RESEARCH PAPER 00/41
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Economic Indicators

This Research Paper summarises some of the main economic indicators currently available for the UK and gives comparisons with other major OECD countries on selected indicators.

This month's article: Rover - the story so far

Laura Bardgett

ECONOMIC POLICY AND STATISTICS SECTION

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I Contacts for further information

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Wages & earnings	Andrew Presland/Bob Twigger	2464/4904

A comprehensive guide to the subject coverage of specialists in the Research Service is available from the Library – *Who Does What in Research*.

II Rover - the story so far

This article gives a brief account of how the Rover Group has gone from State ownership, as part of British Leyland, to its sale by BMW as a £2 million-a-day loss-making company. It looks at Rover's performance over recent years and the reaction to the news of the sale to Alchemy. The chart attached at the end illustrates the complex set of mergers, consolidations and sell-offs that have led to the current situation.

1. Nationalisation and Private Ownership

British Leyland was formed in 1968 and brought together almost all British owned carmakers in the UK. During the early seventies productivity was very low, there were workforce problems and no new models were developed. Due to the importance placed on the car industry, particularly the number of jobs at stake, the Government provided some financial assistance. However, by 1974 it was clear that a more radical approach was needed and as the result of a report by Sir Don Ryder, the decision was made to take the company into public ownership. The Government bought out virtually all the shareholders and transferred British Leyland to the National Enterprise Board. It also committed a further £750 million in investment to renew capital equipment.

Despite a change of management, productivity continued to fall, and there remained major workforce issues, including opposition to new machinery. The number of cars produced in 1979 was actually 15% less than in 1978.[1] Unit costs rose as a result of increased fuel and material costs and rising labour costs. This all lead to an increase in car prices that put more pressure on BL's shrinking market share.

In spite of receiving £2.9 billion of government money in the ten years to 1987, it seemed that nationalisation was not the hoped for turning point of BL.[2] It was decided to try to dispose of the group and so by the mid-eighties some of the more successful parts of the business (including Jaguar to Ford) had been sold.

In early 1986 Ford made an attempt to buy Austin Rover, as BL was by now called. The Government were involved in exploratory discussions with Ford but on 6 February 1986 the then Secretary of State for Trade and Industry, Paul Channon, announced that the possibility of a sale would not be pursued.[3]

The eventual sale of Rover to British Aerospace [BAe] was first announced on the 1st March 1988 and later confirmed on the 29 March[4]. In the statement Lord Young announced that the

[1] William Ashworth, The State in Business, 1945 to mid 1980's Page 149
[2] *ibid.* page 150
[3] HC Deb 6 February 1986 c461
[4] HL Deb 29 March 1988 c598

government had agreed to inject £800 million into Rover Group, in return, £1.1 billion of Rover's trading losses would be cancelled and BAe had to pay £150 million for Rover's assets.

The cash injections from the Government, which had become known as 'sweetners', were the subject of an investigation by the European Commission. This investigation eventually led, after much wrangling, to a revised agreement between the Government and BAe - dated 25th May 1993 - involving the repayment of various `State Aids'. Under the agreement, BAe had to repay £57.6 million including £11 million in connection with privatisation costs and buying out minority shareholders; £33.4 million representing interest `earned' through deferred payment for Rover; and £13.2 million interest on the first two sums since they were incurred and the date of the agreement.

Another important part of the initial sale package, at least politically speaking, was that under the agreement BAe was not allowed to relinquish control over either Rover or Land Rover for five years without incurring a financial penalty. This period ended in August 1993 and was soon followed by the announcement that Rover would be sold to BMW.

This sale was officially announced in a statement in the House on 31 January 1994 by the then Minister for Trade, Tim Sainsbury.[5] BAe sold their 80% share in Rover to BMW for £800 million. The remaining 20% was owned by Honda. Rover had a 20% stake in Honda, which was later sold back to Honda by BMW.[6]

The last chapter in BMW's ownership of Rover began with a report in a German newspaper - Suddeutsche Zeitung which claimed that following loses of £2 million a day in 1999, BMW were set to dispose of Rover Cars. This was confirmed on 16 March 2000 when BMW announced that it was selling the Rover car brands - the 25, 45 and the new 75 models, the old Mini and the MGF sports car - to Alchemy, a venture capitalist group. Alchemy is paying a maximum of up to £50 million for the assets and the brands it is buying. BMW will assume responsibility for current liabilities and write-off over £1.9 billion of debt following the sale.

The following day BMW announced that it was also selling the profitable Land Rover division to Ford. This deal is likely to be about £2 billion.[7] BMW are meanwhile holding on to the new Mini.

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5 HC Deb 31 January 1994 c 615-6

6 BAe originally paid £150 million for its share in Rover. It then increased the book value by £850 million 'goodwill' and invested over £1 billion. When Rover was sold to BMW for £850 million - £450 million below book value - BAe wrote off the original £850 million good will and emerged with a book profit of £400 million. ('The BMW/Rover Deal: Rover ownership contentious to the end', *Financial Times,* 1 February 1994.)

7 BMW in talks with Ford over £2 bn Land Rover sale, *Financial Times*, 17 March 2000

2. Rover's Performance

Despite previous hopes that BMW would be the great saviour, productivity problems have persisted and the company made losses of £158 million in 1995; £119 million in 1996; £92 million in 1997; £642 million in 1998 and £750 million in 1999.[8]

The Economist Intelligence Unit carries out an annual productivity audit of the world's car plants.[9] This ranks car factories according to car output-per-worker. The world's most efficient car factory is Daewoo's Changwon plant in South Korea, which produces 165 vehicles per employee per year. The highest ranked UK plant is Nissan's plant in Sunderland, which produces 105 vehicles per employee per year. The highest non-Japanese UK plant is Ford's at Dagenham, which produces 61 vehicles per employee per year. According to a report in the press, the figure for the Rover Longbridge plant is 30.[10]

The strength of the sterling has also added to Rover's problems putting pressure on exports and adding to the competitiveness of other company's imports. The latest FT Exporter survey reported that Rover exported £523 million less in 1998 than in 1997.[11]

BMW blamed the strong pound as one of the factors behind the decision to sell Rover. Professor Millberg, BMW's chairman said:

> The policy of the British government meant that the position of Rover became even more of a problem. To talk about price harmonisation in the industry and to backtrack on joining the euro and do nothing about the strong pound was totally unhelpful. [12]

As Rover traditionally sourced much of its components from UK suppliers, the strong pound not only meant that car exports were not competitive but also that they lost any advantage from importing parts at a good exchange rate. However while there is no denying that the pound is strong, the proportion of car production that was exported in 1999 was actually higher than in 1998, 64% compared to 58%.[13]

A further setback was the protracted negotiations over Government subsidies. Following months of talks between BMW and the Government an aid deal was announced in June 1999[14]. In return for £152 million in public funds, (£129m Regional Selective assistance and £23m from Birmingham City Council) BMW pledged to spend £3.3 billion on Rover to ensure UK production of such models as the Mini.

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8 HL Deb 29 March 2000 WA75
9 Published in EIU, *Motor Business International*, October 1999
10 *The Guardian*, Ton-up for Nissan car plant: Productivity soars in Sunderland but Longbridge languishes near the bottom of European table, 18 August 1999
11 *Hard year for all but the fittest: FT Exporter*, The Financial Times, 9 March 2000
12 Rover Goes to the Scrap Heap, *The Sunday Times*, 19 March 2000
13 SMMT UK Economic and Market Report, 2000, Number 1
14 DTI Press release, *Rover deal heralds new approach to state aid for industry*, 23 June 1999

However under EU rules state aid in the motor industry can only be given if it can be shown that without the aid, the project would move outside the EU. The EU Commission expressed doubts over the mobility of the project and was not convinced that there was an economically viable alternative outside the EU. Originally BMW said that they had investigated a site in Hungary as an option. The Commission announced on 22 December 1999 that they were launching a formal investigation into the subsidy.[15] This investigation was set to take a number of months and added considerably to the uncertainty surrounding Rover's future.

All these factors and the loss of consumer confidence in the Rover brand are reflected in the declining share of Rover in the UK car market. Rover's share has of the market halved over the last five years. In 1999 alone Rover's market share of new registrations fell by over a quarter from 8.6% to 6.5%. Data showing Rover's share of the UK market by both production and by new registrations is shown in the table below. The data covers cars, not commercial vehicles. Land Rover is excluded from 'Production' but included in 'Registrations'

Rover
UK Market Share

	Production	New Registrations
1994	26.6%	12.8%
1995	24.4%	12.3%
1996	22.3%	10.9%
1997	23.2%	10.0%
1998	18.8%	8.6%
1999	12.6%	6.5%

Source:SMMT Motor Industry of GB

3. Government Reaction and Regional Impact

Details are still sketchy as to what the future holds for Longbridge. Alchemy's John Moulton has said that the newly formed MG Car Company will get out of the mass and medium market and concentrate on producing sports cars with aluminium chassis and plastic bodies, using production methods similar to those used by Lotus. By 2005 he envisages that around 4,000 workers will be producing about 40,000 cars.[16]

Union leaders have estimated that up to 50,000 jobs depend on the Longbridge plant, with 9,000 employed directly and a further 40,000 likely to be affected indirectly.[17] According to the West Midlands branch of the Confederation of British Industry, around 2,200 local

[15] Commission Press Release, ip/99/1038, *Commission opens investigation into regional aid and approves training aid for Rover's Longbridge plant (UK)*, 22 December 1999
[16] Ambitious vision for 'the English patient', *The Financial Times*, 17 March 2000
[17] Longbridge at Risk: The Threat to Rover, *The Economist*, 11 March 2000

companies are in the supply chain for automotive manufacturing and many of these depend heavily on Longbridge.[18]

The Government described the decision by BMW as 'a major disappointment'[19] and was clearly angry about the lack of consultation. According to the Independent on Sunday, Alastair Campbell, the Prime Minister's official spokesman, said: [20]

> If a company acts as secretively as this it is difficult to know what could have been done. If they had been more open we might, just might, have been able to help them. We don't think this is the way a serious company should behave with a serious country.

Stephen Byers made the following statement in reply to a Parliamentary Question:[21]

> **Mr. Byers:** BMW's recent decision to divest itself of elements of the Rover Group was a commercial one. The Government is determined to help the people, communities and businesses respond to BMW's decision.
>
> On Thursday 23 March I met the Chairman of BMW AG, Professor Milberg, and his senior management, impressing upon them the need for BMW's continuing involvement. After a useful and constructive discussion, BMW has agreed to look at ways to try to maximise job retention and at how the company might work with the recently established Task Force to promote the regeneration of Longbridge and the other sites affected.
>
> During my visit to the region on 17 March I announced the establishment of a Task Force, headed by Alex Stephenson, Chairman of Advantage West Midlands, the Regional Development Agency. The Task Force membership includes people from key organisations concerned with regenerating the economy of the affected parts of the West Midlands. I asked it to report to me within six weeks.
>
> The Task Force will:
>
> Assess the impact of any reduction in activity at Longbridge on the people, businesses and communities of the region;
>
> Advise on the public and private resources needed to help deal with the consequences, and
>
> Draw up proposals for action by local partners and by central government.
>
> I announced that £129 million of government funding would be available to support projects in the region aimed at dealing with the consequences of BMW's decision.

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[18] Dismay as possible sale of Rover, *Financial Times*, 15 March 2000

[19] DTI Press Release 2000/185 *BMW Decision 'Major Disappointment' - Byers*, 16 March 2000

[20] Three weeks, a fortnight, nine days ago, BMW said the future was rosy: Longbridge workers fought hard for their company, *Independent on Sunday*, 19 Mar 2000

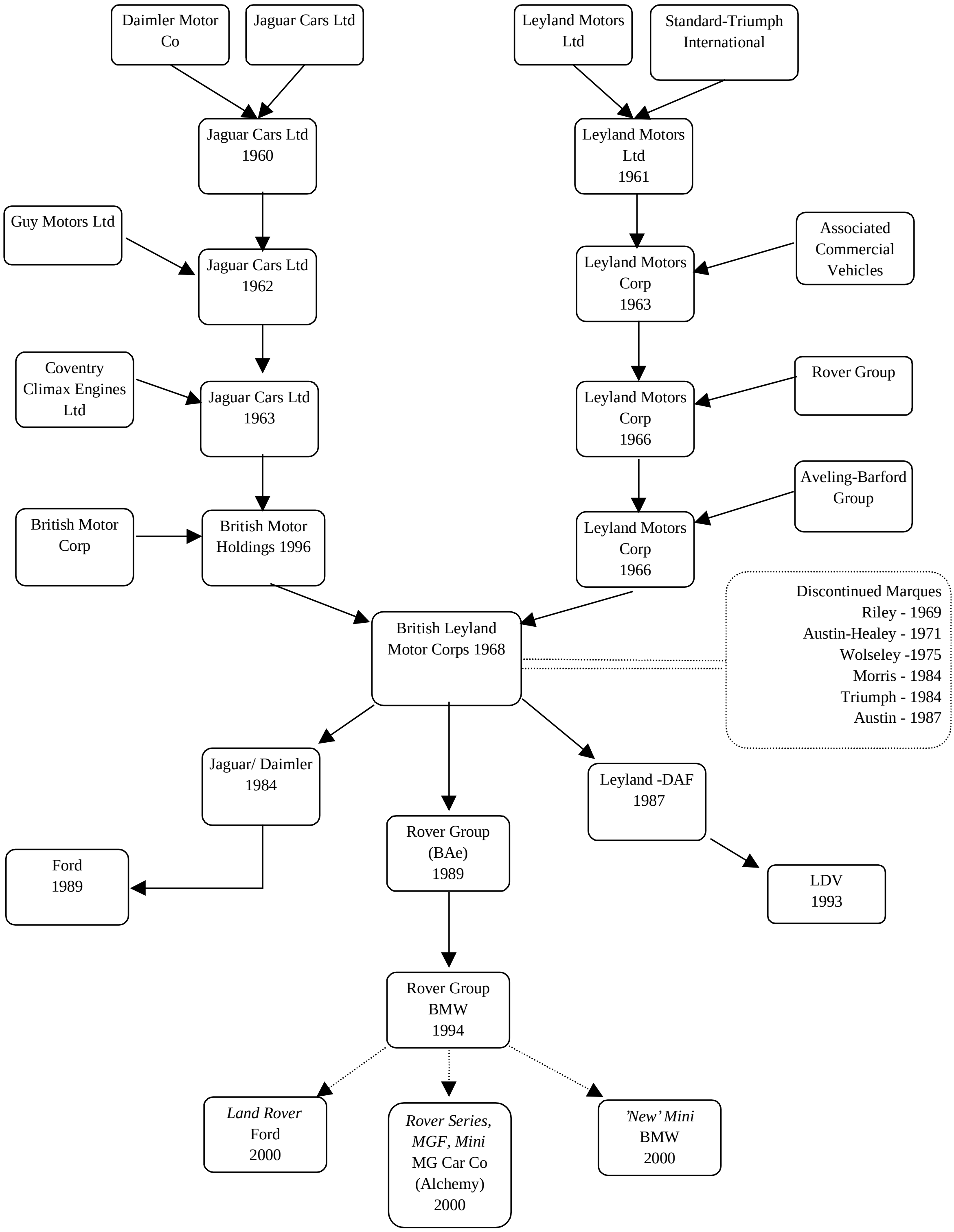
[21] HC Deb 28 March 2000 c110w

> The Employment Service is setting up a Rapid Response Unit at Longbridge to help deal with any redundancies. This will involve establishing a job shop to give advance notice about job vacancies, careers advice and benefits, a fast-track claims process for employees who were made redundant, and access through the local TEC to training to meet the needs of the employees.
>
> The Task Force has also made contact with the 98 leading suppliers to Rover and expects to have an analysis of their situation later this week. In addition it is contacting the remaining suppliers, including second and third tier suppliers. A hotline for handling queries from suppliers and from individual employees affected is also being established.
>
> The Task Force has also held preliminary discussions with BMW about the future of the Longbridge site and will be holding further discussions with BMW, Alchemy and Ford about future intentions so far as employment is concerned, about the site and development issues.
>
> The Government have also raised with BMW a range of other issues including their plans in relation to other sites and plants and the concerns of the network of dealers.

The Trade and Industry Select Committee are conducting an inquiry into the sale. The Inquiry started this week with a trip to Longbridge and continues with evidence from the Unions, BMW, Rover dealers and the Government.

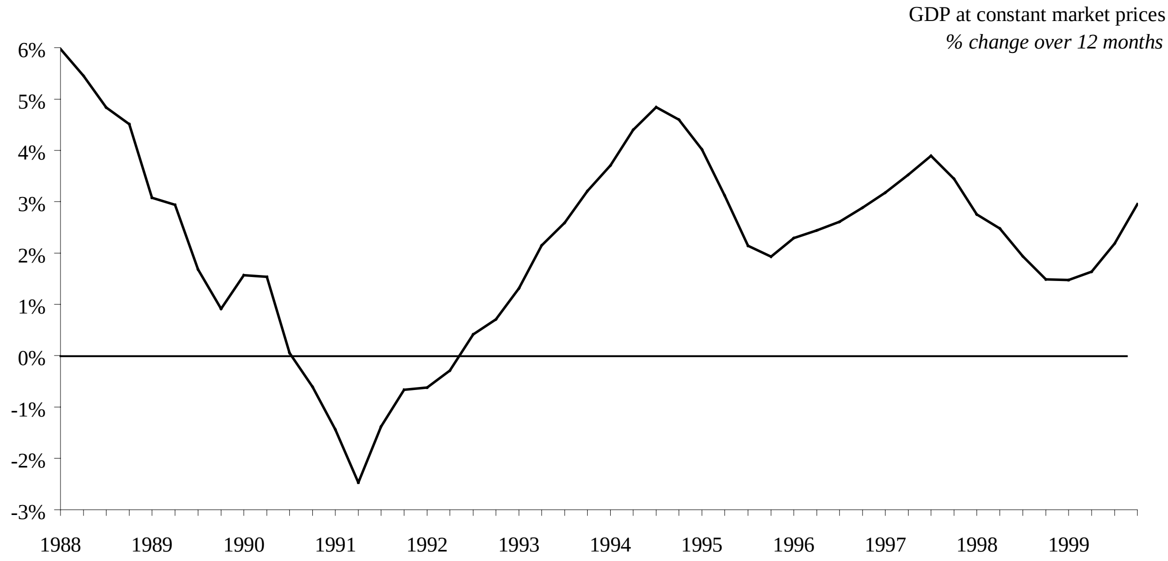
For further information please contact Laura Bardgett on ext. 3977

Changing Composition of the British Car Industry 1960 to 2000



Sources: *Financial Times* 17 March 2000,and *The Multinationals* by Christopher Tugendhat, 1971

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

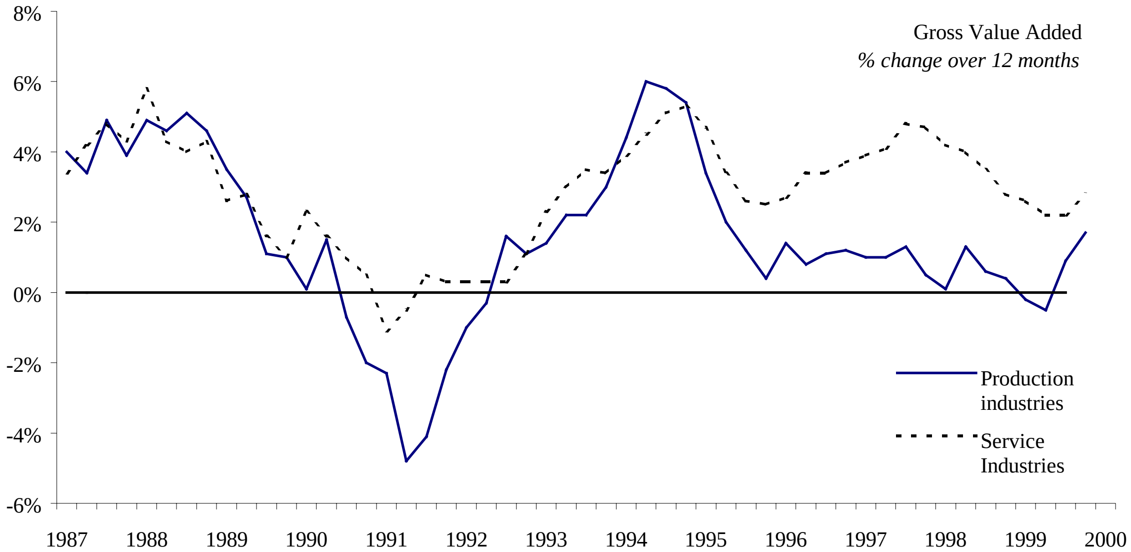
	GDP at current market prices *£ billion*	GDP at constant market prices *12 month change*	HH consumption at constant market prices *12 month change*	Non-Oil GVA at constant basic prices *12 month change*
1997	803.9	3.5%	4.0%	3.5%
1998	847.2	2.2%	3.1%	2.6%
1999	889.9	2.1%	4.0%	1.8%
1998 Q4	215.4	1.5%	2.3%	1.8%
1999 Q1	216.8	1.5%	3.6%	1.5%
Q2	220.8	1.6%	3.8%	1.4%
Q3	224.7	2.2%	3.9%	1.8%
Q4	227.6	3.0%	4.5%	2.5%

Source: ONS Database series YBHA, AMBI, ABJR, GDPT & GDPU

- Gross domestic product (GDP) at 1995 market prices is estimated to have risen by 0.8% in the fourth quarter of 1999 to a level 3.0% above the same quarter in 1998. The growth rate for the calendar year 1999 is estimated at 2.1%. The quarterly rate of GDP growth has increased sharply since the fourth quarter of 1998 when the economy was close to stagnation.
- In the year to the fourth quarter of 1999 net trade continued to exert a significant negative impact on GDP growth despite a 5.9% increase in export volumes. The year-on-year growth rate of 3.0% represented a positive contribution of 4.3 percentage points from the growth of domestic expenditure offset by a negative contribution of 1.3 percentage points from the net trade effect.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 3.1% in 2000 and 2.6% in 2001.

Next update: 28 April

A 2. Gross Value Added by Industry



Gross value added at 1995 basic prices
% changes on year; seasonally adjusted

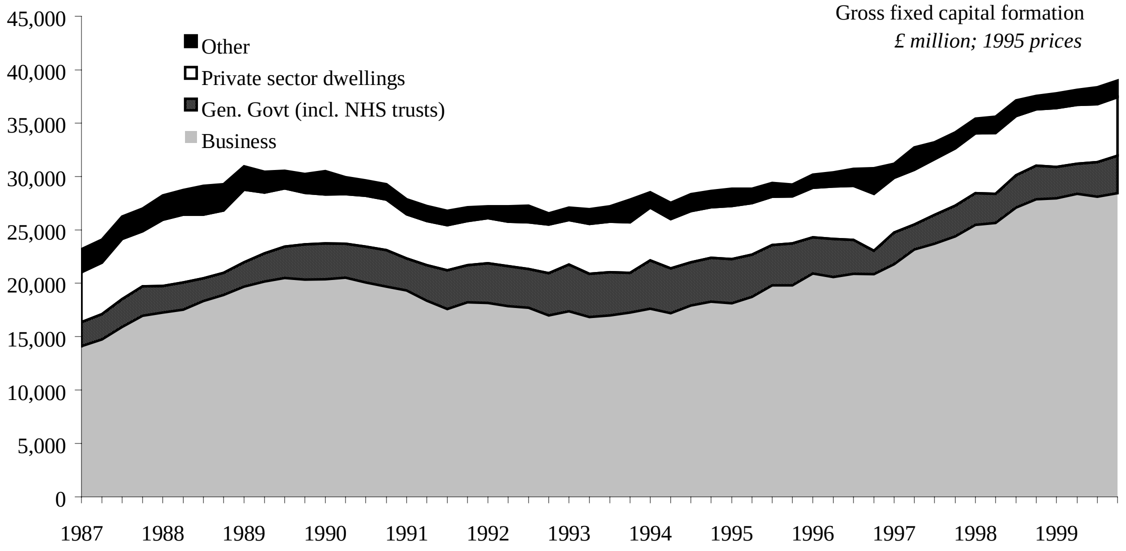
	Production industries Total	Production industries Manufac-turing	Services	Agriculture, hunting & fishing	Construction
1997	1.0%	1.3%	4.4%	1.5%	3.2%
1998	0.6%	0.3%	3.6%	-1.4%	1.3%
1999	0.5%	-0.1%	2.5%	2.9% ..	0.2% ..
1998 Q3	0.6%	0.3%	3.5%	-1.4%	0.6%
Q4	0.4%	-0.5%	2.8%	-1.0%	-1.3%
1999 Q1	-0.2%	-1.2%	2.6%	3.5%	-3.2%
Q2	-0.5%	-1.2%	2.2%	2.1%	0.6%
Q3	0.9%	0.4%	2.2%	2.6%	1.4%
Q4	1.7%	1.8%	2.8%	3.1%	2.1%

Sources: ONS database ERID, ERIT, GDRN, GDQV, GDQW, ERIE, ERIU,GDSI, GDRQ, GDRR

- Since 1995 output has generally grown faster in the service sector than in other parts of the economy and is currently growing at an annual rate of around 2¾%. Between the third and fourth quarters of 1999 output in the service sector rose by 0.9%.
- Manufacturing output fell in the third and fourth quarters of 1998 and the first quarter of 1999. However output strengthened significantly in the second half of 1999 and in the three months to December was 0.4% higher than in the previous three months and 1.8% higher than in the same period in 1998. In the fourth quarter of 1999 output rose by 0.8% in the agriculture sector and by 0.6% in the construction sector.
- In 1998 manufacturing accounted for 20% of GVA, other production industries (mining & quarrying and electricity gas & water supply) for 4%, agriculture etc. for 1%, construction for 5% and services for 70%.

Next updates: 5 & 28 April

A 3. Investment



Gross fixed capital formation
£ million; 1995 prices; seasonally adjusted

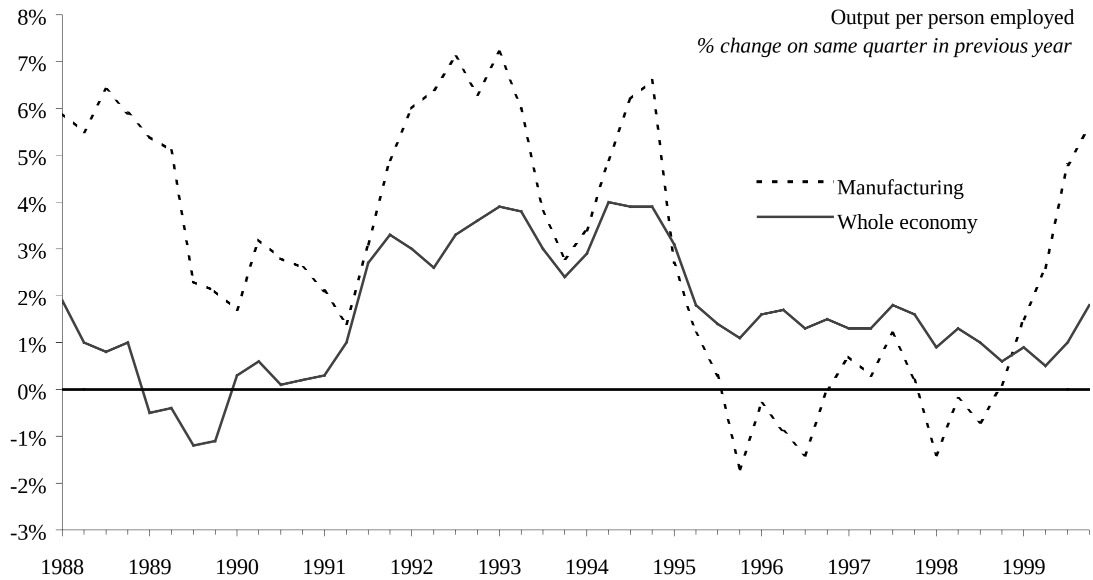
		Transport Equipment	Other Machinery & Equipment	Dwellings	Other Buildings & Structures	Intangible Fixed Assets	Total
1997		12,982	54,241	37,251	22,669	4,103	131,246
1998		14,308	62,895	40,114	23,824	4,574	145,715
1999		15,567	66,245	43,573	23,788	4,100	153,273
1998	Q4	3,643	16,366	10,681	5,698	1,172	37,560
	Q1	3,921	16,269	10,621	5,897	1,079	37,787
1999	Q2	3,990	16,412	10,748	5,949	1,021	38,120
	Q3	3,693	16,816	10,991	5,946	926	38,372
	Q4	3,963	16,748	11,213	5,996	1,074	38,994

Source: ONS database series DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets.
- Total investment rose 1.6% in real terms in the fourth quarter of 1999 to a level that was 3.8% above the same quarter in 1998.
- Business investment is GFCF by the private sector and public corporations (other than NHS trusts) on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings. Business investment rose by 1.1% in real terms in the fourth quarter of 1999 to a level that was 2% above the same quarter in 1998.

Next update: 21 May

A 4. Productivity



Productivity
% changes on year; seasonally adjusted

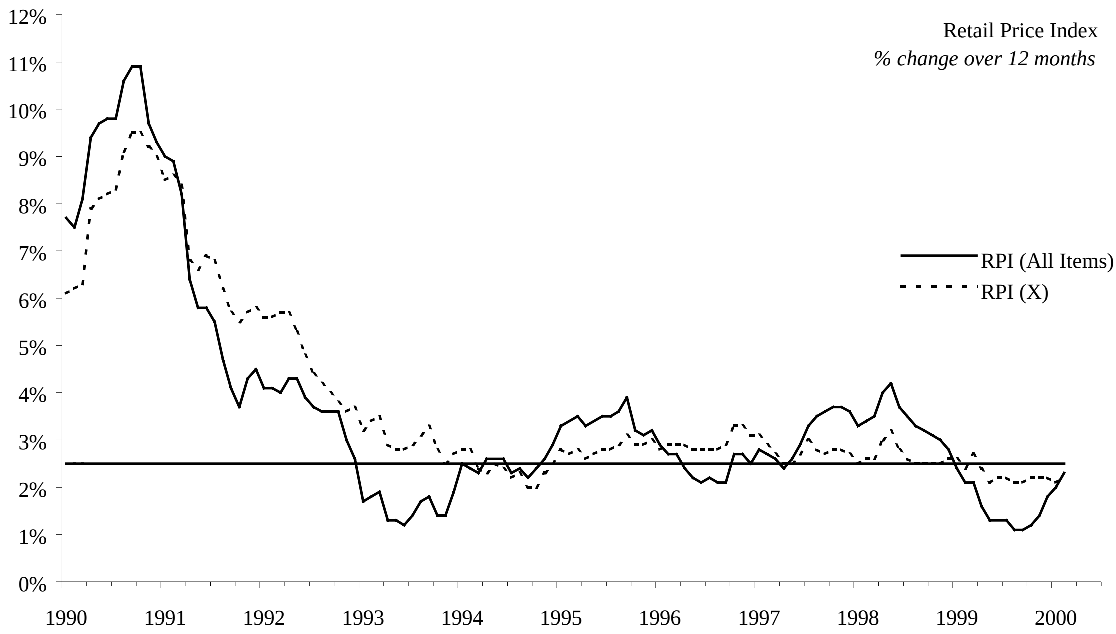
		Manufacturing			Whole Economy		
		Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1997		1.3	0.6	0.7	3.3	1.8	1.6
1998		0.3	0.9	-0.6	2.4	1.5	1.0
1999		-0.1	-3.5	3.6	1.8	0.8	1.0
1998	Q4	-0.5	-0.6	0.1	1.9	1.1	0.6
1999	Q1	-1.2	-2.7	1.5	1.6	0.6	0.9
	Q2	-1.2	-3.7	2.6	1.4	0.9	0.5
	Q3	0.4	-4.2	4.8	1.9	0.8	1.0
	Q4	1.8	-3.6	5.6	2.5	0.7	1.8

Source: ONS Database Series ETIR, LNNM, LNNN, GDPQ, LNNX, LNOK

- Output per head in the fourth quarter of 1999 was 1.8% higher compared to a year earlier.
- In the manufacturing sector, the fourth quarter saw positive output growth of 1.9%. This was accompanied by the continuing decline in manufacturing employment. The result is that annual productivity growth in manufacturing is gathering pace, and stands at 5.6% for the fourth quarter.
- For the economy as a whole, the slight fall in the rate of employment growth and the rise in overall output growth to 2.5% means that the annual rate of productivity growth reached 1.8% in 1999 Q4.

Next update: 19 April

B 1. Retail Prices



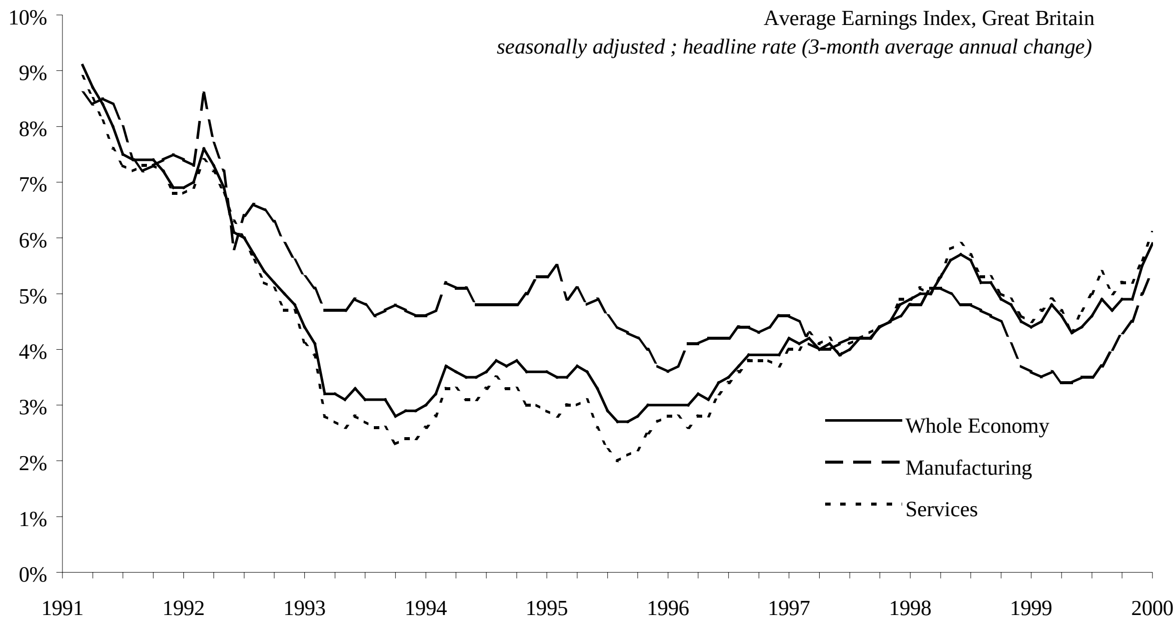
		% change on previous year	
		RPI All Items	RPI (X) Excluding mortgage interest
1997		3.1	2.8
1998		3.4	2.6
1999		1.5	2.3
1999	Feb	2.1	2.4
	Mar	2.1	2.7
	Apr	1.6	2.4
	May	1.3	2.1
	Jun	1.3	2.2
	Jul	1.3	2.2
	Aug	1.1	2.1
	Sep	1.1	2.1
	Oct	1.2	2.2
	Nov	1.4	2.2
	Dec	1.8	2.2
2000	Jan	2.0	2.1
	Feb	2.3	2.2

Source: ONS Series CHAW, CZBH, CHMK, CDKQ

- The current inflation target is 2.5%: if RPI(X) diverges from this target by more than 1 percentage point, the Governor of the Bank of England is required to send a letter to the Chancellor explaining the reasons for the divergence.
- The average annual increase in headline inflation for 1999 was 1.5%, a drop from 3.4% in 1998.
- In the year to February 2000 the headline rate of inflation rose to 2.3%, up from 2.0% in January.
- The main upward effect on the all items RPI came from increases in housing costs. This was mainly due to the increase in mortgage interest payments.
- Price changes for clothing, particularly men's outerwear and footwear also added to the upward pressure.
- Offsetting downward pressure came from price changes in household goods.

Next update: 18 April

B 2. Average Earnings



Average Earnings, Great Britain
seasonally adjusted

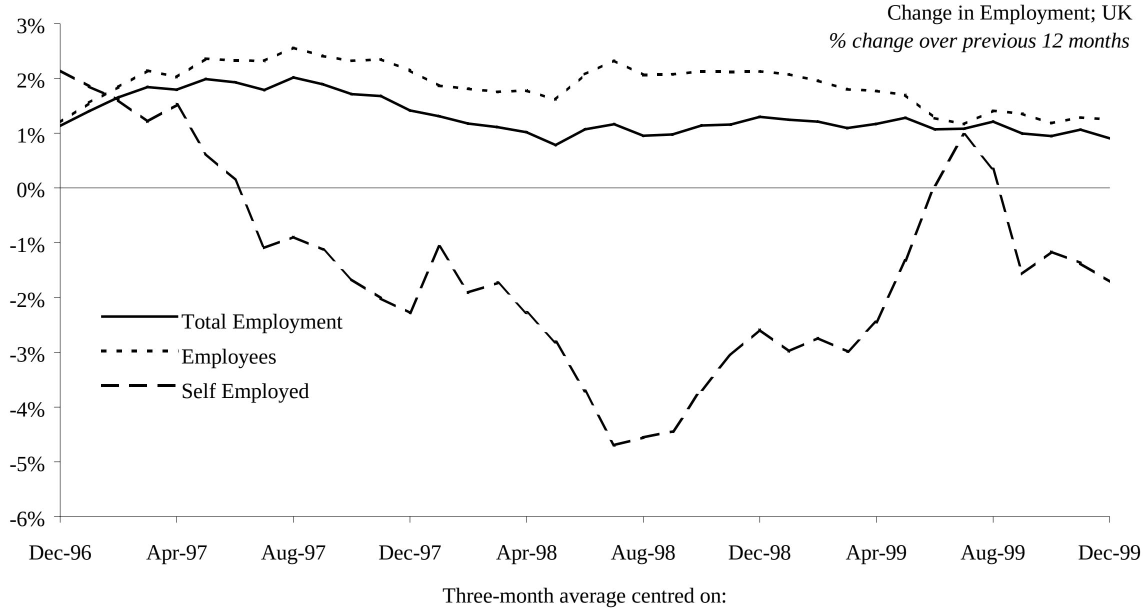
		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1999	Jan	4.4	4.6	3.6
	Feb	4.5	4.7	3.8
	Mar	4.8	4.9	4.1
	Apr	4.6	4.7	4.3
	May	4.3	4.2	4.5
	Jun	4.4	4.3	4.8
	Jul	4.6	4.6	4.6
	Aug	4.9	5.0	4.3
	Sep	4.7	4.8	3.9
	Oct	4.9	5.1	3.9
	Nov	4.9	5.2	3.9
	Dec	5.5	5.8	3.9
2000	Jan	5.9	6.3	4.0

Source: ONS database Series LNNC, LNND, LNNE

- Publication of the Average Earnings Index was suspended in November 1998 because of problems identified with the reliability of the data; it was re-published in March 1999. Work to improve the quality of the data is continuing.
- The headline rate of growth in average earnings for January was 0.4 percentage points above the level reached in December. The separate figure for the private sector increased by 0.5 percentage points whereas that for the public sector went up by 0.1 percentage points. Manufacturing and service industries both showed a rise in the rate of earnings growth. The increases are attributable partly to special payments over the Millennium period.
- Commenting on the latest earnings data, the Employment Minister, Tessa Jowell, said "stability and steady growth require wage stability across the public and private sectors".
- The headline rate of earnings growth is currently above 4½%, the level which many economists regard as the maximum consistent with meeting the inflation target of 2½%. This could provide pressure for the Bank of England to increase interest rates in forthcoming months.

Next update: 19 April

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

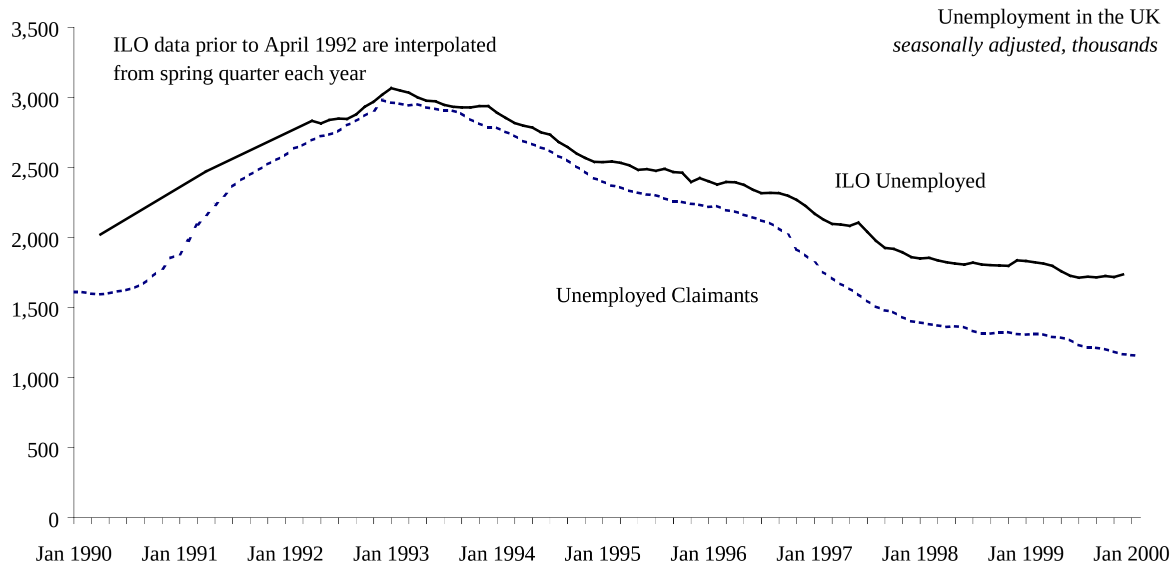
		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1995	Nov-Jan	26,286	22,599	3,302	124	261
1996	Nov-Jan	26,585	22,870	3,373	116	226
1997	Nov-Jan	26,962	23,361	3,296	96	209
1998	Nov-Jan	27,313	23,858	3,211	101	143
1999	Feb-Apr	27,358	23,910	3,188	102	159
	May-Jul	27,412	23,928	3,222	94	168
	Aug-Oct	27,478	24,076	3,133	106	164
	Nov-Jan	27,561	24,157	3,156	97	152
Changes:						
1998 Nov-Jan		248	299	-55	-4	9
to 1999 Nov-Jan		*0.9%*	*1.3%*	*-1.7%*	*-4.0%*	*6.3%*

Source: Labour Force Survey (ONS)

- Employment has once again increased over the latest rolling three-month period, reaching 27.56 million.
- Compared to a year previously, employment was 248,000 (0.9%) higher in the November 1999-January 2000 period. The pace at which employment is increasing has remained constant over the last year, at around 1% per annum.
- The number of people who are self-employed increased by 23,000 compared with the previous three-month period. It is, however, 55,000 (1.7%) lower than a year previously.

Next update: 19 April

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

		thousands	rate (%)
1997	Feb-Apr	2,097	7.3
	May-Jul	2,106	7.3
	Aug-Oct	1,926	6.7
	Nov-Jan	1,860	6.5
1998	Feb-Apr	1,837	6.4
	May-Jul	1,807	6.2
	Aug-Oct	1,803	6.2
	Nov-Jan	1,837	6.3
1999	Feb-Apr	1,814	6.2
	May-Jul	1,728	5.9
	Aug-Oct	1,716	5.9
	Nov-Jan	1,737	5.9

Source: Labour Force Survey (ONS)

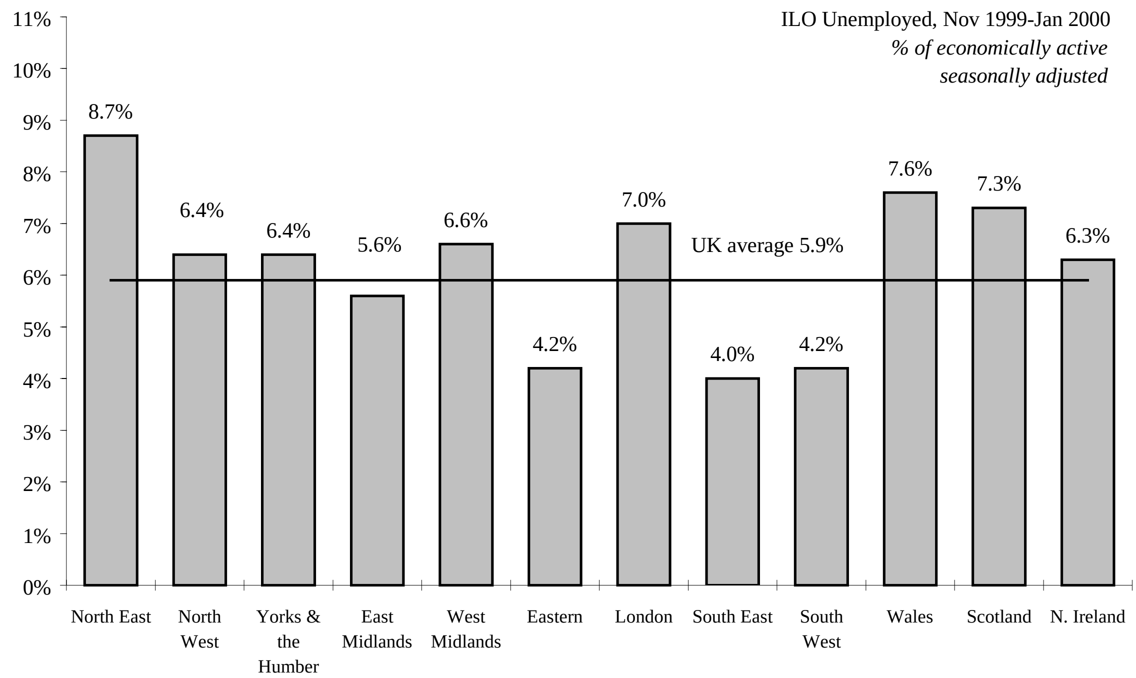
- Since April 1998, the Office for National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- The latest LFS estimates show that over the period November 1999 to January 2000, the level of ILO unemployment in the UK was 1,737,000. This was an increase of 21,000 from the August to October period. As measured by the monthly claimant count, unemployment fell in February 2000 by 6,700 to stand at 1,154,400.

- Since the New Deal for the Young Unemployed started in January 1998, 422,100 people have joined the scheme. Of those leaving the scheme, 140,020 had moved into 'sustained jobs' up to the end of January, ie excluding those who had returned to claim Jobseekers' Allowance (JSA) within three months of starting employment. Of these, 86% had moved into an unsubsidised job. Since the New Deal for the Long-Term Unemployed started in July 1998, 226,800 people have joined the scheme. Up to the end of January, 30,080 people leaving the scheme had entered 'sustained jobs', with 23,170 people (77%) going into unsubsidised jobs.

Next update: 19 April

C 3. Unemployment: Regional



ILO Unemployment, Nov 1999-Jan 2000
change on same period in previous year
seasonally adjusted

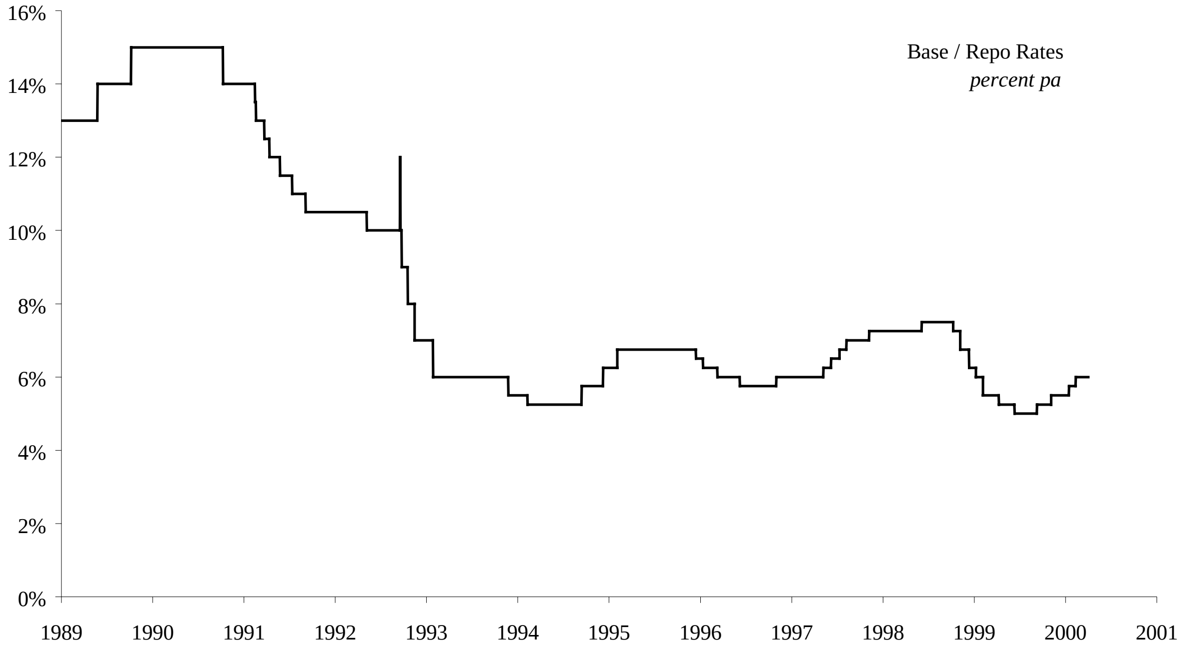
	thousands	%
North East	-12	-10%
North West & Merseyside	-31	-13%
Yorkshire & the Humber	-15	-9%
East Midlands	15	14%
West Midlands	0	0%
East	-9	-7%
London	-25	-9%
South East	-5	-3%
South West	-6	-5%
Wales	-2	-2%
Scotland	-9	-5%
Northern Ireland	-3	-6%
UK	-75	-4%

Source: ONS, First Release (00) 91

- Since April 1998, the Office for National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).
- Comparing the period November 1999 to Janaury 2000 with the same period a year earlier, unemployment fell in all but two regions.
- The most rapid fall in unemployment occurred in the North West, where it was 13% lower in November 1999 to January 2000 than in the same period a year earlier. The most rapid increase in unemployment occurred in the East Midlands, where it was up 14% on the previous year. The North East has the highest unemployment rate, at 8.7% of the economically active population. The lowest unemployment rate was 4.0% in the South East of England.

Next update: 19 April

D 1. Interest Rates



UK Base/Repo Rates

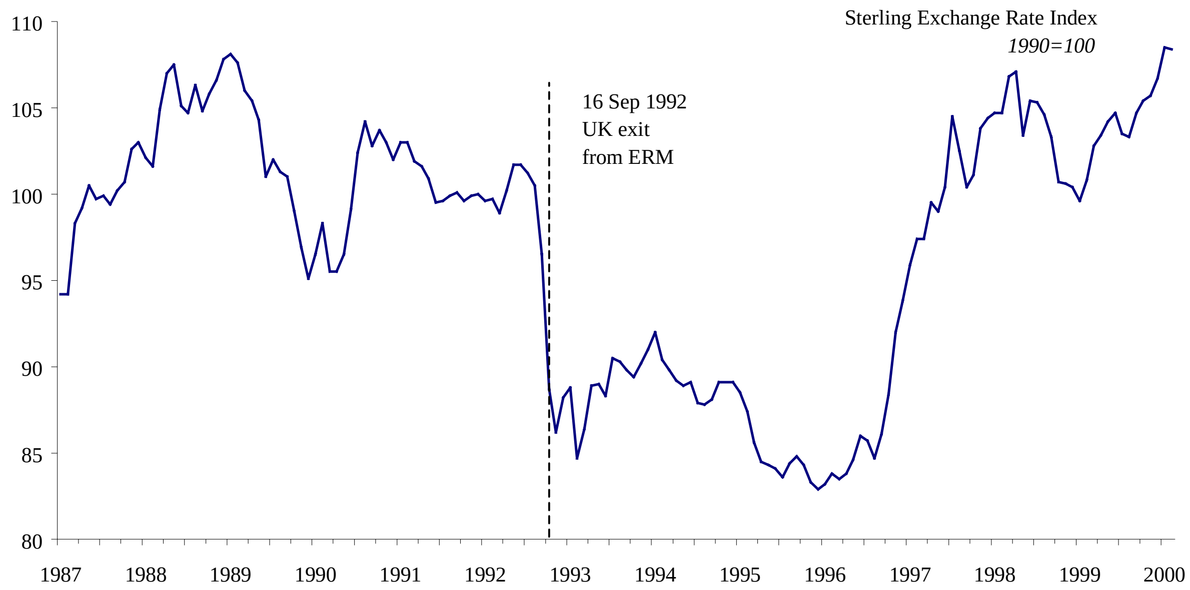
per cent per annum

Date of change		New rate
1994	Dec 7	6.25
1995	Feb 2	6.75
	Dec 13	6.50
1996	Jan 11	6.25
	Mar 8	6.00
	Jun 6	5.75
	Oct 30	6.00
1997	May 6	6.25
	Jun 6	6.50
	Jul 10	6.75
	Aug 7	7.00
	Nov 6	7.25
1998	Jun 4	7.50
	Oct 8	7.25
	Nov 5	6.75
	Dec 10	6.25
1999	Jan 7	6.00
	Feb 4	5.50
	Apr 8	5.25
	June 10	5.00
	Sep 8	5.25
	Nov 4	5.50
2000	Jan 13	5.75
	Feb 10	6.00

Source:Bank of England

- The interest rate increase on 6 June 1997 was the first time when interest rates were set by the independent Monetary Policy Committee of the Bank of England rather than by the Chancellor.
- The MPC next meets on 5 April
- The ½ percentage point cuts in November and December 1998 and in February 1999, were the largest changes in rates yet made by the MPC.
- The latest Bank inflation forecast predicts a central probability range of between 2% and 2½% inflation in 2000/01. The Committee felt that the upside risks to this forecast were from the strong growth of domestic demand and a higher path for nominal earnings.

D 2. Exchange Rates



Sterling Exchange Rates

	DM		US$		Yen		ECU/Euro	
	Rate	% change on year	Rate	% change on year	Rate	% change on year	Rate	% change on year
1994	2.48	-0.1%	1.533	2.1%	156.40	-6.2%	1.292	0.6%
1995	2.26	-8.9%	1.578	3.0%	148.37	-5.1%	1.221	-5.5%
1996	2.35	4.0%	1.562	-1.1%	170.00	14.6%	1.247	2.1%
1997	2.84	20.9%	1.638	4.9%	198.12	16.5%	1.450	16.3%
1998	2.91	2.6%	1.657	1.2%	216.75	9.4%	1.477	1.9%
1999	..	..	1.618	-2.4%	183.94	-15.1%	1.519	2.9%
1999 Nov	..	..	1.613	-3.4%	165.70	-15.3%	1.595	..
Dec	..	..	1.640	-0.6%	172.89	-7.6%	1.620	13.8%
2000 Jan	..	..	1.600	-1.7%	175.09	-7.7%	1.627	11.9%

Source: ONS database series AJFH, AJFA, AJFO, AJHW, THAP

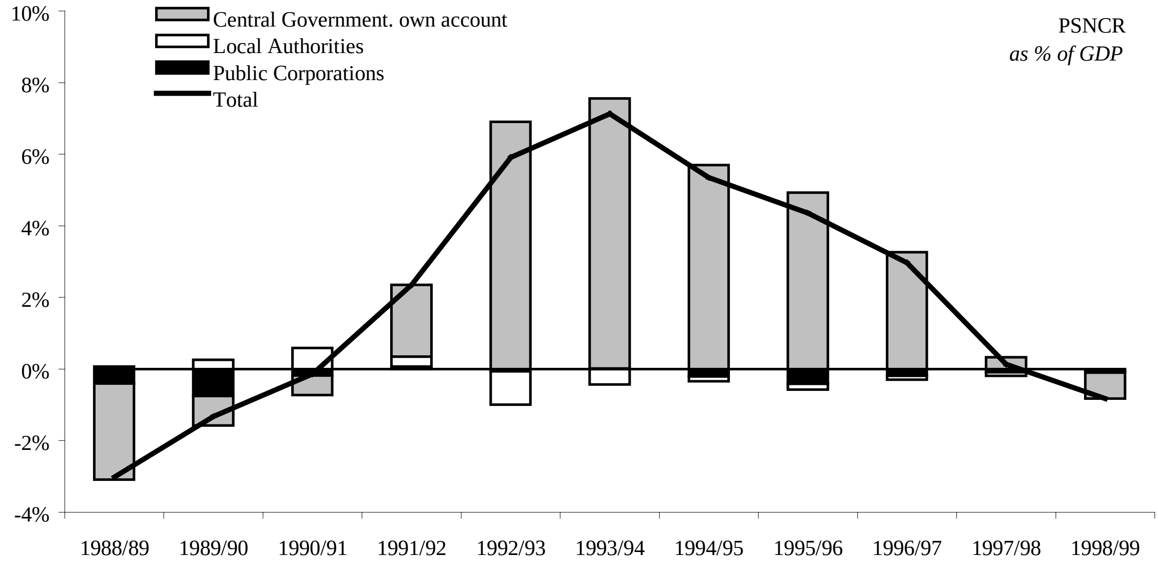
- The US dollar remains a popular currency with the markets. Another ¼ per cent rise in the Federal Funds Reserve Rate in March and a hint from the authorities of further rate rises to contain strong GDP growth, has combined to maintain its value. The dollar has also benefited from action taken by the Japanese government to try to lower the value of the yen at a time when the Japanese economy is on the brink of recession once more.

- Despite a brief period when the euro regained parity with the dollar, it would appear as though it has yet to find a stable base. A rise in ECB interest rates this month appears to have had no significant effect upon market sentiment. Since January 1999 it has fallen by almost 14% against sterling and by 17.3% against the US dollar.

- The pound was worth eur 1.6683 at the London market close on 30 March 2000, compared to a launch rate of eur 1.4169 on 31 December 1998.

- Series for the ECU and the participating currencies in EMU are no longer officially published.

D 3. Public Sector Net Cash Requirement



Public Sector Net Cash Requirement

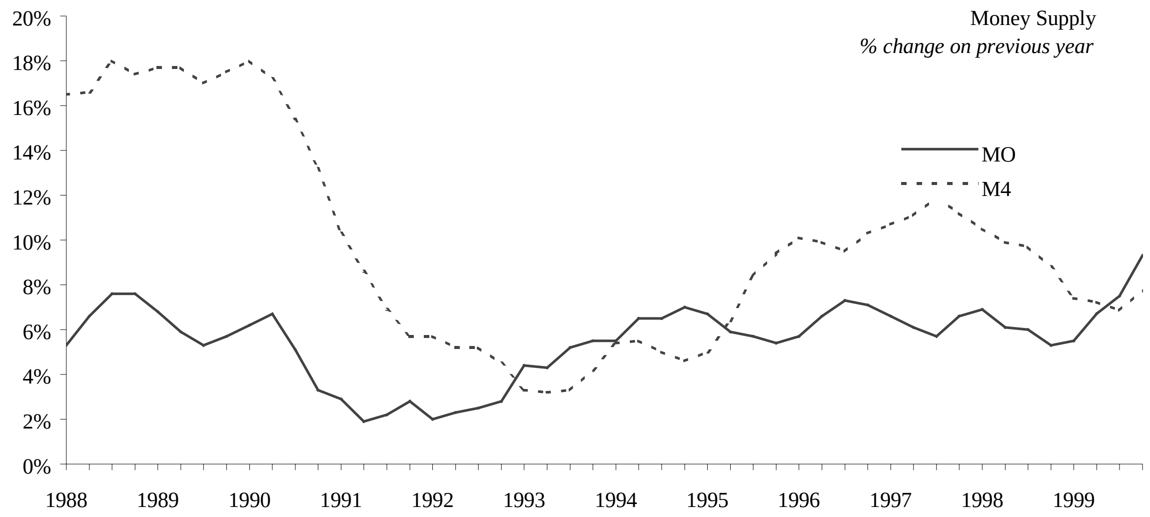
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	as a % of GDP	£ billion	as a % of GDP
1996/97	22.7	3.0%	27.2	3.5%
1997/98	1.1	0.1%	2.9	0.4%
1998/99	-7.0	-0.8%	-7.0	-0.8%
1998 Q4	-3.8	-1.7%	-3.8	-1.7%
1999 Q1	-5.8	-2.7%	-5.8	-2.7%
Q2	5.3	2.4%	5.7	2.6%
Q3	-3.2	-1.4%	-3.2	-1.4%
Q4	1.9	0.8%	1.9	0.8%

Source: ONS Database Series RURQ, RURS, YBHA

- The public sector net cash requirement was previously known as the public sector borrowing requirement (PSBR).
- The PSNCR (including privatisation receipts) for the 1998/99 financial year was a negative (i.e. a repayment) £7.0 billion compared with +£1.1 billion in 1997/98. Excluding privatisation receipts, the PSNCR for 1998/99 was –£7.0 billion compared with +£2.9 billion in 1997/98.
- The PSNCR for the 1999/00 financial year is forecast at -£7.4 billion (-0.8% of GDP) excluding windfall tax receipts.

Next update: 20 April

D 4. Money Supply



Money stock
seasonally adjusted

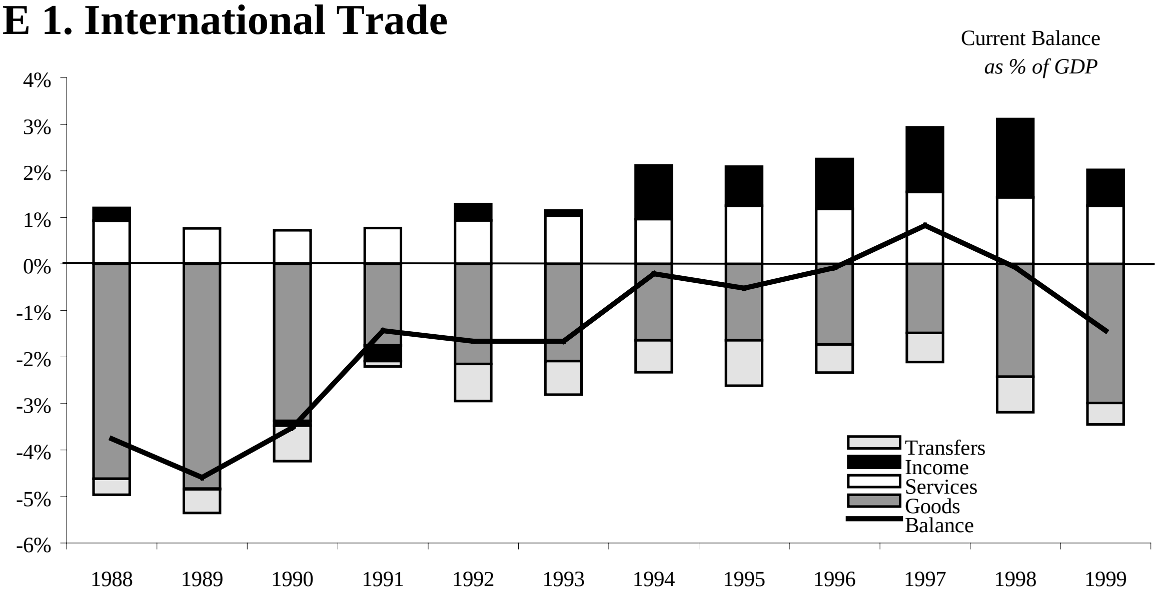
		MO		M4	
		3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1999	Feb	8.0	5.1	6.1	6.8
	Mar	7.4	5.7	7.9	7.3
	Apr	5.7	5.9	8.3	7.4
	May	9.3	6.8	7.1	6.7
	Jun	9.5	7.4	8.0	7.6
	Jul	10.8	7.6	5.1	6.5
	Aug	9.6	7.7	9.3	7.2
	Sep	7.4	7.2	7.1	6.9
	Oct	6.1	7.4	9.4	7.0
	Nov	8.4	8.8	8.9	7.9
	Dec	23.6	11.8	10.8	8.5
2000	Jan	29.8	12.7	9.5	8.1
	Feb	6.7	8.5	8.6	8.5

Source: Bank of England, Bankstats, March 2000

- M0 comprises notes and coins in circulation outside the Bank of England *plus* bankers' operational deposits with the Bank. M4 is a broad measure of money consisting of the private sector's holdings of cash, and sterling deposits held by the private sector at both banks and building societies.
- The high levels of M0 growth in December and January partly reflect the increased note circulation for the millennium holiday.
- There are now no formal targets for money supply growth.

Next updates: 3, 10 & 20 April

E 1. International Trade



Current Account Balances
seasonally adjusted; £ million

		Trade in goods and services			Income	Transfers			Current
		goods	services	total	(total)	Cent. Govt	other	total	Balance
1997		-11,910	12,414	504	11,170	892	-5,943	-5,051	6,623
1998		-20,537	12,124	-8,413	14,239	-316	-6,165	-6,481	-655
1999		-26,611	11,114	-15,497	6,848	2,248	-6,360	-4,112	-12,761
1998	Q4	-6,032	2,619	-3,413	4,135	-551	-1,918	-2,469	-1,747
1999	Q1	-7,533	2,378	-5,155	1,910	883	-1,832	-949	-4,194
	Q2	-6,124	3,029	-3,095	1,141	525	-1,295	-770	-2,724
	Q3	-5,464	2,894	-2,570	798	455	-1,766	-1,311	-3,083
	Q4	-7,490	2,813	-4,677	2,999	385	-1,467	-1,082	-2,760

Source: ONS database Series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP
ONS First Release: UK Trade ONS (2000) 112

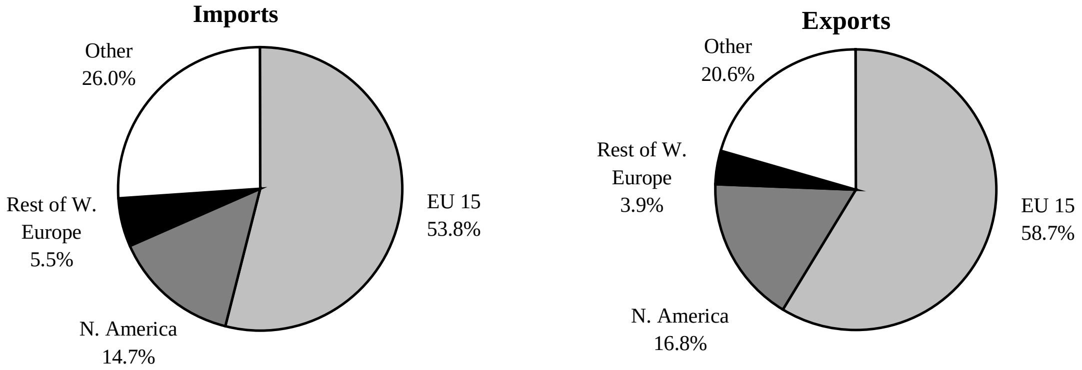
- Trade: the last five quarterly figures include some of the largest quarterly trade deficits ever recorded. Surpluses in the trade of services have also been weakening over successive years, reflecting a weakening UK trading position.
- Income: This includes income from overseas investment and wages, etc earned by people working abroad. In 1998 the surplus in income - £14.2 billion - more than offset the trade deficit -£8.4 billion.
- Transfers: These are composed of Central Government transfers (mostly to the EU budget) and other transfers (e.g. gilts in cash or kind received by private individuals from abroad)
- Current account balance: The current account showed an overall deficit of £12,800 million in 1999 compared with a current account deficit of £655 million in 1998. The forecast in the Pre-Budget Report (November 1999) suggested that the current account would be in deficit by £12¼ billion in 1999 and £10¼ billion in 2000. The Budget forecast (March 2000) shows a current account deficit of £20½ billion in 2000, precisely double the figure that was forecast just four months earlier.

Next update: 29June

E 2. Trade in Goods

Shares of trade in goods by area: 1999

Balance of Payments Basis



Export and import volume indices and trade in goods balances
seasonally adjusted; Balance of Payments basis

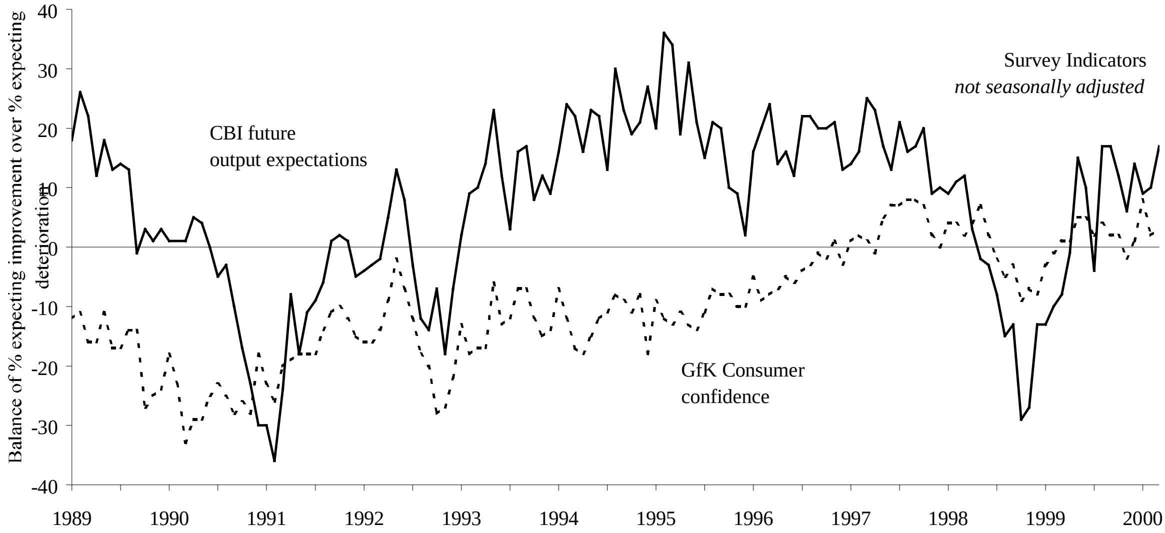
	Volume Index 1995=100		Trade in Goods (£m)		
	Exports	Imports	Exports	Imports	Balance
1997	116.5	119.0	171,783	183,693	-11,910
1998	117.8	129.1	164,092	184,629	-20,537
1999	120.8	138.3	165,204	191,815	-26,611
1998 Q4	117.0	132.1	40,152	46,175	-6,023
1999 Q1	114.5	133.3	38,937	46,470	-7,533
Q2	117.7	133.8	40,226	46,350	-6,124
Q3	126.9	141.7	43,592	49,056	-5,464
Q4	124.1	144.4	42,449	49,939	-7,490

Source: ONS Series BQKU, BQKV, BOKG, BOKH, BOKI and ONS First Release: UK Trade ONS (2000) 110

- The deficit for 1999 is estimated at £26,600 million, the highest on record. This compares unfavourably with the deficit in trade in goods of £11,900 million recorded only two years earlier.
- Trends: The latest estimate of volume trends shows the UK trade deficit is widening. The UK's trade position seems to be adversely affected by the relatively high rate of UK growth, the high value of sterling and the aftermath of the slowdown in Asian markets.
- During 1999(Q4) exports fell by 2.2% and imports rose by 1.9% in volume terms compared with 1999(Q3). However, compared with 1998(Q4) exports and imports rose in volume terms by 6% and 9.3% respectively.
- In value terms, exports fell 3.1% and imports rose by 2.6% in the three months to January compared with the previous three months. However, compared with the same three months in 1999 exports and imports rose by 7.8% and 8.6% respectively.
- EU and Non-EU trade: The deficit in trade in goods with non-EU countries for 1999 as a whole is provisionally estimated at a record £20,400 million, significantly higher than the £15,200 million recorded in 1998, which was the highest annual deficit previously. In volume terms, exports to non-EU countries fell 4.3% in the three months to January compared with the previous three months: imports rose 3.3% over the same period. In the three months to January, exports to the EU fell 1.9% compared with the previous three months but rose 5.4% when compared with the same period a year previously. Imports rose 1.1% and 5.4% over the same two periods.

Next update: 27 April

F 1. Survey Indicators



Output Expectations and Consumer Confidence

		Balance of % expecting improvement over % expecting deterioration	
		CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK
1999	Mar	-8	1
	Apr	-1	1
	May	15	5
	Jun	10	5
	Jul	-4	2
	Aug	17	4
	Sep	17	2
	Oct	12	2
	Nov	6	-2
	Dec	14	1
2000	Jan	9	8
	Feb	10	2
	Mar	17	3

Source: ONS Database Series ETBA, ETBU

- Survey indicators – including those shown here – are often expressed in the form of a balance of the percentage of respondents who expected the situation to improve in the immediate future over the percentage who expected things to worsen.

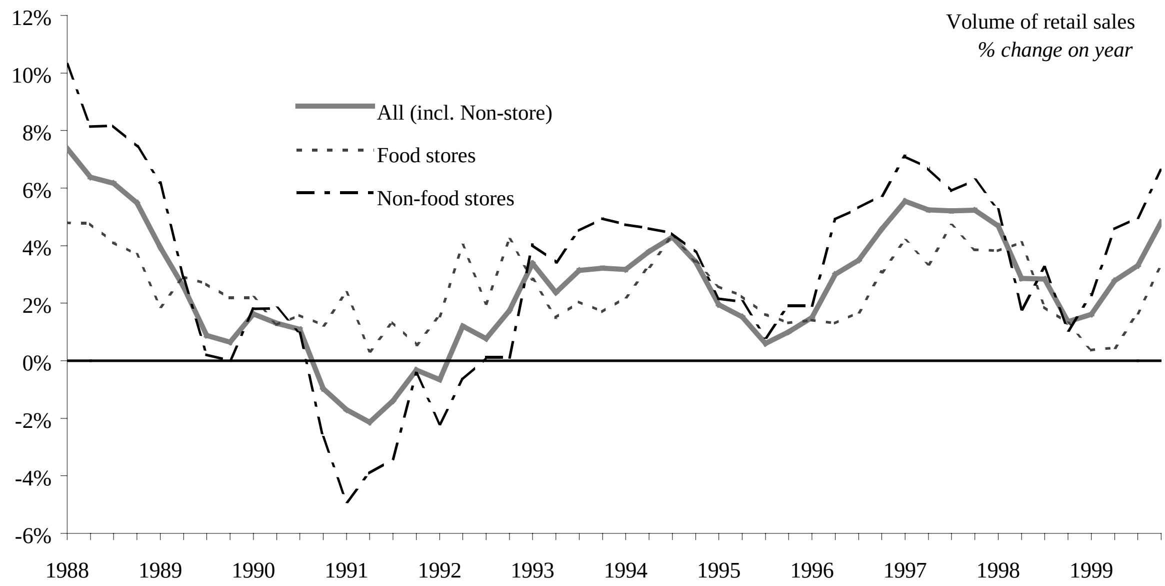
- The balance of expectations from the CBI monthly Industrial Trends Survey for future output levels in manufacturing is highest since September. Improved demand conditions in the euro-zone and a strong US economy have eased the pressure on exports

- The GfK consumer confidence indicator is a composite measure of forward expectations of the general economic situation and households' financial positions; perceptions of how these have changed over the last 12 months, and also views on major household purchases.

- The positive balance in consumer confidence rose slightly to 3% March, after falling in February from a high of 8% in January.

Next update: late April

F 2. Retail Sales



Value of Sales
not seasonally adjusted; % change on year

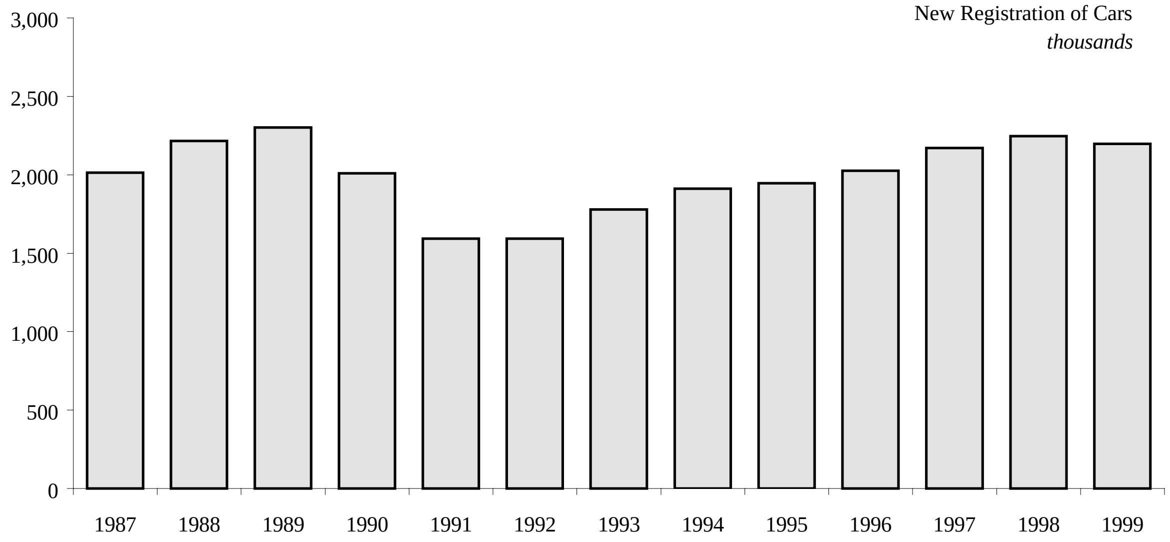
		Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1997		4%	8%	10%	7%
1998		4%	3%	6%	4%
1999		3%	3%	5%	3%
1998	Q4	4%	-1%	2%	2%
1999	Q1	5%	3%	5%	3%
	Q2	1%	3%	3%	4%
	Q3	2%	4%	6%	3%
	Q4	3%	4%	6%	3%

Source: ONS database Series EAWN, EAWO, EAWP, EAWQ

- In the three months December to February, the volume of retail sales grew by 1.8% over the previous three-month period, reaching a level 5.5% higher than a year previously. This (along with the three months ending January 2000) is the equal highest growth on the previous three months since May 1997. Sales in the single month of February were 4.7% higher than a year ago.
- Growth in retail sales volumes were stronger in predominantly non-food stores (2.0% over December to February compared to the previous three months) than in food stores (1.7%). Sales volumes are growing particularly strongly in household goods stores (8% higher in December to February than a year earlier).
- In February 2000, the non-seasonally adjusted value of retail sales was 3.3% higher than a year earlier. The average weekly value of retail sales in February was £3,620 million, with actual sales through the till estimated at about £14.5 billion. For December to February the growth in the value of retail sales was strongest in the household goods sector (7% higher than previous year). The value of sales in the food, drink & tobacco sector grew by 3% and in the clothing & footwear sector by 2%.

Next update: 20 April

F 3. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

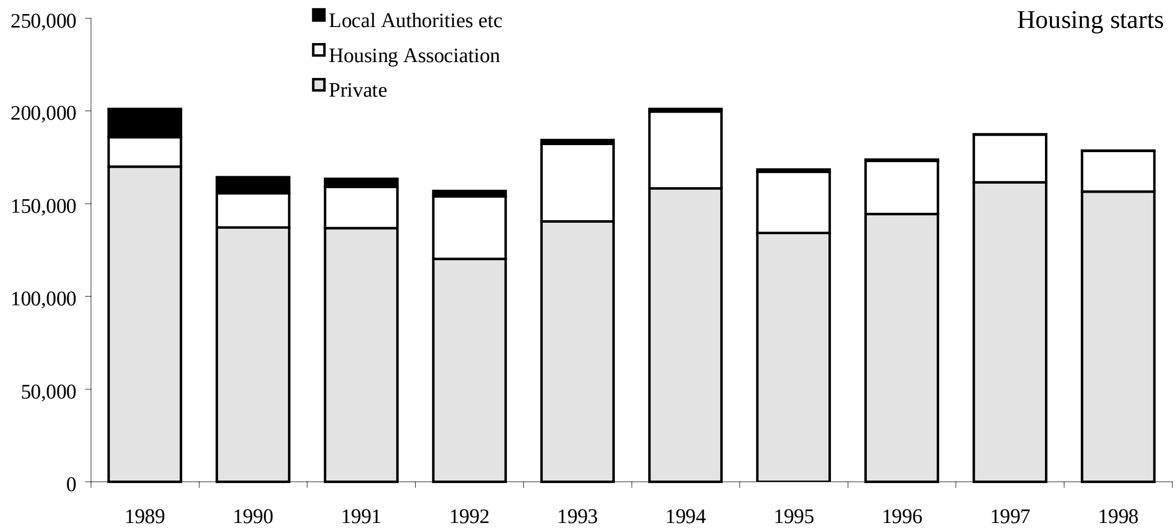
		Numbers (thousands)	Change over 12 months
1995		1,945	1.8%
1996		2,026	4.1%
1997		2,171	7.2%
1998		2,247	3.5%
1999		2,198	-2.2%
2000 (forecast)		2,200	0.1%
2001 (forecast)		2,210	0.5%
1999	October	150	-3.6%
	November	143	-5.9%
	December	85	-12.2%
2,000	January	185	1.8%
	February	74	-12.3%

Source: SMMT "Monthly Statistical Review", Feb 2000

- Figures from the SMMT show that the number of new registrations of cars totalled 2.2 million in 1999, a fall of 2.2% from the previous year. The market has been distorted by the introduction of the twice-yearly change in the registration prefix.
- The SMMT forecasts no significant change in new registrations in 2000 and an increase of less than 0.5% in 2001.
- In February 2000 new registrations of cars fell by 12.3% compared with the same month last year to 73,735 units, as consumers awaited March's registration plate change.
- In February registrations of British-built cars fell by 16.5 per cent compared to a 10.7 per cent decline in registrations of imported vehicles. This meant that imported vehicles accounted for 74.0% per cent of the market share, the second highest ever after the August 1999 share of 74.1%.

Next update: late April

F 4. Housing



House prices

Standardised average price (£)

	All Houses	New Houses	Existing Houses	First time buyers
1998 Q4	72,900	75,900	72,800	52,800
1999 Q1	72,900	76,200	72,500	53,300
Q2	76,500	77,500	76,600	54,900
Q3	79,300	81,600	79,400	57,400
Q4	81,400	86,300	81,400	57,700
% change over same period last year				
1998 Q4	5.3%	4.0%	5.5%	5.6%
1999 Q1	4.4%	1.3%	3.9%	6.2%
Q2	5.4%	0.8%	5.7%	4.8%
Q3	8.8%	7.5%	9.1%	8.7%
Q4	11.7%	13.7%	11.8%	9.3%

Source: Halifax House Price Index: Fourth Quarter 1999

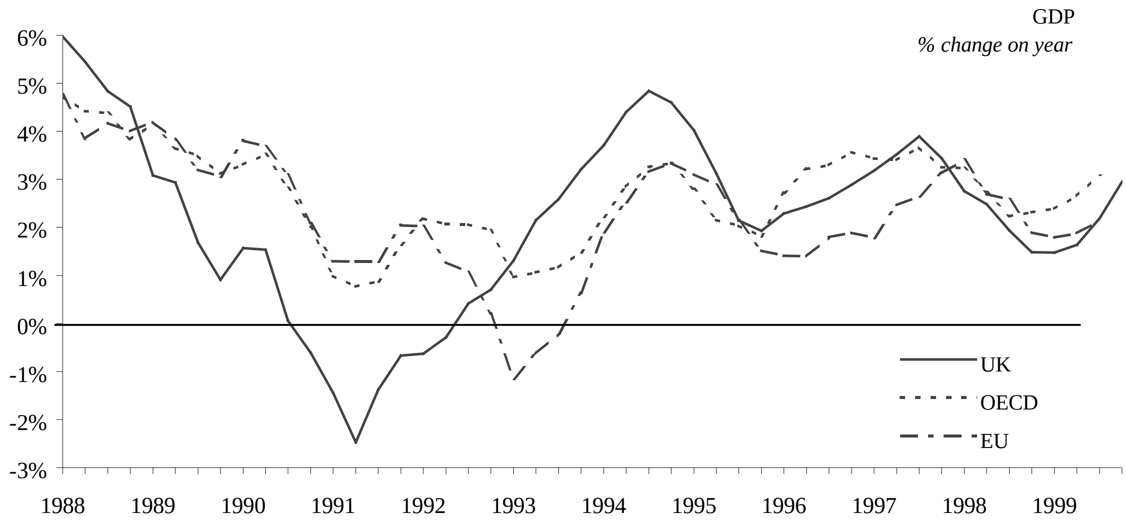
- According to the latest DETR press release, it is provisionally estimated that in January 2000 13,800 dwellings were started in Great Britain compared with 13,500 in January 1999. In the latest three months 38,000 dwellings were started and there were 42,000 completions. These figures were respectively 3% and 1% up on the same period the previous year.

- According to the Halifax Monthly Index, house prices in the United Kingdom fell by 0.9% in February (seasonally adjusted). On an annual basis, house price inflation fell to 15.0% from 16.0% in January.

- According to the Halifax Quarterly Index the largest regional annual house price increase in the fourth quarter of 1999 was in Greater London (28.9%). Yorkshire and Humberside had the lowest rate (4.0%) together with Northern Ireland.

Next update: 5 April

G 1. International Comparisons - Growth



GDP at constant market prices
% change on year

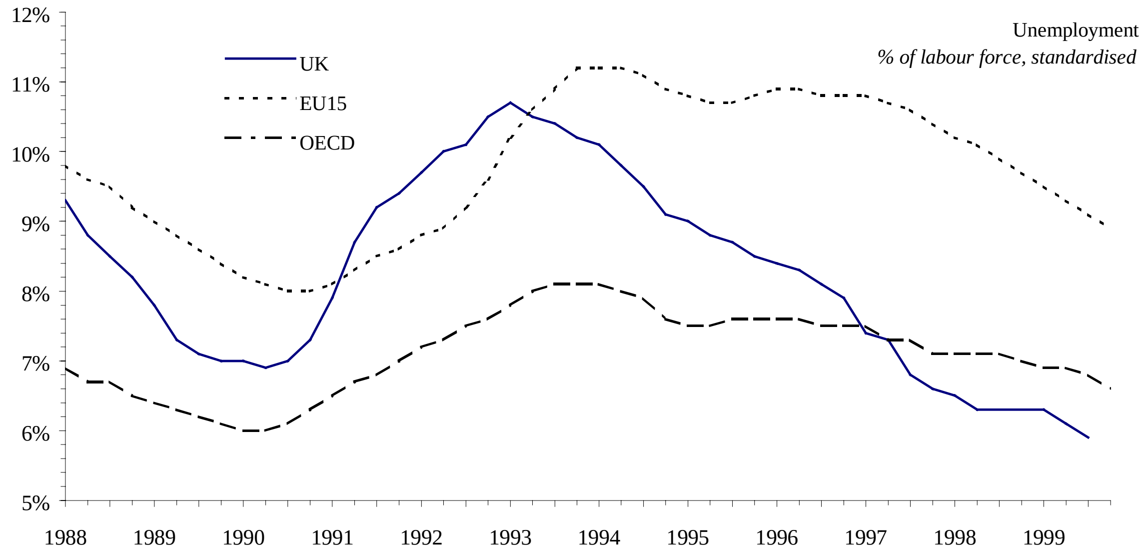
	1997	1998	1999	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4
USA	4.4%	4.3%	4.1%	4.6%	3.9%	3.8%	4.2%	4.5%
Japan	1.5%	-2.5%	..	-3.0%	-0.5%	0.7%	1.0%	..
Canada	3.9%	3.1%	4.2%	2.8%	3.3%	4.0%	4.7%	4.6%
United Kingdom	3.5%	2.2%	2.1%	1.5%	1.5%	1.6%	2.2%	3.0%
Germany	1.4%	2.2%	1.4%	1.3%	0.9%	0.9%	1.4%	2.3%
France	2.0%	3.4%	..	2.9%	2.5%	2.4%	3.0%	..
Italy	1.5%	1.3%	..	0.2%	0.9%	0.8%	1.2%	..
EU15	2.6%	2.7%	..	1.9%	1.8%	1.9%	2.1%	..
G7	3.2%	2.4%	..	2.1%	2.3%	2.5%	2.9%	..
OECD	3.4%	2.7%	..	2.3%	2.4%	2.7%	3.1%	..

Source: OECD, *Main Economic Indicators*, March 2000; ONS - CSDB database

- The latest statistics suggest that economic growth in Europe is running at around 2% per annum. Growth rates are improving in Germany, Italy and the UK from relatively low levels recorded in the second half of 1998 and the first half of 1999.
- The US economy is continuing to grow strongly. Over the 12 years 1987 to 1999 the average annual growth rate was 3.2%. After a sharp recession in 1998 the Japanese economy recovered in the first half of 1999 but GDP fell again in the third quarter.
- In December 1999 the OECD expected growth in 2000 to be 3.1% in the USA, 1.4% in Japan and 2.8% in the EU15.

Next update: Mid-April

G 2. International Comparisons - Unemployment



Unemployed as % of labour force
standardised; seasonally adjusted

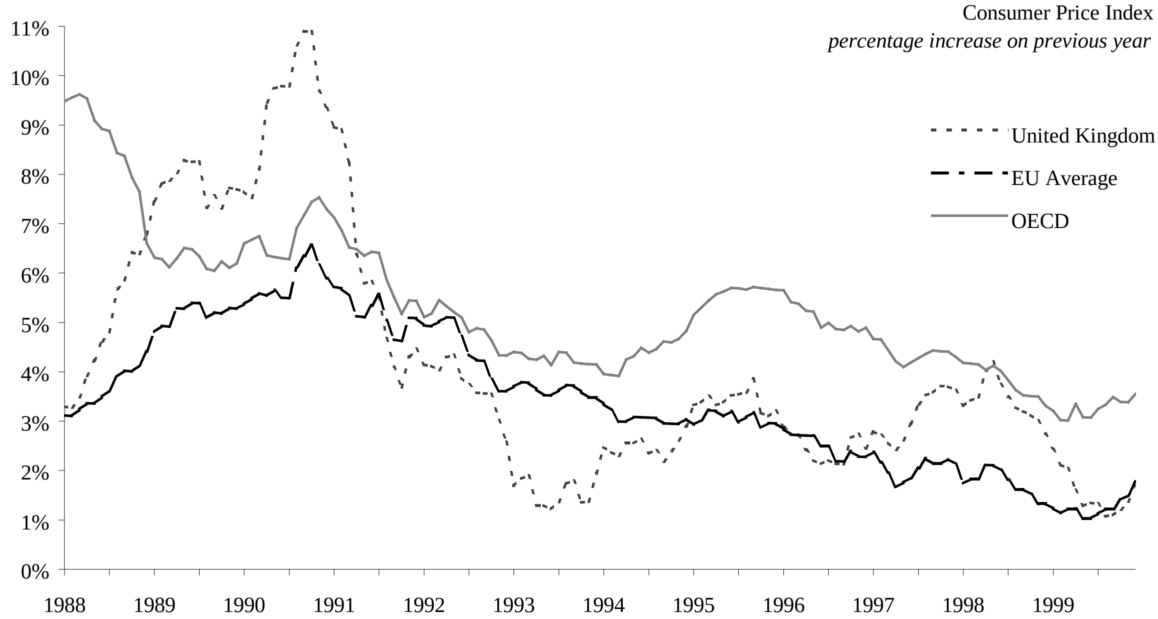
	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
USA	4.9	4.5	4.2	4.3	4.3	4.2	4.1
Japan	3.4	4.1	4.7	4.6	4.7	4.7	4.7
Canada	9.1	8.3	7.6	7.8	7.8	7.6	7.0
United Kingdom	7.0	6.3	..	6.3	6.1	5.9	..
Germany	9.9	9.4	9.1	9.1	9.1	9.2	9.0
France	12.3	11.7	11.0	11.4	11.2	10.9	10.5
Italy	11.7	11.9	..	11.6	11.4	11.2	..
EU 15	10.6	9.9	9.2	9.5	9.3	9.1	8.9
G7	6.6	6.4	6.2	6.3	6.2	6.2	6.0
OECD	7.4	7.1	6.8	6.9	6.9	6.8	6.6

Source: OECD Quarterly Labour Force Statistics/standardised unemployment rates at www.oecd.org

- Using standardised definitions, the UK unemployment rate was significantly below the EU average in 1999 Q3 and slightly below both the OECD and G7 averages.
- The unemployment rate in the euro-zone (the eleven Member States participating in the single currency) stood at 9.6% in January 2000 – nearly a percentage point higher than the rate of 8.8% for the EU15 as a whole.
- The latest forecasts published by the OECD in December 1999 suggest that unemployment rates for both the G7 and the UK will remain broadly flat in 2000 and 2001. The unemployment rate for the EU as a whole is expected to fall to 8.8% in 2000 and 8.4% in 2001.

Next update: mid April

G 3. International Comparisons - Prices



Consumer Price Index (national definitions)
% change over 12 months

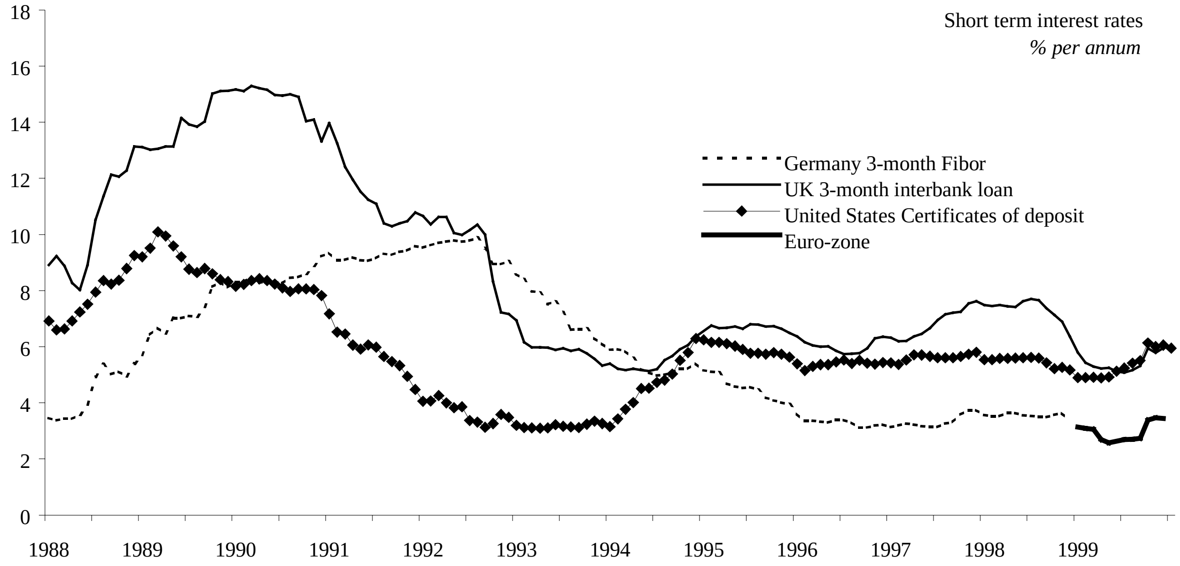
		USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1996		2.9	0.1	1.6	2.5	1.5	2.1	3.8	5.1	2.5
1997		2.4	1.8	1.6	3.1	1.7	1.1	1.8	4.2	2.0
1998		1.5	0.6	1.0	3.4	1.0	0.7	1.7	3.7	1.7
1999	Jul	2.1	-0.1	1.8	1.3	0.6	0.4	1.7	3.2	1.1
	Aug	2.3	0.3	2.1	1.1	0.7	0.5	1.7	3.3	1.2
	Sep	2.6	-0.2	2.6	1.1	0.7	0.7	1.8	3.5	1.2
	Oct	2.6	-0.7	2.3	1.2	0.8	0.8	2.0	3.4	1.4
	Nov	2.6	-1.2	2.2	1.4	1.0	0.9	2.0	3.4	1.5
	Dec	2.7	-1.1	2.6	1.8	1.2	1.3	2.2	3.5	1.8

Source: OECD Main Economic Indicators

- Under the terms of the Maastricht Treaty, harmonised indices of consumer prices (rather than data compiled on national definitions) are used to assess price stability in each Member State. On a harmonised basis the average inflation rate for the eleven EU countries in euro-zone was 2.0% in February. The UK's inflation rate on this basis was 1.0%.
- The inflation rates for the other three Member States not in the euro-zone were (on a harmonised basis) Denmark: 2.8%, Sweden: 1.4% and Greece: 2.6% in February 1999.
- Harmonised inflation rates in the EU in February ranged from 4.6% in Ireland to 1.0% in the United Kingdom.

Next update: late April

G 4. International Comparisons - Interest Rates



International Interest Rates
as at 28 February 2000

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	5.25	$5^{30}/_{32}$
United States	6.07	$6\ ^{1}/_{32}$
Switzerland	4.11	$2\ ^{27}/_{32}$
Japan	1.75	$^{3}/_{16}$
Euro-zone	..	$3\ ^{13}/_{16}$

Source: Financial Times, 31 March 2000

- The European Central Bank (ECB) set its first repo rate at 3% in January 1999 when Stage III of EMU started. The current level of 3-month market rates within EMU is shown as the 'euro-zone' rate in the table.
- There is, as yet, no equivalent euro-zone government bond rate quoted. In future, a suitable comparator may be the rate on bonds issued by institutions like the European Investment Bank. Further details will be published on this page when they become available.
- March saw central bank interest rate rises in both the US and in Europe. On the 21st the Federal Reserve raised its key rates by ¼ percentage point to 6%. Then on the 16th the ECB raised rates by ¼ percentage point to 3.5%. The Bank of England did not raise interest rates but it is widely expected that it will do so in the near future.