.5 1.7 1.7 2.1 1.2 1.3	4.0 4.1 4.0 4.0 4.1 4.0
Jul Aug Sep Oct Nov Dec	3. 53 49 47 44					**	**	5.6 5.9 6.1 5.0 4.4 3.3	6.7 6.0 6.3 5.7 4.0	3.7 3.4 3.4 3.4 3.5 3.4	4.4 3.6 3.8 3.5 3.5 2.9	3.6 2.7 2.6 3.5 3.5 3.5	1.0 1.0 1.1 1.0 0.9 1.1	4.0 4.1 3.9 3.9 4.0 4.0
2001 Jan								2.4		3.5	2.9	2.6	0.8	4.2
Percentage of	change on p	revious q	uarter											
1998 Q1 Q2 Q3 Q4	ILGM 1.6 0.7 0.9 1.4	HUDM 0.8 0.9 0.7 0.8	HUDN -0.1 0.2 	HUDO 0.7 0.7 0.3 0.5	HUDP 0.6 0.7 0.1	HUDQ -0.1 -0.1 0.4	HUDR 0.5 0.4 0.2 0.4	ILHG 0.9 0.7 0.9 0.8	1LIA 1.4 2.6 0.5 2.9				1LIU 1.0 1.5 0.6 0.2	
1999 Q1 Q2 Q3 Q4	0.9 0.6 1.4 2.0	0.9 0.9 0.8 1.0		0.6 0.4 0.4 0.5	-0.2 -0.4 0.3 0.5	-0.2 0.2 0.3 0.3	0.2 0.6 0.6 0.4	0.9 1.2 1.5 1.4	2.6 1.5 2.0 2.0				-0.6 1.2 0.6 0.3	
2000 Q1 Q2 Q3 Q4	1.2 1.4 0.5 0.3	1.2 0.5 0.7 0.5	-0.1 0.3 -0.1	0.8 0.4 0.1 0.1	0.5 0.5 0.1 0.1	0.2 0.4 0.4 -0.2	0.4 0.7 0.7	1.6 1.9 0.9 -0.2	2.7 0.1 1.4				-0.5 1.2 0.1 0.2	
Percentage	change on p	revious m	onth											
2000 Jan Feb Mar Apr May Jun								0.6 0.5 0.6 0.7 0.7 0.5	0.8 1.0 -0.2 -0.3 0.3 0.1				-0.9 0.4 0.5 0.6 -0.2 0.8	
Jul Aug Sep Oct Nov Dec								-0.2 0.7 0.2 -0.2 -0.3 -0.5	0.9 0.4 0.2 -0.6				-0.4 -0.5 0.6 - 0.3	
2001 Jan								-0.3	.,				-1.2	
			1											

GDP = Gross Domestic Product at constant market prices PFC = Private Final Consumption at constant market prices GFC = Government Final Consumption at constant market prices GFCF = Gross Fixed Capital Formation at constant market prices

ChgStk = Change in Stocks at constant market prices Exports = Exports of goods and services

Imports = Imports of goods and services IoP = Industrial Production

Sales = Retail Sales volume CPI = Consumer Prices, measurement not uniform among countries PPI = Producer Prices (manufacturing) Earnings = Average Earnings (manufacturing), definitions of coverage and treatment vary among countries Empl = Total Employment not seasonally adjusted Unempl = Standardised Unemployment rates: percentage of total workforce Source: QECD - SNA93

Japan

			Co	intribution to	o change in	GDP								
	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	loP1	Sales	CPI	PPI	Earnings <sup>2</sup>	Empl	Unempl
Percentan	e change on	a vear ear	lier											
1992 1993 1994 1995 1996	ILGD 0.9 0.5 1.0 1.6 3.4	HUCU 1.4 1.1 1.4 0.8 1.0	HUCV 0.4 0.4 0.4 0.4 0.6 0.4	HUCW -0.8 -0.9 -0.4 - 2.0	HUCX -0.4 -0.2 -0.2 0.6 0.3	HUCY 0.3 0.3 0.3 0.6	HUCZ -0.1 0.5 0.9 1.0	ILGX -5.7 -3.4 1.3 3.0 2.2	ILHR -0.2 -2.8 0.3 0.1 0.7	ILAB 1.8 1.2 0.7 -0.1 0.1	ILAK -1.0 -1.6 -1.8 -0.7 -1.7	ILAT 1.3 0.3 2.2 2.9 2.6	ILIL 1.1 0.2 0.1 	GADP 2.1 2.5 2.9 3.1 3.4
1997 1998 1999 2000	1.9 -1.1 0.8	0.6 0.1 0.7	0.2 0.3 0.6	0.2 -1.2 -0.2 	-0.6 -0.2	1.1 -0.2 0.1	0.1 0.6 0.2	4.0 6.7 1.0 5.1	-1.9 -5.5 -2.0 -1.7	1.7 0.7 0.3 0.7	0.6 -1.3 -1.5 0.1	2.9 -0.8 -0.6 1.7	1.0 0.6 0.8 0.3	3.4 4.1 4.7 4.8
1998 Q1 Q2 Q3 Q4	-2.6 0.7 -0.8 -1.4	-2,4 1.3 1.0 0.6	0.2 0.3 0.3 0.3	0.8 0.7 1.8 1.5	-0.1 -0.6 -0.9 -0.8	0.2 -0.3 -0.2 -0.6	0.4 0.6 0.6 0.6	-4.2 -7.9 -7.9 -6.7	-10.0 -2.4 -3.8 -5.2	2.0 0.4 0.2 0.5	0.4 -1.9 -1.8 -2.0	-0.2 -0.3 -1.7 -0.7	-0.7 -0.9 -1.0	3.7 4.1 4.2 4.4
1999 Q1 Q2 Q3 Q4	-0.4 1.0 2.1 0.4	0.2 1.1 1.6 0.2	0.5 0.5 0.7 0.6	-0.7 -0.2 -0.1 0.1	-0.4 -0.2 -0.1	-0.4 -0.1 0.3 0.7	0.3 0.1 0.3 0.8	-3.7 0.3 2.7 5.1	-4.2 -2.1 -1.4 -0.3	-0.1 -0.3 - -1.0	-2.1 -1.8 -1.4 -0.6	-0.4 -1.1 -0.3 -0.3	-1.2 -1.1 -0.7 -0.2	4.6 4.7 4.7 4.6
2000 Q1 Q2 Q3 Q4	2.4 1.1 0.5	1.0 -0.7 	0.6 0.6 0.5 	0.2 -0.2 0.2 	0.1 0.1	1.2 1.4 1.2	0.7 0.8 0.8	4.4 6.3 5.3 4.4	-2.9 -1.9 -1.1 -1.1	-0.7 -0.7 -0.7 -0.5	-0.1 0.4 0.2	2.0 2.3 1.4 1:0	-0.5 -0.4 -0.4 0.2	4.8 4.7 4.7 4.8
2000 Jan Feb Mar Apr May Jun				* ** ** ** ** **				4.4 4.0 4.7 7.3 4.7 6.9	-2.2 -3.3 -3.3 -3.3 -1.1 -1.1	0.9 0.6 0.5 0.8 0.7 0.7	-0.3 -0.1 0.2 0.5 0.3 0.4	2.5 1.8 1.7 2.2 2.1 2.8	-0.4 -0.4 -0.6 -0.5 -0.5 -0.3	4.7 4.9 4.9 4.8 4.6 4.7
Jul Aug Sep Oct Nov Dec						   		5.7 6.8 3.5 5.0 3.3 4.9	-1.1 -1.1 -1.1 -1.1 -1.1 -1.1 -1.1	-0.5 -0.8 -0.8 -0.9 -0.5 -0.2	0.2 0.3 0.1 0.1	1.5 2.0 0.7 0.4 0.9 3.8	0.1 0.4 0.5 0.5 0.1 0.3 0.3 0.2	4.7 4.6 4.7 4.7 4.8 4.9
2001 Jan					**			1.6	2.2	0.1	-0.2	-1.2	0.1	4.9
Dercentea	a change on	provioue	auerter											
1998 Q1 Q2 Q3 Q4	ILGN -0.6 0.1 -1.1 0.1	HUDA 0.3 0.2 0.3 -0.1	HUDB 0.2 0.1	HUDC -0.3 -0.2 -1.2 0.2	HUDD -0.4 -0.2 -0.2 -0.1	HUDE 0.3 0.1 0.1 0.1	HUDF -0.1 -0.3 -0.2	ILHH -1.7 -4.3 0.3 -1.1	ILIB -0.3 -2.4 -0.7 -1.8				ILIV 1.6 2.1 0.4 1.1	
1999 Q1 Q2 Q3 Q4	0.5 1.5 -0.1 -1.5	-0.1 1.1 0.7 -1.9	0.2 0.2 0.2 0.1	0.5 0.3 -1.0 0.4	0.1 -0.1 -0.1	0.2 0.3 0.3	0.2 0.2 0.2 0.3	1.4 -0.3 2.7 1.2	0.8 -0.3 -0.8				-1.8 2.2 - -0.6	
2000 Q1 Q2 Q3 Q4	2.4 0.2 -0.6	1.1 0.1 -	0.2 0.2 0.1	0.6 -0.2 -0.6 	0.2 0.1 	0.5 0.4 -	0.3 0.1	0.7 1.6 1.8 0.3	-1.9 0.8 0.8 -0.8				-2.1 2.3 -	
Percentag	e change on	previous	month											
2000 Jan Feb Mar Apr May Jun								-0.4 0.2 2.1 0.5 0.2 1.8	ILKR -1.1 -1.1 - 1.1 1.1				4LLB 1.1 0.7 0.6 1.4 1.0	10 20.50
Jul Aug Sep Oct Nov Dec								-0.5 3.3 -3.5 1.3 -0.5 1.7	-1.1				-0.2 -0.1 -0.4 -0.1 -1.0	
2001 Jan								-3.5	2.2				-1.2	

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PPI = Producer Prices (manufacturing)

Earnings = Average Earnings (manufacturing), definitions of coverage and treatment vary among countries

Empl = Total Employment not seasonally adjusted

Unempt = Standardised Unemployment rates: percentage of total workforce IoP=Index of Production

	Expor	t of manufact	ures	Impor	t of manufact	tures	Ex	port of go	ods	Im	port of go	ods	Total tr	ade
	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	Totai	OECD	Other	manufact- ures	goods
Percentage	change on a	year earlier												
	ILIZ	ILJA	ILJB	ILJC	ILJD	ILJE	ILJF	ILJG	ILJH	ILJI	ILJJ	ILJK	ILJL	ILJM
1992	4.3	3.3	8.5	5.3	4.3	8.2	4.2	3.6	5.9	5.0	4.1	7.7	4.8	4.6
1993	4.8	2.2	15.4	4.0	1.0	12.5	4.0	2.2	9.1	10.0	10.9	10.4	4.4	10.7
1994	9.6	9.9	86	10.9	10.3	12.4	8.9	93	7.8	97	8.8	12.2	10.2	9.3
1996	6.6	6.2	7.7	7.4	7.7	6.6	6.6	6.3	7.6	6.6	7.2	4.8	6.9	6.6
1997	11.4	11.8	10.2	10.7	11.2	9.4	10.4	11.0	9.2	9.5	9.7	8.9	11.0	10.0
1998	5.9	6.1	5.2	6.6	9.4	-0.6	5.4	5.5	4.6	5.8	8.1	-0.3	6.3	5.5
1999	6.3	5.8	8.1	8.0	10.3	1.4	5.8	5.4	6.7	6.6	8.8	0.2	7.2	6.2
2000							н			**	**			**
1995 Q1	13.2	13.4	12.5	13.7	14.1	12.7	12.2	13.0	10.1	12.4	12.3	12.7	13.5	12.3
Q2	10.0	10.3	8.9	12.2	11.5	13.8	9.6	10.2	7.8	11.3	10.4	13.7	11.1	10.4
Q3	8.6	9.1	6.9	10.5	9.6	12.9	7.8	8.2	6.7	9.3	8.0	12.7	9.5	8.5 6.3
624	0.0	0.0	0.0	1.4	0.0	10.1	0.1	0.0		0.1	0.1	0.17		
1996 Q1	5.6	5.3	6.6 7 1	7.5	7.2	8.1	5.4	4.9	6.8	6.5 5.4	6.4 5.9	6.7	6.5 5.8	5.9
Q3	6.9	6.6	7.9	7.6	8.5	5.5	7.1	6.8	7.9	6.8	8.1	3.5	7.3	7.0
Q4	8.1	7.8	9.4	8.1	8.6	7.0	8.5	8.5	8.7	7.6	8.6	5.3	8.1	8.1
1997 Q1	8.4	7.9	10.3	8.0	8.0	8.2	8.0	7.5	9.4	7.5	7.5	7.3	8.2	7.7
Q2	12.4	12.9	10.6	11.4	12.2	9.5	11.5	12.3	9.5	10.0	10.4	9.1	11.9	10.8
Q3	13.1	13.9 12.3	10.3	11.6	12.2	10.0	11.8	12.8	9.1 8.7	10.2	10.4	9.6 9.4	12.3	11.0
1998 Q1	10.6	11.3	8.1	10.7	12.7	5.5	9.9	10.9	7.1	9.6	11.2	5.6	10.6	9.7
Q3	4.0	3.9	4.2	5.0	7.9	-2.8	3.4	3.3	3.7	4.3	6.9	-2.5	4.5	3.9
Q4	3.0	3.1	2.6	4.1	7.9	-5.8	2.3	2.3	2.4	3,1	6.4	-5.6	3.5	2.7
1999 Q1	2.5	2.5	2.4	4.2	7.0	-3.6	1.9	1.7	2.5	3.2	5.9	-4.3	3.3	2.5
Q2	4.0	3.7	4.9	6.4	9.0	-0.7	3.7	3.4	4.4	5.1	7.6	-1.9	5.2	4.4
Q3	7.9	7.2	10.3	9.2	11.3	2.9	10.0	7.1	8.2	10.5	9.7	1.6	5.5	10.3
Q.Y	11.9	0.0												
2000 Q1	14.7	13.7	18.1	14.5	15.4	11.6	13.6	13.4	14.3	13.1	14.0	10.4	14.6	13.4
03	13.8	12.3	19.0	16.2	15.0	19.9	12.9	11.8	15.9	15.0	13.6	19.2	15.0	13.9
Q4			34			**			**		.,	**	**	
Percentage	change on r	previous qua	rter											
1 ci buillage	ILJN	ILJO	ILJP	ILJQ	ILJR	ILJS	ILJT	ILJU	ILJV	ILIW	ILJX	ILJY	ILJZ	ILKA
1995 Q1	3.0	3.4	1.8	2.0	1.5	3.4	2.8	3.2	1.6	1.6	1.0	3.4	2.5	2.2
03	1.1	0.9	1.0	2.3	0.7	0.0	0.9	0.8	1.0	0.9	2.0	2.0	11	0.9
Q4	1.5	1.5	1.3	1.8	2.1	1.1	1.4	1.3	1.6	1.3	1.5	0.8	1.6	1.4
1996 Q1	1.9	1.9	2.0	2.1	2.4	1.3	2.0	2.1	1.8	1.7	2.2	0.5	2.0	1.9
Q2	1.0	0.7	2.1	1.0	0.9	1.2	1.1	0.7	2.0	1.3	1.6	0.6	1.0	1.2
Q3	2.3	2.3	2.3	2.6	2.9	1.8	2.4	2.5	2.2	2.3	2.6	1.6	2.4	2.4
U4	2.7	2.7	2.1	2.3	2.2	2.5	2.8	2.9	2.4	2.1	2.0	2.5	2.0	2.4
1997 Q1	2.2	2.0	2.8	2.0	1.8	2.5	1.5	1.2	2.4	1.6	1.2	2.5	2.1	1.5
03	4.7	3.1	2.4	4.2	4.9	2.4	2.6	2.9	1.9	2.5	2.6	2.2	2.8	2.6
Q4	1.5	1.3	2.2	2.1	2.0	2.5	1.5	1.3	2.0	2.0	1.9	2.3	1.8	1.8
1998 O1	1.1	1.1	1.3	1.3	2.4	-1.7	1.0	1.0	0.9	1.1	1.9	-1.1	1.2	1.1
Q2	0.9	1.0	0.6	0.7	1.6	-1.7	0.6	0.6	0.6	0.7	1.6	-1.6	0.8	0.7
Q3	0.4	0.5	-	0.8	1.6	-1.8	0.2	0.2	0.2	0.4	1.3	-2.2	0.6	0.3
Q4	0.5	0.4	0.6	1.3	2.0	-0.7	0.5	0.4	0.6	0.9	1.5	-0.9	0.9	0.7
1999 Q1	0.7	0.5	1.2	1.3	1.5	0.6	0.6	0.4	1.1	1.1	1.4	0.3	1.0	0.9
Q2	2.4	2.2	3.1	2.9	3.5	1.2	2.4	2.4	2.5	2.6	3.2	0.9	2.7	2.5
Q3	4.2	3.9	4.6	4.0	4.2	3.4	3.0	2.7	3.9	3.5	3.6	3.1	3.8	3.2
0000 01	1000													
2000 Q1 Q2	4.1	4.0	4.1	3.5	3.1	4.8	3.8	3.9	3.5	3.6	3.2	4.7	3.8	3.1
Q3	3.2	2.7	4.7	3.6	3.0	5.4	3.0	2.7	4.0	3.5	2.9	5.2	3.4	3.2
Q4		**							**			+4	**	

1 Data used in the World and OECD aggregates refer to Germany after unification

World trade in goods<sup>1</sup>

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Source: OECD - SNA68

## Final Expenditure Prices Index (Experimental) – February 2001

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Note that further development work is ongoing and the FEPI will be available only as an experimental index until this work has been completed.

#### Re-calculation of the index from 1992

1. The Index of Consumer Prices (ICP) has been restructured onto the Classification of Individual Consumption by Purpose (COICOP), the international classification standard for household expenditure. This restructuring has resulted in the new ICP showing a higher index level than the old version of the ICP largely due to changes in weights.

 The Education Grants index has been removed from the Index of Government Prices (IGP) and incorporated into a new Index of Non-profit Institutions Serving Households (NPISH) index (shown at Table 1). This completes the process of bringing the structure of the FEPI into line with the European System of Accounts (ESA95).

3. The Other Buildings and Structures index within the Index of Investment Prices (IIP) has been improved by the use of up to date construction output indices produced by the Department of the Environment, Transport and the Regions (DETR). Previously, these construction indices were only available with a lag of four months.

4. An improved methodology for calculating price movements in stamp duty paid on the purchase of properties and land registry fees has been introduced; this has resulted in substantial revisions to the index for Transfer Costs of Land and Buildings within the IIP.

5. The presentation of the IIP has been improved by the addition of two new series, which show changes in prices of equipment and construction.

6. The publication of the monthly FEPI(P), the variant version of the FEPI which includes an output-based government price index, the IGP(P), has been suspended pending further development work. The IGP(P) and FEPI(P) are now only available as annual indices; they appear at Tables 5 and 6.

#### Summary

The rate of inflation for the FEPI increased between January and February from 1.5 per cent to 1.6 per cent mainly due to higher investment price inflation, particularly for dwellings.

#### The FEPI annual percentage change



Fine Expanditure Prices Index (Experimental) - February 2001

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Final Expenditure Prices Index and components (January 1992=100 and annual percentage change)

			ICP		IIP		IGP		INP		FEPI
		Index	% change								
2000	Sep	124.3	1.1	119.1	3.0	123.6	2.0	129.8	2.4	123.1	1.6
	Oct	124.3	1.3	119.1	2.9	123.6	2.2	129.6	2.5	123.1	1.8
	Nov	124.5	1.3	119.2	2.8	123.9	2.3	129.7	2.5	123.3	1.8
	Dec	124.5	1.1	118.9	1.5	124.1	2.3	130.0	2.6	123.3	1.4
2001	Jan	123.7	1.1	119.1	2.0	124.2	2.1	130.3	2.8	122.9	1.5
	Feb	124.2	1.1	119.5	2.3	124.2	2.1	130.4	2.8	123.3	1.6

#### The Index of Consumer Prices (ICP)

Consumer price inflation, as measured by the ICP, was 1.1 per cent in February 2001, the same as in the previous two months.

The main downward effect came from transport services, largely due to a fall in air travel costs between January and February 2001. This was offset by upward effects for most other categories within the ICP, particularly major durables, food and non-alcoholic beverages, and furnishings, household equipment, etc.





#### The Index of Investment Prices (IIP)

Investment price inflation, as measured by the IIP, increased from 2.0 per cent in January to 2.3 per cent in February 2001, largely due to higher inflation for dwellings and transfer costs of land and buildings. The rate of inflation for dwellings increased from 7.2 per cent to 8.5 per cent between January and February 2001, while the rate of inflation for transfer costs increased from 10.5 per cent to 13.5 per cent between these months.





The Index of Government Prices - IGP The rate of inflation for the IGP was 2.1 per cent in February 2001, broadly the same as in the previous month.





Comparison between FEPI and other inflation measures

Та	bl	e	B
		100	_

Measures of Inflation	(annual	percentage	changes)
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-		FEPI	RPIX	HICP	ICP(FEPI)	PPI
2000	Seo	1.6	2.2	1.0	1.1	2.5
2000	Oct	1.8	2.0	1.0	1.3	2.8
	Nov	1.8	2.2	1.0	1.3	2.8
	Dec	1.4	2.0	0.9	1.1	2.4
2001	Jan	1.5	1.8	0.9	1.1	1.9
2001	Feb	1.6	1.9	0.9	1.1	1.6

#### NOTES

 The headline measure of inflation is the Retail Prices Index (RPI). The RPI should be used as the main indicator of inflation affecting average households.

2. The Final Expenditure Prices Index (FEPI) is a measure of the change in the prices paid by UK households, businesses, government and non-profit institutions for final purchases of goods and services. Intermediate purchases by businesses are excluded. The FEPI is made up of four components:

The Index of Consumer Prices (ICP) The Index of Investment Prices (IIP) The Index of Government Prices (IGP) The Index of Non-Profit Institutions Prices (INP).

 The ICP measures inflation affecting all consumers in the UK.
 The price indicators used in the ICP are taken mainly from the Retail Prices Index (RPI). 4. The IIP is a measure of the change in the prices paid for capital goods by businesses and by government. It also covers new construction projects and dwellings built for consumers, businesses and government. The price indicators used are mainly Producer Price Indices (PPIs), implied import deflators, construction output price indices and average house price indicators.

5. The IGP measures inflation affecting government. It covers expenditure by central and local government on pay and on procurement. The price indicators used are mainly Average Earnings Indices (to reflect labour costs), PPIs and RPIs (to reflect the cost of goods consumed by government).

6. The INP measures inflation affecting non-profit institutions serving households (NPISHs); mainly universities, higher and further education colleges and charities. The price indicators used are mainly a higher education pay and prices index and an appropriate component of the Average Earnings Index.

7. The IGP(P) is a variant version of the IGP which incorporates government output prices for a number of areas of government expenditure (which comprise around 65% of general government final consumption expenditure) and therefore reflects movements in productivity. The most significant expenditure Items covered by government output prices are health, education, local authority personal social services and social security administration. The IGP(P) feeds into a variant version of the FEPI, the FEPI(P), which differs from the FEPI solely because of the inclusion of government output prices. The IGP(P) and FEPI(P) are only available as annual indices. An article describing the development of the FEPI(P) is included in Economic Trends, No 555, February 2000.

8. An article describing the development and composition of the FEPI is included in Economic Trends, No 526, September 1997. Data are available in computer readable form from the National Statistics website: [http://www.statistics.gov.uk/press\_release/experimental.asp].

#### Final Expenditure Prices Index (FEPI) Summary Table Experimental price indices

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111	Index of Consumer	Index of Investment	Index of Government	Index of NPISH	Final Expenditure		Annual (	percentage	changes	
	Prices	Prices	IGP	Prices INP <sup>1</sup>	FEPI	ICP	IIP	IGP	INP	FEPI
January 1992=	100						1 1		1. 2	
Weights										
1998	601	178	198	23	1000					
1999	607	180	190	24	1000					
2000	605	186	185	24	1000					
2001	602	188	185	24	1000					
	VASH	CUSK	CUSO	ZIUS	CUSP	MKVB	CGBF	CGBJ	ZIUT	CGBK
1997 Jan	116.0	112.3	114.4	116.1	114.8	2.8	1.6	2,3	2.1	2.5
Feb	116.3	112.6	114.2	116.4	115.0	2,6	1.5	1.9	2.0	2.2
Mar	116.7	112.6	113.9	116.4	115.2	2.5	1.0	1.7	2.0	2.0
Apr	117.2	112.9	114.5	116.9	115.7	2.3	0.6	1.2	1.9	1.8
May	117.6	112.8	114.5	117.0	115.9	2.3	0.5	11	1.6	1.8
Jun	117,9	113.0	114.5	117.1	116.1	2.4	0.8	1.4	1.6	1.8
Jul	117.5	113.4	115.9	119.2	116.2	2.6	1.3	2.2	2.8	2.3
Aug	118.1	113.6	115.5	119.9	116.6	2.6	1.2	1.7	3.1	2.2
Sep	118.6	113.7	115.8	120.0	116.9	2.4	1.6	1.7	3.0	2.1
Oct	118.7	113.4	115.4	119.3	116.9	2.5	0.9	1.7	3.1	2.1
Nov	118.8	113.5	115.4	119.0	116.9	2.5	1.4	1.6	2.9	2.1
Dec	118.9	113.2	116.1	119.5	117.1	2.3	0.8	1.6	3.0	1.9
1998 Jan	118.4	113.2	116.2	119.6	116.8	2.1	0.8	1.6	3.0	1.7
Feb	119.0	112.8	116.0	119.7	117.1	2.3	0.2	1.6	2.8	1.8
Mar	119.5	113.2	115.7	119.6	117.4	2.4	0.5	1.6	2.7	1.9
Apr	120.2	113.7	117.0	120.5	118.2	2.6	0.7	2.2	3.1	2.2
May	120.8	113.7	117.3	120.9	118.6	2.7	0.8	2.4	3.3	2.3
Jun	120.7	114.1	117.4	121.2	118.6	2.4	1.0	2.5	3.5	2.2
Jul	120.0	114.0	117.8	122.1	118.3	2.1	0.5	1.6	2.4	1.8
Aug	120.5	113.9	117.9	122.6	118.6	2.0	0.3	2.1	2.3	1.7
Sep .	121.1	114.0	118.1	122.7	119.0	2.1	0.3	2.0	2.2	1.8
Oct	121.2	113.9	117.9	122.4	119.0	2.1	0.4	2.2	2.6	1.8
Nov	121.3	113.9	118.1	122.3	119.1	2.1	0.4	2.3	2.8	1.9
Dec	121.6	113.4	118.8	122.9	119.4	2.3	0.2	2.3	2.8	2.0
1999 Jan	120.9	113.8	119.2	123.5	119.1	2.1	0.5	2.6	3.3	2.0
Feb	121.4	113.8	119.2	123.5	119.4	2.0	0.9	2.8	3.2	2.0
Mar	122.0	114.4	119.2	123.5	119.9	2.1	1.1	3.0	3.3	2.1
Apr	122.5	114.7	120.3	124.4	120.5	1.9	0.9	2.8	3.2	1.9
May	122.8	115.0	120.4	124.8	120.7	1.7	1.1	2.6	3.2	1.8
Jun	122.8	115.2	121.6	125.5	121.0	1.7	1.0	3.6	3.5	2.0
Jul	122.3	115.7	120.8	126.1	120,7	1.9	1.5	2.5	3.3	2.0
Aug	122.5	115.6	121.0	126.7	120.8	1.7	1.5	2.6	3.3	1.9
Sep	123.0	115.6	121.2	126.7	121.2	1.6	1.4	2.6	3.3	1.8
Oct	122.7	115.7	120.9	126.4	120.9	1.2	1.6	2.5	3.3	1.6
Nov	122.9	115.9	121.1	126.5	121.1	1.3	1.8	2.5	3.4	1.7
Dec	120.2	(17.1	121.3	120.7	121.0	1.0	0.0	2.1	0.1	1.0
2000 Jan	122.4	116.8	121.7	126.7	121.1	1.2	2.6	2.1	2.6	1.7
Feb	122.9	116.8	121.7	126.8	121.4	1.2	2.6	2.1	2.7	1.7
Mar	123.2	117.3	121.6	126.8	121.7	1.0	2.5	2.0	2.7	1.5
Apr	123.7	117.3	122.7	127.8	122.2	1.0	2.3	2.0	2.7	1.4
May	124.1	118.1	123.0	128.0	122.6	1.1	2.7	2.2	2.6	1.6
Jun	124.2	118.2	123.1	128.4	122.8	1.1	2.6	1.2	2.3	1.5
Jul	123.6	118.2	123.2	129.3	122.4	1.1	2.2	2.0	2.5	1.4
Aug	123.6	118.9	123.4	129.7	122.6	0.9	2.9	2.0	2.4	1.5
Sep	124.3	119.1	123.6	129.8	123.1	1.1	3.0	2.0	2.4	1.6
Oct	124.3	119.1	123.6	129.6	123.1	1.3	2.9	2.2	2.5	1.8
Nov	124.5	119.2	123.9	129.7	123.3	1.3	2.8	2.3	2.5	1.8
Dec	124.5	118.9	124.1	130.0	123.3	1,1	1.5	2.3	2.6	1.4
2001 120	100 7	110.1	194.2	120.2	122.0	11	20	21	2.9	1.5
Eoor Jan	120.7	110.1	124.2	130.4	123.3	11	23	21	2.0	1.6
1-90	124.2	119.0	124.2	130.4	120.0	1.1	2.0	2.1	2.0	1.0

Data have been revised back to January 1992.

1 NPISH = Non-profit institutions serving households.

#### Final Expenditure Prices Index (FEPI) Index of Consumer Prices (ICP) Experimental price indices

		Food and Non- alcoholic Beverages	Alcoholic Beverages	Tobacco	Clothing and Footwear	Actual Rentals for Housing	Housing Goods and Services <sup>1</sup>	Electricity, Gas and Other Household Fuels	Furnishings, Household Equipment, etc.	Health	Purchase and Operation of Vehicles <sup>2</sup>	Fuels and Lubricants for Vehicles
January 199	2=100											and the second
COICOP Div	ision	01	02	02	03	04	04	04	05	06	07	07
Weights												
1000		124	10	20	60	46	28	38	64	17	80	30
1998		119	19	28	68	46	29	34	64	17	85	30
1999		115	10	28	66	40	30	30	64	17	85	30
2000		112	20	28	66	47	30	28	64	17	82	30
		1400	1400	MADD	VADE	VADT	VADU	VADV	MADIA	VADY	VADV	VADZ
Internet Fait		VARP	VANG	172.0	100 P	140.7	124.2	07.0	1120	146.6	116 9	149.0
1999 Feb		114.4	115.5	172.0	102.6	142.7	134.5	97.6	112.0	146.6	116.0	140.9
Mar		110.7	115.2	100.7	102.5	142.0	134.5	97.4	112.3	140.0	117.3	165.5
Apr		113.0	115.0	180.7	102.0	145.4	136.4	97.5	112.5	140.0	117.0	165.4
way		113.7	110.0	100.7	103.2	145.5	136.0	07.1	112.0	150.2	117.0	164.9
JUN		113.2	110.1	101.2	100.1	140.0	130.9	57.1	112.5	100.2	117.0	104.0
Jul		112.3	115.3	184.2	98.2	145.7	137.1	97.4	110.7	153.1	116.3	167.1
Aug		111.8	115.7	184.6	99.6	146.0	137.3	97.5	112.0	153.4	115.6	171.7
Sep		111.8	115.5	184.7	103.5	146.3	137.1	97.8	113.0	153.7	115.2	171.5
Oct		111.7	115.7	184.6	102.6	146.5	137,1	97.9	112.0	154.7	114.6	173.0
Nov		112.2	114.7	184.7	102.8	146.6	137.6	98.2	113.5	155.0	113.8	172.3
Dec	,	112.4	113.6	184.7	102.0	146.9	137.9	98.9	115.5	155.2	113.0	176.7
2000 Jan		112.3	115.8	184.8	95.2	147.2	138.8	98.7	109.9	156.2	114.1	176.3
Feb		112.2	115.7	186.7	98.4	147.2	139.0	98.8	110.9	156.5	114.2	176.2
Mar		111.5	115.8	186.8	99.8	147.2	138.9	98.8	112.1	156.6	114.7	182.7
Apr		111.1	115.3	198.4	100.8	149.8	134.6	97.6	112.0	157.9	115.0	186.6
May		112.2	115.4	198.6	100.7	149.9	134.7	96.9	112.4	158.2	115.5	185.7
Jun		112.4	115.5	198.9	100.0	150.2	134.7	96.4	111.9	158.4	114.9	194.9
Jul		113.4	115.1	199.0	93.0	150.7	135.0	96.4	109.8	159.9	114.1	196.5
Auc		112.5	114 9	200.2	94.6	150.9	135.5	96.4	110.5	160.2	113.5	188 1
San		112.0	115.4	201.5	98.0	151.2	135.7	97.2	112.2	160.4	113.2	191.7
Oct		112.0	115.2	201.6	98.0	151.6	136.0	97.6	111.0	161.7	112.8	186.8
Nov		113.5	11/ 9	201.6	98.5	151.8	136.2	97.4	112.4	161 B	112.3	191.6
Dec		113.7	113.6	201.6	97.8	152.0	136.7	97.2	114.2	162.3	112.0	188.3
1						100.0	100.5		100.0	101.0		
2001 Jan		113.9	115.7	201.6	91.7	152.2	136.9	96.8	109.8	164.1	113.6	180.4
Feb	The second	114.0	116.0	203.6	94.4	152.2	137.5	96.9	111.3	164.2	113.8	181.1

	Food and Non- alcoholic Beverages	Alcoholic Beverages	Tobacco	Clothing and Footwear	Actual Rentals for Housing	Housing Goods and Services <sup>1</sup>	Electricity, Gas and Other Household Fuels	Furnishings, Household Equipment, etc.	Health	Purchase and Operation of Vehicles <sup>2</sup>	Fuels and Lubricants for Vehicles
	VASK	VASL	VASM	VASN	VASO	VASP	MKUP	MKUQ	MKUR	MKUS	MKUT
1999 Feb	3.4	1.6	7.8	-1.9	3.1	4.1	-1.4	1.2	5.9	-0.9	1.2
Mar	2.8	0.8	11.7	-2.2	3.0	4.2	-1.5	0.8	5.8	-0.8	7.4
Apr	2.0	0.9	11.5	-2.5	3.3	2.6	-1.5	0.6	6.0	-0.4	7.0
May	1.0	0.6	11.1	-3.0	3.3	2.5	-1.1	0.6	6.1	-0.7	6.4
Jun	1.0	1.8	11.3	-2.8	3.1	2.9	-0.4	0.6	5.8	-0.7	6.5
Jul	0.4	0.7	13.0	-1.6	3.1	2.9	0.2	-0.1	7.1	-0.9	7.5
Aug	-1.1	1.0	13.2	-2.3	3.1	2.9	0.4	0.4	7.3	-1.4	10.4
Sep	-0.8	0.6	13.2	-2.9	3.0	2.6	0.6	0.5	7.5	-1.9	10.9
Oct	-1.1	0.6	13.0	-2.7	2.9	2.4	0.4	0.4	6.0	-1.9	12.2
Nov	-0.4	1.0	13.0	-3.2	2.8	2.5	0.8	0.3	6.2	-2.0	12.5
Dec	-1.1	0.4	9.8	-3.4	2.8	2.8	1.7	-0.3	6.3	-1.9	17.1
2000 Jan	-1.7	0.6	7.4	-3.4	3.1	3.2	1.5	-0.4	6.8	-2.3	17.9
Feb	-1.9	0.2	8.5	-2.4	3.2	3.5	1.6	-1.0	6.8	-2.2	18.3
Mar	-1.9	0.5	4.9	-2.6	3.1	3.3	1.4	-1.6	6.8	-1.9	16.1
Apr	-1.7	0.3	9.8	-1.8	3.0	-1.3	0.3	-0.3	5.5	-2.0	12.7
May	-1.3	0.1	9.9	-2.4	3.0	-1.2	-0.2	-1.1	5.5	-1.4	12.3
Jun	-0.7	-0.5	9.8	-3.0	3.2	-1.6	-0.7	-0.9	5.5	-1.8	18.3
Jul	1.0	-0.2	8.0	-5.3	3.4	-1.5	-1.0	-0.8	4.4	-1.9	17.6
Aug	0.6	-0.7	8.5	-5.0	3.4	-1.3	-1.1	-1.3	4.4	~1.8	9.6
Sep	0.8	-0.1	9.1	-5.3	3.3	-1.0	-0.6	-0.7	4.4	-1.7	11.8
Oct	1.1	-0.4	9.2	-4.5	3.5	-0.8	-0.3	-0.9	4.5	-1.6	8.0
Nov	1.2	0.2	9.1	-4.2	3.5	-1.0	-0.8	-1.0	4.4	-1.3	11.2
Dec	1.2	-	9.1	-4.1	3.5	-0.9	-1.7	-1.1	4.6	-0.9	6.6
2001 Jan	1.4	-0.1	9.1	-3.7	3.4	-1.4	-1.9	-0.1	5.1	-0.4	2.3
Feb	1.6	0.3	9.1	-4.1	3.4	-1.1	-1.9	0.4	4.9	-0.4	2.8

Data have been revised back to January 1992.

1 Includes materials and services for maintenance and repair of the dwelling

and other housing services excluding household fuels.

2 continued

#### Final Expenditure Prices Index (FEPI) Index of Consumer Prices (ICP) Experimental price indices

-		Transport Services	Communication	Major Durables for Recreation and Culture	Other Recreation and Culture	Education	Restaurants and Hotels	Miscellaneous Goods and Services	Index of Consumer Prices ICP	Of which: goods	Of which: services
Janu	ary 1992=100										-
coic	OP Division	07	08	09	09	10	11	12			
Weig	hts										
1998 1999 2000 2001		38 39 41 42	22 22 22 23	29 31 34 35	99 100 100 101	15 16 16 15	126 126 126 129	129 128 130 131	1000 1000 1000 1000	556 554 548 544	444 446 452 456
1999	Feb Mar Apr May Jun	VASA 127.4 127.4 128.7 129.2 129.8	VASB 86.4 86.4 86.1 85.5 85.2	VASC 86.3 85.8 85.2 85.0 84.1	VASD 119.8 120.2 120.9 121.1 121.0	VASE 139.0 139.0 139.0 139.0 139.0	VASF 132.7 132.9 133.5 134.1 134.6	VASG 131.4 131.7 132.8 133.0 133.3	VASH 121.4 122.0 122.5 122.8 122.8	VASI 114.3 115.1 115.2 115.6 115.3	VASJ 130.9 131.2 132.4 132.7 133.0
	Jul Aug Sep Oct Nov Dec	130.1 130.2 130.0 129.5 129.6 129.7	84.8 85.0 84.5 83.2 83.3 83.8	82.9 81.8 81.2 80.7 80.3 80.3	120.5 120.4 120.4 120.7 120.8 120.8	139.0 139.0 145.0 146.5 146.5 146.5	134.7 135.0 135.2 135.5 135.6 135.6 135.7	134.7 134.7 135.0 133.8 134.3 134.8	122.3 122.5 123.0 122.7 122.9 123.2	114.1 114.4 114.8 114.5 114.5 114.5	133.5 133.6 134.1 133.9 134.3 134.3
2000	Jan Feb Mar Apr May Jun	130.3 130.4 130.4 132.7 133.1 133.5	83.6 83.2 83.1 82.5 82.1 81.9	79.6 79.4 78.6 78.6 78.5 78.5 77.2	120.5 120.9 121.1 121.6 122.0 122.0	146.5 146.5 146.5 146.5 146.5 146.5	136.2 136.5 136.9 137.7 138.6 139.0	135.1 135.3 135.7 135.5 136.0 136.3	122.4 122.9 123.2 123.7 124.1 124.2	113.2 113.8 114.2 114.7 114.9 114.9	135.0 135.2 135.5 136.1 136.6 137.0
	Jul Aug Sep Oct Nov Dec	134.5 135.1 134.7 135.4 135.3 135.4	82.8 81.2 80.6 80.3 80.4 79.4	76.2 76.5 76.0 75.6 75.2 74.4	121.7 121.7 122.3 122.4 121.8 121.9	146.5 146.5 150.5 153.9 153.9 153.9	139.6 140.3 140.7 141.0 141.3 141.5	136.0 136.3 136.9 136.9 137.3 137.3	123.6 123.6 124.3 124.3 124.5 124.5	113.6 113.4 114.3 114.0 114.4 114.3	137.3 137.6 138.0 138.4 138.5 138.5
2001	Jan Feb	137.0 133.4	77.1 76,2	73.2 73.8	121.6 122.1	153.9 153.9	141.7 142.0	137.9 138.7	123.7 124.2	112.6 113.5	139.0 138.9

	Transport Services	Communication	Major Durables for Recreation and Culture	Other Recreation and Culture	Education	Restaurants and Hotels	Miscellaneous Goods and Services	Index of Consumer Prices ICP	Of which: goods	Of which: services
	MKIILI	MKUV	MKUW	MKUX	MKUY	MKUZ	MKVA	MKVB	MKVC	MKVD
1999 Feb	27	-1.9	-7.7	1.8	5.7	4.2	3.4	2.0	0.7	3.6
Mar	28	-1.9	-7.7	2.0	5.7	4.2	3.3	2.1	0.9	3.6
Apr	2.9	-2.2	-7.8	1.9	5.7	4.3	3.2	1.9	0.6	3.6
May	2.7	-2.7	-7.6	1.7	5.7	4.1	2.9	1.7	0.3	3.3
Jun	2.9	-3.0	-7.9	1.8	5.7	4.2	3.1	1.7	0.4	3.4
Jul	2.8	-3.1	-8.6	1.6	5.7	3.7	4.3	1.9	0.4	3.6
Aug	2.8	-1.8	-9.2	1.3	5.7	3.4	4.2	1.7	0.2	3.6
Sep	2.8	-2.3	-9.1	1.0	5.4	3.2	4.4	1.6		3.6
Oct	3.0	-3.8	-8.9	1.0	5.4	3.2	2.5	1.2	-0.1	3.0
Nov	3.0	-3.6	-9.3	1.0	5.4	3.0	2.4	1.3	-0.2	3.1
Dec	3.1	-3.0	-9.0	0.9	5.4	2.8	. 2.5	1.3	-0.3	3.1
2000 Jan	2.8	-3.2	-8.5	0.8	5.4	2.9	3.1	1.2	-0.4	3.3
Feb	2.4	-3.7	-8.0	0.9	5.4	2.9	3.0	1.2	-0.4	3.3
Mar	2.4	-3.8	-8.4	0.7	5.4	3.0	3.0	1.0	-0.8	3.3
Apr	3.1	-4.2	-7.7	0.6	5.4	3.1	2.0	1.0	-0.4	2.8
May	3.0	-4.0	-7.6	0.7	5.4	3.4	2.3	1.1	0.6	2.9
Jun	2.9	-3.9	-8.2	0.8	5.4	3.3	2.3	1,1	-0.3	3.0
Jul	3.4	-2.4	-8.1	1.0	5.4	3.6	1.0	1.1	-0.4	2.8
Aug	3.8	-4.5	-6.5	1.1	5.4	3.9	1.2	0.9	-0.9	3.0
Sep	3.6	-4.6	-6.4	1.6	3.8	4.1	1.4	1.1	-0.4	2.9
Oct	4.6	-3.5	-6.3	1.4	5.1	4,1	2.3	1.3	-0.4	3.4
Nov	4.4	-3.5	-6.4	0.8	5.1	4.2	2.2	1.3	-0.1	3.1
Dec	4.4	-5.3	-7.3	0.9	5.1	4.3	1.9	1.1	-0.4	3.0
2001 Jan	5.1	-7.8	-8.0	0.9	5.1	4.0	2.1	1.1	-0.5	3.0
Feb	2.3	-8.4	-7.1	1.0	5.1	4.0	2.5	1.1	-0.3	2.7

Annual Percentage Changes

Data have been revised back to January 1992.

#### Final Expenditure Prices Index (FEPI) Index of Investment Prices (IIP) Experimental price indices

		Equipme	ent			Cons	struction		
	Transport Equipment	Other Machinery and Equipment	Intangible Fixed Assets <sup>1</sup>	Total Equipment	Dwellings	Other Buildings and Structures	Transfer Costs of Land and Buildings	Total Construction	Index of Investment Prices IIP
January 1992	2=100								
Weights									
1008	97	392	33	521	181	263	35	479	1000
1000	09	380	32	519	178	260	42	481	1000
1999	00	203	30	513	179	267	41	407	1000
2000	100	376	29	514	174	263	40	196	1000
2001	109	5/0	20	014	174	200		400	1000
	CUSH	CUSG	MJYL	ZIWS	CUSJ	CUSF	CUSI	ZIWT	CUSK
1999 Feb	120.5	97.4	125.0	103.3	119.5	124.3	174.8	125.9	113.8
Mar	120.4	97.0	124.7	102.9	122.8	124.6	179.7	127.6	114.4
Apr	120.5	96.8	125.0	102.8	124.3	124.8	184.2	128.6	114.7
May	120.6	96.2	125.1	102.3	126.4	125.1	187.3	129.8	115.0
Jun	120.7	95.9	125.4	102.1	127.6	125.5	189.3	130.6	115.2
hal	120.4	95.4	125.8	101.7	131.0	125.9	191.1	132.3	115.7
Aug	120,4	94.4	125.0	101.0	132.0	126.3	102.4	132.0	115.6
Aug	121.1	02.0	124.0	100.5	133.4	126.5	102.7	133 7	115.6
Sep	120.9	93.9	124.9	100.0	124.0	120.0	100.0	100.7	110.0
OCI	121.0	93.2	104.5	100.0	109.1	107.0	100.5	124.0	115.7
NOV	122.5	93.8	124.5	100.7	100.1	107.0	190.0	104.0	115.9
Dec	123.1	94.0	124.5	101.0	138.6	127,1	201.4	130,5	117.1
2000 Jan	121.7	93.6	125.9	100.5	137.3	127.3	205.4	136.4	116.8
Feb	121.8	93.8	126.1	100.7	137.0	127.5	203.2	136.3	116.8
Mar	121.7	93.1	125.8	100.1	140.7	127.9	209.1	138.1	117.3
Aor	119.9	92.4	126.4	99.3	142.4	128.3	215.9	139.4	117.3
May	120.7	93.1	127.4	100.0	143.7	128.7	217.1	140.2	118.1
Jun	121.5	92.8	127.3	99.9	143.8	129.1	218.5	140.5	118.2
Int	100.0	02.6	107.1	00.0	142.4	120.6	219.6	140.7	110.0
Jui	122.2	92.0	127.1	100.1	145.4	120.0	210.0	140.7	110.2
Aug	121.3	93.1	120.0	100.1	145.9	100.0	004 0	142.1	110.9
Sep	121.6	93.2	127.1	100.2	145.4	130.3	224.3	142.2	119.1
Oct	121.3	92.8	126.9	99.8	140.7	130.6	223.0	142.9	119.1
Nov	119.8	92.7	127.7	99.6	147.8	131.0	226.4	143.6	119.2
Dec	119.8	92.4	128.0	99.4	146.4	131.3	223.7	143.1	118.9
2001 Jan	119.4	92.3	127.7	99.2	147.2	131.6	227.0	143.7	119.1
Feb	119.3	92.5	128.2	99.3	148.6	132.0	230.6	144.7	119.5

Annual Percentage Changes

		Equipme	nt			Index of			
	Transport Equipment	Other Machinery and Equipment	Intangible Fixed Assets <sup>1</sup>	Total Equipment	Dwellings	Other Buildings and Structures	Transfer Costs of Land and Buildings	Total Construction	Investment Prices IIP
	CGBC	CGBB	MJYM	ZIWU	CGBE	CGBA	CGBD	ZIWV	CGBF
1999 Feb	4.3	-5.8	2.4	-3.4	7.0	3.8	10.4	5.5	0.9
Mar	3.1	-5.1	2.4	-3.1	7.2	3.6	11.7	5.5	1.1
Apr	3.3	-4.8	1.9	-2.9	6.0	3.4	10.4	4.9	0.9
May	2.6	-5.6	1.4	-3.7	9.0	3.3	12.6	6.2	1.1.
Jun	3.1	-4.9	2.2	-2.9	6.5	3.1	12.2	5.2	1.0
Jul	2.4	-4.6	2.5	-2.9	9.3	2.9	11.9	6.1	1.5
Aug	2.5	-4.8	2.4	-3.0	9.7	2.9	12.8	6.2	1.5
Sep	2.3	-4.5	1.5	-2.8	9.5	2.7	12.6	6.1	1.4
Oct	1.9	-4.8	1.6	-3.2	10.5	2.7	14.9	6.7	1.6
Nov	2.5	-4.0	0.9	-2.4	10.0	2.7	13.8	6.3	1.8
Dec	2.6	-3.3	0.5	-1.9	16.6	2.6	17.9	9.0	3.3
2000 Jan	1.6	-4.0	1.2	-2.6	14.3	2.6	18.0	8.3	2.6
Feb	1.1	-3.7	0.9	-2.5	14.6	2.6	16.2	8.3	2.6
Mar	1.1	-4.0	0.9	-2.7	14.6	2.6	16.4	8.2	2.5
Apr	-0.5	-4.5	1,1	-3.4	14.6	2.8	17.2	8.4	2.3
May	0.1	-3.2	1.8	-2.2	13.7	2.9	15.9	8.0	2.7
Jun	0.7	-3.2	1.5	-2.2	12.7	2,9	15.4	7.6	2.6
Jul	1.5	-2.9	1.0	-1.8	9.5	2.9	14.4	6.3	2.2
Aug	0.2	-1.4	1.3	-0.9	10.5	2.9	15.4	6.9	2.9
Sep	0.6	-0.7	1.8	-0.3	9.0	3.0	15.8	6.4	3.0
Oct	0.2	-0.4	1.6	-0.2	9.5	3.1	13.1	6.3	2.9
Nov	-2.2	-1.2	2.6	-1.1	11.0	3.1	15.2	7.2	2.8
Dec	-2.7	-1.7	2.8	-1.6	5.6	3.3	11.1	4.8	1,5
2001 Jan	-1.9	-1.4	1.4	-1.3	7.2	3.4	10.5	5.4	2.0
Feb	-2.1	-1.4	1.7	-1.4	8.5	3.5	13.5	6.2	2.3

Data have been revised back to January 1992.

1 This covers mineral exploration, computer software and entertainment, literary and artistic originals. 4

### Final Expenditure Prices Index - FEPI Index of Government Prices - IGP

Experimental price indices

				Ann	ual percentage changes	
	Local Government Pay & Procurement	Central Government Pay & Procurement	Index of Government Prices	Local Government Pay & Procurement	Central Government Pay & Procurement	Index of Government Prices
January 1992=10	00					
Weights						•
1998	383	617	1000			
1999	382	618	1000			
2000	382	618	1000			
2001	393	607	1000			
	1					
and the second second	CUSL	CUSM	CUSO	CGBG	CGBH	CGBJ
1999 Feb	122.2	117.3	119.2	2.8	2.7	2.8
Mar	122.3	117.3	119.2	2.9	3.0	3.0
Apr	124.0	118.1	120.3	2.8	2.9	2.8
May	123.9	118.2	120.4	2.7	2.6	2.6
Jun	126.1	118.8	121.6	4.5	3.0	3.6
Jul	124.6	118.5	120.8	3.1	2.2	2.5
Aug	124.7	118.7	121.0	3.1	2.3	2.6
Sep	125.3	118.7	121.2	3.2	2.2	2.6
Oct	125.2	118.2	120.9	3.3	2.1	2.5
Nov	125.4	118.4	121.1	33	20	25
Dec	125.5	118.8	121.3	26	19	21
DUC	120.0	110.0	121.0	2.0	1.5	2.1
2000 Jan	125.6	110 4	1217	27	18	21
Ech	125.6	110.9	1017	2.0	17	2.1
Har	120.0	110.3	101 6	2.0	1.7	2.1
IVICI	120.0	119.2	121.0	2.0	1.0	2.0
Apr	127.7	119.7	122.7	3.0	1.4	2.0
May	127.8	120.0	123.0	3.1	1.0	2.2
Jun	127.9	120.1	123.1	1.4	1,1	1,2
dul	127.9	120.2	123.2	26	14	20
Aug	128.0	120.5	123.4	26	15	20
For	120.0	120.0	103.6	2.0	1.5	2.0
Oct	120.5	120.0	102.0	2.0	1.0	2.0
Oct	128.5	120.6	123.0	2.6	2.0	2.2
NOV	128.8	120.9	123.9	2.7	2.1	2.3
Dec	128.8	121.2	124.1	2.6	2.0	2.3
	1.1.1			1444		
2001 Jan	128.8	121.4	124.2	2.5	1.7	2.1
Feb	128.9	121.4	124.2	2.6	1.8	2.1

Data have been revised back to January 1992.

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#### Final Expenditure Prices Index - FEPI(P) Incorporating implied government output prices Experimental price indices

	Index of	Index of	Index of	Index of	Final	-	Annual	percentage	changes	
	Prices	Prices	Prices IGP(P)	Prices INP <sup>1</sup>	Prices Index FEPI(P)	ICP	IIP	IGP(P)	INP	FEPI(P)
January 1992	=100		~							
Weights										
1998	601	178	198	23	1000					
1999	607	180	190	24	1000					
2000	605	186	185	24	1000					
2001	602	188	185	24	1000					
	VASH	CUSK	LGTZ	ZIUS	LGUA	MKVB	CGBF	GXVN	ZIUT	GXVO
1992	102.1	98.8	101.0	102.0	101.2					
1993	105.5	99.8	103.8	106.3	104.0	3.3	1.0	2.8	4.2	28
1994	108.2	103.0	106.1	109.4	106.7	2.6	3.2	2.2	2.9	2.6
1995	111.6	108.5	107.9	112.4	110.1	3.1	5.3	1.7	2.7	3.2
1996	114.8	111.8	110.4	115.3	113.2	2.9	3.0	2.3	2.6	2.8
1997	117.7	113.1	111.2	118.1	115.3	2.5	1.2	0.7	2.4	1.9
1998	120.4	113.7	113.5	121.4	117.6	2.3	0.5	2.1	2.8	2.0
1999	122.4	115.2	118.2	125.4	120.1	1.7	1.3	4.1	3.3	2.1
2000	123.8	118.2	122.1	128.6	122.3	1.1	2.6	3.3	2.6	1.8

Data have been revised back to 1992.

1 NPISH = Non-profit Institutions serving households.

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## Final Expenditure Prices Index - FEPI(P)

#### Index of Government Prices incorporating implied output prices - IGP(P) Experimental price indices

				Annual percentage changes				
	Local Government Pay & Procurement	Central Government Pay & Procurement	Index of Government Prices	Local Government Pay & Procurement	Central Government Pay & Procurement	Index of Government Prices		
January 1992:	=100	191			T ALCO			
Weights								
1998 1999 2000 2001	383 382 382 393	617 618 618 607	1000 1000 1000 1000	- 1		ž -		
	LGTU	LGTX	LGTZ	GXVL	GXVM	GXVN		
1992	100.1	101.6	101.0		alara la la la la re-			
1993	101.1	105.5	103.8	1.0	3.8	2.8		
1994	103.7	107.7	106.1	2.6	2.1	2.2		
1995	106.2	109.0 111.7	107.9	2.4 2.1	2.5	1.7 2.3		
1997	110.0	112.0	111.2	1.5	0.3	0.7		
1998	112.2	114.5	113.5	2.0	2.2	2.1		
1999	116.0	119.6	118.2	3.4	4.5	4.1		
2000	120.5	123.1	122.1	3.9	. 2.9	3.3		

Data have been revised back to 1992.

## Index of services (experimental) - December 2000

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In December, the seasonally adjusted experimental monthly index of services was 121.2 at 1995 prices.

Output of the service industries in the latest three months increased by 0.7 per cent compared with the previous three months and by 3.5 per cent compared with the same three months a year ago.

On both of these measures, the slowdown in the overall growth of services continued. Growth in distribution was stronger but there was a fall in the output of hotels and restaurants and slower growth in business services and finance.



			Total serv	ices	Distribution				
		-	Percentaç	je change	Percentage change				
		Index (1995=100)	latest 3 mth on previous 3 mth	latest 3 mth on same 3 mth a year ago	Index (1995=100)	latest 3 mth on previous 3 mth	latest 3 mth on same 3 mth a yea ago		
season	ally adjusted								
1999	Dec	117.5	1.0	3.4	112.9	0.4	2.7		
2000	Inc	117 4	10	20	149.7	0.2	9.7		
2000	Jan	117.4	1.0	3.0	113./	0.3	2.1		
	Mor	118.2	0.4	3.4	112.0	-0.2	2.1		
	IVIGI	110.2	0.4	0.1	115.4	0.0	1.0		
	Apr	117.9	0.3	2.9	112.4	-0.5	1.4		
	May	119.6	0.8	3.3	115.7	0.7	2.1		
	Jun	120.1	1.2	3.7	115.6	1.2	2.8		
	Jul	119.8	1.6	4.0	115.9	2.6	3.5		
	Aug	121.0	1.5	4.0	117.4	2.2	3.5		
	Sep	120.8	1.1	3.8	116.8	1.9	3.5		
	Oct	120.9	0.9	3.9	118.0	1.4	3.8		
	Nov	122.0	0.8	3.6	118.8	1.3	4.0		
	Dec	121.2	0.7	3.5	118.8	1.5	4.7		

Experimental index of services: percentage changes, latest 3 months on previous 3 months







### Index of services (experimental)- December 2000

#### Distribution (SIC92 divisions 50-52)

In the latest three months, the output of the distribution sector rose by 1.5 per cent compared with the previous three months and by 4.7 per cent compared with the same three months a year ago.

The motor trades continued to show a greater increase in the latest three months compared with the previous three months than in the latest three months compared with the same three months a year ago.

#### Hotels and restaurants (SIC92 division 55)

In the latest three months, the output of hotels and restaurants fell by 1.1 per cent compared with the previous three months and by 2.8 per cent compared with the same three months a year ago.

#### Experimental index: distribution seasonally adjusted: 1995=100



Experimental index: hotels and restaurants seasonally adjusted: 1995=100



## Transport, storage and communication (SIC92 divisions 60-64)

In the latest three months, the output of the transport, storage and communication industries rose by 1.3 per cent compared with the previous three months and by 5.4 per cent compared with the same three months a year ago.

The strongest growth was within post and telecommunication. The estimate of growth in recent months in this category has been revised upwards.

In the latest three months compared with the same three months a year ago, there were falls in both land transport and in water transport. Experimental index: transport, storage and communication seasonally adjusted: 1995=100



### Index of services (experimental)- December 2000

## Business services and finance (SIC92 divisions 65-74)

In the latest three months, the output of business services and finance industries rose by 0.5 per cent compared with the previous three months and by 4.5 per cent compared with the same three months a year ago.

The estimate of growth in business services and finance in 2000 has been revised upwards. Estimated growth rates for the latest months continue to be lower than for mid-2000, however.

## Government and other services (SIC92 divisions 75-95)

In the latest three months, the output of the government and other services category rose by 0.5 per cent compared with the previous three months and by 1.7 per cent compared with the same three months a year ago.

## Experimental index: business services and finance

seasonally adjusted: 1995=100



Experimental index: government and other services seasonally adjusted: 1995=100



#### Coverage of the experimental loS

The experimental index of services (IoS) shows the monthly movements in the gross value added of the service industries. Coverage includes both private sector and government services; together these account for two thirds of total gross domestic product (GDP). Index numbers are based on 1995=100 and all values are seasonally adjusted.

#### Consistency with quarterly estimates of GDP(O)

The monthly figures for the experimental IoS and its component series shown in this release are consistent with the quarterly estimate of GDP by the output measure (GDP(O)), published on 23 February. That estimate showed a 0.7 per cent increase in the service sector between the third and fourth guarters of 2000.

#### Revisions to the back data

The experimental IoS figures in this release have been revised back to January 2000, consistent with revisions to GDP(O). The quarterly GDP(O) estimates published on 23 February were open to revisions back to the first quarter of 2000.

The estimated overall growth in services between the third and fourth quarters of 2000 was unchanged at 0.7 per cent, whilst the estimated growth between the second and third quarters was revised upwards from 0.9 per cent to 1.1 per cent. Revisions are mainly as a result of new ONS inquiry data for business services.

### Index of services (experimental)- December 2000

#### Index of Distribution First Release

On 8 May, the 'experimental' label will be dropped from the index of distribution and it will be published as a National Statistics First Release for the first time. The monthly estimate will be published four weeks earlier than it is under the existing timetable. From May onwards, the experimental index of services will only be published via the National Statistics web-site. It will no longer be published in Economic Trends.

#### Notes

Values for the three components of the distribution sector (motor trades, wholesaling and retailing) can be provided on request.

Further details of the data sources and methods used in this experimental index are given in the article, 'Introducing the Experimental Monthly Index of Services', by Rob Pike and Geoff Reed, which appeared in the December 2000 issue of Economic Trends (no. 565). The article is also available on the National Statistics web-site at:

http://www.statistics.gov.uk/nsbase/themes/economy/Articles/ ShortTermIndicators/ReportsServices.asp

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Index of Services (EXPERIMENTAL) Index numbers of service industries' gross value added at constant basic prices 1,2,3

1995=100, seasonally adjusted

				Industry groups						
	Total service industries <sup>4</sup>			Dis	Distribution: wholesale and retail trade; repairs <sup>4</sup>			Hotels and restaurants <sup>4</sup>		
	percentage change			percenteg	percentage change		percentage change			
	Index	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago	Index	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago	Index	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago	
1995 weights	1000			176			44			
	FVQQ	FVGD	FVGE	FVVR	FVVL	FVVM	FVXT	FVXB	FVXC	
1997 Jan	105.7	1.0	3.7	105.3	-0.3	2.9	102.7	1.2	6.0	
Feb	106.0	1.1	4.0	105.9	-0.3	3.5	102.0	-0.2	5.2	
Mar	106.1	1.2	3.9	105.8	0.9	4.1	102.0	-1.5	2.6	
Apr	106.9	1.2	3.9	107.3	1.6	4.4	102.3	-1.4	-	
May	106.9	1.1	3.8	106.9	1.6	4.1	103.1	-0.5	-1.8	
Jun	107.7	1.2	4.1	107.5	1.5	4.2	104.5	1.1	-1.2	
Jul	108.2	1.2	4.3	107.8	1.0	3.8	104.0	1.7	0.4	
Aug	108.3	1.3	4.6	107.5	0.8	3.7	104.3	1.7	2.0	
Sep	109.2	1.3	4.8	107.3	0.3	3.0	104.5	0.9	2.4	
Oct	109.7	1.3	4.8	109.2	0.5	2.9	103.9	0.3	1.8	
Nov	109.2	1.2	4.7	108.1	0.6	2.8	104.1	0.1	1.0	
Dec	110.0	1.0	4.7	108.4	1.0	3.6	105.6	0.3	0.7	
1998 Jan	110.5	0.8	4.6	109.8	0.8	3.9	104.5	0.5	1.1	
Feb	110.3	0.9	4.5	109.4	1.0	4.1	104.3	0.6	1.8	
Mar	111.4	1.0	4.5	110.3	1.2	3.9	105.0	0.1	2.3	
Apr	111.7	1.1	4.5	109.5	0.9	3.2	105.3	0.1	2.7	
May	111.8	1.2	4.7	109.8	0.6	3.0	104.7	0.2	2.4	
Jun	112.0	1.2	4.0	110.2	-	2.4	105.2	0.4		
Jul	112.9	1.2	4.5	110.7	0.5	2.7	105.7	0.3	1.3	
Aug	112.8	1.0	4.3	109.8	0.3	2.5	106.3	0.7	1.4	
Sep	113.0	0.8	4.0	110.4	0.4	2.6	106.0	0.9	1.7	
Oct	113.3	0.5	3.6	110.1	-0.1	2.0	105.9	0.9	1.8	
Nov	113.3	0.4	3.5	109.9	-0.1	1.8	106.3	0.3	1.8	
Dec	113.7	0.5	3.5	110.6	-0.1	1,5	108.8	0.9	2.3	
1999 Jan	113.5	0.4	3.3	110.6	0.2	1.5	109.2	1.9	3.2	
Feb	114.4	0.6	3.3	110.9	0.5	1.4	108.3	2.5	3.8	
Mar	114.8	0.7	3.2	111.9	0.8	1.2	106.8	1.1	3.3	
Apr	114.6	1.0	3.1	111.0	0.8	1.4	106.8	-0.7	2.3	
May	114.8	0.8	2.8	111.5	0.7	1.4	106.0	-2.0	1.5	
Jun	115.2	0.6	2.6	111.7	0.2	1.4	105.8	-1.8	1.1	
Jul	115.7	0.6	2.5	112.4	0.5	1.5	106.0	-1.2	0.7	
Aug	116.0	0.8	2.5	112.9	0.8	. 1.9	106.7	-0.3	0.4	
Sep	116.8	1.1	2.9	113.1	1.2	2.3	108.0	0.7	0.8	
Oct	116.5	1.0	3.0	113.3	1.1	2.7	106.3	1.0	0.9	
Nov	117.8	1.2	3.4	113.5	0.9	2.9	106.5	0.7	0.8	
Dec	117.5	1.0	3.4	112.9	0.4	2.7	104.0	-1.2	-1.3	
2000 Jan	117.4 <sup>†</sup>	1.0	3.6	113.7†	0.3*	2.7	104.5	-1.9 <sup>†</sup>	-2.8	
Feb	117.7	0.4	3.2	112.5	-0.2	2.1	106.3	-1.9	-3.5	
Mar	118.2	0.4	3.1 <sup>T</sup>	113.4	-	1.9	104.5	-0.5	-2.8	
Apr	117.9	0.3	2.9	112.4	-0.5	1.4	105.4	0.4	-1.7	
May	119.6	0.8 <sup>T</sup>	3.3	115.7	0.7	2.1	104.3	-0.2	-1.7	
Jun	120.1	1.2	3.7	115.6	1.2	2.8	103.8	-0.6	-1.6	
Jul	119.8	1.6	4.0	115.9	2.6	3.5	104.3	-1.2	-1.7	
Aug	121.0	1.5	4.0	117.4	2.2	3.5	103.7	-0.8	-2.1	
Sep	120.8	1.1	3.8	116.8	1.9	3.5	103.5	-0.6	-2.9	
Oct	120.9	0.9	3.9	118.0	1.4	3.8	103.2	-0.6	-3.3	
Nov	122.0	0.8	3.6	118.8	1.3	4.0	102.8	-0.8	-3.5	
Dec	121.2	0.7	3.5	118.8	1.5	4.7	102.1	-1.1	-2.8	

1 Indices are valued at constant basic prices, which exclude taxes and subsidies on 2 Estimates cannot be regarded as accurate to the last digit shown.
3 Any apparent inconsistencies between the index numbers and the percentage changes shown in these tables are due to rounding. Sources: For further information on these data please telephone 01633 812624; fax 01633 819043 or email ios.enquiries@ons.gov.uk

4 The equivalent quarterly index series are released electronically as part of the GDP(O) estimates. For further information about obtaining these quarterly series please telephone 020 7533 5675, fax 020 7533 5688 or email on-line.services.branch@ons.gov.uk

#### Index of Services (EXPERIMENTAL)

Index numbers of service industries' gross value added at constant basic prices 1,2,3

Industry groups Transport, storage and Government and other services 4 Business services and finance 4 communication percentade change percentage change percentage change latest 3 latest 3 latest 3 months on months on months on latest 3 same latest 3 same latast 3 sama months on 3 months months on 3 months months on 3 months previous a year previous a year previous a year Index 3 months Index 3 months Index 3 months ago ago ago 1995 weights 124 317 339 FVYD FVPA FVGG FVGH FVPI FVGJ FVGK FVYG FVYF 5.3 2.3 2.7 108.3 1.7 5.0 102.9 0.4 2.1 1997 Jan 108.1 110.2 5.9 2.2 5.8 102.8 0.1 1.8 108.4 Feb 110.7 2.8 6.4 108.7 2.4 5.4 102.7 1.6 Mar 1.4 -0.1 111.1 3.1 7.2 109.8 20 5.5 102.9 Apr May 111.2 2.2 7.5 109.9 1.6 5.5 103.1 6.0 0.3 Jun 112.3 8.1 111.2 1.7 103.3 8.9 1.8 6.2 103.6 0.5 1.5 113.8 1.6 111.7 Jul 114.4 2.2 9.5 111.8 1.9 6.6 103.8 0.6 1.6 Aug Sep 1.5 7.3 104.0 104.2 0.7 115.9 2.8 10.1 113.7 1.9 Oct 117.3 3.0 10.4 113.7 1.9 1.4 7.5 104.3 0.6 117.4 3.0 2.5 10.6 112.5 1.6 Nov 1.0 7.2 104.5 0.5 10.2 114.4 Dec 117.9 1.5 9.8 114.9 0.8 6.7 104.8 0.5 118.1 1.7 1998 Jan 118.1 1.0 8.7 114.5 1.2 6.4 104.7 0.5 1.7 Feb 2.0 1.5 6.3 6.6 Mar 119.1 0.8 8.0 116.4 105.2 0.6 2.3 105.5 0.6 119.2 0.9 7.4 117.5 Apr 2.2 0.7 2.4 105.4 1.0 7.4 117.6 7.1 May 119.4 7.5 118.9 2.4 7.0 105.7 0.6 2.4 121.3 Jun 2.2 2.1 6.9 105.8 0.4 Jul 122.2 1.8 7.5 119.1 2.1 2.0 0.4 2.2 105.8 Aug 122.3 7.4 119.0 1.6 6.7 0.8 5.9 106.0 7.0 Sep 123.6 118.8 0.3 1.9 0.4 5.3 106.1 124.0 1.9 6.4 119.4 6.2 0.2 5.2 106.0 0.3 1.8 124.8 1.8 119.4 Nov 1.7 6.2 119.5 0.4 5.2 106.2 0.2 1.7 125.7 Dec 0.2 1.6 0.1 4.6 106.2 1999 Jan 126.1 1.8 6.6 118.5 106.5 1.6 Feb 127.3 1.8 7.1 120.7 0.3 4.3 0.5 106.4 0.3 1.4 4.1 Mar 128.8 2.1 7.6 121.0 1.3 3.9 106.3 0.2 1.2 120.5 Apr May 129.9 2.5 2.5 8.6 3.2 106.3 0.1 0.9 129.9 121.2 1.1 2.2 8.5 121.9 0.9 2.7 106.4 -0.1 0.7 Jun 130.8 2.8 0.7 122.5 0.9 106.3 Jul 131.7 1.6 8.1 106.6 0.1 0.6 122.4 Aug 132.8 1.7 8.1 1.1 124.2 1.5 3.4 106.7 0.2 0.6 8.3 Sep Oct 134.2 2.1 134.7 2.4 8.6 122.6 1.0 3.3 107.1 0.4 0.8 136.8 2.6 9.0 125.5 1.5 4.1 107.4 0,6 1.0 Nov Dec 137.3 2.5 9.2 124.9 1.1 4.1 107.4 0.7 1.1 2.51 1.3 2000 Jan 9.3 123.7 4.7 107.6 0.6 137.6 1.4 0.3 0.4† 1.2 4.1 0.5 0.3<sup>†</sup> 1.9 9.0 124.8 107.8 Feb 138.4 8.5 125.9 3.9 107.6 Mar 138.8 1.4 3.61 1.4 1.0 7.7 124.6 0.3 108.3 0.4 Apr May 138.8 1.0 7.4 127.9 1.3 4.3 108.3 0.4 1.6 140.0 Jun 140.6 1.1 7.4 129.1 1.9 5.0 108.6 0.7 2.0 127.8 2.5 5.3 108.6 2.0 7.4 0.5 Jul 140.6 1.3 7.2 5.6 108.5 0.4 2.0 130.3 2.3 Aug 142.4 1.4 Sep Oct 142.3 1.4 130.0 1.7 5.2 108.8 0.2 2.0 1.6 6.5 129.2 1.2 5.5 108.9 0.2 1.8 143.1 Nov 143.9 1.4 5.8 131.4 0.8 4.9 109.3 0.4 1.8 1.7 Dec 143.7 1.3 5.4 129.3 0.5 45 109.1 0.5

For footnotes see page 1 of this table.

Sources: For further information on these data please telephone 01633 812624; fax 01633 819043 or email los.enquiries@ons.gov.uk

1995=100, seasonally adjusted

## The effects of taxes and benefits on household income, 1999–2000

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#### SUMMARY

This article examines how taxes and benefits redistribute income between various groups of households in the United Kingdom, shows where different types of households and individuals are in the income distribution and looks at the changing levels of income inequality over time.

#### Redistribution through taxes and benefits

Government intervention, by means of taxes and benefits, alters the incomes of households. In general, households in the top half of the distribution pay more in taxes than they receive in benefits while the reverse is true for those in the lower half. Taxes and benefits therefore tend to reduce the differences between households' incomes. Before government intervention, the top fifth of households have an average of £54,400 per year in original income (that is from sources such as earnings, occupational pensions and investments). This is around 19 times as great as the figure of £2,800 for the bottom fifth. However, after taxes and benefits, the ratio is greatly reduced to four to one.

Cash benefits play the largest part in reducing inequality. The majority of these go to households in the lower part of the distribution, with the poorest two fifths receiving 60 per cent of the total. These households typically receive around £5,000 from cash benefits, representing around two thirds of gross income for the bottom quintile group and two fifths for the next group. These proportions are even higher for retired households in this part of the distribution, with the majority of cash benefits for these households coming from contributory benefits, particularly the state pension.

Direct taxes, except for local taxes, are progressive - they take a larger proportion of income from those higher up the income distribution - therefore they also contribute to a reduction in inequality although not to the same extent as cash benefits. The proportion of gross income paid in direct tax by the top fifth of households is double that paid by the bottom fifth: 24 per cent compared with 13 per cent. For local taxes, the top quintile group pays the largest absolute amount. However, when expressed as a proportion of gross income, the impact of local taxes is higher in the lower half of the distribution.

Indirect taxes have the opposite effect to direct taxes, taking a higher proportion of income from those with lower incomes. This is partly due to the expenditure of some low income households being higher than their current incomes resulting in relatively large payments of indirect tax. In addition, some high income households channel a relatively high proportion of their income into savings and mortgage payments which do not attract indirect taxes. However the top fifth of households still pay more indirect tax in absolute terms than other households.

Households also receive benefits in kind from services provided free or at subsidised prices by government, such as health and education. The amount received falls gradually as income increases indicating that these benefits lead to a reduction in inequality.
### Characteristics across the income distribution

Adults and children are not spread evenly throughout the income distribution. For example there are more children in households in the lower half of the distribution. Among adults, women appear fairly evenly across income groups while there are more men in households in the higher groups. There are also distinct patterns by household type. Households containing one adult and at least one child are concentrated in the bottom fifth while retired households, particularly those containing only one woman, are over-represented in the bottom two quintile groups.

The higher income groups are characterised by households with more economically active people than those lower down the income distribution. Two adult households with no children are also over-represented towards the top.

### Trends in income inequality

Inequality of disposable income was fairly stable in the first half of the 1980s. This was followed by a period where it increased rapidly, reaching a peak around 1990. Inequality then fell slightly in the first half of the 1990s, although the fall only reversed a small part of the rise seen in the previous decade. However, the latest figures show that inequality of disposable income rose again in the late 1990s.

Changes in the income distribution over time have been the focus of much study. The article includes discussion of recent work which has attempted to identify some of the factors which have influenced these changes.

## CONCEPTS AND SOURCES

This study examines how taxes and benefits redistribute income. It adds the value of government benefits to the private income of households and subtracts the value of taxes to look at different measures of household income.

Chart 1 shows the stages in the redistribution of income used in this analysis. Household members receive income from employment, occupational pensions, investments and other non-government sources - this is referred to as original income. The flow chart shows the various ways that government raises revenue from households through taxation and distributes benefits to them in cash and in kind.

The analysis only allocates those taxes and benefits that can reasonably be attributed to households. Therefore some government revenue and expenditure are not allocated such as revenue from corporation tax and expenditure on defence and public order. There are three main reasons for non-allocation. Some taxes and benefits fall on people who do not live in private households. In other cases there is no clear conceptual basis for allocation to particular households. Finally there may be a lack of data to enable allocation. In this study, some £234 billion of taxes and £190 billion of benefits have been allocated to households. This is equivalent to 70 per cent and 56 per cent respectively of general government expenditure, which totalled around £337 billion in 1999 (Appendix 1, Table 1).

The estimated values of taxes and benefits reflect the study methodology. They are based on assumptions about which taxes and benefits should be covered and to whom they should apply. Where it is practical, the methodology used is similar to that used in previous years. However there have been some changes in the underlying survey (the Family Expenditure Survey) and improvements in the methodology. For example changes from 1996–97 onwards include new questions for the self-employed and the use of data which are grossed up to the UK household population. Time series are presented for some measures that are relatively robust to these changes. These include the Gini coefficients and other measures of inequality in Appendix 2. Beyond these measures, the reader should be cautious about making direct comparisons with earlier studies.

The unit of analysis used in this study is the household. The households are ranked by their equivalised disposable income, which is used as a proxy for their level of welfare. Equivalisation is a standard methodology that takes into account the size and composition of households and adjusts their incomes to recognise differing demands on resources. For example, a couple would need a higher income than a single person to achieve the same standard of living and so a single person's income of £6,100 is treated as equivalent to an income of £10,000 for a couple (see Appendix 3, paragraph 46). Households with the same equivalised income do not necessarily have

the same standard of living where other characteristics are different. For example households which own their homes outright would be in a better position than identical households with the same income which had to pay rent or mortgage payments. Also households which include disabled people may require additional resources to maintain the same standard of living as those without disabled people. Equivalisation does not adjust for these differences.

Equivalised income is used only to rank the households. Most monetary values shown in the article are not equivalised. Where equivalised amounts are given, they are shown in *italics*. Once the households have been ranked, the distribution is split into five (or ten) equally sized groups - that is quintile groups (or decile groups). The bottom and second quintile groups are those with the lowest equivalised disposable incomes while the fourth and top groups have the highest.

The main data source for this analysis is the Family Expenditure Survey (FES) which covers from 6,500 to 7,000 households in the United Kingdom each year. It only covers private households people living in hotels, lodging houses and in institutions, such as old people's homes, are excluded.

The survey results are grossed up so that the totals reflect the whole household population in terms of age, sex and region. Different grossing factors are applied to different types of household in order to correct for over or under-representation of these groups in the responding sample of the FES. Studies have indicated that the FES suffers from under-representation at the very top of the income distribution. This under-representation is not directly corrected by the grossing methodology and may lead to some under-estimation of income. Readers who are interested in the level of income for the top decile group of the income distribution should refer to the Department of Social Security publication *Households Below Average Income 1998–99*<sup>1</sup>. This series uses data from the Family Resources Survey and contains an income adjustment for households at the top of the income distribution, which is made using the Inland Revenue's Survey of Personal Incomes.

Further details of the concepts and methodology used are given in Appendix 3.

The results of the analysis are reported in three sections. The first looks at the effects for all households. However retired and non-retired households have distinct income and expenditure patterns and so the tax and benefit systems affect the two groups in very different ways. Therefore the second and third sections look separately at results for non-retired and retired households.



Stages of redistribution



A National Statistics Quality review of income statistics will be carried out later this year.

For further information, please contact the author.

### **RESULTS FOR ALL HOUSEHOLDS**

### **Overall effect**

Government intervention affects household income in various ways: money is taken through taxes, both direct and indirect, and given back in the form of cash benefits and the provision of free or subsidised services. In general, households in the bottom half of the income distribution tend to be net gainers from the tax and benefit systems while those in the top half pay more in tax than they receive in benefits. Therefore, taken as a whole, government intervention leads to income being shared more equally between households. Table A summarises the overall effects.

In this article, income before taxes and benefits is termed original income and includes income from earnings, occupational pensions and investments. The extent of inequality in this measure of income can be seen by looking at the proportion of total original income received by groups of households in different parts of the income distribution. At this stage, the richest fifth of households (those in the top quintile group) receive more than 50 per cent of all original income. This compares with only 2 per cent for households in the bottom fifth.

Adding cash benefits to original income produces gross income. In contrast to original income, the amount received from cash benefits is higher for households lower down the income distribution than for

### TABLE A: Percentage shares of household income and Gini coefficients<sup>1</sup>, 1999–2000

	Pe	rcentage sha	res of equivalis	ed income
	Original income	Gross	Disposable income	Post-tax income
Quintile group <sup>2</sup>				
Bottom	2	6	7	6
2nd	7	11	12	11
3rd	15	16	16	16
4th	25	23	23	22
Тор	52	44	42	45
All households	100	100	100	100
Decile group <sup>2</sup>				
Bottom	1	3	3	2
Тор	33	28	27	29
Gini coefficient				
(per cent)	53	38	35	40

1 This is a measure of the dispersion of each definition of income (see Appendix 3, paragraph 51).

2 Households are ranked by equivalised disposable income.

those at the top. This has an equalising effect on the distribution, raising the share of income received by the bottom quintile group to 6 per cent of gross income, while the share of the top fifth is reduced to 44 per cent.

The tax system has a much smaller effect on income inequality. The shares of income for disposable income (that is after direct taxes) and post-tax income (after indirect taxes) for each quintile group are similar to those for gross income. The direct tax system has a small equalising effect while the indirect system reverses this.

Tables B and 2A in Appendix 1 show the effect of direct and indirect tax on each quintile and decile group in more detail. Households at the lower end of the income distribution pay smaller amounts of direct tax compared with households with higher incomes. Of the total income tax paid by all households, the bottom two quintile groups pay about 6 per cent. This compares with 81 per cent of the total paid by the top two fifths.

In addition, low income households also pay a smaller proportion of their income in income tax. This is due to the progressive nature of the income tax system. As a proportion of their gross incomes, households in the bottom quintile group typically pay 3 per cent in income tax compared with 18 per cent for those in the top quintile group.

For national insurance contributions, the amount paid as a proportion of gross income rises as income rises until the fourth quintile group; the proportion then falls for the top fifth. This is because national insurance contributions are only levied on the first £500 of weekly earnings in 1999–2000, so part of the earnings of many of those in the top quintile group will not be subject to this deduction.

Local taxes mainly consist of council tax in Great Britain and domestic rates in Northern Ireland and are shown net of council tax benefits and rates rebates in Table B. Households in the lower part of the income distribution pay smaller absolute amounts in local taxes - net payments by the bottom quintile group are typically around half of those in the top fifth. However, when expressed as a proportion of gross income, the burden decreases as income rises - local taxes represent 7 per cent of gross income for the bottom fifth but less than 2 per cent for those in the top quintile group.

### Indirect taxes

The amount of indirect tax that each household pays is estimated from its expenditure recorded in the FES. However the income and expenditure data recorded in the FES are not fully compatible because they are recorded in different ways (see Appendix 3, paragraph 6). Indeed, measured expenditure exceeds measured TABLE B: Taxes as a percentage of gross income, disposable income and expenditure for ALL households by quintile group, 1999-2000

- (a) Direct and indirect taxes as a percentage of gross income
- (b) Indirect taxes as a percentage of disposable income

(c) Indirect taxes as a percentage of expenditure<sup>2</sup>

	Quintile groups of households 2					
	Bottom	2nd	3rd	4th	Тор	All households
a) Percentages of gross income	-			and the second		
Direct taxes						
Income tax	3.1	6.3	10.1	13.3	17.8	13.4
Employees' NIC	1.5	2.8	4.2	4.9	3.9	3.9
Local taxes	6.8	5.0	3.8	3.0	1.9	3.1
All direct taxes	11.5	14.1	18.1	21.3	23.6	20.4
Indirect taxes						
VAT	11.3	8.2	7.8	6.9	5.1	6.7
Duty on alcohol	1.5	1.1	1.2	0.9	0.6	0.9
Duty on tobacco	3.7	2.2	1.5	1.0	0.4	1.1
Duty on hydrocarbon oils & Vehicle excise duty	2.8	2.0	2.1	1.9	1.2	1.7
Other indirect taxes	10.7	7.7	6.7	5.9	4.1	5.7
All indirect taxes	29.9	21.2	19.3	16.6	11.5	16.1
All taxes	41.4	35.3	37.4	37.9	35.1	36.5
(b) Percentages of disposable income						
VAT	12.7	9.5	9.5	8.8	6.7	8.4
Duty on alcohol	1.6	1.3	1.4	1.2	0.8	1.1
Duty on tobacco	4.2	2.5	1.8	1.3	0.5	1.4
Duty on hydrocarbon oils and Vehicle excise duty	4.1	3.1	3.3	3.1	2.0	2.8
Other indirect taxes	11.2	8.2	7.5	6.7	5.0	6.6
All indirect taxes	33.8	24.7	23.6	21.1	15.0	20.2
(c) Percentages of expenditure <sup>2</sup>						
VAT	8.3	8.3	8.6	8.3	7.5	8.1
Duty on alcohol	1.1	1.1	1.3	1.1	0.9	1.1
Duty on tobacco	2.7	2.2	1.6	1.2	0.6	1.3
Duty on hydrocarbon oils and Vehicle excise duty	2.6	2.7	3.0	2.9	2.3	2.7
Other indirect taxes	7.3	7.2	6.7	6.4	5.6	6.3
All indirect taxes	22.0	215	21.2	20.0	16.9	19.5

1 Households are ranked by equivalised disposable income.

2 Calculated to be consistent with disposable income. See paragraph 34 of Appendix 3 for the definition of expenditure.

income in the lower half of the distribution. There are a number of possible explanations for this. Some households with low incomes may draw on their savings or borrow in order to finance their expenditure. In these cases, expenditure taxes are not being met from current income. Some types of receipts are not included as income in the FES, e.g. severance payments, receipts from building society demutualisations. For a minority of households, the FES may be measuring incomes inaccurately. Therefore, to give a more complete picture of the impact of indirect taxes, they are shown in Table B as a proportion of gross and disposable income and, separately, as a proportion of expenditure. In addition direct taxes are also shown as a proportion of gross income so that the impact of direct and indirect taxes can be compared. However, it should be noted that year on year comparisons between quintile groups of the impact of tax in total could be affected by the inconsistency between income and expenditure for households in the bottom half of the income distribution.

in cash terms, the top fifth of households pay around two and three quarters as much indirect tax as the bottom fifth. However, when expressed as a percentage of disposable income or expenditure, the proportion paid in indirect tax tends to be lower for households at the top of the distribution compared to those lower down.

When expressed as a proportion of disposable income, the impact of indirect taxes declines sharply as income rises. This is because those in higher income groups tend to channel a larger proportion of their income into savings and mortgage payments, which do not attract indirect taxes. Indirect taxes appear less regressive when expressed as a proportion of expenditure, with payments rising broadly in line with expenditure. However the top fifth still pay a smaller proportion of their expenditure in indirect taxation whichever measure is used.

Another way of looking at how taxes and benefits change inequality is to calculate Gini coefficients - a widely used summary measure of inequality (see Appendix 3, paragraph 51). It can take values from 0 to 100 per cent where a value of zero would indicate that each household had an equal share of income, while higher values indicate greater inequality.

The Gini coefficients (as shown in table A and table 3 of Appendix 2) produce a similar picture to the shares of income discussed earlier. For 1999–2000, the figure of 53 per cent for original income is reduced to 38 per cent for gross income by the inclusion of cash benefits - a large reduction in inequality. The coefficient for disposable income shows the equalising effect of direct taxes with the figure falling further to 35 per cent. The picture of indirect taxes reversing this effect is confirmed by the Gini coefficient rising to 40 per cent for post-tax income. The Gini coefficients for original income, gross

income, and disposable income in 1999–2000 are broadly the same as in 1998–99. Those for post-tax income reflect a real rise in inequality subject to earlier reference to the potential effect on estimates of indirect tax such as VAT of the discrepancy between income and expenditure in the lower half of the income distribution. Estimates of sampling variability for the estimates shown in Chart 4 suggest that the trend of small rises in the late 1990s in the coefficients for gross, disposable and post-tax income are real changes in inequality.

### Characteristics of households

Different types of household are not spread evenly throughout the income distribution. Information about the characteristics of households in the different income groups is shown in Table C with more detail in Appendix 1, Table 2b.

Household size does not vary much across the income distribution, with an average of between 2.1 and 2.5 people per household in each decile group. However there are differences in the split between adults and children. In particular there are more children in the lower half of the income distribution: the bottom decile group has more than twice as many children as the top group. The pattern for the numbers of men and women also varies across income groups: the number of women is fairly constant while households in the higher income groups tend to have more men than the lower groups. Higher income groups also contain more economically active people, with the top fifth of households having three times as many economically active people compared to the bottom fifth.

Households with one adult and one or more children are concentrated in the lower groups: around three-quarters of these households are in the bottom two quintile groups. This group makes up the majority of lone-parent families; however some lone parents will be part of larger households and will be included in other household types. For two-adult households with children, the position in the income distribution tends to vary according to the number of children: those with three or more children tend to be in lower groups than those with only one or two. This reflects the fact that households with three or more children are less likely to have two economically active adults compared to those with fewer children. In addition, households with higher numbers of children will tend to have higher needs than smaller households; as the ranking of households is based on income adjusted for the needs of the household (i.e. equivalised income, adjusted for household size and composition) this increases the chance that households with three or more children will be found in the lower part of the income distribution. Where there are no children in the household, non-retired two adult households tend to be found in the higher income groups.

# TABLE C: Summary of the effects of taxes and benefits by quintile groups for ALL households<sup>1</sup>, 1999-2000

	Quintile group	Quintile groups of households 1				
	Bottom	2nd	3rd	4th	Тор	All households
Income, taxes and benefits per household (£ per year) <sup>2</sup>						
Original income	2 840	7 680	17 170	27 920	54 400	22 000
plus cash benefits	4 870	5 130	3 830	2 120	1 140	3 420
Gross income	7 720	12 810	21 010	30 040	55 540	25 420
less direct taxes <sup>3</sup> and employees' NIC	890	1 810	3 800	6 400	13 090	5 200
Disposable income	6 830	11 000	17 210	23 640	42 450	20 230
less indirect taxes	2 310	2 720	4 050	4 990	6 380	4 090
Post-tax income	4 520	8 280	13 160	18 650	36 060	16 130
plus benefits in kind	4 350	3 670	3 450	2 930	2 270	3 340
Final income	8 870	11 960	16 610	21 590	38 330	19 470
Number of individuals per household						
Children <sup>4</sup>	0.7	0.6	0.6	0.4	0.4	0.5
Adults	1.6	1.6	1.9	2.0	1.9	1.8
Men	0.7	0.7	0.9	1.0	1.0	0.9
Women	0.9	0.9	0.9	0.9	0.9	0.9
People	2.3	2.2	2.5	2.4	2.2	2.3
People in full-time education	0.7	0.5	0.5	0.4	0.3	0.5
Economically active people	0.5	0.7	1.3	1.6	1.6	1.1
Retired people	0.5	0.6	0.4	0.3	0.2	0.4
Household type (percentages)						
Retired	37	43	26	15	7	26
Non-retired						
1 adult	17	12	15	18	24	17
2 adults	9	12	17	27	36	20
1 adult with children <sup>5</sup>	15	8	3	2	1	6
2 adults with children	15	17	23	21	20	19
3 or more adults <sup>6</sup>	7	7	16	17	12	12
All household types	100	100	100	100	100	100

Households are ranked by equivalised disposable income.
 All the tables in Part 1 of this article show unequivalised income. Equivalised income has only been used in the ranking process to produce the quintile groups (and to produce the percentage shares and Gini coefficients).
 These are income tax (which is after tax relief at source on mortgage interest and file assurance premiums) and Council tax, domestic rates and water charges but after deducting discounts, Council tax benefits and rate rebates.

4 Children are defined as people aged under 16 or aged between 16 and 18, unmarried and receiving non-advanced further education.

5 This group is smaller than the category of one parent families' because some of these families will be contained in the larger household types. 6 With or without children.

Retired households are over-represented at the lower end of the distribution: more than 60 per cent are in the bottom two fifths. This over-representation is higher for one adult retired households than those with two or more adults. In addition those with one retired woman are more concentrated towards the bottom compared to those with one retired man.

### Stages of redistribution

Details of the amounts which households in each quintile group receive from the various measures of income are shown in Table C with more detailed information for decile groups in Appendix 1, Table 2a.

On average households receive about £22,000 a year in original income but this varies widely between households. Those in the top quintile group have around £54,400, compared with £2,800 for the bottom fifth. This pattern is driven by differences in the numbers of economically active people and the employment status of the chief economic supporter between the groups. For example, almost nine in ten adults in the top quintile group are economically active compared with only one in three of those in the lowest. The chief economic supporters in the top fifth are predominantly full-time employees or self-employed, while those in the bottom fifth are more likely to work part-time or be unemployed or economically inactive. Those in the higher deciles tend to have better paid jobs as well as being more likely to be economically active.

Earnings from employment or self-employment are typically the most important source of income, making up over four fifths of gross

# Charl 2

Sources of gross income by quintile groups of equivalised disposable income, 1999-2000



1 Investment income includes occupational pensions and annuities. 2 Earned income includes wages and salaries, income from self-employment and income from 'fringe benefits'.





1 Households are ranked throughout by equivalised disposable incomes

Indirect taxes

income on average. The proportion accounted for by earnings from self-employment has tended to increase in recent years and such earnings are more volatile. However cash benefits are also a significant source, particularly for households in the lower half of the distribution. Of the total amount of cash benefits paid, the bottom two quintile groups receive slightly less than 60 per cent. These households typically receive around £5,000 from cash benefits, representing approximately two thirds of gross income for the bottom quintile group and two fifths for the next group (Chart 2).

Higher income groups pay both higher amounts of direct tax and higher proportions of their income in direct tax (Tables C and 2A in Appendix 1). The top quintile group pays about £13,000 per household in income tax, national insurance contributions and local tax - 24 per cent of gross income. In contrast the direct tax bill for households in the bottom fifth is £890, representing 12 per cent of their gross income. Looking at income tax on its own, the top two quintile groups pay around 80 per cent of the total.

In contrast to benefits and direct taxes, the indirect tax system has a different effect: households with higher incomes still pay more in absolute terms, but not as a proportion of their incomes. This means that indirect taxes tend to increase income inequality.

The final stage in the redistribution process is the addition of benefits in kind, such as those from state education and the health service. Households in the bottom quintile group receive the equivalent of around £4,400 from these benefits, which is twice the amount received by the top fifth.

Taken as a whole, the tax and benefit systems redistribute income from high income households to those on low incomes. The average final income for the quintile groups ranges from £8,900 to £38,300; a ratio of one to four compared to a ratio of one to 19 before government intervention.

### Changes in inequality over time

There are many ways of measuring income inequality. Different measures may show different trends depending on whether they are particularly sensitive to changes in one part of the distribution. Calculation of several measures of inequality allows us to see whether a particular trend is peculiar to one particular measure or backed up by others. The tables in Appendix 2 show trends for three measures of inequality. Table 1 shows trends for the shares of income figures that have already been seen for 1999-2000 earlier in this article. Table 2 contains time series for Gini coefficients. Table 3 shows another concept: using the ratio of the incomes at two points in the distribution. Two such measures are calculated: the ratio of the disposable income at the 90th percentile compared to the 10th (P90/P10); and the ratio of the 75th percentile to the 25th (P75/ P25). (The 90th percentile is the income below which nine out of ten households lie.) An advantage of this measure is that it is not affected by extreme values at either end of the distribution, which may be inaccurately measured.

Chart 4 shows how inequality has been changing over time since

1978 for the various measures of income as measured by the Gini coefficient. It indicates several distinct phases over the last two decades and shows that the different measures of income do not always show the same trend in inequality.

The 1980s were characterised by a large increase in inequality. The Gini coefficient for original income rose steadily throughout this period. However the pattern for the coefficient for disposable income is slightly different: for the first half of the decade inequality of disposable income was stable; this was then followed by six years which saw a rapid rise in inequality.

The figures for the 1990s show a different story. Inequality of original income was relatively stable for the first two years, and then showed a small rise up to 1993–94. Since then the coefficient has again remained stable. In contrast inequality of disposable income reduced slowly until the mid 1990s, although the fall only reversed a small part of the rise seen in the previous decade. However data for the latest years show that, in the late 1990s, inequality of disposable income has risen slightly once again. Inequality of post-tax income has tended to follow a similar pattern, rising slowly in the late 1990s.

As with all measures derived from sample surveys, the Gini coefficients are subject to sampling errors. To give an indication as to whether the estimated changes in inequality are real changes or



simply the result of sampling variation, we have calculated confidence intervals for the coefficients in Chart 4 using software developed at the London School of Economics<sup>2</sup>. These show that, in most cases, the year-on-year changes are within the bounds of sampling variation. An exception to this is the period from 1986 to 1988 when the increases are large enough to say that inequality of disposable income rose in each successive year. However when we look at changes over periods of more than one year, there are many more periods which cannot be explained by variation introduced by the sampling process. The confidence intervals confirm that the trends described in the paragraphs above are, in fact, longer term changes in inequality.

Figures produced by the alternative measures of inequality shown in Appendix 2 tell the same story as the Gini coefficient: one of increasing inequality of disposable income in the 1980s, particularly in the second half of the decade; a small decline in the early 1990s and a small rise in the late 1990s.

Changes in income distribution over time have been the focus of much study. The OECD<sup>4</sup> has commissioned a number of studies into this, and has identified a number of reasons for possible shifts, in particular the widening of the income distribution during the 1980s. The most prominent reasons given are globalisation of trade pushing down some wages, recent technological changes having a bias against unskilled workers, and other developments concerning the

## TABLE D: Percentage shares of household income and Gini coefficients <sup>1</sup> for NON-RETIRED households, 1999–2000

	Percentage s NON-RETIRI	hares of equ ED househo	uivalised income Ids	olor
	Original income	Gross	Disposable income	Post-tax income
Quintile group <sup>2</sup>		-		
Bottom	3	6	7	5
2nd	10	11	12	- 11
3rd	17	17	17	17
4th	24	23	22	22
Тор	47	43	42	45
All non-retired		-		
households	100	100	100	100
Decile aroup <sup>2</sup>				
Bottom	1	2	2	2
Тор	30	28	27	29
Gini coefficient				
(per cent)	46	38	35	40

1 This is a measure of the dispersion of each definition of income (see Appendix 3, paragraph 51).

2 Households are ranked by equivalised disposable income.

deregulation of labour and product markets. However it is still argued that a fully satisfactory measure of all trends remains to be made.

Other explanations for trends in recent years offered by, for example, the Institute for Fiscal Studies (IFS), include the effect of wage growth in some areas, the change in the importance of self-employment income and change in the level of unemployment and the type of people affected. Like previous work, the IFS study looked at a limited set of factors, particularly concentrating on the role of the labour market. Self-employment income was found to be much more unequally distributed among the self-employed than earnings are among employees. For this reason, we might expect any growth in the importance of this source to increase total inequality. Indeed the IFS found that the trend in self-employment income as a proportion of total income does mirror the trend in inequality: this source made up 6 per cent of income in 1979, rose to a peak of 12 per cent in 1990, fell to 8 per cent in 1994–95 and recovered to 11 per cent by the end of the period.

### **RESULTS FOR NON-RETIRED HOUSEHOLDS**

### **Overall effect**

As for all households, the tax and benefit systems lead to income being shared more equally between non-retired households. Before government intervention, original income is shared more equally between non-retired households than for all households. After the process of redistribution, the shares of income and Gini coefficients for post-tax income are virtually the same as those for all households (Table D). The redistribution effect is therefore smaller for non-retired households than for all households. A summary of the effects of taxes and benefits on non-retired households is shown in Table E with more detail in Appendix 1, Table 3a.

### Characteristics of households

Unlike all households, the average household size tends to decrease as income increases. This fall is more than accounted for by the decrease in the average number of children in each household, from 1.1 in the bottom quintile group to 0.4 in the top.

Other patterns are similar to those for all households. One-adult households with children are concentrated at the bottom of the distribution with around 60 per cent of these households in the bottom fifth and a further 28 per cent in the second quintile group (Table 3B in Appendix 1). Two-adult households with three or more children are also concentrated towards the bottom, although not to the same extent, while two-adult households without children are over-represented at the top.

TABLE E: Summary of the effects of taxes and	benefits on NON-RETIRED households t	IY (	quintile	group	s',	1999-2000
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	Quintile groups of NON-RETIRED households 1						
	Bottom	2nd	3rd	4th	Тор	non-retired households	
Income, taxes and benefits per household (£ per year) <sup>2</sup>					201		
Original income	4 290	14 510	24 680	33 230	59 960	27 330	
plus cash benefits	4 700	3 630	2 150	1 100	790	2 470	
Gross income	8 990	18 140	26 820	34 330	60 750	29 810	
less direct taxes <sup>2</sup> and employees' NIC	1 060	3 170	5 490	7 780	14 460	6 390	
Disposable income	7 930	14 970	21 330	26 550	46 290	24 350	
less indirect taxes	2 700	3 970	4 910	5 440	6 670	4 740	
Post-tax income	5 230	11 000	16 420	21 110	39 630	18 680	
plus benefits in kind	4 900	3 940	3 430	2 660	2 150	3 420	
Final income	10 140	14 940	19 840	23 770	41 770	22 090	
Number of individuals per household		·					
Children <sup>3</sup>	1.1	0.9	0.6	0.5	0.4	0.7	
Adults	1.7	1.9	2.0	2.0	1.9	1.9	
Men	0.8	0.9	1.1	1.1	1.0	1.0	
Women	0.9	1.0	1.0	0.9	0.9	0.9	
People	2.8	2.8	2.7	2.5	2.2	2.6	
People in full-time education	1.1	0.8	0.6	0.4	0.3	0.6	
Economically active people	0.8	1.4	1.8	1.9	1.7	1.5	
Retired people	0.1	0.1	0.1	0.0	0.0	0.1	

1 Households are ranked by equivalised disposable income.

2 These are income tax (which is after tax relief at source on mortgage interest and life assurance premiums) and council tax, domestic rates and water charges but after deducting discounts, council tax benefit and rate rebales. 3 Children are defined as people aged under 16 or aged between 16 and 18, unmarried and receiving non-advanced further education.

For single person households there are different patterns for men and women. Households containing only one man are overrepresented in the top quintile of the distribution while one woman households are more evenly spread throughout the income groups.

### **Original income**

The average original income for non-retired households is just over £27,000 (Table E). As mentioned above, inequality of original income is lower for non-retired households than for all households - the ratio of the average for the bottom quintile group to the top is one to 14 (compared to one to 19 for all households).

The original income of households shows a relatively strong relationship to the number of economically active people it contains. Households in the top three quintile groups typically contain more than twice as many economically active people as those in the lowest group.

#### Cash benefits

Table F gives a summary of the benefits that each quintile group receives. There are two types of benefits: contributory benefits which are paid from the National Insurance Fund to which individuals and their employers make contributions while working, and non-contributory benefits. For non-retired households, non-contributory benefits make up almost three quarters of all cash benefits.

The average non-retired household receives £2,500 in cash benefits. The bottom fifth receive almost double this amount while those in the top quintile group typically get £790. However the patterns for contributory and non-contributory benefits are different.

Most non-contributory benefits, particularly income support and housing benefit, are income related and so payments are concentrated in the two lowest quintile groups. However the presence of some individuals with low incomes in high income households means that some payments are recorded further up the income

### TABLE F: Cash benefits for NON-RETIRED households by quintile group<sup>1</sup>, 1999–2000

	Quintile groups of NON-RETIRED households <sup>1</sup>					
	Bottom	2nd	3rd	4th	Тор	house- holds
Average per household	(£ per ye	ar)				
Contributory						
Retirement pension	150	440	410	250	250	300
Incapacity benefit	500	540	280	150	60	310
Job seeker's allowance <sup>2</sup>	80	30	20	10	10	30
Other	60	70	90	70	90	80
Total contributory	790	1 090	800	480	410	710
Non-contributory						
Income support	1 280	530	170	40	10	410
Child benefit	710	570	420	320	230	450
Housing benefit	1 000	520	160	20	10	340
Job seeker's allowance <sup>3</sup> Sickness/disablement	240	70	30	10	10	70
related	250	550	390	150	70	280
Other	430	300	180	80	40	210
Total non-contributory	3 910	2 540	1 350	620	380	1 760
Total cash benefits	4 700	3 630	2 150	1 100	790	2 470
Cash benefits as a percentage of gross income	52	20	8	3	1	8

1 Households are ranked by equivalised disposable income.

2 Contribution based.

3 Income based.

distribution. About 60 per cent of income support and housing benefit paid to non-retired households goes to households in the bottom fifth of the distribution. Child benefit payments are based on the number of children in the household. The payments are higher at the lower end of the distribution, as these households tend to have more children. Non-contributory benefits also include Family Credit and Working Families Tax Credit (the latter from the end of 1999).

In contrast, one criterion for receipt of contributory benefits is the amount of national insurance contributions that has been paid by, or on behalf of, the individual. The amounts received from these benefits are highest in the second quintile group.

For all non-retired households, cash benefits provide 8 per cent of gross income on average. However for those in the bottom quintile group they form a much larger proportion - 52 per cent. Their payment results in a significant reduction in income inequality.

### TABLE G: Taxes as a percentage of gross income for NON-RETIRED households by quintile group', 1999–2000

	Quintile gro household		All non- retired			
	Bottom	2nd	3rd	4th	Тор	house- holds
Percentages		1				0
Direct taxes						
Income tax <sup>2</sup>	4.2	9.1	12.0	14.4	18.2	14.3
Employees' NIC	2.4	4.5	5.2	5.6	3.8	4.5
Local taxes <sup>3</sup>	5.3	4.0	3.3	2.7	1.7	2.7
All direct taxes	11.8	17.5	20.5	22.7	23.8	21.4
All indirect taxes	30.0	21.9	18.3	15.8	11.0	15.9
All taxes	41.8	39.4	38.8	38.5	34.8	37.3

1 Households are ranked by equivalised disposable income.

2 After tax relief at source on mortgage interest and life assurance premiums

3 Council tax, domestic rates and water charges after deducting discounts, council tax benefit and rate rebates

#### **Direct taxes**

Households at the lower end of the income distribution pay smaller amounts of direct tax compared with households with higher incomes (table 3A in Appendix 1). Of the total income tax paid by non-retired households, the bottom two quintile groups pay about 10 per cent. This compares with 75 per cent of the total paid by the top two fifths.

In addition, low income households also pay a smaller proportion of their income in income tax. This is due to the progressive nature of the income tax system (Table G). As a proportion of their gross incomes, households in the bottom quintile group typically pay 4 per cent in income tax compared with 18 per cent for those in the top quintile group.

For national insurance contributions, the amount paid as a proportion of gross income rises as income rises until the fourth quintile group; the proportion then falls for the top fifth. This is because national insurance contributions are only levied on the first £500 of weekly earnings in 1999–2000, so part of the earnings of many of those in the top quintile group will not be subject to this deduction.

Local taxes mainly consist of council tax in Great Britain and domestic rates in Northern Ireland and are shown net of council tax benefits and rates rebates in Table G. Households in the lower part of the income distribution pay smaller absolute amounts in local taxes - net payments by the bottom quintile group are typically less than half of those in the top fifth. However, when expressed as a proportion of gross income, the impact decreases as income rises - local taxes represent 5 per cent of gross income for the bottom fifth but less than 2 per cent for those in the top quintile group.

### Indirect taxes

The amount of indirect tax that each household pays is estimated from its expenditure recorded in the FES. However the income and expenditure data recorded in the FES are not fully compatible because they are recorded in different ways (see Appendix 3, paragraph 6). Indeed, measured expenditure exceeds measured income in the lower half of the distribution. There are a number of possible explanations for this. Some households with low incomes may draw on their savings or borrow in order to finance their expenditure. In these cases, expenditure taxes are not being met from current income. Some types of receipts are not included as income in the FES, e.g. severance payments, receipts from building society demutualisations. For a minority of households, the FES may be measuring incomes inaccurately. Therefore, to give a more complete picture of the impact of indirect taxes, they are shown in Table H as a proportion of total income and, separately, as a proportion of expenditure. In addition indirect taxes are also shown as a proportion of gross income in Table G so that the impact of direct and indirect taxes can be compared.

In cash terms, the top fifth of non-retired households pay around two and a half times as much indirect tax as the bottom fifth. However, when expressed as a percentage of disposable income or expenditure, the proportion paid in indirect tax tends to be lower for households at the top of the distribution compared to those lower down.

When expressed as a proportion of disposable income, the impact of indirect taxes declines sharply as income rises. This is because those in higher income groups tend to channel a larger proportion of their income into savings and mortgage payments, which do not attract indirect taxes. Indirect taxes appear less regressive when expressed as a proportion of expenditure, with payments rising broadly in line with expenditure. However the top fifth still pay a smaller proportion of their expenditure in indirect taxation. In particular the burden of tobacco duty is much heavier on households in the lower half of the distribution.

### Benefits in kind

The Government provides certain goods and services to households, either free at the time of use or at subsidised prices. This study allocates these benefits in kind to individual households in order to arrive at final income. The imputed value of these benefits is based on the estimated cost of providing them. The largest two items for which such imputations are made are health and education services. The 1999 expenditure on these that is allocated in this analysis is

TABLE H: Indirect taxes as a percentage of (a) disposable income and (b) household expenditure<sup>1</sup> for NON-RETIRED households by quintile group<sup>2</sup>, 1999–2000

	Quintile groups	Quintile groups of NON-RETIRED households <sup>2</sup>						
	Bottom	2nd	3rd	4th	Тор	non-retired households		
(a) Percentages of disposable income								
VAT	12.6	10.4	93	86	6.5	8.4		
Duty on alcohol	17	1.5	1.4	1.2	0.8	1.1		
Duty on tobacco	49	28	1.7	1.1	0.5	1.4		
Duty on hydrocarbon oils and Vehicle excise duty	4.0	36	34	30	19	2.8		
Other indirect taxes	10.7	8.2	7.2	6.5	4.8	6.5		
All indirect taxes	34.0	26.5	23.0	20.5	14.4	20.2		
(b) Percentages of expenditure <sup>2</sup>								
VAT	8.4	8.6	8.4	8.3	7.4	8.1		
Duty on alcohol	1.1	1.3	1.2	1.1	0.9	1.1		
Duty on tobacco	3.3	2.3	1.5	1.1	0.5	1.4		
Duty on hydrocarbon oils and Vehicle excise duty	2.8	3.0	3.1	2.9	2.2	2.7		
Other indirect taxes	7.1	6.8	6.5	6.3	5.4	6.2		
All indirect taxes	22.8	22.0	20.8	19.7	16.4	19.4		

1 Households are ranked by equivalised disposable income.

2 Calculated to be consistent with disposable income. See paragraph 34 of Appendix 3 for the definition of expenditure

	Quintile househo	groups o olds1	of NON-F	ETIRE	D A	All non- retired
	Bottom	2nd	3rd	4th	Тор	house- holds
Average per househol	ld (£ per y	ear)	-		1-11	
Education	3 080	2 060	1 720	1 150	700	1 740
National health service	1 610	1 760	1 630	1 440	1 350	1 560
Housing subsidy <sup>2</sup>	70	40	20	10	0	30
Travel subsidies	40	40	50	50	90	50
School meals and						
welfare milk	110	40	10	10	0	30
All benefits in kind	4 900	3 940	3 430	2 660	2 150	3 420
Benefits in kind as a percentage of post-ta	¥					
income	94	36	21	13	5	18

1 Households are ranked by equivalised disposable income.

2 Does not include tax relief at source on mortgage payments. These are taken into account in the income tax payments shown in Table E.

# Chart 5

Income stages by non-retired household types, 1999-2000



equivalent to around 26 per cent of total general government expenditure. Other items for which imputations are made are school meals, welfare milk, housing subsidy and travel subsidies. These items are equivalent to a further 1 per cent of general government expenditure. Table I gives a summary of the value of these benefits for each quintile group.

The benefit in kind from education is allocated to a household according to its members' use of state education (Appendix 3, paragraph 36). Households in the bottom quintile receive the highest benefit from education. This is due to the concentration of children in this part of the distribution. In addition, most of the households that contain only students, for whom education costs are greatest, are found in the bottom quintile. There will however be benefit from higher education further up the distribution where students are living with their parents. The impact of expenditure on school meals and welfare foods is greatest in the lower income groups, where children are more likely to have school meals provided free of charge.

The benefit from the health service is estimated according to the age and sex of the household members rather than their actual use of the service, as the FES does not contain this information (Appendix 3, paragraph 38). The imputed benefit is relatively high for young children, low in later childhood and through the adult years, until it begins to rise from late middle age onwards. This benefit increases slightly from the bottom quintile to the second quintile, then falls gradually as income rises and this pattern is a reflection of the demographic composition of households. A study by Sefton<sup>5</sup> attempted to allow for variations in use of the health service according to socio-economic characteristics and incomes. His results showed a picture that is broadly similar to that presented here.

The housing subsidy, which excludes housing benefit and mortgage interest tax relief (see Appendix 3, paragraph 39), is spread between public sector tenants and, since such households tend to be concentrated in the lower half of the income distribution, this is where the imputed benefit is highest.

Travel subsidies cover the support payments made to bus and train operating companies. The use of public transport by non-retired households is partly related to the need to travel to work and therefore to the number of economically active people in a household. This results in these subsidies increasing as income increases. This pattern is also due to London and the South East having high levels of commuting by public transport, together with higher than average household incomes.

Taken together, the absolute value of these benefits in kind declines as household income increases. The ratio of benefits in kind to posttax income decreases from 94 per cent for the lowest quintile group to 5 per cent for the highest. This indicates that these benefits contribute to the reduction in inequality.

### The effects of taxes and benefits by household type

The tax and benefit systems affect different types of household in different ways reflecting, in part, the number and ages of people within each household type. Of the types of non-retired households shown in Chart 5, only those containing one adult and children are net gainers, with average final incomes of £14,400 compared to original incomes of £6,700. Table 8 in Appendix 1 has a more detailed breakdown that shows that households with two adults and three or more children are also net beneficiaries, but to a smaller extent.

Original income is strongly related to the number of adults in the household. For two-adult households, those with children have slightly lower levels of original income than those without, but the effects of taxes and cash benefits are broadly similar for both groups. Final incomes are higher for those with children due to the imputed benefit in kind from education.

For one-adult households, original income is much lower for those with children as the adult is less likely to be economically active. Benefits, both in cash and in kind, are significantly higher for those with children.

### **RESULTS FOR RETIRED HOUSEHOLDS**

In this analysis, retired households are those where the income of retired household members accounts for more than half of the household gross income (see Appendix 3, paragraph 9 for the definition of a retired person). These households have quite distinct income and expenditure patterns and the tax and benefit systems affect them in different ways from non-retired households.

### TABLE J: Percentage shares of household income and Gini coefficients<sup>1</sup> for RETIRED households, 1999–2000

Percentage shares of equivalised income for **RETIRED** households<sup>2</sup> Original Disposable Post-tax Gross income income income income Quintile group<sup>2</sup> 8 Bottom 10 10 4 2nd 6 14 13 14 3rd 11 16 17 17 20 21 22 22 4th 60 40 38 39 Top All retired households 100 100 100 100 Decile group<sup>2</sup> 4 3 4 Bottom н 23 Top 43 25 25 Gini coefficient 28 32 64 30 (per cent) 1 This is a measure of the dispersion of each definition of income (see Appendix 3, paragraph 51) 2 Households are ranked by equivalised disposable income.

There is a high degree of inequality in original income between households. Tables J and 4A in Appendix 1 show that, before government intervention, the richest fifth of retired households receive three fifths of total original income, while the Gini coefficient for this measure of income is 64 per cent. Both these measures are higher (showing more inequality) than equivalent figures for non-retired households. However after the impact of taxes and benefits there is a large reduction in inequality. Cash benefits play by far the largest part in bringing about this reduction and income tax payments make a further, though much smaller, contribution. Payments of indirect taxes result in an increase in inequality.

Overall, retired households receive an average of £6,500 in original income with most of this coming from occupational pensions and investments (Table K). Original income ranges from £1,200 for the bottom quintile group to £19,700 for the top. On the other hand, amounts received from cash benefits vary less across the distribution: on average households in the bottom fifth receive around £4,800 from this source, while those in the second to top quintile groups receive between £6,000 and £7,000. These cash benefits make up large proportions of the gross incomes for the bottom four quintiles ranging from 81 per cent for the bottom quintile group to 51 per cent for the fourth quintile group. The top fifth are much less dependent on cash benefits - these account for only 25 per cent of their gross incomes.

Most retired people will have made contributions to the National Insurance Fund throughout their working lives. The bulk of the benefits which retired households receive will be paid out of this fund in the form of contributory benefits, the most significant of which is the retirement pension, which accounts for almost three quarters of their cash benefits (Appendix 1, Table 4A).

Non-contributory benefits are lowest in the bottom quintile group, where more than two-thirds of households own their homes outright and so receive little in the way of housing benefit. In addition, disability benefits sometimes make up a significant proportion of the income of a retired household and their receipt may push a household up the income distribution. This does not necessarily mean that households receiving disability benefits have a higher standard of living than those lower down the income distribution, as the income from these benefits may be offset by the additional costs that may be incurred by the individual due to the illness or disability in question.

Retired households derive significant benefits from health services and, to a lesser extent, the housing subsidy and travel subsidies. Health benefit is spread fairly evenly between retired households whereas benefit from the housing subsidy is substantially higher for the second and third quintiles, since public sector tenants are concentrated in these groups. The benefits received by retired households from travel subsidies are mainly for bus travel, particularly

### TABLE K: Summary of the effects of taxes and benefits on RETIRED households by quintile group<sup>1</sup>,1999–2000

	Quintile groups of RETIRED households 1					
	Bottom	2nd	3rd	4th	Тор	All retired households
Income, taxes and benefits per household (£ per year) <sup>2</sup>						
Original income						
Earnings	40	10	180	300	940	290
Occupational pensions	690	1 250	2 550	4710	13 090	4 460
Investment income	390	420	660	1 430	5 490	1 680
Other income	30	90	60	70	170	90
Total original income	1 150	1 780	3 450	6 510	19 690	6 520
plus Contributory benefits	4 300	4 670	4 910	4 990	4 790	4 730
Non-contributory benefits	520	1 360	1 690	1 900	1 700	1 430
Gross income	5 970	7 810	10 050	13 410	26 180	12 680
less Income tax <sup>2</sup>	90	130	400	820	3 460	980
Employees' NIC	10	0	10	10	50	20
Local taxes <sup>3</sup>	650	590	650	740	1 020	730
Disposable income	5 230	7 090	8 980	11 850	21 650	10 960
less Indirect taxes	1 660	1 440	1 930	2 400	3 640	2 210
Post-tax income	3 570	5 660	7 050	9 450	18 010	8 750
plus National health service	2 960	3 100	2 840	2 880	2 900	2 940
Housing subsidy4	20	60	70	30	10	40
Other benefits in kind	180	70	130	120	120	120
Final income	6 730	8 880	10 090	12 480	21 050	11 850

1 Households are ranked by equivalised disposable income.

2 After tax relief at source on mortgage interest and life assurance premiums.

3 Council tax, local rates and water charges after deducting discounts, council tax benefit and rate rebates.

4 Does not include tax relief at source on mortgage payments, which is included in the income tax payments shown above.

in the form of concessionary fares and passes for senior citizens, and since these are not usually means-tested there is no particular relationship with income.

Table 8 in Appendix 1 gives some details of the effect of taxes and benefits on different types of retired household. On average, both one adult retired households and those with two or more adults are net gainers from the tax and benefit systems. For one adult retired households there are distinct differences in original income by gender. Men receive almost 50 per cent more original income than women on average: £4,900 for men compared with £3,000 for women. However after the addition of benefits and the deduction of taxes the differences are greatly reduced, so that final income levels for these men and women are similar.

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# **APPENDIX 1**

Detailed tables for 1999-2000

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### TABLE 1 (Appendix 1): Taxes and benefits allocated to households as a percentage of general government expenditure, 1999

# Taxes and compulsory social contributions <sup>1</sup> allocated to households

### Benefits allocated to households

	£ million	% of GGE *		£ million	% of GGE <sup>2</sup>
Income tax (gross)	92 500	27.5	Cash benefits		
Tax reliefs (MIRAS ,etc)	-1 800	-0.5	o		
		20.0	Contributory (National Insurance,etc)	07 000	11.1
Income tax (net)	90 700	20.9	Heurement	57 300 6 030	21
Fundament & self employed MI post-ibutions	25 100	75	Midowo and quardians	0.500	0.3
Crupol tax	12 860	38	Maternity/Statutory maternity pay	620	0.2
Council tax	12 000	0.0	Inemployment/ Job seekers allowance	470	0.1
			Social fund	990	0.3
Taxes on final goods and services			Other	160	0.0
VAT	41 060	12.2			
Duty on hydrocarbon oils	11 290	3.4	Non-contributory		
Duty on tobacco	7 380	2.2	Income support	12 080	3.6
Vehicle excise duty	3 220	1.0	Family benefits	10 380	3.1
Duty on wines, cider, perry and spirits	3 410	1.0	War pensions	1 250	0.4
Duty on beer	2 670	0.8	Other	15 840	4.7
Betting duties	1 480	0.4			
Camelot: payments to NLDF	1 530	0.5	Student support	900	0.3
Stamp duty on house purchase	1 640	0.5		1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	
Other	2 800	0.8	Rent rebates and allowances	11 190	3.3
Taxes & NI contributions on					
intermediate goods & services <sup>3</sup>			Benefits in kind		
Employers' NI contributions	10 530	3.1			
Commercial & industrial rates	7 050	2.1	Health services	48 650	14.4
Duty on hydrocarbon oils	5 670	1.7	Education	38 910	11.5
VAŤ	3 340	1.0	Travel subsidies <sup>4</sup>	1 460	0.4
Vehicle excise duty	870	0.3	Housing subsidy	950	0.3
Other	1 720	0.5	School meals and welfare milk	910	0.3
Total	234 340	69.6	Total	189 960	56.4

1 Paid to UK central and local government and European Union institutions. 2 Expressed as a percentage of general government expenditure.

3 These are taxes paid by industry and commerce assumed to be passed on to households in the prices of goods and services they buy. For instance, duty on derv used in the transportation of goods is an 'intermediate' tax whereas the duty on petrol bought by the private motorist is a tax on final goods and services. 4 Including concessionary fares expenditure.

Source: United Kingdom National Accounts, 2000 Edition.

# TABLE 2A (Appendix 1): Average incomes, taxes and benefits by decile groups of ALL households, 1999-2000

	Decile gro	ups of all h	ouseholds ra	inked by equ	livalised dis	posable inco	me				All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	91h	Тор	holds
Average per household (£ per year)									-		
Decile points (equivalised £)	73	72 9	171 11	009 13	173 1	5 629	18 208	21 348 28	5 115 3	3 706	
Number of households in the population ('000s)	2 532	2 531	2 534	2 535	2 535	2 533	2 534	2 531	2 534	2 536	25 335
Original Income											
Wages and salaries Imputed income from benefits in kind	1 103	2 290	3 843	7 113	11 009 91	15 709	19 674 258	24 621 403	32 636 616	44 392	16 239 288
Self-employment income	306	390	360	733	1 148	1 121	2 026	1 645	2 884	13 913	2 453
Investment income	183	307	279	435	631	670	852	985	1 429	5 568	1 134
Other income Total	136 2 004	174 3 685	170 5 559	160 9 806	118	233 19 600	221 25 220	30 619	40 295	207 68 503	22 004
Direct benefits in cash											
Contributory	1 017	2041	0.910	2 167	1 757	1.402	1.031	825	500	544	1 400
Job seeker's allowance (Contribution based)	81	56	26	13	17	10	14	11	6	5	24
Incapacity benefit Widows' benefits	237 45	364 55	389	408	375	230	212 42	152 14	109	42 23	252 40
Statutory Maternity Pay/ Allowance	1	3	8	12	16	28	38	36	60	49	25
Non-contributory		0.10	504	100	050	207	100	64	40		070
Child benefit	463	425	360	355	383	359	296	273	250	206	337
Housing benefit	543	898	939 72	548	332	282	133	29	1	22	373
invalid care allowance	26	32	24	59	22	41	36	8	5	Ö	25
Attendance allowance Disability living allowance/	7	76	105	151	163	161	114	28	9	4	85
Disabled persons tax credit	90	140	132	371	370	302	178	97	55	23	176
Severe disablement allowance	19	17	28	57	40	52	19	13	13	8	27
Industrial injury disablement benefit Student support	102	28	32	36	29 23	36	8 60	17 83	13	31 28	23 53
Government training schemes	27	17	36	19	37	52	1	7	0	5	20
Other non-contributory benefits	48	58	43	94 35	31	10	9	11	13	2	26
Total cash benefits	4 233	5 514	5 314	4 939	4 196	3 471	2 452	1 788	1 249	1 033	3 419
Gross income	6 238	9 199	10 873	14 745	18 945	23 071	27 672	32 407	41 544	69 536	25 423
Direct taxes and Employees' NIC									Ar 12 - 22 -	-	
Income tax	194	330	557	1 133	1 828	2 557	3 576	4 637	6 550	13 441	3 480
Employees' NI contributions	84	148	244	466	724	1 038	1 334	1 635	2 147	2 179	1 000
Local taxes <sup>2</sup> /ess: Council tax benefit / Rate rebates	752 242	784 238	184	134	852	73	929 49	33	28	1 14/	111
Total	767	1 007	1 361	2 263	3 255	4 341	5 699	7 097	9 585	16 602	5 198
Disposable income	5 470	8 192	9 512	12 482	15 690	18 730	21 972	25 309	31 958	52 934	20 225
Equivalised disposable income	5 209	8 293	10 056	12 041	14 370	16 851	19 727	23 449	29 532	51 582	19111
Indirect taxes											
VAT	916	824	850	1 244	1 521	1 763	1 893	2 263	2 489	3 201	1 696
Duty on tobacco Duty on beer and cider	255 66	319	251 53	305 86	335 120	278	332	269	262	178	108
Duty on wines & spirits	61	49	68	53	108	124	131	163	181	221	119
Vehicle excise duty	68	63	203	99	115	140	155	173	193	180	125
Television licences Stamp duty on house purchase	85	89	89	93	93	93 50	95 56	95 67	96	98 154	93 54
Customs duties	18	17	17	24	28	32	35	41	46	58	32
Betting taxes Insurance premium tax	42	34 12	47	48	60 25	62 31	64 36	78 41	76	50 60	58
Air passenger duty	5	3	5	7	11	17	24	26	34	47	18
Other	6	40	40	12	9	8	23	11	9	13	10
Intermediate taxes											
Commercial and industrial rates	133	124	128	177	206	238	260	299	337	427	233
Duty on hydrocarbon oils	107	100	103	142	166	191	208	240	270	342	187
Vehicle excise duty Other	15 105	14 98	14	20 140	23 163	26	29 205	33 237	37 266	47 337	26
Total indirect taxes	2 375	2 249	2 267	3 165	3 805	4 302	4 672	5 309	5 842	6 923	4 091
Post-tax income	3 095	5 943	7 246	9 317	11886	14 428	17 301	20 001	26116	46 011	16 134
Benefits in kind											
Education	2 546	1 531	1 209	1 361	1 365	1 397	1 231	1 001	872	587	1 310
Housing subsidy	48	65	68	45	36	24	1024	15	9	3	33
Hall travel subsidy Bus travel subsidy	23	10	10	16	16	29	27	41	41	88	30
School meals and welfare milk	83	60	29	27	15	10	11	6	6	3	25
Plank	4 701	3 996	3 720	3 630	3 524	3 375	3 131	2 / 38	2470	2 008	3 335
rinai lhéome	7 796	9 940	10 966	12 946	15 410	17 802	20 432	22 739	28 586	4B 079	19 470

1 On mortgage interest and life assurance premiums. 2 Council tax, domestic rates and water charges after deducting discounts.

## TABLE 2B (Appendix 1) : Household characteristics of decile groups of ALL households, 1999-2000

	Decile group	os ol all hous	eholds ranked	d by equivalis	ed disposable	income	-				All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Тор	holds
Average per household (number)											
People	2.3	2.2	2.1	2.3	2.4	2.5	2.4	2.3	2.3	2.1	2.3
Adults	1.6	1.6	1.5	1.7	1.8	19	20	19	20	1.8	1.8
Mon	0.7	0.7	0.6	0.8	0.9	1.0	1.0	1.0	1.1	1.0	0.9
Women	0.9	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	0.8	0.9
Cimbren	0.7	0.7	0.0	0.0	0.0	0.5	0.5	0,4	0.4	0.3	0.5
Economically active people Retired people	0.5 0.5	0.5 0.6	0.6 0.7	0.9 0.6	1.1 0.5	1.4 0.4	1.6 0.3	1.6 0.3	1.7 0.2	1.6 0.1	1.1 0.4
People in full-time education	0.84	0.57	0.47	0.51	0.52	0.51	0.43	0.36	0.34	0.30	0.49
In state primary schools	0.37	0.29	0.25	0.25	0.25	0.22	0.17	0.14	0.11	0.10	0.21
In state secondary schools	0.21	0.18	0.15	0.16	0.19	0.17	0.15	0.12	0.12	0.05	0.15
In further and higher education	0.23	0.08	0.05	0.07	0.06	0.10	0.08	0.08	0.07	0.05	0.09
an ourier coocalional establishments	0.05	0.02	0.02	0.02	0.03	0.02	0.03	0.03	0.04	0.10	0.03
Composition (percentages)											
Household type											
Retired											
1 adult	20	23	32	21	16	12	8	6	3	3	14
1 adult men	4	5	8	6	4	3	3	2	2	1	4
1 adult women	16	17	24	16	12	9	5	4	1	2	11
2 or more adults	12	19	17	10	14	10	8	8	5	4	11
Non-retired											
1 adult	20	13	12	12	14	16	17	19	21	27	17
1 adult women	9	8	5	0	9 5	10	10	12	13	19	11
2 adults	11	7	9	16	15	20	25	28	33	38	20
3 or more adults	4	5	3	5	9	10	14	12	12	7	8
2 adults with 1 child	14	16	11	6	4 7	3	3	2	1	10	6
2 adults with 2 children	6	5	6	8	12	11	9	10	9	6	8
2 adults with 3 or more children	5	6	5	5	5	4	3	1	1	2	4
3 or more adults with children	3	2	2	4	5	7	5	4	3	3	4
Household tenure											
Rented	46	60	59	42	35	27	21	16	12	11	33
Local authority rented	26	38	35	24	18	13	8	5	2	1	17
Housing association or RSL	6	11	12	8	6	4	3	2	0	1	5
Rented furnished	10	5	4	3	4	45	4 5	6	5	5	4 5
Rent free	1	2	3	1	1	2	2	1	1	1	1
Owner occupied	54	40	41	58	65	73	79	84	88	89	67
With mortgage	17	12	10	77	07	49	~~			00	
Rental purchase	0	12	0	0	0	47	0	02	1	08	41
Owned outright	36	28	25	32	28	26	23	22	19	21	26
Age of chief economic supporter											
Under 25	10	6	6	2	4	4	3	3	2	2	4
Over 24 and under 35	15	16	13	13	15	18	21	21	26	26	18
Over 34 and under 45	18	18	12	17	20	21	21	21	24	27	20
Over 54 and under 65	15	11	12	14	16	19	17	26	28	26	18
Over 64 and under 75	10	21	22	22	17	13	9	7	6	6	13
Over 74	18	20	25	15	14	10	8	5	3	3	12
Employment status of chief economic	supporter										
Self-employed	5	4	4	5	7	6	9	7	8	16	7
Full-time employee at work	5	12	18	31	43	55	63	67	74	70	44
Unemployed	10	10	8	8	5	6	0	6	4	4	6
Unoccupied and under minimum NI age	40	26	17	15	10	7	5	5	4	1	13
Retired/unoccupied over minimum NI age	29	40	48	37	32	23	15	13	7	6	25
Olher	1	0	0	0	0	0		:			0

### TABLE 3A (Appendix 1): Average incomes, taxes and benefits by decile groups of NON-RETIRED households, 1999-2000

	Decile	groups of n	on-retired hou	seholds rank	ed by equiv	alised dispos	able income				All such
	Bottom	2nd	3rd	4th	5th	6th	7th	8lh	9th	Тор	holds
Average per household (£ per year)	-								-		
Decile points (equivalised £ )		7 619	9 978	12 548	15 195	17 624	20 276	23 604 2	8 571	36 386	
Number of households in the population ('000s)	1 881	1 886	1 884	1 884	1 687	1 884	1 884	1 886	1 886	1 885	18 847
Original income Wages and salaries Imputed income from benefits in kind Self-employment income Occupational pensions, annuities Investment income Other income Total	1 707 8 434 142 125 211 2 628	4 604 19 765 159 160 247 5 954	10 159 44 770 316 181 214 11 684	14 607 114 1 659 474 329 161 17 344	19 005 203 1 487 617 390 271 21 973	22 146 227 2 310 957 507 162 26 309	26 505 418 2 045 848 491 305 30 613	32 290 540 2 046 923 935 183 36 918	36 019 775 3 714 1 308 1 065 207 43 088	50 319 1 517 17 649 1 805 5 286 258 76 834	21 736 387 3 288 755 947 222 27 334
Direct benefits in cash											
Contributory Retirement pension Job seeker's allowance (Contribution based) Incapacity benefit Widows' benefits Statutory maternity pay / Allowance	106 95 342 54 2	202 59 662 52 9	389 37 594 66 17	498 17 495 38 21	473 20 296 60 34	355 7 258 48 38	271 19 154 31 40	228 12 137 4 61	262 8 81 51 60	246 4 43 4 57	303 28 306 41 34
Non-contributory Income support Child benefit Housing benefit Job seeker's allowance (Income based) Invalid care allowance Attendance allowance Disabilet (Iving allowance)	1 297 684 814 300 35 0	1 262 734 1 195 174 59 4	675 622 687 85 53 23	376 526 345 54 45 23	244 487 223 37 43 14	97 352 94 22 35 37	51 327 36 17 8 16	23 322 10 7 0	27 225 30 11 4 12	230 6 0	405 451 342 72 29 13
Tax Credit War pensions / War widows' pensions Severe disablement allowance Industrial injury disablement benefit Student support Government training schemes Family credit / Working Families Tax Credit Other non-contributory benefits	108 29 4 145 38 189 27	191 6 26 37 50 22 368 30	333 22 57 40 59 56 215 50	390 51 48 26 32 55 116 21	336 2 59 33 132 70 58 8	171 11 24 11 46 1 25 3	125 27 21 10 112 8 3	64 3 18 14 28 1 2 14	30 8 69 6 2	24 13 10 41 6 1	177 13 29 22 68 26 98 16
Total cash benefits	4 267	5 139	4 082	3 173	2 630	1 637	1 277	950	887	691	2 473
Gross income	6 895	11 093	15 766	20 517	24 602	27 946	31 890	37 867	43 975	77 525	29 808
Direct taxes and Employees' NIC Income tax Iess: Tax relief at source <sup>1</sup> Employees' NI contributions Local taxes <sup>2</sup> Iess: Council tax benefit / Rate rebates Total	254 27 125 708 268 792	555 30 299 750 245 1 330	1 314 53 643 810 133 2 581	2 114 77 975 846 90 3 768	2 810 89 1 253 906 64 4 815	3 658 102 1 494 914 40 5 924	4 470 113 1 813 934 35 7 069	5 806 136 2 118 993 33 8 747	7 146 138 2 310 1 014 26 10 306	15 262 137 2 355 1 167 40 18 607	4 339 90 1 338 904 97 6 394
Disposable income	6 103	9 764	13 185	16 749	19 788	22 022	24 822	29 120	33 669	58 918	23 414
Equivalised disposable income	5 108	8 741	11 280	13 888	16 409	18 926	21 899	26 086	32 048	56 180	21 056
Indirect taxes Taxes on final goods and services VAT	982	1 017	1 393	1 707	1 908	1 998	21039	2 5 2 2	2 583	3 440	1 969
Duty on toacco Duty on beer and cider Duty on wines and spirits Duty on hydrocarbon oils Vehicle excise duty Television licences Stamp duty on house purchase Customs duties Betting taxes Insurance premium tax Air passenger duty Camelol National lottery fund Other	348 81 733 270 70 81 20 49 13 49 13 49 7	422 68 49 260 71 89 18 20 29 13 5 48 5	415 101 365 101 93 31 27 60 200 20 7 7 60	429 143 120 472 128 94 39 32 63 28 9 81 12	325 161 137 532 146 96 52 35 66 31 19 80 80 80	381 152 128 584 162 955 61 36 61 35 21 35 21 82 23	299 164 157 626 171 95 68 40 88 39 24 40 88 39 24 14	313 155 169 645 185 96 89 45 60 45 60 45 32 76 8	248 154 182 672 184 96 94 47 84 47 36 68 9	170 236 716 182 98 170 62 50 61 50 49 49	335 133 134 514 140 93 64 36 61 33 21 66 11
Intermediate taxes Commercial and industrial rates Employers' NI contributions Duty on hydrocarbon oils Vehicle excise duty Other	146 218 117 16 115	148 222 119 16 117	196 293 157 22 155	233 348 187 26 184	260 389 209 29 205	268 401 215 30 211	292 437 234 32 231	334 500 268 37 264	348 520 279 38 275	458 685 367 51 362	268 401 215 30 212
Total indirect taxes	2 666	2 736	3 597	4 334	4 688	4 943	5 229	5 841	5 964	7 370	4 737
Post-tax income	3 437	7 028	9 588	12 415	15 100	17 079	19 593	23 279	27 705	51 548	18 677
Benefits in kind Education National health service Housing subsidy Rail travel subsidy Bus travel subsidy School meals and welfare milk Total	3 606 1 502 63 31 15 117 5 333	2 553 1 721 79 11 16 95 4 475	2 258 1 791 49 21 24 48 4 192	1 862 1 730 33 20 23 24 3 692	1 935 1 650 27 35 21 14 3 681	1 396 1 559 18 23 15 14 3 024	1 300 1 457 17 39 16 9 2 839	1 103 1 460 13 43 11 4 2 633	773 1 391 6 60 13 7 2 250	630 1 309 2 91 7 2 2 041	1 742 1 557 31 37 16 33 3 416
Final Income	8 771	11 503	13 780	16 107	18 781	20 102	22 432	25 912	29 956	53 589	22 093

1 On mortgage Interest and life assurance premiums.

2 Council tax, domestic rates and water charges after deducting discounts.

ABLE 38 (Appendix T): Household characteristics of decile groups of NON-RETIRED households, 195
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	Decile gro	ups of non-	etired house	holds ranked	by equivallat	d disposable	income				All such
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Тор	holds
Average per household (number)									and the	-	
People	2.8	2.8	2.8	2.8	2.8	2.6	2.5	2.5	2.2	2.2	2.6
Adults Men Women	1.7 0.8 0.9	1.7 0.7 0.9	1.8 0.9 1.0	2.0 1.0 1.0	2.0 1.1 1.0	2.1 1.1 1.0	2.0 1.1 1.0	2.0 1.1 0.9	1.9 1.0 0.9	1.9 1.0 0.8	1.9 1.0 0.9
Economically active people	0.7	0.9	1.3	1.6	1.7	1.8	1.8	1.9	1.8	1.7	1.5
Reared people	1.00	0.1	0.1	0.70	0.1	0.1	0.1	0.0	0.01	0.0	0.1
People in full-time education	1.20	0.97	0.84	0.73	0.70	0.50	0.45	0.42	0.31	0.33	0.65
In state primary schools In state secondary schools In further and higher education In other educational establishments	0.52 0.31 0.31 0.06	0.53 0.30 0.12 0.03	0.42 0.28 0.12 0.02	0.36 0.25 0.08 0.04	0.28 0.24 0.14 0.04	0.22 0.19 0.07 0.03	0.17 0.15 0.11 0.03	0.15 0.15 0.08 0.04	0.09 0.10 0.07 0.03	0.11 0.05 0.05 0.12	0.29 0.20 0.11 0.04
Composition (percentages)											
Household type											
Non-retired											
1 adult 1 adult men 1 adult women 2 adults 3 or more adults 1 adult with children 2 adults with 1 child 2 adults with 2 children 2 adults with 2 children 3 or more adults with children	29 16 13 16 22 5 9 8 5	24 15 9 12 8 27 7 9 10 4	20 10 22 7 13 10 12 9 5	20 11 8 23 12 6 10 16 6 8	20 13 6 24 13 5 9 16 5 8	22 14 8 30 16 3 9 10 4 6	21 <i>13</i> 8 31 16 2 11 11 3 5	22 14 8 32 14 3 12 13 1 4	27 16 10 39 10 1 12 7 1 4	27 20 7 41 7 1 11 7 3 3 3	23 14 9 27 11 8 10 11 5 5
Household tenure											
Rented	62	71	48	36	27	21	19	15	12	11	32
Local authority rented Housing association or RSL Other rented unfurnished Rented furnished Rent free	34 8 5 14 2	41 14 8 7 1	26 8 7 7 0	17 6 6 6 1	12 4 4 6 1	7 2 4 5 1	7 2 3 7 2	3 1 3 7 1	2 1 3 5 1	1 0 3 6 1	15 5 5 7 1
Owner occupied	38	29	52	64	73	79	81	85	88	89	68
With mortgage Rental purchase Owned outright	23 0 15	19 0 10	36 0 16	49 0 15	56 0 17	62 1 17	67 1 13	73 11	75 1 13	72 0 17	53 0 14
Age of chief economic supporter											
Under 25 Over 24 and under 35 Over 34 and under 45 Over 44 and under 55 Over 54 and under 65 Over 64 and under 75 Over 74	15 23 27 18 15 1 0	11 27 29 15 15 3 1	7 23 27 19 19 3 2	6 20 28 24 16 5 2	5 23 26 25 14 5 1	4 22 26 24 20 3	4 27 26 27 13 2 0	4 27 26 28 15 1 0	2 27 24 31 12 2 1	1 27 29 28 12 3 0	6 25 27 24 15 3 1
Employment status of chief economic suppo	rter										
Self-employed Full-time employee at work Part-time employee at work Unemployed Unoccupied and under minimum NI age Retired/unoccupied over minimum NI age Other	7 8 14 15 54 0 2	8 24 14 13 38 2 1	7 45 13 8 23 4 0	10 59 8 6 12 5 0	8 67 7 5 8 4 0	11 71 7 4 5 1	8 79 7 3 2 2	8 81 5 4 2 0	10 80 4 3 2 1	19 74 5 1 0	9 59 9 6 15 2 0

COLUMN TANKS

# TABLE 4A (Appendix 1): Average incomes, taxes and benefits by decile groups of RETIRED households, 1999-2000

	Decile grou	ps of retired	household	s ranked by	equivalised d	isposable in	come				All such
	Bottom	2nd	3rd	4th	Sth	6th	71h	8th	9th	Тор	house- holds
Average per household (£ per year)							-				
Decile points (equivalised £)	6	886 8	266	9 280	10 150 1	1 245	12 671 1	4 607 1	7 338 2	1 921	
Number of households in the population ('000s)	647	649	648	648	650	649	648	649	649	650	6 487
Original income											
Wages and salaries	42	42	2	27	6	362	174	369	360	1 301	268
Self-employment income	2					-	50	-	38	169	26
Occupational pensions, annuities Investment income	465 287	494	469	367	2 332 549	2 /58 762	1 260	1 599	2 283	8 700	4 459
Other income Total	0 797	55 1 512	97 1 654	92 1 903	65 2 952	61 3 943	42 5 317	106	150 11 231	197 28 149	86 6 517
Direct benefits in cash		1.01-						1919			
Contributory	0 705	4 505	4 663	1 506	4 810	4.074	4 607	4 0 4 3	4 667	4 557	4 600
Job seeker's allowance (Contribution based)	3735	4 595	4 003	4 550	19	4 9/4	4007	4 943	4 037	4 307	4 500
Incapacity benefit Widows' benefits	63 39	54 42	66 19	5 22	104	78	194 83	95 54	148	130	94 38
Statutory maternity pay/ Allowance		•		-		-	-	-	•		
Non-contributory	170		074	000	000	070	200		E10	104	074
Child benefit	6	6	214	209	8	2/6	16	441	10	14	6
Housing benefit Job seeker's allowance (Income based)	50	206 34	575	819	918 26	612	381	484	546	11	460
Invalid care allowance		110	16	13	12	23	402	34	33	17	15
Disability living allowance/ Disabled Persons Tax Credit	58	51	104	77	67	245	404	362	288	63	172
War pensions / War widows' pensions Severe disablement allowance	12	В	14	32	39	70 31	42 24	52 26	358 33	344	93 19
Industrial injury disablement benefit		7	15	23	47	56	12	26	39	29	26
Government training schemes	-	12		-	7	-	8	2	-		3
Family credit / Working Families Tax Credit Other non-contributory benefits	93	38	146	53	36	18	19 58	25	32	44	2 54
Total cash benefits	4 279	5 353	6 146	5 919	6 494	6 707	6 709	7 085	7 371	5 606	6 167
Gross income	5.076	6 865	7 800	7 822	9.446	10 650	12 026	14 795	18 602	33 755	12 684
Disational England Mic	5010	0.000		T OLS	0.110	10 000	The ORW	11100	IC OUL	00100	12.001
Income tax	75	109	114	154	338	477	650	1 000	1 694	5 247	986
less: Tax relief at source <sup>1</sup> Employees' NL contributions	6 4	67	4	3 2	6 4	4	7	7	10	18 94	7
Local taxes?	878	805	804	777	812	812	831	899	954	1 213	879
Total	739	746	717	719	965	1 166	1 346	1 781	2 551	6 502	1 723
Disposable income	4 337	6119	7 083	7 103	8 481	9 484	10 679	13 014	16 051	27 253	10 961
Equivalised disposable income	5 562	7 661	8 788	9 681	10 703	11 894	13 592	15 818	19 388	31 498	13 458
Indirect taxes											
Taxes on final goods and services	787	575	564	480	706	786	886	1 121	1 256	1 878	904
Duty on tobacco	66	105	131	86	129	162	162	104	102	99	115
Duty on wines and spirits	46	37	52	34	83	64	51	96	115	172	75
Duty on hydrocarbon oils Vehicle excise duty	145 68	119 57	122	86 45	163 69	145	155 75	275 96	292 110	447	195 82
Television licences	96	90	88	88	88	91 15	92	89	91	99 77	91
Customs duties	15	13	12	11	15	16	18	20	23	35	18
Betting taxes Insurance premium tax	25	11	49	39	13	56	45 19	43	48	54 67	42
Air passenger duty	8	4	1 52	5	5	6	13	10	16	32	10
Other	2	3	2	1	2	7	8	2	12	25	7
Intermediate taxes											
Commercial and industrial rates Employers' NL contributions	108	93	92 137	82	107	117	129	148	173	256 383	131
Duty on hydrocarbon oils	87	75	74	66	86	94	104	119	138	205	105
Other	85	74	73	65	85	93	102	117	136	202	103
Total indirect taxes	1 810	1 512	1 560	1311	1 840	2 021	2 176	2 623	2 937	4 350	2 214
Post-tax income	2 527	4 607	5 523	5 792	6 641	7 463	8 503	10 391	13114	22 903	8 746
Benefits in kind					and a			and a			
Education	192	21			68	55	81	44	38	59	56
Housing subsidy	2 947	2 975	3 281	2 911	2 930	2 /5/ 61	2 894	2 866	2 989	2 818	2 937
Rail travel subsidy	8	8	4	0	2	6	9	3	16	22	8
School meals and welfare milk	3	0	01		2	02	0	40	30	48	0
i utar	3 232	3 100	3 408	3 044	3 136	2 941	3 070	2 993	3 128	2 952	3 100
Liner rucolute	5 759	7 707	8 931	8 836	9778	10 404	11573	13 384	16 242	25 854	11 847

1 On mortgage interest and life assurance premiums. 2 Council tax, domestic rates and water charges after deducting discounts.

## TABLE 4B (Appendix 1): Household characteristics of decile groups of RETIRED households, 1999-2000

Boton         Grid         Joid         Joid <t< th=""><th></th><th></th><th></th><th></th><th>De</th><th>cile groups</th><th>of retired ho</th><th>useholds ran</th><th>ked by equiv</th><th>alised dispos</th><th>sable income</th><th></th><th></th><th></th><th></th><th>All such</th></t<>					De	cile groups	of retired ho	useholds ran	ked by equiv	alised dispos	sable income					All such
Amage per boushold (unitor)         Perge         15         16         15         17         14         14         13         15         16         16         17         16         16         17         15         16         16         17         16         16         17         16         16         17         16         16         17         16         16         17         16 <th17< th="">         16</th17<>					Bo	ttom	2nd	3rd	4th	5th	6th	7th	8lh	9th	Тор	house- holds
People         15         15         15         13         15         14         15         13         17         1           Adalis         1.46         1.47         1.46         1.47         1.45         <	Average	per house	hold (numb	ber)	_									-	-	
Andre Weinen         1.44         1.44         1.44         1.44         1.44         1.44         1.45         0.54         0.54         0.54         0.54         0.54         0.54         0.54         0.54         0.54         0.54         0.54         0.55	People					1.5	1.5	1.5	1.3	1.5	1.5	1.4	1.5	1.5	1.7	1.5
Working         0.89         0.87         0.87         0.87         0.88         0.80         0.81         0.01         0.01         0.01         0.01         0.01         0.03         0.01           People in Melone exaction         0.06         0.12         -         0.02         0.01         0.01         0.01         0.03         0.01           Composition percentages         Headed         13         17         14         69         12         17         75         13         14         40         42         42         44         43         87         20         20         20         20         20         20         20         20         20         20         20         20         20         20         20         20         20         20         20	Adults Men					1.44 0.55	1.46 0.57	1.49 0.63	1.31 0.48	1.45 0.55	1.47 0.62	1.42 0.56	1.54 0.64	1.53 0.65	1.63 0.78	1.47 0.60
Economical splite exception         1.1         0.1         0.0         0.0         0.0         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.1         0.00         0.00         0.00         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.00         0.01         0.01         0.02         0.01         0.01         0.03         0.00           Table mone         10         37         54         69         55         65         65         65         65         65         65         65         65         65         65         65         65         65         65	Wome Children	9n				0.89 0.03	0.89 0.02	0.87	0.83	0.90 0.01	0.85 0.01	0.86 0.02	0.90	0.88 0.01	0.86 0.02	0.87
Propie in thi-lime exclusion         0.08         0.02         0.01         0.02         0.01         0.01         0.03         0.01           Compatibility point         Non-status         No-status         No-status         No-status </td <td>Economi Retired p</td> <td>cally active beople</td> <td>people</td> <td></td> <td></td> <td>0.1 1.3</td> <td>0.0 1.4</td> <td>0.0 1.4</td> <td>0.0 1.3</td> <td>0.0 1.4</td> <td>0.1 1.4</td> <td>0.1 1.3</td> <td>0.1 1.5</td> <td>0.1 1.4</td> <td>0.1 1.5</td> <td>0.0 1.4</td>	Economi Retired p	cally active beople	people			0.1 1.3	0.0 1.4	0.0 1.4	0.0 1.3	0.0 1.4	0.1 1.4	0.1 1.3	0.1 1.5	0.1 1.4	0.1 1.5	0.0 1.4
Comparison           Series           I adult mem di 10 57 54 68 58 58 59 51 51 51 40 122 27 12 27 12 12 12 12 12 12 12 12 12 12 12 12 12	People In	n full-time ea	ducation			0.06	0.02			0.02	0.01	0.02	0.01	0.01	0.03	0.02
Household type           1 radii         1 radii man         13         17         14         9         19         14         19         12         17 <td< td=""><td>Compos</td><td>ition (perce</td><td>entages)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	Compos	ition (perce	entages)													
Retried         1         Addit own in table is in the second state of the second sta	Househo	old type														
1 addit mam         61         57         64         69         58         65         51         51         64         60           2 addit woman         48         44         45         45         44         42         42         44         48         44         45         34         45         34         45         34         45         34         45         34         45         34         45         34         45         34         45         34         45         34         45         36         32         28         3         3         47         30         36         32         28         44         45         39         9         10         10         10         10         10         10         10         10         10         10         10         10         10         10         10	Retired															
Household torure         Renied         13         32         48         58         54         45         34         32         28         32         28         32         28         32         28         32         28         32         28         32         28         32         28         32         34         3         1         3         2         1         33         4         3         0         0           Order ramed unimitied         1         1         3         2         1         3         4         3         0         1         1         0         0         1         1         0         0         1         1         0         0         1         1         0         0         1         1         0         0         1         1         0         0         0         1         0	1 adul 1 ao 1 ao 2 or n	lt Iult men Iult women nore adults				61 13 48 39	57 11 46 43	54 14 40 46	69 18 51 31	58 12 46 42	58 17 41 42	59 17 42 41	51 13 38 49	51 14 37 49	40 17 23 60	56 15 41 44
Related         13         32         48         56         54         45         94         32         28         3         3           Local authomy wheld         6         22         32         42         37         18         62         20         16         1         3         4         3         0           Other mede unhumished         1         1         3         2         1         3         3         4         3         0           Rented unished         0         1         1         3         2         1         3         3         4         3         0           With notigap         3         6         3         2         4         4         5         9         9         10           Ower douting         83         82         48         41         42         51         82         56         67         6           Age d chief acconomic supporter         1	Househa	old tenure														
Local substry ended         6         22         32         42         37         28         22         20         16         1         1           Owner enter infurnished         0         1         1         3         2         1         3         3         4         7         0         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         0         1         1         0         0         1         1         0         1         1         0         0         0         1         1         1         0         0         0         1         1         1         1         0         0         1         1         1         1         0         0         1         1         1         0         0 <td< td=""><td>Rented</td><td></td><td></td><td></td><td></td><td>13</td><td>32</td><td>48</td><td>58</td><td>54</td><td>45</td><td>34</td><td>32</td><td>28</td><td>3</td><td>35</td></td<>	Rented					13	32	48	58	54	45	34	32	28	3	35
Owner occupied         67         68         52         42         46         55         66         58         72         97         6           Mein morgage         3         6         3         2         4         4         5         9         9         10           Owner occupied         83         62         48         41         42         51         62         59         63         67         64           Age of chief economic supporter         Under 25         .	Local Housi Other Rente	authority re ng associati rented unfu d furnished	nted on or RSL mished			8 4 1 0	22 5 1	32 9 3 1	42 9 2 0	37 14 1 0	28 11 3 0	22 8 3 0	20 4 4 1	16 7 3 1	1 1 0 0	23 7 2 0
Christian         Column of the column o	Owner	ccupied				87	4 68	52	42	46	55	66	68	72	97	65
Renta purphase         1         -	With r	nortaade				3	6	3	2	4	4	5	9	9	10	5
Age of chief economic supporter           Under 25         1	Renta Owne	l purchase d outright				1 83	62	48	41	42	51	62	59	63	87	0 60
Under 25 Over 24 and under 35 Over 34 and under 55 1	Age of c	hief econo	mic suppo	rter												
Oren /*         Ore         40         00         02         42         01         15         39         11         01           Employment status of chief economic supporter           Self-employed         1         -	Under 25 Over 24 Over 34 Over 44 Over 54 Over 64	5 and under 3 and under 4 and under 5 and under 6 and under 7	15 15 15 15 15 15 15			- 1 16 29	- - - - - - - - - - - - - - - - - - -	4 46	- 0 7 41	1 10 47	1 10 52	1 1 10 43	14 48	1 1 17 41	1 3 17 43	0 1 12 43
Self-employee at work 1 1 1 0 1 1 0 1 1 1 1 1 1 1 1 1 1 1 1	Employs	ment status	of chief e	conomic sup	porter	54	40	50	JE	46	57	45	00			
Part-time employee at work Unexcupied and under minimum NI age 11 6 3 3 6 7 7 6 13 15 Retired/unoccupied over minimum NI age 88 94 97 97 97 94 93 92 94 87 85 5	Self-emp	loyed employee	at work	contraine sup	portor	1	:	:	:	:	:	:	:	:	:	0
	Part-time Unemplo Unoccup Retired/u	employee byed lied and unc unoccupied	at work ler minimun over minimu	n NI age um NI age		11 88	6 94	3 97	0 3 97	6 94	- 7 93	0 92	6 94	13 87	15 85	0 8 92
			-													
													_			

## TABLE 5 (Appendix 1): Average incomes, taxes and benefits by decile groups of NON-RETIRED households WITHOUT CHILDREN, 1999-2000

	Decile grou	ps of non-re	tired househ	olds without	children, rar	nked by equi	valised disp	osable incon	ne		All such
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Тор	house- holds
Average per household (£ per year)											
Decile points (equivalised £ )	8	142 11	479 14	533 17	243 19	544 22	384 26	268 31	336 39	006	
Number of households in the population ('000s)	1 152	1 151	1 153	1 152	1 151	1 153	1 152	1 152	1 151	1 154	11 521
Original income Wages and salaries Imputed income from benefits in kind Self-employment income Occupational pensions, annuities Investment income Other income Total	1 651 8 349 280 224 211 2 723	4 646 52 900 340 258 115 6 311	9 372 8 898 636 288 61 11 262	14 375 30 1 127 788 307 176 16 802	18 469 123 2 045 1 060 475 51 22 223	21 873 180 1 349 1 304 556 159 25 421	25 473 315 2 414 1 149 679 208 30 239	31 275 391 2 266 1 465 881 136 36 413	34 821 747 3 571 1 320 1 174 118 41 751	51 083 1 551 12 409 2 497 4 865 117 72 522	21 304 341 2 733 1 084 971 135 26 567
Direct benefits in cash											
Contributory Retirement pension Job seeker's allowance (Contribution based) Incapacity benefit Widows' benefits Statutory Maternity Pay/ Allowance	185 119 352 93 0	493 104 1 099 103	859 23 822 51	790 25 447 36	477 12 352 44 7	465 23 218 47	389 19 151 14	280 11 156 50	307 8 68 37	350 6 41 12	460 35 371 49 1
Non-contributory Income support Child benefit Housing benefit Job seeker's allowance (Income based) Invalid care allowance Attendance allowance Disability living allowance/Disabled Persons Tax Credit War pensions / War widows' pensions Severe disablement allowance Industrial injury disablement benefit Student support Government training schemes Family credit / Working Families Tax Credit Other non-contributory benefits	514 6 538 332 20 126 9 35 37 185 39 11 26	540 4 919 204 66 208 208 5 53 222 67 67 1 61	395 9 482 40 45 36 581 86 61 42 34 19 12 31	338 4 242 32 36 22 418 4 103 31 181 61 5 4	135 10 127 26 50 56 230 4 23 37 51 0 5 14	82 77 15 17 22 104 54 24 6 143 2	32 8 29 19 13 61 5 22 30 20 15 1	15 2 10 10 57 18 13 78 1 25	43 23 12 10 21	23 1 20 21 9 68 1	210 4 244 69 23 20 183 19 35 29 76 21 3 3 17
Total cash benefits	2 608	4 042	3 629	2 780	1 661	1 302	828	726	558	535	1 867
Gross income	5 331	10 353	14 891	19 582	23 884	26 723	31 066	37 138	42 308	73 057	28 433
Direct taxes and Employees' NIC Income tax Jess: Tax relief at source' Employees' NI contributions Local taxes' Jess: Council tax benefit / Rate rebates Total	279 24 124 637 204 812	618 23 291 743 194 1 435	1 226 42 590 797 118 2 454	2 031 54 941 802 77 3 643	2 822 74 1 266 845 42 4 816	3 530 85 1 494 863 46 5 756	4 351 111 1 764 888 33 6 859	5 709 119 2 167 944 37 8 663	7 080 131 2 270 975 24 10 169	14 588 127 2 407 1 115 49 17 934	4 223 79 1 331 861 83 6 254
Disposable income	4 519	8 917	12 438	15 938	19 068	20 967	24 207	28 475	32 139	55 124	22 179
Equivalised disposable income	4 910	9 776	12 962	15 856	18 362	20 918	24 108	28 675	34 613	59 929	23 011
Indirect taxes Taxes on final goods and services VAT Duty on tobacco Duty on wines and spirits Duty on wines and spirits Duty on wines and spirits Vehicle excise duty Television licences Stamp duty on house purchase Customs duties Betting taxes Insurance premium tax Air passenger duty Camelot National lottery fund Other	939 313 104 91 244 64 75 19 19 61 13 61 39 39 8	979 430 91 71 232 72 86 19 19 58 14 7 50 2	1 277 441 1328 102 91 29 24 66 22 7 79 3	1 578 375 174 124 419 119 94 365 28 67 24 14 85 14	1 764 431 160 127 524 150 92 50 92 50 32 67 32 23 23 82 8	1 814 332 164 141 159 95 57 34 100 35 22 78 31	2 249 396 174 200 626 166 93 59 39 82 39 82 39 82 39 82 39 82 39 82 39	2 213 276 163 198 637 176 95 85 41 76 43 31 78 6	2 472 267 164 163 637 177 96 103 44 76 46 29 69 11	3 259 168 158 247 707 174 97 150 57 43 57 56 647 10	1 854 343 148 147 485 136 92 61 34 70 32 223 71
Intermediate taxes Commercial and industrial rates Employers' NI contributions Duty on hydrocarbon oils Vehicle excise duty Other	140 210 112 15 111	137 205 110 15 108	180 269 144 20 142	209 313 168 23 165	233 349 187 26 184	247 370 198 27 195	288 432 231 32 228	299 448 240 33 236	320 480 257 35 253	418 626 335 46 330	247 370 198 27 195
Total indirect taxes	2 584	2 704	3 466	4 031	4 529	4 597	5 472	5 376	5 700	6 988	4 545
Post-tax income	1 935	6 214	8 972	11 908	14 539	16 370	18 736	23 099	26 439	48 136	17 635
Benafits in kind Education National health service Housing subsidy Rail travel subsidy Bus travel subsidy School meals and welfare milk Total	2 011 940 44 34 18 1 3 048	473 1 173 58 13 18 0 1 735	252 1 350 45 26 25 1 698	468 1 219 34 26 22 1 766	273 1 286 20 26 15 0 1 621	424 1 191 24 19 18 1 677	288 1 130 14 48 15 1 495	314 1 084 11 39 7 1 455	165 1 027 6 62 8 0 1 268	82 1 002 2 106 6 0 1 198	475 1 140 26 40 15 0 1 696
Final income	4 983	7 949	10 670	13 674	16 160	18 047	20 231	24 555	27 707	49 334	19 331

1 On mortgage interest and life assurance premiums. 2 Council fax, domestic rates and water charges after deducting discounts.

# TABLE 6 (Appendix 1): Average incomes, taxes and benefits by decile groups of NON-RETIRED households with CHILDREN, 1999-2000

Bottom         2nd         3rd         4th         5th         6th         7th         8th         9th         Top           Average per household (£ per year)           Decile points (equivalised £)         7 176         8 866         10 598         12 515         14 818         16 851         19 852         24 153         30 211           Number of households in the population ('000s)         731         732         734         733         734         731         732         733         733         732         733         733         732         733         733         732         733         733         732         733         732         733         734 <td< th=""><th>hours</th></td<>	hours
Average per household (C per year)           Decile points (equivalised £)         7 176         8 666         10 598         12 515         14 818         16 651         19 852         24 153         30 2/11           Number of households in the population (000s)         731         732         734         733         734         731         732         733         732         733         733         732         733         733         733         732         733         733         732         733         733         732         733         733         732         733         732         733         732         733         732         733         732         733         732         733         732         733         732         733         733         732         733	holds
Decile points (aquivalised £)         7 176         8 666         10 598         12 515         14 818         16 851         19 852         24 153         30 211           Number of households in the population ('000s)         731         732         734         733         734         731         732         733         732         733         733         733         732         733         733         732         733         733         732         733         733         732         733         733         732         733         733         732         733         733         733         732 <td< td=""><td>-</td></td<>	-
Number of households in the population (100s)         731         732         734         733         734         731         732         733 <td></td>	
Original income         Vages and salaries         2.069         3.950         8.049         13.736         17.967         23.299         28.451         32.861         41.175         52.562           Imputed income from benefits in kind         9         0         13         65         188         388         415         72.817         2.617         2.867         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.667         2.663         3.995         3.94         3.490         5.14           Investment income         66         3.2         2.3         1.56         2.757         5.40         3.83         4.60         1.121         6.048         2.980         4.977         8.991         1.5 3.15         2.1197         2.7374         3.2119         3.754         4.69 51         8.754         4.69 51         7.63         3.6         6.2         2.0         4         8         3         1         1         1         1.66         3.2         2.0         4.8         3         1         1         1.66         3.2 <td>7 326</td>	7 326
Direct benefits in cash Contributory         Petirement pension         72         39         60         67         50         42         189         17         14         21           Job seeker's allowance (Contribution based)         93         13         6         12         20         4         8         3         1         1           Incapacity benefit         334         360         276         381         249         142         29         182         69         25           Widows' benefits         10         30         -         37         69         96         11         39         -         -         -         Statutory Maternity Pay/ Allowance         1         14         26         29         53         59         102         131         217         229           Non-contributory	22 416 459 4 161 238 910 358 28 542
Contributory Retirement pension         72         39         60         67         50         42         189         17         14         21           Job seeker's allowance (Contribution based)         93         13         6         12         20         4         8         3         1         1           Incapacity benefit         334         360         276         381         249         142         29         182         69         25           Widows' benefits         10         30         -         37         69         96         11         39         -         -         -         5           Statutory Maternity Pay/ Allowance         1         14         26         29         53         59         102         131         217         229           Non-contributory         1         148         237         1346         800         517         134         70         3         37         2           Non-contributory         1         1988         2.237         1346         800         517         134         70         3         37         2           Income support         1.998         2.237         1246 <td< td=""><td></td></td<>	
Non-contributory         1988         2 237         1 346         800         517         1 34         70         3         37         2           Child benefit         1 417         1 307         1 264         1 215         1 132         1 149         1 079         1 035         957         954           Housing benefit         1 075         1 495         1 168         592         331         248         22         -         -         41           Job seeker's allowance (Income based)         322         135         52         82         23         93         9         24         7         8           Invalid care allowance         52         41         38         87         63         25         32         18         18         -         -         5         7         -         3         8         -         -         5         7         -         3         8         -         -         5         7         -         3         8         -         -         5         7         -         3         8         -         -         5         39         -         -         6         -         -         -         5	57 16 205 29 86
Other non-contributory benefits 3 39 6 71 27 1 1 1 0 0	713 1 153 497 75 37 2 169 5 20 13 55 33 246 15
Total cash benefits 5915 6 604 5 263 4 305 3 198 2 671 1 737 1 748 1 441 1 392	3 427
Gross income 8 895 11 581 14 254 19 620 24 395 30 045 33 856 39 291 48 401 89 352	31 969
Direct taxes and Employees' NIC           Income tax         253         500         933         1784         2559         3713         4771         5 831         7717         17 142           less: Tax relief at source'         32         27         49         82         104         128         148         163         181         163           Employees' Ni contributions         140         265         511         890         1 231         1 555         1 860         2 192         2 504         2 341           Local taxes'         789         804         754         844         907         1016         1012         1092         1 152         1 353           less: Council tax benefit / Rate rebates         328         330         179         126         82         54         28         30         19         30           Total         822         1 211         1 970         3 312         4 510         6 102         7 467         8 922         11 173         20 644	4 520 108 1 349 972 121 6 613
Disposable income 8 073 10 370 12 284 16 308 19 884 23 943 26 389 30 369 37 228 68 709	25 356
Equivalised disposable income 5 560 7 978 9 608 11 544 13 755 15 820 18 319 21 790 27 023 48 433	17 983
Indirect taxes	
VAT       1094       1011       1192       1727       2084       2260       2435       2608       3034       4048         Duty on tobacco       413       431       407       422       367       329       278       229       228       133         Duty on beer and cider       71       45       63       96       121       149       142       144       131       124         Duty on wines and spirits       56       37       58       85       113       140       143       133       139       230         Duty on hydrocarbon oils       314       270       296       483       626       618       742       736       735       773         Vehicle excise duty       B2       64       77       121       156       172       184       189       215       205         Television licences       89       90       93       96       97       99       97       99       98       98       98       98       98       343       45       49       150       202       Customs duties       22       20       24       32       39       43       45       49       56       79 </td <td>2 149 323 109 113 560 146 70 41 47 34 17 58 12</td>	2 149 323 109 113 560 146 70 41 47 34 17 58 12
Intermediate taxes         159         150         177         237         284         315         334         362         409         584           Employers'NI contributions         239         224         265         355         425         471         499         542         612         874           Duty on hydrocarbon oils         128         120         142         190         228         252         268         290         328         468           Vehicle excise duty         18         17         20         26         31         35         37         40         45         64           Other         126         118         140         187         224         249         264         286         323         461	301 450 241 33 238
Total indirect taxes 2 921 2 693 3 096 4 262 5 027 5 402 5 735 5 987 6 699 8 566	5 039
Post-tax income 5 152 7 677 9 188 12 046 14 857 18 541 20 654 24 382 30 529 60 143	20 317
Benefits in kind         5 380         4 213         3 720         4 241         3 715         4 122         3 637         3 179         2 747         2 365           National health service         2 144         2 137         2 323         2 209         2 231         2 079         2 181         2 231         2 264         2 322           Housing subsidy         87         97         76         49         24         19         11         8         8         3           Rail travel subsidy         15         23         13         19         17         36         31         60         35         85           Bus travel subsidy         17         14         13         30         19         25         15         11         11         20           School meals and welfare milk         249         208         125         86         56         33         42         26         20         14           Total         7 892         6 693         6 269         6 634         6 063         6 313         5 916         5 515         5 085         4 830	3 734 2 212 38 33 17 86 6 121

1 On mortgage interest and life assurance premiums.

# TABLE 7 (Appendix 1): Distribution of households' by household type, 1999-2000

	Retired house	eholds				Non-Retired households				
	1 adult Men	1 adult Women	All 1 adult	2 or more adults		1 adult Men	1 adult Women	All 1 adult		
Decile groups of households ranked by equivalised disposable income										
Number of households ('000s)										
Bottom 2nd 3rd 4th 5th	87 74 91 119 76	311 299 258 327 302	511 570 806 540 412	311 476 429 415 344		301 274 190 215 248	246 170 180 159 121	513 341 296 304 356		
6th 7th 8th 9th Top	110 110 82 92 108	268 275 248 237 151	305 195 147 73 65	251 204 206 129 101		267 250 263 307 378	144 147 152 197 137	398 431 484 530 694		
All households in population ('000s)	949	2 675	3 624	2 863		2 693	1 653	4 346		
	Non-Retired h	nouseholds								
	2 adults	3 or more adults	1 adult with children	2 adults with 1 child	2 adults with 2 children	2 adults with 3 or more children	3 or more adults with children	All house- hoids		
Decile groups of households ranked by equivalised disposable income		1								
Number of households ('000s)										
Bottom 2nd 3rd 4th 5th	277 169 228 400 372	104 136 78 125 222	360 405 272 158 89	89 112 103 160 180	148 131 144 196 299	135 143 122 137 123	86 48 58 100 138	2 532 2 531 2 534 2 535 2 535		
6th 7th 8th 9th Top	512 637 708 832 973	258 364 309 306 167	87 68 55 34 18	177 201 253 288 244	274 222 248 239 150	100 89 33 18 57	171 123 90 86 66	2 533 2 534 2 531 2 534 2 534 2 536		
All households in population ('000s)	5 108	2 068	1 546	1 807	2 051	957	965	25 334		

1 See Appendix 3 for definitions of retired households, adults and children.

### TABLE 8 (Appendix 1): Summary of the effects of taxes and benefits, by household type<sup>1</sup>, 1999-2000

	Retired house	holds		-		Non-Retired	households	
	1 adult Men	1 adult Women	All 1 adult	2 or more adults		1 adult Men	1 adult Women	All 1 adult
Average per household (2 per vear)								
Original income <i>plus</i> Cash benefits Gross income	4 880 5 023 9 903	3 046 5 406 8 452	3 526 5 306 8 832	10 302 7 257 17 558		16 462 1 537 17 999	13 147 1 713 14 860	15 201 1 604 16 805
less Direct taxes and employees' NIC Disposable income	1 406 8 497	999 7 454	1 105 7 727	2 505 15 053		4 117 13 882	3 326 11 534	3 816 12 989
Equivalised disposable income	13 932	12 204	12 656	14 474		22 757	18 908	21 293
less Indirect taxes Post-tax income plus Benefits in kind Final income	1 568 6 928 2 310 9 239	1 256 6 198 2 642 8 840	1 337 6 389 2 556 8 945	3 324 11 730 3 790 15 519		2 963 10 919 830 11 749	2 516 9 018 988 10 006	2 793 10 196 890 11 086
	Non-Retired h	ouseholds						
	2 adults	3 or more adults	1 adult with children	2 adults with 1 child	2 adults with 2 children	2 adults with 3 or more children	3 or more adults with children	All house- holds
Average per household (£ per vear)	_							
Original income plus Cash benefits	31 877 1 748	37 334 2 711	6 721 6 124	32 914 2 088	34 900 2 092	28 740 4 204	41 588 3 683	22 004 3 419
less Direct taxes and employees' NIC Disposable income	7 527 26 098	8 232 31 813	1 621 11 224	7 829 27 173	8 258 28 735	6 474 26 470	45 271 8 974 36 297	25 423 5 198 20 225
Equivalised disposable income	25 465	20 557	11 289	22 227	19 861	15 194	19 530	19111
less Indirect taxes Post-tax income plus Benefits in kind	5 000 21 098 1 603	7 099 24 714 3 620	2 367 8 857 5 515	5 348 21 825 3 811	5 622 23 113 6 124	5 208 21 262 10 050	7 330 28 967 7 516	4 091 16 134 3 335

1 See Appendix 3 for definitions of retired households, adults and children.

# TABLE 9 (Appendix 1): Average incomes, taxes and benefits by decile groups of households (ranked by UNADJUSTED disposable income), 1999-2000

	Decile groups of households ranked by UNADJUSTED disposable income											
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Тор	house- holds	
Average per household (£ per year)	-		-				-			-		
Decile points (£ per year)	5	710	7 795	10 022	12 521	15 766	19 409	23 586	29 438	37 821		
Number of households in the population ('000s)	2 532	2 535	2 531	2 536	2 531	2 534	2 535	2 532	2 535	2 533	25 334	
Original income Wages and salaries Imputed income from benefits in kind Self-employment income Occupational pensions, annuities Investment income Other income Total	386 3 171 338 276 97 1 273	823 5 217 867 283 129 2 325	2 423 13 254 1 107 434 140 4 371	5 140 6 630 1 539 477 173 7 964	9 9 178 5 57 9 837 9 1 916 664 3 147 4 12 799	14 341 97 1 002 2 095 696 217 18 449	18 680 282 1 985 2 521 1 019 215 24 700	25 974 418 1 862 2 189 974 259 31 677	34 061 578 3 048 1 771 1 255 219 40 931	51 383 1 419 14 521 2 690 5 261 275 75 548	16 239 288 2 453 1 703 1 134 187 22 004	
Direct benefits in cash												
Contributory Retirement pension Job seeker's allowance (Contribution based) Incapacity benefit Widows' benefits Statutory maternity pay/ Allowance	1 802 67 196 73 0	2 434 30 271 42 3	2 355 36 288 66 3	2 030 32 413 50 4	1 605 18 3 327 51 15	1 246 11 376 56 19	898 17 251 16 24	708 12 174 8 61	521 8 143 20 73	402 9 79 22 51	1 400 24 252 40 25	
Non-contributory Income support Child benefit Housing benefit Job seeker's allowance (Income based) Invalid care allowance Attendance allowance	355 81 492 103 11 36	698 188 1 036 91 8 52	908 279 879 61 15 204	703 295 646 94 27 240	469         382           382         69           4         69           4         113	228 385 141 29 58 87	151 413 75 30 45 50	72 466 36 34 16 29	115 426 28 31 28 35	19 453 12 7 5 5	372 337 373 55 25 85	
Disability living allowance / Disabled Persons Tax Credit War pensions / War widows' pensions Severe disablement allowance Industrial injury disablement benefit Student support Government training schemes Family credit / Working Families Tax Credit Other non-contributory benefits	36 1 12 10 63 12 7 36	100 3 30 14 28 17 39 28	257 18 24 12 19 9 165 69	293 71 43 40 36 9 148 32	326 55 45 19 30 31 20 31 42 37	255 68 37 48 103 29 109 21	169 96 18 6 56 18 53 13	128 4 23 11 20 59 27 6	131 14 24 33 86 16 19 14	63 6 39 87 9 0	176 34 27 23 53 20 73 26	
Total cash benefits	3 394	5111	5 669	5 207	4 168	3 306	2 402	1 894	1 764	1 276	3 4 1 9	
Gross income	4 667	7 437	10 040	13 171	16 967	21 755	27 102	33 570	42 695	76 824	25 423	
Direct laxes and Employees' NIC Income tax Income tax I	148 14 39 687 202 657	225 10 53 708 236 739	470 16 156 764 210 1 164	965 37 331 806 149 1 916	5 1 630 7 53 6 613 5 824 9 100 5 2 914	2 466 77 978 894 68 4 194	3 588 97 1 302 947 36 5 703	4 709 117 1 697 1 006 39 7 256	6 431 126 2 210 1 079 36 9 558	14 170 142 2 617 1 262 33 17 874	3 480 69 1 000 898 111 5 198	
Disposable income	4 010	6 697	8 876	11 255	5 14 053	17 560	21 399	26 314	33 137	58 950	20 225	
Indirect taxes Taxes on final goods and services VAT Duty on tobacco Duty on beer and cider Duty on hydrocarbon oils Vehicle excise duty Television licences Stamp duty on house purchase Customs duties Betting taxes insurance premium tax Air passenger duty Camelot National lottery fund Other	648 172 45 44 143 47 81 19 13 32 11 4 28 4	5555 179 27 47 107 45 86 13 12 23 9 3 31 31	816 261 65 178 60 90 17 16 39 92 12 4 4 6 6	1 076 878 877 291 90 300 212 422 18 50 50 6	3         1 330           5         95           8         88           1         371           1         100           93         93           90         93           92         59           93         24           93         63           93         63           93         63	1 694 319 119 123 442 132 96 55 32 62 62 62 62 71	1 971 369 131 132 525 154 97 65 36 85 36 85 36 17 81 20	2 345 297 156 174 638 180 98 71 42 70 43 32 84 15	2 815 335 178 197 752 208 97 87 50 74 52 36 82 12	3 714 259 197 247 878 225 98 150 67 74 68 51 71 15	1 696 279 108 119 432 125 93 54 32 56 30 18 81 10	
Intermediate taxes Commercial and industrial rates Employers' NI contributions Duty on hydrocarbon oils Vehicle excise duty Other	96 144 77 11 76	92 137 73 10 72	120 180 96 13 95	155 232 124 17 123	5 189 2 283 4 152 7 21 3 149	233 349 187 26 184	264 395 212 29 209	312 467 250 34 246	371 556 298 41 294	496 743 398 55 392	233 349 187 26 184	
Total indirect taxes	1 696	1 524	2 179	2 790	3 427	4 179	4 828	5 552	6 535	8 199	4 091	
Post-tax income	2 314	5 173	6 697	8 465	5 10 626	13 3B1	16 571	20 762	26 602	50 752	16 134	
Benefits in kind Education National health service Housing subsidy Reil travel subsidy Bus travel subsidy School meals and welfare milk Total	841 1 715 40 15 29 8 2 648	709 1 972 70 11 40 33 2 834	990 2 136 66 10 41 44 3 286	1 050 2 075 49 12 33 38 3 255	2 1 339 5 1 989 9 39 2 17 3 27 3 49 3 3 461	1 545 1 818 21 25 28 18 3 456	1 469 1 827 15 30 21 26 3 385	1 719 1 835 9 31 18 8 3 620	1 699 1 927 12 55 19 14 3 726	1 739 1 809 7 91 17 11 3 674	1 310 1 910 33 30 27 25 3 335	
Final income	4 962	8 008	9 983	11 722	14 087	16 837	19 959	24 382	30 329	54 426	19 470	

I On mortgage Interest and life assurance premiums. 2 Council tax, domestic rates and water charges after deducting discounts.

## TABLE 10 (Appendix 1): Cross-tabulation of households ranked by disposable income, unadjusted and equivalised, 1999-2000

(i) Quintil	le groups			Quintile g	proups of equi	ivalised dispo	osable income	8						All	
				Bottom		2nd		3rd		4th		Тор		house- holds	
Number	of househol	ds in the pop	oulation ('000:	5)											
Quintile g	roups of una e income	djusted													
Bottom 2nd 3rd 4th Top	1			3 226 1 440 383 15	17. 13 A	1 838 1 638 1 313 271 8	A PARA	1 512 1 862 1 429 264	- R. 31	480 1 036 2 287 1 262	10 10	471 1 065 3 534		5 064 5 070 5 065 5 067 5 069	
All house	holds			5 063		5 069		5 067		5 065		5 070		25 334	
(ii) Decile	e groups			Decile or	ourse of equily	untered discou	abla income							All	
				Bottom	2nd	3rd	4th	5lh	6th	7th	8th	9th	Тор	house- holds	
Number	of househol	ds in the pop	oulation ('000s	s)	-			-			2.200	The second	and the second s		
Decile gro disposabl	oups of unad le income	justed													
Bottom 2nd 3rd 4th 5th	1			1 480 546 221 180 82	920 283 716 319 227	132 1 018 386 529 249	688 191 532 481	771 35 643	245 460 73	480 162	614	:	••••••	2 532 2 535 2 531 2 536 2 531	
6th 7th 8th 9th Top				20	54 12 -	159 56 5	424 154 57 8	374 462 184 61 5	772 275 508 188 11	234 716 433 457 51	26 423 715 559 194	471 141 374 863 686	293 257 399 1 587	2 534 2 535 2 532 2 535 2 535 2 533	
All house	holds	101	-	2 532	2 531	2 534	2 535	2 535	2 533	2 534	2 531	2 534	2 536	25 334	

# **APPENDIX 2**

Trends in income distribution, 1981 to 1999-2000

# CONTENTS

Table

Percentage shares of original, gross, disposable and post-tax income by quintile group of households, 1981 to1999-2000	1
Gini coefficients for the distribution of income at each stage of the tax-benefit system, 1981 to 1999-2000	2
P90/P10 and P75/P25 ratios for equivalised disposable income, 1981 to 1999-2000	3

This section gives Gini coefficients and shares of income for 1981 to 1999–2000. As was noted in the main article, it is not possible to produce a fully consistent time series because of changes in methodology and definition. Many of these changes, like the inclusion of the income from company cars since 1990, improve the quality of the results but previous data cannot be reproduced on the same consistent basis. However, Gini coefficients and shares of income are relatively robust and can be used to shed light on broad trends in income distribution. The Department of Social Security publication, *Households Below Average Income 1995/96 –1998/99*, contains more detailed data for comparison of incomes over time.

TABLE 1 (Appendix 2): Percentage shares of total original,	gross, disposable and post-tax incomes by quintile groups of households'
1981 to 1999-2000 2	

	1981	1983	1985	1987	1989	1991	1992	1993-94	1995-96	1996-97	1997-98	1998-99 19	99-2000
Equivalised original income								-	-		120.00	-	
Bottom	9	3	2	2	2	2	2	2	3	2	2	3	2
and	0	8	7	7	7	7	ĥ	ĥ	7	7	7	7	7
and	17	17	17	16	16	18	15	14	15	15	15	15	15
dib.	00	06	17	25	06	26	00	25	25	25	25	25	25
401	20	20	61	20	20	20	20	20	20	20	E4	50	50
top	40	41	47	50	49	50	QU	52	50	51	31	52	ÚE.
All households	100	100	100	100	100	100	100	100	100	100	100	100	100
Equivalised gross income													
Quintile group	0	0	0	7	7	7	7	7	7	7	7	7	6
Bottom	8	9	0			10						11	11
200	12	12	12	11	11	10	11	11	11	11	10	16	10
3rd	1/	17	11	16	16	16	16	16	16	10	10	10	10
4th	23	23	24	23	23	23	23	23	23	23	23	23	23
Тор	39	39	40	43	42	44	43	44	43	44	44	44	44
All households	100	100	100	100	100	100	100	100	100	100	100	100	100
Equivalised disposable income													
Bottom	0	0	9	g	8	7	7	8	8	R	я	7	7
and	13	13	13	12	12	11	11	12	12	12	12	12	12
2rd	17	17	17	16	17	16	18	16	17	16	16	16	16
446	00	09	17	10	22	00	00	23	22	22	23	29	23
40	20	20	20	20	20	40	20	40	40	40	40	10	10
top	30	30	38	41	41	42	42	46	40	42	42	-76	46
All households	100	100	100	100	100	100	100	100	100	100	100	100	100
Equivalised post-tax income													
Bottom	9	9	9	8	7	7	7	7	7	7	7	6	6
and	13	13	13	12	11	11	11	11	12	11	11	11	11
and	17	17	17	16	16	16	10	16	16	16	16	16	16
010	00	00	17	10	10	10	00	10	10	00	22	22	22
40	22	22	23	40	20	23	20	44	20	44	44	45	45
lop	39	39	39	43	43	44	44	44	43	44	44	45	40
All households	100	100	100	100	100	100	100	100	100	100	100	100	100

1 Ranked by equivalised disposable income. 2 From 1990 this includes Company car benefit and beneficial house purchase loans from employers. From 1996-7 values are based on estimates for the sample grossed up to population totals.

## TABLE 2 (Appendix 2): Gini coefficients for the distribution of income at each stage of the tax-benefit system, 1981 to 1999-2000'

	1981	1983	1985	1987	1989	1991	1992	1993-94	1995-96	1996-97	1997-98	1998-99 19	999-2000
Gini coefficients (per cent)													
Equivalised original income	46	48	49	51	50	51	52	54	52	53	53	53	53
Equivalised gross income	31	32	32	36	36	37	37	37	36	37	37	38	38
Equivalised disposable income	28	28	29	33	34	35	34	34	33	34	34	35	35
Equivalised post-tax income	31	31	32	36	37	39	38	38	37	38	38	39	40

1 From 1990 this includes Company car benefit and beneficial house purchase loans from employers. From 1996-97 values are based on estimates for the sample grossed up to population totals.

### TABLE 3 (Appendix 2): P90/P10 and P75/P25<sup>1</sup> ratios for equivalised disposable income, 1981 to 1999-2000<sup>2</sup>

	1981	1983	1985	1987	1989	1991	1992	1993-94	199596	1996-97	1997-98	1998-99	1999-2000
P90/P10	3.4	3.3	3.5	4.1	4.5	4.8	4.6	4.5	4.2	4.4	4.5	4.5	4.6
P75/P25	2.0	1.9	2.1	2.2	2.4	2.5	2.4	2.3	2.2	2.3	2.3	2.3	2.4

1 P90/P10 is the ratio of the income at the 90th percentile to the 10th; P75/P25 is the ratio of the income at the 75th percentile to the 25th

2 From 1990 this includes company car benefit and beneficial house purchase loans from employers. From 1996-97 values are based on cellmates for the sample grossed to population totals.

# **APPENDIX 3**

# METHODOLOGY AND DEFINITIONS

# The allocation of government expenditure and its financing

1. There are considerable difficulties in moving from the aggregates of government expenditure and financing published in the United Kingdom National Accounts - the ONS Blue Book - to apportioning taxes and benefits to individual households. We can obtain information about the types of household that receive cash benefits and pay direct taxes through surveys such as the Family Expenditure Survey (FES). From the replies respondents give to questions on their expenditure we can impute their payments of indirect taxes, and from information they supply about such factors as their ages and number of children in the household we can estimate the average costs of providing them with social services, such as health and education. But there are other kinds of financing, such as corporation tax and government receipts from public corporations: no attempt is made in this analysis to apportion them to households because it would be too difficult. Similarly, there are other items of government expenditure, such as capital expenditure and expenditure on defence and on the maintenance of law and order, for which there is no clear conceptual basis for allocation, or for which we do not have sufficient information to make an allocation.

### Family Expenditure Survey (FES)

2. The estimates in this article are based mainly on data derived from the FES. The FES is an annual survey of the expenditure and income of private households. People living in hotels, lodging houses, and in institutions such as old peoples' homes are excluded. Each person aged 16 and over keeps a full record of payments made during 14 consecutive days and answers questions about hire purchase and other payments; children aged 7 to 15 keep a simplified diary. The respondents also give detailed information, where appropriate, about income (including cash benefits received from the state) and payments of income tax. Information on age, occupation, education received, family composition and housing tenure is also obtained. The survey covers the whole 12 month period.

One of the main purposes of the FES is to produce information on household expenditure patterns which is used to derive the weights for the retail prices index. The fieldwork is undertaken by the Social Survey Division of ONS and by the Northern Ireland Statistics and Research Agency. *Family Spending 1999–2000*, published by The Stationery Office in November 2000, shows detailed results on expenditure and income from the 1999–2000 survey, and how they vary with household characteristics. The report also includes an outline of the survey design.

4. The number of households in the United Kingdom responding to the FES in 1999–2000 was 7,100 (about 1 in every 3,600 households). The response rate was 63 per cent. To count as a co-operating household, all members aged 16 and over must fill in the diaries for both weeks and give full details of income etc. The available evidence suggests that households containing a couple with non-dependent children, those where the head is selfemployed, and those where the head was born outside the United Kingdom, are less likely to co-operate than others (see *A comparison of the Census characteristics of respondents and nonrespondents to the 1991 Family Expenditure Survey* by Kate Foster, *Survey Methodology Bulletin*, ONS, No 38, Jan 1996). In addition response in Greater London is noticeably lower than in other areas.

5. The results in the article are based on the survey grossed up so that totals reflect the total population in private households in the United Kingdom (that is excluding those in institutions such as residential homes for the elderly). Households were assigned different initial weights based on the non-response in the 1991 FES. These weights were derived from Census-linked data (see 'Weighting the FES in Great Britain to compensate for nonresponse: an investigation using census-linked data" by Kate Foster). The final household weights were produced using specialised software developed by INSEE, the French national statistics institute. The control variables used in the grossing system were the number of individuals by age (in five year bands) and sex; and the number of individuals by region.

6. The FES is designed primarily as a survey of expenditure on goods and services by households. It has been developed to gather information about the income of household members, and is an important and detailed source of income data. However, no information is collected that would enable a balance sheet of income and expenditure to be drawn up for a household over any particular period. Much expenditure relates to the two-week

period after the interview, whereas many income components refer to a much longer period (e.g. investment income over the previous 12 months). FES income does not include proceeds from the sale of assets (e.g. a car) or windfalls such as legacies. But recorded expenditure might reflect these items, as well as the effects of living off savings, using capital or borrowing money. Hence, there is no reason why income and expenditure should balance either for an individual household or even averaged over a group of households. Indeed, measured expenditure substantially exceeds measured income for the bottom half of the income distribution. Moreover, the difference between income and expenditure is not necessarily a measure of savings or dissavings.

### Unit of analysis

7. The basic unit of analysis in the article is the household, and not the family, individual or benefit unit. A household is defined in the FES as comprising people who live at the same address and who share common catering for at least one meal a day. Spending on many items, particularly on food, housing, fuel and light, is largely joint spending by the members of the household. Without further information or assumptions it is difficult to apportion indirect taxes between individuals or other sub-divisions of households.

 In classifying the households into various types, a child (i.e. a dependent) is defined as:

either aged under 16

or aged 16, 17 or 18 not married, and receiving full-time non-advanced further education.

Most of the 'extra' adults in households with at least three adults are sons or daughters of the head of household rather than retired people.

9. A retired household is defined as one where the combined income of retired members amounts to at least half the total gross income of the household, where a retired person is defined as anyone who describes themselves as 'retired' or anyone over minimum NI pension age describing themselves as 'unoccupied' or 'sick or injured but not intending to seek work'.

10. By no means all retired people are in retired households: about one in five households comprising three or more adults contains retired people, for example, and households comprising one retired and one non-retired adult are often classified as non-retired. 11. The sample households have been classified according to their compositions at the time of the interview. This classification is sensible for the vast majority of households, but it can be misleading for the very small number of cases (4 in 1999–2000) where a spouse is absent from the household at the time of interview. The absent spouse may well be working away from home (e.g. on an oil rig), or living separately - but contributing financially to the household's upkeep. These contributions would be picked up as part of the household's original income. Also, it is likely that some households will have changed their composition during the year.

 Economically active people comprise persons aged 16 or over who, at the time of interview, were:

employees at work,

employees temporarily away from work through illness, temporary lay-off, industrial action, etc,

on government training schemes,

self-employed,

not in employment but who had sought work within the last four weeks, or were waiting to start a job already obtained.

### Income: redistributive stages

13. Stage one:

Original income plus cash benefits = Gross income.

### Stage two:

Gross income minus income tax, employees' National Insurance contributions and local taxes (see paragraph 25 below) = Disposable income.

### Stage three:

Disposable income minus indirect taxes = Post-tax income.

#### Stage four:

Post-tax income plus 'benefits in kind' = Final income.

14. The starting point of the analysis is **original income**. This is the annualised income in cash of all members of the household before the deduction of taxes or the addition of any state benefits. It includes income from employment, self-employment, investment income, occupational pensions and annuities. The term 'annualised' rather than 'annual' is used advisedly. For instance, annualised income from a respondent's 'main job' is not current wage or salary multiplied up to an annual value; nor is it the sum of income from this source in the twelve month period prior to interview. Rather it is an estimate of such income expressed at an annual rate based on the respondent's assessment of his "normal" wage or salary subject to his current employment status.

15. Furthermore, to avoid double counting and to make it consistent with the estimate of income from cash benefits (see paragraph 20), this annualised estimate has to be 'abated' for the number of weeks likely to be lost due to unemployment, sickness, etc. This figure is taken as the number of weeks so lost in the 12 months prior to interview. It should be noted that regardless of whether the respondent is currently working or unemployed the treatment is essentially the same, ie normal gross wage or salary expressed at an annual rate abated as required.

16. In all of this the crucial determining role of current employment status should also be noted. Thus no employment income would be assigned to a respondent whose employment status had recently become retired or unoccupied even though he or she may have worked for most of the twelve months prior to interview.

17. About 98 per cent of original income comes from earnings, occupational pensions (including annuities) and investment income. The tiny bit remaining comes from a variety of sources: trade union benefits, income of children under 16, private scholarships, earnings as a mail order agent or baby-sitter, regular allowance from a non-spouse, allowance from an absent spouse and the imputed value of rent-free accommodation. Households living in rent-free dwellings are each assigned an imputed income. This is counted as employment income if the tenancy depends on the job.

18. In addition to salary, many employees receive as part of their income fringe benefits such as company cars, private medical insurance and beneficial loans. The company car benefit, together with the benefit from fuel for personal use, has been included in the analysis since 1990. This is by far the most important fringe benefit accounting for over two thirds of all taxable fringe benefits according to Inland Revenue statistics. The benefit is taken to be the taxable income in accordance with Inland Revenue scale charges. Inland Revenue Statistics 2000 (The Stationery Office) contains more detailed information on taxable fringe benefits and their impact on individuals. Although for those earning below £8,500 per year the benefit is not taxable, benefit has been allocated to all those with a company car regardless of the level of earnings. The calculation of this benefit is based primarily on the car price as reported in the FES. In any given year the total amount of benefit will depend on the level of scale charges for tax purposes as well as the numbers and prices of vehicles in the FES.

19. The benefit of subsidised loans from employers for house purchase has been allocated, since the 1992 analysis. The benefit is taken to be the difference between the interest payments on such loans as reported in the FES and the interest payments that would have been payable at the ruling market rate of interest.

20. The next stage of the analysis is to add cash benefits and tax credits to original income to obtain **gross income**. This is slightly different from the 'gross normal weekly income' used in the FES report. Cash benefits and tax credits include:

### Contributory:

Retirement pension, part of job seeker's allowance, incapacity benefit, widows' benefits, and statutory maternity pay.

### Non-contributory:

Income support, part of job seeker's allowance, child benefit, housing benefit (council tax benefit and rates rebates are treated as deductions from local taxes), invalid care allowance, attendance allowance, disability living allowance, disability working allowance and disabled persons tax credit (the latter from October 1999), war pensions, severe disablement allowance, industrial injury disablement benefits, family credit and working families tax credit (the latter from October 1999), old persons pension, Christmas bonus for pensioners, government training scheme allowances, educational support (largely student maintenance awards).

21. Statutory maternity pay is classified as a cash benefit even though it is paid through the employer.

22. Income from short-term benefits is taken as the product of the last weekly payment and the number of weeks the benefit was received in the 12 months prior to interview. Income from long-term benefits, and from housing benefits, is based on current rates.

23. Income tax, local taxes and employees' and self-employed contributions to National Insurance and National Health services are then deducted to give **disposable income**. Taxes on capital, such as capital gains tax and inheritance tax, are not included in these deductions because there is no clear conceptual basis for doing so, and the relevant data are not available from the FES.

24. The figures for local taxes include:

Council tax (for households in Great Britain), domestic rates (for households in Northern Ireland), and charges made by water authorities for water, environmental and sewerage services. 25. Council tax is shown after deduction of transitional relief and discounts to reduce or remove the personal element of the tax (e.g. the discount of 25 per cent for single person households). All local taxes are shown after the deduction of council tax benefit and rate rebates. This brings the treatment in line with that of National Accounts which treats such rebates as revenue foregone. Up to and including 1995–96 these rebates were included as part of housing benefits.

26. The tax estimates are based on the amount deducted from the last payments of employment income and pensions, and on the amount paid in the last 12 months in respect of income from self-employment, interest, dividends and rent. The income tax payments recorded will therefore take account of a household's tax allowances, with the exception of tax relief obtained 'at source'. In 1999–2000 there were two types of tax relief obtained in this way: mortgage interest relief and life assurance premium relief. Where households are eligible for these reliefs, imputations are made and deducted from recorded income tax payments. In the case of mortgage interest relief obtained through the MIRAS scheme, which was introduced in April 1983, these imputations are based on the interest component of the latest mortgage repayment. The scheme has been discontinued from April 2000.

27. The next step is to deduct indirect taxes to give **post-tax income**. Indirect tax on final consumer goods and services include:

Duties on alcoholic drinks, tobacco, petrol, oil, betting, etc Value Added Tax (VAT) Customs (import) duties Motor vehicle duties Air passenger duty Insurance premium tax Driving licenses Television licenses Stamp duties Fossil fuel levy Camelot: payments to National Lottery Distribution Fund

28. Taxes levied on final goods and services are assumed to be fully incident on the consumer, and can be imputed from a household's FES expenditure record. For example, the amount of VAT that is paid by the household is calculated from the household's total expenditure on goods and services subject to VAT.

29. VAT affects the prices of second-hand cars and is therefore assumed to be incident on the purchasers of such cars as well as on the purchasers of new cars. In allocating taxes, expenditures recorded in the FES on alcoholic drink, tobacco, ice cream, soft

drinks and confectionery are grossed up to allow for the known under-recording of these items in the sample. The true expenditure in each case is assumed to be proportional to the recorded expenditure. This approach has its drawbacks because there is some evidence to suggest that heavy drinkers, for example, are under-represented in the FES.

30. The incidence of stamp duty on house purchase on an owneroccupying household has been taken as the product of the hypothetical duty payable on buying their current dwelling (estimated from valuations given in the FES) and the probability of a household of that type moving in a given year (estimated from the General Household Survey).

31. Indirect taxes on intermediate goods and services include:
Rates on commercial and industrial property
Motor vehicle duties
Duties on hydrocarbon oils
Employers' contributions to National Insurance, the
National Health Service, the industrial injuries fund and the redundancy payments scheme
Customs (import) duties
Stamp duties
VAT
Independent Commission franchise payments
Landfill tax
Consumer Credit Act fees

32. These are taxes that fall on goods and services purchased by industry. Only the elements attributable to the production of subsequent goods and services for final consumption by the UK personal sector are allocated in the article, being assumed to be fully shifted to the consumer. Their allocations between different categories of consumers' expenditure are based on the relation between intermediate production and final consumption using estimated input-output techniques. This process is not an exact science, and many assumptions have to be made. Some analyses, e.g. that by Dilnot, Kay and Keen *Allocating Taxes to Households: A Methodology*, suggest that the taxes could be progressive rather than regressive if one were to use different incidence assumptions.

33. For Tables B and H of the main article, we have constructed a measure of expenditure on goods and services from data from the FES. Indirect taxes are shown as a proportion both of disposable income and of expenditure. One drawback of comparing the incidence of indirect taxes on households at different levels of income is that, by whatever measure used, on average, recorded expenditure exceeds income apparently available for it by significant amounts at the bottom of the distribution. Thus, it has

been argued that for many households, where, for instance, income fluctuates widely or where it is difficult to measure accurately, a measure based on regular household outgoings would be a far better indicator of resources available to the household and therefore give a better picture of the incidence of indirect taxes.

34. This measure of expenditure has been customised to be analogous to the definition of disposable income used in the analysis in order to facilitate these comparisons. For instance, because the imputed benefit of company cars and beneficial loans will have boosted the figure for disposable income these items have had to be added to this expenditure measure. Expenditure on alcohol, tobacco and confectionery have been grossed up for under-recording in line with the treatment of the indirect taxes on these items. Payments deemed to be made out of income such as superannuation, regular savings, mortgage repayments etc have been included and adjusted where necessary but not items such as lumpsum capital payments in line with the exclusion of capital gains and windfalls from income.

35. Finally, we add those notional benefits in kind provided to households by government for which there is a reasonable basis for allocation to households, to obtain **final income**. The benefits in kind allocated are:

State education School meals and welfare milk National Health Service Housing subsidy Railway travel subsidy Bus travel subsidy (including concessionary fares schemes)

36. Education benefit is estimated from information provided by the Department for Education and Employment of the cost per pupil or student in special schools, primary and secondary schools, universities, and other further education establishments. The value of the benefits attributed to a household depends on the number of people in the household recorded in the FES as receiving each kind of state education (students away from the household are excluded). No benefit is allocated for pupils attending private schools.

37. The value of school meals and other welfare foods is based on their costs to the public authorities. Any payment by the individual household is subtracted to arrive at a net contribution.

38. Data are available on the average cost to the Exchequer of providing the various types of health care - hospital inpatient/ outpatient care, GP consultations, dental services, etc. Each individual in the FES is allocated a benefit from the National Health Service according to the estimated average use made of these various types of health service by people of the same age and sex, and according to the total cost of providing those services. The benefit from maternity services is assigned separately to those households containing children under the age of 12 months. No allowance is made for the use of private health care services.

39. In this article public sector tenants are defined to include the tenants of local authorities, New Town Corporations, Scottish Homes, Northern Ireland Housing Executive (NIHE), housing associations and Registered Social Landlords. The total housing subsidy includes the contribution from central government to the housing revenue accounts of local authorities: and grants paid to the New Town Corporations, Scottish Homes, the NIHE, housing associations and Registered Social Landlords. Within Greater London, the rest of England, Wales, Scotland and Northern Ireland each public sector tenant has been allocated a share of the region's total relevant subsidy based on the Council Tax band of the dwelling. Housing subsidy does not include mortgage interest tax relief, rent rebates and allowances or local tax rebates.

40. The rail travel subsidies allocated are the support payments made to the train operating companies. The subsidy to London and South East services is allocated to households living in the area and subsidies to provincial services to households living outside the South East, in proportion to households' expenditure on rail fares as recorded in the FES. In making these allocations, allowances are made for the use of rail travel by the business sector, tourists and the institutional part of the personal sector.

41. In this article, bus travel subsidy covers both the cost of concessionary travel schemes for senior citizens and others, and subsidies to operators. Separate allocations are made for Greater London, the other metropolitan areas and the rest of the United Kingdom. The subsidy is divided between households according to recorded expenditure on bus travel and the types of concessionary passes held.

42. We must emphasise that the analysis in this article provides only a rough guide to the kinds of household which benefit from government expenditure, and by how much, and to those which finance it. Apart from the fact that large parts of expenditure and receipts are not allocated, the criteria used both to allocate taxes and to value and apportion benefits to individual households could be regarded as too simplistic.

43. For example, the lack of data forces us to assume that the incidence of direct taxes falls on the individual from whose income
the tax is deducted. This implies that the benefit of tax relief for mortgage interest, for example, accrues directly to the taxpayer rather than to some other party, for instance, the vendor of the land. It also implies that the working population is not able to pass the cost of the direct tax back to employers through lower profits, or to consumers through higher prices.

44. In allocating indirect taxes we assume that the part of the tax falling on consumers' expenditure is borne by the households which buy the item or the service taxed, whereas in reality the incidence of the tax is spread by pricing policies and probably falls in varying proportions on the producers of a good or service, on their employees, on the buyer, and on the producers and consumers of other goods and services.

45. Another example is that we know only an estimate of the total financial cost of providing benefits such as education, and so we have to treat that cost as if it measured the benefit which accrues to recipients of the service. In fact, the value the recipients themselves place on the service may be very different to the cost of providing it. Moreover, there may be households in the community, other than the immediate beneficiaries, who receive a benefit indirectly from the general provision of the service.

#### Equivalence scale

46. The equivalence scale used in this analysis is the McClements scale (before housing costs are deducted). The scales (separate ones for before and after housing costs) were developed by Dr L D McClements at the Department of Health and Social Security (DHSS) in the mid-seventies, based on expenditure data from the 1971 and 1972 FES. They are based on the assumption that it is possible to estimate equivalence scales from people's spending behaviour as recorded in the FES without making any specific assumption about the criteria for equivalence. These scales are in regular use and an analysis by Banks and Johnson (Children and Household Living Standards, IFS, 1993) suggests that the scales are as valid now as when they were developed. The scales are regarded as plausible and they are well within the range of equivalence scales developed at different times in a number of countries. Hence their use is fully justified for broad statistical standardisation.

47. The equivalence values are given below:

### Type of household member Equivalence value

### married head of household

(i.e. a married or cohabiting	
couple)	1.00
1st additional adult	0.42
2nd (or more) additional	
adult	0.36 (per adul
single head of household	
(adult)	0.61
1st additional adult	0.46
2nd additional adult	0.42
3rd (or more) additional	
adult	0.36 (per adu
Child aged:	
16-18	0.36
13-15	0.27
11-12	0.25
8–10	0.23
5-7	0.21
2-4	0.18
Under 2	0.09

48. The values for each household member are added together to give the total equivalence number for that household. This number is then divided into the disposable income for that household to give **equivalised disposable income**. For example, a household has a married couple with two children (aged six and nine) plus one adult lodger. The household's equivalence number is 1.0 + 0.21 + 0.23 + 0.42 = 1.86. The household's disposable income is £20,000, and so its equivalised disposable income is £10,753 (=£20,000/1.86).

49. This quantity is used to produce the single ranking used in all the tables in this article (apart from the Gini coefficients which have to be ranked afresh for each different definition of income).

50. It is important to note that most monetary values shown in the article are ordinary (ie un-equivalised) £ per year, not equivalised £ per year. Where equivalised values do appear (eg the quintile points in Table 3 of Appendix 1), they are shown in *italics*.



## Gini coefficient

51. The Gini coefficient is the most widely used summary measure of the degree of inequality in an income distribution. It can more easily be understood by considering a Lorenz curve of the income distribution, (see Diagram B) i.e. a graph of the cumulative income share against the cumulative share of households. The curve representing complete equality of income is thus a diagonal line while complete inequality (with only one recipient of income) is represented by a curve comprising the horizontal axis and the right-hand vertical axis (see Diagram A). The area between the Lorenz curve and the diagonal line of complete equality, as a proportion of the triangular area between the curves of complete equality and inequality, gives the value of the Gini coefficient. Thus a distribution of perfectly equal incomes has a Gini coefficient of zero; as inequality increases (and the Lorenz curve bellies out), so does the Gini coefficient until, with complete inequality, it reaches its maximum value of 1 (or 100 per cent).

52. To calculate the Gini coefficient for an income distribution, the first step is to rank that distribution in ascending order. All the Gini coefficients shown in this article are based on distributions of equivalised income e.g. the coefficient for original income is calculated after dividing the original income for all the households by their appropriate equivalence values.

53. Strictly speaking, one could argue that the equivalence scales used here are only applicable to disposable income because this is the only income measure relating directly to spending power. Since the scales are often applied, in practice, to other income measures, we are content to use them to equivalise original, gross and post-tax income for the purpose of producing Gini coefficients

(and in the tables giving percentage shares of total income). However, we do not think it is appropriate to equivalise the final income measure because this contains notional income from benefits in kind (e.g. state education): the equivalence scales used in this article are based on actual household spending and do not, therefore, apply to such items as notional income.

#### Impact of grossing

54. The survey results have been grossed up so that the population totals reflect the whole household population. Different grossing factors are applied to different types of households in order to correct for over and under-representation of these groups in the responding sample of the FES. Grossing raises the quality of the estimates by making the population more representative and by improving the allocation of national accounts aggregates to individual households. Estimates based on the grossed up data set are different from estimates based on the sample. Indeed, if they were not, there would be little point in grossing. The effect of grossing on some of the major variables used in the analysis was given in the 1997–98 article. More detail about the effect of grossing can be obtained from the ONS on request.

#### Sampling errors and reliability

55. As the FES is a sample survey, data from it will differ in varying degrees from those of all households in the UK. The degree of difference will depend on how widely particular categories of income and expenditure vary between households. This 'sampling error' is smallest in relation to large groups of households and measures that do not vary greatly between households. Conversely, it is largest for small groups of households, and for

measures that vary considerably between households. A broad numerical measure of the amount of variability is provided by the quantity known as the standard error.

56. It is difficult to calculate these standard errors exactly because of the multi-stage design of the FES, but we have made a good approximation by combining the simple random formula with the appropriate design factor from the FES analysis. [The design factor is the ratio of the standard error using the detailed formula that takes account of the full complexity of the sample design to the standard error using the simple random sample formula.] The most appropriate design factor from the FES work is for 'gross normal weekly household income'. The standard error of the mean for N households is given by:

### (design factor) \* S/√ N

where the design factor is 1.1 for 1999–2000, and S<sup>2</sup> is the estimate of the population variance.

57. The standard error for disposable income of all households is less than 2 per cent of the mean but, for the less frequent household types, eg 1 adult with children and 3 or more adults with children, it is about 5 per cent of the mean.

58. The standard errors can be used to give an idea of the reliability of a mean by quoting a confidence interval of the form:

estimate of mean + or - (1.96 \* standard error)

where the factor 1.96 corresponds to the 95 per cent confidence interval.

59. The standard errors for the household types are larger than for the whole sample, mainly because the sample sizes concerned are smaller. For quantile groups of given household types, the sample sizes are of course smaller still, which would tend to increase sampling variability. On the other hand, the income values are by definition in a narrower range which would tend to reduce the sampling error.

60. Precise estimates of standard errors for averages for quantile groups are complicated to produce. As well as the variability of the observations between the quantile points, we should also take account of the randomness which exists because the sample quantile points are themselves subject to random variation. We have used a formula for the asymptotic variance of a 'randomly trimmed' mean. This formula gives a good approximation where the total sample size is around 1,000 (when the variance is underestimated by about 2 per cent on average), and a reasonable approximation for samples of 100–500 (when the variance is underestimated by about 5 per cent on average). The formula for the variance of a mean (x) calculated between two sample percentiles,  $Q_1$  and  $Q_2$ , corresponding to proportions  $p_1$  and  $p_2$  is:

$$\frac{S^{2} + p_{1} (x - Q_{1})^{2} + (1 - p_{2}) (Q_{2} - x)^{2} + \frac{p_{1} (1 - p_{2})}{(p_{2} - p_{1})} (Q_{2} - Q_{1})^{2}}{n (p_{2} - p_{2})}$$

where  $S^2$ = variance calculated from observations between  $Q_1$  and  $Q_2$ , and n = total sample size.

The square root of this quantity is then multiplied by the design factor (as described in paragraph 56) to give the standard errors.

61. The 'complex' standard errors for quintile and decile groups are quite a bit larger than the simple random sample estimates. For the 'all households' group, the standard errors for disposable income for the middle decile groups are about 10 per cent of the mean for the group.

# **Previous articles**

62. This article is the latest in an annual series covering the years from 1957 onwards. From 1987 onwards, the articles have used a very different methodology, in particular households are ranked by their equivalised disposable income. Hence the results are completely incompatible with earlier years. Last year the article was published in the April 2000 edition of *Economic Trends*. A list of the previous articles was included in the article published in March 1997.

63. The results in all articles are intended to be free standing: they were not designed for direct comparison with other years except where some limited comparisons were made in the articles. Such comparisons are difficult because of changes in definitions, however, some broader measures like the Gini coefficients are relatively robust and will stand comparison with other years: this year's article gives such a comparison for the years 1978 to 1999–2000.