



## BRIEFING PAPER

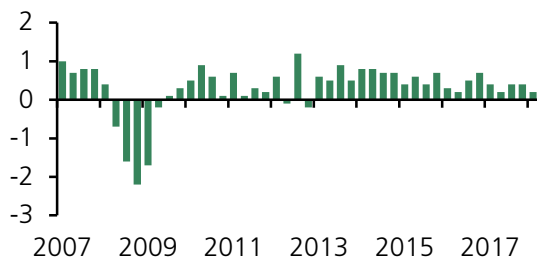
Number 8364, 5 July 2018

# Economic Indicators, July 2018

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### GDP growth

% change on previous quarter



GDP grew by 0.2% in Q1 2018, following growth of 0.4% in Q4 2017

### Consumer Prices Index (CPI)

% change on yr



Consumer prices rose by 2.4% in May 2018, unchanged from April.

### Employment Rate; UK

%, age 16-64



The employment rate was 75.6% in the three months to April 2018, a joint record high.

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# 1. Last month's developments

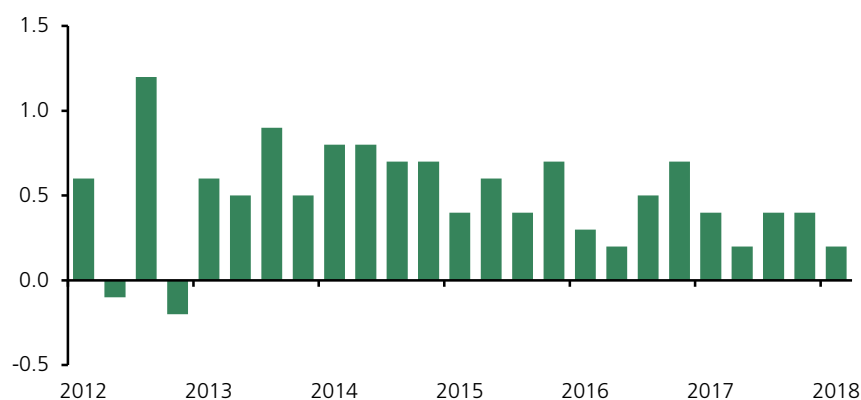
Revisions to the first quarter GDP figures have shown that growth in the economy was better than previously thought, and the employment figures remain high. However, growth is still not impressive, and weaknesses in the wider economy remain.

## GDP growth revised upwards, but still low

A change to the way in which construction output is estimated means that the GDP growth figures for Q1 have been revised upwards from 0.1% to 0.2%. Although observers were positive about the revision, this is still the joint-lowest level of growth since Q4 2012, and it is low compared with growth in the Eurozone (0.4%) or the US (0.5%).

### GDP growth

% change on previous quarter



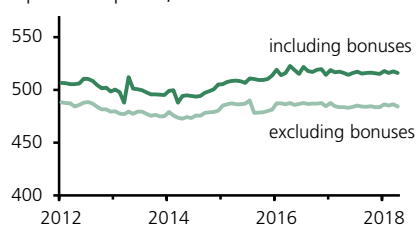
Interest rates were left unchanged at the Bank of England's Monetary Policy Committee meeting in June, but the 6-3 vote implies that a change could be on the way – some observers suggest that there may be an interest rate rise as early as August. The Bank believes that the economy may be in better health than the GDP figures would suggest; if subsequent figures show continued weakness, any rate rises may be pushed back further.

## Wages grow slowly despite record levels of employment

The main figures for the labour market appear healthy, with employment up by 146,000 compared to the previous quarter, and the employment rate is at its joint highest since records began; the unemployment rate is at its lowest since the 1970s, at 4.2%. This has not resulted in wages increasing as much as expected, however: average weekly earnings were 0.3% higher in April than the previous year, after adjusting for inflation (which remained unexpectedly steady at 2.4%, despite an increase in fuel prices).

### Real average weekly earnings

April 2018 prices, £



## Weaknesses in the production sector

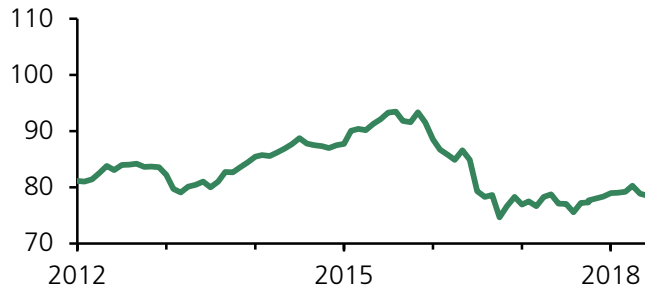
Manufacturing output was down 0.5% in the three months to April compared to the previous three months, which was the largest fall since May 2017. Most of its sub-sectors saw a decrease, and although the other industries in the production sector continue to grow, it remains well below its pre-crisis peak. Services output, however, was up 0.2% on the previous three months. Several business and consumer confidence indicators saw a decrease in June.

## Stocks and sterling fall

The FTSE 100 was down 1% on the previous month and the value of sterling fell by 0.4%, the second successive month-on-month fall after eight successive month-on-month increases.

### Sterling Exchange Rate Index (SERI)

Jan 2005=100



## Retail sales and house prices increase despite household finances

In spite of weak wage growth, retail sales were up by 4.2% by value in the three months to May compared to the previous year. This rise outstripped inflation, and the volume of sales (the number of things bought) was also up by 2.1%.

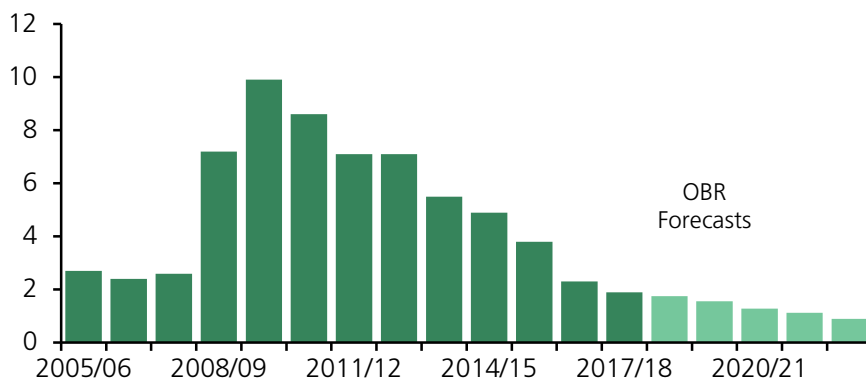
Similarly, house prices increased by 3.9% in the year to April 2018, and by 0.7% on a seasonally adjusted basis between March and April. This implies a possible recovery in prices after a 0.6% decrease the previous month, although mortgage approvals remain well below their pre-crisis levels.

## Public finances show improvements

The latest figures on both government borrowing and debt indicate that both are decreasing, with borrowing in 2017/18 £6.2 billion lower than in 2016/17 and debt 0.4 percentage points lower (as a proportion of GDP) than in May last year.

### Public sector net borrowing

% of GDP



## 2. Headline UK Economic Indicators, July 2018

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<b>Gross Domestic Product:</b> Q1 2018, Seasonally Adjusted		
Change (real %)	0.2 (qtr)	1.2 (yr)
<b>Industries</b>		
<b>Service output:</b> April 2018		
Change (%)	0.3 (mth)	1.6 (yr)
<b>Manufacturing output:</b> April 2018		
Change (%)	-0.8 (mth)	1.8 (yr)
<b>Productivity:</b> Q1 2018, Seasonally Adjusted		
<b>Output per hour</b>		
Change (%)	-0.5 (qtr)	1.0 (yr)
<b>Inflation:</b> May 2018		
Change on year (%)	2.4 (CPI)	3.3 (RPI)
<b>Labour Market:</b> February - April 2018, Seasonally Adjusted		
<b>Unemployment</b>		
Unemployment Rate (% of economically active)		4.2
Change (% points)	-2.6 (qtr)	-7.5 (yr)
<b>Employment</b>		
Employment Rate (% aged 16-64 in work)		75.6
Change (% points)	0.5 (qtr)	1.4 (yr)
<b>Interest Rate:</b> as of 5 July 2018		
Bank of England Base Rate		0.50 (%)
<b>Public Finances:</b> 2017/18		
Net borrowing	39 (£ bn)	1.9 (% GDP)
Net debt	1,779 (£ bn)	85.4 (% GDP)
<b>Trade:</b> Q1 2018		
Current Account	-17.7 (£ bn)	3.4 (% GDP)
<b>Sterling Exchange rate:</b> 5 July 2018		
US Dollar (\$)	1.32 (rate)	-1.0 (% change on yr)
Euro (€)	1.13 (rate)	-0.9 (% change on yr)
<b>EC Economic Sentiment Indicator for UK:</b> June 2018		
Points (1990-2012 average = 100)		106.9
Change (points)	-0.5 (mth)	+0 (yr)
<b>Retail Sales:</b> May 2018, Seasonally Adjusted, 3 month average		
Retailing total (inc vehicle fuel), value		2.1 (% change on yr)
<b>Housing Market:</b> April 2018, Seasonally Adjusted		
<b>House Price Index (ONS)</b>		
Change (%)	0.7 (mth)	3.9 (yr)

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

## Headline Indicators summary

**GDP** grew by 0.2% in Q1 2018 compared to the previous quarter, following growth of 0.4% in Q4 2017. Compared with the previous year, GDP grew by an estimated 1.2%. The Eurozone saw growth of 0.4% in Q1 2018 compared to the previous quarter.

**Services output** was up 0.2% in the three months to April 2018.

**Manufacturing output** was up 0.2%.

The Bank of England's Monetary Policy Committee (MPC) voted 6-3 to **leave interest rates unchanged** at its June policy meeting.

**CPI inflation** was 2.4% in May 2018, unchanged from April. Inflation in the Eurozone was 1.2% in May.

**Average wages**, excluding bonuses, were 2.8% higher in the three months to April 2018 compared with the year before. CPI inflation for the same period averaged 2.5%.

**Employment** rose by 146,000 from the previous quarter to 32.39 million in February-April 2018 and was 440,000 higher than the previous year. The **employment rate** was 75.6%, the highest rate since comparable records began in 1971.

The **unemployment rate** was 4.2%, down 2.6 percentage points from the previous year and the lowest rate since 1975.

**Productivity** across the whole UK economy in Q1 2018 was 0.5% higher than in the previous quarter, following two successive quarters of growth. It is 1.0% higher than a year before.

**Government borrowing** in 2017/18 was £6.2 billion lower than in 2016/17. At the end of April 2018 public sector net debt was equivalent to 85.4% of GDP, up 0.1 percentage points on April 2017.

As of 4 July the **FTSE-100 Index** was down 2% compared with a month ago and up 3% on a year ago.

The UK had a **trade deficit** of £9.7 billion in the three months to April 2018, compared with £7.8 billion in the previous three months. The **current account deficit**, which includes investment income and transfers as well as trade, was £17.7 billion in Q1 2018, down from £19.5 billion in Q4 2017.

The **value of sterling** fell by 0.4% between May and June 2018, the second successive month on month fall.

The **value of retail sales** was up 4.2% in the three months to May 2018 compared with the previous year. The volume of sales (the quantity of things bought) increased by 2.1%.

**House prices** increased by 3.9% in the year to April 2018. Prices increased between March and April 2018 by 0.7%.

**Household debt** stood at 134% of disposable income in Q1 2017.

## 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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Wages and Earnings	Feargal McGuinness	4904

# A1: Gross Domestic Product

The economy grew by 0.2% in Q1 2018 compared to the previous quarter. This is a slight upward revision (of 0.1% point) on earlier estimates. It follows growth of 0.4% in Q4 2017.

Real Gross Domestic Product seasonally adjusted		
	% change on qtr	% change on yr
2015	...	2.3
2016	...	1.8
2017	...	1.7
2017 Q1	0.4	1.8
Q2	0.2	1.8
Q3	0.4	1.7
Q4	0.4	1.3
2018 Q1	0.2	1.2

Source: ONS, series: IHYP, IHYQ, IHYR

Compared to the year before, GDP was 1.2% higher in Q1 2018. This is the slowest annual rate of growth since Q2 2012.

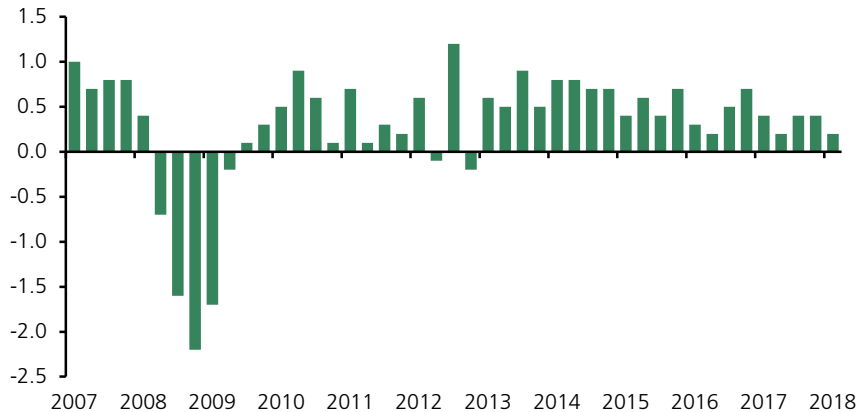
In cash terms, GDP was £2,041 billion in 2017.

The ONS is changing the [publication schedule](#) for GDP statistics from 10 July 2018.

GDP increased by 0.2% in Q1 2018 compared with the previous quarter

## GDP growth

% change on previous quarter



## Forecasts

The Treasury's June 2018 [survey of independent forecasts](#) for GDP growth showed an average forecast of 1.4% for 2018 and 1.5% for 2019.

At the March 2018 Spring Statement, the Office for Budget Responsibility (OBR) forecast growth of 1.5% in 2018 and 1.3% in 2019.

### Annual GDP growth forecasts (%)

	2018	2019
HM Treasury average of independent forecasts (Jun 18)	1.4	1.5
OBR forecasts (Mar 18)	1.5	1.3

Source:

Office for Budget Responsibility, *Economic and fiscal outlook*, Mar 2018

HMT, *Forecasts for the UK economy: a comparison of independent forecasts*, Jun 2018

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## Updates

ONS, [GDP monthly estimate](#), 10 July 2018

HM Treasury, [Forecasts for the UK economy](#), 18 July 2018

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



## A2: GDP International

GDP in the UK grew by 0.2% in Q1 2018 compared with the previous quarter. The US saw growth of 0.5% during the same quarter, with the Eurozone recording growth of 0.4%.

### Real GDP

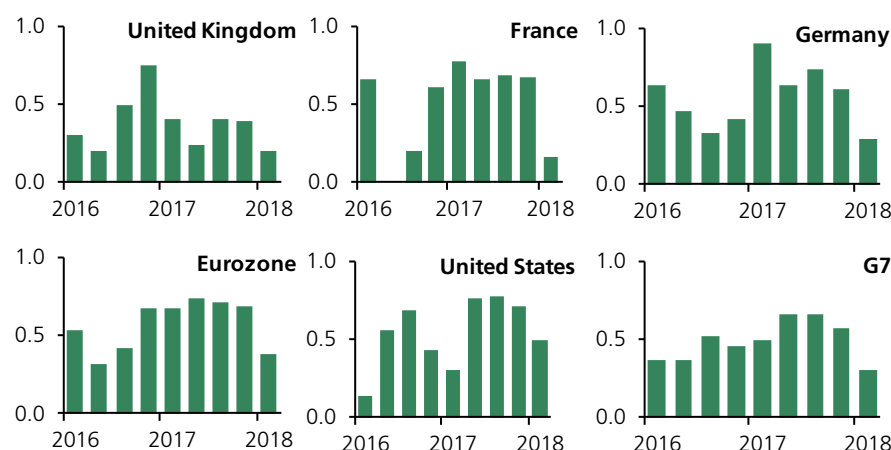
% changes

updated 29 Jun

	change on quarter				change on year			
	Q2 17	Q3 17	Q4 17	Q1 18	Q2 17	Q3 17	Q4 17	Q1 18
UK	0.2	0.4	0.4	0.2	1.8	1.7	1.3	1.2
Eurozone	0.7	0.7	0.7	0.4	2.5	2.8	2.8	2.5
USA	0.8	0.8	0.7	0.5	2.2	2.3	2.6	2.8
Japan	0.5	0.5	0.3	-0.2	1.6	2.0	2.0	1.1
Germany	0.6	0.7	0.6	0.3	2.3	2.7	2.9	2.3
France	0.7	0.7	0.7	0.2	2.3	2.7	2.8	2.2
G7	0.7	0.7	0.6	0.3	2.1	2.3	2.4	2.2
OECD	0.8	0.7	0.7	0.5	2.5	2.8	2.7	2.7

Sources: OECDstat

### Quarter-on-quarter GDP growth rates (%)



### Forecasts

The OECD [released new forecasts](#) on 30 May. These raised UK GDP growth forecasts for 2018 slightly to 1.4% from 1.3% in their previous March forecast, although this is below its forecasts for other large European economies such as Germany (2.1%) and France (1.9%). Growth in the Eurozone is forecast at 2.2% and in the US at 2.9%.

### Real GDP growth forecasts

% change

	IMF (Apr 18)		EC (May 18)		OECD (May 18)	
	2018	2019	2018	2019	2018	2019
UK	1.6	1.5	1.5	1.2	1.4	1.3
France	2.1	2.0	2.0	1.8	1.9	1.9
Germany	2.5	2.0	2.3	2.1	2.1	2.1
Eurozone	2.4	2.0	2.3	2.0	2.2	2.1
US	2.9	2.7	2.9	2.7	2.9	2.8
Japan	1.2	0.9	1.3	1.1	1.2	1.2
China	6.6	6.4	6.6	6.3	6.7	6.4
India	7.4	7.8	7.4	7.6	7.4	7.5
Brazil	2.3	2.5	2.4	2.6	2.0	2.8
<b>World</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>

Sources: IMF Apr'18 WEO; EC Spring'18 forecast; OECD Economic Outlook May'18

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 2018

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

European Commission,  
[Economic Forecasts](#),  
Nov 2018

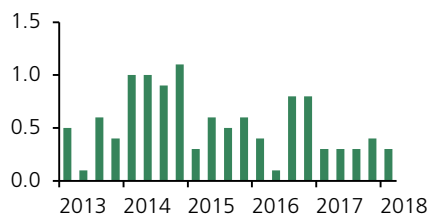
# A3: Components of GDP

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

Overall, GDP is estimated to have increased by 0.2% in real terms in Q1 2018 compared with the quarter before.

## GDP by Industry

**Service sector**  
quarterly growth (%)



Services are the sector that account for the largest part of the economy – in 2016, they accounted for 79% of economic output, the production sector for 14%, construction for 6% and agriculture for 1%.

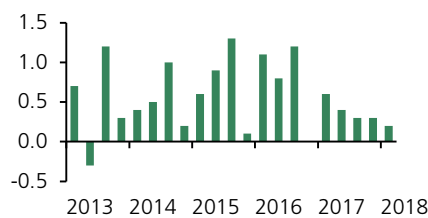
In Q1 2018, service sector output increased by 0.3% in real terms

compared with Q4 2017.

Manufacturing output was down by 0.1% (the production sector overall was up by 0.4%). Output in the construction sector was down by 0.8%.

## GDP by Expenditure

**Household Consumption**  
quarterly growth (%)



Household consumption is the largest element of expenditure across the economy, accounting for 63% of the total in 2016. Government consumption accounted for 18% and investment for 17%.

In Q1 2018, household consumption grew by 0.2% in

real terms. Government consumption was up 0.4% and investment was down 1.3%. Exports were unchanged (0.0%) and imports decreased by 0.2%.

### GDP by expenditure

% change on previous quarter (real terms)

	Household consumption	Government consumption	Investment	Exports	Imports	GDP
2016 *	3.2	0.8	2.3	1.0	3.3	1.8
2017 *	1.9	-0.1	3.4	5.4	3.2	1.7
2017 Q1	0.6	-0.5	1.1	0.8	0.9	0.4
Q2	0.4	0.5	1.6	0.6	0.4	0.2
Q3	0.3	-0.1	0.4	0.8	0.5	0.4
Q4	0.3	0.4	0.8	1.0	-0.2	0.4
2018 Q1	0.2	0.4	-1.3	0.0	-0.2	0.2

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

Note: \* annual % change

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### Updates

ONS, [GDP first quarterly estimate, UK: April to June 2018](#), 10 Aug 2018

ONS, [GDP monthly estimate](#), 10 Jul 2018

# A4: Productivity

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

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

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

## UK productivity

Historically, UK labour productivity has grown by around 2% per year but since the 2008/2009 recession it has stagnated. The level of labour productivity in Q1 2018 was 1.3% above what it was over 10 years earlier in Q4 2007 (the pre-recession peak level).

Productivity levels are 1.3% above the pre-financial crisis peak of late 2007

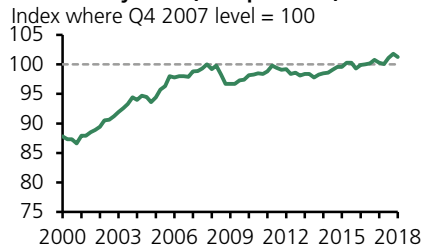
### Productivity - output (GDP) per hour

	% change on qtr	% change on yr
2016	..	0.3
2017	..	0.6
2017 Q2	-0.2	0.1
Q3	1.0	0.9
Q4	0.7	1.0
2018 Q1	-0.5	1.0

Source: ONS series LZVD, TXBB

\* Based on 'flash' ONS estimate for Q1 2018

### Productivity level (GDP per hour)



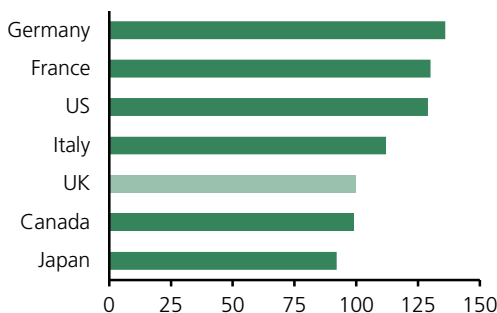
Productivity decreased by 0.5% in Q1 2018 compared with the previous quarter (based on initial 'flash' estimates). This reversal followed two consecutive quarters of strong growth. Compared with the previous year, productivity was up by 1.0% in Q1 2018.

## International comparisons

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

### Productivity (GDP per hour), 2016

Index where UK=100



In 2016, ranked on GDP per hour worked, the UK came fifth highest out of the G7 countries, with Germany top and Japan bottom. UK productivity was 16% below the average of the rest of the G7 countries, the largest since at least 1995 (when the ONS data series began).

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### Updates

ONS, [UK productivity](#), 6 July 2018

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

# A5: Services

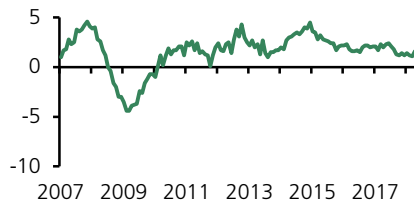
The service industries include the retail sector, the financial sector, the public sector, business administration, leisure and cultural activities.

In 2017, the service industries accounted for 79% of total UK economic output (Gross Value Added). Services accounted for 83% of workforce jobs in September 2017.

## Services Output

In the three months to April 2018, services output increased by 0.2% compared with the three months ending January 2018. The largest contributions to growth over the quarter came from government and other services which contributed 0.11% points.

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



Compared with a year before, services output increased by 1.6% in the three months to April 2018.

Services output increased by 0.3% in April 2018 compared to March 2018, following growth of 0.2% in March 2018. Retail

trade was the main contributor to this growth, contributing 0.11 percentage points.

## 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.

**UK Services PMI**  
50 = no change



The UK services PMI increased to 55.1 in June 2018 from 54.0 in May. The June value was the fastest growth for eight months, following the March value which was the lowest level seen since July 2016.

Increased demand for business and financial services, and good weather boosting consumer spending, both contributed to the accelerating expansion of business activity.

Services Output Index				PMI Index		
	Index	% change on yr		Index	Change on mth	
2016	102.5	2.6	2016 Jun	52.3		
2017	104.1	2.5	2017 Jun	53.4		
2018 Feb	102.5	1.2	2018 Apr	52.8	1.1	
Mar	102.7	1.1	May	54.0	1.2	
Apr	103.0	1.6	Jun	55.1	1.1	

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

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### Update

ONS, [Index of Services](#), 10 July 2018

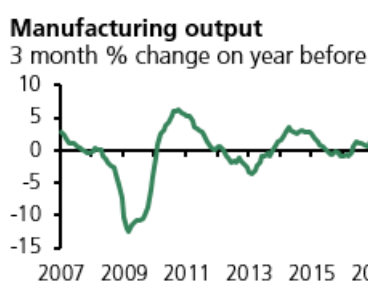
Markit/CIPS, [UK Services PMI](#), 3 August 2018

## A6: Manufacturing

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

In 2017, the manufacturing sector accounted for 10% of total UK economic output (Gross Value Added). In March 2018, it accounted for 8% of jobs.

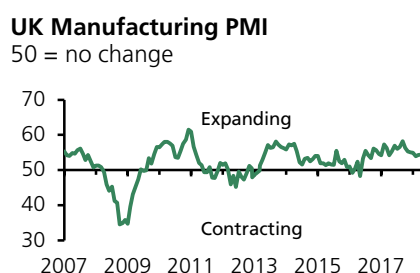
### Manufacturing Output



Total manufacturing output was down 0.5% in the 3 months to April 2018 compared with the 3 months to January 2018, the largest fall since May 2017. This reflects a reduction in the growth rate of both export and domestic turnover.

The monthly decrease in output is the largest fall since October 2012. There is widespread weakness with 9 or the 13 sub-sectors decreasing, a continuation of recent slowdown.

### 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 June 2018 the UK Manufacturing PMI was 54.4, up slightly from 54.3 in May and

from April's 17-month low of 53.9. The average reading over Q2 2018 was the lowest since Q4 2016.

During June, there was a rise in output and new orders across consumer, intermediate and investment goods industries, but the overall rate of expansion in manufacturing output slowed. The rate of interest in new business was amongst the weakest registered over the last 18 months.

Manufacturing production has now risen for 23 successive months, and 51% of companies forecast output to rise over the coming year.

Manufacturing output index				PMI Index		
	Index	% change on year	% change 3m on previous 3m		Index	Change on mth
2016	100.9	0.9		2016 Jun	52.4	
2017	103.5	2.6		2017 Jun	54.2	
2018 Feb	105.2		0.6	2018 Apr	53.9	-1.0
Mar	105.1		0.2	May	54.3	0.4
Apr	103.6		-0.5	Jun	54.4	0.1

Source: ONS, series K22A, K2P4

Source: Markit/CIPS UK Manufacturing 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 Production](#), 10 July 2018

Markit/CIPS, [UK Manufacturing PMI](#), 1 August 2018

# B1: Inflation

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

The CPI inflation rate was 2.4% in May 2018, unchanged from April - this is the lowest it has been since March 2017.

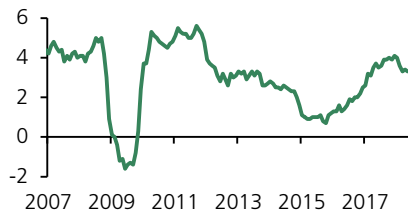
The RPI inflation rate fell to 3.3% in May 2018, down 0.1 percentage point from April.

The lack of change in the CPI rate was partly due to rises in the prices of motor fuels being offset by falls in the prices of recreational and cultural goods and services and household services.

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



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



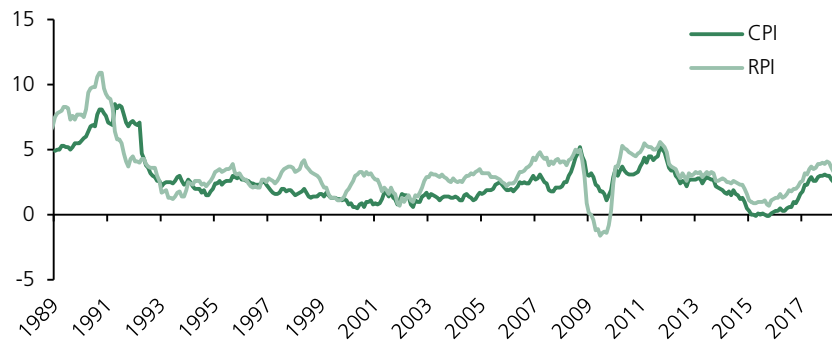
**Price Indices**

% change on a year ago

		CPI	RPI
2014	May	0.1	1.0
2015	May	0.3	1.4
2016	May	2.9	3.7
2018	Mar	2.5	3.3
	Apr	2.4	3.4
	May	2.4	3.3

Source: ONS database, series: D7G7, CZBH

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



**Subject Specialist**

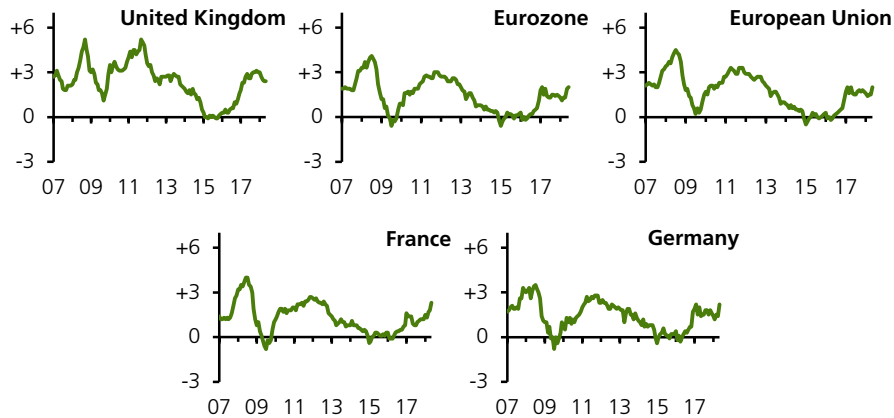
Daniel Harari  
x2464

**Update**

ONS, [Consumer Price Indices](#), 18 July 2018

## 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 2.4% in the year to May 2018, unchanged from April. The April and May 2018 figures are the lowest since March 2017.

EU inflation was 2.0% in May 2018, compared with 1.5% in April. EU inflation was 1.6% in May 2017.

Annual inflation in the Eurozone is provisionally estimated as 2.0% in June, up from 1.9% in May and compared with 1.3% in June 2017.

In Germany, inflation was 2.2% in May, compared with 1.4% in April. In France it was 2.3% in May, up from 1.8% in April.

Romania had the highest inflation rate in the EU in May (4.6%). The lowest inflation rate in the EU was in Ireland (0.7%). UK inflation was the sixth highest in the EU in May.

### Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2015	2016	2017	Mar 18	Apr 18	May 18	Jun 18
UK	0.0	0.7	2.7	2.5	2.4	2.4	..
Eurozone	0.0	0.2	1.5	1.3	1.3	1.9	2.0
European Union	0.0	0.3	1.7	1.5	1.5	2.0	..
France	0.1	0.3	1.2	1.7	1.8	2.3	..
Germany	0.1	0.4	1.7	1.5	1.4	2.2	..

Source: ONS, Eurostat. Notes: Eurostat figure for June is provisional. .. Indicates data not yet available

### Subject Specialist

Daniel Harari  
x2464

### Update

ONS, [Consumer Prices bulletin](#) (UK), 18 July

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

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

## B3: Average Earnings

In April 2017 median gross weekly earnings for full-time employees in the UK were £550, up 2.2% on April 2016. Adjusted for inflation, median earnings for full-time employees decreased by 0.5%.

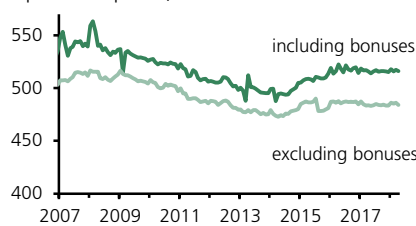
More timely but less detailed data show average weekly earnings for all employees in Great Britain, increased by 2.8% excluding bonuses in the three months to April 2018 compared with the previous year. Average weekly pay including bonuses increased by 2.5%.

Inflation as measured by the CPI averaged 2.5% over the same period. After adjusting for inflation, average weekly earnings excluding bonuses were 0.3% higher than the previous year. Average pay including bonuses was at the same level.

### Average Earnings, Whole Economy

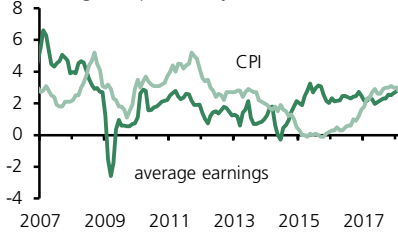
**Real average weekly earnings**

April 2018 prices, £



**Inflation and earnings (incl bonuses)**

% change on previous year



### Trends by Sector

**Annual % change in average earnings (incl bonuses)**

Great Britain, employees only

		Total	Private	Public
2016	Apr	2.2	2.4	1.7
2017	Apr	2.2	2.5	1.1
2018	Feb	2.8	3.0	2.3
	Mar	2.6	2.7	2.3
	Apr	2.5	2.6	2.4

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 2.6% in the private sector in the three months to April 2018 compared with the year before.

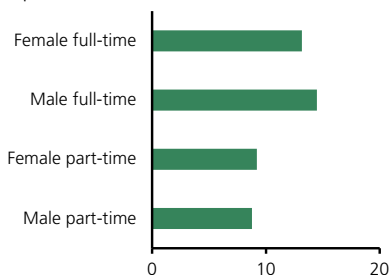
In the public sector, total pay increased by 2.4%.

### Hourly pay levels

Median hourly earnings (excluding overtime) were £13.94 for full-time employees at April 2017: £14.48 for men working full-time and £13.16 for women.

**Median hourly pay excluding overtime**

April 2017 (£)



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

The median is the point at which half earn more and half earn less.

#### Subject Specialist

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x4904

#### Update

ONS, [Labour Market Statistics](#), 17 July 2018

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



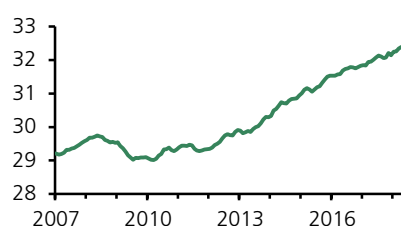
# C1: Employment

32.39 million people were in employment in February-April 2018. Employment increased by 146,000 compared to the previous quarter and was 440,000 higher than the year before.

The employment rate (the proportion of the population aged 16-64 in work) was 75.6%. This is the joint highest rate since comparable records began in 1971. It compares to a post-recession low of 70.1% in July-September 2011.

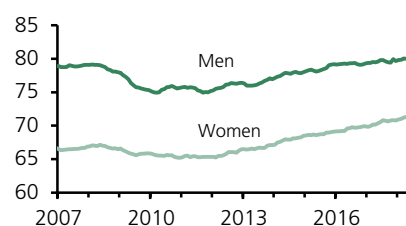
## Employment; UK

Millions, age 16+, seasonally adjusted



## Employment Rate; UK

% , age 16-64, seasonally adjusted



15.26 million women were in work, 112,000 more than the previous quarter and 275,000 more than a year ago. The female employment rate was 71.3%. Recent increases in the rate are partly due to ongoing changes to the State Pension age for women.

17.13 million men were in work, 34,000 more than the previous quarter and 165,000 higher than the year before. The male employment rate was 80.0%.

23.76 million people were working full-time, up 44,000 from the previous quarter and 259,000 higher than a year ago.

There were 8.64 million people working part-time, 103,000 more than the previous quarter and up 181,000 from the previous year.

Self-employment increased by 34,000 from the previous quarter, to 4.81 million. The number of people working as employees increased by 150,000 from the previous quarter to 27.42 million.

1.58 million people were employed on a temporary basis, up 22,000 on the previous quarter but 12,000 fewer than the year before.

## UK Employment

Seasonally adjusted

		Total		Men		Women		Youth	
		000's	%	000's	%	000's	%	000's	%
Age:		16+	16-64	16+	16-64	16+	16-64	16-24	16-24
Feb-Apr	2015	31,126	73.4	16,546	78.2	14,579	68.7	3,865	53.2
Feb-Apr	2016	31,583	74.2	16,852	79.3	14,730	69.2	3,940	54.6
Feb-Apr	2017	31,954	74.8	16,970	79.5	14,984	70.2	3,942	55.3
Nov-Jan	2018	32,248	75.3	17,101	79.8	15,147	70.9	3,838	54.4
Feb-Apr	2018	32,394	75.6	17,135	80.0	15,259	71.3	3,865	54.9
<i>Change on qtr</i>	<i>Level</i>	<i>146</i>	<i>0.3</i>	<i>34</i>	<i>0.2</i>	<i>112</i>	<i>0.4</i>	<i>27</i>	<i>0.6</i>
	<i>%</i>	<i>0.5%</i>		<i>0.2%</i>		<i>0.7%</i>		<i>0.7%</i>	
<i>Change on yr</i>	<i>Level</i>	<i>440</i>	<i>0.8</i>	<i>165</i>	<i>0.5</i>	<i>275</i>	<i>1.1</i>	<i>-76</i>	<i>-0.3</i>
	<i>%</i>	<i>1.4%</i>		<i>1.0%</i>		<i>1.8%</i>		<i>-1.9%</i>	

Source: ONS Labour Market Statistics, Tables A05 and A0

Notes: The employment rate is a percentage of the population aged 16 to 64

## Subject Specialist

Andrew Powell  
X6962

## Updates

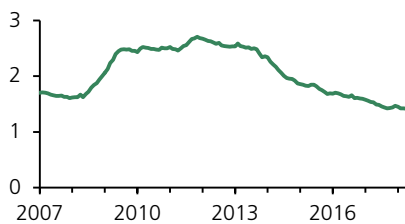
ONS, [Labour Market Statistics](#), 17 July 2018

## C2: Unemployment

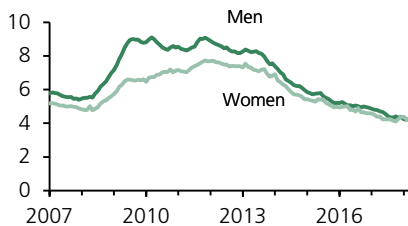
There were 1.42 million unemployed people in the UK in February-April 2018, a decrease of 38,000 from the previous quarter and down 115,000 from the year before.

The unemployment rate was 4.2% (the percentage of the economically active population who are unemployed). This is the joint lowest rate since 1975. The rate reached a post-recession high of 8.5% in late 2011.

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



**Unemployment Rate; UK**  
%, age 16+, seasonally adjusted



520,000 young people aged 16-24 were unemployed, 17,000 fewer than the previous quarter and down 43,000 from a year ago. The unemployment rate for 16-24 year olds was 11.9%, down from 12.5% a year ago.

369,000 people had been unemployed for over 12 months, up slightly from the previous quarter but 17,000 fewer than a year ago.

There were 767,000 men unemployed in February-April 2018, a slight increase from the previous quarter but down 73,000 from a year ago.

649,000 women were unemployed, down 47,000 from the previous quarter and down 41,000 from the year before.

### Subject Specialist

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### Updates

ONS, [Labour Market Statistics](#), 17 July 2018

### 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	
Feb-Apr 2015	1,822	5.5	1,010	5.8	812	5.3	734	16.0	
Feb-Apr 2016	1,676	5.0	898	5.1	778	5.0	621	13.6	
Feb-Apr 2017	1,530	4.6	840	4.7	690	4.4	564	12.5	
Nov-Jan 2018	1,453	4.3	757	4.2	696	4.4	538	12.3	
Feb-Apr 2018	1,416	4.2	767	4.3	649	4.1	520	11.9	
<i>Change on qtr</i>	<i>Level</i>	<i>-38</i>	<i>-0.1</i>	<i>10</i>	<i>0.0</i>	<i>-47</i>	<i>-0.3</i>	<i>-17</i>	<i>-0.4</i>
	<i>%</i>	<i>-2.6%</i>		<i>1.3%</i>		<i>-6.8%</i>		<i>-3.2%</i>	
<i>Change on yr</i>	<i>Level</i>	<i>-115</i>	<i>-0.4</i>	<i>-73</i>	<i>-0.4</i>	<i>-41</i>	<i>-0.3</i>	<i>-43</i>	<i>-0.6</i>
	<i>%</i>	<i>-7.5%</i>		<i>-8.7%</i>		<i>-6.0%</i>		<i>-8%</i>	

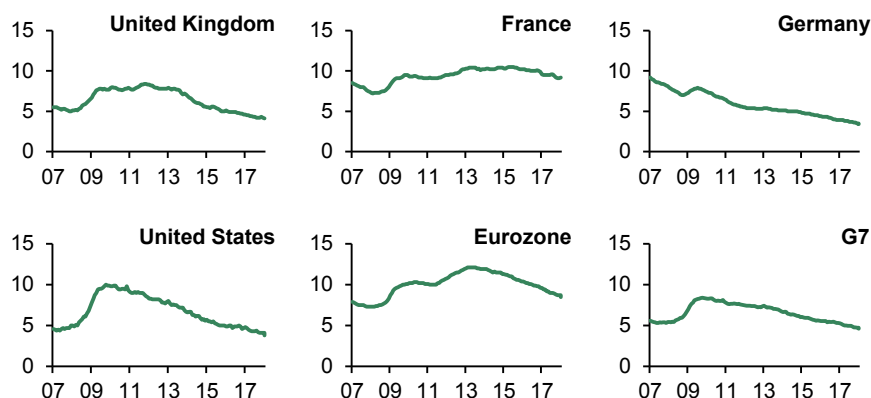
Source: ONS Labour Market Statistics, A05, A06

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

## 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 Q4 2017 was 4.2%. This was slightly above the rate of the US (4.1%), below that of France (9.1%) but above that of Germany (3.6%). The UK rate was the 11<sup>th</sup> lowest of the 35 OECD member countries.

The UK figure for Q1 2018 has not yet been published.

The unemployment rate for the Eurozone fell to 8.6% in Q1 2018 from 8.7% in Q4 2017, and fell for the G7 from 4.8% to 4.7%. Almost all of the OECD countries have seen a fall in the unemployment rate over the last year.

Greece had the highest unemployment rate out of the OECD member states for Q4 2017 (21.0%) followed by Spain at 16.6%.

The Czech Republic had the lowest unemployment rate in the OECD for Q4 2017 at 2.4%.

Youth (aged 15-24) unemployment is a major issue in many developed economies at present. In Q4 2017 youth unemployment was 43.2% in Greece, 37.0% in Spain and 33.8% in Italy. UK youth unemployment stood at 12.0%.

#### Unemployment

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

	CAN	FRA	GER	ITA	JPN	UK	USA	Eurozone	G7	OECD
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
2017	6.3	9.4	3.8	11.2	2.8	4.4	4.4	9.1	5.0	5.8
2017 Q1	6.6	9.5	3.9	11.6	2.9	4.5	4.7	9.5	5.2	6.0
Q2	6.5	9.5	3.8	11.2	2.9	4.4	4.3	9.1	5.0	5.8
Q3	6.2	9.5	3.7	11.2	2.8	4.2	4.3	9.0	4.9	5.7
Q4	6.0	9.1	3.6	11.1	2.7	4.2	4.1	8.7	4.8	5.5
2018 Q1	5.8	9.2	3.5	11.1	2.5	..	4.1	8.6	4.7	5.4
Change on qtr	-0.1	0.1	-0.1	0.1	-0.3	...	0.0	-0.1	-0.1	-0.1
Change on yr	-0.8	-0.3	-0.4	-0.4	-0.4	...	-0.6	-0.8	-0.5	-0.6

Source: OECD, Harmonised Unemployment Rates

#### Subject Specialist

Andy Powell  
x6962

#### Next Update

OECD, [Harmonised Unemployment Rates](#),  
10 July 2018

# D1: Interest Rates and Monetary Policy

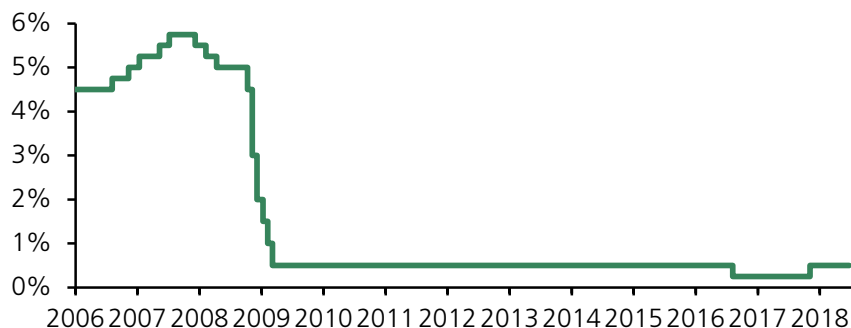
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates have stayed at historic lows since then, close to or below 0% in most developed economies.

## UK (Bank of England)

The Bank of England's Monetary Policy Committee (MPC) voted 6-3 to leave interest rates unchanged at 0.5% at its June policy meeting. In November, the MPC raised interest rates for the first interest rate increase in more than a decade.

The MPC left interest rates unchanged at 0.5% following its June [meeting](#)

### UK official interest rate



The fall in the value of the pound since early 2016 and, particularly, following the Brexit vote in June 2016, pushed up inflation to around 3% in the second half of 2017 – above the MPC's 2% target. It has since eased to 2.4% in May. Despite subdued economic growth in recent quarters, the MPC believes that there is little spare capacity in the economy. This means that to bring inflation down to its target, the MPC has stated that a few more rate increases are likely at some point, possibly later this year.

The MPC's **quantitative easing** (QE) programme, where the Bank creates new money to buy financial assets, remains active and unchanged. QE now totals £445 billion of assets, £435 billion of which are government bonds and £10 billion of commercial debt.

## Eurozone (European Central Bank)

At its June 2018 [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0%. It also announced that its quantitative easing programme – whereby it purchases assets (mostly government bonds of Eurozone countries) – at a rate of €30bn per month until September 2018, would be reduced to €15bn after September until the end of the year, when new purchases would end.

## United States (Federal Reserve)

At its two-day policy meeting ending on 13 June, the US Federal Reserve raised [interest rates by 0.25% points](#) at a range of 1.75-2.00%. Rates have been increased gradually from 0-0.25% since December 2015 against a backdrop of jobs growth and steady economic growth. More rates rises are expected later this year.

### Subject Specialist

Daniel Harari  
x2464

### Updates – next monetary policy meetings

UK ([2 Aug](#))  
ECB ([26 July](#))  
US ([1 Aug](#))

## D2: Public finances

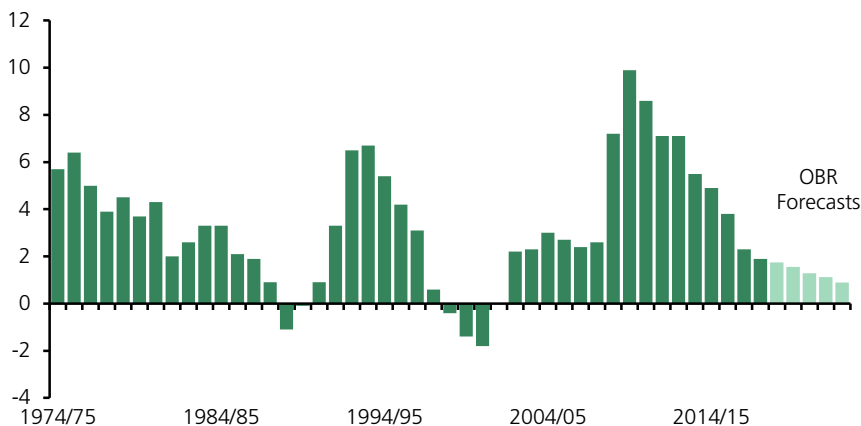
	Net borrowing		Net debt	
	£ bn	% GDP	£ bn	% GDP
2010/11	137	8.6%	1,158	71.4%
2011/12	117	7.1%	1,253	75.1%
2012/13	121	7.1%	1,364	78.6%
2013/14	98	5.5%	1,464	80.5%
2014/15	90	4.9%	1,555	82.9%
2015/16	72	3.8%	1,603	82.6%
2016/17	46	2.3%	1,727	85.3%
2017/18	39	1.9%	1,779	85.4%
2018/19	37	1.8%	1,835	85.5%
2019/20	34	1.6%	1,880	85.1%
2020/21	29	1.3%	1,868	82.1%
2021/22	26	1.1%	1,841	78.3%
2022/23	21	0.9%	1,893	77.9%

Sources: ONS, OBR. Excludes public sector banks

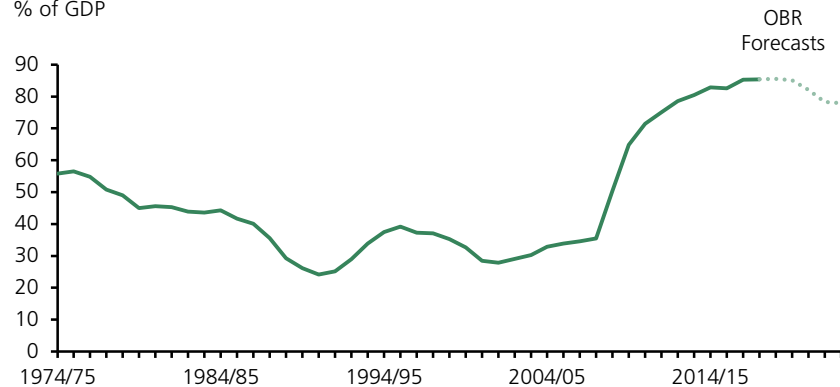
outturn data.

At the end of May 2018 public sector net debt was equivalent to 85.0% of GDP, 0.4% of GDP lower than in May 2018.

**Public sector net borrowing**  
% of GDP



**Public sector net debt**  
% of GDP



The ONS has released its third provisional estimate for borrowing in 2017/18. The ONS estimates that government borrowed £39.5 billion in 2017/18, equivalent to 1.9% of GDP. Borrowing in 2017/18 was £6.2 billion lower than in 2016/17.

The provisional estimate for 2017/18 is likely to be revised as the ONS replaces initial estimates with provisional and then final

The ONS's figures for 2017/18 are provisional: they're not final figures and may be revised as provisional data are replaced with final 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.

All figures exclude public sector banks.

**Subject Specialist**  
Matt Keep  
x4324

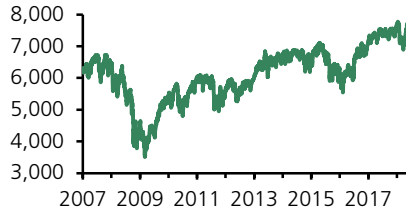
**Next update**  
OBR, [Economic and fiscal outlook](#), autumn 2018

ONS, [Public sector finances](#), 20 July 2018

# D3: Financial Indicators

## FTSE-100 Index

**FTSE-100 Index**  
Daily closing price

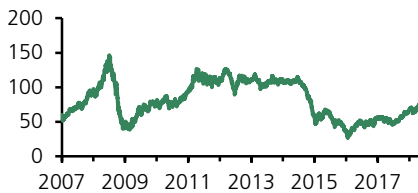


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite turbulence following the EU Referendum result, the index closed at twelve successive record highs between December 2016 and January 2017 - the index's

longest run of successive all-time peaks since its inception in 1984. The index passed 7,500 for the first time in May 2017 and closed at another series of record highs between December 2017 and January 2018. In May 2018, the index passed 7,800 for the first time, reaching another record high of 7,877.45 on 22 May 2018.

## Brent Crude Oil

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

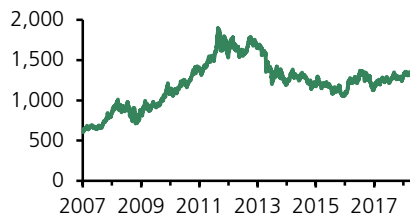


The price of Brent crude oil reached an all-time high above \$145/barrel in July 2008. In January 2016, the price fell below \$30/barrel for the first time since 2004. The price has climbed since December 2016, after OPEC agreed to its first supply cut since 2008. Since late October 2017, it

has closed at above \$60/barrel, and reached \$80/barrel in May 2018 for the first time since late 2014.

## 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 July 2018, it fell to its lowest level since December 2017.

### Data from 4 July 2018

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
04 Jul 2018	7573.09	77.96	1251.75
%change over:			
1-month	-2%	3%	-3%
12-months	3%	57%	2%

Note: Oil is Brent near-month futures price

Source: Financial Times

### Subject Specialist

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### Updates

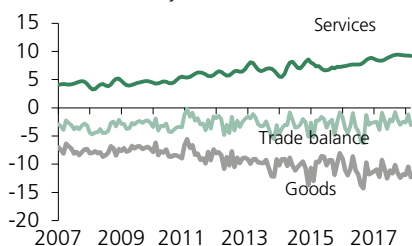
Financial Times, Weekly  
Basis

## E1: Trade

In 2017, the UK's exports of goods and services totalled £616 billion and imports totalled £642 billion. The EU accounted for 44% of UK exports of goods and services and 53% of imports in 2017.

### Balance of trade, goods & services

£ billion, monthly data



Overall, the UK imports more than it exports meaning that it runs a trade deficit. A deficit of £137 billion on trade in goods was partially offset by a surplus of £112 billion on trade in services in 2017. The overall trade deficit was £26 billion in 2017.

The UK had a trade deficit with the EU of £67 billion in 2017 and a trade surplus of £41 billion with non-EU countries.

The trade deficit with all countries increased to £9.7 billion in the three months to April compared with £7.8 billion in the previous three months. Exports decreased by 3.6% over this period. Imports decreased by 2.2% (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
2016	557.0	587.8	-30.9	-102.8	-5.2%
2017	615.9	641.8	-25.9	-79.0	-3.9%
2017 Q1	152.2	158.8	-6.6	-16.3	-3.2%
Q2	152.8	159.4	-6.6	-23.3	-4.6%
Q3	154.5	161.4	-6.9	-19.8	-3.9%
Q4	156.5	162.2	-5.7	-19.5	-3.8%
2018 Q1	156.4	160.3	-3.8	-17.7	-3.4%

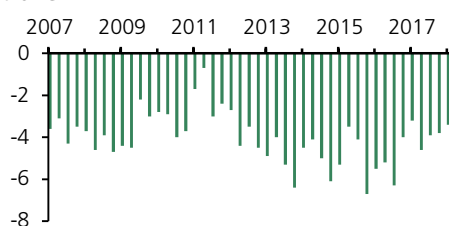
Source: ONS, series: IKBH, IKBI, IKBJ, HBOP, AA6H

The current account, which includes investment income and transfers as well as trade, saw a deficit of £79 billion in 2017, compared with £103 billion in 2016. The current account deficit was 3.9% of GDP in 2017 compared with 5.2% in 2016.

The current account deficit was £17.7 billion in Q1 2018 (3.4% of GDP), down from £19.5 billion (3.8% of GDP) in Q4 2017.

### Current Account Balance

% of GDP



### Subject Specialist

Dominic Webb  
x2042

### Updates

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

ONS, [UK Balance of Payments](#), 28 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 0.4% between May and June, following a fall of 1.8% between April and May. This is the SERI’s second successive month on month fall, following 8 successive month on month rises, dating back to August 2017. Compared with the same period a year ago, it is 1.8% higher. It is 25.7% below its January 2007 peak level.

### Sterling Exchange Rate Index (SERI)

Jan 2005=100

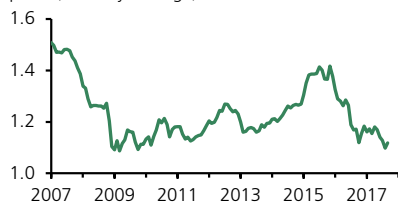


On average in June compared with May, the pound fell by 1.3% against the dollar, the second successive month on month fall. The pound fell sharply against the dollar following the EU referendum, from \$1.48 on 23 June 2016 to \$1.14 in June 2017 – a thirty-one year low. In recent months, the value of the pound against the dollar reaching as high as \$1.43 in mid-April 2018 (the highest level since the EU referendum), though has remained below \$1.40 since late April.

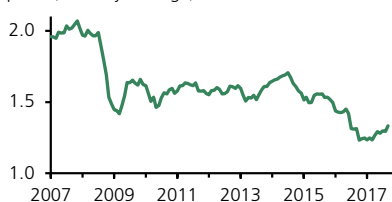
Latest closing prices:  
 \$1.32 per £1  
 €1.13 per £1  
 (On 4 July 2018)

Sterling was down 0.2% against the Euro on average in June compared to May. On 3 July 2018, 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
2015	1.53	-7.2%	1.38	11.0%
2016	1.35	-11.4%	1.22	-11.2%
2017	1.29	-4.8%	1.14	-6.7%
2018 Apr	1.41	11.3%	1.15	-2.7%
May	1.35	4.1%	1.14	-2.6%
Jun	1.33	3.7%	1.14	-0.2%

Source: Bank of England, Bankstats database

### Subject Specialist

Daniel Harari  
 x2464

### Updates

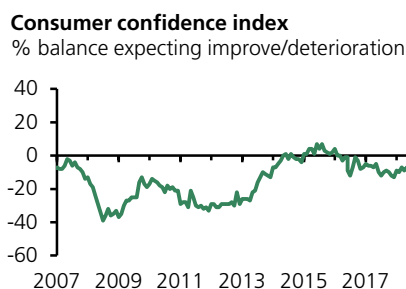
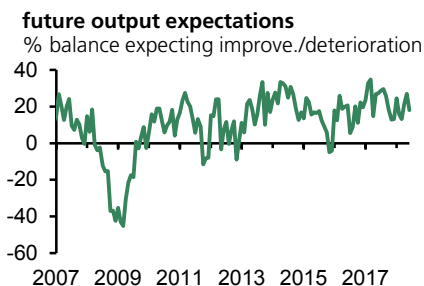
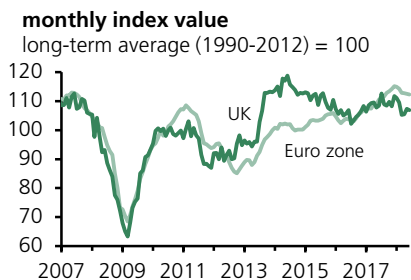
Financial Times, [sterling exchange rates](#) (daily)

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



# F1: Business and Consumer Confidence

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



## European Commission Economic Sentiment Indicator

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

Between May and June, the overall UK sentiment index decreased by 0.5 points to 106.9, the same level as in June 2016.

## CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In June, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +18% of manufacturers, down from +27% in May.

## 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 June, the overall consumer confidence index was -9, down by 2 from -7 in May.

### Subject Specialist

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### Update

EC, [Economic Sentiment Indicator](#), 30 July 2018

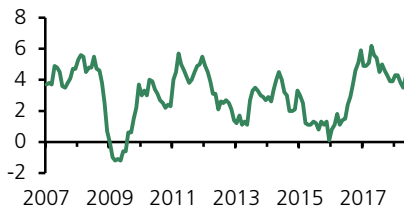
CBI, [Industrial Trends](#), Mid-July 2018

GfK NOP, [Consumer Confidence](#), 31 July 2018

## F2: Retail Sales

In the three months to May 2018, the quantity bought (**volume**) in retail sales increased by 2.1% compared with the previous three months.

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

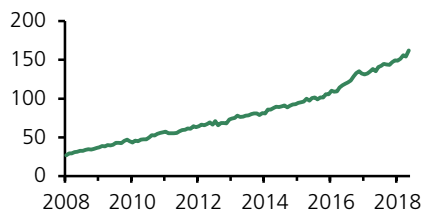


Compared to the same period a year ago, the **value** of retail sales was up 4.2% in the three months to May 2018. Most of the rise was the result of inflation.

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).

**Value of internet retail sales**  
2015=100, seasonally adjusted



The average weekly value of **internet sales** in Great Britain was £1.2 billion in May 2018, 18% of all retail sales.

Online sales increased year-on-year by 20%, driven by very strong growth in online sales by department stores (up 36% on the year).

### Value of retail sales

Index 2015=100, seasonally adjusted

		Food	Non-food	Total
2016	May	101.1	102.7	102.8
2017	May	103.5	104.8	106.9
2018	Mar	106.1	106.4	110.0
	Apr	107.3	108.3	111.8
	May	108.7	109.4	113.6
3m % change on yr		3.2	2.9	4.2

The value of sales in food stores in the three months to May 2018 was up 3.2% on the same period last year.

The value of sales in non-food stores was up 2.9% on last year.

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

Total includes fuel and non-store retailing

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

### Subject Specialist

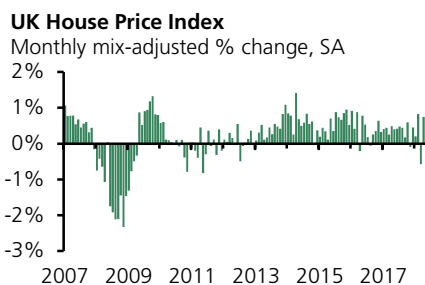
Chris Rhodes  
x2454

### Updates

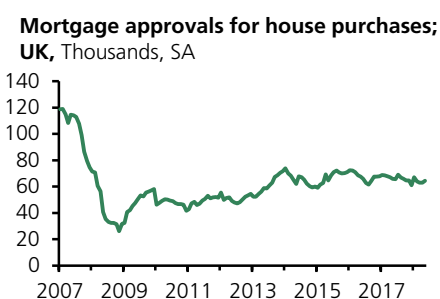
ONS, [Retail Sales](#),  
19 July 2018

## F3: Housing Market

**House prices**, as measured by the UK House Price Index, increased by 3.9% between April 2017 and April 2018. On a seasonally adjusted basis house prices increased by 0.7% between March 2018 and April 2018.



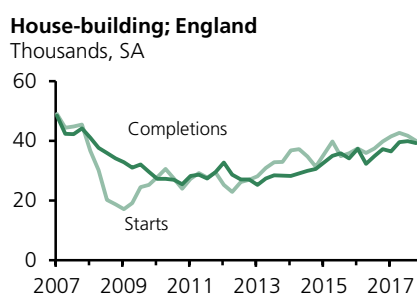
There are regional differences in house prices. The average price is highest in London at roughly £484,500. The lowest prices are found in Northern Ireland and the North East at £130,000 and £130,500 respectively.



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

**Mortgage approvals** for house purchases in May 2018 were down 2.1% on a year ago but up 2.5% on April 2018. Approvals remain well down on pre-

recession levels. There were 64,526 mortgage approvals in May 2018, compared with 65,878 in May 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 40,070 house building starts (seasonally adjusted) in England in Q3 2017, a 4% decrease compared with the

previous quarter, but a 1% increase compared with the same quarter of 2016. This is above the recent low of 17,110 in Q1 2009, but still below the 48,980 starts in Q1 2007.

There were 39,250 dwelling completions (seasonally adjusted) in Q3 2017, a 2% decrease compared with the previous quarter, but a 5% increase compared with 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](#), 18 July 2018

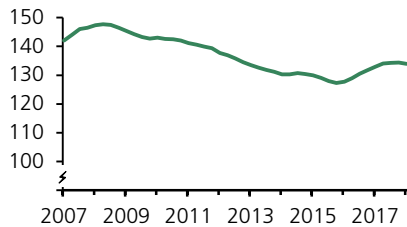
Bank of England, [Money and credit](#), 30 July 2018

DCLG, [House-building](#), August 2018

## F4: Household Debt

### Household debt as a % of disposable income

Household debt: % of disposable income



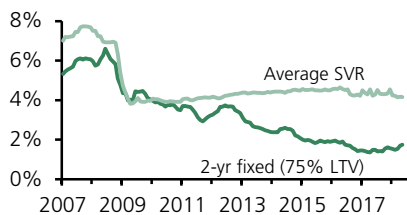
Household debt peaked in Q1 2008 at 148% of household disposable income. It then fell until reaching 127% by late 2015.

Starting in early 2016, growth in household debt levels accelerated, leading to the debt-to-income ratio to rise to 134% by mid-2017. It's remained steady since.

*Statistical note:* The household debt and income source data were changed in May. Previously debt and income totals included the non-profit sector (mostly charities and universities). The new data reflects only individuals in the household sector. The overall historical trends are unchanged. For more see Box 1 in the [Library paper on household debt](#).

### Current average mortgage interest rates

Current average mortgage interest rates



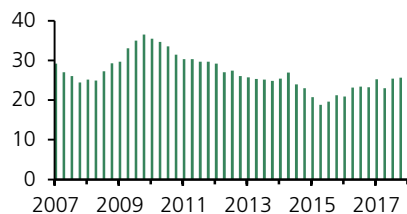
The average Standard Variable Rate (SVR) was 4.16% in May 2018, very slightly down on the level seen a year ago.

The average 2-year fixed mortgage rate was 1.74% in April, up 0.25%-points from a year ago.

The increase in fixed-term interest rates in the past year follows the Bank of England [raising its base interest rate in November 2017](#) (from 0.25% to 0.5%) and the possibility of further rate rises this year.

### Individual insolvencies, England and Wales

Individual insolvencies; England and Wales, Thousands



There were 27,388 individual insolvencies in England and Wales in Q1 2018, up 7% on the previous quarter, and 9% up on the same period in 2016. The total number of insolvencies in Q1 2018 was the highest number of individual insolvencies since 2012.

In Scotland, there were 2,501 individual insolvencies in Q1 2018, a fall of 0.6% on a year earlier.

In Northern Ireland, there were 574 individual insolvencies in Q1 2018, an fall of% on a year earlier. There were 2,878 individual insolvencies in 2017.

#### Subject Specialist

Daniel Harari  
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#### Updates

Bank of England,  
[Statistical database](#),  
30 Jul 2018

Insolvency Service,  
[Insolvency Statistics](#),  
27 Jul 2018

ONS, [UK Economic Accounts](#), 28 Sep 2018

## 4. Glossary

### 4.1 Definitions<sup>1</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.

**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

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<sup>1</sup> Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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.  $GDP \text{ at market prices} = GDP \text{ at basic prices} + \text{transport prices paid separately} + \text{non-deductible taxes on expenditure} - \text{subsidies received}$ .

**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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