

Funding the Future

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As part of the work I have been doing on GDP for the glossary a comment was made about the little-known element within GDP that is made up of imputed rents paid by owner-occupiers of housing in the UK for the entitlement that they are deemed to have of living in their own houses rent free.

I have done just a [little data crunching](#) on this as the subject is so little known about. This results:

Table 4a: Housing, water, electricity, gas and other fuels, current prices, annual data, UK, non-seasonally adjusted, £ millions

Time period and codes	Housing, water, electricity, gas and other fuel		Actual rentals for housing		Imputed rentals for housing		Maintenance and repair of the dwelling		Water and miscellaneous services		Electricity, gas and other fuels		% Housing of total	% deemed rents of total
	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions	£millions		
1997	161,129	24,065	115,765	1,232	5,011	15,036	965,482	16.7%	12.0%					
1998	166,643	25,878	119,880	1,221	5,290	14,374	1,016,722	16.5%	11.9%					
1999	173,020	26,134	128,524	1,294	5,145	13,923	1,050,494	16.3%	12.0%					
2000	179,302	27,624	130,324	1,422	5,063	14,869	1,114,341	16.1%	11.7%					
2001	185,689	29,174	131,938	1,554	5,145	14,653	1,152,989	16.0%	11.8%					
2002	192,074	30,876	138,110	1,735	5,578	14,765	1,205,447	15.9%	11.5%					
2003	197,516	32,883	142,595	1,700	5,885	14,853	1,257,204	15.5%	11.2%					
2004	207,288	33,981	147,227	2,243	6,090	17,747	1,342,278	15.4%	11.0%					
2005	218,446	37,416	152,670	2,536	6,701	19,123	1,420,970	15.4%	10.7%					
2006	231,696	41,483	157,092	2,613	7,091	23,413	1,487,963	15.6%	10.6%					
2007	241,315	45,453	161,665	2,682	7,447	24,068	1,567,027	15.4%	10.3%					
2008	255,041	50,021	166,660	2,188	7,518	28,662	1,583,394	16.1%	10.5%					
2009	269,309	52,750	170,550	2,077	7,667	28,765	1,631,311	16.0%	10.7%					
2010	265,270	56,583	169,699	2,076	8,137	29,765	1,639,744	16.3%	10.4%					
2011	271,383	60,394	171,163	2,309	8,357	29,160	1,671,352	16.2%	10.2%					
2012	286,903	65,683	177,025	2,407	8,729	33,059	1,726,983	16.8%	10.3%					
2013	299,948	70,221	183,248	2,510	9,008	34,961	1,806,096	16.8%	10.1%					
2014	307,566	74,298	190,018	2,548	9,478	31,224	1,875,897	16.4%	10.1%					
2015	319,579	78,614	197,368	2,675	9,504	31,418	1,937,570	16.5%	10.2%					
2016	334,211	81,985	207,819	2,942	9,675	31,790	2,022,931	16.5%	10.3%					
2017	349,596	85,250	217,779	2,935	9,797	31,975	2,077,225	16.5%	10.5%					
2018	346,794	84,205	215,984	2,972	10,065	33,658	2,177,222	15.9%	9.9%					
2019	352,210	86,004	220,665	3,149	10,093	32,299	2,249,423	15.7%	9.8%					
2020	357,711	86,405	225,235	3,676	10,726	31,669	2,086,540	17.1%	10.8%					
2021	367,526	87,488	231,376	3,792	10,941	33,929	2,342,564	15.7%	9.9%					

Click on the data to see a larger version of this.

The key point is that in 2021 actual rents paid for housing in the UK were £87 billion. These were massively overshadowed by imputed rentals for housing, which were £231 billion. This is the sum that for GDP accounting purposes an owner occupier is deemed to pay themselves for the right to live in their own home. This sum has supposedly to be added to GDP to make sure UK GDP data is comparable with the GDP data of countries, like Germany, where renting is very much more common than it is in this country.

As is apparent from the table the net result is that over the last decade, just over 10% on average of GDP has literally been made up. There is no such income in this country. Nor is any tax paid on it.

It is also curious to note that whilst actual rents have grown from 2.5% of GDP to 4% of

GDP these imputed rents have fallen from 12% to 10%. There has, of course, been a switch to rented property in the UK, but it is hard to see how imputed rents have fallen so heavily when the cost of houses has risen so significantly. I have not seen commentary on this issue, and it is not the primary focus of this post.

That focus is on the fact that we really should be aware that when looking at GDP data 10% of it simply does not exist. No wonder it is such a ridiculous measure.