



BRIEFING PAPER

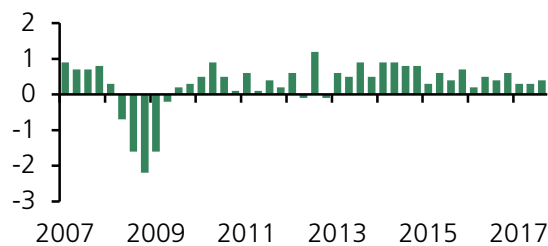
Number 8169, 5 December 2017

Economic Indicators, December 2017

By Daniel Harari, Andy Powell

GDP growth

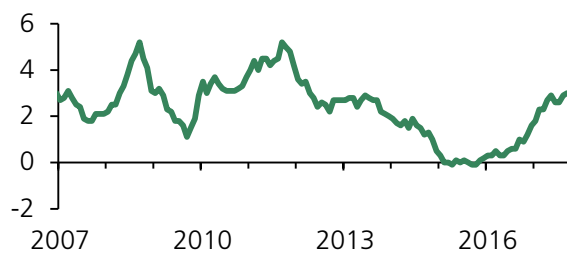
% change on previous qtr



GDP grew by 0.4% in Q3 2017, following growth of 0.3% in Q2 2017

Consumer Prices Index (CPI)

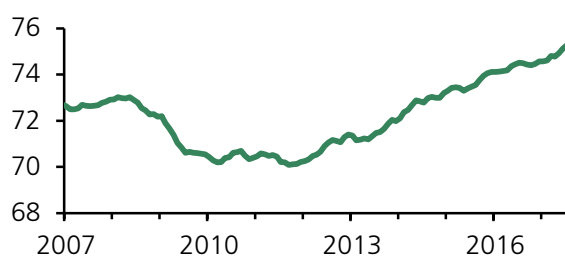
% change on yr



Consumer prices rose by 3.0% in October 2017 compared with a year ago, unchanged from September.

Employment Rate; UK

%, age 16-64



The employment rate was 75.0% in the three months to September 2017. This is down slightly from 75.1% in the previous three-month period, though up from 74.4% in the three months to September 2016.

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1. This month's developments

November was a busy month of economic policy announcements with the Government unveiling its Budget and industrial strategy, and the Bank of England raising interest rates. Economic data confirmed modest GDP growth of 0.4% in the third quarter, while, despite low unemployment, average wages continued to rise by less than the rate of inflation.

Budget presented alongside weaker growth forecasts

The Chancellor presented his Budget on 22 November against the backdrop of the Office for Budget Responsibility (OBR), the official watchdog of the public finances, presenting a gloomier economic outlook. The OBR lowered its economic growth forecasts in every year and more noticeably from 2019 onwards.

OBR forecasts for GDP growth (%) downgraded

Forecasts made in March and November

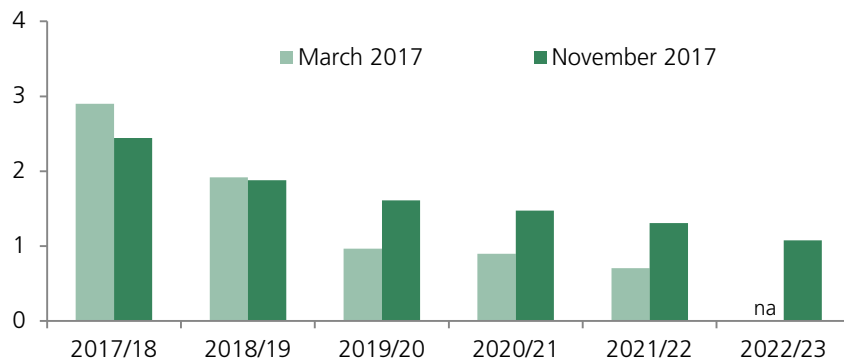


This stemmed mainly from a significant downgrade of its assessment of the economy's potential to be more productive. UK productivity has persistently underperformed previous OBR forecasts, having barely increased in recent years compared to its historical average of around 2% per year. The OBR thus decided that "[the recent weakness will indeed prove more enduring](#)" and lowered its productivity growth forecasts by 0.6 percentage points to 1.1% per year on average starting from 2018.

The knock-on effect of the lower economic growth forecasts was that the OBR increased its forecast for public sector borrowing in the later years of its five-year forecast period (2019/20 onwards). Better-than-expected tax revenues and lower-than-expected government spending led to the OBR lowering its forecast for borrowing in 2017/18, while its forecast for 2018/19 was broadly similar to its March 2017 forecast.

OBR forecasts for public sector net borrowing, % of GDP

Mar'17 forecasts not adjusted for accounting changes made since then



Policy measures in the Budget included scrapping stamp duty on homes under £300,000 for first-time buyers; an increase in planned spending on the NHS; an extra £3 billion over 2018/19 and 2019/20 for Brexit preparations; and a package of measures and funding intended to boost house building. Total government spending will be higher, especially in 2019/20, than was previously announced. This does not, however, alter the overall trend in planned public spending: day-to-day public spending is due to be 3.6% lower in 2022/23 than today, according to [analysis](#) from the Institute for Fiscal Studies (IFS).

Further information on the Budget and the OBR forecasts is available from the Library's briefing [Autumn Budget 2017: A summary](#).

Government's Industrial Strategy seeks to boost economic prospects

Less than a week after the Budget, the Government published its industrial strategy White Paper [Building a Britain fit for the future](#). This set out the "foundations" of economic policy it would target in order to tackle the "grand challenges" – such as advancement of Artificial Intelligence (AI), green technology and an ageing society – it identifies as being crucial for future economic prospects.

These key policy areas targeted by the Industrial Strategy – the "five foundations" – are:

- Ideas (R&D, innovation)
- People (skills and education)
- Infrastructure (broadband, energy, transport)
- Business environment (support for specific sectors and SMEs)
- Places (tackling regional disparities)

Partnerships between the government and certain sectors were also announced in life sciences, construction, AI and the automotive industry. The intention is for the number of these "sector deals" to increase. Further detail and reaction is available in the Library briefing [Industrial strategy](#).

Bank of England raises interest rates

Shortly after our [previous monthly update on the economy](#), the Bank of England's Monetary Policy Committee (MPC) raised interest rates for the first time since 2007. The decision on 2 November increased the benchmark base rate from 0.25% to 0.5%. This had been expected following statements from MPC members in previous weeks.

Looking ahead, the MPC has suggested further modest rate rises are likely, with a figure of two more 0.25%-point increases by 2020 being cited. However, financial markets are less convinced with some suggesting that the recent rise would be a one-off. For more on the interest rate rise and its impact on households, see the Library blog post [Why have interest rates been raised? And what's the impact?](#)

Other economic developments

The preliminary estimate of quarterly GDP growth of 0.4% in the third quarter was confirmed in the most recent GDP data release. Providing most of the impetus was an acceleration in consumer spending growth from 0.2% in the previous quarter to 0.6%.

Labour market data for the three months to September showed that the unemployment rate (4.3%) was the lowest it has been since 1975. Average total pay increased by 2.2%, compared to CPI inflation of 2.8% over the same period. The latest inflation rate, for October, is 3.0%. Most economists expect the inflation rate to ease somewhat in 2018. Whether average wage growth accelerates from its current subdued pace to rise above inflation will likely play an important role in determining economic prospects in 2018.

2. Headline UK Economic Indicators, December 2017

Gross Domestic Product: Q3 2017, Seasonally Adjusted		
Change (real %)	0.4 (qtr)	1.5 (yr)
Industries		
Service output: September 2017		
Change (%)	0.1 (mth)	1.4 (yr)
Manufacturing output: September 2017		
Change (%)	0.7 (mth)	2.5 (yr)
Productivity: Q3 2017, Seasonally Adjusted		
Output per hour		
Change (%)	0.9 (qtr)	0.6 (yr)
Inflation: October 2017		
Change on year (%)	3.0 (CPI)	4.0 (RPI)
Labour Market: July - September 2017, Seasonally Adjusted		
Unemployment		
Unemployment Rate (% of economically active)		4.3
Change (% points)	0.2 (qtr)	0.6 (yr)
Employment		
Employment Rate (% aged 16-64 in work)		75.0
Change (% points)	-0.1 (qtr)	0.6 (yr)
Interest Rate: as of 5 December 2017		
Bank of England Base Rate		0.50 (%)
Public Finances: 2016/17		
Net borrowing	46 (£ bn)	2.3 (% GDP)
Net debt	1,727 (£ bn)	85.6 (% GDP)
Trade: Q3 2017		
Current Account	-23.2 (£ bn)	-4.6 (% GDP)
Sterling Exchange rate: 20 Nov 2017		
US Dollar (\$)	1.35 (rate)	6.2 (% change on yr)
Euro (€)	1.14 (rate)	-4.1 (% change on yr)
EC Economic Sentiment Indicator for UK: October 2017		
Points (1990-2012 average = 100)		108.8
Change (points)	-1.5 (mth)	+1.7 (yr)
Retail Sales: October 2017, Seasonally Adjusted, 3 month average		
Retailing total (inc vehicle fuel), value		4.3 (% change on yr)
Housing Market: September 2017, Seasonally Adjusted		
House Price Index (ONS)		
Change (%)	0.8 (mth)	5.4 (yr)

See Section 5 for information on the sources used in this table.

Headline Indicators summary

GDP grew by 0.4% in Q3 2017 compared to the previous quarter, following growth of 0.3% in Q1 and Q2. Compared with the previous year, GDP grew by an estimated 1.5%. The Eurozone saw growth of 0.6% in Q3 2017 compared to the previous quarter.

Services output was up 0.4% in Q3 2017 compared with the previous quarter. **Manufacturing output** was up 1.1%.

The Bank of England's Monetary Policy Committee (MPC) raised interest rates for the first time in over a decade at its November policy meeting. The MPC voted by a majority of 7-2 to **increase its interest rate by 0.25%-points to 0.5%**.

CPI inflation was 3.0% in October 2017, unchanged from September. Inflation in the Eurozone was 1.4% in October.

Average wages, including bonuses, were 2.2% higher in the three months to September 2017 compared with the year before. This is below CPI inflation for the same period (2.8%).

The **employment rate** in July-September 2017 was 75.0%, up 0.6% points on the previous year. The **unemployment rate** was 4.3%, down 0.6% points from the previous year, and at its lowest rate since 1975.

Productivity across the whole UK economy increased by 0.9% in Q3 2017 compared with the previous quarter, and increased by 0.6% compared with a year before in Q3 2016. Since 2008/09, productivity has stagnated.

The government is estimated to have **borrowed** £46 billion in 2016/17, a decrease of £27 billion from 2015/16 and the lowest level of borrowing since 2007/08. At the end of 2016/17 the UK's **debt to GDP ratio** was 85.6%, 3% points higher than a year before.

As of 4 December the **FTSE-100 Index** was down 3% compared with a month ago, but is up 9% on a year ago.

The UK had a **trade deficit** of £43 billion in 2016, with exports totalling £547 billion and imports totalling £590 billion. The current account deficit was £23.2 billion (4.6% of GDP) in Q2 2017, up from £22.3 billion (4.4% of GDP) in Q1 2017.

The **value of sterling** increased by 0.4% between October and November 2017, following an increase of 0.2% between September and October.

Compared to the same period a year ago, **the value of retail sales** was up 4.3% in the three months to October 2017.

House prices increased by 5.4% in the year to September 2017, and by 0.8% between August and September.

Household debt stood at 140% of disposable income in Q2 2017 – its highest level since Q3 2012.

3. Introduction to Economic Indicators

Economic Indicators is published on the first Tuesday of the month. Individual indicator pages are updated more frequently as new data becomes available and are published on the Library's webpages.

Feedback

If you have any comments or suggestions about Economic Indicators please contact the editor, Andy Powell on x6962.

Weekly email alert

A weekly email alert with updated indicators is available to Members and their staff on request. To subscribe, please visit the Economic Indicators web pages.

Regional Economic Indicators

A separate briefing, Regional and National Economic Indicators, is available containing key economic data on the regions and countries of the UK, compared to the national UK average.

Sources and glossary

A guide to sources is provided in Section 5. Economic terms, symbols and abbreviations used in the publication are provided in Section 6.

Contacts

Members and their staff are encouraged to talk to Library subject specialists. A comprehensive guide is available in Using the Library. Researchers are not able to discuss pages with members of the public. For enquiries please contact the following specialists:

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GDP	Daniel Harari	2464
Employment	Andrew Powell	6962
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A1: Gross Domestic Product

The economy grew by 0.4% in Q3 2017 compared to the previous quarter, following growth of 0.3% in the two previous quarters.

Real Gross Domestic Product seasonally adjusted

	% change on qtr	% change on yr
2014	...	3.1
2015	...	2.3
2016	...	1.8
2016 Q3	0.4	1.8
Q4	0.6	1.6
2017 Q1	0.3	1.8
Q2	0.3	1.5
Q3	0.4	1.5

Source: ONS, series: IHYP, IHYQ, IHYR

GDP in Q3 2017 was 1.5% higher than a year before.

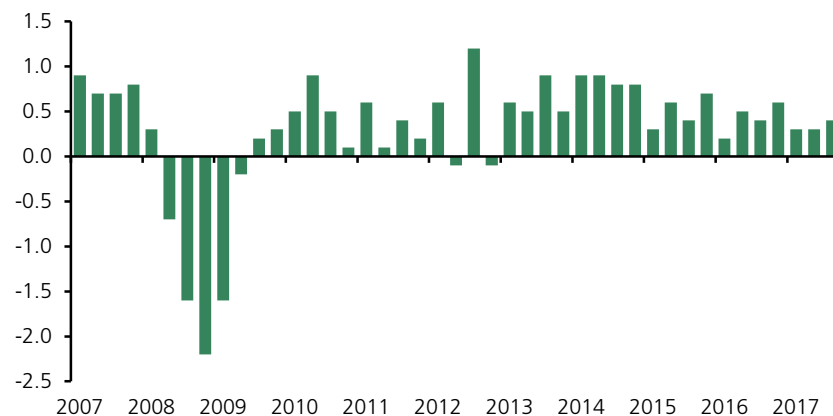
GDP has now increased for 19 consecutive quarters and is estimated to have grown by 1.8% in 2016, compared to growth of 2.3% in 2015.

GDP in cash terms was £1,961 billion in 2016.

GDP growth was 0.4% in Q3 2017 compared with the previous quarter

GDP growth

% change on previous qtr



Forecasts

At the November 2017 Budget, the Office for Budget Responsibility (OBR) forecast growth of 1.5% in 2017 and 1.4% in 2018.

The Treasury's November 2017 [survey of independent forecasts](#) for GDP growth showed an average forecast of 1.6% for 2017 and 1.4% for 2018.

Annual GDP growth forecasts (%)

	2017	2018
HM Treasury average of independent forecasts (Nov 17)	1.6	1.4
OBR forecasts (Nov 17)	1.5	1.4

Source:

HMT, Forecasts for the UK economy: a comparison of independent forecasts, Nov 2017
Office for Budget Responsibility, *Economic and fiscal outlook*, Nov 2017

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Updates

ONS, [Quarterly National Accounts](#),
22 December 2017

HM Treasury, [Forecasts for the UK economy](#),
20 December 2017

OBR, [Economic and fiscal outlook](#),
Spring 2018

A2: GDP International

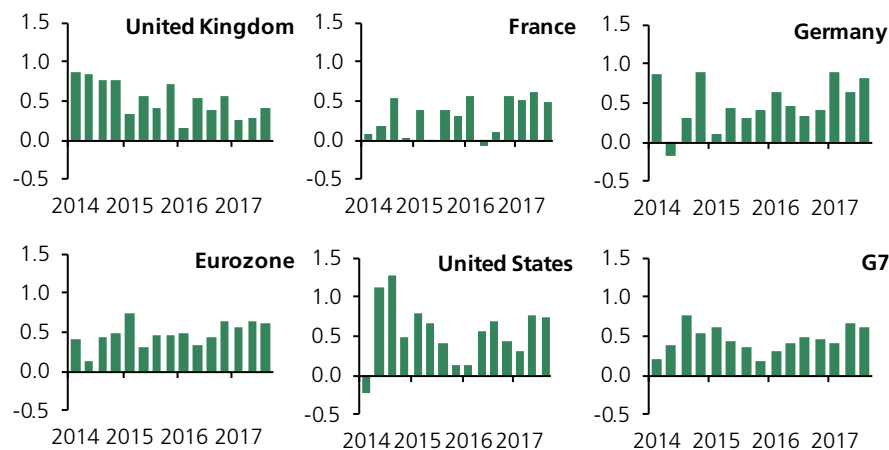
Real GDP in the UK grew by 0.4% in Q3 2017 compared with the previous quarter. The US economy saw growth of 0.7%, while the Eurozone continued its run of relatively strong growth at 0.6%.

Real GDP % changes

	change on quarter				change on year			
	Q4 16	Q1 17	Q2 17	Q3 17	Q4 16	Q1 17	Q2 17	Q3 17
UK	0.6	0.3	0.3	0.4	1.6	1.8	1.5	1.5
Eurozone	0.6	0.6	0.7	0.6	1.9	2.0	2.3	2.5
USA	0.4	0.3	0.8	0.7	1.8	2.0	2.2	2.3
Japan	0.4	0.3	0.6	0.3	1.7	1.4	1.5	1.6
Germany	0.4	0.9	0.6	0.8	1.9	2.1	2.3	2.8
France	0.6	0.5	0.6	0.5	1.2	1.1	1.8	2.2
G7	0.5	0.4	0.7	0.6	1.7	1.8	2.1	2.2
OECD	0.7	0.5	0.8	0.6	2.0	2.1	2.4	2.6

Source: OECDstat

Quarter-on-quarter GDP growth rates (%)



Forecasts

On 28 November the OECD raised its 2018 GDP growth [forecast](#) for the UK to 1.2% from 1.0% in the previous September forecasts, (their 2017 UK growth forecast is at 1.5%). However, the OECD [notes](#) that it expects economic growth continues to weaken from year to year.

Real GDP growth forecasts % change

	IMF (Oct 17)		EC (Nov 17)		OECD (Nov 17)	
	2017	2018	2017	2018	2017	2018
UK	1.7	1.5	1.5	1.3	1.5	1.2
France	1.6	1.8	1.6	1.7	1.8	1.8
Germany	2.0	1.8	2.2	2.1	2.5	2.3
Eurozone	2.1	1.9	2.2	2.1	2.4	2.1
US	2.2	2.3	2.2	2.3	2.2	2.5
Japan	1.5	0.7	1.6	1.2	1.5	1.2
China	6.8	6.5	6.8	6.5	6.8	6.6
India	6.7	7.4	6.6	7.5	6.7	7.0
Brazil	0.7	1.5	0.7	1.8	0.7	1.9
World	3.6	3.7	3.5	3.7	3.6	3.7

Sources: IMF Oct'17 WEO; EC Autumn'17 forecast; OECD Economic Outlook Nov'17

Note: Indian forecasts for fiscal years(April to March), except for European Commission

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Next updates

OECD, [OECDStat data on G7 growth rates](#)

OECD, [Interim Economic Outlook](#),
Feb/Mar 2018

IMF, [World Economic Outlook update](#),
Jan 2018

European Commission,
[Winter Economic Forecast](#), Feb 2018

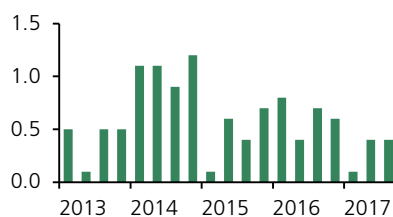
A3: Components of GDP

GDP can be analysed in terms of the output produced by different industries in the economy or alternatively by expenditure on goods and services made by households, businesses and the government.

Overall, GDP is estimated to have increased by 0.4% in real terms in Q3 2017 compared with the quarter before. Service sector output increased by 0.4% and household consumption grew by 0.6%.

GDP by Industry

Service sector
quarterly growth (%)



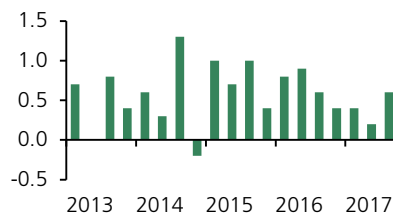
In 2016, the service sector accounted for 79% of economic output, the production sector for 14%, construction for 6% and agriculture for 1%.

In Q3 2017, service sector output increased by 0.4% in real terms compared with Q2, the same as in the previous quarter.

Manufacturing output was up by 1.1% (the production sector overall was also up by 1.1%). Output in the construction sector was down by 0.9%.

GDP by Expenditure

Household Consumption
quarterly growth (%)



Household consumption is the largest element of expenditure across the economy, accounting for 63% of the total in 2016. Government consumption accounted for 19% and investment for 16%.

In Q3 2017, household consumption grew by 0.6% in real terms – its highest growth this year. Government consumption was up 0.3% and investment was up 0.2%. Exports decreased by 0.7% and imports increased by 1.1%.

GDP by expenditure

% change on previous quarter (real terms)

	Household consumption	Government consumption	Investment	Exports	Imports	GDP
2015 *	2.7	0.6	2.8	5.0	5.1	2.3
2016 *	2.9	1.1	1.3	1.1	4.3	1.8
2016 Q3	0.6	0.0	0.8	-1.9	3.0	0.4
Q4	0.4	0.2	0.4	5.4	-0.7	0.6
2017 Q1	0.4	0.2	0.5	-0.3	1.0	0.3
Q2	0.2	0.1	0.6	1.7	0.2	0.3
Q3	0.6	0.3	0.2	-0.7	1.1	0.4

Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: * annual % change

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Updates

ONS, [Quarterly National Accounts](#), 22 Dec 2017

ONS, [Gross Domestic Product: Preliminary Estimate](#), 26 Jan 2018

ONS, [Second Estimate of GDP](#), 22 Feb 2018

A4: Productivity

One of the most important factors in determining living standards is productivity – how much output is produced for a given input (such as an hour of work).

The more efficient the economy is, the more that can be produced in a sustainable fashion. In other words, higher productivity growth leads to a higher long-term growth rate of the economy.

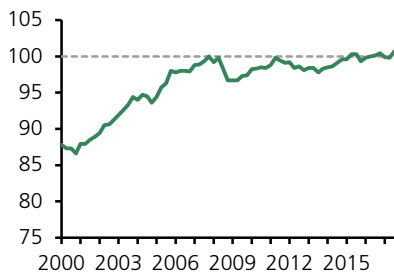
Economic theory states that labour productivity also determines wages: the more productive an employee is, the more they are likely to be paid.

UK productivity

Historically, UK labour productivity has grown by around 2% per year but since the 2008/2009 recession it has stagnated. The level of labour productivity in Q3 2017 was 0.7% above what it was over nine years earlier in Q4 2007 (the pre-recession peak level).

Productivity levels are only just above the pre-financial crisis peak of late 2007

Productivity level (GDP per hour)
Index where Q4 2007 level = 100



Productivity - output (GDP) per hour

	% change on qtr	% change on yr
2015	..	1.0
2016	..	0.2
2016 Q4	0.3	1.1
Q1	-0.5	0.1
2017 Q2	-0.1	-0.3
Q3*	0.9	0.6

Source: ONS series LZVD, TXBB

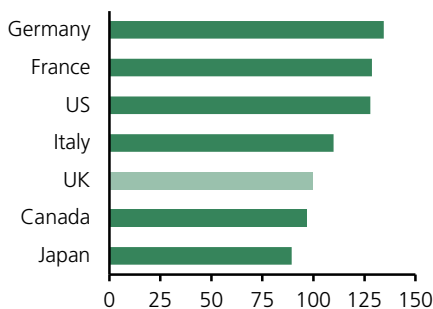
* Based on 'flash' ONS estimate for Q3 2017

[Productivity](#) across the whole UK economy increased by 0.9% in Q3 2017 compared with the previous quarter – the fastest quarterly growth since Q2 2011 – and was 0.6% higher compared with a year before in Q3 2016.

International comparisons

International comparisons of productivity levels are presented in the chart below as an index where the UK=100.

Productivity (GDP per hour), 2016
Index where UK=100



In 2016, ranked on GDP per hour worked, the UK came fifth highest out of the G7 countries, with Germany top and Japan bottom. UK productivity was 15% below the average of the rest of the G7 countries, the same gap as in every year from 2012 and the largest since at least 1995 (when the ONS data series began).

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Updates

ONS, [UK productivity](#), 5 Jan 2018

ONS, [International comparisons of productivity](#), 6 Apr 2018

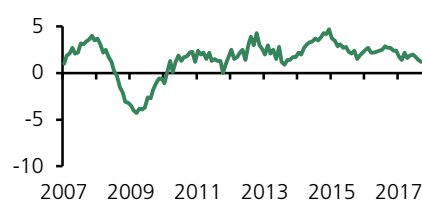
A5: Services

The service industries include the retail sector, the financial sector, the public sector, business administration, leisure and cultural activities.

In 2016, the service industries accounted for 80% of total UK economic output (Gross Value Added). Services accounted for 84% of workforce jobs in December 2016.

Services Output

Output - Index of Services
% change on previous year

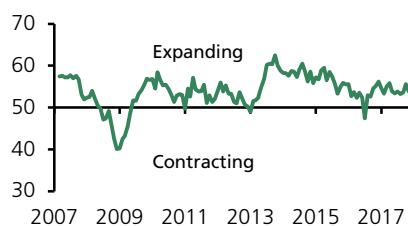


In the three months to September 2017, services output increased by 0.4% compared with the three months ending June 2017. The business services and finance sector made the largest contribution to the quarterly growth, contributing 0.25 percentage points. Services

output increased by 0.1% in September 2017 compared to August. Compared with a year before, services output increased by 1.4% in September 2017; this growth is at its lowest since October 2013.

Purchasing Managers' Index (PMI)

UK Services PMI
50 = no change



In the Markit/CIPS PMI, a value of 50 means that there is no change compared to the previous month. Values above 50 indicate an expansion, and values below 50 a contraction.

The UK services PMI fell from 55.6 in October to 53.8 in November, signifying slower growth in

activity. Markit noted that while optimism for business activity over the next 12 months picked up, it remained weaker than it was over the first half of 2017.

Services Output Index			PMI Index		
	Index	% change on yr		Index	Change on mth
2015	100.0	2.6	2015 Nov	55.9	
2016	102.5	2.5	2016 Nov	55.2	
2017 Jul	104.2	2.7	2017 Sep	53.6	0.4
Aug	104.3	2.7	Oct	55.6	2.0
Sep	104.4	2.4	Nov	53.8	-1.8

Source: ONS, series S2KU, S222, S26Q

Source: Markit/CIPS UK Services PMI

PMI is based on a monthly survey asking companies about output, new orders, stock levels, employment and prices. PMI compares the current month with the previous one.

The PMI is produced faster than comparable official data. It often anticipates the direction of official figures, although the methodology is different.

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Update

ONS, [Index of Services](#), 22 December 2017

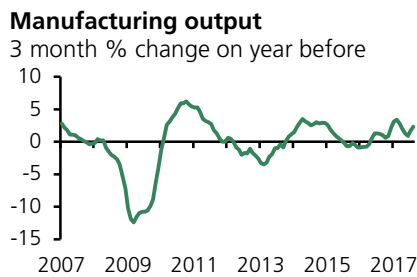
Markit/CIPS, [UK Services PMI](#), 4 January 2018

A6: Manufacturing

Manufacturing is one of the production industries, which also include mining, electricity, water & waste management and oil & gas extraction.

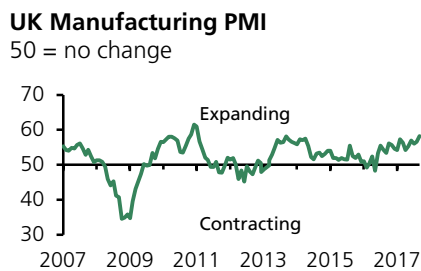
In 2016, the manufacturing sector accounted for 10% of total UK economic output (Gross Value Added). In December 2016, it accounted for 8% of jobs.

Manufacturing Output



Total manufacturing output was up 1.1% in the 3 months to September 2017 compared with the 3 months to June 2017. The largest contribution to the rise in manufacturing in the three months to September 2017 came from transport equipment, which rose by 3.0%.

Purchasing Managers' Index (PMI)



In the Markit/CIPS PMI, a value of 50 means that there is no change compared to the previous month. Values above 50 indicate an expansion, and values below 50 a contraction.

In November 2017 the UK Manufacturing PMI was 58.2, up from 56.6 in October. This was its highest level in over four years, and the tenth-best registered during the near 26-year series history.

Companies linked this increase to stronger inflows of new orders, reflecting solid domestic demand and steeper gains in new export business. The rates of increase in new orders and production were among the best registered over the past four years.

Manufacturing production has now risen for sixteen successive months. Manufacturers remained optimistic, with over 50% forecasting output would be higher in a year's time.

PMI is based on a monthly survey asking companies about output, new orders, stock levels, employment and prices. PMI compares the current month with the previous one.

The PMI is produced faster than comparable official data. It often anticipates the direction of official figures, although the methodology is different.

Manufacturing output index				PMI Index			
	Index	% change on year	% change 3m on previous 3m		Index	Change on mth	
2015	100.0	0.0		2015	Nov	52.5	
2016	100.9	0.9		2016	Nov	53.4	
2017	Jul	102.9	0.2	2017	Sep	56.0	-0.9
	Aug	103.3	0.7		Oct	56.6	0.6
	Sep	104.0	1.1		Nov	58.2	1.6

Source: ONS, series K22A, K2P4

Source: Markit/CIPS UK Manufacturing PMI

Subject Specialist

Chris Rhodes
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Update

ONS, [Index of Production](#), 8 December 2017

Markit/CIPS, [UK Manufacturing PMI](#), 2 January 2018

B1: Inflation

The Consumer Prices Index (CPI) is the main measure of inflation. It is produced in line with international standards and is the measure used for the Bank of England’s 2% inflation target. The Retail Prices Index (RPI) is no longer classified as a National Statistic as the way it is calculated does not meet international standards. It is included here as it is well-known and is the longest running measure of inflation.

The CPI inflation rate held steady at 3.0% in October 2017, the same rate as in September. This is the CPI’s highest rate since April 2012.

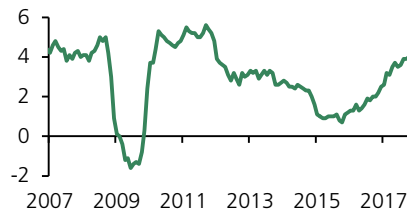
The RPI inflation rate increased to 4.0% in October, up from 3.9% in September. This is the RPI’s highest rate since December 2011.

Within the CPI rate, the cost of transport fell, mainly due to a decrease in fuel costs, as did the price of furniture and household goods. However, this was offset by increases in the price of food and recreation and culture.

Consumer Prices Index (CPI)
% change on yr



Retail Prices Index (RPI)
% change on yr



Price Indices

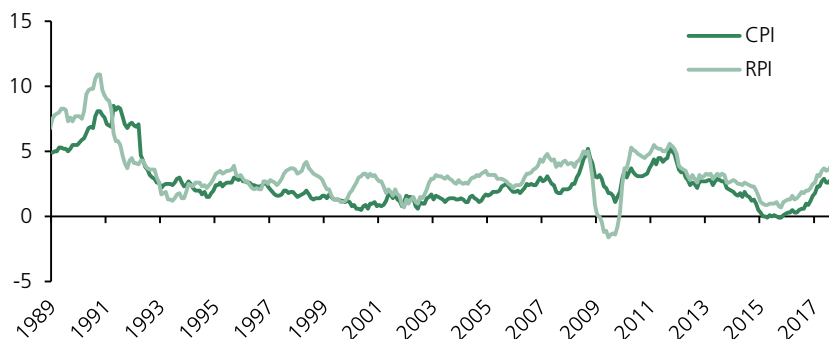
% change on a year ago

		CPI	RPI
2014	Oct	1.3	2.3
2015	Oct	-0.1	0.7
2016	Oct	0.9	2.0
2017	Aug	2.9	3.9
	Sep	3.0	3.9
	Oct	3.0	4.0

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989

% change on yr



Subject Specialist

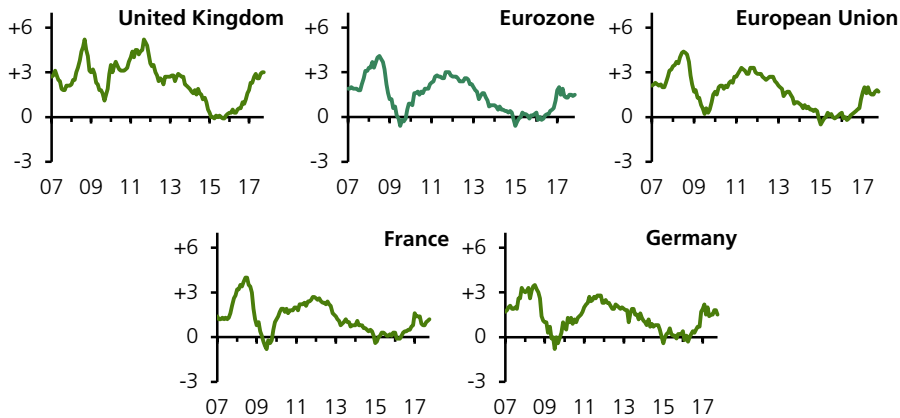
Daniel Harari
x2464

Update

ONS, [Consumer Price Indices](#), 12 Dec 2017

B2: International inflation

Inflation in the EU can be compared using the standard Harmonised Index of Consumer Prices (HICP), or the CPI as it is known in the UK.



UK inflation, as measured by the CPI, was 3.0% in the year to October 2017, unchanged from September. UK inflation was 0.9% in October 2016. The September and October 2017 figures are the highest since April 2012.

EU inflation was 1.7% in October 2017, down from 1.8% in September. EU inflation was 0.5% in October 2016.

Annual inflation in the Eurozone is provisionally estimated as 1.5% in November, up from 1.4% in October and compared with 0.6% in November 2016.

In Germany, inflation was 1.5% in October, down from 1.8% in September. In France it was 1.2% in October, up from 1.1% in September.

Lithuania had the highest inflation rate in the EU in October at 4.2% followed by Estonia at 4.0%. The lowest inflation rate in the EU was in Cyprus at 0.4%, followed by Ireland at 0.5%. The UK's inflation rate of 3.0% was the third highest in the EU in October.

Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2014	2015	2016	Aug 17	Sep 17	Oct 17	Nov 17
UK	1.5	0.0	0.7	2.9	3.0	3.0	..
Eurozone	0.4	0.0	0.2	1.5	1.5	1.4	1.5
European Union	0.5	0.0	0.3	1.7	1.8	1.7	..
France	0.6	0.1	0.3	1.0	1.1	1.2	..
Germany	0.8	0.1	0.4	1.8	1.8	1.5	..

Source: ONS, Eurostat.

November 2017 figure for Eurozone is provisional .. Denotes figures not yet available

Subject Specialist

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Update

ONS, [Consumer Prices bulletin](#) (UK), 12 Dec

Eurostat, [Flash estimate](#) (Eurozone), 5 Jan 2018

Eurostat, [HICP full release](#), 18 Dec

B3: Average Earnings

In April 2017 median gross weekly earnings for full-time employees in the UK were £550, up 2.2% on April 2016. Adjusted for inflation, full-time workers' weekly earnings decreased by 0.4%.

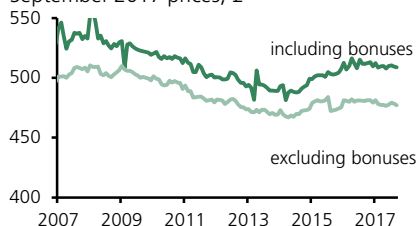
More timely but less detailed data show average weekly earnings for the whole Great Britain economy, including bonuses, were 2.2% higher in the three months to September 2017 compared with the year before. Excluding bonuses, average weekly earnings also increased by 2.2%. Inflation as measured by the CPI averaged 2.8% over the same period.

After adjusting for inflation, both average weekly earnings including bonuses and average weekly earnings excluding bonuses decreased by 0.6% compared to last year.

Average Earnings, Whole Economy

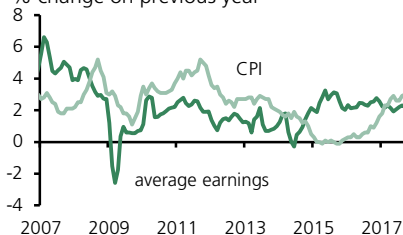
Real average weekly earnings

September 2017 prices, £



Inflation and earnings (incl bonuses)

% change on previous year



Trends by Sector

Annual % change in average earnings (including bonuses): Great Britain, employees only

	Total	Private	Public
2015 Sep	3.1	3.5	1.3
2016 Sep	2.5	2.7	1.4
2017 Jul	2.2	2.3	1.6
Aug	2.3	2.5	1.4
Sep	2.2	2.4	1.7

Note: Data show annual % change in earnings to three month period ending in given month; data are seasonally adjusted

Source: ONS, Average Weekly Earnings series

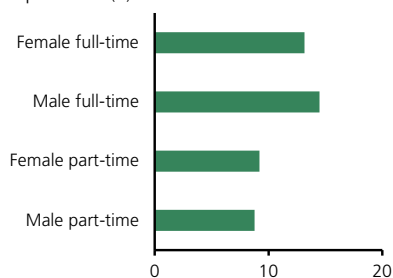
Average weekly total pay (including bonuses) grew by 2.4% in the private sector in the three months to September 2017, compared with the year before.

In the public sector, total pay increased by 1.7%.

Pay Levels

Median hourly pay excluding overtime

April 2017 (£)



Median weekly earnings for full-time employees in the UK were £550 in April 2016. (The median is the point at which half earn more and half earn less).

Median hourly earnings (excluding overtime) were £13.94 for full-time employees; £14.48 for men working full-time and £13.16 for women.

Median hourly earnings (excluding overtime) were £9.12 for part-time employees; £8.76 for men working part-time, and £9.21 for women. Women are more likely than men to work part-time.

Subject Specialist

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Update

ONS, [Labour Market Statistics](#), 13 Dec 2017

ONS, [Annual Survey of Hours and Earnings](#), Oct 2018

C1: Employment

32.06 million people were in employment in July- September 2017, down 14,000 from the previous quarter but up 279,000 from the previous year. The employment rate (the proportion of the population aged 16-64 in work) was 75.0%, up 0.6% points on the previous year.

Employment; UK
Millions, age 16+, seasonally adjusted

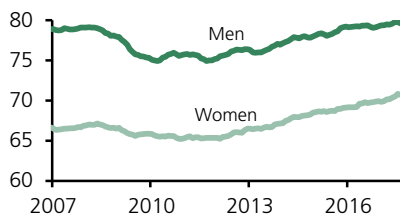


As the charts show employment has generally been growing strongly over the past few years, though the numbers of people in work fell slightly over the last quarter.

Female employment increased by 23,000 over the last quarter to

15.08 million. The employment rate for women aged 16-64 was 70.6%.

Employment Rate; UK
%, age 16-64, seasonally adjusted



16.98 million men were in work in July- September 2017, 37,000 fewer than the previous quarter. The employment rate for men aged 16-64 was 79.5%.

4.81 million people were self-employed, 4,000 more than the previous quarter. The number of

people working as employees was down 14,000 on the previous quarter at 27.08 million.

23.52 million people were working full-time in July- September 2017, down 64,000 from the previous quarter but 285,000 higher than a year earlier. There were 8.54 million people working part-time, up 50,000 from the previous quarter but down 6,000 from a year earlier.

1.59 million people were employed on a temporary basis, 2,000 more than in the previous quarter but down 34,000 from the previous year.

UK Employment
Seasonally adjusted

Age:	Total		Men		Women		Youth		
	000's	%	000's	%	000's	%	000's	%	
	16+	16-64	16+	16-64	16+	16-64	16-24	16-24	
Jul-Sep 2014	30,832	73.0	16,406	78.0	14,427	68.1	3,814	52.4	
Jul-Sep 2015	31,324	73.8	16,666	78.6	14,657	69.0	3,966	54.7	
Jul-Sep 2016	31,779	74.4	16,902	79.2	14,877	69.7	3,909	54.4	
Apr-Jun 2017	32,073	75.1	17,021	79.8	15,052	70.5	3,922	55.1	
Jul-Sep 2017	32,059	75.0	16,984	79.5	15,075	70.6	3,824	53.9	
<i>Change on qtr</i>	<i>Level</i>	<i>-14</i>	<i>-0.1</i>	<i>-37</i>	<i>-0.3</i>	<i>23</i>	<i>0.1</i>	<i>-98</i>	<i>-1.2</i>
	<i>%</i>	<i>0.0%</i>	<i>-0.2%</i>	<i>0.2%</i>	<i>-2.5%</i>				
<i>Change on yr</i>	<i>Level</i>	<i>279</i>	<i>0.6</i>	<i>81</i>	<i>0.3</i>	<i>198</i>	<i>0.9</i>	<i>-85</i>	<i>-0.5</i>
	<i>%</i>	<i>0.9%</i>	<i>0.5%</i>	<i>1.3%</i>	<i>-2.2%</i>				

Source: ONS Labour Market Statistics, Tables A05 and A06
Notes: The employment rate is a percentage of the population aged 16 to 64

Subject Specialist

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Updates

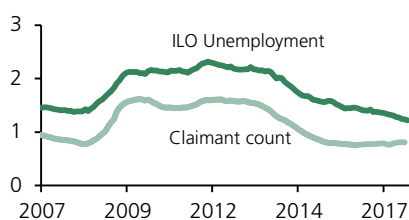
ONS, [Labour Market Statistics](#), 13 December 2017

C2: Unemployment

The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. Another measure is the claimant count – the number of people claiming unemployment benefits (namely, Jobseeker’s Allowance or people claiming Universal Credit who are required to seek work).¹

Unemployment; UK

Millions, age 16+, seasonally adjusted



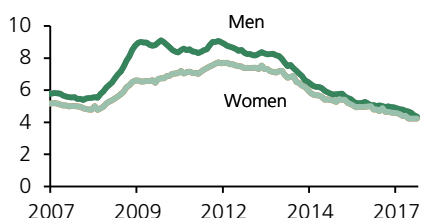
1.43 million people in the UK were unemployed on the ILO definition in July- September 2017, down 59,000 on the previous quarter and down 182,000 on the previous year.

The unemployment rate was 4.3% (the percentage of the economically active population who are unemployed), down 0.2% points from the previous quarter and down 0.6% points from the previous year.

Unemployment has been falling over the past few years and the unemployment rate is now at its joint lowest point since 1975.

Unemployment Rate; UK

% , age 16+, seasonally adjusted



There were 770,000 men unemployed in July- September 2017, down 48,000 on the previous quarter and down 109,000 from a year earlier. 654,000 women were unemployed, down 12,000 on the previous quarter and down 73,000 from a year earlier.

517,000 people aged 16-24 were unemployed in July- September 2017, down 71,000 on the previous year. The unemployment rate for 16-24 year olds was 11.9%, down from 13.1% the year before.

UK Unemployment

Seasonally adjusted

Age	Total		Men		Women		Youth	
	000's 16+	% 16+	000's 16+	% 16+	000's 16+	% 16+	000's 16-24	% 16-24
Jul-Sep 2014	1,957	6.0	1,086	6.2	871	5.7	745	16.3
Jul-Sep 2015	1,752	5.3	958	5.4	794	5.1	650	14.1
Jul-Sep 2016	1,606	4.8	879	4.9	727	4.7	588	13.1
Apr-Jun 2017	1,484	4.4	818	4.6	666	4.2	545	12.2
Jul-Sep 2017	1,425	4.3	770	4.3	654	4.2	517	11.9
<i>Change on qtr</i>								
Level	-59	-0.2	-48	-0.2	-12	-0.1	-28	-0.3
%	-4.0%		-5.8%		-1.7%		-5.1%	
<i>Change on yr</i>								
Level	-182	-0.6	-109	-0.6	-73	-0.5	-71	-1.2
%	-11.3%		-12.4%		-10.1%		-12%	

Source: ONS Labour Market Statistics, A05, A06,

Notes: The unemployment rate is a percentage of the economically active population unemployed

Subject Specialist

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Updates

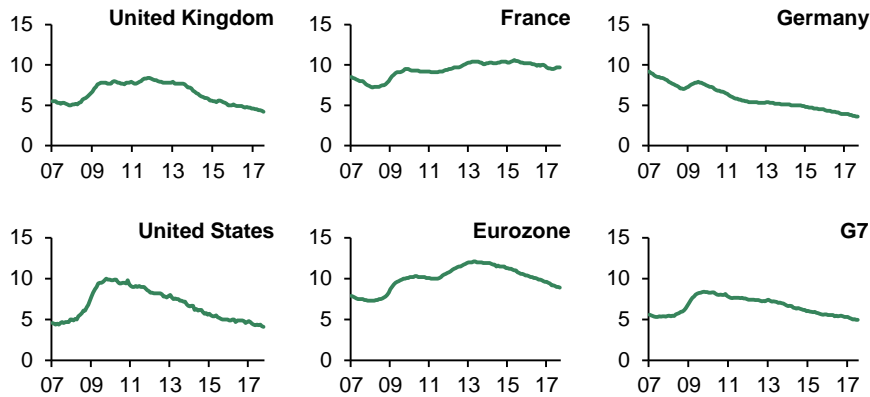
ONS, [Labour Market Statistics](#), 13
December 2017

¹ The introduction of Universal Credit is having an impact on claimant count statistics. For more information please see the Library's briefing [Universal Credit and the claimant count](#).

C3: Unemployment International

The OECD produces harmonised unemployment rates for OECD members based on the ILO definition of unemployment.

Harmonised Unemployment Rate (%)



The UK harmonised unemployment rate for Q2 2017 was 4.4%. This was equal to the rate of the US, below that of France (9.5%) but above that of Germany (3.8%). The UK rate was the 8th lowest of the 35 OECD member countries. The G7 unemployment rate fell to 5.0% in Q2 2017 from 5.2% in Q1 2017.

The unemployment rate for the Eurozone fell to 9.0% in Q3 2017 from Q2 2017. 22 of the 28 OECD countries that have published rates for Q3 2017 had a lower rate for that quarter than for Q2 2017. The Q3 figure for the UK and for the G7 has not been published to date.

Greece had the highest harmonised unemployment rate out of the OECD member states for Q2 2017 (21.6%) followed by Spain at 17.3%.

Iceland had the lowest unemployment rate in the OECD for Q2 2017 at 2.8% followed by Japan at 2.9%.

Youth (aged 15-24) unemployment is a major issue in many developed economies at present. In Q2 2017 youth unemployment was 43.7% in Greece, 38.9% in Spain and 35.4% in Italy. UK youth unemployment stood at 12.0% in Q2 2017.

Unemployment

Unemployed as % of labour force (standardised); seasonally adjusted

	CAN	FRA	GER	ITA	JPN	UK	USA	Eurozone	G7	OECD
2014	6.9	10.3	5.0	12.7	3.6	6.1	6.2	11.6	6.4	7.4
2015	6.9	10.4	4.6	11.9	3.4	5.3	5.3	10.9	5.8	6.8
2016	7.0	10.1	4.1	11.7	3.1	4.8	4.9	10.0	5.5	6.3
2016 Q3	7.0	9.9	4.1	11.6	3.0	4.8	4.9	9.9	5.4	6.3
Q4	6.9	10.0	3.9	11.8	3.1	4.7	4.7	9.7	5.3	6.2
2017 Q1	6.7	9.6	3.9	11.6	2.9	4.5	4.7	9.5	5.2	6.0
Q2	6.5	9.5	3.8	11.2	2.9	4.4	4.4	9.2	5.0	5.8
Q3	6.2	9.7	3.6	11.2	2.8	..	4.3	9.0
<i>Change on qtr</i>	<i>-0.3</i>	<i>0.2</i>	<i>-0.1</i>	<i>0.0</i>	<i>-0.1</i>	<i>...</i>	<i>-0.1</i>	<i>-0.2</i>	<i>...</i>	<i>...</i>
<i>Change on yr</i>	<i>-0.8</i>	<i>-0.2</i>	<i>-0.5</i>	<i>-0.4</i>	<i>-0.2</i>	<i>...</i>	<i>-0.6</i>	<i>-1.0</i>	<i>...</i>	<i>...</i>

Source: OECD, Harmonised Unemployment Rates

Subject Specialist

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Next Update

OECD, [Harmonised Unemployment Rates](#),
12 December 2017

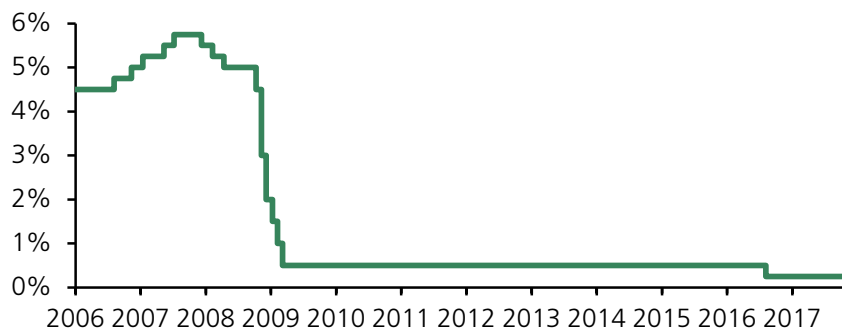
D1: Interest Rates and Monetary Policy

Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates have stayed at historic lows since then, close to or below 0% in most developed economies.

UK (Bank of England)

The Bank of England's Monetary Policy Committee (MPC) raised interest rates for the first time in over a decade at its November policy meeting. The MPC voted by a majority of 7-2 to **increase its interest rate by 0.25%-points to 0.5%**.

UK official interest rate



The fall in the value of the pound since early 2016 and, particularly, following the Brexit vote in June 2016, has pushed up inflation to 3.0% – above the MPC's 2% target. Despite relatively subdued economic growth in recent quarters, the MPC believes that there is little spare capacity in the economy. This means that to bring inflation down to its target, the MPC believes that interest rates needed to be raised.

The key factor behind this decision is the MPC's downgrading of what it [believes](#) the growth rate the UK economy can comfortably achieve without generating inflation is, to 1.5% per year.

The MPC's **quantitative easing** (QE) programme, where the Bank creates new money to buy financial assets, remains active and unchanged. QE now totals £445 billion of assets, mostly government bonds.

Eurozone (European Central Bank)

At its October 2017 [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0%. It also reduced the size of its quantitative easing programme – whereby it purchases assets (mostly government bonds of Eurozone countries) in an attempt to stimulate the economy – from €60bn per month currently to €30bn beginning in January until September 2018, or longer "if necessary".

United States (Federal Reserve)

At its two-day policy meeting ending on 1 November, the US Federal Reserve [left interest rates unchanged](#) at 1.0-1.25%. Rates have been increased gradually from 0-0.25% since December 2015 against a backdrop of jobs growth and steady economic growth.

The MPC raised interest rates by 0.25%-points to 0.5% at its 2 Nov. [meeting](#).

For more on the rate rise by the Bank of England, see the Library's blog post: [Why have interest rates been raised? And what's the impact?](#)

Subject Specialist

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Updates – next monetary policy meetings

UK ([14 Dec](#))
ECB ([14 Dec](#))
US ([12-13 Dec](#))

D2: Public finances

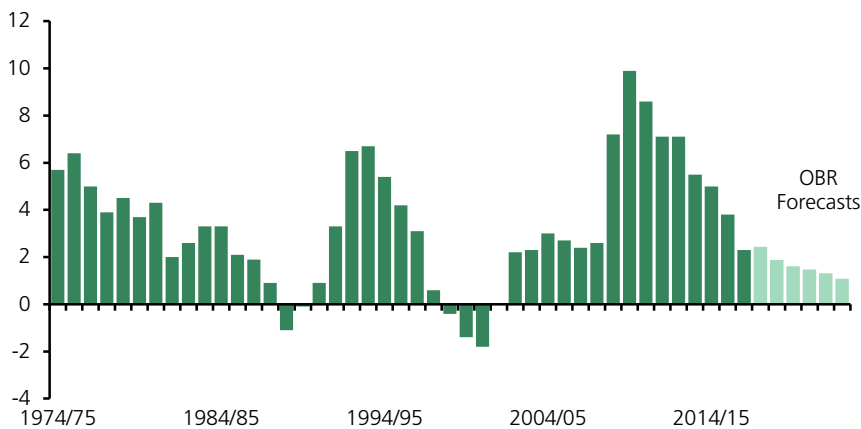
	Net borrowing		Net debt	
	£ bn	% GDP	£ bn	% GDP
2010/11	137	8.6%	1,158	71.4%
2011/12	116	7.1%	1,253	75.1%
2012/13	121	7.1%	1,364	78.6%
2013/14	98	5.5%	1,464	80.5%
2014/15	92	5.0%	1,555	82.9%
2015/16	73	3.8%	1,603	82.6%
2016/17	46	2.3%	1,727	85.6%
2017/18	50	2.4%	1,791	86.5%
2018/19	39	1.9%	1,840	86.4%
2019/20	35	1.6%	1,885	86.1%
2020/21	33	1.5%	1,879	83.1%
2021/22	30	1.3%	1,853	79.3%
2022/23	26	1.1%	1,909	79.1%

Sources: ONS, OBR. Excludes public sector banks

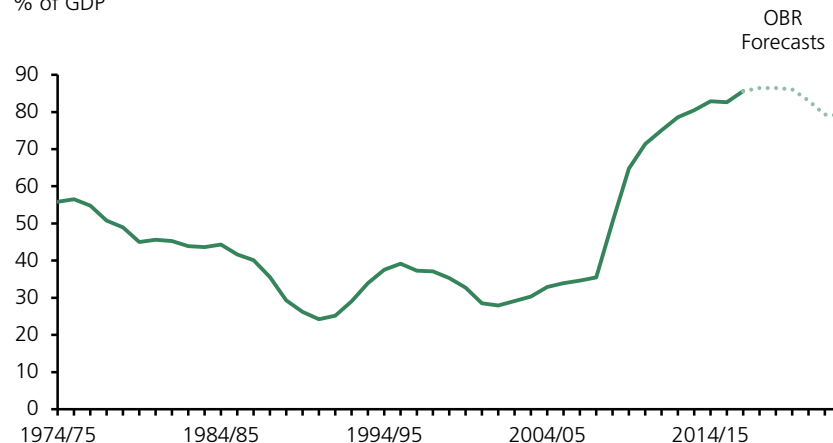
As a result of the OBR predicting slower economic growth over the period of the forecast – compared with its March 2017 forecast – the OBR has increased its forecast for borrowing by over £10 billion in each year between 2019/20 – 2021/22.

The OBR forecast debt to peak this year at 86.5% of GDP and decrease in subsequent years, falling to around 79% of GDP in 2022/23.

Public sector net borrowing
% of GDP



Public sector net debt
% of GDP



The OBR revised their forecasts for the public finances alongside Autumn Budget 2017. The OBR now expects lower borrowing this year compared with its March 2017 forecast. The OBR’s borrowing forecast for 2018/19 has also been lowered, however this is largely a result of English Housing Associations being moved – by the ONS – out of the public sector.

The ONS’s figures for 2016/17 are provisional: they’re not final figures and may be revised as provisional data are replaced with final audited data.

English Housing Associations were [reclassified](#) to the private sector by the ONS from 16 November 2017. Their borrowing and debt is therefore outside of the public sector.

Net borrowing – often described as the deficit – is the difference between what the government spends and what it receives in taxes over a particular time period.

Net debt is the total amount that the public sector owes – it is largely the stock of past borrowing.

Subject Specialist

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Next update

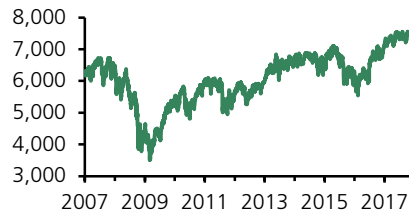
OBR, [Economic and fiscal outlook – March 2018](#), March 2018

ONS, [Public sector finances](#), 21 December 2017

D3: Financial Indicators

FTSE-100 Index

FTSE-100 Index
Daily closing price

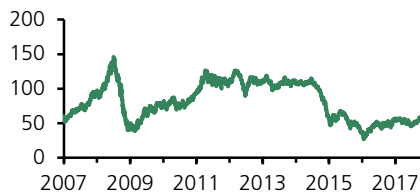


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite some turbulence following the EU Referendum result, the index hit a series of highs from October 2016 and closed at twelve successive record highs between December

2016 and January 2017. This is the index's longest run of successive all-time peaks since its inception in 1984. More recently the index passed 7,500 for the first time in May 2017 and closed at another record high (7,562 points) on 6 November.

Brent Crude Oil

Brent Crude Oil (\$ per barrel)
Daily closing price of Brent crude, near-month futures contract

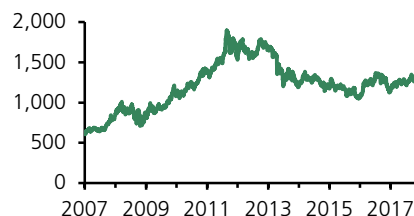


The price of Brent crude oil reached an all-time high above \$145/barrel in July 2008. In January 2016, the price fell below \$30/barrel for the first time since February 2004. The price has since climbed and has remained above or around \$50/barrel since December 2016, after OPEC

agreed to its first supply cut in eight years. Since 27 October 2017, it has closed at above \$60/barrel, its highest level in over two years.

Gold price

Gold (\$ per ounce)
Daily price



The nominal price of gold exceeded \$1,800/ounce for the first time in August 2011, but the metal's price has since moderated considerably. In December 2015, it fell to its lowest level in six years, though has remained above \$1,200/ounce for all of 2017.

Data from 4 December 2017

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
04 Dec 2017	7338.97	62.94	1273.45
%change over:			
1-month	-3%	4%	0%
12-months	9%	16%	9%

Note: Oil is Brent near-month futures price

Source: Financial Times

Subject Specialist

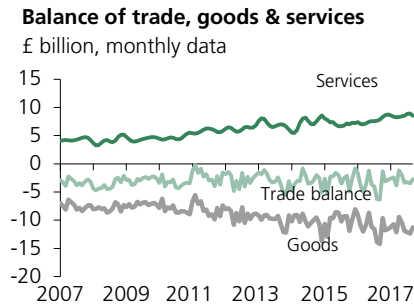
Daniel Harari
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Updates

Financial Times, Weekly
Basis

E1: Trade

In 2016, the UK's exports of goods and services totalled £547 billion and imports totalled £590 billion. The EU accounted for 43% of UK exports of goods and services and 54% of imports in 2016.



Overall, the UK imports more than it exports meaning that it runs a trade deficit. A deficit of £135.4 billion on trade in goods was partially offset by a surplus of £92.4 billion on trade in services in 2016. The overall trade deficit was £43.0 billion in 2016 (2.2% of GDP).

The UK had a trade deficit with the EU of £82.2 billion in 2016 and a trade surplus of £39.2 billion with non-EU countries.

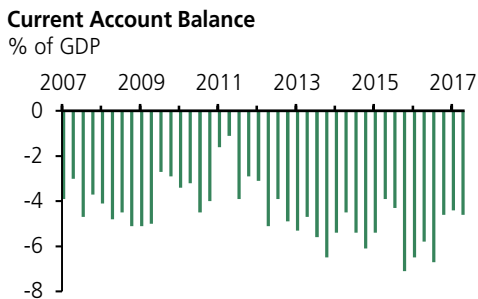
The trade deficit was £9.2 billion in the three months to September compared with £6.5 billion in the three months to June. Exports fell by 0.1% over this period. Imports increased by 1.6% (both figures in cash terms).

Trade in Goods and Services and Current Account Balance
Seasonally adjusted

	Goods and Services (£bn)			Current Account balance	
	Exports	Imports	Balance	£bn	% GDP
2015	517.2	549.5	-32.4	-98.1	-5.2%
2016	547.5	590.5	-43.0	-115.5	-5.9%
2016 Q3	136.8	153.4	-16.6	-33.0	-6.7%
Q4	147.5	154.8	-7.3	-22.8	-4.6%
2017 Q1	149.4	158.3	-8.9	-22.3	-4.4%
Q2	152.6	159.1	-6.5	-23.2	-4.6%
Q3	152.5	161.8	-9.2

Source: ONS, series: IKBH, IKBI, IKBJ, HBOP, AA6H

The current account, which includes investment income and transfers as well as trade, saw a deficit of £115.5 billion in 2016, compared with £98.1 billion in 2015. The current account deficit was 5.9% of GDP in 2016 compared with 5.2% in 2015.



The current account deficit was £23.2 billion in Q2 2017 (4.6% of GDP), up from £22.3 billion (4.4% of GDP) in Q1 2017.

Note that current account balance data was significantly revised in Q2 2017 to ensure that it is consistent with Gross Domestic Product.

Subject Specialist

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x2042

Update

ONS, [UK Trade](#), 8 Dec

ONS, [UK Balance of Payments](#), 22 Dec

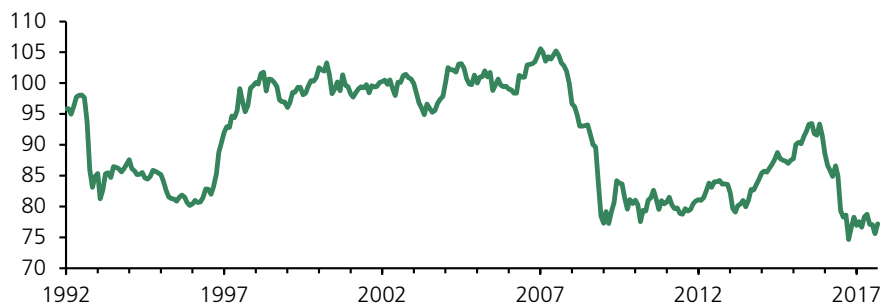
E2: Exchange Rates

The Sterling Exchange Rate Index (SERI) measures sterling’s value against a ‘basket’ of currencies, ‘trade-weighted’ (based on currencies’ relative importance in UK trade).

The SERI increased by 0.4% between October and November 2017, following a rise of 0.2% between September and October. This is the SERI’s third successive monthly rise. Compared with the same period a year ago, it is 1.3% higher. It is 26.4% below its January 2007 peak level.

Sterling Exchange Rate Index (SERI)

Jan 2005=100



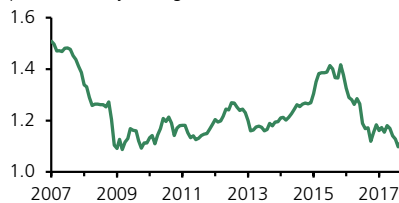
On average in November compared with October, the pound was up 0.2% against the dollar, and up 5.9% from November 2016. This was the third successive month the year on year increase has been positive. The value of the pound against the dollar has fallen sharply since the EU Referendum, from \$1.48 on 23 June 2016 to \$1.35 on 4 December 2017.

Latest closing prices:
 \$1.35 per £1
 €1.14 per £1
 (On 4 Dec 2017)

Sterling was up 0.3% against the Euro on average in November compared to October. On 4 December, the Euro was valued at €1.14 per £1. This compares with a daily all-time low of €1.02 (on 30 December 2008), and a launch rate of €1.48 on 31 December 1998.

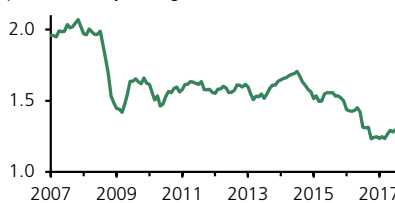
€/£ Exchange Rate

€ per £ (monthly average)



US\$/£ Exchange Rate

\$ per £ (monthly average)



Sterling Exchange Rates

average rates in period and % changes

	US Dollar (\$)		Euro (€)	
	Rate	% change on yr	Rate	% change on yr
2014	1.65	5.3%	1.24	5.4%
2015	1.53	-7.2%	1.38	11.0%
2016	1.35	-11.4%	1.22	-11.2%
2017 Sep	1.33	1.4%	1.12	-4.6%
Oct	1.32	7.0%	1.12	0.3%
Nov	1.32	6.3%	1.13	-2.4%

Source: Bank of England, Bankstats database

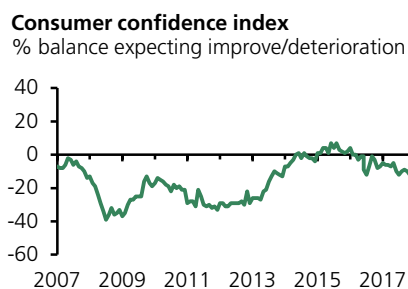
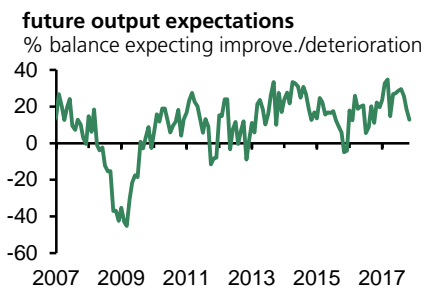
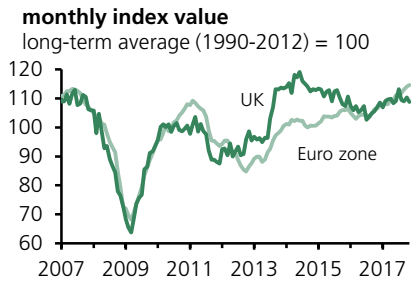
Subject Specialist
 Daniel Harari
 x2464

Updates
 Financial Times, [sterling exchange rates](#) (daily)

Bank of England, [SERI & monthly rates](#), Early January 2018

F1: Business and Consumer Confidence

Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.



European Commission Economic Sentiment Indicator

The European Commission conducts regular harmonised surveys for different sectors of EU member states' economies.

Between October and November 2017, the overall UK sentiment index decreased by 1.5 points to 108.8, just above May 2017's figure of 108.3.

CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In November, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +13% of manufacturers, a decrease from +19% in October and the lowest it has been since October 2016.

GfK NOP Consumer Confidence Survey

GfK NOP's Consumer Confidence Index measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.

In November, the overall consumer confidence index was -12, down by 2 from -10 in October.

Subject Specialist

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Update

EC, [Economic Sentiment Indicator](#), 8 January 2018

CBI, [Industrial Trends](#), Mid-December 2017

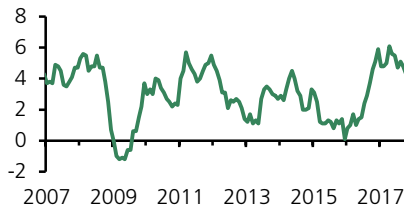
GfK NOP, [Consumer Confidence](#), 21 December 2017

F2: Retail Sales

The total annual retail sales value for 2016 was £388 billion.

In October 2017, the quantity bought (volume) in retail sales increased by 0.3% compared with the previous month.

Value of retail sales (incl. vehicle fuel)
3 mth % change on yr, seasonally adjusted

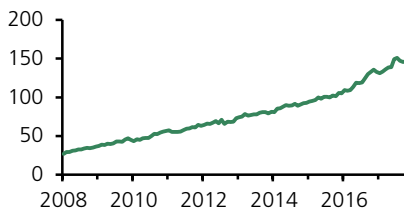


Compared to the same period a year ago, the value of retail sales was up 4.3% in the three months to October 2017.

However, most of the rise was the result of inflation. The quantity bought (volume) in the retail industry was estimated to have

increased by only 1.1% in the three months to October 2017 compared to the same period a year ago.

Value of internet retail sales
2015=100, seasonally adjusted



The average weekly value of **internet sales** in Great Britain was £1.2 billion in October 2017.

Online sales increased year-on-year by 10.7% and by 0.7% on the month, accounting for approximately 17.0% of all retail spending.

Value of retail sales
Index 2015=100, seasonally adjusted

		Food	Non-food	Total
2015	Oct	99.3	99.8	99.6
2016	Oct	102.9	105.4	106.3
2017	Aug	104.5	108.3	109.5
	Sep	104.4	106.5	109.0
	Oct	104.2	107.2	109.3
3m % change on yr		1.8	3.9	4.3

The value of sales in food stores in the three months to October 2017 was up 1.8% on the same period last year.

The value of sales in non-food stores was up 3.9% on last year.

Change on year is the change on the most recent three month period compared to the same period a year earlier

Total includes fuel and non-store retailing

Source: ONS, series: J5C4, EAQW, EAQY, J5BY, IEAU, IEAX

All figures are **seasonally adjusted**

Seasonal adjustments estimate and remove calendar effects (for example Easter moving between March and April) and seasonal effects (for example increased spending in December as a result of Christmas).

Subject Specialist

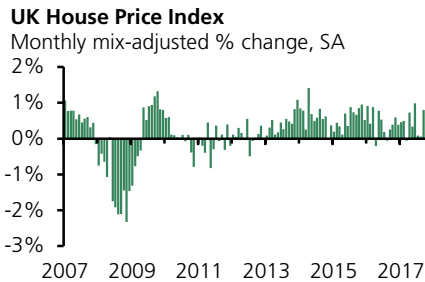
Chris Rhodes
x2454

Updates

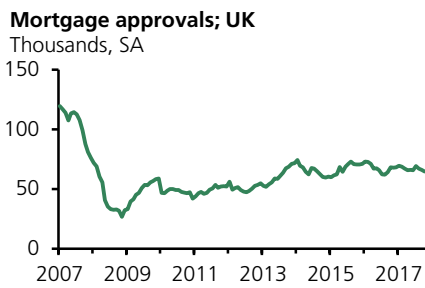
ONS, [Retail Sales](#),
14 December 2017

F3: Housing Market

House prices, as measured by the UK House Price Index, increased by 5.4% between September 2016 and September 2017. On a seasonally adjusted basis house prices increased by 0.8% between August and September 2017.



There are regional differences in house prices. The average price is highest in London at roughly £484,000. The lowest prices are found in Northern Ireland and the North East at £132,000 and £130,000 respectively.

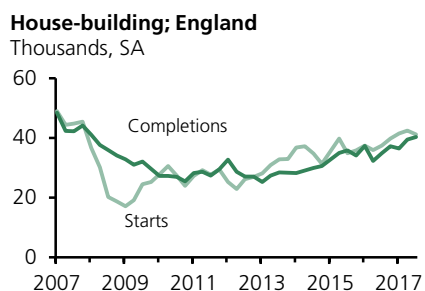


Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.

Mortgage approvals in October 2017 were down 2.3% on the previous month and down 5.2% on a year ago. Approvals remain well down on pre-recession levels.

There were 64,575 mortgage approvals in October 2017, compared with 68,124 in October 2016.

Housing starts decreased by 3% in Q2 2017 compared with Q1 2017. Housing starts and completions have increased from the lows observed in late 2008 and early 2009 but remain below pre-recession levels.



There were 41,180 house building starts (seasonally adjusted) in England in Q2 2017, a 3% decrease on the previous quarter, but up 10% on the same quarter of 2016. This is above the recent low of 17,150 in Q1 2009, but still below the 48,970 starts in Q1 2007.

There were 40,310 dwelling completions (seasonally adjusted) in Q2 2017, up 2% on the previous quarter and 15% on the same quarter of 2016. Completions remain below the peak of 48,440 completions in Q1 2007.

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Updates

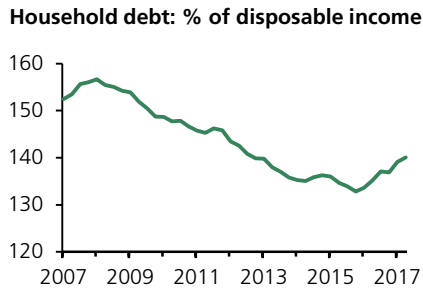
HM Land Registry, [UK house price index](#), 12 December 2017

Bank of England, [Money and credit](#), 4 January 2018

DCLG, [House-building](#), 19 December 2017

F4: Household Debt

Household debt as a % of disposable income

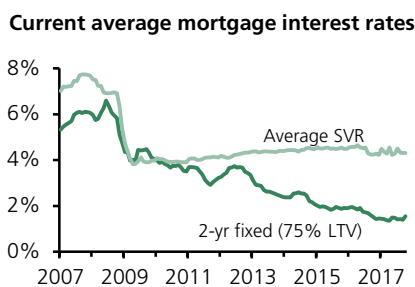


Household debt peaked in Q1 2008 at 157% of household gross disposable income. It then fell until 2011, before falling more slowly over the next few years.

In 2016 household debt started to increase again as a proportion of income. It stood at 140% of disposable income in Q2 2017 –

its highest value since Q3 2012.

Current average mortgage interest rates



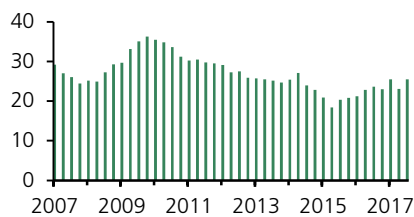
The Standard Variable Rate (SVR) was 4.31% in October 2017, similar to the level a year ago.

The average 2-year fixed mortgage rate was 1.51% in October, up by from 1.40% in September. This was the biggest monthly increase since late 2012, and was probably

in anticipation of the much trailed [base interest rate rise that the Bank of England announced at the beginning of November 2017](#).

Individual insolvencies, England and Wales

Individual insolvencies;
England and Wales, Thousands



There were 25,479 individual insolvencies in England and Wales in Q3 2017, an increase of 11% on the previous quarter, and 8% up on the same period in 2016. The number of individual insolvencies in the first three quarters of 2017 was the highest first three quarterly total since

2014.

In Scotland, there were 2,472 individual insolvencies in Q3 2017, a fall of 0.5% on a year earlier. In Northern Ireland, there were 684 individual insolvencies in Q3 2017, an increase of 25.0% on a year earlier.

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Updates

Bank of England,
[Statistical database](#), 4
January 2018

Insolvency Service,
[Insolvency Statistics](#), 26
January 2018

ONS, [UK Economic Accounts](#), 22
December 2017

4. Glossary

4.1 Definitions²

Balance of payments: A country's financial position, with other countries of the world, comprising two parts:

Current account: the balance of imports and exports of goods and services, income and transfers combined;

Capital account: the difference between a country's capital invested in other countries, and the capital invested by other countries in it. Technically, the two parts always balance. A balance of payments deficit normally refers to a current account deficit.

Balance of trade: The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

Basic prices: Prices excluding taxes and subsidies on products.

Claimant count: The number of people aged 18 and over claiming Jobseeker's Allowance (JSA) benefits. This includes out-of-work Universal Credit claimants.

Consumer Prices Index (CPI): This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

Current account balance: The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A current account deficit means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

Current budget: Measures the balance of public sector current account revenue over public sector current expenditure.

Current/constant prices: Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Economically active: Those aged 16 and over who are either in employment or unemployed.

Economically inactive: Those aged 16 and over who are neither in employment nor unemployed. This includes those who do not want a job, those who want a job but have not been seeking work in the last four weeks and those who want a job and are seeking work but not available to start work.

² Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

Employment: The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

Exchange rate: The rate at which one currency is traded against another.

Gross Domestic Product (GDP): The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

Gross Domestic Product – Real GDP: Also known as constant price or chained volume measure, this is a measure used to indicate change in the actual quantity of goods and services produced, by adjusting for inflation.

Gross Fixed Capital Formation (GFCF): Expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.

Gross Value Added (GVA): The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA is used to measure the productivity of sectors/industries and economies.

Harmonised Indices of Consumer Prices (HICP): Harmonised indices of consumer prices for Member States of the European Union, which enable comparisons to be made across countries. The UK's CPI measure uses HICP methodology.

Market prices: The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes. $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non-deductible taxes on expenditure} - \text{subsidies received}$.

Money supply: The total amount of money in an economy at a given time.

The Public Sector Net Borrowing (PSNB): This measures the public sector's accumulation of debt net of liquid financial assets. Its approximate stock equivalent is net public sector debt.

Public Sector Net Debt: This is approximately the stock analogue of the PSNB. It measures the public sector's financial liabilities to the private sector and abroad, net of short-term financial assets such as bank deposits and foreign exchange reserves.

Retail Prices Index (RPI): A domestic indicator of inflation. It measures the average change from month to month in the prices of goods and services purchased in the UK. It is similar to the CPI, but differs in terms of methodology and coverage. For example, the RPI includes housing costs such as mortgage interest payments while the CPI doesn't.

Seasonally adjusted: Estimates in which the element of variability due to seasonal influences, which may distort the data, has been removed.

Sterling Exchange Rate Index (SERI): This measures the value of sterling against a trade-weighted 'basket' of other currencies. The weights used in this index measure currencies' relative importance to UK trade in goods and services.

UK Base/Repo rate: The rate at which the Bank of England lends to discount houses by buying their bills. The base rate is usually the minimum rate at which banks are prepared to lend money. The high street bank base rate follows that set by the Bank of England, and it acts as the benchmark for other interest rates, including mortgages and personal loans.

Unemployment: The ILO definition includes all people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or are out of work and have accepted a job that they are waiting to start in the next fortnight.

Unemployment rate: The number of unemployed persons expressed as a percentage of the total economically active population.

Volume/value of retail sales: The volume of retail sales is the total takings adjusted for inflation and the value of retail sales is the total actual takings.

Workforce jobs: The sum of employee jobs, self-employment jobs, those in HM Forces and government-supported trainees.

4.2 Symbols and abbreviations

..	Figure(s) not yet available
CBI	Confederation of British Industry
ILO	International Labour Organisation
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics

5. Indicator Sources

Indicator Page	Sources
A1 Gross Domestic Product	ONS, <i>GDP Preliminary Estimates</i> ONS, <i>Second Estimates of GDP</i> ONS, <i>Quarterly National Accounts</i> HM Treasury, <i>Forecasts for the UK Economy</i>
A2 GDP: International	OECD, <i>OECDStat database</i> OECD, <i>Economic Outlook</i> IMF, <i>World Economic Outlook</i> European Commission's growth forecasts
A3 Components of GDP	ONS, <i>Second Estimate of GDP</i> ONS, <i>Quarterly National Accounts</i>
A4 Services	ONS, <i>Index of Services</i> Markit/CIPS, <i>UK Services Purchasing Managers Index</i>
A5 Manufacturing	ONS, <i>Index of Services</i> Markit/CIPS, <i>UK Manufacturing Purchasing Managers Index</i>
A6 Productivity	ONS, <i>Labour Productivity</i>
B1 Inflation	ONS, <i>Consumer Price Indices</i>
B2 Inflation: International	OECD, <i>Main Economic Indicators</i> Eurostat
B3 Average Earnings	ONS, <i>Labour Market Statistics</i> ONS, <i>Annual Survey of Hours and Earnings</i>
C1 Employment	ONS, <i>Labour Market Statistics</i>
C2 Unemployment: National	ONS, <i>Labour Market Statistics</i>
C3 Unemployment: International	OECD, <i>Main Economic Indicators</i> OECD, <i>Economic Outlook</i>
D1 Interest Rates and Monetary Policy	Bank of England, <i>Monetary Policy Committee decisions and minutes</i> Federal Reserve, <i>Federal Open Market Committee decisions</i> European Central Bank news releases Bank of England: Bankstats, <i>Tables A1.1 and A2.2.1</i> ONS Database
D2 Public Finances	ONS, <i>Public sector finances</i> Forecasts from Office for Budget Responsibility
D3 Financial Indicators	Financial Times, <i>Market Data</i>
E1 Trade	ONS, <i>UK Balance of Payments</i> ONS, <i>UK Trade</i>
E2 Exchange Rates	Financial Times, <i>Sterling Exchange Rates</i> Bank of England, <i>SERI & monthly rates</i>
F1 Business and Consumer Confidence	EC, <i>Economic Sentiment Indicator</i> CBI, <i>Industrial Trends Survey press release</i> GfK NOM, <i>Consumer Confidence Index</i>
F2 Retail Sales	ONS, <i>Retail Sales</i>
F3 Housing Market	ONS, <i>UK House Price Index</i> Bank of England, <i>Money and Credit</i> DCLG, <i>House-Building</i>
F4 Household Debt	Bank of England, <i>Lending to Individuals</i> The Insolvency Service, <i>Insolvency Statistics</i>

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