



RESEARCH PAPER 05/17  
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# Economic Indicators, March 2005

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This month's article:

## **Debt relief for developing countries**

Edward Beale (editor)

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## I Contacts for further information

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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:

| <b>Subject</b>            | <b>Statistician</b> | <b>tel. extn.</b> |
|---------------------------|---------------------|-------------------|
| Balance of payments       | Ian Townsend        | 3977              |
| 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              |
| International development | Bryn Morgan         | 4904              |
| Prices & interest rates   | Dominic Webb        | 4324              |
| Public expenditure        | Dominic Webb        | 4324              |
| Taxation                  | Bryn Morgan         | 4904              |
| Trade                     | Ian Townsend        | 3977              |
| 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.<sup>1</sup>

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<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 Debt relief for developing countries

### A. Introduction

2005 has been declared the year to make a difference to poverty in the developing world. The UK government will hold the presidency of both the G7/G8 and (from July) the EU. The Government has set out three key areas where it would like to make progress this year: increased aid, fair trade and debt relief. Make Poverty History is a coalition of charities, campaigns, trades unions, faith groups and celebrities that has also targeted progress on these three areas in 2005. Their manifesto states:

Despite grand statements from world leaders, the debt crisis is far from over. Rich countries have not delivered on the promise they made more than six years ago to cancel unpayable poor country debts. As a result, many countries still have to spend more on debt repayments than on meeting the needs of their people.

[...]

International institutions like the IMF and World Bank must stop asking poor countries to jump through hoops in order to qualify for debt relief. Poor countries should no longer have to privatise basic services or liberalise economies as a condition for getting the debt relief they so desperately need.

And to avoid another debt crisis hard on the heels of the first, poor countries need to be given more grants, rather than seeing their debt burden piled even higher with yet more loans.<sup>2</sup>

This article looks at the debt problem in developing countries, the past and current mechanisms to reduce the debt problem and the outlook for further agreements on debt relief.

### B. Background

The total external debt of developing countries was \$2,340 billion at the end of 2002, which was a 10% increase on 1997.<sup>3</sup> Almost half of the total debt stock is held by eight countries, the larger economies of Asia and Latin America.<sup>4</sup> This article focuses on the heavily indebted poor countries whose debt was \$188 billion, a fall of 8% since 1997.

This level of debt is not new. It becomes a problem when countries are unable to service the debt or when interest payments take a large share of the public budget, diverting resources away from activities that could boost development and growth. By the 1980s, developing countries were encountering serious debt servicing problems prompted by over-borrowing, ineffective use of resources, two oil shocks, rising real interest rates and depressed export earnings. This debt crisis particularly affected middle-income countries in Latin America. In

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<sup>2</sup> <http://www.makepovertyhistory.org/docs/manifesto.doc>

<sup>3</sup> *Global Development Finance 2004*, World Bank, Table 3

<sup>4</sup> Ranked by size of borrowing (greatest first): Brazil, China, Russia, Mexico, Argentina, Indonesia, Turkey and India

1982 Mexico declared its inability to meet debt obligations, and was followed by Brazil and others. Governments, international financial institutions and the banking community had to act to avoid a financial crisis, and a process of policy reform began. The Brady Initiative was introduced which reduced the debts owed to commercial banks.<sup>5</sup>

However, a different debt problem had developed by the early 1990s in poor countries, particularly in Africa. This was mainly official debt, owed to governments or other official creditors such as the International Monetary Fund (IMF) and World Bank. Debt servicing was taking a large and rising share of public expenditure, “crowding out” expenditure in other key areas such as health, education and infrastructure. For a number of low-income countries, mostly in Africa, the problems were extreme and influenced the prospects for development. The traditional mechanisms agreed through the Paris Club (see Section D) might never achieve sustainable external debt levels.

There was pressure, from debtor countries themselves as well as NGOs, to take action to reduce this debt. In 1996, the IMF and World Bank launched the HIPC Initiative.<sup>6</sup>

### **C. HIPC initiative**

The Heavily Indebted Poor Countries’ (HIPC) Initiative was first launched in 1996 by the IMF and World Bank. It aimed to reduce debt servicing to a sustainable level, and was particularly significant because it provided for debt owed to international organisations as well as individual countries.

After criticisms of the initiative an Enhanced HIPC (or HIPC II) was launched in June 1999 at the G7 summit in Cologne. 41 countries are qualified as HIPCs.<sup>7</sup> So far, 27 countries, 23 of them in Africa, have qualified for debt relief under HIPC. Table 1 shows details of each countries’ status and the amount of debt relief provided so far.

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<sup>5</sup> *The Story of Official Development Assistance: A history of the Development Assistance Committee and the Development Co-operation Directorate in dates, names and figures*, OECD, 1996

<sup>6</sup> *Debt Relief for Poor Countries*, ed. Addison et al, United Nations University, 2004, ch.1

<sup>7</sup> The Initiative is open to the poorest countries, those that: (i) are eligible only for highly concessional assistance such as from the World Bank's International Development Association (IDA) and the IMF's Poverty Reduction and Growth Facility (formerly called Enhanced Structural Adjustment Facility); (ii) face an unsustainable debt situation even after the full application of traditional debt relief mechanisms; and (iii) have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth – from <http://www.worldbank.org/hipc/faq/faq.html>

Table 1

**Highly Indebted Poor Countries Initiative (a) (b)**  
 \$ million

|  | Decision point | Completion point   | Net Present Value (c) |               |               | Nominal Debt Service Relief |               |               |
|--|----------------|--|-----------------------|---------------|---------------|-----------------------------|---------------|---------------|
|  |                |  | Original HIPC         | Enhanced HIPC | Total         | Original HIPC               | Enhanced HIPC | Total         |
| <b>Countries that have reached completion point (15)</b> |                |  |                       |               |               |                             |               |               |
| Benin  | Jul 2000       | Mar 2003   | 0                     | 265           | 265           | 0                           | 460           | 460           |
| Bolivia  | Feb 2000       | Jun 2001   | 448                   | 854           | 1,302         | 760                         | 1,300         | 2,060         |
| Burkina Faso   | Jul 2000       | Apr 2002   | 229                   | 324           | 553           | 400                         | 530           | 930           |
| Ethiopia   | Nov 2001       | Apr 2004   | 0                     | 1,275         | 1,275         | 0                           | 3,275         | 3,275         |
| Ghana  | Feb 2002       | Jul 2004   | 0                     | 2,186         | 2,186         | 0                           | 3,500         | 3,500         |
| Guyana   | Nov 2000       | Dec 2003   | 256                   | 335           | 591           | 634                         | 719           | 1,353         |
| Madagascar   | Dec 2000       | Oct 2004   | 0                     | 814           | 814           | 0                           | 1,500         | 1,500         |
| Mali   | Sep 2000       | Mar 2003   | 121                   | 417           | 538           | 220                         | 675           | 895           |
| Mauritania   | Feb 2000       | Jun 2002   | 0                     | 622           | 622           | 0                           | 1,100         | 1,100         |
| Mozambique   | Apr 2000       | Sep 2001   | 1,717                 | 306           | 2,023         | 3,700                       | 600           | 4,300         |
| Nicaragua  | Dec 2000       | Jan 2004   | 0                     | 3,308         | 3,308         | 0                           | 4,500         | 4,500         |
| Niger  | Dec 2000       | Apr 2004   | 0                     | 521           | 521           | 0                           | 1,190         | 1,190         |
| Senegal  | Jun 2000       | Apr 2004   | 0                     | 488           | 488           | 0                           | 850           | 850           |
| Tanzania   | Apr 2000       | Nov 2001   | 0                     | 2,026         | 2,026         | 0                           | 3,000         | 3,000         |
| Uganda   | Feb 2000       | May 2000   | 347                   | 656           | 1,003         | 650                         | 1,300         | 1,950         |
| <b>Total</b>   |                |  | <b>3,118</b>          | <b>14,397</b> | <b>17,515</b> | <b>6,364</b>                | <b>24,499</b> | <b>30,863</b> |
| <b>Countries in the interim period (12)</b>              |                |  |                       |               |               |                             |               |               |
| Cameroon   | Oct 2000       |  | 0                     | 1,260         | 1,260         | 0                           | 2,000         | 2,000         |
| Chad   | May 2001       |  | 0                     | 170           | 170           | 0                           | 260           | 260           |
| Congo, Dem. Republic of                                  | Jul 2003       |  | 0                     | 6,311         | 6,311         | 0                           | 10,389        | 10,389        |
| Gambia, The  | Feb 2002       |  | 0                     | 67            | 67            | 0                           | 90            | 90            |
| Guinea   | Dec 2000       |  | 0                     | 545           | 545           | 0                           | 800           | 800           |
| Guinea-Bissau  | Dec 2000       |  | 0                     | 416           | 416           | 0                           | 790           | 790           |
| Honduras   | Jun 2000       |  | 0                     | 556           | 556           | 0                           | 900           | 900           |
| Malawi   | Dec 2000       |  | 0                     | 643           | 643           | 0                           | 1,000         | 1,000         |
| Rwanda   | Dec 2000       |  | 0                     | 452           | 452           | 0                           | 800           | 800           |
| São Tomé and Príncipe                                    | Dec 2000       |  | 0                     | 97            | 97            | 0                           | 200           | 200           |
| Sierra Leone   | Mar 2002       |  | 0                     | 600           | 600           | 0                           | 950           | 950           |
| Zambia   | Dec 2000       |  | 0                     | 2,499         | 2,499         | 0                           | 3,850         | 3,850         |
| <b>Total</b>   |                |  | <b>0</b>              | <b>13,616</b> | <b>13,616</b> | <b>0</b>                    | <b>22,029</b> | <b>22,029</b> |
| <b>Total of above</b>                                    |                |  | <b>3,118</b>          | <b>28,013</b> | <b>31,131</b> | <b>6,364</b>                | <b>46,528</b> | <b>52,892</b> |
| <b>Countries still to be considered (11) (d)</b>         |                |  |                       |               |               |                             |               |               |
| Côte d'Ivoire  | 2007-08        | Continued civil conflict   |                       |               |               |                             |               |               |
| Burundi  | Early 2005     | Continued civil conflict   |                       |               |               |                             |               |               |
| Central African Republic                                 | Uncertain      | Suspension of engagement with IMF and World Bank   |                       |               |               |                             |               |               |
| Comoros  |                |  |                       |               |               |                             |               |               |
| Congo, Republic of                                       | Early 2005     | Working towards establishing a record of good macroeconomic management.  |                       |               |               |                             |               |               |
| Lao PDR  | Uncertain      | Have not asked for HIPC relief   |                       |               |               |                             |               |               |
| Liberia  | 2007-08        | Emerging from conflict. In arrears to IMF and World Bank.  |                       |               |               |                             |               |               |
| Myanmar  | Uncertain      | Serious governance concerns. In arrears to IMF and World Bank. No engagement with IMF or World Bank.             |                       |               |               |                             |               |               |
| Somalia  | Post-2008      | Emerging from conflict. In arrears to IMF.   |                       |               |               |                             |               |               |
| Sudan  | Early 2006     | Unstable security situation in Darfur region. Peace talks yet to be finalised. In arrears to IMF and World Bank. |                       |               |               |                             |               |               |
| Togo   |                | Unstable macroeconomic policy. In arrears to the World Bank.   |                       |               |               |                             |               |               |

Notes: (a) status at February 2005, amounts as at July 2004.

(b) Four HIPC countries (Angola, Kenya, Vietnam, Yemen) have debt levels which are potentially sustainable through traditional debt relief mechanisms.

(c) Net Present Value is for the year of the decision point.

(d) Forecast decision points shown. Cote D'Ivoire had reached decision point under the original initiative in March 1998 with NPV of \$345 million and nominal debt service relief of \$800 million. Reasons for delay are taken from HM Treasury.

Sources: *HIPC Initiative: Statistical Update*, World Bank, February 2004

[http://www.worldbank.org/hipc/progress-to-date/Statistical\\_Update\\_March\\_2004.pdf](http://www.worldbank.org/hipc/progress-to-date/Statistical_Update_March_2004.pdf)

HM Treasury HIPC web pages

[http://www.hm-treasury.gov.uk/documents/international\\_issues/international\\_development/development\\_hipc\\_progress.cfm](http://www.hm-treasury.gov.uk/documents/international_issues/international_development/development_hipc_progress.cfm)

*HIPC: Status of Implementation*, IMF, August 2004

<http://www.imf.org/external/NP/hipc/2004/082004.pdf>



## 1. How does HIPC work?

The first stage for assessing a country's eligibility for debt relief under HIPC is to go through the "traditional" debt relief mechanisms (see Section D).

The debt burden of the country is then measured by calculating the net present value (NPV) of the remaining debt stock by discounting the future stream of principal and interest payments. Where the present value of the debt burden is more than 150% of the country's exports, a country becomes eligible for HIPC relief. Alternatively, if the country meets certain criteria, the country can be eligible if the NPV of debt-to-fiscal revenue ratio is above 250%. These ratios have been reduced from the original HIPC initiative: the debt to export ratio was previously 200-250% and the debt to government revenue ratio was 280%.

To enter the initiative, countries must be in peace, have an established record of good macroeconomic management and have a policy performance record with the World Bank and IMF. They must also prepare at least an interim poverty reduction strategy paper which sets out development priorities and strategies. If these criteria are met, the country reaches "decision point".

At the decision point, the IMF and World Bank assess how much relief is necessary to reduce the debt to the required ratio through a debt sustainability analysis (DSA). Creditors then begin giving debt service relief on an interim basis. If at any stage the country goes off-track with its macroeconomic programme with the IMF, or there is evidence of misappropriation of resources, the debt relief may be suspended.

"Completion point" is the point at which countries receive an irrevocable reduction in their stock of debt. Under the original initiative this point was three years after decision point but the 1999 reforms agreed that this point would be "floating". This means it is dependent on governments demonstrating progress in tackling poverty by meeting "triggers" which are included in its Poverty Reduction Strategy Paper (PRSP). Between decision and completion points, countries are not required to service their debt. The debt sustainability ratios may be looked at again at completion point to ensure that the debt relief brings debts below the required ratios.

There are a number of documents related to each country's progress through the HIPC initiative. These are all available on the IMF website:

<http://www.imf.org/external/np/hipc/index.asp>

**a. 1999 reforms: the enhanced HIPC initiative**

In June 1999, at the Cologne G7 summit, creditor governments agreed an enhanced HIPC initiative, with ‘deeper, broader, faster’ relief. The IMF and World Bank would administer the package, said to be worth some \$100 billion in nominal terms.<sup>8</sup> This was intended to respond to criticisms that there had been little progress with the HIPC (only 5 countries had reached “completion point”) and it was argued that the debt sustainability ratios were too low. An International Development Committee report from 1999 noted that Uganda and Bolivia, who had passed “completion point” had already returned to unsustainable levels of debt.<sup>9</sup>

The IMF and World Bank prepared detailed proposals at the annual IMF meeting in September 1999.<sup>10</sup> The changes reduced the target debt ratios but also changed the 3-year target from “decision point” to “completion point” to a floating completion point which in a number of cases has been less than 3 years. Also, the link between debt relief and poverty reduction was made more explicit as governments are now required to prepare a poverty-reduction paper as part of the process.

In addition to relief under HIPC, all G7 governments made pledges of increased relief of bilateral debts owed by HIPC countries through the Paris Club process; up to 90% of export credit debts would be written off and 100% of aid debt.

**b. Jubilee 2000 campaign**

The campaign group Jubilee 2000 was one of the main voices in the campaign for debt cancellation, arguing that the debt relief in the enhanced HIPC initiative was insufficient. They pointed out that the market value of poor countries’ debt was much lower than its paper value and that therefore it would cost much less to cancel.<sup>11</sup> They had organised a number of “human chains” around the world to highlight the issue and succeeded in creating pressure on governments to act.<sup>12</sup>

One issue highlighted by the campaign was that by the year 2000 annual meetings of the IMF and World Bank, only 10 countries had received relief under the enhanced HIPC initiative. In the event, by the end of the year 22 countries were receiving assistance following ‘eleventh hour talks’ which led to the IMF and World Bank cutting around £23 billion of debt.<sup>13</sup>

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<sup>8</sup> *HIPC Initiative – a progress report*, IMF, April 2000

<sup>9</sup> International Development Committee, *Debt Relief and the Cologne G8 Summit*, 4th Report, HC 470 1998-99, para 23

<sup>10</sup> *Proposals to Strengthen the HIPC Initiative*, IMF, September 1999

<sup>11</sup> *Unfinished Business*, Jubilee 2000 Coalition, September 1999, p.4

<sup>12</sup> Around the G8 Summit in Birmingham in 1998, in Cologne in 1999, around HM Treasury Building in 2000

<sup>13</sup> *Last-minute deal cuts \$34 billion debt for poor nations*, The Guardian, 23 December 2000

Jubilee 2000 was succeeded on a short term basis by Drop the Debt and now by the Jubilee Debt Campaign coalition. They are still campaigning on the issue, and the article will look at their current criticisms of the scheme.

## 2. Finance of the HIPC

Under the terms of the HIPC, each government provides relief to the qualifying countries in proportion to the bilateral debt they hold from that country. However, around half of the debt is owed to multilateral institutions, and they may not be able to cover the costs of providing their share of debt relief. The HIPC Trust Fund was established to receive and manage contributions from governments. It will either prepay or purchase a portion of the debt owed to a multilateral creditor and cancel such debt; or pay debt service as it comes due. As of the end of June 2004, the UK had pledged \$336 billion to the HIPC Trust Fund out of total pledges of \$3.5 billion.<sup>14</sup> One of the main objectives of Make Poverty History and other NGOs is 100% relief on multilateral debts.

## 3. Poverty Reduction Strategy Papers

Poverty Reduction Strategy Papers (PRSPs) are prepared by governments in low-income countries through a participatory process involving domestic stakeholders as well as external development partners, including the IMF and the World Bank. PRSPs are described by the World Bank as ‘a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF)’.<sup>15</sup> All countries entering the HIPC Initiative must prepare a PRSP as must other low-income countries seeking concessionary lending.

According to the IMF, five core principles underlie the PRSP approach. Poverty reduction strategies should be:

- **country-driven**, promoting national ownership of strategies through broad-based participation of civil society;
- **result-oriented** and focused on outcomes that will benefit the poor;
- **comprehensive** in recognizing the multidimensional nature of poverty;
- **partnership-oriented**, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and
- based on a **long-term perspective** for poverty reduction.

They are supposed to be more of a partnership process and a country-driven and owned strategy rather than the older, heavily-criticised structural adjustment programmes. Nevertheless, if a country goes ‘off-track’ this hampers HIPC progress.

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<sup>14</sup> *HIPC Initiative: Status of Implementation*, IMF and World Bank, August 2004, Table 9, p.89

<sup>15</sup> *Concept Note: PRSP Review 2005*, World Bank, 2005

The World Development Movement has claimed that the recipient government ownership of the PRSP is a myth because of the requirement that the IMF endorse the final paper before debt relief is made available.<sup>16</sup> Also, it is argued that debt relief should not be tied to “liberal” economic policies. As well as the PRSP, governments also have to demonstrate a record on implementing broad economic reform. These reforms may do little to tackle poverty and, it is argued, may actually be “anti-poor”. This has been argued to be incoherent in that the pro-poor policies in the PRSP may be repairing damage done by the earlier reforms.<sup>17</sup>

The Jubilee Debt Campaign argues that:

**HIPC comes with unfair and destructive strings attached.** It demands cuts in health and education spending, for instance meaning that countries cannot employ teachers, or enforces privatisations of government-run industries. These measures are designed to protect the assets and interests of creditors rather than promote growth, poverty-reduction or stability. They also undermine democracy in poor countries, by denying elected parliaments or civil society a say in important decisions about how the country is run.<sup>18</sup>

#### 4. Assessment of HIPC

Debt relief under HIPC amounts to around \$53 billion (\$70 billion including other measures agreed at Cologne). A DFID briefing on the initiative outlines some of the successes:

- To date, relief totalling more than US\$70 billion has been agreed for 27 countries, reducing their debts by around two-thirds. Following debt relief, spending on health and education in HIPC countries is set to rise by some US\$4 billion a year.
- Poverty-reducing expenditures in HIPCs totalled around US\$9 billion in 2003 – representing about three and a half times the amount spent on debt servicing (US\$2.7 billion).
- Poverty reducing expenditures are projected to have increased from 6.4 per cent of GDP in 1998 to 8 per cent in 2003.
- On average, health and education spending account for 65 per cent of the use of HIPC debt relief.<sup>19</sup>

However, the factsheet also admitted that progress had not been as “rapid as previously hoped”. This was either due to slippage of policy reforms or ongoing conflicts.

The Jubilee Debt Campaign echo some of these views. They argue HIPC takes too long, it offers far too little, is too limited in terms of the countries it assists, includes “unfair and destructive” conditions and ignores a number of creditors. Countries including Bangladesh,

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<sup>16</sup> *Treacherous Conditions*, World Development Movement, October 2003, p.1

<sup>17</sup> *Making Debt Relief Conditionality Pro-Poor*, Oliver Morrissey in *Debt Relief for Poor Countries*, ed. Addison et al, United Nations University, 2004

<sup>18</sup> <http://www.jubileedebtcampaign.org.uk/?lid=97>

<sup>19</sup> *Debt*, DFID Factsheet, November 2004

Cambodia and eight others from the original list of 52 countries are not among the 42 HIPC<sup>20</sup>.

Jubilee Research, one of the successors to the Jubilee 2000 Coalition published its progress report on HIPC in September 2003. It argued that the debt to export ratios used in calculation of debt relief were arbitrary and that the level of relief should be based on the expenditure required to meet the Millennium Development Goals. Also, the eligibility for HIPC should only be based on a country having a poverty reduction programme and should not be linked to the IMF Poverty and Growth Facility programme. Finally, they argued for 100% debt relief from the multilateral institutions.<sup>21</sup>

## 5. Recent G7/G8 meetings

The enhanced HIPC Initiative agreed at the Cologne G7 summit in 1999 has already been mentioned, but this is an issue that recurs at each G8 and G7 meeting. The UK government statement following the Genoa G8 summit in 2001 said that the G8 would 'press ahead' with the HIPC initiative but placed more emphasis on trade liberalisation than on debt relief.<sup>22</sup> Drop the Debt (which had campaigned for 100% cancellation at Genoa) said the summit had ended with 'no significant action to help the world's poorest people'.<sup>23</sup>

Some HIPC 'topping up' was agreed at the 2002 G8 summit in Kananaskis, when Ministers agreed to fund up to a \$1 billion shortfall. The G8 Africa Action Plan that emerged from Kananaskis said:

We are committed to seeing that the projected shortfall in the HIPC Trust Fund is fully financed. Moreover, we remain ready, as necessary, to provide additional debt relief - so-called "topping up" - on a case-by-case basis, to countries that have suffered a fundamental change in their economic circumstances due to extraordinary external shocks. In that context these countries must continue to demonstrate a commitment to poverty reduction, sound financial management, and good governance. We will fund our share of the shortfall in the HIPC Initiative, recognizing that this shortfall could be up to US\$1 billion. We call on other creditor countries to join us. Once countries exit the HIPC process, we expect they will not need additional relief under this Initiative.

Jubilee Research claimed the top-up was not enough and said that at least another \$2-\$3 billion would be needed.<sup>24</sup>

The Sea Island 2004 G8 summit outcome said:<sup>25</sup>

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<sup>20</sup> <http://www.jubileedebtcampaign.org.uk/?lid=97&cc=1>

<sup>21</sup> *Real Progress Report on HIPC*, Jubilee Research, September 2003

<sup>22</sup> HL Deb 23 July 2001 c161-3WA

<sup>23</sup> Drop the Debt news release, 27 July 2001 *No new debt cancellation from G8 leaders in Genoa*

<sup>24</sup> Jubilee Research Press Release, October 1 2002, *\$1bn Committed at Annual Meetings 'not enough' says Jubilee Research*

<sup>25</sup> [http://www.g8.fr/evian/english/navigation/2003\\_g8\\_summit/summit\\_documents/chair\\_s\\_summary.html](http://www.g8.fr/evian/english/navigation/2003_g8_summit/summit_documents/chair_s_summary.html)

**Debt.** The Heavily Indebted Poor Countries Initiative (HIPC) has to date provided welcome debt reduction to 27 countries pursuing economic reform programs, 23 of them in Africa, and is providing \$31 billion in debt service relief over time. We are committed to fully implementing the HIPC initiative and to supporting debt sustainability in the poorest countries through debt relief and grant financing. To that end, we have asked our Finance Ministers to:

- Work with other donors and the international financial institutions to extend the sunset date of the HIPC initiative until December 31, 2006 and to provide the necessary financing for completion of the initiative, including topping up where appropriate.
- Consider measures that can further help the poorest countries address the sustainability of their debt.

We have asked for a progress report on these efforts by the end of the year. We urge other creditors to fully participate in the HIPC initiative.

Prospects for the 2005 G8 summit are discussed in section E.

## **D. Paris Club debt relief**

The Paris Club is an informal group of official creditors whose role is to find co-ordinated and sustainable solutions to the payment difficulties experienced by debtor nations. It is made up of the governments of 19 creditor countries. Other countries have participated in some of the Paris Club agreements.

Paris Club creditors agree to rescheduling debts due to them through a postponement or a reduction in debt service obligations.

The group is strictly informal and has no legal basis or status. It decides eligibility for debt relief on a case-by-case basis by Paris Club creditors, taking into account the track record of the debtor country with the Paris Club and the IMF and various other criteria, notably per capita income, levels of indebtedness and debt service. There are four standard terms of treatment of debts. Any debtor country declared eligible for specific terms by Paris Club creditors may decline these terms in favour of a less concessional set of terms; this would occur if it considers them to have a negative impact for its creditworthiness.

### **1. Paris Club debt treatments**

#### ***a. Classic Terms***

This is the standard debt treatment used by the Paris Club. Any country which has an appropriate program with the IMF that shows the need for Paris Club debt relief may benefit from classic terms. The debts are rescheduled at the appropriate market rate on a case-by-case basis.

**b. *Houston terms***

These terms were agreed in September 1990 and give extended relief for lower middle-income countries. Repayment periods can be lengthened for both ODA and non-ODA related debts<sup>26</sup> and the countries can also agree debt swaps.

**c. *Naples terms***

“Naples terms” were agreed in December 1994 and replaced the previous Toronto (1988) and London (1991) terms. These terms provide extended restructuring and debt relief for highly-indebted poor countries. The level of debt cancellation is (from September 1999) two-thirds of non-ODA debts. ODA debts are rescheduled on a rate at least as favourable as the original concessional rate with payment over 40 years including a 16 year grace period. Debt swaps are also available under Naples terms

**d. *Cologne terms***

The Cologne terms were agreed in November 1999 and raised the debt cancellation levels to 90% for those countries eligible for the enhanced HIPC initiative.

More details on the Paris Club, its terms of treatment and the agreements entered into with debtor countries are available on the Paris Club web site:

<http://www.clubdeparis.org/>

**2. Evian approach**

At their meeting in October 2003, Paris Club creditor countries agreed a new approach to deal with debts of non-HIPC countries. According to the press release announcing the change:

Paris Club creditors agreed to adopt a more tailored response to ensure that debt restructuring provides debtor countries with a debt treatment that reflects their financial needs and the objective of ensuring long lasting debt sustainability.

[...]

For countries whose debt has been agreed by the IMF and the Paris Club creditor countries to be unsustainable, Paris Club creditors agreed that they would participate in a comprehensive debt treatment provided that these countries are committed to policies that will secure an exit from the Paris Club in the framework of an IMF arrangement, and to seeking comparable treatment from their other external creditors, including the private sector. Debt treatment would be delivered according to a staged process designed to maintain a strong link with economic performance and public debt management. In such cases, coordination between official and private creditors

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<sup>26</sup> ODA credits are those at a concessional rate of interest aimed at development as defined by the OECD

would be enhanced and could take the form of early consultations with the private sector on the issue of comparability of treatment of their respective claims.<sup>27</sup>

## **E. Recent developments and future prospects**

### **1. 100% multilateral debt relief**

One of the key demands of campaigners on debt, including Make Poverty History, is for 100% relief on multilateral debts.

#### ***a. IMF gold sales***

The Bank and IMF issued a joint response to those calling for 100% debt relief and defending progress under the HIPC initiative. This said that, contrary to the statements of some debt campaigners, HIPCs will spend on average much more, not less, on priority social investments than on debt service after debt relief. Also, it said that supporters of 100% debt cancellation must be honest about the costs; the total public external debt for low-income countries stands at some \$460 billion, and HIPCs and many other poor countries will rely on external financing for their development needs long into the future. Selling off IMF gold reserves would reduce its capacity to assist its broader membership. There had been a one-off sale of some gold reserves in 1999 but additional sales would put at risk the confidence of members in the Fund's solidity.<sup>28</sup>

The sale, or revaluation,<sup>29</sup> of the gold reserves is seen as the way to fund IMF debt relief at little or no cost. Poor countries are said to owe around \$11 billion to the IMF so a sale of around a quarter of the reserves at market prices could wipe this debt out. The UK government have been strongly pressing for gold sales but there is reported reluctance from the US. A number of US senators wrote to Treasury Secretary, John Snow, to urge him to reject a gold sale. Newmont Mining, the world's biggest gold producer, have also argued against the plan.<sup>30</sup> There are fears that the market price of gold would be reduced and as some of the HIPCs are gold producers, this would adversely affect them. The Chancellor was urged to use his recent visit to China to urge them to buy the gold as a new buyer would not affect the market price.<sup>31</sup>

The G7 finance ministers meeting in London in February 2005 concluded that:<sup>32</sup>

The Enhanced HIPC Initiative has to date significantly reduced the debt of 27 countries, and we reaffirm our commitment to the full implementation and financing

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<sup>27</sup> Paris Club press release, 29 October 2003, *Evian Approach*

<sup>28</sup> *100% Debt cancellation? A response from the IMF and World Bank*, IMF/World Bank, 2001

<sup>29</sup> IMF gold reserves are currently valued at \$9 billion but at current gold prices could be worth up to \$44 billion

<sup>30</sup> *Newmont opposes gold sale plan*, Financial Times, 10 February 2005, p. 6

<sup>31</sup> *Chancellor urged: sell gold to the Chinese*, The Observer, February 20 2005, Business p.2

<sup>32</sup> *G7 Finance Ministers Conclusions on Development, London, 4-5 February 2005*, HM Treasury, February 5 2005



of the Initiative. Moreover, individual G7 countries have gone further, providing up to 100 per cent relief on bilateral debt. However, we recognise that more still needs to be done. We are agreed on a case-by-case analysis of HIPC countries, based on our willingness to provide as much as 100 per cent multilateral debt relief. We also ask the IMF and the World Bank to look at the issue of debt sustainability in other low-income countries. To finance the relief of debts owed to the IMF and to enable the Fund to continue to play a role in the poorest countries, the Managing Director has stated that he will bring forward proposals at the Spring Meetings, covering the Fund's gold and other resources and in an orderly way. We look forward to his proposals. For the relief of debts owed to the World Bank and African Development Bank we will work with their management and shareholders to bring forward proposals for agreement at the Spring Meetings to achieve this without reducing the resources available to the poorest countries through these institutions. We also call on non-Paris Club creditors to provide at least their share of HIPC debt relief, and we ask the IMF to report on progress at the Spring Meetings.

This holds out the prospect that there will be some progress on IMF debt relief at the next meeting of the finance ministers in April. The Jubilee Debt Campaign welcomed the fact the G7 finance ministers had accepted that some countries need 100% debt relief but demanded that the debts should actually be cancelled rather than suspended for 10 years.<sup>33</sup>

#### ***b. UK 100% multilateral debt relief***

In September 2004, the UK announced that it would pay its share of debt service (estimated at around 10%) of multilateral debt owed to the World Bank and Africa Development Bank for all eligible countries. This relief will be available to all low-income (those eligible for International Development Association assistance) countries with sufficiently robust public expenditure management systems to ensure that the additional financing aids progress towards the Millennium Development Goals. The initiative is funded by part of the increase in DFID's budget announced in the 2004 Spending Review.<sup>34</sup>

At the G7 finance ministers meeting in February, Canada announced that it would provide similar support to the UK.<sup>35</sup>

## **F. Appendix - South East Asian Tsunami**

At their meeting on 7 January 2005, the G7 finance ministers agreed to support the suspension of debt payments by countries affected by the tsunami disaster. The communiqué from the meeting said:

- we would not expect debt payments from affected countries that request it until the World Bank and IMF have completed a full needs assessment of their reconstruction and financing requirements, recognising that some countries may

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<sup>33</sup> <http://www.jubileedebtcampaign.org.uk/?lid=434>

<sup>34</sup> DFID Press Release, 26 September 2004, *UK to provide deeper debt relief*

<sup>35</sup> *G7 nations still split on debt relief for Africa*, Financial Times, February 7 2005, p.5

- be unable to make debt payments. We will work, within the Paris Club, with other creditors to achieve a consensus for this approach;
- depending on the conclusions of the needs assessments, we also stand ready to consider all appropriate measures for further assistance;
  - the IMF, World Bank, Asian Development Bank and other multilateral institutions should make the strongest efforts possible to provide financial assistance, including through emergency post-disaster facilities; and
  - we support urgent consideration by relevant fora of the international community to put in place an effective tsunami early warning system in the Indian Ocean, and the infrastructure necessary to make it effective.

We ask creditors at the next Paris Club meeting on 12 January to positively consider assisting affected countries in this way. We call on the World Bank and IMF to complete their needs assessment this month. We will consider what further steps are necessary in the light of this assessment, at our meeting on 4-5 February. All the actions and expectations set forth in this statement will be implemented consistent with the national laws of creditor countries.<sup>36</sup>

The Paris Club agreed to a similar treatment of debts from countries that requested relief.<sup>37</sup>

The UK added Sri Lanka to countries benefiting from its Multilateral Debt Initiative. This means that the UK will pay its share of debt repayments (around 10%) owed by Sri Lanka to the IDA, the concessional lending division of the World Bank. Over a 10-year period this relief will amount to around £52 million.<sup>38</sup>

Bryn Morgan  
**Economic Policy and Statistics Section**

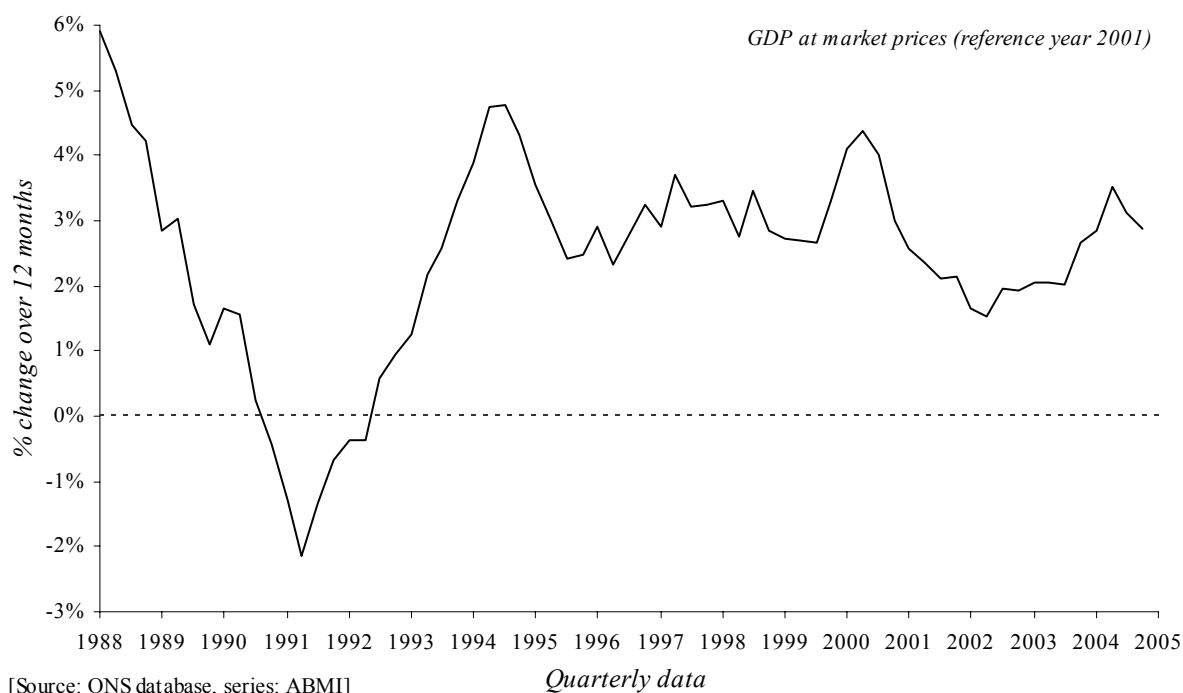
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<sup>36</sup> HM Treasury Press Release 04/05, 7 January 2005, *G7 agrees urgent action on tsunami disaster*

<sup>37</sup> Paris Club Press Release, 12 January 2005, *Paris Club Communiqué on tsunami affected countries*

<sup>38</sup> DFID Press Release, 4 January 2005, *Multilateral Debt Relief for Sri Lanka*

## 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> |
| 2002    | 1,044.1          | 5.0                    | 1.8                    |
| 2003    | 1,101.2          | 5.5                    | 2.2                    |
| 2004    | 1,158.0          | 5.2                    | 3.1                    |
| 2003 Q4 | 280.9            | 5.7                    | 2.7                    |
| 2004 Q1 | 284.2            | 5.3                    | 2.8                    |
| Q2      | 288.4            | 6.0                    | 3.5                    |
| Q3      | 290.7            | 4.5                    | 3.1                    |
| Q4      | 294.7            | 4.9                    | 2.9                    |

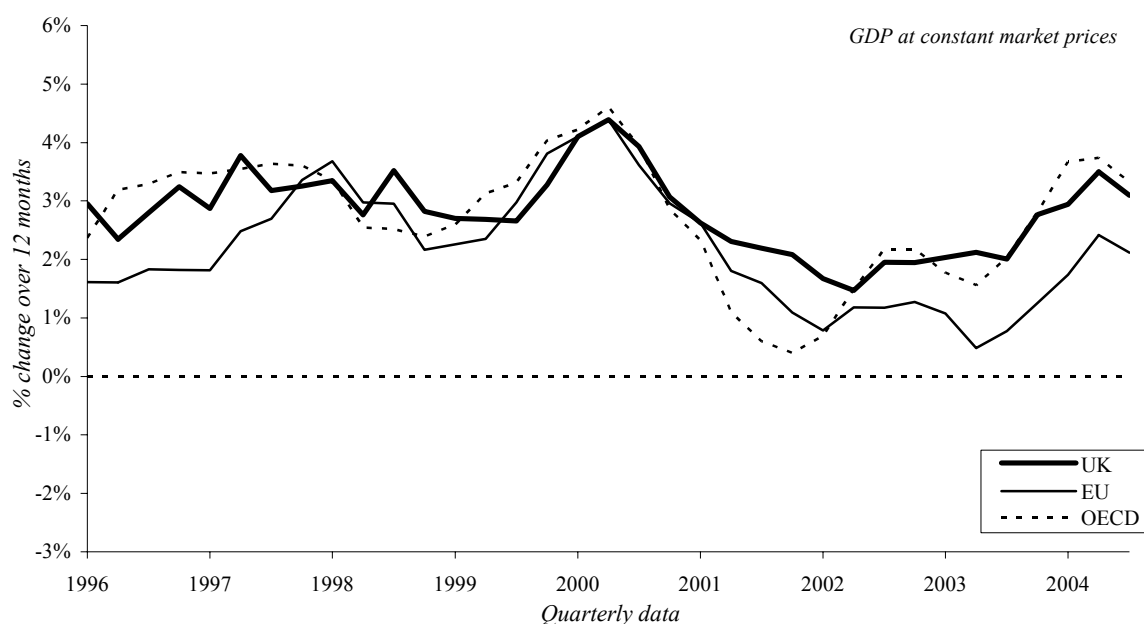
Source: ONS database, series: YBHA, ABMI

- The UK economy is estimated to have grown by 3.1% in 2004, compared with 2.2% in 2003.
- Latest data show that the chained volume measure of gross domestic product (GDP) at market prices in Q4 2004 rose by 0.7% on the previous quarter. On this measure, GDP was 2.9% higher in Q4 2004 compared with Q4 2003.
- HM Treasury's average of independent economic forecasts of GDP growth in 2005 was 2.5% in February, unchanged from January's figure. The average growth forecast for 2006 is 2.4%.

**Contact:** Ian Townsend, x3977

**Updates:** HM Treasury, *Forecasts for the UK Economy*, 16 Mar; ONS, *UK output, income & expenditure (Q4 2004)*, 23 Mar; *GDP Preliminary Estimate (Q1 2005)*, 22 Apr

## A2: GDP: International Comparisons



[Source: OECD, *Main Economic Indicators*, Feb 2005]

### GDP at constant market prices

*% changes*

|                | % change on year |      |      | % change quarter on quarter |      |     |      |      |     |
|----------------|------------------|------|------|-----------------------------|------|-----|------|------|-----|
|                |                  |      |      |                             | 2003 |     | 2004 |      |     |
|                | 2000             | 2001 | 2002 | 2003                        | Q3   | Q4  | Q1   | Q2   | Q3  |
| USA            | 3.6              | 0.8  | 1.8  | 3.0                         | 1.8  | 1.0 | 1.1  | 0.8  | 0.9 |
| Japan          | 2.9              | 0.2  | -0.3 | 1.3                         | 0.6  | 1.0 | 1.7  | -0.2 | 0.1 |
| Canada         | 5.3              | 1.8  | 3.4  | 2.0                         | 0.3  | 0.8 | 0.6  | 1.0  | 0.8 |
| United Kingdom | 3.8              | 2.3  | 1.8  | 2.2                         | 0.9  | 1.0 | 0.6  | 0.9  | 0.5 |
| Germany        | 2.9              | 0.8  | 0.1  | -0.1                        | 0.2  | 0.3 | 0.5  | 0.4  | 0.1 |
| France         | 4.1              | 2.2  | 1.0  | 0.6                         | 1.0  | 0.7 | 0.6  | 0.7  | 0.0 |
| Italy          | 3.0              | 1.8  | 0.3  | 0.3                         | 0.5  | 0.0 | 0.5  | 0.4  | 0.4 |
| Eurozone       | 3.6              | 1.7  | 0.9  | 0.7                         | 0.5  | 0.4 | 0.7  | 0.5  | 0.3 |
| G7             | 3.5              | 1.0  | 1.2  | 2.1                         | 1.3  | 0.8 | 1.0  | 0.6  | 0.6 |
| OECD           | 3.8              | 1.1  | 1.6  | 2.0                         | 1.1  | 0.9 | 1.0  | 0.7  | 0.6 |

Source: OECD, *Main Economic Indicators*, Feb 2005

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

- Recent growth in the eurozone has been weaker than growth in OECD countries and the G7. Eurozone growth in the third quarter of 2004 fell to 0.3%. Growth in the G7 slowed further to 0.6% in the third quarter of 2004. OECD growth fell to 0.7% in the second quarter of 2004.

### OECD growth forecasts

*% change on year*

|                | 2004 | 2005 | 2006 |
|----------------|------|------|------|
| USA            | 4.4  | 3.3  | 3.6  |
| Japan          | 4.0  | 2.1  | 2.3  |
| United Kingdom | 3.2  | 2.6  | 2.4  |
| Eurozone       | 1.8  | 1.9  | 2.5  |
| OECD           | 3.6  | 2.9  | 3.1  |

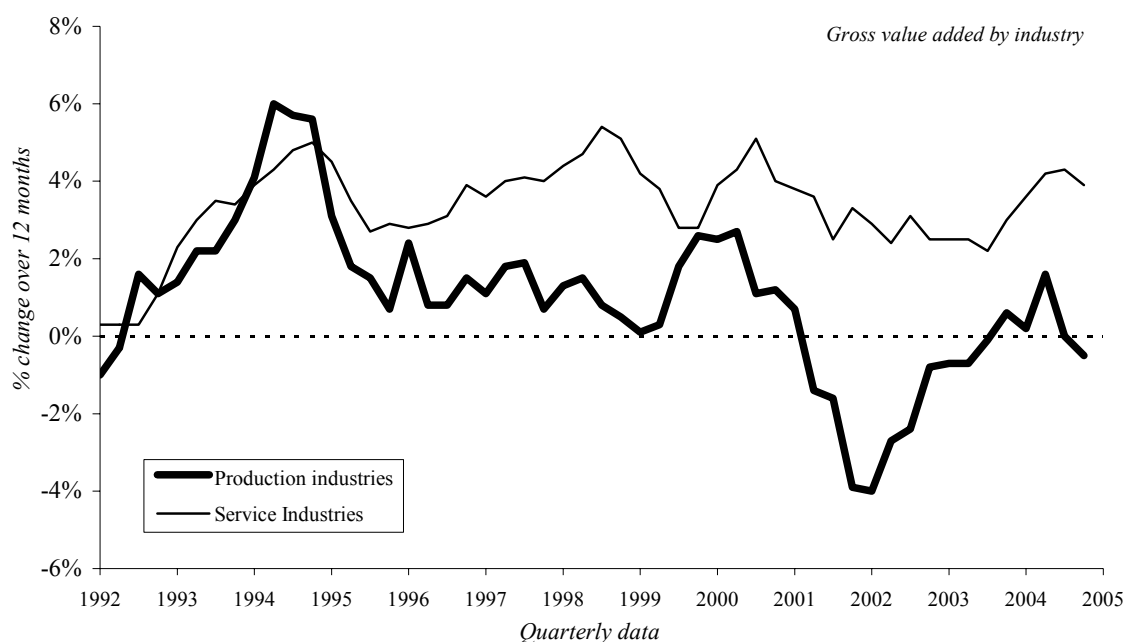
Source: OECD, *Economic Outlook*, Dec 2004

**Contact:** Edward Beale, x2464

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

### A3: Gross Domestic Product by Industry

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



[Source: 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 3.9%. Between the third quarter of 2004 and the fourth quarter of 2004 annual output growth in the service sector decreased by 0.4%.

#### Gross value added at 2001 basic prices

*% changes on year; seasonally adjusted*

|         | Production industries |               | Services | Agriculture, hunting<br>& fishing | Construction |
|---------|-----------------------|---------------|----------|-----------------------------------|--------------|
|         | Total                 | Manufacturing |          |                                   |              |
| 2001    | -1.6                  | -1.3          | 3.3      | -9.1                              | 1.8          |
| 2002    | -2.5                  | -3.1          | 2.7      | 11.9                              | 3.8          |
| 2003    | -0.2                  | 0.4           | 2.5      | -2.6                              | 5.2          |
| 2004    | 0.3                   | 1.3           | 4.0      | 0.2                               | 3.6          |
| 2003 Q4 | 0.6                   | 1.8           | 3.0      | -1.5                              | 5.9          |
| 2004 Q1 | 0.2                   | 1.3           | 3.6      | 0.8                               | 5.8          |
| Q2      | 1.6                   | 2.4           | 4.2      | 0.4                               | 4.0          |
| Q3      | 0.0                   | 1.0           | 4.3      | -0.3                              | 2.2          |
| Q4      | -0.5                  | 0.5           | 3.9      | 0.0                               | 2.4          |

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

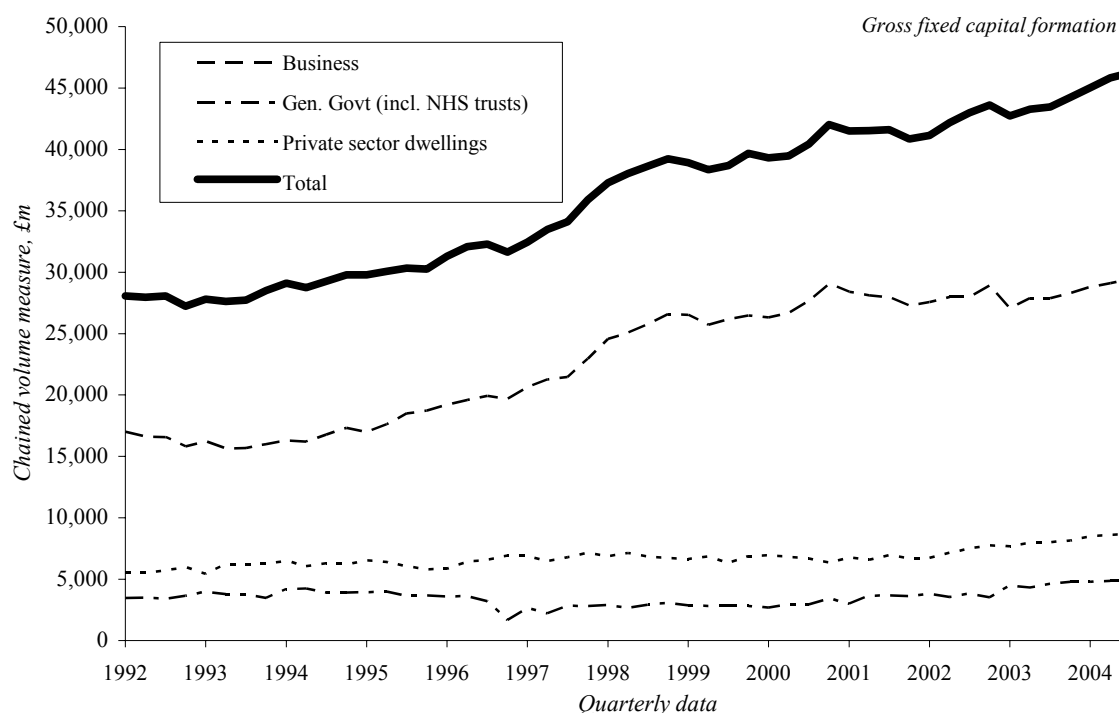
- Manufacturing output increased 0.5% in the fourth quarter of 2004 compared with the same quarter in 2003, and manufacturing output increased by 1.3% overall in 2004.
- In 2003, services accounted for 73% of gross value added, manufacturing for 16%, other production industries (mining & quarrying, and 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 – Q4*, 23 Mar

## A4: Investment

Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations 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<br>Equipment | Other Machinery<br>& Equipment | Other Buildings<br>& Structures | Dwellings | Intangible<br>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    | 15,507                 | 56,928                         | 60,419                          | 35,095    | 5,755                      | 173,704 |
| 2003 Q3 | 3,911                  | 14,172                         | 15,071                          | 8,872     | 1,446                      | 43,472  |
| Q4      | 3,820                  | 14,479                         | 15,516                          | 8,938     | 1,476                      | 44,229  |
| 2004 Q1 | 3,647                  | 15,021                         | 15,674                          | 9,188     | 1,497                      | 45,027  |
| Q2      | 3,772                  | 15,171                         | 15,834                          | 9,532     | 1,526                      | 45,835  |
| Q3      | 3,699                  | 15,134                         | 16,183                          | 9,678     | 1,557                      | 46,251  |

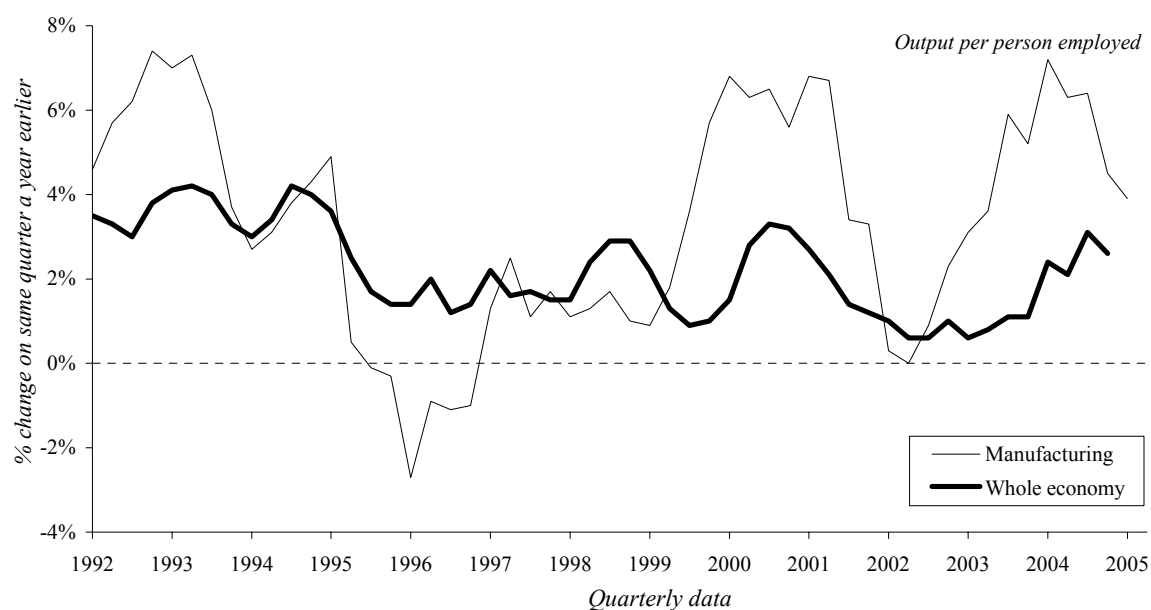
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 0.7% in Q4 2004 compared with the previous quarter, and by 4.9% compared with Q4 2003 on a seasonally adjusted basis.
- Total manufacturing investment fell by 0.1% in Q4 2004 compared with the previous quarter, while investment in private sector services increased by 1.3% on a seasonally adjusted basis.

**Contact:** Dominic Webb, x4324

**Updates:** ONS, *Business Investment*, 22 Mar

## A5: Productivity



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

### Productivity

% changes on year; seasonally adjusted

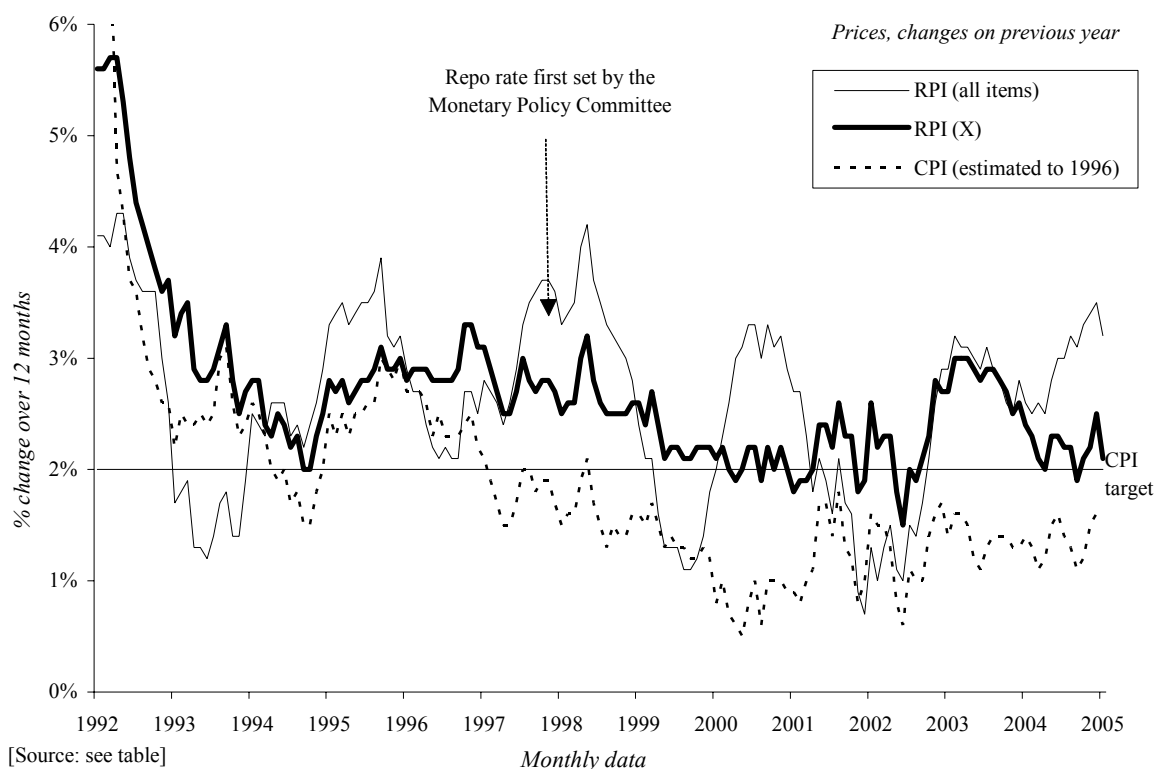
|         | Manufacturing |                         |                 | Whole Economy |                         |                 |
|---------|---------------|-------------------------|-----------------|---------------|-------------------------|-----------------|
|         | Output        | Workforce in employment | Output per head | Output        | Workforce in employment | Output per head |
| 2000    | 2.4           | -3.6                    | 6.3             | 3.9           | 0.8                     | 3.0             |
| 2001    | -1.3          | -4.6                    | 3.4             | 2.1           | 0.7                     | 1.4             |
| 2002    | -3.1          | -4.5                    | 1.6             | 1.5           | 0.8                     | 0.7             |
| 2003    | 0.4           | -4.8                    | 5.4             | 2.1           | 0.8                     | 1.3             |
| 2004    | 1.3           | ..                      | ..              | 3.1           | ..                      | ..              |
| 2003 Q3 | 0.1           | -4.8                    | 5.2             | 1.9           | 0.9                     | 1.1             |
| Q4      | 1.8           | -5.1                    | 7.2             | 2.6           | 0.4                     | 2.4             |
| 2004 Q1 | 1.3           | -4.7                    | 6.3             | 3.0           | 1.0                     | 2.1             |
| Q2      | 2.4           | -3.7                    | 6.4             | 3.6           | 0.6                     | 3.1             |
| Q3      | 1.0           | -3.4                    | 4.5             | 3.2           | 0.6                     | 2.6             |
| Q4      | 0.5           | -3.2                    | 3.9             | 2.9           | ..                      | ..              |

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 1.3% 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 4.8%, while manufacturing output per head rose by 5.4%.
- Productivity growth in manufacturing decreased from 6.4% per annum in Q2 2004 to 4.5% per annum in Q3 2004, while whole economy productivity growth decreased from 3.1% per annum in Q2 2004 to 2.6% per annum in Q3 2004.
- For the economy as a whole, productivity growth has averaged 1.7% per annum over the last eight quarters.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 24 Mar

**B1: Prices**

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

- In the year to January 2005 the consumer prices index (CPI) showed inflation at 1.6%. This was unchanged from December 2004.
- The largest downward effect on the CPI came from transport. Further large downward contribution came from Furniture, household equipment and routine maintenance, and clothing and footwear. Large upward effects on the CPI came from food and non-alcoholic beverages, housing, water, electricity, gas and other fuels, and recreation and culture.
- The former headline (all items RPI) rate of inflation fell to 3.2% in January from 3.5% in December 2004. The underlying RPI(X) rate fell from 2.5% in December 2004 to 2.1% in January.
- The largest downward effect on the RPI came from motoring expenditure. Further large downward contributions came from fares and other travel costs, and household goods. A small upward effect came from housing.

**Price Indices**

% change over 12 months

|          | CPI<br>(was HICP) | RPI<br>(all items) | RPI (X) |
|----------|-------------------|--------------------|---------|
| 2001     | 1.2               | 1.8                | 2.1     |
| 2002     | 1.3               | 1.7                | 2.2     |
| 2003     | 1.4               | 2.9                | 2.8     |
| 2004     | 1.3               | 3.0                | 2.2     |
| 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     |
| Nov      | 1.5               | 3.4                | 2.2     |
| Dec      | 1.6               | 3.5                | 2.5     |
| 2005 Jan | 1.6               | 3.2                | 2.1     |

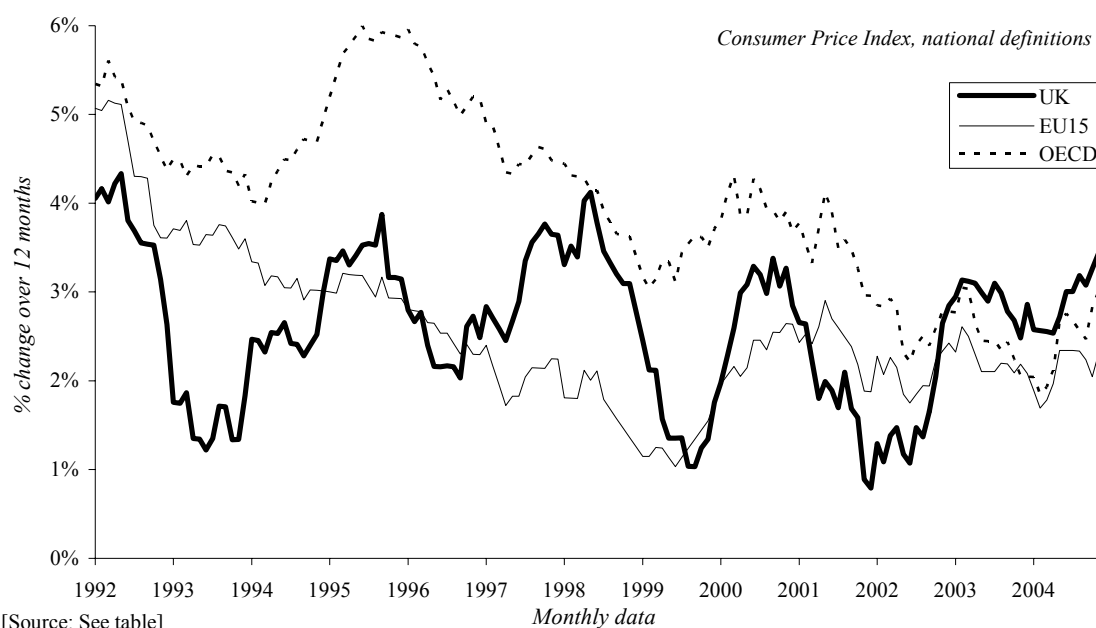
Source: ONS database, series: CZBH, CDKQ, CJYR

**Contact:** Edward Beale, x2464

**Update:** ONS, *Consumer Price Indices: First release*, 22 Mar



## 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 3.3% in December, down 0.2 percentage points from November.
- For all OECD countries the average inflation rate fell to 2.8% in December 2004, from 3.0% in the previous month.
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) increased to 2.4%.

### Consumer Price Indices

*national definitions; % change over 12 months*

|          | USA | Japan | Canada | UK  | OECD |
|----------|-----|-------|--------|-----|------|
| 2001     | 2.8 | -0.7  | 2.5    | 1.8 | 3.5  |
| 2002     | 1.7 | -0.9  | 2.2    | 1.7 | 2.6  |
| 2003     | 2.2 | -0.3  | 2.8    | 2.9 | 2.5  |
| 2004     | 2.7 | 0.0   | 1.9    | 3.0 | 2.4  |
| 2004 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 | 2.5  |
| Oct      | 3.3 | 0.5   | 2.3    | 3.3 | 2.8  |
| Nov      | 3.5 | 0.8   | 2.4    | 3.4 | 3.0  |
| Dec      | 3.3 | 0.2   | 2.1    | 3.4 | 2.8  |

Source: OECD, Main Economic Indicators, Feb 2005

### Eurozone inflation

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

|          | France | Germany | Italy | UK  | Eurozone |
|----------|--------|---------|-------|-----|----------|
| 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     | 2.3    | 1.7     | 2.3   | 1.3 | 2.1      |
| 2004 Aug | 2.5    | 2.1     | 2.4   | 1.3 | 2.4      |
| Sep      | 2.2    | 1.9     | 2.1   | 1.1 | 2.1      |
| Oct      | 2.3    | 2.2     | 2.1   | 1.2 | 2.4      |
| Nov      | 2.2    | 2.0     | 2.0   | 1.5 | 2.2      |
| Dec      | 2.2    | 2.2     | 2.4   | 1.6 | 2.4      |
| 2005 Jan | 1.6    | 1.6     | 2.0   | 1.6 | 1.9      |

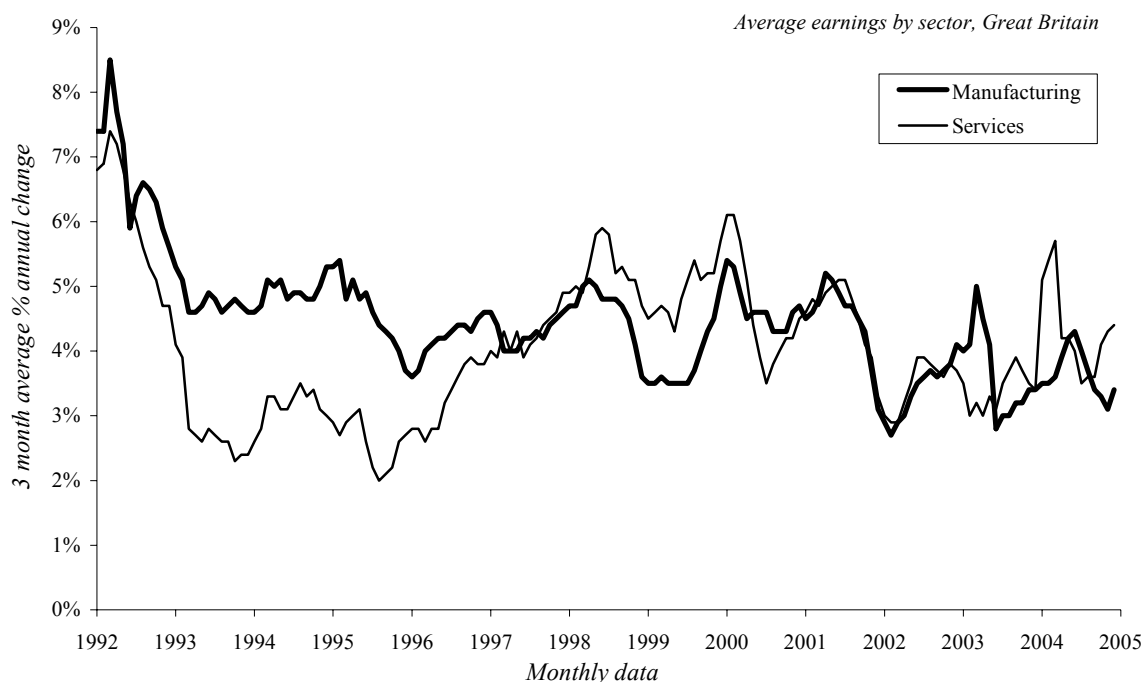
Source: Eurostat, Euro-Indicators news release, 28 Feb 2005

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

- Eurozone annual inflation fell to 1.9% in January 2004.
- The HICP inflation rates for the EU15 Member States not in the eurozone were Denmark (0.8%), Sweden (0.5%) and the UK (1.6%).
- In December the eurozone countries with the highest HICP annual inflation rates were Greece (4.2%), Spain (3.1%) and Luxembourg (2.8%). The lowest rate was in Finland (-0.2%).

**Contact:** Bryn Morgan, x4904

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

**B3: Average Earnings Index**

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

- The headline rate of growth in average earnings for the whole economy in November was 4.3%, up from 4.2% in December.
- Headline average earnings growth in manufacturing was 3.4% in December (up from 3.1% in November). Earnings growth in the service sector was 4.3% in December, compared with 4.1% in the previous month.
- Headline earnings growth in the private sector was 4.3% in December, compared with 4.7% in the public sector. Earnings growth in the public sector was unchanged from the previous month. Earnings growth in the private sector increased from 4.1% in November.
- Earnings are currently growing faster than they were a year ago (the headline rate in December 2003 was 3.8%).

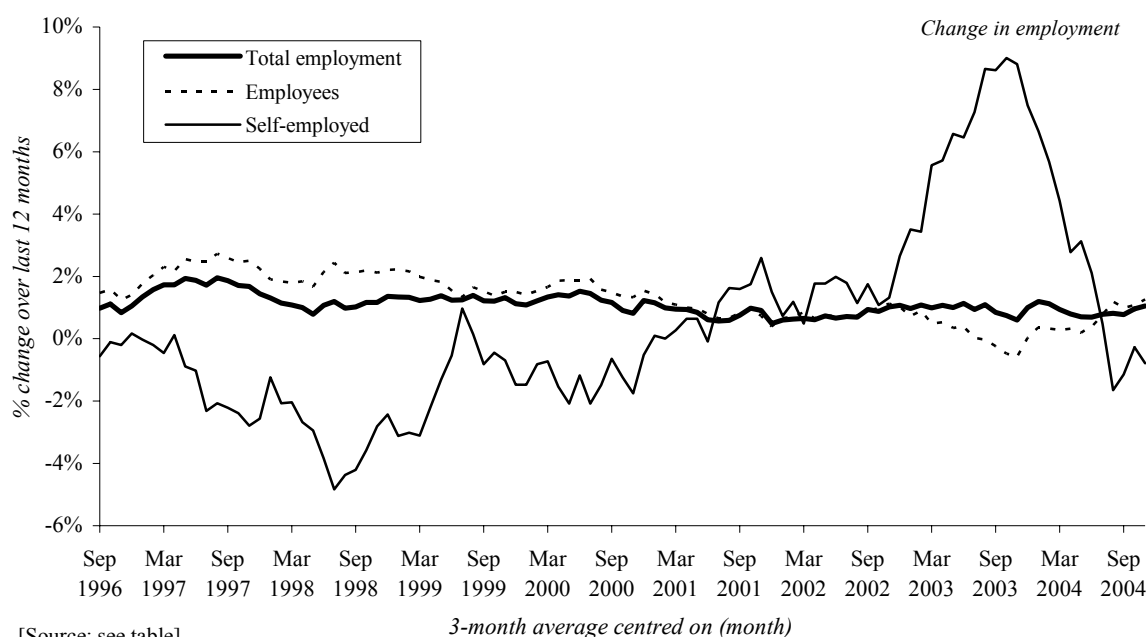
**Average Earnings, Great Britain**

*% change on year; seasonally adjusted*

|          | Headline rate |                |               |
|----------|---------------|----------------|---------------|
|          | Whole Economy | Private Sector | Public Sector |
| 2000 Dec | 4.5           | 4.6            | 3.9           |
| 2001 Dec | 3.3           | 2.9            | 5.2           |
| 2002 Dec | 3.8           | 3.6            | 4.7           |
| 2003 Dec | 3.4           | 3.1            | 4.4           |
| 2004 Jan | 4.7           | 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      | 3.8           | 3.7            | 4.2           |
| Oct      | 4.1           | 4.0            | 4.6           |
| Nov      | 4.2           | 4.1            | 4.7           |
| Dec      | 4.3           | 4.3            | 4.7           |

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<br>employment | Employees | Self-employed | Unpaid Family<br>Workers | Government<br>Training |
|---------------------|------------------------|-----------|---------------|--------------------------|------------------------|
| 2000 Nov            | 27,524                 | 24,050    | 3,245         | 100                      | 129                    |
| 2001 Nov            | 27,774                 | 24,225    | 3,329         | 103                      | 118                    |
| 2002 Nov            | 28,056                 | 24,496    | 3,373         | 92                       | 95                     |
| 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                    |
| 2004 Nov            | 28,521                 | 24,660    | 3,641         | 95                       | 126                    |
| <i>Changes (%):</i> |                        |           |               |                          |                        |
| on last 3 months    | 0.3                    | 0.1       | 1.7           | 8.0                      | -1.3                   |
| on last year        | 1.0                    | 1.3       | -0.8          | -1.9                     | 18.8                   |

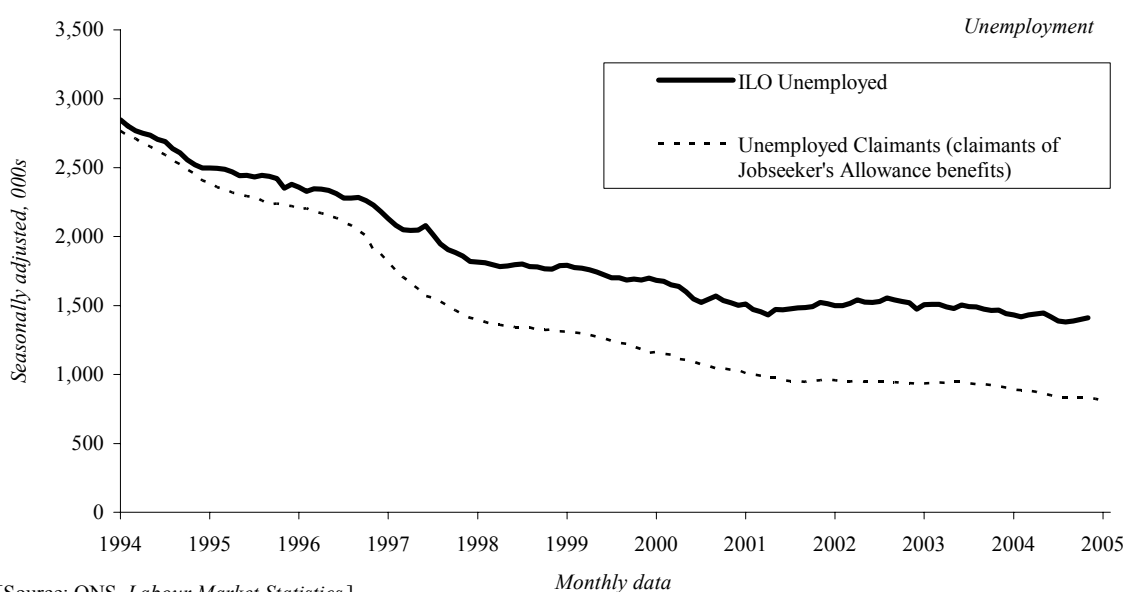
Source: ONS, *Labour Market Statistics*, 16 February 2005

- Total employment was 28.5 million in the period October to December 2004, 1.0% higher than a year previously. The working age employment rate of 74.9% was 0.1% higher than the previous quarter and 0.3% higher than a year ago.
- The number of workforce jobs fell by 41,000 between June and September 2004 but was 88,000 higher than a year previously. Over the year to September, the number of production industry workforce jobs fell by 130,000. Service sector jobs rose by 185,000.
- 7.3 million people were in part-time employment in the period October to December 2004, of whom 5.7 million were women. 3.6 million people were self-employed.

**Contact:** Dominic Webb, x4324

**Updates:** ONS, *Labour Market Statistics*, 16 Mar

## C2: Unemployment: National



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 October to December 2004, the level of ILO unemployment in the UK was 1,411,000 (seasonally adjusted). This was a decrease of 56,000 from the period October to December 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 11,000 between December 2004 and January 2005 to 813,200.

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

- 1,222,000 people had joined the scheme by the end of September 2004. Of those leaving the scheme 535,000 had moved into jobs up to the end of September, of which 426,000 (80%) 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 746,000 people had joined the scheme by the end of September 2004. Of these, 205,000 had entered jobs of which 160,000 (78%) were sustained.

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

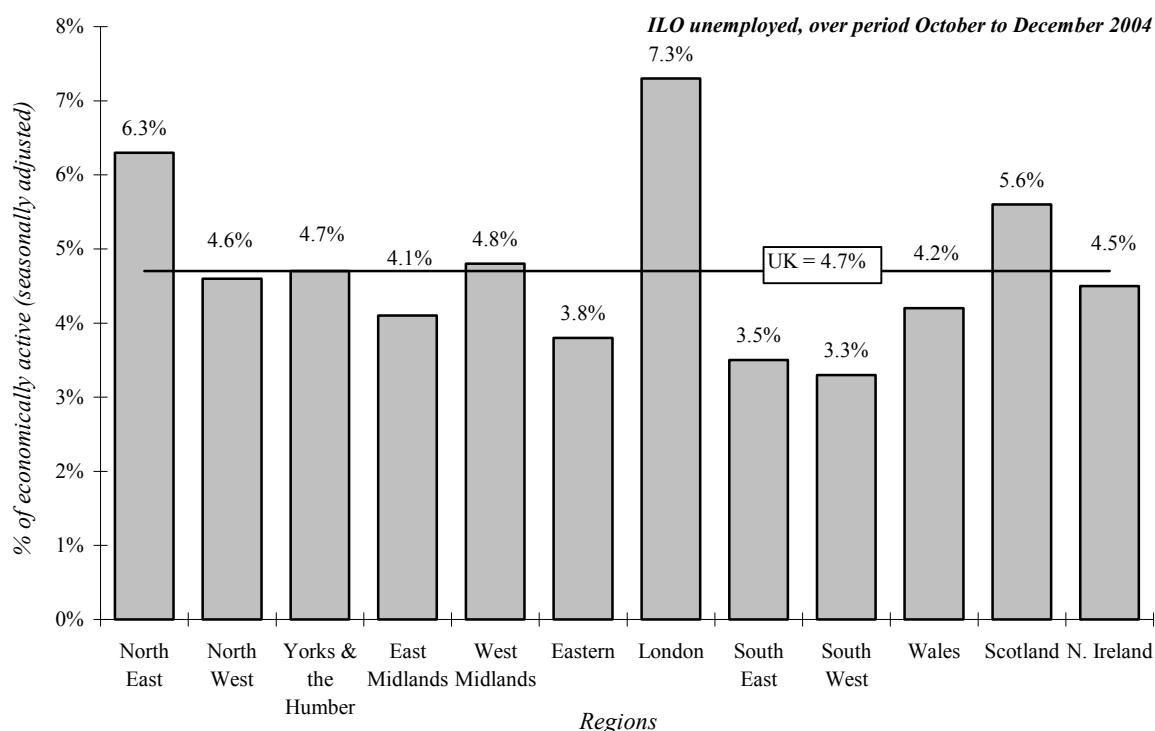
|      |           | '000s | rate (%) |
|------|-----------|-------|----------|
| 1998 | Jul - Sep | 1,783 | 6.2      |
|      | Oct - Dec | 1,763 | 6.1      |
| 1999 | Jan - Mar | 1,775 | 6.2      |
|      | Apr - Jun | 1,743 | 6.0      |
|      | Jul - Sep | 1,702 | 5.9      |
|      | Oct - Dec | 1,684 | 5.8      |
| 2000 | Jan - Mar | 1,675 | 5.8      |
|      | Apr - Jun | 1,599 | 5.5      |
|      | Jul - Sep | 1,545 | 5.3      |
|      | Oct - Dec | 1,521 | 5.2      |
| 2001 | Jan - Mar | 1,472 | 5.1      |
|      | Apr - Jun | 1,472 | 5.0      |
|      | Jul - Sep | 1,483 | 5.1      |
|      | Oct - Dec | 1,523 | 5.2      |
| 2002 | Jan - Mar | 1,500 | 5.1      |
|      | Apr - Jun | 1,526 | 5.2      |
|      | Jul - Sep | 1,554 | 5.3      |
|      | Oct - Dec | 1,521 | 5.1      |
| 2003 | Jan - Mar | 1,509 | 5.1      |
|      | Apr - Jun | 1,478 | 5.0      |
|      | Jul - Sep | 1,489 | 5.0      |
|      | Oct - Dec | 1,467 | 4.9      |
| 2004 | Jan - Mar | 1,419 | 4.8      |
|      | Apr - Jun | 1,446 | 4.8      |
|      | Jul - Sep | 1,380 | 4.6      |
|      | Oct - Dec | 1,411 | 4.7      |

Source: ONS, *Labour Market Statistics*

**Contact:** Alex Adcock, x3793

**Update:** ONS, *Labour Market Statistics*, 16 Mar ;  
*New Deal*, 16 Mar

### 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 October to December 2004 London had the highest unemployment rate, 7.3% of the economically active population. The lowest rate over the same period was 3.3% in the South West.
- A comparison of October to December 2004 with the same period a year earlier shows that the largest fall (27%) in unemployment occurred in the Northern Ireland and West Midlands regions. The Eastern and South West regions showed the largest increase (9%) over the period.

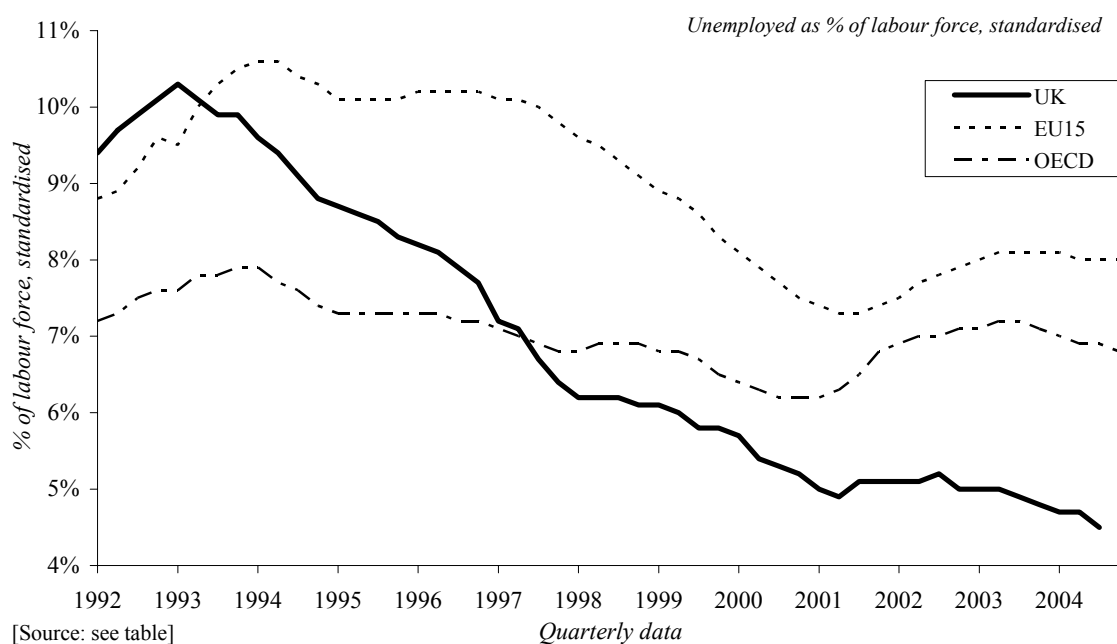
#### **ILO Unemployment, October to December 2004**

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

|                         | Number (rounded) | %   |
|-------------------------|------------------|-----|
| North East              | -2,000           | -3  |
| North West & Merseyside | -4,000           | -3  |
| Yorkshire & the Humber  | -9,000           | -7  |
| East Midlands           | -5,000           | -5  |
| West Midlands           | -22,000          | -15 |
| Eastern                 | 9,000            | 9   |
| London                  | 7,000            | 3   |
| South East              | -13,000          | -8  |
| South West              | 7,000            | 9   |
| Wales                   | -8,000           | -12 |
| Scotland                | -2,000           | -1  |
| Northern Ireland        | -13,000          | -27 |

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  | Q4   |
| USA      | 4.7  | 5.8  | 6.0  | 5.8  | 6.1 | 6.1 | 5.9 | 5.6  | 5.6 | 5.5 | 5.4  |
| Japan    | 5.0  | 5.4  | 5.3  | 5.4  | 5.4 | 5.2 | 5.1 | 4.9  | 4.6 | 4.8 | 4.6  |
| Canada   | 7.2  | 7.7  | 7.6  | 7.4  | 7.7 | 7.8 | 7.5 | 7.3  | 7.2 | 7.1 | 7.1  |
| UK       | 5.0  | 5.1  | 5.0  | 5.0  | 5.0 | 4.9 | 4.8 | 4.7  | 4.7 | 4.5 | ..   |
| Germany  | 7.8  | 8.7  | 9.6  | 9.5  | 9.7 | 9.7 | 9.6 | 9.6  | 9.7 | 9.9 | 10.0 |
| France   | 8.4  | 8.9  | 9.5  | 9.2  | 9.4 | 9.5 | 9.7 | 9.6  | 9.6 | 9.7 | 9.6  |
| Italy    | 9.4  | 9.0  | 8.6  | 8.9  | 8.7 | 8.5 | 8.5 | 8.6  | 7.7 | ..  | ..   |
| Eurozone | 8.0  | 8.4  | 8.9  | 8.8  | 8.9 | 8.9 | 8.9 | 9.0  | 8.8 | 8.9 | 8.8  |
| G7       | 5.9  | 6.5  | 6.7  | 6.7  | 6.8 | 6.8 | 6.6 | 6.5  | 6.3 | 6.3 | 6.3  |
| OECD     | 6.5  | 7.0  | 7.1  | 7.1  | 7.2 | 7.2 | 7.1 | 7.0  | 6.9 | 6.9 | 6.8  |

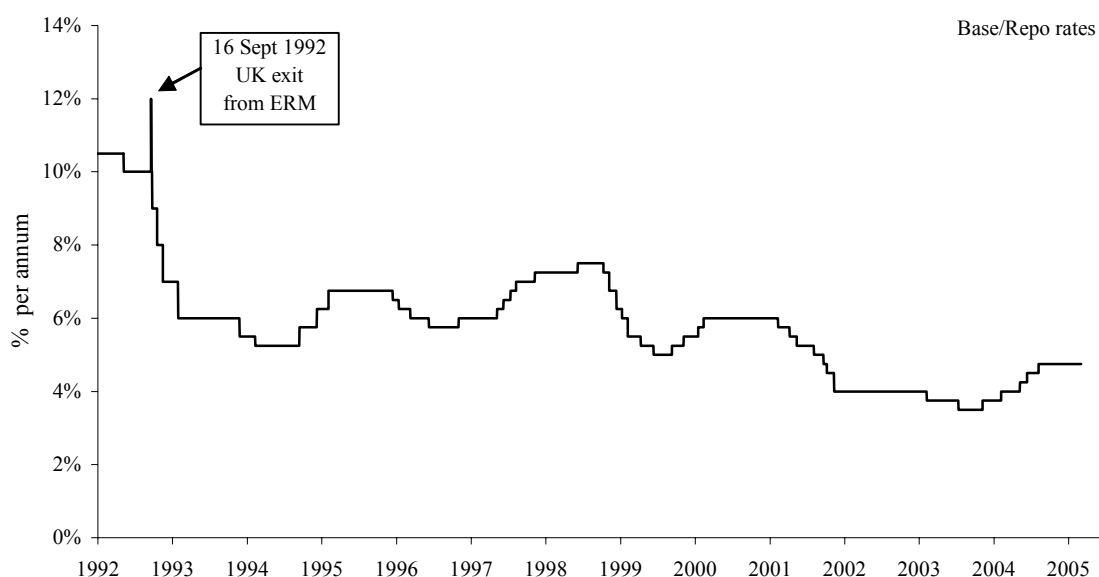
Source: OECD, *Main Economic Indicators*, February 2005

- 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*, December 2004) suggest the UK unemployment rate will be 4.7% in 2004 and 2005. The respective forecasts for the eurozone are 8.8% and 8.6%. For the OECD as a whole the respective forecasts are 6.6% and 6.5%.

**Contact:** Alex Adcock, x3973

**Updates:** OECD, *Main Economic Indicators*, 11 Mar  
OECD, *Economic Outlook*, Jun

## 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 February's meeting note:

- Short term sterling interest rates had risen by around 20 basis points over the month;
- the most significant development in foreign exchange markets had been the appreciation of the US dollar since early January;
- domestically, retail sales growth in the fourth quarter of 2004 was weaker than expected;
- the Committee voted by eight to one to maintain interest rates at 4.75%. This was the first time since the last increase in rates that a committee member had voted for an increase.

The latest Bank *Quarterly Inflation Report* (February 2005) noted that labour cost pressures remained muted, but input and import prices had picked up and CPI inflation had risen to 1.6%. The central projection was for inflation to rise gradually, passing through the 2% target during 2006.

### UK Base/Repo rate changes

% per annum

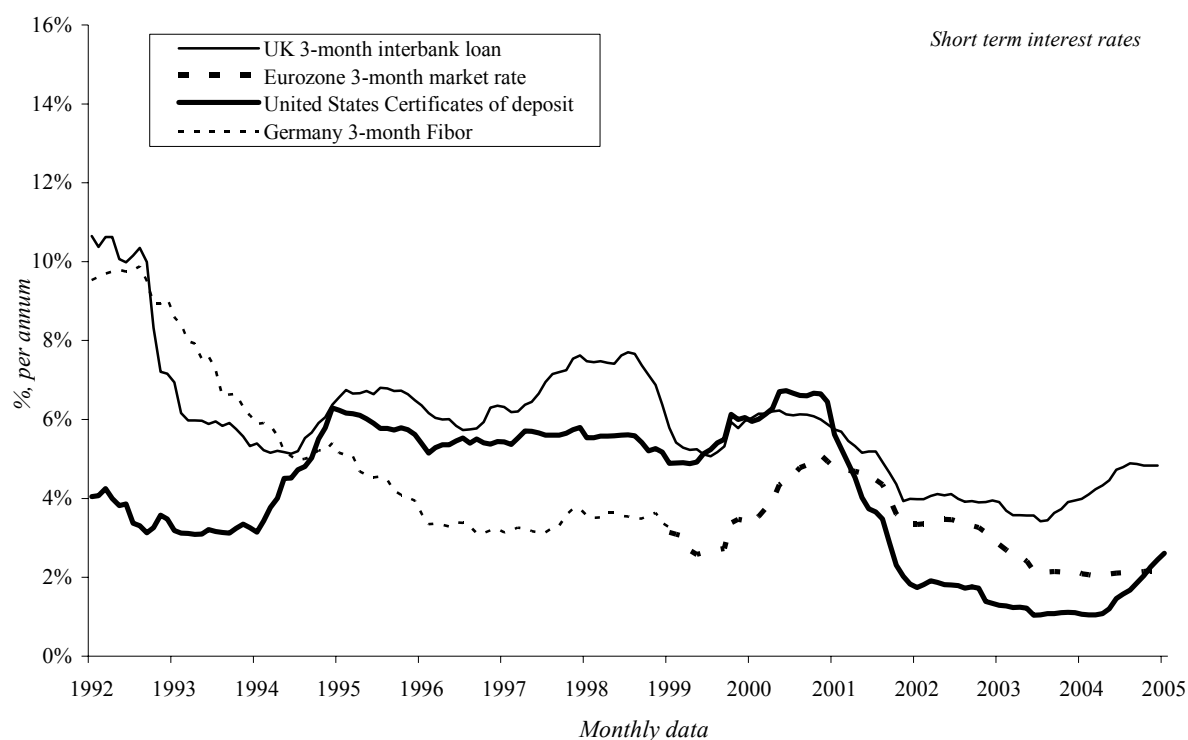
| Date        | New rate | Date       | New rate |
|-------------|----------|------------|----------|
| 1997 May 6  | 6.25     | 2001 Feb 8 | 5.75     |
| Jun 6       | 6.50     | Apr 5      | 5.50     |
| Jul 10      | 6.75     | May 10     | 5.25     |
| Aug 7       | 7.00     | Aug 2      | 5.00     |
| 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:** Bryn Morgan, x4904

**Update:** *Next Decision*, 10 May; *Minutes*, 23 Mar  
*Quarterly Inflation Report*, 11 May

## D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Feb 2005]

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 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 current European Central Bank (ECB) interest rate is 2%, and has now been at this level for 21 months. The 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.
- On 2 February 2004 the US Federal Reserve increased the Federal Funds Rate by 0.25% to 2.5%, following five previous increases of 0.25%, on: 14 December 2004, 10 November 2004, 21 September 2004, 10 August 2004 and 30 June 2004.

### International interest rates

*% per annum, as at end February 2005*

|                | Official rate | Yield on 10 yr<br>Government bonds | 3-month rate<br>market rate         |
|----------------|---------------|------------------------------------|-------------------------------------|
| United Kingdom | 4.75          | 4.78                               | $4 \frac{15}{16} - 4 \frac{13}{16}$ |
| Eurozone       | 2.00          | n/a                                | $2 \frac{5}{32} - 2 \frac{3}{32}$   |
| United States  | 2.50          | 4.37                               | $2 \frac{29}{32} - 2 \frac{7}{8}$   |
| Japan          | 0.00          | 1.48                               | $\frac{1}{16} - \frac{1}{32}$       |
| Switzerland    | 0.25-1.25     | 2.35                               | $\frac{3}{4} - \frac{5}{8}$         |

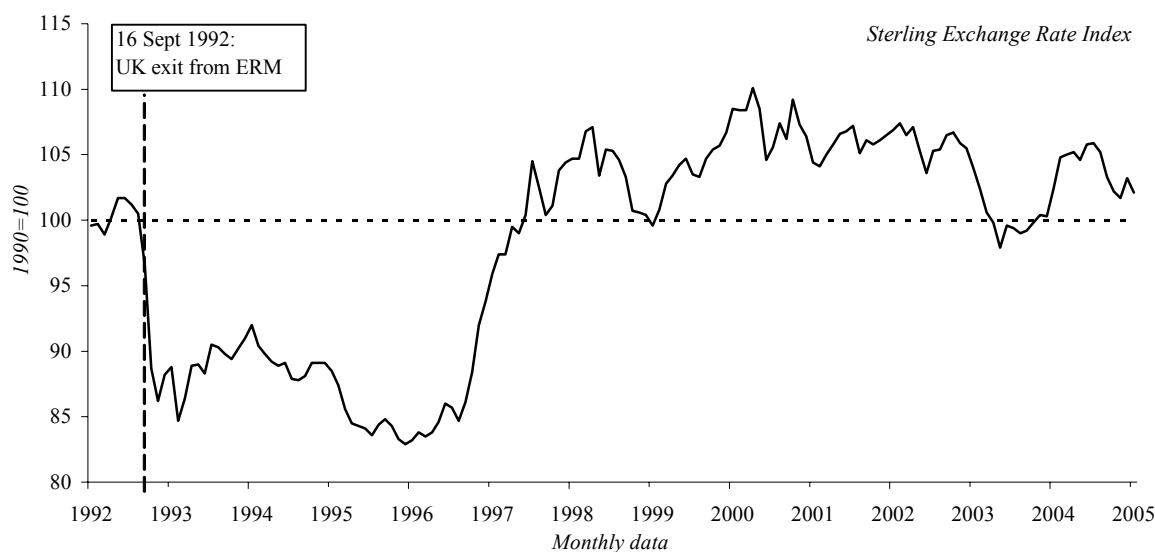
Source: *Financial Times*, 1 March 2005 (Companies & Markets, p41)

**Contact:** Bryn Morgan, x4904      **Updates:** *Short-term interest rates:* OECD, MEI, mid-Mar;  
*Base rates:* 10 Mar (UK MPC), 3 Mar (EU), 22 Mar (US)



### 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 2004, the SERI fell by 1.1 points in January 2005, suggesting that the UK was relatively more competitive at the end of January 2005 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 €1.451 at the London market close on 28 February 2005, compared with a launch rate of €1.4168 on 31 December 1998.

#### Sterling Exchange Rates

*rates and % changes*

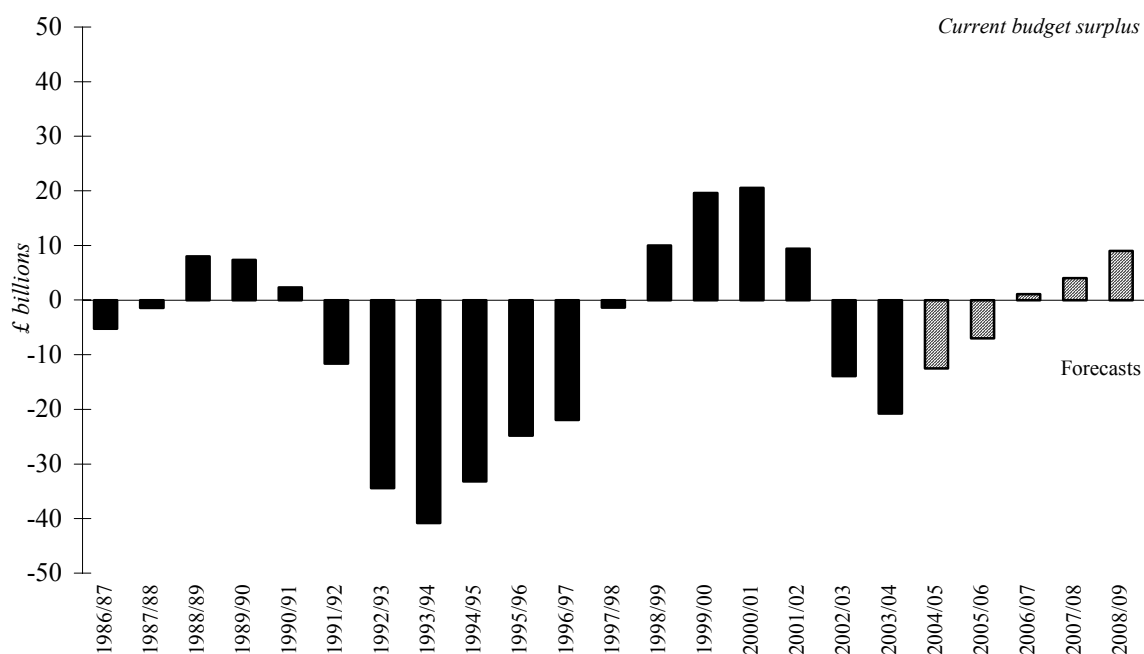
|          | US Dollar (\$) |                  | Yen (¥) |                  | Euro (€) |                  |
|----------|----------------|------------------|---------|------------------|----------|------------------|
|          | Rate           | change on yr (%) | Rate    | change on yr (%) | Rate     | change on yr (%) |
| 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             |
| 2004     | 1.832          | 12.1             | 198.1   | 4.6              | 1.474    | 2.0              |
| 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              |
| Nov      | 1.860          | 10.1             | 194.8   | 5.6              | 1.431    | -0.8             |
| Dec      | 1.928          | 10.1             | 200.2   | 6.1              | 1.440    | 1.1              |
| 2005 Jan | 1.876          | 2.9              | 194.0   | 0.1              | 1.433    | -0.8             |

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

**Contact:** Edward Beale, x2464

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

## D4: Public Finances



[Source: ONS database, series: ANMU; HM Treasury]

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 Pre-Budget Report.

- There was a £11.5 billion deficit on the current budget in Q4 2004 compared with a £10.6 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 £22.1 billion in Q4 2004 compared with £17.3 billion in the same quarter of 2003. In 2003/04, the PSNCR was £39.6 billion compared with £24.4 billion in 2002/03.

**These figures do not take into account the revisions to public sector finances announced by ONS on 28 February 2005.**

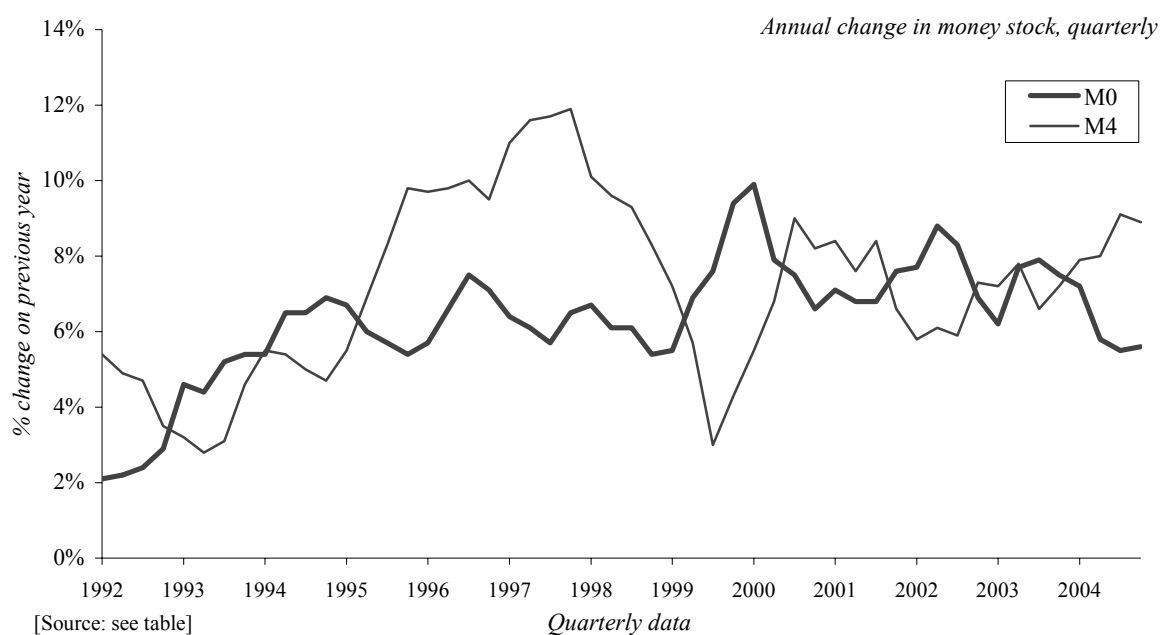
### Public Sector Net Debt

£ billion & %

|         | Public Sector Net Debt |               |
|---------|------------------------|---------------|
|         | £ billion              | as a % of GDP |
| 2000/01 | 307.2                  | 31.3          |
| 2001/02 | 311.7                  | 30.2          |
| 2002/03 | 342.0                  | 31.5          |
| 2003/04 | 375.5                  | 32.8          |
| 2003 Q4 | 375.0                  | 33.2          |
| 2004 Q1 | 375.5                  | 32.8          |
| Q2      | 388.3                  | 33.5          |
| Q3      | 394.4                  | 33.5          |
| Q4      | 416.9                  | 34.9          |

Source: ONS database, series: RUTN, RUTO

## D5: Money Supply



### Money stock

*% change; seasonally adjusted*

|                   | M0                             |                 | M4                             |                 |
|-------------------|--------------------------------|-----------------|--------------------------------|-----------------|
|                   | 3 month change<br>(annualised) | 12 month change | 3 month change<br>(annualised) | 12 month change |
| 2004 Feb          | 3.3                            | 6.8             | 10.0                           | 8.4             |
| Mar               | 6.7                            | 7.1             | 7.8                            | 8.0             |
| Apr               | 5.4                            | 5.7             | 6.5                            | 7.4             |
| May               | 6.9                            | 5.3             | 9.0                            | 8.3             |
| Jun               | 7.2                            | 6.4             | 9.7                            | 8.1             |
| Jul               | 6.1                            | 5.6             | 11.2                           | 9.1             |
| Aug               | 4.7                            | 5.1             | 9.0                            | 9.9             |
| Sep               | 4.4                            | 5.8             | 7.8                            | 9.0             |
| Oct               | 5.7                            | 5.8             | 7.6                            | 9.6             |
| Nov               | 5.9                            | 5.2             | 7.3                            | 8.8             |
| Dec               | 5.0                            | 5.8             | 9.4                            | 8.7             |
| 2005 Jan          | 5.5                            | 5.7             | 10.3                           | 8.9             |
| Feb (provisional) | 6.4                            | 5.9             | ..                             | ..              |

Sources: Bank of England, *Bankstats* and *Provisional estimates of narrow money February 2005*

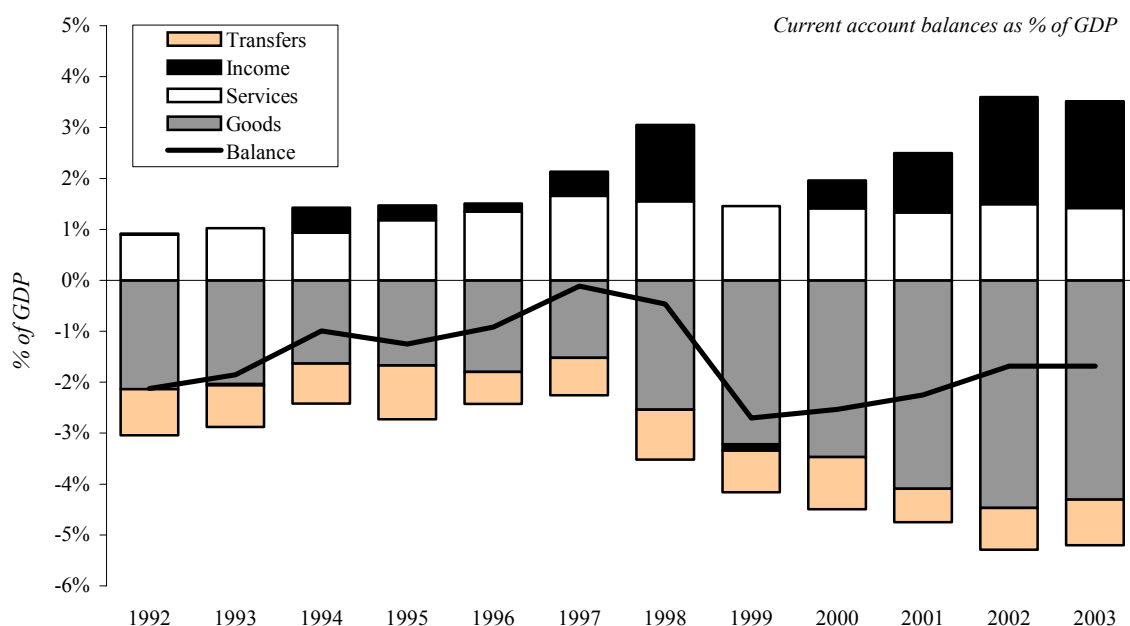
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 8.9% in the 12 months to January. The 12-month seasonally adjusted M0 growth rate was 5.9% in February, compared with 6.8% in February 2004.
- There are now no formal targets for money supply growth.

**Contact:** Dominic Webb, x4324

**Update:** Bank of England, *Bankstats*, 31 Mar

## E1: International Trade



[Source: see table]

### Current Account Balances

*£ millions; seasonally adjusted*

|         | Trade in goods/services |          |         | Income<br>(total) | Transfers       |        |        | Current<br>Balance |
|---------|-------------------------|----------|---------|-------------------|-----------------|--------|--------|--------------------|
|         | Goods                   | Services | Total   |                   | Central<br>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 | 22,027            | -5,633          | -2,911 | -8,544 | -17,615            |
| 2003    | -47,416                 | 15,602   | -31,814 | 23,141            | -6,971          | -2,927 | -9,898 | -18,571            |
| 2004    | -57,629                 | 18,310   | -39,319 | ..                | ..              | ..     | ..     | ..                 |
| 2003 Q3 | -12,218                 | 3,934    | -8,284  | 4,639             | -1,731          | -753   | -2,484 | -6,129             |
| 2003 Q4 | -12,795                 | 3,896    | -8,899  | 5,795             | -1,667          | -513   | -2,180 | -5,284             |
| 2004 Q1 | -14,358                 | 4,639    | -9,719  | 6,159             | -2,079          | -834   | -2,913 | -6,483             |
| Q2      | -14,400                 | 4,933    | -9,467  | 6,119             | -1,828          | -526   | -2,354 | -5,820             |
| Q3      | -14,590                 | 4,396    | -10,194 | 4,381             | -2,255          | -634   | -2,889 | -8,774             |
| Q4      | -14,281                 | 4,342    | -9,939  | ..                | ..              | ..     | ..     | ..                 |

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

- The current account deficit in 2003 was £18.6 billion, compared with a revised deficit of £17.6 billion in 2002. Income increased, but the deficit on goods and services widened by £0.7 billion between 2002 and 2003, and 2004 data suggest that a deficit that has grown further, by £10.2 billion between 2003 and 2004.
- In Q3 2004 the current account deficit was £8.8 billion, £3.0 billion greater than in Q2 2004. The surplus on investment income fell by £1.7 billion over the same period. The deficit in trade in goods and services increased to £10.2 billion during this period, but has improved between Q3 to Q4 2003 to £9.9 billion.
- The current account deficit with EU25 countries widened to £6.4 billion in Q3 2004 compared with £5.7 billion in Q2 2004. The current account with non-EU countries showed a deficit of £2.4 billion in Q3 2004, compared with a deficit of £0.2 billion in the previous quarter.

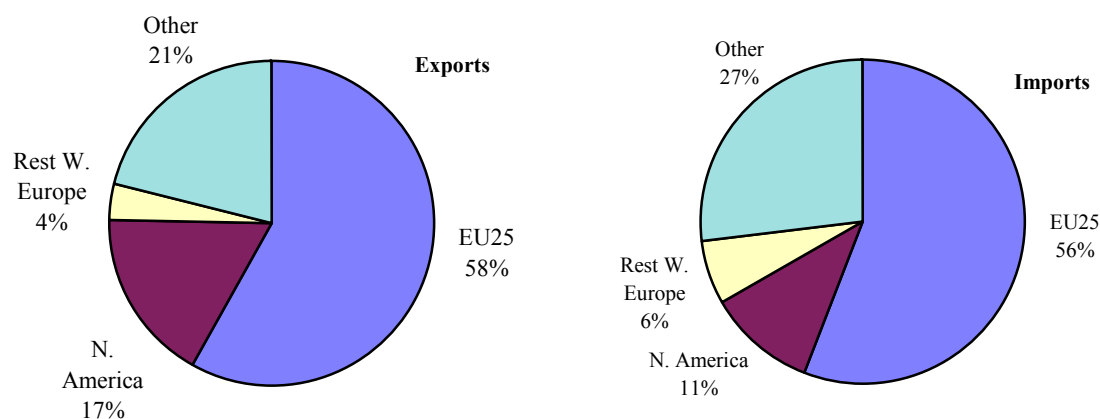
**Contact:** Ian Townsend, x3977

**Updates:** ONS, *UK Trade*, 9 Mar; *UK Balance of Payments: First Release*, 23 Mar

## E2: Trade in Goods

### Shares of UK trade in goods by area, 2004

(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

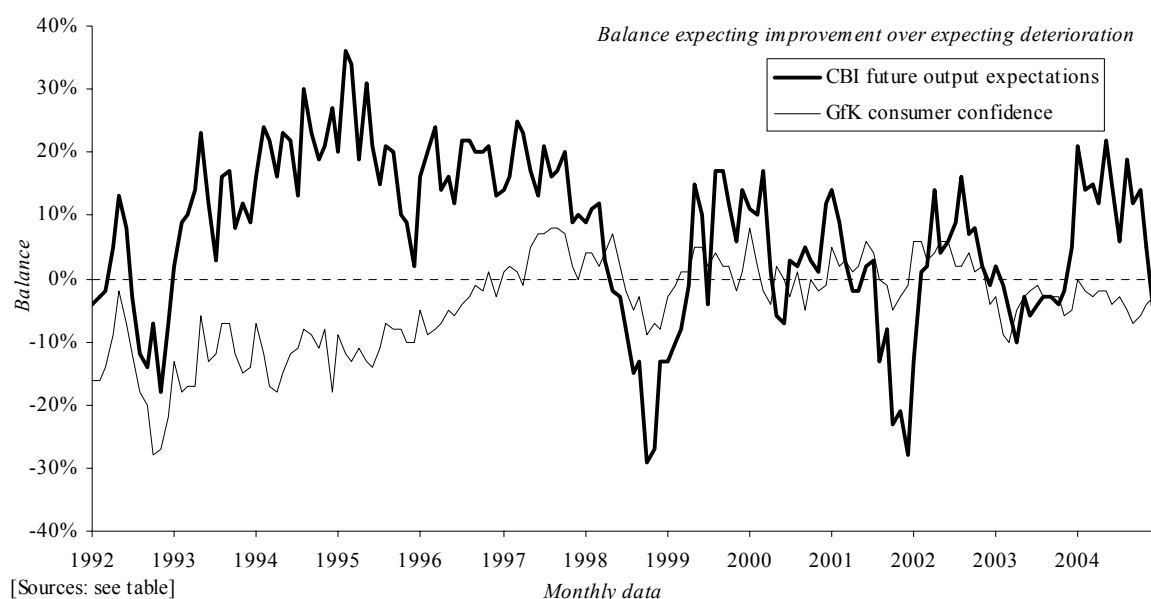
|         | Volume index (2001=100) |         | Trade in goods (£m) |         |         |
|---------|-------------------------|---------|---------------------|---------|---------|
|         | Exports                 | Imports | Exports             | Imports | Balance |
| 2001    | 100.0                   | 100.0   | 190,055             | 230,703 | -40,648 |
| 2002    | 98.3                    | 104.1   | 186,517             | 233,192 | -46,675 |
| 2003    | 98.2                    | 106.1   | 188,602             | 236,018 | -47,416 |
| 2004    | 99.7                    | 112.3   | 190,723             | 248,352 | -57,629 |
| 2003 Q4 | 99.3                    | 108.6   | 47,408              | 60,203  | -12,795 |
| 2004 Q1 | 95.8                    | 109.2   | 45,039              | 59,397  | -14,358 |
| Q2      | 98.6                    | 111.0   | 46,798              | 61,198  | -14,400 |
| Q3      | 101.2                   | 113.4   | 48,505              | 63,095  | -14,590 |
| Q4      | 103.2                   | 115.6   | 50,381              | 64,662  | -14,281 |

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

- In December 2004 the balance on trade in goods is provisionally estimated at a deficit of £4.4 billion, compared with £4.6 billion in November 2004. On the previous month, total goods exports rose by 2.4% and goods imports increased by 0.6%, reaching £17.2 billion and a record £21.6 billion respectively.
- The deficit on trade in goods with EU25 countries for the latest three months was £6.8 billion, up less than of £0.1 billion on the quarter previously. The deficit with non-EU countries narrowed by £0.4 billion to £7.5 billion over the same period.
- The estimate of the trend in the balance of trade in goods, based on December 2004 data, suggests that the whole world goods deficit is 'fairly flat'. As regards the value of trade, the value of both exports and imports rose 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 increased to +19 in February 2005, the highest since August 2004.
- The CBI’s quarterly indicator of overall business confidence in manufacturing, looking at current optimism compared with three months previously, fell to -22 in January 2005.
- The February “Distributive Trades Survey showed a balance of -23% of retailers thought the sales volume was low for the time of year, the lowest since January 1999.

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, and views on making major household purchases.

- The overall index fell by one point to a zero balance in February.
- The climate for making major purchases dropped slightly to +16 in February (from +18). Expectations of future personal finances also fell by two points. The perception of whether now is a good time to save remained at +25.

### Output Expectations/Consumer Confidence

*Balance of % expecting improvement over % expecting deterioration*

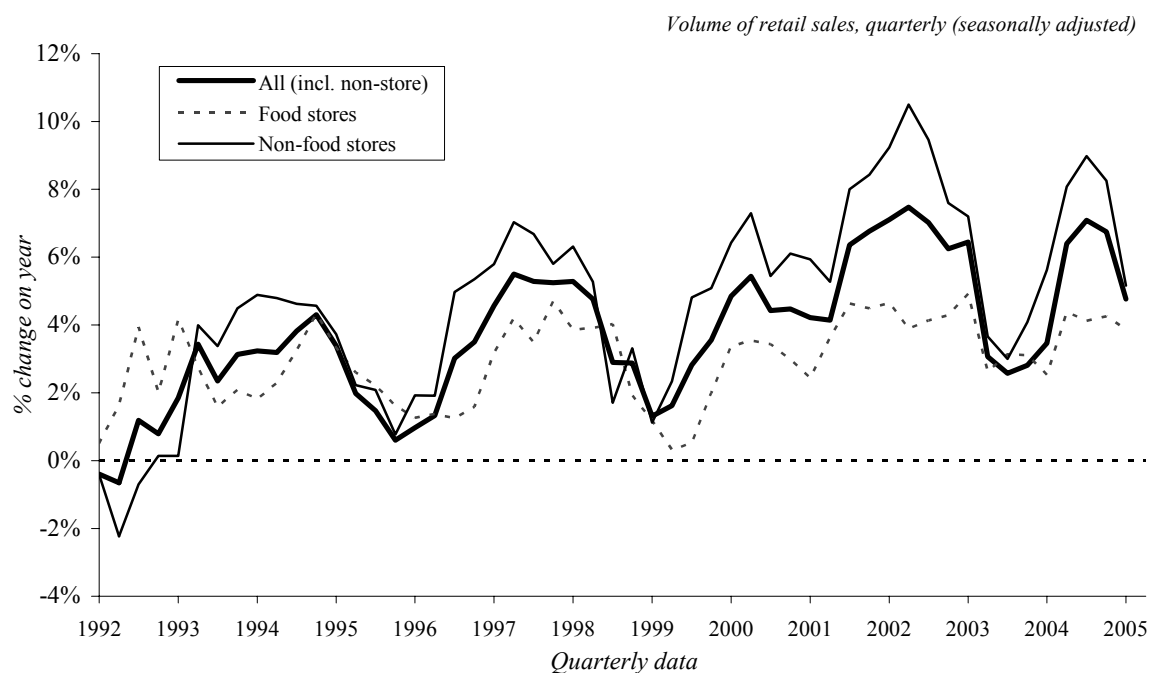
|          | Future output expectations (CBI) | Consumer confidence (GfK) |
|----------|----------------------------------|---------------------------|
| 2004 Feb | +14                              | -2                        |
| Mar      | +15                              | -3                        |
| Apr      | +12                              | -2                        |
| May      | +22                              | -2                        |
| Jun      | +15                              | -4                        |
| Jul      | +6                               | -3                        |
| Aug      | +19                              | -5                        |
| Sep      | +12                              | -7                        |
| Oct      | +14                              | -6                        |
| Nov      | +5                               | -4                        |
| Dec      | -6                               | -3                        |
| 2005 Jan | +10                              | +1                        |
| Feb      | +19                              | 0                         |

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 Mar 2005; Martin Hamblin GfK, *Consumer Confidence*, 31 Mar

## F2: Retail Sales



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

- The *volume* of retail sales in the three months from November to January was unchanged compared with the previous three month period, and was 4.3% higher than a year previously (seasonally adjusted).
- Retail sales volumes in January 2005 were 3.9% higher than in January 2004 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 4.1% in November to January compared with 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<br>& tobacco | Clothing &<br>footwear | Household<br>goods | Other<br>non-food | Total |
|---------|--------------------------|------------------------|--------------------|-------------------|-------|
| 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   |
| 2004    | 3.5                      | 2.7                    | 5.0                | 7.2               | 4.4   |
| 2003 Q4 | 3.4                      | 0.7                    | 7.4                | -0.7              | 2.3   |
| 2004 Q1 | 3.8                      | 2.1                    | 7.2                | 6.0               | 4.8   |
| Q2      | 3.6                      | 4.7                    | 4.5                | 10.6              | 5.5   |
| Q3      | 3.6                      | 2.7                    | 7.1                | 8.6               | 4.5   |
| Q4      | 4.1                      | 3.7                    | 1.4                | 3.6               | 3.8   |

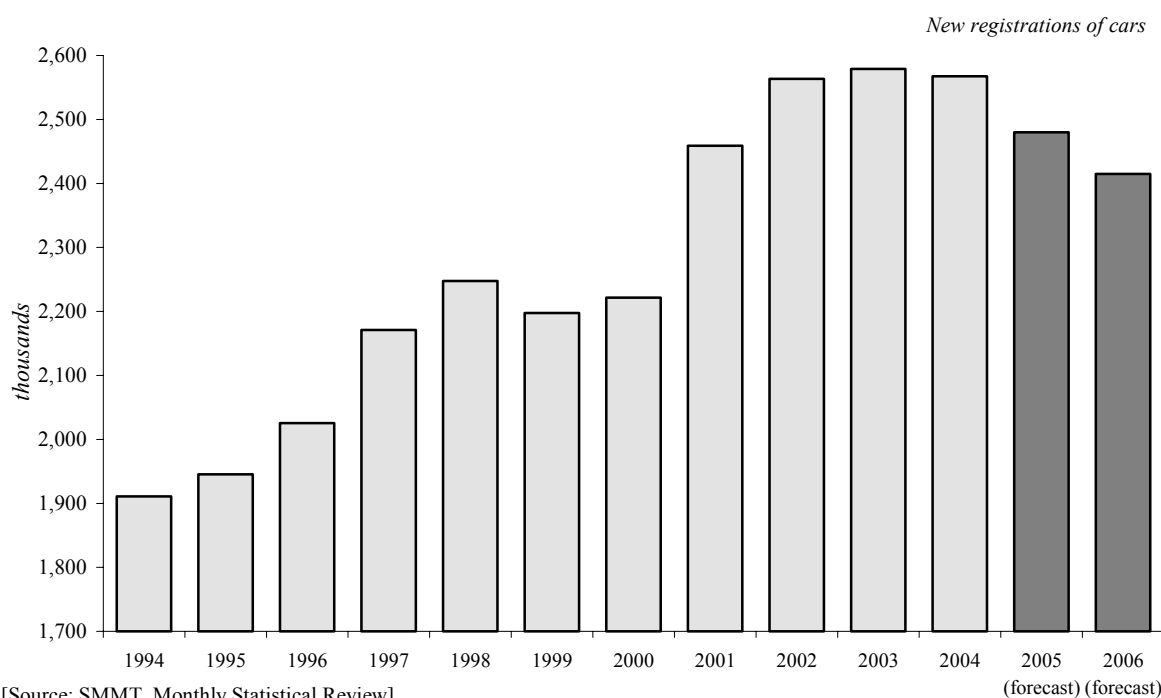
Source: ONS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in January 2005 was £4,370 million, 2.2% higher than in January 2004 (non-seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** ONS, *Retail Sales: First Release*, 17 Mar

### F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 8.2% in January 2005, compared with the previous January's figure, to 181,474 units.

- The number of new registrations of cars was just under 2.6 million units in 2004, a fall of 0.5% on the previous year.
- New registrations of cars are forecast to fall by 3.4% in 2005 and a further 2.6% in 2006.
- There were 32,180 registrations of British-built cars in January, equivalent to 17.7% of the market. The number of British built registrations decreased 18.6% on the previous January's figure. In 2004 as a whole, there were 464,000 registrations of British-built cars, a decrease of 10.9% from the previous year's figure and equivalent to 18.1% of the market.

#### New Registrations of Cars

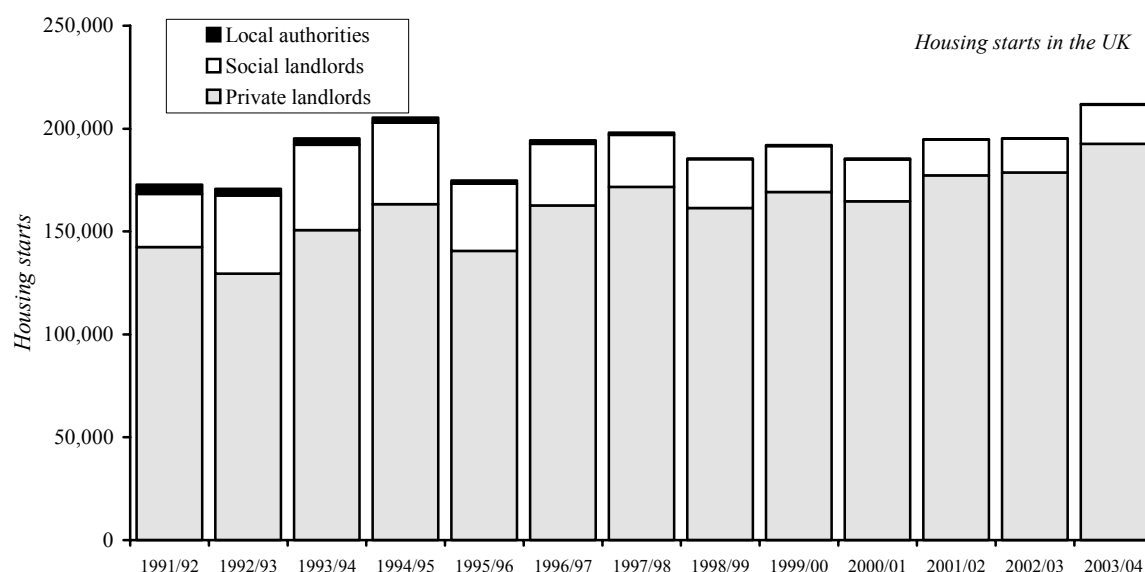
*000s & % change; not seasonally adjusted*

|                 | Number ('000s) | Change over 12 months |
|-----------------|----------------|-----------------------|
| 2003            | 2,579          | 0.6                   |
| 2004            | 2,567          | -0.5                  |
| 2005 (forecast) | 2,480          | -3.4                  |
| 2006 (forecast) | 2,415          | -2.6                  |
| <hr/>           |                |                       |
| 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                  |
| Oct             | 171            | -5.9                  |
| Nov             | 172            | 1.8                   |
| Dec             | 144            | -7.1                  |
| 2005 Jan        | 181            | -8.2                  |

Source: SMMT, *Monthly Statistical Review*



## F4: House-building & Prices



[Source: ODPM, *Housebuilding Statistics, table 201, Nov 2004*]

The latest revised data on housing starts and completions from the Office of the Deputy Prime Minister (ODPM) show that there were 57,623 dwelling starts in the UK in Q1 2004, compared with 52,909 in Q1 2003. In Q1 2004 there were 42,973 completions compared with 43,052 in Q1 2003 (all data are non-seasonally adjusted).

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

- UK house prices rose 0.8% in January compared with the previous month, following a rise of 1.1% in December 2004; annual house price inflation was 13.7%.
- On a quarterly basis, UK house prices rose by 0.1% in Q4 2004 compared with the previous quarter, following an increase of 2.7% in Q3 2004 on Q2 2004 (all seasonally adjusted)

Regionally (NB: regions not aligned with Government Office Regions used by the ODPM below), the Halifax data show that:

- Annual house price inflation in Q4 2004 was highest in the North West (27.3%) and lowest in Greater London (3.9%), compared with 15.1% UK-wide (all seasonally adjusted).

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

- The average UK house price in December 2004 was £178,906, down from £180,126 in November 2004. Annual house price inflation in December 2004 was 10.7% compared with 13.7% in November 2004.
- Regionally, annual house price inflation in December 2004 was highest in the Wales (20.8%) and lowest in London (3.0%).

### Standardised average house prices

£s & %; non-seasonally adjusted

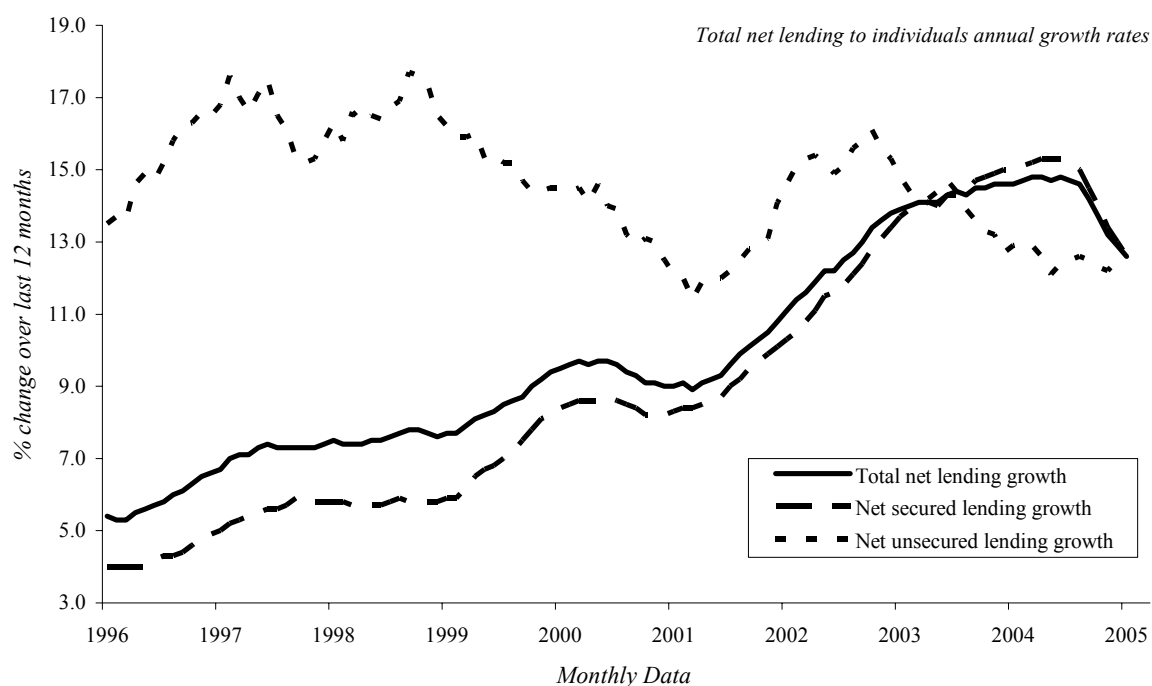
|   | All houses | New houses | Existing houses | First time buyers |
|---|------------|------------|-----------------|-------------------|
| 2003 Q4   | 140,130    | 141,715    | 141,390         | 99,019            |
| 2004 Q1   | 146,465    | 143,613    | 147,881         | 104,354           |
| Q2  | 158,580    | 155,841    | 159,784         | 112,588           |
| Q3  | 162,903    | 162,335    | 164,044         | 116,983           |
| Q4  | 161,288    | 158,248    | 162,542         | 118,033           |
| <i>% change over same period in previous year</i> |            |            |                 |                   |
| 2003 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              |
| Q4  | 15.1       | 11.7       | 15.0            | 19.2              |

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

**Contact:** Ian Townsend, x3977

**Updates:** ODPM, *House-building*, due; Halifax, *House Prices*, early Mar 2005; *House Prices*, 12 May

## 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 |
| 2001 Jan | 539,479                 | 127,924   | 667,404   | 8.3                      | 12.1      | 9.0   |
| 2002 Jan | 595,670                 | 142,173   | 737,843   | 10.3                     | 14.6      | 11.1  |
| 2003 Jan | 682,516                 | 157,610   | 840,125   | 13.7                     | 14.8      | 13.9  |
| 2004 Jan | 782,525                 | 167,409   | 949,934   | 15.0                     | 12.9      | 14.6  |
| Apr      | 810,293                 | 171,570   | 981,864   | 15.3                     | 12.6      | 14.8  |
| Jul      | 836,123                 | 175,995   | 1,012,118 | 15.2                     | 12.5      | 14.7  |
| Oct      | 859,104                 | 179,247   | 1,038,351 | 14.0                     | 12.3      | 13.7  |
| 2005 Jan | 881,869                 | 183,588   | 1,065,457 | 12.6                     | 12.6      | 12.6  |

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

- Total net outstanding lending to individuals was £1,065 billion at the end of January 2005 (seasonally adjusted).
- Total net lending to individuals grew by 0.9% in January 2005 compared with the previous month, and grew by 12.6% on an annual basis (all seasonally adjusted). This represents a reduction of 0.3% compared with the annualised rates for December 2004.
- Of the £9.5 billion increase in net lending in January 2005, £7.2 billion was mortgage borrowing and £2.3 billion was consumer credit (seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** Bank of England, *Lending to Individuals*, 31 Mar

## 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](http://www.statistics.gov.uk/press_release/CurrentReleases.asp).

| Indicator |  | Source details   |
|-----------|--|--|
| A1        | <b>Gross Domestic Product</b>                  | Office for National Statistics (ONS), <i>UK output, income &amp; expenditure or 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>                         | ONS, <i>UK Output, income and expenditure, Quarterly National Accounts/GDP preliminary estimate</i> releases<br>HM Treasury, <i>Forecasts for the UK economy</i> ; <a href="http://www.hm-treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm">http://www.hm-treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm</a>   |
| A4        | <b>Investment</b>                              | ONS Database & ONS, <i>Business Investment</i> release   |
| A5        | <b>Productivity</b>                            | ONS, <i>Productivity</i> release   |
| B1        | <b>Prices</b>                                  | ONS, <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>                  | ONS, <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 ONS Database  |
| C1        | <b>Employment</b>                              | ONS Database & ONS, <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><br><b>Commentary:</b> ONS, <i>Labour Market Statistics</i> release  |
| C2        | <b>Unemployment: National</b>                  | ONS, <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 <i>Labour Market Statistics First Release Historical Supplement</i> (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><br><b>Commentary:</b> Department for Work and Pensions (DWP) Quarterly Working Age Statistics for New Deal for Young People & Long-term Unemployed (table 6); <a href="http://www.dwp.gov.uk/asd/ndyp.asp">http://www.dwp.gov.uk/asd/ndyp.asp</a> |
| C3        | <b>Unemployment: Regional</b>                  | <b>Data:</b> ONS, <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><br><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> ONS Database; <b>Euro spot rate:</b> <i>Financial Times</i>  |
| D4        | <b>Public Finances</b>                           | <b>Data:</b> ONS, <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> HM Treasury, <i>Pre-Budget Report</i> , table B2 or <i>Budget Red Book</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 ONS Database.   |
| E1        | <b>International Trade</b>                       | <b>Data:</b> ONS Database<br><b>Commentary:</b> ONS, <i>Balance of Payments</i> release  |
| E2        | <b>Trade in Goods</b>                            | <b>Data:</b> ONS Database<br><b>Commentary:</b> ONS, <i>UK Trade</i> release   |
| F1        | <b>Survey Indicators</b>                         | <b>Future Output Expectations/Quarterly Business Confidence:</b> Confederation of Business Industry (CBI), <i>Economic and Business Outlook</i> and <i>Quarterly Industrial Trends Survey</i> 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 ONS Database<br><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>                              | ONS, <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/sectionhomepag_e/odpm_housing_page.hcsp">http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/sectionhomepag_e/odpm_housing_page.hcsp</a> ;<br><b>House building:</b> ODPM, <i>House Building statistical release</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><br><b>Experimental House Prices:</b> ODPM, news releases; <a href="http://www.odpm.gov.uk/pns/newslist.cgi">http://www.odpm.gov.uk/pns/newslist.cgi</a><br><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>  |