



RESEARCH PAPER 03/86
1 DECEMBER 2003

Economic Indicators

This Research Paper series summarises the main economic indicators currently available for the UK, along with comparisons with other major OECD countries for selected indicators.

The series also includes an article on a topical issue.

This month's article:

Background to the Pre-Budget Report – the golden rule

Please note that the layout of indicator pages in this edition of *Economic Indicators* has been changed. All indicators featured in earlier editions remain.

Ian Townsend (editor)

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 researchers specialising in the relevant area.

Economic Indicators papers are generally published on the first working day of the month in sitting time. Individual indicator pages will be made available on the Library intranet site, under the relevant subject page heading, as standard notes. In months where *Economic Indicators* is not published in hard copy, individual indicators will be updated and made available through the intranet subject pages.

Researchers are not available to discuss pages with members of the public. Members and their staff are free to contact the named contact on each page for updates during usual hours.¹ However, for enquiries in these subject areas please contact the following researchers:

Subject	Statistician	tel. extn.
Balance of payments	Patsy Richards	4904
EC finance	Edward Potton	2883
GDP	Grahame Allen	4324
Employment	Dominic Webb	2464
Financial services	Grahame Allen	4324
Housing	Gavin Berman	3851
Incomes	Ian Townsend	3977
Industries	Edward Potton	2883
National accounts	Grahame Allen	4324
Overseas aid	Patsy Richards	4904
Prices & interest rates	Grahame Allen	4324
Public expenditure	Grahame Allen	4324
Taxation	Ian Townsend	4904
Trade	Patsy Richards	3977
Transport	Ross Young	4313
Unemployment	Dominic Webb	2464
Wages & earnings	Dominic Webb	2464

A comprehensive guide to the subject coverage of specialists in the Library's Research Service is available in the publication, *Who Does What in Research*.

¹ After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriol Room of the Main Library (extn. 3666).

II Background to the Pre-Budget Report – the golden rule

Since the 2003 Budget, there has been increased speculation that the Chancellor will not meet one of his fiscal rules – the golden rule. As we approach the 2003 Pre-Budget Report (PBR), this article looks at some of the reasons behind this speculation.

1. Introduction

*The Code for Fiscal Stability*² requires the Government to specify its objectives for fiscal policy. The Government's medium-term objectives for fiscal policy are to ensure sound public finances and that spending and taxation impact fairly both within and between generations.³ The Government's fiscal policy is implemented through two fiscal rules – the golden rule and the sustainable investment rule. The 2003 Budget highlighted the rules:

the golden rule: over the economic cycle, the Government will borrow only to invest and not to fund current spending; and

the sustainable investment rule: public sector net debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level. Other things equal, net debt will be maintained below 40 per cent of GDP over the economic cycle.⁴

2. The golden rule

Under the golden rule, today's taxpayer pays for public services provided today. By contrast, if current spending is financed through borrowing, tomorrow's taxpayers finance it through the cost of additional capital and interest payments. Therefore, the golden rule requires the **current budget** to be in balance or surplus over the economic cycle, allowing the Government to borrow only for capital spending, that is "borrowing is permitted to finance public investment". It ensures "fairness between generations..." in that:

the Government does not pass on the costs of services consumed today to the taxpayers of the future – each generation is expected to meet the current cost of the public services from which they benefit.⁵

The latest Treasury forecast is that the present economic cycle will run from mid 1999 to the last quarter of 2005.⁶

² HM Treasury, *The Code for Fiscal Stability*, November 1998, UP 2559 Session 1997/98. Treasury website as at 20 November 2003; see www.hm-treasury.gov.uk/media/9F339/fiscal_stability.pdf

³ HM Treasury, *Financial Statement and Budget Report 2003*, HC 500, 2002/03

⁴ *ibid.*

⁵ HM Treasury, *Financial Statement and Budget Report 1999*, HC 298, 1998/99

⁶ HM Treasury, *Financial Statement and Budget Report 2003*, HC 500, 2002/03

Speculation that the Chancellor will not meet his ‘golden rule’ during this economic cycle was widespread prior to the 2003 Budget. The Institute for Fiscal Studies (IFS) in their *2003 Green Budget* commented particularly on the likelihood of this rule being met:

The PBR [2002] 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.⁷

The basis of the IFS claim was that Treasury forecasts of growth were too optimistic. Slower than anticipated growth reduces tax revenues such as stamp duty receipts from the sale of shares and raises demand-led expenditure on things such as benefits. Poor performance in certain sectors of the economy, such as housing or financial markets, can also have a noticeable effect on the public finances. The changing path of GDP growth forecasts is shown in the table below:

Treasury Growth forecasts

	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%	
Budget 2003		1.8%	2.0%	2.3%	3.3%	3.0%

Note: Budget 2003 figures for financial year
Emboldened figures are outturns

Source: HM Treasury, *Financial Statement and Budget Report*, various years

The sharp decline in forecast growth for 2003 is clearly shown. At the time of the 2002 Budget, growth for 2003 was forecast at 3.3%. Twelve months later the forecast had been reduced by one percentage point.

3. Public sector surplus on the current budget

The surplus on the current budget is defined as total general government current receipts less total general government current expenditure less depreciation. Subsequent to the 2002 Budget the IFS released its own estimates for the current budget.⁸ The Treasury also incorporated changes in its revised current budget forecasts that appeared in the 2003 Budget. Compared to the April 2002 Budget the Treasury’s forecasts fell by £15 billion for 2003/04, by £10 billion for the following year and by £5 billion for 2005/06. These, together with forecasts covering public sector net borrowing (PSBR) are shown below:

⁷ IFS, *The IFS Green Budget*, January 2003

⁸ *ibid.*

Fiscal Aggregates

£ billion

	2002/03	2003/04	2004/05	2005/06	2006/07
Public Sector Net Borrowing					
Budget 2002	11.0	13.0	13.0	17.0	18.0
IFS Green Budget (January 2003)	22.1	25.2	24.8	28.1	31.0
Budget 2003	24.0	27.0	24.0	23.0	22.0
Surplus on current budget					
Budget 2002	3.0	7.0	9.0	7.0	9.0
IFS Green Budget (January 2003)	-8.8	-5.1	-2.4	-4.0	-4.0
Budget 2003	-11.7	-8.0	-1.0	2.0	6.0

Sources: HM Treasury, *Financial Statement and Budget Report*, various years

IFS

However, the latest average of independent forecasts from the Treasury's *Forecasts for the UK Economy* suggests growth in 2003 will be around 1.9% and in 2004, 2.6%.⁹ In the 1999 PBR, 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.¹⁰

On this basis, the projected rise in public sector net borrowing will be something in the order of £11 billion higher than forecast over the next three years.¹¹ If tax revenues and public sector net investment remain constant, this suggests that the current budget could fall to -£10 billion in 2003/04, -£6 billion in 2004/05 and -£2 billion in 2005/06. These estimates may be on the optimistic side. The average of independent forecasts from the Treasury's *Forecasts for the UK Economy* for November suggests that the PSBR will be £5.2 billion higher in 2003/04, £8.9 billion higher in 2004/05 and £10.7 billion higher in 2005/06 than stated in the Budget. This suggests that the current budget could be around -£13 billion in 2003/04, -£10 billion in 2004/05 and -£9 billion in 2004/05, if tax revenues and public sector net investment remain constant.

4. Public expenditure and current receipts

A recent article in the *Financial Times* has reignited the debate by suggesting that the Chancellor is set to break the golden rule not because of slow growth but because "rising public expenditure and disappointing tax receipts have led to a marked deterioration in public finances" such that; "even if public finances do not deteriorate, the government will begin to breach its own definition of the golden rule by the end of next year [2004]",¹² well before the

⁹ HM Treasury, *Forecasts for the UK Economy*, November 2003

¹⁰ HM Treasury, *Pre-Budget Report 1999*, Cm 4479

¹¹ Assumes GDP growth in 2005 of 2.7%. [Source: HM Treasury, *Forecasts for the UK Economy*, November 2003]

¹² "Brown set to break golden rule on budget: Chancellor's reputation for prudence on the line", *Financial Times*, 25 October 2003

end of the present economic cycle. The current budget outturn, estimates and projections to 2007/08 are given below:

Current budgets

£ billion

	Outturn	Estimate	Projections				
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Current receipts	390	397	428	460	493	522	550
Current expenditure	367	395	422	447	475	500	524
Depreciation	13	14	14	15	16	17	18
Surplus on current budget	10	-12	-8	-1	2	6	9

Note: Figures may not add due to rounding

Source: HM Treasury, *Financial Statement and Budget Report 2003*, April 2003, Table C4

The table shows that the Treasury forecasts current expenditure to increase by around 6% per annum over the next three years while current revenues are expected to rise by an average 7.5% over the same period. The latest figures from the Office for National Statistics (ONS) show that in the first quarter of 2003/04 current receipts have risen by an annual rate of 8% while current expenditure has increased by 11%.¹³ ONS figures also show that for the first half of 2003/04 the budget surplus was almost twice the figure given in the table above at just over -£15 billion.¹⁴ Ignoring depreciation, if these figures can be thought of as representative of the public finances throughout 2003/04 this suggests that the current budget for the whole financial year could be in the region of -£12 billion, a £4 billion higher deficit than forecast in the table above.

The golden rule states that “over the economic cycle, the Government will borrow only to invest and not to fund current spending”.¹⁵ Therefore, it is the cumulative total of the current budget, or average current budget, over the economic cycle that is looked at when assessing the golden rule. The *Financial Times* analysis, referred to above, suggests that the golden rule would be broken towards the end of 2004 under the scenario that current budget “deficits [remain the] same as last year”, or at the beginning of 2004 if they “continue to deteriorate at half the current rate”.

However, the analysis is subjective and depends upon the assumptions made. For example, from the beginning of the economic cycle (1999/2000) to September 2003 the cumulative total of the current budget stood at just over £23 billion. If the average budget surplus for each quarter for the last two years and not just the last year can be thought of as representative, then under this scenario the cumulative current budget remains positive until the third quarter of 2005/06. It then becomes positive again in the last quarter of 2005/06 suggesting that the golden rule would be met under the Treasury’s assumption of the end of the present economic cycle.

¹³ NS database, series: ANBT, ANLT

¹⁴ NS, *Public sector finances September 2003*, First Release, 20 October 2003

¹⁵ op cit.

5. Slow growth?

Recent revisions of GDP data by ONS have suggested that the Treasury's assumption of GDP growth made at the time of the 2003 Budget may not be as unrealistic as first thought.¹⁶ ONS have revised 'quarter on quarter' second quarter 2003 GDP growth from 0.3% to 0.6% while the latest figures show GDP growth in the third quarter of 2003 of 0.7%, suggesting that growth is 'picking up'.

However, there is a suspicion that this will not be the main impact of the ONS revisions as they could change the Treasury's assumptions of the length of the present and even last economic cycles. For example, if the revisions suggested that the end of the last cycle did not happen so that the present cycle began in 1997/98, then the cumulative current surplus at September 2003 would stand at just over £32 billion. Under this scenario the golden rule would be met as the cumulative current surplus will remain positive until the end of 2005/06.

6. Public expenditure and current receipts?

As mentioned above, in the first quarter of this financial year current expenditure rose at an annual rate of 11% while current receipts rose 8% suggesting that the current budget will be lower than forecast.

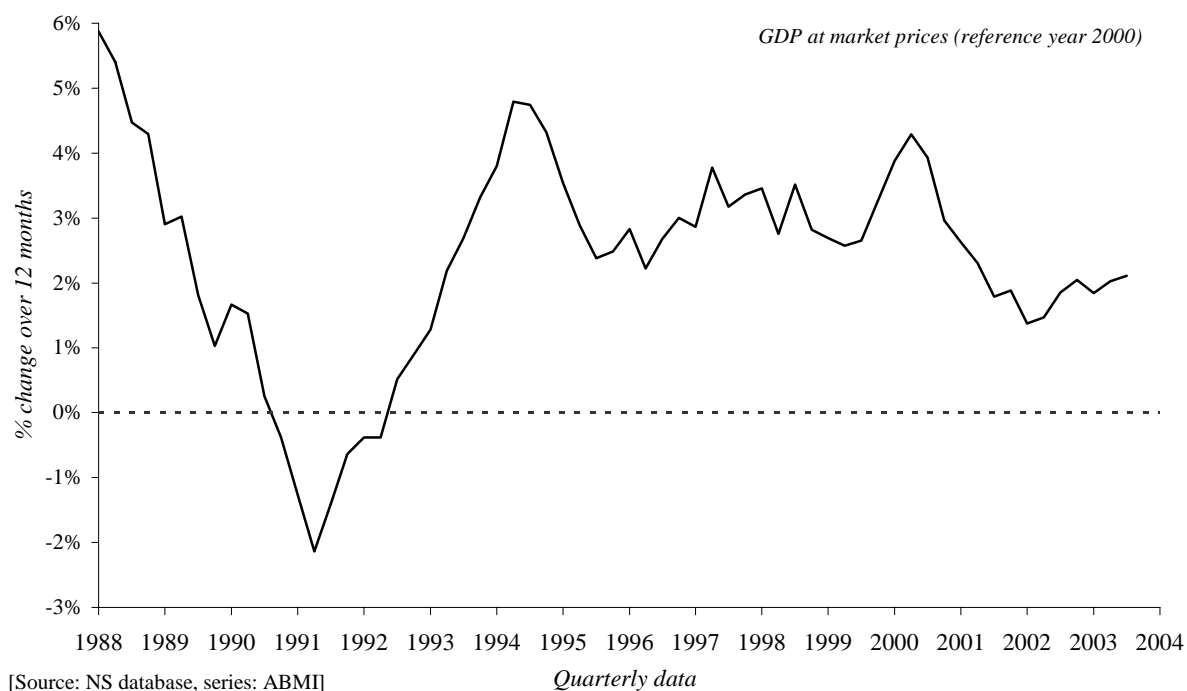
However, there is some evidence to suggest that current revenues could be higher than expected in the future. Renewed growth in house prices and a strengthening of the financial sector - the FTSE all share index has increased by around 13% since the last budget - could lead to actual stamp duty revenues being higher than anticipated. Improved economic growth should also lead to higher tax revenues from VAT, income and corporation tax as well as lower than forecast social security payments.

There have been no inferences of trouble from within the Treasury suggesting that they are confident that the fiscal rules will be met. Both the Chief Economic Advisor to the Treasury, Ed Balls, and the Chancellor have recently asserted that the fiscal rules will not be broken. In a speech to the HSBC in October, Ed Balls suggested "we are on track to meet all our spending commitments and to meet our fiscal rules", a sentiment that he reiterated more recently in a recent speech to the G20 in Mexico. The Chancellor also stated that "At all times we will meet our fiscal rules" at the CBI national conference in Birmingham last month.

Grahame Allen
Economic Policy and Statistics Section

¹⁶ See HC Library, *Economic Indicators*, RP 03/81, 3 November 2003

A1: Gross Domestic Product



Gross Domestic Product at market prices

£ billion & %; seasonally adjusted

	Current		Reference year 2000
	<i>£ billion</i>	<i>annual % change</i>	<i>annual % change</i>
1999	903.9	5.2	2.8
2000	951.3	5.2	3.8
2001	994.0	4.5	2.1
2002	1,043.9	5.0	1.7
2002 Q2	258.7	4.4	1.5
Q3	262.8	5.7	1.9
Q4	266.1	5.4	2.0
2003 Q1	268.9	4.9	1.8
Q2	272.0	5.1	2.0
Q3	275.7	4.9	2.0

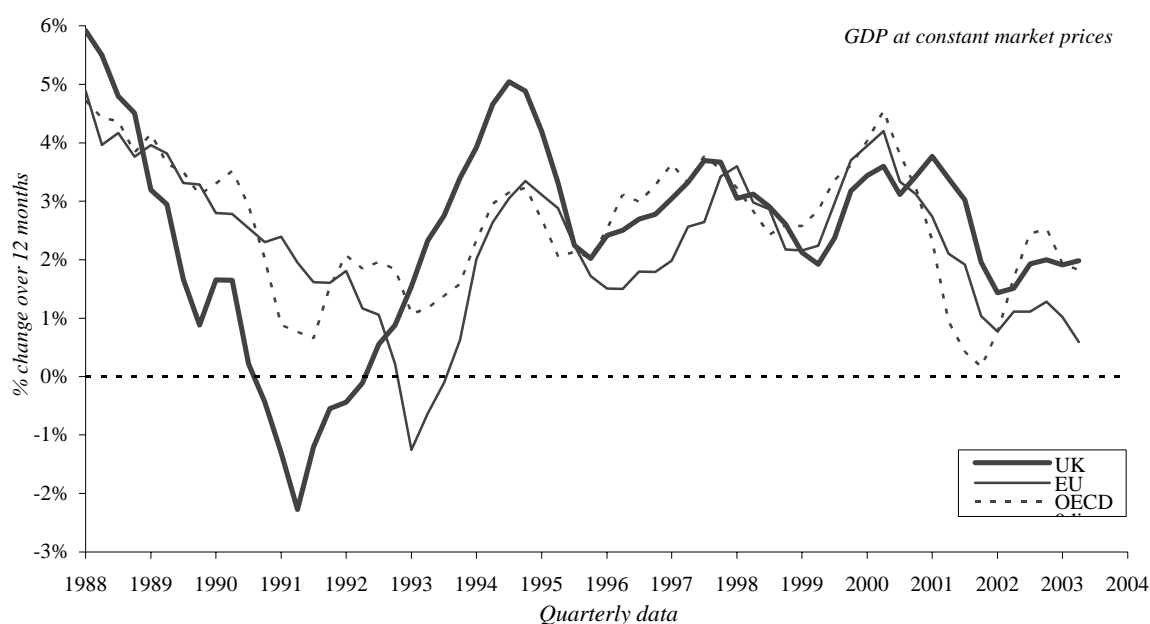
Source: NS database, series: YBHA, ABMI

- Gross domestic product (GDP) at market prices, reference year 2000, is estimated to have risen by 0.7% in the third quarter of 2003, 0.1% higher than recorded in the previous quarter. For 2002, the economy is estimated to have grown by 1.7%, marginally lower than forecast in the 2003 Budget.
- In quarter three of 2003 output in manufacturing remained constant while services sector quarterly output grew by 0.8% compared with 0.3% in the previous quarter.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 1.9% in 2003 and 2.6% in 2004.

Contact: Grahame Allen, x4324

Update: National Statistics, *First Release: UK output, income & expenditure*, 23 Dec

A2: GDP: International Comparisons



[Source: OECD, *Main Economic Indicators*, Nov 2003]

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter				
	1999	2000	2001	2002	2002			2003	
					Q2	Q3	Q4	Q1	Q2
USA	4.1	3.7	0.2	2.5	0.4	0.3	0.8	0.3	0.8
Japan	0.1	2.9	0.4	0.2	0.9	0.8	0.6	0.6	0.9
Canada	5.5	3.4	1.1	3.3	0.9	0.6	0.4	0.7	-0.1
United Kingdom	2.8	3.8	2.1	1.7	0.5	0.7	0.6	0.2	0.6
Germany	2.0	2.8	0.9	0.2	0.2	0.2	-0.1	-0.2	-0.1
France	3.4	4.1	2.2	1.2	0.7	0.3	-0.3	0.1	-0.3
Italy	1.6	3.2	1.8	0.4	0.4	0.2	0.4	-0.1	-0.1
Euro zone	3.1	3.6	1.7	0.9	0.5	0.3	0.1	0.0	0.0
G7	3.0	3.6	0.8	1.5	0.5	0.7	0.3	0.3	0.6
OECD	3.2	3.9	0.9	1.9	0.6	0.7	0.4	0.2	0.5

Source: OECD, *Main Economic Indicators*, November 2003

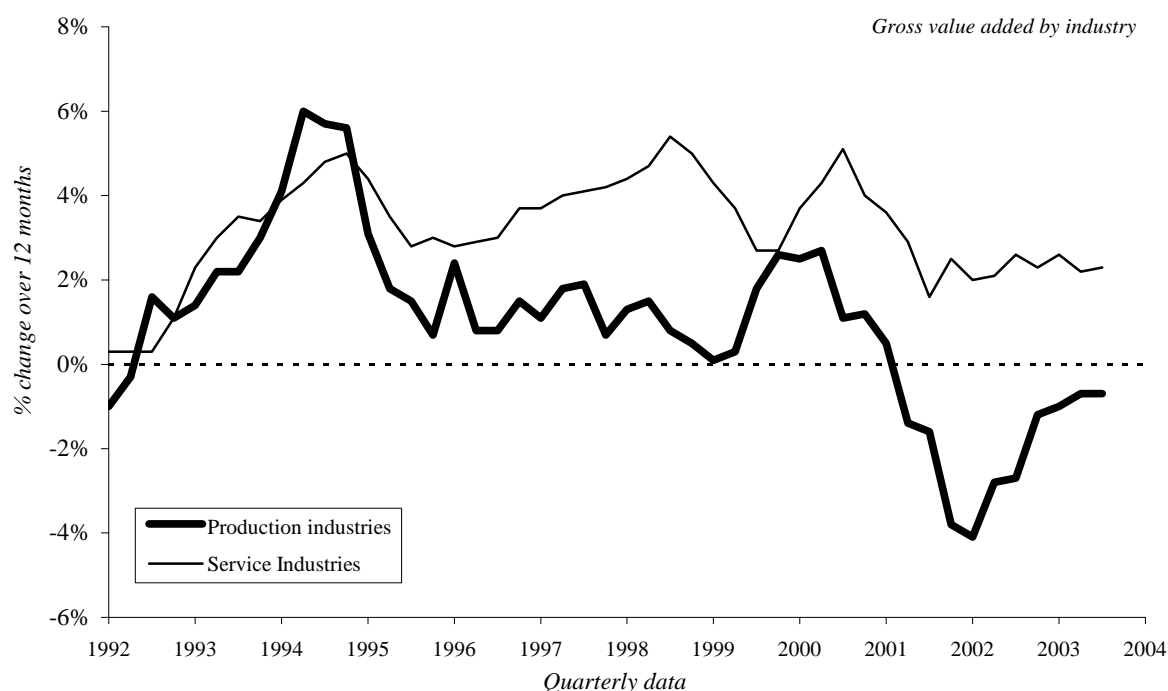
- The latest data suggest that the world economic slowdown is far from over, although there are encouraging signs as quarterly growth in the US, Japan and the UK continues to strengthen.
- Recent growth in the euro zone has been described as 'meagre'. Annual growth to the second quarter of 2003 was just 0.3%. Negative growth in the last two quarters, a technical recession, was recorded in Germany, Italy and the Netherlands.
- In its latest projections, the OECD has downgraded its growth estimates for virtually all countries and regions for 2003 and 2004. They are currently forecasting: eurozone growth of 0.5% in 2003 and 1.8% in 2004; in the US, 2.9% in 2003 and 4.2% in 2004; and in Japan, 2.7% in 2003 and 1.8% in 2004. Its latest growth forecast for the UK is 1.9% in 2003 and 2.7% in 2004.

Contact: Grahame Allen, x4324

Update: OECD, *Main Economic Indicators*, end Dec

A3: Gross Domestic Product by Industry

GDP by industry is measured by gross value added (GVA). GVA measures the value of output of an industry less the value of intermediate inputs used by that industry.



[Source: NS database, series: ERIE, GDSI]

- Since 1999, output has grown faster in the service sector than in production industries, and is currently growing at an annual rate of 2.3%. Between the second quarter of 2003 and the third quarter of 2003 output growth in the service sector increased by 0.1%.

Gross value added at 2000 basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing		Construction
	Total	Manufacturing				
1999	1.2	0.7	3.4	3.4	0.3	
2000	1.9	2.4	4.3	-0.6	1.3	
2001	-1.6	-1.3	2.6	-10.1	3.4	
2002	-2.7	-3.6	2.3	11.0	7.5	
2002 Q3	-2.7	-3.1	2.6	12.9	7.9	
Q4	-1.2	-1.9	2.3	10.2	7.9	
2003 Q1	-1.0	-1.1	2.6	0.3	2.9	
Q2	-0.7	0.6	2.2	0.0	6.2	
Q3	-0.7	-0.4	2.3	-1.4	6.9	

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

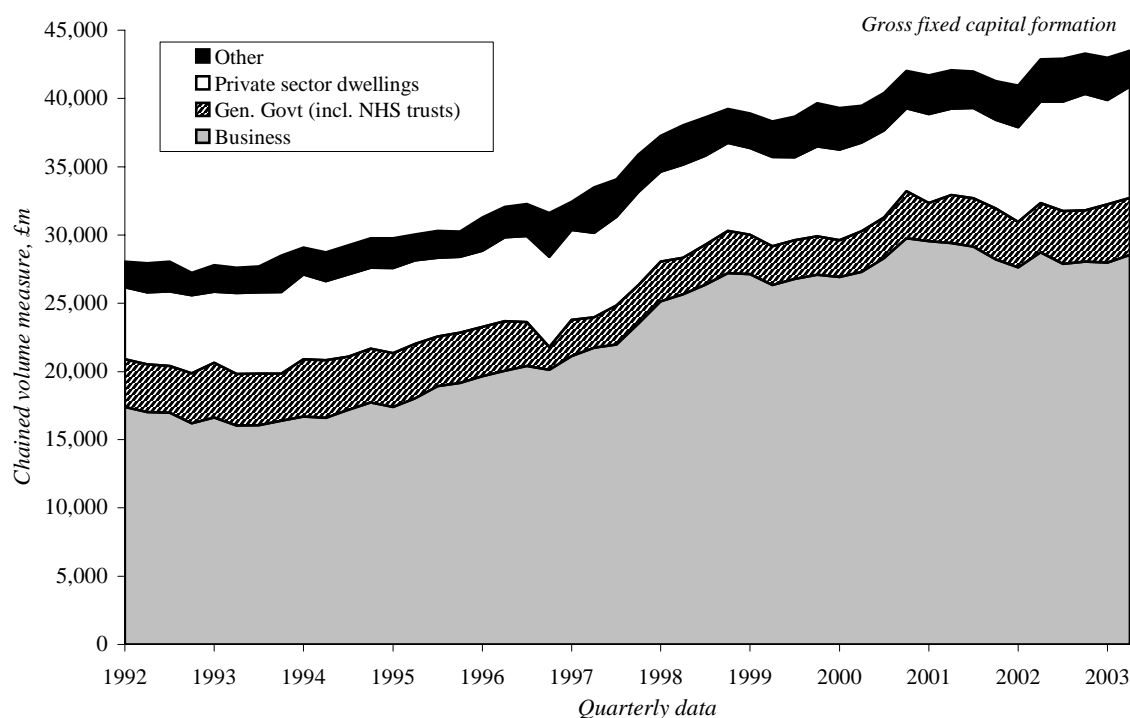
- Manufacturing output fell by 0.4% in the third quarter of 2003, and fell by 3.6% in 2002.
- In 2002, services accounted for 72% of gross value added, manufacturing for 17%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: National Statistics, *First Release: UK output, income & expenditure*, 23 Dec

A4: Investment

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.



[Source: NS database: series DFEA, DFTI, DLWH, DLWI, NPEL]

Gross fixed capital formation

£ million; Chained volume measures, reference year 2000; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
1999	15,128	56,849	51,760	27,372	4,758	155,576
2000	13,444	62,698	52,708	27,394	4,966	161,210
2001	15,296	65,290	53,524	27,999	4,923	167,032
2002	16,053	61,461	54,169	32,973	5,346	170,002
2002 Q2	4,025	16,147	13,446	7,910	1,335	42,863
Q3	4,048	15,077	13,894	8,553	1,351	42,923
Q4	4,098	14,873	13,831	9,064	1,413	43,279
2003 Q1	4,079	15,268	14,053	8,185	1,389	42,974
Q2	3,910	15,080	14,552	8,562	1,406	43,510

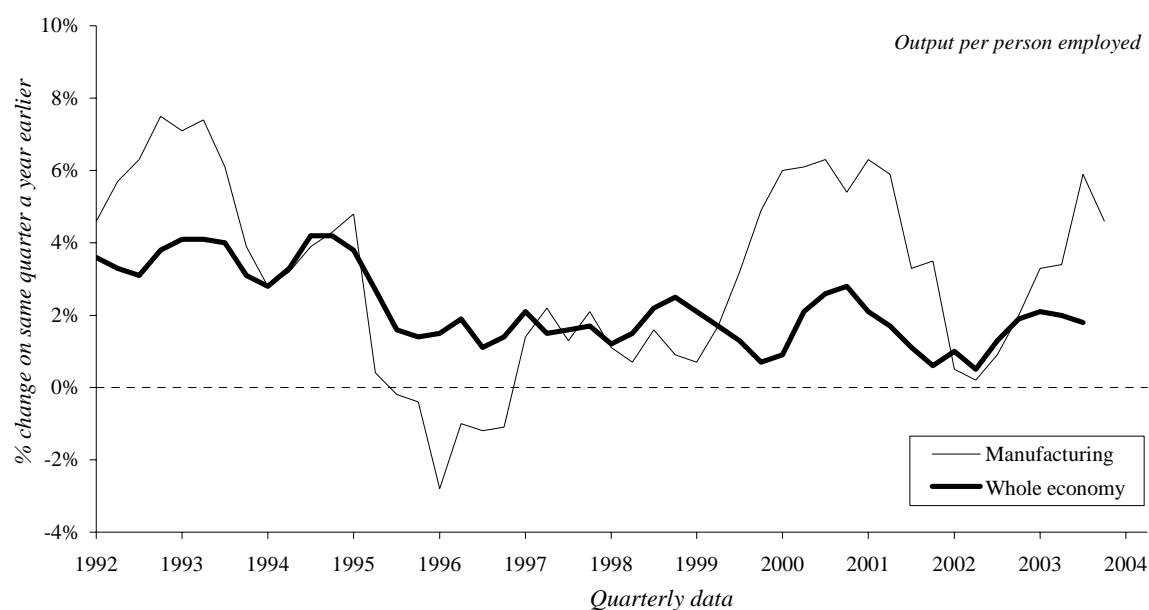
Source: NS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment (seasonally adjusted) fell by 1.6% in Q3 2003 compared with the previous quarter, but was 0.7% higher than Q3 2002.
- Manufacturing investment (seasonally adjusted) decreased by 5.6% in Q3 2003 compared with the previous quarter, while service sector investment decreased by 1.1%.

Contact: Dominic Webb, x2464

Updates: National Statistics, *Business Investment*, 22 Dec
& *Quarterly National Accounts*, 23 Dec

A5: Productivity



[Source: NS database, series: LNNN, LNNP, LNNU, LNNX]

Productivity

% changes on year; seasonally adjusted

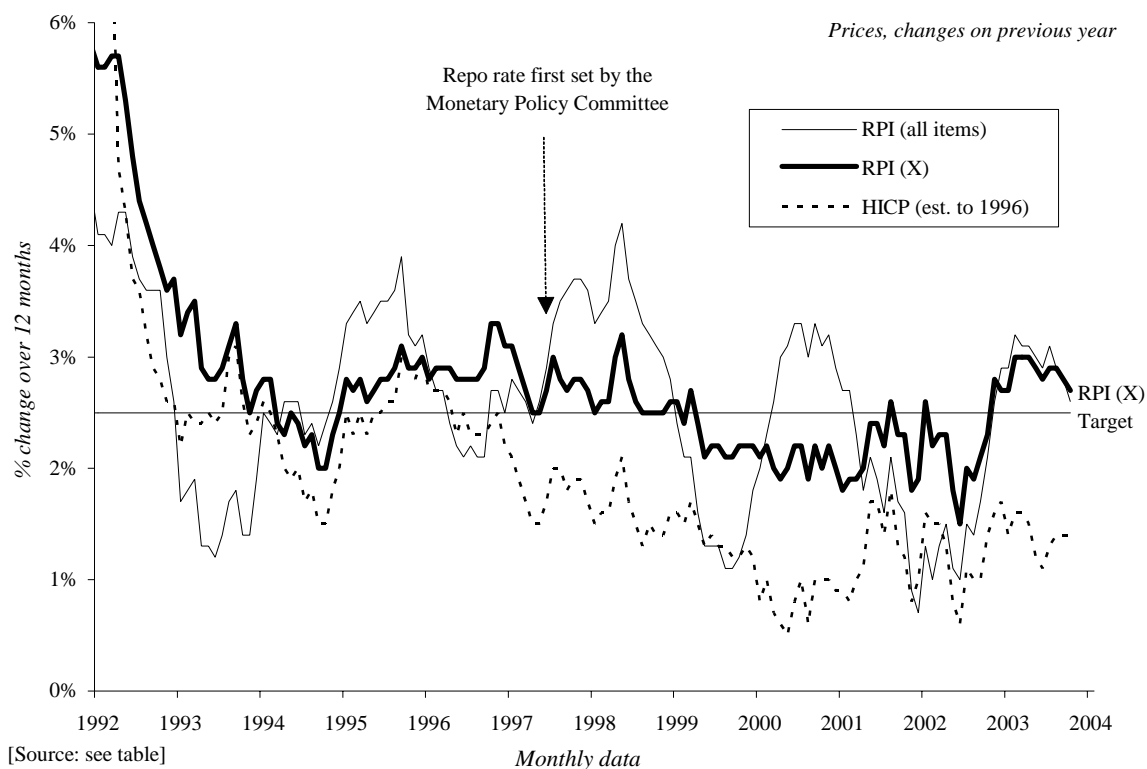
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
1998	0.7	-0.3	1.0	3.5	1.5	2.0
1999	0.7	-3.1	4.0	2.5	1.3	1.1
2000	2.4	-3.4	6.0	3.8	1.4	2.5
2001	-1.3	-4.5	3.3	1.9	0.8	1.1
2002	-3.6	-5.0	1.5	1.4	-0.1	1.4
2002 Q2	-4.2	-5.1	0.9	1.4	-0.1	1.3
Q3	-3.1	-5.0	2.0	1.8	-0.3	1.9
Q4	-1.9	-5.0	3.3	2.0	-0.3	2.1
2003 Q1	-1.1	-4.4	3.4	1.8	-0.2	2.0
Q2	0.6	-5.0	5.9	1.8	0.0	1.8
Q3	-0.4	-4.7	4.6	1.9

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

- Productivity across the whole economy, measured by output per head, is estimated to have grown by 1.4% in 2002 compared to 1.1% in 2001 and 2.5% in 2000.
- In 2002, manufacturing output fell by 3.6% and employment in manufacturing fell by 5.0% while manufacturing output per head rose by 1.5%.
- Productivity growth in manufacturing fell from 5.9% per annum in Q2 2003 to 4.6% per annum in Q3 2003 while whole economy productivity growth fell from 2.0% per annum in Q1 2003 to 1.8% per annum in Q2 2003.
- For the economy as a whole, productivity growth has averaged 1.4% per annum over the last eight quarters.

Contact: Ed Potton, x2883

Update: National Statistics, *Productivity*, 23 Dec

B1: Prices

The current inflation target is RPI (X) remaining within 1 percentage point of 2.5%. A new target, based on the harmonised index of consumer prices (HICP) is expected to be set at the time of the Pre-Budget Report.

- In the year to October 2003 the headline (all items RPI) rate of inflation fell to 2.6%, from 2.8% in September. The underlying rate of inflation fell to 2.7% from 2.8% the month before.
- The largest downward effect on the all-items 12 month rate was housing. Also, university tuition fees, estate agent fees, telephone charges and foreign holidays all rose by less than last year. However, motoring expenditure had an upward effect.
- The UK harmonised index of consumer prices (HICP) was unchanged from August to October, showing inflation at 1.4%.
- The largest downward effect on the HICP was from education (university tuition fees rose by less than last year). Recreation and culture also had a large downward effect; the cost of package holidays fell.

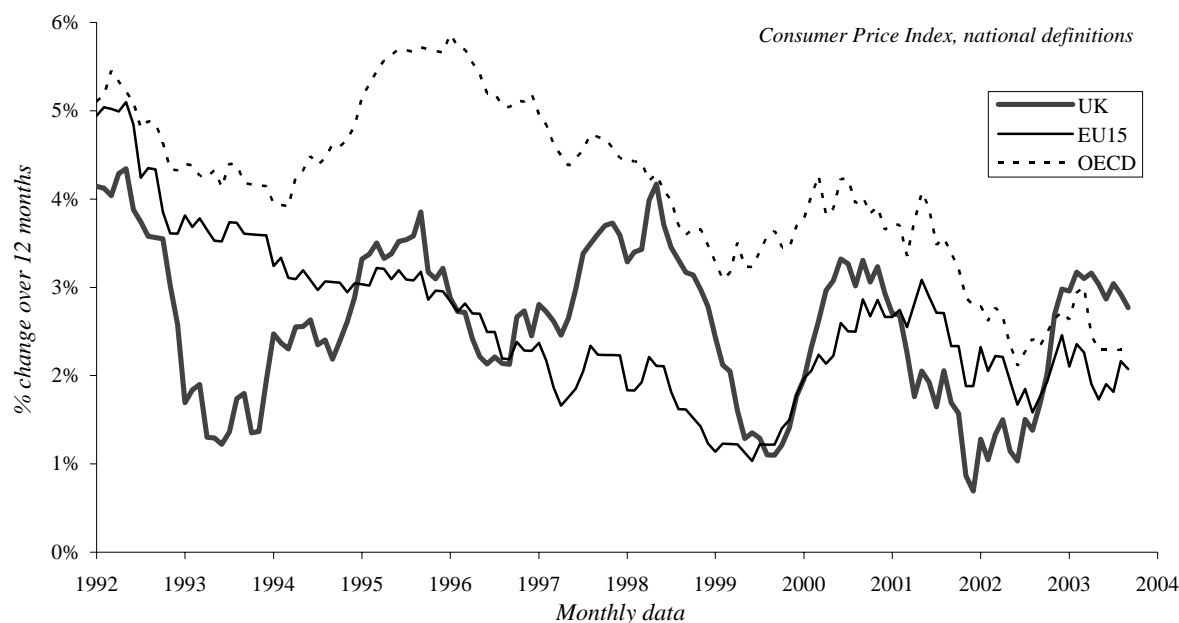
Price Indices*% change over 12 months*

	RPI (all items)	RPI (X)	HICP
1999	1.5	2.3	1.3
2000	3.0	2.1	0.8
2001	1.8	2.1	1.2
2002	1.7	2.2	1.3
2002 Oct	2.1	2.3	1.4
Nov	2.6	2.8	1.6
Dec	2.9	2.7	1.7
2003 Jan	2.9	2.7	1.4
Feb	3.2	3.0	1.6
Mar	3.1	3.0	1.6
Apr	3.1	3.0	1.5
May	3.0	2.9	1.2
Jun	2.9	2.8	1.1
Jul	3.1	2.9	1.3
Aug	2.9	2.9	1.4
Sep	2.8	2.8	1.4
Oct	2.6	2.7	1.4

Source: NS database, series: CZBH, CDKQ, CJYR

Contact: Patsy Richards, x4904**Update:** NS, *Consumer Price Indices: first release*, 16 Dec

B2: Prices: International Comparisons



[Source: OECD, *Main Economic Indicators*, Nov 2003]

The OECD compiles inflation rates based on national consumer price measures. While these are not strictly comparable they indicate that:

- Inflation rose to 2.3% in the United States in September 2003, from 2.1% in August.
- For all OECD countries the average inflation rate has been stable at 2.3% from May to September.
- By this measure, the EU15 average inflation rate (not shown in the table, but included in the chart above) was 2.1% in September. Using the EU's harmonised indices (see below), it was 1.9%.

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
1999	2.1	-0.3	1.7	1.6	3.4
2000	3.4	-0.7	2.7	2.9	4.0
2001	2.8	-0.7	2.6	1.8	3.4
2002	1.5	-1.0	2.2	1.6	2.5
2003 Apr	2.2	-0.1	3.0	3.2	2.5
May	2.0	-0.2	2.9	3.0	2.3
Jun	2.1	-0.4	2.6	2.9	2.3
Jul	2.1	-0.2	2.2	3.0	2.3
Aug	2.1	-0.3	2.0	2.9	2.3
Sep	2.3	-0.2	2.1	2.8	2.3

Source: OECD, *Main Economic Indicators*, November 2003

Eurozone inflation

harmonised indices (HICPs); % change over 12 months

	France	Germany	Italy	UK	Eurozone
1999	0.6	0.6	1.7	1.3	1.1
2000	1.8	1.4	2.6	0.8	2.1
2001	1.8	1.9	2.3	1.2	2.3
2002	1.9	1.3	2.6	1.3	2.3
2003 May	1.8	0.6	2.9	1.2	1.8
Jun	1.9	0.9	2.9	1.1	1.9
Jul	1.9	0.8	2.9	1.3	1.9
Aug	2.0	1.1	2.7	1.4	2.1
Sep	2.3	1.1	3.0	1.4	2.1
Oct	2.3	1.1	2.8	1.4	2.0

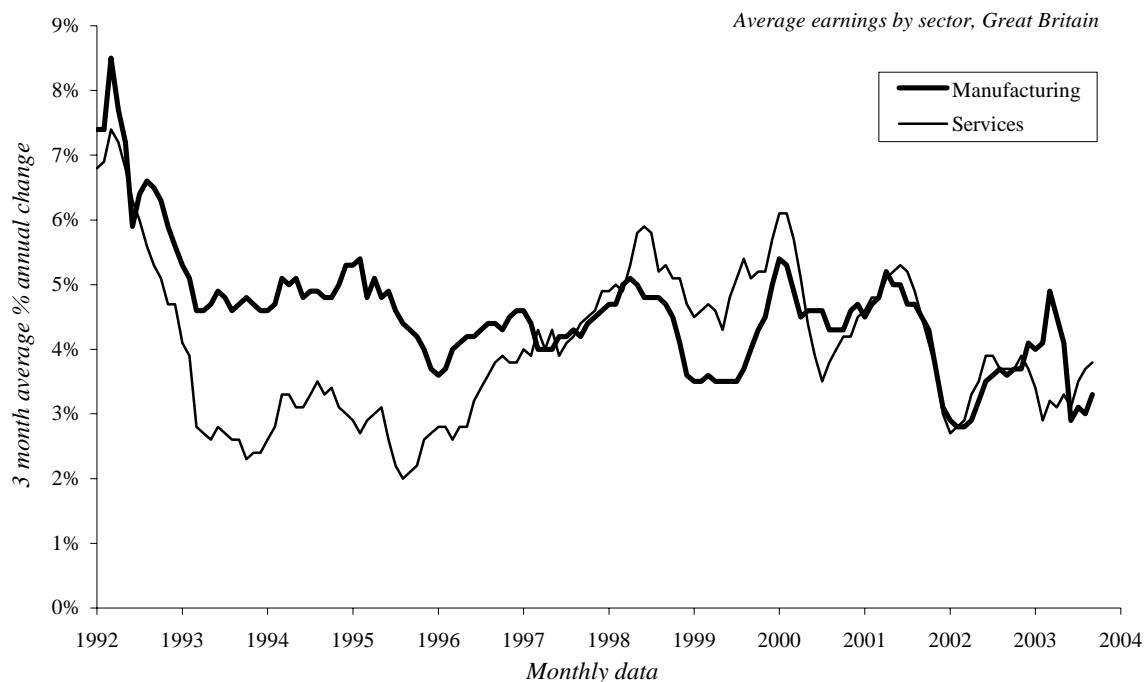
Sources: NS database, series: CLNP, CLNQ, CLNU, CJYR, CLNX, CLNS; Eurostat

The EU has developed harmonised indices of consumer prices (HICPs) designed for international comparison, to monitor prices within the eurozone

- Eurozone annual inflation in October was 2.0% compared with 2.2% in September.
- The HICP inflation rates for the Member States not in the eurozone were Denmark (1.1%), Sweden (2.0%) and the UK (1.4%).
- In October the eurozone countries with the highest HICP annual inflation rates were Ireland (3.3%), Portugal and Italy (both 2.8%). The lowest rates were in Finland (0.9%), Austria (1.3%), Denmark and Germany (both 1.1%).

Contact: Patsy Richards, x4904

Updates: OECD, *Main Economic Indicators*, Dec
Eurostat, *Euro-indicators news release*, 17 Dec

B3: Average Earnings Index

[Source: NS database, series: LNNG, LNNH]

- The headline rate of growth in average earnings for the whole economy in September was 3.6%, an increase on August's figure of 3.4%.
- September's headline rate of earnings growth for the whole economy 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%.
- Headline average earnings growth in manufacturing was 3.3% in September (compared with 3.0% in August) while earnings growth in the service sector increased to 3.8% compared with 3.7% in August.
- Headline earnings growth in the private sector was 3.1% in September, compared to 5.6% in the public sector.
- Earnings are currently growing more slowly than a year ago (the headline rate in September 2002 was 3.7%).

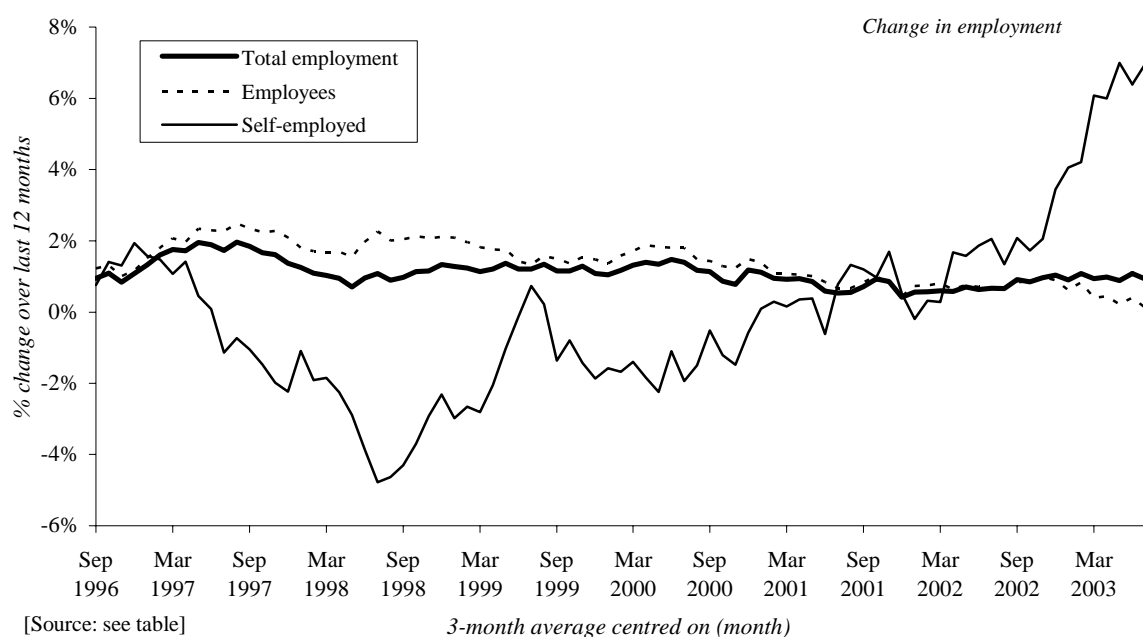
Average Earnings, Great Britain

% change on year, seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
1999 Sep	4.7	4.9	3.9
2000 Sep	4.1	4.3	3.4
2001 Sep	4.6	4.4	5.7
2002 Sep	3.7	3.7	3.6
Oct	3.7	3.6	3.7
Nov	3.8	3.7	4.3
Dec	3.8	3.5	4.7
2003 Jan	3.6	3.3	5.0
Feb	3.2	2.8	5.1
Mar	3.5	3.2	5.1
Apr	3.3	2.8	5.1
May	3.4	3.0	4.9
Jun	3.0	2.4	5.1
Jul	3.3	2.9	5.1
Aug	3.4	2.9	5.6
Sep	3.6	3.1	5.6

Source: NS database, series: LNNC, LNND, LNNE

C1: Employment



Employment structure in the UK

3-month average centred on month; '000s & % changes; seasonally adjusted

	Total in employment	Employees	Self-employed	Unpaid Family Workers	Government Training
1999 Aug	27,184	23,798	3,135	94	158
2000 Aug	27,504	24,151	3,088	113	151
2001 Aug	27,658	24,313	3,129	95	121
2002 Aug	27,842	24,481	3,171	92	99
2002 Nov	28,000	24,632	3,181	92	95
2003 Feb	28,052	24,629	3,245	87	91
2003 May	28,122	24,583	3,366	88	86
2003 Aug	28,151	24,490	3,453	103	105
<i>Changes (%):</i>					
on last 3 months	0.3	-0.1	2.4	16.3	27.8
on last year	0.8	0.0	9.7	15.2	15.3

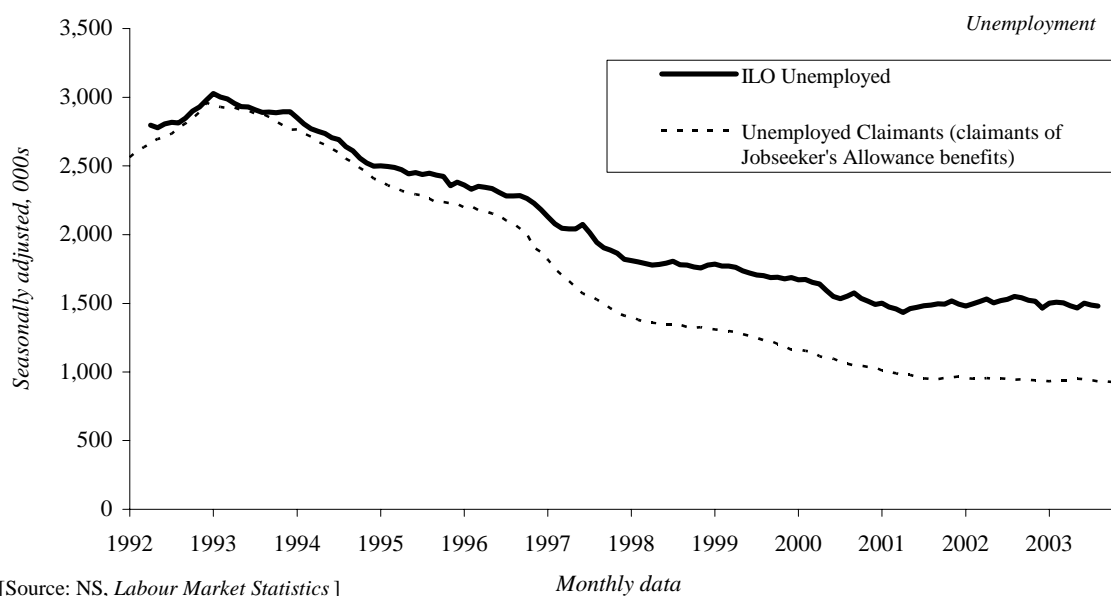
Source: National Statistics, *First Release Labour Market Statistics*, 12 November 2003

- Total employment was 28.2 million in the period July to September 2003, 0.8% higher than a year previously. The working age employment rate of 74.6% was 0.1% lower than the previous quarter and 0.2% higher than a year earlier.
- The number of workforce jobs increased by 47,000 between March and June 2003 and was 203,000 higher than a year previously. Over the year to June, the number of production industry workforce jobs fell by 140,000. Service sector jobs rose by 261,000 and other industries increased by 82,000.
- 7.2 million people were in part-time employment in the period July to September 2003, of whom 5.7 million were women. Some 3.5 million people were self-employed.

Contact: Dominic Webb, x2464

Updates: NS, *Labour Market Statistics*, 17 Dec

C2: Unemployment: National



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 2003, the level of ILO unemployment in the UK was 1,481,000. This was an increase of 13,000 from the period April to June 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 3,000 between September and October 2003 to 927,000.

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

- 1,046,000 people had joined the scheme by the end of September 2003. Of those leaving the scheme 463,000 had moved into jobs up to the end of September, of which 367,000 (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.

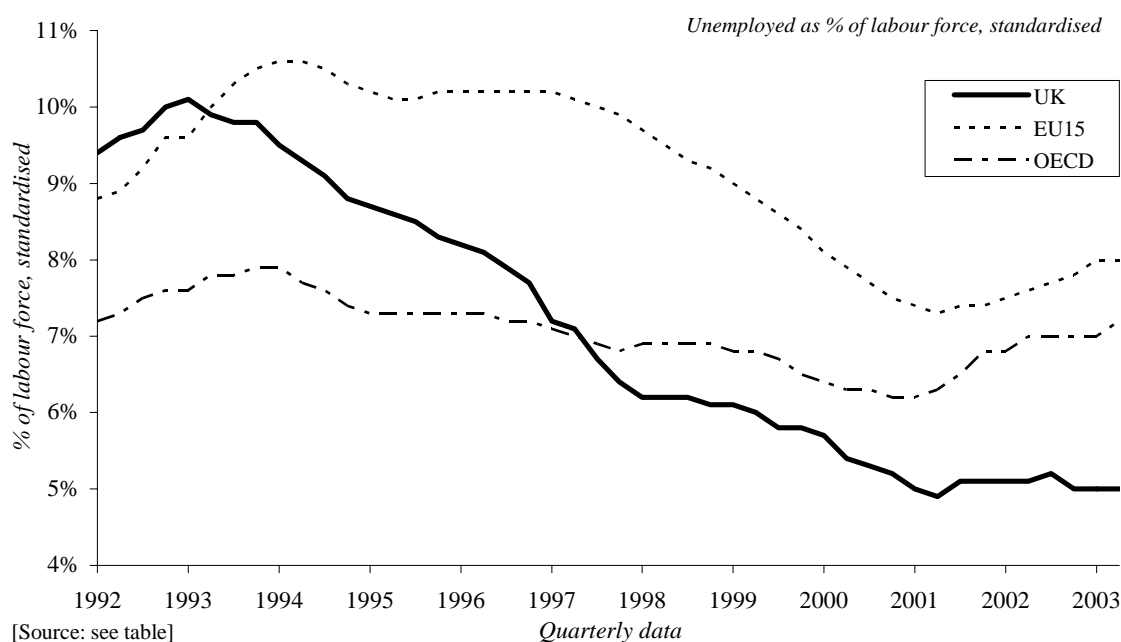
- 360,000 people joined the original (pre-April 2001) scheme. Of these, 77,000 had entered jobs of which 61,000 (80%) were sustained. 291,000 people had started on the enhanced scheme by the end of September 2003. Of these, 88,000 people had entered jobs of which 69,000 (78%) were sustained.

ILO Unemployment in the UK *seasonally adjusted*

	'000s	rate (%)
1997 Apr - Jun	2,043	7.2
Jul - Sep	1,945	6.8
Oct - Dec	1,865	6.5
1998 Jan - Mar	1,803	6.3
Apr - Jun	1,784	6.3
Jul - Sep	1,782	6.2
Oct - Dec	1,759	6.1
1999 Jan - Mar	1,773	6.2
Apr - Jun	1,738	6.0
Jul - Sep	1,703	5.9
Oct - Dec	1,680	5.8
2000 Jan - Mar	1,674	5.8
Apr - Jun	1,594	5.5
Jul - Sep	1,553	5.3
Oct - Dec	1,517	5.2
2001 Jan - Mar	1,475	5.1
Apr - Jun	1,463	5.0
Jul - Sep	1,489	5.1
Oct - Dec	1,518	5.2
2002 Jan - Mar	1,498	5.1
Apr - Jun	1,505	5.1
Jul - Sep	1,550	5.3
Oct - Dec	1,515	5.1
2003 Jan - Mar	1,510	5.1
Apr - Jun	1,468	5.0
Jul - Sep	1,481	5.0

Source: National Statistics,
Labour Market Statistics

C4: Unemployment: International Comparisons



Unemployed

as % of labour force (standardised); seasonally adjusted

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2
USA	4.2	4.0	4.7	5.8	5.6	5.9	5.8	5.9	5.8	6.2
Japan	4.7	4.7	5.0	5.4	5.3	5.4	5.4	5.4	5.4	5.4
Canada	7.6	6.8	7.2	7.7	7.8	7.6	7.6	7.6	7.4	7.7
UK	5.9	5.4	5.0	5.1	5.1	5.1	5.2	5.0	5.0	5.0
Germany	8.4	7.8	7.8	8.6	8.3	8.5	8.6	8.8	9.2	9.4
France	10.7	9.3	8.5	8.8	8.6	8.7	8.8	8.9	9.2	9.3
Italy	11.3	10.4	9.4	9.0	9.0	9.0	9.0	8.9	8.9	8.7
Euro zone	9.4	8.5	8.0	8.4	8.2	8.3	8.4	8.5	8.7	8.8
G7	6.1	5.6	5.9	6.5	6.4	6.5	6.5	6.6	6.6	6.8
OECD	6.7	6.3	6.5	7.0	6.8	6.9	7.0	7.0	7.0	7.2

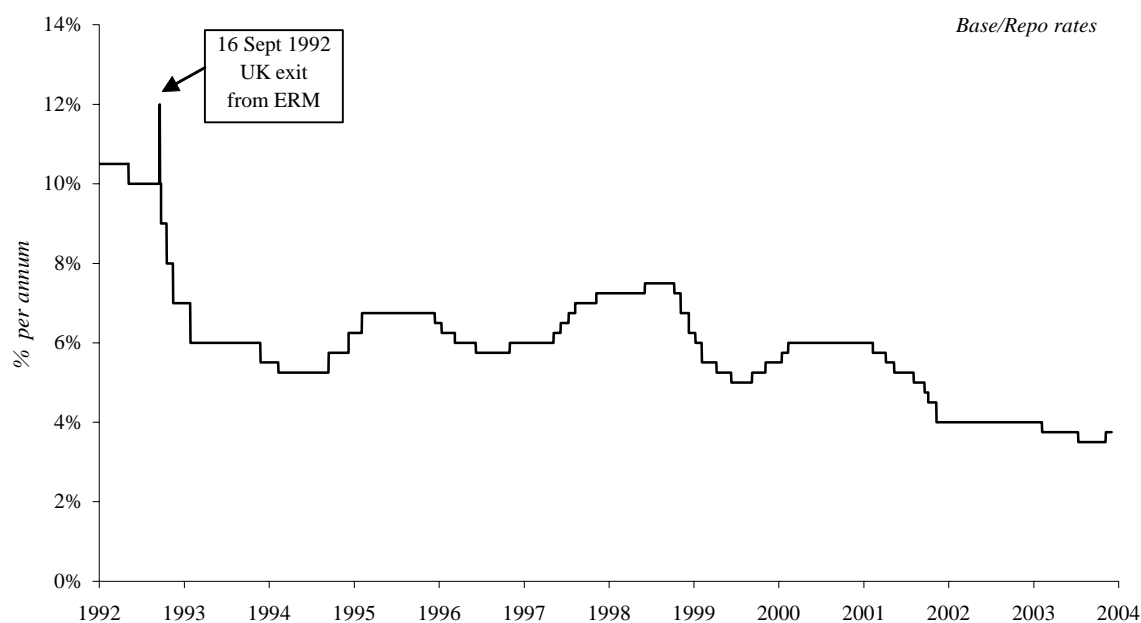
Source: OECD, *Main Economic Indicators*, November 2003

- Using standardised definitions, the UK unemployment rate for 2002 was 5.1%, significantly below the eurozone average (8.4%) and below the G7 and OECD rates (6.5% and 7.0% respectively).
- Between Q1 and Q2 2003 the unemployment rate rose or remained the same in all G7 countries except Italy, where it fell 0.2 of a percentage point. The unemployment rate in all the G7 nations taken together rose by 0.2 of a percentage point.
- The most recent forecasts published by the OECD (*Economic Outlook*, December 2003) suggest the UK unemployment rate will be 5.0% in 2003, 4.9% in 2004 and 4.8% in 2005. The respective forecasts for the Euro zone are 8.8%, 9.0% and 8.7%. For the OECD as a whole the respective forecasts are 7.1%, 7.0% and 6.7%.

Contact: Alex Adcock, x3973

Updates: OECD, *Main Economic Indicators*, Dec 2003;
OECD, *Economic Outlook*, Jun 2004

D1: Interest Rates



[Source: Bank of England]

June 1997 signified the first time that interest rates were set by the independent Monetary Policy Committee (MPC) of the Bank of England rather than by the Chancellor.

- The ½ percentage point cuts in November and December 1998, February 1999 and November 2001 were the largest changes in rates yet made by the MPC. The ¼ percentage point rise announced in November 2003 was the first interest rate rise since February 2000.
- The latest Bank Inflation Report forecasts that inflation is likely to remain above the RPI(X) target throughout 2004.
- In its November meeting, the MPC suggested that the outlook for the euro zone was uncertain but that there was stronger evidence of growth in the rest of the world.
- On the domestic front, consumption growth and housing activity were not slowing as much as expected while investment and government expenditure were likely to continue to strengthen.
- The MPC next meets on 3 December. It is expected that the minutes will be published on 17 December 2003.

UK Base/Repo Rates

% per annum

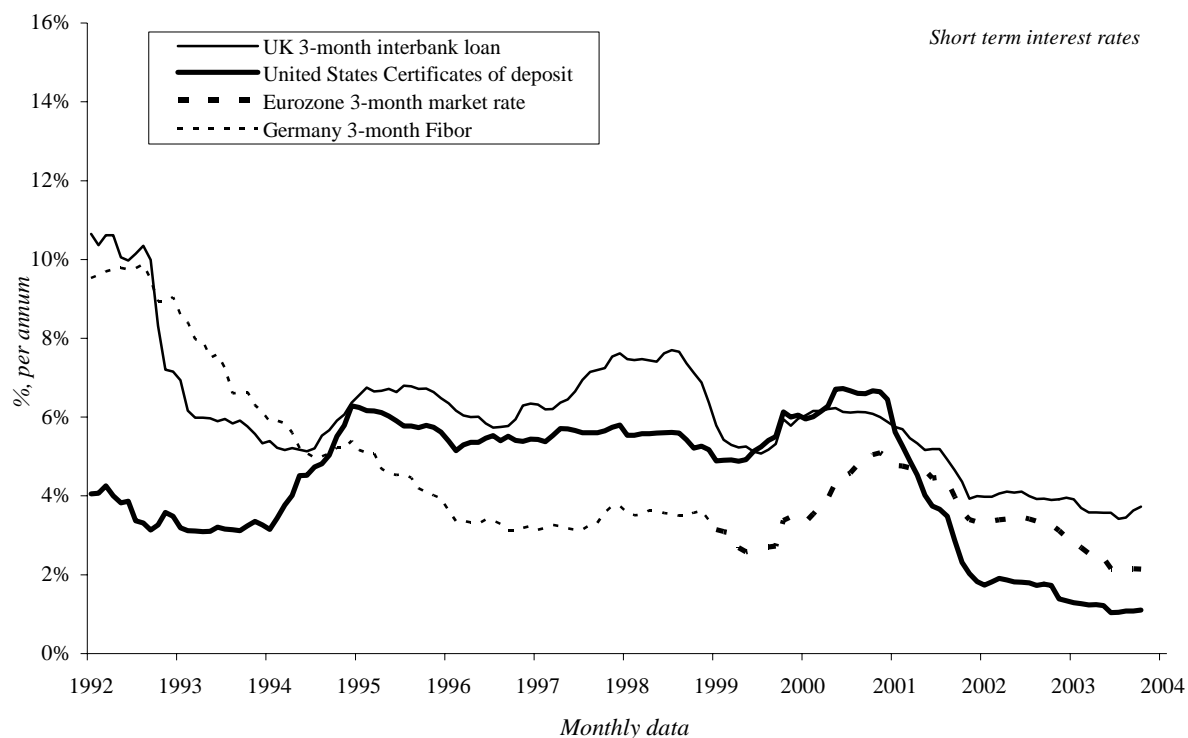
Date of change	New rate
1997 May 6	6.25
Jun 6	6.50
Jul 10	6.75
Aug 7	7.00
Nov 6	7.25
1998 Jun 4	7.50
Oct 8	7.25
Nov 5	6.75
Dec 10	6.25
1999 Jan 7	6.00
Feb 4	5.50
Apr 8	5.25
Jun 10	5.00
Sep 8	5.25
Nov 4	5.50
2000 Jan 13	5.75
Feb 10	6.00
2001 Feb 8	5.75
Apr 5	5.50
May 10	5.25
Aug 2	5.00
Sep 18	4.75
Oct 4	4.50
Nov 8	4.00
2003 Feb 7	3.75
Jul 10	3.50
Nov 6	3.75

Source: Bank of England

Contact: Grahame Allen, x4324

Update: Bank of England, 4 Dec

D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Nov 2003]

The main developments on the international stage have 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 UK's MPC was the first to increase base rates:

- The US Federal Reserve cut the US Federal Funds Rate by $\frac{1}{2}\%$ eight times during 2001, and again in November 2002, with a further $\frac{1}{4}\%$ cut on 25 June 2003.
- The Bank of England's Monetary Policy Committee (MPC) reduced the UK Repo rate seven times during 2001. A cut of $\frac{1}{4}\%$ announced on 6 February 2003 was followed by a further $\frac{1}{4}\%$ cut on 10 July. This cut was reversed on 6 November, with a $\frac{1}{4}\%$ increase to the present $3\frac{3}{4}\%$.
- The European Central Bank (ECB) did not follow the Fed or MPC decisions on a like for like basis, as might have been expected. They reduced the minimum lending rate four times during 2001, by $\frac{1}{4}\%$ in May and August and twice by $\frac{1}{2}\%$ (in September and November). A $\frac{1}{2}\%$ cut on 6 March 2003 was followed by another $\frac{1}{2}\%$ point cut on 5 June 2003.

International Interest Rates

% per annum, as at 28 November 2003

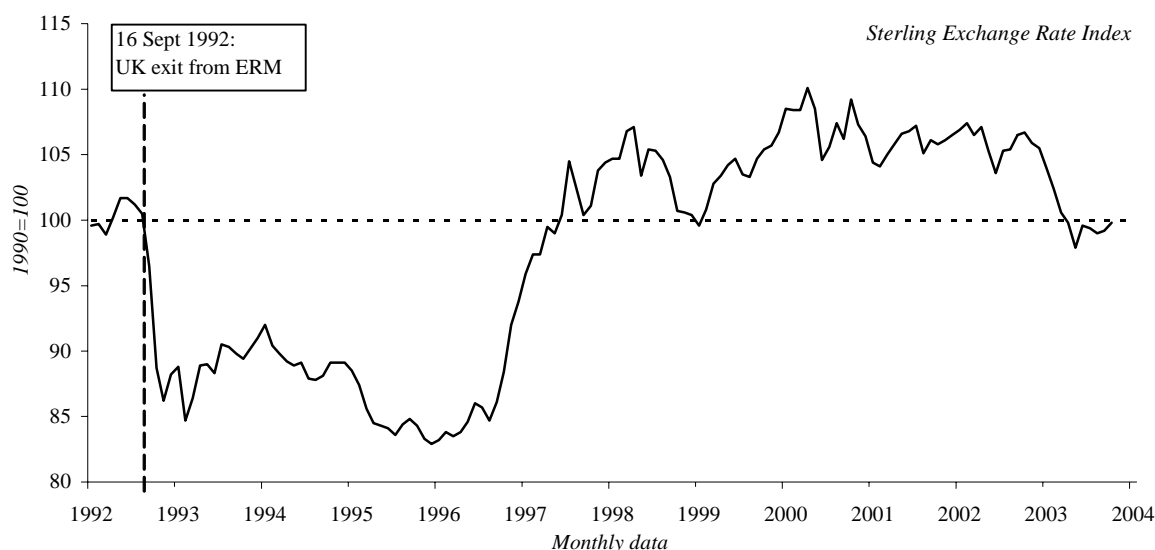
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	3.75	5.08	$3\frac{15}{16}$
United States	1.00	4.30	$1\frac{1}{8}$
Switzerland	0.00-0.75	2.85	$\frac{1}{4}$
Japan	0.00	1.23	$-\frac{1}{32}$
Eurozone	2.00	n/a	$2\frac{1}{8}$

Source: *Financial Times*, 1 Dec 2003 (*Companies & Markets*, p31)

Contact: Ian Townsend, x3977 **Updates:** *Short-term interest rates*, early Dec
Base rates: 4 Dec (MPC & ECB), 9 Dec (US Fed. Res.)

D3: Exchange rates

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



[Source: NS database, series: AGBG]

- The large fall in the SERI following the UK exit from the ERM indicated a relative improvement in the competitiveness of the UK. Since December 2002, the SERI has decreased by 5.7 points suggesting that the UK was relatively more competitive at the end of October than at the beginning of 2003.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.435 at the London market close on 28 November 2003, compared to a launch rate of €1.4168 on 31 December 1998.

Sterling Exchange Rates

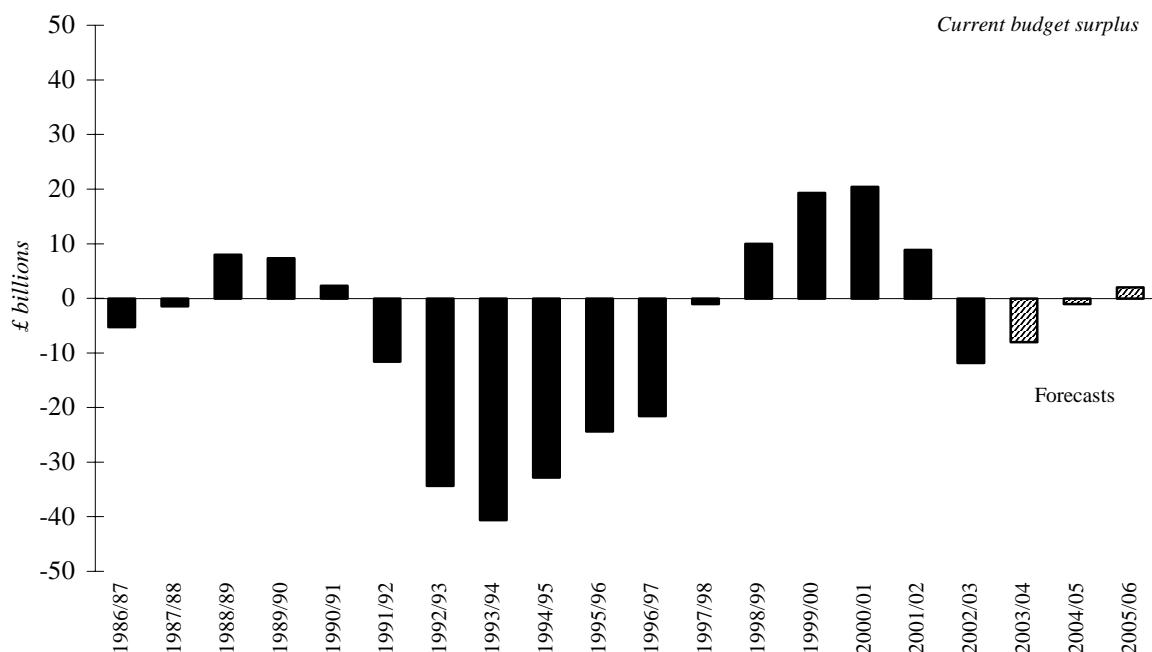
rates and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
1999	1.618	-2.3	184.0	-15.1	1.519	2.0
2000	1.516	-6.3	163.4	-11.2	1.642	8.1
2001	1.440	-5.0	174.9	7.0	1.609	-2.0
2002	1.503	4.3	187.8	7.4	1.591	-1.1
2002 Sep	1.556	6.3	188.1	8.4	158.6	-1.2
Oct	1.557	7.3	192.9	9.5	158.7	-1.0
Nov	1.572	9.5	191.0	8.7	156.9	-2.9
Dec	1.586	10.1	193.4	5.3	155.7	-3.6
2003 Jan	1.617	12.9	192.1	1.1	152.2	-6.2
Feb	1.605	12.8	192.1	1.1	148.9	-8.9
Mar	1.584	11.3	187.8	0.8	146.5	-9.7
Apr	1.575	9.1	188.8	0.2	145.1	-10.9
May	1.623	11.2	190.4	3.3	140.3	-11.8
Jun	1.661	11.7	196.5	7.3	142.3	-8.3
Jul	1.624	4.5	192.7	5.0	142.8	-8.9
Aug	1.595	3.7	189.4	3.5	142.9	-9.1
Sep	1.613	3.7	185.3	-1.5	143.4	-9.6

Source: NS database, series: AUSS, AJFO, THAP

Contact: Ian Townsend, x3977

Updates: SERI & Sterling Exchange Rates, during Dec

D4: Public Finances

[Source: NS database, series: ANMU]

The Government's policy is to balance the current budget over the span of the economic cycle, i.e. surpluses to match deficits (the golden rule). The graph shows the last two completed cycles, 1986 Q2 to mid 1997, and mid 1997 to mid 1999. Data for 2003/04 and subsequent years are projections based on the 2003 Budget Report.

- There was a -£2.6 billion surplus (deficit) on the current budget in the third quarter of 2003 compared to -£1.0 billion surplus in the same quarter of the previous year.

The Government's policy is to keep public sector net debt below 40% of GDP. Net debt is expressed as a percentage of GDP for the current period and for the preceding four quarters.

- The public sector net cash requirement (the new aggregate replacing the PSBR) was £6.0 billion in the third quarter of 2003 compared with £0.7 billion in the same quarter of the previous year. For the full 2002/3 financial year the PSNCR was £22.5 billion compared to £3.3 billion in 2001/2.

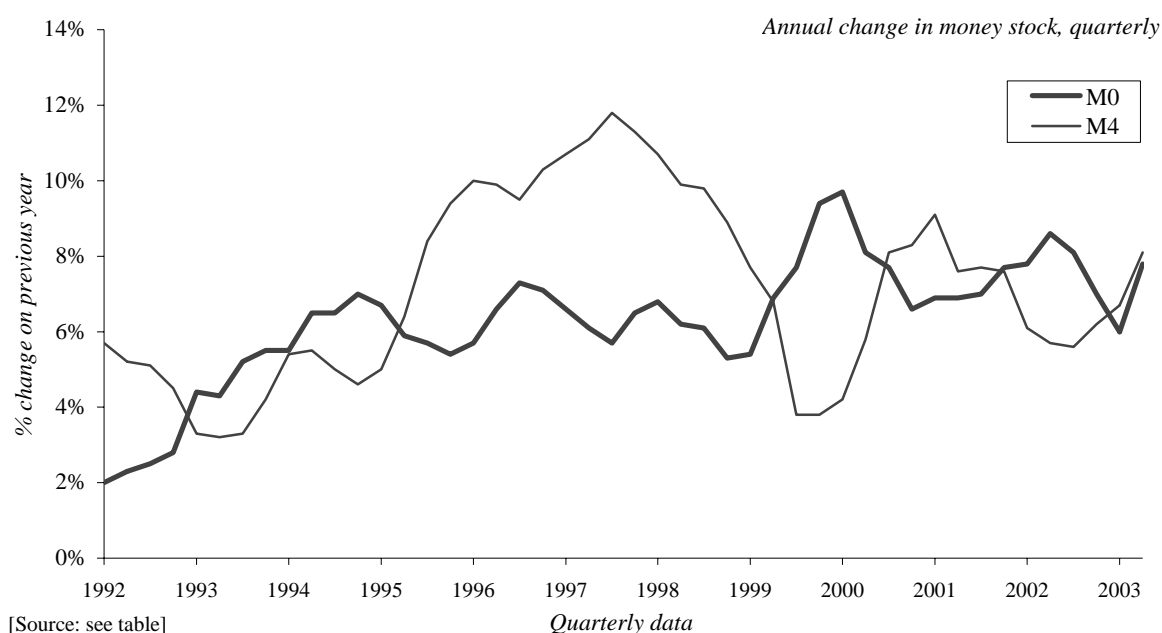
Public Sector Net Debt

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
1999/00	340.9	36.2
2000/01	306.9	31.2
2001/02	311.2	30.2
2002/03	334.1	30.8
2002 Q3	320.4	30.3
Q4	335.9	31.4
2003 Q1	334.1	30.8
Q2	349.9	31.9
Q3	355.3	32.1

Source: NS database, series: RUTN, RUTO

D5: Money Supply



Money stock

% change, seasonally adjusted

	M0		M4	
	3 month change (annualised)	12 month change	3 month change (annualised)	12 month change
2002 October	8.4	8.2	9.1	5.6
November	6.3	6.9	7.3	6.0
December	3.9	5.8	9.2	7.2
2003 January	1.9	5.2	6.4	6.5
February	5.7	6.3	7.1	6.6
March	8.3	6.4	4.8	7.1
April	17.7	8.7	9.5	8.1
May	13.7	8.0	8.8	8.3
June	11.5	6.8	9.1	8.0
July	5.3	8.2	5.1	7.5
August	6.2	7.9	3.3	6.6
September	7.6	7.8	4.3	6.8
October	5.2	7.3	5.7	6.6

Source: Bank of England, *Bankstats*, Series: VQMY, VQMX, VQKA, VQJW

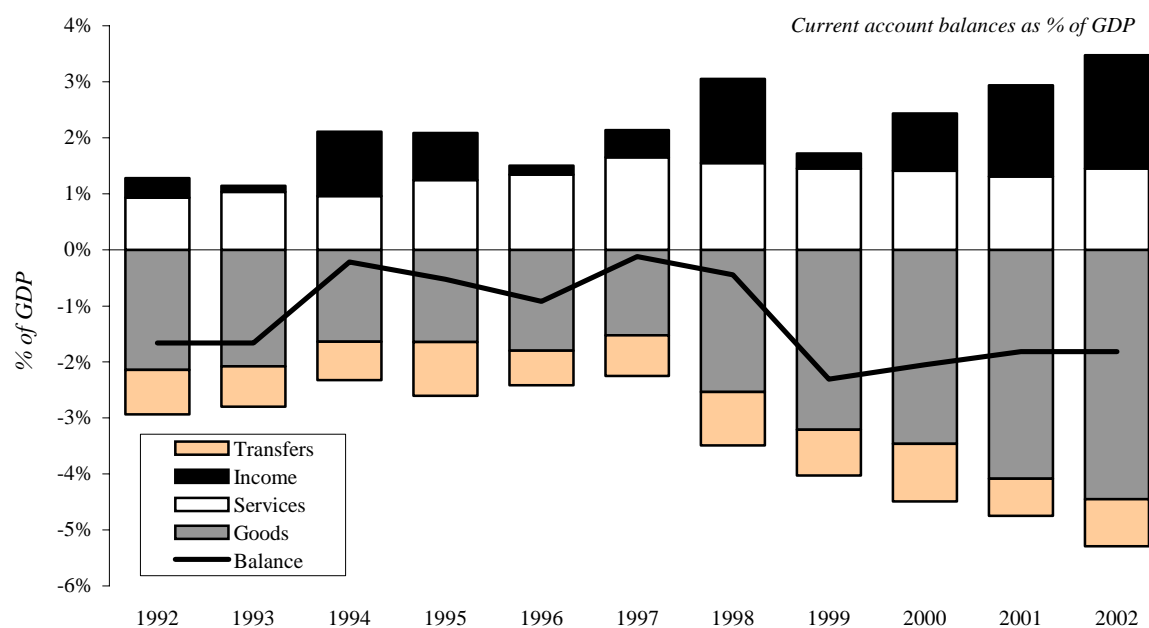
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 7.3% in the 12 months to October. The 12-month seasonally adjusted M0 growth rate was 7.3% in October 2003, compared to 8.2% in October 2002.

There are now no formal targets for money supply growth.

Contact: Dominic Webb, x2464

Update: Bank of England, *Bankstats*, 2 January 2004

E1: International Trade

[Source: see table]

Current Account Balances*£ millions; seasonally adjusted*

	Trade in goods & services			Income (total)	Transfers			Current Balance
	Goods	Services	Total		Central Gov.	Other	Total	
1999	-29,051	13,134	-15,917	2,422	-3,940	-3,443	-7,383	-20,878
2000	-32,976	13,426	-19,550	9,763	-5,550	-4,202	-9,752	-19,539
2001	-40,620	13,000	-27,620	16,188	-2,593	-4,013	-6,606	-18,038
2002	-46,455	15,166	-31,289	21,119	-5,752	-3,043	-8,795	-18,965
2002 Q3	-11,549	4,176	-7,373	5,901	-1,526	10	-1,516	-2,988
Q4	-13,256	4,074	-9,182	7,655	-1,861	-603	-2,464	-3,991
2003 Q1	-10,772	2,618	-8,154	8,306	-1,660	-811	-2,471	-2,319
Q2	-10,920	2,589	-8,331	3,038	-2,400	-918	-3,318	-8,611
Q3	-11,639	2,690	-9,226

Source: NS database, series: BOKI, FNSV, FNTC, HBOJ, HBOP, IKBD, IKBJ, IKBP

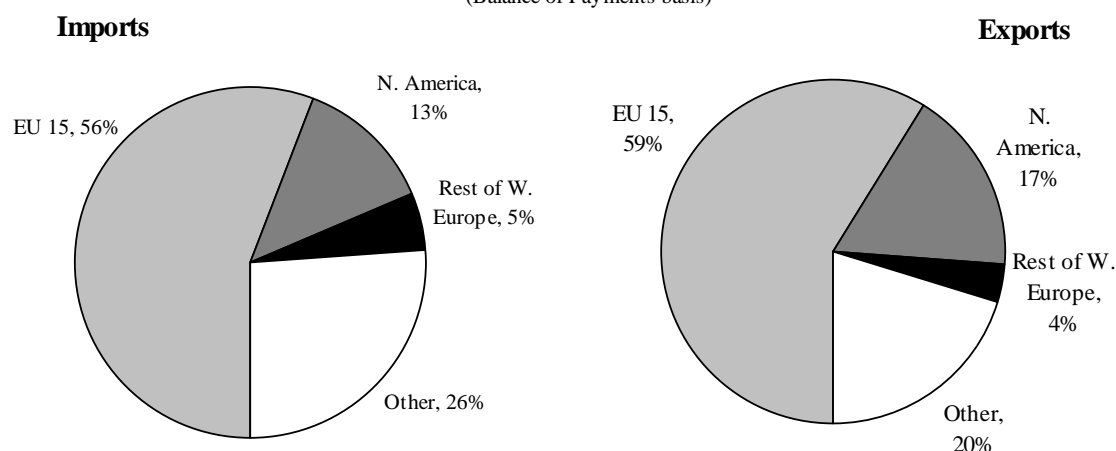
- The UK's current account has been substantially revised, largely through the measurement of VAT missing trader intra-Community fraud increasing import figures for trade in goods. The resultant deficit narrowed between 1996 and 1998, but increased in all years from 1999 onwards.
- The current balance for 2002 now shows a revised deficit of an estimated £19.0 billion, almost double the previous estimate. This compares to a deficit, also substantially revised, of £18.0 billion for 2001.
- The current account was in deficit by a record £8.6 billion in Q2 2003, compared to a £2.3 billion deficit in the previous quarter. While trade in services and income were in surplus, current transfers showed a deficit of £3.3 billion and trade in goods of £10.9 billion. The surplus on income for Q2 2003 of £3.0 billion was a fall from the record surplus of £8.3 billion in the first quarter.

Contact: Patsy Richards, x4904**Updates:** NS, *UK Balance of Payments: first release*, 23 Dec

E2: Trade in Goods

Shares of UK trade in goods by area, 2002

(Balance of Payments basis)



[Source: NS database, series: ENOF, HBZQ, HCJD, HCII, HDII, HCHW, ENOS, HCRB, HBTS, HDJQ, HCPC, HCIF]

Export & import volume indices & trade in goods balances

Index & £ millions; Balance of Payments basis; seasonally adjusted

	Volume index (2000=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
1999	89.2	91.5	166,166	195,217	-29,051
2000	100.0	100.0	187,936	220,912	-32,976
2001	102.7	105.4	190,050	230,670	-40,620
2002	100.8	109.5	186,257	232,712	-46,455
2002 Q3	101.4	110.4	46,770	58,319	-11,549
Q4	96.2	109.6	44,384	57,640	-13,256
2003 Q1	101.5	110.5	47,486	58,258	-10,772
Q2	98.8	108.4	46,386	57,306	-10,920
Q3	98.3	109.5	46,221	57,860	-11,639

Source: NS database, series: BOKG, BOKH, BOKI, BQKU, BQKV

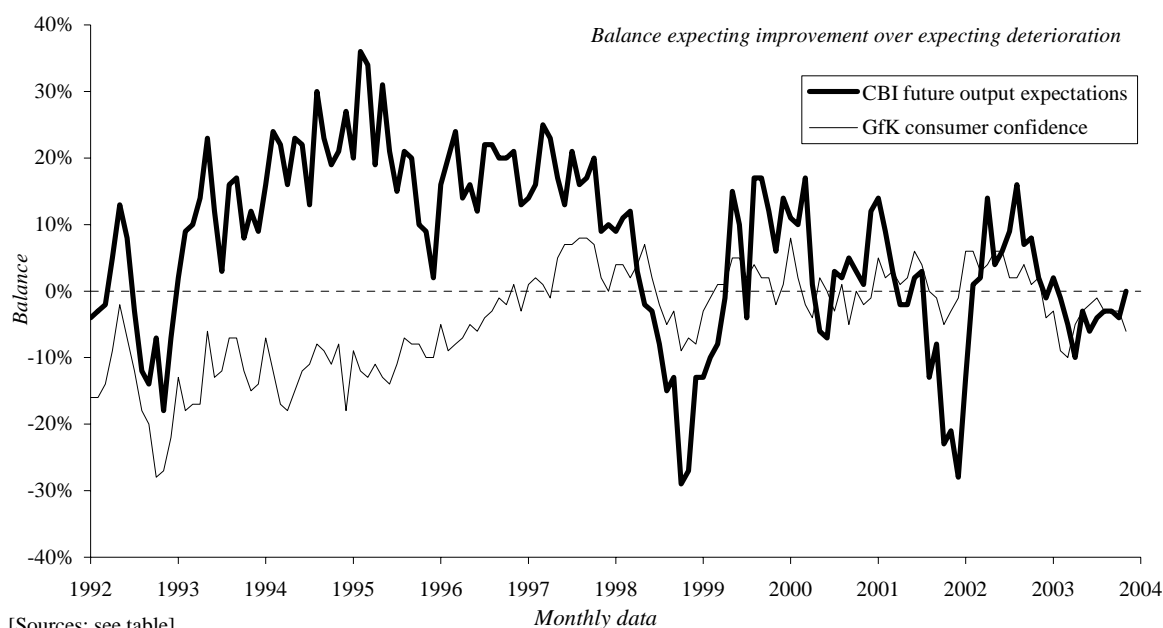
- Since July 2003 figures for trade in goods have included adjustments to allow for the impact of VAT missing trader intra-community fraud, and the main effect has been to adjust imports upwards.
- In September 2003 the deficit on trade in goods is provisionally estimated at £4.8 billion compared with a revised deficit of £3.4 billion in August. In September total exports of goods fell 2.5% on the previous month to £15.0 billion, while goods imports rose 5.0% to £19.8 billion.
- The deficit on trade in goods with EU countries for September was a record £2.2 billion, compared to £1.7 billion in August. The deficit with non-EU countries was £2.6 billion (£1.7 billion in August).
- The trends in the value of trade show both imports and exports flat.

Contact: Patsy Richards, x4904

Update: NS, UK Trade: First Release, 9 Dec

F1: Survey indicators

The survey indicators shown here are expressed in terms of a balance of 'the percentage of respondents expecting the situation to improve' over 'the percentage expecting things to worsen':



The CBI carries out monthly and quarterly Industrial Trends Surveys:

- The balance of expectations for future output from the CBI's monthly survey was -2 in November 2003, up from October's level of -4.
- The CBI's quarterly indicator of overall business confidence in manufacturing, looking at current optimism compared with three months previously, rose to -7 in October 2003 from -13 in July.

Martin Hamblin GfK's *Consumer Confidence Barometer* is a composite measure of a range of consumer attitudes, including: forward expectations of the general economic situation and households' financial positions, perceptions of how these have changed over the last 12 months, and views on making major household purchases.

- November's results show that the overall index fell 3 points from October's level to -6, after having remained at -3 for three months.
- Consumers' optimism regarding the general economic situation fell from October's levels, although optimism regarding future personal finances remained level, while consumers felt less inclined to make major purchases.

Output Expectations/Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

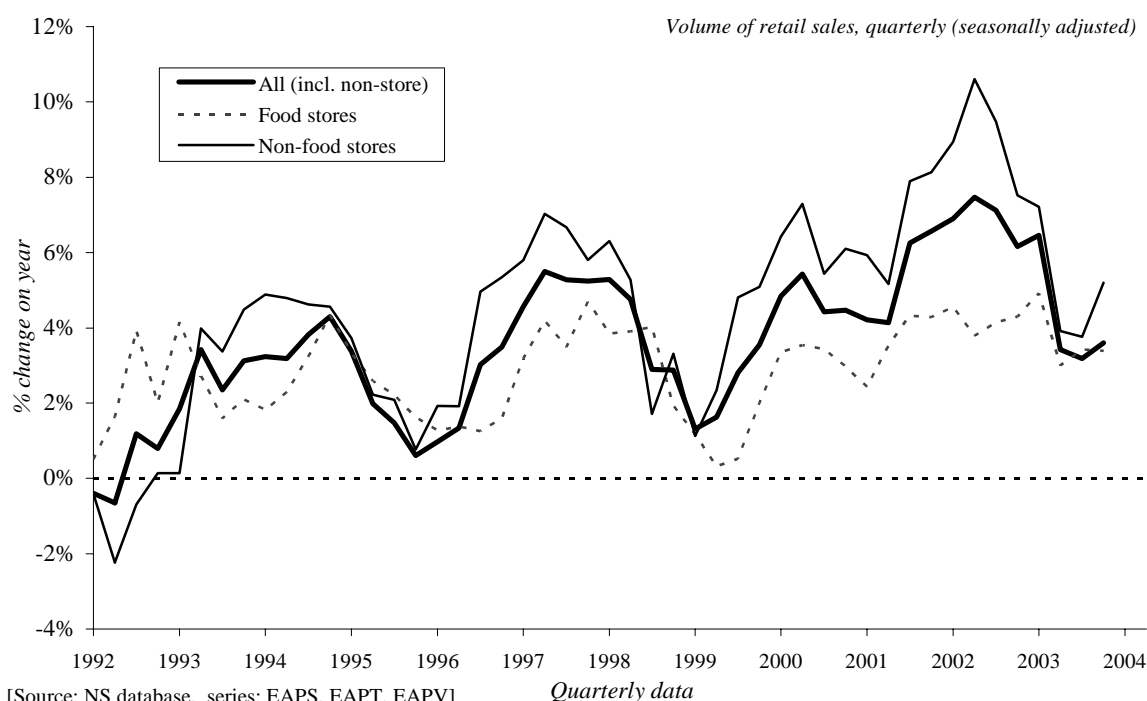
	Future output expectations (CBI)	Consumer confidence (GfK)
2002 Nov	2	2
Dec	-1	-4
Jan	2	-3
Feb	-1	-9
Mar	-5	-10
Apr	-10	-5
May	-3	-3
Jun	-6	-2
Jul	-4	-1
2003 Aug	-3	-3
Sep	-3	-3
Oct	-4	-3
Nov	-2	-6

Sources: CBI, *Industrial Trends Survey* (monthly), from NS database, series: ETCU; Martin Hamblin GfK, *Consumer Confidence Survey* on behalf of the European Commission

Contact: Ian Townsend, x 3977

Updates: CBI, *Industrial Trends* (Monthly), 11 Dec;
Martin Hamblin GfK, *Consumer Confidence*, 30 Dec

F2: Retail Sales



- The *volume* of retail sales grew by 1.5% for August to October compared with the previous three months, and was 3.7% higher than a year previously (seasonally adjusted).
- Retail sales volumes in October 2003 were 3.7% higher than in October 2002 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 5.5% in August to October compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 3.4% over the same period (seasonally adjusted).

Value of Retail Sales

% change on year, non-seasonally adjusted

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
1999	2.1	3.2	5.6	2.1	4.3
2000	4.2	4.2	6.4	3.1	3.1
2001	5.0	6.0	6.0	6.0	6.0
2002	3.8	2.8	8.5	6.6	4.7
2002 Q3	2.9	1.9	7.9	4.8	3.9
Q4	1.7	3.1	6.3	6.2	4.0
2003 Q1	1.9	1.1	2.8	0.0	2.0
Q2	2.8	7.0	2.8	-1.9	2.8
Q3	4.7	2.8	3.7	-1.8	2.8

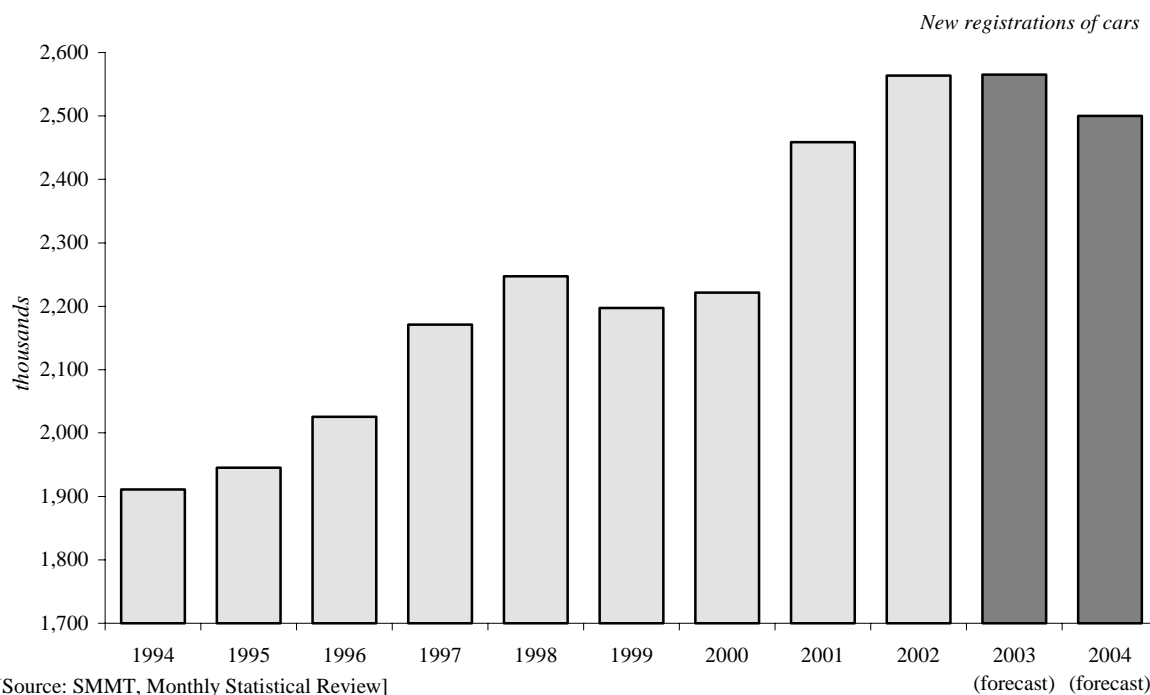
Source: NS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in October 2003 was £4,620 million, 3.1% higher than in October 2002 (non-seasonally adjusted).

Contact: Ed Potton, x2883

Update: NS, *Retail Sales: First Release*, 18 Dec

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 1.4% in October 2003, compared with the previous October's figure, to 181,589 units.

- The number of new registrations of cars was around 2.6 million units in 2002, a rise of 4.3% on the previous year and the highest annual total ever.
- New registrations of cars are forecast to remain relatively constant in 2003 and fall by 2.5% in 2004.
- There were 37,500 registrations of British-built cars in October, equivalent to 20.7% of the market. British built registrations have fallen 7.3% on the previous October's figure. In 2002 as a whole, there were 583,000 registrations of British-built cars, a decrease of 1.9% from the previous year's figure and equivalent to 22.7% of the market.

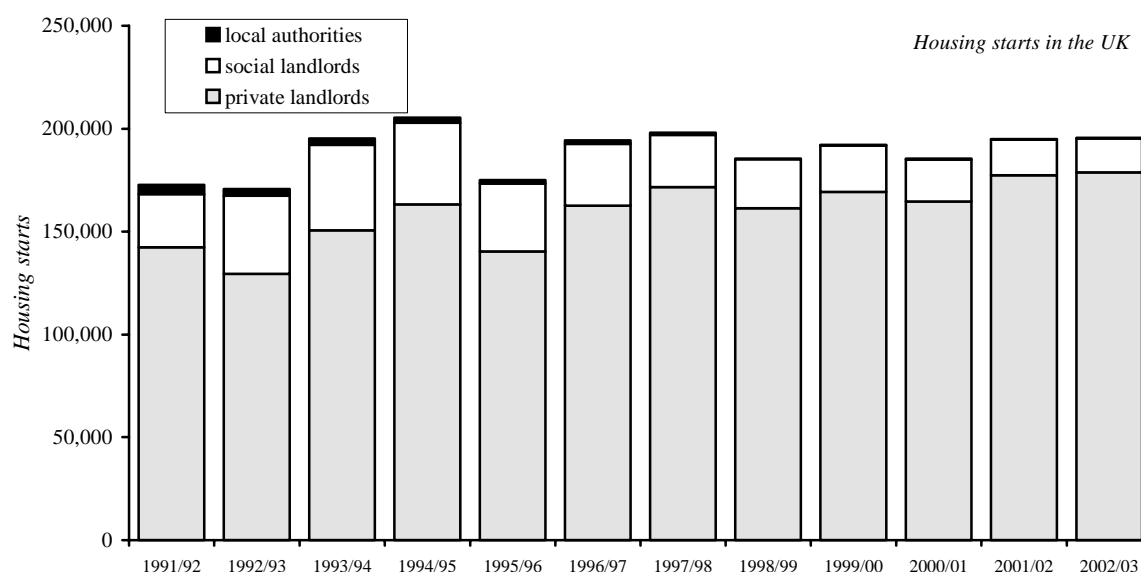
New Registrations of Cars

000s & % change, not seasonally adjusted

	Number ('000s)	Change over 12 months
2001	2,459	10.7
2002	2,564	4.3
2003 (forecast)	2,565	0.1
2004 (forecast)	2,500	-2.5
<hr/>		
2002 Oct	184	-0.6
Nov	172	-6.8
Dec	145	14.3
2003 Jan	187	-9.1
Feb	88	-5.8
Mar	438	3.4
Apr	194	-7.0
May	200	-4.1
Jun	240	15.8
Jul	197	0.6
Aug	89	2.4
Sep	439	1.5
Oct	182	-1.4

Source: SMMT, *Monthly Statistical Review*

F4: House-building & Prices



[Source: ODPM, *Housebuilding*]

The Office of the Deputy Prime Minister (ODPM) now publishes quarterly housing starts and completions data. This is because of the volatility of monthly data published previously.

- The latest available UK-wide data is for Q1 2003. In that quarter 52,993 dwellings were started in the UK, compared with 50,707 in same quarter in 2002. The latest available completion data is also for Q1 2003, which saw 42,984 completions, compared with 42,103 in Q1 2001 (non-seasonally adjusted).

The Halifax *House Price Index* shows that:

- UK house prices rose by 1.2% in October 2003, with annual house price inflation running at 16.7%.
- On a quarterly basis, UK house prices rose by 3.4% in Q3 2003 compared with the previous quarter, following an increase of 3.5% in Q2 2003 on Q1 2003 (all based on seasonally adjusted figures).

Halifax data gives a regional breakdown (note: not aligned with Government Office Regions):

- This puts annual house price inflation in Q3 2003 at its highest in the North of England (37.6%) and lowest in Greater London (8.6%). By comparison, the UK-wide figure was 18.6% (all non-seasonally adjusted).

Standardised average house prices

£s & %, non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
2002 Q3	114,040	115,194	115,417	80,326
Q4	121,426	123,039	122,813	84,649
2003 Q1	123,637	126,847	124,405	86,653
Q2	130,545	129,334	131,643	92,528
Q3	135,204	134,419	136,602	95,964
<i>% change over same period in previous year</i>				
2002 Q3	21.0	16.1	21.6	20.0
Q4	26.4	22.9	27.0	23.5
2003 Q1	23.4	22.2	23.3	20.5
Q2	21.9	17.3	22.1	20.3
Q3	18.6	16.7	18.4	19.5

Source: HBOS, *Halifax House Price Index* (historical data)

The ODPM now publishes, **currently in experimental form only**, its own house price index based on completions (cf. Halifax index, which is based on mortgage approvals):

- The average UK house price in September 2003 was £158,408 (down from £159,010 in August). Annual house price inflation was at 10.9%, down from 14.0% in August. Regionally, annual house price inflation was highest in Wales (18.2%) and lowest in Northern Ireland (0.7%) (non-seasonally adjusted).

Contact: Ian Townsend, x3977

Updates: Halifax, *House Prices*, early Dec; ODPM, *House Prices*, 8 Dec; ODPM, *Housebuilding*, 12 Feb 2004