

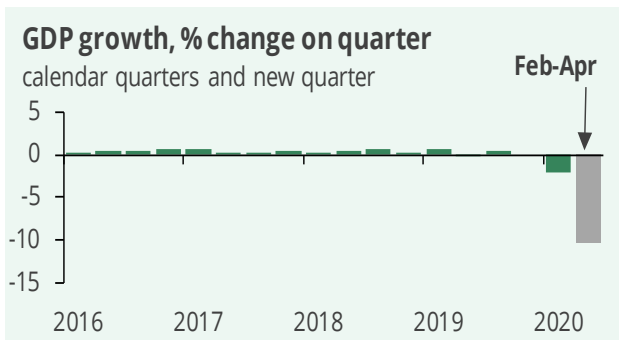


BRIEFING PAPER

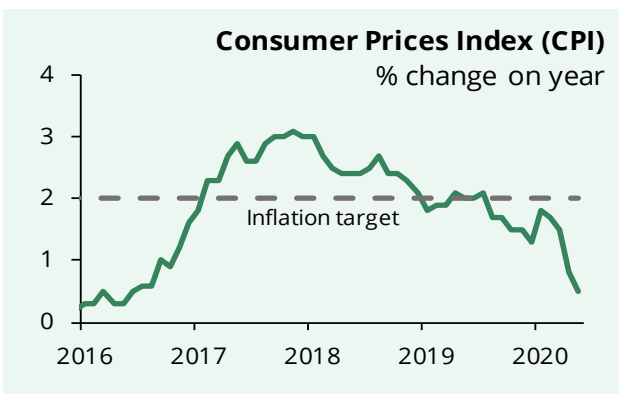
Number 8956, 2 July 2020

Economic Indicators, June 2020

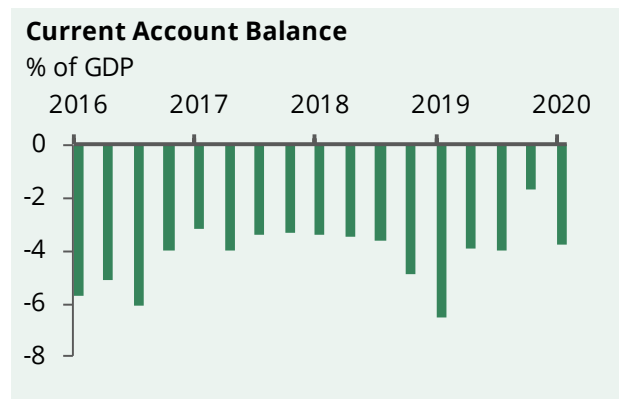
By
Philip Brien
Daniel Harari



Economic growth fell by 10.4% in February-April 2020 compared to the previous quarter (November-January).



The CPI inflation rate was 0.5% in May, down from 0.8% in April. This is the CPI's lowest level since June 2016.



The current account deficit widened to £21.1 billion in Q1 2020 (3.8% of GDP), from a deficit of £9.2 billion (1.7% of GDP) in Q4 2019.

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Economic update: Unprecedented fall in GDP marks low point of recession

The magnitude of the recession caused by the coronavirus outbreak is now more evident. GDP was around 25% lower during the depth of the crisis in April than in February.

While a recovery is underway, there is uncertainty over how fast economic activity is regaining lost ground and how high unemployment levels will rise.

GDP falls by a quarter

Official economic data for April, the period when lockdown measures were at their most stringent, have now been released.

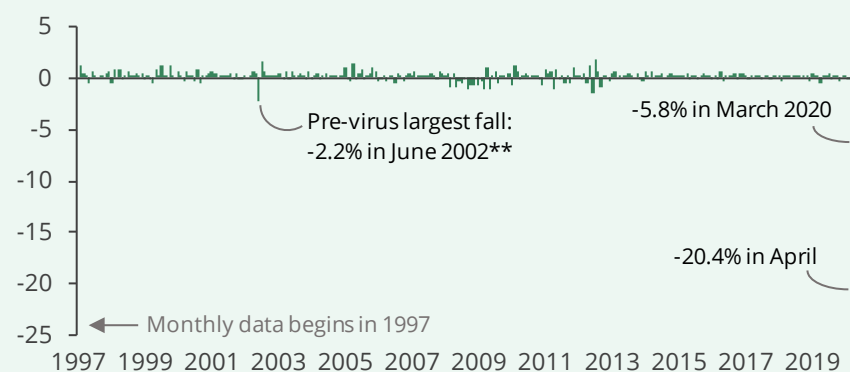
GDP, which is the total value of all goods produced and services provided in the UK, was [25% lower in April compared to February](#).

This offers a rough measure of the impact of Covid-19 given the [full lockdown was announced on 23 March](#). For some context, this is [over three times the 7% decline in GDP recorded during the financial crisis in 2008/09](#).

From March to April, GDP fell 20.4%. This is by far the biggest decline in the official monthly GDP data series (available from 1997). It is also [very likely the largest fall](#) in the post-Second World War era.

GDP plummets in April 2020 amid lockdown

Monthly % change in real GDP growth since 1997*



* Monthly data subject to volatility and a large degree of uncertainty due to Covid-19

** June 2002 fall largely due to extra bank holiday (Queen's Golden Jubilee)

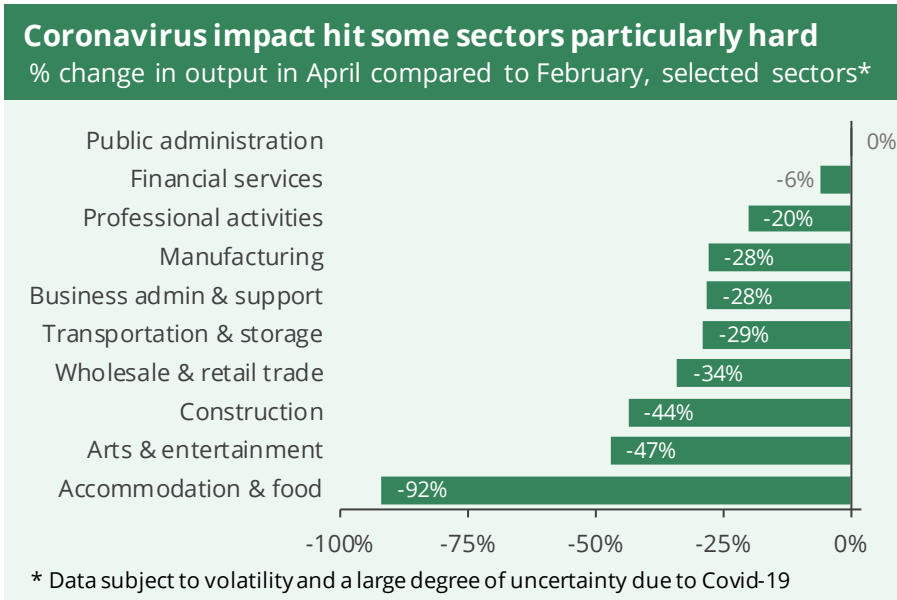
Source: ONS, series [ECYX](#)

Some sectors hit particularly hard

Most parts of the economy saw [big declines in output](#). The services sector experienced a 24% drop between February and April, while manufacturing output declined by 28%. However, some industries were especially badly affected.

The largest decline was in the accommodation and food sector, with output 92% lower in April compared with February. Output in the arts and entertainment sector dropped by 47%, while in construction it was 44% lower.

Some sectors experienced smaller falls. Output in the information and communication sector was down by 15% and financial services saw a 6% decline.



Source: ONS, [Monthly GDP](#)

Recovery is under way...

Since May, the Government has announced [relaxations of lockdown measures](#). For example, most non-essential retailers have been allowed to reopen from 15 June.

As a result, economic activity has picked up from April's low point. [Retail sales were up 12% in May compared to April](#), underpinned by rising sales from DIY stores (as they re-opened) and internet sales. Overall retail sales levels were still 13% below pre-Covid-19 levels. Further gains are likely to be shown in June's data.

Indicators of business activity also show improvements. The closely-watched purchasing managers' index (PMI), often used as a proxy for GDP growth, [bounced back in May and June](#).

...but how strong will it be?

Other indicators that have come to prominence as economists seek more-timely data also show a recovery underway. These include 'mobility reports', from Google and Apple among others, and data from debit and credit card spending.

Andy Haldane, the Bank of England's Chief Economist, in a 30 June speech used a range of these indicators to paint a [relatively optimistic view of the recovery to date](#).

Most economists are more circumspect in their evaluation of the recovery. The initial rebound from the depths of the recession was to

some extent expected as the economy reopened. The key question is how long will it take consumers and businesses to return to pre-Covid 19 levels of spending?

The continuation of social distancing and the possibility of the spread of the virus accelerating, pose serious risks to the speed of the recovery. Uncertainty may also rein in consumers' appetite to spend and [businesses' inclination to invest](#).

The risk of unemployment

[Unemployment has increased](#), hours worked fallen and job vacancies declined. Nevertheless, the Government's interventions in the economy, via its business and employment support schemes, have mitigated the full impact of the recession on the labour market.

[Over 9 million jobs have been supported](#) by the Coronavirus Job Retention Scheme (the furlough scheme), with 2.6 million self-employed workers also receiving financial support. [79% of businesses](#) surveyed by the Office for National Statistics say they have applied to use the furlough scheme.

Coronavirus employment schemes

As of midnight 28 June 2020

Coronavirus Job Retention Scheme (CJRS)

Number of jobs furloughed	9.3 million
Number of employers furloughing	1.1 million
Total claimed (£)	£25.5 billion

Coronavirus Self-Employment Income Support Scheme (SEISS)

Total number of claims	2.6 million
Total amount claimed (£)	£7.7 billion

Notes: 'Jobs furloughed' is calculated as the sum of the maximum number of employees furloughed by each PAYE scheme that has made a claim. 'Employers furloughing' is calculated as the number of distinct PAYE schemes that have made a claim.

Source: HMRC, [HMRC coronavirus \(COVID-19\) statistics](#)

The furlough scheme is scheduled to [run until the end of October](#), with the grant from the Government to businesses being tapered from August. A key issue for the economic outlook is how many employees currently furloughed will return to work and how many will become unemployed.

The [average forecast from economists](#) is for the unemployment rate to reach 8% by the end of 2020, double its pre-virus rate of 4%.

Government policy announcements

In an effort to boost the economic recovery, the Government is announcing a series of policy initiatives.

On 30 June, the Prime Minister announced the Government's plans to bring forward around [£5 billion of infrastructure](#) spending. This includes investment on hospitals, schools and transport. Changes to the planning system were also proposed.

The Chancellor is scheduled to provide a '[summer economic update](#)' on Wednesday 8 July, with further details of the Government's plans set to be announced. The Library will publish a background briefing on Monday 6 July.

Headline UK Economic Indicators, June 2020

Gross Domestic Product: Q1 2020, Seasonally Adjusted		
Change (real %)	-2.2 (qtr)	-1.7 (yr Q1 19-Q1 20)
Industries		
Service output: 3 months to April 2020		
Change (%)	-19.0 (mth)	-9.1 (yr)
Manufacturing output: 3 months to March 2020		
Change (%)	-10.5 (mth)	-14.0 (yr)
Productivity: Q1 2020		
Output per hour		
Change (%)	-1.1 (qtr)	-0.4 (yr)
Inflation: May 2020		
Change on year (%)	0.5 (CPI)	1.0 (RPI)
Labour Market: Feb-Apr 2020, Seasonally Adjusted		
Unemployment		
Unemployment Rate (% of economically active)		3.9
Change (% points)	0.0 (qtr)	0.1 (yr)
Employment		
Employment Rate (% aged 16-64 in work)		76.4
Change (% points)	-0.1 (qtr)	0.3 (yr)
Interest Rate: as of 2 July 2020		
Bank of England Base Rate		0.1 (%)
Public Finances: 2019/20		
Net borrowing	57 (£ bn)	2.6 (% GDP)
Net debt	1,806 (£ bn)	93.5 (% GDP)
Trade: Q1 2020		
Current Account	-21.1 (£ bn)	-3.8 (% GDP)
Sterling Exchange rate: 26 May 2020		
US Dollar (\$)	1.25 (rate)	-1.2% (% change on yr)
Euro (€)	1.11 (rate)	-0.6% (% change on yr)
EC Economic Sentiment Indicator for UK: June 2020		
Points (1990-2012 average = 100)		65.2
Change (points)	+3.5 (mth)	-25.1 (yr)
Retail Sales: May 2020, Seasonally Adjusted, 3 month average		
Quantity of retail sales (volume)		-13.1 (% change on yr)
Housing Market: March 2020, Seasonally Adjusted		
House Price Index (ONS)		
Change (%)	0.1 (mth)	2.1 (yr)

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

Headline Indicators summary

GDP in the UK fell by 10.4% in February-April 2020 compared to the previous quarter. This compares to a contraction of -3.6% in the Eurozone in Q1 2020.

Services output was down by 9.1% in the three months to April 2020 compared to the previous year. **Manufacturing output** fell by 14.0%.

CPI inflation was 0.5% in May 2020, down from 0.8% in April. Inflation in the Eurozone was 0.3% in June, up from 0.1% in May.

The Bank of England's Monetary Policy Committee (MPC) **left interest rates unchanged at 0.1%** on 18 June, the lowest they have ever been, following a cut from 0.25% on 19 March.

Average wages excluding bonuses were 1.7% higher in the three months to April 2020 compared with the year before. CPI inflation for this period was 1.3%.

32.99 million people were in **employment** in February-April 2020, up 245,000 from a year before. The **employment rate** was 76.4%, up from 76.1% the previous year.

1.34 million people were **unemployed** in February-April 2020, up by 31,000 from the year before. The **unemployment rate** was 3.9%. The UK harmonised unemployment rate for Q4 2019 was the 11th lowest of the 36 OECD countries.

Productivity across the whole UK economy fell by 1.1% in Q1 2020 compared with the previous quarter. Compared with the previous year, it was down by 0.4%.

Government borrowing in the first two months of 2020/21 was £104 billion, £87 billion more than in the same period in 2019. At the end of May 2020, public sector net debt was equivalent to 100.9% of GDP, up from 80.4% at the end of May 2019.

The UK had a **trade deficit** of £4.5 billion in the three months to April 2020, compared with an £14.8 billion surplus in the previous three months. The **current account deficit** was £21.1 billion in Q1 2020 (3.8% of GDP), up from £9.2 billion in Q4 2019 (1.7% of GDP).

The **value of sterling** fell by 1.2% between April and May, following an increase of 1.6% between March and April.

The volume of **retail sales** decreased by 13.3% in the three months to May 2020 compared with the previous three months, and fell by 13.1% compared with the previous year.

House prices are not currently being measured by the ONS. When last measured, they had increased by 2.1% in the year to March 2020.

Household debt stood at 127.1% of disposable income in Q1 2020. It has been around this level since mid-2017.

1. 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:

Subject	Specialist	Contact
Balance of Payments	Dominic Webb	2042
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EC Finance	Philip Brien	7574
GDP	Daniel Harari	2464
Employment	Andrew Powell	6962
Financial Services	Chris Rhodes	2454
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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

Economic growth fell by 10.4% in February-April 2020 compared to the

Real Gross Domestic Product seasonally adjusted		
	% change on qtr	% change on yr
2017	...	1.9
2018	...	1.3
2019	...	1.4
2019 Q1	0.7	2.0
Q2	-0.2	1.4
Q3	0.5	1.3
Q4	0.0	1.1
2020 Q1	-2.2	-1.7

Source: ONS, series: IHYP, IHYQ, IHYR

previous quarter (November-January) as the economic effects of the coronavirus pandemic were felt.

Looking at month-on-month growth, GDP was down 20.4% in April, by far the biggest monthly fall since records began in 1997.

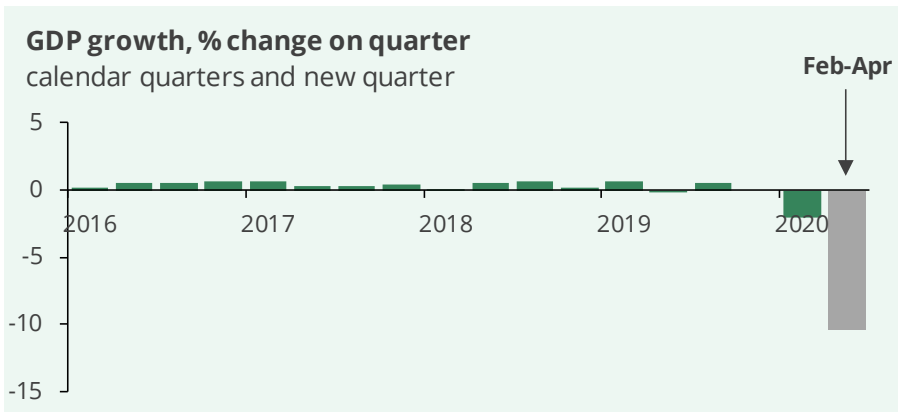
Between February and April 2020, GDP fell by 25%. (Monthly figures are more

volatile than quarterly estimates.)

All the headline sectors provided a negative contribution to growth in February-April 2020. The services sector fell by 9.9%, production by 9.5% and construction by 18.2%.

The economy declined by 2.2% in the latest calendar quarter (January-March 2020) – this figure was adjusted in the quarterly national accounts (the first quarterly estimate was a decline of 2.0%).

In cash terms, GDP was £2,216 billion in 2019.



Forecasts

The Treasury’s June 2020 [survey of independent forecasts](#) for GDP growth showed an average forecast of -9.2% for 2020 and 6.5% for 2021. These are based on forecasts from 1 June to 15 June.

Annual GDP growth forecasts (%)		
	2020	2021
HM Treasury average of independent forecasts (June 20)	-9.2	6.5

Source:
HMT, *Forecasts for the UK economy: a comparison of independent forecasts*, June 2020

For further analysis of the unprecedented fall in GDP in April 2020, see the Library Insight [Coronavirus: Record GDP fall in April](#).

Subject Specialist

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Updates

ONS, [GDP monthly estimate](#), 14 July 2020

ONS, [GDP national accounts](#), 12 August 2020

HM Treasury, [Forecasts for the UK economy](#), 15 July 2020

OBR, [Economic and fiscal outlook](#), Autumn 2020

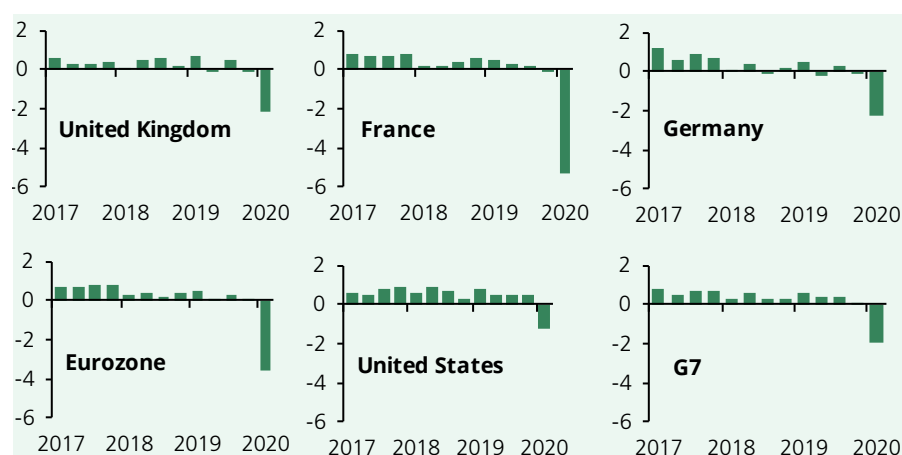
A2: GDP International

UK GDP fell by 2.2% in Q1 2020, compared with the previous quarter. This compares with -3.6% in the Eurozone and -1.3% in the US.

GDP growth		updated 1 Jul							
	% change in real GDP								
	% change on previous quarter				% change on a year ago				
	Q2 19	Q3 19	Q4 19	Q1 20	Q2 19	Q3 19	Q4 19	Q1 20	
UK	-0.1	0.5	0.0	-2.2	1.4	1.3	1.1	-1.7	
Eurozone	0.1	0.3	0.1	-3.6	1.2	1.3	1.0	-3.1	
USA	0.5	0.5	0.5	-1.3	2.3	2.1	2.3	0.3	
Japan	0.5	0.0	-1.9	-0.6	0.9	1.8	-0.7	-1.9	
Germany	-0.2	0.3	-0.1	-2.2	0.3	0.7	0.4	-2.3	
France	0.3	0.2	-0.1	-5.3	1.8	1.6	0.9	-5.0	
G7	0.3	0.4	0.0	-2.0	1.6	1.7	1.4	-1.3	
OECD	0.4	0.4	0.2	-1.8	1.6	1.7	1.6	-0.9	

Source: OECDstat

Quarter-on-quarter GDP growth rates (%) – up to Q1 2020



Forecasts

The IMF's [latest forecasts](#), published 24 June, project a sharp contraction in the world economy in 2020 due to Covid-19. The UK is forecast to see a 10.2% fall in GDP in 2020, with 6.3% growth in 2021.

	Real GDP growth forecasts			
	% change			
	IMF (Jun 2020)		OECD (June 2020)*	
	2020	2021	2020	2021
UK	-10.2	6.3	-11.5	9.0
France	-12.5	7.3	-11.4	7.7
Germany	-7.8	5.4	-6.6	5.8
Eurozone	-10.2	6.0	-9.1	6.5
US	-8.0	4.5	-7.3	4.1
Japan	-5.8	2.4	-6.0	2.1
China	1.0	8.2	-2.6	6.8
India**	-4.5	6.0	-3.7	7.9
Brazil	-9.1	3.6	-7.4	4.2
World	-4.9	5.4	-4.6	4.0

Note: *OECD 'single hit' scenario; no second wave of virus; **Indian data for fiscal years
Sources: IMF June'20 World Econ. Outlook update; OECD Economic Outlook Jun'20

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Next updates

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

OECD, [Interim Economic Outlook](#), Sep/Oct 2020

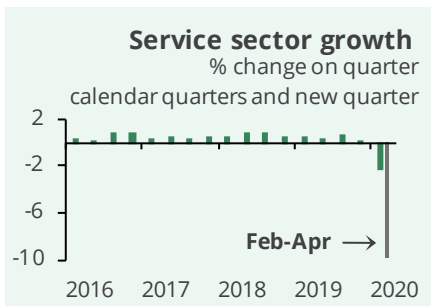
IMF, [World Economic Outlook](#), Oct 2020

A3: Components of GDP

GDP can be analysed in terms of the output produced by different industries, or by spending by households, business and government.

Overall, GDP is estimated to have fallen by 10.4% in Feb-Apr 2020 compared to the previous quarter (Nov-Jan), as the economic effects of the coronavirus pandemic were felt. GDP fell by 20.4% in April alone, compared with March.

GDP by Industry



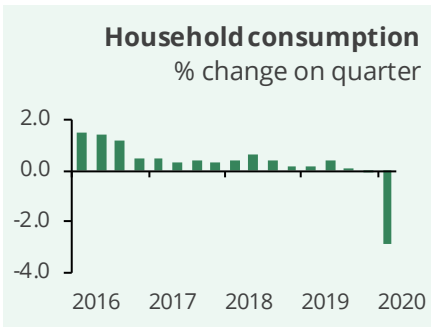
Services are the largest part of the economy – in 2018, they accounted for 80% of output, the production sector for 14%, construction for 6% and agriculture for 1%.

In Feb-Apr 2020, service sector output fell by 9.9% in real terms

compared with Nov-Jan 2020. Between March and April it fell 19.0%.

Manufacturing output was down 10.5% over the quarter, with a fall from March to April of 24.3%. Manufacturing is part of the wider production sector, which saw a fall of 9.5% over the quarter and a fall of 20.3% over the month. Construction sector output was down 18.2% in Feb-Apr 2020, and down 40.1% in April alone.

GDP by Expenditure



Household consumption is the largest element of expenditure across the economy, accounting for 63% of the total in 2019. Government accounted for 19% and investment for 17%.

In Jan-Mar 2020, household consumption was down 2.9% in real terms, on the quarter.

Government consumption was down 4.1% and investment was down 1.1%. Exports were down 13.5% and imports were down 9.4%.

GDP by expenditure						
% change on previous quarter (real terms)						
	Household consumption	Government consumption	Investment (GFCF)	Exports	Imports	GDP
2018 *	1.6	0.4	-0.2	1.2	2.0	1.3
2019 *	1.0	3.4	0.7	5.0	4.6	1.5
2019 Q1	0.2	0.5	1.2	1.9	9.6	0.7
Q2	0.4	1.8	-0.6	-2.6	-10.6	-0.1
Q3	0.1	0.2	0.6	6.1	2.1	0.5
Q4	-0.1	0.6	-1.4	4.4	-0.1	0.0
2020 Q1	-2.9	-4.1	-1.1	-13.5	-9.4	-2.2

Source: ONS series ABJR, NMR, NPQT, IKBK, IKBL and ABMI
Note: * annual % change

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Updates

ONS, [GDP monthly estimate](#), 14 Jul 2020

ONS, [Quarterly national accounts](#), 30 Sept 2020

ONS, [GDP first quarterly estimate, UK](#), 10 Aug 2020

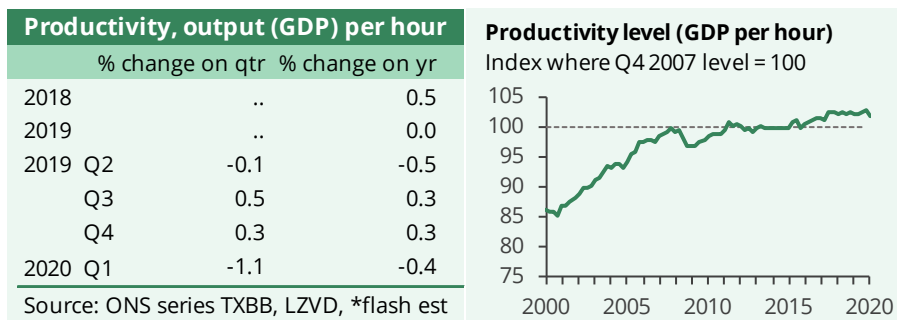
A4: Productivity

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

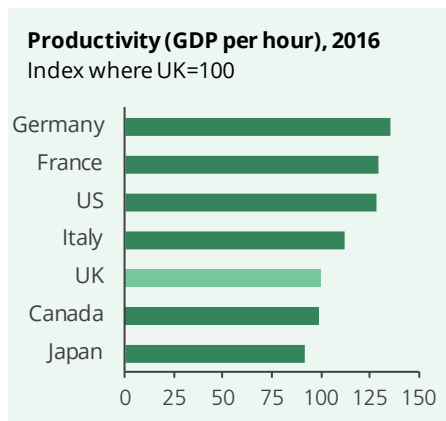
In Q1 2020, [productivity fell by 0.4%](#) compared with a year ago (Q1 2019). Compared with the previous quarter, productivity fell by 1.1%. The effects of the coronavirus outbreak present [significant challenges](#) in the measurement of productivity. This likely means [underlying productivity trends](#) will be difficult to discern for some time.



Historically, UK labour productivity has grown by around 2% per year but since the 2008/2009 recession it has stagnated (see chart above).

International comparisons

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

[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.

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Updates

ONS, [UK productivity bulletin](#), 7 Jul 2020

ONS, [UK productivity flash estimates](#), 11 Aug 2020

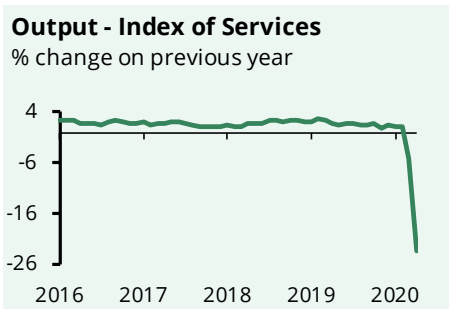
ONS, [International comparisons of productivity](#), no date scheduled

A5: Services

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

In 2018, the service industries accounted for 81% of total UK economic output (Gross Value Added). Services accounted for 84% of workforce jobs in September 2019.

Services Output



There was a fall of 19.0% in the Index of Services between March and April 2020. This is the largest monthly fall since records began in January 1997.

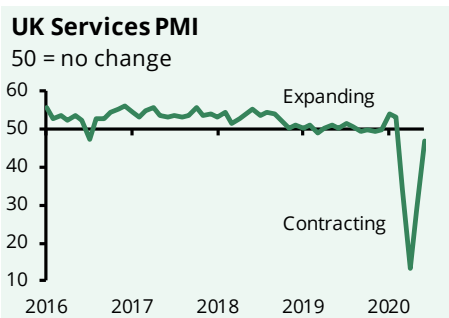
Services output fell by 9.9% in the three months to April 2020 compared with the three months

to January 2020. In the three months to April 2020, compared with the three months to April 2019, services output decreased by 9.1%.

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.

Purchasing Managers' Index (PMI)



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

The UK services PMI was 47.0 in June 2020, compared with 29.0 in May. Financial intermediation

was the best performing area of activity in June, followed by transport and communication services. The June PMI survey observed a further sharp drop in staffing numbers across the service economy.

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Update

ONS, [Index of Services](#), 14 July 2020

Markit/CIPS, [UK Services PMI](#), 3 July 2020

Services Output Index			PMI Index		
	Index	% change on yr		Index	Change on mth
2017	102.1	2.1	2018 Jun	55.1	
2018	103.9	1.7	2019 Jun	50.2	
2020 Jan	106.2	1.3	2020 Apr	13.4	-21.1
Feb	106.2	1.1	May	29.0	15.6
Mar	99.6	-5.2	Jun	47.0	18.0

Source: ONS, series [S2KU](#), [S222](#), [S26Q](#)

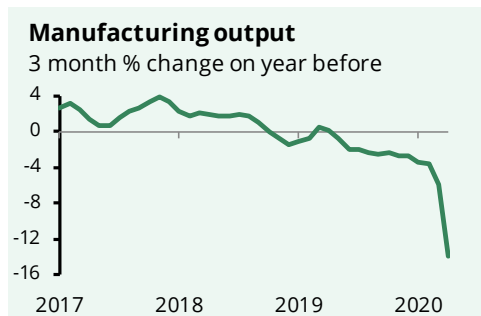
Source: [Markit/CIPS UK Services PMI](#)

A6: Manufacturing

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

In 2018, the manufacturing sector accounted for 10% of total UK economic output (Gross Value Added). In September 2019, it accounted for 8% of jobs.

Manufacturing Output

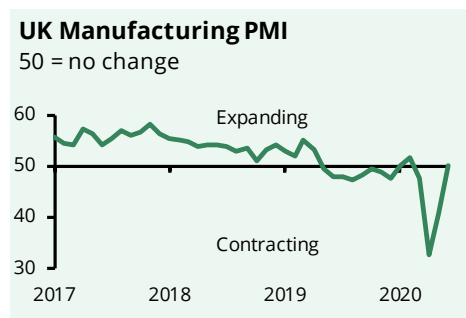


Total manufacturing output for the three months to April 2020 fell by 10.5%, compared with the three months to January 2020.

For the three months to April 2020, manufacturing output decreased by 14.0%, compared with the three months to April

2019. Monthly manufacturing output in April fell by 24.3% compared to March. Of the 13 subsectors, 12 displayed downward contributions.

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 manufacturing PMI for June 2020 was 50.1, a rise of 9.4%

on the May level and fractionally above the neutral 50.0 value.

Higher volumes of production were linked to a partial reopening of manufacturing plants. However, total new orders continued to decline in June, though manufacturers indicated a rise in business optimism to its highest level since September 2018.

Manufacturing output index			PMI Index		
	Index	% change on yr		Index	Change on mth
2017	102.5	2.5	2018 Jun	54.3	
2018	103.4	0.9	2019 Jun	48.0	
2020 Jan	99.3	-3.4	2020 Apr	32.6	-15.2
Feb	99.5	-3.7	May	40.7	8.1
Mar	94.9	-6.0	Jun	50.1	9.4

Source: ONS, series [K22A](#), [K2I](#)

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

Gloria Tyler, x2432

Update

ONS, [Index of Production](#), 14 July 2020

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

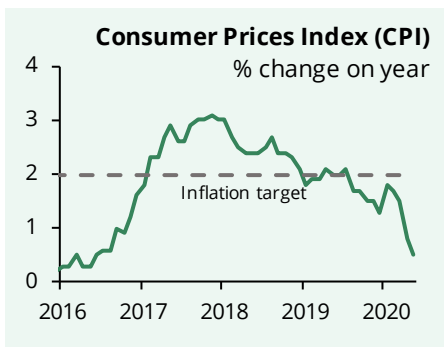
24 July 2020

B1: Inflation

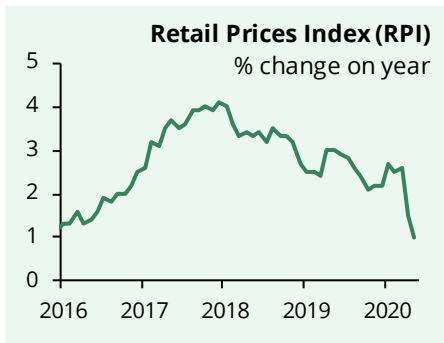
The Consumer Prices Index (CPI) is the main measure of inflation. It is produced in line with international standards and is the measure used for the Bank of England’s 2% inflation target. The Retail Prices Index (RPI) is no longer classified as a National Statistic as the way it is calculated does not 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 0.5% in May 2020, down from 0.8% in April.

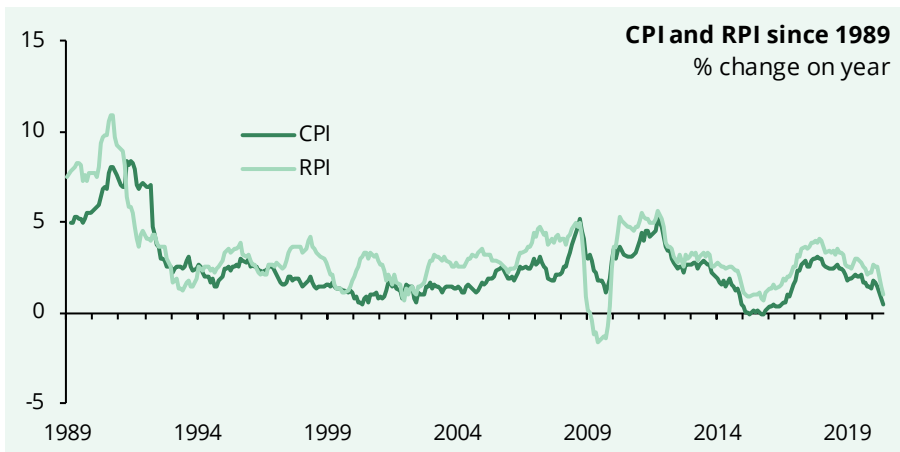
The RPI inflation rate was 1.0% in May 2020, down from 1.5% in March.



Downward contributions to the CPI rate came from almost all sectors, with the biggest contributions coming from transport (mostly fuel prices) and recreation and culture. The only sector to see price increases was food and non-alcoholic drinks.



Price indices			
% change on a year ago			
		CPI	RPI
2017	May	2.9	3.7
2018	May	2.4	3.3
2019	May	2.0	3.0
2020	Mar	1.5	2.6
	Apr	0.8	1.5
	May	0.5	1.0



Subject Specialist

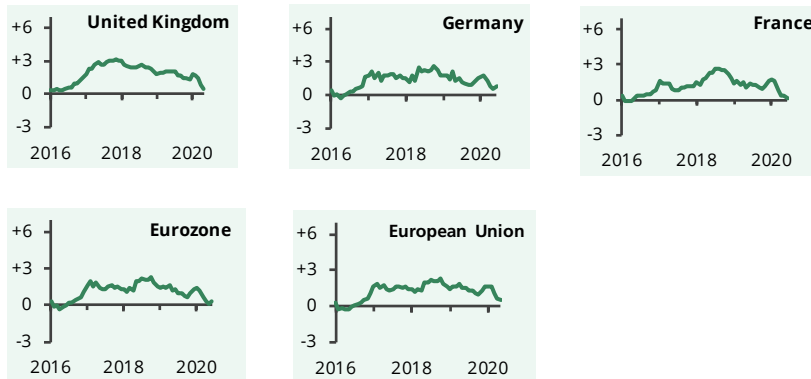
Daniel Harari
x2464

Update

ONS, [Consumer price inflation](#), 15 July 2020

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 0.5% in the year to May, down from 0.8% in April. UK inflation was 2.0% in May 2019. The May 2020 figure is the lowest since June 2016.

EU inflation was 0.5% in May down from 0.6% in April. EU inflation was 1.5% in May 2019.

Inflation in the Eurozone is provisionally estimated as 0.3% in the year to June, up from 0.1% in May. Eurozone inflation was 1.3% in June 2019.

In Germany, inflation is provisionally estimated as 0.8% in June, up from 0.5% in May; in France inflation is provisionally estimated as 0.1% in June, down from 0.4% in May.

Poland had the highest inflation rate in the EU in May (3.4%). The lowest inflation rate was in Estonia (-1.8%).

Inflation rates: selected countries						
Annual % change in consumer prices (HICP)						
	2017	2018	2019	Apr 20	May 20	Jun 20
UK	2.7	2.5	1.8	0.8	0.5	..
Eurozone	1.5	1.8	1.2	0.3	0.1	0.3
European Union	1.6	1.8	1.4	0.6	0.5	..
France	1.2	2.1	1.3	0.4	0.4	0.1
Germany	1.7	1.9	1.4	0.8	0.5	0.8

Source: ONS, Eurostat

June figures are provisional; .. denotes data not yet available

All European Union figures exclude UK.

Subject Specialist

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Update

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

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

Eurostat, [Flash estimate \(Eurozone\)](#), 31 Jul

B3: Average Earnings

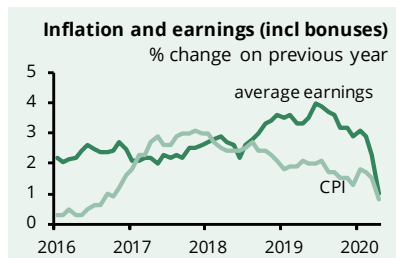
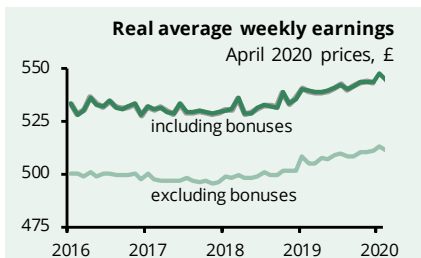
In April 2019 median gross weekly earnings for full-time employees in the UK were £585, up 2.8% on April 2018. Adjusted for inflation, median earnings for full-time employees increased by 0.7%.

More timely but less detailed data show average weekly earnings for all employees in Great Britain increased by 1.7% excluding bonuses in the three months to April 2020 compared with the previous year. Average weekly pay including bonuses increased by 1.0%.

Inflation as measured by the CPI averaged 1.3% over the same period. After adjusting for inflation, average weekly earnings excluding bonuses were 0.4% lower than the previous year and average pay including bonuses were 0.4% higher.

This document focuses on standard official sources. For more timely data on the labour market see Library paper Coronavirus: Impact on the labour market.

Average Earnings, Whole Economy



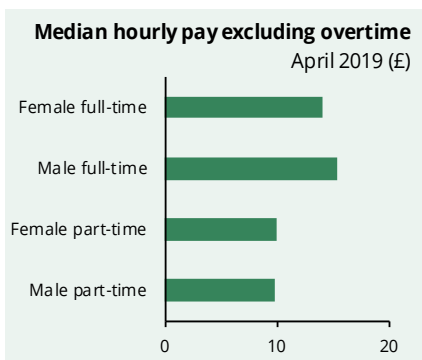
Trends by Sector

Annual % change in average earnings (incl bonuses)				
Great Britain, employees only				
		Total	Private	Public
2018	Apr	2.7	2.8	2.4
2019	Apr	3.3	3.4	3.1
2020	Feb	2.9	2.8	3.3
2020	Mar	2.3	2.1	3.3
2020	Apr	1.0	0.5	3.2

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 0.5% in the private sector and by 3.2% in the public sector in the three months to April 2020 compared with the year before.

Hourly pay levels



Median hourly earnings (excluding overtime) were £14.80 for full-time employees at April 2019: £15.34 for men working full-time and £13.97 for women.

Median hourly earnings (excluding overtime) were £9.94 for part-time employees; £9.70 for men and £10.00 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

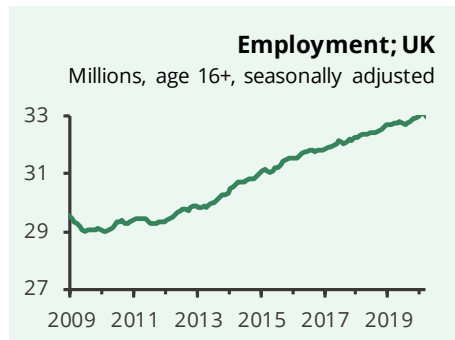
ONS, [Labour Market Statistics](#),
16 July 2020

ONS, [Annual Survey of Hours and Earnings](#),
October 2020

C1: Employment

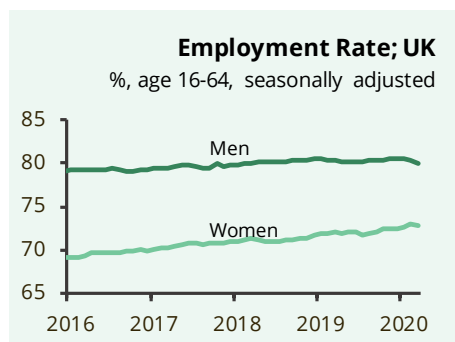
32.99 million people were in employment in February-April 2020. Employment was up 6,000 from the previous quarter and up 245,000 from the year before.

The employment rate (the proportion of the population aged 16-64 in work) was 76.4%, up from 76.1% a year previously. It compares to a post-recession low of 70.1% in July-September 2011.



15.74 million **women** were in work, up 86,000 from the previous quarter and 288,000 more than a year ago. The female employment rate was 72.2%. Increases in the rate over recent years are partly due to changes to the State Pension age for women.

17.25 million **men** were in work, 80,000 less than the previous quarter and 43,000 less than a year ago. The male employment rate was 80.1%.



The total number of people working **full-time** in February-April 2020 decreased by 67,000 from the previous quarter but increased by 246,000 from the year before to 24.40 million. **Part-**

time employment increased by 74,000 from the previous quarter and was at a similar level from the year before to 8.60 million.

The number of people in **self-employment** was down 131,000 from the previous quarter and down by 11,000 from the year before to 4.90 million. 27.93 million people were working as employees, up 168,000 from the last quarter and up 263,000 over the last year.

		Total		Men		Women		Youth	
		000's	%	000's	%	000's	%	000's	%
Age:		16+	16-64	16+	16-64	16+	16-64	16-24	16-24
Feb-Apr	2017	31,956	74.8	16,963	79.4	14,992	70.2	3,916	55.1
Feb-Apr	2018	32,389	75.6	17,128	80.0	15,261	71.3	3,852	54.9
Feb-Apr	2019	32,746	76.1	17,290	80.3	15,456	72.0	3,809	55.0
Nov-Jan	2020	32,985	76.5	17,327	80.4	15,658	72.5	3,820	55.5
Feb-Apr	2020	32,991	76.4	17,247	80.1	15,744	72.7	3,784	55.0
Change on qtr	Level	6	-0.1	-80	-0.4	86	0.2	-36	-0.4
	%	0.0%		-0.5%		0.5%		-0.9%	
Change on yr	Level	245	0.3	-43	-0.2	288	0.7	-25	0.1
	%	0.7%		-0.3%		1.9%		-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

This document focuses on standard official sources. For more timely data on the labour market, see the Library briefing [Coronavirus: Impact on the labour market](#).

Subject Specialist

Niamh Foley
X1398

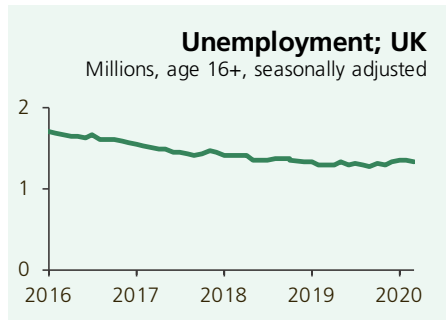
Updates

ONS, [Labour Market Statistics](#),
16 July 2020

C2: Unemployment

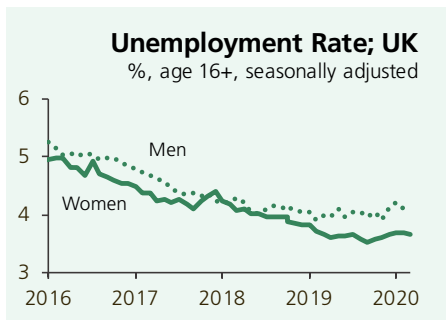
There were 1.34 million unemployed people in the UK in February-April 2020, slightly less than the previous quarter but up by 31,000 from the year before.

The unemployment rate was 3.9% (the percentage of the economically active population who are unemployed). The rate reached a post-recession high of 8.5% in late 2011.



528,000 young people aged 16-24 were unemployed, up 21,000 from the previous quarter and up 48,000 from the year before. The unemployment rate for 16-24 year olds was 12.2%, up from 11.2% a year before.

738,000 men were unemployed, slightly down from the previous quarter and up 19,000 from the year before.



597,000 women were unemployed, little changed from the previous quarter and up 12,000 from a year ago.

The unemployment rate for men was 4.1% and the unemployment rate was 3.7% for women.

270,000 people had been unemployed for over 12 months, 37,000 less than the previous quarter and 77,000 less than a year ago.

This document focuses on standard official sources. For more timely data on the labour market, see the Library briefing [Coronavirus: Impact on the labour market](#).

UK Unemployment									
Seasonally adjusted									
Age		Total		Men		Women		Youth	
		000's	%	000's	%	000's	%	000's	%
		16+	16+	16+	16+	16+	16+	16-24	16-24
Feb-Apr	2017	1,520	4.5	834	4.7	686	4.4	560	12.5
Feb-Apr	2018	1,416	4.2	767	4.3	649	4.1	515	11.8
Feb-Apr	2019	1,304	3.8	719	4.0	586	3.7	480	11.2
Nov-Jan	2020	1,343	3.9	748	4.1	595	3.7	506	11.7
Feb-Apr	2020	1,336	3.9	738	4.1	597	3.7	528	12.2
Change on qtr	Level	-8	0.0	-10	0.0	2	0.0	21	0.5
	%	-0.6%		-1.3%		0.4%		4.2%	
Change on yr	Level	31	0.1	19	0.1	12	0.0	48	1.0
	%	2.4%		2.7%		2.0%		10%	

Source: ONS Labour Market Statistics, A05, A06

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

Subject Specialist

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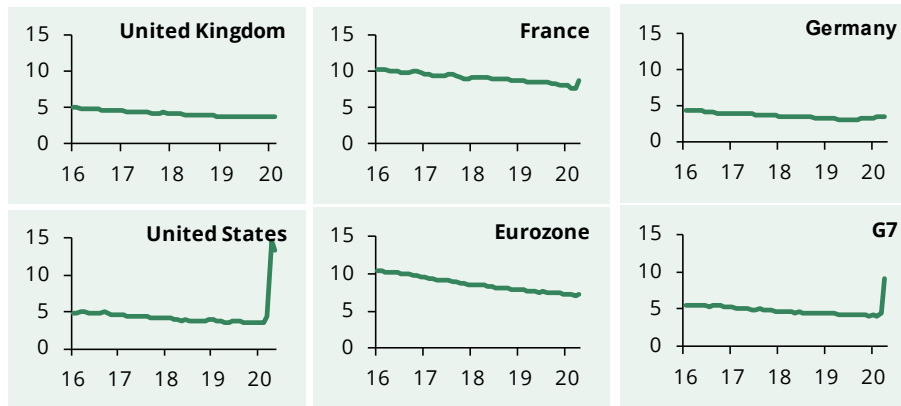
Updates

ONS, [Labour Market Statistics](#),
16 July 2020

C3: Unemployment International

The OECD produces harmonised unemployment rates for OECD members based on the ILO definition of unemployment.

Harmonised Unemployment Rate (%)



This document focusses on standard official sources. For more timely data on the economy, see the Library briefing [Coronavirus: Latest economic data](#).

The UK harmonised unemployment rate for **Q4 2019** was 3.7%. This was slightly above the rate of the US (3.5%), below that of France (8.2%) but above that of Germany (3.2%). The UK rate was the 11th lowest of the 36 OECD member countries.

The unemployment rate for the Eurozone fell from 7.4% to 7.2% in **Q1 2020**, while in the G7 increased from 4.2% to 4.3%. The Q1 figure for the UK has not yet been published.

The unemployment rate for the G7 rose from 4.6% in March 2020 to 9.1% in **April**, but only increased in the Eurozone from 7.1% to 7.3%.

Greece had the highest unemployment rate out of the OECD member states for Q4 2019 (16.6%) followed by Spain at 13.8%.

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 Q4 2019 youth unemployment was 34.1% in Greece, 30.7% in Spain and 27.9% in Italy. UK youth unemployment stood at 11.0%.

Unemployment										
Unemployed as % of labour force (standardised); seasonally adjusted										
	CAN	FRA	GER	ITA	JPN	UK	USA	Eurozone	G7	OECD
2017	6.3	9.4	3.8	11.2	2.8	4.4	4.4	9.1	5.0	5.9
2018	5.8	9.0	3.4	10.6	2.4	4.0	3.9	8.2	4.5	5.5
2019	5.7	8.5	3.2	10.0	2.4	3.8	3.7	7.6	4.3	5.4
2019 Q1	5.8	8.7	3.2	10.3	2.5	3.7	3.9	7.8	4.4	5.5
Q2	5.6	8.5	3.1	10.0	2.4	3.8	3.6	7.6	4.3	5.4
Q3	5.6	8.5	3.1	9.7	2.3	3.8	3.6	7.5	4.2	5.4
Q4	5.7	8.2	3.2	9.5	2.3	3.7	3.5	7.4	4.2	5.3
2020 Q1	6.3	7.7	3.4	8.8	2.4	..	3.8	7.2	4.3	5.3
Change on qtr	0.6	-0.5	0.2	-0.7	0.2	...	0.3	-0.2	0.1	0.1
Change on yr	0.5	-0.9	0.2	-1.5	0.0	...	0.0	-0.6	-0.1	-0.2

Source: OECD, Harmonised Unemployment Rates

Subject Specialist

Andy Powell
x6962

Next Update

OECD, [Harmonised Unemployment Rates](#),
8 July 2020

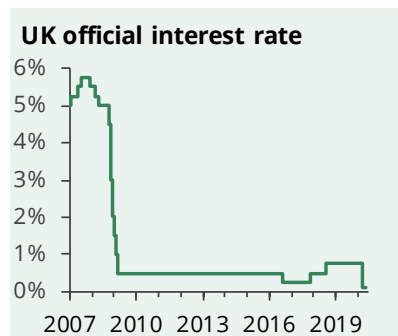
D1: Interest Rates and Monetary Policy

Major central banks around the world have introduced emergency measures in response to the coronavirus pandemic.

UK (Bank of England)

On 18 June, the Bank of England's Monetary Policy Committee (MPC) [left interest rates unchanged](#) at 0.1% and its bond-buying programme (known as quantitative easing, QE) was increased to £745bn. In its May [Monetary Policy Report](#), the Bank forecast GDP to fall by 3% in Q1 2020, compared with the previous quarter, and then decline a further 25% in Q2. The unemployment rate is projected to rise to 9% in Q2.

In March the Bank announced a series of emergency measures in response to Covid-19. On 19 March, the MPC [cut interest rates](#) from 0.25% to 0.1%, the lowest they have ever



been. It also announced a £200bn expansion of QE, in order to support the economy and the functioning of the bond market. Previously, on 17 March the Government announced the creation of a lending facility run by the Bank that will provide loans to larger businesses. The Chancellor said the government would guarantee lending up to £330bn. [Other measures were also announced](#). On 11 March, the MPC cut interest rates by 0.5 percentage points. The MPC also [launched schemes](#) designed to provide cheap loans to banks so they have additional capacity to lend to businesses and households.

United States (Federal Reserve)

Responding to the economic impact of the coronavirus outbreak, the Federal Reserve had by 15 March [cut interest rates](#) to a range of 0-0.25% from 1.5%-1.75% at the [beginning of March](#). On 23 March, the Fed announced a [wide range of measures](#) designed to support the economy. This includes buying debt from the government, corporations and purchasing other securities (such as those backed by mortgages, student loans and other assets). The Fed pledged to buy government debt "in the amounts needed", with no upper limit. [Policy was left unchanged](#) at the latest Fed monetary policy meeting ending 10 June.

Eurozone (European Central Bank)

On 4 June, the European Central Bank (ECB) [expanded](#) its 'pandemic' programme of [bond purchases](#) (also known as quantitative easing, QE) in response to the deep economic impact of the Covid-19 outbreak. The additional €600bn in planned purchases takes the total to €1.35 trillion. The ECB [launched](#) programme on 12 March and [expanded](#) it significantly on 18 March. The ECB has also made [cheap loans](#) available to banks to encourage them to lend to businesses. At the 4 June meeting, the ECB left its main interest rates unchanged at 0.0% and - 0.5% (for overnight deposits from banks).

The MPC cut interest rates on 11 March and then again on 19 March, taking the base rate to 0.1%. They were left unchanged on 18 June.

The MPC's quantitative easing programme was expanded by £100bn on 18 June to a total of £745bn.

OECD [summary table](#) of international monetary policy measures taken

See Library briefing, [Coronavirus: Effect on the economy and public finances](#)

Subject Specialist

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Updates – next scheduled monetary policy meetings

UK ([6 Aug](#))
US ([29 Jul](#))
ECB ([16 Jul](#))

D2: Public finances

Government borrowing and debt

	Net borrowing		Net debt	
	£ bn	% GDP	£ bn	% GDP
2010/11	140	8.7%	1,140	69.3%
2011/12	122	7.3%	1,236	72.9%
2012/13	125	7.3%	1,343	76.2%
2013/14	105	5.8%	1,443	78.1%
2014/15	97	5.2%	1,528	80.5%
2015/16	81	4.2%	1,579	79.9%
2016/17	56	2.8%	1,702	82.9%
2017/18	56	2.7%	1,753	82.4%
2018/19	41	1.9%	1,774	80.7%
2019/20	57	2.6%	1,806	93.5%

Sources: ONS, OBR. Excludes public sector banks

Government borrowed £104 billion in the first two months of 2020/21 according to the ONS's provisional estimate. This is £87 billion more than during the same period of 2019/20. The unprecedented level of borrowing reflects the effects of the coronavirus pandemic.

The ONS's figures for 2019/20 and 2020/21 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.

These provisional figures contain some forecast data and are very uncertain. They are likely to be revised in the coming months.

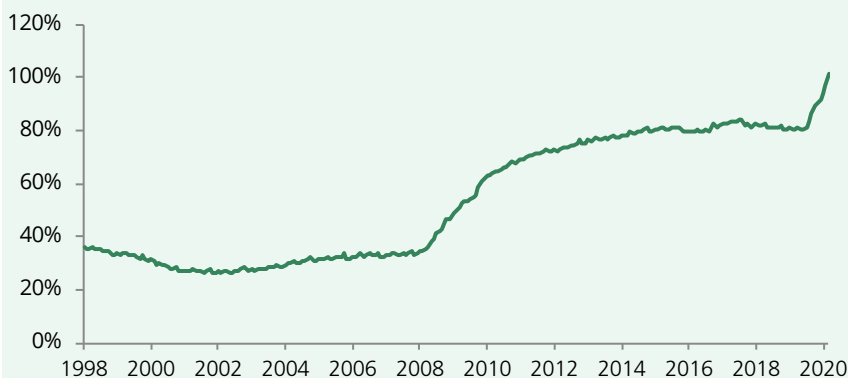
At the end of May 2020, government debt was equivalent to 100.9% of GDP which is higher than at the end of May 2019, when the debt-to-GDP ratio was 80.4%. The debt-to-GDP ratio last exceeded 100% in the financial year ending March 1963.

The Library briefing [Coronavirus: Effect on the economy and public finances](#) looks at the effect of coronavirus on the public finances.

Public sector net borrowing: rolling 12-month total £ billion



Public sector net debt, monthly, % of GDP



Subject Specialist

Matt Keep
x4324

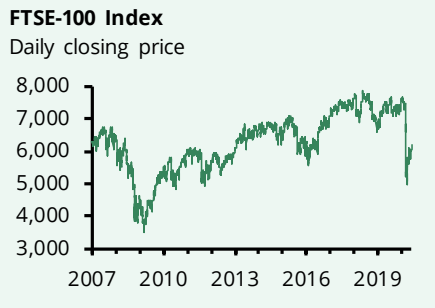
Updates

OBR, [Economic and fiscal outlook](#), autumn 2020

ONS, [Public sector finances](#), 21 July 2020

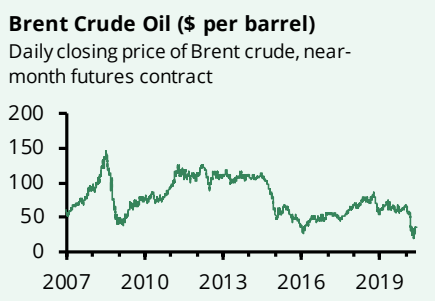
D3: Financial Indicators

FTSE-100 Index



The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. In 2020, the index has fallen dramatically, as global share prices fell amid fears of the impact of the coronavirus. The FTSE closed at 4,993.89 on 23 March, the index's lowest level since October 2011, though it has subsequently rallied and closed at 6,484.30 on 5 June, its highest level since 6 March.

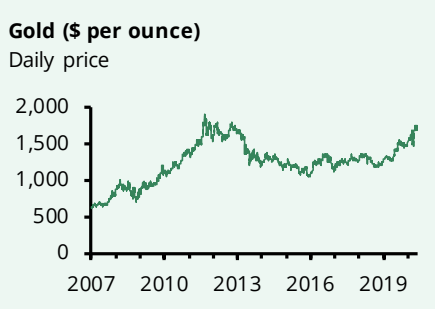
Brent Crude Oil



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 in over ten years, though climbed in late 2016, after OPEC agreed to its first supply cut since 2008. Recently, the price has fallen dramatically,

owing to a collapse in demand since the outbreak of the coronavirus. On 21 April, the price closed at \$19.31, its lowest level since February 2002. The price reached \$42.58/barrel on 22 June, its highest since early March.

Gold 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, falling to \$1,049/ounce in December 2015. Recently the price has been rising, reaching \$1,600/ounce in February 2020, its highest level in seven

years. Despite some turbulence following the coronavirus outbreak, the price has risen again and passed \$1,700/ounce in April for the first time since December 2012 and has largely remained above this price since.

Data from 1 July 2020			
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
01 Jul 2020	6157.96	42.14	1768.10
%change over:			
1-month	0%	12%	2%
12-months	-18%	-35%	25%
Note: Oil is Brent near-month futures price			
Source: Financial Times			

Subject Specialist

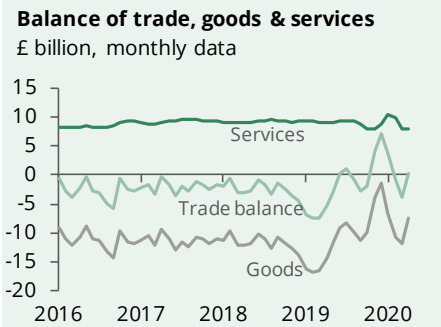
Daniel Harari
x2464

Updates

Financial Times, Weekly Basis

E1: Trade

In 2019, the UK's exports of goods and services totalled £700 billion and imports totalled £724 billion. The EU accounted for 43% of UK exports of goods and services and 51% of imports in 2019.



Overall, the UK imports more than it exports meaning that it runs a trade deficit. A deficit of £129 billion on trade in goods was partially offset by a surplus of £106 billion on trade in services in 2019. The overall trade deficit was £24 billion in 2019.

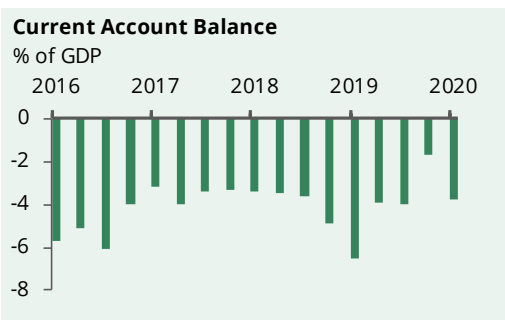
The UK had a trade deficit with the EU of £72 billion in 2019 and a trade surplus of £48 billion with non-EU countries.

The trade balance with all countries decreased by £19.3 billion to a deficit of £4.5 billion in the three months to April compared with a £14.8 billion surplus in the previous three months. Exports decreased by 24.9% over this period. Imports decreased by 15.7% (both figures in cash terms). The data suggest evidence of the Covid-19-related impacts on trade.

Trade in Goods and Services and Current Account Balance					
Seasonally adjusted					
	Goods and Services (£bn)			Current Account	
	Exports	Imports	Balance	£bn	% GDP
2018	656.5	686.3	-29.8	-82.9	-3.9%
2019	700.5	724.4	-24.0	-88.8	-4.0%
2019 Q1	169.3	191.2	-21.9	-35.8	-6.5%
Q2	167.3	175.3	-8.0	-21.5	-3.9%
Q3	177.9	180.4	-2.4	-22.3	-4.0%
Q4	185.9	177.5	8.4	-9.2	-1.7%
2020 Q1	159.5	160.7	-1.2	-21.1	-3.8%

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 £89 billion in 2019, compared with £83 billion in 2018. The current account deficit was 4.0% of GDP in 2019 compared with 3.9% in 2018.



The current account deficit widened to £21.1 billion in Q1 2020 (3.8% of GDP), from a deficit of £9.2 billion (1.7% of GDP) in Q4 2019.

Subject Specialist

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X6920

Updates

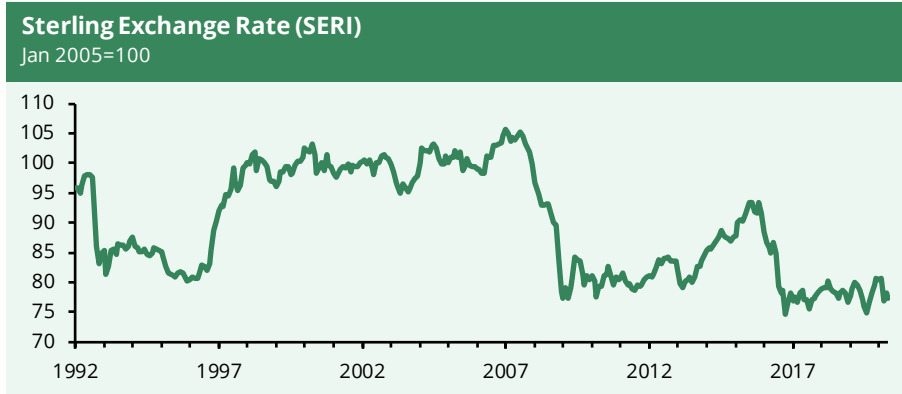
ONS, [UK Trade](#),
14 July

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).

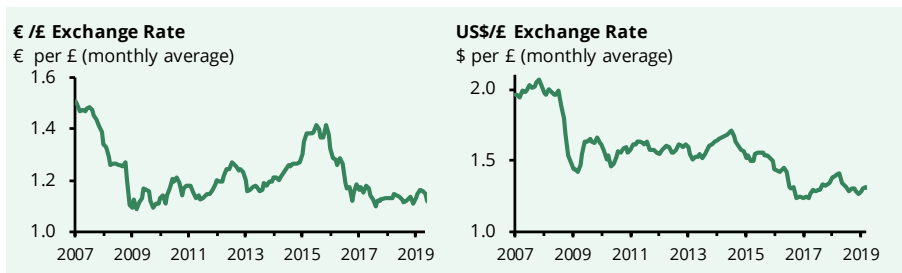
The SERI fell by 1.2% between April and May following an increase of 1.6% between March and April. Compared with the same period a year ago, it is 1.9% lower. It is 26.8% below its January 2007 peak level.



On average in May compared with April, the pound fell by 0.9% against the dollar, following an increase rise of 0.4% between March and April. 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 its highest rate in 2019 was \$1.33. Recently, the value of the pound has fallen, reaching \$1.15 on 23 March, its lowest since June 2017.

Latest closing prices:
 \$1.25 per £1
 €1.11 per £1
 (On 1 July 2020)

Sterling was down 1.3% against the Euro on average in May compared to April, following an increase of 2.0% between March and April. On 25 March, the pound was valued at €1.07, its lowest value against the Euro since March 2009.



Sterling Exchange Rates				
average rates in period and % changes				
	US Dollar (\$)		Euro (€)	
	Rate	% change on yr	Rate	% change on yr
2017	1.29	-4.8%	1.14	-6.7%
2018	1.34	3.6%	1.13	-0.9%
2019	1.28	-4.4%	1.14	0.9%
2020 Mar	1.24	-6.1%	1.12	-3.9%
Apr	1.24	-4.8%	1.14	-1.6%
May	1.23	-4.2%	1.13	-1.8%

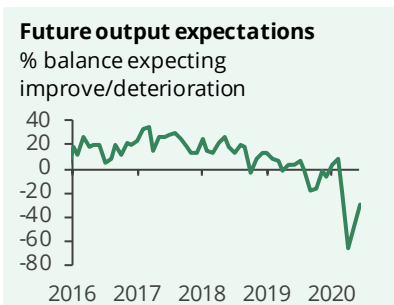
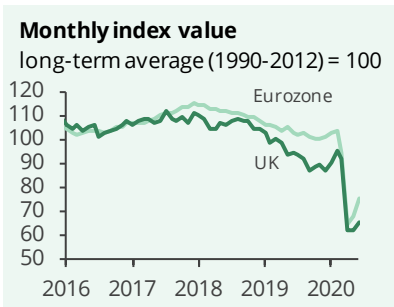
Source: Bank of England, Bankstats database

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Updates
 Financial Times, [sterling exchange rates](#) (daily)
 Bank of England, [SERI & monthly rates](#), Early July 2020

F1: Business and Consumer Confidence

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



European Commission Economic Sentiment Indicator

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

Between May and June 2020, the overall UK sentiment index recovered slightly by 3.5 points to 65.2 from its low of 61.7.

CBI Industrial Trends Survey

The CBI carries out monthly and quarterly Industrial Trends surveys.

In June, more manufacturers thought that output would fall over the next three months than thought it would rise. The difference was -30% of manufacturers, still very low but continuing the recovery from -67% in April.

GfK Consumer Confidence Survey

GfK's Consumer Confidence Index (carried out on behalf of the European Commission) measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.

In June, the index was at -30, six points higher than the flash estimate of two weeks before.

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Update

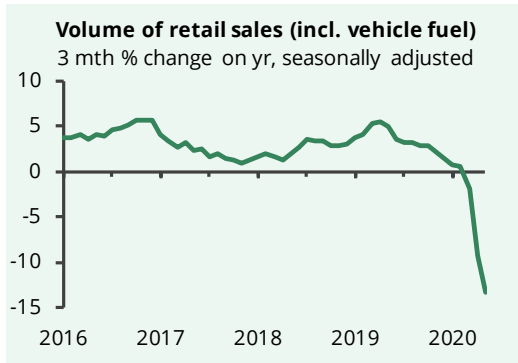
EC, [Economic Sentiment Indicator](#), 30 July 2020

CBI, [Industrial Trends](#), Mid-July 2020

GfK, [Consumer Confidence](#), 3 July 2020

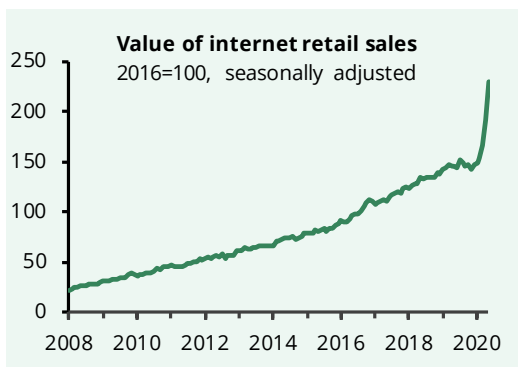
F2: Retail Sales

In May 2020, [retail sales in the UK](#) totalled £6.7 billion per week, up from £6.0 billion in April. This figure includes money spent in shops, supermarkets, in petrol stations and online.



In the three months to May 2020, the quantity (**volume**) of retail sales fell by a record 13.3% compared with the previous three months ('volume' figures do not include the effect of inflation). Over the year, the volume of retail sales fell by 13.1%. Between

April and May, the quantity of retail sales rose by 12.0%, compared with the record fall of 18.1% between March and April. Sales were still down by 13.1% compared with February, before the impact of the coronavirus pandemic.



The average weekly value of **internet sales** was £2.2 billion in May 2020, up 57.9% on the year.

This was 32.8% of all retail sales, up from 30.1% in April 2020 and the highest recorded value since this series began in 2006.

Internet sales as a proportion of all retail sales have been rising steadily since 2006, though this trend appeared to be ending since the beginning of 2019, with internet sales plateauing at around 20% of all sales.

The volume of sales in food stores in the three months to May 2020 was up 7.3% on the same period last year. The volume of sales in non-food stores was down 37.8% compared to last year.

Volume of retail sale				
Index 2016=100, seasonally adjusted				
		Food	Non-food	Total
2018	May	102.2	104.4	105.4
2019	May	102.4	105.3	107.9
2020	Mar	113.3	84.4	102.1
	Apr	108.6	49.2	83.7
	May	108.4	60.9	93.7
3m % change on yr		7.3	-37.8	-13.3

Change on year is the change on the most recent three month period compared to the same period a year earlier
Total includes fuel and non-store retailing
Source: ONS, series: J5C4, EAQW, EAQY, J5BY, IEAU, IEAX

All figures are **seasonally adjusted**

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

Subject Specialist

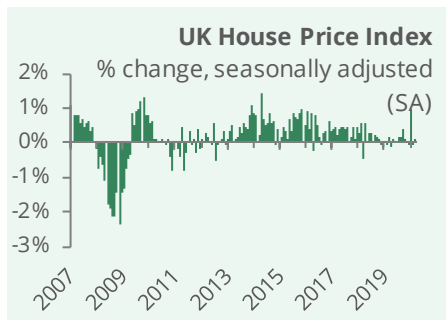
Philip Brien
x7574

Updates

ONS, [Retail Sales](#),
24 July 2020

F3: Housing Market

The Office for National Statistics (ONS) are [temporarily suspending](#) the **House Price Index**. Coronavirus is reducing the amount of housing transactions, making it difficult to produce a measure of house prices that would be representative of any true transaction activity within the housing market.



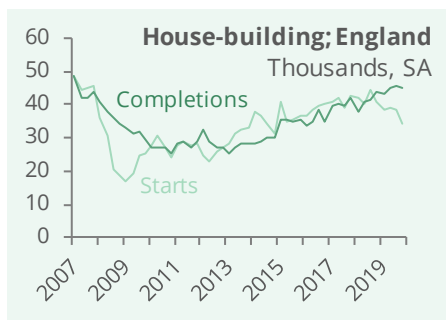
When last measured by the ONS, **house prices** increased by 2.1% between March 2019 and March 2020. On a seasonally adjusted basis house prices increased by 0.1% between February 2020 and March 2020.

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



The housing market slowed following the public health measures taken to contain the coronavirus outbreak. **Mortgage approvals** for house purchases in May 2020 were down 85.8% on a year ago and down 41.5% on April 2020. Approvals remain well down on pre-recession levels.

There were 9,273 mortgage approvals in May 2020, compared with 65,184 in May 2019.



Housing starts and completions have increased from the lows observed in late 2008 and early 2009.

There were 34,260 house building starts (seasonally adjusted) in England in Q4 2019, a 11% decrease compared with the previous quarter, and a 17%

decrease compared with the same quarter of 2018. This is above the recent low of 17,170 in Q1 2009, but still below the 48,850 starts in Q1 2007.

There were 44,980 house building completions (seasonally adjusted) in England in Q4 2019, a 1% decrease compared with the previous quarter, but a 3% increase compared with the same quarter of 2018. Completions remain below the peak of 48,520 completions in Q1 2007.

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Updates

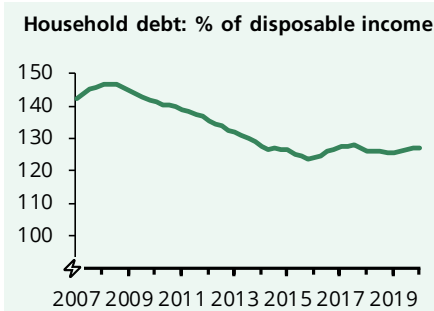
HM Land Registry, [UK house price index](#), n/a

Bank of England, [Money and credit](#), 29 July 2020

DCLG, [House-building](#), September 2020

F4: Household Debt

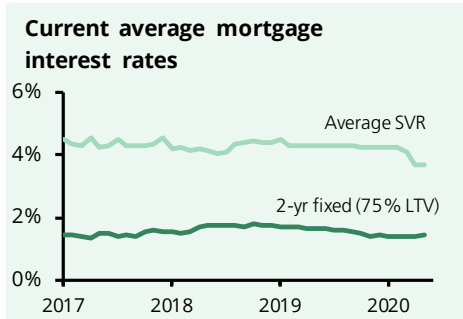
Household debt as a % of disposable income



Household debt peaked in Q2 2008 at 147% of household disposable income. It then declined to 124% by late 2015.

Growth in household debt levels accelerated from early 2016, so that the debt-to-income ratio rose again to 128% by mid-2017. In Q1 2020 it was 127.1%.

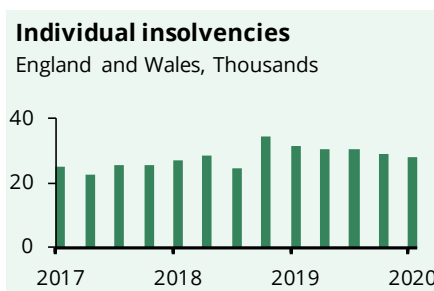
Current average mortgage interest rates



The average Standard Variable Rate (SVR) was 3.66% in May 2020, down 0.63% points on a year ago.

The average 2-year fixed mortgage rate was 1.42% in May 2020, down 0.23% points on the year.

Individual insolvencies, England and Wales



There were 27,849 individual insolvencies in England and Wales in Q1 2020, slightly down on the previous quarter. This is the sixth successive quarterly fall in the number of insolvencies.

The Q1 2020 level is 11.2% down on the level in Q1 2019, which saw the second highest number of insolvencies since Q1 2010, after Q4 2018.

In Scotland, there were 3,156 individual insolvencies in Q1 2020, slightly lower than a year before.

In Northern Ireland, there were 621 individual insolvencies in Q1 2020, up 7% on the year.

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Updates

Bank of England,
[Statistical database](#),
07 July 2020

Insolvency Service,
[Insolvency Statistics](#),
30 July 2020

ONS, [UK Economic Accounts](#), 30
September 2020

4. Glossary

Definitions¹

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

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

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

Basic prices: Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

¹ Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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.

4.1 Symbols and abbreviations

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

5. Indicator Sources

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

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