



## BRIEFING PAPER

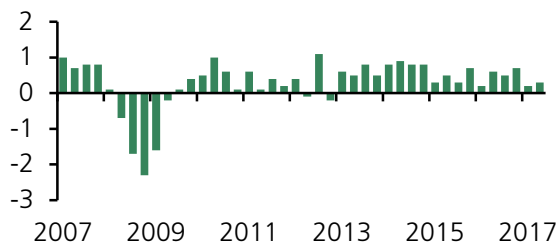
Number 8080, 5 September 2017

# Economic Indicators, September 2017

By Daniel Harari,  
Matthew Ward

### GDP growth

% change on previous qtr



GDP grew by 0.3% in Q2 2017, following growth of 0.2% in Q1 2017

### Consumer Prices Index (CPI)

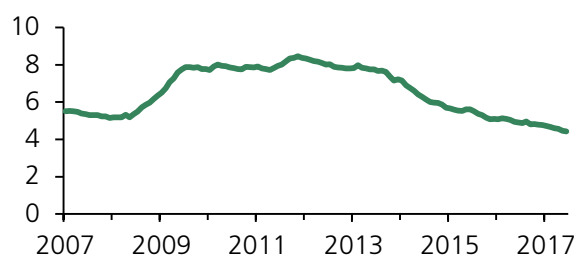
% change on yr



Consumer prices rose by 2.6% in July 2017 compared with a year ago, unchanged from June.

### Unemployment rate

%



The unemployment rate was 4.4% in the three months to June 2017. This is down from 4.6% in the previous three-month period.

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# 1. Headline UK Economic Indicators, September 2017

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<b>Gross Domestic Product:</b> Q2 2017, Seasonally Adjusted		
Change (real %)	0.3 (qtr)	1.7 (yr)
<b>Industries</b>		
<b>Service output:</b> June 2017		
Change (%)	0.4 (mth)	2.5 (yr)
<b>Manufacturing output:</b> June 2017		
Change (%)	-0.6 (mth)	0.2 (yr)
<b>Productivity:</b> Q1 2017, Seasonally Adjusted		
<b>Output per hour</b>		
Change (%)	-0.1 (qtr)	-0.1 (yr)
<b>Inflation:</b> July 2017		
Change on year (%)	2.6 (CPI)	3.6 (RPI)
<b>Labour Market:</b> Apr - June 2017, Seasonally Adjusted		
<b>Unemployment</b>		
Unemployment Rate (% of economically active)		4.4
Change (% points)	-0.2 (qtr)	-0.5 (yr)
<b>Employment</b>		
Employment Rate (% aged 16-64 in work)		75.1
Change (% points)	0.4 (qtr)	1.1 (yr)
<b>Interest Rate:</b> as of 4 September 2017		
Bank of England Base Rate		0.25 (%)
<b>Public Finances:</b> 2016/17		
Net borrowing	45 (£ bn)	2.3 (% GDP)
Net debt	1,727 (£ bn)	86.8 (% GDP)
<b>Trade:</b> Q1 2017		
Current Account	-16.9 (£ bn)	-3.4 (% GDP)
<b>Sterling Exchange rate:</b> 4 Sept 2017		
US Dollar (\$)	1.30 (rate)	-2.3 (% change on yr)
Euro (€)	1.09 (rate)	-9.4 (% change on yr)
<b>EC Economic Sentiment Indicator for UK:</b> July 2017		
Points (1990-2012 average = 100)		109.6
Change (points)	-3.6 (mth)	+5.7 (yr)
<b>Retail Sales:</b> July 2017, Seasonally Adjusted, 3 month average		
Retailing total (inc vehicle fuel), value		4.7 (% change on yr)
<b>Housing Market:</b> April 2017, Seasonally Adjusted		
<b>House Price Index (ONS)</b>		
Change (%)	0.5 (mth)	4.9 (yr)

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

## 2. This month's developments

As summer fades away in the rear view mirror, we take this opportunity to summarise the economy's journey over the past few months. GDP growth has slowed this year, as consumers are squeezed by higher inflation. The recent upward trend in consumer price inflation, however, appears to have come to an end in recent months. Latest estimates of productivity show that its decade-long poor performance continues. This remains a significant hurdle to future growth prospects and living standards.

### Sluggish GDP growth in first half of year...

Economic growth slowed markedly in the first half of 2017 as consumers reined in their spending in the face of higher inflation. [Latest figures](#) confirmed that GDP had increased by 0.3% in Q2 2017 compared with the previous quarter, up slightly from 0.2% in Q1 2017, but below the 0.6% average seen over the previous four years.

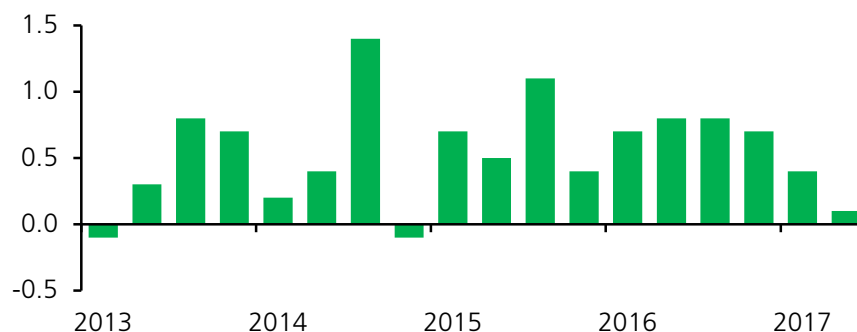
This weakness is disappointing given the generally upbeat performance of the global economy, including relatively strong growth in the Eurozone. Indeed, GDP growth in the UK has been the [slowest of the G7 economies](#) in the first half of the year, in contrast to previous years when the UK has been closer to the top of the growth table.

### ...due to weakness in consumer spending

The biggest factor in the UK slowdown has been weakness in consumer spending, which had been the main driver of growth in 2016. Higher inflation in 2017 has reduced the purchasing power of households, as average earnings have failed to keep pace with inflation. In Q2 2017, consumer spending was up by 0.1% compared with the previous quarter, the slowest rate of increase since the end of 2014.

### Consumer spending growth slowing

% change on previous quarter

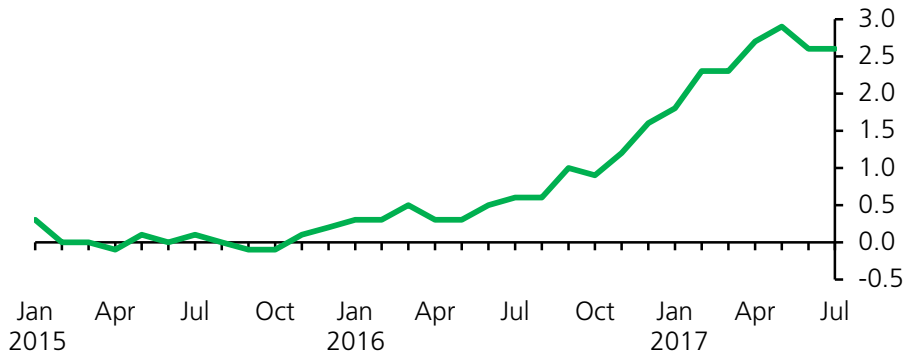


### Is inflation stabilising?

There are some signs that the upward trend in the rate of inflation seen since mid-2016 is coming to an end. The CPI measure of inflation [remained unchanged](#) at 2.6% in July, slightly lower than the recent peak of 2.9% seen in May. With the impact of last year's fall in the pound on import prices fading, [inflationary pressures for producers](#) have eased somewhat in recent months.

### Consumer prices

CPI, annual % change



That said, [economic forecasters expect](#) consumer price inflation to remain in a range of around 2.5-3% for at the next year or so, before easing back. Changes in the exchange rate and commodity prices (particularly in oil) will play important roles in determining the future path of inflation as will domestically-generated inflation, such as wage growth and changes to company profit margins.

### Poor productivity performance continues

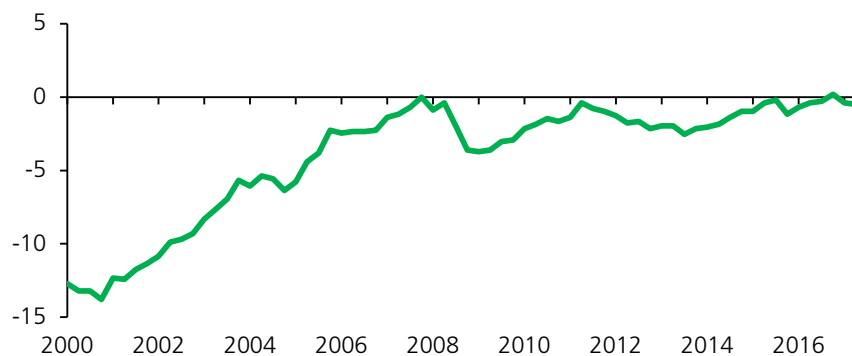
As noted above, average earnings growth has [remained subdued](#), increasing by around 2% on an annual basis, despite what would traditionally be deemed a strong labour market – the proportion of working-age people in employment (75.1%) is the highest since comparable records began in 1971 and the unemployment rate (4.4%) is the lowest since 1975.

At face value this is puzzling. We would normally expect this to mean employees are able to demand bigger pay rises as the pool of available workers is small. One reason why this hasn't happened yet is the poor performance of productivity growth (how much is produced per hour worked). Simply put, real wage and productivity growth should move closely together over time.

Productivity has stagnated over the past decade: the amount produced per hour in Q2 2017 was slightly lower than in Q4 2007 (just before the recession began). [Latest data](#) show that it fell in each of the first two quarters of 2017. For a sustained improvement in living standards to occur, the economy's productivity performance needs to improve.

### Productivity has stagnated since 2007

% difference from Q4 2007 productivity level (output per hour)



## Headline indicators

**GDP** grew by 0.3% in Q2 2017 compared to the previous quarter, following growth of 0.2% in Q1 2017.

**Productivity** across the whole UK economy decreased by 0.1% in Q2 2017 compared with the previous quarter, and decreased by 0.1% from a year ago (data based on 'flash' ONS estimates). Since the recession, productivity has stagnated.

In Q2 2017 **service sector output** increased by 0.5% in real terms compared with Q1, greater than growth of 0.1% in the previous quarter.

**Manufacturing output** was down by 0.6% in Q2 compared with growth of 0.3% in Q1.

**CPI inflation** was 2.6% in July 2017, unchanged from June 2017, but down slightly from 2.9% in May. Annual inflation in the Eurozone is provisionally estimated as 1.5% in August 2017, up from 1.3% in July. After adjusting for inflation, in the three months to June 2017, **average weekly earnings** including bonuses decreased by 0.6% compared to last year.

The **employment rate** in the three months to June 2017 was 75.1%, up 1.1% points on the previous year, and at its highest rate since comparable records began in 1971. The **unemployment rate** was 4.4%, down 0.5% points from the previous year, and at its lowest rate since 1975.

The Bank of England's **interest rate** remains at 0.25%. It has been at this level since August 2016 when the rate was decreased from 0.5%.

The government is estimated to have **borrowed** £46 billion in 2016/17, a decrease of £26 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 86.8%, an increase from 83.5% at the end of 2015/16.

The **FTSE-100 Index** closed at 7,411 points on 4 September, down 1% on the month, and up 8% on a year ago.

The UK had a **trade deficit** of £37 billion in 2016, with exports totalling £548 billion and imports totalling £585 billion. The trade deficit was £8.9 billion in the three months to June compared with £8.8 billion in the three months to March. The **current account deficit** was £16.9 billion (3.4% of GDP) in Q1 2017, up from £12.1 billion (2.4% of GDP) in Q4 2016.

The **value of the pound against the euro** was €1.08 on 3 September, the pound's lowest value against the euro since October 2009.

The volume of **retail sales** in Great Britain in the three months to July 2017 was up 1.8% from the previous year.

**House prices** increased by 4.9% in the year to June 2017, and by 0.5% between May and June.

**Household debt** stood at 145% of disposable income in Q1 2017 – its highest level since Q2 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

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# A1: Gross Domestic Product

The economy grew by 0.3% in Q2 2017 compared to the previous quarter, following growth of 0.2% in Q1 2017.

The ONS reports the growth in Q2 2017 was driven by services, which grew by 0.5% compared with 0.1% growth in Q1 2017. Construction and manufacturing were the largest downward pulls on GDP growth.

<b>Real Gross Domestic Product</b> seasonally adjusted		
	% change on qtr	% change on yr
2014	...	3.1
2015	...	2.2
2016	...	1.8
2016 Q2	0.6	1.7
Q3	0.5	2.0
Q4	0.7	1.9
2017 Q1	0.2	2.0
Q2	0.3	1.7

GDP in Q2 2017 was 1.7% higher than a year before.

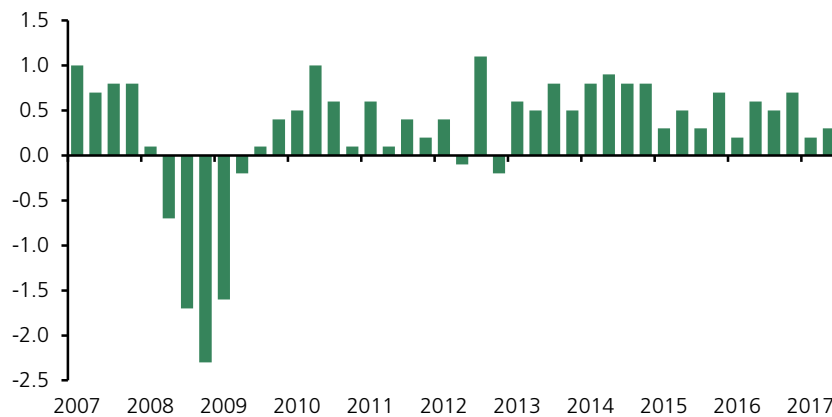
GDP has now increased for 18 consecutive quarters and is estimated to have grown by 1.8% in 2016, compared to growth of 2.2% in 2015.

GDP in cash terms was £1,940 billion in 2016.

Source: ONS, series: IHYP, IHYQ, IHYR

## GDP growth

% change on previous qtr



## Forecasts

In August 2017, the Treasury survey of independent forecasts for GDP growth showed an average forecast of 1.6% for 2017 and 1.4% for 2018.

At the March 2017 Budget, the Office for Budget Responsibility (OBR) forecast growth of 2.0% in 2017 and 1.6% in 2018.

### Annual GDP growth forecasts (%)

	2017	2018
HM Treasury average of independent forecasts (Aug 17)	1.6	1.4
OBR forecasts (Mar 17)	2.0	1.6

Source:

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

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## Updates

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

ONS, [Quarterly National Accounts](#), 29 September 2017

OBR, [Economic and fiscal outlook](#), Autumn 2017



## A2: GDP International

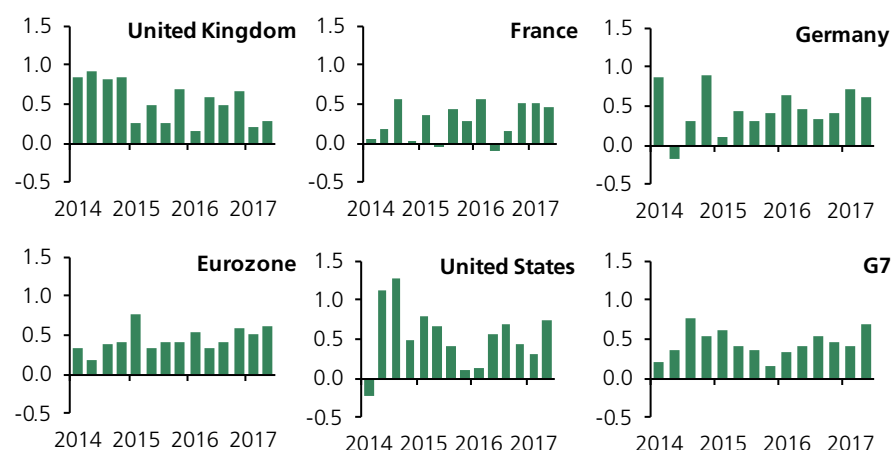
Real GDP in the UK grew by 0.3% in Q2 2017 compared with the previous quarter, the slowest in the G7. The US economy saw growth of 0.8%, while the Eurozone grew by 0.6%.

### Real GDP % changes

	change on quarter				change on year			
	Q3 16	Q4 16	Q1 17	Q2 17	Q3 16	Q4 16	Q1 17	Q2 17
UK	0.5	0.7	0.2	0.3	2.0	1.9	2.0	1.7
Eurozone	0.4	0.6	0.5	0.6	1.7	1.9	1.9	2.2
USA	0.7	0.4	0.3	0.8	1.5	1.8	2.0	2.2
Japan	0.3	0.4	0.4	1.0	1.0	1.7	1.4	2.1
Germany	0.3	0.4	0.7	0.6	1.9	1.9	1.9	2.1
France	0.2	0.5	0.5	0.5	0.9	1.2	1.1	1.7
G7	0.5	0.5	0.4	0.7	1.4	1.7	1.8	2.1
OECD	0.5	0.7	0.5	0.7	1.6	2.0	2.1	2.4

Source: OECDstat

### Quarter-on-quarter growth rates



### Forecasts

On 24 July, the IMF lowered its 2017 GDP growth [forecast](#) for the UK to 1.7% from its April forecast of 2.0% due to weaker than expected growth data in Q1 2017. Its 2018 forecast was unchanged at 1.5%.

### Real GDP growth forecasts % change

	IMF (Jul 17)		EC (May 17)		OECD (Jun 17)	
	2017	2018	2017	2018	2017	2018
UK	1.7	1.5	1.8	1.3	1.6	1.0
France	1.5	1.7	1.4	1.7	1.3	1.5
Germany	1.8	1.6	1.6	1.9	2.0	2.0
Eurozone	1.9	1.7	1.7	1.8	1.8	1.8
US	2.1	2.1	2.2	2.3	2.1	2.4
Japan	1.3	0.6	1.2	0.6	1.4	1.0
China	6.7	6.4	6.6	6.3	6.6	6.4
India	7.2	7.7	7.2	7.5	7.3	7.7
Brazil	0.3	1.3	0.5	1.8	0.7	1.6
<b>World</b>	<b>3.5</b>	<b>3.6</b>	<b>3.4</b>	<b>3.6</b>	<b>3.5</b>	<b>3.6</b>

Sources: IMF Jul'17 WEO update; EC Spring '17 forecast; OECD Economic Outlook Jun'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](#), 20 Sep 2017

IMF, [World Economic Outlook](#), Oct 2017

European Commission, [Autumn Economic Forecast](#), Nov 2017

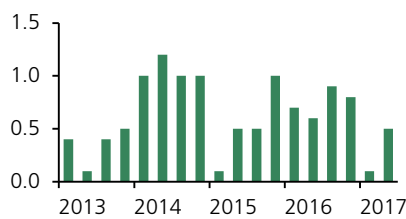
# A3: Components of GDP

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

Overall, GDP is estimated to have increased by 0.3% in real terms in Q2 2017 compared with the quarter before, up slightly from 0.2% in Q1.

## GDP by Industry

**Service sector**  
quarterly growth (%)



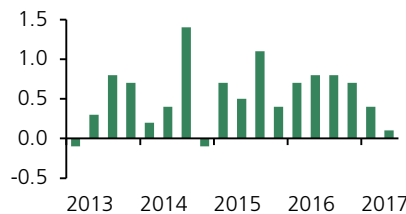
In 2015, the service sector accounted for 80% of economic output, the production sector for 13%, construction for 6% and agriculture for 1%.

In Q2 2017, service sector output increased by 0.5% in real terms compared with Q1, greater than growth of 0.1% in the previous quarter.

Manufacturing output was down by 0.6% (the production sector overall was down by 0.3%). Output in the construction sector was down by 1.3%.

## GDP by Expenditure

**Household Consumption**  
quarterly growth (%)



Household consumption is the largest element of expenditure, accounting for 62% of the total in 2016. Government consumption accounted for 19% and investment for 17%.

In Q2 2017, household consumption grew by 0.1% in real terms compared with Q1

2017. Government consumption was up 0.6% and investment was up 0.7%. Exports increased by 0.7% and imports increased by 0.7%.

**GDP by expenditure**  
% change on previous quarter (real terms)

	Household consumption	Government consumption	Investment	Exports	Imports	GDP
2015 *	2.5	1.3	3.4	6.1	5.5	2.2
2016 *	2.8	0.8	0.5	1.8	2.8	1.8
2016 Q2	0.8	0.2	0.2	1.3	0.3	0.6
Q3	0.8	-0.1	0.6	-2.1	2.3	0.5
Q4	0.7	0.0	0.1	4.6	-1.0	0.7
2017 Q1	0.4	0.7	1.0	-0.7	1.7	0.2
Q2	0.1	0.6	0.7	0.7	0.7	0.3

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

Note: \* annual % change

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### Updates

ONS, [Quarterly National Accounts](#), 29 Sep 2017

ONS, [Gross Domestic Product: Preliminary Estimate](#), 25 Oct 2017

ONS, [Second Estimate of GDP](#), 23 Nov 2017

## 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 Q2 2017 was still 0.5% below what it was over nine years earlier in Q4 2007 (the pre-recession peak level).

**Productivity - output (GDP) per hour**

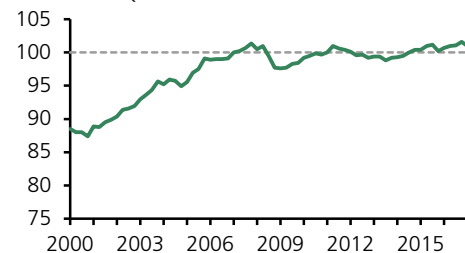
	% change on qtr	% change on yr
2015	..	0.9
2016	..	0.4
2016 Q3	0.2	-0.1
Q4	0.4	1.4
2017 Q1	-0.5	0.3
Q2*	-0.1	-0.1

Source: ONS series LZVD, TXBB

\* Based on 'flash' ONS estimate for Q2 2017

**Productivity level (GDP per hour)**

Index where Q1 2007 level = 100



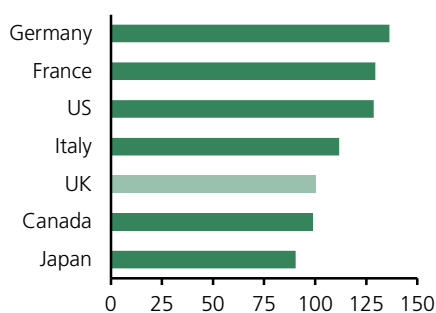
[Productivity](#) across the whole UK economy decreased by 0.1% in Q2 2017 compared with the previous quarter, and also decreased by 0.1% compared with a year before in Q2 2016 (data based on first ['flash' ONS estimates](#)). This follows a fall of 0.5% in Q1 2017 compared with the previous quarter.

### International comparisons

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

**Productivity (GDP per hour), 2015**

Index where UK=100



In 2015, 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 19 percentage points below the average of the rest of the G7 countries, the same gap as in 2014 and the largest since at least 1995 (when the ONS data series began).

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### Updates

ONS, [Productivity statistical bulletin](#), 6 Oct 2017

ONS, [International comparisons of productivity](#), 6 Oct 2017

# A5: Services

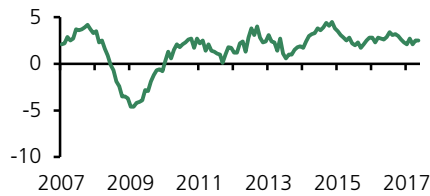
The service industries include the retail sector, the financial sector, the public sector, business administration, leisure and cultural activities.

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

Services output increased by 0.5% in Q2 2017 compared with 0.1% in Q1 2017. The largest contribution to quarterly growth came from the transport, storage and communication sector.

**Output - Index of Services**  
% change on previous year

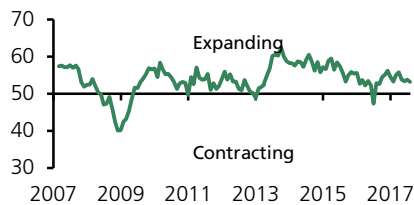


Services output increased by 0.4% in June 2017 compared to May.

Compared with a year before, services output increased by 2.5% in June 2017.

## 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 up to 53.2 in August, from 53.8 in July. It has

remained above the 50.0 no-change value for the thirteenth month running.

However, the latest reading was the weakest rise since September 2016 and signalled a slower rate of business activity growth than the post-crisis trend. Survey respondents noted that subdued client demand and heightened uncertainty about the domestic economic outlook had weighed on business activity growth in August.

Services Output Index			PMI Index		
	Index	% change on yr		Index	Change on mth
2015	106.0	2.6	2015 Aug	55.6	
2016	109.0	2.9	2016 Aug	52.9	
2017 Mar	110.6	2.1	2017 Jun	53.4	-0.4
Apr	110.7	2.5	Jul	53.8	0.4
May	110.9	2.5	Aug	53.2	-0.6

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.

### Subject Specialist

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### Update

ONS, [Index of Services](#), 29 September 2017

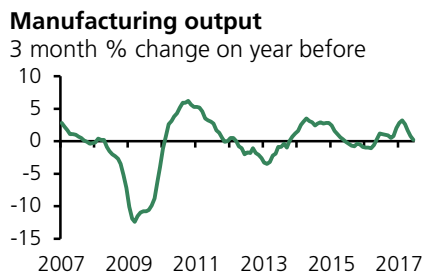
Markit/CIPS, [UK Services PMI](#), 4 October 2017

# 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.

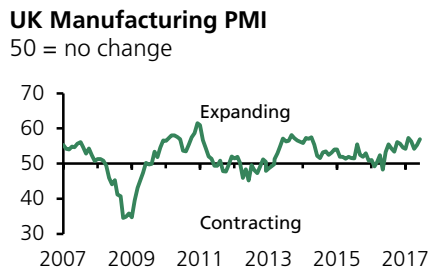
## Manufacturing Output



Total manufacturing output was down 0.6% in the 3 months to June 2017 compared with the 3 months to March 2017. The largest contribution to the fall in manufacturing output came from transport equipment, which fell by 2.2%.

It was up by 0.2% in the 3 months to June 2017 compared with the same 3 months a year ago.

## 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 August 2017 the UK Manufacturing PMI was 56.9, an increase from 55.3 in July. The index has only been at a higher level once in the last three years (57.3 in April 2017).

Manufacturing production rose at the steepest pace in seven months in August, and has now risen for thirteen successive months, and remained above the long-run survey average. Manufacturers remained optimistic, with over half forecasting output would be higher in a year's time, compared to less than 7% expecting a decline.

**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	102.7	-0.2		2015	Aug	51.6	
2016	103.5	0.8		2016	Aug	53.3	
2017	Apr	104.3	-0.8	2017	Jun	54.2	-2.1
	May	104.2	-1.2		Jul	55.3	1.1
	Jun	104.2	-0.6		Aug	56.9	1.6

Source: ONS, series K22A, K2P4

Source: Markit/CIPS UK Manufacturing PMI

### Subject Specialist

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### Update

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

Markit/CIPS, [UK Manufacturing PMI](#), 2  
October 2017

# 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 was 2.6% in July 2017, the same rate as in June 2017, but down slightly from 2.9% in May.

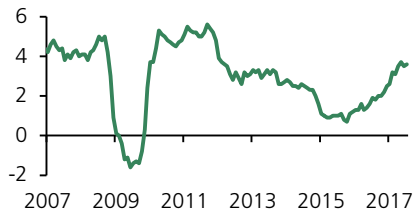
The RPI inflation rate increased slightly from 3.5% in June to 3.6% in July. This is the RPI’s second highest rate since February 2012.

**Consumer Prices Index (CPI)**  
% change on yr



Although the overall CPI rate was unchanged, prices for transport in general and motor fuels in particular have continued to fall; this was offset by an increase in prices for some categories of food, clothing, and furniture and household goods.

**Retail Prices Index (RPI)**  
% change on yr



**Price Indices**

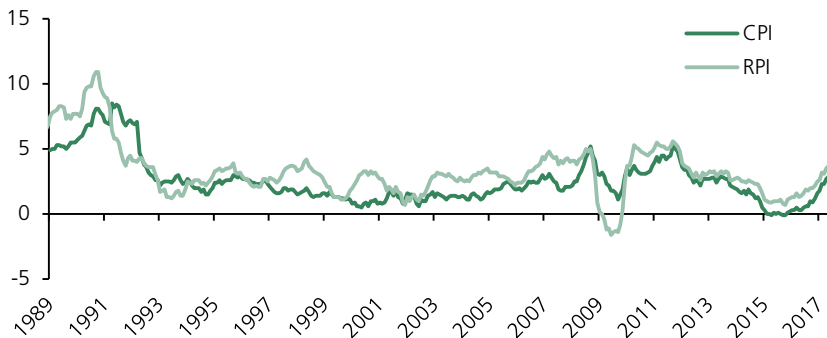
% change on a year ago

		CPI	RPI
2014	Jul	1.6	2.5
2015	Jul	0.1	1.0
2016	Jul	0.6	1.9
2017	May	2.9	3.7
	Jun	2.6	3.5
	Jul	2.6	3.6

Source: ONS database, series: D7G7, CZBH

**CPI and RPI since 1989**

% change on yr



**Subject Specialist**

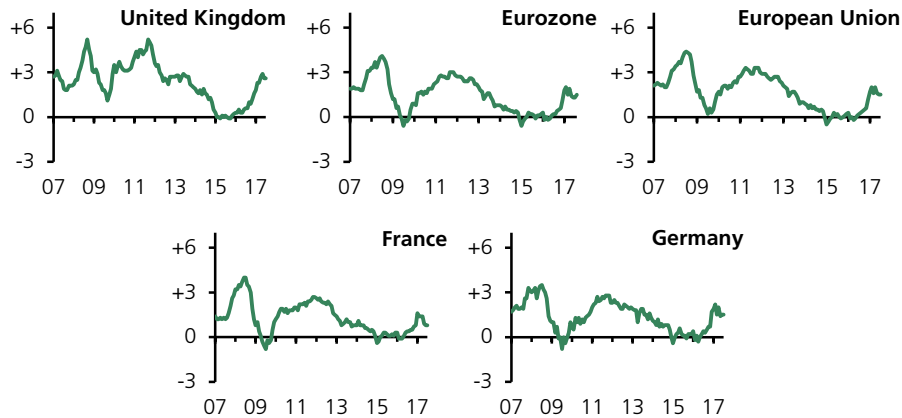
Daniel Harari  
x2464

**Update**

ONS, [Consumer Price Indices](#), 12 Sep 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 2.6% in the year to July 2017, unchanged from June. UK inflation was 0.6% in July 2016.

EU inflation was 1.5% in July 2017, unchanged from June. EU inflation was 0.2% in July 2016.

Annual inflation in the Eurozone is provisionally estimated as 1.5% in August 2017, up from 1.3% in July and compared with 0.2% in August 2016.

In Germany, inflation was 1.5% in July, unchanged from June. In France it was 0.8% in July, also unchanged from June.

Lithuania had the highest inflation rate in the EU in July at 4.1% followed by Estonia at 3.9%. The lowest inflation rate in the EU was in Ireland at -0.2% in July followed by Cyprus at -0.1%. The UK's inflation rate of 2.6% was the joint third highest (with Latvia) in the EU in July.

### Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2014	2015	2016	May 17	Jun 17	Jul 17	Aug 17
UK	1.5	0.0	0.7	2.9	2.6	2.6	..
Eurozone	0.4	0.0	0.2	1.4	1.3	1.3	1.5
European Union	0.5	0.0	0.3	1.6	1.5	1.5	..
France	0.6	0.1	0.3	0.9	0.8	0.8	..
Germany	0.8	0.1	0.4	1.4	1.5	1.5	..

Source: ONS, Eurostat. August 2017 figure for Eurozone is provisional

.. Indicates data not yet available

### Subject Specialist

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### Update

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

Eurostat, [Flash estimate](#) (Eurozone), 29 Sep

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

## B3: Average Earnings

In April 2016 median gross weekly earnings for full-time employees were £539, up 2.2% on April 2015.

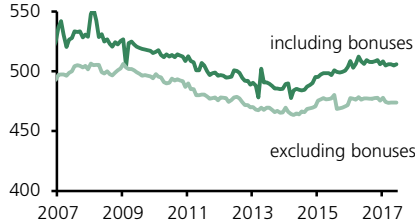
More timely but less detailed data show average weekly earnings for the whole economy, including bonuses, were 2.1% higher in the three months to June 2017 compared with the year before. Excluding bonuses, average weekly earnings also increased by 2.1%. Inflation as measured by the CPI averaged 2.8% over the same period.

After adjusting for inflation, average weekly earnings including bonuses decreased by 0.6% compared to last year. Excluding bonuses, real average weekly earnings decreased by 0.7% compared to last year.

### Average Earnings, Whole Economy

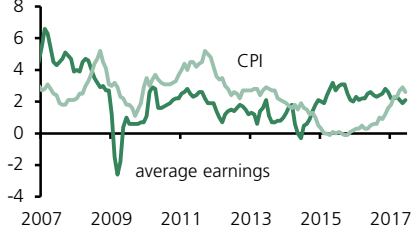
**Real average weekly earnings**

May 2017 prices, £



**Inflation and earnings (incl bonuses)**

% change on previous year



### Trends by Sector

**Annual % change in average earnings (including bonuses) Great Britain**

	Total	Private	Public
2015 Jun	2.7	3.0	1.0
2016 Jun	2.6	2.7	1.8
2017 Apr	2.1	2.4	1.1
May	1.9	2.1	1.4
Jun	2.1	2.2	1.3

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

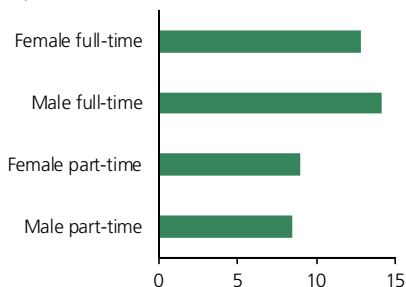
Source: ONS, Average Weekly Earnings series

Average weekly total pay (including bonuses) grew by 2.2% in the private sector in the three months to June 2017, compared with the year before. In the public sector, total pay increased by 1.3%.

### Pay Levels

**Median hourly pay excluding overtime**

April 2016 (£)



Median weekly earnings for full-time employees in the UK were £539 in April 2016. (The median is the point at which half earn more and half earn less).

Median hourly earnings (excluding overtime) were £13.59 for full-time employees; £14.16 for men working full-time and £12.82 for women.

Median hourly earnings (excluding overtime) were £8.88 for part-time employees; £8.48 for men working part-time, and £8.99 for women. Women are more likely than men to work part-time.

#### Subject Specialist

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#### Update

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

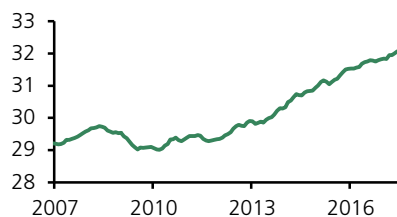
ONS, [Annual Survey of Hours and Earnings](#), Late 2017



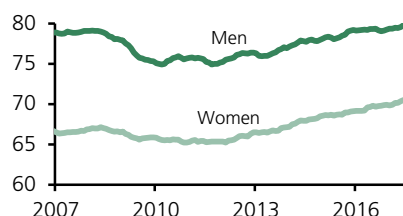
# C1: Employment

32.07 million people were in employment in April - June 2017, up 125,000 from the previous quarter and 338,000 from the previous year. The employment rate (the proportion of the population aged 16-64 in work) was 75.1%, up 0.7% points on the previous year.

**Employment; UK**  
Millions, age 16+, seasonally adjusted



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



As the charts show employment has generally been rising for the last few years, with the employment rate reaching a record high in April - June 2017.<sup>1</sup>

Female employment increased by 70,000 over the last quarter to 15.05 million. The employment rate for women aged 16-64 was 70.5%

17.02 million men were in work in April - June 2017, 55,000 higher than the previous quarter. The employment rate for men aged 16-64 was 79.8%.

4.81 million people were self-employed, up slightly on the previous quarter. The number of people working as employees was up 134,000 on the previous quarter at 27.10 million.

23.58 million people were working full-time in April - June 2017, up 91,000 from the previous quarter and 380,000 higher than a year earlier. There were 8.49 million people working part-time, up 34,000 from the previous quarter but down 43,000 from a year earlier.

1.58 million people were employed on a temporary basis, unchanged from the previous quarter and down 81,000 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
Apr-Jun	2014	30,709	72.8	16,337	77.8	14,372	67.9	3,805	52.2
Apr-Jun	2015	31,118	73.4	16,537	78.2	14,582	68.7	3,886	53.5
Apr-Jun	2016	31,735	74.4	16,903	79.3	14,833	69.6	3,948	54.8
Jan-Mar	2017	31,947	74.8	16,966	79.5	14,982	70.2	3,946	55.3
Apr-Jun	2017	32,073	75.1	17,021	79.8	15,052	70.5	3,922	55.1
<i>Change on qtr</i>	<i>Level</i>	125	0.3	55	0.3	70	0.3	-25	-0.2
	<i>%</i>	0.4%		0.3%		0.5%		-0.6%	
<i>Change on yr</i>	<i>Level</i>	338	0.7	118	0.5	219	0.9	-27	0.3
	<i>%</i>	1.1%		0.7%		1.5%		-0.7%	

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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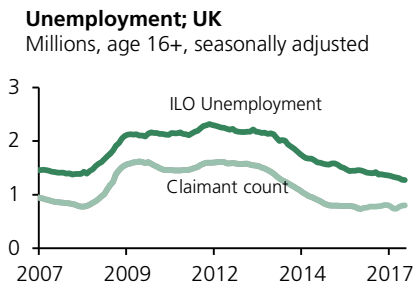
## Updates

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

<sup>1</sup> Since records began in 1971.

## 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).<sup>2</sup>

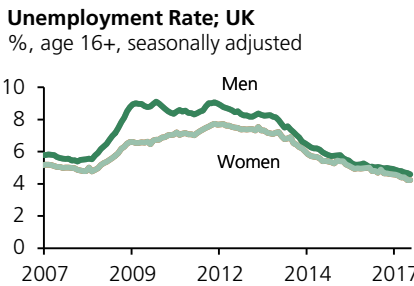


ILO unemployment was 1.48 million people in the UK in April - June 2017, down 57,000 on the previous quarter and down 157,000 from the previous year.

The unemployment rate was 4.4% (the percentage of the economically active population who are unemployed), down 0.2 percentage points from the previous quarter and down 0.5 percentage points on April - June 2016.

The unemployment rate was 4.4% (the percentage of the economically active population

Unemployment has generally been falling over the last few years. The unemployment rate is now at its lowest point since 1975.<sup>3</sup>



There were 818,000 men unemployed in April - June 2017, down 34,000 on the previous quarter and 74,000 from a year earlier. 666,000 women were unemployed, down 23,000 on the previous quarter and down 83,000 from a year earlier.

545,000 people aged 16-24 were unemployed in April - June 2017, down 78,000 on the previous year. The unemployment rate for 16-24 year olds was 12.2%, down from 13.6% a year before.

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### Updates

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

### 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
Apr-Jun 2014	2,061	6.3	1,140	6.5	921	6.0	764	16.7
Apr-Jun 2015	1,848	5.6	1,015	5.8	832	5.4	727	15.8
Apr-Jun 2016	1,640	4.9	892	5.0	749	4.8	623	13.6
Jan-Mar 2017	1,541	4.6	852	4.8	688	4.4	562	12.5
Apr-Jun 2017	1,484	4.4	818	4.6	666	4.2	545	12.2
<i>Change on qtr</i>								
<i>Level</i>	-57	-0.2	-34	-0.2	-23	-0.2	-17	-0.3
<i>%</i>	-3.7%		-4.0%		-3.3%		-3.1%	
<i>Change on yr</i>								
<i>Level</i>	-157	-0.5	-74	-0.4	-83	-0.6	-78	-1.4
<i>%</i>	-9.5%		-8.3%		-11.1%		-13%	

Source: ONS Labour Market Statistics, A05, A06, CLA01

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

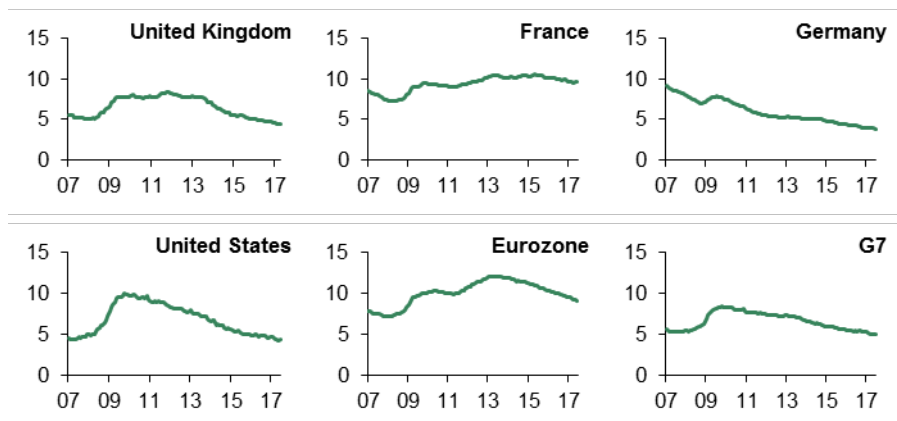
<sup>2</sup> The introduction of Universal Credit is having an impact on claimant count statistics for more information please see the Library’s briefing [Universal Credit and the claimant count](#)

<sup>3</sup> Since records began in 1971.

## 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 Q1 2017 was 4.5%. This was slightly less than the rate of the US (4.7%), below that of France (9.6%) but above that of Germany (3.9%). In the G7, the unemployment rate was 5.2%. The UK rate was the 10<sup>th</sup> lowest of the 35 OECD member countries.

The G7 unemployment rate fell to 5.0% in Q2 2017. Only 4 of the 25 OECD countries that have published unemployment rates for Q2 2017 had a higher rate for that quarter than for Q1 2017. The Q2 figure for the UK has not been published to date.

Greece had the highest harmonised unemployment rate out of the OECD member states for Q1 2017 (22.6%) followed by Spain at 18.2%.

Iceland had the lowest unemployment rate in the OECD for Q1 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 Q1 2017 youth unemployment was 45.6% in Greece, 41.2% in Spain and 35.3% in Italy. UK youth unemployment stood at 12.2% in Q1 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 Q2	6.9	10.1	4.2	11.6	3.2	4.9	4.9	10.1	5.5	6.4
Q3	7.0	10.0	4.1	11.6	3.0	4.8	4.9	9.9	5.4	6.3
Q4	6.9	10.0	4.0	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	9.6	3.9	11.2	2.9	..	4.4	9.2	5.0	5.8
<i>Change on qtr</i>	-0.2	-0.1	0.0	-0.4	0.0	...	-0.3	-0.3	-0.2	-0.2
<i>Change on yr</i>	-0.4	-0.5	-0.4	-0.5	-0.3	...	-0.5	-1.0	-0.5	-0.5

Source: OECD, Harmonised Unemployment Rates

#### Subject Specialist

Andy Powell  
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#### Next Update

OECD, [Harmonised Unemployment Rates](#),  
September 2017

# D1: Interest Rates and Monetary Policy

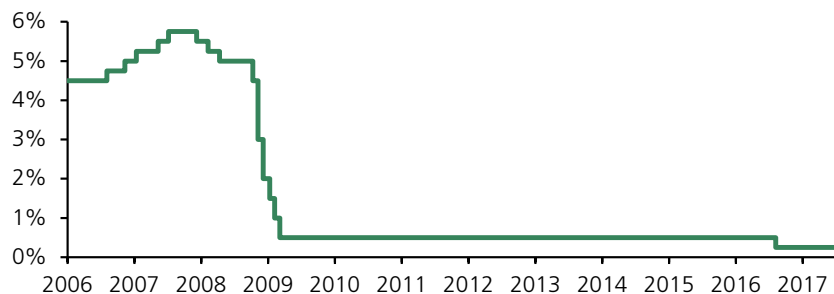
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates have stayed at historic lows since then, close to or below 0% in most developed economies.

## UK (Bank of England)

The Bank of England's Monetary Policy Committee (MPC) [cut its main interest rate](#) (the Base Rate) from 0.5% to 0.25% on 4 August 2016, the first change since March 2009, and the lowest since the Bank was founded in 1694. The MPC cited the weaker outlook for the economy following the vote to leave the EU as its main reason for cutting rates.

Monetary policy was left unchanged at the MPC's [2 August meeting](#).

### UK official interest rate



As well as cutting interest rates, the MPC agreed other measures designed to boost the economy, including expanding its **quantitative easing** (QE) programme, where the Bank creates new money to buy financial assets, by £70bn (£60bn of government debt and £10bn of corporate debt). Planned QE now totals £445 billion.

Since then, the MPC has left interest rates and policy unchanged, including at its latest [August meeting](#). The MPC voted by a majority of 6-2 to keep rates unchanged. The MPC members who voted to raise rates were concerned by inflation rising faster than anticipated over recent months. At the previous meeting in June, the MPC voted 5-3 in favour of keeping policy unchanged.

## Eurozone (European Central Bank)

The European Central Bank (ECB) [lowered its main interest rate](#) for the Eurozone to 0.0% and the deposit rate to -0.4% in March 2016. The ECB is also conducting a QE programme, intended to stimulate the economy, whereby it buys €80bn worth of assets (mostly government bonds of Eurozone countries) a month. On 8 December 2016, [the ECB announced](#) it will reduce QE purchases to €60bn per month starting from April, which it did. Policy was left [unchanged](#) in July 2017.

## United States (Federal Reserve)

At its latest July 25-26 policy meeting, 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.

### Subject Specialist

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### Updates – next monetary policy meetings

UK ([14 Sep](#))  
ECB ([7 Sep](#))  
US ([20 Sep](#))

## D2: Public finances

	Net borrowing		Net debt	
	£ bn	% GDP	£ bn	% GDP
2010/11	136	8.6%	1,156	71.6%
2011/12	116	7.1%	1,251	75.4%
2012/13	122	7.2%	1,363	79.1%
2013/14	102	5.8%	1,466	81.2%
2014/15	94	5.1%	1,554	83.6%
2015/16	72	3.8%	1,603	83.5%
2016/17	45	2.3%	1,727	86.8%
2017/18	58	2.9%	1,830	88.8%
2018/19	41	1.9%	1,885	88.5%
2019/20	21	1.0%	1,918	86.9%
2020/21	21	0.9%	1,904	83.0%
2021/22	17	0.7%	1,904	79.8%

Sources: ONS, OBR. Excludes public sector banks

(£1.7 trillion). The debt-to-GDP ratio increased from 83.5% of GDP at the end of 2015/16 to 86.8% of GDP at the end of 2016/17.

Provisional estimates from the ONS suggest that the government borrowed £45 billion in 2016/17, which was £27 billion lower than the amount borrowed in 2015/16. Borrowing in 2016/17 was at its lowest level since 2007/08. The £45 billion borrowed in 2016/17 is equivalent to 2.3% of GDP.

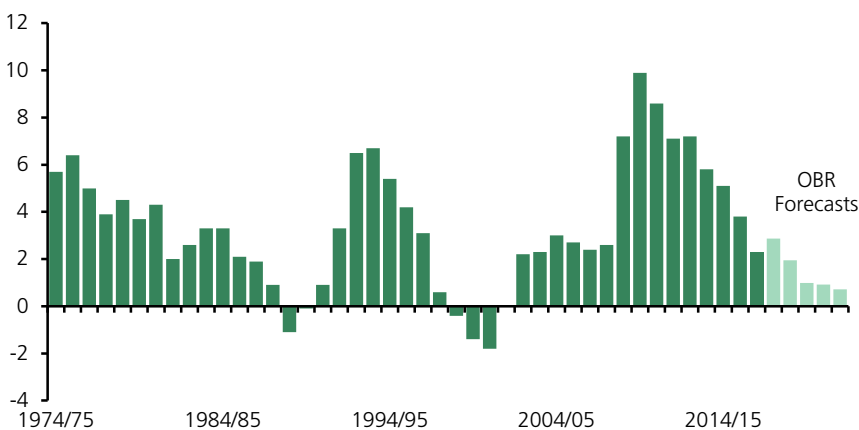
At the end of 2016/17 the UK's net debt was £1,727 billion

The ONS's figures for 2016/17 are provisional: they are not final figures and may be revised over the coming months as provisional data are replaced with finalised and audited data.

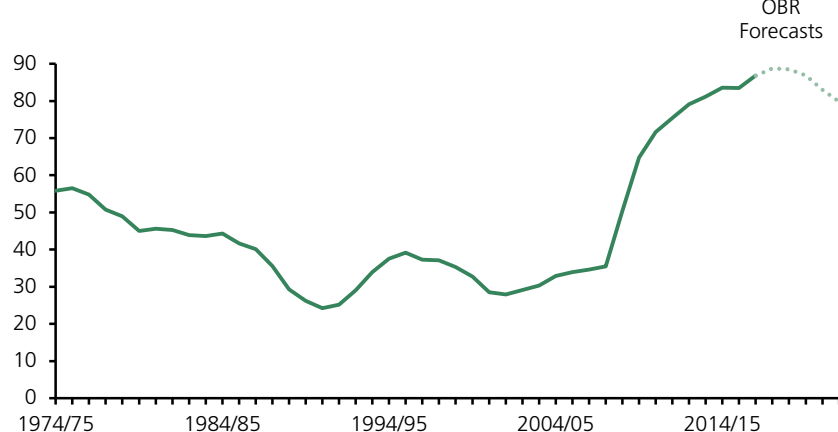
**Net borrowing** – often described as the deficit – is the difference between what the government spends and what it receives in taxes over a particular time period.

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

**Public sector net borrowing**  
% of GDP



**Public sector net debt**  
% of GDP



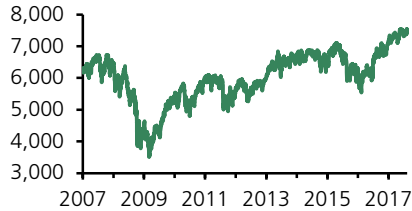
**Subject Specialist**  
Matt Keep  
x4324

**Next update**  
ONS, [Public sector finances](#), 21 September 2017

# D3: Financial Indicators

## FTSE-100 Index

**FTSE-100 Index**  
Daily closing price

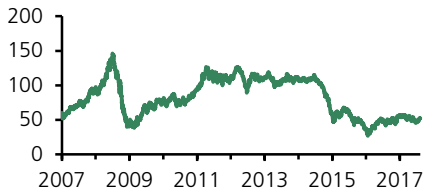


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite some turbulence following the EU Referendum result, the index hit a series of highs from October 2016 and closed at twelve successive record highs between December

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 (7,547 points) on 2 June.

## 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.

## 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. It is up 6% on the month and up 8% on the year to 4 September.

### Data from 4 September 2017

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
04 Sep 2017	7411.47	52.32	1333.10
%change over:			
1-month	-1%	0%	6%
12-months	8%	10%	8%

Note: Oil is Brent near-month futures price

Source: Financial Times

### Subject Specialist

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x2464

### Updates

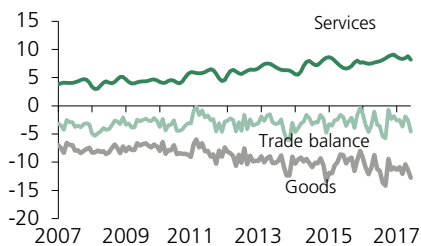
Financial Times, Weekly  
Basis

## E1: Trade

In 2016, the UK's exports of goods and services totalled £548 billion and imports totalled £585 billion. The EU accounted for 44% of UK exports of goods and services and 53% of imports in 2016.

### Balance of trade, goods & services

£ billion, monthly data



Overall, the UK imports more than it exports meaning that it runs a trade deficit. A surplus of £97.0 billion on trade in services was outweighed by a deficit of £134.1 billion on trade in goods in 2016. The overall trade deficit was £37.0 billion in 2016 (1.9% of GDP).

The UK had a trade deficit with the EU of £71.4 billion in 2016 and a trade surplus of £34.4 billion with non-EU countries.

The trade deficit was £8.9 billion in the three months to June compared with £8.8 billion in the three months to March. Exports increased by 0.4% over this period. Imports also increased by 0.4% (both figures in cash terms).

### Trade in Goods and Services and Current Account Balance

Seasonally adjusted

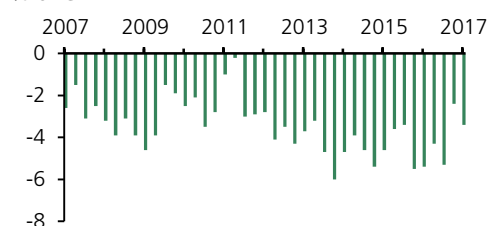
	Goods and Services (£bn)			Current Account balance	
	Exports	Imports	Balance	£bn	% GDP
2015	517.4	547.2	-29.8	-80.2	-4.3%
2016	547.6	584.6	-37.0	-84.5	-4.4%
2016 Q2	135.1	142.9	-7.8	-21.0	-4.3%
Q3	136.5	151.3	-14.8	-25.7	-5.3%
Q4	146.9	151.8	-4.8	-12.1	-2.4%
2017 Q1	147.8	156.7	-8.8	-16.9	-3.4%
Q2	148.4	157.3	-8.9	..	..

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 £84.5 billion in 2016, compared with £80.2 billion in 2015. The current account deficit was 4.4% of GDP in 2016 compared with 4.3% in 2015.

### Current Account Balance

% of GDP



The current account deficit was £16.9 billion in Q1 2017 (3.4% of GDP), up from £12.1 billion (2.4% of GDP) in Q4 2016.

### Subject Specialist

Dominic Webb  
x2042

### Update

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

ONS, [UK Balance of Payments](#), 29 Sep

## 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 fell by 1.9% between July and August 2017, following a fall of 0.1% between June and July. This is the SERI's second lowest figure in its 25 year history. Compared with the same period a year ago, it is 3.4% lower. It is 28.4% below its January 2007 peak level.

### Sterling Exchange Rate Index (SERI)

Jan 2005=100

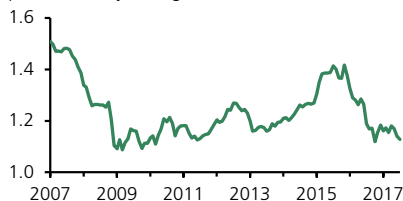


On average in August compared with July, the pound was down 0.3% against the dollar. The value of the pound against the dollar has fallen sharply since the EU Referendum, from \$1.48 on 23 June 2016 to \$1.30 on 4 September 2017.

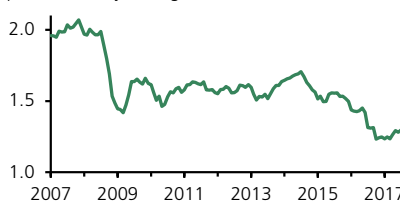
Sterling was down 2.7% against the Euro on average in August compared to July. On 4 September, the Euro was valued at €1.09 per £1, its lowest level since October 2009. This compares with a daily all-time low of €1.02 (on 30 December 2008), and a launch rate of €1.48 on 31 December 1998.

Latest closing prices:  
 \$1.30 per £1  
 €1.09 per £1  
 (On 4 Sept 2017)

€/£ 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 Jun	1.28	-9.8%	1.14	-9.8%
Jul	1.30	-1.1%	1.13	-5.1%
Aug	1.30	-1.1%	1.10	-6.1%

Source: Bank of England, Bankstats database

### Subject Specialist

Daniel Harari  
 x2464

### Updates

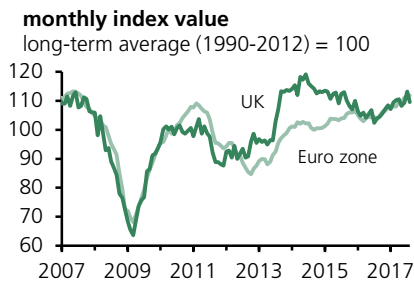
Financial Times, [sterling exchange rates](#) (daily)

Bank of England, [SERI & monthly rates](#), Early September 2017



# F1: Business and Consumer Confidence

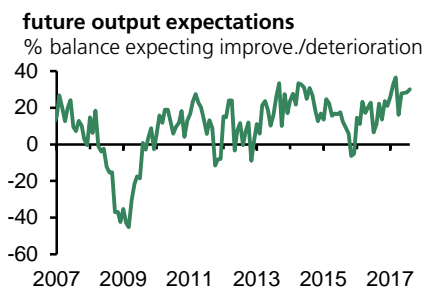
Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.



## European Commission Economic Sentiment Indicator

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

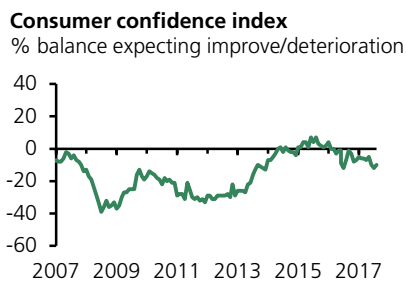
Between July and August 2017, the overall UK sentiment index fell back by 3.6 points to 109.6, just above June 2017's figure of 109.3.



## CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In August, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +30% of manufacturers. The figure was +28% for the previous 3 months.



## 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 August, the overall consumer confidence index was -10, up 2 from -12 in July.

### Subject Specialist

Daniel Harari, x2464

### Update

EC, [Economic Sentiment Indicator](#), 28 September 2017

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

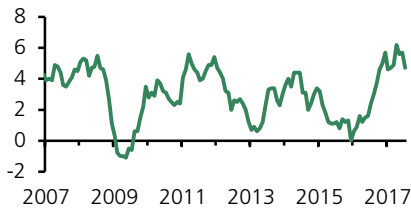
GfK NOP, [Consumer Confidence](#), 29 September 2017

## F2: Retail Sales

The average weekly value (amount spent) of all retail sales in Great Britain was £7.82 billion in July 2017, up from £7.76 billion in June 2017. The total annual retail sales value for 2016 was £388 billion.

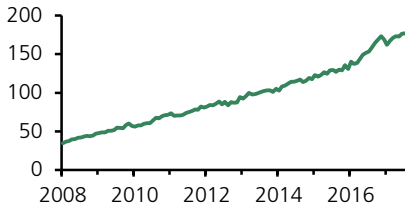
In July 2017, the quantity bought (volume) in retail sales increased by 0.3% compared with the previous month, thanks to strong growth in food stores at 1.5% (recovering from a fall of 1.1% in June 2017).

**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 4.7% in the three months to July 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 1.8% in the three months to July 2017 compared to the same period a year ago. This is the lowest growth rate since November 2013.

**Value of internet retail sales**  
2013=100, seasonally adjusted



The average weekly value of **internet sales** in Great Britain was £1.1 billion in July 2017.

Online sales increased year-on-year by 15.1% and by 0.3% on the month, accounting for approximately 16.0% of all retail spending.

**Value of retail sales**  
Index 2013=100, seasonally adjusted

		Food	Non-food	Total
2015	Jul	100.7	108.9	104.7
2016	Jul	103.0	112.5	108.5
2017	May	105.5	113.3	111.9
	Jun	104.2	115.2	112.1
	Jul	106.3	115.6	112.9
3m % change on yr		2.6	3.7	4.7

The value of sales in food stores in the three months to July 2017 was up 2.6% on the same period last year.

The value of sales in non-food stores was up 3.7% 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).

The **non-seasonally adjusted** average weekly value of all retail sales in July 2017 was £7.70 billion.

### Subject Specialist

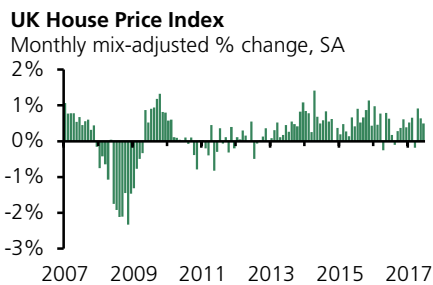
Federico Mor  
x2454

### Updates

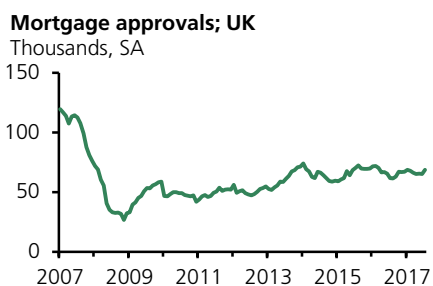
ONS, [Retail Sales](#),  
14 September 2017

## F3: Housing Market

**House prices**, as measured by the UK House Price Index, increased by 4.9% between June 2016 and June 2017. On a seasonally adjusted basis house prices increased by 0.5% between May and June 2017.



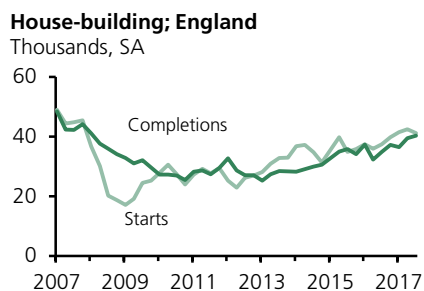
There are regional differences in house prices. The average price is highest in London at roughly £482,000. The lowest prices are found in Northern Ireland and the North East at £129,000 and £130,000 respectively.



**Mortgage approvals** in July 2017 were up by 5.2% on the previous month and up 11.3% on a year ago. Approvals remain well down on pre-recession levels. There were 68,689 mortgage approvals in July 2017, compared with 61,733 in July 2016.

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

**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.

### Subject Specialist

Matt Keep  
x4324

### Updates

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

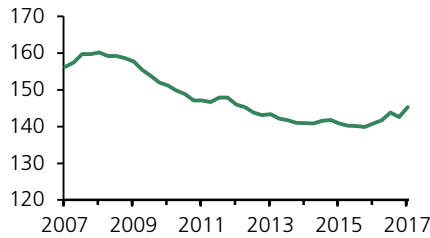
Bank of England, [Money and credit](#), 29 September 2017

DCLG, [House-building](#), 30 November 2017

# F4: Household Debt

## Household debt as a % of disposable income

Household debt: % of disposable income



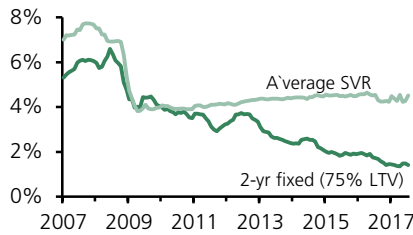
Household debt peaked in Q1 2008 at 160% of household gross disposable income. It then fell until 2011, before falling more slowly over the next few years.

In 2016 household debt started to increase again as a proportion of income. It stood at 145% of disposable income in Q1 2017 –

its highest value since Q2 2012.

## Current average mortgage interest rates

Current average mortgage interest rates



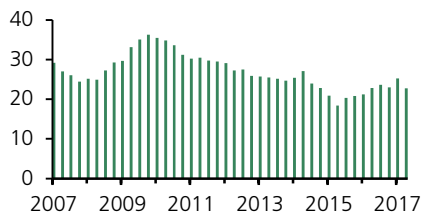
The average Standard Variable Rate (SVR) was 4.51% in July 2017. The rate is back up to its July 2016 level, before the [cut in the base interest rate by the Bank of England](#) in August 2016.

The average 2-year fixed mortgage rate also fell following

the rate cut. It was 1.41% in July, down 0.31% points on the year.

## Individual insolvencies, England and Wales

Individual insolvencies; England and Wales, Thousands



There were 22,772 individual insolvencies in England and Wales in Q2 2017, a very small fall from a year previously (seasonally adjusted figures), and down 9.7% from the previous quarter (which was the highest quarterly total of individual insolvencies since Q2 2014).

In Scotland, there were 2,839 individual insolvencies in Q2 2017, an increase of 17.3% on a year earlier. In Northern Ireland, there were 839 individual insolvencies in Q2 2017, an increase of 11.6% on a year earlier.

### Subject Specialist

Daniel Harari  
x2464

### Updates

Bank of England, [Statistical database](#), 29 September 2017

Insolvency Service, [Insolvency Statistics](#), 27 October 2017

ONS, [UK Economic Accounts](#), 29 September 2017

## 4. Glossary

### 4.1 Definitions<sup>4</sup>

**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.

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<sup>4</sup> 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
<b>CBI</b>	Confederation of British Industry
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ONS</b>	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 &amp; 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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