RESEARCH PAPER 03/18
3 MARCH 2003

Economic Indicators

This Research Paper summarises some of the main economic indicators currently available for the UK and gives comparisons with other major OECD countries on selected indicators.

This month's article: The Economic Background to the 2003 Budget

Grahame Allen

ECONOMIC POLICY AND STATISTICS SECTION

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I Contacts for further information

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Subject	Statistician	Extn
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II The Economic Background to the 2003 Budget

Introduction

This article assumes that there will be a Budget in March and therefore tries to outline some of the more important economic issues that surround it. Readers are reminded that the rest of the Paper contains more detailed economic data and these are therefore not repeated here. The issues discussed here are, slower than forecast growth, falling asset prices and the economic consequences of possible military action in the Gulf.

Slow Growth

Slower than anticipated growth reduces tax revenues and raises demand lead expenditure on things such as benefits. Poor performance in certain sectors of the economy too can have a noticeable effect on public finances. Parts of financial services are an area where boom years produce substantial tax revenues, either from large salary bonuses taxed at higher rates, or from stamp duty receipts from the sale of shares. Clearly, the well known problems in this sector will exacerbate any more general public finance weaknesses.

The changing path of GDP growth forecasts is shown in the table below:

Treasury Growth forecasts

Forecast	Growth in					
	2000	2001	2002	2003	2004	2005
Budget 2000	3.0%	2.5%	2.5%			
Budget 2001	**3.0%**	2.5%	2.5%	2.5%		
Budget 2002		2.3%	2.3%	3.3%	2.8%	
Pre Budget Report 2002		**1.5%**	**2.1%**	2.8%	3.0%	2.8%

Note: PBR figures for financial years
Emboldened figures are outturns
Figures are mid range estimates of forecast range

Source: HMT (as above)

The sharp decline in forecast growth is clearly shown. In April 2002, at the time of the Budget, growth for 2003 was forecast at 3.3%. Seven months later the forecast had been reduced by ½ a percentage point. In the 1999 Pre Budget Report, the Treasury commented that

> If GDP were 1 per cent higher…than assumed over the coming year, net borrowing might be lower…by about ½ % of GDP in the first year and lower by a further ¼% in the second year.[1]

[1] Cm 4479 p 144

On this basis, the projected rise in net borrowing would be something of the order of £25billion. The Treasury has already incorporated increases in net borrowing in its revised forecasts that appeared in the November 2002 Pre-Budget Report.[2] Compared to the April 2002 Budget forecast net borrowing has increased by £9 billion for 2002-03 and by £11billion the following year. The Institute for Fiscal Studies has subsequently released its own estimates.[3] These, together with the Treasury estimates covering net borrowing and the surplus on the current budget are shown below:

Fiscal Aggregates
£ billions

	2002/03	2003/04	2004/05	2005/06	2006/07
Public Sector Net Borrowing					
Pre Budget Report (Nov 2002)	20.1	24.0	19.0	19.0	19.0
IFS Green Budget (January 2003)	22.1	25.2	24.8	28.1	31.0
Surplus on current budget					
Pre Budget Report (Nov 2002)	-5.7	-5.0	3.0	5.0	8.0
IFS Green Budget (January 2003)	-8.8	-5.1	-2.4	-4.0	-4.0

Sources: HM Treasury (as above)
IFS (as above)

UK public expenditure is planned according to two fiscal rules. Of relevance here is the rule which states that 'over the economic cycle the government will only borrow to invest and not to fund current expenditure'. This test is deemed to be met if the surplus on the current budget is balanced over the course of the economic cycle. The IFS commented particularly on the likelihood of this rule being met:

> The PBR predicts that the golden rule will continue to be met, but with less room to spare than looked likely at the time of the April 2002 Budget. We expect the current budget to remain in deficit. The large current budget surpluses seen in 1999–2000, 2000–01 and 2001–02 would still allow the government to claim that the golden rule had been met over the current economic cycle. But our forecast implies that the current budget will remain in deficit from 2005–06 onwards during a period when the economy is operating at trend. Without tax increases or spending cuts at some point, the golden rule will be missed.[4]

The Chancellor explained the reasons for the slower forecast growth in the UK in evidence to the Treasury committee:

> Essentially, what has happened since the Budget is that growth has turned out to be far slower in the euro area, particularly of course in Germany, but also in France and in Italy and in other countries, and growth has turned out to be slower in America, so our two major trading blocs where we do most of our trade have seen a revision of their growth forecasts during the course of that period. Equally of course, as far as

[2] Cm 5664, p182
[3] IFS, *The IFS Green Budget: January 2003*
[4] Ibid p39

> the fiscal forecasts are concerned, there has been a 25% or so decline in the value of equity markets and these two things combined of course make for the revised forecasts that we have put to the House of Commons and then to the country.[5]

Since then, if anything, expectations have worsened. In response, the Federal Reserve, expecting significant uncertainty, had already cut its reserve rate in November. The European Central Bank followed suit in December and the Monetary Policy Committee did likewise in February.[6]

In the most recent ECOFIN meeting of European finance ministers in Brussels, Commissioner Pedro Solbes said:

> It is not wise at this stage to make estimates on the possible impact of geopolitical uncertainties on the economic situation. Overall, our basic economic scenario that predicts some growth acceleration in the second half of the year still holds valid. Our November growth forecast however is clearly optimistic.[7]

Domestic conditions too tend to point towards a less favourable outcome. Quarterly GDP growth in 2002 Q4 was 0.4%, giving an annual rate of growth of 2.1% for the year. This is below trend rate and the composition of what growth there was is of even greater concern.

GDP Growth

Expenditure: annual change, %

	2001	2002			
	Q4	Q1	Q2	Q3	Q4
Household spending	4.1	3.8	4.2	3.9	3.6
Government spending	5.1	5.5	5.0	4.2	2.3
Investment	-5.5	-6.0	-4.5	-4.2	-3.3
Inventories (£billion)	-0.4	0.5	-1.4	-0.6	1.0
Domestic expenditure	2.1	2.5	1.8	2.4	2.8
Exports	-5.2	-6.3	-0.4	1.6	-0.3
Imports	-2.8	-1.6	1.1	3.1	2.2
GDP	1.6	1.0	1.3	2.0	2.1

Source: ONS, UK Output & Expenditure Press Release, February 2002

The current fastest growing element of GDP activity is household expenditure, however, it is also the sector with the greatest fears surrounding it, and it is slowing. Fears exist over the housing market, a predictable driver of household spending, where a price ‘crash’ could have serious implications. Furthermore, much of consumer expenditure has been financed by credit at, currently, attractive rates of interest. At the end of last year, consumer debt was equivalent to 125% of households' disposable income up from 100% in 1997. Recently the Financial Services Authority has said that one in five families faced difficulties with repayments. Financial retrenchment, voluntary or otherwise, would have severe impact on

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5 Oral evidence to Treasury Committee, 17 December 2002, HC 159 iii

6 See page D4

7 Europa database, Brussels 17 February 2003

the economy. The latest survey of consumer confidence, published 28 February indicates that consumer confidence is declining sharply, from a positive balance of +1 in October 2002 to a negative balance of –9 now.

Investment spending continues to decline; the latest figures reveal a rate of decline faster than at any time since 1965. Export growth too is negative. One of the largest positive effects in Q4 over the previous quarter is inventory movement. However, if the build up of inventories was due to producers not anticipating falling exports, rather than building stocks deliberately then future quarter's production figures are likely to be subdued.

Falling Asset Prices

Falling asset prices, property and shares, are directly important for their impact on tax revenues (stamp duties) and indirectly for their impact upon consumer confidence and expenditure. Rising house prices allows individuals to remortgage their properties at the lowest available consumer credit rates and use the funds released to finance other expenditure. Rising share prices support the value of direct or indirect (pension) savings thus generating confidence about current spending patterns and 'permanent income'. Over the past year, the performance of these assets has been mixed. On 28 February 2002, the FTSE 100 stood at 5,101, on 28 February 2003 it stood at 3655.6 a fall of 28%. The contrast with house prices could not be more complete. According to the Halifax/Bank of Scotland[8] house prices in the UK increased by 23.5% over the last year. Although regional differences exist, few commentators expect such a rapid rate of rise to be sustained into 2003. In terms of the background to the Budget, therefore, the uncertainties are:

- Can the equity markets recover? Even if they recover might continuing weakness bring down several financial companies and/or pension funds before they do?
- What will house prices do? Will there be a 'crash' and a return to the negative equity of the 1990s or will they simply mark time, or even carry on growing strongly?

Since there are virtually as many views on these issues as there are analysts it is difficult to summarise opinion, however, a recent *Financial Times* article drew together some of the main threads.[9]

> Falling share prices have increased the risks to economic stability created by the rising burden of household debt, a member of the Bank of England's monetary policy committee told MPs yesterday.
>
> Paul Tucker, one of the two MPC members who voted against a cut in interest rates this month, warned the Treasury select committee that debt was at high levels relative to households' financial wealth and liquid assets, increasing the danger that consumers will cut their borrowing and spending.

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[8] HBOS - Economic View - House Price Index - House Price Calculator
[9] Financial Times, 26 February 2003

> "None of this means there is going to be a sharp correction," Mr Tucker said. "But it does increase the risk of a sharp correction."
>
> Mervyn King, the Bank's deputy governor in charge of monetary policy, who takes over as governor in July, said he voted for a cut in interest rates this month because he thought the risks of encouraging consumers to keep spending and borrowing at unsustainable rates "seemed much less" than it did last year.
>
> Other members of the MPC giving evidence at the same session were less concerned about household debt. Kate Barker, one of the external members who voted for a cut this month, was "not persuaded" that there was a high risk of a sharp fall in consumer borrowing.
>
> "Given the reduced risk of high unemployment, given the reduced risk of high inflation, I am not personally convinced that households are taking on too much mortgage debt for these changed circumstances, and that there is a huge risk of this disorderly correction," she said.
>
> However, there is general agreement on the MPC that the combination of high debts and low share prices will put a brake on consumer spending this year. The National Institute of Economic and Social Research has estimated that households' net financial wealth - assets including pension and insurance funds, minus all debts - peaked at £2,450 bn in 1999 and has since fallen by about £1,000 bn.
>
> According to the Bank's economic model, although the effect of a fall in house prices is initially greater, in the end a fall in share prices has a roughly similar effect. Bank figures from 2000 show that a £1 fall in housing wealth cuts consumer spending by 7p in two years' time, while a £1 fall in financial wealth cuts spending by 6p.
>
> Martin Weale, of NIESR, said: "For nine quarters the Bank of England has been saying that consumer spending will slow: maybe reality is finally catching up with economists." In the past three years, the loss of financial wealth has been offset almost exactly by the rise in housing wealth. But if, as the Bank expects, house prices stop going up, then that support to consumer spending will be kicked away.

Military Action

Hanging over the various layers of current economic uncertainty is the impact of war in the Gulf. War will affect government spending (higher allocations have already been made by the Treasury); raise oil prices and further worsen industrial and consumer confidence. Economic analysis of the impact of war has been undertaken by Oxford Economic Forecasting.

They looked at three scenarios, benign, intermediate and 'worse case'. In the benign case, there is a quick and decisive victory. Iraqi oil is off the market for only a short period, there is no damage to oil producing facilities in Iraq or elsewhere in the region, other OPEC countries increase production to offset the loss of Iraqi oil, there are few adverse political repercussions in the region, and there are no serious terrorist attacks in the U.S. or elsewhere.

In the intermediate and worse cases, there are progressively greater disruptions to oil supply, progressively more adverse political repercussions in the region, and progressively more serious terrorist incidents.

Their econometric conclusions are shown in the table below:

Possible impact on growth of a war in Iraq
GDP Growth percentage point difference from base forecast

	Benign scenario		Intermediate scenario		Worse scenario	
	2003	2004	2003	2004	2003	2004
US	0.2	0.2	-1.2	0.0	-3.1	-1.4
Germany	0.0	0.1	-1.0	-0.1	-2.2	-0.5
Eurozone	0.0	0.1	-1.0	0.3	-2.0	-0.1
Japan	0.0	0.3	-1.5	-0.9	-2.5	-1.0
UK	0.0	0.2	-1.2	0.3	-2.8	-0.3

Source: Oxford Economic Forecasting

The table presents the impacts in terms of the difference made by war, not the predicted growth rate. So in the case of the United States growth is forecast to be 1.2 per cent less in 2003 in the intermediate scenario than in the no war scenario. It is interesting to note that in some circumstances growth improves, there is a positive benefit from higher public expenditure. Furthermore, one must consider the expected response of national governments if the war appears to be closer to the intermediate or worse case scenarios. At a conference where the study was discussed the following conclusions were drawn:

- In both the no-war and benign war cases, oil prices are projected to be lower than today in year one. In both the intermediate and worse case scenarios, oil prices are higher than today for at least the next two years, and significantly higher in the worse case scenario.
- Economic performance is better in the benign war scenario than in the no-war case, because a quick and decisive victory eliminates uncertainty without producing any adverse effects.
- There are, however, serious adverse effects on economic performance in the intermediate and worse case war scenarios, and the worse case results in a global recession. [10]

Clearly, the actual impact on war will depend upon the reaction of the economic authorities in each country. In this respect, the US and the UK have some flexibility with respect to monetary policy, i.e. both could cut interest rates. However, neither Germany nor Japan is in such a clear cut position. Germany would have to depend upon the response of the European Central Bank, which would consider conditions throughout the euro zone. Japan, where interest rates are already practically zero, has no flexibility to cut interest rates at all.

Timothy Edmonds

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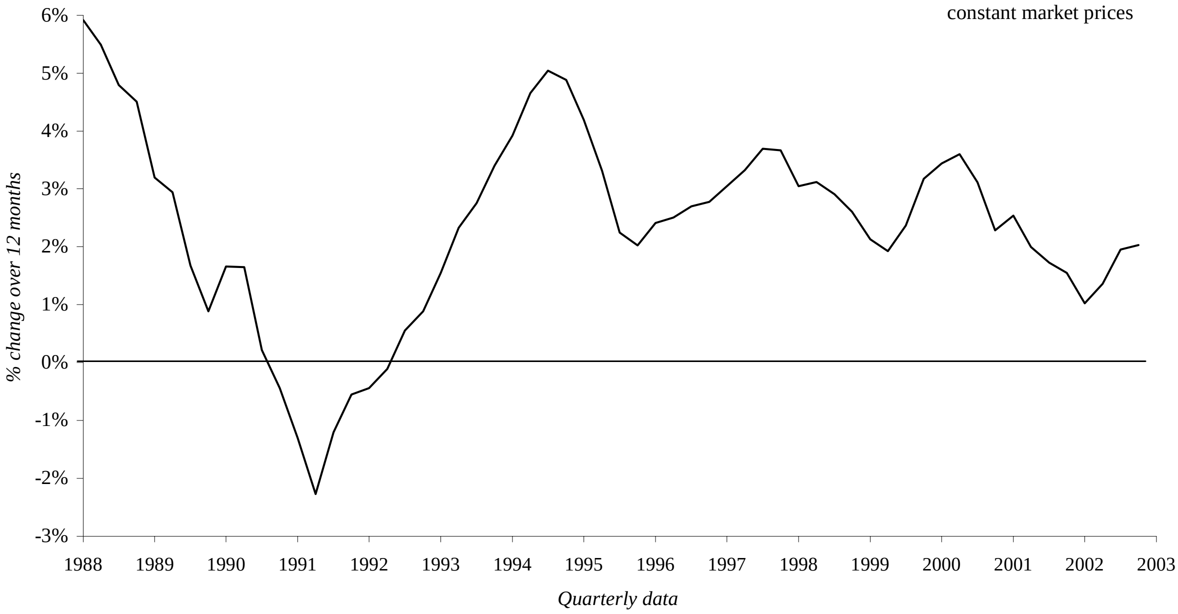
[10] Source: OEF website, & Center for Strategic and International Studies

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*
1999		902.5	5.0%	2.4%
2000		950.4	5.3%	3.1%
2001		990.9	4.3%	2.0%
2002		1037.3	4.7%	1.6%
2001	Q4	251.4	4.2%	1.6%
2002	Q1	255.3	4.2%	1.0%
	Q2	257.3	4.1%	1.3%
	Q3	260.5	5.3%	2.0%
	Q4	264.2	5.1%	2.1%

Source: NS database series YBHA & ABMI

- Gross domestic product (GDP) at 1995 market prices is estimated to have risen by 0.4% in the fourth quarter of 2002, significantly down on growth in the previous quarter. For 2002, the economy is estimated to have grown by 1.6%, marginally higher than that forecast in the November 2002 Pre Budget Report.

- Output in manufacturing is estimated to have fallen compared to the previous quarter. In 2002 Q4 a fall in output is estimated following a Jubilee-influenced rise in Q3. The most significant fall is expected to come from transport equipment industries, due to weak motor vehicle production in Q4.

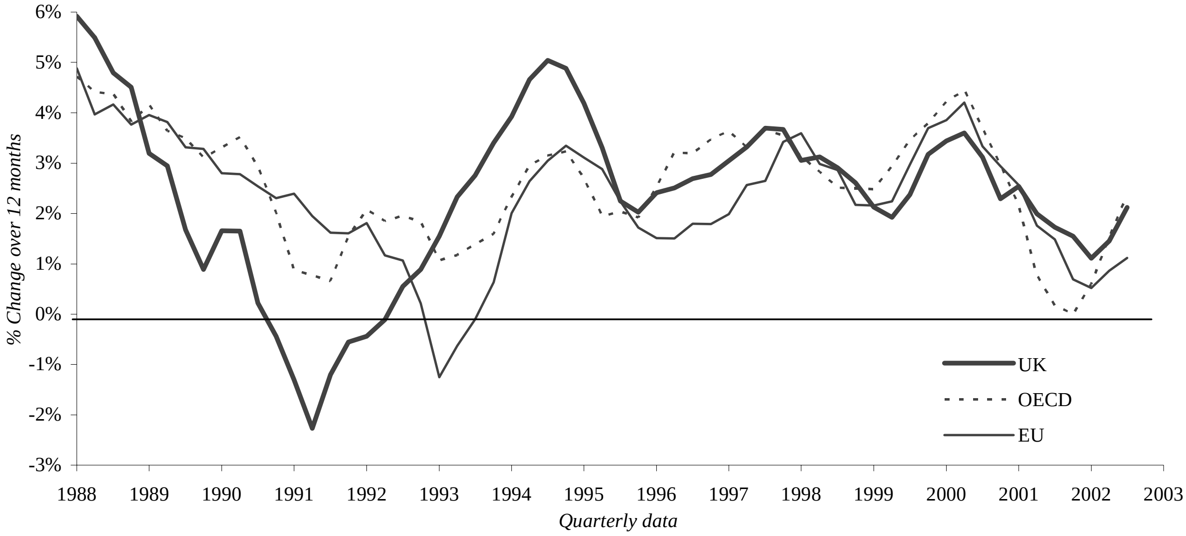
- Services sector output is estimated to have grown by 2.4% over the year to 2002 Q4.

- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 2.2% in 2003 and 2.4% in 2004.

CONTACT Tim Edmonds, x2883

Next update: 27 March 2003

A 2. GDP - International Comparisons



GDP at constant market prices

	% change on year				% change quarter on quarter				
	1998	1999	2000	2001	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4
USA	4.3%	4.1%	3.7%	0.2%	0.7%	1.2%	0.3%	1.0%	0.2%
Japan	-1.0%	0.7%	2.4%	0.3%	-0.5%	0.0%	0.9%	0.8%	n/a
Canada	4.2%	5.3%	3.5%	1.1%	0.3%	1.3%	1.0%	0.8%	n/a
United Kingdom	2.9%	2.4%	3.1%	1.9%	0.3%	0.3%	0.6%	1.0%	0.3%
Germany	2.0%	2.0%	2.8%	0.6%	-0.4%	0.4%	0.1%	0.3%	n/a
France	3.5%	3.3%	4.0%	1.9%	-0.3%	0.5%	0.4%	0.3%	n/a
Italy	1.8%	1.6%	2.8%	1.8%	-0.1%	0.1%	0.2%	0.3%	n/a
Euro zone	3.0%	2.8%	3.5%	1.6%	-0.1%	0.3%	0.4%	0.4%	n/a
G7	2.7%	3.0%	3.4%	0.7%	0.3%	0.8%	0.4%	0.8%	n/a
OECD	2.7%	3.2%	3.8%	0.8%	0.3%	0.8%	0.6%	0.8%	n/a

Source: OECD, Main Economic Indicators, February 2003

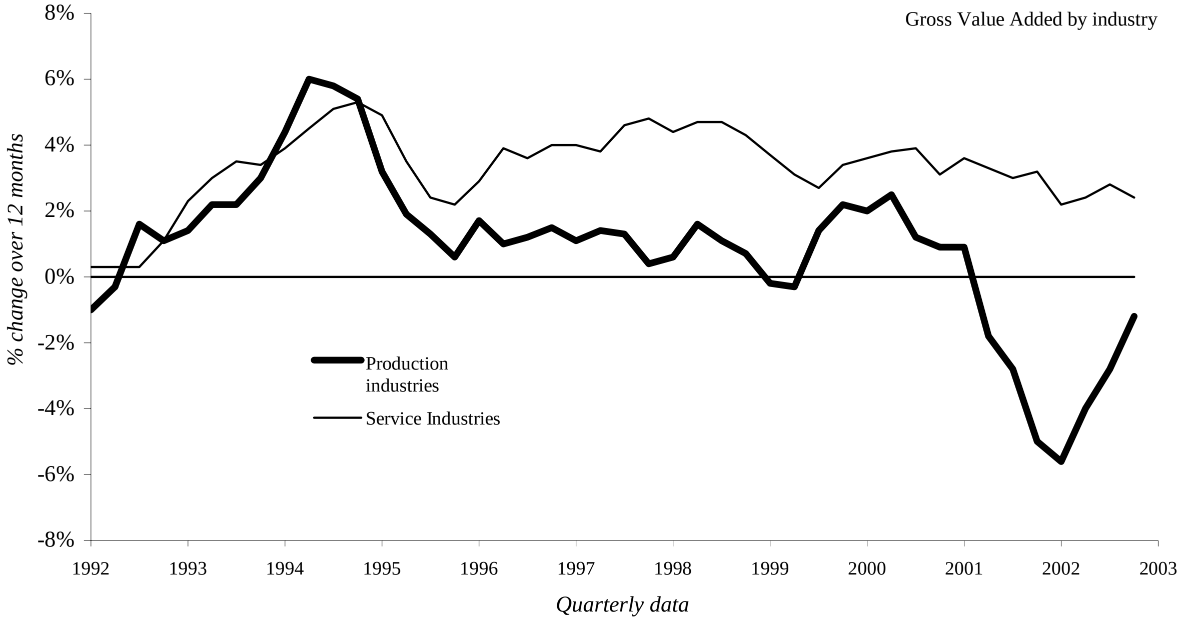
- The latest data suggest that the world economic slowdown is far from over with the recovery of growth in 2002 Q3 in the US and UK not persisting in the final quarter of the year.

- Forecast growth in the euro zone has been described in the latest Commission document as ‘optimistic’. Annual growth to the third quarter of 2002 in the euro-zone was just 0.4%, and in Germany just 0.3%. The main threats to the international economic system include falling equity prices and reduced investment plans because of fears over war in Iraq.

- 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-March*

A 3. Gross Domestic Product by Industry



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

	Production industries				
	Total	Manufac-turing	Services	Agriculture, hunting & fishing	Construction
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%	3.3%	-10.4%	3.6%
2002	-3.5%	-4.0%	2.5%	3.6%	7.3%
2001 Q4	-5.0%	-6.1%	3.2%	-6.8%	6.3%
2002 Q1	-5.6%	-6.4%	2.2%	2.6%	7.2%
Q2	-4.0%	-5.0%	2.4%	4.2%	7.0%
Q3	-2.8%	-2.8%	2.8%	5.7%	7.8%
Q4	-1.2%	-1.5%	2.4%	2.1%	7.1%

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

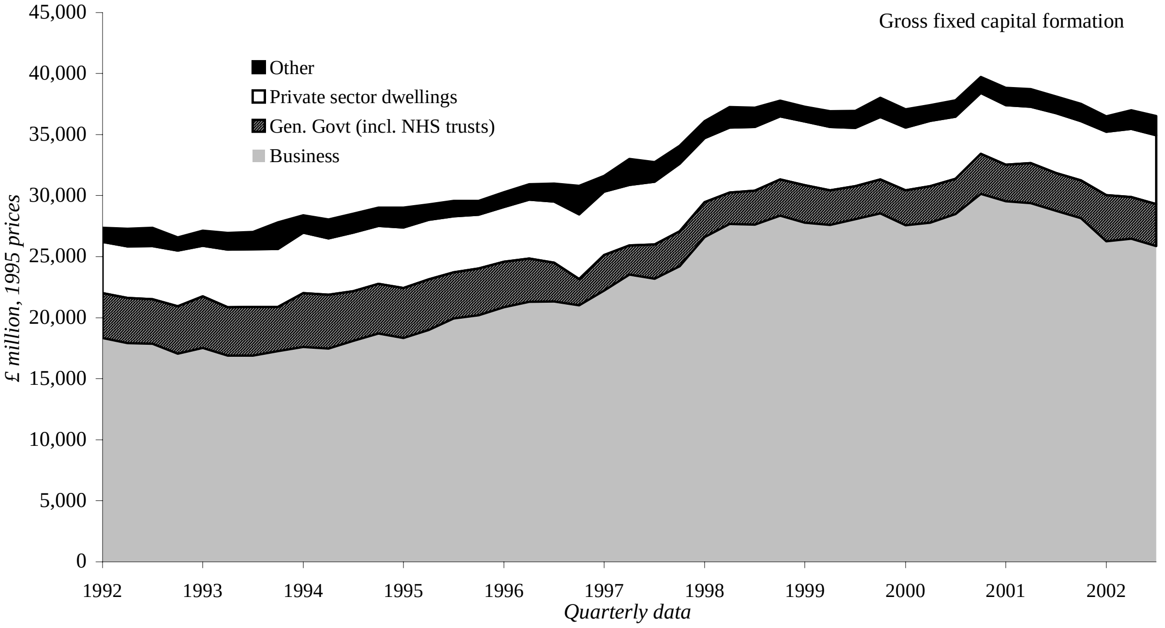
- Since 1999 output has grown faster in the service sector than in production industries and is currently growing at an annual rate of around 2.5%. Between the third and fourth quarters of 2002, output in the service sector rose by 0.5%.

- Manufacturing output fell by 0.9% between the third and fourth quarters of 2002 and fell by 4.0% in 2002.

- 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: 11 March*

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		14,635	72,405	40,563	21,035	4,522	153,160
2001	Q3	3,656	18,077	9,923	5,328	1,125	38,109
	Q4	3,707	17,331	9,966	5,341	1,171	37,516
2002	Q1	3,642	16,503	9,757	5,555	1,137	36,594
	Q2	3,620	16,725	9,518	5,761	1,148	36,772
	Q3	3,881	15,792	9,760	5,793	1,215	36,441

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

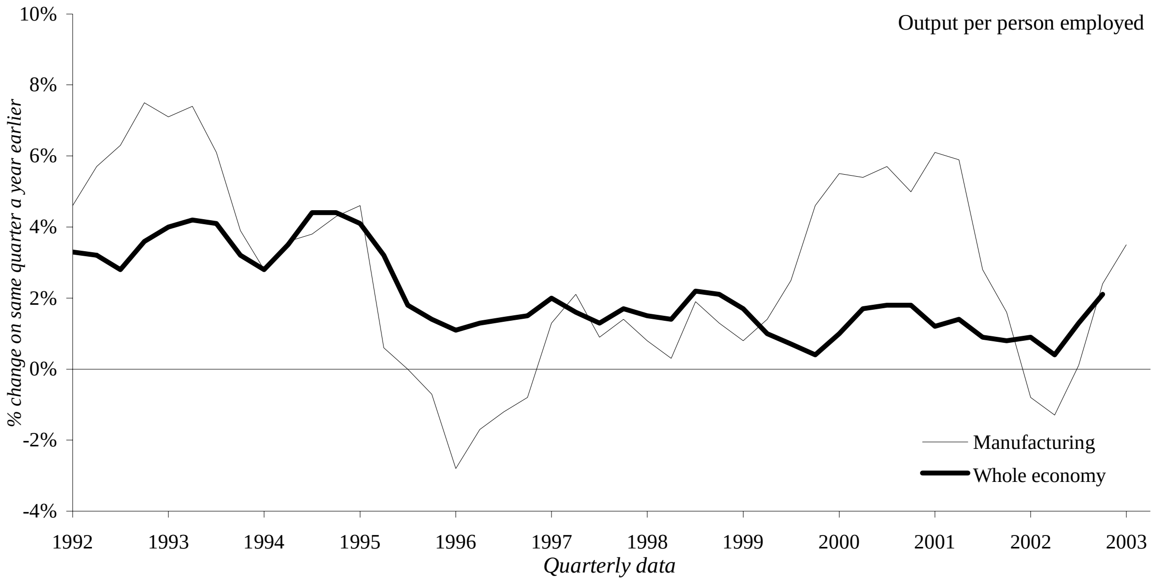
Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations (other than NHS trusts) on transport equipment, other machinery and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

- Total business investment (seasonally adjusted) fell by 1.1% in the fourth quarter of 2002 in real terms compared with the previous quarter and is now about 10% below its 1999 level.

- Manufacturing investment fell by 7.9% over the fourth quarter and service sector investment fell by 0.4%.

CONTACT Tim Edmonds, x2883 *Next update: 27March*

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	-0.3	1.0	3.3	1.5	1.8
1999		0.3	-3.2	3.5	2.2	1.3	0.8
2000		2.0	-3.4	5.6	3.1	1.4	1.6
2001		-2.4	-4.5	2.3	1.7	0.7	0.9
2002		-4.0	-5.1	1.1	n/a	n/a	n/a
2001	Q4	-6.1	-5.4	-0.8	1.2	0.4	0.9
2002	Q1	-6.4	-5.2	-1.3	0.6	0.4	0.4
	Q2	-5.0	-5.2	0.1	1.0	-0.1	1.3
	Q3	-2.8	-5.0	2.4	1.5	-0.3	2.1
	Q4	-1.5	-4.8	3.5	1.7	n/a	n/a

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 0.9% in 2001 compared to 1.6% in 2000 and 0.8% in 1999.

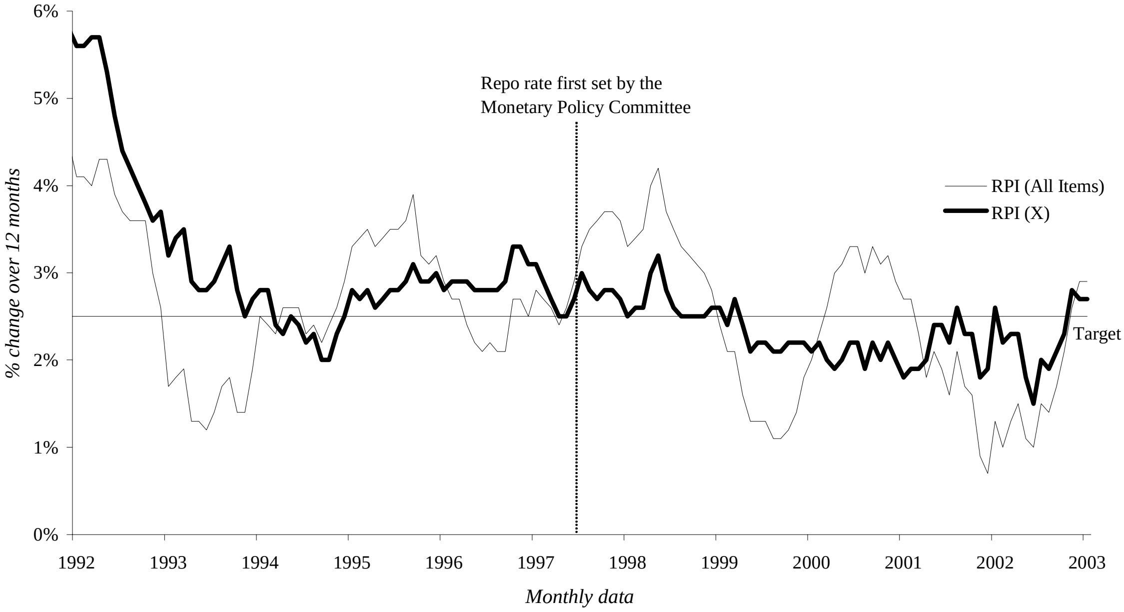
- Manufacturing output fell by 4% in 2002 and employment in manufacturing fell by 5% in 2002 while manufacturing output per head rose by 1.1%.

- Productivity growth in manufacturing rose from 2.4% per annum in 2002 Q3 to 3.5% in 2002 Q4 while whole economy productivity growth rose from 1.3% per annum in 2002 Q2 to 2.1% per annum in 2002 Q3.

- For the economy as a whole, productivity growth has averaged 1.1% per annum over the last eight quarters.

CONTACT Grahame Allen, x4324 *Next update: Late March*

B 1. Retail Prices Index



Retail Prices Index
% change on previous year

		RPI All Items	RPI (X) Excluding mortgage interest
1999		1.5	2.3
2000		3.0	2.1
2001		1.8	2.1
2002		1.7	2.2
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
	November	2.6	2.8
	December	2.9	2.7
2003	January	2.9	2.7

Source: NS database (series CZBH, CDKQ)

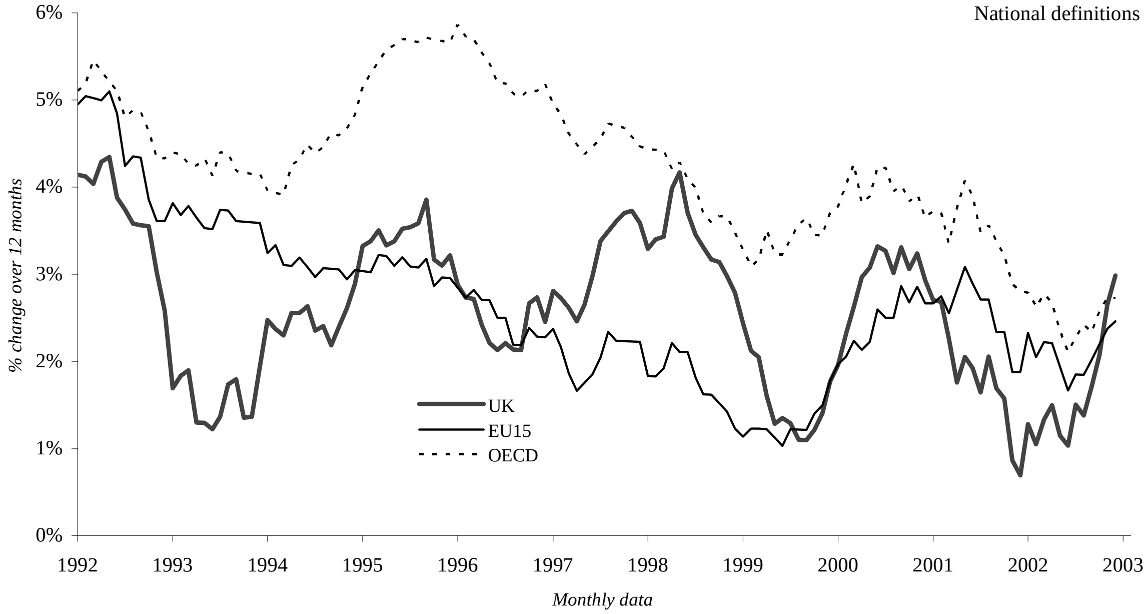
The current inflation target is 2.5%: if RPI (X) diverges from this target by more than 1 percentage point, the Governor of the Bank of England is required to send a letter to the Chancellor explaining the reasons for the divergence.

- The average annual increase in headline inflation (RPI) for 2002 was 1.7%, down from 1.8% in 2001. The annual average increase in underlying inflation (RPI(X)) was 2.2%, up from 2.1% in 2001.
- In the year to January 2003 the headline rate of inflation remained at 2.9% as in December. The underlying rate of inflation was similarly stable, at 2.7%.
- The biggest upward effect on the headline rate in January came from clothing and footwear, following earlier than usual winter sales. The second largest upward effect was motoring expenditure (fuel and insurance), with a small upward effect from housing costs.
- The largest downward pressures arose from food and fuel and light- gas prices did not change, compared to rises last year.

CONTACT Patsy Richards, x4904

Next update: 18 March

B 2. Prices - International Comparisons



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

		USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
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	4.0	2.5
2001		2.8	-0.7	2.5	1.8	2.5	1.6	2.8	3.5	2.5
2002		1.5	-1.0	2.2	1.6	1.3	1.9	2.5	2.5	2.1
2002	July	1.5	-0.8	2.1	1.5	1.0	1.6	2.2	2.3	1.8
	August	1.8	-0.9	2.6	1.4	1.1	1.8	2.4	2.4	1.8
	September	1.5	-0.7	2.3	1.7	1.0	1.8	2.6	2.3	2.0
	October	2.1	-0.9	3.2	2.1	1.3	1.9	2.7	2.6	2.2
	November	2.2	-0.4	4.3	2.7	1.1	2.2	2.8	2.7	2.4
	December	2.3	-0.3	3.8	3.0	1.1	2.3	2.8	2.7	2.5

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.

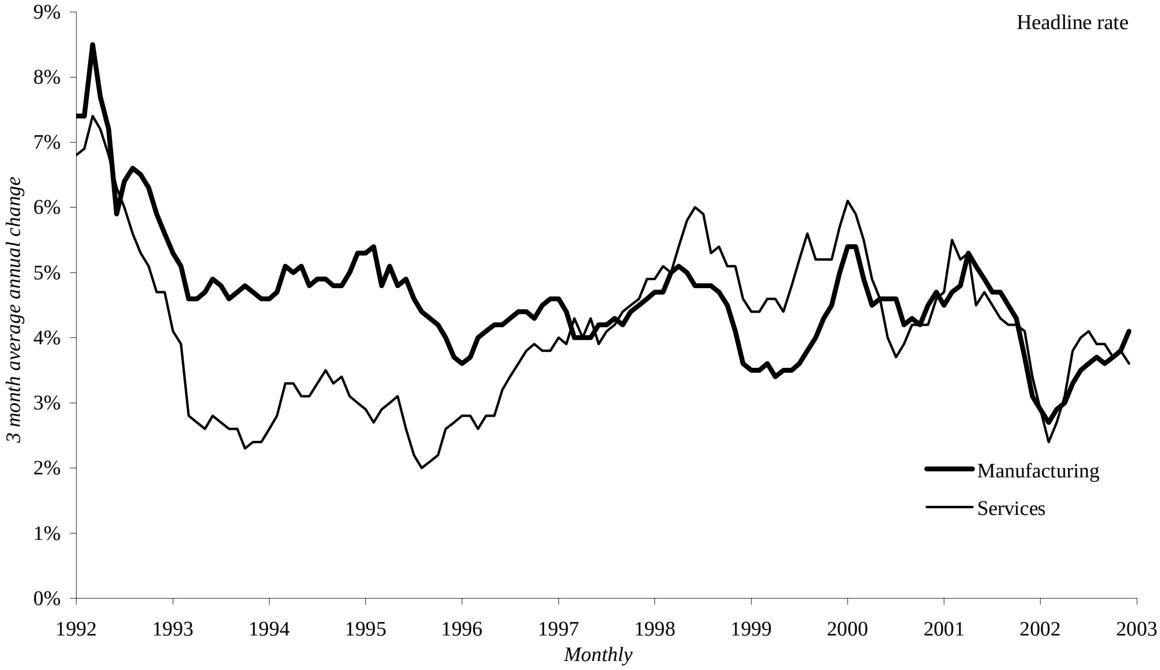
- In January 2003 the provisional annual inflation rate (harmonised basis) for the twelve eurozone countries was 2.2%, a fall from 2.3% in December and compared to 2.0% a year earlier.

- The inflation rates for the Member States not in the eurozone were (on a harmonised basis) Denmark: 2.6%, Sweden and the UK both 1.7%.

- In January 2003 the eurozone states with the highest annual inflation rates were, on a harmonised basis, Ireland (4.6%), Spain and Portugal (both 4.0%). The lowest rates were in Germany (1.1%) and Belgium (1.3%).

CONTACT Patsy Richards, x4904 *Next update: March*

B 3. Average Earnings Index



Average Earnings, Great Britain
seasonally adjusted

		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1998	Dec	4.5	4.8	3.6
1999	Dec	5.5	5.9	3.9
2000	Dec	4.5	4.7	3.9
2001	Dec	3.4	3.1	5.1
2002	Jan	3.0	2.6	4.8
	Feb	2.6	2.2	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
	Oct	3.7	3.6	3.7
	Nov	3.8	3.7	4.3
	Dec	3.7	3.5	4.6

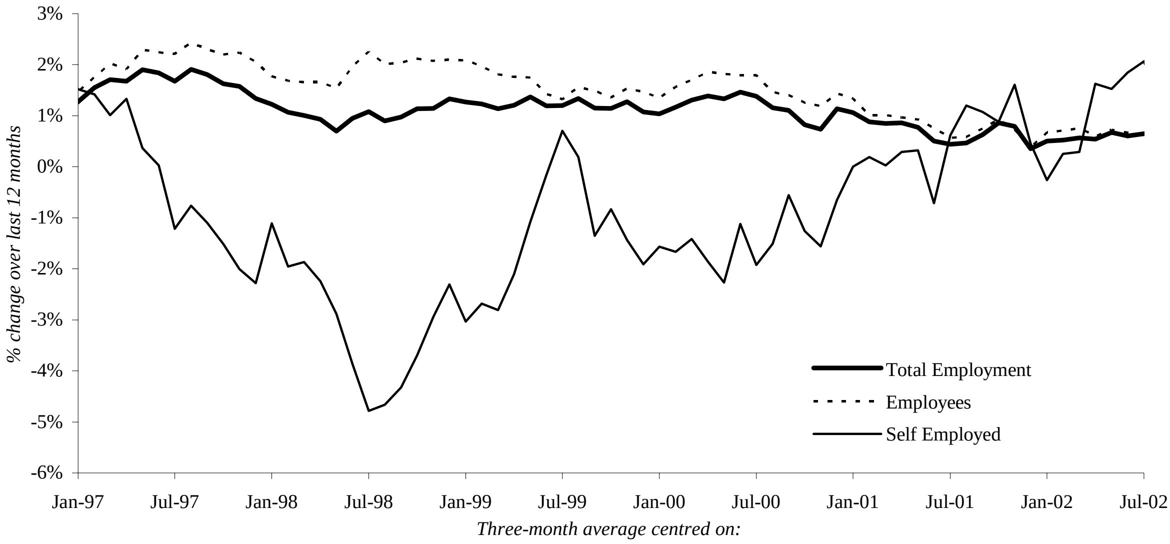
Source: NS database Series LNNC, LNND, LNNE

- Headline average earnings growth in manufacturing increased to 4.1% in December from 3.8% in November while earnings growth in the service sector fell to 3.6% compared with 3.8% in November.
- December's headline rate of earnings growth for the whole economy, 3.7%, 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 December was 3.7%, a slight deccrease on November's figure of 3.8%.
- Headline earnings growth in the private sector was 3.5 % in December compared to 4.6% in the public sector.
- Earnings are currently growing more quickly than a year ago (the headline rate in December 2001 was 3.4%).

CONTACT Dominic Webb, x2464

Next update: 19 March

C 1. Employment



Employment structure in the UK
000s; seasonally adjusted

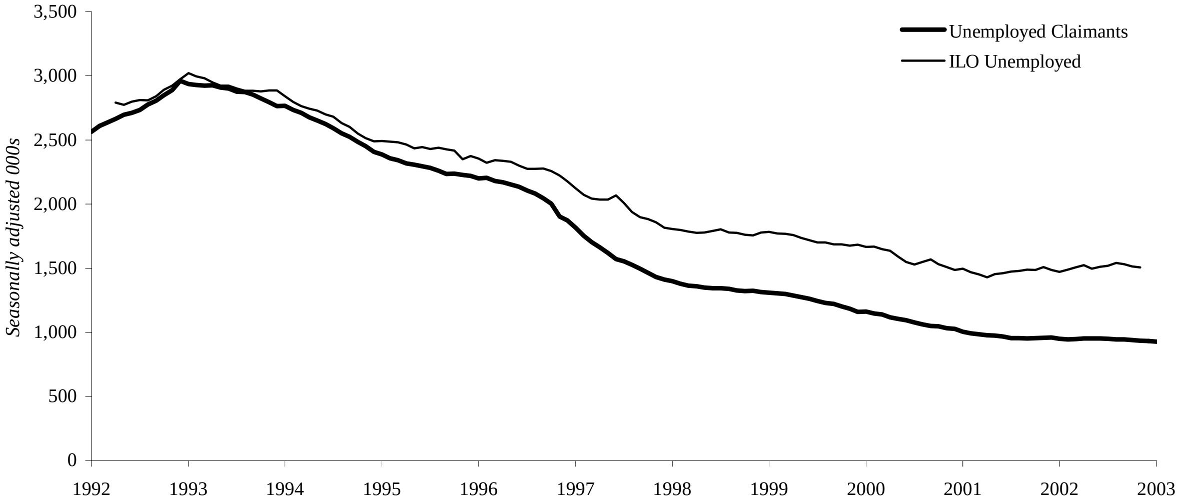
Three month average centred on		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1998	Nov	26,799	23,427	3,136	95	142
1999	Nov	27,142	23,786	3,091	102	163
2000	Nov	27,342	24,070	3,043	99	130
2001	Nov	27,559	24,245	3,092	103	118
2002	Feb	27,576	24,279	3,089	97	110
2002	May	27,698	24,380	3,121	97	100
2002	Aug	27,662	24,328	3,145	91	98
2002	Nov	27,812	24,472	3,154	91	94
Changes:						
Last three months		*0.5%*	*0.6%*	*0.3%*	*0.2%*	*-3.9%*
Last year		*0.9%*	*0.9%*	*2.0%*	*-11.5%*	*-20.1%*

Source: National Statistics First Release Labour Market Statistics 12 February 2003

- Total employment was 27.8 million in the period October to December 2002, 0.9% higher than a year previously. The working age employment rate of 74.6% was 0.3% higher than the previous quarter and 0.3% higher than a year earlier.
- The number of workforce jobs fell by 27,000 between June and September and was 25,000 higher than a year previously. Over the year to September, production industry workforce jobs fell by 174,000. Service sector jobs rose by 225,000 and other industries fell by 25,000.
- 7.1 million people were in part time employment in the period October to December, of whom 5.6 million were women. Some 3.2 million people were self employed.

CONTACT Dominic Webb, x2464 *Next update: 19 March*

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
	Oct - Dec	1,506	5.1

Source: Labour Force Survey (NS)

ILO data before April 1992 are interpolated from spring quarter each year. Since April 1998, National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS). This data has been revised to take account of the 2001 Census results.

- The latest LFS estimates show that over the period October to December 2002, the level of ILO unemployment in the UK was 1,506,000. This was a decrease of 35,000 from the July to September 2002 period. Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 4,000 between December 2002 and January 2003 to 929,000.

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

- 909,000 people had joined the scheme by the end of December 2002. Of those leaving the scheme 414,000 had moved into jobs up to the end of December, of which 326,000 (79%) were 'sustained', i.e. those who had not returned to claim Jobseekers' Allowance (JSA) within three months of starting employment.

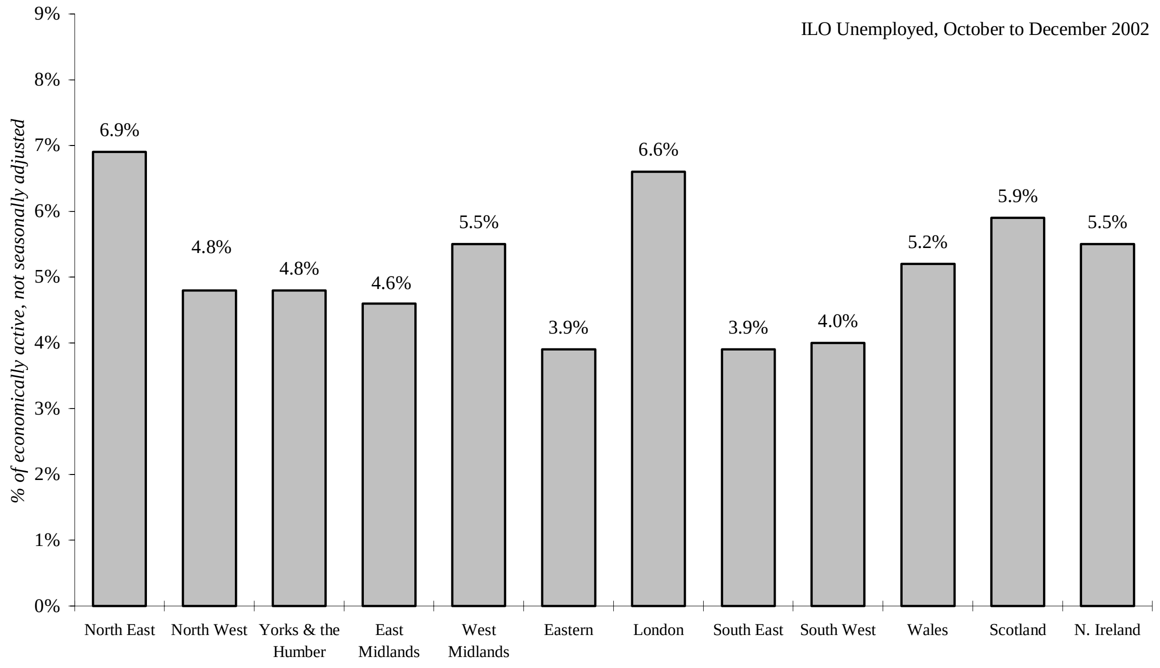
The enhanced New Deal for the Long-Term Unemployed started in April 2001.

- By the end of December 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. 208,000 people had started on the enhanced scheme. Of these, 59,000 people had entered jobs of which 46,000 (78%) were sustained.

CONTACT Alex Adcock, x3793

Next update: 19 March

C 3. Unemployment: Regional



ILO Unemployment, October to December 2002
change on same period in previous year
not seasonally adjusted

	000s	%
North East	3	4%
North West & Merseyside	-12	-7%
Yorkshire & the Humber	-1	-1%
East Midlands	6	6%
West Midlands	3	2%
Eastern	4	4%
London	-28	-10%
South East	26	18%
South West	14	16%
Wales	-6	-8%
Scotland	-13	-8%
Northern Ireland*	-1	-2%

Sources:
*National Statistics; *DETI statistics Research Branch*
12 February 2003

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.

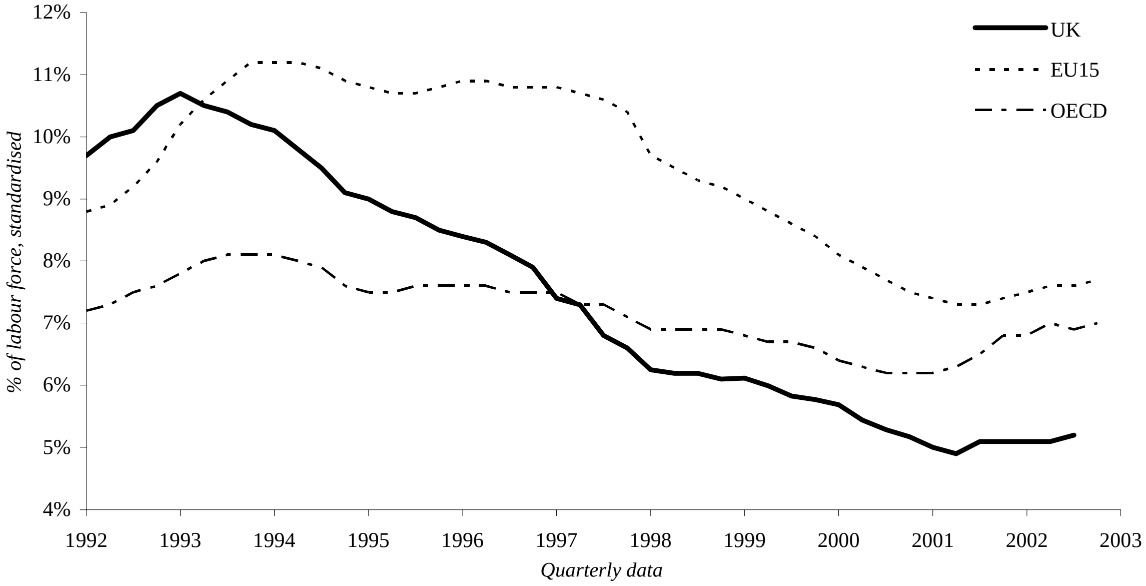
- A comparison of the period October to December 2002 with the same period a year earlier shows that the largest fall in unemployment occurred in London and where it fell 10%. The South East experienced the largest rise (18%) in unemployment over the same period.

- Over this period the North East region had the highest unemployment rate, 6.9% of the economically active population. The lowest rate over the same period was 3.9% in the South East and Eastern regions.

CONTACT Alex Adcock, x3793

Next update: 19 March

C 4. Unemployment - International Comparisons



Unemployed as % of labour force
standardised; seasonally adjusted

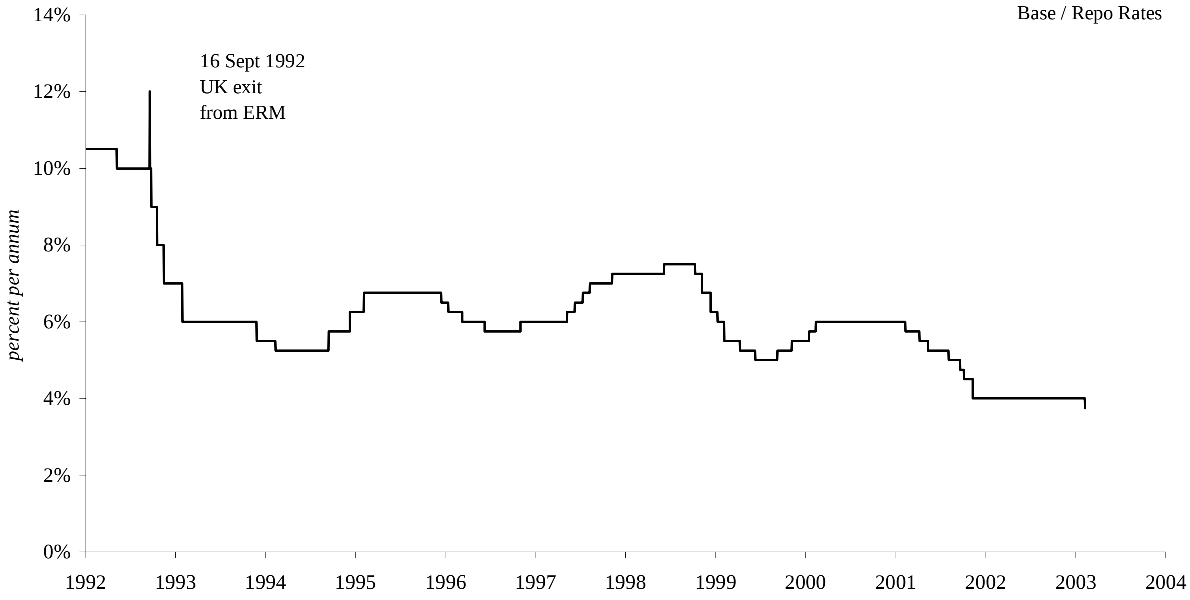
	1999	2000	2001	2002	2001 Q4	2001 Q1	2002 Q2	2002 Q3	2002 Q4
USA	4.2	4.0	4.8	5.8	5.6	5.6	5.9	5.7	5.9
Japan	4.7	4.7	5.0	5.4	5.4	5.3	5.3	5.4	5.4
Canada	7.6	6.8	7.2	7.7	7.7	7.8	7.6	7.6	7.6
UK	5.9	5.4	5.0	n/a	5.1	5.1	5.1	5.2	n/a
Germany	8.4	7.7	7.7	8.2	7.9	8.0	8.2	8.3	8.4
France	10.7	9.3	8.5	8.7	8.5	8.6	8.7	8.8	8.8
Italy	11.3	10.4	9.4	n/a	9.2	9.0	9.0	9.0	n/a
Euro zone	9.4	8.5	8.0	8.3	8.0	8.1	8.2	8.3	8.5
G7	6.1	5.7	5.9	6.5	6.4	6.3	6.5	6.5	6.5
OECD	6.7	6.3	6.5	6.9	6.8	6.8	7.0	6.9	7.0

n/a: not yet available
Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate for 2001 was 5.0%, significantly below the Euro-zone (8.0%) average and below the G7 and OECD rates (5.9% and 6.5% respectively).
- Between Q2 2002 and Q3 2002 the unemployment rate rose or remained the same in all G7 countries except USA where it fell 0.2 of a percentage point. The unemployment rate in all the G7 nations together did not change.
- 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: March*

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
2003	Feb 6	3.75

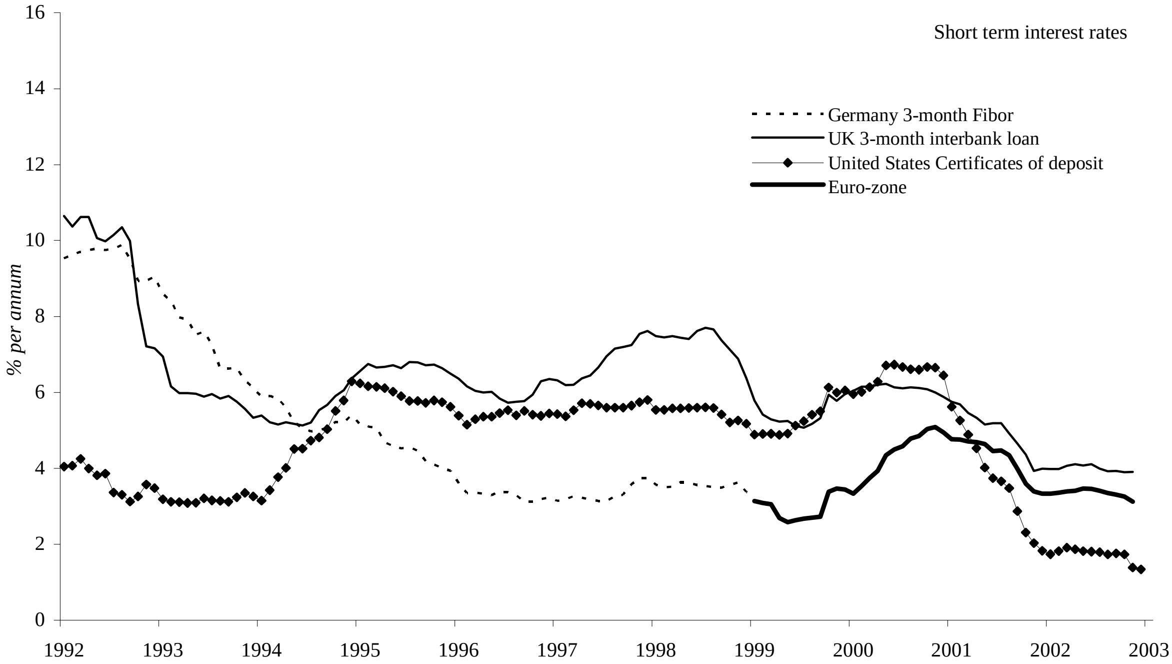
Source:Bank of England

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 2003 was the first interest rate cut since November 2001. The ½ percentage point cuts in November and December 1998, February 1999 and November 2001 were the largest changes in rates yet made by the MPC.
- The latest Bank Inflation Report forecasts that inflation is likely to remain above the target rate throughout 2003.
- In its February meeting, the MPC felt that the short-term risks to the economy were finely balanced although they agreed that the outlook for the world economy was weaker.
- Over the longer term the MPC felt that output and demand would be lower which would require pre-emptive action now to keep inflation close to target.
- The MPC next meets on 5 March. It is expected that the minutes will be published on 19 March 2003.

CONTACT Grahame Allen, x4324 *Next update 6 March*

D 2. Interest Rates - International Comparisons



The main developments on the international stage has been the action of the main Central Banks in cutting their official rates and the negative effects on economic activity stemming from the high degree of worldwide uncertainty.

- The US Federal Reserve cut the US Federal Funds Rate by ½% eight times during 2001. A further cut of ½% was announced on 6 November 2002.
- The Monetary Policy Committee (MPC) responded by reducing the UK Repo rate by ¼% six times and ½% once during 2001. The latest cut of ¼% was announced on 6 February 2003.
- The ECB did not follow the lead of the Fed or the MPC on a like for like basis, as might have been expected. They reduced the minimum lending rate four times during 2001, by ¼% in May and August and twice by ½% in September and November. On 6 December 2002 they reduced the rate by a further ½%.
- A further cut by the ECB seams likely in the short-term due to demand and output growth in the euro-zone remaining subdued.

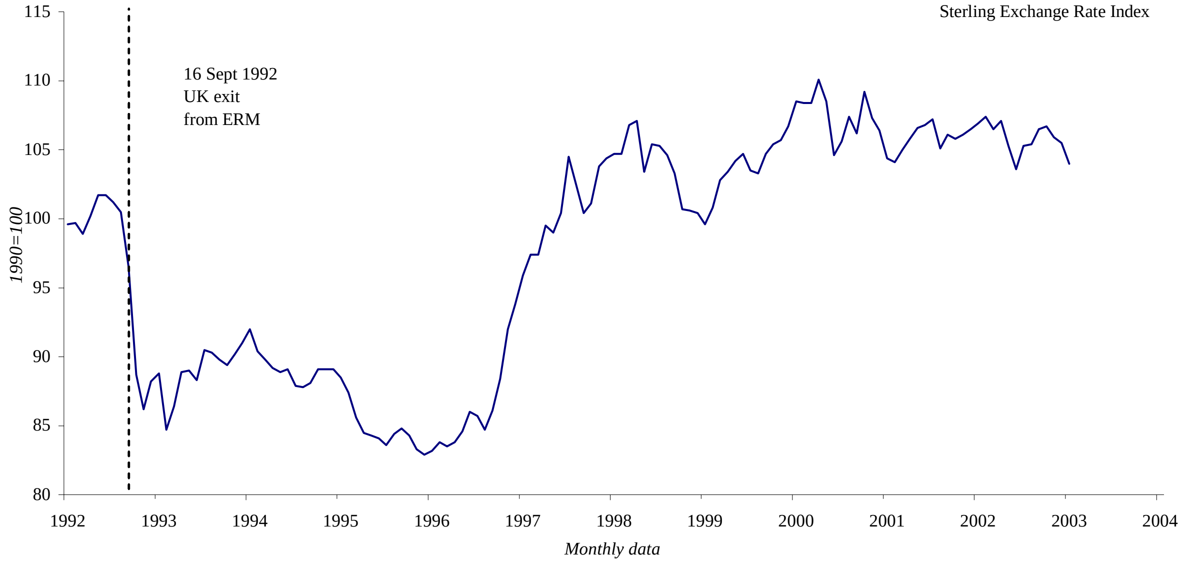
International Interest Rates (% p.a.)
As at 28 February 2003

	Official rate	Yield on 10 yr Government bonds	3-month rate
United Kingdom	3.75	4.18	$3\ ^{19}/_{32}$
United States	1.25	3.68	$1\ ^{9}/_{32}$
Switzerland	0.75-1.75	2.18	$^{1}/_{2}$
Japan	-0.01	0.78	$^{1}/_{32}$
Euro-zone	2.75	..	$2\ ^{15}/_{32}$

Source: Financial Times, 3 March 2003

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

D 3. Exchange Rates



Sterling Exchange Rates

		US$		Yen		ECU/Euro	
		Rate	% change on year	Rate	% change on year	Rate	% change on year
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%
2002		1.504	4.4%	187.9	7.5%	1.591	-1.1%
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%
	November	1.572	9.5%	191.0	8.7%	1.569	-2.9%
	December	1.586	10.1%	193.4	5.3%	1.557	-3.6%
2003	January	1.617	13.6%	192.1	1.1%	1.522	-6.2%

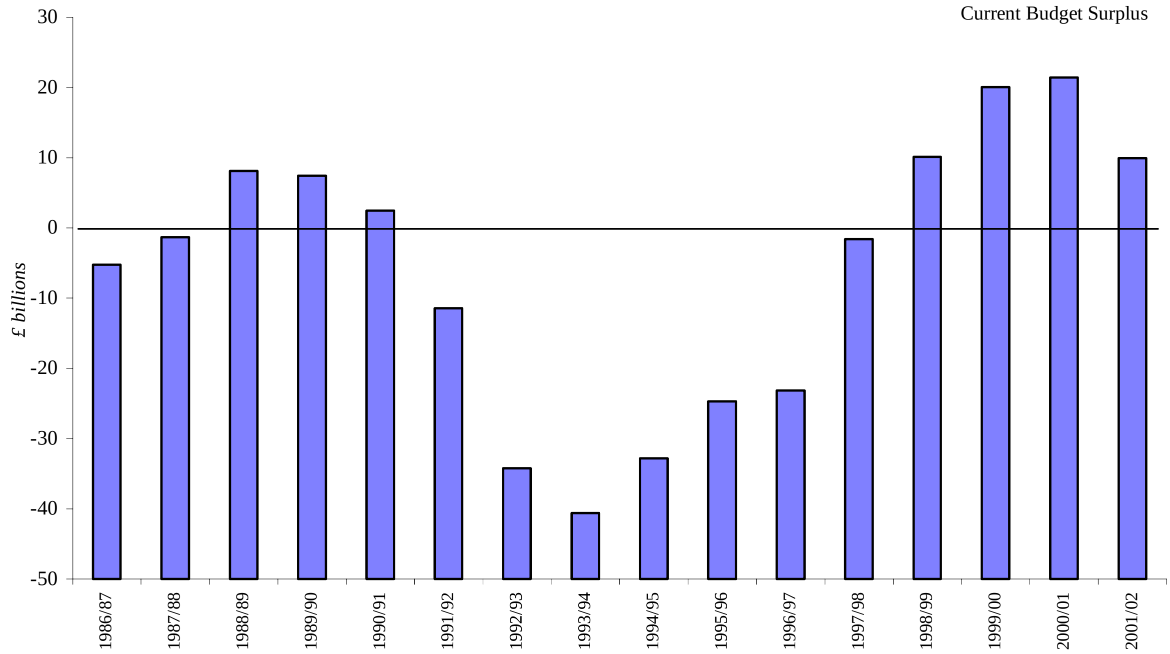
Source: ONS database series AJFA, AJFO, AJHX, THAP

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 decreased by 1.5 points in January 2003 suggesting that the UK was relatively more competitive at the end of January than at the beginning of the year.
- The pound was worth euro 1.4620 at the London market close on 28 February 2003, 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 March*

D 4. Public Finances



Public Sector Net Debt

	Public Sector Net Debt	
	£ billion	as a % of GDP
1998/99	348.5	40.1%
1999/00	340.9	37.3%
2000/01	306.8	31.9%
2001/02	311.4	31.1%
2001 Q3	308.1	31.4%
2001 Q4	318.7	32.2%
2002 Q1	311.4	31.1%
2002 Q2	318.2	31.5%
2002 Q3	320.3	31.3%

Source: NS Database Series AMNU, RUTN &YBHA

The Treasury aim to balance, i.e. surpluses in one year to match deficits in another, the current budget over the span of the economic cycle. The graph shows the last two completed cycles, 1986Q2 to mid 1997 and mid 1997 to mid 1999. Data for 2002/03 and subsequent years are projections based on the Pre-Budget Report.

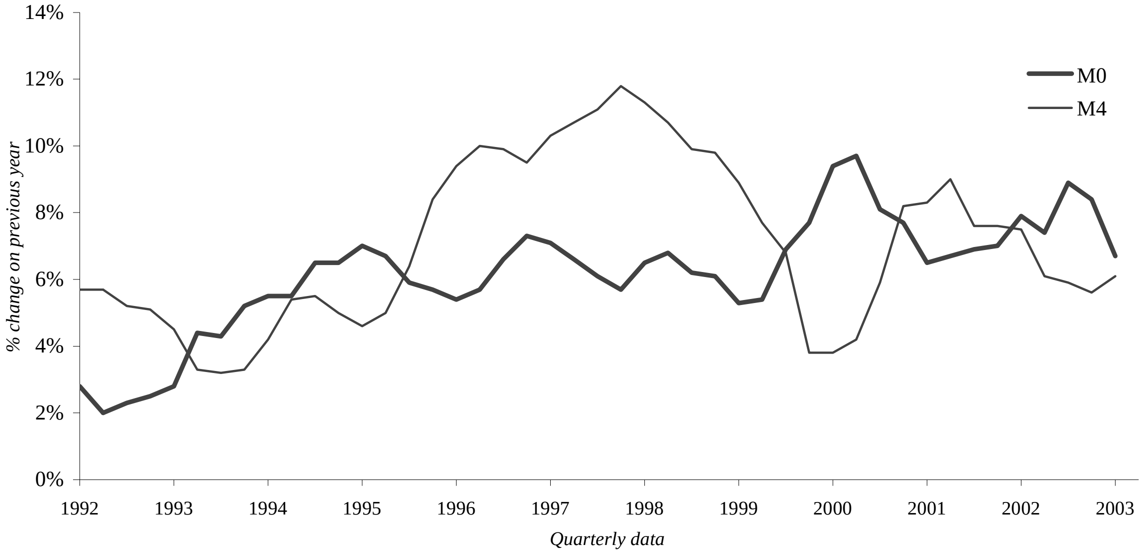
- The surplus on the current budget was a negative £4.8 billion in the fourth quarter of 2002 compared to £1.1 billion in the same quarter of the previous year.

The Treasury aims to keep public sector net debt below 40% of GDP. In the table the quarterly GDP figures show net debt as a percentage of the current period and the preceding three quarters.

- The public sector net cash requirement (the new aggregate replacing the PSBR) was £15 billion in the fourth quarter of 2002 compared to £9.5 billion in the same quarter of the previous year.

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

D 5. Money Supply



Money stock
seasonally adjusted

		M0		M4	
		3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
2002	January	13.5	8.4	2.3	6.0
	February	6.2	7.1	4.7	6.5
	March	4.5	7.1	5.3	5.7
	April	4.7	8.0	4.8	5.8
	May	10.9	9.2	3.8	5.8
	June	13.4	9.6	7.3	5.9
	July	8.3	8.5	6.9	5.8
	August	6.0	8.4	8.3	5.8
	September	2.9	8.1	7.7	5.5
	October	6.2	8.2	8.4	5.6
	November	3.7	6.7	7.3	6.0
	December	1.5	5.5	8.1	7.1
2003	January	1.4	5.1	5.7	6.5

Source: Bank of England

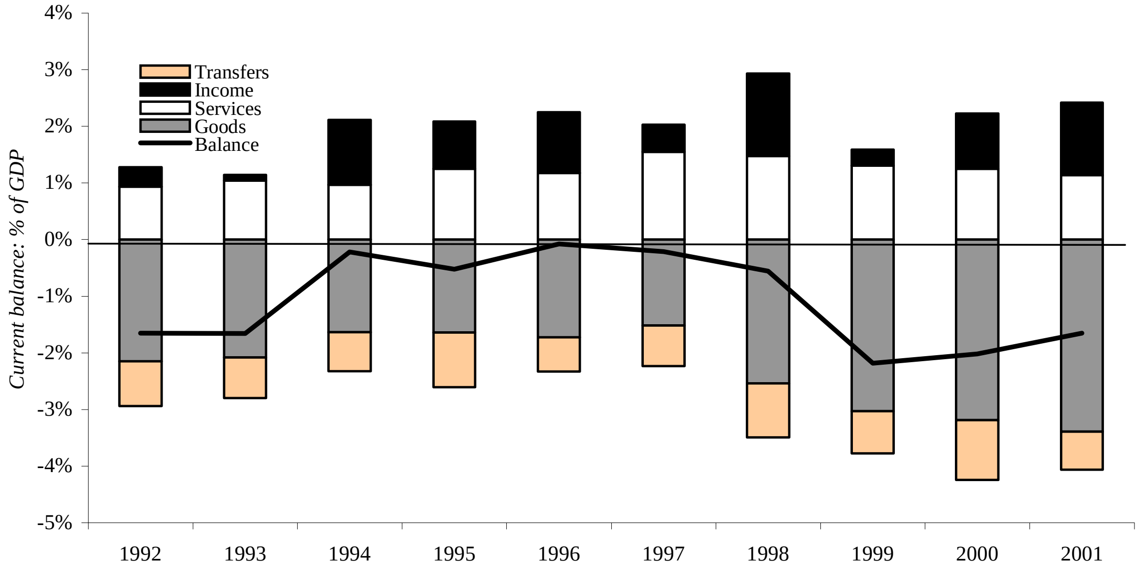
M0 comprises notes and coins in circulation outside the Bank of England *plus* bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 6.5% in the 12 months to January 2003. The 12-month seasonally adjusted M0 growth rate was 5.1% in January 2003, compared to 5.5% in December 2002.

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

CONTACT Ian Townsend, x3977 *Next update: 31 March*

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
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		-33,609	11,300	-22,309	12,614	-2,600	-4,076	-6,676	-16,371
2002		-34,312	14,940	-19,372	n/a	n/a	n/a	n/a	n/a
2001	Q4	-8,573	3,243	-5,330	1,776	-1,050	-986	-2,036	-5,590
2002	Q1	-8,212	2,971	-5,241	4,738	-1,032	-1,399	-2,431	-2,637
	Q2	-6,534	2,848	-3,686	2,624	-1,448	-1,237	-2,685	-3,604
	Q3	-8,824	3,970	-4,854	4,576	-1,658	-221	-1,879	-2,188
	Q4	-10,742	5,151	-5,591	n/a	n/a	n/a	n/a	n/a

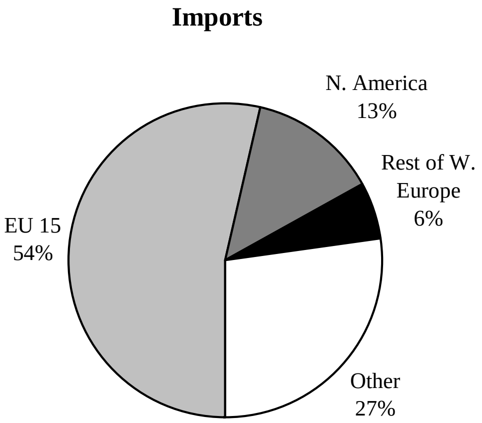
Source: National Statistics database

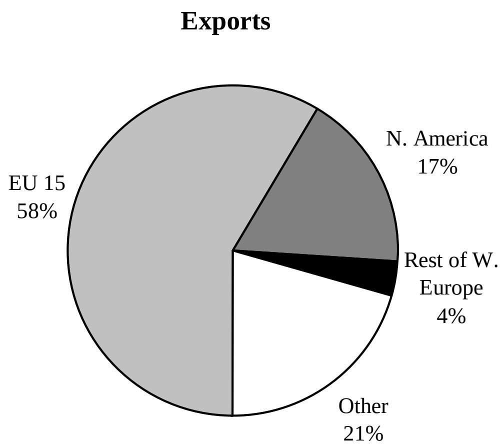
- The current account deficit for 2001 has been revised to £16.4 billion (compared to £21.1 billion published in September) following new annual benchmark data on foreign direct investment and trade in services. This compares to a £19.2 billion deficit in 2000.
- A deficit of £2.2 billion was recorded in Q3 2002, compared to a revised £3.6 billion deficit in Q2. The decrease was due to higher trade in services and investment income surpluses and a reduced current transfers deficit, although a higher deficit on trade in goods partly offset this.
- The surplus on trade in services was a record £3.8 billion in Q3 2002, £1.0 billion up from £2.8 billion in Q2 2002. Increases in exports of insurance and other business services mainly accounted for this, but the deficit on travel services reached a record £3.7 billion in Q3.

CONTACT Patsy Richards x4904 | *Next update: 27 March*

E 2. Trade in Goods

Shares of trade in goods by area: 2002
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
1999		123.3	141.2	166,166	193,538	-27,372
2000		137.5	158.3	187,936	218,262	-30,326
2001		139.4	163.3	190,050	223,659	-33,609
2002		136.5	164.8	185,684	219,996	-34,312
2001	Q4	135.0	161.8	45,495	54,068	-8,573
2002	Q1	135.3	163.5	45,953	54,165	-8,212
	Q2	142.7	166.1	49,181	55,715	-6,534
	Q3	137.8	165.0	46,538	55,362	-8,824
	Q4	130.2	164.7	44,012	54,754	-10,742

Source: National Statistics Database

- The goods trade deficit for the year 2002 as a whole is provisionally estimated as a record £34.3 billion, compared to a £33.6 billion deficit in 2001.

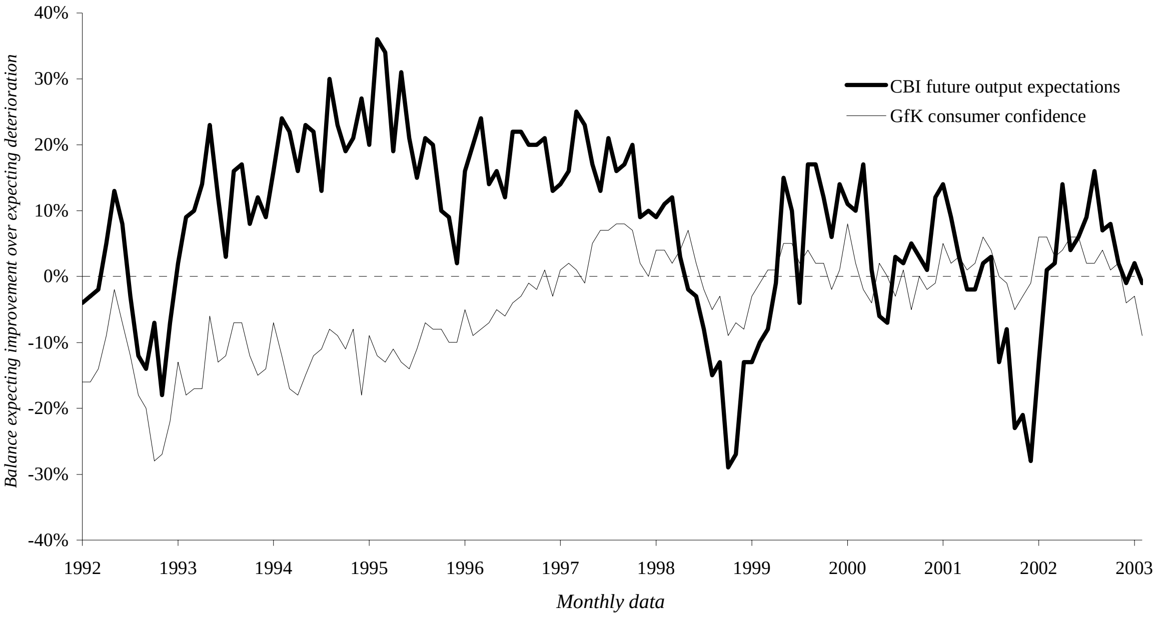
- In December 2002 the deficit on trade in goods was provisionally estimated at £3.0 billion compared with a revised deficit of £4.1 billion for November, which was the largest since records began, in 1697. In December total exports of goods rose 3.5% on the previous month to £14.7 billion, while goods imports fell by 3.0% to £17.8 billion.

- The deficit on trade in goods with EU countries for 2002 was an estimated £9.0 billion compared to £5.5 billion in 2001, while the deficit with non-EU countries was £25.3 billion compared to £28.1 billion the year before.

- The latest estimate of trend suggests that the UK trade deficit is widening and that the whole world goods deficit is widening. The trends in the value of trade show exports and imports falling in recent months.

CONTACT Patsy Richards, x4904 *Next update: 17 March*

F 1. Survey Indicators



Output Expectations and Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

		CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK
2002	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
	Dec	-1	-4
2003	Jan	2	-3
	Feb	-1	-9

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 fallen back to the December 2002 level (-1), down from 2 in January 2003, and relatively unchanged since November 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, remained at October 2002's level (-19) in January 2003.

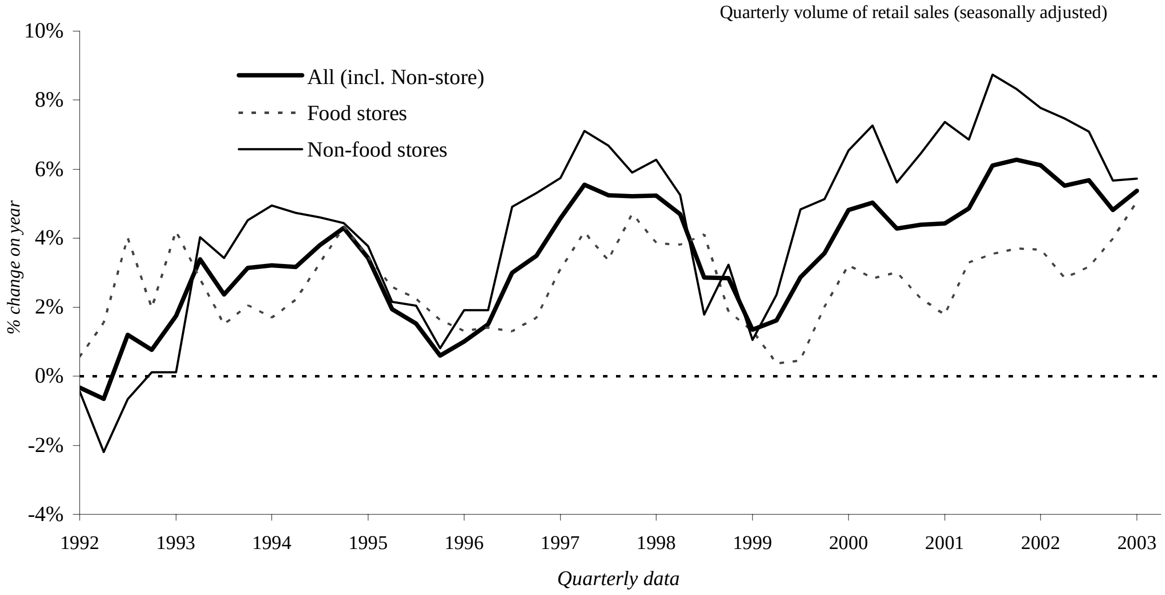
The GfK consumer confidence index is a composite measure of forward expectations of the general economic situation and households' financial positions; perceptions of how these have changed over the last 12 months, and also views on major household purchases.

- February's results show the overall index has fallen by 6 points since last month, as have expectations for the general economic situation, expectations for the future of personal finances and the likelihood of consumers making large purchases in the next 12 months.

CONTACT Ian Townsend, x3977

Next update: 20 March

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
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%
2002	3.2%	3.8%	5.3%	5.3%	3.8%
2001 Q4	6.9%	-10.3%	5.9%	8.1%	6.9%
2002 Q1	5.1%	15.9%	8.5%	4.3%	5.8%
Q2	2.4%	4.9%	6.6%	4.8%	3.9%
Q3	3.3%	3.3%	4.9%	4.7%	3.9%
Q4	1.4%	1.4%	3.3%	6.9%	3.2%

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

- In Quarter 4 of 2002 the *volume* of retail sales grew by 1.6% compared with Q3 2002, reaching a level 5.4% higher than Q4 2001 (seasonally adjusted).

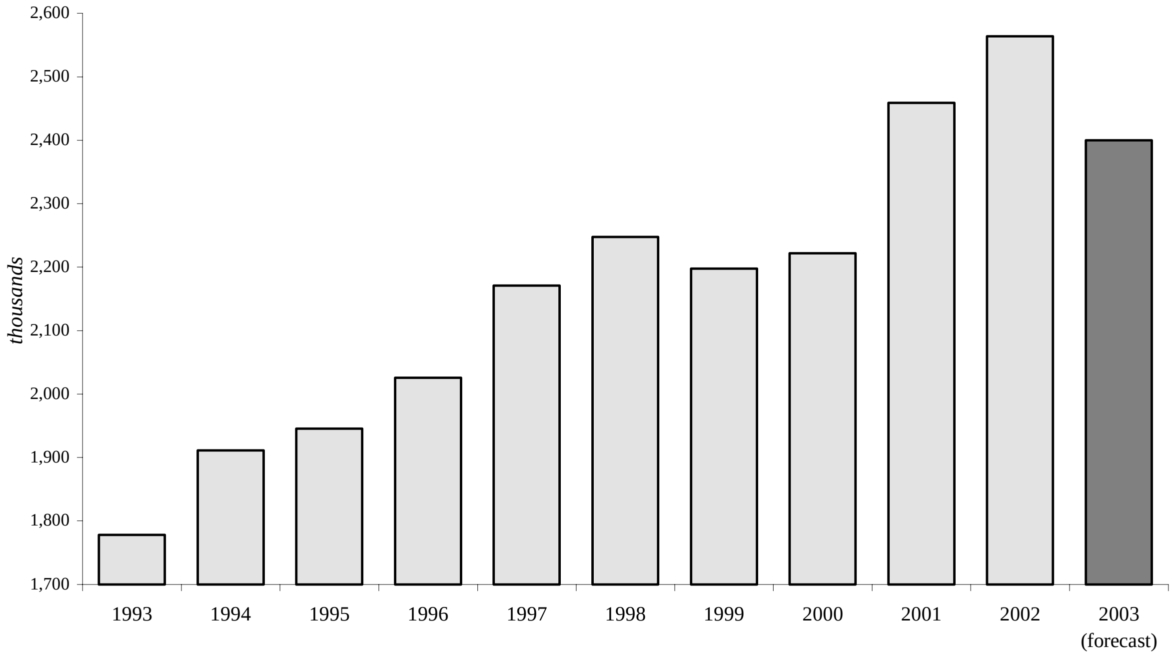
- Retail sales volumes in January 2003 were 4.2% higher than in January 2002 (seasonally adjusted).

- Retail sales volumes in predominantly non-food stores increased by 5.7% in Q4 2002 compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 5.1% over the same period. Sales growth was particularly strong in textile, clothing and footwear stores, at 8.4% (all seasonally adjusted data).

- The average weekly *value* of retail sales in January 2003 was just under £4,120 million, 3.1% higher than in January 2002 (non-seasonally adjusted).

CONTACT Ian Townsend, x3977 *Next update: 20 March*

F 3. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

		Number (000s)	Change over 12 months
1999		2,198	-2.2%
2000		2,222	1.1%
2001		2,459	10.7%
2002		2,564	4.3%
2003	(forecast)	2,400	-6.4%
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%
	November	172	-6.8%
	December	145	14.3%
2003	January	187	-9.1%

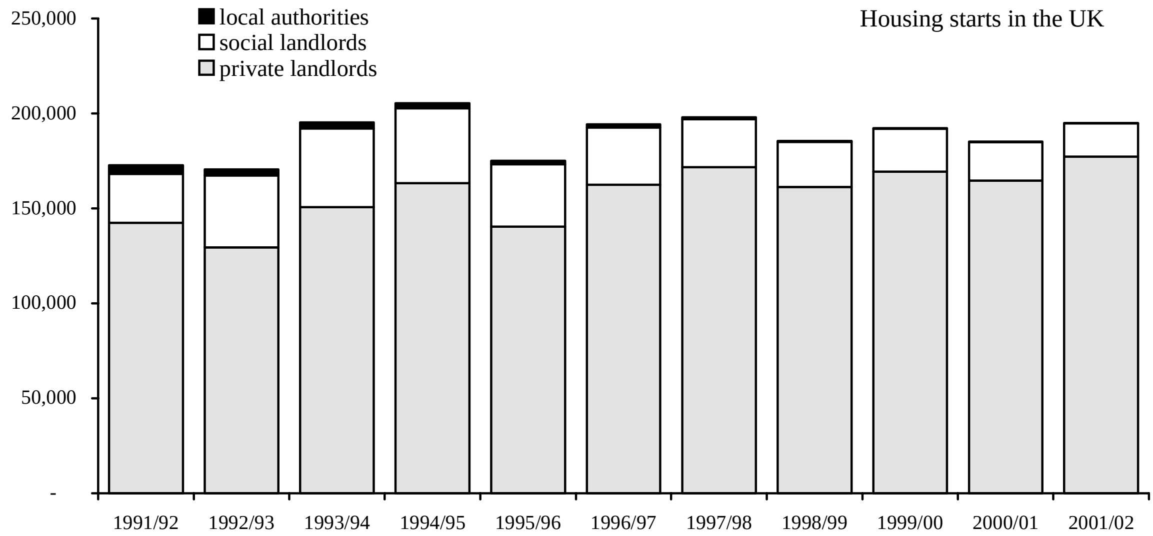
Source: SMMT "Monthly Statistical Review"

- Figures from the Society of Motor Manufacturers and Traders show that new car registrations in January 2003 fell by 9.1% compared with the previous January's figure to 187,000 units.
- The number of new registrations of cars was 2.6 million units in 2002, a rise of 4.3% on the previous year and the highest total ever.
- Registrations of British-built cars fell by 27.7% in January 2003 from the previous January's figure to 38,000 units, or 20.2% of the market. In 2002 as a whole, there were 583,000 registrations of British-built cars, an decrease of 1.9% from the previous year's figure and equivalent to 22.7% of the market.
- New registrations of cars are forecast to fall by 6% in 2003.

CONTACT Dominic Webb, x2464

Next update: late March

F 4. Housing



House prices

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

	All Houses	New Houses	Existing Houses	First time buyers
2001 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
Q4	121,400	123,000	122,800	84,600
% change over same period in previous year				
2001 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%
Q4	26.4%	22.9%	27.0%	23.5%

Sources: ODPM & Halifax House Price Index

- The latest ODPM press release provisionally estimates that just under 11,000 dwellings were started in Great Britain in December 2002, compared with 10,000 in December 2001. December 2002 saw just under 17,000 completions, up from just over 17,000 in the same month in the previous year. In the latest three months just over 40,000 dwellings were started, largely unchanged on the same three-month period a year ago. There were just over 43,500 completions in the latest three months, up 10% on the same three months in the previous year (all non-seasonally adjusted figures).

  Note: The ODPM have proposed that from April 2003 housing starts and completions statistics will be issued quarterly, as the variation in monthly figures means that quarterly figures are better for trend assessment.

- According to the Halifax Monthly Index, house prices in the United Kingdom rose by 1.5% in January. On an annual basis, house price inflation was running at 24.9%.

- The Halifax Quarterly Index shows that UK house prices rose by 7.4% in the fourth quarter of 2002 following a 6.4% rise in the third quarter of 2002 (all seasonally adjusted figures). Regionally in Q4 annual house price inflation was highest in the East Midlands (42.0%) and lowest in Northern Ireland (5.8%) compared with a UK figure of 26.4% (all non-seasonally adjusted figures).

CONTACT Ian Townsend, x3977 *Next update:13 March*