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**HOUSEHOLD EXPENDITURE  
IN TYNE & WEAR**

**2007**

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## KEY POINTS

This report presents information on household expenditure and ownership of durable goods of residents in Tyne & Wear. Previous reports covered Income and Expenditure. TWRI produced two separate reports this year.

The **Expenditure & Food Survey** (EFS) provides the only data on household expenditure. It thus includes expenditure financed from a) spending out of capital/wealth (important for people on very low or zero incomes) and b) from increased indebtedness (spending on credit).

**‘Total expenditure’<sup>1</sup> by North East households is the lowest of any UK region at £389pw (£20,200pa) (\$2.1).** This is around 14% (£65pw or £3,400pa) less than the UK average. This is, however, narrower than the income gap of 16%.

North East spending on **‘Housing’**, which includes mortgage interest payments and council tax etc., at £41.30, is around a fifth lower than the UK average of £52.80. The estimated<sup>2</sup> average mortgage size in the North East is around £88,100.

Living standards are relatively low in real terms. **Ownership of consumer durables** provides an indicator of real living standards (§4). The North East’s relatively low living standards show particularly in its ownership of six durables:

- Dishwashers – at 26%, was the lowest for any region and 11 percentage points less than the UK
- Cars – 65% of households owned a car (or van) compared to 75% in the UK.
- The North East was between 4-6 percentage points lower than the UK for Internet Connections (54%, UK 60%), Tumble Dryers (52%, UK 58%), Home Computers (63%, UK 68%) and Mobile Phones (74%, UK 79%).

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<sup>1</sup> Note: ‘Total expenditure’ includes mortgage interest payments and council tax.

<sup>2</sup> TWRI derived estimate, see assumptions in the text.

## 1 INTRODUCTION

This report is based on the Expenditure and Food Survey (EFS)<sup>3</sup>, which presents information on household expenditure and ownership of durable goods. Previously TWRI produced a single report covering both income and expenditure. This year the topics have been put into separate reports.

**Table 1.1: Source of Data: Summary of Features**

Source	Lowest Geographical Level	Strengths	Weaknesses
Expenditure & Food Survey (EFS) from National Statistics	Region, North East	Includes Income as well as Expenditure	Small sample. Per household (therefore comparisons affected by changes in or differences in household size)

*Source: Tyne & Wear Research and Information.*

The Expenditure & Food Survey (EFS) is the only official source of *expenditure* data for households.

This report focuses on average households, not households in poverty. It should not be used as a source of indicators on deprivation.

ONS have produced regional indices of prices for 2004 (Economic Trends, Feb 2005). The North East is amongst the cheapest UK regions for all products, alongside Wales and Yorkshire & Humberside.

<sup>3</sup>[http://www.statistics.gov.uk/downloads/theme\\_social/Family\\_Spending\\_2007/FamilySpending2008\\_web.pdf](http://www.statistics.gov.uk/downloads/theme_social/Family_Spending_2007/FamilySpending2008_web.pdf) (ONS, Family Spending, A report on the 2007 Expenditure and Food Survey, 2008 Edition, accessed 24<sup>th</sup> July 2009).

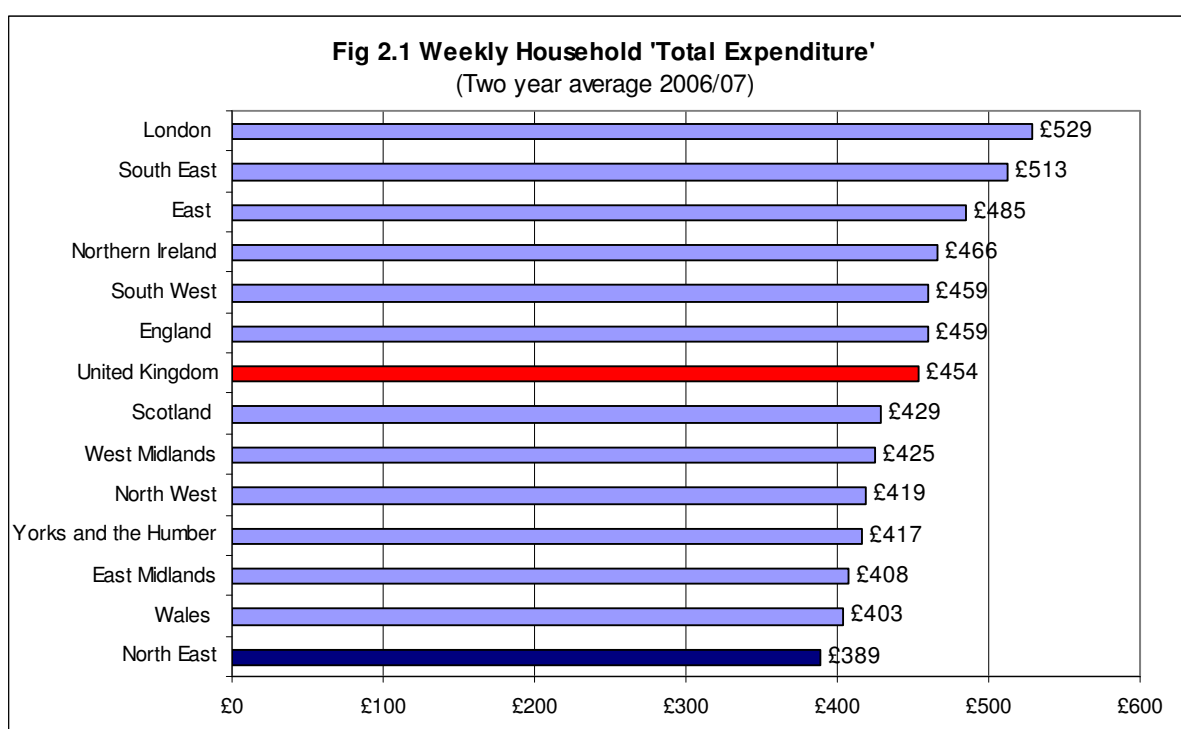
## 2 TOTAL HOUSEHOLD EXPENDITURE IN THE NORTH EAST

### 2.1 Expenditure 2006/07

The North East had the lowest weekly household expenditure of any region in the UK, measured as a two-year average (2006/07) (Figure 2.1).

The percentage gap between the North East and the UK is narrower for 'total expenditure' (14%) than for income (16%).

North East average household weekly 'total expenditure' was £389 (£20,200pa) or £65 (£3,400pa) less than the UK average. London had the highest weekly spending, at £529 (£27,500pa), some 36% higher than the North East.



Source: ONS, Family Spending 2007, © Crown copyright 2008

Note: Figures are for 'Total Expenditure' which includes 'Other Expenditure Items' consisting of Housing: mortgage interest payments, council tax etc. 'Other Expenditure Items' also includes; Licences, fines and transfers; Holiday spending; Money transfers and credit.

### 2.2 Trends in Household Expenditure

Household expenditure in the *North*<sup>4</sup> remained stable between 1981 and 1996/97 at around 88% of the UK level (varying within about 4 percentage points of this level) (Table 2.1). In the North East, household expenditure was around 85% of the UK in 1996/97 to 1998/99. However, in 1999/2000 and 2000/01 household expenditure in the North East fell by 3 then 4 percentage points to 81% of the UK. [This might have been due to the slow economic growth in the NE in 1999 and before the main impact of tax credits and tax increases – Ed.] In 2006/07, household expenditure in the North East was again 86% of the UK value, broadly equivalent to the situation ten years earlier.

*Caution: it is not possible to make strong inferences from these data due to the small EFS sample sizes and consequent wide confidence intervals.*

<sup>4</sup> Before 1996/97, the regional data are for the Northern Region (i.e. North East plus Cumbria).

**Table 2.1: Weekly Household Expenditure (1981-2007)**

				Index NR÷UK	Indexed 1981=100	
	North	UK	Difference	UK=100	North	UK
1981	£109.94	£118.30	-£8.36	92.9	100	100
1982	£116.13	£129.64	-£13.51	89.6	106	110
1983	£119.00	£138.12	-£19.12	86.2	108	117
1984	£124.16	£146.52	-£22.36	84.7	113	124
1985	£131.16	£156.87	-£25.71	83.6	119	133
1986	£144.95	£170.39	-£25.44	85.1	132	144
1987	£150.21	£183.24	-£33.03	82.0	137	155
1988	£164.38	£196.44	-£32.06	83.7	150	166
1989	£191.68	£216.05	-£24.37	88.7	174	183
1990	£204.37	£236.07	-£31.70	86.6	186	200
1991	£210.52	£253.10	-£42.58	83.2	192	214
1992	£235.53	£271.83	-£36.30	86.6	214	230
1993	£245.94	£276.68	-£30.74	88.9	224	234
1994	£239.64	£283.58	-£43.94	84.5	218	240
1995	£258.20	£289.86	-£31.66	89.1	235	245
1996/97	£272.13	£309.07	-£36.94	88.0	248	261
				Index NE÷UK	Indexed 1996/97=100	
	North East	UK	Difference	UK=100	North East	UK
1996/97	£264.88	£309.07	-£44.19	85.7	100	100
1997/98	£277.30	£328.80	-£51.50	84.3	105	106
3yr av. to 1998/99	£282.90	£332.60	-£49.70	85.1	107	108
3yr av. to 1999/00	£285.40	£348.20	-£62.80	82.0	108	113
3yr av. to 2000/01	£297.20	£365.80	-£68.60	81.3	112	118
<b>EFS Introduced in 2001</b>						
1yr av. 2001/02*	£348.30	£398.30	-£50.00	87.4	115	110
2yr av. to 2002/03*	£340.80	£400.30	-£59.50	85.1	112	111
3yr av. to 2003/04*	£335.70	£406.20	-£70.50	82.6	110	112
3yr av. to 2004/05*	£345.50	£419.60	-£74.10	82.3	113	115
3yr av. To 2005/06*	£352.30	£432.00	-£79.70	81.6	133	140
2yr av. To 2006/07*	£388.71	£454.06	-£65.35	85.6	147	147

Source: Family Expenditure Survey and Expenditure and Food Survey, National Statistics (Crown Copyright)

The Index 1996/97=100 for these data refers to the total for 'All Expenditure Groups' (i.e., excludes mortgage interest etc.)

\*These figures represent a change in the data series as they are for 'Total Expenditure' (rather than 'All Expenditure Groups' previously reported until the report for 2006).

Total Expenditure' includes 'Other Expenditure Items' consisting of Housing: mortgage interest payments, council tax etc. It also includes Licences, fines and transfers; Holiday spending; Money transfers and credit.

Weekly 'total expenditure' in the UK increased by about £54 (13%) to £454 in the 4 years to 2006/07 (compared with the 2 years to 2002/03). North East expenditure rose by about £48 (14%).

### 3 EXPENDITURE BY CATEGORY

#### North East Expenditure by Category, 2006/07

**Table 3.1 Average Weekly Expenditure by Category, 2006/07**

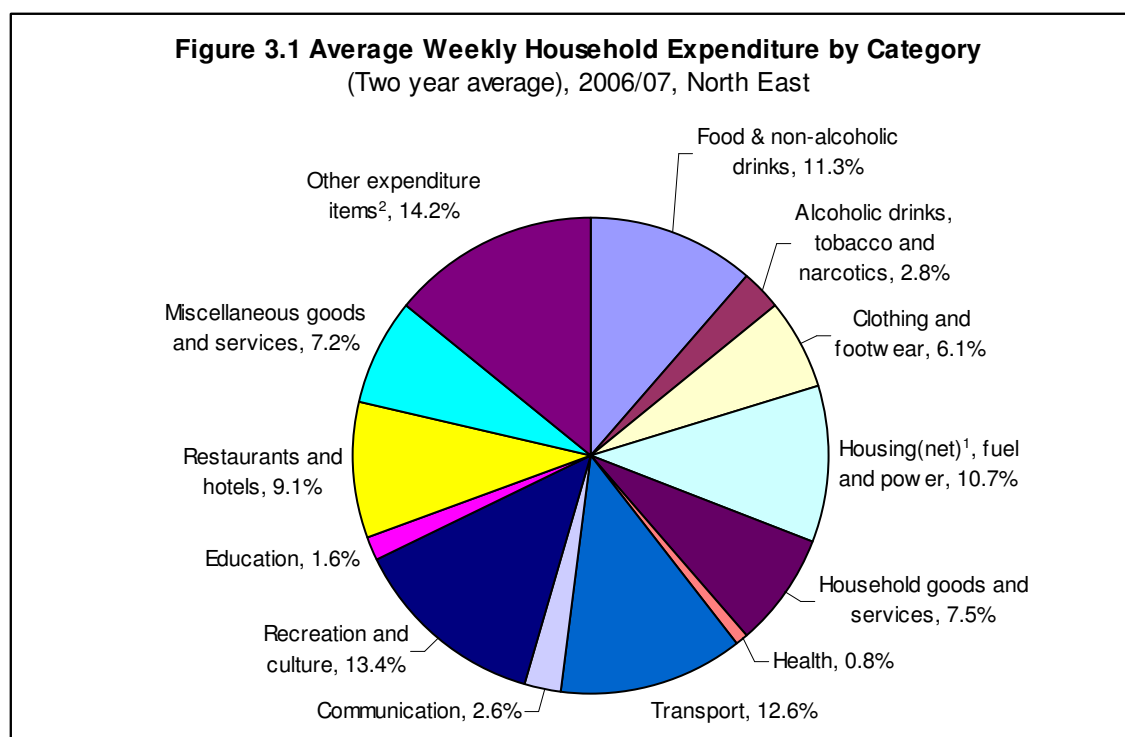
	North East (£)	UK (£)	Difference (£)	North East (%)	UK (%)	Difference (%)
Total Expenditure per Household	388.71	454.06	-65.35	100.0	100.0	0.0
Food & non-alcoholic drinks	44.07	47.21	-3.14	11.3	10.4	0.9
Alcoholic drinks, tobacco and narcotics	11.06	11.14	-0.09	2.8	2.5	0.4
Clothing and footwear	23.54	22.48	1.05	6.1	5.0	1.1
Housing (net) <sup>1</sup> , fuel and power	41.73	49.66	-7.93	10.7	10.9	-0.2
Household goods and services	29.25	30.33	-1.08	7.5	6.7	0.8
Health	3.29	5.77	-2.48	0.8	1.3	-0.4
Transport	48.98	61.25	-12.27	12.6	13.5	-0.9
Communication	10.03	11.77	-1.73	2.6	2.6	0.0
Recreation and culture	52.00	57.48	-5.49	13.4	12.7	0.7
Education	6.07	6.88	-0.82	1.6	1.5	0.0
Restaurants and hotels	35.53	37.39	-1.86	9.1	8.2	0.9
Miscellaneous goods and services	28.10	35.46	-7.36	7.2	7.8	-0.6
Other expenditure items <sup>2</sup>	55.07	77.22	-22.16	14.2	17.0	-2.8

Source: ONS, Family Spending 2007, @Crown copyright 2008

Based on weighted data and including children's expenditure.

1 Excluding mortgage interest payments, council tax and Northern Ireland rates.

2 An improvement to the imputation of mortgage interest payments has been implemented for 2007 data which should lead to more accurate figures. This will lead to a slight discontinuity.



Source: ONS, Family Spending 2007, © Crown copyright 2008

Based on weighted data and including children's expenditure

1 Excluding mortgage interest payments, council tax and Northern Ireland rates.

2 An improvement to the imputation of mortgage interest payments has been implemented for 2007 data which should lead to more accurate figures. This will lead to a slight discontinuity.

The main expenditure categories are listed below. The proportion spent in the North East on each category is shown in the heading. The list runs from highest to lowest proportion.

### **Other Expenditure Items [inc. Mortgage Interest Payments] 14.2%**

Other Expenditure Items (including mortgage interest payments), at 14.2%, was the largest element of household expenditure in both the North East and in the UK. However, the North East proportion was considerably lower than in the UK (at 17.0%). An average of £55.07 was spent in the North East (UK £77.22) (Table 3.1 and Figure 3.1). The main item in this category is spending on Housing, which includes mortgage interest payments, council tax etc. (It also includes; Licences, fines and transfers; Holiday spending; and Money transfers and credit.)

Spending on Housing (including mortgage interest payments and council tax), at £41.30 in the North East (UK £52.80), equates to £2,147.60 annually. Assuming that just under two-fifths (37.9%)<sup>5</sup> of North East households have a mortgage, implies that North East households *with a mortgage* paid an average of about £391<sup>6</sup> per month. If the average payment rate was 5% (excluding principal), this implies an average mortgage size of about £93,800. (Details in Appendix 1.)

[Caveat: The above figures are average amounts over two years. Mortgage costs can vary significantly from year to year.]

### **Recreation & Culture 13.4%**

The proportion of spending on Recreation & Culture, at 13.4%, was higher than in the UK (12.7%). An average of £52.00 per week was spent in the North East (UK £57.48). The main items in this category are holidays abroad, gambling, TV, video and computers, TV rental and licences, Internet, sports admissions and hobbies. Spending on gambling in the North East, at £4.60 is higher than in the UK (£3.30).

### **Transport 12.6%**

Spending on Transport averaged £48.98 per week (UK £61.25). The proportion of spending was lower than in the UK (13.5%). The average North East households spend £15.80 per week on petrol, diesel and motor oils (UK £18.10). The North East has the second lowest rate for car ownership (after London) and, on average, spends the lowest amount per week on new or second hand cars or vans (£16.71, UK £22.23).

### **Food & Non-Alcoholic Drinks 11.3%**

The proportion of spending on Food & Non-Alcoholic Drinks was higher than in the UK (at 10.4%). An average of £44.07 per week was spent in the North East (UK £47.21). This category includes only basic food and drink stuffs (previously, FES included restaurant and takeaway foods, state school meals and meals at work in this category).

### **Housing (net) Fuel & Power 10.7%**

Spending on Housing (net), Fuel & Power in the North East was similar to the UK proportion (10.9%). Total spending on fuel & power for the average North East household was £14.90 (UK, £16.50). North East households spend approximately 3.8% on fuel & power, compared to 3.6% for UK households, due to lower incomes as well as a colder climate. The average

<sup>5</sup> Census of Population, 2001

<sup>6</sup> This figure reflects a deduction of around £80 per month for Council Tax



North East household spends £13.90 on net rent (gross rent *less* housing benefit, rebates and allowances); this compares with a UK average of £18.20.

### **Restaurants & Hotels<sup>7</sup> 9.1%**

Spending at Restaurants & Hotels made up 9.1% of weekly spending in the North East compared to 8.2% in the UK. In money terms, weekly spending in the North East was £35.53 (UK £37.39). The greatest North East spending in this category was on restaurant and café meals at £10.70 per week (UK £12.70). This was followed by alcoholic drinks (away from home) with expenditure of £9.90 per week (UK £8.20).

### **Household Goods & Services 7.5%**

Spending on Household Goods & Services accounted for a higher proportion of total spend in the North East (7.5%) than in the UK (6.7%). Weekly spending in the North East, on Household Goods & Services, was £29.25 (UK, £30.33). The largest item was furniture and furnishings at £14.20 per week in the North East (UK £12.70).

### **Miscellaneous Goods & Services 7.2%**

Spending on Miscellaneous Goods & Services accounted for 7.2% of weekly spending in the North East, compared to 7.8% in the UK. The largest items were insurance (£11.60, UK £14.70) and personal care (£9.50, UK £9.80).

### **Clothing & Footwear 6.1%**

Spending on Clothing & Footwear, at £23.54 per week accounted for 6.1% of weekly household expenditure, higher than the UK at 5.0% (£22.48). This was the only main category where the North East average weekly spend exceeded the UK in absolute terms.

### **Alcoholic Drinks, Tobacco & Narcotics 2.8%**

Spending on Alcoholic Drinks (brought home), Tobacco & Narcotics made up 2.8% of weekly spending in the North East, compared to 2.5% in the UK. In money terms, weekly spending was slightly lower in the North East, at £11.06 compared to £11.14 in the UK. The EFS records higher spending on beer, lager, ciders & perry at £2.00 per week (UK £1.80) and on cigarettes at £4.30 (UK £4.10).

### **Communication 2.6%**

Spending on Communication averaged £10.03 in the North East (UK £11.77). Proportionately, average spend on Communications is the same in the North East as the UK. The main item in this category was telephone and telefax services at £9.20 (UK £10.60) which includes call charges for mobile phones and landlines.

### **Education 1.6%**

Spending on Education was, proportionately, slightly higher in the North East than nationally. In absolute terms, weekly household expenditure on Education averaged £6.07 in the North East (UK £6.88). Education fees are the main component of education spending, accounting

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<sup>7</sup> This category includes canteens, which in turn comprises school meals and meals bought and eaten at the workplace.

for about 95% (UK). Payments for school trips and other ad hoc expenditure accounts for the remaining 5%.

### **Health 0.8%**

Spending on Health was the smallest element of household expenditure in the North East, an average of £3.29 per week (UK 1.3%, £5.77). The main component in this category is medical products, appliances and equipment. Medical insurance premiums are not included in this category, but in Miscellaneous Goods & Services.

## **4 OWNERSHIP OF CONSUMER DURABLES**

An alternative way of measuring expenditure is to measure ownership rates for key household goods. Ownership rates have the advantage of not being prone to distortion by differences between areas in price levels in the way income or expenditure data in £ could be. The EFS now reports 14 household goods<sup>8</sup>, averaging the data for the last two years. The figures should be regarded as rough estimates. The confidence intervals on these percentage estimates are not given by National Statistics but are likely to be several percentage points. Smaller regions (e.g. North East) will have less robust estimates.

These ownership rates are consistent with the other evidence of low incomes and expenditure in the North East. They provide evidence, in the absence of regional price indices, that North East incomes are not only low in nominal terms but in real (i.e., price-adjusted) terms. Of the 14 main goods categories, the North East is particularly low on dishwashers, cars, internet connections and tumble dryers.

### **North East highest: Fridge/freezers, Central Heating**

The North East has the highest proportion of households of any UK region with central heating (98%, UK 95%). This high proportion is most likely explained by the North East's cooler climate coupled with the large proportion of public sector housing.

### **North East relatively high: Satellite Receivers**

The 2006/07 EFS showed the North East to have a high proportion of households with satellite receivers (78%), second only to the North West (81%). The UK average was 74%.

### **North East close to average: Microwaves, DVD Players, Washing Machines, CD Players and Telephones**

Ownership rates for microwaves are slightly higher in the North East at 92% (UK 91%). The rate for DVD players is the same as the UK average (85%). The ownership rate for washing machines is slightly lower in the North East (95%) than in the UK (96%). Similarly, ownership rates in the North East for CD players (86%) and telephones (89%) are just below the UK rates of 87% and 90% respectively.

<sup>8</sup> Car ownership is reported as a separate category and by three more detailed levels (one car or van, two cars/vans and three or more cars/vans).

## North East low: Cars, Internet Connections, Tumble Dryers, Home Computers, Mobile Phones

Only 65% of households in the North East own at least one car (or van) – much lower than the UK average (75%). Ownership rates are also very low for internet connections (54%, UK 60%), tumble dryers (52%, UK 58%) and home computers (63%, UK 68%). The North East also has a relatively low ownership rate for mobile phones (74%) compared to the UK (79%).

### North East lowest: Dishwashers

The 2006/07 EFS showed that the North East had a lower proportion of households with dishwashers (26%) than any other UK region.

Table 4.1: % of Households Owning Selected Durable Goods by Region, 2006/07 (based on two years data) Part 1

Fridge-freezer or deep freezer		Central heating full or partial		Washing machine	
<b>North East</b>	<b>98</b>	<b>North East</b>	<b>98</b>	Northern Ireland	98
South East	98	Northern Ireland	97	East Midlands	97
East	97	East	96	Yorkshire and the Humber	97
East Midlands	97	Yorkshire and the Humber	96	Wales	97
West Midlands	97	South East	95	Scotland	97
England	97	East Midlands	95	South East	96
<b>United Kingdom</b>	<b>97</b>	England	95	<b>United Kingdom</b>	<b>96</b>
North West	97	<b>United Kingdom</b>	<b>95</b>	England	96
Wales	96	London	95	North West	95
Scotland	96	Scotland	95	<b>North East</b>	<b>95</b>
Yorkshire and the Humber	96	West Midlands	94	South West	95
Northern Ireland	96	North West	94	East	95
South West	96	South West	93	West Midlands	95
London	95	Wales	93	London	94
<b>Microwave</b>		<b>Telephone</b>		<b>CD player</b>	
Wales	94	South West	93	East	90
North West	94	East	92	South East	88
Yorkshire and the Humber	94	East Midlands	92	North West	88
East Midlands	93	South East	91	South West	88
<b>North East</b>	<b>92</b>	England	90	East Midlands	88
West Midlands	92	<b>United Kingdom</b>	<b>90</b>	Scotland	88
Northern Ireland	92	West Midlands	90	West Midlands	87
South West	92	Scotland	90	England	87
<b>United Kingdom</b>	<b>91</b>	North West	89	<b>United Kingdom</b>	<b>87</b>
England	91	London	89	<b>North East</b>	<b>86</b>
Scotland	91	<b>North East</b>	<b>89</b>	Yorkshire and the Humber	86
East	90	Wales	89	Wales	86
South East	89	Yorkshire and the Humber	87	London	81
London	87	Northern Ireland	87	Northern Ireland	80
<b>DVD player</b>		<b>Satellite receiver<sup>1</sup></b>		<b>Mobile phone</b>	
North West	87	North West	81	South West	85
Scotland	86	<b>North East</b>	<b>78</b>	East Midlands	85
South East	86	Wales	77	Yorkshire and the Humber	84
East Midlands	85	Northern Ireland	76	Scotland	84
West Midlands	85	Scotland	76	West Midlands	84
<b>North East</b>	<b>85</b>	<b>United Kingdom</b>	<b>74</b>	East	83
England	85	Yorkshire and the Humber	74	England	81
<b>United Kingdom</b>	<b>85</b>	England	73	<b>United Kingdom</b>	<b>79</b>
East	84	East	73	South East	78
Wales	84	South West	73	London	78
Yorkshire and the Humber	84	South East	73	North West	76
South West	83	East Midlands	72	<b>North East</b>	<b>74</b>
London	82	West Midlands	72	Wales	54
Northern Ireland	80	London	68	Northern Ireland	51

Source: ONS, Family Spending 2007, © Crown copyright 2008

Note: 1 Includes digital and cable receivers.

Table 4.1: % of Households Owning Selected Durable Goods by Region, 2006/07 (based on two years data) Part 2

Car/van		Home computer		Internet connection	
East	83	South East	74	South East	66
South West	82	London	71	London	63
South East	80	East Midlands	71	East Midlands	62
East Midlands	79	Wales	69	East	62
Northern Ireland	76	England	69	England	61
Wales	76	East	68	<b>United Kingdom</b>	<b>60</b>
West Midlands	75	<b>United Kingdom</b>	<b>68</b>	South West	60
England	75	West Midlands	68	West Midlands	58
<b>United Kingdom</b>	<b>75</b>	South West	66	Wales	58
Yorkshire and the Humber	73	North West	66	Scotland	57
North West	71	Scotland	66	Yorkshire and the Humber	57
Scotland	71	Yorkshire and the Humber	65	North West	56
<b>North East</b>	<b>65</b>	<b>North East</b>	<b>63</b>	<b>North East</b>	<b>54</b>
London	63	Northern Ireland	62	Northern Ireland	53
<b>Tumble dryer</b>		<b>One (Car/Van)</b>		<b>Dishwasher</b>	
West Midlands	62	South West	46	Northern Ireland	46
South West	62	Scotland	46	South East	45
Northern Ireland	61	Wales	45	East	43
North West	61	East Midlands	45	South West	42
Scotland	60	Yorkshire and the Humber	45	London	38
East	60	Northern Ireland	45	England	37
Yorkshire and the Humber	59	East	45	<b>United Kingdom</b>	<b>37</b>
South East	59	<b>United Kingdom</b>	<b>44</b>	East Midlands	36
East Midlands	59	London	44	Scotland	36
<b>United Kingdom</b>	<b>58</b>	England	43	West Midlands	33
Wales	58	West Midlands	42	Yorkshire and the Humber	31
England	58	North West	42	Wales	31
<b>North East</b>	<b>52</b>	South East	41	North West	30
London	45	<b>North East</b>	<b>40</b>	<b>North East</b>	<b>26</b>
<b>Two (Cars/Vans)</b>		<b>Three or more (Cars/Vans)</b>			
South East	30	South East	8		
East	30	South West	8		
East Midlands	29	East	8		
South West	28	Northern Ireland	7		
West Midlands	27	West Midlands	6		
England	25	England	6		
<b>United Kingdom</b>	<b>25</b>	East Midlands	6		
North West	25	<b>United Kingdom</b>	<b>6</b>		
Northern Ireland	25	Wales	6		
Wales	25	Yorkshire and the Humber	5		
Yorkshire and the Humber	23	North West	5		
Scotland	22	<b>North East</b>	<b>4</b>		
<b>North East</b>	<b>21</b>	Scotland	4		
London	16	London	3		

Source: ONS, Family Spending 2007, © Crown copyright 2008

## APPENDIX 1: ESTIMATING AVERAGE MORTGAGE SIZE IN THE NORTH EAST

<b>North East weekly spend on housing<sup>1</sup></b>		£41.30	<b>A</b>
Annually	(A×52)	£2,147.60	<b>B</b>
Monthly	(B/12)	£178.97	<b>C</b>
38% with mortgage <sup>2</sup>	(C*100/38)	£470.96	<b>D</b>
<b>Assume council tax is approximately £80 per month</b>			
Deduct estimate of council tax	(D-80)	£390.96	<b>E</b>
Annual payment	(E*12)	£4,691.58	<b>F</b>
<b>Assume average payment rate was 5% (excluding principal)</b>			
Average mortgage size	(F*100/5)	£93,831.58	

1: ONS, Family Spending 2007, © Crown copyright 2008

2: 37.9% of North East households had a mortgage (2001 Census).