



RESEARCH PAPER 06/25
2 MAY 2006

Economic Indicators, May 2006

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:

**Appointments to the Monetary Policy Committee
of the Bank of England**

Next publication date: **3 July 2006**

Edward Beale and Ian Townsend (editors)

ECONOMIC POLICY AND STATISTICS SECTION

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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 *Using the Library*.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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Prices & interest rates	Dominic Webb	4324
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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.hcllibrary.parliament.uk/wdw/subject/EI.asp>

² http://hcl1.hcllibrary.parliament.uk/general_pdf/usingthelibrary.pdf

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

The Bank of England's Monetary Policy Committee (MPC) voted to maintain interest rates at 4.5% for the eighth month in succession. The only member to vote against maintaining the rate was Stephen Nickell, preferring a reduction in the rate by 0.25%. Mr Nickell is due to leave the committee on 31 May and will be replaced by David Blanchflower, a professor of economics at Dartmouth College, New Hampshire. The ninth member of the MPC, Richard Lambert, who left at the end of March to become director general at the CBI, has yet to be replaced. The MPC is the subject of this month's article on page iii of this paper.

Gross Domestic Product (GDP)

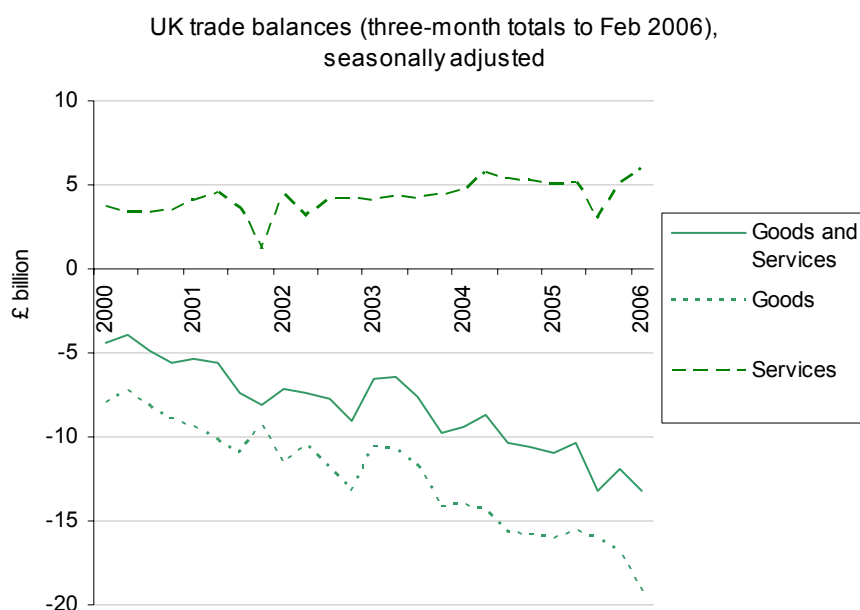
GDP grew by 0.6% in the first quarter of 2006 and by 2.2% compared with the same quarter in 2005; the annual figure is in line with the Bank of England's latest central projection for GDP growth. The volume of output in production industries grew faster than the services sector for the first time in almost seven years during the first quarter of 2006. Production growth rose by 0.7% compared with a fall of 0.9% in the fourth quarter of 2005, with all production sectors recording positive growth; manufacturing rose 0.5% compared with a fall of 1.1% in the previous quarter. The service sector grew by 0.6% in the first quarter of 2006 compared with growth of 1.0% in the previous quarter.

These figures, coupled with the fact that CPI inflation fell to 1.8% in March, have strengthened the view of many economists that an interest rate change in the near future is unlikely.

Trade

The UK's deficit on trade in goods reached £19.1 billion in the three months to February. The surplus on trade in services increased to £5.9 billion over the same period. As a result, the overall deficit on trade in goods and services was £13.2 billion.

Also, WTO Members conceded last week that a 30 April 2006 deadline for a framework agreement on the Doha Round of trade talks would be missed. Disagreement continues in a range of areas, agricultural and industrial products in particular.



[Source: ONS, UK Trade First Release, 11Apr]

New car registrations

There were 436,000 new car registrations in March 2006 – a fall of 1.6% on the March 2005 figure. In March 2006, British-built cars accounted for 16.3% of the market, or 71,000 units. This compares to 18.4% of the market (81,300 units) in March 2005. Peugeot accounted for 7,400 British-built new car registrations in March 2006 compared to 11,300 in March 2005.

III Appointments to the Monetary Policy Committee of the Bank of England

A. Background

The Monetary Policy Committee (MPC) of the Bank of England will be ten years old next year. Since its first meeting in June 1997, there have been 108 meetings.⁴ The MPC has nine members. Since its inception, 22 individuals have served on the MPC.

There has been considerable turnover in the membership of the MPC over the last year. Of the nine members who voted at the May 2005 meeting, three (Marian Bell, Sir Andrew Large and Richard Lambert) have already left the MPC. The term of appointment of a fourth member, Stephen Nickell, ends on 31 May. David Blanchflower, an academic economist, has been appointed to replace him. There is currently a vacancy following Richard Lambert's resignation after his appointment as Director-General of the CBI. This vacancy has yet to be filled.

Bank of England independence is widely regarded as a success. The OECD has commented:

The framework governing monetary and fiscal policy has played a key role in improving macroeconomic stability relative both to the past and to other OECD countries. The United Kingdom is a leader in the quality of its monetary and fiscal policy frameworks among OECD countries and the principles and features of its frameworks have been scrutinised by other countries with a view to implementation in a different institutional context.⁵

Nevertheless, various reforms have been suggested recently. For example, Rachel Lomax, one of the Bank's Deputy Governors, has questioned whether a meeting every month is required.⁶ The Conservative Party has also suggested a number of reforms such as fewer MPC members being appointed by the government, making the appointment process more transparent, extending the terms of most MPC members and greater Parliamentary scrutiny of the inflation target.⁷ The Commons Treasury Committee has said that it may examine the appointment process generally, rather than examining specific appointments, during this Parliament.⁸

This article sets out the framework governing appointments to the MPC and discusses some issues surrounding this process.

⁴ There were two meetings in September 2001.

⁵ OECD Economic Surveys, *United Kingdom*, November 2005, p25

⁶ "MPC inaction undermines need for meetings", *Financial Times*, 3 April 2006

⁷ "Conservatives proposing to end Bank staff's majority on MPC", *Financial Times*, 13 March 2006

⁸ Treasury Committee, [The Monetary Policy Committee of the Bank of England: appointment hearings](#), HC 525-I, 1st report of Session 2005-06, 19 October 2005, para 9.

B. Framework for MPC appointments

The MPC is the body which sets interest rates in the UK. Its objective is to meet the inflation target laid down by the Chancellor and, subject to that, to support the government's economic objectives, including those for growth and employment. The current target is inflation of 2% as measured by the Consumer Prices Index. If inflation exceeds 3% or falls below 1%, the Governor of the Bank of England must write an open letter to the Chancellor explaining why inflation is so far from the target and the steps which will be taken to bring it back to the target level. The inflation target is symmetrical in that undershooting the target is judged to be just as serious as overshooting it. While the target is determined by the government, the MPC has operational independence to set interest rates.⁹

The rules governing MPC membership are contained in the *Bank of England Act 1998*.¹⁰ There are nine members of the MPC:

- The Governor and Deputy Governors of the Bank of England (currently Mervyn King, Rachel Lomax and Sir John Gieve);
- two further Bank of England representatives, appointed by the Governor of the Bank after consultation with the Chancellor (currently Charles Bean and Paul Tucker); and
- four external members appointed by the Chancellor (currently Kate Barker, Stephen Nickell and David Walton. At present, there is a vacancy on the committee following Richard Lambert's departure in March).

When appointing the external members, the Chancellor must be satisfied that the person has knowledge or experience likely to be relevant to the MPC's functions.¹¹ The external members are present to bring experience and expertise gained outside the Bank. There is no requirement for external MPC members to be British. Willem Buiter and DeAnne Julius, two former members, are Dutch and American respectively.

In addition, a representative of the Treasury is present at MPC meetings. This is either the Permanent Secretary or the Managing Director of Macroeconomic Policy and International Finance. The reason for Treasury representative is to ensure the MPC is fully aware of developments in fiscal policy and to keep the Treasury fully informed about monetary policy. The Treasury representative may speak at MPC meetings but has no vote.

Members other than the Governor and Deputy Governors serve for a fixed-term of three years.¹² At the end of their term, the member may be replaced or re-appointed. Charles Bean, for example, is currently serving his third term.

⁹ Inflation targeting was introduced in 1992 i.e before the Bank was made independent.

¹⁰ Section 13 and Schedule 3. The Act was passed *after* the first MPC meetings had taken place.

¹¹ Section 13 (4)

¹² Where one of these members is appointed to replace a member who has left the MPC before the end of their term, the replacement serves until the end of the previous member's term.

The MPC is required to meet at least once a month. The quorum is six, of whom one must be the Governor or a Deputy Governor of the Bank. Decisions are taken on a one member one vote basis. In the event of a tie, the chair has the casting vote.¹³

C. Transparency and scrutiny of appointments

Concerns have been expressed about the lack of transparency in the process of making appointments to the MPC. An article in the *Financial Times* said:

His [Richard Lambert's] appointment heightened pressure to reform the secretive selection process.

The Treasury has defended its lack of adherence to the Nolan principles, devised to ensure public appointments are fair and transparent, as necessary in the case of the MPC because of market sensitivity.¹⁴

The Treasury Committee recommended in 1997 that it should have a statutory role in the appointment process:

In our view the independence of the appointment process would be enhanced by the Treasury Committee being given power under the new Bank of England Act to confirm the nominations of the Governor and Deputy Governors and all other members of the Monetary Policy Committee. Such a step would increase both the accountability and openness of the process. However, we do not expect it will be necessary to hold confirmatory hearings in every instance. We therefore recommend that the Bank of England Act should make provision for the confirmation of nominations to the post of Governor, Deputy Governor or member of the MPC unless the Treasury Committee, within 30 calendar days of a nomination being made, makes a report to the House of Commons stating its reasons for considering that the candidate does not meet the criteria of competence and personal independence and recommending that the appointment be not confirmed.

In view of the importance of ensuring that the appointment process is carried out with openness and independence from political influence, we intend, even in the absence of statutory provision, to instigate hearings and make reports to Parliament.¹⁵

The *Bank of England Act 1998* does not give the Treasury Committee a statutory role in the process but the Committee has nevertheless held hearings and published reports on MPC appointments. The Committee has said that it will continue this practice. It has identified the following advantages of holding the hearings:

- the practice provided an element of transparency in the appointment process, thus encouraging those responsible for making the appointments to appoint persons with the qualities required;

¹³ The Governor is the chair or, in their absence, the Deputy Governor with responsibility for monetary policy.

¹⁴ "Treasury breaks silence on MPC post", *Financial Times*, 27 February 2006

¹⁵ Treasury Committee, [Accountability of the Bank of England](#), HC 282, 1st report of Session 1997-98

- the Treasury Committee's involvement assisted in enhancing public awareness of the operation of the MPC and the roles played by its individual members; and
- the holding of evidence and the production of reports by the Treasury Committee secured the closer involvement of Parliament in an important process.¹⁶

The current Committee will continue the approach taken by its predecessors:

We intend to adopt the same methodology as previous Committees. In particular, we will seek answers to preliminary questionnaires from appointees and will restrict questioning to matters which bear upon the twin criteria of professional competence and personal independence. We may also examine the appointment process more generally in the course of this Parliament.¹⁷

D. Knowledge and Experience

As mentioned above, the Chancellor must be satisfied that those appointed as external members have knowledge and expertise likely to be relevant to the MPC's functions. Various commentators have expressed opinions about desirable qualities for MPC members. For example, in its November 2004 report on monetary and fiscal policy the House of Lords Economic Affairs Committee commented on the (then) recent MPC appointments:

We have observed that the recent appointments as external members of the MPC do not appear to have the expertise in monetary economics that earlier external members had, and do not contribute, through lectures and articles, nearly as much to the public debate about monetary policy.

[...]

We therefore recommend that the Chancellor restore his former practice of choosing external members of the MPC with acknowledged expertise in monetary economics, ensuring an appropriate balance in the Committee.¹⁸

In February 2006, four former members of the MPC wrote to the *Financial Times* expressing concerns that the Chancellor might be being advised to appoint someone other than a professional economist to replace Professor Nickell. Their letter concluded:

The cause of effective monetary policy in the UK will be best served if Prof Nickell's successor is a professional economist of independent views and with a proven track record of technical economic research.¹⁹

¹⁶ Treasury Committee, [The Monetary Policy Committee of the Bank of England: appointment hearings](#), HC 525-I, 1st report of Session 2005-06, 19 October 2005

¹⁷ *Ibid.*

¹⁸ House of Lords Select Committee on Economic Affairs, [Monetary and Fiscal Policy: Present Successes and Future Problems](#), HL 176-I, 3rd report of Session 2003-04, 11 November 2004, paras 59 and 62

¹⁹ "New MPC member must be professional economist" [letter], *Financial Times*, 25 February 2006. The four former members of the MPC were: Willem Buiter, Charles Goodhart, DeAnne Julius and Sushil Wadhvani.

There is a precedent for a non-economist to be appointed to the MPC. Richard Lambert, a former editor of the *Financial Times*, was a member of the MPC from June 2003 until March 2006. Nicholas Macpherson, Permanent Secretary at the Treasury, wrote to the *Financial Times* saying:

The Treasury has never provided advice suggesting that Prof Steve Nickell's replacement should be anything other than an independent, professional economist. To that end, the Treasury is currently looking at a long list of internationally renowned economists drawn from a number of countries.²⁰

The issue of Professor Nickell's replacement is also of interest as he has been the leading "dove" in recent months. He was the only member to vote for a cut in interest rates in each of the last five meetings (see Table 1 below). An article in the *Financial Times* commented:

One of the [Treasury] committee's concerns is the level of agreement on the MPC, which some believe could suggest that the intellectually formidable Mr King has a dominant influence. Prof Nickell has been the sole dissenter since last summer, voting for an interest rate cut at the past three meetings.²¹

Table 1
Monetary Policy Committee Voting Record: last 12 months

	Mervyn King (a)	Kate Barker (b)	Charles Bean (c)	Marian Bell (b)	John Gieve (d)	Richard Lambert (b) (e)	Andrew Large (d)	Rachel Lomax (d)	Stephen Nickell (b)	Paul Tucker (c)	David Walton (b)
May-05	hold	hold	hold	hold	..	hold	+0.25%	hold	hold	hold	..
Jun-05	hold	hold	-0.25%	-0.25%	..	hold	hold	hold	hold	hold	..
Jul-05	hold	-0.25%	-0.25%	..	..	hold	hold	hold	-0.25%	hold	-0.25%
Aug-05	hold	-0.25%	-0.25%	..	..	-0.25%	hold	hold	-0.25%	hold	-0.25%
Sep-05	hold	hold	hold	..	..	hold	hold	hold	hold	hold	hold
Oct-05	hold	hold	hold	..	..	hold	hold	hold	hold	hold	hold
Nov-05	hold	hold	hold	..	..	hold	hold	hold	hold	hold	hold
Dec-05	hold	hold	hold	..	..	hold	hold	hold	-0.25%	hold	hold
Jan-06	hold	hold	hold	..	..	hold	hold	hold	-0.25%	hold	hold
Feb-06	hold	hold	hold	..	hold	hold	..	hold	-0.25%	hold	hold
Mar-06	hold	hold	hold	..	hold	hold	..	hold	-0.25%	hold	hold
Apr-06	hold	hold	hold	..	hold	..	..	hold	-0.25%	hold	hold

Source: Bank of England

Notes: (a) Governor of the Bank of England

(b) External members

(c) Bank of England Executive Directors

(d) Deputy Governors of the Bank of England

(e) The Bank announced on 23 March that Richard Lambert would cease to be a member of the MPC with

Nickell has voted against the majority most often of the current members (see Table 2) doing so in 22% of meetings, nearly twice as often as the next most dissenting member.

²⁰ "Treasury will ensure the MPC retains world class experience" [letter], *Financial Times*, 27 February 2006

²¹ "Treasury breaks silence on MPC post", *Financial Times*, 27 February 2006

Table 2
MPC members' votes against majority

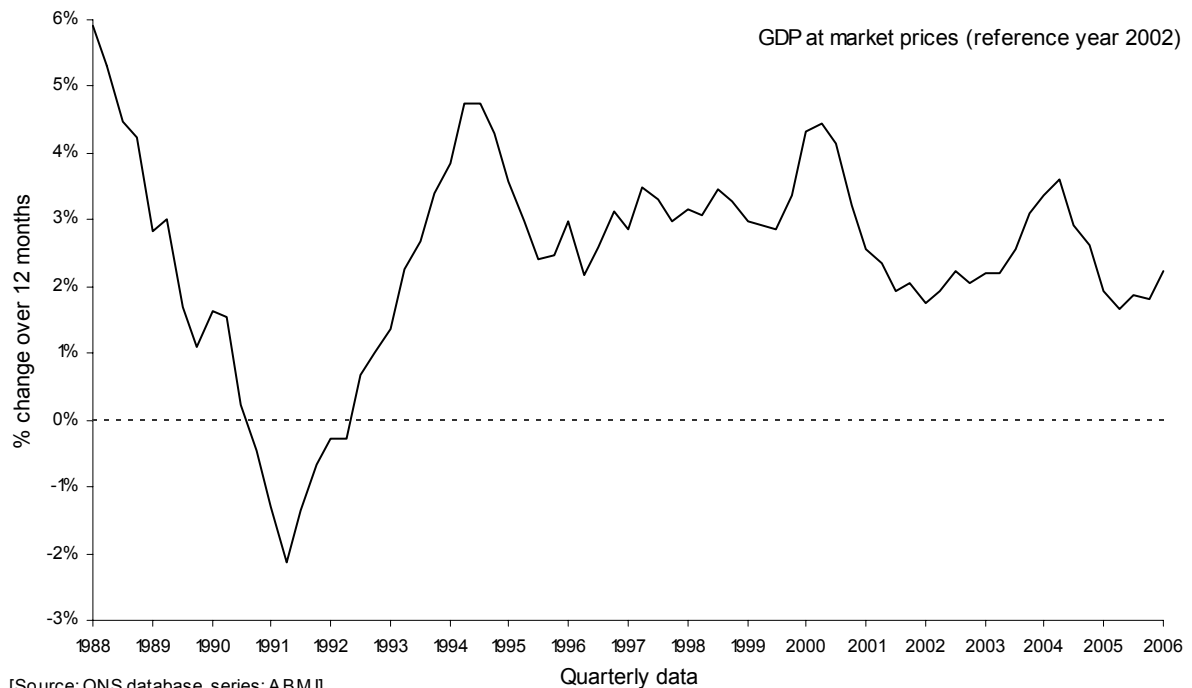
	No of meetings attended	No of times voted against majority	% of meetings voting against majority
Stephen Nickell	73	16	22%
Paul Tucker	47	6	13%
Mervyn King	108	13	12%
David Walton	10	1	10%
Kate Barker	60	5	8%
Rachel Lomax	34	2	6%
Charles Bean	68	3	4%
John Gieve	3	0	0%

Source: Bank of England

The Treasury has announced that David Blanchflower, Professor of Economics at Dartmouth College in the US will replace Professor Nickell. It remains to be seen how willing he, and Richard Lambert's replacement, will be to dissent from the majority view.

Dominic Webb
Economic Policy and Statistics section

A1: Gross Domestic Product



Gross Domestic Product at market prices

£ billion & %; seasonally adjusted

	Current		Chained volume (reference year 2002)
	£ billion	% change on year	% change on year
2002	1,048.5	5.2	2.0
2003	1,105.9	5.5	2.5
2004	1,164.5	5.3	3.1
2005	1,209.3	3.8	1.8
2004 Q4	297.4	5.4	2.6
2005 Q1	297.5	4.3	1.9
Q2	300.9	3.9	1.7
Q3	303.0	3.7	1.9
Q4	307.9	3.5	1.8
2006 Q1	..	..	2.2

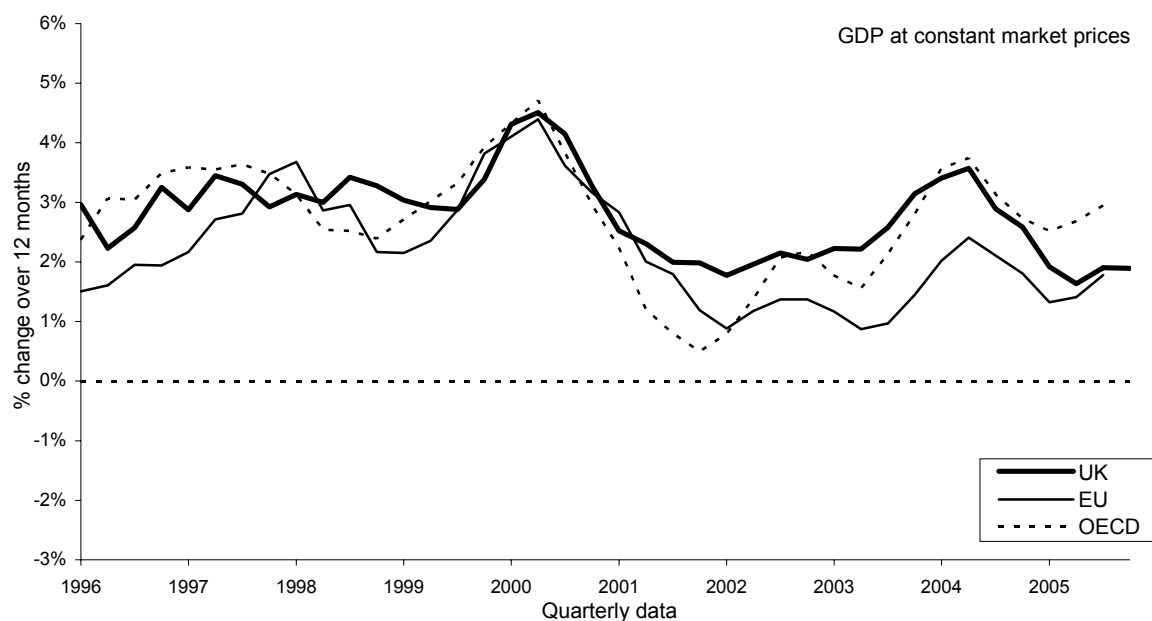
Source: ONS database, series: YBHA, ABMI

- The UK economy is estimated to have grown by 1.8% in 2005, compared with 3.1% in 2004.
- The chained volume measure of gross domestic product (GDP) at market prices was 0.6% higher in Q1 2006 than in the previous quarter (Q4 2005). Compared with the same quarter in the previous year (Q1 2006 on Q1 2005) this measure of GDP was 2.2% higher.
- HM Treasury's average of independent economic forecasts of GDP growth in 2006 was 2.3% in April 2006, up from the March 2006 estimate of 2.2%. The average growth forecast for 2007 was 2.4% in April 2006, unchanged from March 2006.

Contact: Ian Townsend, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 17 May;
ONS, *UK output, income & expenditure (Q1 2006)*
29 May

A2: GDP: International Comparisons



GDP at constant market prices

% changes

	% change on year					% change quarter on quarter					
	2001	2002	2003	2004	2005	2004		2005			
						Q3	Q4	Q1	Q2	Q3	Q4
USA	0.8	1.6	2.6	4.3	3.5	1.0	0.8	0.9	0.9	1.0	0.4
Japan	0.4	0.1	1.8	2.3	2.7	0.1	-0.1	1.3	1.3	0.3	1.3
Canada	1.8	3.0	2.0	3.0	2.9	0.9	0.5	0.5	0.9	0.9	0.6
United Kingdom	2.2	2.1	2.5	3.1	1.8	0.3	0.6	0.3	0.4	0.5	0.6
Germany	1.2	0.1	-0.2	1.7	0.9	-0.1	-0.1	0.6	0.3	0.7	0.0
France	2.1	1.2	1.0	2.3	1.5	0.1	0.6	0.3	0.1	0.7	0.4
Italy	1.8	0.4	0.2	1.3	..	0.4	-0.4	-0.6	0.8	0.3	..
Eurozone	1.9	1.0	0.9	2.0	..	0.3	0.2	0.3	0.5	0.7	..
G7	1.1	1.2	1.9	3.2	..	0.6	0.5	0.7	0.8	0.7	..
OECD	1.2	1.6	2.0	3.3	..	0.6	0.6	0.7	0.8	0.8	..

Source: OECD, *Main Economic Indicators*, Apr 2006

- The latest data shows that all of the largest economies recorded positive growth in the third quarter of 2005.

- Recent growth in the eurozone has been weaker than growth in OECD countries and the G7. However, eurozone growth in the third quarter of 2005 did increase to 0.7%. Growth in the G7 countries fell to 0.7% in the third quarter of 2005, while growth in all OECD countries remained at 0.8%.

OECD growth forecasts

% change on year

	2005	2006	2007
USA	3.6	3.5	3.3
Japan	2.4	2.0	2.0
United Kingdom	1.7	2.4	2.7
Eurozone	1.4	2.1	2.2
OECD	2.7	2.9	2.9

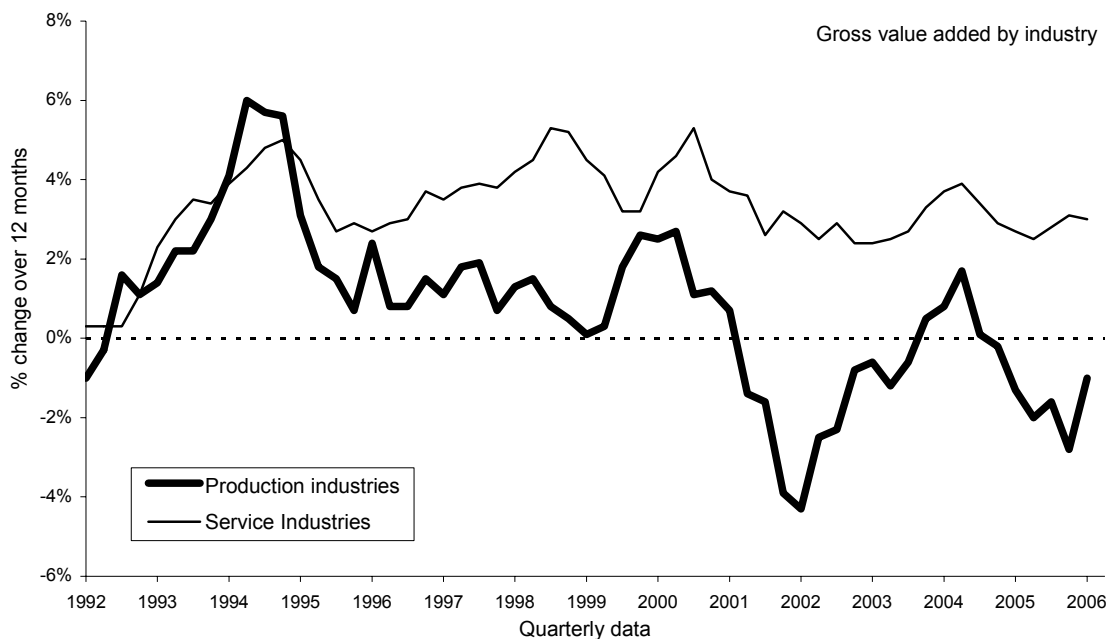
Source: OECD, *Economic Outlook*, Nov 2005

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 1995, output has grown faster in the service sector than in production industries, and is currently growing at an annual rate of 3.0%. Between the fourth quarter of 2005 and the first quarter of 2006 annual output growth in the service sector decreased by 0.1%.

Gross value added at current basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
2002	-2.5	-3.1	2.7	12.3	3.8
2003	-0.5	0.1	2.7	-1.7	5.2
2004	0.6	1.7	3.5	0.9	3.3
2005	-1.9	-1.1	2.8	-0.8	1.1
2005 Q1	-1.3	-0.3	2.7	-1.5	1.6
Q2	-2.0	-1.5	2.5	0.7	1.7
Q3	-1.6	-0.4	2.8	-1.0	0.8
Q4	-2.8	-2.3	3.1	-1.4	0.4
2006 Q1	-1.0	-0.8	3.0	0.8	1.0

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

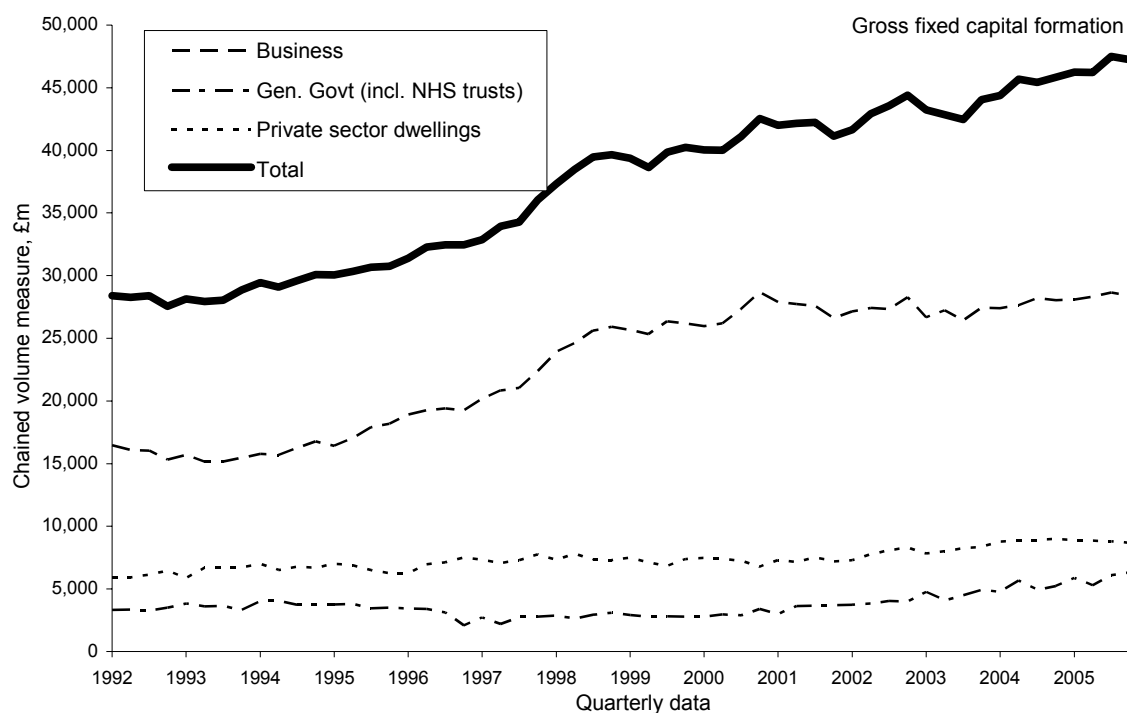
- Manufacturing output decreased 0.8% in the first quarter of 2006 compared with the same quarter in 2005, and manufacturing output decreased by 1.1% overall in 2005.
- In 2004, services accounted for 73% of gross value added, manufacturing for 15%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 7% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *UK Output, Income & Expenditure –Q1, 25 May*

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 2002; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
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	14,479	57,325	64,571	38,773	6,196	181,344
2005	14,473	58,365	68,932	38,949	6,475	187,193
2004 Q4	3,533	14,335	16,562	9,824	1,589	45,842
2005 Q1	3,526	14,391	17,039	9,685	1,599	46,239
Q2	3,523	14,437	16,963	9,687	1,615	46,225
Q3	3,696	14,820	17,461	9,886	1,625	47,488
Q4	3,728	14,717	17,469	9,691	1,636	47,241

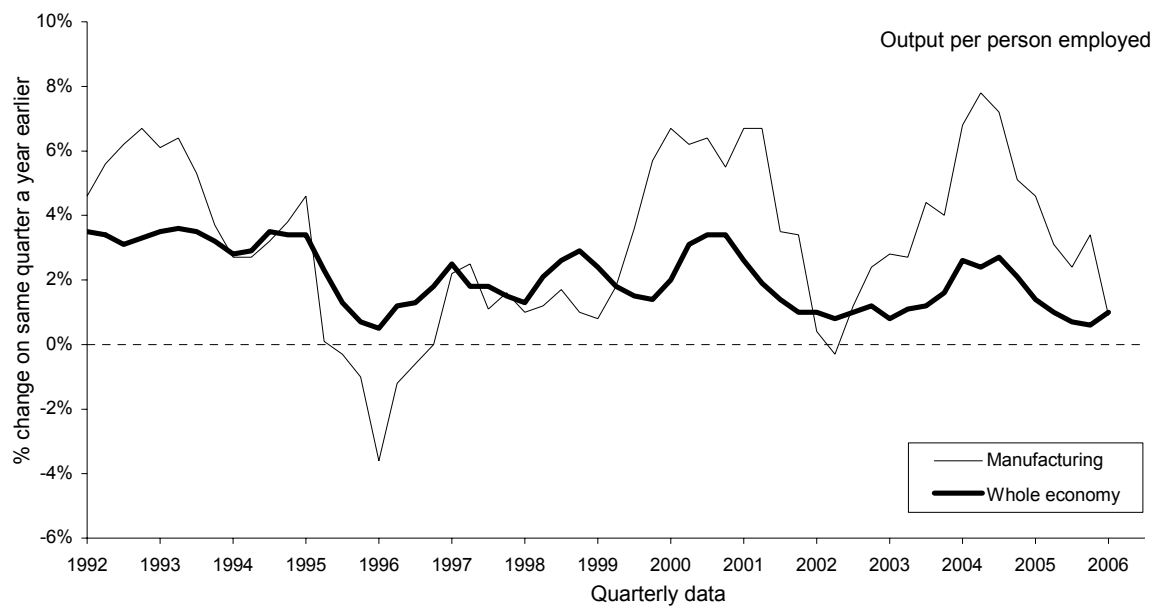
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment fell by 0.9% in Q4 2005 compared with the previous quarter, and increased by 1.3% compared with Q4 2004 on a seasonally adjusted basis.
- Total manufacturing investment increased by 0.2% in Q4 2005 compared with the previous quarter while investment in private sector services increased by 1.1% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 24 May

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

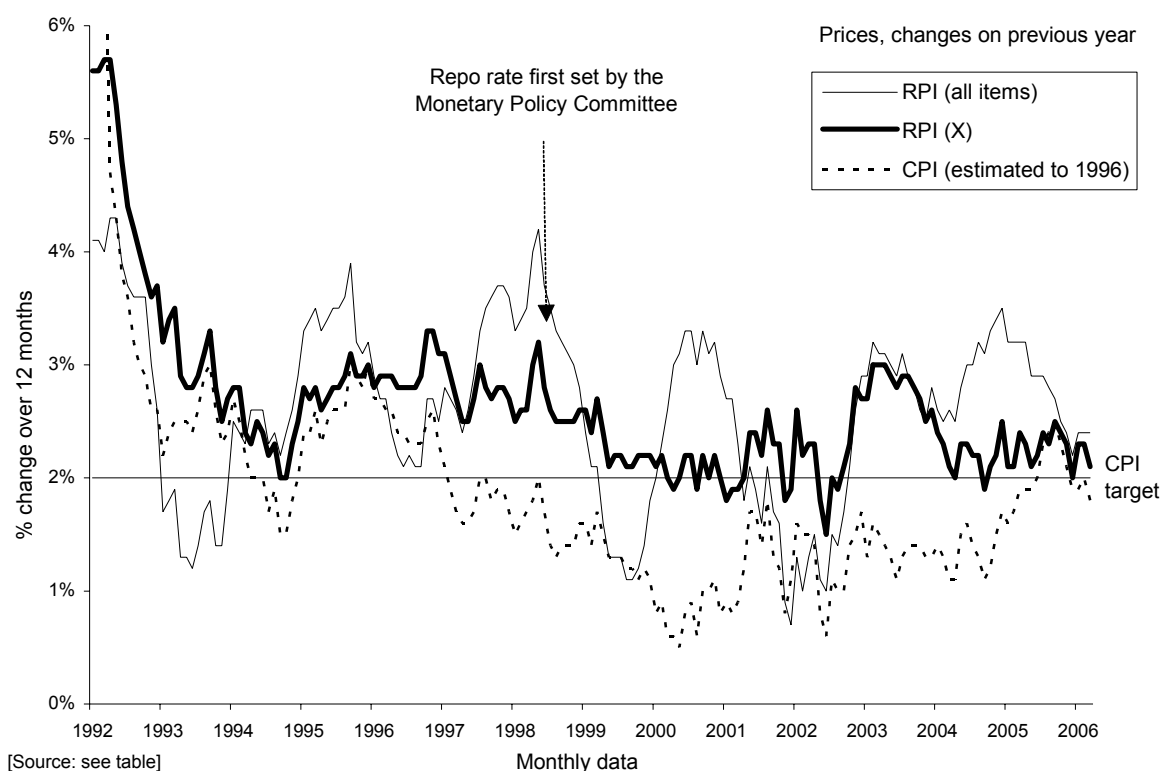
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2002	-3.1	-4.5	1.5	1.7	0.7	0.9
2003	0.1	-4.2	4.5	2.5	0.9	1.6
2004	1.7	-4.2	6.1	2.9	0.7	2.2
2005	-1.1	-3.5	2.4	1.8	1.0	0.9
2004 Q4	1.0	-3.5	4.6	2.2	0.8	1.4
2005 Q1	-0.3	-3.3	3.1	1.8	0.8	1.0
Q2	-1.5	-3.8	2.4	1.6	0.9	0.7
Q3	-0.4	-3.7	3.4	1.8	1.2	0.6
Q4	-2.3	-3.2	0.9	1.8	0.8	1.0
2006 Q1	-0.8	..	..	2.1	..	..

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 0.9% in 2005 compared with 2.2% in 2004 and 1.6% in 2003.
- In 2005, manufacturing output decreased by 1.1% and employment in manufacturing fell by 3.5%, while manufacturing output per head rose by 2.4%.
- Productivity growth in manufacturing decreased from 3.4% per annum in Q3 2005 to 0.9% per annum in Q4 2005, while whole economy productivity growth increased from 0.6% per annum in Q3 2005 to 1.0% per annum in Q4 2005.
- For the economy as a whole, productivity growth has averaged 1.5% per annum over the last eight quarters.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 3 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 March, the consumer prices index (CPI) showed inflation at 1.8%, down from 2.0% in February.
- The largest downward effect on the CPI came from food and non-alcoholic beverages. Further large downward contributions came from transport and recreation and culture. The largest upward effects on the CPI annual rate came from housing, water, electricity, gas and other fuels.
- The former headline (all items RPI) rate of inflation was 2.4% in March, unchanged from February. The underlying RPI(X) fell to 2.1% in March.
- The largest upward effects on the RPI came from fuel and light, as increases in gas and electricity bills were greater than a year ago. The largest downward effect came from food and non-alcoholic beverages.

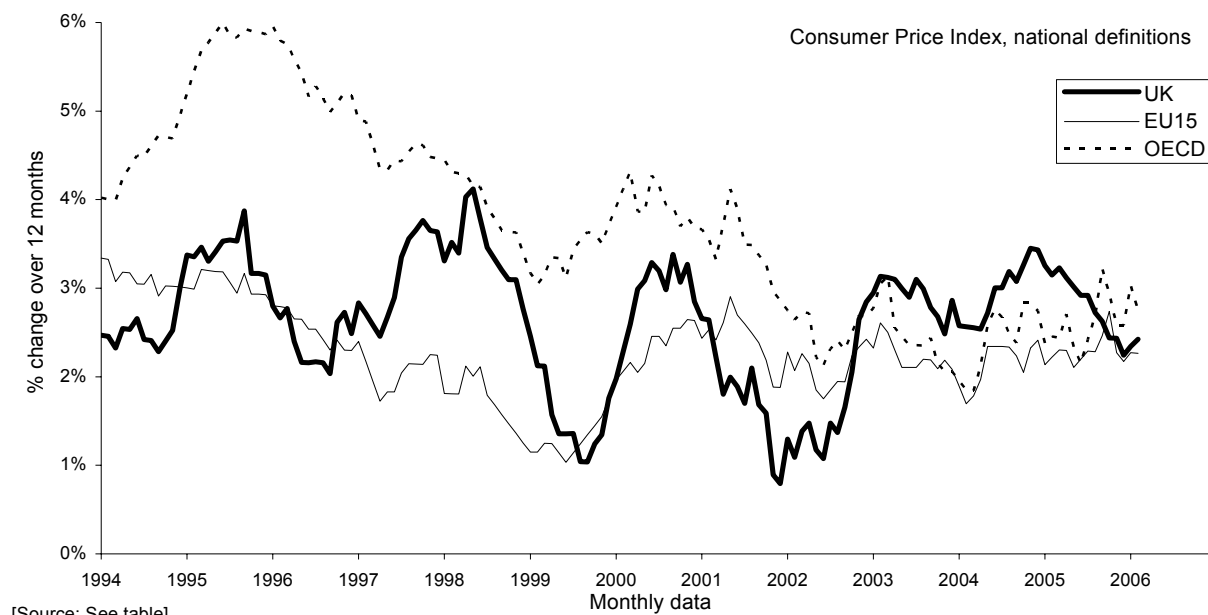
Price Indices

% change over 12 months

	CPI (was HICP)	RPI (all items)	RPI (X)
2002	1.3	1.7	2.2
2003	1.4	2.9	2.8
2004	1.3	3.0	2.2
2005	2.1	2.8	2.3
2005 Mar	1.9	3.2	2.4
Apr	1.9	3.2	2.3
May	1.9	2.9	2.1
Jun	2.0	2.9	2.2
Jul	2.3	2.9	2.4
Aug	2.4	2.8	2.3
Sep	2.5	2.7	2.5
Oct	2.3	2.5	2.4
Nov	2.1	2.4	2.3
Dec	1.9	2.2	2.0
2006 Jan	1.9	2.4	2.3
Feb	2.0	2.4	2.3
Mar	1.8	2.4	2.1

Source: ONS database, series: D7G7, CDKQ, CJYR

B2: Prices: International Comparisons



Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
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
2005	3.4	-0.3	2.3	2.8	2.7
2005 Sep	4.6	-0.3	3.4	2.6	3.2
Oct	4.3	-0.7	2.6	2.4	2.9
Nov	3.5	-0.8	2.0	2.4	2.6
Dec	3.4	-0.1	2.1	2.2	2.6
2006 Jan	4.1	0.5	2.7	2.3	3.0
Feb	3.6	0.4	2.3	2.4	2.8

Source: OECD, Main Economic Indicators, Apr 2006

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 3.6% in February, a fall of 0.5 points. The rate for 2005 was 3.4%, the highest since 2000.
- For all OECD countries the average inflation rate also fell, by 0.2 points to 3.0%.
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) remained at 2.3%.

Eurozone inflation

harmonised indices (HICPs); % change over 12 months

	France	Germany	Italy	UK	Eurozone
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	1.8	2.3	1.3	2.1
2005	1.9	1.9	2.2	2.1	2.2
2005 Oct	2.0	2.3	2.6	2.3	2.5
Nov	1.8	2.2	2.4	2.1	2.3
Dec	1.8	2.1	2.1	1.9	2.2
2006 Jan	2.3	2.1	2.2	1.9	2.4
Feb	2.0	2.1	2.2	2.0	2.3
Mar	1.7	1.9	2.2	1.8	2.2

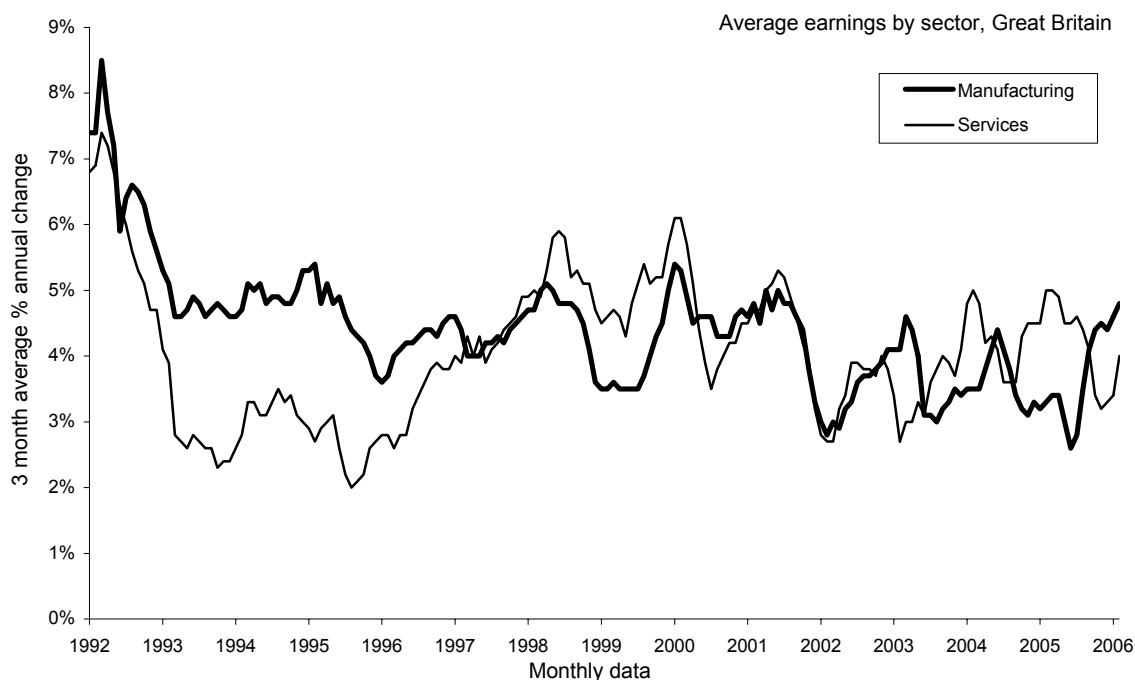
Source: Eurostat, Euro-Indicators news release, 16 Apr 2006

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

- Eurozone annual inflation fell 0.1 percentage points to 2.2% in March. The 'flash' estimate for April 2006 is 2.4%.
- The HICP inflation rates for the EU15 Member States not in the eurozone were Denmark (1.8%), Sweden (1.5%) and the UK (1.8%).
- In March, the eurozone countries with the highest HICP annual inflation rates were Spain (3.9%), Luxembourg (3.7%) and Greece (3.3%). The lowest rate was in Finland (1.2%).

Contact: Bryn Morgan, x4904

Updates: OECD, *Main Economic Indicators*, mid-May
Eurostat, *Euro-indicators news release*, 17 May

B3: Average Earnings Index

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

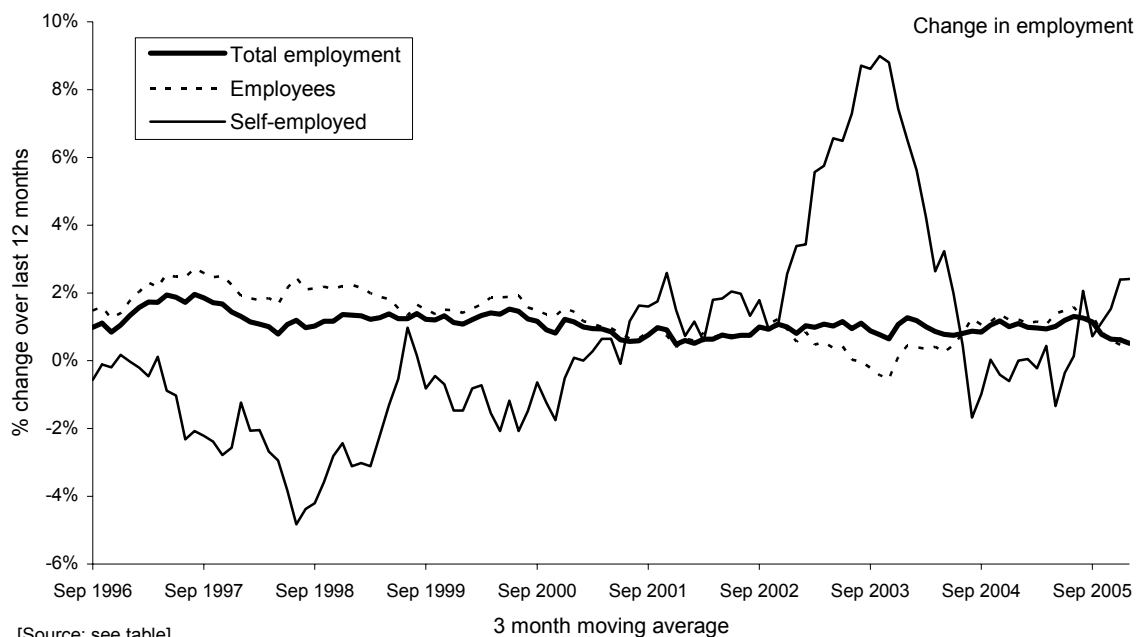
- The headline rate of growth in average earnings for the whole economy in February was 4.2%, up from 3.6% January.
- Headline average earnings growth in manufacturing was 4.8% in February, up from 4.6% in January. Earnings growth in the service sector rose to 4.0% in February from 3.4% the previous month.
- Headline earnings growth in the private sector was 4.2% in February, compared with 4.3% in the public sector. Earnings growth in the private sector rose from 2.4% in January. Earnings growth in the public sector fell from 4.4% in the previous month.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in February 2005 was 4.7%).
- In the year to February, the consumer price index showed inflation below the rate of earnings growth at 2.0%. Earnings growth of 4.5% is thought to be consistent with the Government's inflation target of 2.0%.

Average Earnings, Great Britain
% change on year; seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2002 Feb	2.7	2.3	4.8
2003 Feb	3.0	2.6	5.1
2004 Feb	4.7	4.8	4.3
2005 Feb	4.7	4.7	4.6
Mar	4.7	4.7	4.6
Apr	4.5	4.5	4.6
May	4.1	3.8	5.6
Jun	4.1	3.7	5.6
Jul	4.2	3.9	5.5
Aug	4.2	4.1	4.3
Sep	4.1	4.1	4.2
Oct	3.6	3.5	4.1
Nov	3.4	3.3	4.1
Dec	3.6	3.3	4.4
2006 Jan	3.6	3.4	4.4
Feb	4.2	4.2	4.3

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

C1: Employment



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
2002 Jan	27,802	24,278	3,309	101	114
2003 Jan	28,025	24,414	3,421	87	103
2004 Jan	28,380	24,524	3,644	105	107
2005 Jan	28,693	24,821	3,644	103	125
2005 Apr	28,676	24,817	3,641	102	116
2005 Jul	28,786	24,961	3,626	90	108
2005 Oct	28,764	24,879	3,690	93	102
2006 Jan	28,840	24,927	3,732	85	96

Changes (%):

on last 3 months	0.3	0.2	1.1	-8.7	-5.9
on last year	0.5	0.4	2.4	-17.2	-23.5

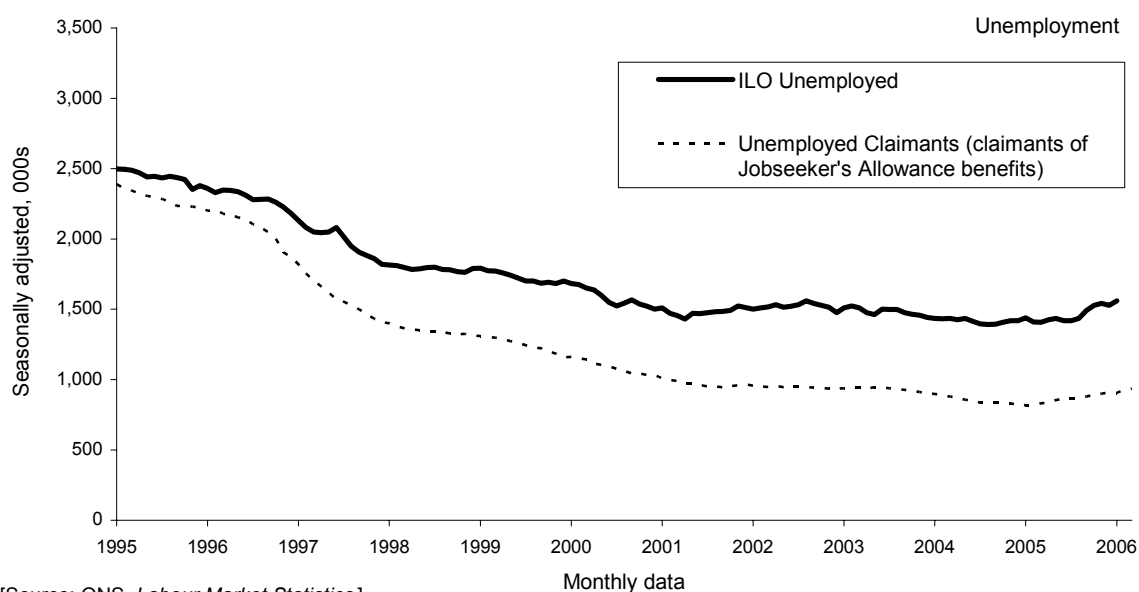
Source: ONS, *Labour Market Statistics*, 12 Apr 2006

- Total employment was 28.8 million in the period December 2005 to February 2006, 0.5% higher than a year earlier. The working age employment rate of 74.5% was the same as the previous quarter and 0.4% lower than a year earlier.
- The number of workforce jobs increased by 92,000 between September and December 2005 and was 171,000 higher than a year earlier. Over the year to December, the number of production industry workforce jobs fell by 95,000. The number of service sector jobs rose by 241,000.
- 7.3 million people were in part-time employment in the period December 2005 to February 2006, of whom 5.7 million were women. 3.7 million people were self-employed.

Contact: Dominic Webb, x4324

Updates: ONS, *Labour Market Statistics*, 17 May

C2: Unemployment: National



[Source: ONS, *Labour Market Statistics*]

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

- The latest LFS estimates show that over the period December 2005 to February 2006, the level of ILO unemployment in the UK was 1,559,000 (seasonally adjusted). This was an increase of 120,000 from the period December 2004 to February 2005.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, rose by 13,000 between February and March 2006 to 938,000.

The New Deal for Young People started in January 1998.

- 1,054,000 individuals had joined the scheme by the end of February 2006. Of those leaving the scheme up to the end of November 2005 666,000 had moved into jobs, of which 566,000 (85%) were 'sustained', i.e. those who had not returned to claim Jobseeker's 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 622,000 individuals had joined the scheme by the end of February 2006. Of those leaving the scheme up to the end of November 2005 260,000 had entered jobs, of which 214,000 (82%) were sustained.

ILO Unemployment in the UK seasonally adjusted

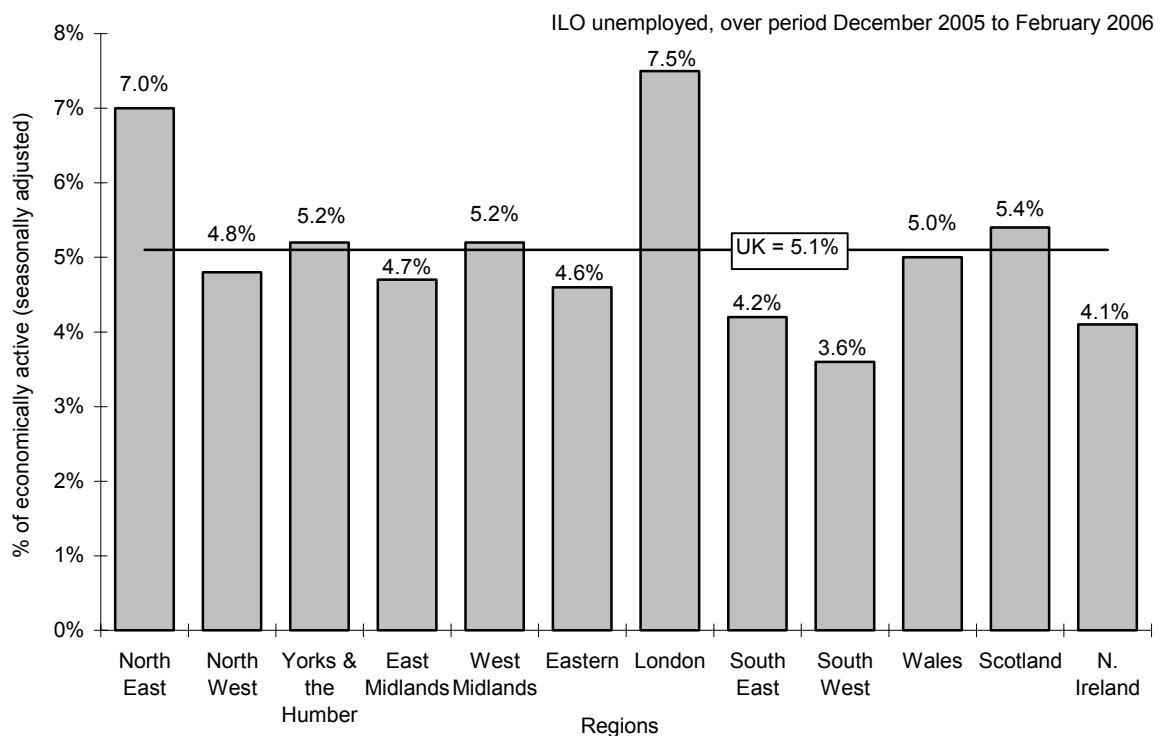
		'000s	rate (%)
1999	Sep - Nov	1,692	5.8
2000	Dec - Feb	1,682	5.8
	Mar - May	1,638	5.6
	Jun - Aug	1,523	5.2
2001	Sep - Nov	1,537	5.3
	Dec - Feb	1,511	5.2
	Mar - May	1,431	4.9
2002	Jun - Aug	1,477	5.1
	Sep - Nov	1,493	5.1
	Dec - Feb	1,500	5.1
2003	Mar - May	1,533	5.2
	Jun - Aug	1,532	5.2
	Sep - Nov	1,529	5.2
2004	Dec - Feb	1,511	5.1
	Mar - May	1,476	5.0
	Jun - Aug	1,498	5.0
2005	Sep - Nov	1,464	4.9
	Dec - Feb	1,434	4.8
	Mar - May	1,426	4.8
2006	Jun - Aug	1,396	4.7
	Sep - Nov	1,408	4.7
	Dec - Feb	1,439	4.8
2006	Mar - May	1,425	4.7
	Jun - Aug	1,418	4.7
	Sep - Nov	1,528	5.0
2006	Dec - Feb	1,559	5.1

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Update: ONS, *Labour Market Statistics*, 17 May
New Deal, Jul

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 December 2005 to February 2006 the London region had the highest unemployment rate, 7.5% of the economically active population. The lowest rate over the same period was 3.6%, in the South West region.
- A comparison of December 2005 to February 2006 with the same period a year earlier shows that the largest fall (14%) in unemployment occurred in Northern Ireland. The North East region showed the largest increase (33%) over the period.

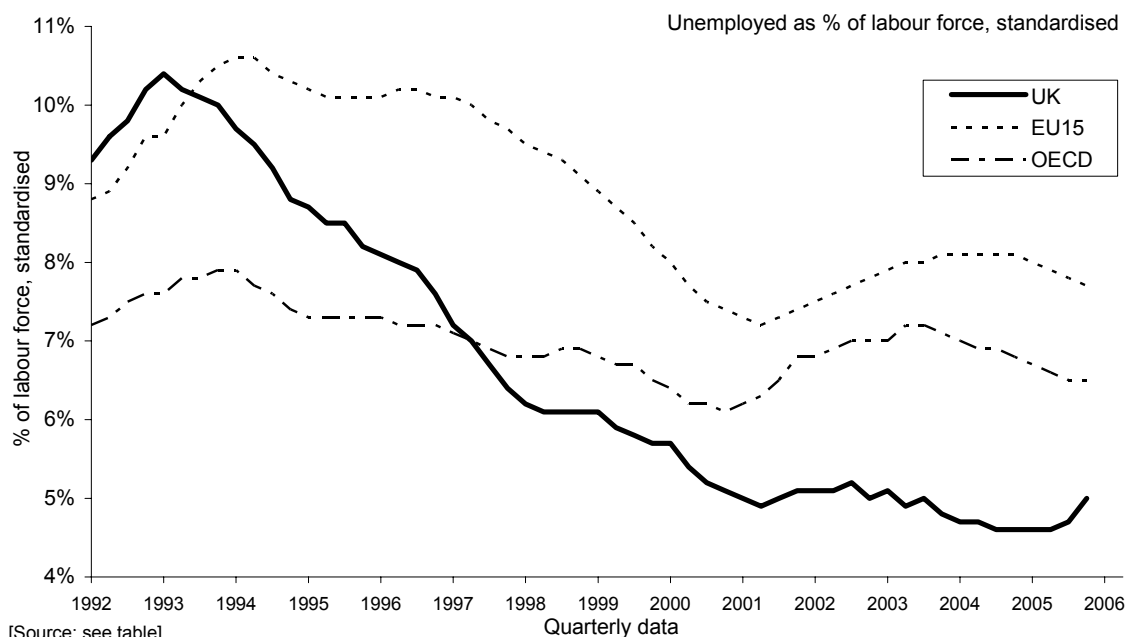
ILO Unemployment, December 2005 to February 2006

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	21,000	33
North West & Merseyside	2,000	1
Yorkshire & the Humber	28,000	27
East Midlands	6,000	6
West Midlands	14,000	11
Eastern	16,000	14
London	20,000	7
South East	14,000	8
South West	2,000	2
Wales	8,000	13
Scotland	-4,000	-3
Northern Ireland	-5,000	-14

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

	2003	2004	2005	2004				2005			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	6.0	5.5	5.1	5.7	5.6	5.5	5.4	5.2	5.1	5.0	5.0
Japan	5.3	4.7	4.4	4.9	4.6	4.8	4.5	4.6	4.3	4.3	4.5
Canada	7.6	7.2	6.8	7.3	7.2	7.1	7.1	7.0	6.8	6.8	6.5
UK	4.9	4.7	4.7	4.7	4.7	4.6	4.6	4.6	4.6	4.7	5.0
Germany	9.1	9.5	9.5	9.4	9.5	9.7	9.6	9.7	9.6	9.2	9.3
France	9.5	9.6	9.5	9.6	9.5	9.5	9.6	9.6	9.6	9.5	9.3
Italy	8.4	8.0	7.7	8.2	8.1	7.9	7.9	7.8	7.7	7.6	7.7
Eurozone	8.7	8.9	8.6	8.9	8.9	8.9	8.8	8.8	8.7	8.5	8.4
G7	6.6	6.3	6.0	6.4	6.3	6.3	6.3	6.2	6.1	6.0	6.0
OECD	7.1	6.9	6.6	7.0	6.9	6.9	6.8	6.7	6.6	6.5	6.5

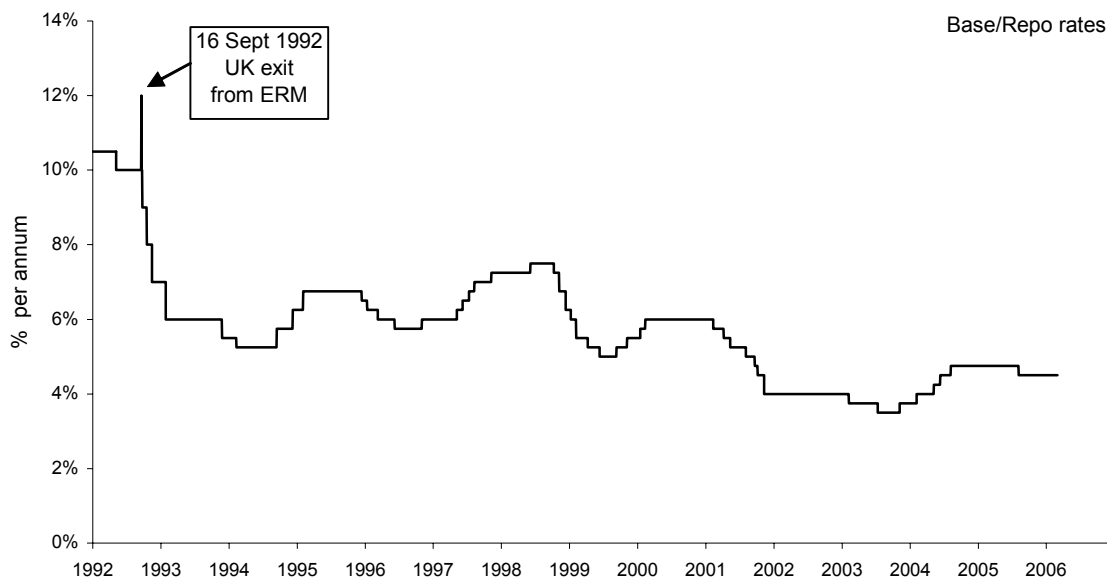
Source: OECD, *Main Economic Indicators*, Apr 2006

- Using standardised definitions, the UK unemployment rate for 2005 was 4.7%, significantly below the eurozone average (8.6%) and below the G7 and OECD rates (6.0% and 6.6% respectively).
- Between Q4 2004 and Q4 2005 (the latest period for which all data are available) the largest fall in unemployment among G7 countries was in Canada, where it fell by 0.6 of a percentage point. There was a rise in unemployment (0.4 of a percentage point) in the UK. 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*, November 2005) suggest the UK unemployment rate will be 5.1% in 2006 and 5.6% in 2007. The respective forecasts for the eurozone are 8.4% and 8.1%. For the OECD as a whole the respective forecasts are 6.3% and 6.0%.

Contact: Alex Adcock, x3973

Updates: OECD, *Main Economic Indicators*, 12 May
OECD, *Economic Outlook*, Jun

D1: Interest Rates



[Source: Bank of England]

From June 1997 interest rates have been set by the independent Monetary Policy Committee (MPC) of the Bank of England rather than by the Chancellor.

- **On 6 April 2006, the MPC voted to maintain the base rate at 4.50%.** One member voted for a reduction of 0.25 points in the base rate, the other seven voted to maintain the rate.

The minutes of April's meeting note:

- Long-term interest rates had risen by around 40 basis points since mid-January but remained historically low.
- Both GDP growth and consumption had grown around trend in the past couple of quarters.
- Although producer and consumer price inflation were little changed on the month, inflation expectations had picked up recently.

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	2005 Aug 4	4.50
2000 Jan 13	5.75		
Feb 10	6.00		

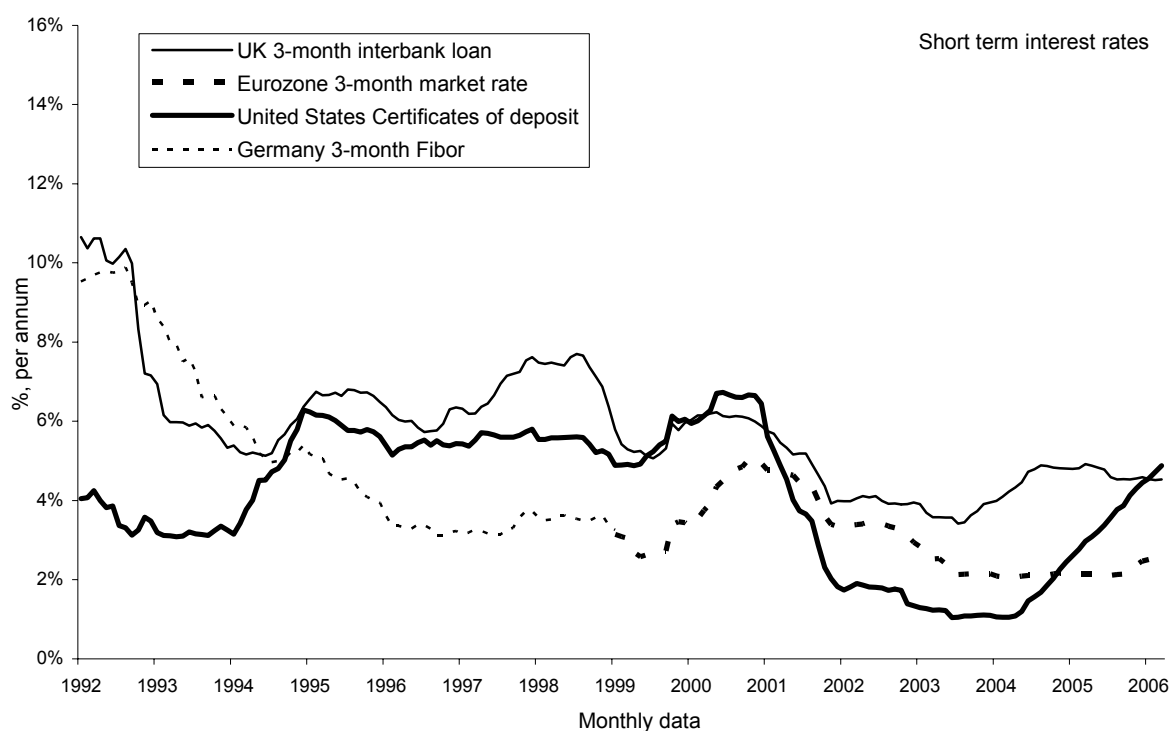
Source: Bank of England

The central projection from the latest Bank *Quarterly Inflation Report* (February 2006) was for inflation to remain around the 2% target over the forecast period. The report noted that output growth recovered towards the end of 2005, and that consumer spending had revived, although business investment growth appeared lacklustre. The pace of expansion in the United Kingdom's major export markets remained firm. The central projection on GDP growth is for it to move above its historical average before easing back in the second half of the projection.

Contact: Bryn Morgan, x4904

Update: *Next Decision, 4 May; Minutes, 17 May*
Quarterly Inflation Report, 10 May

D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Mar 2006]

Short term interest rates in the UK remained stable in March 2006. Since July 2005, the rate has remained within a range of less than 0.1 points. This contrasts with the US where the short term rate has increased by 1.3 points over the same period.

- 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 before a 0.25 point cut in August 2005, took the rate to 4.50% (see Indicator D1).
- The European Central Bank (ECB) interest rate was increased to 2.50% on 2 March 2006. This followed another 0.25 point increase on 1 December. The rate had previously been 2.00% since June 2003. The ECB reduced the minimum lending rate four times during 2001, by 0.25 points in May and August and twice by 0.5 points (in September and November). A 0.5 point cut on 6 March 2003 was followed by another 0.5 point cut on 5 June 2003.
- On 28 March 2006 the US Federal Reserve increased the federal funds rate by 0.25% to 4.75%, following increases of 0.25% at its previous fourteen meetings on: 31 January 2006, 13 December, 1 November, 20 September, 9 August, 30 June, 3 May, 22 March, 2 February 2005, and 14 December, 10 November, 21 September, 10 August and 30 June 2004.

International interest rates

% per annum, as at 1 May 2006

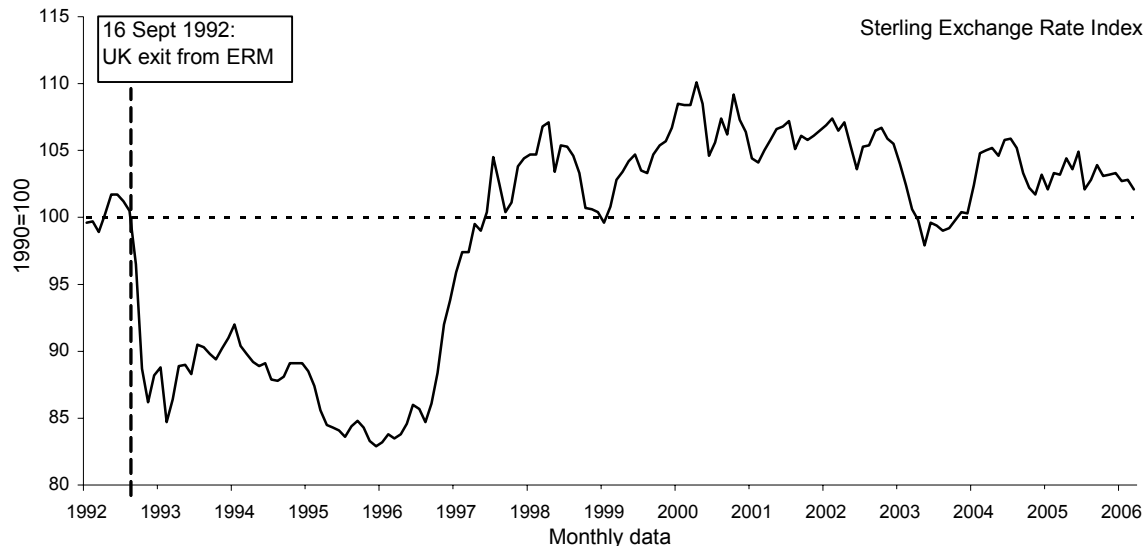
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.50	4.61	$4\frac{5}{8} - 4\frac{17}{32}$
Eurozone	2.50	n/a	$2\frac{27}{32} - 2\frac{25}{32}$
United States	4.75	5.14	$5\frac{1}{8} - 5\frac{1}{16}$
Japan	0.00	1.89	$\frac{1}{8} - \frac{3}{32}$
Switzerland	0.75-1.75	2.71	$1\frac{11}{32} - 1\frac{1}{4}$

Source: *Financial Times*, 2 May 2006 (Companies & Markets, p36)

Contact: Bryn Morgan, x4904 **Updates:** *Short-term interest rates:* OECD, MEI, mid-May;
Base rates: 4 May (UK MPC), 4 May (EU), 10 May (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 2005, the SERI fell by 1.2 points in March 2006, suggesting that the UK was relatively more competitive at the end of March than at the end of the previous year.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.452 at the London market close on 1 May 2006, compared with a launch rate of €1.476 on 31 December 1998.

Sterling Exchange Rates

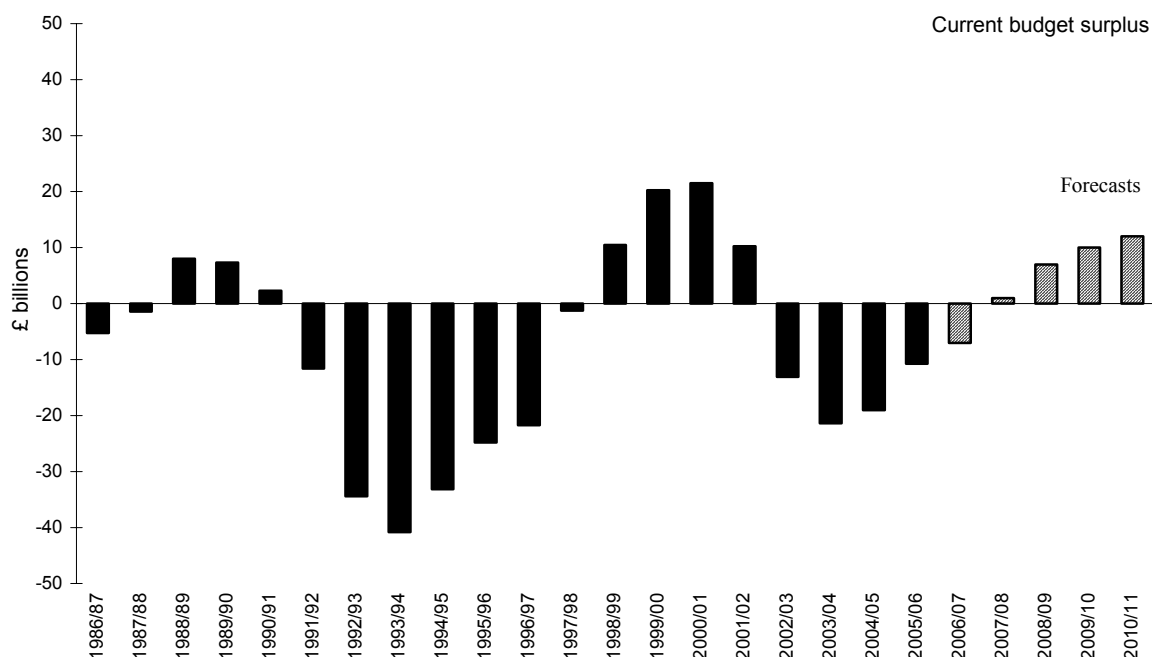
rates and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
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
2005	1.820	-0.7	200.1	1.0	1.463	-0.7
2005 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
Jun	1.818	-0.5	197.6	-1.1	1.495	-0.7
Jul	1.751	-5.0	196.0	-2.8	1.455	-3.2
Aug	1.794	-1.5	198.5	-1.2	1.459	-2.3
Sep	1.808	0.9	200.9	1.8	1.476	0.6
Oct	1.764	-2.4	202.6	3.1	1.467	1.5
Nov	1.734	-6.8	205.4	5.5	1.472	2.9
Dec	1.746	-9.4	207.0	3.4	1.473	2.2
2006 Jan	1.768	-5.8	204.1	5.2	1.458	1.8
Feb	1.747	-7.4	206.0	4.0	1.464	1.0
Mar	1.744	-8.6	204.5	2.0	1.450	0.4

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

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-May; 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. In July 2005, the Treasury revised its view of the starting point of the cycle to 1997/98 (from 1999/00). In the 2005 Pre-Budget Report, the Treasury revised its view of the end point of the cycle to 2008/09 (from 2005/06). The chart shows outturns for the current budget balance and Treasury forecasts from the 2006 Budget.

- There was a £12.7 billion surplus on the current budget in Q1 2006 compared with a £8.0 billion surplus in the same quarter of 2005.

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 £-3.3 billion in Q1 2006 compared with £-2.6 billion in the same quarter of 2005. In 2005/06, the PSNCR was £40.7 billion compared with £38.7 billion in 2004/05.

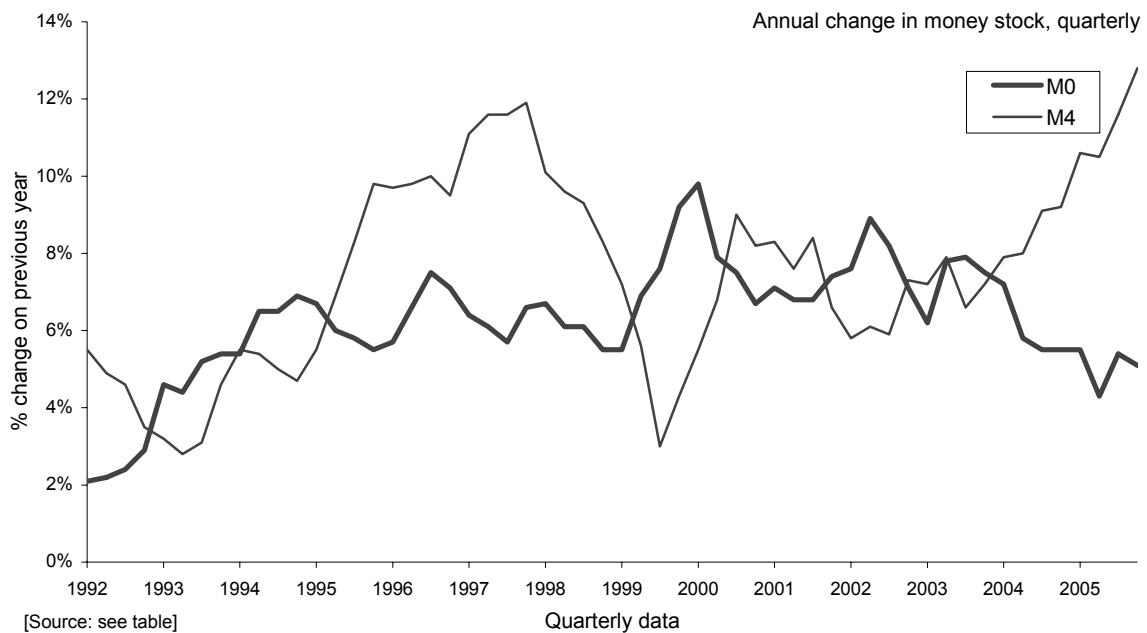
Public Sector Net Debt

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2002/03	346.3	31.8
2003/04	381.1	33.2
2004/05	419.8	35.0
2005/06	459.0	36.6
2005 Q1	419.8	35.0
Q2	435.1	36.0
Q3	442.6	36.2
Q4	462.7	37.4
2006 Q1	459.0	36.6

Source: ONS database, series: RUTN, RUTO

D5: Money Supply



Money stock

% change; seasonally adjusted

	M0		M4	
	3 month change (annualised)	12 month change	3 month change (annualised)	12 month change
2005 Feb	5.0	5.8	12.3	9.7
Mar	3.5	5.1	14.1	10.6
Apr	2.2	4.8	11.2	10.6
May	2.1	4.3	14.7	11.2
Jun	3.1	3.8	10.1	10.5
Jul	6.2	4.8	13.0	11.1
Aug	10.7	6.1	5.9	10.1
Sep	10.6	5.4	12.0	11.4
Oct	8.3	5.3	11.4	11.7
Nov	4.6	5.5	16.1	12.2
Dec	1.8	4.7	15.1	12.8
2006 Jan	9.7	6.6	13.1	12.2
Feb	7.7	6.2	12.5	12.2

Source: Bank of England, *Bankstats*, March 2006, Tables A1.1 and A2.1.1

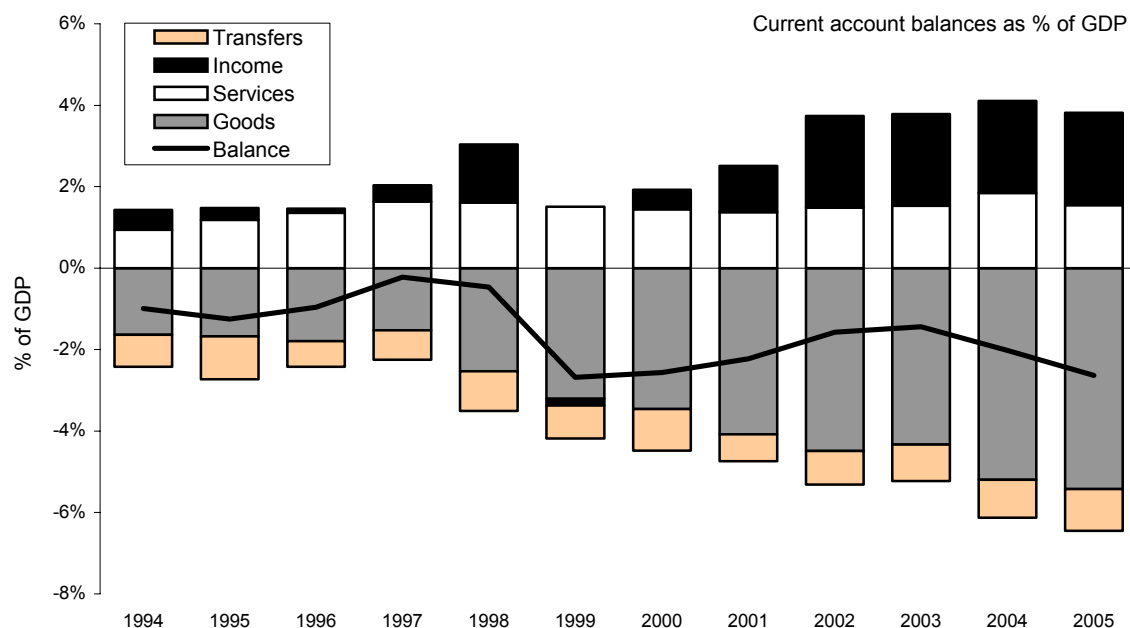
M0 comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 12.2% in the 12 months to February. The 12-month seasonally adjusted M0 growth rate was 6.2% in February, compared with 5.8% in February 2005.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

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

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	
2002	-47,087	15,536	-31,551	23,679	-5,633	-2,982	-8,615	-16,487
2003	-47,864	16,882	-30,982	24,995	-6,971	-2,990	-9,961	-15,948
2004	-60,470	21,430	-39,040	26,413	-8,300	-2,640	-10,940	-23,567
2005	-65,631	18,734	-46,897	27,408	-9,536	-2,865	-12,401	-31,890
2004 Q4	-15,924	5,167	-10,757	8,331	-2,281	-731	-3,012	-5,438
2005 Q1	-15,692	5,040	-10,652	7,725	-2,745	-833	-3,578	-6,505
Q2	-15,534	5,071	-10,463	9,608	-2,219	-368	-2,587	-3,442
Q3	-17,155	2,920	-14,235	6,331	-2,225	-857	-3,082	-10,986
Q4	-17,250	5,703	-11,547	3,744	-2,347	-807	-3,154	-10,957

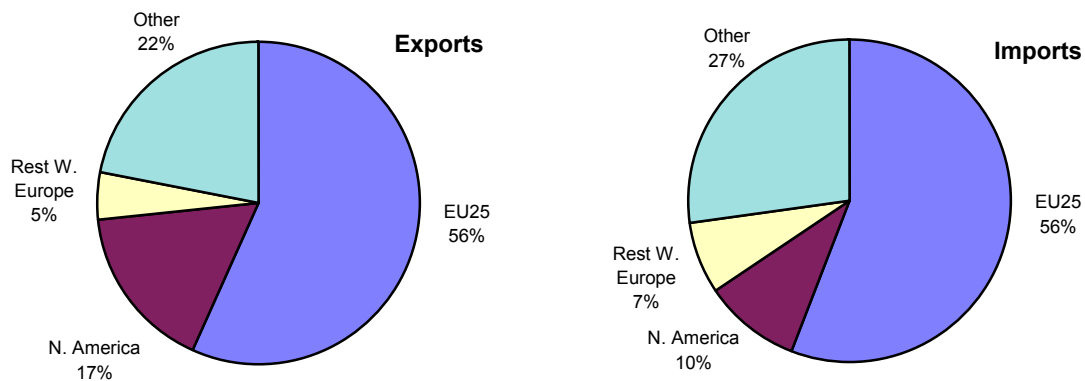
Source: ONS database, series: BOKI, FNSV, FNTC, HBOJ, HBOP, IKBD, IKBJ, IKBP

- The current account deficit in 2005 was £31.8 billion, -2.6% of GDP and the highest since records began after World War II (this compares with a £23.6 billion deficit in 2004, -2.0% of GDP). The surplus on income widened between 2004 and 2005, although the services surplus narrowed; the deficits on trade in goods and transfers also widened.
- On a quarterly basis, the current account deficit was £11.0 billion in Q4 2005, slightly narrower than the Q3 2005 deficit. Between Q3 and Q4 2005 the surpluses on services widened while the surplus on income narrowed; the deficits on trade in goods and transfers also widened.
- In 2005 the current account deficit with EU25 countries was £30.7 billion, compared with a deficit with non-EU countries of £1.2 billion (having been in surplus in 2004). On a quarterly basis, the deficit with EU countries was £8.1 billion in Q4 2005 (compared with £8.8 billion in Q3 2005). The current account with non-EU countries was in surplus by £2.9 billion in Q4 2005 (compared with a £2.1 billion deficit in Q3 2005).

E2: UK Overseas Trade in Goods

Shares of UK trade in goods by area, 2005

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
2002	100.0	100.0	186,511	233,598	-47,087
2003	99.7	102.0	188,615	236,479	-47,864
2004	101.0	108.6	190,877	251,347	-60,470
2005	109.0	115.2	210,182	275,813	-65,631
2004 Q4	102.5	111.7	49,509	65,433	-15,924
2005 Q1	102.8	110.1	49,356	65,048	-15,692
Q2	108.6	114.0	51,889	67,423	-15,534
Q3	111.1	117.6	53,784	70,939	-17,155
Q4	113.4	119.0	55,153	72,403	-17,250

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

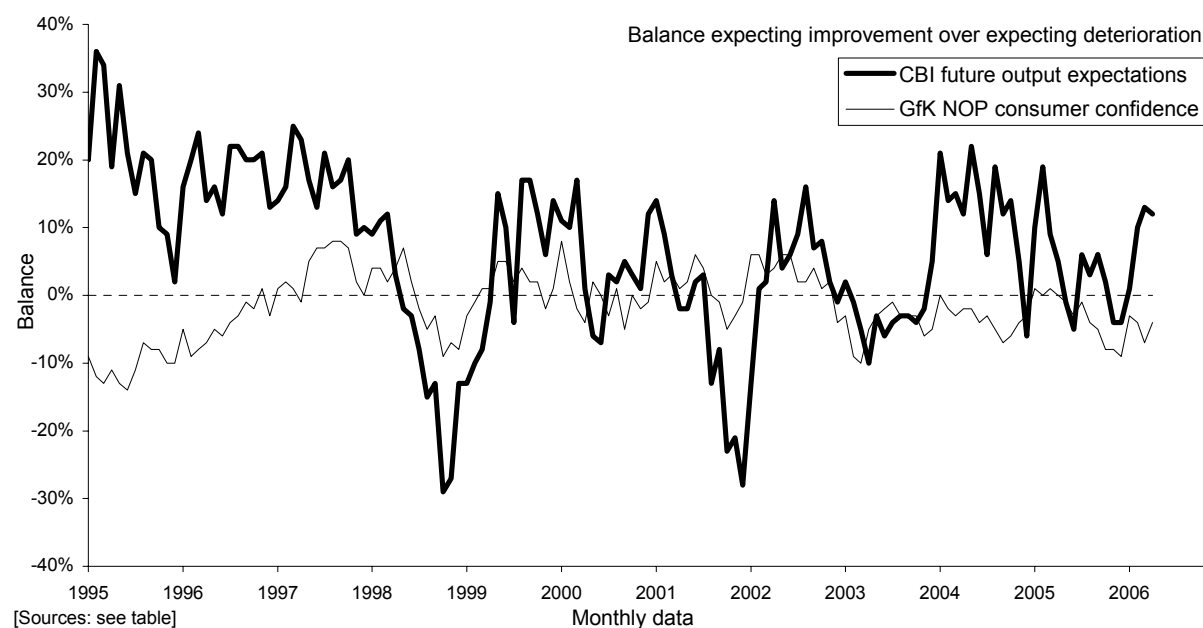
- In February 2006 the total value of UK goods exports was £19.6 billion, with imports valued at £26.1 billion, giving a deficit on goods trade of £6.5 billion (unchanged from January 2006).
- Geographical breakdowns (EU/non-EU) for goods trade are still being affected by VAT Missing Trader Intra-Community Fraud, and ONS have recently identified increasing fraud involving non-EU countries (latest ONS release gives details) which makes such breakdowns more difficult to interpret. The monthly estimates suggest that the goods deficit with the EU25 was £3.1 billion in February 2006 (compared with £2.8 billion in January 2006), whereas the deficit with non-EU25 countries was £3.4 billion (compared with £3.7 billion in January).
- On a monthly basis UK trade in **services** was in surplus by £1.7 billion in February 2006, compared with £2.0 billion in January 2006.
- The UK's overall deficit on **goods and services** trade combined was £4.8 billion in February 2006, compared with £4.6 billion in January.

Contact: Ian Townsend, x3977

Update: ONS, *UK Trade (Mar 2006)*, 10 May

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 quarterly survey was +12 in April 2006, a fall of one point from March but seven points above April 2005.
- The quarterly survey found that in the three months to April, manufacturing jobs had fallen by an estimated 34,000.
- On costs, a balance of 19% of firms said that costs had increased in the latest quarter.

GfK NOP'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 increased by three points in April to -4. Four of the five measures in the index increased, although the index was four points lower than April 2005.
- Perceptions of the general economic situation in the country rose by two points to -28, although this is considerably below the figure for April 2005 (-13). Perceptions of the outlook over the next 12 months also increased to -18, although again the figure in April 2005 was much higher.
- The index for future personal finances increased by seven points to +14 and the "now is a good time to save" index fell one point to +31.

Output Expectations/Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

	Future output expectations (CBI)	Consumer confidence (GfK)
2005 Apr	+5	0
May	-1	-1
Jun	-5	-3
Jul	+6	-1
Aug	+3	-4
Sep	+6	-5
Oct	+2	-8
Nov	-4	-8
Dec	-4	-9
2006 Jan	+1	-3
Feb	+10	-4
Mar	+13	-7
Apr	+12	-4

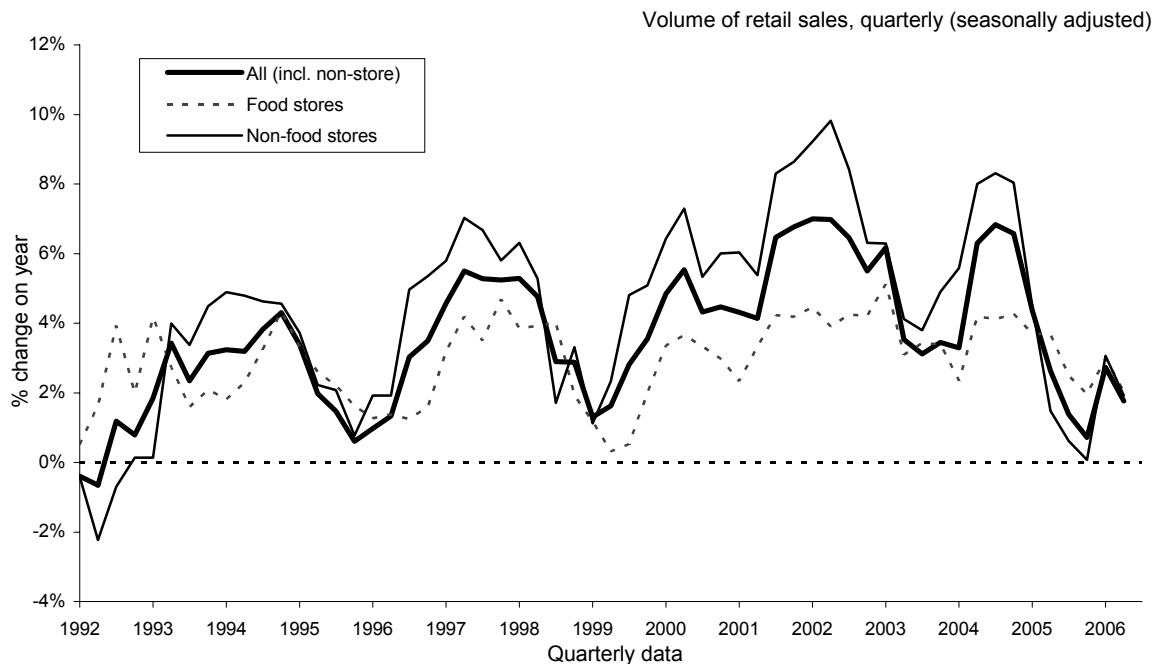
Sources: CBI, *Industrial Trends Survey* (monthly), from ONS database, series: ETCU; GfK NOP, *Consumer Confidence Survey* on behalf of the European Commission

Contact: Bryn Morgan, x4904

Updates:

CBI, *Industrial Trends* (Monthly), late May; GfK NOP, *Consumer Confidence*, 31 May

F2: Retail Sales



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

- The *volume* of retail sales in the three months from January to March was 0.7% lower compared with the previous three month period, and was 1.8% higher than a year previously (seasonally adjusted).
- Retail sales volumes in March 2006 were 2.6% higher than in March 2005 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 1.9% in January to March compared with the same quarter a year earlier. In predominantly food stores, sales volumes grew by 2.1% over the same period (seasonally adjusted).

Value of Retail Sales

% change on year; non-seasonally adjusted

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
2002	3.8	2.8	6.6	4.7	4.7
2003	3.7	2.8	4.4	0.9	2.7
2004	3.5	3.6	4.2	6.2	4.4
2005	2.6	2.6	-1.6	-0.8	0.8
2005 Q1	3.6	3.1	1.7	-3.7	0.9
Q2	3.4	1.8	-3.5	-4.3	0.0
Q3	1.7	0.9	-4.2	-0.9	0.0
Q4	3.1	3.5	-0.7	2.1	1.5
2006 Q1	0.9	-1.0	-3.4	1.9	0.9

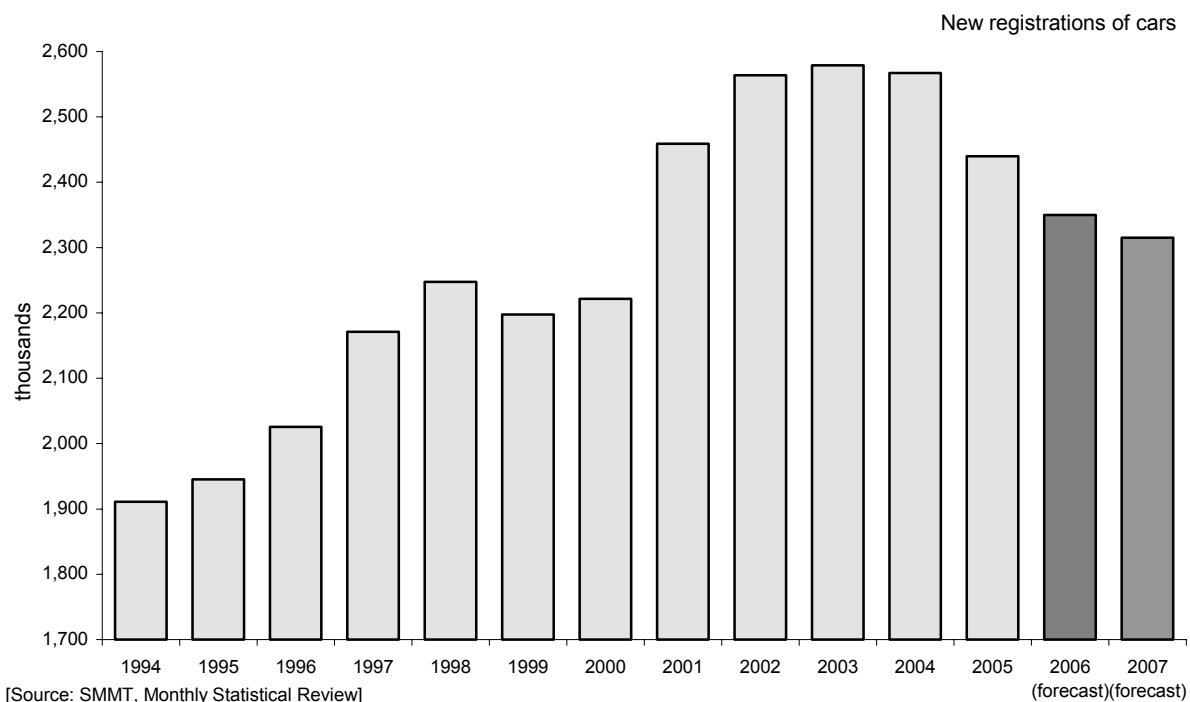
Source: ONS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in March 2006 was £4,500 million, a 0.1% increase from March 2005 (non-seasonally adjusted).

Contact: Ed Potton, x2883

Update: ONS, *Retail Sales: First Release*, 18 May

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 1.6% in March 2006, compared with the previous March's figure, to 435,847 units.

- The number of new registrations of cars was just over 2.4 million units in 2005, a fall of 5.0% on the previous year.
- New registrations of cars are forecast to fall by 3.7% in 2006 and a further 1.5% in 2007.
- There were 71,048 registrations of British-built cars in March, equivalent to 16.3% of the market. The number of British built registrations decreased 12.6% on the previous March's figure. In 2005 as a whole, there were 415,648 registrations of British-built cars, a decrease of 10.4% from the previous year's figure and equivalent to 17.0% of the market.

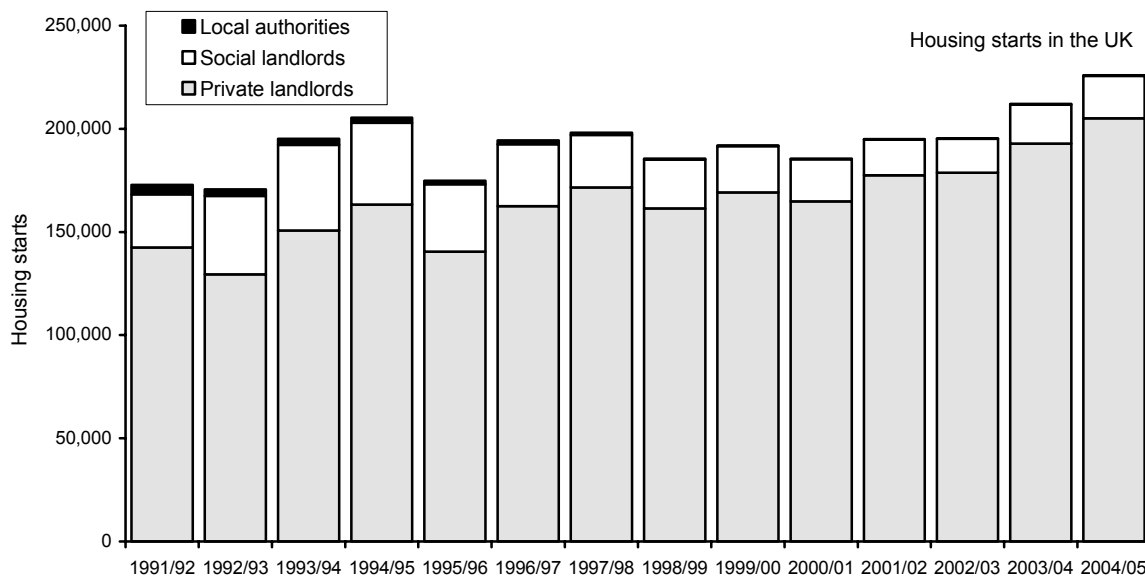
New Registrations of Cars

000s & % change; not seasonally adjusted

	Number (^{'000s})	Change over 12 months
2004	2,567	-0.5
2005	2,440	-5.0
2006 (forecast)	2,350	-3.7
2007 (forecast)	2,315	-1.5
<hr/>		
2005 Mar	443	-5.1
Apr	179	-4.0
May	188	-3.4
Jun	228	-4.8
Jul	175	-6.6
Aug	83	-2.3
Sep	417	-3.2
Oct	152	-10.8
Nov	158	-7.9
Dec	157	8.7
2006 Jan	157	-13.3
Feb	76	-1.4
Mar	436	-1.6

Source: SMMT, Monthly Statistical Review

F4: House-building & Prices



[Source: ODPM, Housebuilding Statistics, table 201]

The latest revised data on housing starts and completions from the Office of the Deputy Prime Minister (ODPM) show that there were 55,655 dwelling starts in the UK in Q1 2005, compared with 57,795 in Q1 2004. In Q1 2005 there were 46,248 completions compared with 43,004 in Q1 2004 (all data are not seasonally adjusted).

The latest Halifax *House Price Index* data show (seasonally adjusted unless stated):

- **Monthly** UK house prices rose by 0.9% in March 2006 compared with 1.4% in February 2006. **Annually**, house prices were 6.2% higher than in the same month a year previously (cf. 5.5% annually in February 2006).
- On a **quarterly** basis, UK house prices rose by 1.6% in Q1 2006, compared with 0.6% in Q1 2005, and 2.3% in Q4 2005.
- **Regionally** the Halifax data show that in Q1 2006, **annual** house price inflation was highest in Northern Ireland (29.8%), followed by the North West (9.4%) and lowest in the South West (1.7%), which compare with the all-UK figure of 1.6% (not seasonally adjusted; these regions are not aligned with the regions used by the ODPM, below).

Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
<i>average house prices, £</i>				
2005 Q1	160,724	156,647	161,913	118,863
Q2	164,413	159,942	165,467	121,115
Q3	167,808	163,459	168,718	125,064
Q4	169,445	163,293	170,389	127,922
2006 Q1	170,748	168,352	172,110	128,422
<i>% change over same period in previous year</i>				
2005 Q1	9.7	9.1	9.5	13.9
Q2	3.7	2.6	3.6	7.6
Q3	3.0	0.7	2.8	6.9
Q4	5.1	3.2	4.8	8.4
2006 Q1	6.2	7.5	6.3	8.0

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

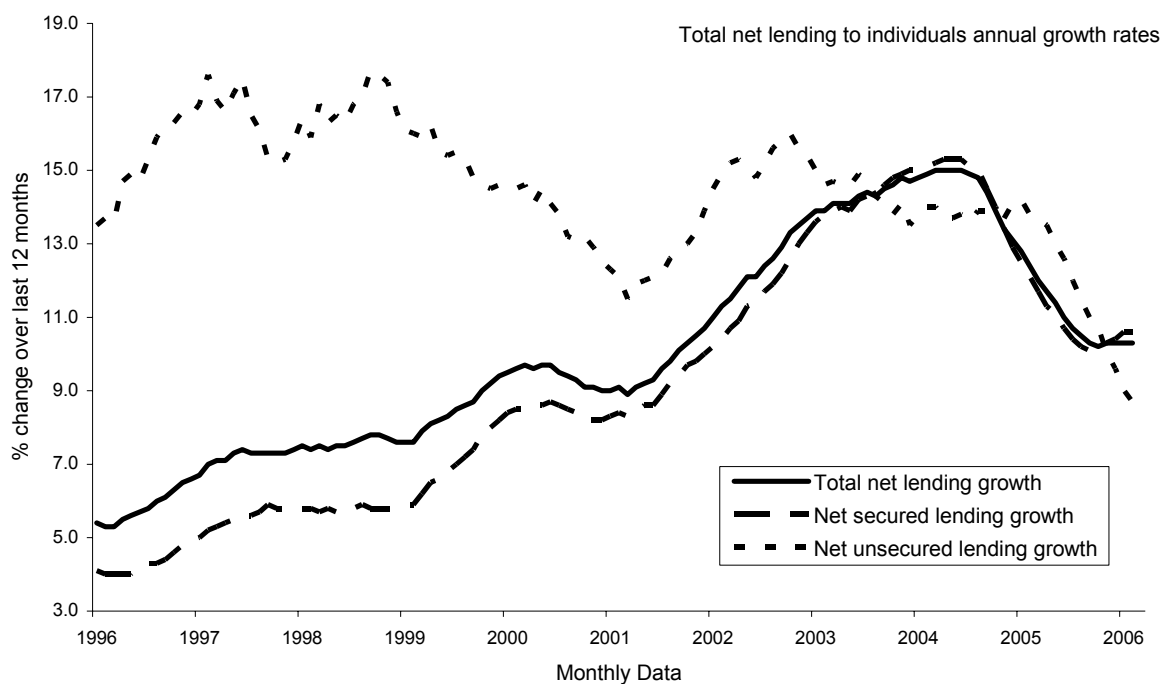
The ODPM's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average UK house price in February 2006 was £183,224 slightly higher than the January 2006 figure of £188,191. **Annual** house price inflation in February 2006 was 3.6% compared with 4.3% in January 2006.
- Regionally, **annual** house price inflation in February 2006 was highest in Northern Ireland (15.8%) and lowest in the East of England, where prices fell 0.9%.

Contact: Ian Townsend, x3977

Updates: Halifax, *House Prices*, early May; ODPM, *House Prices*, 15 May; ODPM, *House-building*, 19 May

F5: Consumer borrowing



[Source: Bank of England]

Net lending to individuals

£ millions and % changes on year; seasonally adjusted

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
2002 Feb	601,616	143,415	745,031	10.4	14.9	11.3
2003 Feb	689,707	154,742	844,449	13.8	14.6	13.9
2004 Feb	791,775	169,309	961,085	15.1	14.0	14.9
2005 Feb	888,537	185,217	1,073,755	12.1	13.8	12.4
May	910,764	187,943	1,098,707	11.1	13.0	11.4
Aug	932,522	190,166	1,122,688	10.2	11.5	10.5
Nov	956,511	191,720	1,148,231	10.3	10.0	10.3
2006 Feb	981,831	192,565	1,174,396	10.6	8.7	10.3

Source: Bank of England, series: VTY1, VTYO, VTYC, VTXK, VZRI, VZXC

- Total net outstanding lending to individuals was £1,174 billion at the end of February 2006 (seasonally adjusted).
- Total net lending to individuals grew by 0.8% in February 2006 compared with the previous month, and grew by 10.3% on an annual basis (all seasonally adjusted). This represents no change compared with the annualised rate for January 2006.
- Of the £9.5 billion increase in net lending in February 2006, £8.1 billion was mortgage borrowing and £1.4 billion was consumer credit (seasonally adjusted).

V Indicator sources

The table gives details of sources used in this paper. Office for National Statistics (ONS) releases are available from http://www.statistics.gov.uk/press_release/CurrentReleases.asp.

Indicator		Source details
A1	Gross Domestic Product	Office for National Statistics (ONS), releases: <i>Preliminary GDP Estimates</i> ; http://www.statistics.gov.uk/statbase/Product.asp?vlnk=406 <i>Quarterly National Accounts</i> http://www.statistics.gov.uk/statbase/Product.asp?vlnk=818 <i>UK output, income & expenditure</i> ; http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1129 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
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>

Indicator		Source details
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
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> ; http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=1118
E2	Trade in Goods	Data: ONS Database; Commentary: ONS, <i>UK Trade</i> ; http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1119
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: GfK NOP; http://www.gfknop.co.uk
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	Office of the Deputy Prime Minister (ODPM) UK Housing Starts: table 201; http://www.odpm.gov.uk/index.asp?id=1156032 ; ODPM House building statistics: statistical release; http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_023765.hcsp Halifax House Price data: housing research page; http://www.hbosplc.com/economy/HousingResearch.asp ODPM Experimental House Prices: statistical release; http://www.odpm.gov.uk/index.asp?id=1156181
F5	Consumer Debt	Bank of England Lending to Individuals http://www.bankofengland.co.uk ; 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

Definitions²²

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.

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

²² Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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. $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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.