



RESEARCH PAPER 08/70
2 SEPTEMBER 2008

Economic Indicators, September 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.

Next publication date: **7 October 2008**

Bryn Morgan (editor)

ECONOMIC POLICY AND STATISTICS SECTION

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I Introduction to *Economic Indicators*

Economic Indicators research papers are published on the **first Tuesday** of the month. In months when the House is sitting it includes articles as well as the individual indicator updates. 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:

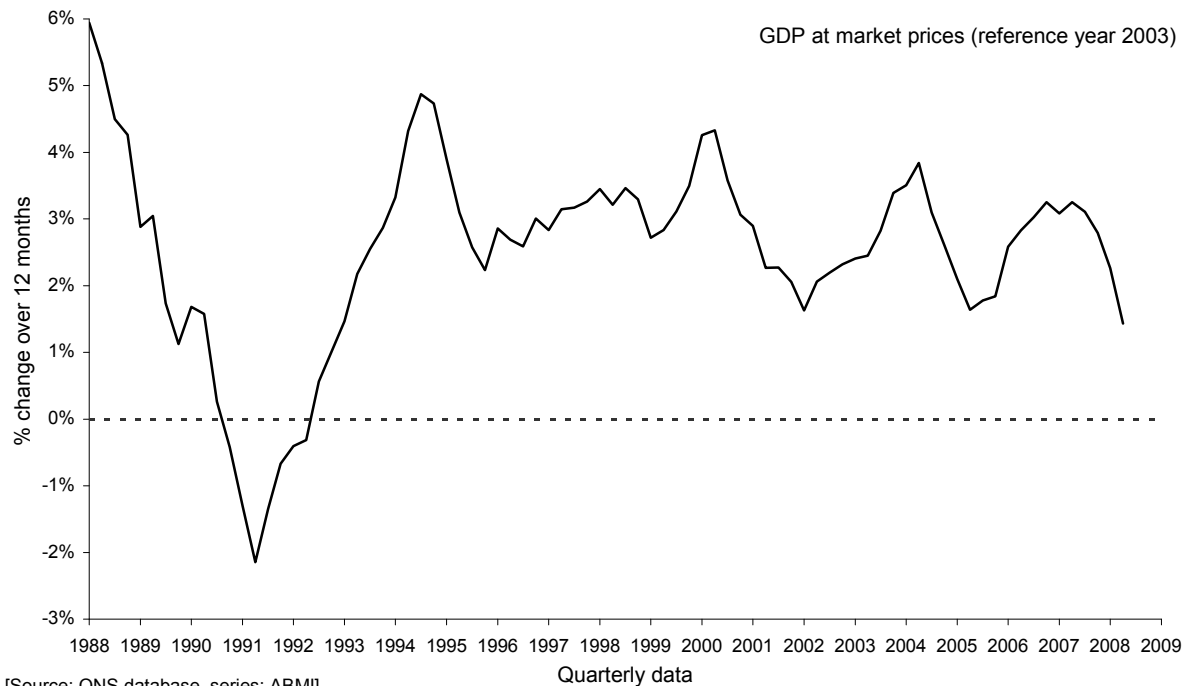
Subject	Statistician	tel. extn.
Balance of payments	Grahame Allen	3977
EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Edward Beale	2464
Financial services	Ed Potton	2883
Housing	Bryn Morgan	4904
Incomes	Ian Townsend	2042
Industries	Ed Beale/Ian Townsend	2464/2042
National accounts	Dominic Webb	4324
International development	Edward Beale	2464
International economies	Ian Townsend	2042
Prices & interest rates	Dominic Webb	4324
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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 Oriel Room of the Main Library (extn. 3666).

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	1,381.6	6.0	3.1
2007 Q2	344.0	6.7	3.3
Q3	348.2	5.8	3.1
Q4	351.7	5.6	2.8
2008 Q1	355.7	5.3	2.3
Q2	357.9	4.0	1.4

Source: ONS database, series: YBHA, ABMI

- The UK economy is estimated to have grown by 3.1% in 2007, compared with 2.9% in 2006.
- The chained volume measure of gross domestic product (GDP) at market prices was estimated to be the same in Q2 2008 than in the previous quarter (Q1 2008). Compared with the same quarter in the previous year (Q2 2008 on Q2 2007) this measure of GDP was estimated to be 1.4% higher.
- In August 2008, HM Treasury's average of independent economic forecasts of GDP growth for 2008 was 1.4%, down from 1.6% in July. The average growth forecast for 2009 was 0.9% in August.

Contact: Grahame Allen, x3977**Updates:** HM Treasury, *Forecasts for the UK Economy*, 17 Sep; ONS, *Quarterly National Accounts*, 30 Sep

A2: GDP: International Comparisons



[Source: OECD, *Main Economic Indicators*]

GDP at constant market prices

% changes

	% change on year				% change quarter on quarter					
	2004	2005	2006	2007	2007				2008	
					Q1	Q2	Q3	Q4	Q1	Q2
USA	3.6	2.9	2.8	2.0	0.0	1.2	1.2	0.0	0.2	0.8
Japan	2.7	1.9	2.4	2.1	1.0	-0.4	0.2	0.6	0.8	-0.6
Canada	3.1	2.9	3.1	2.7	1.0	1.0	0.6	0.2	-0.2	0.1
United Kingdom	3.3	1.8	2.9	3.1	0.8	0.9	0.6	0.6	0.3	0.0
Germany	1.2	0.8	3.0	2.5	0.4	0.4	0.6	0.3	1.3	-0.5
France	2.5	1.9	2.2	2.2	0.6	0.6	0.7	0.4	0.4	-0.3
Italy	1.5	0.6	1.8	1.5	0.3	0.1	0.2	-0.4	0.5	-0.3
Eurozone	1.9	1.8	2.9	2.7	0.8	0.3	0.6	0.4	0.7	-0.2
G7	3.0	2.2	2.7	2.2	0.4	0.7	0.8	0.2	0.4	0.2
OECD	3.3	2.6	3.1	2.7	0.6	0.8	0.8	0.4	0.5	..

Source: OECD, *Main Economic Indicators*, August 2008 (via OECD Stats browser)

- Of the OECD countries displayed in the table above, Japan, Germany, France, and Italy all recorded negative growth in Q2 2008. Annual UK GDP growth was 3.1% in 2007 compared with 2.0% in the US and 2.7% in the Eurozone.
- Historic annual growth in the eurozone has been weaker than growth in all OECD countries and the G7. However, in 2007 eurozone growth was 2.7%, higher than G7 growth of 2.2%.
- UK growth is forecast to be 1.8% in 2008 compared with 1.2% in the US and 1.7% in Japan. Overall OECD growth is forecast to be 1.8% in 2008.

OECD growth forecasts

% change on year

	2007	2008	2009
USA	2.2	1.2	1.1
Japan	2.1	1.7	1.5
United Kingdom	3.0	1.8	1.4
Eurozone	2.6	1.7	1.4
OECD	2.7	1.8	1.7

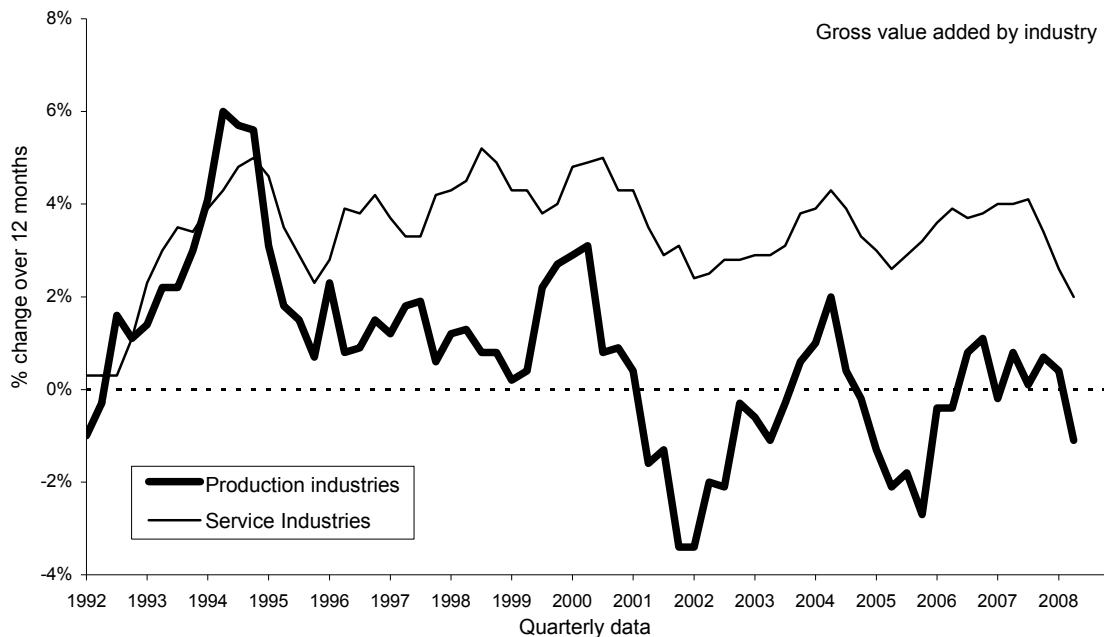
Source: OECD, *Economic Outlook*, Jun 2008

Contact: Ian Townsend, x2042

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

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 2.0%. Between the first and second quarter of 2008 annual output growth in the service sector decreased by 0.6 percentage points.

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	3.9	-3.0	2.4
2007 Q2	0.8	1.1	4.0	-3.1	2.9
Q3	0.1	0.1	4.1	-4.5	2.2
Q4	0.7	0.2	3.4	-2.1	2.3
2008 Q1	0.4	0.9	2.6	1.0	2.4
Q2	-1.1	-0.8	2.0	0.9	0.5

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

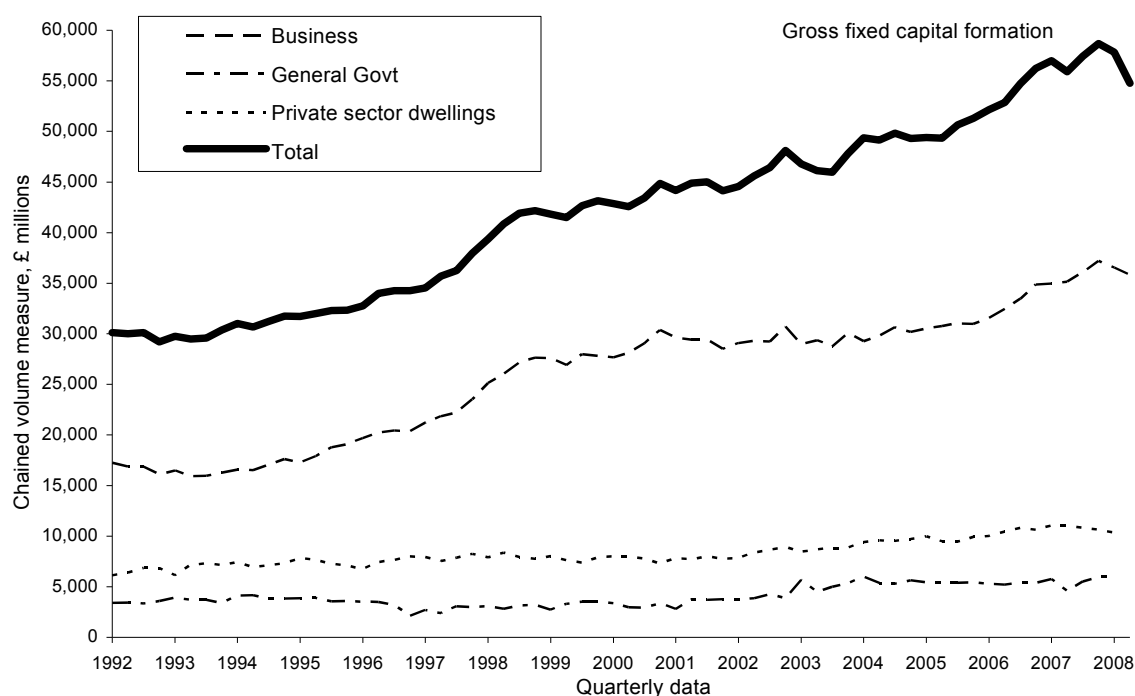
- Manufacturing output decreased by 0.8% in the second quarter of 2008 compared with the same quarter in 2007, and manufacturing output increased by 0.6% overall in 2007.
- In 2006, services accounted for 75% of gross value added, manufacturing for 13%, other production industries (mining & quarrying, and electricity, gas & water supply) for 5%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *Quarterly National Accounts*—Q2, 30 Sep

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	15,694	69,795	80,808	47,344	15,351	228,993
2007 Q1	4,016	17,483	19,648	11,985	3,873	57,006
Q2	3,943	16,764	19,442	11,965	3,788	55,901
Q3	3,912	17,231	20,660	11,778	3,836	57,417
Q4	3,823	18,317	21,058	11,616	3,854	58,669
2008 Q1	3,923	17,401	21,059	11,521	3,908	57,813

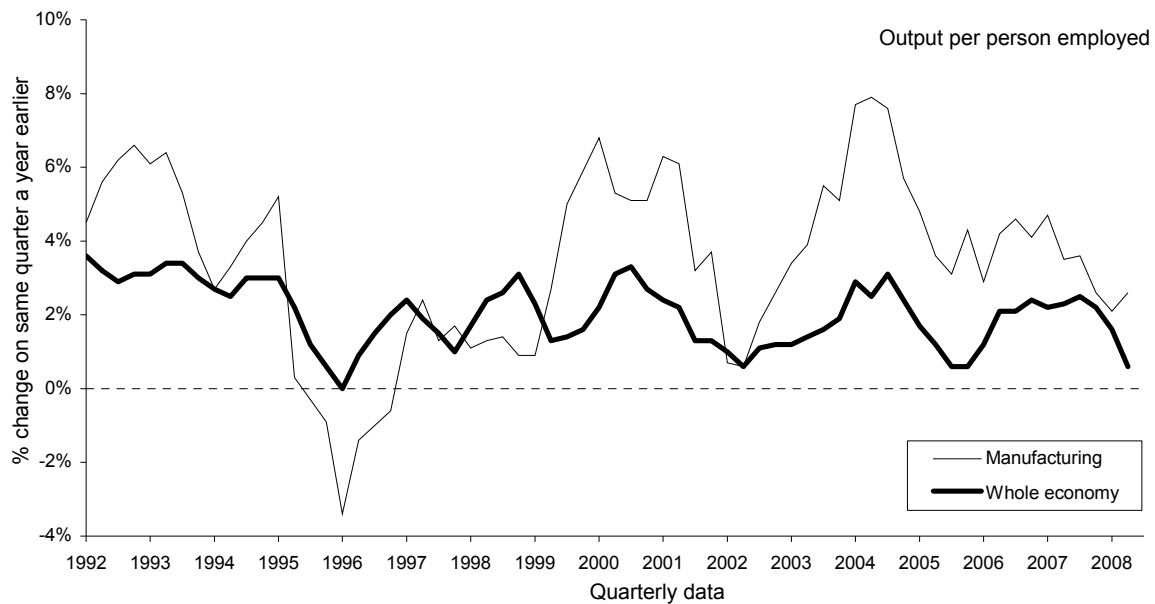
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment decreased by 1.9% in Q2 2008 compared with the previous quarter, and increased by 1.9% compared with Q2 2007 on a seasonally adjusted basis.
- Total manufacturing investment decreased by 5.8% in Q2 2008 compared with the previous quarter while investment in private sector services decreased by 2.6% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 30 Sep

A5: Productivity



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

Productivity

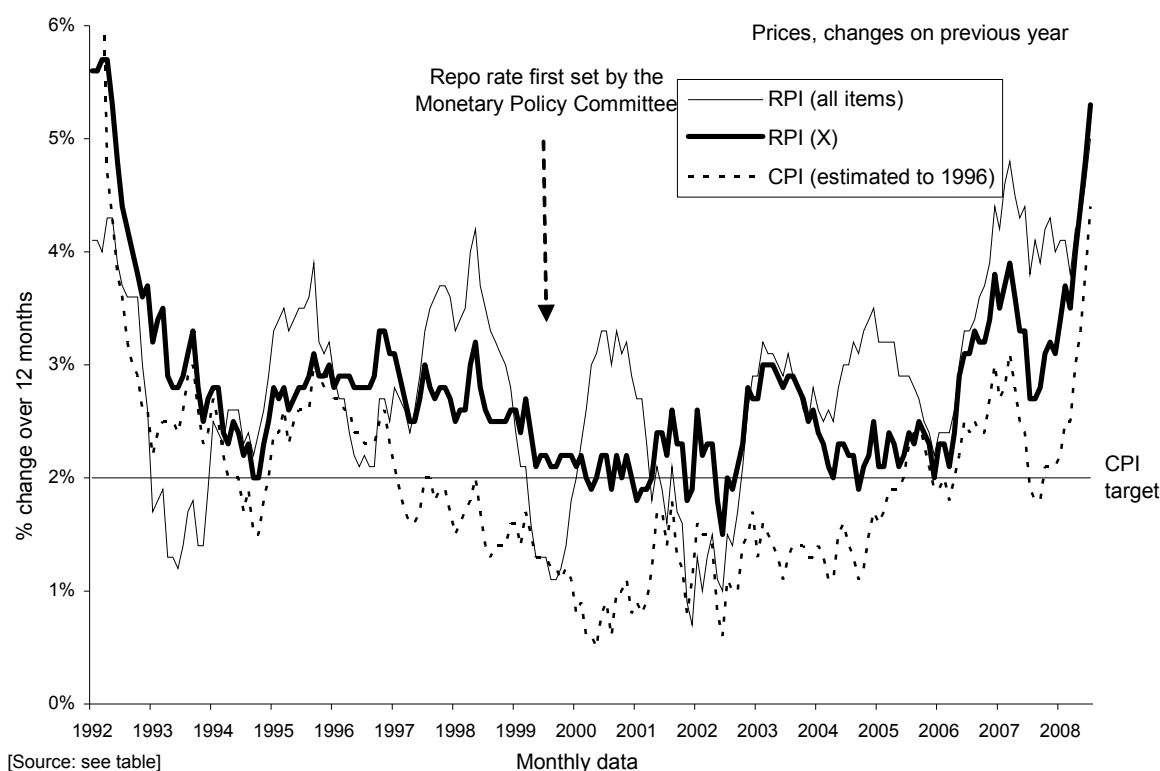
% changes on year; seasonally adjusted

	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	0.9
2006	1.5	-2.7	4.4	3.0	0.8	2.2
2007	0.6	-2.2	3.0	3.0	0.8	2.2
2007 Q1	0.9	-2.4	3.5	3.1	0.7	2.3
Q2	1.1	-2.4	3.6	3.3	0.7	2.5
Q3	0.1	-2.4	2.6	3.2	0.8	2.2
Q4	0.2	-1.9	2.1	2.9	1.1	1.6
2008 Q1	0.9	-1.7	2.6	2.2	1.5	0.6
Q2	-0.8	-2.0	1.3	1.4

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 2.2% in 2007 compared with 2.2% in 2006 and 0.9% 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 was 1.3% per annum in Q2 2008 compared to 2.6% per annum in the previous quarter, while whole economy productivity growth decreased from 1.6% per annum in Q4 2007 to 0.6% per annum in Q1 2008.
- For the economy as a whole, productivity growth has averaged 2.0% per annum over the last eight quarters. Figures on this page are based on output per job.

B1: Prices



On 10 December 2003 the (then) 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 July, the consumer prices index (CPI) showed inflation at 4.4%, up from 3.3%. This is the third month in a row in which the CPI has been more than 1 percentage point greater than the inflation target.
- The largest upward effect on the CPI came from food and non-alcoholic beverages. There were further large upward contributions from transport costs, housing and household services (due to gas and electricity), furniture, household equipment and maintenance, and clothing and footwear.
- There was a small downward contribution to the CPI annual rate from recreation and culture.
- The former headline (all items RPI) rate of inflation was 5.0% in July, up from 4.6% in June. The underlying RPI(X) rose to 4.4% in July from 3.8% in June.
- The largest upward effect on the RPI came from food. The largest downward effect came from housing.

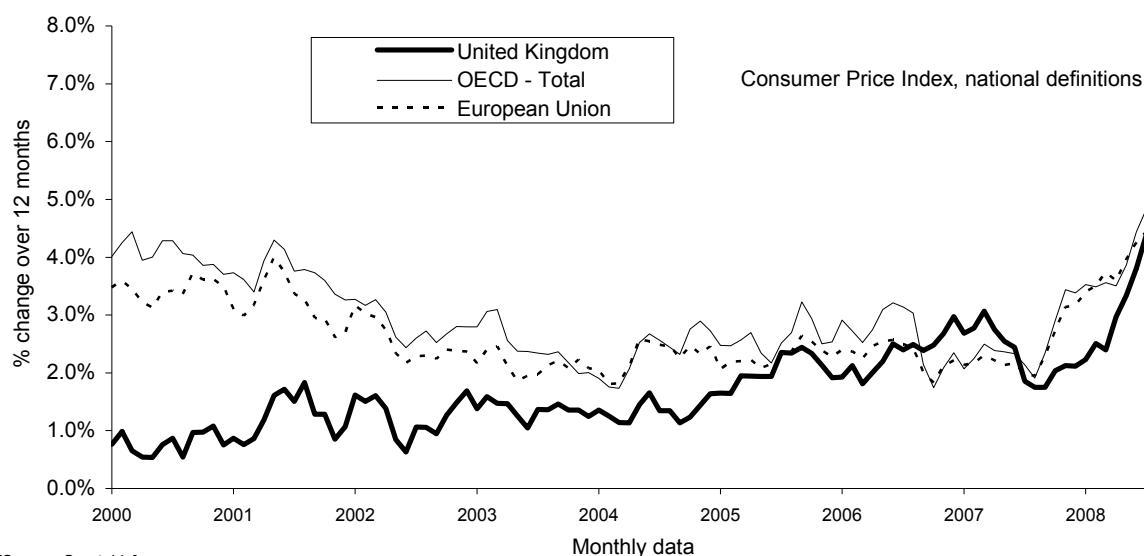
Price Indices

% change over 12 months

	CPI (was HICP)	RPI (all items)	RPI (X)
2004	1.3	3.0	2.2
2005	2.1	2.8	2.3
2006	2.3	3.2	2.9
2007	2.3	4.3	3.2
2007 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
May	3.3	4.3	4.4
Jun	3.8	4.6	4.8
Jul	4.4	5.0	5.3

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

B2: Prices: International Comparisons



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
2008 Feb	4.0	1.8	1.0	2.5	3.5
Mar	4.0	1.4	1.2	2.4	3.6
Apr	3.9	1.7	0.8	3.0	3.5
May	4.2	2.2	1.3	3.3	3.9
Jun	5.0	3.1	2.0	3.8	4.4
Jul	5.6	3.4	2.3	4.4	4.8

Source: OECD, Consumer Prices Release

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

- Inflation in the United States was 5.6% in July, an increase of 0.6 percentage points from June;
- The average inflation rate for all OECD countries in July was 4.8%, the highest rate of inflation rate seen since November 1997;
- The EU's average inflation rate, based on harmonised indices of consumer prices (not in the table, but shown in the chart above), was 4.0% in July.

EU/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
2008 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
May	3.7	3.1	3.7	3.3	3.7
Jun	4.0	3.4	4.0	3.8	4.0
Jul	4.0	3.5	4.0	4.4	4.0

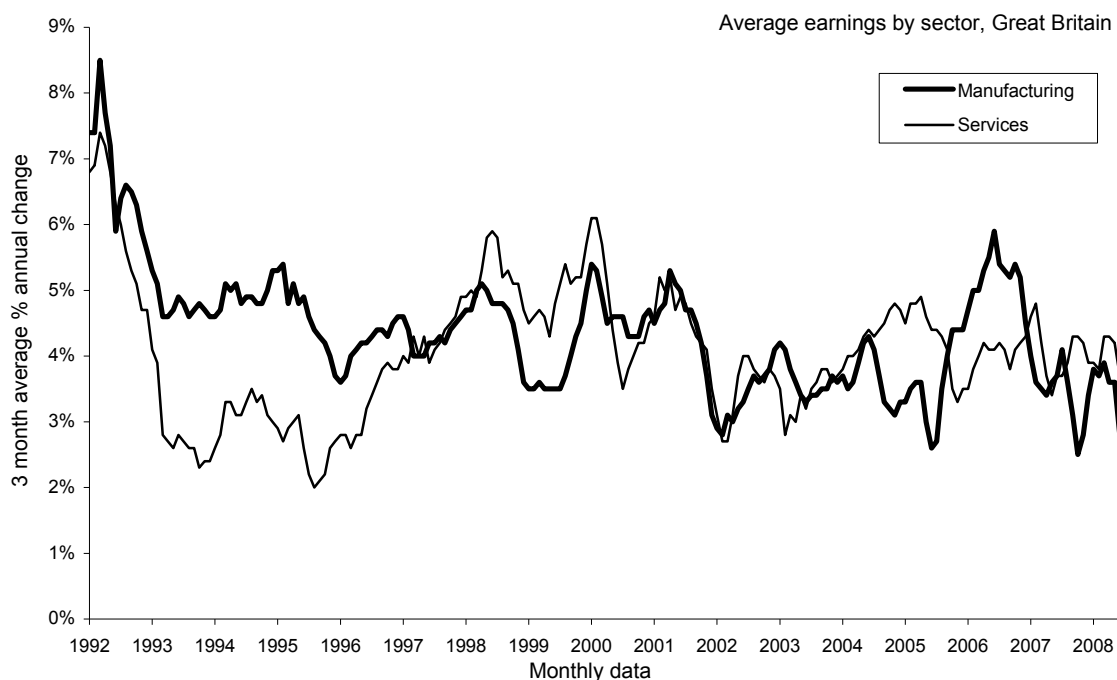
Source: Eurostat, Euro-Indicators news release, Aug 2008

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

- Eurozone annual inflation was 4.0% in July. The flash estimate for August is 3.8%.
- The monthly HICP inflation rates in July for the EU15 Member States not in the eurozone were 4.4% in Denmark, 4.1% in Sweden and 4.4% in the UK.
- The eurozone countries with the highest HICP annual inflation rates in July were Slovenia (6.9%), Belgium (5.9%) and Luxembourg (5.8%). The lowest rates were in the Netherlands (3.0%), Portugal (3.1%), and Germany (3.5%)

Contact: Ian Townsend, x2042

Updates: OECD, *Consumer prices release*, 2 Sep
Eurostat, *Euro-indicators news release*, 16 Sep (and flash estimate 30 Sep)

B3: Average Earnings Index

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

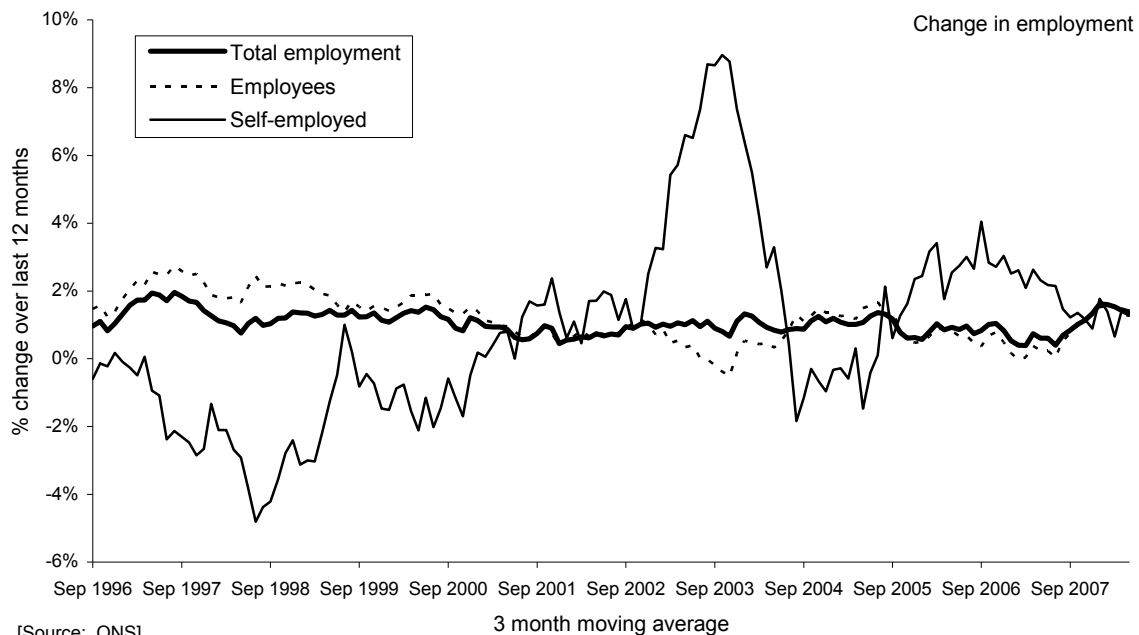
- The headline rate of growth in average earnings for the whole economy in June was 3.4%, down from 3.8% in May.
- Headline average earnings growth in manufacturing was 2.8% in June, down from 3.6% in May. Earnings growth in the service sector was 3.7% in June, down from 4.2% in the previous month.
- Headline earnings growth in the private sector was 3.5% in June, compared with 3.3% in the public sector. Earnings growth in the private sector was down from 3.9% in May, while earnings growth in the public sector was down from 3.5% in May.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in June 2007 was 3.6%).
- In the year to June, the consumer price index showed inflation above the rate of earnings growth at 3.8%.

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

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2004 Jun	4.5	4.5	4.4
2005 Jun	4.0	3.7	4.8
2006 Jun	4.5	4.7	3.7
2007 Jun	3.6	3.7	3.1
Jul	3.6	3.8	2.9
Aug	3.8	4.0	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
Apr	3.9	3.9	3.9
May	3.8	3.9	3.5
Jun	3.4	3.5	3.3

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

C1: Employment



Employment structure in the UK

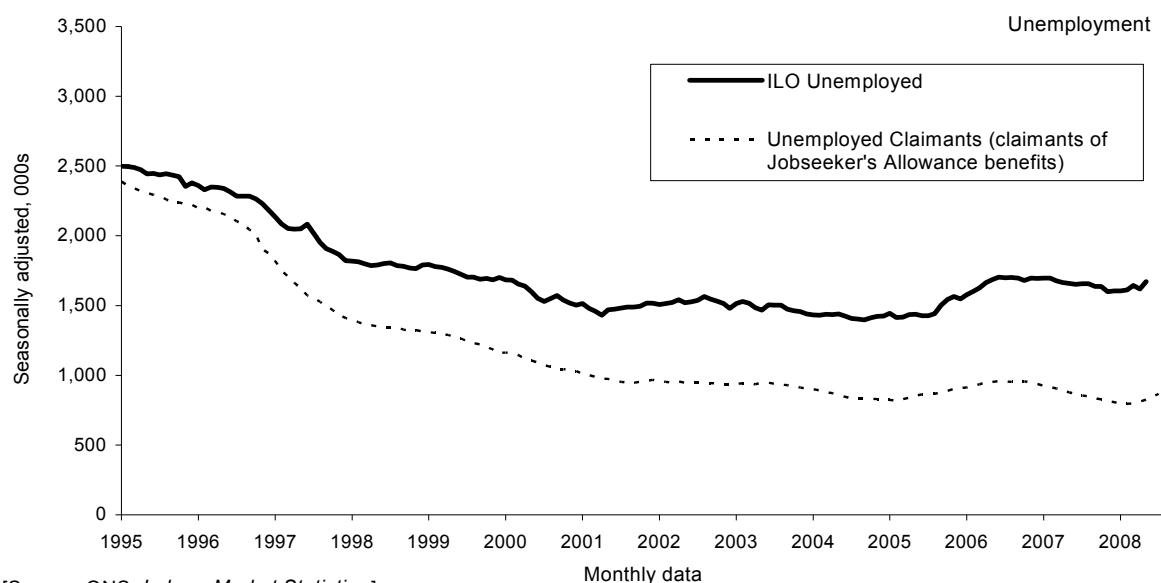
3-month average centred on month; '000s & % changes; seasonally adjusted

	Total in employment	Employees	Self-employed	Unpaid Family Workers	Government Training
2004 May	28,428	24,537	3,670	97	124
2005 May	28,732	24,903	3,616	100	114
2006 May	28,998	25,103	3,708	92	95
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
2008 May	29,558	25,486	3,848	112	112
Changes (%):					
on last 3 months	0.1	0.1	-0.4	4.4	-4.6
on last year	1.3	1.3	1.4	9.7	-0.5

Source: ONS

- Total employment was 29.6 million in the period April to June 2008, 1.3% higher than a year earlier. The working age employment rate of 74.8% was 0.1 percentage points lower than the previous quarter and 0.3 percentage points higher than a year earlier.
- Over the year to March, the number of manufacturing industry workforce jobs fell by 52,000. The number of service sector jobs rose by 209,000 over the year.
- 7.5 million people were in part-time employment in the period April to June 2008, of whom 5.7 million were women. 3.8 million people were self-employed.

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 April to June 2008, the level of ILO unemployment in the UK was 1,672,000 (seasonally adjusted). This was an increase of 15,000 from the same period a year earlier.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, increased by 20,000 between June and July 2008 to 865,000.

The New Deal for Young People started in January 1998.

- By May 2008, there had been 1,844,000 starts under the scheme. By February 2008, 1,727,000 spells had resulted in 805,000 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 May 2008, there had been 1,123,000 starts under the scheme. By February 2008, 672,000 spells had resulted in 289,000 sustained jobs (43%).

ILO Unemployment in the UK seasonally adjusted

	'000s	rate (%)
Apr - Jun 2002	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
Apr - Jun	1,672	5.4

Source: ONS, *Labour Market Statistics*

Contact: Alex Adcock, x3793

Updates: ONS, *Labour Market Statistics*, 17 Sep
DWP, *New Deal*, Nov

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 April to June 2008 the North East had the highest unemployment rate, 7.3% of the economically active population. The lowest rate over the same period was 3.8%, in the South West.
- A comparison of April to June 2008 with the same period a year earlier shows that the largest fall (11%) in unemployment occurred in Wales. The North East and East Midlands showed the largest increase (15%) over the period.

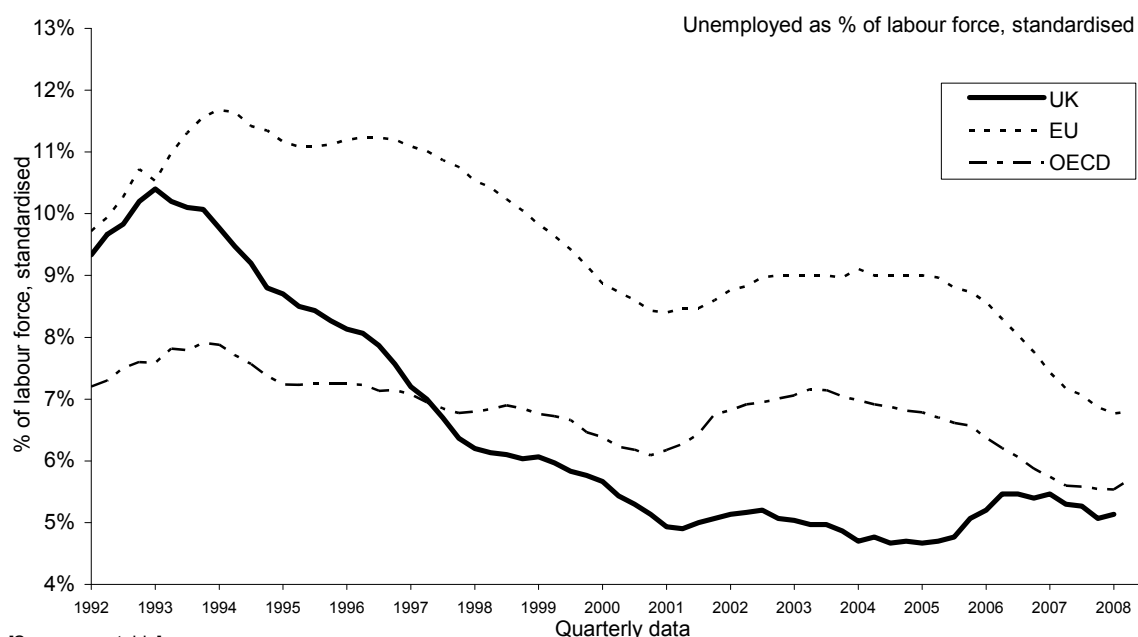
ILO Unemployment, April to June 2008

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	12,000	15
North West & Merseyside	16,000	8
Yorkshire & the Humber	17,000	12
East Midlands	17,000	15
West Midlands	-13,000	-7
Eastern	0	0
London	-13,000	-4
South East	-2,000	-1
South West	-5,000	-5
Wales	-9,000	-11
Scotland	-9,000	-7
Northern Ireland	3,000	10

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	Q2
Canada	6.3	6.0	6.4	6.2	6.4	6.2	6.1	6.1	6.0	5.9	5.9	6.1
France	9.2	8.3	9.5	9.3	9.2	8.8	8.8	8.5	8.1	7.9	7.6	7.5
Germany	9.8	8.4	10.5	10.0	9.6	9.2	8.7	8.5	8.3	8.0	7.5	7.4
Italy	6.8	6.2	7.3	6.8	6.6	6.5	6.0	6.1	6.2	6.3	6.5	..
Japan	4.1	3.9	4.2	4.1	4.1	4.1	4.0	3.8	3.8	3.8	3.9	4.0
UK	5.4	5.3	5.2	5.5	5.5	5.4	5.5	5.3	5.3	5.1	5.1	..
USA	8.2	7.1	4.7	4.7	4.7	4.4	4.5	4.5	4.7	4.8	4.9	5.3
Eurozone	8.2	7.4	8.6	8.4	8.1	7.9	7.6	7.5	7.4	7.3	7.2	7.3
G7	5.8	5.4	6.0	5.9	5.8	5.6	5.5	5.2	5.4	5.4	5.4	5.6
OECD	6.1	5.6	6.4	6.2	6.1	5.9	5.7	5.6	5.6	5.5	5.5	5.7

Source: OECD, Standardised Unemployment Rate, August 2008

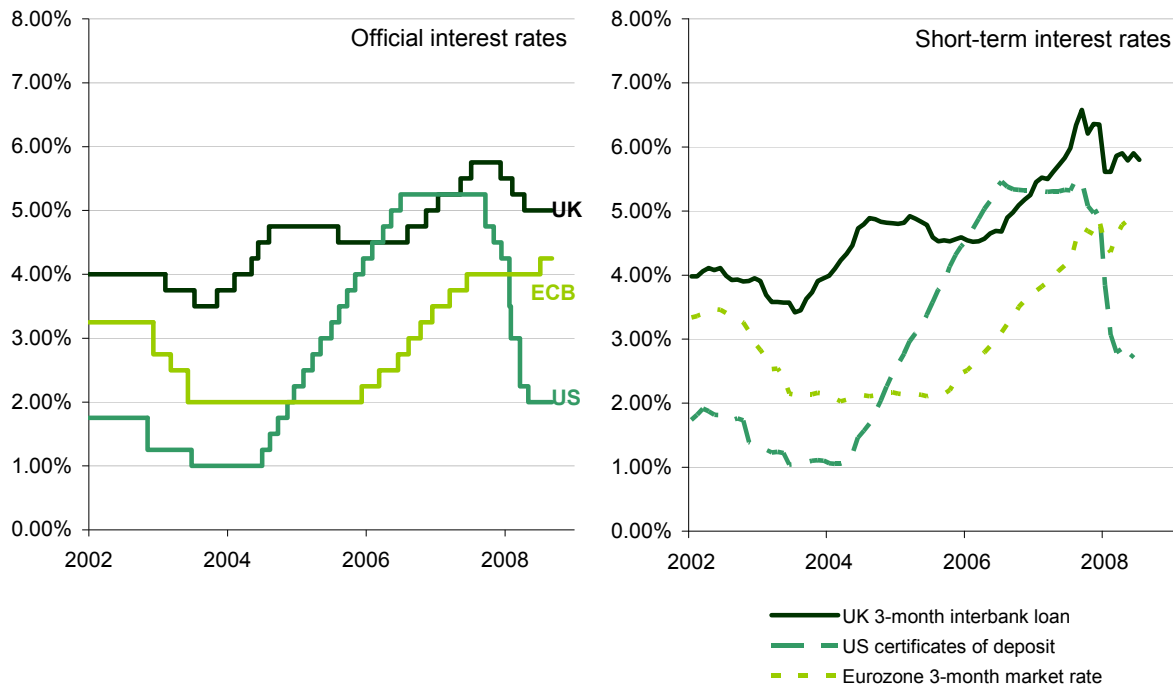
- Using standardised definitions, the UK unemployment rate for 2007 was 5.3%, significantly below the eurozone average (7.4%) and below the G7 and OECD rates (5.4% and 5.6% respectively).
- Between Q1 2007 and Q1 2008 (the latest quarter for which all data are available) France and Germany had the largest fall in unemployment among G7 countries: 1.2 percentage points.
- The most recent forecasts published by the OECD (*Economic Outlook*, June 2008) suggest the UK unemployment rate will be 5.5% in 2008 and 5.8% in 2009. The respective forecasts for the eurozone are 7.2% and 7.4% and for the OECD as a whole 5.7% and 6.0%.

Contact: Alex Adcock, x3973

Updates: OECD, *Standardised Unemployment Rates*, 5 Sep
OECD, *Economic Outlook*, Dec

D1: Interest Rates

- At its latest meeting on 7 August, the Bank of England's Monetary Policy Committee (MPC) was split three ways: seven members voted to maintain the rate at 5.00%, one voted for a 25 basis point increase and one for a 25 basis point cut.
- The US Federal Reserve kept the funds rate at 2.00% at its August meeting. Previously it had cut the rate by 25 basis points on 30 April, by 75 points on 18 March, by 50 points on 30 January. There was an unscheduled cut of 75 basis points on 22 January as well as 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 4.25% at its August meeting. This followed an increase of 25 basis points on 3 July.



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 September 2008

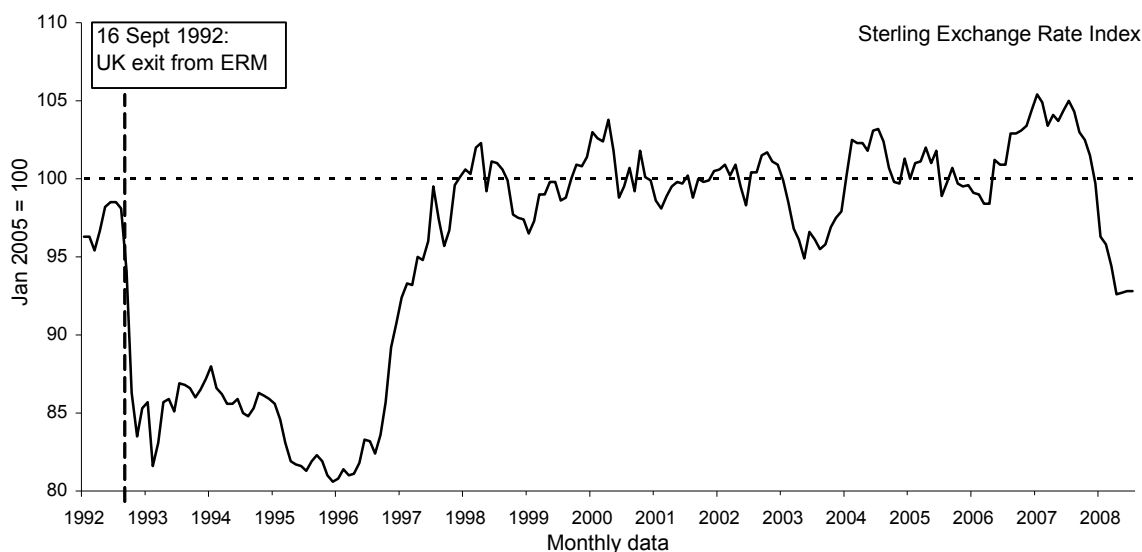
	Official rate	Yield 10yr Govt bonds Since	3-month market rate	
United Kingdom	5.00	10/4/08	4.46	5.79 - 5.65
Eurozone	4.25	3/7/08	n/a	4.98 - 4.86
United States	2.00	30/4/08	3.82	3.04 - 2.94
Japan	0.50	21/2/07	1.48	1.05 - 0.97
Switzerland	2.25-3.25	13/9/07	2.87	2.71 - 2.63

Source: *Financial Times*, 2 September 2008
(*Companies & Markets*, p.33)

Contact: Bryn Morgan, x4904 **Updates:** Short-term interest rates: OECD, MEI, mid-Sep;
Base rates: 4 Sep (UK MPC), 4 Sep (ECB), 16 Sep (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 6.9 points in July 2008, suggesting that the UK was relatively more competitive at the end of July 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 €1.233 at the London market close on 1 September 2008, having fallen to a record low earlier in the day of €1.229. This compares with a launch rate of €1.476 on 31 December 1998. The pound was worth \$1.801 at the market close on 1 September 2008.

Sterling Exchange Rates

rates and % changes

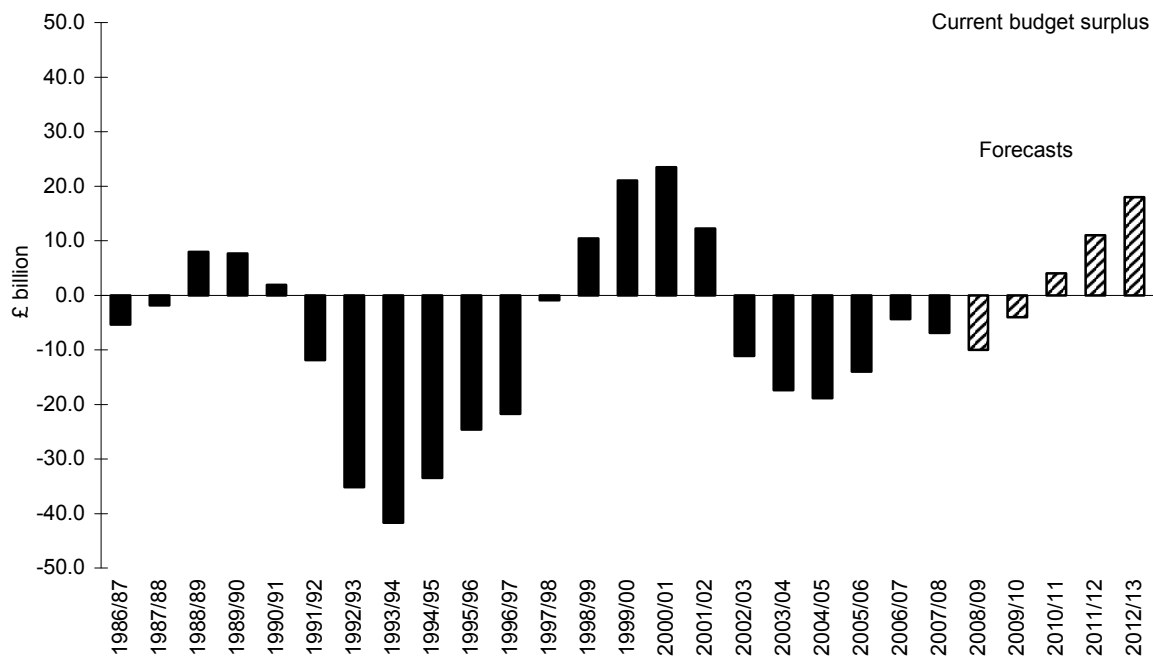
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2004	1.832	12.1	198.1	4.6	1.474	2.0
2005	1.820	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.0	235.6	17.7	1.462	-0.1
2007 Jul	2.034	10.3	247.1	15.8	1.482	1.9
Aug	2.011	6.2	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
May	1.964	-1.0	205.0	-14.5	1.263	-13.9
Jun	1.966	-1.0	210.2	-13.7	1.264	-14.7
Jul	1.983	-2.5	212.4	-14.0	1.262	-14.9

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

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-Sep; 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 returns for the current budget balance and Treasury forecasts from the 2008 Budget. Net borrowing in total was £35.0bn in 2007/08 and is forecast by the Treasury to reach £43bn in 2008/09.

The Government's 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. 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 44.2% of GDP in June 2008, exceeding the 40% limit. The Government have said that the rule will be assessed looking at debt excluding Northern Rock.

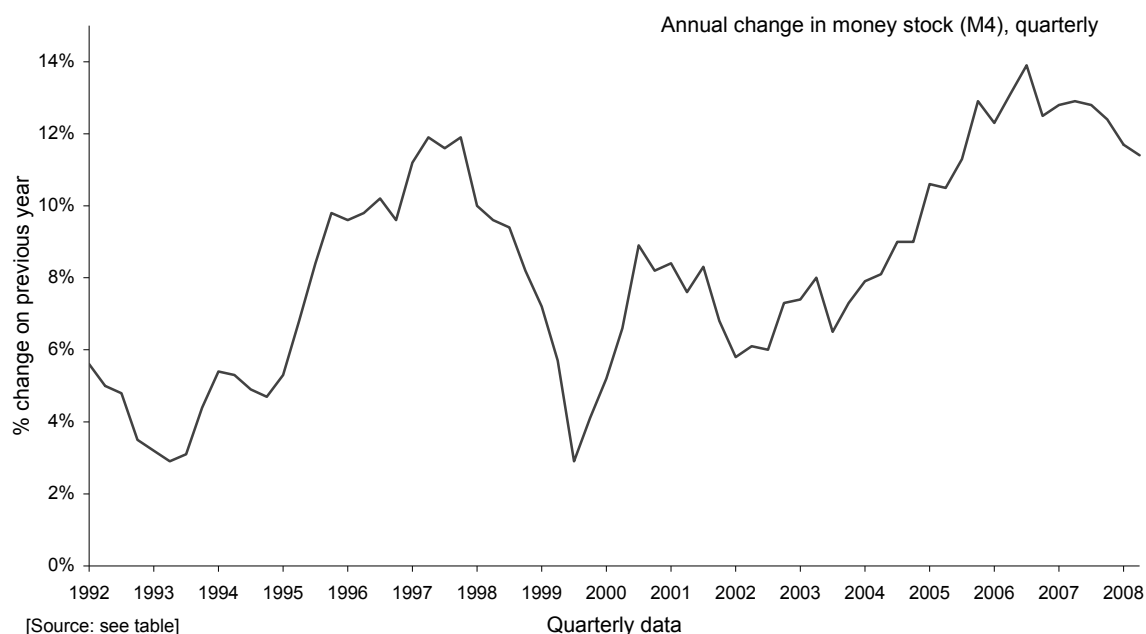
There has also been speculation that the Government may alter the fiscal rules to allow for greater borrowing.

Public Sector Net Debt and Borrowing

£ billion & %

	Net Debt		Net borrowing
	£ billion	% GDP	£ billion
2004/05	423.6	34.7	39.5
2005/06	463.0	36.0	37.5
2006/07	500.0	36.7	30.1
2007/08	528.7	36.9	35.0
2007 Q2	514.9	37.3	14.8
Q3	516.4	36.9	6.6
Q4	535.9	37.9	17.0
2008 Q1	528.7	36.9	-3.5
Q2	555.0	38.3	23.9

Source: ONS database, series: RUTN, RUTO, -ANNX

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 Jul	7.1	4.3	12.3	13.0
Aug	4.9	4.6	12.5	13.6
Sep	5.6	5.4	14.3	12.7
Oct	7.2	5.4	10.6	11.9
Nov	6.7	5.4	7.1	11.8
Dec	4.6	5.8	9.0	12.4
2008 Jan	5.9	6.3	14.9	13.1
Feb	7.7	6.6	13.7	12.2
Mar	9.0	6.8	10.4	11.7
Apr	6.4	6.7	6.2	10.9
May	4.6	5.9	7.0	10.0
Jun	3.7	5.7	11.7	11.3
Jul	3.6	5.8	13.2	11.2

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

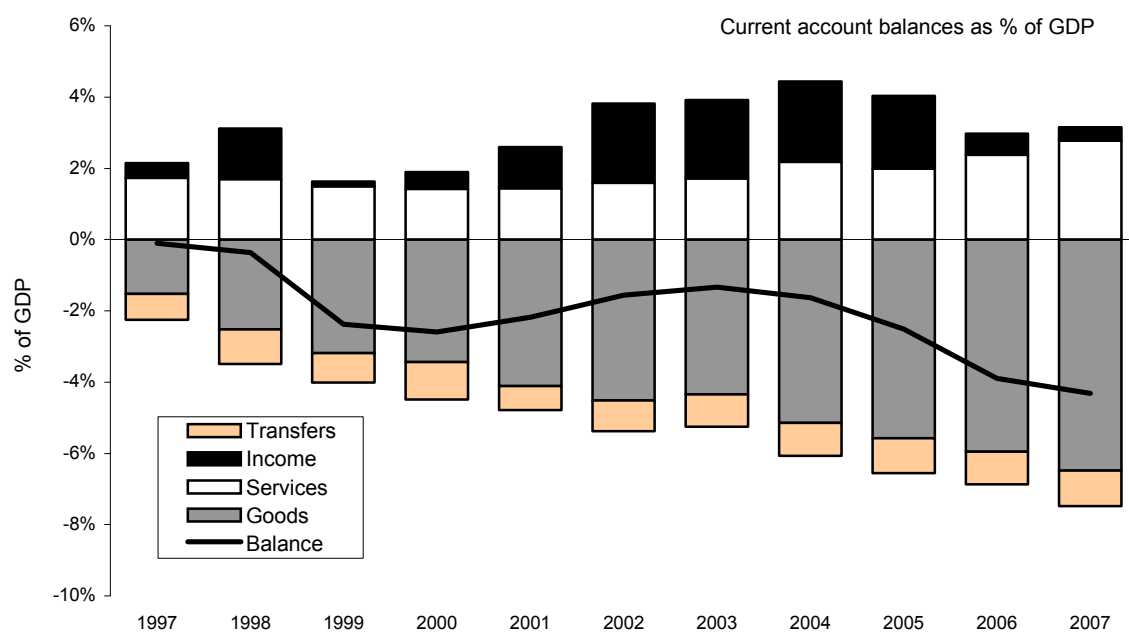
The table above shows sterling notes and coin in circulation outside the Bank of England. The table also shows M4 which is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 grew by 11.2% in the 12 months to July 2008. The 12-month seasonally adjusted growth rate of notes and coins was 5.8% in July 2008.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

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

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	-89,515	38,331	-51,184	5,302	-9,930	-3,863	-13,793	-59,675
2007 Q2	-20,308	9,733	-10,575	1,509	-2,088	-1,010	-3,098	-12,164
Q3	-23,618	9,772	-13,846	-1,246	-2,094	-928	-3,022	-18,114
Q4	-24,143	9,585	-14,558	6,871	-3,517	-1,029	-4,546	-12,233
2008 Q1	-22,720	9,231	-13,489	9,024	-2,529	-1,401	-3,930	-8,395
Q2	-22,545	9,464	-12,672

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

- **Annually**, the current account deficit in 2007 was £59.7 billion, equivalent to -4.3% 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 £8.4 billion in Q1 2008, narrowing from the Q4 2007 deficit of £12.2 billion. Between Q1 2008 and Q2 2008 the surplus on services widened while the deficit on goods narrowed.
- In 2007 the **annual** current account deficit with EU27 countries was £45.7 billion, compared with a deficit with non-EU countries of £14.0 billion. On a **quarterly** basis, the deficit with EU countries was £8.4 billion in Q1 2008 (compared with £12.5 billion in Q4 2007). With non-EU countries, the current account was in deficit by £19 million in Q1 2008 (compared with a surplus of £275 million in Q3 2007).

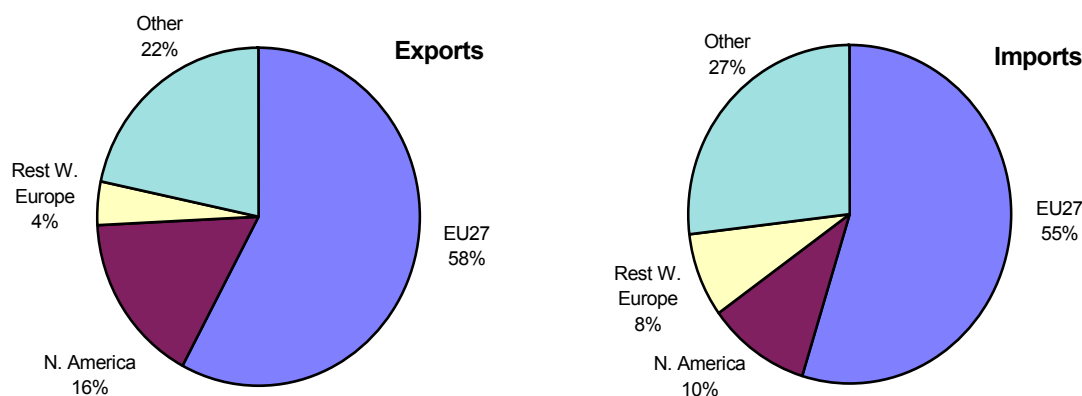
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 30 Sep; *UK Trade*, 10 Sep

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	122.2	220,797	310,312	-89,515
2007 Q2	109.9	118.8	54,681	74,989	-20,308
Q3	111.8	125.6	55,960	79,578	-23,618
Q4	109.9	124.3	56,850	80,993	-24,143
2008 Q1	110.8	121.8	59,807	82,527	-22,720
Q2	111.9	120.7	63,836	86,381	-22,545

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

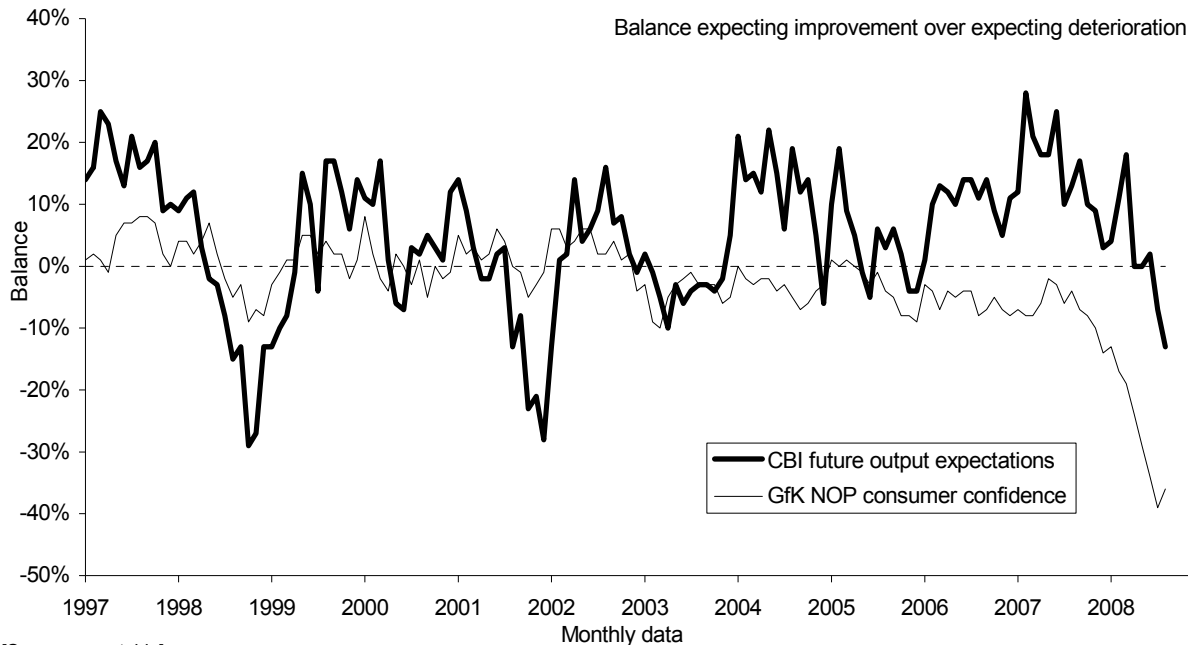
- In June, the provisionally estimated total value of UK goods exports was £22.0 billion and the total value of UK goods imports was £29.7 billion. As a result, the estimated deficit on goods trade was £7.7 billion, higher than the May level of £7.4 billion.
- Geographical breakdowns of UK trade with 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 £2.9 billion in June (compared with £3.4 billion in May), while the deficit with non-EU countries was £4.8 billion (compared with £4.0 billion in May).
- The UK’s monthly surplus on trade in **services** was £3.3 billion in June the same as in May.
- The UK’s overall monthly deficit on **goods and services combined** in June was £4.4 billion, up from £4.1 billion in May.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 10 Sep

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*:

- Manufacturers' expectations of output over the next three months were pessimistic in August. A balance of 13% of firms thought output would decrease over the next three months - the weakest balance since December 2001.
- A balance of 31% of survey respondents said they expect an increase in prices in the next three months, three points down on July.
- A balance of 13% of firms rated their total order book as below normal (9% 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 showed a small improvement in August, but was still 32 points below the figure in August 2007.
- The outlook for major purchases (-38) is 42 points below the August 2007 figure, and the lowest on record (since 1983) for this measure.
- The index for the general economic situation over the next 12 months rose 5 points to -52. This is 32 points below the August 2007 figure. The index for personal finances over the next 12 months also improved.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

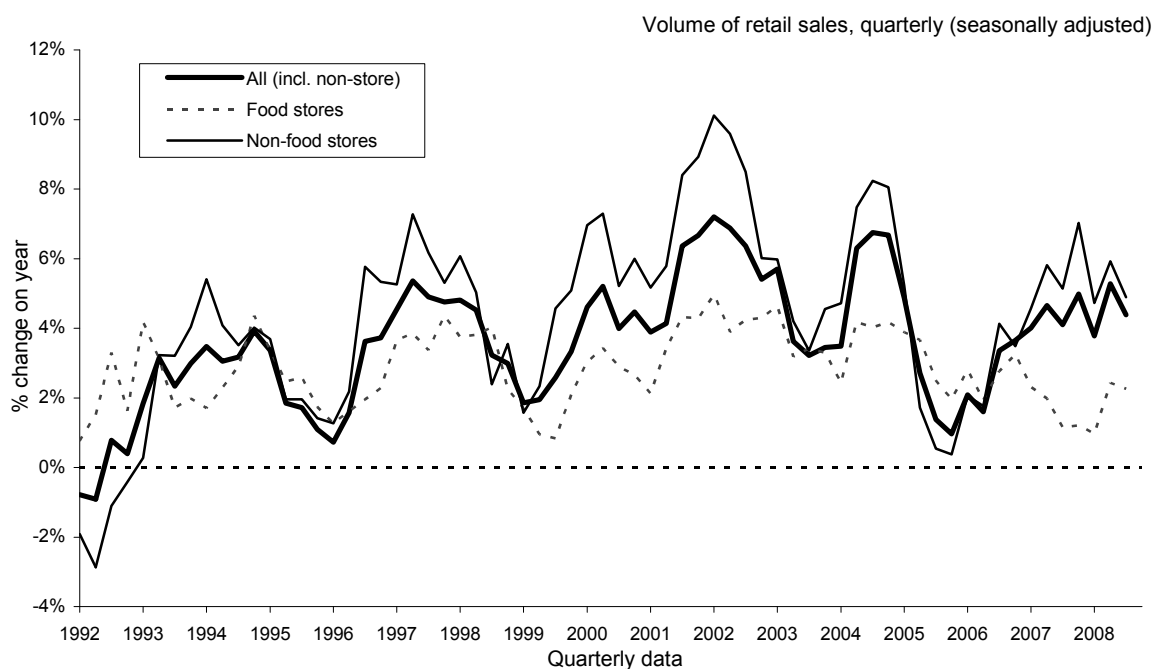
		Future output expectations (CBI)	Consumer confidence (GfK)
2007	Aug	+13	-4
	Sep	+17	-7
	Oct	+10	-8
	Nov	+9	-10
	Dec	+3	-14
2008	Jan	+4	-13
	Feb	+11	-17
	Mar	+18	-19
	Apr	0	-24
	May	0	-29
	Jun	+2	-34
	Jul	-7	-39
	Aug	-13	-36

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 Sep; CBI, *Industrial Trends* (Monthly), mid Sep

F2: Retail Sales



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

- The total *volume* of retail sales in the three month period May-July 2008 was 0.7% higher compared with the previous three months, and was 4.7% higher than in the same three-month period in the previous year (seasonally adjusted).
- Total retail sales volumes in July 2008 were 2.1% higher than in July 2007 (seasonally adjusted). The volume of retail sales increased by 0.8% between June and July 2008.
- Retail sales volumes in stores selling primarily food increased by 2.2% in May-July compared with the same three months a year earlier. For predominantly non-food retailing stores the increase was 4.3% over the same period (all seasonally adjusted).

Value of Retail Sales

% change on year; non-seasonally adjusted

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
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 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	5.2	2.3
2008 Q1	2.7	2.9	1.5	15.9	5.1
Q2	3.1	0.4	-2.0	13.9	3.9

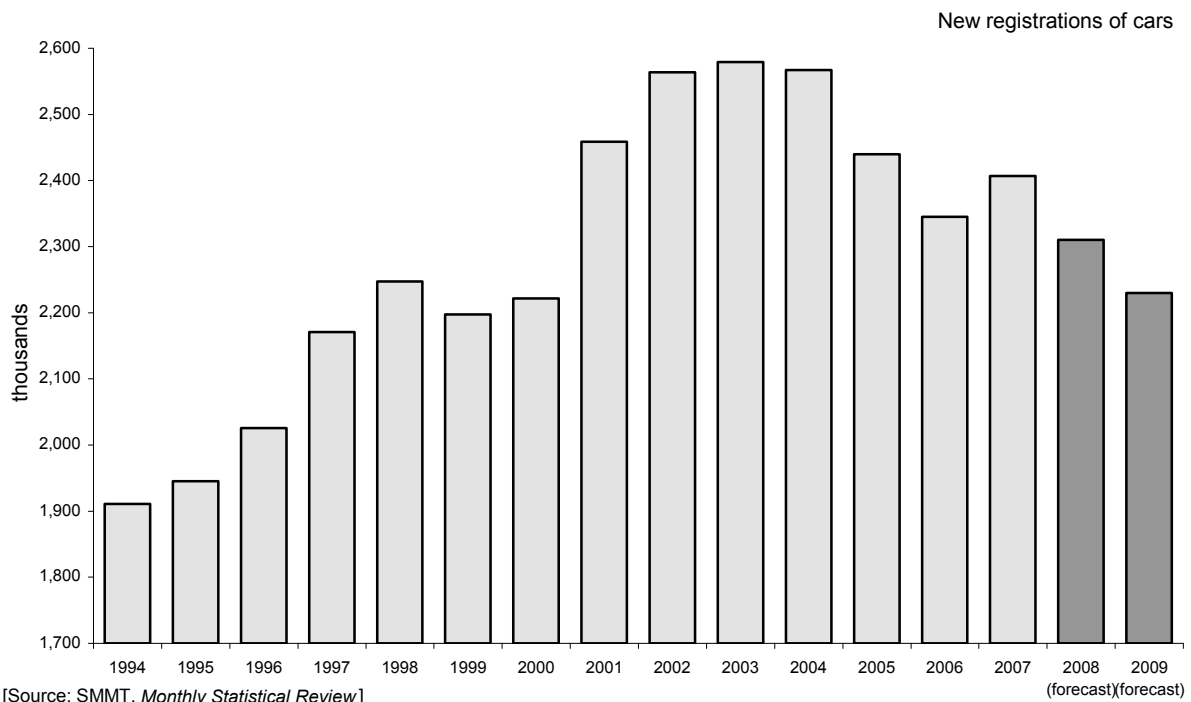
Source: ONS database, series: EAWN, EAWO, EAWP, EAWQ, EAFY

- On a monthly basis, the average weekly *value* of retail sales in July 2008 was £5.2 billion, a 3.8% increase from July 2007 (non-seasonally adjusted).
- The quarterly growth figures for the value of 'other non-food' in the table above is partly affected by changes in the categorisation of some products by reporting retailers.

Contact: Ian Townsend, x2042

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

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 13.0% in July 2008, compared with the previous July's figure, to 153,420 units (excluding taxi registrations).

- 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 4.0% in 2008 and then fall by a further 3.5% 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

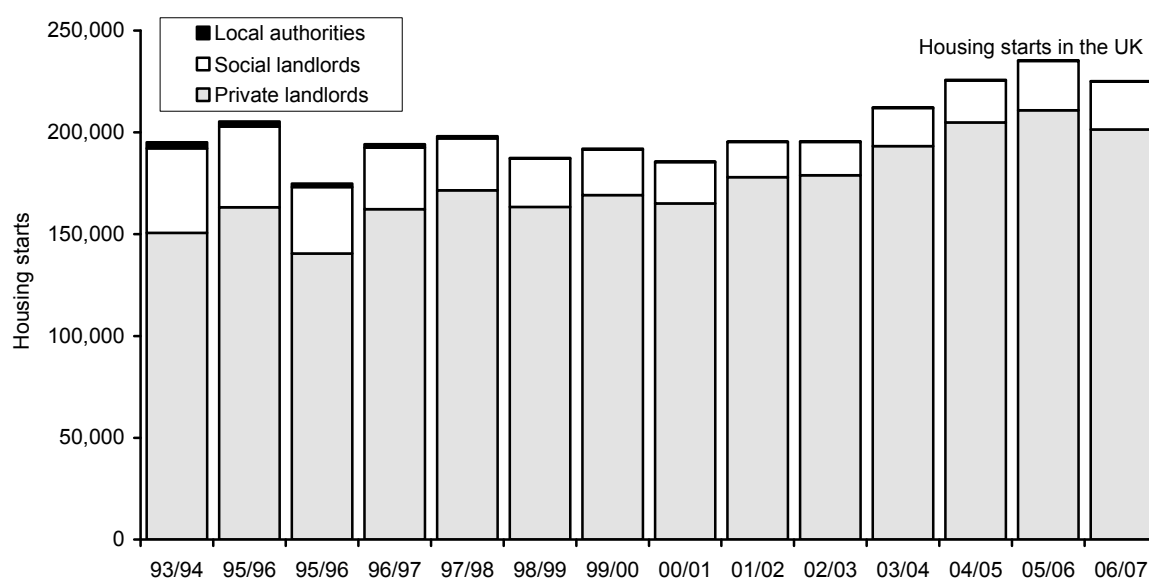
000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2007	2,407	2.5
2008 (forecast)	2,310	-4.0
2009 (forecast)	2,230	-3.5
2007 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
May	179	-3.6
Jun	209	-6.2
Jul (a)	153	-13.0

Source: SMMT, *Monthly Statistical Review and website*

Note: (a) data includes registrations of taxis, except for latest month. Latest % change relates to cars only.

F4: Housebuilding and prices



[Source: DCLG, Live table 208]

Data on housing starts from the Department for Communities and Local Government show that there were 67,150 dwellings started in England in the first half of 2008, compared with 86,030 in the first half of 2007. (Figures are not seasonally adjusted).

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

- **Monthly** UK house prices fell by 1.7% in July compared with 1.9% in June and 2.5% in May.
- **Annual** house prices in July were 8.8% lower on an annual basis.
- **Quarterly** house prices were 6.1% lower in quarter 2 of 2008 compared with the same quarter of 2007.
- Regionally, the Halifax data show that in Q2 2008 house prices fell in all regions compared with Q2 2007. The largest fall was in Northern Ireland, where prices fell 21.1% and the North with a fall of 11.1%. The best performing regions were Scotland and Wales with falls of 2.1% and 2.9% respectively. (data 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
average house prices, £				
2007 Q2	199,000	190,100	200,200	151,900
Q3	200,600	187,800	201,900	151,000
Q4	196,000	198,900	195,500	148,000
2008 Q1	191,900	196,000	191,600	147,800
Q2	187,000	198,000	185,500	144,300
% change over same period in previous year				
2007 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
Q2	-6.1	4.2	-7.4	-5.0

Source: HBOS, *Halifax House Price Index*

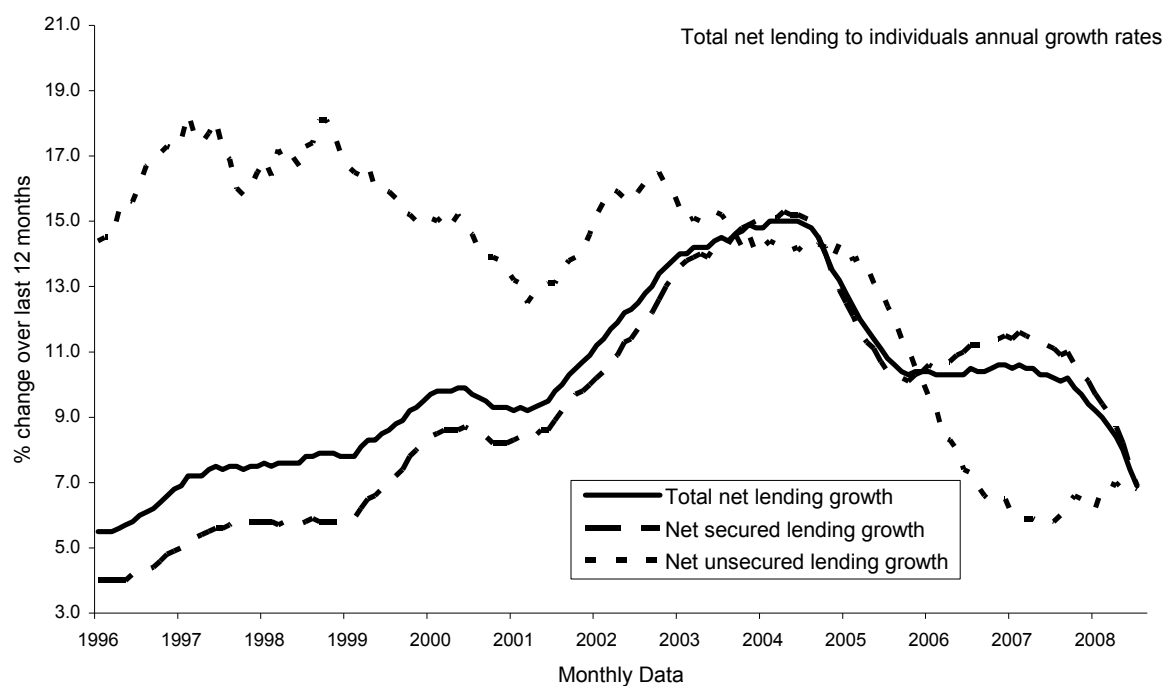
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in stood at £215,029 in June 2008, down from £216,625 in May. **Annual** house price inflation in June was 0.6%, down from 3.0% in May 2008.
- Regionally, **annual** house price inflation in June was highest in Scotland (5.7%) and lowest in Northern Ireland (-9.4%).

Contact: Bryn Morgan, x4904

Updates: Halifax *House Prices*, early Sep; DCLG, *House Prices*, 16 Sep; *House-building*, Sep

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 Jul	836,850	191,554	1,028,404	15.1	14.0	14.9
2005 Jul	924,738	207,722	1,132,460	10.4	12.4	10.8
2006 Jul	1,025,671	211,941	1,237,612	11.2	7.3	10.5
2007 Jul	1,140,561	215,591	1,356,152	11.1	5.8	10.2
Oct	1,170,842	219,835	1,390,677	10.6	6.6	9.9
2008 Jan	1,186,781	228,538	1,415,318	9.7	6.2	9.2
Apr	1,205,948	231,311	1,437,259	8.7	6.9	8.4
Jul	1,217,592	231,154	1,448,745	6.9	6.8	6.9

Source: Bank of England, series: VTY1, VTYO, VTYC, VTXK, VZRI, VZXC

- Total net outstanding lending to individuals was £1,449 billion at the end of July 2008 (seasonally adjusted).
- Total net lending to individuals grew by 0.3% in July 2008 compared with the previous month, and grew by 6.9% on an annual basis (all seasonally adjusted); the annual growth rate is 0.5 percentage points lower than in June 2008.
- Of the £4.3 billion increase in net lending in July 2008, £3.2 billion was mortgage borrowing and £1.1 billion was consumer credit (seasonally adjusted).

Contact: Ed Potton, x2883

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

III 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 :

IV 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

Definitions⁴

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

⁴ 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.