

UK experiences in presenting coherent 'Beyond GDP' estimates – Inclusive income 2006-2021

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October 2024



GDP : A Short History

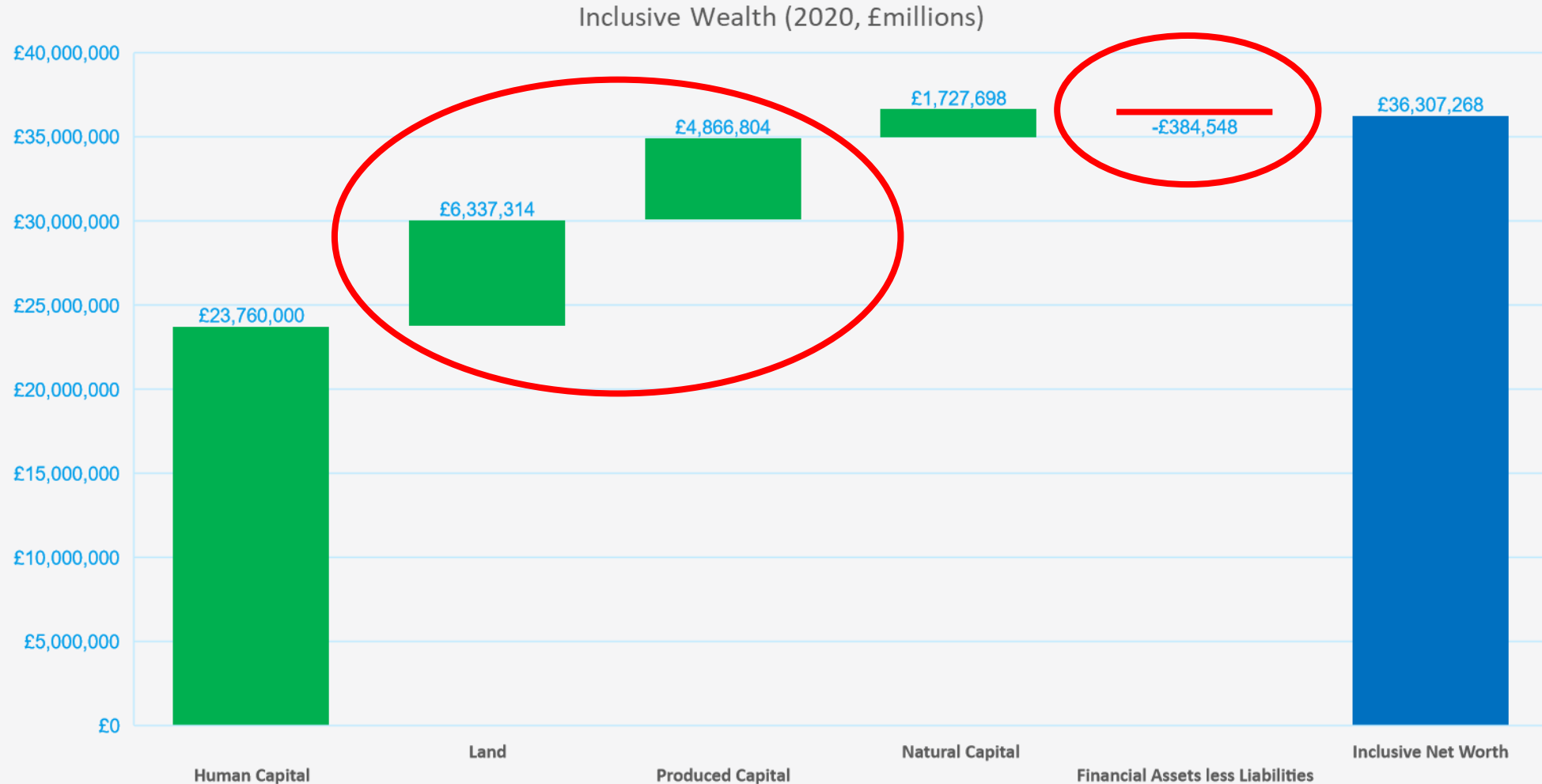


London, 1948: Birthplace of the SNA

- *Produced capital heavily destroyed / depreciated*
- *Little human capital ~ <3% of workforce attend university*
- *Heavily polluted natural capital*

- *In short – only flows matter. More consumption depends on your ability to produce more output.*

But in modern economies capital matter, and not just the capitals on the balance sheet...



Will the new SNA revision tackle this?

New capital inclusions make important steps

- New intangible assets
- Inclusion of a wider range of environmental resources
- Tackling global ownership of assets
- *But...*
 - Not all the intangible assets (branding assets)
 - No human capital
 - No atmosphere
 - Market valuations of environment give very low values

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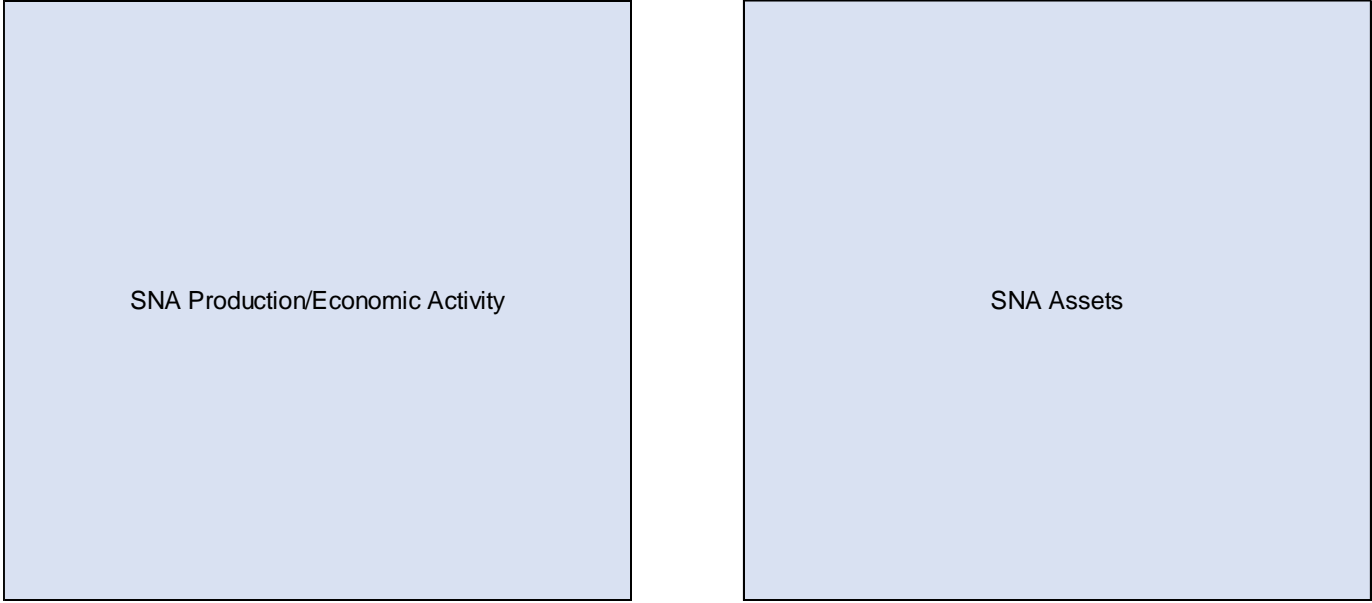
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- *But...*
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- *However...*
 - Satellite Accounts and SEEA provide sufficient data in exchange price terms to consider how to take a wider perspective.

What is Inclusive Income?

- Measures of economic welfare, which reflect all the goods and services households consume, whether from the market economy (as shown by GDP) or not.
- Based on national accounting principles, which are more inclusive of a broader definition of economic benefits and better capture the sustainability of economic activity
- **Gross Inclusive Income:** Based on Gross Domestic Product (per capita). Broad/inclusive measure of economic activity
- **Net Inclusive Income:** based on Net National Disposable Income (per capita). Broad/inclusive measure of sustainable income

Overview: Widening the Boundaries



SNA / National Accounts

SNA defines two key boundaries for understanding value;

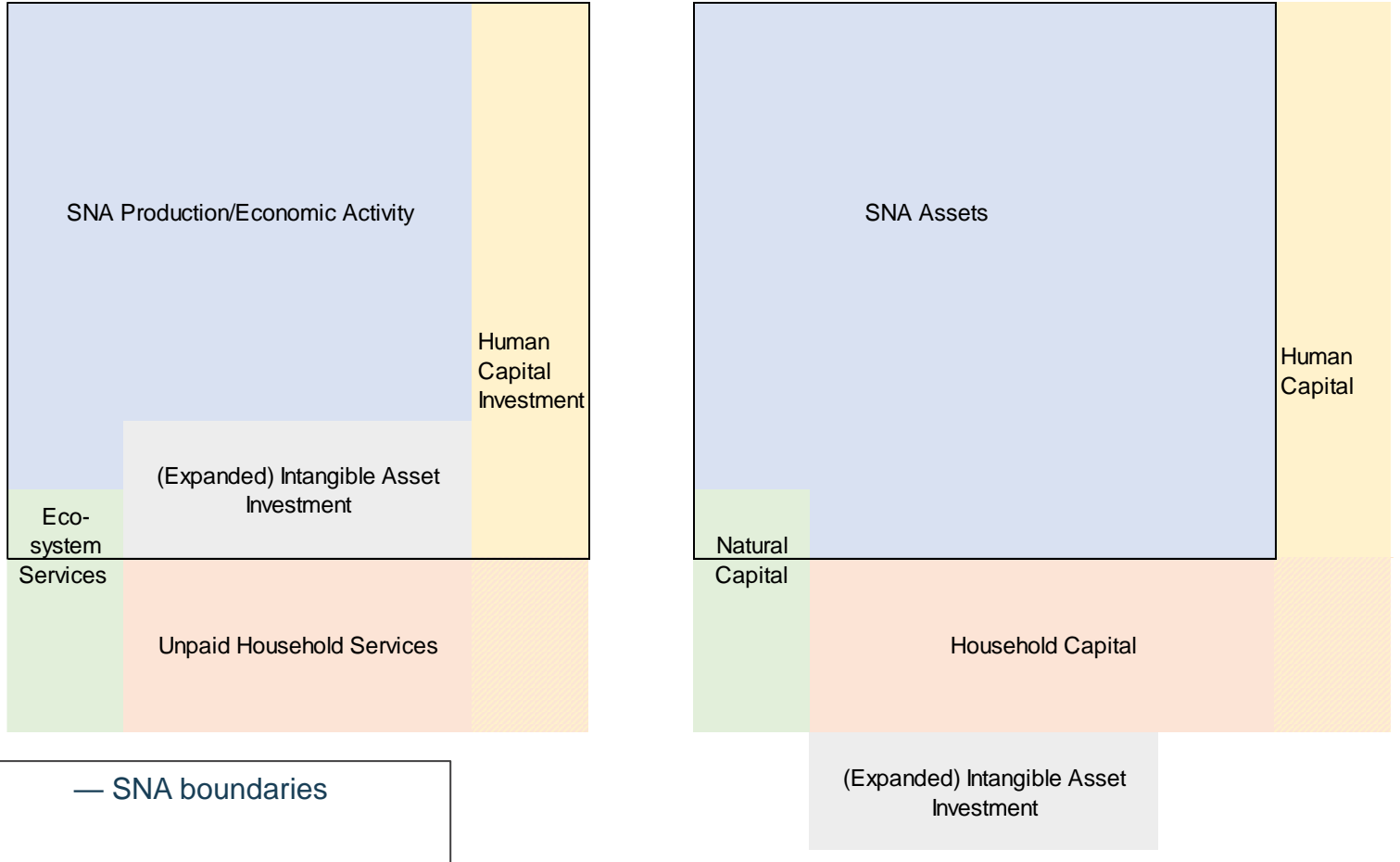
The “Production boundary” defines what counts as value-creating economic activity

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)

— SNA boundaries

Overview: Widening the Boundaries



Inclusive Income: End Goal

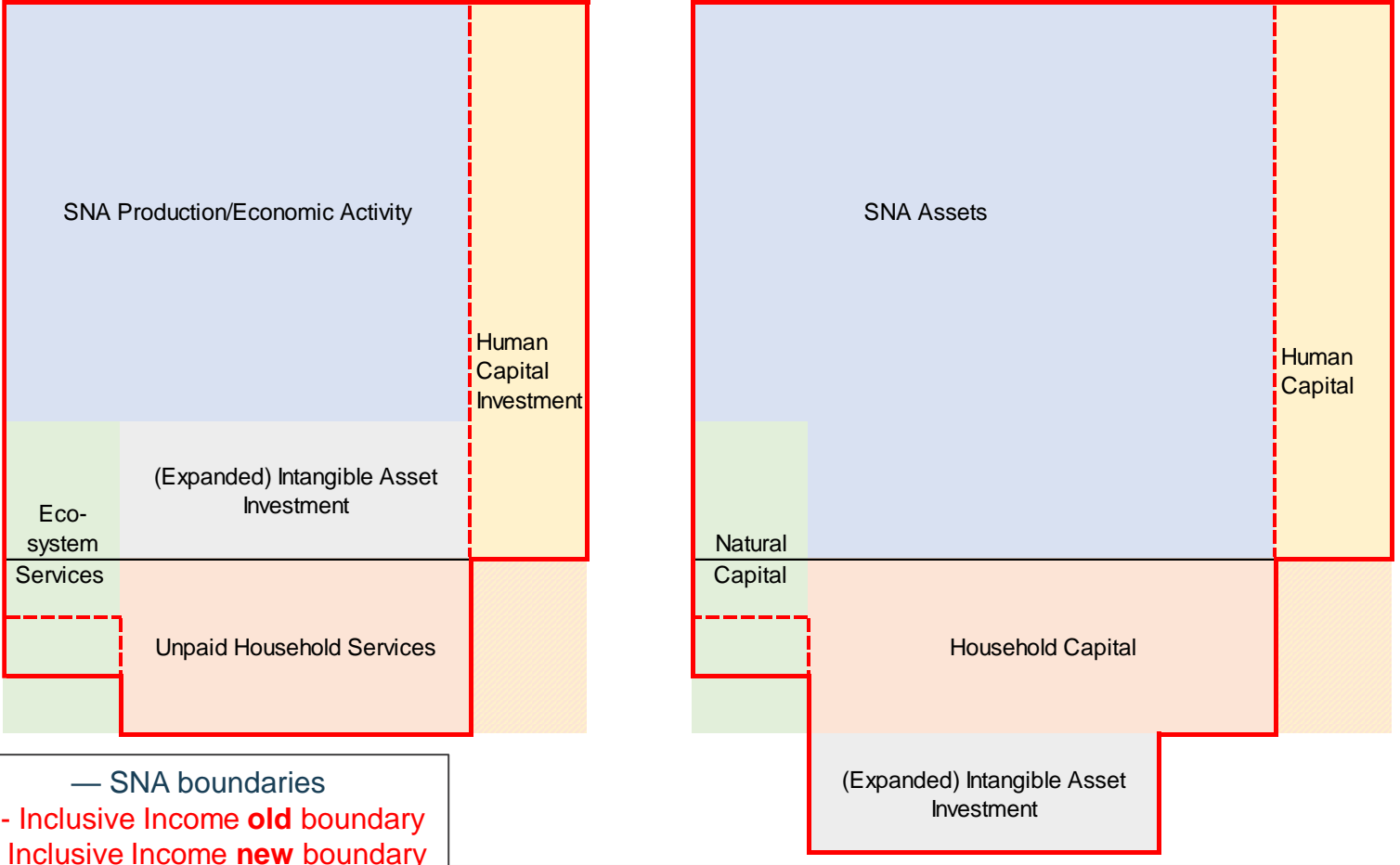
This shows how inclusive income intends to amend the two boundaries, as well as where it intends to make alternations within the boundaries

Overview: Widening the Boundaries

Inclusive Income: Latest Publication

Our latest publication contains 3 changes to the boundaries:

- A large share of human capital is now capitalised
- A subset of natural capital depletion is included
- More ecosystem services are included

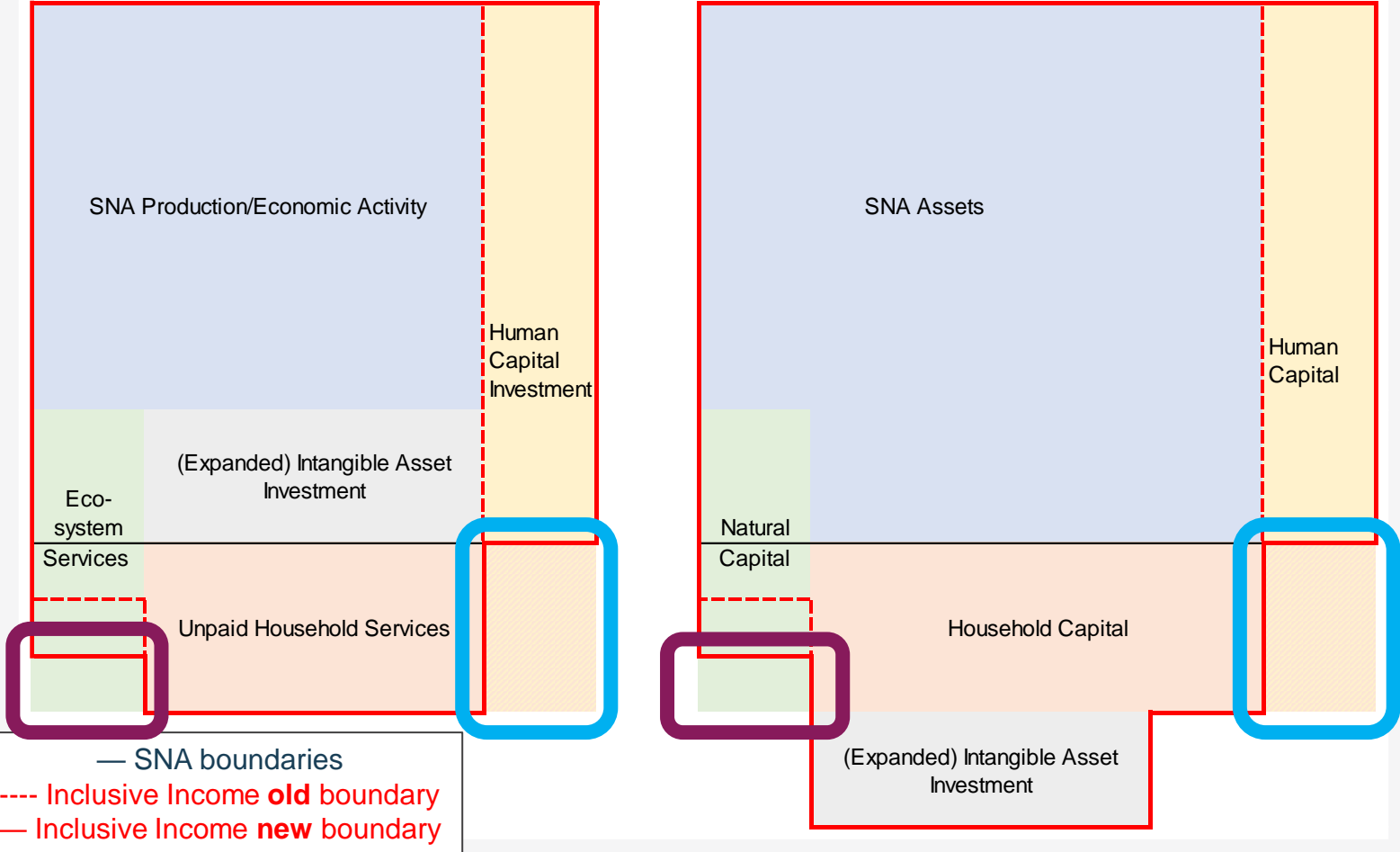


Overview: Widening the Boundaries

Inclusive Income: Future Work

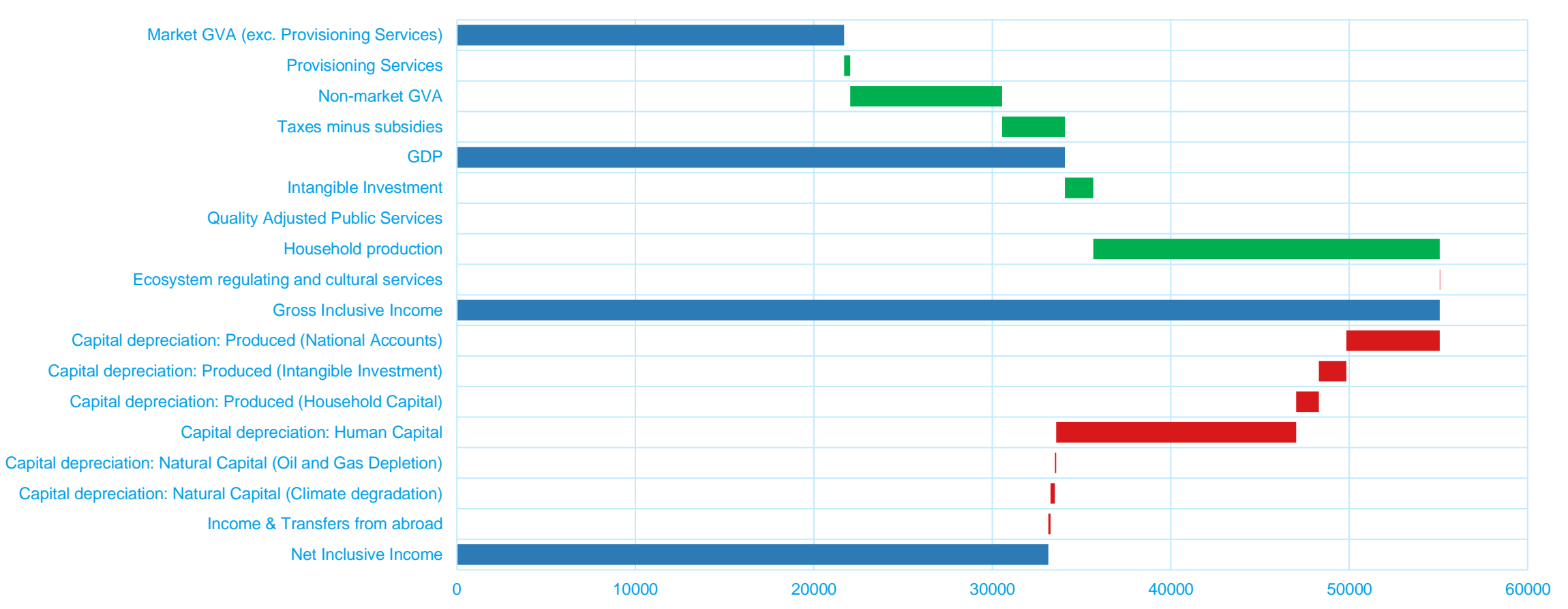
This still leaves two key areas we will need to work on for future publications, affecting both boundaries:

- Missing coverage of natural capitals and the services they provide (mostly due to not have data back to 2005).
- The human capital associated with household unpaid services needs to be capitalised.

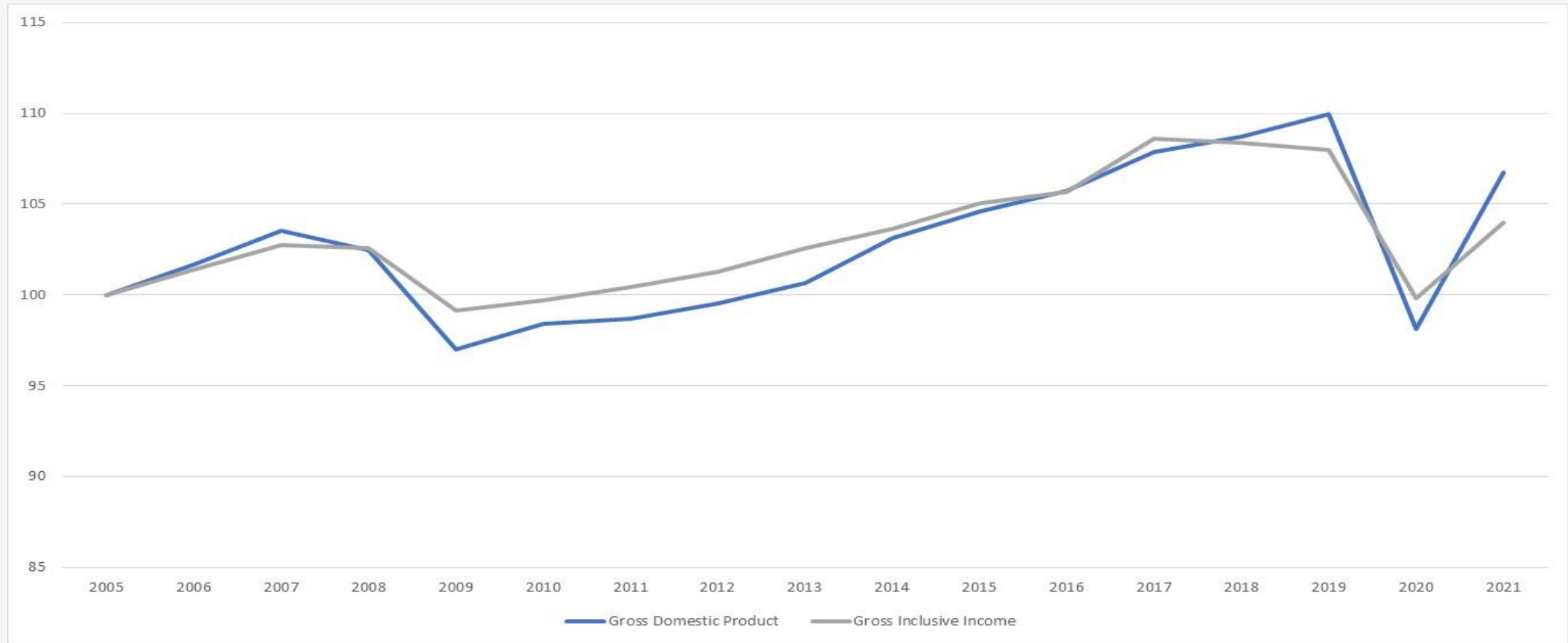


Overview: Headline data

Waterfall contributions to different economic measures, 2021, Current Prices £m, UK

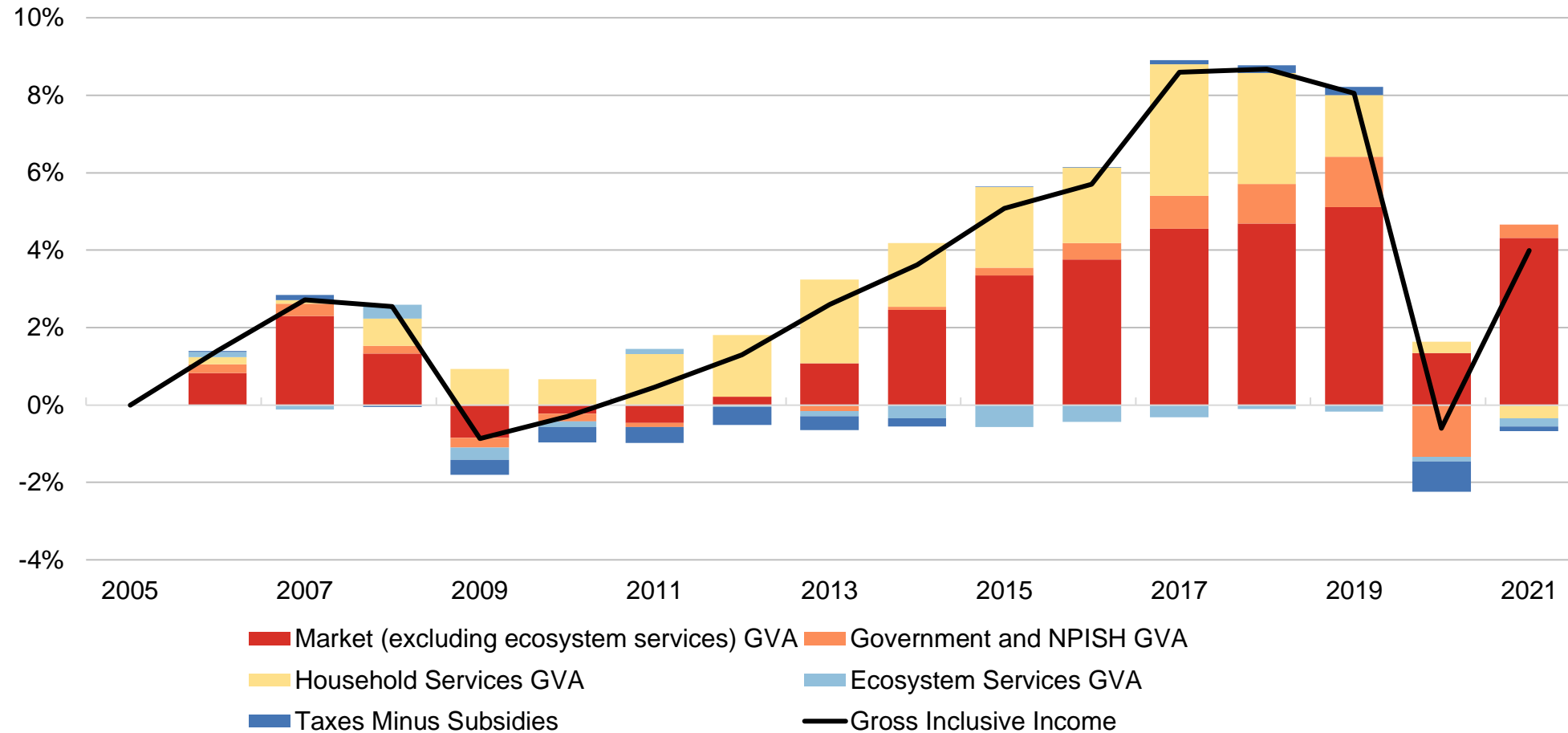


New narratives: GII per person peaked in 2017, unlike GDP per person.

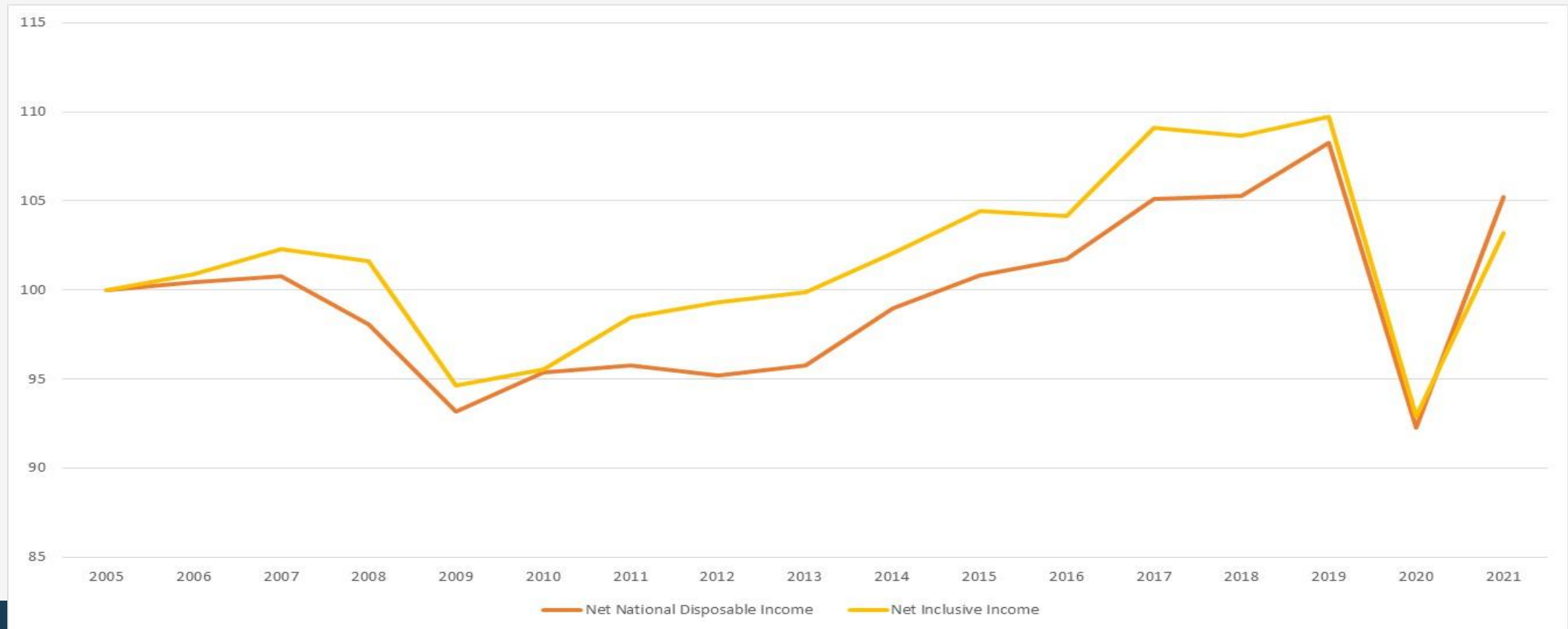


New narratives: Household Production was disproportionately hit in Covid.

Contributions to GII (per person) % growth since 2005

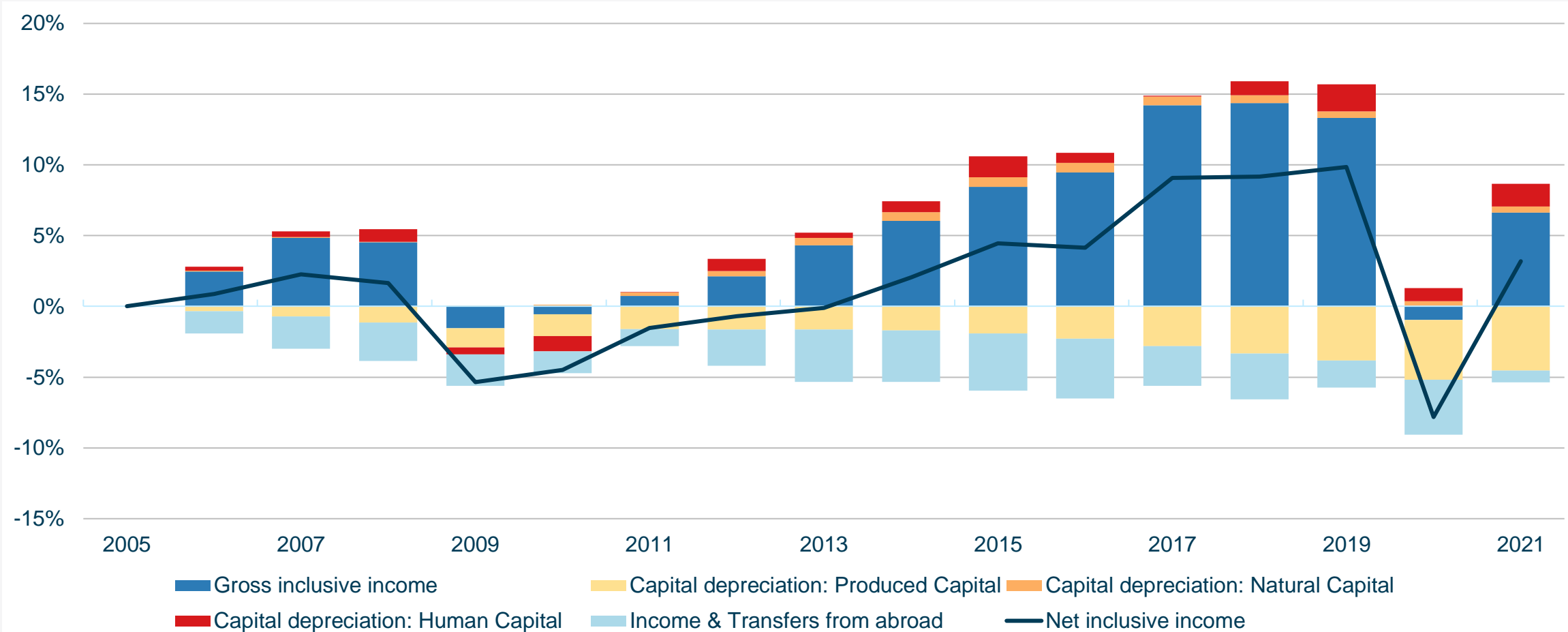


New narratives: Whilst NII per person had outstripped NDNI per person growth pre-Covid, the pandemic reversed this, suggesting traditional data is exaggerating the bounce-back.

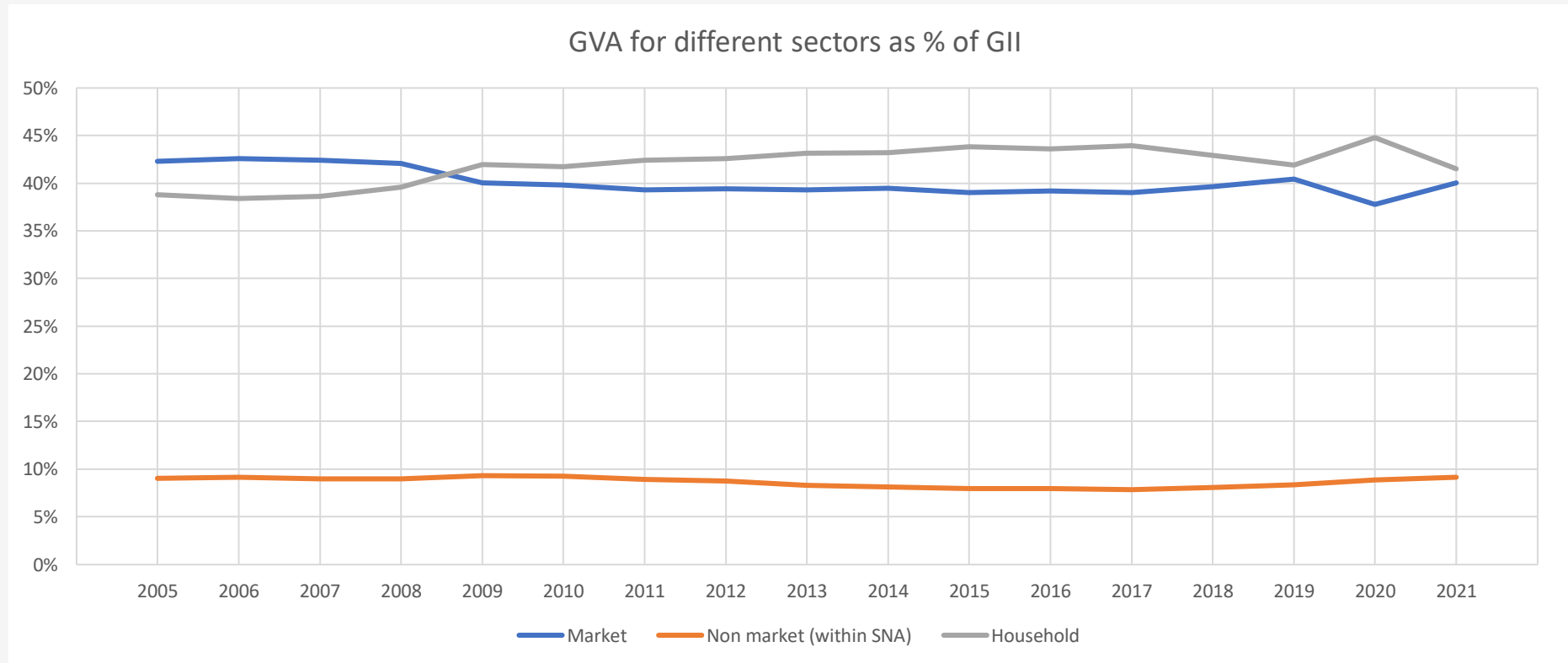


New narratives: Human and natural capital depreciation slowed relative to 2005

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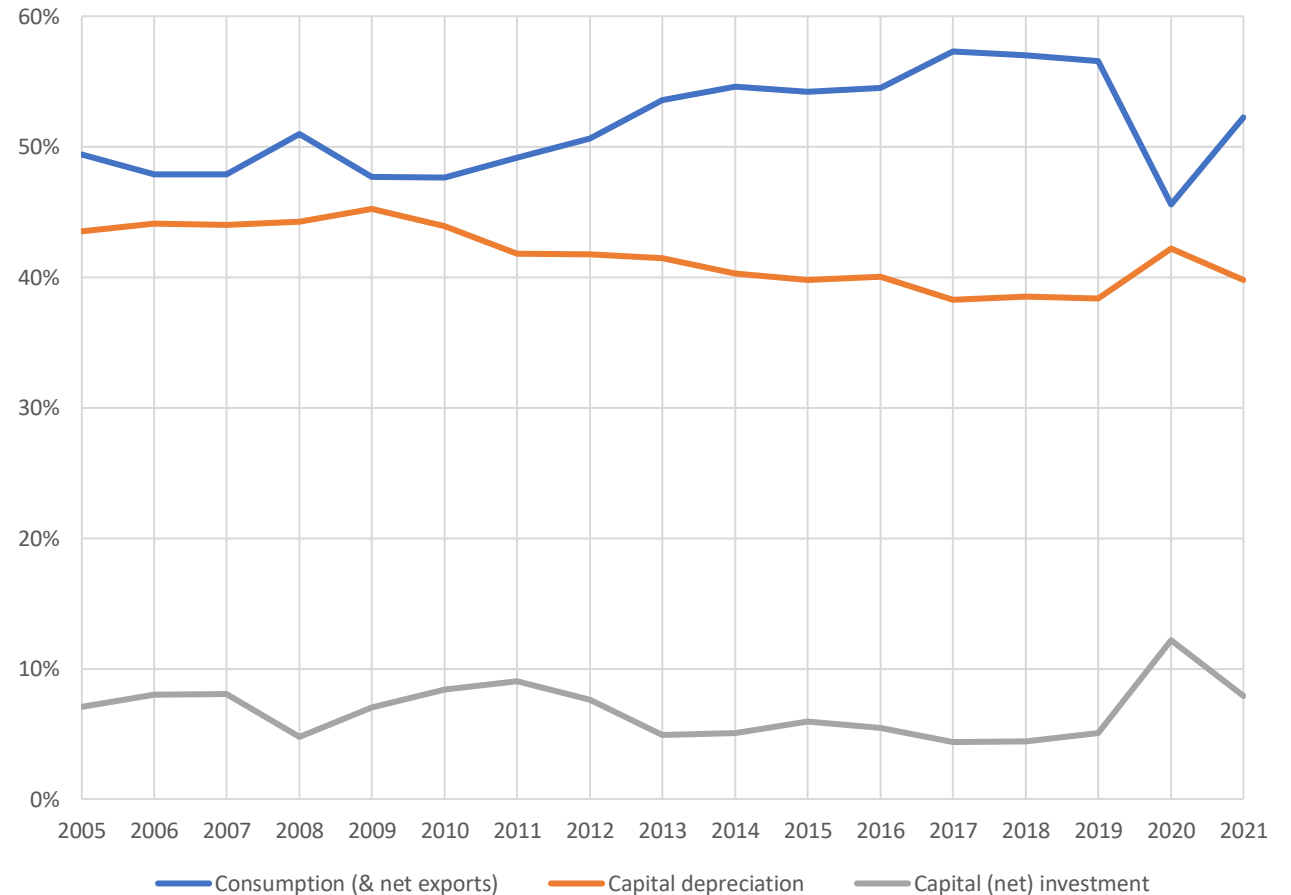
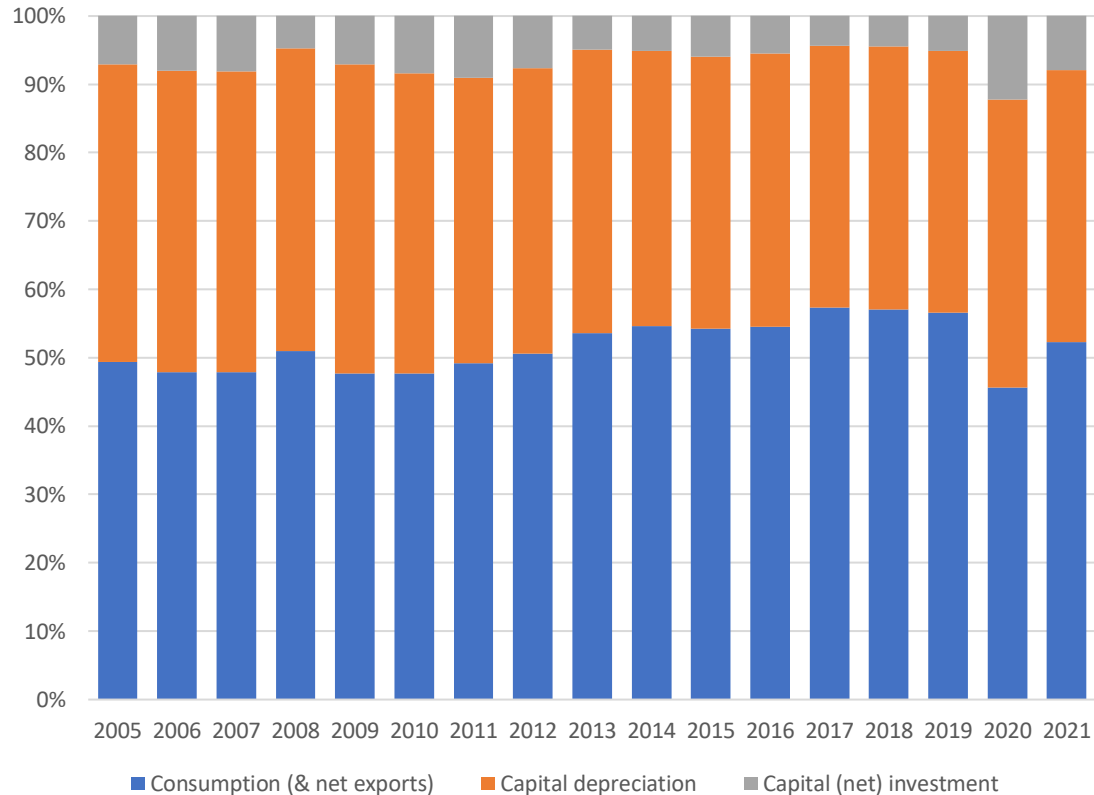


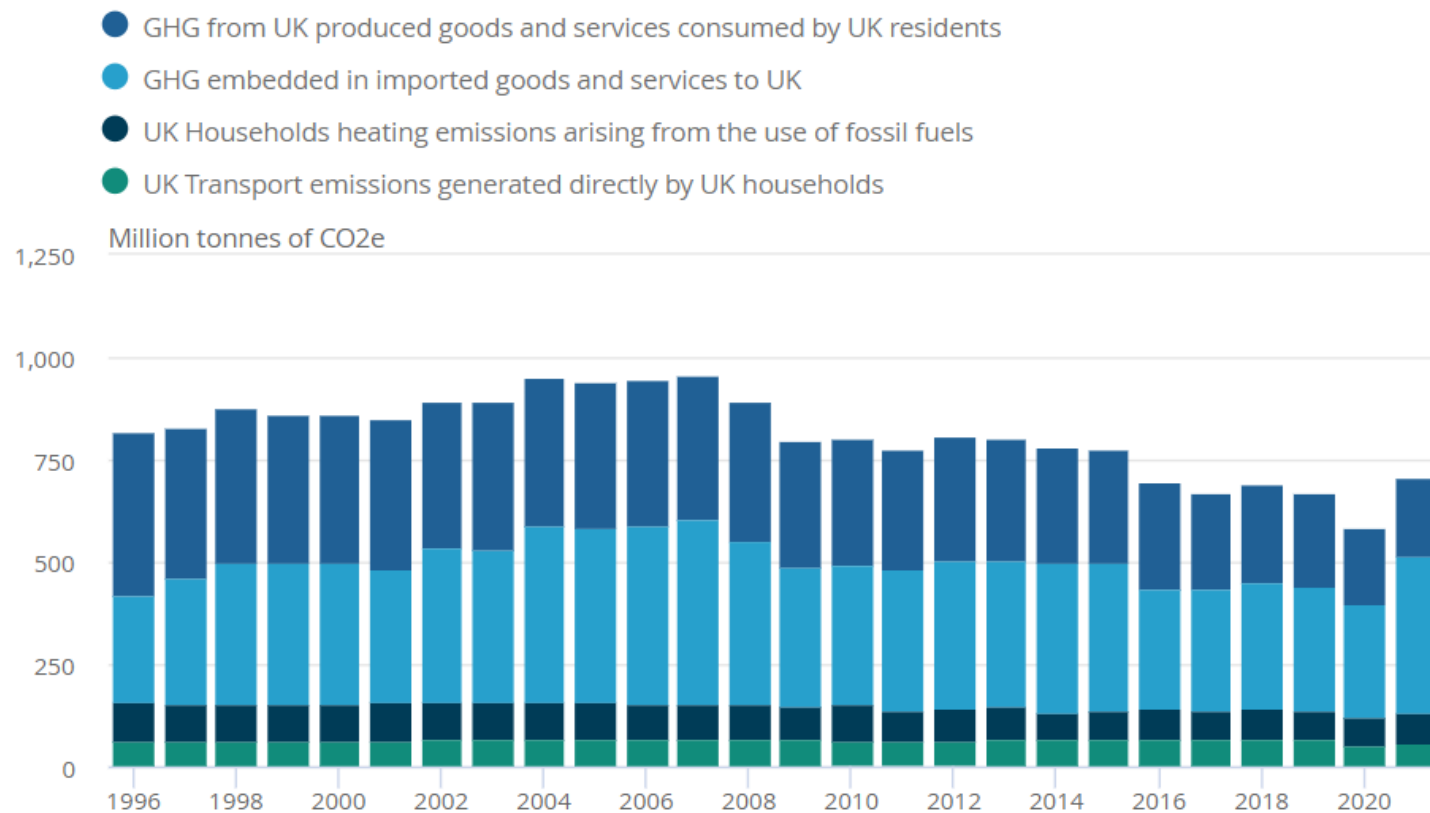
New narratives: The emergence of the household economy replacing the dominance of the market.



New narrative: Pre-Covid, growth was consumption rather than investment led

Current Price GII broken down by expenditure type



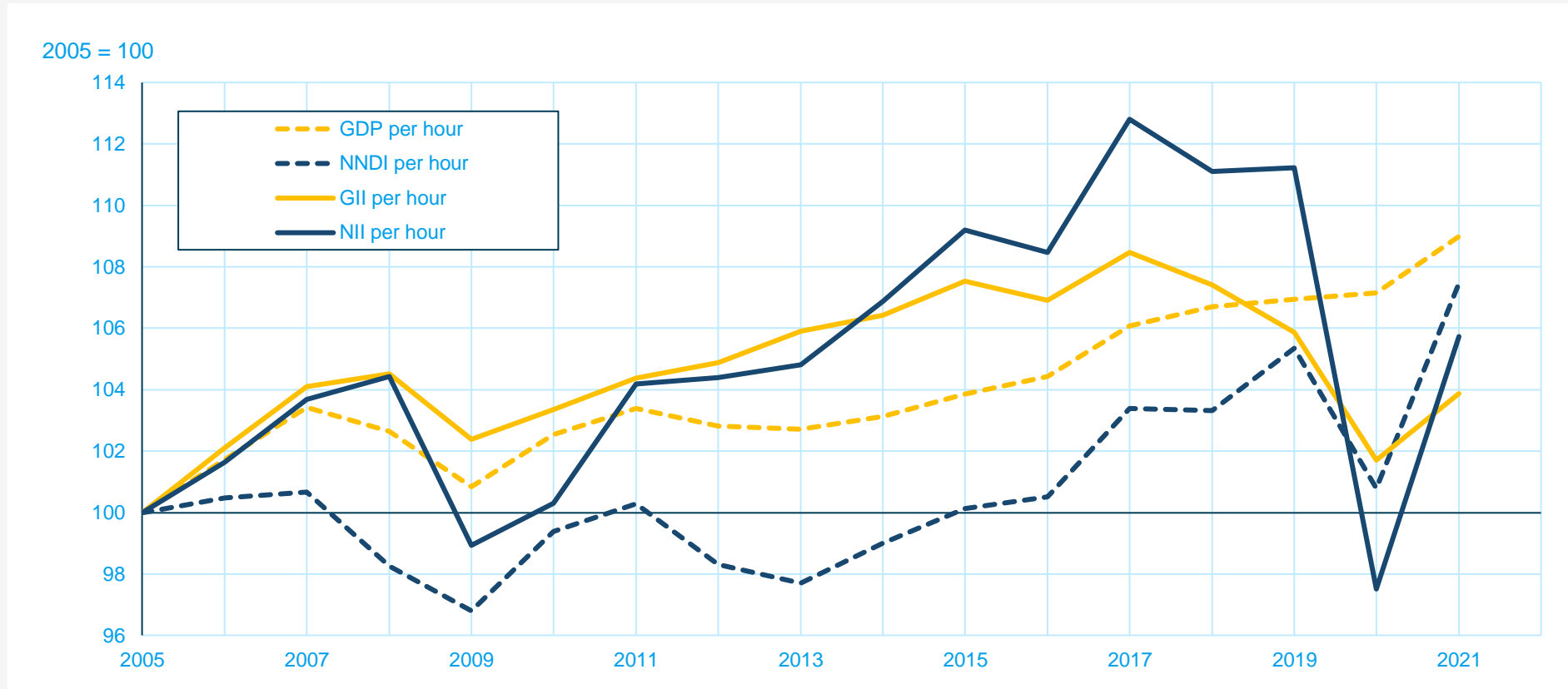


Reductions in embedded carbon are the next key improvement...

Source: UK and England's carbon footprint to 2020 from the Department for Environment, Food and Rural Affairs (DEFRA)

Inclusive Productivity

A comparison of different productivity measures, using both national accounts based and inclusive income based measures of economic activity
UK, 2005 = 100, Chained Volume Measures



Conclusions

- Feasible using satellite account data to generate long time series of new data to complement GDP and other national accounts measures.
- Doing so introduces us to new narratives which change our perception of what is important in our economies
- Including net imported embedded carbon, and domestic carbon has a material impact on our productivity story.