



RESEARCH PAPER 09/20  
04 MARCH 2009

# Economic Indicators, March 2009

This Research Paper series summarises the main economic indicators currently available for the UK, along with comparisons with other major OECD countries for selected indicators.

The series also includes articles on topical issues.

This month's article:

## **Social aspects of recession**

Next publication date: 7 April 2009

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. Individual indicators are updated and made available through the Library's intranet both under the relevant subject page headings, and collectively on the *Economic Indicators* subject page.<sup>1</sup> A weekly email alert for updated indicators is available on request.

A guide to sources is provided in section IV.

### 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

Many of the economic terms used in the publication are described in the glossary. Symbols and abbreviations used in the paper 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	Ed Potton/Bryn Morgan	2883/4904
Financial services	Ed Potton	2883
Housing	Rachael Harker	5061
Incomes	Ian Townsend	2042
Industries	Daniel Harari	2464
National accounts	Dominic Webb	4324
International development	Ian Townsend	2042
International economies	Ian Townsend	2042
Prices & interest rates	Dominic Webb	4324
Public expenditure	Dominic Webb	4324
Taxation	Bryn Morgan	4904
Trade	Grahame Allen	3977
Transport	Paul Bolton	4313
Unemployment	Rod McInnes	3793
Wages & earnings	Ed Potton/Bryn Morgan	2883/4904

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)

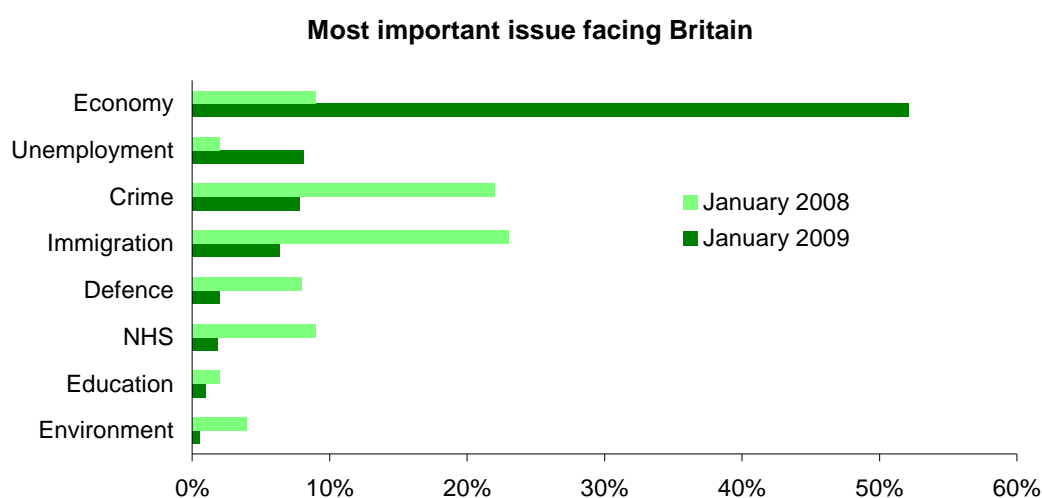
<sup>3</sup> After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriol Room of the Main Library (extn. 3666).

## II Social aspects of recession

Political debate and media coverage of the UK recession has extended beyond economic data into possible wider social impacts of the downturn. The validity of conclusions drawn varies markedly; in many cases data to back up claims have not yet been published, while in others the causal link between recession and social phenomena is questionable.

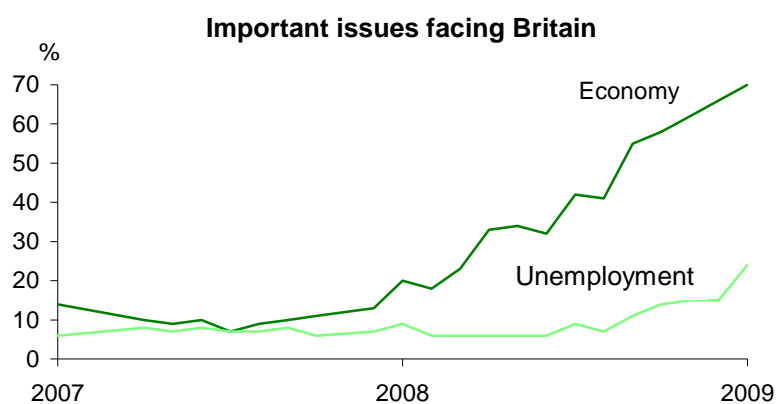
### A. The economy as the dominant political issue

Ipsos MORI has been surveying the important issues facing Britain since the mid 1970s and as part of its regular monthly opinion polling since 1982.<sup>4</sup> The chart below shows selected issues identified by respondents as the most important in the January 2008 and 2009 polls:



- More than half of respondents identified the economy as the most important issue in the January 2009 poll, up from less than one-in-ten a year previously
- Unemployment was the second most named issue

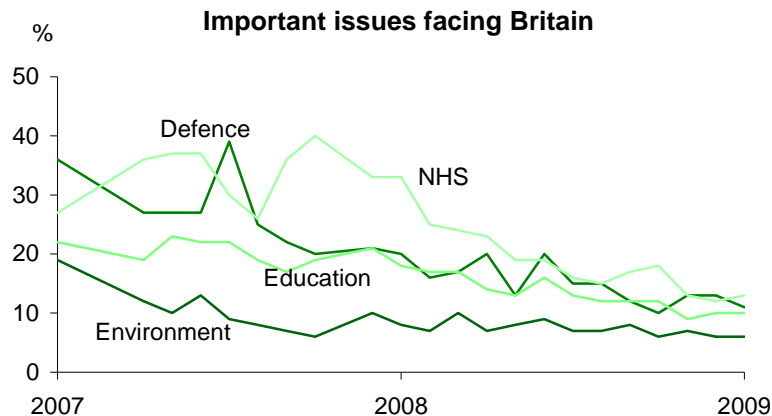
The chart below shows recent trends in the proportion of respondents naming the economy and unemployment as the most, or another important, issue:



<sup>4</sup> Ipsos MORI, <http://www.ipsos-mori.com/content/the-most-important-issues-facing-britain-today.ashx>

- The economy was named by 70% of respondents in January 2009, surpassed in MORI issues polls, which have run since the mid-1970s, only by inflation and trade unions in the 1970s, and unemployment following the past two recessions. No more than 14% of respondents named the economy in any month of 2007
- Unemployment was not named by more than 10% of respondents until September 2008. This rose sharply to 24% by January 2009

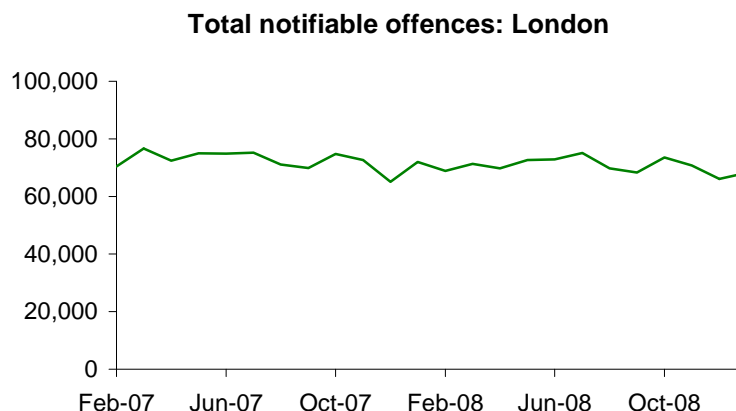
As the economy and unemployment have risen as political issues, the public have been increasingly less likely to name other issues as being important:



- Issues such as defence, the NHS, defence, education and the environment have all declined in perceived importance, and were all named by less than one-in-seven respondents in January 2009
- Crime and immigration have also declined as issues, though they have tended to be more stubborn. Crime was named by a third of respondents in January 2009

## B. A recession crimewave?

Several newspapers have speculated that the UK is in the midst of a “recession crimewave”.<sup>5</sup> National data are not yet available after 2007-08. However, the chart below shows trends in total recorded crime by month in London from the Metropolitan Police:<sup>6</sup>

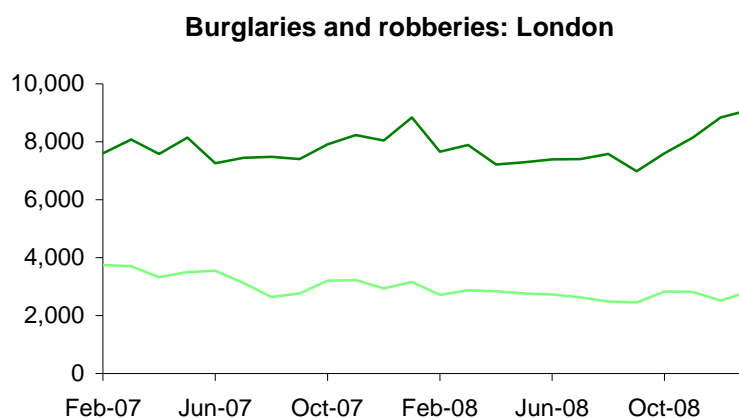


<sup>5</sup> e.g. “The recession crimewave”, *The Independent*, 19 January 2009, page 1

<sup>6</sup> Metropolitan Police, <http://www.met.police.uk/crimefigures/index.php>

- There is no apparent upward trend in total crime across London. There were 68,000 recorded crimes in January 2009, compared with 72,000 in January 2008

The chart below shows trends in recorded burglaries and robberies over the same period:

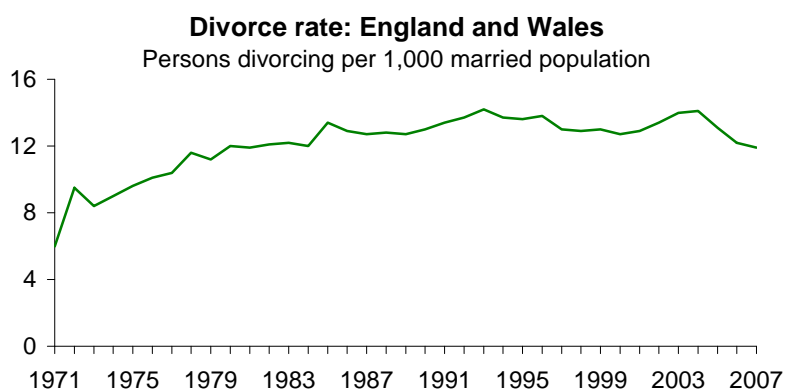


- There has been a rise in recorded burglaries in London over recent months: there were over 9,000 in January 2009 compared with less than 7,000 in September 2008, a rise of 30%
- However, it should be borne in mind that burglary rates tend to peak in January: there were 20% more burglaries in January 2008 than in September 2007. The increase between January 2009 and January 2008 was just 3%
- The trend in robberies in London has been gradually downwards

### C. Recession and divorce

There has been considerable press speculation that the economic downturn may be responsible for either an increase<sup>7</sup> or decrease<sup>8</sup> in divorce rates.

The current available evidence is quite limited, and official data are only available up to 2007. The chart below shows trends in the divorce rate over recent decades:



<sup>7</sup> e.g. "Recession: When the money goes, so does the toxic wife", *The Daily Telegraph*, 9 December 2008

<sup>8</sup> e.g. "Divorce rate drops to lowest in 26 years as credit crunch forces couples to stay together", *The Daily Mail*, 29 August 2008



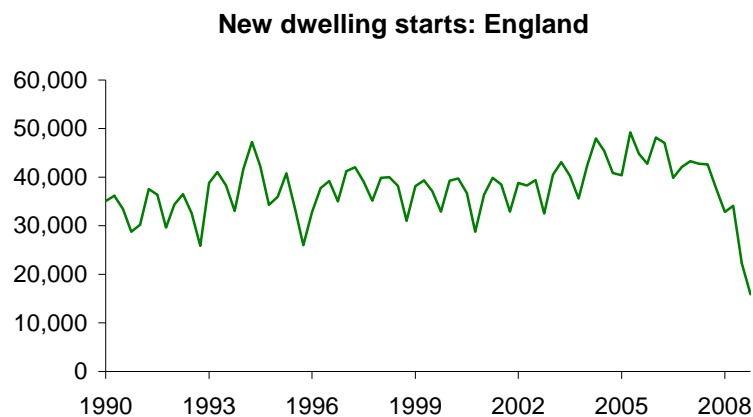
- The divorce rate of 11.9 people divorcing per 1,000 married population in 2007 was the lowest since 1981. However, it is not clear that this is connected to the economic downturn: the rate fell more sharply in both 2005 and 2006<sup>9</sup>
- There was no clear change in the divorce rate during the last recession in the early 1990s

A recent article in *The Economist* suggested that high earners are more likely to divorce in the wake of an economic downturn, while the impact further down the income scale is “less clear cut”. While more difficult economic conditions could put pressure on marriages, falling property prices and the difficulties in finding a mortgage could prevent divorce being an option for financial reasons.<sup>10</sup>

## D. The housing market

Average UK house prices have fallen sharply in recent months having risen each month for a period of over 10 years since the mid-1990s. According to the Halifax index, average prices in the three months from November 2008 to January 2009 were 17.2% lower than in the same period a year earlier, a rate of decrease more than double the highest in the early 1990s.<sup>11</sup>

A less documented statistical series is house building. The chart below shows trends in the number of new permanent dwellings starting construction by quarter:<sup>12</sup>



- Fewer than 16,000 new dwellings started construction in England in Q4 2008, a third of the Q2 2005 peak and more than 10,000 dwellings below any quarterly total recorded during the last recession

It has been speculated that constraints in housing supply led by a sharp fall in construction will lead to the downwards trend in house prices being reversed.<sup>13</sup>

<sup>9</sup> “Divorce rate lowest for 26 years”, Office for National Statistics Press Release, 29 August 2009

<sup>10</sup> “Negatively correlated: The impact of the downturn on your marriage depends how rich you are”, *The Economist*, 24 July 2008,

<sup>11</sup> Halifax *House Price Index*, <http://www.hbosplc.com/economy/HousingResearch.asp>

<sup>12</sup> Department for Communities and Local Government, *Housing Statistics*

<http://www.communities.gov.uk/housing/housingresearch/>

<sup>13</sup> e.g. “House building grinds to a halt - and sows seeds of next boom”, *The Observer*, 3 August 2008

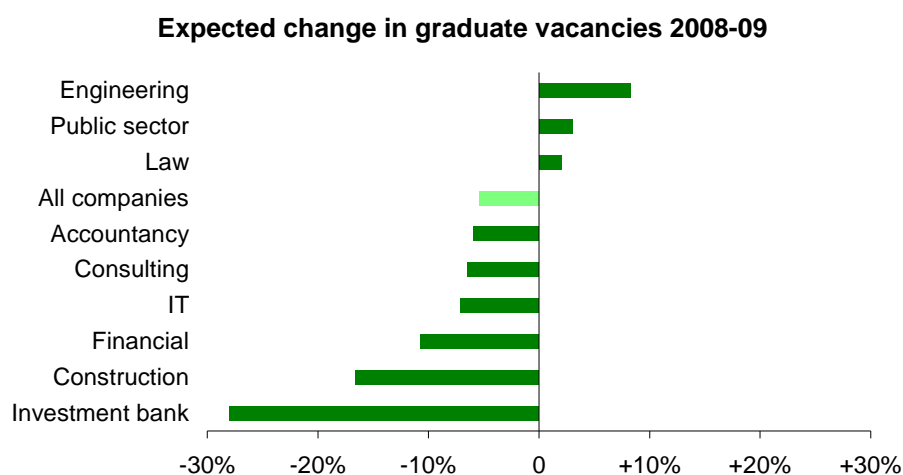
## E. Graduate employment

It has been widely speculated that many university graduates will struggle to find jobs.<sup>14</sup> The chart below shows trends in growth in graduate vacancy numbers from Association of Graduate Recruiters (AGR) surveys:<sup>15</sup>



- Graduate recruiters reported a very small rise in vacancies in 2008, well below that projected during the year and following a rise of almost 13% in 2007
- The survey projected a fall of 5% in the number of graduate vacancies in 2009

The projected fall in vacancy numbers is not spread evenly across sectors. The chart below shows AGR data for selected industries:<sup>16</sup>



- Investment banks projected a 28% fall in graduate vacancies in 2009, while construction firms estimated a 17% drop
- By contrast, engineering firms estimated an 8% rise in vacancies. Three-quarters of engineering firms responding to the AGR survey said they would struggle to fill their graduate positions

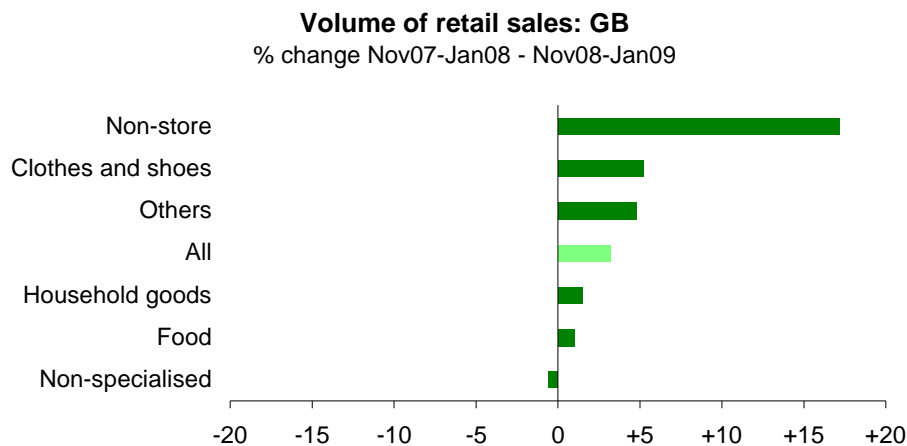
<sup>14</sup> e.g. "Gizza job: the new middle-class mantra", *The Sunday Times*, 25 January 2009,

<sup>15</sup> Association of Graduate Recruiters, *Graduate Recruitment Winter Survey*, various

<sup>16</sup> Association of Graduate Recruiters, *Graduate Recruitment Winter Survey 2009*

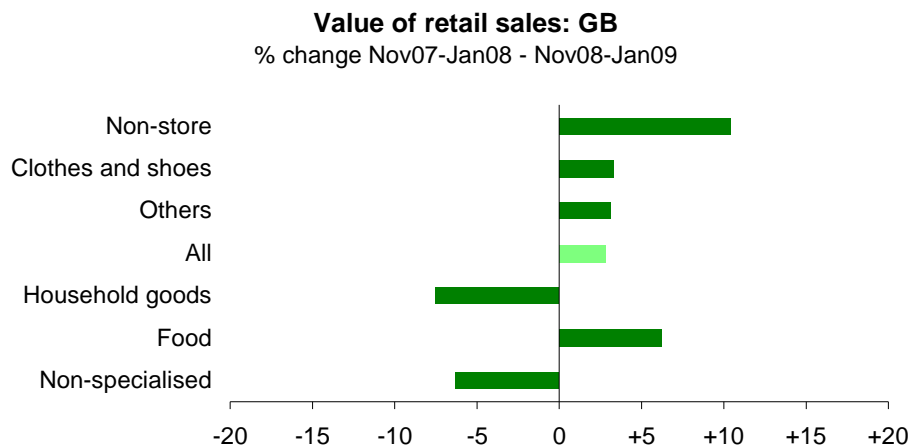
## F. Retail sales

Statistics suggesting recent growth in retail sales despite the economic downturn have been widely reported as “surprises”.<sup>17</sup> The chart below shows the latest official data from ONS:<sup>18</sup>



- Overall, retail sales volumes were 3.2% higher in the period November 2008 to January 2009 than in the same period a year earlier. There was particularly strong growth in non-store sales (17.2%) and sales in clothes and shoe stores (5.4%)
- Growth in food store sales was lower, but still positive (1.0%). The only sector to see a fall in sales volumes was non-specialised stores (-0.6%)

The chart below shows similar data for the value of retail sales, taking into account the price of goods sold:



- Sales values also rose steadily in comparison to the previous year, increasing by 2.8% overall
- Despite a small rise in sales volume, the value of household goods sold fell by 7.5%, reflecting discounting

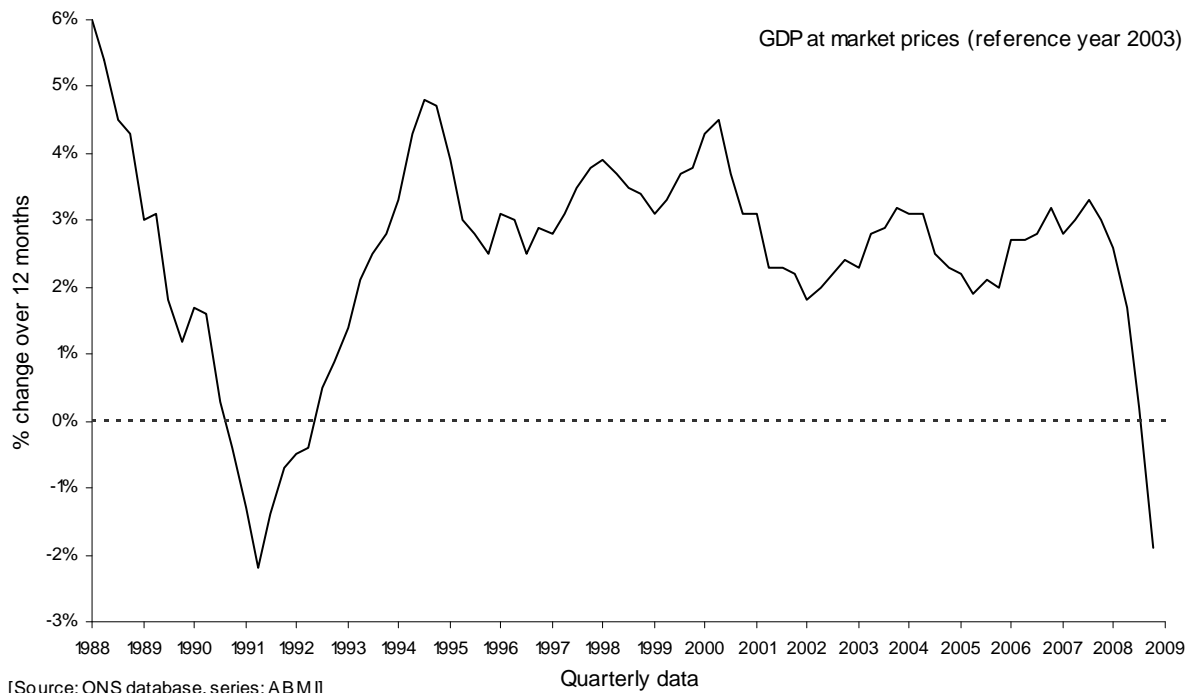
**Adam Mellows-Facer, Social and General Statistics**

<sup>17</sup> e.g. *FT*, 21 February 2009, *Surprise retail sales rise bucks trend*

<sup>18</sup> Office for National Statistics, *Retail Sales First Release*, January 2009



## A1: Gross Domestic Product



### Gross Domestic Product at market prices

£ billion & %; seasonally adjusted

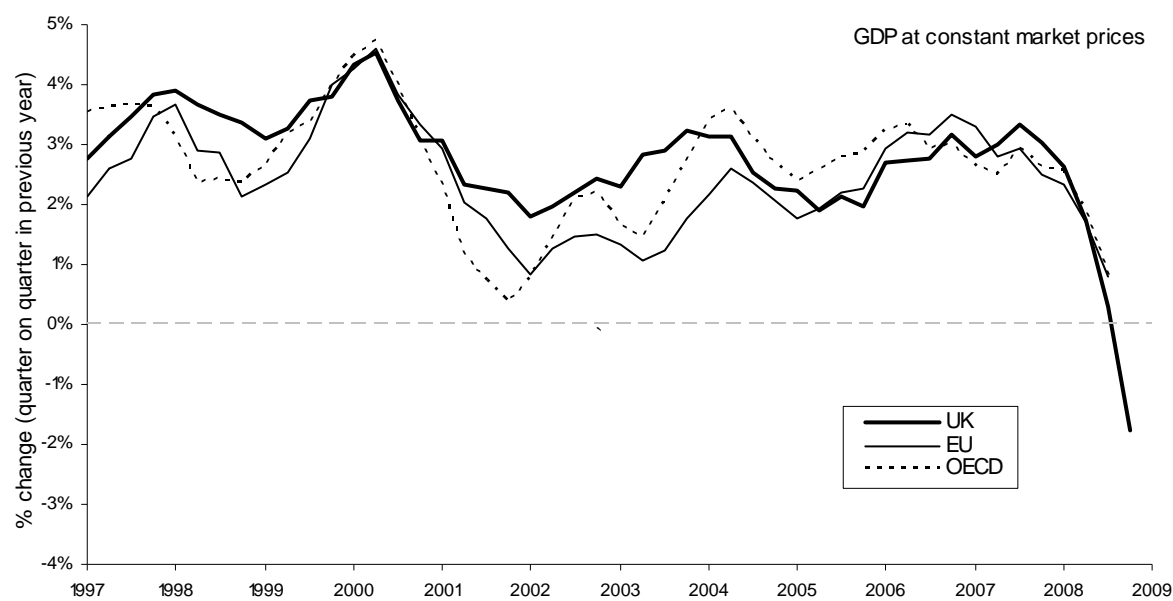
	Current prices		Chained volume (reference year 2003)	
	£ billion	% change	% change	
	On year		On year	Quarter on quarter
2005	1,252.5	4.3	2.1	..
2006	1,321.9	5.5	2.8	..
2007	1,402.2	6.1	3.0	..
2008	1,445.1	3.1	0.7	..
2007 Q4	357.3	5.8	3.0	0.6
2008 Q1	361.3	5.4	2.6	0.4
Q2	362.7	4.1	1.7	0.0
Q3	362.0	2.4	0.2	-0.7
Q4	359.1	0.5	-1.9	-1.5

Source: ONS database, series: YBHA, IHYQ, IHYR

- The UK economy is now in recession with two successive quarters of negative growth in Q3 and Q4 2008. The economy was last in recession in 1991.
- The economy contracted by 1.5% in Q4 2008 compared with the previous quarter. This is the largest fall in quarterly GDP since Q2 1980.
- In February 2009, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -2.7%, down from -2.1% in January.

**Contact:** Dominic Webb, x4324

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

**A2: GDP: International Comparisons****GDP at constant market prices**

% change on previous period

					2007				2008			
	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
US	2.9	2.8	2.0	1.3	0.0	1.2	1.2	0.0	0.2	0.7	-0.1	-1.0
Japan	1.9	2.0	2.4	..	1.2	-0.2	0.5	0.5	0.6	-1.0	-0.5	..
Canada	2.9	3.1	2.7	..	1.0	1.0	0.6	0.2	-0.1	0.2	0.3	..
United Kingdom	2.1	2.8	3.0	0.7	0.8	0.9	0.8	0.6	0.4	0.0	-0.6	-1.5
Germany	0.8	3.0	2.5	..	0.4	0.4	0.6	0.3	1.4	-0.4	-0.5	..
France	1.9	2.2	2.2	..	0.5	0.5	0.7	0.4	0.4	-0.3	0.1	..
Italy	0.6	1.8	1.5	..	0.3	0.1	0.2	-0.4	0.5	-0.4	-0.5	..
Eurozone	1.8	3.0	2.6	..	0.7	0.5	0.6	0.3	0.7	-0.2	-0.2	..
G7	2.3	2.6	2.2	..	0.4	0.7	0.9	0.1	0.4	0.1	-0.2	..
OECD	2.7	3.1	2.7	..	0.6	0.8	0.9	0.4	0.5	0.1	-0.1	..

Source: OECD, *Main Economic Indicators* (via OECD.Stat website)

- The economies of the G7 countries apart from Canada and France contracted in Q3 2008 compared with the previous quarter, with the OECD economies as a whole contracting by 0.1%. Data for Q4 2008 suggests further contraction in both the US (-1.0% growth) and the UK (-1.5%).
- Data for 2008 are only available for two countries, but show annual UK growth of 0.7% (down from 3.0% in 2007) and US growth of 1.3% (down from 2.0% in 2007).
- In December 2008, the OECD revised its growth forecasts for 2009 downwards, and now expects contraction in the UK, the US, Japan, the Eurozone and the whole OECD. However, in 2010 positive growth is expected to return.
- The IMF's growth forecasts were lowered in January for advanced and emerging/developing economies. It expects the UK to contract by 2.8% in 2009 (down from 1.3%) and the US by 1.6%, while the global economy will grow by just 0.5%.

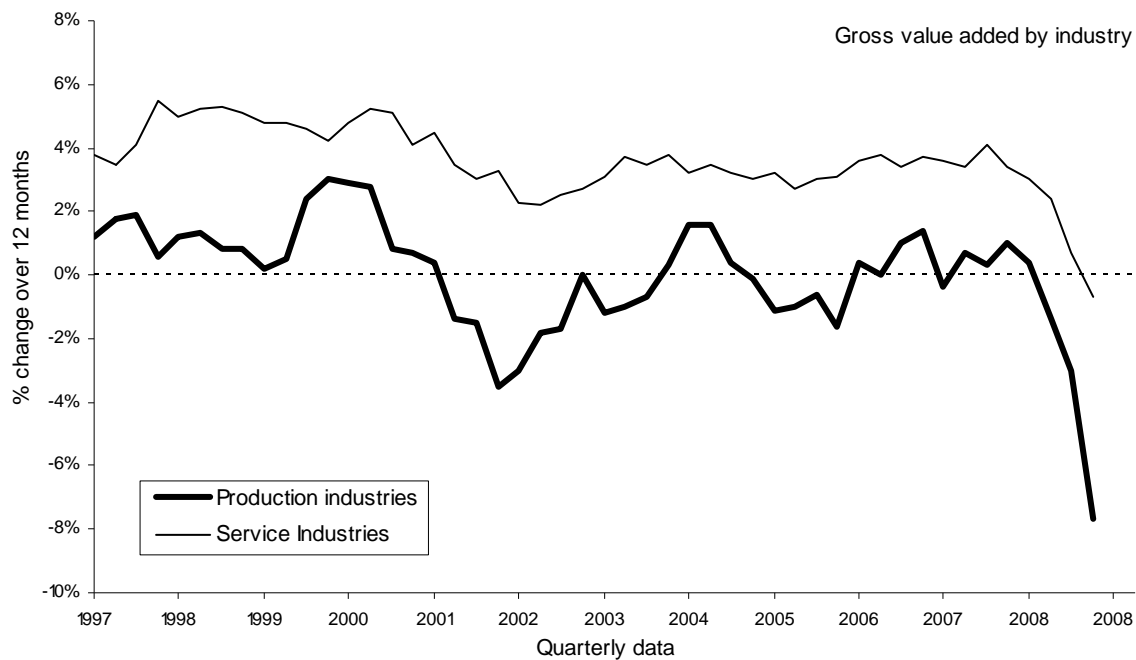
**OECD growth forecasts (% change on year)**

	2008	2009	2010
US	1.4	-0.9	1.6
Japan	0.5	-0.1	0.6
United Kingdom	0.8	-1.1	0.9
Eurozone	1.0	-0.6	1.2
OECD	1.4	-0.4	1.5

Source: OECD, *Economic Outlook* 84, Dec 2008, p249**Contact:** Ian Townsend, x2042**Update:** OECD, *Main Economic Indicators*, 6 Mar  
IMF, *World Economic Outlook*, April

### 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, but is currently declining at an annual rate of 0.7%. Between the third and fourth quarter of 2008 annual output growth in the service sector decreased by 1.4 percentage points.

#### Gross value added at current basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
2006	0.7	1.8	3.6	2.7	1.0
2007	0.4	0.6	3.6	-4.3	2.8
2008	-2.9	-2.9	1.3	0.1	1.3
2007 Q4	1.0	0.4	3.4	-3.8	2.7
2008 Q1	0.4	0.8	3.0	-0.8	3.6
Q2	-1.4	-1.2	2.4	0.4	1.9
Q3	-3.0	-2.9	0.7	1.1	1.0
Q4	-7.7	-8.1	-0.7	-0.1	-1.0

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

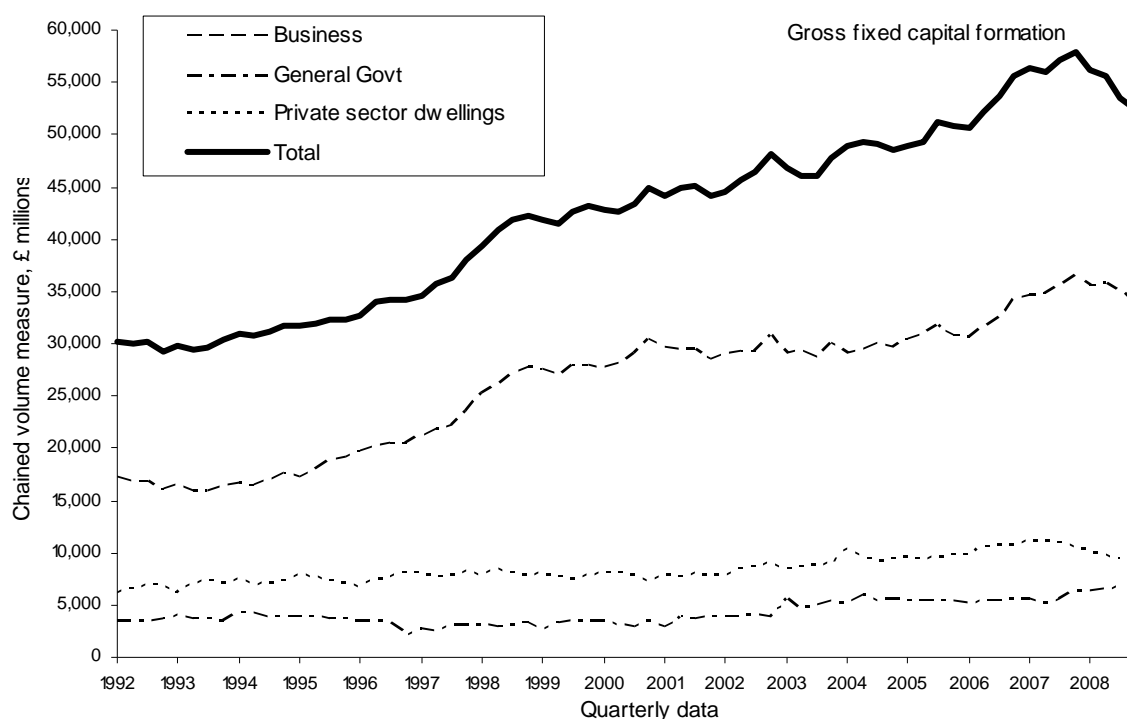
- Manufacturing output decreased by 8.1% in the fourth quarter of 2008 compared with the same quarter in 2007, and manufacturing output decreased by 2.9% overall in 2008.
- In 2006, services accounted for 76% of gross value added, manufacturing for 13%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

**Contact:** Ed Potton, x2883

**Update:** ONS, *Quarterly National Accounts—Q4*, 27 Mar

## A4: Investment

Gross Fixed Capital Formation (GFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings. The graph excludes the effect of the exceptional transfer of nuclear reactors as this distorts the figures.



[Source: ONS database: series DFEA, DLWF, NPEL, NPQT]

### Gross fixed capital formation

£ million; Chained volume measures, reference year 2003; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
2005	14,675	62,192	67,371	41,872	14,077	200,187
2006	14,799	65,116	71,787	45,466	14,978	212,146
2007	15,228	71,934	78,178	46,945	15,135	227,421
2008	..	..	..	..	..	217,544
2007 Q4	3,627	18,646	20,445	11,389	3,789	57,897
2008 Q1	3,683	17,089	20,507	11,117	3,844	56,240
Q2	3,738	17,690	19,503	10,738	3,856	55,525
Q3	3,373	17,566	18,585	10,101	3,881	53,506
Q4	..	..	..	..	..	52,273

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

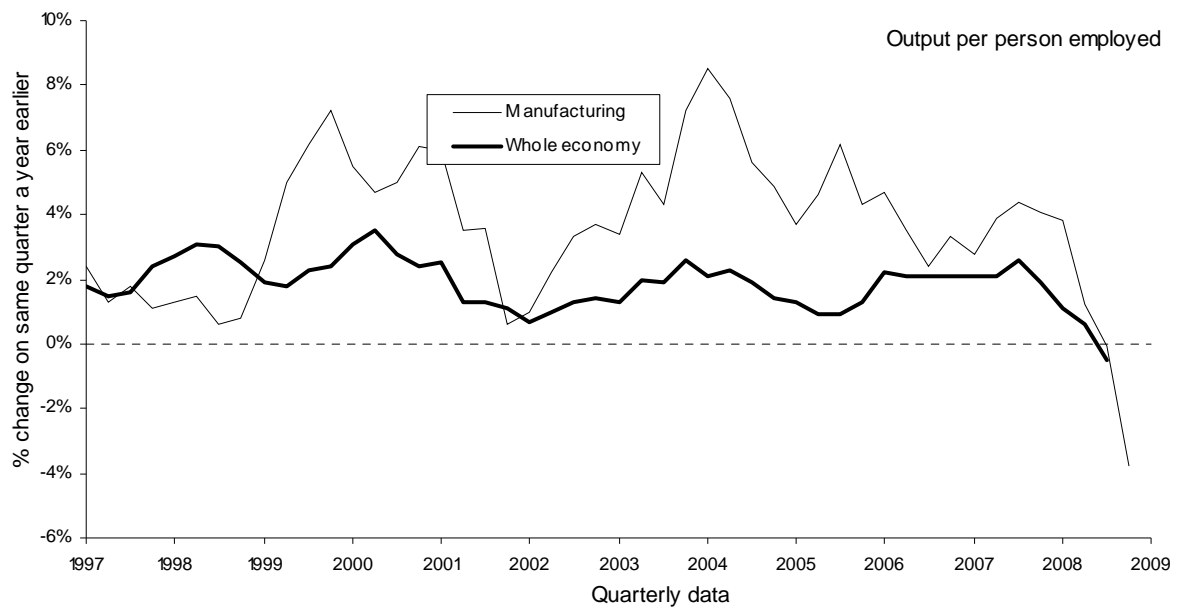
- Total business investment decreased by 3.9% in Q4 2008 compared with the previous quarter and by 7.7% compared with Q4 2007 on a seasonally adjusted basis.
- Total manufacturing investment decreased by 11.0% in Q4 2008 compared with the previous quarter while investment in private sector services decreased by 3.8% on a seasonally adjusted basis.

**Contact:** Dominic Webb, x4324

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



## A5: Productivity



### Productivity

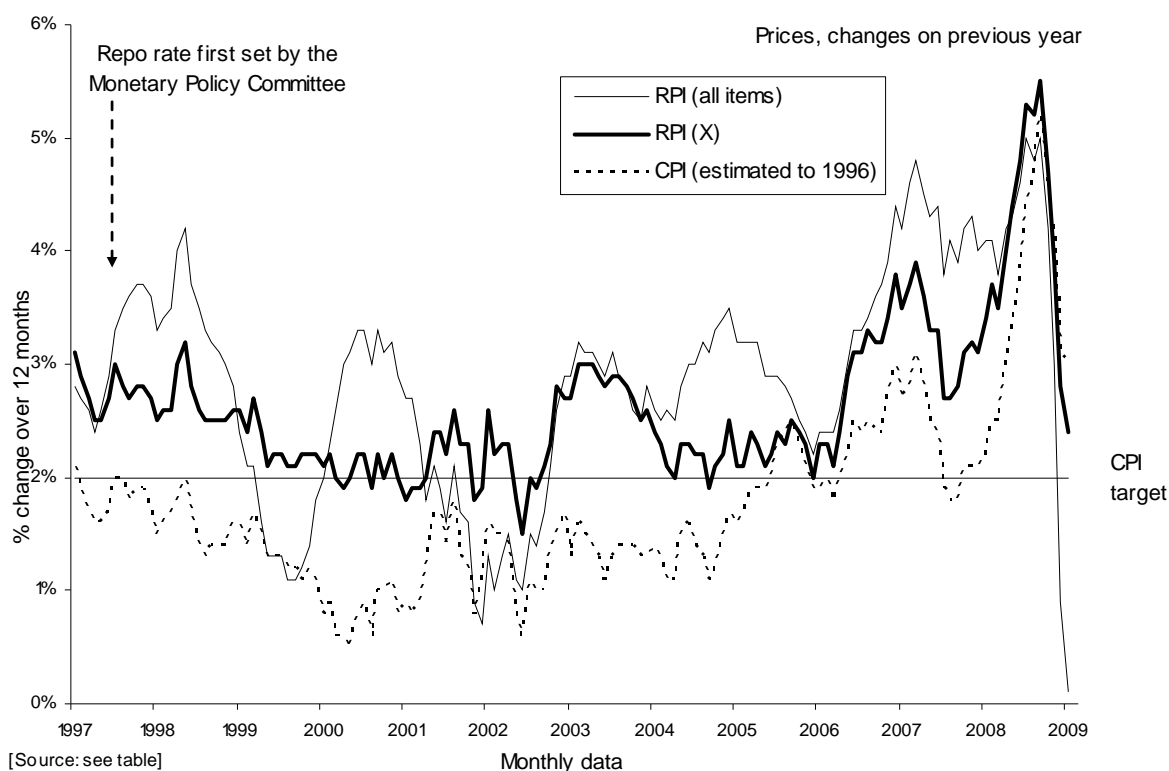
% changes on year; seasonally adjusted

	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2005	-0.2	-4.6	4.7	2.1	1.0	1.1
2006	1.8	-1.6	3.5	2.9	0.8	2.1
2007	0.6	-3.1	3.8	3.0	0.8	2.2
2008	-2.9	-3.2	0.3	0.7	..	..
2007 Q3	0.2	-4.0	4.4	3.3	0.7	2.6
Q4	0.4	-3.6	4.1	2.9	1.0	1.9
2008 Q1	0.8	-2.9	3.8	2.5	1.4	1.1
Q2	-1.2	-2.5	1.2	1.7	1.3	0.6
Q3	-2.9	-2.8	-0.1	0.1	0.8	-0.5
Q4	-8.1	-4.5	-3.8	-1.9	..	..

- Productivity growth in manufacturing was 0.5% per annum in Q3 2008 compared to 1.6% per annum in the previous quarter, while whole economy productivity growth decreased from 0.6% per annum in Q2 2008 to -0.5% per annum in Q3 2008.
- Productivity across the whole economy, measured by output per head, is estimated to have grown by 2.2% in 2007 compared with 2.1% in 2006 and 1.1% in 2005.
- In 2007, manufacturing output increased by 0.6% and employment in manufacturing fell by 3.1%, while manufacturing output per head rose by 3.8%.
- For the economy as a whole, productivity growth has averaged 1.5% per annum over the last eight quarters. Figures on this page are based on output per job.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 31 Mar

**B1: Prices**

On 10 December 2003 the (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 January, the consumer prices index (CPI) showed inflation at 3.0%, down from 3.1% in December and ending a run of eight months in a row in which CPI inflation was more than 1 percentage point above target. The rate has fallen for the last four months.
- The largest downward effects on the CPI came from clothing and footwear, transport costs and communication. There was a further downward contribution from audiovisual equipment.  
Many of these downward contributions reflected the reduction in the rate of VAT and discounting in sales.
- There were upward contributions to the CPI annual rate from alcohol and tobacco.
- The former headline (all items RPI) rate of inflation was 0.1% in January, down from 0.9% in December. The underlying RPI(X) also fell to 2.4% in January from 2.8% in December.

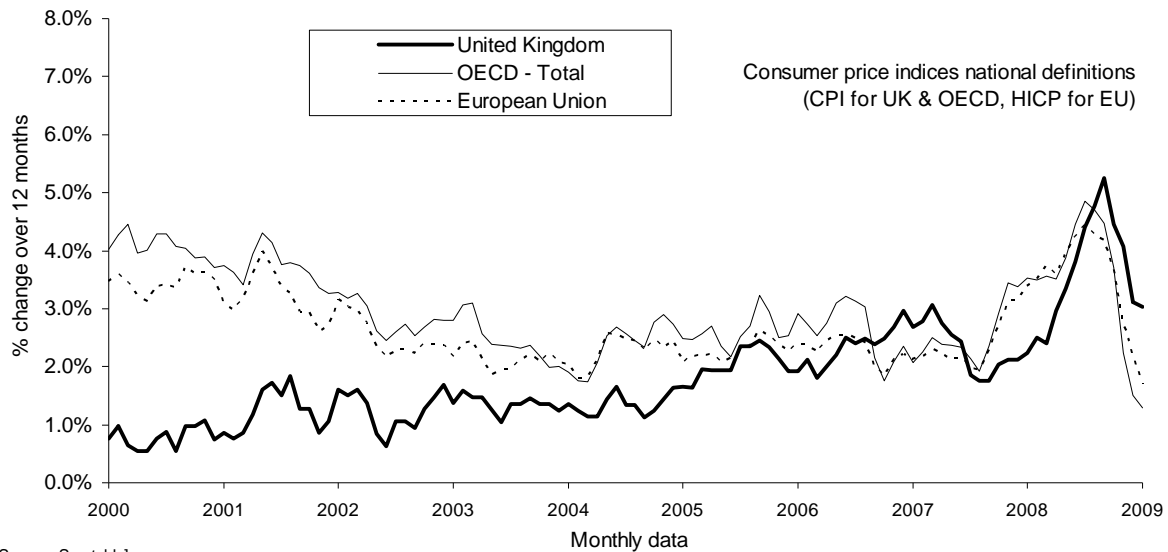
**Price Indices**

% change over 12 months

	CPI (was HICP)	RPI (all items)	RPI (X)
2005	2.1	2.8	2.3
2006	2.3	3.2	2.9
2007	2.3	4.3	3.2
2008	3.6	4.0	4.3
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
Aug	4.7	4.8	5.2
Sep	5.2	5.0	5.5
Oct	4.5	4.2	4.7
Nov	4.1	3.0	3.9
Dec	3.1	0.9	2.8
2009 Jan	3.0	0.1	2.4

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 0.0% in January 2009, a decrease of 0.1 percentage points from December and 5.4 percentage points below the August 2008 figure;
- The average annual inflation rate for all OECD countries in January was 1.3%, down from 1.5% in December;
- The EU's average inflation rate, based on harmonised indices of consumer prices (in the chart above, but not in the table), was 1.7% in January.

### EU/Eurozone inflation

harmonised indices (HICPs); % change over 12 months

	France	Germany	Italy	UK	Eurozone
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	3.2	2.8	3.5	3.6	3.3
2008 Aug	3.5	3.3	4.2	4.7	3.8
Sep	3.3	3.0	3.9	5.2	3.6
Oct	3.0	2.5	3.6	4.5	3.2
Nov	1.9	1.4	2.7	4.1	2.1
Dec	1.2	1.1	2.4	3.1	1.6
2009 Jan	0.8	0.9	1.4	3.0	1.1

Source: Eurostat database, Feb 2009

### Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
2005	3.4	-0.3	2.2	2.0	2.4
2006	3.2	0.2	2.0	2.3	2.6
2007	2.9	0.1	2.1	2.3	2.7
2008	3.8	1.4	2.4	3.6	3.9
2008 Aug	5.4	3.5	2.1	4.8	4.7
Sep	4.9	3.4	2.1	5.2	4.5
Oct	3.7	2.6	1.7	4.5	3.7
Nov	1.1	2.0	1.0	4.1	2.2
Dec	0.1	1.2	0.4	3.1	1.5
2009 Jan	0.0	1.1	0.0	3.0	1.3

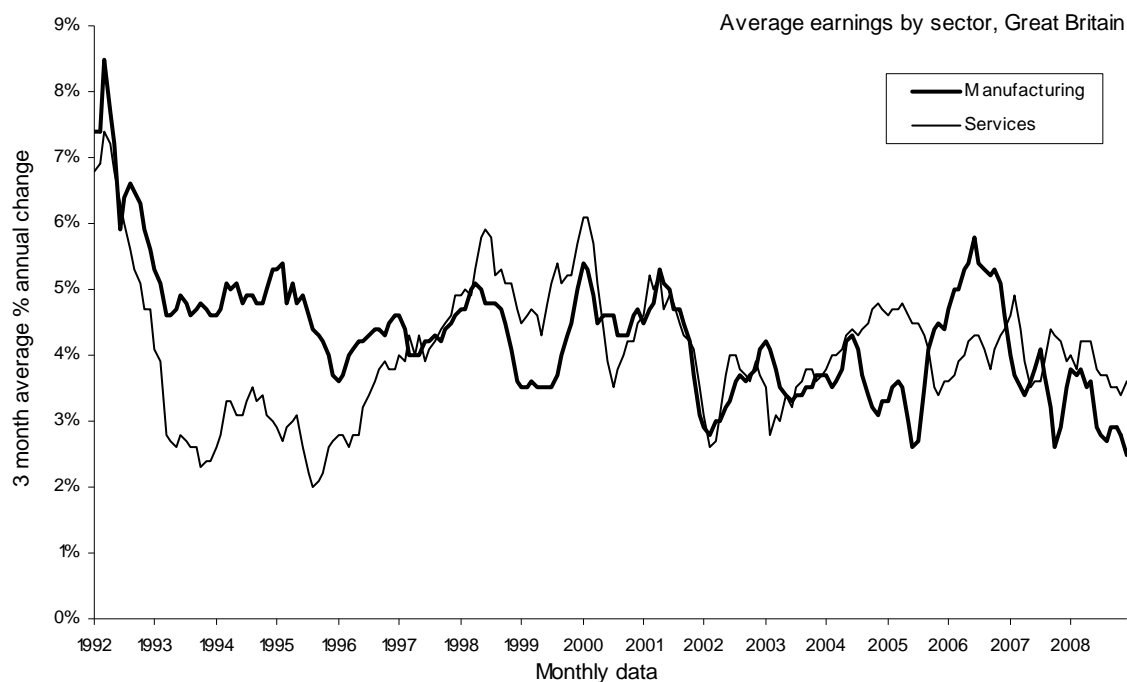
Source: OECD, Consumer Prices Release

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

- Eurozone annual inflation was 1.1% in January 2009. The "flash" estimate for February is 1.2%
- The monthly HICP inflation rates in January for the EU15 Member States not in the eurozone were 1.7% in Denmark, 2.0% in Sweden and 3.0% in the UK.
- The eurozone countries with the highest monthly HICP annual inflation rates in January were Malta (3.1%) and Finland (2.5%). The lowest rates were in Luxembourg (0.0%) and Portugal (0.1%).

**Contact:** Bryn Morgan, x4904

**Updates:** OECD, *Consumer prices release*, 9 Apr  
Eurostat, *Euro-indicators news release*, 16 Mar

**B3: Average Earnings Index**

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

- The headline rate of growth in average earnings for the whole economy in December was 3.2%, unchanged from November.
- Headline average earnings growth in manufacturing was 2.5% in December, down from 2.8% in November. Earnings growth in the service sector was 3.6%, up from 3.4% in the previous month.
- Headline earnings growth in the private sector was 3.1% in December, compared with 4.0% in the public sector. Earnings growth in the private sector was up from 3.0% from November, while earnings growth in the public sector was unchanged from the previous month.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in December 2007 was 3.8%).
- In the year to December, the consumer price index showed inflation at 3.1%, slightly below the rate of earnings growth.

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

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2004 Dec	4.5	4.6	4.7
2005 Dec	3.8	3.6	4.5
2006 Dec	4.1	4.3	3.2
2007 Dec	3.8	3.9	3.3
2008 Jan	3.9	4.1	3.4
Feb	3.7	3.7	3.7
Mar	4.0	3.9	3.8
Apr	4.0	3.9	3.9
May	3.9	3.9	3.5
Jun	3.5	3.6	3.2
Jul	3.5	3.5	3.3
Aug	3.4	3.4	3.5
Sep	3.3	3.1	3.9
Oct	3.3	3.2	3.8
Nov	3.2	3.0	4.0
Dec	3.2	3.1	4.0

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 Nov	28,616	24,773	3,622	97	124
2005 Nov	28,789	24,911	3,681	89	108
2006 Nov	29,085	25,099	3,780	101	104
2007 Nov	29,398	25,361	3,821	105	111
2008 Feb	29,499	25,416	3,859	107	119
2008 May	29,505	25,444	3,839	110	112
2008 Aug	29,407	25,411	3,795	92	109
2008 Nov	29,361	25,357	3,812	95	98

#### Changes (%):

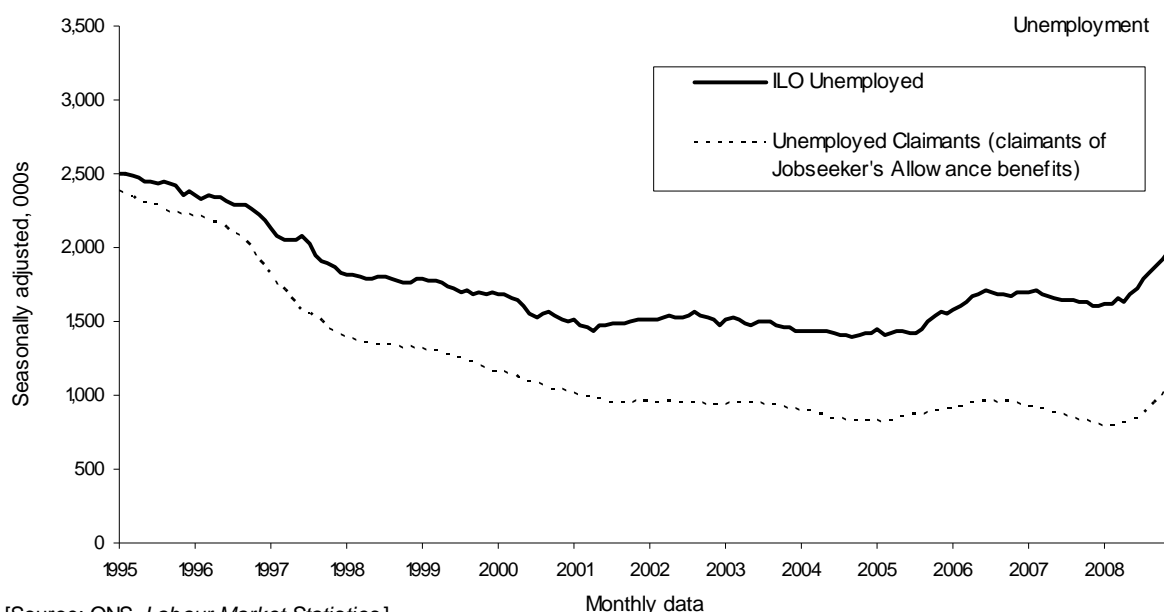
on last 3 months	-0.2	-0.2	0.5	2.6	-10.1
on last year	-0.1	0.0	-0.2	-9.4	-12.1

- Total employment in the three months to December 2008 was 37,000 lower than a year earlier and 45,000 lower than the previous quarter.
- Over the year to September, the number of manufacturing industry workforce jobs fell by 100,000. The number of service sector jobs fell by 36,000 over the year.
- 7.5 million people were in part-time employment in the three months to December 2008, of whom 5.7 million were women. 3.8 million people were self-employed.

**Contact** Dominic Webb, x4324

**Update:** ONS, *Labour Market Statistics*, 18 Mar

## 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 October to December 2008, the level of ILO unemployment in the UK was 1,971,000 (seasonally adjusted). This was an increase of 369,000 from the same period a year earlier.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, increased by 73,800 between December 2008 and January 2009 to 1,233,000.

The New Deal for Young People started in January 1998.

- By November 2008, there had been 1,927,000 starts under the scheme. By August, 1,809,000 spells had resulted in 835,000 sustained jobs (46%) 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 November 2008, there had been 1,173,000 starts under the scheme. By August 2008, 732,000 spells had resulted in 305,000 sustained jobs (42%).

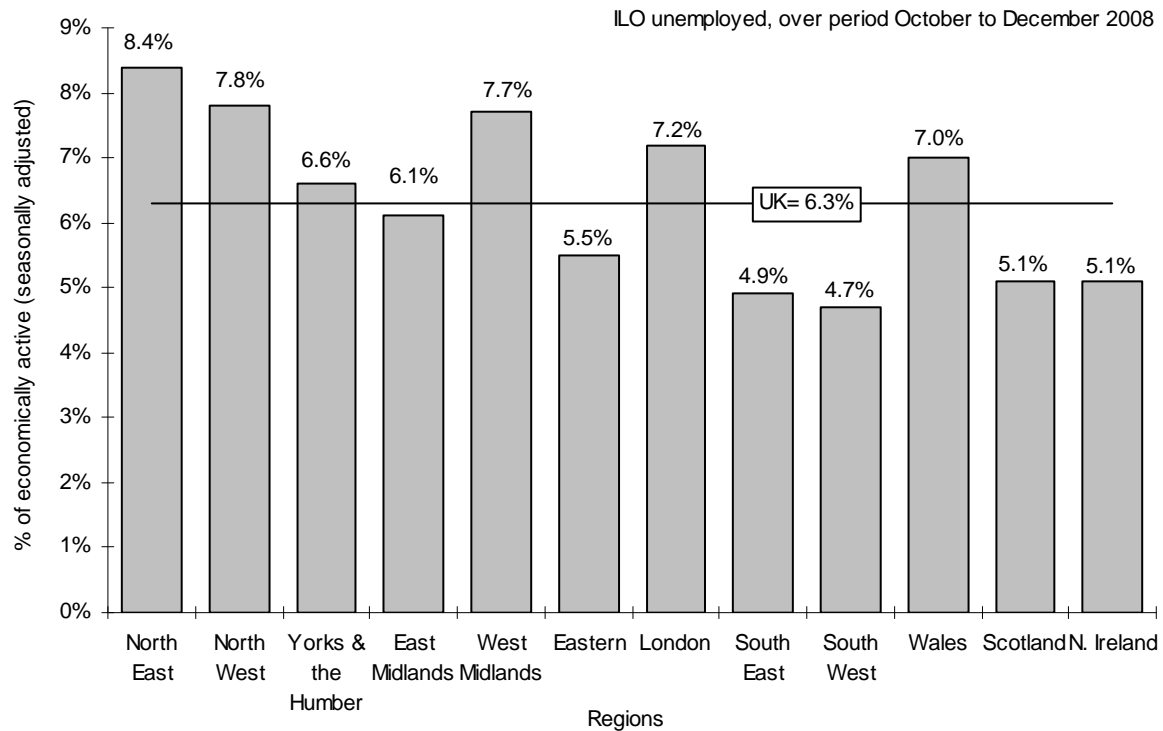
### ILO Unemployment in the UK seasonally adjusted

	'000s	rate (%)
Oct-Dec 2002	1,514	5.1
Jan-Mar 2003	1,528	5.2
Apr-Jun 2003	1,468	5.0
Jul-Sep 2003	1,504	5.1
Oct-Dec 2003	1,457	4.9
Jan-Mar 2004	1,431	4.8
Apr-Jun 2004	1,439	4.8
Jul-Sep 2004	1,404	4.7
Oct-Dec 2004	1,423	4.7
Jan-Mar 2005	1,413	4.7
Apr-Jun 2005	1,438	4.8
Jul-Sep 2005	1,442	4.8
Oct-Dec 2005	1,566	5.2
Jan-Mar 2006	1,601	5.2
Apr-Jun 2006	1,687	5.5
Jul-Sep 2006	1,690	5.5
Oct-Dec 2006	1,698	5.5
Jan-Mar 2007	1,704	5.5
Apr-Jun 2007	1,662	5.4
Jul-Sep 2007	1,643	5.3
Oct-Dec 2007	1,602	5.2
Jan-Mar 2008	1,624	5.2
Apr-Jun 2008	1,685	5.4
Jul-Sep 2008	1,825	5.8
Oct-Dec 2008	1,971	6.3

Source: ONS, *Labour Market Statistics*

**Contact:** Roderick McInnes, x3793    **Updates:** ONS, *Labour Market Statistics*, 18 Mar  
DWP, *New Deal*, May

### C3: Unemployment: Regional



[Source: ONS, *Labour Market Statistics* ]

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

- Over the period October to December 2008 the North East had the highest unemployment rate, 8.4% of the economically active population. The lowest rate over the same period was 4.7%, in the South West.
- A comparison of October to December 2008 with the same period a year earlier shows that the largest rise in regional unemployment occurred in the North East (+46%). Scotland showed the smallest increase (+6%) over the period.

#### ILO Unemployment, October to December 2008

change on same period in previous year;  
seasonally adjusted

	Number (rounded)	%
North East	+33,000	+46
North West & Merseyside	+64,000	+32
Yorkshire & the Humber	+36,000	+26
East Midlands	+24,000	+20
West Midlands	+51,000	+33
Eastern	+34,000	+26
London	+33,000	+13
South East	+21,000	+11
South West	+29,000	+30
Wales	+28,000	+39
Scotland	+8,000	+6
Northern Ireland	+8,000	+24

Source: ONS, *Labour Market Statistics*

## C4: Unemployment: International Comparisons



### Unemployment

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

	2006	2007	2008	2007				2008			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	6.3	6.0	6.1	6.2	6.1	6.0	5.9	5.9	6.1	6.1	6.4
France	9.2	8.3	7.8	8.7	8.4	8.2	7.8	7.6	7.7	7.7	8.0
Germany	9.9	8.4	7.3	8.8	8.5	8.3	8.0	7.6	7.4	7.2	7.1
Italy	6.8	6.1	..	6.0	5.9	6.2	6.4	6.7	6.8	6.7	..
Japan	4.1	3.9	4.0	4.0	3.8	3.8	3.8	3.9	4.0	4.1	4.0
UK	5.4	5.3	..	5.5	5.3	5.3	5.1	5.1	5.4	5.8	..
USA	4.6	4.6	5.8	4.5	4.5	4.7	4.8	4.9	5.4	6.0	6.9
Eurozone	8.4	7.5	7.5	7.7	7.5	7.5	7.3	7.3	7.4	7.5	7.9
G7	5.8	5.4	5.9	5.5	5.2	5.4	5.4	5.5	5.7	6.0	6.4
OECD	6.3	5.8	6.1	5.9	5.8	5.8	5.7	5.7	5.9	6.2	6.6

Source: OECD, Standardised Unemployment Rates, February 2009

- Between Q3 2007 and Q3 2008 (the latest quarter for which all data are available) Germany had the largest fall in unemployment among G7 countries: 1.1 percentage points.
- The most recent forecasts published by the OECD (*Economic Outlook*, December 2008) suggest the UK unemployment rate will be 5.5% in 2008, 6.8% in 2009 and 8.2% in 2010. The respective forecasts for the eurozone are 7.4%, 8.6% and 9.0% and for the OECD as a whole 5.9%, 6.9% and 7.2%.
- 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 5.8% respectively).

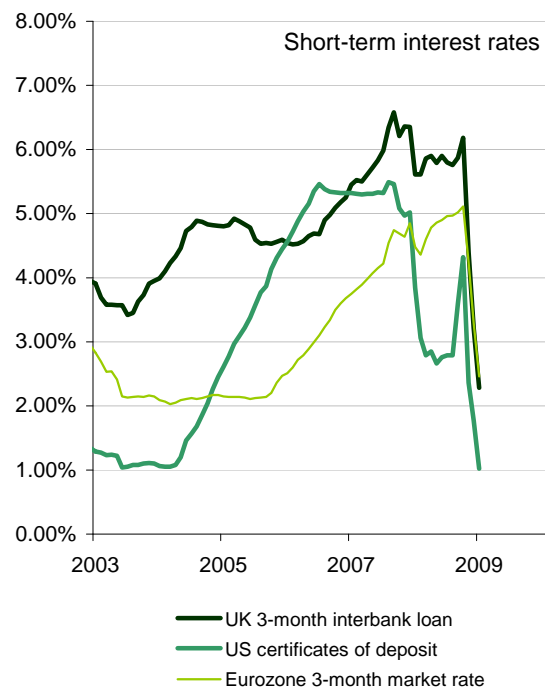
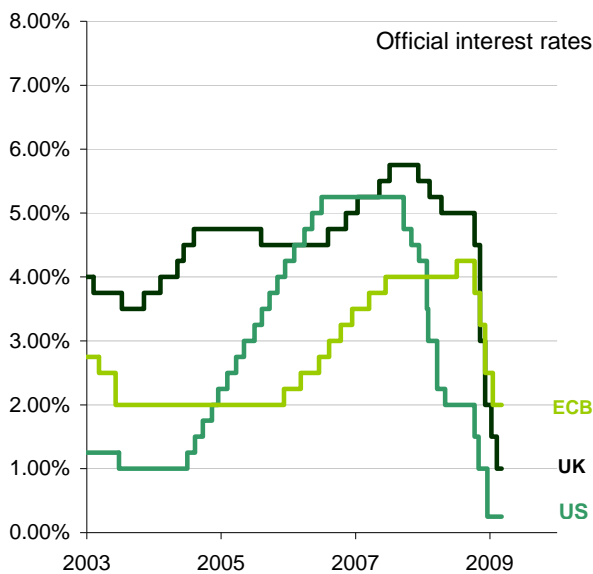
**Contact:** Roderick McInnes, x3793

**Updates:** OECD, *Standardised Unemployment Rates*, 6 Mar  
OECD, *Economic Outlook*, Jun



## D1: Interest Rates

- On 5 February, the Bank of England's Monetary Policy Committee cut the official bank rate by 50 basis points to 1.00%. Eight members voted for this cut; David Blanchflower voted for a 100 basis point cut. This follows a cut of 50 basis points on 8 January, 100 basis points in December 2008 and 150 basis points in November 2008. The rate is now the lowest in the Bank of England's 315-year history.
- The European Central Bank held its rate for main refinancing operations at 2.00% at its latest meeting on 5 February. Previously, it had cut the rate by 50 basis points on 15 January.
- The Federal Reserve decided, on 16 December 2008, to establish a target range for its federal funds rate of between 0% and 0.25%. It retained this target at its latest meeting on 27/28 January. Previously, the target had been 1.00%.
- The Bank of Japan cut its rate by 20 basis points on 19 December.



### UK Base/Repo rate changes

% per annum

Date	New rate	Date	New rate
2000 Jan 13	4.75	2006 Nov 9	5.00
Feb 10	4.50	2007 Jan 11	5.25
2001 Feb 8	4.00	May 10	5.50
Apr 5	3.75	Jul 5	5.75
May 10	3.50	Dec 6	5.50
Aug 2	3.75	2008 Feb 7	5.25
Sep 18	4.00	Apr 10	5.00
Oct 4	4.25	Oct 8	4.50
Nov 8	4.50	Nov 6	3.00
2003 Feb 6	4.75	Dec 4	2.00
Jul 10	4.50	2009 Jan 8	1.50
Nov 6	4.75	Feb 5	1.00

Source: Bank of England

### International interest rates

% per annum, at 3 March 2009

	Official rate	Yield 10yr Govt bonds	3-month market rate
United Kingdom	1.00	5/2/09	3.56
Eurozone	2.00	15/1/09	n/a
US	0.00 - 0.25	16/12/08	2.94
Japan	0.10	19/12/08	1.30
Switzerland	0.00 - 1.00	11/12/08	2.29

Source: *Financial Times*, 4 March 2009

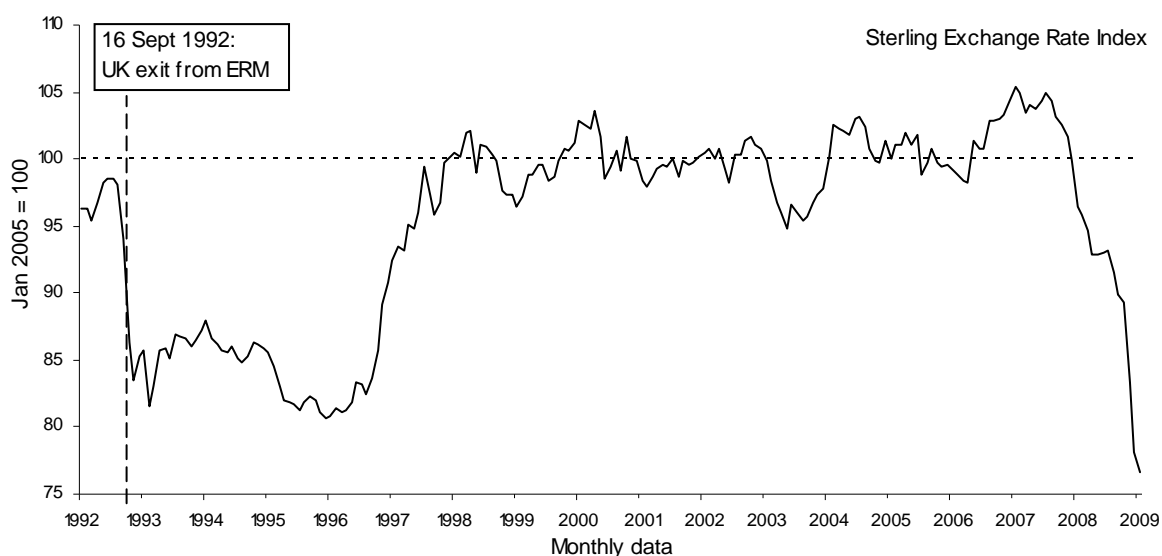
(*Companies & Markets*, p.37)

**Contact:** Bryn Morgan, x4904

**Updates:** Short-term interest rates: OECD, MEI, mid-Mar;  
Base rates: 5 Mar (UK MPC), 5 Mar (ECB), 17 Mar (US)

### D3: Exchange rates

The *Sterling Exchange Rate Index* (SERI) measures the value of sterling against a trade-weighted 'basket' of currencies, with weights in this index based on 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. In January 2009, the SERI was at its lowest monthly level since the current series began in 1980, and the Index was down 1.9% compared on the previous month, and down 21% on the same month in the previous year.

The table below shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.135 at the London market close on 20 February 2009, compared with an all-time low of €1.020 on 30 December 2008 (and the €1.476 launch rate on 31 December 1998). The pound was worth \$1.432 at the market close on 20 February 2009.

#### Sterling Exchange Rates

rates and % changes

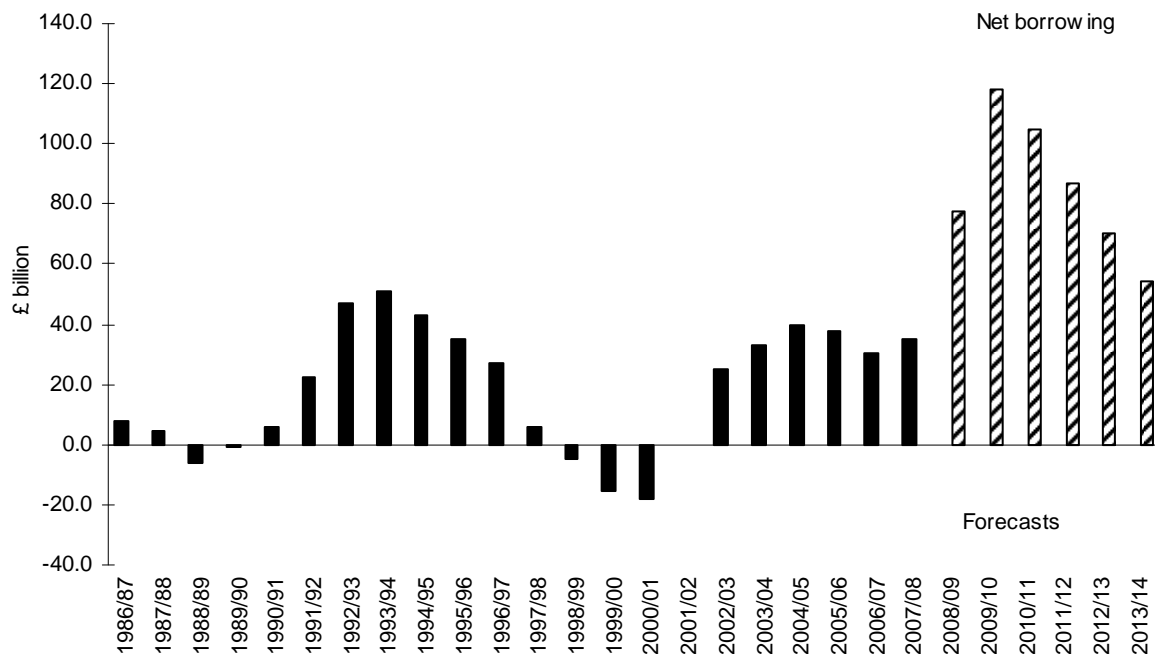
	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2005	1.820	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.0	235.6	17.7	1.462	-0.1
2008	1.853	0.5	192.3	-10.3	1.259	-14.2
2008 Jan	1.970	0.6	212.2	-10.1	1.338	-11.2
Feb	1.964	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	1.988	-2.3	212.4	-14.0	1.262	-14.9
Aug	1.889	-6.1	206.5	-12.0	1.261	-14.6
Sep	1.799	-10.9	191.8	-17.4	1.253	-13.7
Oct	1.690	-17.3	169.3	-28.5	1.272	-11.5
Nov	1.534	-25.9	148.6	-35.3	1.204	-14.6
Dec	1.486	-26.4	135.6	-40.2	1.104	-20.3
2009 Jan	1.445	-26.6	130.4	-38.5	1.092	-18.4

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

**Contact:** Ian Townsend, x2042

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

## D4: Public Finances



[Source: ONS database, series: -ANNX; HM Treasury]

The chart shows outturns and Treasury forecasts for public sector net borrowing. Net borrowing was £35.2 billion in 2007/08.

The Pre-Budget Report (PBR) forecast net borrowing of £77.6 billion in 2008/09 (up from a 2008 Budget forecast of £42.5 billion). This is equivalent to 5.3% of GDP. For 2009/10, the PBR forecast net borrowing of £118 billion (8.0% of GDP).

Public sector net debt was equivalent to 49.5% of GDP in Q4, 2008. Excluding the effects of the government's interventions in the financial sector, net debt was 40.4% (or £594.1 billion).

ONS has announced that Royal Bank of Scotland plc and the Lloyds Banking Group plc will be classified as being in the public sector from October 2008. This is because, in the ONS' view, the government has the ability to control the corporate policy of these banks.

While ONS has yet to reach a conclusion about how this will affect public sector net debt, it has indicated that it could add between £1 trillion and £1.5 trillion (70-100% of GDP). Some commentators believe this overstates the true impact on the public finances as the banks' long-term assets are not taken into account.

### Public Sector Net Debt and Borrowing

£ billion & %

	Net Debt		Net borrowing
	£ billion	% GDP	£ billion
2004/05	422.1	34.1	39.6
2005/06	461.6	35.4	37.8
2006/07	497.9	36.0	30.6
2007/08	621.2	43.0	35.2
2007 Q4	634.0	44.1	16.0
2008 Q1	621.2	43.0	-1.9
Q2	641.4	44.1	22.3
Q3	695.7	47.5	14.7
Q4	727.3	49.5	33.6

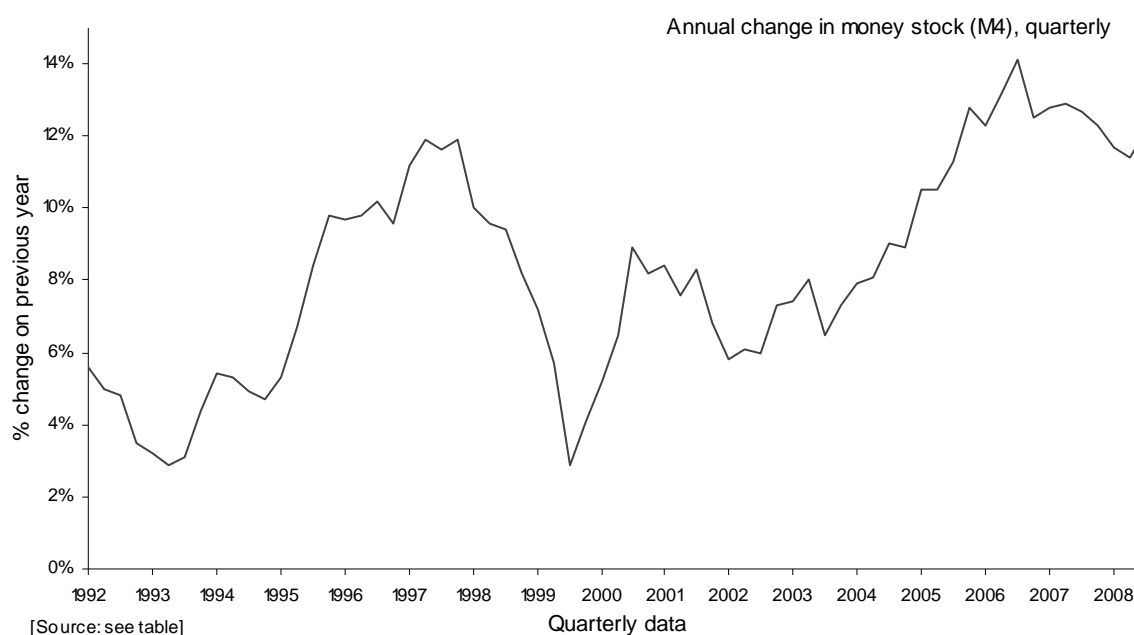
Source: ONS database, series: RUTN, RUTO, -ANNX

Note: debt figures include financial sector interventions

**Contact:** Dominic Webb, x4324

**Update:** ONS, Public sector finances, 19 Mar

## 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
2008 Jan	5.0	6.2	13.4	12.9
Feb	7.0	6.6	13.2	12.0
Mar	8.6	6.7	10.3	11.6
Apr	6.7	6.6	7.3	10.9
May	5.0	5.9	8.5	10.0
Jun	3.6	5.7	13.5	11.4
Jul	4.1	5.8	13.8	10.9
Aug	2.7	5.1	18.5	11.3
Sep	4.7	5.1	16.7	12.0
Oct	8.1	6.0	27.3	15.2
Nov	12.9	6.8	25.5	16.2
Dec	12.2	7.2	24.7	16.2
2009 Jan	12.2	7.7	22.6	17.5

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

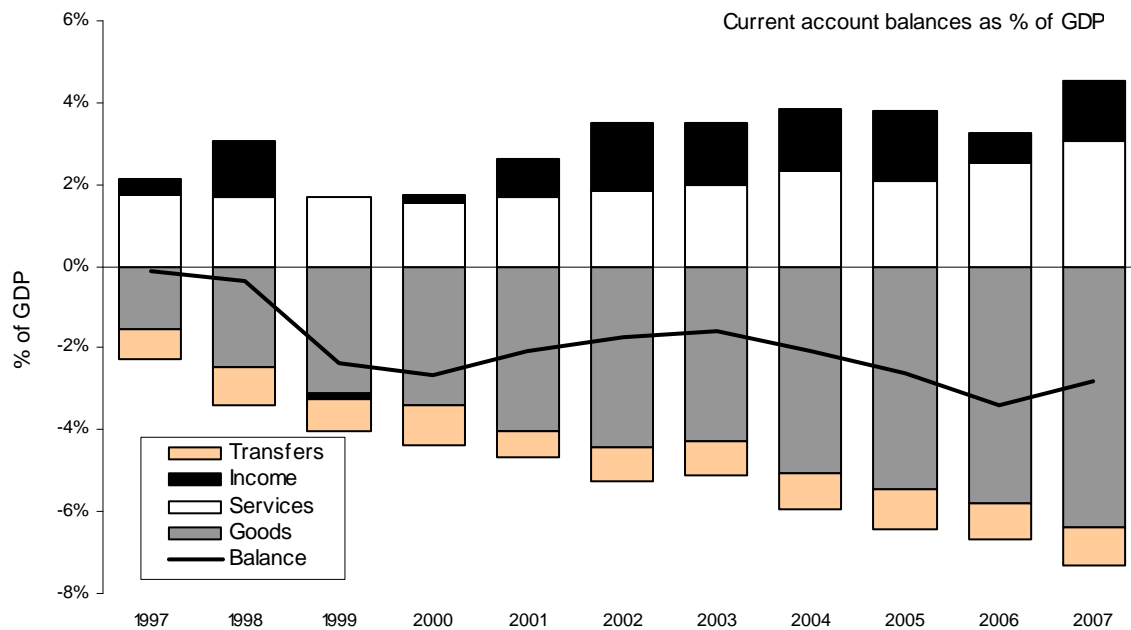
The table above shows sterling notes and coin in circulation outside the Bank of England. The table also shows M4 which is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 grew by 17.5% in the 12 months to January 2009. The 12-month seasonally adjusted growth rate of notes and coins was 7.7%.
- There are now no formal targets for money supply growth.

**Contact:** Dominic Webb, x4324

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

## 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	
2005	-68,589	25,875	-42,714	21,872	-9,343	-2,506	-11,849	-32,691
2006	-76,312	33,108	-43,204	10,097	-9,502	-2,422	-11,924	-45,031
2007	-89,253	42,625	-46,628	20,646	-9,709	-3,834	-13,543	-39,525
2008	-93,150	47,053	-46,097	..	..	..	..	..
2007 Q4	-23,914	11,712	-12,202	11,133	-3,380	-983	-4,363	-5,432
2008 Q1	-23,266	11,382	-11,884	12,145	-2,509	-1,405	-3,914	-3,657
Q2	-23,233	12,061	-11,172	8,300	-2,122	-1,284	-3,406	-6,424
Q3	-23,572	11,489	-12,083	7,499	-1,900	-1,233	-3,133	-7,723
Q4	-23,079	12,121	-10,958	..	..	..	..	..

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

- **Annually**, the current account deficit in 2007 was £39.5 billion, equivalent to -2.8% of GDP. The surplus on income and services widened between 2006 and 2007. Provisional data for 2008 shows that the deficit on goods trade widened while the deficit on goods and services trade together narrowed slightly.
- On a **quarterly** basis, the current account deficit was estimated at £7.7 billion in Q3 2008, widening from the Q2 2008 deficit of £6.4 billion. Between Q3 2008 and Q4 2008 the surplus on services widened while the deficit on goods narrowed slightly.
- In 2007 the **annual** current account deficit with EU27 countries was £38.6 billion, compared with a deficit with non-EU countries of £0.9 billion. On a **quarterly** basis, the deficit with EU countries was £0.6 billion in Q3 2008 (compared with £4.4 billion in Q2 2008). With non-EU countries, the current account was in deficit by £7.2 billion in Q3 2008 (compared with a deficit of £2.0 billion in Q2 2008).

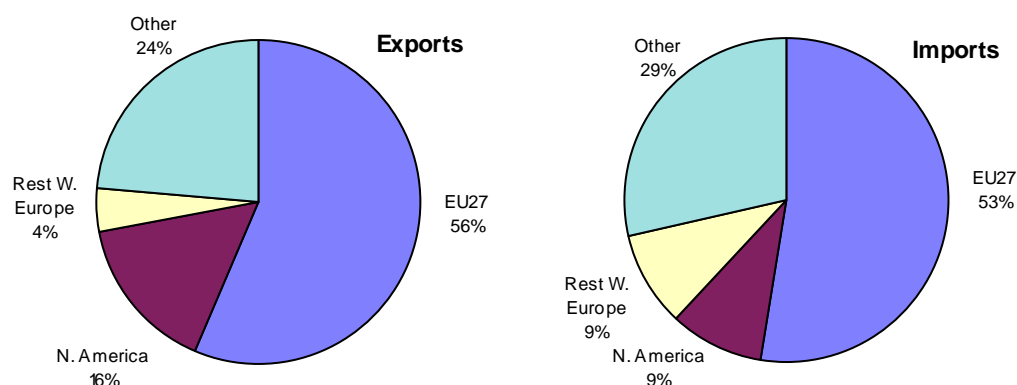
**Contact:** Grahame Allen, x3977

**Updates:** NS, *UK Balance of Payments*, 27 Mar; *UK Trade*, 11 Mar

## E2: UK Overseas Trade in Goods

### Shares of UK trade in goods by area, 2007

Balance of Payments basis



[Source: ONS database, series: LGCK, HBZQ, HCJD, HCII, HDII, HCHW, LGDC, HCRB, HBTS, HDJQ, HCPC, HCIF]

### Export & import volume indices & trade in goods balances

Index & £ million; Balance of Payments basis; seasonally adjusted

	Volume index (2003=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2005	111.0	114.6	211,608	280,197	-68,589
2006	125.2	127.5	243,635	319,947	-76,312
2007	110.2	122.1	220,703	309,956	-89,253
2008	110.7	120.0	250,664	343,814	-93,150
2007 Q4	110.5	124.6	57,103	81,017	-23,914
2008 Q1	112.3	122.7	60,485	83,751	-23,266
Q2	112.6	121.3	64,136	87,369	-23,233
Q3	113.4	121.8	65,686	89,258	-23,572
Q4	104.6	114.3	60,357	83,436	-23,079

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

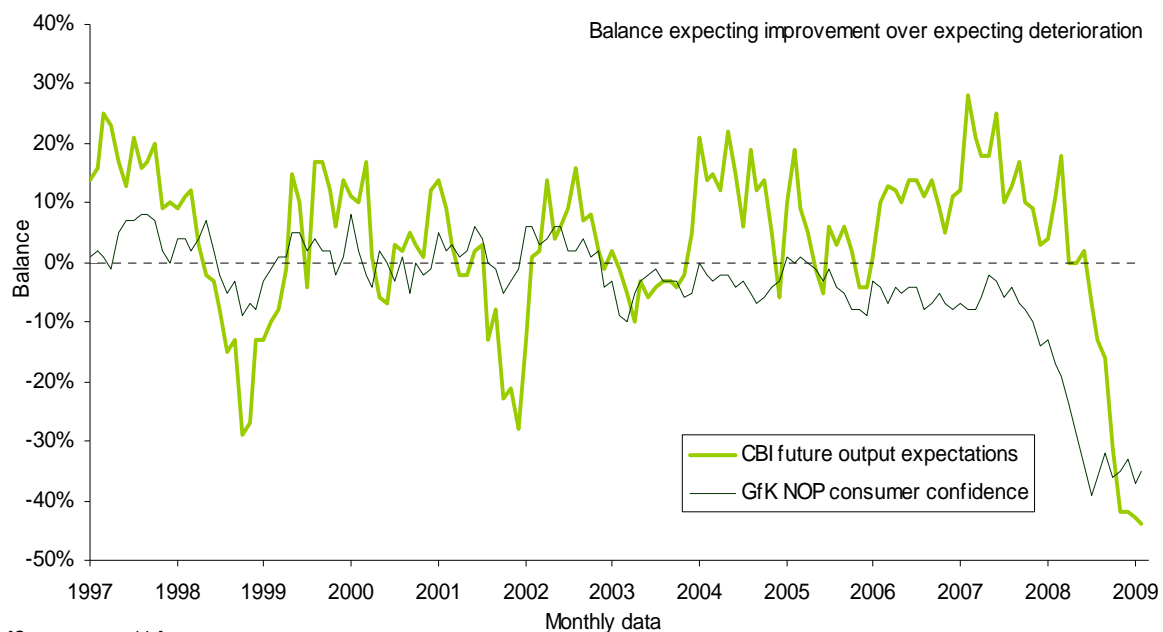
- In December, the provisionally estimated total value of UK goods exports was £19.7 billion and the total value of UK goods imports was £27.1 billion. As a result, the estimated deficit on goods trade was £7.4 billion, lower than the November level of £8.1 billion.
- Geographical breakdowns of UK trade 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 £3.2 billion in December (compared with £2.9 billion in November), while the deficit with non-EU countries was £4.2 billion (compared with £5.2 billion in November).
- The UK’s monthly surplus on trade in **services** was £3.8 billion in December, lower than the November total of £4.2 billion.
- The UK’s overall monthly deficit on **goods and services combined** in December was £3.6 billion, down from £4.0 billion in November.

**Contact:** Grahame Allen, x3977

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

## F1: Survey indicators

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



[Sources: see table]

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

- In February manufacturers’ expectations of output over the next three months were the lowest since September 1980 (when it was -48). A balance of 44% of firms thought output would decrease over the next three months.
- A balance of 56% of respondents said that total order book levels were below normal (up from 48% in January), the lowest since January 1992 (when it was 60%).
- Stock adequacy was unchanged from January, with a balance of 27% stating that stocks were ‘more than adequate’.

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 rose two points in February to stand at -35.
- Within this, the “general economic situation over the next 12 months” measure increased 8 points, and the “personal household finances” measure was up 6 points.
- Also, the “now is a good time to save” measure dropped 7 points, and is now 53 points lower than in February 2008.

### Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

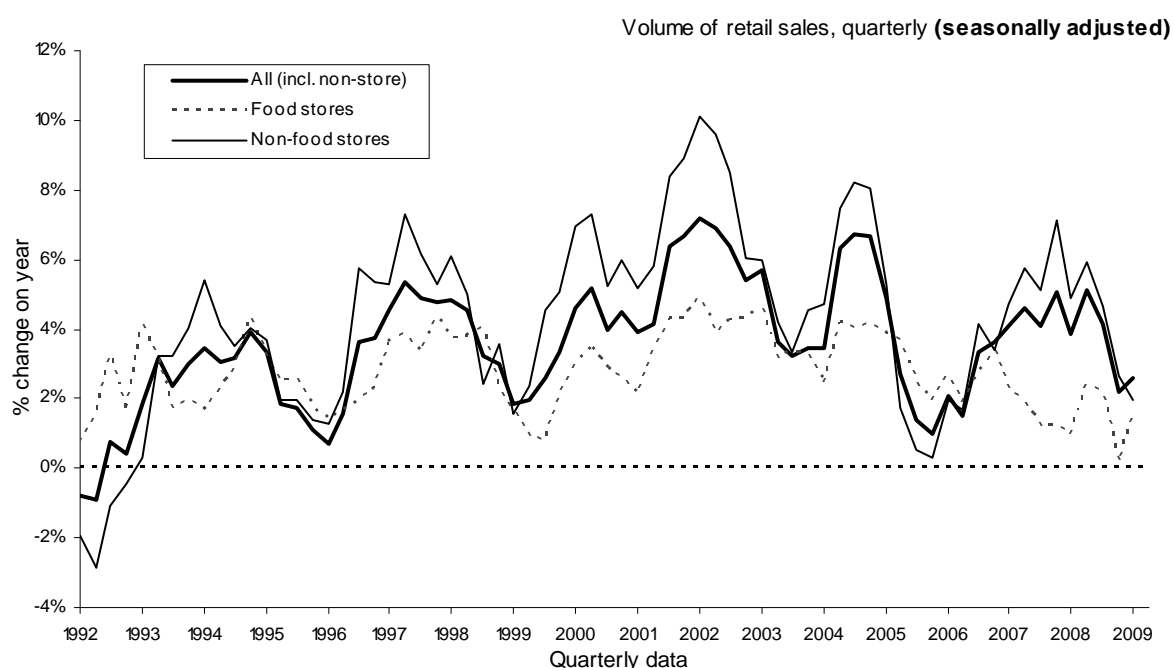
		Future output expectations (CBI)	Consumer confidence (GfK)
2008	Feb	+11	-17
	Mar	+18	-19
	Apr	0	-24
	May	0	-29
	Jun	+2	-34
	Jul	-7	-39
	Aug	-13	-36
	Sep	-16	-32
	Oct	-31	-36
	Nov	-42	-35
	Dec	-42	-33
	2009	Jan	-43
Feb		-44	-35

Sources: CBI, *Industrial Trends Survey* (monthly), from ONS database, series: ETCU; GfK NOP, *Consumer Confidence Survey* on behalf of the European Commission

**Contact:** Ian Townsend, x2042

**Updates:** CBI, *Industrial Trends* (Monthly), mid Mar  
GfK NOP, *Consumer Confidence*, end Mar

## F2: Retail Sales



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

- The total *volume* of retail sales in the three month period November 2008 to January 2009 was up 1.5% compared with the previous three months, and 3.2% higher than in the same three-month period in the previous year (seasonally adjusted).
- Total weekly retail sales volumes in January 2009 were 3.6% higher than in the same month a year previously, while the volume of retail sales increased by 0.7% compared with December 2008 (all seasonally adjusted).
- Retail sales volumes in stores selling primarily food increased by 1.0% in the three months November 2008 to January 2009 compared with the same three months a year earlier. For predominantly non-food retailing stores sales increased by 3.1% 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
2006	3.5	3.5	2.5	1.3	2.8
2007	2.2	3.9	5.6	4.3	3.6
2008	3.4	0.8	-2.8	10.2	3.1
2007 Q4	0.9	1.0	3.2	5.1	2.3
2008 Q1	2.7	2.6	1.5	15.6	5.0
Q2	3.1	0.2	-2.2	13.5	3.8
Q3	3.9	1.9	-4.7	11.9	3.5
Q4	4.4	0.1	-5.3	3.5	1.3

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

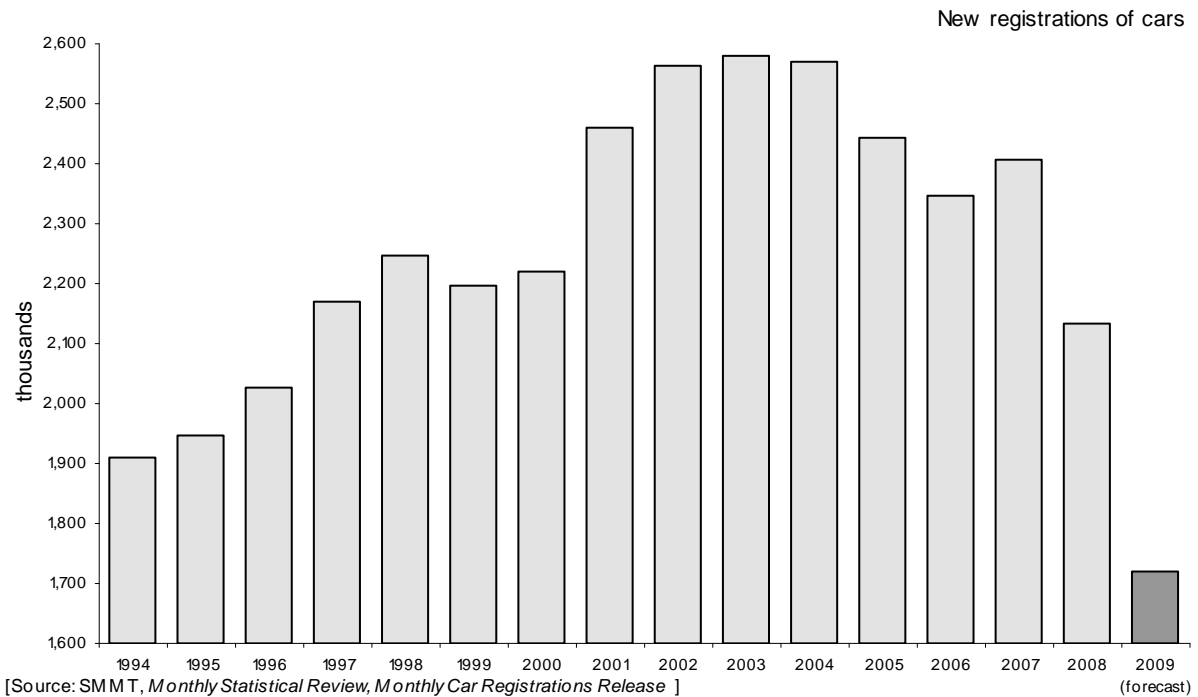
- On a monthly basis, the average weekly *value* of retail sales in January 2008 was £4.8 billion, a 2.8% increase from the same month in the previous year (non-seasonally adjusted).
- NOTE: The quarterly growth figures for the value of 'other non-food' in the table above is partly affected by changes in the categorisation of some products by reporting retailers.

**Contact:** Ian Townsend, x2042

**Update:** ONS, *Retail Sales: First Release*, 26 Mar



### F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 30.9% in January 2009, compared with the previous January's figure, to 112,087 units (excluding taxi registrations).

- The number of new registrations of cars was just over 2.1 million units in 2008.
- New registrations of cars fell by 11.3% in 2008 and are forecast to fall by a further 19.3% 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

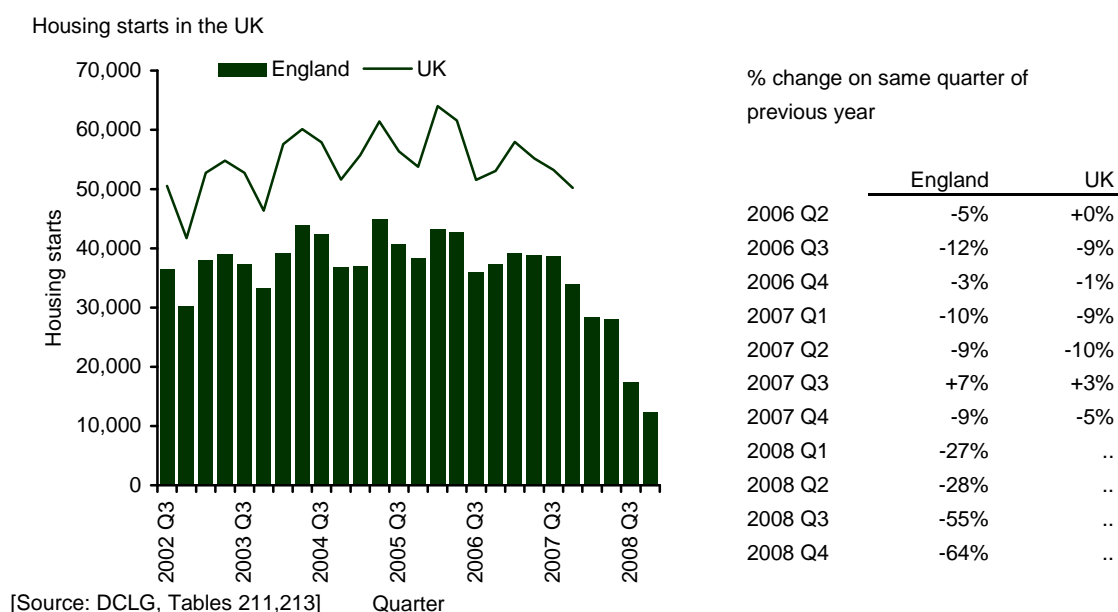
000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2008	2,134	-11.3
2009 (forecast)	1,720	-19.4
2010 (forecast)	1,790	4.1
2008 Jan	162	-2.3
Feb	70	-5.4
Mar	452	0.5
Apr	176	3.2
May	179	-3.6
Jun	209	-6.2
Jul	154	-13.0
Aug	63	-18.6
Sep	331	-21.2
Oct	128	-23.1
Nov	100	-36.8
Dec	109	-21.1
2009 Jan	(a) 112	-30.9

Source: SMMT, *Monthly Statistical Review and website*

Note: (a) data includes registrations of taxis, except for

## F4: Housebuilding and prices



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

- **Monthly** Seasonally adjusted UK house prices increased by 1.9% in January. This compares with a 1.6% fall in December and 2.7% in November.
- **Annual** house prices in January were 17.2% lower on an annual basis.
- **Quarterly** house prices were 16.2% lower in quarter 4 of 2008 compared with the same quarter of 2007.
- Regionally, the Halifax data show that in Q4 2008 house prices fell in all regions compared with Q4 2007. The largest falls were in Northern Ireland, where prices fell 32%, and Wales and the North where prices fell 19%. (data not seasonally adjusted; regions are not aligned with regions used by the DCLG below – Q4 data not yet available).

### Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
average house prices, £				
2007 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
Q3	175,800	184,900	174,200	136,700
Q4	164,200	171,200	163,100	127,200
% change over same period in previous year				
2007 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
Q3	-12.4	-1.6	-13.7	-9.5
Q4	-16.2	-13.9	-16.6	-14.1

Source: HB OS, *Halifax House Price Index*

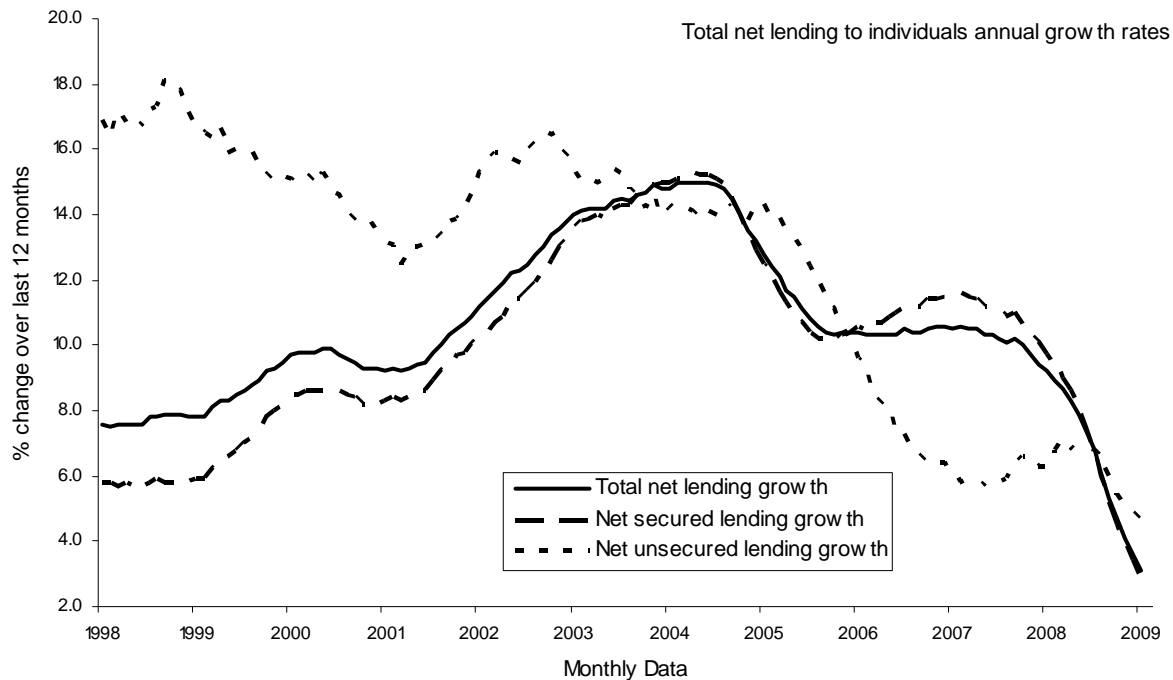
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in stood at £195,317 in December 2008. Prices were 10.2% lower than in December 2007.
- Regionally, house prices in December 2008 were lower than December 2007 in all regions, with the largest fall of 17.9% in Northern Ireland. In England, the largest fall was in the East Midlands (11.5%).

**Contact:** Bryn Morgan, x4904

**Updates:** *Halifax House Prices*, early Mar; DCLG, *House Prices*, 17 Mar 2009; *House-building*, 21 May 2009

## 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
2005 Jan	882,691	200,408	1,083,100	12.5	14.3	12.8
2006 Jan	974,293	211,489	1,185,782	10.6	9.6	10.4
2007 Jan	1,086,509	213,125	1,299,634	11.5	6.1	10.5
2008 Jan	1,187,633	228,109	1,415,742	9.7	6.3	9.2
Apr	1,206,204	230,621	1,436,825	8.6	6.8	8.3
Jul	1,217,788	235,800	1,453,588	6.8	6.8	6.8
Oct	1,221,916	233,887	1,455,804	4.5	5.4	4.7
2009 Jan	1,224,512	232,893	1,457,405	2.8	4.6	3.1

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

- Total net outstanding lending to individuals was £1,457 billion at the end of January 2009 (seasonally adjusted).
- Total net lending to individuals grew by 0.1% in January 2009 compared with the previous month, and grew by 3.1% on an annual basis (all seasonally adjusted); the annual growth rate is 0.5 percentage points lower than in December 2008.
- Of the £1.1 billion increase in net lending in January 2009, £0.7 billion was mortgage borrowing and £0.4 billion was consumer credit (seasonally adjusted).
- In Q4 2008 there were 29,444 individual insolvencies (bankruptcy orders or IVAs) in England and Wales (seasonally adjusted). This was an 8.2% increase on the last quarter and an 18.5% increase on Q4 2007.

**Contact:** Ed Potton, x2883

**Update:** Bank of England, *Lending to Individuals*, 30 Mar  
Insolvency Service, *Q1 Insolvency Statistics*, 1 May

## IV 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> :

## V 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>19</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>19</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 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.

