



Economic Indicators, September 2009

RESEARCH PAPER 09/71 9 September 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 UK manufacturing sector**

Daniel Harari (editor)

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Research Paper 09/71

Contributing Authors: Daniel Harari (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.¹ A weekly email alert for updated indicators is available on request.

A guide to sources is provided in section V.

Discard previous issues

Upon receipt of each issue users should discard the previous issue as it may contain statistics which are no longer the most current, or which have been revised.

Glossary

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:

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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 UK Manufacturing Sector

1 Introduction

The UK manufacturing sector has been in long term decline, with its contribution to UK economic output having fallen from 31.7% in 1970 to 12.4% in 2007. The process has been hastened by the current recession, with manufacturing output having decreased by 13.2% on an annual basis in the first half of 2009 compared with a 1.6% fall for total economic output.

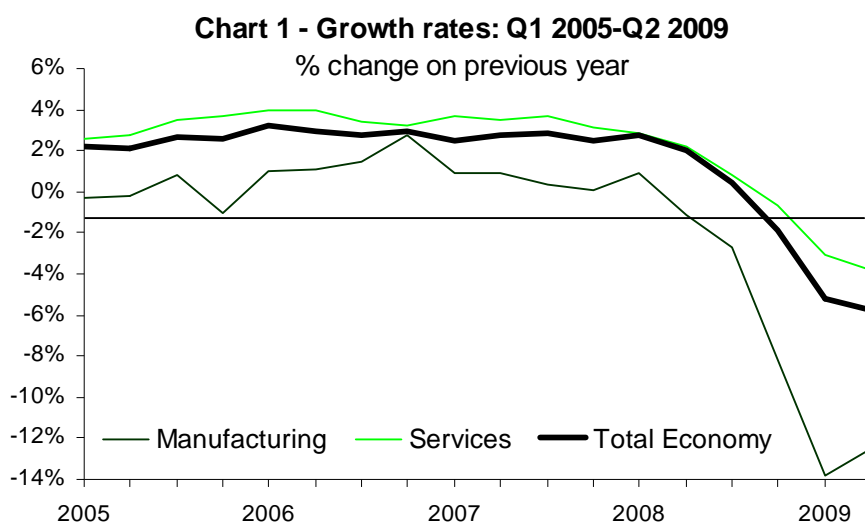
This has occurred despite forecasts made at the beginning of the recession predicting that the brunt of the economic downturn would be felt by the City and other 'white-collar' sectors.⁴ In fact, as Lord Mandelson, Secretary of State for Business, has said: "Manufacturing is bearing the brunt of the global downturn."⁵

This article provides an overview of the manufacturing industry in the UK. It includes information on the impact of the recession on it, the size and importance of the sector to the economy and the extent of its declining contribution to national output.

2 Manufacturing output performance

Manufacturing output growth has long underperformed that of the economy as a whole. Since 1990 the average annual growth rate of manufacturing has been 0.3%, well below that of services (3.1%) and the economy (2.4%). Indeed, the last time manufacturing output grew faster than that of services was in 1994.

The current recession has also hit manufacturing especially hard: in Q1 of 2009 output was down by 13.8% compared with a year ago. The picture improved somewhat in Q2, although output still declined by 12.5% on the year.



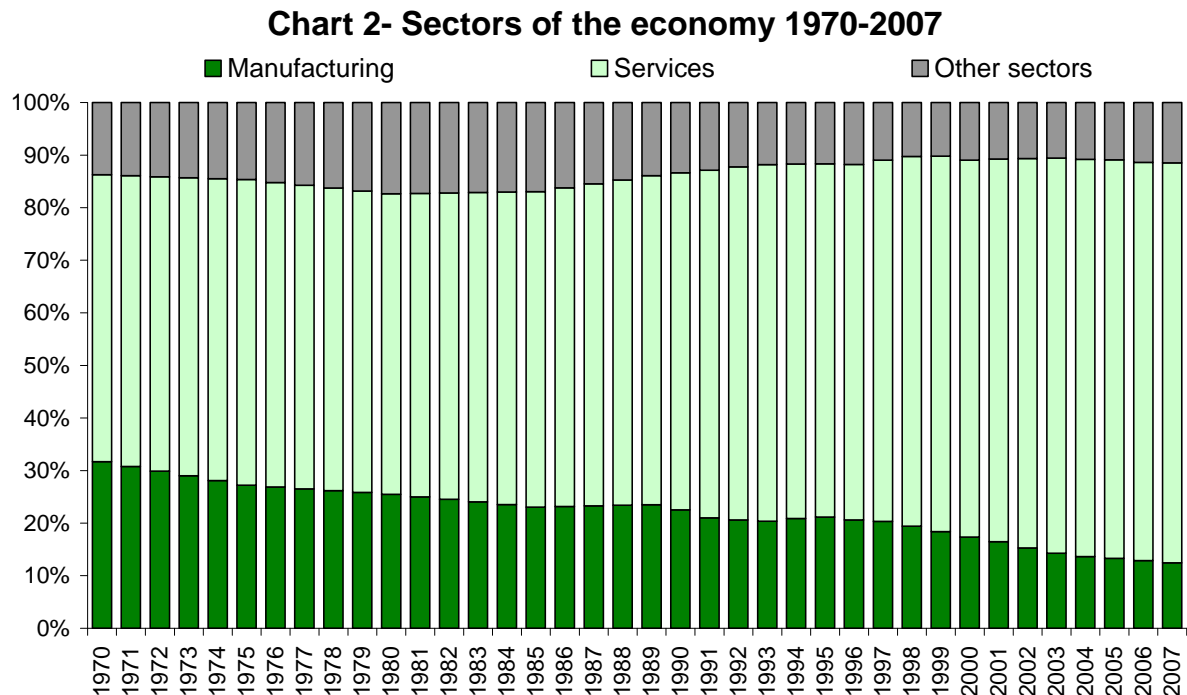
Note: Data is seasonally adjusted and in constant 2005 prices
Source: ONS, series CKYY (manufacturing), GDQS (services), CGCE (total economy)

⁴ For example see: "It's Grim Down South", *Guardian*, 19 Oct 2008 and "Middle class face jobs disaster, warns Bank of England", *Daily Telegraph*, 12 Nov 2008

⁵ Lord Mandelson's Speech to [CBI Manufacturing Dinner – Birmingham](#), 11 March 2009

Manufacturing's share of total UK economic output has been in steady decline for many decades. In 1970, it accounted for 31.7% of output, falling to 20.3% in 1997 and 12.4% in 2007. The sector contributed £150 billion to the UK economy in 2007.⁶

The chart below shows that as manufacturing's contribution to economic output has declined, the service sector's share has continued to rise from 61.2% in 1987 to 76.1% in 2007.



Note: Calculated using Gross Value Added at current prices.

Source: ONS, [Gross Value Added](#), series: QTP1 (manufacturing), QTPZ (services), ABML (total economy)

3 Employment

In line with its decreasing contribution to economic activity, the number of people working in manufacturing has fallen sharply over the past 30 years, from 6.9 million in 1978 to 2.9 million in 2008. The decline continued into 2009 with data for June 2009 showing employment in manufacturing of 2.6 million.⁷ This contrasts with an increase in the number of people in employment in the wider economy over the same 30-year period.

The table at the top of the following page shows the number of employee jobs in manufacturing as a proportion of all employee jobs for the past decade (and, for comparative purposes, in 1978 and 1988). It shows that the share of people in the economy working in manufacturing has nearly halved from over 20% in 1988 to 10.5% in 2008.

⁶ ONS, [Blue Book 2009](#), Gross Value Added by industry

⁷ Figures are for "employee jobs" (source: ONS), see table 1.

Table 1: Manufacturing jobs

seasonally adjusted

	Manufacturing employee jobs (000s)	Total employee jobs (000s)	Manufacturing jobs as percentage of all industries
1978	6,912	24,243	28.5%
1988	4,927	23,707	20.8%
1998	4,208	24,783	17.0%
1999	4,059	25,091	16.2%
2000	3,959	25,639	15.4%
2001	3,805	25,973	14.6%
2002	3,599	26,085	13.8%
2003	3,410	26,152	13.0%
2004	3,246	26,381	12.3%
2005	3,102	26,763	11.6%
2006	2,975	26,933	11.0%
2007	2,911	27,051	10.8%
2008	2,866	27,232	10.5%
2009(p)	2,643	n/a	n/a

Notes: (p) provisional

Data taken from June of each year.

Source: ONS, Economic & Labour Market Review, table 6.04

series: YEJL (manufacturing), BCAJ (total economy)

3.1 Regional variations

The distribution of manufacturing jobs across the United Kingdom is not spread evenly, with some significant regional variances. The table at the top of the next page gives figures of employee jobs in manufacturing by regions of the UK. The area with the highest percentage of people working in the sector in March 2009 was the East Midlands at 14.3%, with London the lowest at 4.3%.

Table 2: Manufacturing jobs by region

not seasonally adjusted

	Manufacturing employee jobs (000s)			Manufacturing jobs as % of total employment	
	Mar 2008	Mar 2009	% change	Mar 2008	Mar 2009
North East	131	123	-6.1%	12.7%	12.1%
North West	377	354	-6.1%	12.6%	12.0%
Yorkshire and The Humber	303	280	-7.6%	13.7%	13.0%
East Midlands	283	262	-7.4%	15.0%	14.3%
West Midlands	324	289	-10.8%	13.9%	12.8%
East	250	235	-6.0%	10.6%	10.1%
London	181	173	-4.4%	4.4%	4.3%
South East	317	299	-5.7%	8.5%	8.2%
South West	250	238	-4.8%	11.3%	10.9%
England	2,417	2,254	-6.7%	10.6%	10.1%
Wales	158	146	-7.6%	13.7%	13.1%
Scotland	218	206	-5.5%	9.2%	8.8%
Northern Ireland	88	81	-8.0%	12.1%	11.4%
Total	2,881	2,687	-6.7%	10.6%	10.1%

Source: ONS, Economic & Labour Market Review, table 6.06

3.2 Redundancies and vacancies

As a result of the sharp downturn in manufacturing production during the recession, the number of people made redundant in the sector has risen sharply to 58,000 in Q2 2009 from 24,000 a year ago, a 142% increase.⁸

The number of vacancies in the sector has fallen significantly to 24,000 for the three months to July 2009 from 50,000 a year ago, a 52% reduction. Furthermore, the manufacturing sector also has the lowest rate of vacancies (calculated by dividing the number of vacancies by the number of jobs) of all sectors, along with construction, in the economy at 0.7 per 100 employees, compared with an average 1.6 for all sectors.⁹

4 Earnings

Despite the reduction in the number of people employed in the sector, wages in manufacturing have grown at only a slightly slower pace than the rest of the economy over the past decade.

Wage levels are in line with the economy on average, with the median¹⁰ annual earnings for a full-time employee in the manufacturing sector of £25,248 compared with a national average of £25,123.¹¹

⁸ Redundancies by industry, *Labour Market Statistics*, ONS, August 2009 release, page 44, section 24.

⁹ Vacancies by industry, *Labour Market Statistics*, ONS, August 2009 release, page 43, section 22.

¹⁰ The median is the middle number in a series. For example, if you had a group of five wage-earning individuals, the median wage of the group would be the third highest wage.

5 Productivity

Productivity growth in the manufacturing sector has historically been stronger than in most other sectors of the economy due to its reliance on machinery and equipment, which leaves it better placed to benefit from improvements in technology. The service sector has less room for enhanced productivity due to the nature of many jobs within it. For example, there is likely not much that can be done to greatly improve efficiency in hairdressing.

It is noticeable though that as output across the whole economy began to decline last year, so too did productivity growth. This is likely because “employers either chose or had to hold on to workers while output declined in 2008.”¹²

Table 3: Productivity

% change on previous year; seasonally adjusted

	Annual change in output per hour worked in:		
	Manufacturing sector	Service sector	Total economy
1998	0.9%	3.4%	2.9%
1999	4.9%	1.8%	2.7%
2000	6.7%	3.4%	3.7%
2001	3.5%	1.1%	1.3%
2002	3.1%	1.7%	2.1%
2003	4.3%	2.1%	2.5%
2004	6.3%	1.9%	2.0%
2005	4.2%	1.1%	1.1%
2006	3.7%	2.5%	2.4%
2007	3.4%	2.3%	1.8%
2008	0.2%	0.4%	0.3%

Source: ONS, series: LZVH (manuf), GGM4 (services), LZVD (total econ)

6 Business investment

After decreasing at the beginning of the decade, the amount of business investment in the manufacturing sector has remained broadly stable in nominal terms, averaging around £15 billion a year. However, in real (inflation-adjusted) terms there has been a gradual decline – this is shown in the table below which calculates business investment in manufacturing as a percentage of total business investment in the economy. After accounting for nearly one-fifth of business investment in 1998, by 2008 this figure had shrunk to just over one-tenth.

¹¹ Figures are for 2008. Source: ONS, *Annual Survey of Hours and Earnings (ASHE)*.

¹² “*The impact of the recession on the labour market*”, ONS, 14 May 2009, page 1-7 (page 10 of PDF)

Table 4: Business investment

not seasonally adjusted, current prices

	Manufacturing sector		Total economy		Manuf. bus. inv. as % of total
	Total (£ billion)	% change on previous year	Total (£ billion)	% change on previous year	
1998	21.5	+2.6%	112.8	+15.7%	19.1%
1999	19.7	-8.4%	115.8	+2.7%	17.0%
2000	19.1	-3.3%	118.9	+2.7%	16.0%
2001	17.6	-7.8%	118.3	-0.5%	14.9%
2002	14.9	-15.3%	118.2	-0.1%	12.6%
2003	14.8	-0.6%	117.2	-0.9%	12.6%
2004	14.5	-1.8%	117.7	+0.5%	12.4%
2005(a)	29.9	+105.5%	138.0	+17.2%	21.5%
2006(a)	14.0	-53.1%	128.1	-7.1%	10.9%
2007	15.0	+6.8%	143.1	+11.7%	10.5%
2008	15.1	+0.6%	147.7	+3.2%	10.2%

Notes: (a) 2005 manufacturing figure reflects British Nuclear Fuels (BNFL) transfer from public corporations to central government.

Source: ONS, series: APGZ (manuf), NPEM (total econ)

7 Exports and trade

The table below shows that manufactured goods contribute a disproportionate share of total exports compared with their share of national output, with 46% of the value of all exports in 2008 accounted for by manufactured goods. Historically this figure has been even higher. In 1998, for instance, it was 61%.

Table 5: Manufactured goods in UK trade

Balance of payments basis, current prices

	Exports			Imports		
	Value of all exports (£ billion)	Manufactures Value (£ billion)	% of all exports	Value of all imports (£ billion)	Manufactures Value (£ billion)	% of all imports
1978	47.9	27.7	58%	45.3	22.7	50%
1988	109.8	64.6	59%	125.0	79.9	64%
1998	233.3	141.9	61%	240.1	156.3	65%
1999	242.7	142.5	59%	256.2	164.8	64%
2000	269.8	156.7	58%	287.8	185.1	64%
2001	276.9	159.5	58%	300.9	193.3	64%
2002	280.5	156.6	56%	308.6	197.2	64%
2003	290.7	156.7	54%	316.7	195.7	62%
2004	303.8	157.8	52%	336.3	203.9	61%
2005	330.8	174.4	53%	373.6	222.0	59%
2006	377.9	201.2	53%	419.4	254.1	61%
2007	371.5	177.7	48%	416.5	240.1	58%
2008	421.5	193.6	46%	459.9	251.4	55%

Source: ONS (series IKBH, BPAN, IKBI, BQBD)

8 Prospects for manufacturing

The average of recent independent forecasts published in the Treasury's latest compilation of projections is that manufacturing output will decline by 10.4% in 2009, compared with a decline of 4.2% for the overall economy.¹³ However, that projected decline is less severe than the 12.25-12.75% forecast in the Treasury's April estimate and positive growth is forecast for 2010. The average of recent independent forecasts for manufacturing output growth in 2010 is 1.6%, compared with 0.8% for the economy as a whole.¹⁴

In a speech earlier this year to the CBI, Secretary of State for Business, Lord Mandelson, set out a vision for the future of UK manufacturing:¹⁵

Some rebalancing is required, and the next decade will be about strengthening manufacturing's place at the heart of Britain's economy alongside and rooted in a strong services sector. Strengthening its capacity to compete with the best in the world, in a growing global economy that is set to double in size, in an entire suite of new technologies, building new business growth.

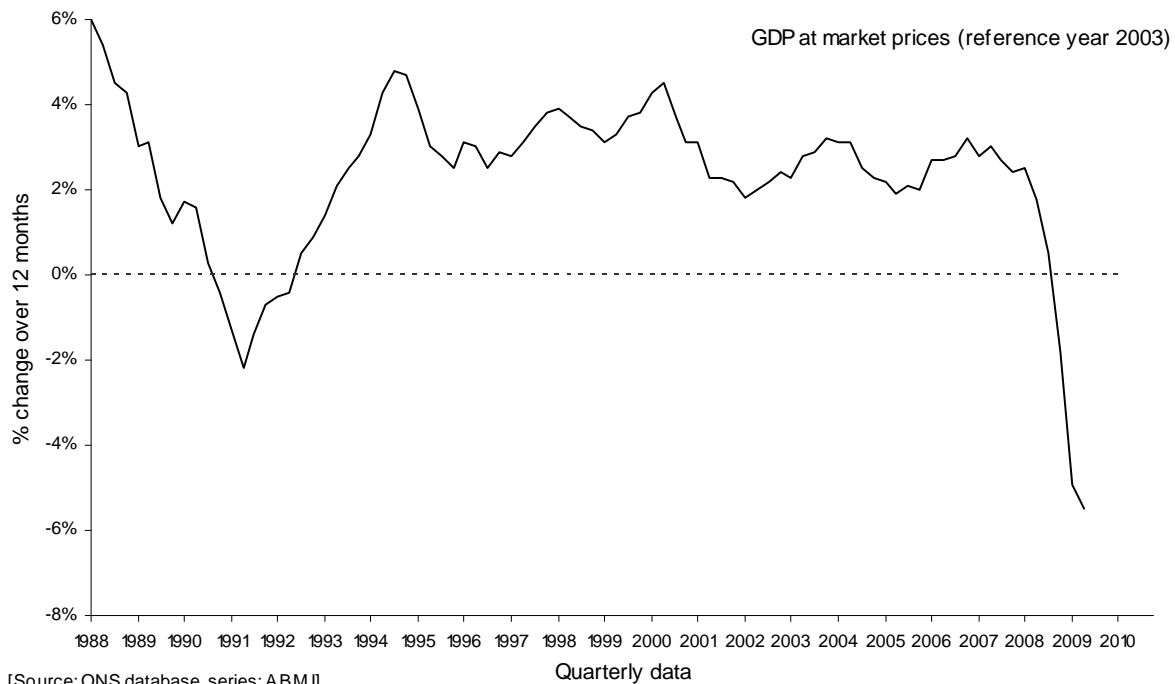
He concluded that, for the same reasons UK manufacturing has been hit hard by the recession, it "has huge potential to grow as the global economy grows again".

¹³ HM Treasury, *Forecasts for the UK economy: A comparison of independent forecasts*, no 268, August 2009, tables 1 and 3,

¹⁴ *ibid.*, tables 4 and 6

¹⁵ Lord Mandelson's Speech to [CBI Manufacturing Dinner – Birmingham](#), 11 March 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	1,254.1	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 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
Q2	347.9	-4.3	-5.5	-0.7

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 0.7% in Q2 of 2009, compared to Q1 of 2009. This is the fifth successive quarter of negative growth.
- In August 2009, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -4.2%, down from -4.0% in July. The average of independent economic forecasts of GDP growth for 2010 was 0.8%.

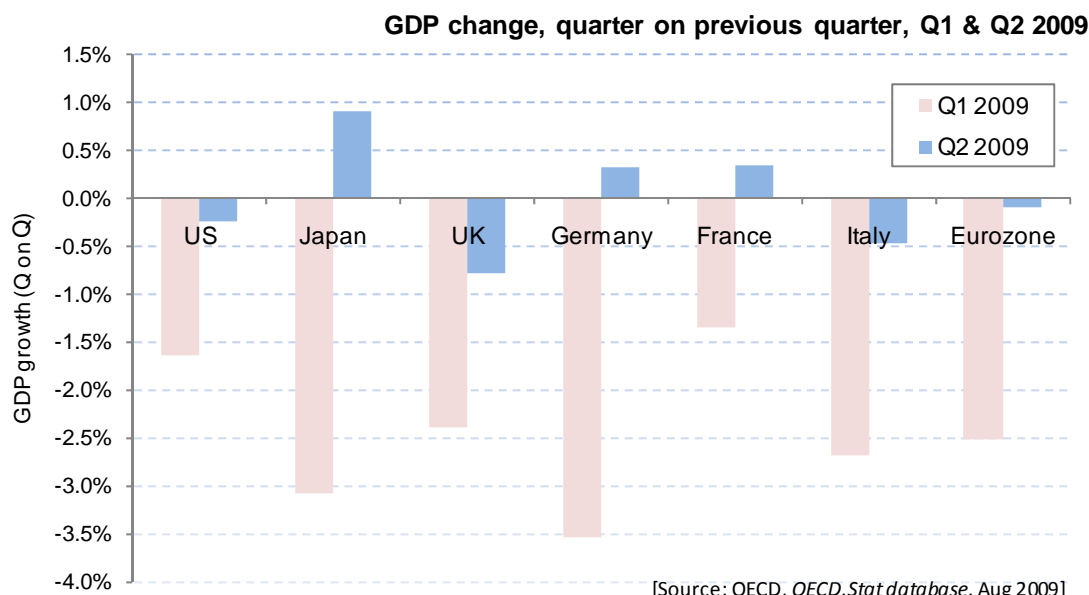
Contact: Grahame Allen, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 16 Sep
ONS, *Quarterly National Accounts*, 29 Sep

A2: GDP: International Comparisons

France, Germany and Japan have emerged from recession, experiencing GDP growth in Q2 2009 compared with Q1, while the rate of contraction has slowed in the UK, the US, Italy and the eurozone as a whole.

However, compared with Q2 2008 these have all seen their economies contract (France by 2.6%, Germany by 5.9%, and Japan by 6.5%), compared with the UK's 5.6% contraction.



GDP at constant market prices, % changes

	2006	2007	2008	on previous period				on same period in previous year		
				2008			2009		'09 Q1	'09 Q2
				Q2	Q3	Q4	Q1	Q2		
US	2.7	2.1	0.4	0.4	-0.7	-1.4	-1.6	-0.3	-3.3	-3.9
Japan	2.0	2.3	-0.7	-1.1	-1.0	-3.5	-3.1	0.9	-8.3	-6.5
Canada	2.9	2.5	0.4	0.1	0.1	-0.9	-1.4	..	-2.1	..
UK	2.9	2.6	0.7	-0.1	-0.7	-1.8	-2.4	-0.8	-4.9	-5.6
Germany	3.2	2.5	1.3	-0.6	-0.3	-2.4	-3.5	0.3	-6.7	-5.9
France	2.2	2.3	0.4	-0.5	-0.2	-1.4	-1.3	0.3	-3.4	-2.6
Italy	2.0	1.6	-1.0	-0.6	-0.8	-2.1	-2.7	-0.5	-6.0	-6.0
Eurozone	3.1	2.7	0.6	-0.3	-0.4	-1.8	-2.5	-0.1	-4.9	-4.7
G7	2.6	2.2	0.3	-0.1	-0.6	-1.9	-2.1	..	-4.7	..
OECD	3.1	2.7	0.6	-0.1	-0.5	-1.9	-2.1	..	-4.7	..

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

Real growth forecasts (% change)

	OECD (Jun '09)		IMF (Jul '09)	
	2009	2010	2009	2010
US	-2.8	0.9	-2.6	0.8
Japan	-6.8	0.7	-6.0	1.7
UK	-4.3	0.0	-4.2	0.2
Eurozone	-4.8	0.0	-4.8	0.3
OECD	-4.1	0.7	n/a	n/a
World	n/a	n/a	-1.4	2.5
China	7.7	9.3	7.5	8.5
India	5.9	7.2	5.4	6.5

Sources: OECD, *Ec. Outlook*, Jun '09 & IMF, *WEO*, Jul '09

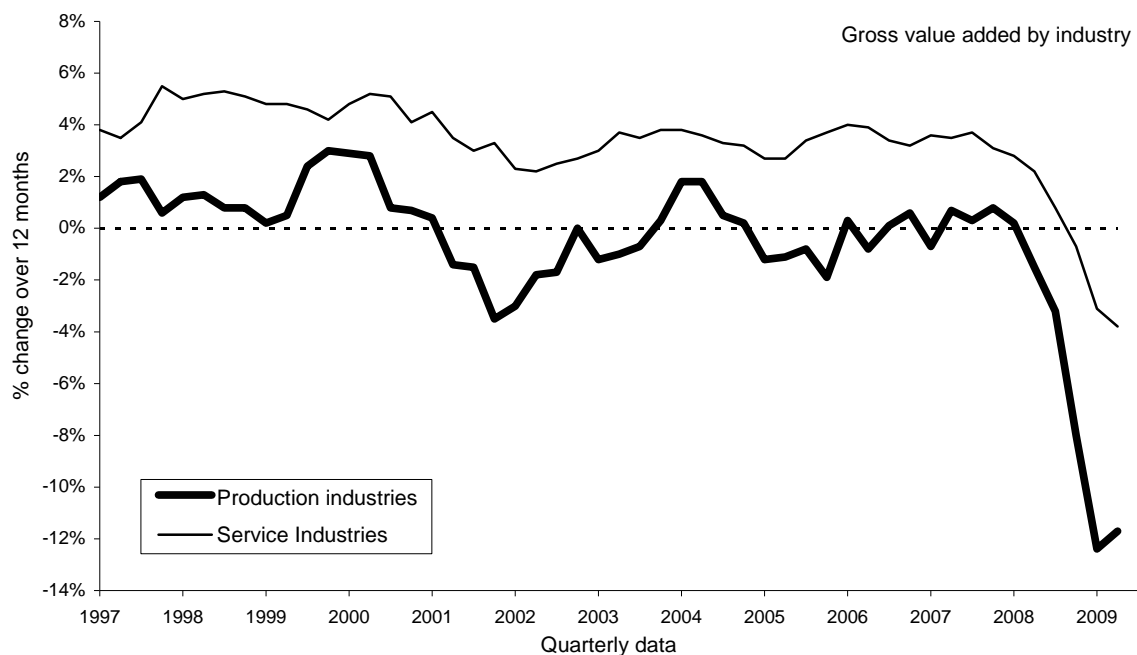
In June 2009 the [OECD forecast](#) a 4.1% contraction in developed countries this year, the largest contraction expected in Ireland (9.8%). These were more positive than the OECD's [March 2009 forecasts](#) for the US, India and China, but not so for the UK, the eurozone and Japan.

The [IMF's July 2009 forecasts](#) are for the world economy to contract by 1.4% in 2009, slightly greater than its [April 2009 forecast](#) of 1.3%, before returning to growth of 2.5% in 2010 (1.9% previously).

The IMF now expects the UK economy to contract by 4.2% in 2009, before expanding by 0.2% in 2010 (according to a [more recent IMF report](#)). The US economy is expected to contract by 2.6%, France's by 3% and Germany's by 3.3% in 2009. The [July forecasts](#) revised growth for China and India up in 2009 and 2010.

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 3.8%. Between the first and second quarter of 2009 annual output growth in the service sector decreased by 0.9 percentage points.

Gross value added at current basic prices

% changes on year; seasonally adjusted

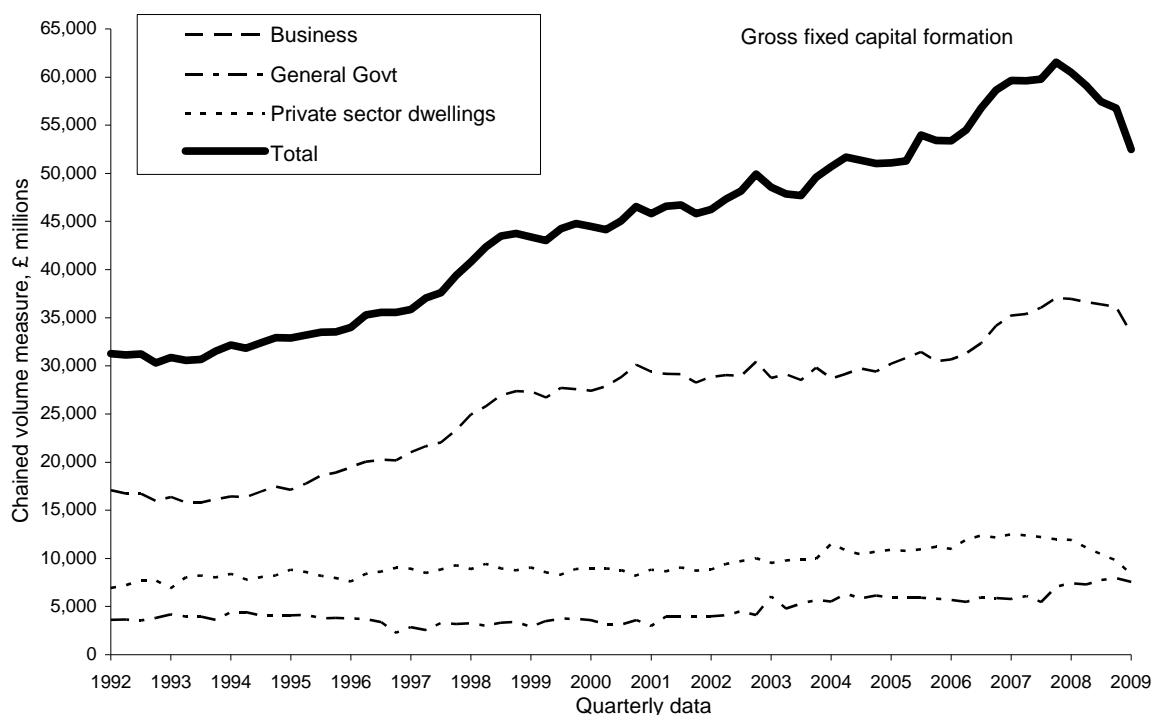
	Production industries		Services	Agriculture, hunting & fishing		Construction
	Total	Manufacturing				
2006	0.0	1.6	3.6	0.7	1.1	
2007	0.3	0.6	3.5	-4.8	2.7	
2008	-3.1	-2.9	1.3	-1.3	0.2	
2008 Q2	-1.5	-1.1	2.2	-1.2	2.1	
Q3	-3.2	-2.9	0.8	-0.5	0.3	
Q4	-8.0	-8.3	-0.7	-1.3	-5.3	
2009 Q1	-12.4	-13.7	-3.1	-0.6	-13.2	
Q2	-11.7	-12.4	-3.8	-3.6	-14.7	

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

- Manufacturing output decreased by 12.4% in the second quarter of 2009 compared with the same quarter in 2008, and manufacturing output decreased by 2.9% 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

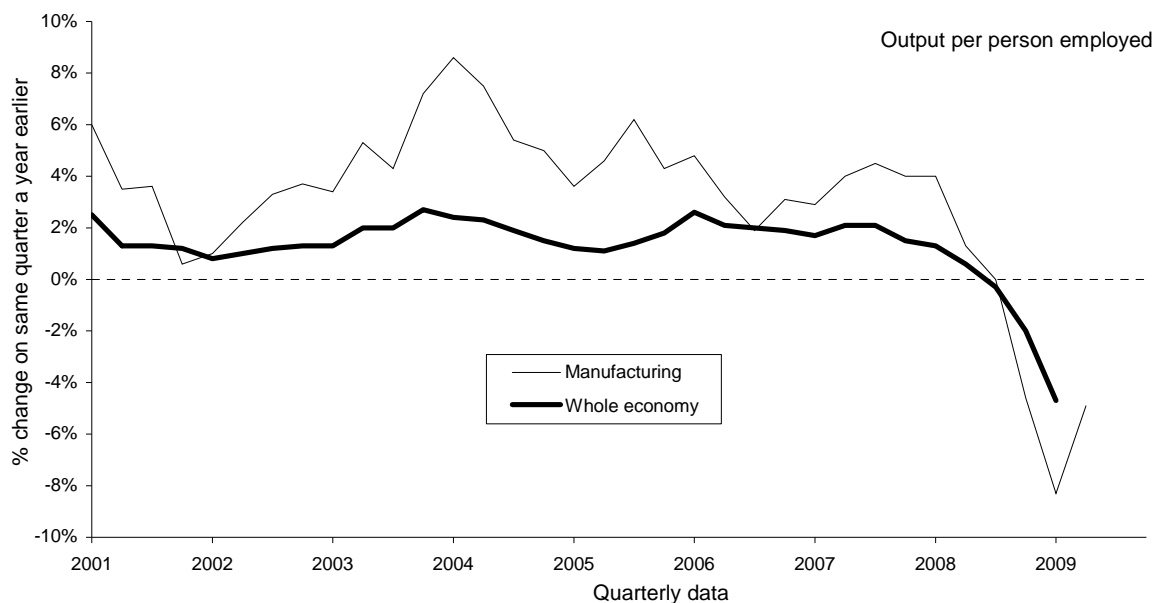
£ million; Chained volume measures, reference year 2005; seasonally adjusted

	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 10.4% in Q2 2009 compared with the previous quarter and was 18.4% lower than Q2 2008. This is the largest annual fall in business investment since records began in 1966.

A5: Productivity



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

Productivity

% changes on year; seasonally adjusted

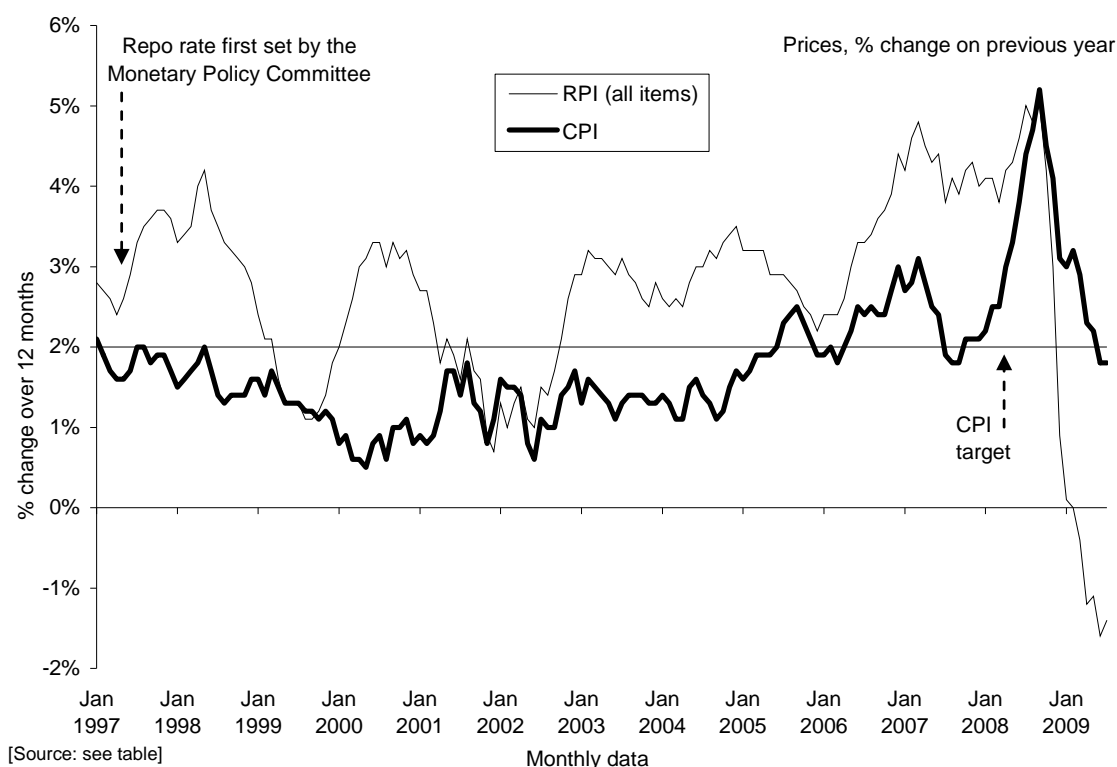
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2006	1.6	-1.7	3.2	3.0	0.8	2.2
2007	0.6	-3.2	4.0	2.6	0.8	1.8
2008	-2.9	-2.9	0.1	0.8	0.9	-0.1
2008 Q1	0.9	-3.0	4.0	2.4	1.4	1.3
Q2	-1.1	-2.4	1.3	1.6	1.3	0.6
Q3	-2.9	-2.8	0.0	0.1	0.8	-0.3
Q4	-8.3	-3.9	-4.6	-2.1	0.1	-2.0
2009 Q1	-13.7	-6.0	-8.3	-5.3	-0.5	-4.7
Q2	-12.4	-8.0	-4.9	-5.8

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 2.9% 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 July, the consumer prices index (CPI) showed inflation at 1.8%, unchanged from June, when it fell below the 2% target for the first time since September 2007.
- The largest downward pressure on the CPI came from food prices, as meat, bread and cereals, and vegetable prices rose at a slower pace than in the previous year. There was also a downward contribution to the CPI from restaurants and hotels, and from take-away items in particular.
- Upward pressure on the CPI came from the recreation and culture component, with prices of computer games and DVDs increasing this year compared with falling prices last year.
- The former headline rate – RPI, all items – of inflation in the year to July was -1.4%, up from -1.6% in June. The RPI differs from the CPI in that it includes housing costs, which explains most of the gap between the two series.

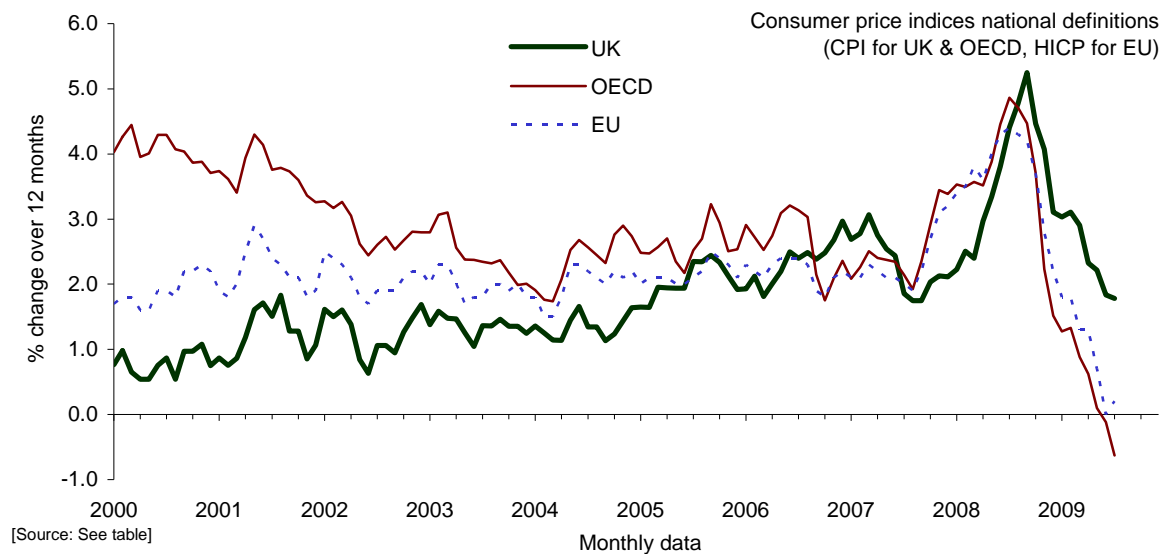
Price Indices

% 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	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
	Jun	1.8	-1.6	1.0
	Jul	1.8	-1.4	1.2

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:

- The average annual inflation rate for all OECD countries in July was -0.6%, having moved negative in June.
- Inflation in the United States was -2.1% in July 2009, a decrease of 0.7 percentage points from June.
- The EU's average inflation rate, based on harmonised indices of consumer prices (shown in the chart above, but not in the table), was 0.2% in July.

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
2009 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
Jun	-1.4	-1.8	-0.3	1.8	-0.1
Jul	-2.1	-2.2	-0.9	1.8	-0.6

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
2009 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
Jun	-0.6	0.0	0.6	1.8	-0.1
Jul	-0.8	-0.7	-0.1	1.8	-0.7

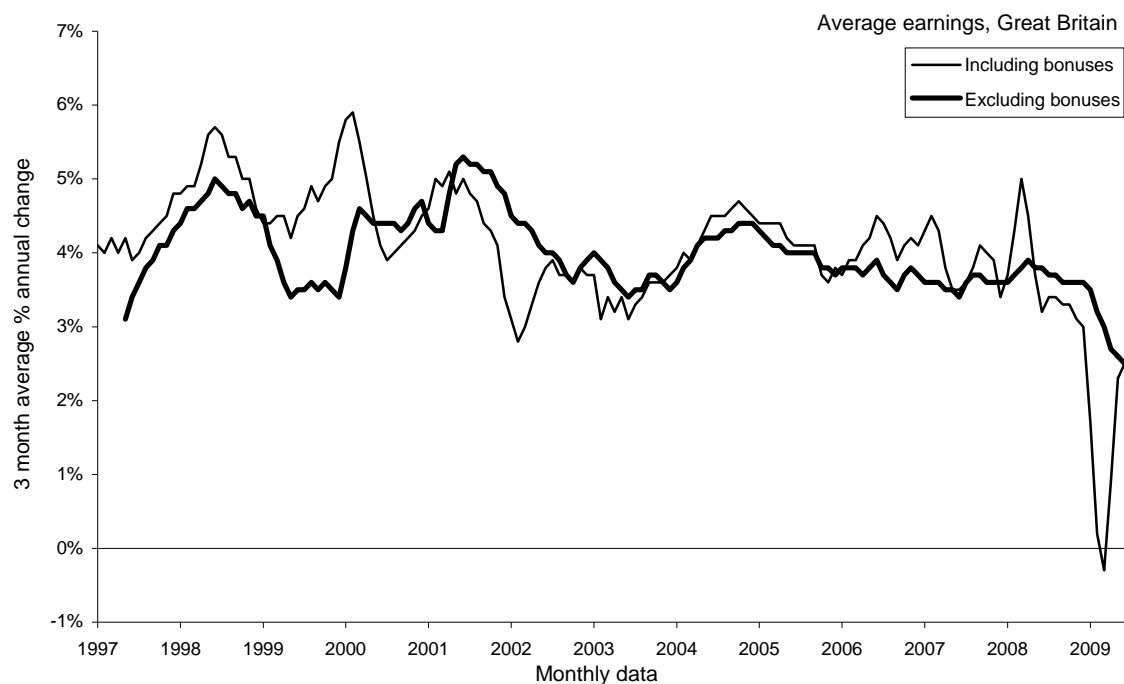
Source: Eurostat database, Aug 2009

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

- Eurozone annual inflation was -0.7% in July 2009, having moved negative in June. This was the first time it had been negative since the introduction of the Euro.
- Ten Eurozone countries had negative annual inflation rates in July, including France, Germany and Italy.
- Romania (5.0%) had the highest rate of EU countries in July. Ireland (-2.6%) had the lowest. Outside the EU, the annual inflation rate in Iceland was 16.5%.

Contact: Adam Mellows-Facer, x4904

Updates: OECD, *Consumer prices release*, 6 October
Eurostat, *Euro-indicators news release*, 16 September

B3: Average Earnings Index

- The headline rate of average earnings (three-month average including bonuses) for the whole economy rose by 2.5% in the year to June, up from 2.3% in May. A steep fall in private sector bonuses in the first quarter distorted recent headline average earnings data (see chart above).
- The less volatile series of average earnings excluding bonuses has seen growth slow since January. It rose by 2.5% in June, down from 2.6% in May.
- Headline earnings growth in the public sector rose by 3.7% in June, compared with a 2.1% increase in the private sector.
- Headline average earnings growth in manufacturing was 1.4% in June, compared with 2.6% in the services sector.
- In the year to June, the consumer price index (CPI) showed inflation at 1.8%, below the rate of headline earnings growth. The headline retail prices index (RPI), which includes housing costs (unlike the CPI), showed inflation at -1.6% in June, well below average earnings growth.

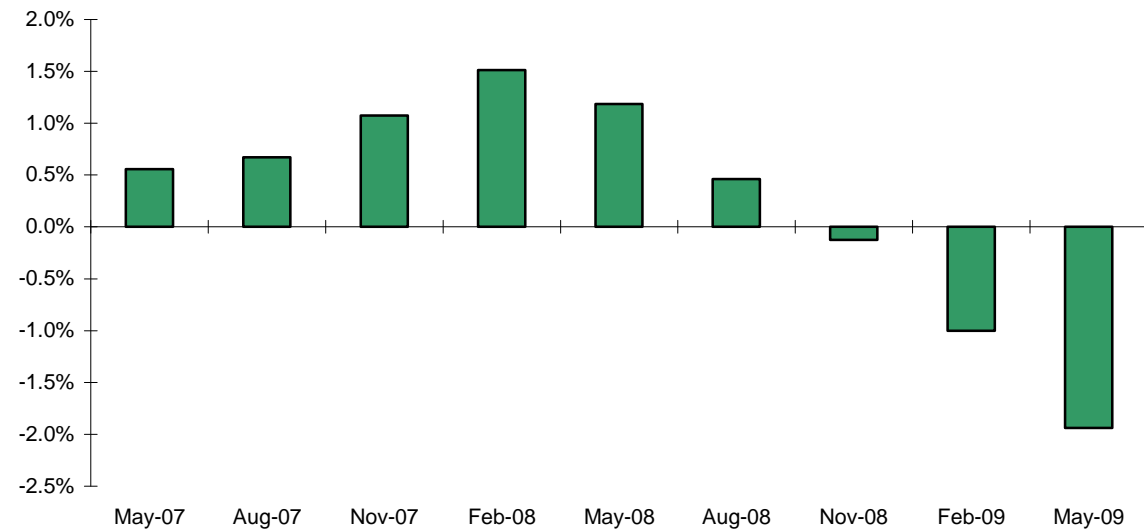
Average Earnings, Great Britain
% change on year; seasonally adjusted

	Headline rate (incl. bonuses)		
	Whole Economy	Private Sector	Public Sector
2004 Jun	4.5	4.5	4.4
2005 Jun	4.1	3.7	4.8
2006 Jun	4.5	4.8	3.7
2007 Jun	3.5	3.6	3.1
2008 Jun	3.2	3.2	3.3
Jul	3.4	3.5	3.4
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	0.9	0.4	3.5
May	2.3	1.9	3.5
Jun	2.5	2.1	3.7

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

C1: Employment

Total employment, annual % change



[Source: ONS]

Employment by age

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

	Total	16-24	25-49	50-59/64	60+/65+
2005 May	28,732	4,166	17,147	6,360	1,059
2006 May	28,998	4,161	17,231	6,454	1,153
2007 May	29,159	4,161	17,293	6,500	1,206
2008 May	29,505	4,215	17,387	6,580	1,323
2008 Aug	29,407	4,187	17,318	6,577	1,325
2008 Nov	29,361	4,119	17,316	6,583	1,343
2009 Feb	29,204	3,990	17,273	6,594	1,347
2009 May	28,933	3,922	17,072	6,569	1,370
<i>Changes (%):</i>					
on last 3 months	-0.9	-1.7	-1.2	-0.4	1.7
on last year	-1.9	-7.0	-1.8	-0.2	3.5

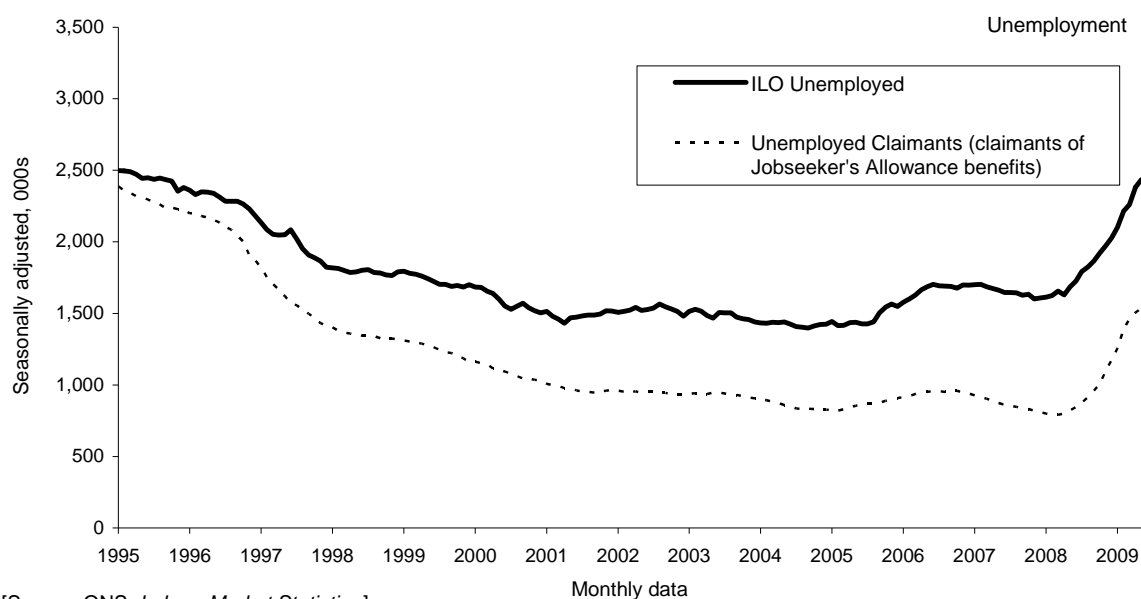
Source: ONS

- Total employment in the three months to June 2009 was 573,000 (1.9%) lower than a year earlier and 271,000 (0.9%) lower than the previous quarter.
- Employment is now 2.1% lower than its peak of 29.5 million in April 2008.
- Over the past year, employment amongst 16-24 year olds has fallen by 7.0%. This is more than any other age group (see table above). Employment of women aged 60 and over has increased by 6.6% over the last year.

Contact: Dominic Webb, x4324

Update: ONS, *Labour Market Statistics*, 16 Sep

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).

- The latest LFS estimates show that over the period April to June 2009, the level of ILO unemployment in the UK was 2,435,000 (seasonally adjusted). This was an increase of 750,000 from the same period a year earlier.
- Seasonally adjusted unemployment as measured by the monthly claimant count increased by 24,900 between June and July 2009 to 1,582,700.

The New Deal for Young People started in January 1998.

- By May 2009, there had been 2,060,500 starts under the scheme. By February 2009, 1,883,900 spells had resulted in 858,900 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 May 2009, there had been 1,222,900 starts under the scheme. By February 2009, 781,400 spells had resulted in 316,200 sustained jobs (40%).

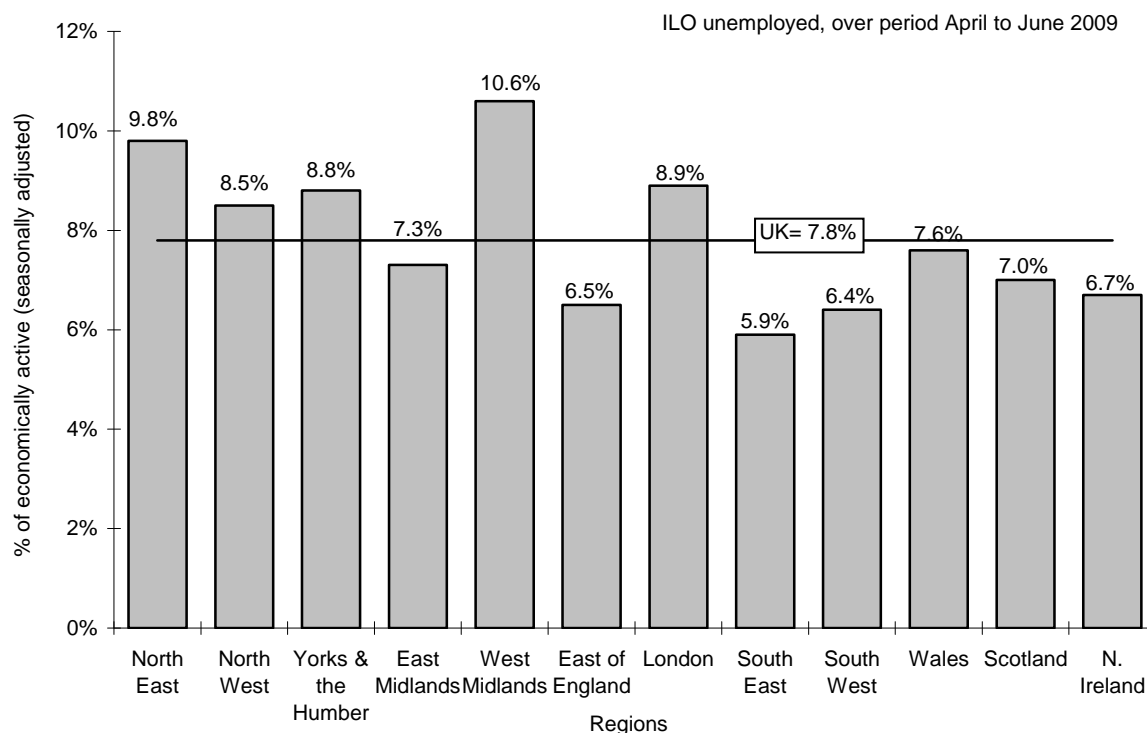
ILO Unemployment in the UK seasonally adjusted

	'000s	rate (%)
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
Jan-Mar 2009	2,215	7.1
Apr-Jun 2009	2,435	7.8

Source: ONS, *Labour Market Statistics*

Contact: Roderick McInnes, x3793 **Updates:** ONS, *Labour Market Statistics*, 16 Sep
DWP, *New Deal*, Nov

C3: Unemployment: Regional



[Source: ONS, *Labour Market Statistics*]

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

- Over the period April to June 2009 the West Midlands had the highest unemployment rate, 10.6% of the economically active population. The lowest rate over the same period was 5.9%, in the South East.
- A comparison of April to June 2009 with the same period a year earlier shows that the largest percentage rise in regional unemployment level occurred in the West Midlands (+71%). The North East and London showed the smallest percentage increase (+29%) over the period.

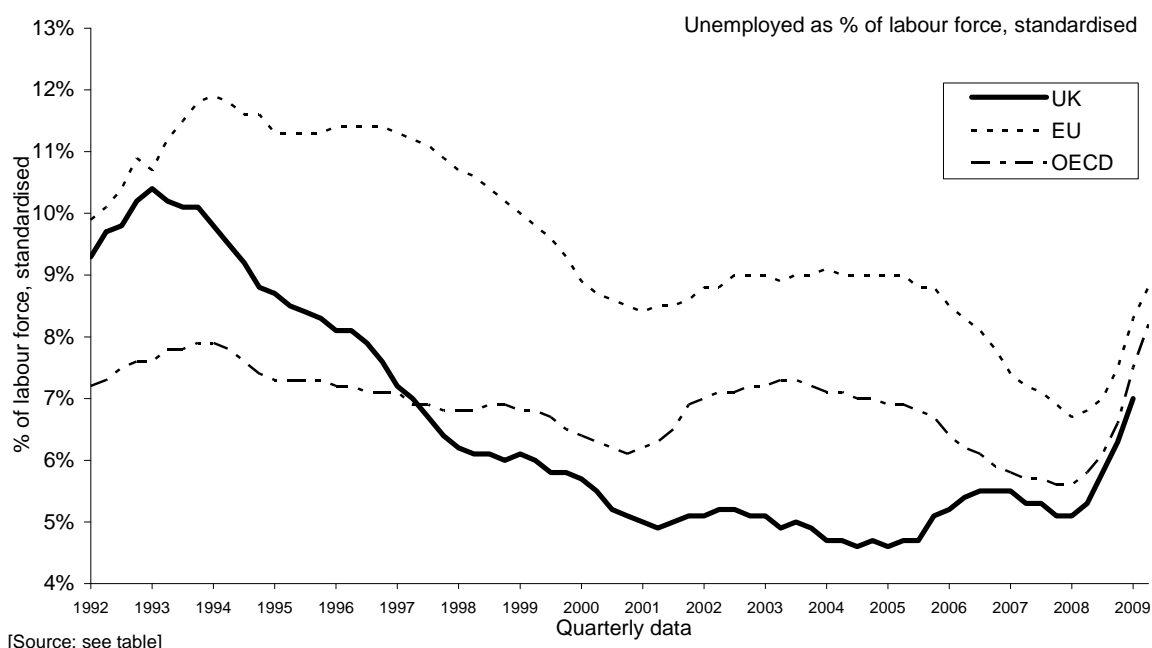
ILO Unemployment, April to June 2009

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	+27,000	+29
North West	+75,000	+35
Yorkshire & the Humber	+74,000	+47
East Midlands	+40,000	+31
West Midlands	+118,000	+71
East of England	+59,000	+44
London	+80,000	+29
South East	+78,000	+42
South West	+70,000	+69
Wales	+37,000	+52
Scotland	+75,000	+66
Northern Ireland	+19,000	+54

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	Q2
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	8.4
France	9.3	8.3	7.9	8.8	8.5	8.2	7.9	7.6	7.7	7.9	8.3	8.8	9.3
Germany	9.8	8.4	7.3	8.8	8.5	8.3	8.0	7.6	7.4	7.2	7.1	7.3	7.7
Italy	6.8	6.1	6.8	6.0	5.9	6.2	6.4	6.6	6.8	6.8	7.0	7.4	..
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	5.2
UK	5.4	5.3	5.6	5.5	5.3	5.3	5.1	5.1	5.3	5.8	6.3	7.0	..
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	9.2
Eurozone	8.3	7.5	7.6	7.7	7.5	7.5	7.3	7.2	7.4	7.6	8.0	8.8	9.3
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	8.0
OECD	6.2	5.7	6.0	5.8	5.7	5.7	5.6	5.6	5.8	6.1	6.6	7.5	8.2

Source: OECD, Harmonised Unemployment Rates, August 2009

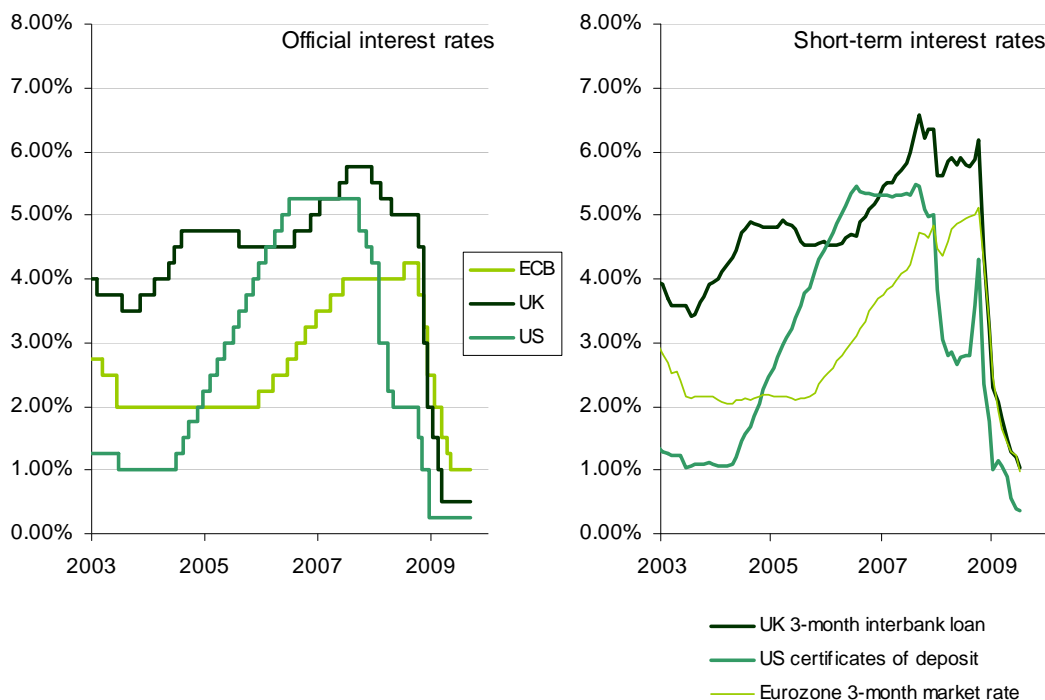
- Using standardised definitions, the UK unemployment rate for 2008 was 5.6%, well below the eurozone rate (7.6%) and below the G7 and OECD rates (5.9% and 6.0% respectively).
- Between Q1 2008 and Q1 2009 (the latest quarter for which all data are available) Germany had the only fall in unemployment among G7 countries: 0.3 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*, 11 Sep
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 past five meetings.
- The European Central Bank held rates for the fourth consecutive meeting on 3 September. 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 12 August. 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	Dec 6	5.50
Nov 6	3.75	2008 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 4 September 2009

	Official rate	Yield 10yr Govt bonds	3-month market rate
United Kingdom	0.50	5/3/09 3.62	0.83-0.53
Eurozone	1.00	7/5/09 n/a	0.80-0.70
US	0.00 - 0.25	16/12/08 3.43	0.81-0.80
Japan	0.10	19/12/08 1.33	0.44-0.25
Switzerland	0.00 - 0.75	12/3/09 2.08	0.48-0.23

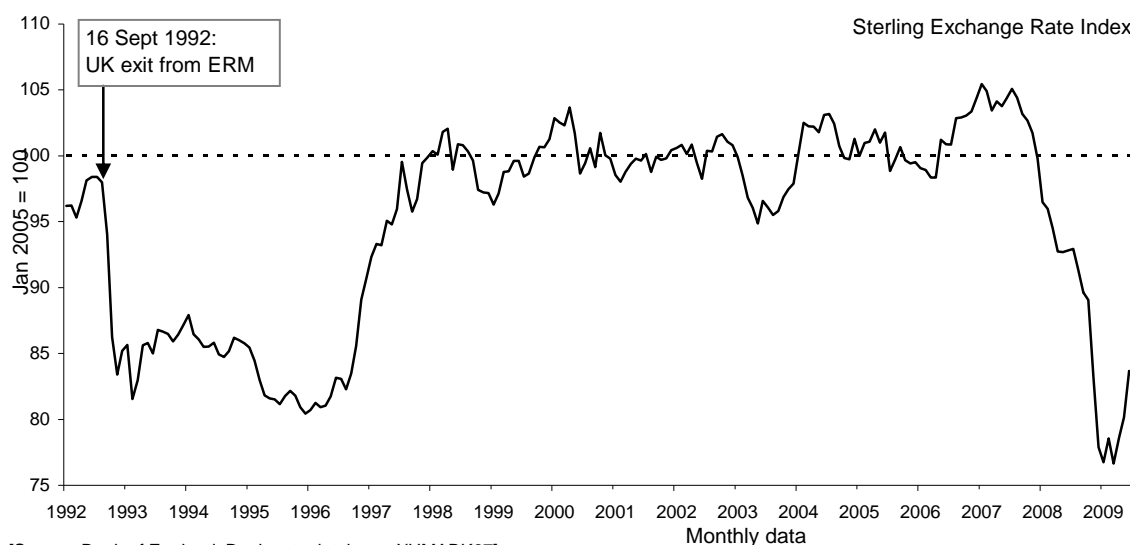
Source: *Financial Times*, 7 September 2009

(*Companies & Markets*, p.25)

Contact: Adam Mellows-Facer, x4904 **Updates:** Short-term interest rates: OECD, *MEI*, 11 Sep; Base rates: 10 Sep (UK MPC) 8 Oct (ECB), 22 Sep (US)

D2: 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 0.2% in August 2009 compared with the previous month, having fallen 0.5% in July 2009 and having risen from its lowest point since the series began (1980) in March 2009. Year-on-year, the SERI was down 8.7% in August, compared with being down 10.2% in July. The index was 20.7% down from its July 2007 peak.
- 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 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%
Jul	1.637	-17.7%	154.6	-27.2%	1.162	-7.9%
Aug	1.654	-12.4%	157.2	-23.9%	1.160	-8.1%

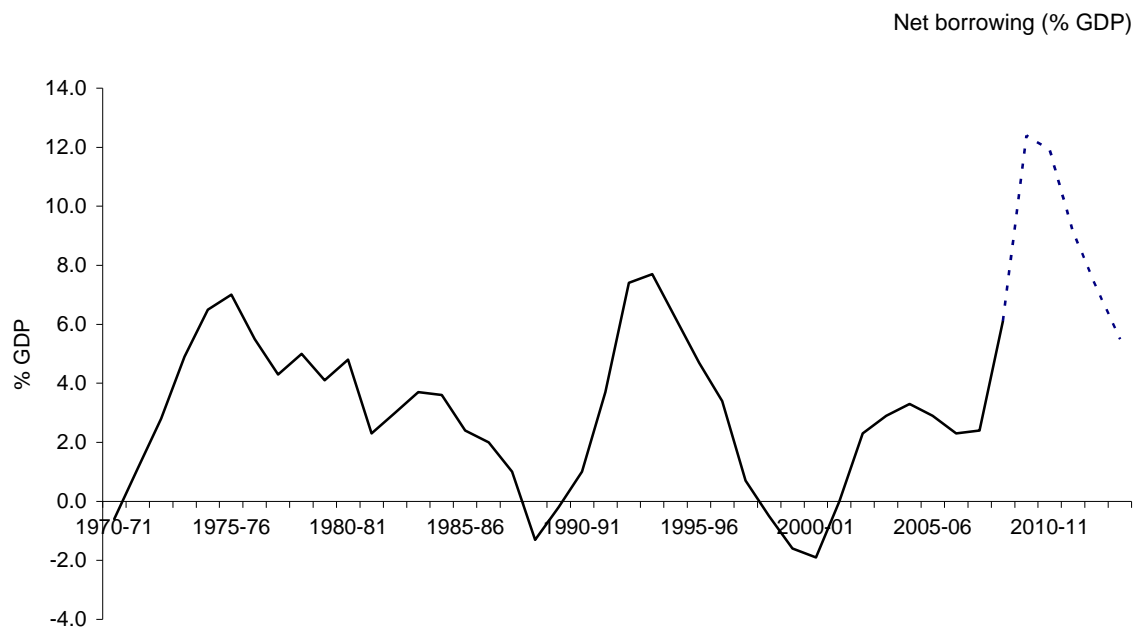
Source: Bank of England, Bankstats database, series: XUAAUSS, XUAAJYS, XUAAERS, XUMA USS, XUMAJYS, XUMAERS

- At the 4 September 2009 market close in London, the pound sterling was worth \$1.635, and €1.148 (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: Bank of England, SERI & monthly rates, 2 Oct; Financial Times, Sterling Exchange Rates (daily)

D3: Public Finances



[Source: HM Treasury]

The chart shows public sector borrowing as a percentage of GDP since 1970/71. The Treasury forecasts that borrowing will be £175 billion (12.4% of GDP) in 2009/10. This exceeds the previous peak level of borrowing (7.7% of GDP in 1993/94).

The Treasury forecasts that borrowing will decline to 11.9% of GDP in 2010/11 and to 5.5% of GDP by 2013/14.

Over the first four months of 2009/10, government borrowing was £49.8 billion – more than three times higher than the same period in 2008/09.

Government receipts were nearly 12% lower in the first four months of 2009/10 compared with the same period in 2008/09.

Public sector net debt was £801 billion (56.8% of GDP) in July 2009, including the effects of government measures to support the banking industry

Debt is forecast to increase to £1.4 trillion (76.2% of GDP) by 2013/14, excluding the impact of measures to support the banks.

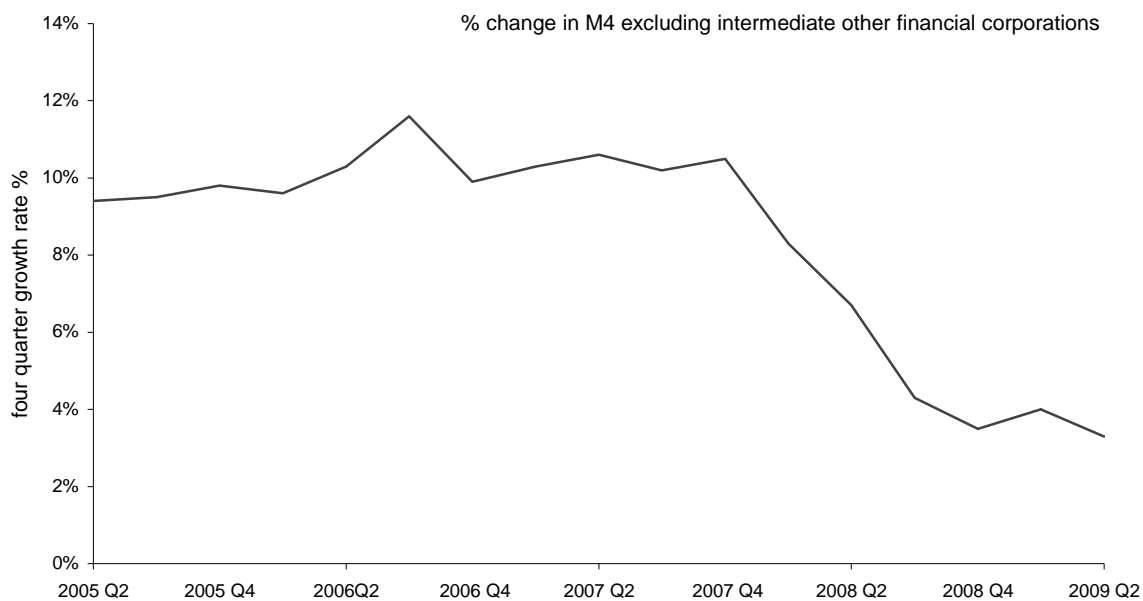
Public Sector Net Debt and Borrowing

£ billion & % GDP

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2007/08	34.5	2.4	526.8	36.5
2008/09	88.0	6.1	609.4	43.0
2009/10	175	12.4	792	55.4
2010/11	173	11.9	977	65.0
2011/12	140	9.1	1,130	70.9
2012/13	118	7.2	1,262	74.5
2013/14	97	5.5	1,370	76.2

Source: ONS, HM Treasury

Note: debt figures exclude financial sector interventions

D4: Money Supply

[Source: see table]

Money stock

annual % change; seasonally adjusted

	Notes and coin	M4 excluding intermediate other financial corporations
2008 Jul	5.8	2006 Q2 10.3
Aug	5.1	Q3 11.6
Sep	5.2	Q4 9.9
Oct	6.0	2007 Q1 10.3
Nov	6.9	Q2 10.6
Dec	7.3	Q3 10.2
2009 Jan	7.8	Q4 10.5
Feb	8.3	2008 Q1 8.3
Mar	8.4	Q2 6.7
Apr	8.6	Q3 4.3
May	8.7	Q4 3.5
Jun	8.7	2009 Q1 4.0
Jul	8.8	Q2 3.3

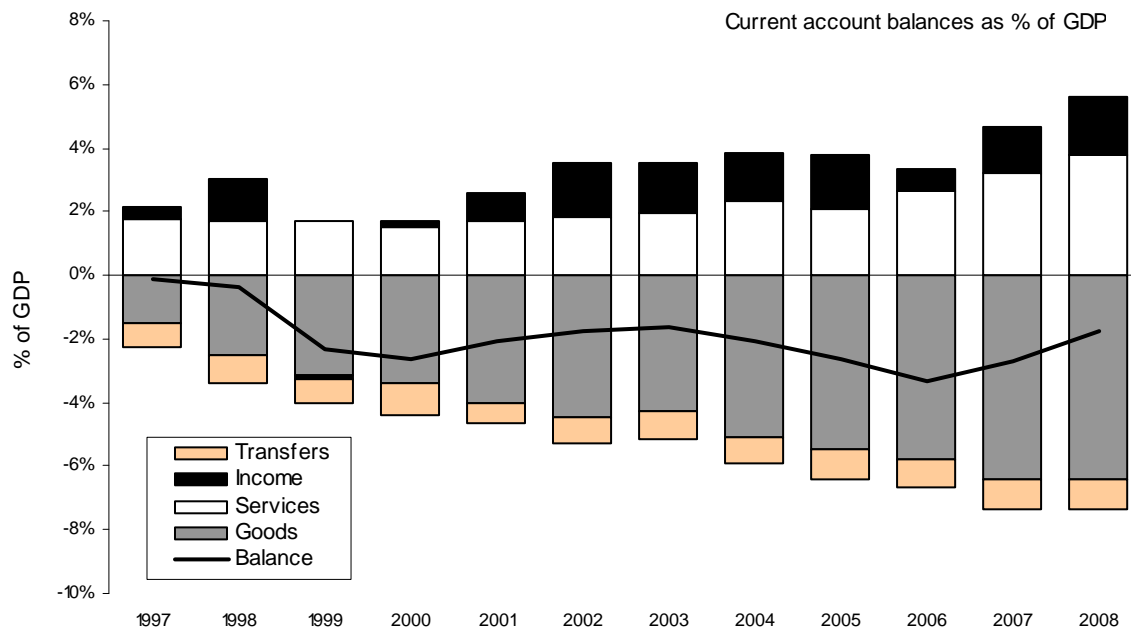
Source: Bank of England, *Monetary & Financial Statistics* August 2009, Tables A1.1.1 & A2.2.3

The table and chart above show M4 (a measure of the money supply) excluding intermediate other financial corporations. This measure is monitored by the Bank of England's Monetary Policy Committee (see *Inflation Report* August 2009 page 11). The table also shows sterling notes and coin in circulation outside the Bank of England.

- M4 grew by 3.3% in Q2, 2009 compared with 6.7% a year earlier.

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

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	-93,446	54,479	-38,967	26,940	-9,094	-4,516	-13,610	-25,068
2008 Q2	-23,644	13,425	-10,219	7,347	-2,250	-1,217	-3,467	-6,100
Q3	-23,819	12,435	-11,384	6,737	-2,100	-1,197	-3,297	-7,632
Q4	-22,372	16,209	-6,163	175	-2,084	-777	-2,861	-8,771
2009 Q1	-20,796	12,554	-8,242	3,536	-2,305	-1,504	-3,809	-8,540
Q2	-19,886	11,891	-7,995

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 Q1 2009 and Q2 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).

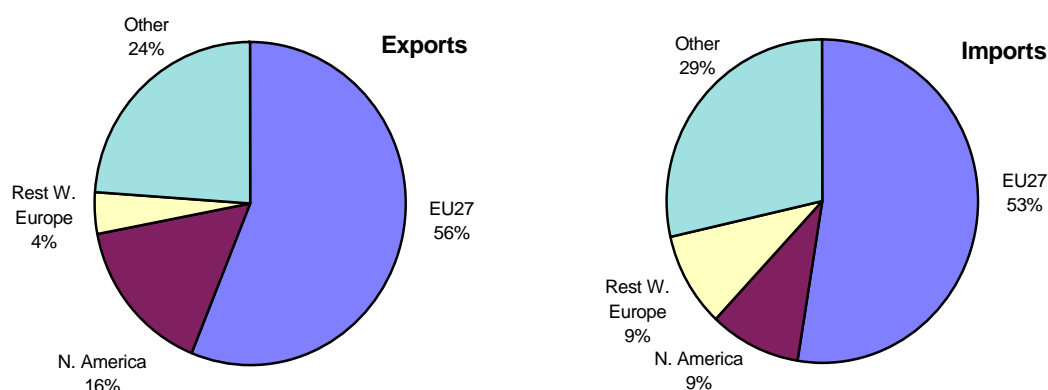
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 29 Sep; *UK Trade*, 9 Oct

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	100.7	105.1	251,372	344,818	-93,446
2008 Q2	102.8	107.2	64,832	88,476	-23,644
Q3	102.3	105.9	65,585	89,404	-23,819
Q4	95.1	99.0	60,294	82,666	-22,372
2009 Q1	87.7	91.1	55,754	76,550	-20,796
Q2	87.1	88.7	54,949	74,835	-19,886

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

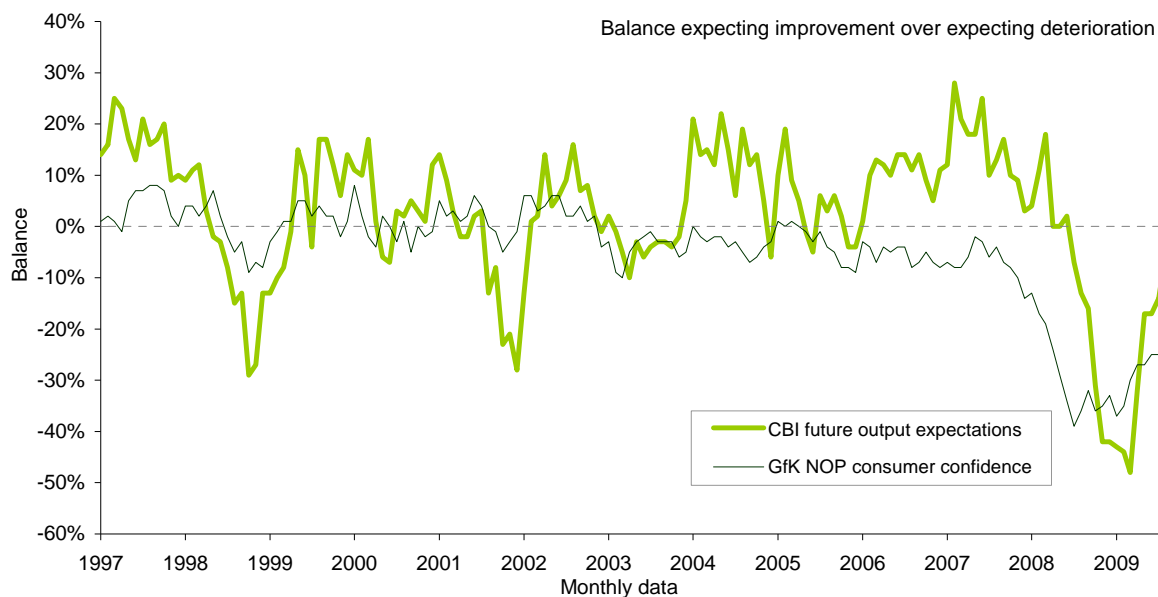
- In July, the provisionally estimated total value of UK goods exports was £19.2 billion and the total value of UK goods imports was £25.7 billion. As a result, the estimated deficit on goods trade was £6.5 billion, unchanged from June.
- Geographical breakdowns of UK trade with EU and non-EU countries 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 £2.6 billion in July (compared with £2.8 billion in June), while the deficit with non-EU countries was £3.9 billion (compared with £3.7 billion in June).
- The UK’s monthly surplus on trade in **services** was £4.0 billion in July, down slightly from the June surplus of £4.1 billion.
- The UK’s overall monthly deficit on **goods and services combined** in July was £2.4 billion, unchanged from June.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 9 Oct

F1: Survey indicators

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



[Sources: see table]

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

- Manufacturers' output expectations for the next three months were improved on July: a balance of 5% thought output would decrease rather than increase over the next three months, compared with 14% of firms in July.
- Despite the current comparative weakness of sterling (see [indicator D2](#)), a balance of 48% said export orders were below normal.
- A balance of 54% of firms reported that order books overall were below normal.

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 remained at -25 in August for the third month in a row, and is 11 points higher than a year ago;
- Confidence in the economic situation over the year ahead fell one point to -9 points;
- Future expectations for personal finances over the coming year remained stable (at 0);
- The "now is a good time to save" measure rose two points (to -10), but is 31 points lower than in August 2008.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

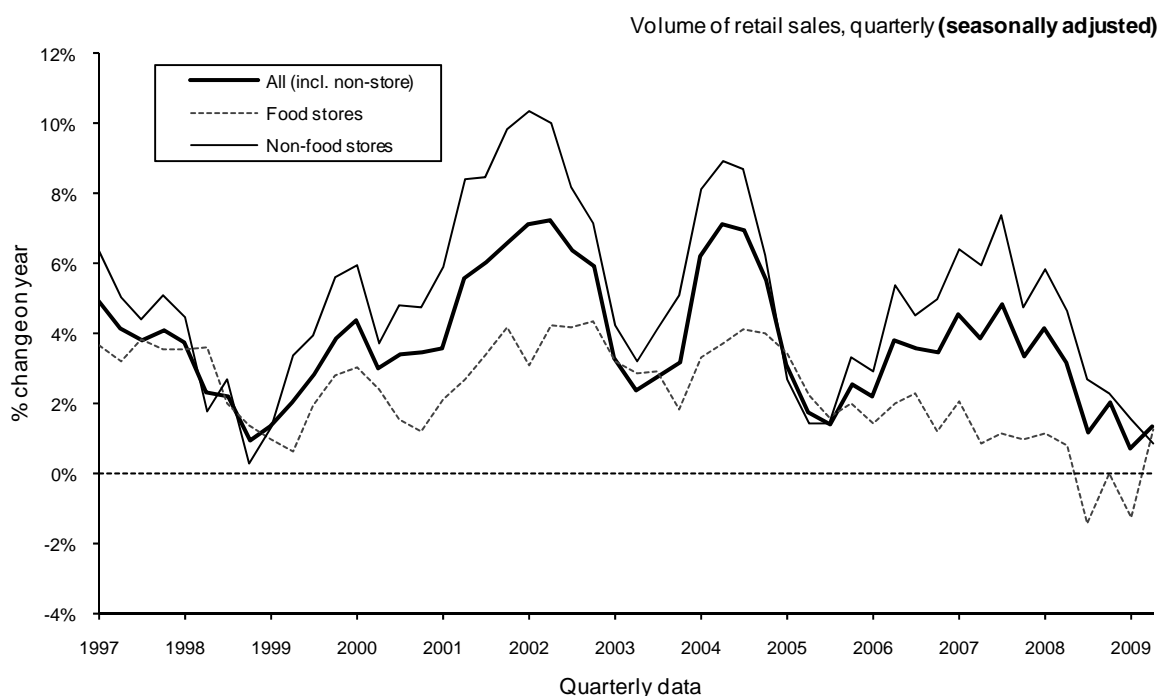
		Future output expectations (CBI)	Consumer confidence (GfK)
2008	Jul	-7	-39
	Aug	-13	-36
	Sep	-16	-32
	Oct	-31	-36
	Nov	-42	-35
	Dec	-42	-33
2009	Jan	-43	-37
	Feb	-44	-35
	Mar	-48	-30
	Apr	-32	-27
	May	-17	-27
	Jun	-17	-25
	Jul	-14	-25
	Aug	-5	-25

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*, mid Sep;
GfK NOP, *Consumer Confidence*, end Sep

F2: Retail Sales



- The total **volume** of retail sales in July 2009 was 3.3% higher than in the same month in the previous year, while total sales rose by 0.4% compared with the previous month (seasonally adjusted).
- In the three months May to July 2009 retail sales volumes were 1.2% higher than in the previous three-month period. By sector, the same period saw sales volumes in primarily food stores rose 1.3%, while they increased by 1.1% in non-food stores and by 1.9% in non-specialised 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 Q2	3.2	-0.3	-3.5	13.4	3.4
Q3	4.1	1.8	-5.5	11.6	3.2
Q4	4.7	0.2	-5.8	2.9	1.2
2009 Q1	6.0	2.2	-7.7	0.0	1.2
Q2	7.1	3.0	-3.5	-3.5	2.0

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

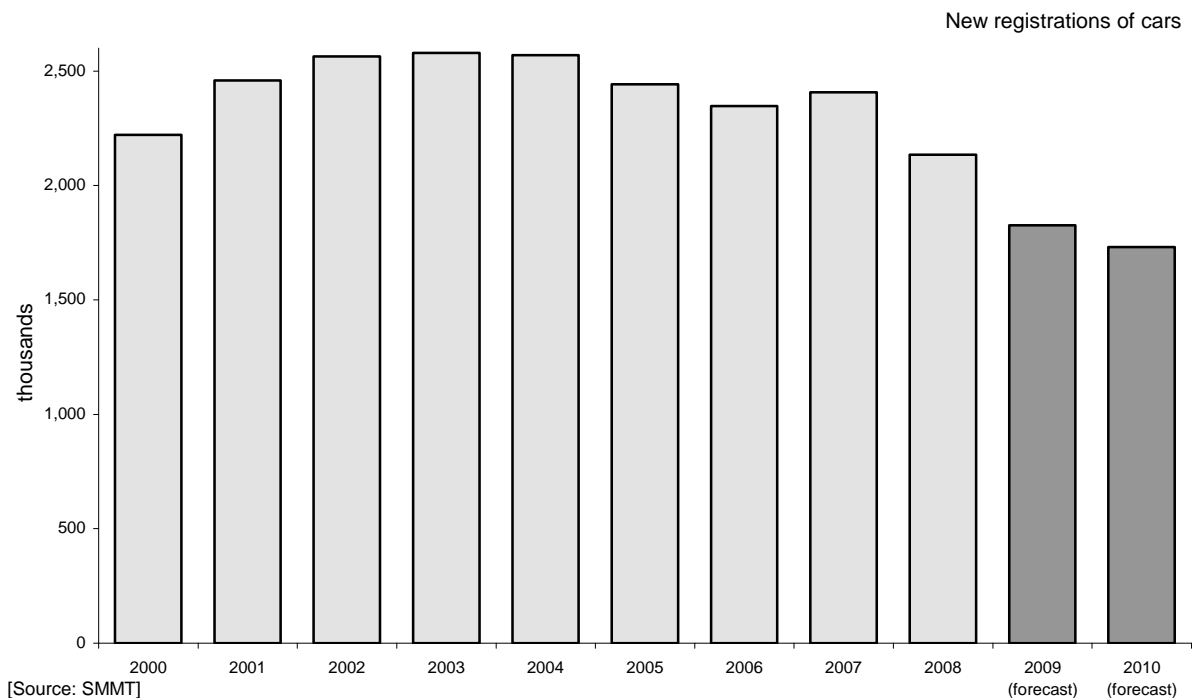
NOTE: 'Other non-food' quarterly growth figures affected by changed categorisation of some products as reported by retailers.

- The total **value** of retail sales in July 2009 was up 2.6% on the same month in the previous year, and up 0.5% compared with the previous month (seasonally adjusted).
- The average weekly value of retail sales in July 2009 was £5.5 billion, up slightly from £5.4 billion in June 2009.
- Weekly **internet sales** (an experimental ONS series) in July 2009 was £178.3 million, 3.3% of total sales (the same proportion as in previous months).

Contact: Ian Townsend, x2042

Update: ONS, [Retail Sales: First Release](#), 17 Sep

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 6.0% in August 2009, compared with the previous August's figure, to 67,006 units (excluding taxi registrations).

This is the second month of rising registrations, and the SMMT note that the scrappage scheme is having a positive effect.

- 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 14.4% in 2009 and a further 5.2% 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

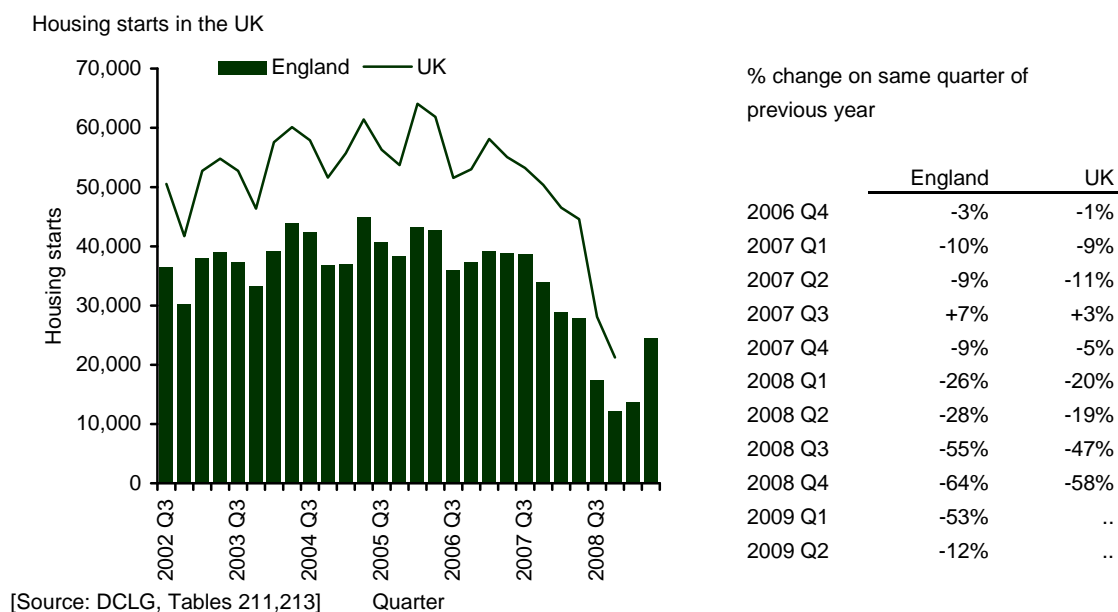
000s & % change; not seasonally adjusted

	Number ('000s)	Change over 12 months
2008	2,134	-11.3
2009 (forecast)	1,825	-14.4
2010 (forecast)	1,730	-5.2
2008 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
Jul	(a) 157	2.4
Aug	(a) 67	6.0

Source: SMMT, *Monthly Statistical Review and website*

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

F4: Housebuilding and prices



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

- **Monthly** seasonally adjusted UK house prices rose by 1.1% in July 2009. That follows a fall of 0.4% in June and a 2.6% rise in May.
- **Annual** house prices in July were 12.1% lower on an annual basis.
- **Quarterly** house prices were 1.9% lower in quarter 2 of 2009 compared with quarter 1 of 2009.
- Halifax data show that in Q2 2009 house prices fell in all (non-standard) regions compared with Q1 2009, with the exception of the South East, where they rose by 0.3%. The largest fall was in East Anglia (9.2%), followed by the North (7.4%).

Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
average house prices, £				
2008 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
Q2	158,900	156,000	159,800	120,500
% change over same period in previous year				
2008 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
Q2	-15.0	-21.2	-13.9	-16.5

Source: HBOS, *Halifax House Price Index*

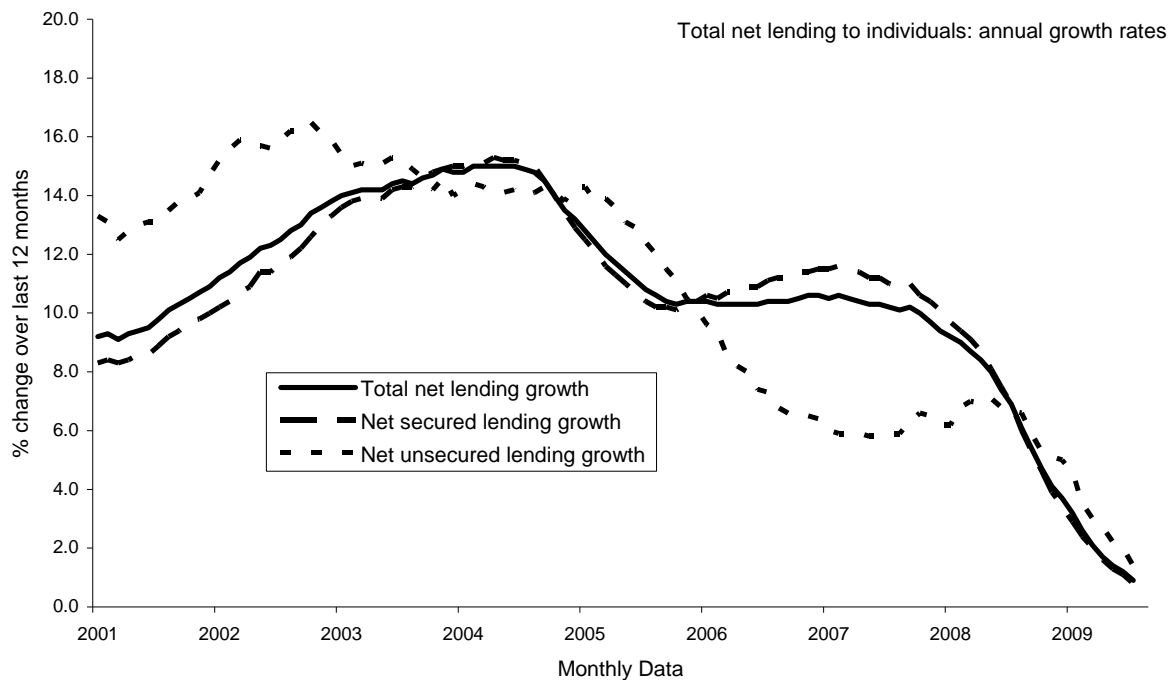
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK stood at £191,423 in June 2009. Prices were 10.7% lower than in June 2008.
- House prices in June 2009 were lower than June 2008 in all regions, with the largest fall of 23.0% in Northern Ireland. In England, the largest falls were in Yorkshire & The Humber and the South East (both 11.5%)

Contact: Adam Mellows-Facer, x4904

Updates: *Halifax House Prices*, early Sep; DCLG, *House Prices*, 17 Sep; *House-building*, 19 Nov

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 July	924,681	207,685	1,132,365	10.4	12.4	10.8
2006 July	1,025,400	211,860	1,237,259	11.1	7.3	10.4
2007 July	1,139,918	215,519	1,355,437	11.0	5.9	10.2
2008 July	1,217,592	235,947	1,453,540	6.9	6.7	6.9
Oct	1,222,176	233,844	1,456,020	4.6	5.3	4.7
2009 Jan	1,225,174	233,207	1,458,381	2.9	4.6	3.2
Apr	1,226,477	231,663	1,458,140	1.6	2.7	1.7
July	1,226,285	230,658	1,456,943	0.8	1.4	0.9

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

- Total net outstanding lending to individuals was £1,457 billion at the end of July 2009 (seasonally adjusted).
- Total net lending to individuals fell by £0.6 billion in July 2009 compared with the previous month (the first fall recorded in the series), and grew by 0.9% on an annual basis (all seasonally adjusted); the annual growth rate is 0.3 percentage points lower than in June 2009.
- Of the £0.6 billion decrease in net lending in July 2009, £0.4 billion was mortgage borrowing while consumer credit was £0.2 billion (seasonally adjusted).
- In Q2 2009 there were 33,073 individual insolvencies (bankruptcy orders, IVAs or debt relief orders) in England and Wales (seasonally adjusted). This was a 27.4% increase on Q2 2008.

Contact: Ed Potton, x2883

Update: Bank of England, *Lending to Individuals*, 29 Sep
Insolvency Service, *Q3 Insolvency Statistics*, 6 Nov

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), <i>Main Economic Indicators</i> , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, <i>Economic Outlook</i> (via www.sourceoecd.org), IMF World Economic Outlook database and updates and/or European Commission's growth forecasts
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, <i>Main Economic Indicators</i> ; 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, <i>Main Economic Indicators</i> Commentary: OECD, <i>Main Economic Indicators & Economic Outlook</i>
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; <i>Main Economic Indicators</i> ; International interest rates: <i>Financial Times</i> , Companies & Analysis section, "Currencies, Bonds & Interest Rates" page

Indicator		Source details (coloured text is a hyperlink to the source)
D2	Exchange Rates	Sterling effective exchange rates and sterling-yen/dollar/euro rates: Bank of England, <i>Bankstats</i> database (annual and monthly) Euro spot rate: <i>Financial Times</i> (updated daily)
D3	Public Finances	Data: ONS, Public Sector Accounts or Public Sector Finances ; ONS database Forecasts of budget surplus: HM Treasury, <i>Pre-Budget Report</i> , table B2 or <i>Budget Red Book</i> , table C2.
D4	Money Supply	Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database.
E1	International Trade	Data: ONS Database; Commentary: ONS, Balance of Payments
E2	Trade in Goods	Data: ONS Database; Commentary: ONS, UK Trade ;
F1	Survey Indicators	Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey press releases; Consumer Confidence: GfK NOP Consumer Confidence Barometer ;
F2	Retail Sales	ONS, <i>Retail Sales</i> release
F3	New Car Registrations	Society of Motor Manufacturers and Traders, <i>Monthly Statistical Review</i> (in Library holdings)
F4	Housing	Department for Communities and Local Government (DCLG, formerly Office of the Deputy Prime Minister) UK Housing Starts: table 201 ; DCLG House building statistics: statistical release ; Halifax House Price data: housing research page ; DCLG Experimental House Prices: statistical release
F5	Consumer Debt	Bank of England Lending to Individuals and database :

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

Definitions¹⁶

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

¹⁶ 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.

