



RESEARCH PAPER 01/17
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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: The Economic Background to the March 2001 Budget

Grahame Allen

ECONOMIC POLICY AND STATISTICS SECTION

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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	Patsy Richards	4904
Construction	Jane Hough/Tim Edmonds	3977/2883
EC finance	Tim Edmonds	2883
Employment	post vacant	2464
Energy	Social & General Statistics	4310
Financial services	Grahame Allen	4324
Housing	Gavin Berman	3851
Incomes	Jane Hough	3977
Industries	Jane Hough/Tim Edmonds	3977/2883
National accounts–GDP etc	Tim Edmonds	2883
Overseas aid	Patsy Richards	4904
Prices	Tim Edmonds	2883
Production	Jane Hough	3977
Public expenditure	Grahame Allen	4324
Taxation	Jane Hough	3977
Trade	Patsy Richards	4904
Transport	Paul Bolton	6789
Unemployment	post vacant	2464
Wages & earnings	Tim Edmonds	2883

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

II The Economic Background to the March 2001 Budget

At the time of the corresponding Paper last year the UK economy was growing strongly. Employment was growing, unemployment falling and the Chancellor's fiscal position was, if anything, too healthy. This paragon of economic virtue was only outshone by the truly spectacular performance of the US economy, which would go on to record its longest period of uninterrupted economic growth for decades. High US growth, fed by booming personal wealth effects from the rising stock market, spilled over, beneficially, for slower growing economies pleased for the chance to exploit export opportunities. Some of these factors have changed. Some for the worse.

Economic growth and output in the US has slumped dramatically. Estimates of consumer confidence are now at their lowest level since February 1996 and the all-important US stock market has fallen sharply. In the UK too, growth has slowed, employment has leveled off and a similar effect has been seen on the stock market. Even the euro can no longer be guaranteed to decline.

If there is a dominant economic question in the lead up to the Budget it is surely whether recent events herald the start of a major slowdown in world economic performance, or whether they are simply a welcome pause from unsustainable levels of activity.

The Bank of England treats the threat of global slowdown seriously in the latest Inflation Report.¹ They point out that lower activity in the US will reduce the demand for UK exports. Currently, exports to the US from the UK account for about 5% of UK GDP. They also note that the fall in US equity prices will affect the UK financial industry too since around 25% of UK overseas securities holdings are held in the United States. The Bank conclude that:

There are many uncertainties both on the outlook for the US and the global economy, and on the impact of the change in global prospects in the United Kingdom. The central projection assumes that US growth will recover in the second half of 2001, but risks around this assumption are weighted firmly on the downside. The weaker outlook for the international economy has lowered prospects for growth and inflation in the United Kingdom. Quantifying the potential effects is very difficult and, given the uncertainties, the Committee will monitor developments closely.²

Optimists point out that by responding early to the threat of economic slowdown the monetary authorities in both the US and the UK has reduced the likelihood of downturn becoming recession. US interest rates have fallen by one percentage point in recent months and further cuts look likely. Furthermore, the new American administration was elected on a platform of substantial tax cuts. Similarly, the Monetary Policy Committee (MPC) has lowered interest rates in the UK and there appears to be scope for more cuts in future. According to economic model simulations, a reduction in US growth of around one percentage point combined with a moderate reduction in UK equity prices may, assuming no change in interest rates or exchange rates, result in a reduction in UK inflation of between 0.2

¹ *Inflation Report*, February 2001, Bank of England

² *Op cit* p 19

and 0.4 percentage points after two years.³ Clearly, reductions of this scale from an expected outturn that barely reaches the target rate gives the MPC scope for further rate reductions.

The other reassuring factor in the economic outlook is the performance in the Euro-zone. After six quarters, starting in 1998 q2, of sub 3% GDP growth, growth in the Euro zone has been above this level for a whole year. Again the pattern suggests that growth may have peaked sometime in 2000, however, the EC Commission estimate growth over the next twelve months to be above 3%.⁴ Particularly from a UK perspective, this growth is welcome as it may compensate in part for whatever decline in demand there is from the US. The recent strength of UK exports, despite the 'strong pound' may be the first evidence to suggest that this has to an extent already happened.

Another issue that has caused comment in the lead up to the Budget has been the state of public finances. The Institute for Fiscal Studies (IFS) notes that:

As last year, the public finances seem healthier than the government forecast. IFS/Goldman Sachs expect public sector net borrowing (PSNB) to record a surplus of £15.9 billion in 2000/01, virtually unchanged from 1999/00. This is £10 billion better than the March 2000 budget forecast and £5.8 billion better than the November 2000 Pre-Budget Report forecast. The better than expected performance in the public finances reflects a combination of greater buoyancy in tax receipts and an undershoot in public spending.⁵

IFS note that:

There has been considerable underspend on cyclical items of expenditure, such as social security spending and debt interest, as well as on discretionary items across many programmes and departments. Throughout this parliament, public spending in each year has turned out lower than initial plans and forecasts.⁶

³ Op cit p 19

⁴ *European Economy*, No 70, 2000

⁵ IFS *Green Budget*, January 2001

⁶ IFS *Green Budget* p 23

The table below illustrates the movement in the main fiscal aggregates since last year's budget.

Forecasts for Government Borrowing in 2000/01

£ billions

Forecast	Budget March 00	Pre-Budget Report Nov 00	'Green Budget' Jan 01	Difference between Jan 01 and Mar 00
Current Receipts	375.6	380.3	381.3	5.7
Total managed expenditure	370.9	371.6	367.1	-3.8
Net borrowing*	-6.0	-10.1	-15.9	-9.9
Surplus on current budget*	14.0	16.6	21.1	7.1
<i>Net public sector debt</i> <i>% of GDP</i>	35%	32%	32%	0.0

Note: * excluding windfall tax and associated expenditure

Source: IFS Green Budget, January 2001

The Chancellor has various options to deal with the substantial surplus at his disposal. In what many regard as a pre-election period, tax cuts might be the traditional option. A Financial Times article commented that with the strength of public finances "the Chancellor now seemed safe in returning £3 billion to £4 billion to taxpayers in tax cuts".⁷ If the Chancellor decides to 'give-away' such sums by making changes to existing tax rates or allowances, rather than by introducing new schemes, the scale of changes to achieve this are shown below:

Revenue effects of main tax changes

£ millions

	Yield in 2001/02 (full year)
<i>Income tax</i>	
Change starting rate by 1p	410
Change basic rate by 1p	2,800
Change all personal allowances by 10%	2,750
Increase all main allowances, starting and basic rate limits by 10%	4,700
<i>Corporation tax</i>	
Change main rate by 1 percentage point	1,250
<i>National insurance contributions</i>	
Change class 1 employee rate by 1 percentage point	2,750
Change class 1 employer rate by 1 percentage point	3,450

Source: Treasury Tax Ready Reckoner & Tax Reliefs

⁷ Financial Times 21 February 2001, p1

The main alternative to cutting taxation would be an increase in public expenditure. However, with substantial increases in expenditure already planned and with warnings from the IMF and EC Commission about the unsustainable nature of above trend increases in expenditure, such an option may be unlikely.

UK Economic Data

The rest of this Paper contains a considerable amount of economic data on the UK economy; however, the following issues are of particular importance to the overall Budget debate.

Growth & Output

Real GDP grew 0.3% in the fourth quarter of 2000. This is an annualised rate of growth of 2.5%. This can be compared with annualised growth rates of 3.2%, 3.5% and 3.0% in the previous three quarters of 2000. 2.5% growth is assumed to be the natural, or trend, rate of growth in the economy and exceeds the growth rate assumption used for public expenditure planning purposes. Most commentators would feel comfortable with this result, however, the fact that the annualised rate has fallen by one percentage point in six months does raise the question about how much further the fall is likely to go.

Growth was fastest in the service sector (0.7%) and manufacturing (0.5%), while output fell in the production industries (particularly in the energy sector).

Employment and Unemployment

Overall employment continues to grow, but at a lower rate than over the past two years. Increases in service sector employment of 690,000 jobs since the first quarter of 1998 compensate for falls in manufacturing employment (348,000 fewer jobs) and, curiously, the self-employed (147,000 down). The very latest figures show that the employment rate (of working age people) has actually fallen very slightly in the last quarter. Unemployment continues to fall, and has fallen faster recently than it did in the middle of last year. The claimant count level in January 2001 was 1.00 million, down 25,500 on December and down 156,600 on a year earlier. It has shown an average fall of 14,300 over the last three months and 10,800 over the last six months.

Inflation & the Exchange Rate

Although inflation is no longer at the historically low levels seen last year the official assessment by the Bank of England is that the inflation target is likely to be met over the foreseeable future. In its Inflation Report the Bank note:

In the central projection the inflation stays around 2% throughout 2001 but then starts to pick up, reaching the target rate [2½%] at the forecast horizon [Jan 2003]....

In the Committee's judgement, the risks to growth and inflation are on the downside, stemming in particular from the risk of a deeper or more prolonged slowdown in the United States.⁸

This is a curious judgement because if all the risks to the forecast are on the downside why is the central inflation projection not lower? This aside, the fact that even a cautious Bank does not expect inflation to reach 2½% for two years says a lot about inflationary pressures within the economy. For whatever reason, and a high exchange rate is one, a year of strong growth and tight labour markets have generated very little inflationary pressure.

The future exchange rate is less easy to predict. For the past 18 months the main story has been the appreciation of sterling against the euro and the damage that this was doing to parts of the UK economy. Since October, however, the euro has appreciated by about 8% against sterling. Just as there were competing explanations for the long decline in the euro, but no real consensual verdict, so there is no clear view as to why the euro has appreciated now. The Bank, rejects differential growth forecasts between the Euro-zone and the UK (often put forward as a reason for the previous depreciation) as a reason for the appreciation. They also note the gradual convergence of movement of UK and Euro-zone interest rates. They offer by way of explanation the following:

An alternative explanation for the recent appreciation of the euro against sterling is that investors have become less concerned about the risks of holding euro assets relative to those in sterling.⁹

Partly offsetting the improvement in competitiveness vis a vis the euro, sterling has appreciated by around 2% against the US dollar.

The average of a range of forecasts for the UK economy is shown below.

UK Economic Forecasts*

Forecast for 2001

	Averages		February range	
	February	January	Lowest	Highest
GDP growth (per cent)	2.6	2.6	1.5	3.2
Inflation-RPI (per cent)	2.2	2.3	1.2	3.9
Claimant unemployment (mn)	1.0	1.0	0.9	1.2
Current account (£bn)	-17.7	-18.2	-26.0	-4.9
PSNB (2001-02 £bn)	-10.3	-10.7	-16.4	-3.0

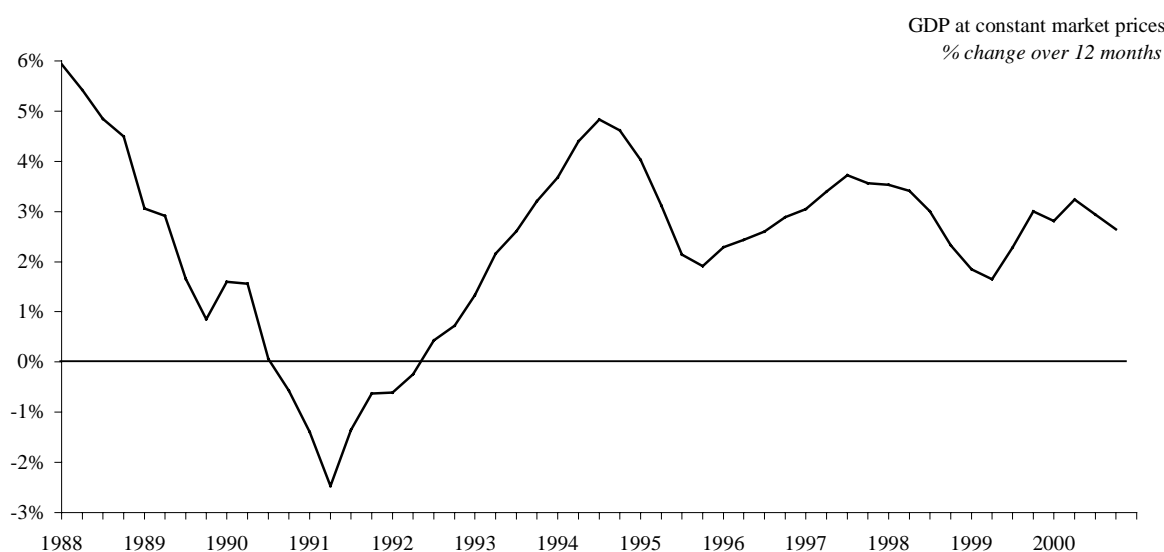
Note:* Independent & City averages, based on forecasts made in last three months

Source:HM Treasury, *Forecasts for the UK Economy, February 2001*

⁸ Op cit, p iv,

⁹ Op cit p 13

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

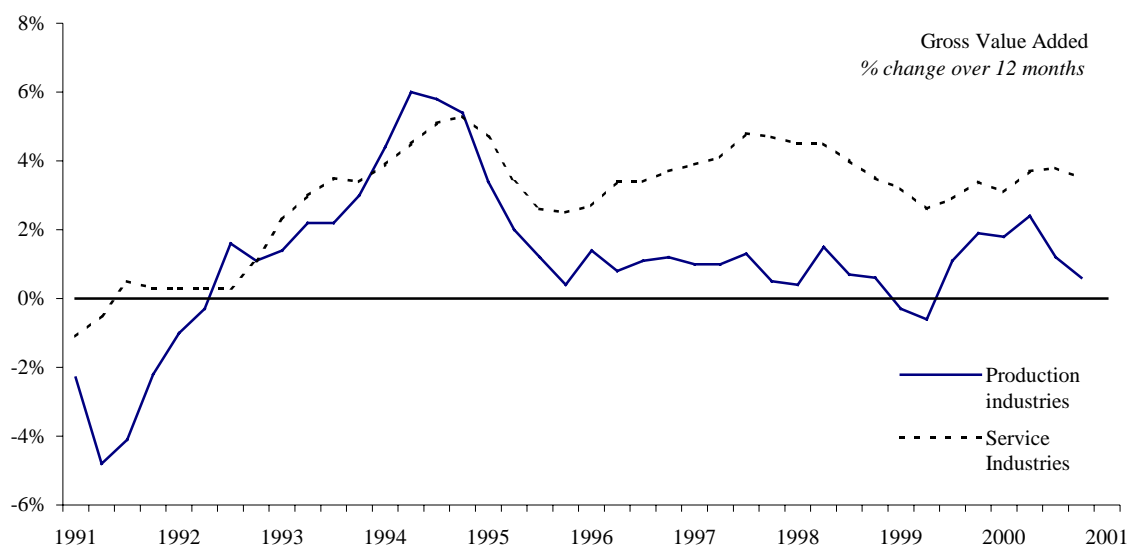
	GDP at current market prices £ billion	GDP at constant market prices 12 month change	HH consumption at constant market prices 12 month change	Non-Oil GVA at constant basic prices 12 month change
1997	805.4	3.5%	4.0%	3.5%
1998	851.7	2.6%	4.0%	3.0%
1999	891.0	2.3%	4.5%	2.1%
2000	934.6	3.0%	3.7%	
1999 Q4	228.7	3.2%	5.0%	3.0%
2000 Q1	229.2	3.1%	3.7%	2.8%
Q2	232.6	3.5%	3.6%	3.2%
Q3	235.5	3.0%	4.0%	2.9%
Q4	237.3	2.5%	3.3%	2.7%

Source: NS - CSDB database series YBHA, AMBI, ABJR, GDPS

- Gross domestic product (GDP) at 1995 market prices is estimated to have risen by 0.3% in the fourth quarter of 2000 to a level 2.7% above the same quarter in 1999. This suggests that the economy has begun to slow after the high rates of growth seen in the middle of the year.
- Output of manufacturing and services was estimated to have grown by 0.5% and 0.7% respectively for the latest quarter. Production industry output, however, was estimated to have fallen.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 2.6% in 2001 and 2002.

Next update: 25 March

A 2. Gross Value Added by Industry



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

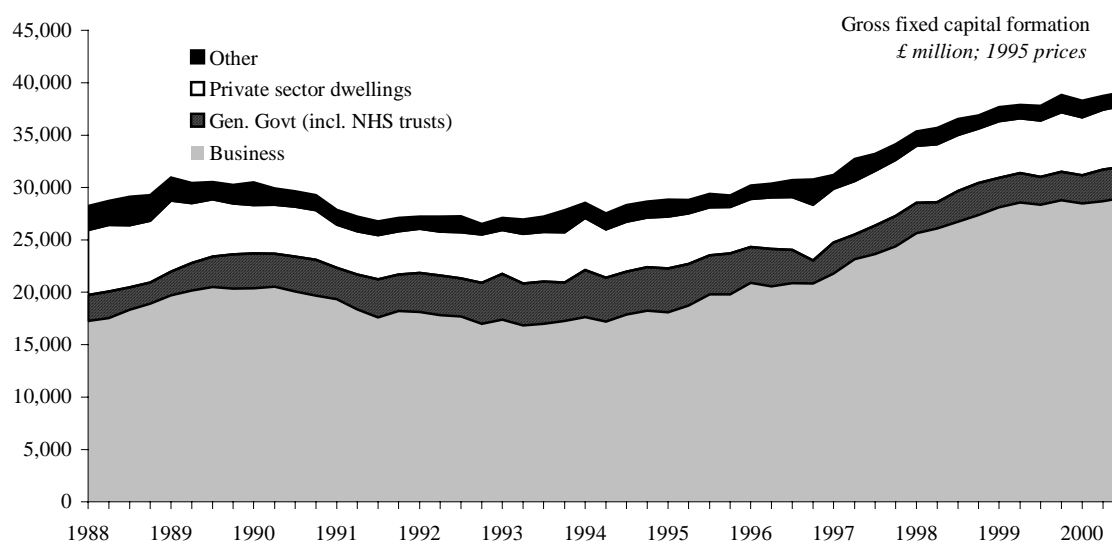
	Production industries			Agriculture, hunting & fishing	Construction
	Total	Manufac- turing	Services		
1998	0.8%	0.5%	4.1%	-1.6%	1.3%
1999	0.5%	0.0%	3.0%	1.4%	0.8%
2000	1.5%	1.6%	3.5%	-2.1%	1.4%
1999 Q4	1.9%	1.9%	3.4%	0.9%	3.1%
2000 Q1	1.8%	1.9%	3.1%	-2.4%	5.5%
Q2	2.4%	2.1%	3.7%	-1.7%	2.6%
Q3	1.2%	1.0%	3.8%	-0.6%	-1.0%
Q4 (prov)	0.6%	1.3%	3.5%	-3.6%	-1.6%

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 3½%. Between the third and fourth quarters of 2000 output in the service sector rose by a (provisional) 0.7%.
- Manufacturing output rose by 0.5% between the third and fourth quarters of 2000. In the four years 1996 to 2000 manufacturing output rose by 3.4%, equivalent to an average annual growth rate of 0.8%.
- 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: 26 March

A 3. Investment



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

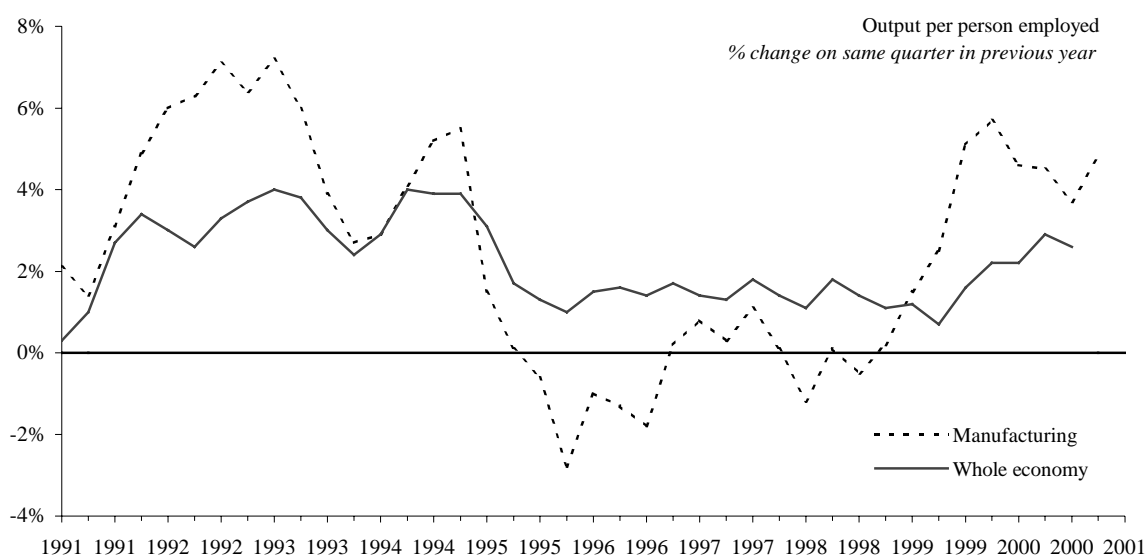
	Transport Equipment	Other Machinery & Equipment	Dwellings	Other Buildings & Structures	Intangible Fixed Assets	Total
1997	12,982	54,241	37,251	22,669	4,103	131,246
1998	14,913	63,833	38,304	23,231	4,156	144,437
1999	16,122	68,708	40,246	23,123	4,004	152,203
1999 Q2	4,065	17,288	9,855	5,692	1,004	37,904
1999 Q3	3,983	17,064	10,099	5,649	1,006	37,801
1999 Q4	3,938	17,255	10,578	6,037	1,015	38,823
2000 Q1	3,897	16,970	10,570	5,844	1,010	38,291
2000 Q2	3,997	17,221	10,451	6,059	1,026	38,754
2000 Q3	3,816	17,453	10,643	6,169	1,036	39,117

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 third quarter of 2000 rose by 0.9% in real terms compared with the previous quarter and was 3.5% 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. After a year of 'subdued' investment growth during 1999 and the first half of 2000, revised figures for the second half of 2000 show year on year increases of 2.5% and 4.0%.

Next update: March

A 4. Productivity



Productivity
% changes on year; seasonally adjusted

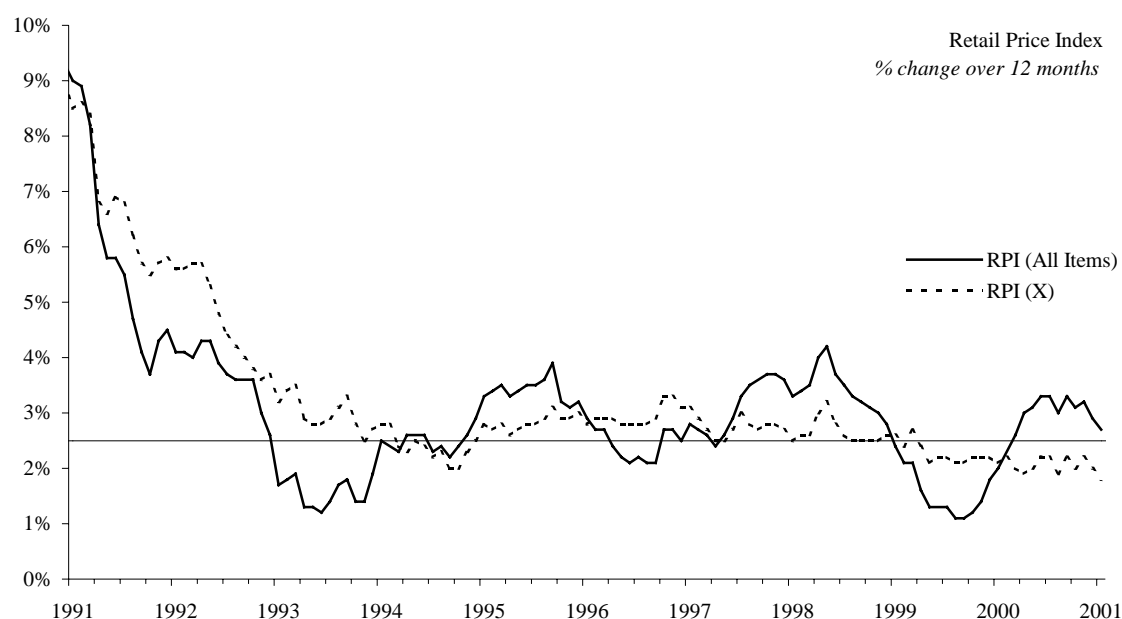
		Manufacturing			Whole Economy		
		Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1998		0.5	0.9	-0.4	3.0	1.7	1.5
1999		0.0	-3.6	3.7	2.2	0.8	1.3
2000		1.6	-2.6	4.4	2.9	..	..
1999	Q4	1.9	-3.6	5.7	3.0	0.8	2.2
2000	Q1	1.9	-2.6	4.6	2.8	0.8	2.2
	Q2	2.1	-2.3	4.5	3.3	0.6	2.9
	Q3	1.0	-2.5	3.7	2.8	0.4	2.6
	Q4	1.3	-3.3	4.8	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, was 2.6% higher in the third quarter of 2000 compared to a year earlier.
- There was a sharp downturn in the annual rate of output growth in manufacturing, down from 2.1% per annum in 2000 Q2 to just 1.0% in Q3, but recovered slightly in Q4. The decline in manufacturing employment has continued to pick up pace, and is now contracting at a rate of 3.3% per annum. The combination of falling employment and positive output growth is such that productivity is now growing at an annual rate of nearly 5%.
- For the economy as a whole, the combination of lower output growth and lower employment growth meant that the annual rate of productivity growth fell back in 2000 Q3 to 2.6%. 2000 Q2.

Next update: 26 March

B 1. Retail Prices



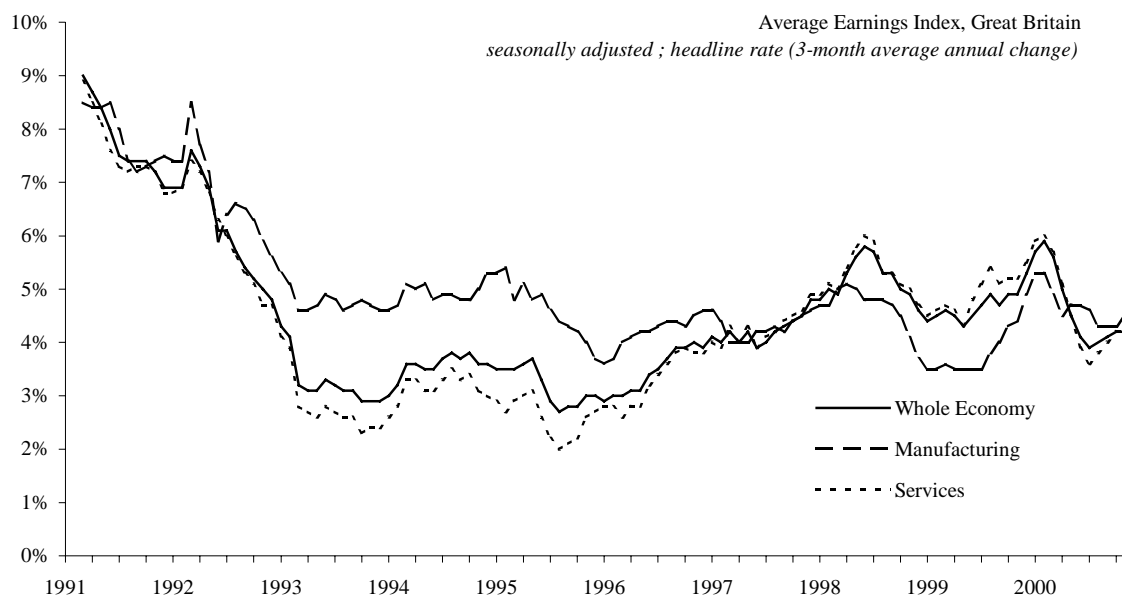
		<i>% change on previous year</i>	
		RPI	RPI (X)
		All Items	Excluding mortgage interest
1998		3.4	2.6
1999		1.5	2.3
2000		3.0	2.1
2000	Jan	2.0	2.1
	Feb	2.3	2.2
	Mar	2.6	2.0
	Apr	3.0	1.9
	May	3.1	2.0
	Jun	3.3	2.2
	Jul	3.3	2.2
	Aug	3.0	1.9
	Sep	3.3	2.2
	Oct	3.1	2.0
	Nov	3.2	2.2
	Dec	2.9	2.0
2001	Jan	2.7	1.8

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 (RPI)
 - for 2000 was 3.0%, up from 1.5% in 1999. The annual average increase in underlying inflation (RPI (X)) was 2.1% - the lowest since 1976, the earliest date for which this series is available.
- In the year to January 2001 the headline rate of inflation fell to 2.7%, down 0.2 percentage points from 2.9% in December.
- The element that contributed the most to the fall in the headline rate between December and January was motoring costs. This is due to falls in petrol prices last month being larger than those in January 2000. Smaller increases in vehicle tax and insurance also put downward pressure on this element of the RPI.
- There was some upward pressure on the RPI from household goods, particularly furniture and furnishings.

Next update: 20 March

B 2. Average Earnings



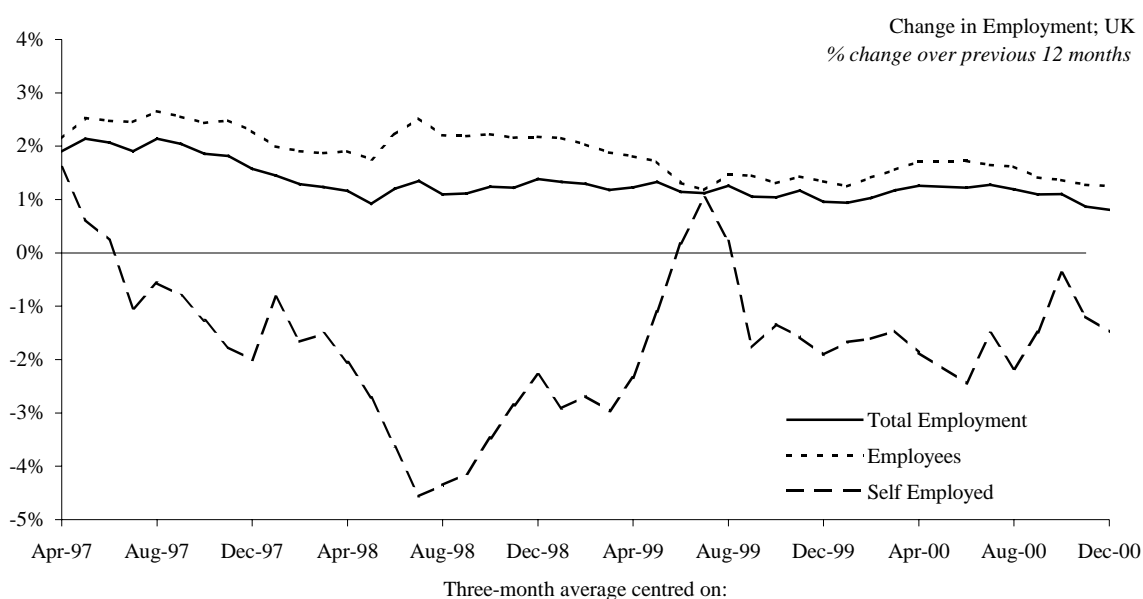
		Average Earnings, Great Britain seasonally adjusted		
		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1999	Dec	5.3	5.7	3.8
2000	Jan	5.7	6.1	4.0
	Feb	5.9	6.3	4.2
	Mar	5.6	5.9	4.1
	Apr	5.0	5.2	4.1
	May	4.5	4.8	3.7
	Jun	4.1	4.2	3.7
	Jul	3.9	4.0	3.4
	Aug	4.0	4.1	3.5
	Sep	4.1	4.3	3.4
	Oct	4.2	4.4	3.4
	Nov	4.2	4.4	3.5
	Dec	4.4	4.5	3.9

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 December was 4.4%, up by 0.2% from November. The main increase was due to a large, 0.4 percentage point, increase in public sector pay. Manufacturing showed a small increase in the rate of earnings growth but service industries showed a rather larger change.
- The headline rate of earnings growth is currently just below 4½%, the level which many economists regard, given the current level of productivity growth, as the maximum consistent with meeting the inflation target of 2½%.

Next update: 14 March

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

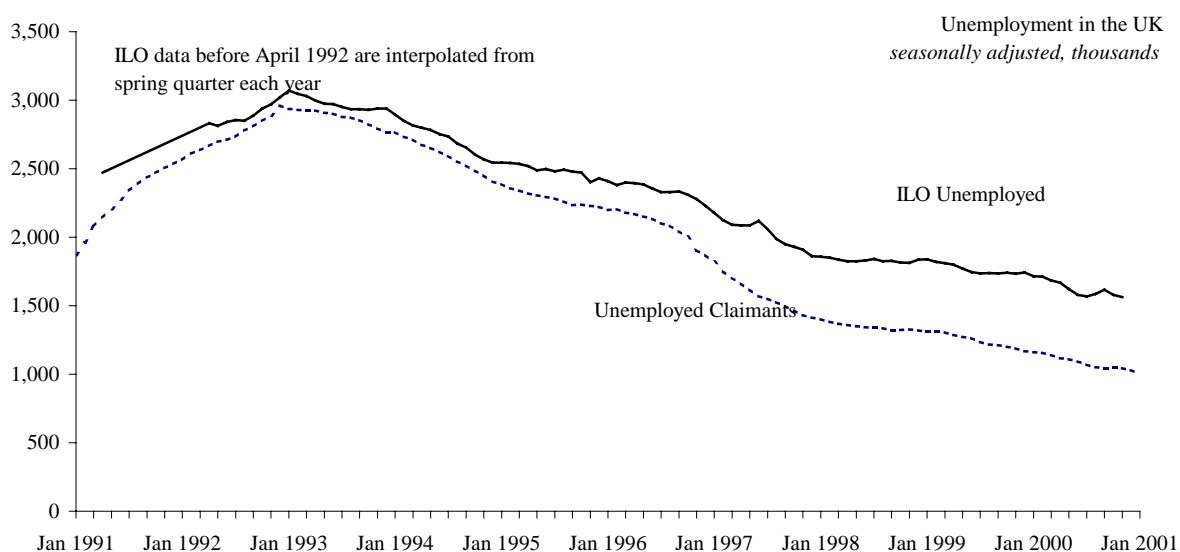
		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1996	Oct-Dec	26,634	22,899	3,390	120	224
1997	Oct-Dec	27,117	23,467	3,330	109	211
1998	Oct-Dec	27,448	23,973	3,235	95	145
1999	Oct-Dec	27,769	24,316	3,184	102	167
2000	Jan-Mar	27,824	24,391	3,174	109	150
	Apr-Jun	27,930	24,516	3,151	111	154
	Jul-Sep	27,999	24,564	3,168	116	151
	Oct-Dec	27,994	24,621	3,137	102	133
Changes:						
	1999 Oct-Dec	225	305	-47	0	-34
	to 2000 Oct-Dec	0.8%	1.3%	-1.5%	0.0%	-20.4%

Source: Labour Force Survey (NS)

- Employment has fallen very slightly over the latest rolling three-month period, with survey estimates indicating that total employment fell by 5,000 over the quarter.
- Employment was 225,000 (0.8%) higher in the Oct-Dec 2000 period than in the same three month period a year previously. There was an average monthly rise of 11,000 over the six months to Dec 2000.
- The number of people who are self-employed fell by 47,000 compared with the same three-month period a year previously.

Next update: 14 March

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

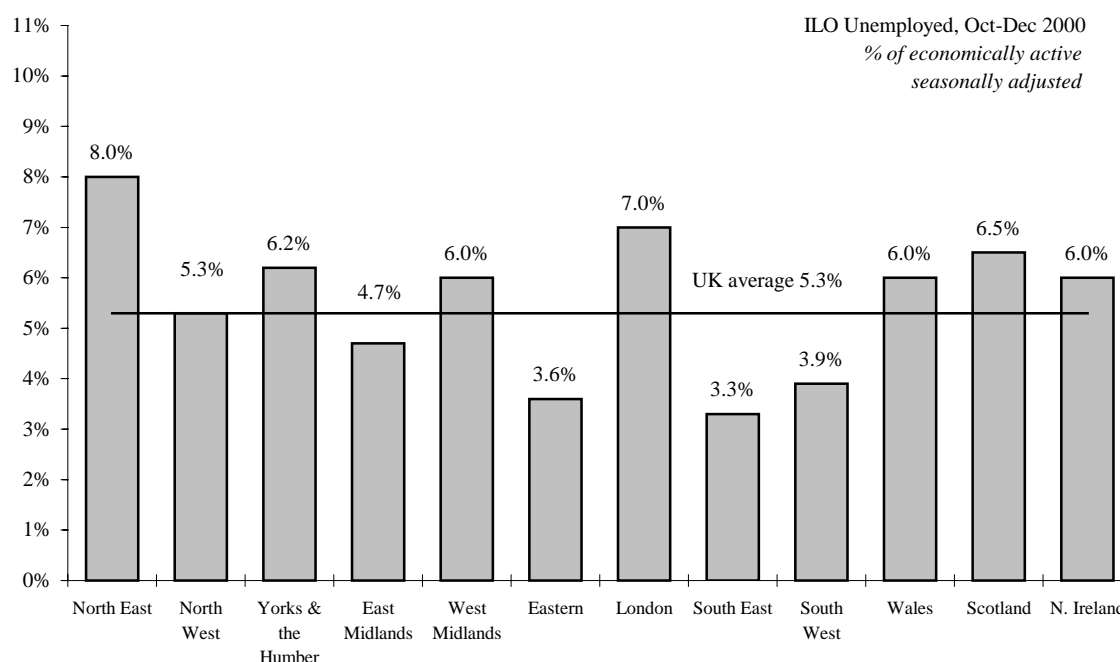
	thousands	rate (%)
1997 Oct-Dec	1,908	6.6
1998 Jan-Mar	1,851	6.4
Apr-Jun	1,824	6.3
Jul-Sep	1,825	6.3
Oct-Dec	1,812	6.2
1999 Jan-Mar	1,819	6.2
Apr-Jun	1,770	6.0
Jul-Sep	1,739	5.9
Oct-Dec	1,733	5.9
2000 Jan-Mar	1,713	5.8
Apr-Jun	1,622	5.5
Jul-Sep	1,586	5.4
Oct-Dec	1,564	5.3

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 Oct-Dec 2000, the level of ILO unemployment in the UK was 1,564,000. This was a decrease of 22,000 from the Jul-Sep period. As measured by the monthly claimant count, seasonally adjusted unemployment fell by 25,500 between December 2000 and January 2001 to stand at 1,004,800.
- New Deal for the Young Unemployed started in January 1998 and 581,600 people had joined the scheme by the end of December 2000. Of those leaving the scheme, 209,240 had moved into 'sustained jobs' up to the end of November, i.e. excluding those who had returned to claim Jobseekers' Allowance (JSA) within three months of starting employment. Of these, 182,820 (87%) had moved into an unsubsidised job.
- The New Deal for the Long-Term Unemployed started in July 1998, and 336,600 people had joined the scheme by the end of December 2000. By the end of November, 51,240 people leaving the scheme had entered 'sustained jobs', with 39,700 of them (77%) going into unsubsidised jobs.

Next update: 14 March

C 3. Unemployment: Regional



ILO Unemployment, Oct-Dec 2000
change on same period in previous year
seasonally adjusted

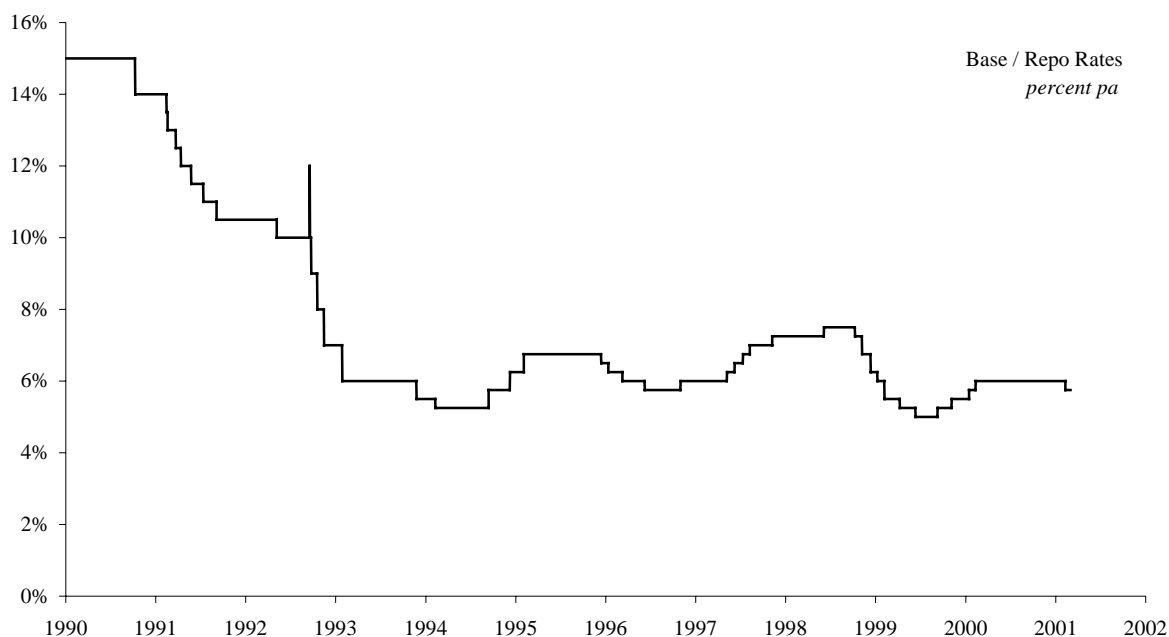
	thousands	%
North East	-5	-5%
North West & Merseyside	-25	-13%
Yorkshire & the Humber	3	2%
East Midlands	-20	-17%
West Midlands	-23	-13%
East	-17	-14%
London	-6	-2%
South East	-32	-19%
South West	-6	-6%
Wales	-20	-20%
Scotland	-15	-8%
Northern Ireland	-5	-10%
UK	-169	-10%

Source: National Statistics, First Release 14 Feb 2001

- 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 October to December 2000 with the same period a year earlier, unemployment fell in all regions except Yorkshire and the Humber.
- The largest fall in unemployment occurred in Wales, where it was 20% lower in October to December 2000 than in the same period a year earlier. The North East had the highest unemployment rate, of the economically active population, at 8.0%. The lowest unemployment rate was 3.3% in the South East of England.

Next update: 14 March

D 1. Interest Rates



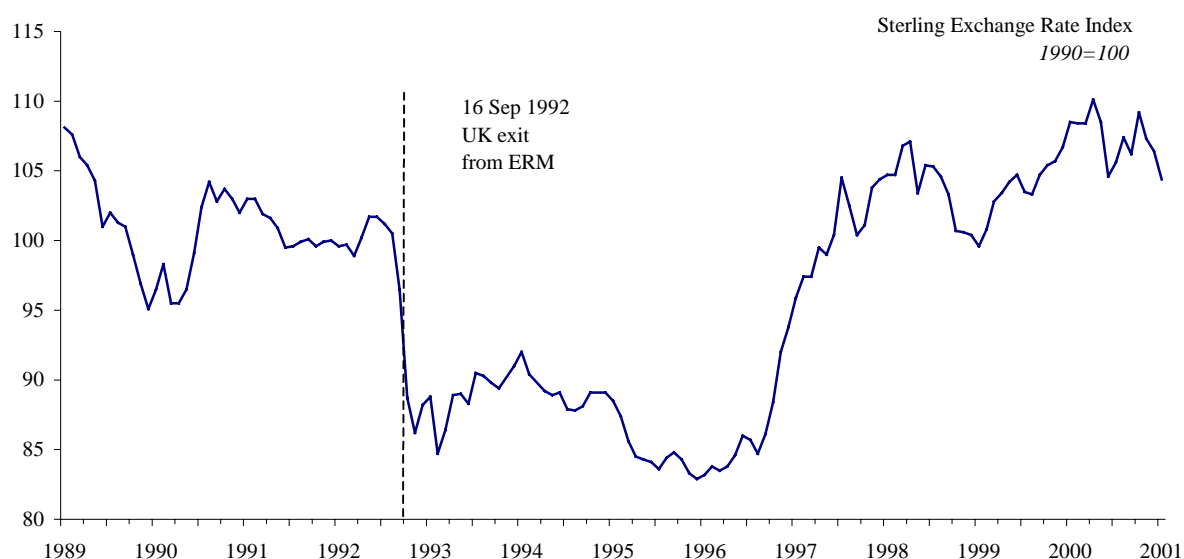
UK Base/Repo Rates
per cent per annum

Date of change	New rate
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
2001	Feb 8 5.75

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 $\frac{1}{2}$ percentage point cuts in November and December 1998 and in February 1999, were the largest changes in rates yet made by the MPC.
- The $\frac{1}{4}$ percentage point cut announced in February 2001 was the first interest rate cut since February 2000.
- The latest Bank Inflation Report forecasts that inflation will fall further under target at the beginning of 2001 before increasing towards the target rate thereafter. The Committee felt that risks to both output growth and inflation were generally on the downside; a prolonged slowing world economy, reducing the demand for UK exports, tending to outweigh the upside risk from domestic labour market pressures.
- The MPC next meets on 7 March the minutes of which are expected to be published on 21 March 2001.

D 2. Exchange Rates

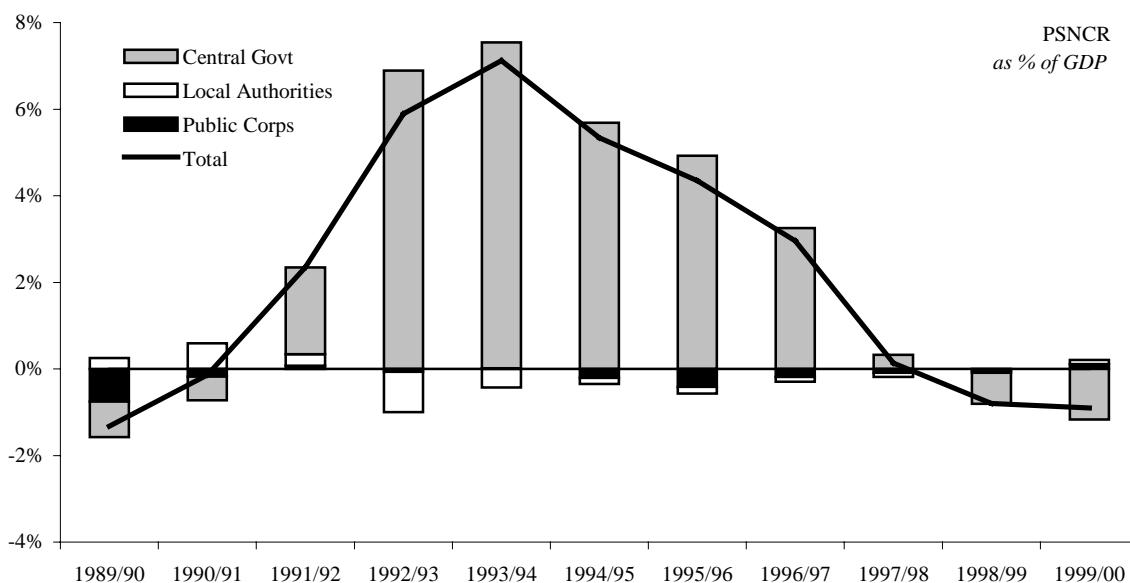


Sterling Exchange Rates						
	US\$		Yen		ECU/Euro	
	Rate	% change on year	Rate	% change on year	Rate	% change on year
1997	1.638	4.9%	198.1	16.5%	1.450	16.3%
1998	1.657	1.2%	216.8	9.4%	1.477	1.9%
1999	1.618	-2.4%	183.9	-15.1%	1.519	2.9%
2000	1.515	-6.4%	163.3	-11.2%	1.642	8.1%
2000 Aug	1.491	-7.2%	161.2	-11.5%	1.648	8.8%
Sept	1.436	-11.6%	153.2	-11.8%	1.647	6.6%
Oct	1.451	-12.4%	157.4	-10.4%	1.699	9.7%
Nov	1.426	-12.1%	155.4	-8.5%	1.666	6.1%
Dec	1.463	-9.3%	163.9	-1.1%	1.630	2.2%
2001 Jan	1.477	-10.0%	172.5	-0.2%	1.575	-2.9%

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

- The long period of US dollar strength has, apparently, come to an end. Evidence of a decline in the growth rate of the economy and the pre-emptive action by the Federal Reserve in cutting interest rates has contributed to a change in dollar sentiment.
- The main beneficiary of the changing market sentiment has been the euro. It has risen strongly since autumn 2000 against both the dollar and sterling. The ECB has also undertaken several open market operations to both bolster and exploit the change in sentiment.
- The pound was worth eur 1.5684 at the London market close on 28 February 2001, compared to a launch rate of eur 1.4168 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

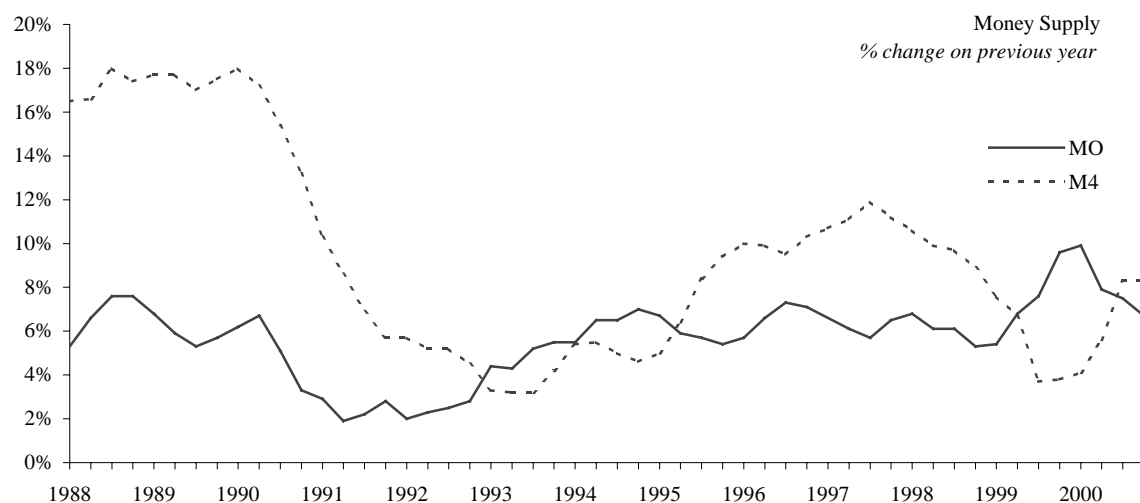
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	as a % of GDP	£ billion	as a % of GDP
1997/98	1.1	0.1%	2.9	0.4%
1998/99	-6.9	-0.8%	-7.0	-0.8%
1999/00	-8.2	-0.9%	-8.6	-1.0%
1999 Q3	-3.2	-1.4%	-3.2	-1.4%
Q4	1.9	0.8%	1.9	0.9%
2000 Q1	-12.6	-5.5%	-12.7	-5.5%
Q2	-11.5	-5.0%	-11.6	-5.0%
Q3	-16.3	-6.9%	-16.4	-7.0%

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 -£8.2 billion (i.e. a surplus) compared with -£6.9 billion in 1998/99. Excluding privatisation receipts, the PSNCR for 1999/00 was -£8.6 billion compared with -£7.0 billion in 1998/99.
- The PSNCR for the 2000/01 financial year is forecast at -£29.6 billion (-3.1% of GDP) excluding windfall tax receipts and associated spending.

Next update: 20 March

D 4. Money Supply



Money stock
seasonally adjusted

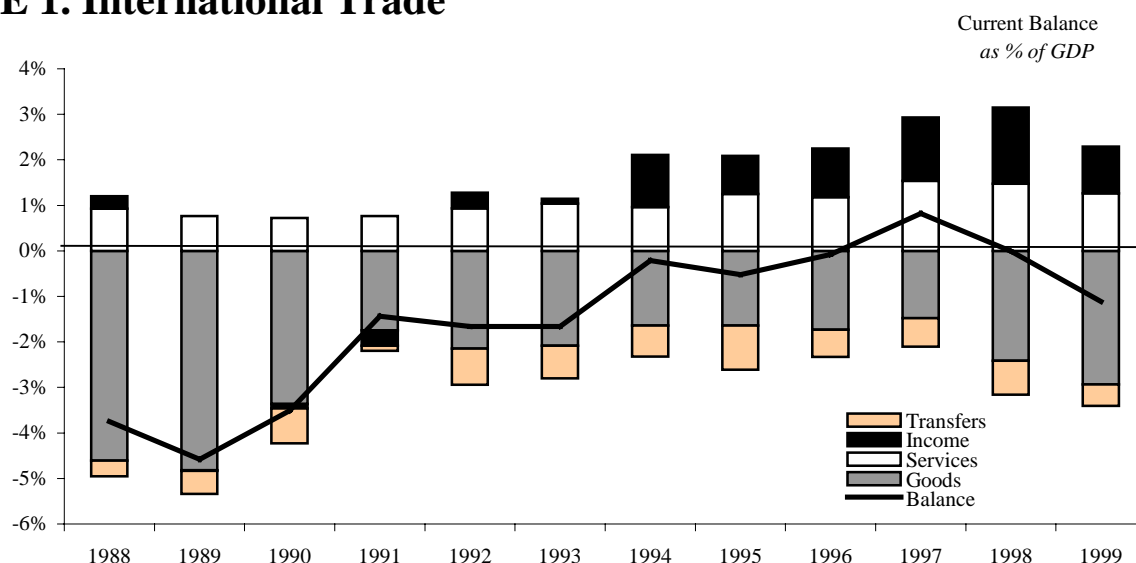
		MO		M4	
		3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1999	Dec	22.9	11.6	9.5	4.2
2000	Jan	26.6	12.3	5.2	3.4
	Feb	5.6	8.6	4.5	3.4
	Mar	-5.7	8.3	8.2	5.4
	Apr	-8.1	8.4	11.7	4.9
	May	6.9	8.0	12.4	5.2
	Jun	8.5	7.7	8.9	6.8
	Jul	6.4	7.1	6.8	7.0
	Aug	7.0	7.1	12.7	8.8
	Sep	10.8	8.6	10.0	9.1
	Oct	10.4	8.1	11.3	8.7
	Nov	9.0	7.1	3.7	8.3
	Dec	5.7	4.6	4.6	7.9
2001	Jan	8.9	4.1	7.9	9.4

Source: Bank of England, Bankstats January 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 at banks and building societies.
- The average amount of outstanding notes and coin in September was boosted by the effects of the fuel crisis. This is reflected in the increased growth rate for M0, particularly on the 3-month measure.
- There are now no formal targets for money supply growth.

Next updates: 20 March

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	
1998		-20,537	12,582	-7,955	14,245	-204	-6,166	-6,370	-80
1999		-26,167	11,266	-14,901	9,169	2,533	-6,683	-4,150	-9,882
2000		-28,691	10,144	-18,547	..	..	..	..	..
1999	Q4	-6,842	2,861	-3,981	4,317	565	-1,549	-984	-648
2000	Q1	-6,731	2,643	-4,088	1,409	1,055	-1,741	-686	-3,300
	Q2	-7,071	2,512	-4,559	1,508	807	-1,375	-568	-3,445
	Q3	-7,316	2,409	-4,907	2,870	1,117	-2,431	-1,314	-3,173
	Q4	-7,573	2,580	-4,993	..	..	..	..	..

Source: National Statistics: series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP
First Release: UK Trade 23 February 2001

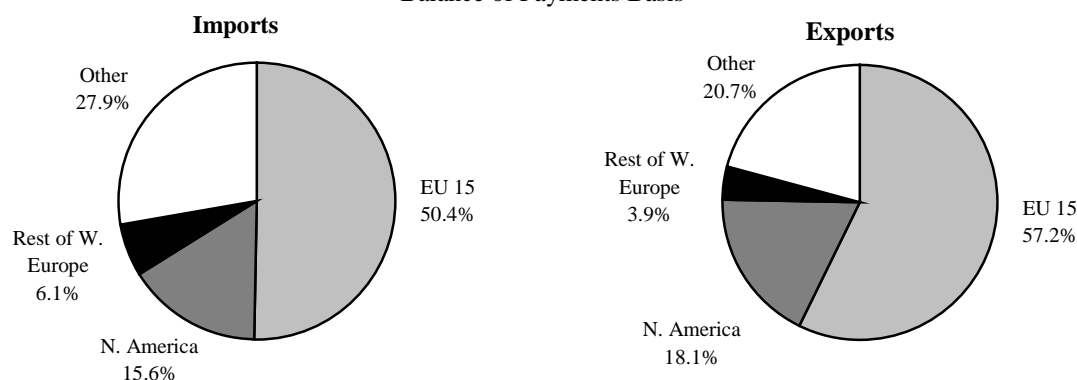
- Trade in goods and services: the fourth quarter deficit on trade in goods was a record £7.6 billion. The deficit in goods and services for 2000 as a whole is provisionally estimated at £18.5 billion, compared to £14.9 billion in 1999. The latest estimate of trend (to December 2000) suggests that the UK trade deficit is widening.
- Income: this includes income from overseas investment and wages, etc earned by people working abroad. The surplus on income fell sharply in 1999 to £9,200 million compared with £14,300 million in 1998 and was about 62% of the amount needed to offset the trade deficit of £14,900 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 £9,900 million 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 £16,500 million. The Pre-Budget Report (November 2000) forecasts a current account deficit of £14¼ billion in 2000, compared with £20½ billion shown in the Budget Report (March 2000) and £10¼ billion in last year's Pre-Budget Report (November 1999).

Next update: 20 March

E 2. Trade in Goods

Shares of trade in goods by area: 2000

Balance of Payments Basis



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

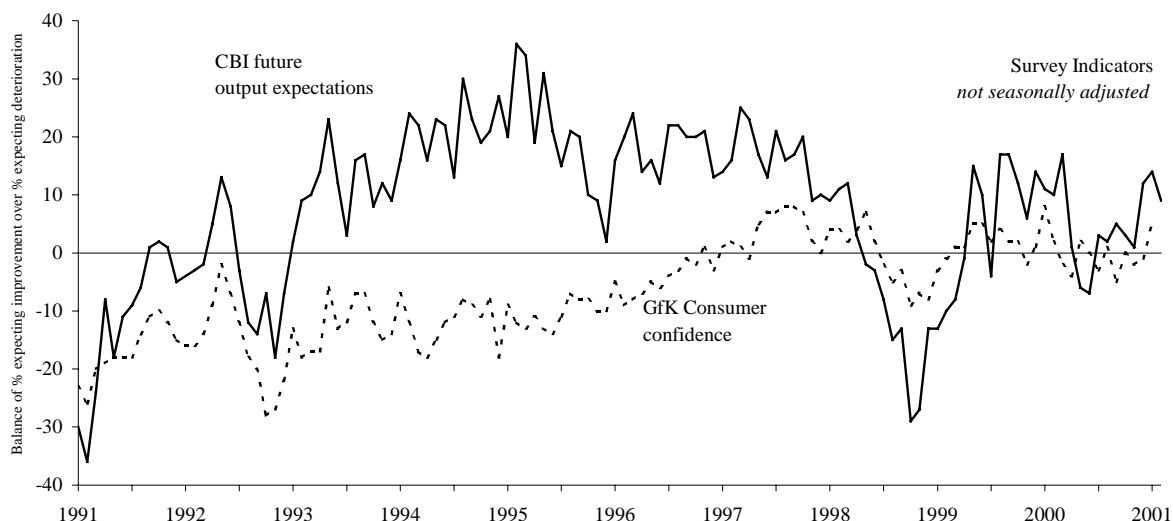
	Volume Index 1995=100		Trade in Goods (£m)		
	Exports	Imports	Exports	Imports	Balance
1998	117.9	129.1	164,092	184,629	-20,537
1999	122.0	138.7	166,198	192,365	-26,167
2000	135.0	153.1	186,991	215,682	-28,691
1999 Q4	126.4	144.6	43,124	49,966	-6,842
2000 Q1	130.4	146.7	44,589	51,320	-6,731
Q2	134.6	153.3	46,538	53,609	-7,071
Q3	136.1	155.3	47,309	54,625	-7,316
Q4	139.1	157.3	48,555	56,128	-7,573

Source: Series BQKU, BQKV, BOKG, BOKH, BOKI and National Statistics First Release: UK Trade Statistics, 23 February 2001

- The deficit on trade in goods for 2000 as a whole is estimated at £28.7 billion, the highest on record. The latest estimate of trends (to December 2000) suggests that the goods deficit is widening.
- The latest estimate of volume trends shows imports and exports both rising. For 2000 as a whole, volume of both imports and exports rose by around 10% compared to figures for 1999, to reach record levels.
- In value terms, both total exports and total imports of goods rose by 12% during 2000. In 2000 the value of total exports was £187.0 billion while total imports were worth £215.7 billion; both figures the highest ever recorded.
- For 2000 as a whole, the deficit in trade in goods with non-EU countries widened to a record £27.0 billion. In volume terms, exports to non-EU countries rose 17% during 2000.
- In 2000 exports to the EU rose by 9.5% and imports by 5% compared to 1999.

Next update: 20 March

F 1. Survey Indicators



Output Expectations and Consumer Confidence

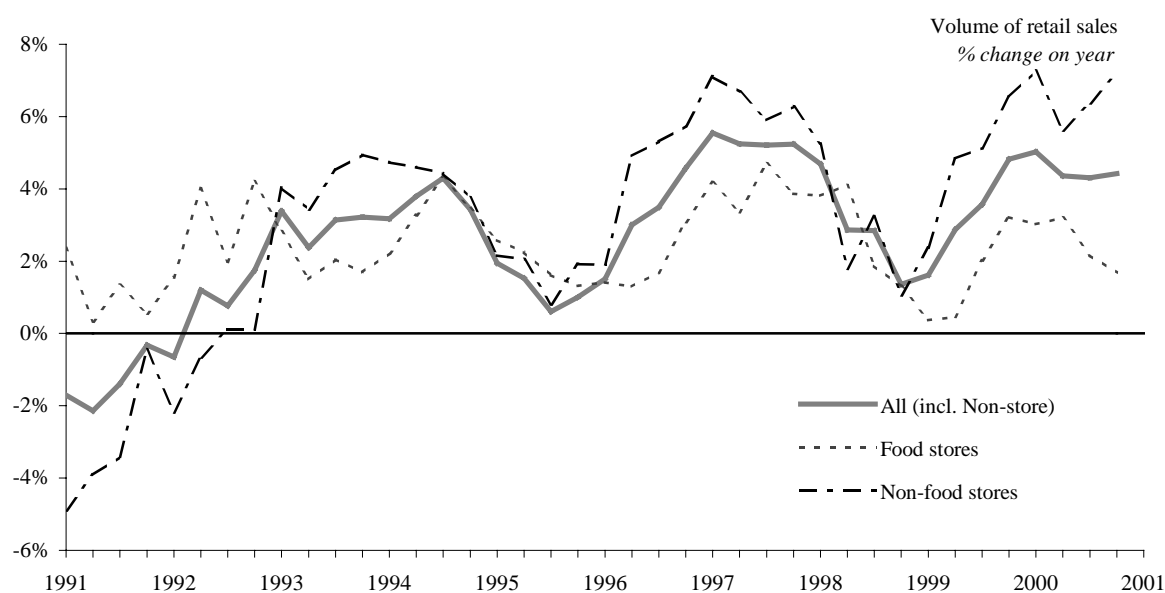
		Balance of % expecting improvement over % expecting deterioration	
		CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK
2000	Feb	10	2
	Mar	17	-2
	Apr	1	-4
	May	-6	2
	Jun	-7	0
	Jul	3	-3
	Aug	2	1
	Sep	5	-5
	Oct	3	0
	Nov	1	-2
	Dec	12	-1
	2001	Jan	14	5
Feb		9	..

Source: National Statistics Database Series ETBA, ETCU

- 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 slipped back somewhat in February, with a balance of +9% in February.
- 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 +5% in January 2001, a continuing sign of improvement compared to the last few months’ figures.

Next update: early March

F 2. Retail Sales



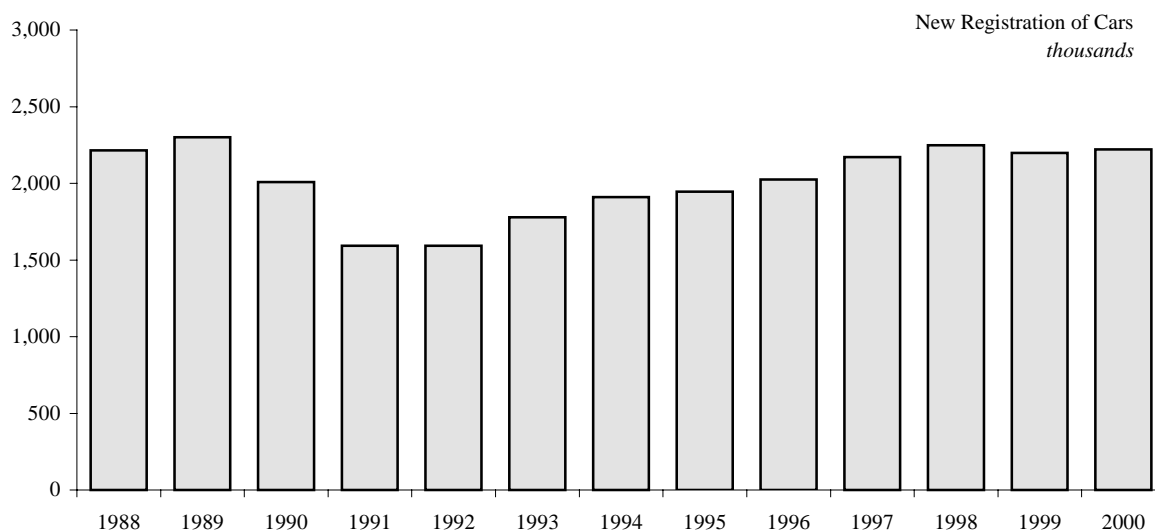
Value of Sales				
<i>not seasonally adjusted; % change on year</i>				
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1998	3.7%	2.7%	5.8%	3.6%
1999	2.7%	3.4%	4.7%	2.6%
2000	2.6%	2.5%	7.5%	2.5%
1999 Q4	3.3%	4.2%	6.0%	2.9%
Q1	0.9%	4.0%	7.9%	2.8%
2000 Q2	3.5%	3.5%	8.3%	0.0%
Q3	3.6%	0.9%	4.7%	1.7%
Q4	3.2%	2.7%	7.6%	3.5%

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

- The January retail sales data suggests a marginal slowing down in the levels of growth experienced in the latter half of 2000.
- In the three months November to January, the *volume* of retail sales grew by 1.3% over the previous three-month period, reaching a level 4.1% higher than a year previously. Sales in the single month of January were 3.3% higher than a year ago.
- Growth in retail sales volumes were stronger in predominantly non-food stores (6.8% in November to January, compared to a year earlier) than in food stores, where sales volumes increased by only 1.5%. Sales volumes are particularly strong in household goods stores and clothing and footwear stores (8.9% and 7.4% higher respectively in November to January, compared to a year earlier).
- In January 2001, the non-seasonally adjusted *value* of retail sales was 3.1% higher than a year earlier. The average weekly value of retail sales in January was £3,790 million, with actual sales through the till estimated at about £15.2 billion.

Next update: 15 March

F 3. New Registrations of Cars



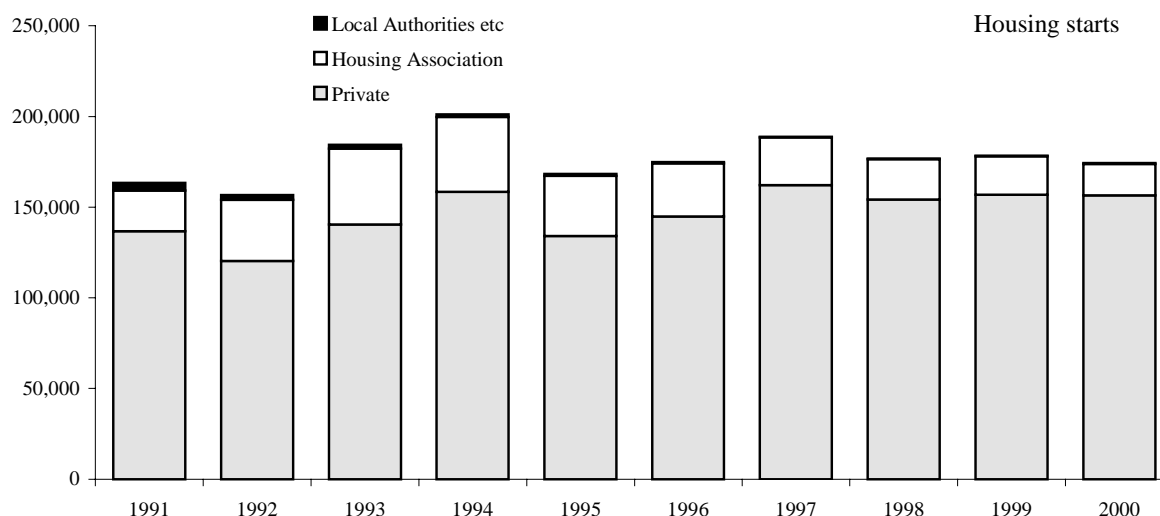
New Registrations of Cars <i>not seasonally adjusted</i>		
	Numbers (thousands)	Change over 12 months
1996	2,026	4.1%
1997	2,171	7.2%
1998	2,247	3.5%
1999	2,198	-2.2%
2000	2,222	1.1%
2001 (forecast)	2,225	0.2%
2002 (forecast)	2,200	-1.1%
2000 September	353	-8.7%
October	154	2.6%
November	163	13.4%
December	108	27.5%
January	188	1.5%

Source: SMMT "Monthly Statistical Review", January 2001

- Figures from the SMMT show that new car registrations in January 2001 rose 1.5% over the previous year's figure to 187,908 units.
- The number of new registrations of cars was 2,222,000 units in 2000, a rise of 1.1% on the previous year and the third highest total ever.
- Registrations of British-built cars declined by 3.5% in January from the previous year's figure to 51,000 units, or 27.3% of the market.
- Last year the overall total number of registrations of British-built cars was 629,000 or 28.3% of the market.

Next update: Late March

F 4. Housing



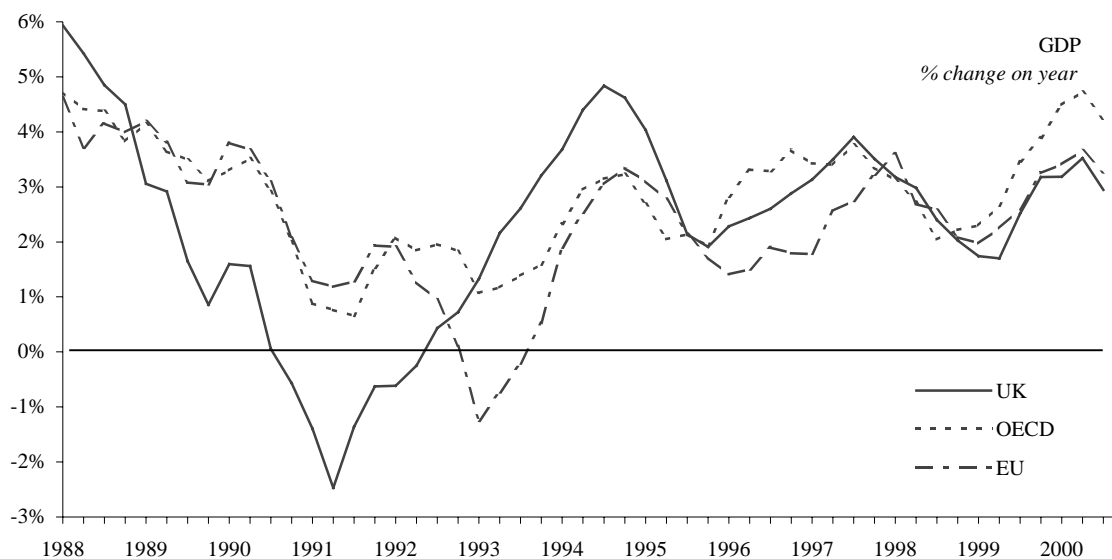
	House prices			
	<i>Standardised average price (£)</i>			
	All Houses	New Houses	Existing Houses	First time buyers
1999 Q4	79,300	81,600	79,400	57,400
2000 Q1	83,600	86,800	83,600	60,900
Q2	85,200	88,800	85,300	61,500
Q3	85,800	94,700	85,700	61,200
Q4	86,000	91,600	86,000	61,100
<i>% change over same period last year</i>				
1999 Q4	8.8%	7.5%	9.1%	8.7%
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%
Q4	5.7%	6.1%	5.7%	5.9%

Source: Halifax House Price Index: Fourth Quarter 2000

- According to the latest DETR press release, it is provisionally estimated that in December 2000 9,100 dwellings were started in Great Britain, compared with 9,900 in December 1999. In the latest three months 34,600 dwellings were started and there were 44,300 completions. These figures were respectively 13% and 5% down on the same period the previous year.
- According to the Halifax Monthly Index, house prices in the United Kingdom rose by 0.1% in January (seasonally adjusted). On an annual basis, house price inflation fell to 0.9% from 3.1% in December.
- According to the Halifax Quarterly Index, UK house prices rose by 0.9% in the fourth quarter, compared with a 1.2% fall in the third quarter. Annual house price inflation was highest in East Anglia (13.7%) and lowest in Scotland (-4.3%).

Next update: 6 March

G 1. International Comparisons - Growth



GDP at constant market prices
% change on year

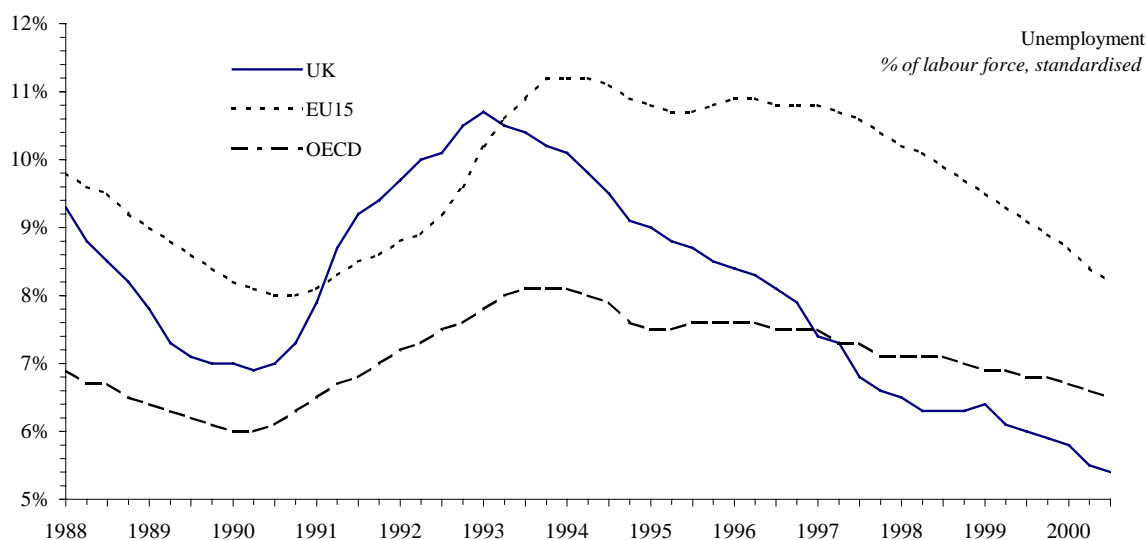
	1997	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3
USA	4.4%	4.3%	4.3%	4.3%	5.0%	5.3%	6.1%	5.3%
Japan	1.5%	-2.5%	0.3%	2.0%	0.5%	2.4%	1.0%	1.4%
Canada	4.4%	3.3%	4.6%	5.2%	4.9%	5.1%	5.5%	5.0%
United Kingdom	3.5%	2.6%	2.1%	2.3%	2.9%	3.0%	3.2%	2.9%
Germany	1.4%	2.1%	1.5%	1.6%	2.4%	2.5%	3.7%	3.4%
France	2.0%	3.2%	2.9%	3.1%	3.4%	3.4%	3.4%	3.0%
Italy	1.8%	1.6%	1.4%	1.3%	2.2%	3.0%	2.7%	2.4%
EU15	2.5%	2.8%	2.2%	2.6%	3.2%	3.4%	3.7%	3.3%
G7	3.2%	2.4%	2.8%	3.3%	3.5%	4.0%	4.3%	3.9%
OECD	3.5%	2.7%	2.9%	3.5%	3.9%	4.5%	4.7%	4.2%

Source: OECD, Main Economic Indicators, February 2001

- The latest statistics suggest that economic growth in both the US and Europe has peaked. In particular economic growth and confidence in the US have been severely downgraded in recent months. Growth in the core euro-zone economies of Germany, France and Italy growth rates has also fallen but remains strong compared with the US and Japan.
- From its actions the Federal Reserve clearly believes that growth in the US economy is set to fall sharply. Analysts remain divided over whether the US is set for a 'hard' or 'soft' landing. The latest estimates of Japanese GDP suggest that the economy remains very weak.
- In December 2000 the OECD expected growth in 2001 to be 3.5% in the USA, 2.3% in Japan and 3.0% in the EU15. Its forecast for the UK was 2.6%.

Next update: Mid-March

G 2. International Comparisons - Unemployment



	Unemployed as % of labour force standardised; seasonally adjusted						
	1998	1999	2000	2000 Q1	2000 Q2	2000 Q3	2001 Q4
USA	4.5	4.2	4.0	4.1	4.0	4.0	4.0
Japan	4.1	4.7	4.7	4.8	4.7	4.6	4.8
Canada	8.3	7.6	6.8	6.8	6.7	6.9	6.9
United Kingdom	6.3	6.1	..	5.8	5.5	5.4	..
Germany	9.4	8.8	8.3	8.5	8.4	8.3	8.2
France	11.8	11.2	9.5	10.2	9.6	9.4	8.9
Italy	11.8	11.3	..	11.0	10.6	10.3	..
EU 15	9.9	9.2	8.4	8.7	8.4	8.3	8.1
G7	6.4	6.2	5.8	5.9	5.8	5.7	5.7
OECD	7.1	6.9	6.5	6.7	6.6	6.5	6.4

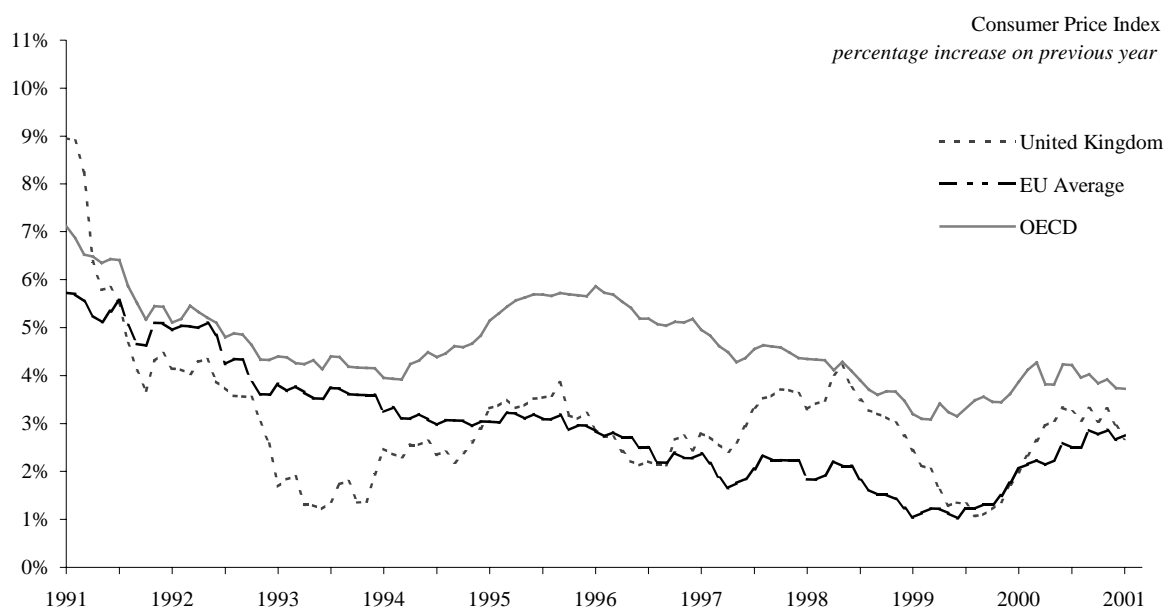
".." = not available.

Sources: OECD Hot File, and OECD standardised unemployment rates at www.oecd.org

- Using standardised definitions, the UK unemployment rate in 2000 Q3 (5.4%) was significantly below the EU average (8.3%) and slightly below the G7 and OECD averages (5.7% and 6.5% respectively).
- The unemployment rate in the euro-zone (the Member States then participating in the single currency) was 8.7% in December 2000, higher than the EU 15 rate of 8.1%. The unemployment rate for the EU fell from 9.2% in 1999 to 8.4% for 2000 as a whole.
- The most recent forecasts published by the OECD in December 2000 suggest that the unemployment rate for the UK will remain broadly flat in 2001 and 2002. The unemployment rate for the EU as a whole is expected to fall from 8.2% in 2000 to 7.6% in 2001 and 7.2% in 2002. In contrast, the rate for the United States is expected to rise from 4.0% in 2000 to 4.2% in 2001 and 4.5% in 2002.

Next update: mid-March

G 3. International Comparisons - Prices



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

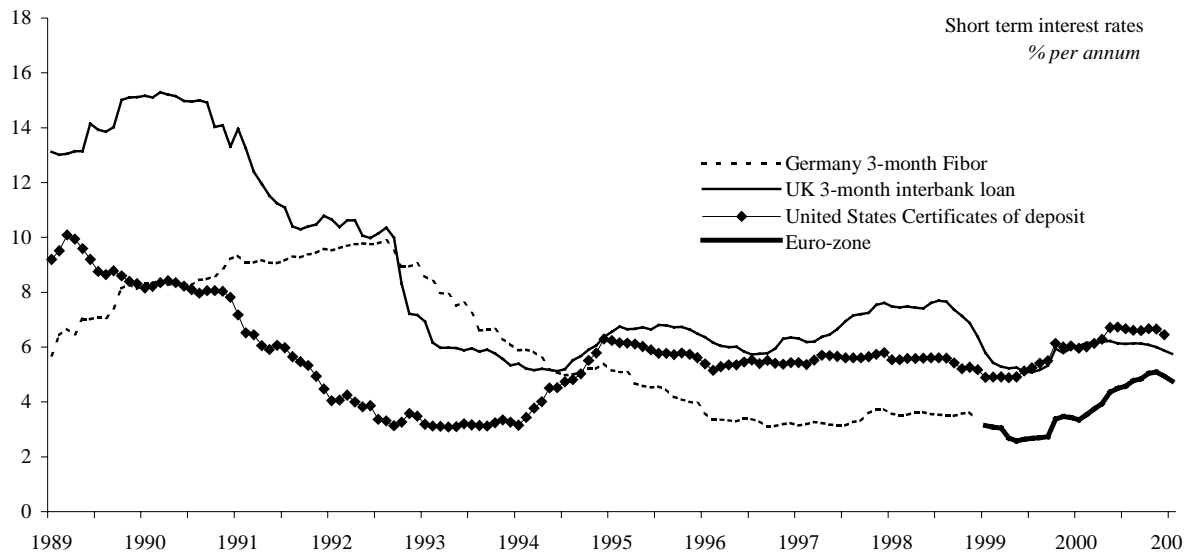
	USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1997	2.3	1.7	1.6	3.2	1.9	1.2	2.0	4.4	2.0
1998	1.6	0.7	1.0	3.4	1.0	0.8	2.0	3.8	1.7
1999	2.1	-0.3	1.8	1.6	0.6	0.6	1.7	3.2	1.3
2000 Aug	3.4	-0.8	2.5	3.1	1.8	1.8	2.6	4.0	2.5
Sep	3.4	-0.8	2.7	3.3	2.5	2.2	2.6	4.0	2.9
Oct	3.4	-0.9	2.8	3.0	2.4	1.9	2.6	3.8	2.8
Nov	3.5	-0.5	3.3	3.3	2.4	2.2	2.7	3.9	2.9
Dec	3.4	-0.2	3.3	2.9	2.2	1.5	2.7	3.7	2.7
2001 Jan	3.8	0.1	3.0	2.7	2.4	..	3.0	3.7	2.8

Source: OECD Main Economic Indicators / Hotfile

- 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 euro-zone countries was 2.4% in January 2001.
- The inflation rates for the three Member States not in the euro-zone were (on a harmonised basis) Denmark: 2.3%, Sweden: 1.6% and the UK 0.9% in January 2001 (Greece joined the euro-zone in January 2001.)
- Harmonised inflation rates in the EU in December ranged from 4.5% in the Netherlands to 0.9% in the United Kingdom.

Next update: late March

G 4. International Comparisons - Interest Rates



International Interest Rates

As at 28 February 2001

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	4.88	5 ¹⁹ / ₃₂
United States	5.02	5 ¹ / ₃₂
Switzerland	3.42	3 ³ / ₈
Japan	1.29	⁵ / ₁₆
Euro-zone	..	4 ²⁵ / ₃₂

Source: *Financial Times*, 1 March 2001

- 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 main development on the international stage has been the ¹/₂% cut in rates by the US Federal Reserve on 3 January 2001 followed by a further cut of ¹/₂% on 31 January 2001. This act has influenced perceptions of central bank activity worldwide. The MPC responded by reducing the UK Repo rate by ¹/₄% on 8 February 2001. However, the ECB is not expected to follow the Fed's lead whilst inflationary pressures in Germany and Italy remain.