



RESEARCH PAPER 00/85  
31 OCTOBER 2000

# 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: Average Earnings and the Impact of the National Minimum Wage**

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ECONOMIC POLICY AND STATISTICS SECTION

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## CONTENTS

<b>I</b>	<b>Contacts for further information</b>	<b>5</b>
<b>II</b>	<b>Average Earnings and the Impact of the National Minimum Wage</b>	<b>6</b>
<b>III</b>	<b>Subject pages</b>	<b>10</b>
	<b>A. Growth &amp; Output</b>	<b>10</b>
	1. GDP	10
	2. GDP by Industry	11
	3. Investment	12
	4. Productivity	13
	<b>B. Prices &amp; Wages</b>	<b>14</b>
	1. Retail Prices	14
	2. Average Earnings	15
	<b>C. Labour Market</b>	<b>16</b>
	1. Employment	16
	2. Unemployment: National	17
	3. Unemployment: Regional	18
	<b>D. Finances &amp; Government Borrowing</b>	<b>19</b>
	1. Interest Rates	19
	2. Exchange Rates	20
	3. Public Sector Net Cash Requirement	21
	4. Money Supply	22
	<b>E. International Trade</b>	<b>23</b>
	1. International Trade	23
	2. Trade in Goods	24

<b>F.</b>	<b>Other Indicators</b>	<b>25</b>
	1. Survey Indicators	25
	2. Retail Sales	26
	3. New Registration of Cars	27
	4. Housing	28
<b>G.</b>	<b>International Comparisons</b>	<b>29</b>
	1. Growth	29
	2. Unemployment	30
	3. Prices	31
	4. Interest Rates	32

## I      **Contacts for further information**

Members and their staff requiring further information are encouraged to talk to the statistician specialising in the relevant area. The statisticians dealing with the subjects covered by this Research Paper are shown below. (After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriel Room of the Main Library – extn 3666)

Subject	Statistician	Extn
Balance of payments	Tim Edmonds	2883
Construction	Laura Bardgett/Tim Edmonds	3977/2883
EC finance	Mick Hillyard/Laura Bardgett	4324/3977
Employment	Andrew Presland	2464
Energy	Grahame Allen	6969
Financial services	Laura Bardgett/Tim Edmonds	3977/2883
Housing	Gavin Berman	3851
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National accounts–GDP etc	Tim Edmonds	2883
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Prices	Tim Edmonds	2883
Production	Laura Bardgett	3977
Public expenditure	Mick Hillyard	4324
Taxation	Andrew Presland/Tim Edmonds	2464/2883
Trade	Mick Hillyard	4324
Transport	Paul Bolton	6789
Unemployment	Andrew Presland	2464
Wages & earnings	Andrew Presland	2464

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

## II Average Earnings and the Impact of the National Minimum Wage

This article presents the main findings of the New Earnings Survey (NES) 2000 and the latest estimates of numbers of people earning below the level of the national minimum wage (NMW).

### A. Background to the New Earnings Survey

Despite its name, the New Earnings Survey is now thirty years old, having first been held in April 1970.<sup>1</sup> Since then, it has taken place in Great Britain each April and is the most detailed and comprehensive source of data on levels of earnings and related information. It is based on a 1% sample of employees in employment,<sup>2</sup> with information on their earnings and hours being obtained in confidence from employers.

### B. The main results of the 2000 New Earnings Survey

The Office for National Statistics (ONS) released the main results of the survey for April 2000 on 26 October.<sup>3</sup> Key findings are:

#### Gross weekly earnings

- Average gross weekly earnings of full-time adult employees were £411 in April 2000.<sup>4</sup> This represents a 2.3% increase since April 1999.
- Part-time gross weekly earnings increased by a bigger amount, going up by 4.1% to £132.
- Full-time women's gross weekly earnings rose by 3.0% in the year to April 2000, compared with 2.1% for men.
- Gross weekly earnings of full-time non-manual workers increased by 4.5% in the year to April 2000, compared with 2.3% for full-time manual workers.

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<sup>1</sup> Patterns of pay: results of the 1999 New Earnings Survey in ONS *Labour market trends* December 1999, p641

<sup>2</sup> This represents almost 250,000 people across Great Britain. It does not include the self-employed.

<sup>3</sup> National Statistics First Release *New Earnings Survey 2000*, 26 October 2000, available on the National Statistics website at [www.statistics.gov.uk](http://www.statistics.gov.uk). A printed volume, *New Earnings Survey 2000 Part A: Streamlined analyses; description of the survey* has also been published. A copy is held in the Library. Five further parts, giving more detailed information (eg on particular industries and occupations) are due to be published on 18 January 2001.

<sup>4</sup> Excluding those whose pay was affected by absence.

### Other information

- Average gross hourly earnings of full-time adult employees were £10.28, up 2.3% on April 1999.<sup>5</sup>
- Average gross annual earnings of full-time adult employees were £21,842 in the year to April 2000, up 4.3% on April 1999.<sup>6</sup>
- The average number of hours worked each week dropped by 0.3 hours, from 40.0 in April 1999 to 39.7 in April 2000. The decrease was 0.9 hours for manual workers but only 0.3 hours for non-manual workers.
- Between April 1999 and April 2000, weekly earnings of the bottom 10% increased faster than those of the top 10% (by 4.2% and 2.2% respectively).
- Additional payments accounted for 9.1% of full-time gross weekly earnings in April 2000. This can be broken down into 4.8% from overtime payments, 3% from bonuses, commission or profit-related pay and 1.3% from shift payments.
- The percentage of gross pay which is earned as overtime varies widely between groups, however: from 12.4% for male manual workers, to 1.6% for female non-manual workers.

### C. The National Minimum Wage (NMW)

The NMW came into force in April 1999. The minimum wage rates were set initially at £3.00 per hour for 18 to 21 year olds and £3.60 for those aged 22 and over. Both these rates were in force at the time of the 2000 NES although they have now been increased.<sup>7</sup>

An estimate that 1.9 million people would benefit from the introduction of the NMW was given in the *Regulatory Impact Assessment for the National Minimum Wage (NMW) Regulations 1999*.<sup>8</sup> Since then, the Low Pay Commission has suggested that the figure should be revised downwards, to around 1.7 million.<sup>9</sup> It is likely that this figure will be revised further in the light of the information reported below.

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<sup>5</sup> Excluding overtime and those whose pay was affected by absence.

<sup>6</sup> Adults who have been in the same job for at least twelve months, including those whose pay was affected by absence.

<sup>7</sup> To £3.20 for 18 to 21 year olds from June 2000 and to £3.70 for those aged 22 and over from October 2000.

<sup>8</sup> DTI, 16 February 1999

<sup>9</sup> Low Pay Commission *The National Minimum Wage - The story so far: Second Report of the Low Pay Commission*, Cm 4571, February 2000, pp13-14 and pp127-128

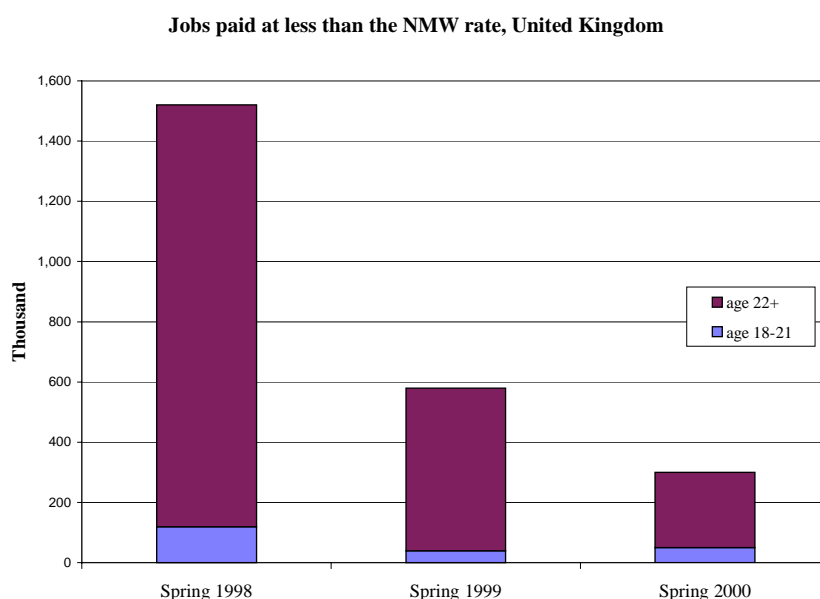
Information from the NES, combined with figures from the Spring Labour Force Survey (LFS) can be used to derive estimates of the numbers who are benefiting so far from the NMW. Information from the two surveys is combined because the NES does not, on its own, provide comprehensive information on people on low pay, such as those earning below the PAYE threshold, or part-time workers.<sup>10</sup>

**In summary, there were estimated to have been 300,000 jobs (1.2% of all jobs) in Spring 2000 with pay less than the NMW rates held by people aged 18 or over in the UK.** This is down from 580,000 in Spring 1999 (in a period straddling the introduction of the NMW) and 1.5 million in Spring 1998. This suggests that, in broad terms, **1.2 million people have benefited so far from the introduction of the NMW.** Further details are given in the table and bar graph below.

### Number of jobs paid at less than the NMW rate United Kingdom

	aged 18-21		aged 22 and over		all aged 18 and over	
	thousand	%	thousand	%	thousand	%
Spring 1998	120	7.7	1,400	6.4	1,500	6.5
Spring 1999	40	2.7	540	2.4	580	2.4
Spring 2000	50	3.1	250	1.1	300	1.2

Source: National Statistics First Release *New Earnings Survey 2000*, 26 October 2000



It is important to note that these estimates cannot necessarily be used as a measure of non-compliance with the NMW legislation. This is because it is not possible to tell whether an

<sup>10</sup> This year, the Office for National Statistics has used an enhanced methodology for combining figures from the two surveys. As a result, estimates of numbers of jobs paid below the NMW rate at Spring 1998 and Spring 1999 have been reduced by 21% and 50% respectively, compared with the previous estimates.



individual is eligible for the NMW rate. One cannot, for example, identify people such as apprentices and those undergoing training who are either exempt from the NMW or are entitled to lower rates. In addition, employers are entitled to offset hourly rates by up to 50p if they provide free accommodation to their employees, and there are other technical reasons why the money paid in one pay period may vary apparently from the minimum wage regulations.

#### **D. Sub-national figures**

Results of the 2000 NES for regions, counties and other small areas in Great Britain, such as parliamentary constituencies, are due to be published on 18 January 2001 as Part E of the National Statistics report on the New Earnings Survey. Estimates of jobs paid at below the NMW rates, using figures from both the NES and LFS are, however, unlikely to be reliable enough to be published for many sub-national areas. ONS has advised that some sub-national figures will be made available on the National Statistics web-site on 10 November. These will include estimates for Spring 2000 and revised estimates for Spring 1998 and Spring 1999.

#### **E. Other information on earnings**

As well as the NES, information on earnings is available from:

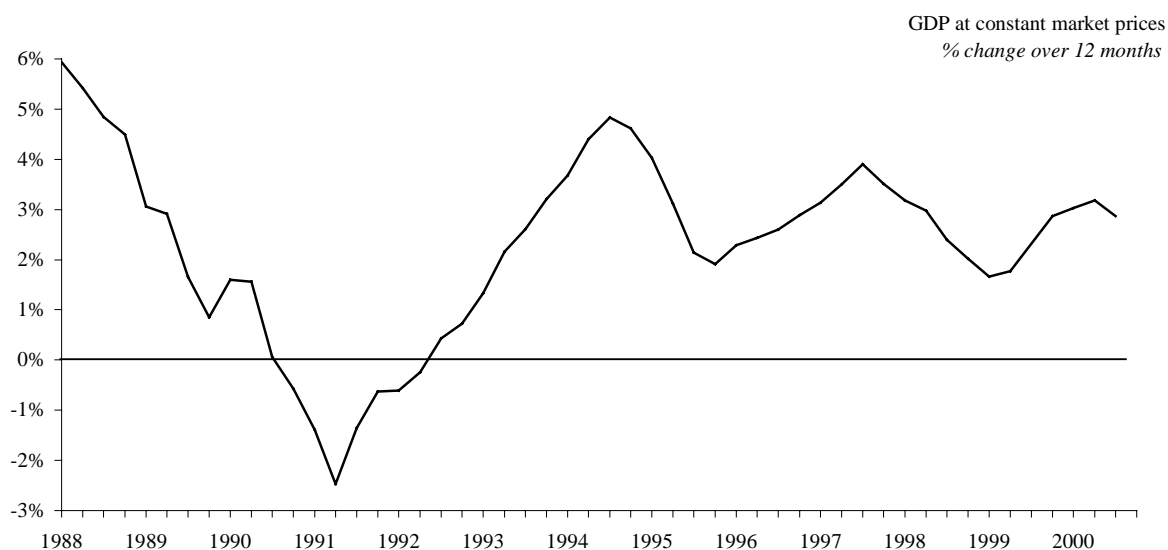
- The monthly **Average Earnings Index** for Great Britain. This is based on the Wages and Salaries Survey of 8,500 employers and provides information on changes in average earnings for broad industrial sectors. Publication of the index was suspended in November 1998 because of problems with the reliability of the data but it was re-published in March 1999. Work to improve the quality of the data is continuing. It does not provide information on occupations, hours worked and other characteristics of the workforce.
- The **Labour Force Survey** for the UK. This collects information on the earnings and hours worked of about 60,000 people aged 16 and over in about 25,000 households each quarter.<sup>11</sup> It also collects data on a wide range of personal characteristics, such as educational qualifications and ethnic origin. The smaller sample size means that this is generally less precise than the NES, although it provides a better reflection than the NES of the lower end of the pay scale and of part-time workers. Figures are available for some sub-national areas, such as regions and large local authorities.

*For further information please contact Andrew Presland on ext. 2464*

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<sup>11</sup> Overall, about 150,000 people in about 65,000 households are interviewed each quarter, but only two-fifths of them are asked about their income.

## A 1. Gross Domestic Product



Gross Domestic Product  
*seasonally adjusted*

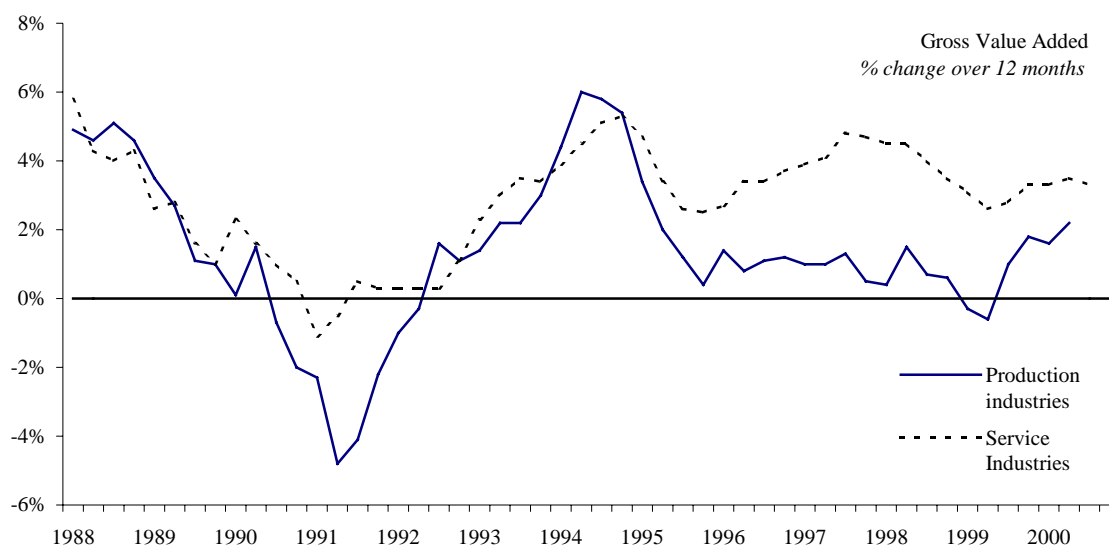
	GDP at current market prices £ billion	GDP at constant market prices 12 month change	HH consumption at constant market prices 12 month change	Non-Oil GVA at constant basic prices 12 month change
1997	805.4	3.5%	4.0%	3.5%
1998	851.7	2.6%	4.0%	3.0%
1999	891.6	2.2%	4.4%	2.1%
1999 Q3	225.2	2.3%	4.3%	2.2%
Q4	227.8	2.9%	5.1%	2.8%
2000 Q1	229.9	3.0%	4.0%	2.9%
Q2	232.3	3.2%	3.7%	3.0%
Q3 (prov)	n.a.	2.9%	n.a.	2.7%

Source: NS - CSDB database series YBHA, AMBI, ABJR, GDPT & GDPD

- Gross domestic product (GDP) at 1995 market prices is provisionally estimated to have risen by 0.7% in the third quarter of 2000 to a level 2.9% above the same quarter in 1999. This compares with a quarter-on-quarter growth rate of 0.9% for the fourth quarter of 1999.
- In the year to the second quarter of 2000 the volume of exports of goods and services grew by 8.7%. However, this was more than matched by the 10.7% increase in the volume of imports of goods and services. The growth rate of 3.2% represented contributions of 4.2 percentage points from domestic demand and -1.0 percentage points from net exports.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 3.0% in 2000 and 2.7% in 2001.

*Next update: 23 November*

## A 2. Gross Value Added by Industry



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

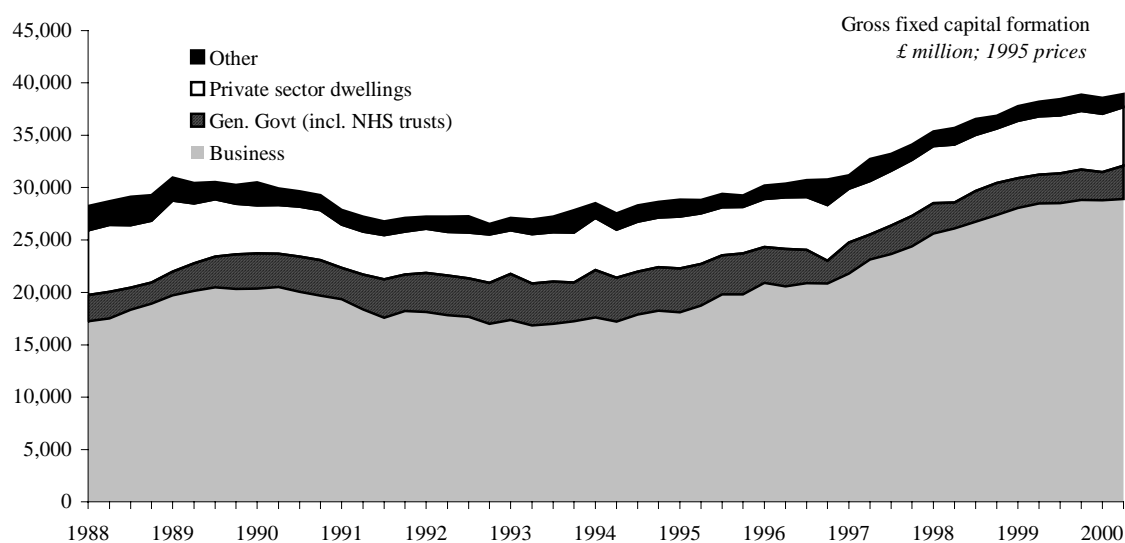
	Production industries			Services	Agriculture, hunting & fishing	Construction
	Total	Manufac- turing				
1997	1.0%	1.3%	4.4%	1.5%	3.2%	
1998	0.8%	0.5%	4.1%	-1.6%	1.3%	
1999	0.5%	0.0%	3.0%	1.3%	0.3%	
1999 Q2	-0.6%	-1.3%	2.6%	0.6%	0.8%	
Q3	1.0%	0.5%	2.8%	0.8%	1.5%	
Q4	1.8%	1.9%	3.3%	1.1%	2.1%	
2000 Q1	1.6%	1.7%	3.3%	-2.6%	4.9%	
Q2	2.2%	1.8%	3.5%	-0.9%	2.4%	
Q3 (prov)	n.a.	n.a.	3.3%	n.a.	n.a.	

Sources: NS - CSDB 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 3¼%. Between the second and third quarters of 2000 output in the service sector rose by a (provisional) 0.7%.
- Manufacturing output rose by 0.4% between the first and second quarters of 2000. Data are not yet available for the third quarter, but in the three months to August output rose by 0.6%. In the four years 1995 to 1999 manufacturing output rose by just 2.2%, equivalent to an average annual growth rate of 0.5%.
- In 1999 manufacturing accounted for 19% of GVA, other production industries (mining & quarrying and electricity gas & water supply) for 5%, agriculture etc. for 1%, construction for 5% and services for 70%.

Next update: 6 & 23 November

### A 3. Investment



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

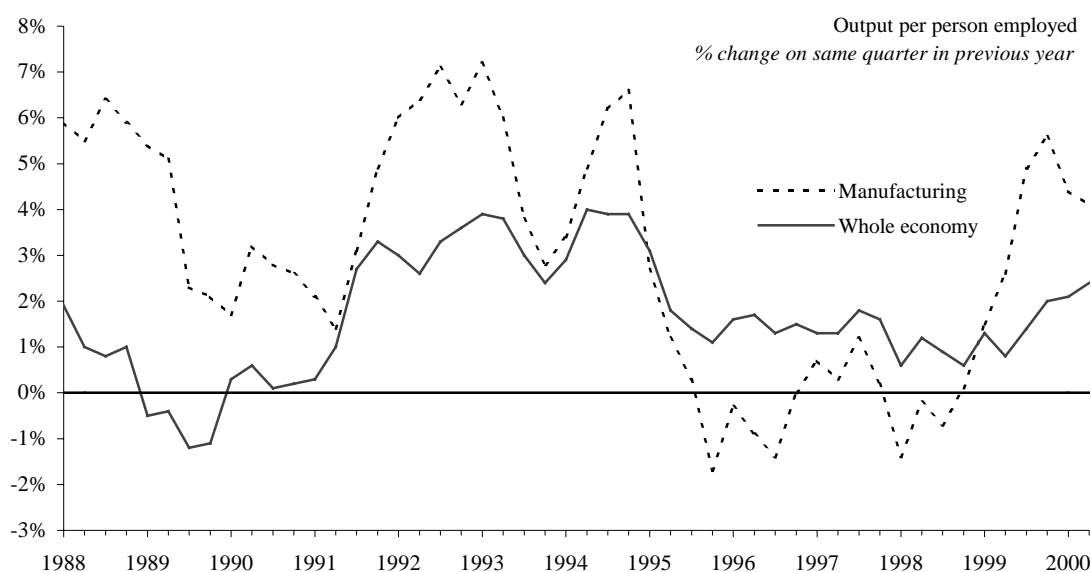
	Transport Equipment	Other Machinery & Equipment	Dwellings	Other Buildings & Structures	Intangible Fixed Assets	Total
1997	12,982	54,241	37,251	22,669	4,103	131,246
1998	14,913	63,833	38,304	23,231	4,156	145,715
1999	16,256	68,701	40,805	23,522	3,988	153,273
1999 Q2	4,143	17,197	10,048	5,834	987	38,209
1999 Q3	4,081	17,146	10,306	5,916	978	38,427
1999 Q4	3,994	17,242	10,604	5,982	1,045	38,867
2000 Q1	3,807	17,284	10,527	5,921	1,022	38,561
2000 Q2	4,034	17,411	10,475	5,985	1,017	38,922

Source: National Statistics 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 in the second quarter of 2000 rose 0.9% in real terms compared with the previous quarter and was 1.9% higher compared with the same quarter in 1999.
- 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. In the second quarter 2000 business investment rose 0.5% in real terms compared with the previous quarter and 1.5% compared with the second quarter 1999.

Next update: November

## A 4. Productivity



Productivity  
% changes on year; seasonally adjusted

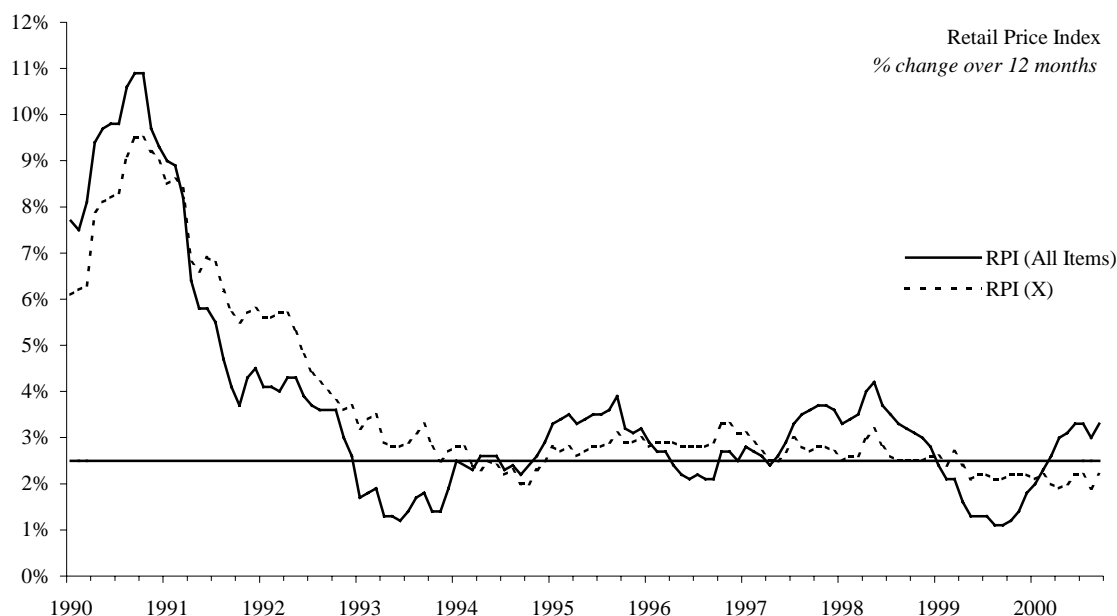
	Manufacturing			Whole Economy		
	Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1997	1.3	1.0	0.3	3.6	1.8	1.5
1998	0.5	0.9	-0.4	3.0	1.7	1.5
1999	0.0	-3.6	3.6	2.1	0.7	1.3
1999 Q2	-1.3	-3.7	2.6	1.7	0.8	0.8
Q3	0.5	-4.2	4.9	2.2	0.8	1.4
Q4	1.9	-3.6	5.6	2.8	0.8	2.0
2000 Q1	1.7	-2.6	4.4	2.8	0.8	2.1
Q2	1.8	-2.3	4.1	3.1	0.7	2.4

Source: NS Series ERIU, LNNS, LNNU, GDPR, LNNO, LNNP, ERIT, LNOK, LNNX, ABMM, LNNM, LNNN

- Productivity across the whole economy, measured by output per head, in the second quarter of 2000 was 2.4% higher compared to a year earlier.
- In the manufacturing sector, the second quarter of 2000 saw positive output growth of 1.8%. This was accompanied by a slight slowdown in the rate of decline in manufacturing employment. The result is that annual productivity growth in manufacturing stands at 4.1% for the second quarter, compared to 2.6% a year earlier.
- For the economy as a whole, a steady rate of employment growth and the rise in overall output growth to 3.1% means that the annual rate of productivity growth reached 2.4% in 2000 Q2.

Next update: 15 November

## B 1. Retail Prices



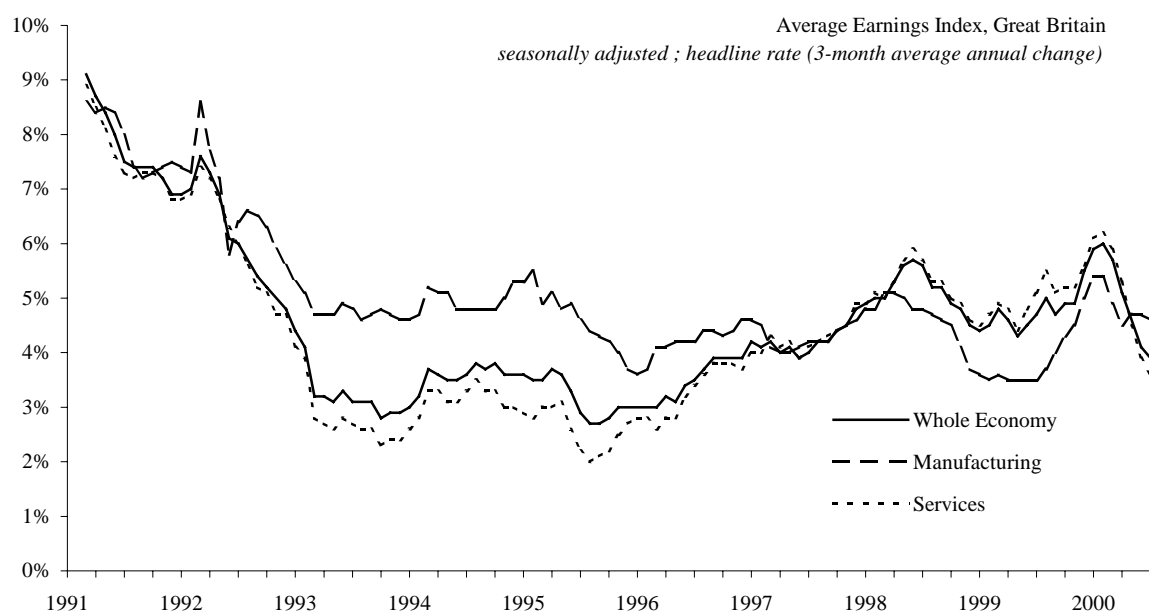
		<i>% change on previous year</i>	
		RPI	RPI (X)
		All Items	Excluding mortgage interest
1997		3.1	2.8
1998		3.4	2.6
1999		1.5	2.3
1999	Sep	1.1	2.1
	Oct	1.2	2.2
	Nov	1.4	2.2
	Dec	1.8	2.2
2000	Jan	2.0	2.1
	Feb	2.3	2.2
	Mar	2.6	2.0
	Apr	3.0	1.9
	May	3.1	2.0
	Jun	3.3	2.2
	Jul	3.3	2.2
	Aug	3.0	1.9
	Sep	3.3	2.2

Source: NS 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 September 2000 the headline rate of inflation rose to 3.3%, up from 3.0% in August.
- The main upward effect on the all items RPI came from increases in motoring costs. This was due to increases in petrol and oil prices reflecting rises in crude oil prices.
- Increases in the price of household goods, particularly furniture and furnishings, also added upward pressure.
- Some offsetting downward pressure came from price changes in electrical appliances and other household equipment, which were subject to special offers in some retailers.

Next update: 14 November

## B 2. Average Earnings



Average Earnings, Great Britain  
*seasonally adjusted*

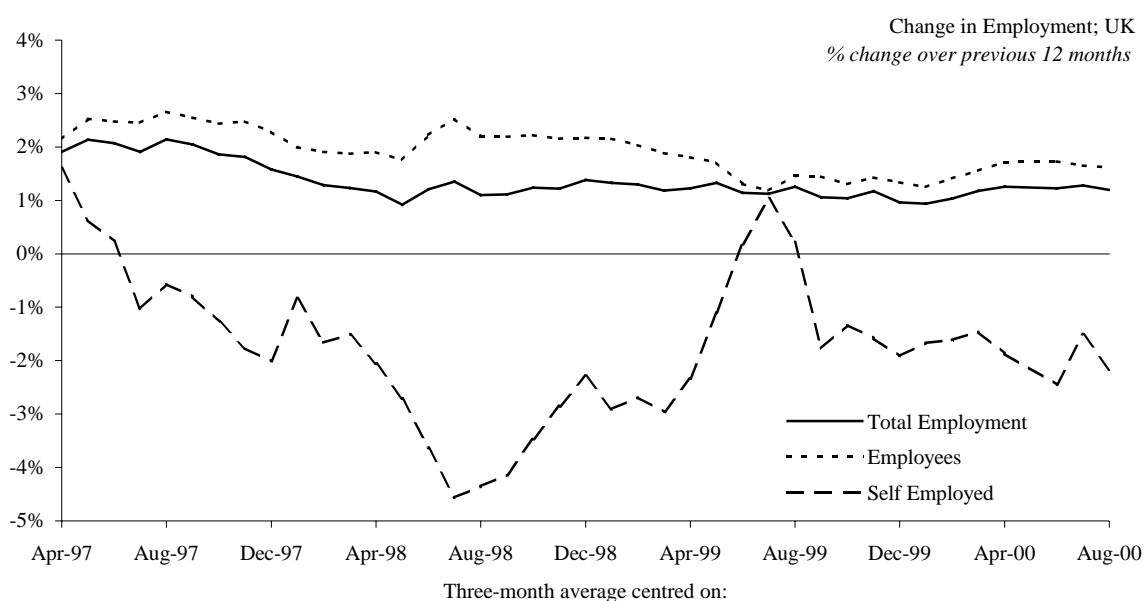
		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1999	Aug	5.0	5.1	4.3
	Sep	4.7	4.9	4.0
	Oct	4.9	5.1	3.9
	Nov	4.9	5.2	3.9
	Dec	5.5	5.8	3.9
2000	Jan	5.9	6.3	4.0
	Feb	6.0	6.5	4.2
	Mar	5.7	6.1	4.2
	Apr	5.1	5.4	4.2
	May	4.6	4.8	3.8
	Jun	4.1	4.2	3.7
	Jul	3.9	4.0	3.4
	Aug	3.9	4.1	3.5

Source: NS 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 the whole economy in August was 3.9%, the same as the level reached in July. The separate figures for the public and private sectors both increased very slightly, by 0.1 of a percentage point. Manufacturing showed a fall in the rate of earnings growth whereas service industries showed an increase.
- Commenting on the latest earnings data, David Blunkett, Secretary of State for Education and Employment, said, "it is important that we maintain wage stability".
- The headline rate of earnings growth is currently below 4½%, the level which many economists regard as the maximum consistent with meeting the inflation target of 2½%.

*Next update: 15 November*

## C 1. Employment



Employment Structure in the UK  
thousands; seasonally adjusted

		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1996	Jun-Aug	26,483	22,736	3,388	117	242
1997	Jun-Aug	26,988	23,294	3,353	123	218
1998	Jun-Aug	27,352	23,882	3,200	105	166
1999	Jun-Aug	27,659	24,164	3,233	96	166
	Sep-Nov	27,724	24,269	3,186	106	163
2000	Dec-Feb	27,783	24,335	3,183	111	154
	Mar-May	27,909	24,502	3,151	108	147
	Jun-Aug	27,989	24,555	3,163	116	154
Changes:						
	1999 Jun-Aug	330	391	-70	20	-12
	to 2000 Jun-Aug	1.2%	1.6%	-2.2%	20.8%	-7.2%

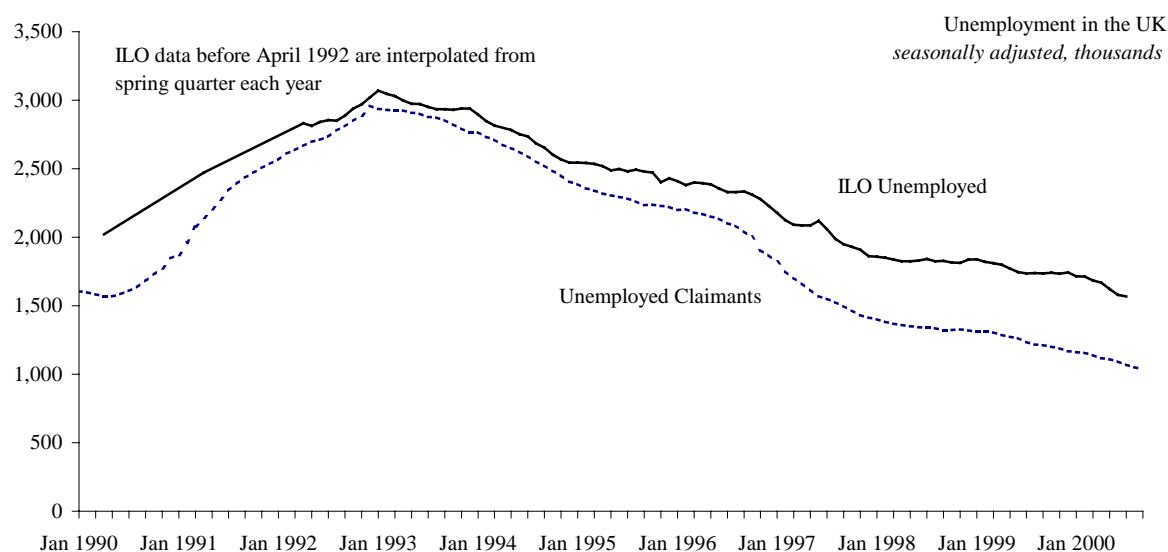
Source: Labour Force Survey (NS)

- Employment has once again increased over the latest rolling three-month period, reaching 27.98 million.
- Compared to a year previously, employment was 330,000 (1.2%) higher in the June-August 2000 period. The pace at which employment is increasing has remained broadly constant over the last year, at around 1% per annum.
- The number of people who are self-employed increased by 12,000 compared with the previous three-month period, but is 70,000 (2.2%) lower than a year previously.

Next update: 15 November



## C 2. Unemployment: National



ILO Unemployment in the UK  
seasonally adjusted

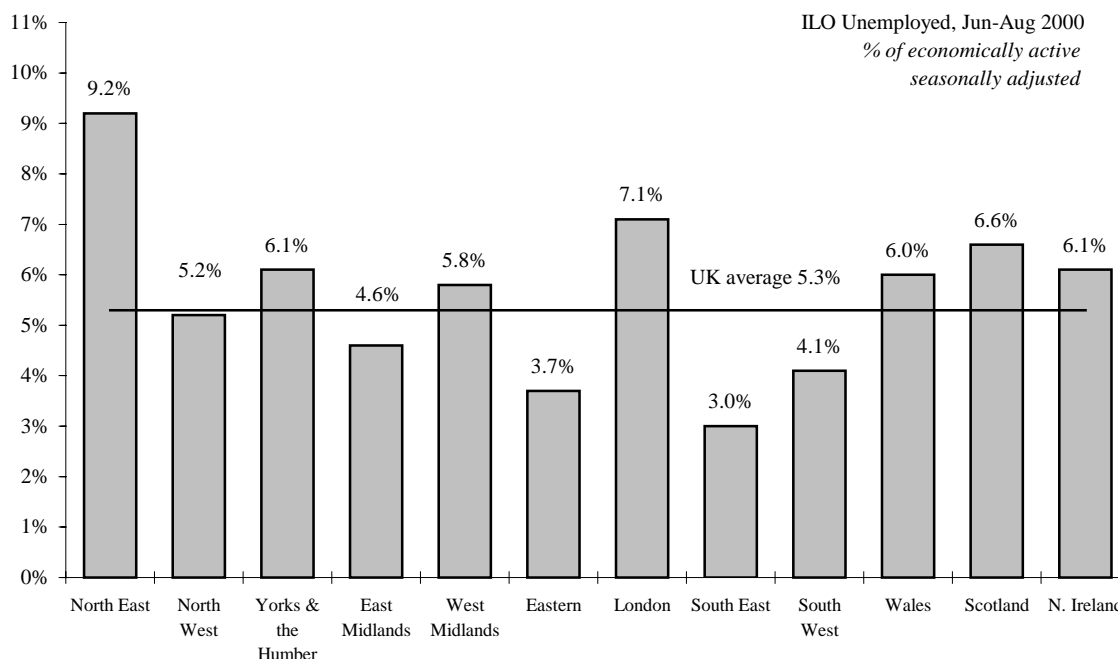
	thousands	rate (%)
1997 Aug-Oct	1,948	6.7
Nov-Jan	1,863	6.4
1998 Feb-Apr	1,836	6.3
May-Jul	1,830	6.3
Aug-Oct	1,828	6.3
Nov-Jan	1,836	6.3
1999 Feb-Apr	1,811	6.2
May-Jul	1,746	5.9
Aug-Oct	1,737	5.9
Nov-Jan	1,744	5.9
2000 Feb-Apr	1,684	5.7
May-Jul	1,580	5.3
Aug-Oct	1,568	5.3

Source: Labour Force Survey (NS)

- Since April 1998, 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 August-October 2000, the level of ILO unemployment in the UK was 1,568,000. This was a decrease of 12,000 from the May-July period. As measured by the monthly claimant count, unemployment fell by 16,400 between August and September 2000 to stand at 1,035,300.
- Since the New Deal for the Young Unemployed started in January 1998, 532,200 people had joined the scheme by the end of August. Of those leaving the scheme, 186,080 had moved into 'sustained jobs' up to the end of August, 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, 296,800 people had joined the scheme by the end of August. By the end of August, 44,150 people leaving the scheme had entered 'sustained jobs', with 33,850 people (77%) going into unsubsidised jobs.

Next update: 15 November

### C 3. Unemployment: Regional



ILO Unemployment, Jun-Aug 2000  
change on same period in previous year  
seasonally adjusted

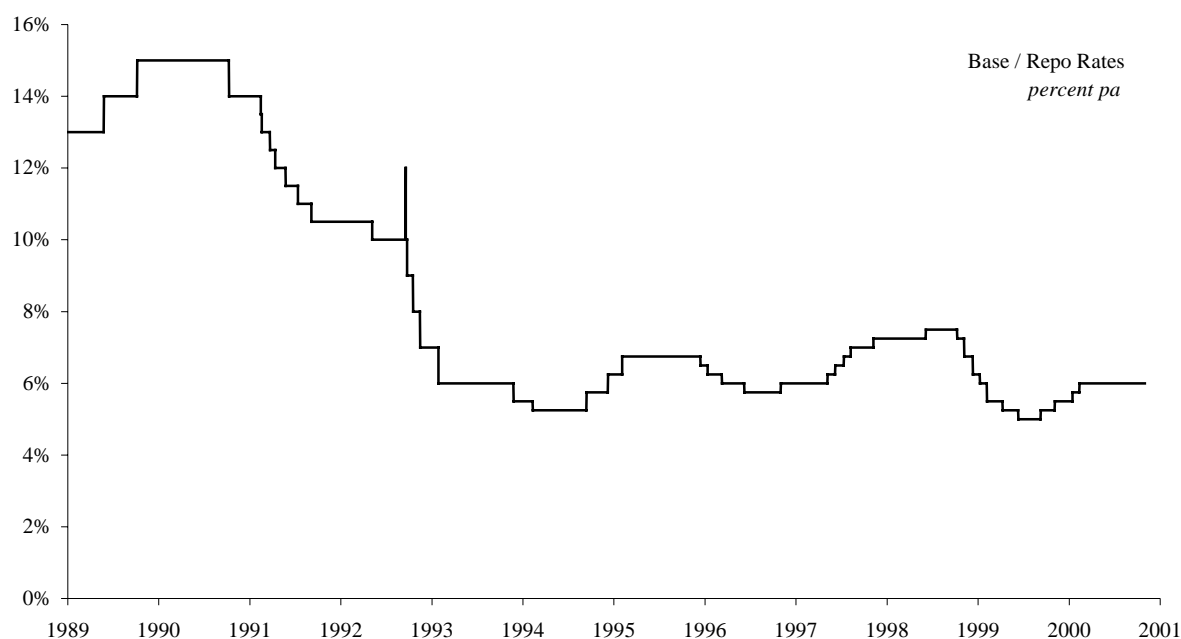
	thousands	%
North East	-1	-1%
North West & Merseyside	-33	-16%
Yorkshire & the Humber	2	1%
East Midlands	-18	-15%
West Midlands	-23	-13%
East	-1	-1%
London	-13	-5%
South East	-33	-20%
South West	-3	-3%
Wales	-22	-22%
Scotland	-9	-5%
Northern Ireland	-14	-24%
UK	-168	-10%

Source: National Statistics, First Release 18 Oct 2000

- Since April 1998, 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 June to August 2000 with the same period a year earlier, unemployment fell in all regions except Yorkshire and Humber.
- The most rapid fall in unemployment occurred in Northern Ireland, where it was 24% lower in June to August 2000 than in the same period a year earlier. In Yorkshire and Humberside it was up 1% on the previous year. The North East had the highest unemployment rate, at 9.2% of the economically active population. The lowest unemployment rate was 3.0% in the South East of England.

Next update: 15 November

## D 1. Interest Rates



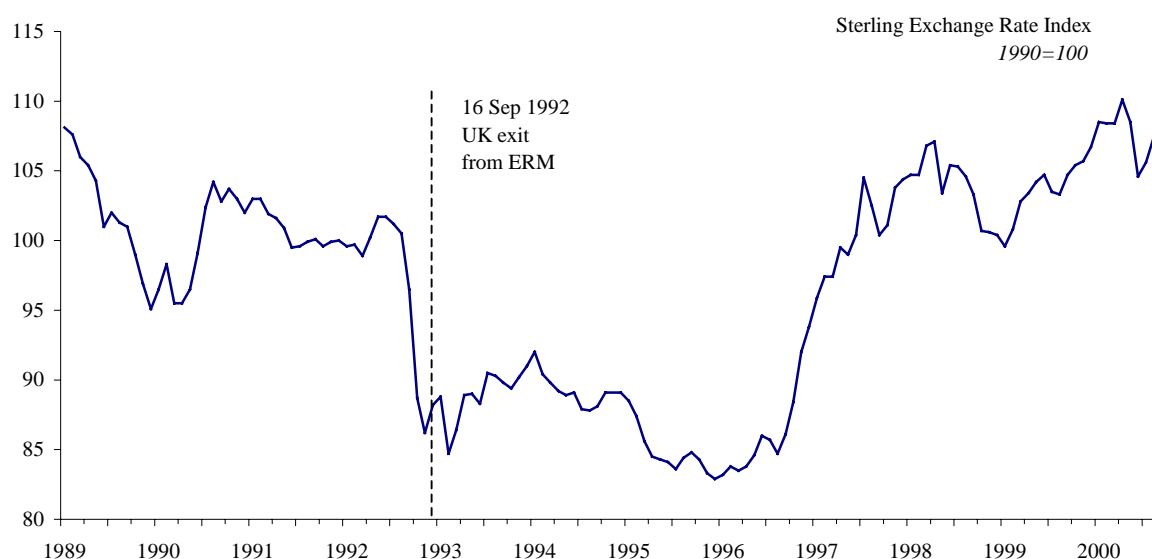
UK Base/Repo Rates  
*per cent per annum*

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 8 November
- 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.
- Recent evidence of slowing economic activity has led to downward revisions in exchange rate expectations.

## D 2. Exchange Rates

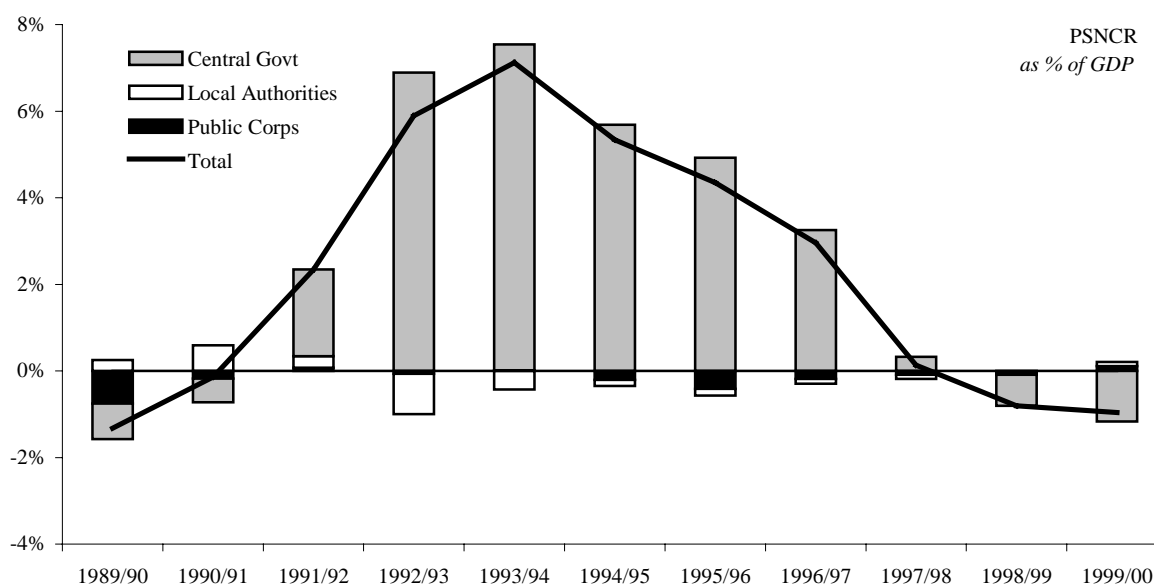


	US\$		Yen		ECU/Euro	
	Rate	% change on year	Rate	% change on year	Rate	% change on year
1997	1.638	4.9%	198.1	16.5%	1.450	16.3%
1998	1.657	1.2%	216.8	9.4%	1.477	1.9%
1999	1.618	-2.4%	183.9	-15.1%	1.519	2.9%
2000 Apr	1.584	-1.7%	167.3	-13.1%	1.673	11.2%
May	1.508	-6.7%	163.2	-17.2%	1.666	9.7%
Jun	1.509	-5.4%	160.0	-16.9%	1.588	3.3%
Jul	1.509	-4.2%	163.1	-13.3%	1.605	5.6%
Aug	1.491	-7.2%	161.2	-11.5%	1.648	8.8%
Sept	1.436	-11.6%	153.2	-11.8%	1.647	6.6%

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

- The US dollar has continued its rise against European currencies during the summer period. Some commentators have argued that this period has seen the final uncoupling of the pound from the US dollar. An alternative explanation could be the US economy's continuing strong performance plus the growing belief that UK interest rates would not rise in the near future.
- At one stage it looked as though the euro appeared to have 'bottomed out' against the pound and the dollar. Strong economic growth in the euro-zone and lower interest expectations in the UK had helped it. It was also helped by concerted action by American, Japanese and European Central Banks, which staged a concerted support operation for the euro on 22 September. All of these gains were lost, however, after subsequent remarks by the ECB Chairman appeared to limit the likelihood of future support activity.
- The pound was worth eur 1.7196 at the London market close on 30 October 2000, compared to a launch rate of eur 1.4169 on 31 December 1998.
- Series for the ECU and the participating currencies of the EMU are no longer officially published.

### D 3. Public Sector Net Cash Requirement



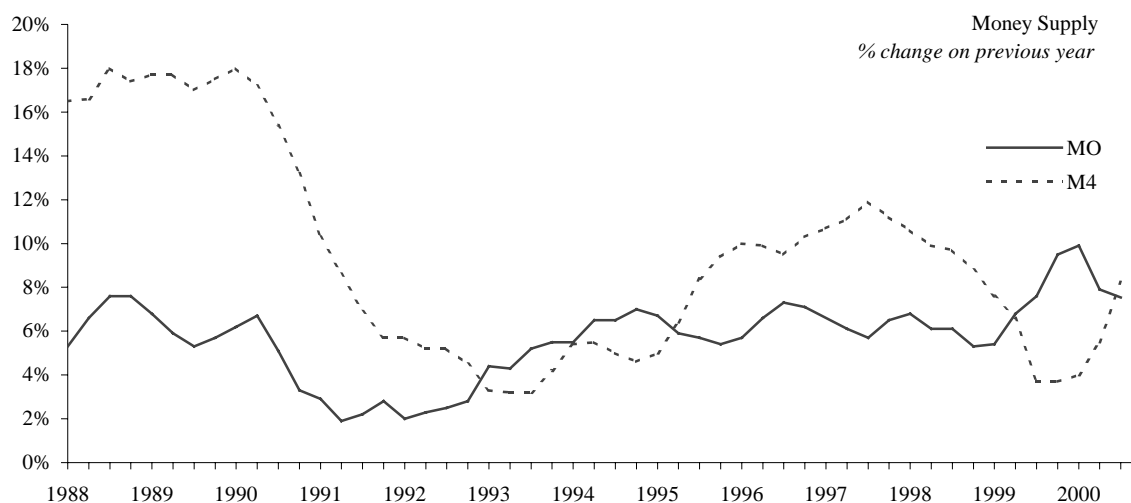
	Public Sector Net Cash Requirement			
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	as a % of GDP	£ billion	as a % of GDP
1997/98	1.1	0.1%	2.9	0.4%
1998/99	-7.0	-0.8%	-6.9	-0.8%
1999/00	-8.7	-1.0%	-8.2	-0.9%
1999 Q2	5.3	2.4%	5.7	2.6%
Q3	-3.2	-1.4%	-3.2	-1.4%
Q4	1.9	0.8%	1.9	0.8%
2000 Q1	-12.8	-5.6%	-12.6	-5.5%
Q2	-11.5	-5.0%	-11.5	-5.0%

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 1999/00 financial year was a negative (i.e. a repayment) £8.7 billion compared with -£7.0 billion in 1998/99. Excluding privatisation receipts, the PSNCR for 1999/00 was -£8.2 billion compared with -£6.9 billion in 1998/99.
- The PSNCR for the 2000/01 financial year is forecast at -£6.9 billion (-0.7% of GDP) excluding windfall tax receipts.

Next update: 20 November

## D 4. Money Supply



Money stock  
*seasonally adjusted*

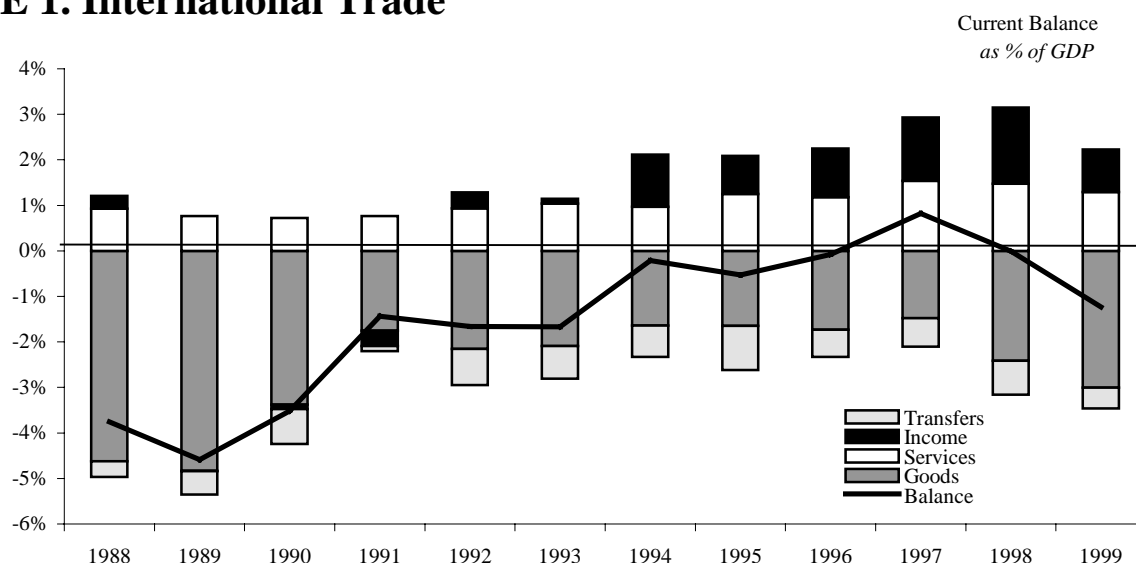
		MO		M4	
		3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1999	Oct	6.2	7.5	4.5	3.4
	Nov	9.3	9.1	5.1	3.7
	Dec	25.7	12.1	8.6	4.1
2000	Jan	29.7	12.7	4.8	3.4
	Feb	5.5	8.6	4.7	3.3
	Mar	-7.4	8.3	8.5	5.3
	Apr	-10.3	8.3	11.5	4.8
	May	6.5	7.8	12.2	5.1
	Jun	7.8	7.5	8.6	6.6
	Jul	6.1	7.0	6.9	6.9
	Aug	6.7	7.0	13.1	8.7
	Sep	10.7	8.6	10.7	9.1
	Oct (prov)	10.4	8.0	n.a.	n.a.

Source: Bank of England, Bankstats, October 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. Subsequent reductions in the note issue in January and February produce the negative 3-month growth rates for March and April.
- There are now no formal targets for money supply growth.

Next updates: 6, 20 & 29 November

## E 1. International Trade



Current Account Balances  
seasonally adjusted; £ million

	Trade in goods and services			Income (total)	Transfers			Current Balance
	goods	services	total		Cent. Govt	other	total	
1997	-11,910	12,414	504	11,170	892	-5,943	-5,051	6,623
1998	-20,537	12,582	-7,955	14,245	-204	-6,166	-6,370	-80
1999	-26,767	11,538	-15,229	8,332	2,186	-6,270	-4,084	-10,981
1999 Q2	-6,232	3,141	-3,091	1,276	441	-1,276	-835	-2,650
1999 Q3	-5,729	3,094	-2,635	1,230	423	-1,713	-1,290	-2,695
1999 Q4	-7,206	2,557	-4,649	4,126	437	-1,459	-1,022	-1,545
2000 Q1	-6,949	2,593	-4,356	2,003	802	-1,775	-973	-3,326
2000 Q2	-7,495	2,891	-4,604	2,359	469	-1,480	-1,011	-3,256

Source: National Statistics: series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP  
First Release: UK Trade 27 September 2000

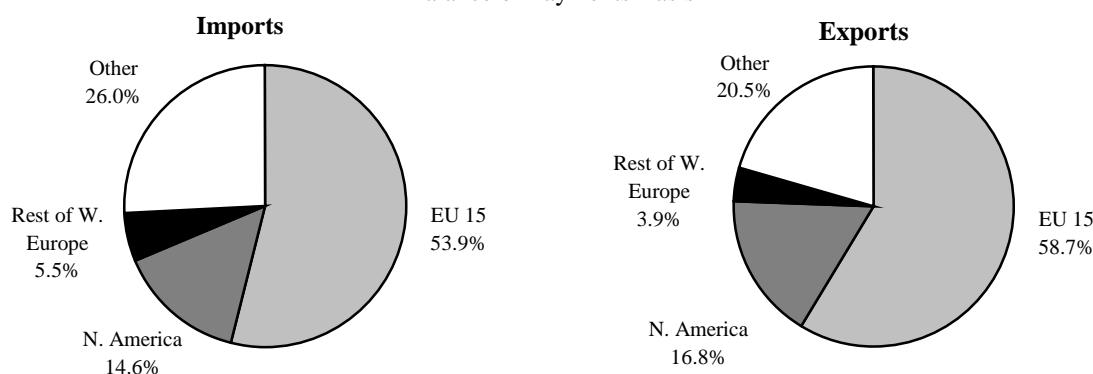
- Trade in goods and services: the last six quarterly figures include some of the largest quarterly deficits in trade in goods ever recorded. Surpluses in the trade in services have also been weakening over recent years, reflecting a deteriorating trading position.
- Income: this includes income from overseas investment and wages, etc earned by people working abroad. The surplus on income fell sharply in 1999 to £8,300 million compared with £14,300 million in 1998 and was about half that needed to offset the trade deficit of £15,300 million.
- 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 £11 billion in 1999 compared with a current account deficit of only £80 million in 1998. The deterioration in the current account balance between 1997 and 1999 was £17.5 billion. 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 in the Pre-Budget Report (November 1999).

Next update: 21 December

## 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	121.6	138.7	165,667	192,434	-26,767
1999 Q2	118.1	134.0	40,206	46,438	-6,232
Q3	127.3	141.9	43,503	49,232	-5,729
Q4	126.1	144.8	42,935	50,141	-7,206
2000 Q1	130.6	147.3	44,556	51,505	-6,949
Q2	133.1	151.1	45,818	53,313	-7,495

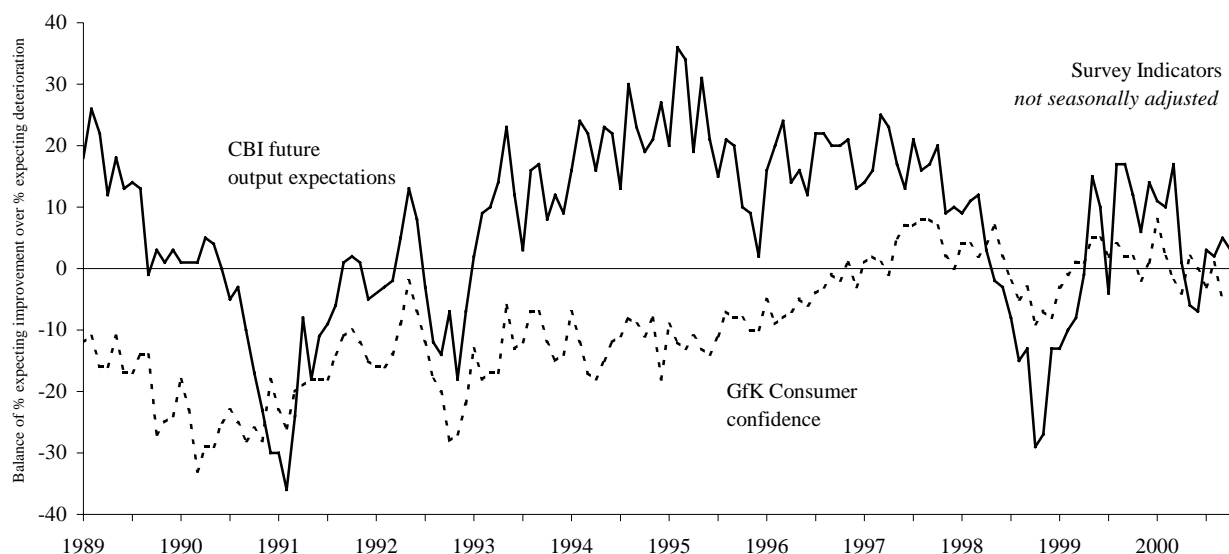
Source: Series BQKU, BQKV, BOKG, BOKH, BOKI and National Statistics First Release: UK Trade Statistics, 24 October 2000

- The deficit in trade in goods in 1999 is estimated at £26,800 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 widening. The UK's trade position seems to be adversely affected by the relatively high rate of domestic UK demand, the high value of sterling and the aftermath of the slowdown in Asian markets.
- Exports rose 2.5% and imports rose 3.4% in volume terms in the 3 months ended August 2000 compared with the previous 3 months. However, compared with the same 3 months in 1999, exports and imports rose 9.1% and 9.7% respectively.
- In value terms, exports rose 3.5% and imports rose by only 3.8% in the 3 months to August compared with the previous 3 months and 10.7% and 11.2% respectively when compared with the same 3 months in 1999.
- The deficit in trade in goods with non-EU countries for 1999 as a whole is estimated at a record £20,300 million, significantly higher than the £15,200 million recorded in 1998, which was the previously highest annual deficit. In volume terms, exports to non-EU countries rose 12.6% and imports rose 17.5% in the 3 months to August compared with the same 3 months in 1999.
- In the 3 months to August, exports to the EU rose by 4.4% and imports were fairly flat at 0.8% compared with the previous 3 months.

Next update: 23 November



## F 1. Survey Indicators



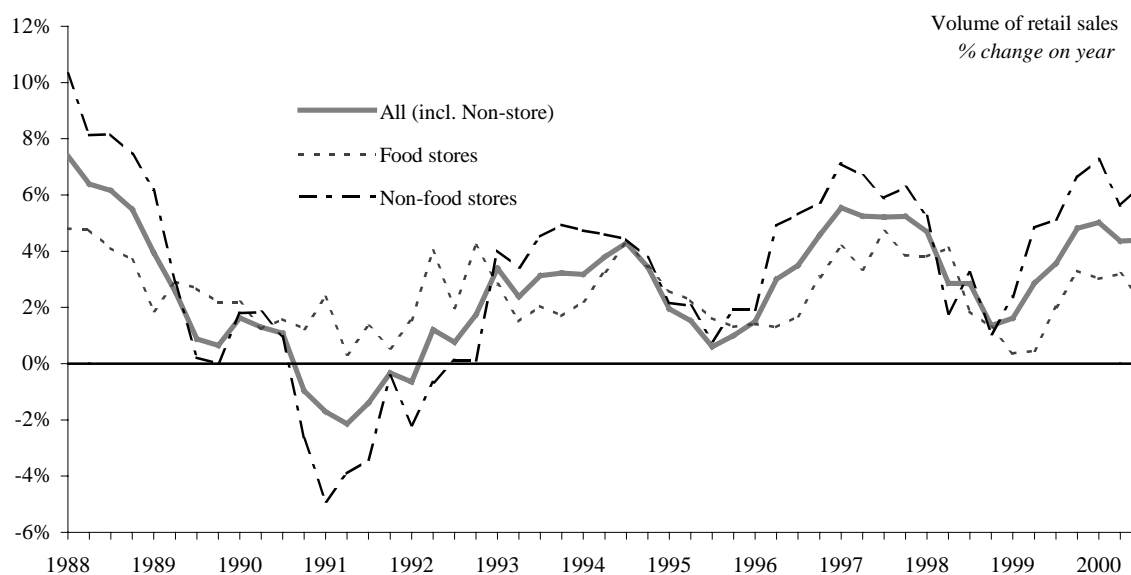
Output Expectations and Consumer Confidence			
Balance of % expecting improvement over % expecting deterioration			
	CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK	
	Oct	12	2
	Nov	6	-2
	Dec	14	1
2000	Jan	11	8
	Feb	10	2
	Mar	17	-2
	Apr	1	-4
	May	-6	2
	Jun	-7	0
	Jul	3	-3
	Aug	2	1
	Sep	5	-5
	Oct	3	0

Source: National Statistics 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 has remained positive with a balance of 3% in October, from a low of -7% in June.
- 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 consumer confidence indicator was zero in October 2000, indicating a balance in the number of consumers with positive expectations and those feeling pessimistic.

Next update: Late November

## F 2. Retail Sales



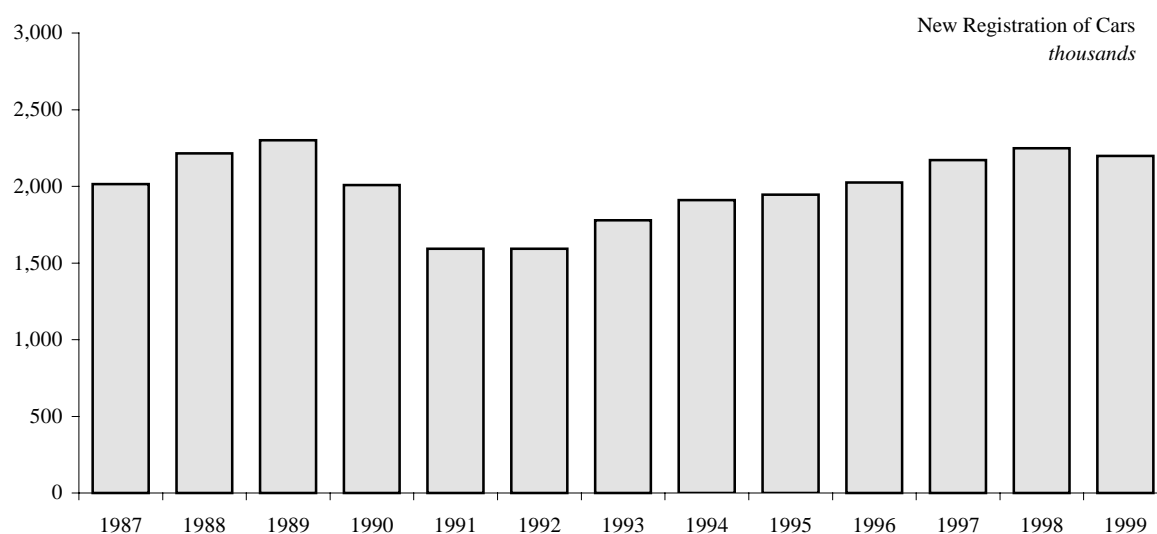
	Value of Sales <i>not seasonally adjusted; % change on year</i>			
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1997	4%	8%	10%	7%
1998	4%	3%	6%	4%
1999	3%	3%	5%	3%
1999 Q3	2%	4%	6%	3%
Q4	3%	4%	6%	3%
2000 Q1	1%	4%	8%	3%
Q2	4%	4%	8%	0%
Q3	4%	3%	5%	2%

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

- In the three months July to September, the *volume* of retail sales grew by 1.3% over the previous three-month period, reaching a level 4.3% higher than a year previously. Sales in the single month of September were 4.6% higher than a year ago.
- Growth in retail sales volumes were stronger in predominantly non-food stores (2.1% over July to September compared to the previous three months) than in food stores, where sales volumes increased by only 0.5%. Sales volumes continue to be particularly strong in household goods stores (8.5% higher in July to September than a year earlier).
- In September 2000, the non-seasonally adjusted *value* of retail sales was 3.4% higher than a year earlier. The average weekly value of retail sales in September was £3,790 million, with actual sales through the till estimated at about £19.0 billion. For July to September the growth in the value of retail sales was strongest in the household goods sector (5% higher than previous year). The value of sales in the food, drink & tobacco sector grew by 4% and in the clothing & footwear sector by 3%.

Next update: 16 November

### F 3. New Registrations of Cars



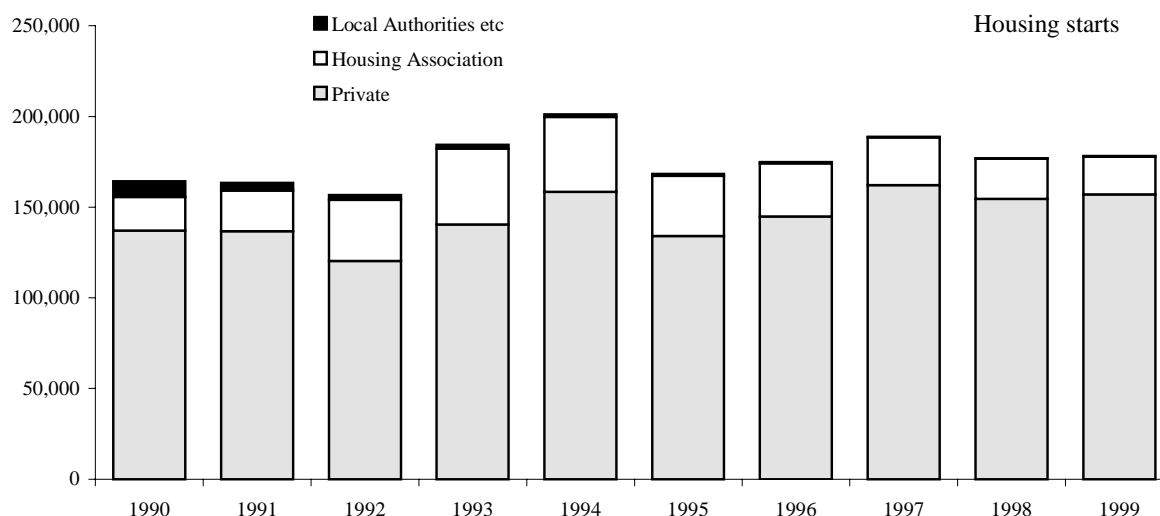
New Registrations of Cars <i>not seasonally adjusted</i>		
	Numbers (thousands)	Change over 12 months
1995	1,945	1.8%
1996	2,026	4.1%
1997	2,171	7.2%
1998	2,247	3.5%
1999	2,198	-2.2%
2000 (forecast)	2,225	1.2%
2001 (forecast)	2,225	0.0%
2000 May	194	10.4%
June	193	-1.6%
July	157	-6.4%
August	71	-4.3%
September	353	-8.7%

Source: SMMT "Monthly Statistical Review", September 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.
- Despite the new registration plates in September 2000, new registrations of cars fell by 8.7% to 353,494 units as the fuel crisis reduced supply and demand. Registrations over the first nine months of 2000 were down 1.2% on the same period in 1999 at 1,797,755 units.
- Registrations of British-built cars fell by 12.6% in September, resulting in a fall in market share from 29.3% last year to 28.1%, and import penetration of the UK market rose to 71.9% from 70.7% in September 1999. Over the first nine months however the market share of UK producers has edged up to 28.7%.

Next update: Late November

## F 4. Housing



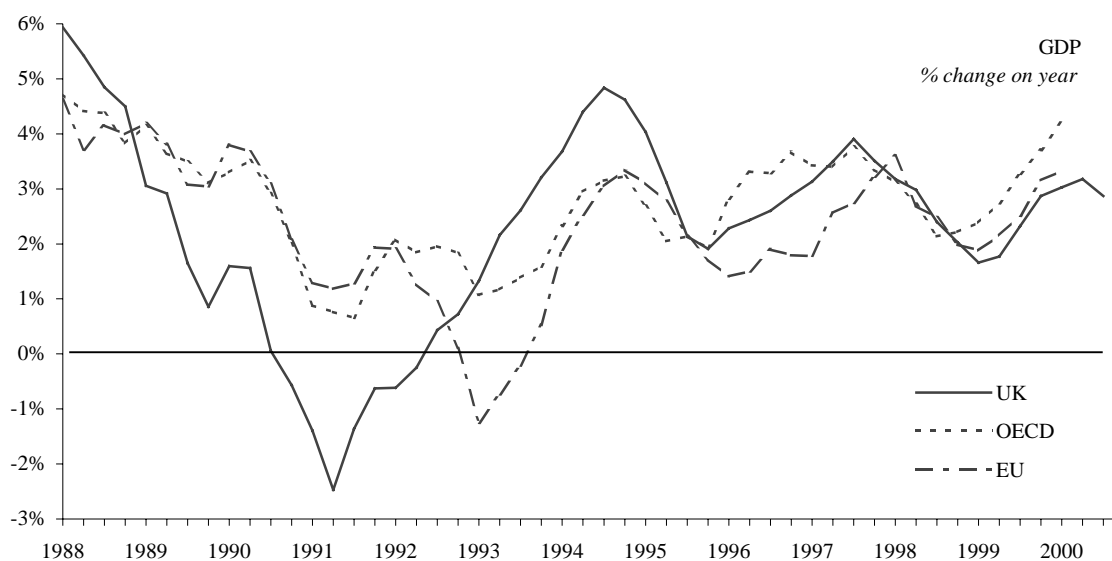
	House prices <i>Standardised average price (£)</i>			
	All Houses	New Houses	Existing Houses	First time buyers
1999 Q3	79,300	81,600	79,400	57,400
Q4	81,400	86,300	81,400	57,700
2000 Q1	83,600	86,800	83,600	60,900
Q2	85,200	88,800	85,300	61,500
Q3	85,800	94,700	85,700	61,200
<i>% change over same period last year</i>				
1999 Q3	8.8%	7.5%	9.1%	8.7%
Q4	11.7%	13.7%	11.8%	9.3%
2000 Q1	14.7%	13.9%	15.3%	14.3%
Q2	11.4%	14.6%	11.4%	12.0%
Q3	8.2%	16.1%	7.9%	6.6%

Source: Halifax House Price Index: Third Quarter 2000

- According to the latest DETR press release, it is provisionally estimated that in August 2000 14,900 dwellings were started in Great Britain, virtually the same number as in August 1999. In the latest three months 47,500 dwellings were started and there were 41,900 completions. These figures were respectively 2% up and 7% down on the same period the previous year.
- According to the Halifax Monthly Index, house prices in the United Kingdom rose by 1.6% in September (seasonally adjusted). On an annual basis, house price inflation rose to 9.2% from 7.4% in August.
- According to the Halifax Quarterly Index, UK house prices rose by 1.1% in the third quarter, compared with a 0.1% fall in the second quarter. Annual house price inflation was highest in the South East (18.1%) and lowest in the North (-1.3%).

Next update: 3 November

## G 1. International Comparisons - Growth



GDP at constant market prices  
% change on year

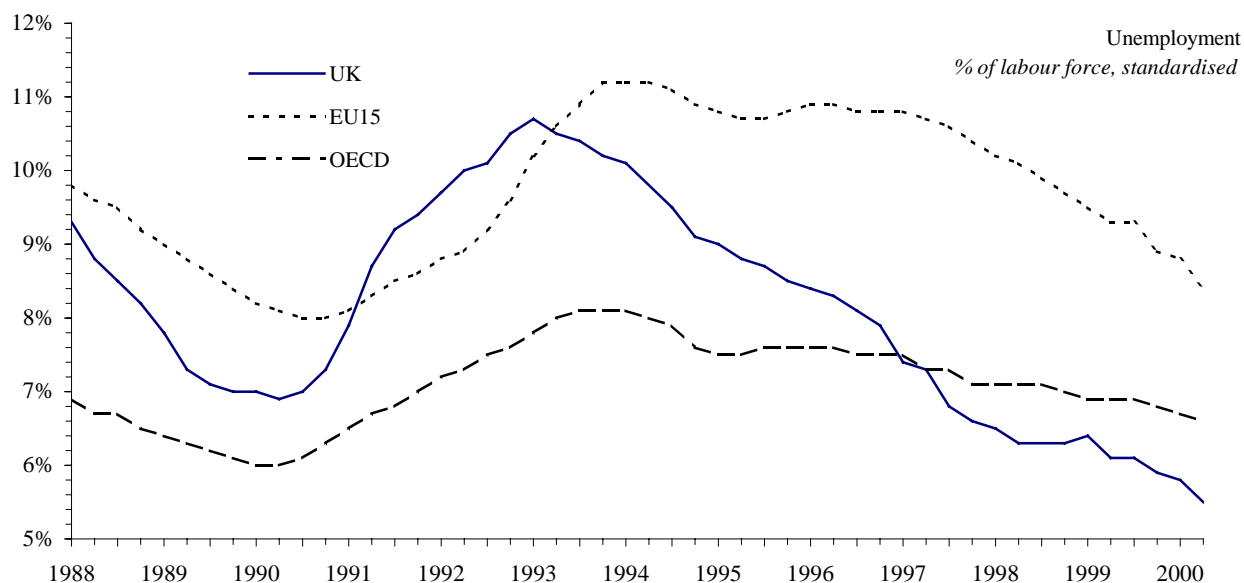
	1997	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3
USA	4.4%	4.3%	4.3%	4.3%	5.0%	5.3%	6.0%	n.a.
Japan	1.5%	-2.5%	0.3%	1.0%	-0.2%	0.8%	0.9%	n.a.
Canada	4.4%	3.3%	4.6%	5.2%	4.9%	5.0%	5.4%	n.a.
United Kingdom	3.5%	2.6%	2.2%	2.3%	2.9%	3.0%	3.2%	2.9%
Germany	1.4%	2.1%	1.5%	1.6%	2.4%	2.3%	3.6%	n.a.
France	2.0%	3.2%	2.9%	3.0%	3.4%	3.5%	3.4%	n.a.
Italy	1.8%	1.6%	1.4%	1.3%	2.2%	3.0%	2.7%	n.a.
EU15	2.5%	2.8%	2.2%	2.5%	3.2%	3.3%	n.a.	n.a.
G7	3.2%	2.4%	2.8%	3.1%	3.5%	3.8%	4.3%	n.a.
OECD	3.5%	2.7%	2.9%	3.3%	3.7%	4.2%	n.a.	n.a.

Source: OECD, Main Economic Indicators, October 2000; NS - CSDB database

- The latest statistics suggest that economic growth in Europe is running at over 3% per annum. Growth rates have improved 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%. Japanese GDP rose in the first half of 2000 after a sharp recession in 1998 and further falls in output in the third and fourth quarters of 1999.
- In June 2000 the OECD expected growth in 2000 to be 4.9% in the USA, 1.7% in Japan and 3.4% in the EU15. Its forecast for the UK was 2.9%.

Next update: Mid-November

## G 2. International Comparisons - Unemployment



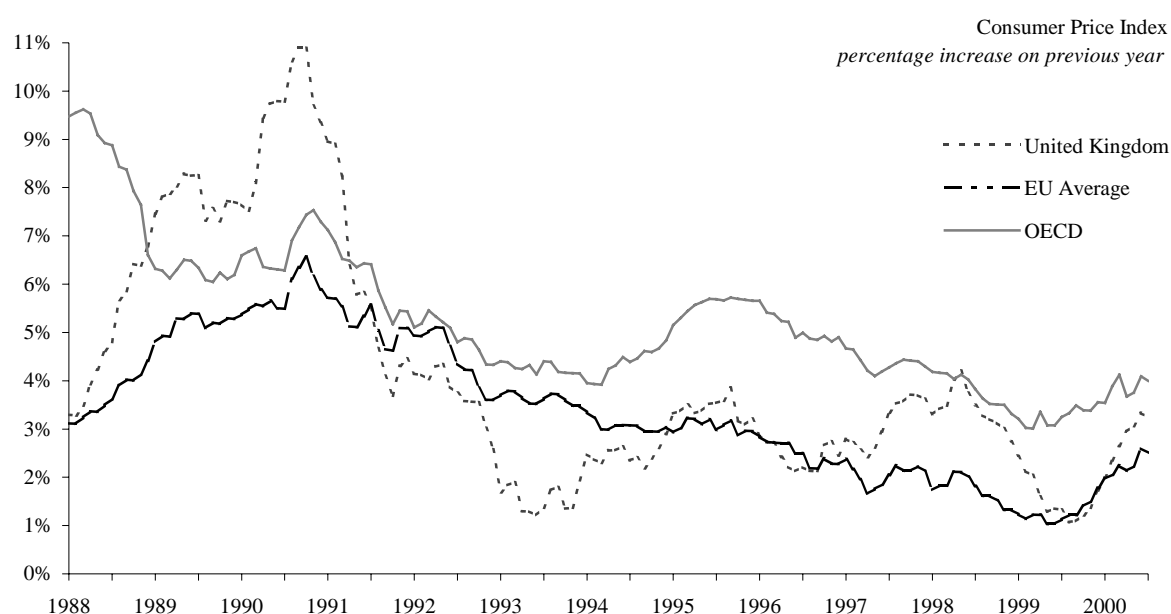
	Unemployed as % of labour force standardised; seasonally adjusted						
	1997	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2
USA	4.9	4.5	4.2	4.3	4.1	4.1	4.0
Japan	3.4	4.1	4.7	4.7	4.6	4.8	4.7
Canada	9.1	8.3	7.6	7.8	7.0	6.8	6.7
United Kingdom	7.0	6.3	6.1	6.1	5.9	5.8	5.5
Germany	9.9	9.4	8.8	8.7	8.7	8.5	8.4
France	12.3	11.8	11.3	11.5	10.8	10.3	9.8
Italy	11.7	11.8	11.3	11.4	11.1	11.0	10.6
EU 15	10.6	9.9	9.2	9.3	8.9	8.8	8.4
G7	6.6	6.4	6.2	6.2	6.0	5.9	5.8
OECD	7.4	7.1	6.9	6.9	6.8	6.7	6.6

Source: OECD Quarterly Labour Force Statistics/standardised unemployment rates at [www.oecd.org](http://www.oecd.org)

- Using standardised definitions, the UK unemployment rate in 2000 Q2 (5.5%) was significantly below the EU average (8.4%) and slightly below the G7 and OECD averages (5.8% and 6.6% respectively).
- The unemployment rate in the euro-zone (the eleven Member States participating in the single currency) stood at 9.0% in August 2000, 0.7 of a percentage point higher than the rate of 8.3% for the EU15 as a whole.
- The latest forecasts published by the OECD in June 2000 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 8.5% in 2000 and 7.9% in 2001.

Next update: mid-November

### G 3. International Comparisons - Prices



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

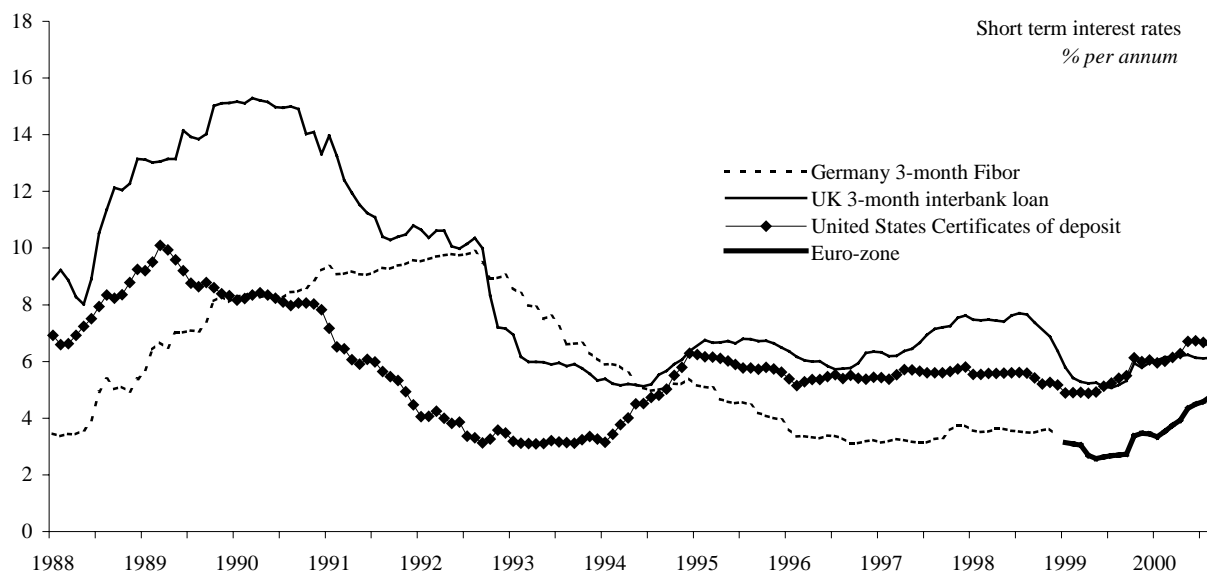
	USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1997	2.3	1.7	1.6	3.2	1.9	1.2	2.0	4.4	2.0
1998	1.6	0.7	1.0	3.4	1.0	0.8	2.0	3.8	1.7
1999	2.1	-0.3	1.8	1.6	0.6	0.6	1.7	3.2	1.3
2000 Feb	3.2	-0.6	2.7	2.3	1.8	1.4	2.4	3.9	2.1
Mar	3.7	-0.5	2.9	2.6	1.9	1.5	2.5	4.1	2.2
Apr	2.9	-0.8	2.1	3.0	1.5	1.3	2.3	3.7	2.1
May	3.0	-0.7	2.4	3.1	1.4	1.5	2.5	3.8	2.2
June	3.7	-0.7	2.9	3.3	1.9	1.7	2.7	4.1	2.6
July	3.5	-0.5	3.0	3.3	1.8	1.7	2.6	4.0	2.6

Source: OECD Main Economic Indicators

- Under the terms of the Maastricht Treaty, harmonised indices of consumer prices (rather than data compiled on national definitions as in the table) 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 2.3% in August. The UK's inflation rate on this basis was 0.6%.
- The inflation rates for the other three Member States not in the euro-zone were (on a harmonised basis) Denmark: 2.2%, Sweden: 1.4% and Greece: 2.9% in August 2000.
- Harmonised inflation rates in the EU in August ranged from 5.7% in Ireland to 0.6% in the United Kingdom.

Next update: late November

## G 4. International Comparisons - Interest Rates



### International Interest Rates

As at 30 October 2000

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	5.75	$5\frac{28}{32}$
United States	5.75	$6\frac{11}{16}$
Switzerland	3.50	$3\frac{3}{8}$
Japan	1.70	$\frac{1}{2}$
Euro-zone	..	$5\frac{1}{8}$

Source: Financial Times, 31 October 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.
- The latest movement in Euro-zone interest rates came in August. On the 31st the ECB raised its key rates by  $\frac{1}{2}$  percentage point to 4.5%. The Bank of England did not raise interest rates and recent evidence of a slowdown in growth in the economy has dampened down future expectations of further rises.