



RESEARCH PAPER 07/69
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Economic Indicators, October 2007

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:

National Minimum Wage statistics

Next publication date: **6 November 2007**

Bryn Morgan (editor)

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 V.

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	Grahame Allen	3977
EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Edward Beale	2464
Financial services	Ed Potton	2883
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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

Pre-Budget Report and Comprehensive Spending Review

The 2007 Pre-Budget Report (PBR) will be presented on Tuesday 9 October, alongside the Comprehensive Spending Review (CSR). This is a change from previous years when the PBR has been published in November or December. Alistair Darling, the Chancellor of the Exchequer, had announced in a Written Statement on 25 July that the PBR and the CSR would be presented to the House of Commons in a single statement in October.

The 2007 Budget announced public spending totals for the spending review period: 2008/09, 2009/10 and 2010/11. Public spending will grow more slowly over this period than in recent years. The CSR will provide more detail on the Government's spending plans. The PBR will update the Treasury's forecasts for the economy and the public finances. Two new standard notes on the Parliamentary Intranet give more background:

SN/EP/4459 [Background to the 2007 Pre-Budget Report](#)

SN/EP/4053 [The 2007 Comprehensive Spending Review](#)

Northern Rock and the "credit crunch"

The past few months have seen significant volatility in financial markets. The catalyst for this was a continuing deterioration in the US housing market and increasing default rates on sub-prime mortgages. Through a complex chain of events, this led to a reluctance of banks to lend to each other. In the UK, this caused particular problems for the Northern Rock bank which struggled to borrow enough money to fund its mortgage lending. The announcement that the Bank of England would make emergency assistance available to the UK's fifth largest mortgage lender, conversely, prompted savers to rush to withdraw deposits and to queues at branches. On September 17, the Chancellor announced that existing deposits at Northern Rock would be guaranteed, and the queues disappeared.

It will be some time before the impact of this becomes clear. Some forecasters have already revised down their 2008 forecasts of GDP. The Centre for Economic and Business Research now forecast GDP growth of 1.4% for 2008, compared with 2.2% previously. The Chancellor has also stated that there will "undoubtedly be an effect" on growth in the UK. New Treasury forecasts will be published with the Pre-Budget Report on Tuesday and the Treasury's comparison of independent forecasts is published on 17 October.

In the US, the reaction of the Federal Reserve was to cut the interest rate by 50 basis points. This has not happened in the UK; the Monetary Policy Committee has maintained interest rates at 5.75% at each of its past three meetings. In August and September this decision was unanimous; the minutes of October's meeting are published on 17 October.

There is some evidence from the GfK/NOP survey of a fall in consumer confidence over the course of September.

National Minimum Wage

The National Minimum Wage (NMW) was introduced on 1 April 1999 and was most recently updated on 1 October 2007. This month's article looks at the impact of the NMW.

III National Minimum Wage statistics

On 1 October 2007, the National Minimum Wage (NMW) for workers in the UK aged 22 and over increased from £5.35 to £5.52 per hour. The rate for those aged 18-21 increased from £4.45 to £4.60 per hour while the development rate for 16-17 year olds increased from £3.30 to £3.40 per hour.⁴

Table 1 below summarises NMW levels since its introduction in April 1999. Comparisons with changes in earnings growth upon each up-rating of the NMW are also provided.

Table 1

National Minimum Wage rates

	16-17 year olds (a)		18-21 year olds		Aged 22 and over		Average earnings growth (% change)(b)
	£ per hour	% change on year	£ per hour	% change on year	£ per hour	% change on year	
Apr 1999	..	..	£3.00	..	£3.60	..	..
Jun 2000	..	..	£3.20	6.7%	£3.60	0.0%	5.0%
Oct 2000	..	..	£3.20	0.0%	£3.70	2.8%	2.2%
Oct 2001	..	..	£3.50	9.4%	£4.10	10.8%	3.8%
Oct 2002	..	..	£3.60	2.9%	£4.20	2.4%	3.9%
Oct 2003	..	..	£3.80	5.6%	£4.50	7.1%	3.8%
Oct 2004	£3.00	..	£4.10	7.9%	£4.85	7.8%	4.5%
Oct 2005	£3.00	0.0%	£4.25	3.7%	£5.05	4.1%	3.3%
Oct 2006	£3.30	10.0%	£4.45	4.7%	£5.35	5.9%	4.2%
Oct 2007	£3.40	3.0%	£4.60	3.4%	£5.52	3.2%	4.2%

Notes: (a) The 16-17 year old development rate was first introduced in October 2004.

(b) Based on whole economy Average Earnings Index including bonuses (GB); 2007 data are based on the median of economic forecasts for earnings growth in August 2007 as published by HM Treasury.

Sources: Department of Trade and Industry, ONS database series LNMQ, HM Treasury, Forecasts for the UK economy and Library calculations

The rates for both 18-21 year olds and those aged 22 and over have now increased by 53% since their introduction. Over the same period, average earnings have increased by 39.9%.

A. Impact of the NMW

Upon its introduction, the Government estimated that the NMW would benefit 1.2 million workers. It is estimated that 1.0 million workers will benefit from the October 2007 up-rating. This comprises 20,000 16-17 year olds; 110,000 18-21 year olds, and 900,000 workers aged 22 and over.⁵ Table 2 below summarises the number of beneficiaries of the NMW by region and country of the UK when the NMW was introduced. It also shows the number who benefited from the October 2006 up-rating and the number who stand to benefit from the October 2007 up-rating. The highest proportion of all workers estimated to benefit from the 2007 up-rating is in the North East and Northern Ireland (both 5.1%).

⁴ Some individuals on Apprenticeships and other Government training schemes remain exempt from the NMW.

⁵ These data are based on 1p pay bands from the ONS ASHE and take account of actual and forecast average earnings growth between the period Spring 2006 and October 2007.

Table 2

National Minimum Wage beneficiaries by region

	April 1999		October 2006 (a)		October 2007 (b)	
	Level	% of all workers	Level	% of all workers	Level	% of all workers
East Midlands	110,000	5.6%	110,000	5.1%	90,000	4.3%
Eastern	90,000	3.5%	110,000	4.0%	90,000	3.3%
London	80,000	2.4%	90,000	2.4%	70,000	1.9%
North East	80,000	7.8%	80,000	6.9%	60,000	5.1%
North West	140,000	4.7%	170,000	5.3%	130,000	4.1%
South East	120,000	3.0%	120,000	2.9%	100,000	2.4%
South West	110,000	4.7%	120,000	4.8%	90,000	3.6%
West Midlands	120,000	5.0%	150,000	6.0%	110,000	4.4%
Yorkshire & Humber	130,000	5.9%	140,000	5.9%	100,000	4.2%
Northern Ireland	40,000	5.8%	20,000	2.6%	40,000	5.1%
Scotland	110,000	4.8%	140,000	5.6%	110,000	4.3%
Wales	60,000	4.9%	80,000	6.0%	50,000	3.7%
United Kingdom	1,200,000	4.4%	1,320,000	4.5%	1,040,000	3.6%

Notes: (a) These data are based on 10p pay bands from the ONS ASHE and take account of actual and forecast average earnings growth between the period April 2005 and October 2006; uprating from £3.00 to £3.30 for 16-17 year olds, £4.25 to £4.45 for 18- 21 year olds and from £5.05 to £5.35 for those 22 and over. ASHE 1p pay bands measure number of jobs; therefore beneficiaries calculated assuming workers do not hold more than one job at the NMW.

(b) These data are based on 10p pay bands from the ONS ASHE and take account of actual and forecast average earnings growth between the period Spring 2006 and October 2007; uprating from £3.30 to £3.40 for 16-17 year olds, £4.45 to £4.60 for 18- 21 year olds and from £5.35 to £5.52 for those 22 and over. ASHE 1p pay bands measure number of jobs; therefore beneficiaries calculated assuming workers do not hold more than one job at the NMW.

Sources: DTI analysis of ONS central estimates from the New Earning Survey and Labour Force Survey (1999 data only)

DTI estimates based on ONS' Annual Survey of Hours and Earnings 2005 & 2006; ONS, Labour Force Survey, October 2006 and May 2007

Furthermore, 660,000 women stand to benefit from the October 2007 up-rating; almost two-thirds of all beneficiaries.⁶

B. Estimates of individuals paid below the NMW

It is estimated that 385,000 employee jobs in the UK paid the NMW in April 2006,⁷ while a further 336,000 paid below its level.⁸ Estimates of jobs paid below the minimum wage disaggregated by region are provided in the table below.⁹

⁶ <http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=269285&NewsAreaID=2>

⁷ HC Deb 18 April 2007 c692W

⁸ ONS, *Low Pay Estimates*, Spring 2006

⁹ The estimates for 1999 are produced using the average of estimates produced using the LFS and the ASHE to which the methodology developed in 2004 has been applied. Because these estimates are partly based on LFS data, the standard LFS policy for suppression of earnings estimates has been used. LFS earnings estimates of less than 30,000 people are not published because they have a 95% confidence interval of roughly +/- 12,000, i.e. 40% of the size of the estimate. This threshold should be borne in mind when using and interpreting the data in the table. For 2004 and later years estimates are based on ASHE data only. The ASHE methodology allows publication of smaller estimates than the old low pay methodology. Estimates are published as long as the coefficient of variation (the standard deviation of the estimate divided by the estimate itself) is 20% or less.

Table 3

Estimates of UK jobs paid below minimum wage by Government Office Region

	1999 (a)		2005 (b)		2006 (c)	
	Level (000s)	% of all workers	Level (000s)	% of all workers	Level (000s)	% of all workers
East Midlands	40	2.3%	23	1.3%	29	1.6%
Eastern	40	2.0%	26	1.2%	33	1.4%
London	30	1.2%	20	0.6%	23	0.7%
North East	..	..	16	1.6%	16	1.6%
North West	50	1.9%	38	1.4%	36	1.3%
South East	60	1.8%	32	0.9%	41	1.2%
South West	40	2.0%	32	1.5%	33	1.6%
West Midlands	60	2.7%	30	1.3%	33	1.4%
Yorkshire & Humber	50	2.6%	28	1.3%	27	1.3%
Northern Ireland	..	..	12	1.8%	10	1.3%
Scotland	40	2.1%	36	1.6%	41	1.8%
Wales	..	..	16	1.5%	15	1.3%
All	490	2.1%	308	1.2%	336	1.3%

Notes: (a) Number of jobs paid at less than £3.00 per hour (aged 18-21) or £3.60 per hour (aged 22 and over).

(b) Number of jobs paid at less than £3.00 per hour (aged 16-17) or £4.10 per hour (aged 18-21) or £4.85 per hour (aged 22 and over).

(c) Number of jobs paid at less than £3.00 per hour (aged 16-17) or £4.25 per hour (aged 18-21) or £5.05 per hour (aged 22 and over)

.. Denotes sample size too small for reliable estimate.

Sources: ONS, Labour Force Survey (1999 only); ONS, Annual Survey of Hours and Earnings

C. Enforcement of the NMW

The incidence of non-compliance found during HMRC investigations fell in 2005/06 to 32% from 35% in 2004/05 (and 39% in 2003/04). In its 2007 report on the NMW, the Low Pay Commission found that the total arrears identified by HMRC have varied between years: arrears totalling just over £2.5 million were identified in 2003/04, rising to nearly £3.8 million in 2004/05, however, they subsequently fell in 2005/06 to just below £3.3 million.¹⁰ The report also noted that the average arrears per worker in 2005/06 was £130, lower than in the previous two years. This was primarily due to an increase in the number of workers involved in the cases where non-compliance was found; there were 2,211 cases of employer non-compliance found in 2003/04 involving a total of 9,428 workers, compared with 1,582 cases in 2005/06 involving 25,314 workers.¹¹ The table below summarises the number of NMW compliance cases closed where non-compliance was identified.¹²

¹⁰ Low Pay Commission, *National Minimum Wage: Low Pay Commission Report 2007*, March 2007, p221

¹¹ *ibid.*

¹² Table note: In the majority of cases the employer pays any minimum wage arrears without the need for any formal enforcement action. Where arrears are not paid, an enforcement notice will be issued setting out the arrears that are considered to be due. An employer will then have 28 days to lodge an appeal and subsequently have his case heard before an employment tribunal. If the appeal is not upheld or the enforcement notice has not been appealed against, the arrears become due. Where appropriate, a penalty notice can be issued for failure to comply with the enforcement notice. Source: HC Deb 31 October 2005 c711

Table 4

NMW non-compliance and enforcement

	Cases closed where non-compliance was found	Enforcement notices issued during the year	Penalty notices issued during the year
1999/00	1,280	136	1
2000/01	2,119	213	61
2001/02	1,937	61	65
2002/03	1,996	26	6
2003/04	2,211	45	3
2004/05	1,798	32	0
2005/06	1,582	81	1
2006/07	1,523	..	..

Note: .. Denotes data not yet published.

Sources: HC Deb 31 October 2005 c711; HC Deb 24 May 2007 c1429W

In August 2007, the first National Minimum Wage criminal prosecution case resulted in a children's nursery owner being fined £2500 and £500 costs. The prosecution was for the charge of obstruction under the *National Minimum Wage Act 1998* whereby HMRC compliance officers had been prevented from accessing staff records to determine whether workers at the nursery received the NMW.¹³

D. Reaction to the up-rating and future consultation

The annual up-rating of the NMW prompts a range of varying responses from employers, unions and business groups. The TUC General Secretary Brendan Barber welcomed the 2007 increase, however, he believed it could have been more and urged for a larger increase in 2008. He also expressed concern that many employees would not necessarily see the benefits of the NMW up-rating:¹⁴

[...] because of the actions of mean, penny-pinching employers, many people who should see the benefit of Monday's increase, will be cheated out of the minimum wage by their employer. The Government has already announced tougher penalties for employers who pay illegal poverty wages, but more must be done to make sure that every worker in the UK can get their rights.

Additionally, the Institute of Public Policy Research (IPPR) echoed previous calls for a system of regional minimum wages to reflect variations in regional average earnings and the cost of living; specifically the IPPR called for a higher minimum wage for London of £6.50.¹⁵

The CBI welcomed the relatively low increase in the NMW; its deputy Director-General, John Cridland, commented that recent rises in the NMW had exceeded average earnings growth causing it to have a disproportionate impact in sectors such as retail and hospitality, and undermining pay and employment policies within many firms.¹⁶ The manufacturers'

¹³ HMRC Press Release, "National Minimum Wage - First criminal prosecution", 28 August 2007

¹⁴ TUC Press Release, "More money and new holiday for millions of workers from next week", 27 September 2007

¹⁵ IPPR Press Release, "London should have £6.50 minimum wage", 1 September 2007

¹⁶ "CBI backs 3.2% rise in minimum wage", *Financial Times*, 8 March 2007

organisation EEF again called for future rates rises to be directly linked to a formula based on average earnings growth:¹⁷

We are pleased that the Government has recognised the additional costs that many employers paying the NMW will face when statutory annual holiday entitlement increases in October 2007. Whilst manufacturers will welcome this modest increase in the NMW, they continue to believe that future increases should be based on a pre-determined formula.

They are disappointed that, yet again, the Government has missed the opportunity to provide them with greater certainty about the future impact of the NMW on their businesses which would enable them to plan accordingly.

The British Retail Consortium (BRC) published new research to coincide with the October 2007 up-rating which estimated that the 2006 up-rating “cost retailers £1.7 billion, 13 per cent more than expected” partially because of employers trying to maintain pay differentials.¹⁸ Whilst welcoming the lower increase in 2007, the BRC also called for future increases to be linked to increases in average earnings.

The LPC has been asked by the Government to prepare a report by the end of February 2008 on a range of issues relating to the NMW including recommendations for future rate levels.¹⁹ The consultation closed on 28 September 2007.

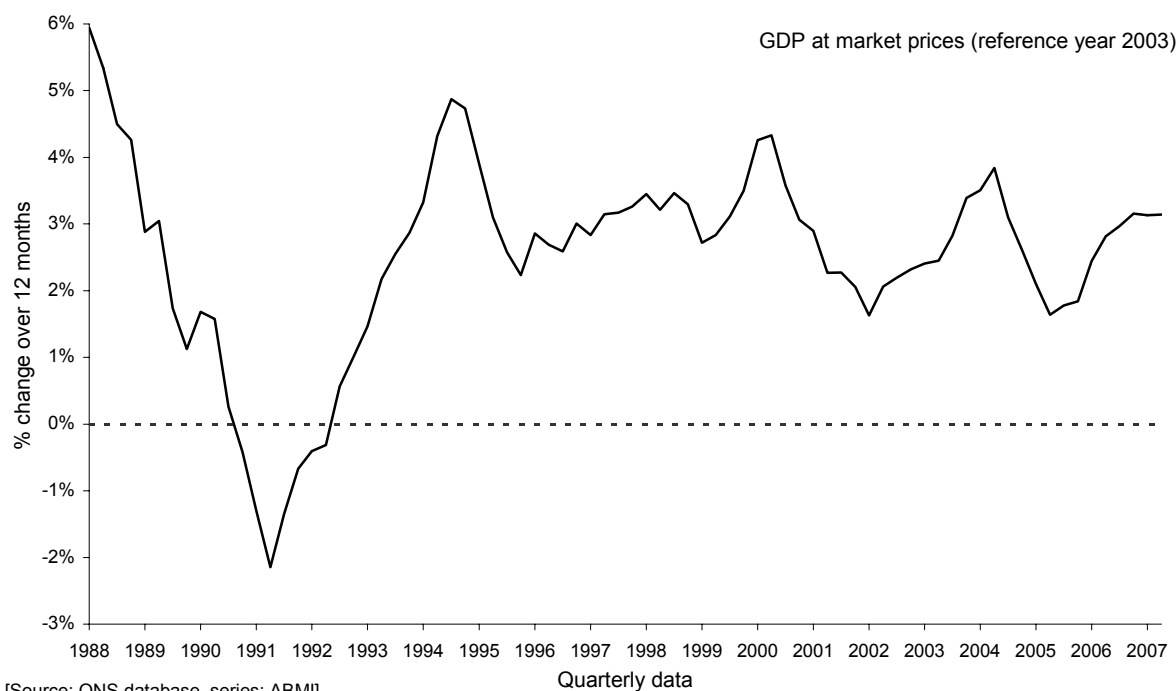
Edward Beale
Economic Policy and Statistics Section

¹⁷ EEF Press Release, “Modest increase in National Minimum Wage welcomed but case for pre-determined formula remains say manufacturers”, 8 March 2007

¹⁸ BRC Press Release, “Minimum Wage Adds £1.7 Billion to Retail Wage Bill”, 1 October 2007

¹⁹ The Low Pay Commissions new Terms of Reference are available at:
<http://www.lowpay.gov.uk/lowpay/TOR.doc>

A1: Gross Domestic Product



Gross Domestic Product at market prices

£ billion & %; seasonally adjusted

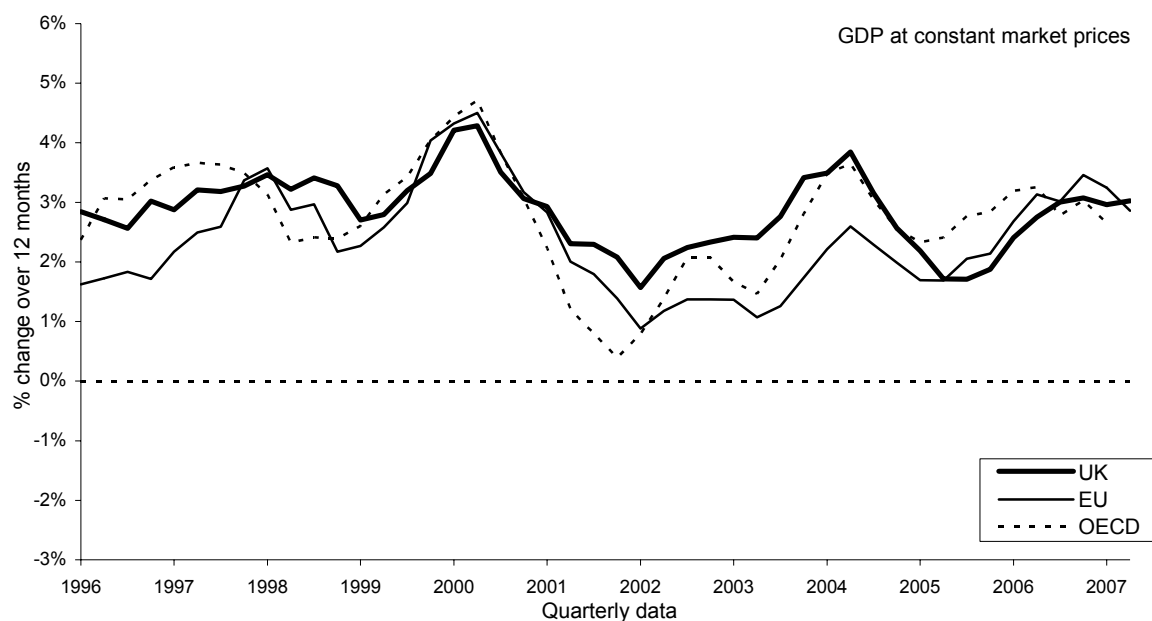
	Current prices		Chained volume (reference year 2003)
	£ billion	% change on year	% change on year
2003	1,118.2	5.9	2.8
2004	1,184.3	5.9	3.3
2005	1,234.0	4.2	1.8
2006	1,301.9	5.5	2.8
2006 Q2	321.9	4.7	2.8
Q3	329.0	6.6	3.0
Q4	332.9	6.0	3.2
2007 Q1	337.9	6.2	3.1
Q2	344.3	7.0	3.1

- The UK economy is estimated to have grown by 2.8% in 2006, compared with 1.8% in 2005.
- The chained volume measure of gross domestic product (GDP) at market prices was 0.8% higher in Q2 2007 than in the previous quarter (Q1 2007). Compared with the same quarter in the previous year (Q2 2007 on Q2 2006) this measure of GDP was 3.1% higher.
- In September 2007, HM Treasury's average of independent economic forecasts of GDP growth in 2007 was 2.9%, up from 2.8% in August. The average growth forecast for 2008 was 2.2% in September, down from 2.3% in August.

Contact: Grahame Allen, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 17 Oct; ONS, *UK output, income & expenditure*, 19 Oct

A2: GDP: International Comparisons



[Source: OECD, *Main Economic Indicators*, Sep 2007]

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter					
					2006				2007	
	2003	2004	2005	2006	Q1	Q2	Q3	Q4	Q1	Q2
USA	2.4	3.6	3.1	2.9	1.2	0.6	0.3	0.5	0.2	0.9
Japan	1.5	2.7	1.8	2.3	0.6	0.4	0.1	1.3	0.8	0.1
Canada	1.8	3.1	3.1	2.7	0.9	0.3	0.3	0.3	0.9	0.8
United Kingdom	2.8	3.3	1.8	2.8	0.8	0.8	0.7	0.8	0.7	0.8
Germany	-0.2	1.1	0.8	2.8	0.9	1.3	0.8	0.9	0.6	0.3
France	1.1	2.5	1.7	1.9	0.6	0.9	0.1	0.4	0.5	0.4
Italy	0.1	1.2	0.1	1.8	0.8	0.6	0.4	1.0	0.3	0.2
Eurozone	0.8	1.8	1.5	2.9	0.9	0.9	0.6	0.8	0.7	0.4
G7	1.8	3.0	2.2	2.6	1.0	0.6	0.4	0.7	0.4	0.7
OECD	1.9	3.2	2.5	3.1	1.0	0.8	0.4	0.8	0.6	..

Source: OECD, *Main Economic Indicators*, Sep 2007

- All of the largest economies in the OECD recorded positive growth in the second quarter of 2007. Annual UK GDP growth was 2.8% in 2006 compared with overall OECD growth of 3.1%.
- Historic annual growth in the eurozone has been weaker than growth in all OECD countries and the G7. However, in 2006 eurozone growth was 2.9%, higher than G7 growth of 2.6%.
- UK growth is forecast to be 2.7% in 2007 compared with 2.1% in the US and 2.4% in Japan. Overall OECD growth is forecast to be 2.7% in 2007.

OECD growth forecasts

% change on year	2006	2007	2008
USA	3.3	2.1	2.5
Japan	2.2	2.4	2.1
United Kingdom	2.8	2.7	2.5
Eurozone	2.8	2.7	2.3
OECD	3.2	2.7	2.7

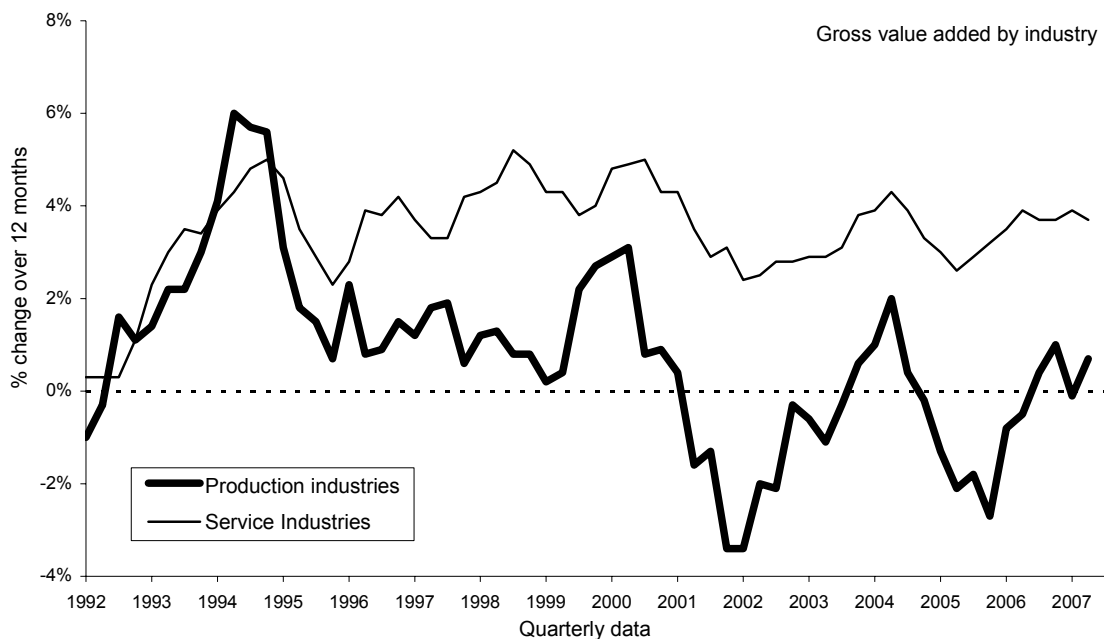
Source: OECD, *Economic Outlook*, May 2007

Contact: Edward Beale, x2464

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

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 3.6%. Between the first quarter of 2007 and the second quarter of 2007 annual output growth in the service sector decreased by 0.2%.

Gross value added at current basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
2003	-0.3	0.2	3.2	-2.1	4.7
2004	0.8	2.0	3.9	-1.0	4.0
2005	-2.0	-1.2	2.9	4.4	1.5
2006	0.0	1.3	3.6	2.8	1.1
2006 Q2	-0.5	1.2	3.9	3.0	-0.3
Q3	0.4	1.8	3.7	2.7	1.9
Q4	1.0	2.7	3.7	1.3	3.1
2007 Q1	-0.1	1.0	3.9	2.1	2.7
Q2	0.7	1.1	3.7	1.8	3.5

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

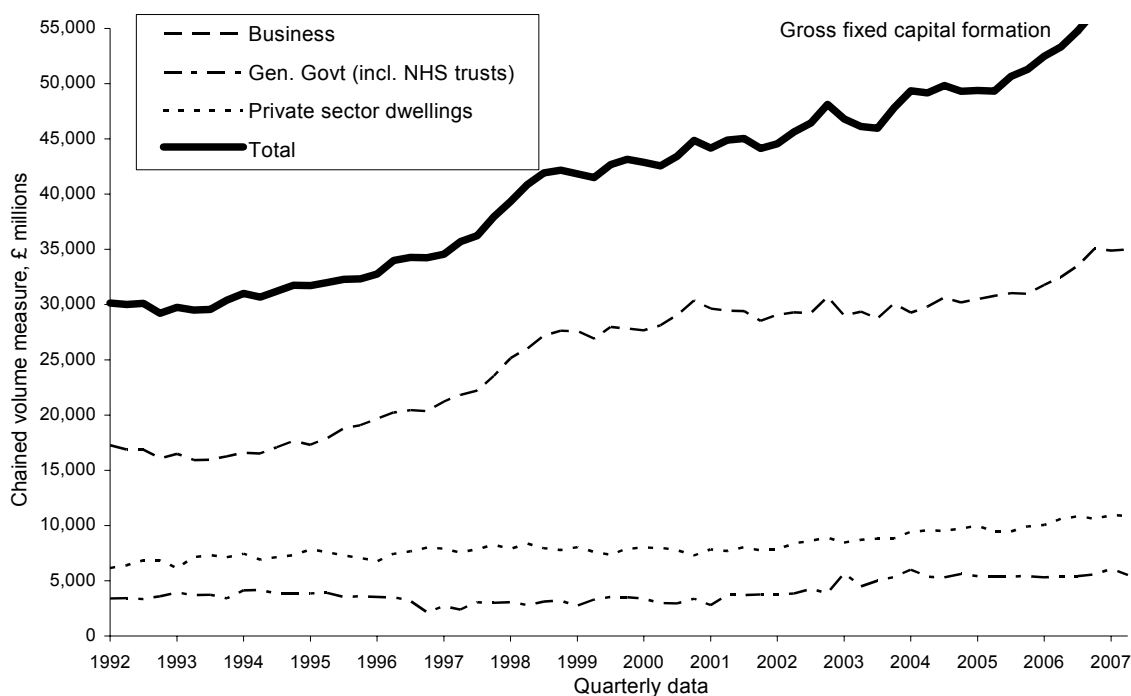
- Manufacturing output increased by 1.1% in the second quarter of 2007 compared with the same quarter in 2006, and manufacturing output increased by 1.3% overall in 2006.
- In 2005, services accounted for 75% of gross value added, manufacturing for 14%, other production industries (mining & quarrying, and electricity, gas & water supply) for 5%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *Quarterly National Accounts*–Q2, 19 Oct

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 graph excludes the effect of the exceptional transfer of nuclear reactors as this distorts the figures.



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

Gross fixed capital formation

£ million; Chained volume measures, reference year 2003; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
2003	15,592	54,441	64,355	38,462	13,850	186,700
2004	14,706	58,817	68,135	41,541	14,457	197,655
2005	14,908	58,839	70,493	42,337	14,077	200,654
2006	15,368	63,810	77,016	45,932	14,960	217,085
2006 Q2	3,917	15,433	18,849	11,455	3,651	53,305
Q3	3,798	16,185	19,183	11,836	3,764	54,766
Q4	4,183	16,760	20,255	11,539	3,818	56,553
2007 Q1	4,000	17,478	19,977	11,830	3,885	57,170
Q2	3,919	16,926	20,042	11,880	3,868	56,635

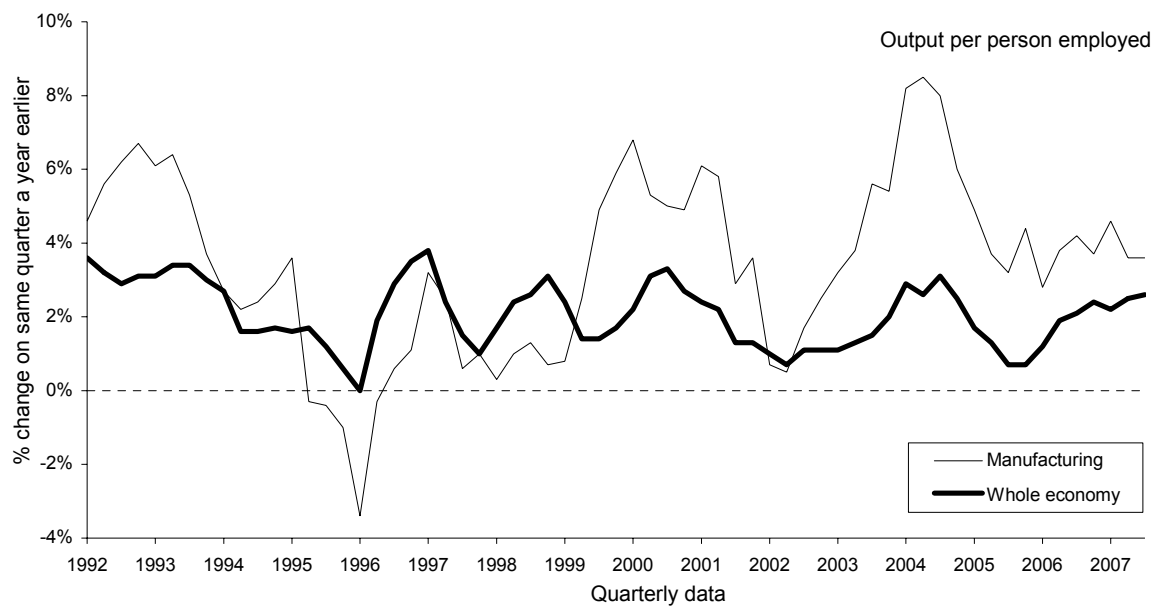
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 0.4% in Q2 2007 compared with the previous quarter, and increased by 7.8% compared with Q2 2006 on a seasonally adjusted basis.
- Total manufacturing investment decreased by 6.0% in Q2 2007 compared with the previous quarter while investment in private sector services increased by 0.8% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 22 Nov

A5: Productivity



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

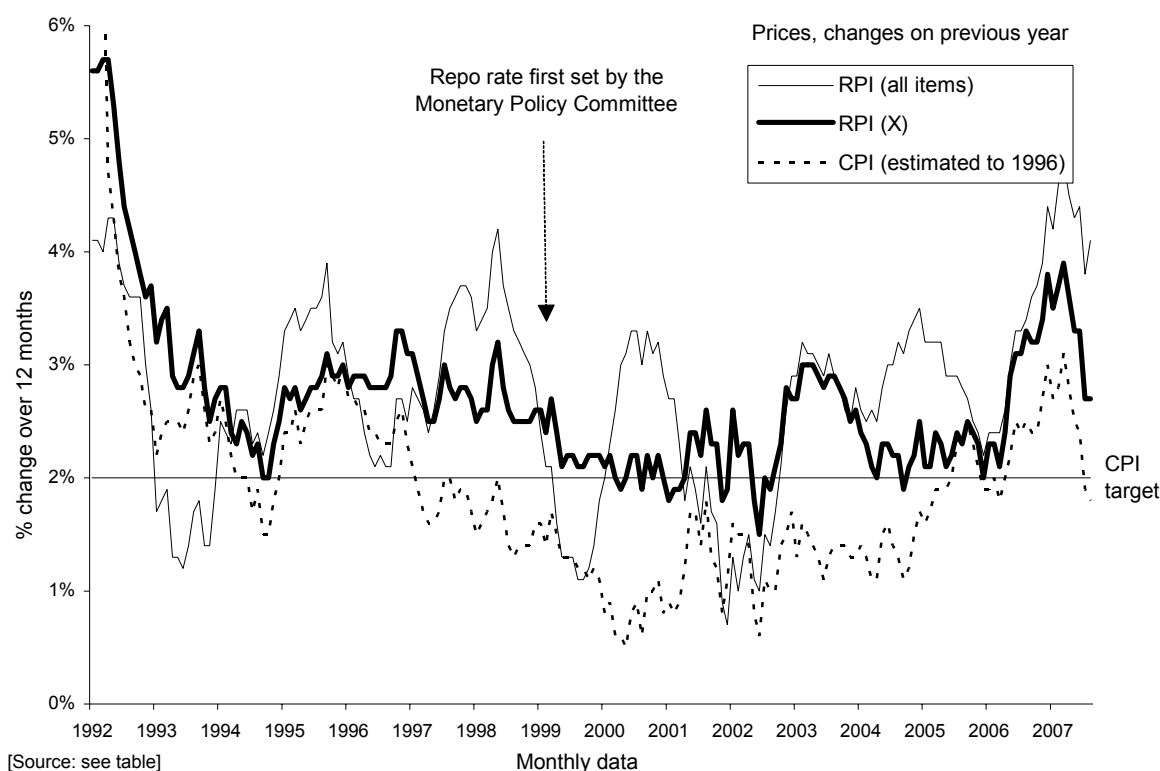
Productivity

% changes on year; seasonally adjusted

	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2004	2.0	-4.5	6.8	3.3	0.8	2.5
2005	-1.2	-4.5	3.5	1.9	0.9	1.0
2006	1.3	-2.6	4.1	2.9	0.7	2.1
2006 Q2	1.2	-2.9	4.2	2.8	0.7	2.1
Q3	1.8	-1.9	3.7	3.0	0.6	2.4
Q4	2.7	-1.9	4.6	3.2	0.9	2.2
2007 Q1	1.0	-2.5	3.6	3.1	0.7	2.5
Q2	1.1	-2.4	3.6	3.2	0.6	2.6

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 2.1% in 2006 compared with 1.0% in 2005 and 2.5% in 2004.
- In 2006, manufacturing output increased by 1.3% and employment in manufacturing fell by 2.6%, while manufacturing output per head rose by 4.1%.
- Productivity growth in manufacturing remained at 3.6% per annum in Q2 2007 compared with the previous quarter, while whole economy productivity growth increased from 2.5% per annum in Q1 2007 to 2.6% per annum in Q2 2007.
- For the economy as a whole, productivity growth has averaged 2.0% per annum over the last eight quarters.

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 August, the consumer prices index (CPI) showed inflation at 1.8%, down from 1.9% in July.
- The largest downward effect on the CPI came from miscellaneous goods and services, mainly due to reductions in the cost of financial services with some lenders cutting or eliminating their mortgage exit administration fees in light of the Financial Services Authority Statement of Good Practice for these charges. Further large downward contributions came from housing and household services, and clothing and footwear. The largest upward contribution on the CPI annual rate came from recreation and culture.
- The former headline (all items RPI) rate of inflation was 4.1% in August, up from 3.8% in July. The underlying RPI(X) remained unchanged at 2.7% in August.
- The largest upward effect on the RPI came from housing, mainly due to an increase in average mortgage interest payments. The largest downward effect came from fuel and light.

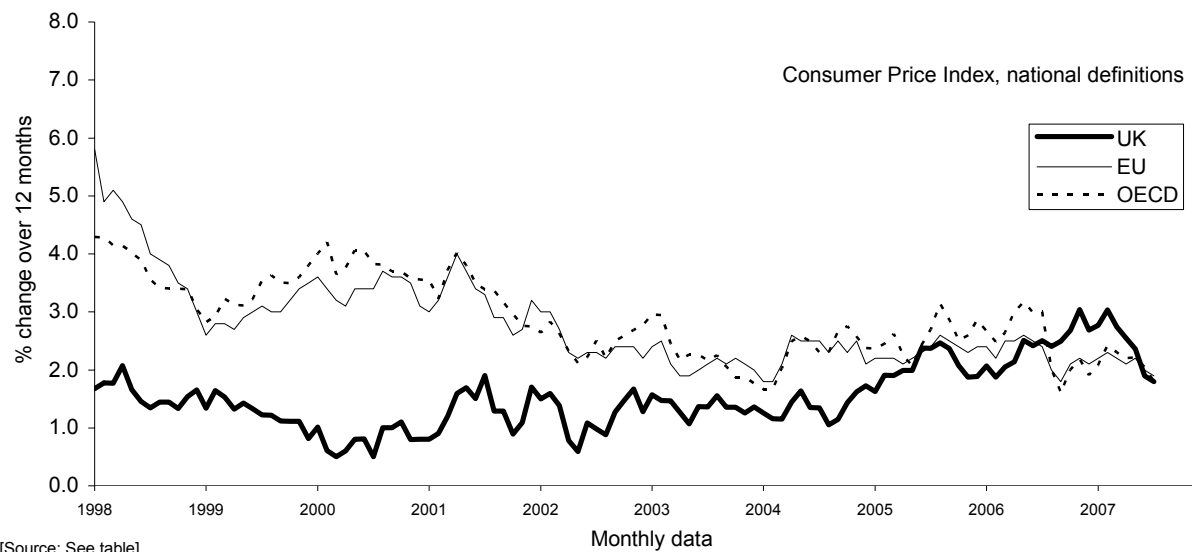
Price Indices

% change over 12 months

	CPI (was HICP)	RPI (all items)	RPI (X)
2003	1.4	2.9	2.8
2004	1.3	3.0	2.2
2005	2.1	2.8	2.3
2006	2.3	3.2	2.9
2006 Aug	2.5	3.4	3.3
Sep	2.4	3.6	3.2
Oct	2.4	3.7	3.2
Nov	2.7	3.9	3.4
Dec	3.0	4.4	3.8
2007 Jan	2.7	4.2	3.5
Feb	2.8	4.6	3.7
Mar	3.1	4.8	3.9
Apr	2.8	4.5	3.6
May	2.5	4.3	3.3
Jun	2.4	4.4	3.3
Jul	1.9	3.8	2.7
Aug	1.8	4.1	2.7

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

B2: Prices: International Comparisons



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

- Inflation in the United States was 2.0% in August, a fall of 0.7 percentage points over two months. The rate for 2006 was 3.3%, 0.1 points down on 2005.
- The average for all OECD countries the average inflation rate fell to 1.8%.
- By this measure, the EU average inflation rate (not shown in the table, but in the chart above), also fell, to 1.9%.

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
2003	2.2	-0.3	2.8	1.4	2.4
2004	2.7	0.0	1.9	1.3	2.2
2005	3.4	-0.3	2.3	2.1	2.6
2006	3.3	0.3	2.0	2.3	2.5
2007 Mar	2.8	-0.1	2.3	3.0	2.4
Apr	2.6	0.0	2.2	2.7	2.3
May	2.7	0.0	2.2	2.6	2.2
Jun	2.7	-0.2	2.2	2.4	2.2
Jul	2.4	0.0	2.2	1.9	2.0
Aug	2.0	-0.2	1.7	1.8	1.8

Source: OECD, Consumer Prices Release

Eurozone inflation

harmonised indices (HICPs); % change over 12 months

	France	Germany	Italy	UK	Eurozone
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
2006	1.9	1.8	2.2	2.3	2.2
2007 Mar	1.2	2.0	2.1	3.1	1.9
Apr	1.3	2.0	1.8	2.8	1.9
May	1.2	2.0	1.9	2.5	1.9
Jun	1.3	2.0	1.9	2.4	1.9
Jul	1.2	2.0	1.7	1.9	1.8
Aug	1.3	2.0	1.7	1.8	1.7

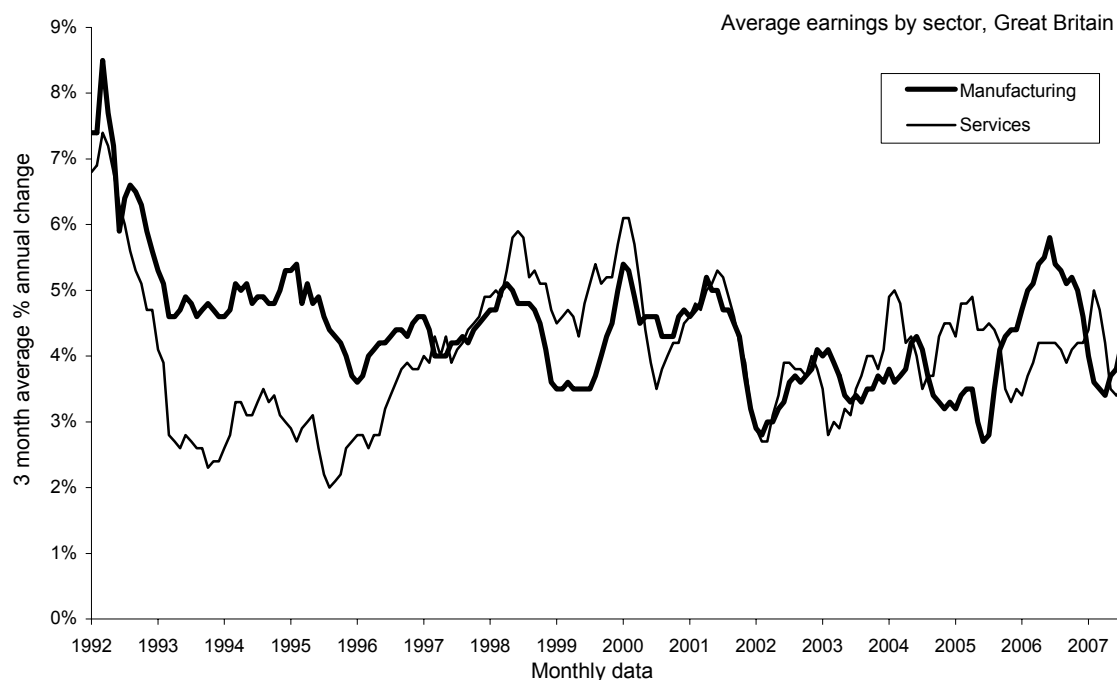
Source: Eurostat, Euro-Indicators news release, Sep 2007

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

- In August 2007, Eurozone annual inflation fell to 1.7%. The "flash" estimate for September is 2.1%
- The HICP inflation rates for the EU15 Member States not in the eurozone were 0.9% in Denmark, 1.2% in Sweden and 1.8% in the UK.
- The eurozone countries with the highest HICP annual inflation rates were Slovenia (3.4%), Greece (2.7%) and Ireland (2.3%). The lowest rates were in the Netherlands (1.1%) and Belgium (1.2%).

Contact: Bryn Morgan, x4904

Updates: OECD, consumer prices release, 30 Oct
Eurostat, *Euro-indicators news release*, 16 Oct

B3: Average Earnings Index

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

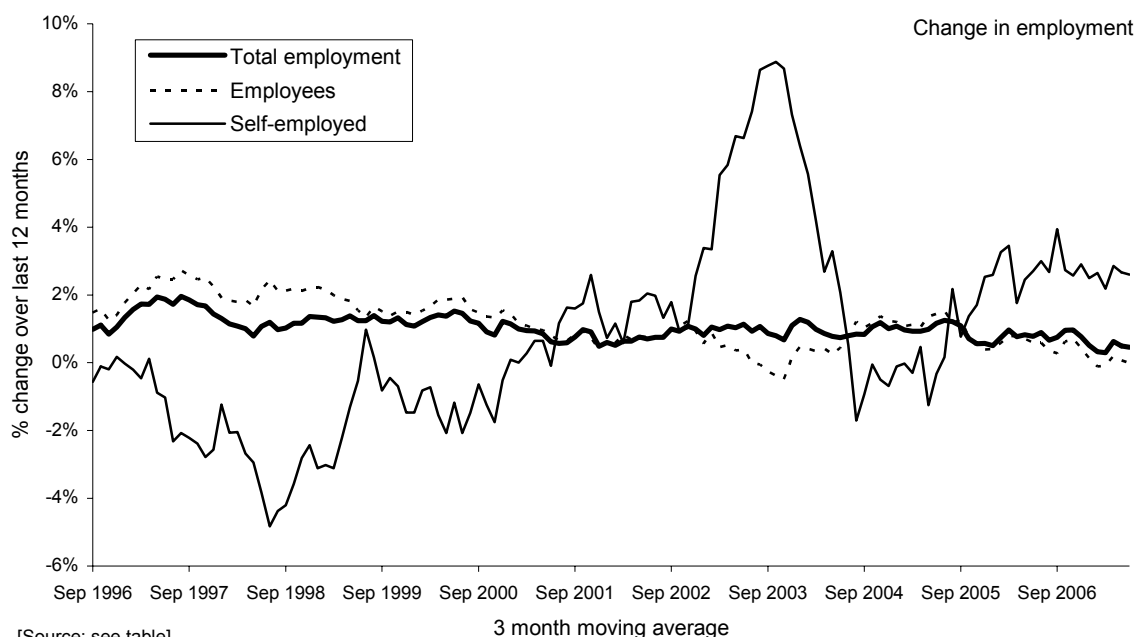
- The headline rate of growth in average earnings for the whole economy in July was 3.5%, up from 3.4% in June.
- Headline average earnings growth in manufacturing was 4.2% in July, up from 3.8% in June. Earnings growth in the service sector was 3.5% in July, up from 3.4% in the previous month.
- Headline earnings growth in the private sector was 3.7% in July, compared with 2.7% in the public sector. Earnings growth in the private sector was up compared with June from 3.5% while growth in the public sector was at its lowest rate since May 1998 having fallen from 3.1% in June.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in July 2006 was 4.4%).
- In the year to July, the consumer price index showed inflation below the rate of earnings growth at 1.9%. 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
2003 Jul	3.4	3.0	5.1
2004 Jul	3.9	3.8	4.2
2005 Jul	4.2	3.9	5.4
2006 Jul	4.4	4.5	3.8
Aug	4.2	4.3	3.7
Sep	3.9	4.0	3.6
Oct	4.1	4.2	3.3
Nov	4.1	4.3	3.2
Dec	4.0	4.2	3.2
2007 Jan	4.2	4.4	3.2
Feb	4.6	4.9	3.2
Mar	4.5	4.8	3.1
Apr	4.1	4.3	3.1
May	3.5	3.6	3.1
Jun	3.4	3.5	3.1
Jul	3.5	3.7	2.7

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
2003 Jun	28,201	24,442	3,568	100	91
2004 Jun	28,410	24,549	3,642	89	129
2005 Jun	28,740	24,902	3,630	97	112
2006 Jun	28,964	25,046	3,728	100	90
2006 Sep	29,005	25,008	3,800	97	99
2006 Dec	29,022	24,993	3,826	100	103
2007 Mar	29,012	24,975	3,832	104	101
2007 Jun	29,096	25,045	3,825	107	120

Changes (%):

on last 3 months	0.3	0.3	-0.2	3.1	18.7
on last year	0.5	0.0	2.6	6.6	33.5

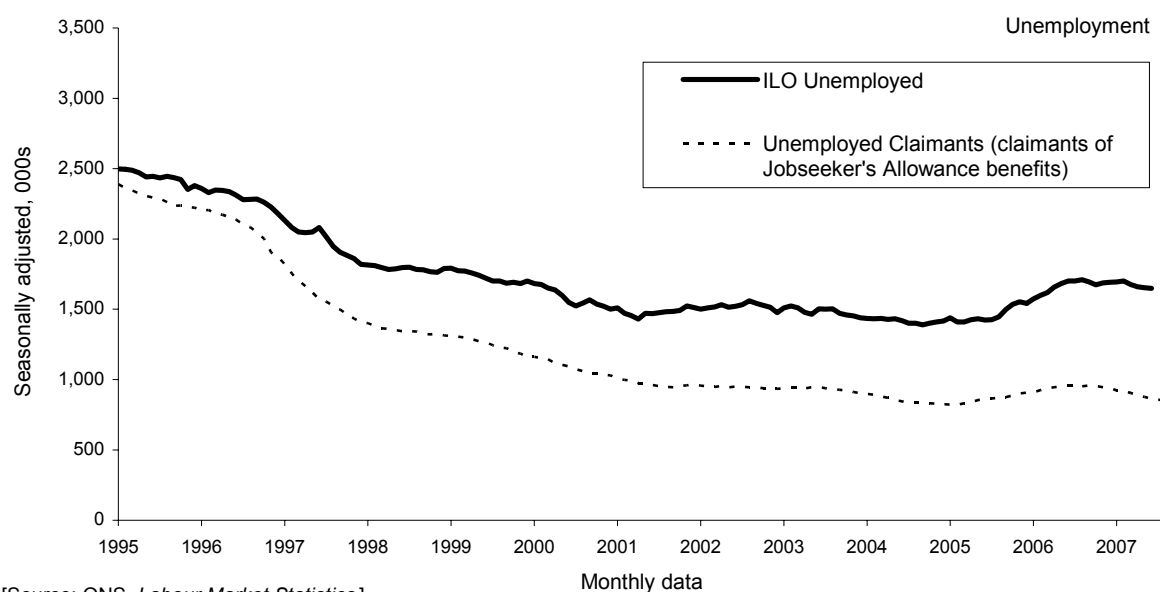
Source: ONS, *Labour Market Statistics*, 12 Sep 2007

- Total employment was 29.1 million in the period May to July 2007, 0.5% higher than a year earlier. The working age employment rate of 74.4% was 0.1 percentage points higher than the previous quarter and 0.2 percentage points lower than a year earlier.
- The number of workforce jobs increased by 87,000 between March and June 2007 and was 280,000 higher than a year earlier. Over the year to June, the number of production industry workforce jobs fell by 39,000. The number of service sector jobs rose by 241,000 over the year.
- 7.4 million people were in part-time employment in the period May to July 2007, of whom 5.7 million were women. 3.8 million people were self-employed.

Contact: Dominic Webb, x4324

Update: ONS, *Labour Market Statistics*, 17 Oct

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 May to July 2007, the level of ILO unemployment in the UK was 1,649,000 (seasonally adjusted). This was a decrease of 53,000 from the period May to July 2006.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 4,200 between July and August 2007 to 852,900.

The New Deal for Young People started in January 1998.

- 1,208,000 individuals had joined the scheme by the end of May 2007. Of those leaving the scheme up to the end of February 2007, 745,000 had moved into jobs, of which 633,000 (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 25 plus started in June 1998 and an enhanced scheme was introduced in April 2001.

- Overall 704,000 individuals had joined the scheme by the end of May 2007. Of those leaving the scheme up to the end of February 2007, 293,000 had entered jobs, of which 240,000 (82%) were sustained.

ILO Unemployment in the UK seasonally adjusted

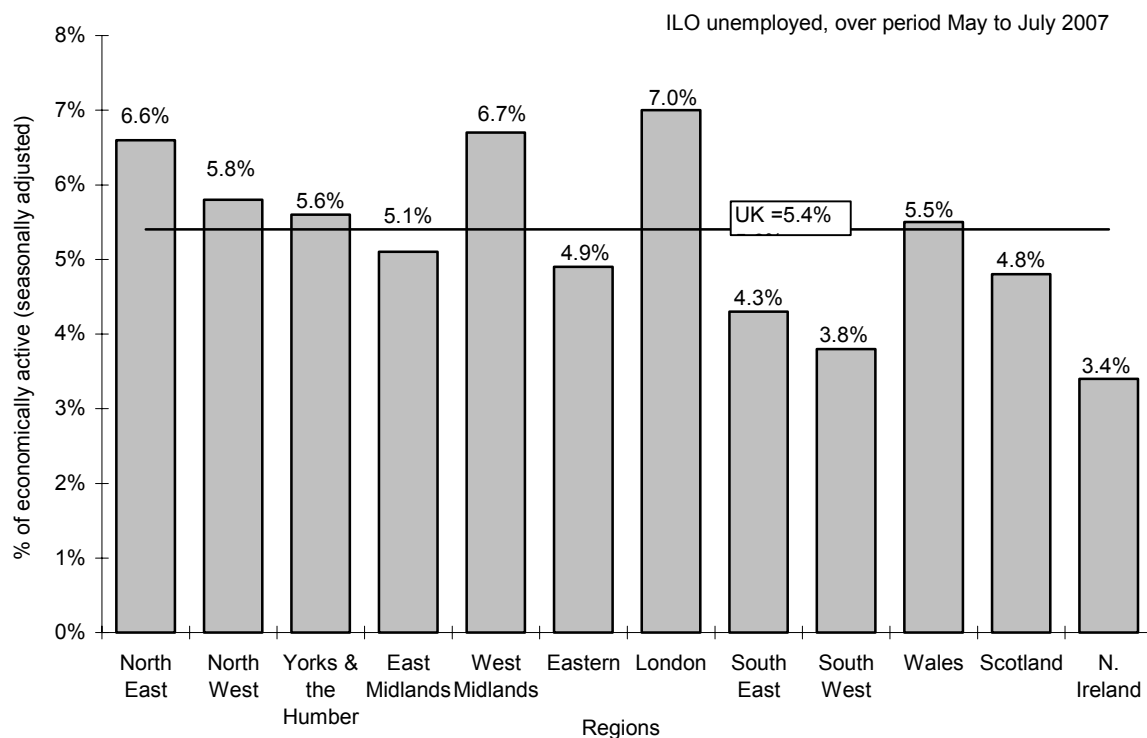
		'000s	rate (%)
2001	May - Jul	1,470	5.0
	Aug - Oct	1,485	5.1
2002	Nov - Jan	1,513	5.2
	Feb - Apr	1,517	5.2
	May - Jul	1,522	5.2
2003	Aug - Oct	1,543	5.2
	Nov - Jan	1,476	5.0
	Feb - Apr	1,510	5.1
2004	May - Jul	1,503	5.1
	Aug - Oct	1,472	5.0
	Nov - Jan	1,439	4.8
2005	Feb - Apr	1,436	4.8
	May - Jul	1,418	4.8
	Aug - Oct	1,389	4.7
2006	Nov - Jan	1,417	4.7
	Feb - Apr	1,411	4.7
	May - Jul	1,423	4.7
2007	Aug - Oct	1,498	4.9
	Nov - Jan	1,541	5.1
	Feb - Apr	1,620	5.3
2007	May - Jul	1,702	5.5
	Aug - Oct	1,695	5.5
	Nov - Jan	1,692	5.5
2007	Feb - Apr	1,677	5.5
	May - July	1,649	5.4

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Updates: ONS, *Labour Market Statistics*, 17 October
New Deal, 14 November

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 May to July 2007 the London region had the highest unemployment rate, 7.0% of the economically active population. The lowest rate over the same period was 3.4%, in Northern Ireland.
- A comparison of May to July 2007 with the same period a year earlier shows that the highest fall (21%) in unemployment occurred in Northern Ireland. The West Midlands region showed the largest increase (14%) over the period.

ILO Unemployment, May to July 2007

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	0	0
North West & Merseyside	17,000	9
Yorkshire & the Humber	-12,000	-8
East Midlands	-7,000	-6
West Midlands	22,000	14
Eastern	-1,000	-1
London	-40,000	-13
South East	-22,000	-11
South West	11,000	13
Wales	-2,000	-3
Scotland	-7,000	-5
Northern Ireland	-7,000	-21

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

			2005				2006				2007	
	2005	2006	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
USA	5.1	4.6	5.3	5.1	5.0	5.0	4.7	4.7	4.7	4.5	4.5	4.5
Japan	4.4	4.1	4.6	4.3	4.3	4.5	4.2	4.1	4.1	4.1	4.0	3.8
Canada	6.8	6.3	7.0	6.9	6.7	6.5	6.4	6.2	6.4	6.2	6.1	6.1
UK	4.8	5.3	4.6	4.7	4.7	5.0	5.1	5.4	5.5	5.3	5.4	5.3
Germany	9.4	8.3	9.7	9.7	9.1	9.2	8.8	8.3	8.4	7.9	7.2	6.5
France	9.7	9.5	9.6	9.7	9.7	9.7	9.7	9.6	9.4	9.3	9.0	8.8
Italy	7.7	6.8	7.9	7.7	7.7	7.5	7.3	6.8	6.6	6.5	6.2	5.9
Eurozone	8.6	7.9	8.8	8.7	8.4	8.4	8.2	7.9	7.8	7.6	7.2	7.0
G7	6.1	5.6	6.2	6.1	5.9	6.0	5.8	5.6	5.6	5.4	5.3	5.2
OECD	6.6	6.0	6.7	6.6	6.5	6.4	6.2	6.0	6.0	5.8	5.6	5.4

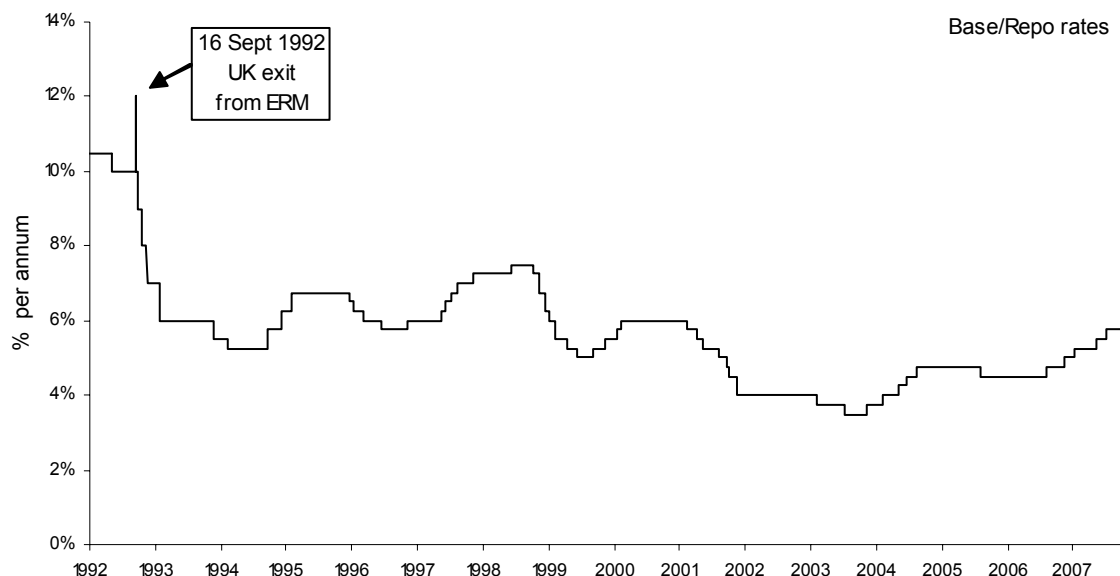
Source: OECD, *Main Economic Indicators*, October 2007

- Using standardised definitions, the UK unemployment rate for 2006 was 5.3%, significantly below the eurozone average (7.9%) and below the G7 and OECD rates (5.6% and 6.0% respectively).
- Between Q2 2006 and Q2 2007 the largest fall in unemployment among G7 countries was in Germany where it fell by 1.8 percentage points. The smallest falls in unemployment were in Canada and the UK.
- The most recent forecasts published by the OECD (*Economic Outlook*, Preliminary Edition May 2007) suggest the UK unemployment rate will be 5.5% in 2007 and 5.5% in 2008. The respective forecasts for the eurozone are 7.1% and 6.7% and for the OECD as a whole 5.6% and 5.5%.

Contact: Alex Adcock, x3973

Updates: OECD, *Main Economic Indicators*, 9 Nov
OECD, *Economic Outlook*, Dec

D1: Interest Rates



[Source: Bank of England]

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

- **The MPC voted to maintain the interest rate at 5.75% in October. The Committee had voted unanimously for no change in August and September.**

The minutes of the September meeting note that:

- The disruption of financial markets in August was discussed. Problems in the US housing market had led to increased demand for short-term liquidity and short-term market interest rates. It was still very unclear what the impact of this would be.
- The Committee agreed that the upside balance of risks in the August *Inflation Report* had probably receded and that the outlook was more uncertain.
- UK indicators for the third quarter were consistent with continued robust growth, with some indicators of a moderation in consumption.

UK Base/Repo rate changes

% per annum

Date	New rate	Date	New rate
1997 May 6	6.25	2001 May 10	5.25
Jun 6	6.50	Aug 2	5.00
Jul 10	6.75	Sep 18	4.75
Aug 7	7.00	Oct 4	4.50
Nov 6	7.25	Nov 8	4.00
1998 Jun 4	7.50	2003 Feb 7	3.75
Oct 8	7.25	Jul 10	3.50
Nov 5	6.75	Nov 6	3.75
Dec 10	6.25	2004 Feb 5	4.00
1999 Jan 7	6.00	May 6	4.25
Feb 4	5.50	Jun 10	4.50
Apr 8	5.25	Aug 5	4.75
Jun 10	5.00	2005 Aug 4	4.50
Sep 8	5.25	2006 Aug 3	4.75
Nov 4	5.50	Nov 9	5.00
2000 Jan 13	5.75	2007 Jan 11	5.25
Feb 10	6.00	May 10	5.50
2001 Feb 8	5.75	Jul 5	5.75
Apr 5	5.50		

The central projection from the latest Bank *Quarterly Inflation Report* (August 2007) is for inflation to fall back below its 2% target over the second half of this financial year. This reflects falling energy costs and lower import prices. Over the medium term, inflation settles at around 2%. This forecast is a little higher in the near-term than the May Report, but lower in the long-term, reflecting weaker projections for output growth.

The Bank expects GDP to grow in line with its average over the last ten years of around 2.9%. The forecast is weaker than in May reflecting a rise in market interest rates and the exchange rate.

Contact: Bryn Morgan, x4904

Updates: *Next Decision*, 8 Nov; *Minutes*, 17 Oct
Quarterly Inflation Report, 14 Nov

D2: Interest Rates: International Comparisons

- The US Federal Reserve cut the funds rate by 50 basis points on 18 September to 4.75%. It had been 5.25% since October 2006 and this was the first cut since November 2002
- At its latest meeting on 4 October, the Bank of England's Monetary Policy Committee maintained the UK repo rate at 5.75%. (see Indicator D1)
- The Governing Council kept the European Central Bank (ECB) interest rate for main refinancing operations at 4.00% at its meeting on 4 October.

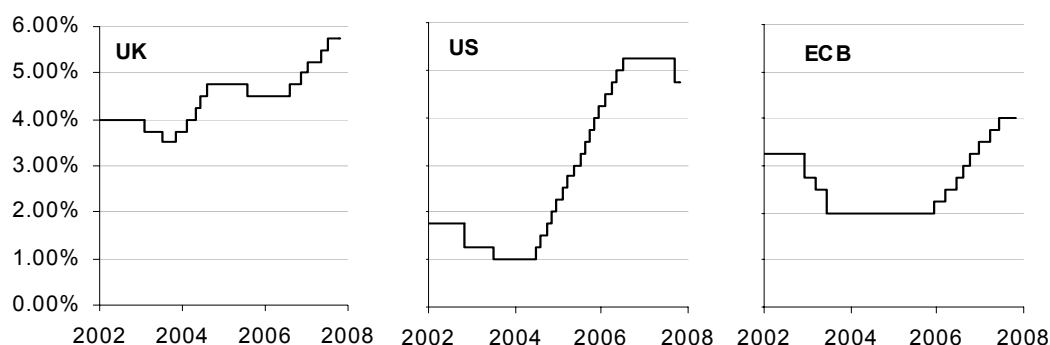
Trends in official rates over the past 5 years are shown in the charts below.

International interest rates

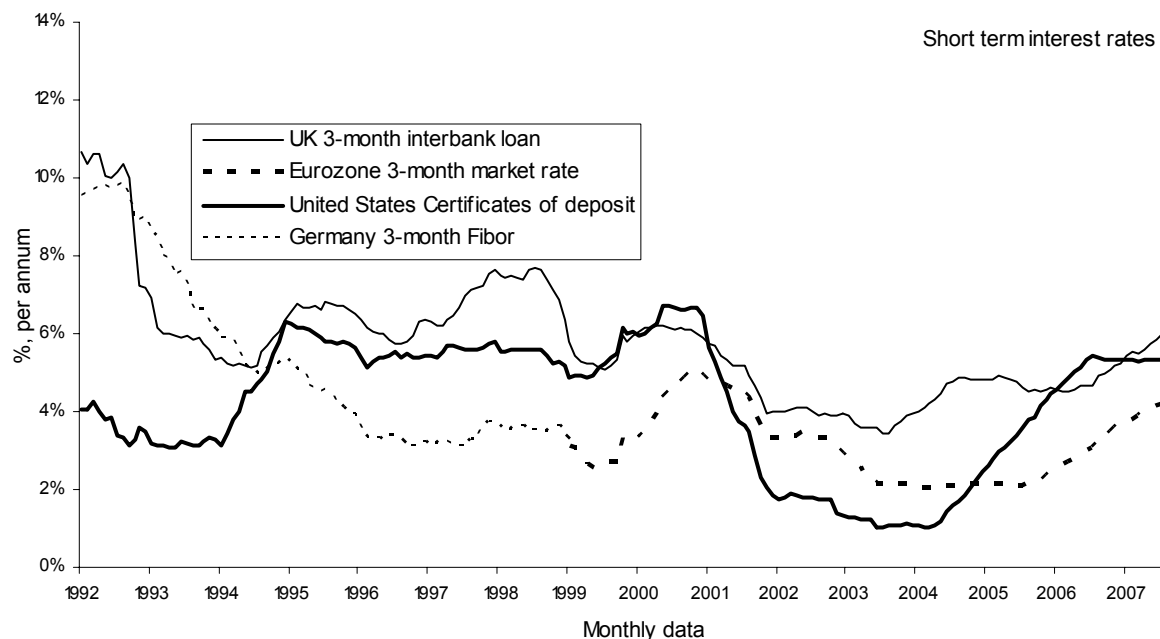
% per annum, at 5 October 2007

	Official rate	Yield 10 yr Government bonds	3-month rate market rate
United Kingdom	5.75	5.00	6.27 - 6.13
Eurozone	4.00	n/a	4.77 - 4.65
United States	4.75	4.64	5.26 - 5.16
Japan	0.50	1.71	1.01 - 0.90
Switzerland	2.00-3.00	3.09	2.84 - 2.76

Source: *Financial Times*, 8 October 2007 (*Companies & Markets*, p32)



Short term interest rates in the UK rose to 5.8% in May 2007, the highest since December 1998. The rate for the eurozone was 4.1%, the highest since May 2001.



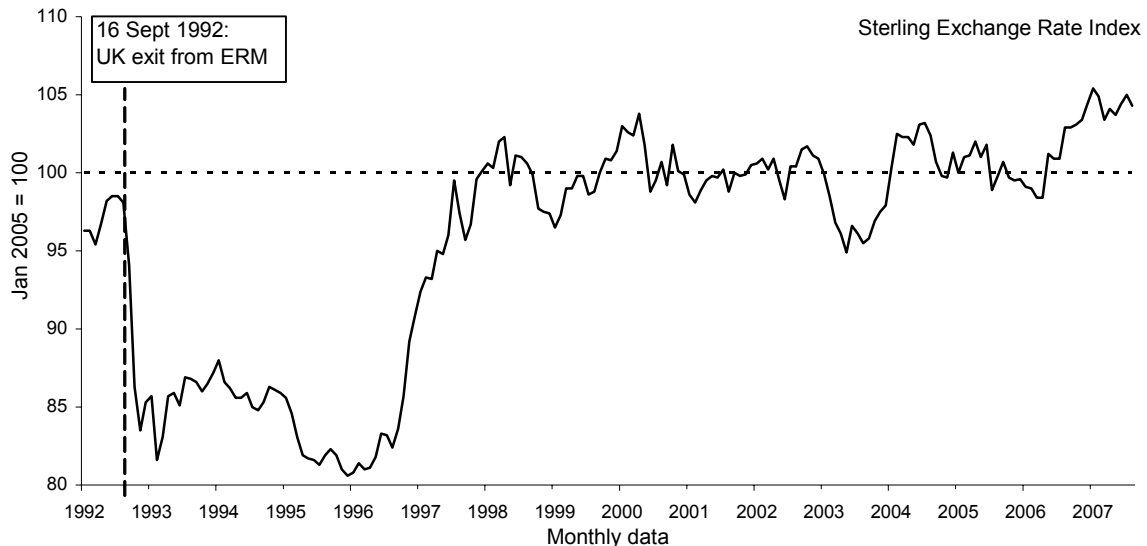
[Source: OECD, *Main Economic Indicators*]

Contact: Bryn Morgan, x4904

Updates: Short-term interest rates: OECD, MEI, mid-Oct;
Base rates: 8 Nov (UK MPC), 8 Nov (ECB), 31 Oct (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: BK67]

- 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 2006, the SERI fell by 0.1 points in August 2007, suggesting that the UK was relatively more competitive at the end of August 2007 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 €1.462 at the London market close on 12 September 2007, the same as the launch rate on 31 December 1998. The pound continued to remain high against the dollar at the market close at \$2.031.

Sterling Exchange Rates

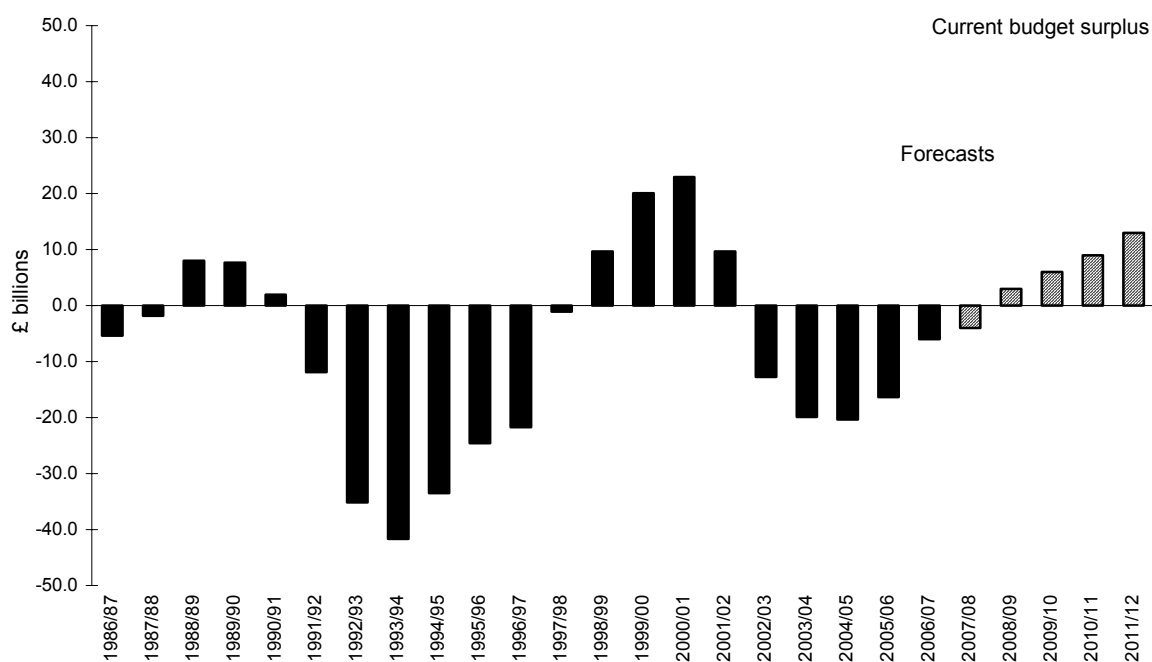
rates and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
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
2006	1.842	1.2	214.3	7.1	1.467	0.3
2006 Aug	1.894	5.6	219.5	10.6	1.479	1.3
Sep	1.885	4.2	220.8	9.9	1.481	0.3
Oct	1.876	6.3	222.6	9.8	1.487	1.3
Nov	1.912	10.3	224.2	9.2	1.483	0.8
Dec	1.963	12.4	230.1	11.1	1.486	0.9
2007 Jan	1.959	10.8	235.9	15.6	1.508	3.4
Feb	1.958	12.1	235.9	14.5	1.497	2.3
Mar	1.947	11.7	228.4	11.7	1.470	1.4
Apr	1.991	12.6	236.7	14.4	1.471	2.2
May	1.984	6.1	239.6	14.8	1.468	0.3
Jun	1.986	7.8	243.7	15.4	1.481	1.7
Jul	2.034	10.3	247.1	15.8	1.482	1.9
Aug	2.011	6.2	234.8	7.0	1.476	-0.2

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

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-Oct; 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 cycle ran from 1997/98 to 2006/07 and on this basis the golden rule is met. The Treasury has altered its view of the dating of the economic cycle on several occasions. The chart shows outturns for the current budget balance and Treasury forecasts from the 2007 Budget.

- There was a £12.9 billion deficit on the current budget in Q2 2007 compared with a £11.2 billion deficit in the same quarter of 2006.

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 aggregate replacing the PSBR) was £12.5 billion in Q2 2007 compared with £18.9 billion in the same quarter of 2006. In 2006/07, the PSNCR was £35.1 billion compared with £40.0 billion in 2005/06.

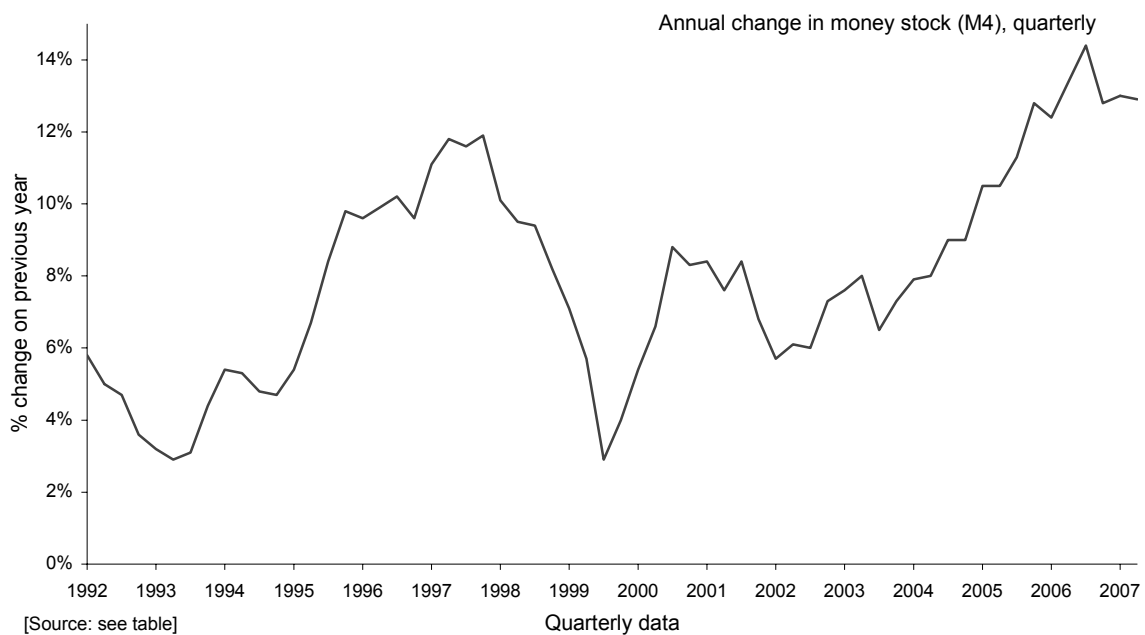
Public Sector Net Debt

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2003/04	382.8	32.8
2004/05	423.5	34.7
2005/06	463.2	36.2
2006/07	500.2	36.9
2006 Q2	484.9	37.3
Q3	487.9	36.9
Q4	502.3	37.5
2007 Q1	500.2	36.9
Q2	515.4	37.5

Source: ONS database, series: RUTN, RUTO

D5: Money Supply



Money stock

% change; seasonally adjusted

	Notes and coin		M4	
	3 month change (annualised)	12 month change	3 month change (annualised)	12 month change
2006 Aug	4.2	5.0	14.7	13.6
Sep	3.5	5.1	14.9	14.4
Oct	3.4	5.4	14.4	13.9
Nov	4.0	5.3	13.6	13.1
Dec	1.8	5.1	10.2	12.9
2007 Jan	2.2	4.3	10.4	13.1
Feb	3.4	4.1	12.1	12.9
Mar	7.1	4.1	12.6	13.0
Apr	5.3	3.7	14.2	13.3
May	6.8	4.6	15.3	13.9
Jun	6.8	4.8	13.7	12.9
Jul	6.4	4.3	12.7	13.0
Aug	4.1	4.6	13.0	13.5

Source: Bank of England, *Monetary and Financial Statistics*, September 2007, Tables A1.1.1 and A2.1.1

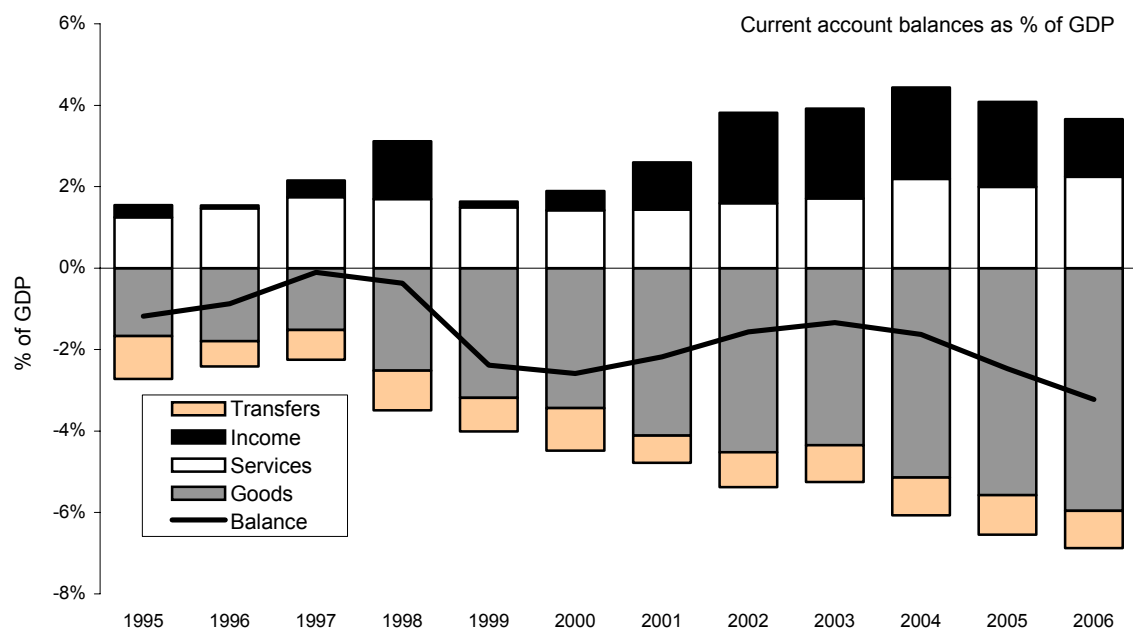
The Bank of England no longer publishes data on M0 following the introduction of new money market arrangements in 2006 (see Bank of England *Quarterly Bulletin*, Autumn 2005 for details). The table above now shows sterling notes and coin in circulation outside the Bank of England. M4 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 rose by 13.5% in the 12 months to August 2007. The 12-month seasonally adjusted growth rate of notes and coins was 4.6% in August 2007, compared with 5.0% in August 2006.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

Update: Bank of England, *Monetary & Financial Stats*, 29 Oct

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	
2003	-48,607	19,162	-29,445	24,646	-6,976	-3,146	-10,122	-14,921
2004	-60,893	25,918	-34,975	26,596	-8,304	-2,645	-10,949	-19,328
2005	-68,789	24,611	-44,178	25,734	-9,429	-2,579	-12,008	-30,452
2006	-77,563	29,194	-48,369	18,395	-9,483	-2,459	-11,942	-41,916
2006 Q2	-18,613	7,117	-11,496	6,985	-1,884	-687	-2,571	-7,082
Q3	-19,555	6,925	-12,630	4,034	-2,133	-288	-2,421	-11,017
Q4	-20,171	7,899	-12,272	1,937	-3,042	-797	-3,839	-14,174
2007 Q1	-20,605	8,248	-12,357	4,873	-2,198	-944	-3,142	-10,626
Q2	-20,346	8,888	-11,458	5,270	-2,006	-860	-2,866	-9,054

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

- **Annually**, the current account deficit in 2006 was £41.9 billion, equivalent to -3.2% of GDP. The surplus on income narrowed between 2005 and 2006 and the services surplus widened, while the deficits on goods trade widened, transfers narrowed slightly.
- On a **quarterly** basis, the current account deficit was estimated at £9.1 billion in Q2 2007, narrowing from the Q1 2007 deficit of £10.6 billion. Between Q1 2007 and Q2 2007 the surplus on income widened as did the surplus on services. Over the same period the deficit on goods and transfers narrowed.
- In 2006 the **annual** current account deficit with EU27 countries was £28.4 billion, compared with a deficit with non-EU countries of £13.5 billion. On a **quarterly** basis, the deficit with EU countries was £8.1 billion in Q2 2007 (compared with £8.2 billion in Q1 2007). With non-EU countries, the current account was in deficit by £0.9 billion in Q2 2007 (compared with £2.4 billion in Q1 2007).

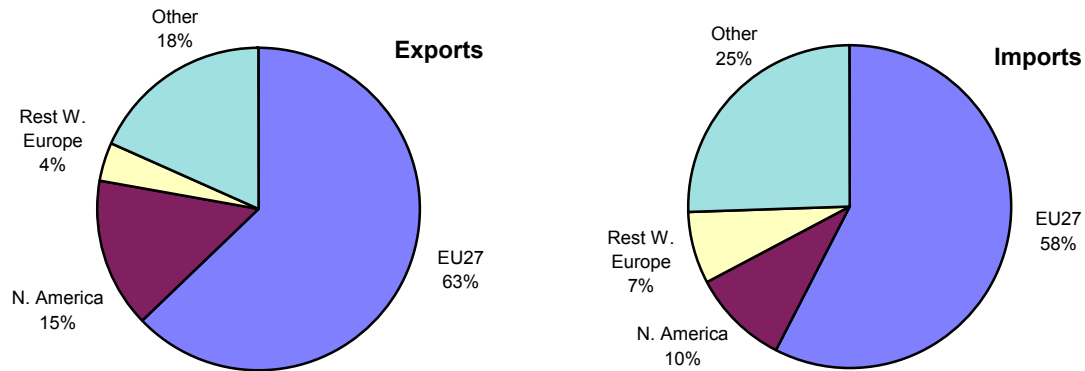
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 20 Dec; *UK Trade*, 9 Oct

E2: UK Overseas Trade in Goods

Shares of UK trade in goods by area, 2006

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 & £ million; Balance of Payments basis; seasonally adjusted

	Volume index (2003=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2003	100.0	100.0	188,320	236,927	-48,607
2004	101.5	106.9	190,877	251,770	-60,893
2005	111.0	114.7	211,608	280,397	-68,789
2006	125.9	128.3	244,661	322,224	-77,563
2006 Q2	141.0	139.0	68,114	86,727	-18,613
Q3	114.3	120.5	56,673	76,228	-19,555
Q4	113.0	119.8	54,780	74,951	-20,171
2007 Q1	110.3	119.4	53,882	74,487	-20,605
Q2	109.3	118.6	54,306	74,652	-20,346

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

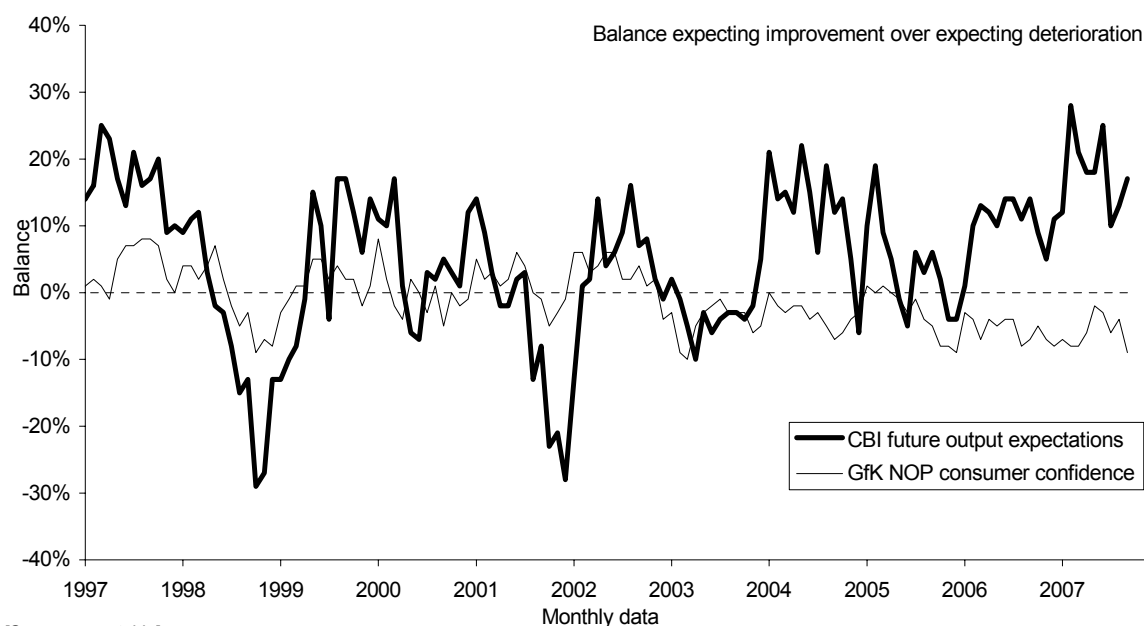
- In July 2007, the provisionally estimated total value of UK goods exports was £19.2 billion and the total value of UK goods imports was £26.3 billion. As a result, the estimated deficit on goods trade was £7.1 billion, above the June level of £6.5 billion.
- Geographical breakdowns of UK trade with EU and non-EU countries are still being affected by VAT Missing Trader Intra-Community (MTIC) – or ‘carousel’ – fraud. These issues make EU/non-EU breakdowns difficult to interpret. However, the latest estimates suggest that the goods deficit with the EU27 was £2.6 billion in July (compared with £3.1 billion in June), while the deficit with non-EU countries was £4.5 billion (compared with £3.5 billion in June).
- The UK’s monthly surplus on trade in **services** was £2.6 billion in July. The same as in June.
- The UK’s overall monthly deficit on **goods and services combined** in July was £4.4 billion, up from £3.9 billion in June.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 9 Oct

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':



[Sources: see table]

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

- The balance of expectations for future output from the CBI's monthly survey was +17% in July 2007, a return to "the healthy growth rate of earlier in the year" according to the CBI.
- A small negative balance of firms (-2%) said export order books were below normal. Despite the strong pound this is significantly below the long term average of -22%.
- Order books were reported as "healthy" – a balance of +6% of firms reported order books above normal.
- This was underpinned by strong demand for capital goods, with a balance of +17% of firms reporting 'above normal' order books.

GfK NOP's *Consumer Confidence Barometer* measures 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 five points in September to stand at -9.
- Three of the five measures under the headline index fell in September. The score for the future personal financial situation remained steady at +12.
- The 'climate for major purchases' measure fell from +4 to -3, only the third negative score since 2000, all of them in the last ten months.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

		Future output expectations (CBI)	Consumer confidence (GfK)
2006	Sep	+14	-7
	Oct	+9	-5
	Nov	+5	-7
	Dec	+11	-8
2007	Jan	+12	-7
	Feb	+28	-8
	Mar	+21	-8
	Apr	+18	-6
	May	+18	-2
	Jun	+25	-3
	Jul	+10	-6
	Aug	+13	-4
	Sep	+17	-9

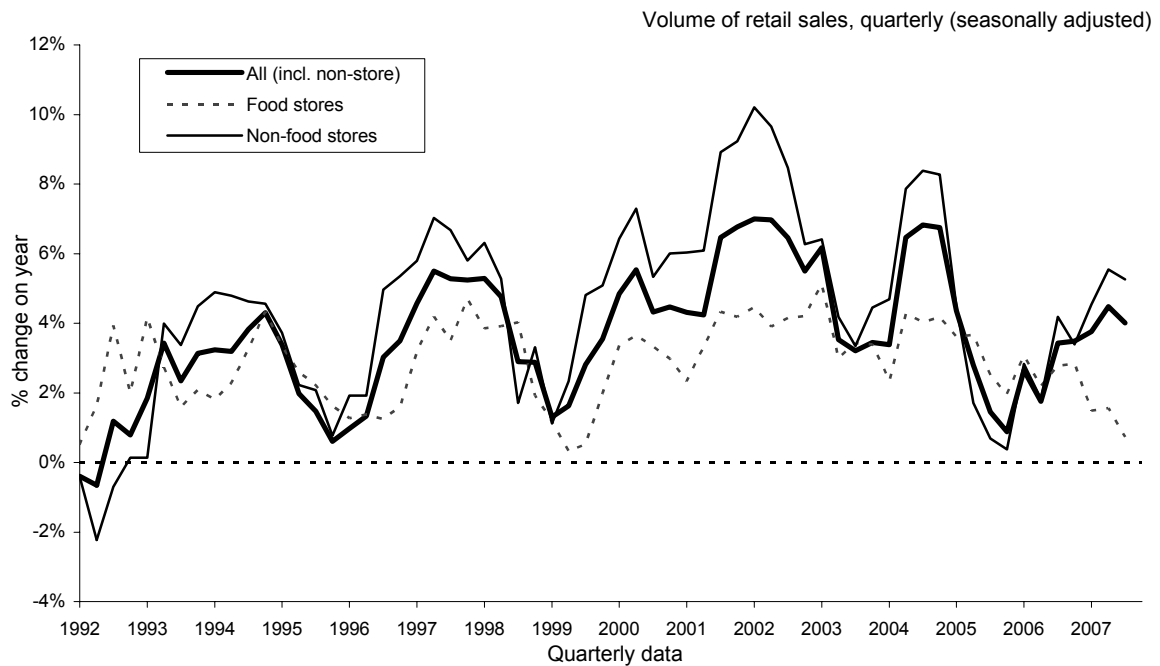
Sources: CBI, *Industrial Trends Survey* (monthly), from ONS database, series: ETCU; GfK NOP, *Consumer Confidence Survey* on behalf of the European Commission

Contact: Bryn Morgan, x4904

Updates:

GfK NOP, *Consumer Confidence*, 31 Oct; CBI, *Industrial Trends* (Monthly), end-Oct

F2: Retail Sales



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

- The *volume* of retail sales in the three months from June to August was 1.3% higher compared with the previous three month period, and was 4.3% higher than a year previously (seasonally adjusted).
- Retail sales volumes in August 2007 were 5.0% higher than in August 2006 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 6.5% in June to August compared with the same quarter a year earlier. In stores selling mainly food, sales volumes grew by 0.1% 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
2003	3.7	1.8	4.5	0.9	2.7
2004	3.5	3.6	5.1	6.2	4.4
2005	3.4	2.6	-1.6	-1.7	0.8
2006	3.3	3.4	2.5	1.7	2.5
2006 Q2	3.3	3.5	3.6	0.9	3.5
Q3	5.1	4.3	4.4	0.0	3.5
Q4	4.6	5.5	5.0	2.8	4.3
2007 Q1	4.3	6.0	6.1	1.9	4.5
Q2	3.2	5.0	6.1	5.4	4.2

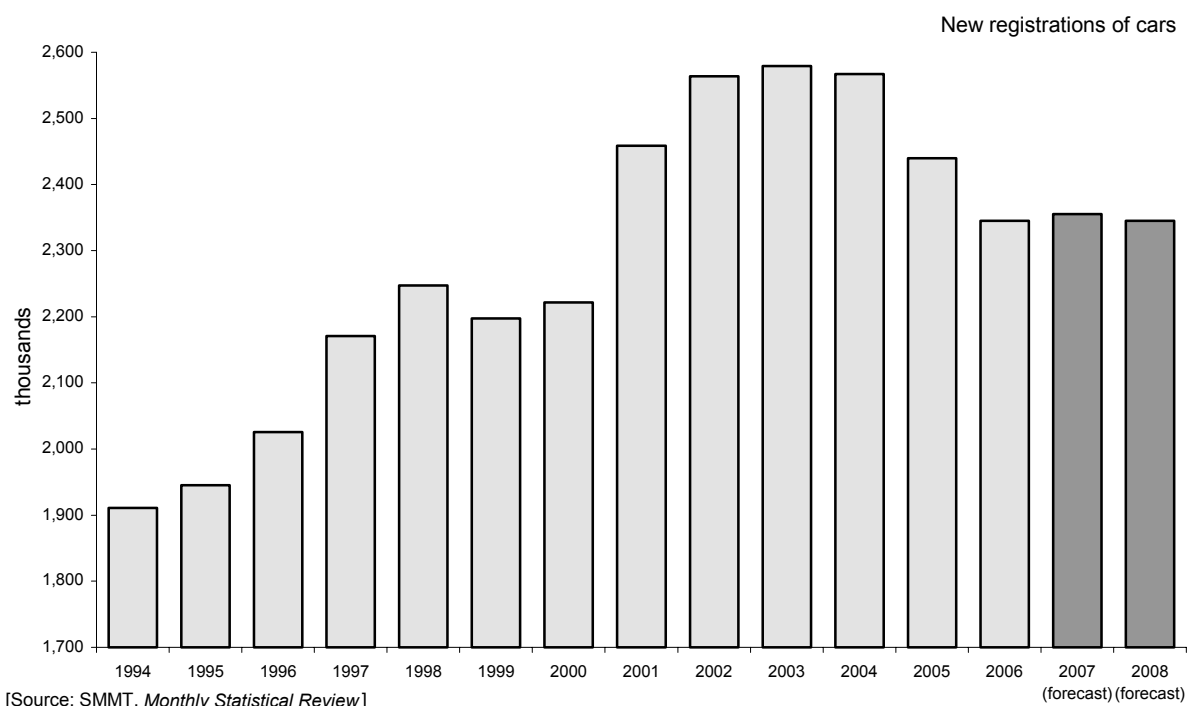
Source: ONS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in August 2007 was £4.9 billion, a 3.8% increase from August 2006 (non-seasonally adjusted).

Contact: Ed Potton, x2883

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

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 4.9% in July 2007, compared with the previous July's figure, to 176,277 units.

- The number of new registrations of cars was just under 2.35 million units in 2006, a fall of 3.9% on the previous year.
- New registrations of cars are forecast to rise by 0.4% in 2007 and then fall by 0.4% in 2008.
- There were 25,145 registrations of British-built cars in July, equivalent to 14.3% of the market. The number of British built registrations decreased by 2.7% on the previous July's figure. In 2006 as a whole, there were 343,267 registrations of British-built cars, a decrease of 17.4% from the previous year's figure and equivalent to 14.6% of the market.

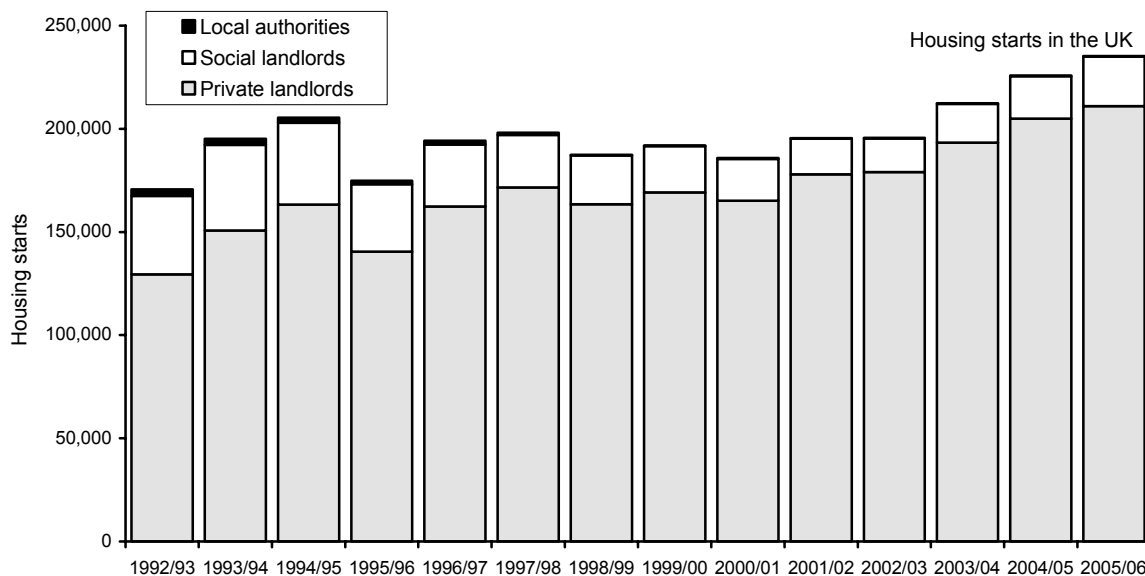
New Registrations of Cars

000s & % change; not seasonally adjusted

	Number (^{'000s})	Change over 12 months
2005	2,440	-5.0
2006	2,345	-3.9
2007 (forecast)	2,355	0.4
2008 (forecast)	2,345	-0.4
2006 Jul	168	-4.1
Aug	78	-6.1
Sep	414	-0.7
Oct	154	0.9
Nov	155	-2.0
Dec	134	-14.7
2007 Jan	166	5.2
Feb	74	-3.2
Mar	449	3.1
Apr	170	4.3
May	186	-2.2
Jun	223	1.5
Jul	176	4.9

Source: SMMT, *Monthly Statistical Review*

F4: House-building & Prices



[Source: DCLG, *Housebuilding Statistics*, table 2e (and table 201)]

Data on housing starts and completions from the Department for Communities and Local Government show that there were 42,614 dwelling starts in the UK in Q2 2007, compared with 47,238 in Q2 2006. In Q2 2007 there were 43,752 completions compared with 43,145 in Q2 2006 (all data are not seasonally adjusted).

The Halifax *House Price Index* data shows that (seasonally adjusted data):

- **Monthly** UK house prices fell by 0.6% in September 2007, compared with a rise of 0.3% in August.
- **Annual** house prices were 10.7% higher in September 2007 than in the same month in 2006 (compared with 11.4% in August 2007).
- **Quarterly** house prices rose 0.9% in Q3 2007, on Q2 2007, compared with 2.3% in Q2 2007 on Q1 2007.
- Regionally, the Halifax data show that in Q3 2007 **annual** house price inflation was highest in Northern Ireland (29.1%) and lowest in the West Midlands (4.7%), while all-UK prices rose by 10.7% (not seasonally adjusted; regions are not aligned with the regions used by the DCLG below).

Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
<i>average house prices, £</i>				
2006 Q3	181,278	176,094	182,434	135,812
Q4	186,242	174,481	188,266	141,118
2007 Q1	189,681	188,670	190,863	141,945
Q2	199,021	190,085	200,234	151,923
Q3	200,623	187,842	201,894	150,999
<i>% change over same period in previous year</i>				
2006 Q3	8.0	7.7	8.1	8.6
Q4	9.9	6.9	10.5	10.3
2007 Q1	11.1	12.1	10.9	10.5
Q2	10.7	9.3	10.6	12.2
Q3	10.7	6.7	10.7	11.2

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

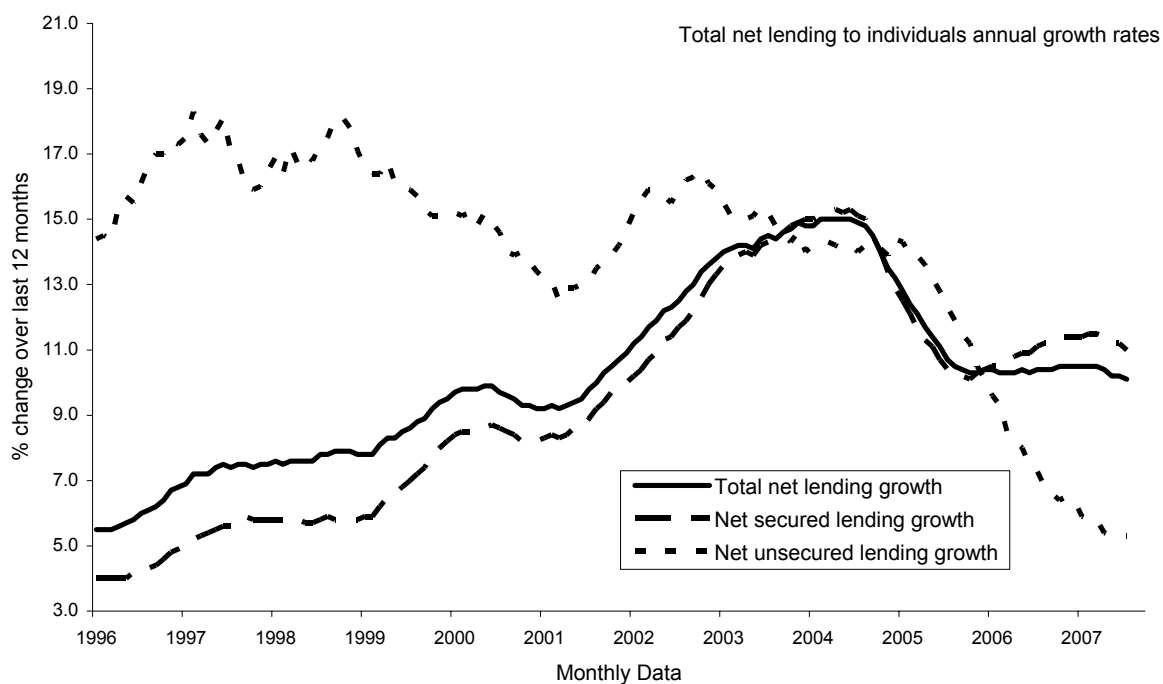
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average UK house price in July 2007 stood at £218,479 up from £214,222 in June. **Annual** house price inflation in July 2007 was 12.4 per cent, up from 12.1 per cent in June.
- Regionally, **annual** house price inflation in July was highest in Northern Ireland (46.8%) and lowest in the East Midlands (6.4%).

Contact: Grahame Allen, x3977

Updates: *Halifax House Prices*, early Nov; DCLG, *House Prices*, Mid Oct; *House-building*, Late Oct

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
2003 Jul	727,791	175,182	902,973	14.3	15.2	14.5
2004 Jul	836,827	191,570	1,028,398	15.1	14.0	14.9
2005 Jul	924,722	207,553	1,132,275	10.4	12.3	10.7
2006 Jul	1,025,404	211,792	1,237,196	11.1	7.3	10.4
Oct	1,056,630	212,535	1,269,164	11.4	6.4	10.5
2007 Jan	1,085,844	212,956	1,298,800	11.4	5.9	10.5
Apr	1,112,263	213,379	1,325,641	11.4	5.4	10.4
Jul	1,140,280	214,328	1,354,608	11.0	5.3	10.1

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

- Total net outstanding lending to individuals was £1,355 billion at the end of July 2007 (seasonally adjusted).
- Total net lending to individuals grew by 0.8% in July 2007 compared with the previous month, and grew by 10.1% on an annual basis (all seasonally adjusted); this represents a fall in the annual growth rate of 0.1% compared to June 2007.
- Of the £10.2 billion increase in net lending in July 2007, £9.4 billion was mortgage borrowing and £0.8 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 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> ; www.statistics.gov.uk/statbase/Product.asp?vlnk=406 <i>Quarterly National Accounts</i> www.statistics.gov.uk/statbase/Product.asp?vlnk=818 <i>UK output, income & expenditure</i> ; www.statistics.gov.uk/statbase/Product.asp?vlnk=1129 HM Treasury, <i>Forecasts for the UK Economy</i> ; 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> ; 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; europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat
B3	Average Earnings Index	ONS, <i>Labour Market Statistics</i> release; www.statistics.gov.uk/statbase/Product.asp?vlnk=1944 , or ONS Database
C1	Employment	ONS Database & ONS, <i>Labour Market Statistics</i> release; 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; www.statistics.gov.uk/statbase/Product.asp?vlnk=1944 , and <i>Labour Market Statistics First Release Historical Supplement</i> (via Virtual Bookshelf); www.statistics.gov.uk/OnlineProducts/LMS_FR_HS.asp Commentary: Department for Work and Pensions (DWP) <i>Quarterly Working Age Statistics for New Deal for Young People & Long-term Unemployed</i> (table 6); www.dwp.gov.uk/asd/ndyp.asp
C3	Unemployment: Regional	Data: ONS, <i>Labour Market Statistics</i> release; 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, www.bankofengland.co.uk/Links/setframe.html ; Monetary Policy Committee minutes: www.bankofengland.co.uk/mpc/minutes.htm ; Quarterly Inflation Report: 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, www.bankofengland.co.uk/Links/setframe.html ; European Central Bank, www.ecb.int/mopo/html/index.en.html ; US Federal Reserve, 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> , www.statistics.gov.uk/StatBase/Product.asp?vlnk=3764 or <i>Public Sector Finances</i> , 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; 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> ; www.statistics.gov.uk/STATBASE/Product.asp?vlnk=1118
E2	Trade in Goods	Data: ONS Database; Commentary: ONS, <i>UK Trade</i> ; 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; www.cbi.org.uk/ndbs/press.nsf/awprdate?OpenView&Start=1&ExpandView , or ONS Database Consumer Confidence: GfK NOP; 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	Department for Communities and Local Government (DCLG, formerly Office of the Deputy Prime Minister) UK Housing Starts: table 201; www.odpm.gov.uk/index.asp?id=1156032 ; DCLG House building statistics: statistical release; www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_housing_023765.hcsp Halifax House Price data: housing research page; www.hbosplc.com/economy/HousingResearch.asp DCLG Experimental House Prices: statistical release; www.odpm.gov.uk/index.asp?id=1156181
F5	Consumer Debt	Bank of England Lending to Individuals www.bankofengland.co.uk ; Database: 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
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics

Definitions²⁰

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 between the value of goods and services produced and the cost of raw materials and other inputs which

²⁰ Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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 at market prices = GDP at basic prices + transport prices paid separately + non deductible taxes on expenditure - 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.