



RESEARCH PAPER 08/13
5 FEBRUARY 2008

Economic Indicators, February 2008

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 articles on topical issues.

This month's articles:

Perceptions of inflation
Aid to the Occupied Palestinian Territories

Next publication date: **4 March 2008**

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 Tuesday** of the month. In months when the House is not sitting, we will now produce a paper, although without a highlights page or articles. Also, 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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Taxation	Bryn Morgan	4904
Trade	Grahame Allen	3977
Transport	Ross Young	4313
Unemployment	Edward Beale	2464
Wages & earnings	Edward Beale	2464

Members and their staff and are also free to contact the named persons on each indicator page for updates during normal hours.³

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

² http://hcl1.hclibrary.parliament.uk/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 most striking events in January were the two cuts in US interest rates. First, on 22 January, the Federal Reserve made an unscheduled cut of 75 basis points to take the rate to 3.50%. This was followed by a 50 basis point cut on 30 January. The rate had been 5.25% as recently as September 2007.

The first, “emergency”, cut was the biggest since August 1982, and was the first time a cut had been made outside the usual cycle of meetings since January 2001. This cut was an immediate response to dramatic falls in stock markets in Europe and Asia on 21 January – the FTSE fell by 5.5% to 5,578, the biggest fall since September 2001. The FTSE has recovered these losses and rose above 6,000 on 1 February.

The Federal Reserve also thought it necessary to cut rates at its regular meeting on 30 January. The statement accompanying this cut signalled that there were significant downside risks to growth and that it would act “in a timely manner as needed”. The Bank of England’s Monetary Policy committee will publish its latest decision on 7 February.

IFS Green Budget

The Institute for Fiscal Studies published its “Green Budget” this month. The key finding on the public finances was that Chancellor would need to announce additional tax increases worth around £8 billion in the Budget on March 12 in order to meet the fiscal rules. The options for the Chancellor and background to the Budget will be discussed in next month’s main article.

The Green Budget also contained a comprehensive analysis of the economic outlook for the UK economy carried out in conjunction with Morgan Stanley. The key points were:

- The economic outlook for the next few years is worse than it has been for some time
- The central forecast for GDP growth in 2008 is 1.8%, compared with a forecast outturn of 3.0% in 2007. This is in line with the Treasury’s average of independent forecasters. However, the risks to this central forecast are skewed to the downside.
- Consumer spending will be weaker as incentives to save increase and borrowing becomes more expensive. The central forecast is for growth in consumer spending of 1.5% in 2008 (3.1% in 2007)

The outlook also presents a “pessimistic” case projection. This would have real GDP increasing by just ½ % in 2008/09, with a fall in employment and CPI inflation below target.

Morgan Stanley puts the most probable interest rate in June 2008 at 5.25%, signalling a 25 basis point cut. The probability of a rate below 5.25% is put at around 50%, with a 30% chance of it being above 5.25%.

Articles

There are two short articles in this month’s edition. The first looks at recent trends in inflation, in particular the issue of why people often perceive that prices are rising faster than the headline rates of inflation suggest. The second looks at aid to the Occupied Palestinian Territories. This is a departure from the normal subjects we cover, but is designed to illustrate the range of subjects covered by the Economic Policy & Statistics Section.

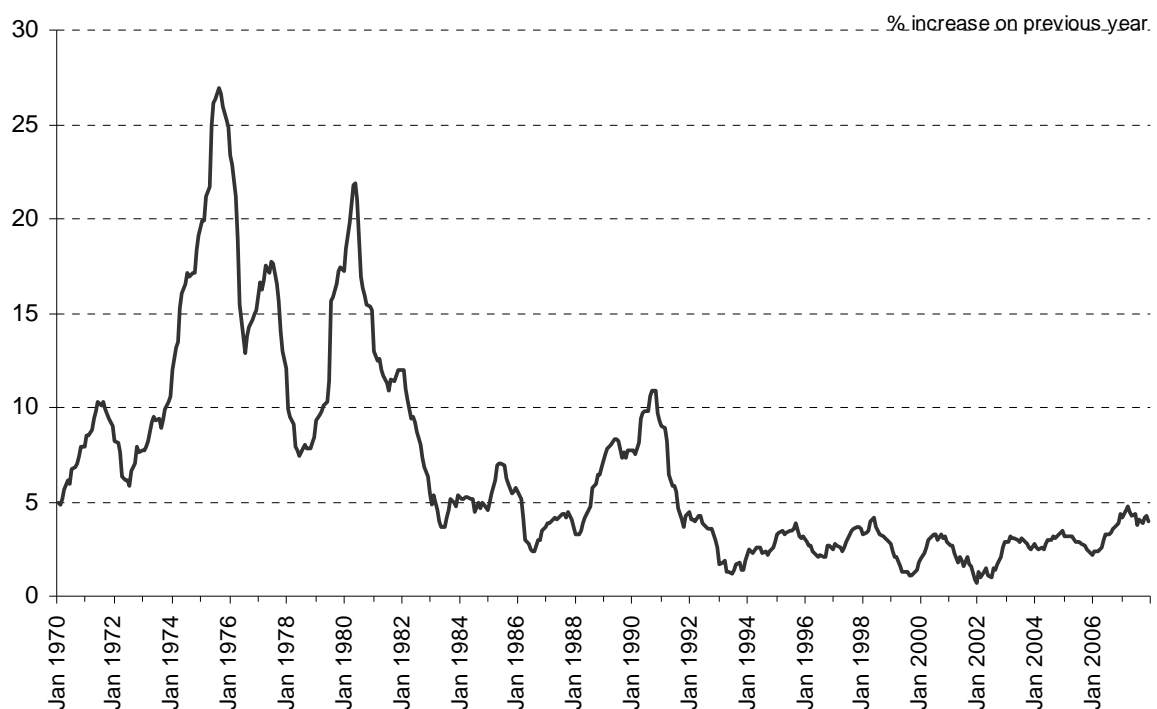
III Articles

A. Perceptions of Inflation

1. How high is inflation at the moment?

The rate of inflation, as measured by official statistics, is currently low by historical standards. On the retail prices index (RPI) measure it was 4.0% in December 2007. This compares with average inflation of 12.6% in the 1970s and 7.5% in the 1980s. The chart below shows RPI inflation since 1970.

Chart A1: Inflation (RPI): 1970-2007



On the consumer prices index (CPI), inflation is currently 2.1%. This is just above the target of 2.0% that the Chancellor first set in December 2003. Inflation should remain within one percentage point of this target. However, in 2007, inflation reached rates not seen since the early 1990s. In March 2007, inflation reached 3.1% and the governor of the Bank of England had to write a letter to the Chancellor explaining the reasons for this and what corrective measures could be taken.

Forecasts of CPI inflation for 2008 average 2.2%, although they range from 1.7% to 3.2%.⁴ The Bank of England's quarterly inflation report will be published on 13 February. The November 2007 report forecast that inflation would rise in the short term due to pressures in capacity and increased energy prices, before falling back to target.

⁴ [Forecasts for the UK Economy](#), HM Treasury, January 2008

Inflation has also increased globally in recent months (see indicator B2). The average for OECD countries in December 2007 was 3.3%, compared with 2.3% in December 2006. Eurozone inflation for January 2008 is the highest ever at 3.2%.

2. How fast do the public think prices are going up?

These official inflation figures can be quite different from individuals' perceptions of inflation. The Bank of England conducts a quarterly survey of inflation attitudes. The latest was carried out in November 2007. This found that when asked how much prices had changed in the previous 12 months, the median response was 3.2%. This was the highest figure recorded in this survey since it began in 1999. 20% of people thought that prices had increased by 5% or more.⁵ CPI inflation in November was 2.1%, although RPI inflation was 4.3%.

On top of this, there have been some high profile price increases. A number of gas and electricity suppliers have announced double-digit price increases.⁶ Petrol and diesel prices are now at record highs.⁷ The price of food is rising at over 6%. How are these price increases compatible with the official inflation figures?

3. How are the inflation figures calculated?

Official rates of inflation can be thought of as measuring the cost of a large "basket" of goods and services.⁸ The goods and services which make up the basket are given weights to calculate the basket's overall cost. The weights currently used in the CPI and RPI are shown in the table below.

Table A1: RPI and CPI weights, 2007

RPI weights		CPI weights	
Food	10.5%	Food and non-alcoholic beverages	10.3%
Catering	4.7%	Alcoholic beverages and tobacco	4.3%
Alcoholic drink	6.6%	Clothing and footwear	6.2%
Tobacco	2.9%	Housing, water, electricity, gas and other fuels	11.5%
Housing	23.8%	Furniture, household equipment and maintenance	6.8%
Fuel and light	3.9%	Health	2.4%
Household goods	6.6%	Transport	15.2%
Household services	6.5%	Communication	2.4%
Clothing and footwear	4.4%	Recreation and culture	15.3%
Personal goods and services	3.9%	Education	1.8%
Motoring expenditure	13.3%	Restaurants and hotels	13.8%
Fares and other travel costs	2.0%	Miscellaneous goods and services	10.0%
Leisure goods	4.1%	Total	100.0%
Leisure services	6.8%		
Total	100.0%		

Source: Consumer Prices Index - January 2007, ONS

⁵ *Inflation Attitudes Survey*, Bank of England/NOP, December 2007

⁶ "British Gas stokes up prices by 15% as bills head for £1,000 a year", *Independent on Sunday*, 20 January 2008

⁷ AA, *Fuel price report*, January 2008

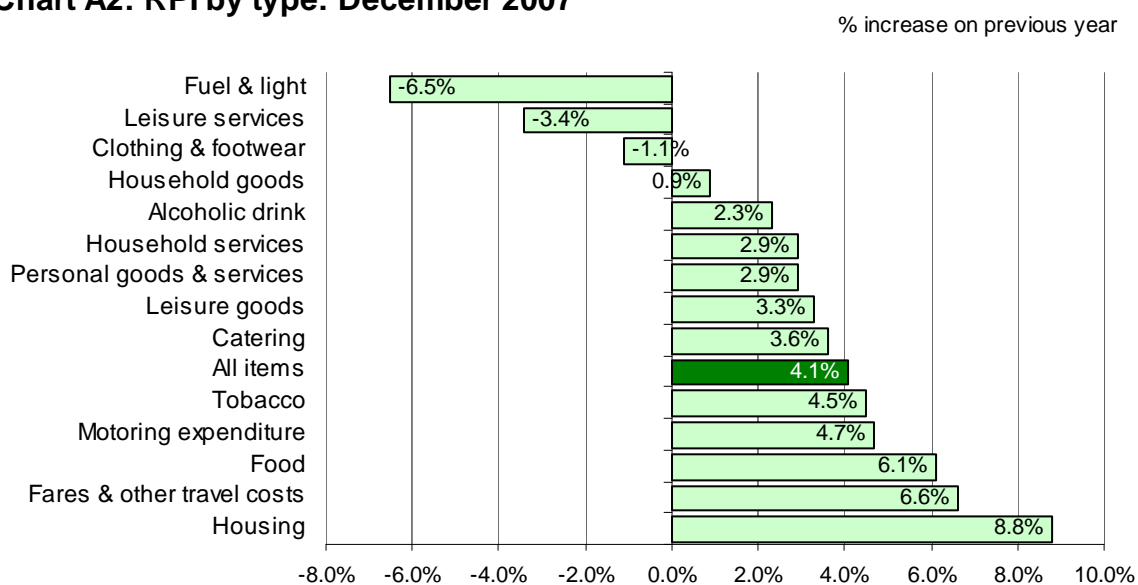
⁸ There are some differences between the basket of good used for the CPI and that for the RPI. The CPI excludes a number of housing related items such as mortgage interest payments, housing depreciation and rent.

The weights are updated annually to reflect current spending patterns. For example, “satnavs” and digital radios were added to the basket in 2007. VHS video recorders and portable CD radio cassette players were removed.⁹

4. Why might perceptions of inflation be higher than the official figures?

The official inflation figures are based on average expenditure patterns. One reason why an individual may experience a different rate of inflation than that published by the Office for National Statistics (ONS) is that their pattern of spending may be different from the average pattern of spending used to calculate the published inflation figure. The chart below shows the RPI inflation rate for the different categories of goods and services. It shows that there is considerable variation in the inflation rates for different categories of goods and services.

Chart A2: RPI by type: December 2007



Individuals whose spending is disproportionately weighted towards leisure goods and clothing and footwear, whose prices are falling, will face a lower rate of inflation than the official figure. By contrast, those whose spending is disproportionately weighted towards housing, fares and food will face a higher than average rate of inflation.

In January 2007, the ONS launched a personal inflation calculator in response to perceptions that the national inflation rate did not correspond to individuals' experiences of inflation.¹⁰ A guide to using the calculator¹¹ and an article describing it are available on the ONS website.¹² Users enter information about the amount of money they spend on various categories of goods and services, such as food, heating and lighting, housing and council

⁹ “CPI and RPI: the 2007 basket of goods and services” by Damon Wingfield, *Economic and Labour Market* April 2007, pp39-46

¹⁰ <http://www.statistics.gov.uk/pic/>

¹¹ <http://www.statistics.gov.uk/PIC/downloads/HowtouseThePersonalInflationCalculator.pdf>

¹² “The personal inflation calculator”, by Matthew Powell and Jim O’Donoghue, *Economic & Labour Market Review*, January 2007, pp27-32

tax. The personal inflation calculator then takes individual patterns of expenditure into account and combines these with price data used to compile the RPI. It therefore aims to calculate a rate of inflation more relevant for the individual than the published inflation figures which are based on average patterns of spending. The ONS explain that it is not possible to calculate exactly the rate of inflation faced by each person. This would require information about the exact purchases made by each individual and the prices paid.

Another reason why perceptions of inflation may differ from the official figures relates to the frequency with which different items are bought. There is evidence that items which are purchased frequently play a greater role in shaping individuals' perceptions of inflation than items purchased only occasionally. Consumers may not take into account, or not give due weight to, items which are bought only occasionally, such as household appliances, televisions or computers.

There is evidence that the prices of these less frequently bought items have increased less than average, or even fallen. By contrast, the prices of goods and services which are bought more often have tended to increase more rapidly than average. Analysis by the Office for National Statistics has shown that the inflation rate for goods bought at least monthly was at least one percentage point higher than the overall rate of inflation between January 2003 and September 2006. In some months the difference was more than two percentage points.¹³ If this factor is given insufficient weight by consumers, their perceptions of inflation will be biased upwards.

¹³ ["Inflation – experience and perceptions"](#) by Jim O'Donoghue, *Economic & Labour Market Review*, January 2007, pp33-39

B. Aid to the Occupied Palestinian Territories

1. Background

Following the results of the Palestinian Legislative Council elections on 25 January 2006, the Quartet (comprised of the US, EU, UN and Russia) called for the newly formed Hamas-led Government to commit to the principles of non-violence, recognition of Israel and acceptance of previous agreements and obligations. Having made no progress in this regard the EU and the US announced the suspension of direct aid to the new Palestinian Government. In addition, the Government of Israel stopped the transfer of revenues it collects on behalf of the Palestinian Authority (PA), a measure it had used on previous occasions. The combined effect of these decisions was to remove the equivalent of \$85 million per month (\$1 billion per year) of liquidity from the Palestinian economy;¹⁴ equivalent to approximately 75% of the Palestinian Authority's monthly operating budget.¹⁵

However, in order to continue providing assistance to the Palestinian people, the European Commission (EC) was tasked by the Quartet to create a temporary mechanism for providing emergency assistance to the OPTs without going through the Hamas-led Palestinian Authority. The Temporary International Mechanism (TIM) was subsequently established in June 2006.

Despite the introduction of the TIM, the emerging recovery of the Palestinian economy over the period 2003-2005 was largely reversed in 2006.¹⁶ A recent report by the UK Government estimated that real per capita GDP fell by more than 10% in 2006 and is now almost 40% lower than its level before the start of the second *intifada* in 2000.¹⁷

Developments in 2007 and 2008

In March 2007 a Government of National Unity was created under the leadership of Hamas but including Fatah ministers. The Quartet decided to evaluate the situation to see if it would be possible to resume normal funding arrangements with the new Government.¹⁸ However, before any decision was made, fighting between Hamas and Fatah in Gaza led to the seizure of Gaza by Hamas on 14 June 2007.

In response the Palestinian President Mahmoud Abbas dissolved the National Unity Government and formed an emergency Government. While this has resulted in the resumption of relations with the PA on the part of the Quartet, at a meeting on 23 September 2007, it was agreed that the TIM would be extended until the end of December 2007.¹⁹ This has since been extended to 31 March 2008. An international donor's conference in Paris on

¹⁴ World Bank, *West Bank and Gaza Update*, September 2006, p25

¹⁵ UN OCHA, *Occupied Palestinian territory 2007: Consolidated Appeals Process*, p 3

¹⁶ In 2005, the World Bank defined the West Bank and Gaza as a lower-middle-income economy with a per capita income of \$1,230.

¹⁷ HM Government, *Economic aspects of peace in the Middle East*, September 2007, p12

¹⁸ Statement of the Middle East Quartet, 21 March 2007

¹⁹ FCO website, "Quartet Statement Following September 23 Meeting", available at: <http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=188494783126>

17 December 2007 resulted in pledges of \$7.5 billion (this has since risen to \$7.7 billion²⁰) in aid to the PA over the period 2008-2010.²¹ A new mechanism is currently being phased in called the PEGASE which will replace the TIM and deliver pledges made at the conference (see section 4a below).

Since the beginning of 2008 the situation in Gaza has become even more unstable. The Israeli authorities sealed Gaza's borders on 17 January in response to rocket attacks, leading to power cuts and other severe problems. The blockade was eased on 22 January, but on 23 January the border between Egypt and Gaza was breached and thousands of Palestinians entered Egypt looking for supplies. There have been calls in Israel for a review of the country's humanitarian responsibilities towards Gaza in the light of the latest crisis.

2. UK assistance to the OPTs

Table 1 below shows UK bilateral aid disbursements to the West Bank and Gaza since 2002/03.

Table 1 - Total DFID bilateral aid to West Bank & Gaza
£000s

	Financial Aid	Technical Cooperation	Grants and Other Aid in Kind	Humanitarian Assistance	Total DFID Bilateral Programme	% of total UK bilateral aid
2002/03	..	4,650	5,982	4,534	15,165	0.62%
2003/04	..	5,380	11,461	..	16,841	0.66%
2004/05	7,575	5,293	2,897	1,800	17,565	0.56%
2005/06	10,335	3,689	1,034	..	15,058	0.34%
2006/07	11,914	2,895	163	223	15,196	0.31%

Note: DFID also contributes around £15m - £20m annually to UNRWA whose work supports Palestinian refugees in the Middle East.

Source: DFID, Statistics on International Development 2007, table 14.3

In addition to bilateral aid, DFID provides multilateral assistance to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) which in 2006/07 amounted to approximately £15 million.²² In December 2006 DFID announced an increase in its assistance to UNRWA over a four year period.²³ The total package of £76.6 million represents an increase of about £20 million over the period compared with the previous four years.²⁴

On 17 July 2007, the Secretary of State for International Development announced that the UK would resume some direct payments to the PA, starting with an initial contribution of

²⁰ France Diplomatie, *Follow-up meeting to the International Donors' Conference for the Palestinian State*, 22 January 2008

²¹ Summary of pledges made at the International Donors Conference for the Palestinian State available at:
http://www.diplomatie.gouv.fr/en/country-files_156/israel-palestinian-territories_290/palestinian-territories_2156/international-donors-conference-for-the-palestinian-state-pledges-recap-17.12.07_10509.html

²² HC Deb 17 January 2007 c1118W

²³ HC Deb 13 December 2006 c90WS

²⁴ The UK also makes multilateral contributions through the EU, the World Bank, the International Committee of the Red Cross (ICRC) and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA).

£3 million to allow the PA to begin paying off private sector debts.²⁵ Most recently, at the International Donors Conference in Paris in December, the UK pledged \$500 million (£243 million) in aid over the period 2008-2010.²⁶

3. EU assistance

The European Commission (EC) is the largest single donor of financial assistance to the Palestinians, while total disbursements from the EU and its Member States amount to approximately €500 million each year.²⁷ The following table shows EC assistance to Palestinians from 2000 to 2006, including contributions to the UNRWA.

Table 2 - EC assistance to Palestinians

€millions

2000	225
2001	148
2002	326
2003	271
2004	254
2005	278
2006	340

Source:

http://ec.europa.eu/external_relations/occupied_palestinian_territory/ec_assistance/eu_support_pa_2000_2006_en.pdf

To 17 December 2007, EC commitments for assistance to Palestinians in 2007 were as follows:

Table 3 - European Community assistance to Palestinians, 2007

€millions

Commitments

Temporary International Mechanism	350
New scheme for private sector arrears	20
Institution building	5.7
UNRWA's General Fund	66
UNRWA - specific projects	13.8
Food Aid and Humanitarian Aid (ECHO)	66.3
Food security	10
Social and Health projects in East Jerusalem	2
Support to civil society, e.g. Partnership for Peace, Democracy and Human Rights	9.2
Support to Palestinian- Israeli negotiations towards a peace agreement	7.5
Total	550.5

Source: http://ec.europa.eu/external_relations/gaza/intro/index.htm

²⁵ DFID Press Release, "UK leads the way in resuming direct aid for emergency Palestinian government", 17 July 2007

²⁶ <http://www.dfid.gov.uk/news/files/Pressreleases/donor-supporty-palestinian.asp>

²⁷ *The EU's relations with the West Bank and Gaza Strip*, at: http://ec.europa.eu/comm/external_relations/gaza/intro/index.htm

In total, since its introduction, Member States have contributed €170 million to the TIM as part of a total EU contribution of €455.5 million. The TIM also received €20 million from non-EU contributors.²⁸

The PEGASE

The PEGASE (Palestino - Européen de Gestion et d'Aide Socio-Economique), which is currently being introduced and will fully replace the TIM from April, was announced on 28 January. PEGASE will be the primary mechanism for channelling EU support²⁹ for the three year Palestinian Reform and Development Plan (PRDP) which was presented by the PA Prime Minister Salam Fayyad at the Paris Donor Conference of 17 December 2007. At the conference the EU (Member States and the EC) pledged a total of \$3.4 billion (€2.3 billion) to be committed over the next three years to 2010.

In contrast to the TIM which was an emergency assistance mechanism renewed every three-month, PEGASE is an instrument covering a wider range of activities and lasting three years, the same period as the PRDP. All funding will be aligned to the four “axes” of the PRDP; Governance, Social Development, Economic and Private Sector Development; and Public Infrastructure Development.³⁰

As with the TIM, PEGASE works in agreement with the Office of the Palestinian President, which acts as an interlocutor and facilitates the distribution of funds.

4. US assistance

Between 1993 and 2004, US Agency for International Development (USAID) funding for the West Bank and Gaza Strip totalled \$1.5 billion.³¹ Following the election to government of Hamas, the US suspended all economic aid to the PA managed by USAID and prohibited US persons from financial transactions with the PA.³² Table 4, below, summarises US assistance to the Palestinians from 2003/04 to 2006/07 disbursed by USAID.

Table 4 - USAID assistance to Palestinians

\$millions

2001/02	72
2002/03	125
2003/04	75
2004/05	274
2005/06	150
2006/07	50

Source: CRS Report for Congress, 27 April 2007

²⁸ Canada, Norway, Switzerland and Australia.

²⁹ PEGASE will also be open to other international donors who wish to contribute.

³⁰ For more information on PEGASE see:

http://ec.europa.eu/external_relations/occupied_palestinian_territory/index_en.htm

³¹ USAID website, available at: <http://www.usaid.gov/wbg/budget.htm>

³² However, the US Government did continue to provide emergency humanitarian assistance, democracy promotion funds and private sector support funds through international and non-governmental organisations.

Although the US does not contribute to the TIM, the US is the single largest contributor to the UNRWA. In 2007, the US contributed \$154.2 million to UNRWA, including \$90.7 million for the General Fund and \$63.5 million for its emergency appeals for Lebanon, the West Bank, and Gaza. The US recently announced an initial contribution of \$40 million in support of UNRWA's 2008 General Fund Appeal.³³

On 18 June 2007, US Secretary of State Condoleezza Rice announced the resumption of direct funding to the Palestinian government following the formation of the Abbas-led emergency Government.³⁴ On 16 July 2007, US President George W. Bush announced that that US would provide more than \$190 million in assistance to the Palestinians in 2007, including funds for humanitarian relief in Gaza, and \$80 million for Palestinian security services.³⁵ At the International Donors Conference in December the US pledged \$555 million in aid in over the period to 2010.³⁶

5. Other assistance

World Bank figures for 2006 on Official Development Assistance indicate that the West Bank and Gaza received \$1.4 billion from all donor sources in 2006 compared with \$1.1 billion in 2005.³⁷

Russia's aid figures are not published, however, it was reported that Russia disbursed \$10 million in emergency aid to the Palestinians in late 2006.³⁸ In total, Arab countries were reported to have provided \$7.4 million to the West Bank and Gaza in 2005, a substantial decrease from a high of \$776 million in 2002.³⁹

A summary of pledges by region made at the International Donors Conference in December is provided in the table below:

Table 5 - Pledges to the Palestinian Authority: 2008-10

	\$ millions	% of total
Europe	3,866	51.7%
North America	839	11.2%
Arabic countries	1,524	20.4%
Other countries	411	5.5%
International organisations	843	11.3%
All pledges	7,483	100.0%

Source: France Diplomatie

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Economic Policy and Statistics Section

³³ US Department of State Press Release, *The United States Government's contribution to UNRWA's 2008 General Fund Appeal*, 10 January 2008

³⁴ US Department of State Press Release, *Rice Announces Return of Direct Aid to Palestinian Government*, 18 June 2007

³⁵ "President Bush discusses the Middle East", On the Record Briefing, 16 July 2007, available at: <http://www.state.gov/p/nea/rls/rm/2007/88506.htm>

³⁶ <http://www.state.gov/r/pa/prs/ps/2007/dec/97711.htm>

³⁷ World Bank, DAC database online, Table 2a:

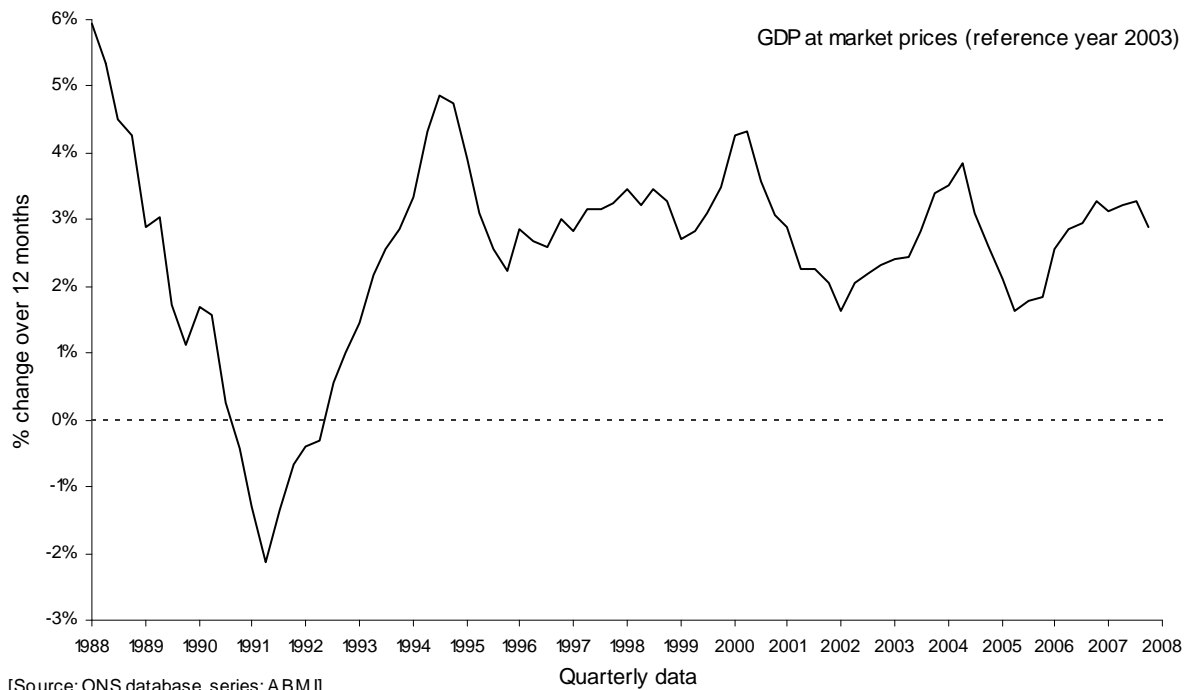
http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html

³⁸ "Russia to increase assistance to Palestine", ITAR-TASS, 29 November 2006

³⁹ 2006 data are not yet available. Source: World Bank, DAC database online, Table 2a:

http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html

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
2004	1,184.3	5.9	3.3
2005	1,234.0	4.2	1.8
2006	1,303.6	5.6	2.9
2007	..	..	3.1
2006 Q4	333.7	6.2	3.3
2007 Q1	338.7	6.3	3.1
Q2	345.4	7.2	3.2
Q3	349.6	6.2	3.3
Q4	..	..	2.9

Source: ONS database, series: YBHA, ABMI

- The UK economy is estimated to have grown by 3.1% in 2007, compared with 2.9% in 2006.
- The chained volume measure of gross domestic product (GDP) at market prices was 0.6% higher in Q4 2007 than in the previous quarter (Q3 2007). Compared with the same quarter in the previous year (Q4 2007 on Q4 2006) this measure of GDP was 2.9% higher.
- In January 2008, HM Treasury's average of independent economic forecasts of GDP growth in 2007 was 3.1% the same as in December 2007. The average of growth forecasts made in January for 2008 was 1.8% down from 1.9% in December 2007.

Contact: Grahame Allen, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 20 Feb; ONS, *UK output, income & expenditure*, 25 Apr

A2: GDP: International Comparisons

[Source: OECD, *Main Economic Indicators*, Jan 2008]

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter					
	2003	2004	2005	2006	2006			2007		
					Q2	Q3	Q4	Q1	Q2	Q3
USA	2.5	3.6	3.1	2.9	0.6	0.3	0.5	0.2	0.9	1.3
Japan	1.4	2.7	1.9	2.4	0.8	-0.1	1.3	0.8	-0.5	0.4
Canada	1.9	3.1	3.1	2.8	0.4	0.3	0.4	0.9	0.9	0.7
United Kingdom	2.8	3.3	1.8	2.9	0.7	0.6	1.0	0.8	0.8	0.7
Germany	-0.2	1.1	0.8	2.9	1.3	0.7	1.0	0.5	0.3	0.7
France	1.1	2.5	1.7	2.0	0.9	-0.1	0.5	0.6	0.3	0.8
Italy	0.0	1.2	0.1	1.9	0.6	0.3	1.1	0.3	0.1	0.4
Eurozone	0.8	1.8	1.6	2.9	1.0	0.6	0.8	0.8	0.3	0.8
G7	1.8	2.9	2.3	2.7	0.7	0.3	0.7	0.4	0.5	0.9
OECD	2.0	3.2	2.6	3.1	0.8	0.4	0.8	0.6	0.6	..

Source: OECD, *Main Economic Indicators*, Jan 2008

- All of the OECD countries displayed in the table above recorded positive growth in Q3 2007. Annual UK GDP growth was 2.9% 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 2.7%.
- UK growth is forecast to be 3.1% in 2007 compared with 2.2% in the US and 1.9% in Japan. Overall OECD growth is forecast to be 2.7% in 2007.

OECD growth forecasts

% change on year

	2007	2008	2009
USA	2.2	2.0	2.2
Japan	1.9	1.6	1.8
United Kingdom	3.1	2.0	2.4
Eurozone	2.6	1.9	2.0
OECD	2.7	2.3	2.4

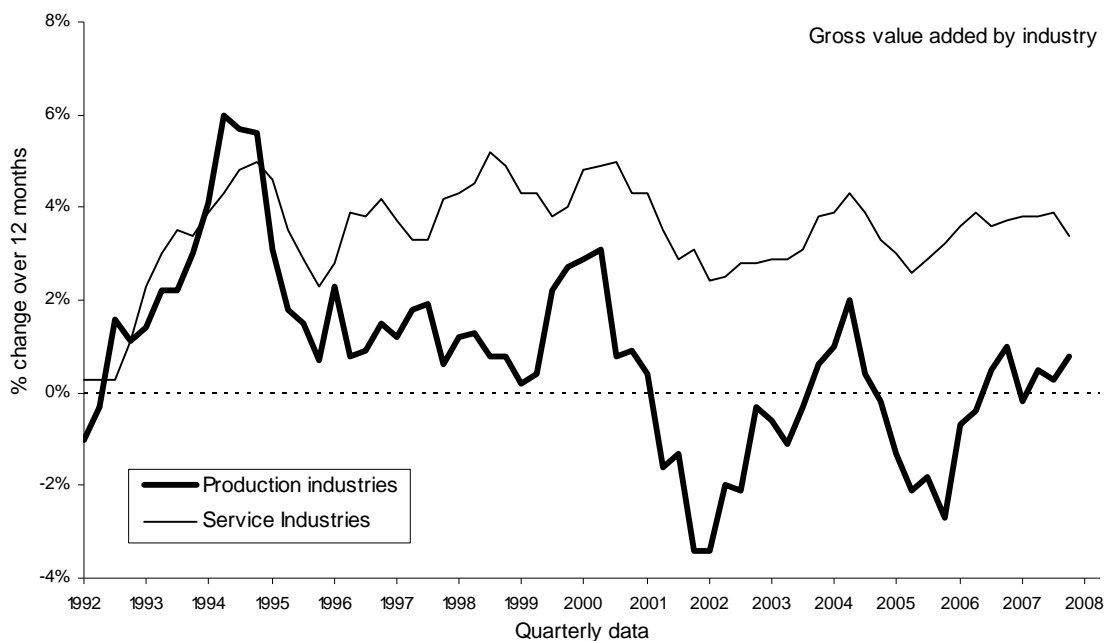
Source: OECD, *Economic Outlook*, Dec 2007

Contact: Edward Beale, x2464

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

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 3.4%. Between the third quarter of 2007 and the fourth quarter of 2007 annual output growth in the service sector decreased by 0.5 percentage points.

Gross value added at current basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing		Construction
	Total	Manufacturing				
2004	0.8	2.0	3.9	-1.0	4.0	
2005	-2.0	-1.2	2.9	4.4	1.5	
2006	0.1	1.4	3.7	2.6	1.1	
2007	0.4	0.6	3.7	0.9	3.3	
2006 Q4	1.0	2.7	3.7	0.6	3.1	
2007 Q1	-0.2	0.9	3.8	1.4	2.8	
Q2	0.5	0.9	3.8	1.0	3.6	
Q3	0.3	0.4	3.9	-0.4	3.5	
Q4	0.8	0.3	3.4	1.8	3.2	

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

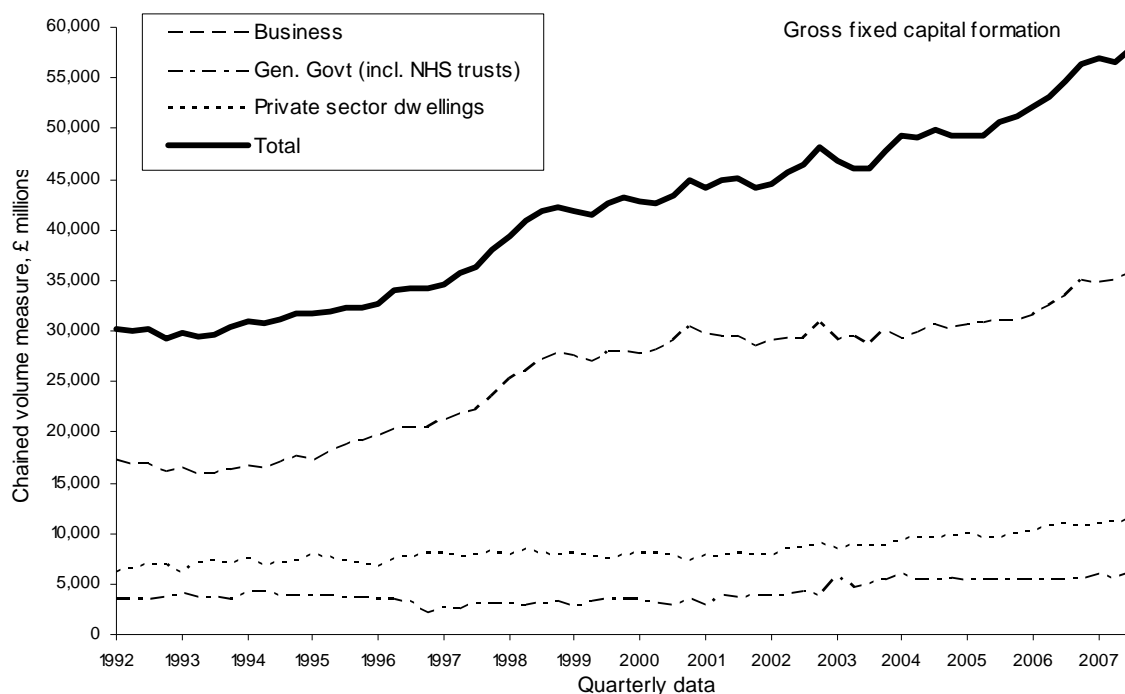
- Manufacturing output increased by 0.3% in the fourth quarter of 2007 compared with the same quarter in 2006, and manufacturing output increased by 0.6% overall in 2007.
- In 2005, services accounted for 75% of gross value added, manufacturing for 14%, other production industries (mining & quarrying, and electricity, gas & water supply) for 5%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *UK Output, income and expenditure—Q4*, 27 Feb

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	15,316	62,849	77,319	46,026	14,956	216,465
2006 Q3	3,802	16,015	19,191	11,865	3,763	54,636
Q4	4,164	16,516	20,376	11,574	3,817	56,445
2007 Q1	3,974	17,404	19,838	11,913	3,884	57,013
Q2	3,922	16,871	19,913	12,009	3,867	56,582
Q3	3,968	17,198	20,648	12,180	3,926	57,919

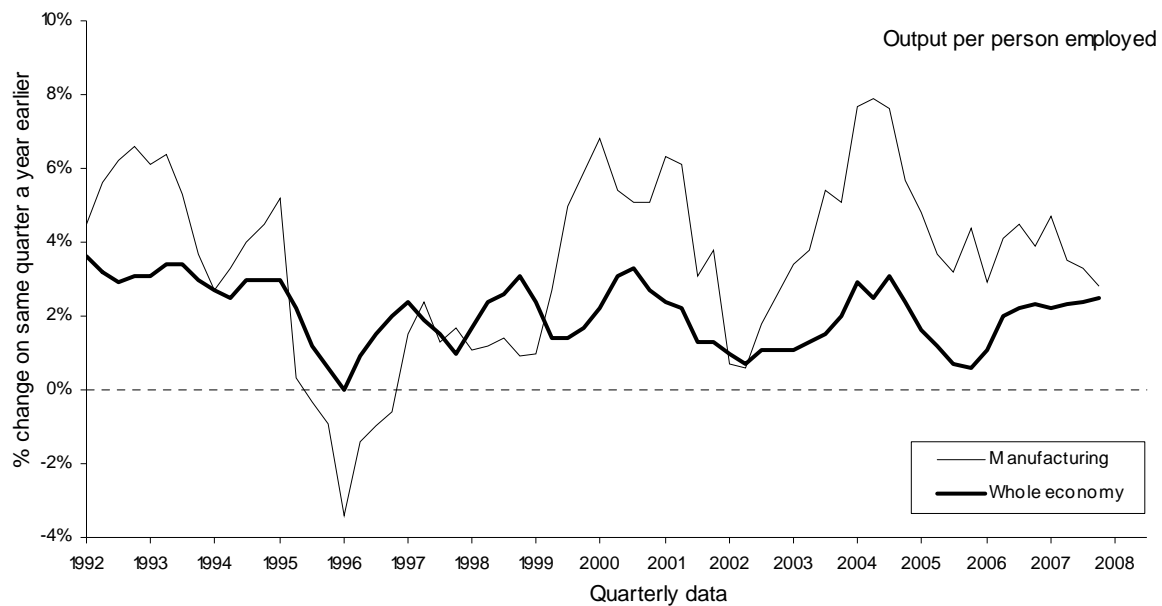
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 2.0% in Q3 2007 compared with the previous quarter, and increased by 6.6% compared with Q3 2006 on a seasonally adjusted basis.
- Total manufacturing investment increased by 1.1% in Q3 2007 compared with the previous quarter while investment in private sector services decreased by 1.3% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 26 Feb

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

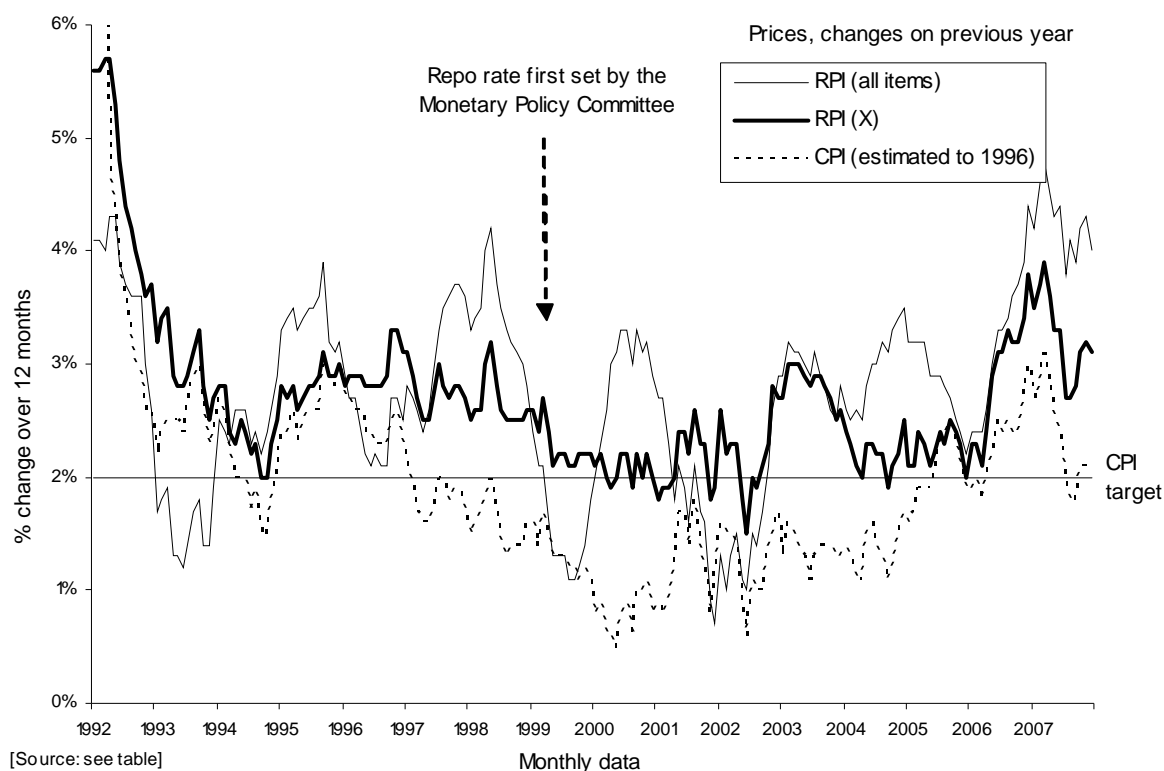
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2004	2.0	-4.2	6.5	3.3	0.8	2.4
2005	-1.2	-4.5	3.5	1.9	1.0	1.0
2006	1.4	-2.8	4.4	3.0	0.8	2.1
2007	0.6	..	..	3.1	..	..
2006 Q3	1.8	-2.0	3.9	2.9	0.7	2.3
Q4	2.7	-1.9	4.7	3.2	1.0	2.2
2007 Q1	0.9	-2.5	3.5	3.0	0.7	2.3
Q2	0.9	-2.4	3.3	3.2	0.7	2.4
Q3	0.4	-2.4	2.8	3.3	0.7	2.5
Q4	0.3	..	..	2.9	..	..

Source: ONS database, series: ABMM, ERIT, ERIU, GDP, LNNM, LNNN, LNNP, LNNQ, LNNR, 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 2.4% in 2004.
- In 2006, manufacturing output increased by 1.4% and employment in manufacturing fell by 2.8%, while manufacturing output per head rose by 4.4%.
- Productivity growth in manufacturing fell to 2.8% per annum in Q3 2007 compared to 3.3% per annum in the previous quarter, while whole economy productivity growth increased from 2.4% per annum in Q2 2007 to 2.5% per annum in Q3 2007.
- For the economy as a whole, productivity growth has averaged 2.1% per annum over the last eight quarters. Figures on this page are based on output per job.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 31 Mar

B1: Prices

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

- In the year to December, the consumer prices index (CPI) showed inflation at 2.1%, unchanged from November.
- The largest upward effect on the CPI came from food and non-alcoholic beverages.
The largest downward contribution on the CPI annual rate came from housing and household services, mainly due to falls in the cost of gas and electricity bills.
- The former headline (all items RPI) rate of inflation was 4.0% in December, down from 4.3% in November. The underlying RPI(X) fell to 3.1% in December from 3.2% in November.
- The largest downward effect on the RPI came from housing. The largest upward effect came from food.

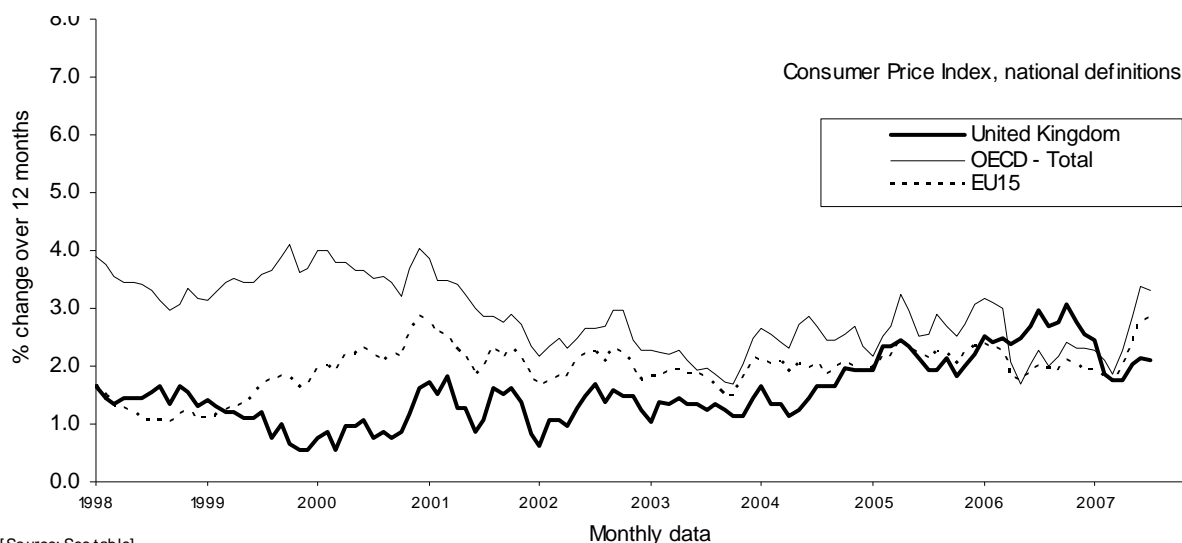
Price Indices

% change over 12 months

	CPI (was HICP)	RPI (all items)	RPI (X)
2004	1.3	3.0	2.2
2005	2.1	2.8	2.3
2006	2.3	3.2	2.9
2007	2.3	4.3	3.2
2006 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
Sep	1.8	3.9	2.8
Oct	2.1	4.2	3.1
Nov	2.1	4.3	3.2
Dec	2.1	4.0	3.1

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

B2: Prices: International Comparisons



[Source: See table]

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
2004	2.7	-0.0	1.9	1.3	2.3
2005	3.4	-0.3	2.2	2.0	2.6
2006	3.2	0.2	2.0	2.3	2.6
2007	2.9	0.1	2.1	2.3	2.4
2007 Jul	2.4	0.0	2.2	1.9	2.1
Aug	2.0	-0.2	1.7	1.7	1.9
Sep	2.8	-0.2	2.5	1.7	2.3
Oct	3.5	0.3	2.4	2.0	2.9
Nov	4.3	0.6	2.5	2.1	3.4
Dec	4.1	0.7	2.4	2.1	3.3

Source: OECD, Consumer Prices Release

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 4.1% in December, a fall of 0.2 percentage points over November.
- The average inflation rate for all OECD countries fell to 3.3%.
- By this measure, the EU average inflation rate (not shown in the table, but in the chart above), was steady at 2.8%.

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 Jul	1.2	2.0	1.7	1.9	1.8
Aug	1.3	2.0	1.7	1.8	1.7
Sep	1.6	2.7	1.7	1.8	2.1
Oct	2.1	2.7	2.3	2.1	2.6
Nov	2.6	3.3	2.6	2.1	3.1
Dec	2.8	3.1	2.8	2.1	3.1

Source: Eurostat, Euro-Indicators news release, Jan 2008

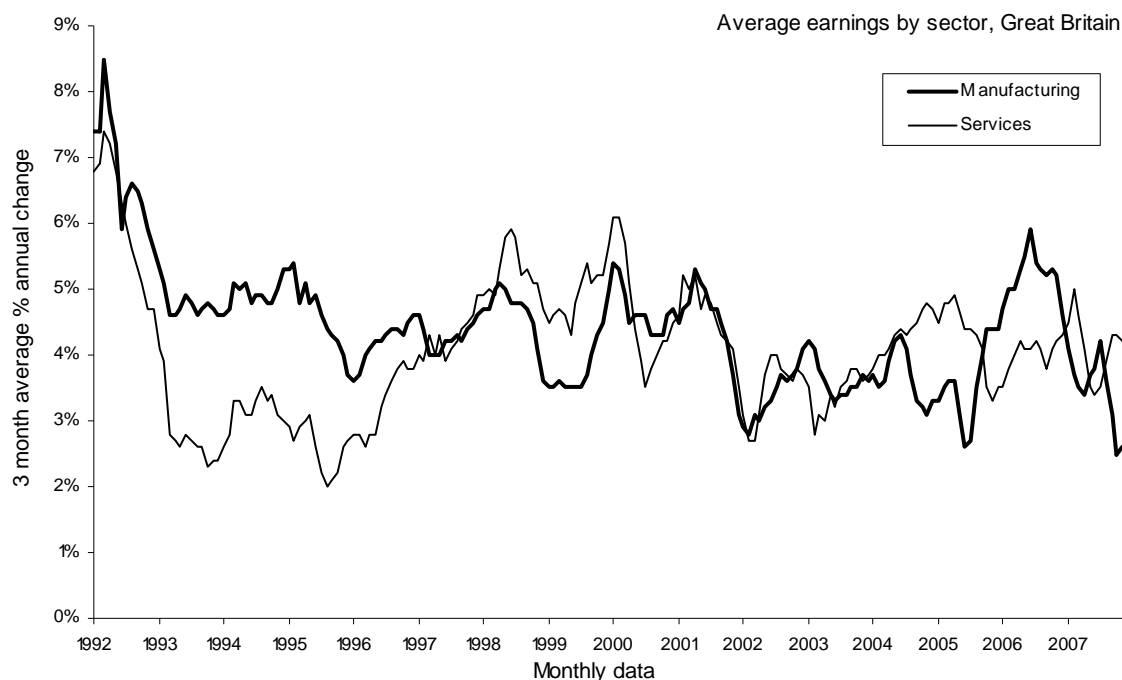
The EU has developed harmonised indices of consumer prices (HICPs), designed for international comparison, to monitor prices within the eurozone:

- In December 2007, Eurozone annual inflation remained at 3.1%. The "flash" estimate for January is 3.2%
- The HICP inflation rates for the EU15 Member States not in the eurozone were 2.4% in Denmark, 2.5% in Sweden and 2.1% in the UK.
- The eurozone countries with the highest HICP annual inflation rates were Slovenia (5.7%), Spain and Luxembourg (both 4.3%). The lowest rates were in the Netherlands (1.6%) and Finland (1.9%).

Contact: Bryn Morgan, x4904

Updates: OECD, consumer prices release, 4 Mar
Eurostat, *Euro-indicators news release*, 29 Feb

B3: Average Earnings Index



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

- The headline rate of growth in average earnings for the whole economy in November was 4.0%, unchanged from October.
- Headline average earnings growth in manufacturing was 2.6% in November, up from 2.5% in October. Earnings growth in the service sector was 4.2% in November, down from 4.3% in the previous month.
- Headline earnings growth in the private sector was 4.2% in November, compared with 3.3% in the public sector. Earnings growth in the private sector was from October, while earnings growth in the public sector was up from 3.2% in October.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in November 2006 was 4.1%).
- In the year to November, the consumer price index showed inflation below the rate of earnings growth at 2.1%. 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 Nov	3.6	3.2	4.8
2004 Nov	4.6	4.8	4.6
2005 Nov	3.5	3.4	4.5
2006 Nov	4.1	4.3	3.2
Dec	4.1	4.3	3.2
2007 Jan	4.2	4.5	3.2
Feb	4.6	4.9	3.2
Mar	4.4	4.8	3.1
Apr	4.0	4.1	3.0
May	3.5	3.6	3.1
Jun	3.4	3.4	3.1
Jul	3.5	3.7	2.8
Aug	3.7	3.9	2.9
Sep	4.1	4.3	3.0
Oct	4.0	4.2	3.2
Nov	4.0	4.2	3.3

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

C1: Employment



Employment structure in the UK

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

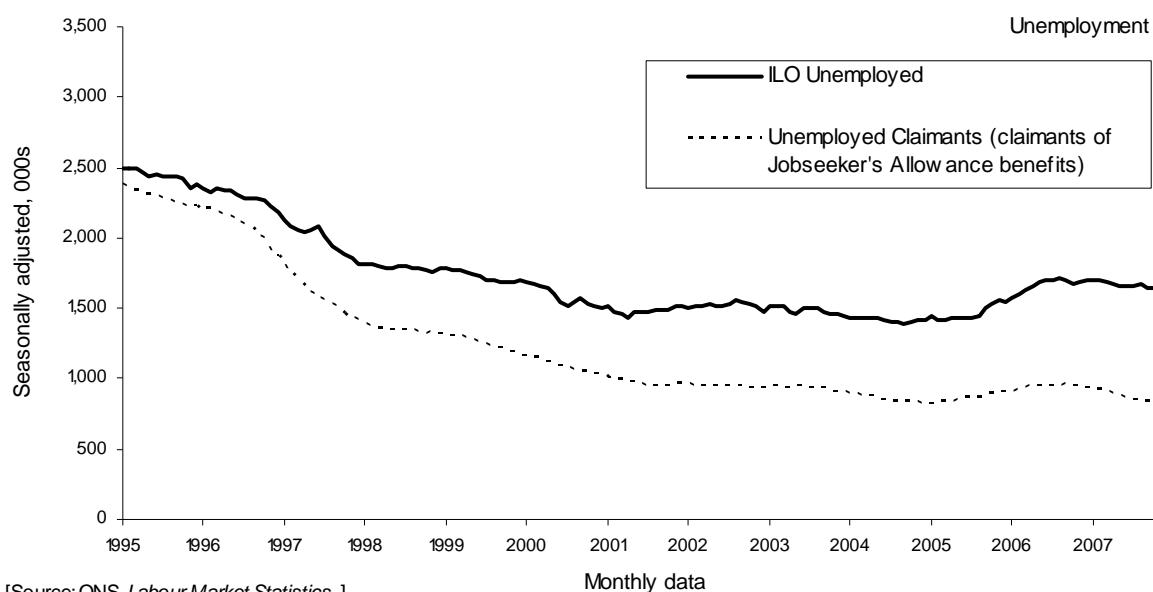
	Total in employment	Employees	Self- employed	Unpaid Family Workers	Government Training
2003 Oct	28,268	24,405	3,656	99	107
2004 Oct	28,572	24,701	3,645	95	132
2005 Oct	28,798	24,905	3,698	92	102
2006 Oct	29,092	25,079	3,802	100	111
2007 Jan	29,052	25,016	3,834	99	104
2007 Apr	29,152	25,116	3,828	103	105
2007 Jul	29,181	25,108	3,851	106	116
2007 Oct	29,355	25,286	3,856	107	106
<i>Changes (%):</i>					
on last 3 months	0.6	0.7	0.1	1.1	-8.6
on last year	0.9	0.8	1.4	6.7	-4.8

- Total employment was 29.4 million in the period September to November 2007, 0.9% higher than a year earlier. The working age employment rate of 74.7% was 0.3 percentage points higher than the previous quarter and 0.1 higher than a year earlier.
- The number of workforce jobs increased by 63,000 between June and September 2007 and was 287,000 higher than a year earlier. Over the year to September, the number of production industry workforce jobs fell by 30,000. The number of service sector jobs rose by 272,000 over the year.
- 7.5 million people were in part-time employment in the period September to November 2007, of whom 5.7 million were women. 3.9 million people were self-employed.

Contact: Dominic Webb, x4324

Update: ONS, *Labour Market Statistics*, 13 Feb

C2: Unemployment: National



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

- The latest LFS estimates show that over the period September to November 2007, the level of ILO unemployment in the UK was 1,649,000 (seasonally adjusted). This was a decrease of 29,000 from the same period in 2006.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 6,000 between November and December 2007 to 808,000.

The New Deal for Young People started in January 1998.

- By August 2007, there had been 1,725,000 starts under the scheme. By May 2007, 1,587,000 spells had been completed, 633,000 (40%) of which resulted in sustained employment i.e. where the individual 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.

- By August 2007, there had been 1,034,000 starts under the scheme. By May 2007, 577,000 spells had been completed of which 159,000 (28%) resulted in sustained employment.

ILO Unemployment in the UK seasonally adjusted

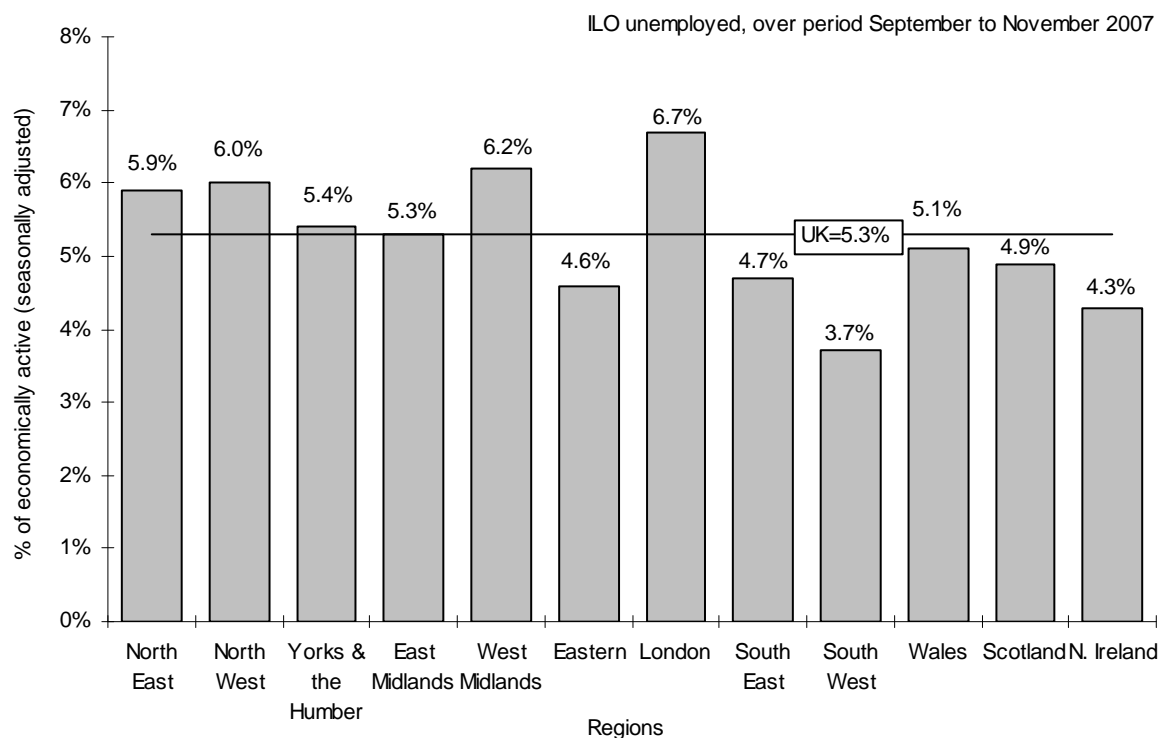
		'000s	(%)
2001	Sep - Nov	1,493	5.1
2002	Dec - Feb	1,500	5.1
	Mar - May	1,533	5.2
	Jun - Aug	1,533	5.2
2003	Sep - Nov	1,529	5.2
	Dec - Feb	1,511	5.1
	Mar - May	1,479	5.0
2004	Jun - Aug	1,502	5.1
	Sep - Nov	1,460	4.9
	Dec - Feb	1,435	4.8
2005	Mar - May	1,430	4.8
	Jun - Aug	1,404	4.7
	Sep - Nov	1,402	4.7
2006	Dec - Feb	1,443	4.8
	Mar - May	1,429	4.7
	Jun - Aug	1,429	4.7
2007	Sep - Nov	1,537	5.1
	Dec - Feb	1,577	5.2
	Mar - May	1,660	5.4
2007	Jun - Aug	1,705	5.5
	Sep - Nov	1,678	5.5
	Dec - Feb	1,700	5.5
2007	Mar - May	1,666	5.4
	Jun - Aug	1,662	5.4
	Sep - Nov	1,649	5.3

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Updates: ONS, *Labour Market Statistics*, 13 Feb
DWP *New Deal*, 13 Feb

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 September to November 2007 London had the highest unemployment rate, 6.7% of the economically active population. The lowest rate over the same period was 3.7%, in the South West.
- A comparison of September to November 2007 with the same period a year earlier shows that the highest fall (10%) in unemployment occurred in the North East. The North West showed the largest increase (17%) over the period.

ILO Unemployment, September to November 2007

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	-8,000	-10
North West & Merseyside	30,000	17
Yorkshire & the Humber	-14,000	-9
East Midlands	-9,000	-7
West Midlands	-5,000	-3
Eastern	-6,000	-4
London	-27,000	-9
South East	16,000	8
South West	-1,000	-1
Wales	-1,000	-1
Scotland	-6,000	-4
Northern Ireland	1,000	3

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

	2005	2006	2007	2006				2007			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	6.8	6.3	6.0	6.4	6.2	6.4	6.2	6.1	6.1	6.0	5.9
France	9.3	9.2	..	9.5	9.3	9.2	8.9	8.7	8.4	8.2	..
Germany	10.6	9.8	..	10.4	10.0	9.6	9.2	8.7	8.5	8.3	..
Italy	7.7	6.8	..	7.3	6.8	6.5	6.5	6.2	5.9	6.0	..
Japan	4.4	4.1	..	4.2	4.1	4.1	4.1	4.0	3.8	3.8	..
UK	4.8	5.3	..	5.1	5.4	5.4	5.4	5.5	5.3	5.3	..
USA	5.1	4.6	4.6	4.7	4.7	4.7	4.4	4.5	4.5	4.7	4.8
Eurozone	8.8	8.2	..	8.6	8.4	8.1	7.9	7.6	7.5	7.3	..
G7	6.2	5.8	..	6.0	5.8	5.8	5.6	5.5	5.2	5.4	..
OECD	6.7	6.1	..	6.4	6.2	6.1	5.9	5.7	5.6	5.6	..

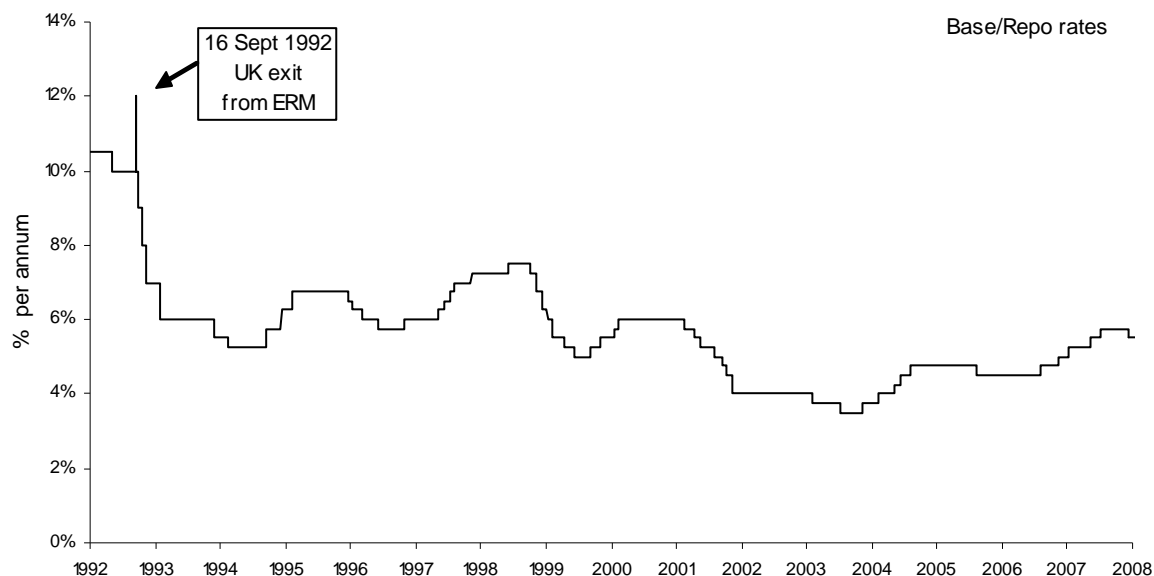
Source: OECD, *Standardised Unemployment Rate*, January 2008

- Using standardised definitions, the UK unemployment rate for 2006 was 5.3%, significantly below the eurozone average (8.2%) and below the G7 and OECD rates (5.8% and 6.1% respectively).
- Between Q3 2006 and Q3 2007 (the latest quarter for which all data are available) the largest fall in unemployment among G7 countries was in Germany where it fell by 1.3 percentage points. Only the USA showed no fall over this period.
- The most recent forecasts published by the OECD (*Economic Outlook*, Preliminary Edition December 2007) suggest the UK unemployment rate will be 5.5% in 2007 and 5.7% in 2008. The respective forecasts for the eurozone are 6.8% and 6.4% and for the OECD as a whole 5.4% and 5.4%.

Contact: Alex Adcock, x3973

Updates: OECD, *Standardised Unemployment Rates*, 8 Feb
OECD, *Economic Outlook*, late-Jun

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.

- **At its January meeting, the MPC voted by 8-1 to keep the interest rate at 5.50%.**

The minutes of the meeting note that:

- Most members felt that no cut was necessary at that meeting particularly because the short-run inflation outlook had worsened markedly.
- There had been some monetary easing through movements in the yield curve and the depreciation of sterling, and most members felt that a further cut at this point would promote the view that the committee was concerned with stabilising demand, rather than meeting the inflation target.
- One member felt that the risk of a sharp and persistent downturn had increased and that a temporary increase in CPI inflation would not lead to increased wage demands.

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	Dec 6	5.50

The central projection from the latest Bank *Quarterly Inflation Report* (November 2007) is for inflation to rise above the 2% target next year, assuming the Bank Rate is reduced in line with market yields. This reflects rising energy costs and a depreciation of sterling. It then eases back, settling at the target. This inflation path forecast is higher for 2008 than predicted in the August Report.

The Bank expects GDP to slow to below its long-term average as consumer spending and business investment decelerate. Growth then recovers because of lower interest rates and a depreciation of sterling. Compared with the August forecast, the slowdown in the first year is sharper.

Contact: Bryn Morgan, x4904

Updates: *Next Decision*, 7 Feb; *Minutes*, 20 Feb
Quarterly Inflation Report, 13 Feb

D2: Interest Rates: International Comparisons

- On 30 January, the US Federal Reserve cut its funds rate by a 50 basis points to 3.0%. This followed an unscheduled cut of 75 basis points on 22 January and cuts at its three previous meetings.
- At its latest meeting on 10 January, the Bank of England's Monetary Policy Committee maintained the UK repo rate at 5.50%, following a 25 point cut in December 2007. (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 10 January.

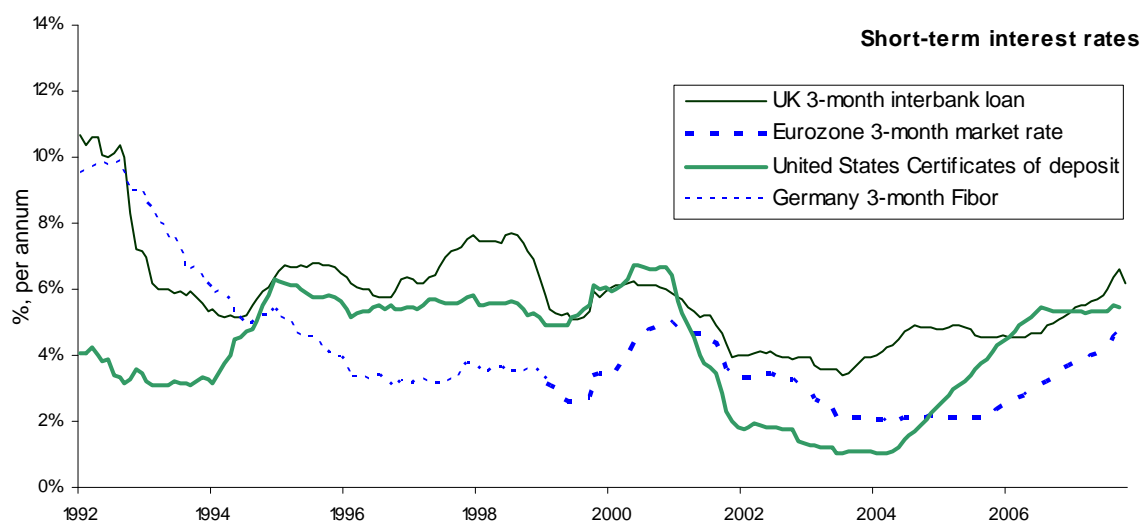
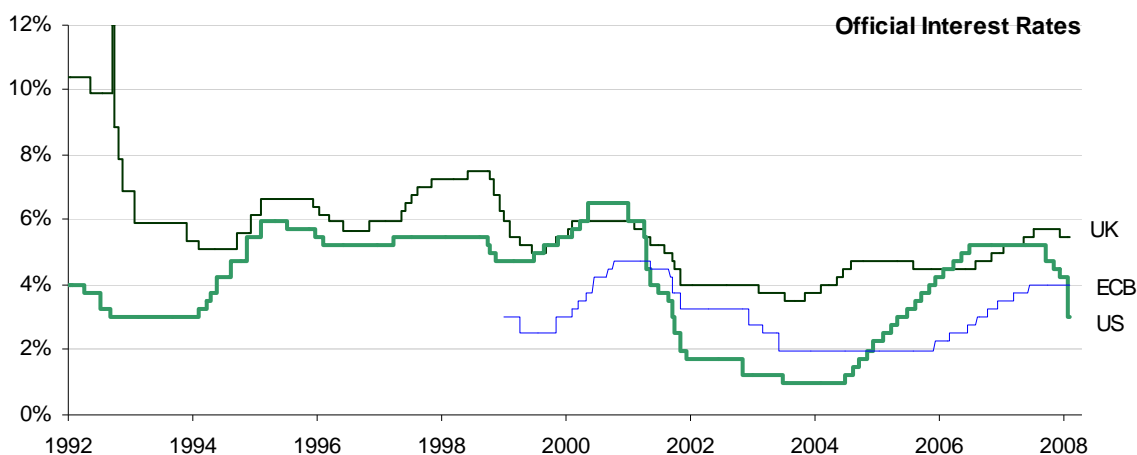
International interest rates

% per annum, at 1 February 2008

	Official rate	Yield 10yr Govt bonds	3-month market rate
United Kingdom	5.50	6/12/07	4.53
Eurozone	4.00	6/6/07	n/a
United States	3.00	30/1/08	3.60
Japan	0.50	21/2/07	1.43
Switzerland	2.25-3.25	13/9/07	2.82

Source: *Financial Times*, 4 February 2008 (Companies & Markets, p.31)

Trends in official rates over the past 15 years are shown in the chart below.



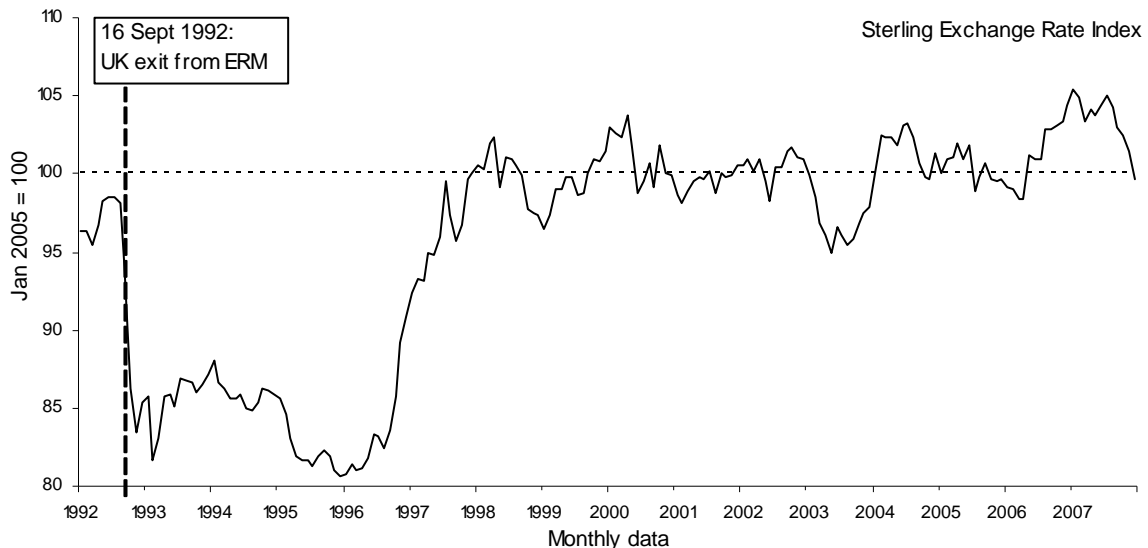
[Source: OECD, *Main Economic Indicators*]

Contact: Bryn Morgan, x4904

Updates: Short-term interest rates: OECD, MEI, mid-Feb
Base rates: 7 Feb (UK MPC), 7 Feb (ECB), 18 Mar (US)

D3: Exchange rates

The *Sterling Exchange Rate Index* (SERI) measures the value of sterling against a trade-weighted 'basket' of other currencies. The weights used in this index measure currencies' relative importance to UK trade in manufacturing:



[Source: ONS database, series: 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 4.7 points in December 2007, suggesting that the UK was relatively more competitive at the end of 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 €1.334 at the London market close on 4 February 2007, compared with a launch rate of €1.476 on 31 December 1998. Having been above the \$2 mark for six months the pound fell back below this level in January and was worth \$1.973 at the market close on 4 February 2007.

Sterling Exchange Rates

rates and % changes

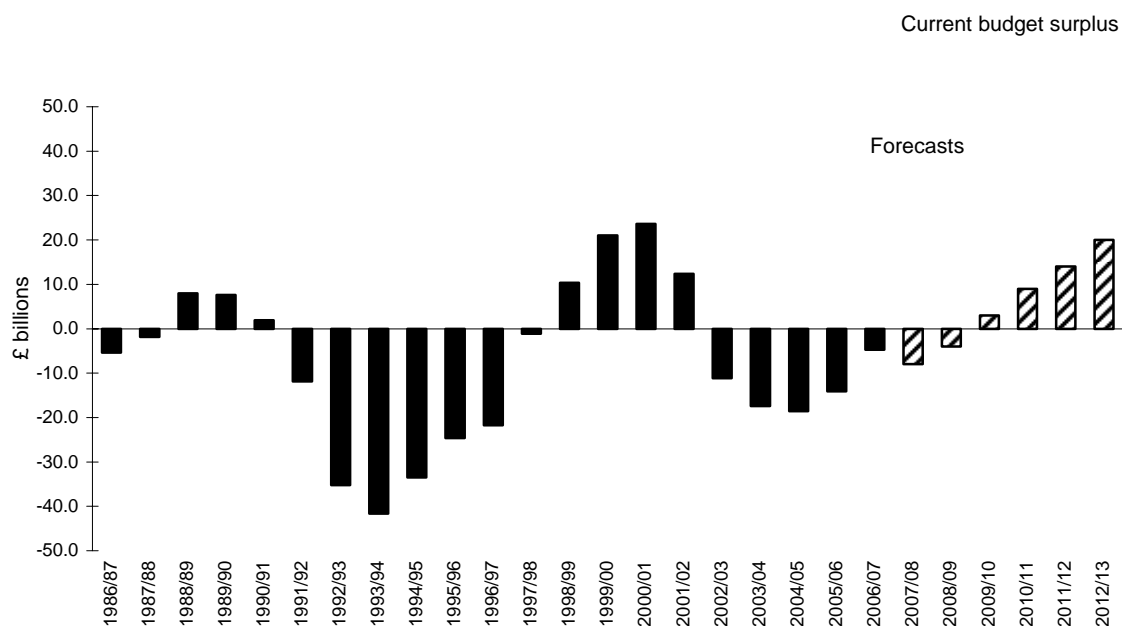
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2004	1.832	12.0	198.1	4.6	1.474	2.0
2005	1.819	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.1	235.6	17.7	1.462	-0.1
2006 Dec	1.963	12.4	230.1	11.1	1.486	0.9
2007 Jan	1.959	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
Sep	2.019	7.1	232.2	5.2	1.452	-2.0
Oct	2.045	9.0	236.9	6.5	1.437	-3.4
Nov	2.070	8.3	229.6	2.4	1.411	-4.9
Dec	2.019	2.8	226.8	-1.4	1.386	-6.7

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

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-Feb; 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 provisional 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 Pre-Budget Report.

- There was a £10.9 billion deficit on the current budget in Q4 2007 compared with a £6.7 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 £21.4 billion in Q4 2007 compared with £12.3 billion in the same quarter of 2006. In 2006/07, the PSNCR was £35.1 billion compared with £40.0 billion in 2005/06.

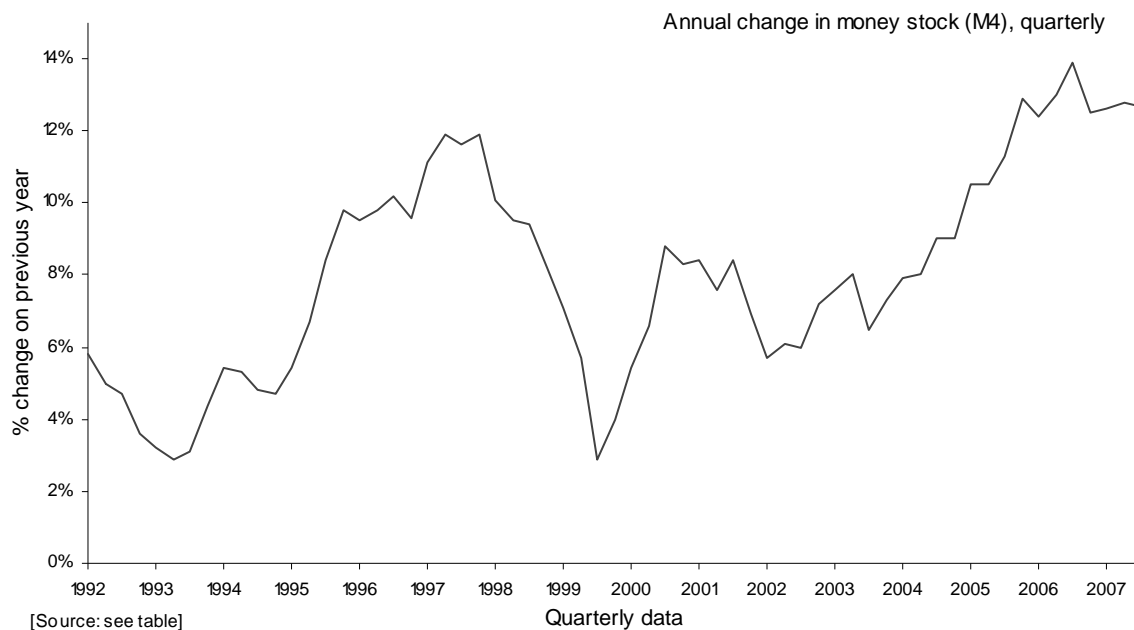
Public Sector Net Debt

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2003/04	382.8	32.8
2004/05	423.5	34.7
2005/06	463.0	36.0
2006/07	499.7	36.6
2006 Q4	501.8	37.3
2007 Q1	499.7	36.6
Q2	514.6	37.1
Q3	516.0	36.7
Q4	536.5	37.7

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 Dec	2.5	5.1	10.3	12.5
2007 Jan	2.7	4.3	10.2	12.7
Feb	3.5	4.1	11.8	12.5
Mar	6.7	4.1	12.6	12.6
Apr	5.2	3.7	13.9	12.9
May	6.9	4.6	14.9	13.9
Jun	7.3	4.8	13.7	12.8
Jul	6.7	4.3	12.7	13.0
Aug	4.6	4.6	13.4	13.5
Sep	5.2	5.4	14.2	12.7
Oct	7.0	5.4	10.4	11.8
Nov	6.2	5.3	6.7	11.6
Dec	3.6	5.7	8.8	12.3

Source: Bank of England, *Monetary and Financial Statistics*, January 2008, Tables A 1.1.1 and A 2.1.1

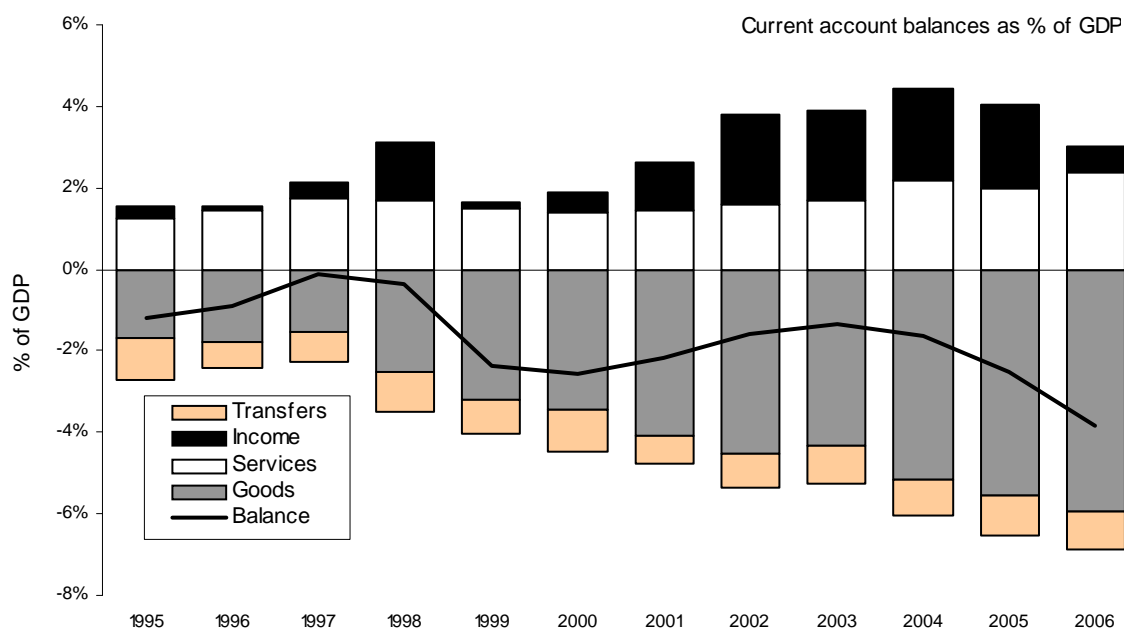
The Bank of England no longer publishes data on M0 following the introduction of new money market arrangements in 2006 (see Bank of England *Quarterly Bulletin*, Autumn 2005 for details). The table above now shows sterling notes and coin in circulation outside the Bank of England. M4 is a broad measure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

- Seasonally adjusted M4 rose by 12.3% in the 12 months to December 2007. The 12-month seasonally adjusted growth rate of notes and coins was 5.7% in December 2007.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

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

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	25,204	-9,427	-2,584	-12,011	-30,985
2006	-77,399	31,005	-46,394	8,126	-9,542	-2,426	-11,968	-50,236
2006 Q3	-19,278	7,652	-11,626	785	-2,139	-264	-2,403	-13,244
Q4	-20,143	8,559	-11,584	92	-3,040	-782	-3,822	-15,314
2007 Q1	-20,448	8,956	-11,492	-1,922	-2,192	-946	-3,138	-16,552
Q2	-19,573	9,112	-10,461	-192	-2,093	-957	-3,050	-13,703
Q3	-22,637	9,345	-13,292	-3,756	-2,127	-873	-3,000	-20,048

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

- **Annually**, the current account deficit in 2006 was £50.2 billion, equivalent to -3.9% 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 £13.3 billion in Q3 2007, widening from the Q2 2007 deficit of £10.5 billion. Between Q2 2007 and Q3 2007 the surplus on services widened as did the deficit on goods.
- In 2006 the **annual** current account deficit with EU27 countries was £39.8 billion, compared with a deficit with non-EU countries of £10.4 billion. On a **quarterly** basis, the deficit with EU countries was £11.8 billion in Q3 2007 (compared with £11.0 billion in Q2 2007). With non-EU countries, the current account was in deficit by £8.2 billion in Q3 2007 (compared with £2.8 billion in Q2 2007).

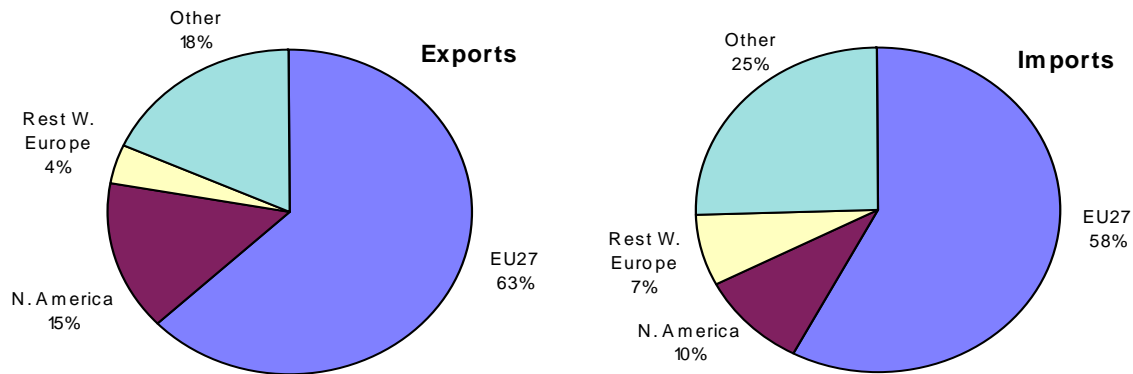
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 28 Mar; *UK Trade*, 11Feb

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	125.8	128.3	244,666	322,065	-77,399
2006 Q3	114.4	120.2	56,788	76,066	-19,278
Q4	113.1	120.1	54,878	75,021	-20,143
2007 Q1	110.5	119.5	54,026	74,474	-20,448
Q2	110.7	118.6	55,092	74,665	-19,573
Q3	113.8	125.8	56,644	79,281	-22,637

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

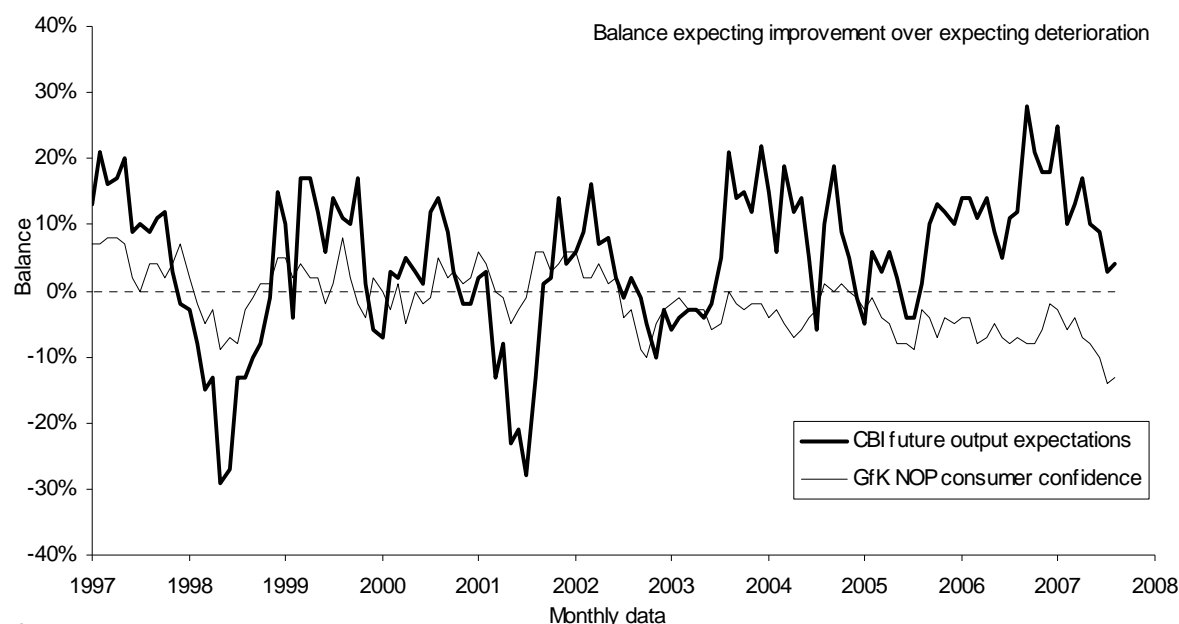
- In November 2007, the provisionally estimated total value of UK goods exports was £19.6 billion and the total value of UK goods imports was £27.0 billion. As a result, the estimated deficit on goods trade was £7.38 billion, slightly higher than the October level of £7.35 billion.
- Geographical breakdowns 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 £2.94 billion in November (compared with £2.87 billion in October), while the deficit with non-EU countries was £4.4 billion (compared with £4.5 billion in October).
- The UK’s monthly surplus on trade in **services** was £3.0 billion in November compared with £3.1 billion in October.
- The UK’s overall monthly deficit on **goods and services combined** in November was £4.4 billion, up from £4.3 billion in October.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 11 Feb

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 +4% in January 2008, an increase of one point on December, but eight points below January 2007.
- A balance of +2% of firms thought that order books were above normal. A balance of +10% of firms reported an increase in export order books, with a flat balance for domestic orders (0.1%).
- The CBI estimates that 13,000 jobs were lost in manufacturing in 2007 Q4 and forecast that 28,000 will be lost in 2008 Q1.

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 increased by one point in January to stand at -13, six points below January 2007.
- The outlook for major purchases (-13) is 23 points below the January 2007 figure.
- The index for the general economic situation over the next 12 months remained at -26. The forecast of personal financial situation was +7, a fall of one point.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

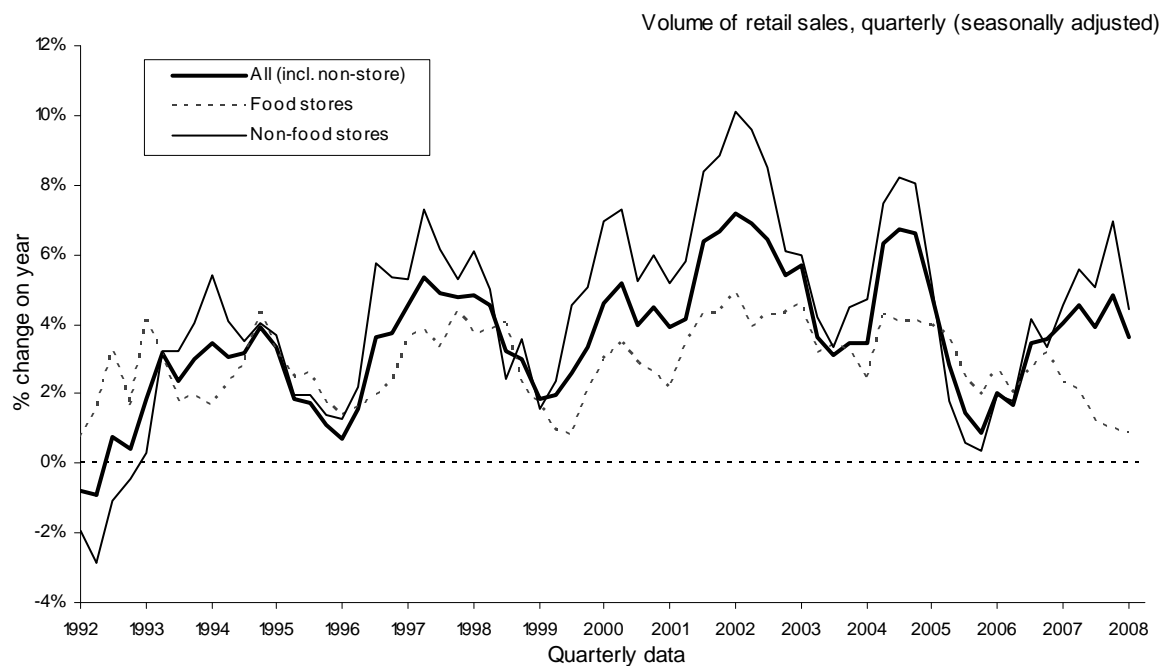
		Future output expectations (CBI)	Consumer confidence (GfK)
2007	Jan	+12	-7
	Feb	+28	-8
	Mar	+21	-8
	Apr	+18	-6
	May	+18	-2
	Jun	+25	-3
	Jul	+10	-6
	Aug	+13	-4
	Sep	+17	-7
	Oct	+10	-8
	Nov	+9	-10
	Dec	+3	-14
2008	Jan	+4	-13

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*, 29 Feb; CBI, *Industrial Trends* (Monthly), end-Feb

F2: Retail Sales



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

- The *volume* of retail sales in the three months from October to December was 0.4% higher compared with the previous three month period, and was 3.6% higher than a year previously (seasonally adjusted).
- Retail sales volumes in December 2007 were 2.7% higher than in December 2006 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 4.4% in October to December compared with the same quarter a year earlier. In stores selling mainly food, sales volumes grew by 0.9% over the same period (seasonally adjusted).

Value of Retail Sales

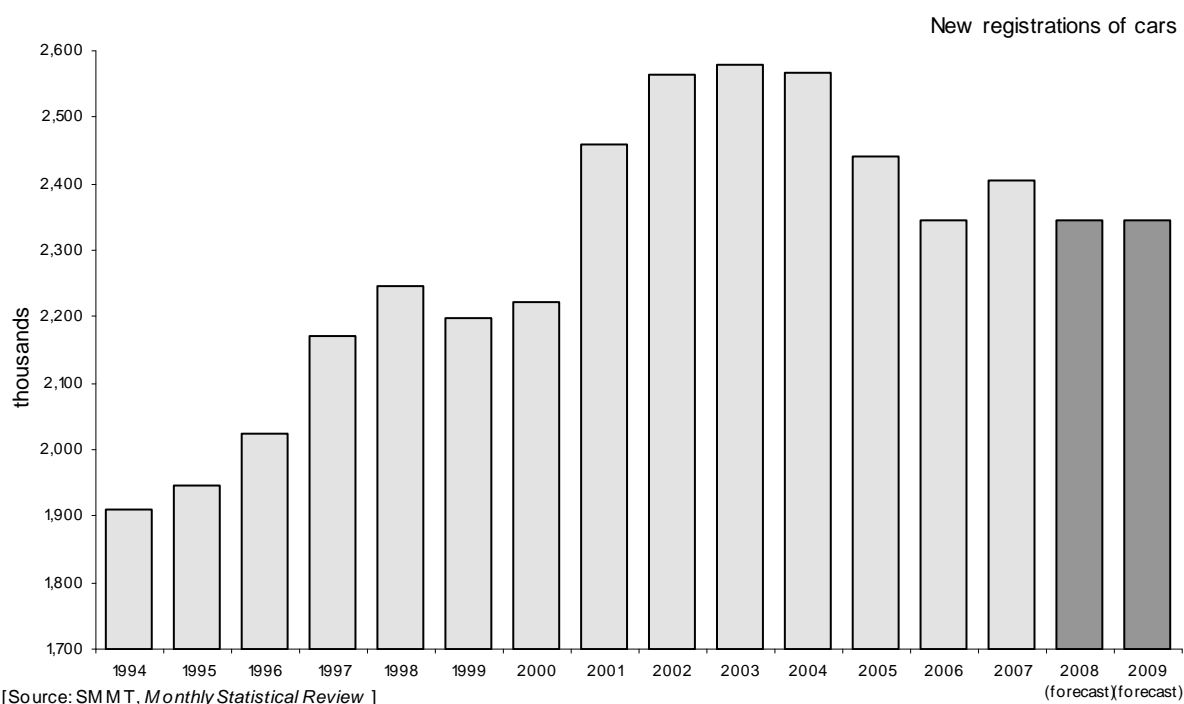
% change on year; non-seasonally adjusted

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
2004	3.6	3.8	4.6	6.2	4.5
2005	3.1	2.2	-1.5	-1.5	0.9
2006	3.5	3.5	2.5	1.3	2.8
2007	2.2	3.8	5.2	4.5	3.6
2006 Q4	4.2	5.6	5.0	2.2	4.2
2007 Q1	4.6	5.8	6.2	2.2	4.6
Q2	2.7	4.6	6.4	5.3	4.3
Q3	1.1	5.0	6.3	4.7	3.4
Q4	0.8	0.9	2.7	5.4	2.3

Source: ONS database, series: EAWN, EA WO, EAWP, EAWQ, EAFY

- The average weekly *value* of retail sales in December 2007 was £6.8 billion, a 1.4% increase from December 2006 (non-seasonally adjusted).

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 3.1% in December 2007, compared with the previous December's figure, to 137,960 units.

- The number of new registrations of cars was just over 2.4 million units in 2007, a rise of 2.5% on the previous year.
- New registrations of cars are forecast to fall by 2.5% in 2008 and then remain unchanged in 2009.
- There were 18,558 registrations of British-built cars in December, equivalent to 13.5% of the market. The number of British built registrations increased by 4.3% on the previous December's figure. In 2007 as a whole, there were 338,893 registrations of British-built cars, a decrease of 1.2% from the previous year's figure and equivalent to 14.1% of the market.

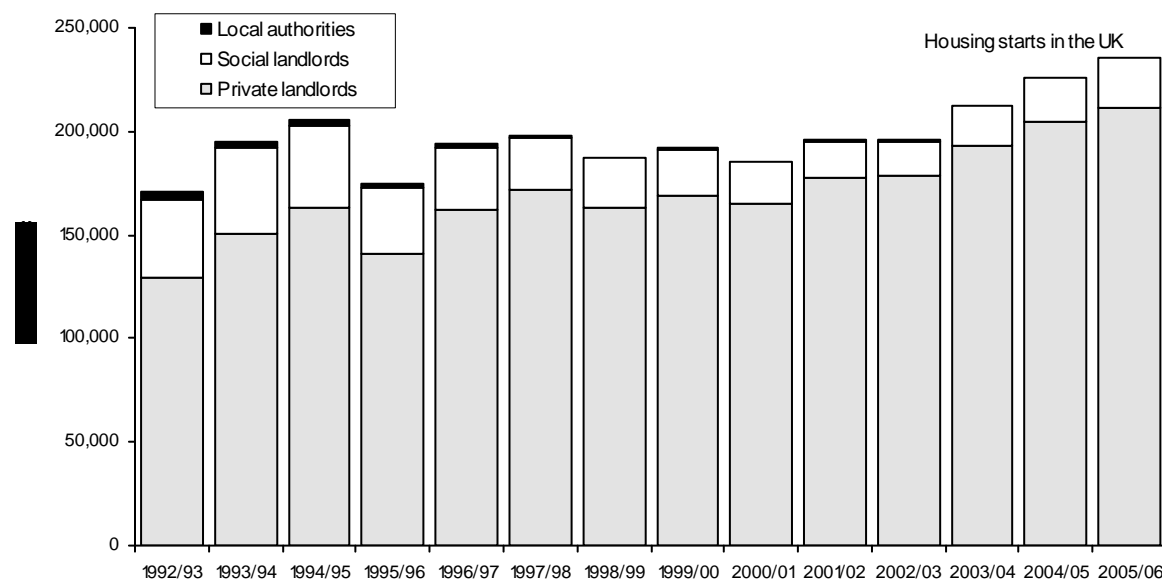
New Registrations of Cars

000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2006	2,345	-3.9
2007	2,404	2.5
2008 (forecast)	2,345	-2.5
2009 (forecast)	2,345	0.0
<hr/>		
2006 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
Aug	78	-0.4
Sep	419	1.3
Oct	167	8.4
Nov	159	2.2
Dec	138	3.1

Source: SMMT, *Monthly Statistical Review* and website

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 42,229 dwelling starts in the UK in Q3 2007, compared with 40,154 in Q3 2006. In Q3 2007 there were 38,308 completions compared with 37,623 in Q3 2006 (all data are not seasonally adjusted).

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

- **Monthly** UK house prices rose by 1.3% in December 2007, compared with a fall of 1.1% in November.
- **Annual** house prices were 5.2% higher in December 2007 than in the same month in 2006 (compared with 6.3% higher in November 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 (29.3%) and lowest in the West Midlands (4.8%), 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: HB OS, *Halifax House Price Index* (historical data)

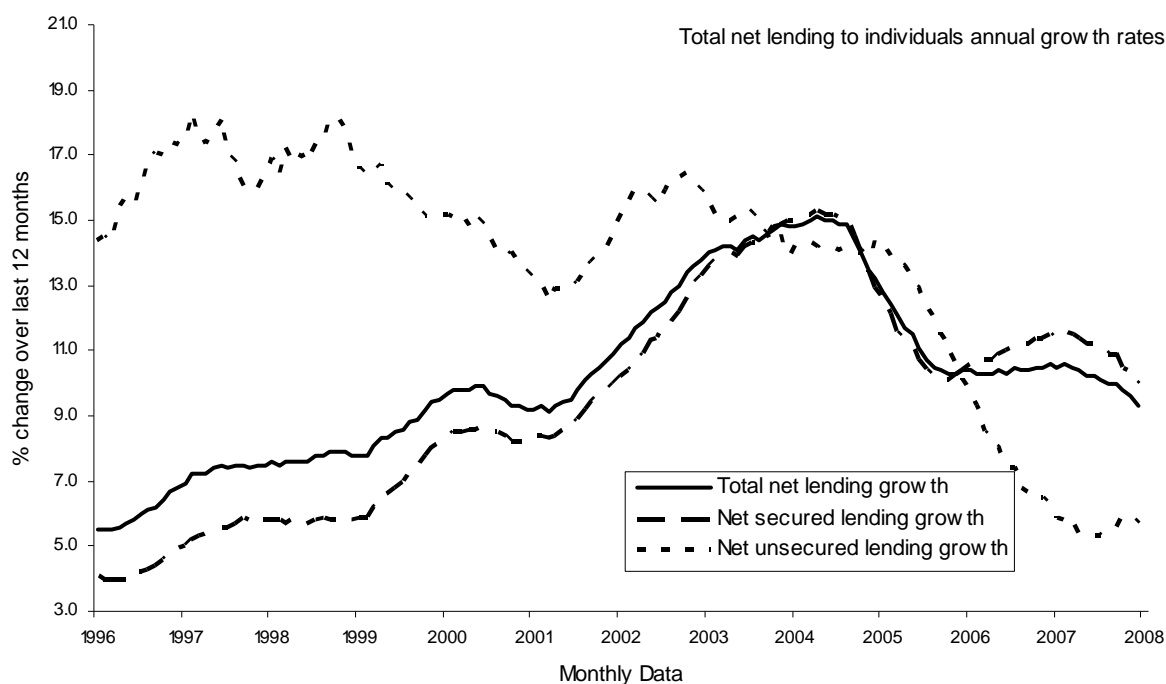
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in November 2007 stood at £218,330, down from £220,195 in October 2007. **Annual** annual house price in November 2007 was 9.5%, down from 11.3% in October 2007.
- Regionally, **annual** house price inflation in November was highest in Northern Ireland (17.6%) and lowest in the West Midlands (4.3%).

Contact: Grahame Allen, x3977

Updates: *Halifax House Prices*, 6 Feb; DCLG, *House Prices*, 11 Feb; *House-building*, Late Jan

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 Dec	773,364	180,194	953,558	15.0	13.9	14.8
2004 Dec	875,696	198,464	1,074,160	12.9	14.4	13.2
2005 Dec	965,169	210,670	1,175,839	10.4	10.1	10.4
2006 Dec	1,077,045	212,469	1,289,514	11.5	6.3	10.6
2007 Mar	1,103,422	213,670	1,317,092	11.5	5.8	10.5
Jun	1,130,957	214,080	1,345,037	11.2	5.3	10.2
Sep	1,162,610	220,190	1,382,800	10.9	5.6	10.0
Dec	1,185,324	223,721	1,409,045	10.0	5.7	9.3

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

- Total net outstanding lending to individuals was £1,409 billion at the end of December 2007 (seasonally adjusted).
- Total net lending to individuals grew by 0.7% in December 2007 compared with the previous month, and grew by 9.3% on an annual basis (all seasonally adjusted); the annual growth rate is 0.3 percentage points lower than in November 2007.
- Of the £9.1 billion increase in net lending in December 2007, £8.6 billion was mortgage borrowing and £0.6 billion was consumer credit (seasonally adjusted).

Contact: Ed Potton, x2883

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

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: International comparisons	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

Definitions⁴⁰

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

⁴⁰ 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.