



RESEARCH PAPER 08/22
4 MARCH 2008

Economic Indicators, March 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:

- **Background to the 2008 Budget**
- **"Change Today, Choose Fairtrade"**

Next publication date: **1 April 2008**

Bryn Morgan (editor)

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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

A glossary of terms is given 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:³

Subject	Statistician	tel. extn.
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EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Edward Beale	2464
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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 Oriel Room of the Main Library (extn. 3666).

II Summary

This month's edition of Economic Indicators contains two articles. The first gives a background to this year's Budget, which will be held on March 12. It covers the uncertain economic situation and the position of the public finances, particularly with regard to the Government's fiscal rules. The second article looks at the market for "fair trade" products.

The key headlines from each section of the paper are shown below:

Growth and output

- The UK economy grew by 3.1% in 2007. Estimates suggest in the latest quarter (Q4 2007) it grew by 0.6% (against 2.9% in the same quarter of 2006). The current average of growth forecasts is 1.9% for 2008 and 2.0% for 2009.
- On an annual basis, output in the production industries increased by 0.6% in Q4 2007, while output in the services industry increased by 3.4%.
- Business investment fell by 0.5% in Q4 2007 compared with the previous quarter but was by 1.7% higher than Q4 2006

Prices and wages

- The headline rate of growth in average earnings for the whole economy in December was 3.8%, down from 4.0% in November.
- In the year to January, the consumer prices index (CPI) showed inflation at 2.2%, up from 2.1% in December.
- Eurozone inflation was 3.2% in January – it had been 1.7% as recently as August 2007.

Labour market

- ILO unemployment in the UK was 1,606,000 (seasonally adjusted) in October to December 2007, a fall of 86,000 from the period October to December 2006.
- 29.4 million people were in employment in the period October to December 2007, 296,000 higher than in the same period of 2006.

Finance and Government Borrowing

- The Monetary Policy Committee cut the interest rate by 25 basis points to 5.25% on 7 February. Eight members voted for this cut. One member voted against, voting for a 50 basis point cut instead.
- Compared with December 2007, the Sterling Exchange Rate Index fell by 3.4 points in January 2008.

Other indicators

- GfK NOP's Consumer Confidence Barometer fell by four points in February to stand at -17, the lowest figure since December 1994.
- The seasonally adjusted volume of retail sales in the three months to January was 0.6% higher compared with the previous three month period, and was 4.1% higher than a year previously.
- Total net outstanding lending to individuals was £1,412 billion at the end of January 2008 (seasonally adjusted). The annual increase to January 2008 of 9.1% was the lowest since September 1999.
- In December 2007 the estimated deficit on goods trade was £7.6 billion, slightly lower than the November level of £7.9 billion.

III Articles

A. Background to the 2008 Budget

1. Introduction

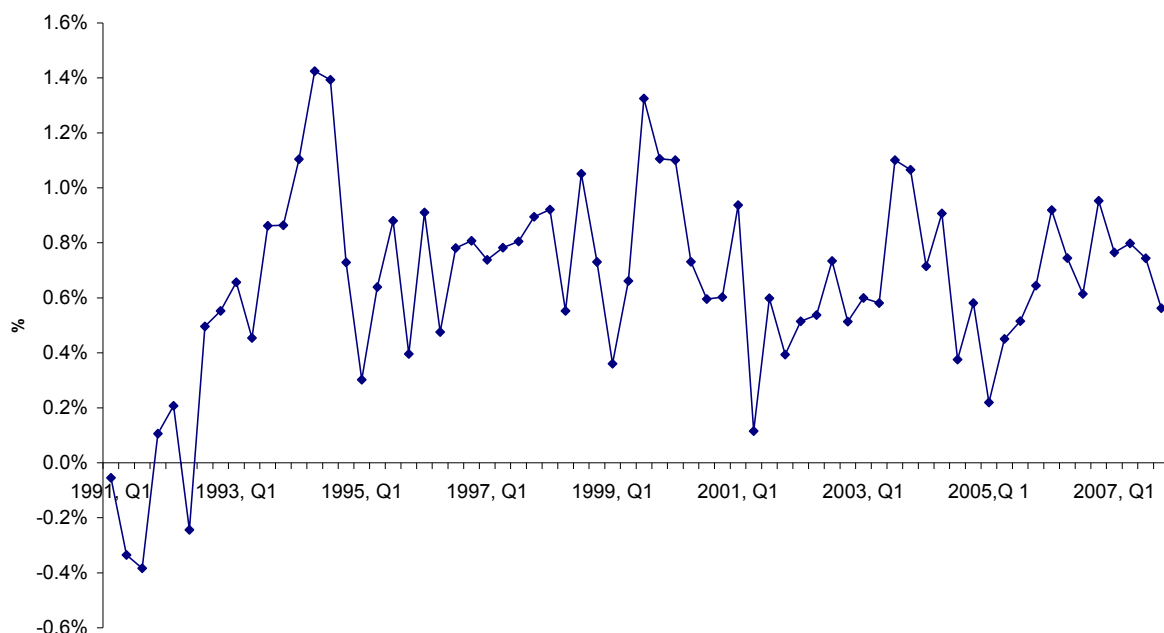
The Chancellor of the Exchequer announced on 31 January that the 2008 Budget will be presented to Parliament on Wednesday, 12 March.⁴ This will be Alistair Darling's first budget and comes at a time when the economic outlook is more uncertain than the last few years. If the economy does slow, this may increase pressure on the public finances through lower growth in tax receipts and higher social security spending. Some commentators have argued for tax increases in the budget to restore the health of the public finances. Others argue that this could push the economy closer to recession.

This article looks at the economic background to the Budget, the outlook for the public finances and a number of taxation issues such as changes to capital gains tax, the taxation of "non-doms" and income shifting.

2. The economic background

The UK economy grew by 3.1% in 2007, its fastest annual rate of growth since 2004. The economy has seen 62 consecutive quarters of positive economic growth (see Chart 1 below).

Chart 1: Quarterly GDP growth (real terms)



The economic outlook is less certain, however. The Treasury's forecasts for economic growth, as set out in the Pre-Budget Report (PBR), are more optimistic than the current

⁴ HC Deb 31 January 2008 c23WS

average of independent forecasts (see Table 1 below).⁵ Over the last few months, independent forecasters have become increasingly gloomy about the outlook for 2008. In May 2007, the average forecast for growth in 2008 was 2.4%. It is now 1.8%.⁶

Table 1
Forecasts of real GDP growth (%)

	2008	2009
2007 Pre-Budget Report	2 to 2.5	2.5 to 3
Average independent forecast	1.8	2.0

Sources: HM Treasury 2007 PBR, Table 2.1

HM Treasury, *Forecasts for the UK Economy:*

A comparison of independent forecasts, February 2008

There are a number of reasons for this. First, the outlook for the world economy is less benign than it has been for a number of years. In January, the IMF forecast growth of 1.8% for the advanced economies in 2008.⁷ This is 0.4 percentage points lower than its forecast published in October last year. It is also sharply down on the 2.6% growth estimated for 2007. The anticipated fall in sterling, which would boost UK competitiveness, may, however, offset the effect of the world economic slowdown. In its February 2008, *Inflation Report*, the Bank of England commented that “net trade is expected to add to GDP growth over the next few years, contrary to the experience over much of the past decade.”⁸

Second, household consumption is expected to slow as a result of tightening credit conditions and the cooling housing market. There are already signs that this is happening. Consumption grew by 0.2% in the fourth quarter of 2007 compared with 0.9% in the previous quarter. Household consumption is the largest component of the economy and has been an important factor behind the growth of the economy in recent years. Slower growth of household consumption is, therefore, significant for the economy as a whole. Third, investment growth is likely to be subdued due to tighter credit market conditions, greater uncertainty over the economic outlook and declining housing starts.

The economy’s performance will depend, in part, on monetary and fiscal policy. Some commentators have suggested, however, that there may be limited scope to use these policies to offset any economic downturn as tax increases are required to restore the health of the public finances. For example, the Institute for Fiscal Studies (IFS) has argued that the Chancellor needs to raise taxes by £8 billion “to keep public sector debt below the Government’s self-imposed ceiling and to bring about the improvement in the public finances over the next five years that the Treasury wants to see”.⁹ On the other hand, the National Institute of Economic and Social Research has warned against tightening fiscal policy as this could push the economy closer to recession.¹⁰

⁵ The current Treasury forecasts were published in October 2007. At the time, the Treasury’s forecasts were broadly in line with those of independent forecasters.

⁶ HM Treasury, *Forecasts for the UK economy: A comparison of independent forecasts*, May 2007 and February 2008

⁷ IMF, *World Economic Outlook Update*, 29 January 2008

⁸ Bank of England, *Inflation Report*, February 2008, page 6

⁹ IFS Press Release, *IFS Green Budget 2008*, 30 January 2008

¹⁰ “Change fiscal rules as the economy slows”, *Financial Times*, 1 February 2008

Inflation, as measured by the Consumer Prices Index, is currently 2.2%. On the Retail Prices Index, it is 4.1%. This is lower than a year ago but there are signs of inflationary pressure in the economy from higher food, petrol and utility prices. Rachel Lomax, deputy governor of the Bank of England has recently warned of global inflationary pressures.¹¹ The Bank of England has cut by interest rates by 0.25 percentage points in both December and February. Base rate now stands at 5.25%. The Bank's next interest rate announcement will be on 6 March. Recent speeches by the members of the Monetary Policy Committee have been interpreted as meaning that the Bank is unwilling to cut interest rates sharply to boost the economy.¹²

3. The public finances

An important issue is the impact on the public finances if the economy performs less well than previously expected. Were this to happen, there would be pressure on the public finances as tax revenues might be lower than expected and certain elements of public spending, such as social security benefits, could be higher. The Treasury's public finance forecasts are, however, based on the cautious assumption that trend economic growth is 0.25 percentage points lower than the Government's neutral view. Also the golden rule (see below) is assessed over the economic cycle, allowing for fluctuations in economic activity.

Total borrowing

In the PBR, the Government forecast net borrowing of £38 billion in 2007/08. Public sector revenues were strong in January, meaning the Chancellor is on course to meet this forecast. Looking further ahead, the Treasury forecast is for borrowing is to fall both in cash terms and as a share of GDP over the next few years. Table 2 below shows the Treasury and the IFS forecasts for net borrowing.¹³ The IFS forecast that public sector borrowing will be £5 billion higher than the Treasury in 2008/09. For later years, the difference is around £10 billion. The main reason for the difference is that the IFS forecast lower government revenues than the Treasury, especially for corporation tax. If the economy were to grow more slowly than expected, borrowing would be likely to be higher than these forecasts.

¹¹ "The state of the economy", speech by Rachel Lomax to the Institute of Economic Affairs 25th Anniversary Conference, 26 February 2008

¹² "Bank deputy downbeat on economy", *Financial Times*, 27 February 2008

¹³ These are the "baseline" Green Budget forecasts based on the same assumptions about GDP growth as used in the 2007 PBR.

Table 2
Public sector net borrowing

	Treasury £ billion	IFS £ billion	Treasury % GDP	IFS % GDP
2007/08	38	40.5	2.7%	2.9%
2008/09	36	41.2	2.5%	2.8%
2009/10	31	41	2.0%	2.7%
2010/11	28	39	1.7%	2.4%
2011/12	25	34	1.5%	2.0%
2012/13	23	32	1.3%	1.8%

Sources: HM Treasury, PBR Tables B5 and B6
IFS , Green Budget 2008, Table 5.5 and 5.7

The golden rule: the current budget balance

The Government's fiscal policy is based on two rules: the golden rule and the sustainable investment rule. The golden rule requires that, measured over the economic cycle, the Government will borrow only to invest and not to fund current spending. This is equivalent to requiring the current budget to be in balance or surplus over the cycle.

The Treasury forecast is for a current budget deficit of £8 billion (0.6% of GDP) in 2007/08. Data on the public finances for the first ten months of this financial year suggest that the economy is on course to meet this forecast. In the 2007 PBR, the Treasury forecast a current budget deficit of £4 billion in 2008/09 before moving into surplus in 2009/10 (see Chart 2 below). On the basis of these forecasts, the Treasury stated in the 2007 PBR:

At this early stage, and based on cautious assumptions, the Government is therefore on course to meet the golden rule in the next economic cycle.¹⁴

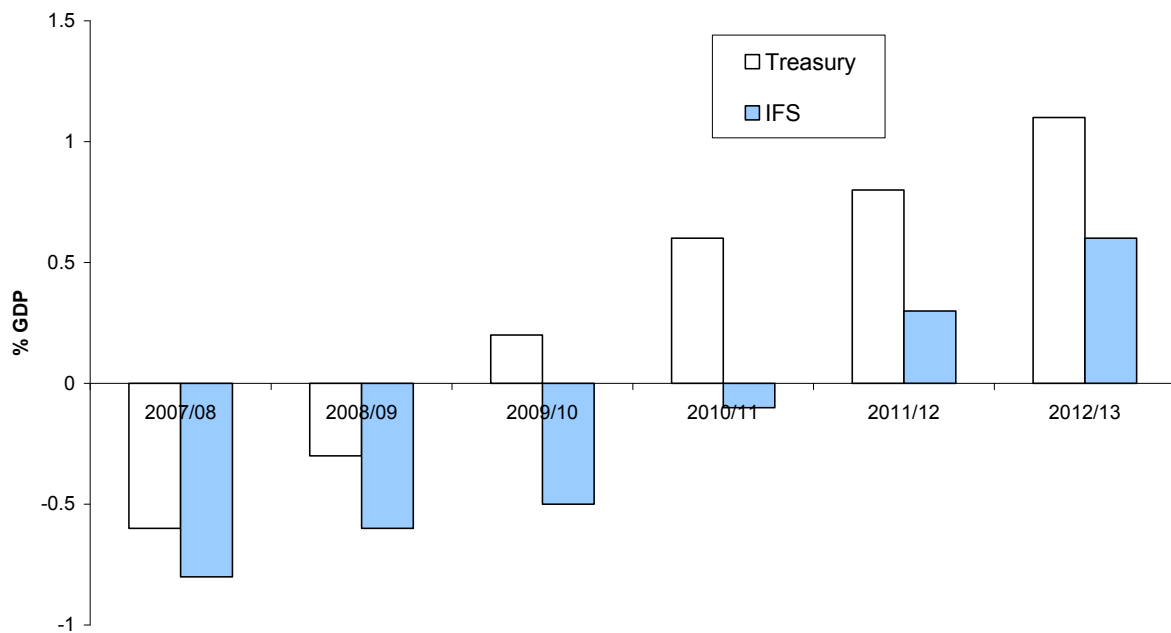
The IFS Green Budget forecast is more pessimistic with the current budget not returning to surplus until 2011/12. The IFS comment on the prospects for meeting the golden rule as follows:

we believe that without a further tightening the golden rule would be more likely to be missed than met unless the economic cycle that the Treasury believes began in 2006–07 runs for 10 years or more.¹⁵

¹⁴ HM Treasury, [2007 PBR](#), para 2.36. The Treasury's provisional view is that the last economic cycle ended in 2006/07 (para 2.19)

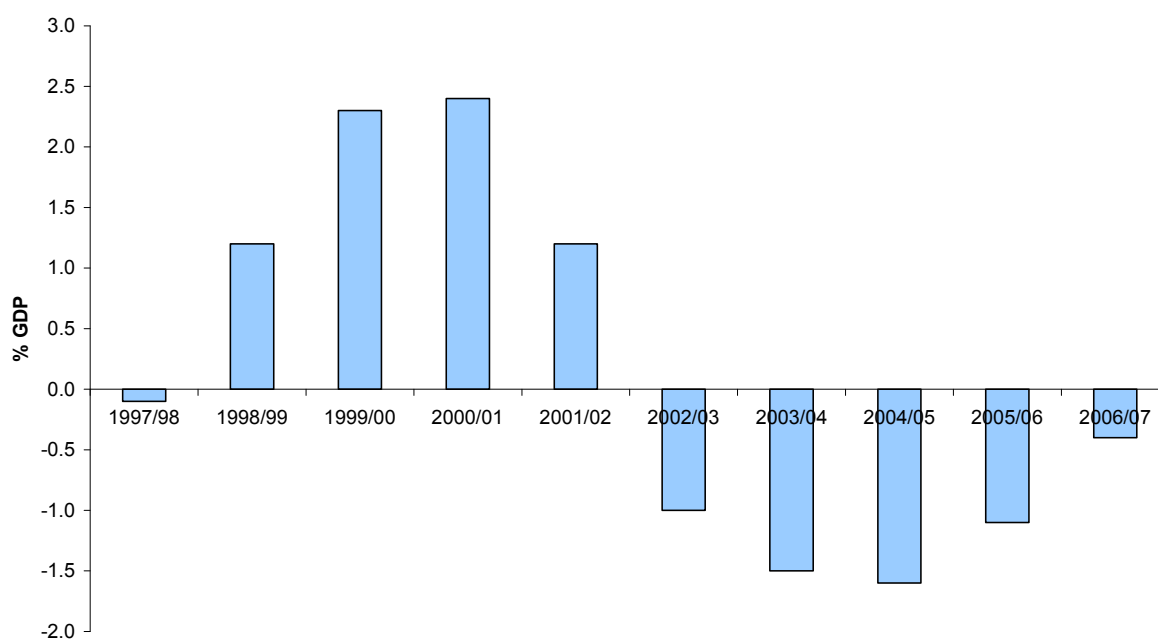
¹⁵ IFS, [The IFS Green Budget January 2008](#), page 88

Chart 2: Current budget balance: Treasury and IFS forecasts



It is also worth noting that at the beginning of the last economic cycle the current budget was in surplus.¹⁶ The surpluses built up early in the cycle offset the later deficits allowing the golden rule to be met over the cycle as a whole (see Chart 3 below). By contrast, the economy is entering a new economic cycle running a current budget deficit (see Chart 2 above), although this is forecast to move into surplus later in the cycle.

¹⁶ The Treasury believe the last economic cycle began in 1997/98 (*2007 PBR* para 2.34). It has suggested that the cycle ended in 2006/07 but argue “it is too soon to assess whether or not the economic cycle has ended” (*2007 PBR* para 2.19)

Chart 3: Current budget balance: last economic cycle

The sustainable investment rule: public sector net debt

The Government's second fiscal rule, the sustainable investment rule, requires that:

public sector net debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level. Other things being equal, net debt will be maintained below 40 per cent of GDP over the economic cycle.¹⁷

The 2007 PBR also said:

The Government's primary objective for fiscal policy is to ensure sound public finances in the medium term. This means maintaining public sector net debt at a low and sustainable level. To meet the sustainable investment rule with confidence, net debt will be maintained below 40 per cent of GDP in each and every year of the current economic cycle.¹⁸

In the 2007 PBR, the Treasury forecast that net debt would remain below 40% of GDP over the period up to 2012/13. It is forecast to be 37.6% of GDP in 2007/08 before rising to 38.9% in 2010/11 (see Table 3 below). The IFS forecast that public sector net debt will breach the 40% ceiling in 2010/11 and remain above 40% in 2011/12 and 2012/13. These IFS forecasts are based on the same assumption for economic growth used by the Treasury in the PBR. If the economy were to perform less well than expected, public debt would be likely to be higher than these forecasts.

¹⁷ HM Treasury, [2007 PBR](#), para 2.12

¹⁸ HM Treasury, [2007 PBR](#), para 2.37

Table 3
Public sector net debt, % GDP

	Treasury	IFS
2007/08	37.6%	37.8%
2008/09	38.4%	38.9%
2009/10	38.8%	40.0%
2010/11	38.9%	40.7%
2011/12	38.8%	41.0%
2012/13	38.6%	41.2%

Sources: HM Treasury 2007 PBR, Table B6
IFS, Green Budget 2008, Table 5.7

These forecasts were made before the Office for National Statistics' announcement on 7 February that Northern Rock plc would be classified to the public sector for statistical purposes.¹⁹ This adds about £100 billion to net debt taking it well above the 40% of GDP ceiling. Commenting on this, the IFS said:

But most, or conceivably all, of the effect is likely to be temporary. For the time being the Government should publish net debt figures with and without the impact of Northern Rock. Whether or not tax and spending plans will need to change in response to Northern Rock's nationalisation should depend only on the long-term impact of Northern Rock on public sector net debt, which remains uncertain.²⁰

The Government have said that the impact will be temporary and that there would be no impact on taxpayers as the state now owns Northern Rock's assets as well as its liabilities. The Government's Code for Fiscal Stability allows the fiscal rules to be ignored temporarily, provided the Government sets out the reasons for doing so.²¹

4. Taxation issues

The 2007 Budget announced a number of tax changes which will take effect in April 2008. These include abolition of the 10% starting rate of income tax on earnings, the reduction in the basic rate of income tax from 22% to 20%, and an increase in the age related personal tax allowances for the over-65s by £1,180 above inflation. The headline rate of corporation tax will be cut from 30% to 28%, and the small companies rate will rise from 20% to 21%.

In his Pre-Budget statement in October 2007 the Chancellor outlined proposals in three areas, all of which are expected to be set out in full in the 2008 Budget: the introduction of a single rate of capital gains tax (CGT) set at 18%; provisions to tackle 'income shifting'; and, a new £30,000 annual charge for non-domiciles.

Reform of CGT

In spring 2007 the activities of private equity funds, and certain tax advantages exploited by executives at these firms, came under intense public scrutiny. One concern was the use of taper relief on business assets to mitigate the CGT charge on 'carried interest' – so that

¹⁹ Office for National Statistics News Release, *Statistical Classification of Northern Rock plc*, 7 February 2008

²⁰ IFS, *IFS analysis of today's public finance figures*, 20 February 2008

²¹ "Brown attacked over Northern Rock", *Financial Times*, 8 February 2008. "Northern Rock: Nationalisation breaks government's debt rule", *Guardian*, 19 February 2008

executives paid tax on these rewards at only 10%. In his Pre- Budget statement Alistair Darling announced a major reform of CGT, in part to ensure individuals working in private equity would pay a “fairer share” in tax: the withdrawal of taper relief and indexation relief, and the introduction of a single rate of tax set at 18%, to take effect from 6 April 2008. The changes were expected to raise £750 million by 2009/10. There was considerable criticism of this announcement, especially from the business community concerned about the impact on individuals approaching retirement who were planning to sell their businesses. There were also concerns about the lack of consultation before the PBR, and the uncertainties faced by taxpayers about how to plan for the changes, given that full details of the reform would not be published until the 2008 Budget.

On 24 January the Chancellor announced that a new ‘entrepreneurs’ relief’ would be introduced alongside these reforms, to mitigate its impact on small business owners, as well as employees and company directors who hold a material stake in a qualifying company. CGT is to be charged at 10% on qualifying gains, up to a cumulative lifetime total of £1 million. It is estimated the relief will cost the Exchequer around £200 million a year.²² HM Revenue & Customs has recently published draft legislation and a series of FAQs on its website.²³ Despite this concession, the proposed reforms remain controversial.²⁴

Income shifting

On 25 July 2007 the House of Lords ruled in the case of *Jones v Garnett*, finding for the taxpayers, Geoff and Diana Jones, co-owners of a small IT business called Arctic Systems. The Jones had used a device – commonly-called income-splitting or income-shifting – practiced by many couples to reduce their overall tax bill. Rather than take a large salary, the main earner diverts part of his income through the structure of the family business into their spouse’s hands. As their partner is in a lower tax-bracket, this minimises the couple’s liability. HM Revenue & Customs asserted that the Jones’ arrangements contravened the ‘settlements legislation’: provisions in tax law to prevent settlements – generally speaking, a disposition, trust, covenant, agreement, arrangement or transfer of assets – being used to gain tax advantages.

In the event the Lords found for the taxpayer, and the next day the Government announced it would introduce legislation to ensure that “individuals involved in these arrangements should pay tax on what is, in substance, their own income.” This was confirmed in the 2007 PBR, and a consultation document and draft legislation followed in December, with a view to these provisions taking effect from 2008/09. These proposals have proved controversial, in part because many in the accountancy profession saw the Jones’ actions as an ordinary commercial matter, not artificial tax avoidance, and there have been calls that any changes should form part of a wholesale review of the taxation of small businesses.²⁵

Non domiciles

The “remittance basis” refers to the way that people who live in the UK but have domicile elsewhere are liable to UK tax on overseas income and gains only to the extent they are remitted to or received in the UK. The use of the remittance basis by wealthy individuals

²² HC Deb 24 January 2008 cc1627-8

²³ This material is collated at: <http://www.hmrc.gov.uk/cgt/index.htm>

²⁴ For example, “Business on attack after concessions”, *Financial Times*, 25 January 2008

²⁵ For further information, see Library Standard Note [Income Shifting](#) (SN/BT/4620).

living here to shield their assets from tax has been controversial, and in April 2003 the Government published a discussion document as part of a review on reforming these rules. The review continued over the next four years. In the PBR statement, the Chancellor announced that the Government would consult on introducing a new annual £30,000 charge which non-domiciles would have to pay if they wished to be taxed under the remittance basis. A number of other changes would be made to the residence and domicile rules. All of these provisions would apply from 6 April 2008.

A consultation paper was issued on 6 December, asking for views “on the implementation of the reform package” and whether there was a case “for any further changes to the rules on the treatment of non-domiciles to be considered”. HM Revenue & Customs published draft legislation on 18 January and further clarification of the Government’s aims in undertaking this reform on 12 February. There has been a great deal of speculation about the impact this reform might have on non domiciles living in the UK, and the potential impact on the strength of London as an international financial centre.²⁶

Antony Seely and Dominic Webb
Business and Transport Section, Economic Policy and Statistics Section

²⁶ For further information, see Library Standard Note [Taxation of non-domiciles](#) (SN/BT/4604)

B. “Change Today, Choose Fairtrade”

1. Introduction

‘Fairtrade’ is an internationally agreed certification scheme for fair trade products although a number of other certification schemes exist. Fair trade, in this sense, can be seen as one element of broader campaigns for fairer international trade rules – or ‘trade justice’. In this article the term ‘fair trade’ is used for the general case, and ‘Fairtrade’ used in relation to a specific scheme.

The first use of Fairtrade labelling was in 1988 when the Netherlands-based [Max Havelaar Foundation](#) used it for Mexican coffee.²⁷ In 1997, twenty national organisations formed an international body, [Fairtrade Labelling Organisations International](#) (FLO), which has adopted a new international Fairtrade Certification Mark, the single ‘brand’ of the Fairtrade certification scheme. The FLO outlines how Fairtrade helps producers:²⁸

The Fairtrade system guarantees a better deal to the disadvantaged producer by offering them two major monetary benefits that can both have an impact on the end price: the *Fairtrade Minimum Price* and the *Fairtrade Premium*.

The *Fairtrade Minimum Price* is a guaranteed price that covers the cost of sustainable production. The set Fairtrade Price is always the Fairtrade Minimum Price paid but rises in line with market prices if they rise above it.

In addition to the purchase price paid by importers, a separate payment, called the *Fairtrade Premium*, is made which is designated for social and economic development in the producing communities.

For each different certified product, there are general criteria for producers and traders set at the international level, with a central register of approved producers, as well as product-specific standards.²⁹ These product standards cover: bananas, cocoa, coffee, cotton, dried fruit, fresh fruit (other than bananas) and vegetables, fruit juices, herbs and spices, honey, nuts/oil seeds/purees, quinoa (a food crop often used as an alternative to rice or couscous), rice, cane sugar, tea, wine grapes, as well as seed cotton, cut flowers, ornamental plants, and sports balls.³⁰ The Fairtrade mark can also be used on products, which have over half of their ingredients certified as Fairtrade.

The ‘Fairtrade price’ can reduce the effect on producers of large fluctuations in global agricultural commodity prices. The market price of cocoa (New York Exchange Price) has varied from \$714/tonne in November 2000 to stand at \$2,645/tonne at 26 February 2008, with cocoa futures currently standing at around \$2,638/tonne.³¹

Fairtrade has received criticism for encouraging overproduction through artificially high prices, only covering producers in co-operatives, and a lack of incentives to increase quality

²⁷ www.fairtrade.org.uk/about_what_is_fairtrade.htm

²⁸ http://dev-fairtrade.doteditor.net/what_is_fairtrade/fairtrade_certification_and_the_fairtrade_mark/default.aspx

²⁹ www.fairtrade.net/generic_standards.html

³⁰ For details, see www.fairtrade.net/product_standards.html

³¹ Source: [International Cocoa Organization](#), and [Fairtrade Labelling Organisations International](#)

of produce.³² Fairtrade has also been criticised for the practical limits to its potential benefits, compared with the gains for developing countries from more equitable rules of international trade. Some have argued that focusing on Fairtrade detracts from trade justice campaigns.

2. The Fairtrade Foundation

The Fairtrade Foundation is a registered charity established by a group of UK NGOs in 1992. Along with Oxfam and Traidcraft, it has agreed a common definition of Fairtrade:³³

Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.

The Foundation certifies products from organisations that meet set criteria, such as agricultural and labour standards. Producers in developing countries are then guaranteed a minimum price for their goods which covers their production costs with an additional premium.³⁴



Certified products are then entitled to carry a FAIRTRADE® mark, which must be accompanied by one of five statements:

- Look for this Mark on Fairtrade products;
- Choose products with the FAIRTRADE Mark;
- Ask for Fairtrade products with this Mark;
- Look for this Mark on products when you shop; or
- Buy Fairtrade products with this Mark.

The Fairtrade Foundation's website is a useful source for further information.³⁵

3. Sales of Fairtrade products

Internationally, Fairtrade sales were estimated at €1.61 billion in 2006, up 42% on 2005 sales of €1.13 billion. At €409 million in 2006, the UK had the second largest sales of any of the FLO countries – over a quarter of the world total – after the US with €499 million.³⁶ As at the end of 2007 there were 632 certified producer organisations, representing over 1.4 million people from over 58 countries in Africa, Asia and Latin America.³⁷

The UK has seen rapid growth in the sales of Fairtrade products in recent years to reach £493 million in 2007, up 81% on 2006, with the real volume of products sold having doubled,

³² See "The price of being fair", *New Statesman*, 26 February 2007, pp34-35

³³ www.fairtrade.org.uk/about_partnership.htm

³⁴ www.fairtrade.org.uk/about_us.htm

³⁵ www.fairtrade.org.uk/includes/documents/cm_docs/2008/p/promo_mark_guidelines.pdf

³⁶ www.fairtrade.net/fileadmin/user_upload/content/Retail_value_2005_06.png

³⁷ www.fairtrade.net/figures.html

including notably coffee and tea both up 24%, and bananas up by 130%.³⁸ This is well on the way to a prediction by Mintel - that UK sales would reach £547 million by 2011.³⁹ Estimated sales figures for selected products from 1998 to 2006 are shown in the table below:⁴⁰

Table 1

Estimated sales of Fairtrade products in the UK, 1998-2006

£ million, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Coffee	13.7	15.0	15.5	18.6	23.1	34.3	49.3	65.8	93.0
Tea	2.0	4.5	5.1	5.9	7.2	9.5	12.9	16.6	25.1
Chocolate/cocoa	1.0	2.3	3.6	6.0	7.0	10.9	16.5	21.9	29.7
Honey products	n/a	> 0.1	0.9	3.2	4.9	6.1	3.4	3.5	3.4
Bananas	n/a	n/a	7.8	14.6	17.3	24.3	30.6	47.7	65.6
Other	n/a	n/a	n/a	2.2	3.5	7.2	27.3	39.5	73.8
Total	16.7	21.8	32.9	50.5	63.0	92.3	140.0	195.0	290.6
Change (year on year)		31%	51%	53%	25%	47%	52%	39%	49%

Note: assumes a margin of 40% for retailers (30% on bananas)

Source: Fairtrade Foundation; www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx

A number of retailers have expanded their Fairtrade product lines. Marks & Spencer announced that it would only sell Fairtrade coffee from March 2006, and only Fairtrade tea from April 2006, as well as introducing clothing made from Fairtrade-certified cotton.⁴¹ In December 2006 Sainsbury announced that by July 2007 all of its bananas would be Fairtrade, with Waitrose doing the same from February 2007.⁴² Lately, the Co-op has switched all of its own label 'hot beverages' to Fairtrade. Most recently Tate & Lyle has announced that it is to switch its production of retail sugar cane solely to Fairtrade within the next two years – the largest move by a UK food manufacturer to Fairtrade.⁴³

4. Fairtrade Fortnight

A *Fairtrade Fortnight* is held every year. In 2008, this runs from 25 February to 9 March, with a slogan: "Change Today, Choose Fairtrade". It aims to promote awareness of Fairtrade goods, with many development organisations involved, such as ActionAid, CAFOD, Christian Aid, Oxfam, SCIAF, Tearfund, Traidcraft Exchange and the World Development Movement, as well as a wide range of other organisations: Banana Link, the Methodist Relief and Development Fund, the Mothers' Union, The National Federation of Women's Institutes, People & Planet, Shared Interest Foundation, Soroptimist GBI, the

³⁸ "Fairtrade products reach half a billion pounds", *Fairtrade Foundation Press Release*, 26 February 2008

³⁹ "'Green is the new black' as Brits turn to ethical food", *Mintel Press Release*, October 2006

⁴⁰ [The Fairtrade Foundation | Facts and figures](#)

⁴¹ "Marks & Spencer announces new Fairtrade commitment", *Marks & Spencer Press Release*, 6 March 2006

⁴² "Supermarkets switch to Fairtrade bananas", *The Times*, 13 December 2006

⁴³ "Fairtrade products reach half a billion pounds", *Fairtrade Foundation Press Release*, 26 February 2008

Public and Commercial Services Union, UNISON, the United Reformed Church, and many individual churches.⁴⁴ *Fairtrade Fortnight* is also being marked within Parliament.

5. Fairtrade in the House of Commons

Fairtrade products are available from refreshment outlets within Parliament. As in 2006 and 2007, the Commons Refreshment department is marking Fairtrade Fortnight. A written answer stated that:⁴⁵

in 2007 the catering service purchased 72 fair trade food and beverage products throughout the estate including fresh fruit, juices, coffee, tea, chocolate, cakes, cookies, biscuits, tropical whole foods, smoothies and sugar. Spend for these items was £62,137. 11 fair trade souvenir items are available for sale, for example wooden picture frames (India), stationery (Nepal), coffee (Kenya). A regular supply of fair trade chocolate is currently being arranged. Two fair trade wines are sold in the House's dining and banqueting rooms. Fair-trade products are used when supply and quality can be guaranteed.

6. Fairtrade & the UK Government

On 24 February 2008, the Secretary of State for International Development, Douglas Alexander, speaking at an event organised by the Scottish Fairtrade Foundation, announced that the Government had agreed to provide an extra £1.2 million in funding for [Fairtrade Labelling Organisations International](#) (FLO):⁴⁶

The £1.2 million grant over two years will support the strategic development of Fairtrade through the international Fairtrade Labelling Organisation. The funding is part of a £3 million multi-donor programme to increase support for the Fairtrade label internationally – and help more developing country producers export their products.

Speaking to the media about the announcement, Douglas Alexander noted that: “In a decade, the government has spent £8.5m on fair trade and during our time we have seen extraordinary progress. We want to review our commitments and are in dialogue with the Fairtrade Foundation”.⁴⁷

More information on Fairtrade can be found in the Library’s Standard Note: [Fairtrade products and towns](#) (SN/EP/3940).

Grahame Allen
Economic Policy and Statistics Section

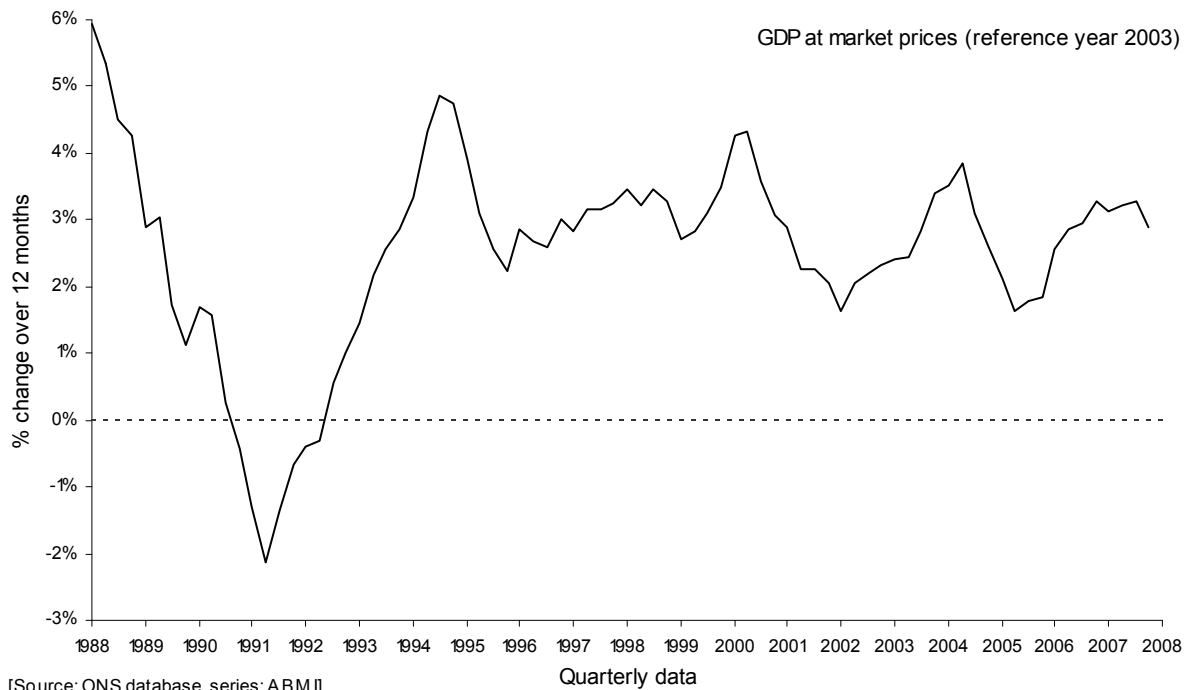
⁴⁴ *ibid.*

⁴⁵ HC Deb 28 January 2008 c2W

⁴⁶ DfID Press Release, [UK Government doubles Fairtrade funding: International Development Secretary Douglas Alexander to expand Fairtrade funding during Fairtrade Fortnight](#), 26 February 2008

⁴⁷ “Plans unveiled to boost fair trade”, *The Observer*, February 24 2008

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	1,385.1	6.3	3.1
2006 Q4	333.7	6.2	3.3
2007 Q1	337.9	6.0	3.1
Q2	344.7	7.0	3.2
Q3	349.7	6.3	3.3
Q4	352.9	5.7	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 February 2008, HM Treasury's average of independent economic forecasts of GDP growth in 2008 was 1.9% the same as in January 2008. The average growth forecast for 2009 was 2.0% in February.

Contact: Grahame Allen, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 12 Mar;
ONS, *UK output, income & expenditure*, 25 Apr

A2: GDP: International Comparisons



GDP at constant market prices

% changes

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

Source: OECD, *Main Economic Indicators*, Feb 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

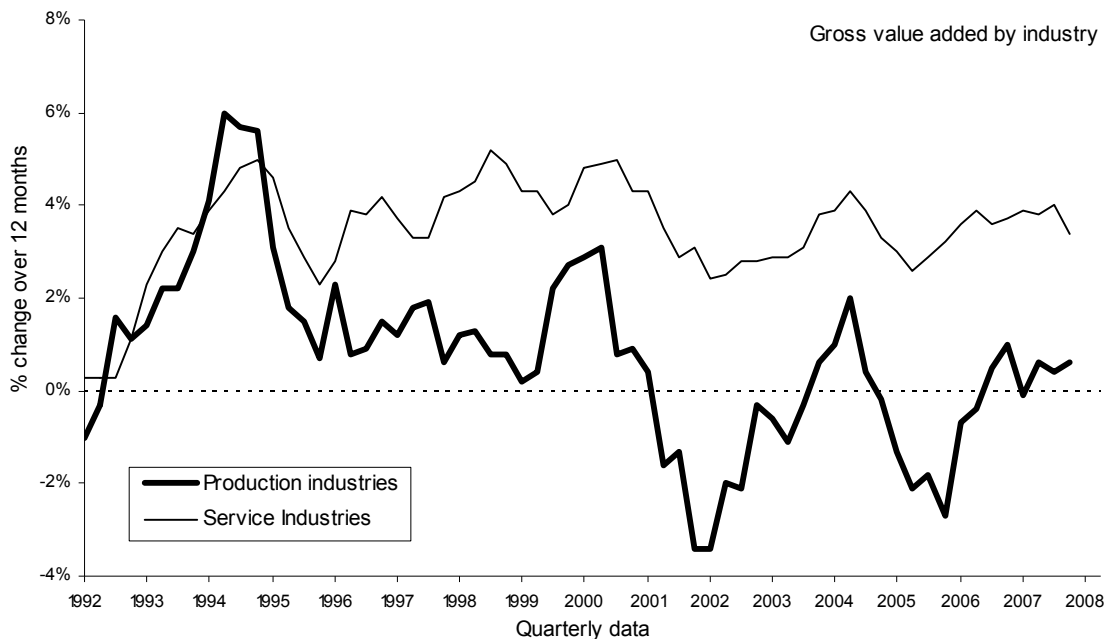
Source: OECD, *Economic Outlook*, Dec 2007

Contact: Edward Beale, x2464

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

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 0.6%.

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	3.8	3.2	2.4	
2006 Q4	1.0	2.7	3.7	0.6	3.1	
2007 Q1	-0.1	0.9	3.9	3.0	2.2	
Q2	0.6	0.9	3.8	2.6	2.7	
Q3	0.4	0.4	4.0	2.2	2.5	
Q4	0.6	0.1	3.4	4.9	2.2	

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

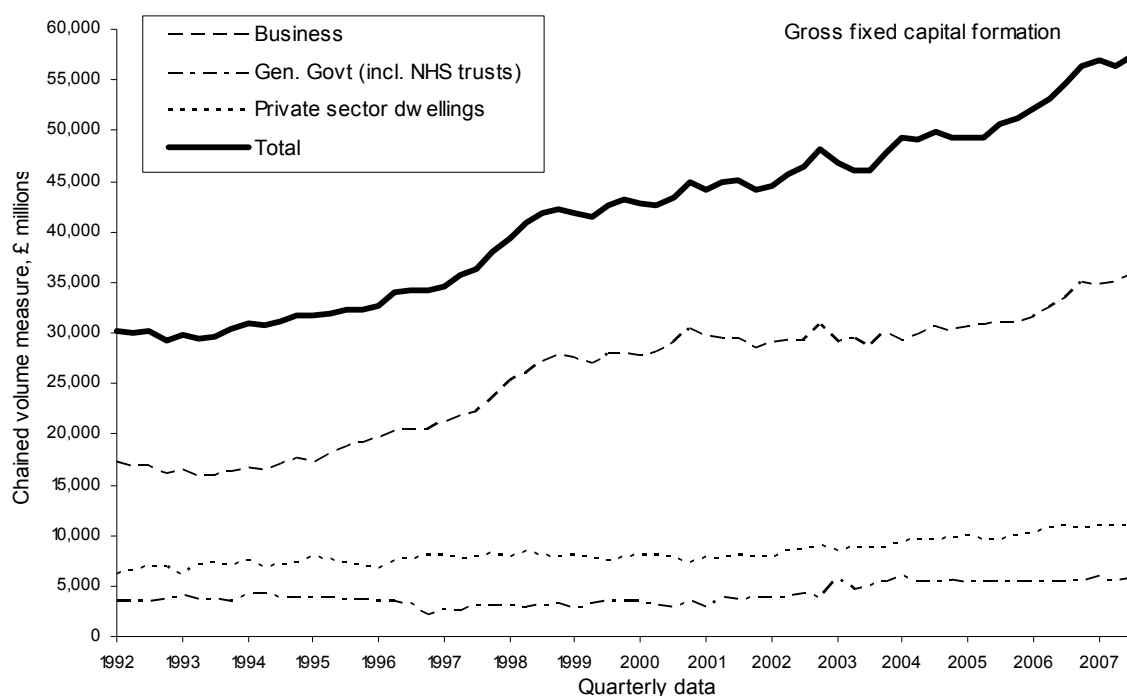
- Manufacturing output increased by 0.1% in the fourth quarter of 2007 compared with the same quarter in 2006, and manufacturing output increased by 0.6% overall in 2007.
- In 2005, services accounted for 75% of gross value added, manufacturing for 14%, other production industries (mining & quarrying, and electricity, gas & water supply) for 5%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *Quarterly National Accounts—Q4*, 28 Mar

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	4,016	17,471	19,629	11,854	3,909	56,880
Q2	3,908	16,813	19,887	11,851	3,835	56,293
Q3	3,885	17,126	20,585	11,777	3,871	57,244

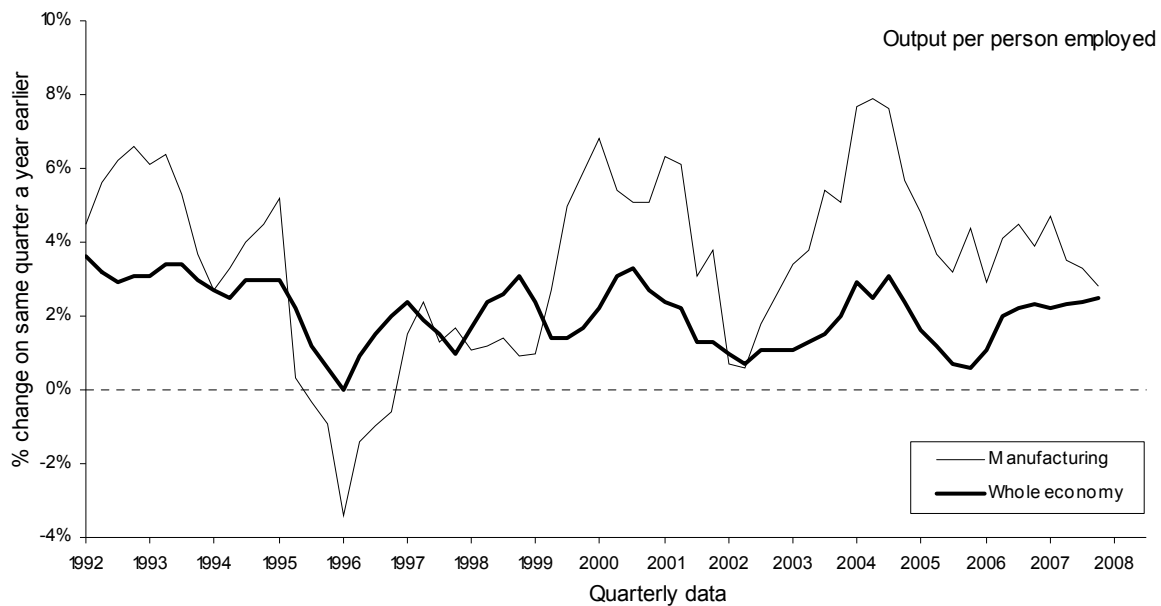
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment fell by 0.5% in Q4 2007 compared with the previous quarter, and increased by 1.7% compared with Q4 2006 on a seasonally adjusted basis.
- Total manufacturing investment increased by 1.3% in Q4 2007 compared with the previous quarter while investment in private sector services increased by 0.1% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 27 March

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

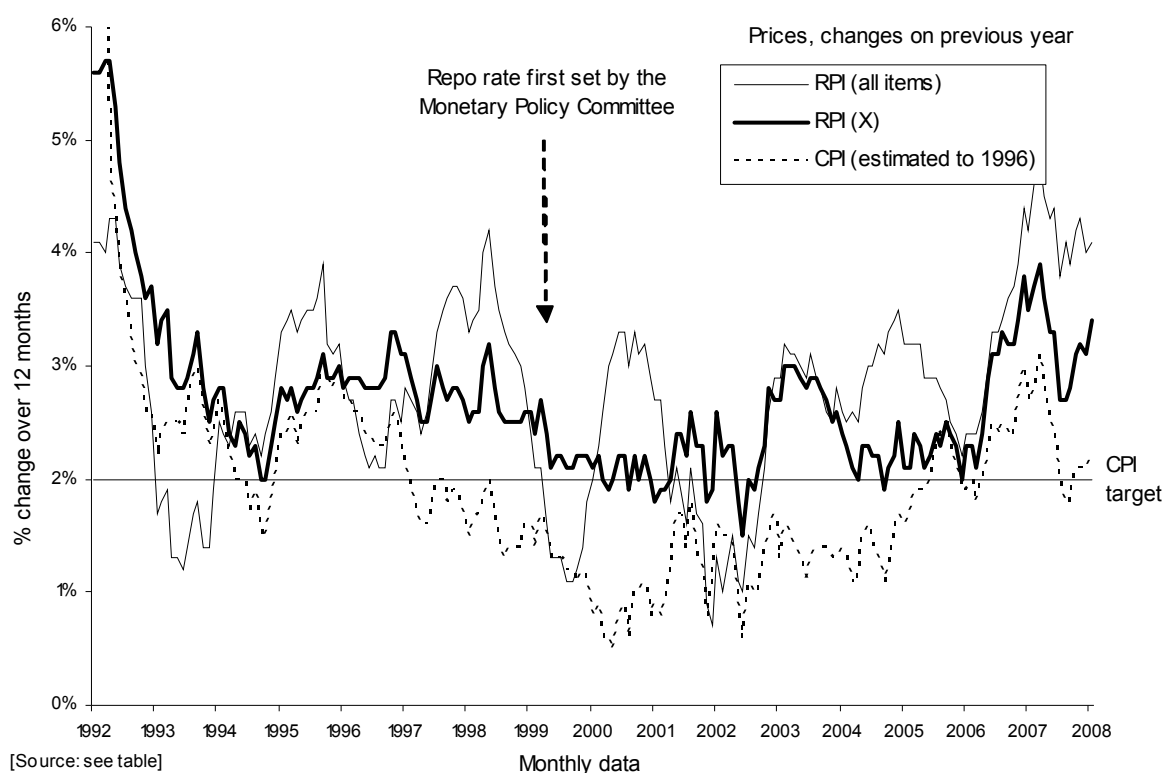
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2004	2.0	-4.2	6.5	3.3	0.8	2.4
2005	-1.2	-4.5	3.5	1.9	1.0	1.0
2006	1.4	-2.8	4.4	3.0	0.8	2.1
2007	0.6	-2.2	2.9	3.1	..	..
2006 Q3	1.8	-2.0	3.9	2.9	0.7	2.3
Q4	2.7	-1.9	4.7	3.2	1.0	2.2
2007 Q1	0.9	-2.5	3.5	3.1	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	0.1	-1.9	2.0	2.9	..	..

Source: ONS database, series: ABMM, ERIT, ERIU, GDPR, 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 January, the consumer prices index (CPI) showed inflation at 2.2%, up from 2.1% in December.
- The largest upward effect on the CPI came from transport costs. There was also a large upward contribution from food and non-alcoholic beverages.
The largest downward contribution on the CPI annual rate came from clothing and footwear.
- The former headline (all items RPI) rate of inflation was 4.1% in January, up from 4.0% in December. The underlying RPI(X) rose to 3.4% in January from 3.1% in December.
- The largest upward effect on the RPI came from household goods. There was also a large upward contribution from motoring expenses which was mainly due to petrol and oil prices. The largest downward effect came from housing.

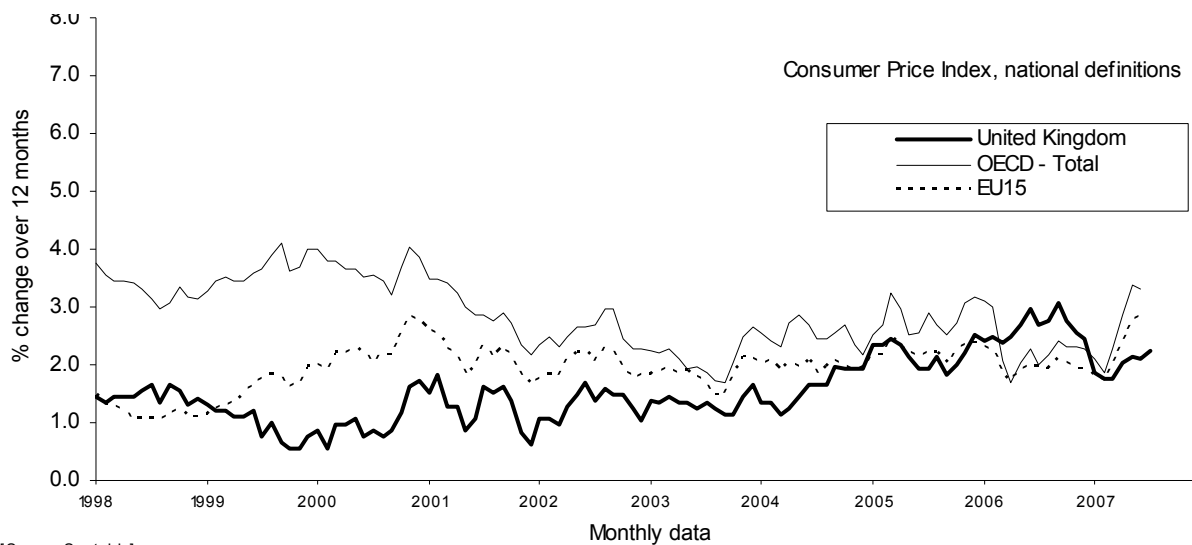
Price Indices

% 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
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
2008 Jan	2.2	4.1	3.4

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

B2: Prices: International Comparisons



[Source: See table]

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 4.3% in January, an increase of 0.2 percentage points over December.
- The average for all OECD countries the average inflation rate in December 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
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	1.6	2.3	2.0	2.3	2.1
2007 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
2008 Jan	3.2	2.9	3.1	2.2	3.2

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

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 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
2008 Jan	4.3		2.2	2.2	

Source: OECD, Consumer Prices Release

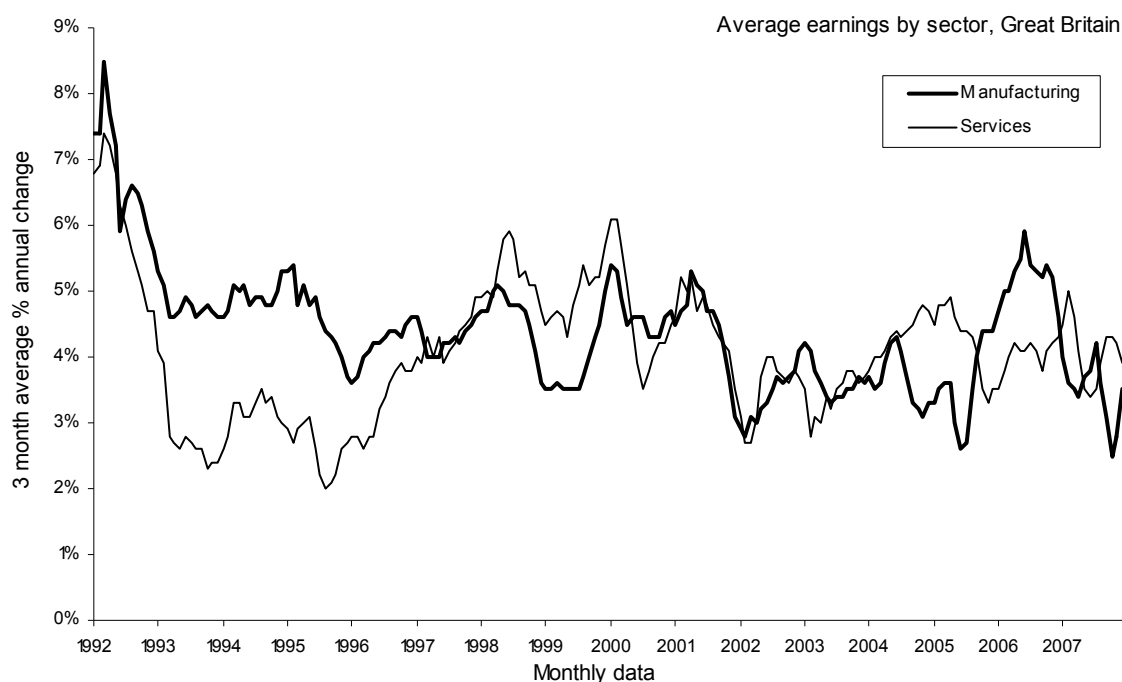
The EU has developed harmonised indices of consumer prices (HICPs), designed for international comparison, to monitor prices within the eurozone:

- In January 2007, Eurozone annual inflation was 3.2%. The "flash" estimate for February is also 3.2%
- The HICP inflation rates for the EU15 Member States not in the eurozone were 3.0% in Denmark, 3.0% in Sweden and 2.2% in the UK.
- The eurozone countries with the highest HICP annual inflation rates were Slovenia (6.4%), Spain (4.4%) and Luxembourg (4.2%). The lowest rates were in the Netherlands (1.8%) and Germany and Portugal (both 2.9%).

Contact: Bryn Morgan, x4904

Updates: OECD, consumer prices release, 4 Mar
Eurostat, *Euro-indicators news release*, 14 Mar

B3: Average Earnings Index



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

- The headline rate of growth in average earnings for the whole economy in December was 3.8%, down from 4.0% in November.
- Headline average earnings growth in manufacturing was 3.5% in December, up from 2.8% in November. Earnings growth in the service sector was 3.9% in December, down from 4.2% in the previous month.
- Headline earnings growth in the private sector was 4.0% in December, compared with 3.3% in the public sector. Earnings growth in the private sector was down from 4.2% in November, while earnings growth in the public sector remained unchanged from November.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in December 2006 was 4.0%).
- In the year to December, 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 Dec	3.7	3.5	4.4
2004 Dec	4.5	4.6	4.7
2005 Dec	3.7	3.5	4.5
2006 Dec	4.0	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
Dec	3.8	4.0	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 Nov	28,268	24,405	3,656	99	107
2004 Nov	28,619	24,756	3,641	97	125
2005 Nov	28,803	24,898	3,705	90	109
2006 Nov	29,102	25,095	3,804	101	102
2007 Feb	29,053	25,000	3,850	104	99
2007 May	29,153	25,108	3,829	103	114
2007 Aug	29,223	25,175	3,837	100	111
2007 Nov	29,398	25,329	3,854	104	110

Changes (%):

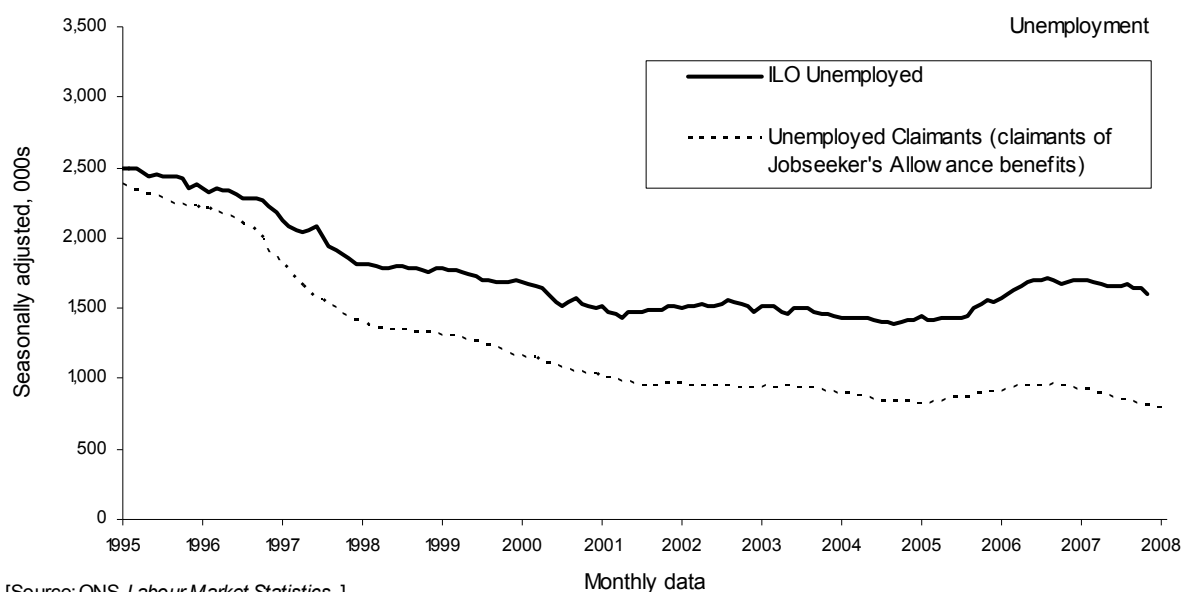
on last 3 months	0.6	0.6	0.4	4.8	-0.7
on last year	1.0	0.9	1.3	3.1	8.4

- Total employment was 29.4 million in the period October to December 2007, 1.0% higher than a year earlier. The working age employment rate of 74.7% was 0.3 percentage points higher than the previous quarter and 0.2 percentage points 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 October to December 2007, of whom 5.7 million were women. 3.9 million people were self-employed.

Contact: Dominic Webb, x4324

Update: ONS, *Labour Market Statistics*, 19 Mar

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 October to December 2007, the level of ILO unemployment in the UK was 1,606,000 (seasonally adjusted). This was a decrease of 86,000 from the period October to December 2006.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 11,000 between December 2007 and January 2008 to 795,000.

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

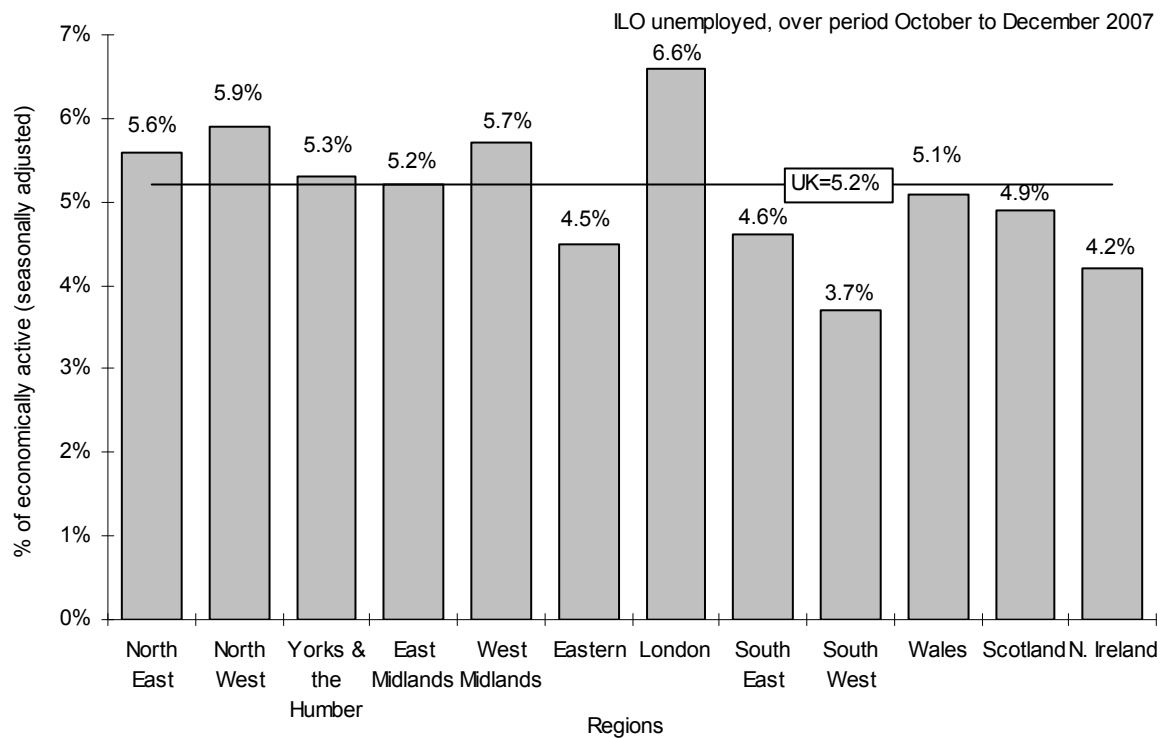
		'000s	(%)
2001	Oct - Dec	1,523	5.2
2002	Jan - Mar	1,512	5.2
	Apr - Jun	1,516	5.2
	Jul - Sep	1,561	5.3
2003	Oct - Dec	1,514	5.1
	Jan - Mar	1,523	5.1
	Apr - Jun	1,464	4.9
2004	Jul - Sep	1,504	5.1
	Oct - Dec	1,453	4.9
	Jan - Mar	1,433	4.8
2005	Apr - Jun	1,434	4.8
	Jul - Sep	1,402	4.7
	Oct - Dec	1,413	4.7
2006	Jan - Mar	1,413	4.7
	Apr - Jun	1,435	4.8
	Jul - Sep	1,450	4.8
2007	Oct - Dec	1,557	5.1
	Jan - Mar	1,602	5.2
	Apr - Jun	1,687	5.5
2008	Jul - Sep	1,714	5.6
	Oct - Dec	1,692	5.5
	Jan - Mar	1,705	5.5
	Apr - June	1,661	5.4
	Jul - Sep	1,667	5.4
	Oct - Dec	1,606	5.2

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Updates: ONS, *Labour Market Statistics*, 19 March 2008
DWP *New Deal*, 13 February 2008 release suspended

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 October to December 2007 London had the highest unemployment rate, 6.6% of the economically active population. The lowest rate over the same period was 3.7%, in the South West.
- A comparison of October to December 2007 with the same period a year earlier shows that the highest fall (15%) in unemployment occurred in the London. The North West showed the largest increase (12%) over the period.

ILO Unemployment, October to December 2007

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	-10,000	-13
North West & Merseyside	21,000	12
Yorkshire & the Humber	-19,000	-12
East Midlands	-14,000	-11
West Midlands	-23,000	-13
Eastern	3,000	2
London	-47,000	-15
South East	12,000	6
South West	-1,000	-1
Wales	-2,000	-3
Scotland	-9,000	-6
Northern Ireland	0	0

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	8.3	9.5	9.3	9.2	8.9	8.7	8.4	8.2	7.9
Germany	10.6	9.8	8.4	10.4	10.0	9.6	9.2	8.7	8.5	8.3	7.9
Italy	7.7	6.8	..	7.3	6.8	6.5	6.5	6.2	5.9	6.0	..
Japan	4.4	4.1	3.9	4.2	4.1	4.1	4.1	4.0	3.8	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	7.4	8.6	8.4	8.1	7.9	7.6	7.5	7.3	7.2
G7	6.2	5.8	5.4	6.0	5.8	5.8	5.6	5.5	5.2	5.4	5.4
OECD	6.7	6.1	5.6	6.4	6.2	6.1	5.9	5.7	5.6	5.6	5.5

Source: OECD, Standardised Unemployment Rate, February 2008

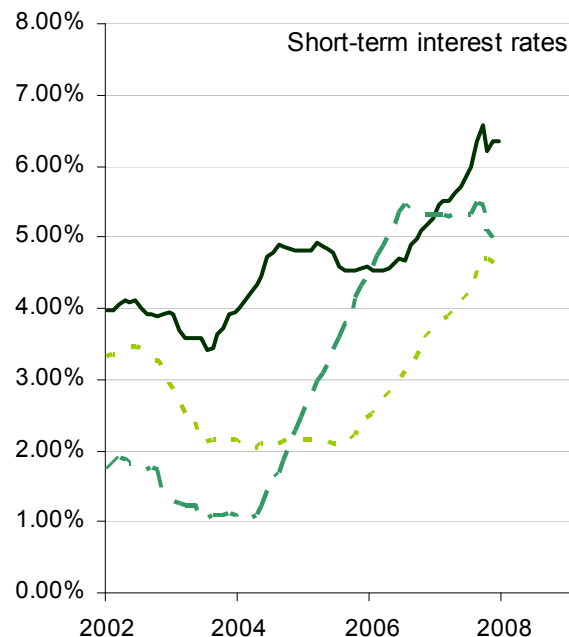
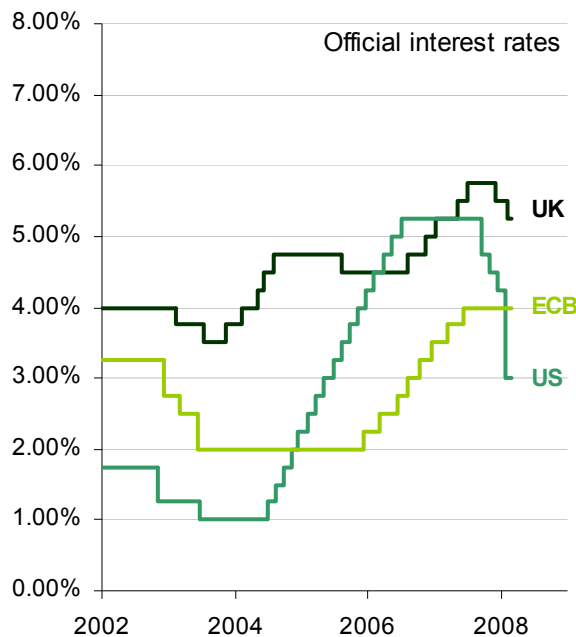
- Using standardised definitions, the UK unemployment rate for 2006 (the latest year for which all data are available) was 5.3%, significantly below the eurozone average (8.2%) and below the G7 and OECD rates (5.8% and 6.1% respectively).
- Between Q3 2006 and Q3 2007 (the latest quarter for which all data are available) the largest fall in unemployment among G7 countries was in Germany where it fell by 1.3 percentage points.
- 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*, 7 Mar
OECD, *Economic Outlook*, June

D1: Interest Rates

- At its latest meeting on 7 February, the Bank of England's Monetary Policy Committee (MPC) voted to cut the interest rate by 25 basis points to 5.25%.
- The minutes of the February meeting show that eight MPC members voted for a 25 basis point cut in the interest rate. One member, David Blanchflower, voted for a 50 basis point cut.
- 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.
- The Governing Council kept the European Central Bank (ECB) interest rate for main refinancing operations at 4.00% at its meeting on 7 February.



— UK 3-month interbank loan
 - - - US certificates of deposit
 . . . Eurozone 3-month market rate

UK Base/Repo rate changes % per annum

Date	New rate	Date	New rate
2000 Jan 13	5.75	2004 Feb 5	4.00
Feb 10	6.00	May 6	4.25
2001 Feb 8	5.75	Jun 10	4.50
Apr 5	5.50	Aug 5	4.75
May 10	5.25	2005 Aug 4	4.50
Aug 2	5.00	2006 Aug 3	4.75
Sep 18	4.75	Nov 9	5.00
Oct 4	4.50	2007 Jan 11	5.25
Nov 8	4.00	May 10	5.50
2003 Feb 6	3.75	Jul 5	5.75
Jul 10	3.50	Dec 6	5.50
Nov 6	3.75	2008 Feb 7	5.25

Source: Bank of England

International interest rates

% per annum, at 15 February 2008

	Official rate	Yield 10yr Since	3-month Govt bonds	3-month market rate
United Kingdom	5.25	6/12/07	4.67	5.83 - 5.63
Eurozone	4.00	6/6/07	n/a	4.33 - 4.23
United States	3.00	30/1/08	3.77	3.13 - 3.03
Japan	0.50	21/2/07	1.46	0.98 - 0.82
Switzerland	2.25-3.25	13/9/07	2.86	2.76 - 2.66

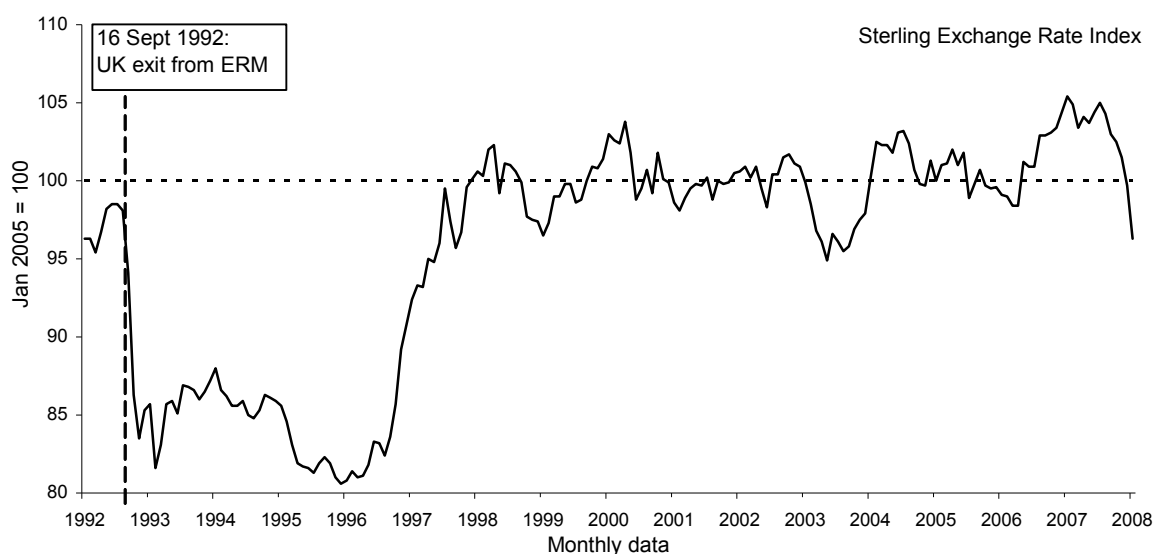
Source: *Financial Times*, 18 February 2008
 (Companies & Markets, p.28)

Contact: Bryn Morgan, x4904

Updates: Short-term interest rates: OECD, MEI, mid-Mar;
 Base rates: 6 Mar (UK MPC), 6 Mar (ECB), 18 Mar (US)
 MPC minutes: 19 Mar

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 2007, the SERI fell by 3.4 points in January 2008, suggesting that the UK was relatively more competitive at the end of January 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 €1.304 at the London market close on 3 March 2008, 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 \$1.984 at the market close on 3 March 2008.

Sterling Exchange Rates

rates and % changes

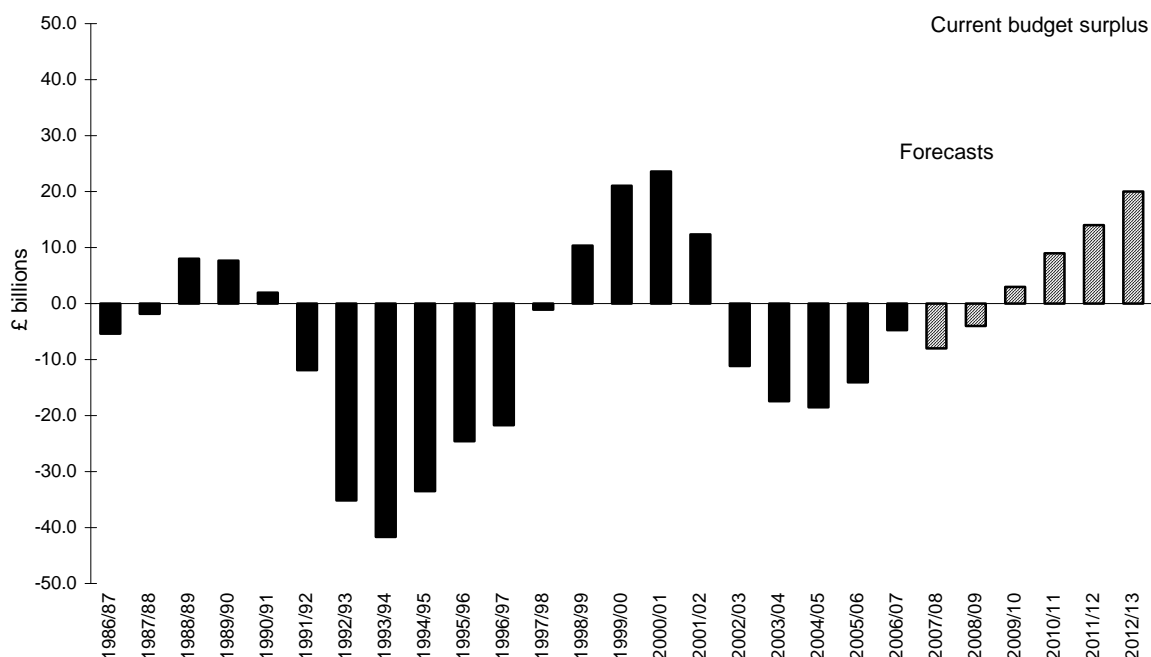
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2004	1.832	12.1	198.1	4.6	1.474	2.0
2005	1.820	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.0	235.6	17.7	1.462	-0.1
2007 Jan	1.959	10.8	235.9	15.6	1.508	3.4
Feb	1.958	12.1	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
2008 Jan	1.970	0.6	212.2	-10.1	1.338	-11.2

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

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-Mar; 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 £9.0 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.

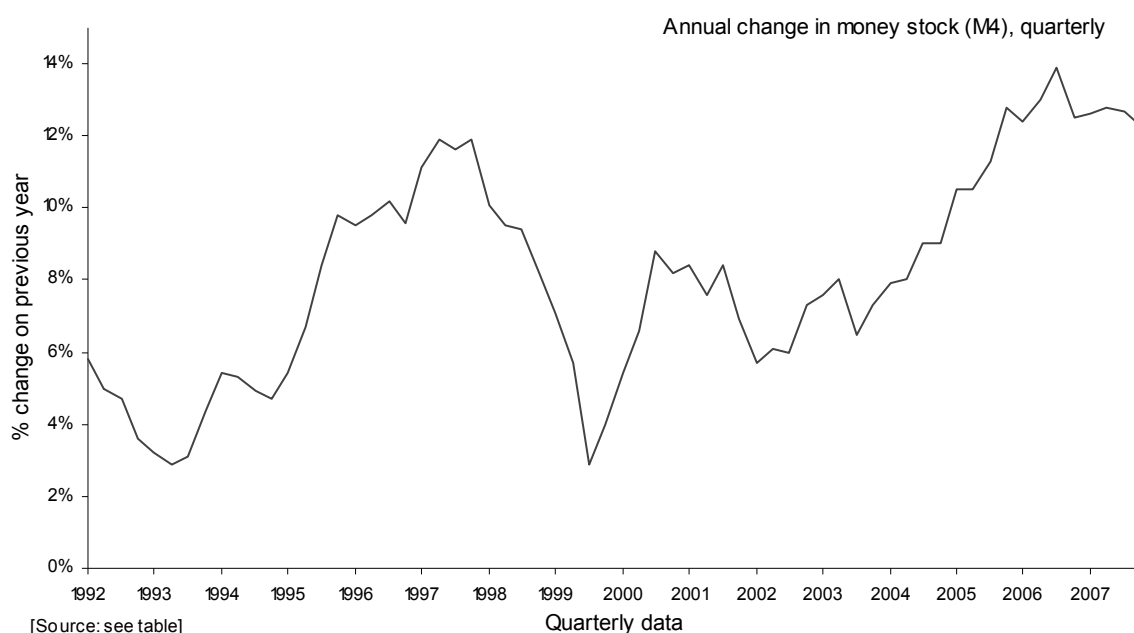
- The public sector net cash requirement (PSNCR - the aggregate replacing the PSBR) was £20.4 billion in Q4 2007 compared with £12.3 billion in the same quarter of 2006. In 2006/07, the PSNCR was £35.1 billion compared with £40.0 billion in 2005/06.

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	535.5	37.6

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
2007 Jan	2.2	4.2	9.9	12.7
Feb	3.2	4.1	11.6	12.5
Mar	6.1	4.1	12.6	12.7
Apr	5.5	3.7	14.6	13.0
May	6.9	4.6	15.4	14.0
Jun	7.4	4.8	13.8	13.0
Jul	6.8	4.3	12.9	13.1
Aug	4.7	4.6	13.6	13.8
Sep	5.3	5.4	14.8	12.9
Oct	7.2	5.4	10.8	12.0
Nov	6.6	5.3	7.1	11.9
Dec	4.4	5.8	9.1	12.5
2008 Jan	5.6	6.2	14.2	13.1

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

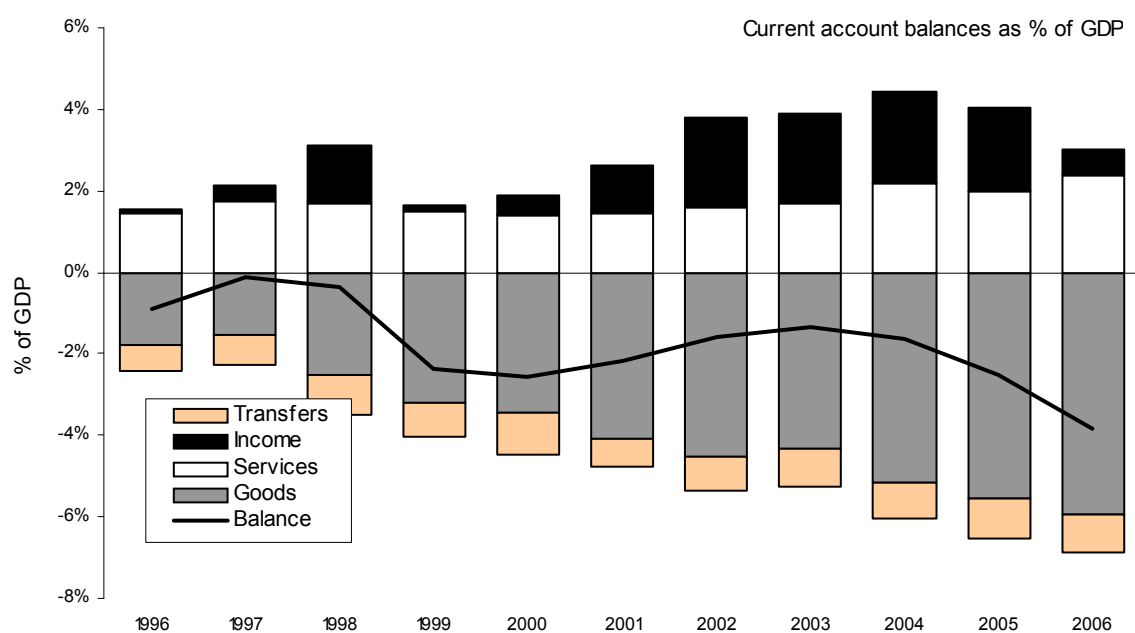
The Bank of England no longer publishes data on M0 following the introduction of new money market arrangements in 2006 (see Bank of England *Quarterly Bulletin*, Autumn 2005 for details). The table above now shows sterling notes and coin in circulation outside the Bank of England. M4 is a broad measure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

- Seasonally adjusted M4 rose by 13.1% in the 12 months to January 2008. The 12-month seasonally adjusted growth rate of notes and coins was 6.2% in January 2008.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

Update: Bank of England, *Monetary & Financial Stats*, 2 April

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	
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
2007	-87,425	36,464	-50,961	..	..	..	..	..
2006 Q4	-20,143	8,559	-11,584	92	-3,040	-782	-3,822	-15,314
2007 Q1	-20,845	8,956	-11,889	-1,922	-2,192	-946	-3,138	-16,552
Q2	-20,094	9,112	-10,982	-192	-2,093	-957	-3,050	-13,703
Q3	-23,187	9,345	-13,842	-3,756	-2,127	-873	-3,000	-20,048
Q4	-23,299	9,051	-14,248	..	..	..	..	..

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

- **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. Provisional figures for 2007 suggest that the deficit on goods again widened while the surplus on services widened.
- On a **quarterly** basis, the current account deficit was estimated at £20.0 billion in Q3 2007, widening from the Q2 2007 deficit of £13.7 billion. Between Q3 2007 and Q4 2007 the surplus on services narrowed while the deficit on goods widened.
- 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).

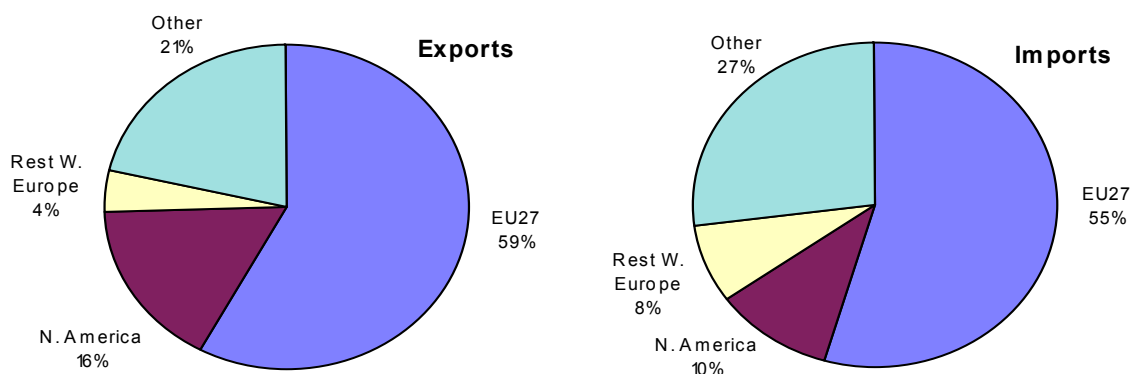
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 28 Mar; *UK Trade*, 12 Mar

E2: UK Overseas Trade in Goods

Shares of UK trade in goods by area, 2007

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
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
2007	110.2	121.7	220,662	308,087	-87,425
2006 Q4	113.1	120.1	54,878	75,021	-20,143
2007 Q1	109.4	119.3	53,615	74,460	-20,845
Q2	109.3	118.4	54,516	74,610	-20,094
Q3	111.3	124.8	55,572	78,759	-23,187
Q4	110.6	124.4	56,959	80,258	-23,299

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

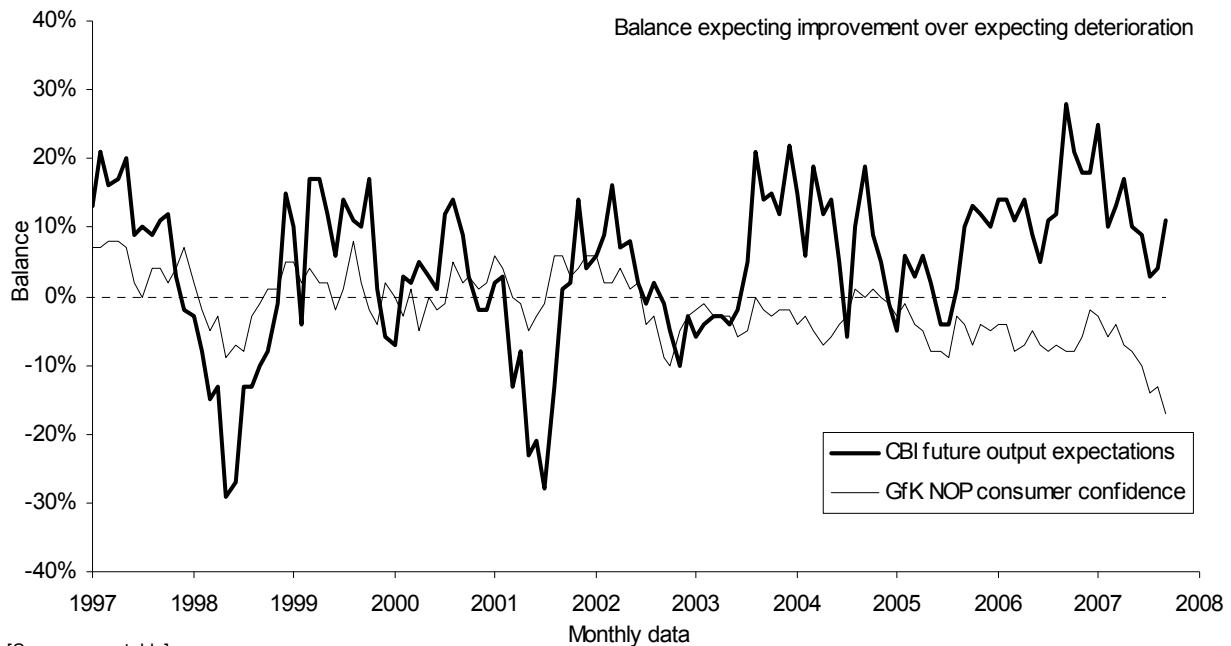
- In December 2007, the provisionally estimated total value of UK goods exports was £18.9 billion and the total value of UK goods imports was £26.5 billion. As a result, the estimated deficit on goods trade was £7.6 billion, slightly lower than the November level of £7.9 billion.
- Geographical breakdowns 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 £3.5 billion in December (compared with £3.5 billion in November), while the deficit with non-EU countries was £4.1 billion (compared with £4.4 billion in November).
- The UK’s monthly surplus on trade in **services** was £2.9 billion in December compared with £3.1 billion in November.
- The UK’s overall monthly deficit on **goods and services combined** in December was £4.7 billion, down from £4.8 billion in November.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 12 Mar

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 quarterly survey was +11% in February 2008, an increase of seven points on January, but 17 points below February 2007.
- A balance of +3% of firms thought that order books were above normal, although a balance of 8% of firms reported export order books below normal.
- A balance of 22% of firms expected their domestic prices to go up over the next three months, particularly among food and metal products manufacturers.

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 four points in February to stand at -17, the lowest figure since December 1994.
- The outlook for major purchases (-19) is 23 points below the February 2007 figure, and the lowest since December 1990.
- The index for the general economic situation over the next 12 months fell to -29. The forecast of personal financial situation was +6, a fall of one point.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

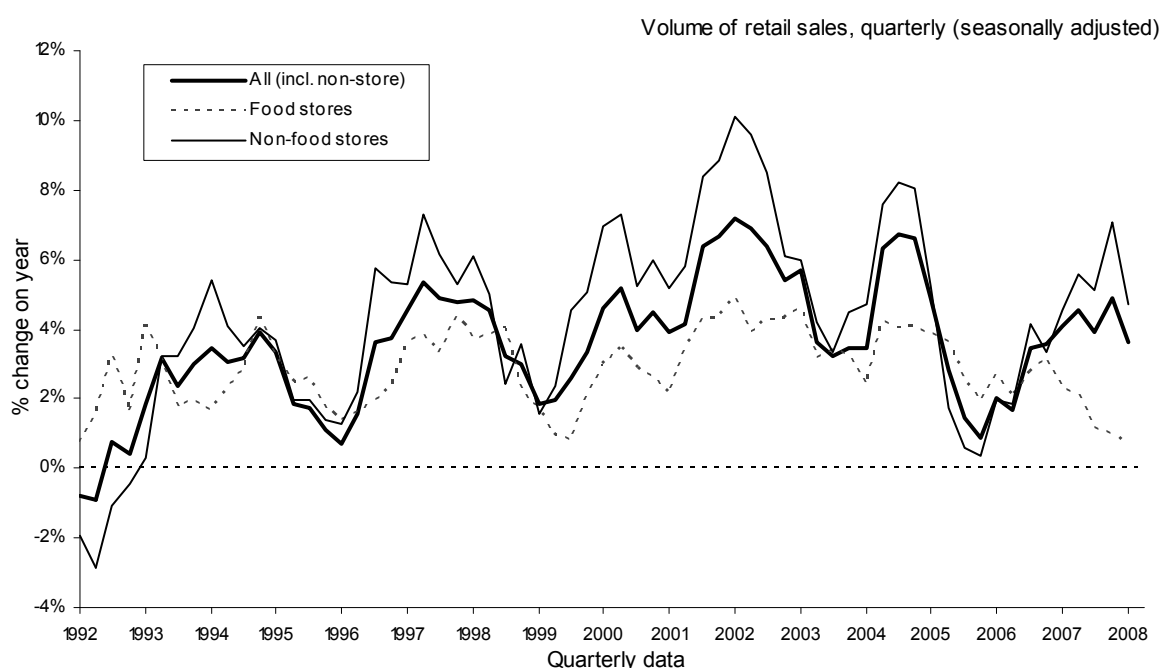
		Future output expectations (CBI)	Consumer confidence (GfK)
2007	Feb	+28	-8
	Mar	+21	-8
	Apr	+18	-6
	May	+18	-2
	Jun	+25	-3
	Jul	+10	-6
	Aug	+13	-4
	Sep	+17	-7
	Oct	+10	-8
2008	Nov	+9	-10
	Dec	+3	-14
	Jan	+4	-13
	Feb	+11	-17

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 November to January was 0.6% higher compared with the previous three month period, and was 4.1% higher than a year previously (seasonally adjusted).
- Retail sales volumes in January 2007 were 5.7% higher than in January 2006 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 5.1% in November to January 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

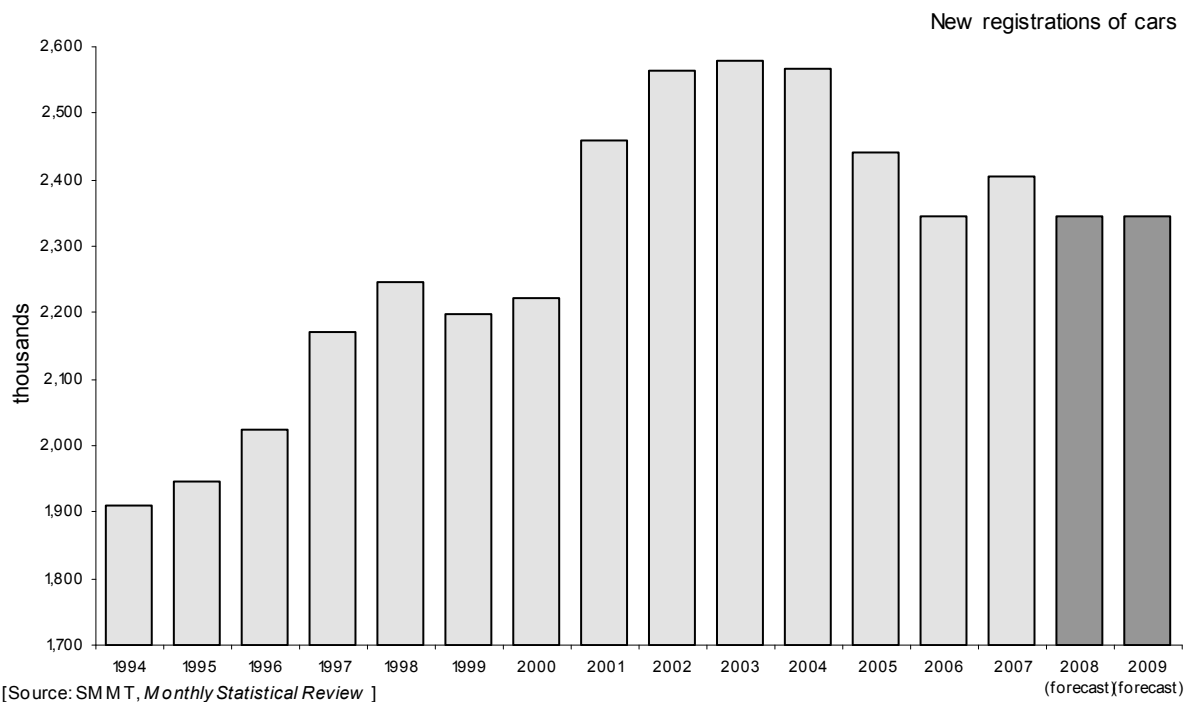
% change on year; non-seasonally adjusted

	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	2.1	3.9	5.3	4.6	3.6
2006 Q4	4.2	5.6	5.0	2.2	4.2
2007 Q1	4.6	5.8	6.2	2.3	4.7
Q2	2.7	4.6	6.4	5.3	4.3
Q3	1.0	5.1	6.4	4.7	3.5
Q4	0.5	1.0	2.9	5.7	2.3

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

- The average weekly *value* of retail sales in January 2008 was £4.6 billion, a 4.8% increase from January 2007 (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.

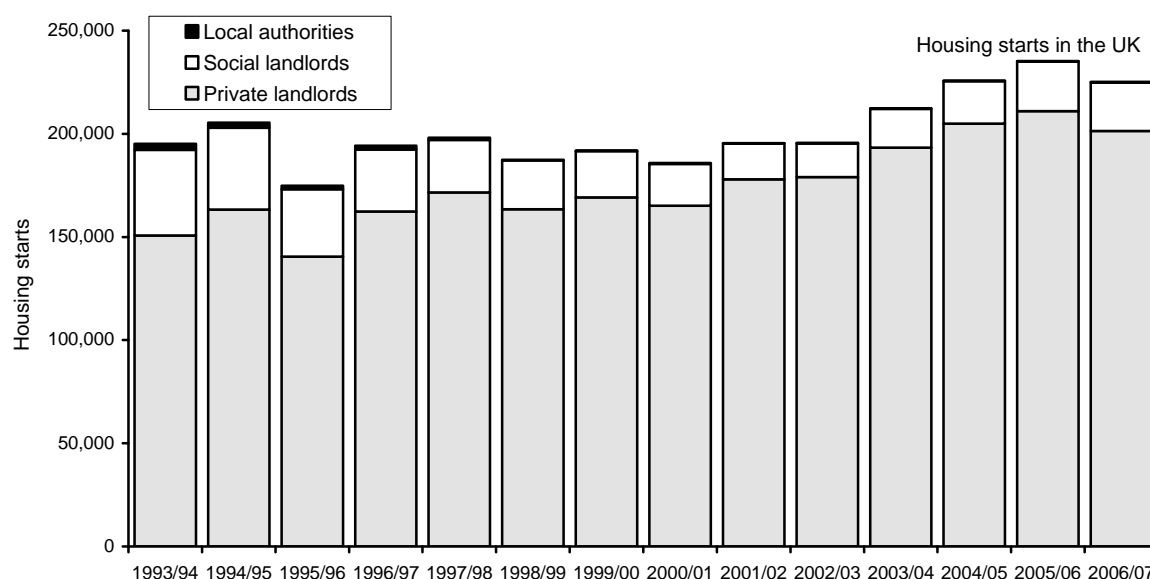
New Registrations of Cars

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, Live table 208]

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 remained stable in January 2008, compared with a rise of 1.3% in December 2007.
- **Annual** house prices in January were 4.5% higher than in the same month in 2007 (compared with 5.2% higher in December 2007).
- **Quarterly** house prices fell by 0.8% in Q4 2007, on Q3 2007, compared with a rise of 0.9% in Q3 2007 on Q2 2007.
- Regionally, the Halifax data show that in Q4 2007 **annual** house price inflation was highest in Scotland (13.1%) and lowest in the East Midlands (0.6%), while all-UK prices rose by 5.2% (not seasonally adjusted; regions are not aligned with 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 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
Q4	196,002	198,884	195,517	147,980
<i>% change over same period in previous year</i>				
2006 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
Q4	5.2	14.0	3.9	4.9

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

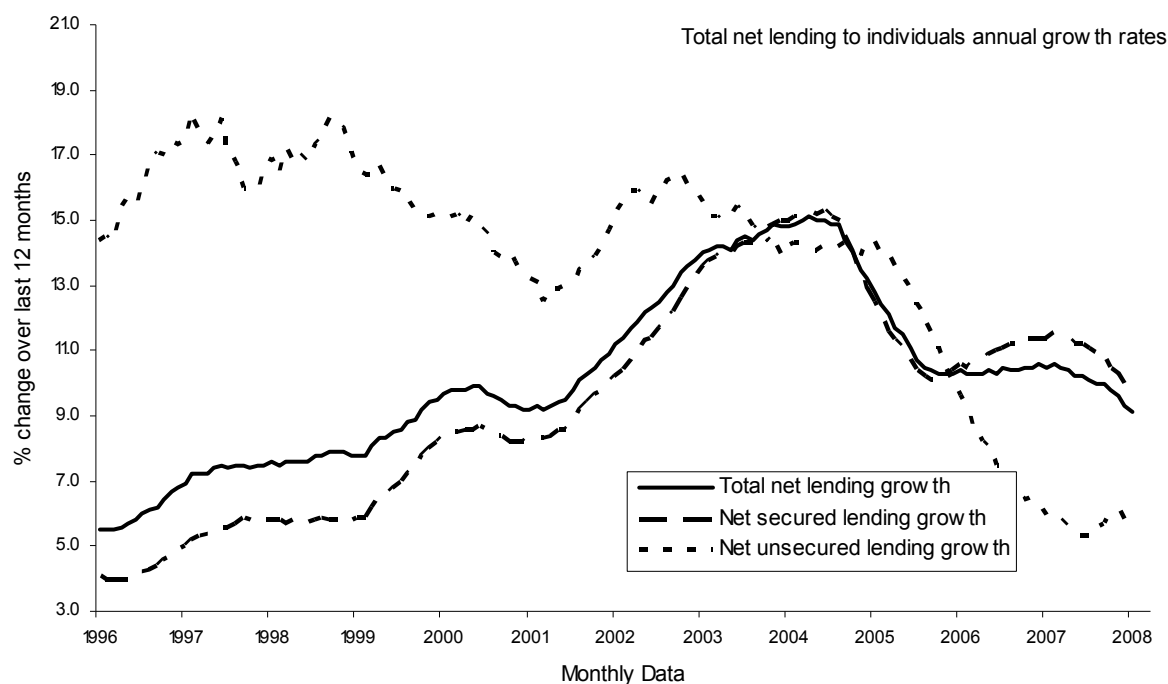
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in December 2007 stood at £219,591, up from £218,662 in November 2007. **Annual** house price inflation in December 2007 was 9.1%, down from 9.7% in November 2007.
- Regionally, **annual** house price inflation in November was highest in London (13.5%) and lowest in the West Midlands (4.0%).

Contact: Grahame Allen, x3977

Updates: *Halifax House Prices*, Mar; DCLG, *House Prices*, 11 Mar; *House-building*, 15 May

F5: Consumer borrowing



[Source: Bank of England]

Net lending to individuals

£ millions and % changes on year; seasonally adjusted

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
2004 Jan	782,571	181,824	964,396	15.0	14.2	14.8
2005 Jan	882,647	200,349	1,082,996	12.5	14.3	12.8
2006 Jan	974,230	211,417	1,185,647	10.6	9.6	10.4
2007 Jan	1,086,328	212,741	1,299,069	11.4	5.9	10.5
Apr	1,112,770	213,347	1,326,116	11.4	5.5	10.4
Jul	1,140,064	214,613	1,354,677	11.1	5.3	10.1
Oct	1,169,798	222,723	1,392,521	10.5	6.0	9.8
2008 Jan	1,186,630	225,390	1,412,019	9.7	5.9	9.1

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

- Total net outstanding lending to individuals was £1,412 billion at the end of January 2008 (seasonally adjusted).
- Total net lending to individuals grew by 0.6% in January 2008 compared with the previous month, and grew by 9.1% on an annual basis (all seasonally adjusted); the annual growth rate is 0.2 percentage points lower than in December 2007.
- Of the £8.4 billion increase in net lending in January 2008, £7.4 billion was mortgage borrowing and £0.9 billion was consumer credit (seasonally adjusted).

Contact: Ed Potton, x2883

Update: Bank of England, *Lending to Individuals*, 2 Apr

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) Quarterly Working Age Statistics for New Deal for Young People & Long-term Unemployed (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

Definitions⁴⁸

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

⁴⁸ 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.