



Economic Indicators, February 2010

RESEARCH PAPER 10/10 02 February 2010

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

- The UK came out of recession in Q4 2009 with ONS data showing the economy expanding for the first time since Q1 2008. The 0.1% increase was, however, less than most economists had been expecting.
- Unemployment fell for the first time since Spring 2008.
- Inflation rose sharply in December, with further upward price pressures – from the increase in the VAT rate, for example – expected in the next few months.

This month's article: **Average Earnings and Pay Prospects in 2010**

Daniel Harari (editor)

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Research Paper 10/10

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Economic Policy and Statistics section

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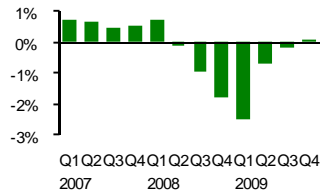
Summary

The UK came out of recession in Q4 2009 with ONS data showing the economy expanding for the first time since Q1 2008 (see [page 1](#)). The 0.1% increase was, however, less than most economists had been expecting. Meanwhile, unemployment fell for the first time since Spring 2008 ([page 11](#)) and inflation rose sharply ([page 7](#)), with further upward price pressures – from the increase in the VAT rate, for example – expected in the next few months.

GDP Growth

[page 1](#)

(% change quarter-on-quarter)



GDP expanded by 0.1% in Q4 2009 compared with Q3 2009. This was the first increase since Q1 2008. Growth in the year to Q4 2009 was -3.2%, compared with -5.1% in the year to Q3 2009.

Inflation (CPI)

[page 7](#)

(% change on year ago)

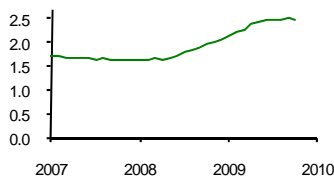


In the year to December, CPI inflation rose to 2.9%, up sharply from 1.9% in November. The ONS cited exceptional factors for the increase.

Unemployment

[page 11](#)

(total, millions, ILO definition)



ILO unemployment fell by 7,000 to 2.46 million during the three months ending in November 2009, the first time unemployment has fallen since Spring 2008. However, compared with a year ago unemployment was 0.51 million higher.

Average Earnings

[page 9](#)

(% change on year ago)



Average earnings growth excluding bonuses fell to 1.1% in the year to November.

Manufacturing Sentiment

[page 19](#)

(CBI Industrial Trends survey, net % of firms expecting improvement in next 3 months)



A net balance of +4% of manufacturing firms surveyed by the CBI in January are expecting output to rise over the next three months, a marked improvement over a year ago.

Next issue: 2 March

Editor: Daniel Harari

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis, please contact Rod McInnes (x3793). *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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1 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

Feedback

If you have any comments or suggestions about *Economic Indicators* please contact the editor, Daniel Harari, on x2464.

Weekly email alert

A weekly email alert with updated indicators is available on request. Please call Rod McInnes on x3793.

Sources and glossary

A guide to sources is provided in section 4. Economic terms, symbols and abbreviations used in the publication are described in the glossary in section 5.

Contacts

Members and their staff are encouraged to talk to Library subject specialists. A comprehensive guide 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 specialists:

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

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

2 Average Earnings and Pay Prospects in 2010

Pay growth is expected to recover partially in some sectors in 2010 as the UK economy begins to grow again and inflationary pressures impact on wage settlements. However, this is set against a backdrop of pay freezes in other sectors as well as reductions in public expenditure. This article looks at average pay levels and pay growth in recent months before looking at the prospects for the public and private sector in 2010.

2.1 What are average earnings?

There are two main sources of data on earnings in the economy. Average Weekly Earnings (AWE) measures the level of pay growth in the economy. The AWE is based on the Monthly Wages and Salary Survey, which is carried out by ONS and is a survey of business not employees.³ The Annual Survey of Hours and Earnings (ASHE) is conducted in April each year and provides details of earnings and hours worked for employees in different occupations and industries, with various breakdowns for ages and geographies.⁴

The latest ASHE data from April 2009 were published in November 2009.⁵ Table 1 outlines some of the headline data, and shows gross weekly and annual earnings, expressed as a median (the middle observation of a distribution) and mean (simple average). The median is preferred over the mean for earnings data as it is influenced less by extreme values and any skew in the earnings distribution.

Table 1 - Average Earnings, Gross Annual and Weekly, in £, April 2009

Based on employees whose earnings were not affected by absence

	Annual		Weekly	
	Median	Mean	Median	Mean
All	21,320	26,470	397.3	480.9
All (Full-time)	25,816	31,916	488.7	587.3
All (Part-time)	8,628	11,086	152.9	194.7
Male (FT)	28,270	35,661	531.1	643.0
Female (FT)	22,151	26,000	426.4	501.2
Public Sector (FT)	27,686	30,900	538.9	604.8
Private Sector (FT)	24,970	32,615	464.7	581.2
Manufacturing Industries (FT)	25,714	30,564	484.9	563.9
Service Industries (FT)	25,582	32,026	484.8	588.4

Note: All breakdowns are based on Full-Time earnings

Source: ONS, ASHE 2009

Overall median pay was £397.30 a week in April 2009. Unless looking specifically at part-time workers, comparisons between industries can be made using full-time earnings, to remove the effect of different levels of part-time work. The table shows that on an annual basis, median full-time earnings in the public sector are higher than in the private sector, but mean earnings are higher in the private sector (due to higher earnings at the top of the

³ For further information see: <http://www.ons.gov.uk/about-statistics/user-guidance/lm-guide/sources/business-surveys/monthly-wages/index.html>

⁴ For further information see: <http://www.ons.gov.uk/about-statistics/user-guidance/lm-guide/sources/business-surveys/ashe/index.html> and <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15313>

⁵ ONS, 2009 *Annual Survey of Hours and Earnings*, 12 November 2009

distribution). Full-time median annual earnings in the manufacturing and services sectors are similar, between £25,000 and £26,000.

Gender pay gap

ONS measure the gender pay gap using the difference between the hourly earnings of men and women. To calculate the 'gap', female pay is expressed as a percentage of men's and the 'gap' is the difference between this figure and 100%.⁶

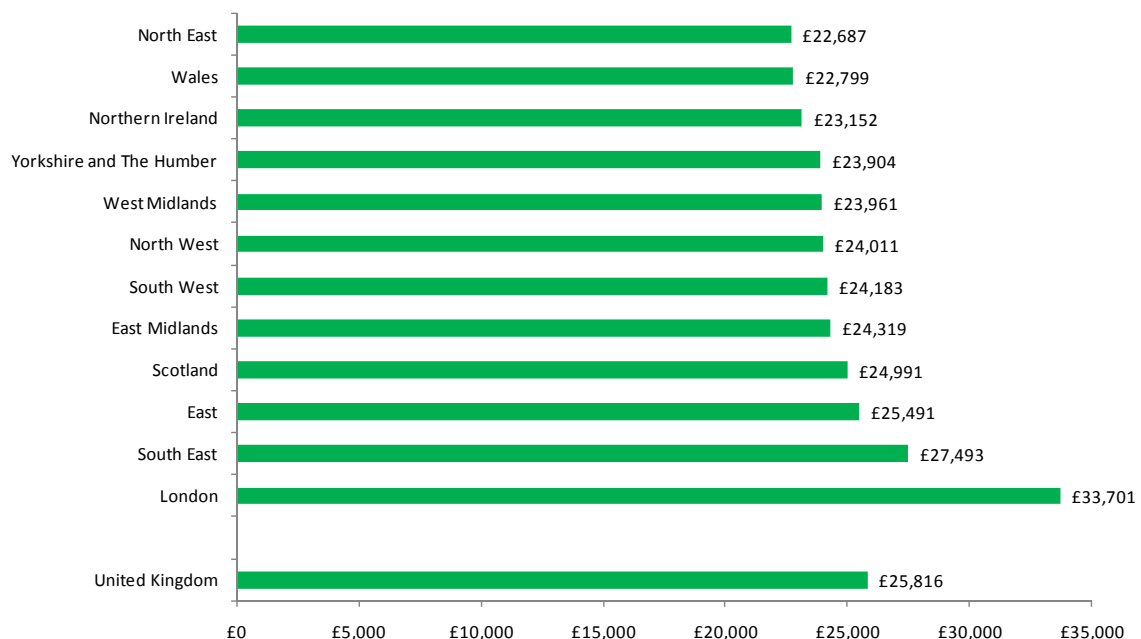
Based on median hourly pay excluding overtime the gender pay gap for all employees is 22.0%, for full-time employees it is 12.2% and for part-time employees it is -2.0% (female median part-time pay is higher than men's). Compared with 2008 data, the gap narrowed on each measure. When measured on mean pay, the gap for all employees is 20.2%, 16.4% for full-time employees and 13.2% for part-time employees.⁷

While measuring the gender pay gap is of interest, in order to provide greater understanding of the gap one would need to look at pay levels for comparable jobs. Any detailed analysis may also try to control for characteristics such as education or experience.

Earnings by Region

Chart 1 shows median full time earnings by region for April 2009. The lowest median full time earnings are in the North East, Wales and Northern Ireland. The highest earnings are in the East, South East and London. Only in the South East and London are full time median earnings above the UK median.

Chart 1 - Median Gross Full-Time Annual Earnings by Region, April 2009



Financial Services

One area of interest over the last year has been the level of pay in the financial services sector. Table 2 shows median and mean gross weekly pay for those in financial and

⁶ <http://www.ons.gov.uk/about-statistics/user-guidance/lm-guide/concepts/costs/wages-and-salaries/gender-gap/index.html>

⁷ <http://www.statistics.gov.uk/ci/nugget.asp?id=167>

insurance services in April 2009. The data is also split by sex and shows pay in financial services as a proportion of pay for all employees.

Table 2 - Gross weekly full-time pay, Financial Services, April 2009

Based on employees whose earnings were not affected by absence

	Median		Mean	
	Level (£)	As % of All Employees level	Level (£)	As % of All Employees level
Financial and Insurance Activities	626.1	128	818.5	139
<i>of which:</i> Male	799.4	151	984.3	153
Female	484.3	114	604.3	121

Source: ASHE 2009

In April 2009 full-time median weekly earnings in Financial and Insurance Activities were £626.10, 28% higher than the average for all employees. This compares to a ratio of 25% in April 2008.

2.2 How much has pay grown over the last year?

The Average Weekly Earnings (AWE) measure became the main monthly measure of earnings growth in January 2010, replacing the Average Earnings Index (AEI).⁸ Chart 2 shows the annual growth in average weekly earnings over the 11 months of 2009 for which data is available. The chart indicates that while earnings growth in the public sector has remained relatively stable between 2% and 4% over the latter part of the recession, whole economy and private sector earnings growth were negative in early 2009 (mainly due to bonus pay reductions), with private sector earnings growth remaining close to zero now.

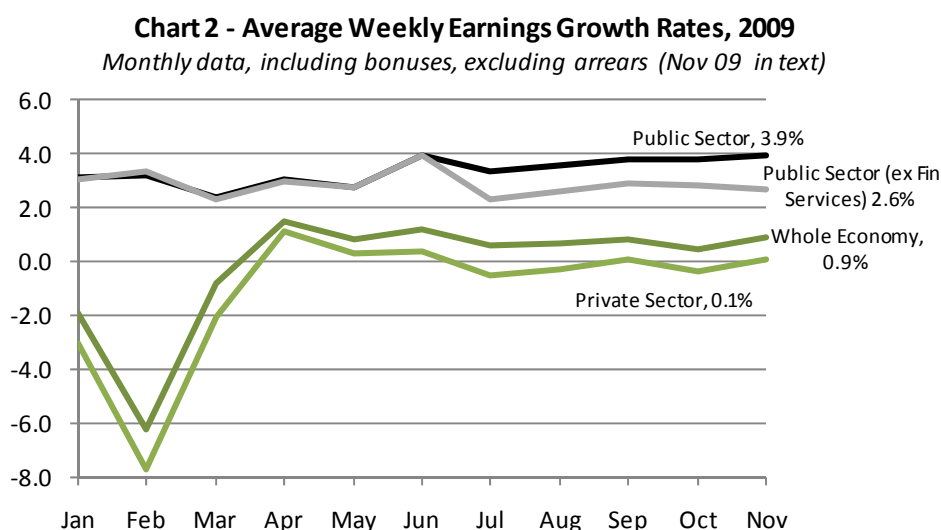


Table 3 considers the most recent monthly data (November 2009) in more detail. It is particularly notable that bonus pay is declining significantly in all sectors. In addition, the manufacturing sector is enjoying stronger earnings growth than the considerably larger

⁸ <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14015>. Data is published monthly in the Labour Market Statistics Bulletin (table 15).

services sector. As the table and chart 2 shows, public sector earnings growth is lowered when the financial services currently categorised as being in the public sector are removed.

Table 3 - Average Weekly Earnings, total pay, November 2009

Great Britain, seasonally adjusted, provisional data

	Total Weekly Earnings			of which:	
	Level (in £)	Annual % change (latest month)	Annual % change (3 month average)	Bonus Pay Annual % change (3 month average)	Regular Pay Annual % change (3 month average)
Whole Economy	451	0.9	0.7	-9.0	1.1
Public sector	459	3.9	3.8	-5.5	3.8
Public sector (ex Fin Serv)	453	2.6	2.8	-36.1	2.9
Private Sector	447	0.1	-0.1	-7.3	0.2
Services	436	1.0	0.9	-7.6	1.2
Manufacturing	510	1.7	1.6	-10.2	1.9

Source: ONS

Over the last year the AWE indicates that pay growth in the wider Finance and Business Services Sector has been negative in all but two months (three month average). However, an October report from IDS (Income Data Services) showed that the median pay settlement in 2009 to date in financial services was 2.75%.⁹

Meanwhile, an IDS survey of FTSE 100 directors' pay found that overall earnings in 2008/09 were down, but with the salary element of packages rising on average (by 7.9%) reflecting the impact of the recession on bonus and reward payments.¹⁰

In a recent article on pay settlements the Bank of England notes that short-time working causing lower regular pay drift and reduced bonuses account for around half of the fall in private sector average earnings growth since late 2008, with lower pay settlements accounting for the other half.¹¹

2.3 Will pay grow in 2010?

While 2009 has been a year of pay restraint in much of the private sector, there is some evidence that pay may start to rise again in 2010. In the public sector, following increases in 2009 above those in the private sector, pay growth is likely to be restricted except where existing settlements exist.

The average of independent forecasts for earnings growth in 2010 made in the last three months was 2.3%, with a range of -0.5% to 4.3%.¹²

Following the Pre-Budget Report in December 2009, public sector pay rises are to be limited to 1% in 2010/11 (except where agreements are already in place), along with a 1% cap on basic pay uplifts in 2011/12 and 2012/13. A freeze has also been proposed for senior staff in 2010/11.¹³ Pressure on public sector pay is likely to continue in the coming years.¹⁴ There

⁹ *IDS Pay Report 1034*, October 2009

¹⁰ IDS, *Executive Compensation Review 347*, January 2010

¹¹ "Recent developments in pay settlements" in Bank of England, *Quarterly Bulletin*, Q4 2009

¹² HM Treasury, *Forecasts for the UK Economy: A comparison of independent forecasts*, January 2010

¹³ HM Treasury, *Pre-Budget Report 2009*, Cm 7747, December 2009, para 6.49-6.50

have also been reports of some reductions in the amounts offered for some senior public sector roles, such as Local Authority chief executives.¹⁵ The Conservatives have said that they will freeze pay in 2011 for many public sector workers if they win the forthcoming general election.¹⁶

An IDS survey of HR professionals in October 2009 found that 42% expected their pay rises to be at the same level as in 2009, while 36% said they would offer a lower reward. But, of those that froze pay in 2009, around three-fifths expect pay to rise in 2010. IDS also forecast at the time that private sector pay reviews would produce settlements around 2.5-3.0% in 2010, while public sector settlements would centre around 1.5%.¹⁷

Meanwhile, the Chartered Institute of Personnel and Development's (CIPD) *Labour Market Outlook* (November 2009) found that a number of employers are looking to reduce bonus payments, overtime and commission over the next 12 months. However, amongst those private sector organisations likely to increase wages, a quarter expects the increase to be between 3 and 4%, well above inflation.¹⁸ The Hay Group reported in January 2010 that nearly four fifths of the organisations they surveyed expected to increase salaries in 2010 (with a median rise of 2%).¹⁹

Some survey evidence suggests that expectations of pay rises amongst employees remains strong. A YouGov survey for the CIPD at the end of 2009 found that 57% of public sector workers and 60% of private sector workers expect a pay rise in 2010 equal to or greater than the rise they received in 2009. Private sectors workers are expecting a pay rise of around 3%, while public sector workers are expecting a rise of around 2%. However, 27% and 20% of private and public sector workers respectively are expecting a pay freeze.²⁰

However, not all survey data points towards pay growth in the private sector, and pay freezes are still being proposed. The *Financial Times* reported in December on a British Chambers of Commerce survey which found that 58% of those surveyed planned to freeze wages in 2010.²¹ A CBI survey reported in November that 47% of organisations planned to freeze wages in 2010.²²

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¹⁴ For example see: ["Public sector faces pay cuts, says Alistair Darling"](#) *The Times*, 24 January 2010

¹⁵ ["Pay cuts for quango and council chiefs to stem anger at 'fat cats' "](#), *The Times*, 20 January 2010

¹⁶ ["Pay freeze for civil servants and doctors"](#), *Financial Times*, 7 October 2009

¹⁷ *IDS Pay Report 1034*, October 2009

¹⁸ CIPD, *Labour Market Outlook*, Autumn 2009

¹⁹ ["Improving Pay Predictions Spell Positive Outlook for 2010"](#), Hay Group, 18 January 2010

²⁰ ["CIPD annual survey signals last hurrah for public sector pay, with employees surprisingly optimistic for 2010"](#), 21 December 2009

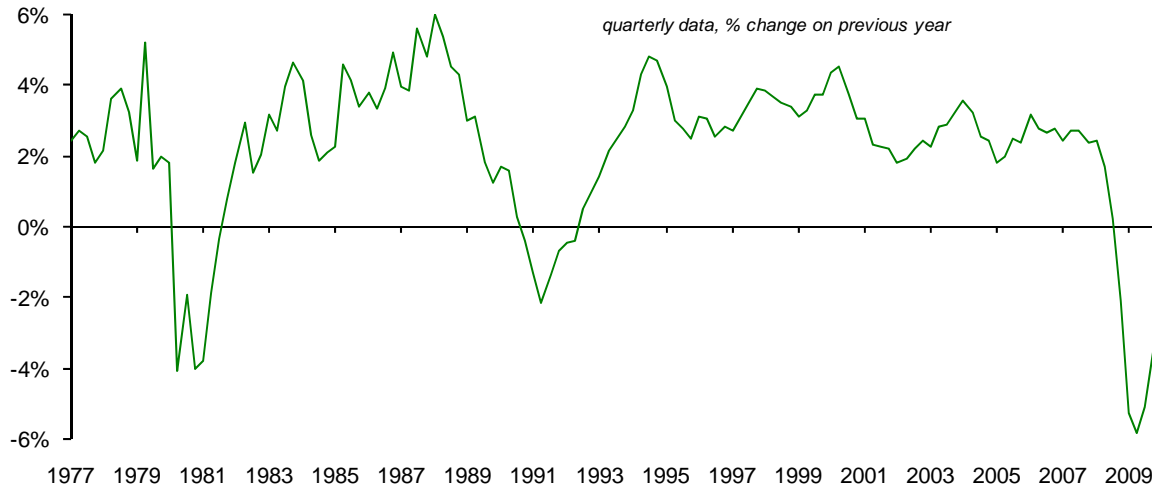
²¹ ["Businesses set to freeze employee pay, BCC warns"](#), *Financial Times*, 28 December 2009.

²² ["Half of UK companies planning to freeze wages for second year"](#), *Financial Times*, 16 November 2009

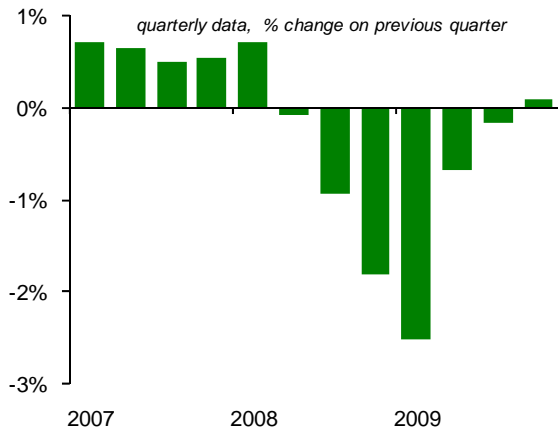
A1: Gross Domestic Product

Provisional data suggest that the economy grew by 0.1% in Q4 2009, the first quarter of positive growth since Q1 2008. In January 2010, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -4.7%, and for 2010 was 1.4%.

Real GDP Growth since 1977



Real GDP Growth since 2007



Gross Domestic Product

£ billion & %; seasonally adjusted

	Current prices		Real GDP (inflation-adjusted)	
	£ billion	% change on year	% change on quarter	% change on year
2007	1,399	5.5	...	2.6
2008	1,448	3.5	...	0.5
2009	-	0.0	...	-4.8
2008 Q4	359.3	1.2	-1.8	-2.1
2009 Q1	349.0	-4.0	-2.5	-5.2
Q2	346.8	-4.7	-0.7	-5.8
Q3	350.6	-3.1	-0.2	-5.1
Q4	-	0.0	0.1	-3.2

Source: ONS, series: YBHA, ABMI

- The economy grew by 0.1% in Q4 of 2009, compared to Q3 of 2009. This compares with a decline of 0.2% in Q3 2009, compared with Q2 2009.
- The contraction in the economy of -2.5% between Q4 2008 and Q1 of 2009 was the largest percentage fall in quarterly GDP since Q2 of 1958 (-2.6%).
- In Q4 2009, GDP fell by 3.2% compared with the same period a year ago, higher than the 5.1% decline recorded in Q3.
- Total output of the economy fell by 6.0% during the recession.

Contact: Grahame Allen, x3977

Updates: HM Treasury, [Forecasts for the UK Economy](#), 17 Feb
ONS, [Quarterly National Accounts](#), 27 Feb

A2: GDP: International Comparisons

Among the G7, France, Germany and Japan emerged from recession with quarter on quarter growth in Q2 2009, followed by the US, Canada, Italy (and the eurozone) as a whole in Q3 2009. Preliminary Q4 2009 data suggest the UK has also emerged from recession with 0.1% growth, bringing to an end a run of six successive quarters of contraction since Q2 2008.

On an annual basis, in Q3 2008 the US economy contracted by 2.6%, compared with 5.1% for the UK, 4.8% for Germany, and a 3.5% contraction across the G7 as a whole (OECD-wide data for Q3 2009 is not yet available).

Real GDP, % changes

	change on prev. year				change on previous quarter				
	2008	Q1 09	Q2 09	Q3 09	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09
US	0.4	-3.3	-3.8	-2.6	-0.7	-1.4	-1.6	-0.2	0.6
Japan	-1.2	-8.6	-6.0	-4.7	-1.0	-2.7	-3.1	0.7	0.3
UK	0.5	-5.2	-5.8	-5.1	-0.9	-1.8	-2.5	-0.7	-0.2
Germany	1.3	-6.7	-5.8	-4.8	-0.3	-2.4	-3.5	0.4	0.7
France	0.4	-3.5	-2.8	-2.3	-0.2	-1.5	-1.4	0.3	0.3
Eurozone	0.5	-5.0	-4.8	-4.0	-0.4	-1.9	-2.5	-0.1	0.4
G7	0.2	-4.7	-4.5	-3.5	-0.7	-1.7	-2.2	0.0	0.4
OECD	0.6	-4.8	-4.5	-3.3	-0.6	-1.9	-2.2	0.1	0.6

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

The IMF's [January 2010 forecasts](#) are for a slower contraction of the world economy in 2009 (0.8% compared with 1.1% forecast in [October 2009](#)), then growth of 3.9% in 2010 (cf. 3.1% previously).

The IMF has reduced its UK 2009 forecast by 0.4 percentage points, but increased its 2010 growth forecast to 1.3%. This compares with 1.0% growth in Italy (and the eurozone as a whole), but 1.4% in France and 1.5% in Germany. Japan is expected to grow 1.7% and the US by 2.7% in 2010. Growth in China is forecast to reach 10% in 2010, and India to grow 7.7%.

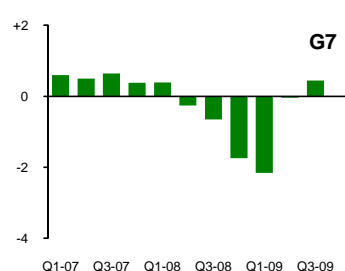
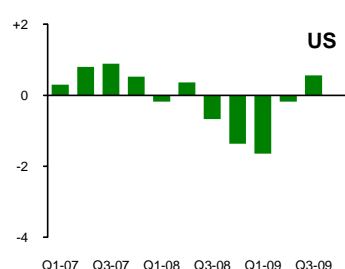
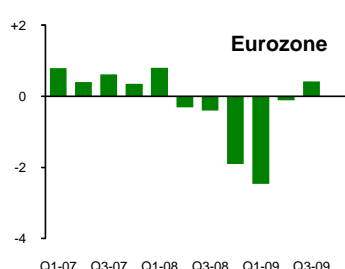
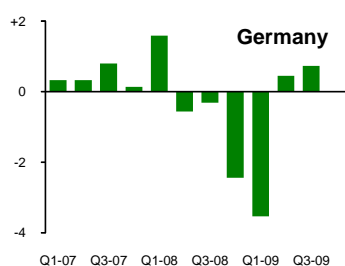
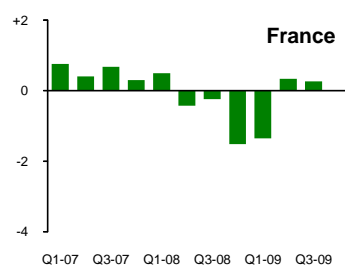
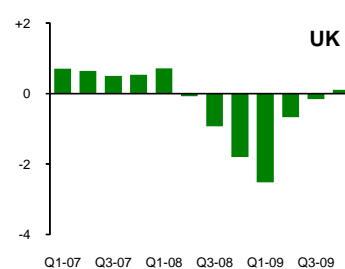
The November 2009 [OECD Economic Outlook](#) forecast a 3.5% contraction for developed economies this year, then 1.9% growth in 2010, revising up its [June forecast](#) for 4.1% contraction in 2009 then 0.7% growth in 2010.

The European Commission forecast a 4.6% contraction for the UK in 2009 in its [November 2009 forecasts](#), compared with contractions of 2.2% in France and 5.0% in Germany.

Real Growth Forecasts (% change)

	IMF (Jan 10)			OECD (Nov 09)		EC (Nov 09)	
	2009	2010	2011	2009	2010	2009	2010
UK	-4.8	1.3	2.7	-4.7	1.2	-4.6	0.9
France	-2.3	1.4	1.7	-2.3	1.4	-2.2	1.2
Germany	-4.8	1.5	1.9	-4.9	1.4	-5.0	1.2
Eurozone	-3.9	1.0	1.6	-4.0	0.9	-4.0	0.7
US	-2.5	2.7	2.4	-2.5	2.5	-2.5	2.2
Japan	-5.3	1.7	2.2	-5.3	1.8	-5.9	1.1
OECD	..	..	..	-3.5	1.9	..	..
China	8.7	10.0	9.7	8.3	10.2	8.7	9.6
India	5.6	7.7	7.8	6.1	7.3	..	..
World	-0.8	3.9	4.3	-1.7	3.4	-1.2	3.1

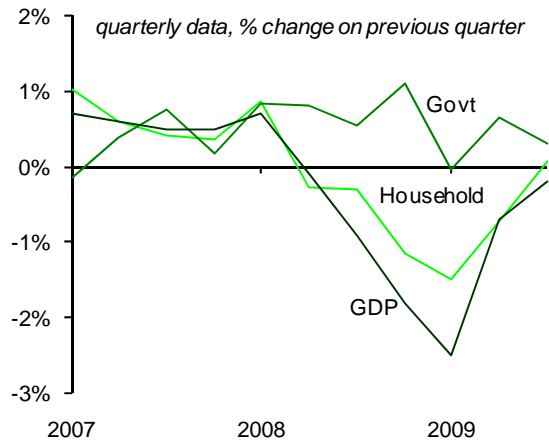
Sources: IMF, WEO update, Jan 10; OECD, *Economic Outlook*, Nov 09 flashfile; EC, Nov 09



A3: Components of GDP

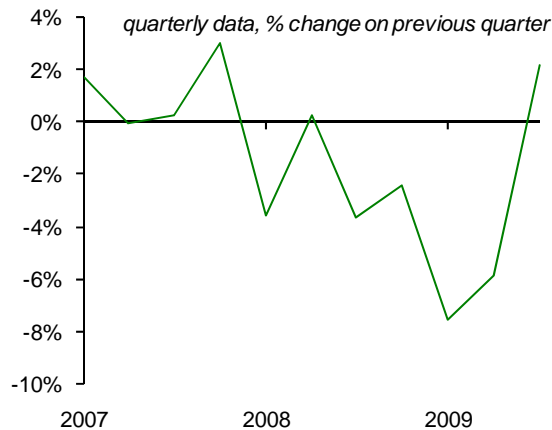
Total GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 62% of the total. Government consumption accounts for 21% of GDP and gross fixed capital formation for 17%.

Household consumption, government consumption and GDP



- Government consumption has been the main element of demand supporting the economy recently. It is 2.1% higher than a year ago, while household consumption is 3.3% lower.
- Household consumption was increased by 0.1% in 2009 Q3, following five successive quarters of decline.
- Inventories (stocks held by companies to meet future demand) play an important role in the economic cycle. The rate at which companies are running down their holdings of inventories increased in 2009 Q3.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- GFCF increased by 2.2% in 2009 Q3 but is 13.3% below its level a year earlier.
- Business investment fell by 0.6% in Q3 2009 and is 19.9% below its level of a year ago.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2007 (annual % change)	2.5%	1.2%	7.8%	-2.8%	-0.7%	2.6%
2008 (annual % change)	0.9%	2.6%	-3.5%	1.1%	-0.5%	0.5%
2008 Q4	-1.2%	1.1%	-2.4%	-4.5%	-6.1%	-1.8%
2009 Q1	-1.5%	0.0%	-7.5%	-7.0%	-6.7%	-2.5%
2009 Q2	-0.7%	0.7%	-5.9%	-2.2%	-3.2%	-0.7%
2009 Q3	0.1%	0.3%	2.2%	0.8%	1.5%	-0.2%

Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

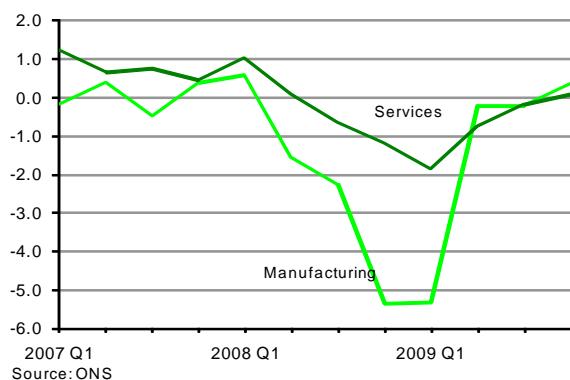
Update: ONS, [UK output, income and expenditure](#), 26 Feb

A4: Output and Employment by Industry

In Q4 2009 output in the manufacturing industry rose by 0.3% compared to the previous quarter and fell by 5.4% compared to the same quarter a year ago. Output in the services sector rose by 0.1% compared to the last quarter and fell by 2.7% compared to the same quarter a year ago.

In the quarter to September 2009, the number of jobs in the manufacturing sector fell by 1.5% compared to the previous quarter and by 7.9% compared to the same quarter a year ago. The number of jobs in the service sector fell by 0.1% over the last quarter and by 0.9% compared to the same quarter a year ago.

Manufacturing and Services, quarterly growth



GVA growth by industry, % changes

seasonally adjusted, chained volume measures at basic prices

	Manu- facturing	Constru- ction	Services		
			Total	Retail and hotels	Busin- ess
2007	0.6	2.7	3.5	3.1	5.5
2008	-2.9	-0.8	1.4	-1.1	2.4
2009	-10.8	-10.5	-3.7	-4.6	-4.9
Quar Change	0.3	0.0	0.1	0.4	0.0
Ann Change	-5.4	-5.0	-2.7	-0.5	-4.8

Notes: Changes: Ann compares to Q4 08, Quar to Q3 09
Retail: Wholesale and retail, repairs, hotels, restaurants
Business: Business services and finance

Source: ONS, series CKYY, GDQB, GDQS, GDQE, GDQN

- The output levels of UK industry are measured here by gross value added (GVA).
- Over the last year the manufacturing sector has seen greater falls in growth than the services sector.
- Although on an annual basis the service sector has declined by 2.7% to Q4 2009, the business services and finance sector have fallen by more (4.8%).
- In 2007, services accounted for 76% of gross value added, manufacturing for 12%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.
- The table and chart below show workforce jobs by industry in the UK. Workforce jobs are a measure of jobs not employment and as such people who hold two jobs or more will be counted twice or more.
- On an annual basis, the highest percentage fall in jobs has been in the construction sector (-8.2%).
- Over the last four quarters the number of jobs has fallen in both the manufacturing and services sectors.

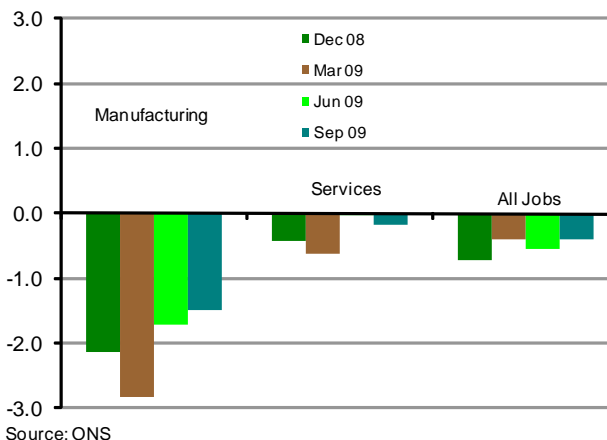
Workforce jobs by industry, 2006-2009

seasonally adjusted, SIC 2003

	Manufa- cturing	Constru- ction	Retail and hotels	Busin- ess	Public admin	All Jobs
Sept 2007	3,195	2,246	7,015	6,708	7,958	31,598
Sept 2008	3,084	2,281	6,973	6,583	8,049	31,510
Dec 2008	3,018	2,278	6,888	6,481	8,066	31,286
Mar 2009	2,933	2,231	6,849	6,476	8,153	31,160
June 2009	2,883	2,162	6,817	6,404	8,201	30,987
Sep 2009	2,840	2,095	6,830	6,375	8,237	30,861
Quar Change	-1.5	-3.1	0.2	-0.5	0.4	-0.4
Ann change	-7.9	-8.2	-2.1	-3.2	2.3	-2.1

Notes: Changes: Ann compares to Sept 08, Quar to June 09
Retail and 'business' as in table above
Public admin: Education, health and public admin

Quarterly percentage change in jobs by industry, SA



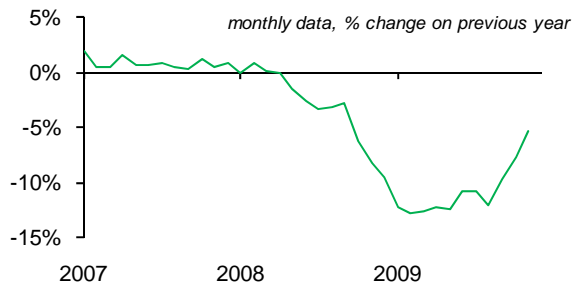
Contact: Ed Potton, x2883

Update: ONS, [UK Output, income and expenditure - Q4](#), 26 Feb

A5: Manufacturing (Including Automotives)

Monthly manufacturing output data from the ONS, as well monthly vehicle production and new car registration data from the Society of Motor Manufacturers and Traders (SMMT), are covered below.

Manufacturing Output

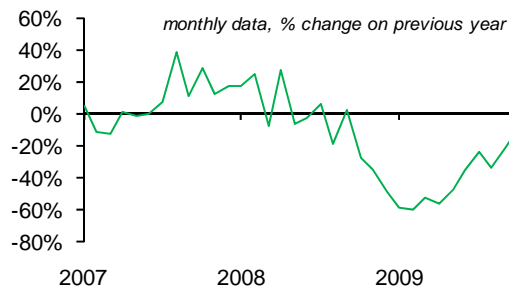


	Index Value (2005=100)	% change over month	% change over 12 months
2007	102.2	...	+0.6
2008	99.2	...	-2.9
2009 Aug	87.2	-2.0	-12.0
Sep	88.6	+1.5	-9.8
Oct	88.6	0.0	-7.8
Nov	88.5	0.0	-5.4

Source: ONS, series CKYY

- Monthly manufacturing output was unchanged in November. It was also unchanged in October. Output was down by 5.4% compared with a year ago, with the rate of decline slowing in recent months (see chart).
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was 0.4% higher during November but 6.0% lower than a year ago.

Vehicle Production

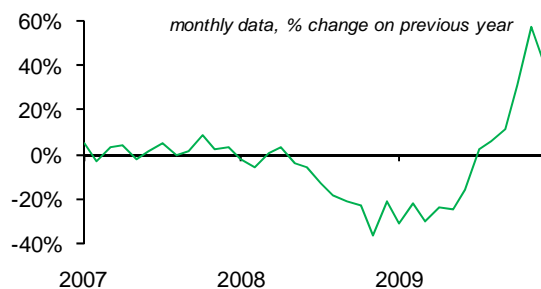


	Number '000s	% change over 12 months
2008	1,650	-5.8
2009	1,090	-33.9
2008 Dec	60	-48.7
2009 Oct	114	-10.1
Nov	122	+12.5
Dec	93	+54.0

Source: SMMT, not seasonally adjusted

- Supported by the scrappage scheme, vehicle (car plus commercial vehicle) production recovered since early 2009, rising by 54% in December compared with a year ago, the largest increase since May 1976.
- In 2009, 1.09 million vehicles were produced in the UK, down by 33.9% compared with 2008. Out of the total, 261,000 or 24% were for the UK market and 829,000 or 76% were for export.

New Car Registrations



	Number '000s	% change over 12 months
2008	2,132	-11.3
2009	1,995	-6.4
2008 Dec	109	-21.1
2009 Oct	169	+31.6
Nov	158	+57.6
Dec	151	+38.9

Source: SMMT, not seasonally adjusted

- New registrations of cars rose by 38.9% in December compared with a year ago. According to the SMMT, the scrappage scheme has stimulated growth in demand. Up to 10 January 318,628 orders have been placed under the scheme, with funding available for up to 400,000 by the end of February 2010.
- New car registrations fell by 6.4% in 2009 to 2 million, the lowest level since 1995.

Contact: Daniel Harari, x2464

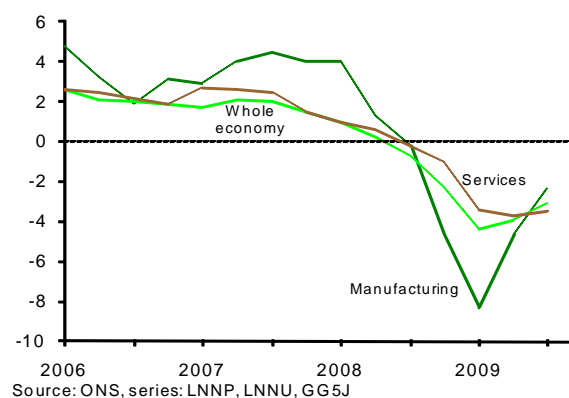
Update: ONS, [Index of Production](#), 10 Feb
SMMT, [Vehicle Production](#), late Feb
SMMT, [New Car Registrations](#), 4 Feb

A6: Productivity

Productivity is a measure of the level of output in an economy and the inputs required to produce it. Three measures are commonly used: output (or GDP) per worker, output per job and output per hour (worked). Data covering the UK economy is published every three months, with international comparisons updated biannually.

- Productivity across the whole economy, measured by output per worker, is estimated to have fallen by 0.3% in 2008 compared with growth of 1.9% in 2007.
- Output per worker fell by 3.1% in Q3 2009 compared to the same quarter a year ago. Output and employment levels have been falling in the economy in the last year.
- Manufacturing output per job fell by 2.4% in Q3 2009 compared to the same quarter a year ago; output per job in the service sector fell by 3.5% over the same period.
- Comparing Q3 2009 with Q2 2009, manufacturing output per job increased by 1.2%, services output per job fell by 0.3% while output per job for the whole economy grew by 0.2%.

Output per job, quarterly data, annual percentage change seasonally adjusted



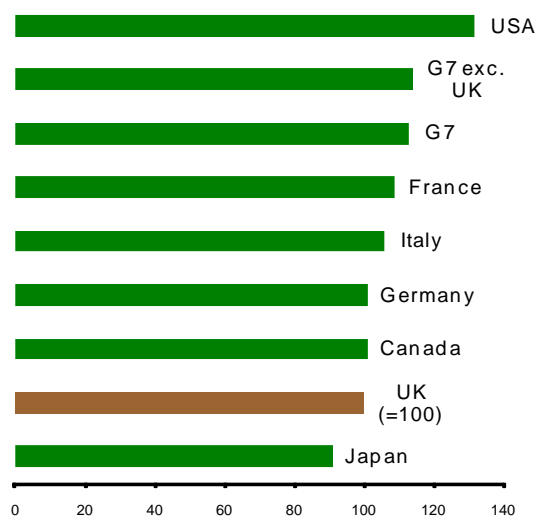
Productivity growth, seasonally adjusted

	Manufacturing		Services		Whole Economy		
	Output per job	Output per hour	Output per job	Output per hour	Output per worker	Output per job	Output per hour
<i>Annual % change</i>							
2007	3.9	3.5	..	..	1.9	1.8	1.8
2008	0.1	0.2	..	..	-0.3	-0.5	0.0
2008 Q3	-0.2	0.4	-0.2	0.5	-0.4	-0.7	-0.1
Q4	-4.7	-4.2	-1.0	-0.6	-2.0	-2.3	-1.7
2009 Q1	-8.3	-5.5	-3.4	-0.9	-4.0	-4.4	-1.9
Q2	-4.7	-3.0	-3.7	-3.5	-3.5	-3.9	-3.2
Q3	-2.4	-1.3	-3.5	-2.4	-3.1	-3.1	-1.6
<i>Latest quarterly % change</i>	1.2	1.3	-0.3	0.3	-0.1	0.2	0.7

Source: ONS

- International comparisons of productivity are presented as an index where the UK=100 for each year.
- In 2008, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Germany and Canada, and lower levels than Italy, France, the US and the G7 average.
- Based on GDP per hour, in 2008 the UK had higher levels of productivity than Japan, Italy and Canada, and lower levels than Germany, France, the US and the G7 average.
- Since 1997 UK productivity has improved compared to all but one G7 country. UK GDP per worker has increased by around 20% between 1997 and 2008, compared to 21% for the US, 16% for the G7 average, 14% for Japan, 11% for Canada and France, 10% for Germany and no change for Italy.

GDP per worker, 2008, index where UK=100



Contact: Ed Potton, x2883

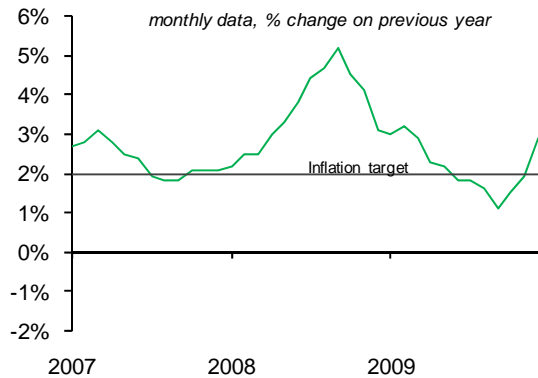
Update: ONS, [Productivity](#), 31 Mar

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.9% in December, up from 1.9% in November, and above the Bank of England's 2% target.

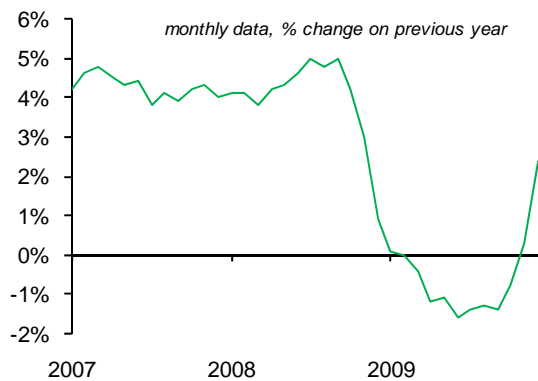
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

Consumer Prices Index (CPI)



- The CPI annual inflation rate rose one full percentage point to 2.9% in December.
- The ONS said a number of “exceptional events” – the cut in VAT, the steep decline in fuel prices and large pre-Christmas retail price reductions – that lowered prices in December 2008 and were not repeated in December 2009, resulted in the large increase in annual inflation.
- The RPI (all items) measure of inflation increased sharply to 2.4% in December compared with a 0.3% rise in November.

Retail Prices Index (RPI)



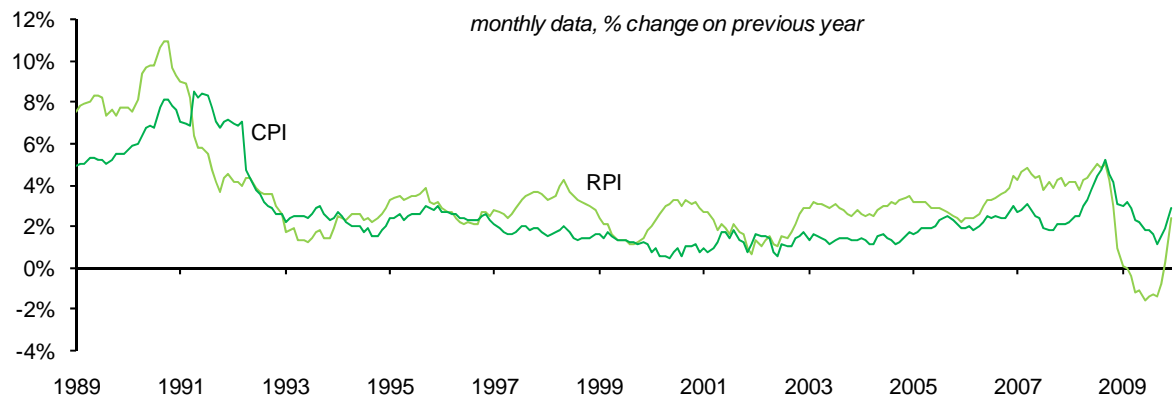
Price Indices

% change on a year ago

		CPI	RPI
2006		2.3	3.2
2007		2.3	4.3
2008		3.6	4.0
2009	Jul	1.8	-1.4
	Aug	1.6	-1.3
	Sep	1.1	-1.4
	Oct	1.5	-0.8
	Nov	1.9	0.3
	Dec	2.9	2.4

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1989



Contact: Daniel Harari, x2464

Update: ONS, [Consumer Price Indices](#), 16 Feb

B2: Inflation: International

UK inflation, measured by the Consumer Prices Index (CPI), remained positive throughout the downturn. That is in contrast with many other major economies, including the US, France and Germany, which saw deflation (negative inflation).

Inflation in the EU (and in some other European countries) is measured by the standard Harmonised Index of Consumer Prices (HICP). Methodologies used for calculating inflation in other countries differ from this standard to a varying degree. For example, the US CPI is based on prices in urban areas only and, unlike the HICP, includes the costs of owner-occupied housing. Care should therefore be taken in making direct comparisons.

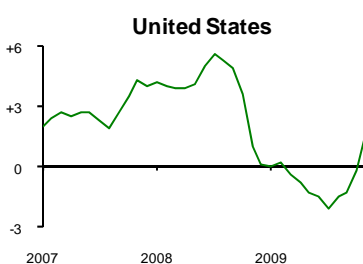
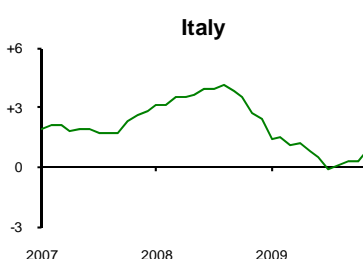
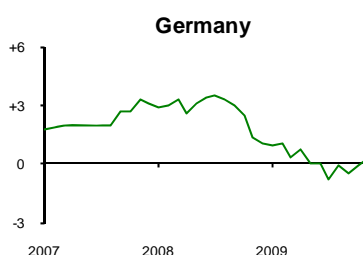
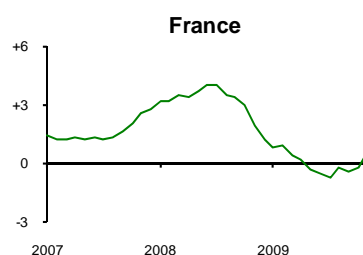
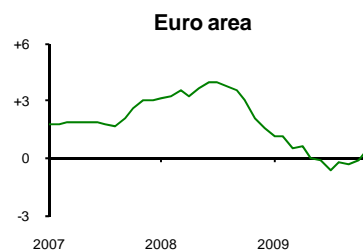
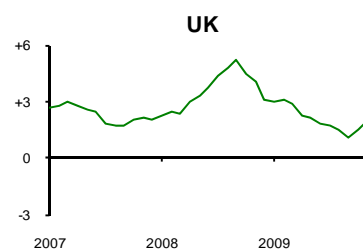
- In the year to December 2009, UK inflation (CPI) was 2.9%, the highest in the G7 and the third highest in the EU behind Hungary and Poland. The Bank of England's target is 2%.
- Euro-area inflation was 1.4% (HICP) in the year to December 2009. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Having been negative between February and October 2009, annual inflation in the United States rose sharply to 2.7% in December.
- Iceland (11.3%) and Ireland (-2.6%, both HICP) continue to be inflation rate outliers.

Inflation rates: selected countries

Annual % change in consumer prices

	2007	2008	Oct 09	Nov 09	Dec 09
HICP					
UK	2.3	3.6	1.5	1.9	2.9
Euro area	2.1	3.3	-0.1	0.5	0.9
EU	2.4	3.7	0.5	1.0	1.4
France	1.6	3.2	-0.2	0.5	1.0
Germany	2.3	2.8	-0.1	0.3	0.8
Iceland	3.6	12.8	13.8	12.4	11.3
Ireland	2.9	3.1	-2.8	-2.8	-2.6
Italy	2.0	3.5	0.3	0.8	1.1
Spain	2.8	4.1	-0.6	0.4	0.9
National defs					
Canada	2.1	2.4	0.1	1.0	1.3
Japan	0.1	1.4	-2.5	-1.9	-1.7
United States	2.9	3.8	-0.2	1.8	2.7
G7	2.2	3.2	-0.3	1.0	1.7
OECD	2.5	3.7	0.2	1.3	1.9
Brazil	3.6	5.7	4.2	4.2	..
China	4.8	5.9	-1.5	..	..
India	6.4	8.3	11.5	13.5	..
Russia	9.0	14.1	9.7	9.1	..

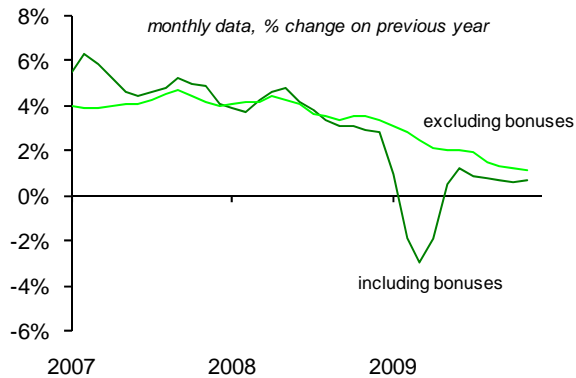
Source: OECD Consumer Prices Release



B3: Average Earnings

The ONS recently replaced the Average Earnings Index with Average Weekly Earnings as its headline measure of earnings growth. The data on this page has also been changed to reflect this. As a result, you may notice some differences in the data compared with past versions of this page. Average weekly earnings (three-month average including bonuses) for the whole economy rose by 0.7% in the year to November.

Average Earnings, Whole Economy



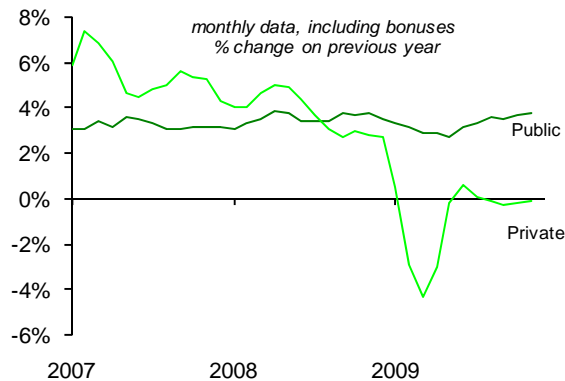
Average Earnings, Including Bonuses

% change on year; seas. adj.; Great Britain

	Private	Public	Manuf.	Serv.	Total
2006 Nov	4.4	2.7	3.7	4.0	4.2
2007 Nov	5.3	3.2	3.2	4.9	4.9
2008 Nov	2.8	3.8	3.0	3.2	2.9
2009 Jun	0.6	3.2	0.9	1.4	1.2
Jul	0.1	3.3	0.1	1.0	0.9
Aug	-0.1	3.6	0.7	0.8	0.8
2009 Sep	-0.3	3.5	0.9	0.7	0.7
Oct	-0.2	3.7	1.6	0.7	0.6
Nov	-0.1	3.8	1.6	0.9	0.7

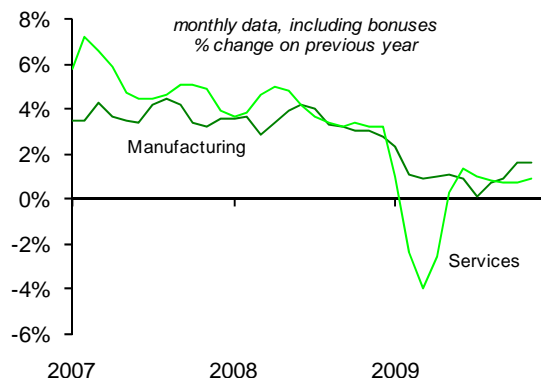
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay in the public sector rose by 3.8% in November, compared with a 0.1% decrease in the private sector.
- Average weekly earnings in November in the public sector were £459 compared with £447 in the private sector.
- In 2008, headline (including bonuses) earnings in both the public and private sectors averaged an increase of 3.6%.

Average Earnings in Services and Manufacturing

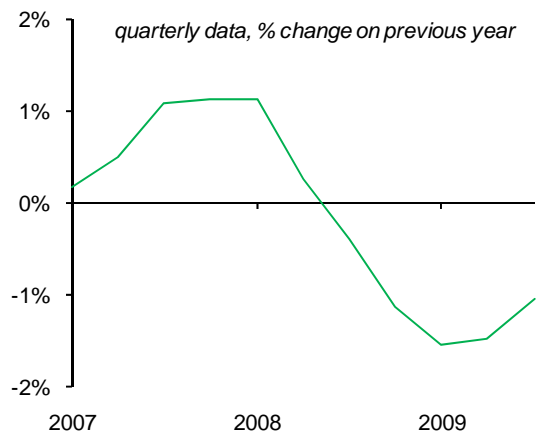


- Average total pay growth in the manufacturing sector was 1.6% in November, compared with 0.9% in the services sector.
- Average weekly earnings in November in the manufacturing sector were £510 compared with £436 in the services sector.
- In 2008, headline (including bonuses) earnings in the services sector averaged an increase of 3.8% compared with a 3.3% rise in the manufacturing sector.

C1: Employment

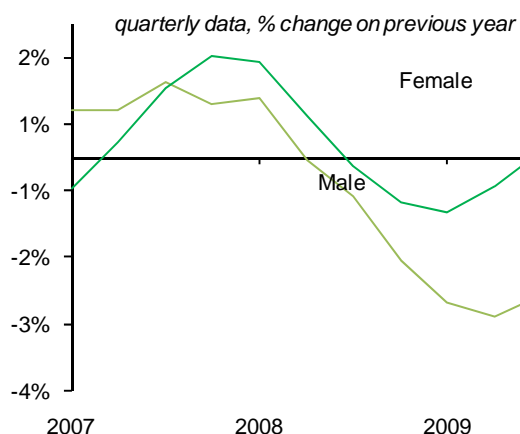
Total employment in the three months to November 2009 was 451,000 (1.5%) lower than a year earlier and 14,000 lower than the previous quarter.

Total employment



- Employment is 2.2% lower than its peak of 29.6 million in April 2008.
- Over the past year, employment among 16-24 year olds has fallen by 8.3%. This is more than any other age group (see table below).
- Employment of women aged 60 and over has increased by 6.9% over the last year.

Male and female employment



- Male employment was 15.4 million in the three months to November 2009, compared with female employment of 13.5 million.
- Over the past year, male employment has fallen by 2.7% while female employment has fallen by 0.1%.
- Full-time employment has fallen by 2.7% over the past year while part-time employment has increased by 1.9%.

Employment by age

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

	Total	16-24	25-49	50-59(f)/ 64(m)	60+(f)/ 65+(m)
Oct-07	29,363	4,225	17,324	6,556	1,257
Oct-08	29,372	4,119	17,306	6,604	1,342
Jan-09	29,226	4,020	17,280	6,587	1,339
Apr-09	28,982	3,912	17,112	6,591	1,366
Jul-09	28,935	3,850	17,077	6,604	1,403
Oct-09	28,921	3,779	17,154	6,574	1,413
% change on previous 3 months	-0.0	-1.8	+0.5	-0.5	+0.7
% change on previous year	-1.5	-8.3	-0.9	-0.5	+5.3

Source: ONS

Note: 60+(f)/65+(m) refers to the state retirement age for females and males, respectively

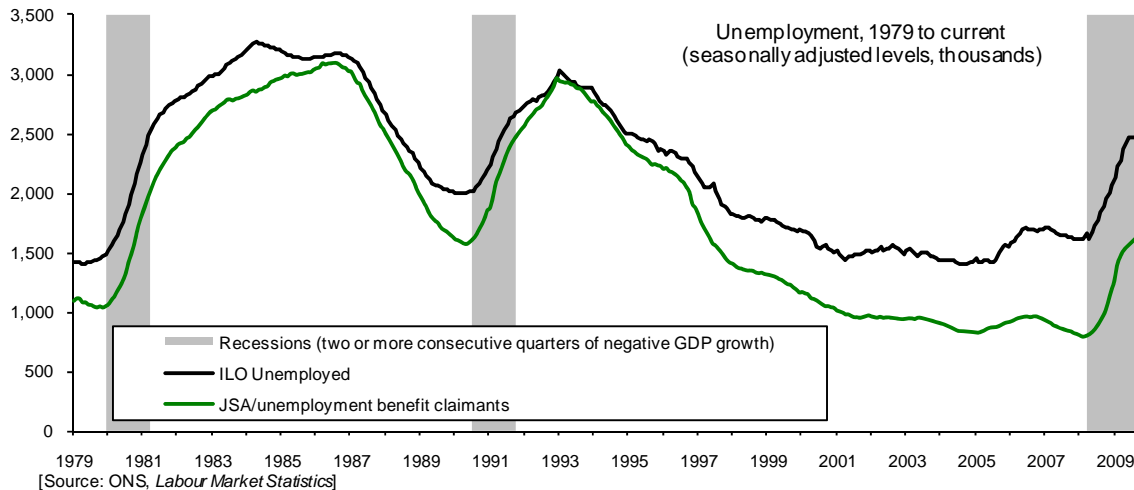
Contact: Dominic Webb, x4324

Update: ONS, [Labour Market Statistics](#), 17 Feb

C2: Unemployment: National

The Office for National Statistics uses 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).

- **ILO unemployment in September to November 2009 was 2,458,000 (7.8% of all economically active) – down by 7,000 from the previous quarter (UK, seasonally adjusted).**



ILO unemployment (survey period Sep-Nov 2009):

- The number of people unemployed for more than 12 months stood at 631,000, a year-on-year increase of 196,000;
- The unemployment level among 16- to 24-year-olds was 927,000, 19.7% of the economically active population in the age group (see table below).

Jobseekers' Allowance (JSA) claimant count

- The seasonally adjusted monthly JSA claimant count decreased by 15,200 between November and December 2009 to 1,606,500.

New Deal schemes

New Deal for Young People started in January 1998.

- By Aug 2009, there had been 2,112,400 starts under the scheme. By May 2009, 1,944,760 spells had resulted in 877,280 sustained jobs (45%) i.e. where the individual had not returned to JSA within three months of starting employment.

New Deal 25 plus started in June 1998 and an enhanced scheme was introduced in April 2001.

- By Aug 2009, there had been 1,238,910 starts under the scheme. By May 2009, 810,570 spells had resulted in 321,810 sustained jobs (40%).

ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 59/64		60+/65+	
	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)
Sep-Nov 2004	1,411	4.7	590	12.4	614	3.5	190	2.9	17	1.7
Sep-Nov 2005	1,543	5.1	653	13.7	662	3.7	203	3.1	25	2.2
Sep-Nov 2006	1,675	5.4	683	14.0	760	4.2	205	3.1	27	2.2
Sep-Nov 2007	1,637	5.3	697	14.2	699	3.9	220	3.3	20	1.5
Sep-Nov 2008	1,947	6.2	811	16.5	840	4.6	265	3.9	31	2.2
Dec-Feb 2009	2,127	6.8	826	17.0	966	5.3	302	4.4	34	2.4
Mar-May 2009	2,377	7.6	926	19.1	1,094	6.0	325	4.7	32	2.3
Jun-Aug 2009	2,465	7.8	943	19.7	1,152	6.3	337	4.9	33	2.3
Sep-Nov 2009	2,458	7.8	927	19.7	1,146	6.3	349	5.0	36	2.5
Change on year										
Level	+511		+116		+306		+84		+5	
Percentage	+26.2		+14.3		+36.4		+31.7		+16.1	

Source: ONS, Labour Market Statistics.

Note: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding.

Contact: Roderick McInnes, x3793 **Updates:** ONS, [Labour Market Statistics](#), 17 Feb
DWP, *New Deal*, Feb

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 September to November 2009 the North East had the highest unemployment rate, 9.8% of the economically active population. The lowest rate over the same period was 6.2%, in the South East.
- A comparison of September to November 2009 with the same period a year earlier shows that the largest percentage rise in the regional unemployment level occurred in Northern Ireland (+56%). The North West showed the smallest percentage increase (+8%) over the period.

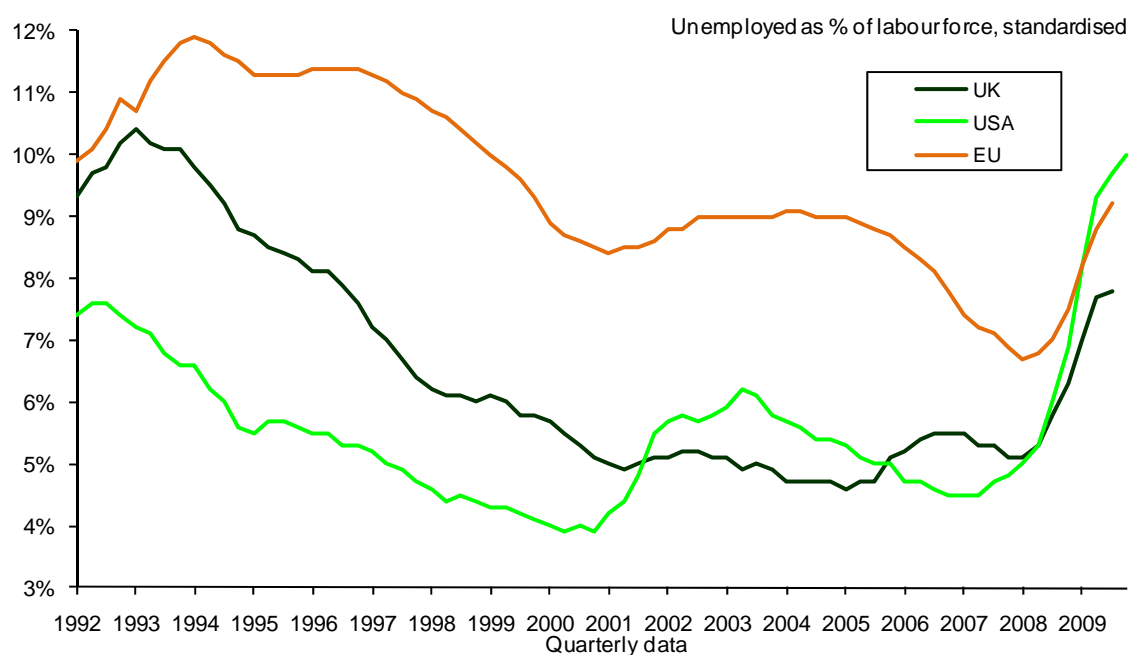
ILO Unemployment, September to November 2009

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	+20,000	+19
North West	+21,000	+8
Yorkshire & the Humber	+60,000	+34
East Midlands	+32,000	+24
West Midlands	+65,000	+34
East of England	+22,000	+13
London	+85,000	+28
South East	+63,000	+30
South West	+42,000	+33
Wales	+21,000	+21
Scotland	+61,000	+43
Northern Ireland	+20,000	+56

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

	2007	2008	2009	2008				2009			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	6.0	6.1	8.3	5.9	6.1	6.1	6.4	7.6	8.4	8.6	8.6
France	8.3	7.9	..	7.6	7.6	7.9	8.3	8.9	9.3	9.6	..
Germany	8.4	7.3	..	7.6	7.4	7.1	7.1	7.3	7.6	7.7	..
Italy	6.2	6.8	..	6.5	6.8	6.8	7.0	7.4	7.5	7.8	..
Japan	3.9	4.0	..	3.9	4.0	4.0	4.0	4.5	5.2	5.5	..
UK	5.3	5.6	..	5.1	5.3	5.8	6.3	7.0	7.7	7.8	..
USA	4.6	5.8	9.3	5.0	5.3	6.0	6.9	8.2	9.3	9.7	10.0
Eurozone	7.5	7.6	..	7.2	7.4	7.6	8.0	8.8	9.3	9.6	..
G7	5.5	5.9	..	5.4	5.6	6.0	6.5	7.3	8.0	8.3	..
OECD	5.8	6.1	..	5.7	5.9	6.2	6.7	7.6	8.3	8.6	..

Source: OECD, Harmonised Unemployment Rates, January 2010

- Using standardised definitions, the UK unemployment rate in Q3 2009 (the latest quarter for which all data are available) was 7.8%, below the eurozone rate (9.6%) and below the G7 and OECD rates (8.3% and 8.6% respectively).
- Between Q3 2008 and Q3 2009 Germany had the smallest rise in unemployment among G7 countries: 0.6 percentage points. The UK and US unemployment rates rose by 2.0 percentage points and 3.7 percentage points respectively over the same period.
- The most recent forecasts published by the OECD (*Economic Outlook no. 86 preliminary version, November 2009*) suggest the UK unemployment rate will be 8.0% in 2009, 9.3% in 2010 and 9.5% in 2011. The respective forecasts for the eurozone are 9.4%, 10.6% and 10.8%, and for the OECD as a whole 8.2%, 9.0% and 8.8%.

Contact: Roderick McInnes, x3793

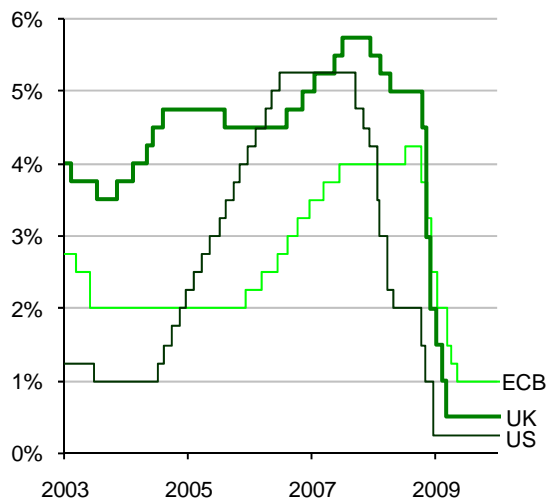
Updates: OECD, *Harmonised Unemployment Rates*, Feb
OECD, *Economic Outlook*, Jun

D1: Interest Rates and the Money Supply

In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest in the Bank's 315-year history. It has remained at that level since then.

In March 2009, with little room for further cuts in interest rates, the Bank initiated an asset purchase or 'quantitative easing' (QE) programme. The Bank has created money which it has used to purchase assets in an effort to stimulate demand and meet its 2% inflation target. Money supply growth has, however, remained weak.

Official interest rates



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

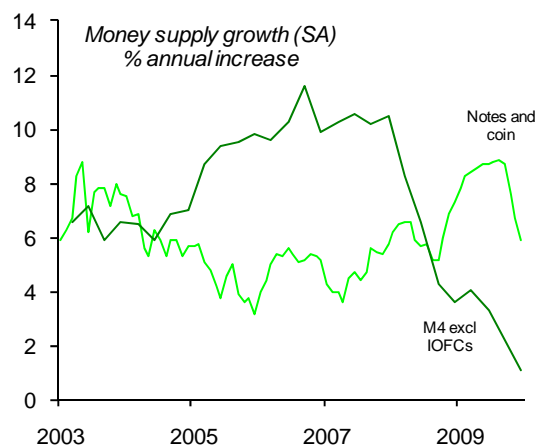
Source: Bank of England

- The European Central Bank's official interest rate has been 1% since 7 May 2009.
- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008.

Asset purchase programme (quantitative easing)

- On 5 March 2009, the Bank of England announced that it would undertake a policy of "quantitative easing". The Bank said that it would purchase £75 billion of assets using money which it would create. This total was increased to £125 billion in May 2009, £175 billion in August 2009 and £200 billion in November 2009.
- As of 28 January 2009, the Bank had purchased £200 billion worth of assets using created reserves. 99% of the purchases by value have been gilts (UK Government securities).

Money supply



- In its November 2009 *Inflation Report*, the Bank of England noted "broad money growth [has] weakened, although it was stronger than it would have been in the absence of the Bank's asset purchases."
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 1.1% in Q4 2009. That is the lowest recorded for this measure (series runs from Q4 1998) and compares with 11.6% in Q3 2006.
- The value of notes and coins in circulation outside the Bank of England rose by 5.9% in the year to December 2009.

Contact: Adam Mellows-Facer, x4904 **Updates:** Monetary policy: 4 Feb (UK) 4 Feb (ECB) 16 Mar (US)
Bank of England [Monetary & Financial Stats](#), 1 Mar

D2: Public Finances

The Treasury forecasts that public borrowing will be £178 billion in 2009/10, equivalent to 12.6% of GDP.

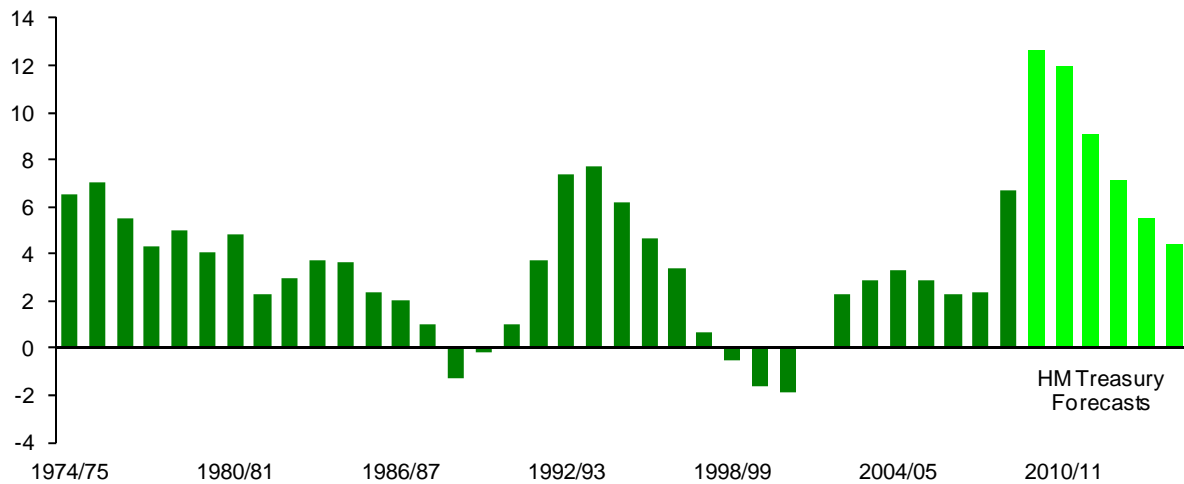
- Over the first nine months of 2009/10, government borrowing was £119.9 billion. This is nearly 90% higher than the level (£63.6 billion) in the same period of 2008/09.
- The Treasury forecasts that government borrowing will fall to 12.0% of GDP in 2010/11 and to 4.4% of GDP by 2014/15.
- The Government has published a Fiscal Responsibility Bill which will require the Chancellor to halve the deficit within four years.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	617	43.8
2009/10	178	12.6	799	55.6
2010/11	176	12.0	986	65.4
2011/12	140	9.1	1,139	71.7
2012/13	117	7.1	1,270	75.4
2013/14	96	5.5	1,379	77.1
2014/15	82	4.4	1,483	77.7

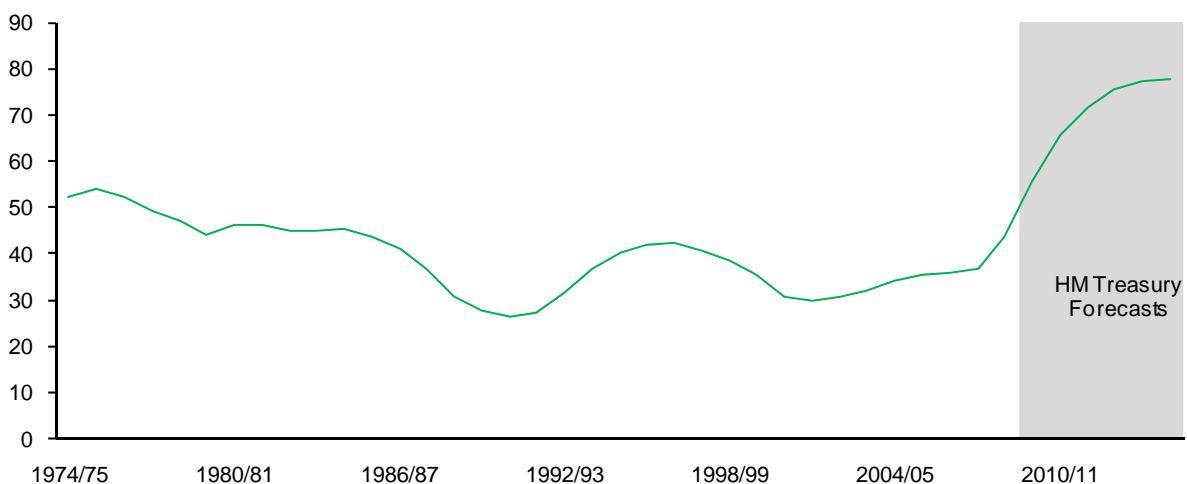
Source: ONS, HM Treasury forecasts

Note: figures exclude financial sector interventions

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



D3: Financial Indicators

The leading share index in the UK, the FTSE 100, tracks share-price movements in the country's 100 largest companies (by market capitalisation). It began in 1984 and hit an all-time high of 6930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008 and early 2009.

The price of oil nearly tripled in the 18 months to July 2008, reaching an all time high above \$145/barrel. A steep decline then followed to below \$40 by the end of 2008, before recovering in 2009.

The price of Gold hit an all-time high above \$1200/ounce in early December 2009.

Data from Friday 29 January 2010

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
29 Jan 2010	5,188.5	71.5	1,087.2
%change over:			
1-month	-5%	-8%	-2%
12-months	+24%	+72%	+21%
%change from:			
cyclical peak	-23%	-51%	-10%
date	15 Jun '07	03 Jul '08	03 Dec '09
cyclical trough	+48%	+96%	+53%
date	03 Mar '09	24 Dec '08	24 Oct '08

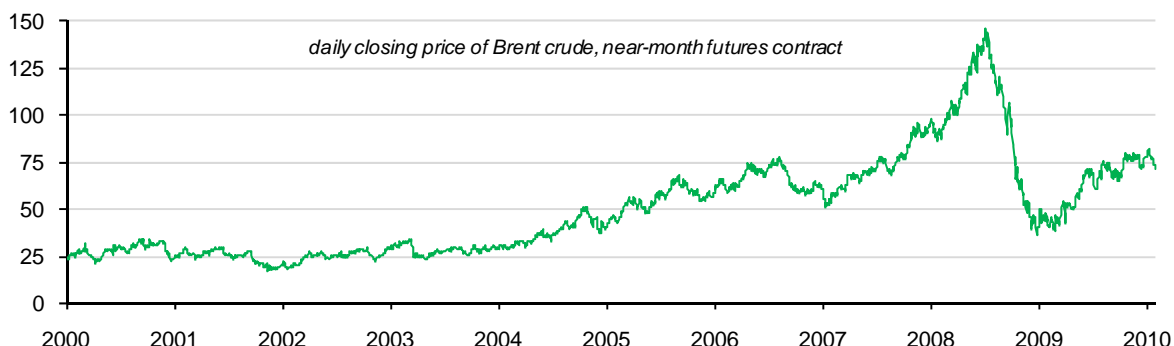
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Oil price (\$ per barrel)



Gold price (\$ per ounce)



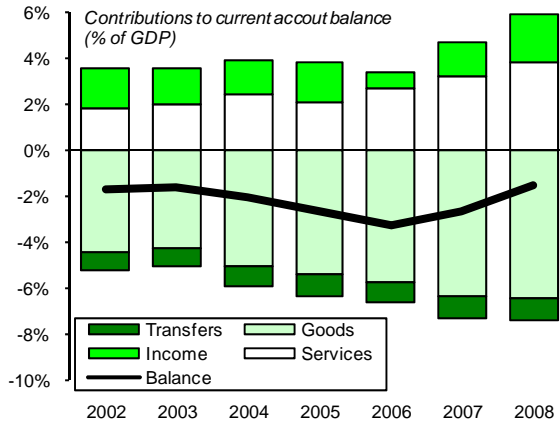
Contact: Daniel Harari, x2464

Update: Page updated on a weekly basis

E1: UK Balance of Trade

Annually, the current account deficit in 2008 was £22.0 billion, equivalent to -1.5% 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.

Current Account



- On a **quarterly** basis, the current account deficit was estimated at £4.7 billion in Q3 2009, widening from a Q2 2009 deficit of £4.4 billion. Between Q2 2009 and Q3 2009 the surplus on services widened while the deficit on goods narrowed.
- The **annual** current account deficit with EU27 countries in 2008 was £5.6 billion, compared with a deficit with non-EU countries of £16.4 billion. On a **quarterly** basis, the deficit with EU27 countries was £1.6 billion in Q3 2009 (£2.0 billion deficit in Q2 2009). With non-EU countries, the current account was in deficit by £3.1 billion in Q3 2009 (£2.4 billion deficit in Q2 2009).

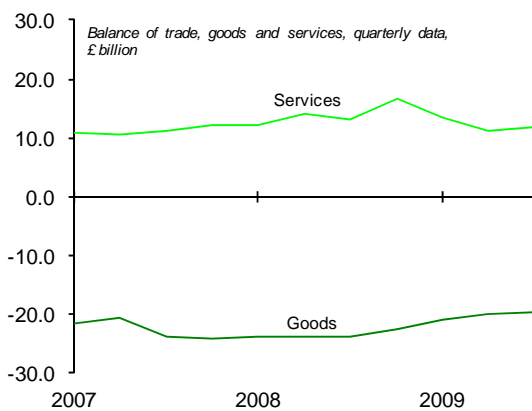
Current Account Balances

£ millions; seasonally adjusted

	Goods			Services Balance	Goods and Services Balance	Income	Transfers	Current Account Balance
	Exports	Imports	Balance					
2006	-68,789	24,611	-76,312	34,782	-41,530	9,573	-11,885	-43,842
2007	-77,399	31,005	-89,754	44,807	-44,947	20,775	-13,538	-37,710
2008	-87,425	36,464	-93,381	55,142	-38,239	30,293	-14,029	-21,975
2008 Q3	-20,143	8,559	-23,859	12,925	-10,934	6,537	-3,458	-7,855
Q4	-20,845	8,956	-22,310	16,444	-5,866	1,940	-2,973	-6,899
2009 Q1	-20,094	9,112	-20,855	13,142	-7,713	9,640	-3,942	-2,015
Q2	-23,187	9,345	-19,742	11,388	-8,354	8,181	-4,202	-4,375
Q3	-23,299	9,051	-19,679	11,812	-7,867	6,721	-3,557	-4,703

Source: ONS database, series: BQKU, BQKV, BOKG, BOKH, BOKI, FNSV, FNTC, HBOJ, HBOP, IKBD, IKBJ, IKBP

Trade in Goods and Services



- The estimated deficit on goods trade in November was £6.8 billion, narrower than the October deficit of £7.0 billion.
- The UK's monthly trade surplus on services was £3.87 billion in November, down slightly from the October surplus of £3.9 billion.
- The UK's overall monthly deficit on goods and services combined in November was £2.9 billion, down from £3.1 billion in October.
- The goods deficit with the EU27 was £3.8 billion in November (compared with £3.5 billion in October), while the deficit with non-EU countries was £3.0 billion (compared with £3.5 billion in October).

Contact: Grahame Allen, x3977

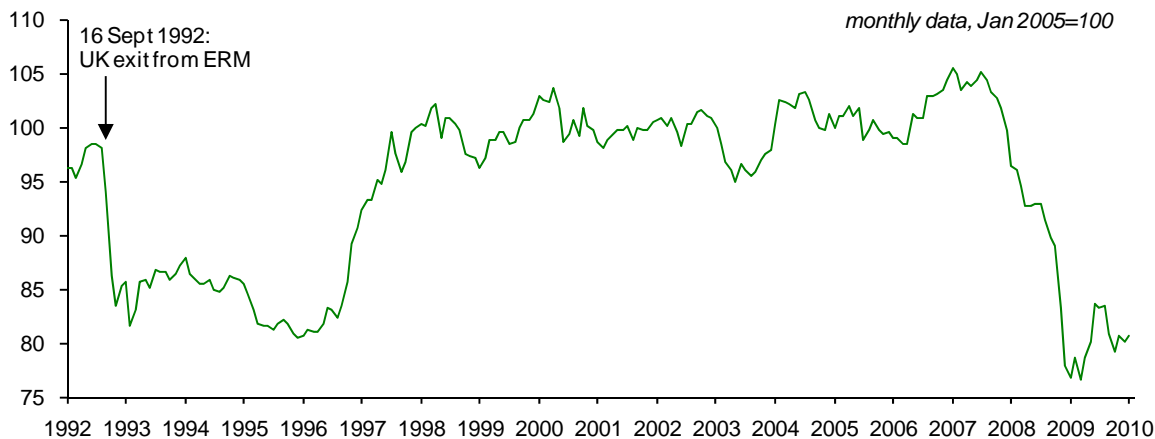
Updates: ONS, [UK Balance of Payments](#), 30 Mar; ONS, [UK Trade](#), 9 Feb

E2: Exchange rates

The *Sterling Exchange Rate Index* (SERI) measures sterling's value against a 'basket' of currencies, 'trade-weighted' (based on currencies' relative importance in UK trade).

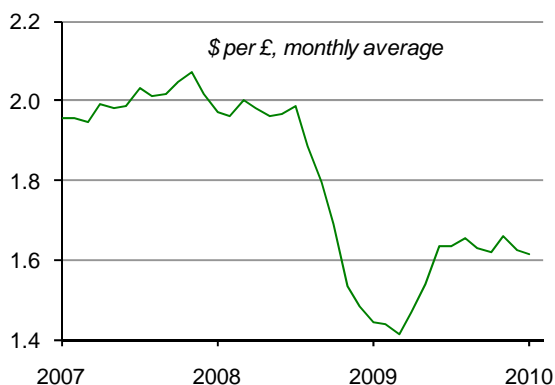
The SERI rose 0.7% over January, after a 0.7% fall in December. It is now 5.2% above its lowest point in March 2009 (since 1980, when the series began), and down 23.3% from its July 2007 peak. Compared with the previous year, the Index was up 5.1% in January.

Sterling Exchange Rate Index (SERI)



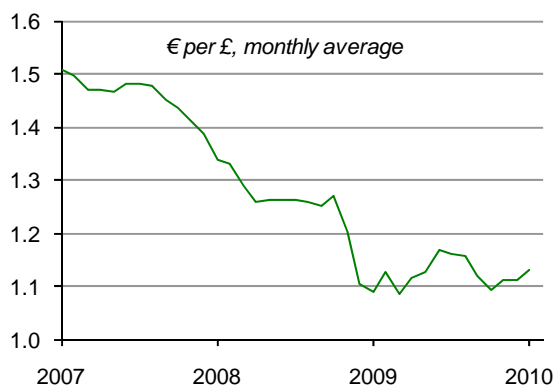
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In January, the pound fell slightly against the dollar, but rose against the euro.
- At the 1 February London market close, the pound sterling was worth \$1.59. Over the past three months the \$/£ exchange rate has traded in a range of \$1.59/£1 to \$1.68/£1.
- The pound was worth €1.14 at the 1 February close, compared with the all time low of €1.020 (on 30 December 2008), and the launch rate of €1.476 on 31 December 1998.
- Concerns over the fiscal position of Greece, a member of the euro zone, has led to a depreciation of the euro in recent weeks.

€/£ Exchange Rate



Sterling Exchange Rates

average rates in period and % changes

	US Dollar (\$)		Euro (€)	
	Rate	% change on year	Rate	% change on year
2008	1.85	-7.5%	1.26	-13.9%
2009	1.57	-15.5%	1.12	-10.8%
2009 Jan	1.45	-26.6%	1.09	-11.5%
Oct	1.62	-4.1%	1.09	-14.1%
Nov	1.66	8.2%	1.11	-7.6%
Dec	1.62	9.3%	1.11	0.8%
2010 Jan	1.62	11.8%	1.13	3.7%

Source: Bank of England, *Bankstats* database

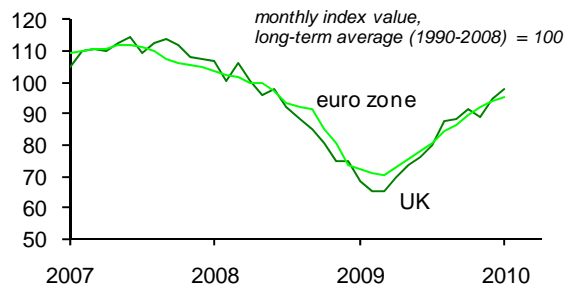
Contact: Ian Townsend, x2042

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

F1: Business and Consumer Confidence

Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.

European Commission Economic Sentiment Indicator

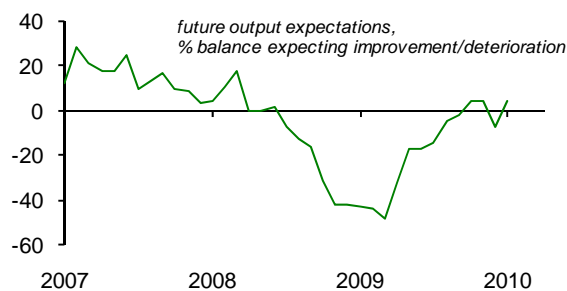


		UK Index	monthly change	change on year ago
2008	Jan	106.7	...	...
2009	Jan	68.5	...	...
	Oct	91.3	+3.2	+10.4
	Nov	88.9	-2.4	+14.0
	Dec	95.0	+6.1	+20.0
2010	Jan	98.2	+3.2	+29.7

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of all EU member states' economies.
- The overall UK sentiment index had been rising since April, and reached 98.2 in January, its highest level since April 2008.

CBI Industrial Trends Survey



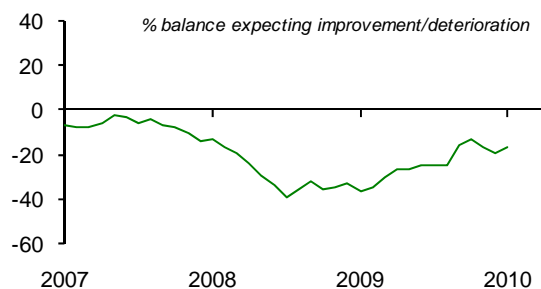
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2008	Jan	+4	...	...
2009	Jan	-43	...	...
	Nov	+4	+0	+46
	Dec	-7	-11	+35
2010	Jan	+4	+11	+47

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in January were +4% of firms expecting output to rise rather than fall over the next three months. This is a marked improvement on a year ago when the balance was -43.

GfK NOP Consumer Confidence Survey



balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Consumer Conf. Index	monthly change	change on year ago
2008	Jan	-13	...	...
2009	Jan	-37	...	...
	Nov	-17	-4	+18
	Dec	-19	-2	+14
2010	Jan	-17	+2	+20

Source: GfK NOP, *Consumer Confidence*

- 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 -17 in January, up 2 points on December, and 20 points higher than a year ago.

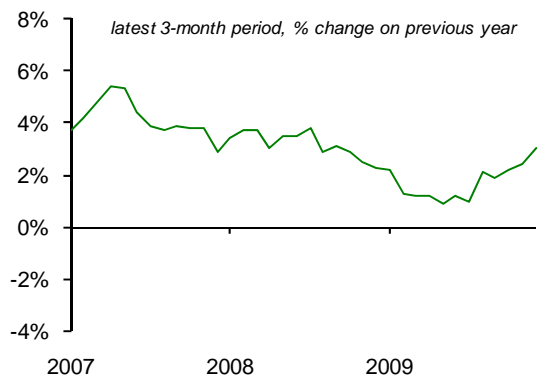
Contact: Ian Townsend, x2042

Update: CBI, *Industrial Trends*, 18 Feb
EC, *Economic Sentiment Indicator*, 25 Feb
GfK NOP, *Consumer Confidence*, 26 Feb

F2: Retail Sales

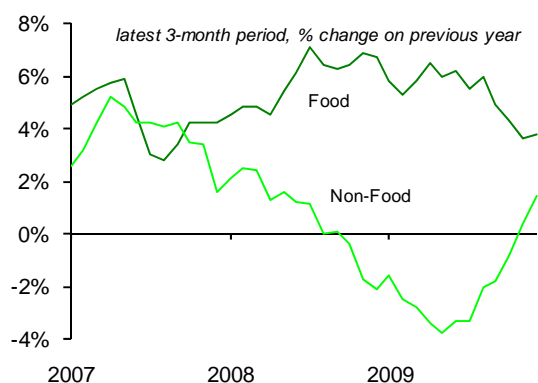
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

Value of Retail Sales



- The seasonally-adjusted value of retail sales in the three months to December was 3.0% higher than a year ago, up from a 2.4% rise in the three months to November.
- This was the fastest rate of growth since September 2008.
- The value of retail sales in December alone was up 0.9% compared with November.
- The estimated total value of sales in December was £35.3 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to December was 3.8% higher than a year ago.
- The value of sales in non-food stores in the three months to December was 1.4% higher than a year ago, the fastest rate of growth since May 2008.
- Sales in household goods stores rose by 3.1% in the three months to December, the highest rate of growth since September 2007, and up significantly from the 10% declines recorded in the first half of 2009.

Value of Retail Sales

annual data and latest 3-month period, % change on previous year; seasonally adjusted

		Food Stores	Non-Food Stores				All retailing total
			Clothing & Footwear	Household goods	Other	Total	
2008		5.9	-0.2	-2.6	5.0	0.4	3.1
2009		5.2	1.1	-4.9	-3.3	-1.7	1.8
2009	Aug	6.0	1.4	-6.0	-4.1	-2.0	2.1
	Sep	4.9	-0.2	-2.9	-4.6	-1.8	1.9
	Oct	4.3	0.3	-0.8	-4.5	-0.8	2.2
	Nov	3.6	1.6	1.3	-3.6	0.4	2.4
	Dec	3.8	2.3	3.1	-2.1	1.4	3.0

Source: ONS, series: IEAU, IEBJ, IEBM, IEBA, IEAX, IEBG

Contact: Daniel Harari, x2464

Update: ONS, [Retail Sales](#), 19 Feb

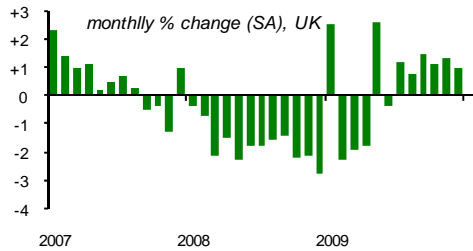
F3: Housing Market

The housing market has shown signs of recovery in recent months. On the Nationwide index, prices in January 2010 were 1.2% higher than December 2009 (the ninth monthly rise in a row) and 8.6% higher than in January 2009. However, prices remain well below the peaks seen in mid-2007.

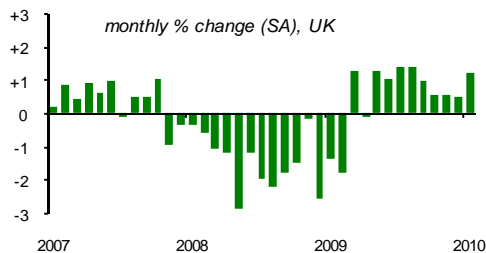
Concern has been expressed that recent increases in prices reflect supply constraints rather than healthy wider conditions. Numbers of mortgage approvals and housing starts remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

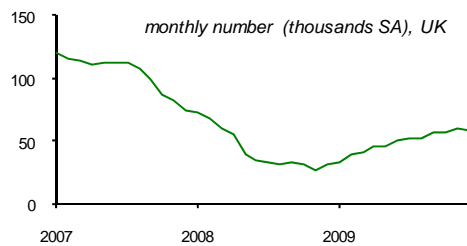


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Dec-09	Jan-10
Change in month	+0.9%	+1.2%
Change in year	+5.6%	+8.6%
Peak date	Aug-07	Jul-07
Change since peak	-15.3%	-9.1%
Trough date	Apr-09	Feb-09
Change since trough	+9.4%	+10.7%

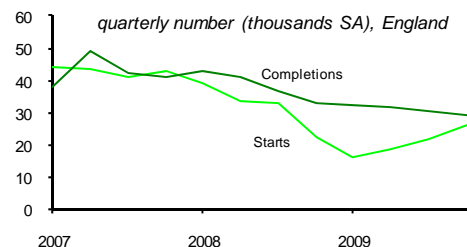
- On the Halifax index, prices are now at a similar level to those in October 2008. According to Nationwide they have recovered to August 2008 levels.
- There is considerable regional variation. Over 2009, prices fell by 7% in Northern Ireland but rose by 7% in London (Nationwide data). Prices rose by more in the south of England than the north over the year.

Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 59,000 mortgage approvals in December 2009, almost double the December 2008 total but well below the peak of 130,000 in November 2006.

House-building



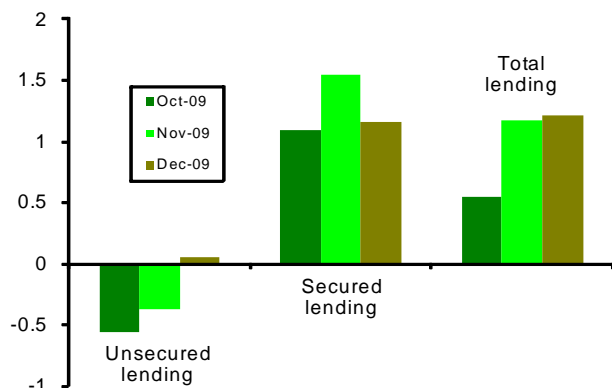
- There were nearly 26,000 dwelling starts in England in Q3 2009. This was the third consecutive quarterly increase. However, the total remains well below the typical levels of 40,000 per quarter seen before 2008.
- The number of dwelling completions has fallen in each of the last seven quarters for which data are available.

Contact: Adam Mellows-Facer, x4904

Updates: Halifax [House Price Index](#), early Feb;
Nationwide [House Price Index](#), early Mar;
Bank of England, [Lending to Individuals](#), 1 Mar;
DCLG, [House-building](#), 18 Feb

F4: Household debt

Monthly Net Lending, last three months, £ bn



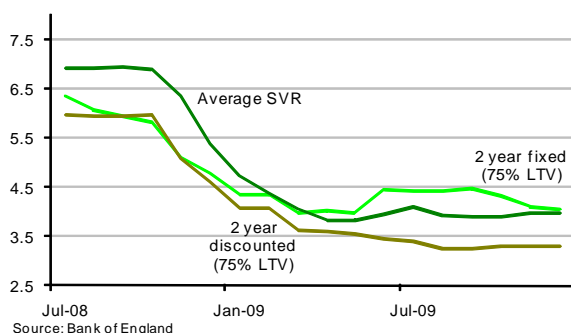
Net outstanding lending to individuals

£ billions; seasonally adjusted

	Secured	Unsecured	Total
2005 Dec	965	211	1,176
2006 Dec	1,077	213	1,290
2007 Dec	1,186	221	1,407
2008 Dec	1,225	233	1,458
2009 Mar	1,227	232	1,459
Jun	1,228	232	1,460
Sep	1,230	229	1,459
Dec	1,234	226	1,460

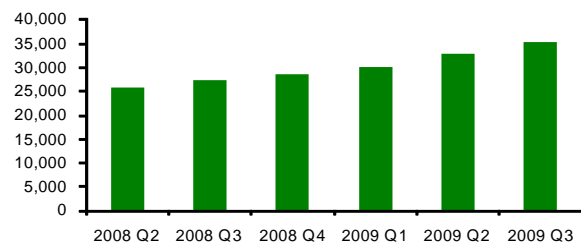
Source: Bank of England, series: VTXX, VZRI, VTXC

Current average mortgage interest rates



Source: Bank of England

Individual Insolvencies, England and Wales (nsa)



Source: Insolvency Service

Data on lending to individuals is published on a monthly basis and is seasonally adjusted.

- Total net lending to individuals grew by £1.2 billion in December 2009. Monthly net lending peaked in October 2003 at £12.0 billion.
- Monthly net unsecured lending grew by £52 million, the first rise since June 2009.
- Monthly net secured lending (mortgages) rose by £1.17 billion in December 2009.
- The annualised three-month growth rate for net lending was 0.8% in December 2009, an increase of 0.1 percentage points from November 2009.

- Total net outstanding lending to individuals was £1,460 billion at the end of December 2009.
- Secured lending (mortgages) is the largest form of lending at £1,234 billion, 84% of total lending outstanding.
- Unsecured lending outstanding (including credit cards) was £226 billion.
- Secured lending outstanding is 28% higher in December 2009 compared to the same month in 2005. Unsecured lending has risen by 7% in the same period.

- Average interest rates offered by banks and building societies have fallen sharply since late 2008 (all Bank of England data).
- The average Standard Variable Rate (SVR) in December 2009 was 3.97%, 1.41 percentage points lower than in December 2008.
- The average fixed and discounted rates offered (75% LTV) in December 2009 were 4.05% and 3.31% respectively (0.72 and 1.29 percentage points lower than in December 2008)

- Q3 2009 provisional data indicates there were 35,242 individual insolvencies (bankruptcy orders, IVAs or debt relief orders) in England and Wales (not seasonally adjusted), a 28.2% increase on Q3 2008. This was made up of 18,347 bankruptcies, 12,390 IVAs and 4,505 Debt Relief Orders.
- In Scotland in Q3 2009 there were 5,767 individual insolvencies, a fall of 4.2% on Q3 2008.
- In Northern Ireland in Q3 2009 there were 381 individual insolvencies, a fall of 1.3% on Q3 2008.

Contact: Ed Potton, x2883

Update: Bank of England, [Lending to Individuals](#), 1 Mar
Insolvency Service, [Q4 Insolvency Statistics](#), 5 Feb

4 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
A1	Gross Domestic Product	ONS releases: <i>Preliminary GDP Estimates</i> ; <i>Quarterly National Accounts</i> ; <i>UK output, income & expenditure</i> ; HM Treasury, <i>Forecasts for the UK Economy</i>
A2	GDP: International Comparisons	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 <i>World Economic Outlook database and updates</i> European Commission's growth forecasts
A3	Components of GDP	ONS releases: <i>Preliminary GDP Estimates</i> ; <i>Quarterly National Accounts</i> ; <i>UK output, income & expenditure</i>
A4	Output and Employment by Industry	ONS releases: <i>Preliminary GDP Estimates</i> ; <i>Quarterly National Accounts</i> ; <i>UK output, income & expenditure</i>
A5	Manufacturing (Including Automotives)	ONS, <i>Index of Production</i> SMMT, <i>Vehicle Production</i> SMMT, <i>New Car Registrations</i>
A6	Productivity	ONS, <i>Productivity</i>
B1	Prices	ONS, <i>Consumer Price Indices</i>
B2	Prices: International Comparisons	CPI: OECD, <i>Main Economic Indicators</i> ; EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, <i>Labour Market Statistics</i>
C1	Employment	ONS, <i>Labour Market Statistics</i>
C2	Unemployment: National	ONS, <i>Labour Market Statistics release</i> and <i>Labour Market Statistics First Release Historical Supplement</i> (via Virtual Bookshelf); Commentary: Department for Work and Pensions (DWP) <i>Quarterly Working Age Statistics for New Deal for Young People & Long-term Unemployed</i> (table 6);
C3	Unemployment: Regional	ONS, <i>Labour Market Statistics</i>
C4	Unemployment: International Comparisons	Data: OECD, <i>Main Economic Indicators</i> Commentary: OECD, <i>Main Economic Indicators & Economic Outlook</i>

Indicator		Source details
D1	Interest Rates and the Money Supply	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> ; Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database.
D2	Public Finances	Data: ONS, Public Sector Accounts or Public Sector Finances ; ONS database Forecasts of budget balance: HM Treasury, <i>Pre-Budget Report</i> , table B2 or <i>Budget Red Book</i> , table C2.
D3	Financial Indicators	<i>Financial Times</i>
E1	UK Balance of Trade	ONS, Balance of Payments ONS, UK Trade
E2	Exchange Rates	Sterling effective exchange rates and sterling-dollar/euro rates: Bank of England, <i>Bankstats</i> database (annual and monthly)
F1	Business and Consumer Confidence	European Commission: Economic Sentiment Indicator Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey press releases; Consumer Confidence: GfK NOP Consumer Confidence Barometer
F2	Retail Sales	ONS, Retail Sales
F3	Housing Market	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
F4	Household Debt	Bank of England Lending to Individuals ; Insolvency Service, Q3 Insolvency Statistics

5 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

Definitions¹

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.

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 *[cont.]*

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

transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.

Gross Value Added (GVA): The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA is used to measure 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. $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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