



BRIEFING PAPER

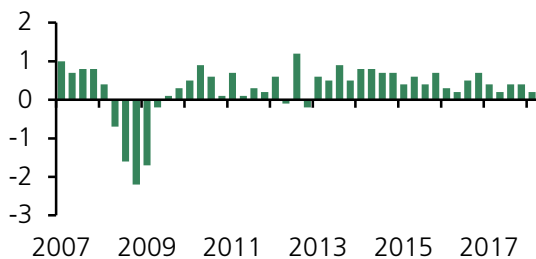
Number 8379, 8 August 2018

Economic Indicators, August 2018

By Andrew Powell

GDP growth

% change on previous quarter



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

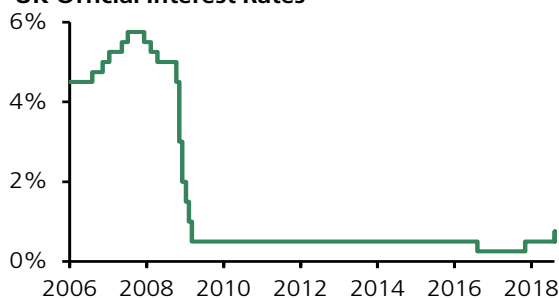
Consumer Prices Index (CPI)

% change on yr



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

UK Official Interest Rates



Interest rates were raised to 0.75% from 0.5% on 2 August.

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1. Last month's developments

Last week the Bank of England's Monetary Policy Committee (MPC) voted unanimously to raise interest rates to 0.75% from 0.5%. This is the highest they have been in almost a decade, although they are still very low by historical standards.

Interest rates rose for the second time in a year

Prior to the decision to raise interest rates in November 2017, interest rates had not been raised since the summer of 2007. Now, in the space of a year the MPC has voted to increase rates on two occasions. As the chart below shows, however, they remain well below the levels seen at the time of the 2007-2009 financial crisis.

UK official interest rate



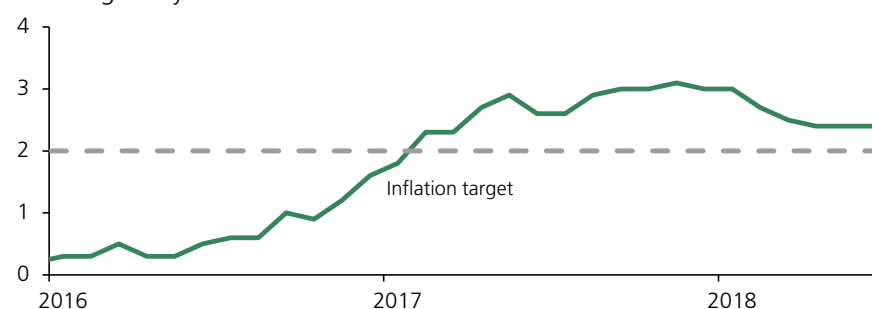
Inflation remains above the 2% target

The Government has set the MPC a 2% inflation target, and the MPC will adjust interest rates with the primary intention of meeting this target.

In June 2018, the CPI inflation rate was 2.4%, unchanged from May but below levels seen for much of 2017 and the start of 2018, when it was around 3.0%. These higher rates of inflation were partly a result of a rise in import prices due to sterling's fall following the EU referendum. The last time inflation was either equal to or less than the 2% inflation target was in January 2017.

Consumer Prices Index (CPI)

% change on year



The MPC stated that most of the rise in import prices has now been passed on to consumer prices, and therefore have forecast that the inflation rate will begin to gradually decline towards the 2% target, reaching it around the end of 2020.

The economic dip in Q1 2018 appears to be temporary

Following the March meeting of the MPC, the expectation was that its members would vote to raise interest rates at the May meeting. However, at this meeting, the MPC voted to keep interest rates unchanged at 0.5%, with a key reason for this being the economic slowdown in the first quarter of this year. Provisional estimates of GDP had showed growth of only 0.1% in this quarter, which was the slowest growth since 2012. The estimate for this quarter has since been revised to 0.2%.

A key question since then has been whether this subdued growth was a temporary dip, at least partly caused by the adverse weather in this quarter, or whether it would prove to be part of a more sustained slowdown.

The economic data published since the May meeting has been mixed but sufficiently strong for the MPC to conclude that the first quarter slowdown was temporary, and that momentum has recovered somewhat in the second quarter.

The MPC has reported that it expects growth to be 0.4% in Q2 2018. The ONS will publish a first estimate for this quarter on Friday August 10.

Unemployment continues to fall, and pay growth is expected

The number of people who are unemployed fell by 12,000 in the three months to May 2018, with a fall of over a million people over the last five years. The unemployment rate was at its joint lowest rate since 1975 in this period, and the rate is projected to fall further in the second half of 2018.

A consequence of the low levels of unemployment is an expectation that there will be an acceleration in wage growth over coming years. The MPC has stated that this could lead to inflationary pressures.

Further increases in the interest rate are likely to be “at a gradual pace and to a limited extent”

Despite interest rates being raised on two occasions in the last year, they remain at a very low level, and the MPC has stated that future increases “are likely to be a gradual pace and to a limited extent”.

As a result it seems unlikely that rates will quickly rise back to the levels seen prior to the financial crisis. Mark Carney [has stated](#) that a good rule of thumb for future interest rate rises, is one quarter point rise a year for the next three years.

2. Headline UK Economic Indicators, August 2018

Gross Domestic Product: Q1 2018, Seasonally Adjusted		
Change (real %)	0.2 (qtr)	1.2 (yr)
Industries		
Service output: 3 months to May 2018		
Change (%)	0.4 (mth)	1.5 (yr)
Manufacturing output: 3 months to May 2018		
Change (%)	-1.2 (mth)	1.5 (yr)
Productivity: Q1 2018, Seasonally Adjusted		
Output per hour		
Change (%)	-0.4 (qtr)	0.9 (yr)
Inflation: June 2018		
Change on year (%)	2.4 (CPI)	3.4 (RPI)
Labour Market: March - May 2018, Seasonally Adjusted		
Unemployment		
Unemployment Rate (% of economically active)		4.2
Change (% points)	-0.9 (qtr)	-5.6 (yr)
Employment		
Employment Rate (% aged 16-64 in work)		75.7
Change (% points)	0.4 (qtr)	1.2 (yr)
Interest Rate: as of 8 August 2018		
Bank of England Base Rate		0.75 (%)
Public Finances: 2017/18		
Net borrowing	39 (£ bn)	1.9 (% GDP)
Net debt	1,792 (£ bn)	85.2 (% GDP)
Trade: Q1 2018		
Current Account	-17.7 (£ bn)	3.4 (% GDP)
Sterling Exchange rate: 7 August 2018		
US Dollar (\$)	1.30 (rate)	-0.7 (% change on yr)
Euro (€)	1.12 (rate)	1.1 (% change on yr)
EC Economic Sentiment Indicator for UK: July 2018		
Points (1990-2012 average = 100)		108.5
Change (points)	+1.6 (mth)	-4.1 (yr)
Retail Sales: June 2018, Seasonally Adjusted, 3 month average		
Retailing total (inc vehicle fuel), value		4.2 (% change on yr)
Housing Market: May 2018, Seasonally Adjusted		
House Price Index (ONS)		
Change (%)	-0.2 (mth)	3.0 (yr)

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

Headline Indicators summary

GDP in the UK grew by 0.2% in March-May 2018 compared to 0.4% in the previous quarter (December 2017-February 2018). Growth in Q1 2018 was 0.2%, with the Eurozone seeing growth of 0.4%.

Services output was up by 0.4% in the three months to May 2018 compared to the previous quarter. **Manufacturing output** was down by 1.2%.

The Bank of England's Monetary Policy Committee (MPC) voted to **raise interest rates** to 0.75% from 0.5% at its August policy meeting.

CPI inflation was 2.4% in June 2018, unchanged from May, and the lowest it's been since March 2017. Inflation in the Eurozone was 2.0%.

Average wages were 2.7% higher in the three months to May 2018 compared with the year before. CPI inflation for this period was 2.4%.

Employment rose by 137,000 from the previous quarter to 32.40 million in March-May 2018 and was 388,000 higher than the previous year. The **employment rate** was 75.7%, the highest rate since comparable records began in 1971.

Unemployment fell by 13,000 from the previous quarter to 1.41 million in March-May 2018, down 84,000 from a year before. The **unemployment rate** was 4.2%, the joint lowest rate since 1975.

Productivity across the whole UK economy decreased by 0.4% in Q1 2018 compared with the previous quarter. This reversal followed two consecutive quarters of strong growth. Compared with the previous year, productivity was up by 0.9% in Q1 2018.

Government borrowing in 2017/18 was £39.4 billion, £6.3 billion lower than in 2016/17. At the end of May 2018 public sector net debt was equivalent to 85.2% of GDP.

As of 8 July the **FTSE-100 Index** was up 1% compared with a month ago and up 2% on a year ago.

The UK had a **trade deficit** of £8.3 billion in the three months to May 2018, compared with £3.3 billion in the previous three months. The **current account deficit** was £17.7 billion in Q1 2018 (3.4% of GDP), down from £19.5 billion in Q4 2017 (3.8% of GDP).

The **value of sterling** fell by 0.4% between June and July, following a fall of 0.4% between May and June. This is the third successive month on month fall, following 8 successive monthly rises.

The value of **retail sales** was up 4.2% in the three months to June 2018 compared with the previous three months, but most of this was the result of inflation. The volume of sales (the quantity of things bought) increased by 2.1% compared with the previous three months.

House prices increased by 3.0% in the year to May 2018.

Household debt stood at 134% of disposable income in Q1 2018. It has been around this level since mid-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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A1: Gross Domestic Product

The economy grew by 0.2% in March-May 2018 compared to 0.4% in the previous quarter (December 2017-February 2018).

On a monthly basis, GDP was estimated to have increased by 0.3% in May, following growth of 0.2% in April and 0.0% in March. Monthly data are more volatile than quarterly estimates.

GDP increased by 0.2% in March-May 2018 compared with the previous quarter

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

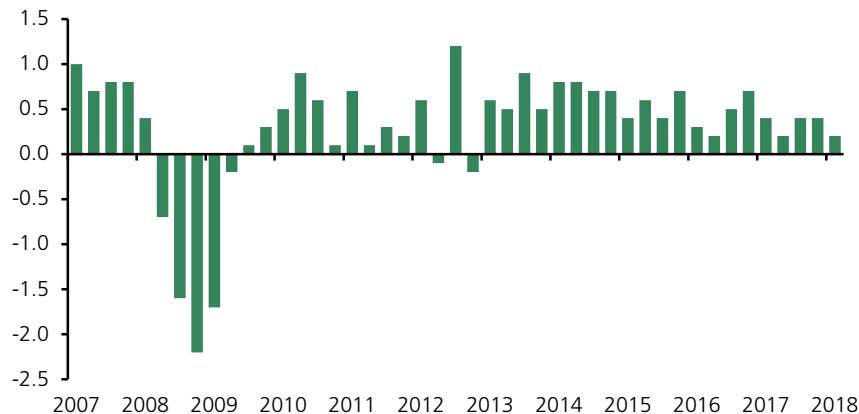
This is the first time that ONS has published monthly estimates of GDP (enabling production of estimates for rolling quarters). Estimates for calendar quarters, which use a more detailed approach to estimate GDP, are shown in the table.

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

Source: ONS, series: IHYP, IHYQ, IHYR

GDP growth

Calendar quarters, % change on previous quarter



Forecasts

The Treasury's July 2018 [survey of independent forecasts](#) for GDP growth showed an average forecast of 1.3% for 2018 and 1.4% for 2019. Forecasts for both years are slightly lower than were reported in the previous survey in June.

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 (Jul 18)	1.3	1.4
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*, Jul 2018

Subject Specialist

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Updates

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

HM Treasury, [Forecasts for the UK economy](#), 16 August 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

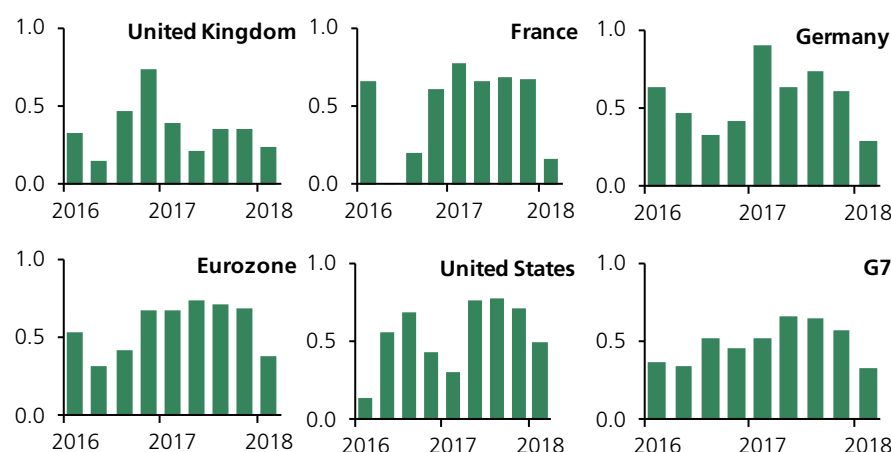
% changes

updated 13 Jul

	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	2.2	2.3	2.4	2.2
OECD	0.8	0.7	0.6	0.5	2.5	2.8	2.7	2.7

Sources: OECDstat

Quarter-on-quarter GDP growth rates (%)



Forecasts

The IMF [released new forecasts](#) on 16 July, lowering its UK GDP growth forecast for 2018 to 1.4% from 1.6% in their previous April forecast. Its 2019 forecast was unchanged at 1.5%. 2018 forecasts for other large European economies were also lowered.

Real GDP growth forecasts

% change

	IMF (Jul 18)		EC (Jul 18/May 18)		OECD (May 18)	
	2018	2019	2018	2019	2018	2019
UK	1.4	1.5	1.3	1.2	1.4	1.3
France	1.8	1.7	1.7	1.7	1.9	1.9
Germany	2.2	2.1	1.9	1.9	2.1	2.1
Eurozone	2.2	1.9	2.1	2.0	2.2	2.1
US	2.9	2.7	2.9	2.7	2.9	2.8
Japan	1.0	0.9	1.3	1.1	1.2	1.2
China	6.6	6.4	6.6	6.3	6.7	6.4
India	7.3	7.5	7.4	7.6	7.4	7.5
Brazil	1.8	2.5	2.4	2.6	2.0	2.8
World	3.9	3.9	3.9	3.9	3.8	3.9

Sources: IMF Jul'18 WEO; EC Spring'18 and Summer'18forecast; OECD Economic Outlook May'18

*EC forecasts from Jul'18 are for EU countries only; EC forecasts for other countries are from May'18

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Next updates

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

OECD, [Interim Economic Outlook](#),
20 Sep 2018

IMF, [World Economic Outlook](#), Oct 2018

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

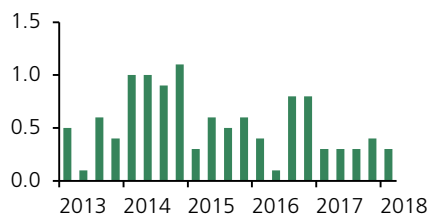
A3: Components of GDP

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 the three months to May 2018 compared with the quarter before.

GDP by Industry

Service sector
quarterly growth (%)



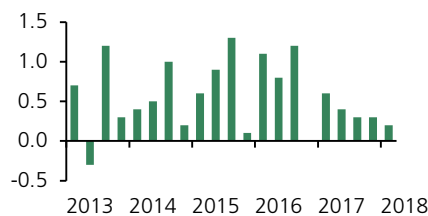
Services are the sector that account for the largest part of the economy – in 2016, they accounted for 79% of economic output, the production sector for 14%, construction for 6% and agriculture for 1%.

In Mar-May 2018, service sector output increased by 0.4% in real terms compared with the previous quarter.

Manufacturing output was down by 1.2% (the production sector overall was down by 0.6%). Output in the construction sector was down by 1.7%.

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 Aug 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.

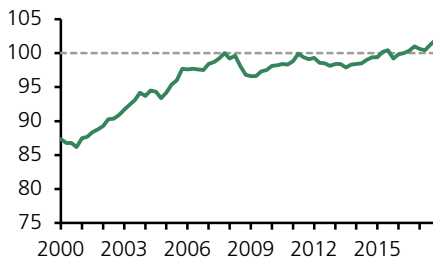
UK productivity

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 1.5% above what it was over 10 years earlier in Q4 2007 (the pre-recession peak level).

Productivity levels are 1.5% above the pre-financial crisis peak of late 2007

Productivity level (GDP per hour)

Index where Q4 2007 level = 100



Productivity - output (GDP) per hour

	% change on qtr	% change on yr
2016	..	0.5
2017	..	0.7
2017 Q2	-0.2	0.4
Q3	0.9	0.9
Q4	0.6	0.9
2018 Q1	-0.4	0.9

Source: ONS series LZVD, TXBB

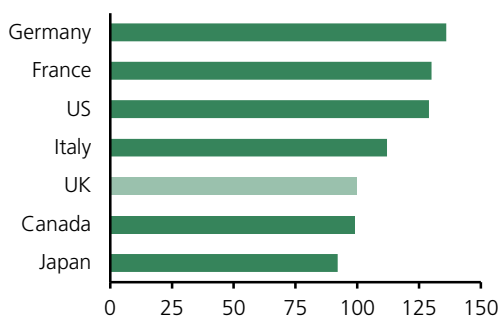
[Productivity](#) decreased by 0.4% in Q1 2018 compared with the previous quarter. This reversal followed two consecutive quarters of strong growth. Compared with the previous year, productivity was up by 0.9% in Q1 2018.

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](#), 5 October 2018

ONS, [International comparisons of productivity](#), 5 October 2018

A5: Services

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

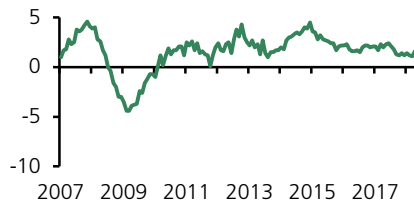
In 2017, the service industries accounted for 79% of total UK economic output (Gross Value Added). Services accounted for 83% of workforce jobs in September 2017.

Services Output

In the three months to May 2018, services output increased by 0.4% compared with the three months ending February 2018. The largest contributions to growth over the quarter came from the wholesale, retail and motor trade sector which contributed 0.11% points.

Output - Index of Services

% change on previous year



Compared with a year before, services output increased by 1.5% in the three months to May 2018.

Services output increased by 0.3% in May 2018 compared to April 2018, following growth of 0.3% in April 2018. The

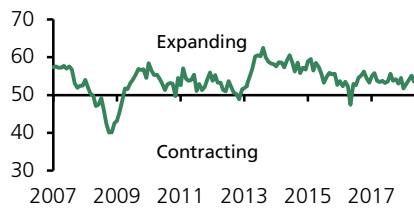
wholesale, retail and motor trade was the main contributor to this growth, contributing 0.18 percentage points.

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 fell to 53.5 in July 2018 from 55.1 in June. The July value was the slowest expansion since April.

Some businesses have commented to Markit/CIPS that the sustained hot weather in July and the World Cup had

“disrupted business operations and weighed on customer footfall”.

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

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

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Update

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

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

Services Output Index

	Index	% change on yr
2016	102.5	2.6
2017	104.1	2.5
2018 Mar	102.7	1.1
Apr	103.1	1.7
May	103.3	1.7

Source: ONS, series S2KU, S222, S26Q

PMI Index

	Index	Change on mth
2016 Jul	47.4	
2017 Jul	53.8	
2018 May	54.0	1.2
Jun	55.1	1.1
Jul	53.5	-1.6

Source: Markit/CIPS UK Services PMI

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.

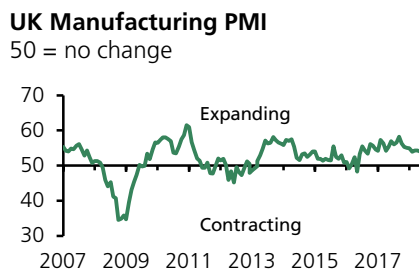
Manufacturing Output



Total manufacturing output was down 1.2% in the 3 months to May 2018 compared with the 3 months to February 2018, the largest fall since December 2012. This reflects widespread weakness across the sector.

The monthly increase in output is the first since December 2017, a bounce back from the strong fall last month.

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 July 2018 the UK Manufacturing PMI was 54.0, down from 54.3 in June and close to April's 17-month low of 53.9.

During July, there were slower rates of expansion in both output and new orders, with output at its weakest rate of expansion in 16 months.

Manufacturing production has now risen for 24 successive months.

48% of companies forecast output to rise over the coming year, although the degree of positive sentiment fell to a 21-month low in July.

Manufacturing output index				PMI Index		
	Index	% change on year	% change 3m on previous 3m		Index	Change on mth
2016	100.9	0.9		2016 Jul	48.3	
2017	103.5	2.6		2017 Jul	55.3	
2018 Mar	103.7		-0.1	2018 May	54.3	0.4
Apr	102.4		-0.8	Jun	54.3	0.0
May	102.8		-1.2	Jul	54.0	-0.3

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 August 2018

Markit/CIPS, [UK Manufacturing PMI](#), 3 September 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 June 2018, unchanged from May - this is the lowest it has been since March 2017.

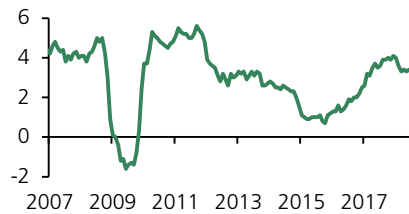
The RPI inflation rate rose to 3.4% in June 2018, up 0.1 percentage point from May.

Consumer Prices Index (CPI)
% change on yr



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 clothing and footwear and recreation and culture.

Retail Prices Index (RPI)
% change on yr



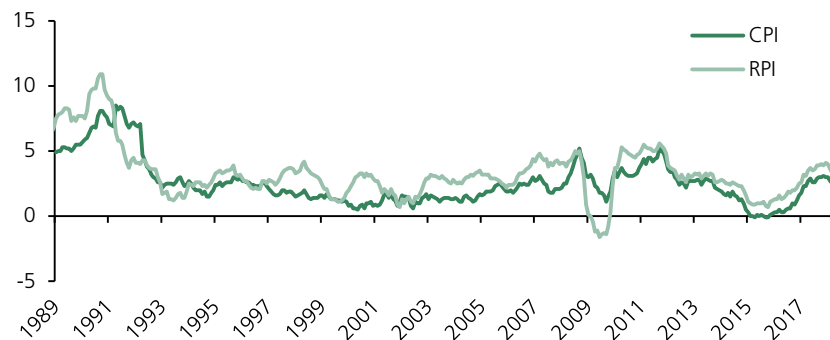
Price Indices

% change on a year ago

		CPI	RPI
2014	Jun	0.0	1.0
2015	Jun	0.5	1.6
2016	Jun	2.6	3.5
2018	Apr	2.4	3.4
	May	2.4	3.3
	Jun	2.4	3.4

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989
% change on yr



Subject Specialist

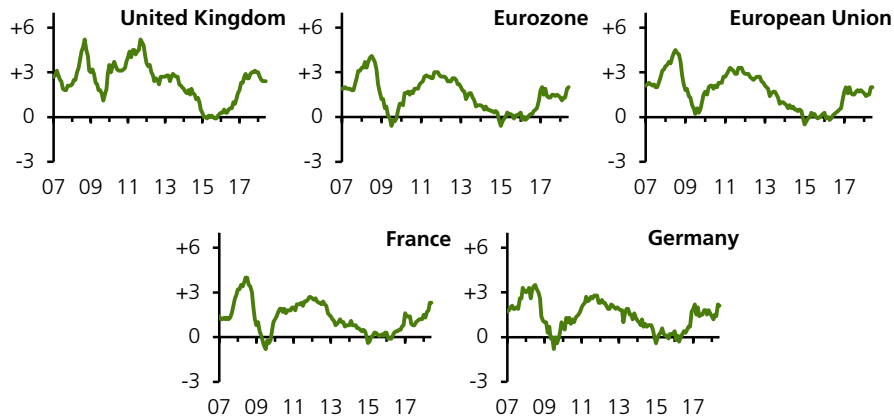
Daniel Harari
x2464

Update

ONS, [Consumer Price Indices](#), 15 August 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 June 2018, unchanged from May.

EU inflation was 2.0% in June 2018, unchanged from May. EU inflation was 1.5% in June 2017.

Annual inflation in the Eurozone is provisionally estimated at 2.1% in July, up from 2.0% in June and compared with 1.3% in July 2017.

In Germany, inflation was 2.1% in June, compared with 2.2% in May. In France it was 2.3% in June, unchanged from May.

Romania had the highest inflation rate in the EU in June (4.7%). The lowest inflation rate in the EU was in Ireland (0.7%). UK inflation was the joint ninth highest in the EU in June.

Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2015	2016	2017	Apr 18	May 18	Jun 18	Jul 18
UK	0.0	0.7	2.7	2.4	2.4	2.4	..
Eurozone	0.0	0.2	1.5	1.3	1.9	2.0	2.1
European Union	0.0	0.3	1.7	1.5	2.0	2.0	..
France	0.1	0.3	1.2	1.8	2.3	2.3	..
Germany	0.1	0.4	1.7	1.4	2.2	2.1	..

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

Subject Specialist

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Update

ONS, [Consumer Prices bulletin](#) (UK), 15 Aug

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

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

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%.

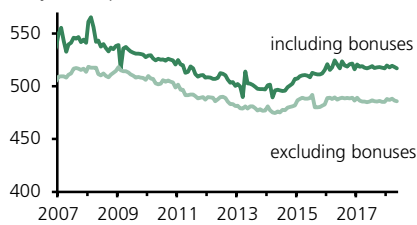
More timely but less detailed data show average weekly earnings for all employees in Great Britain, increased by 2.7% excluding bonuses in the three months to May 2018 compared with the previous year. Average weekly pay including bonuses increased by 2.5%.

Inflation as measured by the CPI averaged 2.4% over the same period. After adjusting for inflation, average weekly earnings excluding bonuses were 0.3% higher than the previous year and average pay including bonuses were 0.1% higher.

Average Earnings, Whole Economy

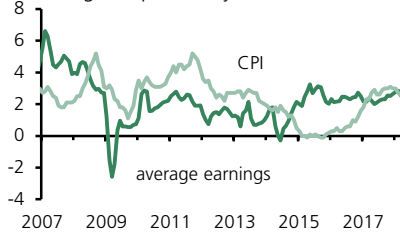
Real average weekly earnings

May 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	May	2.5	2.7	1.7
2017	May	2.0	2.1	1.4
2018	Mar	2.6	2.7	2.3
	Apr	2.6	2.6	2.4
	May	2.5	2.6	2.1

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 May 2018 compared with the year before.

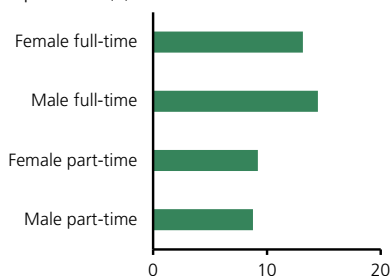
In the public sector, total pay increased by 2.1%.

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

Feargal McGuinness
x4904

Update

ONS, [Labour Market Statistics](#), 14 August 2018

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

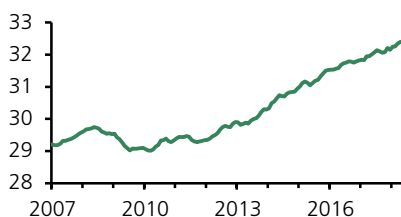
C1: Employment

32.40 million people were in employment in March-May 2018. Employment increased by 137,000 compared to the previous quarter and was 388,000 higher than the year before.

The employment rate (the proportion of the population aged 16-64 in work) was 75.7%. This is the highest rate since comparable records began in 1971. It compares to a post-recession low of 70.1% in July-September 2011.

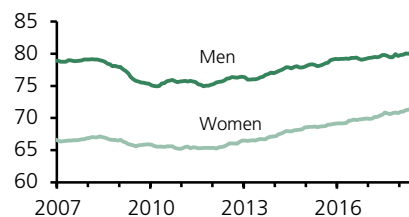
Employment; UK

Millions, age 16+, seasonally adjusted



Employment Rate; UK

%, age 16-64, seasonally adjusted



15.30 million women were in work, 94,000 more than the previous quarter and 238,000 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.

17.14 million men were in work, 43,000 more than the previous quarter and 150,000 higher than the year before. The male employment rate was 80.1%.

23.86 million people were working full-time, up 177,000 from the previous quarter and 324,000 higher than a year ago.

There were 8.54 million people working part-time, 40,000 less than the previous quarter but up 64,000 from the previous year.

Self-employment increased by 35,000 from the previous quarter, to 4.79 million. The number of people working as employees increased by 100,000 from the previous quarter to 27.44 million.

1.56 million people were employed on a temporary basis, a similar level to the previous quarter and 20,000 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
Mar-May	2015	31,050	73.3	16,492	78.1	14,558	68.6	3,867	53.2
Mar-May	2016	31,686	74.4	16,865	79.2	14,821	69.6	3,948	54.7
Mar-May	2017	32,010	74.9	16,989	79.5	15,021	70.4	3,921	55.1
Dec-Feb	2018	32,262	75.4	17,097	79.8	15,165	71.0	3,833	54.4
Mar-May	2018	32,399	75.7	17,139	80.1	15,259	71.3	3,844	54.7
Change on qtr	Level	137	0.3	43	0.3	94	0.3	10	0.3
	%	0.4%		0.2%		0.6%		0.3%	
Change on yr	Level	388	0.7	150	0.5	238	0.9	-77	-0.4
	%	1.2%		0.9%		1.6%		-2.0%	

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

Andrew Powell
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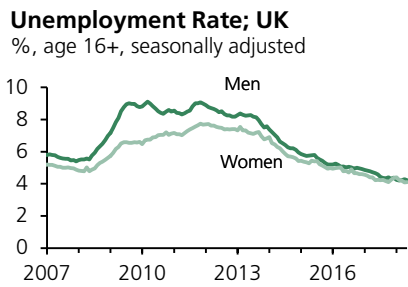
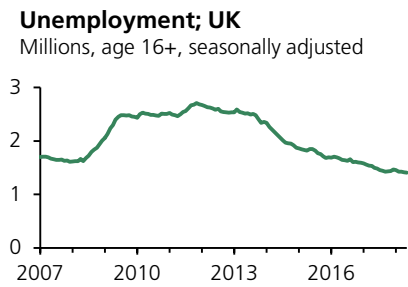
Updates

ONS, [Labour Market Statistics](#), 14 August 2018

C2: Unemployment

There were 1.41 million unemployed people in the UK in March-May 2018, a decrease of 12,000 from the previous quarter and down 84,000 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.



524,000 young people aged 16-24 were unemployed, about the same as the previous quarter and down 38,000 from a year ago. The unemployment rate for 16-24 year olds was 12.0%, down from 12.5% a year ago.

364,000 people had been unemployed for over 12 months, 11,000 more than the previous quarter but 16,000 fewer than a year ago.

There were 757,000 men unemployed in March-May 2018, a slight increase from the previous quarter but down 74,000 from a year ago.

654,000 women were unemployed, down 18,000 from the previous quarter and down 10,000 from the year before.

UK Unemployment
Seasonally adjusted

Age	Total		Men		Women		Youth		
	000's 16+	% 16+	000's 16+	% 16+	000's 16+	% 16+	000's 16-24	% 16-24	
Mar-May 2015	1,847	5.6	1,010	5.8	838	5.4	722	15.7	
Mar-May 2016	1,647	4.9	902	5.1	745	4.8	617	13.5	
Mar-May 2017	1,495	4.5	831	4.7	664	4.2	562	12.5	
Dec-Feb 2018	1,423	4.2	751	4.2	672	4.2	525	12.0	
Mar-May 2018	1,411	4.2	757	4.2	654	4.1	524	12.0	
<i>Change on qtr</i>	<i>Level</i>	<i>-12</i>	<i>-0.1</i>	<i>6</i>	<i>0.0</i>	<i>-18</i>	<i>-0.1</i>	<i>-1</i>	<i>0.0</i>
	<i>%</i>	<i>-0.9%</i>		<i>0.8%</i>		<i>-2.7%</i>		<i>-0.2%</i>	
<i>Change on yr</i>	<i>Level</i>	<i>-84</i>	<i>-0.3</i>	<i>-74</i>	<i>-0.4</i>	<i>-10</i>	<i>-0.1</i>	<i>-38</i>	<i>-0.5</i>
	<i>%</i>	<i>-5.6%</i>		<i>-8.9%</i>		<i>-1.5%</i>		<i>-7%</i>	

Source: ONS Labour Market Statistics, A05, A6

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

Subject Specialist

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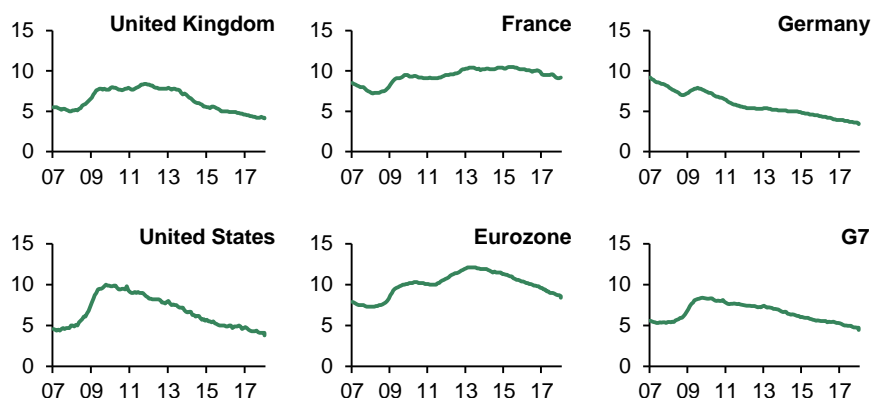
Updates

ONS, [Labour Market Statistics](#), 14 August 2018

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 2018 was 4.2%. This was slightly above the rate of the US (4.1%), below that of France (9.2%) but above that of Germany (3.5%). The UK rate was the 13th lowest of the 36 OECD member countries.

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 Q1 2018 (20.5%) followed by Spain at 16.2%.

The Czech Republic had the lowest unemployment rate in the OECD for Q1 2018 at 2.3%.

Youth (aged 15-24) unemployment is a major issue in many developed economies at present. In Q1 2018 youth unemployment was 43.8% in Greece, 35.5% in Spain and 32.6% in Italy. UK youth unemployment stood at 11.7%.

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	11.0	2.7	4.2	4.1	8.7	4.8	5.5
2018 Q1	5.8	9.2	3.5	11.0	2.5	4.2	4.1	8.6	4.7	5.4
<i>Change on qtr</i>	-0.1	0.1	-0.1	0.0	-0.3	-0.1	0.0	-0.2	-0.1	-0.1
<i>Change on yr</i>	-0.8	-0.3	-0.4	-0.5	-0.4	-0.4	-0.6	-0.9	-0.5	-0.6

Source: OECD, Harmonised Unemployment Rates

Subject Specialist

Andy Powell
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Next Update

OECD, [Harmonised Unemployment Rates](#),
11 September 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 unanimously to raise interest rates to 0.75% from 0.5% at its August policy meeting. This is the highest they have been in almost a decade.

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 June. Although economic growth was subdued in the first quarter of the year, the MPC states that recent data appears to confirm that this dip was temporary, with momentum recovering in the second quarter. Given these developments, the MPC determined that a 0.25% point increase was warranted, but stated that any further increases are "likely to be at a gradual pace and to a limited extent".

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 July 2018 [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0%. In June, it announced changes to its quantitative easing programme: ECB asset purchases (mostly government bonds of Eurozone countries) at a rate of €30bn per month would continue until September 2018, but would then be reduced to €15bn 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%. This range was maintained at its policy meeting ending on [1 August](#). 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.

The MPC raised interest rates to 0.75% from 0.5% following its [August meeting](#)

Subject Specialist

Daniel Harari
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Updates – next monetary policy meetings

UK ([13 Sep](#))
ECB ([13 Sep](#))
US ([26 Sep](#))

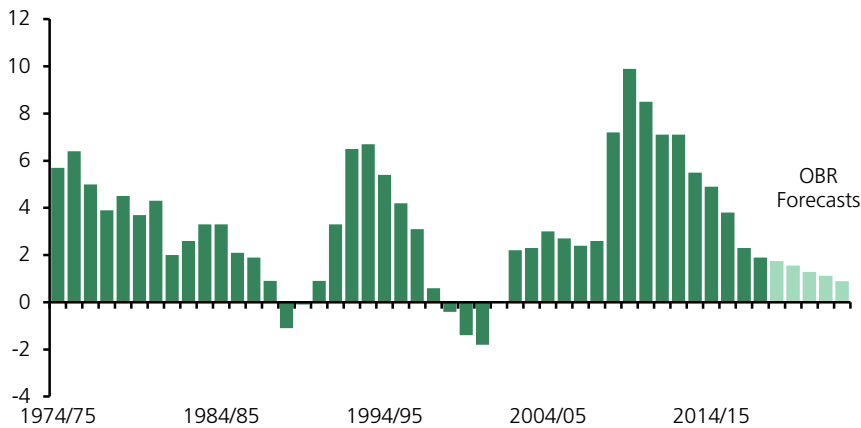
D2: Public finances

	Net borrowing		Net debt	
	£ bn	% GDP	£ bn	% GDP
2010/11	137	8.5%	1,158	71.0%
2011/12	117	7.1%	1,253	74.7%
2012/13	121	7.1%	1,364	78.2%
2013/14	98	5.5%	1,464	80.2%
2014/15	90	4.9%	1,555	82.6%
2015/16	72	3.8%	1,603	82.3%
2016/17	46	2.3%	1,727	85.3%
2017/18	39	1.9%	1,779	85.3%
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%

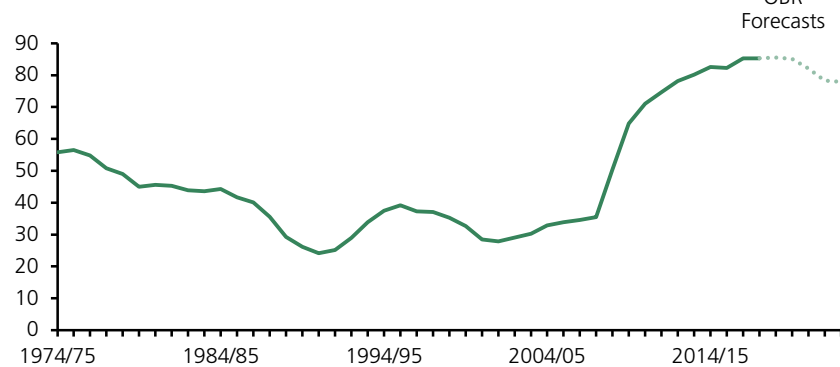
Sources: ONS, OBR. Excludes public sector banks

At the end of June 2018 public sector net debt was equivalent to 85.2% of GDP, 1% of GDP lower than in June 2018.

Public sector net borrowing
% of GDP



Public sector net debt
% of GDP



The ONS has released its fourth provisional estimate for borrowing in 2017/18. The ONS estimates that government borrowed £39.4 billion in 2017/18, equivalent to 1.9% of GDP. Borrowing in 2017/18 was £6.3 billion lower than in 2016/17.

Borrowing in 2017/18 was the lowest financial year borrowing for 11 years.

At the end of June 2018 public

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

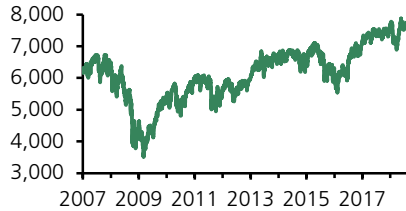
Next update
OBR, [Economic and fiscal outlook](#), autumn 2018

ONS, [Public sector finances](#), 21 August 2018

D3: Financial Indicators

FTSE-100 Index

FTSE-100 Index
Daily closing price

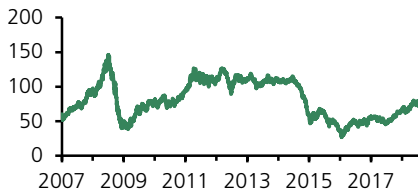


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite turbulence following the EU Referendum result, the index closed at twelve successive record highs between December 2016 and January 2017 - the index's

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

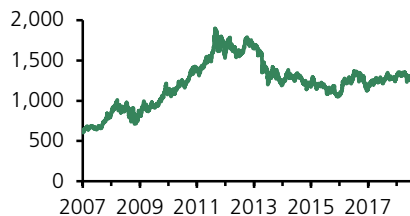


The price of Brent crude oil reached an all-time high above \$145/barrel in July 2008. In January 2016, the price fell below \$30/barrel for the first time since 2004. The price has climbed since December 2016, after OPEC agreed to its first supply cut since 2008. Since late October 2017, it

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 August 2018, it fell to its lowest level since March 2017.

Data from 7 August 2018

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
07 Aug 2018	7718.48	74.41	1209.65
%change over:			
1-month	1%	-3%	-4%
12-months	2%	44%	-4%

Note: Oil is Brent near-month futures price

Source: Financial Times

Subject Specialist

Daniel Harari
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Updates

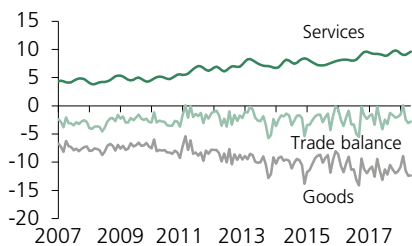
Financial Times, Weekly
Basis

E1: Trade

In 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 £8.3 billion in the three months to May compared with £3.3 billion in the previous three months. Exports decreased by 1.7% over this period. Imports increased by 1.5% (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%

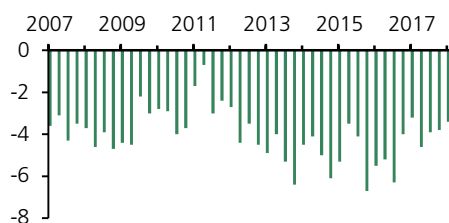
Source: ONS, series: IKBH, IKBI, IKBJ, HBOP, AA6H

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 Aug

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 June and July, following a fall of 0.4% between May and June. This is the SERI’s third 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 1.5% higher. It is 26.0% below its January 2007 peak level.

Sterling Exchange Rate Index (SERI)

Jan 2005=100



On average in July compared with June, the pound fell by 0.9% against the dollar, the third 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 \$1.35 since mid-May.

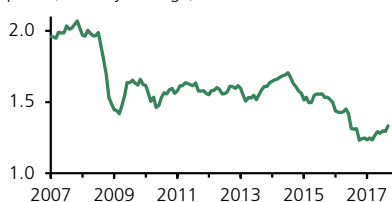
Latest closing prices:
 \$1.30 per £1
 €1.12 per £1
 (On 2 August 2018)

Sterling was down 1.0% against the Euro on average in July compared to June. On 2 August 2018, the Euro was valued at €1.12 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				
May	1.35	4.1%	1.14	-2.6%
Jun	1.33	3.7%	1.14	-0.2%
Jul	1.32	1.3%	1.13	-0.1%

Source: Bank of England, Bankstats database

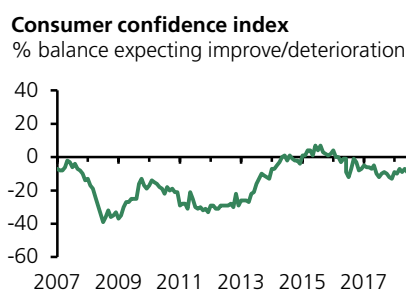
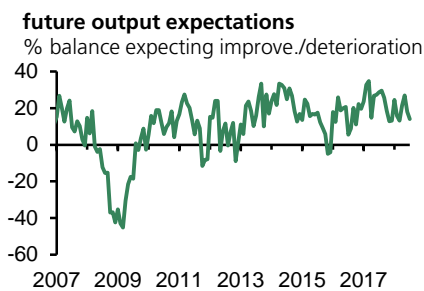
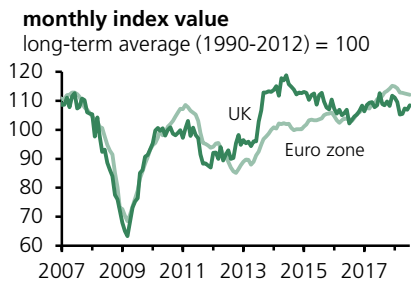
Subject Specialist
 Daniel Harari
 x2464

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

Bank of England, [SERI & monthly rates](#), Early September 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 June and July, the overall UK sentiment index increased by 1.6 points to 108.5, the same level as in September 2017.

CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In July, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +14% of manufacturers, down from +18% in June.

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 July, the overall consumer confidence index was -10, down by 1 from -9 in June.

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Update

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

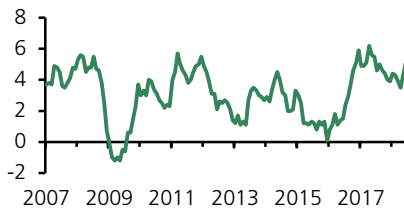
CBI, [Industrial Trends](#), Mid-August 2018

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

F2: Retail Sales

In the three months to June 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

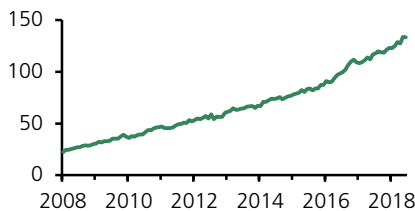


The **value** of retail sales was up 4.2% in the three months to June 2018 compared with the previous three months. Most of the rise was the result of inflation.

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 June 2018, 17% of all retail sales.

Online sales increased year-on-year by 14%, driven by growth in online sales by non-food stores, up 21% on the year.

Value of retail sales
Index 2015=100, seasonally adjusted

		Food	Non-food	Total
2016	Jun	99.4	98.3	98.7
2017	Jun	101.2	104.1	104.2
2018	Apr	105.6	105.8	108.3
	May	107.1	107.1	110.2
	Jun	107.1	105.6	109.8
3m % change on yr		4.8	2.6	5.1

The value of sales in food stores in the three months to June 2018 was up 4.8% on the same period last year.

The value of sales in non-food stores was up 2.6% 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

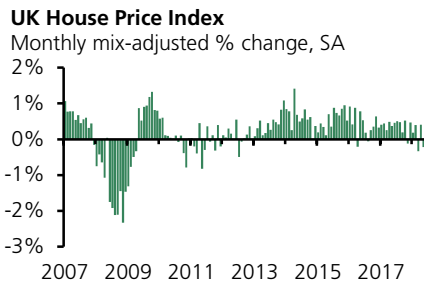
Chris Rhodes
x2454

Updates

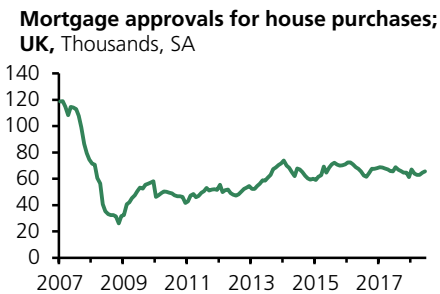
ONS, [Retail Sales](#),
16 August 2018

F3: Housing Market

House prices, as measured by the UK House Price Index, increased by 3.0% between May 2017 and May 2018. On a seasonally adjusted basis house prices decreased by 0.2% between April 2018 and May 2018.



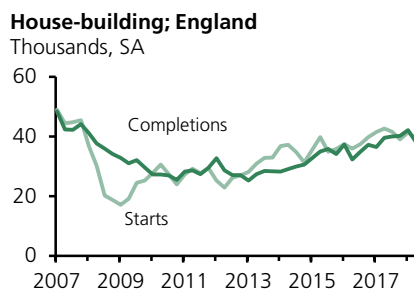
There are regional differences in house prices. The average price is highest in London at roughly £479,000. The lowest prices are found in Northern Ireland and the North East at £130,000 and £129,000 respectively.



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

Mortgage approvals for house purchases in June 2018 were down 0.2% on a year ago but up 1.4% on May 2018. Approvals remain well down on pre-

recession levels. There were 65,619 mortgage approvals in June 2018, compared with 65,746 in June 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 39,350 house building starts (seasonally adjusted) in England in Q1 2018, a 5% decrease compared with the

previous quarter, and an 8% decrease compared with the same quarter of 2017. This is above the recent low of 17,110 in Q1 2009, but still below the 48,980 starts in Q1 2007.

There were 38,160 dwelling completions (seasonally adjusted) in Q1 2018, a 9% decrease compared with the previous quarter, but a 4% decrease compared with the same quarter of 2017. Completions remain below the peak of 48,440 completions in Q1 2007.

Subject Specialist

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Updates

HM Land Registry, [UK house price index](#), 15 August 2018

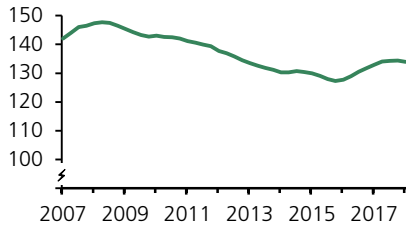
Bank of England, [Money and credit](#), 30 August 2018

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

F4: Household Debt

Household debt as a % of disposable income

Household debt: % of disposable income



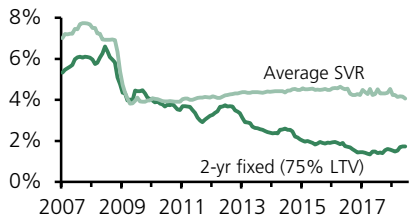
Household debt peaked in Q1 2008 at 148% of household disposable income. It then fell until reaching 127% by late 2015.

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



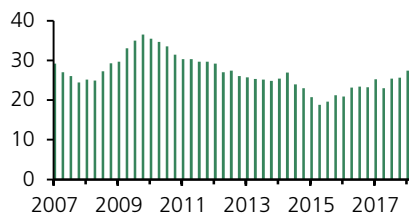
The average Standard Variable Rate (SVR) was 4.06% in June 2018, down by 0.2 percentage points compared to a year ago.

The average 2-year fixed mortgage rate was 1.73% in June, 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 28,951 individual insolvencies in England and Wales in Q2 2018, up 4% on the previous quarter, and 27% on the same period in 2016. The total number of insolvencies in Q2 2018 was the highest number of individual insolvencies since 2012.

In Scotland, there were 3,208 individual insolvencies in Q2 2018, up 11.8% on a year earlier.

In Northern Ireland, there were 645 individual insolvencies in Q2 2018, a fall of 23% on a year earlier. There were 2,878 individual insolvencies in 2017.

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Updates

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

Insolvency Service,
[Insolvency Statistics](#),
30 Oct 2018

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

4. Glossary

4.1 Definitions¹

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

¹ 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 at market prices = GDP at basic prices + transport prices paid separately + non-deductible taxes on expenditure - subsidies received.

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

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

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

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

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

Sterling Exchange Rate Index (SERI): This measures the value of sterling against a trade-weighted 'basket' of other currencies. The weights used in this

index measure currencies' relative importance to UK trade in goods and services.

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

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

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

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

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

4.2 Symbols and abbreviations

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

5. Indicator Sources

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

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