



RESEARCH PAPER 05/53
1 JULY 2005

Economic Indicators, July 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:

EU and G7 competitiveness indicators

Next publication date: **1 November 2005**

Edward Beale (editor)

ECONOMIC POLICY AND STATISTICS SECTION

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05/51	<i>Civil Aviation Bill</i> [Bill 12 of 2005-06]	23.06.05
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I Introduction to *Economic Indicators*

Economic Indicators research papers are published in sitting time on the **first working day** of the month. In months where the paper is not published, 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.¹ 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*.² Researchers are not able to discuss pages with members of the public. For enquiries in these subject areas please contact the following researchers:

Subject	Statistician	tel. extn.
Balance of payments	Ian Townsend	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
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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.³

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

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

³ 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 Monthly highlights

This month saw the likelihood of a cut in interest rates increase with two members of the Bank of England's Monetary Policy Committee (MPC) voting for a cut in the rate (which remained at 4.75% in June for the 10th month consecutively). This was the first time since July 2003 that any member had voted for a cut. Prior to the MPC's meeting, the British Retail Consortium (BRC) had called for a rate cut to encourage consumers back onto the high street following the publication of sales figures for May. The prospect of a rate cut was further enhanced by the downward revision of GDP growth estimates for Q1 2005 to 0.4%.

Retail sales

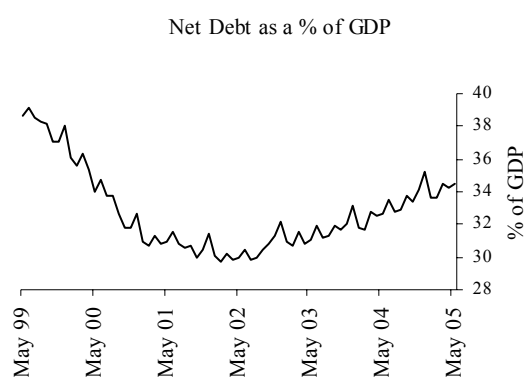
The BRC figures reported that like-for-like retail sales fell 2.4% in May against the same month in 2004, however, this fall was significantly lower than the fall of 4.7% seen in April, which was the largest for a decade. However, BRC figures did show that total sales increased by 1.4% in May on a year ago (ONS sales figures are provided in indicator F2).

Financial stability

The Bank of England published its Financial Stability Review in June. The review found that the near-term outlook for the UK financial system is generally healthy. However, there were concerns that some vulnerabilities may be building in the longer term, since some consumers and financial institutions are continuing to increase their levels of indebtedness. If negative economic factors, such as greater unemployment occur, there is a risk of higher levels of personal bankruptcy and company insolvency. However, the review pointed out that near-term risk had stayed low since the last review in December and that UK banks' profits, capital and liquidity suggest that they would be resilient even if unexpected stresses did arise.

Public Finances

Public sector net borrowing in May was £8.7 billion, compares with £7.0 billion in May 2004. The revised estimate for the 2004/5 financial year was net borrowing of £36.3 billion, compared with £35.7 billion in 2003/4. Public sector net debt, expressed as a percentage of gross domestic product (GDP), was 34.5% at the end of May, compared with 32.7% at end of May 2004.



Labour market

Mervyn King, the Governor of the Bank of England, commented in June that the 120,000 eastern Europeans who had arrived in Britain since EU enlargement had kept a lid on wages and prevented inflation from rising. The new workers had helped to ease skill shortages in the economy at a time when inflation was just under the Chancellor's 2% target. However, Mr King noted the possibility of inflationary pressure building due to demands from rising labour costs, coupled with strong growth in the money supply and rising import prices.

Notably, the number of people claiming Jobseeker's Allowance (JSA) in the UK rose in May for the fourth month in succession. The increase, to 855,300 claimant, represented the first time since December 1992 that there has been such a sustained rise in the numbers claiming JSA (albeit from a significantly higher base in 1992).

III EU and G7 competitiveness indicators

A. Introduction

The UK takes over the rotating six month presidency of the EU from Luxembourg today (1 July). In addition, the UK will host the annual summit of G8 country leaders at Gleneagles in Scotland, which commences on 6 July.

This article presents some key economic indicators in order to enable the analysis of the UK's relative competitiveness with other EU25 and G7 countries. Notably, there has been much recent debate surrounding the hypothesis that the UK economy performs relatively well within a European context, however, its performance has not been as impressive in terms of the G7 countries.

A statistical table is provided at the end of the article which contains figures on each of the key indicators for all EU25 and G7 countries.

B. Background

The table below shows average economic growth in real terms over the last five years for each of the G7 economies and the eurozone. OECD forecasts are also provided.

Real GDP growth (%)			
	Annual average 2000-04	Forecasts	
		2005	2006
Canada	3.1	2.8	3.1
US	2.8	3.6	3.3
UK	2.7	2.4	2.4
France	2.1	1.4	2.0
Italy	1.3	-0.6	1.1
Japan	1.3	1.5	1.7
Germany	1.0	1.2	1.8
Eurozone	1.7	1.2	2.0

Source: OECD Economic Outlook 77, Annex Table 1

The UK has grown faster than France, Italy, Japan and Germany but slower than Canada and the US. Also, the UK has also grown more quickly than the eurozone as a whole. Forecasts for GDP growth in 2005 and 2006 indicate that this trend is likely to continue. The US and Canada are expected to grow faster than the UK in 2005 and 2006; however, the UK is expected to grow faster than the other G7 countries.

A similar picture emerges from various international competitiveness league tables. The UK is ahead of France, Germany and Italy but behind the US, on both the IMD business school's

2005 *World Competitiveness Scoreboard* and the World Economic Forum's 2004 *Growth Competitiveness Index*.⁴

At the 2000 Lisbon European Council, the EU committed itself to a ten year programme of economic reform with the aim of making the European Union the most competitive and dynamic knowledge-based economy in the world with more and better jobs and greater social cohesion. The main elements of the Lisbon strategy were described in a report for the European Commission prepared by a High Level Group chaired by Wim Kok, the former Dutch Prime Minister:

Lisbon aims to raise private and public research and development spending as the centrepiece of a concerted effort to increase the creation and diffusion of scientific, technological and intellectual capital. It aims to foster trade and competition by completing the single market and opening up hitherto sheltered and protected sectors. It aims to improve the climate for enterprise and business. It aims to secure more flexibility and adaptability in the labour market by raising educational and skill levels, pursuing active labour market policies, and encouraging that Europe's welfare states help the growth of employment and productivity rather than hinder it. And it aims for growth to be environmentally sustainable.

Success in the knowledge economy was seen as the key to allowing Europe to remain both open and socially cohesive. Europe did not want to compete both internally as an economic union and externally by initiating a race to lower real wage and non-wage costs so that Member States would find their systems of social cohesion, partnership in the workplace and protection of the environment undermined. The more Europe could sustain itself as a high productivity, high value-added, high employment economy, the better able it would be to create the wealth and jobs that would allow it both to sustain its vital commitment to open markets and to social and environmental Europe.⁵

Five years into the programme, the results are mixed. While progress has been made in some areas, in others the results have been less encouraging. As a result, the March 2005 European Council called for a re-launch of the Lisbon strategy with a focus on growth and jobs.

⁴ It should be pointed out that the WEF produces a number of different competitiveness indices. This result does not hold for all of them.

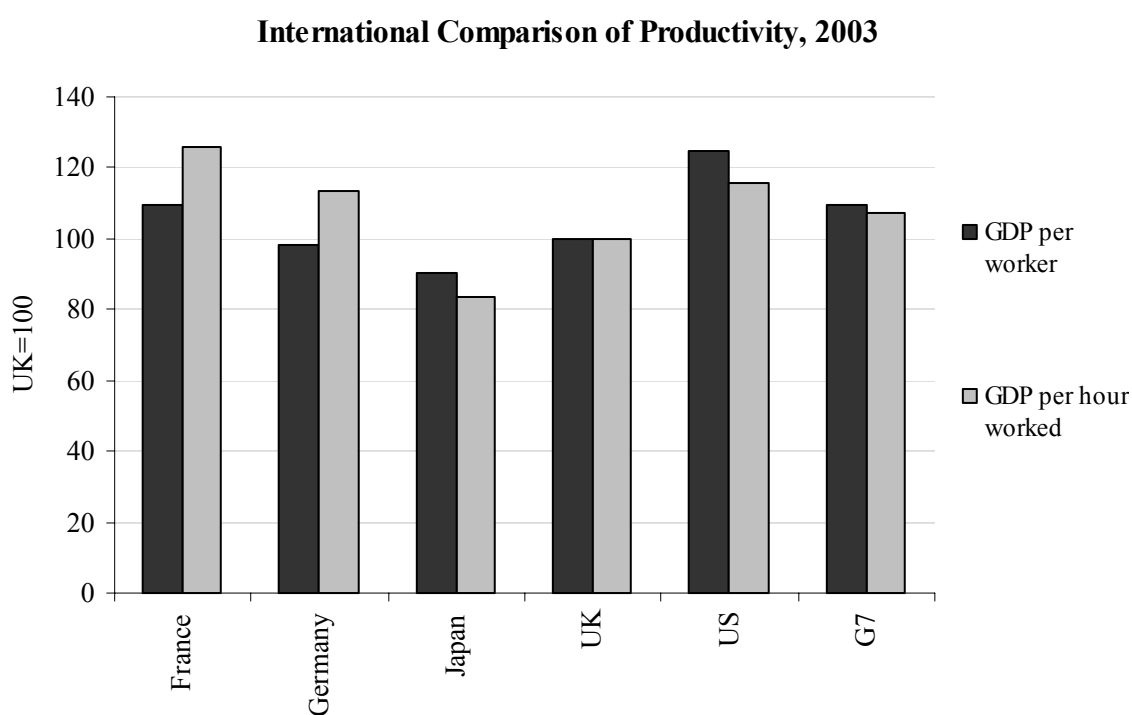
⁵ *Facing the challenge: the Lisbon strategy for growth and employment*. Report from the High Level Group chaired by Wim Kok, November 2004. http://europa.eu.int/growthandjobs/pdf/kok_report_en.pdf

C. Indicators

A number of key indicators that illustrate the UK's relative international competitiveness are outlined below.

1. Productivity

The chart below shows labour productivity on a per worker and per hour basis for 2003 using an index where the UK equals 100. These data shows the UK having higher productivity on a per worker basis than Japan and Germany but lags the US and France as well as the G7 average. Using the output per hour measure, comparative performance in France and Germany is better than under the per worker measure. The output per hour measure remains an experimental statistic and so should be treated with a degree of caution.



Source: Office for National Statistics

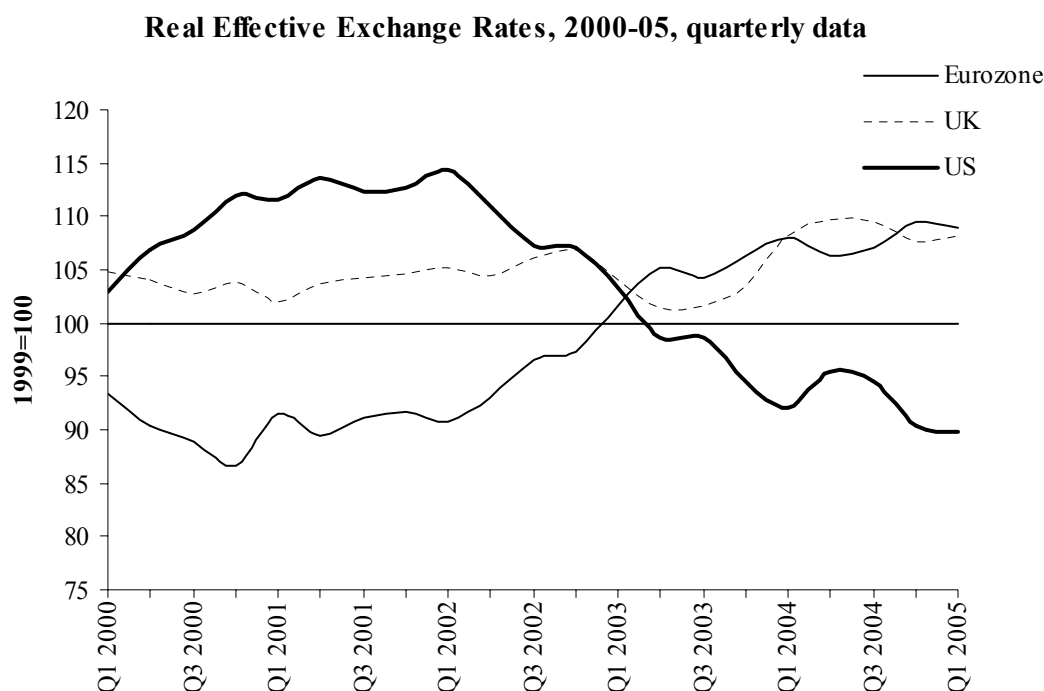
However, it should be noted that looking at only one year of data masks improvements in UK productivity performance. In 1995 GDP per worker in the G7 was 16.8% higher than in the UK compared with 9.7% in 2003. The table at the end of this article shows output per worker for 2004 for the EU25 and other G7 countries based on an index where the EU25 equals 100.

2. Exchange rates

Real effective exchange rates show movements in international competitiveness, taking account of relative movements in costs and prices after adjusting for trade-weighted exchange rate movements. The chart below shows real effective exchange rate changes⁶ since 2000 for the UK, US and eurozone, where 1999 is set to 100 for all three currencies. The chart shows

⁶ Deflated by whole economy unit labour costs.

increasing competitiveness of the US, while the UK and eurozone have seen decreasing international competitiveness over the same period.



Source: Eurostat Database

3. Labour market

A key target of the Lisbon strategy was for the EU to reach an overall employment rate of 67% in 2005, and 70% by 2010. Although the 2005 interim target is unlikely to be achieved, the European Commission feels the 2010 target is still feasible; as long as the pace of employment growth maintains its late 1990s rate.⁷

2004 figures show that the EU25 employment rate stood at 63.3%.⁸ The UK employment rate was 71.6% in 2004, already above the 2010 target. However, while the UK had the fourth highest employment rate of the EU25 countries in 2004, compared with the other G7 countries, the employment rates of both Canada (72.6%) and the U.S. (71.2%) were higher than that of the UK.

The UK also performs relatively well within the EU25 in terms of the unemployment rate. Standardised unemployment rates for 2004 show that, at 4.7%, the UK had the third lowest unemployment rate in the EU25⁹ for which the overall rate was 9.0%.¹⁰ Within the G7 the UK and Japan had the lowest unemployment rates in 2004 of 4.7%. The overall G7 rate was

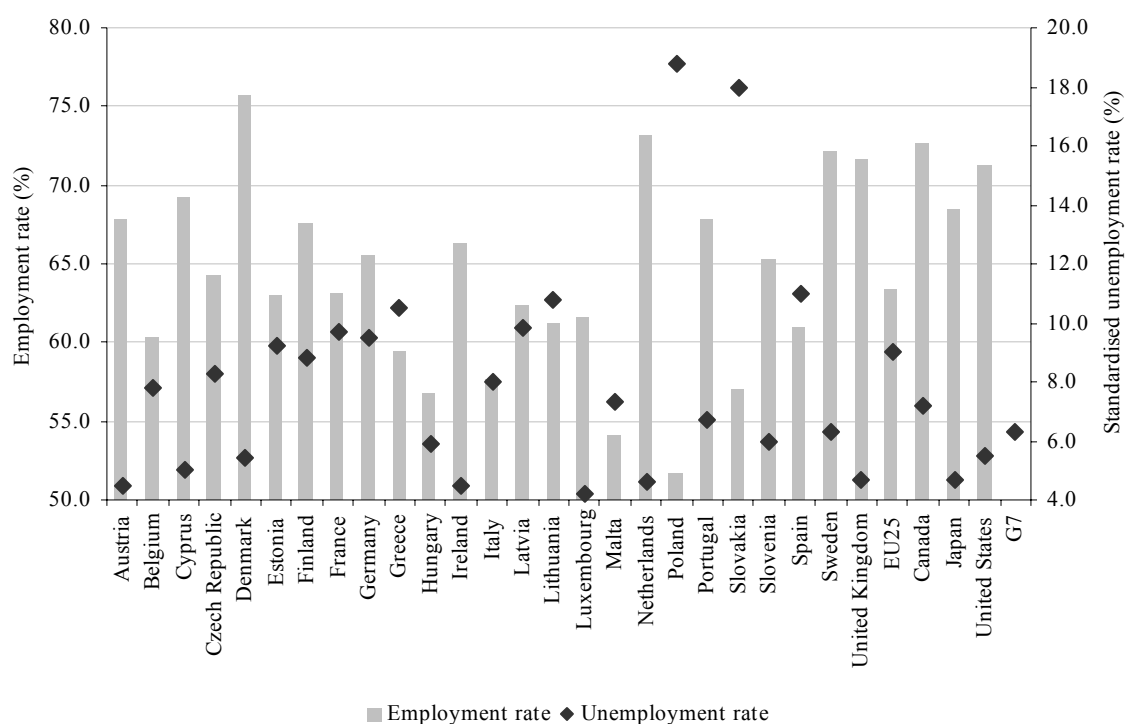
⁷ IMF, *Euro area policies: Selected Issues*, Country Report 04/235 August 2004, <http://www.imf.org/external/pubs/ft/scr/2004/cr04235.pdf>

⁸ The EU-15 rate was marginally higher at 64.8%.

⁹ Behind only Austria (4.5%) and Luxembourg (4.2%). The EU-15 unemployment rate in 2004 was 8.1%.

¹⁰ The EU-15 unemployment rate in 2004 was 8.1%.

6.3% in 2004. The chart below displays comparative employment/unemployment rates in the EU25 and G7.



4. Tax burden

The latest data on the tax burden, measured as taxes and social security contributions as a percentage of GDP, across the EU is for 2003. The UK has the third lowest tax burden of EU15 countries, with only Ireland and Spain below. The UK figure of 37.1% is five percentage points below that in the eurozone. Eight of the new Member States also have lower tax burdens than the UK, making the UK the 15th highest of the EU25 countries. France has the 4th highest tax burden in the EU and Germany the 9th. Lithuania has the lowest with 28.7%.

Figures for the other G7 countries are not available on the same basis. OECD figures for 2002 put the EU15 average tax burden at 40.6% compared with 25.8% in Japan, 26.4% in the United States and 33.9% in Canada.¹¹

5. Trade indicators

The table in section E shows trade balances for goods and services in millions of dollars, and current account balances expressed in millions of dollars and as a proportion of GDP (all for 2004). These data are from the OECD, and so only cover the G7 and the EU countries that are OECD members.

¹¹ OECD, *Revenue Statistics 1965-2003*, 2004, table A

In 2004, the UK had large deficit on trade in goods and services – \$71 billion. This was a significantly smaller deficit than in the US, at \$606 billion, with only Greece, Portugal and Spain running deficits on this measure greater than \$10 billion.

By comparison, other G7 countries ran surplus on trade in goods and services in 2004: Germany (\$139.0 billion) and Japan (\$89.0 billion), Canada (\$43.9), Italy, (\$13.5 billion) and France (\$11.3 billion). A number of EU countries in the OECD – Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Ireland, Luxembourg, the Netherlands and Sweden – also ran surpluses in 2004.

The pattern is similar for balances on current accounts. In terms of balances as a proportion of GDP, the US has a relatively large deficit amounting to 5.7% of GDP, or just under \$666.0 billion. While the UK also ran a current account deficit in 2004, this was 2.2% of GDP, a number of other countries – Czech Republic, Greece, Hungary, Portugal, Slovakia and Spain – ran larger deficits in terms of proportions of GDP (although in absolute terms, these deficits were smaller than the UK's \$47.0 billion).

Three of the G7 countries ran a current account surplus: Germany (3.9%), Japan (3.6%) and Canada (2.6%). Italy and France ran relatively small current account deficits of 0.8% and 0.3% of GDP respectively.

D. Conclusion

It is clear that on a number of competitiveness indicators and surveys the UK lags behind North America and parts of Europe. Although the UK economy has performed well in recent years, the performance of other European and G7 countries suggest that, in particular, UK productivity in terms of GDP per worker/hour worked could be improved. However, this relatively weak productivity performance contrasts with strong labour market indicators; the UK is currently experiencing record levels of employment and the lowest rates of unemployment since the 1970s.

In the Budget 2005, the Government outlined five areas where reforms are necessary in order for the UK to maintain its global competitiveness, these were: competition; enterprise; science and innovation; skills levels; and investment.¹²

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¹² HM Treasury, *Budget 2005*, March 2005, Chapter 3, p42.

EU and G7 competitiveness indicators

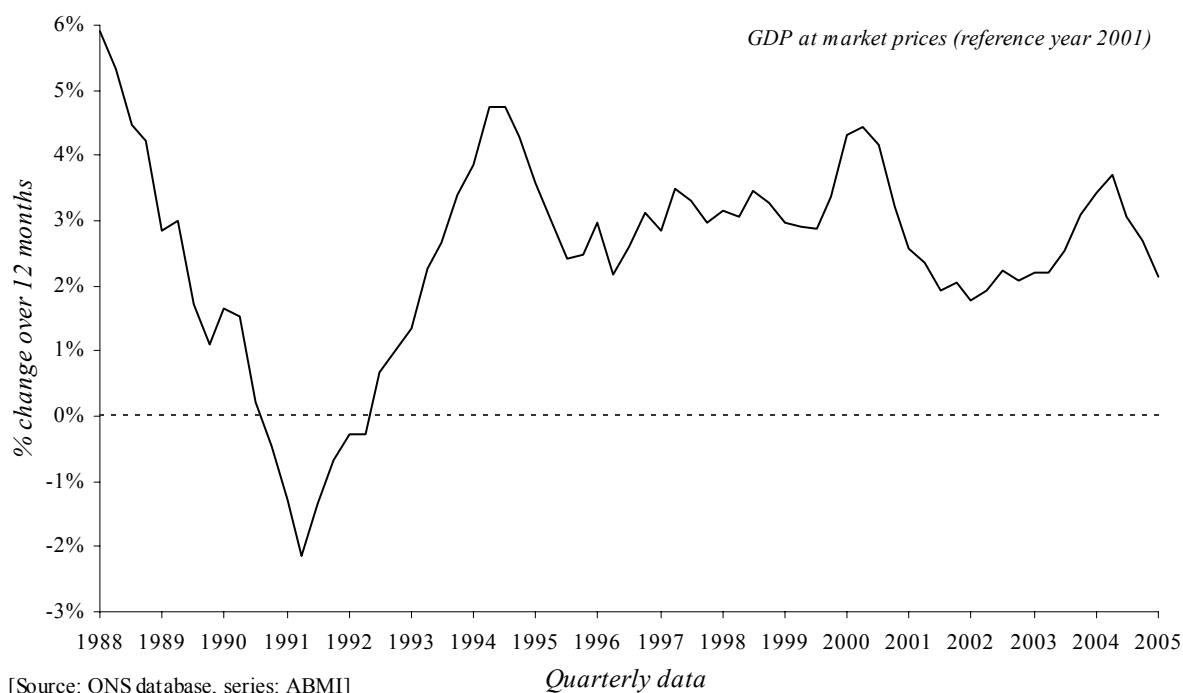
	Real GDP growth	GDP per head	Labour productivity per person employed	Investment (GFCF)	Short term interest rates	Real Stock Market effective exchange rate	Market Unemployment rates	Employment rates	Tax burden	Trade balance on goods & services	Current account balance		
	(% change on year)	(EU25=100)	(EU25=100)	(% change on year)	(%)	(% change)	(%)	(%)	(% of GDP)	(\$ billion)	(% of GDP)	(\$ billion)	
	2004	2004	2004	2004	Mar 2005	1999-2004	1999-2004	2004	2004	2004	2004	2004	
Austria	2.4	122	121	3.7	2.1	-1.6	68.3	4.5	67.8	44.8	15.3	0.3	0.9
Belgium	1.8	119	118	1.3	2.1	3.2	-20.6	7.8	60.3	48.1	9.8	3.4	12.0
Cyprus	3.0	82	81	9.4	4.7	10.6	-75.1	5.0	69.2	34.3	..	..	..
Czech Republic	4.2	72	70	9.1	2.1	27.2	81.8	8.3	64.2	36.2	-0.3	-5.1	-5.5
Denmark	1.9	122	122	4.7	2.1	5.4	25.0	5.4	75.7	49.8	12.3	2.5	6.0
Estonia	5.9	50	50	6.9	2.5	3.3	218.7	9.2	63.0	33.4	..	..	..
Finland	2.0	115	114	4.6	2.1	2.8	-21.8	8.8	67.6	45.1	10.2	4.3	8.0
France	1.7	111	110	3.3	2.1	1.9	-18.9	9.7	63.1	45.7	11.3	-0.3	-6.1
Germany	1.1	109	109	-0.5	2.1	-3.4	-25.4	9.5	65.5	41.7	139.2	3.9	105.0
Greece	3.6	82	82	4.9	2.1	2.9	-47.0	10.5	59.4	38.6	-17.3	-5.3	-10.9
Hungary	3.9	61	61	8.3	7.4	44.2	74.6	5.9	56.8	39.2	-3.7	-9.4	-9.3
Ireland	2.7	139	138	6.0	2.1	12.5	8.8	4.5	66.3	31.2	28.3	-0.4	-0.8
Italy	-0.2	105	105	2.1	2.1	11.0	-20.0	8.0	57.6	43.2	13.5	-0.8	-13.1
Latvia	8.6	43	43	17.3	4.2	-6.1	207.7	9.8	62.3	29.1	..	..	..
Lithuania	5.6	48	48	12.3	2.7	4.5	100.3	10.8	61.2	28.7	..	..	..
Luxembourg	3.8	223	222	3.5	2.1	3.2	1.0	4.2	61.6	42.3	6.9	8.8	2.8
Malta	2.3	72	71	..	2.9	17.1	47.6	7.3	54.1	34.2	..	..	..
Netherlands	-0.3	120	119	2.5	2.1	12.1	-39.8	4.6	73.1	39.3	31.3	4.1	23.9
Poland	2.1	47	47	5.1	5.9	-7.2	56.2	18.8	51.7	35.8	-4.3	-1.5	-3.6
Portugal	0.6	73	73	1.3	2.1	13.0	-30.0	6.7	67.8	38.1	-12.7	-7.8	-13.2
Slovakia	5.8	52	52	2.5	4.7	26.3	154.7	18.0	57.0	30.9	-1.1	-3.6	-1.4
Slovenia	3.4	78	78	6.8	4.7	3.6	149.6	6.0	65.3	40.3	..	..	..
Spain	3.3	98	98	4.6	2.1	10.6	-18.9	11.0	60.9	36.5	-36.9	-4.9	-49.2
Sweden	2.6	116	116	5.1	2.0	4.9	..	6.3	72.1	51.4	27.7	8.0	27.6
United Kingdom	2.7	119	118	5.7	4.9	8.3	-28.1	4.7	71.6	37.1	-71.2	-2.2	-47.0
EU25	1.6	100	100	2.9	2.7	116.8	..	9.0	63.3	41.5	..	..	..
Canada	3.3	122	129	5.8	2.6	12.5	..	7.2	72.6	..	43.9	2.6	25.8
Japan	0.8	113	116	1.6	0.1	-21.2	-33.5	4.7	68.4	..	89.0	3.6	170.1
United States	3.7	150	155	9.0	1.6	-7.1	-1.5	5.5	71.2	..	-606.2	-5.7	-665.9
G7	2.5	128	..	4.1	..	..	..	6.3	..	..	..	..	..

Notes: (a) Forecast
For other notes and sources see Section F

F. Notes to table and sources

GDP	Notes: GDP growth - latest quarter on same quarter of previous year. GDP per head estimated for US, Japan, Canada and G7.
	Sources: Eurostat News Release 75/2005 , 3 June 2005 Eurostat News Release 72/2005 , 1 June 2005 OECD Key short-term indicators for OECD member countries HM Treasury: Pocket Data Bank (for G7 data) OECD, National Accounts of OECD countries, Main aggregates, Volume 1
Labour productivity	Notes: Labour productivity per person employed (GDP converted using purchasing power parities)
	Sources: Eurostat long-term indicators (Labour productivity per person employed)
Investment	Notes: Investment data for Canada and G7 from OECD and thus not directly comparable with other data which are from Eurostat
	Sources: Eurostat: EC economic data pocket book 1/2005 , Table 7 OECD, Main Economic Indicators , May 2005
Interest and Exchange Rates	Notes: Interest rate data for non-OECD countries and EU25 are for 2004. Real Effective Exchange Rate data taken from Eurostat, based on unit labour costs and 34 trading countries. Excludes Russia and some Asian Countries.
	Sources: OECD, Main Economic Indicators , May 2005 Eurostat: EC economic data pocket book 1/2005 , Table 54 Eurostat long-term indicators (Industrial countries effective exchange rates and short-term interest rates)
Share Prices	Notes: Stock market indices taken from Eurostat. No data held on Sweden or Canada. Latvia based on Dow Jones index.
	Sources: Eurostat long-term indicators (Share Price indices)
Labour market	Notes: Employment rates express the number of persons aged 15 to 64 in employment as a proportion of the total population of the same age group. US figures are for those aged 16-64.
	Sources: Eurostat structural indicators (Total Unemployment Rate and Total Employment Rate) OECD, Employment Outlook , 2005, Table B
Taxation	Notes: General government revenue from tax and social security contributions as % of GDP
	Sources: Eurostat, Tax revenue in EU Member States: Trend, level and structure 1995-2003 , 2005, Table 1 OECD, Revenue Statistics 1965-2003 , 2004, Table A
Trade	Notes: Trade balance is on national accounts basis
	Sources: OECD, Economic Outlook 77 , Annex tables 47, 50, 51

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	996.8	4.5	2.2
2002	1,048.5	5.2	2.0
2003	1,105.9	5.5	2.5
2004	1,164.4	5.3	3.2
2004 Q1	285.5	5.5	3.4
Q2	289.4	5.6	3.7
Q3	292.5	4.9	3.1
Q4	297.0	5.2	2.7
2005 Q1	298.5	4.6	2.1

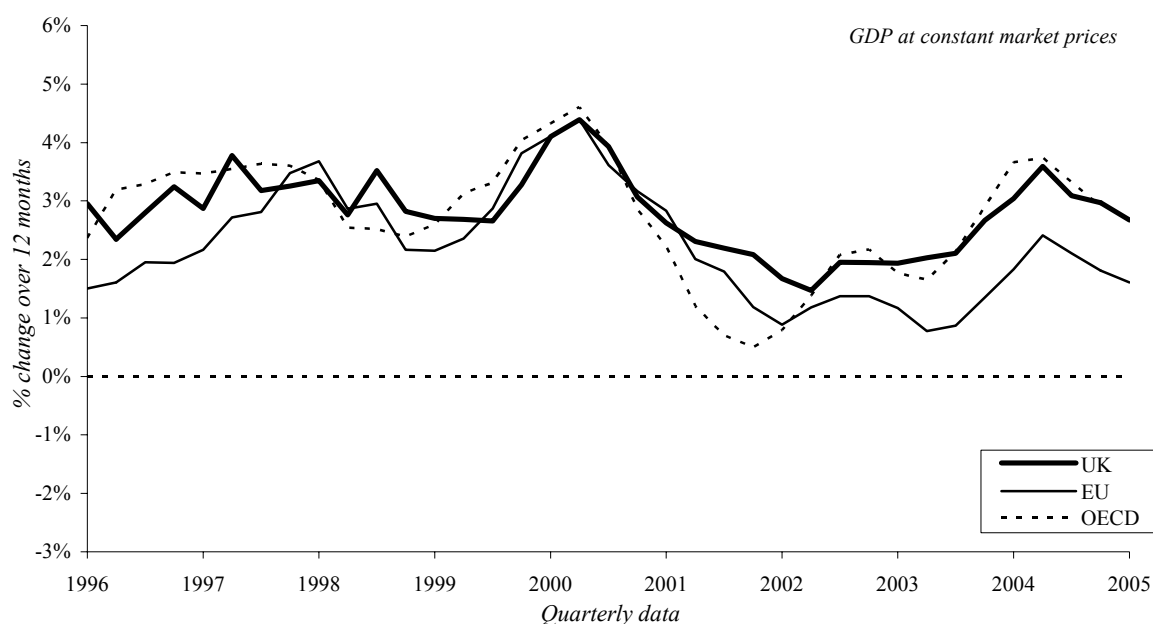
Source: ONS database, series: YBHA, ABMI

- The UK economy is estimated to have grown by 3.2% in 2004, compared with 2.5% 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 the same measure, GDP was 2.1% higher in Q1 2005 than compared with Q1 2004.
- HM Treasury's average of independent economic forecasts of GDP growth in 2005 was 2.5% in June, unchanged from May's forecast. The average growth forecast for 2006 was 2.4% in June, compared with 2.5% in May.

Contact: Ian Townsend, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 20 Jul;
ONS, *GDP Preliminary Estimate (Q2 2005)*, 22 Jul

A2: GDP: International Comparisons



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

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter					
					2003	2004			2005	
	2001	2002	2003	2004	Q4	Q1	Q2	Q3	Q4	Q1
USA	0.8	1.8	3.0	4.4	1.0	1.1	0.8	0.9	1.0	0.9
Japan	0.2	-0.3	1.4	2.7	1.5	1.4	-0.2	-0.3	0.1	1.3
Canada	1.8	3.4	2.0	2.8	0.9	0.6	1.2	0.9	0.5	0.6
United Kingdom	2.3	1.8	2.2	3.1	0.8	0.7	0.9	0.5	0.7	0.5
Germany	0.8	0.1	-0.1	1.6	0.6	0.4	0.3	-0.1	-0.1	1.0
France	2.2	1.0	0.6	2.5	0.4	0.7	0.6	0.2	0.7	0.3
Italy	1.8	0.3	0.3	1.3	-0.1	0.5	0.4	0.4	-0.5	-0.4
Eurozone	1.7	0.9	0.7	2.0	0.6	0.7	0.4	0.3	0.2	0.5
G7	1.0	1.2	2.1	3.4	1.0	0.9	0.6	0.6	0.6	0.7
OECD	1.1	1.6	2.0	3.5	1.0	0.9	0.7	0.6	0.6	..

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

- The latest data show that the majority of the largest economies recorded positive growth in Q1 2005. Notably, Italy recorded negative growth in Q1 2005 for the second quarter in succession.

OECD growth forecasts

% change on year

	2004	2005	2006
USA	4.4	3.6	3.3
Japan	2.6	1.5	1.7
United Kingdom	3.1	2.4	2.4
Eurozone	1.8	1.2	2.0
OECD	3.4	2.6	2.8

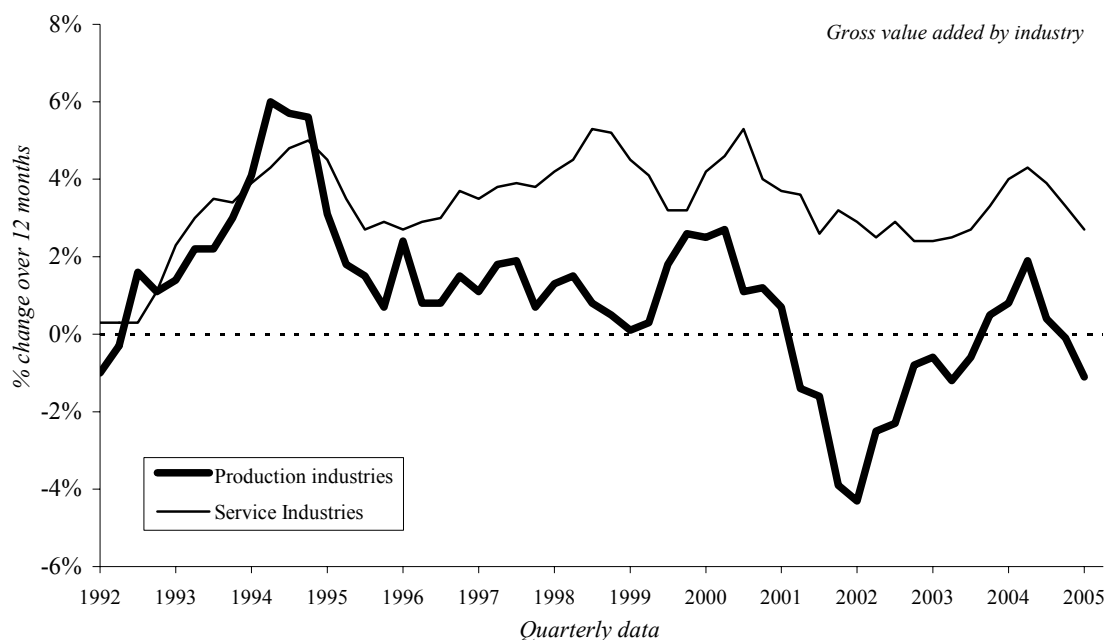
Source: OECD, *Economic Outlook*, Jun 2005

Contact: Edward Beale, x2464

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

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 1995, output has grown faster in the service sector than in production industries, and is currently growing at an annual rate of 2.7%. Between the fourth quarter of 2004 and the first quarter of 2005 annual output growth in the service sector decreased by 0.6%.

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	12.3	3.8
2003	-0.5	0.1	2.7	-1.7	5.2
2004	0.8	1.9	3.9	1.6	3.5
2004 Q1	0.8	2.1	4.0	2.1	5.9
Q2	1.9	2.8	4.3	1.8	4.1
Q3	0.4	1.4	3.9	1.1	1.9
Q4	-0.1	1.1	3.3	1.2	2.2
2005 Q1	-1.1	-0.1	2.7	-2.2	2.5

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

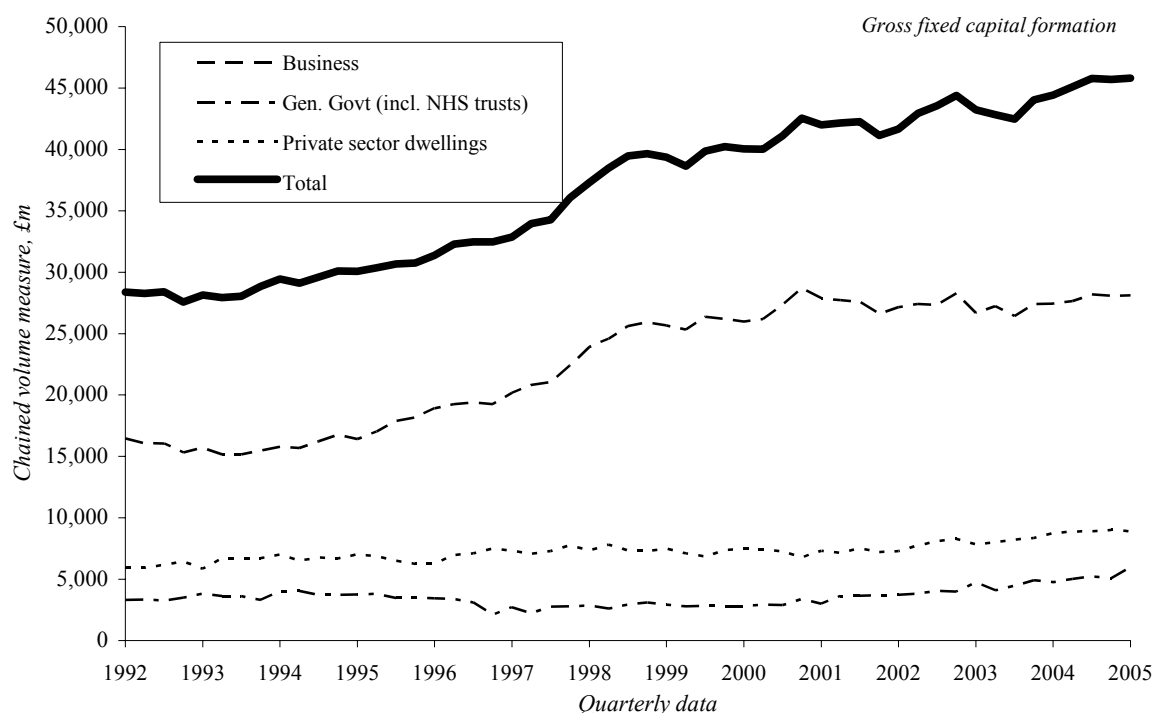
- Manufacturing output decreased 0.1% in the first quarter of 2005 compared with the same quarter in 2004, and manufacturing output increased by 1.9% overall in 2004.
- In 2003, services accounted for 73% of gross value added, manufacturing for 16%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *GDP Preliminary Estimate– Q2*, 22 Jul

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	14,786	57,545	57,928	32,006	5,047	167,563
2002	16,214	56,421	59,836	34,499	5,588	172,558
2003	14,669	54,104	61,934	36,056	5,810	172,573
2004	14,245	57,090	64,601	38,866	6,196	180,998
2004 Q1	3,543	14,246	15,615	9,512	1,509	44,425
Q2	3,696	14,223	15,924	9,721	1,537	45,101
Q3	3,592	14,203	16,639	9,784	1,562	45,780
Q4	3,414	14,418	16,423	9,849	1,588	45,692
2005 Q1	3,422	14,495	16,596	9,701	1,597	45,811

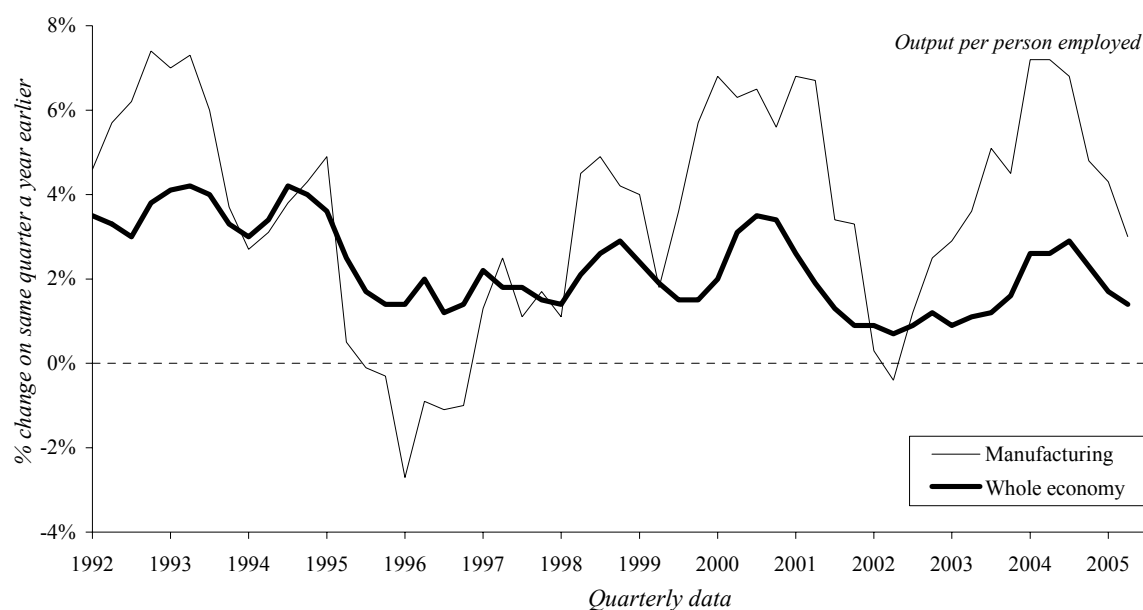
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 0.1% in Q1 2005 compared with the previous quarter, and by 2.5% compared with Q1 2004 on a seasonally adjusted basis.
- Total manufacturing investment fell by 3.9% in Q1 2005 compared with the previous quarter, while investment in private sector services increased by 1.9% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Updates: ONS, *Business Investment*, 25 Aug

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

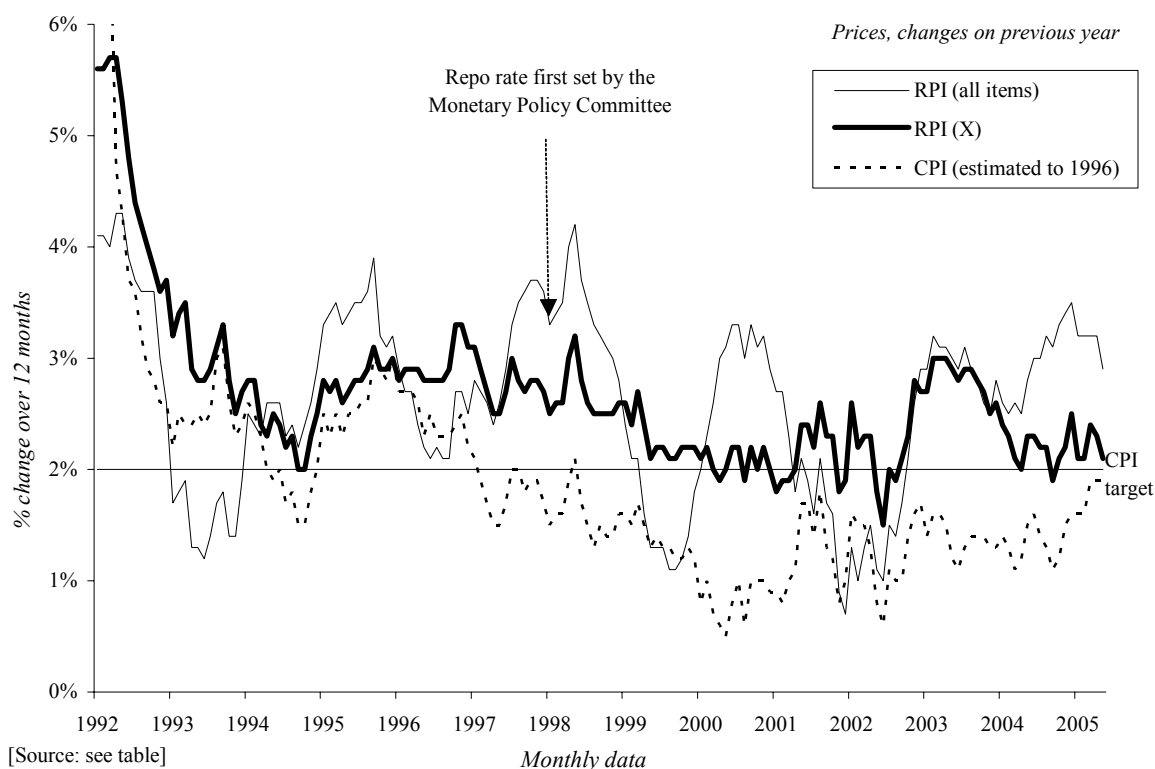
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2001	-1.3	-4.6	3.4	2.0	0.8	1.2
2002	-3.1	-4.5	1.5	1.7	0.7	0.9
2003	0.1	-4.8	5.1	2.5	0.9	1.6
2004	1.9	-3.7	5.8	3.1	0.7	2.4
2004 Q1	2.1	-4.7	7.2	3.5	0.8	2.6
Q2	2.8	-3.7	6.8	3.8	0.7	2.9
Q3	1.4	-3.3	4.8	3.1	0.6	2.3
Q4	1.1	-3.0	4.3	2.5	0.7	1.7
2005 Q1	-0.1	-3.0	3.0	1.9	0.6	1.4

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 2.4% in 2004 compared with 1.6% in 2003 and 0.9% in 2002.
- In 2004, manufacturing output increased by 1.9% and employment in manufacturing fell by 3.7%, while manufacturing output per head rose by 5.8%.
- Productivity growth in manufacturing decreased from 4.3% per annum in Q4 2004 to 3.0% per annum in Q1 2005, while whole economy productivity growth decreased from 1.7% per annum in Q4 2004 to 1.4% per annum in Q1 2005.
- For the economy as a whole, productivity growth has averaged 2.0% per annum over the last eight quarters.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 29 Sep

B1: Prices

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

- In the year to May 2005 the consumer prices index (CPI) showed inflation at 1.9%. This was unchanged from April 2005.
- A large upward effect on the CPI came from food and non-alcoholic beverages. Further upward effects came from tobacco and alcoholic beverages, and recreation and culture. The largest downward effects on the CPI annual rate came from transport, in particular fuels and lubricants. Other downward contributions came from clothing and footwear, and communication.
- The former headline (all items RPI) rate of inflation fell to 2.9% in May from 3.2% in April. The underlying RPI(X) fell to 2.1% in May from 2.3% in April.
- The largest downward effect on the RPI came from motoring expenditure. Further large downward contributions came from housing.

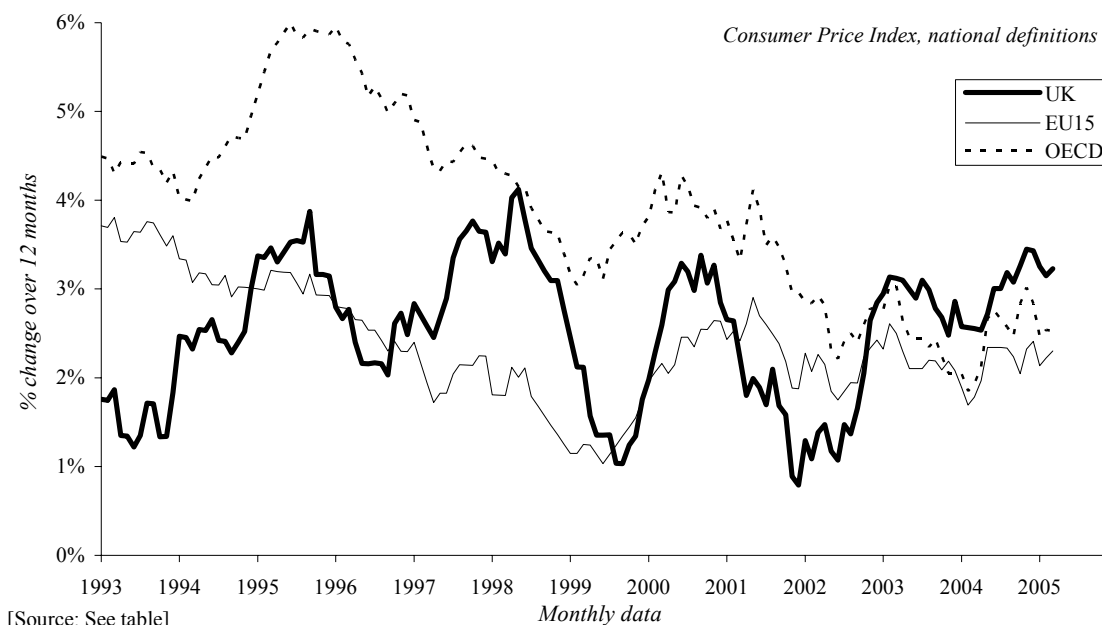
Price Indices

% 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 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
May	1.9	2.9	2.1

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

B2: Prices: International Comparisons



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

- Inflation in the United States was 3.5% in April, up 0.3 percentage points from March.
- For all OECD countries the average inflation rate increased to 2.8% in April 2005
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) remained at 2.3%.

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
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 Dec	2.3	2.2	2.4	1.6	2.4
2005 Jan	1.6	1.6	2.0	1.6	1.9
Feb	1.9	1.8	2.0	1.6	2.1
Mar	2.1	1.7	2.1	1.9	2.1
Apr	2.0	1.4	2.2	1.9	2.1
May	1.7	1.6	2.3	1.9	1.9

Source: Eurostat, Euro-Indicators news release, 27 Jun 2005

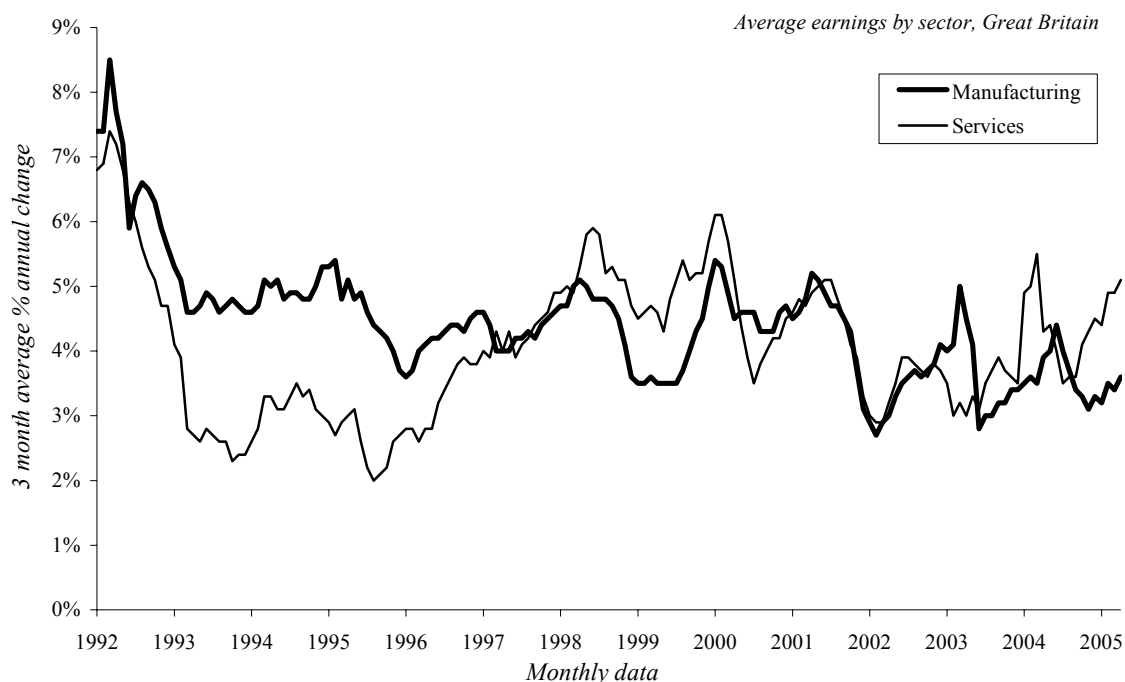
The EU has developed harmonised indices of consumer prices (HICPs), designed for international comparison, to monitor prices within the eurozone:

- Eurozone annual inflation fell to 1.9% in May 2005.
- The HICP inflation rates for the EU15 Member States not in the eurozone were Denmark (1.3%), Sweden (0.2%) and the UK (1.9%).
- In February, the eurozone countries with the highest HICP annual inflation rates were Luxembourg (3.7%), Greece (3.2%) and Spain (3.0%). The lowest rate was in Finland (0.6%).

Contact: Bryn Morgan, x4904

Updates: OECD, *Main Economic Indicators*, mid-Jul
Eurostat, *Euro-indicators news release*, 18 Jul

B3: Average Earnings Index



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

- The headline rate of growth in average earnings for the whole economy in April was 4.6%, up from 4.5% in the previous month.
- Headline average earnings growth in manufacturing was 3.6% in April (up from 3.4% in March). Earnings growth in the service sector was 5.1% in April, up from 4.9% the previous month.
- Headline earnings growth in the private sector was 4.7% in April, compared with 4.6% in the public sector. Earnings growth in the public sector was up from 4.5% in previous month. Earnings growth in the private sector also rose from 4.6% in February.
- Earnings are currently growing at a faster rate than they were a year ago (the headline rate in April 2004 was 4.4%).

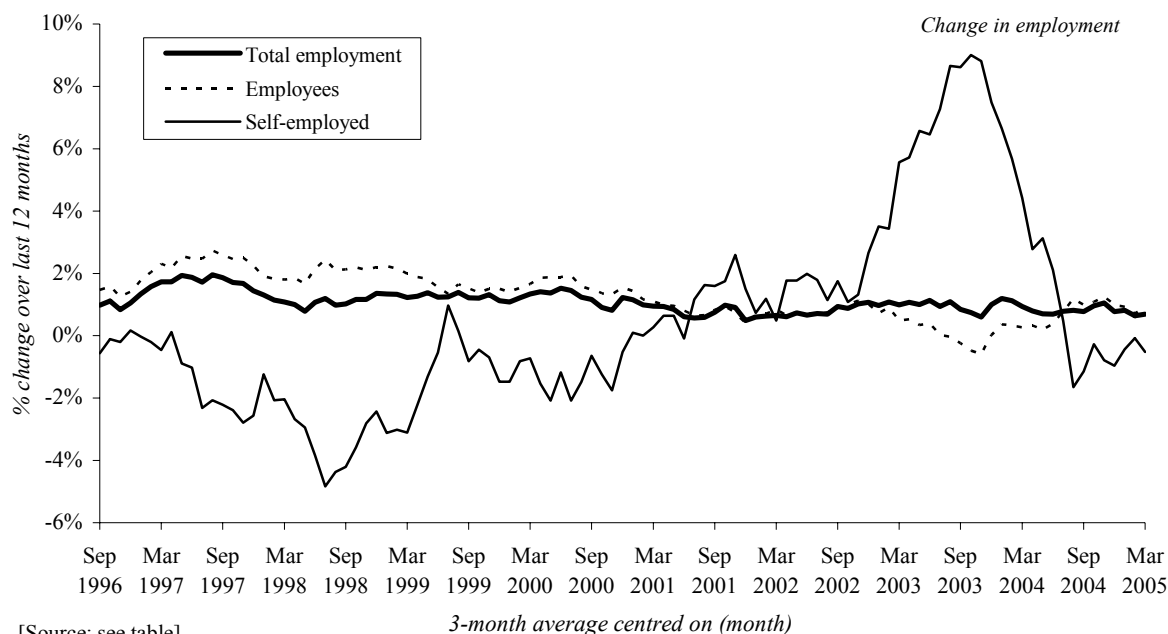
Average Earnings, Great Britain

% change on year; seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2001 Apr	5.0	5.0	4.4
2002 Apr	3.3	3.1	4.1
2003 Apr	3.2	2.7	5.1
2004 Apr	4.4	4.4	4.3
May	4.6	4.6	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	4.5	4.6	4.5
Apr	4.6	4.7	4.6

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 Mar	27,660	24,127	3,288	97	147
2002 Mar	27,841	24,329	3,304	96	112
2003 Mar	28,117	24,447	3,488	91	91
2004 Mar	28,382	24,513	3,642	111	116
2004 Jun	28,385	24,531	3,635	90	129
2004 Sep	28,440	24,605	3,614	92	129
2004 Dec	28,567	24,721	3,625	97	124
2005 Mar	28,578	24,731	3,623	102	122
<i>Changes (%):</i>					
on last 3 months	0.0	0.0	-0.1	5.2	-0.9
on last year	0.7	0.9	-0.5	-8.4	6.0

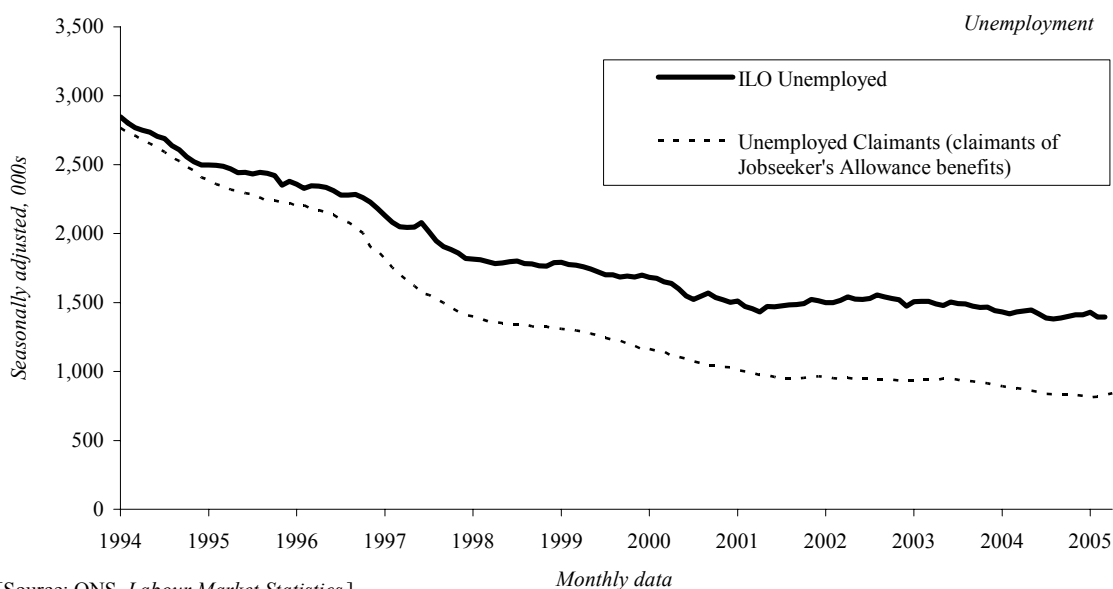
Source: ONS, *Labour Market Statistics*, 15 Jun 2005

- Total employment was 28.6 million in the period February to April 2005, 0.7% higher than a year previously. The working age employment rate of 74.8% was 0.1% lower than the previous quarter and the same as a year previously.
- The number of workforce jobs increased by 78,000 between December 2004 and March 2005 and was 213,000 higher than a year previously. Over the year to March, the number of production industry workforce jobs fell by 87,000. Service sector jobs rose by 190,000.
- 7.3 million people were in part-time employment in the period February to April 2005, of whom 5.6 million were women. 3.6 million people were self-employed.

Contact: Dominic Webb, x4324

Updates: ONS, *Labour Market Statistics*, 13 Jul

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 February to April 2005, the level of ILO unemployment in the UK was 1,395,000 (seasonally adjusted). This was a decrease of 37,000 from the period February to April 2004.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, rose by 13,000 between April and May 2005 to 855,000.

The New Deal for Young People started in January 1998.

- 957,000 individuals had joined the scheme by the end of March 2005. Of those leaving the scheme 562,000 had moved into jobs up to the end of March, of which 446,000 (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 575,000 individuals had joined the scheme by the end of March 2005. Of these, 221,000 had entered jobs of which 173,000 (78%) were sustained.

ILO Unemployment in the UK *seasonally adjusted*

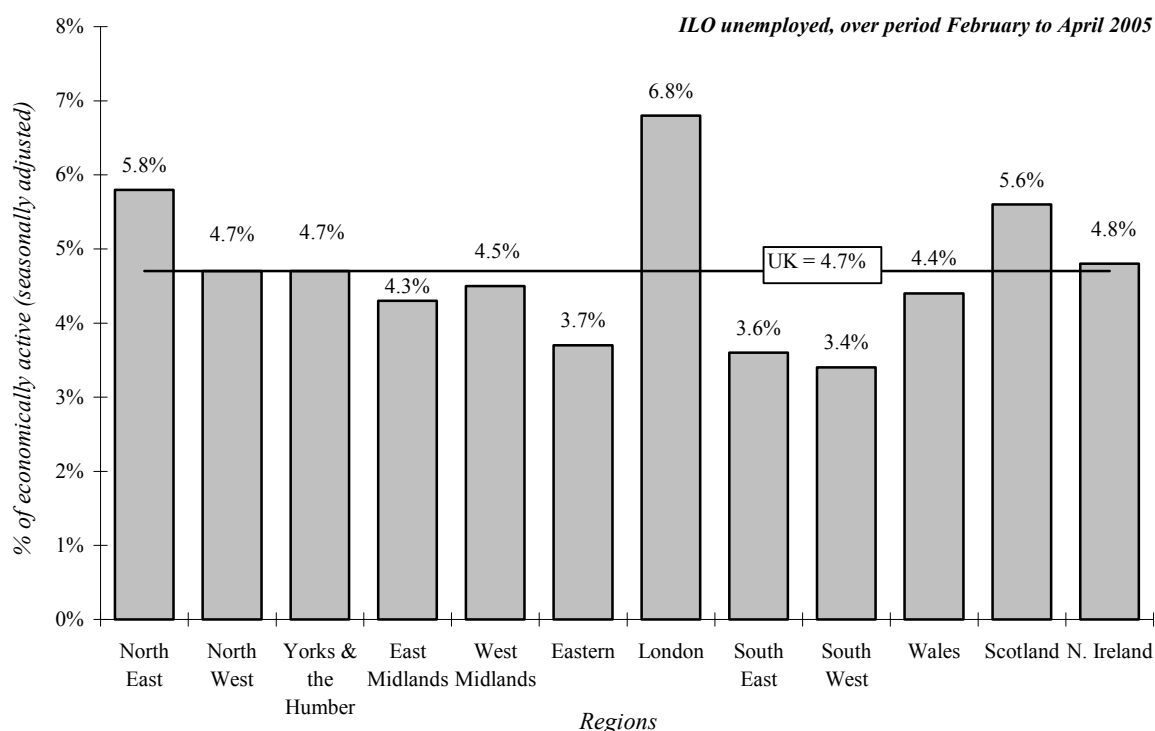
		'000s	rate (%)
1999	Nov - Jan	1,789	6.2
	Feb - Apr	1,771	6.1
	May - Jul	1,722	6.0
2000	Aug - Oct	1,686	5.8
	Nov - Jan	1,700	5.9
	Feb - Apr	1,651	5.7
2001	May - Jul	1,548	5.3
	Aug - Oct	1,568	5.4
	Nov - Jan	1,501	5.2
2002	Feb - Apr	1,456	5.0
	May - Jul	1,470	5.0
	Aug - Oct	1,485	5.1
2003	Nov - Jan	1,513	5.2
	Feb - Apr	1,516	5.2
	May - Jul	1,523	5.2
2004	Aug - Oct	1,542	5.2
	Nov - Jan	1,473	5.0
	Feb - Apr	1,508	5.1
2005	May - Jul	1,503	5.1
	Aug - Oct	1,474	5.0
	Nov - Jan	1,441	4.8
2005	Feb - Apr	1,433	4.8
	May - Jul	1,418	4.8
	Aug - Oct	1,388	4.7
2005	Nov - Jan	1,410	4.7
	Feb - Apr	1,395	4.7

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Update: ONS, *Labour Market Statistics*, 13 Jul
New Deal, 21 Sep

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 February to April 2005 London had the highest unemployment rate, 6.8% of the economically active population. The lowest rate over the same period was 3.4%, in the South West.
- A comparison of February to April 2005 with the same period a year earlier shows that the largest fall (17%) in unemployment occurred in the West Midlands. The South West region showed the largest increase (12%) over the period.

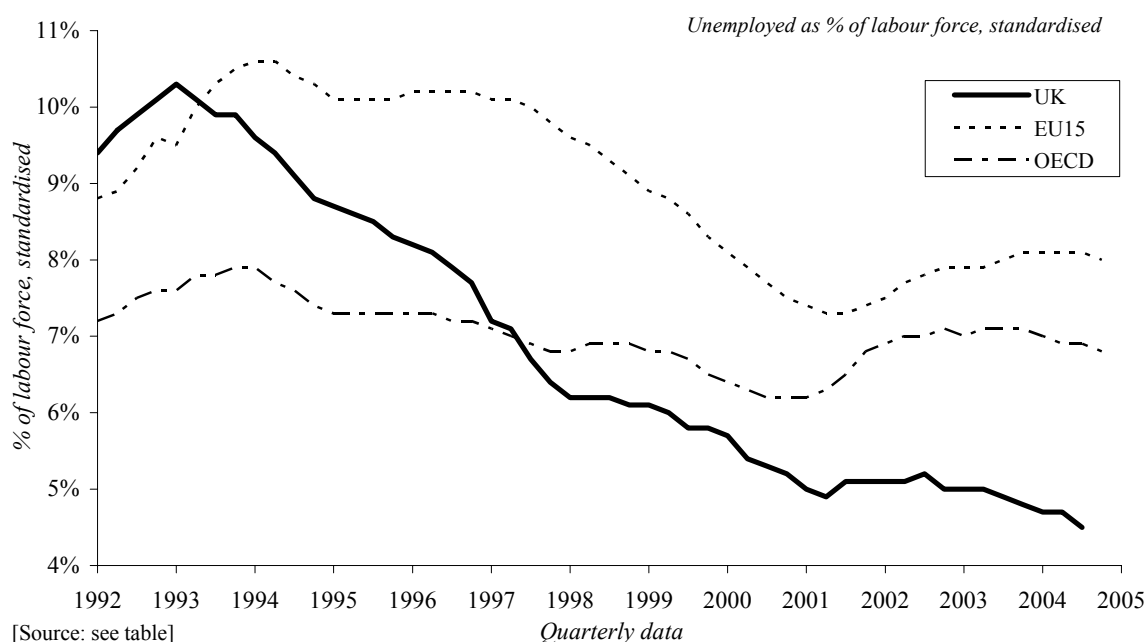
ILO Unemployment, February to April 2005

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

	Number (rounded)	%
North East	6,000	10
North West & Merseyside	7,000	5
Yorkshire & the Humber	1,000	1
East Midlands	-4,000	-4
West Midlands	-25,000	-17
Eastern	3,000	3
London	-7,000	-3
South East	-11,000	-7
South West	9,000	12
Wales	-7,000	-10
Scotland	-9,000	-6
Northern Ireland	-2,000	-5

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

	2001	2002	2003	2004	2003				2004				2005
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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	5.3
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	4.6
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	7.0
UK	5.0	5.1	5.0	4.6	5.0	5.0	4.9	4.8	4.7	4.7	4.5	4.6	..
Germany	7.4	8.2	9.1	9.6	8.8	9.0	9.1	9.4	9.4	9.5	9.6	9.6	9.7
France	8.4	8.9	9.5	9.7	9.2	9.4	9.6	9.7	9.6	9.6	9.7	9.7	9.8
Italy	9.1	8.6	8.4	8.0	8.6	8.5	8.3	8.2	8.2	8.1	7.9	8.0	..
Eurozone	7.9	8.3	8.7	8.9	8.6	8.7	8.7	8.8	8.9	8.9	8.9	8.8	8.9
G7	5.8	6.5	6.6	6.3	6.6	6.7	6.7	6.6	6.4	6.4	6.3	6.3	6.2
OECD	6.4	6.9	7.1	6.9	7.0	7.1	7.1	7.1	7.0	6.9	6.9	6.8	6.7

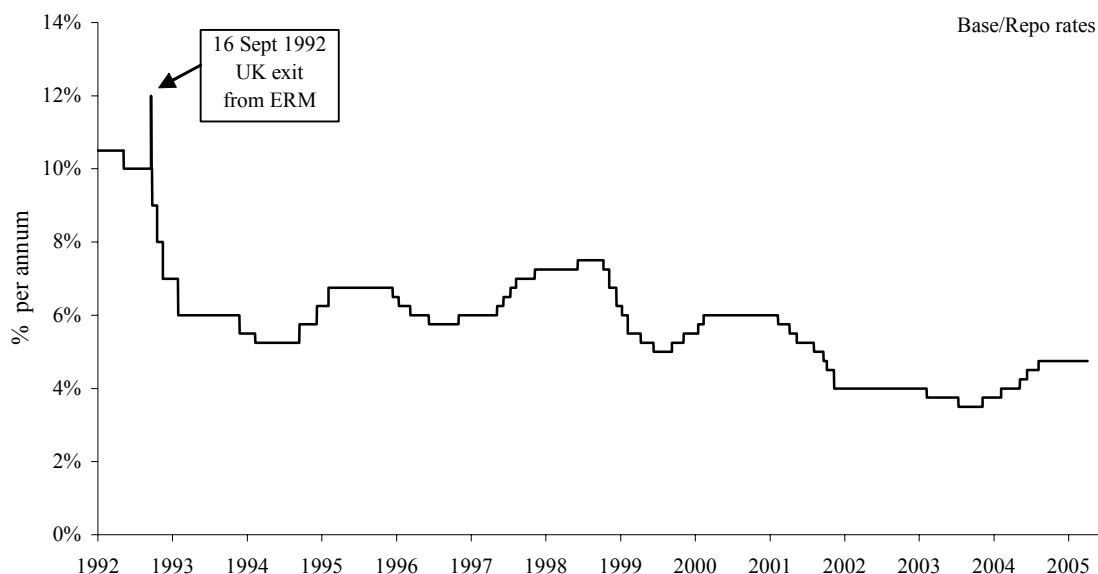
Source: OECD, *Main Economic Indicators*, June 2005

- Using standardised definitions, the UK unemployment rate for 2004 was 4.6%, significantly below the eurozone average (8.9%) and below the G7 and OECD rates (6.3% and 6.9% respectively).
- Between Q4 2003 and Q4 2004 (the latest period for which all data are available) the largest fall in unemployment among G7 countries was in Japan, where it fell by 0.6 of a percentage point. The largest rise in unemployment (0.2 of a percentage point) was in Germany. The unemployment rate in all the G7 nations taken together fell by 0.3 of a percentage point.
- The most recent forecasts published by the OECD (*Economic Outlook*, Preliminary Edition, May 2005) suggest the UK unemployment rate will be 4.9% in 2005 and 5.2% 2006. The respective forecasts for the eurozone are 8.6% and 8.3%. For the OECD as a whole the respective forecasts are 6.5% and 6.3%.

Contact: Alex Adcock, x3973

Updates: OECD, *Main Economic Indicators*, 8 Jul
OECD, *Economic Outlook*, Jul

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 June's meeting note:

- Short term market interest rate expectations had fallen since the previous meeting;
- There did not, as yet, seem to be decisive evidence on the extent or breadth of the slowdown in consumer spending.
- Seven Committee members voted to maintain interest rates at 4.75% and two voted for a 0.25% reduction. This is the first time any member has voted for a cut since rates were cut in July 2003.

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

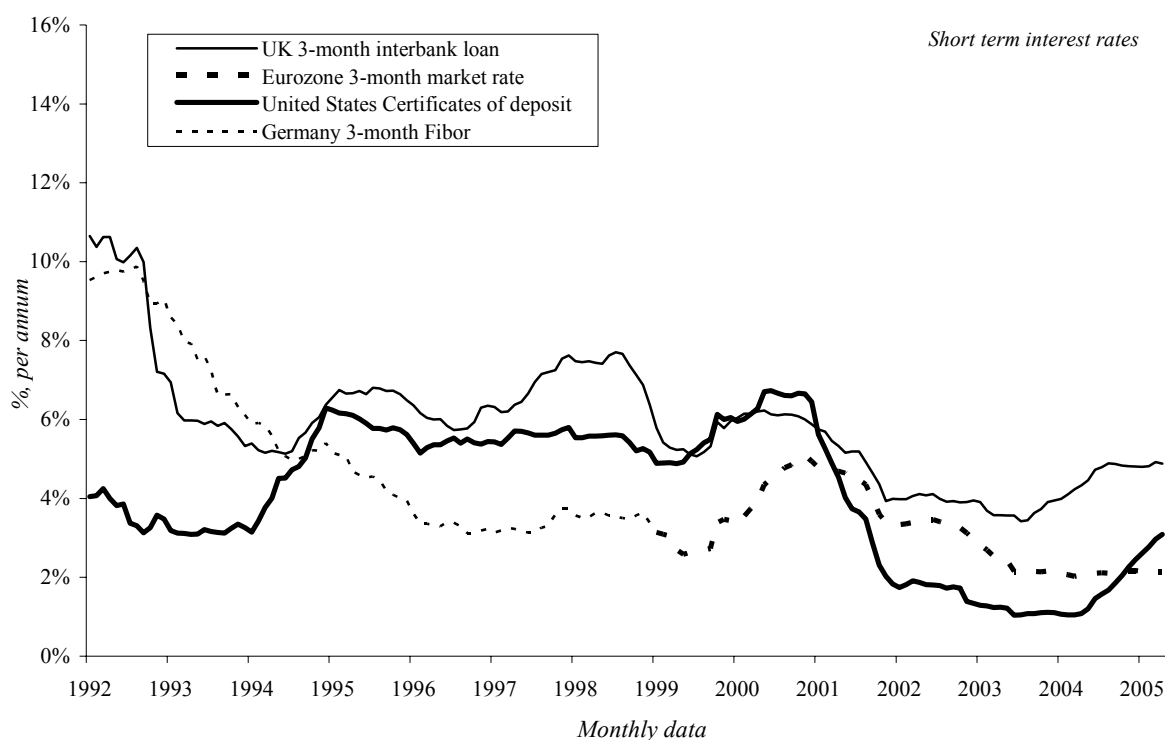
Date	New rate	Date	New rate
1997 May 6	6.25	2001 Feb 8	5.75
Jun 6	6.50	Apr 5	5.50
Jul 10	6.75	May 10	5.25
Aug 7	7.00	Aug 2	5.00
Nov 6	7.25	Sep 18	4.75
1998 Jun 4	7.50	Oct 4	4.50
Oct 8	7.25	Nov 8	4.00
Nov 5	6.75	2003 Feb 7	3.75
Dec 10	6.25	Jul 10	3.50
1999 Jan 7	6.00	Nov 6	3.75
Feb 4	5.50	2004 Feb 5	4.00
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*, 7 Jul; *Minutes*, 20 Jul
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, although pressure has grown for a Euro rate cut following a 0.5 point cut in Sweden. The US Federal Reserve has increased the federal funds rate at nine 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 30 June 2005 the US Federal Reserve increased the federal funds rate by 0.25% to 3.25%, following eight previous increases of 0.25%, on: 3 May 2005, 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 1 July 2005

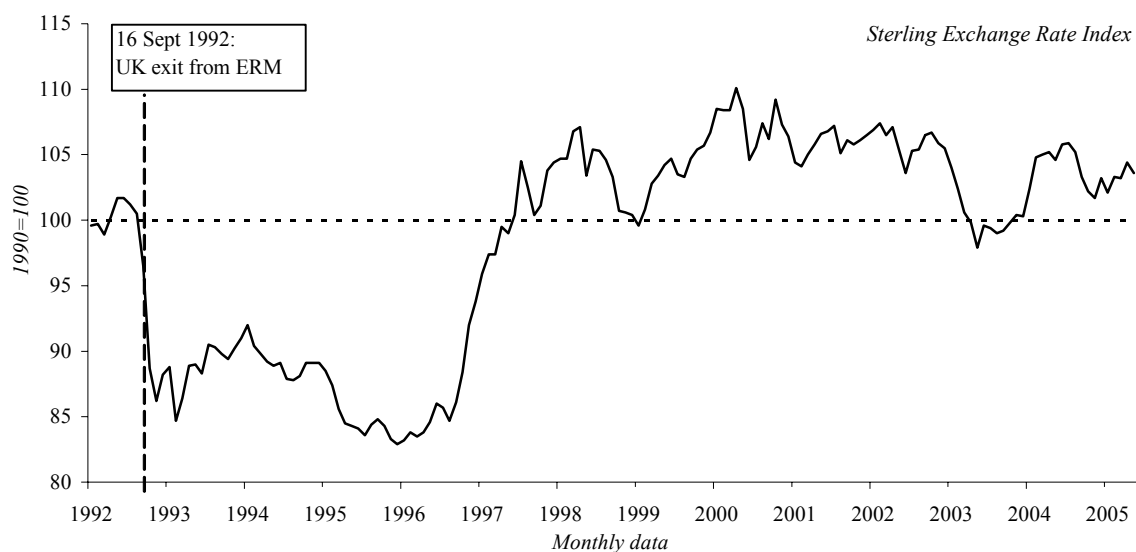
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.75	4.17	$4 \frac{23}{32} - 4 \frac{21}{32}$
Eurozone	2.00	n/a	$2 \frac{1}{8} - 2 \frac{1}{16}$
United States	3.25	3.98	$3 \frac{9}{16} - 3 \frac{15}{32}$
Japan	0.00	1.18	$\frac{1}{32} - \frac{1}{32}$
Switzerland	0.25-1.25	1.98	$\frac{3}{4} - \frac{11}{16}$

Source: *Financial Times*, 1 July 2005 (Companies & Markets, p39)

Contact: Bryn Morgan, x4904 **Updates:** *Short-term interest rates:* OECD, MEI, mid-Jul;
Base rates: 7 Jul (UK MPC), 7 Jul (EU), 9 Aug (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 0.4 points in May 2005, suggesting that the UK was relatively less competitive at the end of May 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 €1.481 at the London market close on 30 June 2005, compared with a launch rate of €1.476 on 31 December 1998.

Sterling Exchange Rates

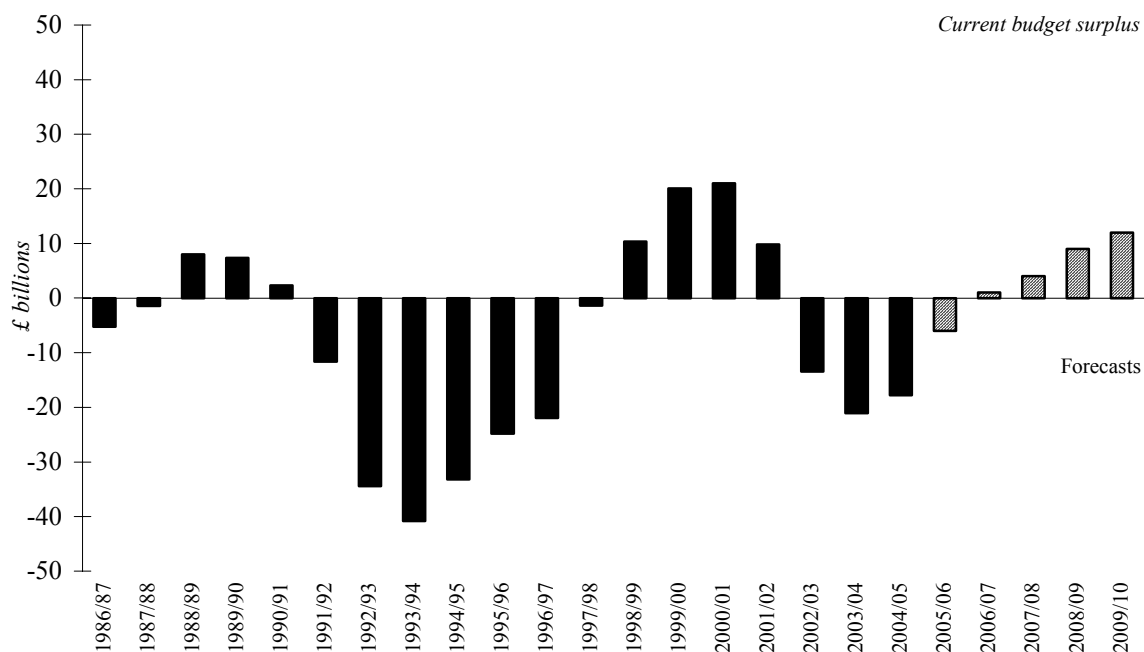
rates and % changes

	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 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
May	1.854	3.7	197.7	-1.5	1.461	-1.9

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

Contact: Edward Beale, x2464

Updates: ONS, *SERI*, mid-Jul; *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 £12.3 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 £-2.6 billion in Q1 2005 compared with £0.1 billion in the same quarter of 2004. In 2004/05, the PSNCR was £38.5 billion compared with £39.5 billion in 2003/04.

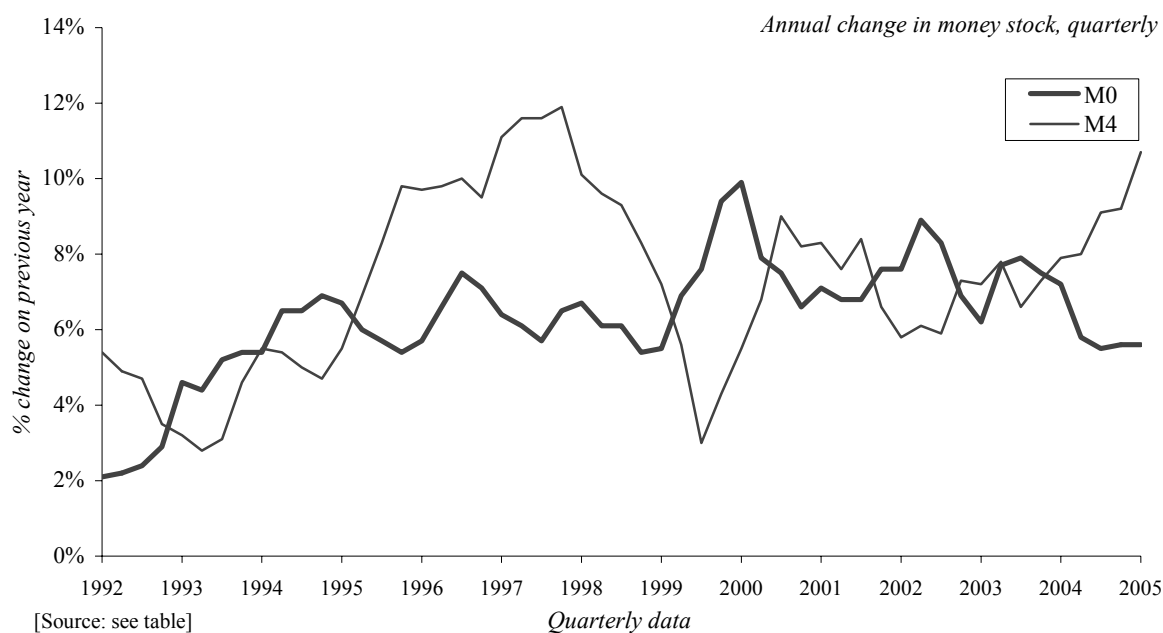
Public Sector Net Debt

£ 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	415.2	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	415.2	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 May	8.0	5.3	8.0	8.2
Jun	8.0	6.4	9.4	8.0
Jul	6.3	5.6	10.6	9.0
Aug	4.4	5.1	9.8	9.9
Sep	4.1	5.8	8.5	9.0
Oct	5.3	5.8	8.5	9.7
Nov	5.5	5.1	8.1	9.0
Dec	4.5	5.8	10.5	9.0
2005 Jan	4.9	5.6	12.0	9.4
Feb	5.7	5.9	12.9	9.7
Mar	4.0	5.1	14.2	10.6
Apr	2.5	4.7	12.0	10.8
May	1.7	4.3	15.7	11.6

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

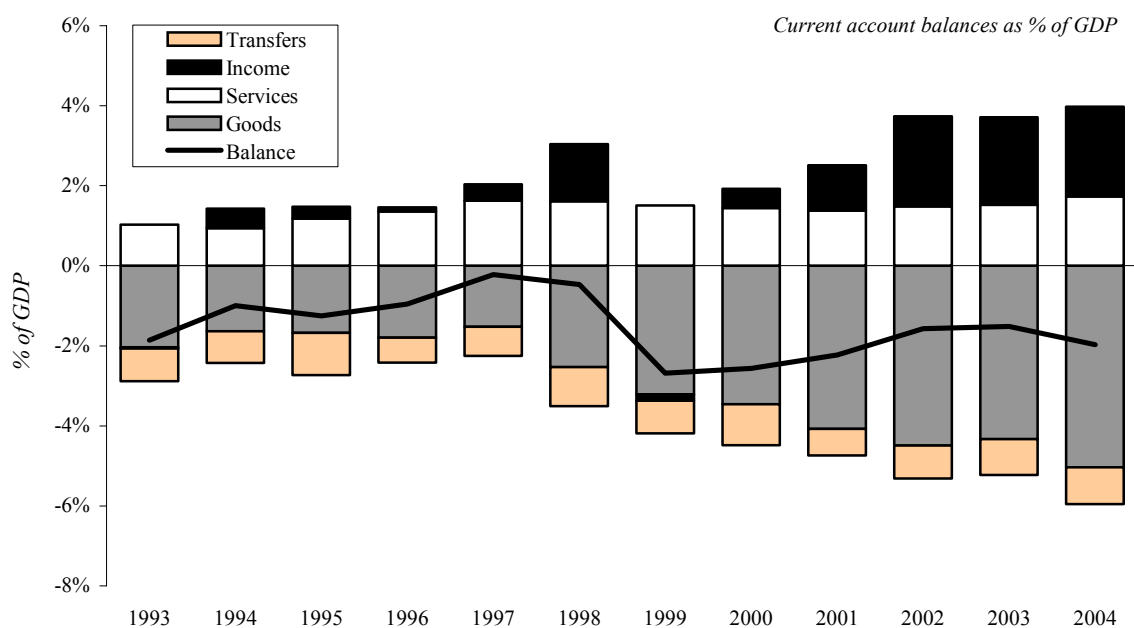
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 11.6% in the 12 months to May. The 12-month seasonally adjusted M0 growth rate was 4.3% in May, compared with 5.3% in May 2004.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

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

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	13,703	-26,945	11,371	-2,593	-4,018	-6,611	-22,185
2002	-47,087	15,536	-31,551	23,679	-5,633	-2,982	-8,615	-16,487
2003	-47,864	16,882	-30,982	24,192	-6,971	-2,990	-9,961	-16,751
2004	-58,614	20,189	-38,425	26,163	-8,278	-2,435	-10,713	-22,975
2004 Q1	-13,530	5,205	-8,325	6,105	-1,993	-695	-2,688	-4,908
Q2	-14,498	5,180	-9,318	6,641	-1,898	-463	-2,361	-5,038
Q3	-15,128	4,754	-10,374	4,234	-2,169	-617	-2,786	-8,926
Q4	-15,458	5,050	-10,408	9,183	-2,218	-660	-2,878	-4,103
2005 Q1	-14,890	4,754	-10,354	7,961	-2,673	-758	-3,431	-5,824

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

- The current account deficit in 2004 was just under £23 billion, compared with a £16.8 billion deficit in 2003. Income (total) increased, but the deficit on trade in goods and services widened by £7.4 billion between 2003 and 2004. The deficit on trade in goods widened by £10.8 billion between 2003 and 2004.
- On a quarterly basis, the current account deficit was £5.8 billion in Q1 2005, £1.7 billion wider than in Q4 2004. Over the same period the surplus on income narrowed by £1.2 billion, and the deficit on goods and services trade remained broadly stable at around £10.4 billion. The goods deficit narrowed slightly, by £0.6 billion, over the same period.
- The current account deficit with EU25 countries was £4.9 billion in Q1 2005, compared with £4.1 billion in Q4 2004. The current account with non-EU countries showed a deficit of £0.9 billion in Q1 2005, having been almost in balance in Q4 2004 (a small deficit of £35 million).

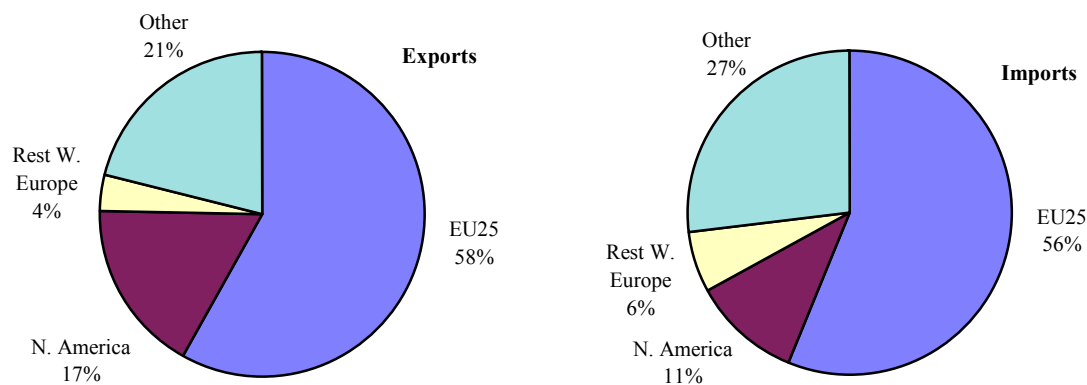
Contact: Ian Townsend, x3977

Updates: ONS, *UK Trade*, 11 Jul; *UK Balance of Payments: First Release*, 28 Sep

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

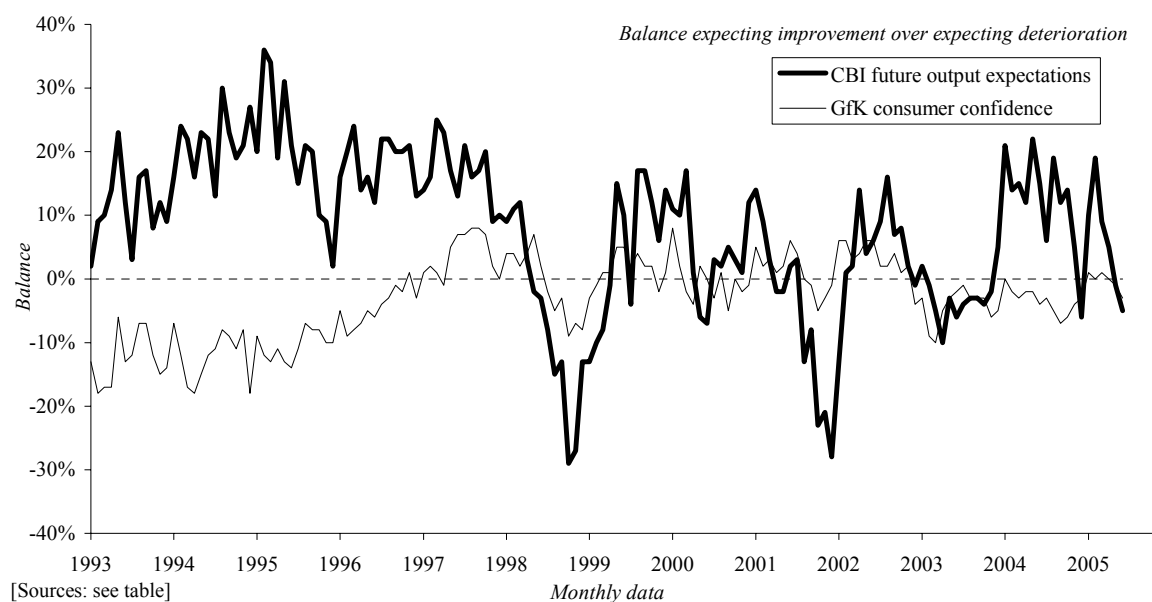
	Volume index (2002=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2001	101.7	95.9	190,055	230,703	-40,648
2002	100.0	100.0	186,511	233,598	-47,087
2003	99.7	102.0	188,615	236,479	-47,864
2004	101.4	108.2	190,859	249,473	-58,614
2004 Q1	99.5	105.3	46,165	59,695	-13,530
Q2	101.1	107.5	47,180	61,678	-14,498
Q3	102.1	108.9	48,083	63,211	-15,128
Q4	103.0	111.1	49,431	64,889	-15,458
2005 Q1	101.9	108.7	49,056	63,946	-14,890

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

- In April 2005 the trade in goods deficit was £4.8 billion, compared with a revised £4.6 billion deficit in March 2005. Compared with the previous month, total goods exports rose by 1.9% and goods imports also rose, by 2.4%, reaching £17.0 billion and £21.9 billion respectively.
- The deficit on trade in goods with EU25 countries in Q1 2005 was £6.8 billion, while the deficit with non-EU countries was £8.0 billion.
- The latest estimate of trends in the balance of goods trade (from the May edition of *UK 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 -5 in June 2005.
- 39% of firms reported that their order books were below normal, with the overall balance of -25% the lowest since October 2003.
- 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 two points, the third consecutive monthly fall.
- The climate for making major purchases dropped by one point to +4 following a 7 point drop in May. The perception of whether now is a good time to save remained at +28.

Output Expectations/Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

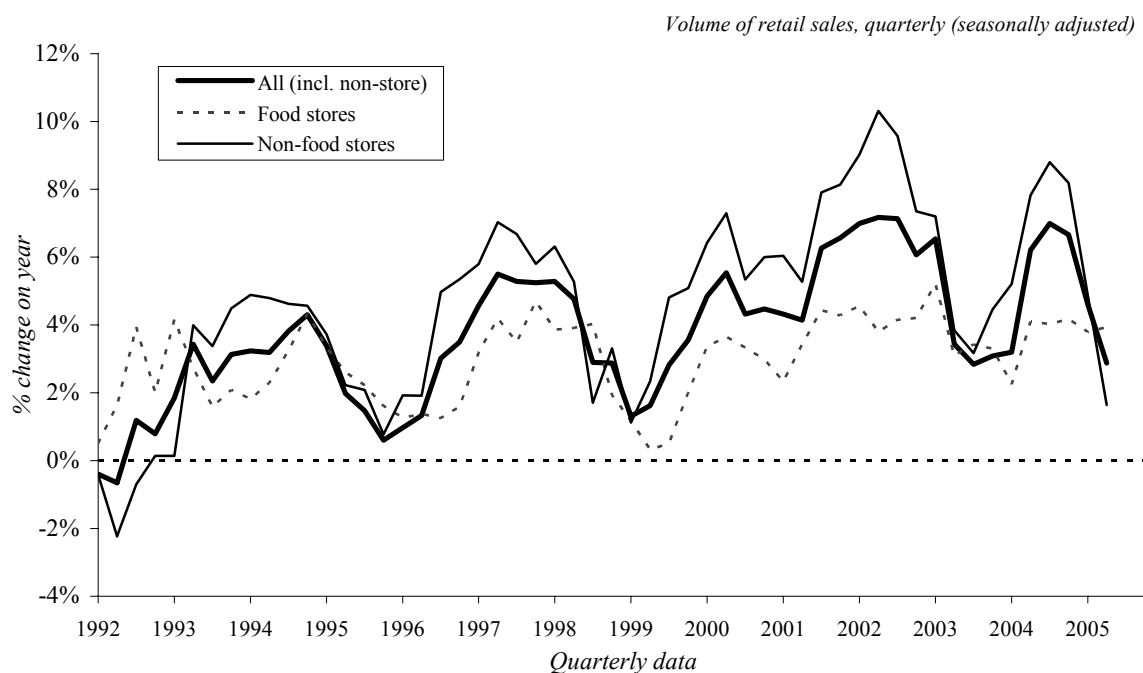
	Future output expectations (CBI)	Consumer confidence (GfK)
2004 Jun	+15	-4
Jul	+6	-3
Aug	+19	-5
Sep	+12	-7
Oct	+14	-6
Nov	+5	-4
Dec	-6	-3
2005 Jan	+10	+1
Feb	+19	0
Mar	+9	+1
Apr	+5	0
May	-1	-1
Jun	-5	-3

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 Jul 2005; Martin Hamblin GfK, *Consumer Confidence*, 29 Jul

F2: Retail Sales



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

- The *volume* of retail sales in the three months from March to May was 0.3% higher compared with the previous three month period, and was 1.8% higher than a year previously (seasonally adjusted).
- Retail sales volumes in May 2005 were 1.3% higher than in May 2004 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 0.6% in March to May compared with the same quarter a year earlier. In predominantly food stores, sales volumes grew by 2.8% 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	7.0	6.0	6.0
2002	3.8	2.8	7.5	6.6	4.7
2003	3.7	1.8	4.3	-1.8	2.7
2004	3.5	3.6	4.2	7.2	4.4
2004 Q1	3.8	3.2	7.2	7.1	4.8
Q2	3.6	5.7	4.5	10.6	6.4
Q3	3.6	3.7	6.2	8.6	4.5
Q4	4.1	4.5	0.7	3.6	3.0
2005 Q1	3.6	3.1	1.7	-2.8	1.8

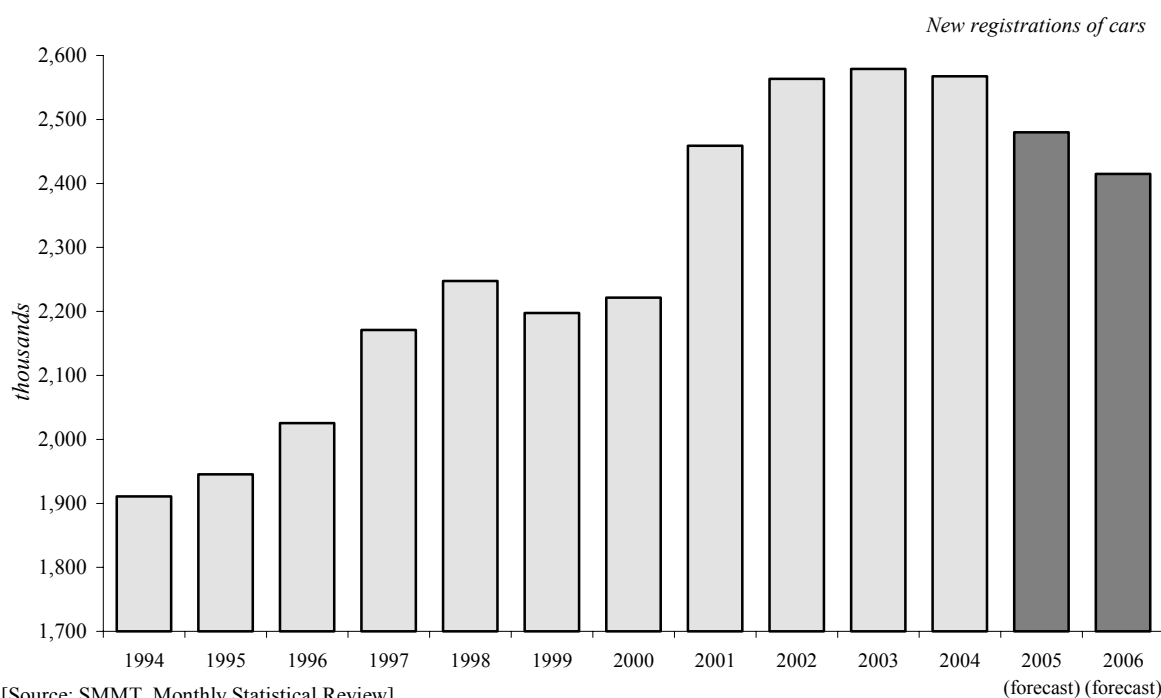
Source: ONS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in May 2005 was £4,620 million, 0.3% lower than in May 2004 (non-seasonally adjusted).

Contact: Ed Potton, x2883

Update: ONS, *Retail Sales: First Release*, 21 Jul

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 3.4% in May 2005, compared with the previous May's figure, to 187,900 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 31,835 registrations of British-built cars in May, equivalent to 16.9% of the market. The number of British built registrations decreased 10.2% on the previous May'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.

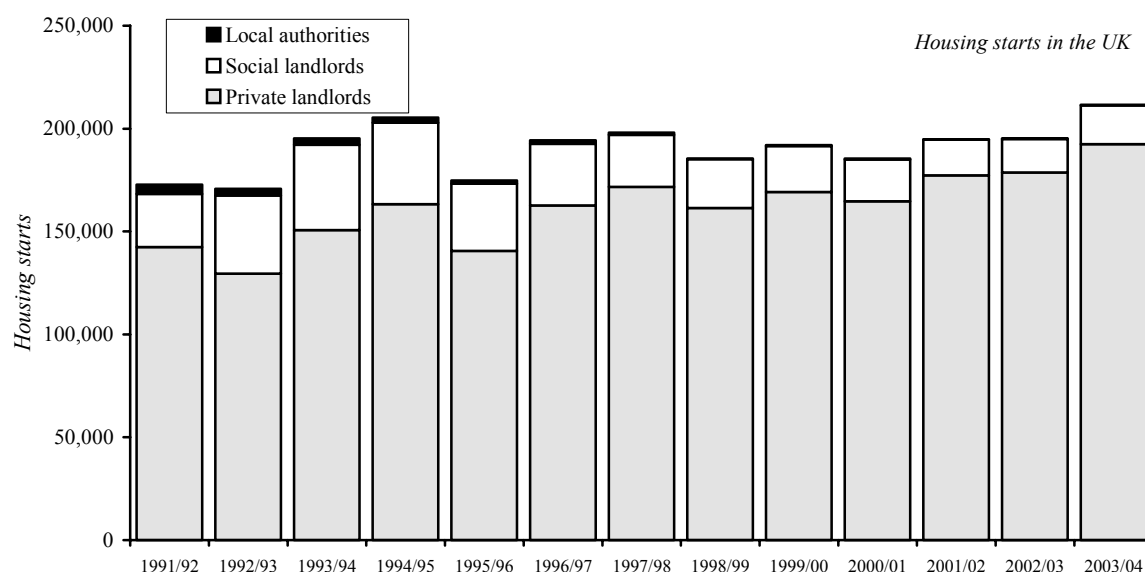
New Registrations of Cars

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 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
May	188	-3.4

Source: SMMT, *Monthly Statistical Review*

F4: House-building & Prices



[Source: ODPM, *Housebuilding Statistics*, table 201, May 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:

- UK house prices fell by 0.6% in May 2005, compared with a 0.1% fall in April 2005. Annual house price inflation was 5.7%.
- 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

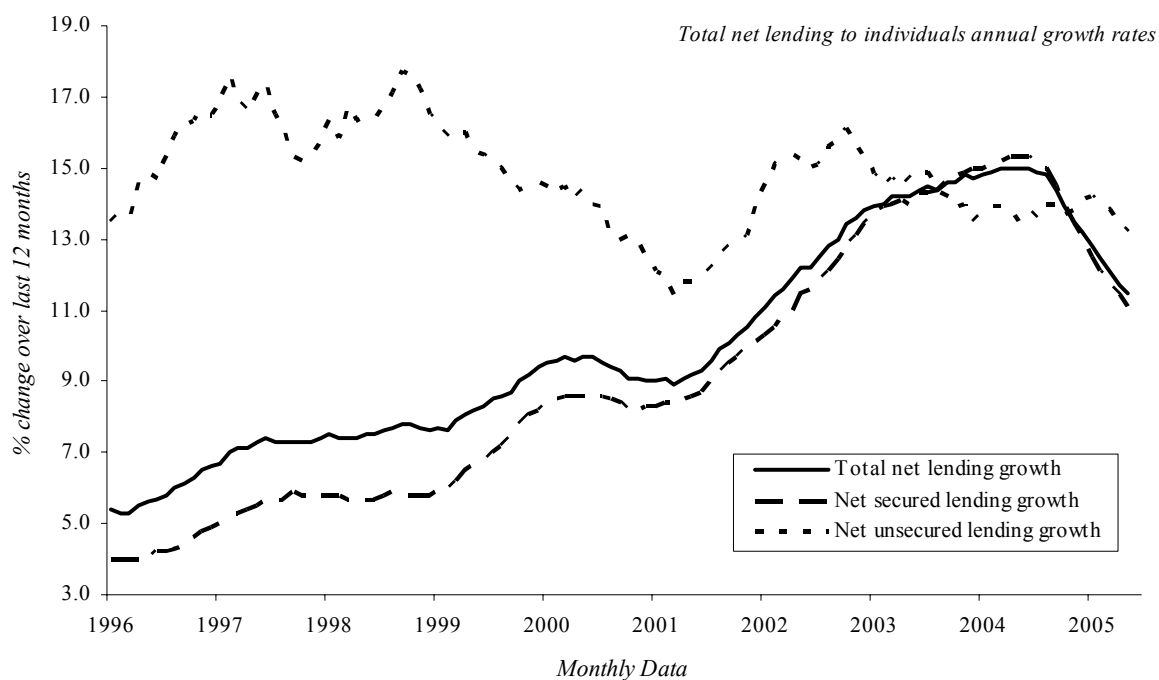
The ODPM publishes a house price index based on completions (the Halifax index is based on mortgage approvals), which is currently in **experimental form only** (all figures are not seasonally adjusted):

- The average UK house price in April 2005 was £181,832, down from March 2005's figure of £183,346. Annual house price inflation in April 2005 was 6.9%, compared with 12.6% in March 2005.
- Regionally, annual house price inflation in April 2005 was highest in Wales (15.9%) and lowest in London (2.7%).

Contact: Ian Townsend, x3977

Updates: Halifax, *House Prices*, early Jul; ODPM, *House Prices*, 11 Jul, *House-building*, 11 Aug

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 May	556,924	131,813	688,737	8.6	11.8	9.2
2002 May	621,010	147,183	768,193	11.5	15.2	12.2
2003 May	711,586	159,381	870,967	14.0	14.7	14.2
2004 May	819,093	172,707	991,800	15.3	13.5	15.0
Aug	844,166	177,218	1,021,384	15.0	14.0	14.8
Nov	867,666	181,073	1,048,738	13.4	13.8	13.5
2005 Feb	887,904	185,604	1,073,508	12.1	14.0	12.5
May	910,458	188,520	1,098,979	11.1	13.2	11.5

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

- Total net outstanding lending to individuals was £1,099 billion at the end of May 2005 (seasonally adjusted).
- Total net lending to individuals grew by 0.9% in May 2005 compared with the previous month, and grew by 11.5% on an annual basis (all seasonally adjusted). This represents a reduction of 0.2% compared with the annualised rates for April 2005.
- Of the £9.8 billion increase in net lending in May 2005, £8.0 billion was mortgage borrowing and £1.8 billion was consumer credit (seasonally adjusted).

Contact: Ed Potton, x2883

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

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.

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

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

VI Glossary

Symbols and abbreviations

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

Definitions¹³

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

¹³ Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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.