

# Measuring sustainable economic progress in the UK: Insights from Inclusive Wealth and its components since 2005-2022

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# Overview

- A brief overview of Inclusive wealth
- How has inclusive wealth and its components changed over the past two decades?
- How do these complimentary measures compare with core economic statistics e.g. GDP?

# Why the need to go “Beyond GDP”?



Robert Kennedy, **1968**:

“It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile.”

Audience member, **2016**, panel discussion during EU referendum

*“That's your bloody GDP, not ours”*

“**Now** is the time to correct a glaring blind spot in how we measure economic prosperity and progress. When profits come at the expense of people and our planet, we are left with an incomplete picture of the true cost of economic growth”.

United Nations Secretary-General Antonio Guterres, **2021**

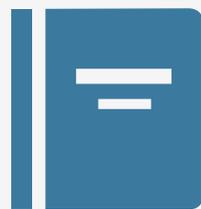
# GDP: as a measure of economic progress and well-being?

What makes GDP/National accounts a good measure?	What GDP / national accounts do not account for?
<b>Widely</b> published and used around the world	Does not include <b>unpaid household work</b>
<b>Routinely</b> published	Does not currently include <b>depletion and degradation</b> of the <b>environment</b> – particularly the effects of <b>climate change</b> (although <b>SNA 2025</b> sets out <b>depletion</b> and <b>depreciation</b> to be treated as costs of production)
<b>Long time</b> series	Does not include the full value of <b>ecosystem services</b>
<b>Comparable</b> across countries and time	Does not treat <b>human capital</b> as a capital
Closely related to other indicators of development	

# Inclusive Wealth: Purpose

- There are a group of users for whom the economic accounting underlying GDP and the National Accounts is a core feature, and something they would like to maintain in a “Beyond GDP” metric
- Inclusive wealth builds upon national accounts and other international economic accounting standards, which allows it to:
  - Ease the transition from GDP for some users
  - Reduce resource requirements of the NSI
  - Increase the analytical use of Inclusive Wealth

# Building Blocks



**National Accounts** – economic activity within the production boundary



**Household Satellite Accounts** – economic activity within the household without participating in economic markets

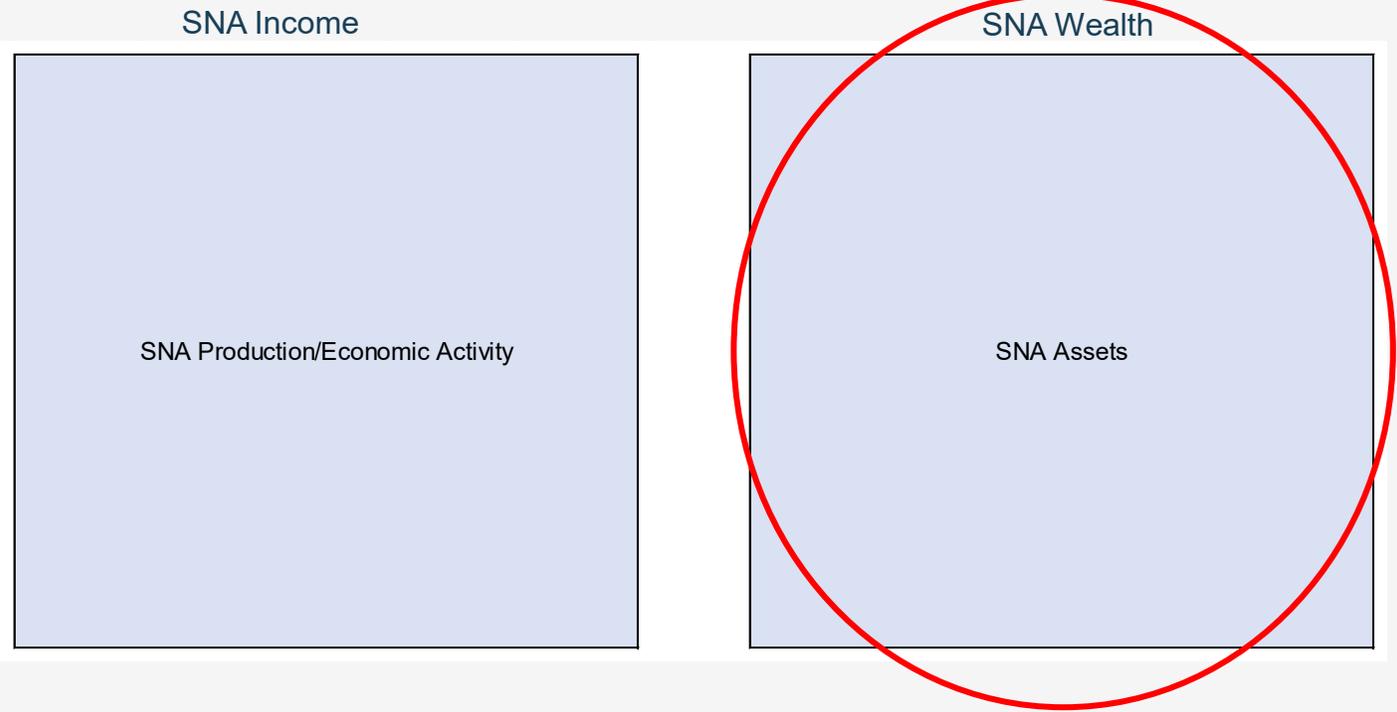


**Human Capital Satellite Account** – investment, depreciation, and stocks of human capital



**Environmental Satellite Accounts** – economic value of the natural world, including natural capitals

# Inclusive Wealth and Income



## SNA / National Accounts

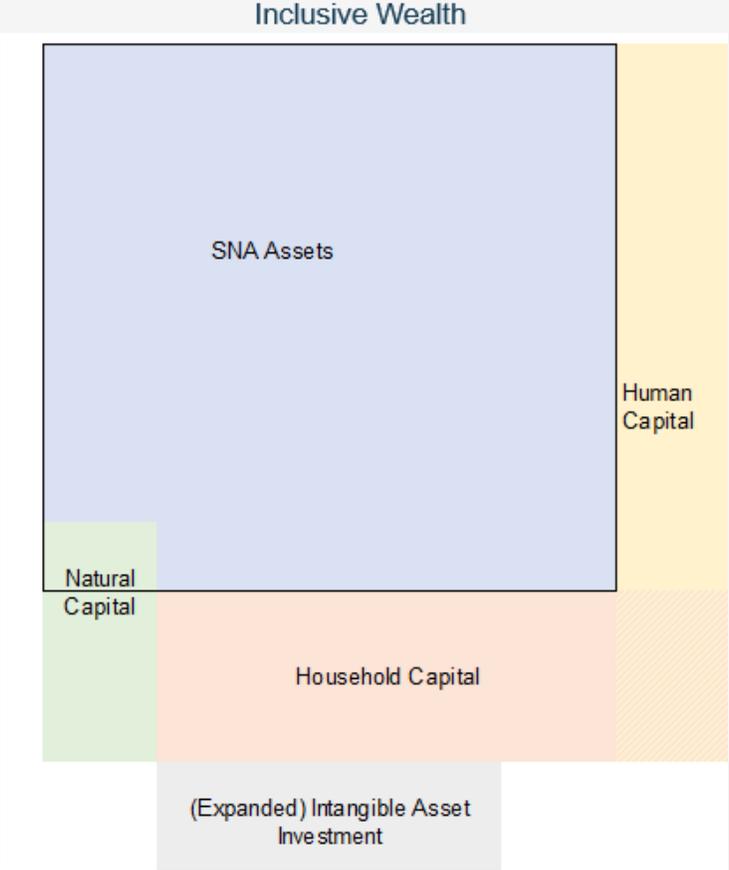
SNA defines two key boundaries for understanding value;

The “Production boundary” defines what counts as value-creating economic activity

The “Asset Boundary” helps define what is treated as a capital\*

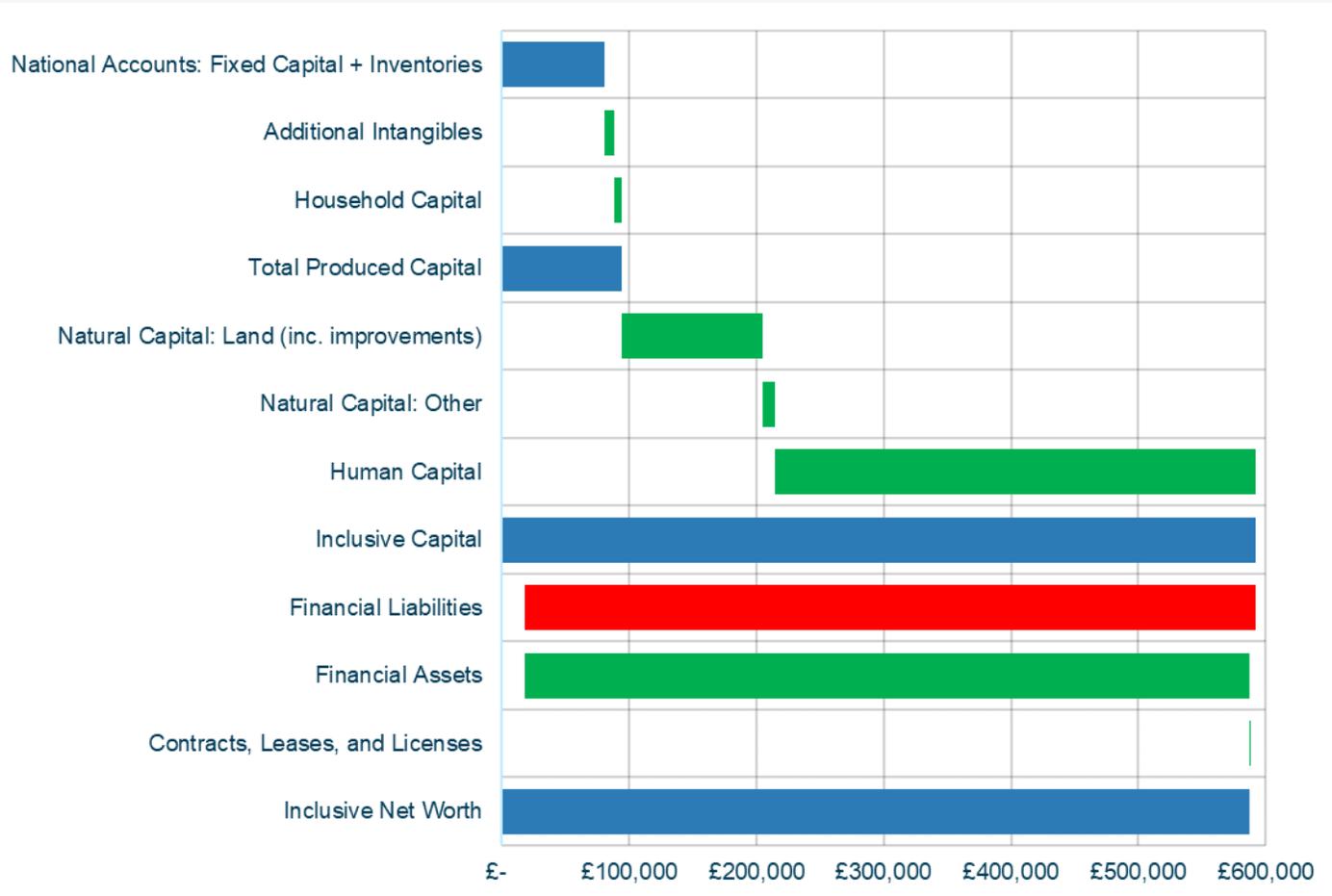
\*(For this simplified example I’m ignoring non-produced assets, so this could also be thought of as the capital boundary)

# Inclusive Wealth: End goal



This shows how inclusive wealth intends to amend the SNA boundaries, as well as where it intends to make alternations within the boundaries.

# Inclusive Wealth



## Inclusive Capital Includes:

- Produced capital, of which;
  - National Accounts
    - Inventories
    - Dwellings, other buildings & structures
    - ICT and transport equipment
    - Intellectual property products
  - Additional intangibles
  - Household capital
- Natural Capital
  - Land and land improvements
  - Biological resources
  - Natural capital providing provisioning services
  - Natural capital providing regulating services
  - Natural capital providing cultural services
- Human Capital

## Inclusive Net Worth adds to this

- Financial assets and (negative) liabilities
- Contracts, leases, and licences

# Inclusive Wealth: Headline measures

## Inclusive Wealth

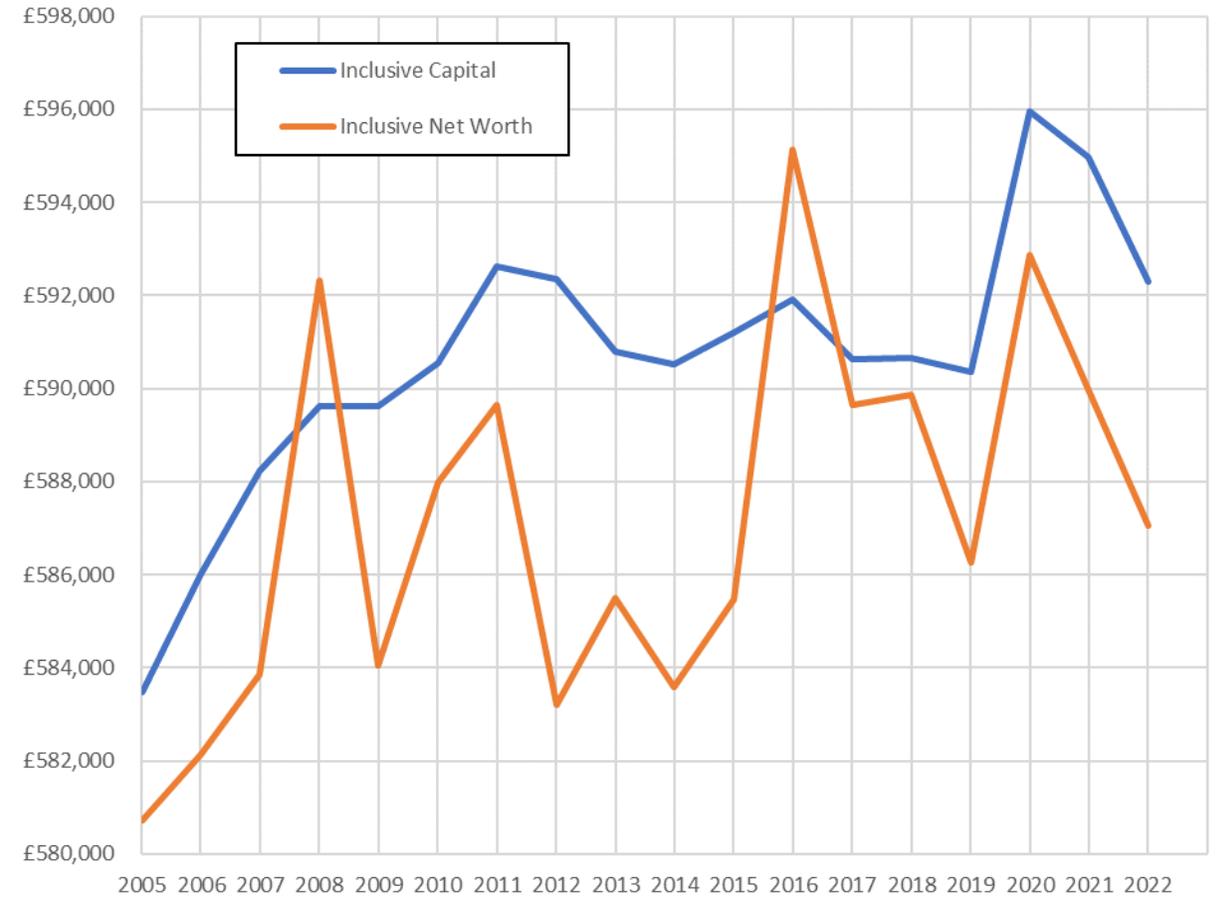
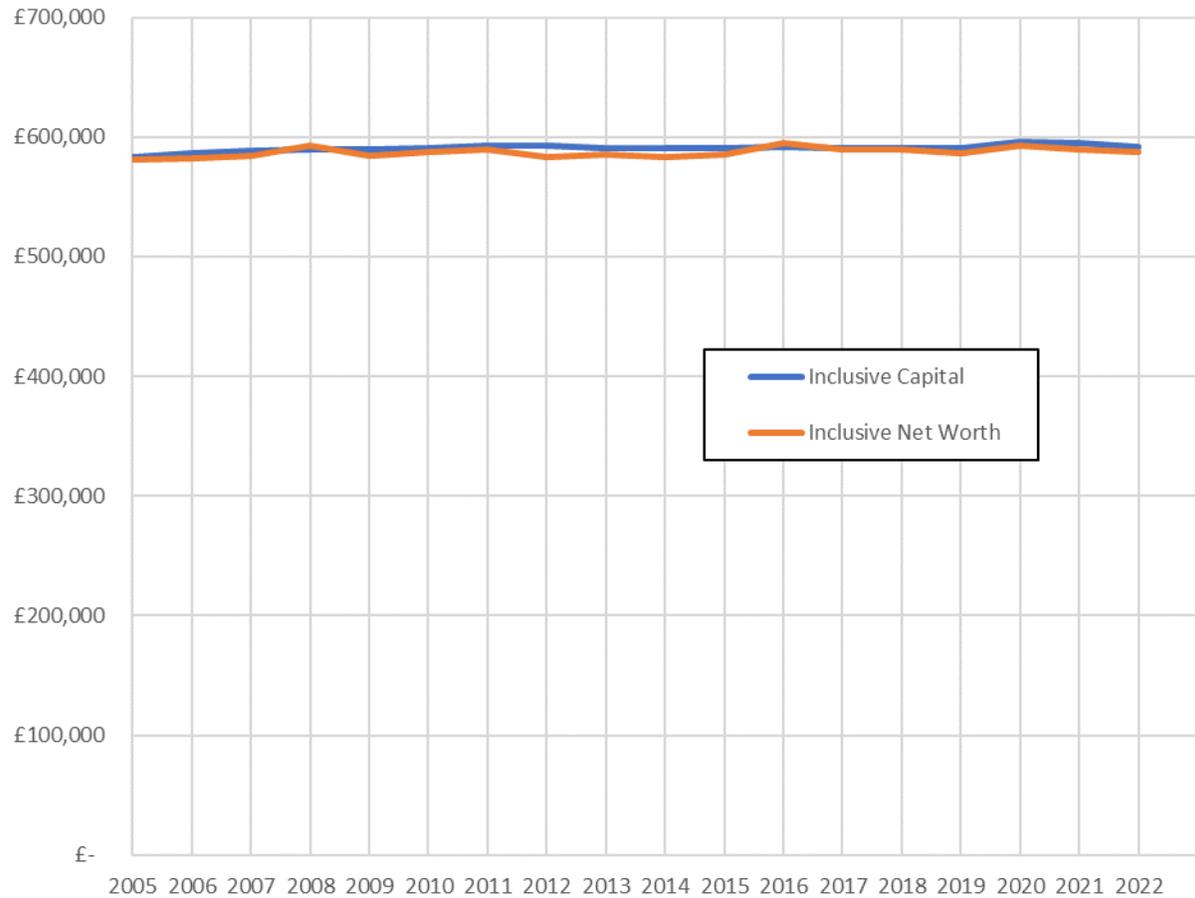
### Inclusive Capital

- Similar to Capital Stocks
- Total stock value of the factors of production (produced, human, and natural capital)

### Inclusive Net Worth

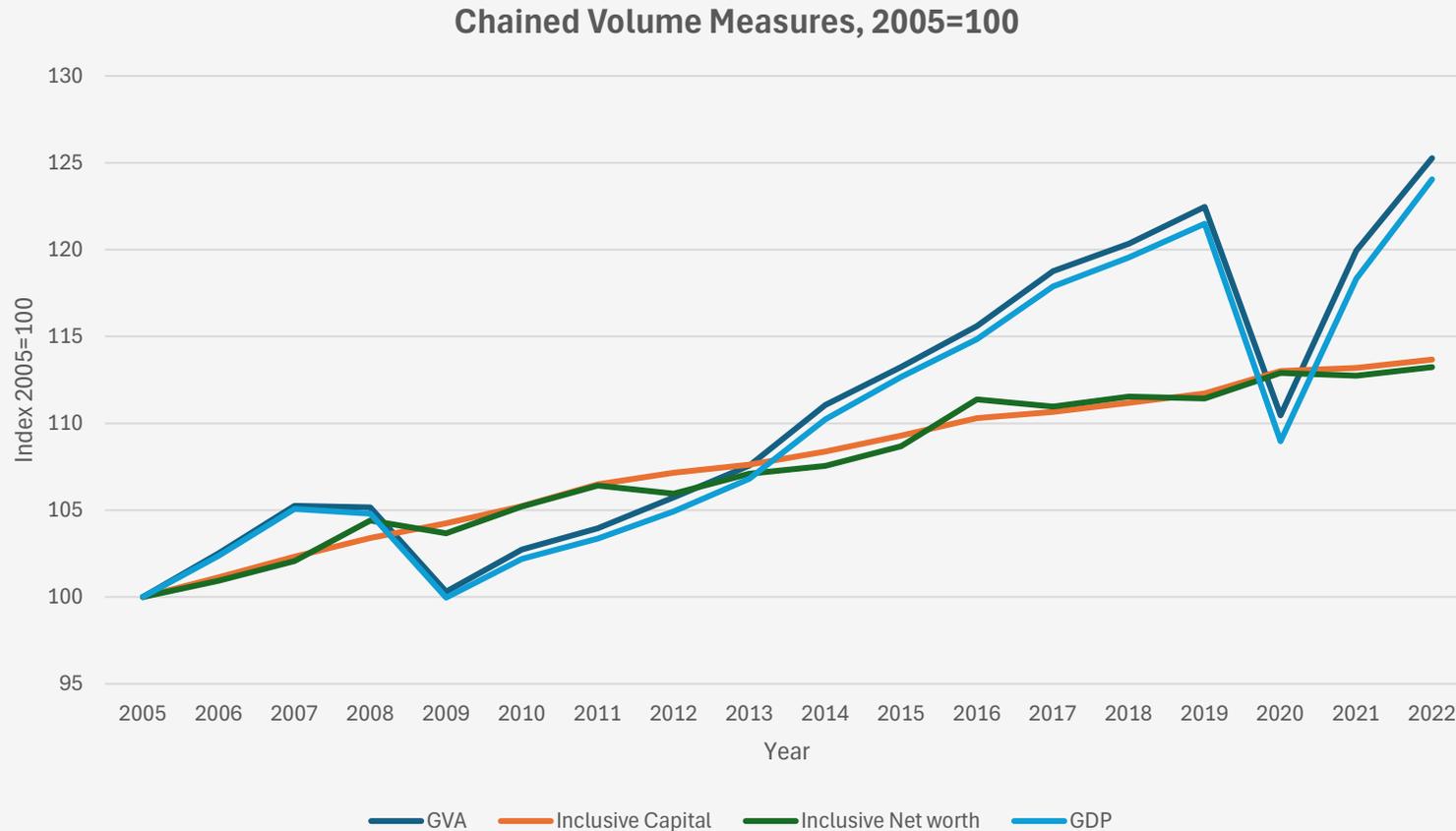
- Similar to UK Net Worth
- Total value of all assets (including inclusive capital, financial assets and liabilities, and contracts, leases, and licences) held by UK

# Inclusive Wealth



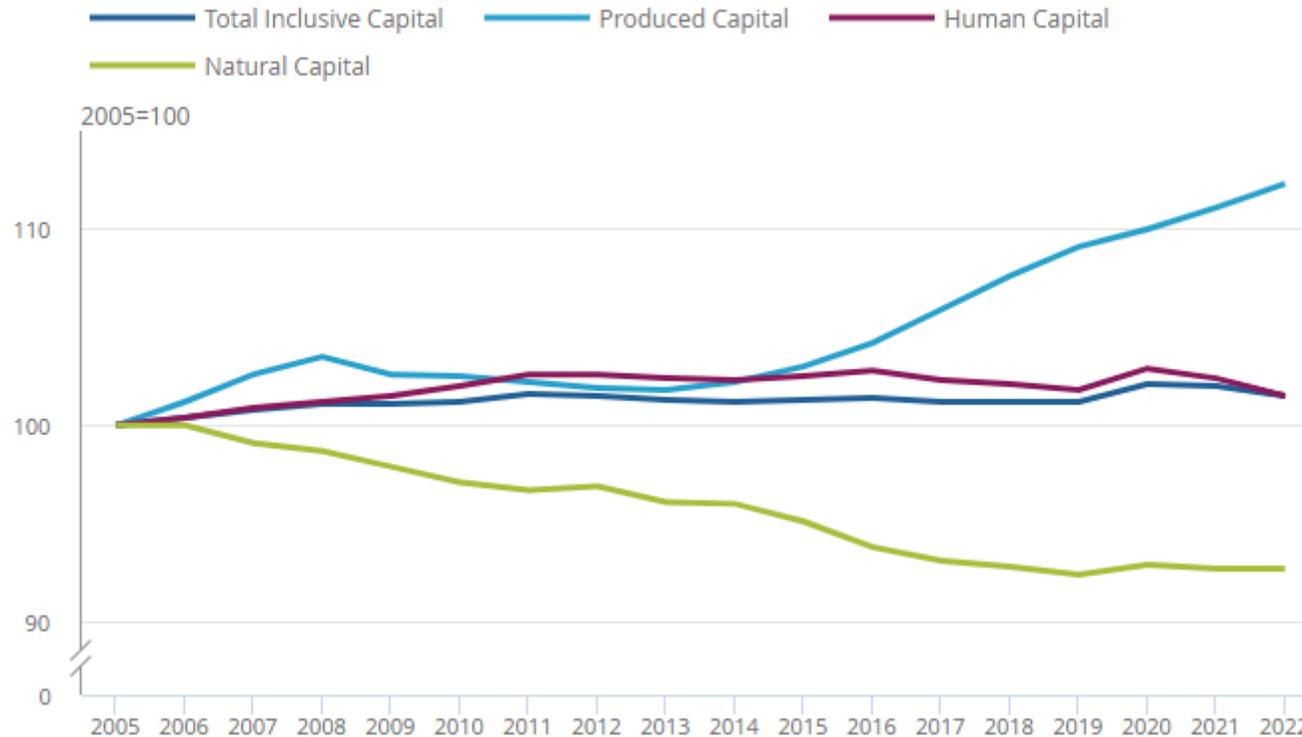
(Same chart, zoomed in)

# Slow but gradual growth in Inclusive Wealth



# Inclusive Capital per person has grown marginally by 1.5% between 2005-2022

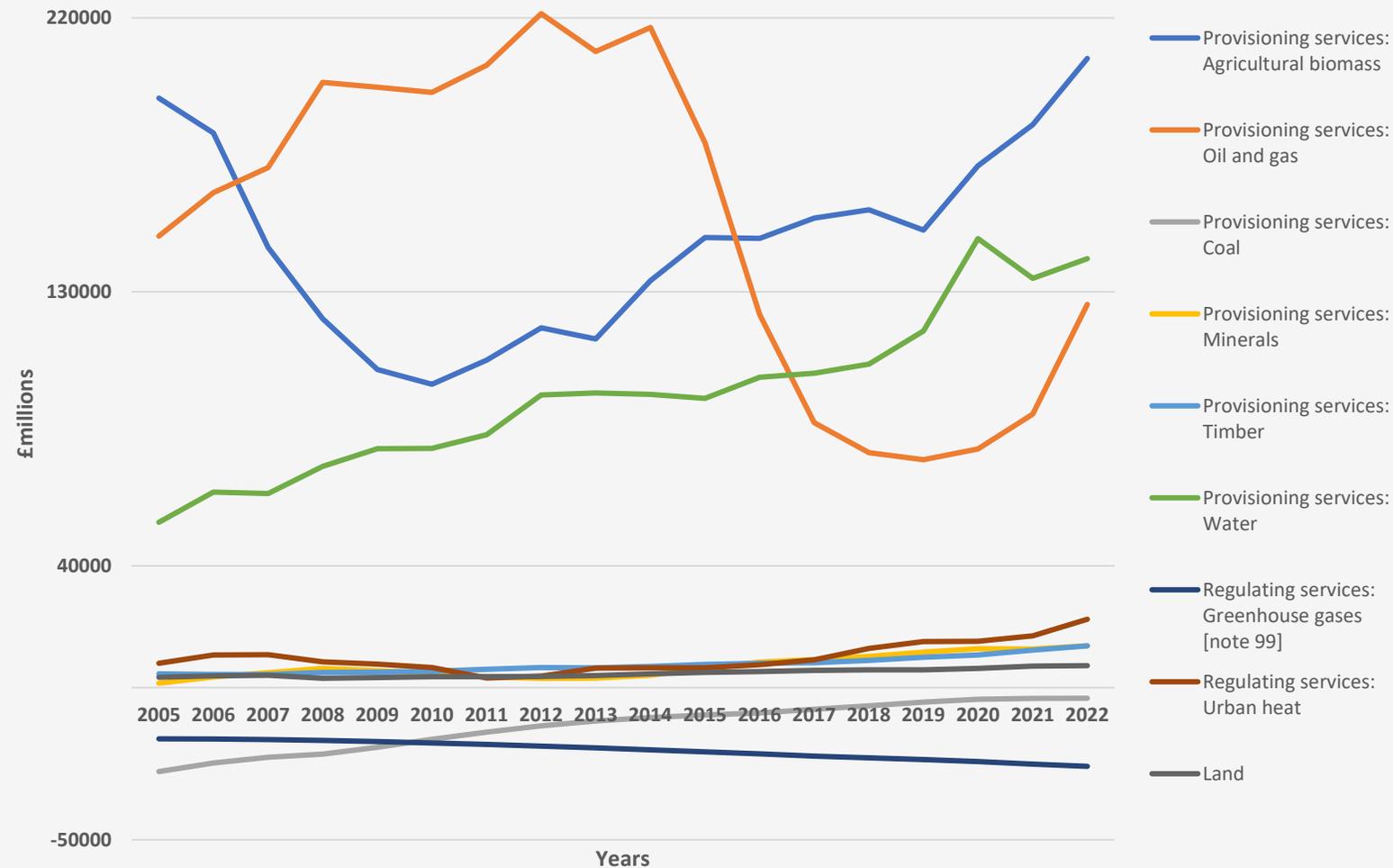
Chained volume measures per person, 2005 to 2022, UK



- Underlying the gradual growth in inclusive capital are diverging trends in produced, natural and human capital.
- Produced capital per person has grown by 12.3% since 2005, while natural capital per person has fallen by 7.3%.
- The fall in natural capital is mainly caused by land. The volume of land, excluding land improvements, has remained constant since 2005, but the population has risen, causing the volume per person to fall.
- Inclusive capital per person fell by 0.4% in volume terms between 2021 and 2022 because of a fall in human capital.

# Natural Capital Components

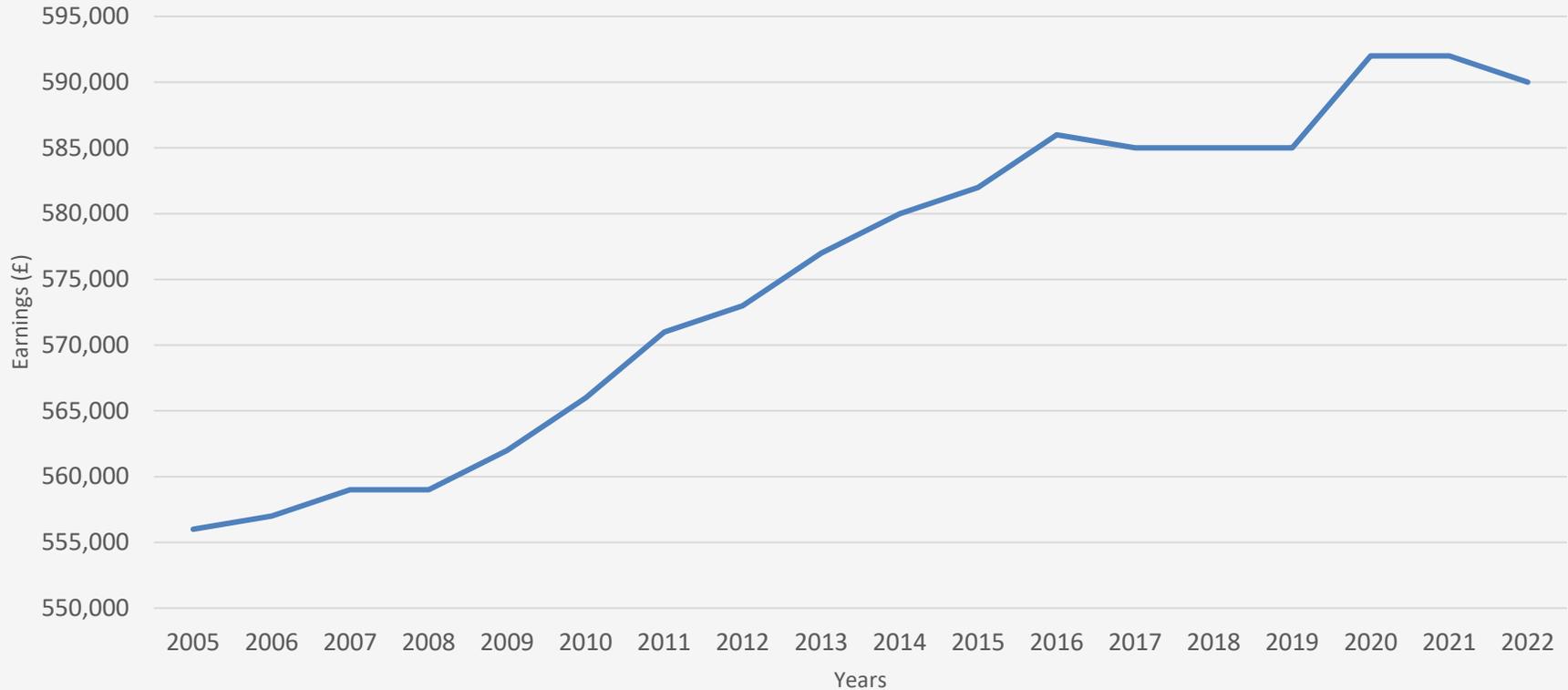
Natural Capital Components (Asset Value £million, 2023 Prices)



- The biggest contributors to Natural Capital by Value are Provisioning Services for Oil & Gas, Agricultural Biomass and Water respectively.
- Asset Value for most components has remained fairly stable between 2005-2022. But Agricultural Biomass, Oil & Gas and Water have experienced the biggest changes.
- Overtime, there seems to be a substitution effect between Oil & Gas and Agricultural Biomass.
- This could be attributed to a combination of factors: fluctuations in prices for Oil & Gas, growing demand for renewable fuels and Govt. policy support for sustainable production activities.

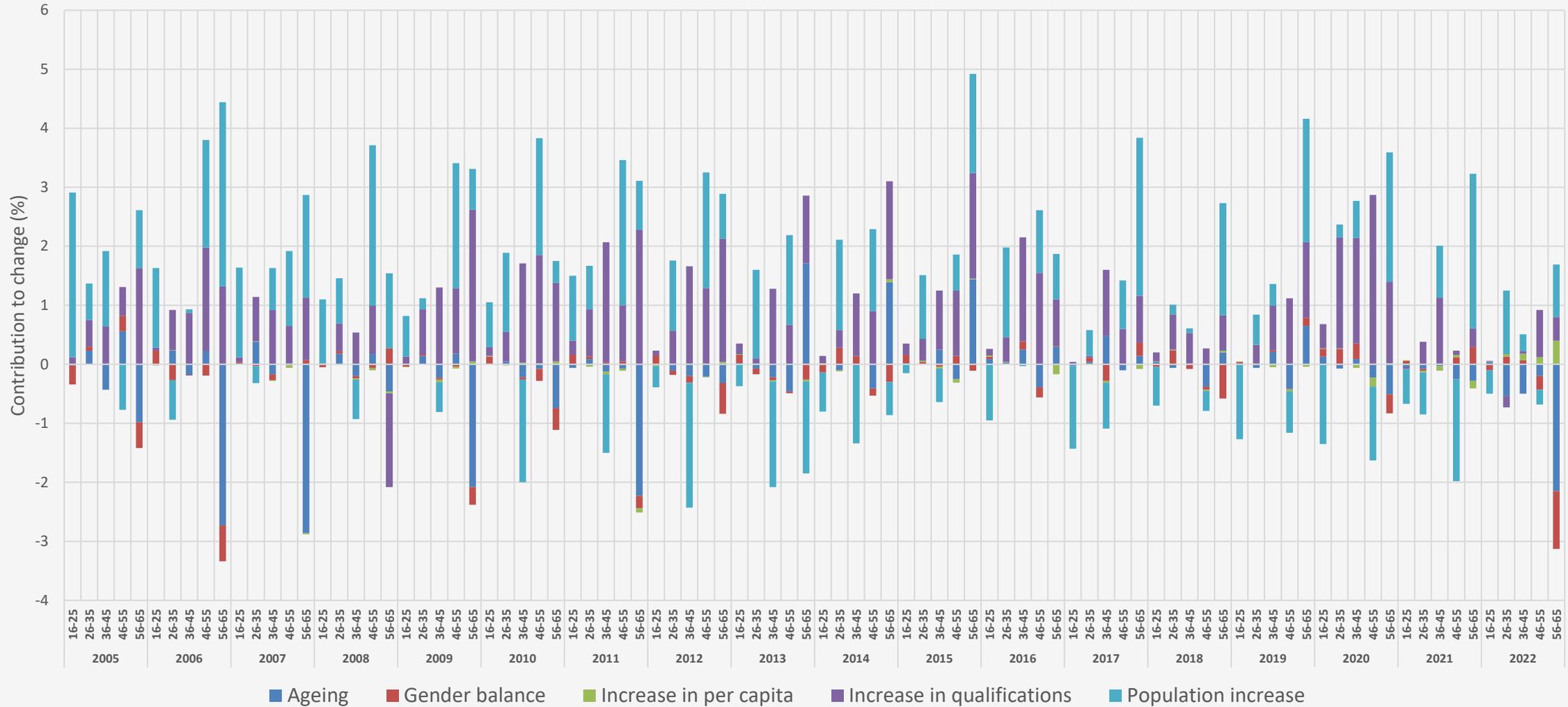
# Human Capital: Per Capita lifetime earnings has been slowing and declining in recent years driven by the ageing population

Full UK Human Capital Per Head Earnings (Real)



# Contributions to change in UK Human Capital

Contribution to change in UK Human Capital



# Conclusion

- Inclusive Wealth measures provide a more comprehensive picture of the economy alongside core economic measures like GDP
- These broader set of measures allow a deeper insight into key components such as human and natural capital and the trade-off between economic prosperity and sustainability
- These measures alongside GDP could enable key institutions and policy makers to make better informed decisions on resource allocations & policy interventions

# Next Steps & future work

Several possibilities for next steps; we're currently in the process of reaching out to policy makers and users to understand where to prioritise

- **Addressing remaining conceptual gaps:**

- Estimating stocks and depreciation of human capital used in unpaid household services
- Estimating stock values for atmosphere depletion and degradation
- Creating back series of ecosystem services and natural capitals
- Adding detail to the accounts, e.g.

**An expenditure approach breakdown (i.e. consumption, investment, exports, etc.)**

- **Improving the consistency of data inputs**
- **Extending the accounts to include shadow price estimates of value, or democratic measures of growth**
- **Quarterly Data**
- **Improving timeliness**
- **Sensitivity analysis of the underlying components (measures are experimental and based on certain assumptions being met)**

# Thank you! Any questions?

We will greatly value all feedback and suggestions, so please get in touch with us at: [Inclusive.Wealth@ons.gov.uk](mailto:Inclusive.Wealth@ons.gov.uk)