



RESEARCH PAPER 04/20
1 MARCH 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:

Background to the 2004 Budget

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.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	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*, available on the Library's intranet pages (via 'Contact us' link).

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

II Background to the 2004 Budget

Introduction

The Chancellor of the Exchequer will make his 2004 Budget statement on 17 March. This article looks at the economic background to the Budget. It also examines the debate over whether the Chancellor will meet the golden rule – one of his two fiscal rules.

Economic background

On 25 February 2004, the Office for National Statistics revised its estimate of economic growth in 2003 up to 2.3% (from 2.1%). This is in line with the forecast for 2003 made in last year's Budget – a forecast considered too optimistic by some at the time.

The Bank of England's Monetary Policy Committee raised interest rates by 0.25% to 4.0% in February. Speaking at the publication of the Bank's February 2004 *Inflation Report*, the Governor of the Bank, Mervyn King said:

Over recent months growth in the United Kingdom has been strong. It is expected to remain so. Inflation, on the new CPI measure, has been below the new 2% target for some time, but was expected to move up to exceed the target at the two-year horizon as demand growth pressed on supply capacity. In response to that inflation outlook, the Monetary Policy Committee judged last week that a rise in interest rates was necessary to keep inflation on track to meet the target in the medium term.

Signs of further economic recovery are evident in most parts of the industrialised world. At home, GDP growth in the second half of last year was above its historical average. Consumer borrowing and spending have been rising faster than expected, but are likely to slow in the face of decelerating incomes and house prices. For business, the outlook for exports and investment looks brighter than for some considerable time. So a long overdue rebalancing of the economy is now in prospect.

There are already some signs of higher inflation to come. The growth rates of money and credit remain at very high levels, and there is evidence of greater cost pressures in the pipeline. Against that, sterling's effective exchange rate rose between the November and February *Reports* by just over 2%, although it is still below its average level between 2000 and the beginning of last year. The higher level of sterling will offset part of the impact on inflation of faster domestic demand growth.

The Treasury forecast, as set out in the 2003 *Pre-Budget Report*, was that the economy would grow by 3% to 3.5% in both 2004 and 2005.² These forecasts are more optimistic than most independent forecasters, as the table below shows.

² HM Treasury, *Pre-Budget Report 2003*, December 2003, Cm 6042;
http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr03/report/prebud_pbr03_repindex.cfm

Economic growth forecasts (%)			
	2004	2005	2006
2003 Pre-Budget Report	3 to 3.5	3 to 3.5	2.5 to 3
Independent forecasts (average)	2.8	2.6	

Sources: HM Treasury, *Pre-Budget Report 2003* Cm 4062, Table 2.2
 HM Treasury, *Forecasts for the UK Economy, February 2004*

However, according to the *Financial Times*, the upward revisions to 2003 growth make the Treasury forecast for 2004 look more achievable.³ In addition, some independent economists have revised their forecasts upwards in the light of the new data.

The fiscal rules

The Chancellor's two fiscal rules are:

- 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 being equal, net debt will be maintained below 40 per cent of GDP over the economic cycle.⁴

There seems little doubt that the sustainable investment rule will be met. In the 2003 *Pre-Budget Report*, public sector net debt was forecast to increase from 30.9% in 2002/03 to 35.5% in 2008/09 – well within the 40% limit.

A number of commentators have, however, expressed doubts as to whether the golden rule will be met:

[...] the International Monetary Fund, the Organisation for Economic Co-operation and Development, the Institute for Fiscal Studies and the National Institute of Economic and Social Research have all warned that the government is in danger of breaching at some point in the next few years Mr Brown's "golden rule": that the government should borrow only to invest.⁵

As the Institute for Fiscal Studies (IFS) have pointed out, a definitive view on whether the golden rule has been met can only be formed retrospectively, i.e. after a full economic cycle has been completed.⁶ This in turn requires an assessment of when the cycle begins and ends. The Treasury's provisional view is that the current cycle started in 1999/2000 and will end in 2005/06.⁷

³ "Revised figures show faster UK growth", *Financial Times*, 25 February 2004, p1

⁴ HM Treasury, *Pre-Budget Report 2003*, Cm 6042, para 2.14

⁵ "Chancellor needs 'get out of jail free' card", *Financial Times*, 16 February 2004, p3

⁶ IFS, *The IFS Green Budget January 2004*, p9; <http://www.ifs.org.uk/gbfiles/gb2004.shtml>

⁷ HM Treasury, *Pre-Budget Report 2003*, Cm 6042 para 2.62

The key measure for assessing compliance with the golden rule is the surplus on current budget. Outturns since 1999/2000 and the Treasury's forecast for the remainder of the cycle are set out in the table below.

The golden rule: current budget surplus

	Outturn				Forecast		
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
£ billion	19.3	20.4	8.8	-12.3	-19.3	-8	-5
% of GDP	2.1	2.1	0.9	-1.2	-1.7	-0.7	-0.4

Source: HM Treasury, *Public Finances Databank*

Note: the figure for 2002/03 is from the Public sector finances data released by ONS on 19 February 2004

This table shows surpluses in the early years of the cycle before moving into deficit in 2002/03. The average surplus across the cycle, measured as a percentage of GDP, is 0.2%. In other words, the golden rule is just met. In the 2003 Pre-Budget Report, the Treasury said:

The golden rule is set over the economic cycle to allow fiscal policy to support monetary policy in maintaining stability through the impact of the automatic stabilisers. Progress against the rule is measured by the average annual surplus on the current budget as a percentage of GDP since the cycle began. The average surplus on the current budget since 1999-2000, which on the Government's provisional judgement is the start of the current cycle, is positive in every year. The economy is projected to return to trend during 2005-06, meaning that over the whole cycle the average annual surplus on the current budget would be around an annual 0.2 per cent of GDP, equivalent to a margin or surplus in this cycle of £14 billion. On this basis, and based on cautious assumptions, the Government is on track to meet the golden rule. If the economic cycle were to have started in 1997-98, the average surplus on the current budget up to 2005-06 would be over 0.2 per cent of GDP.⁸

The table below compares the IFS *Green Budget* forecast with the Pre-Budget Report forecast for the remainder of the cycle (ie until 2005/06). The tables show very similar figures for 2003/04. For the remaining two years of the cycle, the IFS forecasts a larger deficit (0.3% of GDP more in 2004/05 and 0.6% more in 2005-06). On the basis of the IFS measure, the average surplus over the cycle would be 0.0% of GDP, i.e. the golden rule would just be met.⁹

⁸ HM Treasury, *Pre-Budget Report 2003*, Cm 6042 paras 2.62 and 2.63

⁹ Measured in cash terms, the cumulative surplus would be £4bn on the Treasury forecasts compared with a cumulative deficit of £7bn on the IFS forecast.

Forecasts for current budget surplus

	2003/04	2004/05	2005/06
Pre-Budget Report (£bn)	-19.3	-8	-5
IFS (£bn)	-18.7	-12.0	-12.7
Pre-Budget Report (% GDP)	-1.7	-0.7	-0.4
IFS (% GDP)	-1.7	-1.0	-1.0

Sources: HM Treasury, *Pre-Budget Report 2003*, Tables B5 and B6
 IFS, *IFS Green Budget January 2004*, Tables 3.3 and 3.4

The IFS point out in their *Green Budget* that the Treasury's estimate of the margin by which the golden rule will be exceeded has declined. In the 2001 Budget, the Treasury's projection was of a cumulative budget surplus of around £100bn. By the time of the Pre-Budget Report in December 2003, the cumulative surplus was predicted to be £4.5bn. The IFS commented:

[...] having forecast two-and-a-half years ago that the golden rule would be overachieved by a huge margin, the Chancellor now finds his room for manoeuvre to be much diminished, partly as a result of deliberate policy decisions and partly as a result of forecast errors and revisions. To some extent, this is to be expected. Aiming to overachieve the golden rule by a large amount early in the cycle might be regarded as prudent, given the considerable uncertainties in forecasting the path of the public finances over a number of years. But there is no reason for the Treasury to seek to have overachieved the golden rule *ex post* by a significant amount, unless public debt were at or near the 40% of national income ceiling and the government wished to create room for more investment. It is therefore reasonable that the forecast overachievement of the golden rule should decline as the end of the cycle draws nearer and as the uncertainties surrounding the out-turn over the remainder of the cycle diminish.¹⁰

They continue:

It is indeed reasonable to argue that if the government is focused on meeting the golden rule over the current cycle, there is less need for caution as the end of the cycle draws nearer and uncertainty about the path of the public finances over the remainder of the cycle diminishes. But it could be argued that the Treasury has used up too much of its room for manoeuvre too quickly.

[...]

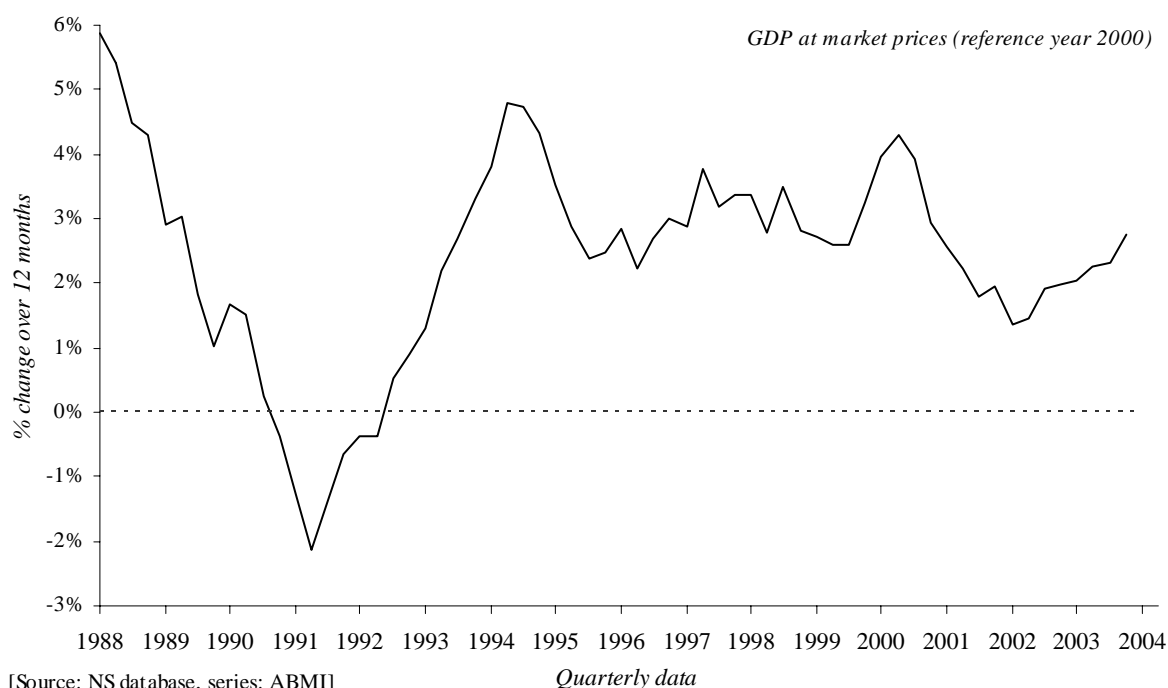
So on the Treasury's own figures, on the basis of past errors and uncertainties, it is possible that further tax increases or reductions in public spending might be necessary to meet the golden rule over the current cycle.¹¹

Dominic Webb
 Economic Policy and Statistics section

¹⁰ IFS, *IFS Green Budget 2004*, p14

¹¹ *ibid.*, p16

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	1,100.5	5.5	2.3
2002 Q3	262.5	5.6	1.9
Q4	265.9	5.4	2.0
2003 Q1	269.8	5.4	2.0
Q2	273.0	5.6	2.3
Q3	276.9	5.5	2.3
Q4	280.8	5.6	2.8

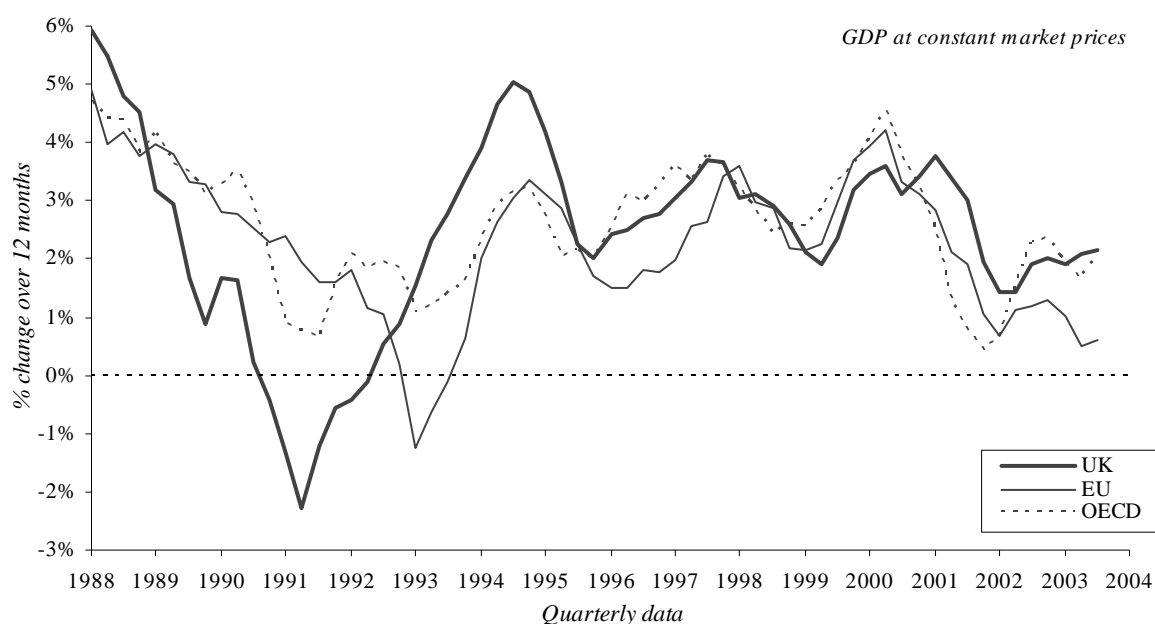
Source: NS database, series: YBHA, ABMI

- The economy is now estimated to have grown by 2.3% in 2003, an increase on last quarter's estimate for 2003 of 2.1%. This compares with 1.7% in 2002.
- In Q4 2003 the chained volume measure of gross domestic product (GDP) at market prices rose by 0.9% on the previous quarter, unchanged from the previous quarter's estimate, but the percentage change on Q4 2002 is now estimated at 2.8%.
- The latest Treasury average of independent economic forecasts is for GDP growth of 2.8% in 2004, and 2.6% in 2005.

Contact: Patsy Richards, x4904

Update: NS, *UK output, income & expenditure: First Release*, 26 Mar

A2: GDP: International Comparisons



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	0.0	-0.3	0.3
Italy	1.6	3.2	1.8	0.4	0.2	0.4	-0.2	-0.2	0.5
Eurozone	3.1	3.6	1.7	0.9	0.2	0.1	0.0	-0.1	0.3
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*, February 2004

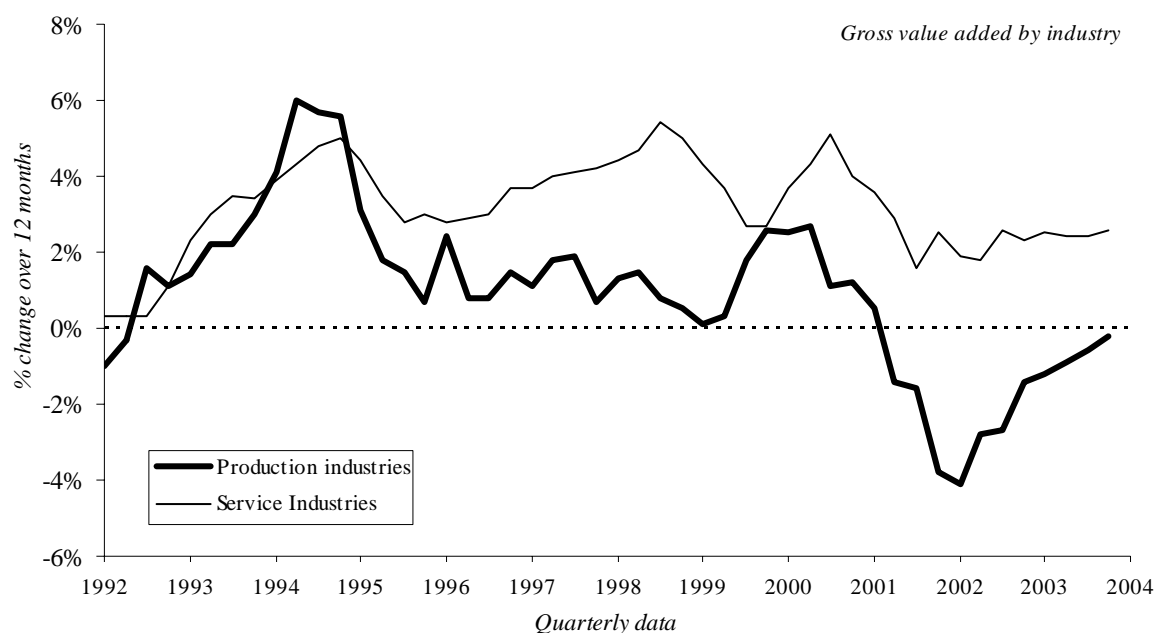
- The latest data suggest quarterly growth continues to strengthen in the biggest economies except Japan.
- Recent growth in the euro zone has been weaker than growth in OECD countries and the G7. Annual growth to the third quarter of 2003 was just 0.3%.
- The OECD are currently forecasting: euro zone 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*, 13 Mar

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 2.6%. Between the third quarter of 2003 and the fourth quarter of 2003 output growth in the service sector increased by 0.2%.

Gross value added at 2000 basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
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	-0.7	0.0	2.5	-2.0	6.3
2002 Q4	-1.4	-2.2	2.3	8.7	7.9
2003 Q1	-1.2	-1.4	2.5	-1.9	3.6
Q2	-0.9	0.4	2.4	-1.7	7.0
Q3	-0.6	-0.2	2.4	-2.8	7.3
Q4	-0.2	1.1	2.6	-1.6	7.1

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

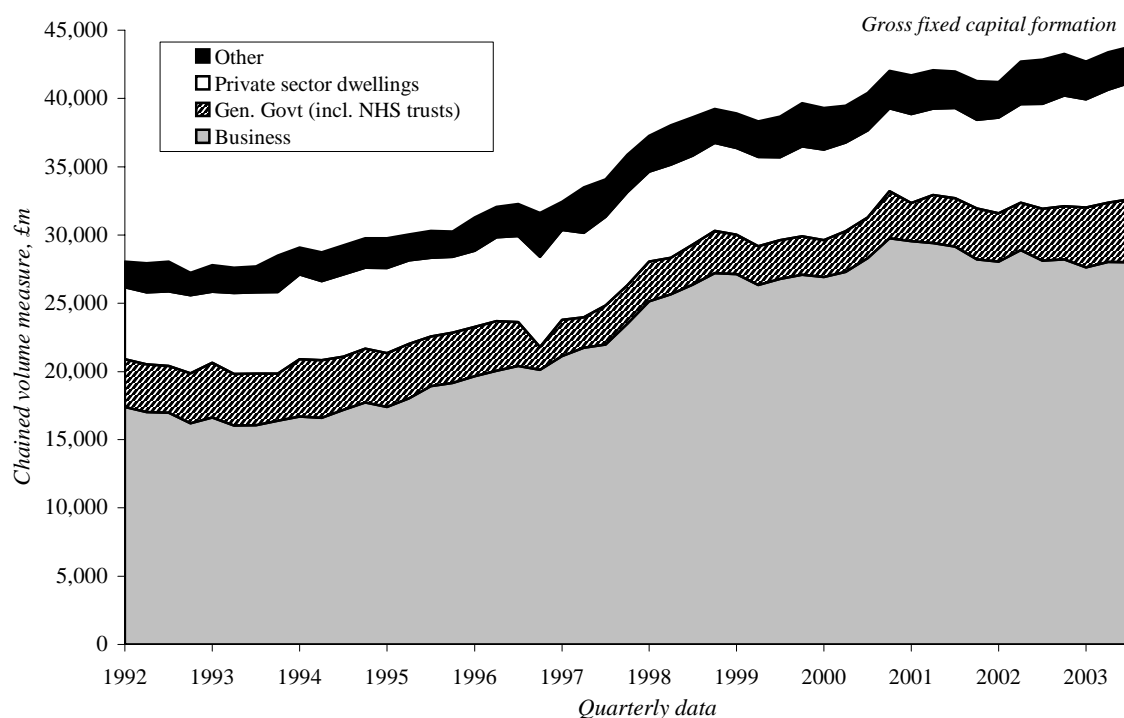
- Manufacturing output increased by 1.1% in the fourth quarter of 2003, and overall stayed constant in 2003.
- In 2002, services accounted for 72% of gross value added, manufacturing for 17%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: NS, *Quarterly National Accounts*, 26 Mar

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	4,046	14,833	13,812	8,617	1,394	42,702
Q2	3,784	14,704	14,403	9,077	1,408	43,376
Q3	3,863	14,652	14,475	9,379	1,408	43,777

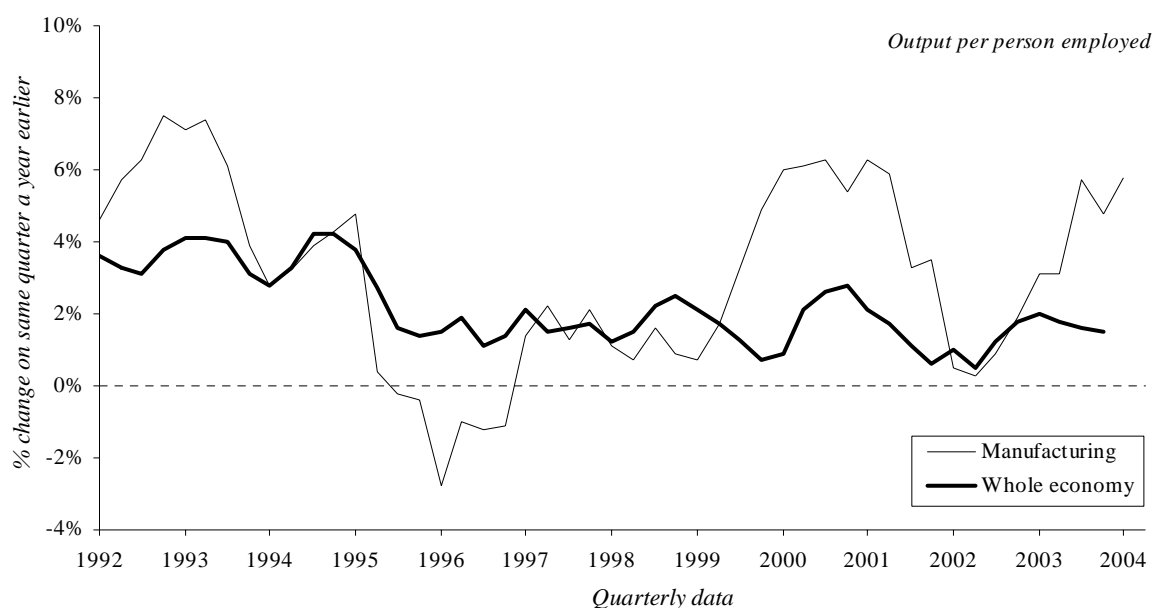
Source: NS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 1.3% in Q4 2003 compared with the previous quarter and by 0.6% compared with Q4 2002.
- Total manufacturing investment increased by 3.4% in Q4 2003 compared with the previous quarter, while private sector service sector investment increased by 1.9%.

Contact: Dominic Webb, x4324

Updates: NS, *Business Investment*, 25 Mar

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

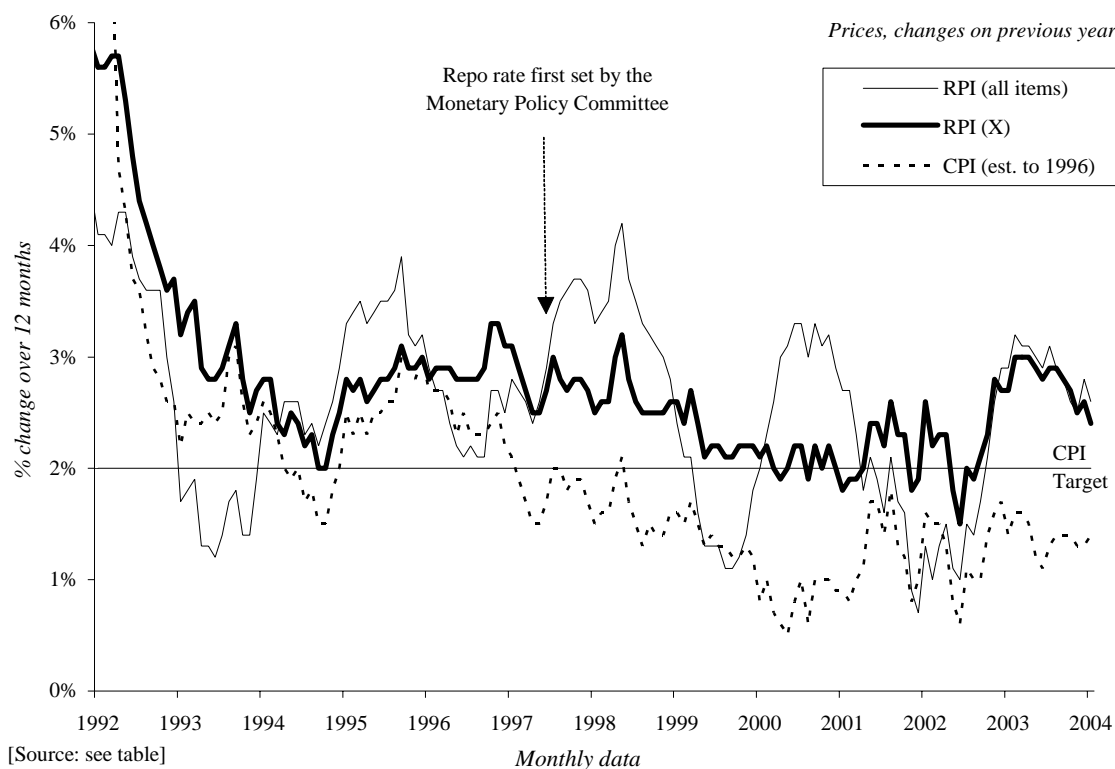
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
1999	0.7	-3.1	4.0	2.5	1.3	1.1
2000	2.4	-3.4	6.0	3.8	1.4	2.5
2001	-1.3	-4.5	3.3	1.9	0.8	1.1
2002	-3.6	-5.0	1.5	1.3	-0.1	1.4
2003	0.0	-4.6	4.9	1.9	..	..
2002 Q3	-3.1	-4.9	1.9	1.8	-0.2	1.8
Q4	-2.2	-5.1	3.1	1.9	-0.3	2.0
2003 Q1	-1.4	-4.4	3.1	1.7	-0.2	1.8
Q2	0.4	-5.0	5.7	1.9	0.1	1.6
Q3	-0.2	-4.8	4.8	2.0	0.2	1.5
Q4	1.1	-4.5	5.8	2.2	..	..

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 2003, manufacturing output remained constant and employment in manufacturing fell by 4.6% while manufacturing output per head rose by 4.9%.
- Productivity growth in manufacturing increased from 4.8% per annum in Q3 2003 to 5.8% per annum in Q4 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 January 2004 the consumer prices index (CPI) showed inflation at 1.4%, up from 1.3% in December.
- The largest upward effect on the CPI was from miscellaneous goods and services, notably financial services, mainly bank overdraft charges. A large downward effect came from recreation and culture; subscription fees for satellite and digital television were unchanged this year.
- The former headline (all items RPI) rate of inflation fell to 2.6% from 2.8% in December. The underlying rate RPI(X) fell to 2.4% from 2.6% the month before.
- The largest downward effect on the all-items RPI was from fares and other travel especially airfares, and from housing – house prices rose by less than a year ago.

Price Indices

% change over 12 months

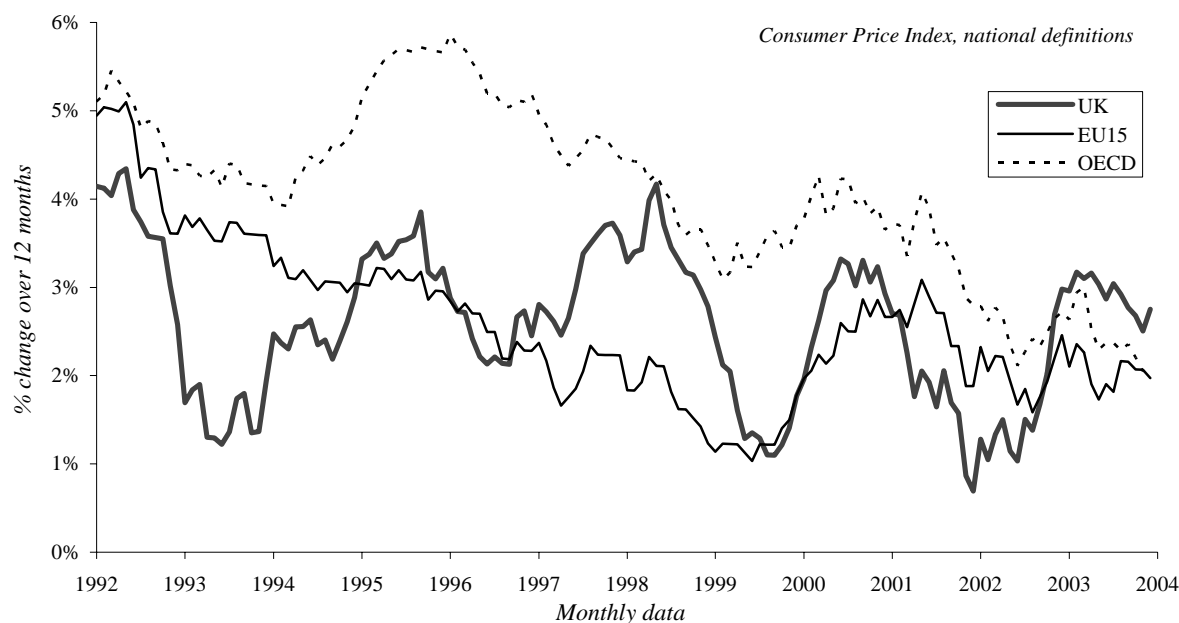
	CPI (was HICP)	RPI (all items)	RPI (X)
2000	0.8	3.0	2.1
2001	1.2	1.8	2.1
2002	1.3	1.7	2.2
2003	1.4	2.9	2.8
2003 Jan	1.4	2.9	2.7
Feb	1.6	3.2	3.0
Mar	1.6	3.1	3.0
Apr	1.5	3.1	3.0
May	1.2	3.0	2.9
Jun	1.1	2.9	2.8
Jul	1.3	3.1	2.9
Aug	1.4	2.9	2.9
Sep	1.4	2.8	2.8
Oct	1.4	2.6	2.7
Nov	1.3	2.5	2.5
Dec	1.3	2.8	2.6
2004 Jan	1.4	2.6	2.4

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

Contact: Patsy Richards, x4904

Update: NS, *Consumer Price Indices: First release*, 16 Mar

B2: Prices: International Comparisons



[Source: OECD, *Main Economic Indicators*, Feb 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 rose to 1.9% in December 2003, from 1.8% in November.
- For all OECD countries the average inflation rate rose to 2.1% in December, from 2.0% the month before.
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) fell to 2.0% in December from 2.1% in November. Using the EU's harmonised indices, it was 1.8%.

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
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	2.3	-0.2	2.8	2.9	2.4
2003 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
Dec	1.9	-0.4	2.0	2.8	2.1

Source: OECD, *Main Economic Indicators*, Feb 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	1.1	2.8	1.4	2.1
2003 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
2004 Jan	2.2	1.3	2.2	1.4	1.9

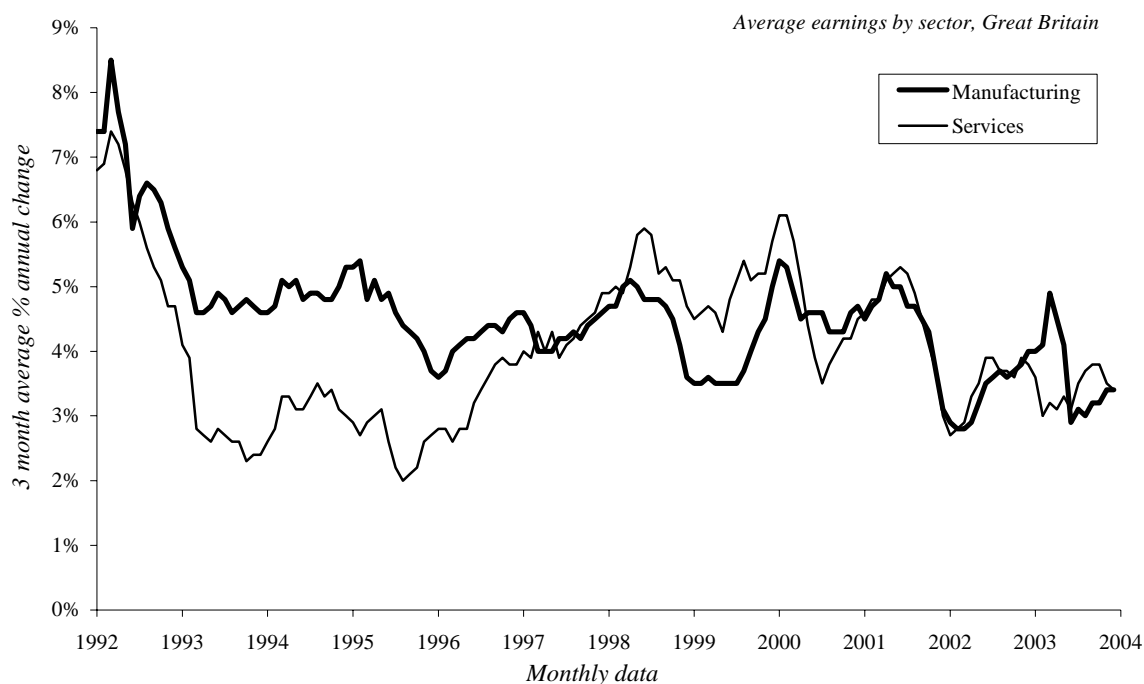
Source: Eurostat, *Euro-Indicators news release*, 27 Feb 2004

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 2.0% in December to a provisional 1.9% in January 2004.
- The HICP inflation rates for the Member States not in the eurozone were Denmark (1.0%), Sweden (1.3%) and the UK (1.4%).
- In January the eurozone countries with the highest HICP annual inflation rates were Greece (3.1%), Spain, Ireland and Luxembourg (all 2.3%). The lowest rates were in Finland (0.8%), Denmark (1.0%) and Austria (1.2%).

Contact: Patsy Richards, x4904

Updates: OECD, *Main Economic Indicators*, 13 Mar
Eurostat, *Euro-indicators news release*, 17 Mar

B3: Average Earnings Index

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

- The headline rate of growth in average earnings for the whole economy in December was 3.4%, down from 3.5% in November.
- Headline average earnings growth in manufacturing was 3.4% in December (the same as in November) while earnings growth in the service sector fell to 3.4% compared with 3.5% in November.
- Headline earnings growth in the private sector was 3.2% in December, compared to 4.4% in the public sector.
- Earnings are currently growing more slowly than a year ago (the headline rate in December 2002 was 3.8%).

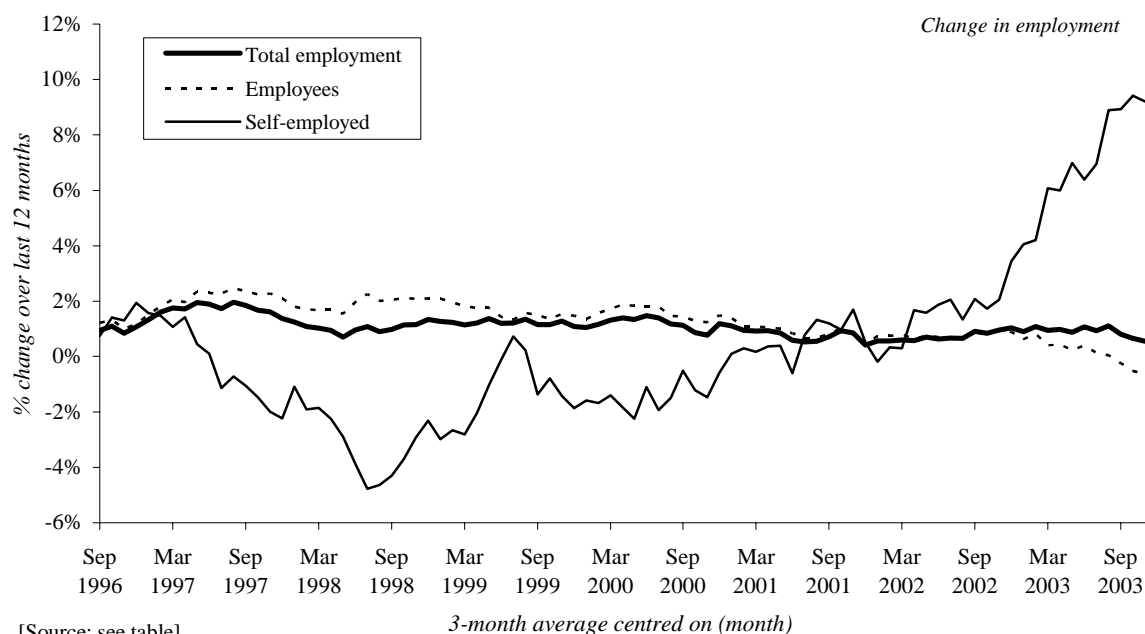
Average Earnings, Great Britain

% change on year, seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
1999 Dec	5.5	5.9	3.8
2000 Dec	4.5	4.6	3.9
2001 Dec	3.1	2.8	5.2
2002 Dec	3.8	3.6	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
Dec	3.4	3.2	4.4

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 Nov	27,282	23,904	3,111	102	164
2000 Nov	27,495	24,199	3,065	99	131
2001 Nov	27,732	24,392	3,117	104	119
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
2003 Nov	28,156	24,482	3,474	96	103
<i>Changes (%):</i>					
on last 3 months	0.0	0.0	0.6	-7.1	-1.4
on last year	0.6	-0.6	9.2	4.3	8.8

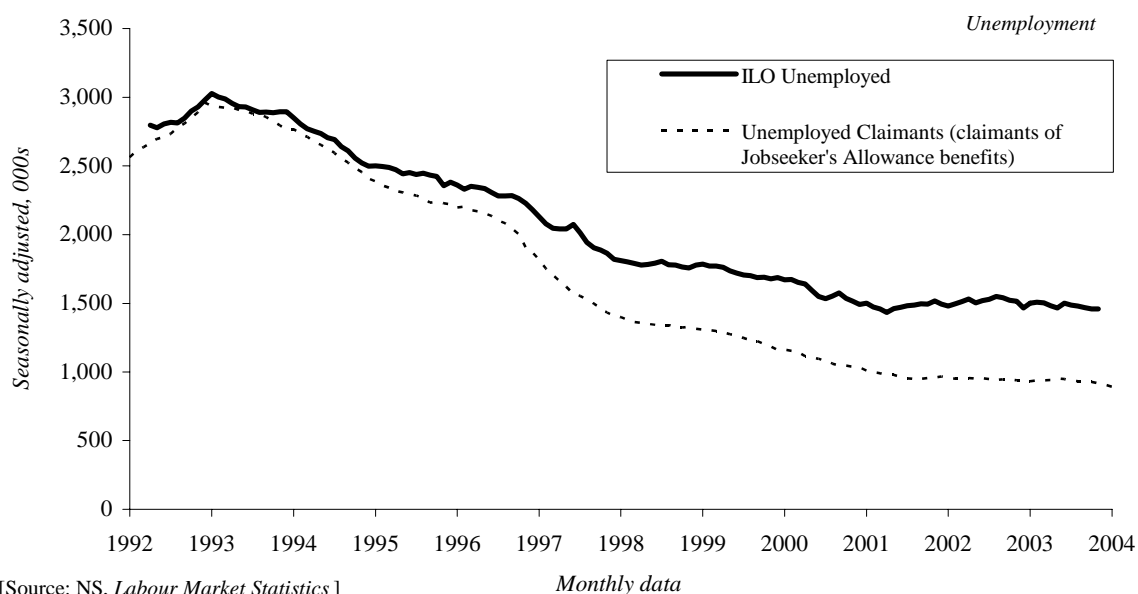
Source: National Statistics, *First Release Labour Market Statistics*, 11 February 2004

- Total employment was 28.2 million in the period October to December 2003, 0.6% higher than a year previously. The working age employment rate of 74.5% was 0.1% lower than the previous quarter and 0.2% 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 September, the number of production industry workforce jobs fell by 104,000. Service sector jobs rose by 239,000.
- 7.3 million people were in part-time employment in the period October to December 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*, 17 Mar

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 October to December 2003, the level of ILO unemployment in the UK was 1,459,000. This was a decrease of 22,000 from the period July to September 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 13,000 between December 2003 and January 2004 to 892,000.

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

- 1,082,000 people had joined the scheme by the end of December 2003. Of those leaving the scheme 480,000 had moved into jobs up to the end of December, of which 380,000 (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. 314,000 people had started on the enhanced scheme by the end of December 2003. Of these, 97,000 people had entered jobs of which 75,000 (78%) were sustained.

ILO Unemployment in the UK *seasonally adjusted*

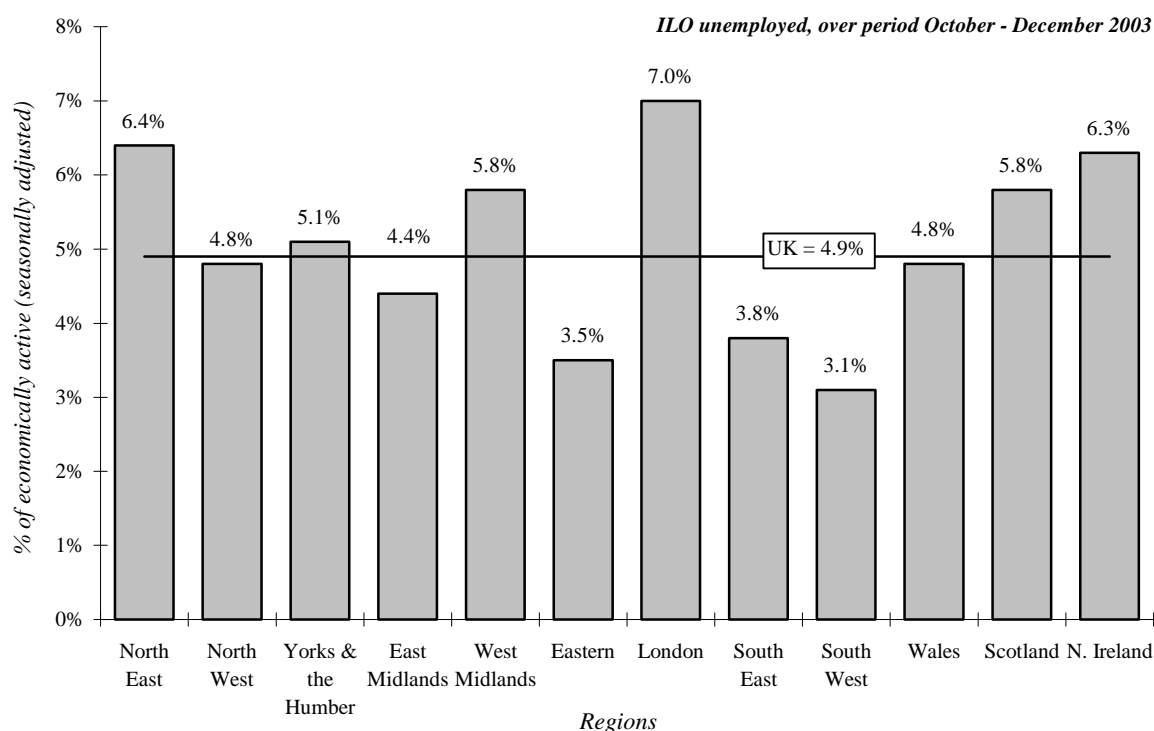
		rate
	'000s	(%)
1997	Jul - Sep	1,945 6.8
	Oct - Dec	1,865 6.5
1998	Jan - Mar	1,803 6.3
	Apr - Jun	1,784 6.3
	Jul - Sep	1,782 6.2
	Oct - Dec	1,759 6.1
1999	Jan - Mar	1,773 6.2
	Apr - Jun	1,738 6.0
	Jul - Sep	1,703 5.9
	Oct - Dec	1,680 5.8
2000	Jan - Mar	1,674 5.8
	Apr - Jun	1,594 5.5
	Jul - Sep	1,553 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
	Oct - Dec	1,459 4.9

Source: NS *Labour Market Statistics*

Contact: Alex Adcock, x3793

Update: NS, *Labour Market Statistics*, 17 Mar; *New Deal*, 16 Jun

C3: Unemployment: Regional



[Source: NS, *Labour Market Statistics*]

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 October to December 2003 London had the highest unemployment rate, 7.0% of the economically active population. The lowest rate over the same period was 3.1% in the South West region.
- A comparison of October to December 2003 with the same period a year earlier shows that the largest fall (24%) in unemployment occurred in the South West region. Northern Ireland experienced the largest rise (9%) in unemployment over the same period.

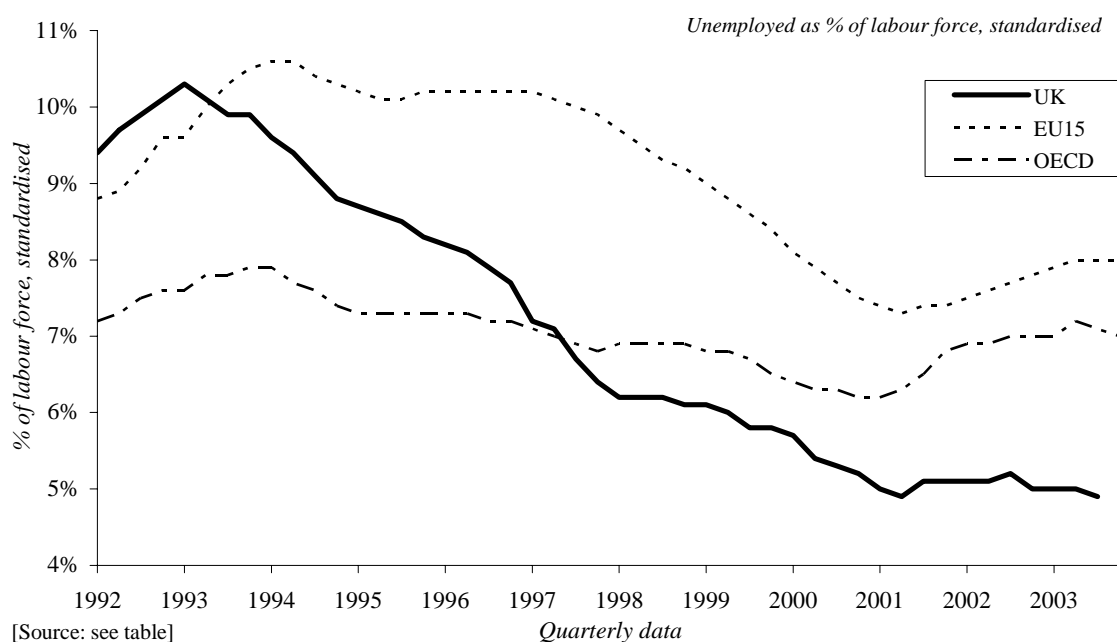
ILO Unemployment, Oct - Dec 2003

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

	'000s	%
North East	-9	-11
North West & Merseyside	-4	-3
Yorkshire & the Humber	1	1
East Midlands	2	2
West Midlands	5	3
Eastern	-12	-11
London	10	4
South East	-4	-2
South West	-24	-24
Wales	-6	-8
Scotland	-10	-6
Northern Ireland	4	9

Source: NS, *Labour Market Statistics*, 11 Feb 2004

C4: Unemployment: International Comparisons



Unemployment

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

	2000	2001	2002	2002				2003			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	4.0	4.7	5.8	5.7	5.8	5.7	5.9	5.8	6.1	6.1	5.9
Japan	4.7	5.0	5.4	5.3	5.4	5.4	5.4	5.4	5.4	5.2	5.1
Canada	6.8	7.2	7.7	7.9	7.6	7.5	7.6	7.5	7.7	7.9	7.5
UK	5.4	5.0	5.1	5.1	5.1	5.2	5.0	5.0	5.0	4.9	..
Germany	7.8	7.8	8.6	8.3	8.5	8.7	8.9	9.2	9.3	9.3	9.2
France	9.3	8.5	8.8	8.6	8.7	8.9	9.0	9.2	9.3	9.4	9.5
Italy	10.4	9.4	9.0	9.1	9.0	9.0	8.9	8.9	8.7	8.5	..
Eurozone	8.5	8.0	8.4	8.2	8.3	8.5	8.6	8.7	8.8	8.8	8.8
G7	5.6	5.9	6.5	6.4	6.5	6.5	6.6	6.6	6.7	6.7	6.5
OECD	6.3	6.5	6.9	6.9	6.9	7.0	7.0	7.0	7.2	7.1	7.0

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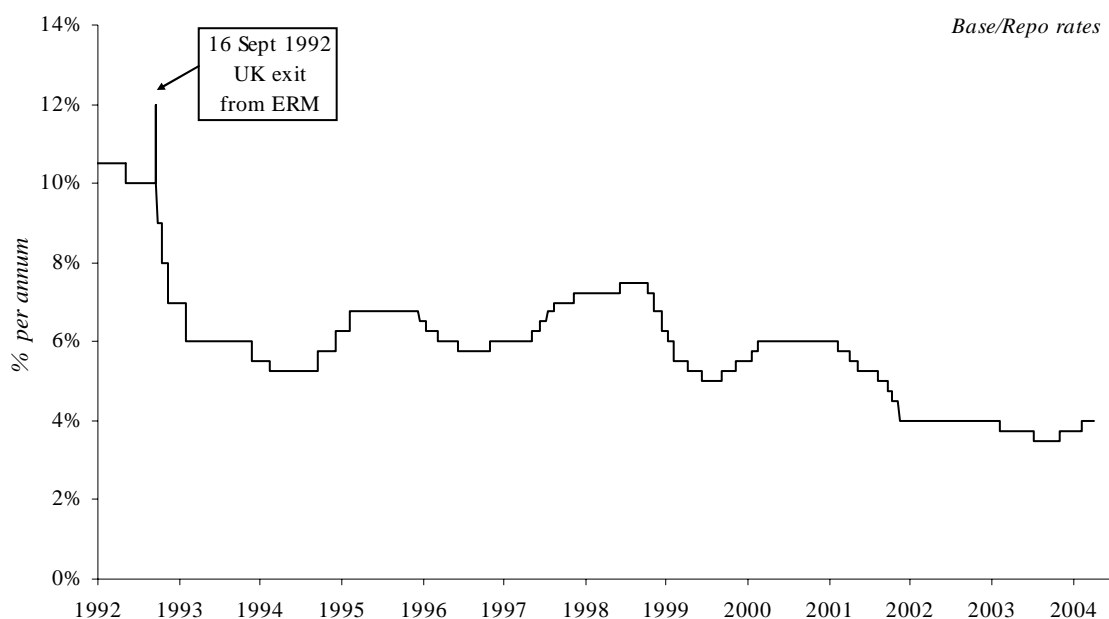
Source: OECD, *Main Economic Indicators*, February 2004

- 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 6.9% respectively).
- Between Q2 and Q3 2003 the largest rise in unemployment among G7 countries was in Canada, where it rose by 0.2 of a percentage point. The largest falls (0.2 of a percentage point) were in Italy and Japan. The unemployment rate in all the G7 nations taken together was unchanged.
- 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*, 13 Mar
OECD, *Economic Outlook*, Jun

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.

- On 5 February 2004, the MPC voted to increase the base rate by 0.25%, following a 0.25% rise in November 2003, which was the first interest rate rise since February 2000.
- In its February meeting, the MPC noted the volatility of exchange rates and further evidence of recovery in the world economy. On the domestic front, it noted strong quarterly growth in Q4 2003, and consistently positive business surveys regarding Q1 2004.
- The latest Bank Inflation Report (February 2003) noted the continued global recovery and weakness of the dollar. Although annual inflation (on the new CPI measure) was below the 2% target in December, it is projected to 'move up to the target'.

The MPC next meets on 3/4 March 2004, with minutes published on 17 March. The next quarterly *Inflation Report* will be released on 12 May.

UK Base/Repo Rates

% per annum

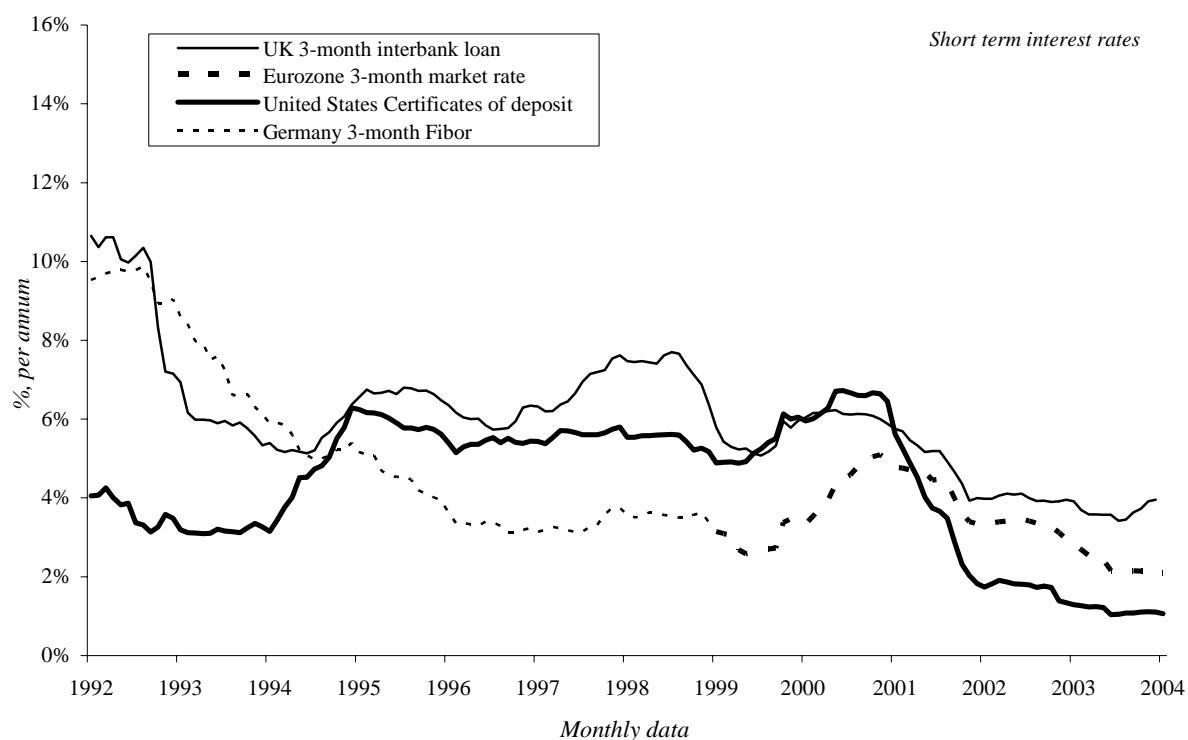
Date of change	New rate
1997 May 6	6.25
Jun 6	6.50
Jul 10	6.75
Aug 7	7.00
Nov 6	7.25
1998 Jun 4	7.50
Oct 8	7.25
Nov 5	6.75
Dec 10	6.25
1999 Jan 7	6.00
Feb 4	5.50
Apr 8	5.25
Jun 10	5.00
Sep 8	5.25
Nov 4	5.50
2000 Jan 13	5.75
Feb 10	6.00
2001 Feb 8	5.75
Apr 5	5.50
May 10	5.25
Aug 2	5.00
Sep 18	4.75
Oct 4	4.50
Nov 8	4.00
2003 Feb 7	3.75
Jul 10	3.50
Nov 6	3.75
2004 Feb 5	4.00

Source: Bank of England

Contact: Ian Townsend, x3977

Update: MPC decision, 4 Mar; Minutes (Mar), 17 Mar

D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Feb 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 was the first to increase base rates:

- The Bank of England's Monetary Policy Committee reduced the UK Repo rate seven times during 2001. A cut of 0.25% on 6 February 2003 was followed by another 0.25% cut on 10 July 2003. This cut was reversed on 6 November 2003, with a 0.25% increase to 3.75%. A further increase of 0.25% was announced on 5 February 2004.
- The European Central Bank (ECB) reduced the minimum lending rate four times during 2001, by 0.25% in May and August and twice by 0.5% (in September and November). A 0.5% cut on 6 March 2003 was followed by another 0.5% point cut on 5 June 2003. The present rate is 2%.
- The US Federal Reserve cut the US Federal Funds Rate by 0.5% eight times during 2001, and again in November 2002, with a further 0.25% cut on 25 June 2003. The present rate is 1%.

International Interest Rates

% per annum, as at 27 February 2004

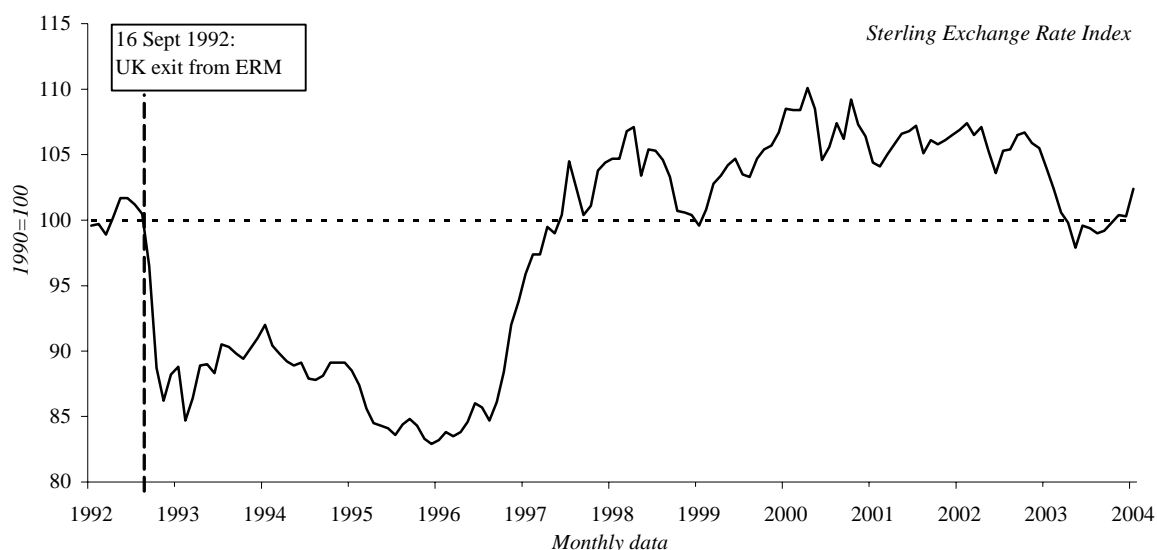
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.00	4.77	$4 \frac{7}{32} - 4 \frac{1}{8}$
Eurozone	2.00	n/a	$2 \frac{3}{32} - 2$
United States	1.00	3.99	$1 \frac{1}{8} - 1 \frac{1}{32}$
Japan	0.00	1.23	$\frac{1}{32} - \frac{1}{16}$
Switzerland	0.00-0.75	2.55	$\frac{9}{32} - \frac{7}{32}$

Source: *Financial Times*, 1 Mar 2004 (*Companies & Markets*, p33)

Contact: Ian Townsend, x3977 **Updates:** OECD, *Short-term interest rate (MEI)*, 13 Mar
Base rates: 4 Mar (MPC & ECB), 16 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. Compared with December 2003, the SERI increased by 2.1 points in January 2004, suggesting that the UK was relatively less competitive at the end of January of 2004 than at the end of last year.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.494 at the London market close on 27 February 2004, compared to a launch rate of €1.4168 on 31 December 1998.

Sterling Exchange Rates

rates and % changes

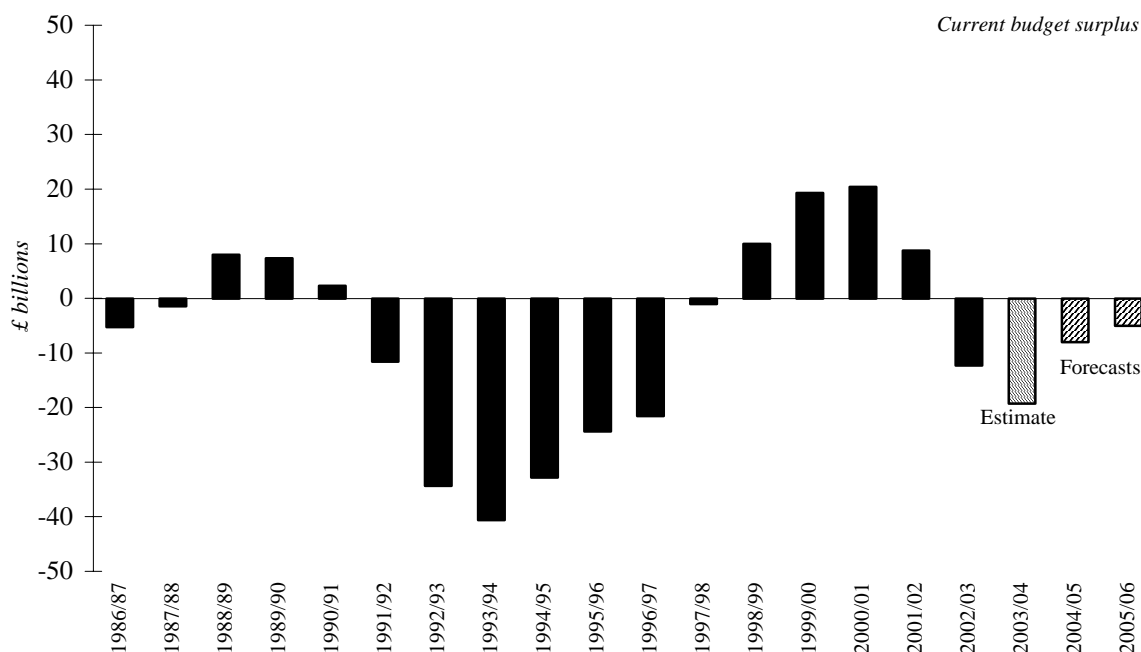
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2000	1.516	-6.3	163.4	-11.2	1.642	8.1
2001	1.440	-5.0	174.9	7.0	1.609	-2.0
2002	1.503	4.3	187.8	7.4	1.591	-1.1
2003	1.635	8.8	189.3	0.8	1.446	-9.1
2003 Jan	1.617	12.9	192.1	1.1	1.522	-6.2
Feb	1.605	12.8	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
2004 Jan	1.823	12.8	193.8	0.9	1.445	-5.1

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

Contact: Ian Townsend, x3977

Updates: SERI, end Mar; 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 £10.9 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 £17.1 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 with £3.3 billion in 2001/02.

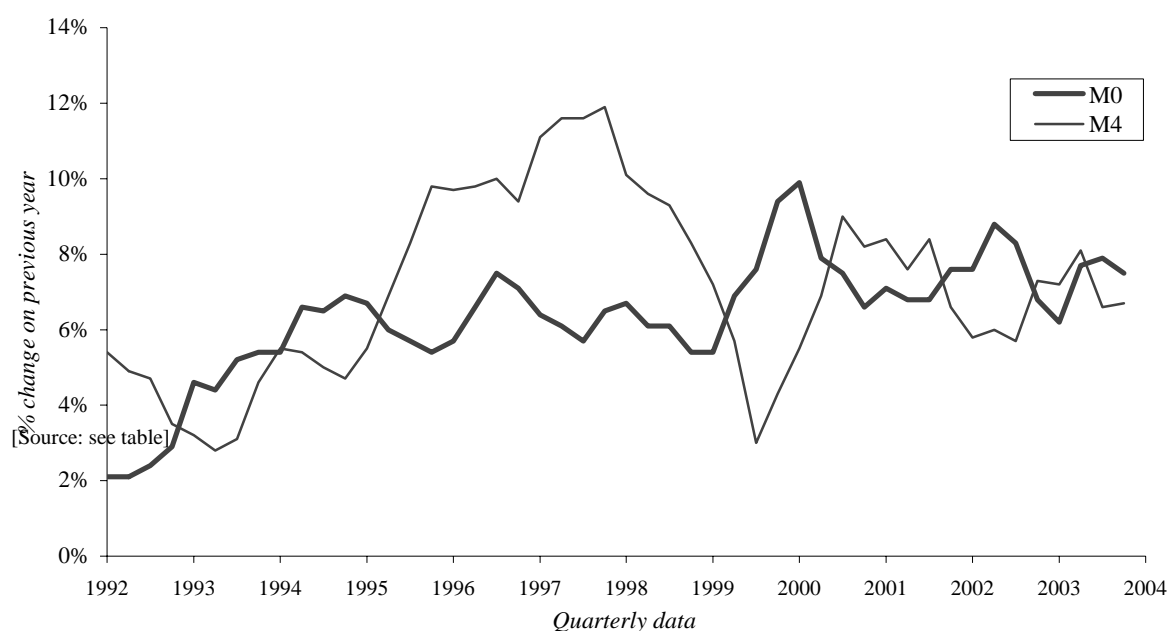
Public Sector Net Debt

£ 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	375.0	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
2003 January	3.2	5.7	4.7	6.6
February	7.3	6.3	4.8	6.6
March	7.7	6.6	4.5	7.3
April	13.2	8.2	10.2	8.2
May	13.7	8.7	10.2	8.5
June	10.6	6.2	10.0	8.1
July	7.1	8.0	5.2	7.3
August	5.3	7.9	3.0	6.4
September	6.8	7.8	3.5	6.5
October	5.6	7.2	4.8	6.2
November	5.9	8.0	9.6	6.9
December	4.0	7.2	9.6	6.9
2004 January	5.1	7.7	13.0	8.3

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.

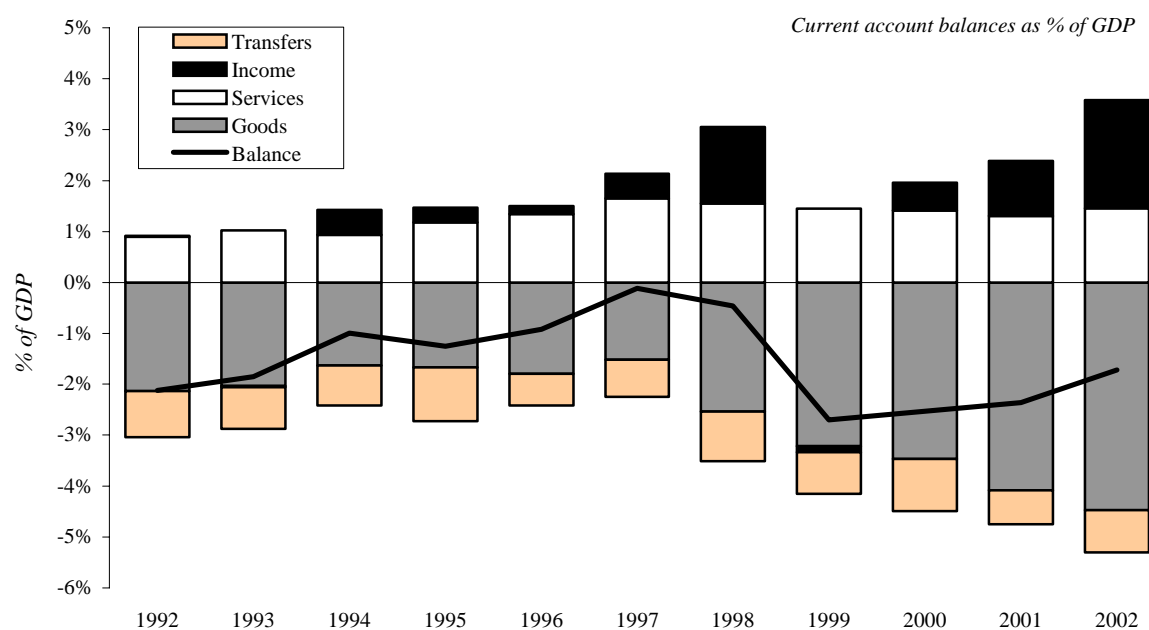
- Seasonally adjusted M4 rose by 8.3% in the 12 months to January. The 12-month seasonally adjusted M0 growth rate was 7.7% in January 2004, compared to 5.7% in January 2003.

There are now no formal targets for money supply growth.

Contact: Dominic Webb, x2464

Update: Bank of England, *Bankstats*, 29 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	
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
2003	-46,385	10,571	-35,814	..	..	..	..	..
2002 Q4	-13,277	3,868	-9,409	7,912	-1,837	-604	-2,441	-3,938
2003 Q1	-11,003	2,687	-8,316	8,162	-1,616	-795	-2,411	-2,663
Q2	-10,934	2,261	-8,673	3,882	-1,910	-859	-2,769	-7,782
Q3	-11,700	2,640	-9,060	3,350	-1,723	-695	-2,418	-8,083
Q4	-12,748	2,983	-9,765	..	..	..	..	..

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 previous estimates.
- 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.

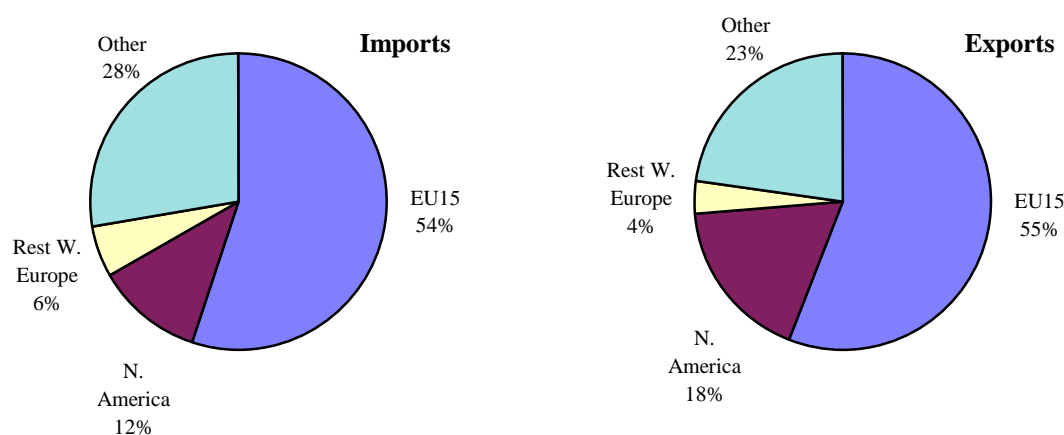
Contact: Patsy Richards, x4904

Updates: NS, *UK Balance of Payments: First Release*, 26 Mar

E2: Trade in Goods

Shares of UK trade in goods by area, 2003

(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
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
2003	100.2	110.8	187,844	234,229	-46,385
2002 Q4	96.4	110.1	44,521	57,798	-13,277
2003 Q1	101.5	111.2	47,580	58,583	-11,003
Q2	99.2	108.4	46,453	57,387	-10,934
Q3	98.9	109.7	46,426	58,126	-11,700
Q4	101.1	113.8	47,385	60,133	-12,748

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

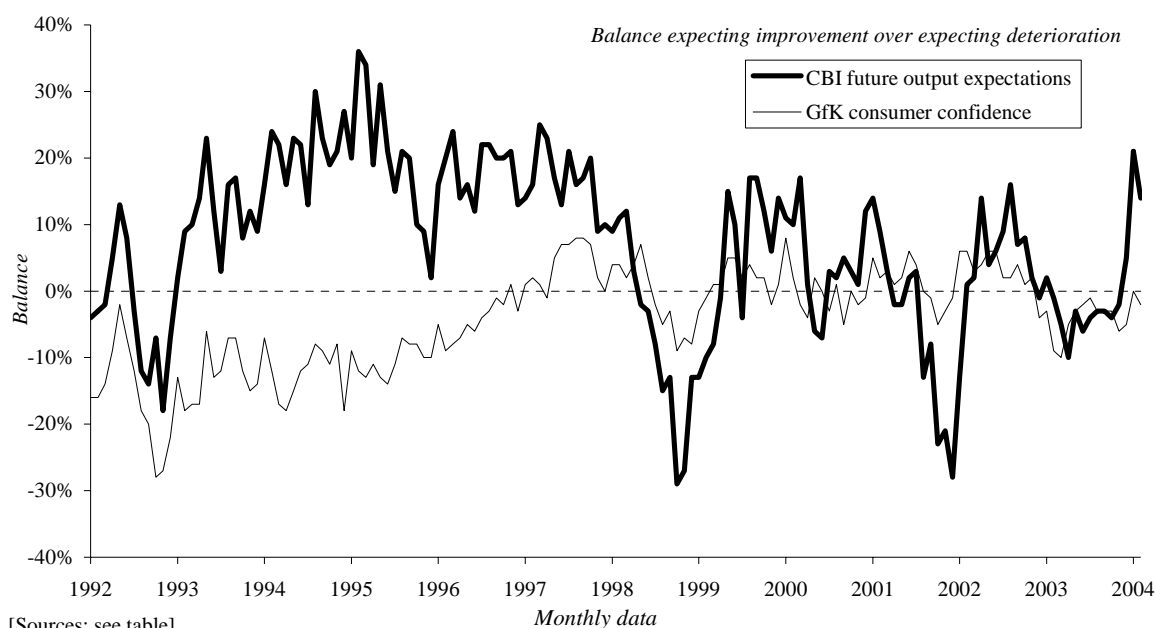
- In December 2003 the deficit on trade in goods is provisionally estimated at £4.2 billion compared with a revised deficit of £4.4 billion in November. In December total exports of goods rose 4.0% on the previous month to £16.1 billion, while goods imports rose 2.0% to £20.3 billion.
- The deficit on trade in goods with EU countries for December was a record £2.8 billion, compared to £2.2 billion for November. The deficit with non-EU countries was £1.4 billion (£2.2 billion in November).
- The latest estimate of the trend suggests that the whole world goods 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, 9 Mar

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 14 in February 2004. This was down from January's level, but substantially higher than the same month last year.
- 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.

- February's results show that the overall index fell back to -2 from its January level of 0.
- Consumers' optimism regarding the general economic situation also fell back slightly from January's level, while there were also negative movements in consumers' opinion regarding the climate for making major purchases and expectations regarding future personal finances.

Output Expectations/Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

	Future output expectations (CBI)	Consumer confidence (GfK)
2003 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
Feb	14	-2

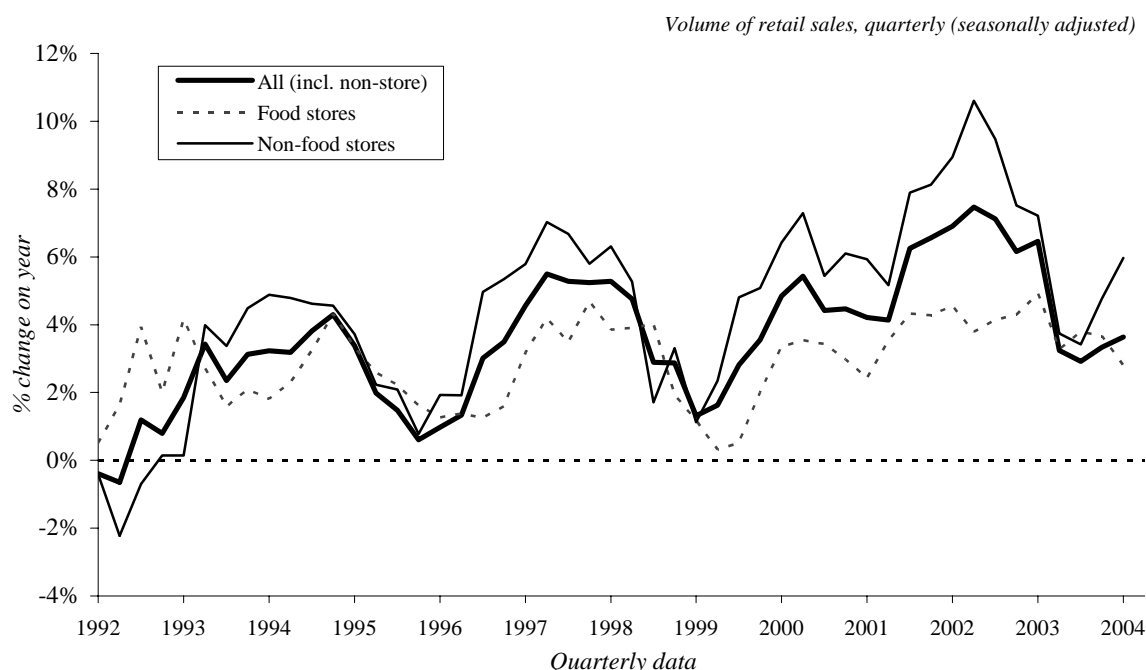
Sources: CBI, *Industrial Trends Survey* (monthly), from NS database, series: ETCU; Martin Hamblin GfK, *Consumer Confidence Survey* on behalf of the European Commission

Contact: Ian Townsend, x3977

Updates:

CBI, *Industrial Trends* (Monthly), 25 Mar;
Martin Hamblin GfK, *Consumer Confidence*, 30 Mar

F2: Retail Sales



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

- The *volume* of retail sales grew by 1.7% in the three months from November to January compared with the previous three month period, and was 4.5% higher than a year previously (seasonally adjusted).
- Retail sales volumes in January 2004 were 6.4% higher than in January 2003 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 6.7% in November to January compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 3.2% 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	3.7	7.0	2.8	-1.9	1.9
Q3	4.7	2.8	4.6	-1.8	2.8
Q4	3.4	1.5	9.0	1.4	3.1

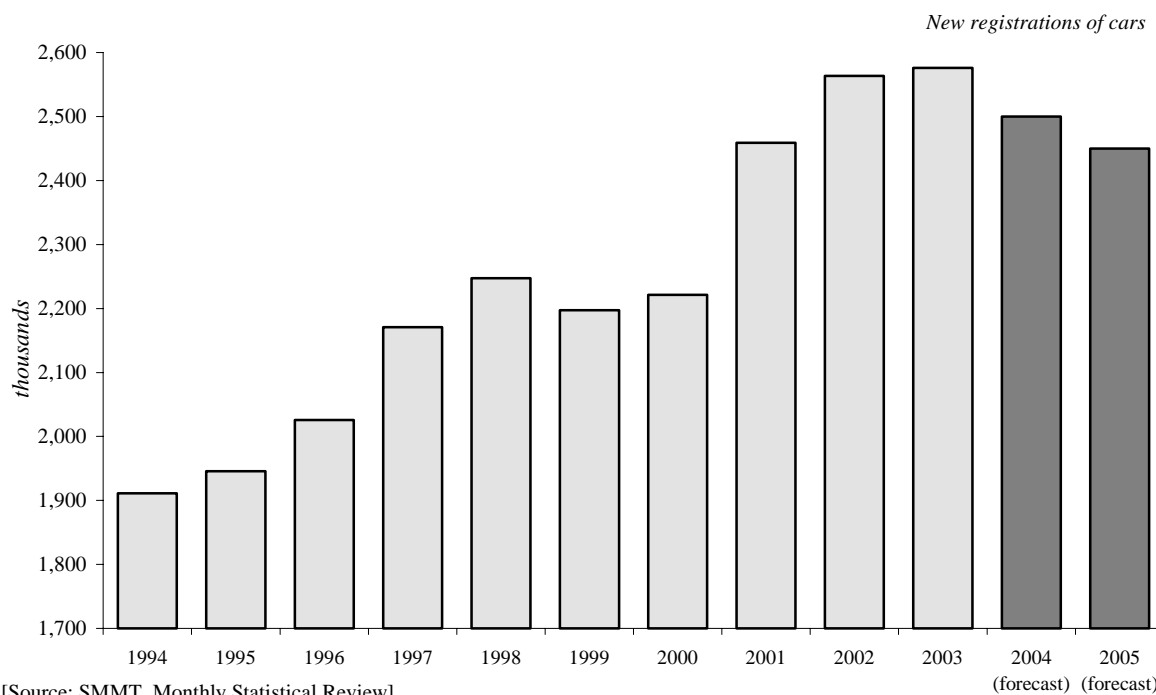
Source: NS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in January 2004 was £4,300 million, 5.6% higher than in January 2003 (non-seasonally adjusted).

Contact: Ed Potton, x2883

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

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 5.8% in January 2004, compared with the previous December's figure, to 197,591 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 38,170 registrations of British-built cars in January, equivalent to 19.3% of the market. British built registrations have increased 1.4% on the previous January'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.

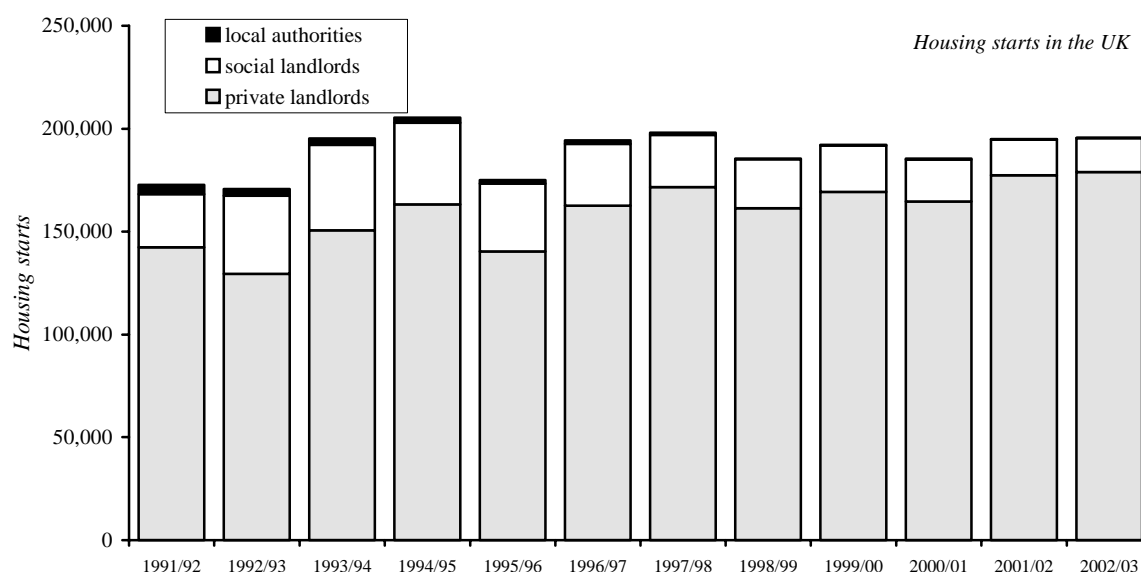
New Registrations of Cars

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
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
2004 Jan	198	5.8

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 for housing starts are for Q2 2003, with 54,108 dwellings started in the UK in that quarter, compared with 49,870 in same quarter in 2002. The latest available completion data is 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 2.2% in January 2004, with annual house price inflation running at 16.0%.
- 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% in Q4 2003 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
<i>% change over same period in previous year</i>				
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)

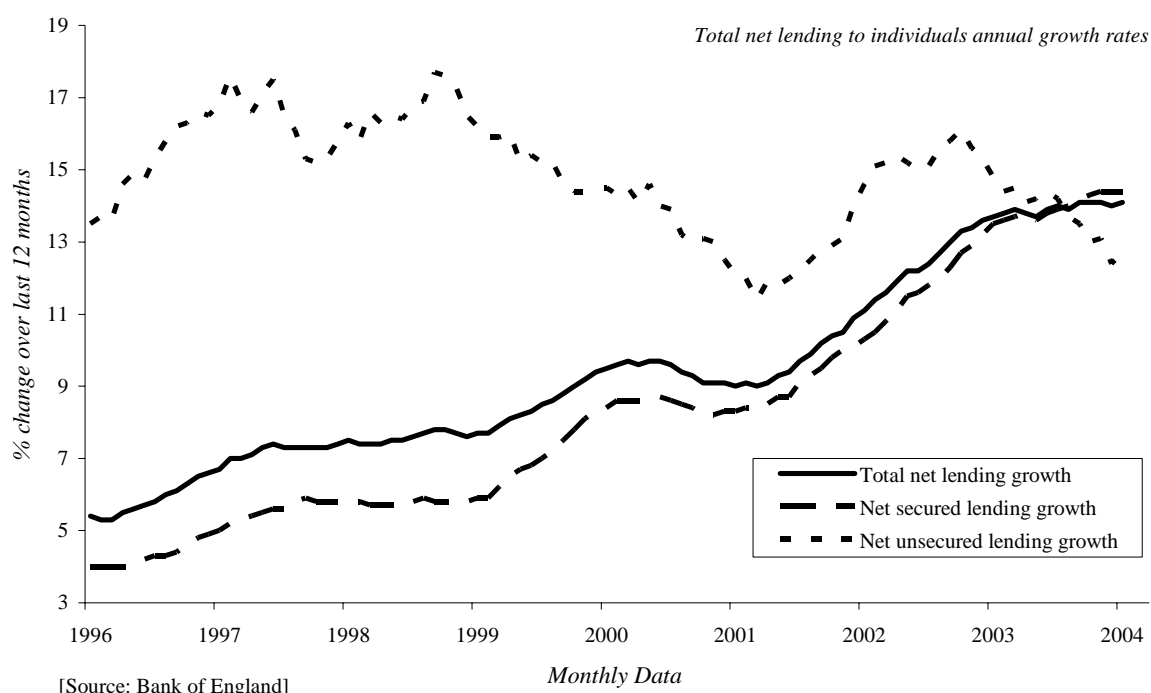
The ODPM now publishes, **currently in experimental form only**, its own house price index based on completions (cf. Halifax index, which is based on mortgage approvals):

- The average UK house price in December 2003 was £162,689 (up from £159,480 in November 2003). Annual house price inflation was at 8.3% in December, down from 9.7% in November. Regionally, annual house price inflation was highest in the North East (19.0%) and lowest in London (3.8%) (non-seasonally adjusted).

Contact: Ian Townsend, x3977

Updates: Halifax, *House Prices*, early Mar; ODPM, *House Prices*, 8 Mar; *Housebuilding*, 13 May

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
2000 Jan	497,130	116,589	613,719	8.4	14.5	9.5
2001 Jan	538,552	127,903	666,455	8.3	12.1	9.0
2002 Jan	595,421	142,119	737,539	10.3	14.6	11.1
2003 Jan	676,893	157,574	834,468	13.5	14.8	13.7
Apr	697,989	161,106	859,095	13.8	14.1	13.8
Jul	721,775	165,818	887,593	13.9	14.2	14.0
Oct	747,808	168,660	916,467	14.3	13.0	14.1
2004 Jan	774,349	170,807	945,155	14.4	12.7	14.1

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

- Total net outstanding lending to individuals was £945 billion at the end of January 2004.
- Total net lending to individuals grew by 1.1% in January 2004 compared to the previous month, and grew by 14.1% on an annual basis (all seasonally adjusted). This represents an increase in growth of 0.1% compared to the annualised rates for December 2003.
- Of the £10.6 billion increase in net lending in January 2004, £8.7 billion was mortgage borrowing and £1.9 billion was consumer credit.