



## BRIEFING PAPER

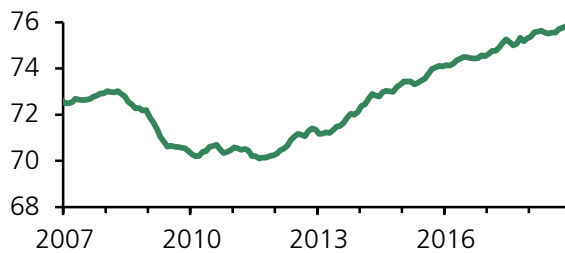
Number 8523, 12 March 2019

# Economic Indicators, Spring Statement 2019

By  
Philip Brien  
Daniel Harari  
Matthew Keep

### Employment Rate; UK

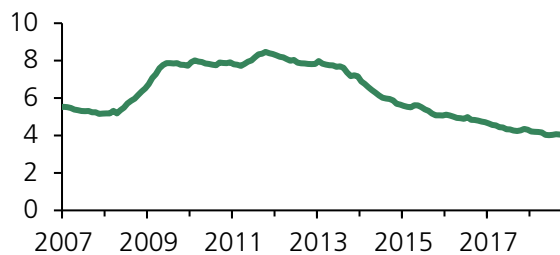
% , age 16-64



The employment rate was 75.8% in October-December 2018, the joint highest rate since comparable records began in 1971.

### Unemployment rate

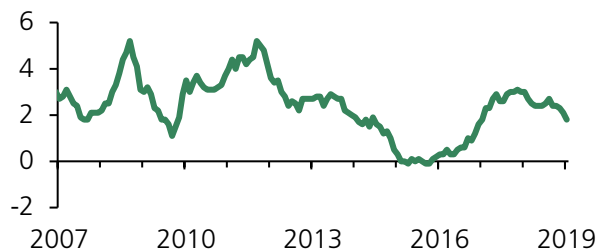
%



The unemployment rate was 4.0% in October-December 2018, the joint highest rate since 1975.

### Consumer Prices Index (CPI)

% change on yr



The CPI inflation rate was 1.8% in January 2019, the lowest that it has been since January 2017.

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## The UK economy

*The Library briefing paper [Spring Statement 2019: Background briefing](#) contains background information on the 2019 Spring Statement, which will take place on Wednesday 13 March 2019. This is a slightly amended version of the summary of that paper.*

The Chancellor, Philip Hammond, will make his [Spring Statement](#) on 13 March 2019. The Office for Budget Responsibility (OBR) will publish revised forecasts for the economy and public finances on the same day.

The Chancellor's statement is likely to largely be a response to the OBR's forecasts.

### **Brexit: votes in Parliament**

Spring Statement 2019 is set to take place at a time when Parliament's attention will be focused on the UK's withdrawal from the EU. In particular, the House of Commons will have a 'meaningful vote' on the EU-UK Withdrawal Agreement and framework for the future relationship on 12 March 2019. If the Commons again rejects the deal, there will be a vote on whether MPs support leaving the EU without a deal, on 13 March. If the Commons rejects leaving without a deal, there will be a vote on requesting an extension of the withdrawal process (Article 50), on 14 March.

### **Brexit: the OBR's forecasts**

Forecasting is difficult at the best of times. The UK's withdrawal from the EU makes it even more so, not least because Brexit isn't a momentary event, but an extended process of changing policy.

Since the EU referendum result the OBR has assumed that the UK-EU negotiations "lead to an orderly transition to a new long-term relationship, whatever that relationship may be." If the UK's withdrawal is less than orderly, then the OBR's outlook for the economy and public finances is likely to become more pessimistic in future forecasts.

### **Economic situation**

GDP growth of 1.4% in 2018 was the slowest since 2012, with growth easing towards the end of the year. Two key factors behind this slowdown were a weaker global economy and uncertainty related to Brexit.

The world economy has been characterised by the Chinese economy growing less quickly, trade tensions (particularly between the US and China), and a sharply slowing Eurozone economy. Domestically, Brexit-related uncertainty has been blamed for falling business investment as the UK approaches its scheduled date for leaving the EU on March 29. Consumer spending has underpinned growth recently, supported by a historically-high proportion of the population in employment and average wage growth starting to pick-up.

The outlook for 2019 is dominated by Brexit and on what terms the UK leaves the EU. Under an assumption of an 'orderly' or 'smooth'

departure from the EU, GDP growth of around 1-1½% for 2019 is generally forecast by economists. Should the UK leave the EU without a deal, disruption is expected to lead to weaker growth. The Bank of England Governor Mark Carney has said he “guarantee[s]” the Bank’s GDP forecasts would be lowered in such a scenario. The OBR has previously warned that there could be severe short-term implications of a no-deal Brexit, although the scale is hard to predict.

### **Public finances**

Government borrowing has decreased from the peaks reached following the 2007-2008 financial crisis, and is now at a typical level. Government borrowed £42 billion in 2017/18 to make up the difference between its spending and income raised from taxes and other sources. At 2% of GDP, this was below the average for the past 70 years.

While the Government’s borrowing situation has improved, its debt – broadly speaking the stock of past borrowing – remains high. Public sector net debt at the end of 2017/18 was equal to 85% of GDP. The debt-to-GDP ratio was last above 85% in the mid-to-late 1960s, when it was still recovering from reaching over 200% of GDP during World War II.

### **Further information**

The Library will publish a summary of Spring Statement 2019 on the evening of 13 March.

# 1. Headline UK Economic Indicators, March 2019

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<b>Gross Domestic Product:</b> Nov 2018 - Jan 2019, Seasonally Adjusted		
Change (real %)	0.2 (qtr)	1.3 (yr)
<b>Industries</b>		
<b>Service output:</b> 3 months to January 2019		
Change (%)	0.5 (mth)	1.8 (yr)
<b>Manufacturing output:</b> 3 months to January 2019		
Change (%)	-0.7 (mth)	-1.5 (yr)
<b>Productivity:</b> Q4 2018, Seasonally Adjusted		
<b>Output per hour</b>		
Change (%)	0.2 (qtr)	-0.2 (yr)
<b>Inflation:</b> January 2019		
Change on year (%)	1.8 (CPI)	2.7 (RPI)
<b>Labour Market:</b> October-December 2018, Seasonally Adjusted		
<b>Unemployment</b>		
Unemployment Rate (% of economically active)		4.0
Change (% points)	-0.1 (qtr)	-0.3 (yr)
<b>Employment</b>		
Employment Rate (% aged 16-64 in work)		75.8
Change (% points)	0.3 (qtr)	0.7 (yr)
<b>Interest Rate:</b> as of 12 March 2019		
Bank of England Base Rate		0.75 (%)
<b>Public Finances:</b> 2017/18		
Net borrowing	42 (£ bn)	2.0 (% GDP)
Net debt	1,779 (£ bn)	84.8 (% GDP)
<b>Trade:</b> Q3 2018		
Current Account	-26.5 (£ bn)	-5.0 (% GDP)
<b>Sterling Exchange rate:</b> 12 March 2019		
US Dollar (\$)	1.31 (rate)	-6.1 (% change on yr)
Euro (€)	1.15 (rate)	3.3 (% change on yr)
<b>EC Economic Sentiment Indicator for UK:</b> January 2019		
Points (1990-2012 average = 100)		99.2
Change (points)	-4.5 (mth)	-9.9 (yr)
<b>Retail Sales:</b> January 2019, Seasonally Adjusted, 3 month average		
Quantity of retail sales (volume)		-0.7 (% change on yr)
<b>Housing Market:</b> January 2019, Seasonally Adjusted		
<b>House Price Index (ONS)</b>		
Change (%)	0.2 (mth)	2.5 (yr)

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

# Headline Indicators summary

**GDP** in the UK grew by 0.2% in November 2018-January 2019 compared to the previous quarter. Growth was 0.2% in Q4 2018, which compared to growth of 0.2% in the Eurozone.

**Services output** was up by 0.5% in the three months to January 2019 compared to the previous quarter. **Manufacturing output** fell 0.7%.

**CPI inflation** was 1.8% in January 2019, down from 2.1% in December 2018. Inflation in the Eurozone was 1.5% in February.

The Bank of England's Monetary Policy Committee (MPC) voted unanimously to **leave interest rates unchanged** at 0.75% at its February policy meeting. They were raised from 0.5% in August 2018.

**Average wages** excluding bonuses were 3.4% higher in the three months to December 2018 compared with the year before. CPI inflation for this period was 2.3%.

32.6 million people were in **employment** in October-December 2018, up 444,000 from a year before. The **employment rate** was 75.8%, the highest rate since comparable records began in 1971.

1.36 million people were **unemployed** in October-December 2018, down 100,000 from the year before. The **unemployment rate** was 4.0%, the joint lowest since 1975. The UK harmonised unemployment rate for Q3 2018 was the 14<sup>th</sup> lowest of the 36 OECD countries.

**Productivity** across the whole UK economy rose by 0.2% in Q4 2018 compared with the previous quarter. Compared with the previous year, productivity was down by 0.2% in Q4 2018.

**Government borrowing** between April 2018 and January 2019 was £21 billion, £19 billion less than the same period in 2017/18. At the end of January 2019, public sector net debt was equivalent to 82.6% of GDP, down from 83.4% in January 2018.

The UK had a **trade deficit** of £10.4 billion in the three months to January 2019, compared with £9.1 billion in the previous three months. The **current account deficit** was £26.5 billion in Q3 2018 (5.0% of GDP), up from £20.0 billion in Q2 2018 (3.8% of GDP).

As of 11 March the **FTSE-100 Index** was up unchanged compared with a month ago and down 1% compared with a year ago. On 3 January, the FTSE fell to its lowest level in over 2 years.

The **value of sterling** rose by 1.3% between January and February, following a rise of 1.4% between December and January.

The volume of **retail sales** decreased by 0.7% in the three months to January 2019 compared with the previous three months, but increased by 3.5% compared with the previous year.

**House prices** increased by 2.5% in the year to December 2018.

**Household debt** stood at 133% of disposable income in Q3 2018. It has been around this level since mid-2017.

## 2. 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:

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# A1: Gross Domestic Product

The economy grew by 0.2% in November 2018-January 2019 compared to the previous quarter (August-October).

## Real Gross Domestic Product seasonally adjusted

	% change on qtr	% change on yr
2016	...	1.8
2017	...	1.8
2018	...	1.4
2017 Q4	0.4	1.6
2018 Q1	0.1	1.3
Q2	0.4	1.4
Q3	0.6	1.6
Q4	0.2	1.3

Source: ONS, series: IHYP, IHYQ, IHYR

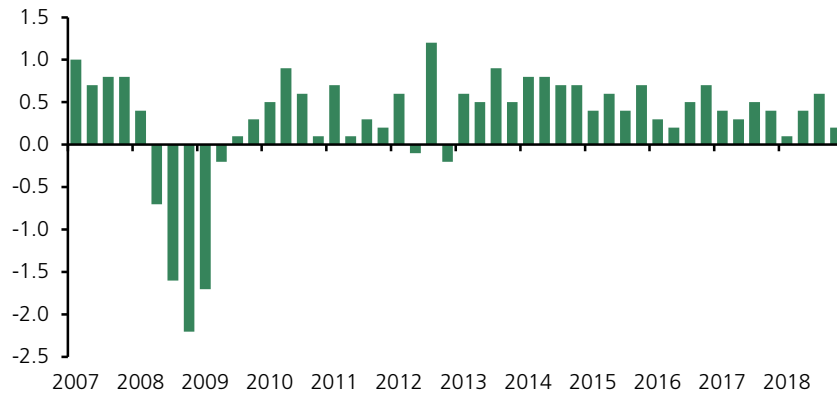
The quarterly growth came from growth in services (production and construction both decreased). Looking at month-on-month growth rates, GDP was estimated to fall by 0.4% in December and grow by 0.5% in January. (These monthly figures are more volatile than the quarterly estimates.)

GDP increased by 0.2% in October-December 2018 compared with the previous quarter

In cash terms, GDP was £2,115 billion in 2018.

## GDP growth

Calendar quarters, % change on previous quarter



## Forecasts

At the October 2018 Budget, the Office for Budget Responsibility (OBR) forecast growth of 1.3% for 2018 and 1.6% for 2019.

The Treasury's February 2019 [survey of independent forecasts](#) for GDP growth showed an average forecast of 1.4% for 2019 and 1.6% for 2020.

### Annual GDP growth forecasts (%)

	2019	2020
HM Treasury average of independent forecasts (Jan 19)	1.4	1.6
OBR forecasts (Oct 18)	1.3	1.6

Source:

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

HMT, *Forecasts for the UK economy: a comparison of independent forecasts*, Jan 2019

### Subject Specialist

Daniel Harari  
x2464

### Updates

ONS, [GDP monthly estimate](#), 10 April 2019

HM Treasury, [Forecasts for the UK economy](#), 20 March 2019

OBR, [Economic and fiscal outlook](#), Spring 2019



## A2: GDP International

GDP in the UK grew by 0.2% in Q4 2018 compared with the previous quarter. The Eurozone also saw growth of 0.2%, with Germany at 0.0%. Data for the US showed growth of 0.6%.

### Real GDP

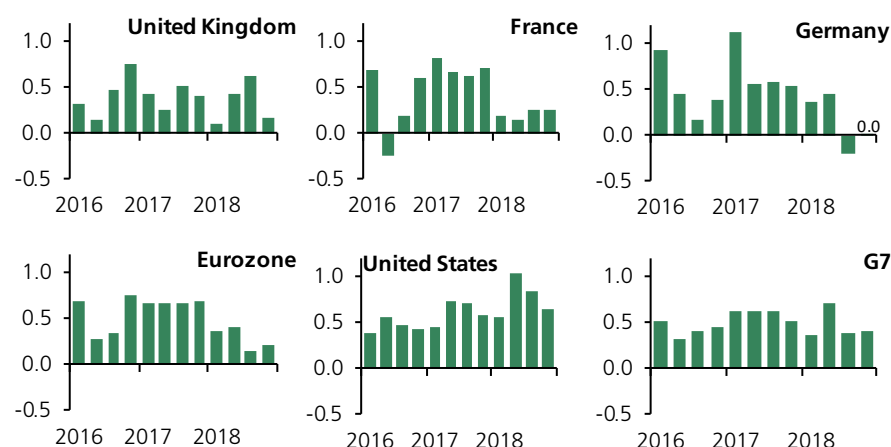
% changes

updated 8 Mar

	change on quarter				change on year			
	Q1 18	Q2 18	Q3 18	Q4 18	Q1 18	Q2 18	Q3 18	Q4 18
UK	0.1	0.4	0.6	0.2	1.3	1.4	1.6	1.3
Eurozone	0.4	0.4	0.1	0.2	2.4	2.1	1.6	1.1
USA	0.5	1.0	0.8	0.6	2.6	2.9	3.0	3.1
Japan	-0.1	0.5	-0.6	0.5	1.4	1.4	0.2	0.3
Germany	0.4	0.5	-0.2	0.0	2.1	2.0	1.2	0.6
France	0.2	0.2	0.3	0.3	2.2	1.7	1.3	0.9
G7	0.4	0.7	0.4	0.4	2.1	2.2	2.0	1.9
OECD	0.5	0.7	0.4	..	2.6	2.5	2.2	..

Source: OECDstat

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



### Forecasts

On 6 March, the OECD downgraded its [forecasts](#) for most of the world's largest economies. The OECD lowered its GDP growth forecast for the UK in 2019 from 1.4% to 0.8%, assuming a 'smooth' Brexit. Eurozone GDP growth forecasts for 2019 were cut from 1.8% to 1.0%.

### Real GDP growth forecasts

% change

	IMF (Jan '19)		EC (Feb '19/Nov'18)		OECD (Mar'19)	
	2019	2020	2019	2020	2019	2020
UK	1.5	1.6	1.3	1.3	0.8	0.9
France	1.5	1.6	1.3	1.5	1.3	1.3
Germany	1.3	1.5	1.1	1.7	0.7	1.1
Eurozone	1.6	1.7	1.3	1.6	1.0	1.2
US	2.5	1.8	2.6	1.9	2.6	2.2
Japan	1.1	0.5	1.0	0.5	0.8	0.7
China	6.2	6.2	6.2	5.9	6.6	6.2
India	7.5	7.7	7.5	7.5	7.0	7.2
Brazil	2.5	2.2	1.9	2.3	1.1	1.9
<b>World</b>	<b>3.5</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.3</b>	<b>3.4</b>

EC forecasts for European economies from Feb'19; EC forecasts for other economies from Nov'18  
Sources: IMF Jan'19 WEO update; EC Winter'19 forecast; OECD Interim Economic Outlook Mar'19

### Subject Specialist

Daniel Harari  
x2464

### Next updates

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

OECD, [Economic Outlook](#),  
May/June 2019

IMF, [World Economic Outlook update](#),  
Apr 2019

European Commission,  
[Economic Forecasts](#),  
early May 2019

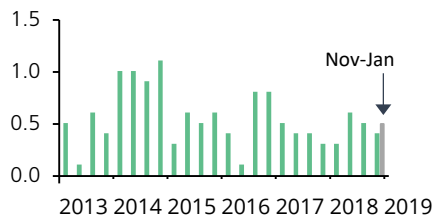
# A3: Components of GDP

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 Nov-Jan 2019 compared with the quarter before.

## GDP by Industry

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



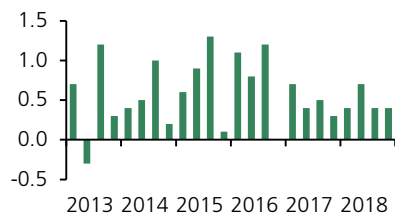
Services are the sector that account for the largest part of the economy – in 2017, they accounted for 79% of economic output, the production sector for 14%, construction for 6% and agriculture for 1%.

In Nov-Jan 2019, service sector output increased by 0.5% in real terms compared with the previous quarter.

Manufacturing output fell by 0.7% (the production sector overall also fell by 0.8%). Output in the construction sector was down by 0.6%.

## 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 2018. Government consumption accounted for 18% and investment for 17%.

In Q4 2018, household consumption grew by 0.4% in real terms. Government consumption was up 1.4% and investment was down 0.5%. Exports were up 0.9% and imports were up 1.3% compared with the previous quarter.

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

	Household consumption	Government consumption	Investment (GFCF)	Exports	Imports	GDP
2017 *	2.2	-0.2	3.5	5.6	3.5	1.8
2018 *	1.9	0.2	0.0	0.2	0.8	1.4
2017 Q4	0.3	0.0	0.7	0.1	-0.6	0.4
2018 Q1	0.4	0.1	-0.6	0.0	0.3	0.1
Q2	0.7	-0.4	-0.9	-2.0	0.1	0.4
Q3	0.4	-0.3	0.6	0.2	0.0	0.6
Q4	0.4	1.4	-0.5	0.9	1.3	0.2

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

Note: \* annual % change

### Subject Specialist

Daniel Harari  
x2464

### Updates

ONS, [GDP monthly estimate](#), 10 Apr 2019

ONS, [Quarterly national accounts](#), 29 Mar 2019

ONS, [GDP first quarterly estimate, UK](#), 10 May 2019

# 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 Q4 2018 was 1.9% above what it was 11 years earlier in Q4 2007 (the pre-recession peak level).

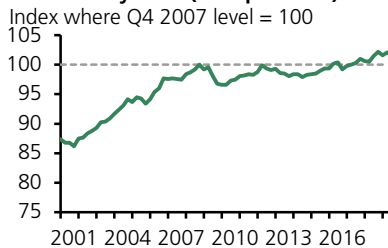
Productivity levels are 1.9% above the pre-financial crisis peak of late 2007

### Productivity - output (GDP) per hour

	% change on qtr	% change on yr
2017	..	0.9
2018*	..	0.6
2018 Q1	-0.6	1.0
Q2	0.5	1.6
Q3	-0.4	0.2
Q4*	0.2	-0.2

Source: ONS series TXBB, LZVD; \*flash estimate

### Productivity level (GDP per hour)



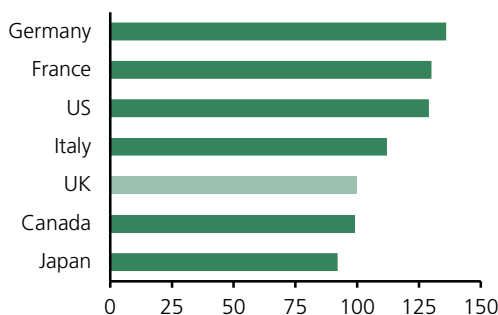
[Productivity](#) rose by 0.2% in Q4 2018 compared with the previous quarter, following a 0.4% decline in the previous quarter. Compared with a year ago, productivity was down by 0.2% in Q4 2018. For 2018 as a whole, productivity rose by 0.6% (based on preliminary estimates).

## 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).

Recent [new evidence](#) from the OECD showed that the UK’s productivity gap with the G7 average is not as great as previously thought, due to the different ways countries measure hours worked. The ONS is exploring this research.

**Subject Specialist**  
Daniel Harari  
x2464

**Updates**  
ONS, [UK productivity flash estimate](#), 14 May 2019

ONS, [International comparisons of productivity](#), date to be announced

# A5: Services

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

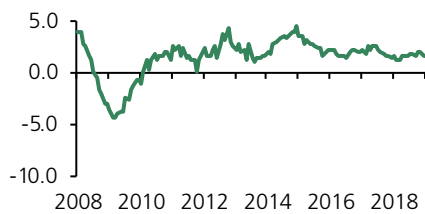
In 2017, the service industries accounted for 79% of total UK economic output (Gross Value Added). Services accounted for 83% of workforce jobs in September 2018.

## Services Output

In the three months to January 2019, services output increased by 0.5% compared with the three months ending October 2018. The wholesale, retail and motor trade sector made the largest contribution to this growth.

### Output - Index of Services

% change on previous year



Services output increased by 0.3% between December 2018 and January 2019, up from a 0.2% decrease between November and December 2018.

Services output for 2018 increased by 1.7% compared with 2017. This is the lowest annual services growth since 2011.

## 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 was 51.3 in February 2019. This up from 50.1 in January, which had been the lowest reading for two-and-a-half years and the second-weakest reading since December 2012.

Brexit related uncertainty was cited as a prime reason for continued caution. Employment numbers declined at the fastest pace for over 7 years as businesses opted to delay hiring because of subdued demand and concerns over the near-term economic outlook.

Business optimism sank to the third lowest ever recorded in the survey, after the global financial crisis of 2009 and July 2016.

Services Output Index			PMI Index		
	Index	% change on yr		Index	Change on mth
2016	102.5	2.6	2017 Feb	53.3	
2017	104.1	2.5	2018 Feb	54.5	
2018 Nov	104.8	2.0	2018 Dec	51.2	0.8
Dec	104.6	1.7	2019 Jan	50.1	-1.1
2019 Jan	104.9	1.7	Feb	51.3	1.2

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 April 2019

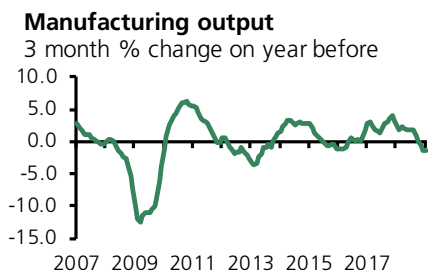
Markit/CIPS, [UK Services PMI](#), 3 April 2019

# A6: Manufacturing

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

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

## Manufacturing Output

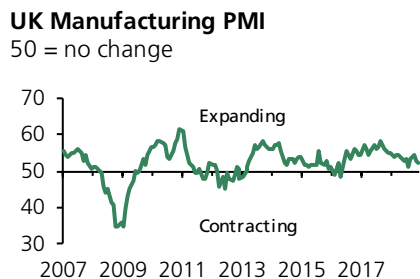


Total manufacturing output fell by 0.7% in the 3 months to January 2019 compared with the previous 3 months, although output in January did grow by 0.8% compared with December 2018. This was the first positive monthly manufacturing growth in seven months. Manufacturing

output fell by 1.5% in the 3 months to January 2019 compared with the 3 months to January 2018.

7 of the 13 manufacturing sub-sectors decreased in the 3 months to January 2019.

## 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 February 2019 the UK Manufacturing PMI was 52.0, down from 52.8 in January. The

February figure was the lowest figure since October 2018.

In January, output and new orders slowed and employment fell for only the second time in the past two-and-a-half years. Meanwhile, Brexit preparations led to a sharp rise in purchasing activity and stockpiling of inputs at warehouses. The degree of positive sentiment regarding the forthcoming year dipped to a 30-month low.

Manufacturing output index				PMI Index			
	Index	% change on year	% change 3m on previous 3m		Index	Change on mth	
2017	102.5	2.5		2017	Feb	54.6	
2018	103.4	0.9		2018	Feb	55.0	
2018	Nov	102.9	-0.7	2018	Dec	54.2	1.1
	Dec	102.2	-0.9	2019	Jan	52.8	-1.4
	Jan	103.0	-0.7		Feb	52.0	-0.8

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 April 2019

Markit/CIPS, [UK Manufacturing PMI](#), 1 April 2019

# 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 1.8% in January 2019, the lowest that it has been since January 2017.

The RPI inflation rate was 2.7% in January 2019, the lowest it has been since December 2016.

## Consumer Prices Index (CPI)



The largest downward contributions to the CPI over the past year came from housing and household services, largely driven by a decrease in gas and electricity prices.

## Retail Prices Index (RPI)



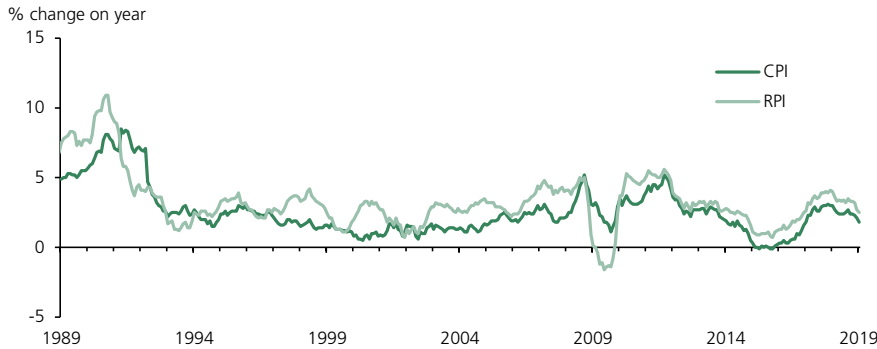
## Price Indices

% change on a year ago

		CPI	RPI
2016	Jan	0.3	1.3
2017	Jan	1.8	2.6
2018	Jan	3.0	4.0
2018	Nov	2.3	3.2
	Dec	2.1	2.7
2019	Jan	1.8	2.5

Source: ONS series D7G7, CZBH

## CPI and RPI since 1989



### Subject Specialist

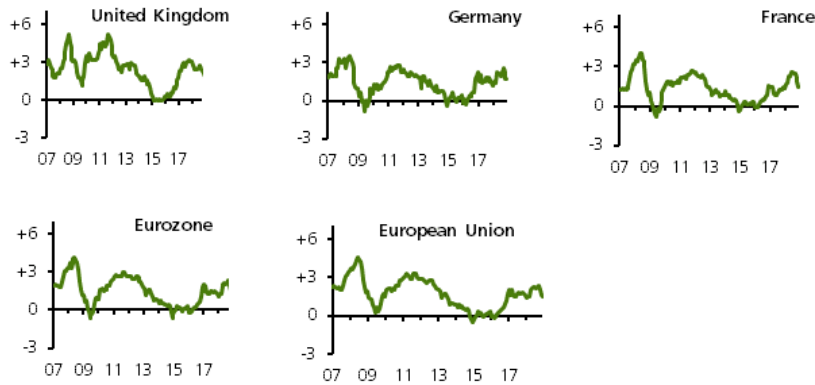
Daniel Harari  
x2464

### Update

ONS, [Consumer price inflation](#), 20 March 2019

## 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 1.8% in the year to January 2019, down from 2.1% in December. This is the lowest level of inflation since January 2017.

EU inflation was 1.5% in January 2019, down from 1.6% in December. EU inflation was 1.6% in January 2018.

Annual inflation in the Eurozone is provisionally estimated as 1.5% in February, compared with 1.4% in January.

In Germany inflation was 1.7% in January, unchanged from December; in France it was 1.4% in January, down from 1.9% in December.

Romania had the highest inflation rate in the EU in January (3.2%). The lowest inflation rate in the EU was in Greece (0.5%). UK inflation was the joint eleventh highest in the EU in January.

### Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2016	2017	2018	Nov 18	Dec 18	Jan 19	Feb 19
UK	0.7	2.7	2.5	2.3	2.1	1.8	..
Eurozone	0.2	1.5	1.7	1.9	1.5	1.4	1.5
European Union	0.3	1.7	1.9	2.0	1.6	1.5	..
France	0.3	1.2	2.1	2.2	1.9	1.4	..
Germany	0.4	1.7	1.9	2.2	1.7	1.7	..

Source: ONS, Eurostat Note: Eurozone figure for February 2019 is a preliminary estimate

### Subject Specialist

Daniel Harari  
X2464

### Update

ONS, [Consumer Prices bulletin](#) (UK), 20 Mar

Eurostat, [HICP full release](#), 15 Mar

Eurostat, [Flash estimate \(Eurozone\)](#), 1 Apr

## B3: Average Earnings

In April 2018 median gross weekly earnings for full-time employees in the UK were £569, up 3.5% on April 2017. This was the highest growth in earnings since 2008. Adjusted for inflation, median earnings for full-time employees increased by 1.2%.

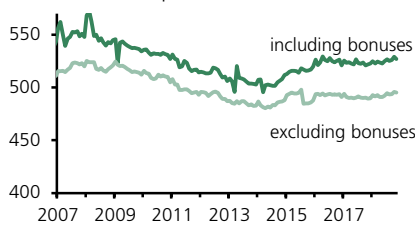
More timely but less detailed data show average weekly earnings for all employees in Great Britain increased by 3.4% both including and excluding bonuses in the three months to December 2018 compared with the previous year.

Inflation as measured by the CPI averaged 2.3% over the same period. After adjusting for inflation, average weekly earnings including and excluding bonuses were 1.1% higher than the previous year.

### Average Earnings, Whole Economy

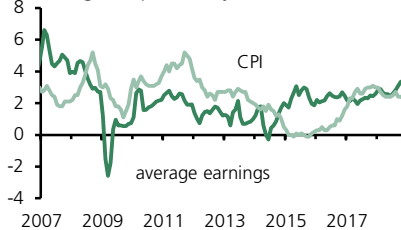
**Real average weekly earnings**

December 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	Dec	2.5	2.7	1.5
2017	Dec	2.6	2.8	2.0
2018	Oct	3.3	3.5	2.7
	Nov	3.4	3.5	2.8
	Dec	3.4	3.5	2.8

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

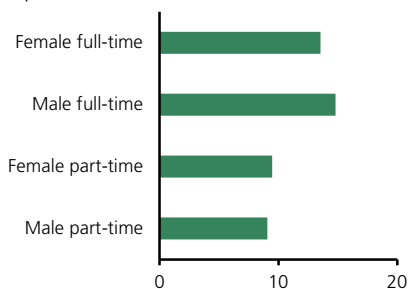
Source: ONS, Average Weekly Earnings series

Average weekly total pay (including bonuses) grew by 3.5% in the private sector and by 2.8% in the public sector in the three months to December 2018 compared with the year before.

### Hourly pay levels

Median hourly earnings (excluding overtime) were £14.31 for full-time employees at April 2018: £14.81 for men working full-time and £13.54 for women.

**Median hourly pay excluding overtime**  
April 2018 (£)



Median hourly earnings (excluding overtime) were £9.36 for part-time employees; £9.07 for men and £9.47 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](#), 19 March 2019

ONS, [Annual Survey of Hours and Earnings](#), October 2019

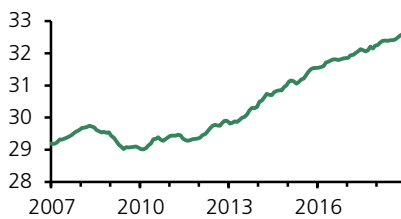


# C1: Employment

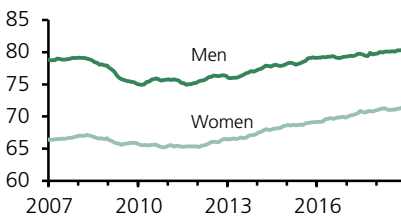
32.60 million people were in employment in October-December 2018. Employment was up 167,000 from the previous quarter and up 444,000 from the year before.

The employment rate (the proportion of the population aged 16-64 in work) was 75.8%, up from 75.6% in the previous quarter. This is the joint highest rate since comparable records began in 1971. It compares to a post-recession low of 70.1% in July-September 2011.

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



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



15.31 million women were in work, an increase of 78,000 from the previous quarter and 188,000 more than a year ago. The female employment rate was 71.4%. Increases in the rate over recent years are partly due to changes to the State Pension age for women.

17.29 million men were in work, 89,000 more than the previous quarter and 255,000 more than a year ago. The male employment rate was 80.3%.

24.04 million people were working full-time, up 108,000 from the previous quarter and up 426,000 from a year ago.

Part-time employment was up 59,000 from the previous quarter and up 17,000 from the year before at 8.56 million.

There was an increase in self-employment, up 80,000 from the previous quarter and 63,000 from the year before to 4.84 million. The number of people working as employees was up 80,000 from the quarter before and up 415,000 from the year before to 27.59 million.

1.55 million people were employed on a temporary basis, up 38,000 from the previous quarter and up 16,000 from a year ago.

**UK Employment**  
Seasonally adjusted

	Age:	Total		Men		Women		Youth	
		000's	%	000's	%	000's	%	000's	%
		16+	16-64	16+	16-64	16+	16-64	16-24	16-24
Oct-Dec	2015	31,540	74.1	16,834	79.2	14,706	69.1	3,962	54.8
Oct-Dec	2016	31,845	74.6	16,901	79.2	14,944	70.0	3,928	55.0
Oct-Dec	2017	32,154	75.2	17,035	79.6	15,119	70.8	3,814	54.1
Jul-Sep	2018	32,431	75.6	17,201	80.1	15,229	71.1	3,801	54.5
Oct-Dec	2018	32,597	75.8	17,290	80.3	15,308	71.4	3,830	55.0
Change on qtr	Level	167	0.3	89	0.2	78	0.3	29	0.6
	%	0.5%		0.5%		0.5%		0.8%	
Change on yr	Level	444	0.7	255	0.7	188	0.6	16	0.9
	%	1.4%		1.5%		1.2%		0.4%	

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](#), 19 March 2019

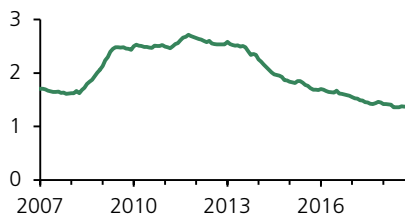
## C2: Unemployment

There were 1.36 million unemployed people in the UK in October-December 2018, down 14,000 from the previous quarter and down 100,000 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.

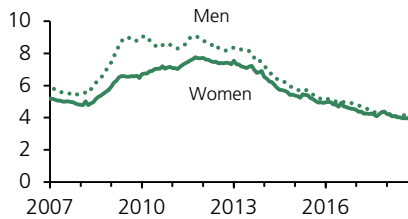
### Unemployment; UK

Millions, age 16+, seasonally adjusted



### Unemployment Rate; UK

%, age 16+, seasonally adjusted



510,000 young people aged 16-24 were unemployed, up 33,000 from the previous quarter but down 31,000 from the year before. The unemployment rate for 16-24 year olds was 11.8%.

746,000 men were unemployed, a similar level to the previous quarter but down 32,000 from a year ago.

617,000 women were unemployed, down 12,000 from the previous quarter and down 68,000 from a year ago.

The unemployment rates were similar for men and women. In October-December 2018, it was

4.1% for men and 3.9% for women.

350,000 people had been unemployed for over 12 months, 18,000 fewer than the previous quarter and 19,000 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
Oct-Dec	2015	1,688	5.1	921	5.2	766	5.0	625	13.6
Oct-Dec	2016	1,585	4.7	873	4.9	713	4.6	562	12.5
Oct-Dec	2017	1,463	4.4	778	4.4	685	4.3	541	12.4
Jul-Sep	2018	1,377	4.1	748	4.2	629	4.0	477	11.2
Oct-Dec	2018	1,363	4.0	746	4.1	617	3.9	510	11.8
Change on qtr	Level	-14	-0.1	-2	0.0	-12	-0.1	33	0.6
	%	-1.0%		-0.2%		-2.0%		6.9%	
Change on yr	Level	-100	-0.3	-32	-0.2	-68	-0.5	-31	-0.7
	%	-6.8%		-4.1%		-9.9%		-6%	

Source: ONS Labour Market Statistics, A05, A6

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

### Subject Specialist

Andrew Powell  
X6962

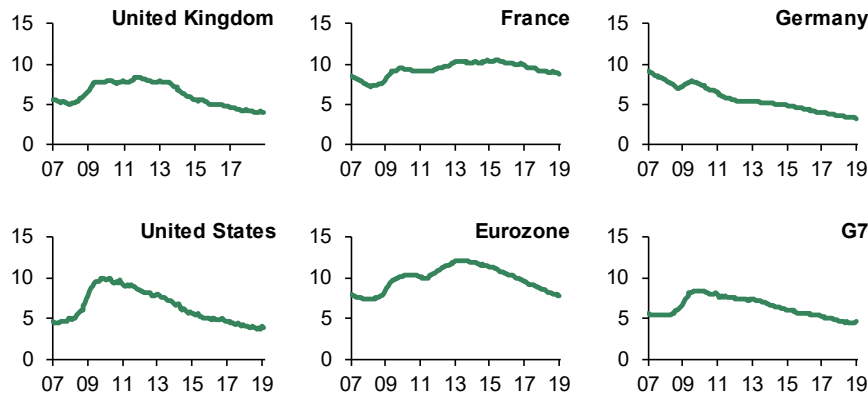
### Updates

ONS, [Labour Market Statistics](#),  
19 March 2019

## 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 **Q3** 2018 was 4.1%. This was slightly above the rate of the US (3.8%), below that of France (9.0%) but above that of Germany (3.4%). The UK rate was the 14<sup>th</sup> lowest of the 36 OECD member countries.

The unemployment rate for the Eurozone fell to 7.9% in **Q4** 2018 from 8.0% in Q3 2018, and was unchanged for the G7 at 4.5%. The Q4 figure for the UK has not yet been published.

The majority 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 Q3 2018 (18.9%) followed by Spain at 15.0%.

The Czech Republic had the lowest unemployment rate in the OECD for Q3 2018 at 2.3%.

Youth (aged 15-24) unemployment is a major issue in many developed economies at present. In Q3 2018 youth unemployment was 37.5% in Greece, 34.3% in Spain and 31.8% in Italy. UK youth unemployment stood at 11.2%.

#### Unemployment

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

	CAN	FRA	GER	ITA	JPN	UK	USA	Eurozone	G7	OECD
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
2018	5.8	9.1	3.4	10.6	2.4	..	3.9	8.2	4.6	5.3
2017 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	10.9	2.5	4.2	4.1	8.5	4.7	5.4
Q2	5.9	9.0	3.4	10.7	2.4	4.0	3.9	8.3	4.6	5.3
Q3	5.9	9.0	3.4	10.3	2.4	4.1	3.8	8.0	4.5	5.3
Q4	5.6	8.9	3.3	10.6	2.4	..	3.8	7.9	4.5	5.2
Change on qtr	-0.3	-0.1	-0.1	0.3	0.0	...	0.0	-0.1	0.0	0.0
Change on yr	-0.4	-0.2	-0.3	-0.4	-0.3	...	-0.3	-0.8	-0.3	-0.3

Source: OECD, Harmonised Unemployment Rates

#### Subject Specialist

Andy Powell  
x6962

#### Next Update

OECD, [Harmonised Unemployment Rates](#),  
9 April 2019

# D1: Interest Rates and Monetary Policy

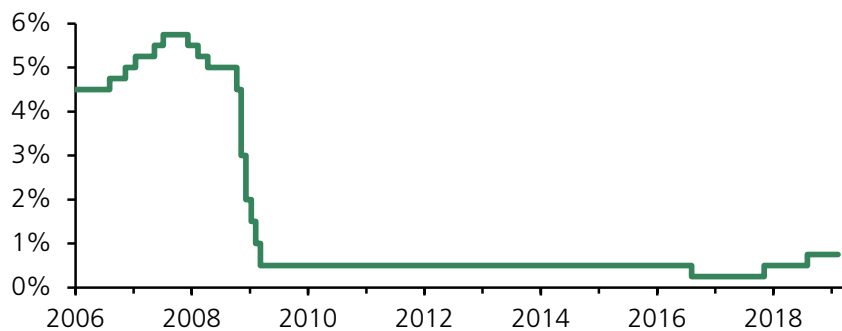
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates remained at historic lows for many subsequent years close to or below 0% in most developed economies.

## 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 [February policy meeting](#). The last change occurred in August 2018 when the MPC raised rates from 0.5% to 0.75%.

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

### UK official interest rate



In its [February Inflation Report](#), the MPC downgraded its forecast for GDP growth in 2019 from 1.7% to 1.2% and lowered its expectations for inflation. The MPC targets an inflation rate of 2%. These forecasts assume a smooth Brexit transition.

The MPC noted the **uncertainty with regards to Brexit**, in particular the prospect of a 'no-deal' departure from the EU and its potential negative impact on the economy. It also continued to suggest that future "gradual and limited" interest rate rises may be necessary over the next few years if there is upward pressure on inflation, notably from higher earnings growth.

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

## Eurozone (European Central Bank)

At its March [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0% and, in a surprise move, pledged to keep rates unchanged until 2020 in response to weak economic data. New purchases of assets under its [quantitative easing programme](#) ended in December 2018 and are worth a total of €2.6 trillion.

## United States (Federal Reserve)

At its two-day policy meeting ending on 30 January, the Federal Reserve kept [interest rates unchanged](#) in a range of 2.25-2.50%. Rates have risen gradually since December 2015 from 0-0.25% against a backdrop of jobs growth and a stronger economy.

### Subject Specialist

Daniel Harari  
x2464

### Updates – next monetary policy meetings

UK ([21 Mar](#))  
ECB ([10 Apr](#))  
US ([20 Mar](#))

## D2: Public finances

	Net borrowing		Net debt	
	£ bn	% GDP	£ bn	% GDP
2010/11	136	8.5%	1,158	71.0%
2011/12	116	7.0%	1,253	74.7%
2012/13	120	7.0%	1,364	78.2%
2013/14	98	5.5%	1,464	80.2%
2014/15	90	4.8%	1,555	82.6%
2015/16	72	3.8%	1,603	82.3%
2016/17	45	2.3%	1,727	85.1%
2017/18	42	2.0%	1,779	84.8%
2018/19	25	1.2%	1,810	83.7%
2019/20	32	1.4%	1,851	82.8%
2020/21	27	1.2%	1,841	79.7%
2021/22	24	1.0%	1,809	75.7%
2022/23	21	0.9%	1,856	75.0%
2023/24	20	0.8%	1,896	74.1%

Sources: ONS, OBR. Excludes public sector banks

The Government borrowed £21 billion in the current financial year to date (April 2018 to January 2019), £19 billion less than the same period in 2017/18. This represents the lowest level of borrowing for April to January since 2002.

In December 2018, the [ONS announced](#) that it is changing how it accounts for student loans. This change isn't yet reflected in the figures. The ONS aims to implement the change in

The ONS's figures for 2017/18 and 2018/19 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.

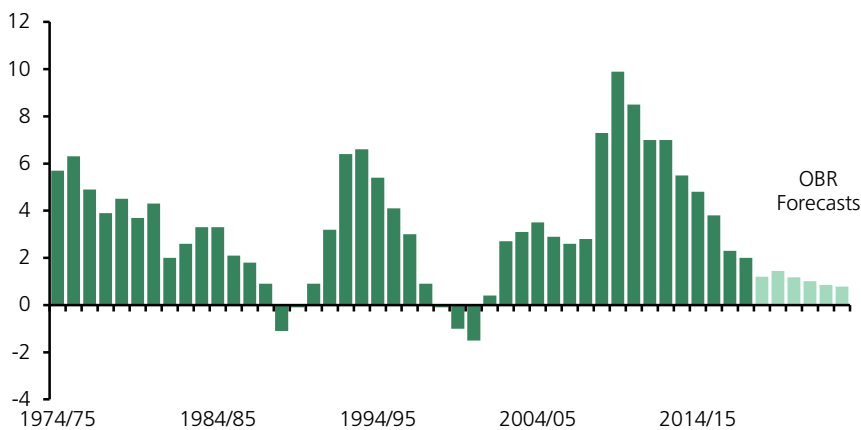
**Net debt** is the total amount that the public sector owes – it is largely the stock of past borrowing.

All figures exclude public sector banks.

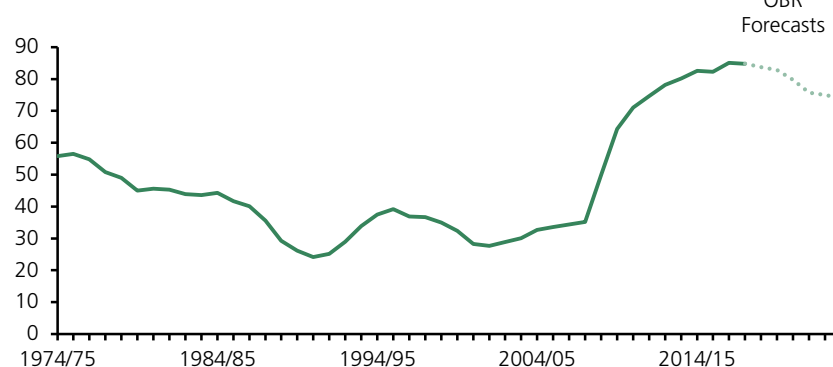
September 2019.

At the end of January 2019 public sector net debt was equivalent to 82.6% of GDP which is lower than at the end of January 2018, when the debt-to-GDP ratio was 83.4%. The OBR forecast that net debt will decrease to around 74% of GDP by the end of 2023/24.

**Public sector net borrowing**  
% of GDP



**Public sector net debt**  
% of GDP



### Subject Specialist

Matt Keep  
x4324

### Next update

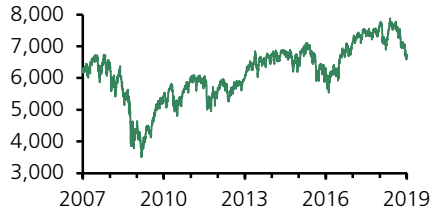
OBR, [Economic and fiscal outlook](#), Spring 2019

ONS, [Public sector finances](#), 21 March 2019

# D3: Financial Indicators

## FTSE-100 Index

**FTSE-100 Index**  
Daily closing price

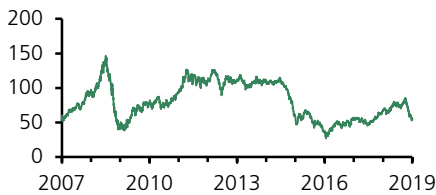


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite turbulence following the EU Referendum result, the index closed at twelve successive record highs between December 2016 and January 2017 - the index's

longest run of successive all-time peaks since its inception in 1984. The index passed 7,800 for the first time in May 2018, reaching another record high on 22 May 2018. On 3 January 2019, the index closed at its lowest level in over two years.

## 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 climbed in late 2016, after OPEC agreed to its first supply cut since 2008, closing at above \$85/barrel in early October

2018, though has fluctuated since and has now closed at around \$60/barrel since mid-November 2018.

## 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. Since January 2017, the price has generally been between \$1,200 and \$1,300/ounce, reaching a high of \$1,354/ounce in January 2018.

**Data from 11 March 2019**

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
11 Mar 2019	7130.62	66.64	1296.75
%change over:			
1-month	0%	8%	-1%
12-months	-1%	3%	-2%

Note: Oil is Brent near-month futures price

Source: Financial Times

**Subject Specialist**

Daniel Harari  
x2464

**Updates**

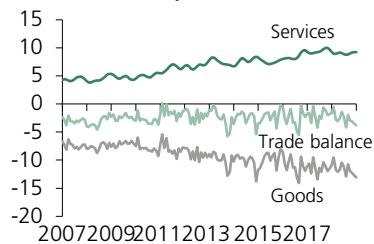
Financial Times, Weekly Basis

## E1: Trade

In 2018, the UK's exports of goods and services totalled £635 billion and imports totalled £664 billion. The EU accounted for 45% 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 £138 billion on trade in goods was partially offset by a surplus of £108 billion on trade in services in 2018. The overall trade deficit was £30 billion in 2018.

The UK had a trade deficit with the EU of £61 billion in 2017 and a trade surplus of £37 billion with non-EU countries.

The trade deficit with all countries widened by £1.3 billion to £10.4 billion in the three months to January 2019 compared with the previous three months. Exports increased by 0.9 % over this period. Imports increased by 1.6 % (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
2017	617.5	641.5	-23.9	-102.8	-5.2%
2018	634.6	664.3	-29.8	-68.4	-3.3%
2017 Q4	156.8	161.7	-4.9	-15.7	-3.0%
2018 Q1	155.4	160.4	-4.9	-17.8	-3.4%
Q2	156.9	163.9	-6.9	-20.0	-3.8%
Q3	159.8	168.2	-8.4	-26.5	-5.0%
Q4	162.3	171.9	-9.5	...	...

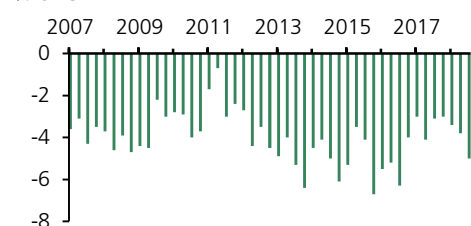
Source: ONS, series: IKBH, IKBI, IKBJ, HBOP, AA6H

The current account, which includes investment income and transfers as well as trade, saw a deficit of £68 billion in 2017, compared with £103 billion in 2016. The current account deficit was 3.3% of GDP in 2017 compared with 5.2% in 2016.

The current account deficit was £26.5 billion in Q3 2018 (5.0% of GDP), up from £20.0 billion (3.8% of GDP) in Q2 2018.

### Current Account Balance

% of GDP



### Subject Specialist

Ilze Jozepa  
X6920

### Updates

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

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

## 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 rose by 1.3% between January and February, following a rise of 1.4% between December and January. Compared with the same period a year ago, it is 0.3% lower. It is 25.3% below its January 2007 peak level.

### Sterling Exchange Rate Index (SERI)

Jan 2005=100



On average in February compared with January, the pound rose by 0.9% against the dollar, following a rise of 1.9% between December and January. The pound fell sharply against the dollar following the EU referendum, from \$1.48 on 23 June 2016 to \$1.14 in June 2017 – 31 year low. In 2018, the value of the pound against the dollar reached as high as \$1.43 in mid-April (the highest since the EU referendum), though has remained between \$1.25 - \$1.30 in 2019.

Latest closing prices:  
 \$1.31 per £1  
 €1.17 per £1  
 (On 11 March 2019)

Sterling was up 1.5% against the Euro on average in February compared to January. On 7 March 2019, the Euro was valued at €1.17 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
2016	1.35	-11.4%	1.22	-11.2%
2017	1.29	-4.8%	1.14	-6.7%
2018	1.34	3.6%	1.13	-0.9%
2018 Dec	1.27	-5.5%	1.11	-1.8%
2019 Jan	1.29	-6.7%	1.13	-0.3%
2019 Feb	1.30	-6.8%	1.15	1.4%

Source: Bank of England, Bankstats database

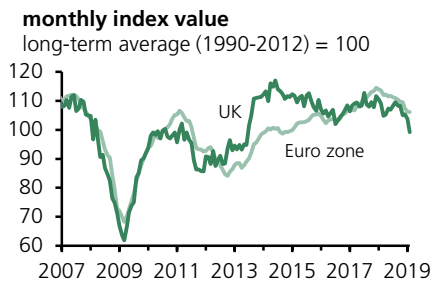
**Subject Specialist**  
 Daniel Harari  
 x2464

**Updates**  
 Financial Times, [sterling exchange rates](#) (daily)  
 Bank of England, [SERI & monthly rates](#), Early April 2019



# F1: Business and Consumer Confidence

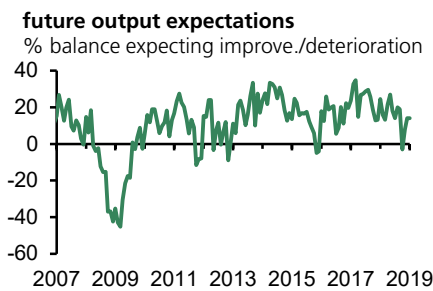
Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.



## European Commission Economic Sentiment Indicator

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

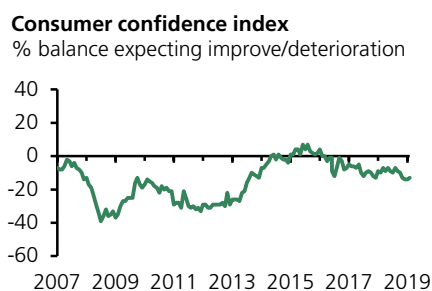
Between January and February, the overall UK sentiment index decreased by 4.5 points to 99.2, its lowest level since June 2013.



## CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In February, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +8% of manufacturers, down from 14% in January.



## 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 February, the overall consumer confidence index was -13, up one point from January to the same level as in November 2018.

### Subject Specialist

Daniel Harari, x2464

### Update

EC, [Economic Sentiment Indicator](#), 28 March 2019

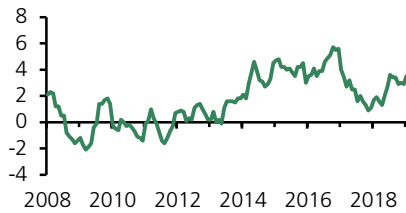
CBI, [Industrial Trends](#), Mid-March 2019

GfK NOP, [Consumer Confidence](#), 29 March 2019

## F2: Retail Sales

In January 2019, [retail sales in the UK](#) totalled £6.6 billion per week, down from £9.4 billion per week in December 2018. 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

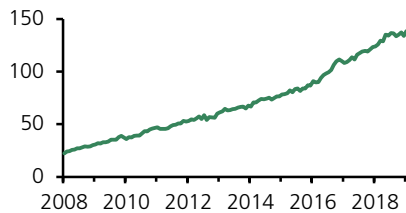


In the three months to January 2019, the quantity (**volume**) of retail sales decreased by 0.7% compared with the previous three months ('volume' figures do not include the effect of inflation). Over the year, the volume of retail sales increased by 3.5%.

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**  
2016=100, seasonally adjusted



The average weekly value of **internet sales** in Great Britain was £1.2 billion in January 2019, the highest ever. This was 18.8% of all retail sales, down from 19.8% in December 2018. Internet retailing exceeded 20% of retail sales for the first time in November 2018.

Online sales increased year-on-year by 12%, driven by growth in non-store retailing, up 14% on the year.

**Volume of retail sale**  
Index 2016=100, seasonally adjusted

		Food	Non-food	Total
2017	Jan	100.1	101.8	100.6
2018	Jan	99.9	102.1	102.5
2018	Nov	102.1	103.9	106.5
	Dec	101.9	103.2	105.8
2019	Jan	103.1	104.0	106.9
3m % change on yr		2.2	2.9	3.5

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

The volume of sales in food stores in the three months to January 2019 was up 2.2% on the same period last year.

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

### Subject Specialist

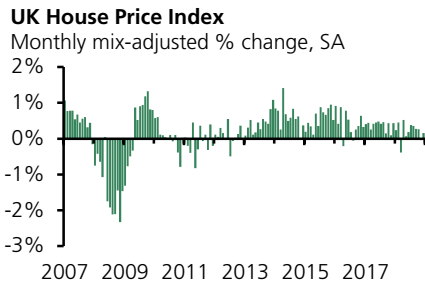
Chris Rhodes  
x2454

### Updates

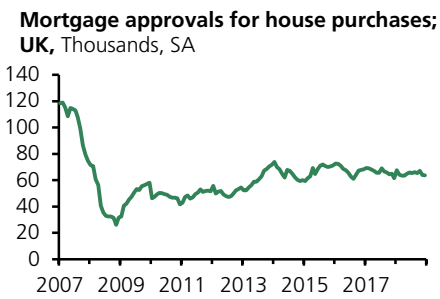
ONS, [Retail Sales](#),  
21 March 2019

## F3: Housing Market

**House prices**, as measured by the UK House Price Index, increased by 2.5% between December 2017 and December 2018. On a seasonally adjusted basis house prices increased by 0.2% between November 2018 and December 2018.



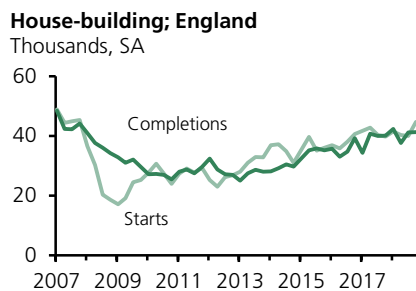
There are regional differences in house prices. The average price is highest in London at roughly £474,000. The lowest prices are found in Northern Ireland and the North East at £137,000 and £129,000 respectively.



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 January 2019 were down 0.7% on a year ago, but up 3.6% on January 2018. Approvals remain well down on pre-

recession levels. There were 66,766 mortgage approvals in January 2019, compared with 61,748 in January 2018.



**Housing starts and completions** have increased from the lows observed in late 2008 and early 2009 but remain below pre-recession levels.

There were 44,740 house building starts (seasonally adjusted) in England in Q3 2018, a 12% increase compared with the

previous quarter, and a 12% increase 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 41,270 dwelling completions (seasonally adjusted) in Q3 2018, broadly similar to the previous quarter and a 3% 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](#), 20 March 2019

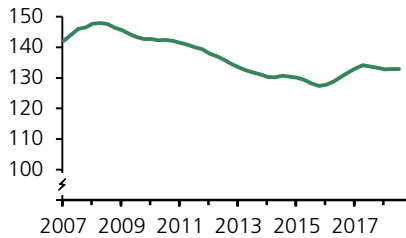
Bank of England, [Money and credit](#), 1 April 2019

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

## F4: Household Debt

### Household debt as a % of disposable income

Household debt: % of disposable income

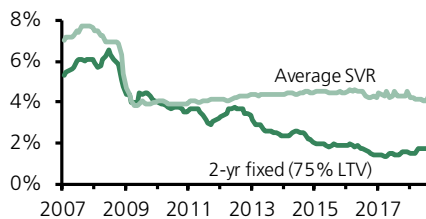


Household debt peaked in Q2 2008 at 148% of household disposable income. It then declined to 127% by late 2015.

Growth in household debt levels accelerated from early 2016, so that the debt-to-income ratio rose again to 134% by mid-2017. In Q3 2018 it was 133%.

### Current average mortgage interest rates

Current average mortgage interest rates



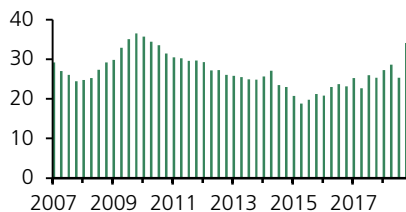
The average Standard Variable Rate (SVR) was 4.48% in January 2019, up from 4.24% a year ago.

The average 2-year fixed mortgage rate was 1.72% in January, up 0.18% 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 34,108 individual insolvencies in England and Wales in Q4 2018, up 35% on the previous quarter, and 35% on the same period in 2017. The total number of insolvencies in Q4 2018 was the highest since Q1 2010.

In Scotland, there were 3,198 individual insolvencies in Q4 2018, the highest since Q4 2013.

In Northern Ireland, there were 615 individual insolvencies in Q4 2018, up 4% on the quarter.

#### Subject Specialist

Daniel Harari  
x2464

#### Updates

Bank of England,  
[Statistical database](#),  
1 April 2019

Insolvency Service,  
[Insolvency Statistics](#),  
30 Apr 2019

ONS, [UK Economic Accounts](#), 29 Mar 2019

## 3. Glossary

### 3.1 Definitions<sup>1</sup>

**Balance of payments:** A country's financial position, with other countries of the world, comprising two parts:

**Current account:** the balance of imports and exports of goods and services, income and transfers combined; **Capital account:** the difference between a country's capital invested in other countries, and the capital invested by other countries in it. Technically, the two parts always balance. A balance of payments deficit normally refers to a current account deficit.

**Balance of trade:** The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

**Basic prices:** Prices excluding taxes and subsidies on products.

**Claimant count:** The number of people aged 18 and over claiming Jobseeker's Allowance (JSA) benefits. This includes out-of-work Universal Credit claimants.

**Consumer Prices Index (CPI):** This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

**Current account balance:** The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A current account deficit means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

**Current budget:** Measures the balance of public sector current account revenue over public sector current expenditure.

**Current/constant prices:** Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

**Economically active:** Those aged 16 and over who are either in employment or unemployed.

**Economically inactive:** Those aged 16 and over who are neither in employment nor unemployed. This includes those who do not want a job, those who want a job but have not been seeking work in the last four weeks and those who want a job and are seeking work but not available to start work.

**Employment:** The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on

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

government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

**Exchange rate:** The rate at which one currency is traded against another.

**Gross Domestic Product (GDP):** The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

**Gross Domestic Product – Real GDP:** Also known as constant price or chained volume measure, this is a measure used to indicate change in the actual quantity of goods and services produced, by adjusting for inflation.

**Gross Fixed Capital Formation (GFCF):** Expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.

**Gross Value Added (GVA):** The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA is used to measure the productivity of sectors/industries and economies.

**Harmonised Indices of Consumer Prices (HICP):** Harmonised indices of consumer prices for Member States of the European Union, which enable comparisons to be made across countries. The UK's CPI measure uses HICP methodology.

**Market prices:** The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes. GDP 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.

## 3.2 Symbols and abbreviations

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

## 4. Indicator Sources

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



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