



RESEARCH PAPER 05/40  
06 JUNE 2005

# Economic Indicators, June 2005

This Research Paper series summarises the main economic indicators currently available for the UK, along with comparisons with other major OECD countries for selected indicators.

The series also includes an article on a topical issue.

This month's article:

**Welcome to Economic Indicators and the Economic Policy and Statistics Section**

Next publication date: **1 July 2005**

Edward Beale (editor)

ECONOMIC POLICY AND STATISTICS SECTION

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## I Introduction to *Economic Indicators*

*Economic Indicators* research papers are normally published in sitting time on the **first working day** of the month. In months where *Economic Indicators* is not published in hard copy individual indicators are updated and made available through the subject pages of the Library's intranet as standard notes. Indicator pages are listed both under the relevant subject page headings, and collectively on the *Economic Indicators* subject page.<sup>1</sup> A guide to sources is provided in section IV.

### Discard previous issues

Upon receipt of each issue users should discard the previous issue as it may contain statistics which are no longer the most current, or which have been revised.

### Glossary

Some economic terms used in this publication may be unfamiliar to readers. Many of these terms are described in the glossary at the end of this publication. Symbols and abbreviations used in this publication are also described here.

### Contacts

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*.<sup>2</sup> 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	Ed 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>3</sup>

<sup>1</sup> <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

<sup>2</sup> <http://hcl1.hclibrary.parliament.uk/wdw/subject/wdwir.asp>

<sup>3</sup> After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriel Room of the Main Library (extn. 3666).

## II This month's highlights

This month saw more speculation that the UK economy was heading for a period of downturn, with the publication of the slowest quarterly gross domestic product growth figures (0.5% in Q1 2005) since Q2 2003 reinforcing such a view.

### Retail sales

Retail sales in April fell to their lowest level in two years according to official statistics released by the Office for National Statistics this month. Monthly retail sales showed a 0.5% increase in April (against consensus forecasts for no change), but on an annual basis the volume of sales fell to 2.3% from 2.4% in the previous month.

Separate figures released by the British Retail Consortium (BRC) reported that retail sales fell by their biggest amount in a decade during April. Like-for-like sales slipped by 4.7% against the same month in 2004, however, according to the BRC, this was partly due to the fact that the busy Easter trading period fell in March this year.

### Consumer spending

The British Bankers' Association (BBA) reported that, during April, net lending on credit cards had fallen for the first time since May 1994 by £40 million. However, the BBA added that the fall in credit card debt could be temporary; noting that loan and mortgage borrowing had risen.

### Labour market

Elsewhere, while headline UK employment figures for the three month period to March show no change in the working age employment rate (74.9%) and an increase in the level by 87,000, the number of employee jobs in manufacturing industries fell in the three months to March of 3.23 million; a fall of 82,000 from the same period a year ago and the lowest level since the current series began in 1978.



### Public Finances

Government borrowing was lower than expected during April. Public sector net borrowing (PSNB) was £1.3 billion in April, down from £2.8 billion in the same month last year and lower than consensus forecasts of around £2.2 billion. It was reported this month that the ONS were planning to include what would amount to billions of pounds of capital expenditure undertaken under the private finance initiative (PFI) schemes in public sector net debt figures. Such a change would raise the Treasury's forecast for public sector net debt as a share of GDP closer to the chancellor's self-imposed limit of 40%. However, the ONS stated in a press release following these reports that it "has taken no decision to change the treatment of [PFI] schemes in the public finances. This is a complex area and work is still in progress".

### III Welcome to *Economic Indicators* and the Economic Policy and Statistics Section

This issue of *Economic Indicators*, produced by the Economic Policy and Statistics Section of the Library (EPAS), is the first of the new Parliament.

*Economic Indicators* research papers are normally published on the first working day of the month when the House is sitting. Each month's edition contains an article plus a series of pages showing trends in a range of economic indicators. This month's article provides an introduction to *Economic Indicators* and, more broadly, to the range of services the Economic Policy and Statistics Section can offer Member of Parliament and their staff. *Economic Indicators* (like all other Library Research Papers) is intended for use by Members and their staff, however, as it is placed on the Internet it has a readership far beyond its original intended audience. We are happy to discuss its content with Members and their staff but cannot advise members of the general public.

#### A. Who we are and what we do

EPAS is one of eight sections in the research service of the Library, and covers the following subjects:

- UK and overseas economies, national accounts, fiscal and monetary policy, prices and inflation, public finance and expenditure.
- Trade and the balance of payments.
- International development, including aid and developing countries' debt.
- Statistics on taxation, incomes and poverty.
- Statistics on labour markets and pay.
- The New Deal, and other employment and training schemes.
- Industries (including retailing, tourism and postal services), privatisation and regional policy.
- European Union finance, the economic aspects of EU enlargement and EMU.

We have five subject specialists as follows:

**Ed Beale:** x2464 email [bealee@parliament.uk](mailto:bealee@parliament.uk)

Ed is the current editor of *Economic Indicators*. His subject areas include: unemployment, employment programmes (including the New Deal), and training and skills. Ed is also responsible for all statistical enquiries on labour markets, including employment, unemployment, earnings, the National Minimum Wage and the New Deal. Statistics are available at a constituency level on employment, unemployment and the New Deal. This session Ed expects that topics of interest will include unemployment and economic inactivity, and skills in the workplace. He will also be publishing a research paper on Employment and Training Schemes for the Unemployed.

**Bryn Morgan:** x4904 email [morganbc@parliament.uk](mailto:morganbc@parliament.uk)

Bryn is Head of EPAS. His subject areas include: international development including development assistance and debt cancellation, postal services and statistics on taxation. While Dominic covers developed countries' economies, Bryn covers the economies of less developed countries. This session he expects that topics of interest will include the G8 summit and 'Make Poverty History' campaign. He will also be publishing a research paper, *The Burden of Taxation*.

**Ed Potton:** x2883 email [pottone@parliament.uk](mailto:pottone@parliament.uk)

Ed deals with enquiries on: industries, including the car industry, steel and tourism, regional economic policy, including the Regional Development Agencies and financial assistance for industry, EU structural funds, statistics on EU enlargement, EU Budgetary matters and other economic issues relating to the EU such as the euro and the Stability and Growth Pact. He also covers statistics on financial markets, exchange rates, banking and consumer borrowing.

**Ian Townsend:** x3977 email [townsendi@parliament.uk](mailto:townsendi@parliament.uk)

Ian's subject areas include: international trade and the balance of payments, statistics on incomes, wealth and inequality (see [2004 research paper](#)), and poverty, including the Government's child poverty targets (see [2004 research paper](#)). This session Ian will continue to develop international trade notes, in particular the progress of the Doha Round leading up to the Hong Kong Ministerial in December 2005, trade aspects of the 'Make Poverty History' agenda, and in contentious areas such as Economic Partnership Agreements (EPAs) and trade preferences for developing countries. He also plans to update his poverty research paper with the latest data for 2003/04.

**Dominic Webb:** x4324 email [webbd@parliament.uk](mailto:webbd@parliament.uk)

Dominic covers most areas of macroeconomic policy and the public finances. This includes monetary and fiscal policy, PFI and regional public spending (including the Barnett formula). He covers statistics on GDP, inflation, interest rates and public finances in the UK and other developed countries.

## **B. Output and other services**

We provide impartial information and research services for Members and their personal staff in connection with their parliamentary duties. These services take the form of:

- Individual enquiry work – This may take the form of bespoke written work and oral briefings. Alternatively we are available to talk more informally through issues on the telephone or in person.
- Research Papers – including two regular monthly productions, *Unemployment by Constituency* and *Economic Indicators*.
- Standard Notes – shorter briefings on regularly raised issues, available via the Library intranet.



- Sources – we also provide a wide range of links to external research publications and statistical sources via the [Library Subject Pages](#) available through the Parliamentary intranet.
- Publications in our holdings are available for Members or their staff to browse and consult. Please contact the Statistics Resource Unit on x5510 to arrange this.

### **C. Individual enquiries**

The major part of our work is the individual enquiry work we do for Members. This is carried out on a confidential and impartial basis. You can place an enquiry by telephoning the relevant subject specialist, by letter or email. The Library also has a central enquiry email address ([hclibrary@parliament.uk](mailto:hclibrary@parliament.uk)) and telephone number (x3666) from which enquiries are passed on to the relevant subject specialist. Please note that it will usually be beneficial to discuss an enquiry with the relevant subject specialist rather than simply sending an email.

Please try to give as much information about the enquiry as possible. It is helpful if we know, for instance, the purpose for which the work is required. There is a difference in the kind of briefing needed by a Member who is drafting a speech from that needed for a reply to a constituent or for shaping a Parliamentary Question. It is also useful for us to know how much knowledge the Member already has of the topic and the length of response required.

Apart from the subject of your enquiry the most important detail for us is your deadline. We always undertake to meet specific deadlines, but we are subject to quite sudden fluctuations in workload. For example we are especially busy around Budget time, or in the run-up to elections, so sometimes we may offer a more limited response, or refer to sources that will help to answer the enquiry, in order to meet the agreed deadline. It is obviously helpful to us to be given as much notice as possible, but we are well used to producing work under pressure of time. It is also useful to be specific about times or days of the week, as ‘urgent’, ‘as soon as possible’ or ‘no rush’ are all open to interpretation. If no deadline is given, we aim to respond within two weeks of receiving the enquiry.

We cover a wide range of requests, from confirmation of points of fact, through explanations of issues or procedures to general briefs on relevant issues. We are generally willing to find out information on any topic within our subject responsibilities and relevant to a Member’s parliamentary duties, but Members are referred to the Library’s *Statement of Services* which lists the areas that fall outside our remit. In particular, we are unable to respond to substantial requests from Ministers on subjects covered by their departments.

### **D. Other services**

We also have substantial holdings from UK, OECD and European statistical sources and on-line databases. Notably, we have online access to the UK Labour Force Survey and OLIS, the OECD’s online information service.

We are very happy to talk to any Member or group of Members, or their staff, about our work or about economic issues either in a seminar format or more informally.

## E. Research Papers

While our enquiry work is demand led, our papers seek to anticipate issues, give the background to an issue of political importance such as a piece of legislation, or reflect matters of current concern to Members. Research Papers produced by EPAS recently include:

03/80	<a href="#">The Monetary Policy Committee: decisions and performance</a>
03/82	<a href="#">Inflation: the value of the pound 1750-2002</a>
04/23	<a href="#">Poverty: Measures and Targets</a>
04/70	<a href="#">Income, Wealth and Inequality</a>
05/08	<a href="#">Unemployment by Constituency: Revised rates</a>

We also have two regular monthly papers - *Economic Indicators* and *Unemployment by Constituency*. As with other Research Papers the Library produces, both are available in hard copy from the Member's Library, the Derby Gate Library, and the e-Library in Portcullis House, or in electronic format via the Intranet.

### 1. *Unemployment by Constituency*

*Unemployment by Constituency* provides the latest data on the monthly count of Jobseeker's Allowance (JSA) claimants in each parliamentary constituency in the United Kingdom. It includes Library-calculated rates that show the number of claimants as a proportion of the estimated economically active population of working age resident in each constituency in 2001. The Office for National Statistics (ONS) also published claimant unemployment rates for parliamentary constituencies. The primary difference between the denominators used by the ONS, and those used by the Library, is that the ONS denominators include working age people who are economically inactive. In order to depict rates more in line with the ILO definition of unemployment, economically inactive people are excluded from the denominator used by the Library. We welcome comment from users on any aspect of *Unemployment by Constituency*; views should be directed to the Head of Section **Bryn Morgan**, or **Ed Beale**.

### 2. *Economic Indicators*

The monthly article usually investigates issues of economic importance or interest. Recent articles have included '[Debt relief for developing countries](#)', '[The EU/US Airbus/Boeing WTO dispute](#)' and '[The rise of the Chinese economy](#)'. The current edition also introduces two new features to the publication; a monthly 'economic highlights' editorial; and a glossary of economic terms used on each of the indicator pages. The remainder of the paper is taken up with pages each showing the main economic indicators for the UK; some international comparisons are also provided.

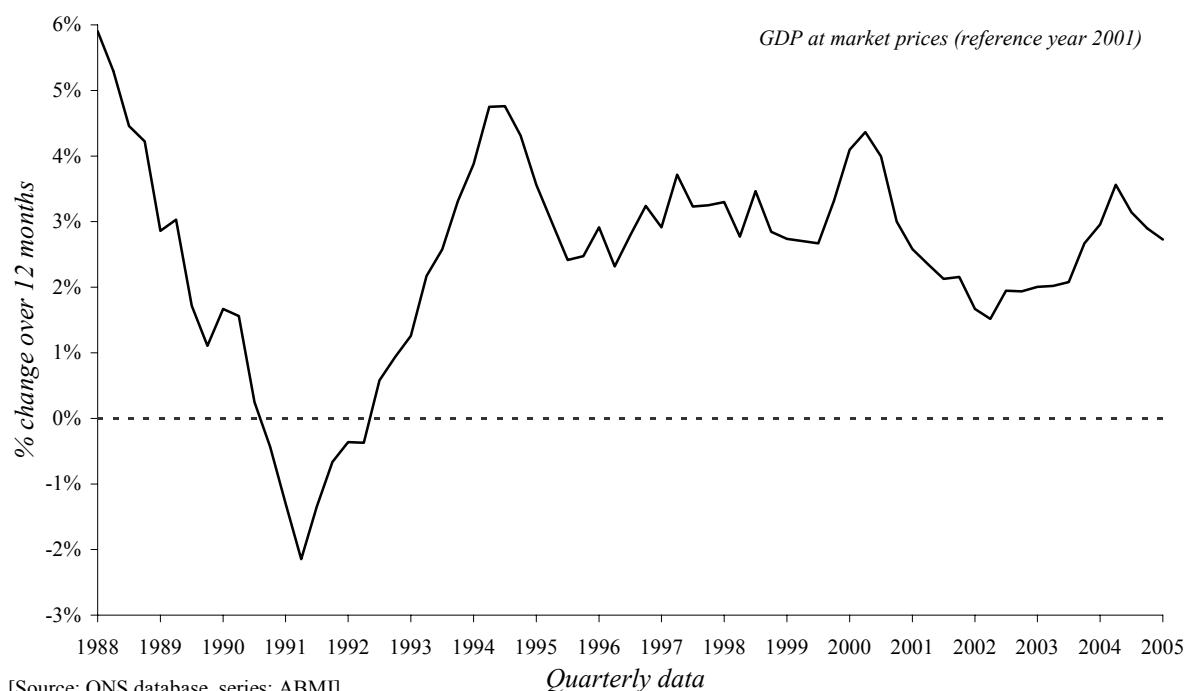
We are always aiming to improve *Economic Indicators* and make it more tailored to Members' needs, both in terms of style and content. We are aware that a number of other

organisations produce similar indicator publications, however, these are not so readily available or tailored to Parliamentarians.

A questionnaire will be included in the November 2005 edition of *Economic Indicators*. We hope that readers will use this opportunity to provide feedback on the publication, in particular what is and isn't useful and what else should be included. If you have views on *Economic Indicators* in the interim, please let us know by contacting either the Head of Section, **Bryn Morgan**, or the editor, **Ed Beale**.

Ed Beale  
**Economic Policy & Statistics Section**

## A1: Gross Domestic Product



### Gross Domestic Product at market prices

*£ billion & %; seasonally adjusted*

	Current		Reference year 2001
	<i>£ billion</i>	<i>annual % change</i>	<i>annual % change</i>
2001	994.3	4.6	2.3
2002	1,044.1	5.0	1.8
2003	1,101.1	5.5	2.2
2004	1,160.3	5.4	3.1
2004 Q1	284.7	5.5	3.0
Q2	288.8	6.0	3.6
Q3	291.9	5.0	3.1
Q4	294.9	5.0	2.9
2005 Q1	297.6	4.5	2.7

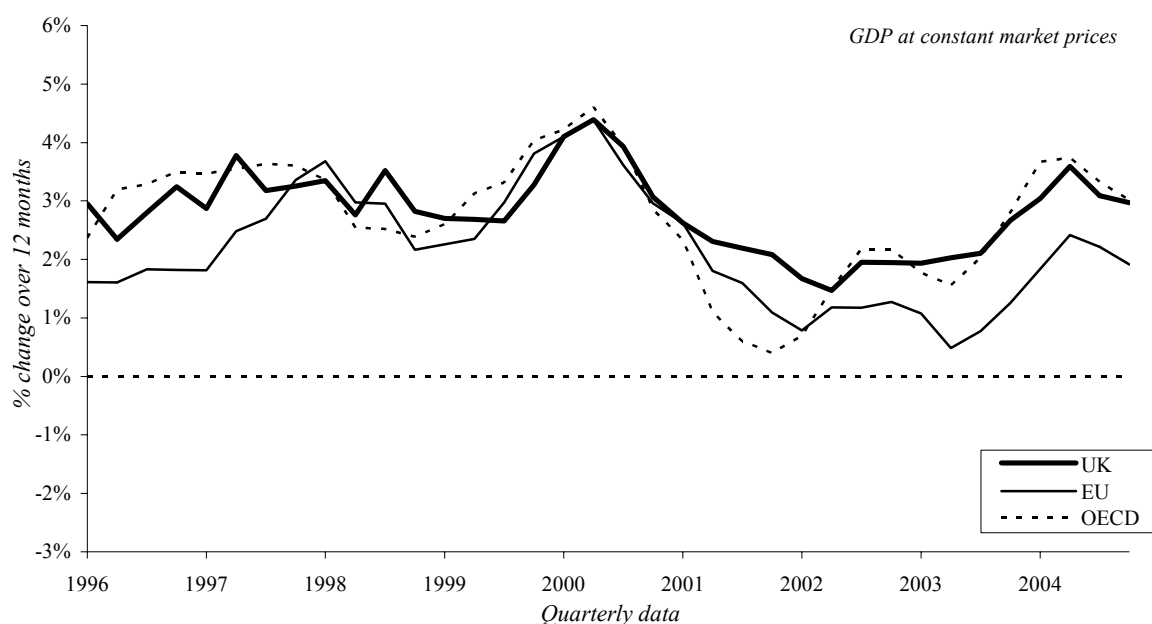
Source: ONS database, series: YBHA, ABMI

- 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 Q1 2005 rose by 1.0% on the previous quarter. On this measure, GDP was 2.7% higher in Q1 2005 compared with Q1 2004.
- HM Treasury's average of independent economic forecasts of GDP growth in 2005 was 2.5% in May, unchanged from April's forecast. The average growth forecast for 2006 was 2.3% in May, compared with 2.4% in April.

**Contact:** Ian Townsend, x3977

**Updates:** HM Treasury, *Forecasts for the UK Economy*, 22 Jun; ONS, *Quarterly National Accounts (Q1 2005)*, 30 Jun; *GDP Preliminary Estimate (Q2 2005)*, 22 Jul

## A2: GDP: International Comparisons



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

### GDP at constant market prices

*% changes*

	% change on year				% change quarter on quarter					
					2003		2004			
	2001	2002	2003	2004	Q3	Q4	Q1	Q2	Q3	Q4
USA	0.8	1.8	3.0	4.4	1.8	1.0	1.1	0.8	0.9	1.0
Japan	0.2	-0.3	1.4	2.7	0.5	1.4	1.5	-0.3	-0.3	0.2
Canada	1.8	3.4	2.0	2.8	0.3	0.8	0.7	1.1	0.7	0.5
United Kingdom	2.3	1.8	2.2	3.1	1.0	0.8	0.7	0.9	0.5	0.7
Germany	0.8	0.1	-0.1	1.6	0.2	0.3	0.5	0.4	0.0	-0.2
France	2.2	1.0	0.6	2.5	1.1	0.6	0.8	0.7	0.0	0.8
Italy	1.8	0.3	0.3	1.3	0.4	0.0	0.4	0.4	0.4	-0.4
Eurozone	1.7	0.9	0.7	2.0	0.5	0.4	0.8	0.5	0.2	0.2
G7	1.0	1.2	2.1	3.4	1.2	1.0	0.9	0.6	0.6	0.6
OECD	1.1	1.6	2.0	3.5	1.1	0.9	1.0	0.7	0.6	0.6

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

- The latest data show that the majority of the largest economies recorded positive growth into Q3 and Q4 of 2004. Notably, Germany and Italy recorded negative growth in Q4 2004.

#### OECD growth forecasts

- Recent growth in the eurozone has been weaker than growth in OECD countries and the G7. Eurozone growth in the fourth quarter of 2004 remained at 0.2%. Growth figures in the G7 and OECD countries were also both unchanged from the previous quarter, at 0.6% in the fourth quarter of 2004.

*% 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

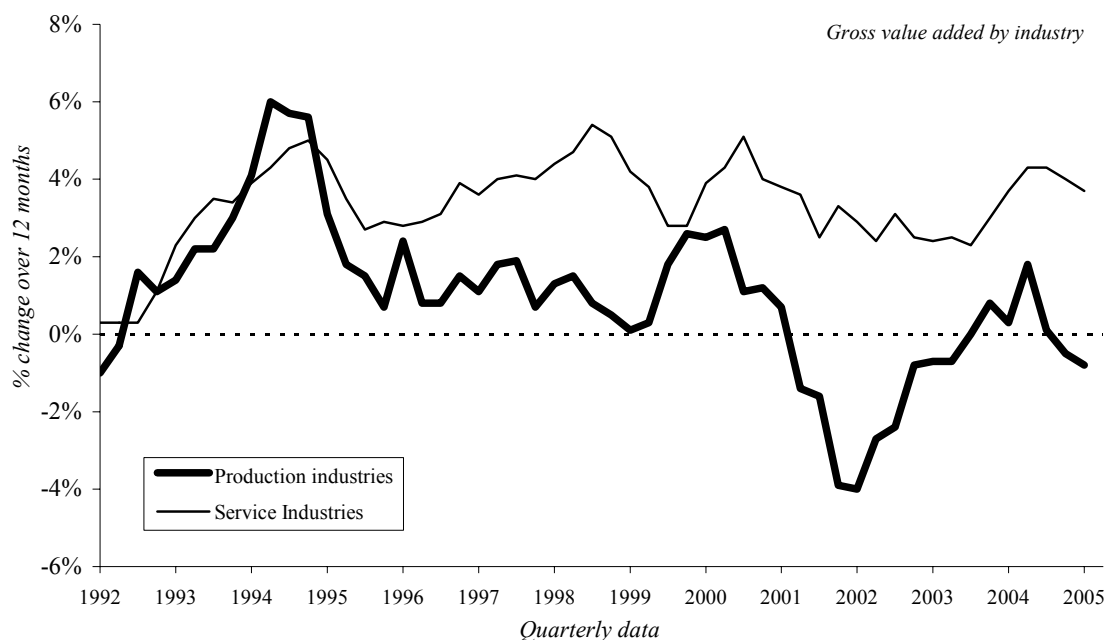
Source: OECD, *Economic Outlook*, Dec 2004

**Contact:** Edward Beale, x2464

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

### 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 3.7%. Between the fourth quarter of 2004 and the first quarter of 2005 annual output growth in the service sector decreased by 0.3%.

#### Gross value added at 2001 basic prices

*% changes on year; seasonally adjusted*

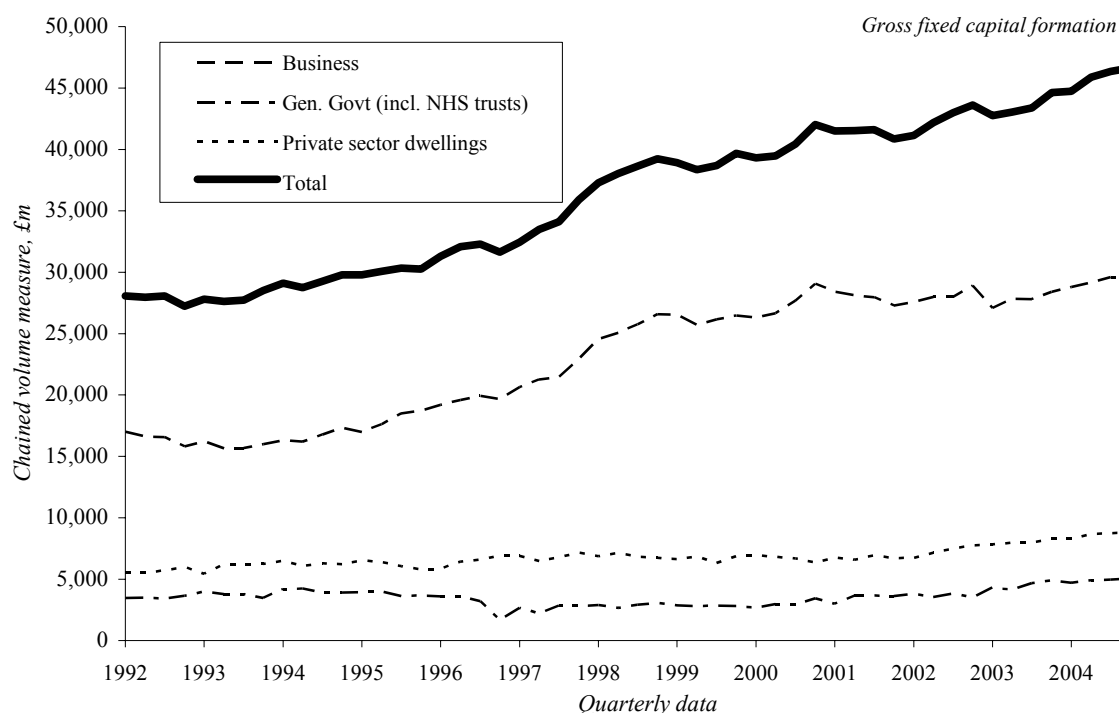
	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
2001	-1.6	-1.3	3.3	-9.1	1.8
2002	-2.5	-3.1	2.7	11.9	3.8
2003	-0.1	0.5	2.5	-2.2	5.2
2004	0.4	1.4	4.1	1.7	3.7
2004 Q1	0.3	1.5	3.7	2.0	5.9
Q2	1.8	2.6	4.3	1.7	4.0
Q3	0.1	1.1	4.3	1.2	2.2
Q4	-0.5	0.6	4.0	1.7	2.8
2005 Q1	-0.8	0.2	3.7	0.9	3.1

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

- Manufacturing output increased 0.2% in the first quarter of 2005 compared with the same quarter in 2004, and manufacturing output increased by 1.4% 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%.

## A4: Investment

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



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

### Gross fixed capital formation

£ million; Chained volume measures, reference year 2001; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
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	15,509	56,877	60,073	35,608	5,755	173,822
2004	14,827	60,698	63,733	38,176	6,175	183,609
2003 Q4	3,841	14,576	15,565	9,167	1,475	44,624
2004 Q1	3,637	15,014	15,510	9,073	1,497	44,731
Q2	3,772	15,197	15,764	9,624	1,526	45,883
Q3	3,684	15,281	16,122	9,719	1,557	46,363
Q4	3,734	15,206	16,337	9,760	1,595	46,632

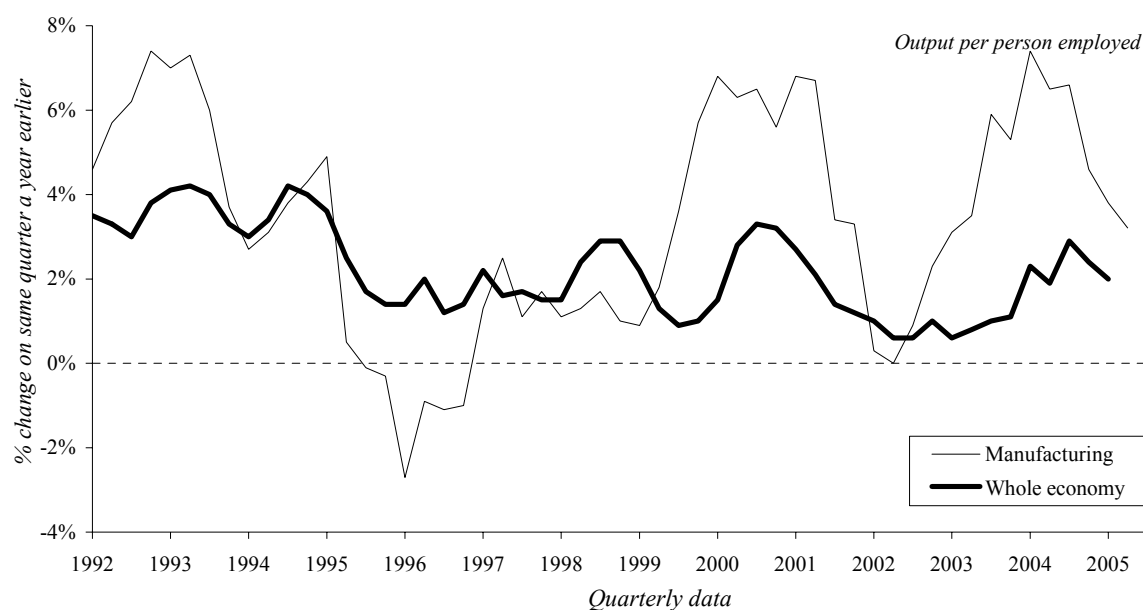
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment fell by 0.1% in Q1 2005 compared with the previous quarter, and increased by 2.9% compared with Q1 2004 on a seasonally adjusted basis.
- Total manufacturing investment fell by 1.5% in Q1 2005 compared with the previous quarter, while investment in private sector services increased by 0.9% on a seasonally adjusted basis.

**Contact:** Dominic Webb, x4324

**Updates:** ONS, *Business Investment*, 1 Jul

## 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
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	0.5	-4.8	5.5	2.1	0.8	1.3
2004	1.4	-3.7	5.3	3.1	0.7	2.3
2003 Q4	2.0	-5.0	7.4	2.7	0.4	2.3
2004 Q1	1.5	-4.8	6.5	3.1	1.0	1.9
Q2	2.6	-3.7	6.6	3.8	0.6	2.9
Q3	1.1	-3.4	4.6	3.3	0.6	2.4
Q4	0.6	-3.1	3.8	3.0	0.8	2.0
2005 Q1	0.2	-2.8	3.2	2.7	..	..

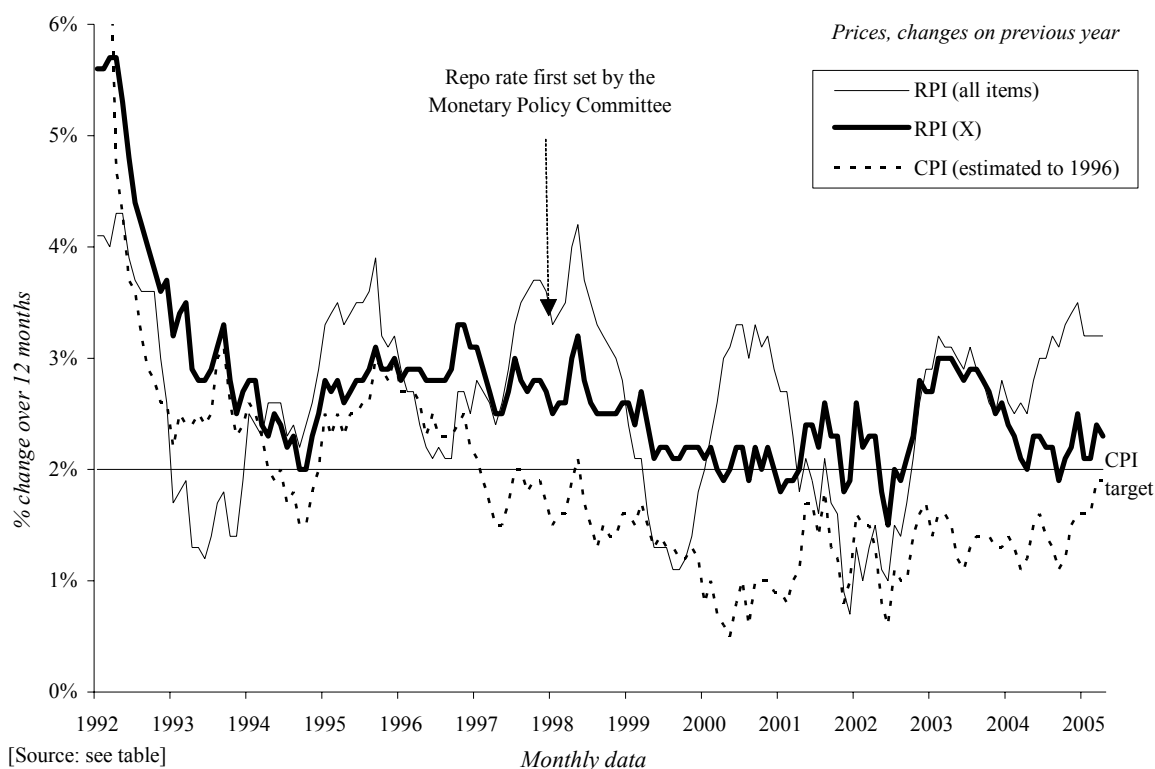
Source: ONS database, series: ABMM, ERIT, ERIU, GDPR, LNNM, LNNN, LNNO, LNNP, LNNS, LNNU, LNNX, LNOK

- Productivity across the whole economy, measured by output per head, is estimated to have grown by 2.3% in 2004 compared with 1.3% in 2003 and 0.7% in 2002.
- In 2004, manufacturing output increased by 1.4% and employment in manufacturing fell by 3.7%, while manufacturing output per head rose by 5.3%.
- Productivity growth in manufacturing decreased from 4.6% per annum in Q3 2004 to 3.8% per annum in Q4 2004, while whole economy productivity growth decreased from 2.4% per annum in Q3 2004 to 2.0% per annum in Q4 2004.
- For the economy as a whole, productivity growth has averaged 1.8% per annum over the last eight quarters.

**Contact:** Ed Potton, x2883

**Update:** ONS, *Productivity*, 1 Jul



**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 April 2005 the consumer prices index (CPI) showed inflation at 1.9%. This was unchanged from March 2005.
- The largest upward effects on the CPI came from housing and household services, miscellaneous good and services, and restaurants and hotels. The largest downward effects on the CPI annual rate came from food and non-alcoholic beverages. Another large downward contribution came from transport where there were falls in air fares.
- The former headline (all items RPI) rate of inflation remained unchanged from the previous month at 3.2% in April. The underlying RPI(X) fell to 2.3% in April from 2.4% in March.
- The largest upward effect on the RPI came from motoring expenditure. The largest downward contributions came from household goods.

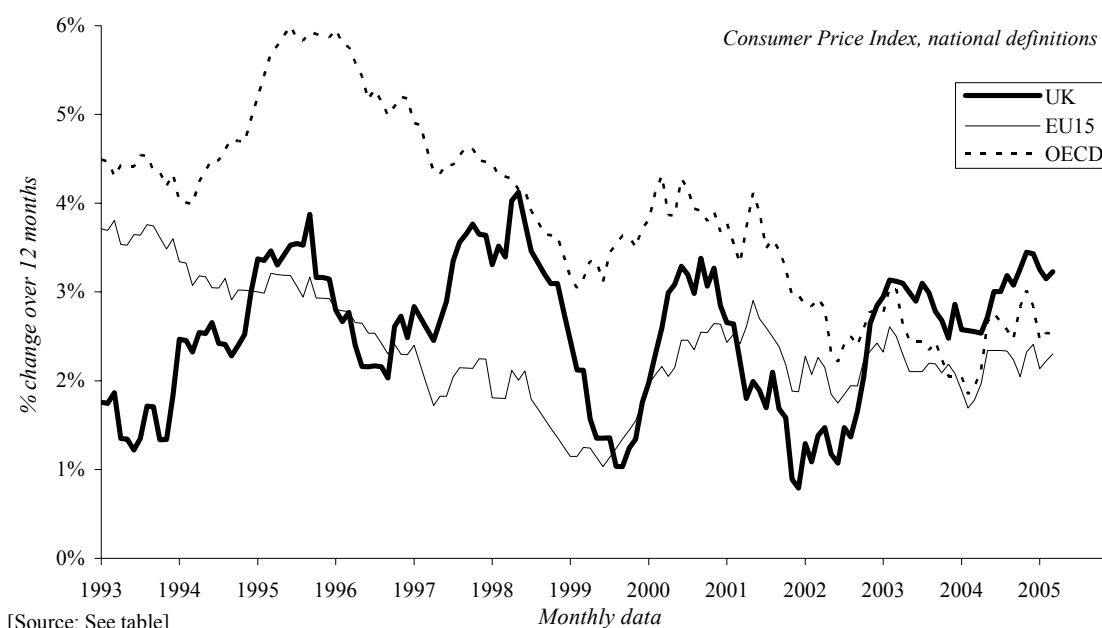
**Price Indices**

% change over 12 months

	CPI (was HICP)	RPI (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 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
Feb	1.6	3.2	2.1
Mar	1.9	3.2	2.4
Apr	1.9	3.2	2.3

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

## B2: Prices: International Comparisons



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

- Inflation in the United States was 3.2% in March, up 0.1 percentage points from February.
- For all OECD countries the average inflation rate remained at 2.5% in March 2005, the same as the previous two months.
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) rose to 2.3%.

### 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 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
2005 Jan	3.0	-0.1	1.9	3.3	2.5
Feb	3.1	-0.3	2.1	3.1	2.5
Mar	3.2	-0.2	2.3	3.2	2.5

Source: OECD, Main Economic Indicators, May 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 Nov	2.2	2.0	2.0	1.5	2.2
Dec	2.2	2.2	2.4	1.6	2.4
2005 Jan	1.9	1.6	1.6	2.0	2.0
Feb	2.1	1.9	1.8	2.0	2.1
Mar	2.1	2.1	1.7	2.1	2.1
Apr	2.1	2.0	1.4	2.2	2.1

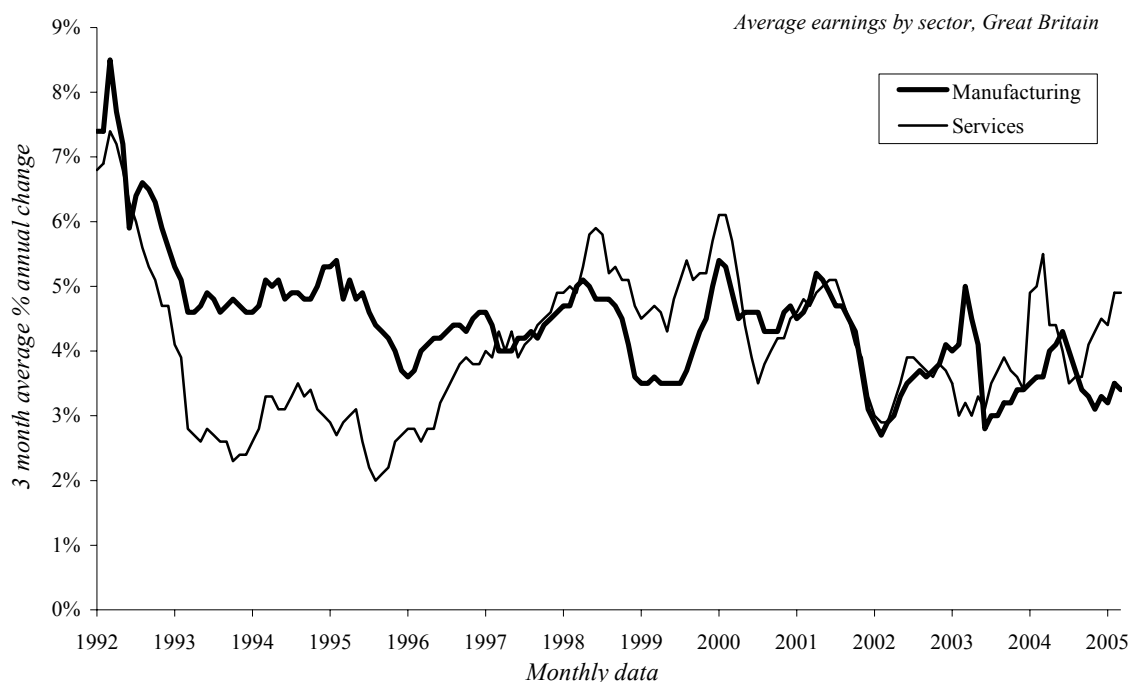
Source: Eurostat, Euro-Indicators news release, 16 May 2005

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

- Eurozone annual inflation remained at 2.1% in April 2005.
- The HICP inflation rates for the EU15 Member States not in the eurozone were Denmark (1.7%), Sweden (0.4%) and the UK (2.2%).
- In February, the eurozone countries with the highest HICP annual inflation rates were Luxembourg (3.7%), Spain (3.5%) and Greece (3.3%). The lowest rate was in Finland (1.1%).

**Contact:** Bryn Morgan, x4904

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

**B3: Average Earnings Index**

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

- The headline rate of growth in average earnings for the whole economy in March was 4.6%, down from 4.7% in the previous month.
- Headline average earnings growth in manufacturing was 3.4% in March (down from 3.5% in February). Earnings growth in the service sector was 4.9% in March, unchanged from the previous month.
- Headline earnings growth in the private sector was 4.6% in March, compared with 4.5% in the public sector. Earnings growth in the public sector was down from 4.6% in previous month. Earnings growth in the private sector also fell from 4.7% in February.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in March 2004 was 5.2%).

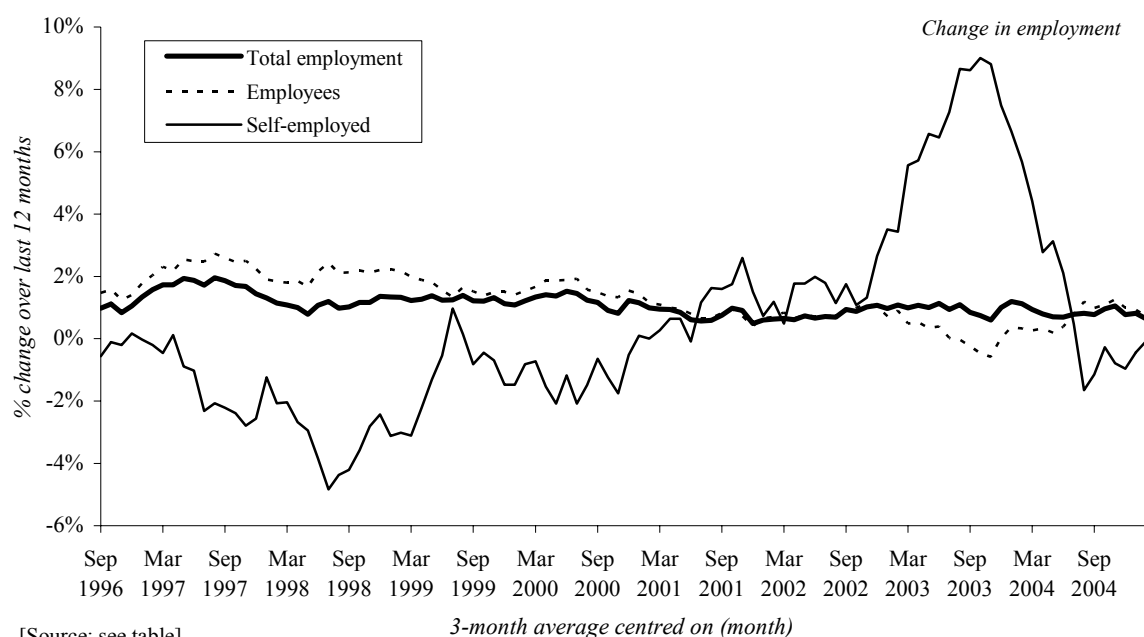
**Average Earnings, Great Britain**

*% change on year; seasonally adjusted*

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2001 Mar	4.7	4.7	3.7
2002 Mar	3.0	2.7	4.5
2003 Mar	3.5	3.1	5.1
2004 Mar	5.2	5.5	4.3
Apr	4.5	4.5	4.3
May	4.6	4.7	4.4
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	4.4	4.3	4.7
2005 Jan	4.3	4.2	4.6
Feb	4.7	4.7	4.6
Mar	4.6	4.6	4.5

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

## C1: Employment



[Source: see table]

### Employment structure in the UK

3-month average centred on month; '000s & % changes; seasonally adjusted

	Total in employment	Employees	Self-employed	Unpaid Family Workers	Government Training
2001 Feb	27,634	24,105	3,283	99	147
2002 Feb	27,808	24,275	3,322	99	112
2003 Feb	28,110	24,492	3,436	87	94
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
2005 Feb	28,608	24,750	3,628	104	126
<i>Changes (%):</i>					
on last 3 months	0.3	0.4	-0.4	10.0	0.1
on last year	0.6	0.7	-0.1	-2.5	10.5

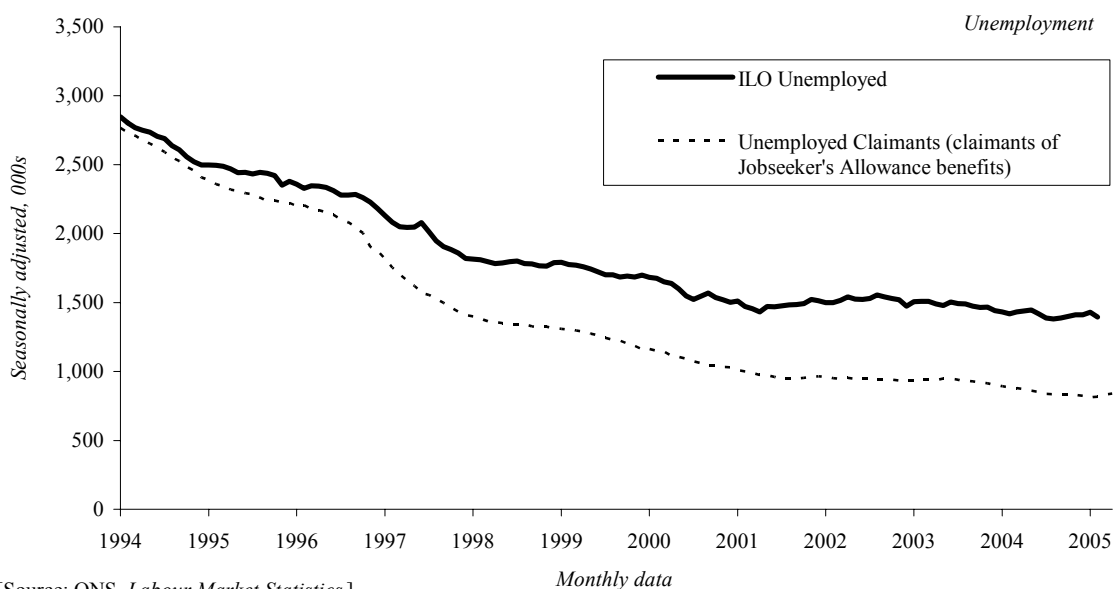
Source: ONS, *Labour Market Statistics*, 18 May 2005

- Total employment was 28.6 million in the period January to March 2005, 0.6% higher than a year previously. The working age employment rate of 74.9% was the same as the previous quarter and as a year previously.
- The number of workforce jobs increased by 126,000 between September and December 2004 and was 134,000 higher than a year previously. Over the year to December, the number of production industry workforce jobs fell by 94,000. Service sector jobs rose by 140,000.
- 7.3 million people were in part-time employment in the period January to March 2005, of whom 5.6 million were women. 3.6 million people were self-employed.

**Contact:** Dominic Webb, x4324

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

## 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 January to March 2005, the level of ILO unemployment in the UK was 1,396,000 (seasonally adjusted). This was a decrease of 23,000 from the period January to March 2004.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 8000 between March and April 2005 to 839,000.

The New Deal for Young People started in January 1998.

- 931,000 individuals had joined the scheme by the end of December 2004. Of those leaving the scheme 551,000 had moved into jobs up to the end of December, of which 438,000 (79%) were 'sustained', i.e. those who had not returned to claim Jobseekers' Allowance (JSA) within three months of starting employment.

The New Deal 25plus started in June 1998 and an enhanced scheme was introduced in April 2001.

- Overall 560,000 individuals had joined the scheme by the end of December 2004. Of these, 214,000 had entered jobs of which 167,000 (78%) were sustained.

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

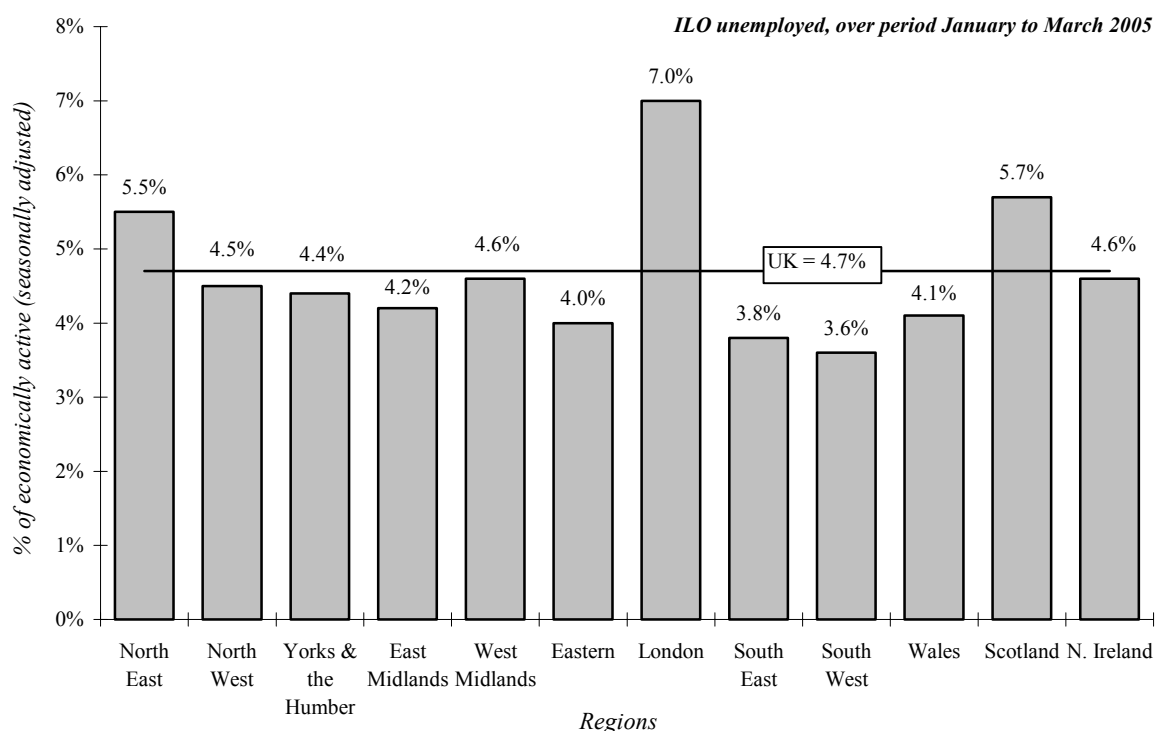
		'000s	rate (%)
1998	Oct - Dec	1,763	6.1
1999	Jan - Mar	1,775	6.2
	Apr - Jun	1,743	6.0
	Jul - Sep	1,702	5.9
2000	Oct - Dec	1,684	5.8
	Jan - Mar	1,675	5.8
	Apr - Jun	1,599	5.5
2001	Jul - Sep	1,545	5.3
	Oct - Dec	1,521	5.2
	Jan - Mar	1,472	5.1
2002	Apr - Jun	1,472	5.0
	Jul - Sep	1,483	5.1
	Oct - Dec	1,523	5.2
2003	Jan - Mar	1,500	5.1
	Apr - Jun	1,526	5.2
	Jul - Sep	1,554	5.3
2004	Oct - Dec	1,521	5.1
	Jan - Mar	1,509	5.1
	Apr - Jun	1,478	5.0
2005	Jul - Sep	1,489	5.0
	Oct - Dec	1,467	4.9
	Jan - Mar	1,419	4.8
2004	Apr - Jun	1,446	4.8
	Jul - Sep	1,380	4.6
	Oct - Dec	1,411	4.7
2005	Jan - Mar	1,396	4.7

Source: ONS, *Labour Market Statistics*

**Contact:** Alex Adcock, x3793

**Update:** ONS, *Labour Market Statistics*, 15 Jun  
*New Deal*, 15 Jun

### 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 January to March 2005 London had the highest unemployment rate, 7.0% of the economically active population. The lowest rate over the same period was 3.6%, in the South West.
- A comparison of January to March 2005 with the same period a year earlier shows that the largest fall (15%) in unemployment occurred in the West Midlands. The South West region showed the largest increase (22%) over the period.

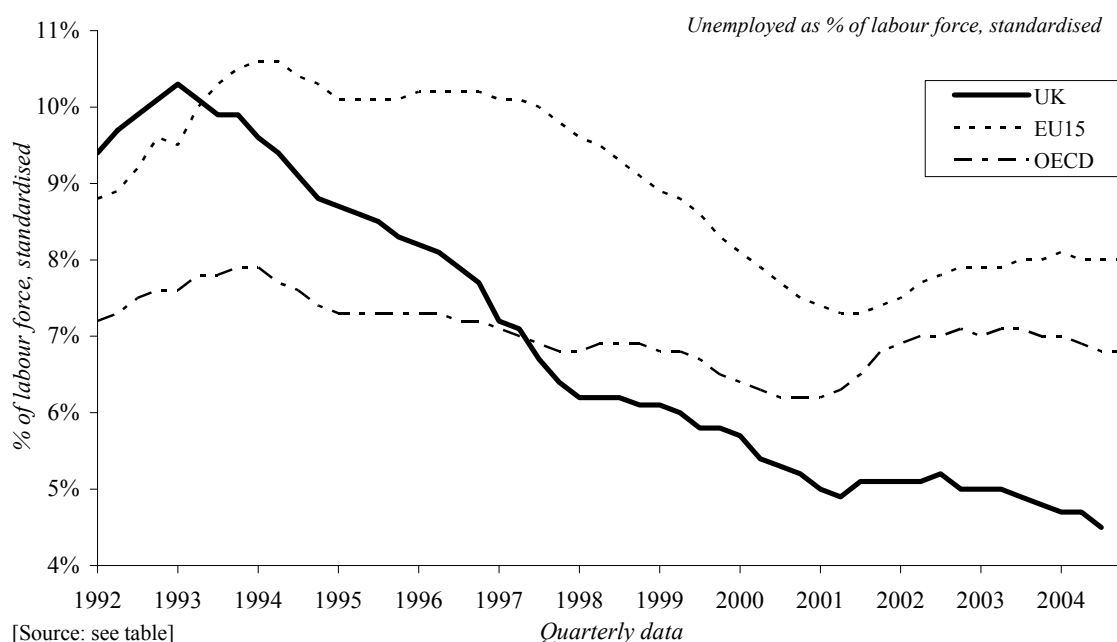
#### **ILO Unemployment, January to March 2005**

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

	Number (rounded)	%
North East	2,000	3
North West & Merseyside	8,000	5
Yorkshire & the Humber	-11,000	-10
East Midlands	-8,000	-8
West Midlands	-21,000	-15
Eastern	14,000	15
London	-9,000	-3
South East	-7,000	-4
South West	16,000	22
Wales	-1,000	-2
Scotland	-2,000	-1
Northern Ireland	-3,000	-8

Source: ONS, *Labour Market Statistics*

## C4: Unemployment: International Comparisons



### Unemployment

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

	2001	2002	2003	2004	2003				2004			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	4.7	5.8	6.0	5.5	5.8	6.1	6.1	5.9	5.6	5.6	5.5	5.4
Japan	5.0	5.4	5.3	4.7	5.4	5.4	5.2	5.1	4.9	4.6	4.8	4.5
Canada	7.2	7.7	7.6	7.2	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	7.4	8.2	9.1	9.5	8.8	9.0	9.1	9.4	9.5	9.5	9.6	9.6
France	8.4	8.9	9.5	9.6	9.2	9.4	9.5	9.7	9.6	9.6	9.7	9.6
Italy	9.1	8.6	8.5	..	8.7	8.5	8.4	8.2	8.2	8.0	7.8	..
Eurozone	7.8	8.2	8.7	8.8	8.6	8.7	8.7	8.8	8.9	8.8	8.8	8.8
G7	5.8	6.4	6.6	6.3	6.6	6.7	6.7	6.6	6.4	6.3	6.3	6.3
OECD	6.4	6.9	7.1	6.9	7.0	7.1	7.1	7.0	7.0	6.9	6.8	6.8

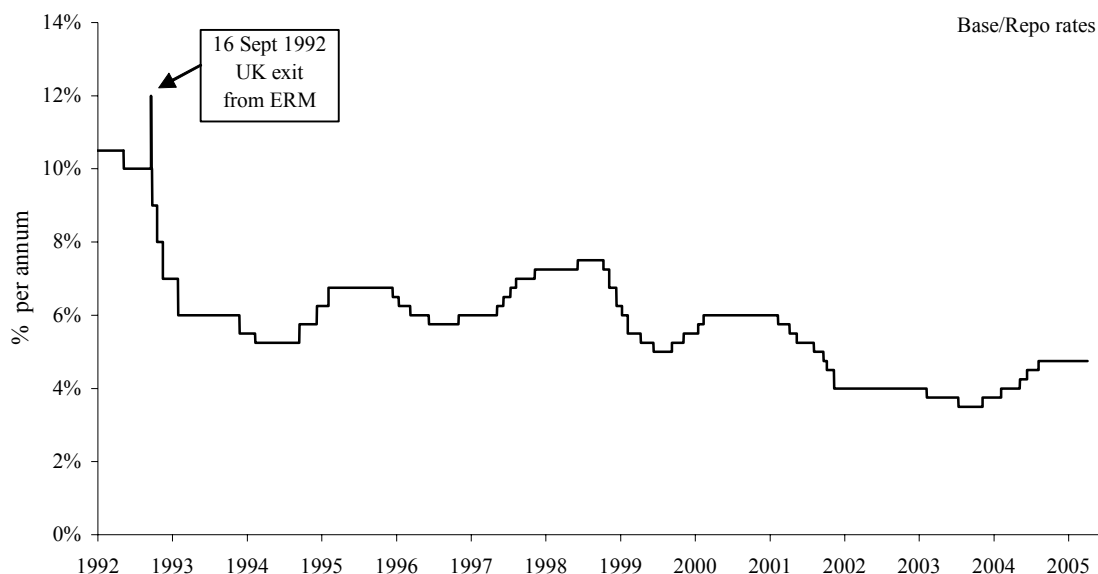
Source: OECD, *Main Economic Indicators*, May 2005

- Using standardised definitions, the UK unemployment rate for 2003 was 5.0%, significantly below the eurozone average (8.7%) and below the G7 and OECD rates (6.6% and 7.1% respectively).
- Between Q3 2003 and Q3 2004 (the latest period for which all data are available) the largest fall in unemployment among G7 countries was in Canada, where it fell by 0.7 of a percentage point. The largest rise in unemployment (0.5 of a percentage point) was in Germany. The unemployment rate in all the G7 nations taken together fell by 0.4 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*, 10 Jun  
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 May's meeting note:

- Equity prices had fallen and sterling had appreciated slightly since the last inflation report;
- There had been a slowdown in domestic household spending, particularly on durable goods, and there had been a sharper than expected increase in CPI inflation.
- the Committee voted by eight to one to maintain interest rates at 4.75% compared with seven to two in favour in March and April.

The central projection from the latest Bank *Quarterly Inflation Report* (May 2005) was for inflation to rise above the 2% target in the near term, partly reflecting higher prices for water and sewerage services. It would settle around target in the longer term as the impact of higher oil prices is removed. This forecast is higher for the next year than the previous forecast in February but lower over the longer term.

### 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		

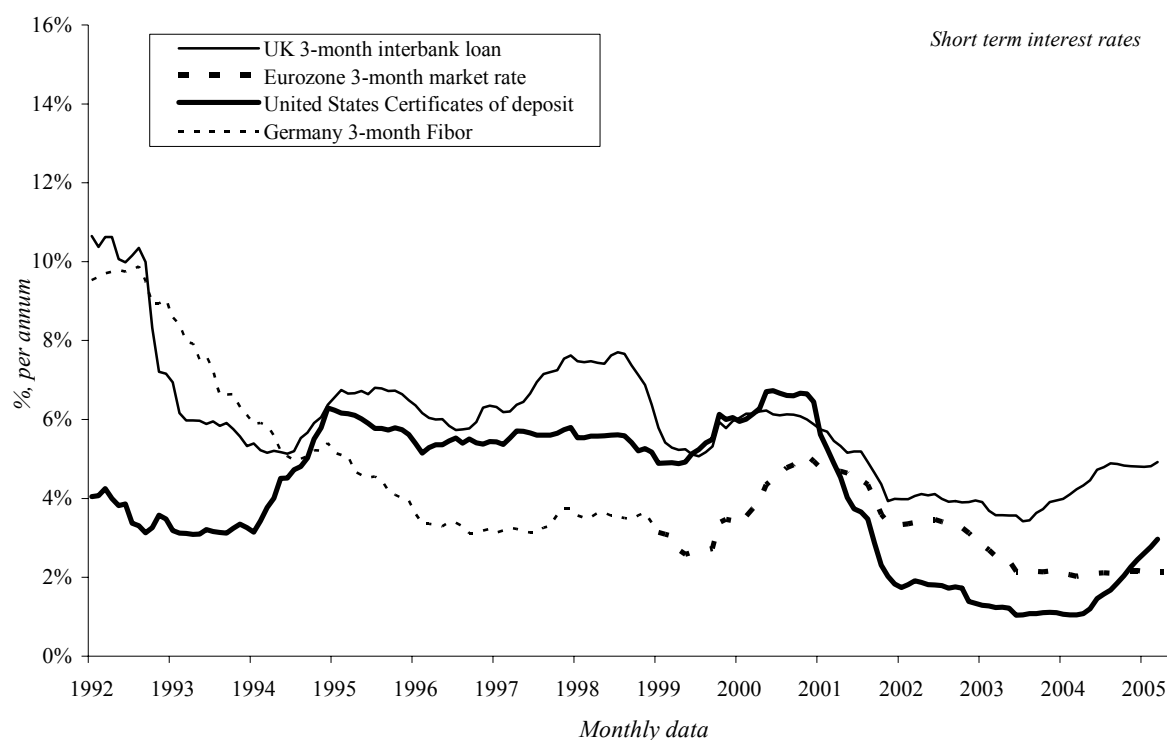
Source: Bank of England

**Contact:** Bryn Morgan, x4904

**Update:** *Next Decision*, 9 Jun; *Minutes*, 22 Jun  
*Quarterly Inflation Report*, 10 Aug



## D2: Interest Rates: International Comparisons



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

Interest rates in the UK have remained constant since August 2004, while the Euro rate has not changed since June 2003. The US Federal Reserve has increased the federal funds rate at eight consecutive meetings.

- 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 since June 2003. 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 3 May 2005 the US Federal Reserve increased the federal funds rate by 0.25% to 3.00%, following seven previous increases of 0.25%, on: 22 March 2005, 2 February 2005, 14 December 2004, 10 November 2004, 21 September 2004, 10 August 2004 and 30 June 2004.

### International interest rates

% per annum, as at 3 June 2005

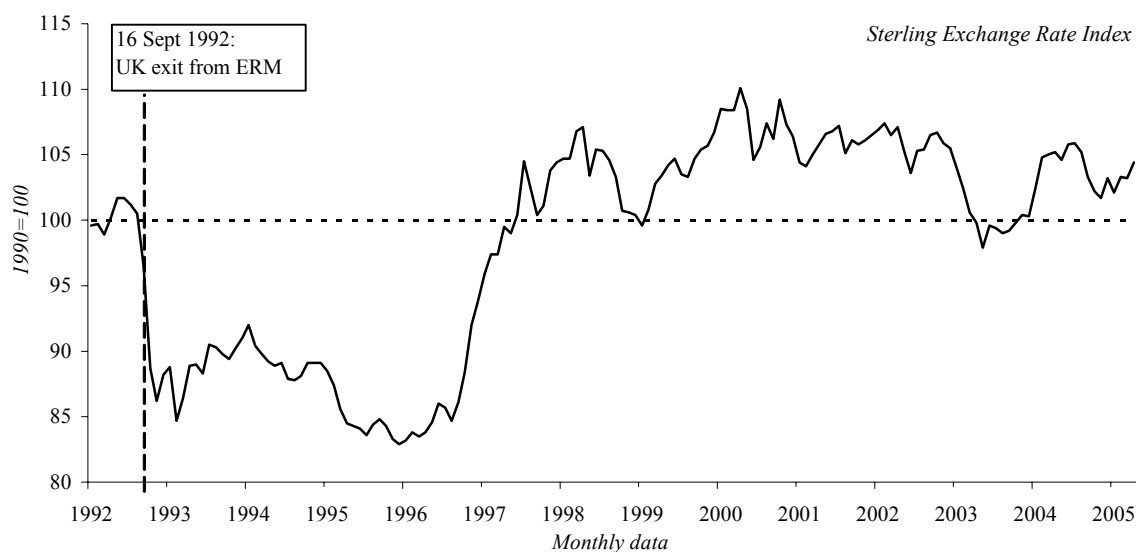
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.75	4.26	$4 \frac{13}{16} - 4 \frac{23}{32}$
Eurozone	2.00	n/a	$2 \frac{1}{8} - 2 \frac{1}{16}$
United States	3.00	3.97	$3 \frac{3}{8} - 3 \frac{9}{32}$
Japan	0.00	1.25	$\frac{1}{16} - \frac{1}{32}$
Switzerland	0.25-1.25	1.97	$\frac{3}{4} - \frac{11}{16}$

Source: *Financial Times*, 6 June 2005 (Companies & Markets, p30)

**Contact:** Bryn Morgan, x4904      **Updates:** *Short-term interest rates:* OECD, MEI, mid-Jun;  
*Base rates:* 9 Jun (UK MPC), 16 Jun (EU), 30 Jun (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 increased by 1.2 points in April 2005, suggesting that the UK was relatively less competitive at the end of February 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 €1.454 at the London market close on 31 May 2005, compared with a launch rate of €1.476 on 31 December 1998.

#### Sterling Exchange Rates

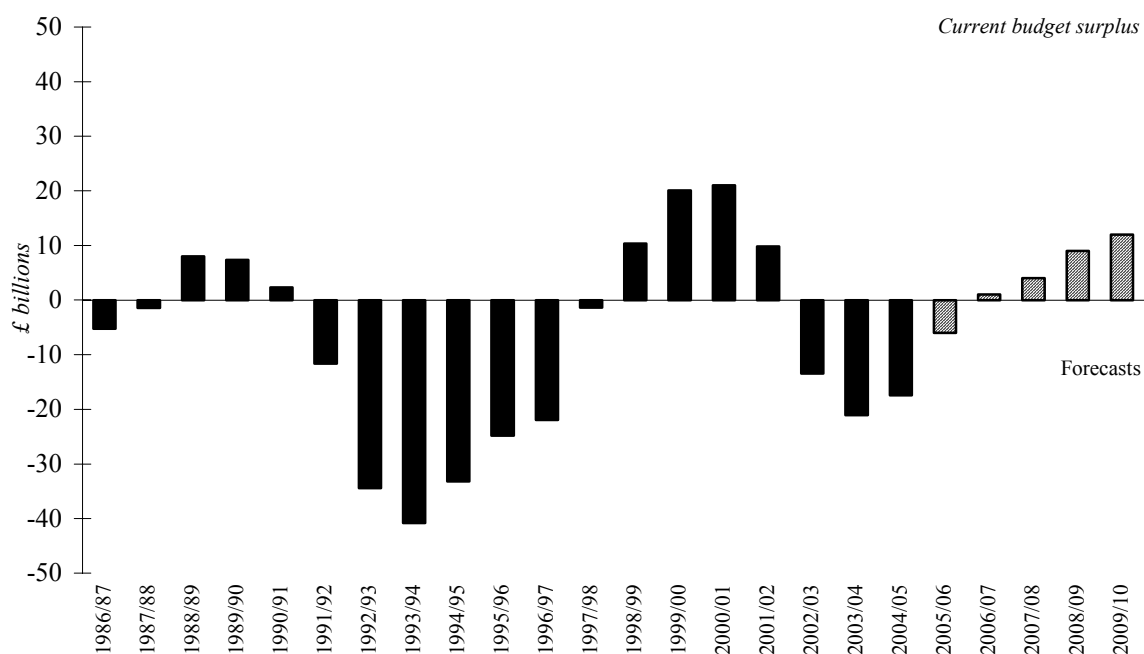
*rates and % changes*

	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 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
Feb	1.887	1.1	198.1	-0.5	1.450	-1.9
Mar	1.908	4.4	200.5	1.2	1.444	-3.0
Apr	1.896	5.3	203.3	4.8	1.465	-2.5

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

**Contact:** Edward Beale, x2464

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

**D4: Public Finances**

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

The Government's "golden rule" requires it to balance the current budget over the economic cycle. The Treasury's view is that the current cycle began in 1999/00 and will end in 2005/06. The chart shows outturns for the current budget balance and Treasury forecasts from the 2005 Budget.

- There was a £12.6 billion surplus on the current budget in Q1 2005 compared with a £6.2 billion surplus in the same quarter of 2004.

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 £-2.5 billion in Q1 2005 compared with £0.1 billion in the same quarter of 2004. In 2004/05, the PSNCR was £38.6 billion compared with £39.5 billion in 2003/04.

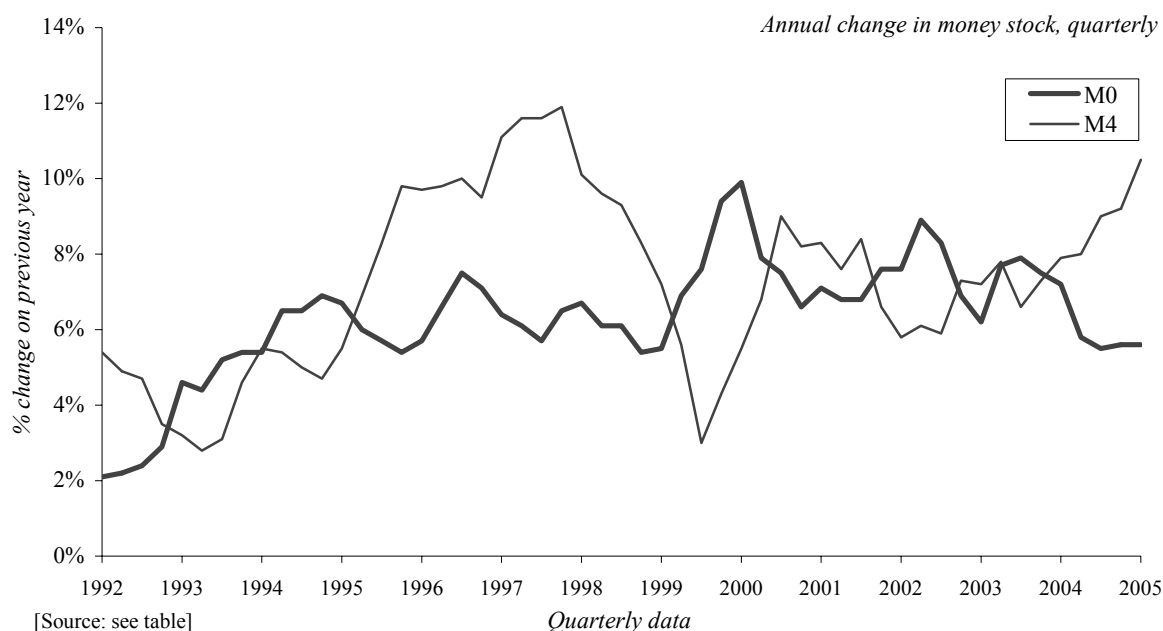
**Public Sector Net Debt**

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2001/02	311.7	30.2
2002/03	342.4	31.5
2003/04	376.0	32.8
2004/05	415.3	34.5
2004 Q1	376.0	32.8
Q2	389.0	33.5
Q3	395.1	33.7
Q4	417.7	35.2
2005 Q1	415.3	34.5

Source: ONS database, series: RUTN, RUTO

## D5: Money Supply



### Money stock

*% change; seasonally adjusted*

	M0		M4	
	3 month change (annualised)	12 month change	3 month change (annualised)	12 month change
2004 Apr	6.3	5.7	6.3	7.4
May	7.7	5.3	8.7	8.3
Jun	7.2	6.4	10.1	8.0
Jul	5.7	5.6	11.2	9.0
Aug	4.5	5.1	9.3	9.9
Sep	4.3	5.8	8.1	8.9
Oct	5.4	5.8	8.2	9.6
Nov	5.6	5.1	7.9	9.0
Dec	4.6	5.8	10.2	8.9
2005 Jan	5.1	5.7	11.6	9.3
Feb	5.9	5.9	12.3	9.5
Mar	4.3	5.1	13.4	10.4
Apr	2.9	4.8	11.0	10.5

Source: Bank of England, *Bankstats*, May 2005 Tables A1.1 and A2.1.1

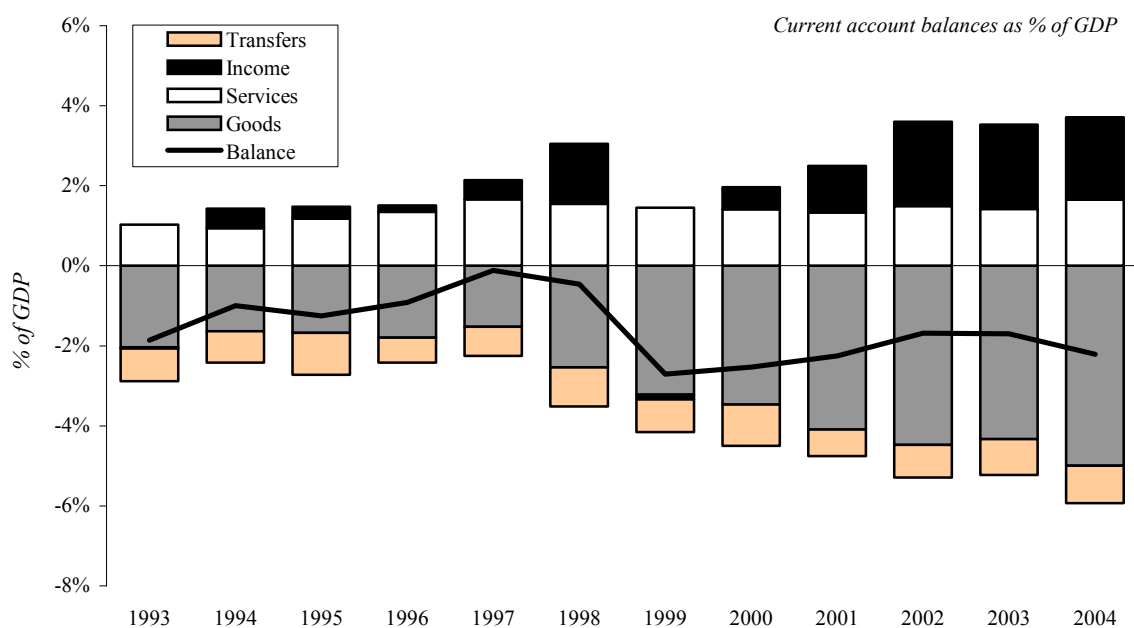
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 10.5% in the 12 months to April. The 12-month seasonally adjusted M0 growth rate was 4.8% in April, compared with 5.7% in April 2004.
- There are now no formal targets for money supply growth.

**Contact:** Dominic Webb, x4324

**Update:** Bank of England, *Bankstats*, 29 Jun

## E1: UK Overseas Trade



[Source: see table]

### Current Account Balances

*£ millions; seasonally adjusted*

	Trade in goods/services			Income (total)	Transfers			Current Account Balance
	Goods	Services	Total		Central Gov.	Other	Total	
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	-47,665	15,611	-32,054	23,213	-6,971	-2,927	-9,898	-18,739
2004	-57,944	19,118	-38,826	24,004	-8,377	-2,483	-10,860	-25,682
2003 Q4	-13,935	3,961	-9,974	5,958	-1,692	-514	-2,206	-6,222
2004 Q1	-13,556	4,679	-8,877	6,055	-2,089	-844	-2,933	-5,755
Q2	-14,110	5,237	-8,873	5,786	-1,873	-476	-2,349	-5,436
Q3	-14,924	4,357	-10,567	3,955	-2,255	-578	-2,833	-9,445
Q4	-15,354	4,845	-10,509	8,208	-2,160	-585	-2,745	-5,046

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

- The current account deficit in 2004 was £25.7 billion, compared with a deficit of £18.7 billion in 2003. Income increased, but the deficit on trade in goods and services widened by £10.3 billion between 2003 and 2004. The goods and services trade deficit also widened: it was £6.7 billion higher in 2004 than 2003.
- In Q4 2004 the current account deficit was £5.0 billion, £4.4 billion greater than in Q3 2004. Over the same period the surplus on income grew by £4.3 billion. The deficit on goods and services trade remained broadly stable at around £10.5 billion over the same period.
- The current account deficit with EU25 countries was £4.6 billion Q4 2004 compared with £6.3 billion in Q3 2004. The current account with non-EU countries showed a deficit of £0.5 billion in Q4 2004, compared with a deficit of £3.2 billion in the previous quarter.

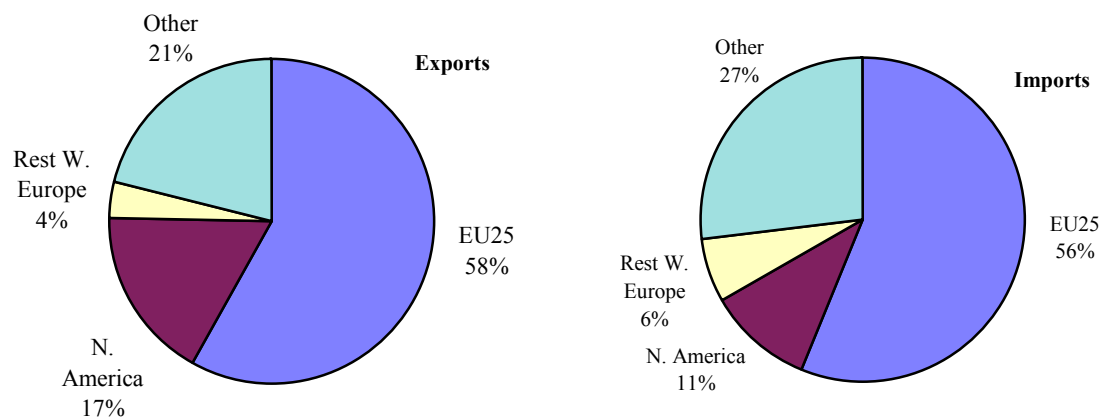
**Contact:** Ian Townsend, x3977

**Updates:** ONS, *UK Trade*, 9 Jun; *UK Balance of Payments: First Release*, 30 Jun

## E2: UK Overseas 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

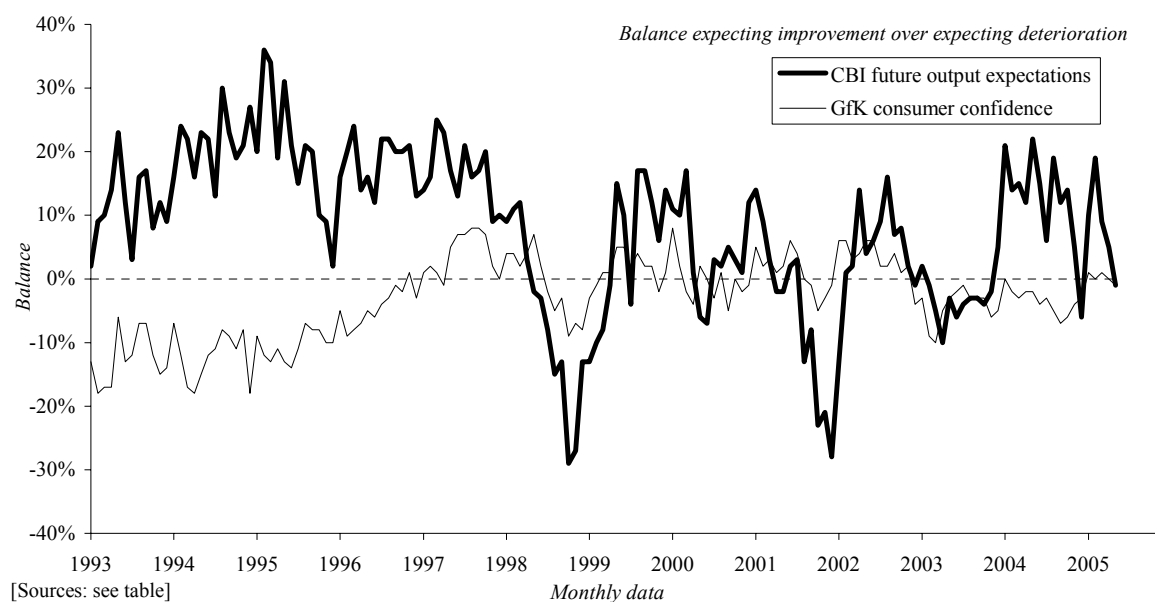
	Volume index (2001=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2001	100.0	100.0	190,055	230,703	-40,648
2002	98.3	104.1	186,517	233,192	-46,675
2003	98.2	106.2	188,615	236,280	-47,665
2004	99.7	112.4	190,688	248,632	-57,944
2004 Q1	97.1	109.0	45,743	59,299	-13,556
Q2	99.3	111.1	47,126	61,236	-14,110
Q3	100.8	113.6	48,289	63,213	-14,924
Q4	101.4	115.9	49,530	64,884	-15,354
2005 Q1	99.9	112.7	48,904	63,541	-14,637

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

- In March 2005 the balance on trade in goods is provisionally estimated to be a deficit of £3.1 billion, compared with a revised £3.5 billion deficit in February 2005. On the previous month, total goods exports rose by 3.5% with goods imports falling by 0.5%, reaching £16.6 billion and £21.0 billion respectively.
- The deficit on trade in goods with EU25 countries for the latest three months (Q1 2005) was £2.4 billion. The deficit with non-EU countries was £7.7 billion.
- The latest estimate of trends in the balance of goods trade suggests that the whole world goods deficit is 'fairly flat', with the value of both exports and imports rising in recent months.

## F1: Survey indicators

The survey indicators shown here are expressed in terms of a balance of 'the percentage of respondents expecting the situation to improve' over 'the percentage expecting things to worsen':



The CBI carries out monthly and quarterly *Industrial Trends Surveys*:

- The balance of expectations for future output from the CBI's monthly survey fell to -1 in May 2005.
- The CBI's quarterly indicator of overall business confidence in manufacturing, looking at current optimism compared with three months previously, improved in April to -15 from -22 in January.
- The volume of new orders received in the past three months fell by 18% in the April survey while the volume of output fell by 10%.

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 from a zero balance in April.
- The climate for making major purchases dropped by seven points to +5 in May. The perception of whether now is a good time to save returned to +28, from +27 in the previous month.

### Output Expectations/Consumer Confidence

*Balance of % expecting improvement over % expecting deterioration*

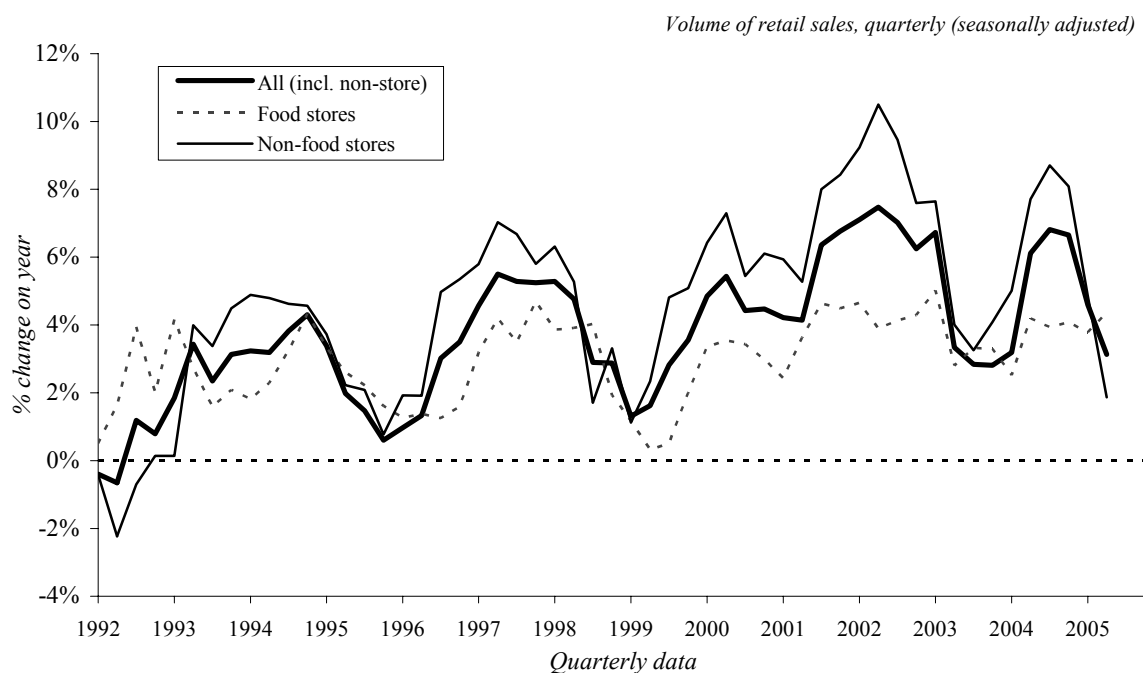
	Future output expectations (CBI)	Consumer confidence (GfK)
2004 May	+22	-2
Jun	+15	-4
Jul	+6	-3
Aug	+19	-5
Sep	+12	-7
Oct	+14	-6
Nov	+5	-4
Dec	-6	-3
2005 Jan	+10	+1
Feb	+19	0
Mar	+9	+1
Apr	+5	0
May	-1	-1

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 Jun 2005; Martin Hamblin GfK, *Consumer Confidence*, 30 Jun

## F2: Retail Sales



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

- The *volume* of retail sales in the three months from February to April was 0.2% higher compared with the previous three month period, and was 2.7% higher than a year previously (seasonally adjusted).
- Retail sales volumes in April 2005 were 2.3% higher than in April 2004 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 1.5% in February to April compared with the same quarter a year earlier. In predominantly food stores, sales volumes grew by 3.7% over the same period (seasonally adjusted).

### Value of Retail Sales

*% change on year; non-seasonally adjusted*

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
2001	5.0	6.0	6.0	6.0	6.0
2002	3.8	2.8	8.5	6.6	4.7
2003	3.7	2.8	4.3	-0.9	2.7
2004	3.5	3.6	4.2	6.3	4.4
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	5.2	0.0	3.6	3.8
2005 Q1	4.5	4.2	2.5	-2.8	1.8

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

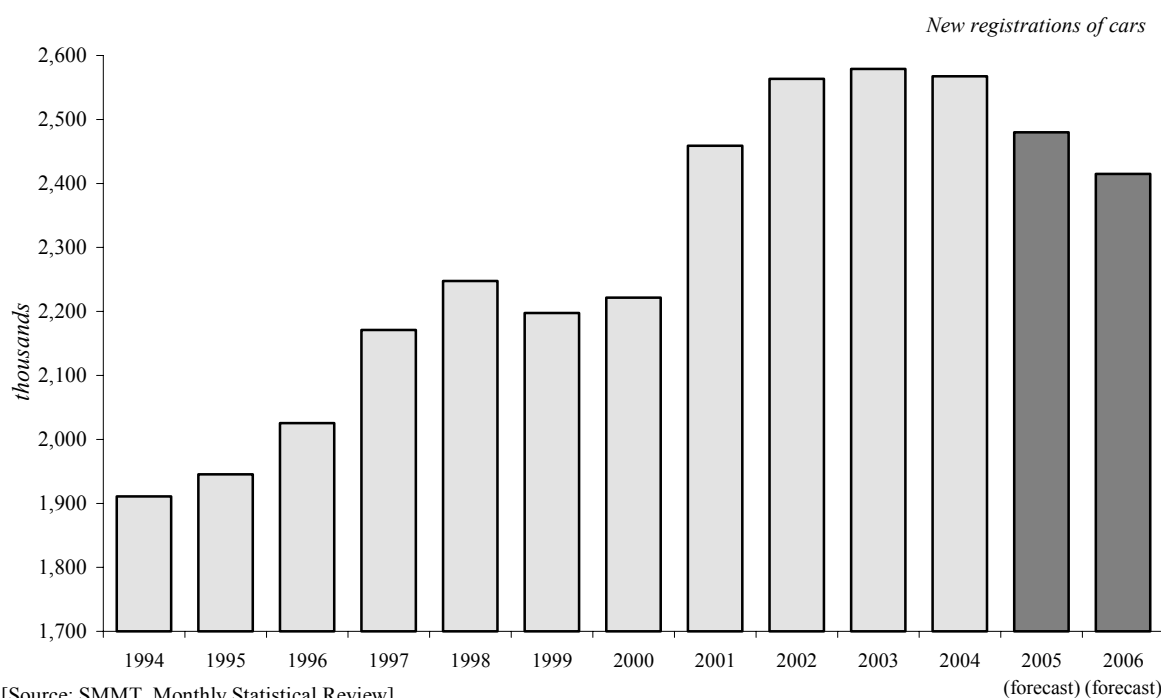
- The average weekly *value* of retail sales in April 2005 was £4,580 million, 0.1% lower than in April 2004 (non-seasonally adjusted).

**Contact:** Ed Potton, x2883

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



### F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 4.0% in April 2005, compared with the previous April's figure, to 179,457 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 29,109 registrations of British-built cars in April, equivalent to 16.2% of the market. The number of British built registrations decreased 15.8% on the previous April'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.

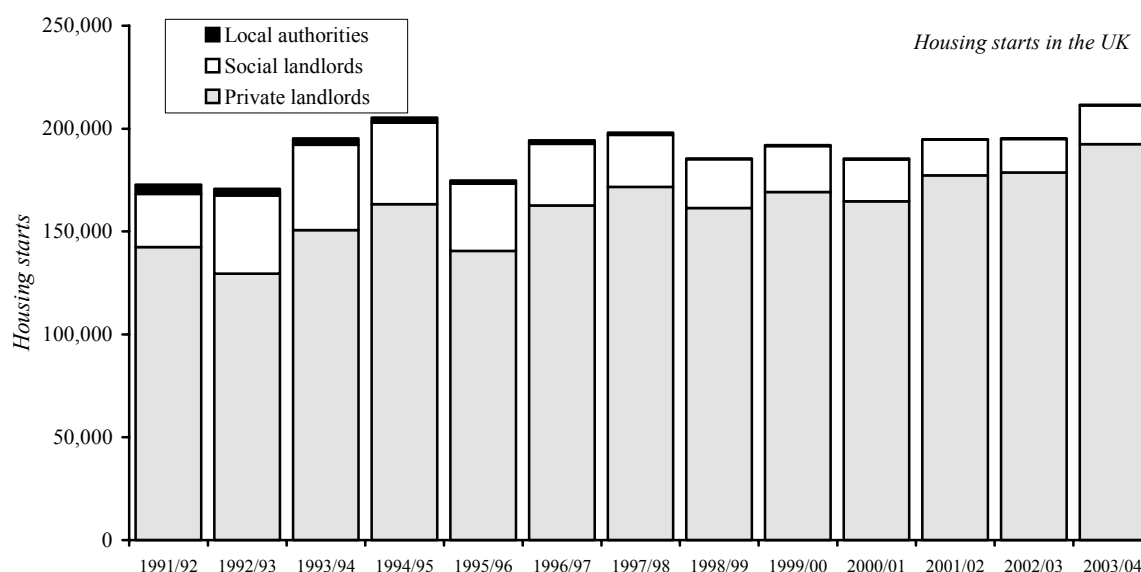
#### New Registrations of Cars

*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
2004 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
Feb	77	-15.7
Mar	443	-5.1
Apr	179	-4.0

Source: SMMT, *Monthly Statistical Review*

## F4: House-building & Prices



[Source: ODPM, *Housebuilding Statistics*, table 201, Feb 2005]

The latest revised data on housing starts and completions from the Office of the Deputy Prime Minister (ODPM) show that there were 57,709 dwelling starts in the UK in Q1 2004, compared with 52,888 in Q1 2003. In Q1 2004 there were 43,006 completions compared with 43,083 in Q1 2003 (all data are not seasonally adjusted).

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

- There was no change in UK house prices in April 2005 compared with the previous month, following a rise of 0.5% in March 2005; annual house price inflation was 7.8%.
- On a quarterly basis, UK house prices rose by 0.5% in Q1 2005 compared with the previous quarter, following an increase of 0.2% in Q4 2004 on Q3 2004 (all seasonally adjusted)

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

- In Q1 2005, annual house price inflation was highest in Northern Ireland (25.0%) and lowest in Greater London (1.1%), compared with 9.7% across the UK (all seasonally adjusted).

### 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
2005 Q1	160,724	156,647	161,913	118,863
<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
2005 Q1	9.7	9.1	9.5	13.9

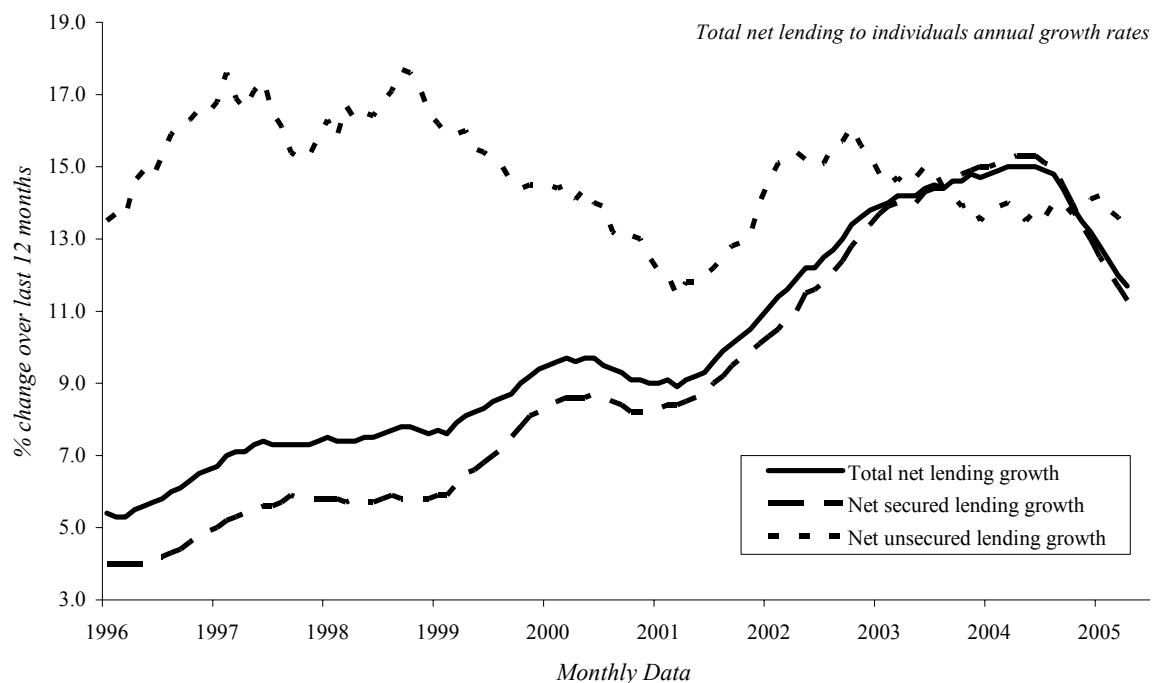
The ODPM publishes a house price index based on completions (the Halifax index is based on mortgage approvals), which is currently in **experimental form only** (all figures are not seasonally adjusted):

- The average UK house price in March 2005 was £183,346, up from February 2005's figure of £179,491. Annual house price inflation in March 2005 was 12.6%, compared with 10.5% in February 2005.
- Regionally, annual house price inflation in March 2005 was highest in Wales (22.0%) and lowest in the South East (8.1%).

**Contact:** Ian Townsend, x3977

**Updates:** ODPM, *House-building*, (due); *House Prices*, 13 Jun; Halifax, *House Prices*, early Jul

## 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 Apr	552,449	130,301	682,750	8.5	11.8	9.1
2002 Apr	613,598	145,756	759,354	11.0	15.4	11.9
2003 Apr	703,861	157,528	861,389	14.1	14.5	14.2
2004 Apr	810,348	171,661	982,008	15.3	13.8	15.0
Jul	836,046	176,121	1,012,167	15.1	13.6	14.9
Oct	858,874	179,403	1,038,277	14.0	13.7	13.9
Jan	881,945	184,173	1,066,118	12.5	14.2	12.8
2005 Apr	901,185	187,018	1,088,203	11.3	13.2	11.7

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

- Total net outstanding lending to individuals was £1,088 billion at the end of April 2005 (seasonally adjusted).
- Total net lending to individuals grew by 0.8% in April 2005 compared with the previous month, and grew by 11.7% on an annual basis (all seasonally adjusted). This represents a reduction of 0.3% compared with the annualised rates for March 2005.
- Of the £8.6 billion increase in net lending in April 2005, £7.3 billion was mortgage borrowing and £1.3 billion was consumer credit (seasonally adjusted).

**Contact:** Ed Potton, x2883

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

## V 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 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> <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> <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> <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 <b>Commentary:</b> ONS, <i>Balance of Payments</i> release
E2	<b>Trade in Goods</b>	<b>Data:</b> ONS Database <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 <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> ; <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> <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> <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>

## VI Glossary

### Symbols and abbreviations

..	Figure(s) not yet available
<b>CBI</b>	Confederation of British Industry
<b>ILO</b>	International Labour Organisation
<b>ODPM</b>	Office of the Deputy Prime Minister
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ONS</b>	Office for National Statistics

### Definitions<sup>4</sup>

**Average Earnings Index:** Measures changes in gross wages and salaries paid to employees, including overtime payments. Excludes employers' insurance contributions, holiday pay, benefits in kind and bonuses which are not part of regular pay.

**Balance of payments:** A country's financial position, with other countries of the world, comprising two parts:

- **Current account:** the balance of imports and exports of goods and services, income and transfers combined;
- **Capital account:** the difference between a country's capital (invested in other countries, and the capital invested by other countries in it).

Technically, the two parts always balance. A Balance of payments deficit normally refers to a **current account deficit**.

**Balance of trade:** The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

**Basic prices:** Prices excluding taxes and subsidies on products.

**Claimant count:** The number of people claiming Jobseeker's Allowance benefits.

**Consumer Prices Index (CPI):** This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

**Current account balance/deficit:** The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A **current account deficit** means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

**Current budget:** Measures the balance of public sector current account revenue over public sector current expenditure. It is the measure for assessing progress against **the golden rule**. This states that, on average over the economic cycle, the Government should borrow only to invest and not to fund current expenditure.

HM Treasury has stated that progress against the golden rule will be measured by averaging the surplus on current budget, when expressed as a percentage of GDP, over each year of the economic cycle. To meet the rule, this average should be positive.

**Constant/current prices:** Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

**Economically active:** Those aged 16 and over who are either in employment or unemployed.

**Economically inactive:** Those aged 16 and over who are neither in employment nor unemployed. This includes those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start work, and those who do not want a job.

**Employment:** The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

**Exchange rate:** The rate at which one currency is traded against another.

**Gross Domestic Product (GDP):** The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

**Gross Domestic Product – chained volume measure:** Also known as *constant price* or *real*

<sup>4</sup> Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

*GDP*, this is a measure used to indicate change in the actual quantity of goods and services produced.

**Gross Fixed Capital Formation (GFCF):** 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.

**Gross Value Added (GVA):** The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA is used to measure the productivity of sectors/industries and economies.

**Harmonised Indices of Consumer Prices (HICP):** Harmonised indices of consumer prices for Member States of the European Union.

**Market prices:** The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes.  $GDP \text{ at market prices} = GDP \text{ at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$ .

**Money supply:** The total amount of money in an economy at a given time. In the UK the main measures of money supply are:

- M0 which 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 which is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

**New Deal for Young Persons (NDYP):** A Government employment programme designed to help the long-term unemployed between the ages of 18-24 back into sustained employment through the provision of training, education, work experience, and job-search support.

**New Deal for 25 plus (ND25+):** A Government employment programme designed to help the long-term unemployed aged 25 and over back into sustained employment through the provision of training, education, work experience, and job-search support.

**The Public Sector Net Cash Requirement (PSNCR):** This measures the public sector's accumulation of debt net of liquid financial assets. Its approximate stock equivalent is net public sector debt.

**Public Sector Net Debt:** This is approximately the stock analogue of the PSNCR. It measures the public sector's financial liabilities to the private sector and abroad, net of short-term financial assets such as bank deposits and foreign exchange reserves.

**Retail Prices Index (RPI):** A domestic indicator of inflation. It measures the average change from month to month in the prices of goods and services purchased in the UK. It is similar to the CPI, but differs in terms of coverage and methodology. **RPI(X)** excludes mortgage interest payments.

**Seasonally adjusted:** Estimates in which the element of variability due to seasonal influences has been removed. Seasonal influences are those which recur regularly once or more a year.

**Sterling Exchange Rate Index (SERI):** This 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.

**Sustained employment:** In terms of the New Deal programmes, sustained employment is classified as a job from which the participant does not return to claim Jobseeker's Allowance (JSA) or transfer to another option within 13 weeks. It includes those who have been in employment for less than 13 weeks but have not yet returned to JSA.

**UK Base/Repo rate:** The rate at which the Bank of England lends to discount houses by buying their bills. The base rate is usually the minimum rate at which banks are prepared to lend money. The high street bank base rate follows that set by the Bank of England, and it acts as the benchmark for other interest rates, including mortgages and personal loans.

**Unemployment:** The ILO definition includes all people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or are out of work and have accepted a job that they are waiting to start in the next fortnight.

**Unemployment rate:** The number of unemployed persons expressed as a percentage of the economically active population.

**Volume/value of retail sales:** The volume of retail sales is the total takings adjusted for inflation and the value of retail sales is the total actual takings.

**Workforce jobs:** The sum of employee jobs, self-employment jobs, those in HM Forces and government-supported trainees.