RESEARCH PAPER 01/82
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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: Slow Growth and Public Expenditure

Grahame Allen

ECONOMIC POLICY AND STATISTICS SECTION

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II Slow Growth and Public Expenditure

Background

The economic impact of the attacks on the United States and the current military action in Afghanistan have added further trouble for the world economy. Even before September 11th the United States economy, after several years of vigorous growth was forecast to slow down and Japan, the world's second largest economy, is forecast to return to recession conditions again. Growth in the eurozone has recently been downgraded by the European Central Bank. This background will constrain UK economic growth at a time when a sharp increase in public expenditure is planned to improve public services. This article looks at the impact of slow growth on the public finances and whether the spending plans remain feasible without increased taxation.

The Effect of an Economic Slowdown

Public finance targets are highly vulnerable to down turns in the economy. Partly this is due to the size of the aggregates involved. Because both sides of the equation are so large (current receipts for 2001/02 were estimated at £398 billion and current expenditure at £346 billion) small percentage changes in outturn have a dramatic impact upon the resulting net finance position. A one percent worsening of both receipts and expenditure is a £7.5 billion deterioration in the public finances: equivalent to 2½ pence on the basic rate of income tax.

The Budget Redbook for 2001 stated the problem in the following terms:

> Short-term forecasts of the public finances are critically dependent on the path of the economy, as most tax revenues and some public expenditure (notably social security) vary directly with the economic cycle. If GDP growth were 1 per cent higher or lower than assumed from 2003–04 onwards, net borrowing might be lower or higher by 0.5 per cent of GDP in the first year (equivalent to about £5 billion) and lower or higher by a further 0.2 per cent (£2 billion) in the second year. The estimates for years prior to 2003–04 are slightly different as they are affected by recent changes to the corporation tax payment system, which are being phased in over a number of years. Under the previous tax regime the first year estimate was 0.4 and the second year estimate 0.3 per cent of GDP.
>
> Errors in short-term growth forecasts may have only a *temporary* effect on the public finances. For a given path of trend output, higher or lower growth in the short-term will be followed by lower or higher growth later on, and the public finances may be little affected on average over the cycle. However, errors in estimating the cyclical position of the economy in relation to its trend – the output gap – will have a *permanent* effect.[1]

1 Op cit HC 279, p185

Put simply, when the economy grows less strongly, companies and individuals pay less tax, more individuals become unemployed and require higher income-related benefits. As a rough rule of thumb, adding together figures[2] for losses of income tax and national insurance contributions from both employees and employers to the average benefit expenditure on an unemployed person[3] suggests that the cost of one extra unemployed claimant is in the region of £10,500 per year.[4] Losses to the whole economy go far broader than this.

The effect of a slowdown on public finances can be seen quite clearly in the following table that traces the change in net public finances for the period covering the brief recessions[5] in the early 1990s.

Public Finances: Current & Capital Budgets
Percentage of GDP

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Net borrowing	-0.4	0.7	3.6	7.7	7.8	6.3	4.9
Public sector net debt	27.9	26.1	27.5	32.2	37.4	41.0	43.1

Source: Budget Redbook 2001, HC 279, table C23

The seven-percentage point increase in net borrowing between 1990 and 1992 financial years seen before is equivalent to almost £70 billion in today's economy.

A detailed analysis of the wider interrelationship between growth and the finances can be found in a Paper written by the Treasury in 1995.[6] The authors of this study found that a 1 per cent increase in output relative to trend growth is estimated after two years to:

- Reduce the government expenditure/ GDP ratio by about ½ percentage point
- Increase the general government receipts/ GDP ratio by about ¼ percentage point
- Reduce the PSBR/GDP ratio by about ¾ percentage point[7]

More specifically with respect to the tax base they found that:

- For every one per cent change in real GDP relative to trend real tax receipts rise by over 1.5%
- Corporation tax accounts for most of the cyclical responsiveness, but only after a lag

2 Figures uprated to take account of an element of wage inflation since the PQ was answered, HC Deb 9 July 1998 c573W

3 Each year the responsible Department, previously DSS provides an estimate of the cost to the Department of an additional 100,000 unemployed claimants. The total net expenditure effect of an additional 100,000 claimants in 2000 was estimated to be £580 million. *Source*: DSS Departmental Annual Report 2000/01 Cm 4614.

4 Assumes someone who has previously been on average earnings

5 Defined as two consecutive quarters of negative growth. This occurred in the UK in quarters three and four in 1990 and in quarters two and three in 1991

6 *Public Finances and the Cycle*, Treasury Occasional Paper No 4, September 1995

7 Op cit p1

- There appears to be little or no relationship between excise duties as a per cent of GDP and the cycle.[8]

With respect to government expenditure:

- The ratio between expenditure and GDP is more variable than that for receipts (expenditure contains many fixed or semi-fixed elements)[9]
- Although the most cyclical element of government expenditure social security, spending does not neatly fall into the same cyclical pattern as the growth of GDP, since unemployment has frequently lagged behind slowdowns in the economy.

These findings may not be applicable today. They are bounded by various methodological caveats and are dependent upon specific assumptions including one for the rate of inflation which is sharply different from today's. Furthermore, certain structural features have changed since 1995 that may have an impact. For example the Inland Revenue's system of self-assessment for income tax has had a powerful impact upon receipts. The latest Redbook commented upon how their forecasts for income tax had proved to be wide of the mark over the past years.

> PAYE receipts have grown by about 12 per cent in 2000–01. This increase is higher than previously forecast and above what would be expected from current estimates of the growth of wages and salaries, even taking account of fiscal drag. It also comes on top of a larger than expected increase in 1999–2000. Recent Budget measures have had little effect overall on the growth of PAYE receipts in 2000–01. However, earlier Budget measures, mainly the November 1996 phasing out of tax relief on profit-related pay and extending PAYE to cover tax due when certain share options are exercised, have increased PAYE growth in 2000–01. Nonetheless, even after allowing for past Budget measures and fiscal drag, there is still a significant amount of the increase in PAYE to be explained.[10]

Although this development primarily affects the level of receipts and not their cyclical nature it highlights how careful one must be with forecasts.

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8 Op cit p 11
9 Op cit p 14
10 Budget 2001, p 195

Prospects

The current and forecast state of public finances is shown in the table below:

Public Finances: Current & Capital Budgets
Percentage of GDP

	Outturn	Estimate	Projections				
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Current Receipts	39.6	40.5	40.2	40.1	39.8	39.9	39.8
Current Expenditure	35.9	36.6	37.1	37.3	37.5	37.5	37.5
Net investment	0.4	0.8	1.1	1.5	1.7	1.8	1.8
Net borrowing	-1.8	-1.7	-0.6	0.1	0.9	1.0	1.0
Public sector net debt	36.8	31.8	30.3	29.6	29.7	29.9	30.0

Source: Budget Redbook 2001, HC 279, table C4

The first point to note is that the era of substantial reductions in public sector debt, when debt as a percentage of GDP fell by ten percentage points, has ended. Secondly, total expenditure is forecast to rise by about 3% of GDP between 1999/00 and 2005/06. Lastly, comparing this table with the previous table covering the early 1990's one could point out that the position in 2000/01 is remarkably similar to that in 1989/90 when there was little indication of the scale of future shortfalls.

A recession?

Given that the public finances start from a position of relative historical strength the likelihood of a real public finance crisis depends upon the likelihood of a recession in the UK economy.

GDP Q3 preliminary estimates published on 26th October present a picture of fairly robust growth.

GDP Growth
Percentage change

		GDP growth		
		q-on-q	yr - on yr	q'tly ann'd
2000	Q1	0.4	3.0	1.4
	Q2	0.8	3.3	3.2
	Q3	0.7	2.7	2.8
	Q4	0.5	2.4	2.0
2001	Q1	0.6	2.7	2.4
	Q2	0.4	2.3	1.7
	Q3	0.6	2.2	2.4

Source: ONS Database

These results were firmer than many market commentators[11] had expected, even though, it is too soon for them to fully reflect the impact of the events in America. In the detail of the forecast those sectors that might be expected to be hit worst by the terrorist attacks appear well placed. The distribution, hotel and catering sector grew by 1.3% in Q3, or an annual growth rate of over 4.0%. Overall the service sector grew 0.8% in Q3, a yearly growth rate of 3.5%, a shade lower than the 3.7% in the previous quarter.

There are two main implications of these figures for public finances. First, the figures do not paint a picture of an economy nearing recession. Clearly growth rates have slowed since last year but a full-blown recession looks unlikely.

Secondly, it is important to remember that the Treasury deliberately uses very ‘prudent’ assumptions of variables such as growth upon which to build its own view of what public finances can be afforded. For example, the consistent use of a 2¼% assumption for GDP growth has, in the past generated ‘surprise’ public finance surpluses, even when the economy has grown at the rate at which the Treasury thinks is its trend rate, namely 2½%. The consequence of this is that current growth rates must be compared to the 2¼% rate and not the higher rate, thus leaving a margin for error.

If one takes the Treasury ready reckoner of 1% lower growth resulting in a £5 billion deficiency noted earlier, then for a deficiency of this modest size (0.5% of GDP) growth in the remainder of the financial year would, as a matter of arithmetic, have to be virtually non-existent (about 0.1% a quarter). This looks unlikely given the result for Q3.

One other reason to think that GDP growth will be respectable in the remainder of the year is the strength of public expenditure itself. When the government announced expenditure plans last year there was criticism that higher spending was coming at a time when the economy was already growing at an above trend rate. A notable feature of public expenditure in recent years has been the extent of departmental underspending due to lags in getting new programmes established. According to the provisional outturn figures for 2000/01 published by the Treasury, departmental expenditure limits were under spent (on an accruals basis) by almost £7 billion in that year. Departments are now, however, able to carry forward under spends in one financial year to the next. By virtue of this ‘happy accident’ actual government expenditure might now come on stream at exactly (exactly from the point of view of a traditional counter-cyclical demand management theorist at least) the right time, just as the economy slows down.

The National Institute, in their latest *Review* concluded that :

> The outlook for economic growth in the United Kingdom is now, all things considered, reasonably favourable. We expect growth over the next four years to average 2.4% per annum, and in the light of this, believe that there is room for the government to meet its spending plans without significant further tax increases. Moreover there is enough slack in the fiscal position for the government to be

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11 See for example Barclays Capital *UK Economics*

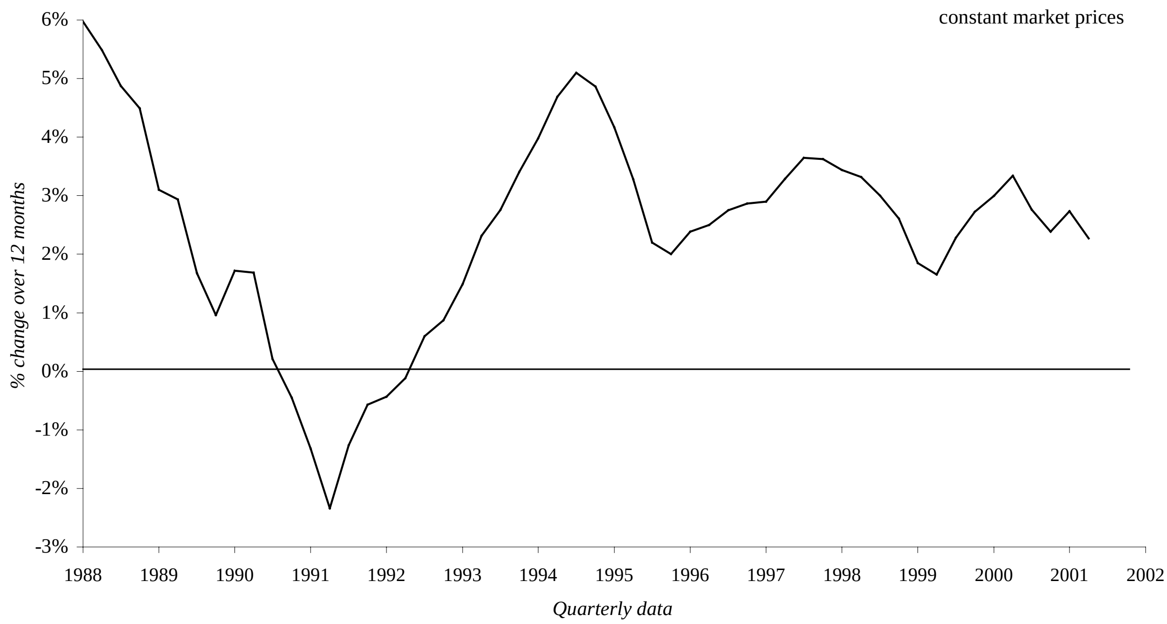
able to increase public spending on goods and services at just over 6 per cent until the end of this Parliament.[12]

Despite this confidence the Institute accepts that:

However, given the uncertainty surrounding forecasts, it is also true to say that there is a roughly 50/50 chance that taxes will need to rise by the end of this Parliament. Obviously, any increase in military or other spending in the aftermath of the New York raid will make tax increases more likely….But he [the Chancellor] may wish to announce precautionary increases in taxation. These would have the advantage of rebalancing the economy, allowing interest rates to be reduced towards the level of the Euro Area and thus facilitating membership of the European Monetary Union.[13]

[12] National Institute for Economic and Social Research, *Economic Review*, October 2001, p 7
[13] Op cit p7

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

		GDP at current market prices		GDP at constant market prices
		£ billion	*12 month change*	*12 month change*
1997		811.1	6.5%	3.4%
1998		859.8	5.7%	3.0%
1999		901.3	4.6%	2.1%
2000		943.4	4.9%	2.9%
2001	Q2	234.5	4.9%	3.3%
	Q3	237.5	4.6%	2.7%
	Q4	239.8	4.1%	2.4%
2001	Q1	243.2	5.1%	2.7%
	Q2	245.3	4.6%	2.3%

Source: NS database series YBHA & AMBI

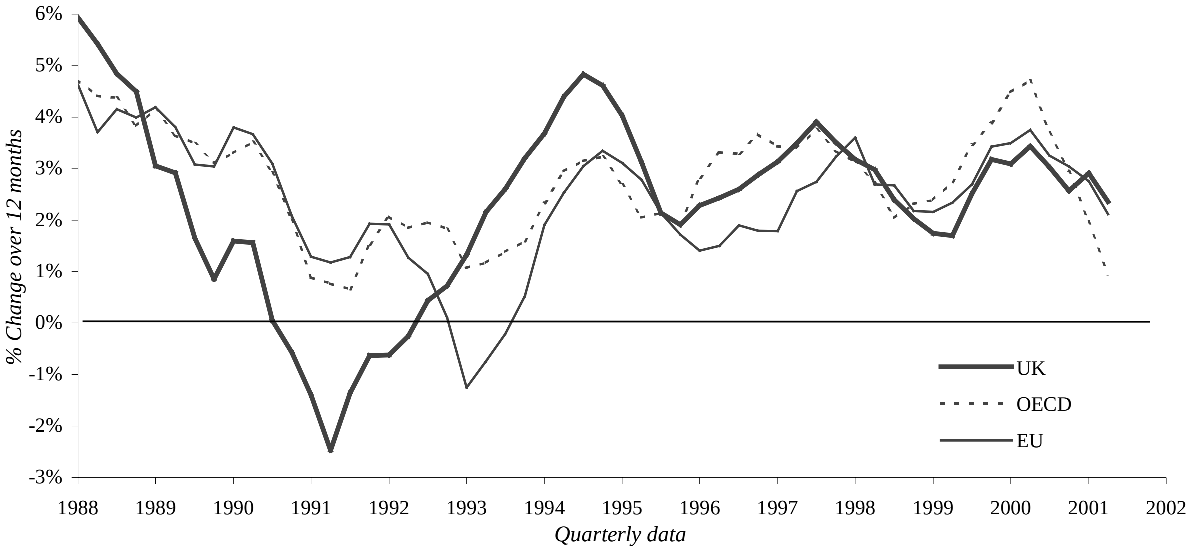
- Gross domestic product (GDP) at 1995 market prices is estimated to have risen by 0.4% between the first and second quarters of 2001. Preliminary estimates for Q3 are that GDP grew by 0.6%. Since this period partly encompasses the events in America in September it suggests that fears of a slowdown in the UK economy may be exaggerated.

- Output of manufacturing fell in the latest quarter by 2.0%, mainly due to declines in areas such as electrical products and chemicals. Services are estimated to have grown by 0.9%, down from the previous quarter. Growth fell particularly in the transport sector possibly reflecting events in America. Overall output of the production industries fell by 1.1% in the last quarter.

- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 2.4% in 2001 and 2.7% in 2002.

CONTACT Tim Edmonds, x2883 *Next update: 25 January*

A 2. GDP - International Comparisons



GDP at constant market prices
% change on year

	1997	1998	1999	2000	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2
USA	4.4%	4.3%	4.3%	4.9%	5.1%	4.0%	2.4%	2.5%	1.2%
Japan	1.5%	-2.5%	0.3%	2.3%	1.0%	0.6%	2.8%	0.2%	-0.7%
Canada	4.4%	3.3%	4.6%	4.6%	5.2%	4.7%	4.0%	3.9%	2.8%
United Kingdom	3.5%	2.5%	2.4%	3.0%	3.4%	3.0%	2.6%	2.9%	2.4%
Germany	1.4%	2.1%	1.5%	2.9%	4.4%	3.5%	2.8%	1.8%	0.6%
France	2.0%	3.5%	3.0%	3.3%	3.5%	3.4%	3.0%	2.8%	2.3%
Italy	2.0%	1.8%	1.6%	2.9%	3.0%	2.7%	2.7%	2.6%	2.1%
Euro zone	2.6%	2.9%	2.6%	3.4%	4.0%	3.4%	3.0%	2.6%	1.8%
G7	2.9%	2.8%	2.9%	3.8%	4.0%	3.1%	2.6%	2.2%	1.0%
OECD	3.5%	2.7%	3.1%	4.2%	4.5%	3.7%	3.0%	2.2%	1.2%

Source: OECD, Main Economic Indicators, October 2001

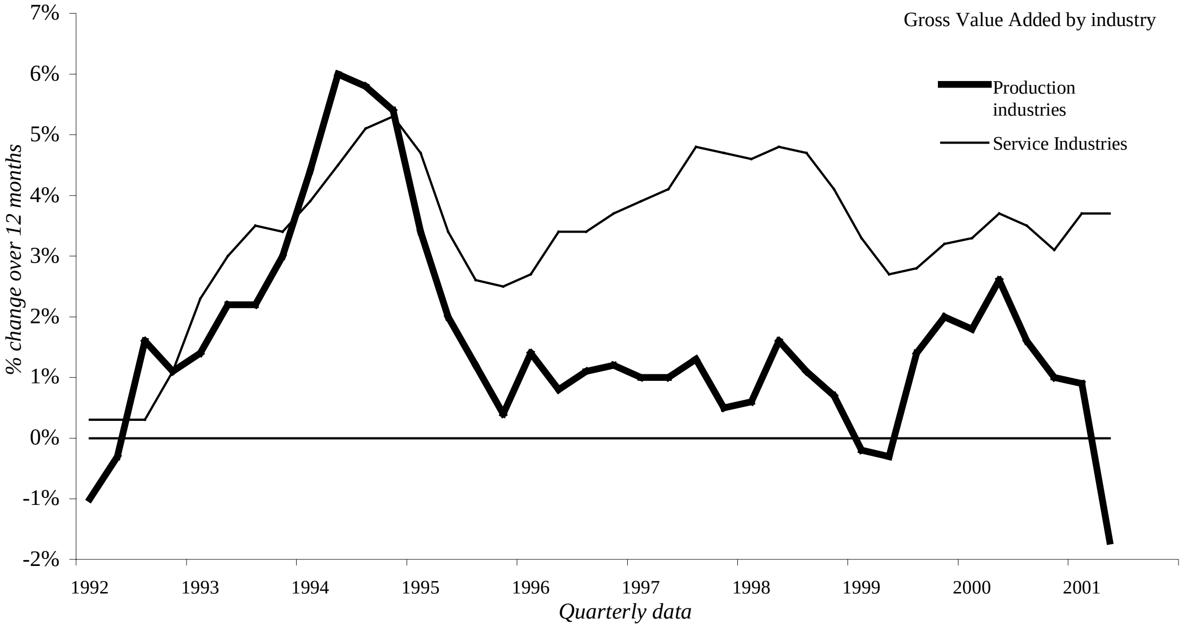
- The latest data give clear confirmation of the economic slowdown in both the US and Europe. Growth in the whole OECD area has halved over the last six months. In the core euro-zone economies of Germany, France and Italy, growth rates have also fallen but by far less than in the US. Interest rates worldwide have fallen in response to the terrorist attack in America and this represents the current best hope for restoring economic confidence.

- The latest estimates of Japanese GDP suggest that the economy remains very weak. The economy has barely grown over the past few years and the outlook remains very bleak. The latest prediction from the Bank of Japan is that GDP growth for the year would be negative and price deflation would persist for a further four years.

- 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%.

CONTACT Tim Edmonds, x2883 *Next update: Mid-November*

A 3. Gross Domestic Product by Industry



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

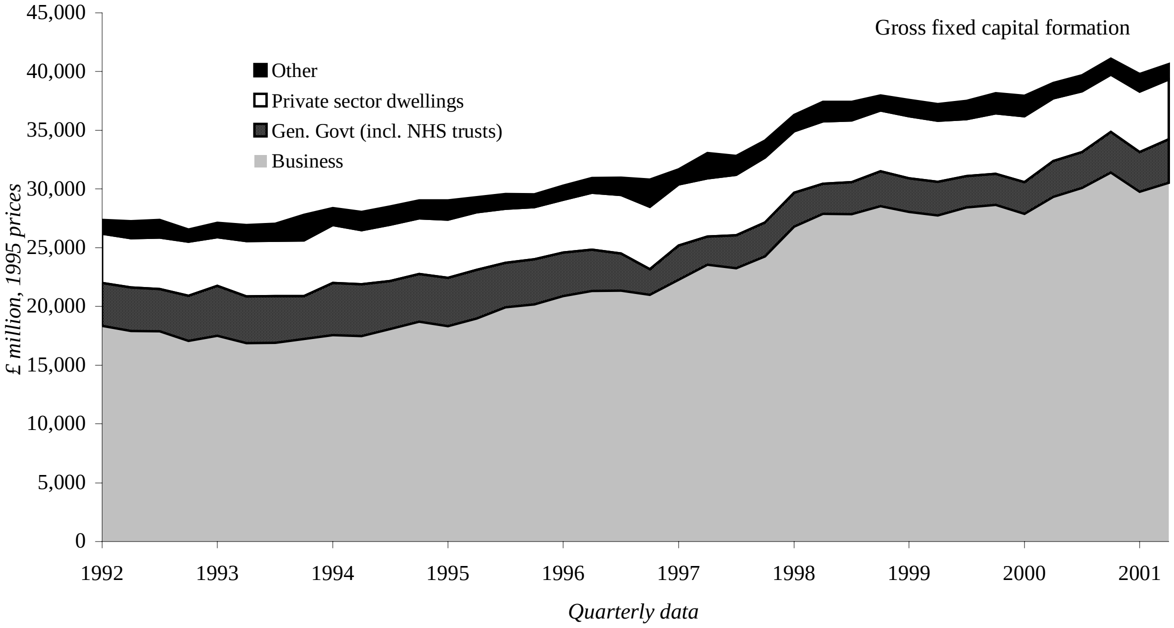
	Production industries: Total	Production industries: Manufac-turing	Services	Agriculture, hunting & fishing	Construction
1997	1.0%	1.3%	4.4%	1.5%	3.2%
1998	1.0%	0.8%	4.5%	1.7%	1.2%
1999	0.8%	0.3%	3.0%	2.3%	0.8%
2000	1.7%	1.9%	3.4%	-2.3%	1.8%
2000 Q2	2.6%	2.3%	3.7%	-1.8%	2.6%
Q3	1.6%	1.5%	3.5%	-0.8%	-0.7%
Q4	1.0%	2.0%	3.1%	-4.4%	0.0%
2001 Q1	0.9%	1.6%	3.7%	-3.9%	-0.8%
Q2	-1.7%	-1.4%	3.7%	-4.8%	3.0%

Source: NS database series ERID, ERIT, GDRN, GDQV, GDQW, ERIE, ERIU,GDSI, GDRQ, GDRR

- Since 1998 output has grown faster in the service sector than in other parts of the economy and is currently growing at an annual rate of around 3.7%. Between the first and second quarters of 2001, output in the service sector rose by 0.9%.
- Manufacturing output fell by 2.0% between the first and second quarters of 2001. In the three years 1998 to 2000 manufacturing output rose by 3%, equivalent to an average annual growth rate of 1%.
- In 2000 services accounted for 70% of GVA, manufacturing for 19%, other production industries (mining & quarrying and electricity gas & water supply) for 5%, construction for 5% and agriculture etc. for 1%.

CONTACT Dominic Webb, x2464 *Next update: 25 January*

A 4. Investment



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

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
1997	12,794	53,737	38,362	22,671	4,103	131,667
1998	16,033	66,611	39,546	22,746	4,156	149,092
1999	14,413	68,223	41,757	22,069	4,004	150,466
2000	15,704	72,792	42,399	22,756	4,115	157,766
2000 Q2	4,028	17,728	10,471	5,791	1,026	39,044
2000 Q3	3,856	18,534	10,645	5,612	1,036	39,683
2000 Q4	4,146	19,422	11,025	5,475	1,043	41,111
2001 Q1	3,480	18,677	11,065	5,519	1,051	39,792
2001 Q2	4,391	18,141	11,468	5,557	1,059	40,616

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

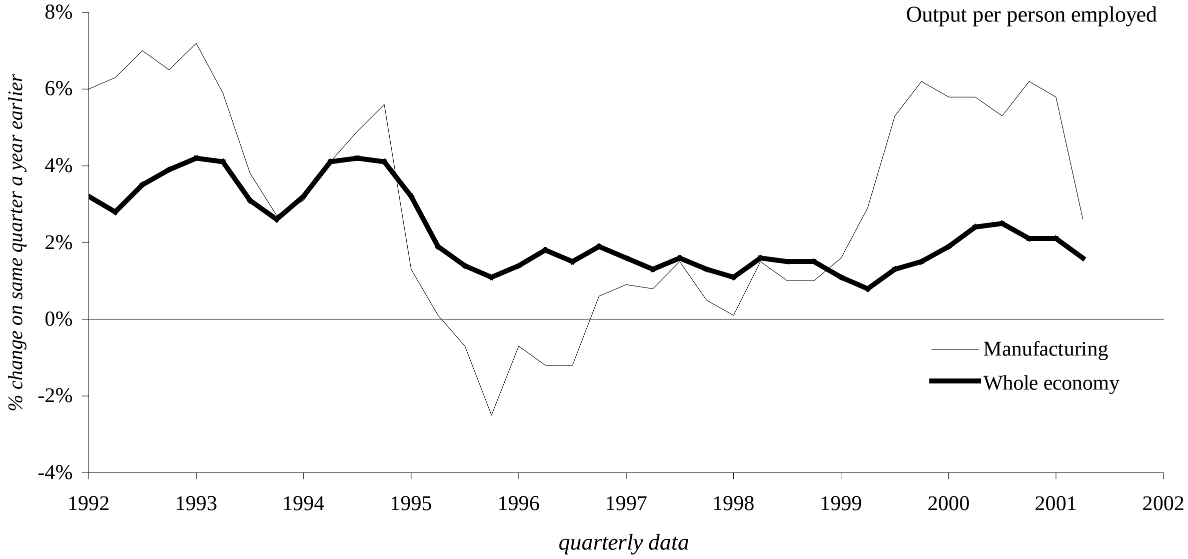
Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations (other than NHS trusts) on transport equipment, other machinery and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

- Total business investment in the second quarter of 2001 rose by 2.5% in real terms compared with the previous quarter and was 4.0% higher compared with the same quarter in 2000. While manufacturing investment fell (0.7%) over the quarter, service sector investment rose by 4.2%.

- Total GFCF in the second quarter of 2001 rose by 2.1% in real terms compared with the previous quarter and by 4% compared with the same quarter in 2000. Although GFCF on dwellings and intangibles increased by less than 1% in real terms in the second quarter of 2001 and plant and machinery actually declined. However, there was a substantial increase in GFCF on transport equipment.

CONTACT Tim Edmonds, x2883 *Next update: 21 November*

A 5. 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		1.4	0.5	0.9	3.2	1.8	1.5
1998		0.8	-0.2	0.9	3.2	1.8	1.5
1999		0.3	-3.5	4.0	2.1	0.9	1.1
2000		1.9	-3.6	5.8	2.8	0.6	2.3
2000	Q2	2.3	-3.3	5.8	3.3	0.8	2.4
	Q3	1.5	-3.6	5.3	2.8	0.3	2.5
	Q4	2.0	-4.0	6.2	2.3	0.3	2.1
2001	Q1	1.6	-4.0	5.8	2.7	0.5	2.1
	Q2	-1.4	-3.9	2.6	2.2	0.6	1.6

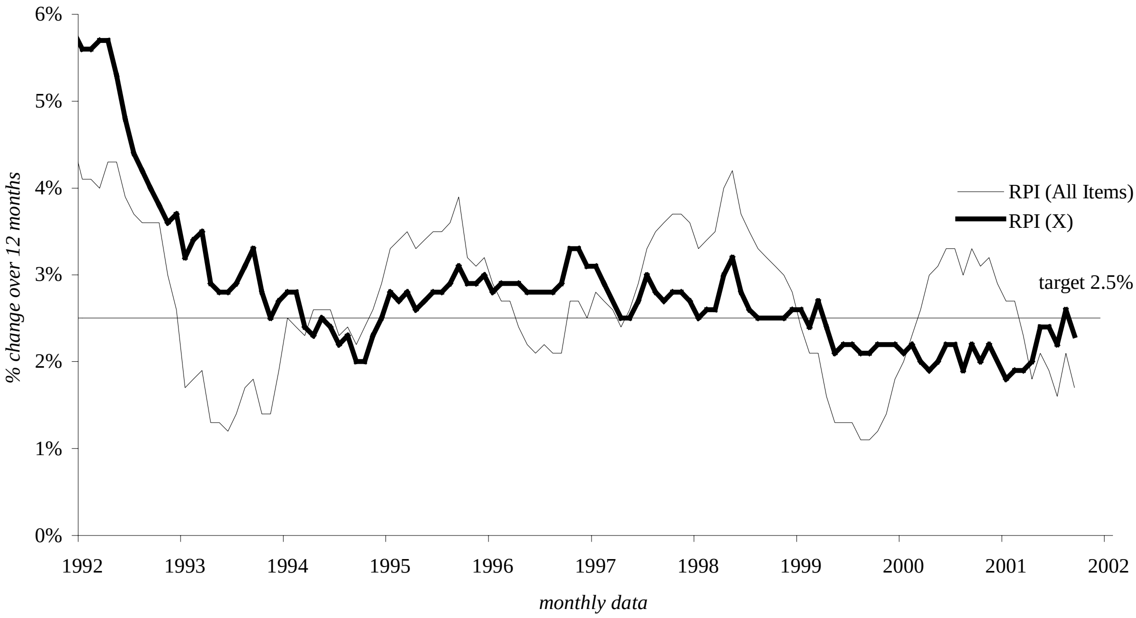
Source: NS database series ERIU, LNNS, LNNU, GDPR, LNNO, LNNP, ERIT, LNOK, LNNX, ABMM, LNNM, LNNN

Revisions to employment data (as a result of the publication of the Annual Business Inquiry) by the Office for National Statistics in April 2001mean that several years' figures for productivity have been revised.

- Productivity across the whole economy, measured by output per head, is now estimated to have grown by 2.3% in 2000 compared to 1.1% in 1999 and 1.5% in 1998.
- Productivity growth in manufacturing fell sharply from 5.8% per annum in 2001 Q1 to 2.6% in 2001 Q2. This is mainly due to the reversal in manufacturing output growth; contracting at an annual rate of 1.4% in 2001 Q2. Manufacturing employment is currently declining by around 4% per annum.
- For the economy as a whole, taking steady output growth and modest employment growth together, productivity has averaged 1.9% per annum over the last eight quarters.

CONTACT Jane Hough, x3977 *Next update: 14 November*

B 1. Retail Prices Index



Retail Prices Index
% change on previous year

		RPI All Items	RPI (X) Excluding mortgage interest
1997		3.1	2.8
1998		3.4	2.6
1999		1.5	2.3
2000		3.0	2.1
2000	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
	Feb	2.7	1.9
	Mar	2.3	1.9
	Apr	1.8	2.0
	May	2.1	2.4
	Jun	1.9	2.4
	Jul	1.6	2.2
	Aug	2.1	2.6
	Sep	1.7	2.3

Source: NS database (series CZBH, 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 September 2001 the headline rate of inflation was 1.7%, down from 2.1% in August. The underlying rate of inflation fell from 2.6% to 2.3%.

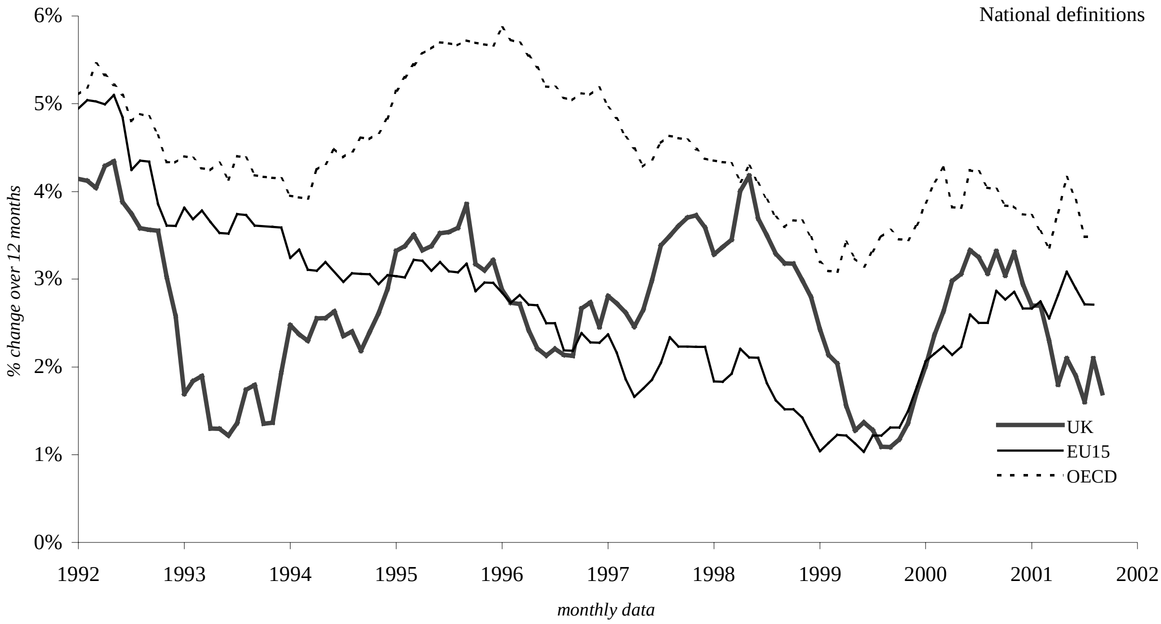
- Between August and September the largest downward pressure on inflation came from changes in motoring costs. Petrol prices were lower this September than in September 2000, when crude oil prices reached a ten-year high.

- Downward pressure on headline inflation came from lower housing costs, mainly as a result of lower mortgage rates following the Bank of England's base-rate cut on 2 August.

CONTACT Jane Hough, x3977

Next update: 13 November

B 2. Prices - International Comparisons



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	4.6	2.0
1998		1.6	0.7	1.0	3.4	1.0	0.8	2.0	4.0	1.7
1999		2.1	-0.3	1.8	1.6	0.6	0.6	1.6	3.4	1.3
2000		3.4	-0.7	2.6	2.9	2.0	1.6	2.6	4.0	2.5
2001	April	3.3	-0.7	3.5	1.8	2.9	1.8	3.1	3.8	2.8
	May	3.6	-0.7	4.0	2.1	3.5	2.3	3.0	4.2	3.1
	June	3.3	-0.8	3.4	1.9	3.1	2.1	3.0	3.9	2.9
	July	2.7	-0.8	2.6	1.6	2.6	2.1	2.9	3.5	2.7
	August	2.7	-0.7	2.8	2.1	2.6	1.9	2.8	3.5	2.7
	September	..	-0.8	..	1.7	2.1	1.5	2.6	..	..

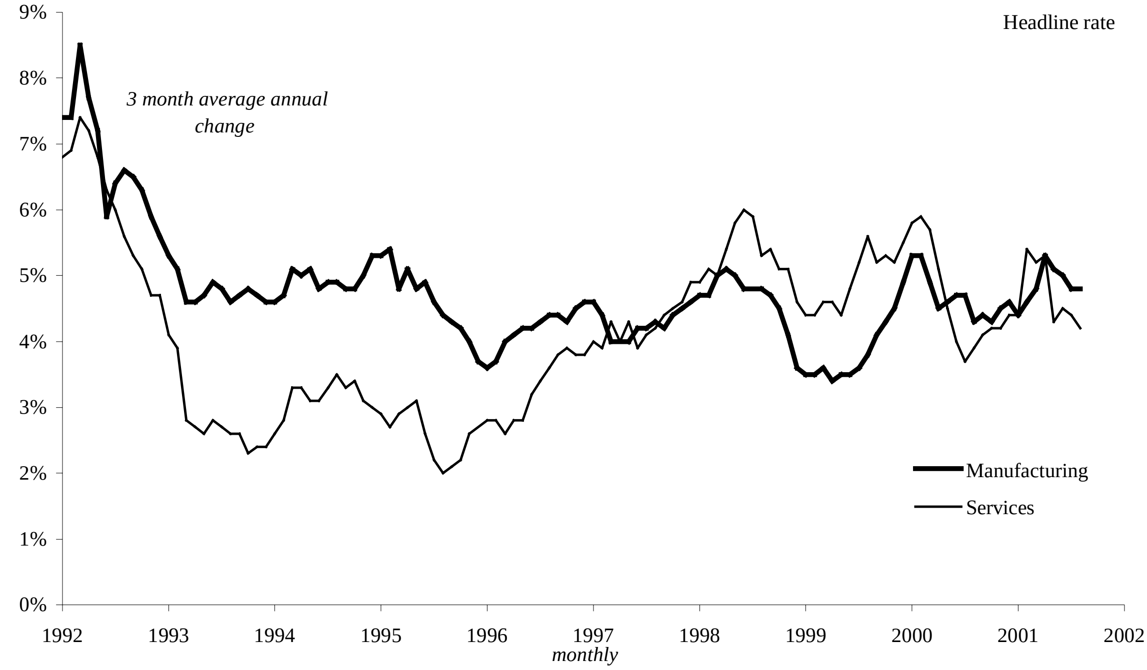
Source: OECD Main Economic Indicators / Hotfile

nder the terms of the Maastricht Treaty, harmonised indices of consumer prices (rather than data ompiled on national definitions as in the table) are used to assess price stability in each Member tate.

- On a harmonised basis the inflation rate for the twelve eurozone countries was 2.5% in September 2001. (Greece joined the euro-zone in January 2001.)
- The inflation rates for the three Member States not in the eurozone were (on a harmonised basis) Denmark: 2.1%, Sweden: 3.3% and the UK 1.3% in September 2001.
- Harmonised inflation rates in the EU in September ranged from 5.4% in the Netherlands to 1.3% in the United Kingdom. The average for the EU15 was 2.4%.

ONTACT Jane Hough, x3977 *Next update: late November*

B 3. Average Earnings Index



Average Earnings, Great Britain
seasonally adjusted

		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1997	Aug	4.2	4.7	2.0
1998	Aug	5.3	5.7	3.8
1999	Aug	5.0	5.2	4.2
2000	Aug	4.0	4.2	3.5
	Sep	4.2	4.4	3.4
	Oct	4.2	4.4	3.4
	Nov	4.2	4.4	3.5
	Dec	4.4	4.5	3.9
2001	Jan	4.4	4.5	3.8
	Feb	5.2	5.5	3.5
	Mar	5.0	5.3	3.6
	Apr	5.2	5.4	4.3
	May	4.5	4.3	5.3
	Jun	4.7	4.6	5.5
	Jul	4.6	4.4	5.6
	Aug	4.5	4.2	5.7

Source: NS database Series LNNC, LNND, LNNE

- Headline average earnings growth in the service sector fell from 4.4% in July to 4.2%% in August while in manufacturing earnings growth remained at 4.8%.

- August's headline rate of earnings growth is currently 4.5%, exactly the level which many economists regard, given the current level of productivity growth, as the maximum consistent with the Chancellor's inflation target of 2.5%.

- The headline rate of growth in average earnings for the whole economy in August was 4.5%, down from 4.6% in July.

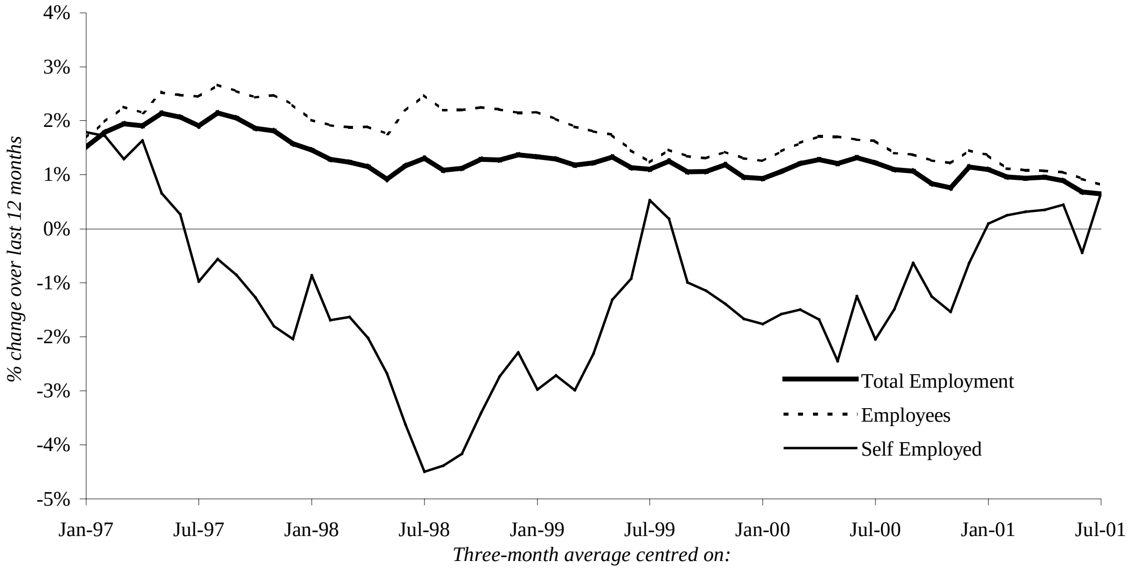
- Headline three-month annual average earnings growth in the private sector was 4.2% in August compared to 5.7% in the public sector.

- Earnings are currently growing somewhat faster than a year ago (the headline rate in August 2000 was 4.0%).

CONTACT Dominic Webb, x2464

Next update: 14 November

C 1. Employment



Employment structure in the UK
000s; seasonally adjusted

Three month average centred on		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1997	Jul	26,988	23,288	3,359	123	218
1998	Jul	27,341	23,865	3,208	104	165
1999	Jul	27,643	24,159	3,225	95	164
2000	Jul	27,980	24,552	3,159	115	154
2000	Oct	27,975	24,584	3,153	105	133
2001	Jan	28,088	24,674	3,179	98	137
2001	Apr	28,180	24,760	3,171	97	153
2001	Jul	28,161	24,751	3,180	95	136
Changes:						
Last three months		*-0.1%*	*0.0%*	*0.3%*	*-2.1%*	*-11.1%*
Last year		*0.6%*	*0.8%*	*0.7%*	*-17.4%*	*-11.7%*

Source: National Statistics First Release Labour Market Statistics 17 October 2001

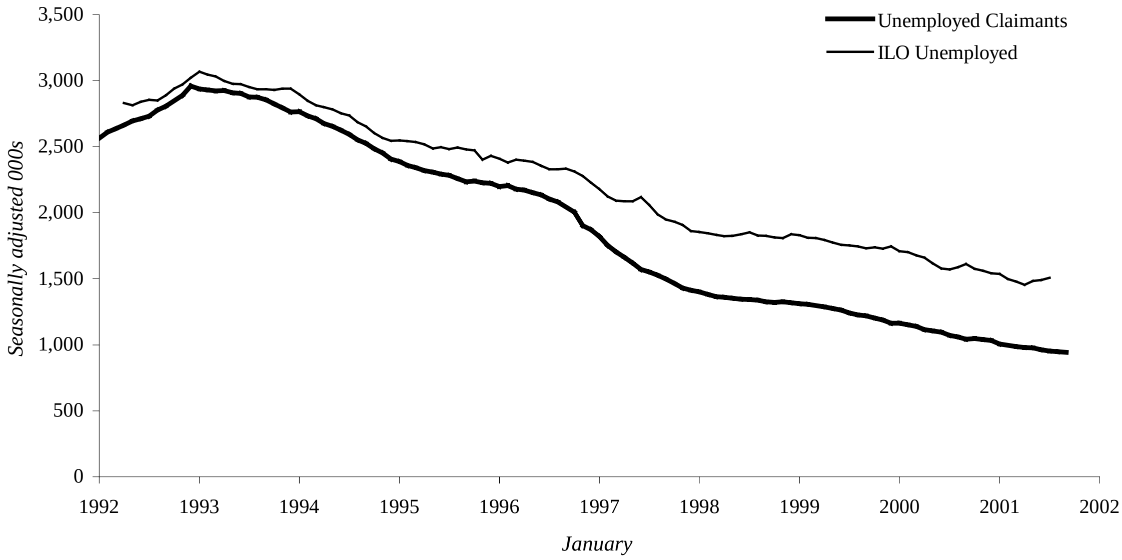
- Over the latest three months, total employment fell by 19,000. The annual rate of growth in employment is still positive though, albeit at a rate of only half a per cent per year. The working age employment rate for June-August 2001 was 74.6%, 0.3 percentage points lower than in the previous three-month period.

- Employment among people aged 18-24 and over state retirement age has increased the most over the latest three-month period, helping to offset falls in employment amongst those aged 25-34.

- The number of people in part time employment decreased by 61,000 compared to the previous three month period of March-May 2001 to stand at 6.96 million in June-August 2001.

CONTACT Patsy Richards, x4904 *Next update: 14 November*

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

		000s	rate (%)
1997	Mar-May	2,087	7.2
	Jun-Aug	2,058	7.1
	Sep-Nov	1,930	6.6
	Dec-Feb '98	1,853	6.4
1998	Mar-May	1,822	6.3
	Jun-Aug	1,851	6.3
	Sep-Nov	1,813	6.2
	Dec-Feb '99	1,831	6.2
1999	Mar-May	1,795	6.1
	Jun-Aug	1,751	6.0
	Sep-Nov	1,737	5.9
	Dec-Feb '00	1,709	5.8
2000	Mar-May	1,661	5.6
	Jun-Aug	1,569	5.3
	Sep-Nov	1,577	5.3
	Dec-Feb '01	1,535	5.2
2001	Mar-May	1,453	4.9
	Jun-Aug	1,507	5.1

Source: Labour Force Survey (NS)

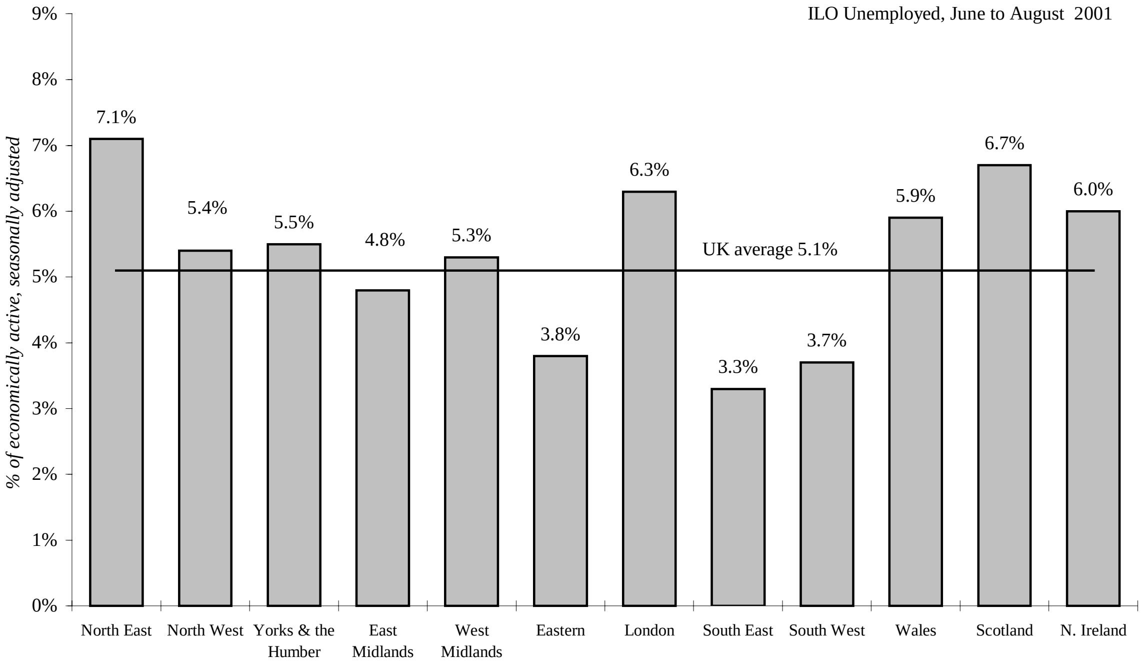
ILO data before April 1992 are interpolated from spring quarter each year. Since April 1998, National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- The latest LFS estimates show that over the period June to August 2001, the level of ILO unemployment in the UK was 1,507,000. This was an increase of 53,000 from the March to May 2001 period. Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 4,900 between August and September 2001 to stand at 942,100.
- The New Deal for the Young Unemployed started in January 1998 and 697,600 people had joined the scheme by the end of August 2001. Of those leaving the scheme, 256,000 had moved into 'sustained jobs' up to the end of August, i.e. those who had not returned to claim Jobseekers' Allowance (JSA) within three months of starting employment. Of these, 234,000 (90%) had moved into an unsubsidised job.
- The New Deal for the Long-Term Unemployed started in July 1998 for those claiming JSA for more than 2 years. The enhanced scheme was launched in April 2001 and eligibility extended to those claiming JSA for 18 months. By the end of August 2001 355,000 people had joined the pre-April 2000 scheme. 61,900 had entered sustained jobs of which 48,700 (79%) were unsubsidised. 57,900 people have started on the enhanced scheme since April 2001.

CONTACT Alex Adcock, x3793

Next update: 14 November

C 3. Unemployment: Regional



ILO Unemployment, June to August 2001
change on same period in previous year
seasonally adjusted

	000s	%
North East	-26	-24%
North West & Merseyside	6	4%
Yorkshire & the Humber	-18	-12%
East Midlands	4	4%
West Midlands	-11	-7%
Eastern	4	4%
London	-24	-9%
South East	10	8%
South West	-9	-9%
Wales	-2	-2%
Scotland	2	1%
Northern Ireland	3	7%
UK	-62	-4%

Source: National Statistics, First Release 17 October 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).

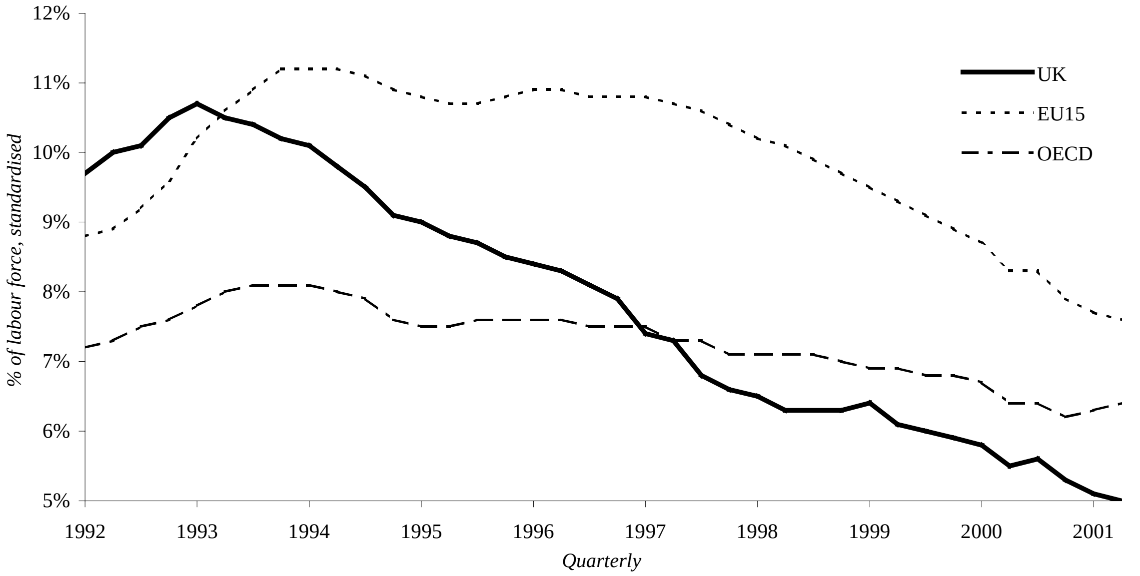
- A comparison of the period June to August 2001 with the same period a year earlier shows that unemployment rose in six of the regions and fell in the other six.

- The largest fall in unemployment occurred in the North East, where it was 24% lower in June to August 2001 than in the same period a year earlier. The North East had the highest unemployment rate of the economically active population at 7.1%. Conversely the lowest unemployment rate was 3.3% in the South East of England which experienced the largest rise (8%) in unemployment over the same period.

CONTACT Alex Adcock, x3793

Next update: 14 November

C 4. Unemployment - International Comparisons



Unemployed as % of labour force
standardised; seasonally adjusted

	1998	1999	2000	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2
USA	4.5	4.2	4.0	4.0	4.0	4.0	4.2	4.5
Japan	4.1	4.7	4.7	4.7	4.6	4.8	4.7	4.9
Canada	8.3	7.6	6.8	6.7	6.9	6.9	7.0	7.0
UK	6.3	6.1	5.5	5.5	5.4	5.3	5.1	5.0
Germany	9.4	8.8	7.9	8.4	8.3	7.9	7.8	7.8
France	11.8	11.2	9.5	9.6	9.4	8.9	8.6	8.5
Italy	11.8	11.3	10.5	10.6	10.3	10.0	9.7	9.5
Euro zone	10.9	10.0	8.9	9.0	8.8	8.6	8.4	8.4
G7	6.4	6.2	5.7	5.8	5.7	5.6	5.6	5.8
OECD	7.1	6.9	6.4	6.6	6.5	6.3	6.3	6.4

Source: OECD Standardised Unemployment Rates October 2001, www.oecd.org

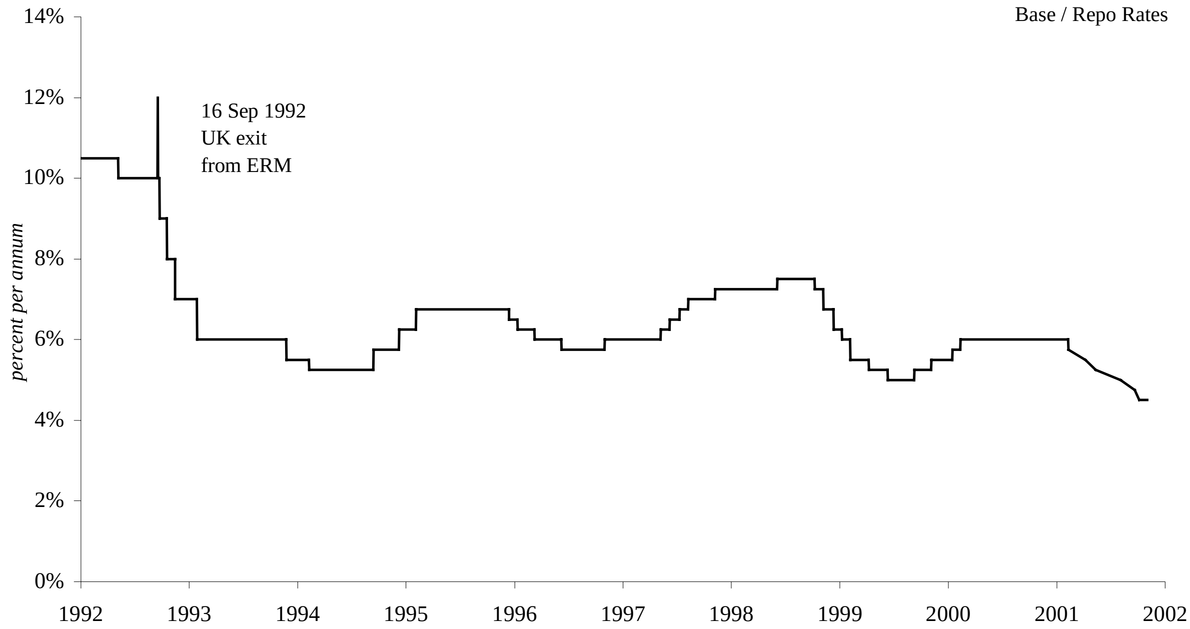
- Using standardised definitions, the UK unemployment rate for 2000 was 5.5%, significantly below the EU (8.2%) and Euro-zone (8.9%) averages and slightly below the G7 and OECD rates (5.7% and 6.4% respectively).

- The UK unemployment rate in 2000 was 0.6 percentage points lower than in 1999. Rates fell from 1999 to 2000 in all OECD countries except Norway and the Czech republic. By quarter two 2001 the UK unemployment rate had fallen to 5.0%, a similar rate to that in Japan.

- The most recent forecasts published by the OECD (June 2000 *Economic Outlook*) suggest the UK unemployment rate will remain at around five and a half percent of the labour force in 2001 and 2002. In the medium term the rate may increase slightly by 2006. In 2002 the unemployment rate for the EU as a whole is expected to be 7.3% and for the OECD as a whole 6.2%.

CONTACT Patsy Richards, x4904 *Next update: mid-November*

D 1. Interest Rates



UK Base/Repo Rates
% per annum

Date of change		New rate
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
	Apr 5	5.50
	May 10	5.25
	Aug 2	5.00
	Sept 18	4.75
	Oct 4	4.50

Source:Bank of England

The ¼% interest rate increase on 6 June 1997 signified the first time that interest rates were set by the independent Monetary Policy Committee (MPC) of the Bank of England rather than by the Chancellor.

- 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.

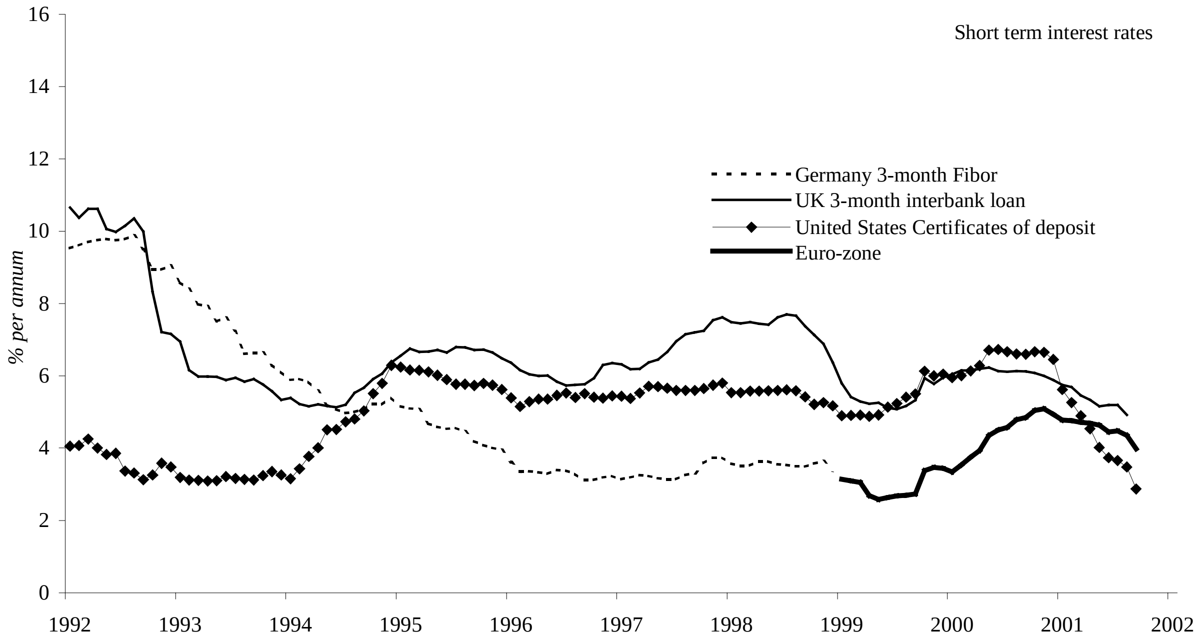
- The ¼ percentage point cut announced in February 2001 was the first interest rate cut since February 2000.

- The latest Bank Inflation Report forecasts that inflation will fall towards 2% early in 2002 before increasing towards the target rate thereafter. In its October meeting, the MPC felt that risks to both output growth and inflation were generally on the downside due to the weakness of the global economy, reducing the demand for UK exports and the easing of domestic labour market pressures.

- The MPC next meets on 7 & 8 November, the minutes of which are expected to be published on 21 November 2001.

CONTACT Grahame Allen, x4324 *Next Update 8 November*

D 2. Interest Rates - International Comparisons



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.

International Interest Rates

As at 31 October 2001

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	4.56	4 5/32
United States	4.27	2 1/8
Switzerland	2.88	2 3/32
Japan	1.25	3/32
Euro-zone	..	3 1/2

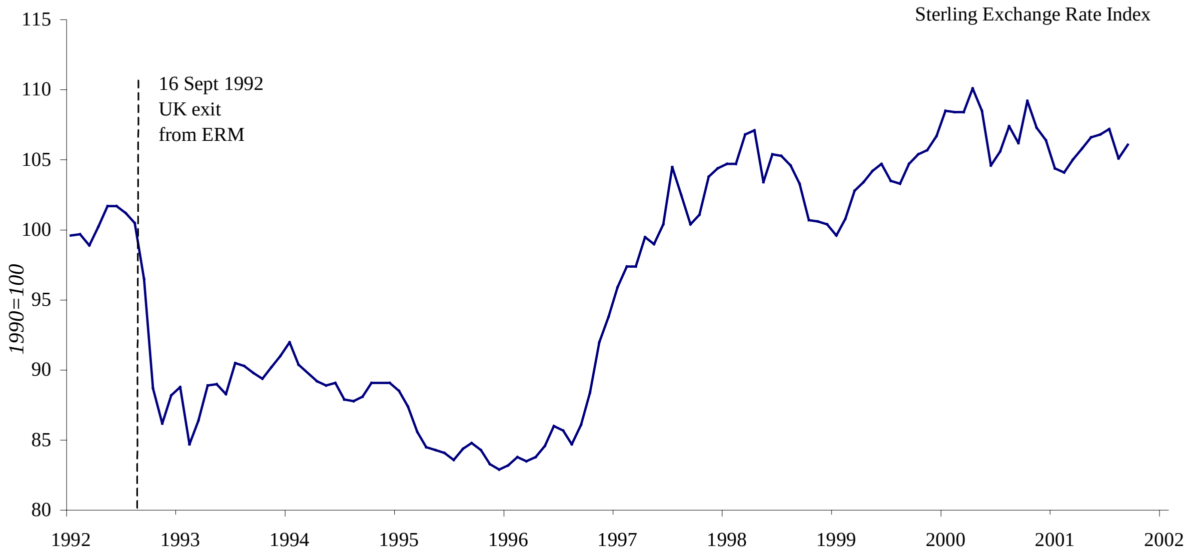
Source: Financial Times, 1 November 2001

- The main development on the international stage in 2001 has been the action of the main Central Banks in cutting their interest rates. The US Federal Reserve has cut rates by ½% seven times, the latest cut of ½% was announced on 2 October. The MPC has responded by reducing the UK Repo rate by ¼% six times during 2001.
- The ECB has not followed the lead of the Fed or the MPC on a like for like basis, as might have been expected, and has reduced interest rates twice by ¼% in May and August and by ½% on 18 September. Another cut by the ECB seams unlikely in the short-term due to a slow down in growth in the euro-zone and renewed inflationary pressures in Germany and Italy.

CONTACT Grahame Allen, x4324

Next update: late November

D 3. 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%
2001	January	1.477	-10.0%	172.5	-0.2%	1.575	-2.9%
	February	1.453	-9.2%	168.9	-3.6%	1.578	-3.0%
	March	1.445	-8.5%	175.4	4.4%	1.590	-2.9%
	April	1.435	-9.4%	177.5	6.1%	1.608	-3.9%
	May	1.426	-5.4%	173.7	6.4%	1.630	-2.1%
	June	1.401	-7.1%	171.4	7.1%	1.643	3.5%
	July	1.414	-6.3%	176.1	7.9%	1.643	2.4%
	August	1.437	-3.7%	174.4	8.2%	1.596	-3.2%
	September	1.464	2.0%	173.5	13.2%	1.606	-2.5%

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

The Sterling Exchange Rate Index (SERI) measures the value of Sterling against a trade-weighted 'basket' of other currencies. The weights used to calculate the index measure a currencies relative importance to UK trade in manufacturing.

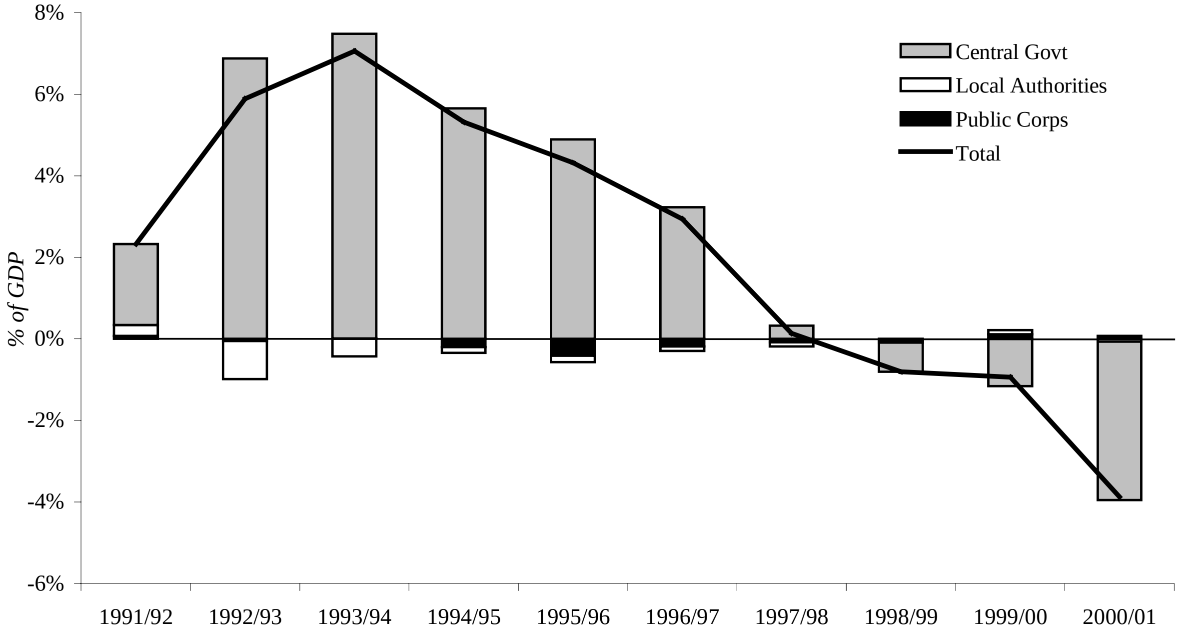
- The large fall in the SERI following the UK exit from the ERM indicates a relative improvement in UK competitiveness. The SERI has increased by just under two points since January 2001 suggesting that the UK is relatively less competitive now than at the beginning of the year.

- The pound was worth euro 1.6147 at the London market close on 31 October 2001, compared to a launch rate of euro 1.4168 on 31 December 1998.

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

CONTACT Grahame Allen, x4324 *Next Update Mid-November*

D 4. 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	0.3%
1998/99	-7.0	-0.8%	-6.9	-0.8%
1999/00	-8.6	-0.9%	-8.1	-0.9%
2000/01	-37.0	-3.9%	-36.9	-3.9%
2000 Q2	-11,825	-5.1%	-11,825	-5.1%
2000 Q3	-16,525	-7.0%	-16,422	-7.0%
2000 Q4	4,049	1.6%	4,049	1.6%
2001 Q1	-12,693	-5.2%	-12,715	-5.3%
2001 Q2	6,291	2.6%	6,291	2.6%

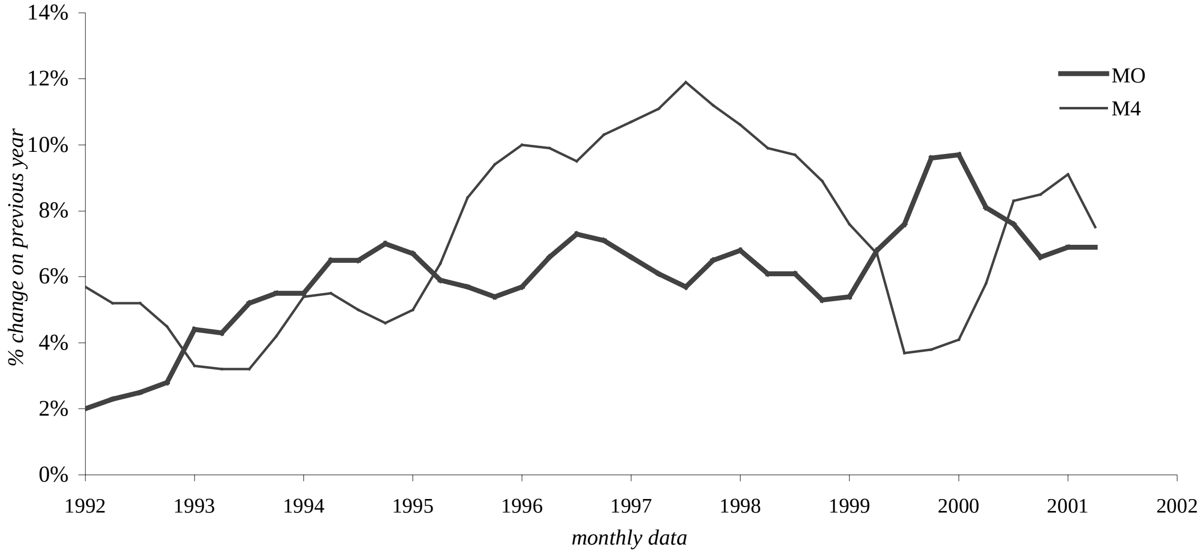
Source: NS Database Series RURQ, RURS, YBHA, BKTL

The public sector net cash requirement was previously known as the public sector borrowing requirement (PSBR).

- The PSNCR (including privatisation receipts) for the 2000/01 financial year was -£37 billion (i.e. a surplus) compared with -£8.6 billion in the 1999/00 financial year. Excluding privatisation receipts, the PSNCR for 2000/01 was -£36.9 billion compared with -£8.0 billion in 1999/00.
- The PSNCR for the 2001/02 financial year is forecast at -£1.9 billion (-0.2% of GDP) excluding windfall tax receipts and associated spending.

CONTACT Tim Edmonds, x2883 *Next update: 20 November*

D 5. Money Supply



Money stock
seasonally adjusted

		MO		M4	
		3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
2000	September	10.1	8.6	9.1	9.1
	October	9.7	8.1	10.0	8.7
	November	9.3	7.1	4.1	8.5
	December	6.6	4.7	6.0	8.3
2001	January	9.6	4.1	8.5	9.6
	February	9.7	8.2	8.0	9.2
	March	7.1	8.3	7.9	8.2
	April	3.9	7.4	4.7	7.7
	May	2.1	6.7	5.5	7.3
	June	3.2	6.7	7.2	7.5
	July	5.3	7.1	7.9	7.8
	August	8.1	7.3	10.7	7.0
	September	8.6	6.3	11.1	8.0

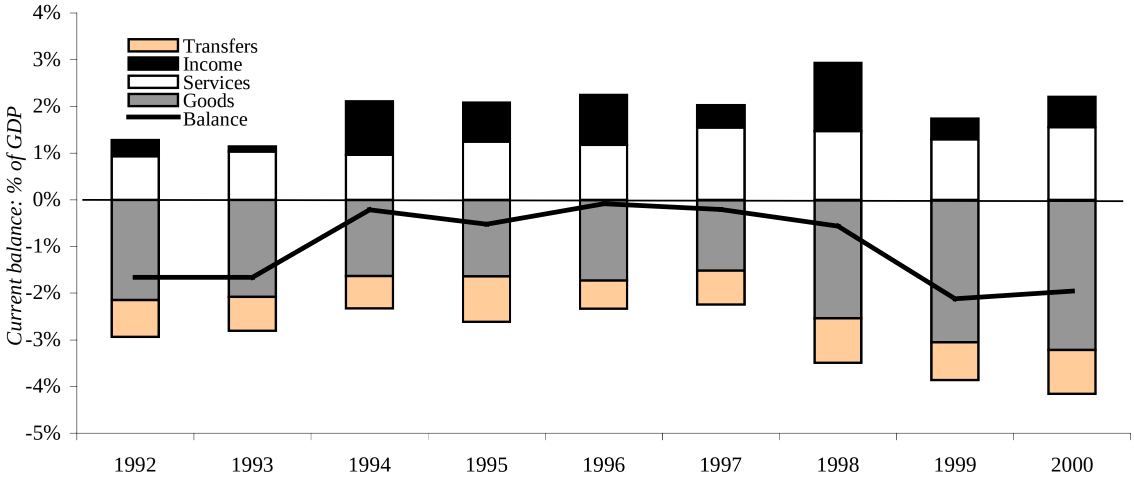
Source: Bank of England, Bankstats October 2001.

M0 comprises notes and coins in circulation outside the Bank of England *plus* bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. 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 Autumn 2000 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.
- Seasonally adjusted M4 rose by 8.0% in the 12 months to September 2001. The twelve-month growth rate of seasonally adjusted M0 fell to 6.3% in September compared to 7.3% in August.
- There are now no formal targets for money supply growth.

CONTACT Grahame Allen, x4324 *Next update: 29 November*

E 1. International Trade



Current Account Balances
seasonally adjusted; £ million

		Trade in goods and services			Income	Transfers			Current
		goods	services	total	(total)	Cent. Govt	other	total	Balance
1997		-12,342	12,528	186	3,906	-3,087	-2,725	-5,812	-1,720
1998		-21,813	12,666	-9,147	12,558	-4,844	-3,381	-8,225	-4,814
1999		-27,524	11,660	-15,864	4,019	-3,749	-3,497	-7,246	-19,091
2000		-30,380	14,661	-15,719	6,117	-5,387	-3,436	-8,823	-18,425
2000	Q2	-7,576	3,723	-3,853	-761	-1,236	-672	-1,908	-6,522
	Q3	-8,096	3,909	-4,187	2,076	-1,250	-1,059	-2,309	-4,420
	Q4	-7,795	3,478	-4,317	1,947	-1,779	-807	-2,586	-4,956
2001	Q1	-7,839	3,413	-4,426	5,098	-804	-1,442	-2,246	-1,574
	Q2	-9,214	3,831	-5,383	4,305	-1,254	-1,563	-2,817	-3,895

Source: National Statistics Database 29 October 2001

There have been significant changes to the UK balance of payments data introduced as part of the annual Pink Book round, including changed international standards and improved methodology. For example, estimates are now made for trade in smuggled goods. The overall effect has been to reduce the current balance in all years.

- The current account second quarter 2001 deficit was £3.9 billion, compared to £1.6 billion in the first quarter. This was mainly due to higher deficits on trade in goods and current transfers (both of which had record deficits) and a lower surplus on income.

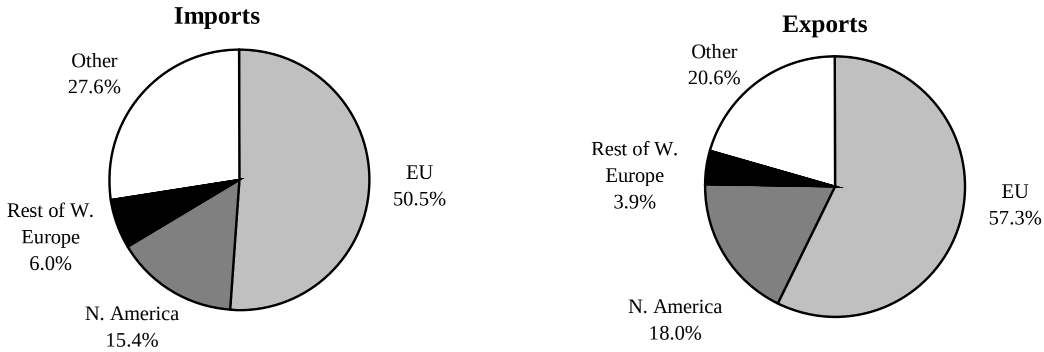
- The current transfers deficit reached a record £2.8 billion in quarter two. This was partly due to changes in payments to and receipts from EU institutions, which tend to be erratic. The surplus on income in the second quarter was £4.3 billion. The fall from £5.1 billion in the first quarter was mainly due to a deficit of £0.4 billion on portfolio investment. The compensation of employees' account was broadly in balance.

CONTACT Patsy Richards x4904 *Next update: December*

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

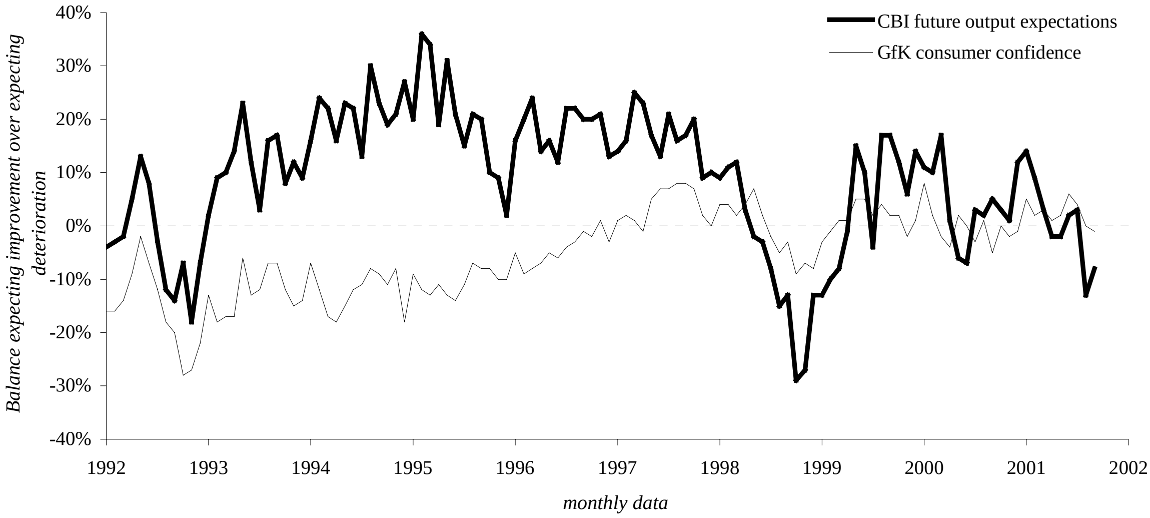
	Volume Index 1995=100		Trade in Goods (£m)		
	Exports	Imports	Exports	Imports	Balance
1997	116.7	120.3	171,923	184,265	-12,342
1998	118.2	131.1	164,056	185,869	-21,813
1999	123.3	141.3	166,198	193,722	-27,524
2000	137.3	158.2	187,656	218,036	-30,380
2000 Q2	137.5	158.1	46,746	54,322	-7,576
Q3	137.7	160.9	47,132	55,228	-8,096
Q4	142.5	164.5	49,288	57,083	-7,795
2001 Q1	146.1	168.5	50,192	58,031	-7,839
Q2	142.0	165.1	48,718	57,932	-9,214

Source: National Statistics Database 29 October 2001

- The UK deficit on trade in goods in August 2001 was an estimated £3.3 billion, compared to a £2.5 billion deficit in July.
- The UK deficit on trade in goods with non-EU countries accounted for £3.0 billion of this, while the deficit with EU countries was £0.4 billion. A provisional estimate for the UK deficit on trade in goods with non-EU countries for September 2001 is £1.7 billion.
- In the three months ended August 2001 exports to all G7 countries fell, with the exception of exports to France. The largest falls in exports were to Germany (-14%), Canada (-6%) and the USA (–5%).
- Imports from all G7 countries fell, apart from the USA; imports from the USA rose by seven and a half per cent in the three months ended August 2001.

CONTACT Patsy Richards, x4904 *Next update: 20 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
2000	Sep	5	-5
	Oct	3	0
	Nov	1	-2
	Dec	12	-1
2001	Jan	14	5
	Feb	9	2
	Mar	3	3
	Apr	-2	1
	May	-2	2
	Jun	2	6
	Jul	3	4
	Aug	-13	0
	Sep	-8	-1

Source: NS 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.

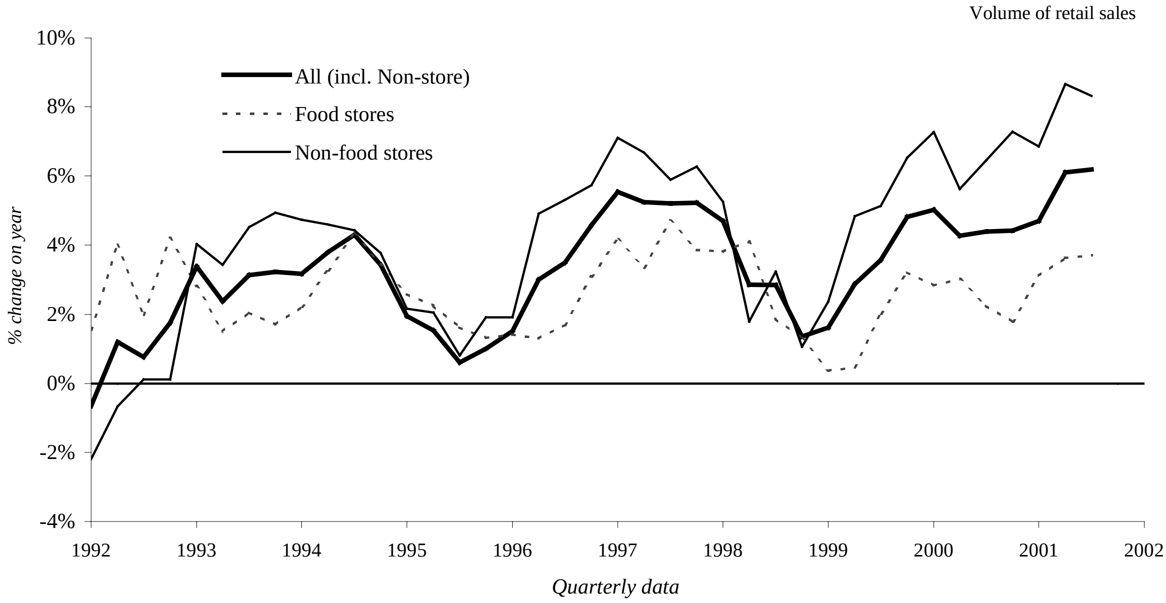
The GfK consumer confidence indicator is a composite measure of forward expectations of the general economic situation and households' financial positions; perceptions of how these have changed over the last 12 months, and also views on major household purchases.

- The balance of expectations from the CBI's monthly Industrial Trends Survey for future output levels in manufacturing declined sharply over the summer, from a balance of +3% in July to –13% in August. It recovered somewhat in September with a balance of – 8%.
- The CBI's indicator of overall business confidence in manufacturing (for which figures are only available on a quarterly basis) fell to –54% in October 2001, a three-year low.
- The GfK consumer confidence indicator also suggests that the overall situation facing private households is likely to remain little changed, with a balance of –1% in September 2001.

CONTACT Jane Hough, x3977

Next update: late November

F 2. Retail Sales



Value of Retail Sales
not seasonally adjusted; % change on year

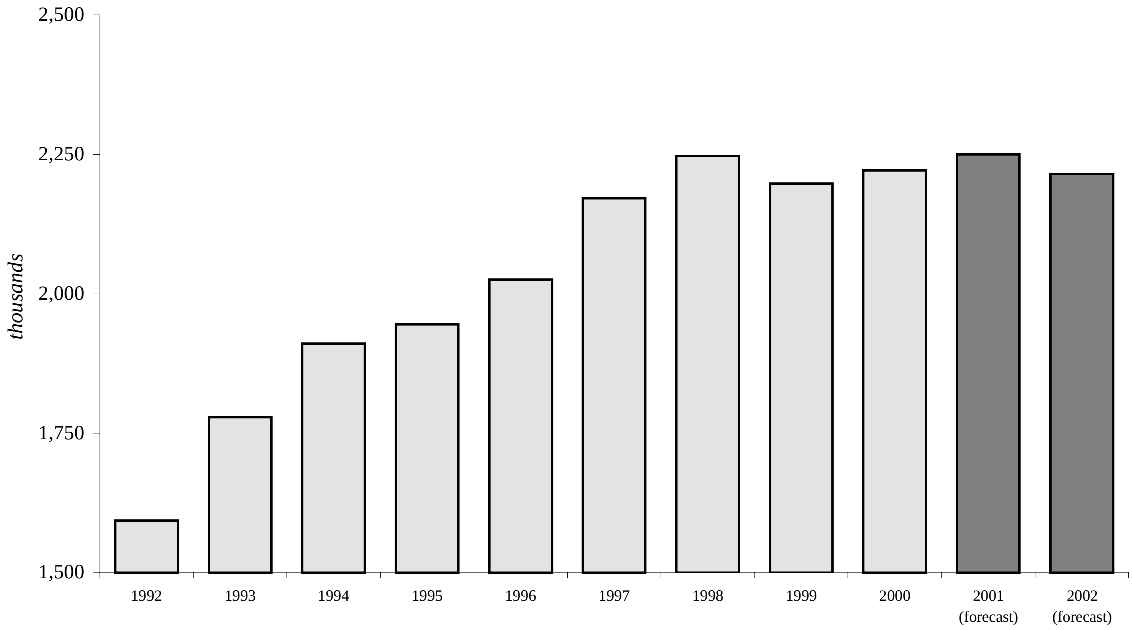
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
1997	3.8%	7.6%	10.1%	6.7%	6.7%
1998	3.7%	2.7%	5.8%	3.6%	3.6%
1999	2.7%	3.4%	4.7%	2.6%	3.4%
2000	3.5%	2.5%	7.5%	2.5%	4.2%
2000 Q3	3.6%	1.7%	4.7%	1.7%	3.4%
Q4	4.0%	3.3%	7.6%	3.5%	4.3%
Q1	5.4%	3.9%	2.9%	6.4%	5.3%
2001 Q2	7.7%	5.1%	4.6%	9.6%	6.7%
Q3	7.0%	7.6%	6.0%	8.5%	6.7%

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

- In the third quarter of 2001, the *volume* of retail sales grew by 1.5% compared with the second quarter, reaching a level 6.2% higher than a year previously.
- Seasonally adjusted retail sales volume in September was 5.9% higher than a year previously.
- Growth in retail sales volumes were stronger in predominantly non-food stores (8.3% in July to September, compared to a year earlier) than in food stores, where sales volumes increased by only 3.7%. Sales growth was particularly strong in textile, clothing and footwear stores.
- In September 2001, the average weekly value of retail sales was £4,060 million, 7.2% higher than in September 2000 (based on non-seasonally adjusted data).

CONTACT Dominic Webb, x2464 *Next update: 15 November*

F 3. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

		Number (000s)	Change over 12 months
1997		2,171	7.2%
1998		2,247	3.5%
1999		2,198	-2.2%
2000		2,222	1.1%
2001 (forecast)		2,250	1.3%
2002 (forecast)		2,215	-1.6%
2000	September	353	-8.7%
	October	154	2.6%
	November	163	13.4%
	December	108	27.5%
	January	188	1.5%
	February	79	7.3%
	March	408	1.5%
	April	180	7.0%
2001	May	199	2.3%
	June	215	11.4%
	July	173	11.6%
	August	77	6.2%
	September	443	25.4%

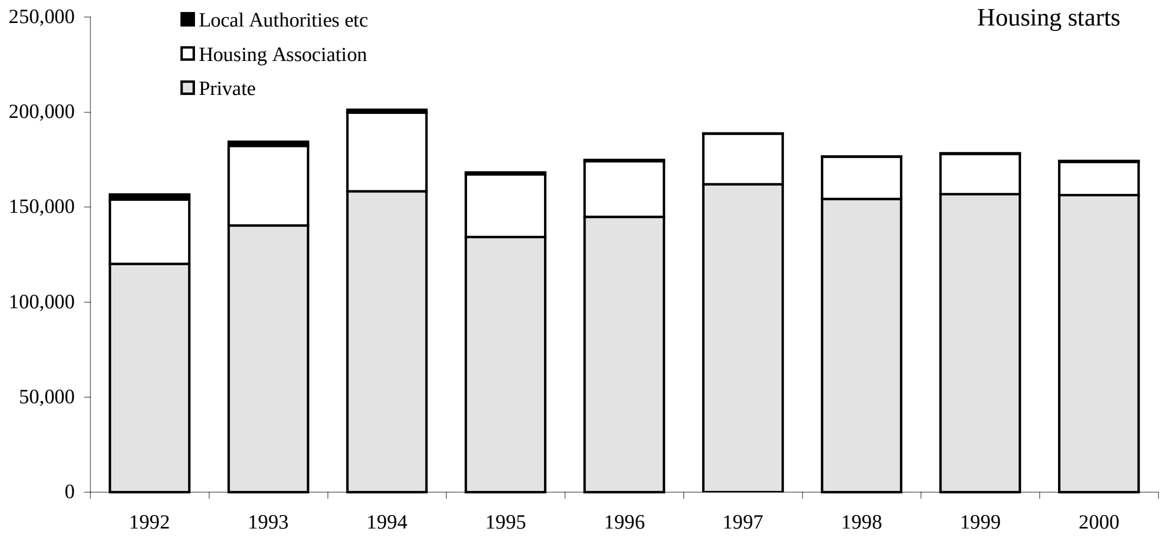
Source: SMMT "Monthly Statistical Review", October 2001

- Figures from the Society of Motor Manufacturers and Traders show that new car registrations in September 2001 rose 25.4% over the previous year's figure.
- The number of new registrations of cars was 2.2 million units in 2000, a rise of 1.1% on the previous year and the third highest total ever.
- Registrations of British-built cars increased by 8.3% in September from the previous year's figure to 107,000 units, or 24.2% of the market. In the year to date registrations of British built cars declined 7.4% from the previous year's figure to 477,000 units, or 24.3% of the market.
- Last year the overall total number of registrations of British-built cars was 629,000 or 28.3% of the market.
- New registrations of cars are forecast to rise by 1.3% in 2001 before falling by 1.6% in 2002

CONTACT Dominic Webb, x2464

Next update: Late November

F 4. Housing



House prices
Standardised average price (£)

	All Houses	New Houses	Existing Houses	First time buyers
2000 Q3	85,800	94,700	85,700	61,200
Q4	86,000	91,600	86,000	61,100
2001 Q1	86,200	88,600	86,600	61,800
Q2	91,800	95,000	92,400	65,500
Q3	94,100	99,300	94,800	66,900
% change over same period last year				
2000 Q3	8.2%	16.1%	7.9%	6.6%
Q4	5.7%	6.1%	5.7%	5.9%
2001 Q1	3.1%	2.1%	3.6%	1.5%
Q2	7.7%	7.0%	8.3%	6.5%
Q3	9.7%	4.9%	10.6%	9.3%

Source: Halifax House Price Index: Third Quarter 2001

- According to the latest DTLR press release, it is provisionally estimated that 15,200 dwellings were started in Great Britain in August 2001, compared with 15,500 in August 2000. There were 12,700 completions in August 2001 compared with 13,300 in the same month of the previous year. In the latest three months 49,000 dwellings were started, a decrease of 1% on the same three month period a year ago. There were 41,000 completions over this period, a decrease of 5% on the previous period a year earlier.

- According to the Halifax Monthly Index, house prices in the United Kingdom were unchanged in September from August (seasonally adjusted). On an annual basis, house price inflation fell to 8.3% in September from 10.9% in August.

- According to the Halifax Quarterly Index, UK house prices rose by 2.9% in the third quarter of 2001 following a 4.2% fall in the second quarter. Regionally, annual house price inflation was highest in East Anglia (18.5%) and lowest in Scotland (3.7%).

CONTACT Alex Adcock, x3793 *Next update: 6 November*