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3 JUNE 2008

# Economic Indicators, June 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:

**UK tourism trends: where will the UK holiday this year?**

**The recent decline in sterling**

Next publication date: **1 July 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.<sup>1</sup> 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*.<sup>2</sup> Researchers are not able to discuss pages with members of the public. For enquiries in these subject areas please contact the following researchers:

<b>Subject</b>	<b>Statistician</b>	<b>tel. extn.</b>
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.<sup>3</sup>

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

<sup>2</sup> [http://hcl1.hclibrary.parliament.uk/general\\_pdf/usingthelibrary.pdf](http://hcl1.hclibrary.parliament.uk/general_pdf/usingthelibrary.pdf)

<sup>3</sup> 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

### Consumer and business confidence

There are a range of consumer and business confidence intervals published, and those published in May showed falling confidence across the economy. GfK NOP's *Consumer Confidence Barometer* is shown in indicator F1. The May figure of -29 was a fall of five points over the previous month and was the lowest recorded figure since November 1990. All five measures in the index fell. The index for the general economic situation over the next 12 months fell 10 points to -58. This is 40 points below the May 2007 figure and is the lowest since February 1993.

The Nationwide's *Consumer Confidence Index* shows a similar pattern and fell to its lowest level since the survey began in May 2004. The assessment of economic conditions was "gloomy". Fionnuala Earley from the Nationwide said:

"The cut in interest rates in April did little to lift consumer spirits. Food and fuel prices remain high and, with house prices no longer rising, it is unlikely that consumer confidence will pick up very quickly. We may have to accept that confidence levels could well worsen before they get better."

On house prices, respondents anticipate an average 1.7% fall in house prices over the next six months. The next edition of this survey will be published on 4 June.<sup>4</sup>

The CBI's industrial output survey is also included in indicator F1. It was flat in May, with the same percentage of companies expecting an increase in output over the next three months as expect a decrease. This has fallen by 18 points from March.

The CBI also commissions surveys of service sector and business confidence. Service sector data for May showed that profitability fell at a record rate for consumer-facing companies and was flat for business services firms. A balance of -44% of consumer-facing firms saw falls in the volume of business over the previous three months. The volume and value of professional services firms' business increased in the past three months, although rates of increase were below the long-term averages. The CBI's distributive trades survey was a little more positive; although a balance of -14% of retailers reported a fall in year-on-year sales volumes, a balance of +6% expected an increase in June.<sup>5</sup>

### Articles

This month's edition features two articles. The first looks at recent trends in tourism, both visits to the UK by overseas residents, and UK residents visits abroad. The second looks at the recent fall in sterling.

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<sup>4</sup> [http://www.nationwide.co.uk/consumer\\_confidence/default.htm](http://www.nationwide.co.uk/consumer_confidence/default.htm)

<sup>5</sup> "Services firms in gloomy mood as slowdown hits profits – CBI", CBI Press Release, 27 May 2008; "High street sales fall while prices march upwards – CBI", CBI Press Release, 29 May 2008

### III Articles

#### A. UK tourism trends: where will the UK holiday this year?

Over the last year an appreciation of the value of the euro against the pound means that UK consumers will find trips to the eurozone more expensive this year. While the pound sterling's appreciation against the dollar has been well documented in recent years, the cost of many other currencies has also increased for Britons. Combined with the current economic uncertainty and rising oil prices, this may mean UK consumers change their holiday plans; but currency changes may also mean more overseas residents visit the UK.

This article looks at recent trends in tourism trips by UK residents, and visits to the UK by overseas residents. The article then provides some commentary on the outlook for UK consumers and tourism businesses.

##### 1. Tourism Statistics

In 2007, there were 32.6 million visits to the UK by overseas residents, a 0.5% decrease from the previous year. Overseas visitors spent £16.0 billion during their visits in 2007, a very small decrease on 2006.

UK residents made 70.0 million trips abroad in 2007 (up 0.7% on 2006), spending £35.5 billion (up 3.1%).

Table 1 shows the number of overseas visitors to the UK and their spending along with UK residents' visits abroad and their expenditure on an annual basis for 1997 and 2007 and for the first quarter of the last two years. Q1 2008 shows a rise in the number of trips by UK residents and visits to the UK by overseas residents. Data for all years from 1997 to 2007 is given in table 2 at the end of this article.

**Table 1: Visitors and expenditure 1997 and 2007**

*not seasonally adjusted*

	Overseas residents' visits	UK residents' visits abroad	Earnings from Overseas residents' visits	Expenditure by UK residents' abroad
	<i>in 000s</i>	<i>in 000s</i>	<i>£ million (current prices)</i>	<i>£ million (current prices)</i>
1997	25,515	45,957	12,244	16,931
2006	32,713	69,536	16,002	34,411
2007	32,558	70,029	15,955	35,475
% change 1997 to 2007	27.6	52.4	30.3	109.5
% change 2006 to 2007	-0.5	0.7	-0.3	3.1
2007 Q1	6,873	13,940	3,090	7,184
2008 Q1	7,130	14,400	3,060	8,000
% change Q1 2007 to Q1 2008	3.7	3.3	-1.0	11.4

Source: ONS, *International Passenger Survey (IPS)*

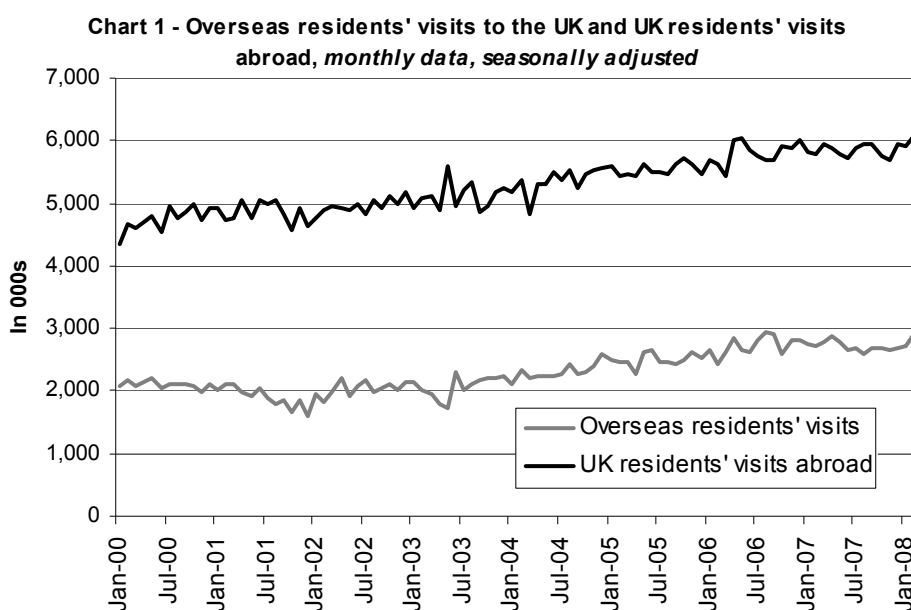
*MQ6 Transport, Travel and tourism, Q4 2007 and Overseas travel and tourism first release, March 2008*

Please note the expenditure is in current prices and therefore not adjusted for inflation. The data is taken from the International Passenger Survey (IPS) and is based on a sample of

passengers at the main UK departure points. The sample in 2006 was 279,300 travellers, 0.13% of total travellers. The survey asks for a number of details regarding the trip including the purpose (holiday, business, visiting friends and relatives or other), length, expenditure, country of residence and destination.<sup>6</sup>

Inbound and outbound tourism has grown strongly in recent years. Over the period 1997 to 2007 UK residents travelling abroad increased by more than half from nearly 46 million trips a year to just over 70 million. Prior to 2001 the number of overseas visitors to the UK was between 25 and 26 million people. After a fall in 2001 it took until 2004 for numbers to recover, but between 2004 and 2007 inbound tourism has grown to over 32 million visits a year. The growth in expenditure by UK residents' visits abroad has grown by far more than that from overseas residents' visits to the UK.

The chart below shows seasonally adjusted monthly data for overseas residents' visits to the UK and UK residents travelling abroad since 2000. This shows that on a monthly basis there has been a steady rise in both visits abroad and visits to the UK. In recent months, both inbound and outbound data does not yet indicate a reduction in visitor movements due to the global economic slowdown, in fact, both indicators appear to show a rise in travellers in recent months.

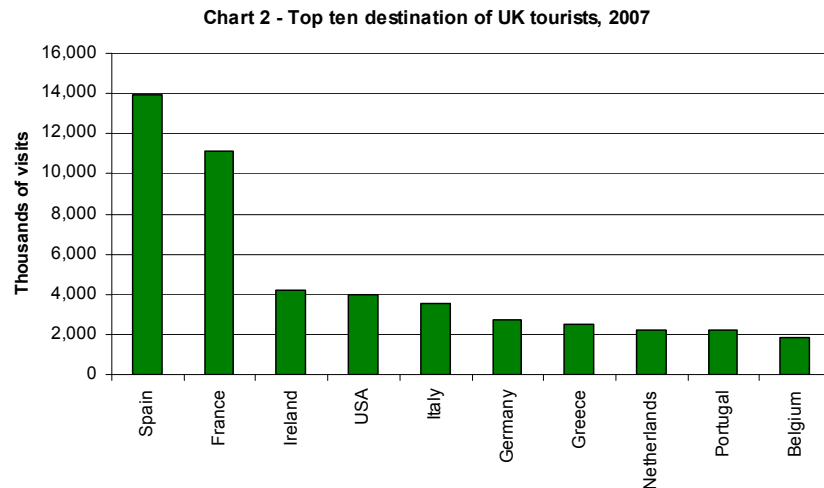


Source: IPS

Using more detailed data from the IPS it is possible to look at the destinations of UK tourists and the country of residence for visitors to the UK. The most popular destination for UK tourists last year was Spain, followed by France, Ireland and the US. The top ten destinations are shown in chart 2.

<sup>6</sup> These are the variables used in this article, detail on other variables is given at: <http://www.statistics.gov.uk/statbase/Product.asp?vink=1391>





While 79% of UK residents' trips were within Europe last year, there has been strong growth in visits to other destinations; between 2003 and 2007 visits to Africa have risen 69%, to Asia 66% and to South America 40%. However, these destinations only attract 4%, 6% and 2% of UK residents' visits respectively.

In terms of individual countries, over the period 2003 to 2007 Eastern Europe, North Africa, China and India have seen the highest levels of growth (in percentage terms) in visits from UK residents. Poland, Latvia and Slovakia have seen the highest growth in both total visits and visits for holidays.

Meanwhile, the UK tourism market remains partly dependant from visitors from the US. They form the largest number of inbound visitors, followed by residents of Germany, France and Ireland, as shown in chart 3.

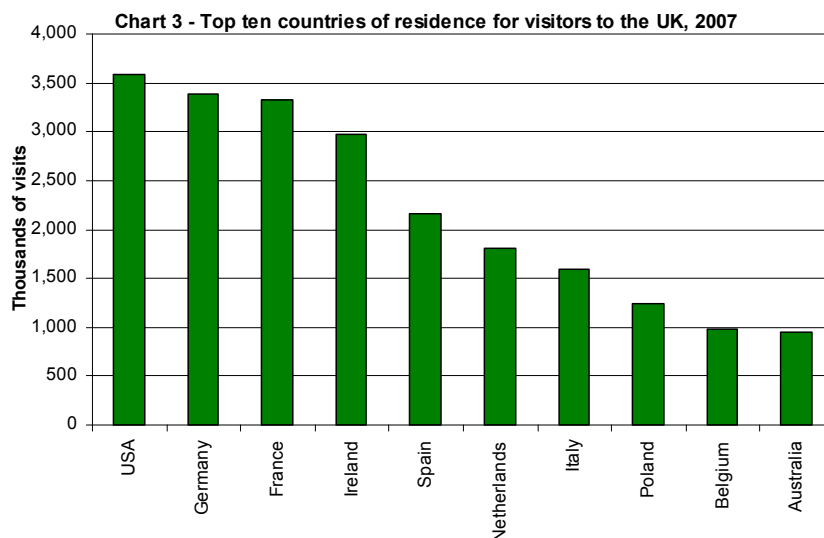


Table 3 at the end of this article shows the country of origin for visitors to the UK and UK residents' destinations abroad for 2003 and 2007; one part of the table shows this data for just holidays while a second part shows total visits (including business trips and visits to friends and family). The data in this article has used figures for total visits not holidays alone, except where noted. The percentage change in total visits between 2003 and 2007 is also shown in table 3. Please also note that the IPS is sample based data and therefore subject

to sampling errors, particularly with small samples. The 2007 data is provisional and subject to revision during the year.

Domestic tourism is measured by the UK Tourism Survey (UKTS). Data for January and February 2008 show an increase in domestic tourism in what are traditionally quiet months.<sup>7</sup> In the UK in 2007 123 million trips lasting a night or more were made within the UK, representing a small decrease from the 2006 figure of 126 million. However, the spend increased slightly from £21.0 billion in 2006 to £21.2 billion in 2007. Breaking this data down, of these trips in 2007 77 million were holidays, with UK holidaymakers spending £14.0 billion. While there was a small fall in the number of holidays lasting up to three nights, holidays in the UK lasting 4 nights or more grew by 4.1%.<sup>8</sup>

Further information is available from the *VisitBritain* website:

<http://www.tourismtrade.org.uk/MarketIntelligenceResearch/default.asp>

Further information on overseas travel, including data up to the end of 2007 is available in the Q4 2007 ONS release of *MQ6 Transport Travel and Tourism: Overseas Travel and Tourism*: [http://www.statistics.gov.uk/downloads/theme\\_transport/mq6-q4-2007.pdf](http://www.statistics.gov.uk/downloads/theme_transport/mq6-q4-2007.pdf).

The annual publication *Travel Trends* contains further detail (but only up to 2006):

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1391>

## 2. Outlook

A number of issues are likely to affect the travel choices of UK consumers and visitors to the UK in the coming months, including:

- The general economic slowdown, particularly in the UK and the US;
- Inflationary pressure on household budgets;
- Significant changes in exchange rates, which means the eurozone is more expensive for UK consumers compared to previous years but the UK has become more affordable for overseas residents; and,
- Rising oil prices meaning higher airfares for all travellers.

A separate article on page vii of this paper looks at recent changes in exchange rates. These changes are likely to provide a boost for UK tourism, with many parts of the world finding it more affordable to visit the UK. Recent statistical indicators show small rises in inbound tourism; more detailed figures indicate falling numbers of visitors from North America in the last year but rising numbers of visitors from Europe and the rest of the world.<sup>9</sup>

*VisitBritain* expect that visitor numbers to the UK will increase by 2.0% in 2008 compared with 2007, with a 1.4% increase in visitor spending (effectively a small real terms decrease).<sup>10</sup> The latest update from *VisitBritain* indicates that the outlook for inbound tourism remains 'neutral'; while a favourable exchange rate is good for inbound tourism, indicators

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<sup>7</sup> VisitBritain, *United Kingdom Tourism Survey – January and February 2008 Update*

<sup>8</sup> VisitBritain, *UK Tourism Survey 2007 results*

<sup>9</sup> ONS, *Overseas travel and tourism First Release March 2008*, 15 May 2008

<sup>10</sup> VisitBritain *Forecasts for Inbound Tourism 2008, Mid-year update*, May 2008

suggest weakening demand while the slowdown in the global economy, particularly the in the US, dampens the outlook.<sup>11</sup>

Both British Airways and Virgin Atlantic have announced increased fuel surcharges in recent weeks, making travel more expensive due to rising oil prices.<sup>12</sup> Cost pressures in the package holiday market are affecting some operators; it has been reported that a number of smaller tour operators have implemented surcharges.<sup>13</sup>

For UK consumers we may expect the exchange rate and economic pressures to have slowed demand for travel, particularly European package holidays. However, there have been a number of recent indicators to suggest this is not happening. Thomas Cook and TUI, two of the largest package holiday operators in the UK recently announced sales were up on last year. The *Financial Times* noted:<sup>14</sup>

Sterling's decline against the euro has done little to put off British holidaymakers from continental European destinations, Thomas Cook said yesterday.

UK average selling prices year-on-year are 3 per cent higher and up 9 per cent in northern Europe. Manny Fontenla-Novoa, chief executive, said the company was winning the battle with consumers over late bookings.

Thomas Cook has 18 per cent fewer summer holidays left to sell in the UK market than last year, from a capacity that is 10 per cent lower than 2007, and the average sale price over the past six weeks is up 14 per cent [...]

Other surveys indicate a determination of consumers to maintain spending on their holidays. A recent article in *The Daily Telegraph* noted a CBI survey which reported that consumers were continuing to book travel and accommodation, but that businesses such as bars, restaurants, cinemas and gyms were seeing falls in profits. The report also noted tour operators seeing strong bookings as well as increasing numbers of people buying foreign currency from the Post Office.<sup>15</sup>

While bookings do seem to remain strong it has been reported that consumers are considering destinations outside the eurozone, while companies involved in the domestic tourism market are expecting higher demand this year.<sup>16</sup>

Ed Potton  
Economic Policy and Statistics Section

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<sup>11</sup> VisitBritain, *Trends Update – Issue 82* (22 May 2008)

<sup>12</sup> “Holiday crunch as air surcharges soar”, *The Times*, 30 May 2008

<sup>13</sup> “Can I have some more, sir?; News; Travel; Directions”, *The Sunday Times*, 18 May 2008

<sup>14</sup> “Thomas Cook travels well in rocky market”, *Financial Times*, 16 May 2008

<sup>15</sup> “Holidays ‘the last luxury to go’”, *The Daily Telegraph*, 31 May 2008

<sup>16</sup> “British holidaymakers avoid Eurozone The weak pound is prompting a switch away from Greece and Spain to countries such as Tunisia and Egypt” *The Daily Telegraph*, 3 May 2008 and “Money woes keep Britons close to home Local attractions are set to come to the fore as holidaymakers seek to cut costs”, *The Daily Telegraph*, 26 April 2008

**Table 2: Visitors and expenditure 1997-2008***not seasonally adjusted*

	Overseas residents' visits	UK residents' visits abroad	Earnings from Overseas residents' visits	Expenditure by UK residents' abroad
	<i>in 000s</i>	<i>in 000s</i>	<i>£ million (current prices)</i>	<i>£ million (current prices)</i>
1997	25,515	45,957	12,244	16,931
1998	25,745	50,872	12,671	19,489
1999	25,394	53,881	12,498	22,020
2000	25,209	56,837	12,805	24,251
2001	22,835	58,281	11,306	25,332
2002	24,180	59,377	11,737	26,962
2003	24,715	61,424	11,855	28,550
2004	27,755	64,194	13,047	30,285
2005	29,970	66,441	14,248	32,154
2006	32,713	69,536	16,002	34,411
2007	32,558	70,029	15,955	35,475
% change 1997 to 2007	27.6	52.4	30.3	109.5
% change 2000 to 2007	29.2	23.2	24.6	46.3
% change 2006 to 2007	-0.5	0.7	-0.3	3.1
2007 Q1	6,873	13,940	3,090	7,184
2007 Q2	8,693	18,234	4,021	9,020
2007 Q3	9,584	23,052	5,244	12,094
2007 Q4	7,407	14,802	3,600	7,177
2008 Q1	7,130	14,400	3,060	8,000
% change Q1 2007 to Q1 2008	3.7	3.3	-1.0	11.4

Source: ONS, *International Passenger Survey (IPS)**MQ6 Transport, Travel and tourism, Q4 2007 and Overseas travel and tourism first release, March 2008*

**Table 3 - Number of visitors to the UK and visits abroad by UK residents, 2003-2007***(thousands and percentage change) 2007 data is provisional*

	UK Residents' Visits Abroad						Overseas residents' visits to the UK					
	of which are Holidays			Total			of which are Holidays			Total		
	2003	2007	% change 2003-07	2003	2007	% change 2003-07	2003	2007	% change 2003-07	2003	2007	% change 2003-07
Canada	252	309	22.7	530	669	26.4	199	284	42.6	652	861	32.1
USA	2,246	2,426	8.0	3,613	3,971	9.9	1,365	1,363	-0.1	3,345	3,587	7.2
North America	2,498	2,736	9.5	4,142	4,640	12.0	1,564	1,647	5.3	3,997	4,447	11.3
Austria	455	537	18.0	619	707	14.2	103	105	1.8	263	286	8.7
Belgium	886	997	12.6	1,964	1,853	-5.7	317	366	15.6	936	980	4.7
Bulgaria	133	239	79.7	158	315	98.7	2	7	316.9	42	96	126.9
Croatia	95	193	104.0	121	235	94.7	3	14	394.4	20	55	168.2
Czech Republic	424	426	0.5	562	652	16.0	33	94	182.8	207	385	85.9
Cyprus	1,127	1,092	-3.1	1,281	1,292	0.9	32	24	-26.0	104	132	27.6
Denmark	84	88	4.1	292	351	20.2	126	208	65.3	419	543	29.4
Estonia	16	53	238.7	23	83	267.9	2	6	160.5	13	24	81.3
Finland	71	112	56.8	174	210	21.1	40	77	93.3	122	201	64.6
France	7,466	7,549	1.1	11,957	11,169	-6.6	1,048	1,136	8.5	3,073	3,323	8.1
Germany	504	890	76.5	2,140	2,692	25.8	810	1,185	46.2	2,611	3,385	29.7
Gibraltar	22	40	79.3	49	79	62.0	1	6	376.0	22	36	59.0
Greece	2,698	2,270	-15.9	2,857	2,488	-12.9	37	54	48.7	185	162	-12.3
Hungary	61	124	102.4	150	294	96.4	28	85	201.4	111	319	187.3
Iceland	40	72	80.2	54	102	88.7	22	46	111.1	68	123	80.5
Irish Republic	1,522	1,530	0.5	3,913	4,229	8.1	537	710	32.1	2,488	2,975	19.6
Italy	2,042	2,537	24.2	2,905	3,541	21.9	379	638	68.6	1,168	1,591	36.2
Latvia	4	49	1,133.1	17	111	570.6	2	24	923.3	13	81	504.8
Lithuania	8	26	209.7	24	104	333.3	3	37	1,384.9	23	192	731.5
Luxembourg	14	20	38.1	88	116	31.6	15	18	21.6	42	83	98.8
Malta	428	416	-2.8	490	477	-2.5	15	28	87.0	50	79	57.9
Netherlands	1,078	1,101	2.1	2,145	2,222	3.6	520	615	18.4	1,549	1,811	16.9
Norway	137	150	9.6	270	333	23.5	204	249	21.8	433	606	40.2
Poland	49	401	716.3	175	1,553	787.0	90	207	130.4	325	1,249	284.8
Portugal	1,639	1,868	14.0	1,891	2,186	15.6	45	82	81.4	193	277	43.9
Romania	12	20	76.4	49	87	77.7	4	43	882.3	42	187	345.5
Russia	33	45	36.8	101	150	49.2	36	64	79.0	138	226	63.3
Spain	12,290	12,067	-1.8	13,763	13,910	1.1	307	725	136.1	1,206	2,158	79.0
Slovakia	4	43	960.9	19	134	621.7	2	28	1,055.9	36	196	439.9
Slovenia	18	44	146.3	30	72	143.8	10	19	91.5	29	55	92.0
Sweden	93	115	24.8	381	450	18.3	173	271	56.9	533	752	41.0
Switzerland	396	644	62.4	809	1,190	47.0	163	198	21.5	564	726	28.7
Turkey	958	1,300	35.7	1,075	1,543	43.6	14	30	105.5	92	141	54.2
Other Europe	30	83	176.3	123	245	99.5	4	27	594.6	87	120	38.3
Europe	34,838	37,142	6.6	50,667	55,178	8.9	5,125	7,425	44.9	17,207	23,556	36.9
of which EU27	33,128	34,532	4.2	48,066	51,167	6.5	4,678	6,791	45.2	15,783	21,513	36.3
of which EU25	30,844	31,681	2.7	45,090	46,126	2.3	4,454	6,190	39.0	14,787	18,527	25.3
of which EU15	32,983	34,272	3.9	47,859	50,765	6.1	4,672	6,740	44.3	15,699	21,230	35.2
Egypt	236	490	107.4	289	529	83.0	10	10	-0.6	41	39	-5.1
Tunisia	202	382	88.5	225	394	75.3	1	0	-100.0	3	6	80.1
Other North Africa	110	455	312.4	200	604	201.6	4	8	92.8	30	35	16.7
South Africa	261	280	7.3	475	523	10.2	77	95	24.7	266	310	16.4
Other Africa	248	411	65.4	496	802	61.9	84	91	8.0	270	318	17.8
Israel	19	44	127.9	76	138	80.0	51	37	-27.3	162	141	-13.2
United Arab Emirates	161	280	73.6	274	522	90.4	34	48	39.6	113	188	65.7
Other Middle East	27	47	72.6	165	302	83.5	83	115	38.4	219	302	38.0
China - Hong Kong	25	73	196.5	114	254	122.5	42	42	0.0	131	140	6.9
China - Other	39	96	148.9	168	306	82.3	24	53	122.7	106	180	69.4
India	186	392	111.5	494	1,028	108.1	45	78	72.5	199	337	69.5
Japan	29	38	28.1	114	144	26.1	173	143	-17.6	314	314	0.1
Pakistan	59	47	-20.9	305	436	43.0	9	14	50.8	57	94	64.7
Sri Lanka	111	72	-35.0	149	107	-28.4	4	4	-9.0	15	23	51.6
Thailand	218	311	42.8	276	428	54.8	17	18	5.1	47	69	47.0
Other Asia	200	312	56.2	444	629	41.7	127	181	42.4	335	446	33.1
Mexico	214	232	8.3	246	255	3.6	49	36	-26.0	76	59	-22.1
Other Central and South America	114	187	64.0	198	356	79.6	69	113	63.1	170	253	49.3
Barbados	120	167	39.7	140	193	38.1	1	4	286.0	9	10	14.2
Jamaica	111	116	5.1	162	183	12.7	1	7	415.5	13	14	7.0
Other Caribbean	454	588	29.7	515	691	34.1	16	24	46.3	61	83	36.8
Australia	231	200	-13.5	525	566	7.8	304	423	39.0	723	957	32.3
New Zealand	79	101	28.4	156	220	40.7	56	68	21.6	144	233	61.9
Other countries	406	595	46.5	406	600	47.7	1	0	-60.9	6	3	-48.0
Other Countries	3,861	5,918	53.3	6,615	10,211	54.4	1,284	1,612	25.6	3,511	4,555	29.7
<b>Total World</b>	<b>41,197</b>	<b>45,796</b>	<b>11.2</b>	<b>61,424</b>	<b>70,029</b>	<b>14.0</b>	<b>7,973</b>	<b>10,684</b>	<b>34.0</b>	<b>24,715</b>	<b>32,558</b>	<b>31.7</b>

Notes: 2007 data is provisional

The IPS is a survey and as with any sample based data is subject to errors particularly at low levels

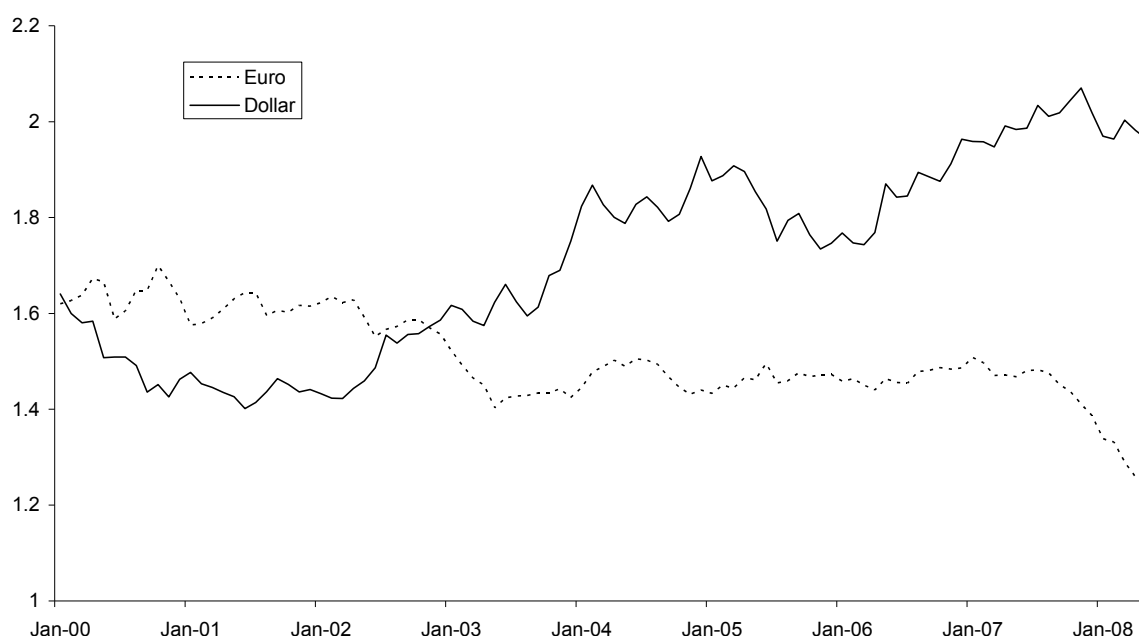
Source: ONS, International Passenger Survey, Travelpac data downloaded from ONS website in May 2008

## B. The recent decline in sterling

### 1. What are the recent trends in exchange rates?

UK tourists visiting Europe now will find eurozone destinations such as France, Italy, Spain and Greece more expensive than last year. The pound was worth 1.27 euros on 2 June 2008 compared with 1.48 euros in August last year: a depreciation of nearly 15%. By contrast, the pound has gained in value against the dollar over the last few years. In 2001, the pound was worth \$1.44. Now it is close to \$2. In March, sterling suffered its sharpest fall since Black Wednesday.<sup>17</sup> In April, Andrew Sentance, a member of the Bank of England Monetary Policy Committee said “the fall in the average value of the pound over the last nine months is now on a par with the post-ERM drop in sterling.”<sup>18</sup> The chart below and table at the end of this article show the sterling exchange rate against the euro and dollar.

**Sterling exchange rate against euro and dollar**



### 2. What has caused the fluctuations in exchange rates?

Explaining fluctuations in exchange rates is by no means straightforward. Exchange rates are influenced by a wide range of factors. The recent fall in sterling, especially against the euro, has coincided with the turbulence on financial markets. The responses of the Bank of England and the European Central Bank (ECB) to the credit crunch have been markedly different. The Bank of England has cut interest rates by 0.75 percentage points since last summer while the ECB has left interest rates unchanged since mid-2007. In the US, the Federal Reserve has cut interest rates from 5.25% to 2% since last summer. However, the latest minutes of the Bank of England Monetary Policy Committee discount changes in relative interest rates as a factor behind sterling's recent depreciation:

<sup>17</sup> “Pound suffers worst day since 1992”, *Daily Telegraph*, 18 March 2008

<sup>18</sup> Andrew Sentance, “[Does Sterling still matter for monetary policy?](#)”, Speech at the CBI, 23 April 2008

But since its [the sterling effective exchange rate] recent peak in July 2007, it had fallen by around 12%. That downward movement in sterling could not be accounted for by changes in relative interest rates. One explanation for the depreciation was that market participants had reassessed their view of the long-run sustainable value of the currency. It was also possible that there had been an increase in the risk premium investors required for holding sterling assets.<sup>19</sup>

It may also be the case that investors see sterling as more exposed to the credit crunch compared with Europe's economy due to the importance of the financial services sector in the UK. Investors may now view the UK economy and sterling-denominated assets as being more risky than in the past. This argument has been put forward by the National Institute of Economic and Social Research which has said that "a significant factor behind the recent depreciation of sterling is the increase in risk premia on UK assets."<sup>20</sup>

The UK's current account deficit also puts downward pressure on the pound. The current account deficit was 4.2% of GDP in 2007 – its highest level since 1989.

### 3. What are the consequences of the fall in sterling?

Recent exchange rate fluctuations have a number of consequences for the economy. The fall in the exchange rate is likely to put upward pressure on inflation. A lower exchange rate pushes up the price of imported goods and may stimulate the level of demand in the economy as exporters enjoy increased competitiveness.<sup>21</sup> This comes at a time when inflation is relatively high compared with the last few years. Measured by the Consumer Prices Index (CPI) inflation is currently 3.0% (above the Bank of England's 2% target). On the Retail Prices Index (RPI), inflation is 4.2%. The National Institute of Economic and Social Research have argued that import price inflation is a short term upside risk to inflation.<sup>22</sup> Andrew Sentance, a member of the MPC, has said that sterling's depreciation "creates additional upside risks for inflation".<sup>23</sup>

The depreciation should help the rebalancing of the economy so that growth is more broadly based, rather than relying on particular sectors of the economy, such as consumers. A lower exchange rate makes exports more competitive and puts upward pressure on the prices of imports, thereby boosting net trade. With domestic demand expected to slow, trade is likely to become a more important source of economic growth for the UK. This issue was discussed in the 2008 Budget Report:

Since 2005, some domestic demand rebalancing has taken place with investment accounting for a larger share of growth alongside continued strong consumption growth. However, the expected rebalancing of domestic and external demand does not yet appear to have materialised. Latest estimates suggest net trade subtracted ½ a percentage point from growth in 2007, in line with the average between 2000 and 2004. With sterling having depreciated by around 7 per cent since the 2007 Pre-

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<sup>19</sup> Bank of England, [Minutes of Monetary Policy Committee Meeting](#), 7 and 8 May 2008, para 6

<sup>20</sup> NIESR, National Institute Economic Review, April 2008 p45

<sup>21</sup> Andrew Sentance, "[Does Sterling still matter for monetary policy?](#)", Speech at the CBI, 23 April 2008

<sup>22</sup> NIESR, National Institute Economic Review, April 2008, p45

<sup>23</sup> Andrew Sentance, "[Does Sterling still matter for monetary policy?](#)", Speech at the CBI, 23 April 2008

Budget Report, the conditions are in place for external demand to contribute more positively to GDP growth over the forecast horizon.<sup>24</sup>

Oxford Economics expect “net trade no longer to be a drag on GDP growth”.<sup>25</sup> The European Commission expect the weaker exchange rate to boost exports:

The growth contribution of net external demand is expected to turn sharply positive from 2008. This is driven by a slowdown in imports in line with a moderation of domestic demand growth and the weaker exchange rate, while the pound's depreciation will support a recovery in exports that more than makes up for more subdued growth in key markets such as the US and the euro area.<sup>26</sup>

Finally, the fluctuating exchange rate will affect those travelling abroad. The sharp depreciation of the pound against the euro will make eurozone holiday destinations more expensive (and the UK more attractive as a destination for holidaymakers from the eurozone). By contrast, the pound's relative strength against the dollar will make the US a cheaper destination for UK travellers.

#### **Sterling exchange rate against euro and dollar**

	Euro	Dollar
2000	1.64	1.52
2001	1.61	1.44
2002	1.59	1.50
2003	1.45	1.64
2004	1.47	1.83
2005	1.46	1.82
2006	1.47	1.84
2007	1.46	2.00
Jan-07	1.51	1.96
Feb-07	1.50	1.96
Mar-07	1.47	1.95
Apr-07	1.47	1.99
May-07	1.47	1.98
Jun-07	1.48	1.99
Jul-07	1.48	2.03
Aug-07	1.48	2.01
Sep-07	1.45	2.02
Oct-07	1.44	2.04
Nov-07	1.41	2.07
Dec-07	1.39	2.02
Jan-08	1.34	1.97
Feb-08	1.33	1.96
Mar-08	1.29	2.00
Apr-08	1.26	1.98
May-08	1.26	1.96

Source: Bank of England

Note: monthly and annual averages

Dominic Webb  
Economic Policy and Statistics Section

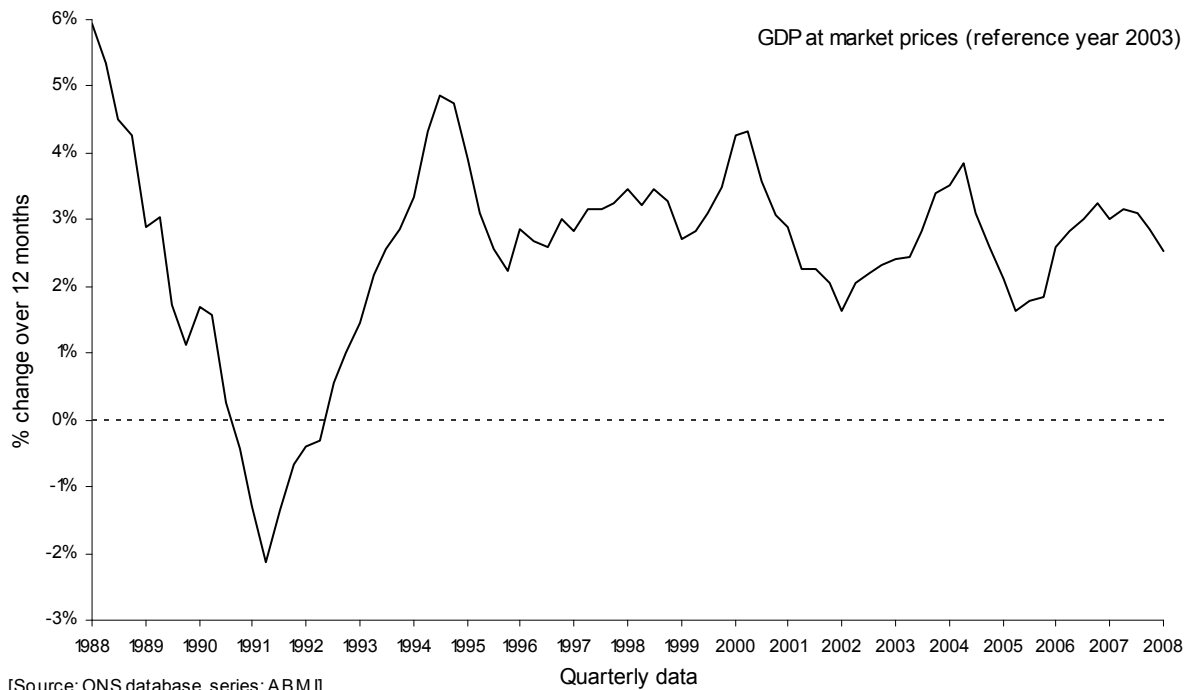
<sup>24</sup> HM Treasury, [Budget 2008](#), para B 63

<sup>25</sup> Oxford Economics, [Economic Outlook Spring 2008](#), page 3

<sup>26</sup> European Commission, [European Economy, Economic Forecast Spring 2008](#), p 113



## 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	355.8	5.3	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 0.3% lower 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 May 2008, HM Treasury's average of independent economic forecasts of GDP growth for 2008 was 1.7%, unchanged from April. The average growth forecast for 2009 was 1.6% in May.

**Contact:** Grahame Allen, x3977

**Updates:** HM Treasury, *Forecasts for the UK Economy*, 18 June;  
ONS, *Quarterly National Accounts*, 27 June

## A2: GDP: International Comparisons



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

### GDP at constant market prices

% changes

	% change on year				% change quarter on quarter					
	2004	2005	2006	2007	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	2.8	2.6	0.5	0.8	0.7	0.4	0.8	0.3
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

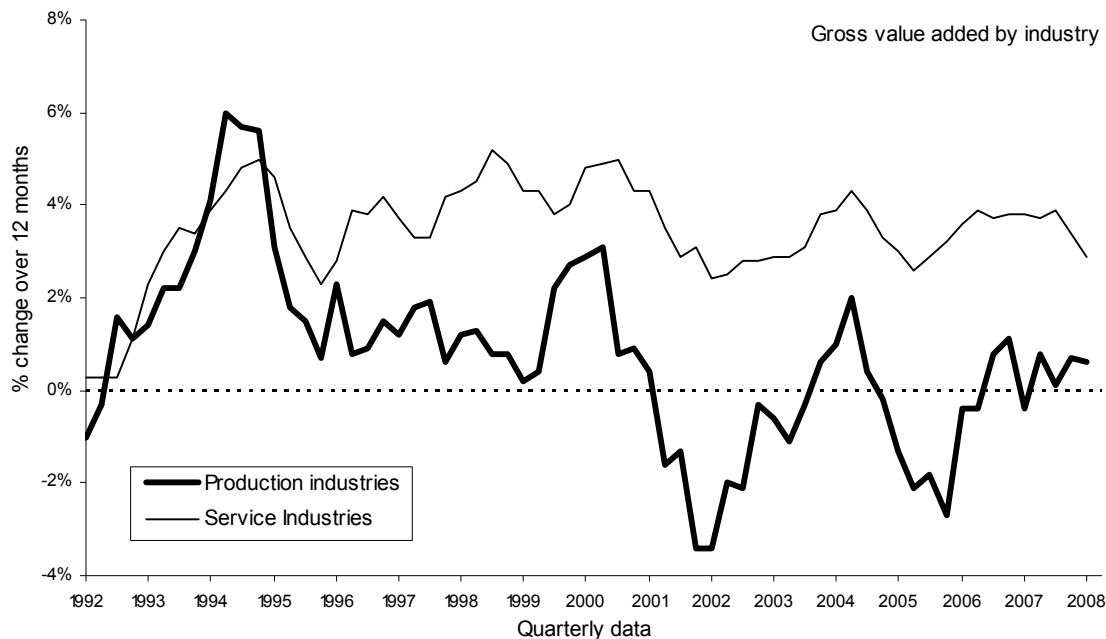
Source: OECD, *Economic Outlook*, Dec 2007

**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 2.9%. Between the fourth quarter of 2007 and the first quarter of 2008 annual output growth in the service sector decreased by 0.5%.

#### 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	0.6	1.0	2.9	2.4	2.9	

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

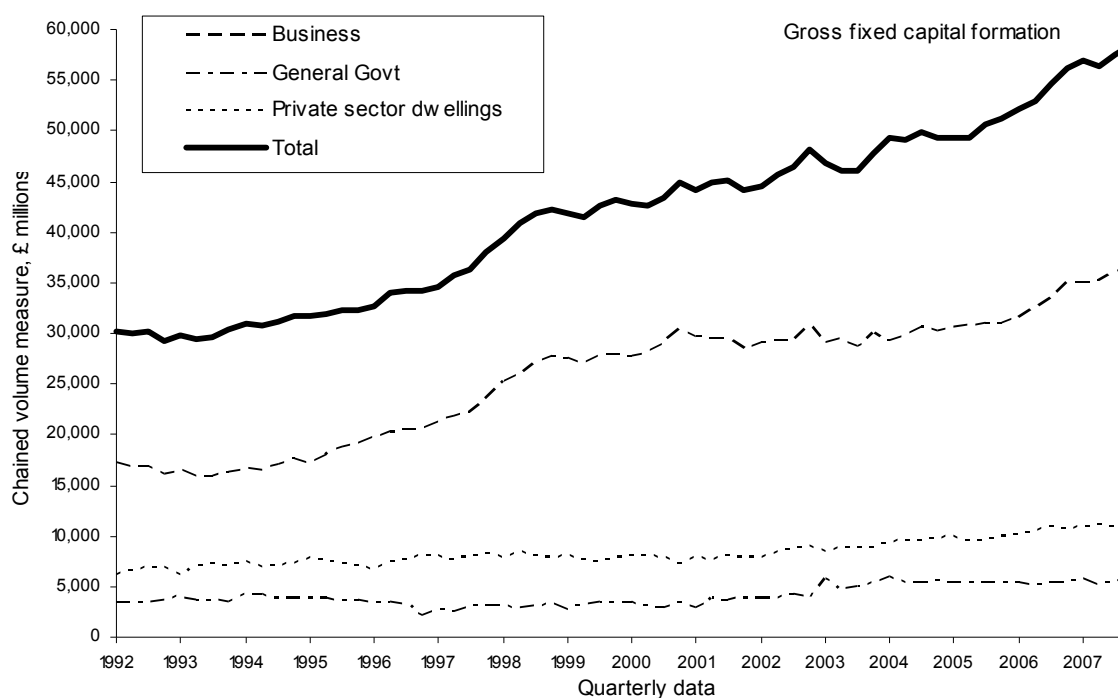
- Manufacturing output increased by 1.0% in the first quarter of 2008 compared with the same quarter in 2007, and manufacturing output increased by 0.6% overall in 2007.
- In 2005, services accounted for 75% of gross value added, manufacturing for 14%, other production industries (mining & quarrying, and electricity, gas & water supply) for 5%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *Quarterly National Accounts—Q1*, 27 June

## 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

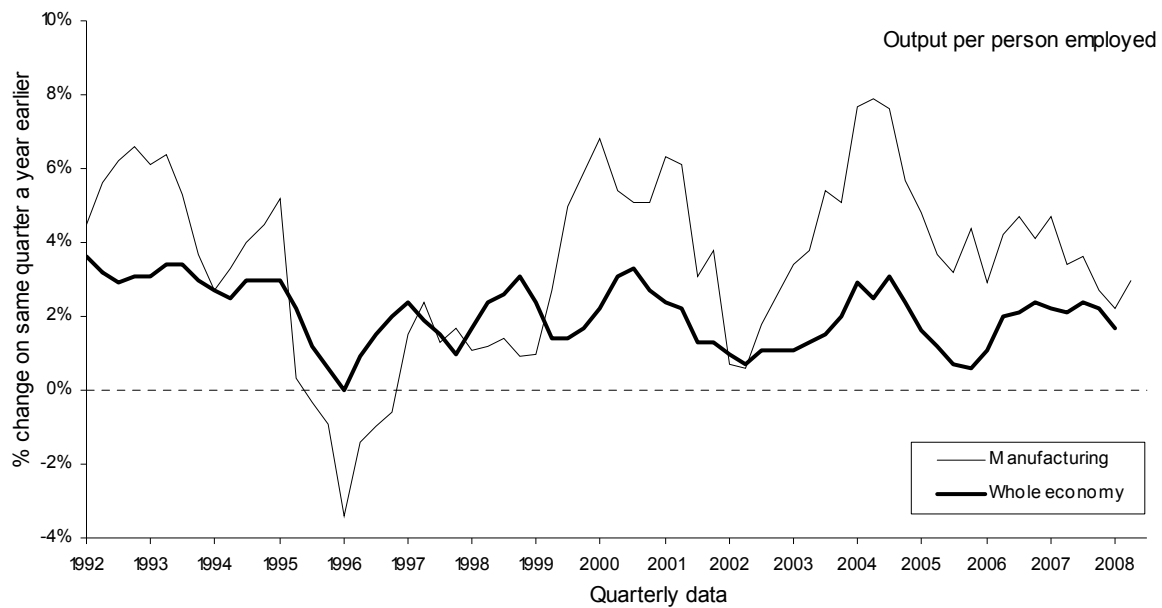
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment decreased by 1.4% in Q1 2008 compared with the previous quarter, and increased by 3.7% compared with Q1 2007 on a seasonally adjusted basis.
- Total manufacturing investment decreased by 4.9% in Q1 2008 compared with the previous quarter while investment in private sector services decreased by 0.1% on a seasonally adjusted basis.

**Contact:** Dominic Webb, x4324

**Update:** ONS, *Business Investment*, 26 Jun

## A5: Productivity



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

### Productivity

% changes on year; seasonally adjusted

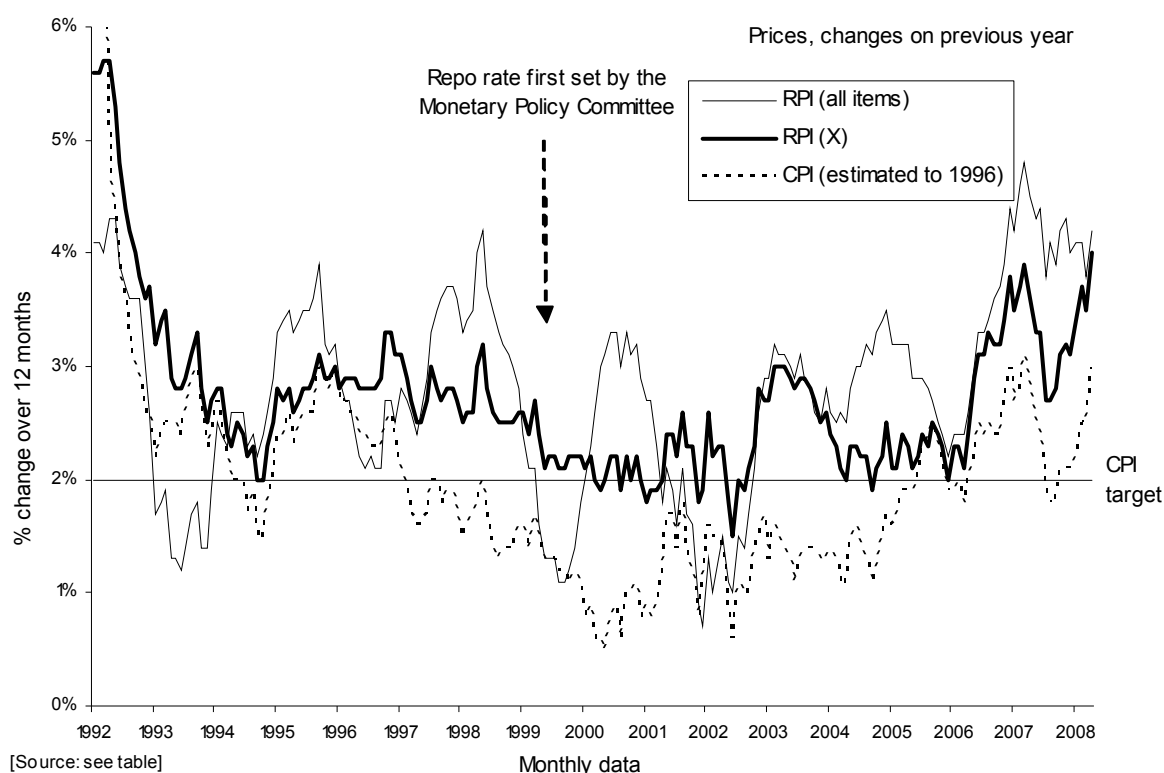
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2005	-1.2	-4.5	3.5	1.9	1.0	1.0
2006	1.5	-2.8	4.4	3.0	0.8	2.1
2007	0.6	-2.2	3.0	2.9	0.8	2.1
2006 Q4	2.7	-1.9	4.7	3.2	1.0	2.2
2007 Q1	0.8	-2.5	3.4	3.0	0.7	2.1
Q2	1.1	-2.4	3.6	3.2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

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.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 30 Jun

**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 April, the consumer prices index (CPI) showed inflation at 3.0%, up from 2.5% March.
- The largest upward effect on the CPI came from housing, water, electricity, gas and other fuels.  
There were further large upward contributions from Food and non-alcoholic beverages, miscellaneous goods and services, restaurants and hotels, alcohol and tobacco, recreation and culture, furniture and household goods.
- The largest downward contribution on the CPI annual rate came from transport costs.
- The former headline (all items RPI) rate of inflation was 4.2% in April, up from 3.8% in March. The underlying RPI(X) rose to 4.0% in April from 3.5% in March.
- The largest upward effect on the RPI came from fuel and light. The largest downward effect came from motoring expenditure.

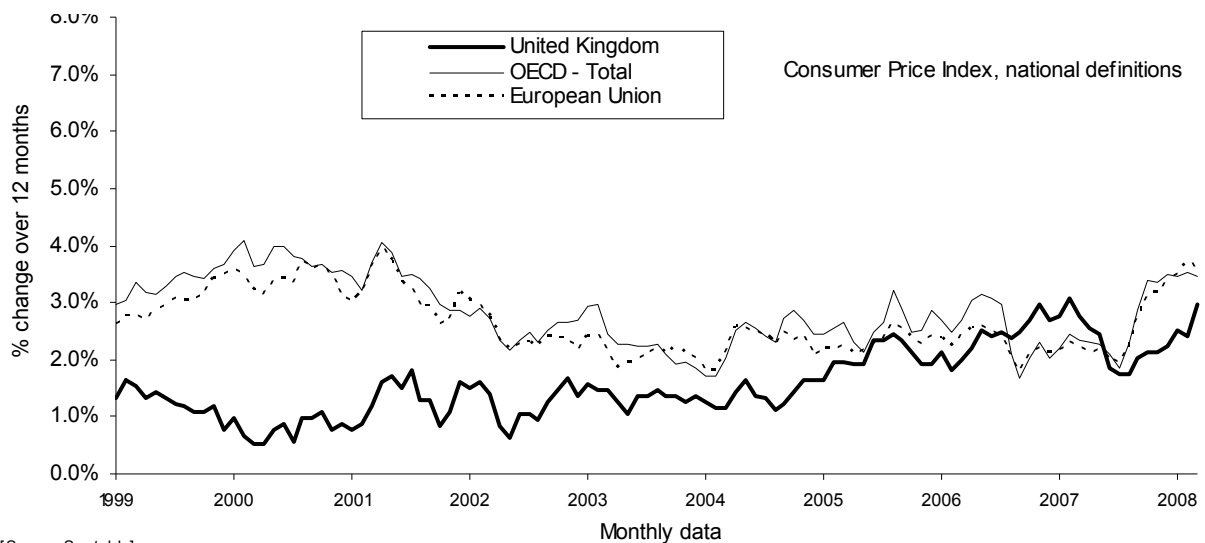
**Price Indices**

% 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 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
Apr	3.0	4.2	4.0

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 3.9% in April, a slight fall of 0.1 percentage points from March.
- The average inflation rate for all OECD countries in April was 3.4%.
- By this measure, the EU average inflation rate (not shown in the table, but in the chart above), was 3.6% in April.

### 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 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
Apr	3.9	1.7	0.8	3.0	3.4

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 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
Apr	3.4	2.6	3.6	3.0	3.3

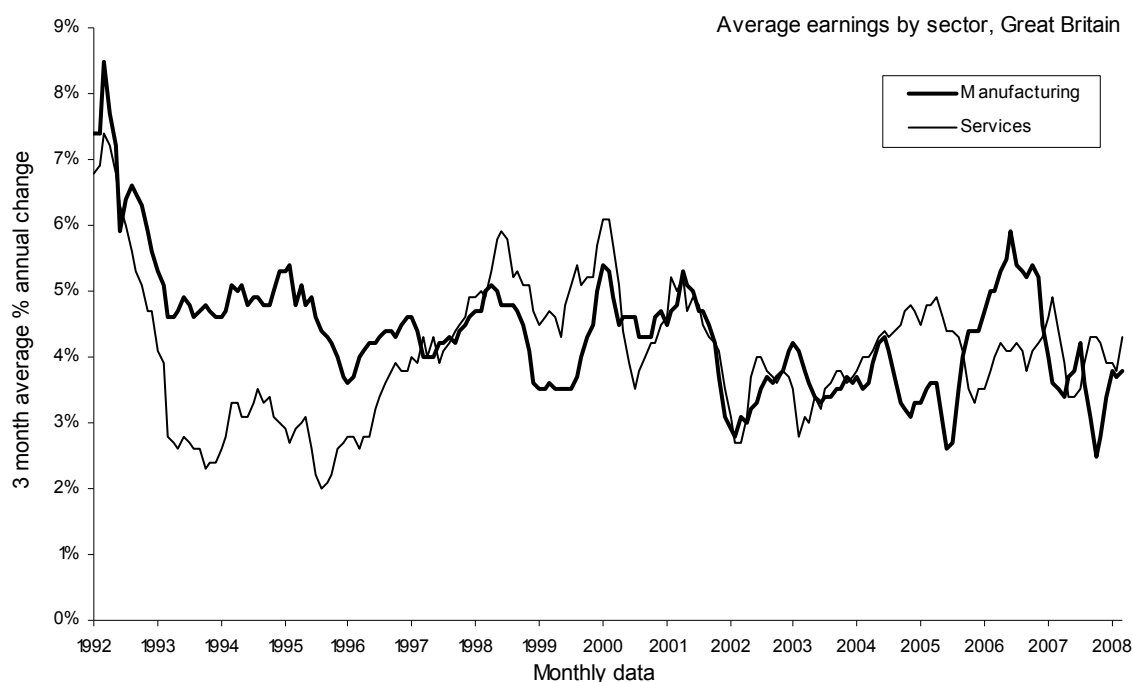
Source: Eurostat, Euro-Indicators news release, May 2008

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

- In April 2008, Eurozone annual inflation was 3.3%, a fall of 0.3 percentage points. The estimate for May is 3.6%.
- The HICP inflation rates for the EU15 Member States not in the eurozone were 3.4% in Denmark, 3.2% in Sweden and 3.0% in the UK.
- The eurozone countries with the highest HICP annual inflation rates were Slovenia (6.2%) and Greece (4.4%). The lowest rates were in the Netherlands (1.7%), Portugal (2.5%) and Germany (2.6%).

**Contact:** Bryn Morgan, x4904

**Updates:** OECD, consumer prices release, 1 Jul  
Eurostat, *Euro-indicators news release*, 16 Jun

**B3: Average Earnings Index**

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

- The headline rate of growth in average earnings for the whole economy in March was 4.0%, up from 3.7% in February.
- Headline average earnings growth in manufacturing was 3.8% in March, up from 3.7% in February. Earnings growth in the service sector was 4.3% in March, up from 3.8% in the previous month.
- Headline earnings growth in the private sector was 4.0% in March, compared with 3.8% in the public sector. Earnings growth in the private sector was up from 3.7% in February, while earnings growth in the public sector was also up from 3.7% in February.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in March 2007 was 4.3%).
- In the year to March, 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%.

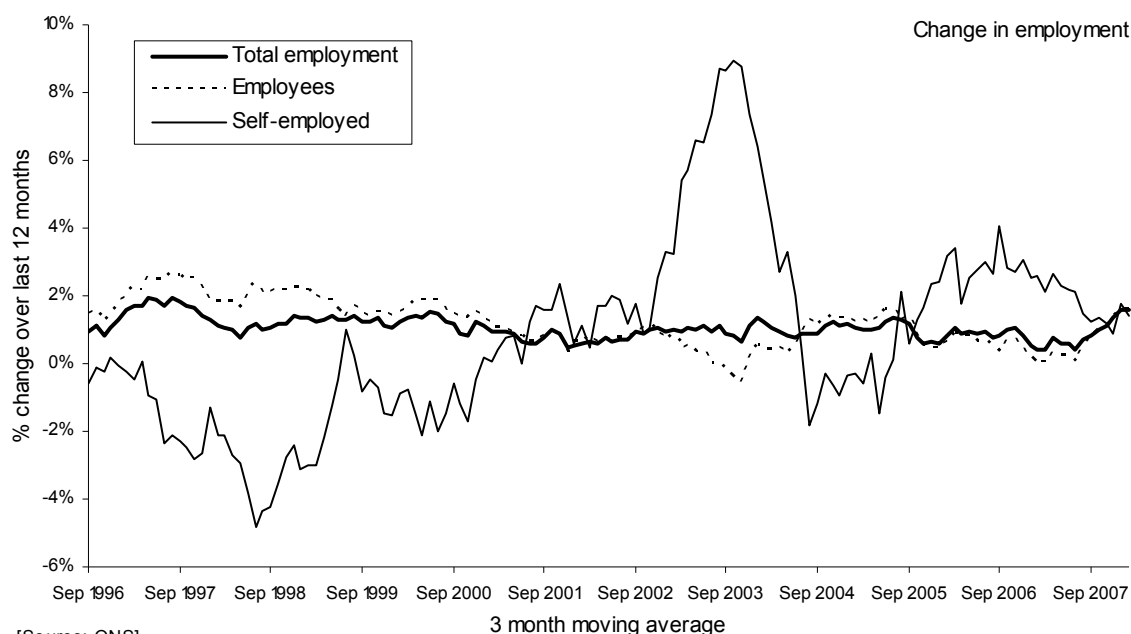
**Average Earnings, Great Britain**  
% change on year; seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2004 Mar	3.9	3.7	4.3
2005 Mar	3.9	3.7	4.3
2006 Mar	3.9	3.7	4.3
2007 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
Mar	4.0	4.0	3.8

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



## C1: Employment



### Employment structure in the UK

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

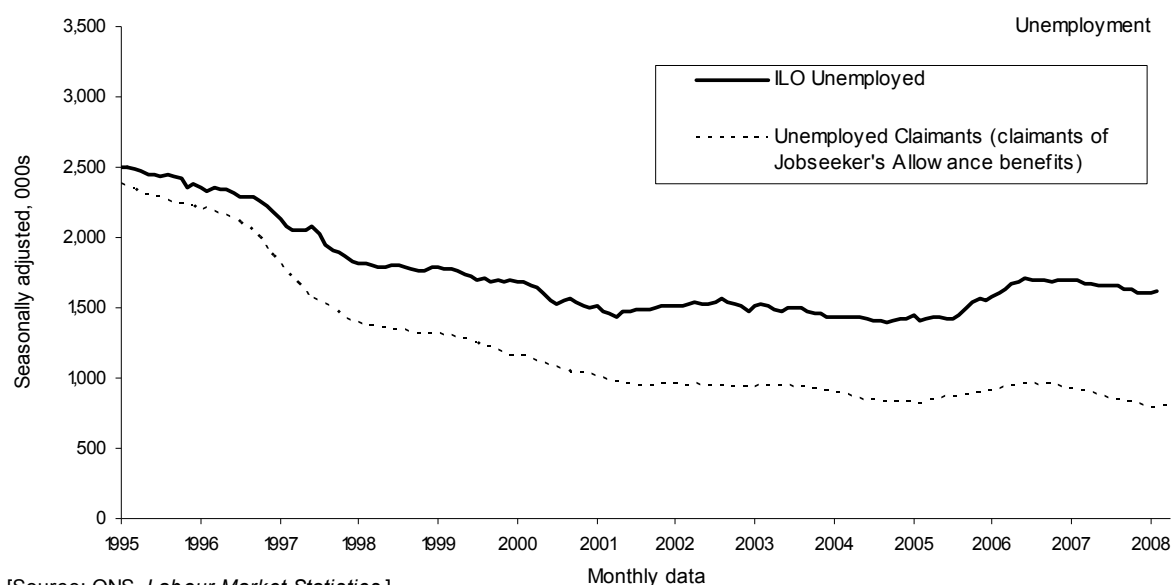
	Total in employment	Employees	Self- employed	Unpaid Family Workers	Government Training
2004 Feb	28,421	24,589	3,609	104	118
2005 Feb	28,729	24,898	3,599	104	128
2006 Feb	28,958	25,062	3,713	88	95
2007 Feb	29,073	25,059	3,810	102	102
2007 May	29,174	25,166	3,794	102	113
2007 Aug	29,262	25,249	3,800	100	114
2007 Nov	29,421	25,381	3,825	104	111
2008 Feb	29,538	25,450	3,863	107	118

#### Changes (%):

on last 3 months	0.4	0.3	1.0	2.7	6.4
on last year	1.6	1.6	1.4	4.9	15.9

Source: ONS

- Total employment was 29.5 million in the period January to March 2008, 1.6% higher than a year earlier. The working age employment rate of 74.9% was 0.1 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.
- 7.5 million people were in part-time employment in the period January to March 2008, of whom 5.7 million were women. 3.9 million people were self-employed.

**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 January to March 2008, the level of ILO unemployment in the UK was 1,612,000 (seasonally adjusted). This was a decrease of 83,000 from the same period a year earlier.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, increased by 7,000 between March and April 2008 to 806,000.

The New Deal for Young People started in January 1998.

- By February 2008, there had been 1,801,000 starts under the scheme. By November 2007, 1,691,000 spells had resulted in 794,000 sustained jobs (47%) 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.

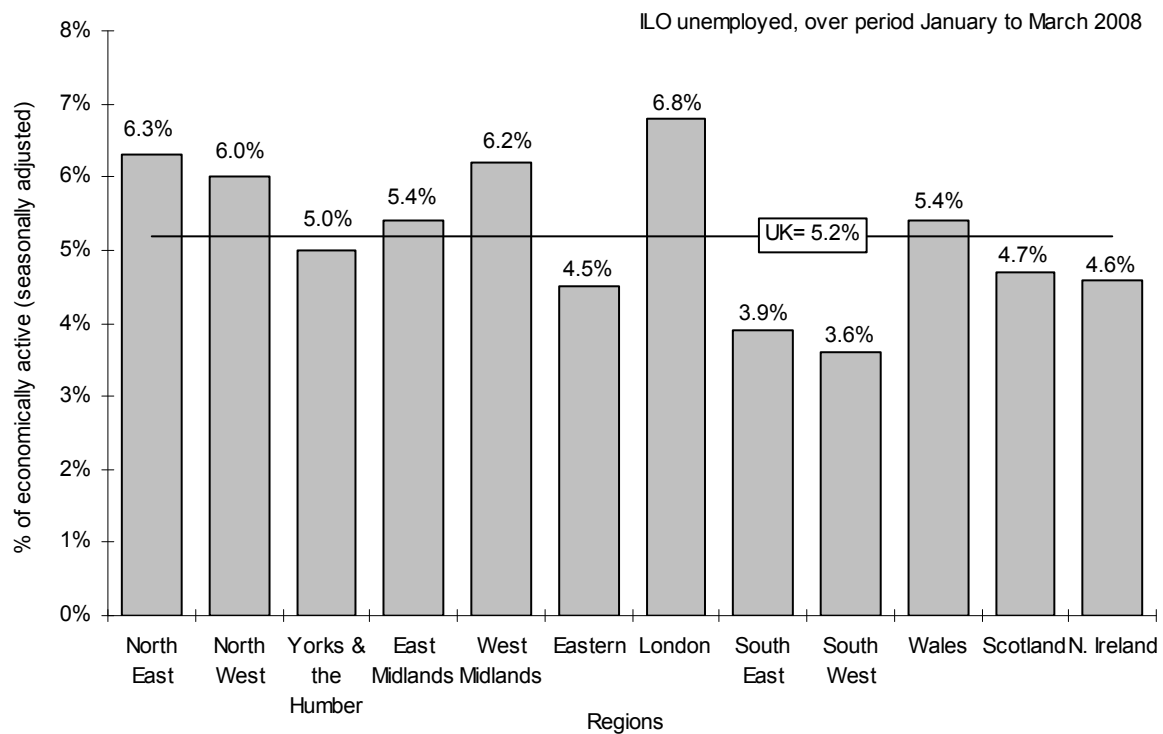
- By February 2008, there had been 1,096,000 starts under the scheme. By November 2007, 643,000 spells had resulted in 281,000 sustained jobs (43%).

**ILO Unemployment in the UK**  
seasonally adjusted

	'000s	(%)
Jan - Mar 2002	1,513	5.2
Apr - Jun	1,521	5.2
Jul - Sep	1,566	5.3
Oct - Dec	1,514	5.1
Jan - Mar 2003	1,528	5.2
Apr - Jun	1,468	5.0
Jul - Sep	1,504	5.1
Oct - Dec	1,457	4.9
Jan - Mar 2004	1,431	4.8
Apr - Jun	1,439	4.8
Jul - Sep	1,404	4.7
Oct - Dec	1,423	4.7
Jan - Mar 2005	1,413	4.7
Apr - Jun	1,438	4.8
Jul - Sep	1,442	4.8
Oct - Dec	1,566	5.2
Jan - Mar 2006	1,601	5.2
Apr - Jun	1,687	5.5
Jul - Sep	1,701	5.5
Oct - Dec	1,696	5.5
Jan - Mar 2007	1,696	5.5
Apr - June	1,658	5.4
Jul - Sep	1,656	5.4
Oct - Dec	1,599	5.2
Jan - Mar 2008	1,612	5.2

Source: ONS, *Labour Market Statistics*

### 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 January to March 2008 London had the highest unemployment rate, 6.8% of the economically active population. The lowest rate over the same period was 3.6%, in the South West.
- A comparison of January to March 2008 with the same period a year earlier shows that the highest fall (19%) in unemployment occurred in the Yorkshire & Humber region. Northern Ireland showed the largest increase (12%) over the period.

#### ILO Unemployment, January to March 2008

change on same period in previous year;  
seasonally adjusted

	Number (rounded)	%
North East	-4,000	-5
North West & Merseyside	7,000	4
Yorkshire & the Humber	-30,000	-19
East Midlands	1,000	1
West Midlands	-5,000	-3
Eastern	-7,000	-5
London	-2,000	-1
South East	-29,000	-14
South West	-7,000	-7
Wales	-3,000	-4
Scotland	-7,000	-5
Northern Ireland	4,000	12

Source: ONS, *Labour Market Statistics*

## C4: Unemployment: International Comparisons



### Unemployment

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

	2006	2007	2006				2007				2008
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Canada	6.3	6.0	6.4	6.2	6.4	6.2	6.1	6.1	6.0	5.9	5.9
France	9.2	8.3	9.5	9.3	9.2	8.9	8.7	8.5	8.2	7.9	7.8
Germany	9.8	8.4	10.4	10.0	9.6	9.2	8.7	8.5	8.3	8.0	7.4
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	3.9
UK	5.4	5.3	5.2	5.4	5.4	5.4	5.5	5.3	5.3	5.0	..
USA	4.6	4.6	4.7	4.7	4.7	4.4	4.5	4.5	4.7	4.8	4.9
Eurozone	8.2	7.4	8.6	8.4	8.1	7.9	7.6	7.5	7.4	7.2	7.1
G7	5.8	5.4	6.0	5.9	5.8	5.6	5.5	5.2	5.4	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	5.5

Source: OECD, Standardised Unemployment Rate, May 2008

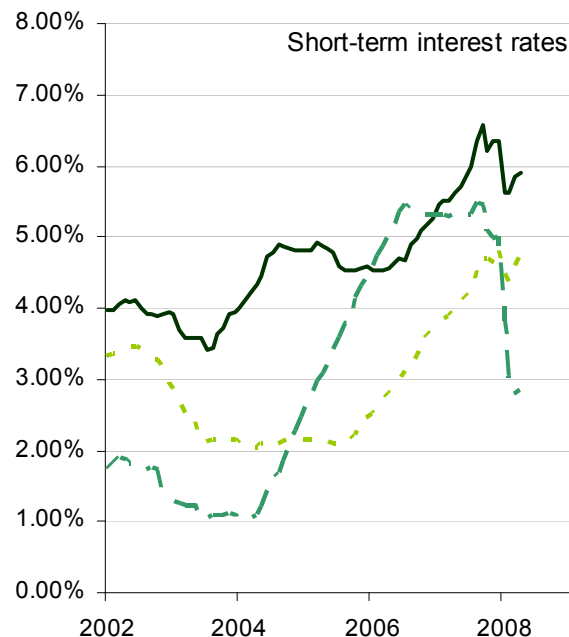
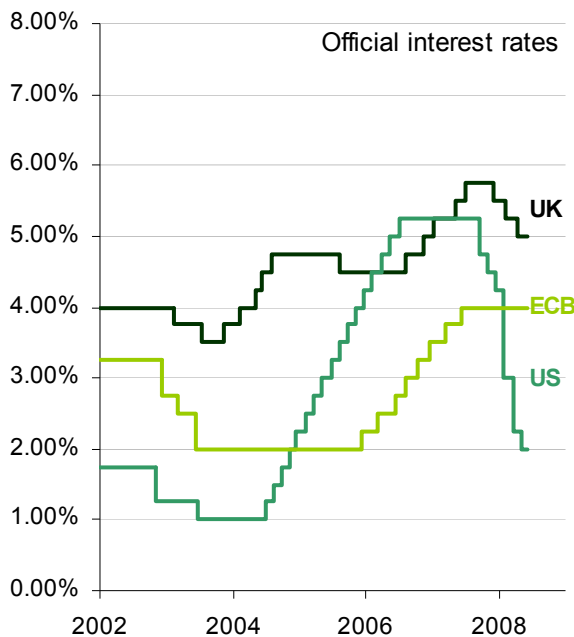
- Using standardised definitions, the UK unemployment rate for 2007 was 5.3%, significantly below the eurozone average (7.4%) and below the G7 and OECD rates (5.4% and 5.6% respectively).
- Between Q4 2006 and Q4 2007 (the latest quarter for which all data are available) the largest fall in unemployment 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*, 6 Jun  
OECD, *Economic Outlook*, Jun

## D1: Interest Rates

- At its latest meeting on 8 May, the Bank of England's Monetary Policy Committee (MPC) voted by eight to one to maintain the interest rate at 5.00%. One member voted for a 25 point reduction. This decision followed a reduction of the rate by 25 basis points at the previous meeting on 10 April.
- 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 8 May.



— 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 2 June 2008

	Official rate	Yield 10yr Govt bonds	3-month market rate
United Kingdom	5.00	10/4/08 4.96	5.90 - 5.76
Eurozone	4.00	6/6/07 n/a	4.87 - 4.77
United States	2.00	30/4/08 3.97	2.85 - 2.75
Japan	0.50	21/2/07 1.75	0.95 - 0.85
Switzerland	2.25-3.25	13/9/07 3.21	2.79 - 2.71

Source: *Financial Times*, 3 June 2008

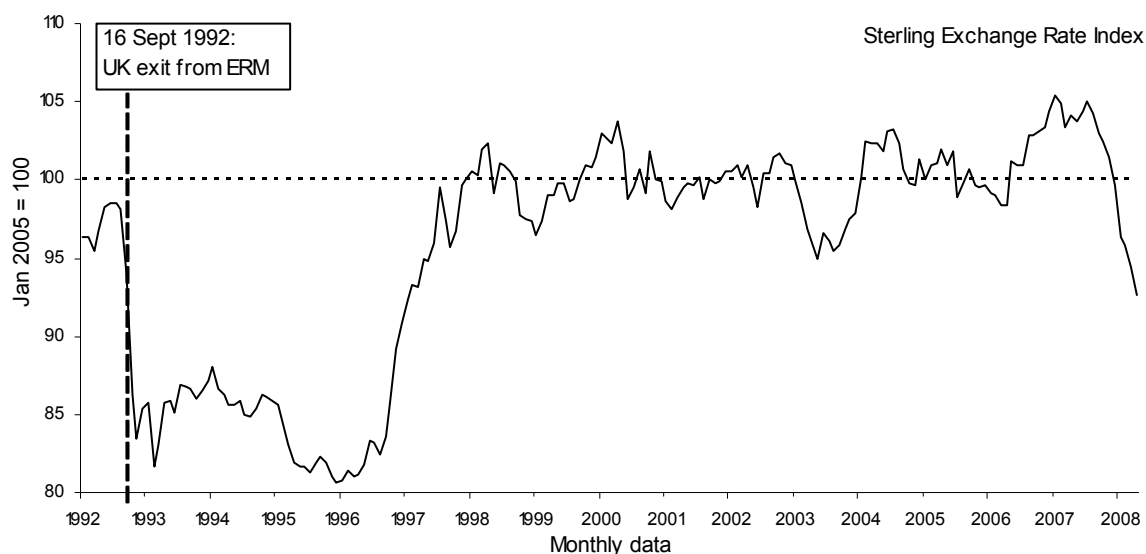
(*Companies & Markets*, p.37)

**Contact:** Bryn Morgan, x4904

**Updates:** Short-term interest rates: OECD, MEI, mid-Jun;  
 Base rates: 5 Jun (UK MPC), 5 Jun (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 7.1 points in April 2008, suggesting that the UK was relatively more competitive at the end of April 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 €1.265 at the London market close on 2 June 2008, compared with a launch rate of €1.476 on 31 December 1998. The pound was worth \$1.966 at the market close on 2 June 2008.

#### Sterling Exchange Rates

rates and % changes

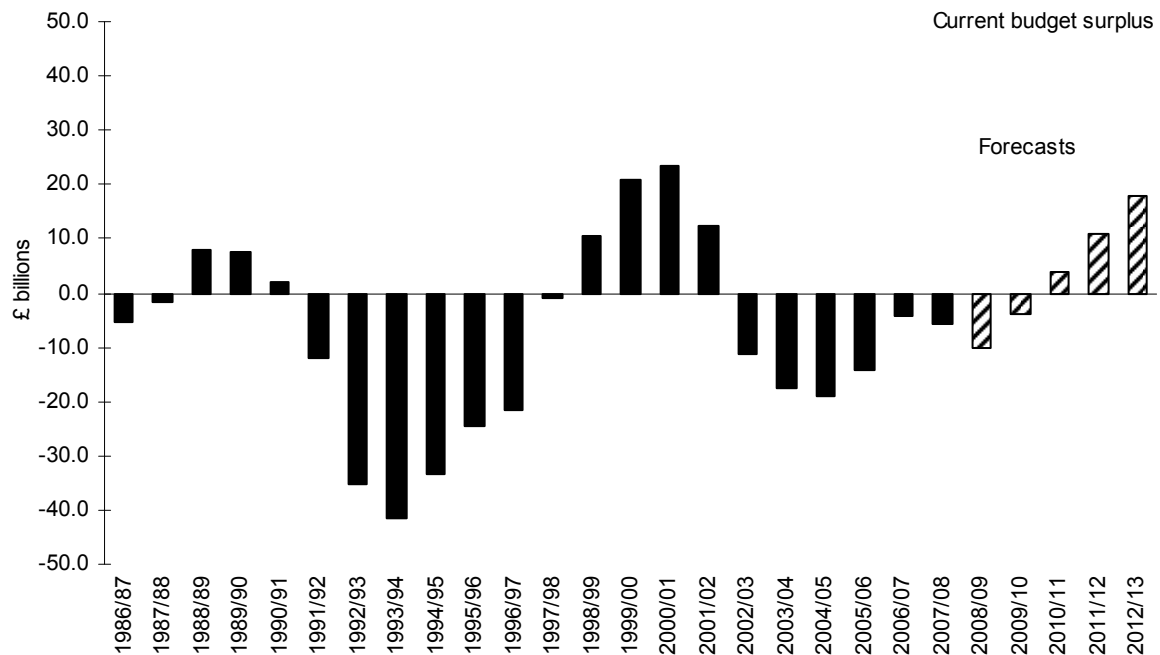
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2004	1.832	12.1	198.1	4.6	1.474	2.0
2005	1.820	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.0	235.6	17.7	1.462	-0.1
2007 Apr	1.991	12.6	236.7	14.4	1.471	2.2
May	1.984	6.1	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
Apr	1.982	-0.5	203.4	-14.1	1.258	-14.5

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

**Contact:** Edward Beale, x2464

**Updates:** ONS, SERI, mid-Jun; 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 have yet to reach a final view about the end point of the cycle. The chart shows outturns for the current budget balance and Treasury forecasts from the 2008 Budget.

The Government other fiscal rule requires it to keep public sector net debt below 40% of GDP in each and every year of the current economic cycle.

ONS has announced that Northern Rock and the Bank of England will be included in the measurement of public debt. The net debt figures in the table do not include them as the ONS is still undertaking quality assurance of the data.

ONS has, however, published estimates including Northern Rock and the Bank of England which show debt at 43.1% of GDP in March 2008, exceeding the 40% limit.

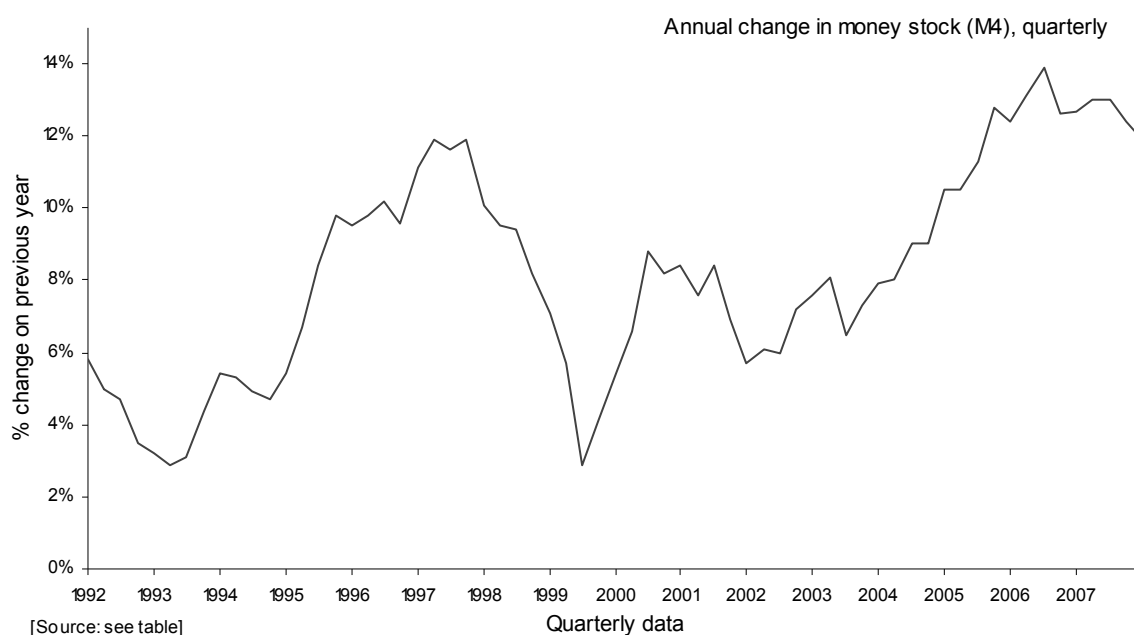
The Code for Fiscal Stability allows the Government to depart temporarily from the fiscal rules. The Government have said that the rule will be assessed looking at debt excluding Northern Rock.

### 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	535.5	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 Apr	5.3	3.7	14.6	12.9
May	7.1	4.6	15.3	14.0
Jun	7.9	4.8	13.8	13.0
Jul	6.8	4.3	12.9	13.2
Aug	4.8	4.6	13.2	13.8
Sep	5.4	5.4	14.4	13.0
Oct	7.2	5.4	10.5	12.1
Nov	6.7	5.4	7.1	12.0
Dec	4.5	5.8	8.7	12.4
2008 Jan	6.0	6.3	14.8	13.2
Feb	7.8	6.6	13.7	12.3
Mar	9.3	6.7	10.9	12.0
Apr	6.7	6.7	6.5	11.1

Source: Bank of England, *Monetary and Financial Statistics*, May 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.

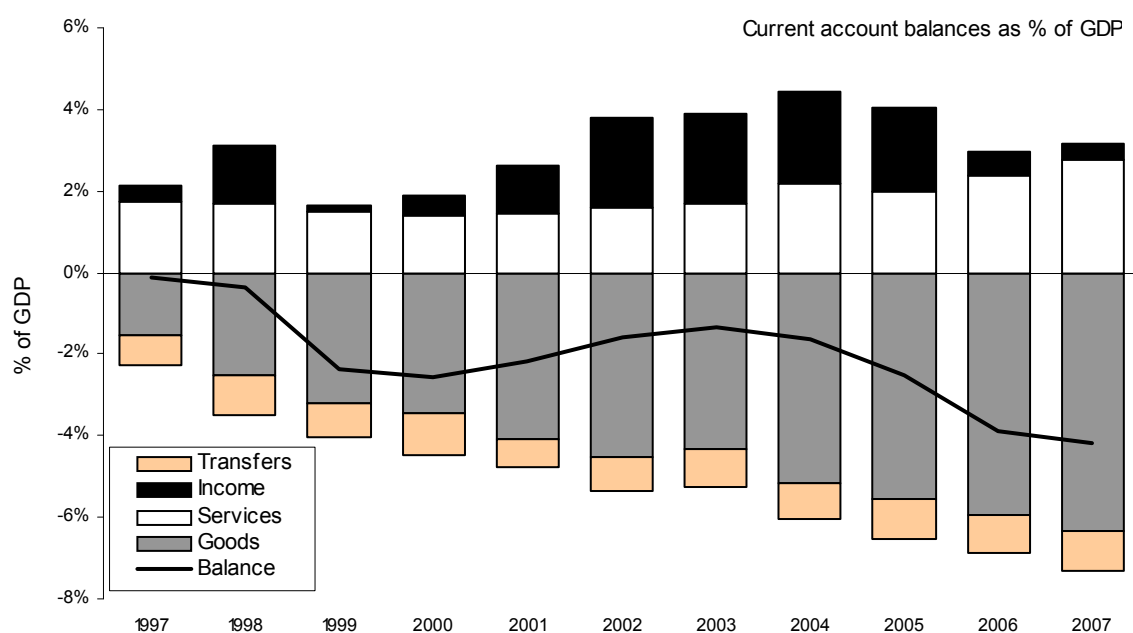
- Seasonally adjusted M4 grew by 11.1% in the 12 months to April 2008. The 12-month seasonally adjusted growth rate of notes and coins was 6.7% in April 2008.
- There are now no formal targets for money supply growth.

**Contact:** Dominic Webb, x4324

**Update:** Bank of England, *Monetary & Financial Stats*, 30 Jun



## 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	-77,555	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 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
2008 Q1	-22,938	9,564	-13,374	..	..	..	..	..

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

- **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).

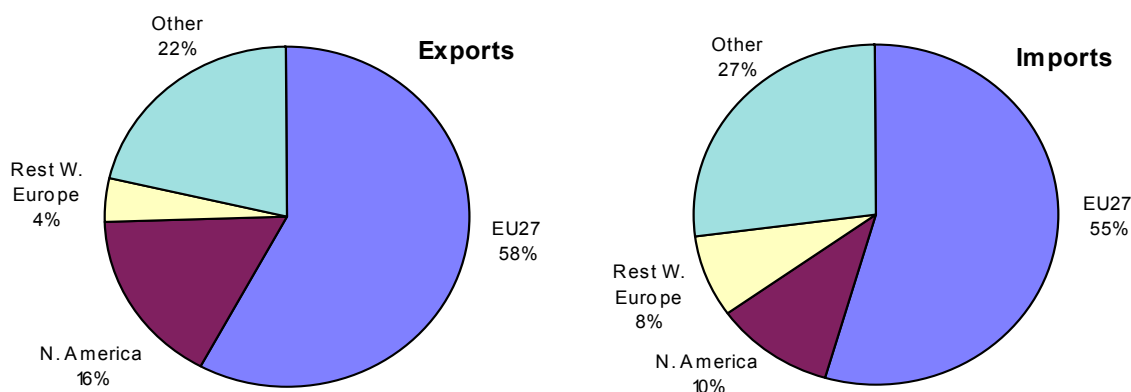
**Contact:** Grahame Allen, x3977

**Updates:** ONS, *UK Balance of Payments*, 27 Jun;  
ONS, *UK Trade*, 11 Jun

## 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
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
2008 Q1	111.2	122.9	59,896	82,834	-22,938

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

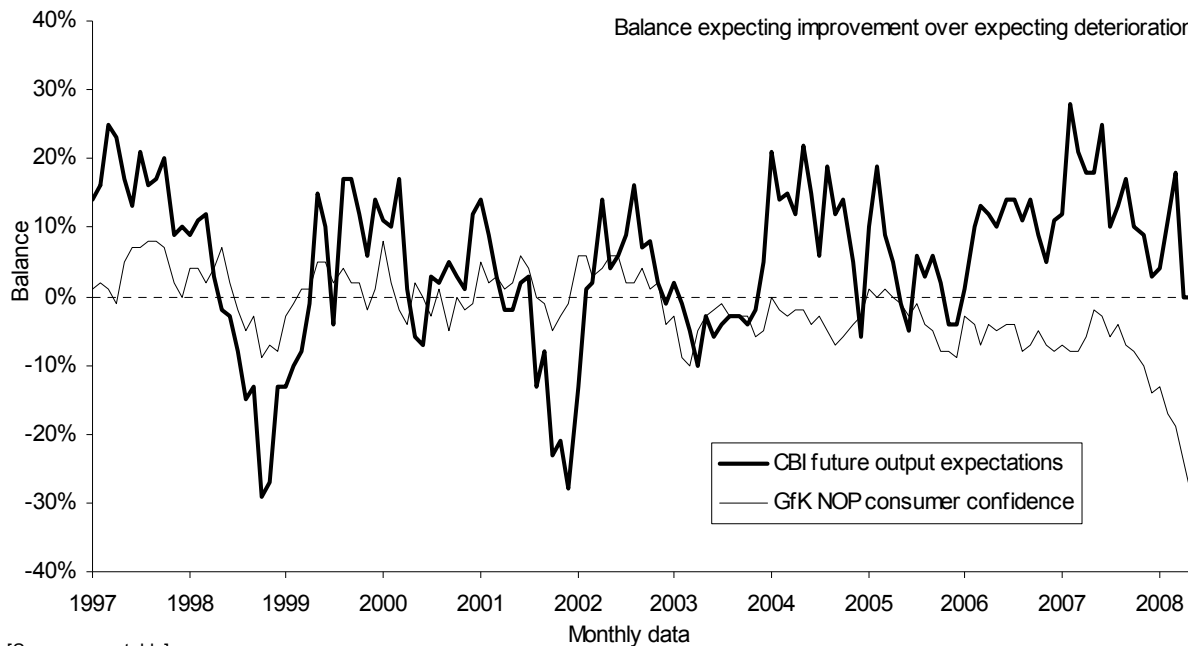
- In March, the provisionally estimated total value of UK goods exports was £20.1 billion and the total value of UK goods imports was £27.6 billion. As a result, the estimated deficit on goods trade was £7.4 billion, lower than the February level of £7.6 billion.
- Geographical breakdowns of UK trade 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 £3.7 billion in March (compared with £3.5 billion in February), while the deficit with non-EU countries was £3.8 billion (compared with £4.1 billion in February).
- The UK’s monthly surplus on trade in **services** was £3.4 billion in March compared with £3.3 billion in February.
- The UK’s overall monthly deficit on **goods and services combined** in March was £4.0 billion, down from £4.3 billion in February.

**Contact:** Grahame Allen, x3977

**Update:** ONS, *UK Trade*, 11 Jun

## 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 May 2008, the same as in April.
- 36% of survey respondents said they expect to increase prices in the next three months, against 6% who expect to cut them. This balance is the highest since February 1995.
- 21% of firms rated their total order book as above normal and 31% said it was below, giving a balance of -10 (-12 for export orders).

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 May to stand at -29, the lowest figure since November 1990. All five measures in the index fell.
- The outlook for major purchases (-32) is 36 points below the May 2007 figure, and the lowest on record (since 1983) for this measure.
- The index for the general economic situation over the next 12 months fell 10 points to -58. This is 40 points below the May 2007 figure and is the lowest since February 1993.

### Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

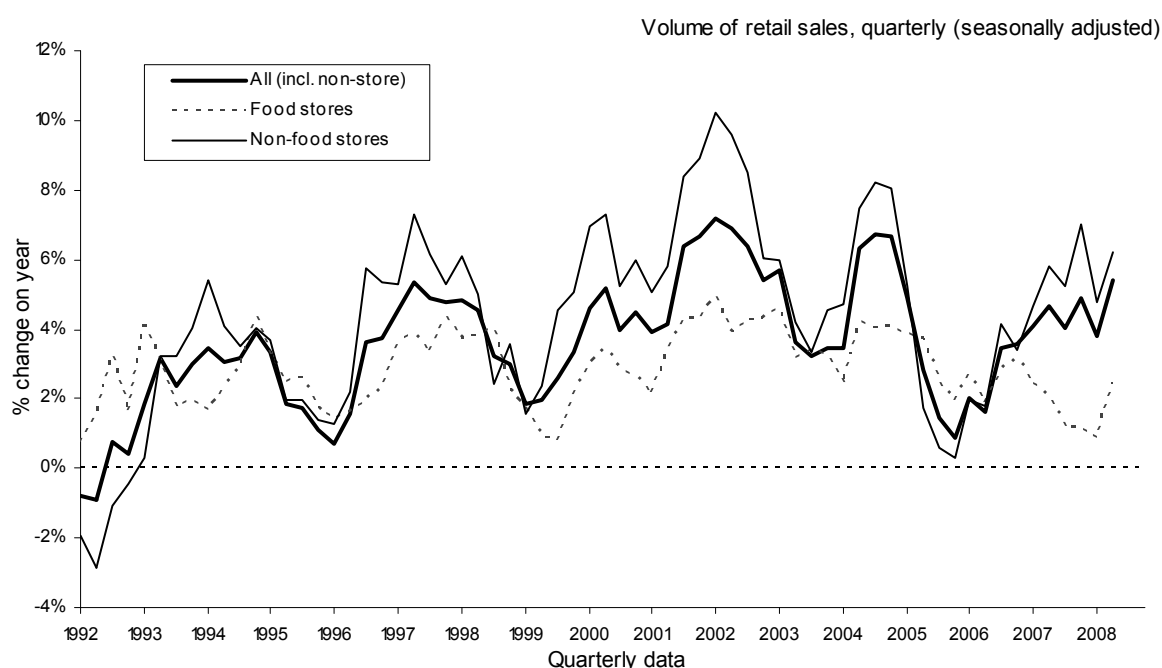
		Future output expectations (CBI)	Consumer confidence (GfK)
2007	May	+18	-2
	Jun	+25	-3
	Jul	+10	-6
	Aug	+13	-4
	Sep	+17	-7
	Oct	+10	-8
2008	Nov	+9	-10
	Dec	+3	-14
	Jan	+4	-13
	Feb	+11	-17
	Mar	+18	-19
	Apr	0	-24
	May	0	-29

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 Jun; CBI, *Industrial Trends* (Monthly), end-Jun

## F2: Retail Sales



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

- The *volume* of retail sales in the three months from February to April was 1.5% higher compared with the previous three month period, and was 4.8% higher than a year previously (seasonally adjusted).
- Retail sales volumes in April 2008 were 1.9% higher than in April 2007 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 5.4% in February to April compared with the same quarter a year earlier. In stores selling mainly food, sales volumes grew by 2.2% 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

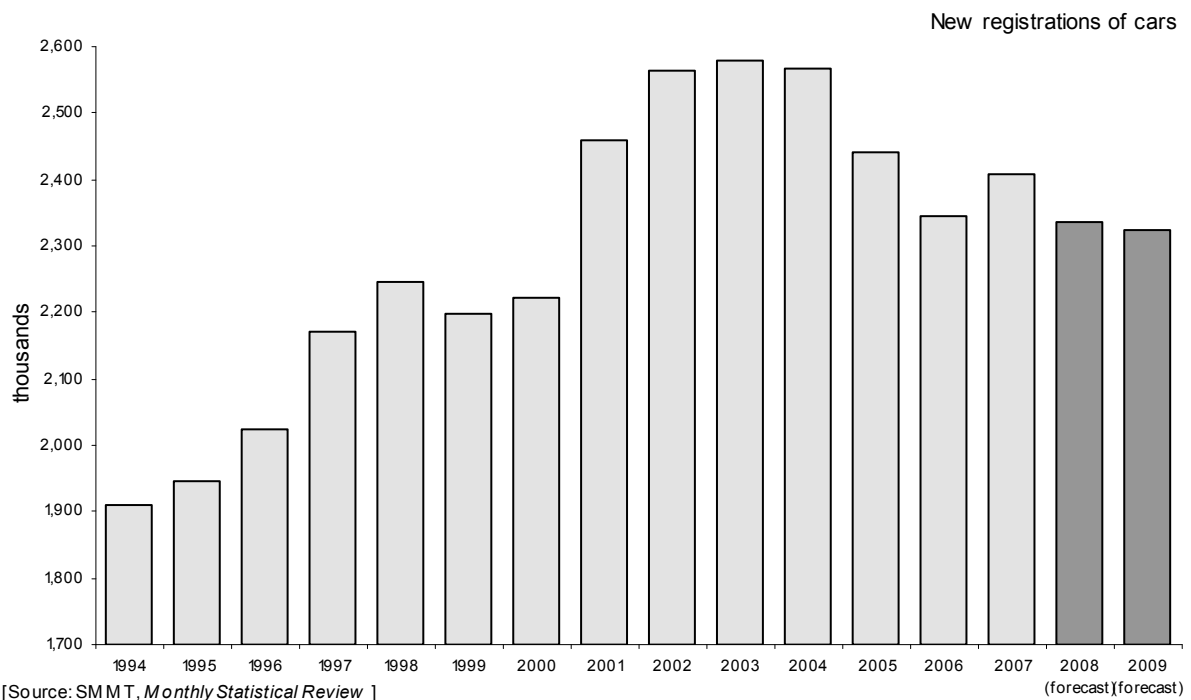
% change on year; non-seasonally adjusted

	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	4.4	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	4.7	3.6
Q4	0.8	1.0	3.2	5.3	2.4
2008 Q1	2.6	3.3	1.5	16.4	5.3

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

- The average weekly *value* of retail sales in April 2008 was £5.0 billion, a 1.9% 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 3.2% in April 2008, compared with the previous April's figure, to 175,837 units.

- The number of new registrations of cars was just over 2.4 million units in 2007.
- New registrations of cars are forecast to fall by 3.0% in 2008 and then fall by a further 0.4% 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.

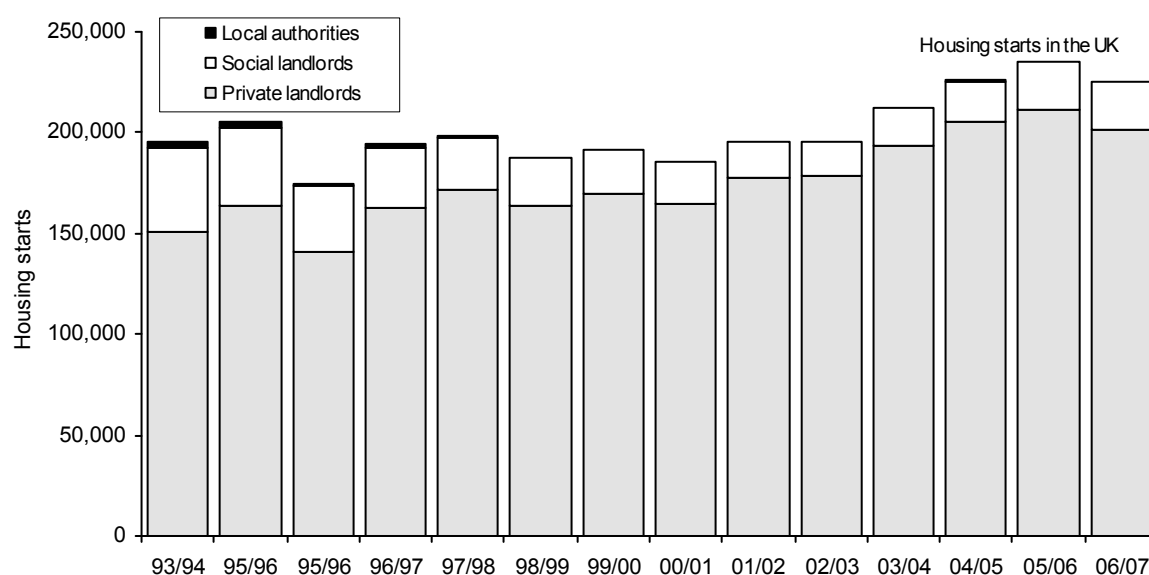
#### New Registrations of Cars

000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2007	2,407	2.5
2008 (forecast)	2,335	-3.0
2009 (forecast)	2,325	-0.4
2007 Apr	170	4.4
May	186	-2.0
Jun	223	1.7
Jul	177	5.1
Aug	78	-0.3
Sep	420	1.4
Oct	167	8.6
Nov	159	2.3
Dec	138	3.2
2008 Jan	166	0.0
Feb	70	-5.4
Mar	452	0.5
Apr	176	3.2

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 58,296 dwelling starts in the UK in Q1 2007, compared with 63,983 in Q1 2006. In Q1 2007 there were 56,851 completions compared with 50,539 in Q1 2006 (all data are not seasonally adjusted).

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

- **Monthly** UK house prices fell by 1.2% in April compared to a fall of 2.5% in March.
- **Annual** house prices in April were 0.9% lower than in the same month in 2007 (compared with 1.1% higher in March 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: HB OS, *Halifax House Price Index* (historical data)

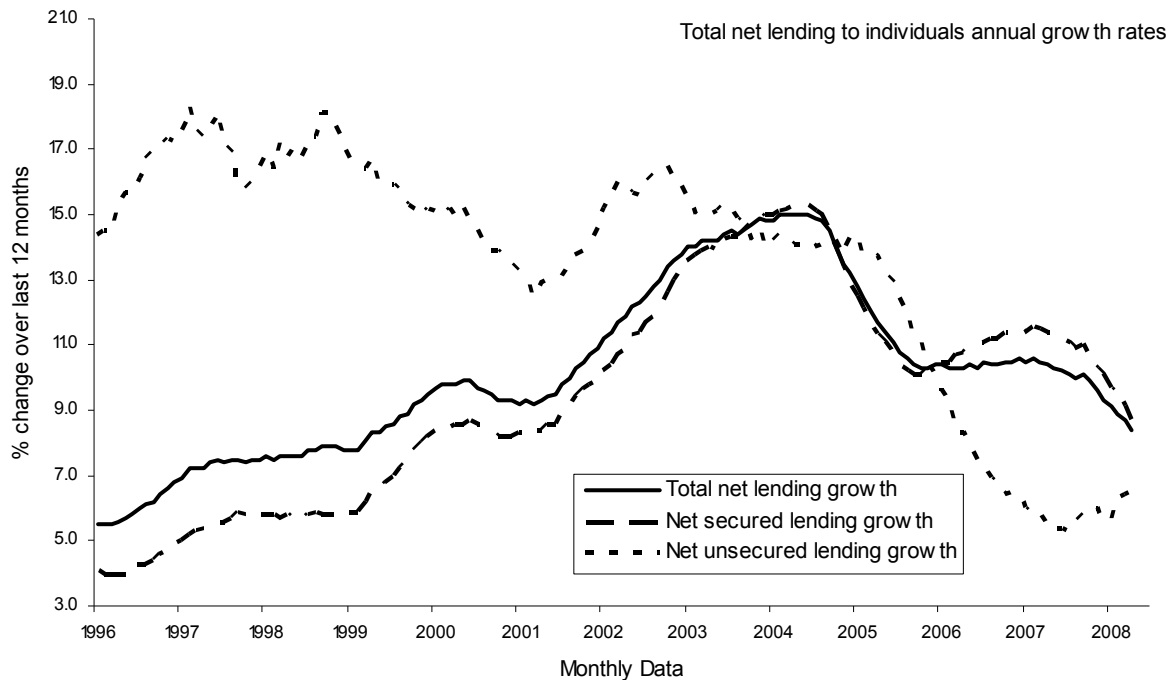
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in March 2008 stood at £217,344, up from £217,089 in February 2008. **Annual** house price inflation in March was 5.2%, down from 6.3% in February 2008.
- Regionally, **annual** house price inflation in March was highest in Scotland (9.3%) and lowest in Northern Ireland (-1.2%).

**Contact:** Grahame Allen, x3977

**Updates:** *Halifax House Prices*, early Jun; DCLG, *House Prices*, 10 Jun; *House-building*, Aug

## 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 Apr	811,136	186,298	997,434	15.3	14.1	15.0
2005 Apr	903,078	204,171	1,107,249	11.3	13.7	11.7
2006 Apr	999,730	211,789	1,211,520	10.8	8.3	10.3
2007 Apr	1,112,761	213,448	1,326,209	11.4	5.4	10.4
Jul	1,140,465	214,583	1,355,048	11.1	5.3	10.1
Oct	1,170,512	218,684	1,389,196	10.6	6.1	9.9
2008 Jan	1,186,612	227,117	1,413,729	9.7	5.7	9.1
Apr	1,206,669	229,642	1,436,311	8.7	6.5	8.4

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

- Total net outstanding lending to individuals was £1,436 billion at the end of April 2008 (seasonally adjusted).
- Total net lending to individuals grew by 0.5% in April 2008 compared with the previous month, and grew by 8.4% on an annual basis (all seasonally adjusted); the annual growth rate is 0.3 percentage points lower than in March 2007.
- Of the £7.3 billion increase in net lending in April 2008, £6.4 billion was mortgage borrowing and £0.9 billion was consumer credit (seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** Bank of England, *Lending to Individuals*, 30 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](http://www.statistics.gov.uk/press_release/CurrentReleases.asp).

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



Indicator		Source details (coloured text is a hyperlink to the source)
D4	<b>Public Finances</b>	<b>Data:</b> ONS, <a href="#">Public Sector Accounts</a> or <a href="#">Public Sector Finances</a> ; ONS database <b>Forecasts of budget surplus:</b> HM Treasury, <i>Pre-Budget Report</i> , table B2 or <i>Budget Red Book</i> , table C2.
D5	<b>Money Supply</b>	<b>Bank of England:</b> <a href="#">Bankstats</a> , tables A 1.1 and A 2.2.1; and ONS Database.
E1	<b>International Trade</b>	<b>Data:</b> ONS Database; <b>Commentary:</b> ONS, <a href="#">Balance of Payments</a>
E2	<b>Trade in Goods</b>	<b>Data:</b> ONS Database; <b>Commentary:</b> ONS, <a href="#">UK Trade</a> ;
F1	<b>Survey Indicators</b>	<b>Future Output Expectations/Quarterly Business Confidence:</b> Confederation of Business Industry (CBI), <a href="#">Economic and Business Outlook and Quarterly Industrial Trends Survey</a> press releases; <b>Consumer Confidence:</b> GfK NOP <a href="#">Consumer Confidence Barometer</a> ;
F2	<b>Retail Sales</b>	ONS, <i>Retail Sales</i> release
F3	<b>New Car Registrations</b>	Society of Motor Manufacturers and Traders, <i>Monthly Statistical Review</i> (in Library holdings)
F4	<b>Housing</b>	<b>Department for Communities and Local Government (DCLG, formerly Office of the Deputy Prime Minister) UK Housing Starts:</b> <a href="#">table 201</a> ; <b>DCLG House building statistics:</b> <a href="#">statistical release</a> ; <b>Halifax House Price data:</b> <a href="#">housing research page</a> ; <b>DCLG Experimental House Prices:</b> <a href="#">statistical release</a>
F5	<b>Consumer Debt</b>	Bank of England <a href="#">Lending to Individuals</a> and <a href="#">database</a> :

## VI Glossary

### Symbols and abbreviations

..	Figure(s) not yet available
<b>CBI</b>	Confederation of British Industry
<b>ILO</b>	International Labour Organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ONS</b>	Office for National Statistics

### Definitions<sup>27</sup>

**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

<sup>27</sup> 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 official bank rate:** The rate the Bank of England pays on reserves held by commercial banks with the Bank.

**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.