



## BRIEFING PAPER

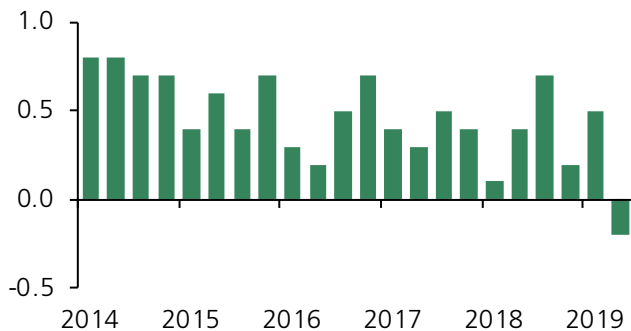
Number 8648, 28 August 2019

# Economic Indicators, August 2019

By  
Philip Brien  
Matthew Keep

### GDP growth

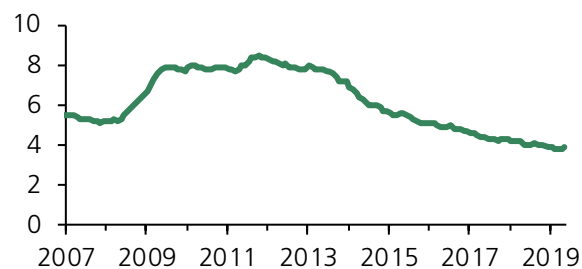
% change on previous quarter



GDP contracted by 0.2% in April-June 2019 compared to the previous quarter.

### Unemployment rate

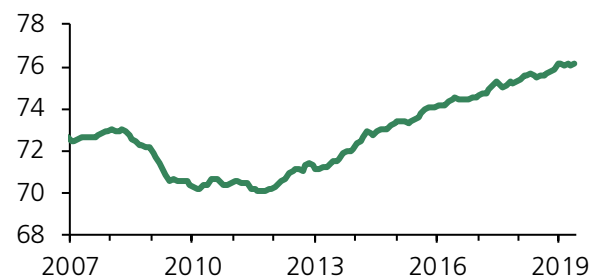
%



The unemployment rate was 3.9% in April-June 2019, a slight increase on the previous quarter.

### Employment Rate; UK

%, age 16-64



The employment rate was 76.1%, the joint-highest rate since comparable records began.

#### Inside:

1. This month's developments
2. Headline UK Economic Indicators, August 2019
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  
Financial Indicators

#### E. Trade and Exchange Rates

Trade  
Exchange Rates

#### F. Other Indicators

Business and Consumer Confidence  
Retail Sales  
Housing Market  
Household Debt

#### 4. Glossary

#### 5. Indicator Sources

# Contents

<b>Economic update: Consumers spend but economy contracts</b>	<b>3</b>
<b>1. Headline UK Economic Indicators, August 2019</b>	<b>7</b>
Headline Indicators summary	8
<b>2. Introduction to Economic Indicators</b>	<b>9</b>
<b>A1: Gross Domestic Product</b>	<b>10</b>
<b>A2: GDP International</b>	<b>11</b>
<b>A3: Components of GDP</b>	<b>12</b>
<b>A4: Productivity</b>	<b>13</b>
<b>A5: Services</b>	<b>14</b>
<b>A6: Manufacturing</b>	<b>15</b>
<b>B1: Inflation</b>	<b>16</b>
<b>B2: International inflation</b>	<b>17</b>
<b>B3: Average Earnings</b>	<b>18</b>
<b>C1: Employment</b>	<b>19</b>
<b>C2: Unemployment</b>	<b>20</b>
<b>C3: Unemployment International</b>	<b>21</b>
<b>D1: Interest Rates and Monetary Policy</b>	<b>22</b>
<b>D2: Public finances</b>	<b>23</b>
<b>D3: Financial Indicators</b>	<b>24</b>
<b>E1: Trade</b>	<b>25</b>
<b>E2: Exchange Rates</b>	<b>26</b>
<b>F1: Business and Consumer Confidence</b>	<b>27</b>
<b>F2: Retail Sales</b>	<b>28</b>
<b>F3: Housing Market</b>	<b>29</b>
<b>F4: Household Debt</b>	<b>30</b>
<b>4. Glossary</b>	<b>31</b>
4.1 Definitions	31
4.2 Symbols and abbreviations	33
<b>5. Indicator Sources</b>	<b>34</b>

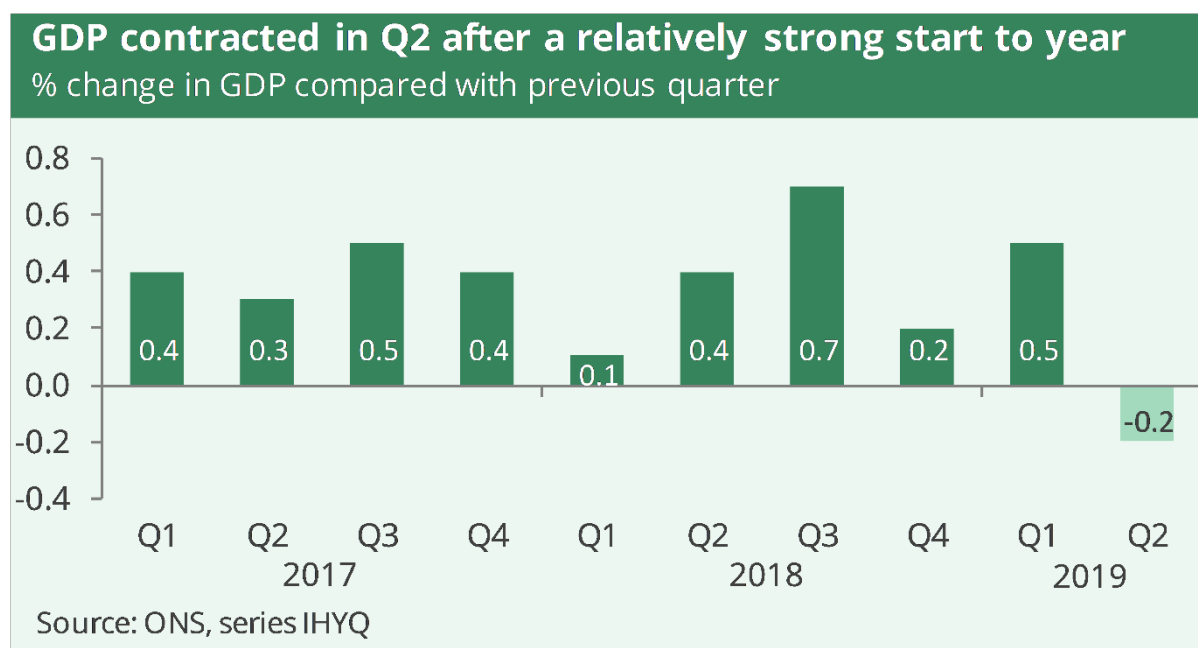
## Economic update: Consumers spend but economy contracts

Similar to our [last monthly look](#) at the UK economy, growth is slowing and a faltering international economy and Brexit uncertainties pose risks to the outlook. Importantly for the UK economy consumers have continued to spend, supported by growing wages and a strong labour market.

On the UK political scene, Boris Johnson's newly formed Government has doubled down on its commitment to leave the EU by 31 October and has made various public service spending pledges. Most recently, the Prime Minister has asked the Queen to suspend (prorogue) Parliament in the second week of September and commence a new session of Parliament with a Queen's speech on 14 October.

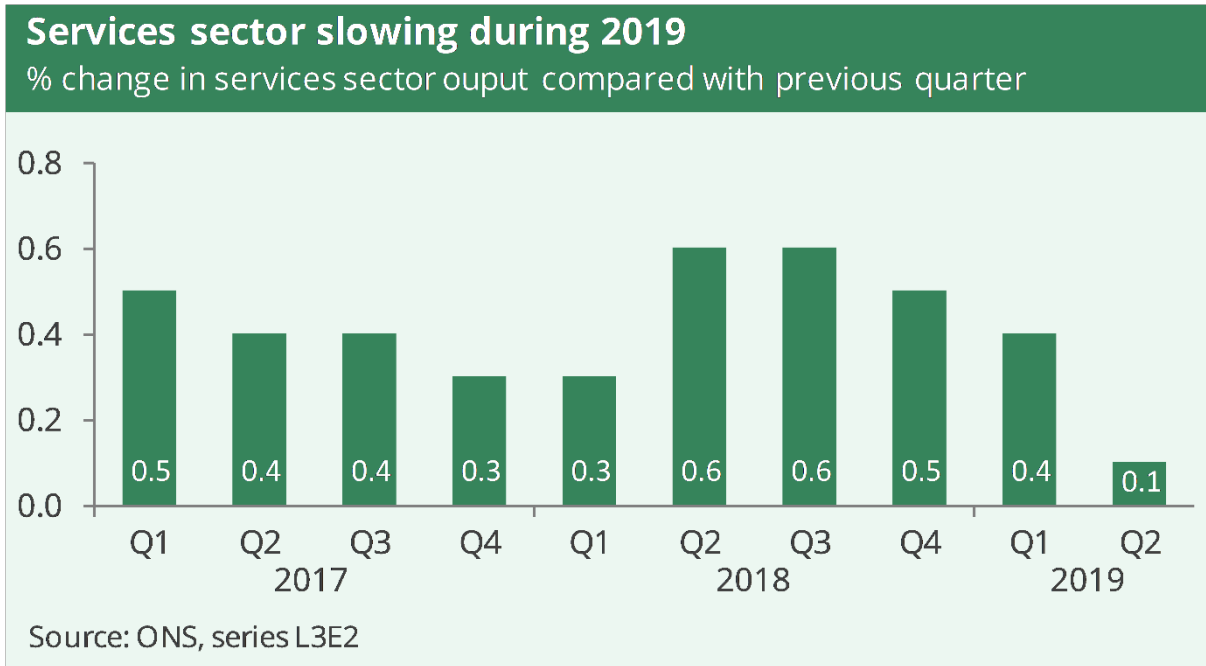
### The UK economy shrank in quarter 2

UK GDP data was weaker than expected in the second quarter of 2019. The economy contracted by 0.2%, compared with the previous quarter.



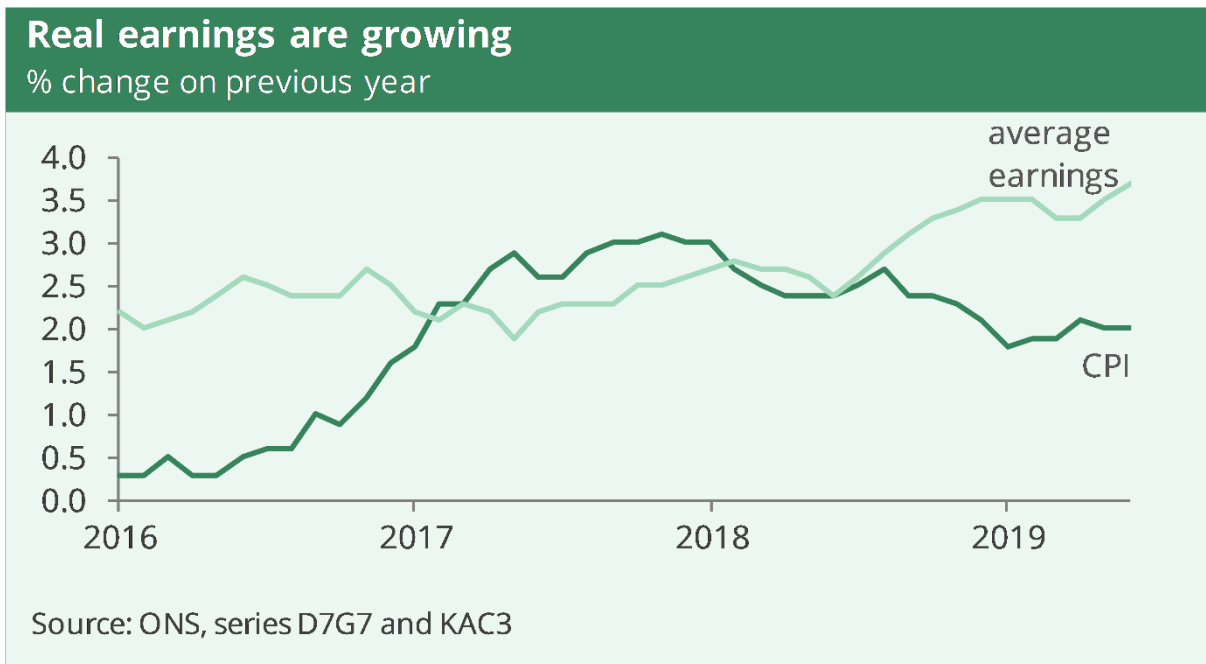
There are some mitigating factors behind the slow down. Companies have been running down stockpiles they built up in the first quarter of 2019 in the run-up to the original March 29 Brexit deadline.

Car manufacturers also brought forward their annual shutdowns into the second quarter. However, regardless of these Brexit-related factors, growth is slowing. Activity in the services sector – which accounts for around 80% of GDP – slowed to 0.1%. This was the weakest quarterly figure in three years.



### Households continue to support growth

Fortunately for the UK economy, consumers continue to spend. Household consumption increased by 0.5% in the second quarter of this year. The spending is supported by a strong labour market where employment is at record highs. Wages are growing strongly – real pay increased by 1.8% in real terms between June 2018 and June 2019.



### Central banks cautious about weak global growth

The Bank of England lowered [its forecasts](#) for UK economic growth to 1.3% for this year and the next, citing slowing UK growth and global trade tensions. Weak global growth also played a part in the [US Federal](#)

[Reserve's decision](#) to cut US interest rates for the first time since 2008. The European Central Bank has signalled that it may shortly respond to weak economic data with new stimulus measures.

## A new Government gets to work

August was Boris Johnson's first full month as Prime Minister. Throughout the month his Government emphasised that the UK would leave the EU by 31 October, with or without a deal.

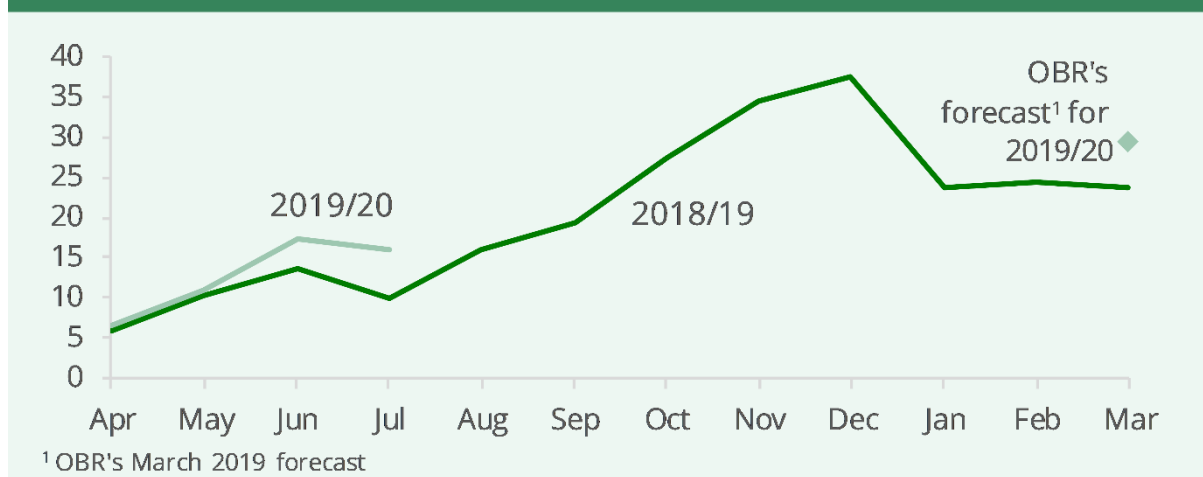
A series of Government spending pledges have [fuelled speculation of an early General Election](#). Headline grabbing commitments include [capital funding for the NHS](#), more [money for schools](#), [support for 100 towns](#), [20,000 additional police officers](#), and [10,000 additional prison places](#).

Continuing the theme of public spending, Government departments will be allocated budgets for 2020/21 on 4 September. A multi-year Spending Review had been expected in 2019, but the [Chancellor, Sajid Javid announced](#) that the longer-term review will now come in 2020. The Chancellor wants a one-year settlement for 2020/21 to "give Government the time and space to focus on delivering Brexit."

The new Chancellor has inherited a budget deficit that was a little over 1% of GDP in 2018/19, its lowest level since 2001/02. However, the deficit is forecast to increase a little in 2019/20 and tentative data for the first four months of the year point to such an outcome, if not at a little worse. This is before any of the recent public spending announcements above, which will impact on future deficits.

### The Government's deficit in the first four months of 2019/20 is £6 billion higher than during the same period of 2018/19

Cumulative public sector net borrowing, £ billion



Next month, the Office for National Statistics will change how it accounts for student loans in the deficit. The change – which is being made so that the deficit better reflects the subsidy element of the loans – will add around 0.5% of GDP to the deficit. As [we explained back in 2018](#), nothing is changing to the actual loans, nor will the underlying strength of the public finances change, but the official measure of the deficit will increase.

Parliament returns from recess on 3 September. Even before it returns, tensions have been raised following [the Prime Minister's request that](#) Parliament be prorogued in the second week of September and re-opened with a Queen's Speech on 14 October. The [pound fell](#) following the news.

# 1. Headline UK Economic Indicators, August 2019

---

<b>Gross Domestic Product:</b> Apr-Jun 2019, Seasonally Adjusted		
Change (real %)	-0.2 (qtr)	1.2 (yr Q2 18-Q2 19)
<b>Industries</b>		
<b>Service output:</b> 3 months to June 2019		
Change (%)	0.1 (mth)	1.6 (yr)
<b>Manufacturing output:</b> 3 months to June 2019		
Change (%)	-2.3 (mth)	-0.9 (yr)
<b>Productivity:</b> Q2 2019 flash estimate, Seasonally Adjusted		
<b>Output per hour</b>		
Change (%)	-0.2 (qtr)	-0.6 (yr)
<b>Inflation:</b> July 2019		
Change on year (%)	2.1 (CPI)	2.8 (RPI)
<b>Labour Market:</b> April-June 2019, Seasonally Adjusted		
<b>Unemployment</b>		
Unemployment Rate (% of economically active)		3.9
Change (% points)	0.1 (qtr)	-0.1 (yr)
<b>Employment</b>		
Employment Rate (% aged 16-64 in work)		76.1
Change (% points)	0.0 (qtr)	0.6 (yr)
<b>Interest Rate:</b> as of 28 August 2019		
Bank of England Base Rate		0.75 (%)
<b>Public Finances:</b> 2018/19		
Net borrowing	24 (£ bn)	1.1 (% GDP)
Net debt	1,803 (£ bn)	83.1 (% GDP)
<b>Trade:</b> Q1 2019		
Current Account	-30.0 (£ bn)	-5.6 (% GDP)
<b>Sterling Exchange rate:</b> 28 August 2019		
US Dollar (\$)	1.22 (rate)	-5.2% (% change on yr)
Euro (€)	1.10 (rate)	0.0% (% change on yr)
<b>EC Economic Sentiment Indicator for UK:</b> July 2019		
Points (1990-2012 average = 100)		94.3
Change (points)	-0.8 (mth)	-14.0 (yr)
<b>Retail Sales:</b> July 2019, Seasonally Adjusted, 3 month average		
Quantity of retail sales (volume)		3.2 (% change on yr)
<b>Housing Market:</b> June 2019, Seasonally Adjusted		
<b>House Price Index (ONS)</b>		
Change (%)	0.10 (mth)	0.9 (yr)

---

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

# Headline Indicators summary

**GDP** in the UK contracted by 0.2% in April-June 2019 compared to the previous quarter. This compares to growth of 0.2% in the Eurozone.

**Services output** was up by 0.1% in the three months to June 2019 compared to the previous quarter. **Manufacturing output** fell by 2.3%.

**CPI inflation** was 2.1% in July 2019, up from 2.0% in June. Inflation in the Eurozone was 1.0% in July, down from 1.3%.

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

**Average wages** excluding bonuses were 3.9% higher in the three months to June 2019 compared with the year before. CPI inflation for this period was 2.0%.

32.81 million people were in **employment** in April-June 2019, up 425,000 from a year before. The **employment rate** was 76.1%, the joint-highest rate since comparable records began in 1971.

1.33 million people were **unemployed** in April-June 2019, down 33,000 from the year before. The **unemployment rate** was 3.9%, a small increase from 3.8% in the previous quarter. The UK harmonised unemployment rate for Q1 2019 was the 10<sup>th</sup> lowest of the 36 OECD countries.

**Productivity** across the whole UK economy fell by 0.2% in Q2 2019 compared with the previous quarter. Compared with the previous year, productivity was down by 0.6% in Q2 2019.

**Government borrowing** in 2018/19 was £24.0 billion, £17.8 billion less than in 2017/18. At the end of July 2019, public sector net debt was equivalent to 82.4% of GDP, down from 83.7% at the end of July 2018.

The UK had a **trade deficit** of £4.3 billion in the three months to June 2019, compared with £20.3 billion in the previous three months. The **current account deficit** was £30.0 billion in Q1 2019 (5.6% of GDP), up from £23.7 billion in Q4 2018 (4.4% of GDP).

In August 2019 the **price of gold** passed \$1,500/ounce for the first time since August 2013.

The **value of sterling** fell by 2.6% between June and July, following a fall of 1.7% between May and June.

The volume of **retail sales** increased by 0.5% in the three months to July 2019 compared with the previous three months, and increased by 3.2% compared with the previous year.

**House prices** increased by 0.9% in the year to June 2019.

**Household debt** stood at 132% of disposable income in Q1 2019. It has been around this level since mid-2017.



## 2. Introduction to Economic Indicators

Economic Indicators is published once per 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, Philip Brien on x7574.

### 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 4.

### 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:

<b>Subject</b>	<b>Specialist</b>	<b>Contact</b>
Balance of Payments	Dominic Webb	2042
Businesses	Chris Rhodes	2454
EC Finance	Philip Brien	7574
GDP	Daniel Harari	2464
Employment	Andrew Powell	6962
Financial Services	Chris Rhodes	2454
Housing	Cassie Barton	2210
Incomes	Daniel Harari	2464
Industries	Chris Rhodes	2454
International Trade	Dominic Webb	2042
International Development	Philip Brien	7574
International Economies	Daniel Harari	2464
National Accounts	Daniel Harari	2464
Prices and Interest Rates	Daniel Harari	2464
Public Expenditure	Philip Brien	7574
Taxation	Matthew Keep	4324
Unemployment	Andrew Powell	6962
Wages and Earnings	Matthew Keep	4324

# A1: Gross Domestic Product

The economy contracted by 0.2% in Quarter 2 2019 (April-June) compared to the previous quarter (January-March). This was the first time the economy has contracted since 2012. This followed growth of 0.5% in Quarter 1.

GDP contracted by 0.2% in April-June 2019 compared with the previous quarter

## Real Gross Domestic Product

seasonally adjusted

	% change on qtr	% change on yr
2016	...	1.8
2017	...	1.8
2018	...	1.4
2018 Q2	0.4	1.4
Q3	0.7	1.6
Q4	0.2	1.4
2019 Q1	0.5	1.8
Q2	-0.2	1.2

Output in both the production and construction sectors contracted in Quarter 2, while the growth in services was subdued.

Looking at month-on-month growth rates, GDP was flat in June after growth of 0.2% in May, and a contraction of 0.5% in April. (These monthly figures

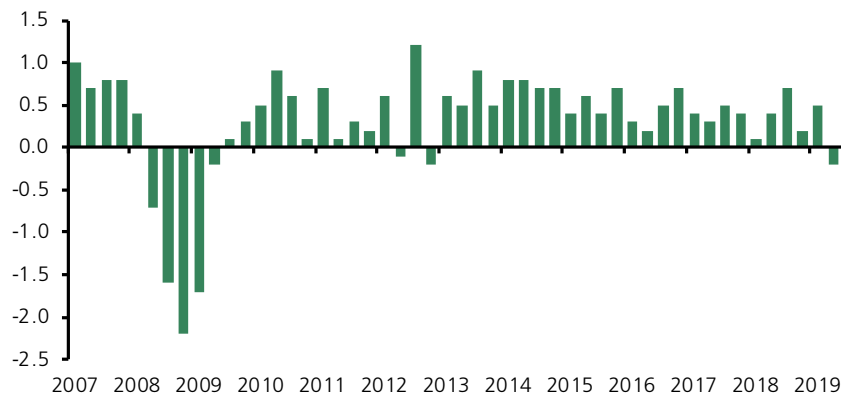
Source: ONS, series: IHYP, IHYQ, IHYR

are more volatile than the quarterly estimates.)

In cash terms, GDP was £2,118 billion in 2018.

## GDP growth

Calendar quarters, % change on previous quarter



## Forecasts

At the March 2019 Spring Statement, the Office for Budget Responsibility (OBR) forecast growth of 1.2% for 2019 and 1.4% for 2020.

The Treasury's August 2019 [survey of independent forecasts](#) for GDP growth showed an average forecast of 1.3% for 2019 and 1.2% for 2020. The 2020 forecast was 1.4% in the July survey.

### Annual GDP growth forecasts (%)

	2019	2020
HM Treasury average of independent forecasts (Aug 19)	1.3	1.2
OBR forecasts (Mar 19)	1.2	1.4

Source:

Office for Budget Responsibility, *Economic and fiscal outlook*, Mar 2019

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

## Subject Specialist

Daniel Harari  
x2464

## Updates

ONS, [GDP monthly estimate](#), 9 September 2019

HM Treasury, [Forecasts for the UK economy](#), 18 September 2019

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

## A2: GDP International

UK GDP fell by 0.2% in Q2 2019, down from growth of 0.5% in Q1. Eurozone GDP grew by 0.2% in Q2 2019, and US GDP growth was 0.5% in Q2.

### Real GDP

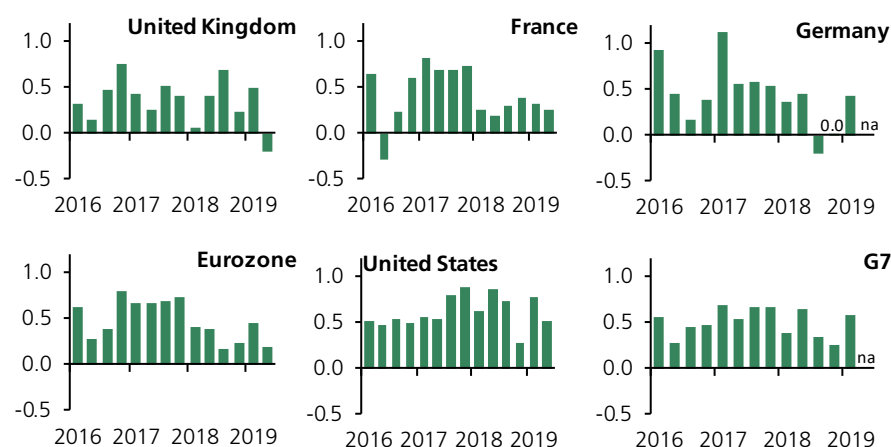
% changes

updated 9 August

	change on quarter				change on year			
	Q3 18	Q4 18	Q1 19	Q2 19	Q3 18	Q4 18	Q1 19	Q2 19
UK	0.7	0.2	0.5	-0.2	1.6	1.4	1.8	1.2
Eurozone	0.2	0.2	0.4	0.2	1.7	1.2	1.2	1.1
USA	0.7	0.3	0.8	0.5	3.1	2.5	2.7	2.3
Japan	-0.5	0.4	0.7	0.4	0.1	0.3	1.0	1.2
Germany	-0.2	0.0	0.4	..	1.2	0.6	0.7	..
France	0.3	0.4	0.3	0.2	1.5	1.1	1.2	1.3
G7	0.3	0.2	0.6	..	2.0	1.6	1.8	..
OECD	0.3	0.2	0.5	..	2.2	1.7	1.8	..

Sources: OECDstat; ONS; Japanese Cabinet Office

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



### Forecasts

On 23 July, the IMF released its latest [assessment](#) of the global economy. It raised slightly its UK GDP growth forecast for 2019 to 1.3% from 1.2% in its April forecast and left its 2020 forecast unchanged at 1.4%. Forecasts assume an 'orderly' Brexit.

#### Real GDP growth forecasts

% change

	IMF (Jul '19)		EC (Jul'19/May'19)		OECD (May'19)	
	2019	2020	2019	2020	2019	2020
UK	1.3	1.4	1.3	1.3	1.2	1.0
France	1.3	1.4	1.3	1.4	1.3	1.3
Germany	0.7	1.7	0.5	1.4	0.7	1.2
Eurozone	1.3	1.6	1.2	1.4	1.2	1.4
US	2.6	1.9	2.4	1.9	2.8	2.3
Japan	0.9	0.4	0.8	0.8	0.7	0.6
China	6.2	6.0	6.2	6.0	6.2	6.0
India	7.0	7.2	7.1	7.3	7.2	7.4
Brazil	0.8	2.4	1.9	2.4	1.4	2.3
<b>World</b>	<b>3.2</b>	<b>3.5</b>	<b>3.2</b>	<b>3.5</b>	<b>3.2</b>	<b>3.4</b>

EC forecasts for European economies from Jul'19; EC forecasts for other economies from May'19

Sources: IMF Jul'19 WEO update; EC Summer'19 & Spring'19 forecast; OECD Economic Outlook May'19

### Subject Specialist

Daniel Harari  
x2464

### Next updates

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

OECD, [Interim economic Outlook](#),  
Sep 2019

IMF, [World Economic Outlook](#),  
Oct 2019

European Commission,  
[Economic Forecasts](#),  
Autumn 2019

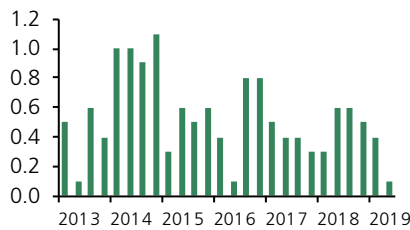
# A3: Components of GDP

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 decreased by 0.2% in April-June 2019 compared to the previous quarter (January-March 2019).

## GDP by Industry

**Service sector**  
quarterly growth(%)



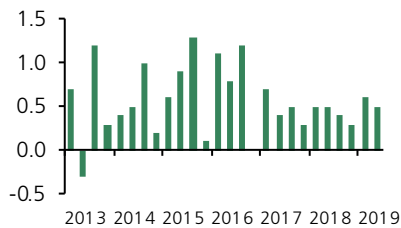
Services are the sector that account for the largest part of the economy – in 2017, they accounted for 79% of economic output, the production sector for 14%, construction for 6% and agriculture for 1%.

In April-June 2019, service sector output increased by 0.1% in real terms compared with the previous quarter.

Manufacturing output fell by 2.3% (the production sector overall fell by 1.4%), and construction sector output fell by 1.3% growth.

## 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 April-June 2019, household consumption grew by 0.5% in real terms. Government consumption was up 0.7% and investment was down 1.0%. Exports were down 3.3% and imports were down 12.9% compared with the previous quarter (which had seen a 10.8% rise in imports).

### 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 *	1.8	0.4	0.2	0.1	0.7	1.4
2018 Q2	0.5	-0.4	-0.6	-1.0	0.4	0.4
Q3	0.4	-0.1	0.9	0.9	0.7	0.7
Q4	0.3	1.3	-0.6	1.6	2.1	0.2
2019 Q1	0.6	0.8	1.2	1.5	10.8	0.5
Q2	0.5	0.7	-1.0	-3.3	-12.9	-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](#), 9 Sept 2019

ONS, [Quarterly national accounts](#), 30 Sept 2019

ONS, [GDP first quarterly estimate, UK](#), 11 Nov 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 Q1 2019 was only 1.5% above what it was over 11 years earlier in Q4 2007 (the pre-recession peak level).

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

#### Productivity - output (GDP) per hour

	% change on qtr	% change on yr
2017	..	1.0
2018	..	0.5
2018 Q3	-0.2	0.2
Q4	0.3	-0.1
2019 Q1	-0.6	-0.2
Q2*	-0.2	-0.6

Source: ONS series 1XBB, LZVD; \* flash estimate

#### Productivity level (GDP per hour)



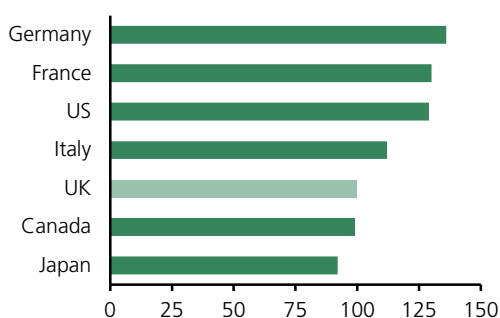
[Productivity](#) fell by 0.2% in Q2 2019 compared with the previous quarter, and by 0.6 compared with a year ago (Q2 2018) based on the ONS 'flash' estimate.

### 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

[UK productivity bulletin](#), 8 Oct 2019

ONS, [UK productivity flash estimates](#), 12 Nov 2019

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

# A5: Services

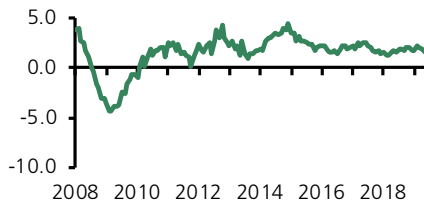
The service industries include the retail sector, the financial sector, the public sector, business administration, leisure and cultural activities.

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

## Services Output

### Output - Index of Services

% change on previous year



Compared to a year before, services output in June 2019 increased by 1.4%.

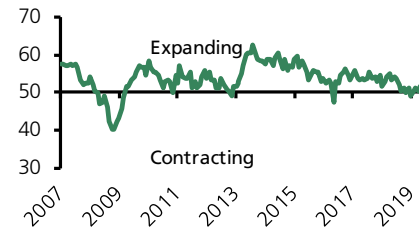
Services output for the three months to June 2019 increased by 1.6% compared with the three months ending June 2018.

Information and communication

was the biggest contributor to growth in the services sector in the most recent quarter.

### UK Services PMI

50 = no change



### 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.

The UK services PMI was 51.4 in July, up from 50.2 in June 2019.

This is the highest the services PMI has been in nine months, but remains, in the words of Markit/CIPS "well below the trend recorded since the recovery from the global financial crisis began in the second half of 2009."

### Services Output Index

	Index	% change on yr
2017	102.1	2.1
2018	103.9	1.7
2019 Apr	105.2	1.9
May	105.2	1.6
Jun	105.2	1.4

Source: ONS, series S2KU, S222, S26Q

### PMI Index

	Index	Change on mth
2017 Jul	53.8	
2018 Jul	53.5	
2019 May	51.0	0.6
Jun	50.2	-0.8
Jul	51.4	1.2

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](#), 9 September 2019

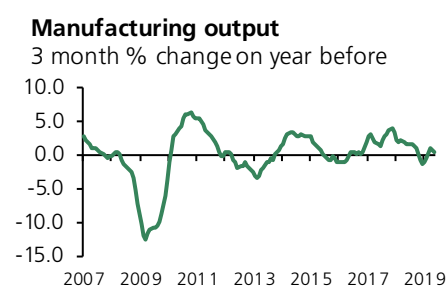
Markit/CIPS, [UK Services PMI](#), 4 September 2019

## 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

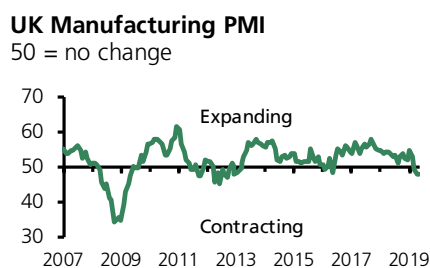


Total manufacturing output fell by 2.3% in the 3 months to June 2019 compared with the previous 3 months.

Manufacturing output fell by 0.9% in the 3 months to June 2019 compared with the 3 months to June 2018.

Manufacturing output fell by 0.2% between May 2019 and June 2019. The earlier 3.9% fall between March and April 2019 had been its largest fall since June 2002.

### Purchasing Managers' Index (PMI)



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

In July 2019 the UK Manufacturing PMI was 48.0, unchanged from June, which was the lowest since October 2012. The PMI has fallen in six of the last seven months.

According to Markit/CIPS, the sector's poor performance in July was due to "political uncertainty, a global economic slowdown and the unwinding of stocks built prior to the original Brexit date."

Manufacturing output index				PMI Index			
	Index	% change on year	% change 3m on year before		Index	Change on mth	
2017	102.5	2.5		2017 Jul	55.3		
2018	103.4	0.9		2018 Jul	53.8		
2019 Apr	101.6		0.7	2019 May	49.4	-3.7	
	May		0.4		Jun	48.0 -1.4	
	Jun		-0.9		Jul	48.0 0.0	

Source: ONS, series K22A, K2JE

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](#), 09 September 2019

Markit/CIPS, [UK Manufacturing PMI](#), 1 September 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 2.1% in July 2019, up from 2.0% in June.

The RPI inflation rate was 2.8% in July 2019, down from 2.9% in June.

## Consumer Prices Index (CPI)



Most of the upward contribution to the CPI rate came from price increases in games, toys and hobbies and accomodation services, offset by price decreases in transport.

## Retail Prices Index (RPI)

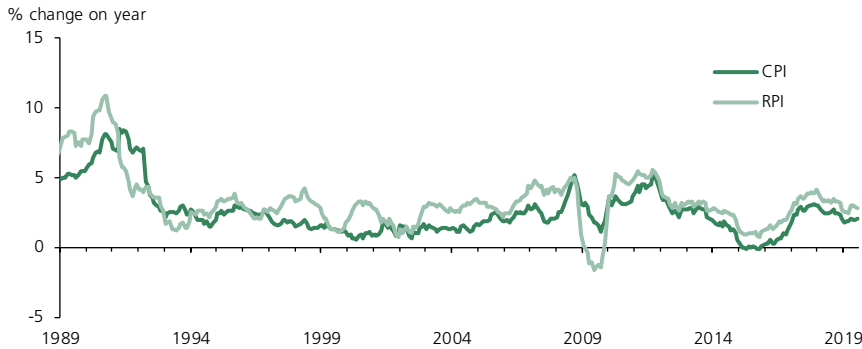


## Price Indices

		% change on a year ago	
		CPI	RPI
2016	Jul	0.6	1.9
2017	Jul	2.6	3.6
2018	Jul	2.5	3.2
2019	May	2.0	3.0
	Jun	2.0	2.9
	Jul	2.1	2.8

Source: ONS series D7G7, CZBH

## CPI and RPI since 1989



### Subject Specialist

Daniel Harari  
x2464

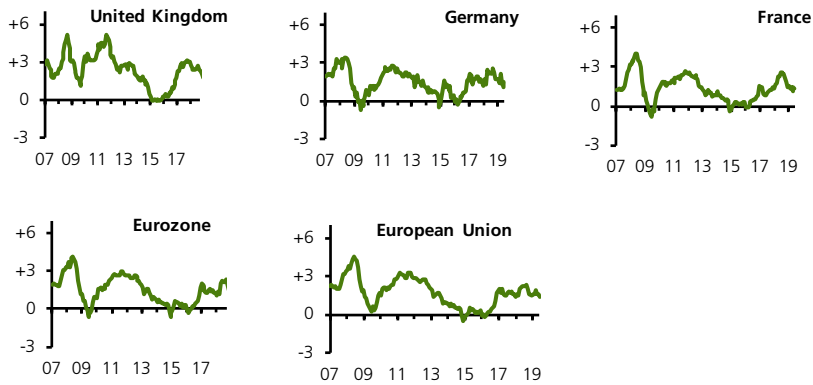
### Update

ONS, [Consumer price inflation](#), 18 September 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 2.1% in the year to July 2019, up from 2.0% in June. UK inflation was 2.5% in July 2018.

EU inflation was 1.4% in July 2019, down from 1.6% in June. EU inflation was 2.2% in July 2018.

Inflation in the Eurozone was 1.0% in July 2019, down from 1.3% in June. Eurozone inflation was 2.2% in July 2018.

In Germany inflation was 1.1% in July, down from 1.5% in June; in France it was 1.3% in July, down from 1.4% in June.

Romania had the highest inflation rate in the EU in July (4.1%). The lowest inflation rate in the EU was in Portugal (-0.7%).

### Inflation rates: selected countries

Annual % change in consumer prices (HICP)

	2016	2017	2018	Apr 19	May 19	Jun 19	Jul 19
UK	0.7	2.7	2.5	2.1	2.0	2.0	2.1
Eurozone	0.2	1.5	1.7	1.7	1.2	1.3	1.0
European Union	0.3	1.7	1.9	1.9	1.6	1.6	1.4
France	0.3	1.2	2.1	1.5	1.1	1.4	1.3
Germany	0.4	1.7	1.9	2.1	1.3	1.5	1.1

Source: ONS, Eurostat

### Subject Specialist

Daniel Harari  
X2464

### Update

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

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

Eurostat, [Flash estimate \(Eurozone\)](#), 30 Aug

## B3: Average Earnings

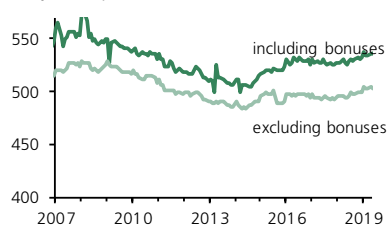
In April 2018 median gross weekly earnings for full-time employees in the UK were £569, up 3.5% on April 2017. This was the highest growth in earnings since 2008. Adjusted for inflation, median earnings for full-time employees increased by 1.2%.

More timely but less detailed data show average weekly earnings for all employees in Great Britain increased by 3.9% excluding bonuses in the three months to June 2019 compared with the previous year. Average weekly pay including bonuses increased by 3.7%.

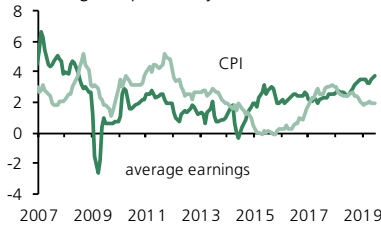
Inflation as measured by the CPI averaged 2% over the same period. After adjusting for inflation, average weekly earnings excluding bonuses were 1.8% higher than the previous year and average pay including bonuses were 1.7% higher.

### Average Earnings, Whole Economy

**Real average weekly earnings**  
May 2019 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
2017 Jun	2.2	2.6	1.3
2018 Jun	2.4	2.2	2.1
2019 Apr	3.3	3.3	3.1
2019 May	3.5	3.4	3.6
2019 Jun	3.7	3.9	3.9

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

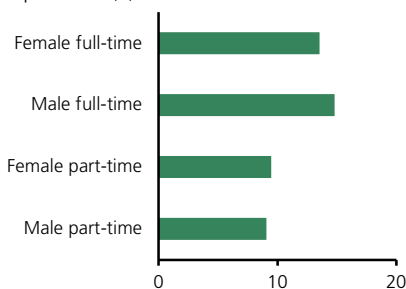
Source: ONS, Average Weekly Earnings series

Average weekly total pay (including bonuses) grew by 3.9% in both the private and public sector in the three months to June 2019 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

Brigid Francis-Devine  
x4904

#### Update

ONS, [Labour Market Statistics](#), 10 September 2019

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

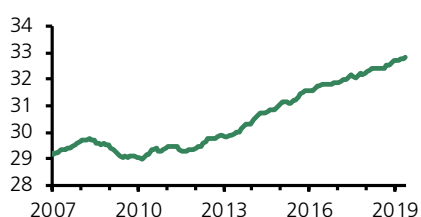
# C1: Employment

32.81 million people were in employment in April-June 2019. Employment was up 115,000 from the previous quarter and up 425,000 from the year before.

The employment rate (the proportion of the population aged 16-64 in work) was 76.1%, the joint-highest rate since comparable records began in 1971, and up from 75.5% a year previously. It compares to a post-recession low of 70.1% in July-September 2011.

## Employment; UK

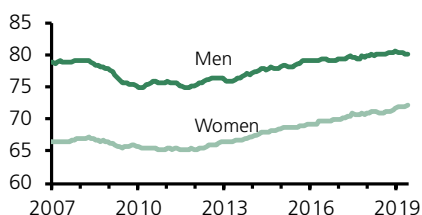
Millions, age 16+, seasonally adjusted



15.55 million women were in work, an increase of 127,000 from the previous quarter and 322,000 more than a year ago. The female employment rate was 72.1%. Increases in the rate over recent years are partly due to changes to the State Pension age for women.

## Employment Rate; UK

%, age 16-64, seasonally adjusted



17.26 million men were in work, 12,000 fewer than the previous quarter but 103,000 more than a year ago. The male employment rate was 80.1%.

24.11 million people were working full-time, little changed from the previous quarter but up 262,000 from a year ago. Part-

time employment increased by 118,000 from the previous quarter and by 162,000 from the year before at 8.70 million.

Self-employment increased by 29,000 from the previous quarter and by 188,000 from the year before to 4.96 million. The number of people working as employees increased by 76,000 from the last quarter, and by 216,000 from the year before to 27.67 million.

## 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
Apr-Jun	2016	31,747	74.4	16,913	79.3	14,834	69.6	3,934	54.7
Apr-Jun	2017	32,065	75.1	17,010	79.8	15,055	70.5	3,892	54.9
Apr-Jun	2018	32,386	75.5	17,161	80.1	15,226	71.0	3,835	54.8
Jan-Mar	2019	32,697	76.1	17,275	80.3	15,422	71.8	3,839	55.4
Apr-Jun	2019	32,811	76.1	17,263	80.1	15,548	72.1	3,810	55.1
Change on qtr	Level	115	0.0	-12	-0.2	127	0.3	-29	-0.2
	%	0.4%		-0.1%		0.8%		-0.8%	
Change on yr	Level	425	0.6	103	0.0	322	1.1	-25	0.3
	%	1.3%		0.6%		2.1%		-0.7%	

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

Niamh Foley  
X1398

## Updates

ONS, [Labour Market Statistics](#),  
10 September 2019

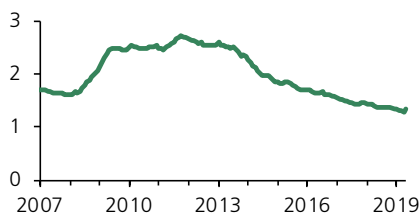
## C2: Unemployment

There were 1.33 million unemployed people in the UK in April-June 2019, up 31,000 from the previous quarter but down 33,000 from the year before.

The unemployment rate was 3.9% (the percentage of the economically active population who are unemployed). This was a small increase from 3.8% in the previous quarter, which was the joint lowest rate since 1975. The rate reached a post-recession high of 8.5% in late 2011.

### Unemployment; UK

Millions, age 16+, seasonally adjusted



502,000 young people aged 16-24 were unemployed, up 36,000 from the previous quarter and up 13,000 from the year before. The unemployment rate for 16-24 year olds was 11.6%.

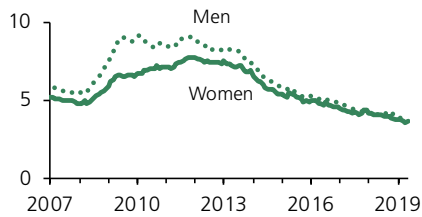
740,000 men were unemployed, an increase of 40,000 from the previous quarter and an increase of 17,000 from the year before.

589,000 women were unemployed, and a slight fall from the previous quarter and a fall of 51,000 from a year ago.

The unemployment rate for men was 4.1% and the unemployment rate was 3.6% for women.

### Unemployment Rate; UK

%, age 16+, seasonally adjusted



342,000 people had been unemployed for over 12 months, little changed from the previous quarter and down 13,000 from 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	
Apr-Jun 2016	1,643	4.9	891	5.0	752	4.8	618	13.6	
Apr-Jun 2017	1,485	4.4	815	4.6	670	4.3	545	12.3	
Apr-Jun 2018	1,362	4.0	723	4.0	639	4.0	490	11.3	
Jan-Mar 2019	1,298	3.8	701	3.9	597	3.7	467	10.8	
Apr-Jun 2019	1,329	3.9	740	4.1	589	3.6	502	11.6	
Change on qtr	Level	31	0.1	40	0.2	-9	-0.1	36	0.8
	%	2.4%		5.7%		-1.4%		7.6%	
Change on yr	Level	-33	-0.1	17	0.1	-51	-0.4	13	0.3
	%	-2.4%		2.4%		-7.9%		3%	

Source: ONS Labour Market Statistics, A05, A06

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

### Subject Specialist

Niamh Foley  
X1398

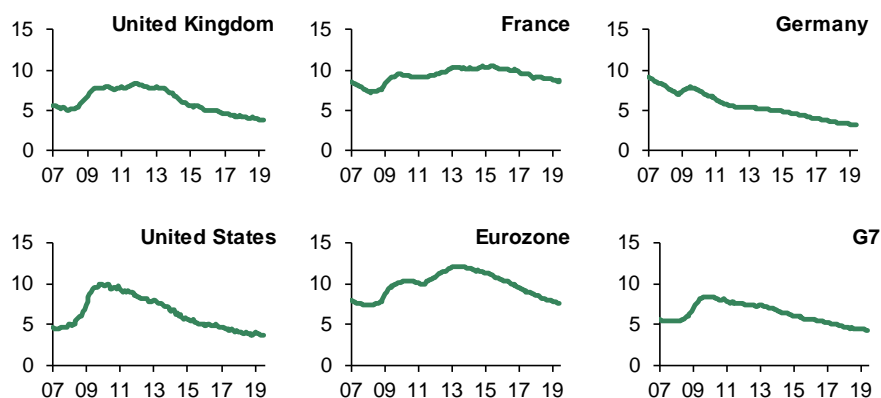
### Updates

ONS, [Labour Market Statistics](#),  
10 September 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 **Q1 2019** was 3.7%. This was slightly below the rate of the US (3.9%), below that of France (8.7%) but above that of Germany (3.2%). The UK rate was the 10<sup>th</sup> lowest of the 36 OECD member countries.

The unemployment rate for the Eurozone fell to 7.6% from 7.8% in **Q2 2019**, and fell in the G7 from 4.4% to 4.3%. The Q2 figure for the UK has not yet been published.

Most 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 2019 (18.4%) followed by Spain at 14.2%.

The Czech Republic had the lowest unemployment rate in the OECD at 2.0%.

Youth (aged 15-24) unemployment is a major issue in many developed economies at present. In Q1 2019 youth unemployment was 39.6% in Greece, 34.1% in Spain and 31.3% in Italy. UK youth unemployment stood at 10.5%.

#### 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	4.0	3.9	8.2	4.6	5.3
2018 Q2	5.9	9.1	3.4	10.8	2.4	4.0	3.9	8.3	4.6	5.3
Q3	5.9	9.0	3.4	10.3	2.4	4.0	3.8	8.0	4.5	5.3
Q4	5.6	8.9	3.3	10.5	2.4	3.9	3.8	7.9	4.4	5.3
2019 Q1	5.8	8.7	3.2	10.3	2.4	3.7	3.9	7.8	4.4	5.3
Q2	5.5	8.6	3.1	9.8	2.4	..	3.6	7.6	4.3	5.2
Change on qtr	-0.3	-0.1	-0.1	-0.5	-0.1	...	-0.2	-0.2	-0.2	-0.1
Change on yr	-0.4	-0.4	-0.3	-0.9	-0.1	...	-0.3	-0.7	-0.3	-0.1

Source: OECD, Harmonised Unemployment Rates

#### Subject Specialist

Andy Powell  
x6962

#### Next Update

OECD, [Harmonised Unemployment Rates](#),  
10 September 2019

# D1: Interest Rates and Monetary Policy

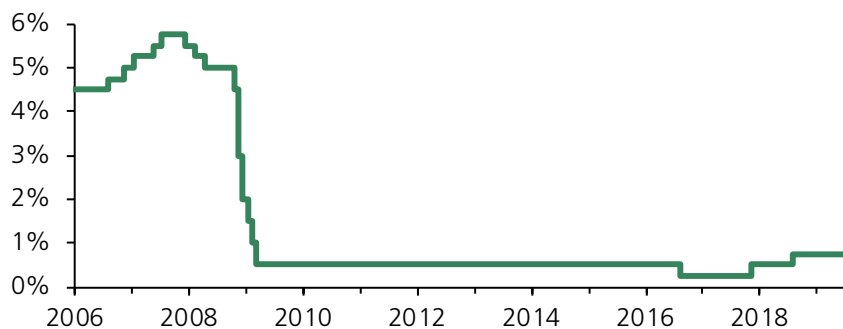
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates remained at historic lows for many subsequent years close to or below 0% in most developed economies.

## 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 [policy meeting](#) ending 31 July (announced on 1 August). Analysts are not expecting any rate change before the scheduled Brexit date of 31 October.

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

## UK official interest rate



In its [August Inflation Report](#), the MPC downgraded its forecasts for GDP growth from 1.5% to 1.3% in 2019 and from 1.6% to 1.3% in 2020, citing slowing UK growth and global trade tensions. The Bank's forecasts **assume a smooth Brexit** with an orderly transition to new trading arrangements between the UK and EU. In a no-deal scenario it suggested economic growth would be lower.

The MPC noted the "increased uncertainty about the nature of EU withdrawal" and, as a result, the economy could "follow a wide range of paths over coming years". The monetary policy response to Brexit, the MPC states, will depend on the form it takes.

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 July [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0%. ECB president Mario Draghi signalled new stimulus measures may soon be on the way in response to weak economic data. New asset purchases under its [quantitative easing programme](#) ended in Dec 2018 and are worth a total of €2.6 trillion.

## United States (Federal Reserve)

The Federal Reserve [cut interest rates](#) for the first time in over a decade on 31 July. Rates were lowered by 0.25%-points to a range of 2.0-2.25% due to low inflation and weakness in the global economy.

## Subject Specialist

Daniel Harari  
x2464

## Updates – next monetary policy meetings

UK ([19 Sep](#))  
ECB ([12 Sep](#))  
US ([18 Sep](#))

## 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	84.6%
2018/19	24	1.1%	1,803	83.1%
2019/20	29	1.3%	1,838	82.2%
2020/21	21	0.9%	1,828	79.0%
2021/22	18	0.7%	1,796	74.9%
2022/23	14	0.6%	1,838	74.0%
2023/24	13	0.5%	1,878	73.0%

Sources: ONS, OBR. Excludes public sector banks

Borrowing in the current financial year to date (April to July 2019) was £16.0 billion. This is £6.0 billion more than during the same period in 2018/19.

In December 2018, the [ONS announced](#) that it will change how it accounts for student loans. The change isn't yet

reflected in the borrowing figures, the ONS aims to implement it in September 2019.

At the end of July 2019, public sector net debt was equivalent to 82.4% of GDP which is lower than at the end of July 2018, when the debt-to-GDP ratio was 83.7%. The OBR forecast that net debt will decrease to around 73% of GDP by the end of 2023/24.

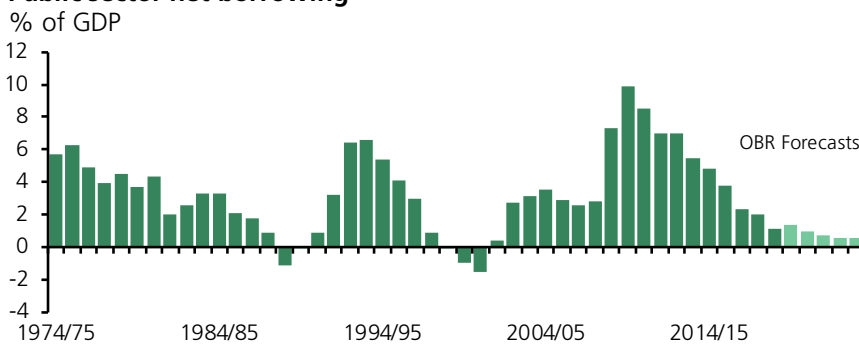
The ONS's figures for 2018/19 and 2019/20 are provisional: they're not final figures and may be revised as provisional data are replaced with final audited data.

**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.

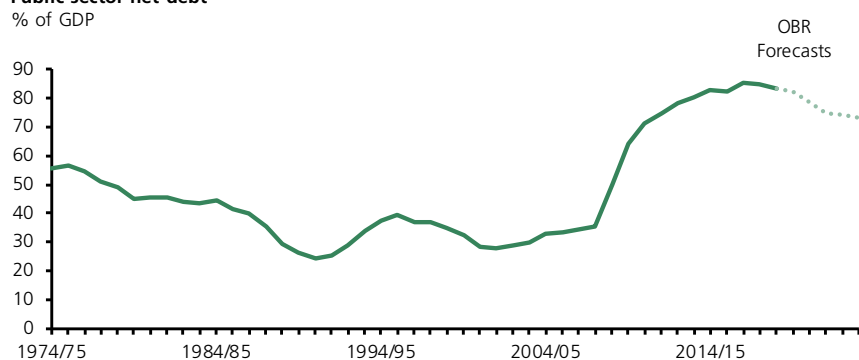
**Net debt** is the total amount that the public sector owes – it is largely the stock of past borrowing.

All figures exclude public sector banks.

### Public sector net borrowing



### Public sector net debt



### Subject Specialist

Matt Keep  
x4324

### Next update

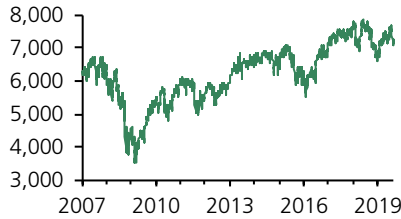
OBR, [Economic and fiscal outlook](#), Autumn 2019

ONS, [Public sector finances](#), 24 September 2019

# D3: Financial Indicators

## FTSE-100 Index

**FTSE-100 Index**  
Daily closing price

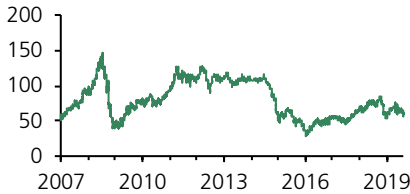


The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. Despite turbulence following the EU Referendum result, the index closed at twelve successive record highs between December 2016 and January 2017 - the index's longest run of successive

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, but rallied after that. Around the beginning of August 2019 the index fell by about 5%.

## 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-\$70/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 moderated considerably after that. In August 2019, the price passed \$1,500/ounce for the first time since April 2013.

### Data from 22 August 2019

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
22 Aug 2019	7128.18	59.89	1503.25
%change over:			
1-month	-5%	-6%	4%
12-months	-6%	-20%	26%

Note: Oil is Brent near-month futures price

Source: Financial Times

### Subject Specialist

Daniel Harari  
x2464

### Updates

Financial Times, Weekly  
Basis

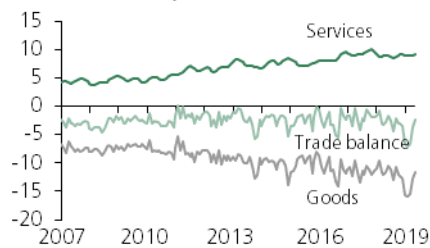


## E1: Trade

In 2018, the UK's exports of goods and services totalled £634 billion and imports totalled £665 billion. The EU accounted for 46% of UK exports of goods and services and 53% of imports in 2018.

### 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 £107 billion on trade in services in 2018. The overall trade deficit was £31 billion in 2018.

The UK had a trade deficit with the EU of £64 billion in 2018 and a trade surplus of £33 billion with non-EU countries.

The trade deficit with all countries was £4.3 billion in the three months to June 2019 compared with £20.3 billion in the previous three months. The deficit in the three months to March was exceptionally large due to the large volume of imports of 'erratics'. Erratics include ships, aircraft and non-monetary gold and can mask the underlying trade trends.

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

Seasonally adjusted

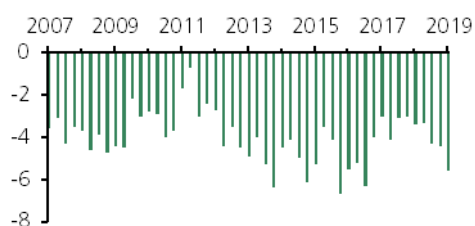
		Goods and Services (£bn)			Current Account balance	
		Exports	Imports	Balance	£bn	% GDP
2017		617.5	641.5	-23.9	-68.4	-3.3%
2018		634.1	665.0	-31.0	-81.6	-3.9%
2018	Q2	156.6	164.1	-7.4	-17.3	-3.3%
	Q3	159.5	168.4	-8.9	-23.0	-4.3%
	Q4	162.5	172.0	-9.4	-23.7	-4.4%
2019	Q1	164.2	184.4	-20.3	-30.0	-5.6%
	Q2	160.6	164.9	4.3	..	..

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 £82 billion in 2018, compared with £68 billion in 2017. The current account deficit was 3.9% of GDP in 2018 compared with 3.3% in 2017.

### Current Account Balance

% of GDP



The current account deficit was £30.0 billion in Q1 2019 (5.6% of GDP), up from £23.7 billion (4.4% of GDP) in Q4 2018.

### Subject Specialist

Ilze Jozepa  
X6920

### Updates

ONS, [UK Trade](#), 9 September

ONS, [UK Balance of Payments](#), 30 September

## 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 2.6% between June and July, following a fall of 1.7% between May and June. Compared with the same period a year ago, it is 1.4% lower. It is 27.9% below its January 2007 peak level.

### Sterling Exchange Rate Index (SERI)

Jan 2005=100

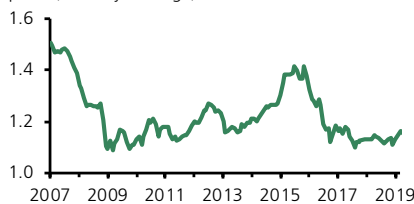


On average in July compared with June, the pound fell by 1.7% against the dollar, following a fall of 1.3% between May and June. The pound fell sharply against the dollar following the EU referendum, from \$1.48 on 23 June 2016 to \$1.14 in June 2017 – a 31 year low. In 2018, the value of the pound against the dollar reached as high as \$1.43 in mid-April (the highest since the EU referendum), though has fallen since, reaching \$1.21 in August 2019, its lowest level since March 2017.

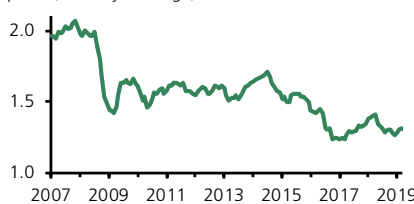
Latest closing prices:  
 \$1.21 per £1  
 €1.09 per £1  
 (On 2 August 2019)

Sterling was down 1.0% against the Euro on average in July compared to June. On 2 August 2019, the Euro was valued at €1.09 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%
2019 May	1.28	-4.6%	1.15	0.7%
Jun	1.27	-4.6%	1.12	-1.3%
Jul	1.25	-5.3%	1.11	-1.3%

Source: Bank of England, Bankstats database

### Subject Specialist

Daniel Harari  
 x2464

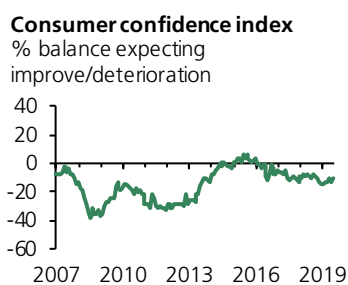
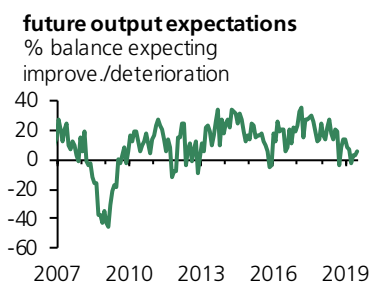
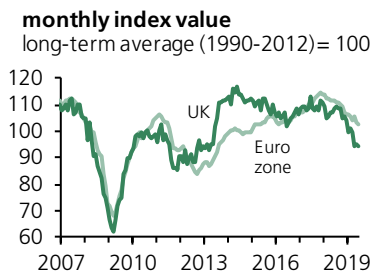
### Updates

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

Bank of England, [SERI & monthly rates](#), Early September 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 June and July, the overall UK sentiment index decreased by 0.8 points to 94.3, its lowest value since April 2013.

## CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In July, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +6% of manufacturers, up from +3% in June.

## GfK NOP Consumer Confidence Survey

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

In July, the overall consumer confidence index rose two points to -11, up from -13 in June.

### Subject Specialist

Daniel Harari, x2464

### Update

EC, [Economic Sentiment Indicator](#), 29 August 2019

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

GfK NOP, [Consumer Confidence](#), 30 August 2019

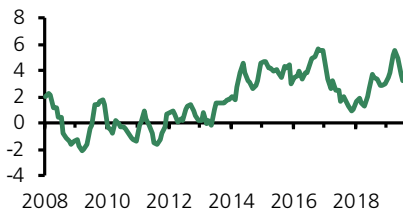
## F2: Retail Sales

In July 2019, [retail sales in the UK](#) totalled £7.6 billion per week, up from £7.4 billion in June 2019. This figure includes money spent in shops, supermarkets, in petrol stations and online.

All figures are **seasonally adjusted**

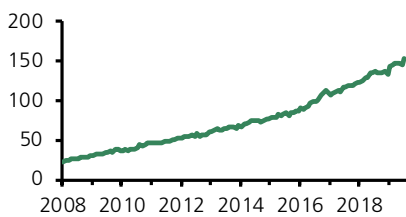
Seasonal adjustments estimate and remove calendar effects (for example Easter moving between March and April) and seasonal effects (for example increased spending in December as a result of Christmas).

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



In the three months to July 2019, the quantity (**volume**) of retail sales increased by 0.5% 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 3.2%.

**Value of internet retail sales**  
2016=100, seasonally adjusted



The average weekly value of **internet sales** in Great Britain was £1.4 billion in July 2019, up 12.7% on the year. This was 18.6% of all retail sales. Internet retailing exceeded 20% of retail sales for the first time in November 2018.

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

		Food	Non-food	Total
2017	Jul	99.5	99.7	101.8
2018	Jul	103.0	102.6	105.8
2019	May	102.4	106.6	108.0
	Jun	102.6	104.6	109.0
	Jul	102.5	104.7	109.2
3m % change on yr		-0.1	2.0	3.2

The volume of sales in food stores in the three months to July 2019 was down 0.1% on the same period last year.

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

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

### Subject Specialist

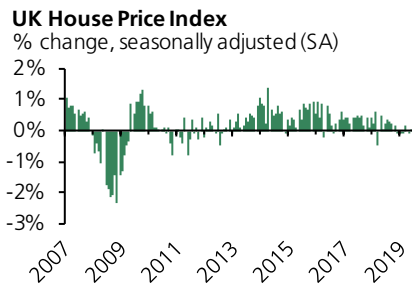
Chris Rhodes  
x2454

### Updates

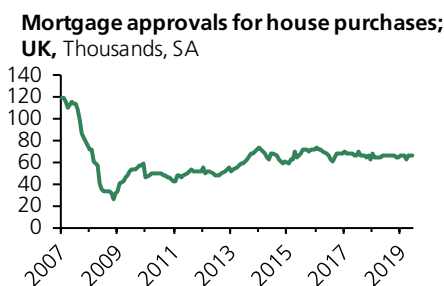
ONS, [Retail Sales](#),  
19 September 2019

## F3: Housing Market

**House prices**, as measured by the UK House Price Index, increased by 0.9% between June 2018 and June 2019. On a seasonally adjusted basis house prices increased by 0.1% between May 2019 and June 2019.



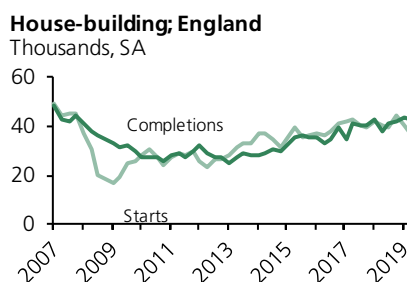
There are regional differences in house prices. The average price is highest in London at roughly £467,000. The lowest prices are found in Northern Ireland and the North East at £137,000 and £130,000 respectively.



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

**Mortgage approvals** for house purchases in June 2019 were up 1.1% on a year ago and up 1.2% on May 2019. Approvals

remain well down on pre-recession levels. There were 66,440 mortgage approvals in June 2019, compared with 65,746 in June 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 36,630 house building starts (seasonally adjusted) in England in Q1 2019, a 9%

decrease compared with the previous quarter, and a 9% decrease compared with the same quarter of 2018. This is above the recent low of 17,120 in Q1 2009, but still below the 48,920 starts in Q1 2007.

There were 42,870 dwelling completions (seasonally adjusted) in Q1 2019, a 1% increase compared with the previous quarter, and a 14% increase compared with the same quarter of 2018. 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](#), 18 September 2019

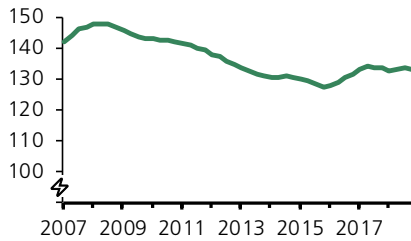
Bank of England, [Money and credit](#), 30 August 2019

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

# F4: Household Debt

## Household debt as a % of disposable income

Household debt: % of disposable income

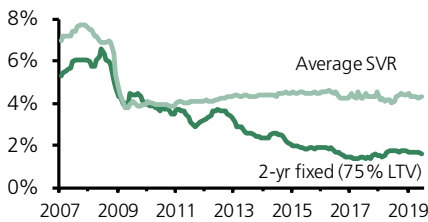


Household debt peaked in Q2 2008 at 148% of household disposable income. It then declined to 127% by late 2015.

Growth in household debt levels accelerated from early 2016, so that the debt-to-income ratio rose again to 134% by mid-2017. In Q1 2019 it was 132%.

## Current average mortgage interest rates

Current average mortgage interest rates

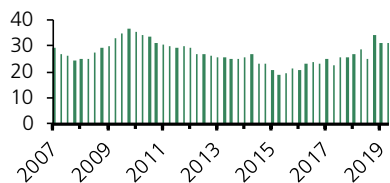


The average Standard Variable Rate (SVR) was 4.30% in June 2019, up from 4.28% a year ago.

The average 2-year fixed mortgage rate was 1.65% in June 2019, down slightly from 1.74% a year ago.

## Individual insolvencies, England and Wales

Individual insolvencies; England and Wales, Thousands



There were 30,937 individual insolvencies in England and Wales in Q2 2019, slightly down on the previous quarter, but 14% on the same period in 2018. So far, 2019 has seen considerably more individual insolvencies than any year since 2012.

In Scotland, there were 3,520 individual insolvencies in Q2 2019, up 9.5% on the year and the highest number since Q2 2013.

In Northern Ireland, there were 758 individual insolvencies in Q2 2019, up 17% on the year.

### Subject Specialist

Daniel Harari  
x2464

### Updates

Bank of England,  
[Statistical database](#),  
30 Aug 2019

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

ONS, [UK Economic Accounts](#), 30 Sep 2019

## 4. Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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



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

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

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

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

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

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

## 4.2 Symbols and abbreviations

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

## 5. Indicator Sources

Indicator Page	Sources
A1 Gross Domestic Product	ONS, <i>GDP Preliminary Estimates</i> 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>

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](mailto: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](mailto: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.