



Economic Indicators, October 2009

RESEARCH PAPER 09/74 7 October 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: **Labour market composition: long term trends**

Daniel Harari (editor)

Recent Research Papers

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Research Paper 09/74

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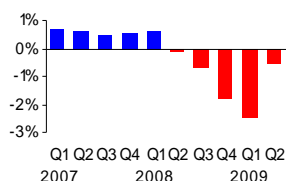
Summary

Economic developments over the past month have been broadly positive. Revised GDP data for Q2 (see [page 1](#)) showed that the rate of contraction had moderated, with more recent data from business surveys ([page 19](#)) and retail sales ([page 20](#)) suggesting a recovering economy. Likewise, the various house price indices ([page 22](#)) continue to show upward trends. However, the prospects for recovery are tempered by the sharp falls in investment ([page 4](#)), industrial production and ever-increasing levels of unemployment ([page 10](#)).

GDP Growth

page 1

(% change quarter-on-quarter)

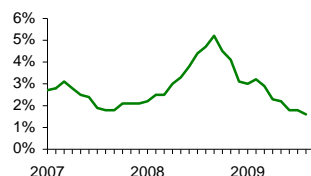


GDP contracted by 0.6% in Q2 2009 compared with Q1 2009, compared with a 2.5% contraction in the previous quarter. This was the fifth consecutive quarter of negative growth. Growth in the year to Q2 2009 was -5.5%, compared with -5.0% in the year to Q1 2009.

Inflation (CPI)

page 6

(% change on year ago)

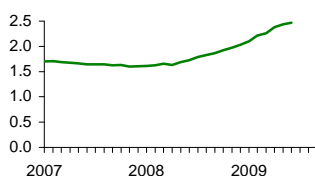


In the year to August, CPI inflation slowed to 1.6%, from 1.8% in July.

Unemployment

page 10

(total, millions, ILO definition)

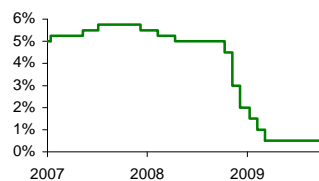


ILO unemployment rose to 2.47 million in the period May-July 2009, a rise of 0.74 million compared to the same period a year ago.

Interest rates

page 13

(UK base rate)

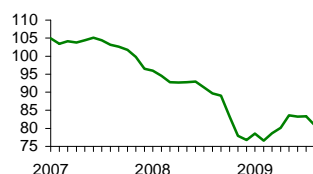


The Bank of England's Monetary Policy Committee (MPC) left the base rate unchanged at 0.5% at its September meeting. The Bank continues its £175 billion asset purchase programme.

Exchange rates

page 14

(Sterling Rate Exchange Index, Jan 2005=100)



The pound depreciated against the dollar and euro during September, dropping below \$1.60 and €1.10 per £1 towards the end of the month.

Next issue: 3 November

Editor: Daniel Harari

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis, please contact us. *Economic indicators*, with updated data, can also be found on the parliamentary intranet: <http://hcl1.hclibrary.parliament.uk/wdw/subject/ei.asp>.

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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:

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Balance of payments	Grahame Allen	3977
EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Ed Potton/Bryn Morgan	2883/4904
Financial services	Ed Potton	2883
Housing	Rachael Harker	5061
Incomes	Ian Townsend	2042
Industries	Daniel Harari	2464
National accounts	Dominic Webb	4324
International development	Ian Townsend	2042
International economies	Ian Townsend	2042
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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).

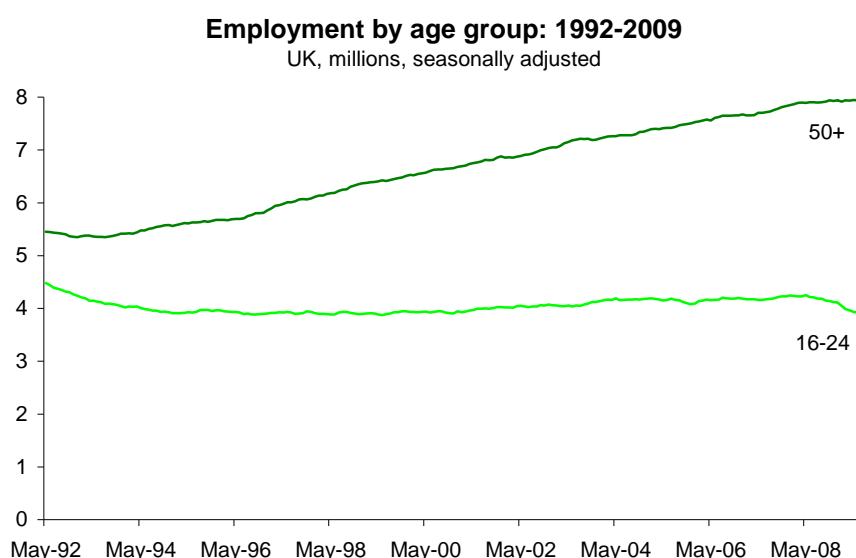
II Labour market composition: long term trends

The latest edition of *Unemployment by Constituency*⁴ highlighted some interesting developments in the labour market. For example, employment in the 16-17 age group had fallen by 22% in the past year, while in the over-retirement-age group it had risen by 4%. Similarly, full-time employment had fallen by almost 700,000 over the year, while part-time employment had risen by almost 100,000.⁵ This article looks at these and other labour market trends in a longer-term context.⁶

Throughout this article, it is important to note that changes in the composition of the labour market reflect a wide variety of factors beyond employment decisions. Demographic change and government policy also have a major impact. For example, increased participation in further and higher education are important in explaining the falling proportion of the workforce comprised by young people.

1. Age composition of the workforce

The chart below shows trends in employment levels in the under-25 and 50-and-over age groups:



- In May-July 1992 there were 4.5 million people aged 16-24 in employment and 5.5 million aged 50 or over.
- Since then, employment in the two age groups has diverged. By May-July 2009, there were more than twice as many 50-and-overs in employment as 16-24s.
- Both levels are records: there have never been as many people aged 50-and-over in employment. There have also never been so few people aged under 25 in employment in recent times.

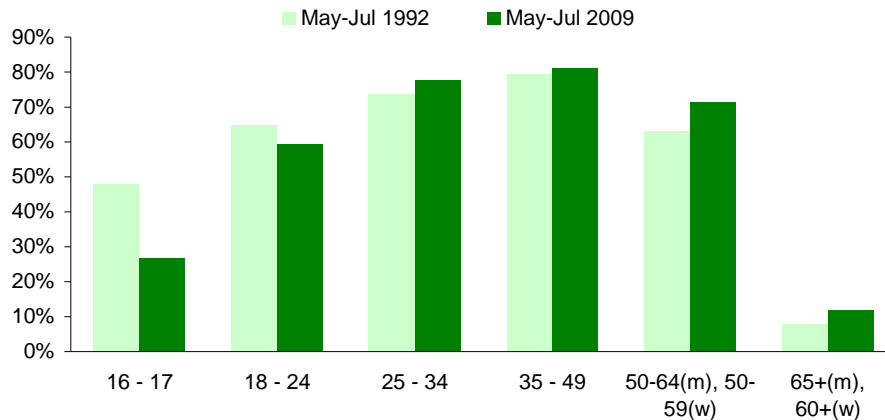
⁴ House of Commons Library Research Paper RP 09/72. [Also available on the internet](#)

⁵ ONS data. Comparisons are between May-July 2009 and May-July 2008

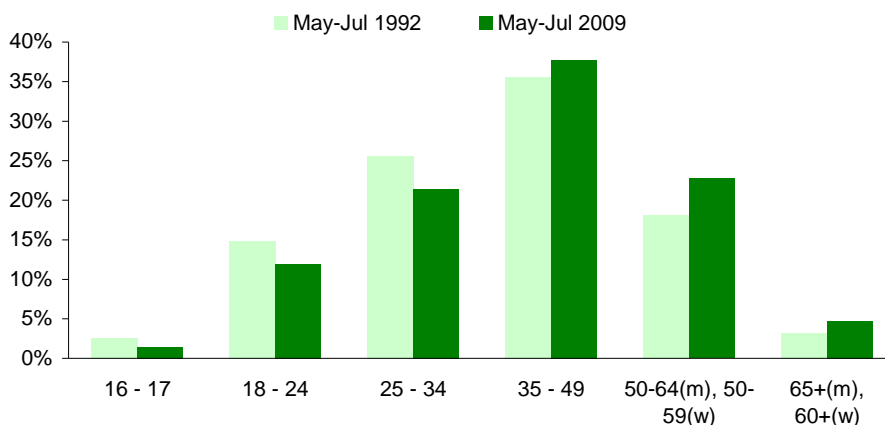
⁶ Data from ONS, *Labour Market Statistical Bulletin Historical Supplement*

The charts below show comparisons of employment rates and the composition of total employment by age group in 1992 and 2009:

Employment rates by age group: 1992 and 2009



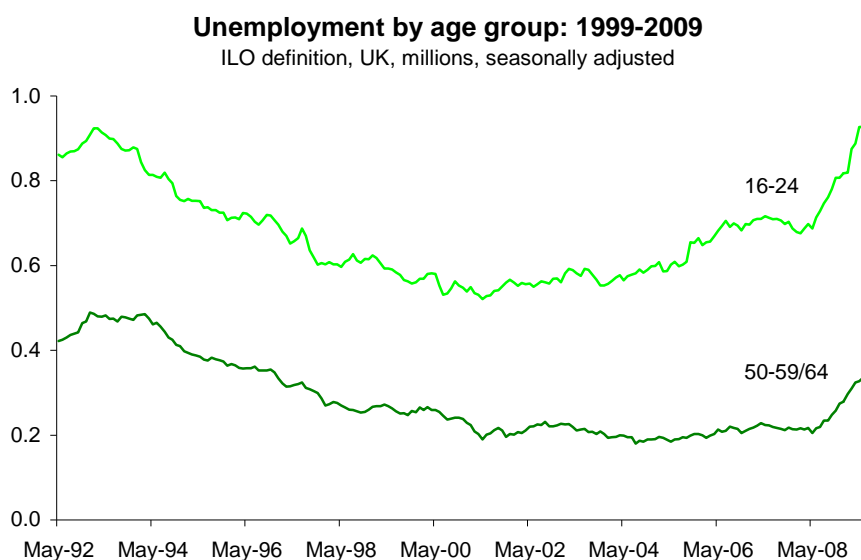
Composition of employment by age: 1992 and 2009



- Overall, the employment rate is similar: 72.5% of those of working age in May-July 2009, compared with 70.9% in the same period in 1992. However, age-specific employment rates have changed considerably.
- 27% of those aged 16 and 17 were in employment in May-July 2009, compared with 48% in the same period in 1992. In the 18-24 age group, the rate fell from 65% to 59%.
- However, the employment rate in each of the over-25 age groups rose over the same period, with particularly large increases in the 50-to-retirement age (63-71%) and over retirement age (8-12%) groups.
- Allied to wider demographic and social developments, these trends have resulted in considerable changes to the age composition of the employed workforce. In May-July 2009, those aged 16-24 had fallen to 13% of those aged 16-and-over in employment (17% in the same period in 1992), while those aged 50-and-over accounted for 28% (21%). It is fair to assume that both of these are all-time records.

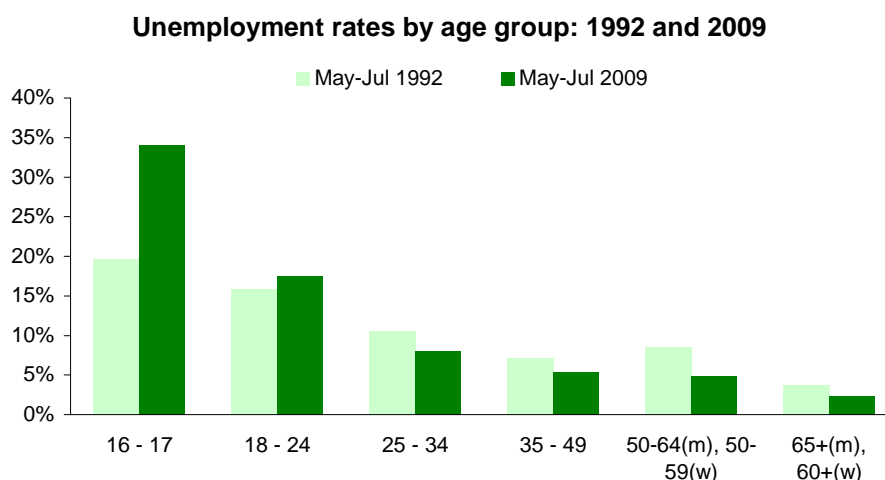
2. Unemployment by age

Unsurprisingly, there are similar patterns in unemployment by age group. The chart below compares trends in unemployment (ILO definition) levels in the under-25 and 50-retirement age groups:



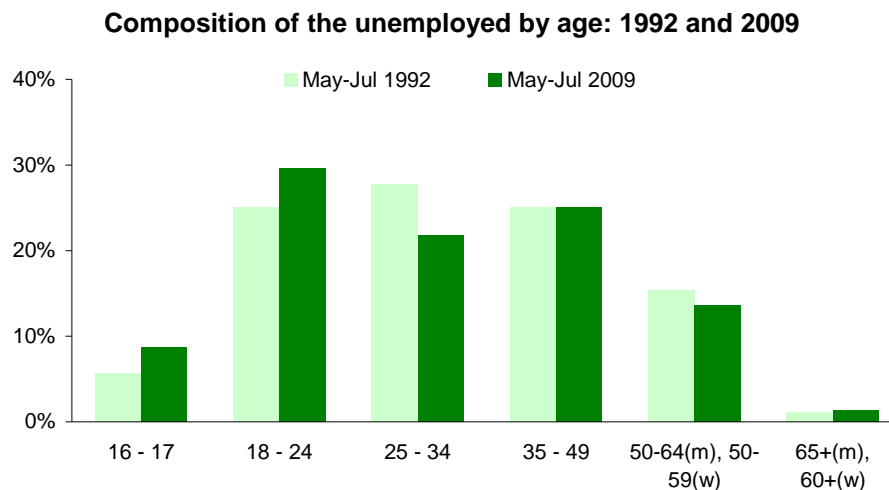
- Unemployment levels in the two age groups have followed similar patterns in line with the overall performance of the economy. However, levels have diverged in recent years: unemployment in the younger age group has grown much faster than in the older group.
- In May-July 2009, there were 611,000 more unemployed people aged 16-24 as aged 50-retirement, the largest difference over the entire period. In the same period in 1992, when total unemployment in the two groups combined was very similar to that now, there were 434,000 more unemployed in the 16-24 group.

The chart below shows the differences in unemployment rates by age group in 1992 and 2009:



- Unemployment rates tend to decline with age in both 1992 and 2009. However, this is much more pronounced in 2009.
- The latest unemployment rate (May-July 2009) in the 16-17 age group is 34%, compared with 20% in the same period in 1992. The rate is also higher in the 18-24 group, but lower in all the older groups.

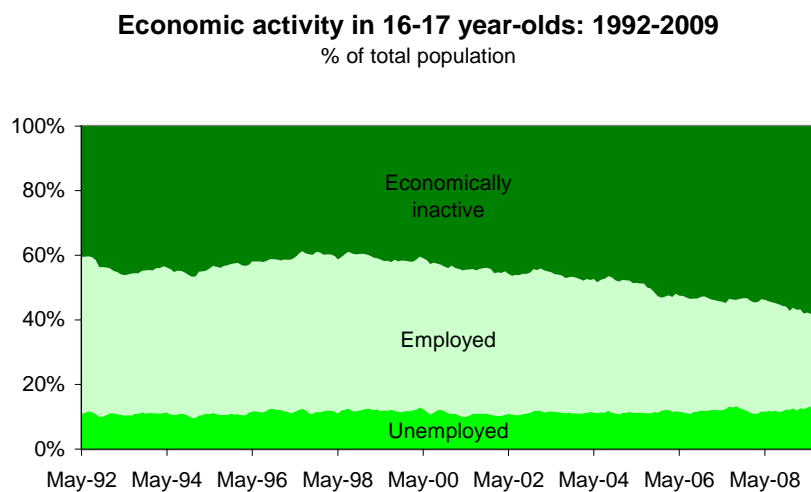
The chart below shows the age structure of the unemployed in 1992 and 2009:



- Those aged 16 and 17 now account for 9% of unemployed persons, compared with 6% in 1992. Combined, the entire under-25 group accounts for 38%, compared with 31% in 1992.

3. Economic inactivity

Those who are either in work or are seeking work are considered economically active. The remainder of the population, those who are not in work or seeking it, are economically inactive. This third category is a particularly important group in analysing young people in the labour market, as a large proportion of those in full-time education are economically inactive. The chart below shows trends in economic activity rates in the 16-17 age group:

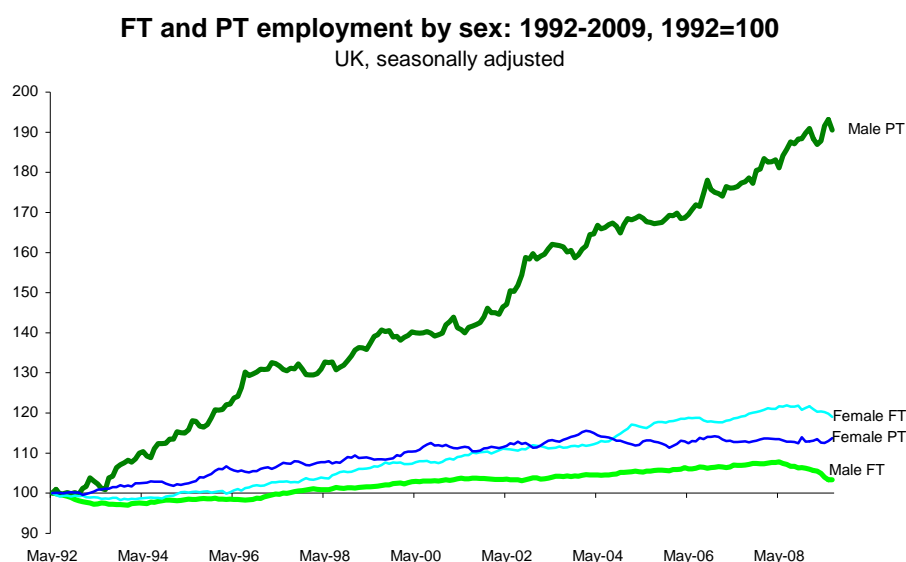


- In May-July 2009, 27% of 16-17 year olds were in employment, compared with 48% in the same period in 1992. Though the proportion unemployed has increased, this fall is primarily accounted for by economic inactivity: 59% in 2009 compared with 40% in 1992.
- This partly reflects a large increase in the proportion in the age group in full time education. In May-July 2009, 80% of 16-17-year-olds were in full time education, up from 63% in the same period in 1992. 51% were in full-time education and economically inactive, up from 35% in 1992.
- However, there has been an increase in numbers of economically inactive young people who are not in full-time education. There were 124,000 such 16 and 17-year olds in May-July 2009, compared with 67,000 in the same period in 1992.⁷

Similar but less pronounced patterns can be seen in the 18-24 age group.

4. Full and part-time employment

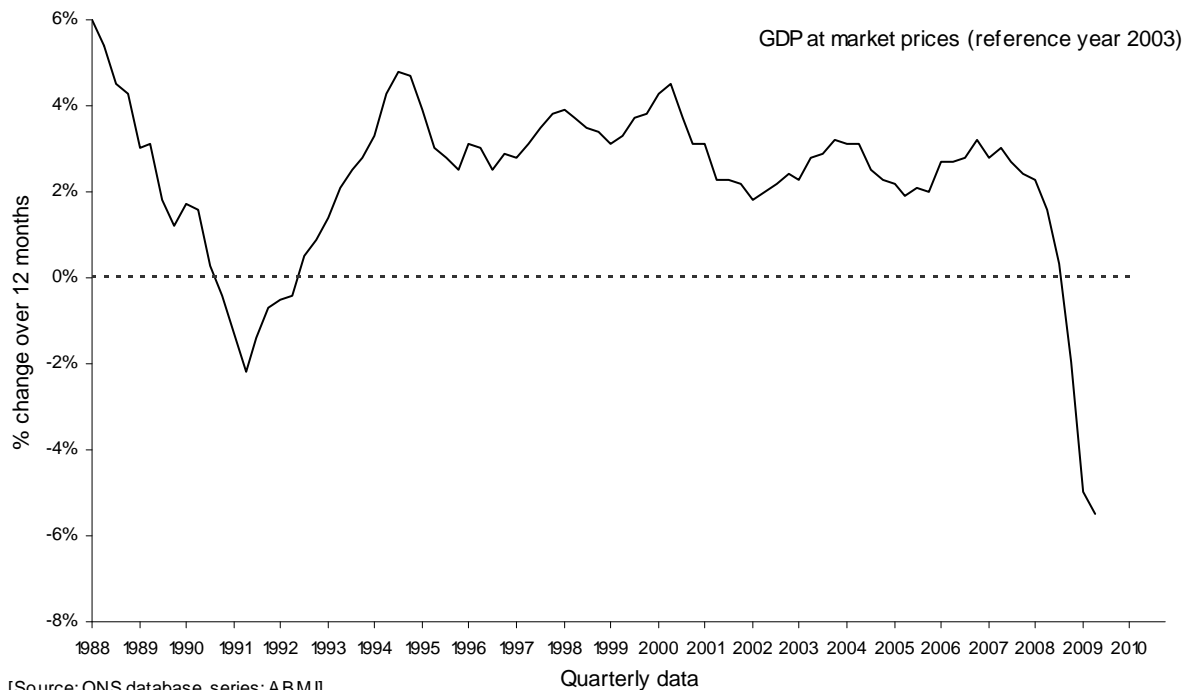
The chart below compares trends in male and female full and part-time employment. Note that the data are indexed so that March-May 1992=100 in each case.



- Recent years have seen a dramatic increase in male part-time employment. In May-July 2009 there were 1.9 million men in part-time employment, almost double the number in the same period in 1992.
- However, such people still only make up 6% of the workforce.
- Males in full-time employment made up 47% of the workforce in May-July 2009, compared with 51% in the same period in 1992. This proportion was first below 50% in October-December 1995.

⁷ Many of these people are in other education or training. Labour Force Survey data on young people not in education, employment or training (NEET) are available in the DCSF [NEET Statistics Quarterly Brief](#).

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	1,448.1	3.5	0.6	..
2008 Q2	363.2	4.4	1.6	-0.1
Q3	362.1	3.0	0.3	-0.7
Q4	359.7	1.3	-2.0	-1.8
2009 Q1	349.0	-3.9	-5.0	-2.5
Q2	347.0	-4.5	-5.5	-0.6

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 0.6% in Q2 of 2009, compared to Q1 of 2009. This is the fifth successive quarter of negative growth.
- In September 2009, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -4.3%, down from -4.2% in August. The average of independent economic forecasts of GDP growth for 2010 was 1.0%.

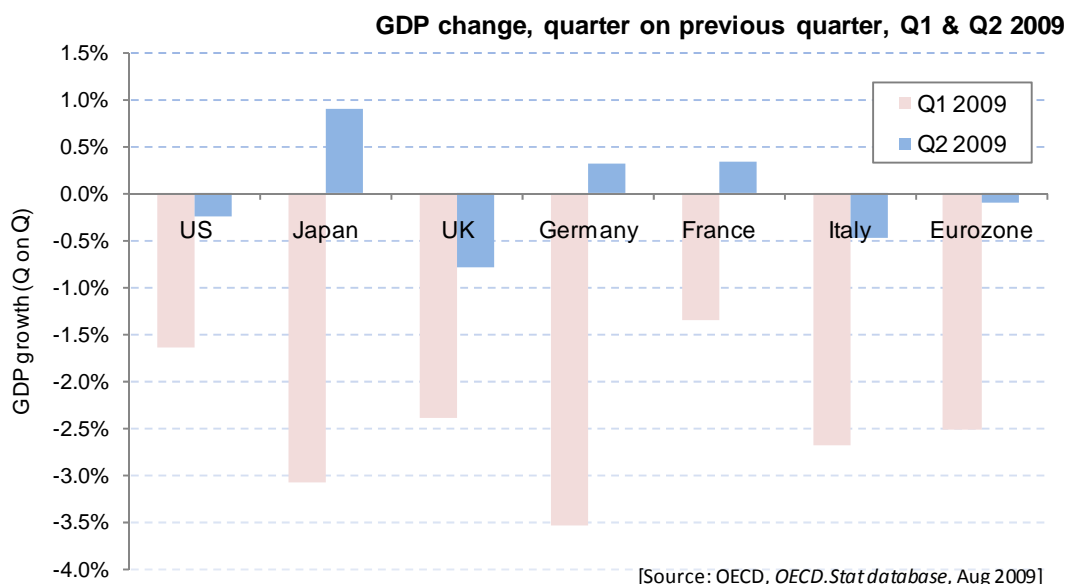
Contact: Grahame Allen, x3977

Updates: HM Treasury, *Forecasts for the UK Economy*, 21 Oct
ONS, *Quarterly National Accounts*, 23 Oct

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 2.8%, Germany by 5.9%, and Japan by 7.2%), compared with the UK's 5.5% 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	-0.2	-3.3	-3.8
Japan	2.0	2.3	-0.7	-0.7	-1.3	-3.4	-3.3	0.6	-8.4	-7.2
Canada	2.9	2.5	0.4	0.1	0.1	-0.9	-1.6	-0.9	-2.3	-3.2
UK	2.9	2.6	0.7	-0.1	-0.7	-1.8	-2.5	-0.6	-5.0	-5.5
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	-0.4	-0.3	-1.4	-1.4	0.3	-3.5	-2.8
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	-0.3	-1.8	-2.5	-0.1	-4.9	-4.7
G7	2.6	2.2	0.3	-0.1	-0.7	-1.8	-2.2	-0.1	-4.7	-4.7
OECD	3.1	2.7	0.6	-0.5	-0.5	-1.9	-2.4	-0.1	-5.1	-4.8

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

Real growth forecasts (% change)

	OECD (Jun '09)		IMF (Oct '09)	
	2009	2010	2009	2010
US	-2.8	0.9	-2.7	1.5
Japan	-6.8	0.7	-5.4	1.7
UK	-4.3	0.0	-4.4	0.7
Eurozone	-4.8	0.0	-4.2	0.3
OECD	-4.1	0.7	n/a	n/a
World	n/a	n/a	-1.1	3.1
China	7.7	9.3	8.5	9.0
India	5.9	7.2	5.4	6.4

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

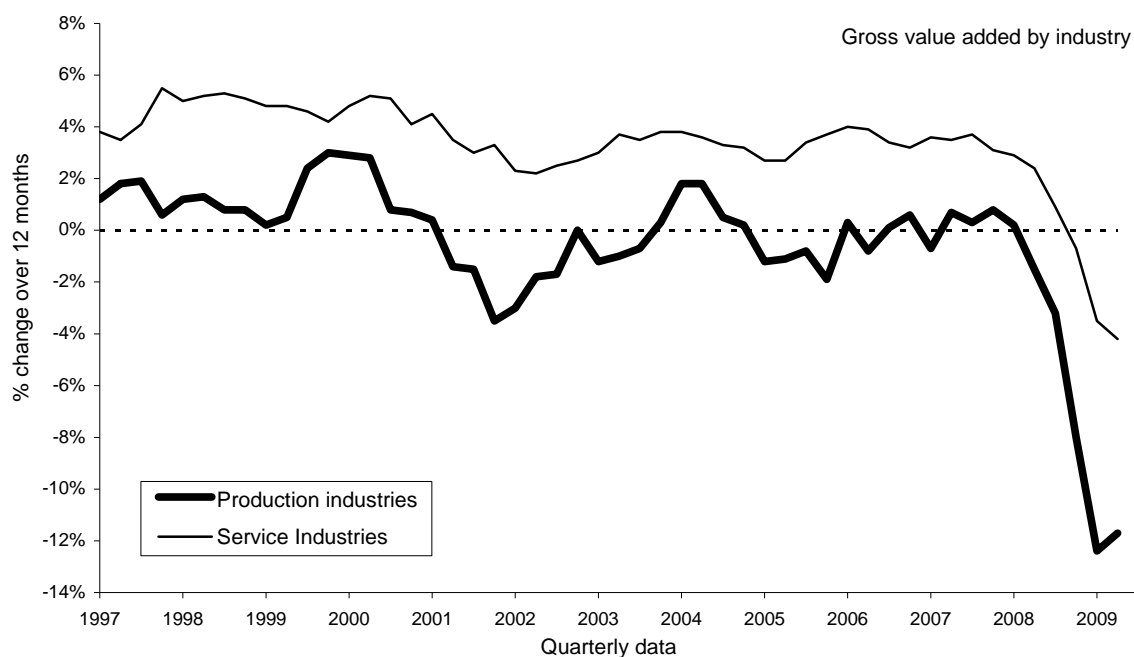
The IMF's [October 2009 forecasts](#) are for the world economy to contract by 1.1% in 2009, 0.3% points less than its [July 2009 forecast](#) of 1.4%, before returning to growth of 3.1% in 2010 (2.5% previously).

The IMF now expects the UK economy to contract by 4.4% in 2009, before expanding by 0.7% in 2010. The US economy is expected to contract by 2.7%, France's by 2.4% and Germany's by 5.3% in 2009. The [October forecasts](#) revised growth for China up in 2009 and 2010.

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.

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 4.2%. Between the first and second quarter of 2009 annual output growth in the service sector decreased by 0.7 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	1.4	0.1	-0.4	
2008 Q2	-1.5	-1.1	2.4	0.9	1.6	
Q3	-3.2	-2.9	0.9	1.7	-0.3	
Q4	-8.0	-8.3	-0.7	-0.4	-5.8	
2009 Q1	-12.4	-13.7	-3.5	-0.7	-13.1	
Q2	-11.7	-12.4	-4.2	-5.6	-13.4	

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

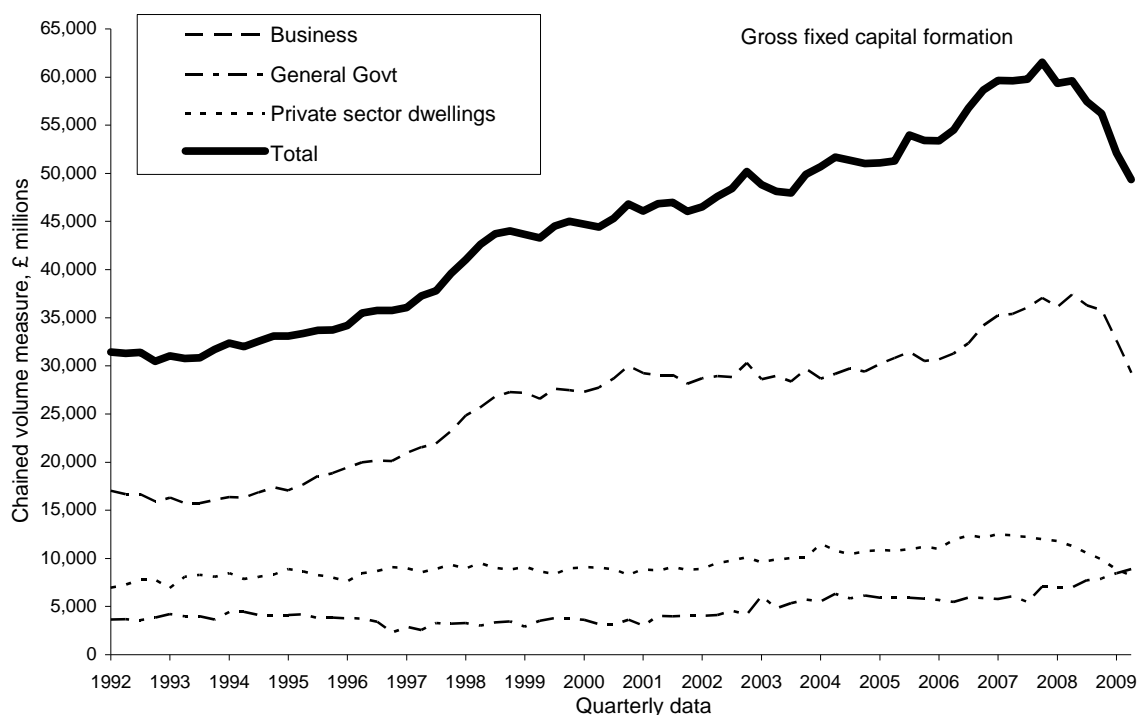
- Manufacturing output decreased by 12.4% in the second quarter of 2009 compared with the same quarter in 2008, and manufacturing output decreased by 2.9% overall in 2008.
- In 2007, services accounted for 76% of gross value added, manufacturing for 13%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *Preliminary GDP estimates – Q3, 23 Oct*

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

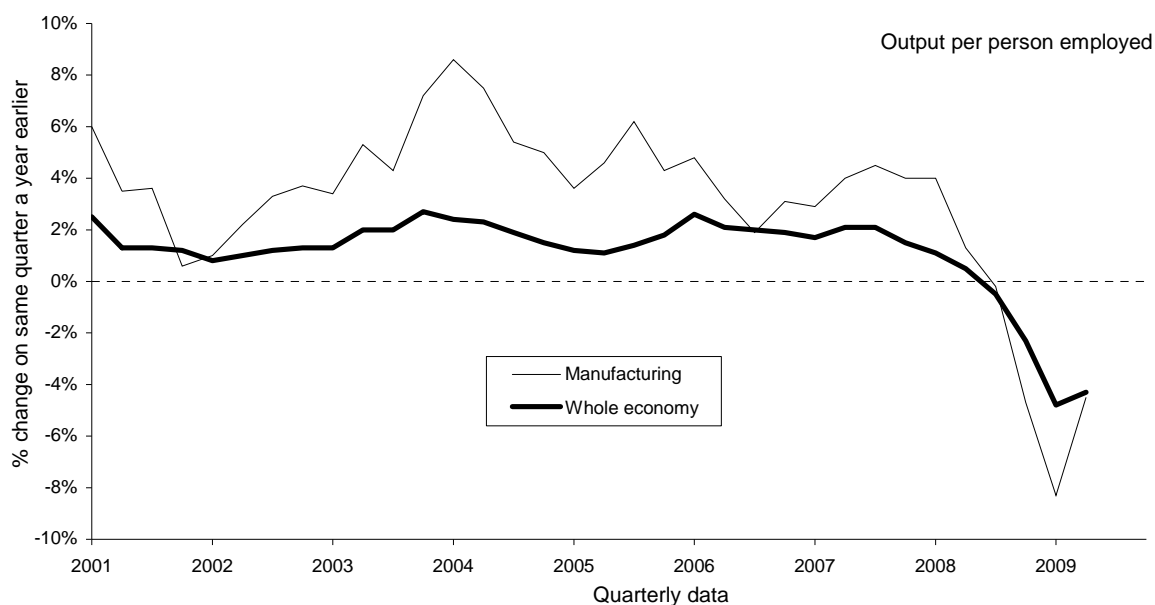
£ million; Chained volume measures, reference year 2005; seasonally adjusted

	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	13,958	69,768	86,053	47,089	15,792	232,660
2008 Q2	3,779	18,047	21,747	12,158	3,904	59,635
Q3	3,306	17,763	21,035	11,428	3,929	57,462
Q4	3,250	17,175	21,063	10,743	3,986	56,216
2009 Q1	2,688	15,354	20,253	9,725	4,085	52,105
Q2	2,585	12,703	20,954	9,193	3,943	49,378

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

- Total business investment decreased by 10.2% in Q2 2009 compared with the previous quarter and was 21.8% 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

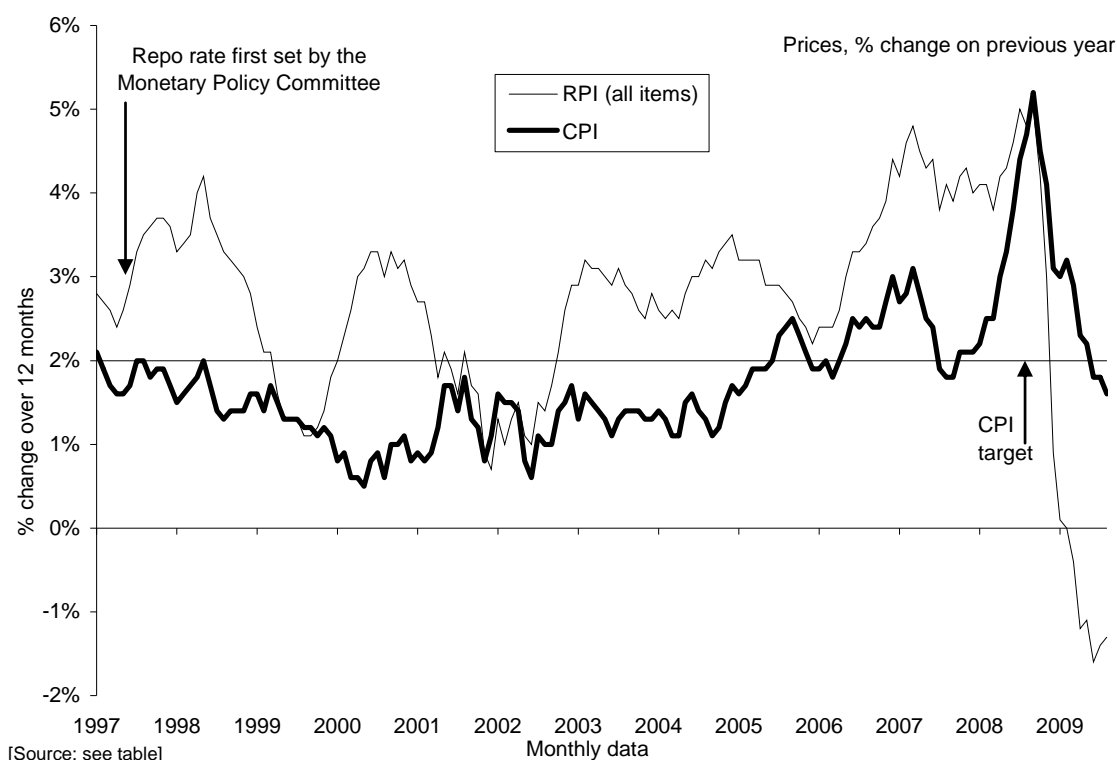
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2006	1.6	-1.7	3.2	3.0	0.8	2.2
2007	0.6	-3.2	4.0	2.6	0.8	1.8
2008	-2.9	-2.9	0.1	0.6	0.9	-0.3
2008 Q2	-1.1	-2.4	1.3	1.7	1.3	0.5
Q3	-2.9	-2.8	-0.2	0.2	0.8	-0.5
Q4	-8.3	-3.8	-4.7	-2.2	0.1	-2.3
2009 Q1	-13.7	-5.9	-8.3	-5.5	-0.5	-4.8
Q2	-12.4	-8.3	-4.5	-6.0	-1.5	-4.3

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 0.3% 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 -4.5% per annum in Q2 2009 compared to -8.3% per annum in the previous quarter, while whole economy productivity growth improved from -4.8% per annum in Q1 2009 to -4.3% per annum in Q2 2009.
- For the economy as a whole, productivity growth has averaged -0.8% per annum over the last eight quarters. Figures on this page are based on output per job.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 23 Dec

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 August, the consumer prices index (CPI) showed inflation at 1.6%, down from 1.8% in July, and below the 2% target.
- The largest downward pressure on the CPI came from housing and household services, in particular gas and electricity prices, which rose sharply a year ago but were stable between July and August this year.
- Food prices also put downward pressure on the CPI, with fruit, bread and cereal, vegetable and meat all costing less in August than in July.
- Upward pressure on the CPI came from transport, mainly from the increasing cost of petrol and rising second-hand car prices.
- The former headline rate – RPI, all items – of inflation in the year to August was -1.3%, up from -1.4% in July. The RPI differs from the CPI in that it includes housing costs, which explains most of the gap between the two series.

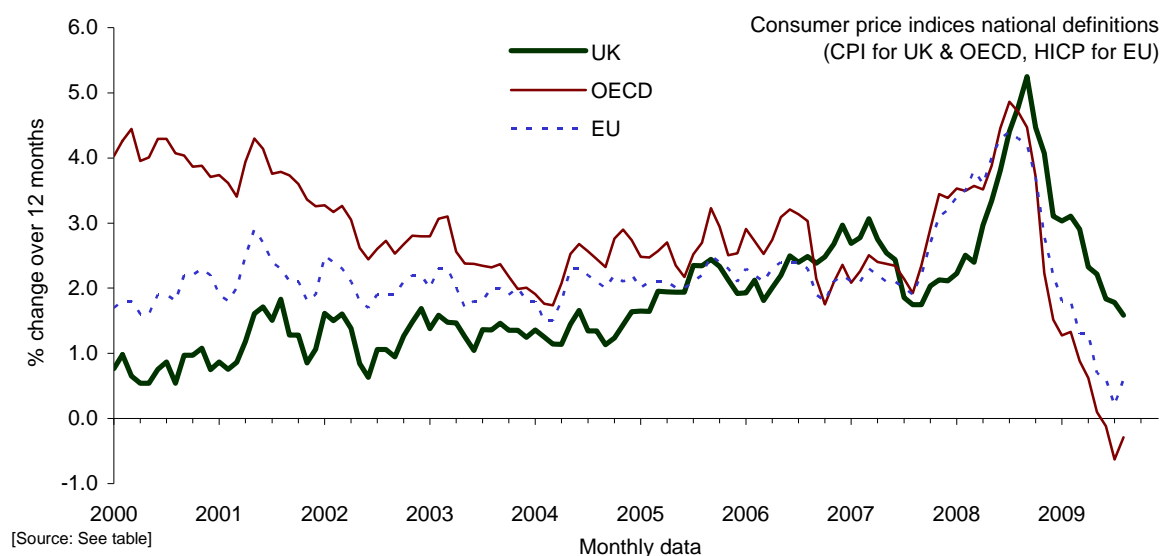
Price Indices

% 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	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
	Aug	1.6	-1.3	1.4

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

B2: Prices: International Comparisons



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

- The average annual inflation rate for all OECD countries in August was -0.3%. This was a slowing of deflation compared with the -0.6% annual rate in July.
- Inflation in the United States was -1.5% in August 2009, again a slowing of deflation.
- The EU's average inflation rate, based on harmonised indices of consumer prices (shown in the chart above, but not in the table), was provisionally estimated to be 0.6% in August.

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 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
Aug	-1.5	-2.2	-0.8	1.6	-0.3

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 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
Aug	-0.2	-0.1	0.1	1.6	-0.2

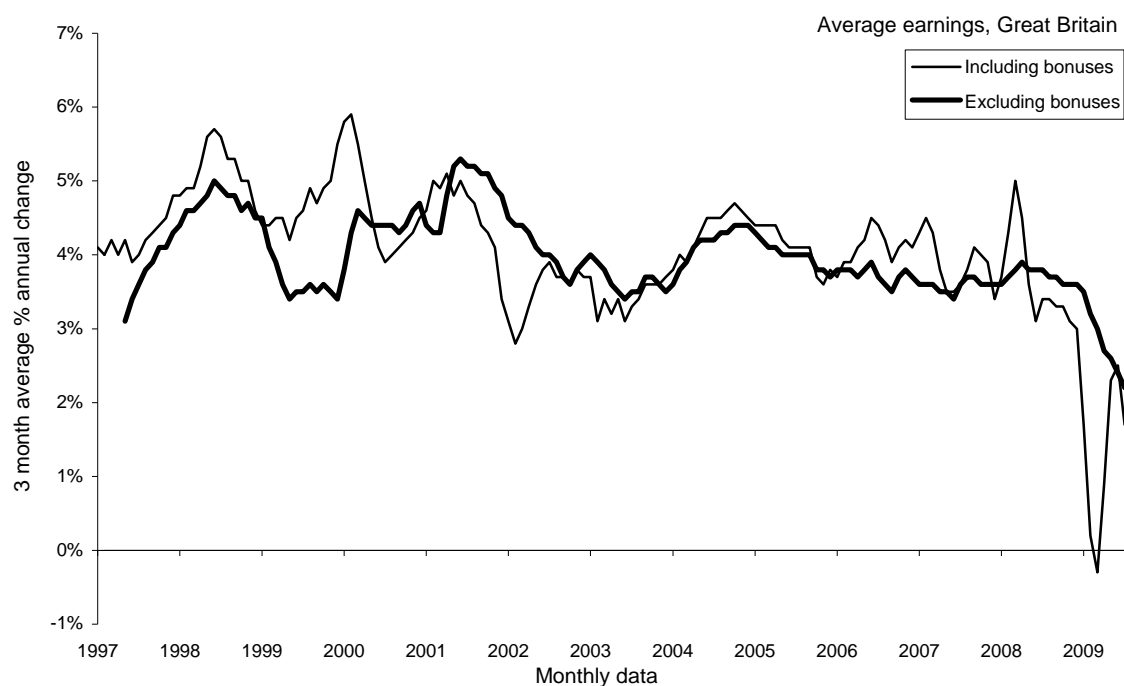
Source: Eurostat database, Sep 2009

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

- Eurozone annual inflation was -0.2% in August 2009, once more a slowing of deflation compared with the -0.7% reported in July.
- Nine Eurozone countries had negative annual inflation rates in August, including France, and Germany.
- Romania (4.9%) had the highest rate of EU countries in August. Ireland (-2.4%) had the lowest. Outside the EU, the annual inflation rate in Iceland was 16.0%.

Contact: Adam Mellows-Facer, x4904

Updates: OECD, *Consumer prices release*, 3 November
Eurostat, *Euro-indicators news release*, 15 October

B3: Average Earnings Index

- The headline rate of average earnings (three-month average including bonuses) for the whole economy rose by 1.7% in the year to July, down from 2.5% in June.
- The less volatile series of average earnings excluding bonuses recorded its seventh successive month of slowing growth. It rose by 2.2% in July, down from 2.4% in June.
- Headline earnings growth in the public sector rose by 3.4% in July, compared with a 1.2% increase in the private sector.
- Headline average earnings growth in manufacturing was 0.7% in July, compared with 1.9% in the services sector.
- In the year to July, the consumer price index (CPI) showed inflation at 1.8%, slightly above the rate of headline earnings growth. The headline retail prices index (RPI), which includes housing costs (unlike the CPI), showed inflation at -1.4% in July, well below average earnings growth.

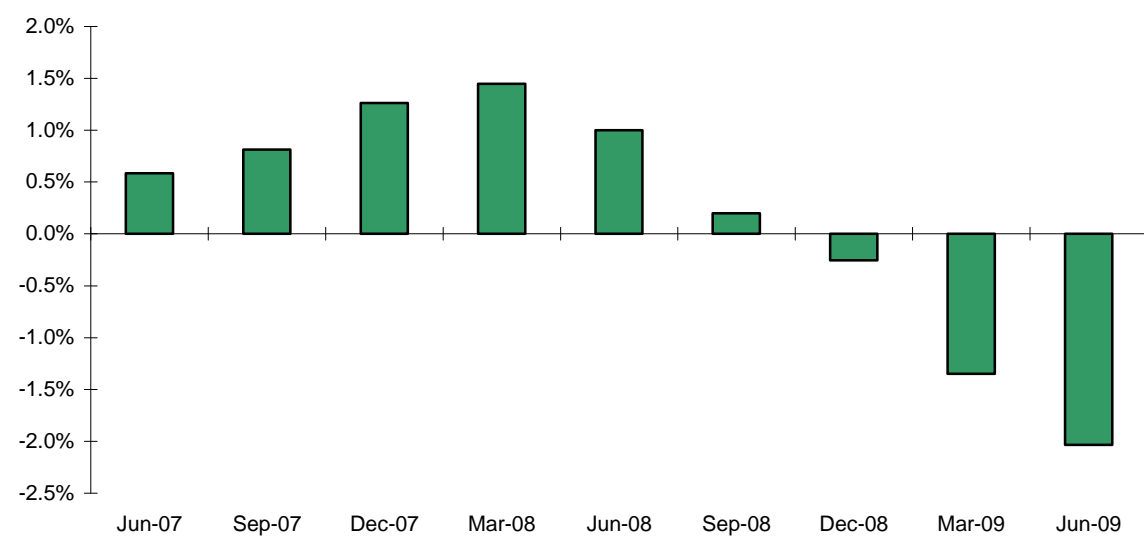
Average Earnings, Great Britain
% change on year; seasonally adjusted

	Headline rate (incl. bonuses)		
	Whole Economy	Private Sector	Public Sector
2004 Jul	4.5	4.4	4.2
2005 Jul	4.1	3.8	4.8
2006 Jul	4.4	4.6	3.8
2007 Jul	3.6	3.8	2.9
2008 Jul	3.4	3.4	3.4
Aug	3.4	3.3	3.6
Sep	3.3	3.1	4.0
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
Jul	1.7	1.2	3.4

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

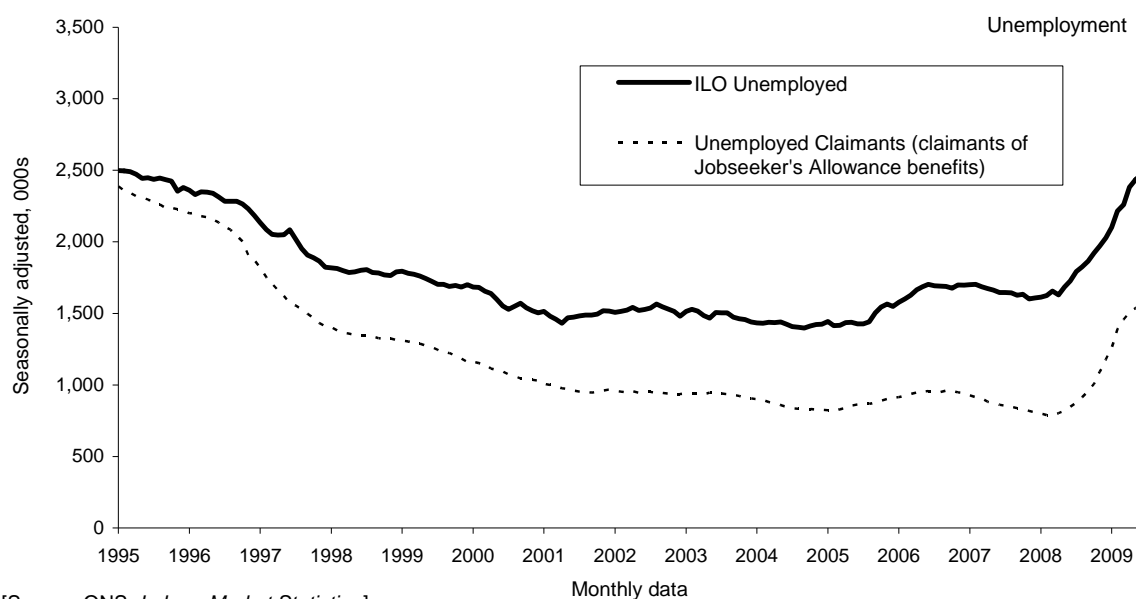
	Total	16-24	25-49	50-59/64	60+/65+
2005 Jun	28,781	4,186	17,174	6,360	1,061
2006 Jul	29,029	4,167	17,240	6,468	1,154
2007 Aug	29,199	4,175	17,307	6,499	1,218
2008 Sep	29,491	4,214	17,370	6,580	1,326
2008 Sep	29,377	4,150	17,313	6,584	1,330
2008 Dec	29,379	4,108	17,334	6,598	1,340
2009 Mar	29,108	3,962	17,214	6,590	1,341
2009 Jun	28,891	3,870	17,066	6,577	1,378
<i>Changes (%):</i>					
on last 3 months	-0.7	-2.3	-0.9	-0.2	2.8
on last year	-2.0	-8.2	-1.8	0.0	3.9

Source: ONS

- Total employment in the three months to July 2009 was 600,000 (2.0%) lower than a year earlier and 217,000 (0.7%) lower than the previous quarter.
- Employment is now 2.2% lower than its peak of 29.5 million in April 2008.
- Over the past year, employment amongst 16-24 year olds has fallen by 8.2%. 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*, 14 Oct

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 May to July 2009, the level of ILO unemployment in the UK was 2,470,000 (seasonally adjusted). This was an increase of 743,000 from the same period a year earlier.
- Seasonally adjusted unemployment as measured by the monthly claimant count increased by 24,400 between July and August 2009 to 1,607,400.

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%).

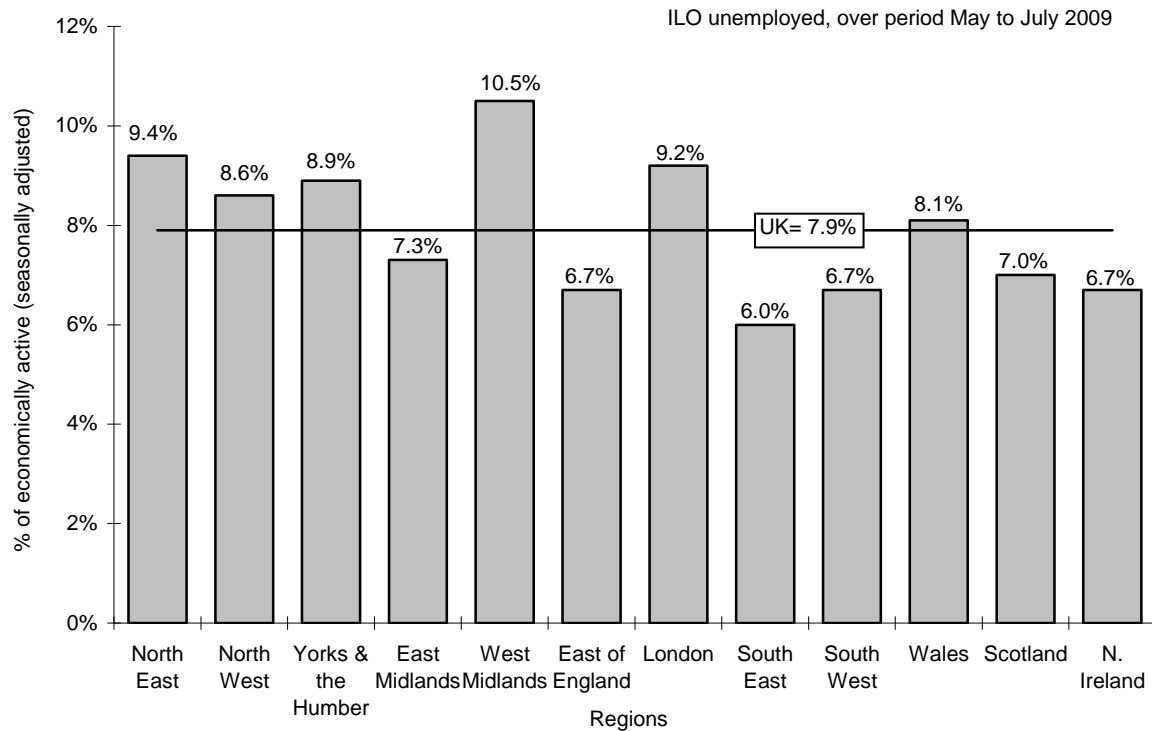
ILO Unemployment in the UK seasonally adjusted

	'000s	rate (%)
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
May-Jul 2009	2,470	7.9

Source: ONS, *Labour Market Statistics*

Contact: Roderick McInnes, x3793 **Updates:** ONS, *Labour Market Statistics*, 14 Oct
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 May to July 2009 the West Midlands had the highest unemployment rate, 10.5% of the economically active population. The lowest rate over the same period was 6.0%, in the South East.
- A comparison of May to July 2009 with the same period a year earlier shows that the largest percentage rise in regional unemployment level occurred in the South West (+72%). The East Midlands showed the smallest percentage increase (+26%) over the period.

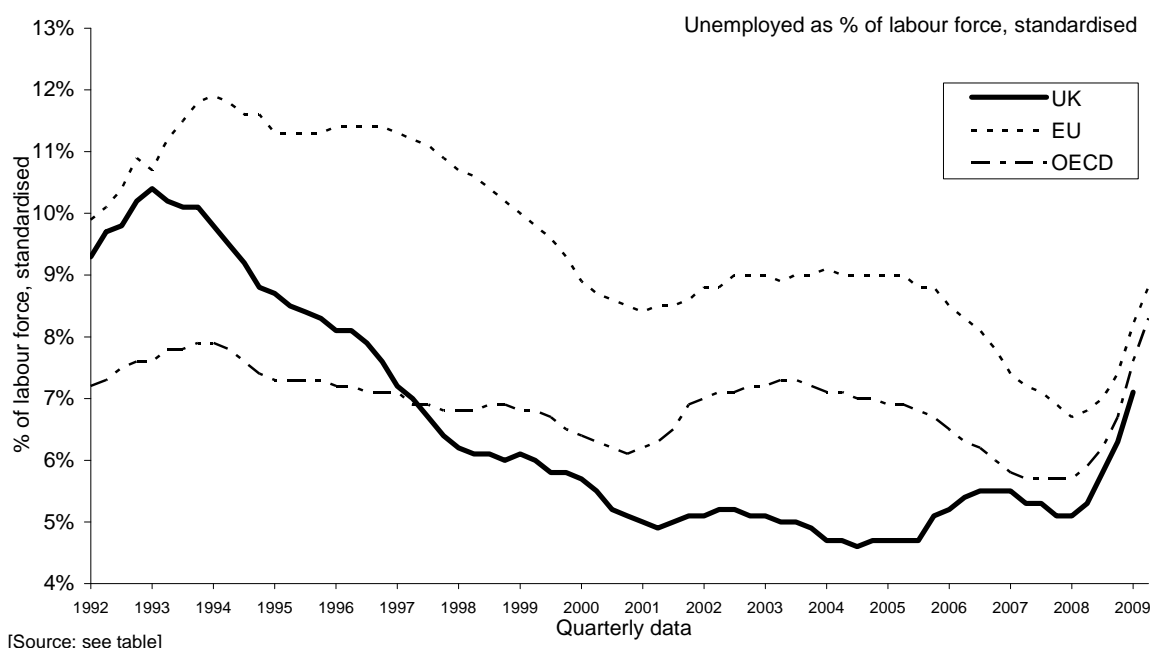
ILO Unemployment, May to July 2009

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	+26,000	+29
North West	+74,000	+34
Yorkshire & the Humber	+72,000	+44
East Midlands	+35,000	+26
West Midlands	+117,000	+71
East of England	+52,000	+35
London	+95,000	+34
South East	+70,000	+36
South West	+76,000	+72
Wales	+35,000	+43
Scotland	+75,000	+67
Northern Ireland	+18,000	+51

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	7.8	8.8	8.5	8.2	7.9	7.6	7.6	7.8	8.3	8.8	9.4
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	7.6
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	7.1	..
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	6.1	5.8	5.7	5.7	5.7	5.7	5.9	6.2	6.7	7.6	8.3

Source: OECD, Harmonised Unemployment Rates, September 2009

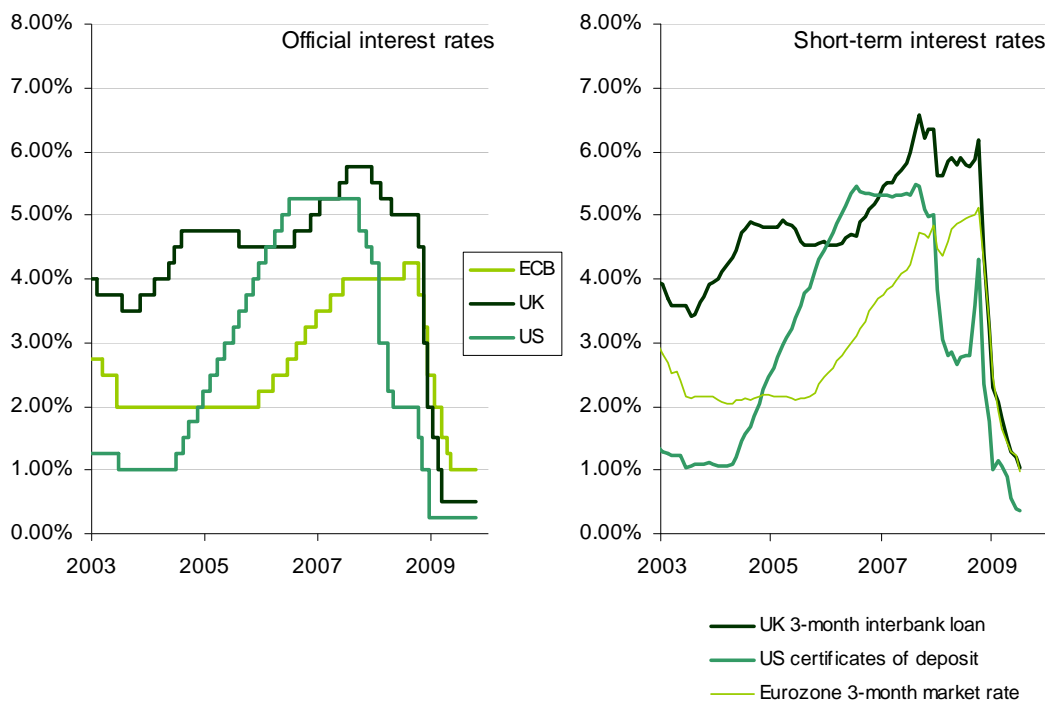
- Using standardised definitions, the UK unemployment rate for 2008 was 5.6%, well below the eurozone rate (7.6%) and below the G7 and OECD rates (5.9% and 6.0% respectively).
- Between Q1 2008 and Q1 2009 (the latest quarter for which all data are available) Germany had the only fall in unemployment among G7 countries: 0.3 percentage points. The UK and US unemployment rates rose by 2.0 percentage points and 3.2 percentage points respectively over the same period.
- 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*, 9 Oct
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 six 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 23 September. 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 October 2009

	Official rate	Yield 10yr Govt bonds	3-month market rate
United Kingdom	0.50	5/3/09 3.44	0.82-0.40
Eurozone	1.00	7/5/09 n/a	0.86-0.66
US	0.00 - 0.25	16/12/08 3.22	0.90-0.60
Japan	0.10	19/12/08 1.26	0.55-0.28
Switzerland	0.00 - 0.75	12/3/09 1.97	0.58-0.22

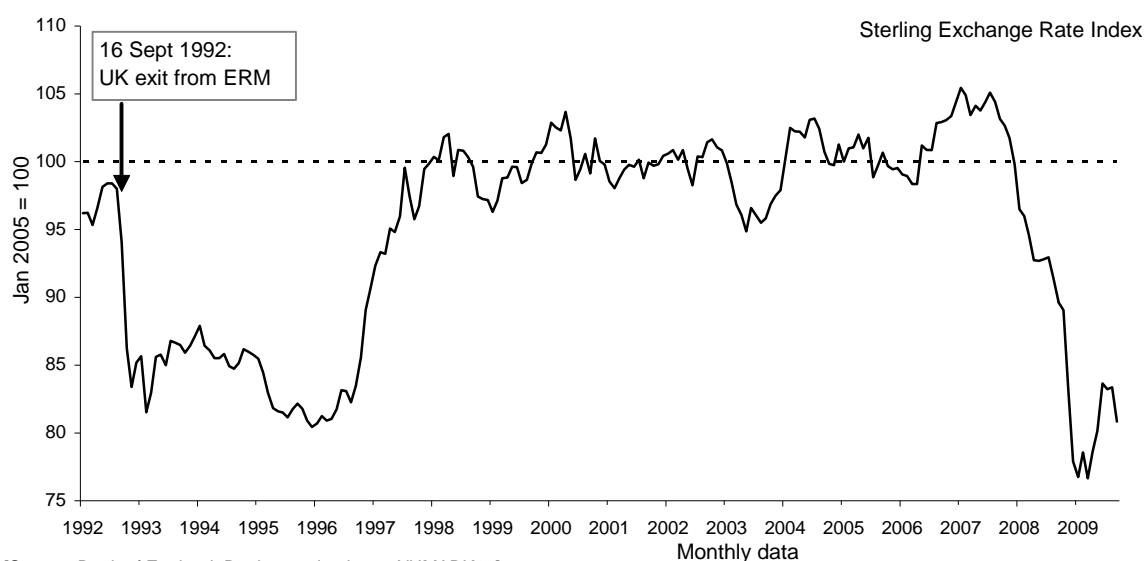
Source: *Financial Times*, 5 October 2009

(*Companies & Markets*, p.27)

Contact: Adam Mellows-Facer, x4904 **Updates:** Short-term interest rates: OECD, *MEI*, 9 Oct; Base rates: 8 Oct (UK MPC) 8 Oct (ECB), 4 Nov (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 fell by 3.0% in September 2009 compared with the previous month, having risen 0.2% in August 2009. It has risen by 5.5% from its lowest point since the series began (1980) in March 2009. Year-on-year, the SERI was down by 9.8% in September, compared with an 8.7% fall in August. The index was down by 23.1% from its July 2007 peak.
- Over the last month the pound has fallen against the dollar, yen and euro (average sterling exchange rates in each month and year for these three major currencies are in the table below).

Sterling Exchange Rates

average rates in 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 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%
Sep	1.633	-9.2%	149.3	-22.2%	1.121	-10.5%

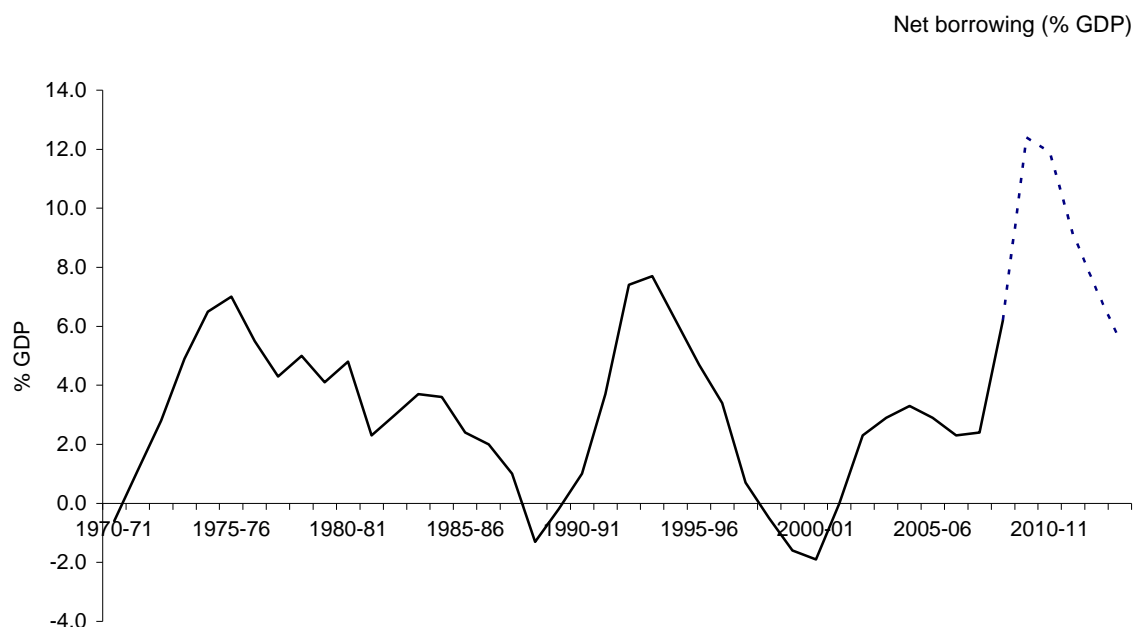
Source: Bank of England, Bankstats database, series: XUAAUSS, XUAAJYS, XUAAERS, XUMAUSS, XUMAJYS, XUMAERS

- At the 5 October 2009 market close in London, the pound sterling was worth \$1.594 and €1.090 (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 Nov;
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 five months of 2009/10, government borrowing was £65.3 billion – compared with £26.1 billion in the same period in 2008/09.

Government receipts were 11.4% lower in the first five months of 2009/10 compared with the same period in 2008/09.

Public sector net debt was £804.8 billion (57.5% of GDP) in August 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.

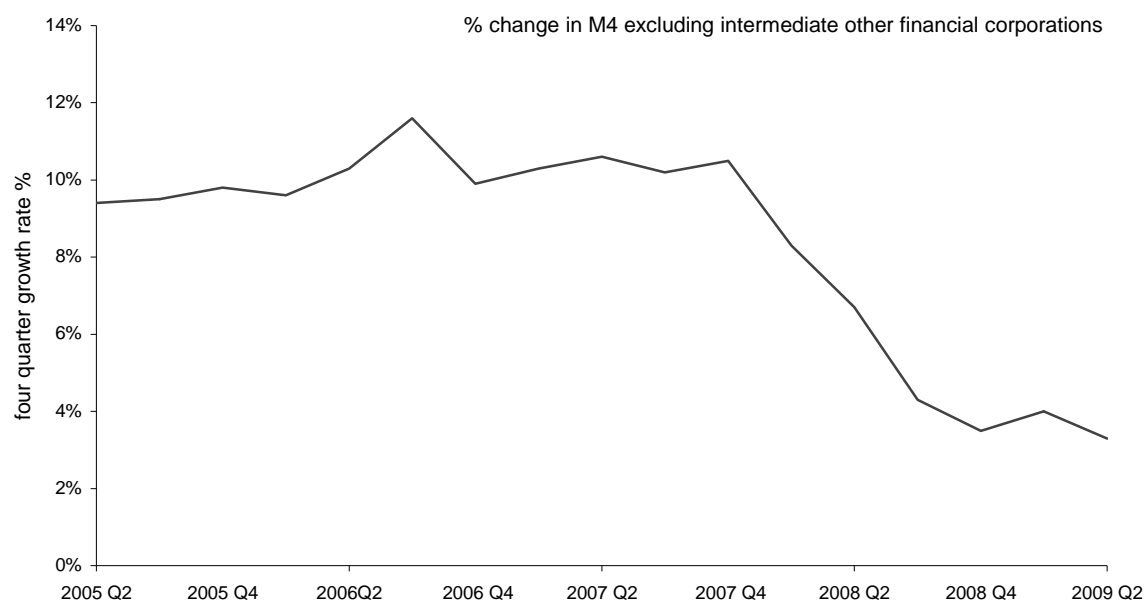
Public Sector Net Debt and Borrowing

£ billion & % GDP

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2007/08	34.5	2.4	526.9	36.5
2008/09	88.1	6.2	609.5	43.2
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 Aug	5.2	2006 Q2 10.3
Sep	5.2	Q3 11.6
Oct	6.0	Q4 9.9
Nov	6.9	2007 Q1 10.3
Dec	7.3	Q2 10.6
2009 Jan	7.8	Q3 10.2
Feb	8.3	Q4 10.5
Mar	8.4	2008 Q1 8.3
Apr	8.6	Q2 6.7
May	8.7	Q3 4.3
Jun	8.7	Q4 3.5
Jul	8.7	2009 Q1 4.0
Aug	8.9	Q2 3.3

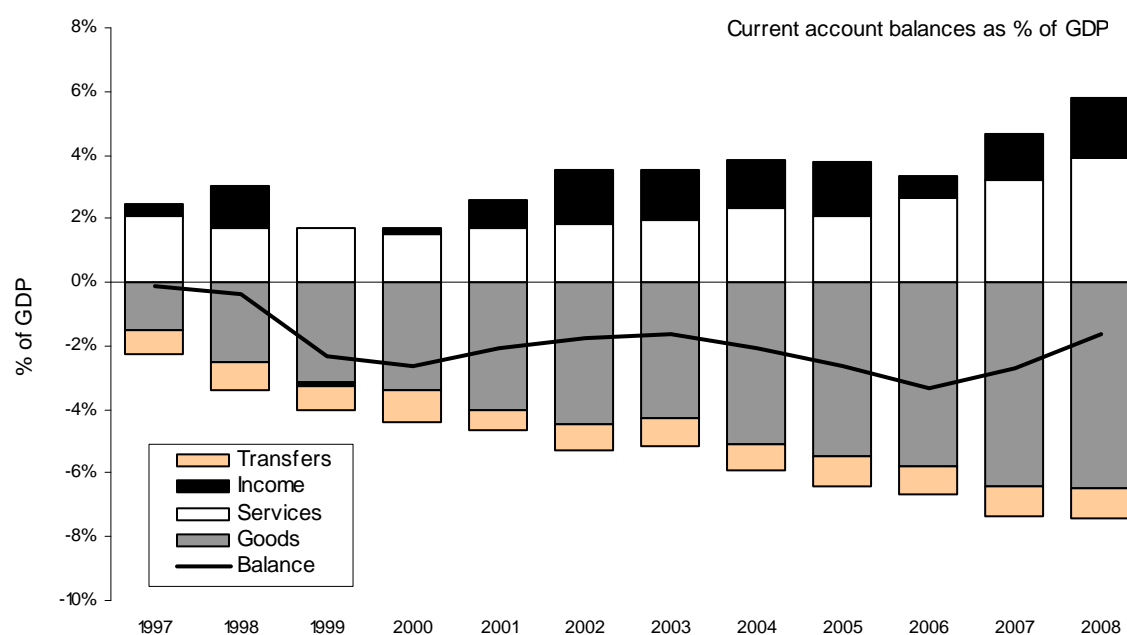
Source: Bank of England, *Monetary & Financial Statistics* August 2009, Tables A1.1.1 & A2.2.3

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 Oct

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	56,210	-37,236	27,340	-9,190	-4,538	-13,728	-23,624
2008 Q2	-23,644	14,093	-9,551	7,844	-2,190	-1,246	-3,436	-5,143
Q3	-23,819	13,026	-10,793	6,671	-2,204	-1,196	-3,400	-7,522
Q4	-22,372	16,844	-5,528	365	-2,120	-781	-2,901	-8,064
2009 Q1	-20,796	13,447	-7,349	6,970	-2,189	-1,577	-3,766	-4,145
Q2	-19,886	11,306	-8,580	1,405	-3,398	-851	-4,249	-11,424

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

- **Annually**, the current account deficit in 2008 was £23.6 billion, equivalent to -1.6% 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 £11.4 billion in Q2 2009, widening from a Q1 2009 deficit of £4.1 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 £5.7 billion, compared with a deficit with non-EU countries of £18 billion. On a **quarterly** basis, the deficit with EU countries was £5.2 billion in Q2 2009 (compared with a £2.8 billion deficit in Q1 2009). With non-EU countries, the current account was in deficit by £6.2 billion in Q2 2009 (compared with a deficit of £1.3 billion in Q1 2009).

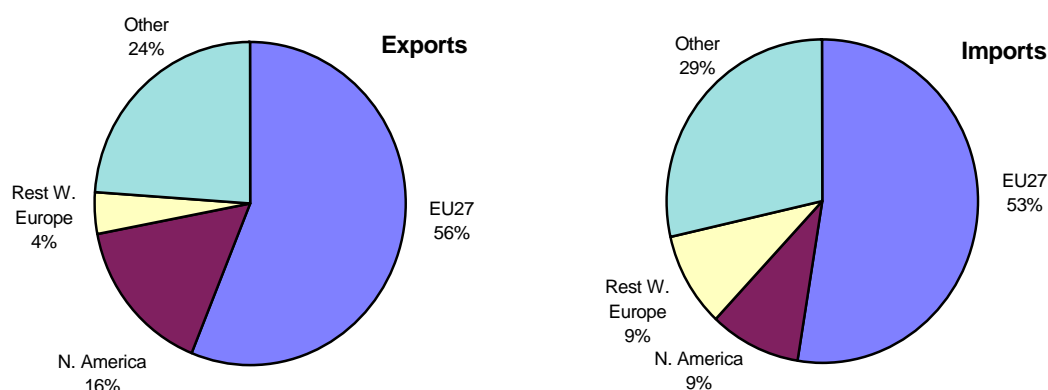
Contact: Grahame Allen, x3977

Updates: ONS, *UK Balance of Payments*, 22 Dec; *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

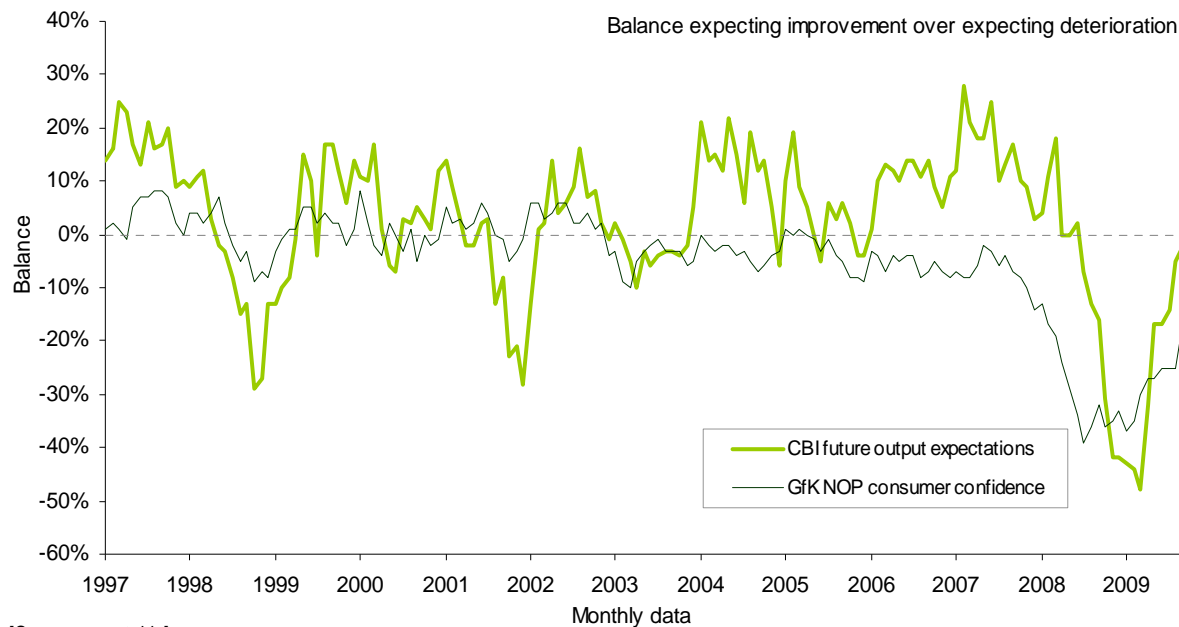
- In July, the provisionally estimated total value of UK goods exports was £19.2 billion and the total value of UK goods imports was £25.7 billion. As a result, the estimated deficit on goods trade was £6.5 billion, unchanged from June.
- Geographical breakdowns of UK trade with EU and non-EU countries 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 improved in September: a balance of 2% of firms thought output would decrease rather than increase over the next three months, compared with a 5% negative balance in August.
- Despite the current comparative weakness of sterling (see [indicator D2](#)), a balance of 46% said export orders were below normal.
- A balance of 48% of firms reported that order books overall were below normal in September, an improvement on August (54%).

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 stood at -16 in September, an improvement on the level in the previous three months (-25), and is 16 points higher than a year ago;
- Confidence in an improved general economic situation over the year ahead increased by 13 points to +4 points, the highest since May 1998;
- Future expectations for personal finances over the coming year rose by five points from 0 to +5;
- The "now is a good time to save" measure rose five points (to -5), but is 23 points lower than in September 2008.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

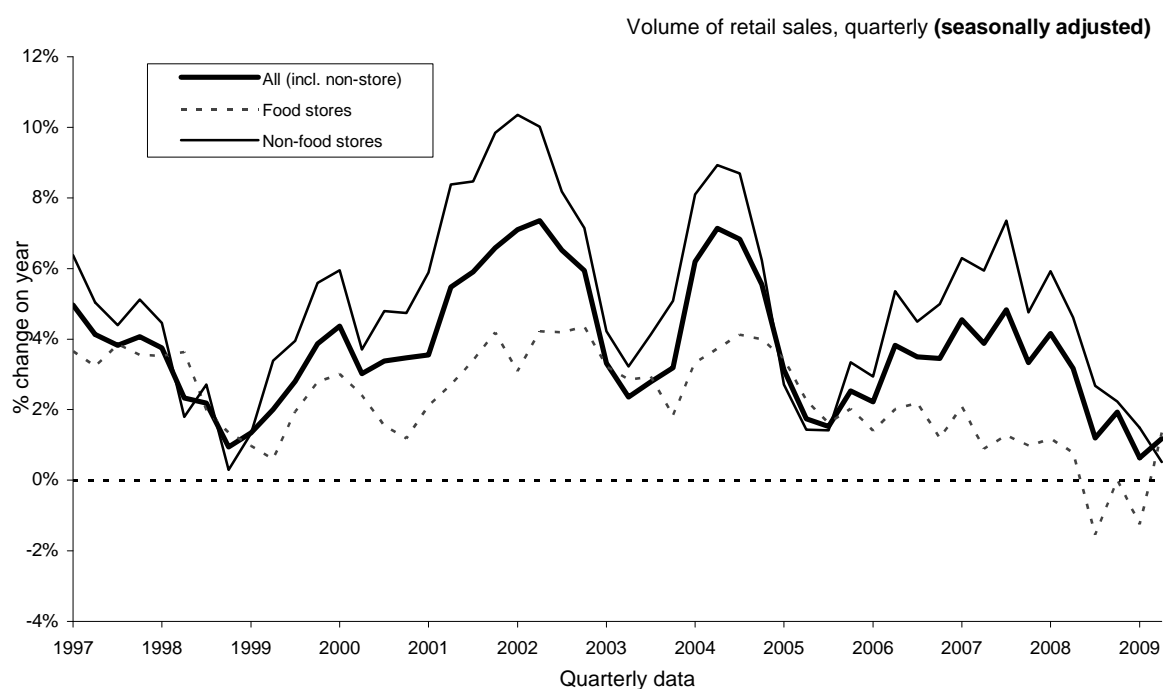
		Future output expectations (CBI)	Consumer confidence (GfK)
2008	Aug	-13	-36
	Sep	-16	-32
	Oct	-31	-36
	Nov	-42	-35
	Dec	-42	-33
2009	Jan	-43	-37
	Feb	-44	-35
	Mar	-48	-30
	Apr	-32	-27
	May	-17	-27
	Jun	-17	-25
	Jul	-14	-25
	Aug	-5	-25
	Sep	-2	-16

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 Oct;
GfK NOP, [Consumer Confidence](#), end Oct

F2: Retail Sales



- The total **volume** of retail sales in August 2009 was 2.1% higher than in the same month in the previous year, while total sales were unchanged compared with the previous month (seasonally adjusted).
- In the three months June to August 2009 retail sales volumes were 2.7% higher than in the previous three-month period. By sector, the same period saw sales volumes in primarily food stores rise by 2.9%, while they increased by 1.7% in non-food stores and by 4.9% 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	3.1	-0.4	-3.5	13.3	3.4
Q3	4.1	1.7	-5.5	11.5	3.2
Q4	4.7	0.2	-5.9	2.8	1.2
2009 Q1	6.0	2.1	-7.8	-0.1	1.1
Q2	7.2	2.9	-3.9	-3.7	1.8

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

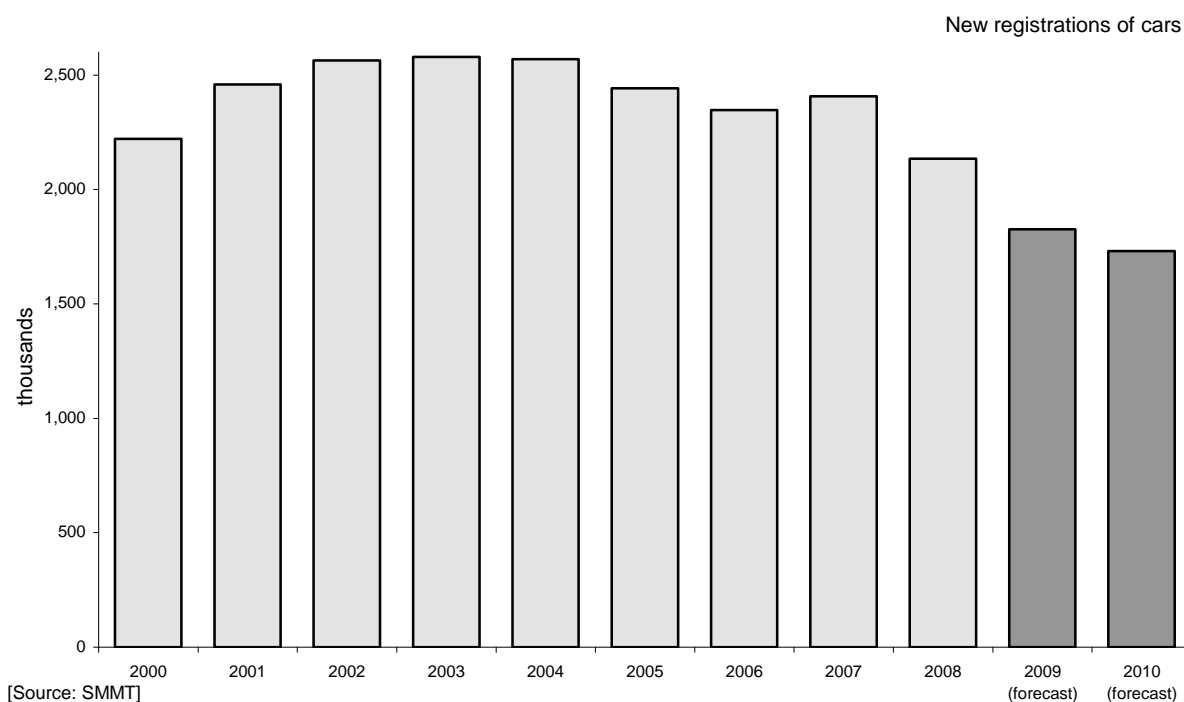
NOTE: 'Other non-food' quarterly growth figures affected by changed categorisation of some products as reported by retailers.

- The total **value** of retail sales in August 2009 rose by 1.6% compared with the same month in the previous year, and fell by 0.1% compared with the previous month (seasonally adjusted).
- The average weekly value of retail sales in August 2009 was £5.3 billion, down slightly from £5.4 billion in July 2009.
- Weekly **internet sales** (an experimental ONS series) in August 2009 was £173.6 million, 3.3% of total sales (the same proportion as in the previous month).

Contact: Ian Townsend, x2042

Update: ONS, [Retail Sales statistical bulletin](#), 22 Oct

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 11.4% in September 2009, compared with the previous September's figure, to 367,929 units (excluding taxi registrations).

This is the third month of rising registrations, and the SMMT note that the scrappage scheme is having a positive effect on the demand for new cars.

- 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 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
Sep (a)	368	+11.4

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 0.8% in August 2009. That follows a rise of 1.1% in July and a fall of 0.4% in June.
- **Annual** house prices in July were 10.1% 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

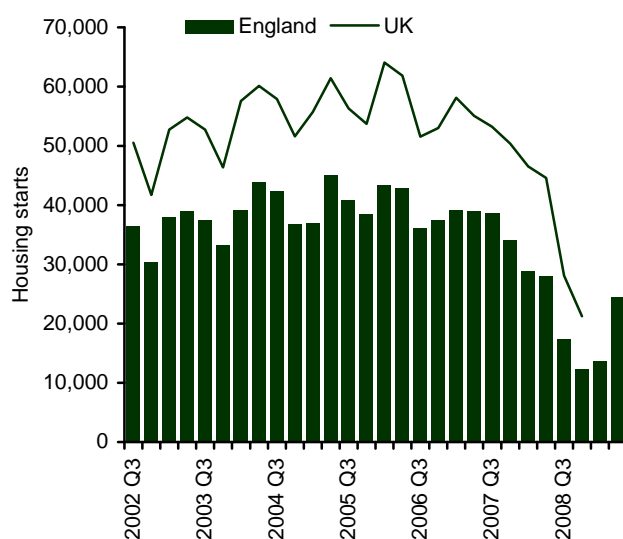
	All houses	New houses	Existing houses	First time buyers
average house prices, £				
2008 Q2	187,000	198,000	185,500	144,300
Q3	175,800	184,900	174,200	136,700
Q4	164,200	171,200	163,100	127,200
2009 Q1	158,400	166,900	157,800	119,100
Q2	158,900	156,000	159,800	120,500
% change over same period in previous 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 £196,338 in July 2009. Prices were 8.3% lower than in June 2008 but 1.4% higher than June 2009 (seasonally adjusted).
- House prices in June 2009 were lower than June 2008 in all regions, with the largest fall of 22.2% in Northern Ireland. In England, the largest fall was in the Eastern region (9.6%). The smallest regional fall over the year was in Scotland (4.4%).

Housing starts in the UK



[Source: DCLG, Tables 211,213]

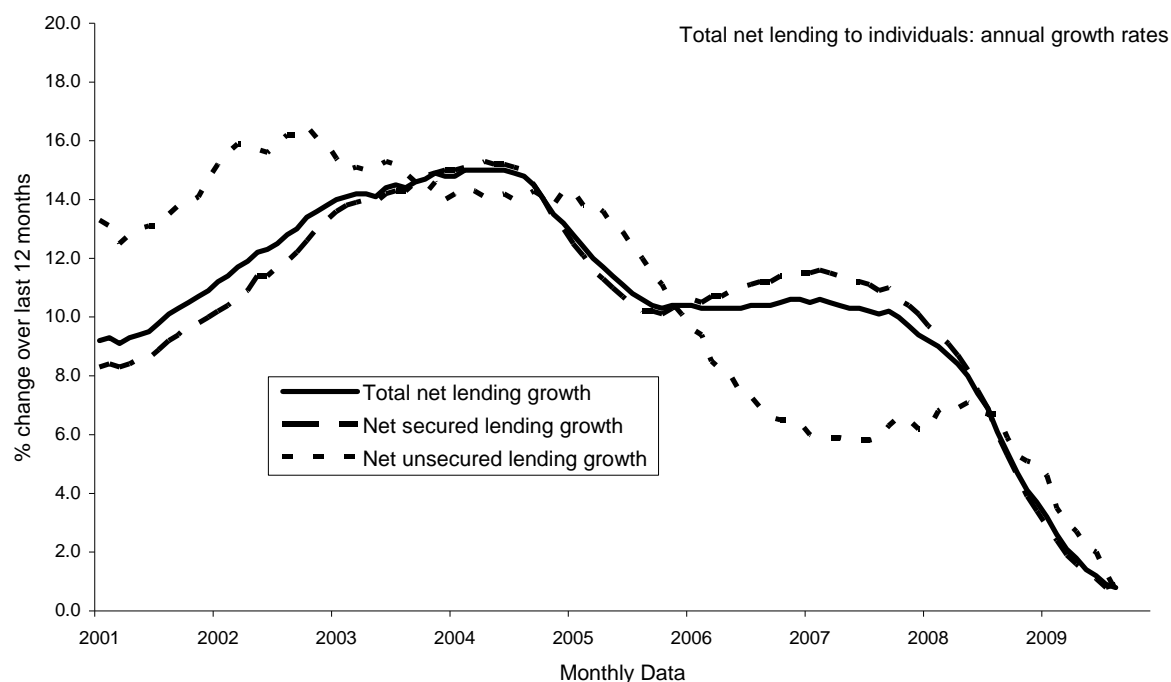
% change on same quarter of previous year

	England	UK
2006 Q4	-3%	-1%
2007 Q1	-10%	-9%
2007 Q2	-9%	-11%
2007 Q3	+7%	+3%
2007 Q4	-9%	-5%
2008 Q1	-26%	-20%
2008 Q2	-28%	-19%
2008 Q3	-55%	-47%
2008 Q4	-64%	-58%
2009 Q1	-53%	..
2009 Q2	-12%	..

Contact: Adam Mellows-Facer, x4904

Updates: Halifax *House Prices*, early Oct; DCLG, *House Prices*, 13 Oct; *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 Aug	932,553	208,834	1,141,387	10.2	12.0	10.6
2006 Aug	1,036,239	212,222	1,248,460	11.2	6.9	10.4
2007 Aug	1,148,952	216,020	1,364,972	10.9	5.9	10.1
2008 Aug	1,217,758	236,299	1,454,057	6.0	6.7	6.1
Nov	1,223,942	233,516	1,457,457	3.9	5.1	4.1
2009 Feb	1,226,239	232,856	1,459,094	2.4	3.5	2.6
May	1,226,754	232,431	1,459,185	1.3	2.2	1.4
Aug	1,227,610	229,561	1,457,171	0.9	0.7	0.8

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 August 2009 (seasonally adjusted).
- Total net lending to individuals grew by £0.7 billion in August 2009, an increase of less than 0.1% on the previous month. Net lending grew by 0.8% on an annual basis (all seasonally adjusted); the annual growth rate is 0.1 percentage points lower than in July 2009.
- Of the £0.7 billion increase in net lending in August 2009, mortgage borrowing increased by £1.0 billion while consumer credit decreased by £0.3 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 Oct
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, <i>UK Output, income and expenditure, Quarterly National Accounts/GDP preliminary estimate</i> releases HM Treasury, Forecasts for the UK economy
A4	Investment	ONS Database & ONS, <i>Business Investment</i> release
A5	Productivity	ONS, <i>Productivity</i> release
B1	Prices	ONS, <i>Consumer Price Indices</i> 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

Definitions⁸

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

⁸ 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.