

# UK experiences in presenting coherent 'Beyond GDP' estimates – Inclusive income 2005-2021

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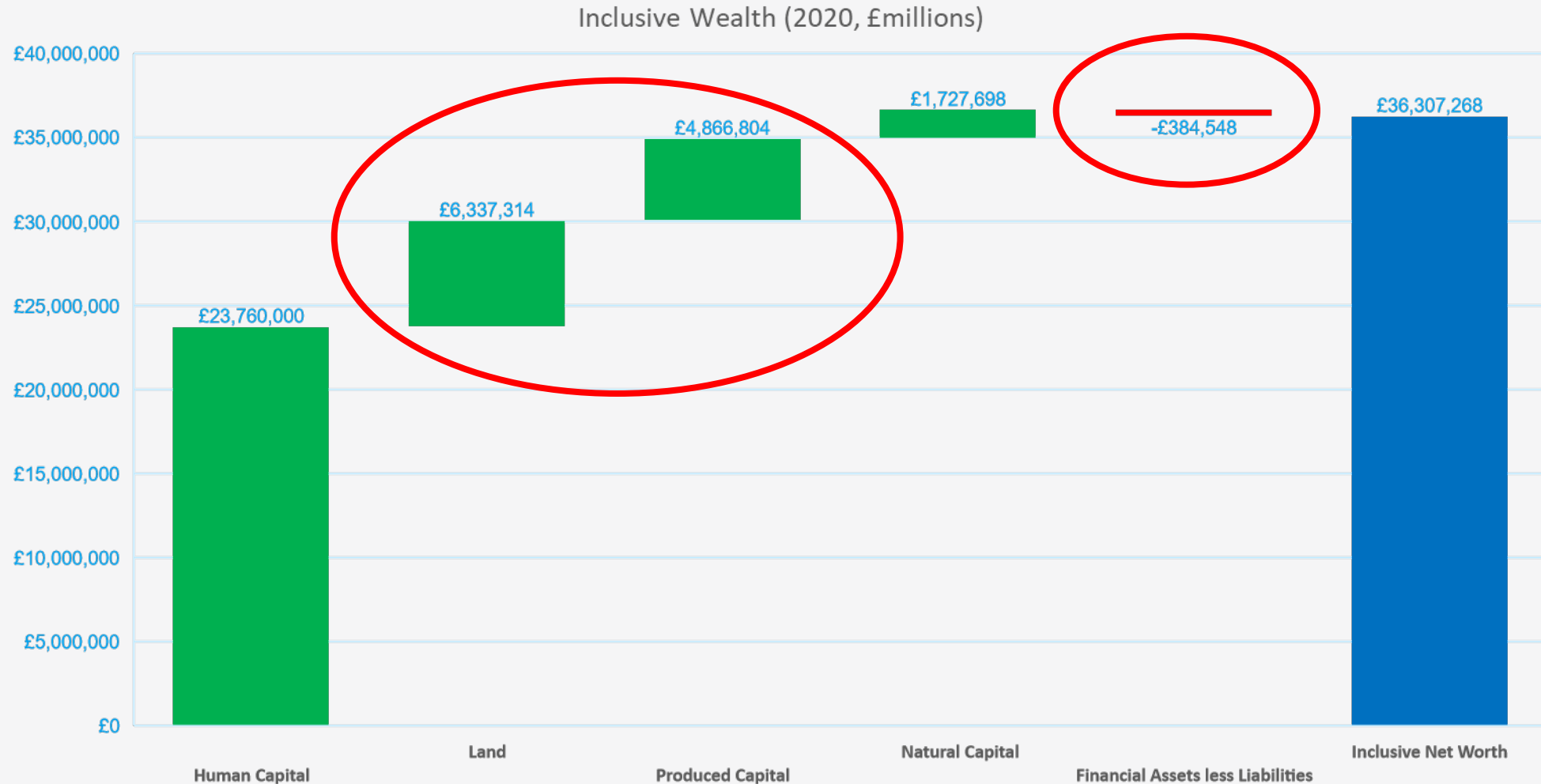
# GDP : A Short History



## *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



Office for National Statistics

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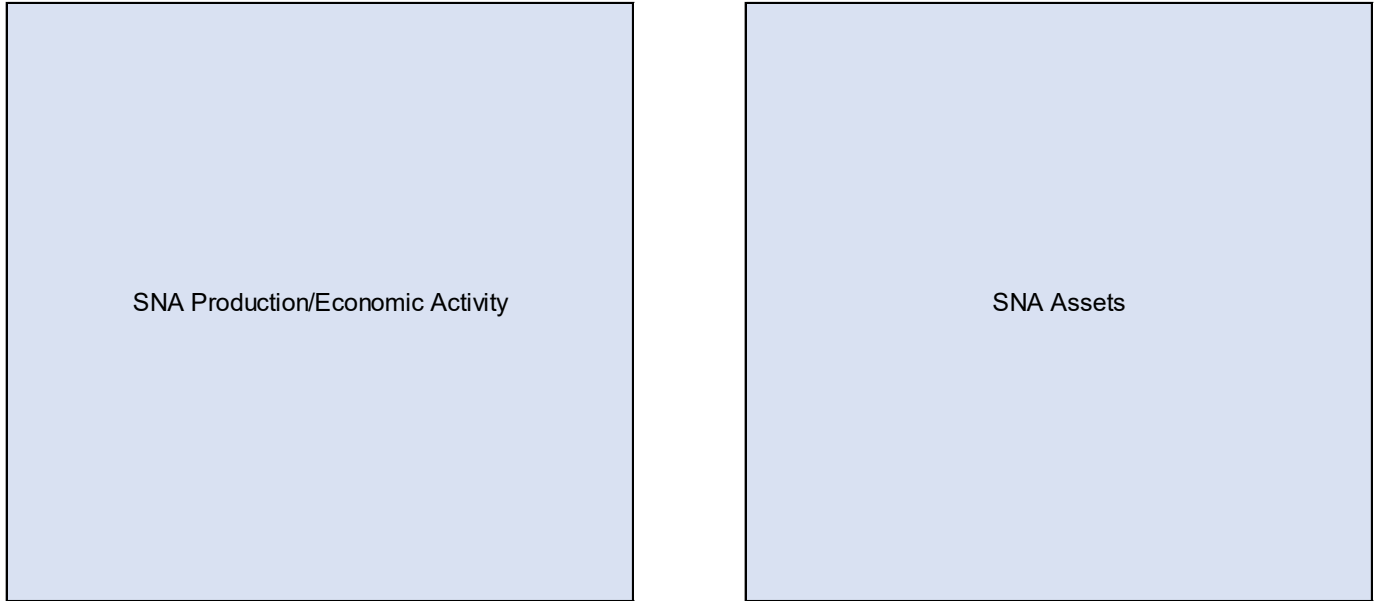
## *New capital inclusions make important steps*

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  - Market valuations of environment give very low
- *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;

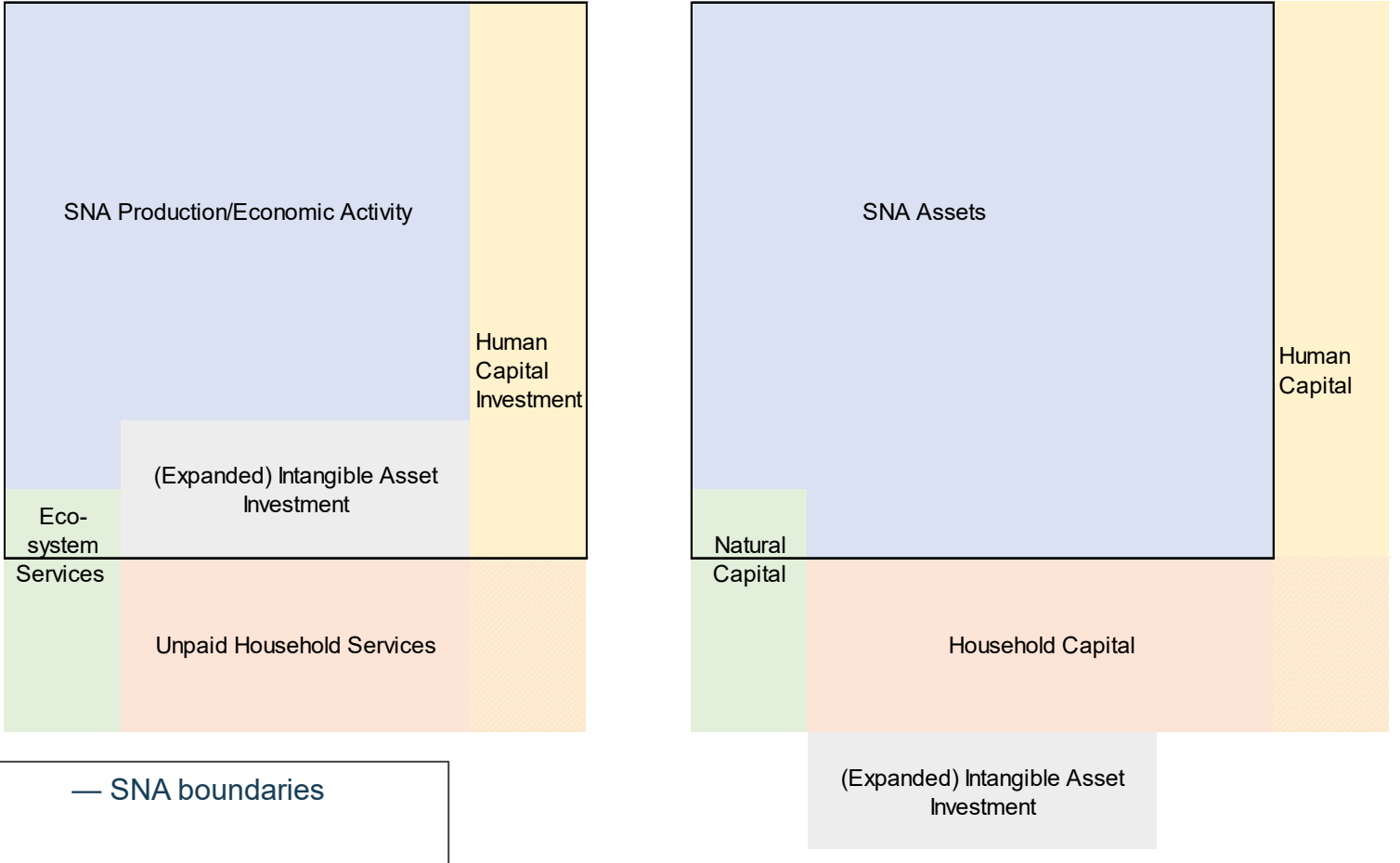
The “Production boundary” defines what counts as value-creating economic activity

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

— SNA boundaries

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

# 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

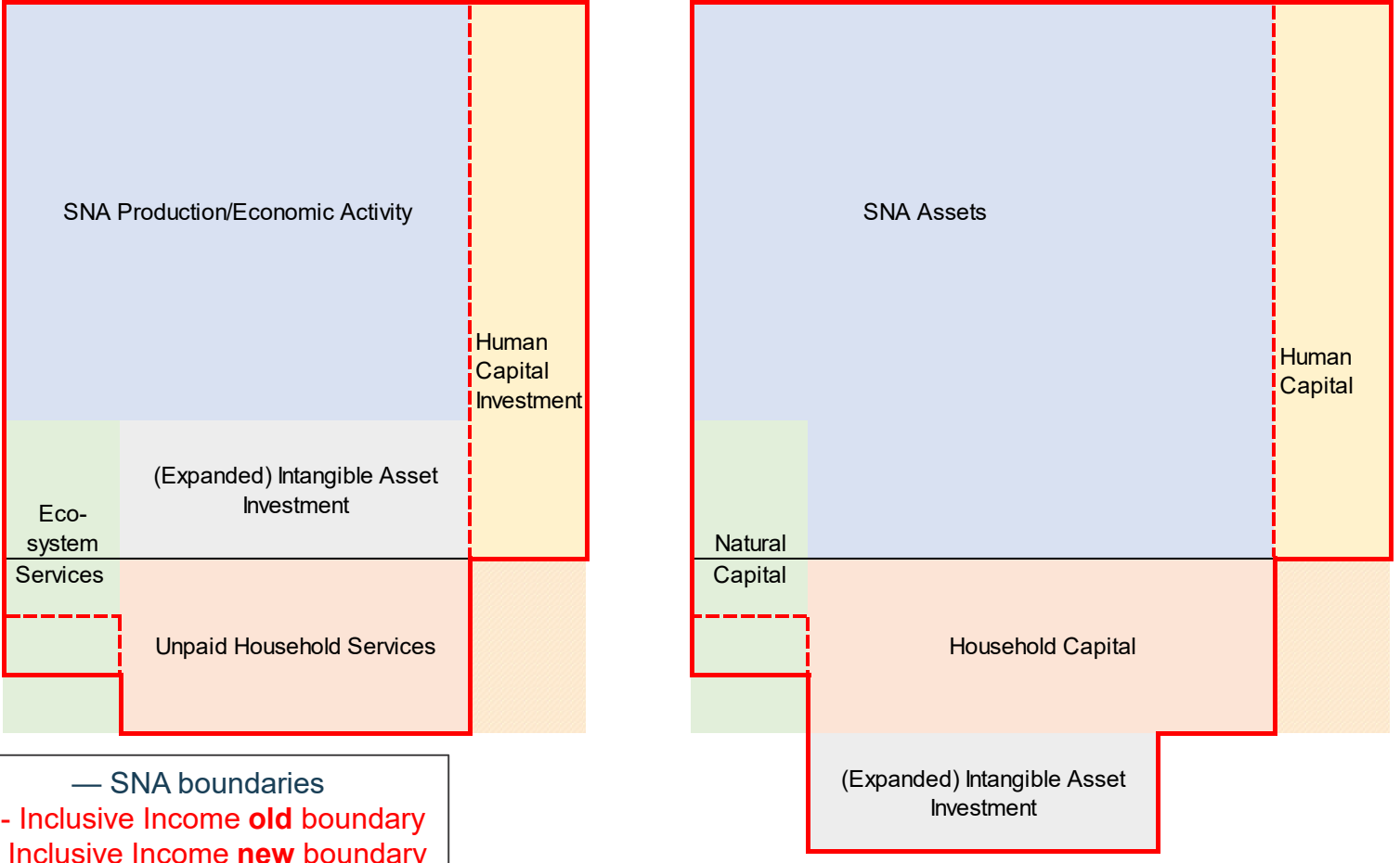


# Overview: Widening the Boundaries

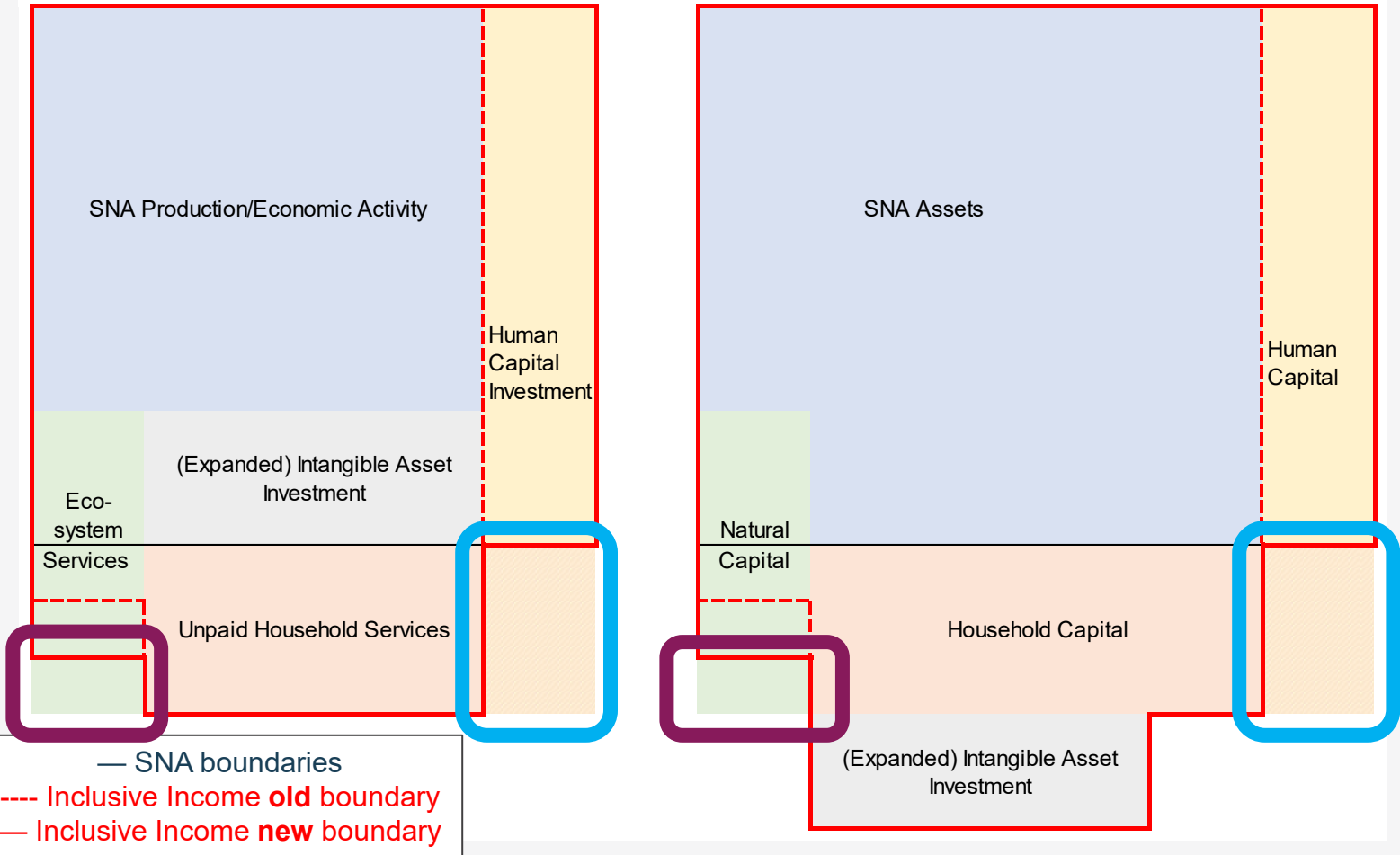
## Inclusive Income: Latest Publication

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



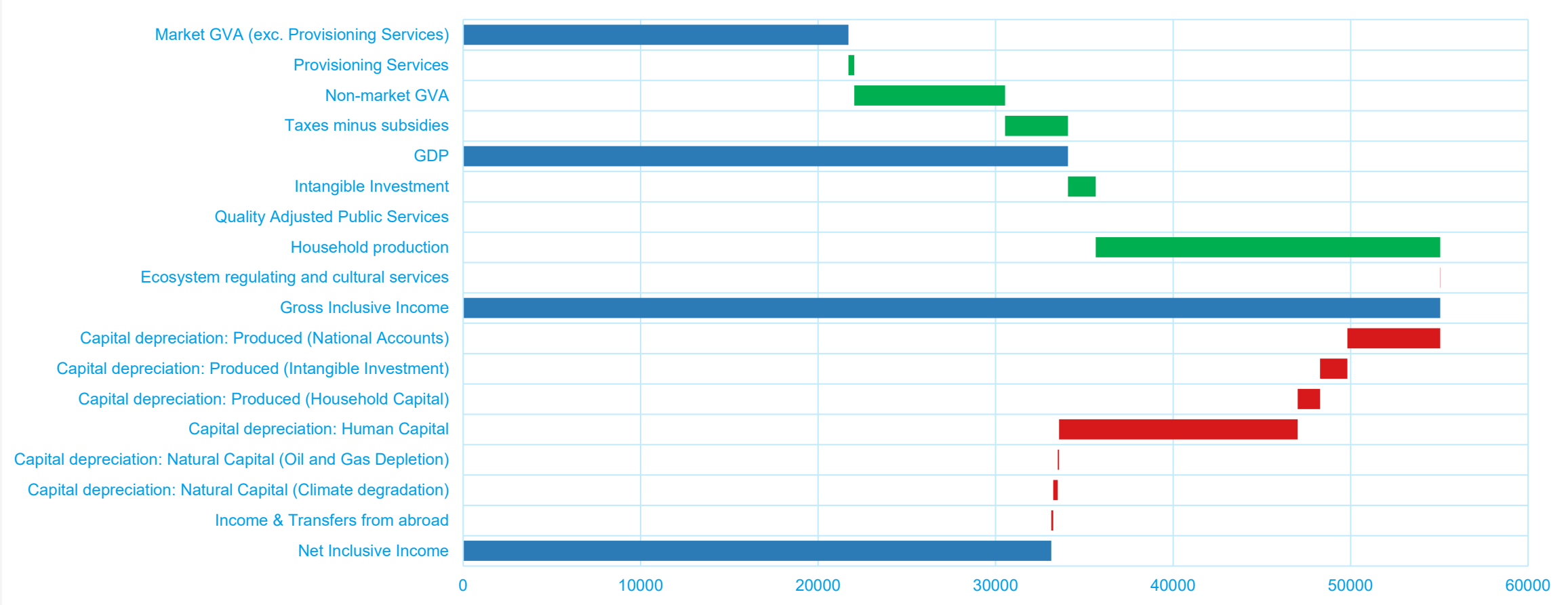
## Inclusive Income: Future Work

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

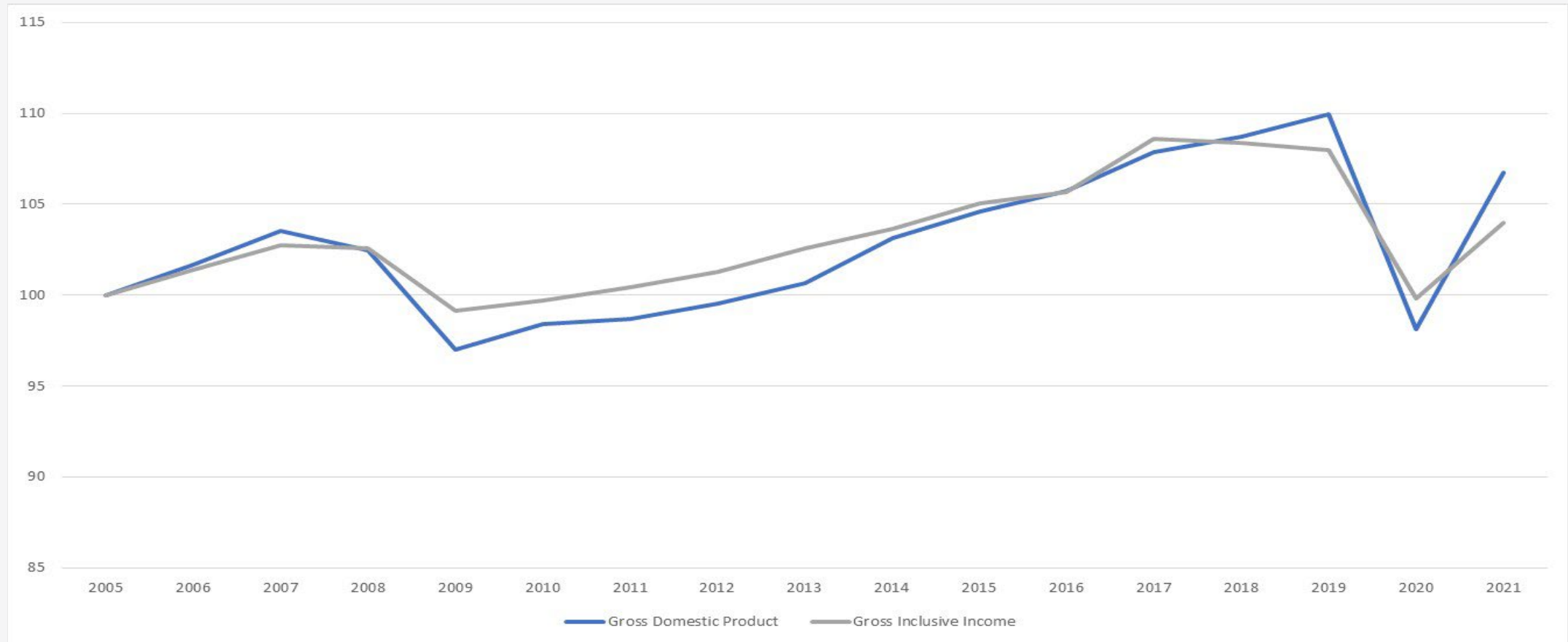
- Missing coverage of natural capitals and the services they provide (mostly due to not have data back to 2005).
- The human capital associated with household unpaid services needs to be capitalised.

# Overview: Headline data

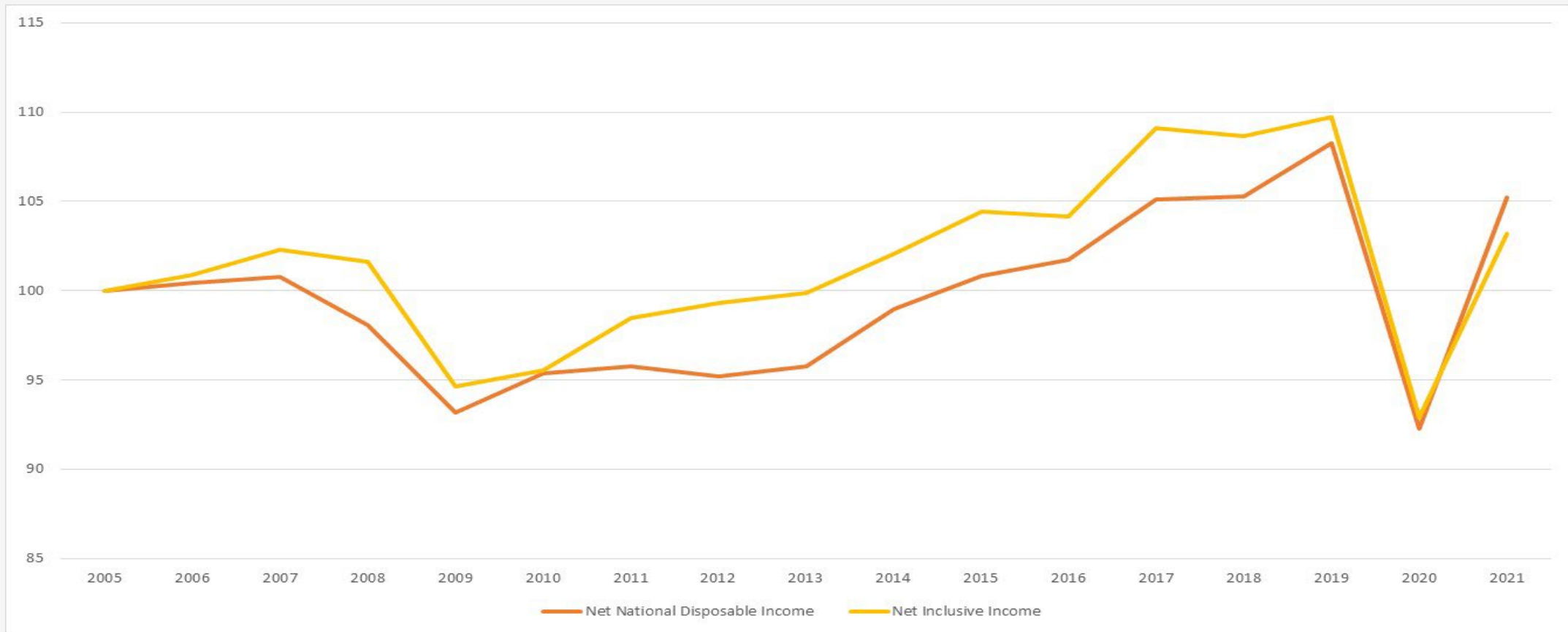
Waterfall contributions to different economic measures, 2021, Current Prices £m, UK



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

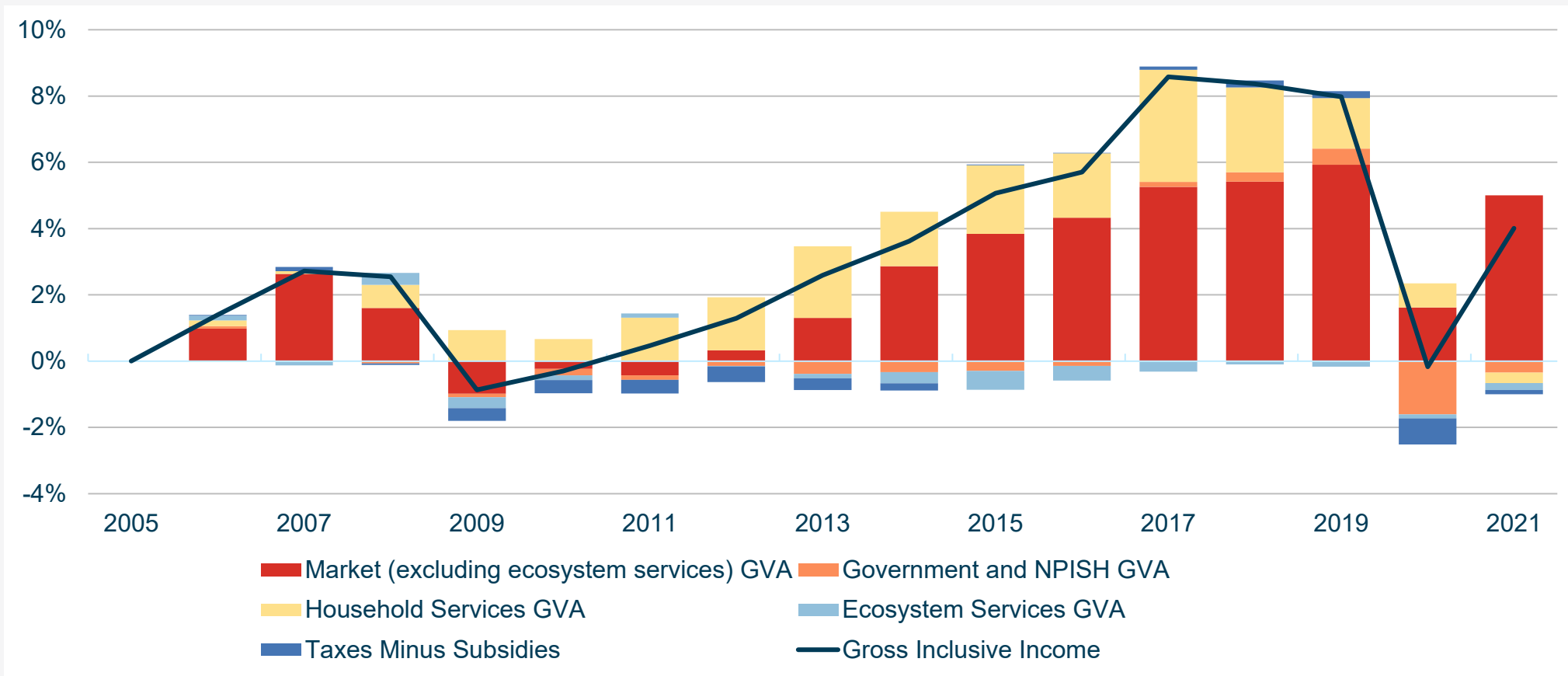


# New narratives: NII per person out-stripped NDNI per person growth pre-Covid, the pandemic reversed this,



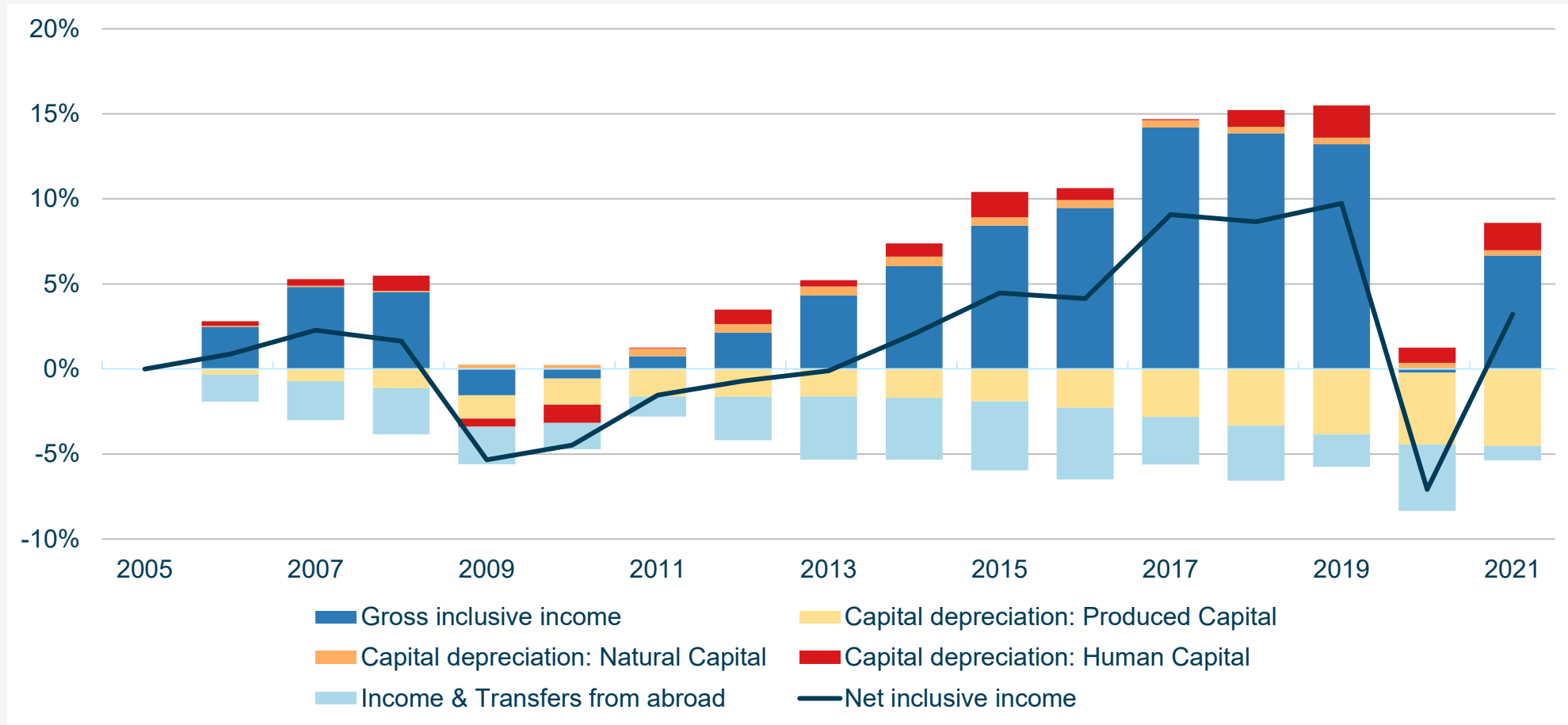
# New narratives: Household Production was disproportionately hit post-Covid.

Contributions to GII (per person) % growth since 2005

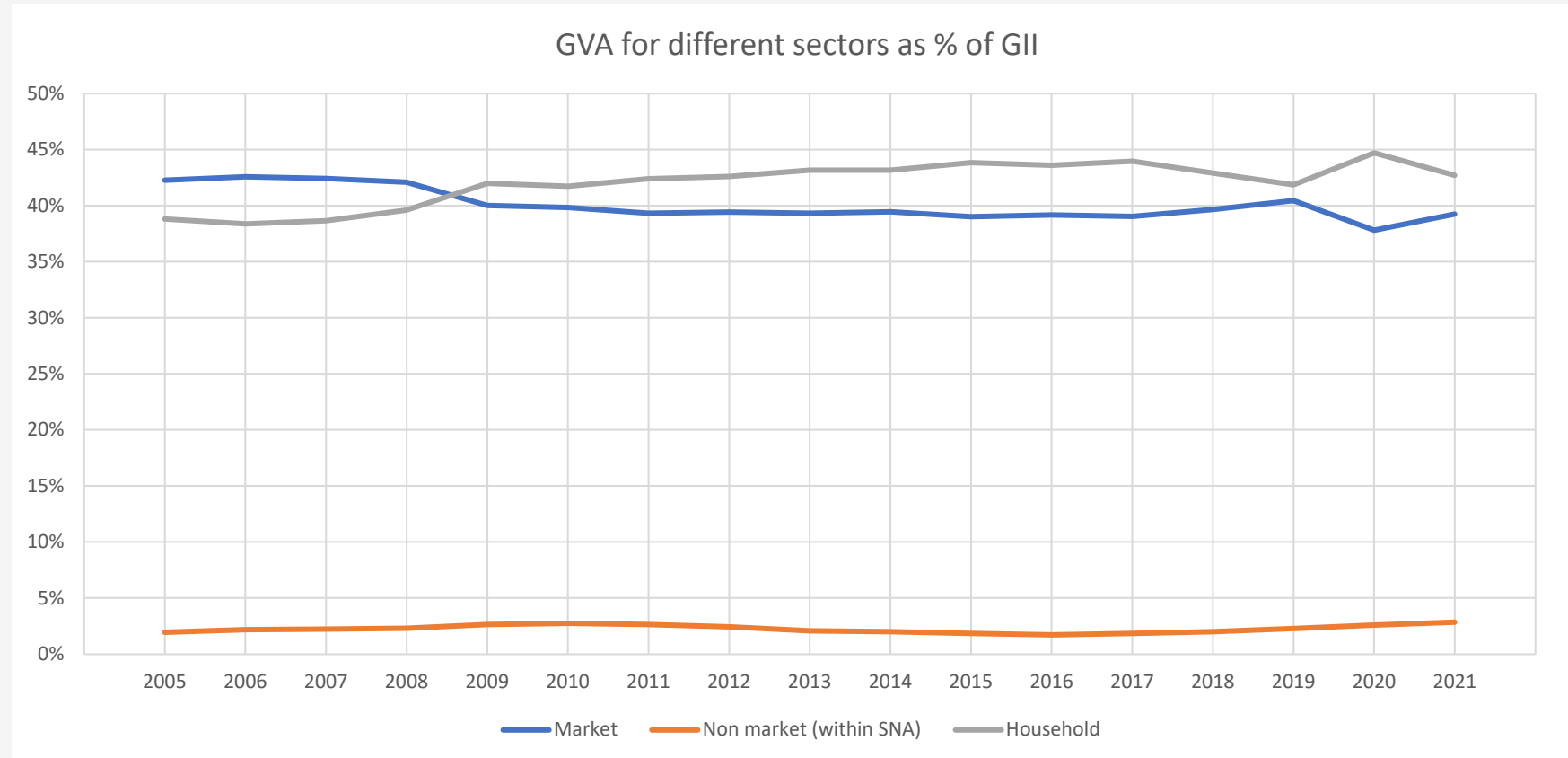


# New narratives: Human and natural capital depreciation slowed relative to 2005

Contributions to NII (per person) % growth since 2005



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

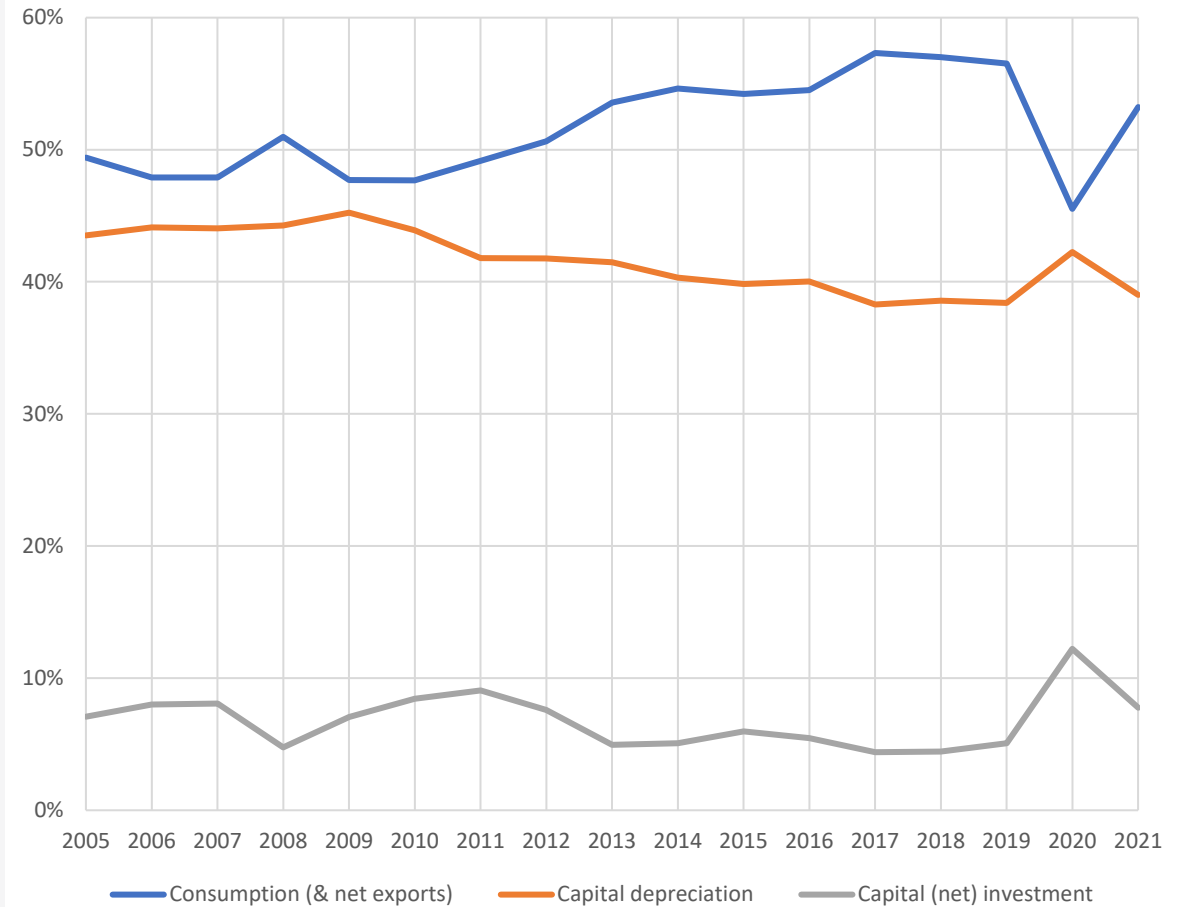
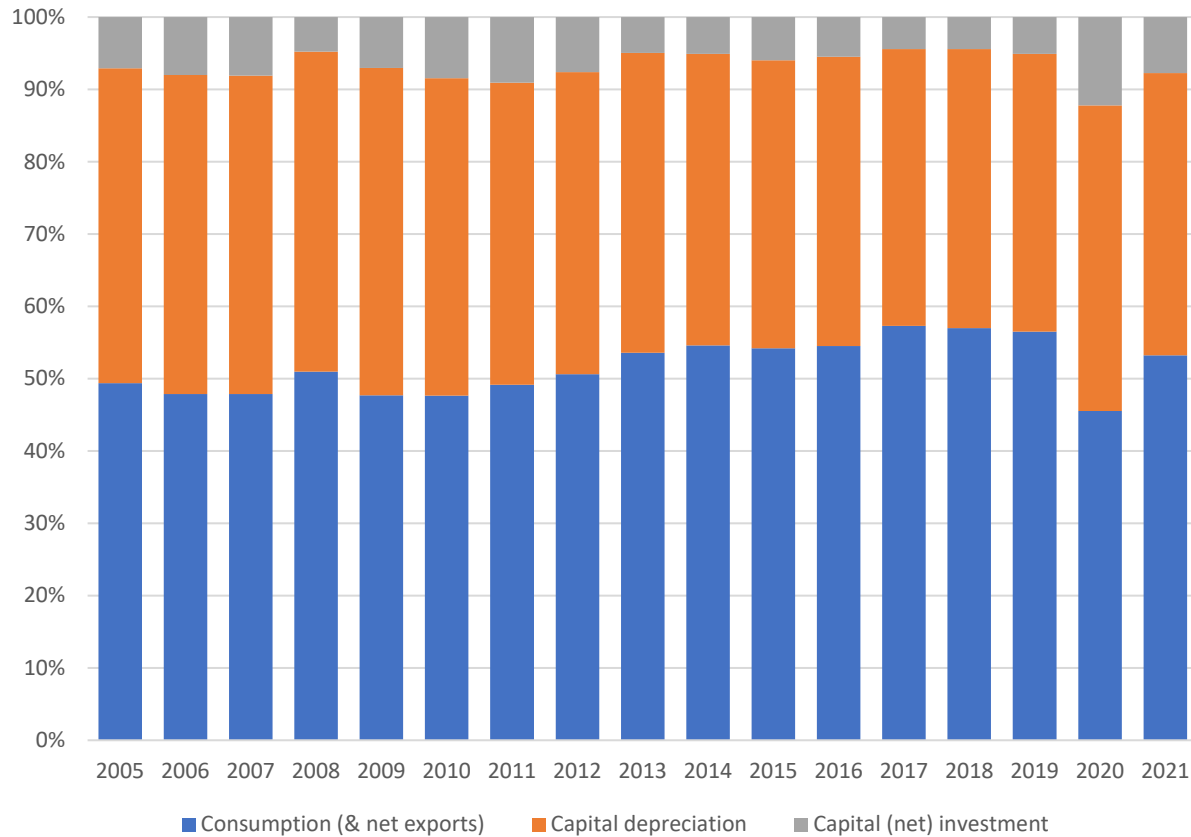


*Note: Includes imputed rental of owner-occupied housing within households*



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

Current Price GII broken down by expenditure type



# 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