



RESEARCH PAPER 02/70  
1 DECEMBER 2002

# 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: Public Expenditure**

Grahame Allen

ECONOMIC POLICY AND STATISTICS SECTION

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## I      **Contacts for further information**

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

| Subject                   | Statistician   | Extn |
|---------------------------|----------------|------|
| Balance of payments       | Patsy Richards | 4904 |
| Construction              | Dominic Webb   | 2464 |
| EC finance                | Tim Edmonds    | 2883 |
| Employment                | Dominic Webb   | 2464 |
| Financial services        | Grahame Allen  | 4324 |
| Housing                   | Gavin Berman   | 3851 |
| Incomes                   | Ian Townsend   | 3977 |
| Industries                | Grahame Allen  | 4324 |
| National accounts–GDP etc | Tim Edmonds    | 2883 |
| Overseas aid              | Patsy Richards | 4904 |
| Prices & interest rates   | Grahame Allen  | 4324 |
| Production                | Grahame Allen  | 4324 |
| Public expenditure        | Tim Edmonds    | 2883 |
| Taxation                  | Ian Townsend   | 3977 |
| Trade                     | Patsy Richards | 4904 |
| Transport                 | Ross Young     | 4313 |
| Unemployment              | Dominic Webb   | 2464 |
| Wages & earnings          | Dominic Webb   | 2464 |

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

## II Public Expenditure

This short article coincides with the publication of the *Pre-Budget Report* (PBR) on 27 November 2002.<sup>1</sup> It explains the main public finance aggregates and the Government's attempts to control them. The main features of the Government's fiscal rules are set out and performance against them assessed in the light of the latest data.

### Public finance aggregates

In June 1998, the *Economic & Financial Strategy Report* set out a new system of public expenditure control.<sup>2</sup> A feature of the new system was that it focused attention on expenditure aggregates rather than on the financing of public expenditure which had previously been more important. Under the old system the key measure of fiscal stance was the public sector borrowing requirement (PSBR). PSBR was the difference between general government expenditure (GGE) and general government receipts (GGR) plus public corporations' market and overseas borrowing.

A new public expenditure aggregate – Total Managed Expenditure (TME) - was introduced to replace GGE. TME represents the sum of public sector current expenditure, depreciation of fixed assets and public sector net investment. TME is also the sum of two other new measures replacing the control total:

- **Annually Managed Expenditure (AME):** includes items of public expenditure that cannot be managed on a multi-year basis. These include social security benefits, net contributions to the EC budget and expenditure under the CAP. Self-financed local authority expenditure and debt interest are also in this category.
- **Departmental Expenditure Limits (DELs):** include other expenditure that is determined on the basis of multi-year spending reviews.

Control aggregates are a way of monitoring and hence controlling public expenditure. Some types of public expenditure are less conducive to direct planning and control than others. For example, public sector debt interest will depend, *inter alia*, on market interest rates. Also, the level of social security expenditure will vary with the economic cycle, whose future course cannot be closely predicted. Accordingly, there are attractions for the Treasury in defining a control aggregate that excludes these unpredictable elements. Such an approach means that it is easier, at least in principle, to prevent any under-spending on the less predictable elements leaking into higher expenditure on the controllable elements. Furthermore, it becomes clearer whether any overspending should be attributed to failures in the control system or the product of external factors. This kind of distinction between unpredictable and controllable is far from being clear-cut at the margin, though there is substance in it. The present system, that focuses on TME, which is numerically not very different from GGE (though there are a

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<sup>1</sup> Cm 5664

<sup>2</sup> Cm 3978

considerable number of offsetting items in the reconciliation), allows for the distinction between the discretionary and the demand-led elements of spending to be analysed more clearly through the DEL and AME divide.

The 1998 changes saw a number of existing concepts renamed. For example, the public sector borrowing requirement (PSBR) became the **public sector net cash requirement** (PSNCR) and the general government financial deficit (GGFD) became **general government net borrowing** (GGNB). Partly through choice and partly due to a diminution in its size the PSBR/ PSNCR has become less important in the assessment of fiscal policy. For targeting purposes, the PSNCR has been replaced by **public sector net borrowing** (PSNB) as a key fiscal measures. Future public sector finance pages in *Economic Indicators* will reflect these changes more fully.

## Financial Controls

Fiscal policy is conducted within a Code for Fiscal Stability. This is a statutory code which is part of the *Finance Act 1998*. The Code covers a wide range of issues, transparency, stability, fairness etc, but at its heart are two main rules:

- Over the economic cycle the government will only borrow to invest and not to fund current expenditure: (the ‘Golden’ rule)

And

- Public debt as a proportion of national income will be held over the cycle at a stable and prudent level (40% of GDP): (the ‘Sustainable investment’ rule).

Thus, two other public finance aggregates are important because they act as the Government’s target figures. These are the **surplus on the current budget** and **public sector net debt** as a proportion of GDP.

The surplus on the current budget is the difference between current receipts and current expenditure. This differs from the usual national accounts concept of current account gross saving due to the different treatment of depreciation (deducted from the surplus) and capital taxes (included in receipts). Public sector net debt is the sum of the public sector’s financial liabilities at nominal value, less its liquid financial assets. (Financial assets represent cash balances and the foreign exchange reserves rather than fixed assets such as land and buildings.)

Figures produced in the Pre-Budget Report 2002 on both of these measures are summarised below:

| Fiscal balances as per Pre Budget 2002 Report | Outturn |         |         | Projections |         |         |         |         |
|---|---------|---------|---------|-------------|---------|---------|---------|---------|
|   | 1999-00 | 2000-01 | 2001-02 | 2002-03     | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| Surplus on current budget, £ billions         | 20.0    | 21.6    | 7.7     | -5.7        | -5.0    | 3.0     | 5.0     | 8.0     |
| Public sector net debt, % GDP                 | 36.8    | 31.2    | 30.4    | 31.0        | 32.1    | 32.4    | 32.6    | 32.7    |

Source: *Pre-Budget Report 2002, Cm5664*

There is always a degree of uncertainty surrounding the meeting of a target like the Golden Rule that depends upon the completion of a full economic cycle. Only with hindsight can it be truly said that a cycle has been completed.

The Treasury's most substantial recent statement on the timing of the cycles was published in April.<sup>3</sup> According to the Treasury, there had been a cycle from 1986Q2 (when the economy was at its long-term trend) up to the first half of 1997. They then state that "the economy was judged to be on trend, in the first half of 1997 and in mid 1999".<sup>4</sup> The Treasury has identified 1997 to 1999 as a very short (only nine quarters) cycle of its own, rather than as part of a longer cycle, now estimated to continue until 2004. Hence, it is clear that, on the basis of planned levels of expenditure and projected revenues, the Golden rule will be met fairly comfortably over the period 1999 to 2004; almost totally due to the substantial surpluses enjoyed between 1999 and 2001.

The other test that the UK may notionally have to meet is that imposed by the conditions of the Stability and Growth Pact. This was discussed in more detail in the equivalent article in last month's *Economic Indicators*. Put simply, the pact requires member states to aim for a medium term budgetary position of close to balance or in surplus and, if the actual or planned government deficit exceeds 3% of GDP, sanctions might be applied at the discretion of the European Council. Secondly, debt must remain below the 60% of GDP threshold set out in the original Maastricht convergence procedure. (Debt here is on a slightly different basis: gross general government debt)

The UK fiscal position with respect to the pact is slightly mixed. Debt levels are substantially below the required threshold. Furthermore, the government deficit (here defined as the general government net borrowing) is well below the 3% of GDP requirement. However, it might be remembered that the UK received some attention from the European Commission earlier this year because its plans were not in accordance with the requirement of a planned balanced budget over the medium term. The relevant data from the Pre-Budget Report are set out below. As will be seen, the latest projections suggest that it will be 2007/08 or later before the deficit is eliminated:

|                                  | Outturn |         |         | Projections |         |         |         |         |
|----------------------------------|---------|---------|---------|-------------|---------|---------|---------|---------|
|                                  | 1999-00 | 2000-01 | 2001-02 | 2002-03     | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| General government net borrowing | -1.7%   | -1.7%   | 0.2%    | 1.8%        | 2.2%    | 1.7%    | 1.6%    | 1.6%    |
| General government gross debt    | 43.7%   | 40.6%   | 38.2%   | 37.9%       | 38.8%   | 38.9%   | 38.9%   | 39.1%   |

Source: *Pre-Budget Report 2002 Cm 5664 & Budget 2001 HC 279*

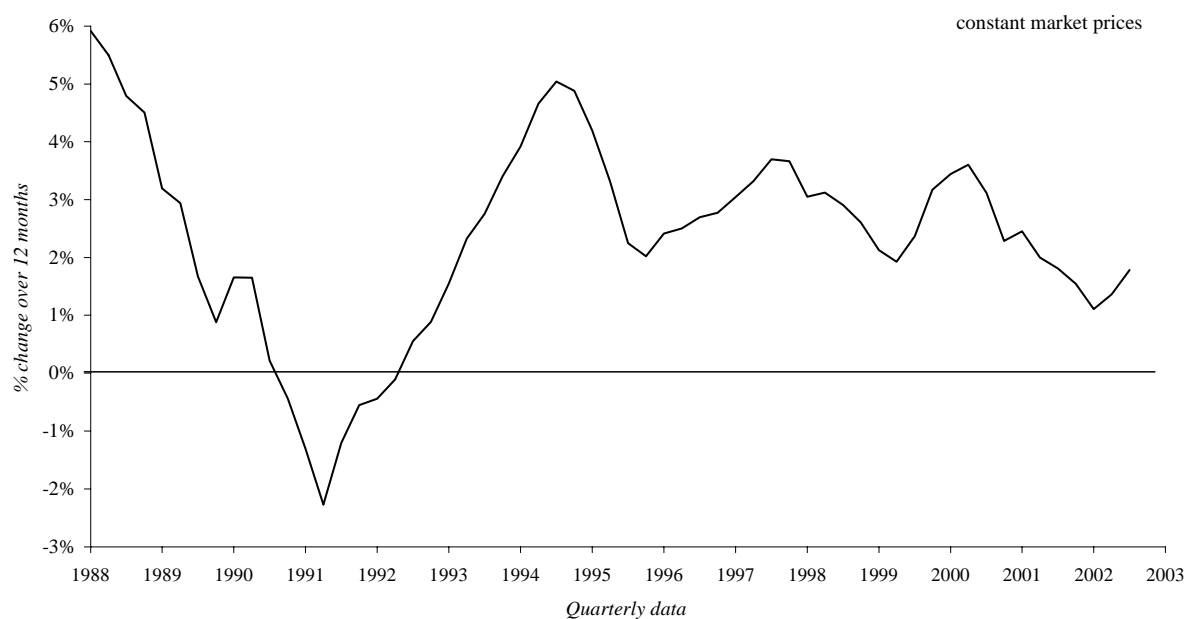
Timothy Edmonds  
Economic Policy and Statistics Section

<sup>3</sup> HM Treasury: *Trend Growth: Recent Developments and Prospects*, April 2002

<sup>4</sup> Ibid p5



## 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 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%                      |
| Q3      | 259.3                        | 5.3%            | 1.8%                      |

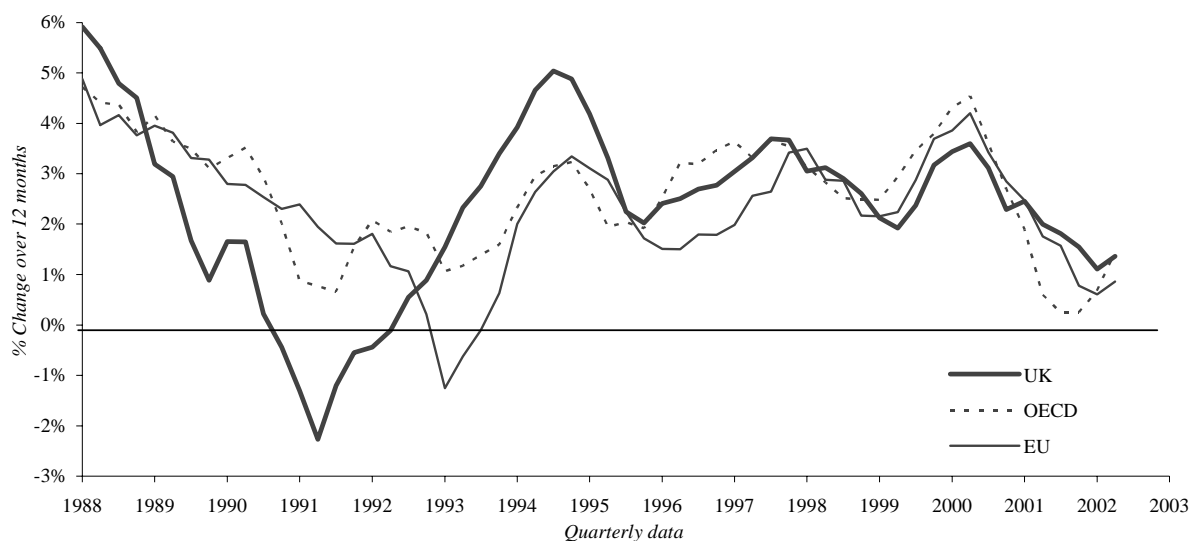
Source: NS database series YBHA & AMBI

- Gross domestic product (GDP) at 1995 market prices is estimated to have risen by 0.8% 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 1.8%.
- Output in manufacturing emerged from six consecutive quarters of negative growth to rise by 1.1% in 2002 Q3, although it has still fallen by 3% over the year. Services sector output is estimated to have grown by 2.3% over the year to 2002 Q3.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 1.6% in 2002 and 2.4% in 2003.

CONTACT Tim Edmonds, x2883

Next update: 24 January 2003

## A 2. GDP - International Comparisons



### GDP at constant market prices

|                | % change on year |      |      |      | % change quarter on quarter |            |            |            |            |
|----------------|------------------|------|------|------|-----------------------------|------------|------------|------------|------------|
|                | 1998             | 1999 | 2000 | 2001 | 2001<br>Q2                  | 2001<br>Q3 | 2001<br>Q4 | 2002<br>Q1 | 2002<br>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%       |

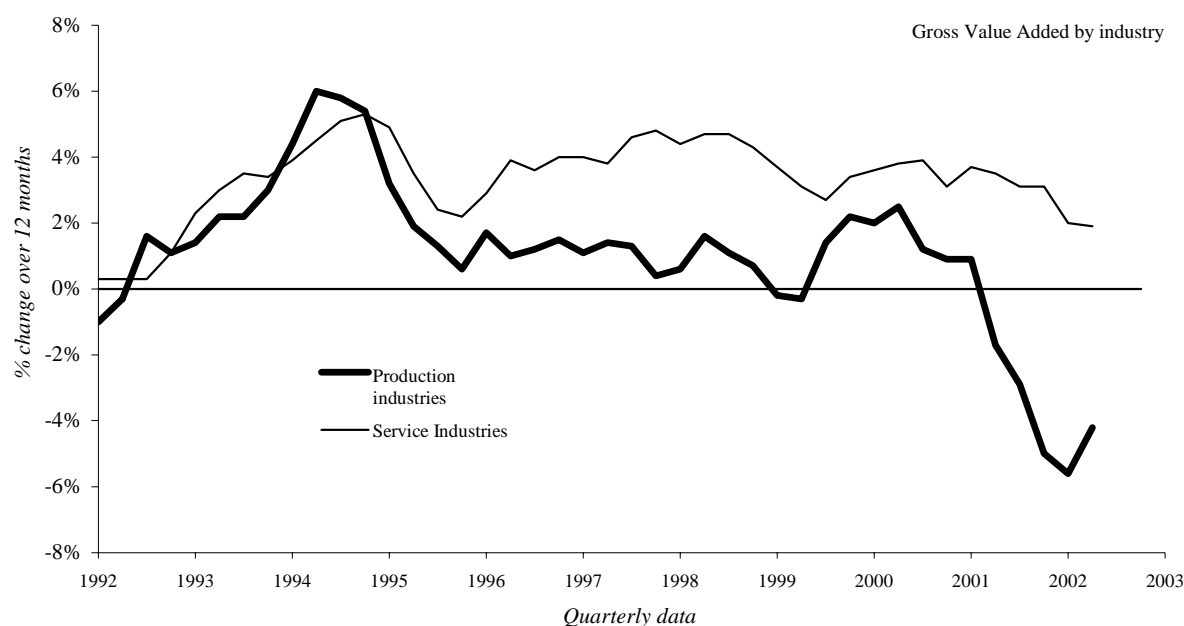
Source: OECD, Main Economic Indicators, November 2002

- 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.
- Annual growth to the second quarter of 2002 in the euro-zone was just 0.7%, in Germany 0.1%, in France 1.0% and in Japan -0.7%. The Bank of Japan sees no recovery until at least the middle of 2003 and the outlook remains bleak. Growth in the US has recovered to 2.2% in Q2 but the fragile nature of the US recovery prompted further reductions in central bank interest rates there this month.
- 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-December

### A 3. Gross Domestic Product by Industry



#### Gross value added at 1995 basic prices

% changes on year; seasonally adjusted

|         | Production industries |                    |          | Agriculture,<br>hunting<br>& fishing | Construction |
|---------|-----------------------|--------------------|----------|--------------------------------------|--------------|
|         | Total                 | Manufac-<br>turing | Services |                                      |              |
| 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 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%         |
| Q3      | -2.8%                 | -3.0%              | 2.3%     | 0.9%                                 | 6.5%         |

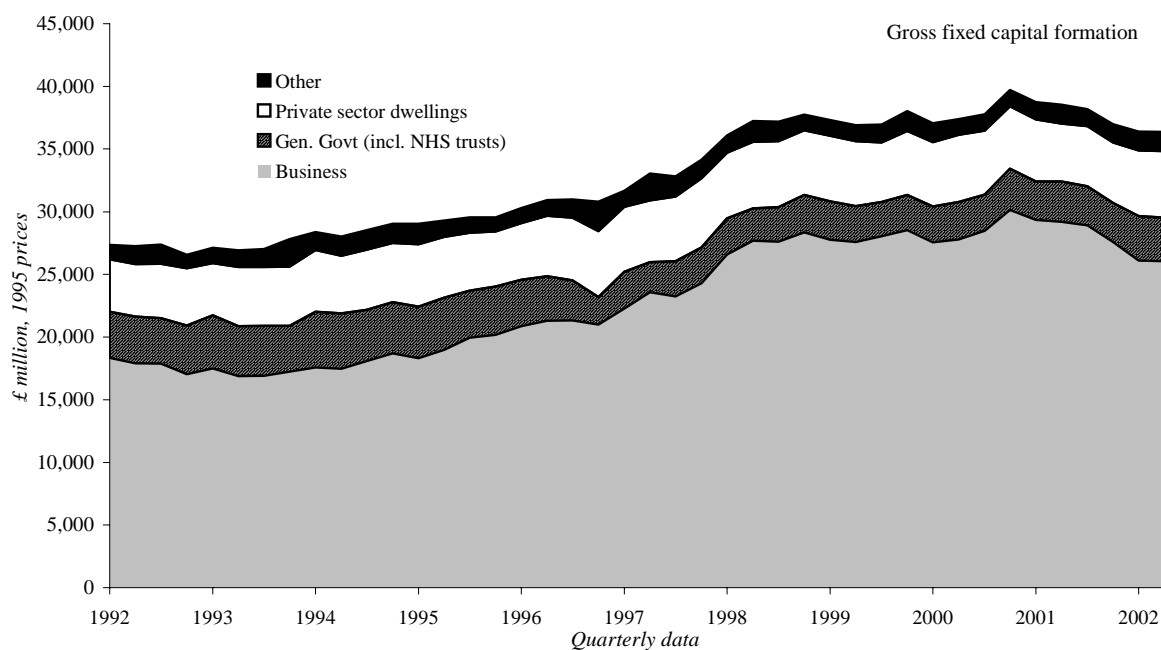
Source: NS database series ERID, ERIT, GDRN, GDQV, GDQW, ERIE, ERIU, GDSI, GDRQ, GDRR

- 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 2.3%. Between the second and third quarters of 2002, output in the service sector rose by 0.9%.
- Manufacturing output grew by 1.1% between the second and third quarters of 2002 and fell by 2.4% in 2001.
- 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 December

## A 4. Investment



### Gross fixed capital formation

£ million; 1995 prices; seasonally adjusted

|         | Transport<br>Equipment | Other Machinery<br>& Equipment | Other Buildings<br>& Structures | Dwellings | Intangible<br>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

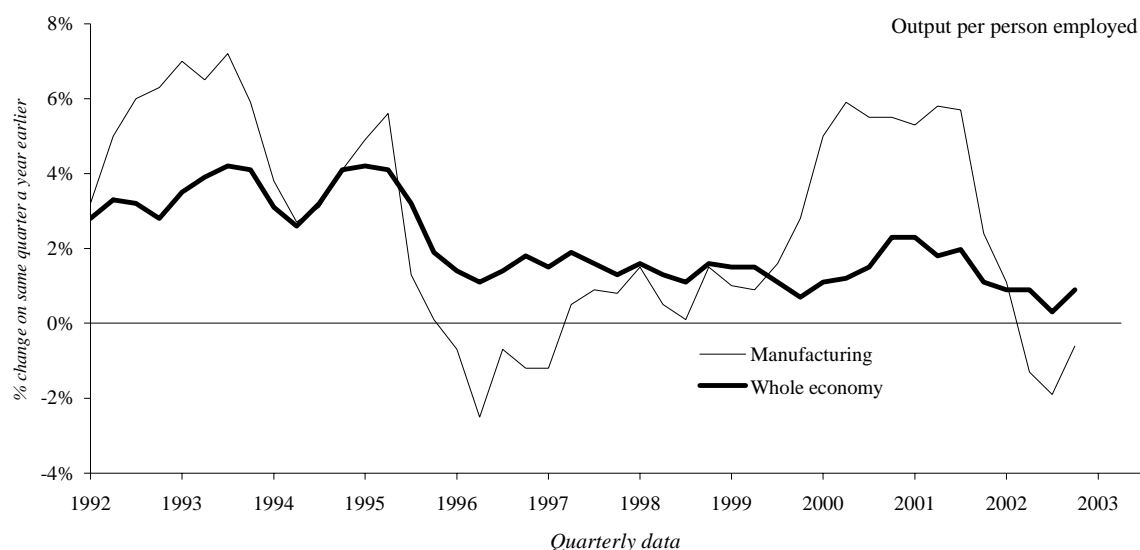
Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations (other than NHS trusts) on transport equipment, other machinery and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

- Total business investment (seasonally adjusted) fell by 3% in the third quarter of 2002 in real terms compared with the previous quarter and is now almost 10% below its 1999 level.
- Manufacturing investment fell by 7% over the quarter and service sector investment fell by 2%.
- In the third quarter of 2002 total GFCF, in real terms, declined for the seventh consecutive quarter. Declines in real investment were recorded in most categories of investment except for construction and public corporations.

CONTACT Tim Edmonds, x2883

Next update: 20 December

## 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             |

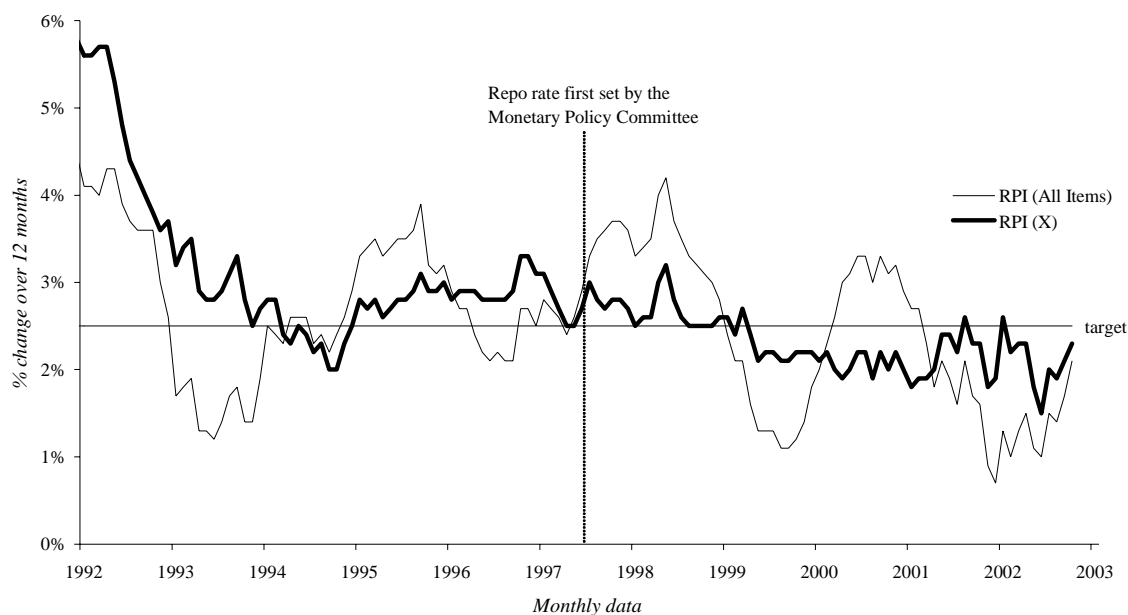
Source: NS database series ERIU, LNNS, LNNU, GDPR, LNNO, LNNP, ERIT, LNOK, LNNX, ABMM, LNNM, LNNN

- 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       | RPI (X)                     |
|------|-----------|-----------|-----------------------------|
|      |           | All Items | Excluding mortgage interest |
| 1998 |           | 3.4       | 2.6                         |
| 1999 |           | 1.5       | 2.3                         |
| 2000 |           | 3.0       | 2.1                         |
| 2001 |           | 1.8       | 2.1                         |
| 2001 | 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                         |
|      | October   | 2.1       | 2.3                         |

Source: NS database (series CZBH, CDKQ)

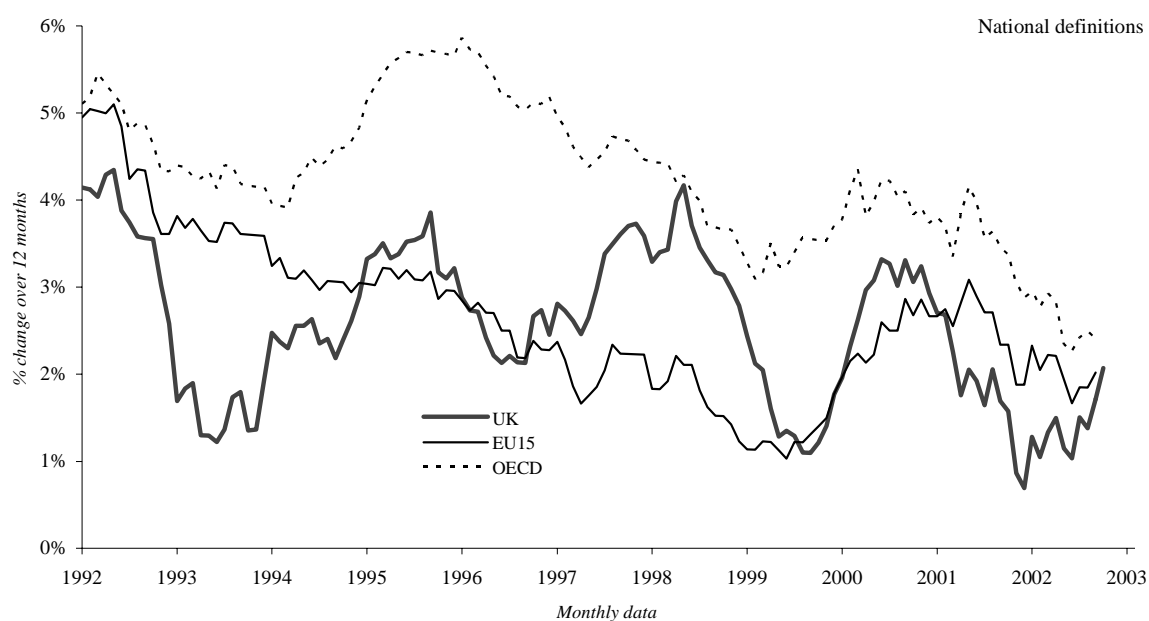
The current inflation target is 2.5%: if RPI (X) diverges from this target by more than 1 percentage point, the Governor of the Bank of England is required to send a letter to the Chancellor explaining the reasons for the divergence.

- The average annual increase in headline inflation (RPI) for 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, when this series started.
- In the year to October 2002 the headline rate of inflation was 2.1%, up from 1.7% in August. The underlying rate of inflation rose to 2.3%.
- The biggest upward effect on the headline rate in October came from changes in housing costs, largely due to rising house prices. The second greatest upward effect was from motoring expenditure and a further upward effect came from household services.
- There was a small downward pressure from alcoholic drinks, from price changes for wines and spirits off sales and beer on sales.

CONTACT Patsy Richards, x4904

Next update: 17 December

## 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 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 | -0.7  | 2.3    | 1.7 | 1.0     | 1.8    | 2.6   | 2.4  | 2.0  |
| October   | 2.1 | -     | 3.2    | 2.1 | 1.3     | 1.9    | 2.7   | -    | -    |

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 September 2002 the provisional annual inflation rate (harmonised basis) for the twelve eurozone countries was 2.1%, the same as in August, compared to 2.2% a year earlier.
- The inflation rates for the Member States not in the eurozone were (on a harmonised basis) Denmark: 2.5%, Sweden: 1.2% and the UK 1.0%.
- In September 2002 the eurozone states with the highest annual inflation rates were, on a harmonised basis, Ireland (4.5%), Portugal and Greece (both 3.8%). The lowest rates were in Germany (1.0%) and Belgium (1.2%).

CONTACT Patsy Richards, x4904

Next update: December

### 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 | 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           |
|      | Sep | 3.8                              | 3.8            | 3.6           |

Source: NS database Series LNNC, LNND, LNNE

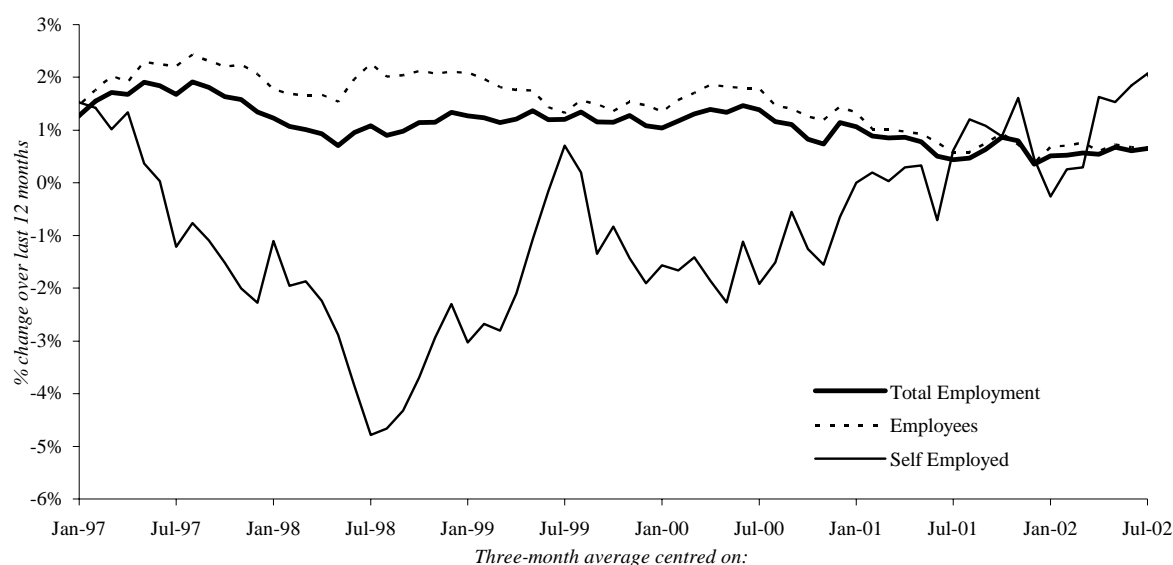
- Headline average earnings growth in the service sector remained at 3.9% in September while manufacturing earnings growth fell slightly from 3.7% in August to 3.6% in September.
- September's headline rate of earnings growth for the whole economy, 3.8%, is below the level which many economists regard, 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 September was 3.8%, unchanged from August.
- Headline earnings growth in the private sector was 3.8% in September compared to 3.6% in the public sector.
- Earnings are currently growing more slowly than a year ago (the headline rate in September 2001 was 4.4%).

CONTACT Dominic Webb, x2464

Next update: 18 December



## 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 Aug                       | 26,688              | 23,317    | 3,108         | 103                   | 161           |
| 1999 Aug                       | 27,046              | 23,681    | 3,114         | 94                    | 157           |
| 2000 Aug                       | 27,359              | 24,028    | 3,067         | 113                   | 151           |
| 2001 Aug                       | 27,487              | 24,168    | 3,104         | 95                    | 121           |
| 2002 Nov                       | 27,559              | 24,245    | 3,092         | 103                   | 118           |
| 2002 Feb                       | 27,576              | 24,279    | 3,089         | 97                    | 110           |
| 2002 May                       | 27,698              | 24,380    | 3,121         | 97                    | 100           |
| 2002 Aug                       | 27,662              | 24,328    | 3,145         | 91                    | 98            |
| <i>Changes:</i>                |                     |           |               |                       |               |
| <i>Last three months</i>       | -0.1%               | -0.2%     | 0.8%          | -5.9%                 | -1.6%         |
| <i>Last year</i>               | 0.6%                | 0.7%      | 1.3%          | -3.7%                 | -18.7%        |

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

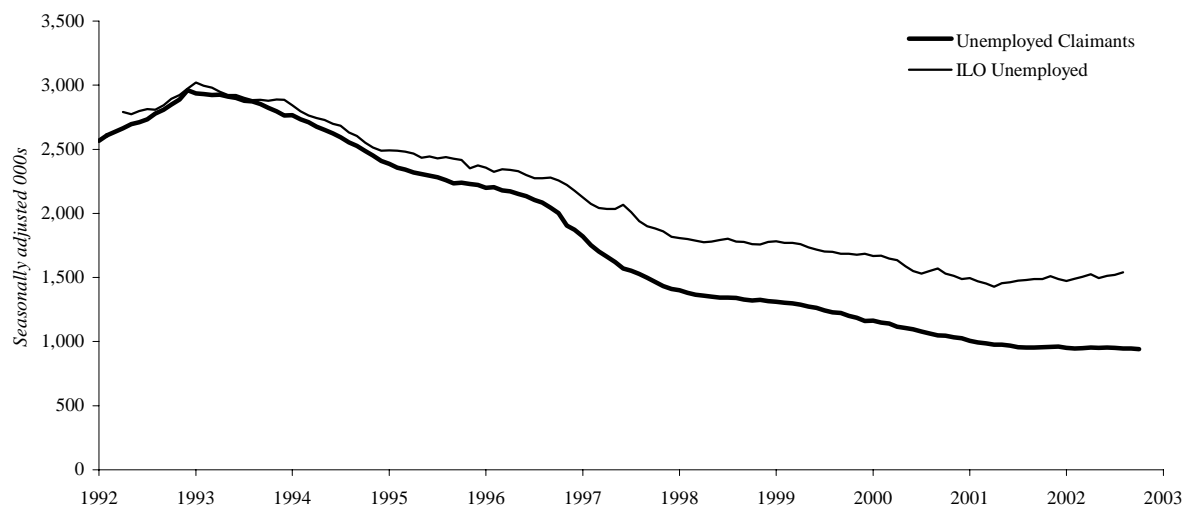
- Total employment was 27.7 million in the period July 2002 to September 2002, 0.6% higher than a year previously. The working age employment rate of 74.3% was 0.2% lower than the previous quarter and the same as a year earlier.
- The number of workforce jobs rose by 20,000 between March and June and was 3,000 higher than a year previously. Over the year to June, production industry workforce jobs fell by 155,000. Service sector jobs rose by 167,000 and other industries fell by 8,000.
- 7.1 million people were in part time employment in the period July to September, of whom 5.6 million were women. Some 3.1 million people were self employed.

These data, except those relating to workforce jobs, are from the Labour Force Survey and have recently been revised to make them consistent with the 2001 Census.

CONTACT Dominic Webb, x2464

Next update: 18 December

## C 2. Unemployment: National



### ILO Unemployment in the UK seasonally adjusted

|                | 000s  | rate (%) |
|----------------|-------|----------|
| 1997 Apr - Jun | 2,036 | 7.2      |
| Jul - Sep      | 1,939 | 6.8      |
| Oct - Dec      | 1,860 | 6.6      |
| 1998 Jan - Mar | 1,799 | 6.3      |
| Apr - Jun      | 1,780 | 6.3      |
| Jul - Sep      | 1,779 | 6.3      |
| Oct - Dec      | 1,756 | 6.2      |
| 1999 Jan - Mar | 1,770 | 6.2      |
| Apr - Jun      | 1,735 | 6.1      |
| Jul - Sep      | 1,700 | 5.9      |
| Oct - Dec      | 1,676 | 5.8      |
| 2000 Jan - Mar | 1,670 | 5.8      |
| Apr - Jun      | 1,589 | 5.5      |
| Jul - Sep      | 1,548 | 5.4      |
| Oct - Dec      | 1,511 | 5.2      |
| 2001 Jan - Mar | 1,469 | 5.1      |
| Apr - Jun      | 1,455 | 5.0      |
| Jul - Sep      | 1,480 | 5.1      |
| Oct - Dec      | 1,509 | 5.2      |
| 2002 Jan - Mar | 1,489 | 5.1      |
| Apr - Jun      | 1,497 | 5.1      |
| Jul - Sep      | 1,541 | 5.3      |

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). This data has been revised to take account of the 2001 Census results.

- The latest LFS estimates show that over the period July to September 2002, the level of ILO unemployment in the UK was 1,541,000. This was an increase of 44,000 from the April to June 2002 period. Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 5,000 between September and October 2002 to 941,000.

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

- 874,000 people had joined the scheme by the end of September 2002. Of those leaving the scheme 398,000 had moved into jobs up to the end of September, of which 314,000 (79%) were 'sustained', i.e. those who had not returned to claim Jobseekers' Allowance (JSA) within three months of starting employment.

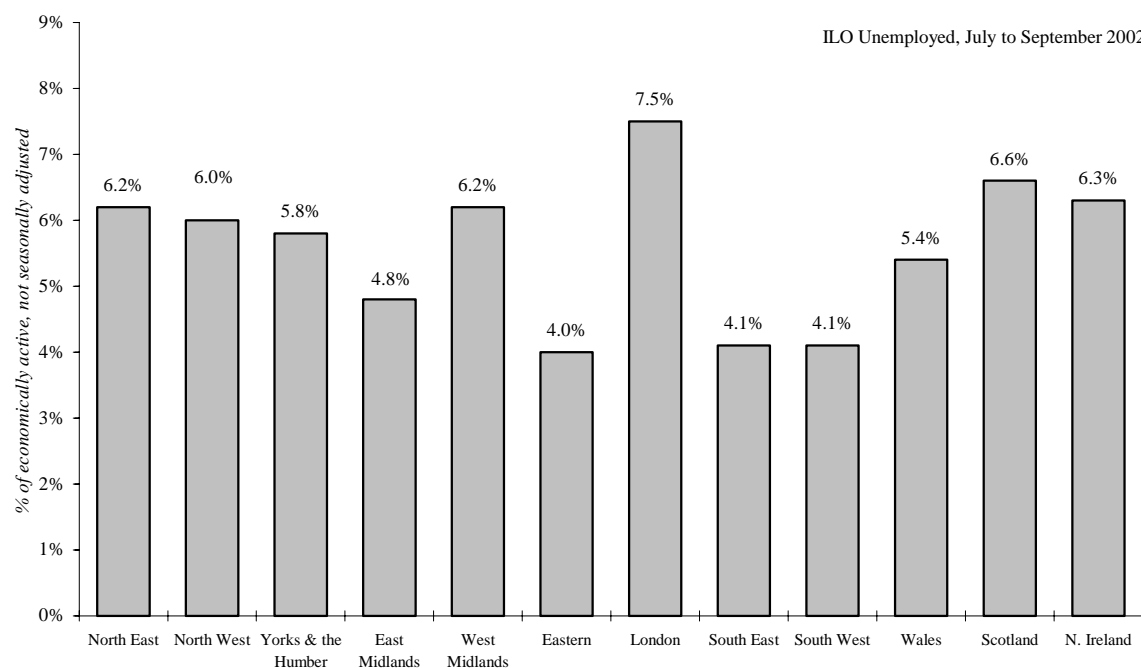
The enhanced New Deal for the Long-Term Unemployed started in April 2001.

- By the end of September 2002, 360,000 people had joined the pre-April 2001 scheme. Of these, 77,000 had entered jobs of which 61,000 (80%) were sustained. 175,000 people had started on the enhanced scheme. Of these, 50,000 people had entered jobs of which 40,000 (80%) were sustained.

CONTACT Alex Adcock, x3793

Next update: 18 December

### C 3. Unemployment: Regional



#### ILO Unemployment, July to September 2002

*change on same period in previous year  
not seasonally adjusted except\* NI*

|                         | 000s | %   |
|-------------------------|------|-----|
| North East              | 6    | 9%  |
| North West & Merseyside | 14   | 8%  |
| Yorkshire & the Humber  | 7    | 5%  |
| East Midlands           | 2    | 2%  |
| West Midlands           | 15   | 10% |
| Eastern                 | -1   | -1% |
| London                  | 18   | 7%  |
| South East              | 25   | 16% |
| South West              | 11   | 12% |
| Wales                   | -3   | -4% |
| Scotland                | -6   | -3% |
| Northern Ireland*       | 1    | 2%  |

Source: National Statistics, Releases 13 November 2002

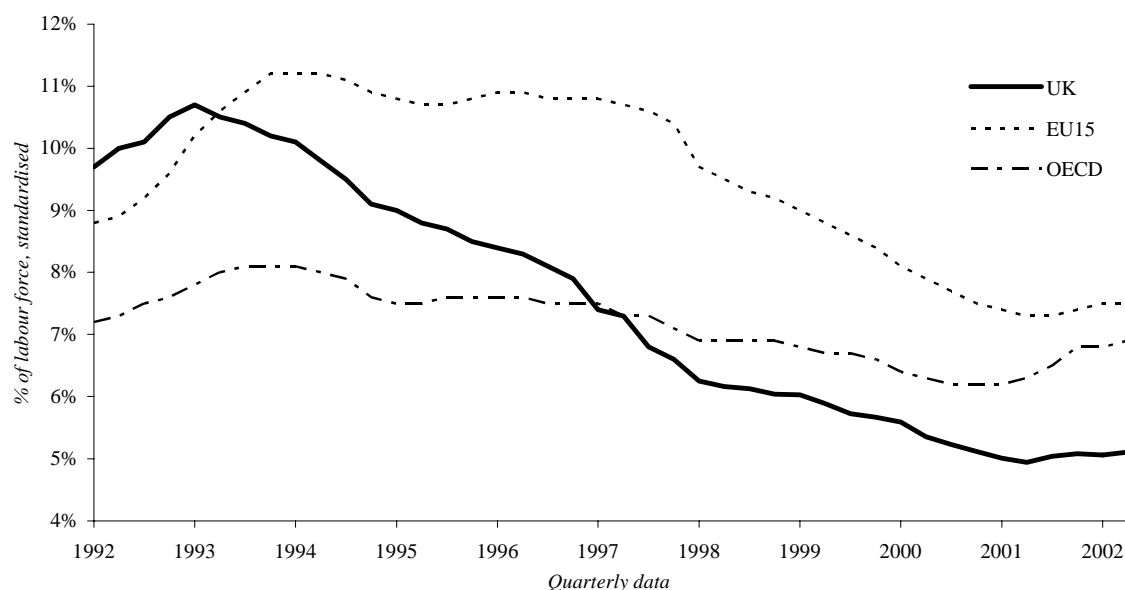
Since April 1998, National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS). This data has not been revised to take account of the 2001 Census results and UK data for comparison are not available.

- A comparison of the period July to September 2002 with the same period a year earlier shows that the largest fall in unemployment occurred in Wales where it fell 4%. The South East experienced the largest rise (16%) in unemployment over the same period.
- Over this period London had the highest unemployment rate (7.5%) of the economically active population. The lowest rate over the same period was 4.0% in the Eastern region.

CONTACT Alex Adcock, x3793

Next update: 18 December

## C 4. Unemployment - International Comparisons



### Unemployed as % of labour force standardised; seasonally adjusted

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

n/a: not yet available

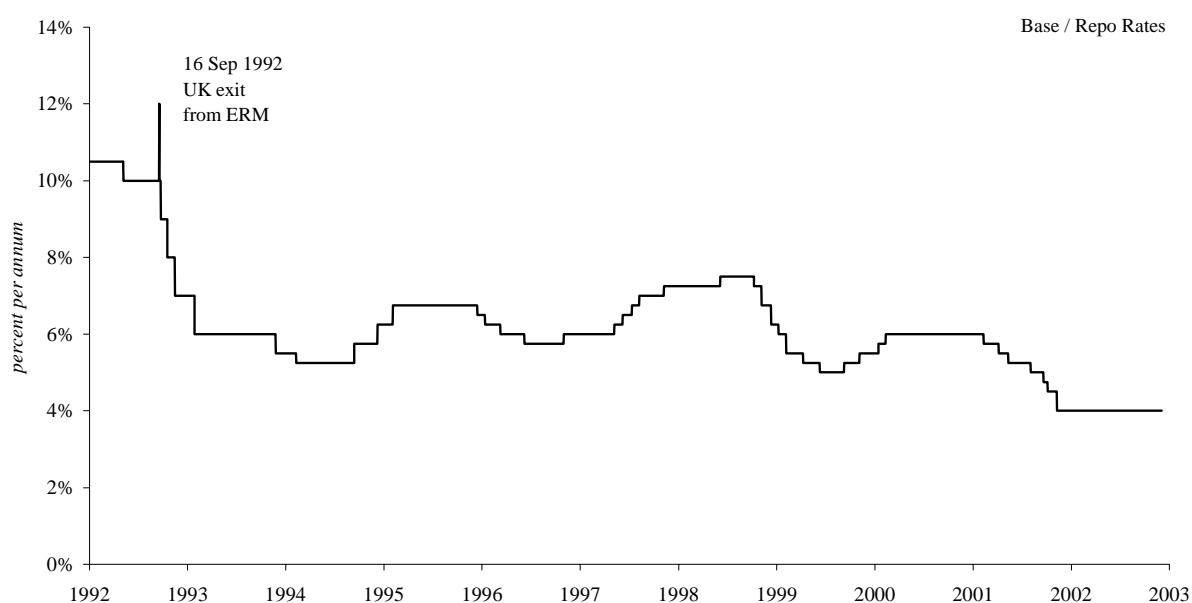
Source: OECD Hotfile

- 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 or remained the same 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 (November 2002 *Economic Outlook*) suggest the UK (non-standardised) unemployment rate will be 4.9% of the labour force in 2004. In 2004 the unemployment rate for the Euro zone is expected to be 8.3% 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     |
| 2000           | Jan 4   | 5.50     |
|                | Jan 13  | 5.75     |
| 2001           | Feb 10  | 6.00     |
|                | 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

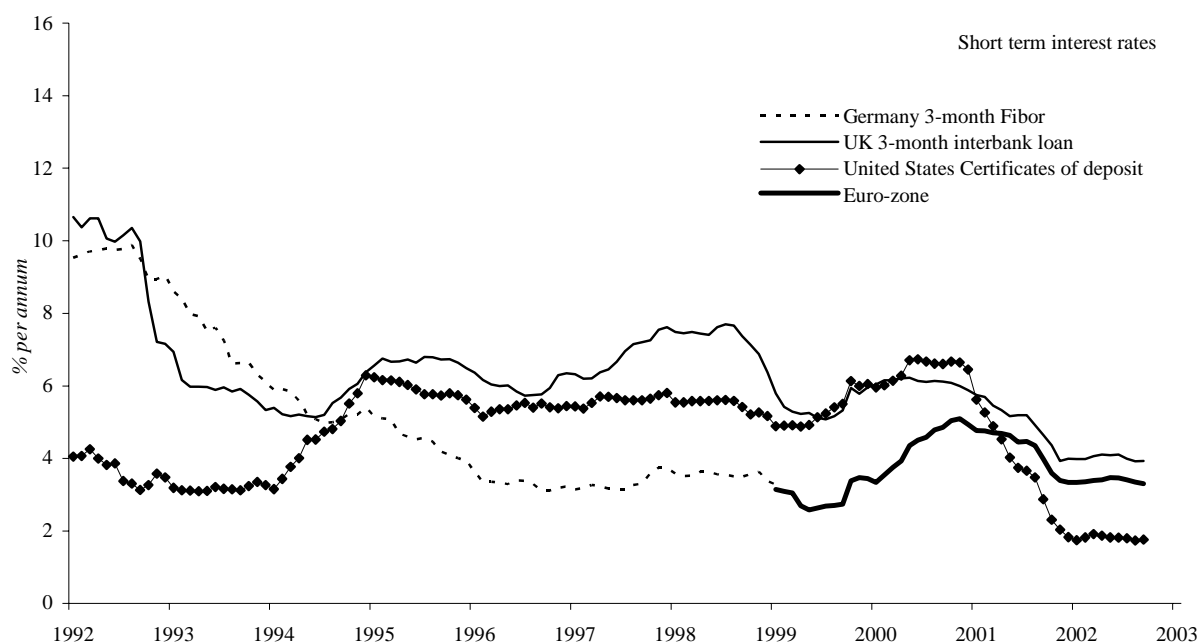
The  $\frac{1}{4}$ % interest rate increase on 6 June 1997 signified the first time that interest rates were set by the independent Monetary Policy Committee (MPC) of the Bank of England rather than by the Chancellor.

- The  $\frac{1}{4}$  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  $\frac{1}{2}$  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 above the target rate and remain there throughout 2003.
- In its November meeting, the MPC felt that there were renewed signs of a slowing in the recovery of the US economy, although equity price rises showed that financial markets were optimistic about the future.
- The MPC next meets on 4 December. It is expected that the minutes will be published on 18 December 2002.

CONTACT Grahame Allen, x4324

Next update 5 December

## 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 28 November 2002

|                | Yield on 10 yr<br>Government bonds<br>(% pa) | 3-month rate<br>(% pa)          |
|----------------|--|---------------------------------|
| United Kingdom | 4.69   | 4                               |
| United States  | 4.22   | 1 <sup>7</sup> / <sub>16</sub>  |
| Switzerland    | 2.62   | 1 <sup>23</sup> / <sub>32</sub> |
| Japan          | 0.86   | <sup>1</sup> / <sub>16</sub>    |
| Euro-zone      | ..   | 3 <sup>1</sup> / <sub>32</sub>  |

Source: *Financial Times*, 29 November 2002

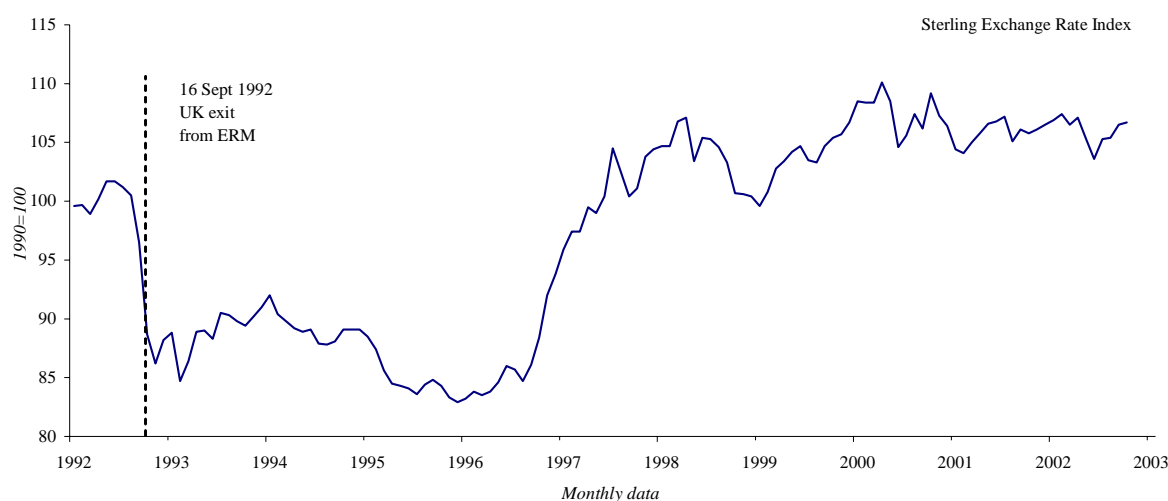
There is, as yet, no equivalent euro-zone government bond rate quoted. In future, a suitable comparator may be the rate on bonds issued by institutions like the European Investment Bank. Further details will be published on this page when they become available.

- 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  $\frac{1}{2}\%$  eight times during 2001, the latest cut of  $\frac{1}{2}\%$  was announced on 6 November 2002. The MPC responded by reducing the UK Repo rate by  $\frac{1}{4}\%$  six times and  $\frac{1}{2}\%$  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  $\frac{1}{4}\%$  in May and August and twice by  $\frac{1}{2}\%$  on 18 September and 9 November. Another cut by the ECB seems unlikely in the short-term due to demand and output growth in the euro-zone being weak.

CONTACT Grahame Allen, x4324

Next update: Early December

### 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 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%            |
| October      | 1.557 | 7.3%             | 192.9 | 9.5%             | 1.587    | -1.0%            |

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

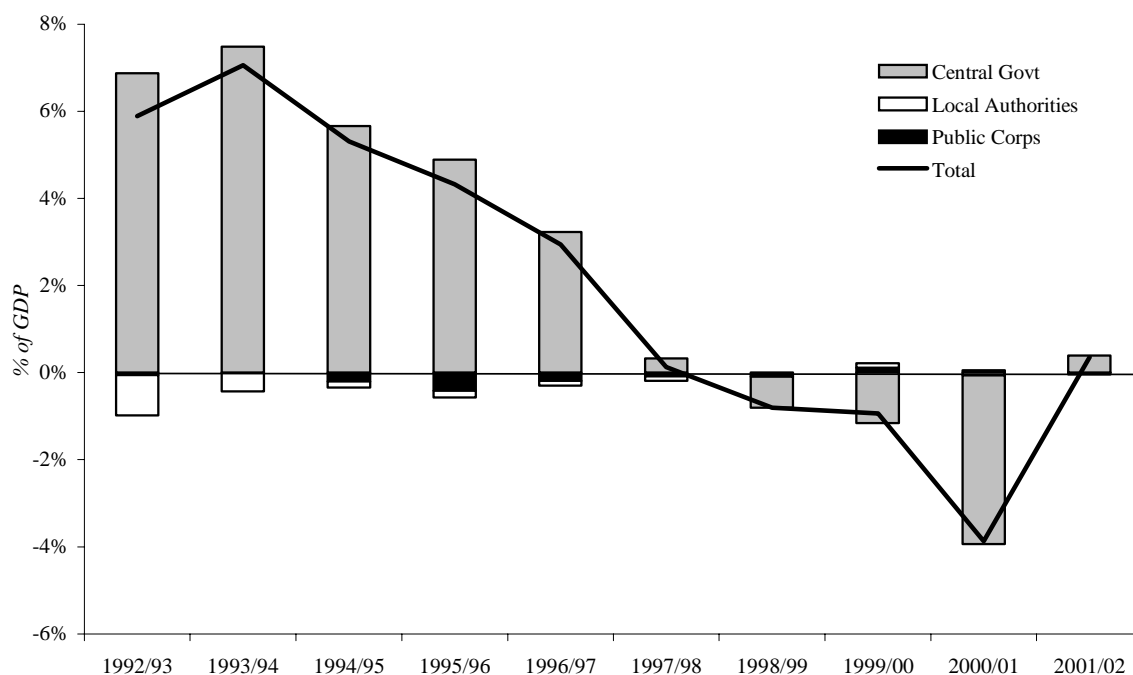
The Sterling Exchange Rate Index (SERI) measures the value of Sterling against a trade-weighted 'basket' of other currencies. The weights used to calculate the index measure a currencies relative importance to UK trade in manufacturing.

- 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 0.2 points since the beginning of 2002 suggesting that the UK was relatively more competitive at the end of October 2002 than at the beginning of the year.
- The pound was worth euro 1.5601 at the London market close on 28 November 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 December

## 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 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 | 7.0       | 2.7%          | 7.0                              | 2.7%          |
| 2002 Q3 | 0.8       | na            | 0.8                              | na            |

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

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

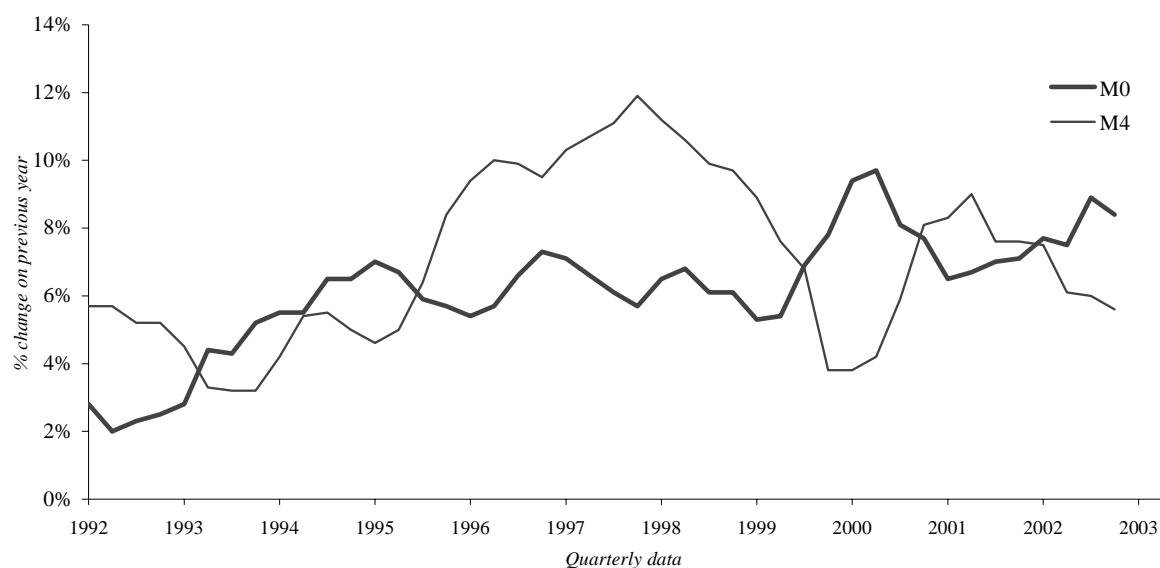
- The PSNCR (including privatisation receipts) for the 2001/02 financial year was £3.6 billion compared with -£37.2 billion surplus in the 2000/01 financial year. Excluding privatisation receipts, the PSNCR for 2001/02 was £4.3 billion compared with -£37.1 billion in 2000/01.
- The PSNCR for the 2002/03 financial year is officially forecast at £20.7 billion excluding windfall tax receipts and associated spending. The PSNCR was £5.4 billion in September compared to £3.6 billion a year earlier

CONTACT Tim Edmonds, x2883

Next update: 23 December



## D 5. Money Supply



### Money stock seasonally adjusted

|              | M0                               |                        | M4                               |                        |
|--------------|----------------------------------|------------------------|----------------------------------|------------------------|
|              | 3 month change<br>annualised (%) | 12 month<br>change (%) | 3 month change<br>annualised (%) | 12 month<br>change (%) |
| 2001 October | 8.5                              | 7.0                    | 9.5                              | 8.0                    |
| November     | 9.3                              | 8.0                    | 7.1                              | 7.9                    |
| December     | 10.4                             | 8.2                    | 2.4                              | 6.5                    |
| 2002 January | 11.3                             | 8.1                    | 2.6                              | 6.0                    |
| February     | 7.2                              | 7.1                    | 4.3                              | 6.5                    |
| March        | 5.3                              | 7.2                    | 4.9                              | 5.7                    |
| April        | 5.6                              | 8.0                    | 4.8                              | 5.9                    |
| May          | 10.5                             | 9.2                    | 3.9                              | 5.9                    |
| June         | 13.1                             | 9.5                    | 7.4                              | 6.0                    |
| July         | 8.9                              | 8.6                    | 6.7                              | 5.9                    |
| August       | 7.1                              | 8.5                    | 7.7                              | 5.7                    |
| September    | 4.3                              | 8.2                    | 6.9                              | 5.4                    |
| October      | 7.4                              | 8.3                    | 7.6                              | 5.4                    |

Source: Bank of England

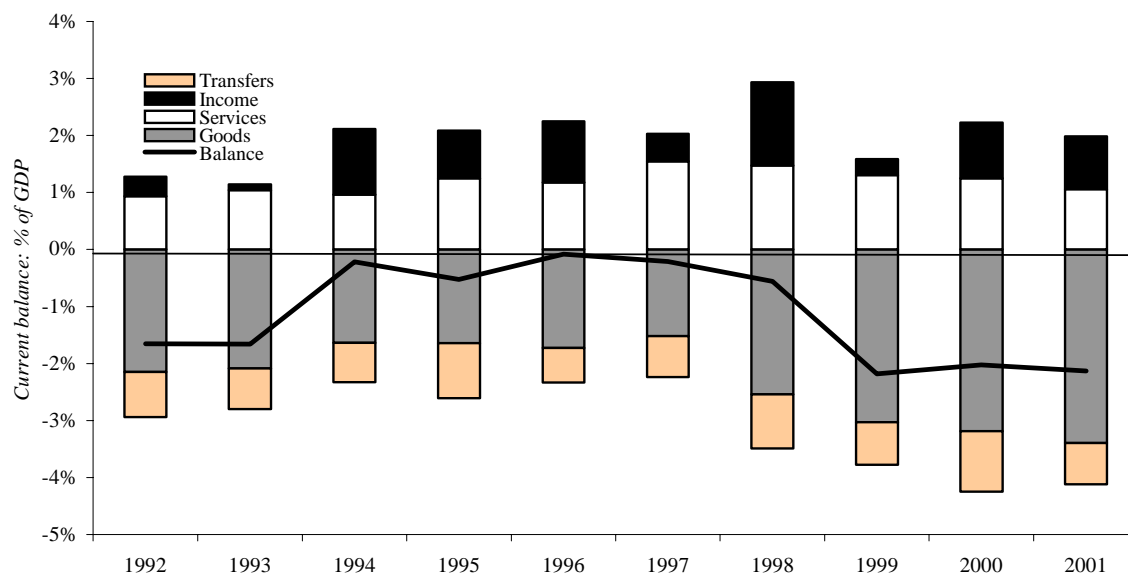
M0 comprises notes and coins in circulation outside the Bank of England *plus* bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 5.4% in the 12 months to October 2002. The twelve-month growth rate of seasonally adjusted M0 rose by 8.3% in October 2002, compared to 8.2% in September 2002.
- There are now no formal targets for money supply growth.

CONTACT Ian Townsend, x3977

Next update: 3 January

## E 1. International Trade



### Current Account Balances

seasonally adjusted; £ million

|         | Trade in goods and services |          |         | Income<br>(total) | Transfers  |        |         | Current<br>Balance |
|---------|-----------------------------|----------|---------|-------------------|------------|--------|---------|--------------------|
|         | goods                       | services | total   |                   | Cent. Govt | other  | total   |                    |
| 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

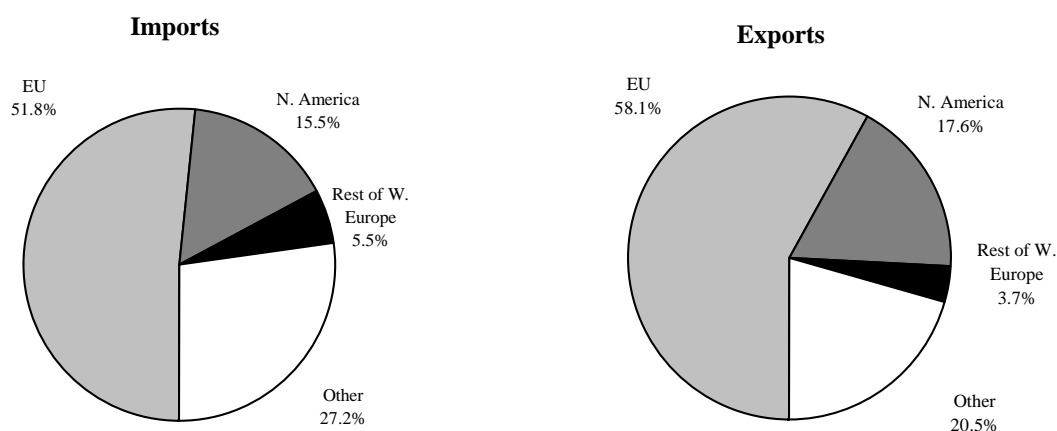
- The revised annual current account deficit for 2001 is £21.1 billion, compared to a £19.2 billion deficit the year before.
- A deficit of £4.0 billion was recorded in Q2 2002, compared to £3.8 billion in Q1. The slight increase was due to lower trade in services and investment income surpluses, although 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 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  |
| Q3      | 137.7                 | 164.1   | 46,536              | 55,041  | -8,505  |

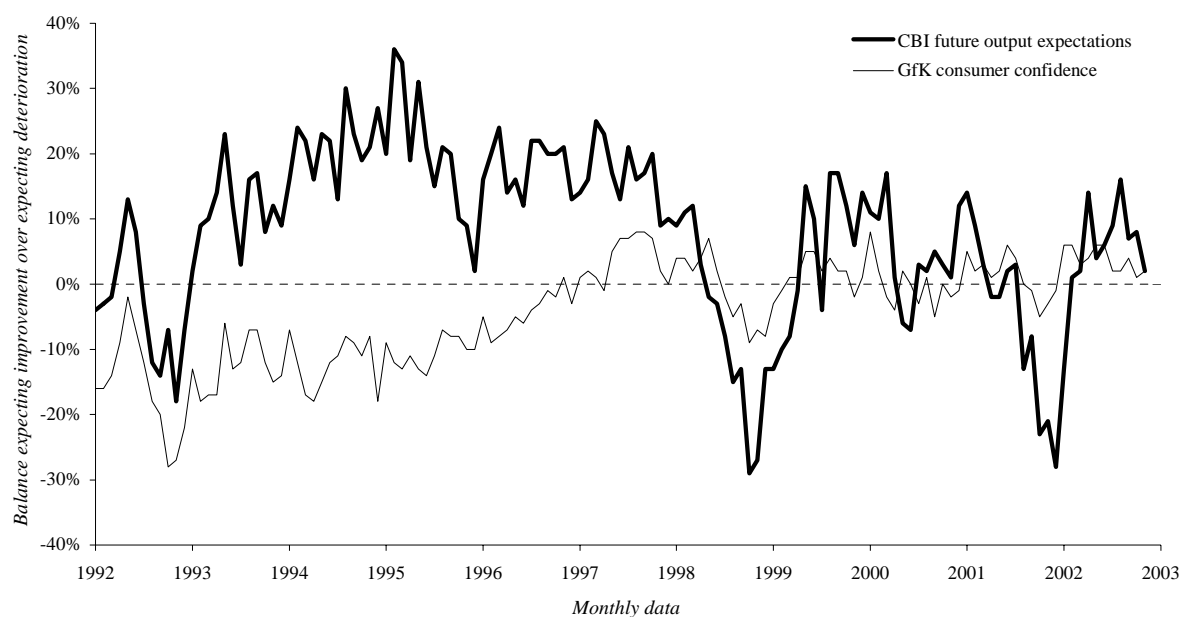
Source: National Statistics Database

- In September 2002 the deficit on trade in goods was provisionally estimated at £2.7 billion compared with a deficit of £3.4 billion in August. The goods trade deficit for the year 2001 was £33.5 billion, compared to a £30.3 billion deficit in 2000.
- In September total exports of goods rose 3% compared to the previous month to £15.2 billion, while goods imports fell by 1.5% to £17.9 billion.
- The deficit on trade in goods with EU countries for September was an estimated £0.8 billion compared to £1.5 billion in August, and the deficit with non-EU countries was unchanged at £1.9 billion.
- The latest estimate of trends suggests that the whole world goods deficit is widening. The trends in the value of trade show both imports and exports broadly flat in recent months.

CONTACT Patsy Richards, x4904

Next update: 10 December

## F 1. Survey Indicators



### Output Expectations and Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

|      |     | CBI Industrial Trends<br>Survey: future output<br>expectations | Consumer<br>confidence<br>GfK |
|------|-----|--|-------------------------------|
| 2001 | 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                             |
|      | Nov | 2  | 2                             |

Source: NS database Series ETCU & ETBA

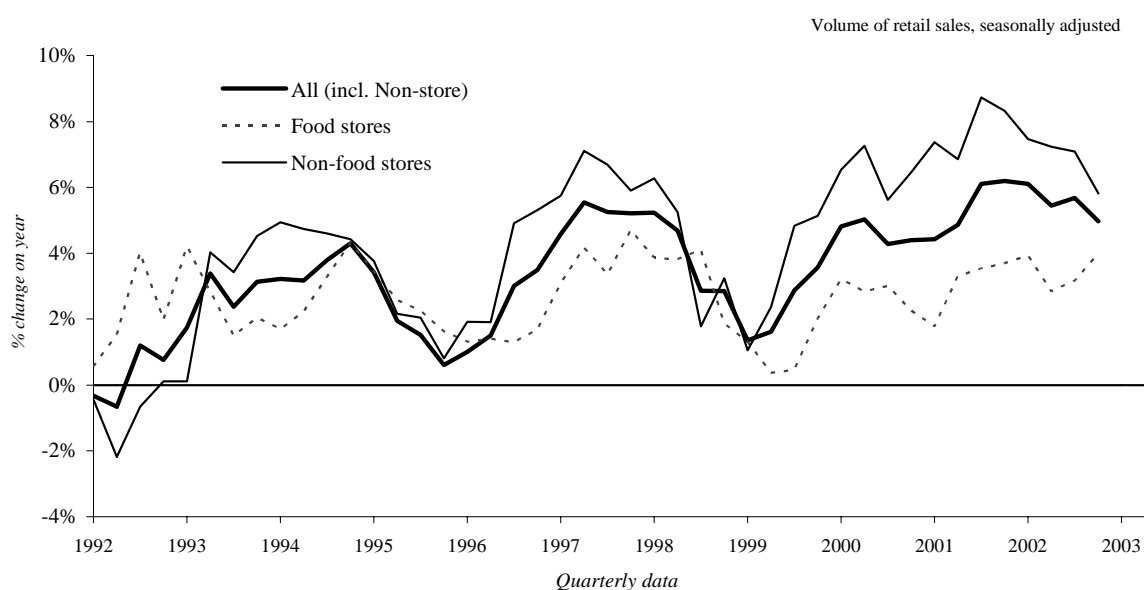
Survey indicators – including those shown here – are often expressed in the form of a balance of the percentage of respondents who expected the situation to improve in the immediate future over the percentage who expected things to worsen.

- 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, but has fallen back to its March 2002 level following a peak in August 2002.
- The CBI's indicator of overall business confidence in manufacturing, which looks at current optimism compared with four months previously, for which figures are only published quarterly, fell from 4 in the 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.

- November's results show that, expectations for the general economic situation have risen slightly compared with last month, whilst expectations for the future of personal finances have remained unchanged. Consumer perceptions regarding savings stayed the same in as the previous month, following four consecutive falls to September.

## F 2. Retail Sales



### Value of Retail Sales

*not seasonally adjusted; % change on year*

|         | Food, drink<br>& tobacco | Clothing &<br>footwear | Household<br>goods | Other<br>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%  |

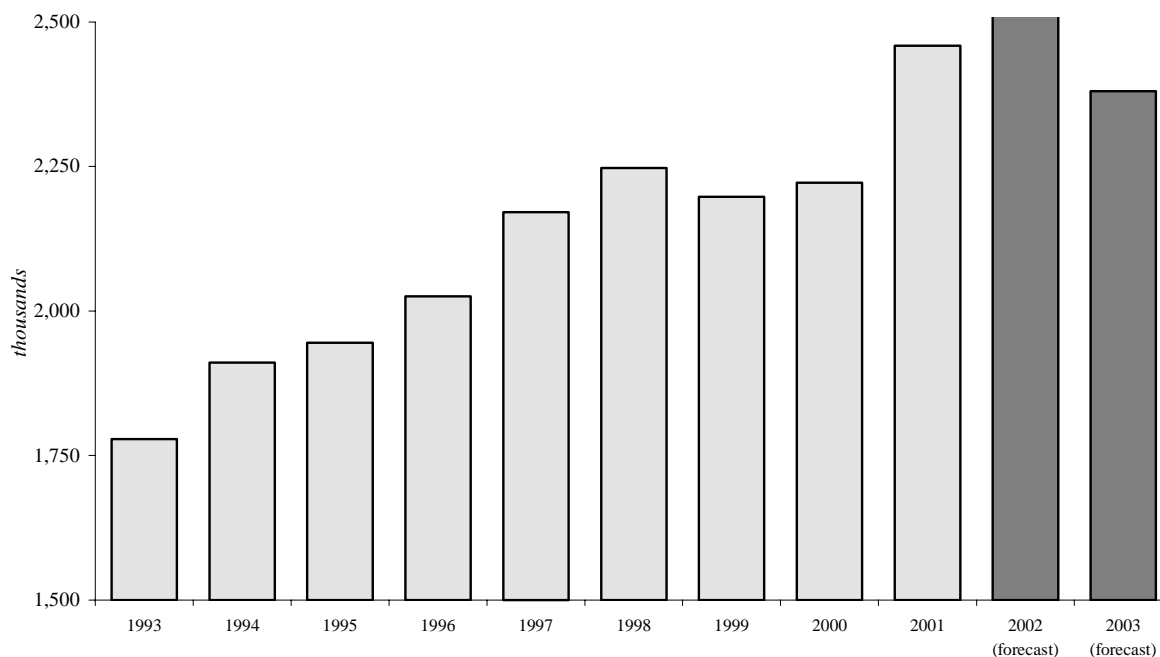
*Source: NS database Series EAWN, EAWO, EAWP, EAWQ, EAWM*

- In Quarter 3 of 2002 the *volume* of retail sales grew by 0.8% compared with Q2 2002, reaching a level 4.9% higher than Q3 2001.
- Seasonally adjusted retail sales volume in October 2002 was 6% higher than in October 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 October 2002 was just under £4,500 million, 5.1% higher than in October 2001 (all based on non-seasonally adjusted data).

CONTACT Ian Townsend, x3977

*Next update: 19 December*

### F 3. New Registrations of Cars



#### New Registrations of Cars

not seasonally adjusted

|                 | Number<br>(000s) | Change over<br>12 months |
|-----------------|------------------|--------------------------|
| 1998            | 2,247            | 3.5%                     |
| 1999            | 2,198            | -2.2%                    |
| 2000            | 2,222            | 1.1%                     |
| 2001            | 2,459            | 10.7%                    |
| 2002 (forecast) | 2,540            | 3.3%                     |
| 2003 (forecast) | 2,380            | -6.3%                    |
| <hr/>           |                  |                          |
| 2001            |                  |                          |
| October         | 185              | 20.7%                    |
| November        | 184              | 13.4%                    |
| December        | 126              | 17.3%                    |
| 2002            |                  |                          |
| 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%                    |
| September       | 433              | -2.4%                    |
| October         | 184              | -0.6%                    |

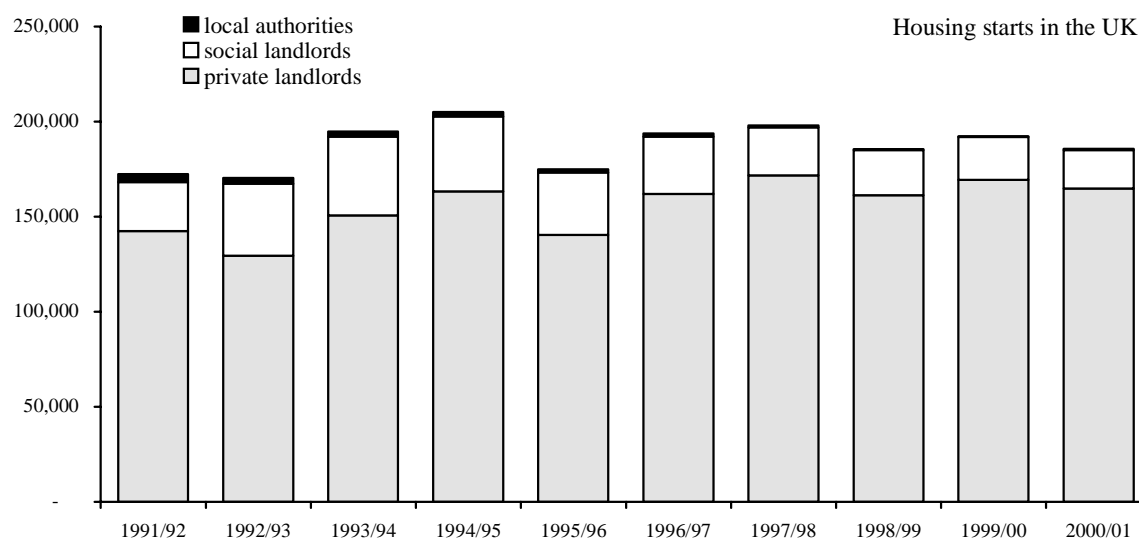
Source: SMMT "Monthly Statistical Review"

- Figures from the Society of Motor Manufacturers and Traders show that new car registrations in October 2002 fell by 0.6% over the previous October's figure to 184,000 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 fell by 10.1% in September from the previous September's figure to 97,000 units, or 22.3% of the market. In the year to date, there have been 479,000 registrations of British-built cars, an increase of 0.4% from the previous year's figure and equivalent to 23.2% of the market.
- New registrations of cars are forecast to increase by 3% in 2002 and fall by 6% in 2003.

CONTACT Dominic Webb, x2464

Next update: December

## F 4. Housing



### House prices

*Standardised average price (£), non-seasonally adjusted, rounded*

|   | 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            |
| <i>% change over same period in previous year</i> |            |            |                 |                   |
| 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 under 17,000 dwellings were started in Great Britain in September 2002, compared with just under 15,500 in September 2001. September 2002 saw 14,500 completions, up from just under 13,500 in the same month in the previous year. In the latest three months just over 49,000 dwellings were started, a 5% increase on the same three-month period a year ago. There were just under 41,000 completions in the latest three months, 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 4.7% in October. On an annual basis, house price inflation increased to 30.6%.
- 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 Q3 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: 5 December*