



Economic Indicators, July 2009

RESEARCH PAPER 09/64 7 July 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: **The Alignment Project: clearer government finances**

Adam Mellows-Facer (editor)

Recent Research Papers

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Research Paper 09/64

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We welcome comments on our papers; these should be e-mailed to papers@parliament.uk.

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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.¹ 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*.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	Ed Potton/Daniel Harari	2883/2464
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 and interest rates	Dominic Webb	4324
Public expenditure	Dominic Webb	4324
Taxation	Adam Mellows-Facer	4904
Trade	Grahame Allen	3977
Transport	Paul Bolton	4313
Unemployment	Rod McInnes	3793
Wages and earnings	Ed Potton/Daniel Harari	2883/2464

Members and their staff and are also free to contact the named persons on each indicator page for updates during normal hours.³

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

² http://hcl1.hclibrary.parliament.uk/general_pdf/usingthelibrary.pdf

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

II The Alignment Project: clearer government finances

A. Introduction

This article explains the Government's proposals to simplify the way government financial information is presented and published; and potential changes to the way Parliament scrutinises Government spending plans.

B. What is the Alignment Project?

The Government has established an "Alignment Project" to remove or reduce the differences which currently exist between the ways public spending information is published and presented - "aligning" these measures in a way which helps clarity and consistency. The three objectives of the project are:⁴

1. **modernise** the public spending system to make it more accountable and transparent, enabling the Government to improve the way it manages the public finances and allowing Parliament to scrutinise public spending more effectively;
2. **simplify** the reporting of public finances by reforming the way in which Government publishes financial information, making it more efficient and easier to understand;
3. **improve** the way that public spending is managed by bringing spending control into line with the way departments manage their business and giving greater incentives for value for money.

The Government announced the establishment of the project in 2007, following the publication of the *Governance of Britain* green paper.⁵ This was in part prompted by criticism of the current system by Select Committees and others. For example, in its June 2007 report on the 2007 Comprehensive Spending Review, the Treasury Committee noted:⁶

We recommend that the Government set itself the ambition to replace the current system of authorisation based primarily on Estimates with one linked more clearly with the public expenditure planning and control system, so that the House of Commons would eventually be in a position to consider and, should it so choose, authorise Departmental Expenditure Limits and an annual total for Annually Managed Expenditure, giving greater relevance to subsequent consideration of expenditure in excess of such limits requiring subsequent approval. We further recommend that the Government commit itself to working with select committees of the House of Commons, the National Audit Office and other interested parties to improve the clarity, consistency and comprehensibility of the documents placed before the House of Commons to seek authorisation for expenditure and to report on that expenditure.

Following the project's establishment, the Liaison Committee, in its April 2008 report on *Recreating Financial Scrutiny* said "We regard removing complexity from the Government's financial system as fundamental to improving financial scrutiny, as well as to improving

⁴ HM Treasury, *Alignment Project Briefing No 2*, November 2008

⁵ *Governance of Britain*, Cm 7170, July 2007

⁶ House of Commons Treasury Committee, Sixth Report of 2006-07, *The 2007 Comprehensive Spending Review: prospects and processes*, HC 279, 14 June 2007

financial management in Departments. The Alignment Project offers the possibility of achieving this".⁷

C. What is wrong with the current arrangements?

At present:

- the **Estimates** laid before Parliament - which Parliament is required to approve before spending can take place;
- Treasury **Budgets** - announced in Spending Reviews and published in Budget documents and Departmental Annual Reports, and used by Government to control public expenditure; and
- Resource **Accounts** - which account for Government expenditure after it has been incurred

each currently measure and report expenditure in different ways.

This leads to confusion and lack of understanding and comparability. For example, £129 billion of Government spending is recorded in Budgets but not in Estimates, £86 billion is in Estimates but not in Budgets, and £67 billion is in Accounts but not in Estimates.

D. What are the main changes planned?

The Treasury published its proposals in *The Alignment (Clear Line of Sight) Project*, in March 2009.⁸ The main changes proposed are:

- a. Estimates should be configured so that Parliament would, in future, vote the same control totals as the Treasury uses to control spending within Government;
- b. Parliamentary controls over expenditure would be on a net basis, with appropriate safeguards; rather than both gross and net. Information on income would still be provided, and the types of income used in support of spending would remain restricted;
- c. Non Departmental Public Bodies' expenditure - already within Treasury budgets - would be incorporated into Estimates and Resource Accounts of the sponsoring Departments. NDPBs' status and accountability would be unaltered;
- d. Parliament would approve capital spending plans of Departments, rather than just being made aware of them. Capital grants and capital spending of NDPBs would also be brought into the capital plans which Parliament votes;
- e. The format of Estimates would be amended to reflect the alignment changes, and simplified. The opportunity could be taken to make some further improvements; and
- f. Financial publications would be rationalised into three annual publication events. There would (normally) be only one set of Supplementary Estimates each year.

⁷ House of Common Liaison Committee, Second Report of 2007-08, *Parliament and Government Finance: Recreating Financial Scrutiny*, HC426, 27 March 2008

⁸ HM Treasury, *Alignment (Clear Line of Sight) Project*, Cm 7567, March 2009

As a result, Estimates, Departmental Annual Reports and (with one or two exceptions) Resource Accounts would include figures on the same basis throughout. This will make it easier to compare figures and track trends in the future.

E. What is Parliament's role in this?

The Government asked Parliament for its endorsement of the proposals by July 2009. To consider the proposals, the Liaison Committee re-established its Financial Scrutiny Working Group, which made recommendations to the committee. As a result, a formal response to the Government proposals was published by the Liaison Committee on 3 July in its report *Financial Scrutiny: Parliamentary Control over Government Budgets*.⁹ The committee broadly endorsed the Government's approach:

This change would be a significant contribution to remedying one of the major gaps identified by this and other committees, that of the House's inability to examine effectively the spending plans of the future years of each Government Spending Review.

However, the report noted that the alignment project was "in itself not enough" and said that the opportunities for committees and the House to debate and influence Estimates needed to be developed further. The committee recommended:

- the Procedure Committee should examine how Estimates could be better examined in committee;
- the motions which can be debated on the days set aside in the House for consideration of Estimates should be broadened to include substantive motions expressing the House's opinion on future spending plans;
- the number of Estimates Days should be increased to five (from three);
- it should be standard practice for there to be debates both on Spending Reviews and on the annual Pre-Budget Report; and
- Main Estimates should be published as closely as possible to the beginning of the financial year to which they relate.

The Committee's new report should assist the House as a whole in taking a view on the alignment proposals.

F. What are the next steps?

The Government's response to the proposals in the Liaison Committee's report is awaited.

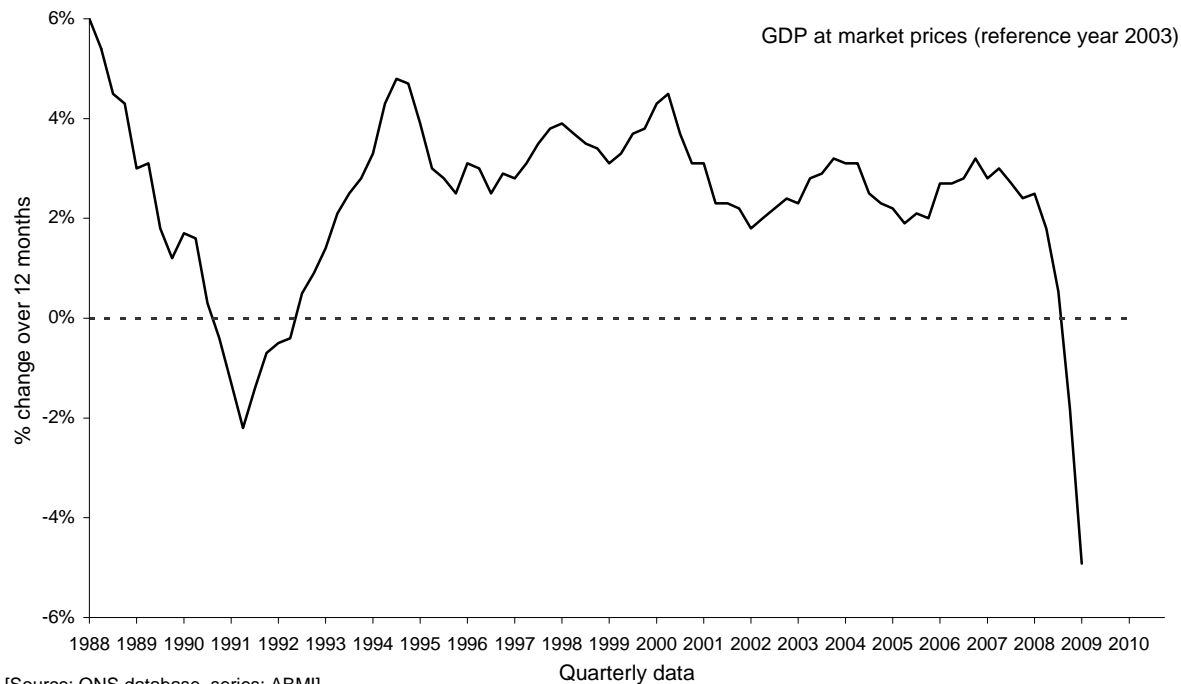
The House as a whole will also need to express its view on the alignment proposals through a debate - it is hoped an opportunity will be found in the current session.

⁹ House of Commons Liaison Committee, Second Report of 2008-09, *Financial Scrutiny: Parliamentary Control over Government Budgets*, HC 804, 3 July 2009

If approval is forthcoming, the Government will proceed with planning with a view to full implementation by April 2011. A post-implementation review is expected to begin in November 2012.¹⁰

With thanks to Larry Honeysett, House of Commons Scrutiny Unit

¹⁰ HM Treasury, *Alignment Project (Aligning budgets, Estimates and resource accounts)*

A1: Gross Domestic Product**Gross Domestic Product at market prices**

£ billion & %; seasonally adjusted

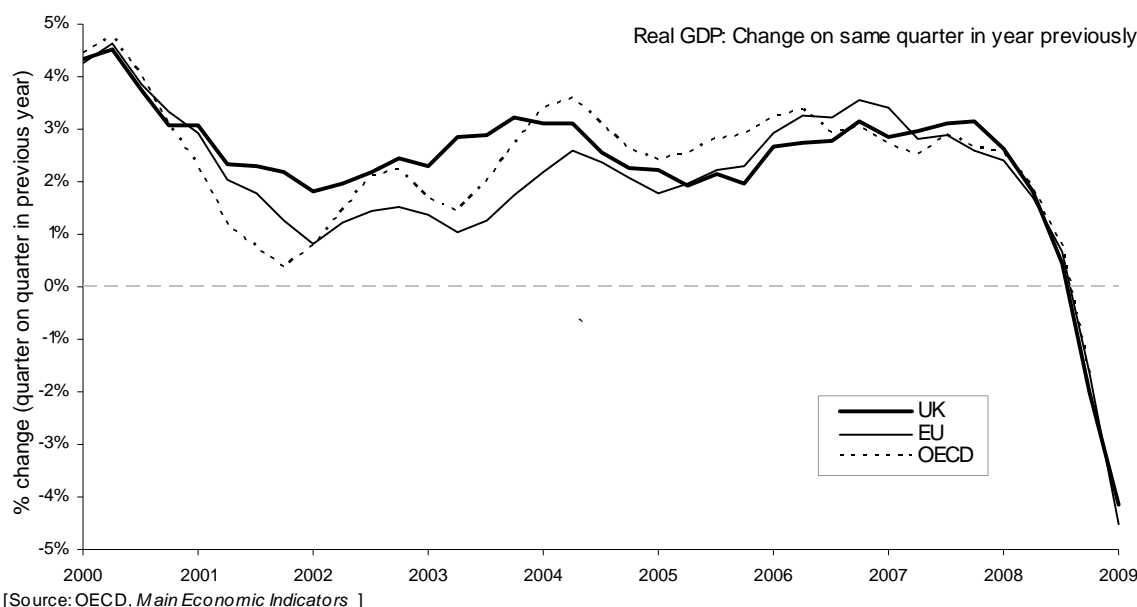
	Current prices		Chained volume (reference year 2003)	
	£ billion	% change	% change	
	On year		On year	Quarter on quarter
2005	1,254.1	4.2	2.2	..
2006	1,325.8	5.7	2.9	..
2007	1,398.9	5.5	2.6	..
2008	1,446.1	3.4	0.7	..
2008 Q1	362.2	5.2	2.5	0.8
Q2	363.4	4.4	1.8	-0.1
Q3	362.2	3.0	0.5	-0.7
Q4	358.4	1.0	-1.8	-1.8
2009 Q1	347.7	-4.0	-4.9	-2.4

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

- The UK economy has now been in recession since Q3 2008 (the economy was last in recession in 1991).
- The economy contracted by 2.4% in Q1 of 2009, compared to Q4 of 2008. This is the fourth successive quarter of negative growth and the largest percentage fall in quarterly GDP since Q2 1958 (-2.4%).
- In June 2009, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -3.7%, up from -3.8% in May.

Contact: Grahame Allen, x3977**Updates:** HM Treasury, *Forecasts for the UK Economy*, 15 Jul
ONS, *Quarterly National Accounts*, 24 Jul

A2: GDP: International Comparisons



GDP at constant market prices

% change on previous period

					2007				2008				2009
	2005	2006	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
US	2.9	2.8	2.0	1.1	0.0	1.2	1.2	0.0	0.2	0.7	-0.1	-1.6	-1.5
Japan	1.9	2.0	2.3	-0.7	1.4	-0.2	0.2	0.4	0.8	-0.9	-0.6	-3.8	-4.0
Canada	3.0	2.9	2.5	0.4	0.9	1.0	0.5	0.3	-0.2	0.1	0.1	-0.9	-1.4
UK	2.1	2.8	3.0	0.7	0.8	0.8	0.6	0.9	0.3	0.0	-0.7	-1.6	-1.9
Germany	0.8	3.0	2.5	1.3	0.4	0.4	0.6	0.3	1.5	-0.5	-0.5	-2.2	-3.8
France	1.9	2.2	2.3	0.4	0.7	0.4	0.7	0.3	0.4	-0.4	-0.2	-1.5	-1.2
Italy	0.7	2.0	1.6	-1.0	0.3	0.1	0.2	-0.4	0.5	-0.6	-0.8	-2.1	-2.4
Eurozone	1.8	3.1	2.7	0.6	0.7	0.4	0.6	0.4	0.7	-0.3	-0.3	-1.8	-2.5
G7	2.3	2.6	2.2	0.6	0.4	0.7	0.8	0.2	0.5	0.1	-0.3	-2.0	-2.1
OECD	2.6	3.1	2.7	0.9	0.6	0.8	0.8	0.4	0.5	0.1	-0.3	-2.0	..

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

- The economies of the OECD, the G7 and the eurozone all contracted in Q4 2008 compared with the previous quarter. In Q1 2009 the contraction has accelerated in Japan, the UK, Germany and Italy, and the eurozone as a whole. The UK saw a 1.9% contraction (compared with a 1.6% contraction in Q4 2008).
- Annual growth in 2008 was 0.7% in the UK (down from 3.0% in 2007), while the US economy grew by 1.1% (down from 2.0% in 2007) and Japan's economy contracted (by 0.7%, compared with 2.3% growth in 2007).
- June 2009 [OECD forecasts](#) are for a 4.1% contraction this year across the 30-member OECD as a whole, with the largest contraction expected in Ireland (9.8%) The OECD are more positive than their March 2009 [forecasts](#) for the US, India and China but less positive for the UK, the Eurozone and Japan.
- IMF forecasts ([April 2009](#)) suggest that the world economy will contract by 1.3% in 2009 (exceeding its own [previous](#) forecast of a 0.5%-1.0% contraction) before returning to growth of 1.9% in 2010. The UK economy is expected to contract by 4.1% in 2009, the US economy by 2.8%, and Japan's by 6.2%.

Real growth forecasts (% change)

	OECD (Jun 09)		IMF (Apr 09)	
	2009	2010	2009	2010
US	-2.8	0.9	-2.8	0.0
Japan	-6.8	0.7	-6.2	0.5
UK	-4.3	0.0	-4.1	-0.4
Eurozone	-4.8	0.0	-4.2	-0.4
OECD	-4.1	0.7	n/a	n/a
China	7.7	9.3	6.5	7.5
India	5.9	7.2	4.5	5.6

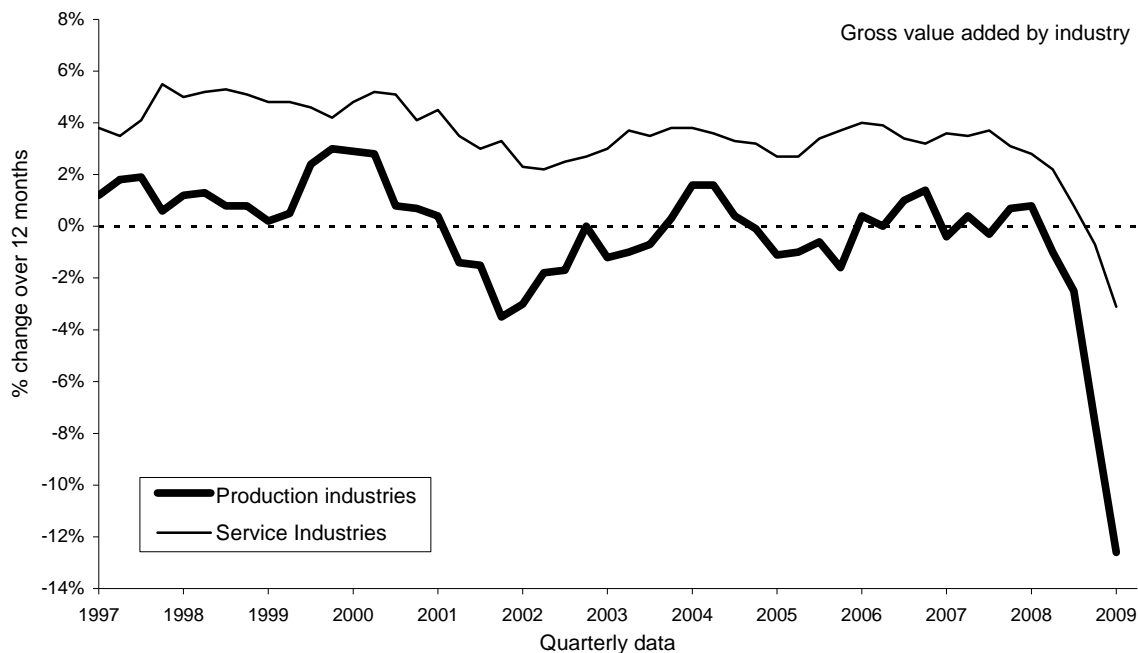
Source: OECD, *Economic Outlook*, Jun '09; IMF, *WEO*, Apr '09

Contact: Ian Townsend, x2042

Update: OECD, *Economic Outlook*, 24 Jun

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 3.1%. Between the fourth quarter of 2008 and the first quarter of 2009 annual output growth in the service sector decreased by 2.4 percentage points.

Gross value added at current basic prices

% changes on year; seasonally adjusted

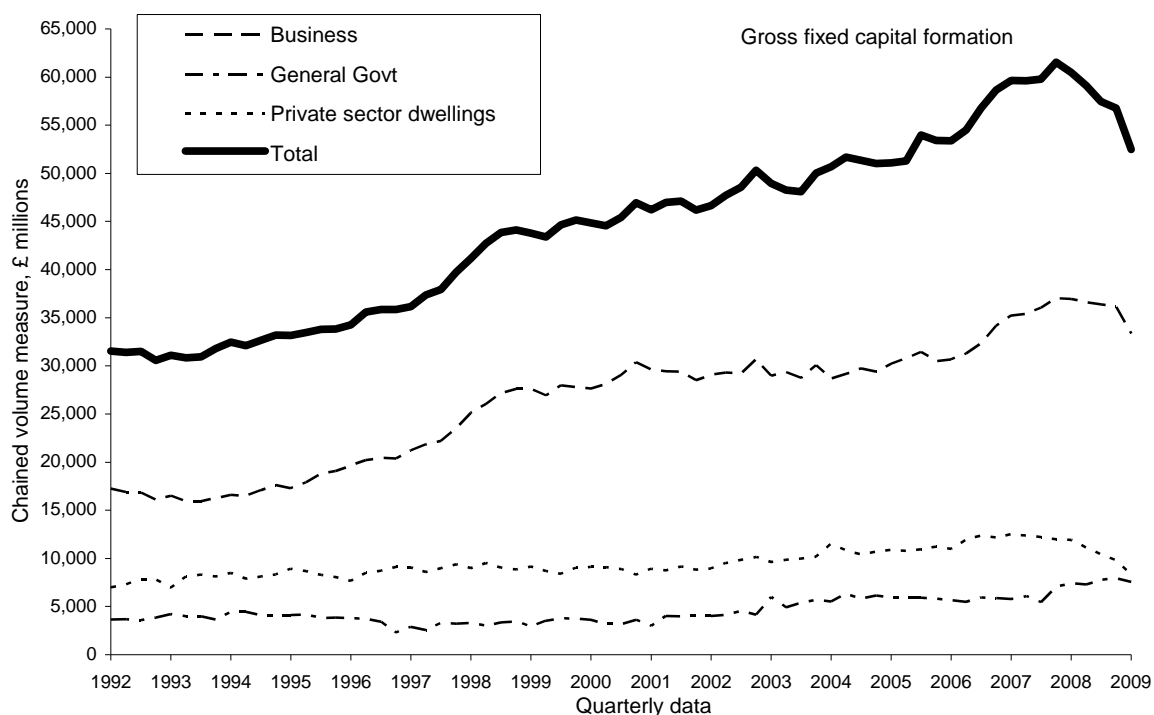
	Production industries		Services	Agriculture, hunting & fishing		Construction
	Total	Manufacturing				
2006	0.7	1.8	3.6	0.7	1.1	
2007	0.1	0.2	3.5	-4.8	2.7	
2008	-2.6	-2.5	1.3	-1.3	0.2	
2008 Q1	0.8	1.2	2.8	-2.0	3.7	
Q2	-1.0	-0.9	2.2	-1.2	2.1	
Q3	-2.5	-2.4	0.8	-0.5	0.3	
Q4	-7.6	-7.9	-0.7	-1.3	-5.3	
2009 Q1	-12.6	-13.5	-3.1	-0.6	-13.2	

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

- Manufacturing output decreased by 13.5% in the first quarter of 2009 compared with the same quarter in 2008, and manufacturing output decreased by 2.5% overall in 2008.
- In 2007, 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%.

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

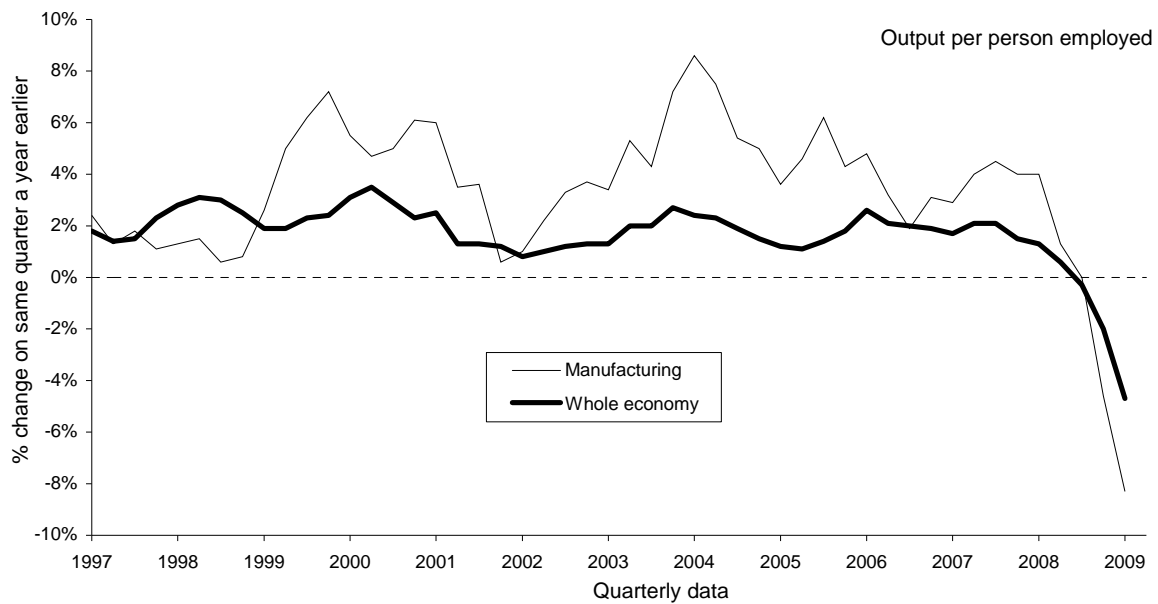
£ million; Chained volume measures, reference year 2005; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
2005	14,763	59,486	73,634	47,489	14,386	209,758
2006	14,854	62,737	78,918	51,497	15,299	223,305
2007	15,284	71,255	85,872	52,749	15,452	240,613
2008	14,063	69,910	87,021	46,977	15,876	233,846
2008 Q1	3,683	17,360	22,667	12,846	3,939	60,495
Q2	3,689	17,603	21,820	12,075	3,928	59,115
Q3	3,403	17,614	21,235	11,215	3,992	57,459
Q4	3,288	17,333	21,299	10,841	4,017	56,777
2009 Q1	2,656	15,948	20,408	9,481	4,004	52,497

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

- Total business investment decreased by 7.6% in Q1 2009 compared with the previous quarter.

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

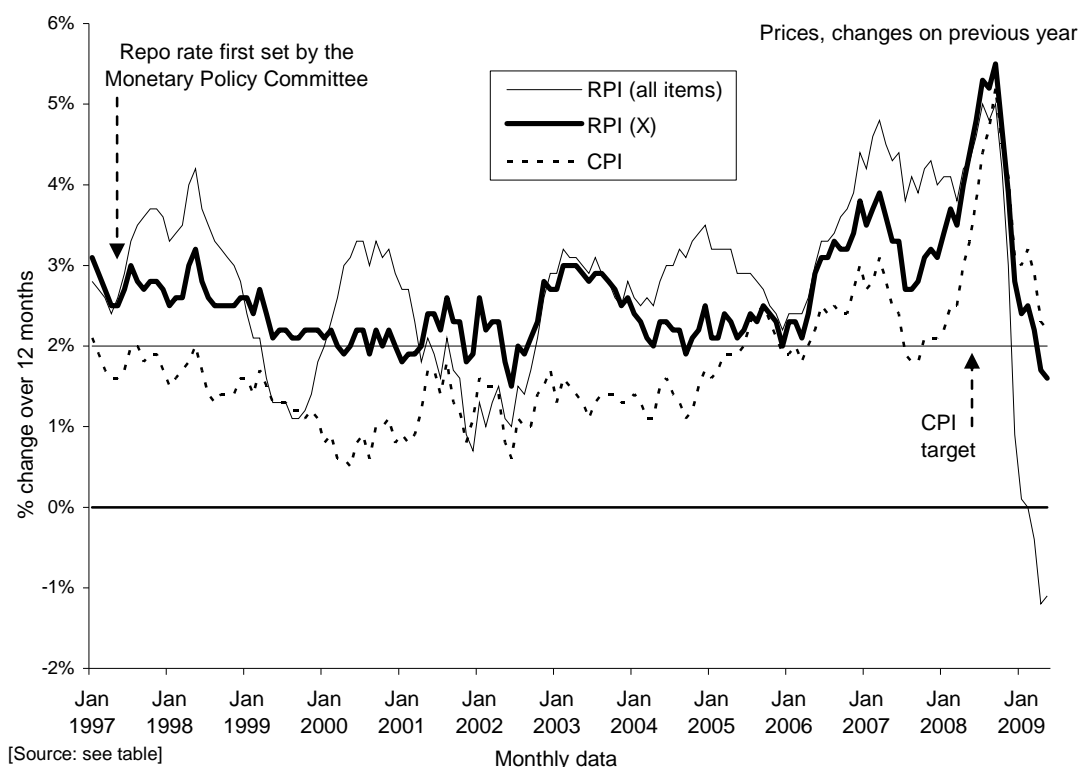
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2006	1.8	-1.7	3.2	3.0	0.8	2.2
2007	0.2	-3.2	4.0	2.6	0.8	1.8
2008	-2.5	-2.9	0.1	0.8	0.9	-0.1
2008 Q1	1.2	-3.0	4.0	2.4	1.4	1.3
Q2	-0.9	-2.5	1.3	1.6	1.3	0.6
Q3	-2.4	-2.8	0.0	0.1	0.8	-0.3
Q4	-7.9	-3.9	-4.6	-2.1	0.1	-2.0
2009 Q1	-13.5	-6.0	-8.3	-5.3	-0.5	-4.7

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 fallen by 0.1% in 2008 compared with growth of 1.8% in 2007 and 2.2% in 2006.
- In 2008, manufacturing output fell by 2.5% and employment in manufacturing fell by 2.9%, while manufacturing output per head rose by 0.1%.
- Productivity growth in manufacturing was -8.3% per annum in Q1 2009 compared to -4.6% per annum in the previous quarter, while whole economy productivity growth fell from -2.0% per annum in Q4 2008 to -4.7% per annum in Q1 2009.
- For the economy as a whole, productivity growth has averaged 0.1% per annum over the last eight quarters. Figures on this page are based on output per job.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 30 Sep

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 May, the consumer prices index (CPI) showed inflation at 2.2%, down slightly from 2.3% in April. CPI inflation has now fallen in seven of the past eight months, although it remains above the Bank's 2% target.
- The largest downward pressures on the CPI came from the slowing rate of price increases in household electricity bills and food, especially meat.
- Upward pressure on the CPI came from rising alcohol and tobacco prices, mainly due to the increase in excise duty announced in the Budget. In addition, the recreation and culture component of the CPI rose, as DVD and television prices went up.
- The former headline rate – RPI, all items – of inflation was -1.1% in May, up from -1.2% in April. The RPI differs from the CPI in that it includes housing costs, which explains most of the gap between the two series.
- The underlying RPI(X) – RPI excluding mortgage interest payments – inflation rate fell to 1.6% in May from 1.7% in April.

Price Indices

% change over 12 months

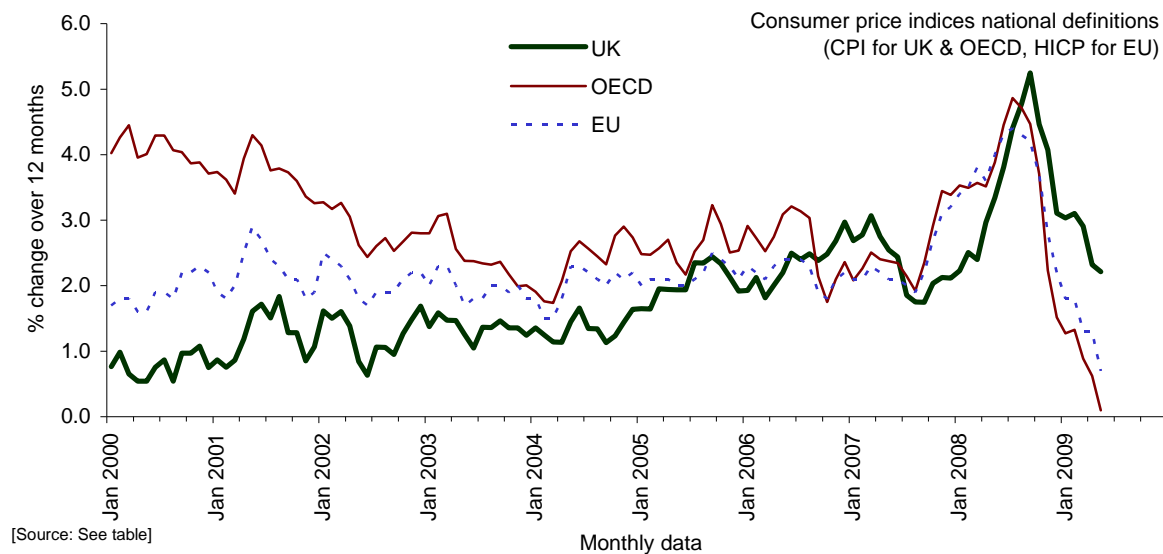
	CPI (was HICP)	RPI (all items)	RPI (X)	
2005	2.1	2.8	2.3	
2006	2.3	3.2	2.9	
2007	2.3	4.3	3.2	
2008	3.6	4.0	4.3	
2008	May	3.3	4.3	4.4
	Jun	3.8	4.6	4.8
	Jul	4.4	5.0	5.3
	Aug	4.7	4.8	5.2
	Sep	5.2	5.0	5.5
	Oct	4.5	4.2	4.7
	Nov	4.1	3.0	3.9
	Dec	3.1	0.9	2.8
2009	Jan	3.0	0.1	2.4
	Feb	3.2	0.0	2.5
	Mar	2.9	-0.4	2.2
	Apr	2.3	-1.2	1.7
	May	2.2	-1.1	1.6

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

Contact: Daniel Harari, x2464

Update: ONS, *Consumer Price Indices: First release*, 14 July

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 -1.3% in May 2009, an decrease of 0.6 percentage points from April;
- The average annual inflation rate for all OECD countries in May was 0.1%, 0.5 points lower than in April;
- The EU's average inflation rate, based on harmonised indices of consumer prices (shown in the chart above, but not in the table), was 0.7% in May.

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
2005	3.4	-0.3	2.2	2.0	2.6
2006	3.2	0.2	2.0	2.3	2.6
2007	2.9	0.1	2.1	2.3	2.5
2008	3.8	1.4	2.4	3.6	3.7
2008 Dec	0.1	0.4	1.2	3.1	1.5
2009 Jan	0.0	0.0	1.1	3.0	1.3
Feb	0.2	-0.1	1.4	3.1	1.3
Mar	-0.4	-0.3	1.2	2.9	0.9
Apr	-0.7	-0.1	0.4	2.3	0.6
May	-1.3	-1.1	0.1	2.2	0.1

Source: OECD, Consumer Prices Release

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 Dec	1.2	1.1	2.4	3.1	1.6
2009 Jan	0.8	0.9	1.4	3.0	1.1
Feb	1.0	1.0	1.5	3.2	1.2
Mar	0.4	0.4	1.1	2.9	0.6
Apr	0.1	0.8	1.2	2.3	0.6
May	-0.3	0.0	0.8	2.2	0.0

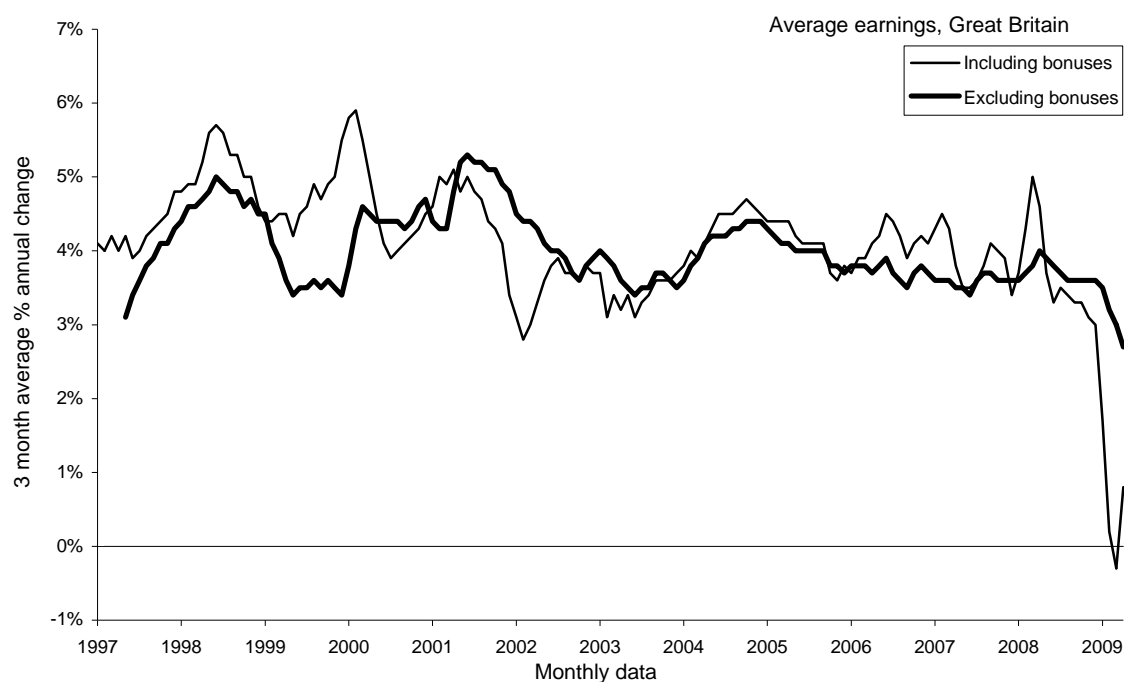
Source: Eurostat database, Jun 2009

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

- It is estimated that Eurozone annual inflation was -0.1% in June 2009, having been 0.0% in May. If confirmed, this is the first time it has been negative since the introduction of the Euro.
- Six eurozone countries had negative annual inflation rates in May: Ireland (-1.7%), Portugal (-1.2%), Spain and Luxembourg (-0.9%), France (-0.3%) and Belgium (-0.2%). The highest rate was in Malta (3.4%).
- Among non-eurozone EU countries Romania (5.9%) had the highest rate and Estonia (0.3%) had the lowest. In the UK the annual inflation rate was 2.2% in May.

Contact: Adam Mellows-Facer, x4904

Updates: OECD, *Consumer prices release*, 5 August
Eurostat, *Euro-indicators news release*, 15 July

B3: Average Earnings Index

- The headline rate of average earnings (three-month average including bonuses) for the whole economy rose by 0.8% in the year to April, up from a decline of 0.3% in March. A steep fall in private sector bonuses in the first quarter has distorted recent headline average earnings data.
- The less volatile series of average earnings excluding bonuses has seen growth slow since January. It rose by 2.7% in April, down from 3.0% in March.
- Headline earnings growth in the public sector rose by 3.6% in April, contrasting sharply with a 0.3% increase in the private sector.
- Headline average earnings growth in manufacturing was 1.2% in April, compared with 0.7% in the services sector. Growth in both has slowed sharply since January.
- In the year to April, the consumer price index (CPI) showed inflation at 2.3%, above the rate of headline earnings growth. However, the headline retail prices index (RPI), which includes housing costs (unlike the CPI), showed inflation at -1.2% in April, below average earnings growth.

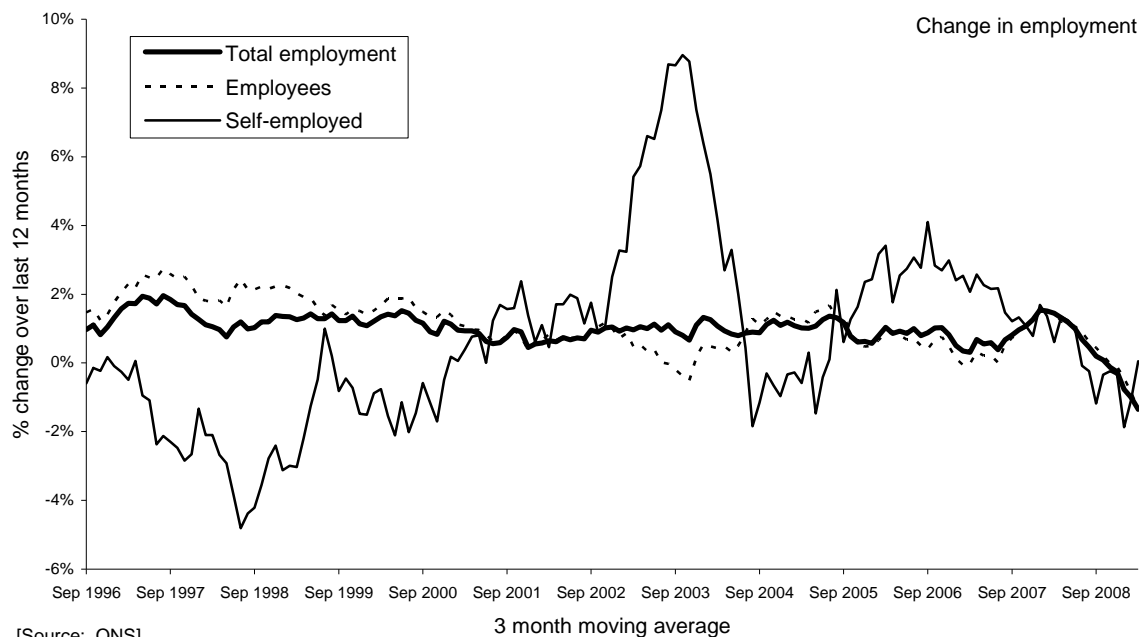
Average Earnings, Great Britain
% change on year; seasonally adjusted

	Headline rate (incl. bonuses)		
	Whole Economy	Private Sector	Public Sector
2004 Apr	4.1	3.9	4.3
2005 Apr	4.4	4.4	4.6
2006 Apr	4.1	4.3	4.0
2007 Apr	3.8	4.0	3.0
2008 Apr	4.6	4.4	3.9
May	3.7	3.7	3.5
Jun	3.3	3.3	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	3.1	2.9	4.0
Dec	3.0	2.8	4.0
2009 Jan	1.7	1.2	4.0
Feb	0.2	-0.4	3.8
Mar	-0.3	-1.1	3.6
Apr	0.8	0.3	3.6

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

Notes: Data includes bonuses and shows latest 3-month period compared with the same period a year ago.

C1: Employment



Employment structure in the UK

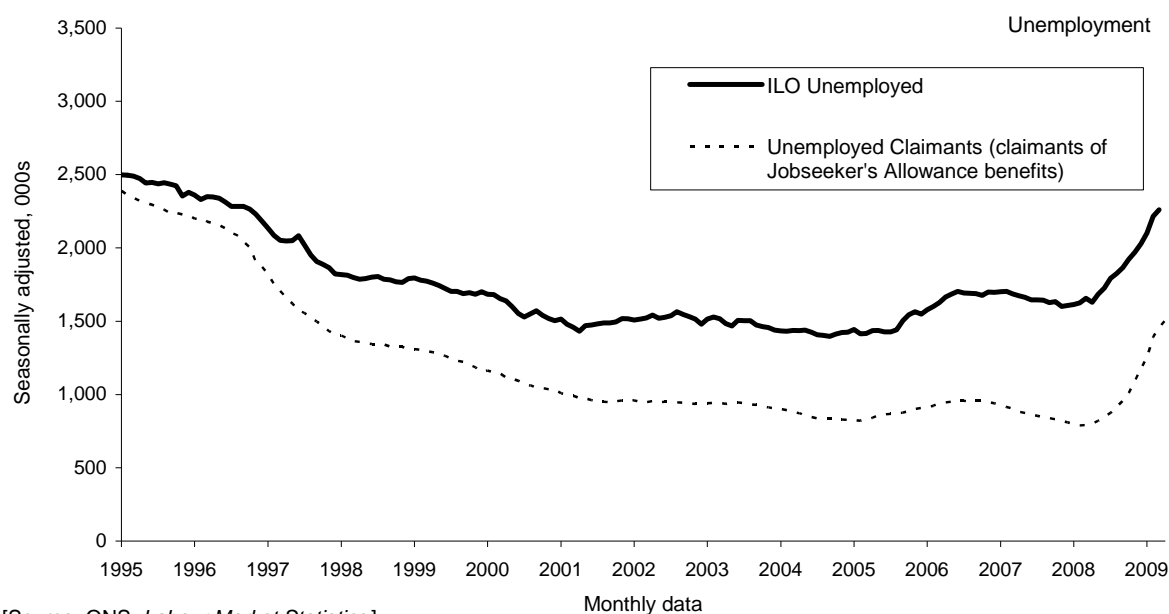
3-month average centred on month; '000s & % changes; seasonally adjusted

	Total in employment	Employees	Self-employed	Unpaid Family Workers	Government Training
2005 Mar	28,699	24,867	3,605	105	122
2006 Mar	28,996	25,087	3,728	87	94
2007 Mar	29,085	25,078	3,805	100	101
2008 Mar	29,506	25,445	3,828	113	119
2008 Jun	29,491	25,442	3,835	101	113
2008 Sep	29,377	25,395	3,782	96	104
2008 Dec	29,379	25,373	3,819	89	98
2009 Mar	29,108	25,089	3,830	86	104
<i>Changes (%):</i>					
on last 3 months	-0.9	-1.1	0.3	-3.9	5.8
on last year	-1.4	-1.4	0.0	-24.2	-13.3

- Total employment in the three months to April 2009 was 399,000 lower than a year earlier and 271,000 lower than the previous quarter.
- Over the year to March, the number of manufacturing industry workforce jobs fell by 212,000. The number of service sector jobs fell by 245,000 over the year.
- 7.5 million people were in part-time employment in the three months to April 2009, of whom 5.7 million were women. 3.8 million people were self-employed.

Contact: Dominic Webb, x4324

Update: ONS, *Labour Market Statistics*, 15 Jul

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 February to April 2009, the level of ILO unemployment in the UK was 2,261,000 (seasonally adjusted). This was an increase of 605,000 from the same period a year earlier.
- Seasonally adjusted unemployment as measured by the monthly claimant count increased by 39,300 between April and May 2009 to 1,544,800.

The New Deal for Young People started in January 1998.

- By February 2009, there had been 1,985,200 starts under the scheme. By November 2008, 1,849,800 spells had resulted in 851,400 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 February 2009, there had been 1,198,600 starts under the scheme. By November 2008, 758,700 spells had resulted in 312,500 sustained jobs (41%).

ILO Unemployment in the UK

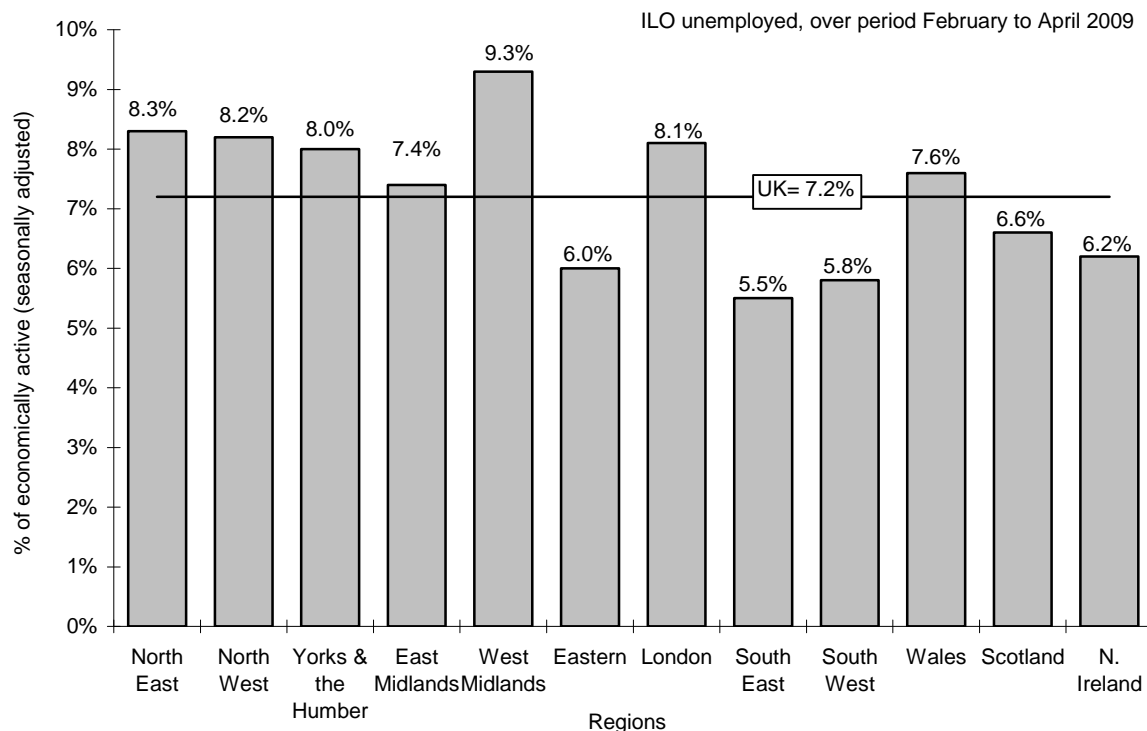
seasonally adjusted

	'000s	rate (%)
Feb-Apr 2003	1,517	5.1
May-Jul 2003	1,506	5.1
Aug-Oct 2003	1,474	5.0
Nov-Jan 2004	1,440	4.8
Feb-Apr 2004	1,437	4.8
May-Jul 2004	1,425	4.8
Aug-Oct 2004	1,398	4.7
Nov-Jan 2005	1,425	4.7
Feb-Apr 2005	1,417	4.7
May-Jul 2005	1,426	4.7
Aug-Oct 2005	1,503	5.0
Nov-Jan 2006	1,549	5.1
Feb-Apr 2006	1,627	5.3
May-Jul 2006	1,704	5.5
Aug-Oct 2006	1,689	5.5
Nov-Jan 2007	1,696	5.5
Feb-Apr 2007	1,686	5.5
May-Jul 2007	1,646	5.3
Aug-Oct 2007	1,626	5.3
Nov-Jan 2008	1,608	5.2
Feb-Apr 2008	1,656	5.3
May-Jul 2008	1,727	5.5
Aug-Oct 2008	1,864	6.0
Nov-Jan 2009	2,029	6.5
Feb-Apr 2009	2,261	7.2

Source: ONS, *Labour Market Statistics*

Contact: Roderick McInnes, x3793 **Updates:** ONS, *Labour Market Statistics*, 15 Jul
DWP, *New Deal*, Aug

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 February to April 2009 the West Midlands had the highest unemployment rate, 9.3% of the economically active population. The lowest rate over the same period was 5.5%, in the South East.
- A comparison of February to April 2009 with the same period a year earlier shows that the largest percentage rise in regional unemployment level occurred in Scotland (+53%). The North East showed the smallest percentage increase (+17%) over the period.

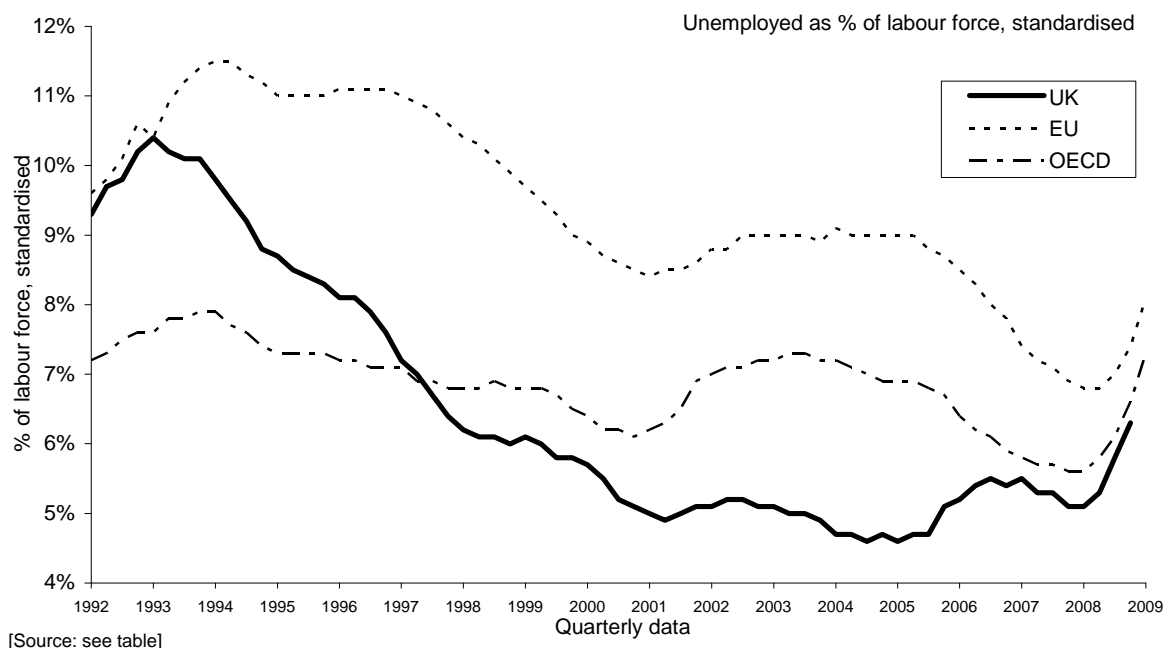
ILO Unemployment, February to April 2009

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	+15,000	+17
North West	+72,000	+34
Yorkshire & the Humber	+69,000	+49
East Midlands	+46,000	+36
West Midlands	+77,000	+45
Eastern	+44,000	+32
London	+50,000	+18
South East	+74,000	+44
South West	+48,000	+44
Wales	+34,000	+45
Scotland	+61,000	+53
Northern Ireland	+16,000	+48

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

	2006	2007	2008	2007				2008				2009
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Canada	6.3	6.0	6.1	6.2	6.1	6.0	5.9	5.9	6.1	6.1	6.4	7.6
France	9.2	8.3	7.8	8.7	8.4	8.2	7.8	7.6	7.6	7.8	8.2	8.6
Germany	9.8	8.4	7.3	8.7	8.5	8.3	8.0	7.6	7.4	7.1	7.1	7.4
Italy	6.8	6.1	6.8	6.0	5.9	6.2	6.4	6.6	6.8	6.8	6.9	..
Japan	4.1	3.9	4.0	4.0	3.8	3.8	3.8	3.9	4.0	4.0	4.0	4.5
UK	5.4	5.3	5.6	5.5	5.3	5.3	5.1	5.1	5.3	5.8	6.3	..
USA	4.6	4.6	5.8	4.5	4.5	4.7	4.8	4.9	5.4	6.0	6.9	8.1
Eurozone	8.3	7.5	7.6	7.7	7.5	7.4	7.3	7.2	7.4	7.6	8.0	8.7
G7	5.8	5.4	5.9	5.5	5.2	5.4	5.4	5.4	5.7	6.0	6.4	7.2
OECD	6.2	5.7	6.0	5.8	5.7	5.7	5.6	5.6	5.8	6.1	6.6	7.3

Source: OECD, Harmonised Unemployment Rates, June 2009

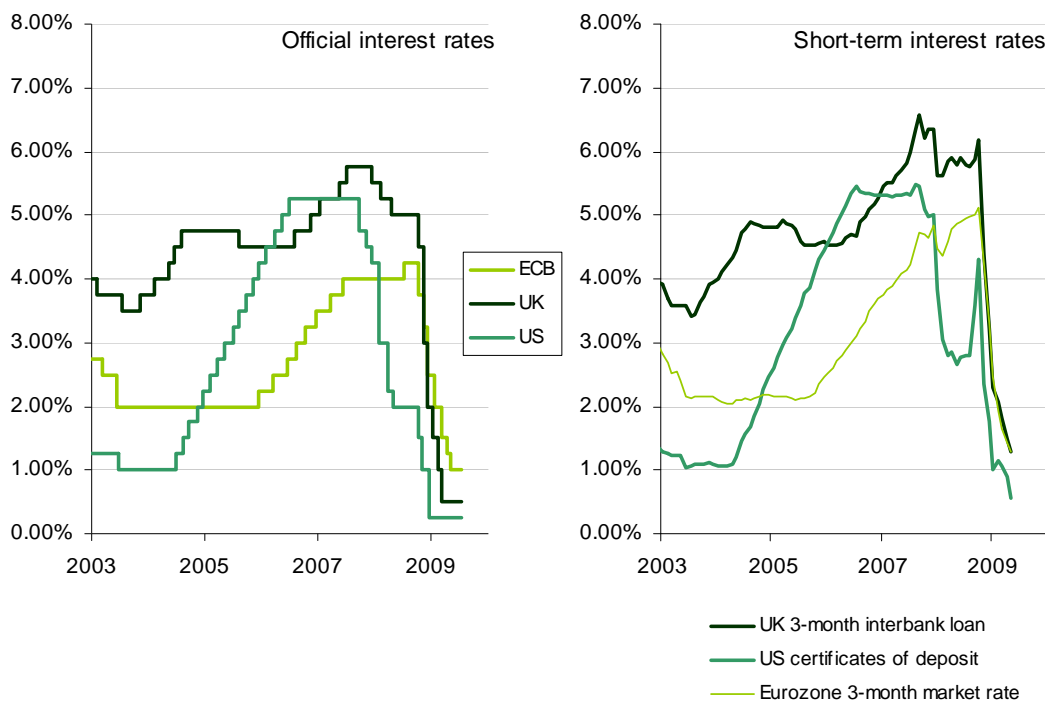
- Using standardised definitions, the UK unemployment rate for 2008 was 5.6%, well below the eurozone rate (7.6%) and below the G7 and OECD rates (5.9% and 6.0% respectively).
- Between Q4 2007 and Q4 2008 (the latest quarter for which all data are available) Germany had the only fall in unemployment among G7 countries: 0.9 percentage points.
- The most recent forecasts published by the OECD (*Economic Outlook no. 85*, June 2009) suggest the UK unemployment rate will be 8.2% in 2009 and 9.7% in 2010. The respective forecasts for the eurozone are 10.0% and 12.0% and for the OECD as a whole 8.5% and 9.8%.

Contact: Roderick McInnes, x3793

Updates: OECD, *Standardised Unemployment Rates*, 10 Jul
OECD, *Economic Outlook*, Dec

D1: Interest Rates

- On 5 March, the Bank of England's Monetary Policy Committee cut the official bank rate by 50 basis points to 0.50%. This followed cuts of 50 basis points on 8 January and 5 February, 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 rate of 0.50% has been maintained at the April, May and June meetings.
- The European Central Bank held rates for the second consecutive meeting on 2 July. It reduced its rate for main refinancing operations by 25 basis points to 1%, on 7 May. Previously, it had cut the rate by 25 basis points on 3 April, and 50 basis points on 15 January and 3 April.
- 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 24 June. Previously, the target had been 1.00%.
- The Bank of Japan cut its rate by 20 basis points to 0.10% on 19 December 2008.



UK Base/Repo rate changes

% per annum

Date	New rate	Date	New rate
2001	Oct 4 4.50	2007	Jan 11 5.25
	Nov 8 4.00		May 10 5.50
2003	Feb 6 3.75		Jul 5 5.75
	Jul 10 3.50	2008	Dec 6 5.50
	Nov 6 3.75		Feb 7 5.25
2004	Feb 5 4.00		Apr 10 5.00
	May 6 4.25		Oct 8 4.50
	Jun 10 4.50		Nov 6 3.00
	Aug 5 4.75		Dec 4 2.00
2005	Aug 4 4.50	2009	Jan 8 1.50
2006	Aug 3 4.75		Feb 5 1.00
	Nov 9 5.00		Mar 5 0.50

Source: Bank of England

International interest rates

% per annum, at 2 July 2009

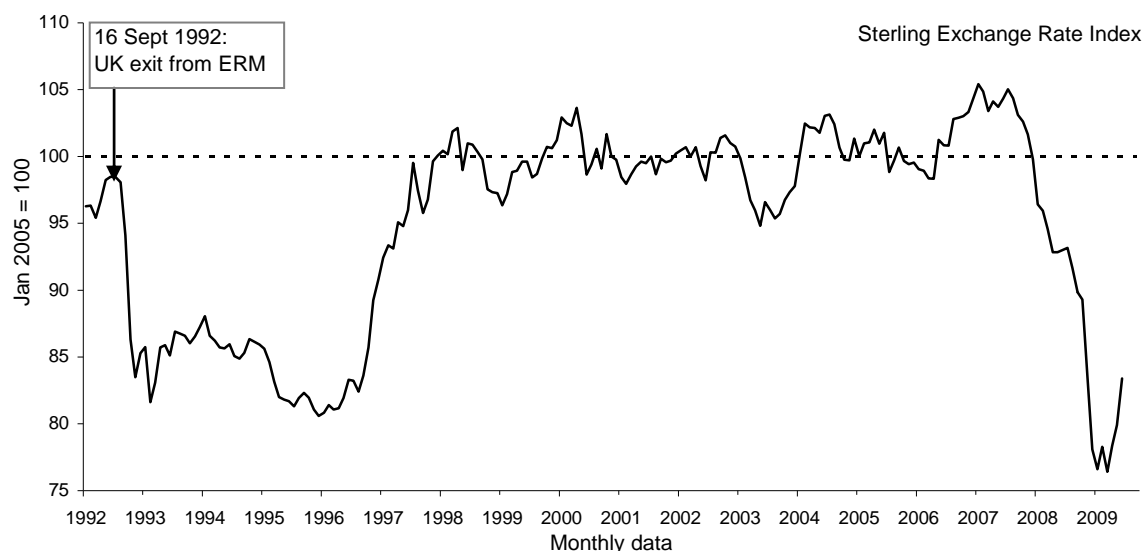
	Official rate	Yield 10yr Govt bonds	3-month market rate
United Kingdom	0.50	5/3/09 3.74	1.16-0.96
Eurozone	1.00	7/5/09 n/a	1.05-0.94
US	0.00 - 0.25	16/12/08 3.49	0.65-0.57
Japan	0.10	19/12/08 1.35	0.64-0.44
Switzerland	0.00 - 0.75	12/3/09 2.33	0.56-0.36

Source: *Financial Times*, 3 July 2009
(*Companies & Markets*, p.27)

Contact: Adam Mellows-Facer, x4904 **Updates:** Short-term interest rates: OECD, *MEI*, 10 Jul; Base rates: 9 Jul (UK MPC) 6 Aug (ECB), 12 Aug (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: Bank of England, Bankstats database, XUMABK67]

- The SERI rose 3.5% in June 2009 compared with the previous month, having risen 1.5% in May, and from its lowest point since the series began (in 1980) in March 2009. Year-on-year, the SERI was down 9.6% in June, and was down 20.6% from its peak in July 2007.
- Over the last three months the pound has continued to recover against the dollar, yen and euro (end of period sterling exchange rates for these three major currencies are in the table below).

Sterling Exchange Rates

rates at end of period and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2005	1.819	-0.7%	200.2	1.0%	1.463	-0.7%
2006	1.843	1.3%	214.3	7.1%	1.467	0.3%
2007	2.002	8.6%	235.7	10.0%	1.462	-0.3%
2008	1.853	-7.5%	192.4	-18.4%	1.259	-13.9%
2008 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%
Feb	1.441	-26.6%	133.8	-36.4%	1.126	-15.4%
Mar	1.417	-29.2%	138.7	-31.3%	1.087	-15.7%
Apr	1.472	-25.7%	145.3	-28.6%	1.116	-11.3%
May	1.543	-21.4%	148.9	-27.3%	1.130	-10.6%
Jun	1.637	-16.7%	158.2	-24.7%	1.168	-7.5%

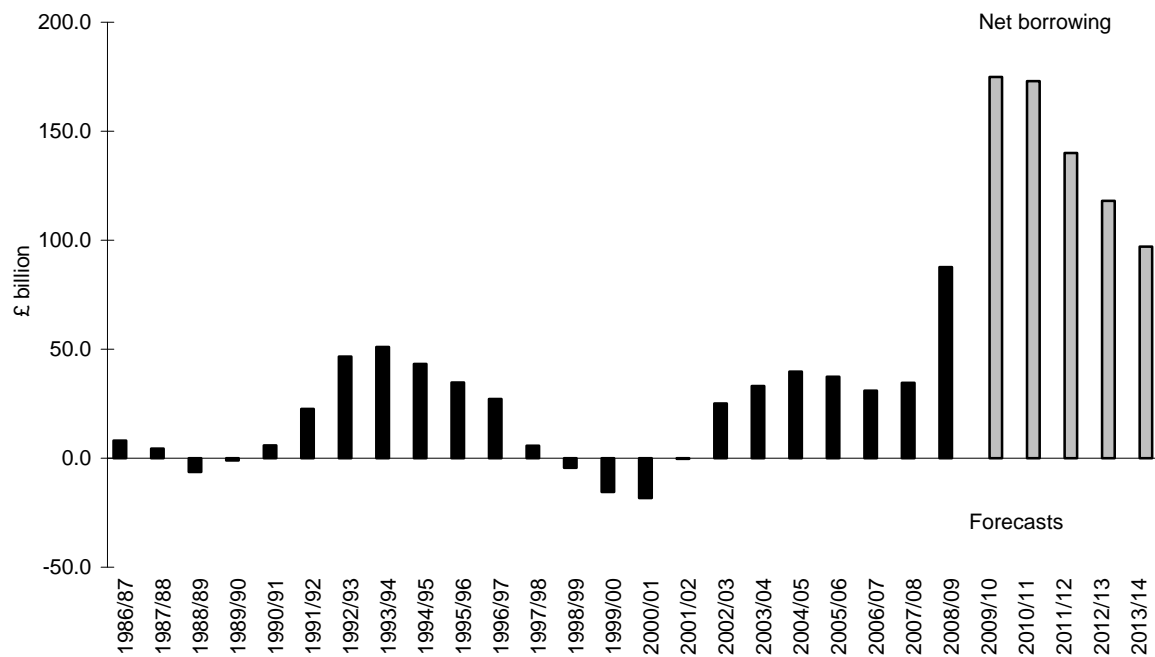
Source: Bank of England, Bankstats database, series: XUAAUSS, XUAAJYS, XUAAERS, XUMAUSS, XUMAJYS, XUMAERS

- At the 1 July 2009 London market close the pound was worth \$1.648, and €1.166 (compared with the all time low of €1.020 on 30 December 2008, and the launch rate of €1.476 on 31 December 1998).

Contact: Ian Townsend, x2042

Updates: *Financial Times*, [Sterling Exchange Rates](#), daily
Bank of England, SERI & monthly rates, 2 Aug

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 £87.6 billion in 2008/09.

The Budget forecast net borrowing of £175 billion in 2009/10 (up from a 2008 Pre-Budget Report forecast of £118 billion). This is equivalent to 12.4% of GDP. For 2010/11, the Budget forecast net borrowing of £173 billion (11.9% of GDP).

Public sector net debt was equivalent to 52.3% of GDP in Q1, 2009. Excluding the effects of the government's interventions in the financial sector, net debt was 42.9% (or £609.0 billion).

The Budget forecast that public sector net debt would be £792 billion in 2009/10, 55.4% of GDP. Debt is forecast to rise to £1,370 billion (76.2% of GDP) by 2013/14. These forecasts exclude liabilities and unrealised losses on financial sector interventions.

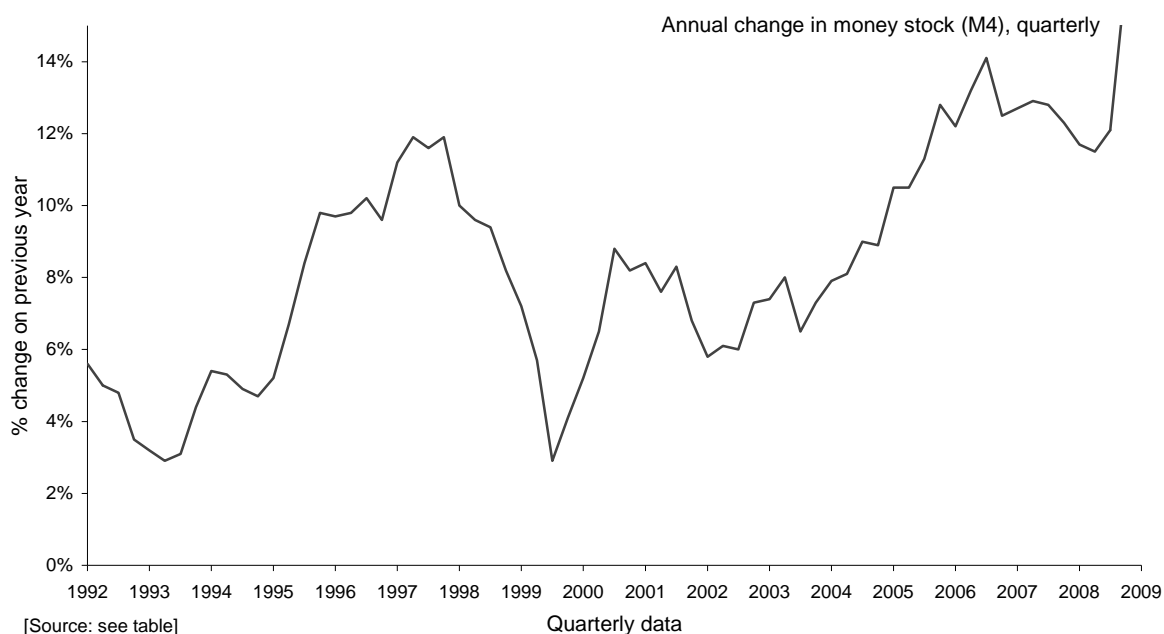
Public Sector Net Debt and Borrowing

£ billion & %

	Net Debt		Net borrowing
	£ billion	% GDP	£ billion
2005/06	461.6	35.4	37.4
2006/07	497.9	36.0	30.9
2007/08	621.2	43.1	34.5
2008/09	743.5	52.3	87.6
2008 Q1	621.2	43.1	-1.0
Q2	641.4	44.4	21.6
Q3	695.9	48.5	13.4
Q4	734.5	51.5	30.3
2009 Q1	743.5	52.3	22.3

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

Note: debt figures include financial sector interventions

D5: Money Supply**Money stock and M4 lending**

annual % change; seasonally adjusted

	Notes and coin	M4 lending to private non-financial corporations
2008 May	5.9	13.1
Jun	5.7	13.5
Jul	5.8	11.0
Aug	5.1	10.1
Sep	5.2	9.1
Oct	6.0	6.8
Nov	6.9	4.8
Dec	7.3	3.7
2009 Jan	7.8	4.5
Feb	8.3	3.4
Mar	8.4	3.0
Apr	8.6	0.7
May	8.6	0.3

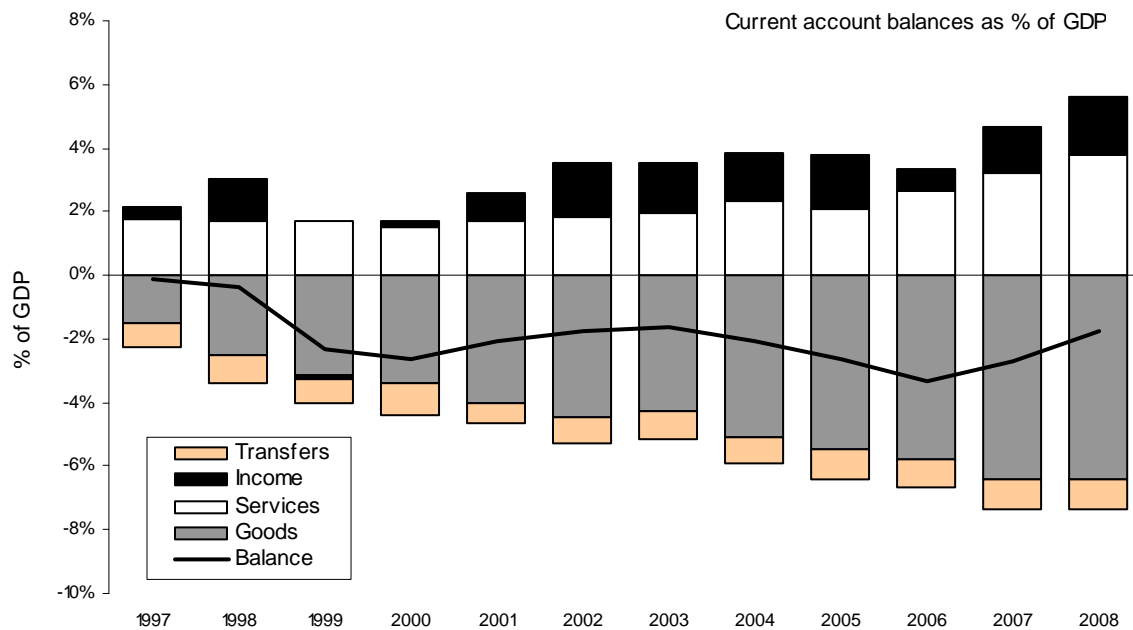
Source: Bank of England, *Monetary and Financial Statistics* May 2009, Tables A1.1.1 and A4.3

The table above shows sterling notes and coin in circulation outside the Bank of England. The table also shows M4 lending which measures lending by the banking sector to private non-financial corporations. The figures exclude the effects of securitisations and loan transfers.

- M4 lending to private non-financial corporations grew by 0.3% in the 12 months to May 2009 compared with 13.1% in May 2008.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324**Update:** Bank of England, *Monetary & Financial Stats*, 29 Jul

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	25,742	-42,847	21,855	-9,343	-2,506	-11,849	-32,841
2006	-76,312	34,782	-41,530	9,573	-9,498	-2,387	-11,885	-43,842
2007	-89,754	44,807	-44,947	20,775	-9,772	-3,766	-13,538	-37,710
2008	-92,877	54,479	-38,398	26,940	-9,094	-4,516	-13,610	-25,068
2008 Q1	-23,671	12,410	-11,261	12,681	-2,660	-1,325	-3,985	-2,565
Q2	-23,405	13,425	-9,980	7,347	-2,250	-1,217	-3,467	-6,100
Q3	-23,507	12,435	-11,072	6,737	-2,100	-1,197	-3,297	-7,632
Q4	-22,294	16,209	-6,085	175	-2,084	-777	-2,861	-8,771
2009 Q1	-20,821	12,554	-8,267	3,536	-2,305	-1,504	-3,809	-8,540

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

- **Annually**, the current account deficit in 2008 was £25.1 billion, equivalent to -1.7% of GDP. The surplus on income and services widened between 2007 and 2008. Data for 2008 shows that the deficit on goods trade widened while the deficit on goods and services trade together narrowed.
- On a **quarterly** basis, the current account deficit was estimated at £8.5 billion in Q1 2009, narrowing from a Q4 2008 deficit of £8.8 billion. Between Q4 2008 and Q1 2009 the surplus on services narrowed as did the deficit on goods.
- In 2008 the **annual** current account deficit with EU27 countries was £6.8 billion, compared with a deficit with non-EU countries of £18.2 billion. On a **quarterly** basis, the deficit with EU countries was £3.2 billion in Q1 2009 (compared with a £2.2 billion surplus in Q4 2008). With non-EU countries, the current account was in deficit by £5.4 billion in Q1 2009 (compared with a deficit of £11 billion in Q4 2008).

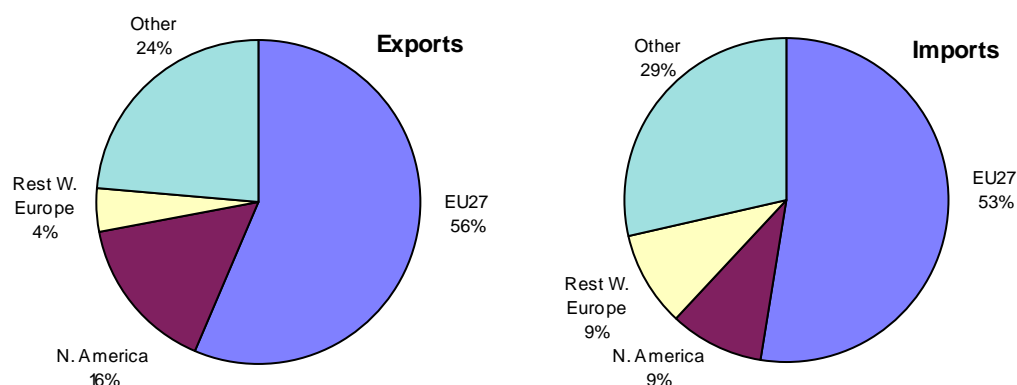
Contact: Grahame Allen, x3977

Updates: NS, *UK Balance of Payments*, 29 Sep; *UK Trade*, 9 Jul

E2: UK Overseas Trade in Goods

Shares of UK trade in goods by area, 2008

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	100.0	100.0	211,608	280,197	-68,589
2006	111.5	110.4	243,633	319,945	-76,312
2007	100.4	107.2	220,858	310,612	-89,754
2008	100.6	104.9	251,102	343,979	-92,877
2008 Q1	102.3	108.3	60,674	84,345	-23,671
Q2	102.3	106.4	64,428	87,833	-23,405
Q3	102.4	106.0	65,660	89,167	-23,507
Q4	95.2	98.9	60,340	82,634	-22,294
2009 Q1	88.1	91.3	56,193	77,014	-20,821

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

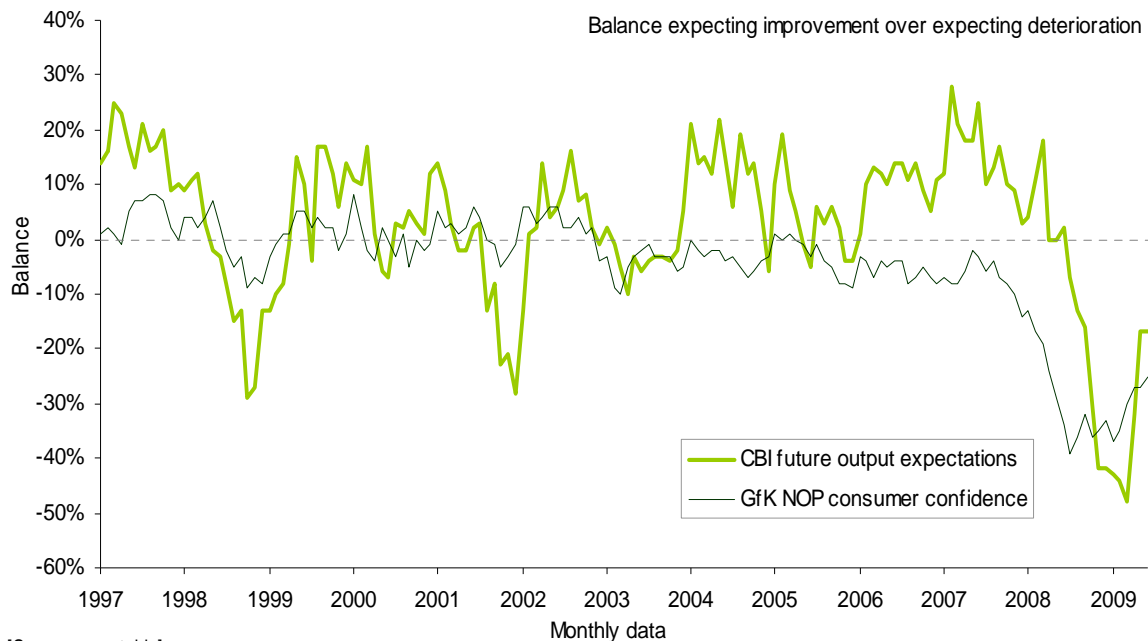
- In April, the provisionally estimated total value of UK goods exports was £18.9 billion and the total value of UK goods imports was £25.9 billion. As a result, the estimated deficit on goods trade was £7.0 billion, higher than the March level of £6.5 billion.
- Geographical breakdowns of UK trade with 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 April (compared with £3.1 billion in March), while the deficit with non-EU countries was £4.1 billion (compared with £3.4 billion in March).
- The UK’s monthly surplus on trade in **services** was £4.0 billion in April, higher than the March total of £3.8 billion.
- The UK’s overall monthly deficit on **goods and services combined** in April was £3.0 billion, up from £2.7 billion in March.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 9 Jul

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 June manufacturers' output expectations for the next three months were unchanged since May: a balance of 17% of firms thought output would decrease rather than increase over the next three months, compared with 32% in April.
- Although sterling is comparatively weak at present (see [indicator D3](#)), a balance of -52% said export order books were below normal (down from 46% in May, which was slightly up on 34% in April).
- Firms reported that overall order books were below normal (a balance of -51%), which was slightly up on recent months.

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 was up to -25 in June from -27 in both April and May, and is now 9 points higher than in June 2008;
- Confidence in the economic situation over the year ahead was up 8 points from May 2009 (to -8);
- Future expectations for personal finances over the coming year was up 2 points (to +1);
- The "now is a good time to save" measure was up a point (to -15), 37 points lower than in June 2008.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

		Future output expectations (CBI)	Consumer confidence (GfK)	
2008	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	-37
		Feb	-44	-35
		Mar	-48	-30
		Apr	-32	-27
May		-17	-27	
Jun		-17	-25	

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

Contact: Ian Townsend, x2042

Updates: CBI, *Industrial Trends*, mid Jul;
GfK NOP, *Consumer Confidence*, end Jul

F2: Retail Sales



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

Retail sales data are now based on a [new methodology](#) (and [Financial Times article](#))

- The total **volume** of retail sales in May 2009 was 1.6% lower than in the same month in the previous year (although the ONS point out that the May 2008 figure was “unusually large”), while total sales fell by 0.6% compared with the previous month (seasonally adjusted).
- In the three months to May 2009 retail sales volumes were 0.6% higher than in the same three-month period in the previous year, along with last month the lowest growth since January 1996. By sector, the same period saw sales volumes in primarily food stores fall 0.2%, they increased by 0.3% in non-food stores (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	3.8	2.1	1.0	2.7
2007	3.3	2.9	5.3	4.1	3.8
2008	3.6	0.7	-3.8	9.8	2.8
2008 Q1	2.8	2.3	0.4	14.9	4.7
Q2	3.2	-0.3	-3.5	13.4	3.4
Q3	4.1	1.7	-5.5	11.6	3.2
Q4	4.7	0.3	-5.8	2.8	1.2
2009 Q1	6.1	2.2	-7.9	0.0	1.1

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

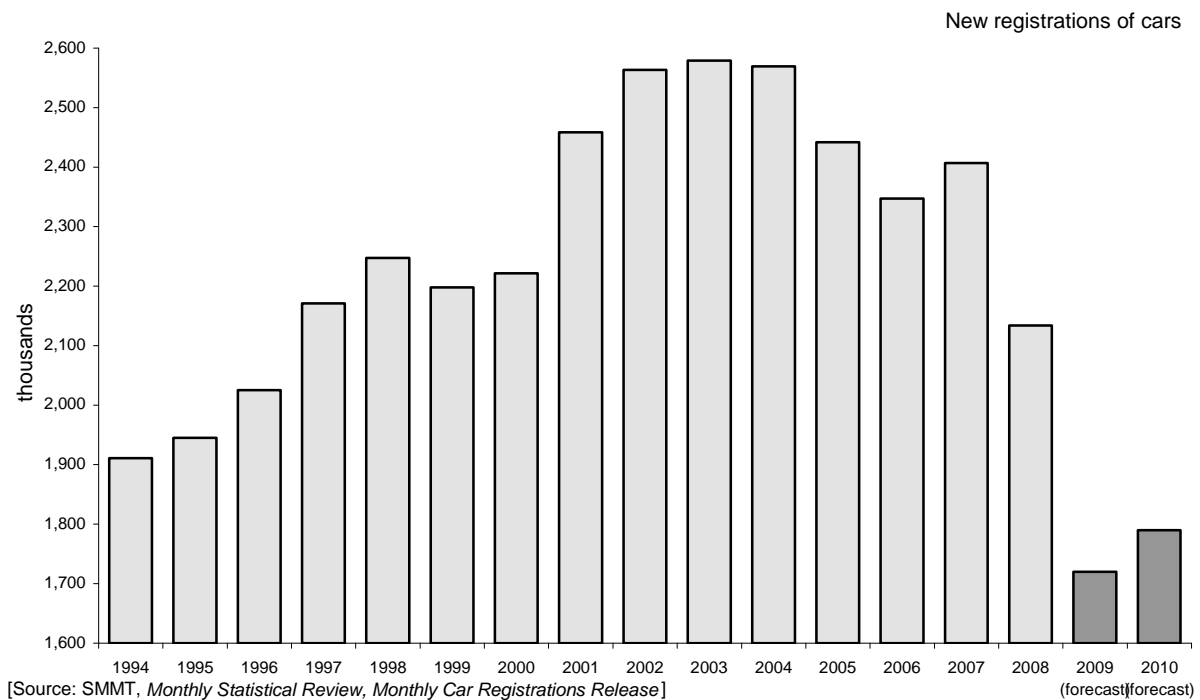
NOTE: 'Other non-food' quarterly growth figures affected by changed categorisation of some products as reported by retailers.

- The total **value** of retail sales in May 2009 was down 1.1% on the same month in the previous year, but down 0.3% compared with the previous month (seasonally adjusted).
- The average weekly value of retail sales in May 2009 was £5.4 billion (no change from the May 2008 figure was published)
- Weekly **internet sales** (an experimental ONS series) in May 2009 were £177.3 million, 3.3% of total sales.

Contact: Ian Townsend, x2042

Update: ONS, *Retail Sales: First Release*, 23 Jul

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 15.7% in June 2009, compared with the previous June's figure, to 176,264 units (excluding taxi registrations).

This is the lowest decline since July 2008, and the SMMT note that the scrappage scheme is starting to take effect.

Registrations to private buyers rose by 3.9% in June 2009, the first rise since November 2007.

The SMMT expect to publish a revised forecast for the full-year later this month.

- 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. They are forecast to fall by a further 19.4% in 2009, before rising by 4.1% in 2010.
- In 2008 as a whole, 13.6% of new car registrations related to British-built cars.
- In 2008 1,446,619 cars were produced in the UK; 25% or 364,593 of these were for the UK market, while 75% or 1,082,026 were for export.

New Registrations of Cars

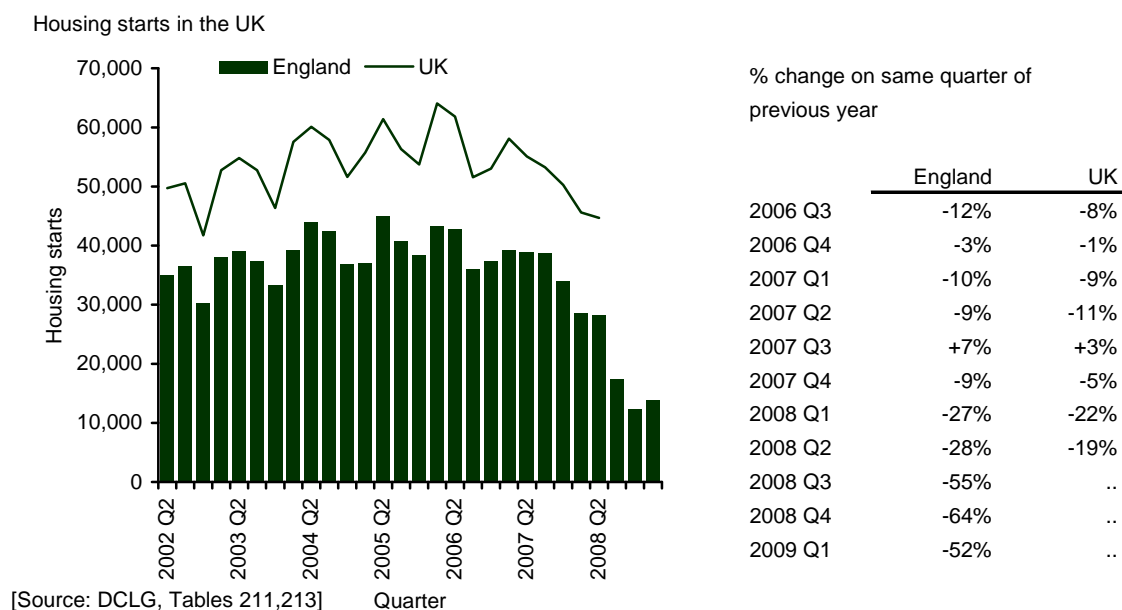
000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2008	2,134	-11.3
2009 (forecast)	1,720	-19.4
2010 (forecast)	1,790	4.1
2008 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
Feb	(a) 54	-21.9
Mar	(a) 314	-30.5
Apr	(a) 133	-24.0
May	(a) 135	-24.8
Jun	(a) 176	-15.7

Source: SMMT, *Monthly Statistical Review and website*

Note: (a) data from January 2009 onwards excludes registrations of taxis.

F4: Housebuilding and prices



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

- **Monthly** Seasonally adjusted UK house prices increased by 2.6% in May 2009. This compares with a 1.8% fall in April.
- **Annual** house prices in May were 16.3% lower on an annual basis.
- **Quarterly** house prices were 2.7% lower in quarter 1 of 2009 compared with quarter 4 of 2008.
- Regionally, the Halifax data show that in Q1 2009 house prices fell in all regions compared with Q1 2008. The largest falls were in Northern Ireland, where prices fell 22%, Greater London (-21%) and the South East (-20%). (data not seasonally adjusted; regions are not aligned with regions used by the DCLG).

Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
average house prices, £				
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
2009 Q1	158,400	166,900	157,800	119,100
% change over same period in previous year				
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
2009 Q1	-17.5	-14.9	-17.6	-19.4

Source: HBOS, *Halifax House Price Index*

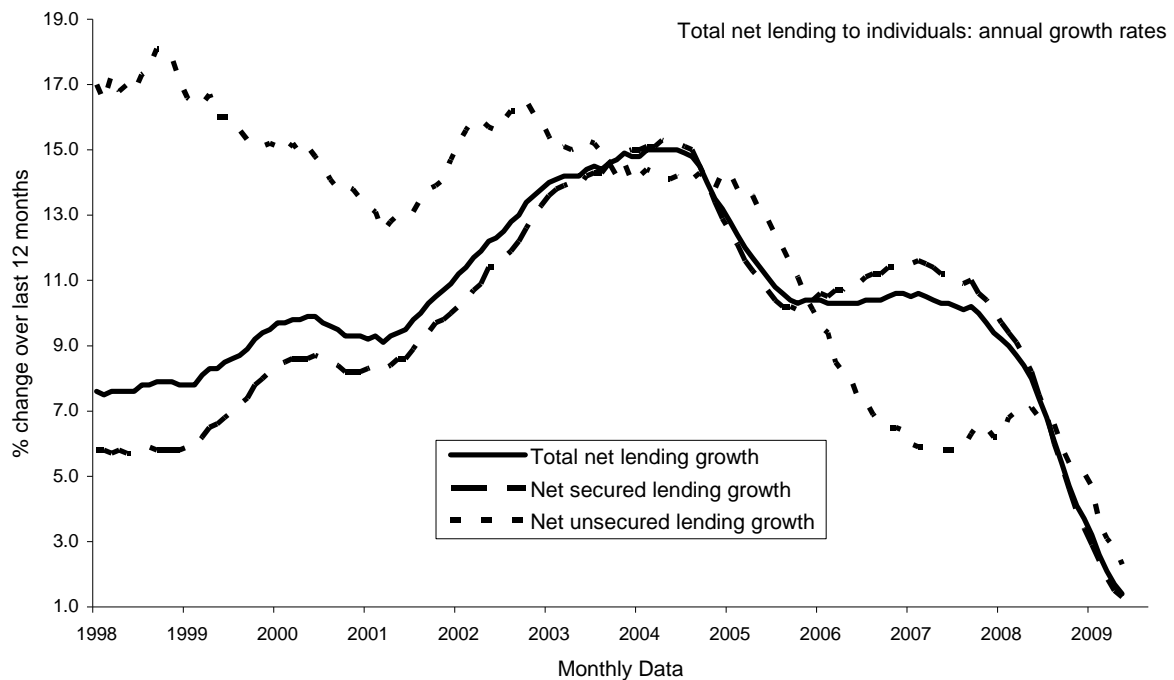
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK stood at £189,215 in April 2009. Prices were 13.0% lower than in April 2008.
- House prices in April 2009 were lower than April 2008 in all regions, with the largest fall of 22.8% in Northern Ireland. In England, the largest fall was in London (15.0%).

Contact: Adam Mellows-Facer, x4904

Updates: *Halifax House Prices*, early Aug; DCLG, *House Prices*, 14 Jul; *House-building*, 20 Aug

F5: Consumer borrowing



[Source: Bank of England]

Net lending to individuals

£ millions and % changes on year; seasonally adjusted

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
2005 May	910,426	205,327	1,115,754	11.0	13.1	11.4
2006 May	1,006,995	212,079	1,219,073	10.9	8.0	10.3
2007 May	1,120,199	214,755	1,334,954	11.2	5.8	10.3
2008 May	1,209,394	231,713	1,441,107	8.2	7.1	8.0
Aug	1,217,680	236,238	1,453,918	6.0	6.6	6.1
Nov	1,224,059	233,649	1,457,709	3.9	5.2	4.1
2009 Feb	1,225,828	232,565	1,458,392	2.4	3.6	2.6
May	1,226,315	232,666	1,458,981	1.3	2.3	1.4

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

- Total net outstanding lending to individuals was £1,459 billion at the end of May 2009 (seasonally adjusted).
- Total net lending to individuals grew by less than 0.1% in May 2009 compared with the previous month, and grew by 1.4% on an annual basis (all seasonally adjusted); the annual growth rate is 0.3 percentage points lower this month than in April 2009.
- Of the £0.6 billion increase in net lending in May 2009, £0.3 billion was mortgage borrowing while consumer credit was £0.3 billion (seasonally adjusted).
- In Q1 2009 there were 29,774 individual insolvencies (bankruptcy orders or IVAs) in England and Wales (seasonally adjusted). This was a 1.6% increase on the last quarter and a 19.0% increase on Q1 2008.

Contact: Ed Potton, x2883

Update: Bank of England, *Lending to Individuals*, 29 Jul
Insolvency Service, *Q2 Insolvency Statistics*, 7 Aug

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.

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
D4	Public Finances	Data: ONS, Public Sector Accounts or Public Sector Finances ; ONS database Forecasts of budget surplus: HM Treasury, Pre-Budget Report , table B2 or Budget Red Book , table C2.

Indicator		Source details (coloured text is a hyperlink to the source)
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, Retail Sales release
F3	New Car Registrations	Society of Motor Manufacturers and Traders, Monthly Statistical Review (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 :

V 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

Definitions¹¹

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 are used up in production. GVA is used to measure

¹¹ Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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.