



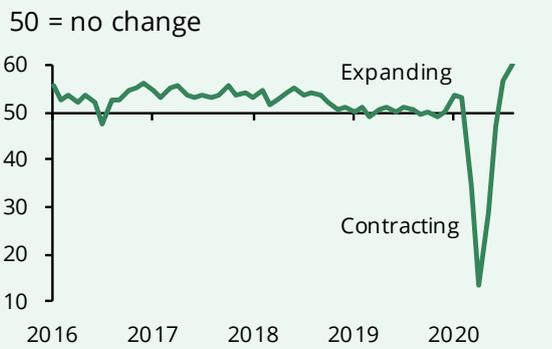
## BRIEFING PAPER

Number 8993, 27 August 2020

# Economic Indicators, August 2020

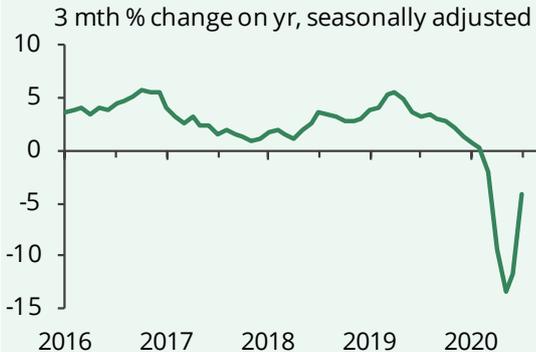
By  
Philip Brien  
Andy Powell

### UK Services PMI



The UK services flash PMI was 56.5 in July 2020, up from 47.1 in June – the fastest pace of expansion in five years, as the sector began to recover.

### Volume of retail sales (incl. vehicle fuel)



The volume of retail sales increased by 6.1% in the three months to July 2020 compared with the previous three months.

### Productivity level (GDP per hour)

Index where Q4 2007 level = 100



Productivity across the whole UK economy fell by 2.5% in Q2 2020 compared with the previous quarter. Compared with the previous year, it was down by 3.0%.

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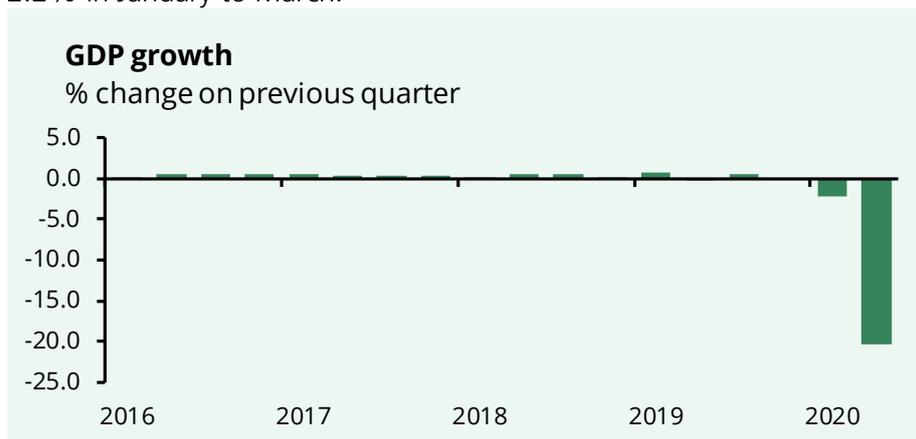
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## Largest recession on record but signs of recovery

On 12 August the Office for National Statistics (ONS) released its [official monthly estimate of GDP](#), showing [the biggest quarterly fall on record](#).

As the chart below shows, in April to June economic output had fallen by 20.4%, compared to the previous quarter. This followed a fall of 2.2% in January to March.



Source: ONS, [GDP monthly estimate, UK: June 2020](#), 12 August 2020

The UK may, however, now be past the worst. Looking at monthly figures, the contraction of the economy ended in April, and in May and June there was growth of 2.4% and 8.7%.

This Insight looks at the impact the pandemic continues to have on the economy, and discusses some signs of a possible recovery.

### Highest borrowing on record

The Government has borrowed large amounts to cover both its own higher spending and the lower tax revenues from a weak economy.

Total government borrowing from April to July 2020 was estimated at £150.5 billion, higher than any April-July period on record.

Total government debt at the end of July was 100.5% of GDP, the first time it has been above 100% since 1960/61. In cash terms, debt has now exceeded £2 trillion for the first time ever.

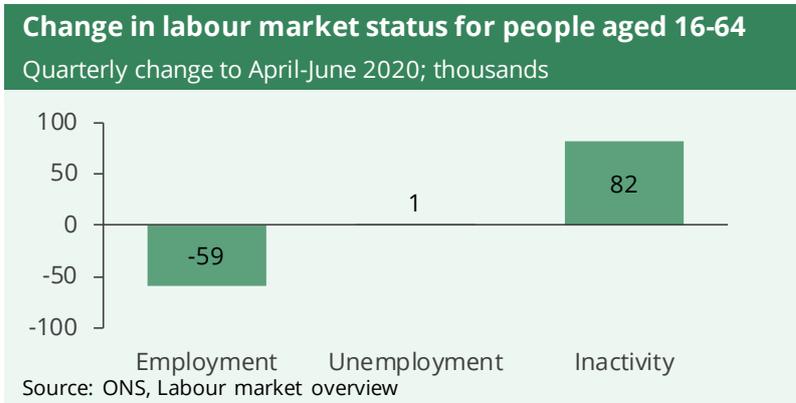
### A shift to 'inactivity'

The pandemic has not yet had an impact on unemployment statistics, although it has clearly affected the labour market.

As the chart below shows, between January to March and April to June employment decreased, and economic inactivity increased.

This means that not only are more people out of work, but more of them are not actively looking for work or are unavailable to start a job within the next two weeks.

This could be because fewer jobs are available, or because they are choosing not to look for work – for example, they may be a student, or too ill to work.



## Millions of employees are still furloughed

One of the reasons we have not seen an increase in unemployment is due to the Job Retention Scheme.

According to the latest [ONS Business Impact of Coronavirus survey](#), 12% of employees were furloughed between 27 July and 9 August, suggesting that millions of employees are currently still having part of their wages paid through the scheme.

From August onwards the level of the grant will be reduced each month, and the scheme is due to end on 31 October 2020. It remains to be seen how many furloughed employees will return to a job.

As a result, a rise in unemployment is expected to happen by the end of the year. The latest Treasury [survey of independent forecasts](#) suggests an average unemployment rate of 8.3% for October to December 2020. The unemployment rate was 3.9% from April to June.

## Eat Out to Help Out

Throughout August the [Eat Out to Help Out Scheme](#) is running to protect jobs in the hospitality sector, alongside the [temporary VAT cut to 5%](#).

As of 16 August, 85,000 individual restaurants had registered for the scheme, with a total of 35 million meals subsidised at a total cost of £180 million.

Press reports were [positive about take up](#) of the scheme by customers during the first week. However, some in the industry reported concerns the scheme had simply [shifted dining patterns](#) to earlier in the week. Businesses also reported concerns about [maintaining demand](#) once the scheme comes to an end on August 31.

## Some sectors are showing a recovery

Overall, retail continued to recover in July. Sales increased by 3.6% compared to June, and were higher than their pre-coronavirus levels in February, as well as being higher than in July 2019.

The manufacturing and services sectors continued to show recovery. The Purchasing Managers Indexes for both sectors show growth with increased consumer spending and a boost to hotels and restaurants from the Eat Out to Help Out Scheme. However, the commentary published with the Indexes raised concerns about the sustainability of recovery, as businesses are cutting costs and employment is falling.

The ONS suggests that [the opening of restaurants is a potential reason why food store sales contracted in July 2020](#), compared to the previous month. Monthly sales in food stores fell by 3.1% in July, although they remained at a higher level than before the pandemic.

# Headline UK Economic Indicators, August 2020

<b>Gross Domestic Product:</b> Q1 2020, Seasonally Adjusted		
Change (real %)	-20.4 (qtr)	-21.7 (yr Q1 19-Q1 20)
<b>Industries</b>		
<b>Service output:</b> 3 months to June 2020		
Change (%)	-19.9 (qtr)	-21.2 (yr)
<b>Manufacturing output:</b> 3 months to June 2020		
Change (%)	-20.2 (qtr)	-22.0 (yr)
<b>Productivity:</b> Q2 2020		
<b>Output per hour</b>		
Change (%)	-2.5 (qtr)	-3.0 (yr)
<b>Inflation:</b> July 2020		
Change on year (%)	1.0 (CPI)	1.6 (RPI)
<b>Labour Market:</b> Apr-Jun 2020, Seasonally Adjusted		
<b>Unemployment</b>		
Unemployment Rate (% of economically active)		3.9
Change (% points)	0.0 (qtr)	0.0 (yr)
<b>Employment</b>		
Employment Rate (% aged 16-64 in work)		76.4
Change (% points)	-0.2 (qtr)	0.3 (yr)
<b>Interest Rate:</b> as of 6 August 2020		
Bank of England Base Rate		0.1 (%)
<b>Public Finances:</b> 2019/20		
Net borrowing	57 (£ bn)	2.6 (% GDP)
Net debt	1,806 (£ bn)	88.0 (% GDP)
<b>Trade:</b> Q1 2020		
Current Account	-21.1 (£ bn)	-3.8 (% GDP)
<b>Sterling Exchange rate:</b> 26 August 2020		
US Dollar (\$)	1.32 (rate)	7.4% (% change on yr)
Euro (€)	1.12 (rate)	1.8% (% change on yr)
<b>EC Economic Sentiment Indicator for UK:</b> July 2020		
Points (1990-2012 average = 100)		75.5
Change (points)	+10.3 (mth)	-18.1 (yr)
<b>Retail Sales:</b> July 2020, Seasonally Adjusted, 3 month average		
Quantity of retail sales (volume)		-4.1 (% change on yr)
<b>Housing Market:</b> April 2020, Seasonally Adjusted		
<b>House Price Index (ONS)</b>		
Change (%)	-0.2 (mth)	2.6 (yr)

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

## Headline Indicators summary

**GDP** in the UK fell by 20.4% in April-June 2020 compared to the previous quarter. This compares to a contraction of 12.1% in the Eurozone in Q2 2020.

**Services output** was down by 21.2% in the three months to June 2020 compared to the previous year. **Manufacturing output** fell by 22.0%.

**CPI inflation** was 1.0% in July 2020, up from 0.6% in June. Inflation in the Eurozone was 0.4% in July, up from 0.3% in June.

The Bank of England's Monetary Policy Committee (MPC) **left interest rates unchanged at 0.1%** on 6 August, the lowest they have ever been, following a cut from 0.25% on 19 March.

**Average wages** excluding bonuses were 0.2% lower in the three months to June 2020 compared with the year before. CPI inflation for this period was 0.7%.

32.92 million people were in **employment** in April-June 2020, up 113,000 from a year before. The **employment rate** was 76.4%, up from 76.1% the previous year.

1.34 million people were **unemployed** in April-June 2020, a slight increase from the year before. The **unemployment rate** was 3.9%. The UK harmonised unemployment rate for Q1 2020 was the 13<sup>th</sup> lowest of the 36 OECD countries.

**Productivity** across the whole UK economy fell by 2.5% in Q2 2020 compared with the previous quarter. Compared with the previous year, it was down by 3.0%.

**Government borrowing** in April-July 2020 was £150 billion, £128 billion more than in the same period in 2019. At the end of July 2020, public sector net debt was equivalent to 100.5% of GDP, up from 80.1% at the end of June 2019.

The UK had a **trade surplus** of £18.8 billion in the three months to June 2020, compared with a £1.2 billion deficit 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** was flat (-0.0%) between June and July, following a fall of 0.3% between May and June.

The volume of **retail sales** increased by 6.1% in the three months to July 2020 compared with the previous three months, and fell by 4.1% compared with the previous year.

**House prices** increased by 2.6% in the year to April 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

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## 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

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# A1: Gross Domestic Product

Economic growth fell by 20.4% in April-June 2020 compared to the

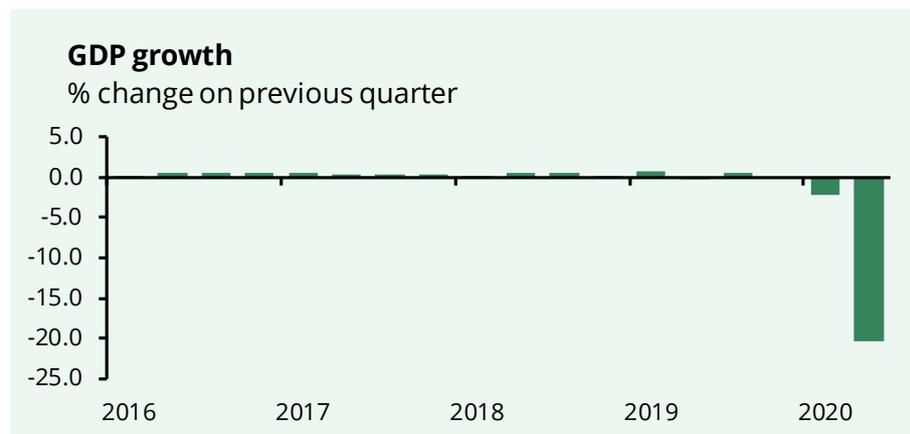
Real Gross Domestic Product seasonally adjusted		
	% change on qtr	% change on yr
2017	...	1.9
2018	...	1.3
2019	...	1.4
2019 Q2	-0.2	1.4
Q3	0.5	1.3
Q4	0.0	1.1
2020 Q1	-2.2	-1.7
Q2	-20.4	-21.7

Source: ONS, series: IHYP, IHYQ, IHYR

16.9% and construction by 35.0%.

Looking at month-on-month growth, GDP grew by 8.7% in June, following growth of 2.4% in May. This followed a fall of 20.0% in April. (Monthly figures are more volatile than quarterly estimates.)

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



## Forecasts

In their July [Fiscal sustainability report](#), the Office for Budget Responsibility (OBR) forecast a fall in growth in 2020 of between 10.6% and 14.3%.

The Treasury's August 2020 [survey of independent forecasts](#) for GDP growth showed an average forecast of -10.1% for 2020 and 6.5% for 2021.

Annual GDP growth forecasts (%)		
	2020	2021
HM Treasury average of independent forecasts (Aug 20)	-10.1	6.5

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

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

This was the biggest fall in quarterly GDP on record.

All the headline sectors provided a negative contribution to growth in April-June. The services sector fell by 19.9%, production by

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## Updates

ONS, [GDP monthly estimate](#), 11 September 2020

ONS, [GDP national accounts](#), 30 September 2020

HM Treasury, [Forecasts for the UK economy](#), 16 September 2020

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

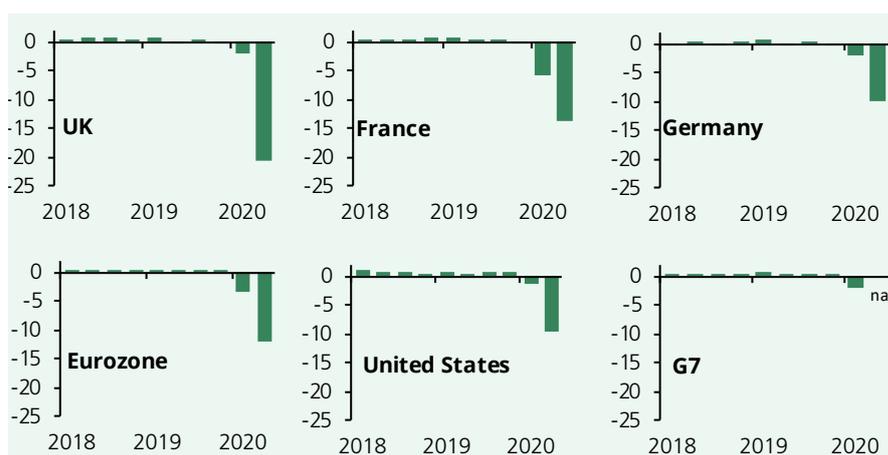
## A2: GDP International

UK GDP fell by 20.4% in Q2 2020, compared with the previous quarter.  
Eurozone GDP fell by 12.1%, while US GDP declined by 9.5%.

GDP growth								
% change in real GDP								
	% change on previous quarter				% change on a year ago			
	Q3 19	Q4 19	Q1 20	Q2 20	Q3 19	Q4 19	Q1 20	Q2 20
	UK	0.5	0.0	-2.2	-20.4	1.3	1.1	-1.7
Eurozone	0.3	0.0	-3.6	-12.1	1.4	1.0	-3.1	-15.0
USA	0.6	0.6	-1.3	-9.5	2.1	2.3	0.3	-9.5
Japan	0.0	-1.9	-0.6	..	1.8	-0.7	-1.9	..
Germany	0.3	0.0	-2.0	-10.1	0.8	0.4	-2.2	-11.7
France	0.2	-0.2	-5.9	-13.8	1.6	0.8	-5.7	-19.0
G7	0.4	0.0	-2.0	..	1.7	1.3	-1.3	..
OECD	0.4	0.2	-1.8	..	1.7	1.6	-0.9	..

Sources: OECDstat, ONS

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



### 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
<b>World</b>	<b>-4.9</b>	<b>5.4</b>	<b>-4.6</b>	<b>4.0</b>

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

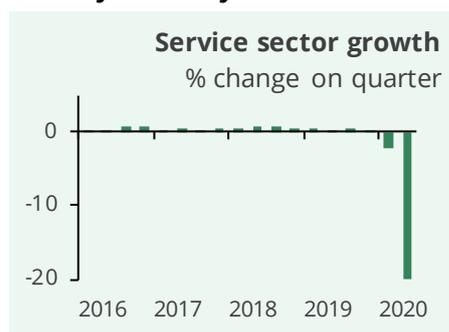
IMF, [World Economic Outlook](#), Oct 2020

## 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 20.4% in real terms in Apr-Jun 2020 compared to the previous quarter (Jan-Mar), as the economic effects of the coronavirus pandemic were felt. GDP fell by 20.0% in April, and then grew by 2.4% in May and 8.7% in June.

### GDP by Industry



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

In Apr-Jun 2020, service sector output fell by 19.9%. In April alone it fell by 18.5%. It grew by 1.5% in May and 7.7% in June.

Manufacturing output was down 20.2% over the quarter; it was down 24.6% in April, up 8.3% in May and 11.0% in June. Manufacturing is part of the wider production sector, which saw a fall of 16.9% over the quarter (down 20.4% in April, up 6.2% in May and 9.3% in June). Construction sector output was down 35.0% on the quarter (down 40.2% in April alone, and then up 7.6% in May and 23.5% in June).

### 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 Apr-June 2020, household consumption was down 23.1% on the quarter. Government

consumption was down 14.0% and investment was down 25.5%. Exports were down 11.3% and imports were down 23.4%.

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 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
2020 Q1	-2.9	-4.1	-1.1	-13.5	-9.4	-2.2
Q2	-23.1	-14.0	-25.5	-11.3	-23.4	-20.4

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

Note: \* annual % change

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### Updates

ONS, [GDP monthly estimate](#), 11 Sept 2020

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

ONS, [GDP first quarterly estimate, UK](#), 12 Nov 2020

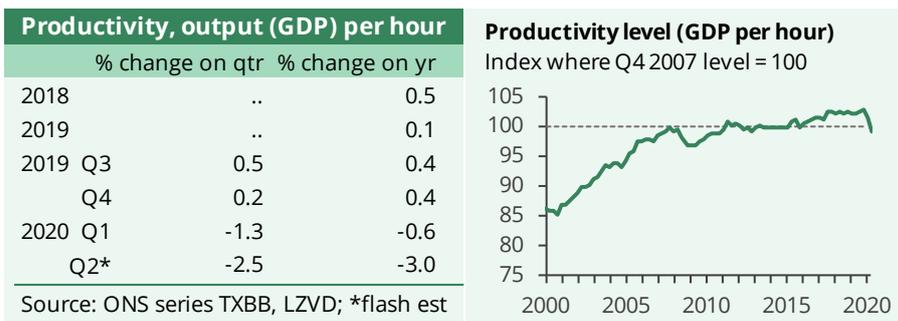
# A4: Productivity

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

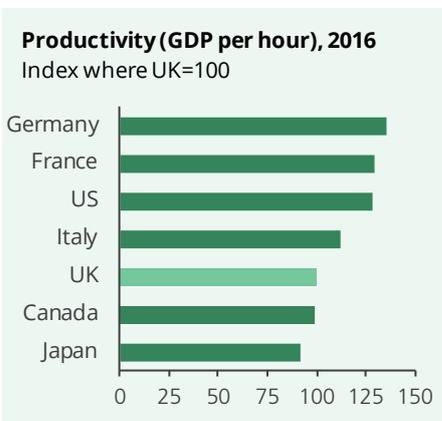
In Q2 2020, [productivity fell by 2.5%](#) compared with the previous quarter. Compared with a year ago (Q2 2019), productivity fell by 3.0%. The effects of the coronavirus outbreak present [significant challenges](#) in the measurement of productivity. This likely means [underlying productivity trends](#) 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 Oct 2020

ONS, [UK productivity flash estimates](#), 12 Nov 2020

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

## A5: Services

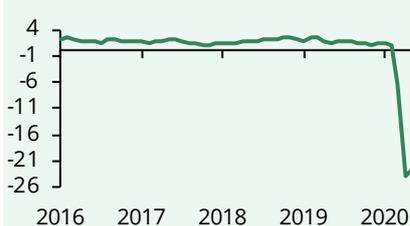
The service industries include the retail sector, the financial sector, the public sector, business administration, leisure and cultural activities.

In 2019, the service industries accounted for 80% of total UK economic output (Gross Value Added). Services accounted for 81% of workforce jobs in April-June 2020.

### Services Output

There was a rise of 7.7% in the Index of Services between May and June 2020.

**Output - Index of Services**  
% change on previous year

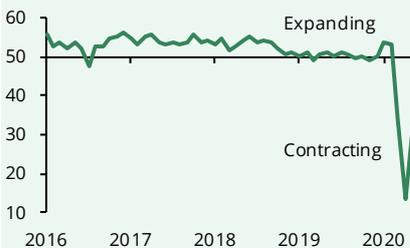


There was a fall of 19.9% in services in the three months to June 2020 compared with the three months to March 2020, the largest contraction in three-monthly movements since records began in January 1997.

In the three months to June 2020, compared with the three months to June 2019, services output decreased by 21.2%, again a record contraction.

### Purchasing Managers' Index (PMI)

**UK Services PMI**  
50 = no change



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

The UK services flash PMI was 56.5 in July 2020, compared with 47.1 in June. This signalled the

fastest pace of expansion in five years. However, survey respondents noted that output had risen from a very low base and would take time to recover to pre-pandemic levels. Employment fell in June and concerns were raised about low underlying demand.

Services Output Index			PMI Index		
	Index	% change on yr		Index	Change on mth
2018	103.7	2.0	2018 Jul	53.5	
2019	105.5	1.8	2019 Jul	51.4	
2020 Apr	80.1	-23.8	2020 May	29.0	15.6
May	81.2	-22.7	Jun	47.1	18.1
Jun	87.5	-17.1	Jul	56.5	9.4

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

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

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

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

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#### Update

ONS, [Index of Services](#),  
11 September 2020

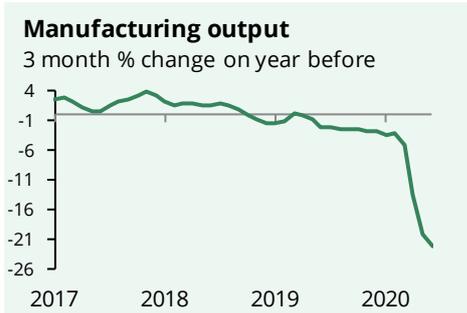
Markit/CIPS, [UK Services PMI](#), 21  
August 2020

# 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 March 2020, it accounted for 8% of jobs.

## Manufacturing Output



Total manufacturing output for the three months to June 2020 (Q2) fell by 20.2%, compared with three months to March 2020 (Q1). This is the largest fall since records began.

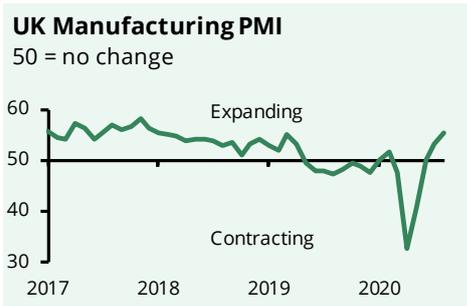
For the three months to June 2020, manufacturing output decreased by 22.0%, compared with the three months to June 2019. Monthly manufacturing output in June rose by 11.0% compared to May. Of the 13 subsectors, 12 displayed upward contributions.

**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 compared to the previous month. Values above 50 indicate an expansion, and values below 50 a contraction.



The flash manufacturing PMI for August 2020 was 55.3, a rise of 2.0% on the July level and above the neutral 50.0 value for the third month running.

The recovery from the low point in Q2 2020 continued with manufacturing output in August increasing at the steepest pace since April 2014. This was driven by strong expansions of production volumes and incoming new work. However, the latest data indicated a steep and accelerated fall in employment.

### Subject Specialist

Gloria Tyler, x2432

### Update

ONS, [Index of Production](#), 11 September 2020

Markit/CIPS, [Flash UK Composite PMI](#),

1 September 2020

Manufacturing output index			PMI Index				
	Index	% change on yr		Index	Change on mth		
2017	102.5	2.5	2018	Aug	53.0		
2018	103.4	0.9	2019	Aug	47.4		
2020	Apr	71.9	-13.3	2020	Jun	50.1	9.4
	May	77.9	-20.0		Jul	53.3	3.2
	Jun	86.4	-22.0		Aug	55.3	2.0

Source: ONS, series [K22A](#), [K2JE](#)

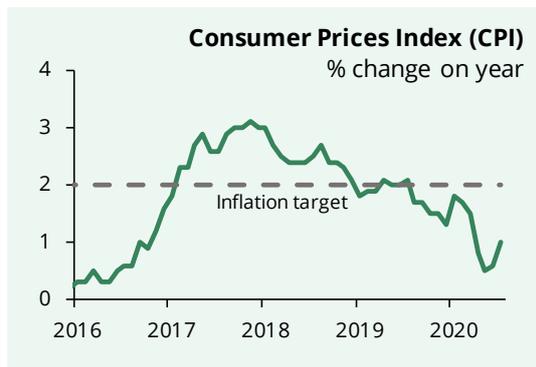
Source: [Markit/CIPS UK Manufacturing PMI](#)

# B1: Inflation

The Consumer Prices Index (CPI) is the main measure of inflation. It is produced in line with international standards and is the measure used for the Bank of England’s 2% inflation target. The Retail Prices Index (RPI) is no longer classified as a National Statistic as the way it is calculated does not meet international standards. It is included here as it is well-known and is the longest running measure of inflation.

The CPI inflation rate was 1.0% in July 2020, up from 0.6% in June.

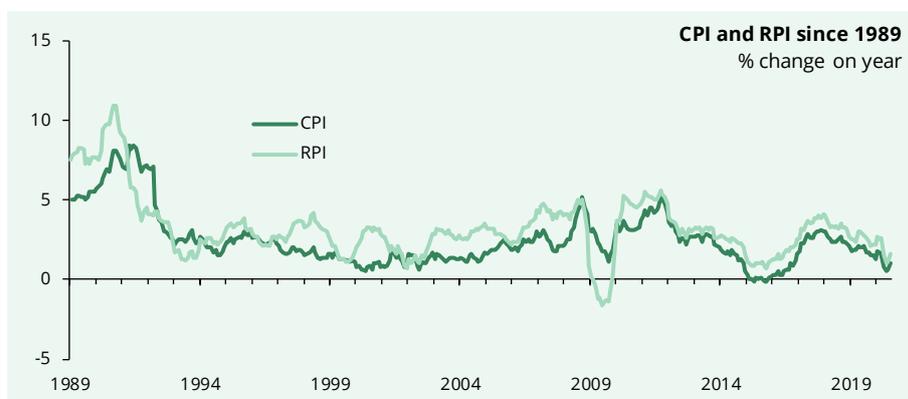
The RPI inflation rate was 1.6% in July 2020, up from 1.1% in June.



Upward contributions to the CPI rate came largely from clothing, petrol and furniture and household goods, partly offset by falls in the price of food.



Price indices			
% change on a year ago			
		CPI	RPI
2017	Jul	2.6	3.6
2018	Jul	2.5	3.2
2019	Jul	2.1	2.8
2020	May	0.5	1.0
	Jun	0.6	1.1
	Jul	1.0	1.6

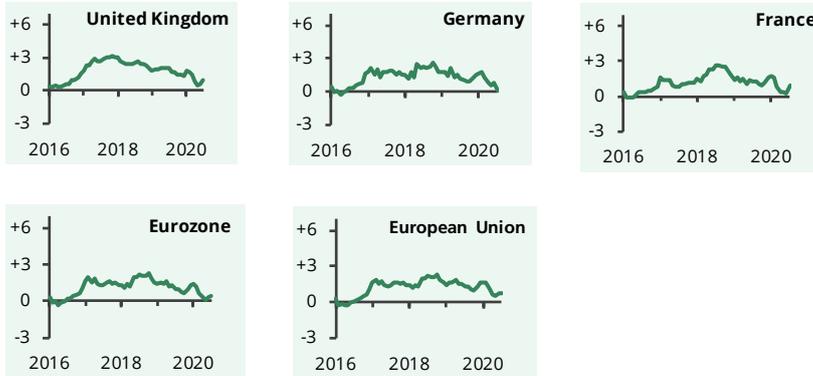


**Subject Specialist**  
 Daniel Harari  
 x2464

**Update**  
 ONS, [Consumer price inflation](#), 16 September 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 1.0% in the year to July, up from 0.6% in June. UK inflation was 2.1% in July 2019.

EU inflation was 0.8% in July up from 0.7% in June. EU inflation was 1.3% in July 2019.

Inflation in the Eurozone was 0.4% in the year to July, up from 0.3% in June. Eurozone inflation was 1.0% in July 2019.

In Germany, inflation was 0.0% in July, down from 0.8% in June; in France inflation was 0.9% in July, up from 0.2% in June.

Hungary had the highest inflation rate in the EU in July (3.9%). The lowest inflation rate was in Greece (-2.1%).

Inflation rates: selected countries						
Annual % change in consumer prices (HICP)						
	2017	2018	2019	May 20	Jun 20	Jul 20
UK	2.7	2.5	1.8	0.5	0.6	1.0
Eurozone	1.5	1.8	1.2	0.1	0.3	0.4
European Union	1.6	1.8	1.4	0.5	0.7	0.8
France	1.2	2.1	1.3	0.4	0.2	0.9
Germany	1.7	1.9	1.4	0.5	0.8	0.0

Source: ONS, Eurostat

All European Union figures exclude UK.

### Subject Specialist

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### Update

ONS, [Consumer Prices bulletin](#) (UK), 16 Sep

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

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

## B3: Average Earnings

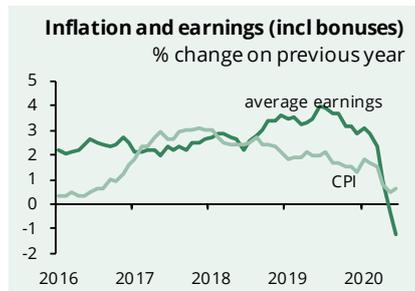
In April 2019 median gross weekly earnings for full-time employees in the UK were £585, up 2.8% on April 2018. Adjusted for inflation, median earnings for full-time employees increased by 0.7%.

Timelier but less detailed data show average weekly earnings for all employees in Great Britain decreased by 0.2% excluding bonuses in the three months to June 2020 compared with the previous year. Average weekly pay including bonuses decreased by 1.2%.

Inflation as measured by the CPI averaged 0.7% over the same period. After adjusting for inflation, average weekly earnings excluding bonuses were 1.0% lower than the previous year and average pay including bonuses were 2.0% lower.

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

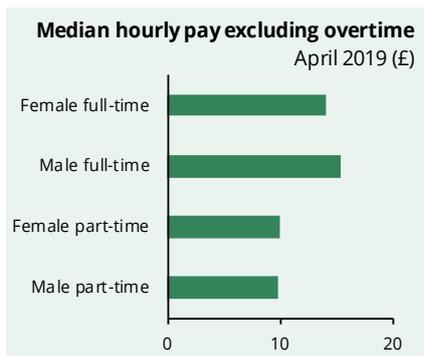
Annual % change in average earnings (incl bonuses) Great Britain, employees only			
	Total	Private	Public
2018 Jun	2.2	2.3	2.2
2019 Jun	4.0	3.9	4.0
2020 Apr	0.9	0.4	3.3
2020 May	-0.3	-1.2	3.7
2020 Jun	-1.2	-2.4	4.1

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

Source: ONS, Average Weekly Earnings series

Average weekly total pay (including bonuses) fell by 2.4% in the private sector and grew by 4.1% in the public sector in the three months to June 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

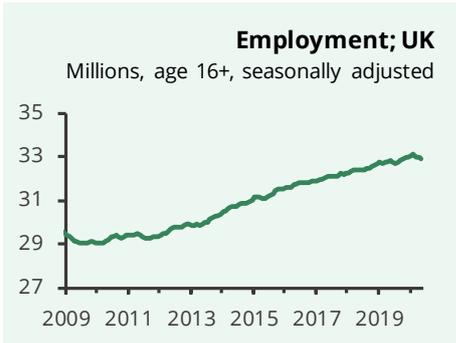
ONS, [Labour Market Statistics](#),  
15 September 2020

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

# C1: Employment

32.92 million people were in employment in April-June 2020. Employment was down 220,000 from the previous quarter but up 113,000 from the year before. This was the largest quarterly decrease since May-July 2009.

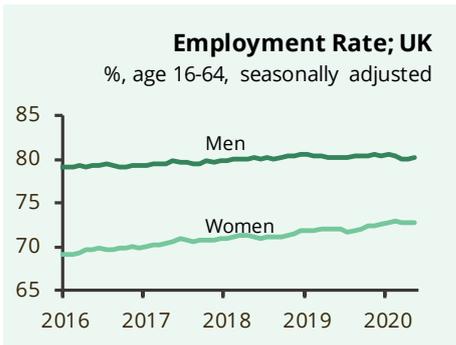
The employment rate (the proportion of the population aged 16-64 in work) was 76.4%, up from 76.1% a year previously.



15.71 million **women** were in work, down 85,000 from the previous quarter but up 157,000 from a year ago. The female employment rate was 72.8%. Increases in the rate over recent years are partly due to changes to the State Pension age for women.

17.22 million **men** were in work, 135,000 less than the previous quarter and 44,000 less than a year ago. The male employment rate was 80.2%.

The total number of people working **full-time** in April-June 2020 increased by 144,000 from the previous quarter and increased by 489,000 from the year before to 24.60 million.



*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](#).*

**Part-time** employment decreased by 364,000 from the previous quarter and decreased by 377,000 from the year before to 8.33 million.

The number of people in **self-employment** was down 238,000 from the previous quarter and down by 197,000 from the year before to 4.76 million. 28.02 million people were working as **employees**, up 52,000 from the last quarter and up 347,000 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
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
Apr-Jun	2019	32,811	76.1	17,263	80.1	15,548	72.1	3,810	55.1
Jan-Mar	2020	33,144	76.6	17,354	80.4	15,790	72.9	3,823	55.6
Apr-Jun	2020	32,924	76.4	17,219	80.2	15,705	72.8	3,723	54.2
Change on qtr	Level	-220	-0.2	-135	-0.3	-85	-0.1	-100	-1.4
	%	-0.7%		-0.8%		-0.5%		-2.6%	
Change on yr	Level	113	0.3	-44	0.0	157	0.7	-87	-0.9
	%	0.3%		-0.3%		1.0%		-2.3%	

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

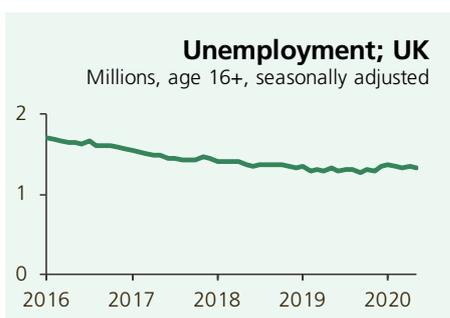
## Updates

ONS, [Labour Market Statistics](#),  
15 September 2020

## C2: Unemployment

There were 1.34 million unemployed people in the UK in April-June 2020, 10,000 fewer than the previous quarter but slight increase from the year before.

The unemployment rate was 3.9% (the percentage of the economically active population who are unemployed). This is unchanged since the previous quarter and the previous year. The rate reached a post-recession high of 8.5% in late 2011.

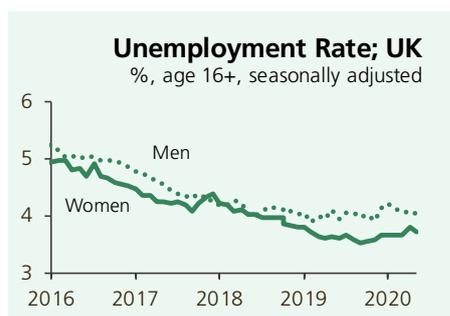


543,000 young people aged 16-24 were unemployed, up 28,000 from the previous quarter and up 41,000 from the year before. The unemployment rate for 16-24 year olds was 12.7%, up from 11.6% a year before.

729,000 men were unemployed, down 15,000 from the previous quarter and down 11,000 from the year before.

608,000 women were unemployed, slight increase from the previous quarter and up 20,000 from a year ago.

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



227,000 people had been unemployed for over 12 months, 68,000 less than the previous quarter and 115,000 less than a year ago.

Age		Total		Men		Women		Youth	
		000's	%	000's	%	000's	%	000's	%
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
Apr-Jun	2019	1,329	3.9	740	4.1	589	3.6	502	11.6
Jan-Mar	2020	1,348	3.9	745	4.1	603	3.7	516	11.9
Apr-Jun	2020	1,338	3.9	729	4.1	608	3.7	543	12.7
Change on qtr	Level	-10	0.0	-15	-0.1	5	0.1	28	0.9
	%	-0.7%		-2.0%		0.9%		5.4%	
Change on yr	Level	9	0.0	-11	0.0	20	0.1	41	1.1
	%	0.7%		-1.5%		3.4%		8%	

Source: ONS Labour Market Statistics, A05, A06

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

**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

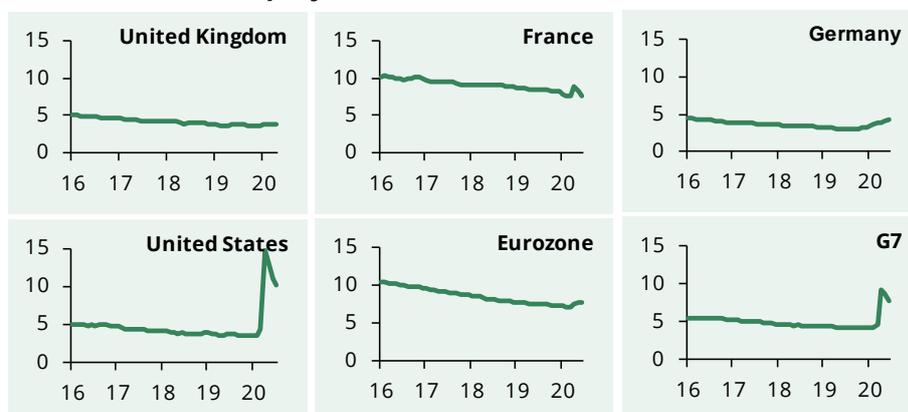
### Updates

ONS, [Labour Market Statistics](#),  
15 September 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 **Q1 2020** was 3.9%. This was slightly above the rate of the US (3.8%), below that of France (7.7%) but above that of Germany (3.6%). The UK rate was the 13<sup>th</sup> lowest of the 36 OECD member countries.

Some countries have seen a large rise in their unemployment rates due to the coronavirus pandemic. The unemployment rate for the Eurozone increased from 7.3% to 7.7% in **Q2 2020**, while in the G7 increased from 4.3% to 8.6%. The Q2 figure for the UK has not yet been published.

Greece had the highest unemployment rate out of the OECD member states for Q1 2020 (15.5%) followed by Spain at 14.0%. 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 2020 youth unemployment was 33.4% in Greece, 32.2% in Spain and 28.2% in Italy. UK youth unemployment stood at 11.6%.

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	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	3.0	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	3.6	9.0	2.4	3.9	3.8	7.3	4.3	5.3
	Q2	13.0	8.2	4.1	8.0	2.8	..	13.0	7.7	8.6	8.3
	Change on qtr	6.7	0.5	0.5	-1.1	0.3	...	9.2	0.4	4.3	3.0
	Change on yr	7.4	-0.3	1.0	-2.0	0.4	...	9.4	0.1	4.3	3.0

Source: OECD, Harmonised Unemployment Rates

### Subject Specialist

Andy Powell  
x6962

### Next Update

OECD, [Harmonised Unemployment Rates](#),  
9 September 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 6 August, 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 kept at a total of £745bn.

In March the Bank announced a series of emergency measures in response to Covid-19. **Interest rates were cut in two stages to 0.1%** - the lowest they have ever been. On [11 March](#) they were cut from 0.75% to 0.25% and then again to 0.1% on 19 March. On [19 March](#), the MPC also **expanded its quantitative easing (QE) programme by**

**£200 billion**, taking the total value of assets it can own to £645 billion. On [18 June](#), the MPC **expanded QE by a further £100 billion**, taking the [total](#) to £745 billion.

The MPC also [introduced a number of other schemes](#). This includes some designed to provide cheap loans to banks, so they have additional capacity to lend to businesses. For more, see section 4.2 of the Library briefing paper, [Coronavirus: Economic impact](#).

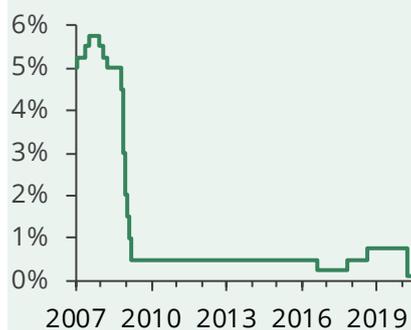
## United States (Federal Reserve)

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 29 July.

## Eurozone (European Central Bank)

At its 16 July meeting, the ECB left policy unchanged, with its main interest rates unchanged at 0.0% and -0.5% (for overnight deposits from banks). 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](#) its pandemic response 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.

UK official interest rate



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 at its 18 June and 6 August meetings.

QE consists of the Bank creating new money electronically and then using it to purchase financial assets, mostly government bonds.

See Library briefing [Coronavirus: Economic impact](#)

## Subject Specialist

Daniel Harari  
x2464

**Updates – next scheduled monetary policy meetings**

UK ([17 Sep](#))  
US ([16 Sep](#))  
ECB ([10 Sep](#))

## 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	40	1.9%	1,774	80.7%
2019/20	57	2.6%	1,806	88.0%

Sources: ONS, OBR. Excludes public sector banks

Government borrowed £150 billion between April and July 2020 according to the ONS’s provisional estimate. This is £128 billion more than during the same period of 2019/20. The unprecedented level of borrowing reflects the effects of the coronavirus pandemic.

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 July 2020, public sector net debt exceeded £2 trillion for the first time and was equivalent to 100.5% of GDP. A year ago, at the end of July 2019, the debt-to-GDP ratio was 80.1% of GDP. The debt-to-GDP ratio last exceeded 100% in the financial year ending March 1963.

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

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.

### 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](#), 25 September 2020

## D3: Financial Indicators

### FTSE-100 Index

#### FTSE-100 Index

Daily closing price



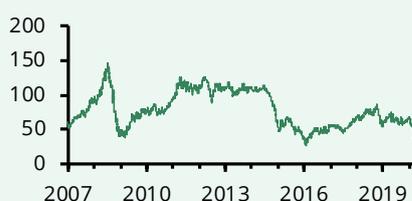
The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. In 2020, the index has fallen dramatically, as global share prices fell amid fears of the impact of the coronavirus. The FTSE closed at 4,993.89 on 23 March, the index's lowest level since October 2011,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

rallied and closed at 6,484.30 on 5 June, its highest level since early March. On 30<sup>th</sup> July, it fell below 6,000 for the first time since late May.

### Brent Crude Oil

#### Brent Crude Oil (\$ per barrel)

Daily closing price of Brent crude, near-month futures contract



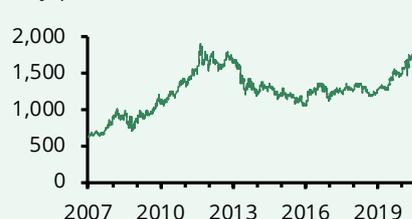
The price of Brent crude oil reached an all-time high above \$145/barrel in July 2008. In January 2016, the price fell below \$30/barrel for the first time in over ten years, though climbed in late 2016, after OPEC agreed to its first supply cut since 2008. Recently, the price has fallen dramatically,

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 \$45.70/barrel on 5 August, its highest since early March.

### 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, falling to \$1,049/ounce in December 2015. Recently, despite some turbulence following the coronavirus outbreak, the price has been rising

steadily and passed \$2,000/ounce for the first time in August 2020, closing at a record high of \$2,067/ounce on 7 August.

#### Data from 20 August 2020

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
20 Aug 2020	6013.34	44.69	1981.00
%change over:			
1-month	-4%	4%	10%
12-months	-16%	-25%	32%

Note: Oil is Brent near-month futures price

Source: Financial Times

#### Subject Specialist

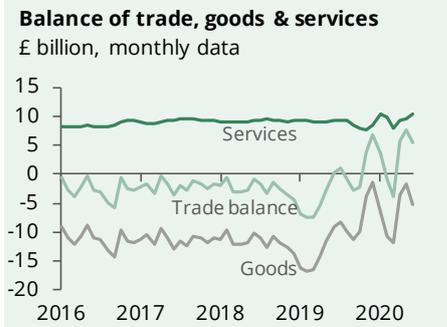
Daniel Harari  
x2464

#### 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.



The UK generally 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 £105 billion on trade in services in 2019. The overall trade deficit was £24 billion in 2019.

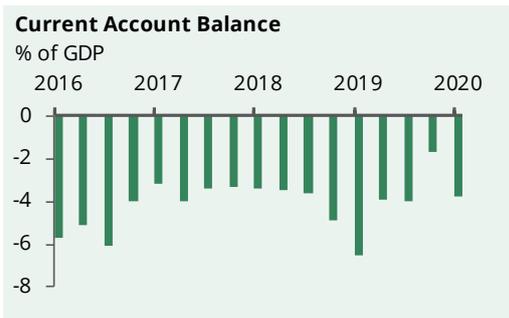
The UK had a trade deficit with the EU of £72 billion in 2019 and a trade surplus of £48 billion with non-EU countries.

The trade surplus with all countries increased sharply to £18.8 billion in the three months to June compared with a £1.2 billion deficit in the previous three months. Exports decreased by 12% over this period. Imports decreased by 24% (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 balance	
	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 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%
Q2	141.1	122.3	18.8	..	..

Source: ONS, series: IKBH, IKBI, IKB, 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](#),  
11 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 was flat (-0.0%) between June and July following a fall of 0.3% between May and June. Compared with the same period a year ago, it is 1.2% higher. It is 27.0% below its January 2007 peak level.

### Sterling Exchange Rate (SERI)

Jan 2005=100



On average in July compared with June, the pound rose by 1.3% against the dollar, following a rise of 1.8% 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 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.

Sterling was down 0.6% against the Euro on average in July compared to June, following a fall of 1.3% between May and June. On 25 March, the pound was valued at €1.07, its lowest value against the Euro since March 2009.

Latest closing prices:  
\$1.31 per £1  
€1.11 per £1  
(On 4 August 2020)

### € /£ 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
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 May	1.23	-4.2%	1.13	-1.8%
Jun	1.25	-1.2%	1.11	-0.9%
Jul	1.27	1.8%	1.11	-0.5%

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 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.

## Monthly index value

long-term average (1990-2012) = 100



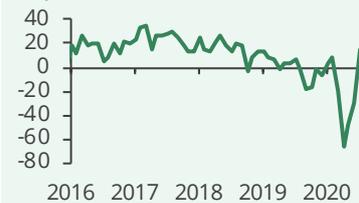
## European Commission Economic Sentiment Indicator

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

Between June and July 2020, the overall UK sentiment index rose by 10.3 points to 75.5, its highest level since March.

## Future output expectations

% balance expecting improve/deterioration



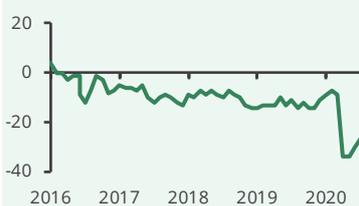
## CBI Industrial Trends Survey

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 +15% of manufacturers, increasing from -30% to a positive figure for the first time since February.

## Consumer confidence index

GfK Overall Index Score



## 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.

The index was -27 in August, unchanged from July.

### Subject Specialist

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### Update

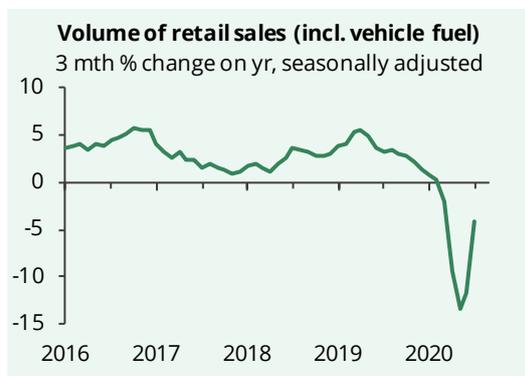
EC, [Economic Sentiment Indicator](#), 28 August 2020

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

GfK, [Consumer Confidence](#), 25 September 2020

## F2: Retail Sales

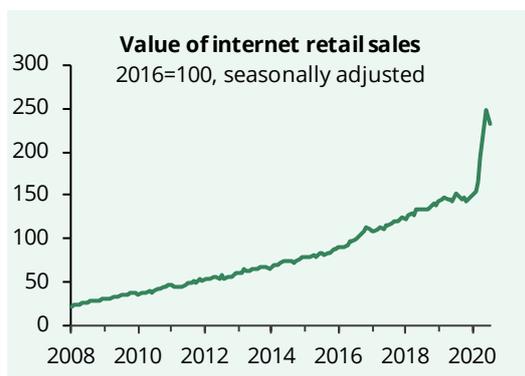
In July 2020, [retail sales in the UK](#) totalled £7.8 billion per week, up from £7.5 billion in June. This figure includes money spent in shops, supermarkets, in petrol stations and online.



Over the year, the volume of retail sales fell by 4.1%. Between June and July, the quantity of retail sales rose by 3.6%, compared with an increase of 13.9% between May and June.

Sales are now 4.4% above pre-pandemic levels, but sales in non-food stores has

not fully recovered. Food store sales fell 3.1% in July compared to June but are still above pre-pandemic levels (February 2020). The volume of sales in food stores in the three months to July 2020 was up 5.0% on the same period last year. The volume of sales in non-food stores was down 21.6% compared to last year.



The average weekly value of **internet sales** was £2.3 billion in July 2020, up 52.9% on the year.

This was 28.1% of all retail sales, down from 31.1% in June 2020. 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. They have now been over 28% of all retail sales since April, reflecting changes in shopping habits as a result of the coronavirus pandemic. Online sales in July were 50.4% higher than in February 2020.

<b>Volume of retail sale</b>				
Index 2016=100, seasonally adjusted				
		Food	Non-food	Total
2018	Jul	102.7	103.6	105.4
2019	Jul	102.7	105.3	109.3
2020	May	108.8	61.4	93.9
	Jun	108.8	89.0	107.0
	Jul	105.5	97.8	110.8
3m % change on yr		5.0	-21.6	-4.1

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

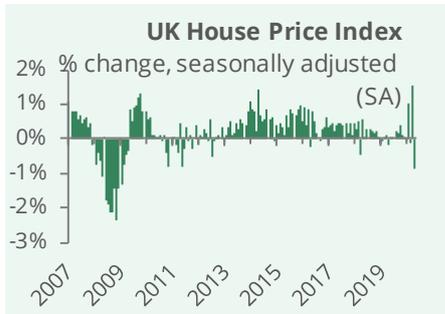
Georgina Hutton  
x2454

### Updates

ONS, [Retail Sales](#),  
18 September 2020

## F3: Housing Market

The housing market has slowed as a result of the coronavirus pandemic and the public health measures taken to slow its spread.



**House prices**, as measured by the UK House Price Index, increased by 2.6% between April 2019 and April 2020. On a seasonally adjusted basis house prices decreased by 0.9% between March 2020 and April 2020.

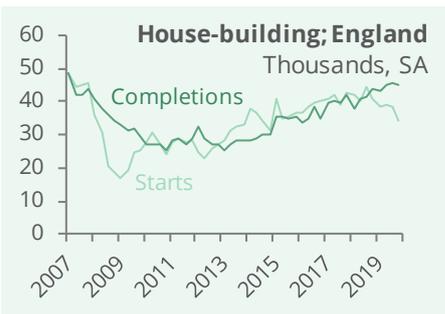
House prices grew at different rates across the UK's countries and regions over the year to April 2020. House prices grew fastest in Wales (5.0%) and the East Midlands (4.7%). House prices fell in the North East by 2.3%.

House prices grew at different rates across the UK's countries



Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales. In May 2020, **mortgage approvals** fell to their lowest level since records began in 1993. Approvals increased in June 2020 but are still 46% lower than they were in

February 2020. Even before the coronavirus pandemic, mortgage approvals were down on levels seen before the 2007-2009 financial crisis.



**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.

### Subject Specialist

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### Updates

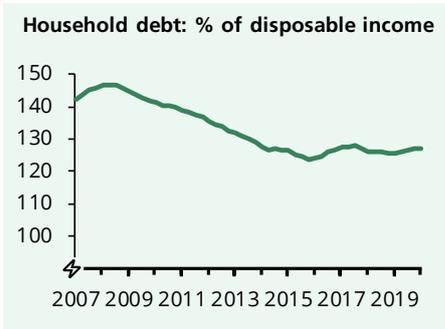
HM Land Registry, [UK house price index](#), 2 September 2020

Bank of England, [Money and credit](#), 1 September 2020

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

## F4: Household Debt

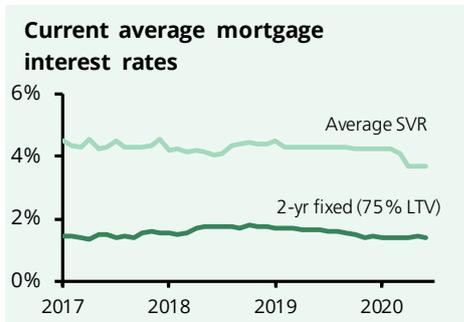
### Household debt as a % of disposable income



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%.

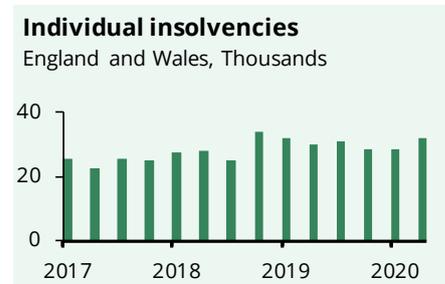
### Current average mortgage interest rates



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

The average 2-year fixed mortgage rate was 1.41% in June 2020, down 0.23% points on the year.

### Individual insolvencies, England and Wales



There were 32,153 individual insolvencies in England and Wales in Q2 2020, up by 3,406 on the previous quarter. This is the largest increase since the current series began in 2010.

The Q2 2020 level is 6.9% more than the level in Q2 2019.

In Scotland, there were 2,082 individual insolvencies in Q2 2020, 41% lower than a year before.

In Northern Ireland, there were 358 individual insolvencies in Q2 2020, down 53% on the year.

#### Subject Specialist

Brigid Francis-Devine  
X4904

#### Updates

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

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

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

## 4. Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Market prices:** The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes.  $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non-deductible taxes on expenditure} - \text{subsidies received}$ .

**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
<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>

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