



RESEARCH PAPER 04/87
1 DECEMBER 2004

Economic Indicators, December 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:

Background to the 2004 Pre-Budget Report

Edward Beale (editor)

ECONOMIC POLICY AND STATISTICS SECTION

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I Contacts for further information

Economic Indicators research papers are normally published in sitting time on the **first working day** of the month, and in months where *Economic Indicators* is not published in hard copy individual indicators are updated and made available through the subject pages of the Library's intranet as standard notes. Indicator pages are listed both under the relevant subject page headings; and collectively on the *Economic Indicators* subject page (link on left hand side on Library home page 'A-Z subject pages' > 'E' > 'Economic Indicators'). A guide to sources is also given in section IV.

Members and their staff requiring detailed information are encouraged to talk to the researchers specialising in the relevant area. A comprehensive guide to the subject coverage of specialists in the Library's Research Service is available in *Who Does What in Research*, available on the Library's intranet pages ('Contact us' link on left hand side on home page). Researchers are not available to discuss pages with members of the public.

For enquiries in these subject areas please contact the following researchers:

Subject	Statistician	tel. extn.
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

Members and their staff and are also free to contact the named persons on each indicator page for updates during normal hours.¹

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

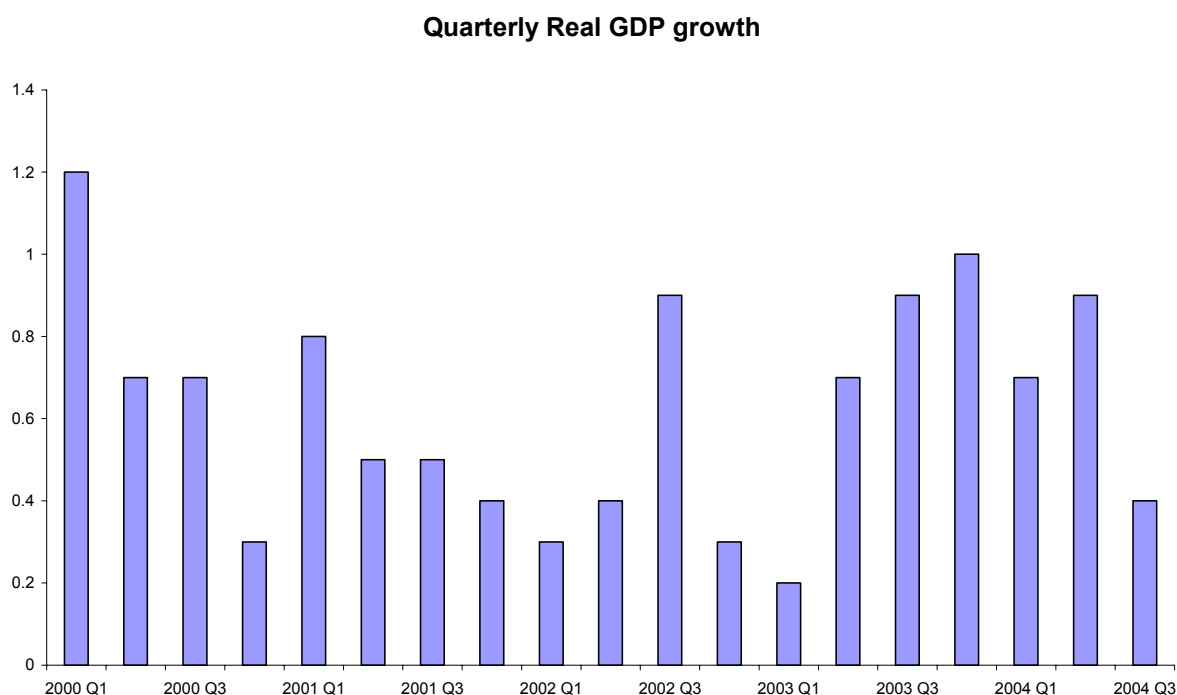
II Background to the 2004 Pre-Budget Report

A. Introduction

The Chancellor will present the 2004 Pre-Budget Report (PBR) on 2 December. This article sets out the economic background to the PBR and discusses the outlook for the public finances.

B. The Economic Background

The economy grew by 2.2% in 2003. Growth was strong in the second half of 2003 and the first half of this year. The most recent figures point to a slowing of economic growth. The economy grew by 0.4% in Q3 2004 (compared with the previous quarter) – the smallest increase since Q1 2003. The chart below shows quarterly real GDP growth since Q1 2000.²



In the 2004 Budget, the Treasury forecast growth of 3.0 to 3.5% for 2004. This is in line with the current average of independent forecasts (3.2%). Independent forecasters are, however, more pessimistic than the Treasury about next year. In the 2004 Budget, the Treasury forecast growth of 3.0 to 3.5% for 2005 compared with the current average independent forecast of 2.5%.

² Each quarter's growth compared to the preceding quarter.

C. The public finances

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.³

According to Treasury forecasts, the sustainable investment rule will be met comfortably over the next few years. In the 2004 Budget, public sector net debt is forecast to remain below 37 per cent every year until 2008-09.⁴

A number of commentators have suggested, however, that the golden rule may be broken. The golden rule requires the current budget to be balanced over the economic cycle. According to the Treasury, this is measured "by the average annual surplus on the current budget as a percentage of GDP since the cycle began."⁵ The Treasury's current view is that the current economic cycle started in 1999-00 and will end in 2005-06. Current budget surpluses were recorded in the early years of the cycle but the current budget has been in deficit since 2002-03.

Current budget surplus

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
£ bn	19.6	20.5	9.4	-13.9	-21.1	-11	-5
% of GDP	2.1	2.1	0.9	-1.3	-1.9	-0.9	-0.4

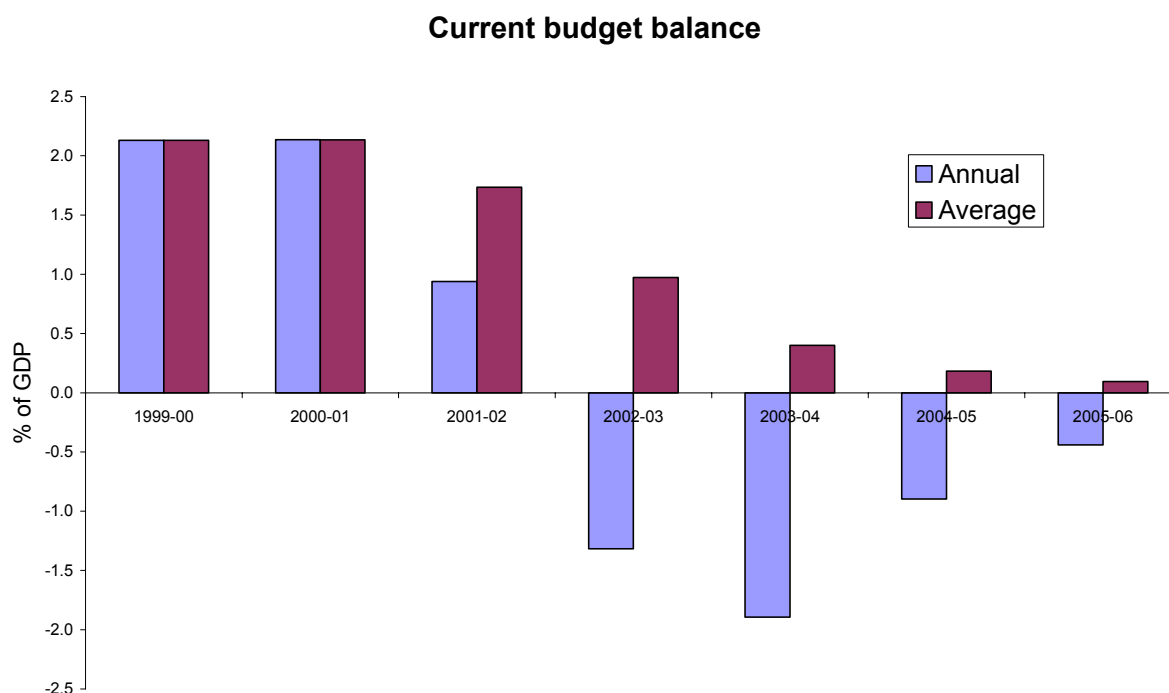
Source: HM Treasury, *Public Finances databank*

The chart below shows both the annual current budget balance and the average over the current cycle. It shows the surpluses early in the cycle followed by deficits in 2002-03 and 2003-04. These deficits are forecast to fall in the current financial year (2004-05) and next year. The chart also shows the average annual surplus over the cycle. The surpluses recorded at the beginning of the cycle mean that the average remains positive. However, the deficits recorded from 2002-03 onwards mean that the average falls significantly and will only be 0.1% of GDP by 2005-06.

³ HM Treasury, *Budget 2004*, HC 301, March 2004, para 2.7.

⁴ HM Treasury, *Budget 2004*, HC 301, March 2004, Table 2.6.

⁵ HM Treasury, *Budget 2004*, HC 301, March 2004, para 2.56.



Public finance figures for October 2004 were published on 18 November. These show that in the current financial year to date the public sector current budget was in deficit by £17.2bn, £1.6bn higher than the same time last year. The Treasury, however, is forecasting that the deficit will fall to £11bn compared with £21.1bn in 2003-04.

Commenting on these figures, the Institute for Fiscal Studies said:

On current trends, the Chancellor is on course to break his golden rule over the present economic cycle.⁶

Ernst and Young's Item Club said:

... the Golden Rule is still likely to be broken next year. The Treasury will begin the cycle with a large structural deficit and the method it uses for assessing the Golden rule will add urgency to the need to raise taxes after the election.⁷

⁶ IFS, *IFS analysis of today's public finance figures*, 18 November 2004.
http://www.ifs.org.uk/press/pubfin_nov04.pdf

⁷ Ernst and Young Item Club, *Economic Update*, November 2004.
[http://www.ey.com/global/download.nsf/UK/Economic_Outlook_for_Business_-_update_11_04/\\$file/EY_ITEM_Economic_Outlook_Nov_04.pdf](http://www.ey.com/global/download.nsf/UK/Economic_Outlook_for_Business_-_update_11_04/$file/EY_ITEM_Economic_Outlook_Nov_04.pdf)

PricewaterhouseCoopers' (PwC) November 2004 *Economic Outlook* said:

If our tax revenue projections prove to be accurate, the Golden Rule may be narrowly missed over the current economic cycle (defined here as 1999/2000 to 2005/6), but only by a tiny margin.⁸

PwC argue, however, that there is no immediate crisis in the public finances and no need for immediate tax increases. Tax increases or deceleration in public spending may, however, be needed in the longer term.

These commentators tend to be less optimistic than the Treasury about government revenue and corporation tax in particular. The Budget forecast is for corporation tax receipts to increase by 21.6% in 2004-05. Over the first seven months of the year, they are 12.5% higher than the same period last year.⁹

Some have suggested that an option for the Treasury might be to change its view on the year in which the current economic cycle will end. The Bank of England's November *Inflation Report* argued that "companies are close to, or even above, their normal levels of capacity utilisation."¹⁰ This compares with the Treasury forecast that the output gap will close by early 2006. Moving the end of the cycle to this year would remove the deficit forecast for 2005-06 from the calculation making it easier to stay within the golden rule during the current cycle. It would however, make adherence to the rule more difficult over the *next* cycle as it would start with a deficit.

In addition to updating the Treasury's public finance forecasts, the Pre-Budget Report is expected to announce a number of other measures. Press reports indicate that the Chancellor may announce measures to combat corporate tax avoidance. According to the *Financial Times*, the Treasury may also publish a document on incentives for small businesses and announce measures on science and innovation and on childcare.¹¹

Dominic Webb
Economic Policy and Statistics Section

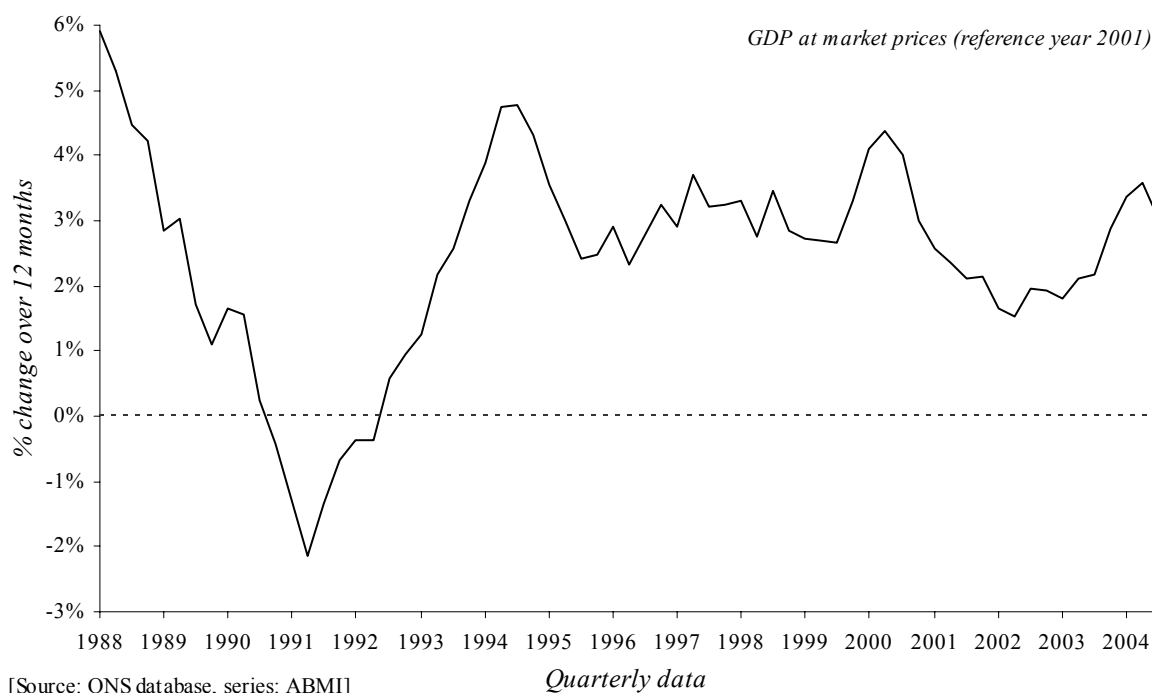
⁸ PricewaterhouseCoopers, *Economic Outlook*, November 2004.
http://www.pwc.com/uk/eng/ins-sol/publ/ukoutlook/pwc_November04.pdf

⁹ IFS, *IFS analysis of today's public finance figures*, 18 November 2004.
http://www.ifs.org.uk/press/pubfin_nov04.pdf

¹⁰ Bank of England, *Inflation Report*, November 2004 p41.
<http://www.bankofengland.co.uk/inflationreport/irlatest.htm>

¹¹ "Brown to boost crackdown on corporate tax avoidance", *Financial Times*, 29 November 2004.

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	284.5	5.9	3.4
Q2	288.7	6.1	3.6
Q3	..	..	3.0

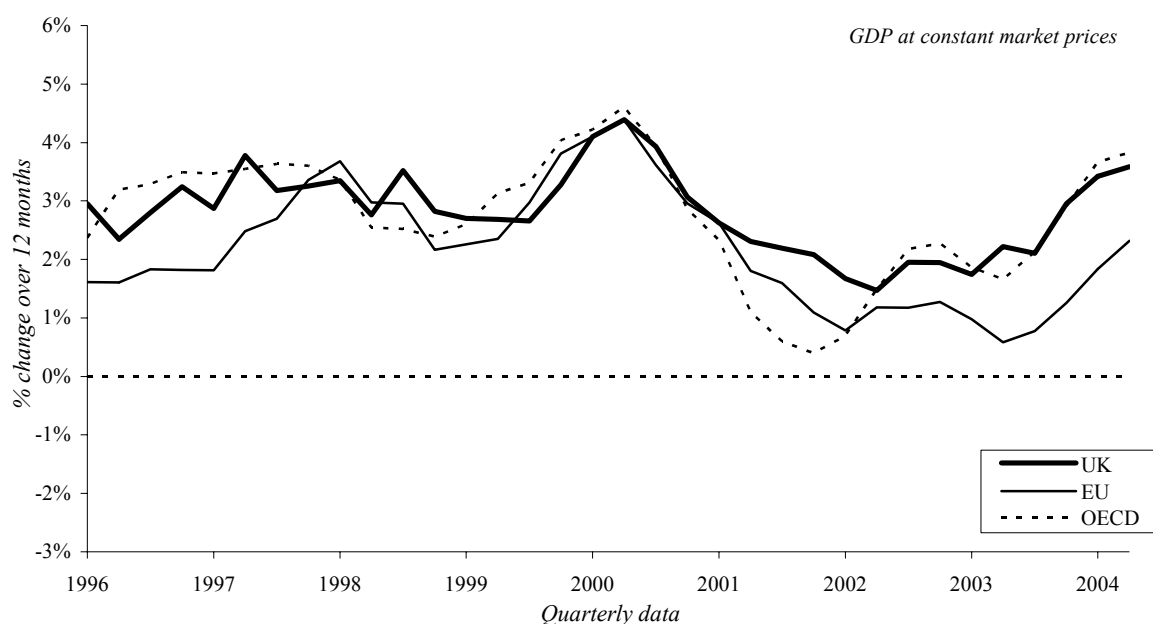
Source: ONS database, series: YBHA, ABMI

- The UK economy is 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 3.6%.
- Preliminary estimates for Q3 2004 for growth on the chained measure are 0.4% compared with Q2 2004, and 3.0% compared Q3 2003.
- The Treasury's average of independent economic forecasts in November for GDP growth is of 3.2% in 2004, down slightly from 3.3% in the previous month. The forecast for 2005 is unchanged at 2.5%.

Contact: Ian Townsend, x3977

Updates: HM Treasury, *Forecasts for UK Economy*, 15 Dec
ONS, *Quarterly National Accounts*, 26 Jan 2005

A2: GDP: International Comparisons



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

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter				
					2003			2004	
	2000	2001	2002	2003	Q2	Q3	Q4	Q1	Q2
USA	3.6	0.5	2.2	3.1	1.1	1.8	1.0	1.1	0.8
Japan	2.9	0.4	-0.3	2.5	1.1	0.6	1.9	1.5	0.4
Canada	5.3	1.8	3.4	2.0	-0.2	0.3	0.8	0.7	1.1
United Kingdom	3.8	2.3	1.8	2.2	0.8	0.8	1.1	0.6	0.9
Germany	2.9	0.8	0.2	-0.1	-0.2	0.2	0.3	0.5	0.4
France	4.1	2.2	1.0	0.6	-0.5	0.8	0.5	0.9	0.7
Italy	3.0	1.8	0.3	0.3	-0.2	0.5	0.0	0.5	0.3
Eurozone	3.6	1.7	1.0	0.5	-0.2	0.5	0.4	0.7	0.5
G7	3.5	0.9	1.4	2.2	0.6	1.2	1.0	1.0	0.7
OECD	3.8	1.0	1.8	2.1	0.6	1.1	1.0	0.9	0.7

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

- The latest data show that the largest economies recorded positive growth into the second quarter of 2004.

- Recent growth in the eurozone has been weaker than growth in OECD countries and the G7. Eurozone growth in the second quarter of 2004 fell to 0.5%. Growth in the G7 slowed further to 0.7% in the second quarter of 2004. OECD growth also fell to 0.7% in the second quarter of 2004.

OECD growth forecasts

% change on year

	2004	2005
USA	4.7	3.7
Japan	3.0	2.8
United Kingdom	3.1	2.7
Eurozone	1.6	2.4
OECD	3.4	3.3

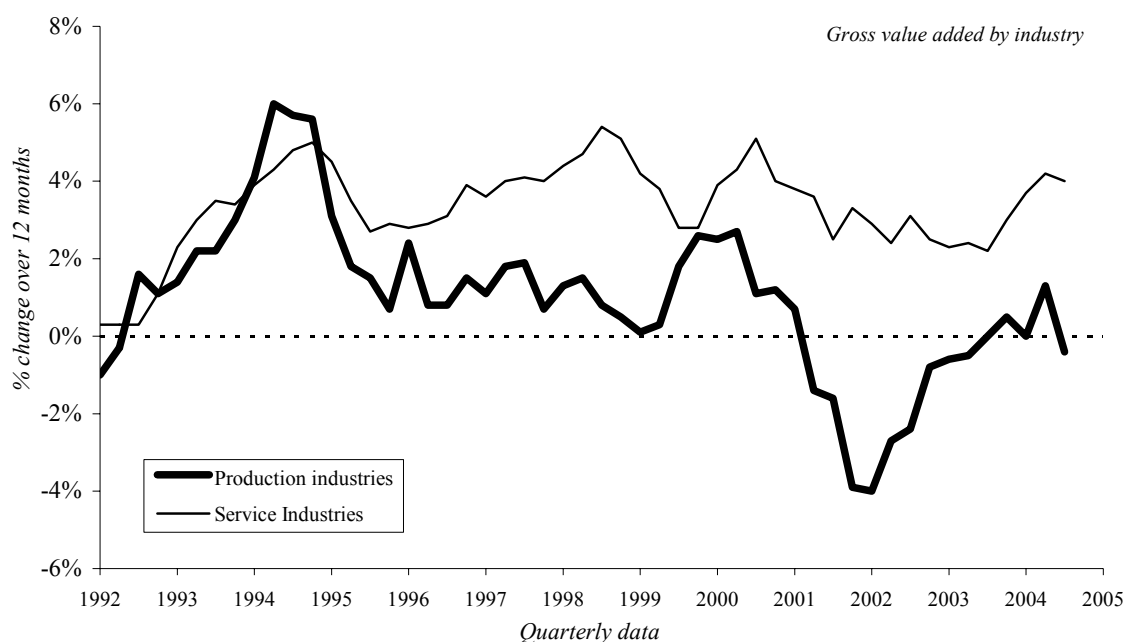
Source: OECD, *Economic Outlook*, Jun 2004

Contact: Edward Beale, x2464

Update: OECD, *Main Economic Indicators*, mid-Dec

A3: Gross Domestic Product by Industry

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



[Source: ONS 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 4.0%. Between the second quarter of 2004 and the third quarter of 2004 annual output growth in the service sector decreased by 0.2%.

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 Q3	0.0	0.2	2.2	-3.1	6.5
Q4	0.5	1.7	3.0	-1.6	6.4
2004 Q1	0.0	1.2	3.7	0.2	7.5
Q2	1.3	2.1	4.2	0.0	4.6
Q3	-0.4	0.5	4.0	-0.7	2.6

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

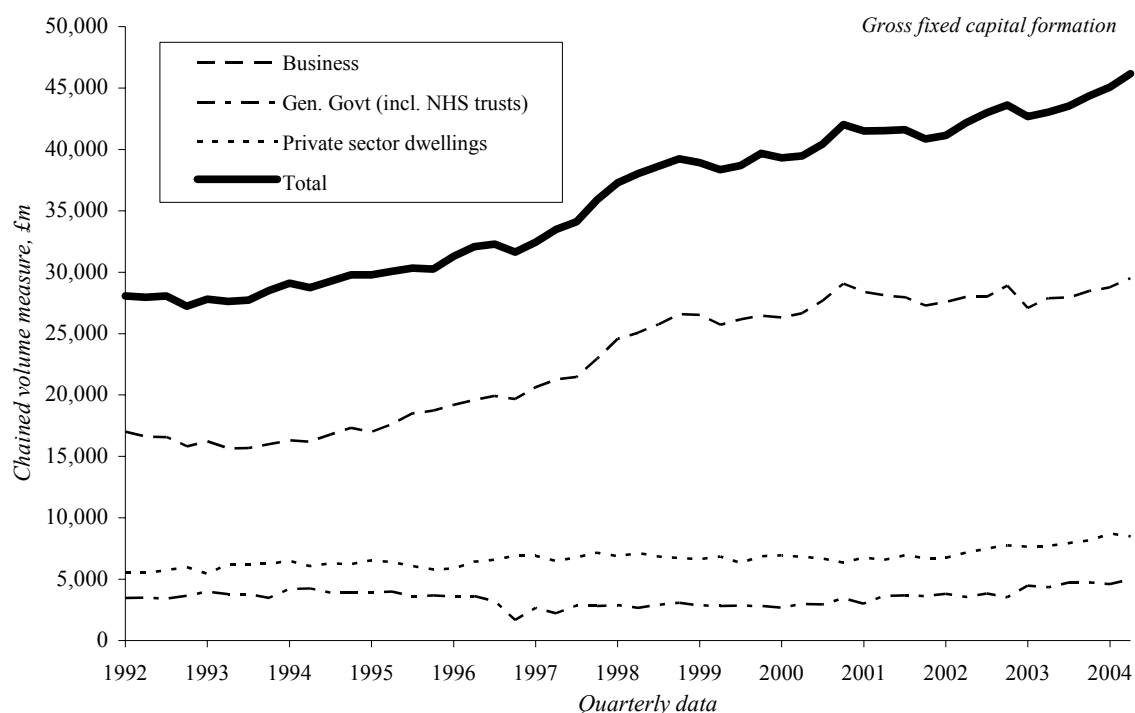
- Manufacturing output growth (annual) was 0.5% in the third quarter of 2004, and manufacturing output increased by 0.4% overall in 2003.
- In 2003, services accounted for 73% of gross value added, manufacturing for 16%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *Quarterly National Accounts – Q3*, 23 Dec

A4: Investment

Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings. The total figures in shown in the graph are not the sum of the individual series shown.



[Source: ONS database: series DFEA, DLWF, NPEL, NPQT]

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 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	3,599	14,889	15,453	9,622	1,511	45,074
Q2	3,780	15,333	16,007	9,514	1,543	46,177

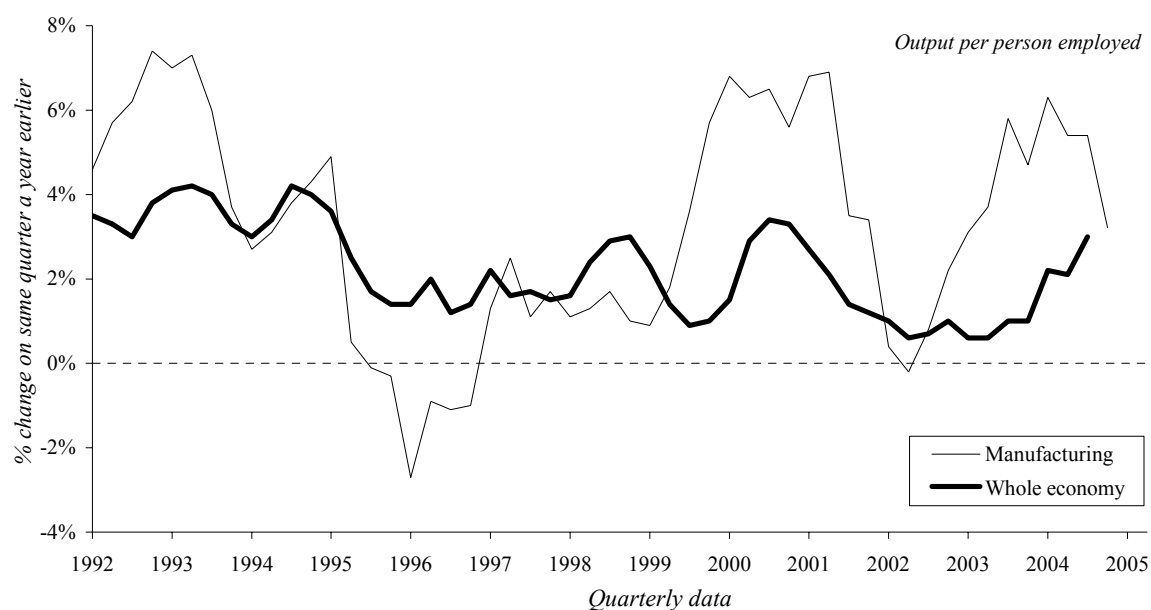
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 0.1% in Q3 2004 compared with the previous quarter, and by 5.7% compared with Q3 2003 on a seasonally adjusted basis.
- Total manufacturing investment fell by 1.2% in Q3 2004 compared with the previous quarter, while investment in private sector services increased by 1.0% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Updates: ONS, *Business Investment*, 22 Dec

A5: Productivity



Productivity

% changes on year; seasonally adjusted

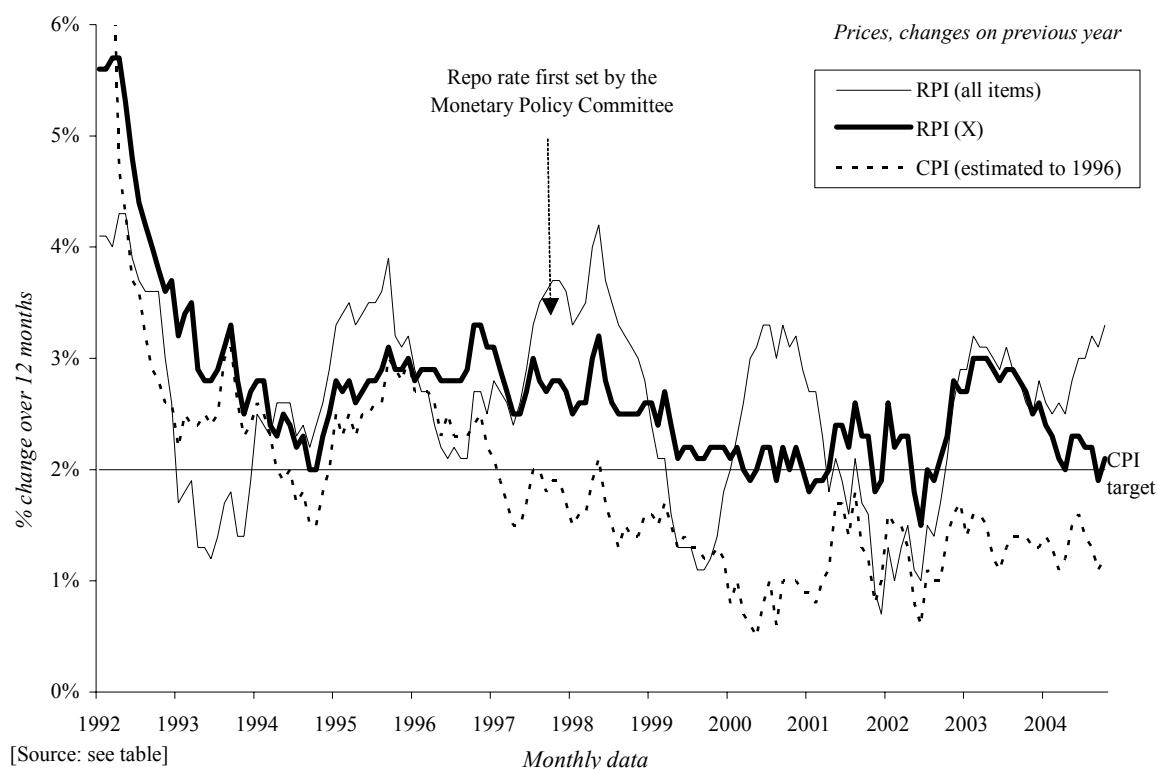
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2000	2.4	-3.7	6.3	3.9	0.8	3.1
2001	-1.3	-4.7	3.5	2.1	0.6	1.4
2002	-3.1	-4.4	1.5	1.5	0.7	0.7
2003	0.4	-4.5	5.0	1.9	0.8	1.2
2003 Q2	0.7	-4.8	5.8	1.9	0.8	1.0
Q3	0.2	-4.4	4.7	1.9	0.8	1.0
Q4	1.7	-4.3	6.3	2.6	0.3	2.2
2004 Q1	1.2	-3.9	5.4	3.1	0.9	2.1
Q2	2.1	-3.2	5.4	3.5	0.5	3.0
Q3	0.5	-2.6	3.2	3.0	..	..

Source: ONS 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 5.1%.
- Productivity growth in manufacturing decreased from 5.4% per annum in Q2 2004 to 3.2% per annum in Q3 2004, while whole economy productivity growth increased from 2.1% per annum in Q1 2004 to 3.0% per annum in Q2 2004.
- For the economy as a whole, productivity growth has averaged 1.4% per annum over the last eight quarters.
- Improvements in the methodology applied to productivity statistics were implemented by the Office for National Statistics in late July 2004.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 23 Dec

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 October 2004 the consumer prices index (CPI) showed inflation at 1.2%, up from 1.1% in September.
- The largest upward effects on the CPI came from housing and household services. This was mainly due to the recent rise in the cost of energy. Other large upward contributions came from fuels and lubricants, package holidays, and vegetables.
- The former headline (all items RPI) rate of inflation rose to 3.3% in October from 3.1% in September. The underlying RPI(X) rate rose from 1.9% in September to 2.1% in October.
- The largest upward effect on the RPI came from housing. Another upward contribution came from fuel and light, reflecting domestic electricity and gas price increases. A small downward effect came from fares and other travel costs.

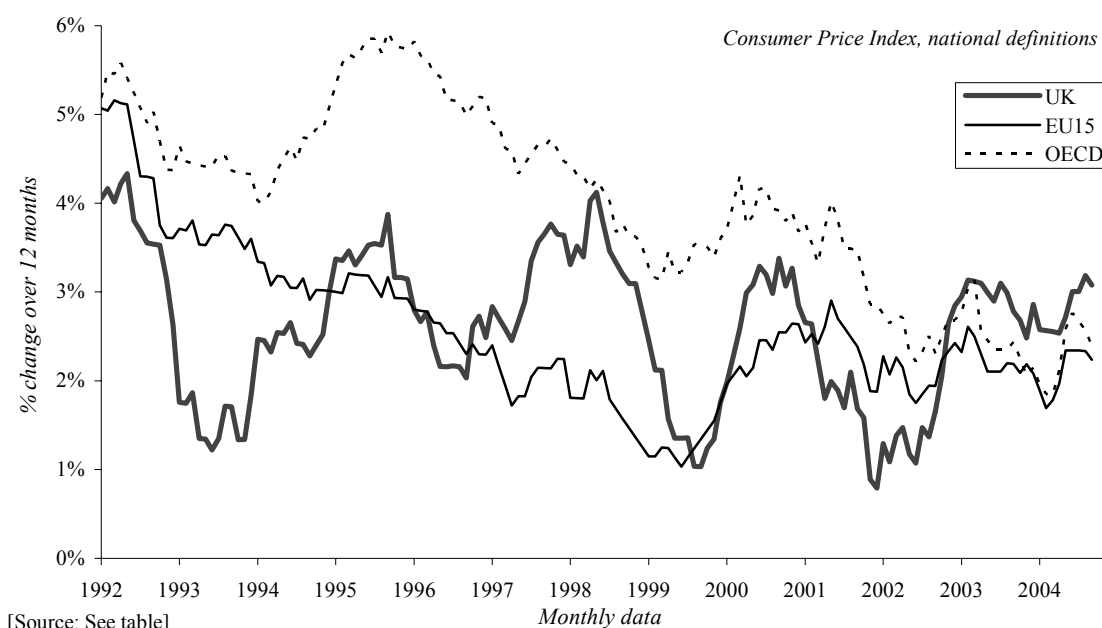
Price Indices

% 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 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
Aug	1.3	3.2	2.2
Sep	1.1	3.1	1.9
Oct	1.2	3.3	2.1

Source: ONS 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 was 2.6% in September, the same as in August.
- For all OECD countries the average inflation rate fell to 2.4% in September 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) fell to 2.2%.

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 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
Jul	3.0	-0.1	2.3	3.0	2.7
Aug	2.6	-0.2	1.9	3.2	2.6
Sep	2.6	0.0	1.8	3.1	2.4

Source: OECD, Main Economic Indicators, Nov 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 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
Aug	2.5	2.1	2.4	1.3	2.3
Sep	2.2	1.9	2.1	1.1	2.1
Oct	2.3	2.2	2.1	1.2	2.4

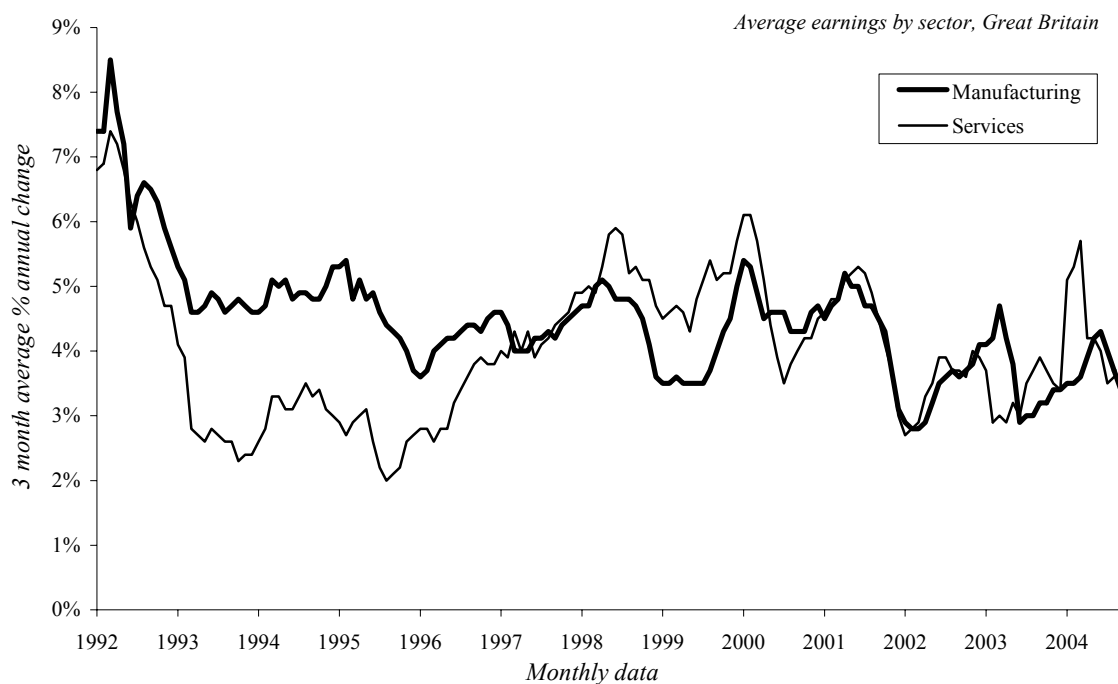
Source: Eurostat, Euro-Indicators news release, 17 Nov 2004

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

- Eurozone annual inflation rose to 2.4% in October 2004. The “flash” estimate for November is 2.2%.
- The HICP inflation rates for the EU15 Member States not in the eurozone were Denmark (1.0%), Sweden (1.2%) and the UK (1.2%).
- In October the eurozone countries with the highest HICP annual inflation rates were Greece and Luxembourg (3.0%) and Spain (2.9%). The lowest rate was in Finland (0.3%).

Contact: Bryn Morgan, x4904

Updates: OECD, *Main Economic Indicators*, mid-Dec
Eurostat, *Euro-indicators news release*, 16 Dec

B3: Average Earnings Index

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

- The headline rate of growth in average earnings for the whole economy in September was 3.7%, down from 3.8% in August.
- Headline average earnings growth in manufacturing was 3.4% in September (down from 3.7% in August). Earnings growth in the service sector was 3.6% in September. This was unchanged from the previous month.
- Headline earnings growth in the private sector was 3.6% in September, compared with 4.2% in the public sector. Earnings growth in the public sector remained unchanged from the previous month. Earnings growth in the private sector fell from 3.7% in August.
- Earnings are currently growing faster than they were a year ago (the headline rate in September 2003 was 3.6%).

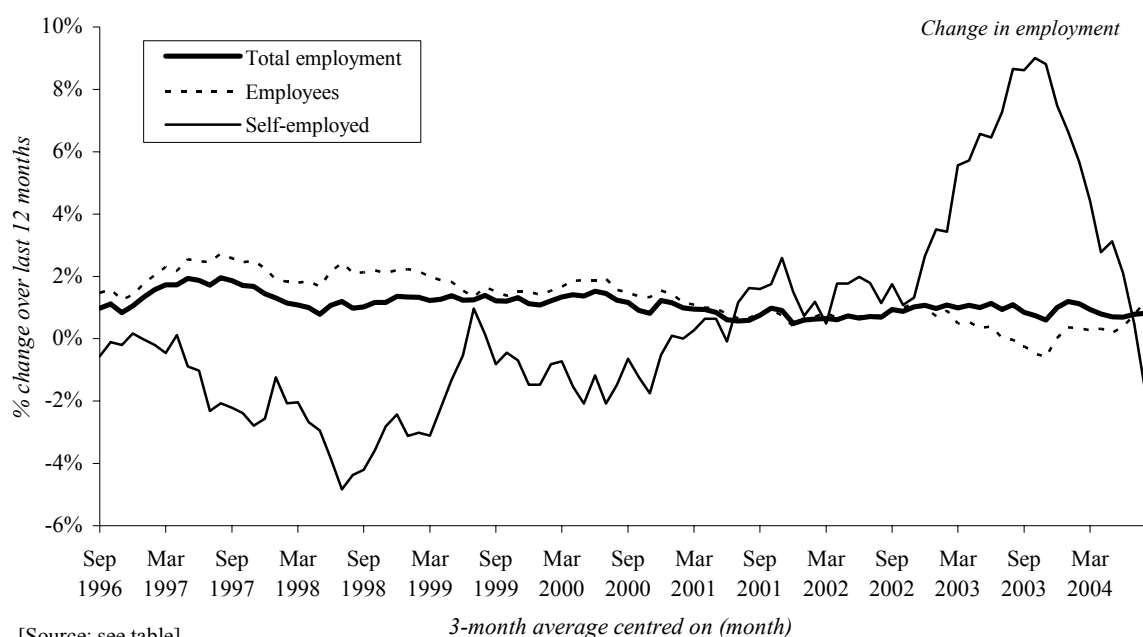
Average Earnings, Great Britain

% change on year; seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2000 Sep	4.1	4.3	3.4
2001 Sep	4.6	4.4	5.7
2002 Sep	3.7	3.7	3.5
2003 Sep	3.6	3.1	5.6
Oct	3.6	3.1	5.4
Nov	3.5	3.2	4.8
Dec	3.4	3.2	4.4
2004 Jan	4.8	4.9	4.2
Feb	5.0	5.2	4.3
Mar	5.3	5.6	4.3
Apr	4.2	4.3	4.3
May	4.3	4.3	4.3
Jun	4.2	4.2	4.4
Jul	3.8	3.7	4.2
Aug	3.8	3.7	4.2
Sep	3.7	3.6	4.2

Source: ONS 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 Aug	27,542	24,019	3,258	114	151
2001 Aug	27,705	24,177	3,311	95	122
2002 Aug	27,896	24,357	3,349	91	98
2003 Aug	28,200	24,349	3,639	104	108
2003 Nov	28,225	24,353	3,670	96	106
2004 Feb	28,425	24,574	3,631	107	114
2004 May	28,376	24,488	3,664	101	122
2004 Aug	28,431	24,637	3,579	88	127
<i>Changes (%):</i>					
on last 3 months	0.2	0.6	-2.3	-13.6	4.4
on last year	0.8	1.2	-1.6	-15.6	18.0

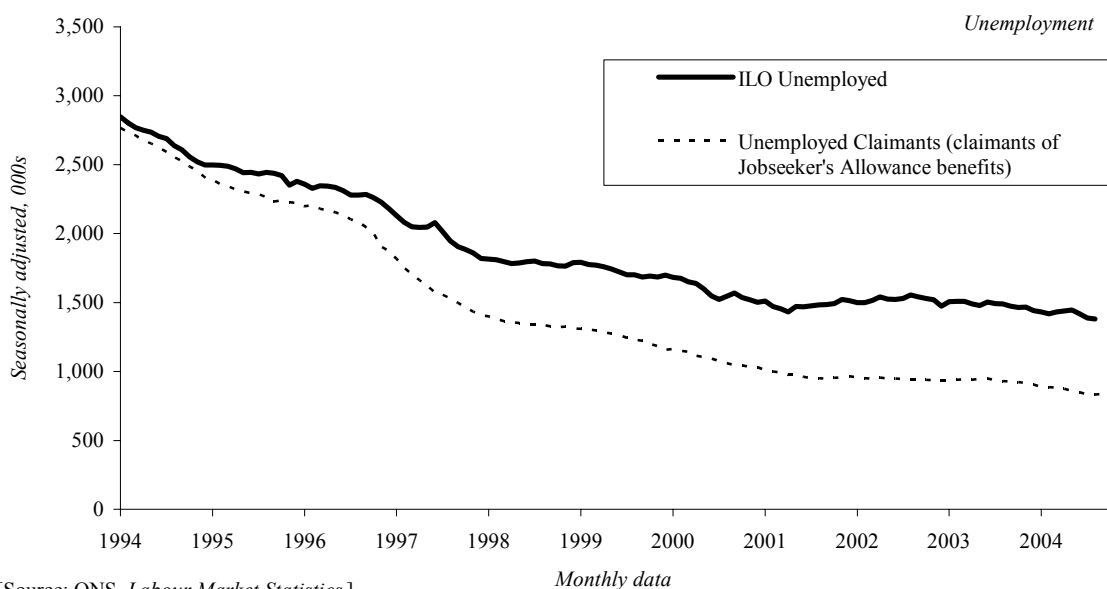
Source: ONS, *Labour Market Statistics*, 17 November 2004

- Total employment was 28.4 million in the period July to September 2004, 0.8% higher than a year previously. The working age employment rate of 74.7% was 0.1% higher than the previous quarter and 0.2% higher than a year ago.
- The number of workforce jobs increased by 10,000 between March and June 2004 and was 199,000 higher than a year previously. Over the year to June, the number of production industry workforce jobs fell by 90,000. Service sector jobs rose by 193,000.
- 7.4 million people were in part-time employment in the period July to September 2004, of whom 5.7 million were women. 3.6 million people were self-employed.

Contact: Dominic Webb, x4324

Updates: ONS, *Labour Market Statistics*, 15 Dec

C2: Unemployment: National



[Source: ONS, *Labour Market Statistics*]

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

- The latest LFS estimates show that over the period July to September 2004, the level of ILO unemployment in the UK was 1,380,000 (seasonally adjusted). This was a decrease of 109,000 from the period July to September 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, rose by 1,000 between September and October 2004 to 837,000.

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

- 1,160,000 people had joined the scheme by the end of June 2004. Of those leaving the scheme 518,000 had moved into jobs up to the end of June, of which 401,000 (77%) were 'sustained', i.e. those who had not returned to claim Jobseekers' Allowance (JSA) within three months of starting employment.

The New Deal for the Long-Term Unemployed started in June 1998 and an enhanced scheme was introduced in April 2001.

- Overall 722,000 people had joined the scheme by the end of June 2004. Of these, 195,000 had entered jobs of which 152,000 (78%) were sustained.

ILO Unemployment in the UK seasonally adjusted

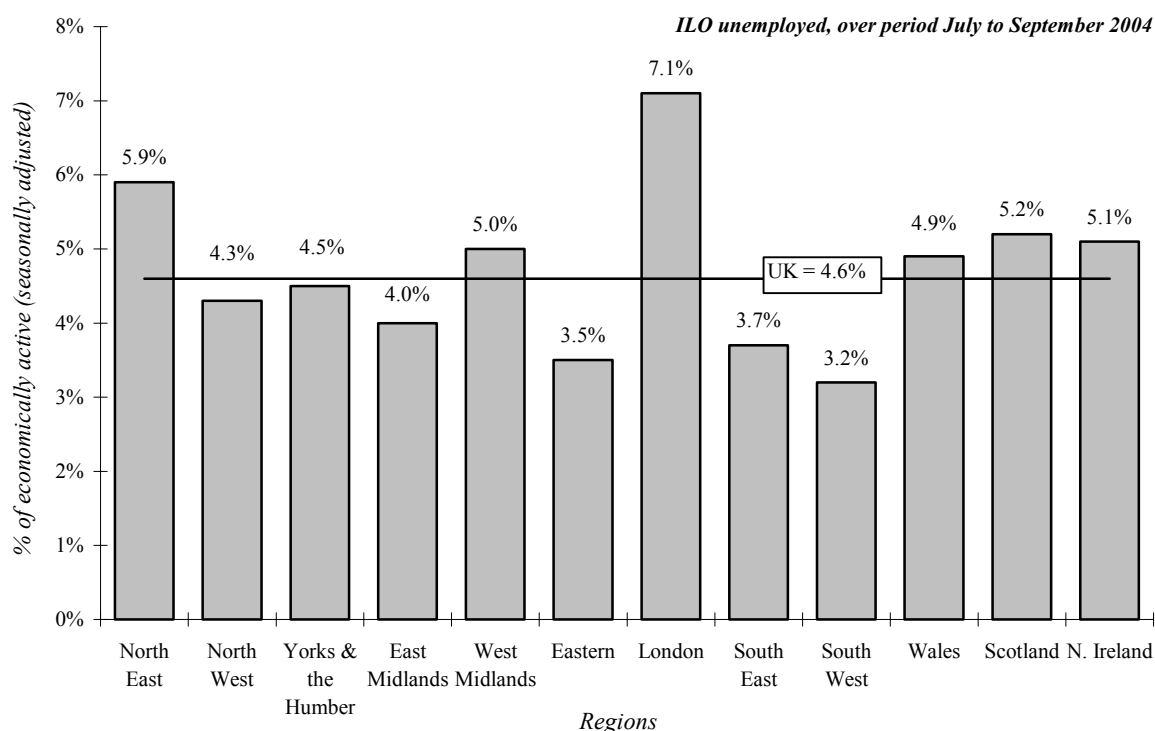
		'000s	rate (%)
1998	Apr - Jun	1,788	6.3
	Jul - Sep	1,783	6.2
	Oct - Dec	1,763	6.1
1999	Jan - Mar	1,775	6.2
	Apr - Jun	1,743	6.0
	Jul - Sep	1,702	5.9
2000	Oct - Dec	1,684	5.8
	Jan - Mar	1,675	5.8
	Apr - Jun	1,599	5.5
2001	Jul - Sep	1,545	5.3
	Oct - Dec	1,521	5.2
	Jan - Mar	1,472	5.1
2002	Apr - Jun	1,472	5.0
	Jul - Sep	1,483	5.1
	Oct - Dec	1,523	5.2
2003	Jan - Mar	1,500	5.1
	Apr - Jun	1,526	5.2
	Jul - Sep	1,554	5.3
2004	Oct - Dec	1,521	5.1
	Jan - Mar	1,509	5.1
	Apr - Jun	1,478	5.0
2004	Jul - Sep	1,489	5.0
	Oct - Dec	1,467	4.9
	Jan - Mar	1,419	4.8
2004	Apr - Jun	1,446	4.8
	Jul - Sep	1,380	4.6

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Update: ONS, *Labour Market Statistics*, 15 Dec;
New Deal, 15 Dec

C3: Unemployment: Regional



[Source: ONS, *Labour Market Statistics*]

Since April 1998, the Office for 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 July to September 2004 London had the highest unemployment rate, 7.1% of the economically active population. The lowest rate over the same period was 3.2% in the South West.
- A comparison of July to September 2004 with the same period a year earlier shows that the largest fall (14%) in unemployment occurred in the West Midlands. Wales showed the largest increase (5%) over the period.

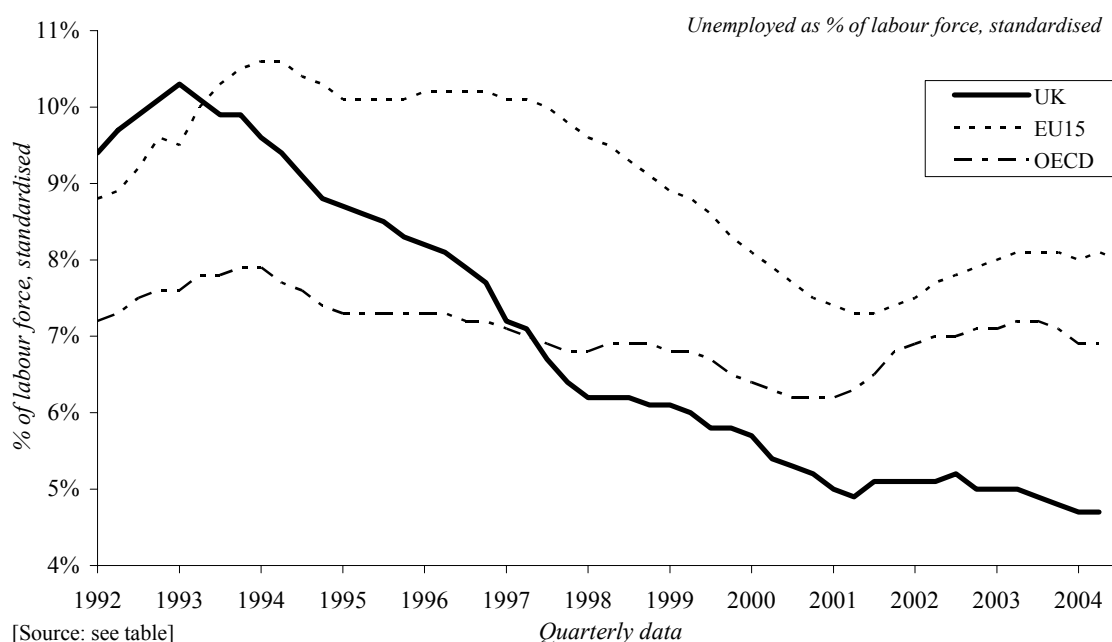
ILO Unemployment, July to September 2004

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

	Number (rounded)	%
North East	-8,000	-10
North West & Merseyside	-17,000	-11
Yorkshire & the Humber	-8,000	-7
East Midlands	-11,000	-11
West Midlands	-22,000	-14
Eastern	-10,000	-9
London	-7,000	-3
South East	-8,000	-5
South West	1,000	1
Wales	3,000	5
Scotland	-13,000	-9
Northern Ireland	-5,000	-12

Source: ONS, *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	Q3
USA	4.7	5.8	6.0	5.8	6.1	6.1	5.9	5.6	5.6	5.5
Japan	5.0	5.4	5.3	5.4	5.4	5.2	5.1	4.9	4.6	4.8
Canada	7.2	7.7	7.6	7.5	7.7	7.9	7.5	7.4	7.2	7.1
UK	5.0	5.1	5.0	5.0	5.0	4.9	4.8	4.7	4.7	..
Germany	7.8	8.7	9.6	9.5	9.7	9.7	9.6	9.6	9.8	9.9
France	8.4	8.9	9.4	9.2	9.4	9.5	9.6	9.6	9.5	9.6
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	8.9	8.9
G7	5.9	6.5	6.7	6.6	6.8	6.8	6.6	6.5	6.4	6.4
OECD	6.5	7.0	7.1	7.1	7.2	7.2	7.1	6.9	6.9	..

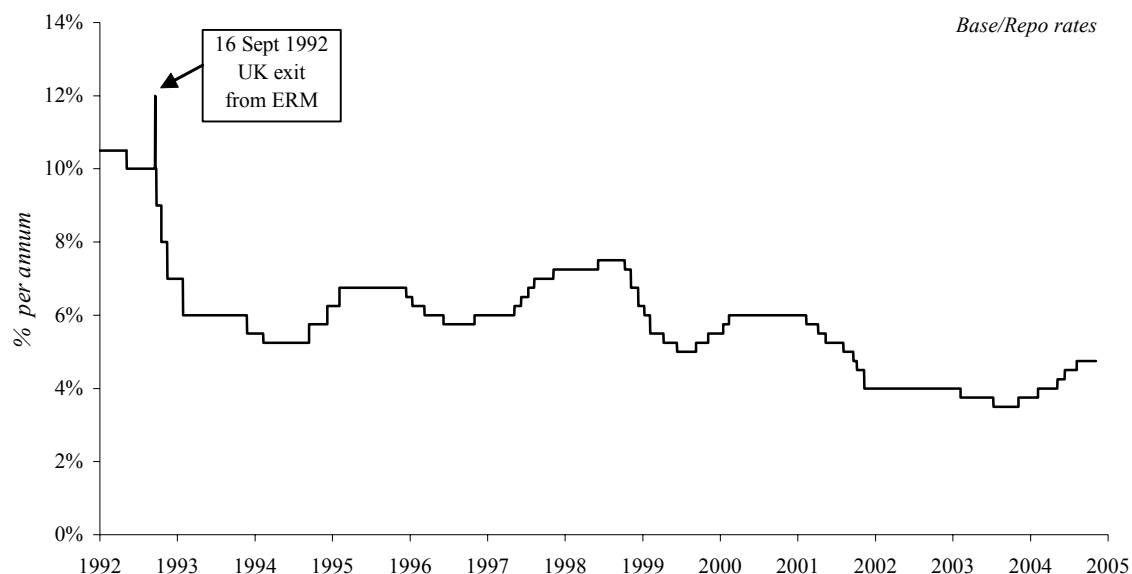
Source: OECD, *Main Economic Indicators*, November 2004

- 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 2002 and 2003 the largest fall in unemployment among G7 countries was in Italy, where it fell by 0.4 of a percentage point. The largest rise in unemployment (0.9 of a percentage point) was in Germany. The unemployment rate in all the G7 nations taken together rose by 0.2 of a percentage point.
- The most recent forecasts published by the OECD (*Economic Outlook*, 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 Dec
OECD, *Economic Outlook*, mid-Dec

D1: Interest Rates



[Source: Bank of England]

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

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%. **The Bank has since left the rate unchanged at 4.75%.** This last rise followed 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 minutes of the November's meeting note:

- Likely strong world economic growth in 2004, with some slowdown in 2005, "significant depreciation of the US dollar against most other currencies", and that oil prices while still high and volatile feel over the month.
- On the domestic front, around trend growth in Q4 2004 was expected, but with falling main prices indices, and a continuing tight labour market
- The committee voted unanimously to maintain interest rates at 4.75%.

The latest Bank *Quarterly Inflation Report* (November 2004) noted declining house price inflation. The MPC's central projection implies "that house prices may fall modestly for a period" and that oil prices will continue to be high.

UK Base/Repo rate changes

% per annum

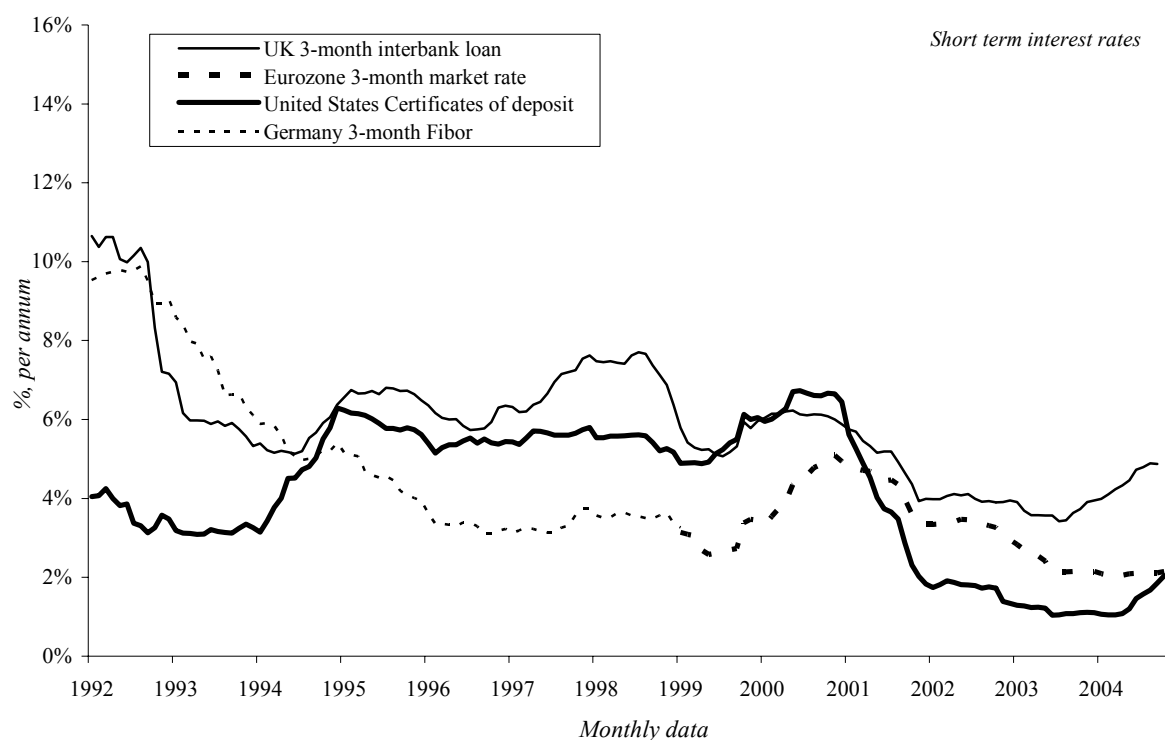
Date	New rate	Date	New rate
1997 May 6	6.25	2001 Feb 8	5.75
Jun 6	6.50	Apr 5	5.50
Jul 10	6.75	May 10	5.25
Aug 7	7.00	Aug 2	5.00
Nov 6	7.25	Sep 18	4.75
1998 Jun 4	7.50	Oct 4	4.50
Oct 8	7.25	Nov 8	4.00
Nov 5	6.75	2003 Feb 7	3.75
Dec 10	6.25	Jul 10	3.50
1999 Jan 7	6.00	Nov 6	3.75
Feb 4	5.50	2004 Feb 5	4.00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

Contact: Ian Townsend, x3977

Update: *Next Decision*, 9 Dec; *Minutes*, 22 Dec
Quarterly Inflation Report, 16 Feb 2005

D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Nov 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. The rate has remained at 2% since then.
- On 10 November 2004, the US Federal Reserve increased the Federal Funds Rate by 0.25% to 2%, following a previous 0.25% increase on 21 September 2004. There were also 0.25% increases on 10 August 2004 and 30 June 2004.

International interest rates

% per annum, as at end November 2004 (except US interest rate)

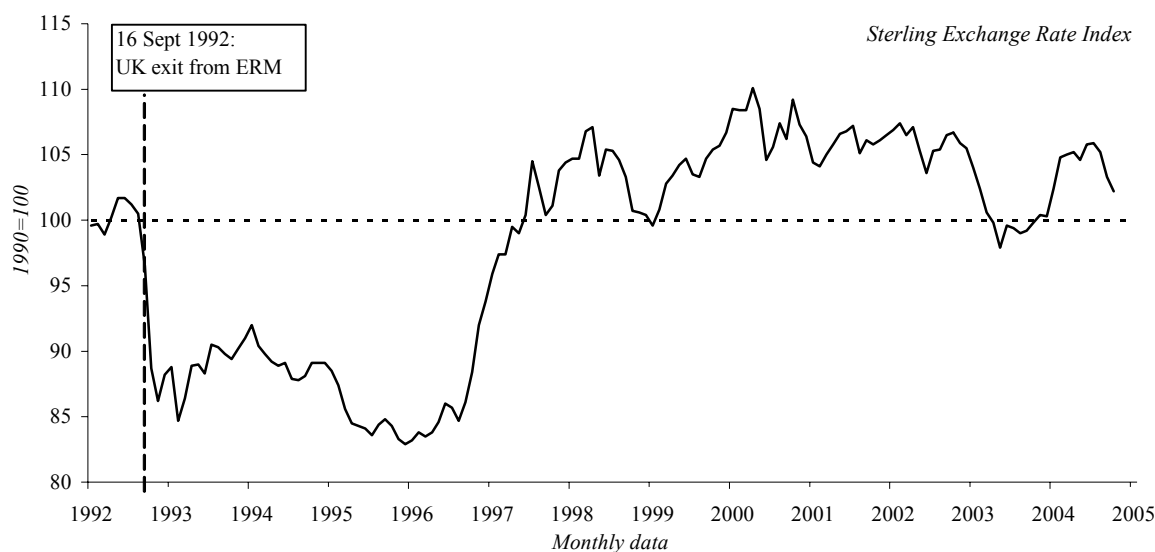
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.75	4.59	$4 \frac{7}{8} - 4 \frac{3}{4}$
Eurozone	2.00	n/a	$2 \frac{3}{16} - 2 \frac{1}{8}$
United States	2.00	4.36	$2 \frac{13}{32} - 2 \frac{11}{32}$
Japan	0.00	1.45	$\frac{1}{32} - \frac{1}{32}$
Switzerland	0.00-0.75	2.32	$\frac{3}{4} - \frac{21}{32}$

Source: *Financial Times*, 1 December 2004 (Companies & Markets, p39)

Contact: Ian Townsend, x3977 **Updates:** *Base rates:* 9 Dec (UK MPC); 2 Dec /ECB), 14 Dec (US)
Short-term interest rates: OECD, MEI, mid-Dec

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: ONS 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 1.9 points in October 2004, suggesting that the UK was relatively less competitive at the end of October 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 €1.438 at the London market close on 30 November 2004, compared with a launch rate of €1.4168 on 31 December 1998.

Sterling Exchange Rates

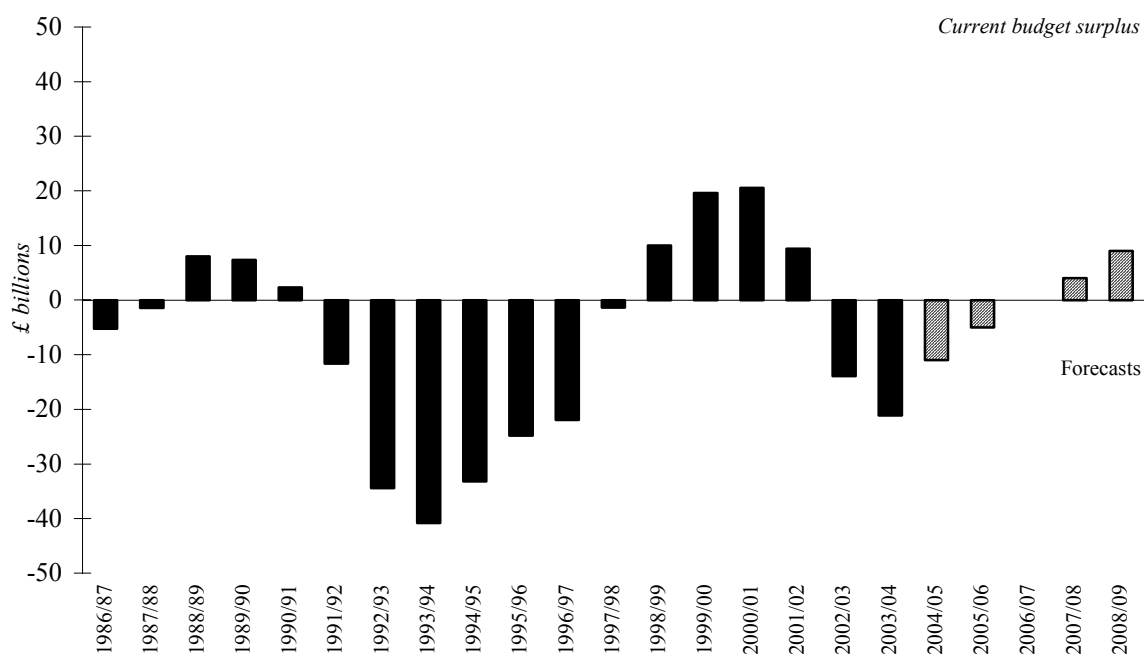
rates and % changes

	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 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
Aug	1.822	14.2	200.9	6.0	1.493	4.5
Sep	1.792	11.1	197.3	6.5	1.468	2.4
Oct	1.807	7.6	196.5	7.0	1.446	0.8

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

Contact: Edward Beale, x2464

Updates: ONS, *SERI*, mid-Dec; *Sterling Exchange Rates*, daily

D4: Public Finances

[Source: ONS database, series: ANMU]

The Government's policy is to balance the current budget over 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. These figures will be updated in the Pre-Budget Report on 2 December.

- There was a £5.9 billion deficit on the current budget in Q3 2004 compared with a £4.0 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 £7.3 billion in Q3 2004 compared with £6.0 billion in the same quarter of 2003. In 2003/04, the PSNCR was £39.7 billion compared with £24.8 billion in 2002/03.

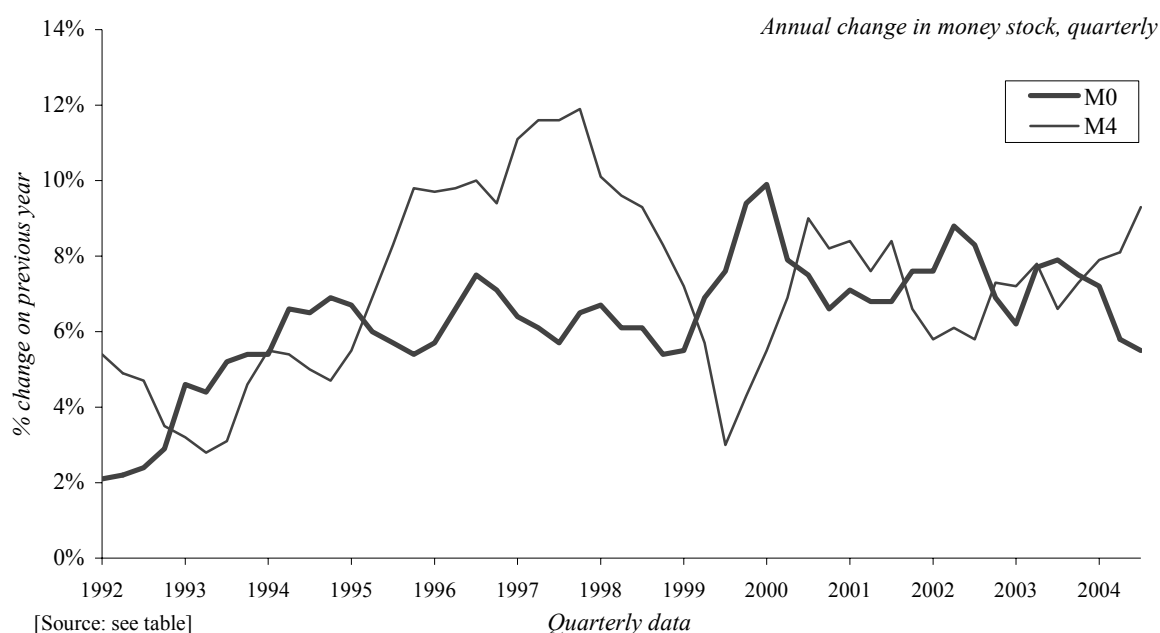
Public Sector Net Debt

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2000/01	307.2	31.3
2001/02	311.7	30.2
2002/03	341.9	31.5
2003/04	375.7	32.8
2003 Q3	355.7	31.9
Q4	375.3	33.1
2004 Q1	375.7	32.8
Q2	388.6	33.5
Q3	394.8	33.6

Source: ONS 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 Nov	5.7	8.0	11.0	7.1
Dec	4.5	7.2	10.0	7.3
2004 Jan	5.9	7.6	14.2	8.8
Feb	3.1	6.8	10.5	8.5
Mar	6.9	7.1	8.7	8.0
Apr	5.6	5.7	6.0	7.4
May	7.1	5.3	9.3	8.4
Jun	7.4	6.4	9.9	8.1
Jul	6.1	5.6	11.6	9.2
Aug	4.6	5.1	9.5	10.1
Sep	4.4	5.8	8.2	9.2
Oct	5.7	5.8	7.6	9.8
Nov	5.9	5.2	..	..

Sources: Bank of England, *Bankstats* and *Provisional estimates of narrow money November 2004*

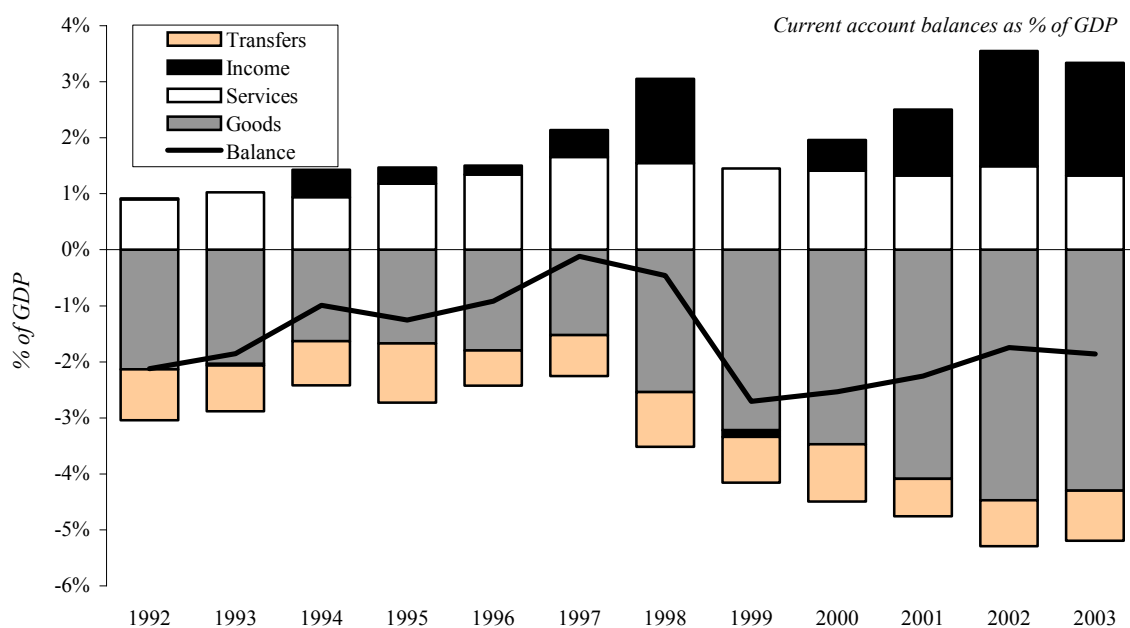
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 9.8% in the 12 months to October 2004. The 12-month seasonally adjusted M0 growth rate was 5.2% in November 2004, compared to 8.0% in November 2003.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

Update: Bank of England, *Bankstats*, 4 Jan

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 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	-14,303	4,302	-10,001	7,463	-2,035	-904	-2,939	-5,477
Q2	-14,544	4,558	-9,986	6,028	-1,791	-683	-2,474	-6,432

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

- The current account deficit in 2003 was £20.4 billion, compared with a revised deficit for 2002 of £18.2 billion. Although income increased, the deficit on goods and services widened by £0.6 billion between 2002 and 2003.
- The current account was in deficit by £6.4 billion in Q2 2004, an increase of £1.0 billion over the first quarter. The surplus on investment income fell by £1.4 billion and the deficit in trade on goods and services was stable.
- The current account deficit with EU25 countries narrowed to £6.1 billion in the second quarter compared with £6.4 billion in the first quarter. The current account with non-EU countries showed a deficit of £0.4 billion in the second quarter, compared with a surplus of £0.9 billion in the first quarter.

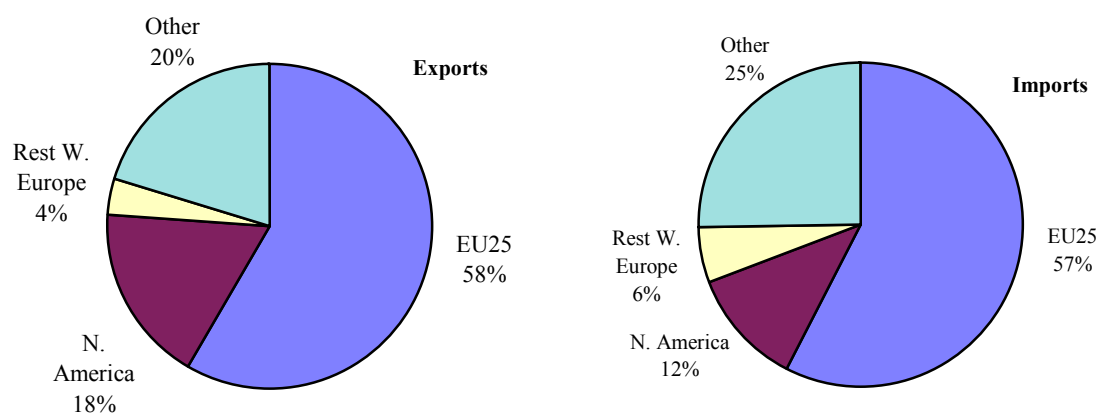
Contact: Bryn Morgan, x4904

Updates: ONS, *UK Balance of Payments: First Release*, 23 Dec

E2: Trade in Goods

Shares of UK trade in goods by area, 2003

(Balance of Payments basis)



[Source: ONS 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

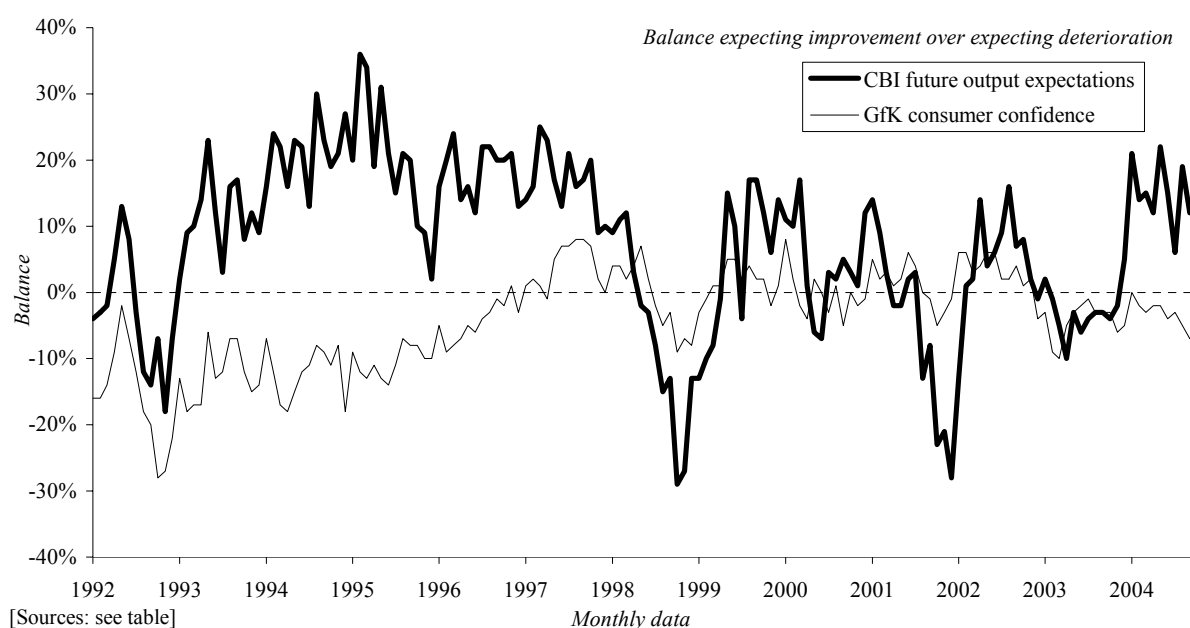
	Volume index (2001=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2000	97.4	94.8	187,936	220,912	-32,976
2001	100.0	100.0	190,055	230,703	-40,648
2002	98.3	104.1	186,517	233,192	-46,675
2003	97.8	105.6	187,846	235,136	-47,290
2003 Q3	96.5	104.6	46,377	58,401	-12,024
Q4	98.3	108.1	46,979	59,957	-12,978
2004 Q1	95.2	108.5	44,702	59,005	-14,303
Q2	97.9	110.8	46,409	60,953	-14,544
Q3	100.6	112.6	48,054	62,783	-14,729

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

- In September 2004 the balance on trade in goods is provisionally estimated at a deficit of £4.5 billion, compared with £5.2 billion for August. In September, total exports rose by 5% and imports of goods rose by ½% on the previous month to reach £16.5 billion and a record £21.1 billion respectively.
- The deficit on trade in goods with EU25 countries for the third quarter was £6.7 billion, an increase of £0.2 billion on the previous quarter. The deficit with non-EU countries widened by £0.9 billion to £8.0 billion.
- The latest estimate of the trend suggests that the whole world goods deficit is widening. The trends in value of trade show both exports and imports rising in recent months.

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 fell to +5 in November 2004. This indicator has been positive since December 2003.
- The CBI's quarterly indicator of overall business confidence in manufacturing, looking at current optimism compared with three months previously, fell to -10 in October 2004 from +5 in July.

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

- October's results show that the overall index rose slightly to -4 from -6 in October.
- The climate for making major purchases remained constant at +5, below the annual average. Expectations of future personal finances increased. The perception of whether now is a good time to save remained at +23, the highest since January 2001.

Output Expectations/Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

	Future output expectations (CBI)	Consumer confidence (GfK)
2003 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
Sep	+12	-7
Oct	+14	-6
Nov	+5	-4

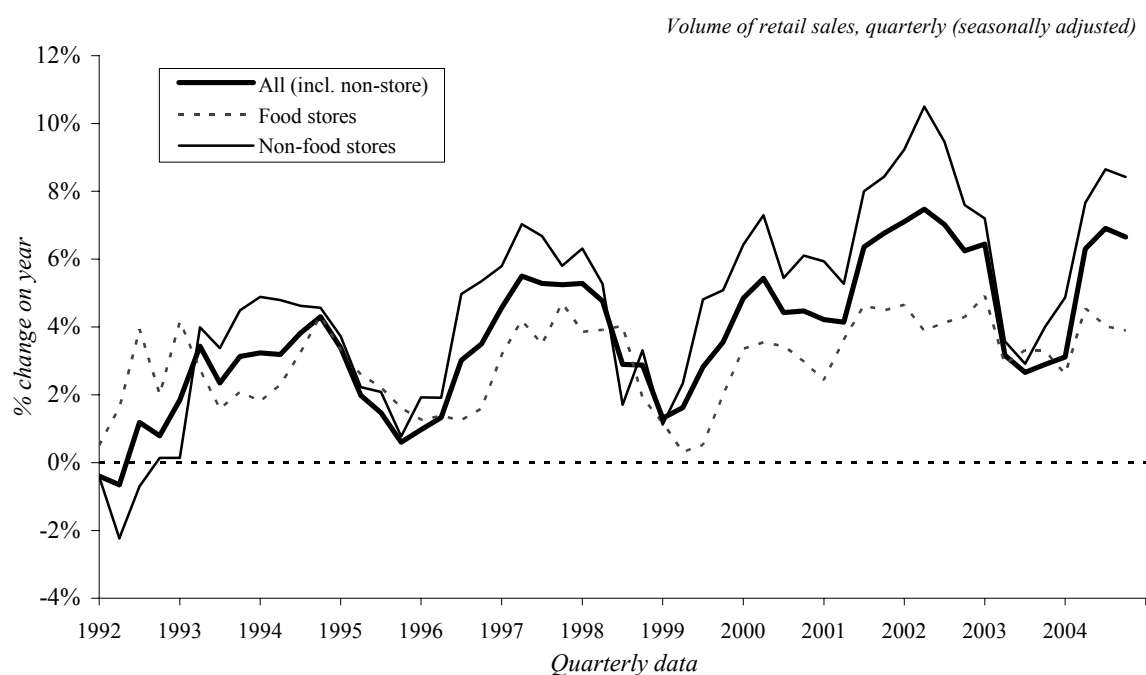
Sources: CBI, *Industrial Trends Survey* (monthly), from ONS database, series: ETCU; Martin Hamblin GfK, *Consumer Confidence Survey* on behalf of the European Commission

Contact: Bryn Morgan, x4904

Updates:

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

F2: Retail Sales



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

- The *volume* of retail sales grew by 1.2% in the three months from August to October compared with the previous three month period, and was 6.6% higher than a year previously (seasonally adjusted).
- Retail sales volumes in October 2004 were 6.0% higher than in October 2003 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 8.1% in August to October compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 4.0% 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	-1.8	2.7
2003 Q3	4.7	2.8	3.7	-3.7	2.8
Q4	3.4	0.7	6.7	-0.7	2.3
2004 Q1	3.8	3.2	7.2	6.0	4.8
Q2	3.6	5.6	4.5	10.6	6.4
Q3	3.6	4.5	7.1	9.5	4.5

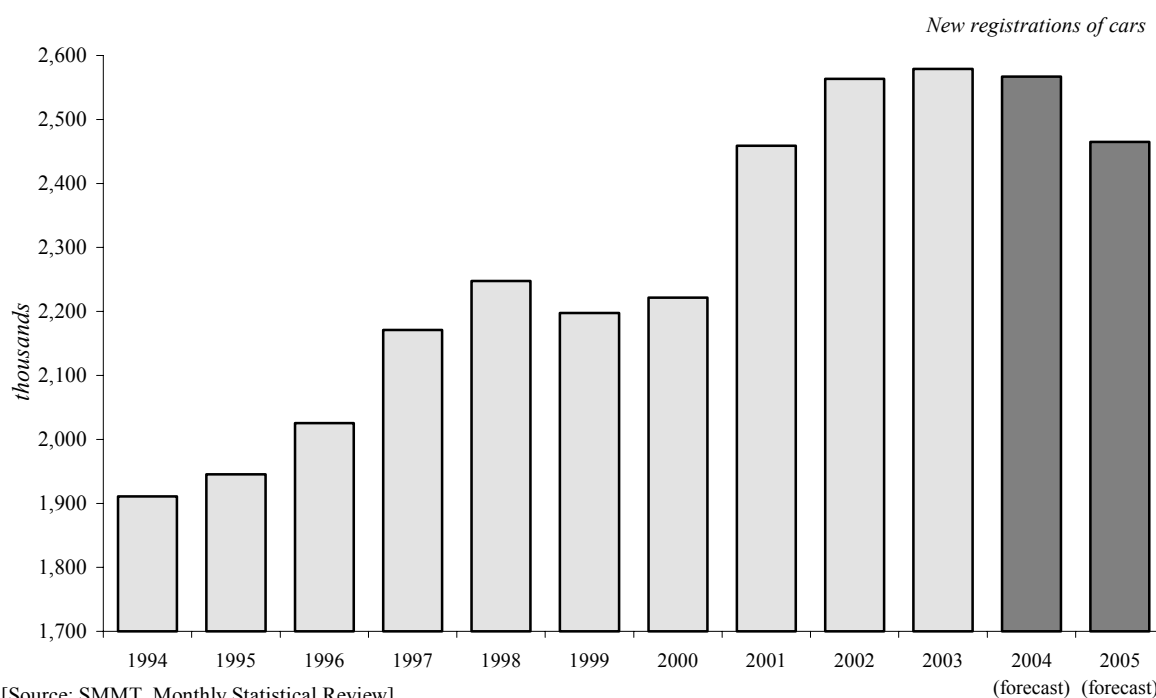
Source: ONS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in October 2004 was £4,780 million, 4.3% higher than in October 2003 (non-seasonally adjusted).

Contact: Ed Potton, x2883

Update: ONS, *Retail Sales: First Release*, 16 Dec

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 2.0% in September 2004, compared with the previous September's figure, to 430,763 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 slightly in 2004 and fall by 4.0% in 2005.
- There were 75,311 registrations of British-built cars in September, equivalent to 17.5% of the market. The number of British built registrations decreased 20.6% on the previous September'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.

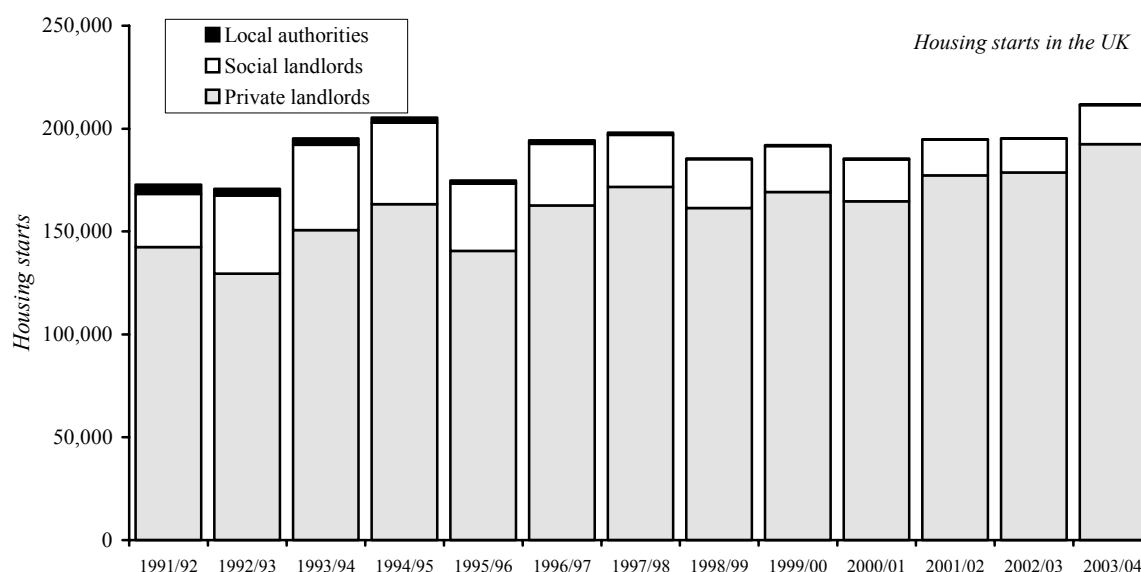
New Registrations of Cars

000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2002	2,564	4.3
2003	2,579	0.6
2004 (forecast)	2,567	-0.5
2005 (forecast)	2,465	-4.0
2003 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
Aug	85	-4.9
Sep	431	-2.0

Source: SMMT, *Monthly Statistical Review*

F4: House-building & Prices



[Source: ODPM, *Housebuilding Statistics, table 201, Nov 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 Q1 2004, with 57,804 dwellings started in the UK in that quarter compared with 52,875 in Q1 2003. The latest completions data are also for Q1 2004, which saw 43,004 completions compared with 43,046 in Q1 2003 (non-seasonally adjusted).

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

- UK house prices fell by 1.1% in October 2004 compared with the previous month, after a rise of 1.3% in September 2004; annual house price inflation was 18.5%.
- On a quarterly basis, UK house prices rose by 2.7% in Q3 2004 compared with the previous quarter, following an increase of 5.9% in Q2 2004 on Q1 2004 (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 Q3 2004 at its highest in Wales (37.5%) and lowest in Greater London (8.1%), compared with 20.5% for the UK as a whole (all seasonally adjusted).

Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
2003 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
Q3	162,903	162,335	164,044	116,983
<i>% change over same period in previous year</i>				
2003 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
Q3	20.5	20.8	20.1	21.9

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

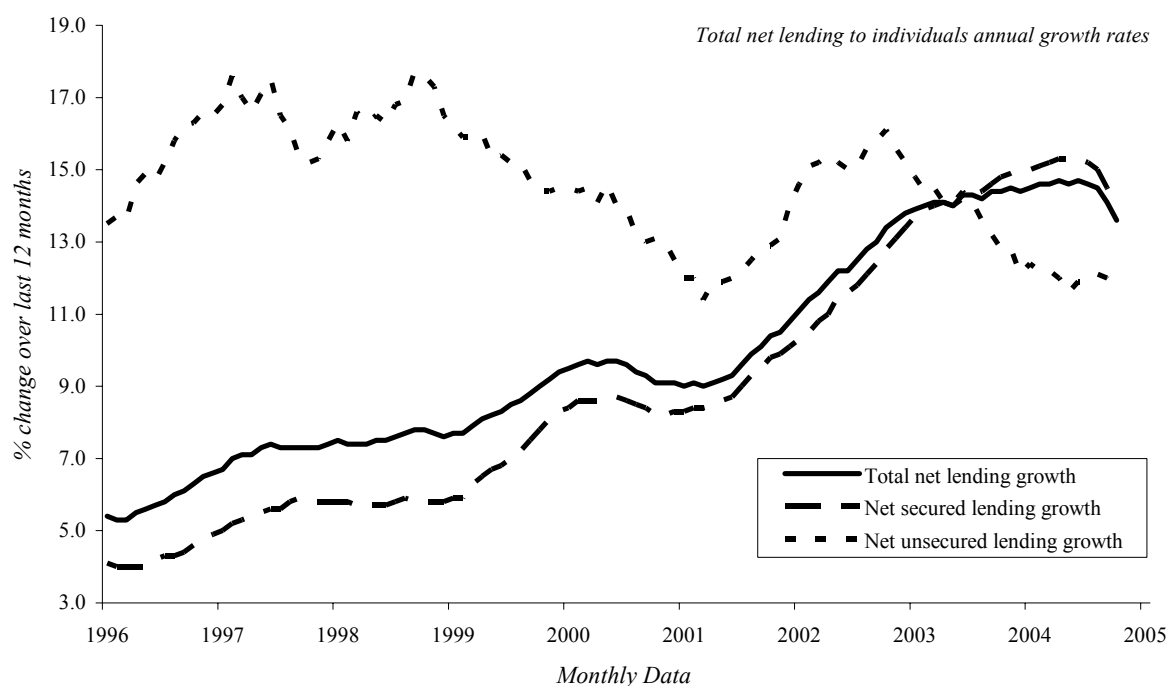
The ODPM publishes its own house price index based on completions (cf. Halifax index, which is based on mortgage approvals), currently in **experimental form only** (all figures are not seasonally adjusted):

- The average UK house price in September 2004 was £179,201, down from £179,486 in August 2004. Annual house price inflation in September 2004 was 13.8%, up from 13.6% August 2004.
- Regionally, annual house price inflation in September was highest in the North East (31.2%) and lowest in London (6.6%).

Contact: Ian Townsend, x3977

Updates: Halifax, *House Prices*, early Dec; ODPM, *House Prices*, 13 Dec; *Housebuilding*, 12 Feb 2005

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 Oct	527,627	125,398	653,025	8.2	13.1	9.1
2001 Oct	580,595	137,415	718,010	9.8	12.9	10.4
2002 Oct	659,248	154,440	813,688	12.8	16.1	13.4
2003 Oct	754,927	168,578	923,505	14.8	12.8	14.4
Jan	782,177	170,750	952,926	15.0	12.4	14.5
Apr	809,957	174,712	984,669	15.3	12.0	14.7
2004 Jul	836,064	178,418	1,014,482	15.2	11.9	14.6
Oct	859,334	181,632	1,040,966	14.0	11.8	13.6

Source: Bank of England, series: VTYY, VTYO, VTYC, VTXX, VZRI, VZXC

- Total net outstanding lending to individuals was £1,041 billion at the end of October 2004 (seasonally adjusted).
- Total net lending to individuals grew by 0.9% in October 2004 compared with the previous month, and grew by 13.6% on an annual basis (all seasonally adjusted). This represents a reduction of 0.5% compared with the annualised rates for September 2004.
- Of the £9.1 billion increase in net lending in October 2004, £7.5 billion was mortgage borrowing and £1.5 billion was consumer credit (seasonally adjusted).

Contact: Ed Potton, x2883

Update: Bank of England, *Lending to Individuals*, 4 Jan

IV Indicator sources

Details of sources used in this paper are given in the table. Office for National Statistics (ONS) releases can be accessed from the ONS website:

http://www.statistics.gov.uk/press_release/CurrentReleases.asp.

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

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