

## Expenditure

- Between 1996 and 2004 the volume of expenditure by UK households on goods grew at an average rate of 5.0 per cent per year. This was nearly three times the rate for expenditure on services, which grew at 1.8 per cent per year. (Figure 6.1)
- The greatest increase in the volume of spending between 1971 and 2004 has been on communications, with a ninefold rise. (Table 6.2)
- In September 2005 annual growth in the volume of retail sales in Great Britain, measured using the seasonally adjusted index was 0.7 per cent, the lowest figure for almost ten years. (Figure 6.7)
- In 2004 the number of debit card transactions in the United Kingdom was ten times higher than it had been in 1991. Over the same period credit card usage increased by a factor of almost three. (Figure 6.8)
- Individual borrowing rose considerably between the second quarter of 1993 and the second quarter of 2005, increasing by £550 billion to over £1 trillion in 2004 prices. (Figure 6.10)
- The number of individual insolvencies in England and Wales rose to 46,700 in 2004, an increase of 31 per cent over the previous year. (Figure 6.11)
- In July 2005 the CPI went above the 2.0 per cent target set by the Chancellor for the first time since it has been the official measure of inflation. By September 2005 it had reached 2.5 per cent. (Figure 6.12)

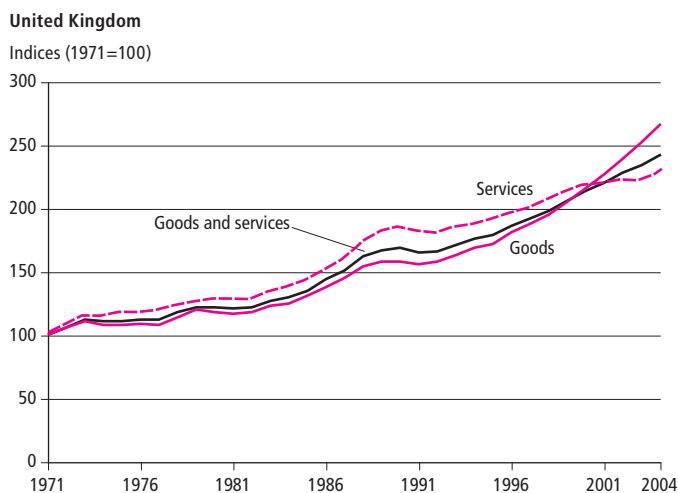
The types of goods and services on which people choose to spend their income have changed considerably over the past 30 years. Personal spending patterns provide insights into people and society. They provide an indication of a household's standard of living and material well being, as well as being a reflection of changes in society, consumer preference, and the growth in choices available to the consumer.

### Household and personal expenditure

The volume of spending by households on goods and services has increased steadily within the United Kingdom since 1971, at an average rate of 2.7 per cent a year after allowing for the effects of inflation (Figure 6.1). However, there were years when it fell – 1974, 1980, 1981 and 1991. These falls coincided with general downturns within the UK economy (see Figure 5.25). From 1996, spending on goods has grown at a faster rate than spending on services, by an average of 5.0 per cent a year compared with 1.8 per cent.

Figure 6.1

### Volume of domestic household expenditure<sup>1</sup> on goods and services



1 Chained volume measures. See Appendix, Part 6: Household expenditure.

Source: Office for National Statistics

Table 6.2

### Volume of household expenditure<sup>1</sup>

United Kingdom

Indices (1971=100)

	1971	1981	1991	2001	2004	£ billion (current prices) 2004
Food and non-alcoholic drink	100	105	117	137	143	64.4
Alcohol and tobacco	100	99	92	88	92	27.8
Clothing and footwear	100	120	187	345	451	43.9
Housing, water and fuel	100	117	139	152	159	134.8
Household goods and services	100	117	160	262	310	45.9
Health	100	125	182	188	212	12.8
Transport	100	128	181	246	263	108.0
Communication	100	190	306	789	899	16.6
Recreation and culture	100	161	283	548	683	91.5
Education	100	160	199	258	229	10.0
Restaurants and hotels <sup>2</sup>	100	126	167	193	202	81.9
Miscellaneous goods and services	100	121	230	282	300	82.3
Total domestic household expenditure	100	121	165	220	242	719.7
of which goods	100	117	156	227	266	358.4
of which services	100	129	182	220	227	361.3
Less expenditure by foreign tourists, etc	100	152	187	210	227	-15.7
Household expenditure abroad	100	193	298	669	753	27.7
All household expenditure <sup>3</sup>	100	122	167	227	250	731.8

1 Chained volume measures. See Appendix, Part 6: Household expenditure. Classified to COICOP ESA95. See Appendix, Part 6: Classification of Individual Consumption by Purpose.

2 Includes purchases of alcoholic drinks.

3 Includes expenditure by UK households in the United Kingdom and abroad.

Source: Office for National Statistics

Table 6.3

Household expenditure:<sup>1</sup> by socio-economic classification,<sup>2</sup> 2004/05

United Kingdom

£ per week

	Occupations			Never worked <sup>3</sup> and long-term unemployed	All households <sup>4</sup>
	Managerial and professional	Intermediate	Routine and manual		
Food and non-alcoholic drink	53.80	49.60	45.90	34.40	44.70
Alcohol and tobacco	13.80	13.00	13.40	10.60	11.30
Clothing and footwear	35.30	27.70	25.50	23.30	23.90
Housing, fuel and power <sup>5</sup>	49.40	42.30	43.70	57.20	40.40
Household goods and services	46.10	34.70	28.80	15.40	31.60
Health	7.60	4.50	3.70	1.60	4.90
Transport	95.60	71.00	61.30	27.10	59.60
Communication	15.00	13.60	13.70	10.80	11.70
Recreation and culture	84.60	60.10	63.30	31.10	59.00
Education	14.00	5.20	1.70	33.40	6.50
Restaurants and hotels	55.70	42.60	37.30	28.40	36.10
Miscellaneous goods and services	53.80	37.70	33.00	15.00	34.90
Other expenditure items	121.80	82.20	64.80	19.80	69.70
All household expenditure	646.40	484.30	436.00	308.20	434.40
Average household size (number of people)	2.7	2.7	2.8	2.6	2.4

1 See Appendix, Part 6: Household expenditure. Expenditure rounded to the nearest 10 pence.

2 Of the household reference person. Excludes retired households. See Appendix, Part 1: National Statistics Socio-economic Classification, and Appendix, Part 6: Retired households.

3 Includes households where the reference person is a student.

4 Includes retired households and others that are not classified.

5 Excludes mortgage interest payments, water charges, council tax and Northern Ireland domestic rates. These are included in 'Other expenditure items'.

Source: Expenditure and Food Survey, Office for National Statistics

Between 1971 and 2004, spending by households increased in volume terms for all the broad categories of expenditure, with the exception of alcohol (bought from off-licences) and tobacco, which fell (Table 6.2). This was due to the fall in the volume of household expenditure on tobacco which halved over this period. This reflects the decline in smoking, as described in the Health chapter (see Figure 7.14).

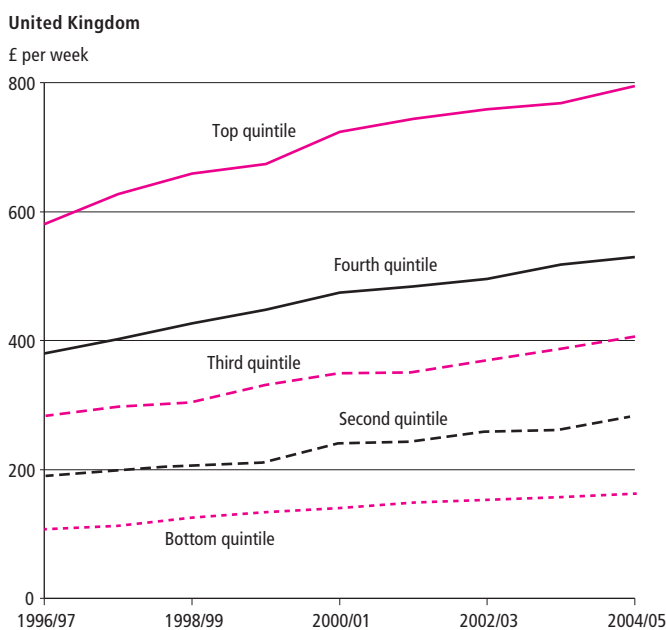
The greatest increases in spending since 1971 have been on communication, household expenditure abroad, and recreation and culture. There have been rises in household expenditure on non-essential items while proportionally less was spent on essentials such as food or housing. This reflects increases in household disposable income (see Figure 5.1). Spending on communication has almost trebled since 1991 due to mass ownership of mobile phones.

Levels of expenditure vary among different groups in the population. In Table 6.3 average UK household expenditure is

analysed by the socio-economic classification (NS-SEC) of the household reference person (see Appendix, Part 1: National Statistics Socio-economic Classification). Total expenditure in 2004/05 was highest for those households where the household reference person was in the managerial and professional group (£646.40 per week), more than double that of households in the never worked and long-term unemployed group. The managerial and professional group had the highest level of spending on most expenditure categories. However the never worked and long-term unemployed group had higher expenditure on housing, fuel and power (which includes rent but excludes mortgage interest payments) and on education. This reflects the inclusion of student households in this group.

Over the last eight years, the expenditure gap between those at the top and bottom of the income distribution has narrowed. In 2004/05 average expenditure per week by households in

Figure 6.4

Household expenditure:<sup>1</sup> by income quintile group<sup>2</sup>

1 See Appendix, Part 6: Household expenditure.

2 See Chapter 5: Analysing income distribution box for an explanation of quintile groups.

Source: Family Expenditure Survey and Expenditure and Food Survey, Office for National Statistics

the bottom disposable income quintile group was £163, while those in the top quintile group spent £795 per week (Figure 6.4). Since 1996/97 average expenditure by households in the bottom income quintile group had risen by 53 per cent compared with a rise of 35 per cent for households in the top quintile group.

In 2004/05 there were some notable differences between the expenditure patterns of households with different levels of income. Households in the top quintile group spent relatively small proportions of their total expenditure on essential items such as food and non-alcoholic drink, and housing, fuel and power (8 per cent and 7 per cent respectively). In contrast, households in the bottom quintile group spent about 16 per cent of their total expenditure on each of these. Also, on average, households with lower incomes spent larger proportions of their total expenditure on alcohol and tobacco.

Total household expenditure varies across the United Kingdom. For the period 2002/03 to 2004/05 households in Scotland, on average, spent 10 per cent less per person than those in England, while those in Wales spent 15 per cent less, and those in Northern Ireland 17 per cent less (Table 6.5). However, average household expenditure also varied across England, with the highest spending per person in the South East, and the lowest spending in the North East.

Table 6.5

Household expenditure<sup>1</sup> per head: by region

	Indices (UK=100)	
	1997–2000 <sup>2</sup>	2002–05 <sup>3</sup>
United Kingdom	100	100
England	102	102
North East	86	83
North West	94	96
Yorkshire and the Humber	93	96
East Midlands	95	95
West Midlands	92	90
East	104	108
London	117	110
South East	116	116
South West	98	105
Wales	89	87
Scotland	94	92
Northern Ireland	79	85

1 See Appendix, Part 6: Household expenditure.

2 Combined data from 1997/98, 1998/99 and 1999/2000.

3 Combined data from 2002/03, 2003/04 and 2004/05.

Source: Family Expenditure Survey and Expenditure and Food Survey, Office for National Statistics

Spending on most categories of goods and services was highest per person for households in the South East and London, reflecting the high overall levels of spending by these households. Households in the South East consistently spent more than the UK average per person on all categories except alcohol and tobacco, on which spending was very similar to the UK average. Households in London also spent more than average on most categories, but 6 per cent less than average on recreation and culture and 5 per cent less on transport, two large components of total household expenditure.

Recreation and culture is one of the areas where spending has increased most rapidly – by a factor of nearly seven between 1971 and 2004 (see Table 6.2). Only spending abroad and spending on communication increased by more over this period. Spending on recreation and culture is an important part of total household expenditure, accounting for 14 per cent of all household expenditure in 2004/05. For the period 2002/03 to 2004/05, an average household spent £57.60 per week on recreation and culture, of which almost two thirds was spent on package holidays and holiday accommodation, restaurant and café meals, and alcoholic drinks (not consumed at home) (Table 6.6). Although households in the North East spent least overall (see Table 6.5), they spent on average £5.50 per week on gambling payments, 49 per cent above the UK average.

Table 6.6

Household expenditure<sup>1</sup> on selected leisure items and activities: by region, 2002–05<sup>2</sup>

£ per week

	Alcoholic drinks (away from home)	Games, toys and hobbies <sup>3</sup>	Gambling payments	Package holidays <sup>4</sup>	Sports admissions, subscriptions and leisure class fees	Restaurant and café meals	Holiday accommodation <sup>4</sup>	Total recreation and culture
United Kingdom	8.60	3.50	3.70	12.70	5.10	11.60	4.90	57.60
England	8.80	3.50	3.70	13.00	5.30	11.90	5.10	58.70
North East	9.10	3.10	5.50	10.80	3.90	8.80	3.00	54.20
North West	10.10	3.40	4.40	14.00	5.10	11.00	4.10	58.70
Yorkshire and the Humber	9.80	3.40	5.50	14.30	3.90	10.60	4.40	58.80
East Midlands	8.60	3.40	3.60	11.90	4.70	11.80	5.40	58.00
West Midlands	8.00	3.40	3.60	13.70	4.10	9.80	4.90	55.60
East	7.40	3.60	3.60	12.60	5.90	11.90	5.40	61.60
London	9.80	3.60	2.90	11.90	7.20	15.70	5.90	56.90
South East	8.40	3.70	2.80	13.70	5.90	13.10	6.20	62.20
South West	8.10	3.30	3.00	12.50	5.10	11.50	5.30	58.60
Wales	7.80	3.40	3.40	11.20	3.10	9.30	3.80	52.50
Scotland	7.00	3.30	4.10	11.30	4.60	9.70	4.30	53.00
Northern Ireland	8.50	4.00	3.20	9.50	3.90	12.00	2.40	46.30

1 See Appendix, Part 6: Household expenditure. Expenditure rounded to the nearest 10 pence.

2 Combined data from 2002/03, 2003/04 and 2004/05.

3 Includes computer software and games.

4 In the United Kingdom and abroad.

Source: Expenditure and Food Survey, Office for National Statistics

## Transactions and credit

In all years, retail sales follow a strong seasonal pattern. Sales increase sharply in the build up to Christmas. On average the volume of sales in November is about 10 per cent above trend, and in December about 30 per cent above trend. For the rest of the year sales are a few per cent below trend.

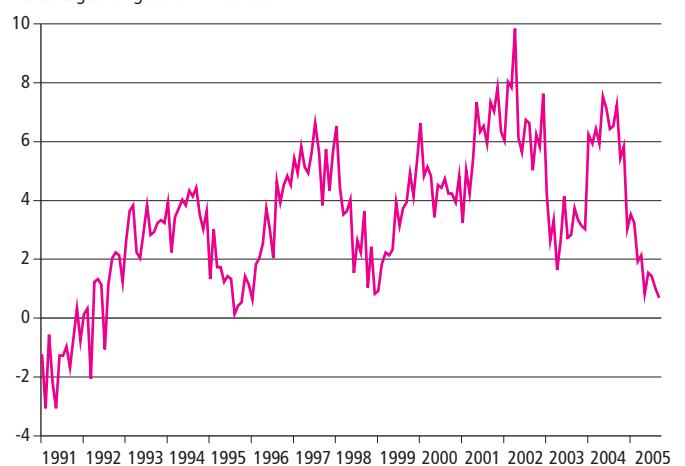
Apart from seasonal or other short term effects, the volume of retail sales in Great Britain has grown continuously since 1992, although there have been periods of relatively faster and slower growth (Figure 6.7). Since late 2004, growth in retail sales has been slow. The rate of annual growth in the seasonally adjusted retail sales index in September 2005 was 0.7 per cent, the lowest for almost ten years.

This slow down in the rate of growth affected some retail sectors more than others. In September 2005 the annual change in the volume of sales in stores selling household goods was -2.5 per cent. For all stores selling predominantly non-food items there was no change. This was in contrast to sales in stores selling predominantly food items, which increased by 2.1 per cent over the same period.

Figure 6.7

## Annual growth in the volume of retail sales<sup>1</sup>

Great Britain

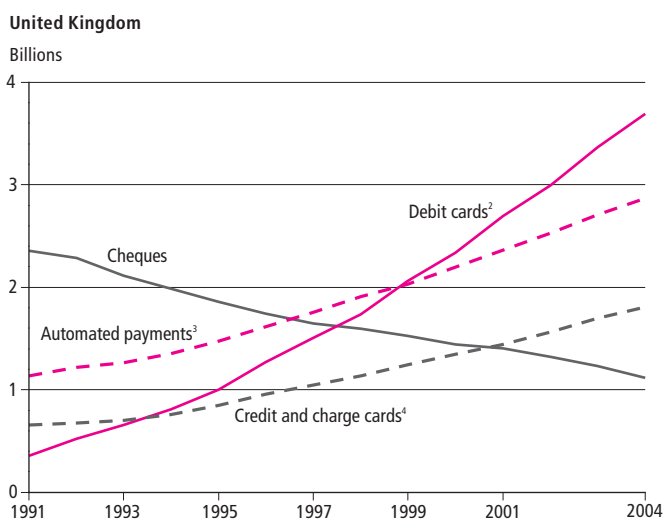
Percentage change over 12 months<sup>2</sup>

1 See Appendix, Part 6: Retail sales index.

2 In the seasonally adjusted index.

Source: Office for National Statistics

**Figure 6.8**  
**Non-cash transactions:<sup>1</sup> by method of payment**



1 Figures are for payments only made by households or businesses. Cheque encashments and cash withdrawals from ATMs and branch counters using credit/charge and debit cards are not included. Based on data supplied by UK card issuers.

2 Visa Debit and Switch cards in all years; includes Electron cards from 1996 and Solo cards from 1997.

3 Includes direct debits, standing orders, direct credits, inter-branch automated items.

4 Visa, MasterCard, travel/entertainment cards and store cards.

Source: APACS – Association for Payment Clearing Services

The way in which spending transactions are undertaken in the United Kingdom changed dramatically between 1991 and 2004. During this period the number of transactions using plastic cards increased from 1.0 billion to 5.5 billion, while the number of transactions using cheques fell from 2.4 billion to 1.1 billion (Figure 6.8). According to the Association for Payment Clearing Services (APACS), 94 per cent of men and 91 per cent of women in Great Britain had at least one plastic card in 2004. This compares with 80 per cent of men and 73 per cent of women in 1993.

Between 1991 and 2004, growth in debit card use in the United Kingdom was greater than that of credit cards. There were ten times more debit card transactions in 2004 than there were in 1991. Credit card transactions increased by a factor of almost three. It is not only individuals who are using plastic cards more regularly. Credit cards are now the most widely used method of finance for small and medium sized companies – 55 per cent used credit cards in 2004.

The growth in the use of plastic cards has been accompanied by a rise in card fraud. This can involve criminals 'skimming' cards to copy the information from the magnetic strips. In October 2003 card companies began issuing 'chip and PIN' cards in an attempt to combat this. At the end of June 2005, there were more than 107 million 'chip and PIN' cards in circulation out of a total of 135 million. These cards help combat fraud in two ways. First, cardholders' account details are stored on a microchip, which is far safer than a magnetic

**Table 6.9**  
**Debit and credit card spending<sup>1,2</sup>**

United Kingdom	Percentages					
	Debit cards			Credit cards		
	1996	2001	2004	1996	2001	2004
Food and drink	43	29	25	13	11	11
Motoring	12	13	14	13	13	11
Household	6	9	8	10	12	12
Mixed business	10	7	7	7	6	8
Clothing	6	6	5	6	5	5
Travel	5	7	6	14	12	11
Entertainment	3	5	5	7	7	6
Hotels	1	1	1	6	5	4
Other retail	9	10	11	14	16	16
Other services	4	12	18	10	14	17
of which financial	..	..	10	..	..	8
Total (=100%) (£ billions)	37.0	93.3	147.1	47.7	91.5	122.1

1 By principal business activity of where the purchase was made. Excludes spending outside the United Kingdom by UK cardholders.

2 Based on data reported by the largest UK merchant acquirers, who process plastic card transactions for retailers and other service providers.

Source: APACS – Association for Payment Clearing Services

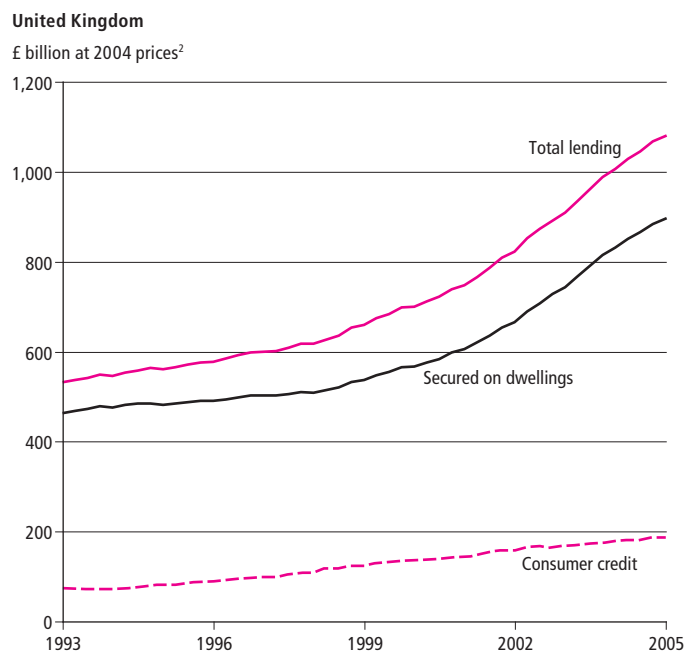
strip. Second, the Personal Identification Number (PIN), known only to the cardholder, is used to verify a transaction rather than the cardholder's signature, which could be forged.

According to APACS, spending patterns differ between credit and debit cards (Table 6.9). The rapid increase in spending on debit cards, which has now overtaken spending on credit cards, has been accompanied by a change in the pattern of debit card usage. In 1996 spending on debit cards was concentrated in certain types of outlets, such as food and drink and motoring, whereas spending on credit cards was spread among a wider variety of outlets. In 2004 this was still true but to a much lesser extent, and spending on debit cards was spread across a wider variety of outlets. Between 1996 and 2004, purchases from food and drink outlets have fallen from 43 to 25 per cent of the total while spending on other services, including financial services, has increased from 4 to 18 per cent. In contrast, the distribution of spending on credit cards has changed less over time. In 2004 the amount spent on credit cards in motoring outlets, travel agents and household goods stores each accounted for between 11 and 12 per cent of total credit card expenditure. Use of credit cards for goods from 'other retailers', which include book shops, record stores, pharmacies, jewellers and computer shops, accounted for 16 per cent of the total.

Individuals in the United Kingdom can borrow money from five main sources – banks, building societies, other specialist lenders, retailers, and other organisations, such as government and pension funds. Borrowing rose considerably between the second quarter of 1993 and the second quarter of 2005, increasing by £550 billion to over £1 trillion (one thousand billion) in 2004 prices (Figure 6.10). During the first six months of 2005, 83 per cent of total borrowing was secured on dwellings, a percentage that had changed little from 1993. The remaining 17 per cent consisted of consumer credit. The ways in which consumer credit is financed have changed over the past 12 years. In 1993, 81 per cent was financed by overdrafts and loans – only 19 per cent was borrowed on credit cards. By 2005, 29 per cent of consumer credit was borrowed on credit cards.

High and continuous levels of borrowing can lead to debts that people cannot afford to pay. In some cases, the courts encourage a voluntary arrangement to be agreed between the debtor and the creditors. However, individuals are said to be insolvent and may be officially declared bankrupt if a court is satisfied that there is no prospect of the debt being paid. In 2004 the number of individual insolvencies in England and Wales rose by 11,100 to reach 46,700, an increase of 31 per cent over the previous year (Figure 6.11). This is the largest increase since the recession of the early 1990s when individual insolvencies increased by 44 per cent between 1991 and 1992. Bank of England figures show that the value of bad debts

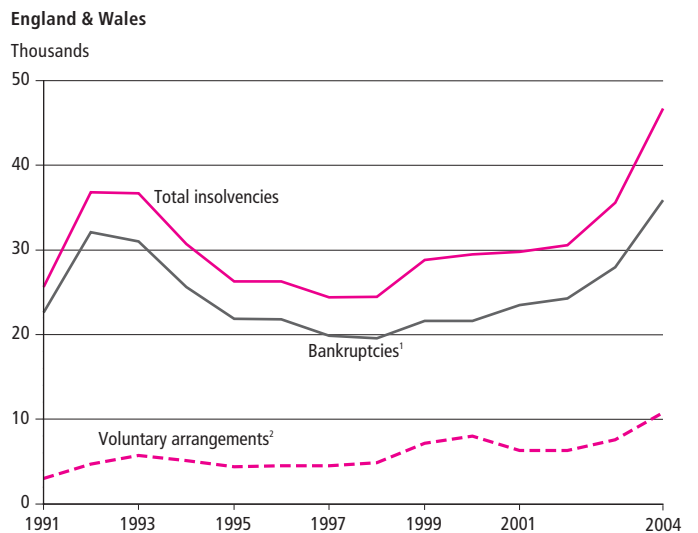
**Figure 6.10**  
**Total lending to individuals<sup>1</sup>**



1 Lending secured on dwellings and consumer credit, both to individuals and to housing associations. Seasonally adjusted.  
2 Adjusted to 2004 prices using the retail prices index.

Source: Bank of England

**Figure 6.11**  
**Number of individual insolvencies**



1 Individuals declared bankrupt by a court.  
2 Individuals who make a voluntary agreement with their creditors.

Source: Department of Trade and Industry

written-off by banks for insolvent individuals increased from £1.9 billion in 2000 to £4.2 billion in 2004. In line with the increase in borrowing on credit cards, write-offs of credit card debt rose from 19 per cent of total write-offs (£0.28 billion) in 1993 to 38 per cent (£1.60 billion) in 2004.



**Prices**

The way people choose to spend their money is affected by the prices of goods and services. An index of prices for a 'shopping basket', containing the goods and services on which people typically spend their money, can be used to measure the 'cost of living'. As the prices of the various items change over time, so does the total cost of the basket. Since 10 December 2003, the consumer prices index (CPI) has been used as the main domestic measure of UK inflation for macroeconomic purposes. It measures the average change, from month to month, in the prices of goods and services purchased by most households in the United Kingdom.

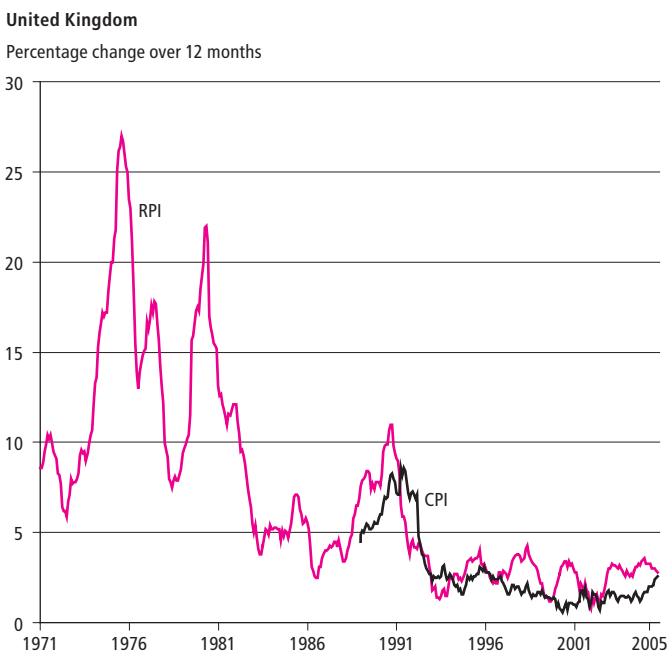
Before December 2003 the retail prices index (RPI), which was introduced in 1947, was the most familiar UK index. Both indices are broadly similar, but there are several differences – the main one being that the CPI does not take account of changes in the price of certain housing costs such as house depreciation, council tax, and buildings insurance, as well as mortgage interest payments. The CPI covers spending by all private households, foreign visitors to the United Kingdom and residents in institutions; the RPI covers spending by private households only, and excludes the spending of the highest income households

and pensioner households mainly dependent on state benefits. There are also some methodological differences in how the two indices combine individual prices. These differences mean that most of the time the CPI inflation rate is lower than the RPI inflation rate (Figure 6.12). As a result of the change in December 2003, the Chancellor of the Exchequer announced a new inflation target of 2.0 per cent measured by the 12-month change in the CPI. It was previously 2.5 per cent measured by RPIX (RPI excluding mortgage interest payments).

Levels of UK inflation have varied considerably over the past 30 or so years. Inflation (measured by the RPI) exceeded 20 per cent during some periods in the 1970s and 1980, and was above 10 per cent again in 1990, but since August 1991 it has remained below 5 per cent. Between June 1998 and May 2005, the CPI was consistently below the 2.0 per cent target. However, in June 2005 inflation (measured by the CPI) reached 2.0 per cent, and from July to September 2005 it was slightly above the target.

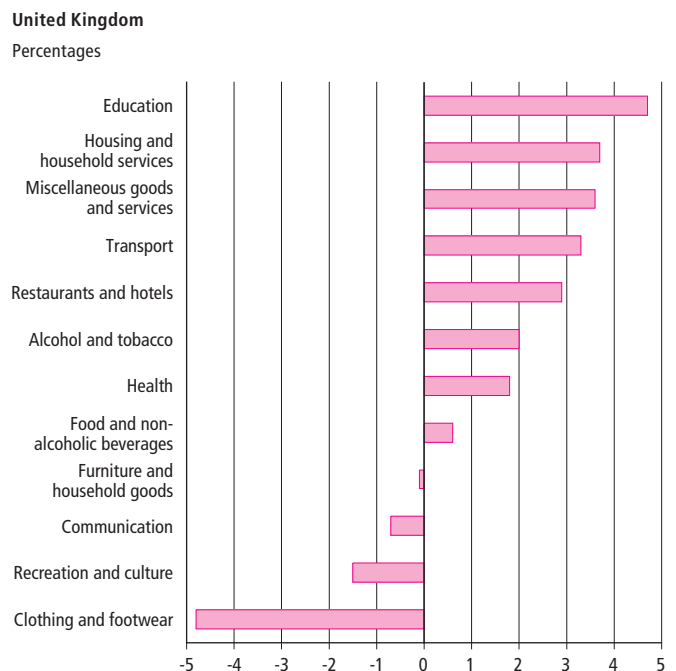
Figure 6.13 shows the percentage change in price of components of the UK CPI between 2003 and 2004. Price increases in housing and household services, miscellaneous goods and services (which includes household insurance,

**Figure 6.12**  
**Consumer prices index<sup>1</sup> and retail prices index<sup>2</sup>**



1 Data prior to 1997 are estimates. See Appendix, Part 6: Harmonised index of consumer prices.  
2 See Appendix, Part 6: Retail prices index, and Consumer prices index.  
Source: Office for National Statistics

**Figure 6.13**  
**Percentage change in consumer prices index, 2004<sup>1</sup>**



1 Percentage change on the previous year. See Appendix, Part 6: Consumer prices index.  
Source: Office for National Statistics



**Table 6.14**  
**Cost of selected items**

United Kingdom	Pence					
	1971	1981	1991	1996	2001	2004
500g back bacon <sup>1</sup>	37	142	235	293	343	356
250g cheddar cheese	13	58	86	115	128	142
Eggs (size 2), per dozen	26	78	118	158	172	169
800g white sliced bread	10	37	53	55	51	65
1 pint pasteurised milk <sup>2</sup>	5	19	32	36	36	35
1 kg granulated sugar	9	39	66	76	57	74
100g instant coffee	25	95	130	189	181	175
250g tea bags	..	..	150	134	146	139
Packet of 20 cigarettes (filter tip) <sup>3</sup>	27	97	186	273	412	439
Pint of beer <sup>4</sup>	15	65	137	173	203	233
Whisky (per nip)	..	..	95	123	148	171
Litre of unleaded petrol	..	..	45	57	76	80

<sup>1</sup> In 1971 and 1981 the price is for unsmoked. In 1991 the price is an average of vacuum and not vacuum-packed.

<sup>2</sup> Delivered milk included from 1996.

<sup>3</sup> Change from standard to king size in 1991.

<sup>4</sup> Bottled until 1981 and draught lager after.

Source: Office for National Statistics

professional fees and credit card charges, among other things) and transport all contributed to growth in the overall index. This is because these component groups had increases in price of over 3.0 per cent and CPI weightings greater than 10.0 per cent. Prices fell for four components – clothing and footwear, recreation and culture, communication, and household goods. Of these, the largest decrease was for clothing and footwear (4.8 per cent), larger than the 3.8 per cent fall during 2003. Education prices, which include university tuition fees and private school fees, increased by 4.7 per cent, more than any other component. However the weight for education is less than 2 per cent, so it has relatively little effect on the overall CPI.

The goods and services in the basket, and their corresponding weights, are changed slightly each year to reflect shifting consumer spending patterns. For instance, lard, bottled pale lager and vinyl records were in the basket in 1970 but have since been removed. In contrast, caffè latte, DVD players, Internet subscription, and digital cameras are some of the items in the basket in 2005, that have been introduced since 1970. Some items such as cigarettes, sliced white bread and granulated sugar have been included for a considerable period. This allows price comparisons to be made over time. In 2004 the price of cheddar cheese was £1.42 for 250 grams, over ten times the price in 1971 (Table 6.14). Prices for other

goods rose even more. The price of cigarettes in 2004 was more than 16 times the price in 1971 and has more than doubled since 1991. Similarly the price of beer had risen considerably since 1971, and the prices of beer, whisky and unleaded petrol had all nearly doubled since 1991. This partly reflects the large increases in duties imposed on them over these periods.

Prices vary across the United Kingdom, which may partly explain some of the differences in regional spending patterns (see Table 6.5). In 2004 London prices were nearly 10 per cent higher than the UK average, while prices in Wales were nearly 7 per cent below average (Table 6.15 overleaf). The price of housing and household expenditure showed the most variation. This is largely due to variation in housing costs which include rent, mortgage interest payments, and council tax. Housing costs on their own are highest in London (29 per cent above the UK average) and the South East (22 per cent above the UK average). They are lowest in Northern Ireland (32 per cent below the UK average), Wales and Scotland (both 23 per cent below the UK average). In Northern Ireland, the price of travel and leisure was 11 per cent above average, despite prices overall being over 4 per cent lower than the UK average, a result of higher motoring costs in Northern Ireland.

Table 6.15

Relative prices: by region,<sup>1</sup> 2004

Indices (UK=100)

	Food and catering	Alcohol and tobacco	Housing and household expenditure	Personal expenditure	Travel and leisure	All items
United Kingdom	100.0	100.0	100.0	100.0	100.0	100.0
England						
North East	97.1	97.3	88.4	97.8	97.8	94.2
North West	98.8	97.6	92.9	100.1	99.8	96.9
Yorkshire and the Humber	96.9	96.6	90.1	96.3	96.6	94.2
East Midlands	100.3	98.5	95.2	97.3	98.4	97.4
West Midlands	99.2	98.2	94.9	99.7	99.9	97.8
East	100.8	100.6	104.3	100.1	97.7	101.1
London	103.1	105.3	120.1	106.7	102.5	109.7
South East	101.7	103.0	114.0	100.7	98.4	105.3
South West	100.9	101.5	103.5	100.5	99.0	101.3
Wales	96.8	97.1	85.3	97.7	98.2	93.1
Scotland	101.0	99.4	85.5	100.1	99.0	94.5
Northern Ireland	102.0	98.4	80.1	97.0	111.3	95.8

<sup>1</sup> Regional price indices are based mainly on a survey of regional price levels as well as some prices collected for the retail prices index and consumer prices index.

Source: Office for National Statistics

The CPI is used for inflation comparisons between the United Kingdom and other European Union (EU) countries. The United Kingdom still experiences a low inflation rate compared with the majority of EU countries. It was 0.7 percentage points below the EU-25 average in 2004 (Table 6.16). Only Finland, Denmark, Sweden and Lithuania had lower inflation rates. Within the EU, the accession states generally had the highest rates of inflation – Slovakia having the highest at 7.5 per cent.

The worldwide spending power of sterling depends on the relative prices of goods and services and the exchange rates between countries. Comparative price levels are used to indicate whether other countries appear cheaper or more expensive to UK residents. In April 2005, six of the EU-15 countries (Denmark, Ireland, Finland, Sweden, France and Germany) would have appeared more expensive. The Netherlands and Austria would have appeared similar in price, while Belgium, Italy, Greece, Spain, and Portugal would have appeared cheaper. Figures were also available for four of the new Member States (Hungary, Slovakia, the Czech Republic and Poland). A UK visitor to any of these countries would have found prices just over half those in the United Kingdom.

Table 6.16

Percentage change in consumer prices:<sup>1</sup> EU comparison, 2004

	Percentage change over 12 months		Percentage change over 12 months
Austria	2.0	Luxembourg	3.2
Belgium	1.9	Malta	2.7
Cyprus	1.9	Netherlands	1.4
Czech Republic	2.6	Poland	3.6
Denmark	0.9	Portugal	2.5
Estonia	3.0	Slovakia	7.5
Finland	0.1	Slovenia	3.6
France	2.3	Spain	3.1
Germany	1.8	Sweden	1.0
Greece	3.0	United Kingdom	1.3
Hungary	6.8	EU-25 average	2.0
Ireland	2.3		
Italy	2.3		
Latvia	6.2		
Lithuania	1.1		

<sup>1</sup> As measured by the harmonised index of consumer prices. See Appendix, Part 6: Harmonised index of consumer prices.

Source: Office for National Statistics; Eurostat

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The Director of ONS is also the National Statistician and the Registrar General for England and Wales.

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