



BRIEFING PAPER

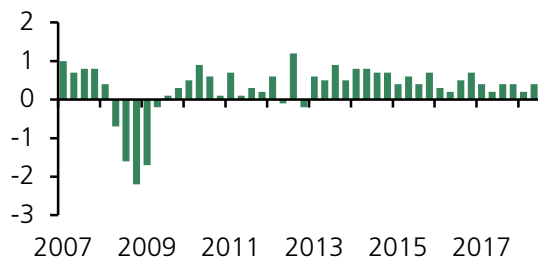
Number 8406, 27 September 2018

Economic Indicators, September 2018

By
Daniel Harari
Andrew Powell

GDP growth

% change on previous quarter



GDP grew by 0.4% in Q2 2018, following growth of 0.2% in Q1 2018

Consumer Prices Index (CPI)

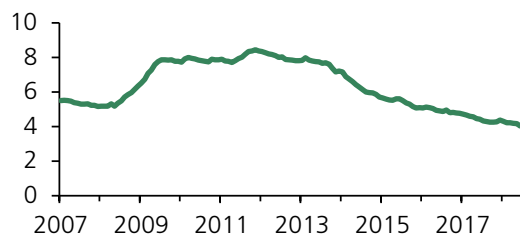
% change on yr



Consumer prices rose by 2.7% in August 2018, up from 2.5% in July.

Unemployment rate

%



The unemployment rate was 4.0% in May-July 2018. This is the joint lowest rate since 1975.

Inside:

1. **Headline UK Economic Indicators, July 2018**
2. **This month's developments**
3. **Introduction to Economic Indicators**

- A. **Growth and Output**
 - Gross Domestic Product (GDP)
 - GDP: International
 - Components of GDP
 - Services
 - Manufacturing
 - Productivity
- B. **Prices and Wages**
 - Inflation
 - Inflation: International
 - Average Earnings
- C. **Labour Market**
 - Employment
 - Unemployment
 - Unemployment: International
- D. **Finance and Borrowing**
 - Interest Rates
 - Public Finances
 - Business Lending
 - Individual Lending
 - Financial Indicators
- E. **Trade and Exchange Rates**
 - Trade
 - Exchange Rates
- F. **Other Indicators**
 - Business and Consumer Confidence
 - Retail Sales
 - Housing Market
 - Household Debt

4. **Glossary**
5. **Indicator Sources**

Contents

1. Last month's developments	3
2. Headline UK Economic Indicators, September 2018	5
3. Introduction to Economic Indicators	7
A1: Gross Domestic Product	8
A2: GDP International	9
A3: Components of GDP	10
A4: Productivity	11
A5: Services	12
A6: Manufacturing	13
B1: Inflation	14
B2: International inflation	15
B3: Average Earnings	16
C1: Employment	17
C2: Unemployment	18
C3: Unemployment International	19
D1: Interest Rates and Monetary Policy	20
D2: Public finances	21
D3: Financial Indicators	22
E1: Trade	23
E2: Exchange Rates	24
F1: Business and Consumer Confidence	25
F2: Retail Sales	26
F3: Housing Market	27
F4: Household Debt	28
4. Glossary	29
4.1 Definitions	29
4.2 Symbols and abbreviations	31
5. Indicator Sources	32

1. Last month's developments

Economic growth over the summer was lifted by higher retail sales and a strong performance in the construction sector. GDP rose by 0.6% in the three months to July, the fastest growth in nearly a year, as economic activity recovered from a brief downturn earlier in 2018. Latest data show average wage growth accelerating, although this was tempered by a surprise increase in inflation, meaning that in real terms average wage growth is barely rising.

Pickup in retail sector boosts GDP growth

Economic growth accelerated in the three months to July underpinned by higher retail spending and strong gains in construction output. The Office for National Statistics (ONS) [cited](#): "warm weather and the World Cup" as factors in the improved performance of the retail sector.

GDP growth of 0.6% compared with the previous three months was up from 0.4% in the previous period. This was the highest three-month growth rate since August 2017 when it was also 0.6%. The latest figure was somewhat flattered by the period of comparison: the three months of February, March and April, when growth was depressed by unusually severe weather.



Retail sales [data](#) for August remained relatively strong, driven by household goods stores. Online sales continued to post very high growth rates, up by 14% in August compared with a year earlier. Online sales now account for 18% of all retail sales.

Earnings growth accelerates...

Not adjusting for inflation, [average earnings](#) excluding bonuses rose by 2.9% in the three months to July compared with a year earlier, up from 2.7% in the previous three-month period ending in April.

Whether this is the start of a more pronounced upward trend remains to be seen, as earnings growth has struggled to rise above 3% since the 2008/09 recession. It most recently hit 2.9% on this measure in the three months to March 2018 before easing back slightly in the following months.

Average wages, excluding bonuses

Annual nominal % change, 3-month average



Some observers, including the Bank of England, are of the view that the low unemployment rate – at 4.0%; it's not been lower since 1975 – should eventually lead to faster growth in earnings, as employers find it harder to fill vacancies and employees are in a stronger position to negotiate pay increases. Others disagree, pointing to weak productivity growth (which is usually linked to wage growth) and the changing nature of employment, with workers less able to command higher wages.

...but so does inflation

Consumer price [inflation](#) unexpectedly rose in August to 2.7%, up from 2.5% in July. The increase was mainly due to higher passenger transport fares and the 'recreation and culture' category within which upward price pressure came from theatre tickets and computer games.

Consumer price inflation

Annual % change in CPI, monthly data



Bank of England Governor's term extended

Mark Carney has agreed to extend his term as Governor of the Bank of England by seven months. He was due to leave the Bank in June 2019, but will now remain until end January 2020. The Chancellor, Philip Hammond, [stated](#) that the move was in order to, "support a smooth exit of the UK from the EU." The Chancellor also announced that this year's Budget will take place on Monday 29 October.

2. Headline UK Economic Indicators, September 2018

Gross Domestic Product: Q2 2018, Seasonally Adjusted

Change (real %)	0.4 (qtr)	1.3 (yr)
-----------------	-----------	----------

Industries

Service output: 3 months to July 2018

Change (%)	0.6 (mth)	1.5 (yr)
------------	-----------	----------

Manufacturing output: 3 months to July 2018

Change (%)	-0.1 (mth)	1.3 (yr)
------------	------------	----------

Productivity: Q2 2018, Seasonally Adjusted

Output per hour

Change (%)	0.4 (qtr)	1.5 (yr)
------------	-----------	----------

Inflation: August 2018

Change on year (%)	2.7 (CPI)	3.5 (RPI)
--------------------	-----------	-----------

Labour Market: May-July 2018, Seasonally Adjusted

Unemployment

Unemployment Rate (% of economically active)		4.0
Change (% points)	-0.2 (qtr)	-0.3 (yr)

Employment

Employment Rate (% aged 16-64 in work)		75.5
Change (% points)	-0.1 (qtr)	0.2 (yr)

Interest Rate: as of 13 September 2018

Bank of England Base Rate		0.75 (%)
---------------------------	--	----------

Public Finances: 2017/18

Net borrowing	40 (£ bn)	1.9 (% GDP)
Net debt	1,779 (£ bn)	85.3 (% GDP)

Trade: Q1 2018

Current Account	-17.7 (£ bn)	3.4 (% GDP)
-----------------	--------------	-------------

Sterling Exchange rate: 26 September 2018

US Dollar (\$)	1.32 (rate)	-1.8 (% change on yr)
----------------	-------------	-----------------------

Euro (€)	1.12 (rate)	-1.6 (% change on yr)
----------	-------------	-----------------------

EC Economic Sentiment Indicator for UK: September 2018

Points (1990-2012 average = 100)		108.4
Change (points)	-1.6 (mth)	-0.1 (yr)

Retail Sales: August 2018, Seasonally Adjusted, 3 month average

Quantity of retail sales (volume)		3.4 (% change on yr)
-----------------------------------	--	----------------------

Housing Market: July 2018, Seasonally Adjusted

House Price Index (ONS)

Change (%)	0.3 (mth)	3.1 (yr)
------------	-----------	----------

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

Headline Indicators summary

GDP in the UK grew by 0.6% in May-July 2018 compared to the previous quarter (February-April 2018). Growth in Q2 2018 was 0.4%, with the Eurozone also seeing growth of 0.4%.

Services output was up by 0.6% in May-July 2018 compared to the previous quarter. **Manufacturing output** was down by 0.1%.

CPI inflation was 2.7% in August 2018, up from 2.5% in July. Inflation in the Eurozone was 2.0%.

The Bank of England's Monetary Policy Committee (MPC) voted unanimously to **leave interest rates unchanged** at 0.75% at its September policy meeting. They were raised from 0.5% at the August meeting.

Average wages excluding bonuses were 2.9% higher in the three months to July 2018 compared with the year before. CPI inflation for this period was 2.5%.

32.4 million people were in **employment** in May-July 2018, up 261,000 from a year before. The **employment rate** was 75.5%.

1.36 million people were **unemployed** in May-July 2018, down 95,000 from a year before. The **unemployment rate** was 4.0%, the joint lowest rate since 1975. The UK harmonised unemployment rate for Q1 2018 was the 13th lowest of the 36 OECD member countries.

Productivity across the whole UK economy increased by 0.4% in Q2 2018 compared with the previous quarter. Compared with the previous year, productivity was up by 1.5% in Q2 2018, the highest rate of annual growth since Q4 2016.

Government borrowing in 2017/18 was £39.9 billion, £5.6 billion lower than in 2016/17. At the end of August 2018, public sector net debt was equivalent to 84.3% of GDP, 1.8% points lower than in August 2017.

As of 26 September the **FTSE-100 Index** was down 1% compared with a month ago but up 3% on a year ago.

The UK had a **trade deficit** of £3.4 billion in the three months to July 2018, compared with £4.7 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 1.0% between July and September, following a fall of 0.4% between June and July. This is the fourth successive month on month fall, following 8 successive monthly rises.

The volume of **retail sales** was up 2.0% in the three months to August 2018 compared with the previous three months.

House prices increased by 3.1% in the year to July 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

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

Subject	Specialist	Contact
Balance of Payments	Dominic Webb	2042
Businesses	Chris Rhodes	2454
EC Finance	Matthew Keep	4324
GDP	Daniel Harari	2464
Employment	Andrew Powell	6962
Financial Services	Federico Mor	2464
Housing	Cassie Barton	2210
Incomes	Feargal McGuinness	4904
Industries	Chris Rhodes	2454
International Trade	Dominic Webb	2042
International Development	Lorna Booth	2883
International Economies	Daniel Harari	2464
National Accounts	Daniel Harari	2464
Prices and Interest Rates	Daniel Harari	2464
Public Expenditure	Matthew Keep	4324
Taxation	Matthew Keep	4324
Unemployment	Andrew Powell	6962
Wages and Earnings	Feargal McGuinness	4904

A1: Gross Domestic Product

The economy grew by 0.6% in May-July 2018 compared to the previous quarter (February-April).

At face value this is a fairly strong rate of growth, but the latest quarter is being compared with February-April when there was zero growth.

This comparison flatters the growth figure for May-July. The Office for National Statistics [points out](#) that “monthly growths in the current period weren’t notably strong”.

GDP increased by 0.6% in May-July 2018 compared with the previous quarter

Real Gross Domestic Product
seasonally adjusted

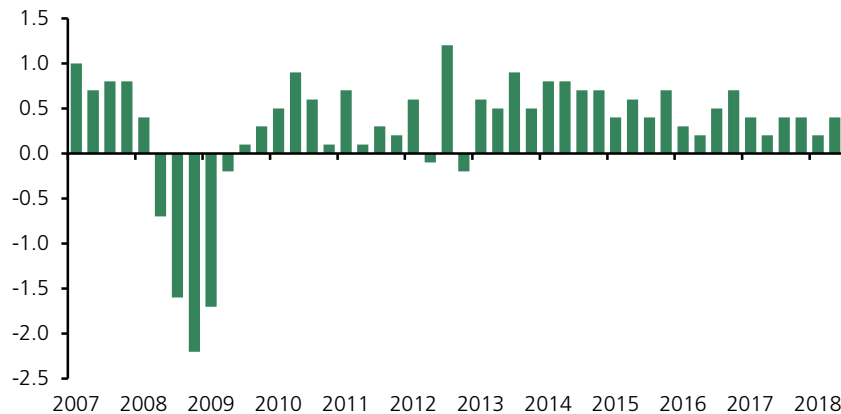
	% change on qtr	% change on yr
2015	...	2.3
2016	...	1.8
2017	...	1.7
2017 Q2	0.2	1.8
Q3	0.4	1.7
Q4	0.4	1.3
2018 Q1	0.2	1.2
Q2	0.4	1.3

GDP was estimated to have increased by 0.3% in July compared to the previous month, following growth of 0.1% in June and of 0.3% in May. Monthly data are more volatile than quarterly estimates.

Source: ONS, series: IHYP, IHYQ, IHYR

GDP growth

Calendar quarters, % change on previous quarter



Forecasts

The Treasury’s September 2018 [survey of independent forecasts](#) for GDP growth showed an average forecast of 1.3% 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 (Aug 18)	1.3	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*, Sept 2018

Subject Specialist

Daniel Harari
x2464

Updates

ONS, [Quarterly National Accounts](#), 28 September 2018

HM Treasury, [Forecasts for the UK economy](#), 17 October 2018

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

A2: GDP International

GDP in the UK grew by 0.4% in Q2 2018 compared with the previous quarter. The Eurozone also saw growth of 0.4%, while the US recorded growth of 1.0% during the same quarter.

Real GDP

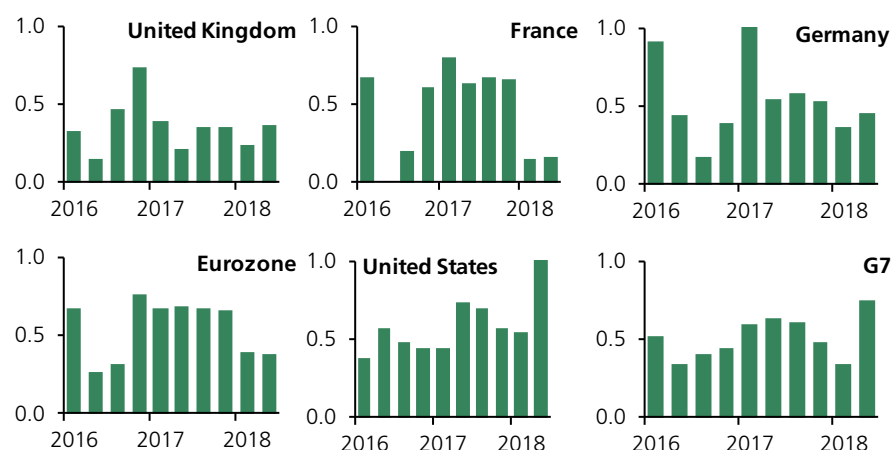
% changes

updated 21 Sep

	change on quarter				change on year			
	Q3 17	Q4 17	Q1 18	Q2 18	Q3 17	Q4 17	Q1 18	Q2 18
UK	0.4	0.4	0.2	0.4	1.7	1.3	1.2	1.3
Eurozone	0.7	0.7	0.4	0.4	2.8	2.7	2.4	2.1
USA	0.7	0.6	0.5	1.0	2.3	2.5	2.6	2.9
Japan	0.6	0.2	-0.2	0.7	2.0	2.0	1.1	1.3
Germany	0.6	0.5	0.4	0.5	2.7	2.8	2.0	1.9
France	0.7	0.7	0.2	0.2	2.7	2.8	2.1	1.7
G7	0.6	0.5	0.3	0.8	2.3	2.3	2.1	2.2
OECD	0.7	0.6	0.5	0.7	2.8	2.7	2.6	2.5

Sources: OECDstat

Quarter-on-quarter GDP growth rates (%)



Forecasts

The OECD [released new forecasts](#) on 20 September, lowering its UK GDP growth forecast for 2018 to 1.3% from 1.4% in their previous April forecast. Its 2019 forecast was also lowered slightly to 1.2% from 1.3%. 2018 forecasts for other large European economies were also lowered.

Real GDP growth forecasts

% change

	IMF (Jul 18)		EC (Jul 18/May 18)		OECD (Sep 18)	
	2018	2019	2018	2019	2018	2019
UK	1.4	1.5	1.3	1.2	1.3	1.2
France	1.8	1.7	1.7	1.7	1.6	1.8
Germany	2.2	2.1	1.9	1.9	1.9	1.8
Eurozone	2.2	1.9	2.1	2.0	2.0	1.9
US	2.9	2.7	2.9	2.7	2.9	2.7
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	7.6	7.4
Brazil	1.8	2.5	2.4	2.6	1.2	2.5
World	3.9	3.9	3.9	3.9	3.7	3.7

Sources: IMF Jul'18 WEO; EC Spring'18 and Summer'18forecast; OECD Interim Econ. Outlook Sep'18

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

Subject Specialist

Daniel Harari
x2464

Next updates

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

OECD, [Economic Outlook](#), Nov 2018

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

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

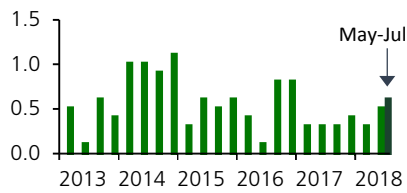
A3: Components of GDP

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 0.6% in real terms in the three months to July 2018 compared with the quarter before.

GDP by Industry

Service sector
quarter on quarter growth (%)
calendar and new quarters



Services are the sector that account for the largest part of the economy – in 2017, they accounted for 79% of economic output, the production sector for 14%, construction for 6% and agriculture for 1%.

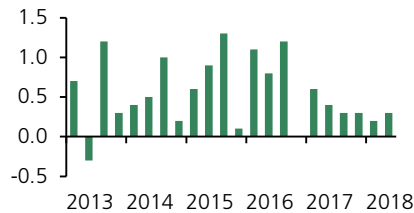
In May-July 2018, service sector output increased by 0.6% in real

terms compared with the previous quarter.

Manufacturing output was down by 0.1% (the production sector overall was down by 0.5%). Output in the construction sector was up by 3.3%.

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 2017. Government consumption accounted for 18% and investment for 17%.

In Q2 2018, household consumption grew by 0.3% in

real terms. Government consumption was up 0.4% and investment was up 0.8%. Exports were down 3.6% and imports decreased by 0.8%.

GDP by expenditure

% change on previous quarter (real terms)

	Household consumption	Government consumption	Investment (GFCF)	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 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
Q2	0.3	0.4	0.8	-3.6	-0.8	0.4

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

Note: * annual % change

Subject Specialist

Daniel Harari
x2464

Updates

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

ONS, [Quarterly national accounts](#), 28 Sept 2018

ONS, [GDP first quarterly estimate, UK](#), 9 Nov 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 Q2 2018 was 1.9% above what it was over 10 years earlier in Q4 2007 (the pre-recession peak level).

Productivity levels are 1.9% 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 Q3	0.9	0.9
Q4	0.6	0.9
2018 Q1	-0.4	0.9
Q2*	0.4	1.5

Source: ONS series LZVD, TXBB

* Based on 'flash' ONS estimate for Q2 2018

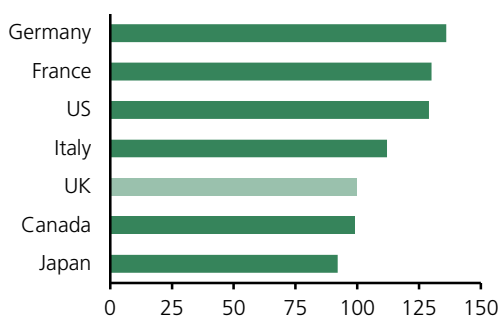
Productivity increased by 0.4% in Q2 2018 compared with the previous quarter, following a decline in the previous quarter. Compared with a year ago, productivity was up by 1.5% in Q2 2018 - the highest annual rate of productivity growth since Q4 2016.

International comparisons

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

Productivity (GDP per hour), 2016

Index where UK=100



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

Subject Specialist

Daniel Harari
x2464

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.

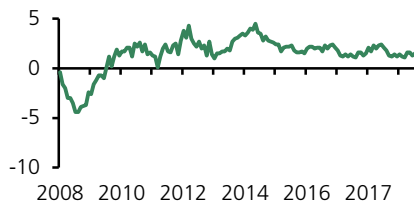
In 2017, the service industries accounted for 79% of total UK economic output (Gross Value Added). Services accounted for 83% of workforce jobs in March 2018.

Services Output

In the three months to July 2018, services output increased by 0.6% compared with the three months ending April 2018. This was the largest three monthly growth since the three months to January 2017. The largest contributions to this growth came from the wholesale, retail and motor trade sector which contributed 0.23% 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 July 2018.

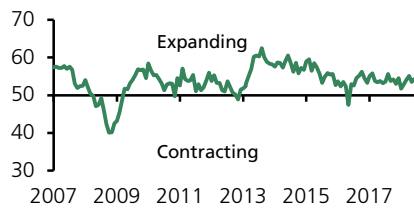
Services output grew by 0.3% in July 2018 compared to June 2018. This follows growth of no growth in June 2018 compared

to May 2018.

Purchasing Managers' Index (PMI)

UK Services PMI

50 = no change



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

The UK services PMI rose to 54.3 in August 2018 from 53.5 in July.

The August value was the second highest level since February.

During August, UK service providers experienced a stronger increase in business activity and incoming new work. Employment growth was at its fastest level for six months. However, providers also noted that they were struggling to fill vacancies due to a lack of suitably skilled candidates.

Business confidence regarding the year ahead dropped to its lowest level since March, partly due to Brexit uncertainty.

Services Output Index

	Index	% change on yr
2016	102.5	2.6
2017	104.1	2.5
2018 May	103.2	1.6
Jun	103.2	1.3
Jul	103.5	1.5

PMI Index

	Index	Change on mth
2016 Aug	52.9	
2017 Aug	53.2	
2018 Jun	55.1	1.1
Jul	53.5	-1.6
Aug	54.3	0.8

Source: ONS, series S2KU, S222, S26Q

Source: Markit/CIPS UK Services PMI

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

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

Subject Specialist

Chris Rhodes
x2454

Update

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

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

A6: Manufacturing

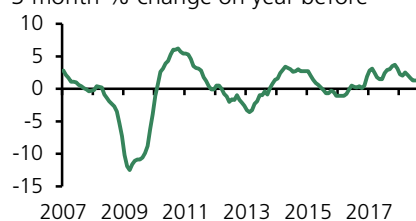
Manufacturing is one of the production industries, which also include mining, electricity, water & waste management and oil & gas extraction.

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

Manufacturing output

3 month % change on year before



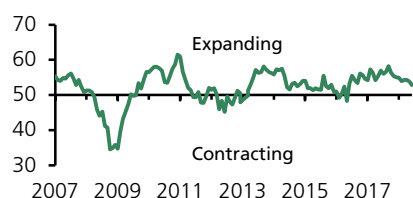
Total manufacturing output was down 0.1% in the 3 months to July 2018 compared with the 3 months to April 2018. This followed a fall of 0.9% in the 3 months to June 2018, and a fall of 1.1% in the 3 months to May (the largest fall since December 2012).

Output was down 0.2% in July 2018 compared with June 2018. This followed growth of 0.4% in June 2018.

Purchasing Managers' Index (PMI)

UK Manufacturing PMI

50 = no change



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

In August 2018 the UK Manufacturing PMI was 52.8, down from 53.8 in July. The

August value was the lowest it has been for 22 months.

During August, manufacturing production rose at its slowest pace for 17 months, and the ongoing slowdown in output and new orders led to the pace of job creation slowing to near-stagnation.

Manufacturing production has, however, risen for 25 successive months.

Business optimism dipped to a 22-month low in August with 47% of companies forecasting 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	100.0	0.4		2016	Aug	53.3	
2017	102.5	2.5		2017	Aug	56.9	
2018	May	103.2	-1.1	2018	Jun	54.3	0.0
	Jun	103.6	-0.9		Jul	53.8	-0.5
	Jul	103.4	-0.1		Aug	52.8	-1.0

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 October 2018

Markit/CIPS, [UK Manufacturing PMI](#), 1 October 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 2.7% in August 2018, up from 2.5% in July 2018.

The RPI inflation rate was 3.5% in August 2018, up from 3.2% in July.

Consumer Prices Index (CPI)



The largest upward contributions to the CPI over the past year came from recreation and culture, transport, and clothing and footwear, partially offset by furniture and household goods and communications.

Retail Prices Index (RPI)



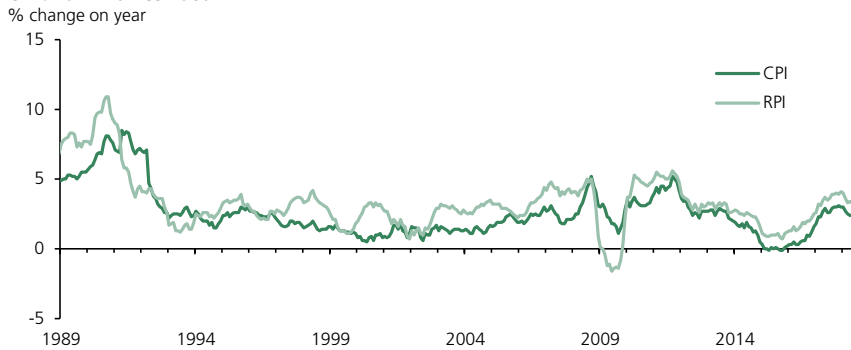
Price Indices

% change on a year ago

		CPI	RPI
2015	Aug	0.0	1.1
2016	Aug	0.6	1.8
2017	Aug	2.9	3.9
2018	Jun	2.4	3.4
	Jul	2.5	3.2
	Aug	2.7	3.5

Source: ONS series D7G7, CZBH

CPI and RPI since 1989



Subject Specialist

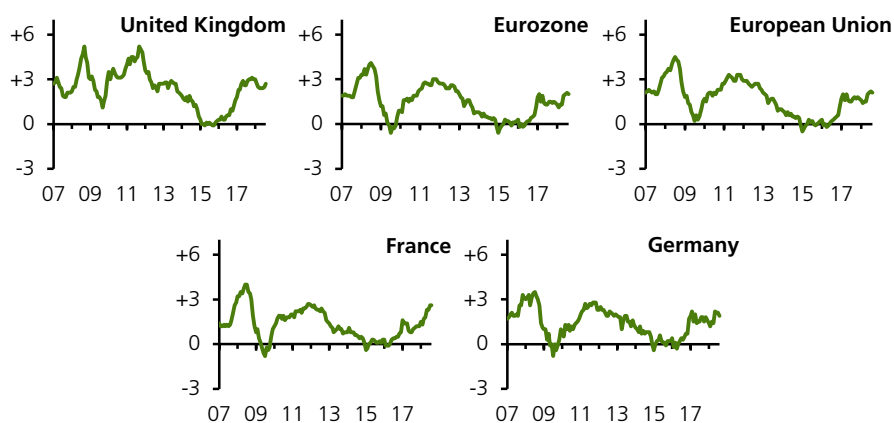
Daniel Harari
x2464

Update

ONS, [Consumer price inflation](#), 17 October 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 2.7% in the year to August 2018, up from 2.5% in July. It was 2.9% in August 2017.

EU inflation was 2.1% in August 2018, down from 2.2% in July but up from 1.7% in August 2017.

Annual inflation in the Eurozone was 2.0% in August 2018, down from 2.1% in July and compared with 1.5% in August 2017.

In Germany, inflation was 1.9% in August, down from 2.1% in July. In France it was 2.6% in July, unchanged from July.

Romania had the highest inflation rate in the EU in August (4.7%). The lowest inflation rate in the EU was in Denmark (0.8%). UK inflation was the seventh highest in the EU in August.

Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2015	2016	2017	May 18	Jun 18	Jul 18	Aug 18
UK	0.0	0.7	2.7	2.4	2.4	2.5	2.7
Eurozone	0.0	0.2	1.5	1.9	2.0	2.1	2.0
European Union	0.0	0.3	1.7	2.0	2.1	2.2	2.1
France	0.1	0.3	1.2	2.3	2.3	2.6	2.6
Germany	0.1	0.4	1.7	2.2	2.1	2.1	1.9

Source: ONS, Eurostat.

Subject Specialist

Daniel Harari
x2464

Update

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

Eurostat, [Flash estimate](#) (Eurozone), 28 Sep

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

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%.

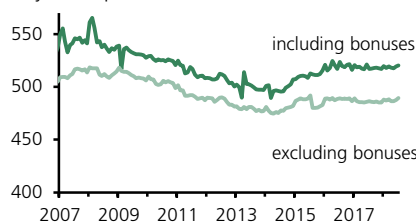
More timely but less detailed data show average weekly earnings for all employees in Great Britain, increased by 2.9% excluding bonuses in the three months to July 2018 compared with the previous year. Average weekly pay including bonuses increased by 2.6%.

Inflation as measured by the CPI averaged 2.5% over the same period. After adjusting for inflation, average weekly earnings excluding bonuses were 0.4% higher than the previous year and average pay including bonuses was 0.1% higher.

Average Earnings, Whole Economy

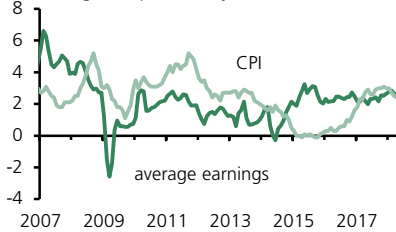
Real average weekly earnings

July 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 Jul	2.4	2.5	1.5
2017 Jul	2.3	2.5	1.6
2018 May	2.6	2.7	2.1
Jun	2.4	2.4	2.2
Jul	2.6	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 July 2018 compared with the year before.

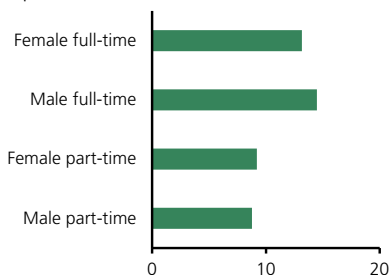
In the public sector, total pay increased by 2.4%.

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

Feargal McGuinness
x4904

Update

ONS, [Labour Market Statistics](#), 16 October 2018

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

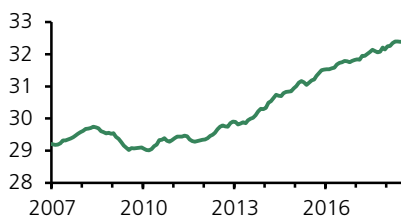
C1: Employment

32.40 million people were in employment in May-July 2018. Employment was at a similar level to the previous quarter and was 261,000 higher than the year before.

The employment rate (the proportion of the population aged 16-64 in work) was 75.5%. The rate has increased from 74.5% a year previously. It compares to a post-recession low of 70.1% in July-September 2011.

Employment; UK

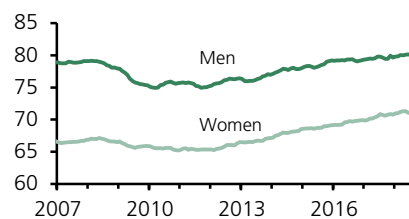
Millions, age 16+, seasonally adjusted



15.23 million women were in work, down 28,000 from the previous quarter but 117,000 more than a year ago. The female employment rate was 71.0%. Recent increases in the rate are partly due to ongoing changes to the State Pension age for women.

Employment Rate; UK

%, age 16-64, seasonally adjusted



17.17 million men were in work, 30,000 more than the previous quarter and 145,000 higher than the year before. The male employment rate was 80.1%.

23.86 million people were working full-time, up 100,000 from the previous quarter and 263,000 higher than a year ago.

There were 8.54 million people working part-time, 98,000 less than the previous quarter and a similar level to the previous year.

Self-employment fell by 12,000 from the previous quarter, to 4.80 million. The number of people working as employees remained at a similar level to the previous quarter at 27.43 million.

1.53 million people were employed on a temporary basis, down 45,000 from the previous quarter and by 63,000 from the year before.

UK Employment

Seasonally adjusted

	Age:	Total		Men		Women		Youth	
		000's 16+	% 16-64	000's 16+	% 16-64	000's 16+	% 16-64	000's 16-24	% 16-24
May-Jul	2015	31,191	73.5	16,587	78.3	14,603	68.7	3,909	53.8
May-Jul	2016	31,757	74.5	16,904	79.3	14,853	69.8	3,936	54.7
May-Jul	2017	32,136	75.3	17,021	79.8	15,115	70.8	3,915	55.1
Feb-Apr	2018	32,394	75.6	17,135	80.0	15,259	71.3	3,865	54.9
May-Jul	2018	32,397	75.5	17,165	80.1	15,232	71.0	3,847	54.9
<i>Change on qtr</i>	<i>Level</i>	<i>3</i>	<i>-0.1</i>	<i>30</i>	<i>0.1</i>	<i>-28</i>	<i>-0.3</i>	<i>-18</i>	<i>-0.1</i>
	<i>%</i>	<i>0.0%</i>		<i>0.2%</i>		<i>-0.2%</i>		<i>-0.5%</i>	
<i>Change on yr</i>	<i>Level</i>	<i>261</i>	<i>0.2</i>	<i>145</i>	<i>0.3</i>	<i>117</i>	<i>0.2</i>	<i>-68</i>	<i>-0.2</i>
	<i>%</i>	<i>0.8%</i>		<i>0.9%</i>		<i>0.8%</i>		<i>-1.7%</i>	

Source: ONS Labour Market Statistics, Tables A05 and A06

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

Subject Specialist

Andrew Powell
X6962

Updates

ONS, [Labour Market Statistics](#), 16 October 2018

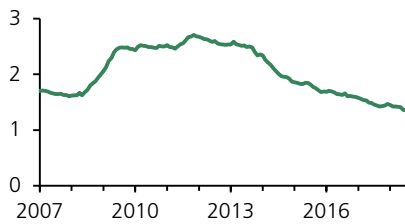
C2: Unemployment

There were 1.36 million unemployed people in the UK in May-July 2018, a decrease of 55,000 from the previous quarter and down 95,000 from the year before.

The unemployment rate was 4.0% (the percentage of the economically active population who are unemployed). This is the joint lowest rate since 1975. After the 2008 economic downturn, the rate reached a high of 8.5% in late 2011.

Unemployment; UK

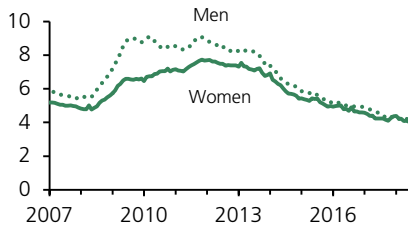
Millions, age 16+, seasonally adjusted



488,000 **young people** aged 16-24 were unemployed in May-July 2018, down 32,000 from the previous quarter and down 40,000 from a year ago. The unemployment rate for 16-24 year olds was 11.3%, the joint lowest rate since comparable records began in 1992.

Unemployment Rate; UK

%, age 16+, seasonally adjusted



719,000 **men** were unemployed, down 47,000 from the previous quarter and down 69,000 from a year ago.

641,000 **women** were unemployed, slightly fewer than the previous quarter and down 26,000 from a year ago. The unemployment rate was the same for women as for men at 4.0%.

357,000 people had been **unemployed for over 12 months**, down 11,000 from the previous quarter and 26,000 fewer than a year ago.

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
May-Jul 2015	1,820	5.5	985	5.6	835	5.4	712	15.4
May-Jul 2016	1,630	4.9	899	5.1	731	4.7	620	13.6
May-Jul 2017	1,455	4.3	788	4.4	667	4.2	528	11.9
Feb-Apr 2018	1,416	4.2	767	4.3	649	4.1	520	11.9
May-Jul 2018	1,361	4.0	719	4.0	641	4.0	488	11.3
<i>Change on qtr</i>								
<i>Level</i>	-55	-0.2	-47	-0.3	-8	0.0	-32	-0.6
<i>%</i>	-3.9%		-6.2%		-1.2%		-6.2%	
<i>Change on yr</i>								
<i>Level</i>	-95	-0.3	-69	-0.4	-26	-0.2	-40	-0.6
<i>%</i>	-6.5%		-8.7%		-3.9%		-8%	

Source: ONS Labour Market Statistics, A05, A06

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

Subject Specialist

Andrew Powell
X6962

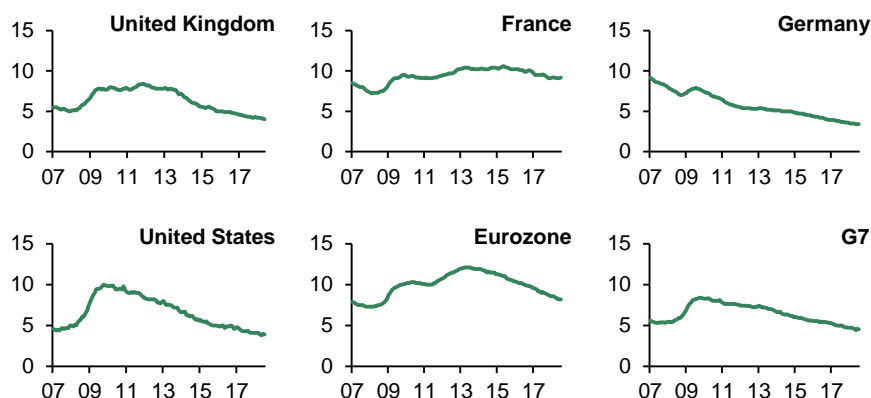
Updates

ONS, [Labour Market Statistics](#),
16 October 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 8.3% in Q2 2018 from 8.6% in Q1 2018, and fell for the G7 from 4.7% to 4.6%. The Q2 2018 figure for the UK has not yet been published.

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 43.5% in Greece, 35.6% in Spain and 32.5% 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 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	11.3	2.8	4.3	4.3	9.0	5.0	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
Q2	5.9	9.1	3.4	10.8	2.4	..	3.9	8.3	4.6	5.3
<i>Change on qtr</i>	0.0	-0.1	-0.1	-0.2	-0.1	...	-0.2	-0.3	-0.1	-0.1
<i>Change on yr</i>	-0.6	-0.4	-0.4	-0.4	-0.5	...	-0.4	-0.9	-0.4	-0.5

Source: OECD, Harmonised Unemployment Rates

Subject Specialist

Andy Powell
x6962

Next Update

OECD, [Harmonised Unemployment Rates](#),
9 October 2018

D1: Interest Rates and Monetary Policy

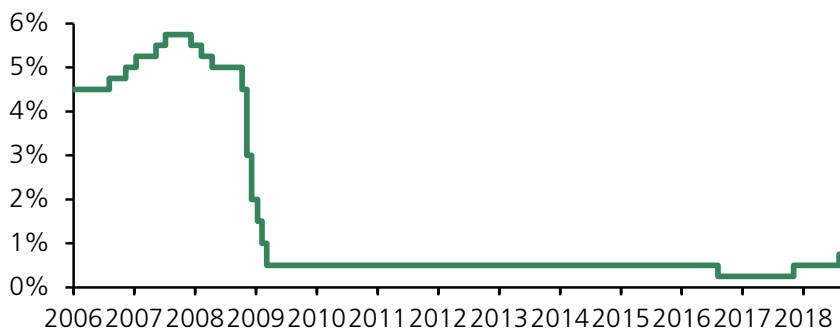
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates remained at historic lows for many subsequent years close to or below 0% in most developed economies.

UK (Bank of England)

The Bank of England's Monetary Policy Committee (MPC) voted unanimously to leave interest rates unchanged at 0.75% at its September [policy meeting](#). At August's meeting the MPC raised rates from 0.5% to 0.75%.

The MPC left interest rates unchanged at 0.75% at its September [meeting](#)

UK official interest rate



The pound's fall in value since late 2015 pushed up inflation to around 3% in the second half of 2017 – above the MPC's 2% target. It has since eased somewhat since but remained above target at 2.5% in July. The MPC expects annual GDP growth of around 1¾% over the next few years (assuming a smooth Brexit adjustment), which it believes is a little above the economy's trend growth rate, or 'speed limit', of around 1½%. As a result, further "gradual" rate raises may be "appropriate" but market observers do not expect any changes until 2019.

Mark Carney's term as Bank of England Governor has been extended to end January 2020

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 September 2018 [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0%. It also announced changes to its quantitative easing programme: ECB asset purchases (mostly government bonds of Eurozone countries) at a rate of €15bn per month (down from €30bn) would continue from October until December 2018, when new purchases would end.

Subject Specialist

Daniel Harari
x2464

Updates – next monetary policy meetings

UK ([1 Nov](#))
ECB ([25 Oct](#))
US ([8 Nov](#))

United States (Federal Reserve)

At its two-day policy meeting ending on 26 September, the Federal Reserve [increased interest rates](#) by 0.25%-points to a range of 2.00-2.25%. This is the third rate increase this year. They have risen gradually since December 2015 from 0-0.25% against a backdrop of jobs growth and steady economic growth. Further rates rises are expected.

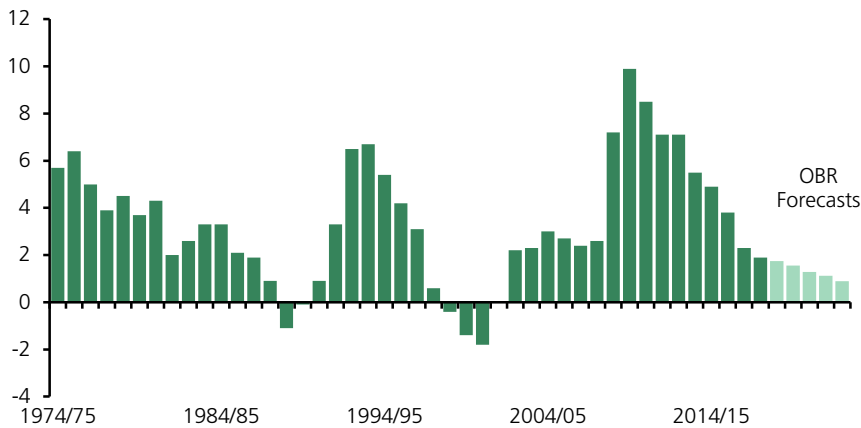
D2: Public finances

	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	45	2.3%	1,727	85.3%
2017/18	40	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%

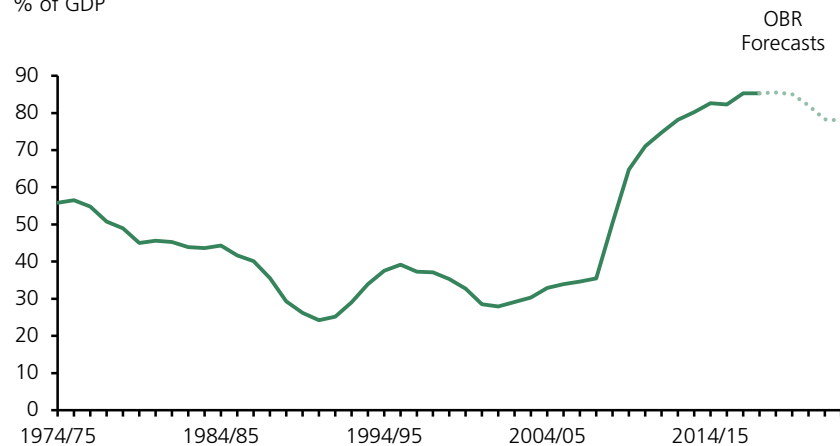
Sources: ONS, OBR. Excludes public sector banks

public sector net debt was equivalent to 84.3% of GDP, 1.8% points lower than in August 2017.

Public sector net borrowing
% of GDP



Public sector net debt
% of GDP



The ONS has released its sixth provisional estimate for borrowing in 2017/18. The ONS estimates that government borrowed £39.9 billion in 2017/18, equivalent to 1.9% of GDP. Borrowing in 2017/18 was £5.6 billion lower than in 2016/17.

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

At the end of August 2018

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

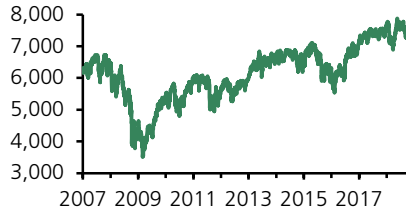
Next update
OBR, [Economic and fiscal outlook](#), autumn 2018

ONS, [Public sector finances](#), 19 October 2018

D3: Financial Indicators

FTSE-100 Index

FTSE-100 Index
Daily closing price

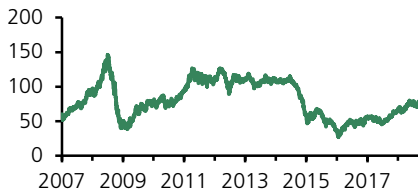


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite turbulence following the EU Referendum result, the index closed at twelve successive record highs between December 2016 and January 2017 - the index's

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

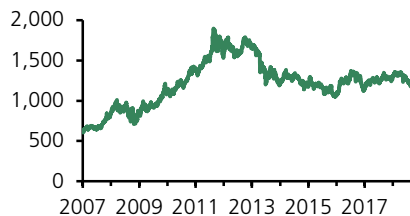


The price of Brent crude oil reached an all-time high above \$145/barrel in July 2008. In January 2016, the price fell below \$30/barrel for the first time since 2004. The price has climbed since December 2016, after OPEC agreed to its first supply cut since 2008. Since April 2018, it has

closed at above \$70/barrel, and on the 24 September it closed at \$81. This is the first time the price has exceeded \$80/barrel 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 below \$1,200/ounce for the first time since January 2017.

Data from 26 September 2018

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
26 Sep 2018	7511.49	81.71	1201.90
%change over:			
1-month	-1%	8%	1%
12-months	3%	40%	-8%

Note: Oil is Brent near-month futures price

Source: Financial Times

Subject Specialist

Daniel Harari
x2464

Updates

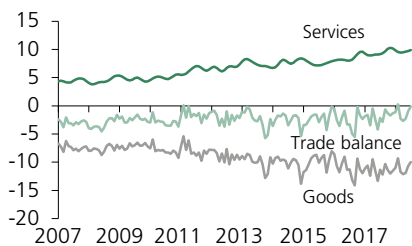
Financial Times, Weekly Basis

E1: Trade

In 2017, the UK's exports of goods and services totalled £616 billion and imports totalled £640 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 £113 billion on trade in services in 2017. The overall trade deficit was £24 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 fell to £3.4 billion in the three months to July compared with £4.7 billion in the previous three months. Exports increased by 3.3% over this period. Imports increased by 2.4% (both figures in cash terms).

Trade in Goods and Services and Current Account Balance

Seasonally adjusted

	Goods and Services (£bn)			Current Account balance	
	Exports	Imports	Balance	£bn	% GDP
2016	557.0	587.8	-30.9	-102.8	-5.2%
2017	615.9	639.9	-24.0	-79.0	-3.9%
2017 Q2	152.4	159.4	-7.1	-23.3	-4.6%
Q3	155.4	161.1	-5.7	-19.8	-3.9%
Q4	157.1	161.4	-4.3	-19.5	-3.8%
2018 Q1	156.8	160.0	-3.2	-17.7	-3.4%
Q2	156.5	162.5	-5.9

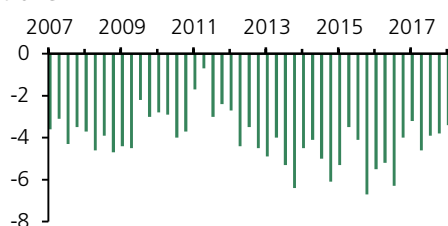
Source: ONS, series: IKBH, IKBI, IKBJ, HBOP, AA6H

The current account, which includes investment income and transfers as well as trade, saw a deficit of £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 Oct

ONS, [UK Balance of Payments](#), 28 Sep

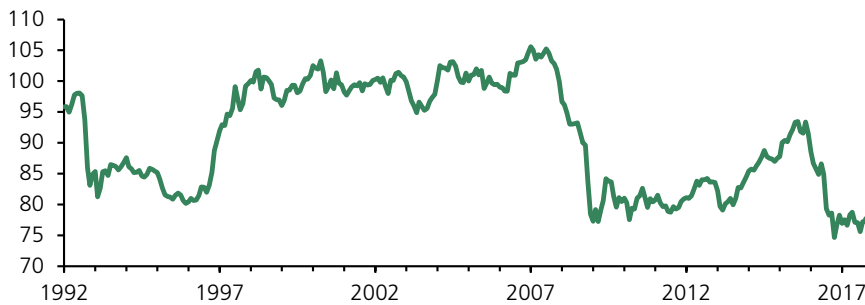
E2: Exchange Rates

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 1.0% between July and September, following a fall of 0.4% between June and July. This is the SERI’s fourth 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 2.4% higher. It is 26.0% below its January 2007 peak level.

Sterling Exchange Rate Index (SERI)

Jan 2005=100

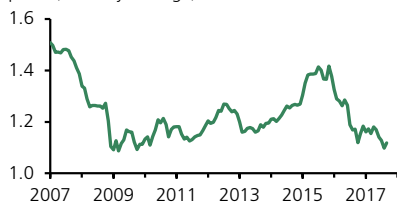


On average in August compared with July, the pound fell by 2.2% against the dollar, the fourth successive month on month fall. The pound fell sharply against the dollar following the EU referendum, from \$1.48 on 23 June 2016 to \$1.14 in June 2017 – a thirty-one year low. In recent months, the value 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.

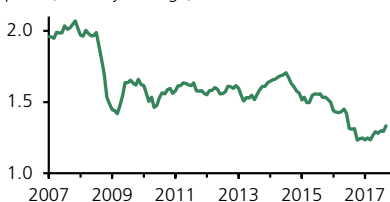
Latest closing prices:
 \$1.29 per £1
 €1.11 per £1
 (On 3 Sept 2018)

Sterling was down 1.0% against the Euro on average in August compared to July. On 3 September 2018, the Euro was valued at €1.11 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 Jun	1.33	3.7%	1.14	-0.2%
Jul	1.32	1.3%	1.13	-0.1%
Aug	1.29	-0.6%	1.12	1.7%

Source: Bank of England, Bankstats database

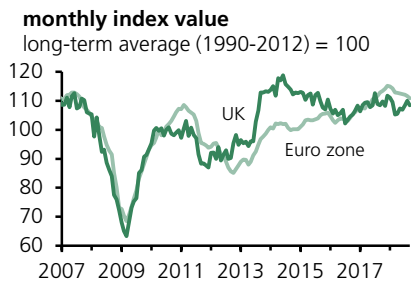
Subject Specialist
 Daniel Harari
 x2464

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

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

F1: Business and Consumer Confidence

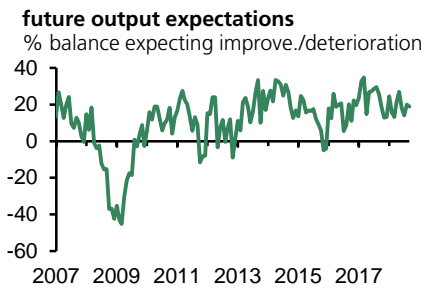
Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.



European Commission Economic Sentiment Indicator

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

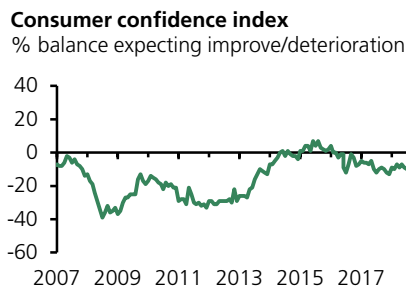
Between August and September, the overall UK sentiment index decreased by 1.6 points to 108.4, just below its level from July.



CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In September, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +19% of manufacturers, down slightly from +20% in August.



GfK NOP Consumer Confidence Survey

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

In August, the overall consumer confidence index was -7, up by 3 from -10 in July.

Subject Specialist

Daniel Harari, x2464

Update

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

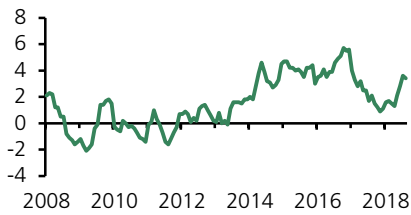
CBI, [Industrial Trends](#), Mid-October 2018

GfK NOP, [Consumer Confidence](#), 28 September 2018

F2: Retail Sales

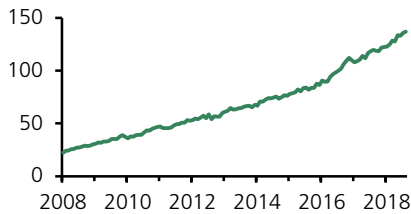
In August 2018, [retail sales in the UK](#) totalled £7.1 billion per week. This figure includes money spent in shops, supermarkets, in petrol stations and online.

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



In the three months to August 2018, the quantity (**volume**) of retail sales increased by 2.0% compared with the previous three months (this figure does not include the effect of inflation). Over the year, the volume of retail sales increased by 3.4%.

Value of internet retail sales
2016=100, seasonally adjusted



The average weekly value of **internet sales** in Great Britain was £1.2 billion in August 2018, 17% of all retail sales.

Online sales increased year-on-year by 14%, driven by growth in online sales of household goods, up 27% on the year.

Volume of retail sale
Index 2016=100, seasonally adjusted

		Food	Non-food	Total
2016	Aug	100.8	99.9	100.6
2017	Aug	99.9	102.8	102.8
2018	Jun	102.5	103.0	104.9
	Jul	103.1	103.7	105.9
	Aug	102.5	105.0	106.2
3m % change on yr		3.2	2.0	3.4

Change on year is the change on the most recent three month period compared to the same period a year earlier, not including the effect of inflation

Total includes fuel and non-store retailing

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

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

The value of sales in non-food stores was up 2.0% on last year.

All figures are **seasonally adjusted**

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

Subject Specialist

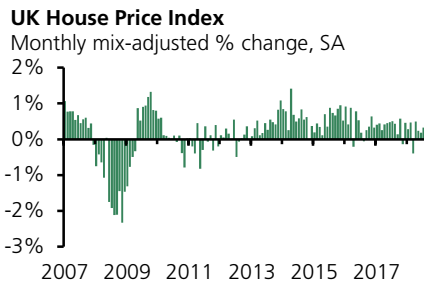
Chris Rhodes
x2454

Updates

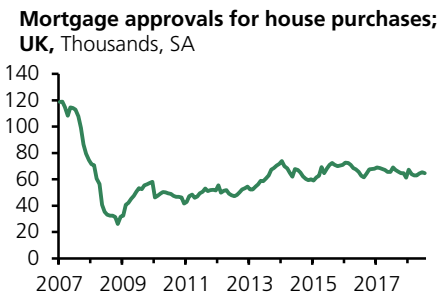
ONS, [Retail Sales](#),
18 October 2018

F3: Housing Market

House prices, as measured by the UK House Price Index, increased by 3.1% between July 2017 and July 2018. On a seasonally adjusted basis house prices increased by 0.3% between June 2018 and July 2018.



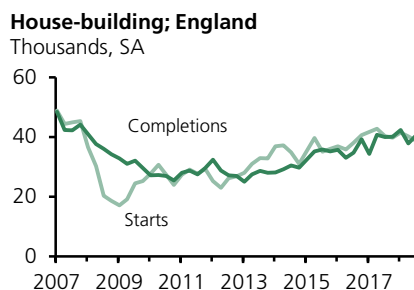
There are regional differences in house prices. The average price is highest in London at roughly £485,000. The lowest prices are found in Northern Ireland and the North East at £133,000 and £132,000 respectively.



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 July 2018 were down 6.1% on a year ago and down 0.9% of June 2018. Approvals remain well down on pre-

recession levels. There were 64,768 mortgage approvals in July 2018, compared with 68,962 in July 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 38,730 house building starts (seasonally adjusted) in England in Q2 2018, a 4% decrease compared with the

previous quarter, and a 4% decrease compared with the same quarter of 2017. This is above the recent low of 17,120 in Q1 2009, but still below the 48,920 starts in Q1 2007.

There were 40,550 dwelling completions (seasonally adjusted) in Q2 2018, a 7% increase compared with the previous quarter and a 1% increase compared with the same quarter of 2017. Completions remain below the peak of 48,430 completions in Q1 2007.

Subject Specialist

Matt Keep
x4324

Updates

HM Land Registry, [UK house price index](#), 17 October 2018

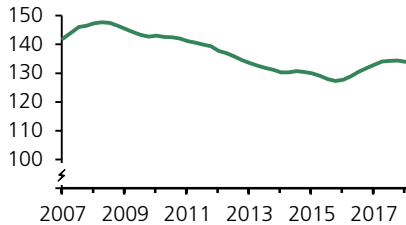
Bank of England, [Money and credit](#), 1 October 2018

DCLG, [House-building](#), January 2019

F4: Household Debt

Household debt as a % of disposable income

Household debt: % of disposable income



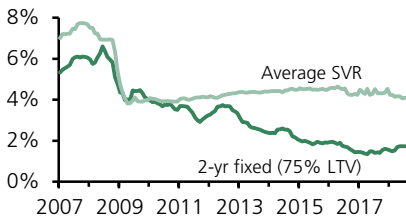
Household debt peaked in Q1 2008 at 148% of household disposable income. It then fell until reaching 127% by late 2015.

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



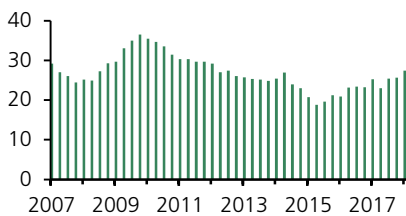
The average Standard Variable Rate (SVR) was 4.10% in July 2018, down by 0.4 percentage points compared to a year ago.

The average 2-year fixed mortgage rate was 1.73% in July, up 0.32 percentage 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%). Interest rates were raised again in August 2018 (from 0.5% to 0.75%).

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.

Subject Specialist

Daniel Harari
x2464

Updates

Bank of England,
[Statistical database](#),
1 Oct 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>

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publically available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcinfo@parliament.uk.

Disclaimer - This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the conditions of the Open Parliament Licence.