



## BRIEFING PAPER

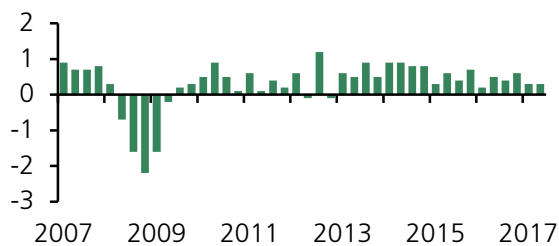
Number 8098, 3 October 2017

# Economic Indicators, October 2017

By Chris Rhodes,  
Andy Powell

### GDP growth

% change on previous qtr



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

### Consumer Prices Index (CPI)

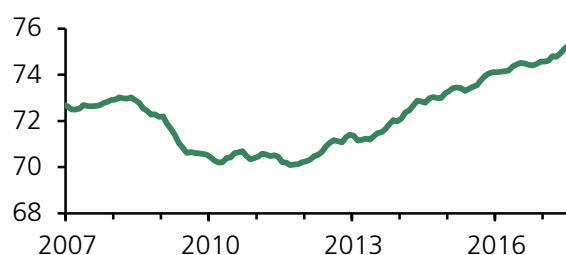
% change on yr



Consumer prices rose by 2.9% in August 2017 compared with a year ago, up slightly from 2.6% in July.

### Employment Rate; UK

%, age 16-64



The employment rate was 75.3% in the three months to July 2017. This is up from 74.8% in the previous three-month period, and from 74.5% in the three months to July 2016.

#### Inside:

1. **Headline UK Economic Indicators, September 2017**
2. **This month's developments**
3. **Introduction to Economic Indicators**

#### A. **Growth and Output**

Gross Domestic Product (GDP)  
GDP: International  
Components of GDP  
Services  
Manufacturing  
Productivity

#### B. **Prices and Wages**

Inflation  
Inflation: International  
Average Earnings

#### C. **Labour Market**

Employment  
Unemployment  
Unemployment: International

#### D. **Finance and Borrowing**

Interest Rates  
Public Finances  
Business Lending  
Individual Lending  
Financial Indicators

#### E. **Trade and Exchange Rates**

Trade  
Exchange Rates

#### F. **Other Indicators**

Business and Consumer Confidence  
Retail Sales  
Housing Market  
Household Debt

#### 4. **Glossary**

#### 5. **Indicator Sources**

# Contents

|   |           |
|---|-----------|
| <b>1. This month's developments</b>                     | <b>3</b>  |
| <b>2. Headline UK Economic Indicators, October 2017</b> | <b>5</b>  |
| Headline Indicators summary                             | 6         |
| <b>3. Introduction to Economic Indicators</b>           | <b>7</b>  |
| <b>A1: Gross Domestic Product</b>                       | <b>8</b>  |
| <b>A2: GDP International</b>                            | <b>9</b>  |
| <b>A3: Components of GDP</b>                            | <b>10</b> |
| <b>A4: Productivity</b>                                 | <b>11</b> |
| <b>A5: Services</b>                                     | <b>12</b> |
| <b>A6: Manufacturing</b>                                | <b>13</b> |
| <b>B1: Inflation</b>                                    | <b>14</b> |
| <b>B2: International inflation</b>                      | <b>15</b> |
| <b>B3: Average Earnings</b>                             | <b>16</b> |
| <b>C1: Employment</b>                                   | <b>17</b> |
| <b>C2: Unemployment</b>                                 | <b>18</b> |
| <b>C3: Unemployment International</b>                   | <b>19</b> |
| <b>D1: Interest Rates and Monetary Policy</b>           | <b>20</b> |
| <b>D2: Public finances</b>                              | <b>21</b> |
| <b>D3: Financial Indicators</b>                         | <b>22</b> |
| <b>E1: Trade</b>  | <b>23</b> |
| <b>E2: Exchange Rates</b>                               | <b>24</b> |
| <b>F1: Business and Consumer Confidence</b>             | <b>25</b> |
| <b>F2: Retail Sales</b>                                 | <b>26</b> |
| <b>F3: Housing Market</b>                               | <b>27</b> |
| <b>F4: Household Debt</b>                               | <b>28</b> |
| <b>4. Glossary</b>                                      | <b>29</b> |
| 4.1 Definitions   | 29        |
| 4.2 Symbols and abbreviations                           | 31        |
| <b>5. Indicator Sources</b>                             | <b>32</b> |

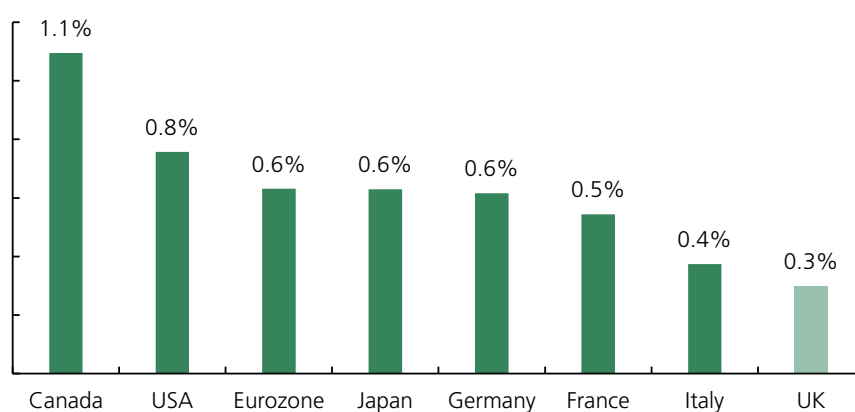
## 1. This month's developments

Slow GDP growth and relatively high inflation provide the backdrop to this month's economic update. Perhaps the biggest headline came from the Governor of the Bank of England who signalled interest rates are likely to rise soon, for the first time in more than a decade.

### Comparatively weak growth...

UK quarterly GDP growth in Q2 2017 was confirmed as 0.3%, unchanged from Q1. This is the lowest rate of quarterly growth of any G7 economy or the Eurozone, which grew by 0.6% over the same period.

**GDP growth in Q2 2017**  
*G7 and Eurozone*



Revisions show that the UK economy grew by 1.5% over the year to Q2 2017, more slowly than previously estimated.

### ...saved by the services sector

The production and construction sectors saw output fall in Q2, whilst output from the services sector (which constitutes over 80% of the UK economy) rose by 0.4%.

The volume of retail sales grew by 1.2% over the quarter to August, the biggest increase in retail sales volume since the three months to November 2016 and an improvement on recent weakness.

However, the services Purchasing Managers Index (a measure of how businesses in the services sector think they will perform in the coming months) slowed in August: five of the eight months in 2017 have registered diminished growth in services confidence.

### A rise in interest rates?

Interest rates are likely to rise in the ["relatively near term" according to Mark Carney](#), the Governor of the Bank of England. Mr Carney's comments on 29 September suggest that rates might rise at the next meeting of the Bank's Monetary Policy Committee (MPC) in early November.

Interest rates have not risen in the UK since July 2007. Between March 2009 and August 2016, rates were 0.50%. In August 2016, following

the Brexit referendum, rates were cut to 0.25%, the lowest they have ever been in the UK.

The minutes from the MPC's [September meeting](#) state that the continued prospect of rising "inflationary pressure" precipitate the need for a rate rise, but that this would only be "at a gradual pace and to a limited extent."

[Mark Carney also cited](#) "a pocket of risk – a risk in consumer debt, credit card debt, debt for cars, personal loans" as motivation for the possible rate rise.

## Inflationary pressures

CPI inflation, which the MPC tries to keep at 2%, rose to 2.9% in August, the highest level since June 2013 (apart from May this year when it was also 2.9%). Average wages continued to grow at a slower pace than inflation.

One contributing factor is the price of oil which rose to \$59 a barrel in September, higher than at any time since July 2015.

The MPC predict that inflation will rise to "above 3% in October" and is "likely to overshoot the 2% target over the next three years."

This is despite the easing of pressure from last year's ["exceptional"](#) depreciation of sterling, in the words of the MPC. In fact, the gradual rise in the \$/£ exchange rate since May 2017 accelerated slightly in September, probably due to Mark Carney's indication of a likely rate rise.

### Exchange rates, daily closing price



## 2. Headline UK Economic Indicators, October 2017

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|  |              |                       |
|--|--------------|-----------------------|
| <b>Gross Domestic Product:</b> Q2 2017, Seasonally Adjusted            |              |                       |
| Change (real %)  | 0.3 (qtr)    | 1.5 (yr)              |
| <b>Industries</b>  |              |                       |
| <b>Service output:</b> July 2017                                       |              |                       |
| Change (%)   | 0.5 (mth)    | 1.5 (yr)              |
| <b>Manufacturing output:</b> July 2017                                 |              |                       |
| Change (%)   | -0.1 (mth)   | 0.9 (yr)              |
| <b>Productivity:</b> Q2 2017, Seasonally Adjusted                      |              |                       |
| <b>Output per hour</b>   |              |                       |
| Change (%)   | -0.1 (qtr)   | -0.1 (yr)             |
| <b>Inflation:</b> August 2017  |              |                       |
| Change on year (%)   | 2.9 (CPI)    | 3.9 (RPI)             |
| <b>Labour Market:</b> May - July 2017, Seasonally Adjusted             |              |                       |
| <b>Unemployment</b>  |              |                       |
| Unemployment Rate (% of economically active)                           |              | 4.3                   |
| Change (% points)  | -0.2 (qtr)   | -0.5 (yr)             |
| <b>Employment</b>  |              |                       |
| Employment Rate (% aged 16-64 in work)                                 |              | 75.3                  |
| Change (% points)  | 0.5 (qtr)    | 0.8 (yr)              |
| <b>Interest Rate:</b> as of 3 October 2017                             |              |                       |
| Bank of England Base Rate  |              | 0.25 (%)              |
| <b>Public Finances:</b> 2016/17  |              |                       |
| Net borrowing  | 46 (£ bn)    | 2.3 (% GDP)           |
| Net debt   | 1,727 (£ bn) | 86.8 (% GDP)          |
| <b>Trade:</b> Q2 2017  |              |                       |
| Current Account  | -23.2 (£ bn) | -4.6 (% GDP)          |
| <b>Sterling Exchange rate:</b> 2 Oct 2017                              |              |                       |
| US Dollar (\$)   | 1.33 (rate)  | 3.5 (% change on yr)  |
| Euro (€)   | 1.13 (rate)  | -1.3 (% change on yr) |
| <b>EC Economic Sentiment Indicator for UK:</b> September 2017          |              |                       |
| Points (1990-2012 average = 100)                                       |              | 109.2                 |
| Change (points)  | -0.4 (mth)   | +4.7 (yr)             |
| <b>Retail Sales:</b> August 2017, Seasonally Adjusted, 3 month average |              |                       |
| Retailing total (inc vehicle fuel), value                              |              | 1.0 (% change on yr)  |
| <b>Housing Market:</b> July 2017, Seasonally Adjusted                  |              |                       |
| <b>House Price Index (ONS)</b>   |              |                       |
| Change (%)   | 0.3 (mth)    | 5.1 (yr)              |

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

## Headline Indicators summary

**GDP** grew by 0.3% in Q2 2017 compared to the previous quarter, and also by 0.3% in Q1. Compared with the previous year, GDP grew by an estimated 1.5%. **Eurozone GDP** growth was 2.2% over the year to Q2, and **US GDP** grew by 2.7% over the same period.

**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. Since the recession, productivity has stagnated.

**Services output** increased by 0.5% in the three months to July compared with the previous three months. **Manufacturing output** was down 0.1% in the 3 months to July 2017 compared with the 3 months to April 2017.

**CPI inflation** was 2.7% in August 2017, down from 2.9% in July. Inflation in the Eurozone was 1.7% in August.

**Average wages**, including bonuses, were 2.1% higher in the three months to July 2017 compared with the year before. This is below CPI inflation for the same period (2.9%).

The **employment rate** in May-June 2017 was 75.3%, up 0.8% points on the previous year, and at its highest rate since comparable records began in 1971. The **unemployment rate** was 4.3%, down 0.2% 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 £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 86.8%, 3% points higher than a year before.

At the end of September **FTSE-100 Index** was down 1% compared with a month ago, but is up 17% 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 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 2.1% between August and September 2017, following a fall of 1.9% between July and August.

The volume of **retail sales** in Great Britain increased by 2.2% in the three months to August 2017 compared to the same period a year ago.

**House prices** increased by 5.1% in the year to July 2017, and by 0.3% between June and July.

**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.

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### 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 0.3% in Q1 2017.

The ONS reports the growth in Q2 2017 was driven by services, which grew by 0.4% compared with 0.1% growth in Q1 2017. In Q2, construction decreased 0.5% and production by 0.3%.

| Real Gross Domestic Product<br>seasonally adjusted |                 |                |
|--|-----------------|----------------|
|  | % change on qtr | % change on yr |
| 2014   | ...             | 3.1            |
| 2015   | ...             | 2.3            |
| 2016   | ...             | 1.8            |
| 2016 Q2  | 0.5             | 1.8            |
| Q3   | 0.4             | 1.8            |
| Q4   | 0.6             | 1.6            |
| 2017 Q1  | 0.3             | 1.8            |
| Q2   | 0.3             | 1.5            |

Source: ONS, series: IHYP, IHYQ, IHYR

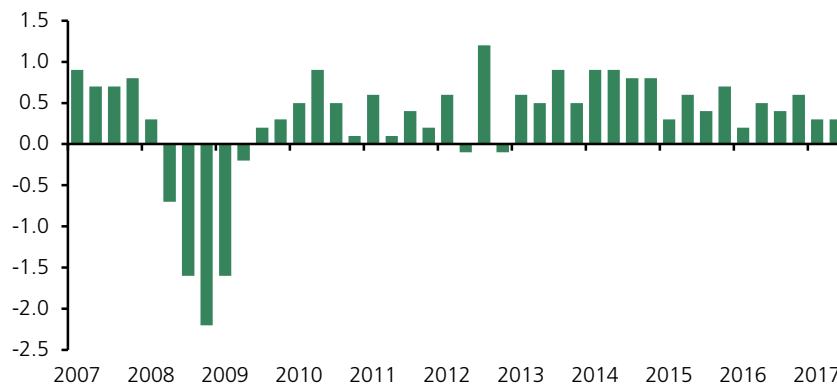
GDP in Q2 2017 was 1.5% higher than a year before.

GDP has now increased for 18 consecutive quarters and is estimated to have grown by 1.8% in 2016, compared to growth of 2.3% in 2015.

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

## GDP growth

% change on previous qtr



## Forecasts

In September 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.gross

### Annual GDP growth forecasts (%)

|   | 2017 | 2018 |
|---|------|------|
| HM Treasury average of independent forecasts (Sep 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, Sep 2017  
Office for Budget Responsibility, *Economic and fiscal outlook*, Mar 2017

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## Updates

HM Treasury, [Forecasts for the UK economy](#), 18 October 2017

ONS, [GDP preliminary estimates](#), 25 October 2017

OBR, [Economic and fiscal outlook](#), 22 November 2017



## A2: GDP International

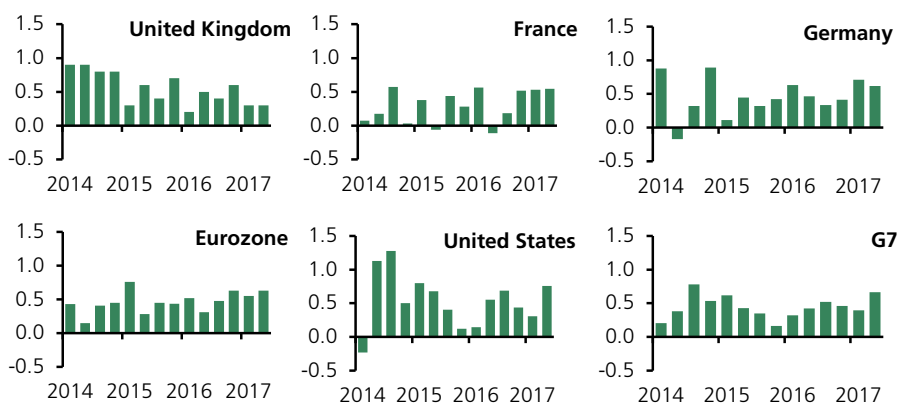
Real GDP in the UK grew by 0.3% in Q2 2017 compared with the previous quarter, the slowest in the G7. The US economy saw growth of 0.8%, while the Eurozone grew by 0.6%.

### 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       | 0.4               | 0.6   | 0.3   | 0.3   | 1.8            | 1.6   | 1.8   | 1.5   |
| Eurozone | 0.5               | 0.6   | 0.5   | 0.6   | 1.7            | 1.9   | 2.0   | 2.3   |
| USA      | 0.7               | 0.4   | 0.3   | 0.8   | 1.5            | 1.8   | 2.0   | 2.2   |
| Japan    | 0.2               | 0.4   | 0.3   | 0.6   | 1.0            | 1.7   | 1.4   | 1.6   |
| 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   | 1.8   |
| 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, ONS

### Quarter-on-quarter growth rates



### Forecasts

On 20 September, the OECD released new [forecasts](#), with GDP growth projections for the UK unchanged at 1.6% in 2017 and 1.0% in 2018. Eurozone growth in 2017 was upgraded to 2.1% in 2017 (from 1.8%).

### Real GDP growth forecasts % change

|              | IMF (Jul 17) |            | EC (May 17) |            | OECD (Sep 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        | 1.7           | 1.6        |
| Germany      | 1.8          | 1.6        | 1.6         | 1.9        | 2.2           | 2.1        |
| Eurozone     | 1.9          | 1.7        | 1.7         | 1.8        | 2.1           | 1.9        |
| US           | 2.1          | 2.1        | 2.2         | 2.3        | 2.1           | 2.4        |
| Japan        | 1.3          | 0.6        | 1.2         | 0.6        | 1.6           | 1.2        |
| China        | 6.7          | 6.4        | 6.6         | 6.3        | 6.8           | 6.6        |
| India        | 7.2          | 7.7        | 7.2         | 7.5        | 6.7           | 7.2        |
| Brazil       | 0.3          | 1.3        | 0.5         | 1.8        | 0.6           | 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>3.7</b> |

Sources: IMF Jul'17 WEO update; EC Spring '17 forecast; OECD Interim Economic Outlook Sep'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, [Economic Outlook](#), Nov/Dec 2017

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

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

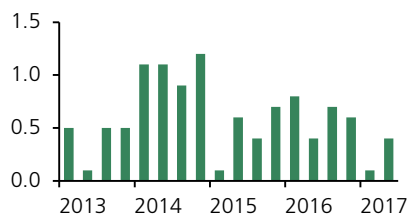
## A3: Components of GDP

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, the same as in Q1.

### GDP by Industry

**Service sector**  
quarterly growth (%)



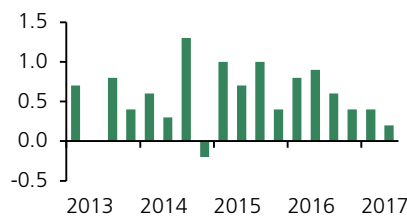
In 2015, the service sector accounted for 80% of economic output, the production sector for 13%, construction for 6% and agriculture for 1%.

In Q2 2017, service sector output increased by 0.4% in real terms compared with Q1, up from 0.1% in the previous quarter.

Manufacturing output was down by 0.3% (the production sector overall was also down by 0.3%). Output in the construction sector was down by 0.5%.

### GDP by Expenditure

**Household Consumption**  
quarterly growth (%)



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

In Q2 2017, household consumption grew by 0.2% in real terms – its lowest growth

since 2014. Government consumption was up 0.1% and investment was up 0.6%. Exports increased by 1.7% and imports increased by 0.2%.

#### 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 Q2 | 0.9                   | -0.1                   | 1.9        | 2.5     | 0.8     | 0.5 |
| 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 |

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

Note: \* annual % change

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#### Updates

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

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

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

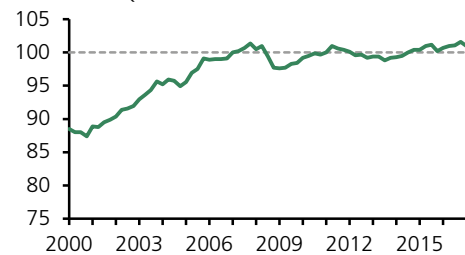
|         | % change on qtr | % change on yr |
|---------|-----------------|----------------|
| 2015    | ..              | 0.9            |
| 2016    | ..              | 0.4            |
| 2016 Q3 | 0.2             | -0.1           |
| Q4      | 0.4             | 1.4            |
| 2017 Q1 | -0.5  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

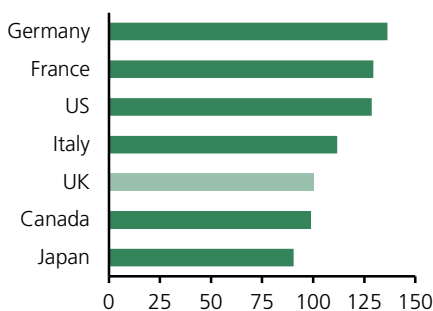


[Productivity](#) across the whole UK economy decreased by 0.1% in Q2 2017 compared with the previous quarter, and also decreased by 0.1% compared with a year before in Q2 2016 (data based on first 'flash' ONS estimates). This follows a fall of 0.5% in Q1 2017 compared with the previous quarter.

## 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).

### Subject Specialist

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### Updates

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

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

# A5: Services

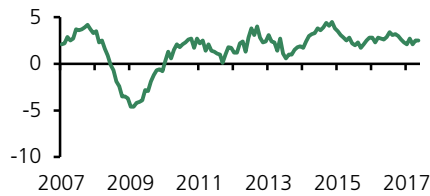
The service industries include the retail sector, the financial sector, the public sector, business administration, leisure and cultural activities.

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

In the three months to July 2017, services output increased by 0.5% compared with the three months ending April 2017. The biggest driver of this growth was the transport storage and communication sector

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



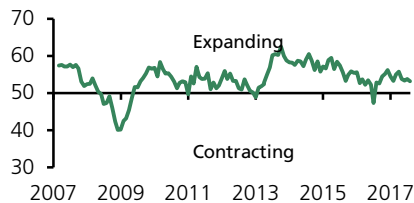
which grew 0.9%.

Services output decreased by 0.2% in July 2017 compared to June.

Compared with a year before, services output increased by 1.5% in July 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                  | 100.0 | 2.6            | 2015 Aug  | 55.6  |               |
| 2016                  | 102.5 | 2.5            | 2016 Aug  | 52.9  |               |
| 2017 May              | 103.9 | 1.9            | 2017 Jun  | 53.4  | -0.4          |
| Jun                   | 104.3 | 2.0            | Jul       | 53.8  | 0.4           |
| Jul                   | 104.0 | 1.5            | 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

Chris Rhodes  
x2454

### Update

ONS, [Index of Services](#), 24 October 2017

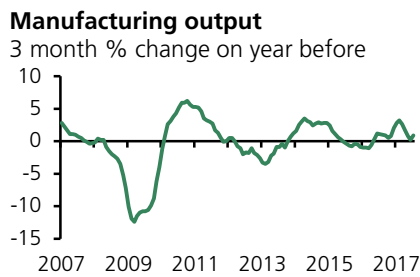
Markit/CIPS, [UK Services PMI](#), 4 October 2017

# 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.

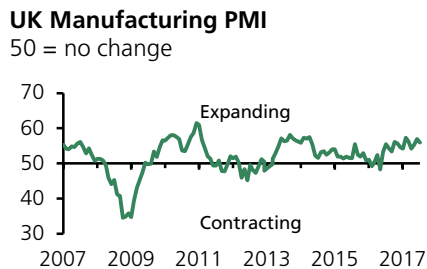
## Manufacturing Output



Total manufacturing output was down 0.1% in the 3 months to July 2017 compared with the 3 months to April 2017. The largest contribution to the fall in manufacturing output came from transport equipment, which fell by 1.7%.

It was up by 0.9% in the 3 months to July 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 September 2017 the UK Manufacturing PMI was 55.9, a decrease from 56.9 in August, but above its long-run average of 51.7.

Manufacturing production has now risen for fourteen successive months. However, the rate of expansion eased from August's high in tandem with growth slowdowns across the consumer, intermediate and investments goods sub-sectors.

Manufacturers remained optimistic, with 51% forecasting output would be higher in a year's time, with exports particularly bright.

**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 Production](#), 10 October 2017

Markit/CIPS, [UK Manufacturing PMI](#), 1 November 2017

| Manufacturing output index |       |                  |                            | PMI Index |       |               |      |
|----------------------------|-------|------------------|----------------------------|-----------|-------|---------------|------|
|                            | Index | % change on year | % change 3m on previous 3m |           | Index | Change on mth |      |
| 2015                       | 102.7 | -0.2             |                            | 2015      | Sep   | 51.5          |      |
| 2016                       | 103.5 | 0.8              |                            | 2016      | Sep   | 55.5          |      |
| 2017                       | May   | 104.2            | -1.2                       | 2017      | Jul   | 55.3          | 1.1  |
|                            | Jun   | 104.2            | -0.6                       |           | Aug   | 56.9          | 1.6  |
|                            | Jul   | 104.8            | -0.1                       |           | Sep   | 55.9          | -1.0 |

Source: ONS, series K22A, K2P4

Source: Markit/CIPS UK Manufacturing PMI

# 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 2.9% in August 2017, up slightly from 2.6% in July.

The RPI inflation rate continued to increase, from 3.6% in July to 3.9% in August. This is the RPI’s highest rate since January 2012.

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

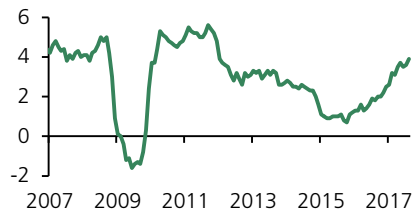


The largest contribution to the rise in the CPI rate came from clothing and footwear, with smaller contributions from recreational and cultural services, and hotels and restaurants.

**Price Indices**  
% change on a year ago

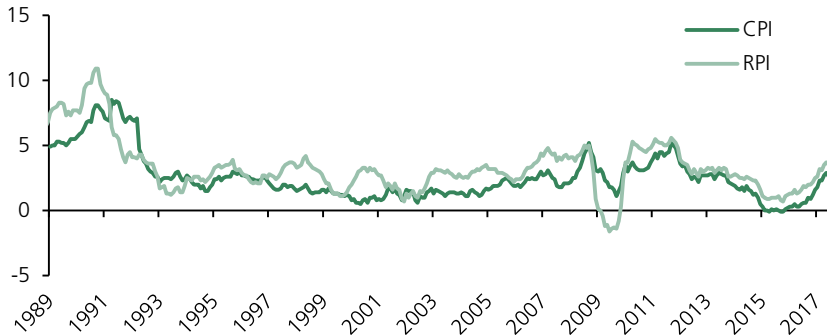
|      |     | CPI | RPI |
|------|-----|-----|-----|
| 2014 | Aug | 1.5 | 2.4 |
| 2015 | Aug | 0.0 | 1.1 |
| 2016 | Aug | 0.6 | 1.8 |
| 2017 | Jun | 2.6 | 3.5 |
|      | Jul | 2.6 | 3.6 |
|      | Aug | 2.9 | 3.9 |

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



Source: ONS database, series: D7G7, CZBH

**CPI and RPI since 1989**  
% change on yr



**Subject Specialist**

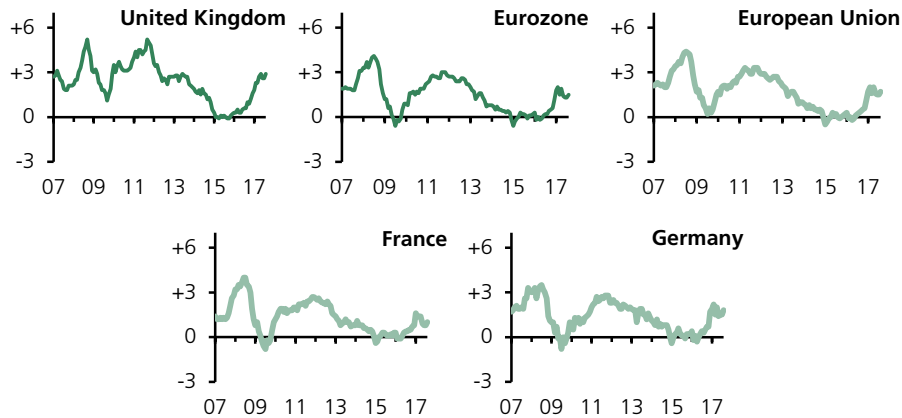
Daniel Harari  
x2464

**Update**

ONS, [Consumer Price Indices](#), 17 Oct 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 2.9% in the year to August 2017, up from 2.6% in July. UK inflation was 0.6% in August 2016.

EU inflation was 1.7% in August 2017, up from 1.5% in July. EU inflation was 0.3% in August 2016.

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

In Germany, inflation was 1.8% in August, up from 1.5% in July. In France it was 1.0% in August, up from 0.8% in July.

Lithuania had the highest inflation rate in the EU in August at 4.6% followed by Estonia at 4.2%. The lowest inflation rate in the EU was in Ireland at 0.4% in August followed by Cyprus at 0.5%. The UK's inflation rate of 2.9% was the fourth highest in the EU in August.

### 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    | 2.9    |
| 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    | 1.7    |
| France         | 0.6  | 0.1  | 0.3  | 0.9    | 0.8    | 0.8    | 1.0    |
| Germany        | 0.8  | 0.1  | 0.4  | 1.4    | 1.5    | 1.5    | 1.8    |

Source: ONS, Eurostat.

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### Update

ONS, [Consumer Prices bulletin](#) (UK), 17 Oct

Eurostat, [Flash estimate](#) (Eurozone), 31 Oct

Eurostat, [HICP full release](#), 17 Oct

## B3: Average Earnings

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

More timely but less detailed data show average weekly earnings for the whole Great Britain economy, including bonuses, were 2.1% higher in the three months to July 2017 compared with the year before.

Excluding bonuses, average weekly earnings also increased by 2.1%.

Inflation as measured by the CPI averaged 2.7% over the same period.

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

### Average Earnings, Whole Economy

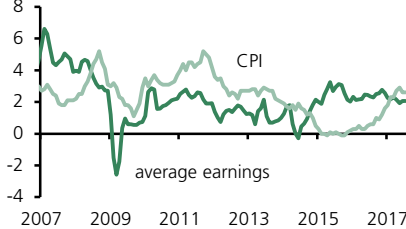
**Real average weekly earnings**

July 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 Jul | 3.0   | 3.4     | 1.0    |
| 2016 Jul | 2.3   | 2.5     | 1.5    |
| 2017 May | 1.9   | 2.0     | 1.4    |
| Jun      | 2.1   | 2.2     | 1.3    |
| Jul      | 2.1   | 2.2     | 1.5    |

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

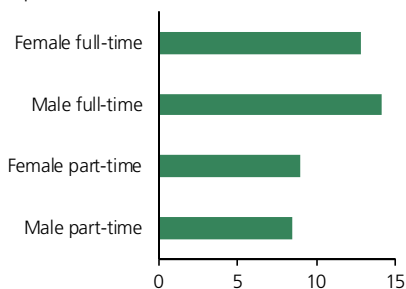
Average weekly total pay (including bonuses) grew by 2.2% in the private sector in the three months to July 2017, compared with the year before.

In the public sector, total pay increased by 1.5%.

### 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](#), 18 Oct 2017

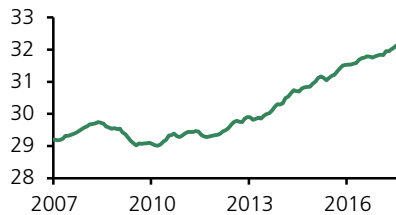
ONS, [Annual Survey of Hours and Earnings](#), 26 Oct 2017



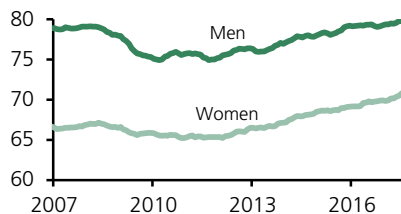
# C1: Employment

32.14 million people were in employment in May-July 2017, up 181,000 from the previous quarter and 379,000 from the previous year. The employment rate (the proportion of the population aged 16-64 in work) was 75.3%, up 0.8% 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 been growing strongly over the past few years, with the employment rate at a record high in May-July 2017.<sup>1</sup>

Female employment increased by 131,000 over the last quarter to 15.12 million. The employment rate for women aged 16-64 was 70.8%.

17.02 million men were in work in May-July 2017, 50,000 higher than the previous quarter. The employment rate for men aged 16-64 was 79.8%.

4.85 million people were self-employed, 43,000 more than the previous quarter. The number of people working as employees was up 147,000 on the previous quarter at 27.10 million.

23.60 million people were working full-time in May-July 2017, up 96,000 from the previous quarter and 349,000 higher than a year earlier. There were 8.54 million people working part-time, up 86,000 from the previous quarter and 30,000 higher than a year earlier.

1.60 million people were employed on a temporary basis, slightly more than in the previous quarter but down 59,000 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 |
| May-Jul              | 2014         | 30,704 | 72.8  | 16,324 | 77.7  | 14,380 | 67.9  | 3,785 | 51.9  |
| May-Jul              | 2015         | 31,191 | 73.5  | 16,587 | 78.3  | 14,603 | 68.7  | 3,909 | 53.8  |
| May-Jul              | 2016         | 31,757 | 74.5  | 16,904 | 79.3  | 14,853 | 69.8  | 3,936 | 54.7  |
| Feb-Apr              | 2017         | 31,954 | 74.8  | 16,970 | 79.5  | 14,984 | 70.2  | 3,942 | 55.3  |
| May-Jul              | 2017         | 32,136 | 75.3  | 17,021 | 79.8  | 15,115 | 70.8  | 3,915 | 55.1  |
| <i>Change on qtr</i> | <i>Level</i> | 181    | 0.5   | 50     | 0.3   | 131    | 0.7   | -27   | -0.2  |
|                      | <i>%</i>     | 0.6%   |       | 0.3%   |       | 0.9%   |       | -0.7% |       |
| <i>Change on yr</i>  | <i>Level</i> | 379    | 0.8   | 116    | 0.5   | 262    | 1.1   | -21   | 0.4   |
|                      | <i>%</i>     | 1.2%   |       | 0.7%   |       | 1.8%   |       | -0.5% |       |

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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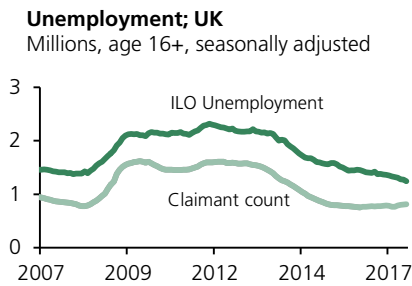
## Updates

ONS, [Labour Market Statistics](#), 18 October 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>

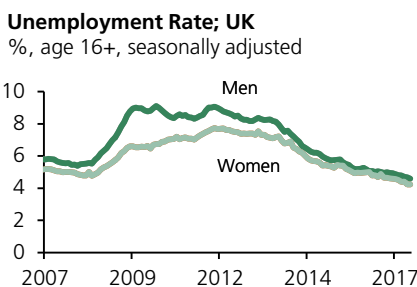


1.46 million people in the UK were unemployed on the ILO definition in May-July 2017, down 75,000 on the previous quarter and down 175,000 on the previous year.

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 0.5% points from the previous year.

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



There were 788,000 men unemployed in May-July 2017, down 52,000 on the previous quarter and down 111,000 from a year earlier. 667,000 women were unemployed, down 23,000 on the previous quarter and down 63,000 from a year earlier.

528,000 people aged 16-24 were unemployed in May-July 2017, down 92,000 on the previous year. The unemployment rate for 16-24 year olds was 11.9%, down from 13.6% the year before.

**UK Unemployment**  
Seasonally adjusted

| Age                  | Total        |               | Men           |              | Women        |            | Youth       |            |             |
|----------------------|--------------|---------------|---------------|--------------|--------------|------------|-------------|------------|-------------|
|                      | 000's        | %             | 000's         | %            | 000's        | %          | 000's       | %          |             |
|                      | 16+          | 16+           | 16+           | 16+          | 16+          | 16+        | 16-24       | 16-24      |             |
| May-Jul 2014         | 2,009        | 6.1           | 1,116         | 6.4          | 893          | 5.8        | 748         | 16.5       |             |
| May-Jul 2015         | 1,820        | 5.5           | 985           | 5.6          | 835          | 5.4        | 712         | 15.4       |             |
| May-Jul 2016         | 1,630        | 4.9           | 899           | 5.1          | 731          | 4.7        | 620         | 13.6       |             |
| Feb-Apr 2017         | 1,530        | 4.6           | 840           | 4.7          | 690          | 4.4        | 564         | 12.5       |             |
| May-Jul 2017         | 1,455        | 4.3           | 788           | 4.4          | 667          | 4.2        | 528         | 11.9       |             |
| <i>Change on qtr</i> | <i>Level</i> | <i>-75</i>    | <i>-0.2</i>   | <i>-52</i>   | <i>-0.3</i>  | <i>-23</i> | <i>-0.2</i> | <i>-36</i> | <i>-0.6</i> |
|                      | <i>%</i>     | <i>-4.9%</i>  | <i>-6.2%</i>  | <i>-3.3%</i> | <i>-6.3%</i> |            |             |            |             |
| <i>Change on yr</i>  | <i>Level</i> | <i>-175</i>   | <i>-0.5</i>   | <i>-111</i>  | <i>-0.6</i>  | <i>-63</i> | <i>-0.5</i> | <i>-92</i> | <i>-1.7</i> |
|                      | <i>%</i>     | <i>-10.7%</i> | <i>-12.4%</i> | <i>-8.7%</i> | <i>-15%</i>  |            |             |            |             |

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

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

### Subject Specialist

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### Updates

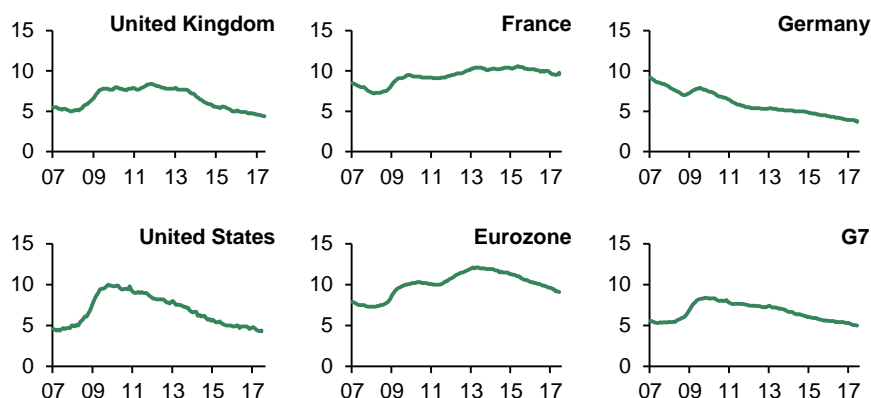
ONS, [Labour Market Statistics](#), 18 October 2017

<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](#).

## 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 6 of the 31 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 2.7% 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, 41.1% 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  | 9.9  | 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  | 3.8  | 11.3 | 2.9  | ..  | 4.4  | 9.2      | 5.0  | 5.8  |
| <i>Change on qtr</i> | -0.2 | -0.1 | -0.1 | -0.3 | 0.0  | ... | -0.3 | -0.3     | -0.2 | -0.2 |
| <i>Change on yr</i>  | -0.4 | -0.5 | -0.4 | -0.4 | -0.3 | ... | -0.5 | -1.0     | -0.4 | -0.5 |

Source: OECD, Harmonised Unemployment Rates

#### Subject Specialist

Andy Powell  
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#### Next Update

OECD, [Harmonised Unemployment Rates](#),  
10 October 2017

# D1: Interest Rates and Monetary Policy

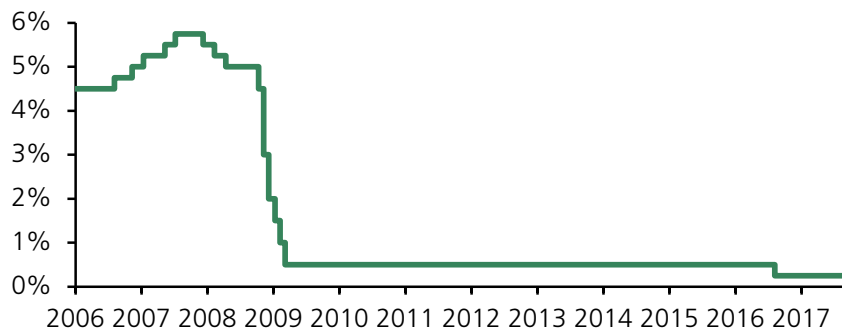
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates have stayed at historic lows since then, close to or below 0% in most developed economies.

## 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 [14 September 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 [September meeting](#). The MPC voted 7-2 to keep rates unchanged. However, [minutes of the meeting](#) revealed a majority of MPC members thought that if economic conditions follow the path expected, interest rates should rise "over the coming months".

## 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 September 2017.

## United States (Federal Reserve)

At its latest September 19-20 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 ([2 Nov](#))  
US ([1 Nov](#))  
ECB ([26 Oct](#))

## D2: Public finances

|         | Net borrowing |       | Net debt |       |
|---------|---------------|-------|----------|-------|
|         | £ bn          | % GDP | £ bn     | % GDP |
| 2010/11 | 137           | 8.6%  | 1,158    | 71.7% |
| 2011/12 | 116           | 7.1%  | 1,253    | 75.5% |
| 2012/13 | 121           | 7.2%  | 1,364    | 79.1% |
| 2013/14 | 98            | 5.6%  | 1,464    | 81.2% |
| 2014/15 | 92            | 5.0%  | 1,555    | 83.6% |
| 2015/16 | 73            | 3.9%  | 1,603    | 83.5% |
| 2016/17 | 46            | 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 £46 billion in 2016/17, which was £28 billion lower than the amount borrowed in 2015/16. Borrowing in 2016/17 was at its lowest level since 2007/08. The £46 billion borrowed in 2016/17 is equivalent to 2.3% of GDP.

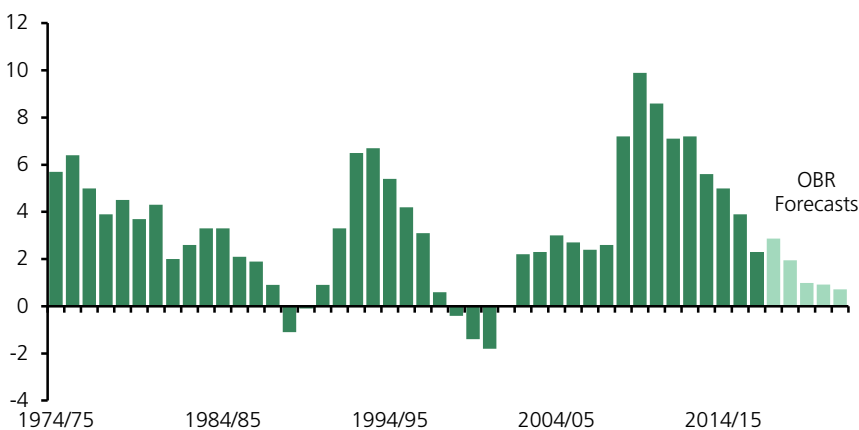
At the end of 2016/17 the UK's net debt was £1,727 billion

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.

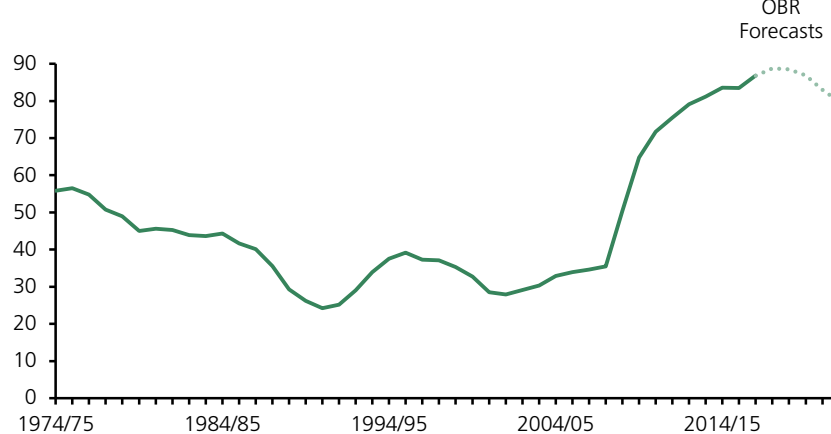
**Net borrowing** – often described as the deficit – is the difference between what the government spends and what it receives in taxes over a particular time period.

**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



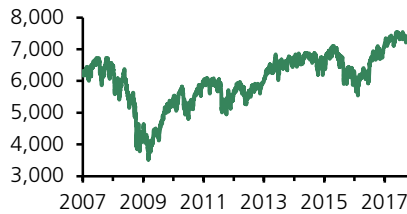
**Subject Specialist**  
Matt Keep  
x4324

**Next update**  
ONS, [Public sector finances](#), 20 October 2017

# D3: Financial Indicators

## FTSE-100 Index

**FTSE-100 Index**  
Daily closing price

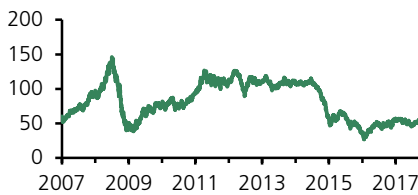


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite some turbulence following the EU Referendum result, the index hit a series of highs from October 2016 and closed at twelve successive record highs between December

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 unchanged on the month and is down 2% on the year to 21 September.

### Data from 28 September 2017

|                | FTSE-100 | Oil (\$/bbl) | Gold (\$/oz) |
|----------------|----------|--------------|--------------|
| 28 Sep 2017    | 7322.82  | 57.20        | 1283.35      |
| % change over: |          |              |              |
| 1-month        | -1%      | 11%          | 0%           |
| 12-months      | 7%       | 21%          | -3%          |

Note: Oil is Brent near-month futures price  
Source: Financial Times

### Subject Specialist

Daniel Harari  
x2464

### Updates

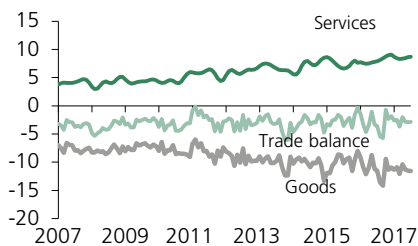
Financial Times, Weekly  
Basis

## 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 £8.6 billion in the three months to July compared with £8.2 billion in the three months to April. Exports increased by 0.6% over this period. Imports increased by 0.8% (both figures in cash terms).

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

Seasonally adjusted

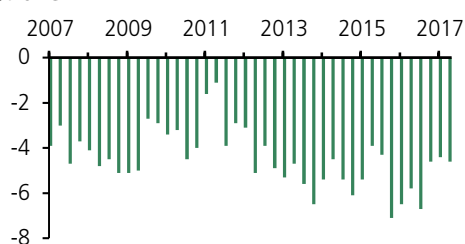
|         | Goods and Services (£bn) |         |         | Current Account balance |       |
|---------|--------------------------|---------|---------|-------------------------|-------|
|         | Exports                  | Imports | Balance | £bn                     | % GDP |
| 2015    | 517.4                    | 547.2   | -29.8   | -98.1                   | -5.2% |
| 2016    | 547.6                    | 584.6   | -37.0   | -115.5                  | -5.9% |
| 2016 Q2 | 135.1                    | 142.9   | -7.8    | -28.4                   | -5.8% |
| Q3      | 136.5                    | 151.3   | -14.8   | -33.0                   | -6.7% |
| Q4      | 146.9                    | 151.8   | -4.8    | -22.8                   | -4.6% |
| 2017 Q1 | 147.8                    | 156.7   | -8.8    | -22.3                   | -4.4% |
| Q2      | 149.0                    | 156.8   | -7.7    | -23.2                   | -4.6% |

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.

### Current Account Balance

% of GDP



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

Dominic Webb  
x2042

### Update

ONS, [UK Trade](#), 10 Oct

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

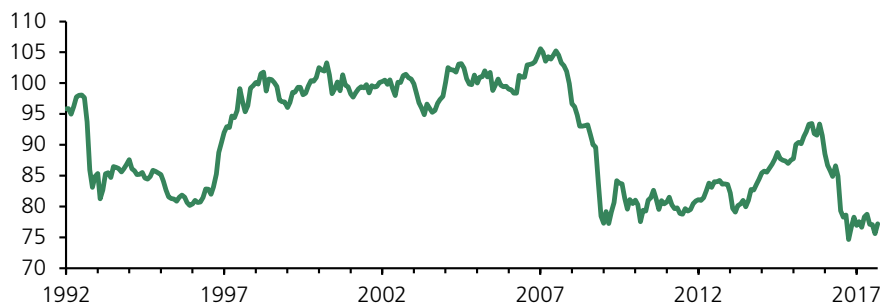
## E2: Exchange Rates

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 2.1% between August and September 2017, following a fall of 1.9% between July and August. The August value was the SERI's second lowest figure in its 25 year history. Compared with the same period a year ago, it is 1.8% lower. It is 26.9% below its January 2007 peak level.

### Sterling Exchange Rate Index (SERI)

Jan 2005=100



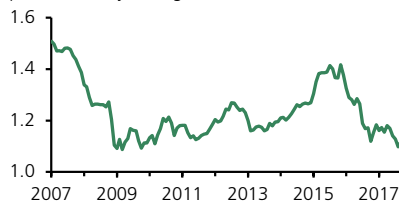
On average in September compared with August, the pound was up 2.8% against the dollar, and up 1.4% from September 2016. This was the first time the year on year increase has been positive since September 2014. The value of the pound against the dollar has fallen sharply since the EU Referendum, from \$1.48 on 23 June 2016 to \$1.33 on 2 October 2017.

Latest closing prices:  
 \$1.33 per £1  
 €1.13 per £1  
 (On 2 Oct 2017)

Sterling was up 1.9% against the Euro on average in September compared to August. On 2 October, the Euro was valued at €1.13 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.

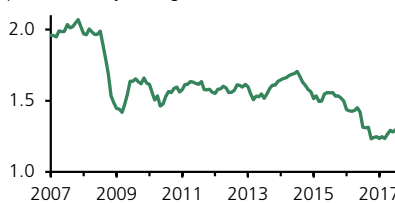
#### €/£ Exchange Rate

€ 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 Jul | 1.30           | -1.1%          | 1.13     | -5.1%          |
| Aug      | 1.30           | -1.1%          | 1.10     | -6.1%          |
| Sep      | 1.33           | 1.4%           | 1.12     | -4.6%          |

Source: Bank of England, Bankstats database

### Subject Specialist

Daniel Harari  
x2464

### Updates

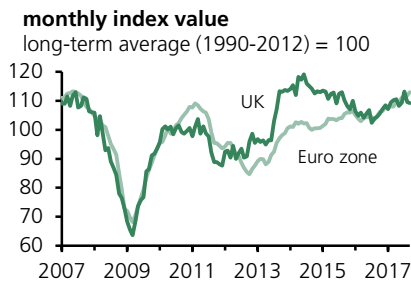
Financial Times, [sterling exchange rates](#) (daily)

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



# F1: Business and Consumer Confidence

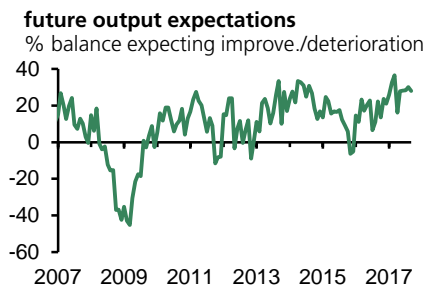
Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.



## European Commission Economic Sentiment Indicator

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

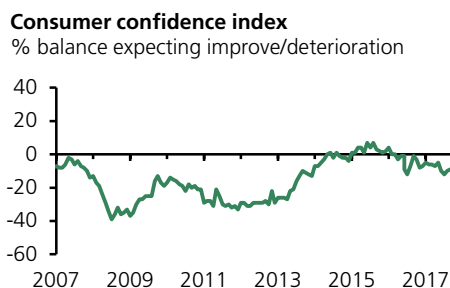
Between August and September 2017, the overall UK sentiment index decreased by 0.4 points to 109.2, just below June 2017's figure of 109.3.



## CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In September, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +28% of manufacturers, a slight fall from +30% in August but the same level as in the previous three 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 September, the overall consumer confidence index was -9, up by 1 from -10 in August.

### Subject Specialist

Daniel Harari, x2464

### Update

EC, [Economic Sentiment Indicator](#), 30 October 2017

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

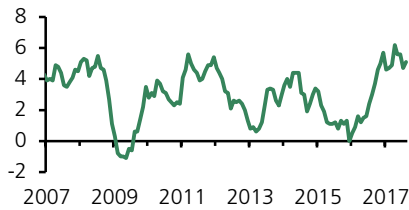
GfK NOP, [Consumer Confidence](#), 31 October 2017

## F2: Retail Sales

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

In August 2017, the quantity bought (volume) in retail sales increased by 1.0% compared with the previous month, thanks to strong growth in non-store retailing – mainly internet stores.

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

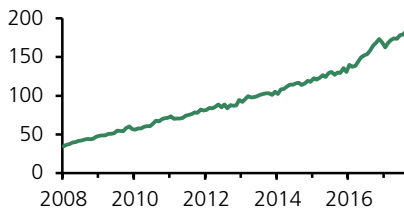


Compared to the same period a year ago, the value of retail sales was up 5.1% in the three months to August 2017.

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 2.2% in the three months to August 2017 compared to the same period a year ago.

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



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

Online sales increased year-on-year by 15.6% and by 2.4% 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              | Aug | 100.0 | 108.2    | 103.6 |
| 2016              | Aug | 103.9 | 110.2    | 108.2 |
| 2017              | Jun | 104.0 | 115.3    | 112.1 |
|                   | Jul | 106.5 | 115.8    | 113.2 |
|                   | Aug | 106.6 | 116.9    | 114.3 |
| 3m % change on yr |     | 2.5   | 5.1      | 5.1   |

The value of sales in food stores in the three months to August 2017 was up 2.5% on the same period last year.

The value of sales in non-food stores was up 5.1% 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

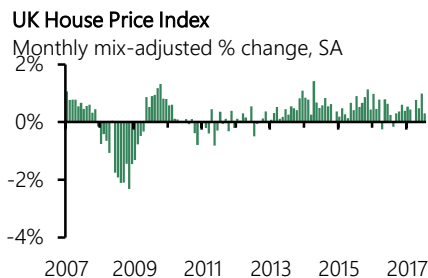
Chris Rhodes  
x2454

### Updates

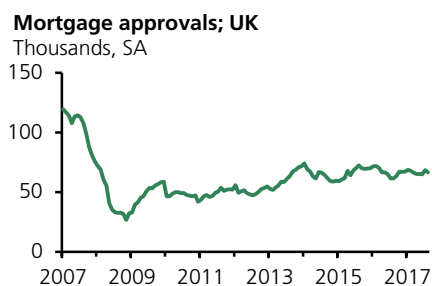
ONS, [Retail Sales](#),  
19 October 2017

## F3: Housing Market

**House prices**, as measured by the UK House Price Index, increased by 5.1% between July 2016 and July 2017. On a seasonally adjusted basis house prices increased by 0.3% between June and July 2017.



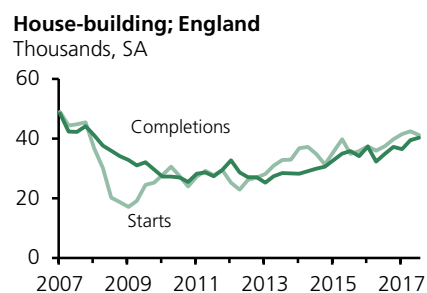
There are regional differences in house prices. The average price is highest in London at roughly £489,000. The lowest prices are found in Northern Ireland and the North East at £129,000 and £133,000 respectively.



**Mortgage approvals** in August 2017 were down 2.7% on the previous month and up 8.1% on a year ago. Approvals remain well down on pre-recession levels. There were 66,580 mortgage approvals in August 2017, compared with 61,600 in August 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

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x4324

### Updates

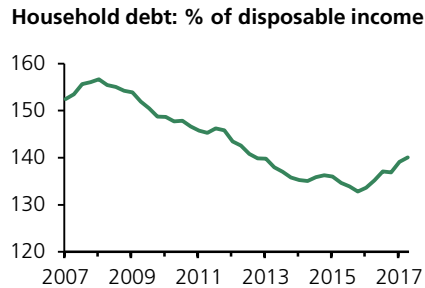
HM Land Registry, [UK house price index](#), 17 October 2017

Bank of England, [Money and credit](#), 30 October 2017

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

## F4: Household Debt

### Household debt as a % of disposable income

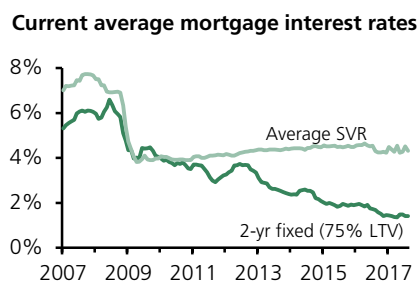


Household debt peaked in Q1 2008 at 157% of household gross disposable income. It then fell until 2011, before falling more slowly over the next few years.

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

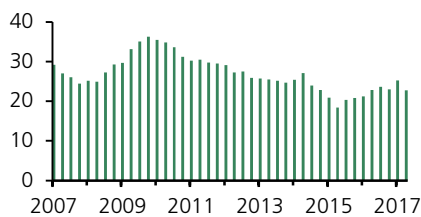


The average Standard Variable Rate (SVR) fell following the [cut in the base interest rate by the Bank of England](#) in August 2016. The SVR was 4.32% in August 2017, similar to its level in August 2016.

The average 2-year fixed mortgage rate also fell following the rate cut. It was 1.42% in August, down 0.27% 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

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x2464

#### Updates

Bank of England,  
[Statistical database](#), 30  
October 2017

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

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

## 4. Glossary

### 4.1 Definitions<sup>3</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>3</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><br>ONS, <i>Second Estimates of GDP</i><br>ONS, <i>Quarterly National Accounts</i><br>HM Treasury, <i>Forecasts for the UK Economy</i>  |
| A2 GDP: International                 | OECD, <i>OECDStat database</i><br>OECD, <i>Economic Outlook</i><br>IMF, <i>World Economic Outlook</i><br>European Commission's growth forecasts  |
| A3 Components of GDP                  | ONS, <i>Second Estimate of GDP</i><br>ONS, <i>Quarterly National Accounts</i>  |
| A4 Services                           | ONS, <i>Index of Services</i><br>Markit/CIPS, <i>UK Services Purchasing Managers Index</i>   |
| A5 Manufacturing                      | ONS, <i>Index of Services</i><br>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><br>Eurostat  |
| B3 Average Earnings                   | ONS, <i>Labour Market Statistics</i><br>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><br>OECD, <i>Economic Outlook</i>   |
| D1 Interest Rates and Monetary Policy | Bank of England, <i>Monetary Policy Committee decisions and minutes</i><br>Federal Reserve, <i>Federal Open Market Committee decisions</i><br>European Central Bank news releases<br>Bank of England: Bankstats, <i>Tables A1.1 and A2.2.1</i><br><br>ONS Database |
| D2 Public Finances                    | ONS, <i>Public sector finances</i><br>Forecasts from Office for Budget Responsibility  |
| D3 Financial Indicators               | Financial Times, <i>Market Data</i>  |
| E1 Trade                              | ONS, <i>UK Balance of Payments</i><br>ONS, <i>UK Trade</i>   |
| E2 Exchange Rates                     | Financial Times, <i>Sterling Exchange Rates</i><br>Bank of England, <i>SERI &amp; monthly rates</i>  |
| F1 Business and Consumer Confidence   | EC, <i>Economic Sentiment Indicator</i><br>CBI, <i>Industrial Trends Survey press release</i><br>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><br>Bank of England, <i>Money and Credit</i><br>DCLG, <i>House-Building</i>  |
| F4 Household Debt                     | Bank of England, <i>Lending to Individuals</i><br>The Insolvency Service, <i>Insolvency Statistics</i>   |



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