



RESEARCH PAPER 08/43
6 MAY 2008

Economic Indicators, May 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 article:

The UK housing and mortgage markets

Next publication date: **2 June 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
Housing	Gavin Berman	3851
Incomes	Bryn Morgan	4904
Industries	Ed Potton	2883
National accounts	Dominic Webb	4324
International development	Edward Beale	2464
Prices & interest rates	Dominic Webb	4324
Public expenditure	Dominic Webb	4324
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

Special liquidity scheme

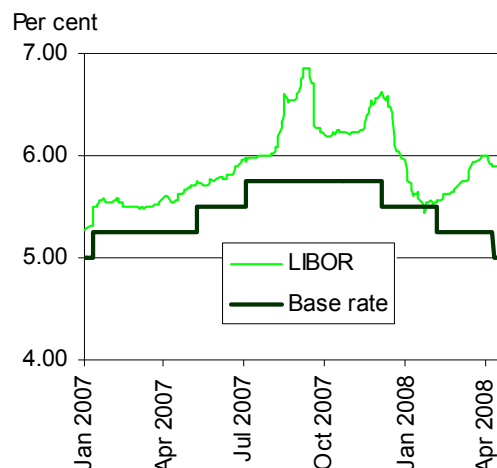
On 21 April the Bank of England launched a scheme to allow banks to swap temporarily their high quality mortgage-backed and other securities for UK Treasury Bills. This was aimed at improving the liquidity position of the banking system.

Under the Scheme, banks can, for a period, swap illiquid assets of sufficiently high quality for Treasury Bills. Responsibility for losses on their loans, however, stays with the banks. By tackling decisively the overhang of assets in this way, the Scheme aims to improve the liquidity position of the banking system and increase confidence in financial markets.

The *Financial Times* described the scheme as “a cleverly designed and welcome move to ease liquidity troubles”.⁴ But it went on to say:

It should lower the three-month interbank lending rate. But if the real fear is solvency - that too many bad loans were made at too low an interest rate - it will not make mortgages cheaper, or release wholesale funding for the banks.

The difference between the Bank of England base rate and the interbank lending rate (LIBOR) has been one of the key features of the “credit squeeze”. The chart below shows the base rate and the interbank rate⁵ since the start of 2007. In the early part of 2007, the interbank rate was around 0.3 percentage points above the base rate. By September 2007, it was more than 1 percentage point above. Although, the interbank rate has fallen from its 2007 peaks, the mark-up above the base rate has increased. Whether this gap narrows will be a key test of the Bank’s liquidity scheme.



Article

This month’s article looks at the housing and mortgage markets in the light of various datasets showing a slowdown in lending and falling house prices. In particular, it tries to put the recent signs of falling prices into the context of increased prices over the past decade.

Inflation

In the year to March, the CPI showed inflation at 2.5%, unchanged from February. However, the former headline (all items RPI) rate of inflation was 3.8% in March, down from 4.1% in February. For readers interested in the various measures of inflation, the Library has recently published two relevant notes which are accessible on the Parliamentary intranet:

SN/EP/2107 [Retail Prices Index](#)

SN/EP/3731 [Interest rates and inflation](#)

⁴ “Bank of England’s clever swap shop: New facility should lower Libor but not end credit squeeze”, *Financial Times*, 22 April 2008, p10

⁵ Daily Sterling interbank lending rate, 3 month, mean LIBID/LIBOR, from Bank of England database

III The UK housing and mortgage markets

The general economic downturn, expected in Europe and US in 2008 and 2009, is being largely caused by problems in financial markets, declining economic confidence and rising commodity prices. Recent months have seen a reduction in lending by banks. Weak economic confidence and falling liquidity in the mortgage market means the UK is seeing falling house price growth.

This article looks at the UK housing and mortgage markets, examining some of the trends and statistics behind recent headlines.

A. Context

2007 saw a number of problems emerge in the US housing market, particularly related to sub-prime mortgages. Arrears rates for sub-prime mortgages were rising, which led to credit spreads on US sub-prime securities rising. Due to problems with information and potential losses on these products, along with institutions becoming much more cautious in their assessment of the risk related to financial mortgage securities, the international market for these products sharply contracted. Because banks became more risk averse, and were uncertain of the financial exposure of other banks (to mortgage debt), problems also developed with short-term inter-bank lending.⁶

The traditional model for Banks and Building Societies and their lending was that deposits by savers provided the backing for lending to customers as loans or mortgages. However, it is now the case that lenders source the backing for mortgage lending from both savers and financial markets. Because the market for debt based financial products declined lenders have been less willing, and/or able, to provide mortgages. In the UK the collapse of Northern Rock occurred due to their business model relying heavily on financial markets funding their lending activities; these markets effectively seized up.

On 21 April 2008, the Bank of England announced a scheme to allow banks to swap temporarily their high quality mortgage-backed and other securities for UK Treasury Bills. Further details of this are on the Bank's website.⁷ This aimed to increase confidence and liquidity in financial markets.

B. House prices

Falling house prices have received much media publicity in recent months, with a number of different house price indicators (HPIs)⁸ showing monthly or quarterly declines since late 2007 onwards.

⁶ Further information is available in publications such as the Bank of England's *Financial Stability Reports*, see October 2007 and April 2008 editions: <http://www.bankofengland.co.uk/publications/fsr/index.htm>

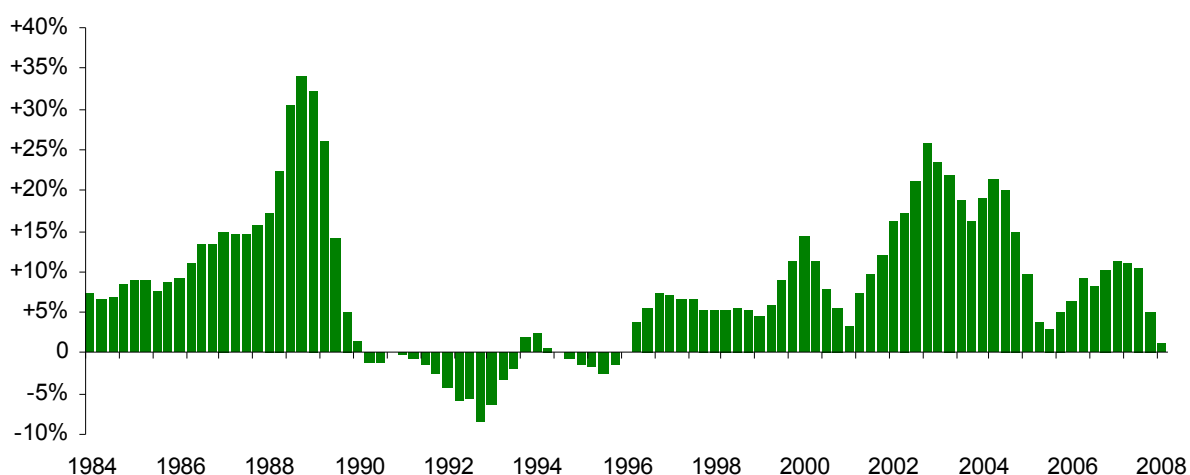
⁷ <http://www.bankofengland.co.uk/publications/news/2008/029.htm>

⁸ There are several different HPIs of which the most commonly used are those published by the Halifax, the Nationwide, Department for Communities and Local Government (DCLG) and the Land Registry. The Halifax and the Nationwide base their index on prices at the point of mortgage

Mortgage lenders have tended to talk down the significance of any monthly declines, pointing out that monthly data is volatile and that annual indicators show a different picture. In annual terms house prices continued to increase up to Quarter 1 of 2008. In Quarter 1 of 2008 the Halifax HPI indicated that UK house prices had increased by 1.1% on Quarter 1 of 2007. The Nationwide reported an annual increase of 2.2% for UK house prices over the same period and the Land Registry reported a 3.6% annual increase for England & Wales.

While national house prices have increased compared with the first quarter of 2007, the change observed is not as pronounced in previous quarters. This is illustrated in Chart 1, which shows the percentage change in UK house price inflation according to the Halifax HPI. The 1.1% increase observed in Quarter 1 of 2008 is the lowest increase since 1996.

Chart 1: **House price inflation, UK:** % change on same quarter a year ago



Source: Halifax HPI

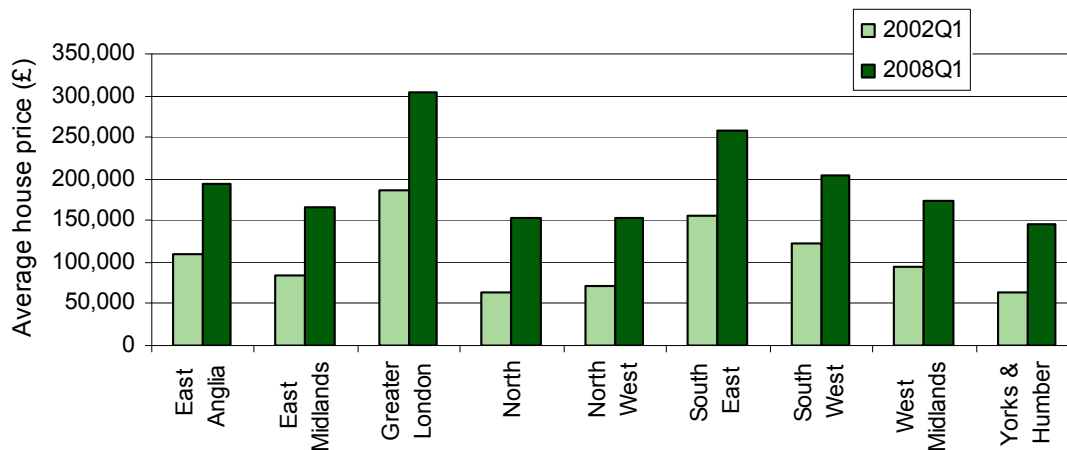
There is some indication that Quarter 2 data for 2008 might show a decline in annual house prices. The Nationwide monthly HPI for April 2008 recorded the first year-on-year fall in prices since March 1996. The average UK house price in April 2008 was £178,555 compared with £180,314 in April 2007, a 1% decrease.

However, such decline should be viewed in the context of the substantial price rises in recent years. The Nationwide HPI shows that UK house prices increased by 78% over the last five years and by 178% over the last decade. This means that most homeowners are sitting on large gains, and could have enough equity to shield both themselves and their mortgage lenders from quite a severe downturn. An alternative view is that big increases may simply indicate that prices have much further to fall. In recent years, the housing market has sustained much higher valuations than were previously thought possible. Compared with average earnings, homes are more overvalued than at the peak of the previous boom in the late 1980s (see *Affordability* section below).

approvals, while the DCLG index is based on prices at mortgage completion. The Land Registry index is based on prices at the time of transfer of ownership.

Chart 2 illustrates the considerable regional variation in house prices. The average price in Greater London in the first quarter of 2008 was almost double that in the North. However, this gap has closed since 2002. The average price more than doubled between 2002 and 2008 in the North, North West and Yorkshire and Humberside regions. The increase in London was 61%.

Chart 2: **Average house prices by region: 2002 and 2008**



Between Quarter 1 of 2007 and 2008, house prices rose fastest in Scotland (5.1%), Northern Ireland and East Anglia (3.4% in each area). Prices decreased in Wales (-5.4%), the West Midlands (-3.7%) and the South West (-3.3%). See Table A1 at the end of this article for further details.

C. Affordability

The ratio of house prices to income is a key indicator of the relative affordability of owner-occupation. Published affordability indicators include:

- Nationwide ratio of average house prices to first time buyers' average individual earnings http://www.nationwide.co.uk/hpi/downloads/FTB_HPER.xls
- Halifax ratio of average house prices to all house buyers average individual earnings http://www.hbosplc.com/economy/includes/25_01_08HFAX_regional_affordability.xls

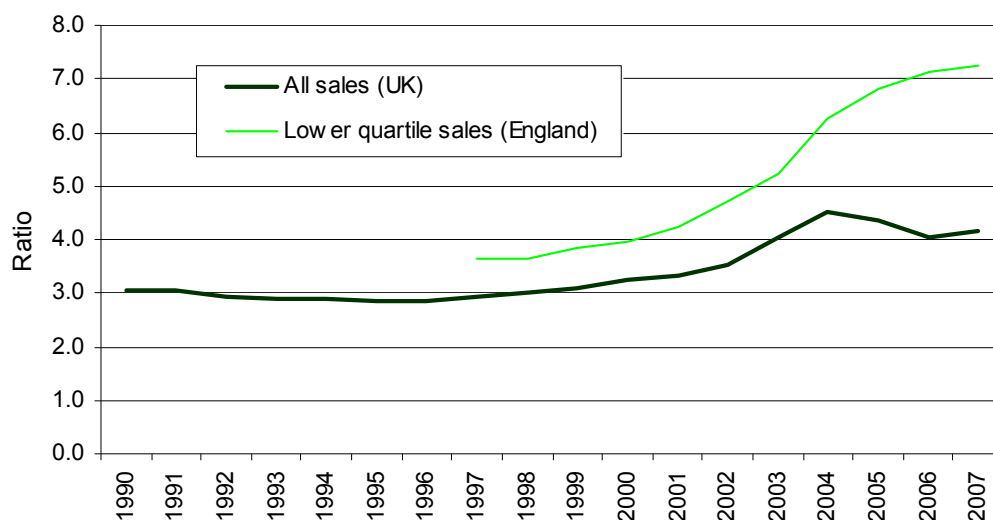
However, it is worth noting that a significant proportion of households contain more than one earner. Therefore, house price to earnings ratios which are based on individual earnings may overstate the extent of affordability difficulties. The Department for Communities and Local Government (DCLG) publish information on the ratio of simple average house prices to the average total recorded income of mortgage borrowers. The information is based upon data from the Council of Mortgage Lenders (CML), a trade association for mortgage lenders in the UK whose members undertake around 98% of UK residential mortgage lending.

Chart 3 shows the ratio of average house prices to the average total recorded income of new mortgage borrowers.⁹ This shows a period of relative stability in the 1990s, the house price

⁹ Data for individual countries of the UK and for English regions is given in Table A2 at the end of this article.

to income ratio increased between 2000 and 2004, then declined in 2005 and 2006 with some indication of a trend towards further increase in 2007. Regional data in Table A2 (at the end of the article) shows that in Northern Ireland the house price to income ratio has increased rapidly between 2002 (3.0) and 2007 (4.9).

Chart 3: House price/earnings ratios: 1990-2007



Sources: see Tables A2 and A3

DCLG also publish data for England on the ratio of lower quartile house prices to lower quartile earnings to assess whether people with the lowest income can afford the cheapest housing. The ratio is calculated by combining data on house prices from HM Land Registry with data on gross annual pay by place of work from the Annual Survey of Hours and Earnings (ASHE). This is also shown in Chart 3.

In England the ratio of lower quartile house prices to lower quartile earnings increased between 1997 and 2007: from 3.7 to 7.3. A similar pattern of increase is observed across the regions of England and in Wales.¹⁰ In 2007, the highest ratios of lower quartile house prices to incomes are found in the London (9.1), the South East (8.9) and the South West (8.8).

D. Lending in the UK

Official statistics on total borrowing by individuals are only available at a national level and presented under three headings:

- **Secured lending** – where loans are secured against property; more commonly seen as the level of mortgage borrowing;
- **Unsecured lending** – not secured against property, including lending such as that on personal loans, credit cards and store cards. More commonly known as consumer credit; and,
- **Total lending to individuals** – the sum of secured and unsecured lending.

¹⁰ Again, regional data for England, and figures that the Library has calculated for Wales, are given in Table A3 at the end of the article.

It is worth noting that the level of unsecured borrowing recorded at the end of each month includes all outstanding debt on credit cards. It takes no account of non-interest bearing debt, that is, those people who use their credit cards as a form of easy payment, clearing the balance each month. Therefore, the level of net unsecured lending outstanding overstates the actual level of borrowing.

Table 1 shows the level of debt outstanding at the end of March of each year since 1997. Total borrowing is now £1,430 billion. 84% of total borrowing outstanding is accounted for by secured lending or mortgages. While consumer credit has grown strongly over the period 1997-2008, it has not grown as strongly as mortgages, which have been driven by rising house prices. Outstanding amounts on credit cards peaked in March 2006 before falling in March 2007 and rising slightly in March 2008 (note this is monthly data rather than annual data).

Table 1

Total net lending outstanding: 1997-2008

monthly data, seasonally adjusted

£ billion

		Secured	Unsecured		Total	
		Total	Total	of which: Credit Cards	Other Consumer Credit	(Secured and unsecured)
1997	Mar	415.6	81.9	16.2	65.8	497.5
1998	Mar	436.3	95.4	19.3	76.1	531.8
1999	Mar	465.0	110.2	28.3	81.9	575.3
2000	Mar	505.2	125.1	33.4	91.7	630.3
2001	Mar	548.3	137.1	37.9	99.1	685.3
2002	Mar	607.7	154.4	43.3	111.1	762.1
2003	Mar	697.3	168.5	43.7	124.8	865.8
2004	Mar	801.6	184.6	50.3	134.3	986.2
2005	Mar	895.1	203.3	56.5	146.8	1,098.4
2006	Mar	990.4	211.0	57.0	154.0	1,201.4
2007	Mar	1,103.4	213.4	54.1	159.3	1,316.9
2008	Mar	1,200.3	229.5	55.1	174.4	1,429.8
<i>% change since 1997</i>		<i>188.8</i>	<i>180.0</i>	<i>240.8</i>	<i>165.1</i>	<i>187.4</i>
<i>% change since 2002</i>		<i>97.5</i>	<i>48.6</i>	<i>27.1</i>	<i>57.0</i>	<i>87.6</i>
<i>% change since 2007</i>		<i>8.8</i>	<i>7.5</i>	<i>1.7</i>	<i>9.5</i>	<i>8.6</i>

Note: Series are subject to adjustment following transfers with non-resident companies

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

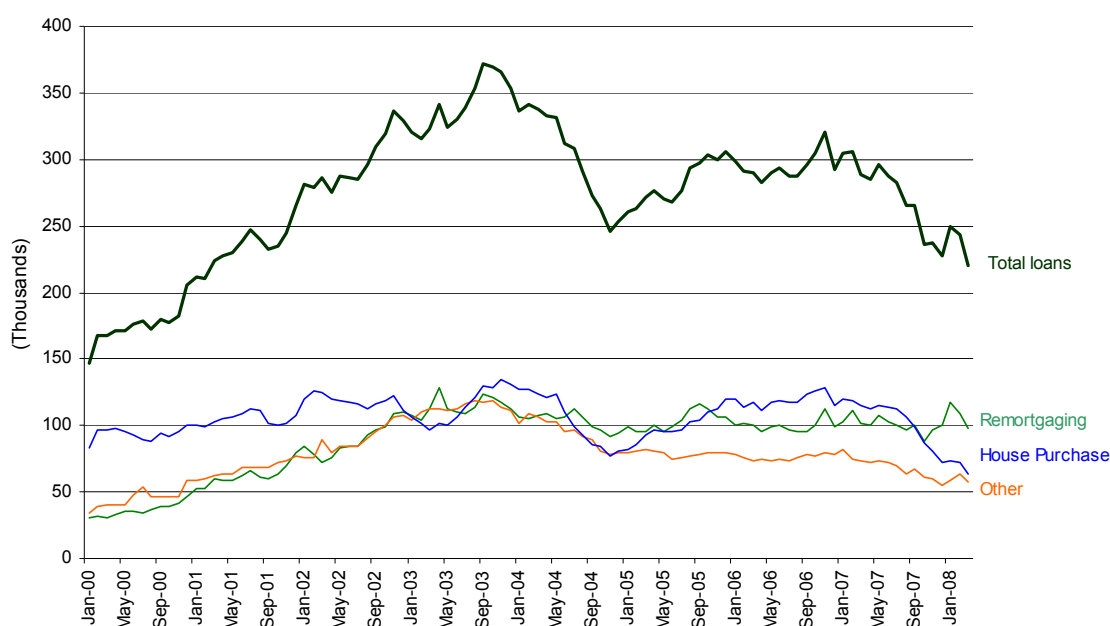
The issue of household debt was considered in an article in the December 2007 edition of *Economic Indicators*: <http://www.parliament.uk/commons/lib/research/rp2007/rp07-083.pdf>

E. Mortgage lending in the UK

Recent months have seen a sharp decline in the number of mortgages taken out. Chart 4 shows the monthly number of approvals for secured lending since 2000. A clear decline can be seen throughout 2007, but particularly since the second half of the year. The chart shows

that while re-mortgaging is continuing, the decline in new mortgages is mainly due to a fall in the number of house purchases.

Chart 4: Monthly Number of Secured Lending Approvals: (seasonally adjusted)

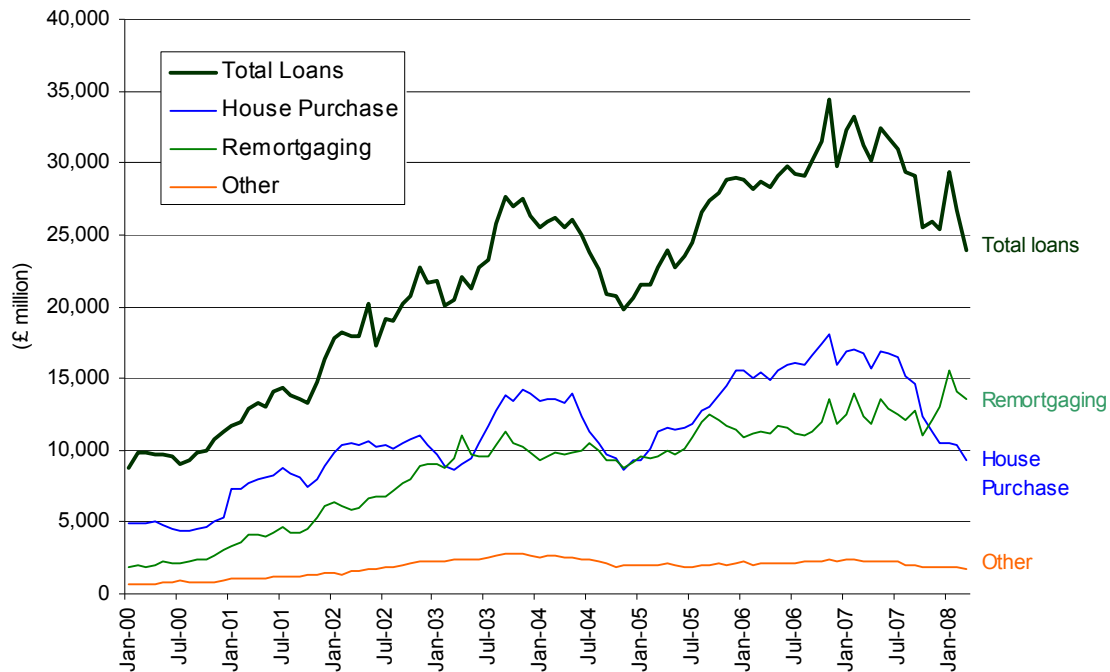


Source: Bank of England

The decline in house purchases is shown more clearly in chart 5, which shows the monthly amounts of secured lending by purpose. In recent months lending for house purchases shows a clear drop; in November 2006 the amount of secured lending approved was £34.4 billion, by March 2008 this had declined 30% to £24.0 billion. Looking at the figures in more detail, over the same period the amount approved for re-mortgaging was virtually unchanged, the amount approved for house purchases almost halved.

Chart 5 also shows that while over time the number of secured lending approvals hit their peak in September 2003, and following a sharp decline in 2004 never recovered to a similar level over 2005-07, chart 5 shows that secured lending approvals by value continued to rise in 2005-07, peaking in November 2006. This indicates how the rising value of property has affected the amount of mortgage lending.

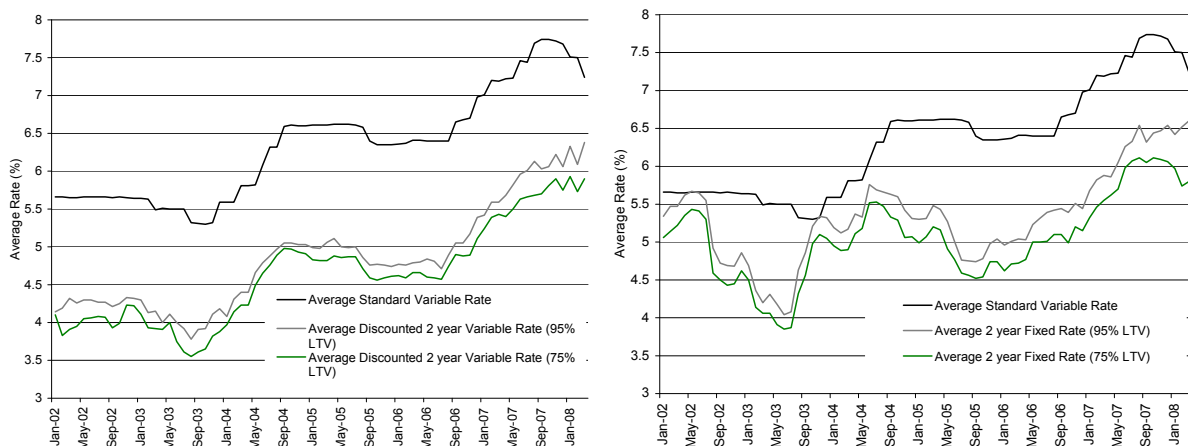
Chart 5: Monthly Secured Lending by Loan Purpose: (seasonally adjusted)



Source: Bank of England

There has also been evidence of rising retail mortgage interest rates as lenders seek to reduce the amount they lend. The effect of rising rates is expected to impact significantly on those borrowers whose short term (for example, 2 year) deals are ending. Chart 6 shows average monthly rates offered, including standard variable rates (SVRs), 2 year fixed rates and 2 year discounted variable rates (for loans of both 75% and 95% Loan to Value ratios (LTV)). While data showing recent rate rises has yet to be fully reflected in this data, it clearly shows that consumers who took out 2 year products in 2006 are likely to see significant increases in interest rates as these deals expire. Equally, lenders are becoming more cautious with the amount they lend; the gap between rates for 95% LTV and 75% LTV has widened in recent months. However, it is worth noting that the jump in rates between 2006 and 2008 is similar to the movement between 2002/03 and 2004/05.

Chart 6: Average Mortgage Interest Rates, SVR (both), 2 year discounted (LHS), 2 year fixed (RHS), 2002-2008, Monthly data



Note: A different methodology is applied to data prior to January 2005
 Source: Bank of England

There is also evidence that consumers are shifting away from fixed rate deals towards tracker deals. In 2006 65% of mortgages taken out were at fixed rates, in 2007 this had risen to 73%. In February 2008, just 52% of new mortgages were at fixed rates, with 35% of consumers taking out tracker products. This is the highest monthly proportion for tracker products since the data set began in 2005.¹¹ It may indicate that consumers are expecting to benefit from falling rates.

In the April 2008 *Financial Stability Report* the Bank of England noted that house prices were falling and there was a reduction in the amount of credit available to households, however most households hold substantial net housing equity, and they currently estimate that a tail of around 1% of mortgagors are currently in negative equity. They also note that the market for new UK residential mortgage-backed securities is effectively closed and the risk being factored into asset prices in the market for these products overestimates current loss rates. The bank does note however that certain categories of borrowers, such as high LTV households, those with adverse credit histories and buy to let investors may find it harder to re-finance expiring mortgage deals with competitive products and instead revert to the SVR; those with high LTV ratios may be vulnerable to further shocks to their disposable income.¹²

F. Mortgage arrears

Table 2 shows CML data on the number of UK mortgages in arrears by number of months in arrears and by arrears as a proportion of the outstanding balance. In accordance with the various repossession indicators, there has been a considerable reduction in the number of mortgages in arrears over the past ten years.

In 2007 the proportion of mortgages over twelve months in arrears fell to 0.13 percent, down from a peak of 1.50 per cent in 1993. Similarly, 0.16 per cent of mortgages were in arrears equivalent to 10.0 per cent or over of the outstanding balance in 2007, compared with 1.64 per cent in 1993. However, the decline since 1993 appears to have halted in 2004 and proportions have risen slightly since then.

¹¹ CML data, table ML5, downloaded 30 April 2008

¹² Bank of England, *Financial Stability Report*, April 2008, Issue No. 23, pages 20-21: <http://www.bankofengland.co.uk/publications/fsr/2008/fsrfull0804.pdf> (Charts referred to in text are available in report)

Table 2

Mortgage arrears: UK 1970-2007 (a)

	Mortgages in arrears at end of period by length of arrears						Mortgages in arrears at end of period by percentage of balance							
	3-6 months		6-12 months		over 12 months		2.5%-5.0%		5.0%-7.5%		7.5%<10.0%		10.0% and over	
	number	%	number	%	number	%	number	%	number	%	number	%	number	%
1970	.	.	21,140	0.51	.	.	.	.	.	.	.	.	.	.
1971	.	.	17,600	0.39	.	.	.	.	.	.	.	.	.	.
1972	.	.	15,700	0.33	.	.	.	.	.	.	.	.	.	.
1973	.	.	12,700	0.26	.	.	.	.	.	.	.	.	.	.
1974	.	.	17,600	0.36	.	.	.	.	.	.	.	.	.	.
1975	.	.	16,800	0.33	.	.	.	.	.	.	.	.	.	.
1976	.	.	16,000	0.30	.	.	.	.	.	.	.	.	.	.
1977	.	.	16,200	0.29	.	.	.	.	.	.	.	.	.	.
1978	.	.	11,200	0.19	.	.	.	.	.	.	.	.	.	.
1979	.	.	9,700	0.16	.	.	.	.	.	.	.	.	.	.
1980	.	.	15,500	0.25	.	.	.	.	.	.	.	.	.	.
1981	.	.	21,500	0.34	.	.	.	.	.	.	.	.	.	.
1982	.	.	27,400	0.42	5,500	0.08	.	.	.	.	.	.	.	.
1983	.	.	29,400	0.43	7,500	0.11	.	.	.	.	.	.	.	.
1984	.	.	48,300	0.66	9,500	0.13	.	.	.	.	.	.	.	.
1985	.	.	57,100	0.74	13,100	0.17	.	.	.	.	.	.	.	.
1986	.	.	52,100	0.64	13,000	0.16	.	.	.	.	.	.	.	.
1987	.	.	55,500	0.67	15,000	0.18	.	.	.	.	.	.	.	.
1988	.	.	42,800	0.50	10,300	0.12	.	.	.	.	.	.	.	.
1989	.	.	66,800	0.73	13,800	0.15	.	.	.	.	.	.	.	.
1990	.	.	123,100	1.31	36,100	0.38	.	.	.	.	.	.	.	.
1991	.	.	183,600	1.87	91,700	0.93	.	.	.	.	.	.	.	.
1992	.	.	205,000	2.07	147,000	1.48	.	.	.	.	.	.	.	.
1993	.	.	164,600	1.62	151,800	1.50	.	.	107,600	1.06	69,800	0.69	166,000	1.64
1994	169,100	1.62	133,700	1.28	117,100	1.12	176,600	1.70	82,700	0.79	49,600	0.48	116,300	1.12
1995	177,900	1.69	126,700	1.20	85,200	0.81	174,400	1.66	79,900	0.76	45,500	0.43	97,900	0.93
1996	139,300	1.31	101,000	0.95	67,000	0.63	129,700	1.22	59,100	0.56	33,300	0.31	74,700	0.70
1997	117,800	1.10	73,800	0.69	45,200	0.42	117,800	1.10	49,400	0.46	26,300	0.24	60,400	0.56
1998	129,100	1.19	74,000	0.68	34,900	0.32	130,600	1.21	52,800	0.49	25,600	0.24	52,000	0.48
1999	96,700	0.88	57,100	0.52	29,500	0.27	104,600	0.95	41,900	0.38	20,300	0.18	41,600	0.38
2000	95,300	0.85	47,800	0.43	20,800	0.19	95,300	0.85	32,500	0.29	14,600	0.13	25,200	0.23
2001	74,100	0.66	41,500	0.37	18,200	0.16	79,200	0.70	27,500	0.24	11,800	0.10	21,700	0.19
2002	66,600	0.59	34,000	0.30	16,500	0.15	61,900	0.54	20,400	0.18	8,200	0.07	14,300	0.12
2003	55,800	0.49	31,000	0.27	12,600	0.11	52,900	0.46	18,300	0.16	7,900	0.07	14,700	0.13
2004	60,500	0.53	29,900	0.26	11,000	0.10	61,900	0.54	20,400	0.18	8,200	0.07	14,300	0.12
2005	69,300	0.60	38,600	0.33	15,000	0.13	68,700	0.59	23,600	0.20	10,100	0.09	16,900	0.15
2006	67,200	0.57	36,200	0.31	16,100	0.14	66,300	0.56	22,500	0.19	10,200	0.09	18,200	0.15
2007	73,000	0.62	41,200	0.35	15,600	0.13	73,400	0.62	25,900	0.22	11,400	0.10	18,900	0.16

Source: Council of Mortgage Lenders <http://www.cml.org.uk/cml/statistics>

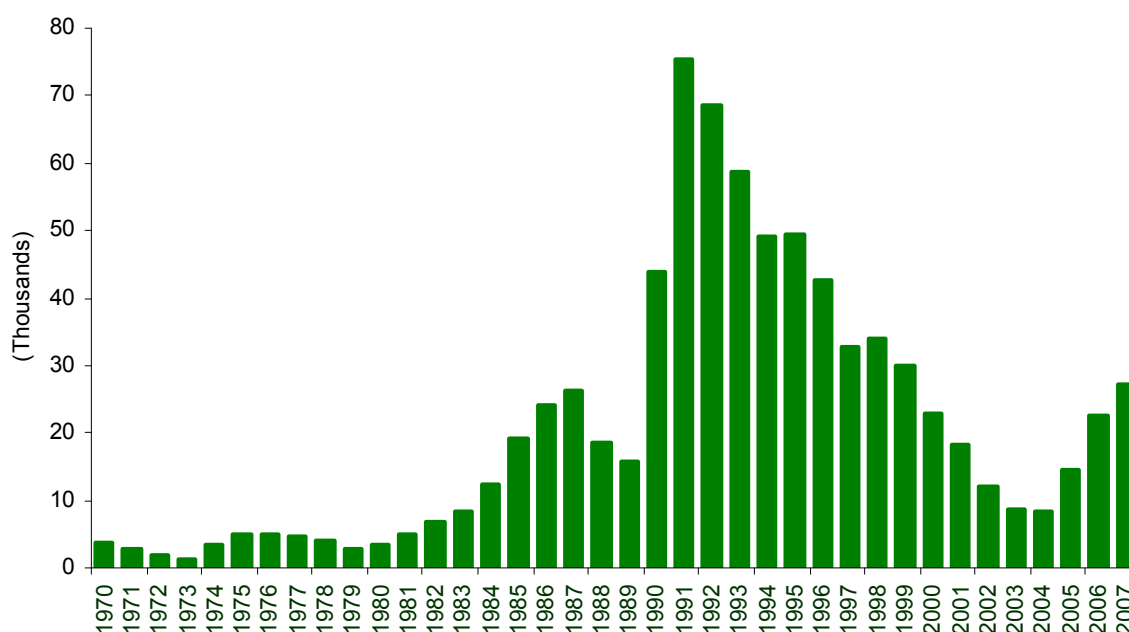
Notes: (a) Figures from the second half of 1990 have been provided by a sample of the UK's largest lenders. Although the sample size has varied from one period to the next it has typically represented 85 per cent or more of total mortgage business. The figures have been grossed-up to represent all CML members. There are slight breaks in the series from the second half of 1990 onwards, because of additional institutions joining the CML.

G. Mortgage repossessions

Figures on the number of properties taken into possession by mortgage lenders are published biannually by the CML. Chart 7 details the trend in possessions since 1970:

- Possessions averaged approximately 3,400 per year between 1970 and 1980;
- They rose steadily to 26,000 in 1987 before falling to 16,000 by 1989;
- There was an almost fivefold increase between 1989 and 1991 to 76,000;
- The number fell consistently from 1991 to 2004; dropping to 8,000 in 2004, the lowest number since 1982.
- Possessions began to increase from 2005 onwards, rising to 27,100 in 2007.

Chart 7: Properties taken into possession by mortgage lenders: UK: 1970 - 2007



County court data

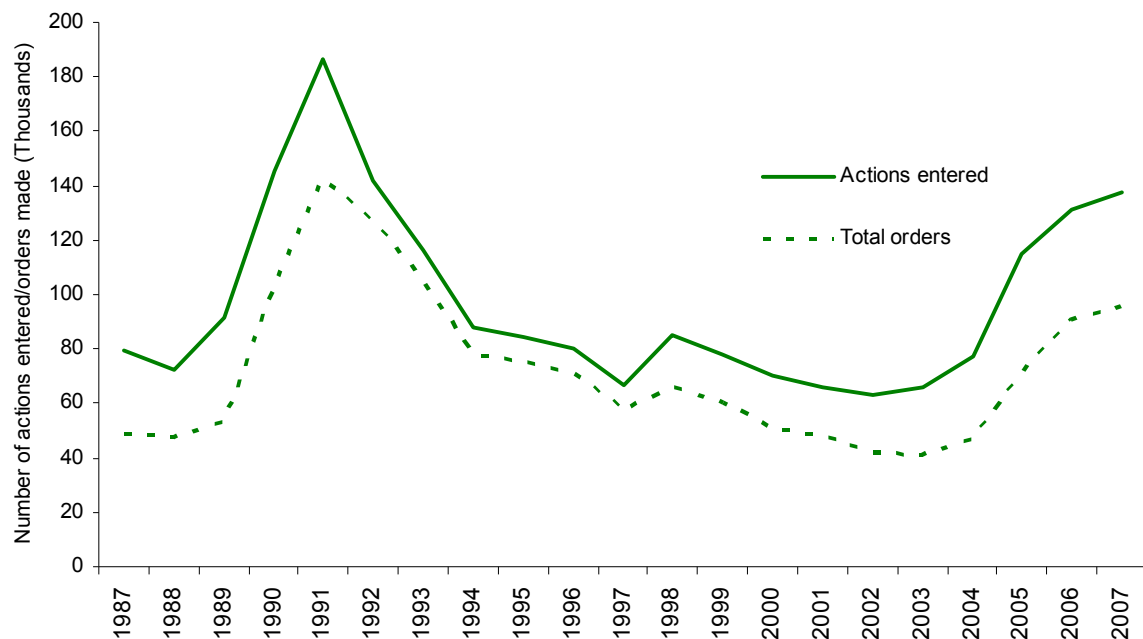
Trends in repossessions can also be represented by county court mortgage possession data. These figures do not show the actual number of repossessions but instead show the number of court actions for possession entered by mortgage lenders and the number of orders, suspended and immediate, granted by courts.

The fact that a possession order is granted does not inevitably mean that possession will occur. The order must be followed by the issue and execution of a warrant for possession and mortgage lenders do not always follow through with this. Also, properties may be given up voluntarily without resort to court.

Chart 8 details trends in mortgage possession actions entered and orders made in England and Wales since 1987, and shows a similar pattern to the CML repossession data:

- The number of mortgage possession actions entered peaked in 1991 at 186,600;
- This is more than two and a half times the 1988 level of 72,700;
- Actions entered declined until 2003, but have risen again in recent years. In 2007, there were 137,600 actions entered and 95,400 possession orders granted.

Chart 8: Mortgage possession actions and orders: England & Wales 1987-2007



Appendix Tables

Table A1

Average property prices for all property types by Halifax HPI region
£, seasonally adjusted

	2002 Q1	2003 Q1	2004 Q1	2005 Q1	2006 Q1	2007 Q1	2008 Q1	% change	
								Q1 2002-	Q1 2007-
								Q1 2007	Q1 2008
East Anglia	109,278	135,531	149,258	160,812	167,824	187,550	193,845	+71.6%	+3.4%
East Midlands	85,145	114,052	132,213	148,126	153,706	162,567	167,069	+90.9%	+2.8%
Greater London	185,512	219,501	239,439	241,376	258,605	298,535	304,781	+60.9%	+2.1%
North	64,105	83,600	113,953	130,572	140,225	148,765	153,543	+132.1%	+3.2%
North West	71,852	85,934	112,384	129,400	141,445	151,245	153,278	+110.5%	+1.3%
South East	155,191	194,096	208,624	217,562	221,925	250,227	258,529	+61.2%	+3.3%
South West	122,999	153,533	172,198	182,010	185,939	212,562	205,487	+72.8%	-3.3%
West Midlands	94,781	120,057	144,087	158,240	165,439	181,313	174,591	+91.3%	-3.7%
Yorks & Humber	64,814	82,997	106,545	122,917	134,709	145,753	145,965	+124.9%	+0.1%
Wales	73,563	92,828	125,285	138,280	149,688	167,810	158,707	+128.1%	-5.4%
Scotland	66,565	73,085	85,675	106,406	113,507	138,428	145,531	+108.0%	+5.1%
N Ireland	77,761	76,811	93,982	117,481	150,808	207,264	214,266	+166.5%	+3.4%
UK	101,133	124,753	148,399	162,785	173,148	192,651	194,893	+90.5%	+1.2%

Source: Halifax House Price Index

Table A2

Ratio of average house prices to average income of borrowers by region 1990 - 2007(a)

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
North East	2.7	2.5	2.6	2.6	2.6	2.6	2.6	2.7	2.9	3.3	3.9	3.9	3.7	3.8
North West	2.8	2.7	2.7	2.7	2.7	2.8	2.8	2.9	3.0	3.5	4.0	4.0	3.7	3.8
Yorkshire & the Humber	2.9	2.7	2.7	2.7	2.7	2.7	2.8	2.8	3.0	3.5	4.0	4.0	3.8	3.9
East Midlands	3.0	2.7	2.7	2.7	2.7	2.8	2.9	3.1	3.3	3.8	4.3	4.1	3.9	4.0
West Midlands	3.1	2.8	2.8	2.9	2.9	3.0	3.1	3.3	3.4	3.9	4.4	4.3	4.0	4.1
East	3.1	2.7	2.7	2.8	2.9	3.0	3.2	3.3	3.6	4.2	4.7	4.4	4.1	4.2
London	3.2	3.0	3.0	3.1	3.3	3.4	3.7	3.7	3.9	4.5	4.8	4.6	4.0	4.2
South East	3.4	3.1	3.0	3.1	3.2	3.4	3.7	3.7	4.1	4.6	5.0	4.8	4.3	4.4
South West	3.3	3.0	3.0	3.0	3.2	3.2	3.5	3.6	3.8	4.4	5.0	4.7	4.3	4.4
England	3.1	2.9	2.9	3.0	3.0	3.1	3.3	3.4	3.6	4.1	4.6	4.5	4.1	4.2
Wales	2.8	2.8	2.6	2.7	2.7	2.7	2.8	2.9	3.0	3.5	4.1	4.1	3.8	3.6
Scotland	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.6	2.7	3.2	3.5	3.5	3.4	3.7
Northern Ireland	2.2	2.3	2.5	2.6	2.8	2.9	3.0	3.0	3.0	3.4	3.6	3.7	4.1	4.9
United Kingdom	3.1	2.8	2.9	2.9	3.0	3.1	3.3	3.3	3.5	4.0	4.5	4.4	4.0	4.2

Note: (a) Data up to and including 1992 was based on returns from Building Societies only. Data from 1993 onwards are based on returns from all Sources: Department for Communities and Local Government

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/livetables>

Table A3

Ratio of lower quartile house price to lower quartile earnings by region 1997 to 2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007(a)
North East	2.9	2.8	2.8	2.8	2.8	2.9	3.1	4.1	4.8	5.3	5.6
North West	3.0	3.0	3.0	2.9	3.0	3.1	3.3	4.4	5.0	5.6	5.9
Yorkshire & the Humber	3.2	3.1	3.1	3.1	3.1	3.3	3.5	4.8	5.3	5.8	6.2
East Midlands	3.3	3.3	3.4	3.5	3.7	4.3	4.9	6.1	6.5	6.7	7.0
West Midlands	3.5	3.5	3.6	3.6	3.9	4.4	5.0	6.0	6.5	6.8	6.9
East	3.8	3.9	4.2	4.4	5.0	6.0	6.7	7.6	8.0	8.0	8.4
London	4.0	4.3	4.9	5.6	6.3	7.3	7.7	8.3	8.5	8.6	9.1
South East	4.3	4.5	4.8	5.4	5.8	6.9	7.5	8.1	8.6	8.6	8.9
South West	4.1	4.1	4.5	4.8	5.4	6.4	7.1	8.2	8.6	8.5	8.8
England	3.7	3.7	3.8	4.0	4.2	4.7	5.2	6.3	6.8	7.1	7.3
Wales	3.2	3.1	3.2	3.1	3.1	3.5	4.2	5.4	6.1	6.5	6.7

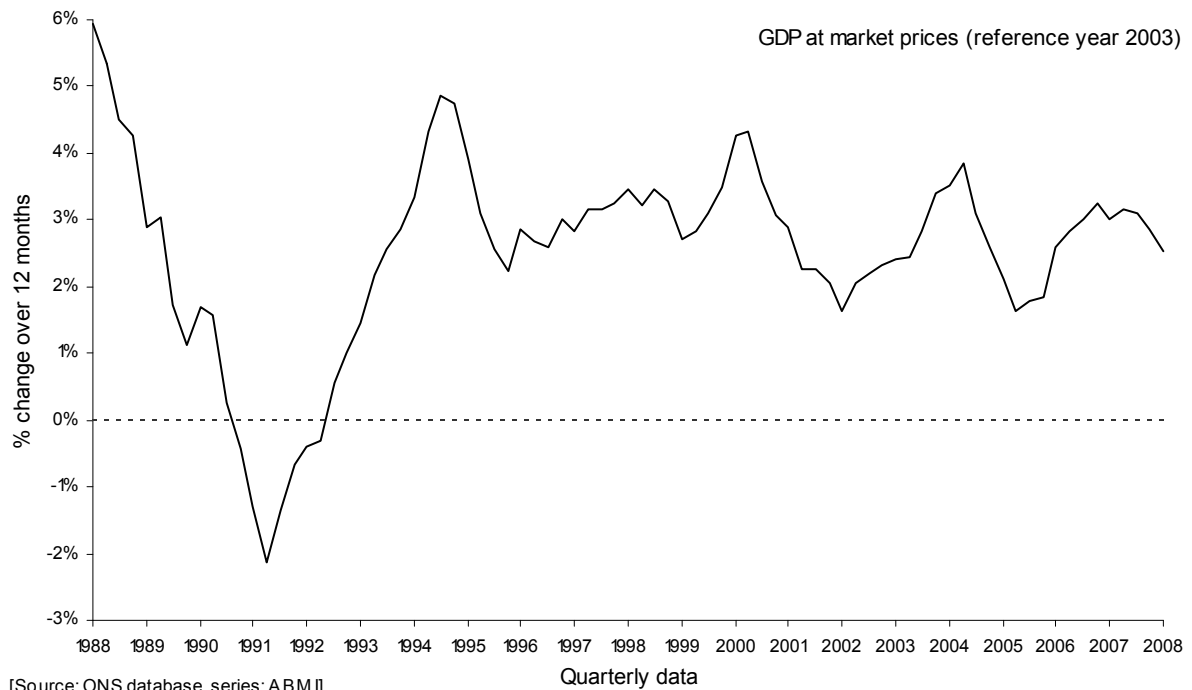
Notes: (a) 2007 data is provisional

Sources: Communities and Local Government:

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/livetables>

Office for National Statistics ASHE data: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101&Pos=3&ColRank=1&Rank=208>

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	1,303.9	5.7	2.9
2007	1,384.8	6.2	3.0
2007 Q1	337.7	5.8	3.0
Q2	345.3	7.1	3.2
Q3	348.8	6.0	3.1
Q4	353.0	5.9	2.8
2008 Q1	..	..	2.5

Source: ONS database, series: YBHA, ABMI

- The UK economy is estimated to have grown by 3.0% in 2007, compared with 2.9% in 2006.
- The chained volume measure of gross domestic product (GDP) at market prices was 0.4% higher in Q1 2008 than in the previous quarter (Q4 2007). Compared with the same quarter in the previous year (Q1 2007 on Q1 2006) this measure of GDP was 2.5% higher.
- In April 2008, HM Treasury's average of independent economic forecasts of GDP growth for 2008 was 1.7%, unchanged from March. The average growth forecast for 2009 was 1.8% in April.

Contact: Grahame Allen, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 21 May; ONS, *UK output, income & expenditure*, 25 Jul

A2: GDP: International Comparisons

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

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter					
					2006		2007			
	2004	2005	2006	2007	Q3	Q4	Q1	Q2	Q3	Q4
USA	3.6	3.1	2.9	2.2	0.3	0.5	0.2	0.9	1.2	0.1
Japan	2.7	1.9	2.4	2.1	0.0	1.1	0.9	-0.4	0.3	0.9
Canada	3.1	3.1	2.8	2.7	0.3	0.4	1.0	0.9	0.7	0.2
United Kingdom	3.3	1.8	2.9	3.0	0.7	0.9	0.7	0.8	0.6	0.6
Germany	1.1	0.8	2.9	2.5	0.7	1.0	0.6	0.2	0.7	0.3
France	2.5	1.7	2.0	1.9	-0.1	0.5	0.6	0.4	0.8	0.4
Italy	1.2	0.1	1.9	..	0.3	1.1	0.3	0.1	0.4	..
Eurozone	1.9	1.7	2.9	2.6	0.5	0.8	0.7	0.3	0.7	0.4
G7	2.9	2.3	2.7	..	0.3	0.7	0.4	0.6	0.9	0.4
OECD	3.3	2.6	3.1	..	0.4	0.8	0.6	0.7	0.9	0.6

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

- All of the OECD countries displayed in the table above recorded positive growth in Q3 and Q4 2007. Annual UK GDP growth was 3.0% in 2007 compared with 2.2% in the US and 2.6% in the eurozone.
- 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 2.0% in 2008 compared with 2.0% in the US and 1.6% in Japan. Overall OECD growth is forecast to be 2.3% in 2008.

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

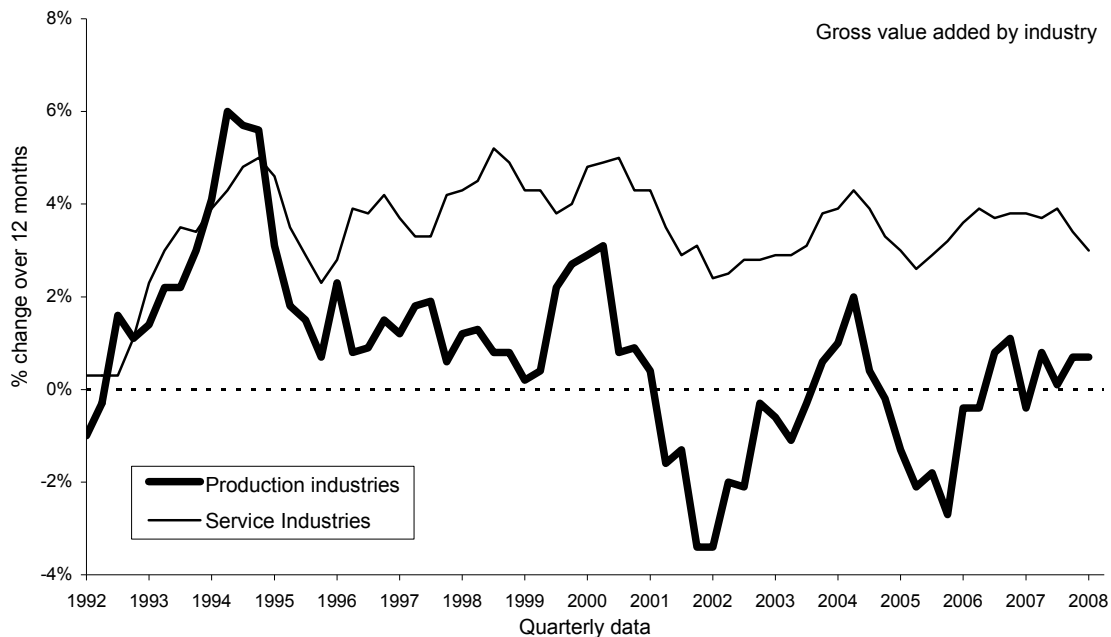
Source: OECD, *Economic Outlook*, Dec 2007

Contact: Edward Beale, x2464

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

A3: Gross Domestic Product by Industry

GDP by industry is measured by gross value added (GVA). GVA measures the value of output of an industry less the value of intermediate inputs used by that industry.



[Source: ONS database, series: ERIE, GDSI]

- Since 1995, output has grown faster in the service sector than in production industries, and is currently growing at an annual rate of 3.0%. Between the fourth quarter of 2007 and the first quarter of 2008 annual output growth in the service sector decreased by 0.4%.

Gross value added at current basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
2005	-2.0	-1.2	2.9	4.4	1.5
2006	0.3	1.5	3.7	2.8	1.1
2007	0.3	0.6	3.7	0.9	2.4
2007 Q1	-0.4	0.8	3.8	1.1	1.9
Q2	0.8	1.1	3.7	0.7	2.8
Q3	0.1	0.2	3.9	-0.8	2.3
Q4	0.7	0.2	3.4	2.8	2.5
2008 Q1	0.7	1.2	3.0	2.3	2.9

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

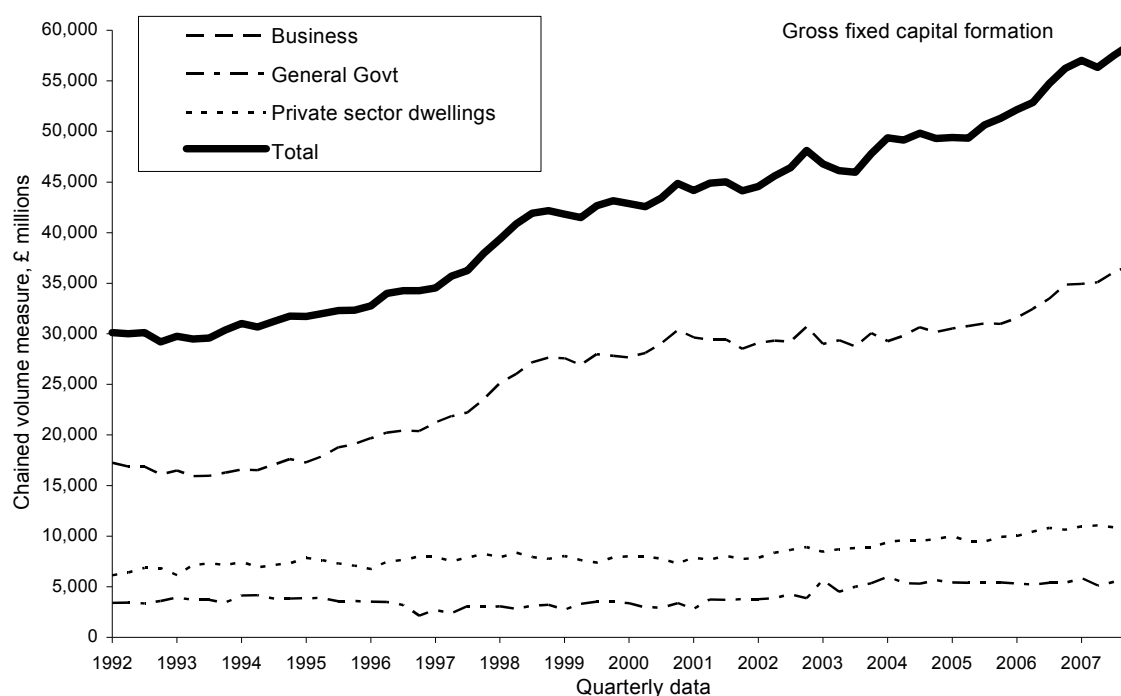
- Manufacturing output increased by 1.2% in the first quarter of 2008 compared with the same quarter in 2007, and manufacturing output increased by 0.6% overall in 2007.
- In 2005, services accounted for 75% of gross value added, manufacturing for 14%, other production industries (mining & quarrying, 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—Q1*, 23 May

A4: Investment

Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings. The 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
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	15,361	62,878	77,021	45,746	14,979	215,985
2007	15,631	69,745	81,018	47,508	15,521	229,423
2006 Q4	4,244	16,434	20,145	11,568	3,830	56,220
2007 Q1	4,025	17,528	19,655	11,906	3,908	57,023
Q2	3,931	16,862	19,744	11,960	3,835	56,331
Q3	3,914	17,334	20,535	11,858	3,876	57,517
Q4	3,761	18,021	21,084	11,784	3,902	58,552

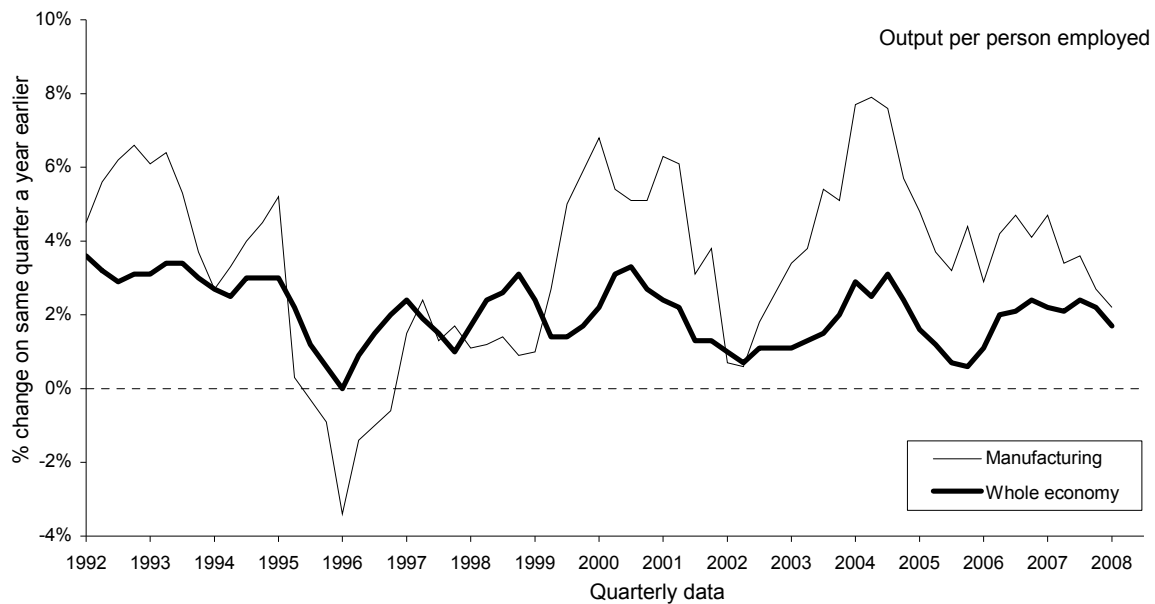
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 1.8% in Q4 2007 compared with the previous quarter, and increased by 5.3% compared with Q4 2006 on a seasonally adjusted basis.
- Total manufacturing investment increased by 3.2% in Q4 2007 compared with the previous quarter while investment in private sector services increased by 2.1% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 22 May

A5: Productivity



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

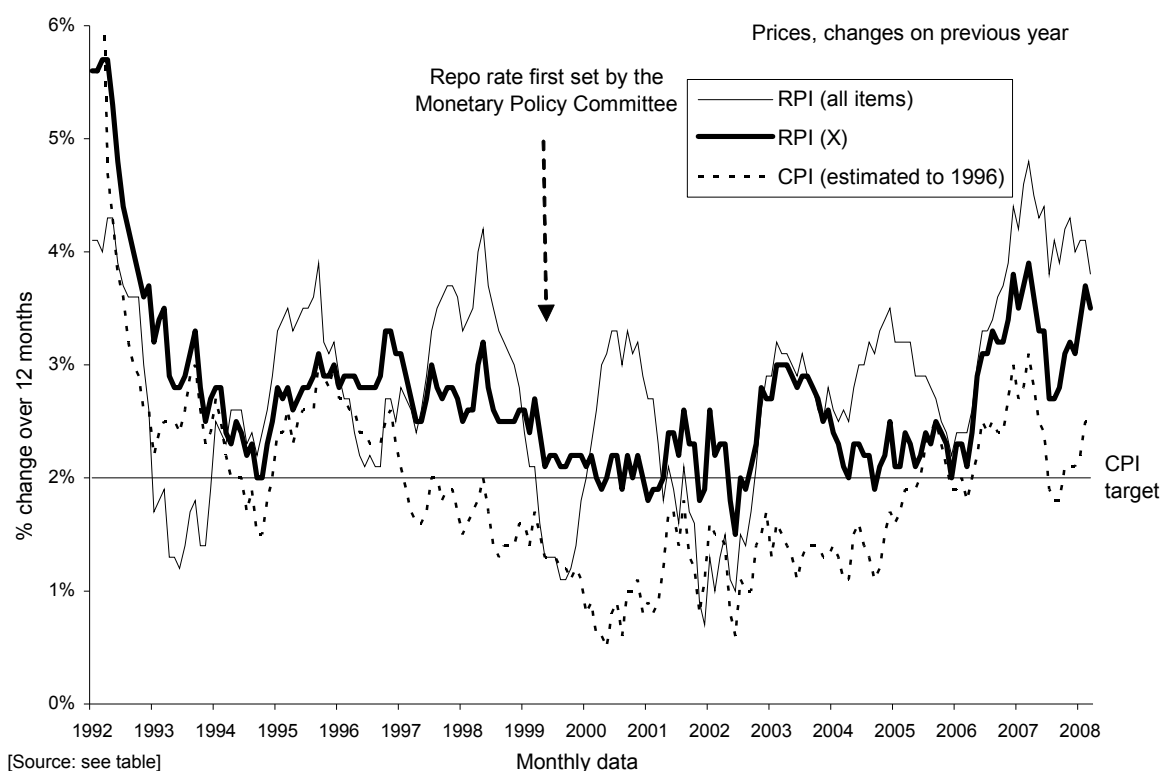
Productivity

% changes on year; seasonally adjusted

	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2005	-1.2	-4.5	3.5	1.9	1.0	1.0
2006	1.5	-2.8	4.4	3.0	0.8	2.1
2007	0.6	-2.2	3.0	2.9	0.8	2.1
2006 Q4	2.7	-1.9	4.7	3.2	1.0	2.2
2007 Q1	0.8	-2.5	3.4	3.0	0.7	2.1
Q2	1.1	-2.4	3.6	3.2	0.7	2.4
Q3	0.2	-2.4	2.7	3.1	0.7	2.2
Q4	0.2	-2.0	2.2	2.9	1.0	1.7
2008 Q1	1.2	..	..	2.6	..	..

Source: ONS database, series: ABMM, ERIT, ERIU, GDPR, LNNM, LNNN, LNNO, LNNP, LNNS, LNNU, LNNX, LNOK

- Productivity across the whole economy, measured by output per head, is estimated to have grown by 2.1% in 2007 compared with 2.1% in 2006 and 1.0% in 2005.
- In 2007, manufacturing output increased by 0.6% and employment in manufacturing fell by 2.2%, while manufacturing output per head rose by 3.0%.
- Productivity growth in manufacturing fell to 2.2% per annum in Q4 2007 compared to 2.7% per annum in the previous quarter, while whole economy productivity growth decreased from 2.2% per annum in Q3 2007 to 1.7% per annum in Q4 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.

B1: Prices

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

- In the year to March, the consumer prices index (CPI) showed inflation at 2.5%, unchanged from February.
- The largest upward effect on the CPI came from transport costs, in particular passenger air travel.
- The largest downward contribution on the CPI annual rate came from furniture, household equipment and maintenance. A further large downward contribution came from recreation and culture
- The former headline (all items RPI) rate of inflation was 3.8% in March, down from 4.1% in February. The underlying RPI(X) fell to 3.5% in March from 3.7% in February.
- The largest downward effect on the RPI came from housing. The largest upward effect came from fares and other travel costs.

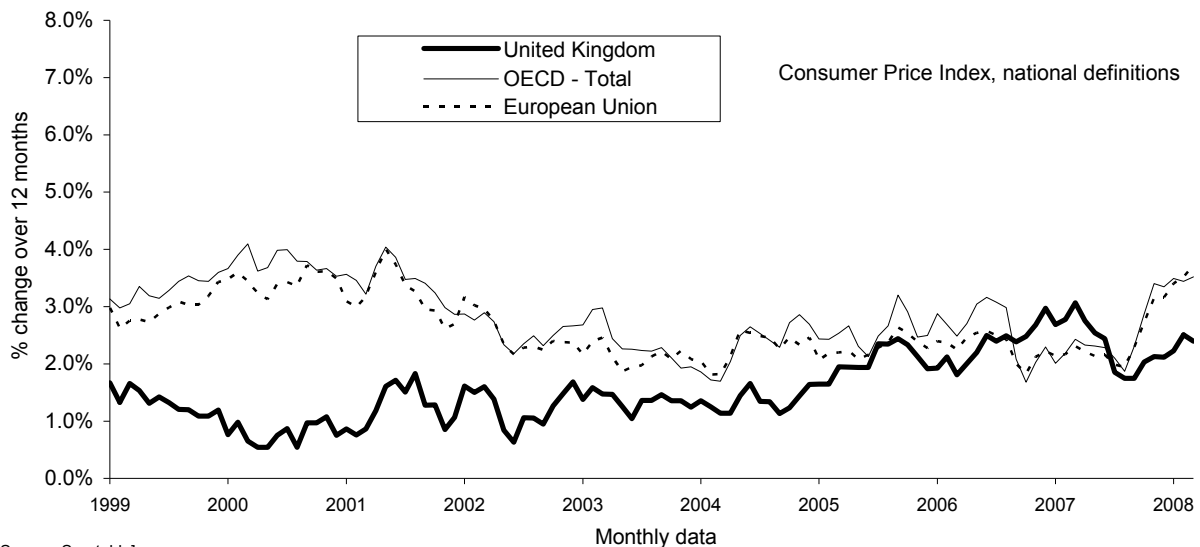
Price Indices

% 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 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
Feb	2.5	4.1	3.7
Mar	2.5	3.8	3.5

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

B2: Prices: International Comparisons



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

- Inflation in the United States was 4.0% in March, the same as February.
- The average inflation rate for all OECD countries in March was 3.5%.
- By this measure, the EU average inflation rate (not shown in the table, but in the chart above), was 3.7% in March.

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	2.3
2006	3.2	0.2	2.0	2.3	2.4
2007	2.9	0.1	2.1	2.3	2.5
2007 Oct	3.5	2.4	0.3	2.0	2.9
Nov	4.3	2.5	0.6	2.1	3.4
Dec	4.1	2.4	0.7	2.1	3.3
2008 Jan	4.3	2.2	0.7	2.2	3.5
Feb	4.0	1.8	1.0	2.5	3.4
Mar	4.0	1.4	1.2	2.4	3.5

Source: OECD, Consumer Prices Release

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 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
Feb	3.2	3.0	3.1	2.5	3.3
Mar	3.5	3.3	3.6	2.5	3.6

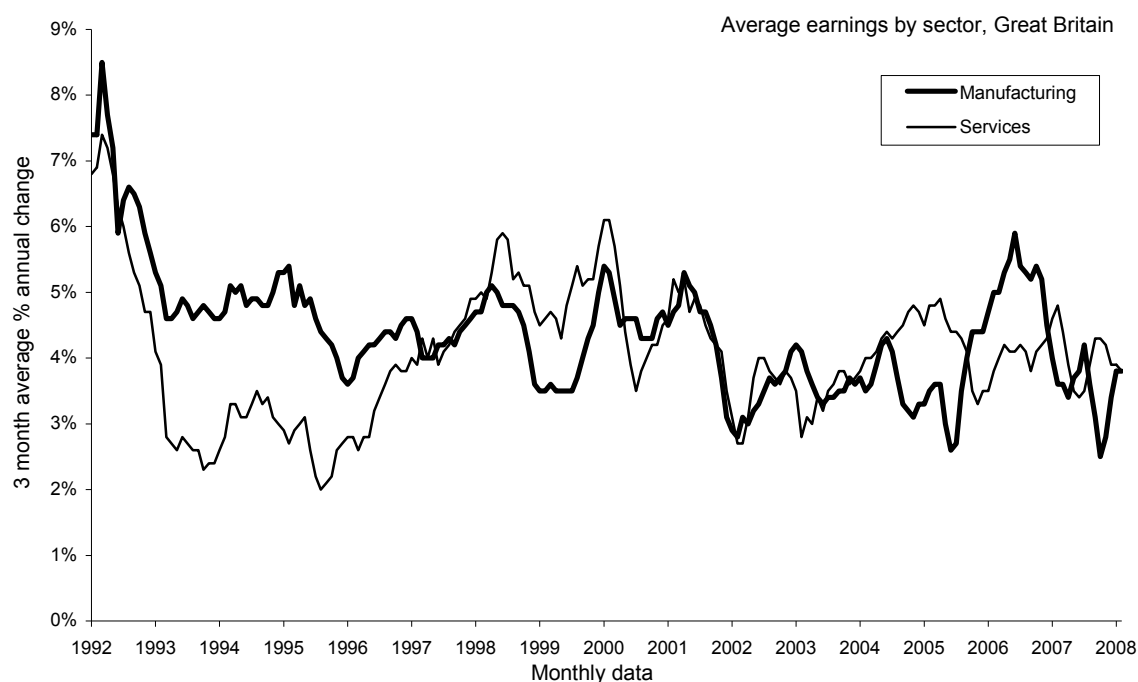
Source: Eurostat, Euro-Indicators news release, Apr 2008

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

- In March 2008, Eurozone annual inflation was 3.6%, the highest ever recorded. The estimate for April is 3.3%.
- The HICP inflation rates for the EU15 Member States not in the eurozone were 3.3% in Denmark, 3.2% in Sweden and 2.5% in the UK.
- The eurozone countries with the highest HICP annual inflation rates were Slovenia (6.6%) and Spain (4.6%). The lowest rates were in the Netherlands (1.9%), Portugal (3.1%) and Germany (3.3%).

Contact: Bryn Morgan, x4904

Updates: OECD, consumer prices release, 3 Jun
Eurostat, *Euro-indicators news release*, 15 May

B3: Average Earnings Index

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

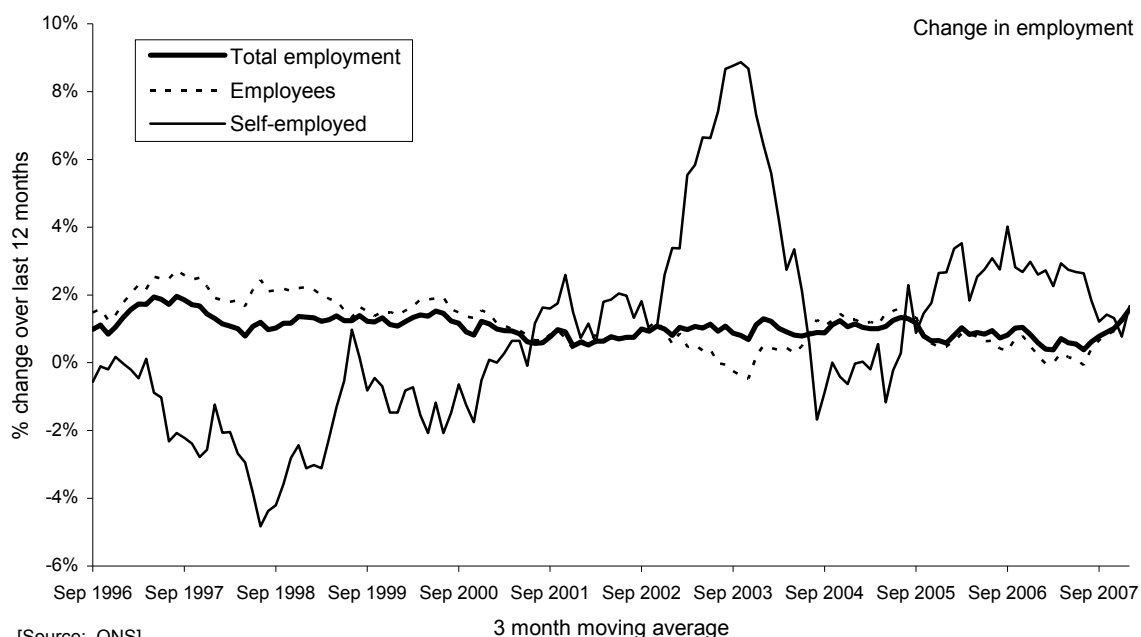
- The headline rate of growth in average earnings for the whole economy in February was 3.7%, down from 3.9% in January.
- Headline average earnings growth in manufacturing was 3.8% in February, unchanged from January. Earnings growth in the service sector was 3.8% in February, down from 3.9% in the previous month.
- Headline earnings growth in the private sector was 3.7% in February, the same as in the public sector. Earnings growth in the private sector was down from 4.0% in January, while earnings growth in the public sector was up from 3.5% in January.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in February 2007 was 4.5%).
- In the year to February, the consumer price index showed inflation below the rate of earnings growth at 2.5%. 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
2004 Jan	3.8	3.7	4.2
2005 Jan	4.4	4.5	4.6
2006 Jan	3.7	3.6	4.4
2007 Feb	4.5	4.8	3.1
Mar	4.3	4.7	3.0
Apr	3.8	4.0	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
2008 Jan	3.9	4.0	3.5
Feb	3.7	3.7	3.7

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

C1: Employment



Employment structure in the UK

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

	Total in employment	Employees	Self-employed	Unpaid Family Workers	Government Training
2004 Jan	28,390	24,535	3,641	106	108
2005 Jan	28,716	24,846	3,640	104	126
2006 Jan	28,883	24,964	3,737	86	95
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
2008 Jan	29,508	25,385	3,898	109	117

Changes (%):

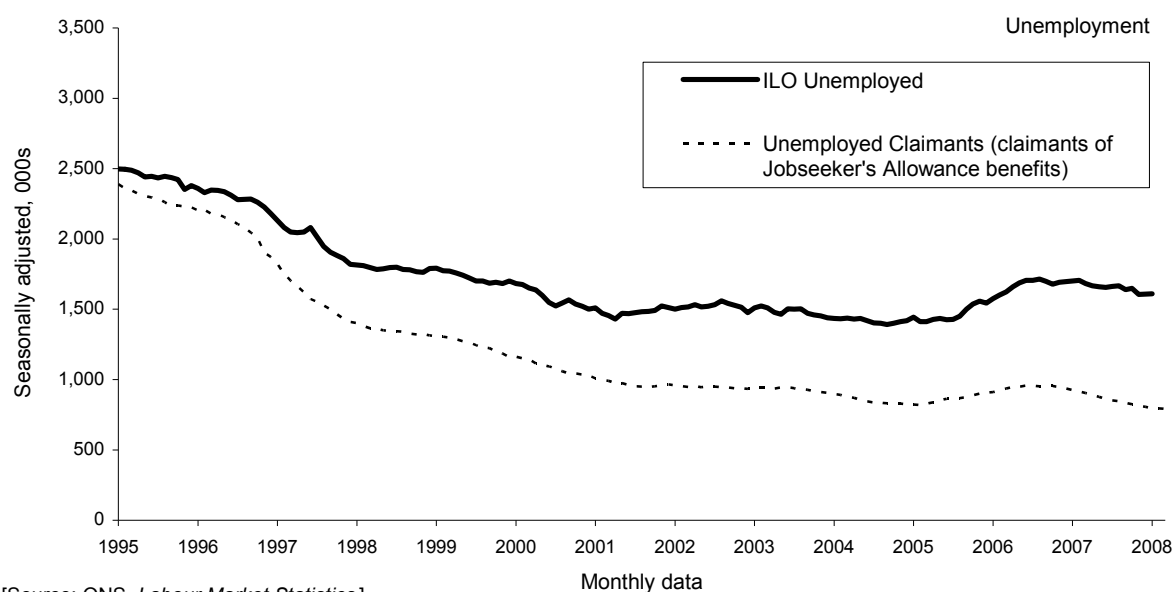
on last 3 months	0.5	0.4	1.1	1.6	10.1
on last year	1.6	1.5	1.7	9.8	12.1

Source: ONS

- Total employment was 29.5 million in the period December 2007 to February 2008, 1.6% higher than a year earlier. The working age employment rate of 74.9% was 0.2 percentage points higher than the previous quarter and 0.6 percentage points higher than a year earlier.
- The number of workforce jobs increased by 13,000 between September and December 2007 and was 208,000 higher than a year earlier. Over the year to December, the number of production industry workforce jobs fell by 47,000. The number of service sector jobs rose by 264,000 over the year.
- 7.6 million people were in part-time employment in the period December 2007 to February 2008, of whom 5.7 million were women. 3.9 million people were self-employed.

Contact: Dominic Webb, x4324

Update: ONS, *Labour Market Statistics*, 14 May

C2: Unemployment: National

[Source: ONS, *Labour Market Statistics*]

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

- The latest LFS estimates show that over the period December 2007 to February 2008, the level of ILO unemployment in the UK was 1,610,000 (seasonally adjusted). This was a decrease of 90,000 from the same period a year earlier.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 1,000 between February and March 2008 to 794,000.

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

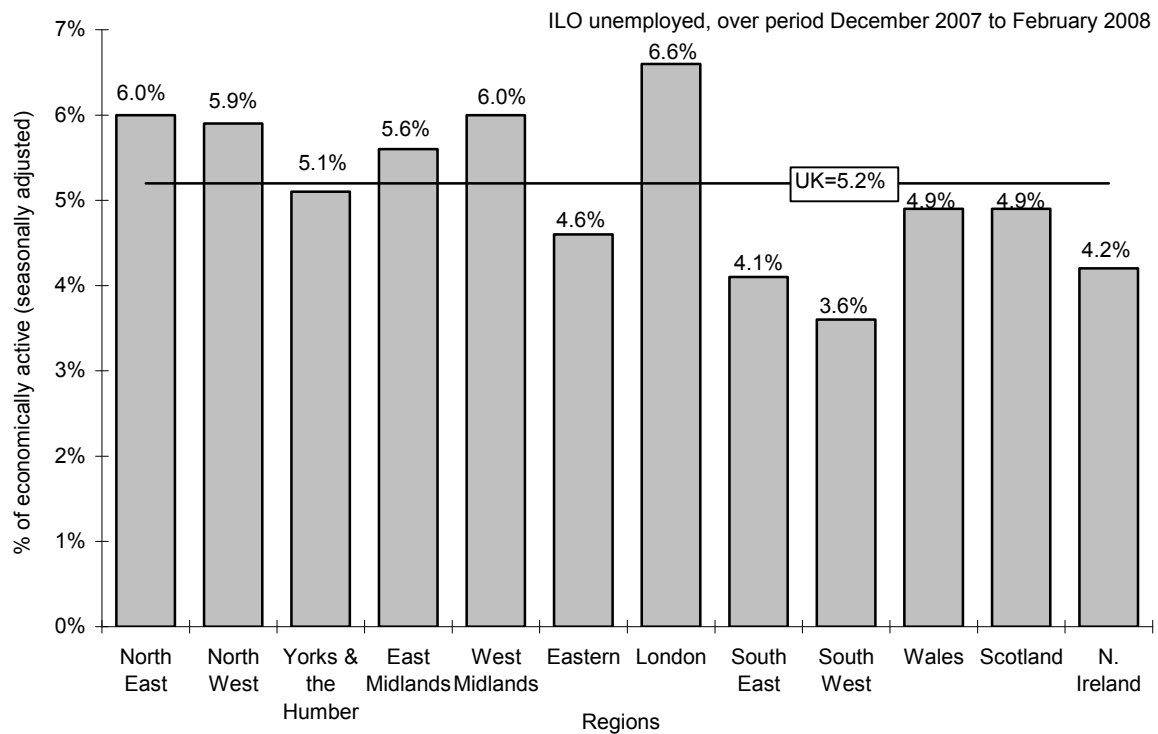
	'000s	rate (%)
Dec - Feb 2002	1,500	5.1
Mar - May	1,533	5.2
Jun - Aug	1,533	5.2
Sep - Nov	1,529	5.2
Dec - Feb 2003	1,511	5.1
Mar - May	1,479	5.0
Jun - Aug	1,502	5.1
Sep - Nov	1,460	4.9
Dec - Feb 2004	1,435	4.8
Mar - May	1,430	4.8
Jun - Aug	1,404	4.7
Sep - Nov	1,402	4.7
Dec - Feb 2005	1,443	4.8
Mar - May	1,429	4.7
Jun - Aug	1,429	4.7
Sep - Nov	1,537	5.1
Dec - Feb 2006	1,577	5.2
Mar - May	1,660	5.4
Jun - Aug	1,705	5.5
Sep - Nov	1,678	5.5
Dec - Feb 2007	1,700	5.5
Mar - May	1,666	5.4
Jun - Aug	1,662	5.4
Sep - Nov	1,649	5.3
Dec - Feb 2008	1,610	5.2

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Updates: ONS, *Labour Market Statistics*, 14 May 2008
DWP *New Deal*, May 2008

C3: Unemployment: Regional



[Source: ONS, *Labour Market Statistics*]

Since April 1998, the Office for National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- Over the period December 2007 to February 2008 London had the highest unemployment rate, 6.6% of the economically active population. The lowest rate over the same period was 3.6%, in the South West.
- A comparison of December 2007 to February 2008 with the same period a year earlier shows that the highest fall (16%) in unemployment occurred in the Yorkshire & Humber. The North West showed the largest increase (6%) over the period.

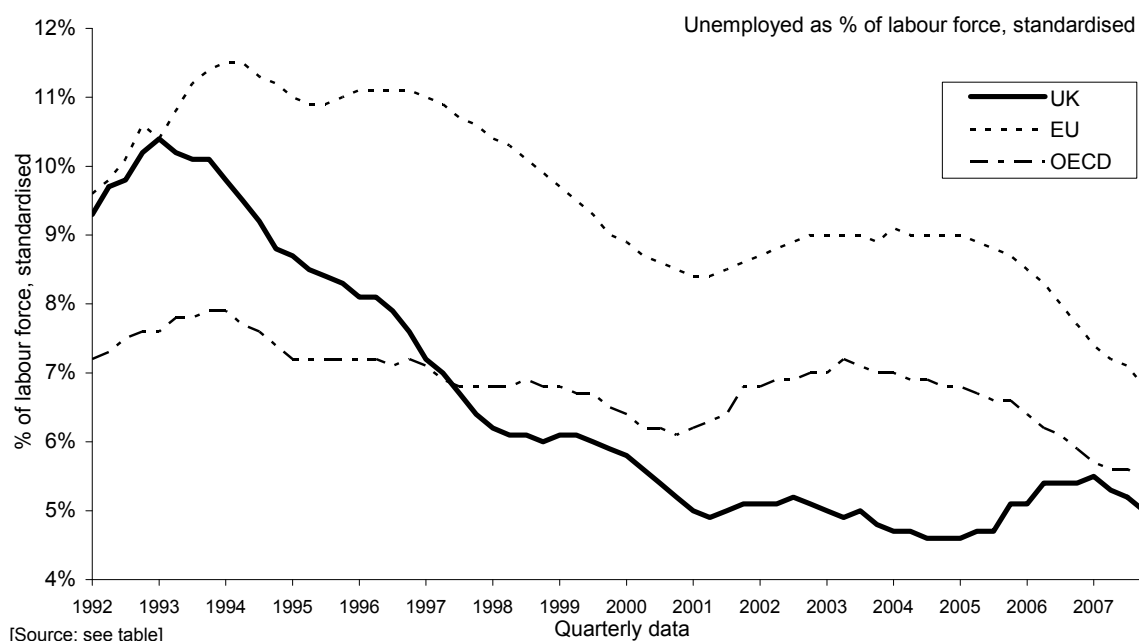
ILO Unemployment, December 2007 to February 2008

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	-8,000	-10
North West & Merseyside	12,000	6
Yorkshire & the Humber	-25,000	-16
East Midlands	5,000	4
West Midlands	-4,000	-2
Eastern	2,000	1
London	-25,000	-9
South East	-18,000	-9
South West	-10,000	-9
Wales	-10,000	-13
Scotland	-9,000	-6
Northern Ireland	-3,000	-8

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

			2006				2007			
	2006	2007	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	6.3	6.0	6.4	6.2	6.4	6.2	6.1	6.1	6.0	5.9
France	9.2	8.3	9.5	9.3	9.2	8.9	8.7	8.5	8.2	7.9
Germany	9.8	8.4	10.4	10.0	9.6	9.2	8.7	8.5	8.3	8.0
Italy	6.8	6.1	7.3	6.8	6.6	6.4	6.1	6.0	6.1	6.1
Japan	4.1	3.9	4.2	4.1	4.1	4.1	4.0	3.8	3.8	3.8
UK	5.3	5.3	5.1	5.4	5.4	5.4	5.5	5.3	5.2	5.0
USA	4.6	4.6	4.7	4.7	4.7	4.4	4.5	4.5	4.7	4.8
Eurozone	8.2	7.4	8.6	8.4	8.1	7.9	7.6	7.5	7.4	7.2
G7	5.8	5.4	6.0	5.8	5.8	5.6	5.5	5.2	5.4	5.4
OECD	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, April 2008

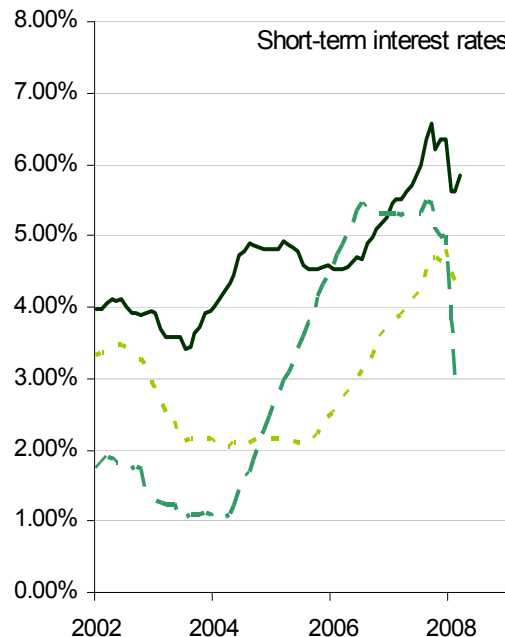
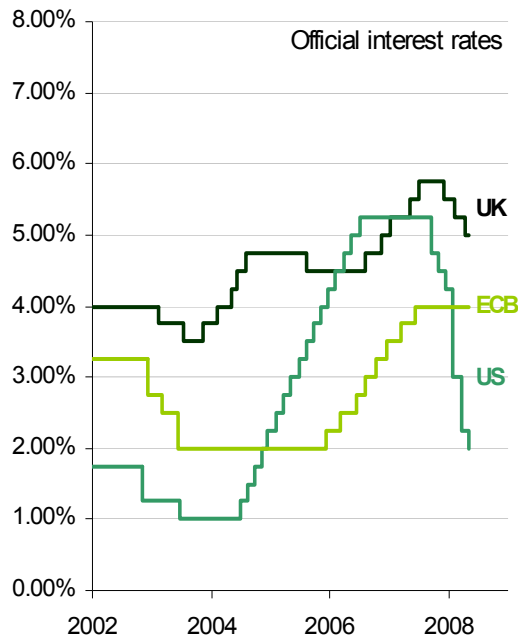
- Using standardised definitions, the UK unemployment rate for 2007 was 5.3%, significantly below the eurozone average (7.4%) and below the G7 and OECD rates (5.4% and 5.6% respectively).
- Between Q4 2006 and Q4 2007 (the latest quarter for which all data are available) the largest fall in unemployment among G7 countries was in Germany where it fell by 1.2 percentage points.
- The most recent forecasts published by the OECD (*Economic Outlook*, December 2007) suggest the UK unemployment rate will be 5.7% in 2008 and 5.5% in 2009. The respective forecasts for the eurozone are 6.4% and 6.4% and for the OECD as a whole 5.4% and 5.3%.

Contact: Alex Adcock, x3973

Updates: OECD, *Standardised Unemployment Rates*, 13 May
OECD, *Economic Outlook*, Jun

D1: Interest Rates

- At its latest meeting on 10 April, the Bank of England's Monetary Policy Committee (MPC) voted to cut the interest rate by 25 basis points to 5.25%.
- At the April meeting, six Members of the MPC voted to cut the base rate by 0.25 points to 5.0%. Two members voted to hold the rate at 5.25% and one voted for a cut of 0.5 points.
- On 30 April 2008, the US Federal Reserve cut its funds rate by a 25 basis points to 2.00%. This followed cuts of 75 points on 18 March, 50 points on 30 January, an unscheduled cut of 75 basis points on 22 January and cuts at its September, October and December 2007 meetings.
- The Governing Council kept the European Central Bank (ECB) interest rate for main refinancing operations at 4.00% at its meeting on 10 April.



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

Source: Bank of England

International interest rates

% per annum, at 1 May 2008

	Official rate	Yield 10yr Govt bonds Since	3-month market rate
United Kingdom	5.00	10/4/08 4.64	5.86 - 5.74
Eurozone	4.00	6/6/07 n/a	4.83 - 4.77
United States	2.00	30/4/08 3.69	2.95 - 2.85
Japan	0.50	21/2/07 1.58	1.00 - 0.80
Switzerland	2.25-3.25	13/9/07 3.13	2.75 - 2.65

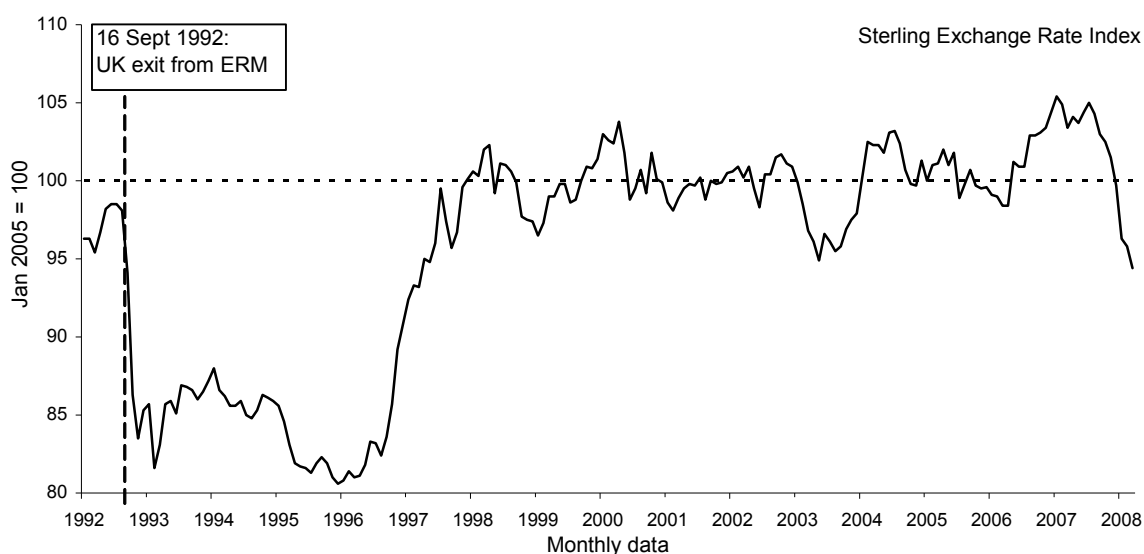
Source: *Financial Times*, 2 May 2008
 (*Companies & Markets*, p.35)

Contact: Bryn Morgan, x4904

Updates: Short-term interest rates: OECD, MEI, mid-May;
 Base rates: 8 May (UK MPC), 8 May (ECB), 25 Jun (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 2007, the SERI fell by 5.3 points in March 2008, suggesting that the UK was relatively more competitive at the end of March than at the end of the previous year.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.272 at the London market close on 5 May 2008, compared with a launch rate of €1.476 on 31 December 1998. The pound was worth \$1.969 at the market close on 5 May 2008.

Sterling Exchange Rates

rates and % changes

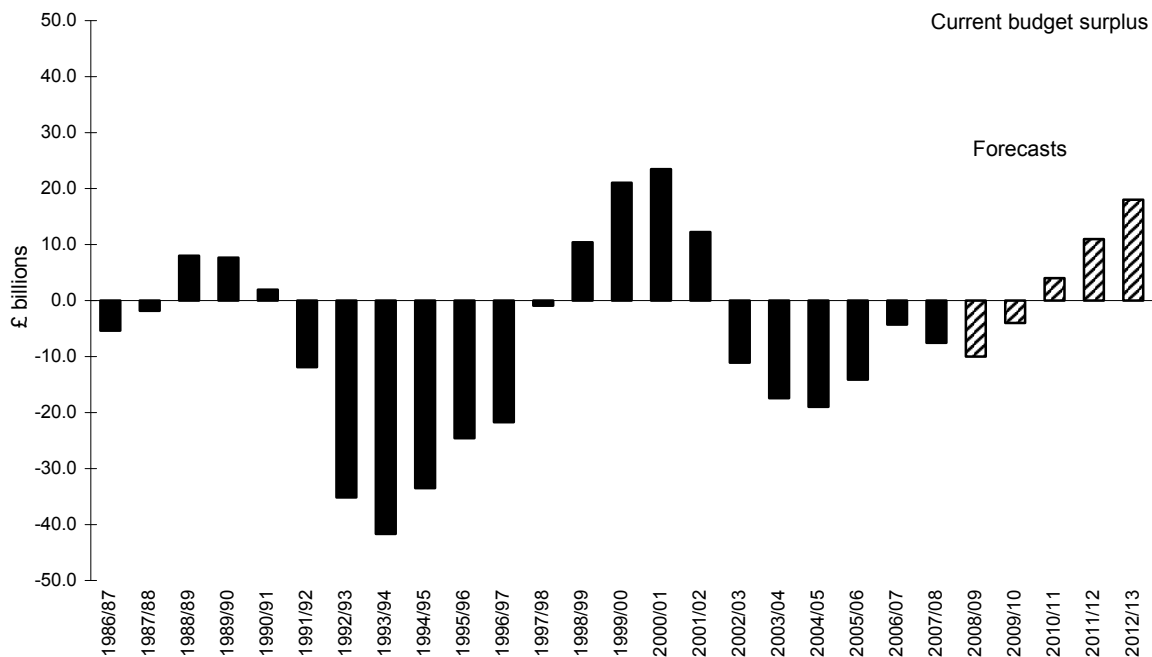
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2004	1.832	12.1	198.1	4.6	1.474	2.0
2005	1.820	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.0	235.6	17.7	1.462	-0.1
2007 Mar	1.947	11.7	228.4	11.7	1.470	1.4
Apr	1.991	12.6	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
Feb	1.964	0.3	210.3	-10.8	1.332	-11.0
Mar	2.003	2.9	202.0	-11.6	1.290	-12.3

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

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-May; Sterling Exchange Rates, daily

D4: Public Finances



[Source: ONS database, series: ANMU; HM Treasury]

The Government's "golden rule" requires it to balance the current budget over the economic cycle. 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 chart shows outturns for the current budget balance and Treasury forecasts from the 2008 Budget.

- There was a £16.8 billion surplus on the current budget in Q1 2008 compared with a £14.1 billion surplus in the same quarter of 2007.

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.

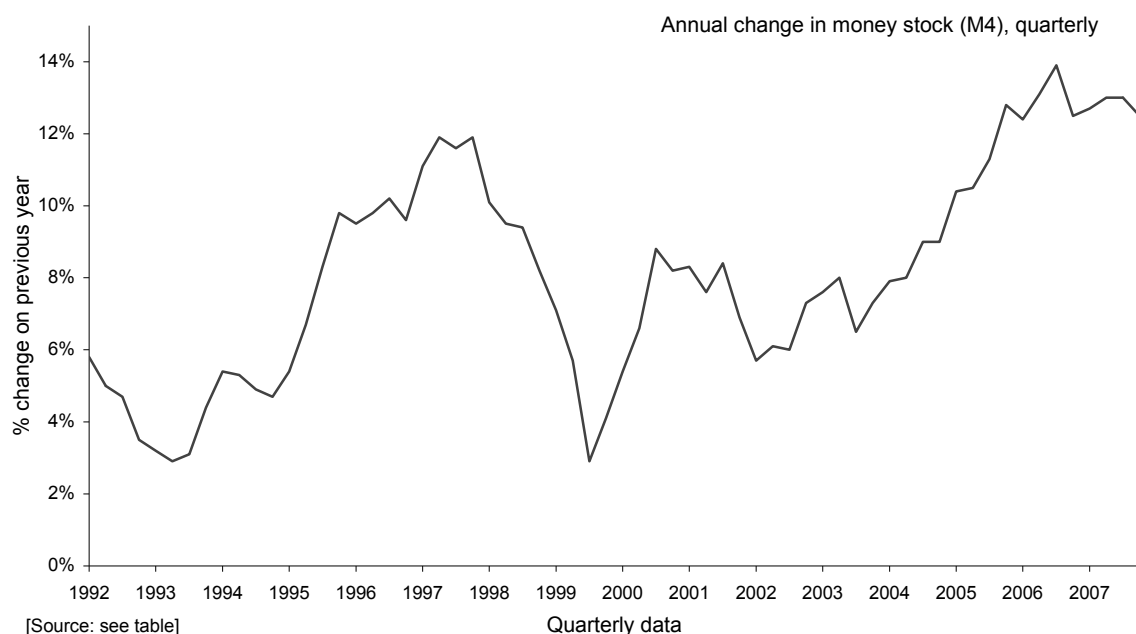
- ONS has announced that Northern Rock plc will be included in the public sector. The net debt figures shown here do not include Northern Rock. ONS expects that Northern Rock will be included in the next set of figures, published on 21 May.

Public Sector Net Debt

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
2004/05	423.6	34.7
2005/06	463.0	36.0
2006/07	499.5	36.6
2007/08	527.7	36.7
2007 Q1	499.5	36.6
Q2	514.4	37.1
Q3	516.0	36.7
Q4	535.4	37.7
2008 Q1	527.7	36.7

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
2007 Mar	5.7	4.1	12.9	12.7
Apr	5.0	3.7	14.4	13.0
May	6.9	4.6	15.1	14.0
Jun	7.7	4.8	13.7	13.0
Jul	6.8	4.3	12.8	13.2
Aug	4.8	4.6	13.5	13.8
Sep	5.4	5.4	14.6	13.0
Oct	7.4	5.4	10.6	12.1
Nov	6.8	5.4	6.9	11.9
Dec	4.5	5.8	8.6	12.4
2008 Jan	6.1	6.3	14.9	13.2
Feb	7.9	6.6	13.8	12.3
Mar	9.6	6.8	10.7	11.9

Source: Bank of England, *Monetary and Financial Statistics*, April 2008, Tables A1.1.1 and A2.1.1

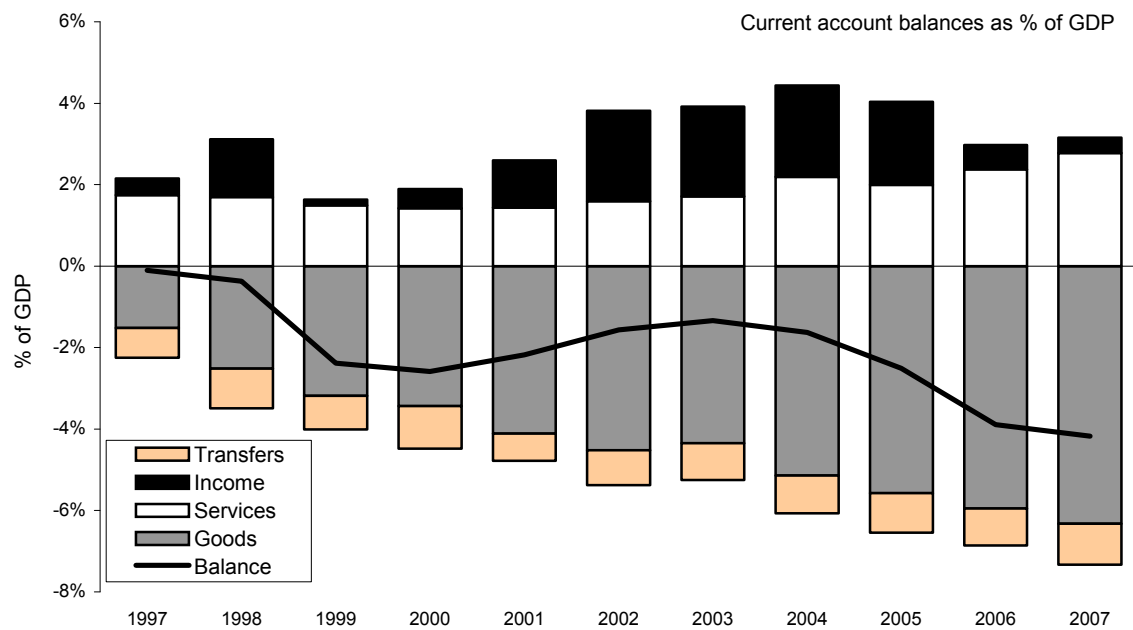
The Bank of England no longer publishes data on M0 following the introduction of new money market arrangements in 2006 (see Bank of England *Quarterly Bulletin*, Autumn 2005 for details). The table above now shows sterling notes and coin in circulation outside the Bank of England. M4 is a broad measure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

- Seasonally adjusted M4 grew by 11.9% in the 12 months to March 2008. The 12-month seasonally adjusted growth rate of notes and coins was 6.8% in March 2008.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

Update: Bank of England, *Monetary & Financial Stats*, 31 May

E1: UK Overseas Trade



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	-77,555	31,023	-46,532	7,760	-9,531	-2,422	-11,953	-50,725
2007	-87,649	38,450	-49,199	5,280	-10,031	-3,845	-13,876	-57,795
2006 Q4	-20,120	8,576	-11,544	492	-2,931	-756	-3,687	-14,739
2007 Q1	-21,116	9,088	-12,028	-1,942	-2,165	-953	-3,118	-17,088
Q2	-20,173	9,631	-10,542	425	-2,071	-998	-3,069	-13,186
Q3	-23,169	9,592	-13,577	-2,426	-2,145	-915	-3,060	-19,063
Q4	-23,191	10,139	-13,052	9,223	-3,650	-979	-4,629	-8,458

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

- **Annually**, the current account deficit in 2007 was £57.8 billion, equivalent to -4.2% of GDP. The surplus on income narrowed between 2006 and 2007 and the services surplus widened, while the deficits on goods trade and transfers widened.
- On a **quarterly** basis, the current account deficit was estimated at £8.5 billion in Q4 2007, narrowing from the Q3 2007 deficit of £19.1 billion. Between Q3 2007 and Q4 2007 the surplus on services widened, as did the deficit on goods.
- In 2007 the **annual** current account deficit with EU27 countries was £40.4 billion, compared with a deficit with non-EU countries of £47.3 billion. On a **quarterly** basis, the deficit with EU countries was £10.3 billion in Q4 2007 (compared with £10.2 billion in Q3 2007). With non-EU countries, the current account was in deficit by £12.87 billion in Q4 2007 (compared with £12.95 billion in Q3 2007).

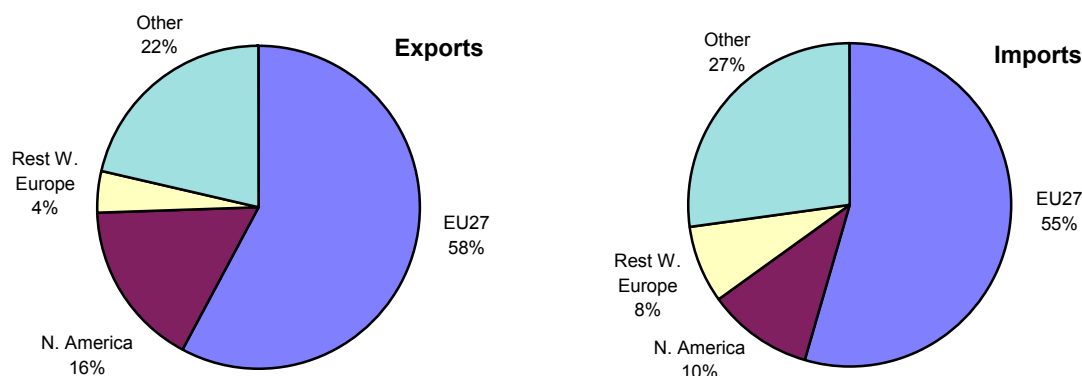
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 27 June; *UK Trade*, 12 May

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	125.2	127.9	243,631	321,186	-77,555
2007	110.1	121.8	220,857	308,506	-87,649
2006 Q4	112.9	119.6	54,651	74,771	-20,120
2007 Q1	109.1	119.5	53,364	74,480	-21,116
Q2	109.3	118.5	54,508	74,681	-20,173
Q3	111.6	124.9	55,779	78,948	-23,169
Q4	110.6	124.2	57,206	80,397	-23,191

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

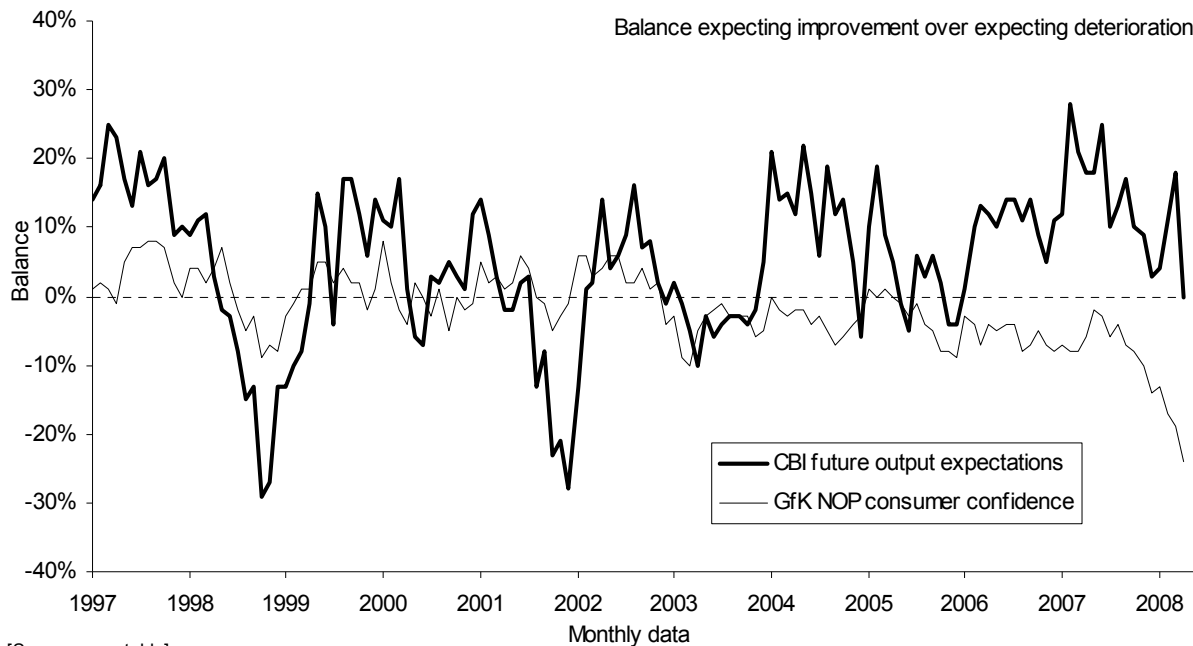
- In February, the provisionally estimated total value of UK goods exports was £20.5 billion and the total value of UK goods imports was £28.0 billion. As a result, the estimated deficit on goods trade was £7.5 billion, lower than the January level of £7.9 billion.
- Geographical breakdowns of UK trade with EU and non-EU countries are 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 £3.50 billion in February (compared with £3.65 billion in January), while the deficit with non-EU countries was £4.0 billion (compared with £4.3 billion in January).
- The UK’s monthly surplus on trade in **services** was £3.0 billion in February compared with £2.9 billion in January.
- The UK’s overall monthly deficit on **goods and services combined** in February was £4.4 billion, down slightly from £5.0 billion in January.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 12 May

F1: Survey indicators

The survey indicators shown here are expressed in terms of a balance of ‘the percentage of respondents expecting the situation to improve’ over ‘the percentage expecting things to worsen’:



[Sources: see table]

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

- There was a zero balance of expectations for future output in the CBI’s quarterly survey for April 2008, a fall of seven points on March.
- Asked about average unit costs, 50% of survey respondents said they had gone up in the past three months, while 10% said they had decreased.
- Based on the survey, the CBI estimates that 13,000 jobs were lost in the sector in the first quarter of 2008, and that 18,000 will be lost in Q2.

GfK NOP’s *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households’ financial positions, and views on making major household purchases:

- The overall index fell by five points in April to stand at -24, the lowest figure since November 1992. All five measures in the index fell.
- The outlook for major purchases (-24) is 30 points below the April 2007 figure, and the lowest since November 1990.
- The index for the general economic situation over the next 12 months fell 10 points to -53. The forecast of personal financial situation was +0, a fall of four points.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

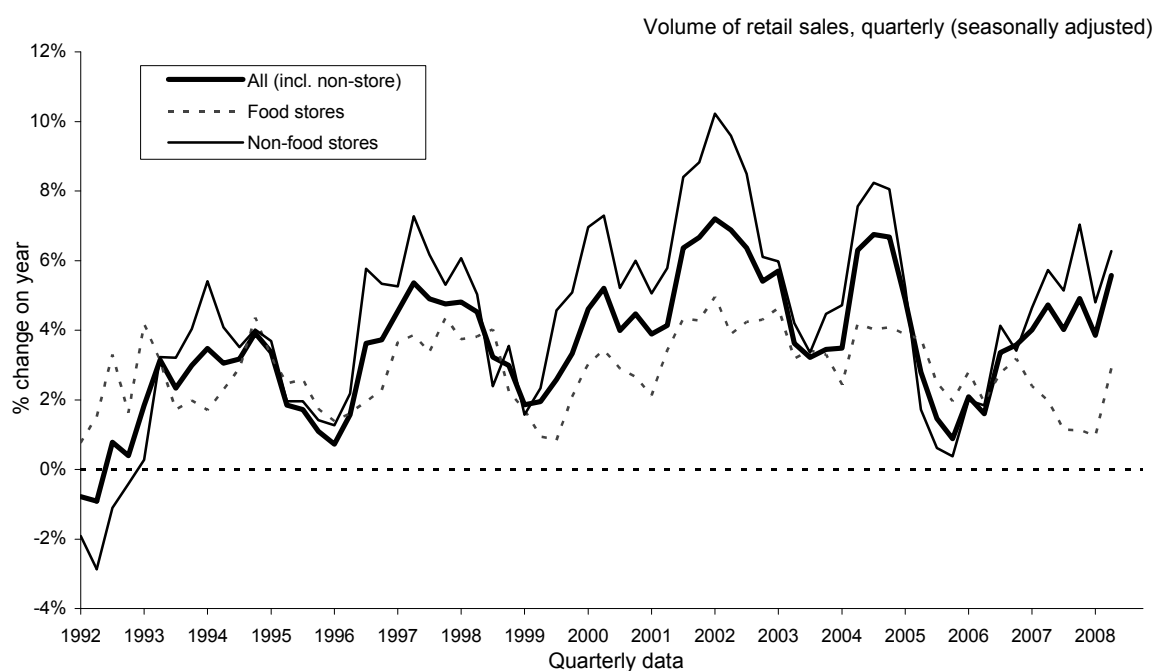
		Future output expectations (CBI)	Consumer confidence (GfK)
2007	Apr	+18	-6
	May	+18	-2
	Jun	+25	-3
	Jul	+10	-6
	Aug	+13	-4
	Sep	+17	-7
	Oct	+10	-8
	Nov	+9	-10
	Dec	+3	-14
	2008	Jan	+4	-13
Feb		+11	-17
Mar		+18	-19
Apr		0	-24

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*, 30 May; CBI, *Industrial Trends* (Monthly), end-May

F2: Retail Sales



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

- The *volume* of retail sales in the three months from January to March was 2.0% higher compared with the previous three month period, and was 5.6% higher than a year previously (seasonally adjusted).
- Retail sales volumes in March 2008 were 4.6% higher than in March 2007 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 6.2% in January to March compared with the same quarter a year earlier. In stores selling mainly food, sales volumes grew by 2.9% over the same period (seasonally adjusted).
- The quarterly growth figure for the value of 'other non-food' in the table below is partly affected by changes in the categorisation of some products by reporting retailers.

Value of Retail Sales

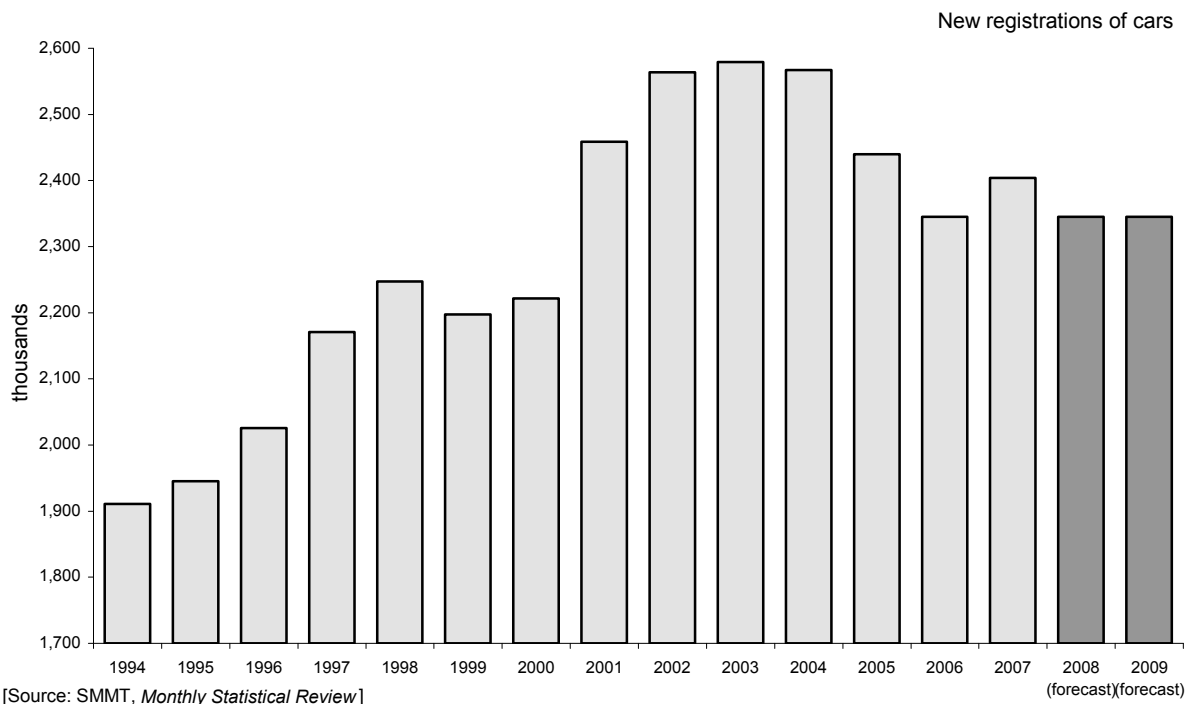
% change on year; non-seasonally adjusted

	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	3.9	5.6	4.5	3.6
2007 Q1	4.5	5.8	6.7	2.2	4.7
Q2	2.7	4.7	6.6	5.3	4.4
Q3	1.2	5.2	6.4	4.6	3.6
Q4	0.9	1.0	3.2	5.5	2.4
2008 Q1	2.7	3.0	1.5	16.6	5.4

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

- The average weekly *value* of retail sales in March 2008 was £5.0 billion, a 4.4% increase from March 2007 (non-seasonally adjusted).

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 0.5% in March 2008, compared with the previous March's figure, to 451,642 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.
- 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.
- In 2007 1,534,567 cars were produced in the UK; 23% or 349,108 of these were for the UK market, while 77% or 1,185,459 were for export.

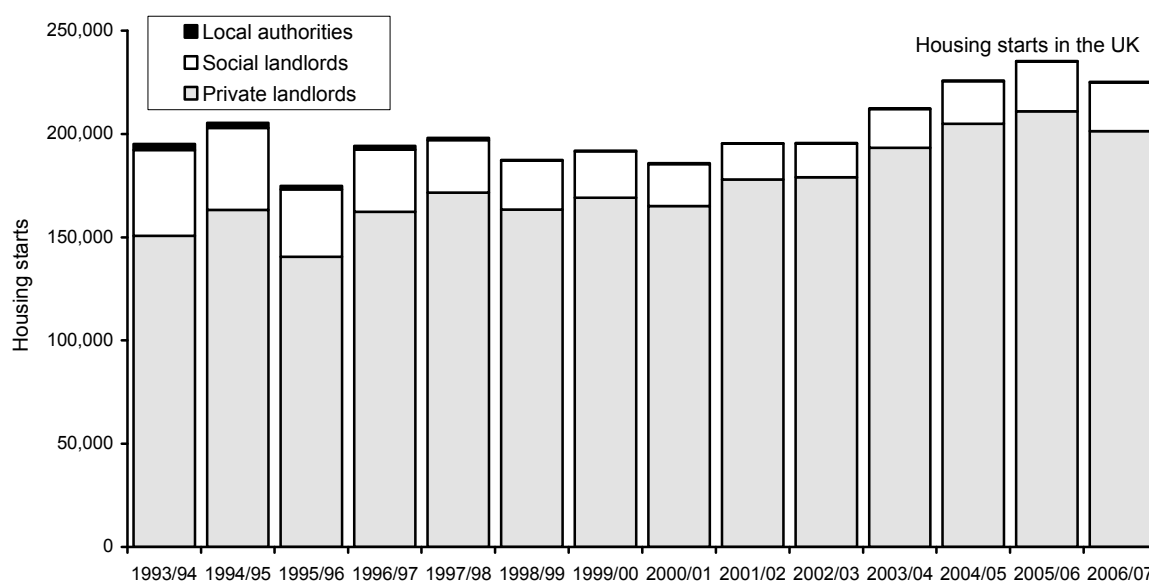
New Registrations of Cars

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/>		
2007 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
2008 Jan	162	-2.4
Feb	69	-5.6
Mar	452	0.5

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 fell by 2.5% in March compared to a fall of 0.3% in February.
- **Annual** house prices in March were 1.1% higher than in the same month in 2007 (compared with 4.2% higher in February 2008).
- **Quarterly** house prices fell by 1.0% in Q1 2008, on Q4 2007, compared with a rise of 0.8% in Q4 2007 on Q3 2007.
- Regionally, the Halifax data show that in Q1 2008 **annual** house price inflation was highest in Scotland (5.3%) and lowest in Wales (-5.3%), while all-UK prices rose by 1.1% (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>				
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
2008 Q1	191,852	196,040	191,588	147,807
<i>% change over same period in previous year</i>				
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
2008 Q1	1.1	3.9	0.4	4.1

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

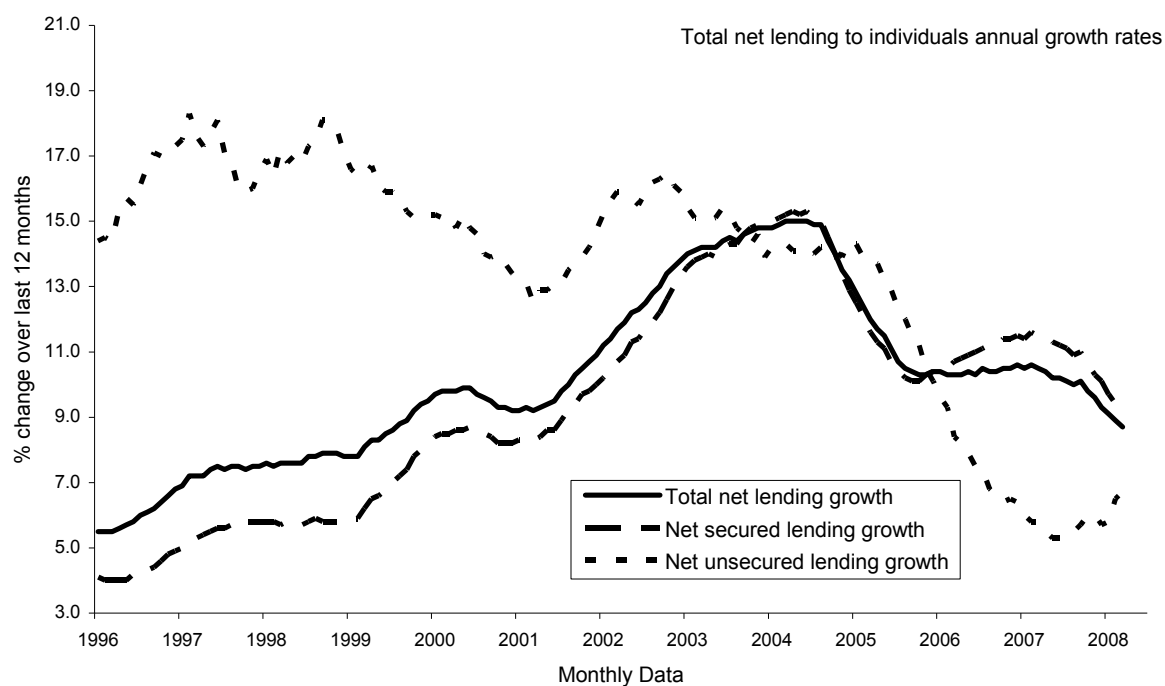
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in February 2008 stood at £217,737, down from £221,278 in January 2008. **Annual** house price inflation in February was 6.7%, down from 8.0% in January 2008.
- Regionally, **annual** house price inflation in January was highest in Scotland (9.7%) and lowest in the Wales (3.8%).

Contact: Grahame Allen, x3977

Updates: *Halifax House Prices*, early May; DCLG, *House Prices*, 13 May; *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 Mar	801,631	184,599	986,230	15.2	14.3	15.0
2005 Mar	895,132	203,256	1,098,387	11.6	13.9	12.0
2006 Mar	990,416	210,970	1,201,386	10.7	8.4	10.3
2007 Mar	1,103,439	213,418	1,316,857	11.5	5.8	10.5
Jun	1,131,330	214,023	1,345,354	11.2	5.3	10.2
Sep	1,163,253	216,458	1,379,711	11.0	5.7	10.1
Dec	1,185,216	219,876	1,405,093	10.1	5.7	9.3
2008 Mar	1,200,272	229,488	1,429,760	9.1	6.7	8.7

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

- Total net outstanding lending to individuals was £1,430 billion at the end of March 2008 (seasonally adjusted).
- Total net lending to individuals grew by 0.6% in March 2008 compared with the previous month, and grew by 8.7% on an annual basis (all seasonally adjusted); the annual growth rate is 0.2 percentage points lower than in February 2007.
- Of the £8.2 billion increase in net lending in March 2008, £6.9 billion was mortgage borrowing and £1.2 billion was consumer credit (seasonally adjusted).

Contact: Ed Potton, x2883

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

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 (coloured text is a hyperlink to the source)
A1	Gross Domestic Product	Office for National Statistics (ONS), releases: Preliminary GDP Estimates ; Quarterly National Accounts ; UK output, income & expenditure ; HM Treasury, Forecasts for the UK Economy
A2	GDP: ICs	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators ; Growth Forecasts: OECD, Economic Outlook
A3	GDP by Industry	ONS, UK Output, income and expenditure, Quarterly National Accounts/GDP preliminary estimate releases HM Treasury, Forecasts for the UK economy
A4	Investment	ONS Database & ONS, Business Investment release
A5	Productivity	ONS, Productivity release
B1	Prices	ONS, Consumer Price Indices release
B2	Prices: International Comparisons	CPI: OECD, Main Economic Indicators ; EU data: Eurostat news release and database
B3	Average Earnings Index	ONS Database & ONS, Labour Market Statistics release
C1	Employment	ONS Database & ONS, Labour Market Statistics release
C2	Unemployment: National	ONS, Labour Market Statistics release and Labour Market Statistics First Release Historical Supplement (via Virtual Bookshelf); Commentary: Department for Work and Pensions (DWP) Quarterly Working Age Statistics for New Deal for Young People & Long-term Unemployed (table 6);
C3	Unemployment: Regional	ONS, Labour Market Statistics release
C4	Unemployment: International Comparisons	Data: OECD, Main Economic Indicators Commentary: OECD, Main Economic Indicators & Economic Outlook
D1	Interest Rates	UK: Bank of England, Monetary Policy Committee decisions & minutes . US: Federal Reserve, Federal Open Market Committee decisions ECB: European Central Bank news releases Short term interest rates (graph): OECD; Main Economic Indicators ; International interest rates: Financial Times , Companies & Analysis section, "Currencies, Bonds & Interest Rates" page
D3	Exchange Rates	Effective and sterling exchange rates: ONS Database; Euro spot rate: Financial Times

Indicator		Source details (coloured text is a hyperlink to the source)
D4	Public Finances	Data: ONS, Public Sector Accounts or Public Sector Finances ; ONS 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; and ONS Database.
E1	International Trade	Data: ONS Database; Commentary: ONS, Balance of Payments
E2	Trade in Goods	Data: ONS Database; Commentary: ONS, UK Trade ;
F1	Survey Indicators	Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey press releases; Consumer Confidence: GfK NOP Consumer Confidence Barometer ;
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 ; DCLG House building statistics: statistical release ; Halifax House Price data: housing research page ; DCLG Experimental House Prices: statistical release
F5	Consumer Debt	Bank of England Lending to Individuals and database :

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

Definitions¹³

Average Earnings Index: Measures changes in gross wages and salaries paid to employees, including overtime payments. Excludes employers' insurance contributions, holiday pay, benefits in kind and bonuses which are not part of regular pay.

Balance of payments: A country's financial position, with other countries of the world, comprising two parts:

- **Current account:** the balance of imports and exports of goods and services, income and transfers combined;
- **Capital account:** the difference between a country's capital invested in other countries, and the capital invested by other countries in it.

Technically, the two parts always balance. A Balance of payments deficit normally refers to a **current account deficit**.

Balance of trade: The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

Basic prices: Prices excluding taxes and subsidies on products.

Claimant count: The number of people claiming Jobseeker's Allowance benefits.

Consumer Prices Index (CPI): This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

Current account balance/deficit: The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A **current account deficit** means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

Current budget: Measures the balance of public sector current account revenue over public sector current expenditure. It is the measure for assessing progress against **the golden rule**. This states that, on average over the economic cycle, the Government should borrow only to invest and not to fund current expenditure.

HM Treasury has stated that progress against the golden rule will be measured by averaging the

surplus on current budget, when expressed as a percentage of GDP, over each year of the economic cycle. To meet the rule, this average should be positive.

Constant/current prices: Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Economically active: Those aged 16 and over who are either in employment or unemployed.

Economically inactive: Those aged 16 and over who are neither in employment nor unemployed. This includes those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start work, and those who do not want a job.

Employment: The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

Exchange rate: The rate at which one currency is traded against another.

Gross Domestic Product (GDP): The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

Gross Domestic Product – chained volume measure: Also known as *constant price* or *real GDP*, this is a measure used to indicate change in the actual quantity of goods and services produced.

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

¹³ 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.