RESEARCH PAPER 02/59
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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 Stability & Growth Pact: the difficult years

Grahame Allen

ECONOMIC POLICY AND STATISTICS SECTION

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Subject	Statistician	Extn
Balance of payments	Patsy Richards	4904
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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 Stability & Growth Pact: the difficult years

Introduction

The Stability & Growth Pact (the pact) has received a considerable amount of press notice in recent weeks. This article sets out some of the background and looks at possible remedies.

The current furore over the pact has as its immediate midwife, comments by the EU President Romano Prodi. Speaking to the Le Monde newspaper on 17 October 2002 the President said:

> I know very well that the stability pact is stupid**,** like all decisions that are rigid.

But in truth, euro observers have always been interested in how the pact would operate when member states had to face a serious downturn in their economies and the subsequent public finance consequences of such a downturn. It is worth recalling that just as the pact has emerged from the constitutional shadows of the Maastricht convergence exercise, so too have the public finance policies of the current members. Several member states had to take significant measures to reduce government borrowing to less than 3% to meet the convergence criteria. Furthermore there had been suggestions that some of the measures taken were more presentational than real. Thus, the question of how these countries would cope if and when the economic conditions were less than benign, and after years of fiscal retrenchment, has been in the mind of observers for some time.

The Stability Pact [1]

While monetary policy in the euro zone is delegated to the European Central Bank the framers of the EMU project realized that there also had to be some sort of framework for fiscal discipline within the union.

The agreement, which has become known as the Stability & Growth Pact was finalised at the Amsterdam Council (17 June 1997). It was based upon Article 99 and 104 of the Amsterdam Treaty which had been the basis for the surveillance procedure and the excessive deficits procedure in stage 2 of EMU under the Maastricht Treaty. Thus there was no need for negotiations on a new Treaty. The German/French plan was that member governments should have a continuing duty to present budget plans to other member states who, by a system of qualified majority voting, would decide whether an excessive deficit situation existed.

The pact requires member states to aim for a medium term budgetary position of close to balance or in surplus. In addition, if the actual or planned government deficit exceeds 3% of GDP sanctions might be applied at the discretion of the Council. Attention tends to be attracted to the pact when the second of these conditions is in danger of being broken.

[1] A much fuller account of the history and provisions of the pact can be found on the Library's website, EMU FAQ: What is the Stability & Growth Pact? (http://hcl1.hclibrary.parliament.uk/emu/faq/stabil.htm).

Currently Portugal, France and Germany are either in danger of, or already have broken, the 3% target. It might be remembered that the UK received some attention from the Commission earlier in the year for, apparently, not complying with the main requirement of a planned balanced budget over the medium term.

By way of illustration of the procedure involved with the pact, a full extract from the deliberations of the Commission with respect to Portugal following the Ecofin meeting in October 2002 are shown below.

> The government deficit in Portugal was equal to 4.1% of GDP in 2001, thereby clearly exceeding the reference value of 3%. Government debt, while rising to 55.5% of GDP by the end of 2001, was still below the 60% reference value. The deficit in 2001 did not result from an unusual event outside the control of Portugal, nor did it result from a severe economic downturn.
>
> From 1999 to 2001, according to the revised data, the government deficit increased from 2.4% to 4.1% of GDP. While economic growth slowed markedly during that period, the increase in the deficit mainly reflects a weakening in the underlying budgetary position. The increase in the deficit therefore reflects mainly a weakening in the underlying budgetary position. The cyclically adjusted deficit has widened nearly as much as the actual deficit.
>
> Although the government adopted a rectifying budget in June 2001, involving cuts in expenditure to the amount of 0.6% of GDP, the deficit in that year increased for a number of reasons, relating to developments of both revenues and expenditures: On the revenue side: (i) revenue losses implied by the reform of direct taxes implemented in 2001 have been underestimated; (ii) efficiency gains in tax collection and administration have turned out lower than anticipated. On the expenditure side: (i) the rise in the public sector wage bill has been above budgetary plans; (ii) social spending, notably on health care, exceeded ex-ante budget allocations.
>
> A new government that came into office in April 2002 presented to parliament a rectifying budget for 2002, which became law in early June. The rectifying budget includes consolidation measures totalling about ½% of GDP, notably an increase in the standard VAT rate from 17 to 19% and cuts in public investment spending. The new budgetary target for 2002 is 2.8% of GDP, which compares with an initial target of 1.8% laid down in the last update of the stability programme. It can be concluded that, in the absence of the rectifying budget, the 2002 deficit could have been above 3½% of GDP. In order to ensure the deficit to be brought down below the 3% ceiling in 2002, the government has proposed to parliament, in addition to the saving measures already adopted, to sell, if needed, a number of public assets.
>
> While it can be expected that the deficit will be reduced in 2002, it appears uncertain whether the excessive deficit situation will be corrected this year. In any case, such an assessment can only be made on the basis of budgetary results, which will not be available until early 2003. Moreover, in view of the severe deficiencies in the statistical base that long prevented the budgetary problems from being recognised, it has to be ensured that the recorded public accounts henceforth provide a true picture of the actual situation.

> Based on this opinion, the Commission has addressed a recommendation to the Council (Article 104.6). The Council is asked to decide that from an overall assessment it follows that an excessive deficit exists in Portugal.
>
> Finally, the Commission issued a recommendation for a Council recommendation to Portugal, according to Article 104.7. It is recommended to the Portuguese government to put an end to the present excessive deficit situation as rapidly as possible and by 2003 at the latest. With this in view the Portuguese authorities should implement with resolve the saving measures announced in the rectifying budget adopted in May. They should adopt and implement the necessary measures to ensure that the deficit is reduced to clearly below 3% of GDP in 2003 and that the government debt ratio is kept below the 60% of GDP reference value. In this regards, the Commission notes with satisfaction the recent approval of a budgetary stability law and welcomes the efforts made by the Portuguese government to implement structural reforms and thereby foster growth and employment. In any case, a deadline of 5 March 2003 is established for the Portuguese government to take all necessary measures. The Portuguese authorities shall present before the end of the year an updated stability programme covering 2003 and the years beyond including ambitious budgetary targets for the achievement of the medium term budgetary position of close to balance or in surplus, and to secure that the debt ratio is brought back to a declining path.[2]

Problems with the Pact

The pact imposes various difficulties and restrictions for national governments.

First, if growth of the national economy slows public finances worsen, but if taxes are raised or spending cut to meet the demands of the pact then there is a risk of cutting growth even further. But if governments do not meet the 3% target they run the risk of incurring fines of up to 0.5% of GDP which will clearly do little to improve public finances in the short term. Furthermore, if member states fail to honour their obligations in bad times the value of the pact is devalued.

Second, while the EU as a whole has committed itself to becoming the most dynamic economic area in the world, the rate at which the associated public investment necessary to improve infrastructure, knowledge and skills can be introduced is limited by the balanced budget requirement.

A more general philosophical question that the current crop of difficulties has raised is uncertainty as to what sort of economic management the euro zone wants. Do the members want a rigid, rule based system that is demonstrably fair, but possibly inflexible? Or would a more collegiate approach be preferable? This could be more flexible but would run the risk of being seen as favouring the big countries at the expense of smaller members.

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[2] Europa, Rapid Database 16 October 2002

If a rule based system is acceptable are the current rules optimal? For example, would the fiscal code used by the UK Treasury be better? Finally, there is the issue of who should enforce whatever system evolves. Should there be more immediate and direct involvement of the Commission, or should the current system, dependent upon intergovernmental agreement, persist?

There has been some support, particularly from the French, for the view that the UK's public finance rules have advantages over the pact's rules. It is interesting therefore to compare the two.

Fiscal rules compared

	HMT Code of Fiscal Responsibility	Stability & Growth Pact
Government debt	40% of GDP	60% of GDP
Government deficit	Over the economic cycle the current budget is in balance or surplus	Member states to plan for a medium term budgetary position of close to balance or in surplus.
		Deficit not to exceed 3% of GDP

There are also certain definitional differences to remember when comparing UK and Treaty (pact) obligations. The UK fiscal rules cover the whole public sector whereas the pact covers just general government. The Treaty deficit includes capital and current spending, but capital spending is excluded from the UK rules. The UK debt measure is net of assets whereas the Treaty measure is gross debt.

Three main things stand out in the comparison. First, the UK rules for debt are tougher, even allowing for the net/gross definitional difference, than those of the pact. Every euro zone member, except for Ireland, Luxembourg and (generously) Finland, would be in excess of the limit. Second, the UK does not have a critical point above which borrowing must not go. Lastly, and this is the most fundamental difference, whereas the pact's requirements are an ongoing, annually repeatable test of fiscal prudence, the UK's test is over a complete economic cycle. It is this flexibility that is currently so attractive to say, German or French finance ministers. The Commission point out however, that some of the countries currently in conflict with the pact did not take advantage of above trend rates of growth in previous years to consolidate their financial positions. Hence there is an element of Augustinian aspiration - make me virtuous, but not yet- about the finance ministries of some member states.

The indications are that consideration of reforms to the way in which the rules are interpreted may be under way. In a statement given to a Plenary Session of the European Parliament, the Economic & Monetary Affairs Commissioner, Pedro Solbes ignored the 'stupid' reference of the EU President but did indicate that the way that the pact was being interpreted was subject to change.

> Against this background, and in line with the vision of the Pact I just have described, we, President Prodi and myself, presented at the end of September a strategy on how to deal with current budgetary challenges.
>
> With a view to strengthening the implementation of the Pact while at the same time taking into account the complexities of economic reality and the effects of the economic cycle, the strategy contains four key elements:
>
> - The 3% of GDP deficit threshold is and remains a binding constraint. Any breaching of the threshold requires swift corrective action of the Member States concerned. It also requires timely activation of the excessive deficit procedure procedures as foreseen in the Treaty and in the Stability and Growth Pact whenever necessary.
>
> - The close-to-balance medium-term objective of the SGP, and the adjustment path towards it, should be interpreted in cyclically adjusted terms. We have now a common methodology in the Union to calculate the cyclically adjusted budgetary positions and we should put it to good use.
>
> - Countries which have not yet reached the close-to-balance objective should achieve as a minimum a 0.5% of GDP per annum reduction in their underlying budgetary position.
>
> - In years with high growth, any pro-cyclical loosening of the budget leading to a violation of the close-to-balance rule should be treated as a failure to abide by the rules of the Stability and Growth Pact. Automatic stabilisers must operate symmetrically over the entire economic cycle, and this implies running surpluses in good times.
>
> These four principles strengthen the implementation of the Stability and Growth Pact by explicitly incorporating the effects of cyclical developments in the process of budgetary surveillance.
>
> I am very satisfied that Eurogroup Ministers two weeks ago in Luxembourg took a similar view and agreed with this proposal. All countries, including those with deficit positions, have accepted this approach and with the exception of France are striving to implement it as of 2003. [3]

The following press article expands on some of these issues:

> The struggle is between two visions. Under Mr Prodi's model, the Commission would have more power to enforce the economic co-operation that everybody agrees the euro zone needs.

[3] European Parliament 21 October 2002

> He says the pact might remain as "the minimum of minimums" but it needed to be properly enforced. "It's clear nobody has authority," Mr Prodi said. "That's the problem."
>
> In a paper last May, he said the Commission should be more effective in warning countries if they were about to breach the stability pact's deficit limit, and to ensure that countries stuck to the budgetary plans they sent to Brussels annually.
>
> He also believes there should be a formal decision-making EU council comprising only those countries that are members of the euro; currently the so-called "eurogroup" is an informal gathering over dinner.
>
> In the other camp are many of the EU finance ministers, who would prefer to liaise on economic policy in their private monthly meetings, rather than being hammered regularly by a zealous Commission.
>
> The debate on economic management is currently being thrashed out in the special convention on Europe's future. Klaus Hansch, the German social democrat leading the economics working group, favours leaving the current system largely intact.
>
> But his group, due to report in the next few weeks, is deeply divided. Another school of thought, gaining ground, is that the whole system should be revamped when - or if - Britain joins the euro. Pascal Lamy, the French-born EU trade commissioner, said last week that Britain's public finance regime was "more sophisticated" and "more intelligent" than the one pertaining across the euro zone.
>
> But none of these changes to the stability pact or economic management are imminent, and for the time being Europe must live with the system it has.[4]

With respect to the argument that the key change needed to the pact is the adoption of the British ‘over the cycle’ timeframe, it is interesting to reflect for a moment on the current state of the UK public finances.

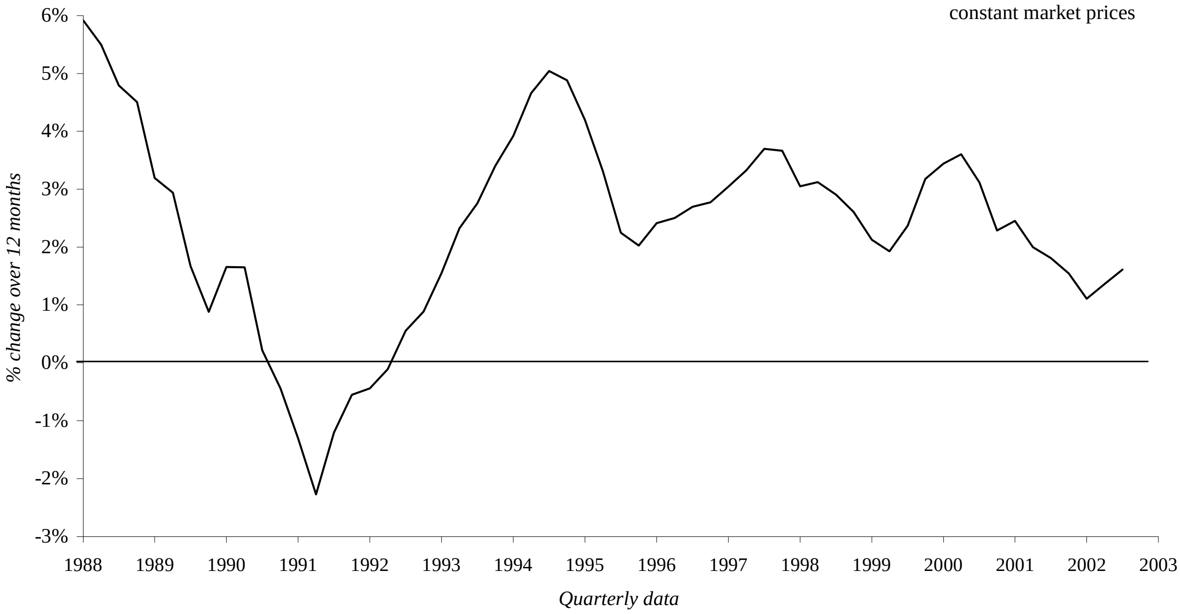
The economic turndown has, according to the speculation in the press left the Chancellor with a ‘black hole’ in his finances. A report by the National Institute of Economic & Social Research suggests that one way for the Chancellor to avoid having to raise taxes in coming years is for the ‘cycle’ to be redefined. It is never obvious when cycles start (in a reply to the Institute’s comments the Treasury has defined the start of the cycle but admitted that the choice “was a matter of informed judgement”) and, if there is a definite start, there is no guarantee that the end will not come at an inconvenient time for policy makers. Additionally, once one cycle is finished there is very little immediate discipline upon a Chancellor to restrict borrowing or spending since there are probably six or seven years to go before the next cycle comes to an end – a period that exceeds the duration of many holders of the finance ministry post.

[4] Source: Financial Times 18 October 2002

Clearly, there is a trade off between real fiscal discipline and flexibility. Unless, as the National Institute suggest, there is some independent definition of ‘cycles’ it could be that rules of the UK type might be too flexible for the eurozone.

Timothy Edmonds
Economic Policy and Statistics Section

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

	GDP at current market prices		GDP at 1995 market prices
	£ billion	*12 month change*	*12 month change*
1998	859.4	6.0%	2.9%
1999	902.5	5.0%	2.4%
2000	950.4	5.3%	3.1%
2001	987.7	3.9%	2.0%
2001 Q2	246.3	4.0%	2.0%
Q3	246.3	2.9%	1.8%
Q4	250.9	4.0%	1.6%
2002 Q1	254.7	4.3%	1.0%
Q2	256.2	4.0%	1.3%

Source: NS database series YBHA & AMBI

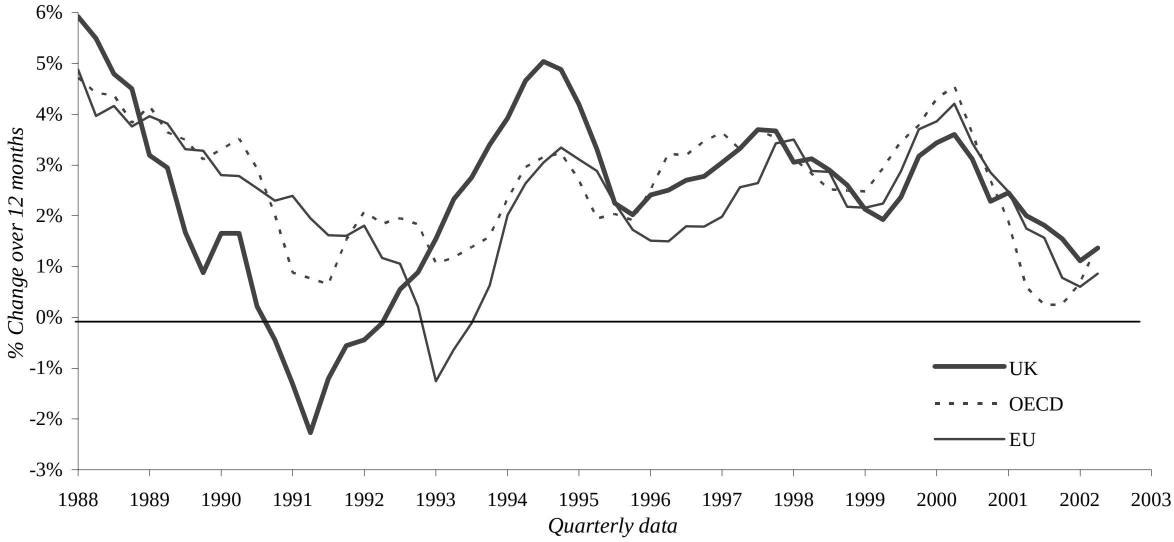
- Gross domestic product (GDP) at 1995 market prices is estimated to have risen by 0.7% in the third quarter of 2002, slightly up on growth in the previous quarter. For the year to 2002 Q3 the economy is estimated to have grown by 1.7%.

- Output in manufacturing fell by 5.3% over the year to Q2 2002. The decline was attributable in part to poor figures from the communications and electrical sectors. Services sector output is estimated to have grown by 2.2% over the year to “002 Q3.

- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 1.6% in 2002 and 2.5% in 2003.

CONTACT Tim Edmonds, x2883 *Next update: 24 January 2003*

A 2. GDP - International Comparisons



GDP at constant market prices
% change on year

	1998	1999	2000	2001	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2
USA	4.3%	4.1%	3.7%	0.2%	-0.4%	-0.1%	0.7%	1.2%	0.3%
Japan	-1.0%	0.7%	2.3%	0.1%	-1.2%	-0.7%	-0.8%	0.0%	0.7%
Canada	4.2%	5.3%	3.5%	1.1%	0.1%	-0.2%	0.7%	1.5%	1.0%
United Kingdom	2.9%	2.4%	3.0%	2.0%	0.3%	0.4%	0.2%	0.2%	0.6%
Germany	2.0%	2.0%	2.8%	0.6%	0.0%	-0.2%	-0.4%	0.4%	0.3%
France	3.4%	3.3%	4.0%	1.9%	-0.1%	0.4%	-0.5%	0.5%	0.5%
Italy	1.8%	1.6%	2.8%	1.8%	0.1%	0.1%	-0.3%	0.2%	0.2%
Euro zone	3.0%	2.8%	3.4%	1.7%	0.2%	0.3%	-0.2%	0.3%	0.4%
G7	2.7%	3.0%	3.4%	0.7%	-0.3%	-0.1%	0.2%	0.7%	0.4%
OECD	2.7%	3.2%	3.8%	0.8%	-0.3%	0.0%	0.3%	0.7%	0.5%

Source: OECD, Main Economic Indicators, October 2002

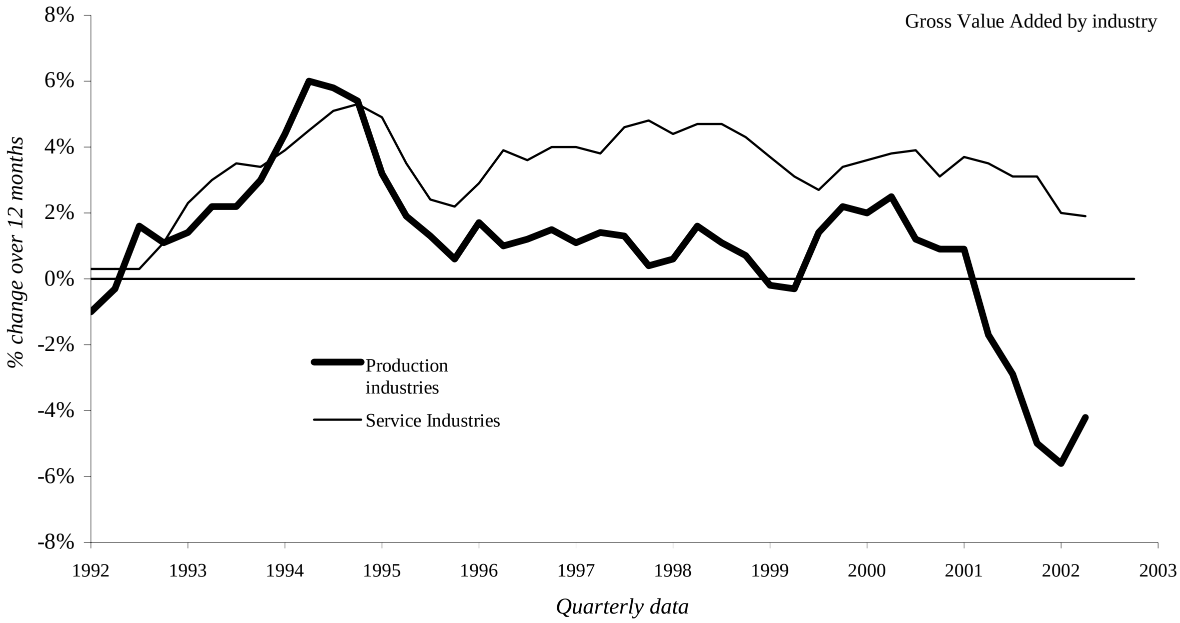
- The latest data gives graphic confirmation of the economic slowdown in the world economy. Growth in the G7 as a whole was negative in the middle of 2001. Over the last five quarters the US, Japan and Germany experienced technical recessions and Canada, France and Italy all suffered one quarter of negative growth. Only the UK maintained consistent positive rates.

- Forecasts for GDP growth in both Japan and Germany have been downgraded in recent weeks. The Bank of Japan sees no recovery until at least the middle of 2003 and the outlook remains very bleak. Growth in the US was negative in the third quarter of 2001 and the strengthening recovery in 2002 appears to have evapourated after the summer.

- In its latest forecast the OECD has downgraded its growth estimates for virtually all countries and regions for 2002 and 2003. They are currently predicting growth of 2.2% in the USA, -0.5% in Japan and 1.1% in the EU15. Its forecast for the UK was 1.7%.

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			Agriculture,	
	Total	Manufac-turing	Services	hunting & fishing	Construction
1998	1.0%	0.8%	4.5%	1.7%	1.2%
1999	0.8%	0.3%	3.2%	3.2%	0.8%
2000	1.7%	2.0%	3.6%	-3.2%	1.8%
2001	-2.2%	-2.4%	3.4%	-11.6%	3.6%
2001 Q2	-1.7%	-1.5%	3.5%	-12.2%	2.9%
Q3	-2.9%	-3.3%	3.1%	-13.3%	5.7%
Q4	-5.0%	-6.1%	3.1%	-10.0%	6.3%
2002 Q1	-5.6%	-6.6%	2.0%	-2.1%	7.1%
Q2	-4.2%	-5.2%	1.9%	-0.8%	7.0%

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

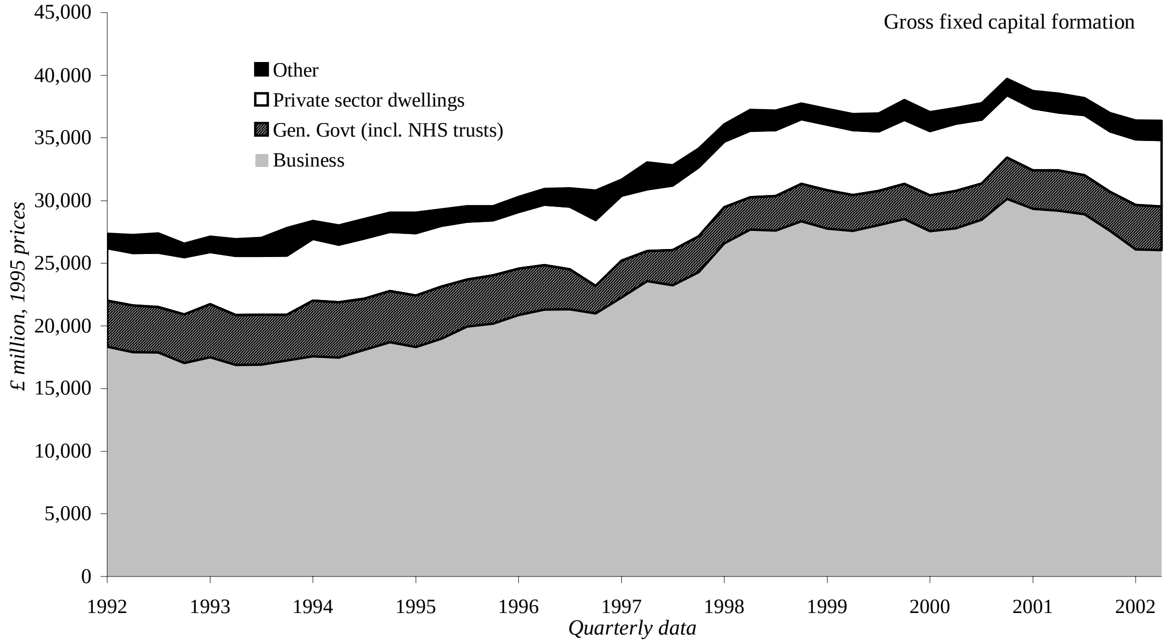
- Since 1998 output has grown faster in the service sector than in other parts of the economy and is currently growing at an annual rate of around 2%. Between the first and second quarters of 2002, output in the service sector rose by 0.6%.

- Manufacturing output fell by 0.7% between the first quarter and second quarters of 2002 and by 2.4% in 2001. Manufacturing output has fallen for six consecutive quarters.

- In 2001 services accounted for 71% of GVA, manufacturing for 18%, 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: 5 November*

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
1998		15,826	65,986	39,546	22,746	4,156	148,260
1999		14,154	68,367	40,699	21,826	4,097	149,143
2000		12,640	72,753	40,145	22,070	4,378	151,986
2001		14,573	71,929	40,357	21,058	4,522	152,439
2001	Q2	3,757	18,289	10,294	5,070	1,117	38,527
	Q3	3,701	18,167	9,905	5,285	1,125	38,183
	Q4	3,675	17,017	9,745	5,373	1,170	36,980
2002	Q1	3,779	16,135	9,689	5,663	1,135	36,401
	Q2	3,546	16,339	9,710	5,662	1,118	36,375

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.

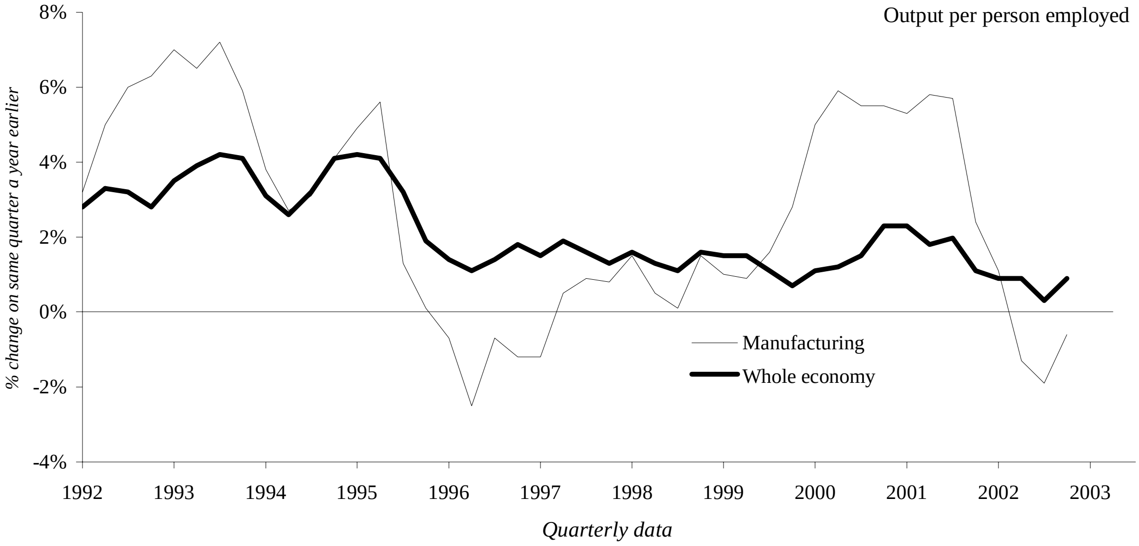
- Total business investment (seasonally adjusted) was broadly level in the second quarter of 2002 in real terms compared with the previous quarter and is now below its 1999 level.

- Manufacturing investment rose by 2.4% over the quarter and service sector investment fell by 0.6%.

- In the second quarter of 2002 total GFCF, in real terms, declined for the sixth consecutive quarter. Declines in real investment were recorded in most categories of investment except for construction.

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

A 5. Productivity



Productivity
% changes on year; seasonally adjusted

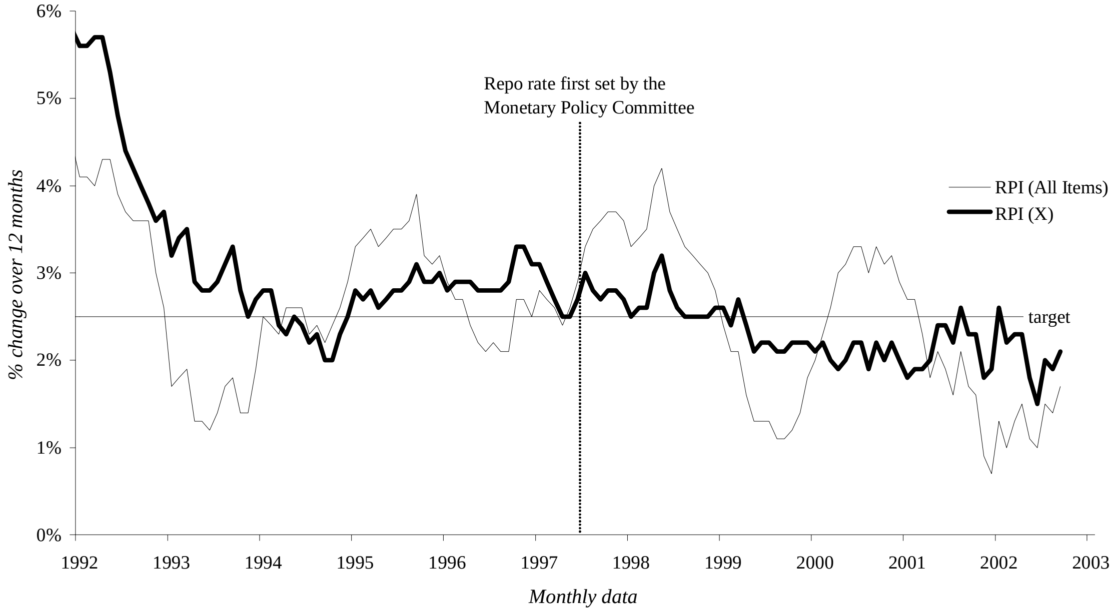
		Manufacturing			Whole Economy		
		Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1998		0.8	-0.2	0.8	3.3	1.8	1.6
1999		0.3	-3.3	3.9	2.2	1.1	1.1
2000		2.0	-3.4	5.5	3.1	1.2	1.9
2001		-2.4	-4.2	1.9	1.8	0.6	1.1
2001	Q1	1.5	-3.8	5.7	2.4	0.9	2.0
	Q2	-1.5	-3.9	2.4	2.0	0.8	1.1
	Q3	-3.3	-4.3	1.1	1.5	0.5	0.9
	Q4	-6.1	-4.8	-1.3	1.1	0.3	0.9
2002	Q1	-6.6	-4.7	-1.9	0.4	0.1	0.3
	Q2	-5.2	-4.7	-0.6	0.7	-0.1	0.9

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

- Productivity across the whole economy, measured by output per head, is estimated to have grown by 1.1% in 2001 compared to 1.9% in 2000 and 1.1% in 1999.
- Productivity growth in manufacturing fell from -1.3% per annum in 2001 Q4 to –2.0% in 2002 Q1. Manufacturing output is currently falling at a rate of about 6% a year while employment in manufacturing is falling at around 5% a year.
- For the economy as a whole, productivity growth has averaged 1.5% per annum over the last eight quarters.

CONTACT Grahame Allen, x4324 *Next update: 23December*

B 1. Retail Prices Index



Retail Prices Index
% change on previous year

		RPI All Items	RPI (X) Excluding mortgage interest
1998		3.4	2.6
1999		1.5	2.3
2000		3.0	2.1
2001		1.8	2.1
2001	September	1.7	2.3
	October	1.6	2.3
	November	0.9	1.8
	December	0.7	1.9
2002	January	1.3	2.6
	February	1.0	2.2
	March	1.3	2.3
	April	1.5	2.3
	May	1.1	1.8
	June	1.0	1.5
	July	1.5	2.0
	August	1.4	1.9
	September	1.7	2.1

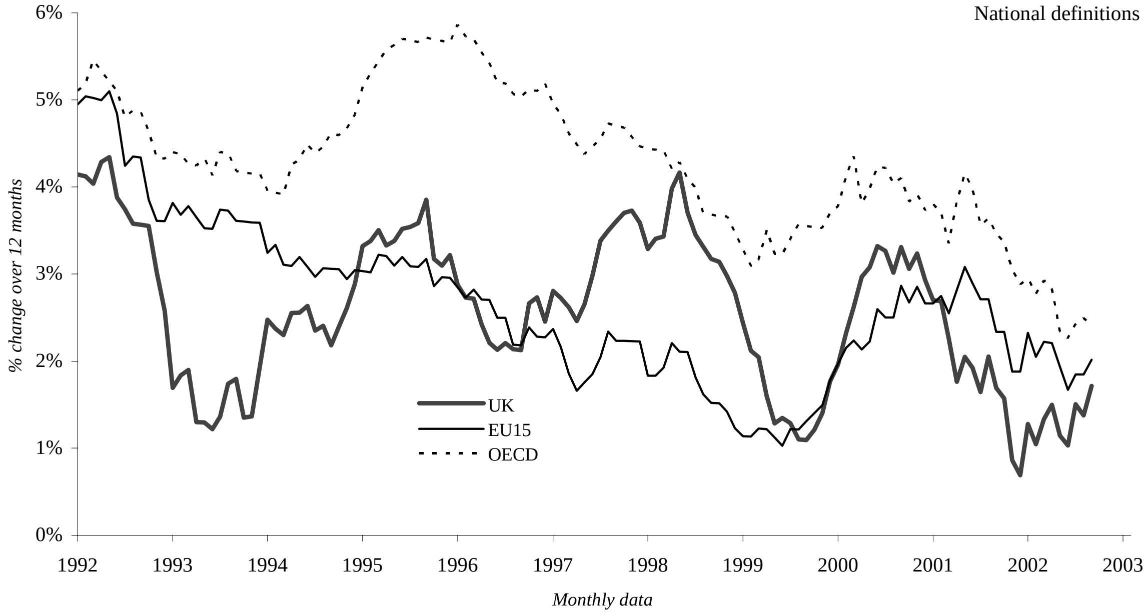
Source: NS database (series CZBH, CDKQ)

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 2001 was 1.8%, down from 3.0% in 2000. 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 2002 the headline rate of inflation was 1.7%, up from 1.4% in August. The underlying rate of inflation rose to 2.1%.
- The biggest upward effect on the headline rate in September came from changes in housing costs, largely due to rising house prices. The second greatest upward effect was from clothing and footwear, especially women's clothes, and a further upward effect came from motoring expenditure.
- There were small downward pressures in September from household goods and tobacco, for both of which prices rose by less than last year.

CONTACT Patsy Richards, x4904 *Next update: 12 November*

B 2. Prices - International Comparisons



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

		USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1998		1.6	0.7	1.0	3.4	1.0	0.8	2.0	4.1	1.8
1999		2.1	-0.3	1.7	1.6	0.6	0.5	1.7	3.4	1.2
2000		3.4	-0.7	2.7	2.9	1.9	1.7	2.5	4.1	2.5
2001		2.8	-0.7	2.5	1.8	2.5	1.6	2.8	3.6	2.5
2002	April	1.6	-1.1	1.7	1.5	1.6	2.0	2.3	2.8	2.2
	May	1.2	-0.9	1.0	1.1	1.1	1.4	2.3	2.3	1.9
	June	1.1	-0.7	1.3	1.0	0.8	1.4	2.2	2.3	1.7
	July	1.5	-0.8	2.1	1.5	1.0	1.6	2.2	2.4	1.8
	August	1.8	-0.9	2.6	1.4	1.1	1.8	2.4	2.5	1.8
	September	1.5	-	2.3	1.7	1.0	1.8	2.6	2.4	2.0

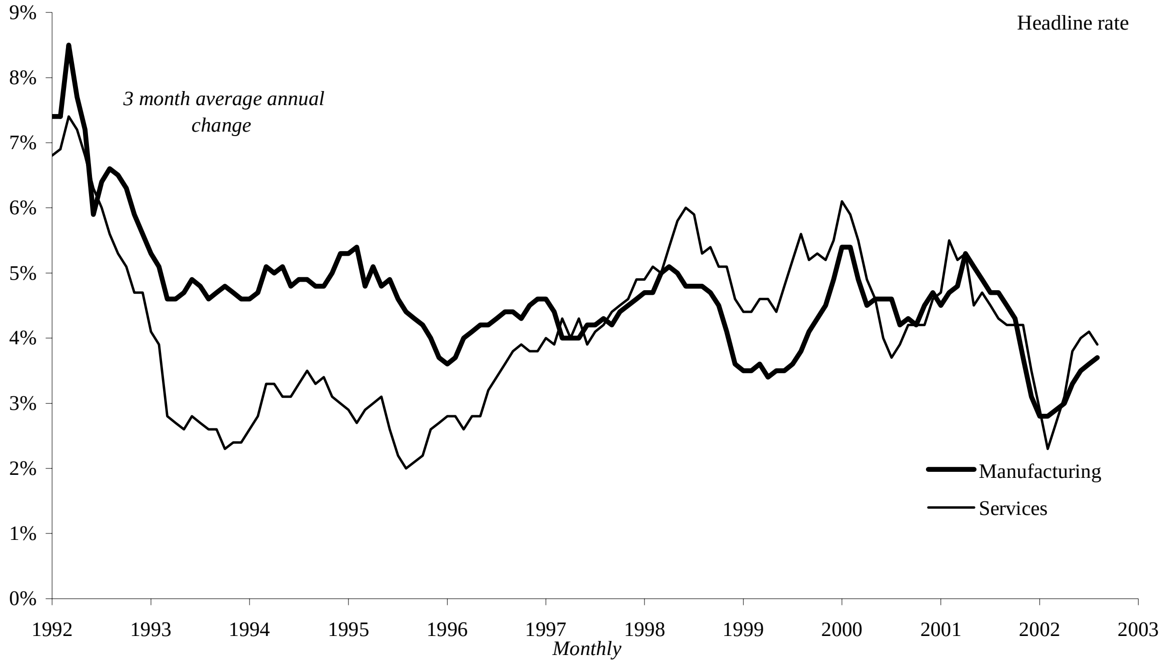
Source: OECD Hotfile

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 Member States.

- In August 2002 the provisional annual inflation rate (harmonised basis) for the twelve eurozone countries was 2.1%, compared to 1.9% in July and 2.4% a year earlier.
- The inflation rates for the Member States not in the eurozone were (on a harmonised basis) Denmark: 2.4%, Sweden: 1.7% and the UK 1.0%.
- In August 2002 the eurozone states with the highest annual inflation rates were (on a harmonised basis) Ireland (4.5%), Portugal (3.9%) and Greece and the Netherlands (3.8% each). The lowest rates were in Germany (1.0%) and Belgium (1.3%).

CONTACT Patsy Richards, x4904 *Next update: November*

B 3. Average Earnings Index



Average Earnings, Great Britain
seasonally adjusted

		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1998	Apr	5.3	6.0	2.6
1999	Apr	4.5	4.5	4.4
2000	Apr	4.8	5.0	4.1
2001	Aug	4.6	4.3	5.7
	Sep	4.4	4.1	5.7
	Oct	4.3	4.0	5.7
	Nov	4.2	3.9	5.4
	Dec	3.5	3.1	5.2
2002	Jan	3.0	2.6	4.9
	Feb	2.5	2.1	4.7
	Mar	2.9	2.6	4.5
	Apr	3.3	3.1	4.1
	May	3.8	3.8	3.8
	Jun	3.9	4.0	3.5
	Jul	3.9	4.0	3.6
	Aug	3.8	3.9	3.4

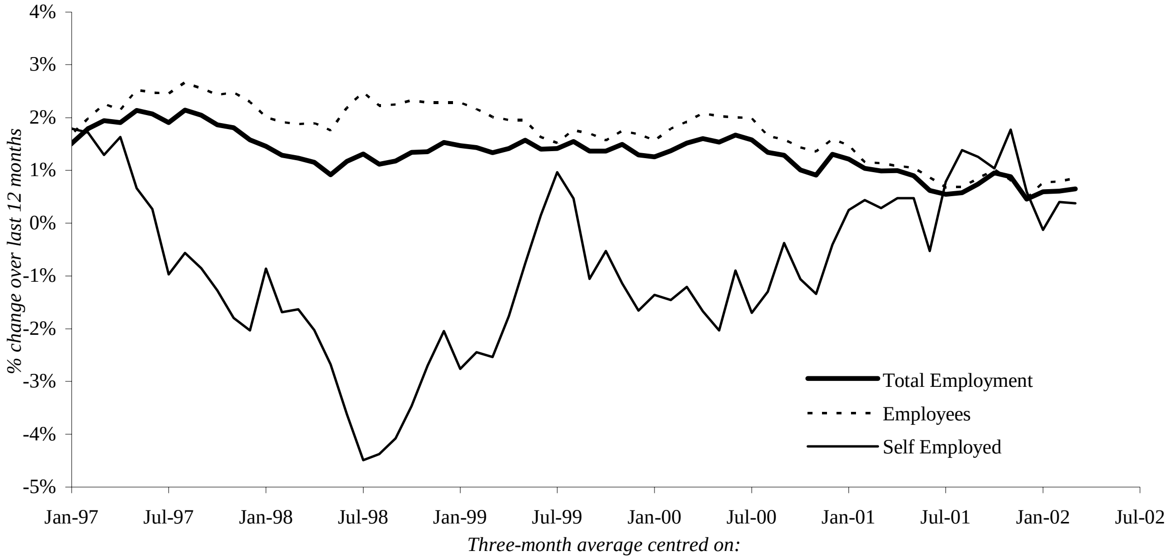
Source: NS database Series LNNC, LNND, LNNE

- Headline average earnings growth in the service sector fell to 3.9% in August compared with 4.1% in July while manufacturing earnings growth increased from 3.6% in July to 3.7% in August.
- August's headline rate of earnings growth for the whole economy, 3.8%, is below 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 3.8%, down from 3.9% in July.
- Headline earnings growth in the private sector was 3.9% in August compared to 3.4% in the public sector.
- Earnings are currently growing more slowly than a year ago (the headline rate in August 2001 was 4.6%).

CONTACT Dominic Webb, x2464

Next update: 13 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
1998	Mar	27,226	23,627	3,311	99	189
1999	Mar	27,591	24,102	3,227	103	159
2000	Mar	28,011	24,564	3,188	112	147
2001	Mar	28,288	24,844	3,197	97	150
2001	Jun	28,312	24,869	3,200	97	146
2001	Sep	28,349	24,923	3,214	95	116
2001	Dec	28,384	24,948	3,201	108	126
2002	Mar	28,472	25,054	3,209	97	112
Changes:						
Last three months		*0.3%*	*0.4%*	*0.3%*	*-10.9%*	*-11.2%*
Last year		*0.6%*	*0.8%*	*0.4%*	*-0.8%*	*-25.3%*

Source: National Statistics First Release Labour Market Statistics 14 June 2002

- **Data on this page have not been updated since the last edition of *Economic Indicators* (July 2002). This is because data from August 2001 are not currently available as National Statistics are revising them to bring them into line with the 2001 Census. This page will be updated in next month's *Economic Indicators.***

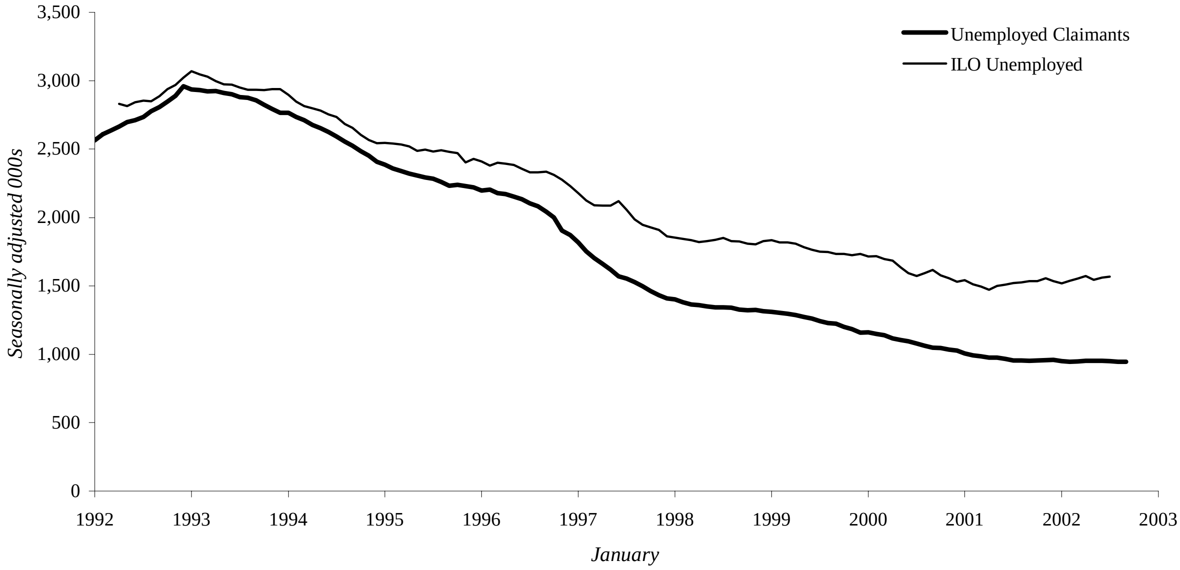
- Total employment was 28.5 million in the period February 2002 to April 2002, 0.6% higher than a year previously. The working age employment rate of 74.6% was little changed from the previous quarter and 0.2% lower than a year earlier.

- Workforce jobs rose by 32,000 over the quarter and were 67,000 higher than a year previously. Over the year to March production industry workforce jobs fell by 164,000. Service sector jobs rose by 164,000 and other industries by 67,000.

- 7.1 million people were in part time employment in January 2002-March 2002, of whom 5.6 million were women. Some 3.2 million people were self employed.

CONTACT Dominic Webb, x2464 *Next update: 13 November*

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

				000s	rate (%)
1997	Jun	-	Aug	2,058	7.1
	Sep	-	Nov	1,930	6.6
1998	Dec	-	Feb	1,853	6.4
	Mar	-	May	1,822	6.3
	Jun	-	Aug	1,851	6.3
	Sep	-	Nov	1,810	6.2
1999	Dec	-	Feb	1,833	6.2
	Mar	-	May	1,808	6.1
	Jun	-	Aug	1,752	5.9
	Sep	-	Nov	1,735	5.9
2000	Dec	-	Feb	1,716	5.8
	Mar	-	May	1,684	5.7
	Jun	-	Aug	1,574	5.3
	Sep	-	Nov	1,577	5.3
2001	Dec	-	Feb	1,543	5.2
	Mar	-	May	1,472	4.9
	Jun	-	Aug	1,522	5.1
	Sep	-	Nov	1,535	5.1
2002	Dec	-	Feb	1,520	5.1
	Mar	-	May	1,572	5.2
	Jun	-	Aug	1,568	5.2

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 2002, the level of ILO unemployment in the UK was 1,568,000. This was a decrease of 4,000 from the March to May 2002 period. Seasonally adjusted unemployment, as measured by the monthly claimant count, remained constant between August and September 2002 at around 946,000.

The New Deal for the Young Unemployed started in January 1998.

- 831,000 people had joined the scheme by the end of June 2002. Of those leaving the scheme 380,000 had moved into jobs up to the end of June, of which 299,000 (79%) were ‘sustained’, i.e. those who had not returned to claim Jobseekers’ Allowance (JSA) within three months of starting employment.

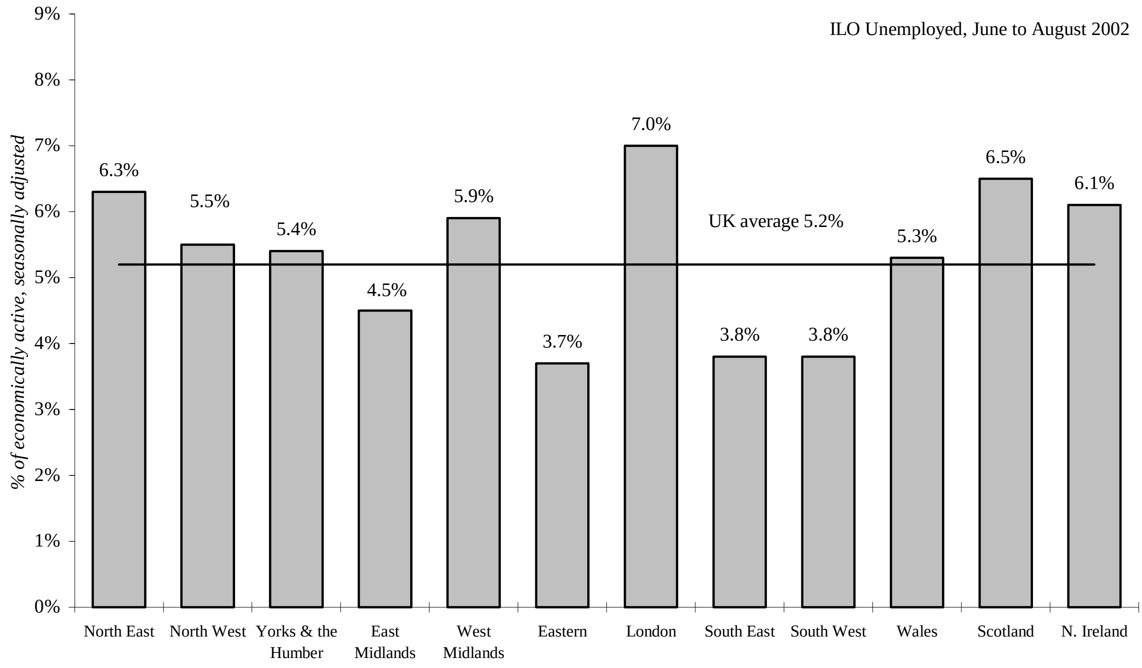
The enhanced New Deal for the Long-Term Unemployed started in April 2001.

- By the end of June 2002, 353,000 people had joined the pre-April 2001 scheme. Of these, 73,000 had entered jobs of which 61,000 (83%) were sustained. 144,000 people had started on the enhanced scheme. Of these, 39,000 people had entered jobs of which 31,000 (80%) were sustained.

CONTACT Alex Adcock, x3793

Next update: 12 November

C 3. Unemployment: Regional



ILO Unemployment, June to August 2002
change on same period in previous year
seasonally adjusted

	000s	%
North East	-11	-13%
North West & Merseyside	5	3%
Yorkshire & the Humber	1	1%
East Midlands	-3	-3%
West Midlands	16	11%
Eastern	-3	-3%
London	25	10%
South East	23	16%
South West	4	4%
Wales	-6	-8%
Scotland	-5	-3%
Northern Ireland	1	2%
UK	46	3%

Source: National Statistics, First Release 16 October 2002

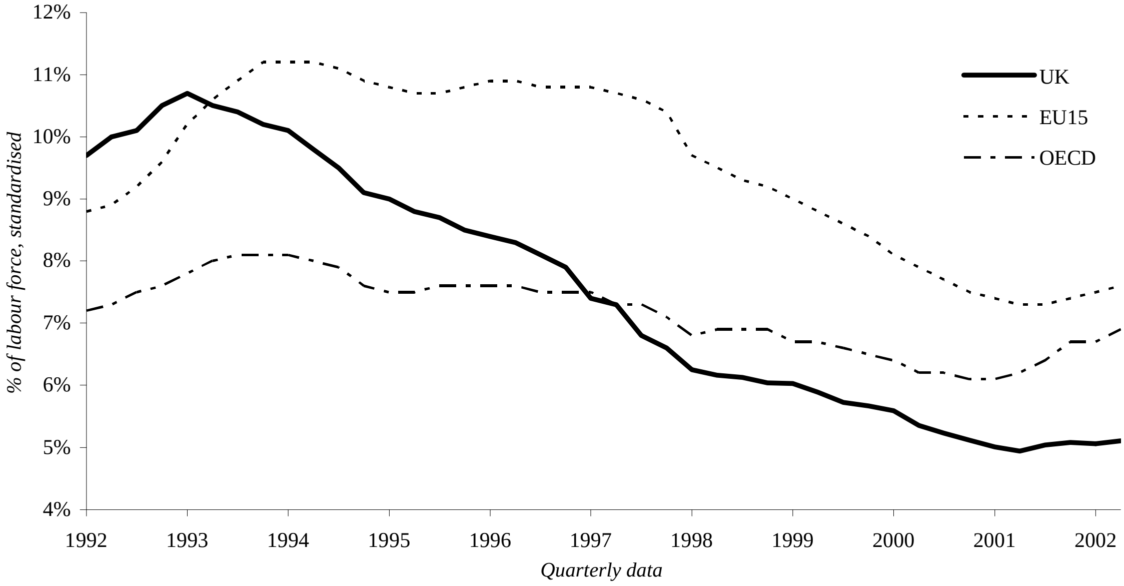
Since April 1998, National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- A comparison of the period June to August 2002 with the same period a year earlier shows that the largest fall in unemployment occurred in the North East region where it fell 13%. The South East experienced the largest rise (16%) in unemployment over the same period.

- Over this period London had the highest unemployment rate (7.0%) of the economically active population. The lowest rate over the same period was 3.7% in the Eastern region.

CONTACT Alex Adcock, x3793 *Next update: 13 November*

C 4. Unemployment - International Comparisons



Unemployed as % of labour force
standardised; seasonally adjusted

	1998	1999	2000	2001	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2
USA	4.5	4.2	4.0	4.8	4.5	4.8	5.6	5.6	5.9
Japan	4.1	4.7	4.7	5.0	4.9	5.1	5.4	5.3	5.3
Canada	8.3	7.6	6.8	7.2	7.0	7.2	7.7	7.8	7.6
UK	6.2	5.8	5.3	5.0	4.9	5.0	5.1	5.1	5.1
Germany	9.1	8.4	7.8	7.8	7.8	7.8	7.9	8.0	8.2
France	11.4	10.7	9.3	8.6	8.6	8.5	8.6	8.7	8.8
Italy	11.7	11.3	10.4	9.5	9.6	9.4	9.2	9.1	9.0
Euro zone	10.2	9.4	8.5	8.0	8.0	8.0	8.1	8.1	8.2
G7	6.3	6.1	5.7	5.9	5.8	6.0	6.4	6.4	6.5
OECD	6.9	6.6	6.2	6.4	6.3	6.4	6.7	6.7	6.9

Source: OECD Hotfile

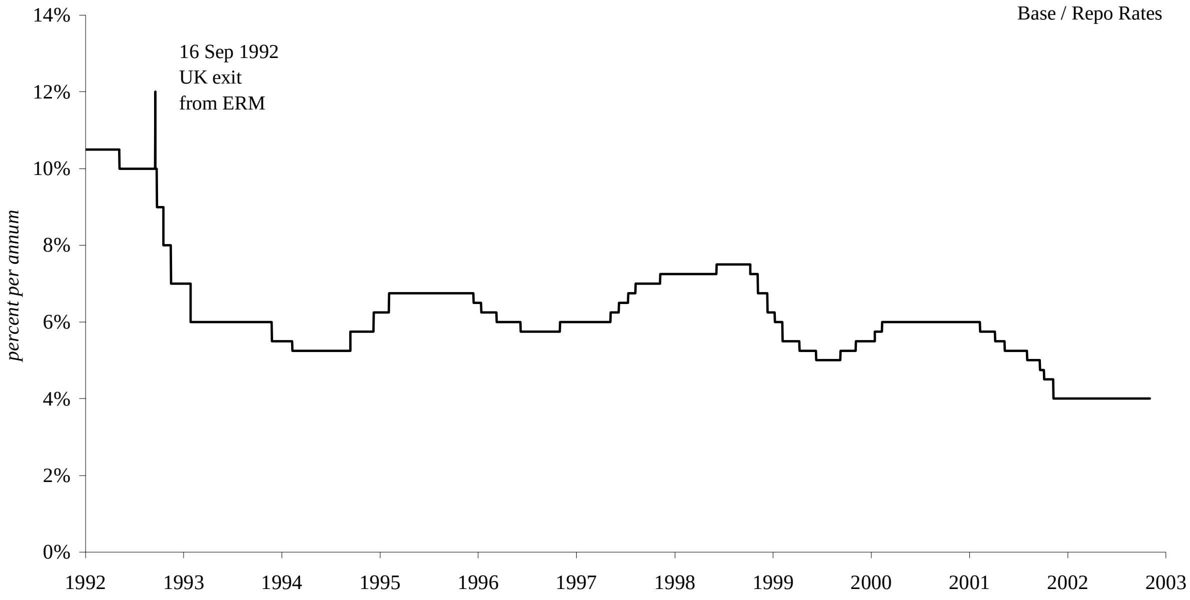
- Using standardised definitions, the UK unemployment rate for 2001 was 5.0%, significantly below the Euro-zone (8.0%) average and slightly below the G7 and OECD rates (5.9% and 6.4% respectively).

- Between Q1 2002 and Q2 2002 the unemployment rate rose in all G7 countries except Canada and Italy where small falls were recorded. The unemployment rate in all the G7 nations together rose by 0.1. The largest rises between the two quarters were seen in the US (0.3) and Germany (0.2).

- The most recent forecasts published by the OECD (June 2002 *Economic Outlook*) suggest the UK (non-standardised) unemployment rate will rise to 5.3% of the labour force in 2003. In 2003 the unemployment rate for the Euro zone is expected to be 8.1% and for the OECD as a whole 6.7%.

CONTACT Alex Adcock, x3973 *Next update: January 2003*

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
	Nov 8	4.00

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 ¼ percentage point cut announced in February 2001 was the first interest rate cut since February 2000. Since then, interest rates have fallen by a further 1.75% to 4.00% today.

- The ½ percentage point cuts in November and December 1998, February 1999 and the latest cut in November 2001, were the largest changes in rates yet made by the MPC.

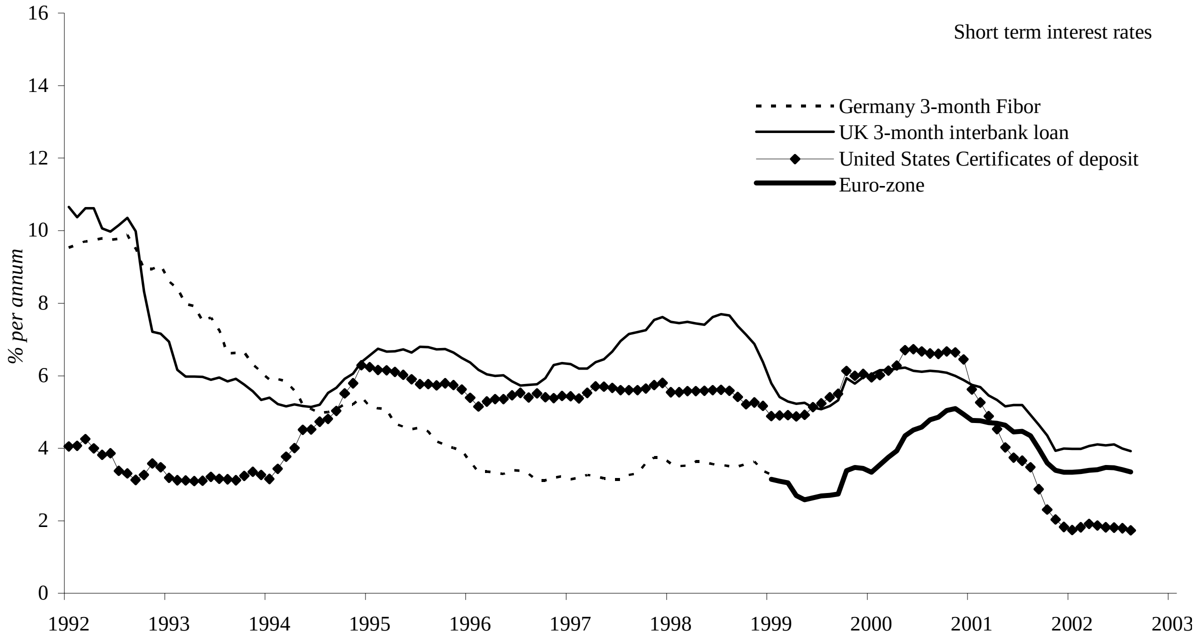
- The latest Bank Inflation Report forecasts that inflation will rise towards, but remain below, the target rate throughout 2002. In its October meeting, the MPC felt that prospects of a world recovery had diminished. With three of the nine members of the MPC preferring a reduction in the Repo rate, there were signals that interest rates would fall sooner rather than later.

- The MPC next meets on 6 November. It is expected that the minutes will be published on 20 November 2002.

CONTACT Grahame Allen, x4324

Next update 7 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.

International Interest Rates
As at 31 October 2002

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	4.57	3 29/32
United States	3.86	1 5/8
Switzerland	2.67	1 23/32
Japan	0.89	1/16
Euro-zone	..	3 1/4

Source: Financial Times, 1 November 2002

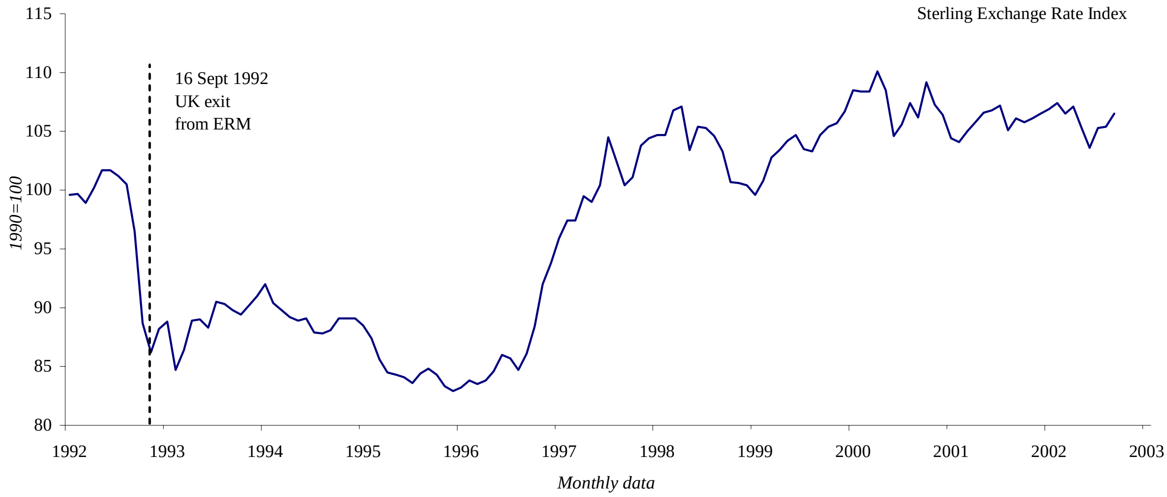
There is, as yet, no equivalent euro-zone government bond rate quoted. In future, a suitable comparator may be the rate on bonds issued by institutions like the European Investment Bank. Further details will be published on this page when they become available.

- The main development on the international stage has been the action of the main Central Banks in cutting their interest rates. The US Federal Reserve cut rates by ½% eight times during 2001, the last cut of ¼% was announced on 11 December. The MPC responded by reducing the UK Repo rate by ¼% six times and ½% once 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. They reduced interest rates twice during 2001, by ¼% in May and August and twice by ½% on 18 September and 9 November. Another cut by the ECB seams unlikely in the short-term due to demand and output growth in the euro-zone being weak.

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

D 3. Exchange Rates



Sterling Exchange Rates

		US$		Yen		ECU/Euro	
		Rate	% change on year	Rate	% change on year	Rate	% change on year
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		1.440	-5.0%	174.8	7.1%	1.609	-2.0%
2001	September	1.464	2.0%	173.5	13.2%	1.606	-2.5%
	October	1.452	0.0%	176.1	11.9%	1.602	-5.7%
	November	1.436	0.7%	175.7	13.1%	1.617	-3.0%
	December	1.441	-1.5%	183.6	12.0%	1.615	-0.9%
2002	January	1.423	-3.6%	190.0	10.2%	1.622	3.1%
	February	1.423	-2.1%	190.1	12.6%	1.635	3.6%
	March	1.423	-1.6%	186.3	6.2%	1.622	2.0%
	April	1.443	0.6%	188.5	6.2%	1.628	1.2%
	May	1.459	2.3%	184.3	6.1%	1.591	-2.4%
	June	1.486	6.1%	183.1	6.8%	1.552	-5.6%
	July	1.555	10.0%	183.5	4.2%	1.567	-4.7%
	August	1.538	7.0%	183.0	4.9%	1.572	-1.5%
	September	1.556	6.3%	188.1	8.4%	1.586	-1.2%

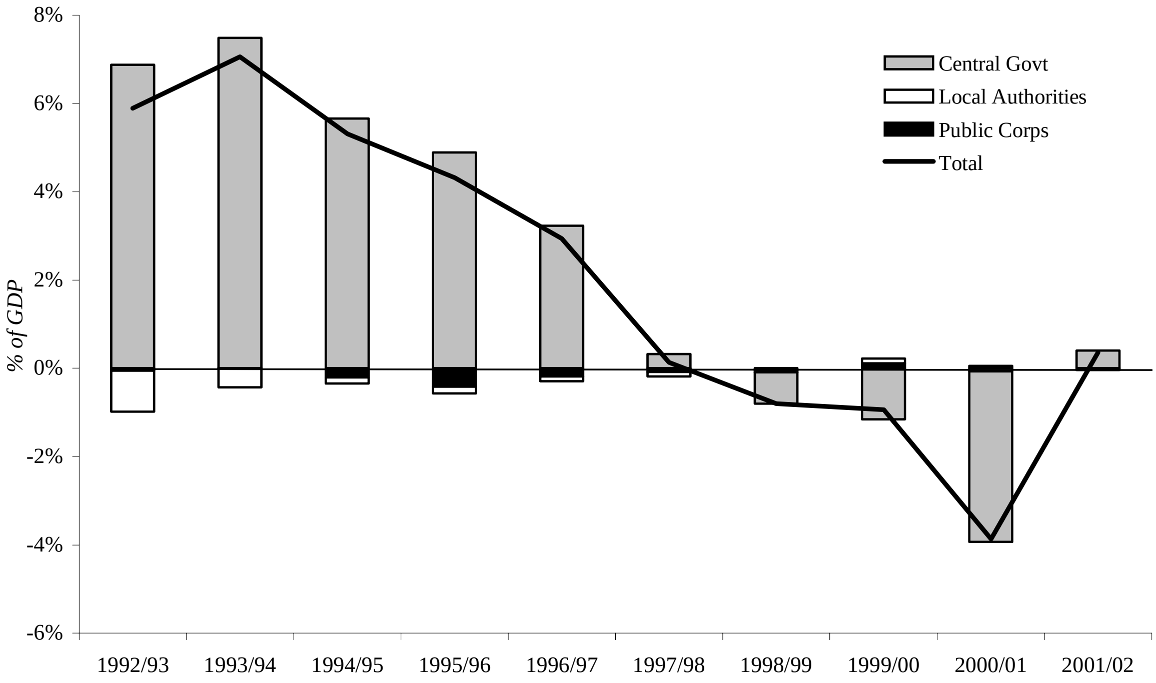
Source: ONS database series AJFA, AJFO, AJHX, THAP

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 indicated a relative improvement in UK competitiveness. The SERI increased by just over 2 points in 2001 suggesting that the UK was relatively less competitive at the end of 2001 than at the beginning of the year.
- The SERI has fallen by 0.4 points since the beginning of 2002 suggesting that the UK was relatively more competitive at the end of September 2002 than at the beginning of the year.
- The pound was worth euro 1.5798 at the London market close on 31 October 2002, compared to a launch rate of euro 1.4168 on 31 December 1998.
- Series for the ECU and the participating currencies of the euro zone are no longer officially published.

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

D 4. Public Sector Net Cash Requirement



Public Sector Net Cash Requirement

	PSNCR		PSNCR exc privatisation receipts	
	£ billion	as a % of GDP	£ billion	as a % of GDP
1998/99	-7.0	-0.8%	-6.9	-0.8%
1999/00	-8.6	-0.9%	-8.1	-0.9%
2000/01	-37.2	-3.9%	-37.1	-3.9%
2001/02	3.6	0.4%	4.3	0.4%
2001 Q2	6.3	2.6%	6.3	2.6%
2001 Q3	-6.1	-2.5%	-5.4	-2.2%
2001 Q4	9.5	3.7%	9.5	3.7%
2002 Q1	-6.1	-2.4%	-6.1	-2.4%
2002 Q2	6.9	2.7%	6.9	2.7%

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

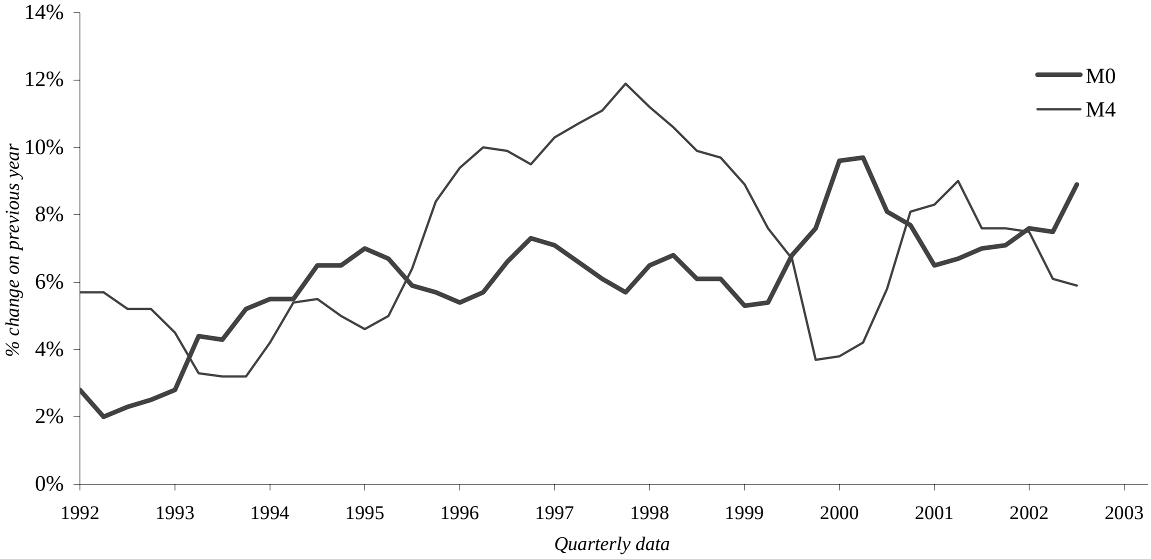
The public sector net cash requirement was previously known as the public sector borrowing requirement (PSBR).

- The PSNCR (including privatisation receipts) for the 2001/02 financial year was £3.6 billion compared with -£37.2 billion surplus in the 2000/01 financial year. Excluding privatisation receipts, the PSNCR for 2001/02 was £4.3 billion compared with -£37.1 billion in 2000/01.

- The PSNCR for the 2002/03 financial year is officially forecast at £13.8 billion (1.3% of GDP) excluding windfall tax receipts and associated spending. The PSNCR was £5.4billion in September compared to £3.6 billion a year earlier

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

D 5. Money Supply



Money stock
seasonally adjusted

		M0		M4	
		3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
2001	September	9.1	6.4	9.5	7.9
	October	8.3	7.0	9.4	8.0
	November	8.6	7.9	7.0	7.9
	December	10.0	8.1	2.4	6.5
2002	January	11.2	8.1	2.7	6.0
	February	7.8	7.1	4.3	6.5
	March	5.9	7.2	4.9	5.7
	April	5.7	8.0	4.9	5.9
	May	10.6	9.2	3.9	6.0
	June	13.3	9.5	7.5	6.1
	July	9.2	8.6	6.5	5.8
	August	7.2	8.5	7.5	5.7
	September	3.9	8.2	6.9	5.4

Source: Bank of England

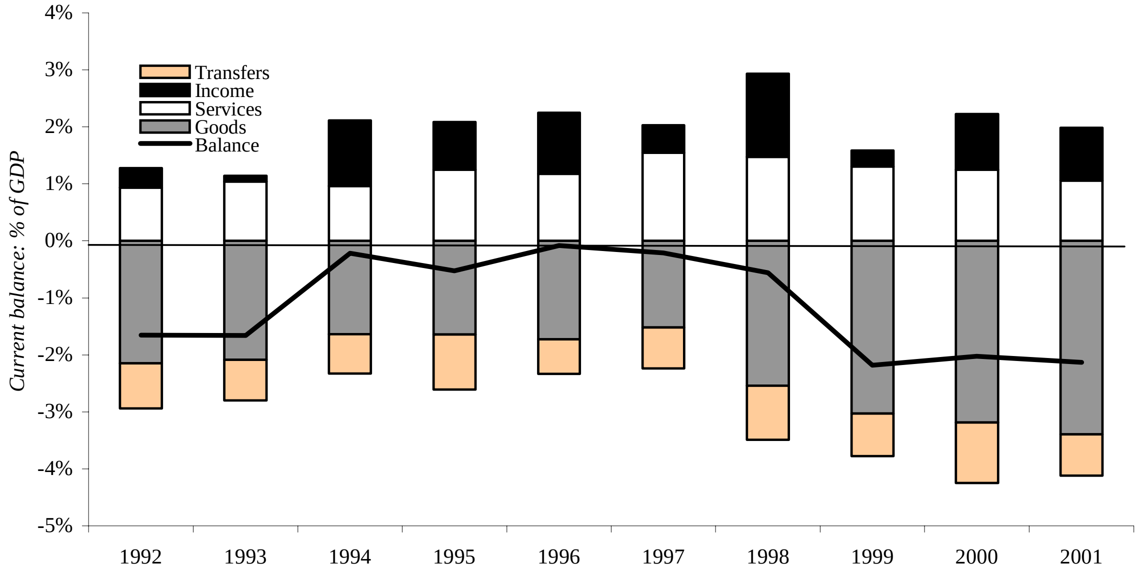
M0 comprises notes and coins in circulation outside the Bank of England *plus* bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 5.4% in the 12 months to September 2002. The twelve-month growth rate of seasonally adjusted M0 rose by 8.2% in September 2002, compared to 8.5% in August 2002.

- There are now no formal targets for money supply growth.

CONTACT Ian Townsend, x3977 *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
1998		-21,813	12,666	-9,147	12,558	-4,844	-3,381	-8,225	-4,814
1999		-27,372	11,794	-15,578	2,536	-3,940	-2,747	-6,687	-19,729
2000		-30,326	11,838	-18,488	9,312	-5,552	-4,480	-10,032	-19,208
2001		-33,541	10,472	-23,069	9,126	-2,631	-4,513	-7,144	-21,087
2001	Q2	-8,854	3,348	-5,506	1,848	-1,284	-1,314	-2,598	-6,256
	Q3	-8,419	922	-7,497	3,386	642	-901	-259	-4,370
	Q4	-8,401	2,968	-5,433	872	-1,137	-1,140	-2,277	-6,838
2002	Q1	-7,897	3,010	-4,887	3,787	-1,072	-1,641	-2,713	-3,813
	Q2	-6,525	2,418	-4,107	2,811	-1,299	-1,401	-2,700	-3,996

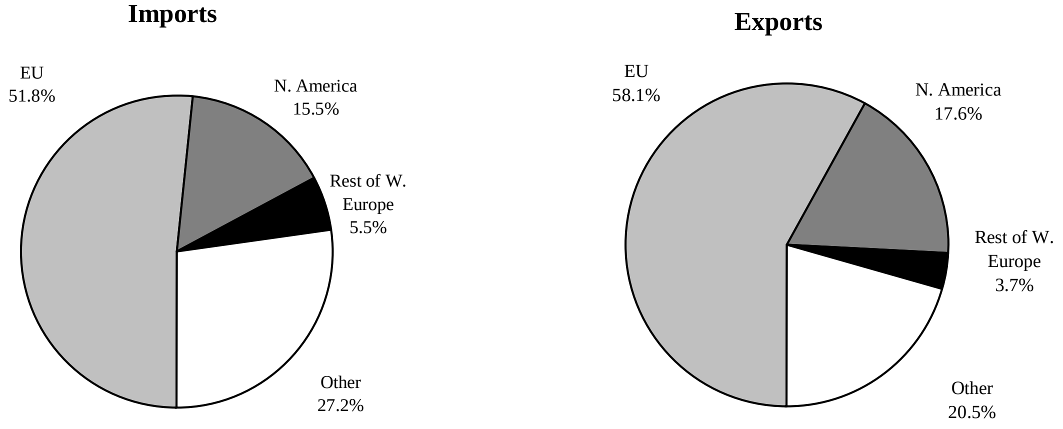
Source: National Statistics database

- The revised annual current account deficit for 2001 is £21.1 billion, compared to a £19.2 billion deficit the year before.
- A deficit of £4.0 billion was recorded in Q2 2002, compared to £3.8 billion in Q1. The slight increase was due to lower trade in services and investment income surpluses, although a lower deficit on trade in goods partly offset this.
- The surplus on trade in services was £2.4 billion in Q2 2002, down from £3.0 billion in the previous quarter; the deficit on travel services continued to grow and exports of insurance services fell from a high level in Q1.

CONTACT Patsy Richards x4904 *Next update: 23 December*

E 2. Trade in Goods

Shares of trade in goods by area: 2001
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	118.2	131.1	164,056	185,869	-21,813
1999	123.3	141.2	166,166	193,538	-27,372
2000	137.5	158.3	187,936	218,262	-30,326
2001	140.7	164.4	191,754	225,295	-33,541
2001 Q2	142.5	165.8	48,999	57,853	-8,854
Q3	138.0	161.1	46,859	55,278	-8,419
Q4	135.8	162.1	45,712	54,113	-8,401
2002 Q1	135.0	163.4	46,003	53,900	-7,897
Q2	141.9	164.9	48,871	55,396	-6,525

Source: National Statistics Database

- In August 2002 the deficit on trade in goods was provisionally estimated at £2.8 billion compared with a deficit of £2.4 billion in July. The goods trade deficit for the year 2001 was £33.5 billion, compared to a £30.3 billion deficit in 2000.

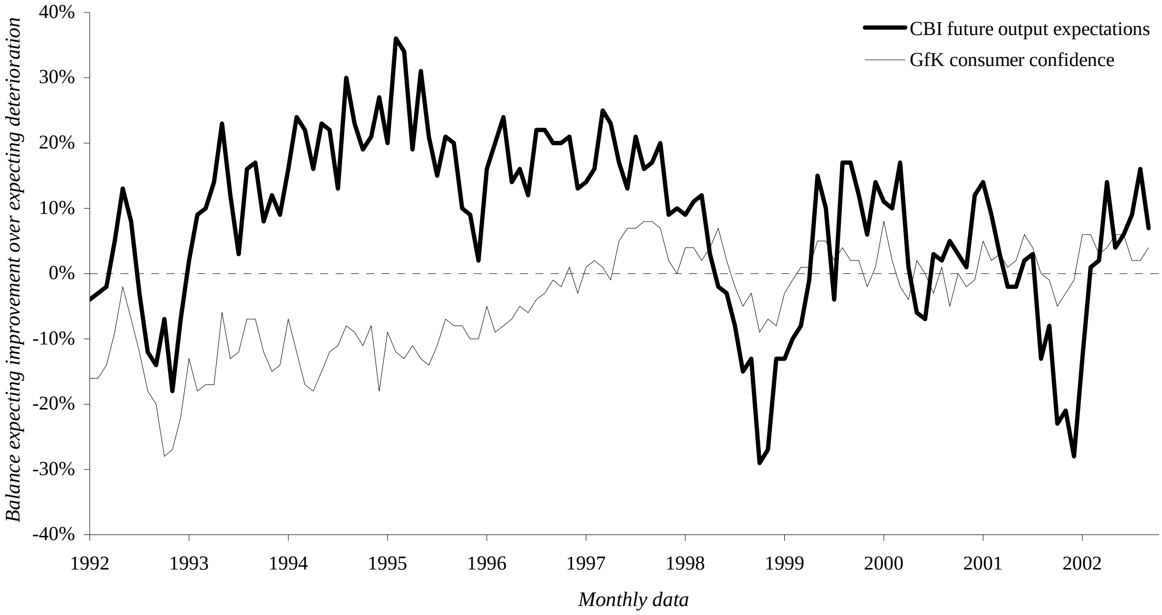
- In August total exports of goods fell 9% compared to the previous month to £15.0 billion, while imports fell by 5.5% to £17.8 billion.

- The deficit on trade in goods with EU countries for August was an estimated £1.9 billion compared to £0.5 billion in the previous three months, and the deficit with non-EU countries was £6.1 billion.

- The latest estimate of trends suggests that the whole world goods deficit is broadly flat, with the trends in the value of trade showing both imports and exports rising in recent months.

CONTACT Patsy Richards, x4904 *Next update: 8 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
2001	Oct	-23	-5
	Nov	-21	-3
	Dec	-28	-1
2002	Jan	-13	6
	Feb	1	6
	Mar	2	3
	Apr	14	4
	May	4	6
	Jun	6	6
	Jul	9	2
	Aug	16	2
	Sep	7	4
	Oct	8	1

Source: NS database Series ETCU & ETBA

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's monthly Industrial Trends Survey for future output has recovered from lows in the latter half of 2001, with a recent peak in August 2002.

- The CBI's indicator of overall business confidence in manufacturing (for which only quarterly figures are available) fell from 4 in July 2002 to -19 in October 2002.

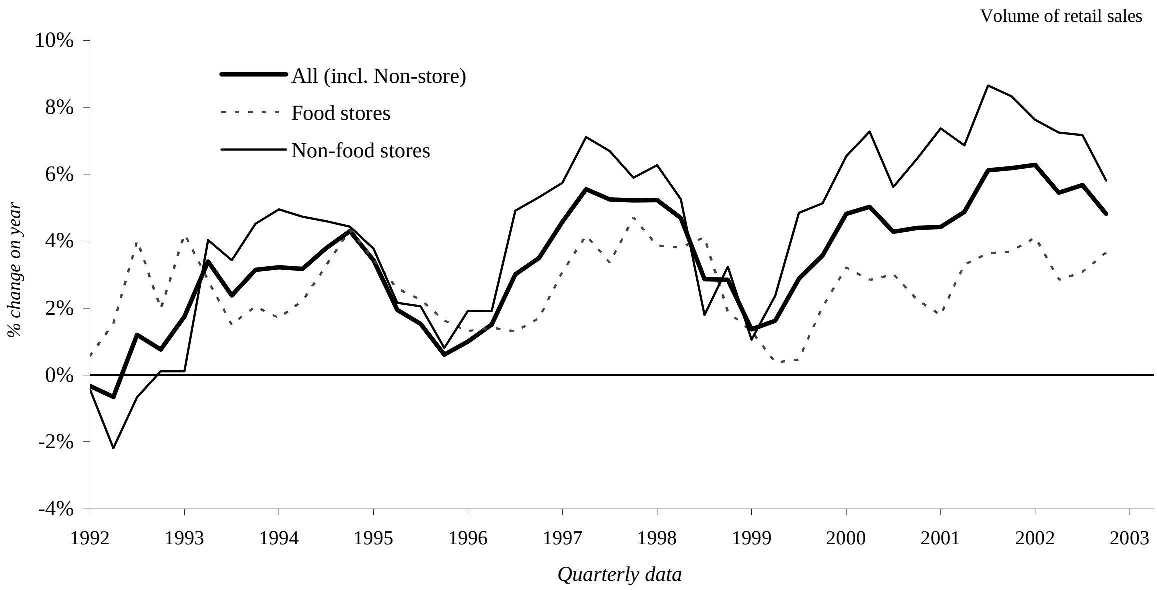
The GfK consumer confidence index is a composite measure of forward expectations of the general economic situation and households' financial positions; perceptions of how these have changed over the last 12 months, and also views on major household purchases.

- For October, expectations for the general economic situation fell compared with last month, along with expectations for the future of personal finances. Consumer perceptions regarding savings stayed the same in October, following four consecutive falls to September.

CONTACT Ian Townsend, x3977

Next update: 21 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
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%
2001	5.9%	5.7%	4.9%	8.2%	6.4%
2001 Q3	7.0%	7.6%	6.7%	8.5%	6.7%
Q4	6.9%	4.5%	5.9%	8.1%	6.9%
2002 Q1	5.1%	6.5%	8.5%	4.3%	5.8%
Q2	2.4%	5.7%	6.6%	4.8%	3.9%
Q3	3.3%	3.1%	4.9%	4.7%	3.9%

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

- In Quarter 3 2002 the *volume* of retail sales grew by 0.7% compared with Q2 2002, reaching a level 4.8% higher than Q3 2001.

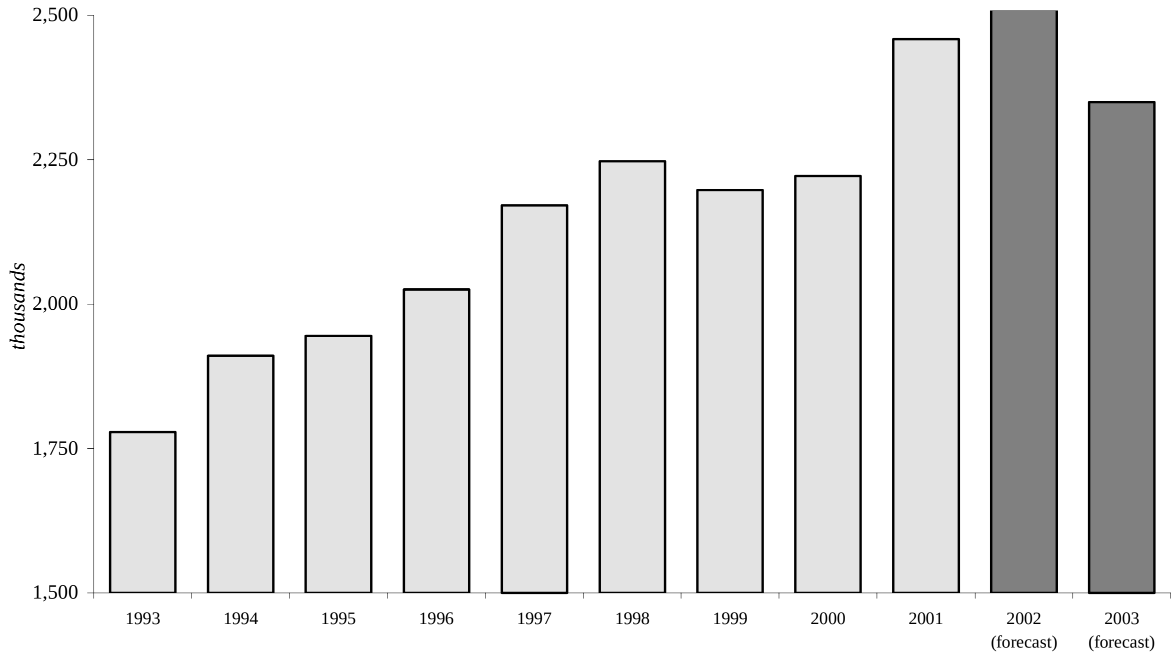
- Seasonally adjusted retail sales volume in September 2002 was 4.6% higher than in September 2001.

- Retail sales volumes in predominantly non-food stores increased by 5.8% in Q3 2002 compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 3.7% over the same period. Sales growth was particularly strong in textile, clothing and footwear stores, at 10% (all seasonally-adjusted data).

- The average weekly *value* of retail sales in September 2002 was £4,250 million, 4.5% higher than in September 2001 (all based on non-seasonally adjusted data).

CONTACT Ian Townsend, x3977 *Next update: 21 November*

F 3. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

		Number (000s)	Change over 12 months
1998		2,247	3.5%
1999		2,198	-2.2%
2000		2,222	1.1%
2001		2,459	10.7%
2002	(forecast)	2,510	2.1%
2003	(forecast)	2,350	-6.4%
2001	August	77	6.4%
	September	443	25.4%
	October	185	20.7%
	November	184	13.4%
2002	December	126	17.3%
	January	205	9.3%
	February	94	18.1%
	March	424	3.8%
	April	209	16.1%
	May	209	5.1%
	June	207	-3.7%
	July	196	13.1%
	August	87	12.8%

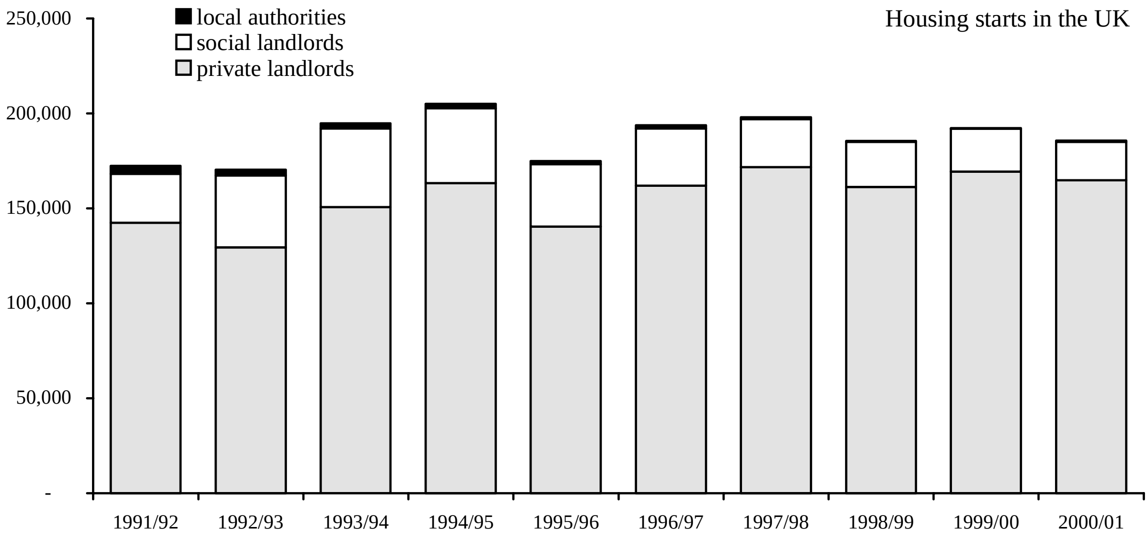
Source: SMMT "Monthly Statistical Review", August 2002

- Figures from the Society of Motor Manufacturers and Traders show that new car registrations in August 2002 rose 12.8% over the previous year's figure to 87,000 units.
- The number of new registrations of cars was 2.5 million units in 2001, a rise of 10.7% on the previous year and the highest total ever.
- Registrations of British-built cars increased by 9.3% in August from the previous August's figure to 17,000 units, or 19.0% of the market. In the year to date, there have been 382,000 registrations of British-built cars, an increase of 3.6% from the previous year's figure and equivalent to 23.5% of the market.
- New registrations of cars are forecast to increase by 2% in 2002 and fall by 6% in 2003.

CONTACT Dominic Webb, x2464

Next update: November

F 4. Housing



House prices

Standardised average price (£), non-seasonally adjusted

	All Houses	New Houses	Existing Houses	First time buyers
2001 Q3	94,200	99,200	94,900	66,900
Q4	96,100	100,100	96,700	68,600
2002 Q1	100,200	103,800	100,900	71,900
Q2	107,100	110,200	107,900	76,900
Q3	114,000	115,200	115,400	80,300
% change over same period in previous year				
2001 Q3	9.9%	4.7%	10.7%	9.3%
Q4	11.7%	9.3%	12.4%	12.2%
2002 Q1	16.2%	17.2%	16.4%	16.4%
Q2	16.7%	16.1%	16.8%	17.4%
Q3	21.0%	16.1%	21.6%	20.0%

Sources: ODPM & Halifax House Price Index

- According to the latest ODPM press release it is provisionally estimated that just over 15,000 dwellings were started in Great Britain in August 2002, compared with just under 15,000 in August 2001. August 2002 saw just under 13,000 completions, unchanged compared with the same month in the previous year. In the latest three months just under 46,000 dwellings were started, a 5% decrease on the same three-month period a year ago. There were just under 42,000 completions, up 1% on the same three months in the previous year.
- According to the Halifax Monthly Index, house prices in the United Kingdom rose by 4.3% in September. On an annual basis, house price inflation rose to 24.2%.
- The Halifax Quarterly Index shows that UK house prices rose by 6.4% in the third quarter of 2002 following a 4.5% rise in the second quarter of 2002 (all seasonally adjusted figures). Regionally in this quarter, annual house price inflation was highest in the East Midlands (37.6%) and lowest in Northern Ireland, rising by 4.6% (non-seasonally adjusted figures).

CONTACT Ian Townsend, x3977 *Next update: 7 November*