



RESEARCH PAPER 04/67  
6 SEPTEMBER 2004

# Economic Indicators, September 2004

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:

**Recent developments in the US economy**

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. Indicator pages are available on the Library intranet site as standard notes: individually under the relevant subject page heading; and collectively on the Economic Indicators page. In months where *Economic Indicators* is not published in hard copy, individual indicators will be updated and made available through the intranet subject pages. A guide to sources is also given in section IV

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	Ian Townsend/Bryn Morgan	3977/4904
EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Edward Beale	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	Bryn Morgan/Ian Townsend	4904/3977
Prices & interest rates	Dominic Webb	4324
Public expenditure	Dominic Webb	4324
Taxation	Bryn Morgan/Ian Townsend	4904/3977
Trade	Ian Townsend/Bryn Morgan	3977/4904
Transport	Ross Young	4313
Unemployment	Edward Beale	2464
Wages & earnings	Edward Beale	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).

<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 Recent developments in the US economy

This article looks at recent trends in the US economy and forecasts for the future. The table below shows some key economic indicators. The recent performance of the US economy in terms of growth and employment are examined in greater detail below.

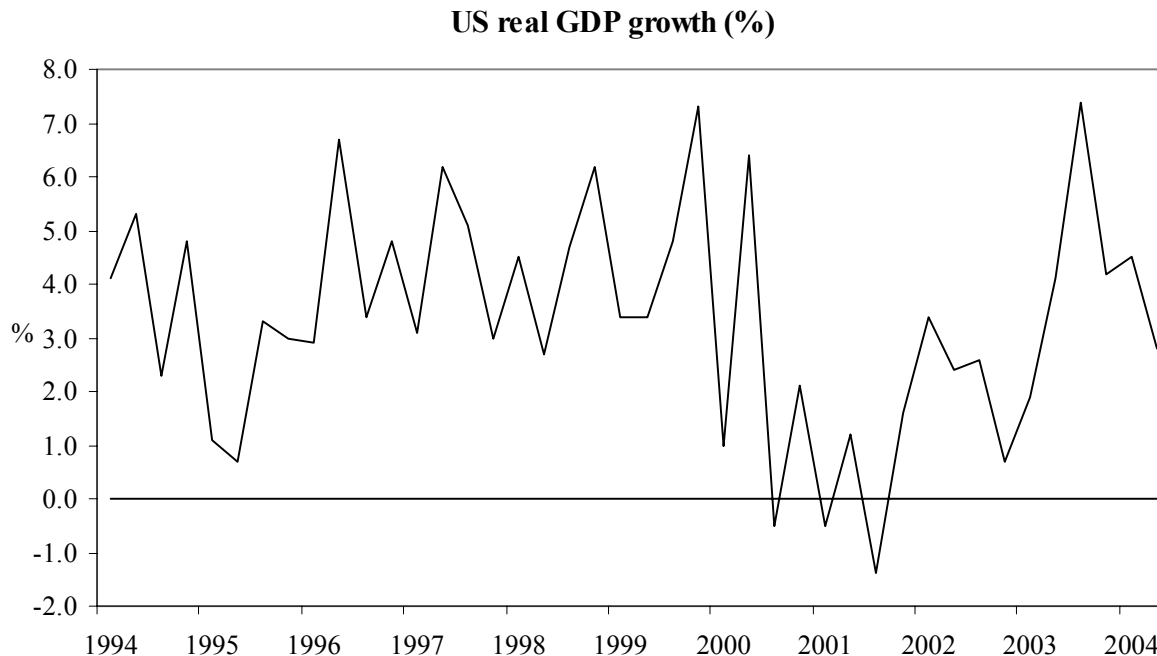
### US economy: selected indicators

	Time period	%/bn
Real GDP growth	Q2 2004	2.8%
Unemployment	August 2004	5.4%
Inflation	July 2004	3.0%
Current account deficit	Q2 2004	\$145bn
Government deficit	FY 2004	\$422bn

Sources: Bureau of Labour Statistics, Bureau of Economic Analysis

### Economic growth

The US economy performed strongly in the late 1990s. Between 1996 and 2000, the economy grew in real terms by over four per cent a year on average. However, growth slowed considerably in 2001 with the economy expanding by only 0.5 per cent. The US economy grew steadily in 2002 and strongly in 2003. The chart below shows annualised growth rates and shows the rapid growth achieved last year.



The US has also performed well compared with other major economies. The US had higher growth than both Japan and the EU in both 2002 and 2003 as the table below shows.

**Real GDP growth**

	2001	2002	2003	2004	2005
US	0.5%	2.2%	3.1%	4.7%	3.7%
UK	2.3%	1.8%	2.2%	3.1%	2.7%
France	2.2%	1.0%	0.6%	2.0%	2.6%
Germany	0.8%	0.2%	-0.1%	1.1%	2.1%
EU	1.8%	1.1%	0.9%	1.6%	2.4%
Japan	0.4%	-0.3%	2.5%	3.0%	2.8%

Source: OECD, *Main Economic Indicators*, August 2004 & OECD, *Economic Outlook*, June 2004

Forecasts for growth in the US economy are optimistic. For example, Oxford Economic Forecasting project growth of 4.3 per cent in 2004 and 3.7 per cent in 2005. The OECD's forecast in its June *Economic Outlook*, was of 4.7 per cent in 2004 and 3.7 per cent in 2005, ahead of both the EU and Japan for both these years.

Monetary and fiscal policy in the US have supported economic growth. Interest rates have been at very low levels and negative in real terms. Income tax has been cut by \$112 billion since 2001.<sup>2</sup> According to the National Institute of Economic and Social Research, consumer spending and business investment were important factors behind the rapid growth seen at the start of the year. Private consumption grew in real terms by 3.3 per cent in 2003 compared with GDP growth of 3.0 per cent. The current account deficit remains high, however, and is close to five per cent of GDP.<sup>3</sup>

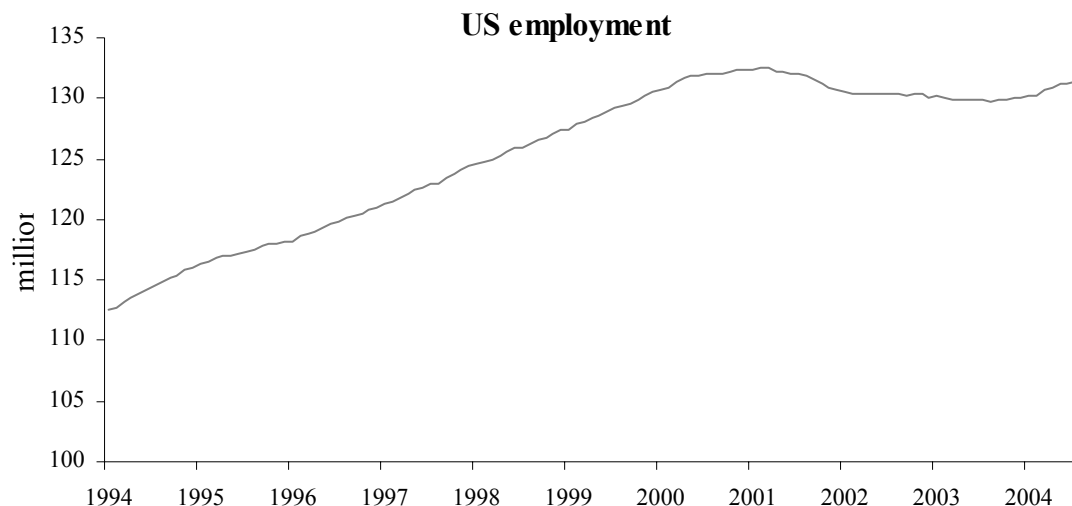
**Employment**

One feature of the US economy's recent performance was the absence of growth in employment, leading some to describe it as a 'jobless recovery'. The chart below shows US employment since 1994.<sup>4</sup> Employment increased steadily during the late 1990s, peaking in 2001 at 132.5 million.

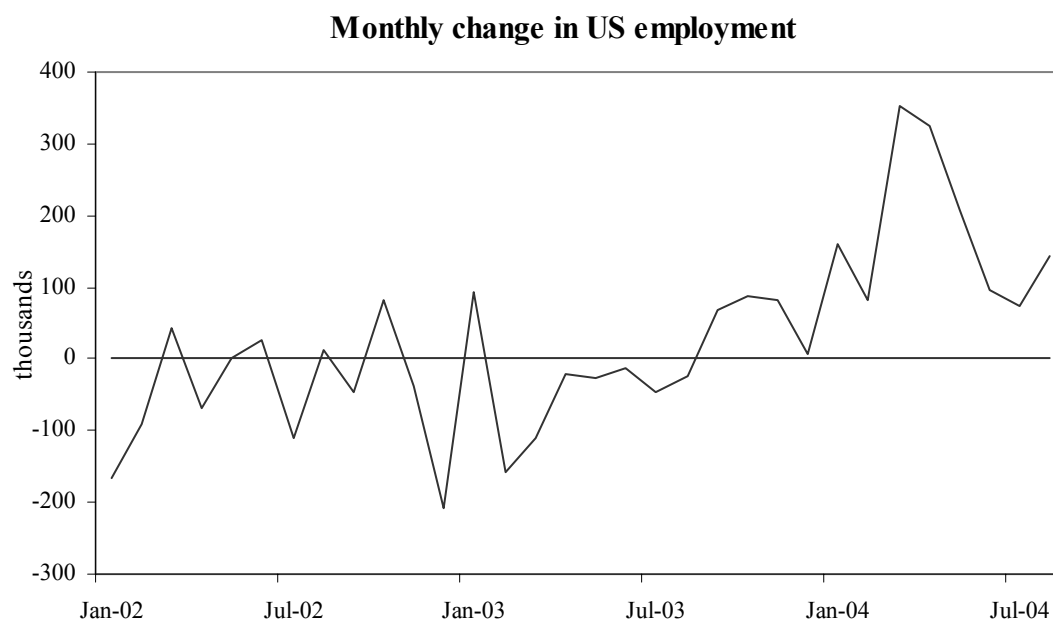
<sup>2</sup> National Institute of Economic and Social Research, *National Institute Economic Review July 2004*, p18

<sup>3</sup> IMF, *United States: 2004 Article IV Consultation*, IMF Country Report No 04/230, July 2004; <http://www.imf.org/external/pubs/ft/scr/2004/cr04230.pdf>

<sup>4</sup> Seasonally adjusted non-farm employment (Source: Bureau of Labor Statistics).



Employment fell in 2001 and 2002 and was broadly unchanged in 2003 despite GDP growth of over three per cent in that year. Only in the early months of 2004 has employment started to increase significantly, as shown in the chart below.



### Recent trends

Recent economic data, however, have caused some commentators to question the outlook for the US economy. Real GDP growth slowed to 2.8 per cent in Q2 2004, its lowest rate for five quarters, and considerably lower than the 4.5 per cent seen in Q1 2004. Furthermore August's weak employment data led some to believe that the US economic expansion is more fragile than previously thought.



Possible explanations for the apparent slowdown include less expansionary monetary and fiscal policy. The Federal Reserve raised interest rates by 0.25 per cent to 1.5 per cent on 10 August (but real interest rates remain negative). Oxford Economic Forecasting have commented that the effect of last year's tax cuts has faded.<sup>5</sup> In addition, the increase in the oil price may have had an adverse effect on the economy. Furthermore, the *Financial Times* reported a decline in US consumer confidence last week.<sup>6</sup>

Despite this, the Federal Reserve remains optimistic. In announcing its interest rate increase in August, it said:

In recent months, output growth has moderated and the pace of improvement in labor market conditions has slowed. This softness likely owes importantly to the substantial rise in energy prices. The economy nevertheless appears poised to resume a stronger pace of expansion going forward.<sup>7</sup>

The IMF also sees a relatively benign outlook. In its July report on the US economy it said:

Although the pace of recovery appears to have slowed recently, partly owing to the dampening effect of higher oil prices on demand and the waning effects of earlier fiscal stimulus, prospects appear favorable for continued strength in the second half of the year.<sup>8</sup>

The IMF expect

[...] output growth to remain above potential through 2004 and 2005, closing the output gap by 2006. The baseline forecast is predicated on continued strength in business fixed investment and an improvement in external demand. This is expected to help offset a slowdown in consumer demand, following the waning effect of recent tax cuts and a gradual rebound in the household saving rate, and weaker growth in government expenditure as the fiscal position is improved. Core inflation is expected to remain contained as the Federal Reserve is assumed to withdraw stimulus broadly in line with current market expectations. The current account position is anticipated to improve only modestly, with the deficit falling to close to 4 percent of GDP in 2009 as the lagged effects of dollar depreciation and economic recoveries in partner countries support net exports.<sup>9</sup>

Friday's employment data provided further evidence for this optimistic outlook. These showed non-farm employment increasing by 144,000 in August. While this was slightly below forecasters' expectations, it was considerably higher than the provisional increase of

<sup>5</sup> Oxford Economic Forecasting, *World Economic Prospects Monthly Review*, August 2004

<sup>6</sup> "Worries over oil prices bring fall in US consumer confidence", *Financial Times*, 1 September 2004, p7

<sup>7</sup> Federal Reserve, Press Release, 10 August 2004;

<http://www.federalreserve.gov/boarddocs/press/monetary/2004/20040810/default.htm>

<sup>8</sup> IMF, Public Information Notice, *IMF Concludes Article IV Consultation with the United States*, 30 July 2004;

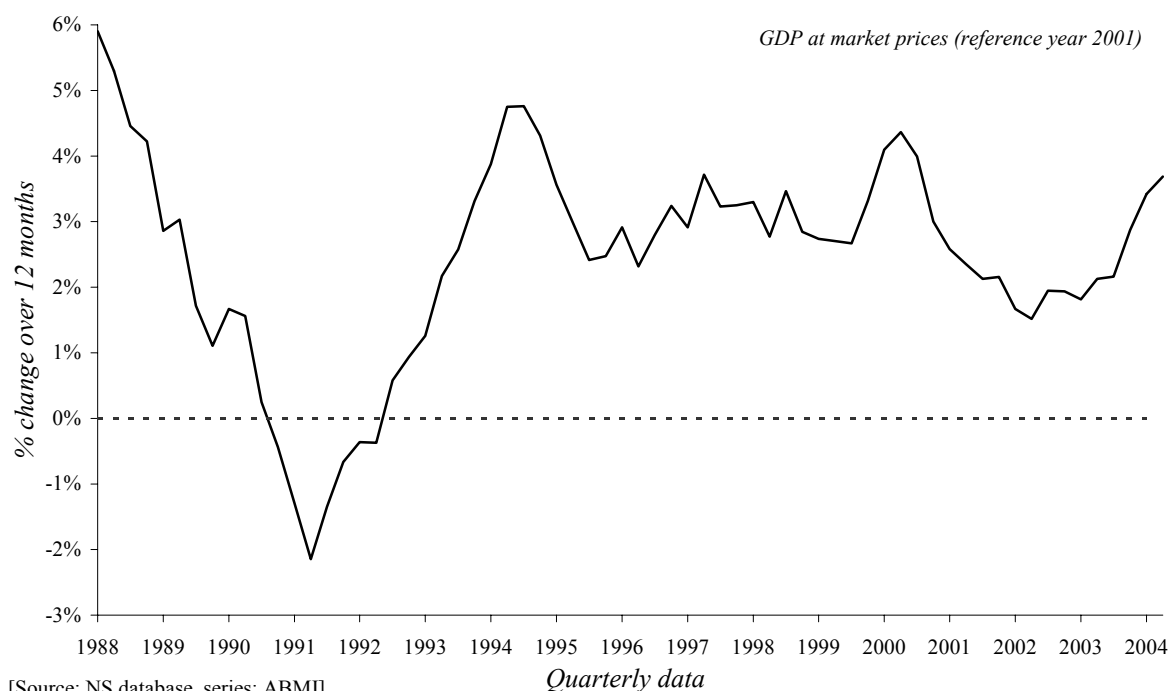
<http://www.imf.org/external/np/sec/pn/2004/pn0477.htm>

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

32,000 for July. July's figure has now been revised up to 73,000. As a result employment has risen by over 300,000 in the last quarter and is now 1.7 million higher than a year ago.

Dominic Webb  
Economic Policy and Statistics Section

## A1: Gross Domestic Product



### Gross Domestic Product at market prices

*£ billion & %; seasonally adjusted*

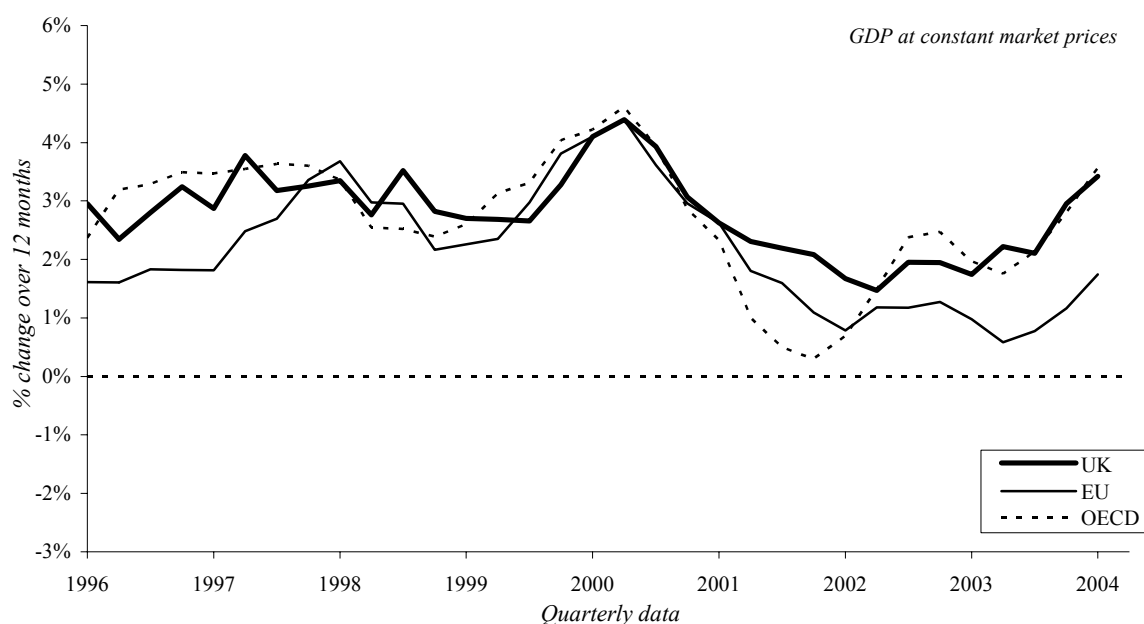
	Current		Reference year 2001
	<i>£ billion</i>	<i>annual % change</i>	<i>annual % change</i>
2000	950.6	5.2	3.9
2001	994.3	4.6	2.3
2002	1,044.1	5.0	1.8
2003	1,099.9	5.3	2.2
2003 Q2	272.0	5.0	2.1
Q3	277.7	5.2	2.2
Q4	281.5	5.9	2.9
2004 Q1	284.7	5.9	3.4
Q2	288.3	6.0	3.7

Source: NS database, series: YBHA, ABMI

- Following downward revisions to previous figures, the economy is now estimated to have grown by 2.2% in 2003, compared with 1.8% in 2002.
- In Q2 2004 the chained volume measure of gross domestic product (GDP) at market prices rose by 0.9% on the previous quarter. Compared with Q2 2003, the change in GDP on this measure was 3.7%.
- The Treasury's latest average of independent economic forecasts for GDP growth is of 3.3% in 2004, slightly higher than July's estimate of 3.2%. The forecasted figure for 2005 is 2.6%, unchanged from July.

**Contact:** Ian Townsend, x3977

**Update:** NS, *First Release: UK output, income & expenditure/ Quarterly National Accounts*, 29 Sep  
HM Treasury, *Forecasts for UK Economy*, 15 Sep

**A2: GDP: International Comparisons**

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

**GDP at constant market prices**

*% changes*

	% change on year				% change quarter on quarter				
	2000	2001	2002	2003	2003				2004
					Q1	Q2	Q3	Q4	Q1
USA	3.6	0.5	2.2	3.1	0.5	0.8	2.0	1.0	0.9
Japan	2.9	0.4	-0.3	2.5	0.0	1.0	0.6	1.9	1.4
Canada	5.3	1.8	3.4	2.0	0.7	-0.2	0.3	0.8	0.6
United Kingdom	3.8	2.3	1.8	2.2	0.2	0.8	0.8	1.1	0.6
Germany	2.9	0.8	0.2	-0.1	-0.3	-0.2	0.3	0.2	0.5
France	4.1	2.2	1.0	0.6	0.1	-0.3	0.7	0.6	0.8
Italy	3.0	1.8	0.3	0.3	-0.2	-0.2	0.5	0.0	0.4
Eurozone	3.6	1.7	1.0	0.5	0.1	-0.1	0.4	0.4	0.6
G7	3.5	0.9	1.4	2.2	0.2	0.5	1.3	1.0	0.8
OECD	3.8	1.0	1.8	2.1	0.2	0.5	1.2	0.9	0.9

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

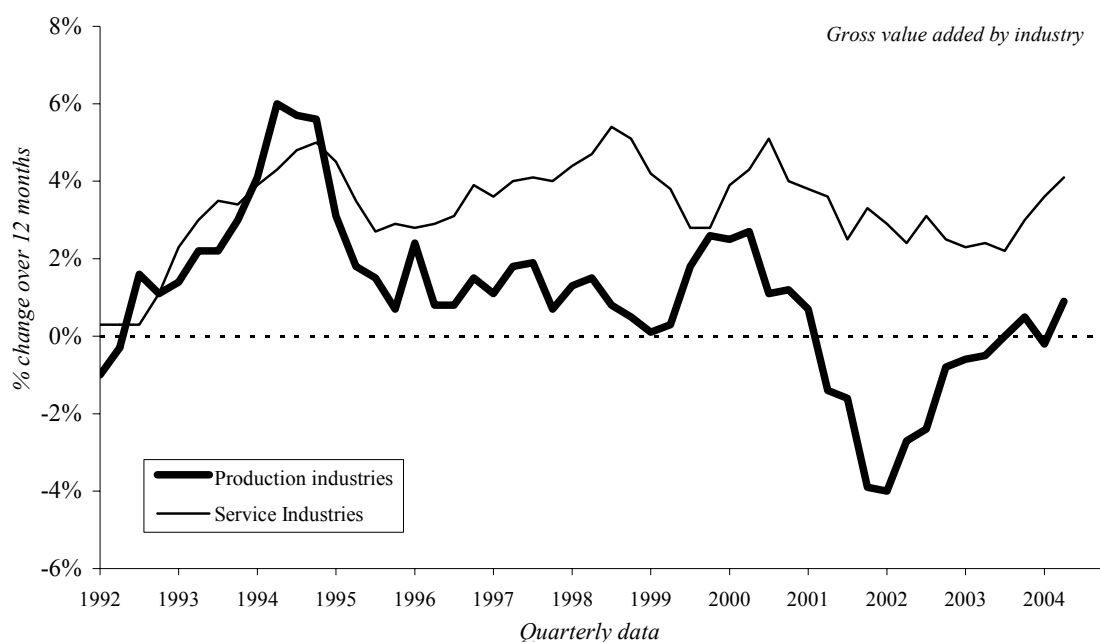
- The latest data shows that the largest economies continued to record positive growth into the first quarter of 2004.
- Recent growth in the euro zone has been weaker than growth in OECD countries and the G7. However euro zone growth in the first quarter of 2004 increased to 0.6%. Conversely growth in the G7 slowed further to 0.8% in the first quarter of 2004, and OECD growth remained at 0.9%.
- The OECD are currently forecasting: euro zone growth of 1.6% in 2004, and 2.4% in 2005; in the US, 4.7% in 2004, and 3.7% in 2005; and in Japan, 3.0% in 2004, and 2.8% in 2005. Its latest growth forecast for the UK is 3.1% in 2004, and 2.7% in 2005.

**Contact:** Edward Beale, x2464

**Update:** OECD, *Main Economic Indicators*, 8 Sep

### 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 4.1%. Between the first quarter of 2004 and the second quarter of 2004 output growth in the service sector increased by 0.5%.

#### Gross value added at 2001 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	3.3	-9.1	1.8
2002	-2.5	-3.1	2.7	11.9	3.8
2003	-0.1	0.4	2.5	-2.6	4.9
2003 Q2	-0.5	0.7	2.4	-3.8	5.3
Q3	0.0	0.2	2.2	-3.1	6.5
Q4	0.5	1.7	3.0	-1.6	6.4
2004 Q1	-0.2	1.0	3.6	0.0	8.1
Q2	0.9	1.6	4.1	-0.8	5.5

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

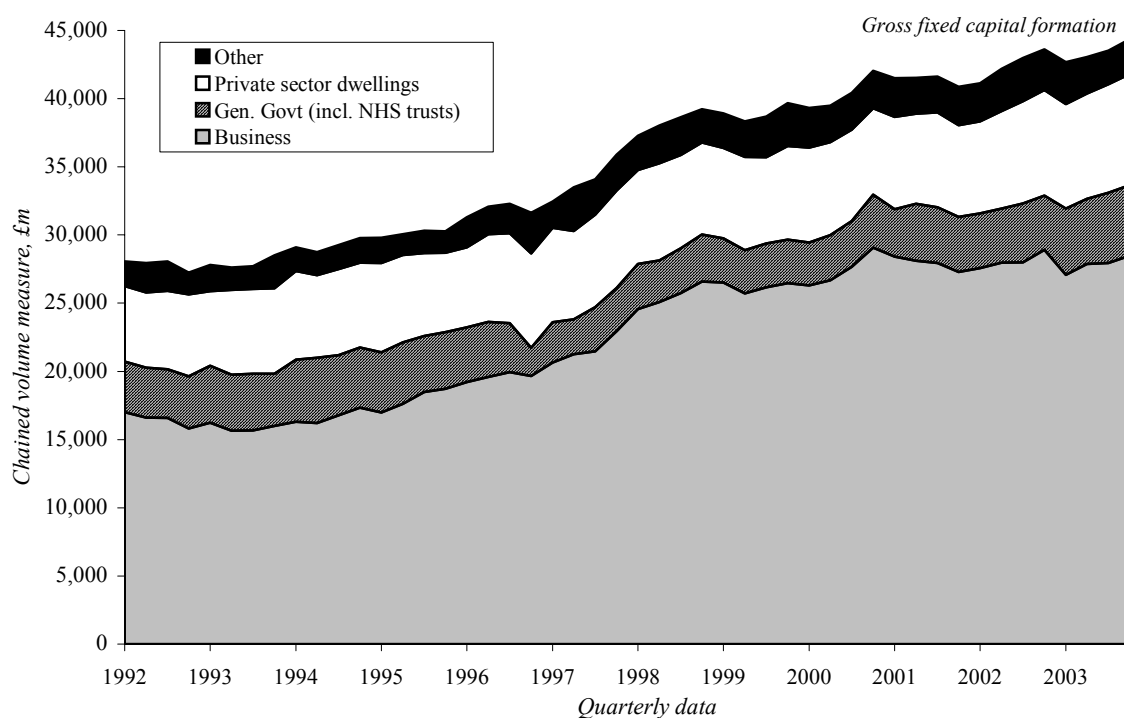
- Manufacturing output growth (annual) was 1.6% in the second quarter of 2004, and manufacturing output increased by 0.4% overall in 2003.
- In 2003, services accounted for 73% of gross value added, manufacturing for 16%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

**Contact:** Ed Potton, x2883

**Update:** NS, *Quarterly National Accounts-Q2*, 29 Sep

## 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 2001; seasonally adjusted*

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
2000	13,348	59,133	55,052	28,672	5,058	161,267
2001	15,194	59,975	55,513	29,806	5,016	165,504
2002	16,487	58,623	57,176	32,139	5,503	169,928
2003	15,552	57,067	59,912	35,324	5,768	173,623
2003 Q1	4,034	14,291	14,351	8,588	1,411	42,675
Q2	3,751	14,035	15,228	8,615	1,425	43,054
Q3	3,924	14,143	15,028	8,983	1,450	43,528
Q4	3,843	14,598	15,305	9,138	1,482	44,366
2004 Q1	3,611	15,036	15,380	9,567	1,511	45,105

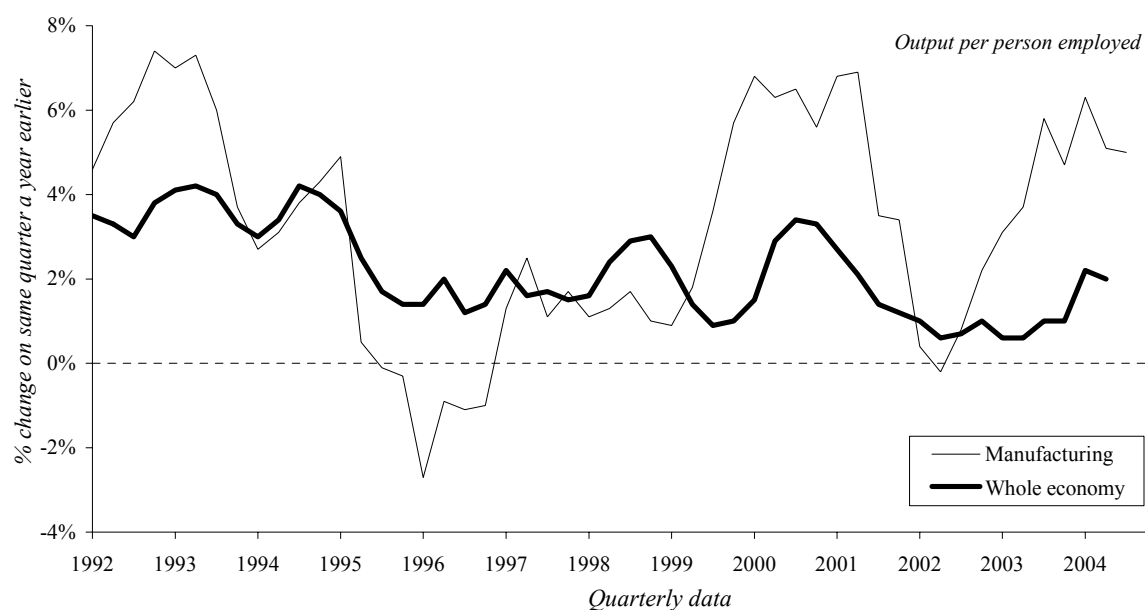
Source: NS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 0.5% in Q2 2004 compared with the previous quarter and by 4.7% compared with Q2 2003 on a seasonally adjusted basis.
- Total manufacturing investment increased by 2.6% in Q2 2004 compared with the previous quarter, while investment in private sector services fell by 2.2% on a seasonally adjusted basis.

**Contact:** Dominic Webb, x4324

**Updates:** NS, *Business Investment*, 28 Sep

## A5: Productivity



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

### Productivity

*% changes on year; seasonally adjusted*

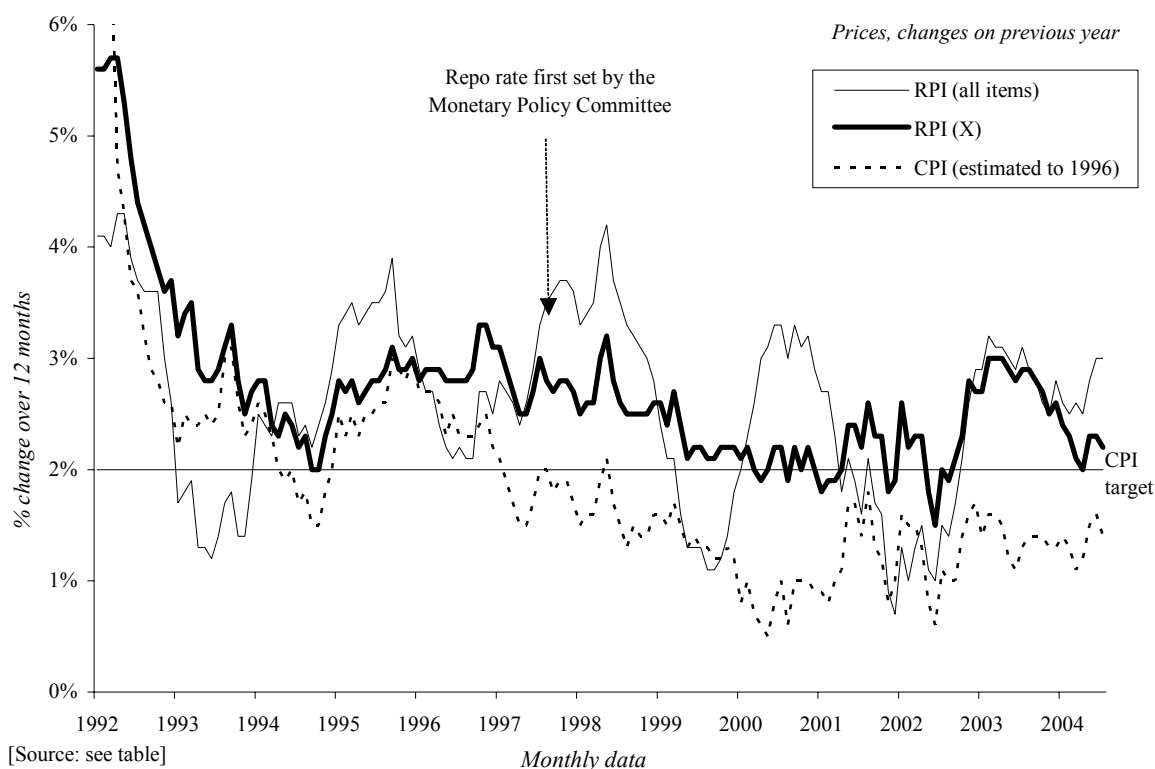
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2000	2.4	-3.7	6.3	3.9	0.8	3.1
2001	-1.3	-4.7	3.5	2.1	0.6	1.4
2002	-3.1	-4.4	1.5	1.5	0.7	0.7
2003	0.4	-4.5	5.0	1.9	0.8	1.2
2003 Q1	-0.8	-4.3	3.7	1.6	0.9	0.6
Q2	0.7	-4.8	5.8	1.9	0.8	1.0
Q3	0.2	-4.3	4.7	1.9	0.8	1.0
Q4	1.7	-4.3	6.3	2.6	0.3	2.2
2004 Q1	1.0	-3.9	5.1	3.0	0.9	2.0
Q2	1.6	-3.3	5.0	3.5	..	..

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 1.2% in 2003 compared with 0.7% in 2002 and 1.4% in 2001.
- In 2003, manufacturing output increased by 0.4% and employment in manufacturing fell by 4.5% while manufacturing output per head rose by 5.0%.
- Productivity growth in manufacturing decreased from 5.1% per annum in Q1 2004 to 5.0% per annum in Q2 2004 while whole economy productivity growth decreased from 2.2% per annum in Q4 2003 to 2.0% per annum in Q1 2004.
- For the economy as a whole, productivity growth has averaged 1.1% per annum over the last eight quarters.
- Productivity statistics were revised in their latest release following annual GDP balancing and a revision to the Annual Business Enquiry (ABI). Improvements in methodology were implemented in late July.

**Contact:** Ed Potton, x2883

**Update:** NS, *Productivity*, 30 Sep

**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 July 2004 the consumer prices index (CPI) showed inflation at 1.4%, down from 1.6% in June.
- The largest downward effects on the CPI came from furniture, household equipment and routine maintenance. Other downward contributions came from food and non-alcoholic beverages, and communication. A large upward effect on the CPI came from recreation and culture. Further upward effects came from alcoholic beverages and transport.
- The former headline (all items RPI) rate of inflation remained at 3.0% in July. The underlying rate RPI(X) fell to 2.2% from 2.3% in June.
- The largest upward effect on the RPI came from housing. The largest downward effects household goods and services, and food. A smaller downward effect came from motoring expenditure.

**Price Indices**

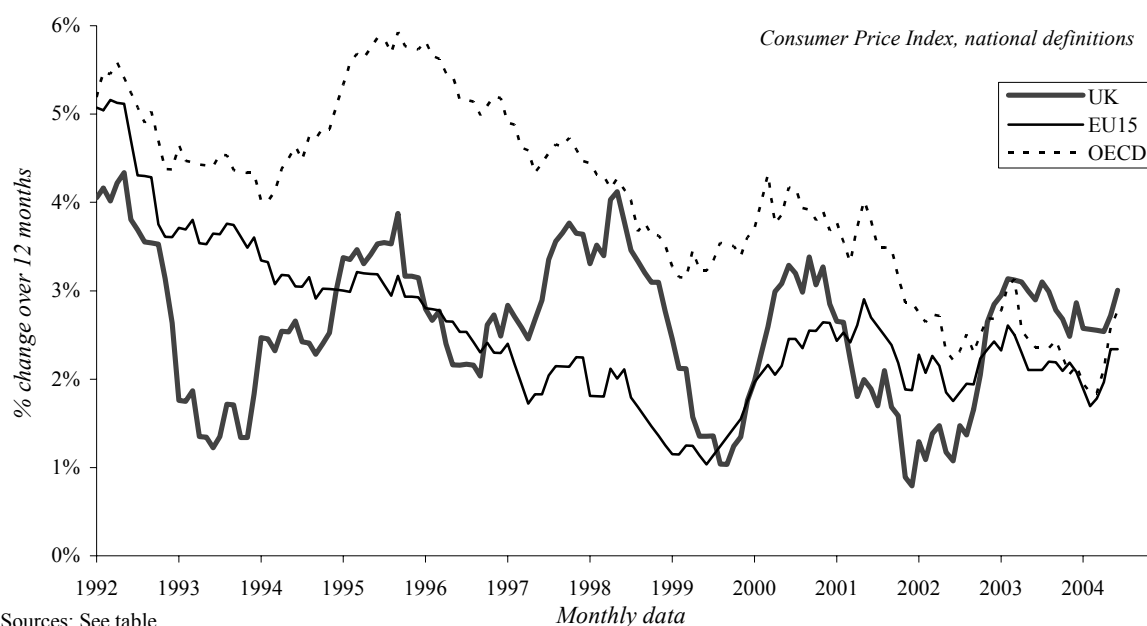
% change over 12 months

	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 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
Feb	1.3	2.5	2.3
Mar	1.1	2.6	2.1
Apr	1.2	2.5	2.0
May	1.5	2.8	2.3
Jun	1.6	3.0	2.3
Jul	1.4	3.0	2.2

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



## B2: Prices: International Comparisons



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 increased from 3.0% in May 2004 to 3.3% in June.
- For all OECD countries the average inflation rate increased to 2.8% in June 2004, from 2.6% in the previous month.
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) remained at 2.3%.

### Consumer Price Indices

*national definitions; % change over 12 months*

	USA	Japan	Canada	UK	OECD
2000	3.4	-0.7	2.8	2.9	4.0
2001	2.8	-0.7	2.5	1.8	3.5
2002	1.7	-0.9	2.2	1.7	2.5
2003	2.2	-0.3	2.8	2.9	2.5
2004 Jan	1.9	-0.3	1.3	2.6	2.0
Feb	1.7	0.0	0.7	2.6	1.9
Mar	1.7	-0.1	0.6	2.6	1.8
Apr	2.3	-0.4	1.6	2.5	2.1
May	3.0	-0.5	2.4	2.7	2.6
Jun	3.3	0.0	2.5	3.0	2.8

Source: OECD, Main Economic Indicators, August 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
2004 Feb	1.9	0.8	2.4	1.3	1.6
Mar	1.9	1.1	2.3	1.1	1.7
Apr	2.4	1.7	2.3	1.2	2.0
May	2.8	2.1	2.3	1.5	2.5
Jun	2.7	1.9	2.4	1.6	2.4
Jul	2.6	2.0	2.2	1.4	2.3

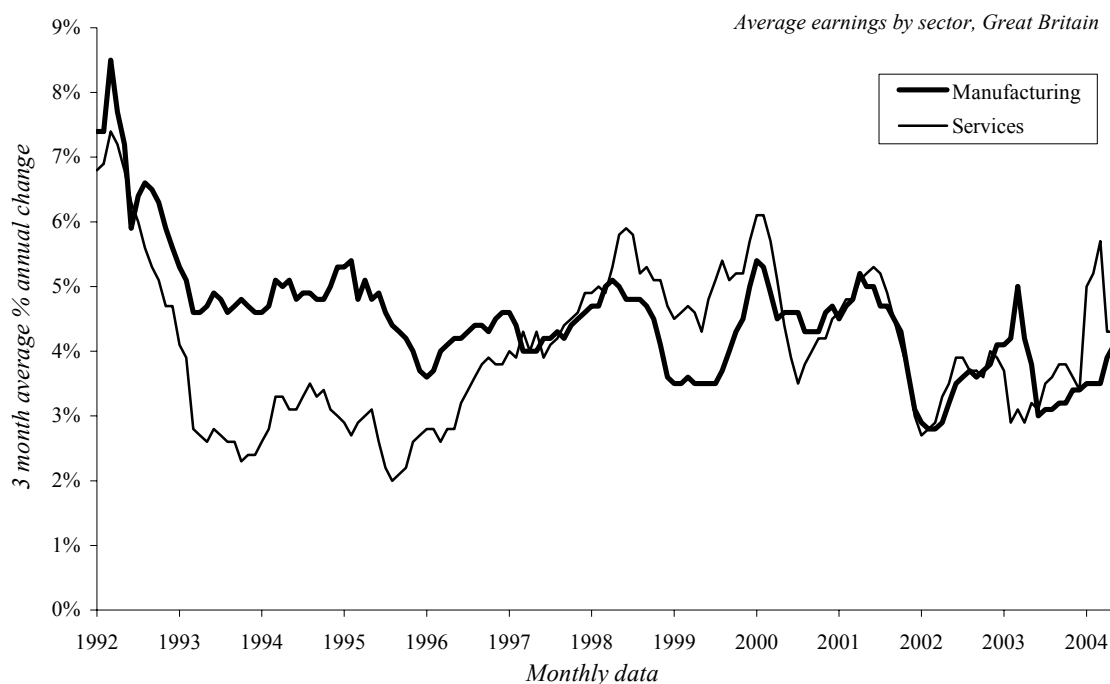
Source: Eurostat, Euro-Indicators news release, 18 August 2004

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 2.4% in June to a provisional 2.3% in July 2004. The 'flash' estimate for August is also 2.3%
- The HICP inflation rates for the EU15 Member States not in the eurozone were Denmark (1.1%), Sweden (1.2%) and the UK (1.4%).
- In May the eurozone countries with the highest HICP annual inflation rates were Luxembourg (3.8%), Spain (3.3%) and Greece (3.1%). The lowest rate was in Finland (0.2%).

**Contact:** Bryn Morgan, x4904

**Updates:** OECD, *Main Economic Indicators*, 15 Sep  
Eurostat, *Euro-indicators news release*, 16 Sep

**B3: Average Earnings Index**

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

- The headline rate of growth in average earnings for the whole economy in June was 4.4%. This was unchanged from the previous month.
- Headline average earnings growth in manufacturing was 4.4% in June (up from 4.1% in May). Earnings growth in the service sector fell to 4.1% in June from 4.3% in May.
- Headline earnings growth in the private sector was 4.3% in June, compared to 4.4% in the public sector.
- Earnings are currently growing faster than a year ago (the headline rate in June 2003 was 3.0%).

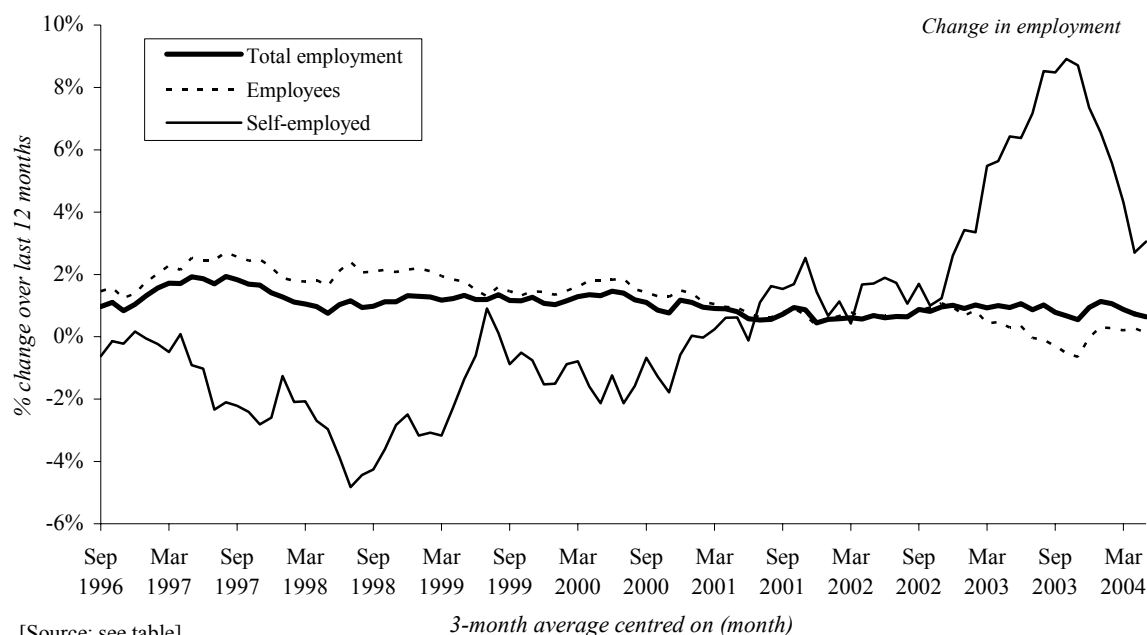
**Average Earnings, Great Britain**

*% change on year, seasonally adjusted*

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2000 Jun	4.1	4.2	3.6
2001 Jun	5.3	5.3	5.5
2002 Jun	3.8	3.9	3.5
2003 Jun	3.0	2.5	5.0
Jul	3.4	2.9	5.1
Aug	3.4	2.9	5.5
Sep	3.6	3.1	5.6
Oct	3.6	3.2	5.4
Nov	3.6	3.2	4.8
Dec	3.4	3.2	4.4
2004 Jan	4.7	4.8	4.2
Feb	4.9	5.0	4.3
Mar	5.2	5.5	4.3
Apr	4.3	4.3	4.3
May	4.4	4.4	4.3
Jun	4.4	4.3	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
2000 May	27,440	23,928	3,253	113	146
2001 May	27,662	24,149	3,273	96	145
2002 May	27,850	24,318	3,329	98	105
2003 May	28,122	24,381	3,551	98	93
2003 Aug	28,130	24,290	3,628	104	108
2003 Nov	28,152	24,291	3,659	96	105
2004 Feb	28,346	24,507	3,619	107	113
2004 May	28,293	24,419	3,651	101	122
<i>Changes (%):</i>					
on last 3 months	-0.2	-0.4	0.9	-5.0	7.1
on last year	0.6	0.1	3.0	13.0	33.3

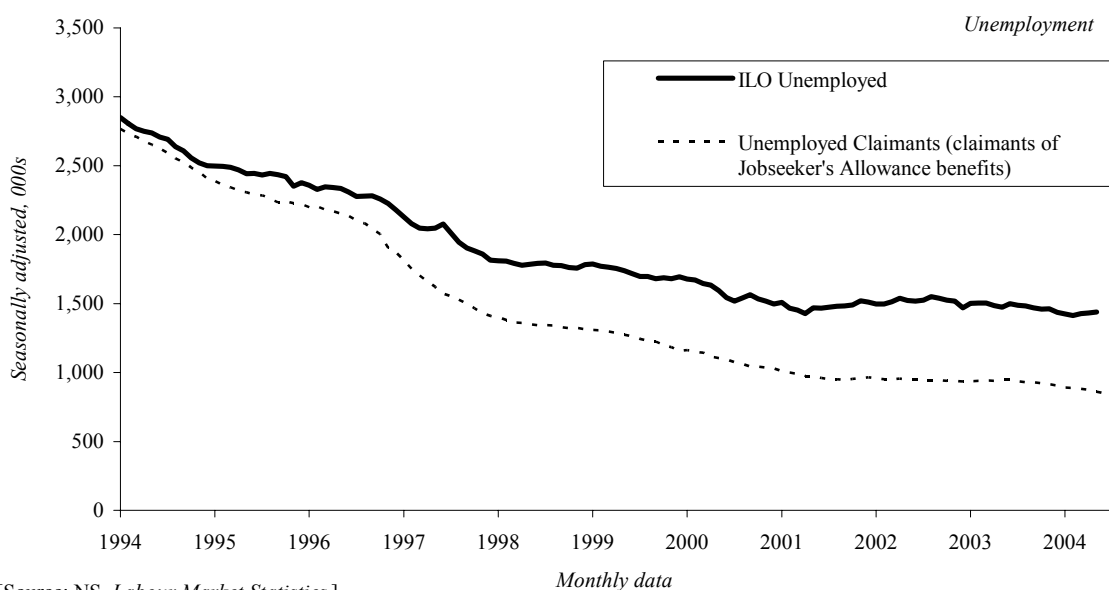
Source: National Statistics, *Labour Market Statistics*, 11 August 2004

- Total employment was 28.3 million in the period April to June 2004, 0.6% higher than a year previously. The working age employment rate of 74.6% was 0.3% lower than the previous quarter and 0.1% lower than a year earlier.
- The number of workforce jobs increased by 15,000 between December 2003 and March 2004 and was 319,000 higher than a year previously. Over the year to March, the number of production industry workforce jobs fell by 113,000. Service sector jobs rose by 318,000.
- 7.3 million people were in part-time employment in the period April to June 2004, of whom 5.7 million were women. 3.7 million people were self-employed.

**Contact:** Dominic Webb, x4324

**Updates:** NS, *Labour Market Statistics*, 15 Sep

## C2: Unemployment: National



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

- The latest LFS estimates show that over the period April to June 2004, the level of ILO unemployment in the UK was 1,440,000. This was a decrease of 33,000 from the period April to June 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 14,000 between June and July 2004 to 835,000.

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

- 1,124,000 people had joined the scheme by the end of March 2004. Of those leaving the scheme 492,000 had moved into jobs up to the end of March, of which 391,000 (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.

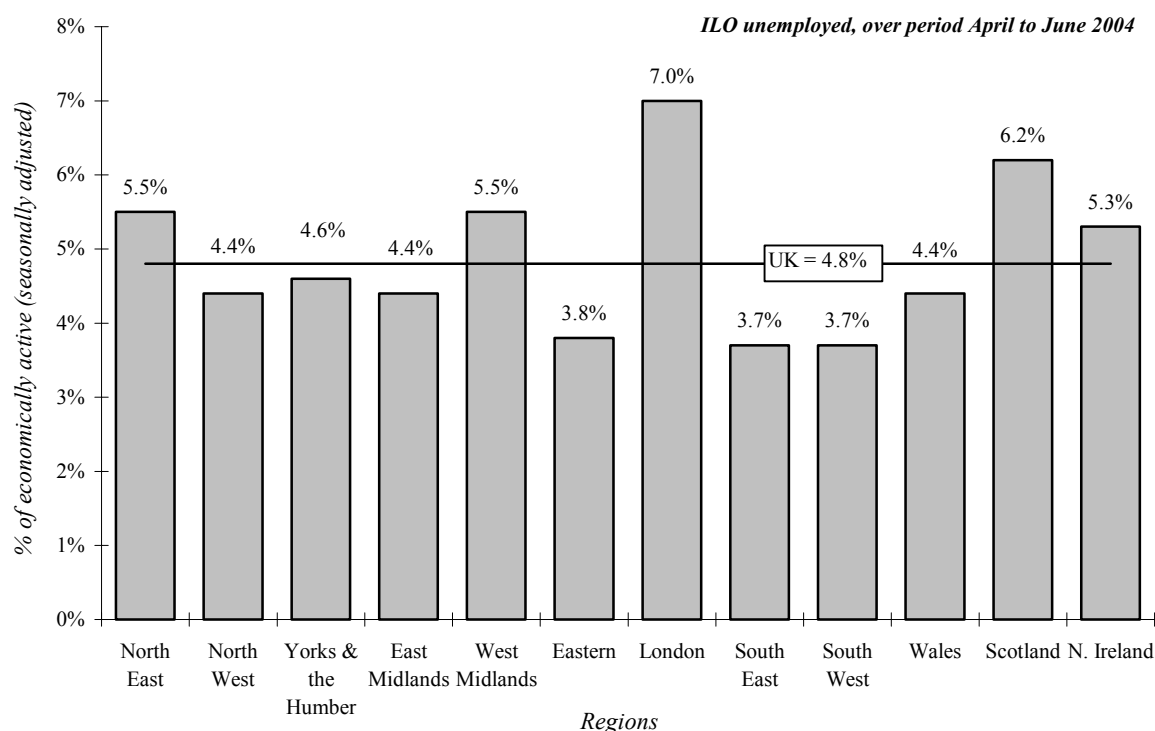
- 360,000 people joined the original (pre-April 2001) scheme. Of these, 77,000 had entered jobs of which 61,000 (80%) were sustained. 338,000 people had started on the enhanced scheme by the end of March 2004. Of these, 104,000 people had entered jobs of which 81,000 (78%) were sustained.

### ILO Unemployment in the UK seasonally adjusted

		'000s	rate (%)
1998	Jan - Mar	1,807	6.3
	Apr - Jun	1,784	6.3
	Jul - Sep	1,778	6.2
	Oct - Dec	1,758	6.1
1999	Jan - Mar	1,770	6.1
	Apr - Jun	1,738	6.0
	Jul - Sep	1,697	5.9
	Oct - Dec	1,680	5.8
2000	Jan - Mar	1,670	5.8
	Apr - Jun	1,595	5.5
	Jul - Sep	1,541	5.3
	Oct - Dec	1,517	5.2
2001	Jan - Mar	1,468	5.1
	Apr - Jun	1,469	5.0
	Jul - Sep	1,480	5.1
	Oct - Dec	1,520	5.2
2002	Jan - Mar	1,497	5.1
	Apr - Jun	1,522	5.2
	Jul - Sep	1,550	5.3
	Oct - Dec	1,517	5.1
2003	Jan - Mar	1,504	5.1
	Apr - Jun	1,473	5.0
	Jul - Sep	1,484	5.0
	Oct - Dec	1,462	4.9
2004	Jan - Mar	1,413	4.7
	Apr - Jun	1,440	4.8

Source: NS, *Labour Market Statistics*

### 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 April to June 2004 London had the highest unemployment rate, 7.0% of the economically active population. The lowest rate over the same period was 3.7% in the South East and South West regions.
- A comparison of April to June 2004 with the same period a year earlier shows that the largest fall (11%) in unemployment occurred in the North West and Merseyside region. Scotland experienced the largest rise (13%) in unemployment over the same period.

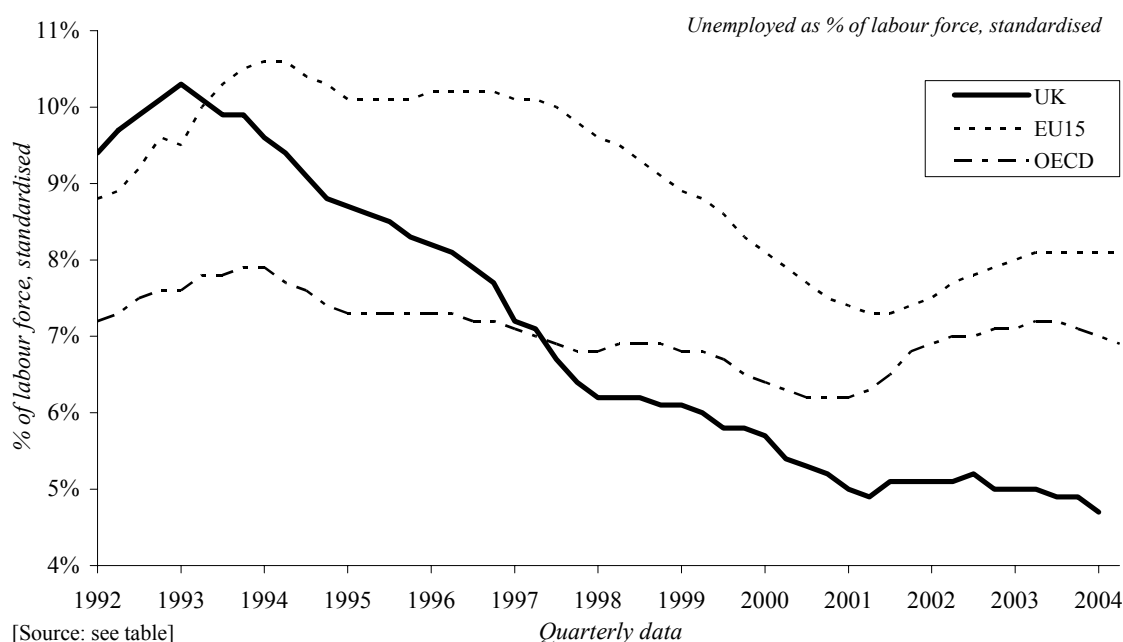
#### **ILO Unemployment, April to June 2004**

*change on same period in previous year,  
seasonally adjusted*

	Number (rounded)	%
North East	-5,000	-7
North West & Merseyside	-18,000	-11
Yorkshire & the Humber	-12,000	-10
East Midlands	0	0
West Midlands	-2,000	-1
Eastern	-2,000	-2
London	-6,000	-2
South East	-11,000	-7
South West	5,000	6
Wales	-2,000	-3
Scotland	19,000	13
Northern Ireland	-1,000	-2

Source: NS, *Labour Market Statistics*

## C4: Unemployment: International Comparisons



### Unemployment

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

	2001	2002	2003	2003				2004	
				Q1	Q2	Q3	Q4	Q1	Q2
USA	4.7	5.8	6.0	5.8	6.1	6.1	5.9	5.6	5.6
Japan	5.0	5.4	5.3	5.4	5.4	5.2	5.1	4.9	4.6
Canada	7.2	7.7	7.6	7.5	7.7	7.9	7.5	7.4	7.2
UK	5.0	5.1	5.0	5.0	5.0	4.9	4.9	4.7	..
Germany	7.8	8.7	9.6	9.5	9.7	9.7	9.6	9.7	9.8
France	8.4	8.9	9.4	9.2	9.4	9.5	9.6	9.5	9.5
Italy	9.4	9.0	8.6	8.8	8.7	8.6	8.5	..	..
Eurozone	8.0	8.4	8.9	8.8	8.9	8.9	8.9	8.9	9.0
G7	5.9	6.5	6.7	6.6	6.8	6.8	6.6	6.5	6.4
OECD	6.5	7.0	7.1	7.1	7.2	7.2	7.1	7.0	6.9

.. - not available

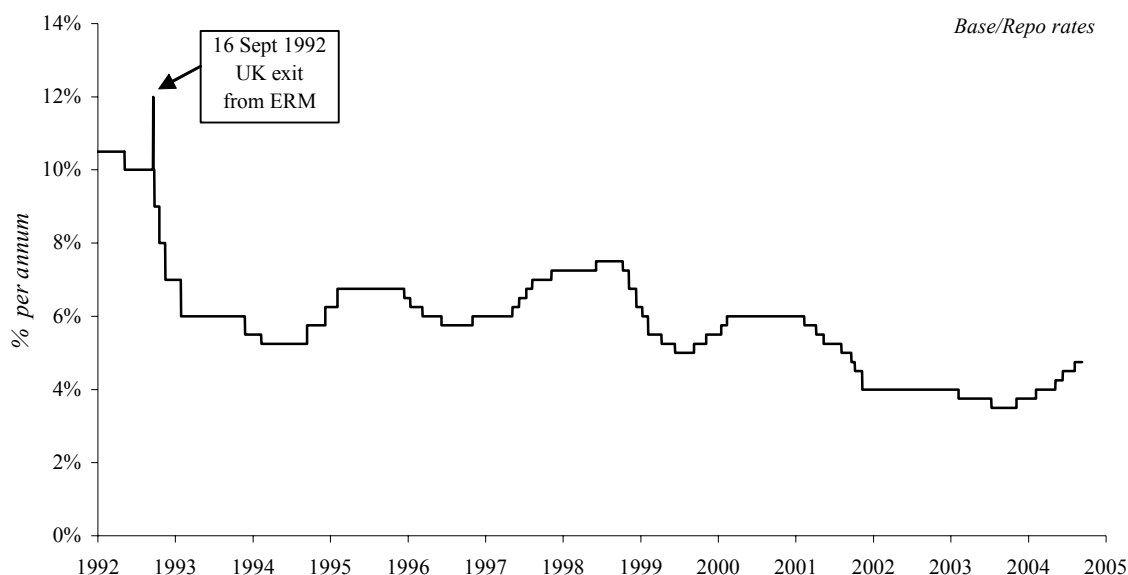
Source: OECD, *Main Economic Indicators*, August 2004

- Using standardised definitions, the UK unemployment rate for 2003 was 5.0%, significantly below the eurozone average (8.9%) and below the G7 and OECD rates (6.7% and 7.1% respectively).
- Between Q3 and Q4 2003 the largest fall in unemployment among G7 countries was in Canada, where it fell by 0.4 of a percentage point. The only rise in unemployment (0.1 of a percentage point) was in France. The unemployment rate in all the G7 nations taken together fell by 0.2 of a percentage point.
- The most recent forecasts published by the OECD (*Economic Outlook*, June 2004) suggest the UK unemployment rate will be 4.8% in 2004 and 2005. The respective forecasts for the eurozone are 8.8% and 8.5%. For the OECD as a whole the respective forecasts are 6.9% and 6.7%.

**Contact:** Alex Adcock, x3973

**Updates:** OECD, *Main Economic Indicators*, 10 Sep  
OECD, *Economic Outlook*, Dec

## 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 known as HICP). If inflation deviates by more than 1%, an explanatory open letter will be sent to the Chancellor.

- On 5 August 2004, MPC voted to increase the base rate by 0.25%, following 0.25% rises on 10 June, 6 May, 5 February and 6 November 2003 (which was the first interest rate rise since February 2000). The Bank has since left the rate unchanged.
- The minutes of the August meeting noted continued recovery of the global economy, with growth close to trend in the euro area. However, the 'most striking development' over the month was a rise in sterling terms of 17% in oil prices. On the domestic front, it noted tightening of the labour market and 'recent rapid growth of the buy-to-let market'.

### UK Base/Repo rate changes

*% per annum*

Date	New rate	Date	New rate
1997 May 6	6.25	2001 Feb 8	5.75
Jun 6	6.50	Apr 5	5.50
Jul 10	6.75	May 10	5.25
Aug 7	7.00	Aug 2	5.00
Nov 6	7.25	Sep 18	4.75
1998 Jun 4	7.50	Oct 4	4.50
Oct 8	7.25	Nov 8	4.00
Nov 5	6.75	2003 Feb 7	3.75
Dec 10	6.25	Jul 10	3.50
1999 Jan 7	6.00	Nov 6	3.75
Feb 4	5.50	2004 Feb 5	4.00
Apr 8	5.25	May 6	4.25
Jun 10	5.00	Jun 10	4.50
Sep 8	5.25	Aug 5	4.75
Nov 4	5.50		
2000 Jan 13	5.75		
Feb 10	6.00		

Source: Bank of England

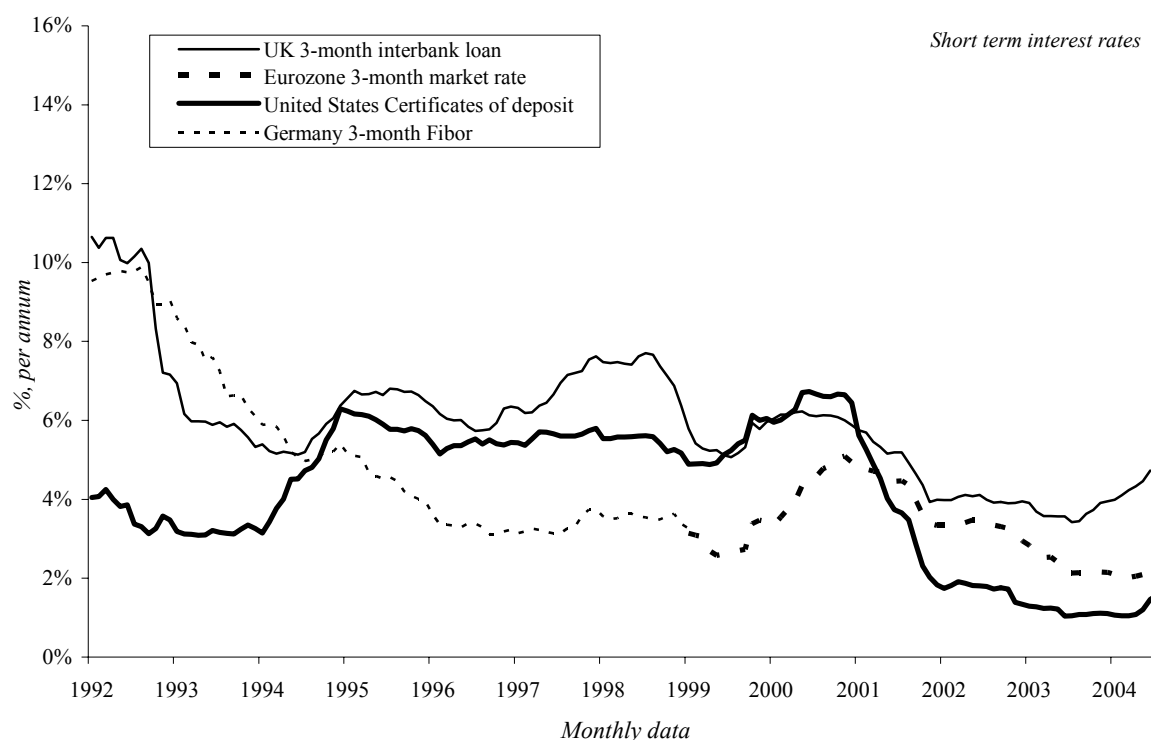
The latest Bank *Quarterly Inflation Report* (August 2004) noted the picking up of UK output growth in Q2 2004 and tentative signs of a cooling housing market and 'robust GDP growth in the near term'.

It also highlighted the high spot price of oil, an indications from futures that these are to persist. Sharp inflationary rises were expected to fall back

**Contact:** Ian Townsend, x3977

**Update:** *Next Decision (Minutes)*, 9 Sep (22 Sep)  
*Quarterly Inflation Report*, 10 Nov

## D2: Interest Rates: International Comparisons



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

There is a broad consensus that there is a global upward trend away from cheap borrowing. Recent months have seen the UK increase base rates, with the US Federal Reserve following suit. The ECB is yet to increase their rates.

- The Bank of England's Monetary Policy Committee has increased the UK Repo rate four times in 2004, by 0.25% on 5 February 2004, 6 May 2004, 10 June 2004 and 5 August 2004, with the current rate being 4.75% (see Indicator D1).
- 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. For 15 consecutive months since the rate has remained at 2%.
- Having stood at 1% since 25 June 2003, the US Federal Reserve increased the Federal Funds Rate by 0.25% on 10 August 2004 and 30 June 2004, with the current rate at 1.5%

### International interest rates

*% per annum, as at end August 2004*

	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.75	4.92	$4 \frac{29}{32} - 4 \frac{27}{32}$
Eurozone	2.00	n/a	$2 \frac{1}{8} - 2 \frac{1}{16}$
United States	1.50	4.12	$1 \frac{25}{32} - 1 \frac{23}{32}$
Japan	0.00	4.54	$\frac{1}{32} - \frac{1}{16}$
Switzerland	0.00-0.75	2.62	$\frac{5}{8} - \frac{17}{32}$

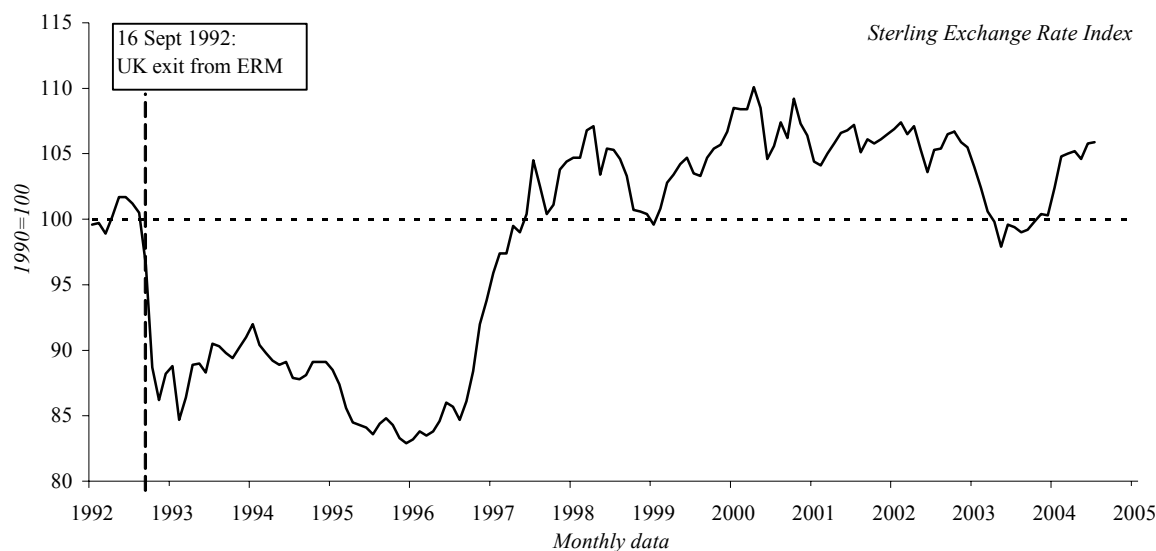
Source: *Financial Times*, 1 September 2004 (Companies & Markets, p37)

**Contact:** Ian Townsend, x3977    **Updates:** *Base rates:* 9 (UK MPC), 12 (US Fed Res) Sep, 4 Oct (ECB); *Short-term interest rates:* OECD, MEI, mid-Sep



### 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 5.6 points in July 2004, suggesting that the UK was relatively less competitive at the end of July 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 €1.480 at the London market close on 31 August 2004, compared to a launch rate of €1.4168 on 31 December 1998.

#### Sterling Exchange Rates

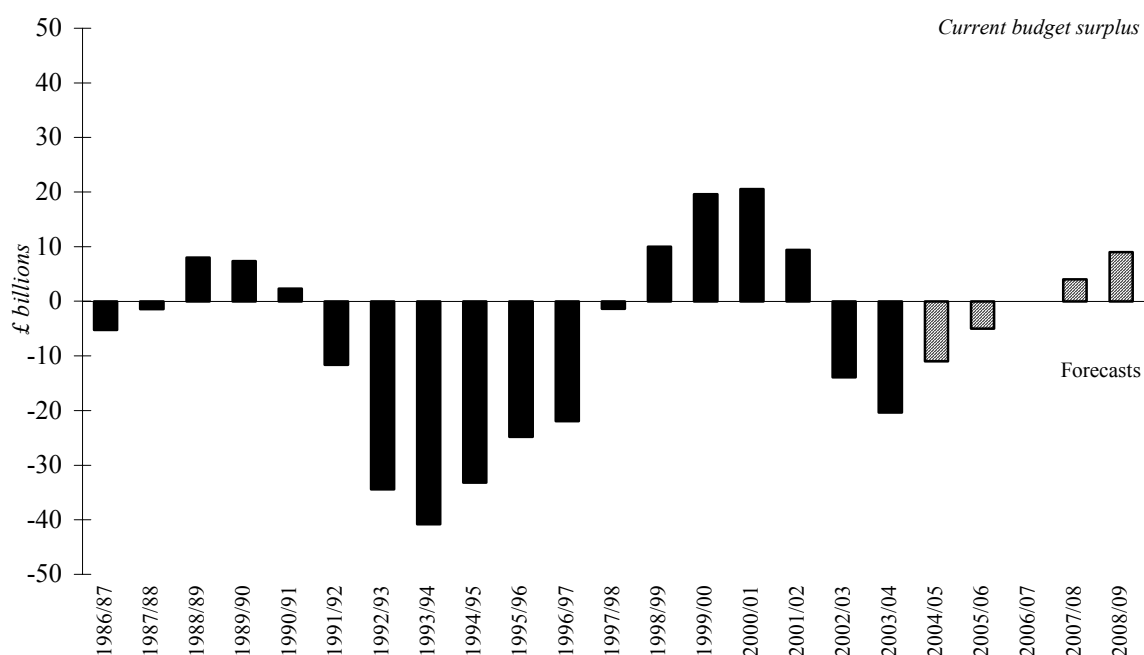
*rates and % changes*

	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 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
Feb	1.867	16.4	199.2	3.7	1.477	-0.8
Mar	1.827	15.4	198.2	5.5	1.489	1.6
Apr	1.801	14.3	194.0	2.8	1.502	3.6
May	1.788	10.1	200.7	5.4	1.489	6.2
Jun	1.828	10.1	199.9	1.7	1.505	5.7
Jul	1.843	13.5	201.7	4.6	1.502	5.2

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

**Contact:** Edward Beale, x2464

**Updates:** *SERI*, mid-Sep; *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 2004/05 onwards are taken from the 2004 Budget.

- There was a £12.7 billion deficit on the current budget in Q2 2004 compared to a £12.5 billion deficit in the same quarter of 2003.

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 £11.5 billion in Q2 2004 compared with £16.2 billion in the same quarter of 2003. In 2003/04, the PSNCR was £39.7 billion compared with £24.8 billion in 2002/03.

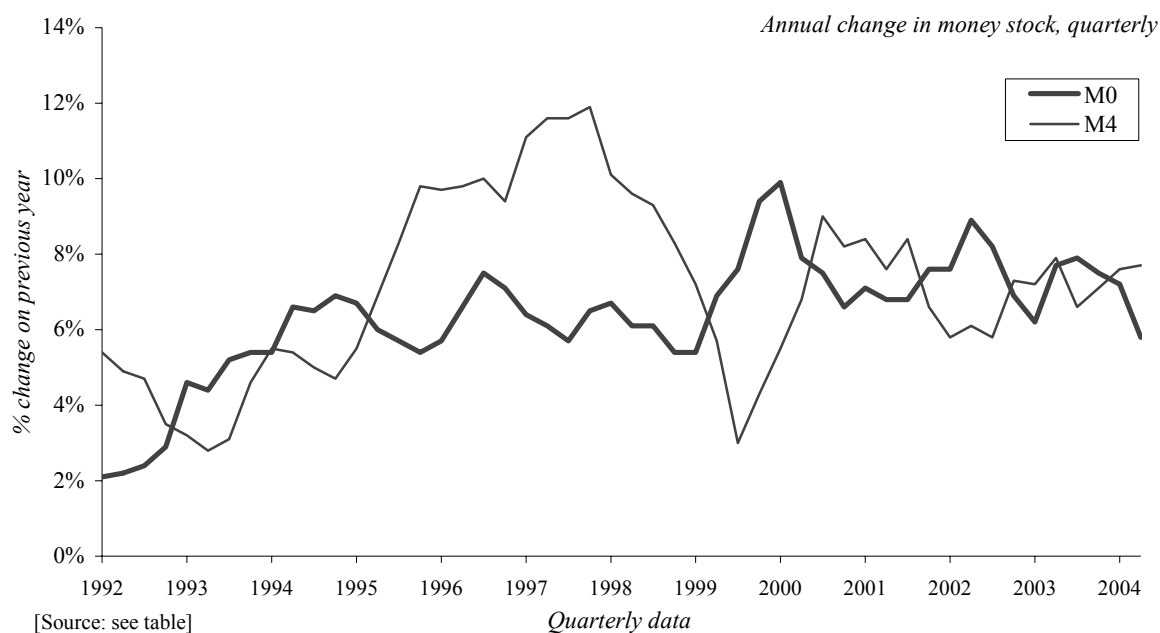
**Public Sector Net Debt**

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2000/01	307.2	31.3
2001/02	311.6	30.2
2002/03	341.7	31.5
2003/04	375.2	32.7
2003 Q2	350.2	31.8
Q3	355.5	31.9
Q4	375.1	33.1
2004 Q1	375.2	32.7
Q2	387.0	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 July	6.5	8.0	4.3	7.3
August	5.2	7.9	3.2	6.4
September	7.4	7.8	3.6	6.6
October	5.8	7.2	5.2	6.3
November	5.8	8.0	9.8	7.0
December	3.9	7.2	9.6	7.2
2004 January	4.9	7.6	13.2	8.5
February	3.1	6.8	9.8	8.2
March	7.0	7.1	8.1	7.7
April	5.5	5.7	5.7	7.0
May	7.0	5.3	8.9	7.9
June	7.4	6.4	9.7	7.7
July	6.0	5.6	11.5	8.8

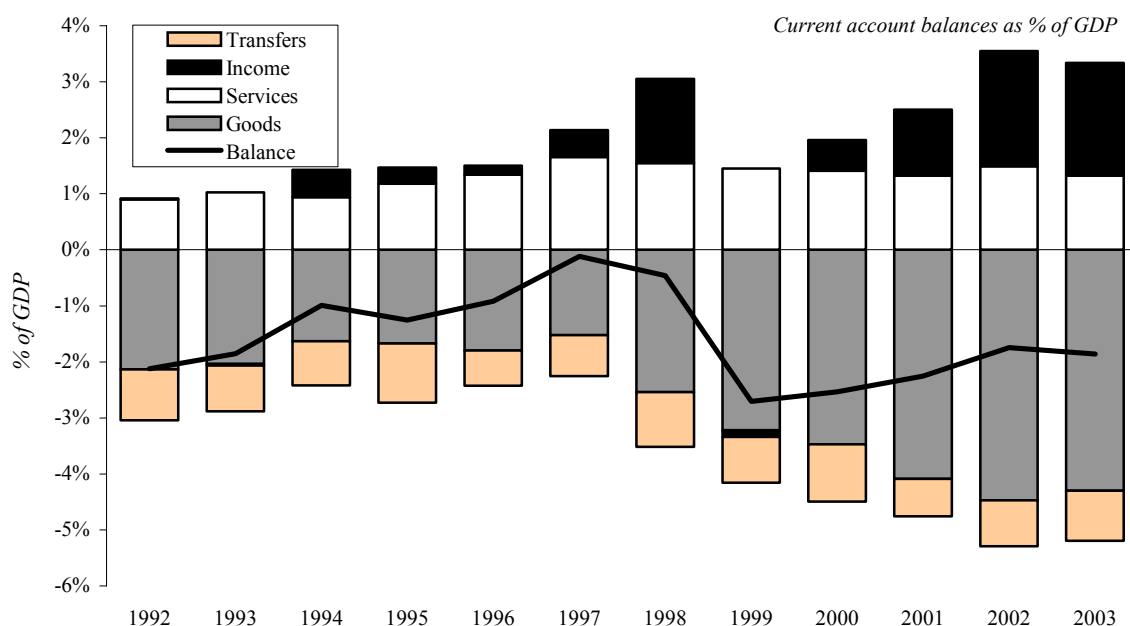
Source: Bank of England, *Bankstats*, *Growth rates of narrow money August 2004*. Series: VQMY, VQMX, VQKA, VQJW

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 8.8% in the 12 months to July 2004. The 12-month seasonally adjusted M0 growth rate was 5.6% in July 2004, compared to 8.0% in July 2003.

There are now no formal targets for money supply growth.

## 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	-40,648	13,216	-27,432	11,652	-2,593	-4,018	-6,611	-22,391
2002	-46,675	15,577	-31,098	21,475	-5,641	-2,958	-8,599	-18,222
2003	-47,290	14,617	-32,673	22,097	-6,740	-3,114	-9,854	-20,430
2003 Q1	-11,201	3,374	-7,827	7,728	-1,587	-816	-2,403	-2,502
Q2	-11,087	3,930	-7,157	4,131	-1,839	-943	-2,782	-5,808
Q3	-12,024	3,834	-8,190	3,894	-1,700	-790	-2,490	-6,786
Q4	-12,978	3,479	-9,499	6,344	-1,614	-565	-2,179	-5,334
2004 Q1	-13,947	4,783	-9,164	6,783	-2,046	-896	-2,942	-5,323

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

- Current account figures for 2003 were revised in June. This revision increased the current account deficit to £20.4 billion (from a previous figure of £18.8 billion), compared with a revised deficit for 2002 of £18.2 billion.
- The current account was in deficit by £5.3 billion in Q1 2004, the same as the revised deficit for 2003 Q4. There was a higher surplus on investment income and a narrowing trade on goods and services deficit, offset by a higher deficit on current transfers.
- The current account deficit with EU15 countries increased to £6.2 billion in the first quarter compared to £5.0 billion in the fourth quarter of 2003. The current account with non-EU countries showed a surplus of £0.9 billion in the first quarter, compared with a deficit of £0.4 billion in the fourth quarter, due to a higher surplus on trade in services.

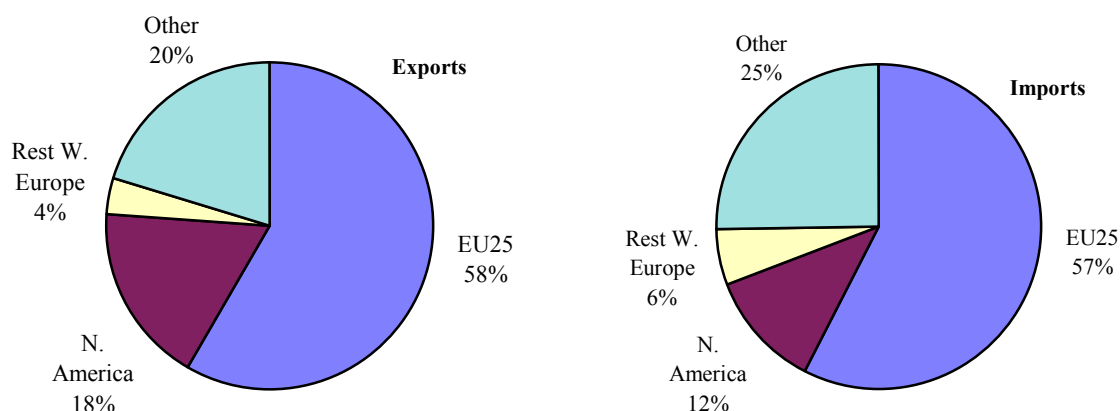
**Contact:** Bryn Morgan, x4904

**Updates:** NS, UK Balance of Payments: First Release, 29 Sep

## E2: Trade in Goods

### Shares of UK trade in goods by area, 2003

(Balance of Payments basis)



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

### Export & import volume indices & trade in goods balances

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

	Volume index (2001=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2000	97.4	94.8	187,936	220,912	-32,976
2001	100.0	100.0	190,055	230,703	-40,648
2002	98.3	104.1	186,517	233,192	-46,675
2003	97.8	105.6	187,846	235,136	-47,290
2003 Q2	96.7	103.2	46,406	57,493	-11,087
Q3	96.5	104.6	46,377	58,401	-12,024
Q4	98.3	108.1	46,979	59,957	-12,978
2004 Q1	95.0	107.7	44,715	58,662	-13,947
Q2	97.4	110.7	46,185	60,830	-14,645

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

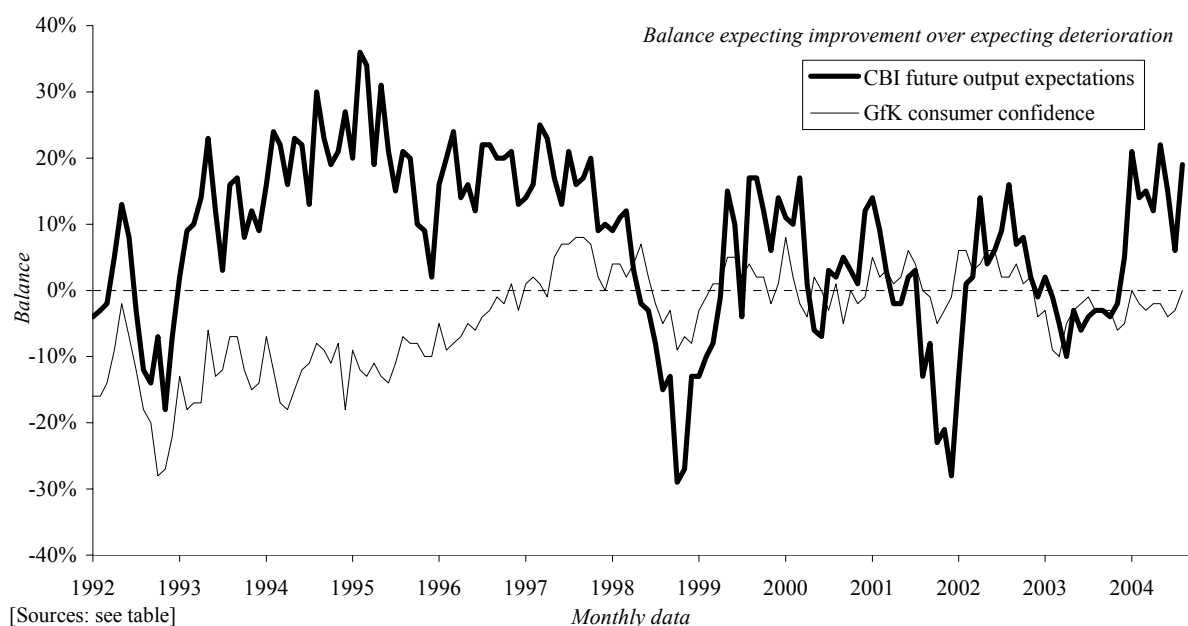
- In June 2004 the balance on trade in goods is provisionally estimated at a deficit of £5.0 billion, compared with a revised £4.8 billion for May. In June, total exports of goods increased by 1% on the previous month and imports by 1½% to reach £15.4 billion and £20.4 billion respectively.
- The deficit on trade in goods with EU25 countries for June was £2.3 billion, compared with £2.5 billion in the previous month. The deficit with non-EU countries rose to £2.6 billion in June from £2.3 billion in May.
- The latest estimate of the trend suggests that the whole world goods deficit is widening. The deterioration in June is put down to worsening balances in trade in oil and erratic items such as ships and aircraft.

**Contact:** Bryn Morgan, x4904

**Update:** NS, UK Trade: First Release, 9 Sep

## 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 19 in August 2004. This was up from July's level (6), and 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, fell to 5 in July 2004, from 12 in April 2004.

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.

- August's results show that the overall index fell to -5 from -3 in July.
- The major purchases climate fell in August while expectations of future personal finances improved slightly. The perception of whether now is a good time to save is, at +22, significantly higher than August 2003 (-6)

### Output Expectations/Consumer Confidence

*Balance of % expecting improvement over % expecting deterioration*

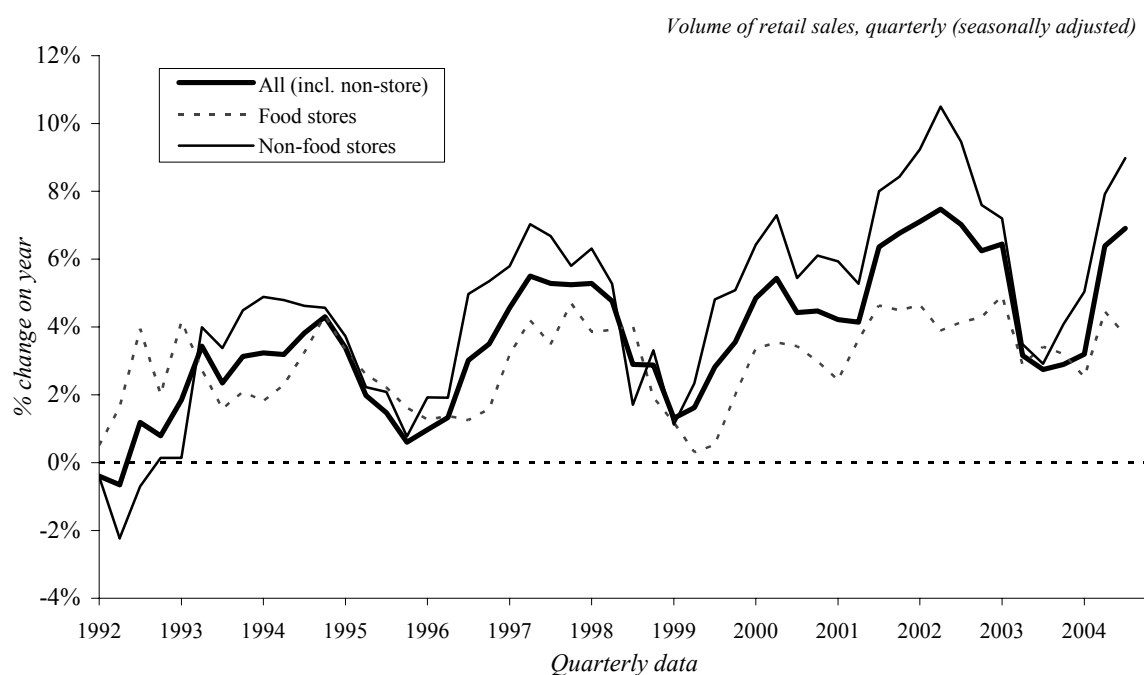
	Future output expectations (CBI)	Consumer confidence (GfK)
2003 Aug	-3	-3
Sep	-3	-3
Oct	-4	-3
Nov	-2	-6
Dec	+5	-5
2004 Jan	+21	0
Feb	+14	-2
Mar	+15	-3
Apr	+12	-2
May	+22	-2
Jun	+15	-4
Jul	+6	-3
Aug	+19	-5

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

**Contact:** Bryn Morgan, x4904

**Updates:** CBI, *Industrial Trends* (Monthly), 24 Sep;  
Martin Hamblin GfK, *Consumer Confidence*, 29 Sep

## F2: Retail Sales



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

- The *volume* of retail sales grew by 1.8% in the three months from May to July compared with the previous three month period, and was 7.0% higher than a year previously (seasonally adjusted).
- Retail sales volumes in July 2004 were 6.6% higher than in July 2003 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 8.7% in May to July compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 4.1% 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	4.3	-0.9	2.7
2003 Q2	3.7	7.0	2.8	-2.8	1.9
Q3	4.7	2.8	3.7	-2.8	2.8
Q4	3.4	0.7	6.7	-0.7	2.3
2004 Q1	3.8	3.2	7.2	7.0	4.8
Q2	3.6	5.6	5.4	11.5	6.4

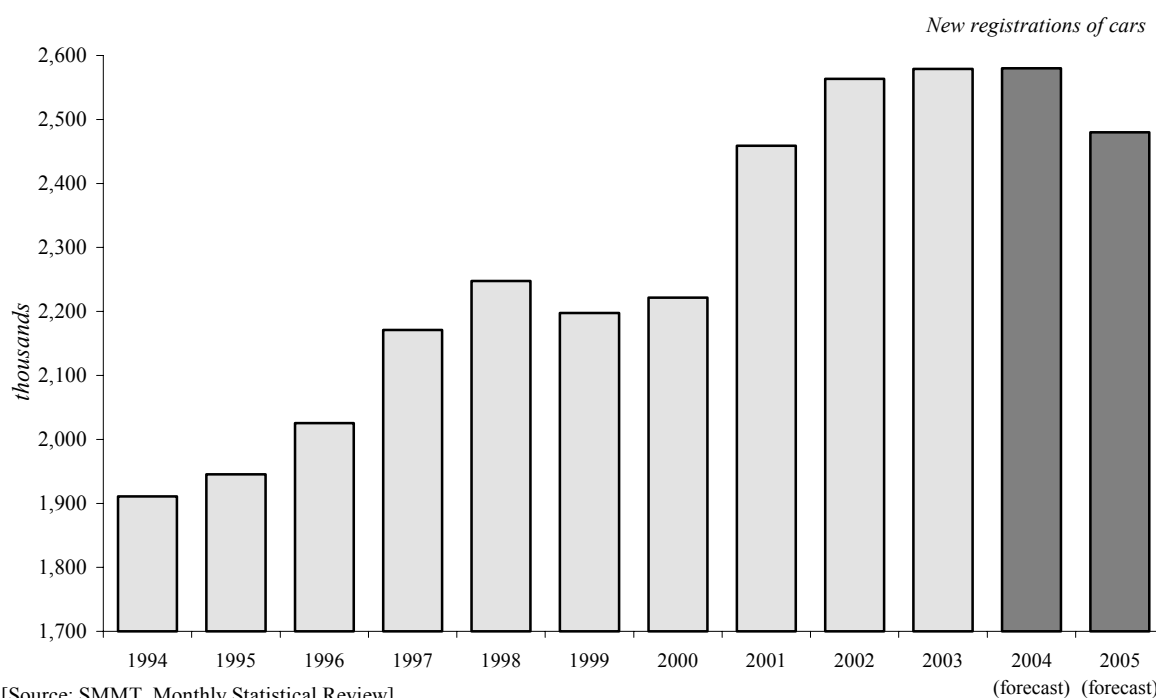
Source: NS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in July 2004 was £4,680 million, 5.3% higher than in July 2003 (non-seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** NS, *Retail Sales: First Release*, 16 Sep

### F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 4.6% in July 2004, compared with the previous July's figure, to 187,632 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 stay broadly the same in 2004 and fall by 3.9% in 2005.
- There were 34,412 registrations of British-built cars in July, equivalent to 18.3% of the market. The number of British built registrations decreased 17.0% on the previous July'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

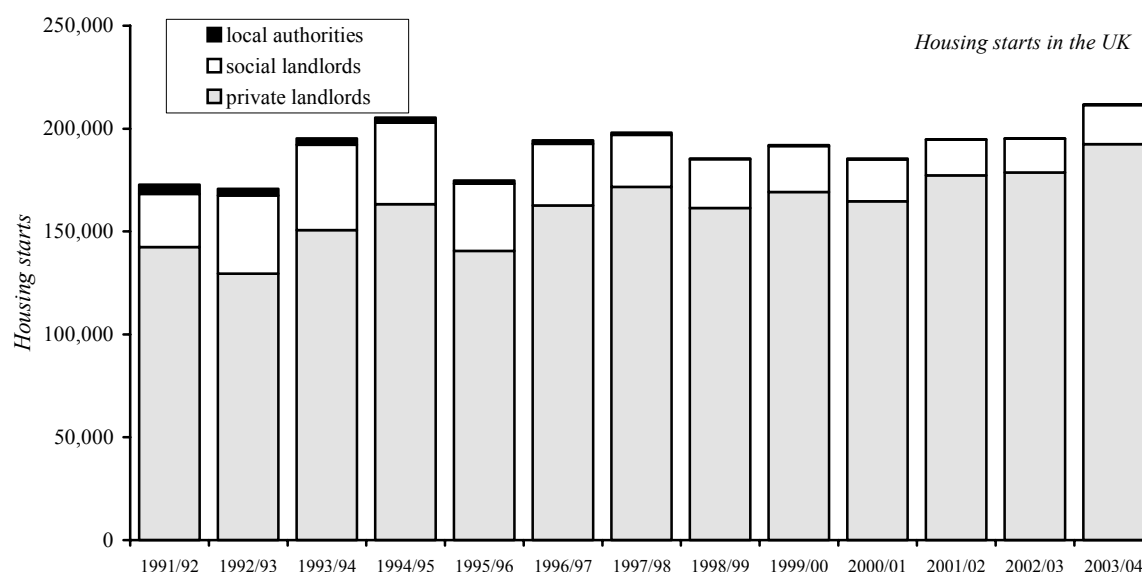
*000s & % change, not seasonally adjusted*

	Number ('000s)	Change over 12 months
2002	2,564	4.3
2003	2,579	0.6
2004 (forecast)	2,580	0.0
2005 (forecast)	2,480	-3.9
2003 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
Feb	91	3.8
Mar	467	6.6
Apr	187	-3.8
May	194	-2.8
Jun	239	-0.5
Jul	188	-4.6

Source: SMMT, *Monthly Statistical Review*



## F4: House-building & Prices



[Source: ODPM, *Housebuilding*, table 201, Aug 2004]

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 provisional for Q3 2003, with 52,236 dwellings started in the UK in that quarter compared with 50,505 in Q3 2002. The latest completions data is also for Q3 2003, which saw 45,114 completions compared with 44,756 in Q3 2002 (non-seasonally adjusted).

The latest Halifax *House Price Index* data show that:

- UK house prices fell by 0.6% in August 2004 compared with the previous month; annual house price inflation was 21.3%.
- On a quarterly basis, UK house prices rose by 5.9% in Q2 2004 compared with the previous quarter, following an increase of 5.1% in Q1 2004 on Q4 2003 (all seasonally adjusted)

Halifax data gives a regional breakdown (these regions are not aligned with Government Office Regions used by the ODPM below):

- This puts annual house price inflation in Q2 2004 at its highest in the North (35.9%) and lowest in Northern Ireland (6.5%), compared with 18.5% for the UK as a whole (all non-seasonally adjusted data).

### Standardised average house prices

£s & %, non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
2003 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
2004 Q1	146,465	143,613	147,881	104,354
Q2	158,580	155,841	159,784	112,588
<i>% change over same period in previous year</i>				
2003 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
2004 Q1	18.5	13.2	18.9	20.4
Q2	21.5	20.5	21.4	21.7

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

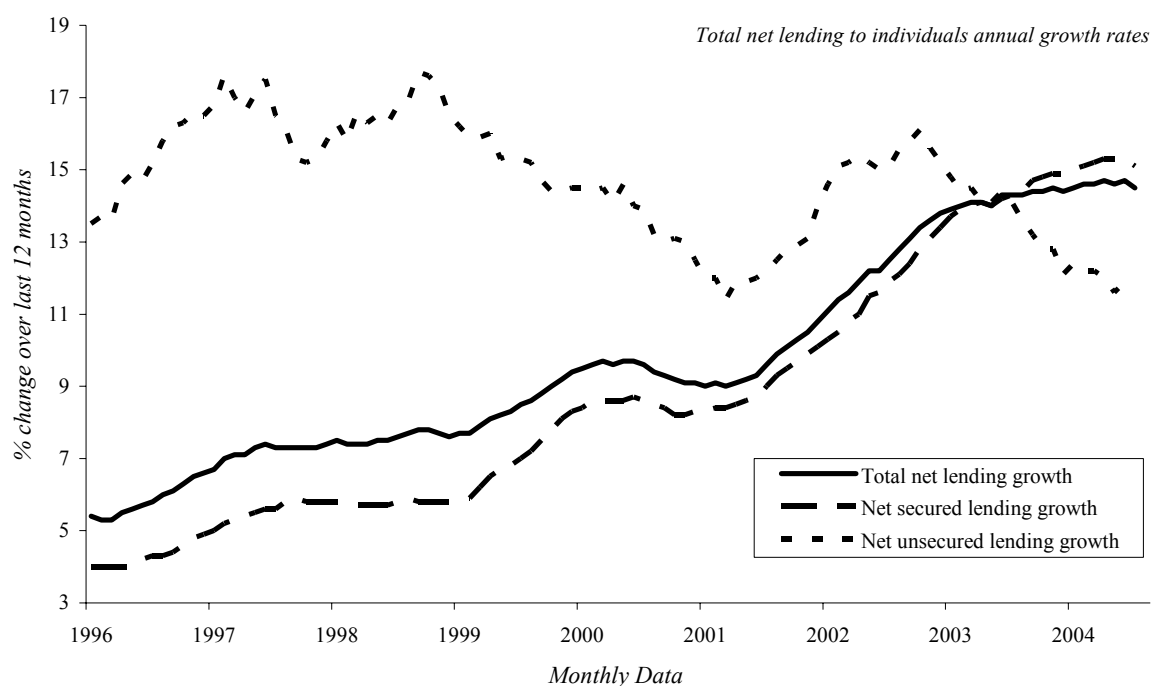
The ODPM publishes its own house price index based on completions (cf. Halifax index, which is based on mortgage approvals), currently in **experimental form only** (all figures are not seasonally adjusted):

- The average UK house price in June 2004 was £173,756, up from £170,719 in May 2004. Annual house price inflation in June was 13.9% up from 12.2% in the previous month.
- Regionally, annual house price inflation in June was highest in the North East (27.6%) and lowest in the Northern Ireland (6.4%).

**Contact:** Ian Townsend, x3977

**Updates:** ODPM, *House Prices*, 13 Sep; Halifax, *House Prices*, early Oct; ODPM, *Housebuilding*, 19 Nov

## F5: Consumer borrowing



[Source: Bank of England]

### 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 Jul	517,815	122,897	640,712	8.6	13.9	9.6
2001 Jul	566,346	134,241	700,587	9.0	12.2	9.6
2002 Jul	637,519	148,720	786,238	11.9	15.1	12.5
2003 Jul	727,860	165,815	893,675	14.3	14.1	14.3
Oct	754,841	168,554	923,395	14.8	12.8	14.4
Jan	781,900	170,723	952,624	15.0	12.4	14.5
2004 Apr	809,836	174,707	984,543	15.3	12.0	14.7
Jul	836,081	178,438	1,014,519	15.1	11.8	14.5

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

- Total net outstanding lending to individuals was £1,015 billion at the end of July 2004 (seasonally adjusted).
- Total net lending to individuals grew by 1.0% in July 2004 compared to the previous month, and grew by 14.5% on an annual basis (all seasonally adjusted). This represents a decrease of 0.2% compared to the annualised rates for June 2004.
- Of the £10.4 billion increase in net lending in July 2004, £8.6 billion was mortgage borrowing and £1.8 billion was consumer credit (seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** Bank of England, *Lending to Individuals*, 29 Sep

## IV Indicator sources

Details of sources used in this paper are given in the table. All National Statistics releases can be accessed from [http://www.statistics.gov.uk/press\\_release/CurrentReleases.asp](http://www.statistics.gov.uk/press_release/CurrentReleases.asp).

Indicator		Source details
A1	<b>Gross Domestic Product</b>	National Statistics, <i>UK output, income &amp; expenditure</i> or <i>Quarterly National Accounts</i> releases
A2	<b>GDP: ICs</b>	<b>Gross Domestic Product:</b> Organisation for Economic Co-operation and Development (OECD), <i>Main Economic Indicators</i> ; <b>Growth Forecasts:</b> OECD, <i>Economic Outlook</i>
A3	<b>GDP by Industry</b>	National Statistics, <i>UK Output, income and expenditure, Quarterly National Accounts, &amp; GDP preliminary estimate</i> releases
A4	<b>Investment</b>	National Statistics Database & National Statistics, <i>Business Investment Release</i>
A5	<b>Productivity</b>	National Statistics, <i>Productivity</i> release
B1	<b>Prices</b>	National Statistics, <i>Consumer Price Indices</i> release
B2	<b>Prices: International Comparisons</b>	<b>CPI:</b> OECD, <i>Main Economic Indicators</i> ; <b>HICP:</b> National Statistics Database; <b>Eurozone data:</b> Eurostat <a href="http://europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat">http://europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat</a>
B3	<b>Average Earnings Index</b>	National Statistics <i>Labour Market Statistics</i> release <a href="http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944">http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944</a> or National Statistics Database
C1	<b>Employment</b>	Office of National Statistics Database and National Statistics, Release: <i>Labour Market Statistics</i> <a href="http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944">http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944</a> <b>Commentary:</b> National Statistics, Release: <i>Labour Market Statistics</i>
C2	<b>Unemployment: National</b>	National Statistics, <i>Labour Market Statistics</i> release <a href="http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944">http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944</a> and Labour Market Statistics First Release Historical Supplement (via Virtual Bookshelf); <a href="http://www.statistics.gov.uk/OnlineProducts/LMS_FR_HS.asp">http://www.statistics.gov.uk/OnlineProducts/LMS_FR_HS.asp</a> <b>Commentary:</b> Department for Work and Pensions quarterly working age statistics for New Deal for Young People and Long-term Unemployed <a href="http://www.dwp.gov.uk/asd/ndyp.asp">http://www.dwp.gov.uk/asd/ndyp.asp</a> (Table 6)
C3	<b>Unemployment: Regional</b>	<b>Data:</b> National Statistics, <i>Labour Market Statistics</i> release <a href="http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944">http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1944</a>
C4	<b>Unemployment: International Comparisons</b>	<b>Data:</b> OECD, <i>Main Economic Indicators</i> <b>Commentary:</b> OECD, <i>Main Economic Indicators &amp; Economic Outlook</i>
D1	<b>Interest Rates</b>	<b>Base rate:</b> Bank of England, <a href="http://www.bankofengland.co.uk/Links/setframe.html">http://www.bankofengland.co.uk/Links/setframe.html</a> ; <b>Monetary Policy Committee minutes,</b> <a href="http://www.bankofengland.co.uk/mpc/minutes.htm">http://www.bankofengland.co.uk/mpc/minutes.htm</a> ; <b>Quarterly Inflation Report,</b> <a href="http://www.bankofengland.co.uk/inflationreport/index.htm">http://www.bankofengland.co.uk/inflationreport/index.htm</a>

Indicator		Source details
D2	<b>Interest Rates: International Comparisons</b>	<b>Short term interest rates (graph):</b> OECD; <i>Main Economic Indicators</i> ; <b>International interest rates:</b> <i>Financial Times</i> , Companies & Analysis section, “Currencies, Bonds & Interest Rates” page; <b>Rates:</b> Bank of England, <a href="http://www.bankofengland.co.uk/Links/setframe.html">http://www.bankofengland.co.uk/Links/setframe.html</a> ; European Central Bank, <a href="http://www.ecb.int/mopo/html/index.en.html">http://www.ecb.int/mopo/html/index.en.html</a> ; US Federal Reserve, <a href="http://www.federalreserve.gov/fomc">http://www.federalreserve.gov/fomc</a>
D3	<b>Exchange Rates</b>	<b>Effective and sterling exchange rates:</b> National Statistics Database; <b>Euro spot rate:</b> <i>Financial Times</i>
D4	<b>Public Finances</b>	<b>Data:</b> National Statistics, <i>Public Sector Accounts</i> <a href="http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=3764">http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=3764</a> or <i>Public Sector Finances</i> <a href="http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=805">http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=805</a> , National Statistics Database; <b>Forecasts of budget surplus:</b> <i>Pre-Budget Report</i> table B2 or <i>Budget</i> table C2.
D5	<b>Money Supply</b>	<b>Bank of England:</b> Bankstats Tables A 1.1 and A 2.2.1, <a href="http://www.bankofengland.co.uk/mfsd/current/ms/index.htm">http://www.bankofengland.co.uk/mfsd/current/ms/index.htm</a> and National Statistics Database.
E1	<b>International Trade</b>	<b>Data:</b> National Statistics Database <b>Commentary:</b> National Statistics, <i>Balance of Payments</i> release
E2	<b>Trade in Goods</b>	<b>Data:</b> National Statistics Database <b>Commentary:</b> National Statistics, <i>UK Trade</i> release
F1	<b>Survey Indicators</b>	<b>Future Output Expectations/Quarterly Business Confidence:</b> Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey’ press releases <a href="http://www.cbi.org.uk/ndbs/press.nsf/awprdate?OpenView&amp;Start=1&amp;ExpandView">http://www.cbi.org.uk/ndbs/press.nsf/awprdate?OpenView&amp;Start=1&amp;ExpandView</a> , or National Statistics Database <b>Consumer Confidence:</b> Martin Hamblin GfK, <a href="http://www.martinhamblin-gfk.com/library/news_events.asp">http://www.martinhamblin-gfk.com/library/news_events.asp</a>
F2	<b>Retail Sales</b>	National Statistics, <i>Retail Sales</i> release
F3	<b>New Car Registrations</b>	Society of Motor Manufacturers and Traders, <i>Monthly Statistical Review</i> (in Library holdings)
F4	<b>Housing</b>	<b>Housing Starts in UK:</b> from Office of the Deputy Prime Minister (ODPM) housing homepage <a href="http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/sectionhomepage/odpm_housing_page.hcsp">http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/sectionhomepage/odpm_housing_page.hcsp</a> ; <b>House building:</b> ODPM, <i>House Building statistical releases</i> <a href="http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_hou se_023765.hcsp">http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_hou se_023765.hcsp</a> <b>Experimental House Prices:</b> ODPM news release <a href="http://www.odpm.gov.uk/pns/newslist.cgi">http://www.odpm.gov.uk/pns/newslist.cgi</a> <b>Halifax House Price data:</b> HBOS website, Housing research homepage <a href="http://www.hbosplc.com/economy/HousingResearch.asp">http://www.hbosplc.com/economy/HousingResearch.asp</a>
F5	<b>Consumer Debt</b>	Bank of England Release <i>Lending to Individuals</i> <a href="http://www.bankofengland.co.uk">http://www.bankofengland.co.uk</a> ; Bank of England Database: <a href="http://www.bankofengland.co.uk/mfsd/index.htm">http://www.bankofengland.co.uk/mfsd/index.htm</a>