



RESEARCH PAPER 04/11  
2 FEBRUARY 2004

# 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:

## **Consumer borrowing**

Please note that the layout of indicator pages has changed. All indicators featured in earlier editions remain, and a new indicator on consumer borrowing has been added.

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 are 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.<sup>1</sup> However, for enquiries in these subject areas please contact the following researchers:

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

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

<sup>1</sup> 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 Consumer borrowing

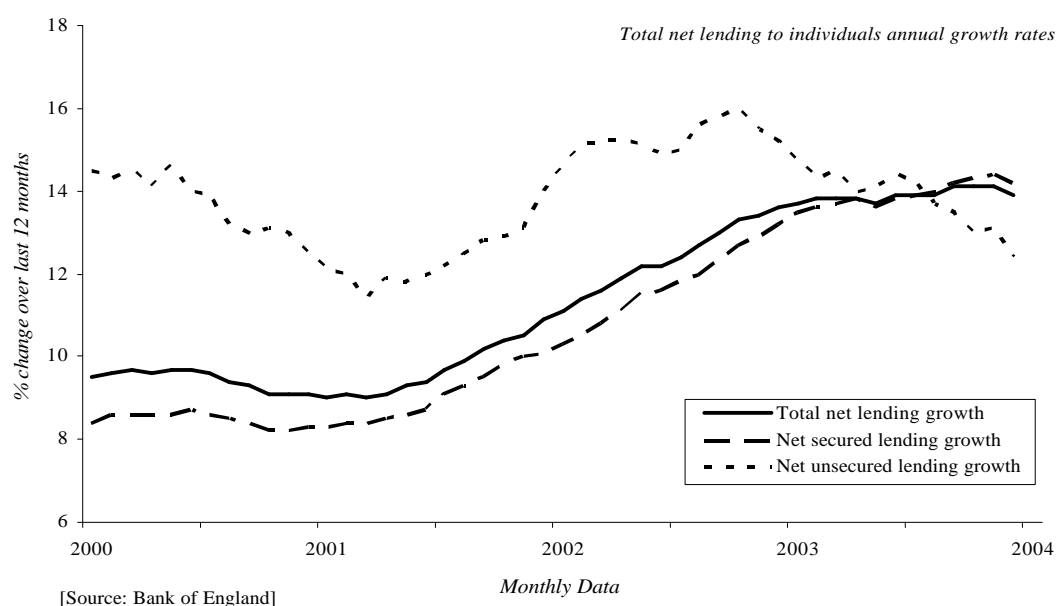
This article coincides with a new *Economic Indicators* page (F5, on page 24) on consumer borrowing. The Treasury Select Committee recently published a report on credit card transparency,<sup>2</sup> but this is not within the scope of this article and is not discussed here. There has been significant coverage of the level of consumer borrowing in the press recently. Statistics normally fall under three headings:

- **Secured lending** – where loans are secured against property; more commonly seen as the level of mortgage borrowing;
- **Unsecured lending** – not secured against property, including lending such as that on personal loans, credit cards and store cards. More commonly known as consumer credit; and,
- **Total lending to individuals** – the sum of secured and unsecured lending.

It is worth noting that the level of unsecured borrowing recorded at the end of each month includes all outstanding debt on credit cards and takes no account of non-interest bearing debt, that is, those people who use their credit cards as a form of easy payment, clearing the balance each month. Therefore, the level of net unsecured lending outstanding overstates the actual level of borrowing.

### 1. Growth and levels of lending

Until the middle of 2003, unsecured lending had been growing at a higher rate than secured lending. The growth rate of secured lending had been increasing throughout 2001 and 2002, and appears now to be stabilising at a rate higher than unsecured lending:



<sup>2</sup> HC Treasury Select Committee, *Transparency of Credit Card Charges*, 17 December 2003 [HC 125 2003-04]; <http://pubs1.tso.parliament.uk/pa/cm/cmtreasy.htm>

The table shows the net level of lending outstanding and growth rates for the last four years:

### Net lending to individuals

*£ millions and % changes on year; seasonally adjusted*

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1999 Dec	493,153	115,202	608,355	8.3	14.5	9.4
2000 Dec	534,825	127,110	661,934	8.3	12.5	9.1
2001 Dec	590,265	140,539	730,804	10.1	14.0	10.9
2002 Dec	669,356	156,472	825,828	13.2	15.2	13.6
2003 Mar	691,622	160,235	851,857	13.7	14.5	13.8
Jun	713,464	164,380	877,843	13.8	14.4	13.9
Sep	738,572	167,615	906,187	14.2	13.5	14.1
Dec	764,621	169,387	934,008	14.2	12.4	13.9

Source: Bank of England, series: VTYYI, VTYYO, VTYYC, VTXK, VTRI, VZXC

As the table shows, 82% of net lending outstanding is secured lending, or mortgages.

Net lending increased by £8.1 billion in December 2003. This was the lowest monthly increase of the year, and also the lowest since June 2002. Following the release of the December 2003 borrowing figures the *Financial Times* covered the possible consequences for the Monetary Policy Committee (MPC):

Economists were puzzled because data from banks and building societies had pointed to even stronger lending during the month.

[...] The moderation in the pace of borrowing last month created an interesting situation in the run-up to next week's MPC meeting.

Sir Andrew Large, the deputy governor responsible for financial stability, was the only committee member to vote for rate rises at the past two meetings, because of his concerns about the "continuing strong growth of household debt".

But Simon Rubinsohn, at Gerrard, said: "Given the stream of other positive economic news over the past fortnight, the weakening trend, especially in the consumer credit numbers, is unlikely to be of a sufficient magnitude to encourage him to switch sides."<sup>3</sup>

The following table shows changes in the level of net lending on monthly basis for 2003. It also gives a breakdown of lending between lending organisations:

<sup>3</sup> "Rate rise forecast despite debt slowdown", *Financial Times*, 31 January 2004

**Net lending to individuals, monthly breakdown, 2003***£ millions; seasonally adjusted*

	Banks	Building Societies	Other specialist lenders	Retailers	Other	Total	of which:	
							secured on dwellings	consumer credit
Jan	3,734	1,327	3,742	-4	-30	<b>8,977</b>	7,425	1,551
Feb	5,566	1,371	1,154	-8	-55	<b>8,972</b>	7,190	1,783
Mar	1,156	990	8,575	-28	-48	<b>8,808</b>	7,121	1,688
Apr	5,361	1,292	910	-21	-14	<b>8,796</b>	7,361	1,435
May	5,467	1,522	3,140	-32	-1	<b>9,434</b>	7,437	1,996
Jun	3,846	2,009	3,681	-237	8	<b>9,541</b>	7,795	1,745
Jul	8,353	1,528	1,072	-6	18	<b>9,824</b>	8,110	1,715
Aug	5,743	1,393	317	21	24	<b>9,604</b>	8,020	1,584
Sep	6,006	1,818	4,641	-28	17	<b>11,027</b>	9,293	1,734
Oct	7,263	2,320	165	-9	16	<b>10,922</b>	9,291	1,631
Nov	3,801	1,896	6,463	44	4	<b>10,060</b>	8,623	1,437
Dec	5,448	1,453	-111	-14	7	<b>8,110</b>	7,276	834

Notes: Series may be affected by acquisitions/disposals of mortgage and consumer credit portfolios

Other specialist lenders series has not been seasonally adjusted

Total may not sum to constituent parts due to seasonal adjustment

Source: Bank of England, series: VTUR, VTUS, VTUT, AGTT, VTUU, VTUV, VTVJ, RLMH

**2. Mortgage borrowing**

The levels of mortgage borrowing (secured lending) outstanding can be broken down by lending institution. At the end of December 2003:

- 67% of mortgage lending was made by banks (in 2000 this was 72%);
- 19% of mortgage lending was made by building societies (20% in 2000);
- 14% of mortgage lending was made by other specialist lenders (8% in 2000).<sup>4</sup>

The *Council of Mortgage Lenders* publish data on mortgage lending on a quarterly basis. The table below provides an analysis of advances for all borrowers in the UK.

**Analysis of gross advances for house purchase, all buyers, UK**

	Estimated number of loans, '000s	Estimated value of loans, £million	Average house price, £	Average advance, £	Average income of borrowers, £	Average percentage advance, %	Average advance: income ratio
2001	1,314	100,214	88,500	62,790	27,190	82	2.42
2002	1,385	118,217	105,000	70,000	29,236	80	2.57
2002 Q3	389	34,427	112,500	73,000	30,000	77	2.57
Q4	349	30,867	113,950	74,000	30,000	79	2.60
2003 Q1	257	22,926	112,000	73,075	29,700	76	2.60
Q2	281	26,372	120,000	78,000	30,421	75	2.67
Q3	342	35,172	130,000	84,604	30,160	75	2.81

Note: Estimates of % of number and value of loans are indicative only, affordability calculations state averages of individual cases

Source: Council of Mortgage Lenders, *Housing Finance*, No 60 Winter 2003, Table 16<sup>4</sup> Bank of England



The table shows that the average advance has been increasing over the last three years, reflecting the rise in house prices. However, the average percentage advance has been decreasing over time, perhaps reflecting increasing levels of remortgaging alongside decreasing numbers of first time buyers; the average percentage advance for first time buyers has consistently been running at 90% for the last three years.<sup>5</sup>

The total number of mortgages outstanding stood at 11.4 million midway through 2003.<sup>6</sup>

### **3. The Miles Review**

In the 2003 Budget the Chancellor asked David Miles to look at the UK mortgage market and consider the specific issue of the low level of mortgage debt that is held at long-term fixed interest rates compared to other developed economies. One of the major reasons for this study into the mortgage market is the sensitivity of households to interest rate changes possibly due to the high occurrence of variable interest rate mortgages.

The review produced an interim report for the Pre-Budget Report (PBR) in December 2003 and is expected to report in full in the 2004 Budget. The initial findings include:

- Many borrowers attach too great a weight to the level of initial monthly repayments and too little to the likely overall cost of borrowing over the life of the loan;
- Many borrowers' understanding of risk is poor;
- There is cross subsidisation from existing borrowers paying Standard Variable Rates to new borrowers taking out discounted variable and short-term fixed-rate mortgages;
- The current functioning of the mortgage market has adverse macroeconomic consequences for the wider economy and makes monetary policy more difficult to operate;
- However, the report does not see the UK mortgage market as fundamentally flawed;
- In his final report David Miles may include, among his wider recommendations, a recommendation for action from the FSA or the OFT.<sup>7</sup>

### **4. Distribution of unsecured borrowing**

A recent survey for the Bank of England looked at the distribution of unsecured debt in the UK based on a survey conducted in October 2003.<sup>8</sup> The Bank notes the potential importance of recent increases in unsecured lending on monetary policy and financial stability.

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<sup>5</sup> Council of Mortgage Lenders, *Housing Finance*, No 60 Winter 2003, Table 17

<sup>6</sup> *ibid.*, Table 25

<sup>7</sup> HM Treasury, *Pre-Budget Report*, December 2003 [Cm 6042 2003-04], available at: [http://www.hm-treasury.gov.uk/pre\\_budget\\_report/prebud\\_pbr03/report/prebud\\_pbr03\\_repindex.cfm](http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr03/report/prebud_pbr03_repindex.cfm)

The survey found that around 34% of adults had some form of unsecured lending. When broken down by type of lending, 15% had credit card debt, while 13% had a personal loan. In most cases, the level of debt participation increases with the level of household income, except for DSS social fund loans, student loans, and borrowing through catalogues and mail order. The highest level of participation among income groups was for those earning between £25,000 and £34,999.<sup>9</sup> The table below provides further information.

### Participation by debt instrument and household income

%

	Household income of those in the survey reporting income							Whole sample
	Less than £4,500	£4,500-£9,499	£9,500-£17,499	£17,500-£24,999	£25,000-£34,999	£35,000-£59,999	More than £60,000	
HP agreement	1	6	6	4	16	11	14	5
Personal loans	11	10	16	16	36	28	31	13
Overdraft	7	4	9	14	18	13	25	7
Credit card	5	6	22	22	33	35	20	15
Catalogue or mail order	7	9	13	9	8	8	7	8
Student loan	8	1	2	3	2	4	2	3
DSS social fund	4	7	4	1	1	0	0	2
Other loans	0	2	4	3	2	2	0	2
Any type of debt	<b>33</b>	<b>29</b>	<b>45</b>	<b>42</b>	<b>62</b>	<b>56</b>	<b>48</b>	<b>34</b>
Proportion of sample in each income group	8	28	28	12	10	11	4	100

Source: Bank of England, *The distribution of unsecured debt in the United Kingdom: survey evidence*, December 2003, Table A

The exception to the rule that debt rises with household income is the lowest income group of less than £4,500 which is affected by the high level of student debt in this group. The overall average debt is £3,500.<sup>10</sup>

The article concludes that around 40-50% of households and 30-40% of individuals have some form of unsecured debt. This varies from some other studies and official data for a variety of reasons: for example, the treatment of debt paid off at the end of the month and the tendency of individuals to under-report personal debt.<sup>11</sup>

The article looks at the distribution of debt across the population and is summarised in the table below. The survey found that the distribution of debt is highly uneven and a large proportion of debt is concentrated in a small part of the population, with half of the identified aggregate debt owed by around 4.3% of adults with individual debts of over £10,000.<sup>12</sup>

<sup>8</sup> Tudela, M & Young, G, "The distribution of unsecured debt in the United Kingdom: survey evidence", published in Bank of England, *Quarterly Bulletin*, Winter 2003; <http://www.bankofengland.co.uk/qb/qb030402.pdf>

<sup>9</sup> *ibid.*, p418

<sup>10</sup> *ibid.*, p418-9

<sup>11</sup> *ibid.*, p421

<sup>12</sup> *ibid.*, p425

**The distribution of unsecured debt and income***millions, estimates grossed up from survey results*

Debt:	Household income								Whole sample
	Less than £4,500	£4,500-£9,499	£9,500-£17,499	£17,500-£24,999	£25,000-£34,999	£35,000-£59,999	More than £60,000	Missing	
None	1.2	4.3	3.6	1.6	0.9	1.1	0.4	14.5	<b>27.4</b>
Under £1,000	0.3	0.9	1.1	0.3	0.2	0.1	0.1	1.3	<b>4.1</b>
£1,000-£4,999	0.1	0.3	0.8	0.3	0.3	0.4	0.1	0.7	<b>3.0</b>
£5,000-£9,999	0.1	0.0	0.2	0.1	0.3	0.2	0.1	0.2	<b>1.2</b>
£10,000 or more	0.0	0.1	0.1	0.1	0.2	0.2	0.1	0.4	<b>1.2</b>
With debt but missing value	0.2	0.4	0.6	0.3	0.5	0.4	0.1	2.5	<b>4.9</b>
Missing	0.1	0.6	0.4	0.2	0.1	0.1	0.1	3.8	<b>5.4</b>
<b>Total</b>	<b>1.9</b>	<b>6.6</b>	<b>6.7</b>	<b>2.8</b>	<b>2.4</b>	<b>2.6</b>	<b>0.8</b>	<b>23.4</b>	<b>47.2</b>

Source: Bank of England, *The distribution of unsecured debt in the United Kingdom: survey evidence*, December 2003, Table E

In terms of growth in participation in unsecured lending over time, the article states:

There does not appear to have been any upward trend in the participation rate over time. But the debt to income ratio of borrowers has doubled between 1995 and 2003. Since 2000, the increase has been concentrated among those with household income above £17,500.<sup>13</sup>

The article goes on to conclude that:

In summary, the recent growth of unsecured debt has not as yet caused wide scale debt problems. Moreover, the survey evidence suggests that most unsecured borrowing is arranged through personal loans and HP agreements where borrowers have little discretion to increase their debt without the permission of lenders. There is, however, evidence of large unsecured borrowing relative to income by a small proportion of individuals. This may not necessarily be a problem currently, although it could become one if these borrowers experienced adverse financial shocks, such as unexpected increases in interest rates or falls in income.<sup>14</sup>

A number of other surveys have looked at debt. Most recently KPMG<sup>15</sup> and the Citizens Advice Bureau<sup>16</sup> have looked at the issue. Previously, the Bank of England<sup>17</sup> and the Institute for Fiscal Studies<sup>18</sup> (IFS) have published articles.

Ed Potton  
Economic Policy and Statistics section

<sup>13</sup> *ibid.*

<sup>14</sup> *ibid.*

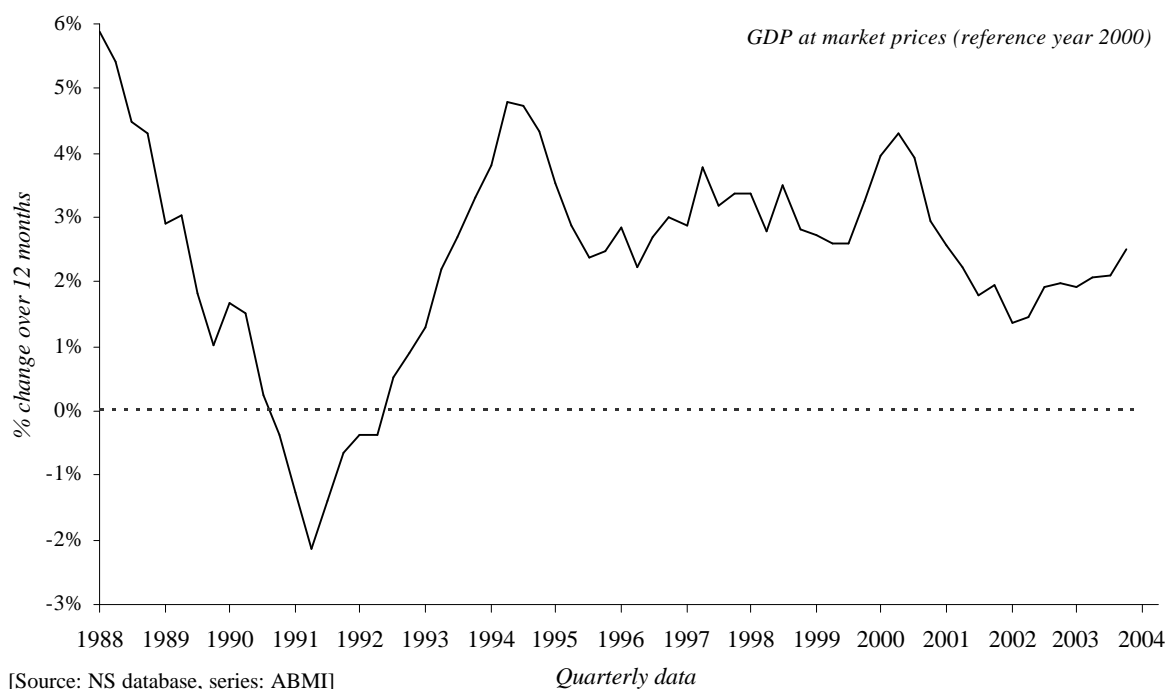
<sup>15</sup> KPMG, *Debt crisis – an attempt to make ends meet or a frivolous approach to spending*, 2003, Press Notice

<sup>16</sup> Citizens Advice, *Financial over-commitment survey*, 2003

<sup>17</sup> Cox, P, Whitley, J and Brierly, P, “Financial pressures in the UK household sector: evidence from the British Household Panel Survey”, in Bank of England, *Quarterly Bulletin*, Winter 2002

<sup>18</sup> Banks, J, Smith, Z, Wakefield, M, *The distribution of financial wealth in the UK: Evidence from 2000 BHPS data*, published by the Institute for Fiscal Studies, 2002

## 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>
2000	951.3	5.2	3.8
2001	994.0	4.5	2.1
2002	1,042.9	4.9	1.7
2003	..	..	2.1
2002 Q3	262.5	5.6	1.9
Q4	265.9	5.4	2.0
2003 Q1	269.6	5.4	1.9
Q2	273.0	5.6	2.1
Q3	276.4	5.3	2.1
Q4	..	..	2.5

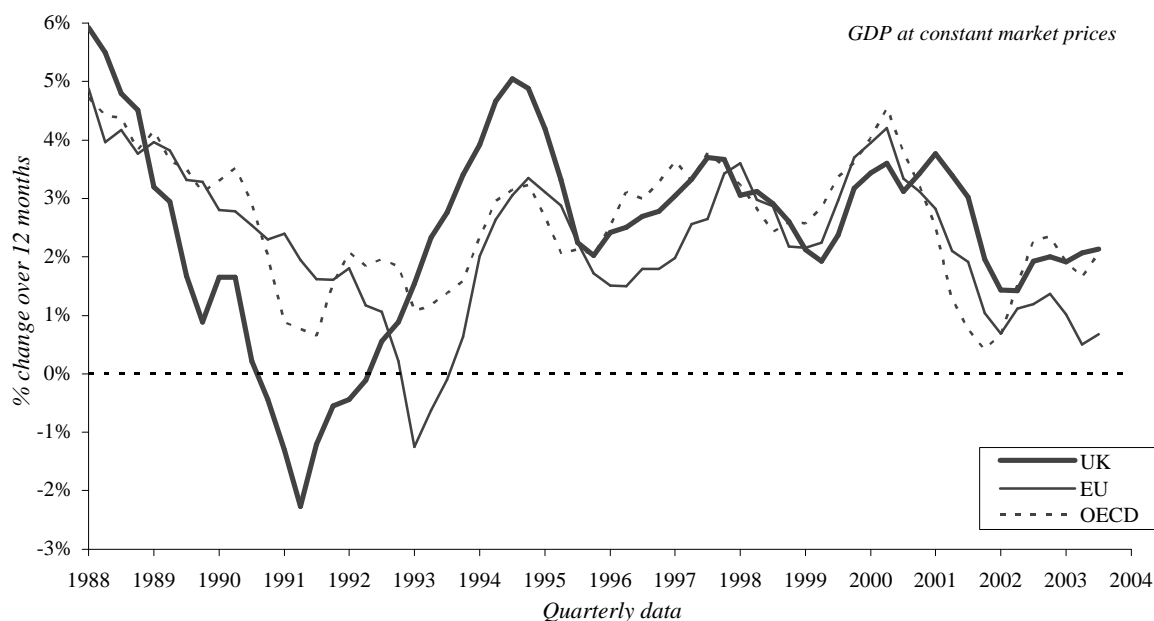
Source: NS database, series: YBHA, ABMI

- Preliminary estimates show that the chained volume measure of gross domestic product (GDP) at market prices rose by 0.9% on the previous quarter in Q4 2003. The percentage change on Q4 2002 was 2.5%.
- For 2003, the economy is estimated to have grown by 2.1%, as forecast in the November 2003 Pre-Budget Report, and compared to 1.7% in 2002.
- The latest Treasury average of independent economic forecasts was for GDP growth of 2.1% in 2003 and suggests that GDP growth will rise to 2.7% in 2004.

**Contact:** Patsy Richards, x4904

**Update:** National Statistics, *First Release: UK output, income & expenditure*, 25 Feb

## A2: GDP: International Comparisons



[Source: OECD, *Main Economic Indicators*, Jan 2004]

### GDP at constant market prices

% changes

	% change on year				% change quarter on quarter				
	1999	2000	2001	2002	2002		2003		
					Q3	Q4	Q1	Q2	Q3
USA	4.5	3.6	0.5	2.2	0.5	0.8	0.5	0.8	2.0
Japan	0.1	2.9	0.4	-0.3	0.8	0.5	0.4	0.6	0.4
Canada	5.5	3.4	1.1	3.3	0.6	0.4	0.5	-0.2	0.2
United Kingdom	2.8	3.8	2.1	1.7	0.7	0.6	0.2	0.6	0.8
Germany	2.0	2.8	0.9	0.2	0.2	-0.1	-0.2	-0.2	0.2
France	3.4	4.1	2.2	1.1	0.2	-0.3	0.1	-0.3	0.3
Italy	1.6	3.2	1.8	0.4	0.2	0.4	-0.2	-0.2	0.5
Euro zone	3.1	3.6	1.7	0.9	0.2	0.1	0.0	-0.1	0.4
G7	3.2	3.6	0.9	1.4	0.7	0.3	0.3	0.4	1.2
OECD	3.4	3.9	1.0	1.7	0.7	0.3	0.2	0.4	1.1

Source: OECD, *Main Economic Indicators*, January 2004

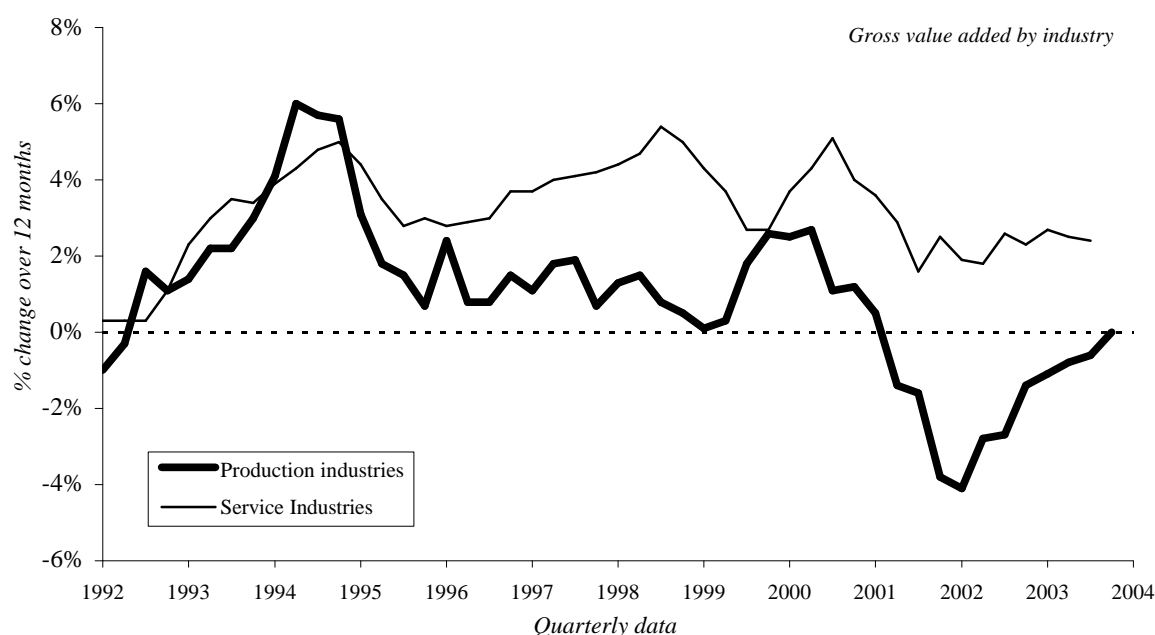
- The latest data suggest quarterly growth continues to strengthen in the biggest economies except Japan.
- Recent growth in the euro zone has been described as 'meagre'. Annual growth to the third quarter of 2003 was just 0.4%.
- The OECD are currently forecasting: eurozone growth of 0.5% in 2003, 1.8% in 2004, and 2.5% in 2005; in the US, 2.9% in 2003, 4.2% in 2004, and 3.8% in 2005; and in Japan, 2.7% in 2003, 1.8% in 2004, and 1.8% in 2005. Its latest growth forecast for the UK is 1.9% in 2003, 2.7% in 2004, and 2.9% in 2005.

**Contact:** Ed Potton, x2883

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

### 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 2.4%. Between the second quarter of 2003 and the third quarter of 2003 output growth in the service sector decreased 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	2.1	10.3	7.5
2003	-0.6	2.5	..	..	..
2002 Q3	-2.7	-3.1	2.6	12.3	7.8
Q4	-1.4	-2.2	2.3	8.7	7.9
2003 Q1	-1.1	-1.3	2.7	-1.0	3.3
Q2	-0.8	0.7	2.5	-0.5	6.5
Q3	-0.6	-0.2	2.4	-1.7	6.7
Q4	0.0	2.6	..	..	..

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

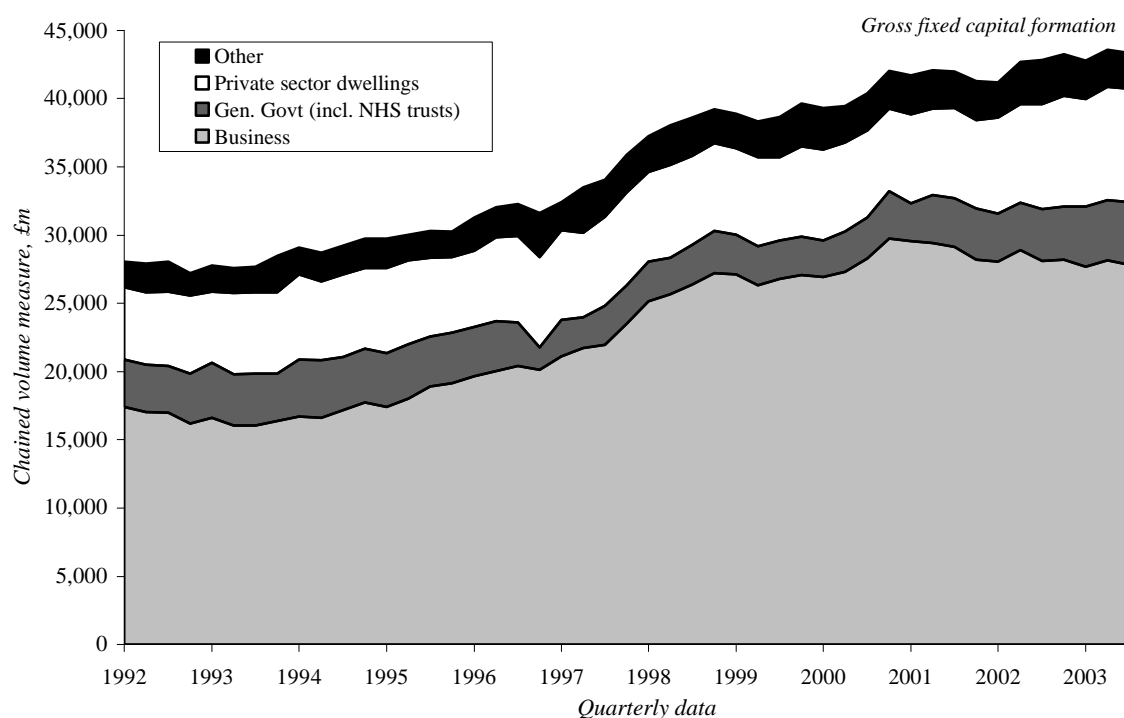
- Manufacturing output increased by 2.6% in the fourth quarter of 2003, and increased by 2.5% in 2003.
- In 2002, services accounted for 72% of gross value added, manufacturing for 17%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

**Contact:** Ed Potton, x2883

**Update:** NS, 25 Feb

## 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	16,183	61,739	53,858	32,825	5,399	170,004
2002 Q3	4,188	15,164	13,721	8,401	1,363	42,837
Q4	4,153	14,955	13,684	9,040	1,427	43,259
2003 Q1	4,068	14,865	13,848	8,590	1,394	42,765
Q2	3,800	14,744	14,508	9,100	1,408	43,560
Q3	3,821	14,518	14,460	9,152	1,408	43,359

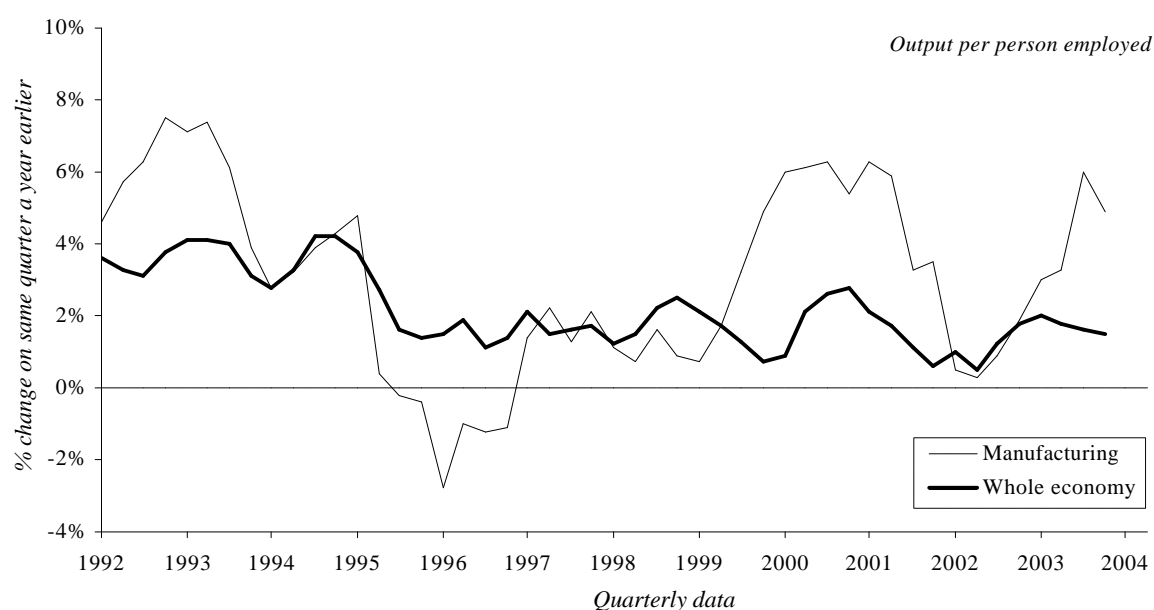
Source: NS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment fell by 1.2% in Q3 2003 compared with the previous quarter and by 1.0% compared with Q3 2002.
- Total manufacturing investment decreased by 7.4% in Q3 2003 compared with the previous quarter, while private sector service sector investment decreased by 0.4%.

**Contact:** Dominic Webb, x4324

**Updates:** NS, *Business Investment*, 24 Feb

## 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	1.3	-0.1	1.4
2002 Q2	-4.2	-5.1	0.9	1.1	-0.1	1.2
Q3	-3.1	-4.9	1.9	1.8	-0.2	1.8
Q4	-2.2	-5.0	3.0	1.9	-0.3	2.0
2003 Q1	-1.3	-4.4	3.3	1.8	-0.2	1.8
Q2	0.7	-5.0	6.0	2.0	0.1	1.6
Q3	-0.2	-4.8	4.9	2.0	0.2	1.5
Q4	2.3	..	..	..	..	..

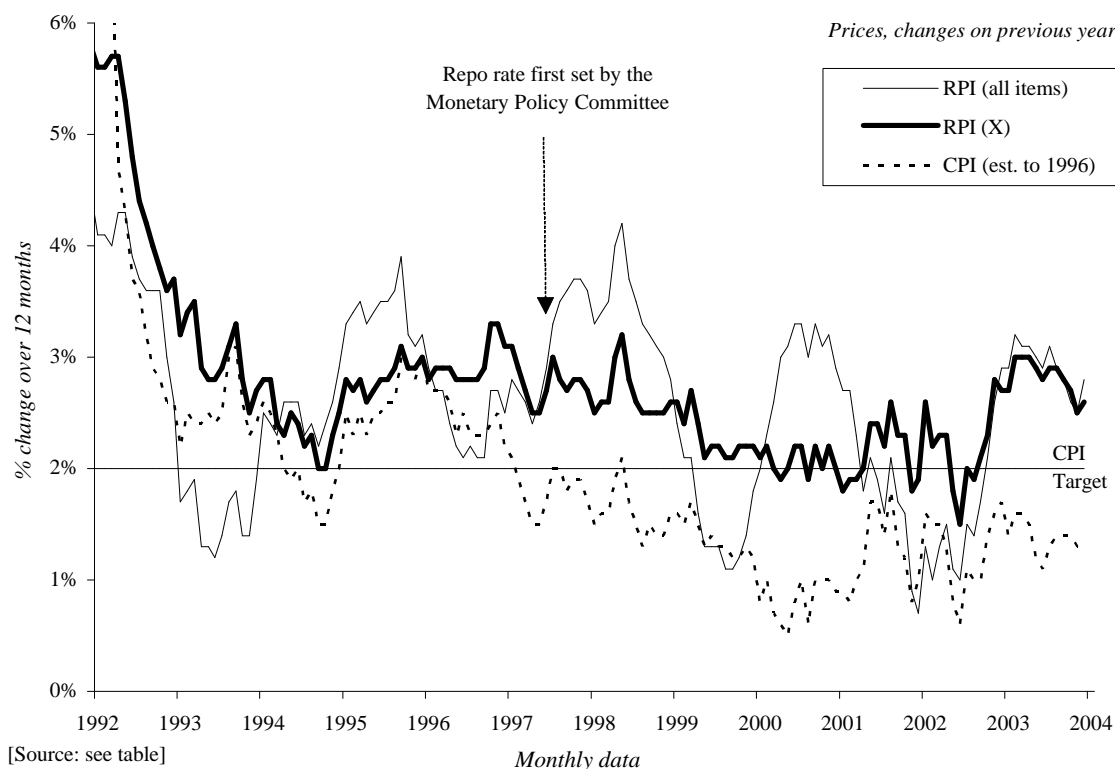
Source: NS database, series: ABMM, ERIT, ERIU, GDPR, LNNM, LNNN, LNNO, LNNP, LNNS, LNNU, LNNX, LNOK

- 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 6.0% per annum in Q2 2003 to 4.9% per annum in Q3 2003 while whole economy productivity growth fell from 1.6% per annum in Q2 2003 to 1.5% per annum in Q3 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:** NS, *Productivity*, 29 Mar



**B1: Prices**

On 10 December 2003 the Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side. The previous target was 2.5% measured by RPI(X).

- In the year to December 2003 the consumer prices index (CPI) showed inflation at 1.3%, unchanged from November.
- The largest downward effect on the CPI was from transport, with lower seasonal rises in air fares than last year. Large upward effects came from food and non-alcoholic beverages, clothing and footwear.
- The former headline (all items RPI) rate of inflation rose to 2.8%, from 2.5% in November. The underlying rate RPI(X) rose to 2.6% from 2.5% the month before.
- The largest upward effect on the all-items RPI was from housing, due to increased mortgage interest payments following the rise in the Bank of England repo rate in November. This was partly offset by a downward effect from depreciation; house prices rose less than a year ago.

**Price Indices**

% change over 12 months

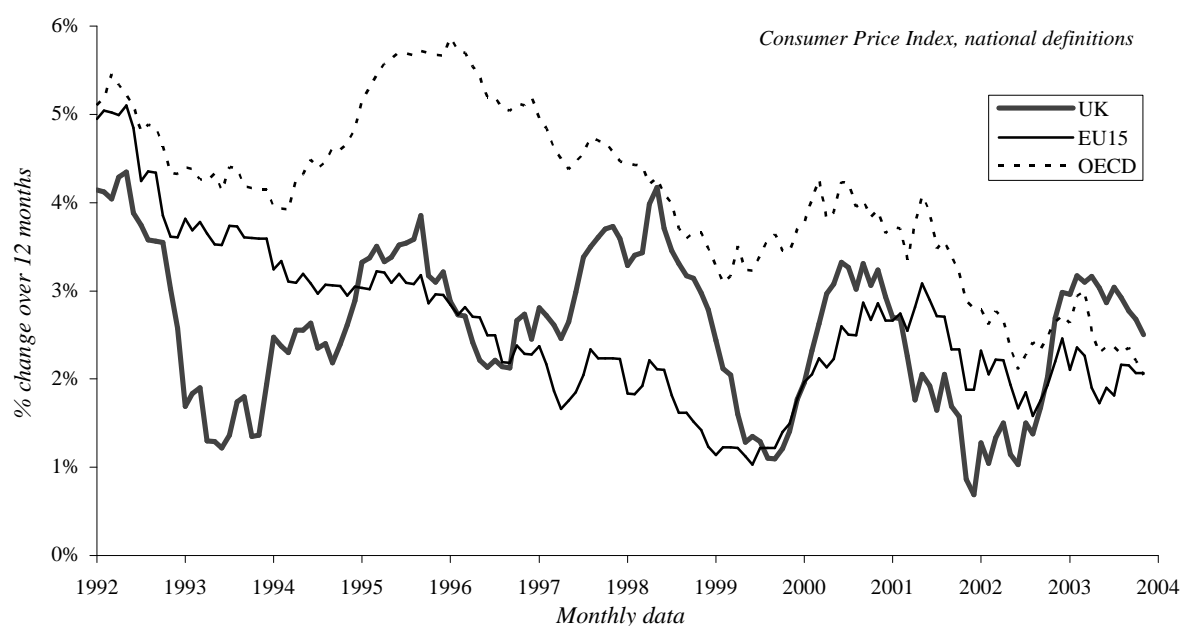
	CPI (was HICP)	RPI (all items)	RPI (X)
2000	0.8	3.0	2.1
2001	1.2	1.8	2.1
2002	1.3	1.7	2.2
2003	1.4	2.9	2.8
2002 Dec	1.7	2.9	2.7
2003 Jan	1.4	2.9	2.7
Feb	1.6	3.2	3.0
Mar	1.6	3.1	3.0
Apr	1.5	3.1	3.0
May	1.2	3.0	2.9
Jun	1.1	2.9	2.8
Jul	1.3	3.1	2.9
Aug	1.4	2.9	2.9
Sep	1.4	2.8	2.8
Oct	1.4	2.6	2.7
Nov	1.3	2.5	2.5
Dec	1.3	2.8	2.6

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

**Contact:** Patsy Richards, x4904

**Update:** NS, *Consumer Price Indices: first release*, 17 Feb

## B2: Prices: International Comparisons



[Source: OECD, *Main Economic Indicators*, Jan 2004]

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

- Inflation in the United States fell to 1.8% in November 2003, from 2.0% in October.
- For all OECD countries the average inflation rate fell to 2.0% in November, from 2.2% in October.
- By this measure, the EU15 average inflation rate (not shown in the table, but included in the chart above) remained at 2.1% in November. Using the EU's harmonised indices, it was 2.0%.

### 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	2.6
2003 Jun	2.1	-0.4	2.6	2.9	2.4
Jul	2.1	-0.2	2.2	3.0	2.4
Aug	2.1	-0.3	2.0	2.9	2.3
Sep	2.3	-0.2	2.1	2.8	2.4
Oct	2.0	0.0	1.6	2.7	2.2
Nov	1.8	-0.5	1.6	2.5	2.0

Source: OECD, *Main Economic Indicators*, January 2004

### Eurozone inflation

*harmonised indices (HICPs); % change over 12 months*

	France	Germany	Italy	UK	Eurozone
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	2.2	1.0	2.8	1.4	2.1
2003 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	2.2
Oct	2.3	1.1	2.8	1.4	2.0
Nov	2.5	1.3	2.8	1.3	2.2
Dec	2.4	1.1	2.5	1.3	2.0

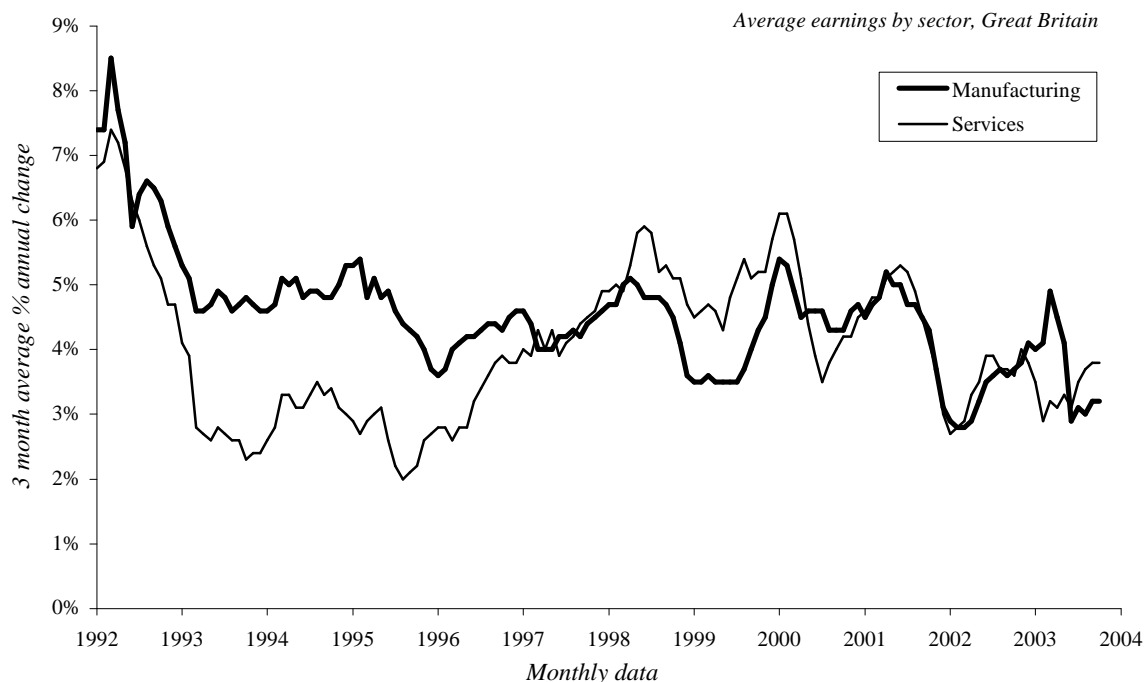
Source: Eurostat Euro-Indicators news release 21 January 2004

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

- Eurozone annual inflation fell from 2.2% in November to a provisional 2.0% in December.
- The HICP inflation rates for the Member States not in the eurozone were Denmark (1.2%), Sweden (1.8%) and the UK (1.3%).
- In December the eurozone countries with the highest HICP annual inflation rates were Greece (3.1%), Ireland (2.9%) and Spain (2.7%). The lowest rates were in Germany (1.1%), Denmark and Finland (both 1.2%).

**Contact:** Patsy Richards, x4904

**Updates:** OECD, *Main Economic Indicators*, Feb  
Eurostat, *Euro-indicators news release*, 27 Feb

**B3: Average Earnings Index**

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

- The headline rate of growth in average earnings for the whole economy in November was 3.5%, down from 3.6% in October.
- Headline average earnings growth in manufacturing was 3.4% in November (up from 3.2% in October) while earnings growth in the service sector fell to 3.6% compared with 3.8% in October.
- Headline earnings growth in the private sector was 3.2% in November, compared to 4.8% in the public sector.
- Earnings are currently growing more slowly than a year ago (the headline rate in November 2002 was 3.8%).

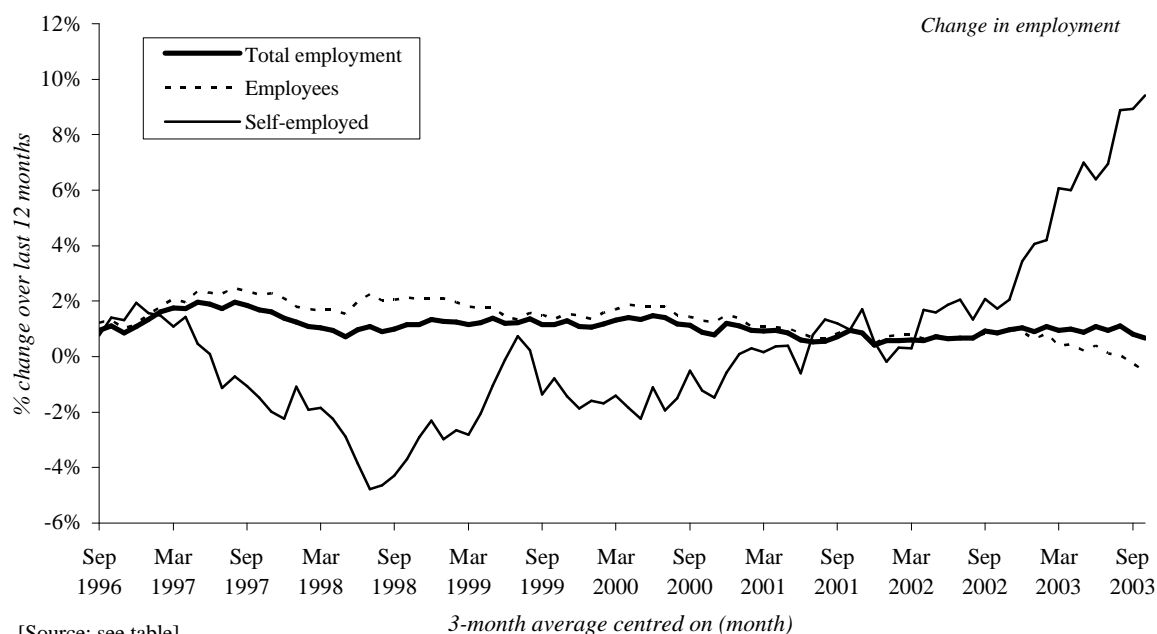
**Average Earnings, Great Britain**

*% change on year, seasonally adjusted*

	Headline rate		
	Whole Economy	Private Sector	Public Sector
1999 Nov	5.0	5.2	3.9
2000 Nov	4.3	4.4	3.6
2001 Nov	3.8	3.5	5.4
2002 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
Oct	3.6	3.2	5.4
Nov	3.5	3.2	4.8

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

## C1: Employment



[Source: see table]

### 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 Oct	27,234	23,843	3,121	106	164
2000 Oct	27,470	24,152	3,083	102	133
2001 Oct	27,727	24,395	3,113	102	118
2002 Oct	27,963	24,609	3,167	92	95
2003 Jan	28,003	24,585	3,228	90	99
2003 Apr	28,110	24,598	3,338	86	89
2003 Jul	28,109	24,512	3,398	99	99
2003 Oct	28,149	24,480	3,465	98	106
<i>Changes (%):</i>					
on last 3 months	0.1	-0.1	2.0	-1.5	7.5
on last year	0.7	-0.5	9.4	6.3	11.7

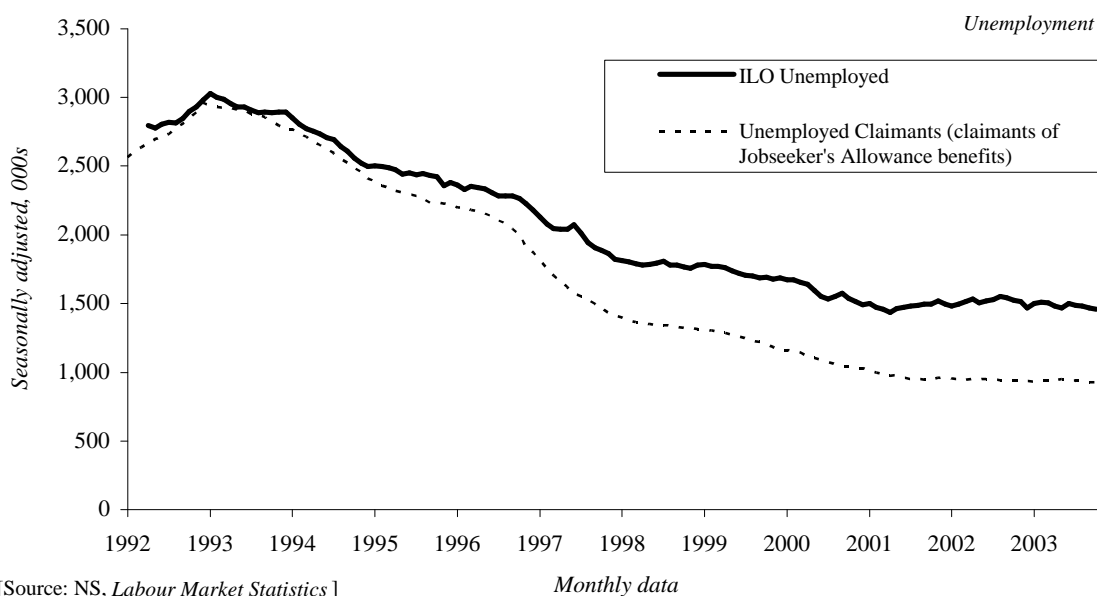
Source: National Statistics, *First Release Labour Market Statistics*, 14 January 2004

- Total employment was 28.1 million in the period September to November 2003, 0.7% higher than a year previously. The working age employment rate of 74.6% was unchanged from the previous quarter and 0.1% lower than a year earlier.
- The number of workforce jobs increased by 63,000 between June and September 2003 and was 262,000 higher than a year previously. Over the year to June, the number of production industry workforce jobs fell by 104,000. Service sector jobs rose by 239,000.
- 7.2 million people were in part-time employment in the period September to November 2003, of whom 5.7 million were women. Some 3.5 million people were self-employed.

**Contact:** Alex Adcock, x3793

**Updates:** NS, *Labour Market Statistics*, 11 Feb

## 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 September to November 2003, the level of ILO unemployment in the UK was 1,460,000. This was a decrease of 29,000 from the period June to August 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 8,000 between November and December 2003 to 908,000.

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.

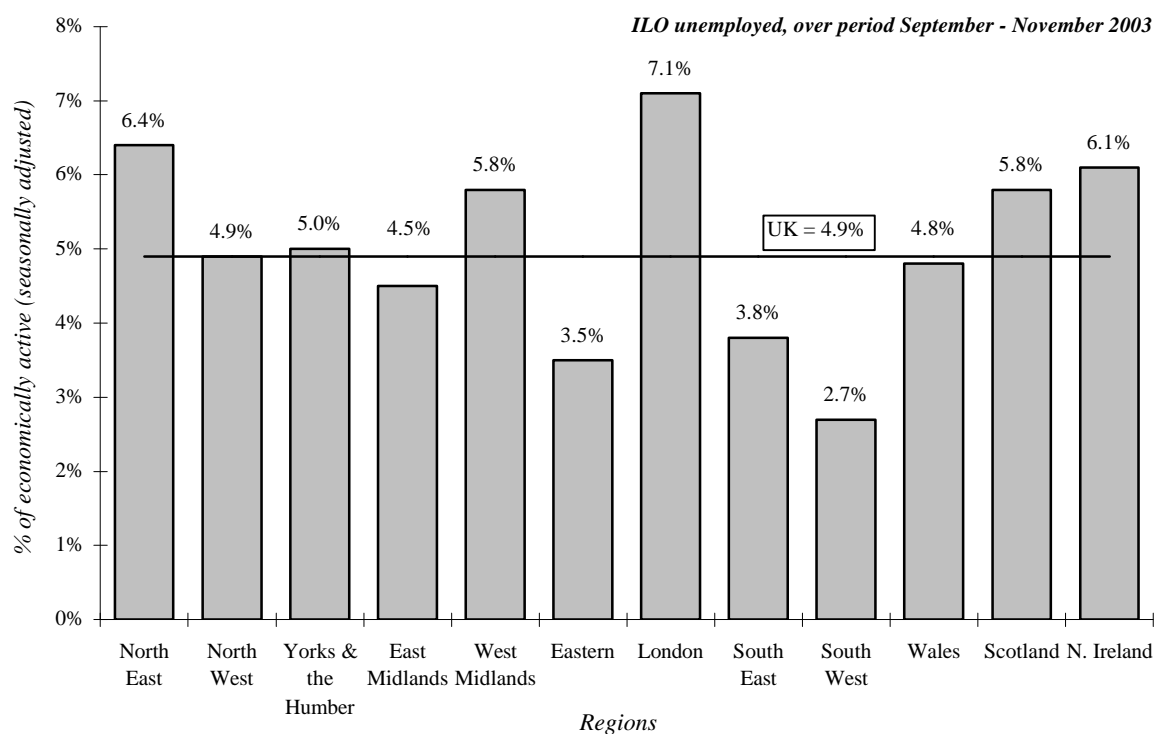
- 360,000 people joined the original (pre-April 2001) scheme. Of these, 77,000 had entered jobs of which 61,000 (80%) were sustained. 291,000 people had started on the enhanced scheme by the end of September 2003. Of these, 88,000 people had entered jobs of which 69,000 (78%) were sustained.

### ILO Unemployment in the UK *seasonally adjusted*

		rate
	'000s	(%)
1997 Jun - Aug	2,014	7.1
Sep - Nov	1,888	6.6
1998 Dec - Feb	1,812	6.4
Mar - May	1,779	6.2
Jun - Aug	1,806	6.3
Sep - Nov	1,764	6.1
1999 Dec - Feb	1,786	6.2
Mar - May	1,762	6.1
Jun - Aug	1,706	5.9
Sep - Nov	1,690	5.8
2000 Dec - Feb	1,672	5.8
Mar - May	1,641	5.6
Jun - Aug	1,534	5.3
Sep - Nov	1,537	5.3
2001 Dec - Feb	1,503	5.2
Mar - May	1,435	4.9
Jun - Aug	1,484	5.1
Sep - Nov	1,496	5.1
2002 Dec - Feb	1,482	5.1
Mar - May	1,533	5.2
Jun - Aug	1,529	5.2
Sep - Nov	1,524	5.2
2003 Dec - Feb	1,503	5.1
Mar - May	1,484	5.0
Jun - Aug	1,489	5.0
Sep - Nov	1,460	4.9

Source: National Statistics,  
*Labour Market Statistics*

### C3: Unemployment: Regional



[Source: NS, *Labour Market Statistics*]

#### **ILO Unemployment, Sep - Nov 2003**

*change on same period in previous year;  
seasonally adjusted; 000s & %*

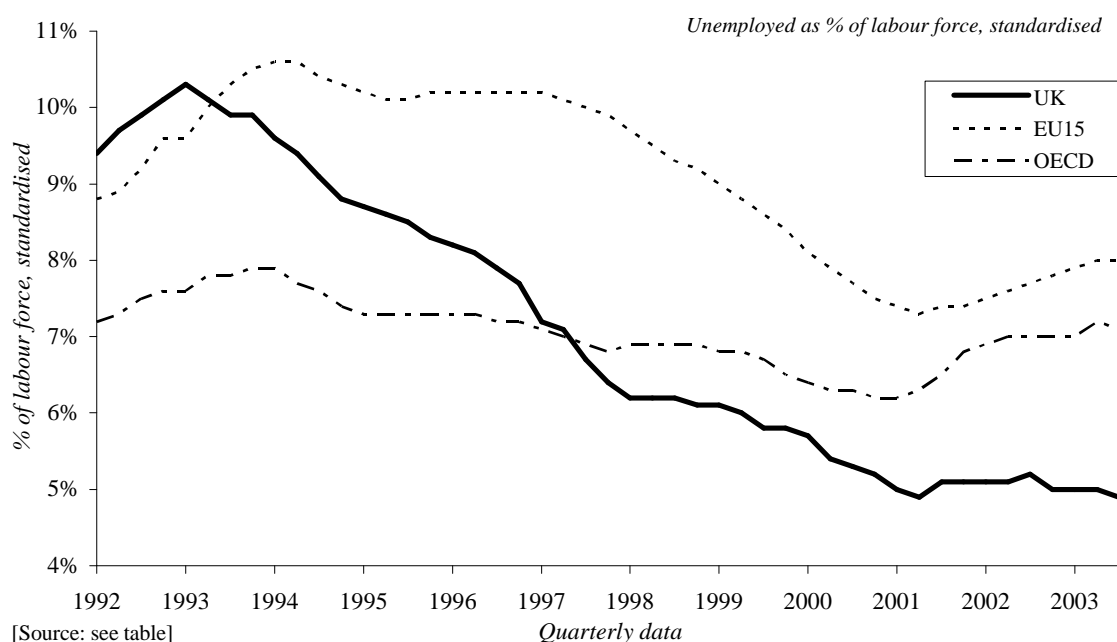
	'000s	%
North East	-4	-5
North West & Merseyside	-5	-3
Yorkshire & the Humber	-3	-2
East Midlands	-11	-10
West Midlands	-4	-3
Eastern	-11	-10
London	30	12
South East	-7	-4
South West	-34	-33
Wales	-7	-10
Scotland	-11	-7
Northern Ireland	3	7

Source: NS, *Labour Market Statistics*, 14 Jan 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).

- Over the period September to November 2003 London had the highest unemployment rate, 7.1% of the economically active population. The lowest rate over the same period was 2.7% in the South West region.
- A comparison of September to November 2003 with the same period a year earlier shows that the largest fall (33%) in unemployment occurred in the South West region. London experienced the largest rise (12%) in unemployment over the same period.

## C4: Unemployment: International Comparisons



### Unemployed

*as % of labour force (standardised); seasonally adjusted*

	1999	2000	2001	2002	2002				2003		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
USA	4.2	4.0	4.7	5.8	5.6	5.9	5.8	5.9	5.8	6.2	6.1
Japan	4.7	4.7	5.0	5.4	5.3	5.4	5.4	5.4	5.4	5.4	5.2
Canada	7.6	6.8	7.2	7.7	7.8	7.6	7.6	7.6	7.4	7.7	7.9
UK	5.9	5.4	5.0	5.1	5.1	5.1	5.2	5.0	5.0	5.0	4.9
Germany	8.4	7.8	7.8	8.6	8.3	8.5	8.7	8.9	9.2	9.4	9.3
France	10.7	9.3	8.5	8.8	8.6	8.7	8.9	9.0	9.2	9.3	9.4
Italy	11.3	10.4	9.4	9.0	9.1	9.0	9.0	8.9	8.9	8.7	8.5
Euro zone	9.4	8.5	8.0	8.4	8.2	8.3	8.5	8.6	8.7	8.8	8.8
G7	6.1	5.6	5.9	6.5	6.4	6.5	6.5	6.6	6.6	6.8	6.7
OECD	6.7	6.3	6.5	7.0	6.9	7.0	7.0	7.0	7.0	7.2	7.1

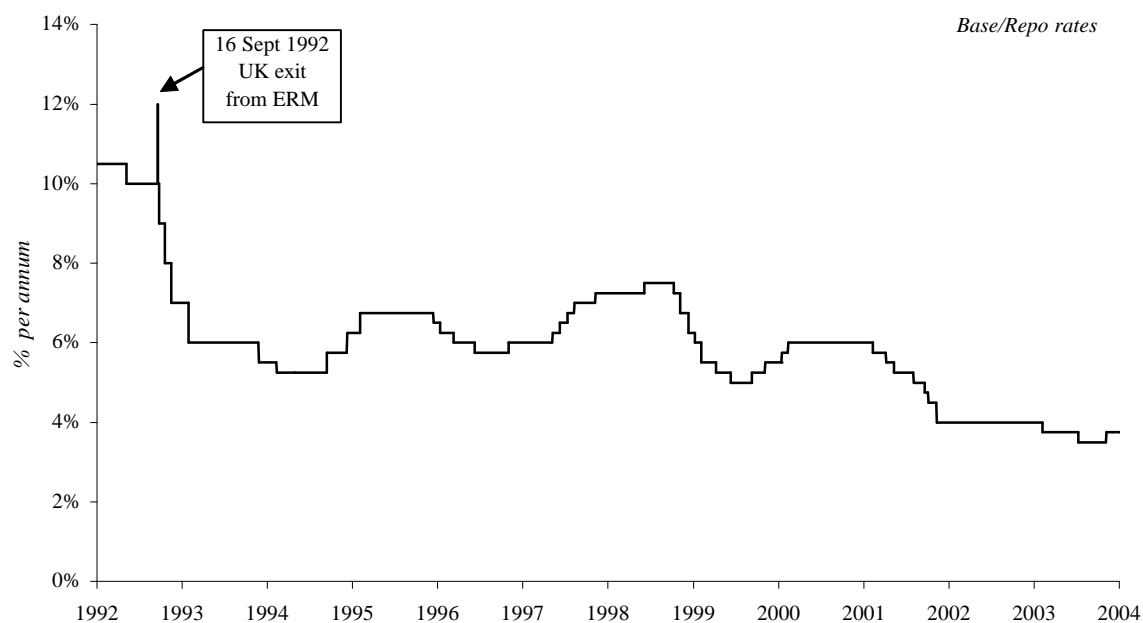
Source: OECD, *Main Economic Indicators*, January 2004

- 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 Q2 and Q3 2003 the unemployment rate fell in all G7 countries except Canada and France, where it rose by 0.2 and 0.1 of a percentage point, respectively. The unemployment rate in all the G7 nations taken together fell by 0.1 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*, Feb 2004;  
OECD, *Economic Outlook*, Jun 2004

## D1: Interest Rates



[Source: Bank of England]

Interest rates were first set by the independent Monetary Policy Committee (MPC) of the Bank of England in June 1997, rather than by the Chancellor.

The Chancellor confirmed on 10 December 2003 the new inflation target of 2% measured by the annual increase in the Consumer Price Index (CPI, formerly HICP). If inflation deviates by more than 1%, an explanatory open letter will be sent to the Chancellor.

- The last increase in the base rate, a  $\frac{1}{4}$  percentage point rise in November 2003, was the first interest rate rise since February 2000. Since then the MPC has left the rate unchanged at 3.75%.
- In its January meeting, the MPC noted the further depreciation of the dollar against both the euro and sterling, and its adverse implications for the euro-area. It also noted strong Q4 2003 growth in the US. On the domestic front, it noted that Q3 2003 growth had been revised upwards, but that business investment had fallen. Household borrowing remained strong, although growth in unsecured credit had eased.
- The latest Bank *Inflation Report* (November 2003) noted that underlying inflationary pressures were expected to build in the medium term, but that inflation is likely to remain above the RPI(X) target throughout 2004 (although the target has since changed, see above).

The MPC next meets on 5 February 2004, with minutes published on 18 February, and the quarterly *Inflation Report* on 11 February.

### 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

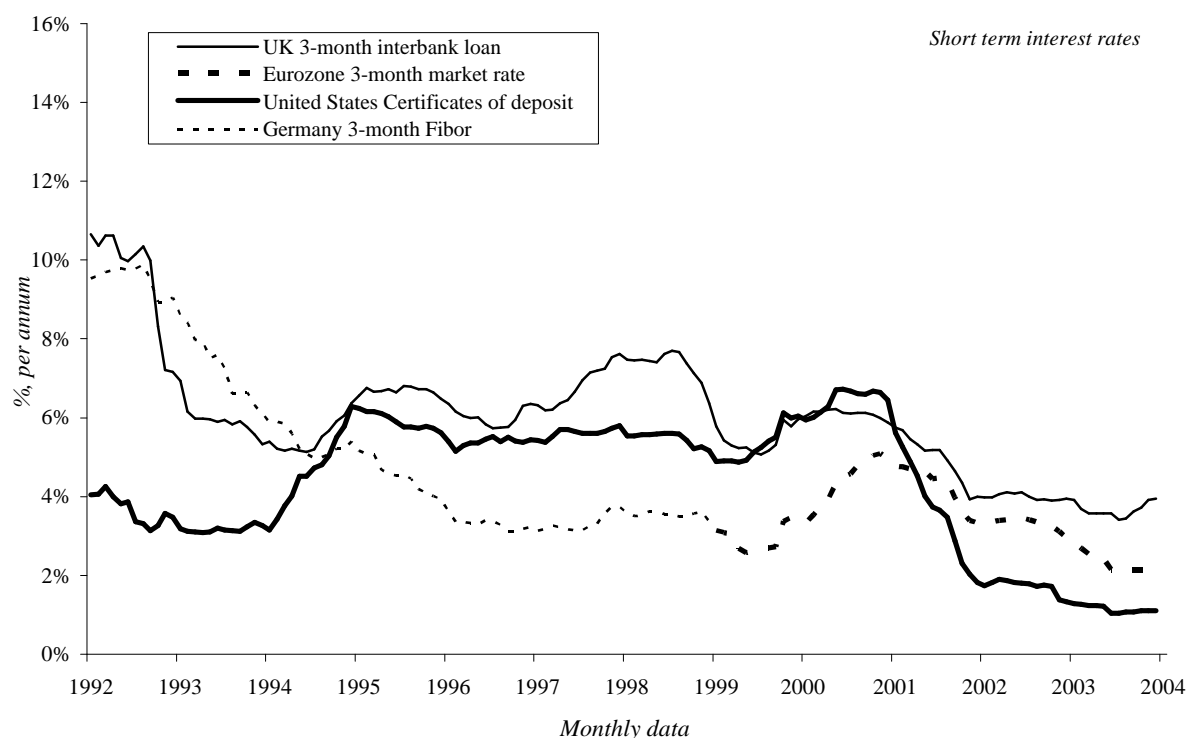
Source: Bank of England

**Contact:** Ian Townsend, x3977

**Update:** *Interest rate decision*, 5 Feb; *Minutes* (Jan), 18 Feb



## D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Jan 2004]

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 present rate is 1%.
- The Bank of England's Monetary Policy Committee (MPC) reduced the UK Repo rate seven times during 2001. A cut of  $\frac{1}{4}\%$  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. The present rate is 2%.

### International Interest Rates

*% per annum, as at 30 January 2004*

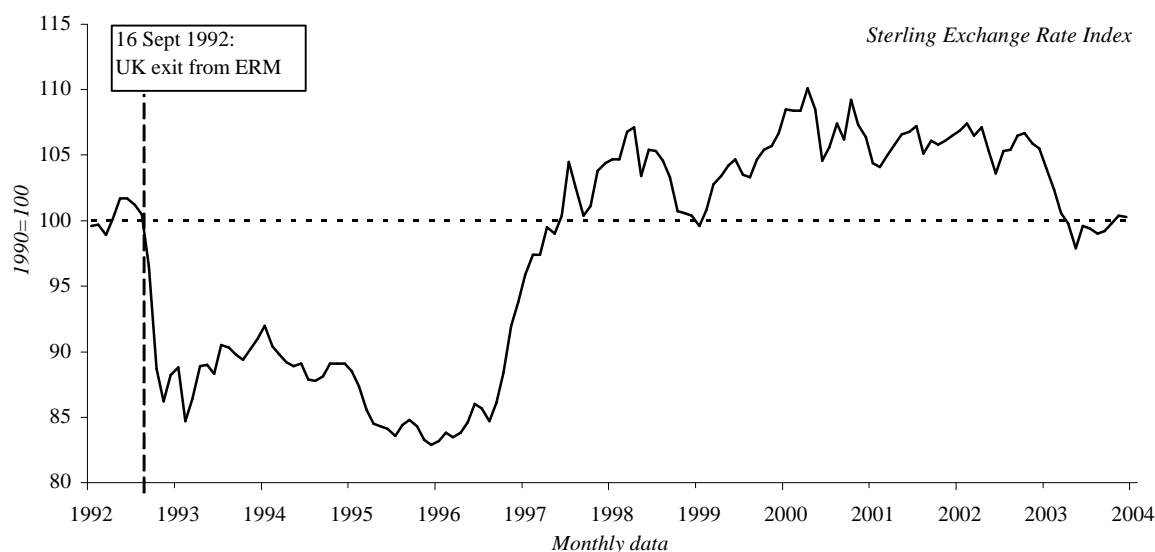
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	3.75	4.91	$4\frac{5}{32} - 4\frac{1}{16}$
Eurozone	2.00	n/a	$2\frac{1}{8} - 2\frac{1}{32}$
United States	1.00	4.13	$1\frac{1}{8} - 1$
Japan	0.00	1.31	$\frac{1}{32} - \frac{1}{32}$
Switzerland	0.00-0.75	2.71	$\frac{1}{4} - \frac{5}{32}$

Source: *Financial Times*, 2 Feb 2004 (*Companies & Markets*, p31)

**Contact:** Ian Townsend, x3977      **Updates:** OECD, *Short-term interest rates*, mid-Feb  
Base rates: 5 Feb (MPC & ECB); 18 Mar (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. Between December 2003 and December 2002, the SERI decreased by 5.2 points suggesting that the UK was relatively more competitive at the end of 2003 than at the beginning.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.465 at the London market close on 30 January 2004, compared to a launch rate of €1.4168 on 31 December 1998.

#### Sterling Exchange Rates

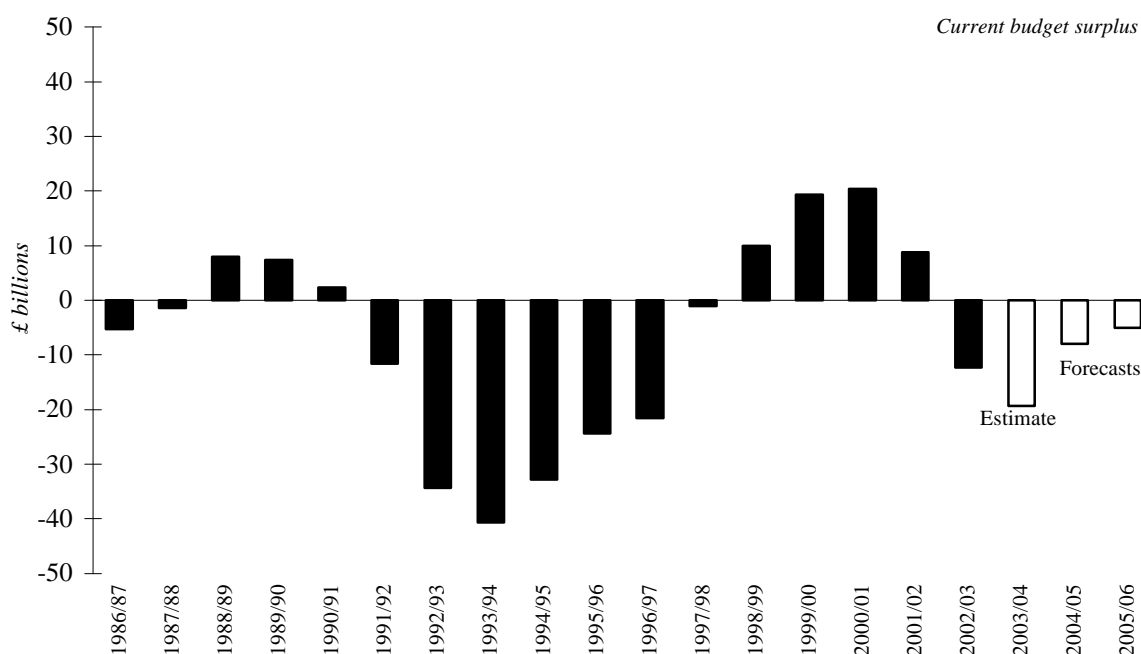
rates and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
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
2003	1.635	8.8	189.3	0.8	1.446	-9.1
2002 Dec	1.586	10.1	193.4	5.3	1.557	-3.6
2003 Jan	1.617	12.9	192.1	1.1	1.522	-6.2
Feb	1.605	12.8	192.1	1.1	1.489	-8.9
Mar	1.584	11.3	187.8	0.8	1.465	-9.7
Apr	1.575	9.1	188.8	0.2	1.451	-10.9
May	1.623	11.2	190.4	3.3	1.403	-11.8
Jun	1.661	11.7	196.5	7.3	1.423	-8.3
Jul	1.624	4.5	192.7	5.0	1.428	-8.9
Aug	1.595	3.7	189.4	3.5	1.429	-9.1
Sep	1.613	3.7	185.3	-1.5	1.434	-9.6
Oct	1.679	7.8	183.8	-4.7	1.433	-9.7
Nov	1.690	7.5	184.5	-3.4	1.443	-8.1
Dec	1.751	10.4	188.7	-2.4	1.425	-8.5

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

**Contact:** Ian Townsend, x3977

**Updates:** SERI, end Feb; Sterling Exchange Rates, daily

**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, Q2 1986 to mid 1997, and mid 1997 to mid 1999. Figures from 2003/04 onwards are taken from the 2003 Pre-Budget Report.

- There was a £11.3 billion deficit on the current budget in Q4 2003 compared to a £6.7 billion deficit in the same quarter of 2002.

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 (PSNCR - the new aggregate replacing the PSBR) was £17.0 billion in Q4 2003 compared with £15.8 billion in the same quarter of 2002. For the full 2002/03 financial year the PSNCR was £22.5 billion compared to £3.3 billion in 2001/02.

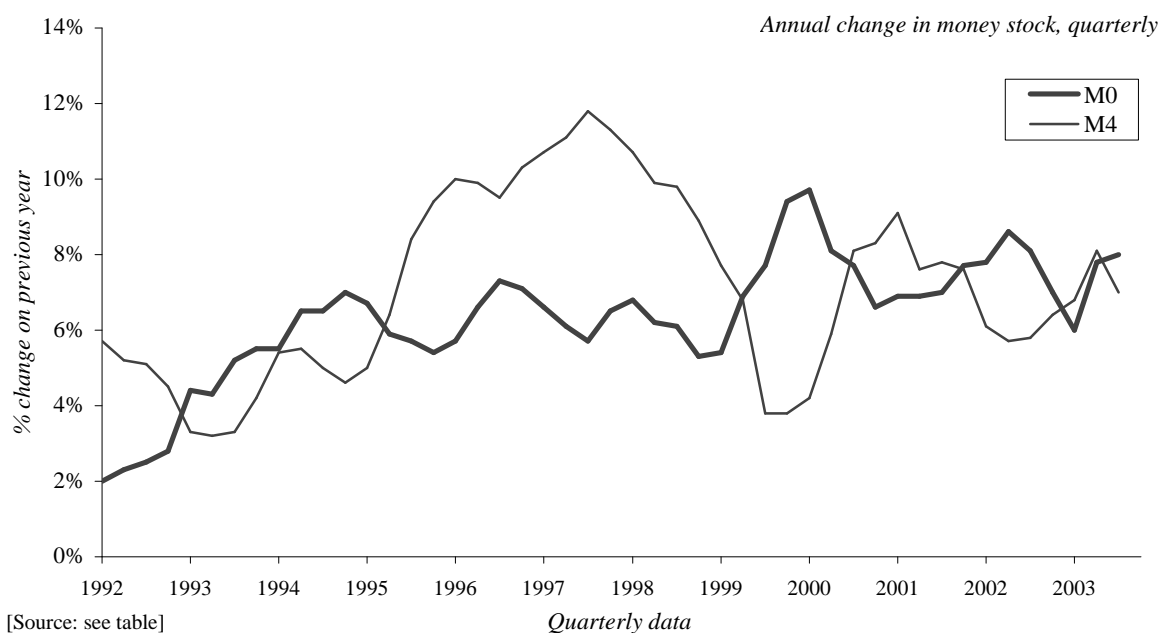
**Public Sector Net Debt**

£ 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 Q4	335.9	31.4
2003 Q1	334.1	30.8
Q2	349.9	31.9
Q3	355.5	32.0
Q4	374.9	33.3

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 December	4.2	5.9	7.1	7.3
2003 January	1.8	5.2	5.7	6.6
February	5.9	6.3	5.5	6.7
March	7.9	6.4	6.1	7.4
April	17.8	8.6	9.7	8.3
May	13.8	8.0	10.1	8.5
June	11.6	6.8	9.9	8.2
July	5.4	8.1	5.1	7.3
August	6.2	7.9	2.7	6.4
September	7.4	7.7	3.2	6.5
October	4.9	7.3	4.5	6.2
November	7.0	8.2	9.0	6.8
December	2.8	7.4	8.0	6.8

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

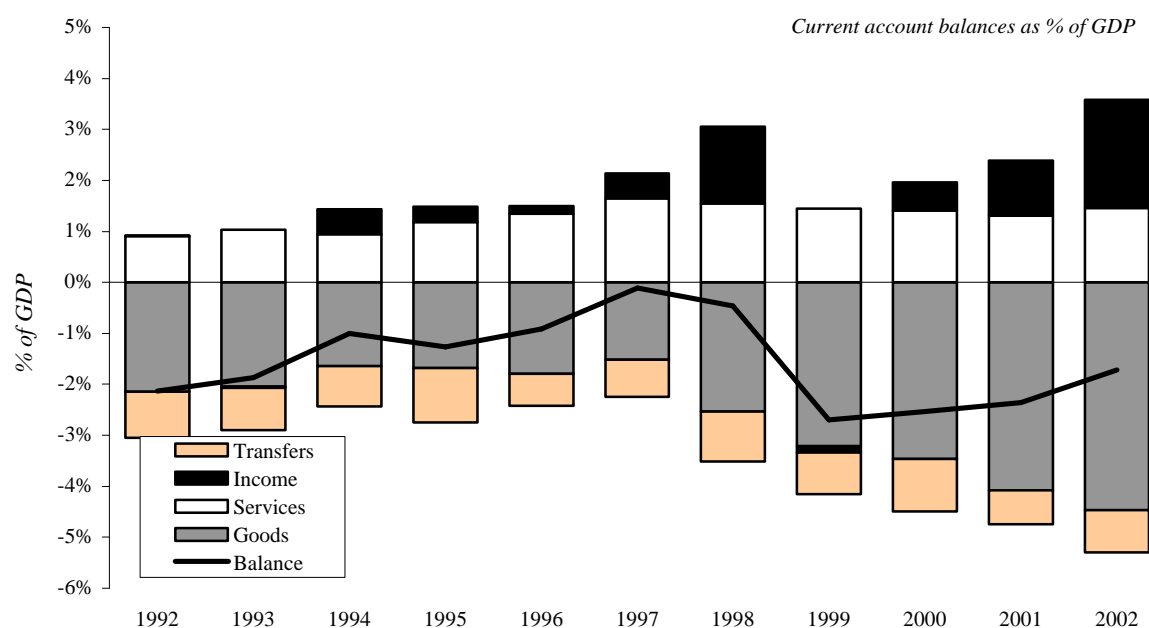
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 6.8% in the 12 months to December. The 12-month seasonally adjusted M0 growth rate was 7.4% in December 2003, compared to 5.9% in December 2002.

There are now no formal targets for money supply growth.

**Contact:** Dominic Webb, x2464

**Update:** Bank of England, *Bankstats*, 1 Mar

**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	-1,116	-3,940	-3,443	-7,383	-24,416
2000	-32,976	13,426	-19,550	5,208	-5,550	-4,202	-9,752	-24,094
2001	-40,620	13,000	-27,620	10,723	-2,593	-4,013	-6,606	-23,503
2002	-46,630	15,181	-31,449	22,152	-5,641	-3,033	-8,674	-17,971
2002 Q3	-11,825	4,551	-7,274	6,497	-1,484	1	-1,483	-2,260
Q4	-13,277	3,868	-9,409	7,912	-1,837	-604	-2,441	-3,938
2003 Q1	-11,101	2,687	-8,414	8,162	-1,616	-795	-2,411	-2,663
Q2	-11,156	2,261	-8,895	3,882	-1,910	-859	-2,769	-7,782
Q3	-11,655	2,640	-9,015	3,350	-1,723	-695	-2,418	-8,083

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

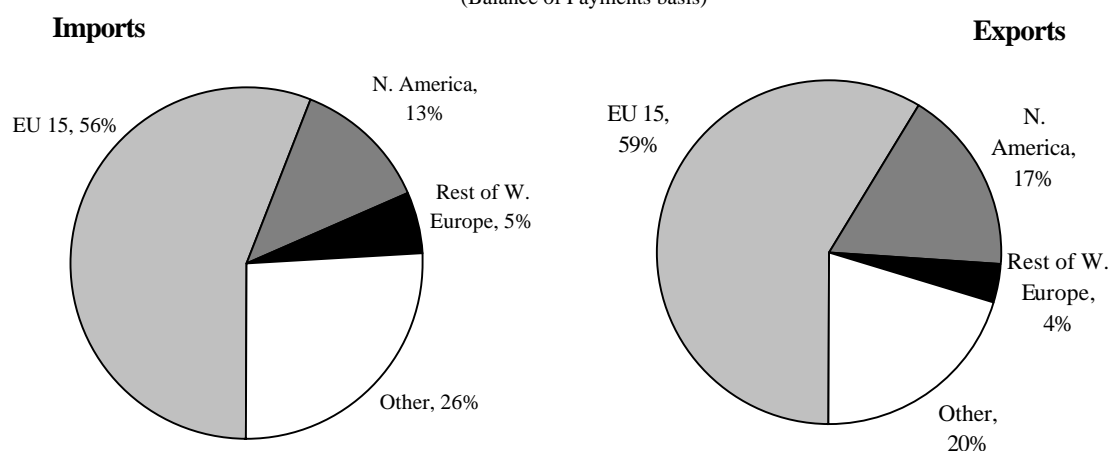
- The UK's current account has been substantially revised, largely through the measurement of VAT missing trader intra-Community fraud increasing import figures for trade in goods. The resultant deficit narrowed between 1996 and 1998, but increased in all years from 1999 onwards.
- Further revisions have resulted in the current balance for 2002 now showing a revised deficit of an estimated £18.0 billion, around a billion less than estimated last quarter. This compares to a deficit of £24.0 billion for 2001, some £6.0 billion higher than estimated last quarter.
- The current account was in deficit by a record £8.1 billion in Q3 2003, compared to a £7.8 billion deficit in the second quarter. While trade in services and income were in surplus, current transfers showed a deficit of £2.4 billion and trade in goods of £11.7 billion. The surplus on income for Q3 2003 of £3.4 billion compared to a record surplus of £8.2 billion in the first quarter.

**Contact:** Patsy Richards, x4904**Updates:** NS, *UK Balance of Payments: first release*, 26 Mar

## 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	100.9	109.7	186,517	233,147	-46,630
2002 Q3	101.5	111.0	46,816	58,641	-11,825
Q4	96.4	110.1	44,521	57,798	-13,277
2003 Q1	101.5	111.4	47,562	58,663	-11,101
Q2	98.9	108.7	46,330	57,486	-11,156
Q3	98.3	109.2	46,265	57,920	-11,655

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

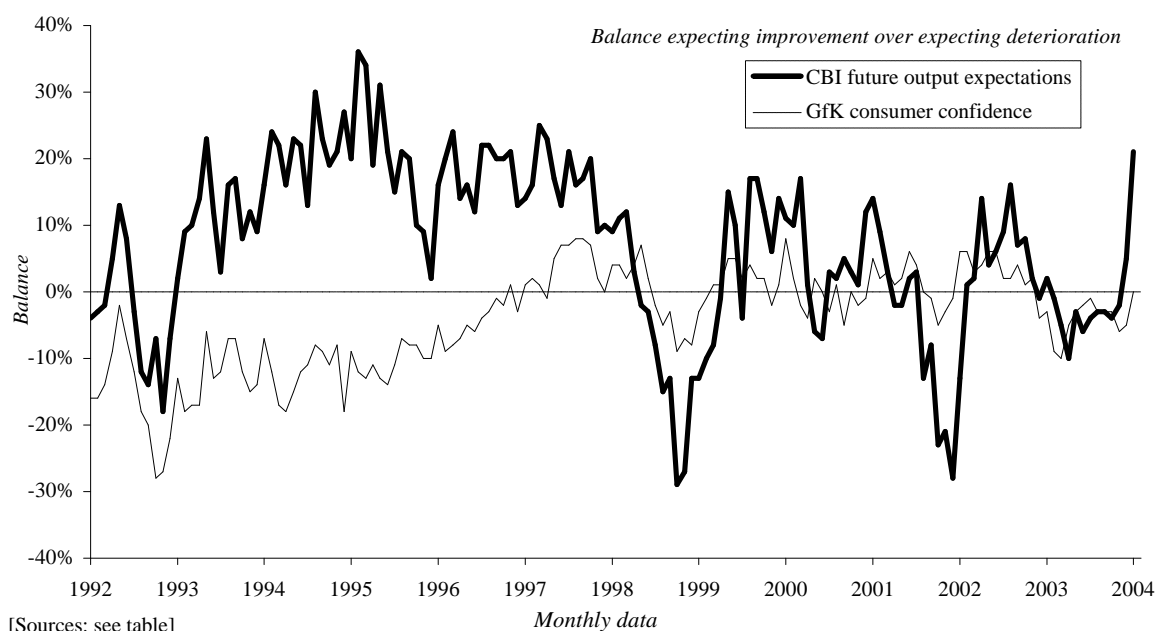
- In November 2003 the deficit on trade in goods is provisionally estimated at £4.4 billion compared with a revised deficit of £4.2 billion in October. In November total exports of goods fell 2.0% on the previous month to £15.5 billion, while goods imports fell 1.0% to £19.9 billion.
- The deficit on trade in goods with EU countries for November was £2.1 billion, compared to a revised deficit of £1.9 billion for October. The deficit with non-EU countries was £2.3 billion (unchanged from October).
- The latest estimate of the trend suggests that the UK trade deficit is widening; the trends in the value of trade in goods show exports broadly flat and imports rising.

**Contact:** Patsy Richards, x4904

**Update:** NS, *UK Trade: First Release*, 10 Feb

## 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 21 in January 2004, up dramatically from December's level of 5.
- The CBI's quarterly indicator of overall business confidence in manufacturing, looking at current optimism compared with three months previously, rose to 17 in January 2004, up from -7 in October 2003.

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.

- January's results show that the overall index rose by 5 points from its December level to 0.
- Consumers' optimism regarding the general economic situation rose from December's level, although optimism regarding future personal finances increased slightly, while consumers felt that the climate for making major purchases improved a great deal compared with the previous month.

### Output Expectations/Consumer Confidence

*Balance of % expecting improvement over % expecting deterioration*

	Future output expectations (CBI)	Consumer confidence (GfK)
2003 Jan	2	-3
Feb	-1	-9
Mar	-5	-10
Apr	-10	-5
May	-3	-3
Jun	-6	-2
Jul	-4	-1
Aug	-3	-3
Sep	-3	-3
Oct	-4	-3
Nov	-2	-6
Dec	5	-5
2004 Jan	21	0

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

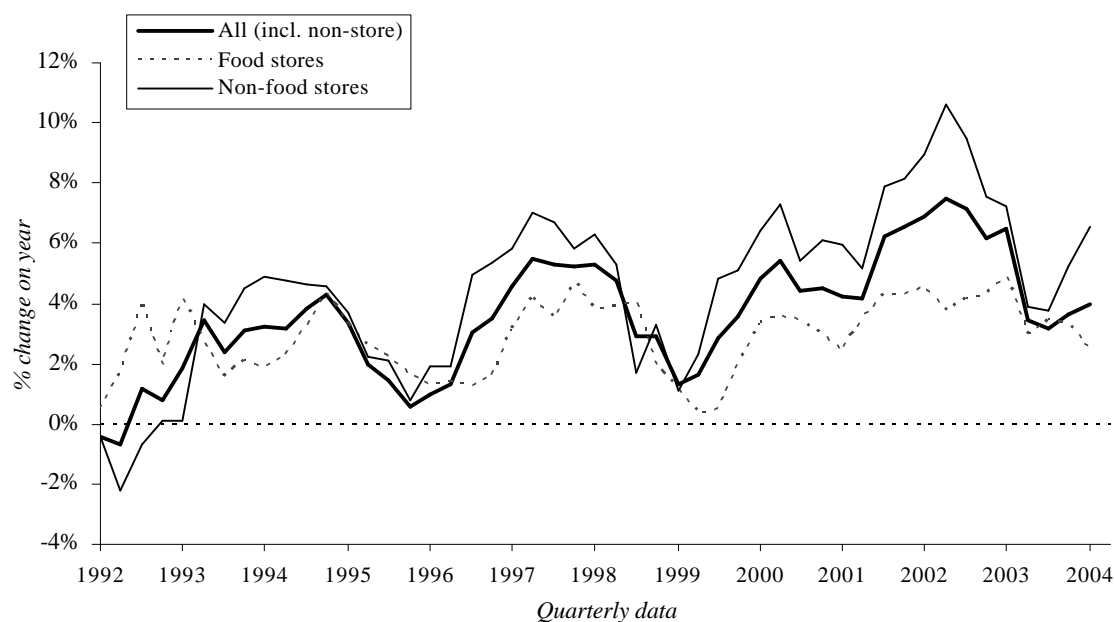
**Contact:** Ian Townsend, x3977

**Updates:**

CBI, *Industrial Trends* (Monthly), 26 Feb;  
Martin Hamblin GfK, *Consumer Confidence*, 26 Feb

## F2: Retail Sales

*Volume of retail sales, quarterly (seasonally adjusted)*



[Source: NS database, series: EAPS, EAPT, EAPV]

- The *volume* of retail sales grew by 1.9% for October to December compared with the previous three months, and was 4.0% higher than a year previously (seasonally adjusted).
- Retail sales volumes in December 2003 were 4.0% higher than in December 2002 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 6.6% in October to December compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 2.5% 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
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
2003	3.7	2.8	5.2	0.0	2.7
2002 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
Q4	3.4	1.5	9.0	1.4	3.9

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

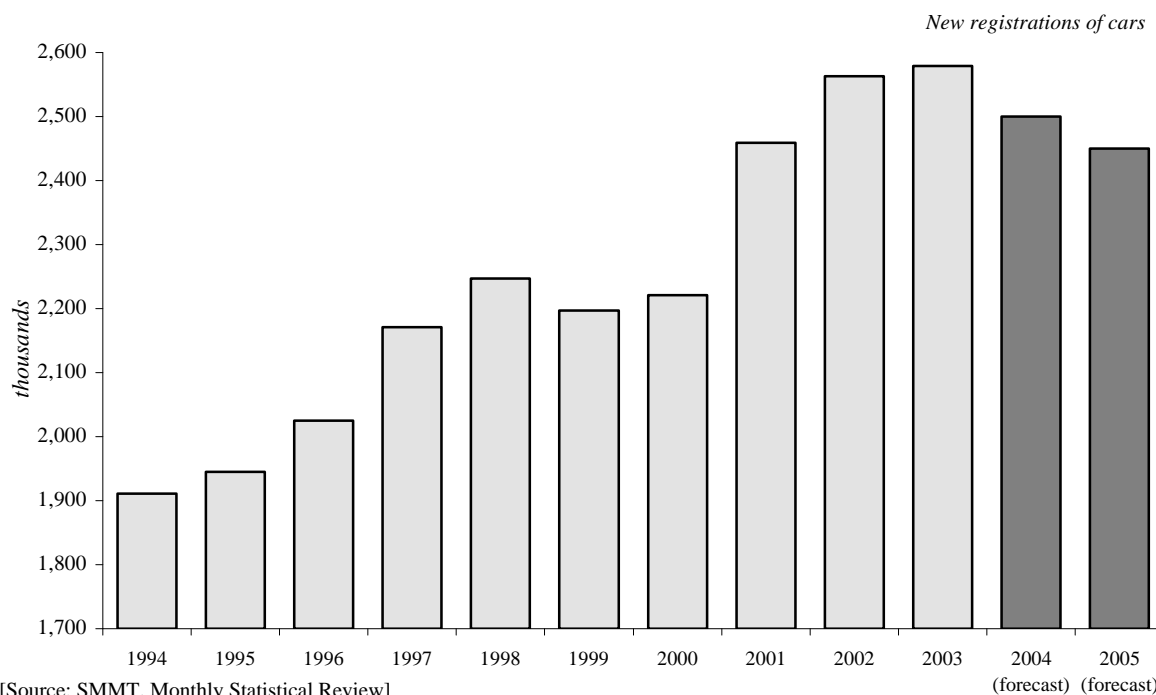
- The average weekly *value* of retail sales in December 2003 was £6,060 million, 4.3% higher than in December 2002 (non-seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** NS, *Retail Sales: First Release*, 19 Feb



### F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 7.5% in December 2003, compared with the previous December's figure, to 155,452 units.

- The number of new registrations of cars was around 2.6 million units in 2003, a rise of 0.6% on the previous year and the highest annual total ever.
- New registrations of cars are forecast to fall by 3.1% in 2004, and by 2.0% in 2005.
- There were 27,885 registrations of British-built cars in December, equivalent to 17.9% of the market. British built registrations have fallen 1.1% on the previous December's figure. In 2003 as a whole, there were 521,000 registrations of British-built cars, a decrease of 10.6% from the previous year's figure and equivalent to 20.2% of the market.

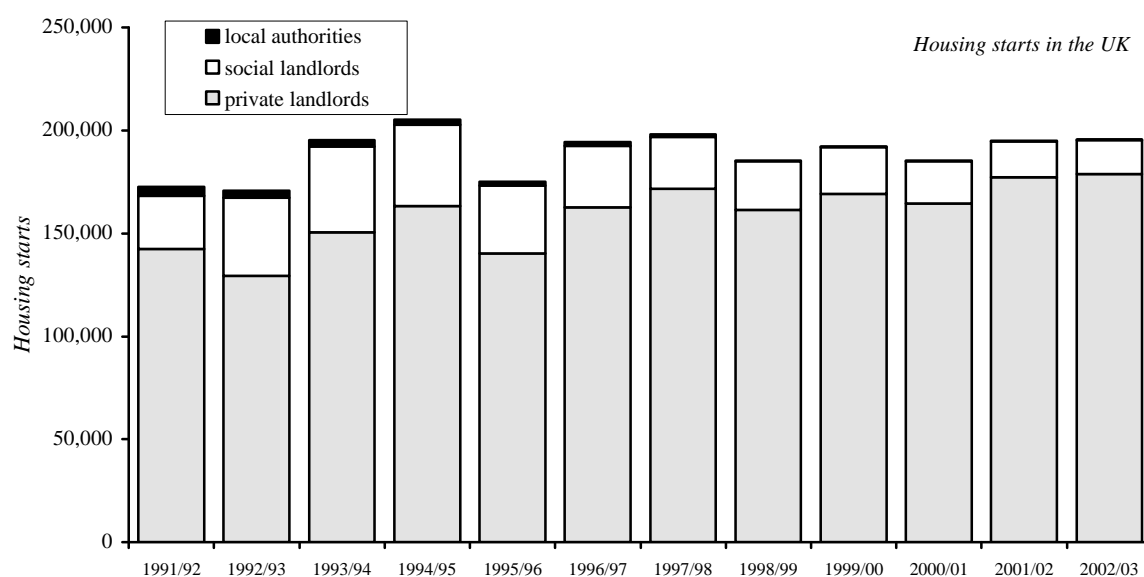
#### New Registrations of Cars

*000s & % change, not seasonally adjusted*

	Number ('000s)	Change over 12 months
2002	2,564	4.3
2003	2,579	0.6
2004 (forecast)	2,500	-3.1
2005 (forecast)	2,450	-2.0
<hr/>		
2002 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
Nov	169	-1.5
Dec	155	7.5

Source: SMMT, *Monthly Statistical Review*

## F4: House-building & Prices



[Source: ODPM, *Housebuilding*, table 201]

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 2002 (non-seasonally adjusted).

The Halifax *House Price Index* shows that:

- UK house prices rose by 1.8% in December 2003, with annual house price inflation running at 15.4%.
- On a quarterly basis, UK house prices rose by 3.9% in Q4 2003 compared with the previous quarter, following an increase of 3.4% in Q3 2003 on Q2 2003 (all seasonally adjusted data).

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

- This puts annual house price inflation in Q4 2003 at its highest in the North (33.7%) and lowest in the South East (5.8%), compared with 15.4% for the UK as a whole (all seasonally adjusted data).

### Standardised average house prices

£s & %, non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
2002 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
Q4	140,130	141,715	141,390	99,019

% change over same period in previous year

2002 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
Q4	15.4	15.2	15.1	17.0

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

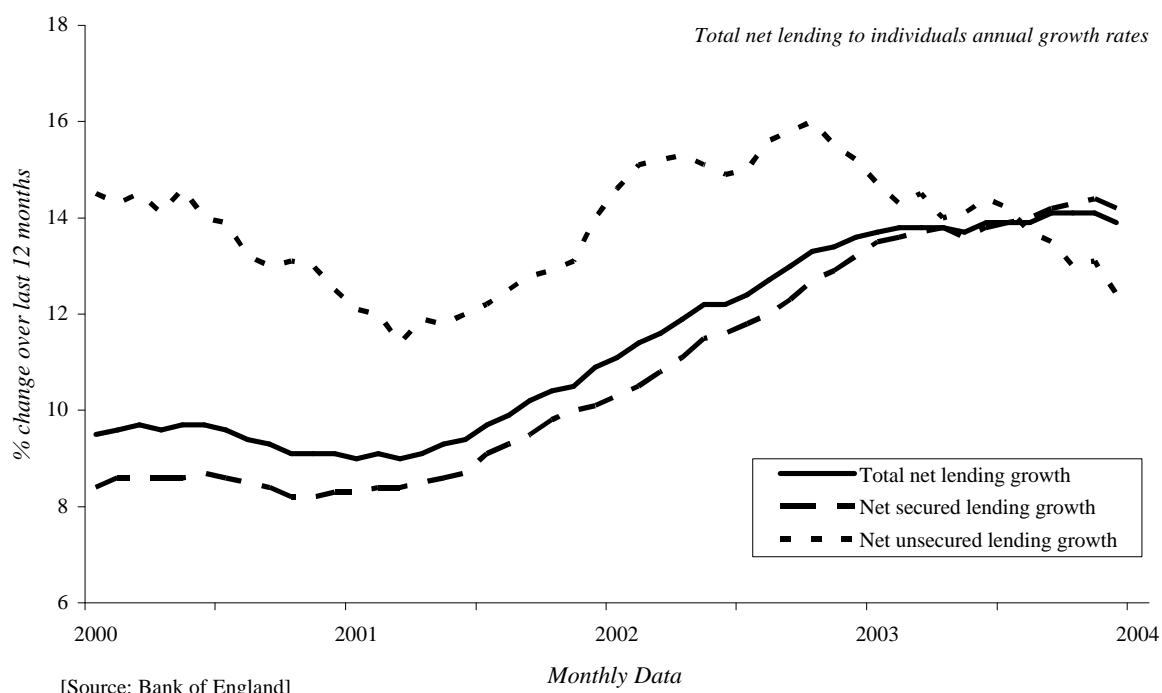
The ODPM now publishes, **currently in experimental form only**, its own house price index based on completions (cf. Halifax index, which is based on mortgage approvals):

- The average UK house price in November 2003 £159,480 (up from £161,365 in October 2003). Annual house price inflation was at 9.7%, down from 12.1% in October. Regionally, annual house price inflation was highest in the North East (19.6%) and lowest in London (5.2%) (non-seasonally adjusted).

**Contact:** Ian Townsend, x3977

**Updates:** ODPM, *Housebuilding*, 12 Feb; Halifax, *House Prices*, early Feb; ODPM, *House Prices*, 9 Feb

## F5: Consumer borrowing



### Net lending to individuals

*£ millions and % changes on year; seasonally adjusted*

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1999 Dec	493,153	115,202	608,355	8.3	14.5	9.4
2000 Dec	534,825	127,110	661,934	8.3	12.5	9.1
2001 Dec	590,265	140,539	730,804	10.1	14.0	10.9
2002 Dec	669,356	156,472	825,828	13.2	15.2	13.6
2003 Mar	691,622	160,235	851,857	13.7	14.5	13.8
Jun	713,464	164,380	877,843	13.8	14.4	13.9
Sep	738,572	167,615	906,187	14.2	13.5	14.1
Dec	764,621	169,387	934,008	14.2	12.4	13.9

Source: Bank of England, series: VTYI, VTYO, VTYC, VTXK, VTRI, VZXC

- Total net outstanding lending to individuals was £934 billion at the end of December 2003.
- Total net lending to individuals grew by 0.9% in December compared to the previous month, and grew by 13.9% on an annual basis (all seasonally adjusted). This represents a fall in growth of 0.2% compared to the annualised rates for November 2003.
- Of the £8.1 billion increase in net lending in December 2003, £7.3 billion was mortgage borrowing and £0.8 billion was consumer credit.