



# Economic Indicators, May 2010

RESEARCH PAPER 10/35 13 May 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 economy expanded for the second successive quarter in Q1 2010, with growth of 0.2% compared with 0.4% in Q4 2009 (when the economy emerged from recession).
- Manufacturing output has expanded strongly over the past two months, while business confidence has also been rising.
- News from the labour market, however, has not been as encouraging: latest data show unemployment rising to its highest level for over 15 years, with employment falling and inactivity rising.

This month's articles: - **The General Election and the financial markets**  
- **Greece's debt crisis**

Daniel Harari (editor)

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## Research Paper 10/35

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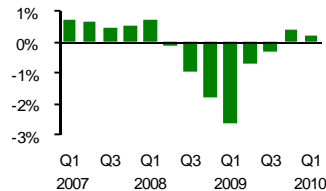
## Summary

The UK economy expanded for the second successive quarter in Q1 2010, with growth of 0.2% compared with 0.4% in Q4 2009 (when the economy emerged from recession, see [page 1](#)). Manufacturing output has expanded strongly over the past two months ([page 5](#)), while business confidence has also been rising ([page 19](#)). News from the labour market, however, has not been as encouraging: latest data show unemployment rising to its highest level for over 15 years, with employment falling and inactivity rising ([pages 10-11](#)).

### GDP Growth

[page 1](#)

(% change quarter-on-quarter)

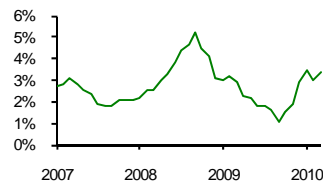


GDP expanded by 0.2% in Q1 2010 compared with 0.4% in Q4 2009. This was the second increase in succession following 0.4% growth in Q4 2009. Growth in the year to Q1 2010 was -0.3%, compared with -3.1% in the year to Q4 2009.

### Inflation (CPI)

[page 7](#)

(% change on year ago)

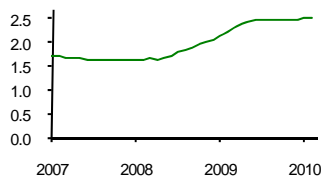


In the year to March, CPI inflation rose to 3.4%, from 3.0% in February. Upward pressures were widespread and included higher petrol prices.

### Unemployment

[page 11](#)

(total, millions, ILO definition)



ILO unemployment rose by 53,000 to 2.51 million during the three months ending in March 2010, its highest level since 1994. The unemployment rate also rose from 7.8% to 8.0%.

### Manufacturing Output

[page 5](#)

(% change on year ago)



Manufacturing production rose strongly in March, increasing by 2.3% compared with February. Compared with a year ago output was 3.3% higher.

### House Prices

[page 21](#)

(Nationwide, % change on year ago)



The Nationwide index showed house prices in April were up 10% on a year ago. However, there is considerable regional variation: in Q1 2010, house prices in London were up by 16% compared with Q1 2009; in Northern Ireland they fell by 3%.

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Next issue: 1 June

Editor: Daniel Harari

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## 1 Introduction to *Economic Indicators*

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## **2 The General Election and the financial markets**

### **2.1 Introduction**

Before the election there were warnings that a hung parliament might adversely affect the financial markets. Markets do not like uncertainty and there were fears that a hung parliament might lead to a period of political uncertainty and make decisive action to cut the budget deficit less likely. Since the election, there have been several days of negotiations between the political parties, culminating in the formation of a Conservative-Liberal Democrat coalition. The new Government has made reducing the deficit its top priority and said it will cut the deficit more quickly than the outgoing government had planned.

This article looks first at the coalition's agreement on economic policy before examining the market reaction to both the election result and the formation of the new government.

### **2.2 The Coalition Government's economic policies**

The new Government has set out details of its economic policy agreed between the Conservatives and Liberal Democrats.<sup>3</sup> This includes elements of each party's manifesto commitments such as the Conservatives' pledge to increase health spending in real terms every year and to cut public spending by £6 billion this year, and the Liberal Democrat proposal to increase the personal taxation allowance. The agreement included the following points relating to economic policy:

- Reducing the deficit and continuing to ensure the economic recovery was identified as the most urgent issue facing the country. The structural deficit will be reduced more quickly over the Parliament than previously planned, with the emphasis on reductions in spending rather than tax increases.
- An emergency Budget will be held within 50 days and will contain a deficit reduction plan. The Budget will be informed by new forecasts of economic growth and government borrowing by the new independent Office for Budget Responsibility. £6 billion of cuts to non-front-line services will be made in 2010/11.
- A full spending review will report in the Autumn. NHS spending will rise in each year of the new Parliament and the target for overseas aid spending will remain. Pensions will be increased in line with prices, earnings or 2.5%, whichever is greatest, starting in April 2011.
- There will be a substantial increase in the personal allowance, the threshold above which people pay income tax, from April 2011. This will be paid for by abandoning Conservative plans to increase employee national insurance thresholds, and changes in capital gains tax. There will be a longer term policy objective of increasing the personal allowance to £10,000. Steps towards this objective will be taken each year. Raising the personal allowance will take priority over cuts in inheritance tax.

### **2.3 Market reaction**

Two of the main financial markets which might be affected are bond markets (ie the market for government debt) and the foreign exchange market (how the pound is performing against other currencies). Analysing these markets is complicated by two factors. First, domestic political events in the UK are only one influence on the market among many. Other factors, such as the economic problems in Greece, will also have an effect. As a result, it is not easy

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<sup>3</sup> The full text of the coalition agreement is available [online](#).



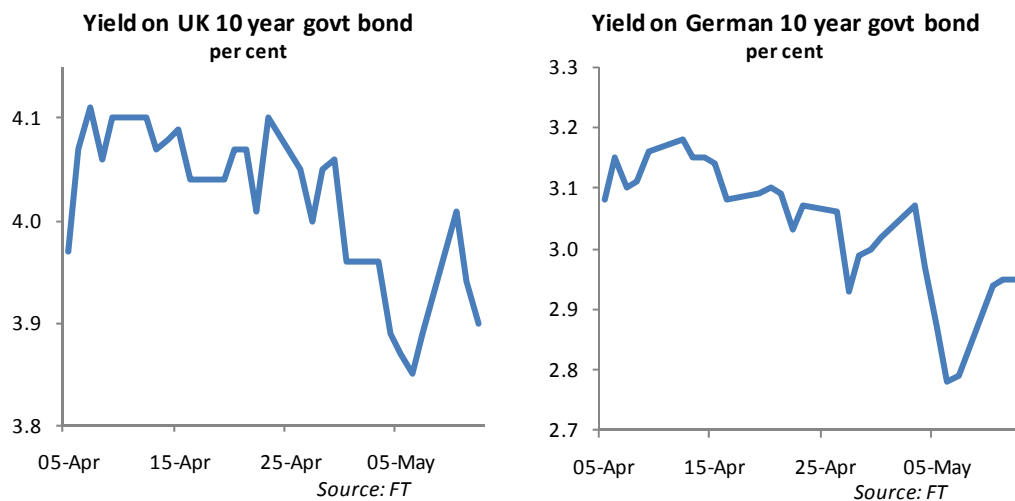
to establish to what extent market developments can be attributed to UK political factors. Secondly, before the election the markets may well have anticipated a hung parliament and taken this into account. The market reaction after the election will have reflected only developments which were unanticipated.

### **Bond markets**

A key indicator is the yield on government bonds. These give a guide to the interest rate the government must pay on its borrowing. The yield is inversely related to the bond price. So, if investors sell bonds, pushing down their price, bond yields will increase. Conversely, if investors buy bonds, their price will increase and the bond yield will fall. A lack of confidence in the bond market would therefore be expected to increase yields.

The bond yield in the UK is shown in the chart below, along with the yield on German government bonds which are regarded as a benchmark. Yields on UK bonds are higher than those on German bonds with the premium being around 0.8 to 1 percentage point over recent weeks. The patterns in the two countries are broadly similar indicating that UK-specific factors may play only a limited role in affecting bond yields in the UK.

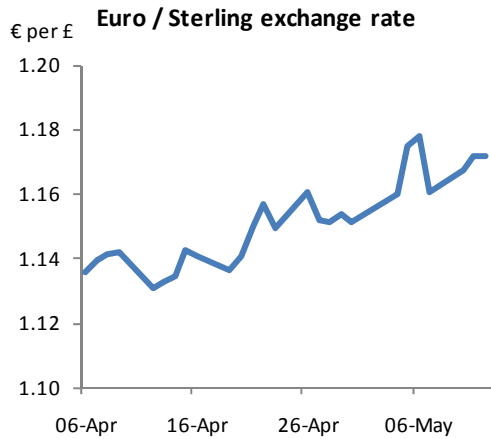
In the days immediately after the general election, there was an increase in the yield on UK government bonds but yields were still lower than at the end of April. Furthermore the increase in the UK was similar to that seen on German bonds, suggesting that the increase was not driven by UK-specific factors. Bond yields fell on 11 and 12 May in the UK (but not in Germany).



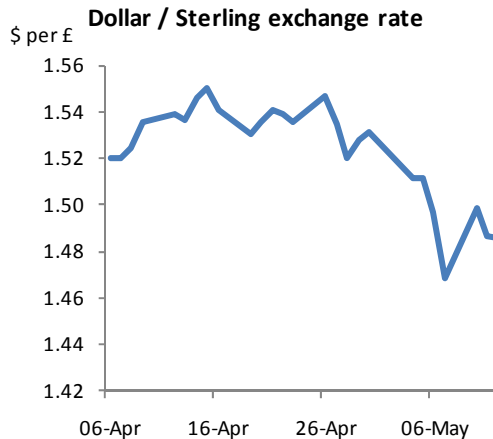
A further indication of confidence in the bond market was the success of two auctions of government debt by the Debt Management Office on 11 and 13 May. Both auctions were oversubscribed indicating strong demand for UK government bonds from investors.

**Exchange rate**

The pound fell on 7 May, the day after the election, by 1.5% against the euro and 1.9% against the dollar. This was the largest daily fall this year against both these currencies. The fall against the euro came after a gain of 1.3% on 5 May. The loss against the dollar was reversed the following day with a 2.1% increase – the largest daily increase this year. The pound has also recovered against the euro.



Source: Bank of England



Source: Bank of England

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Economic Policy and Statistics Section

### 3 Greece's debt crisis

Over recent weeks the markets saw the cost of holding Greece's debt increase. The spreads (differences) between interest rates on Greek debt and German debt (considered the benchmark) rose to prohibitive levels.

The escalation of Greece's debt crisis led to fears of 'contagion' carried by financial markets to other eurozone countries thought to be most at risk, particularly Spain and Portugal. These countries are particularly vulnerable due to the combination of large fiscal deficits and membership of a currency union. They are therefore unable to kick-start their economies by devaluing their currencies (which would make their exports more competitive internationally). Despite the UK's exchange rate independence and longer-term debt structure, it has also been suggested that the scale of this country's public deficit and growing public debt as a share of GDP could make it vulnerable to investor sentiment, particularly in the event of the UK's AAA sovereign credit rating being downgraded.

Punitive borrowing costs led Greece to activate a joint EU/International Monetary Fund (IMF) loan package, and to adopt a further austerity programme. A €750 billion initiative followed to protect other eurozone countries, which so far seems to have eased market concerns.

#### Time line of selected recent events

- Dec 8 Fitch downgrades Greece's credit rating from A- to BBB+
- Apr 12 Eurozone countries agree package worth €30 billion for Greece (with €15 billion from IMF)
- Apr 23 Greece's Prime Minister Papandreou activates EU/IMF package
- Apr 27 Standard & Poor's downgrades Greece's credit rating by three levels to BB+ ('junk' status), increasing the cost of borrowing to prohibitive levels, and Portugal's by two levels to AA-
- Apr 28 Standard & Poor's downgrades Spain's credit rating (from AA+ to AA)
- May 2 €110 billion Greece package agreed
- May 6 Greece's Parliament approves austerity package (171 to 121 votes)
- May 7 Eurozone 16 ministers formally adopt €110 billion (£94 billion) loan plan  
German Parliament approves law permitting Greece's access to €22.4 billion (£19 billion)
- May 9 IMF Board agrees €30 billion contribution to Greece package  
EU agrees €500 billion eurozone support package with possible further €250 from the IMF
- May 10 Further budget deficit reductions announced by Spain & Portugal

#### 3.1 Rescue packages for Greece & eurozone

A €45 billion rescue package for Greece was agreed in April, made up of €30 billion of loans from eurozone countries and a further €15 billion in IMF loans (with some reports that a further €10 billion from the IMF was under consideration).

On 2 May a three-year, €110 billion joint EU/IMF package was agreed with Greece: a €30 billion stand-by loan from the IMF and €80 billion in bilateral loans offered to Greece by eurozone countries.<sup>4</sup> The IMF announced €5.5 billion of its loan would be available immediately, noting that the overall package gave Greece "breathing space" as it would not now have to raise funds on international financial markets until 2012.<sup>5</sup>

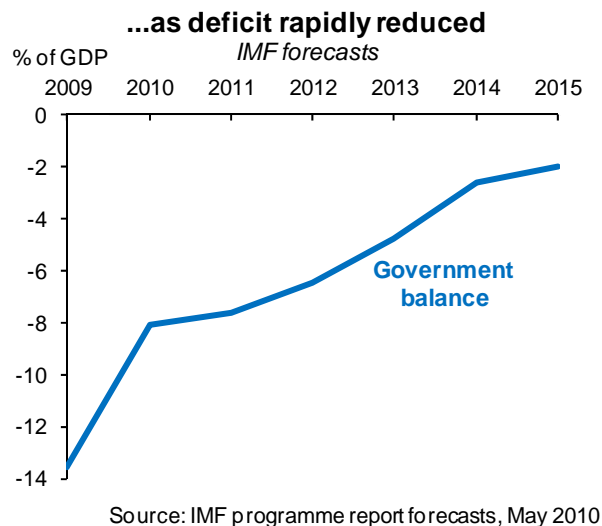
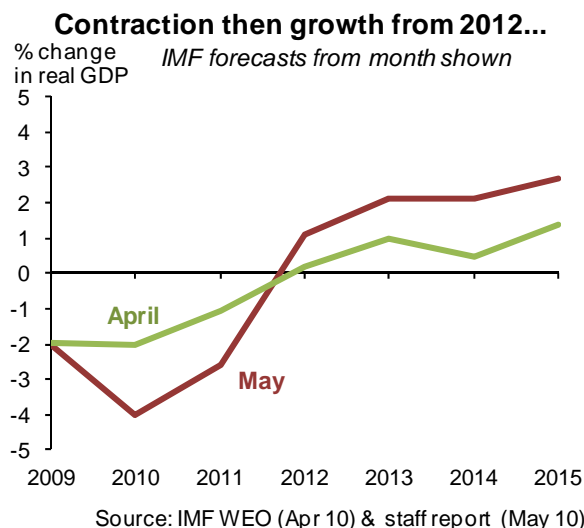
The IMF doubled its expected rate of economic contraction in Greece in 2010 from 2% (in April 2010) to 4% under this programme, with public consumption falling almost 11% in 2010. Further contraction (of 2.6%) is forecast for 2011, before growth (of 1.2%) returns in 2012.<sup>6</sup>

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<sup>4</sup> "Europe and IMF Agree €110 Billion Financing Plan With Greece", IMF Survey, 2 May 2010

<sup>5</sup> "IMF Approves €30 billion Loan for Greece on Fast Track", IMF Survey, 9 May 2010 (& [staff report PDF](#))

<sup>6</sup> "IMF Executive Board Approves €30 Billion Stand-By Arrangement for Greece", IMF release, 9 May 2010



The programme envisages the government deficit as a share of GDP from being reduced by more than 5 percentage points of GDP from 13.6% in 2009 to 8.1% in 2010, then further in each year to reach 2.6% in 2014. Gross debt will peak at 149% of GDP in 2012 and 2013. Progress will be monitored through quarterly IMF reviews. The *Financial Times* described these deficit reductions, sharper than previously planned, as “fiscal amputation” which would involve “a brutal amount of pain” and demand “deep reforms”.<sup>7</sup>

A broader eurozone support package valued at €750 billion (£625 billion) over three years was announced on 9 May, made up of three elements. Some €440 billion (£436 billion) of inter-governmental loan guarantees and credits from eurozone countries (plus Poland and Sweden) were made available to vulnerable countries, subject to IMF conditions. An additional €60 billion would be added to an existing balance of payments loan facility, established to assist non-eurozone Eastern European countries earlier in the global economic crisis, extending it to eurozone countries. This would be funded by the European Commission borrowing on money markets with the EU budget as collateral.

The UK opted for involvement in the latter element only, adding £7-8 billion in potential liabilities (in the event that all borrowing countries default) to a £7 billion liability from the pre-existing scheme. The then Chancellor, Alistair Darling, reportedly did so only “after securing legal guarantees that it would not become liable for the debts of eurozone countries”.<sup>8</sup>

The IMF would also make a further €250 billion available for co-financing. The European Central Bank would now purchase bonds where some eurozone members’ markets had ceased to properly function.

The initial reaction to the package was positive, with US, UK, German and French stock markets rising by 4-9% on 10 May (initial euro increases against the dollar and sterling were later reversed). Interest rates on Greece’s two-year bonds fell from over 18% to below 5%.<sup>9</sup> The BBC’s business editor, Robert Peston, commented:<sup>10</sup>

The first immediate consequences are that we're bound to see a recovery in the euro, a fall in the risk premium for insuring eurozone bank debt and a rise in stock markets.

<sup>7</sup> [Leader] “Time for Athens to join Europe”, *Financial Times*, 10 May 2010, p12

<sup>8</sup> “EU close to €500 billion boost for rescue plan”, *Financial Times*, 10 May 2010, p1; and “Alistair Darling denies €750bn EU bailout exposes UK taxpayer”, *Times Online*, 10 May 2010

<sup>9</sup> “Shares and oil prices surge after EU loan deal”, *BBC News*, 10 May 2010

<sup>10</sup> “Eurozone crisis is 'postponed'”, Robert Peston’s blog (*BBC News*), 10 May 2010

But many would say the crisis has been postponed rather than solved - and that eurozone countries have a good deal more work to do to remove the serious underlying strains in the euro area. [...]

In the end, there won't be a cure for the underlying eurozone strains unless and until the record, unsustainable deficits of some eurozone members are reduced in a permanent way.

### 3.2 Growth, deficit & debt forecasts: Portugal, Spain & the UK

The most recent comparable forecasts, although already superseded by more recent announcements from all four countries, from the European Commission are shown below:<sup>11</sup>

#### Growth & debt forecasts: 2010 & 2011

	Real GDP (% change)			Public deficit (% GDP)			Gross public debt (% GDP)		
	2009	2010	2011*	2009	2010	2011*	2009	2010	2011*
Greece	-7.1	-3.0	-0.5	14.3	9.3	9.9	115.1	124.9	133.9
Portugal	-2.7	0.5	0.7	9.4	8.5	7.9	76.8	85.8	91.1
Spain	-3.6	-0.4	0.8	11.2	9.8	8.8	53.2	64.9	72.5
UK	-4.9	1.2	2.1	11.5	12.0	10.0	68.1	79.1	86.9

Note: 2009 estimates, then forecasts. \* = based on unchanged policies, and prior to recent announcements

Source: European Commission, Spring Economic Forecasts: May 2010, tables a, g & h

Spain is expected to contract in 2010 (by 0.4%), compared with growth of 0.5% in Portugal, and 1.2% growth in the UK doubling the EC's [previous 0.6% forecast](#).

The UK's 12% deficit in 2010 is expected to be the largest in the EU, with Ireland's 11.7% second highest. A 10% UK deficit in 2011 would be below Ireland's 12.1% and only slightly above that of Greece (9.9%, though the IMF programme envisages 7.6%). However, the UK's gross debt would remain less than two-thirds of Greece's.

Portugal's deficit is expected to fall from 8.5% in 2010 to 7.9% in 2011, with gross debt rising to 91.1% of GDP in 2011 (slightly above the UK's). Portugal announced further cuts on 10 May to reduce the deficit in 2010 to 7.3% (from the government's 8.3% target), then to 5.1% of GDP in 2011 (compared with a previous 6.6% target).<sup>12</sup>

The deficit in Spain was expected to fall from 9.8% in 2010 to 8.8% in 2011 (below the 9.9% then expected for Greece), with debt reaching 72.5% of GDP. However, recently announced spending cuts totalling €15 billion over two years, including a 5% pay cut then pay freeze for civil servants, would see the deficit reduced to 6% in 2011.

For more, see also: [IMF Greece page](#)<sup>13</sup>, [FT eurozone bailout page](#)<sup>14</sup>, [FT Greece crisis page](#)<sup>15</sup>

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<sup>11</sup> European Commission, [European Economy Spring 2010](#), 5 May 2010 (and [statistical annex PDF](#))

<sup>12</sup> "Portugal vows to deepen deficit cuts for safety net", Reuters, 10 May 2010

<sup>13</sup> <http://www.imf.org/external/country/GRC/index.htm>

<sup>14</sup> <http://www.ft.com/indepth/eurozone-bail-out>

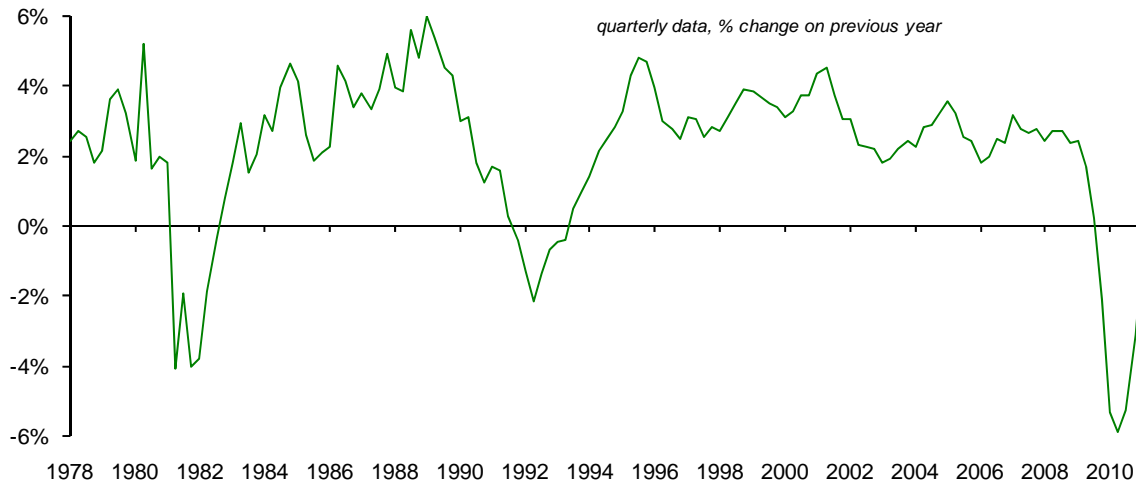
<sup>15</sup> <http://www.ft.com/indepth/greece-debt-crisis>



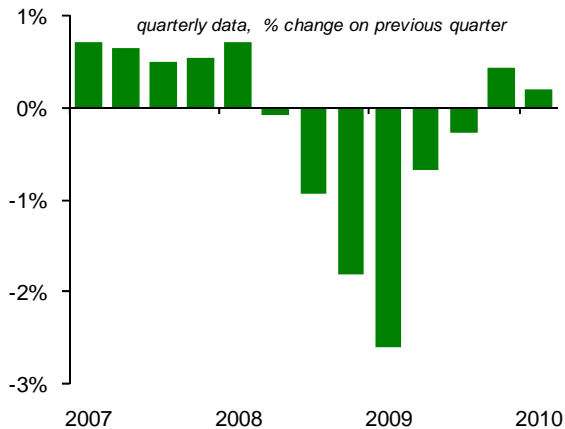
## A1: Gross Domestic Product

The economy grew by 0.2% in Q1 2010, following growth of 0.4% in Q4 2009. In April 2010, HM Treasury's average of independent economic forecasts of GDP growth for 2010 was 1.3%, and for 2011 was 2.1%.

### 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	1,396	-3.6	...	-4.9
2009 Q1	348.5	-4.1	-2.6	-5.3
Q2	345.5	-5.1	-0.7	-5.9
Q3	349.0	-3.5	-0.3	-5.3
Q4	352.9	-1.8	0.4	-3.1
2010 Q1	-	-	0.2	-0.3

Source: ONS, series: YBHA, ABMI

- The economy grew by 0.2% in Q1 of 2010, compared with Q4 of 2009. This compares with growth of 0.4% in Q4 2009, compared with Q3 2009.
- The contraction in the economy of -2.6% between Q4 2008 and Q1 of 2009 was the largest percentage fall in quarterly GDP since Q2 of 1958 (also -2.6%).
- In Q1 2010, GDP fell by 0.3% compared with the same period a year ago, compared with a 3.1% decline recorded in Q3.
- Total output of the economy fell by 6.2% during the recession.

**Contact:** Grahame Allen, x3977

**Updates:** HM Treasury, [Forecasts for the UK Economy](#), 19 May  
ONS, [Quarterly National Accounts](#), 25 May

## A2: GDP: International Comparisons

Among G7 countries, France, Germany and Japan emerged from recession (with with quarter on quarter growth) in Q2 2009, followed by the US, Canada, Italy (and the eurozone as a whole) in Q3 2009, and the UK in Q4 2009.

Early Q1 2010 data show the US economy growing 0.8% compared with Q4 2009, and the UK economy by 0.2%. In Q4 2009, the UK economy grew 0.4%, compared with a return to contraction in Italy (of 0.3%) and unchanged GDP in Germany. France grew by 0.6%, Japan 0.9% and the US 1.4%, while both the G7 and the OECD as a whole expanded by 0.9%.

The US economy grew 2.5% in Q1 2010 compared with Q1 2009, while UK GDP was 0.3% lower. Figures for other economies are not yet available.

### Real GDP, % changes

	change on prev. year					change on prev. quarter				
	2009	Q2 09	Q3 09	Q4 09	Q1 10	Q2 09	Q3 09	Q4 09	Q1 10	
US	-2.4	-3.8	-2.6	0.1	2.5	-0.2	0.6	1.4	0.8	
Japan	-5.2	-6.0	-4.9	-1.4	..	1.5	-0.1	0.9	..	
UK	-4.9	-5.9	-5.3	-3.1	-0.3	-0.7	-0.3	0.4	0.2	
Germany	-5.0	-5.8	-4.8	-2.4	..	0.4	0.7	0.0	..	
France	-2.3	-2.8	-2.3	-0.3	..	0.3	0.2	0.6	..	
Eurozone	-4.0	-4.9	-4.1	-2.2	..	-0.1	0.4	0.0	..	
G7	-3.5	-4.6	-3.5	-0.9	..	0.1	0.4	0.9	..	
OECD	-3.3	-4.5	-3.4	-0.7	..	0.2	0.6	0.9	..	

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

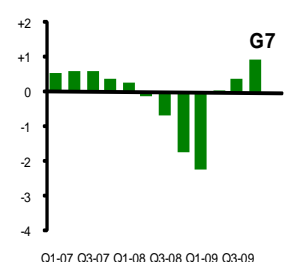
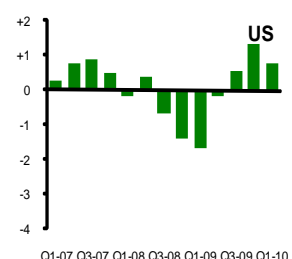
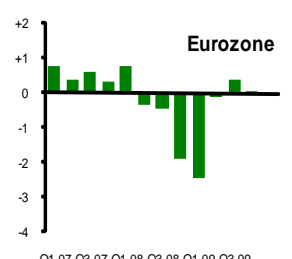
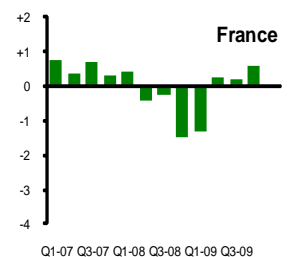
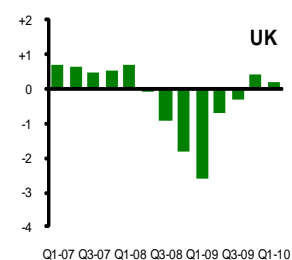
The European Commission's [May 2010 forecasts](#) saw UK growth of 1.2% in 2010 (up from 0.6% in their [February forecasts](#)). It also forecast annual growth of 1.2% in Germany in 2010, and 1.3% in France. Contractions are forecast for Spain (0.4%), Ireland (0.9%) and Greece (3.0%) this year.

The IMF's [April 2010 World Economic Outlook](#) forecasts growth in world output of 4.2% this year, up from 3.9% in its [January forecasts](#). Its forecast for the UK was unchanged at 1.3%, although its forecast for Germany was revised downwards from 1.5% to 1.2%. It was more positive on US growth: 3.1% (up from 2.7%). The IMF continued to forecast 10% growth for China in 2010, while its forecast for India was revised up to 8.8% from 7.7%.

### Real Growth Forecasts (% changes)

	EC (May)		IMF (Apr)		World Bank (Feb)	
	2010	2011	2010	2011	2010	2011
UK	1.2	2.1	1.3	2.5	..	..
France	1.3	1.5	1.5	1.8	..	..
Germany	1.2	1.6	1.2	1.7	..	..
Eurozone	0.9	1.5	1.0	1.5	1.0	1.7
US	2.8	2.5	3.1	2.6	2.5	2.7
Japan	2.1	1.5	1.9	2.0	1.3	1.8
<b>OECD</b>	..	..	..	..	<b>1.8</b>	<b>2.3</b>
China	..	..	10.0	9.9	9.0	9.0
India	..	..	8.8	8.4	7.5	8.0
<b>World</b>	..	..	<b>4.2</b>	<b>4.3</b>	<b>2.7</b>	<b>3.2</b>

Sources: EC, May 10; WB, Global Economic Prospects 2010; IMF, WEO Apr '10

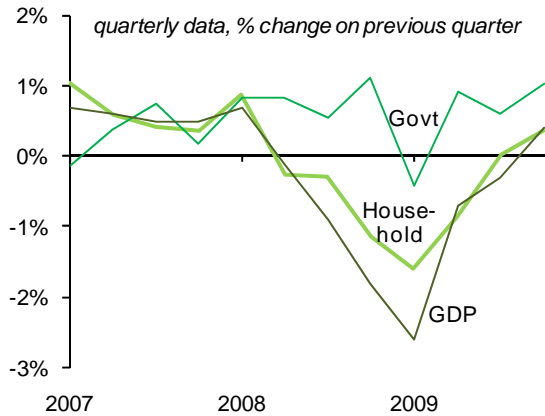




### A3: Components of GDP

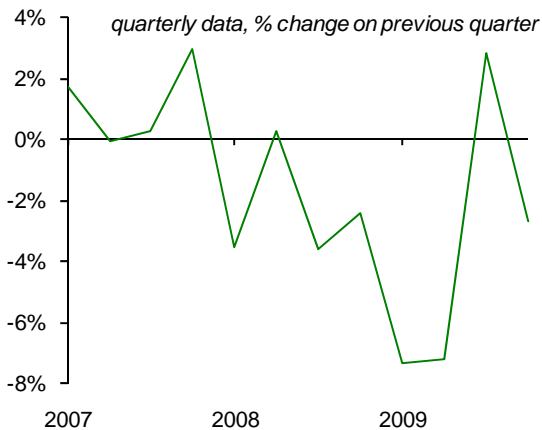
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2009. Government consumption accounted for 23% and gross fixed capital formation for 16%.

#### Household consumption, government consumption and GDP



- Government consumption has been the main element of demand supporting the economy recently. It is 2.2% higher than a year ago, while household consumption is 2.1% lower.
- Household consumption increased by 0.4% in Q4 2009. This is the largest increase since Q1 2008.
- 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 decreased in Q4 2009.

#### Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- GFCF decreased by 2.7% in Q4 2009 and is 14.0% below its level a year earlier.
- Business investment fell by 4.3% in Q4 2009 and is 23.5% 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
2008 (annual % change)	0.9%	2.6%	-3.5%	1.1%	-0.5%	0.5%
2009 (annual % change)	-3.2%	2.2%	-14.9%	-10.6%	-11.9%	-4.9%
2009 Q1	-1.6%	-0.4%	-7.3%	-7.2%	-6.5%	-2.6%
2009 Q2	-0.9%	0.9%	-7.2%	-1.8%	-2.9%	-0.7%
2009 Q3	0.0%	0.6%	2.8%	0.6%	1.2%	-0.3%
2009 Q4	0.4%	1.0%	-2.7%	3.8%	4.7%	0.4%

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

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

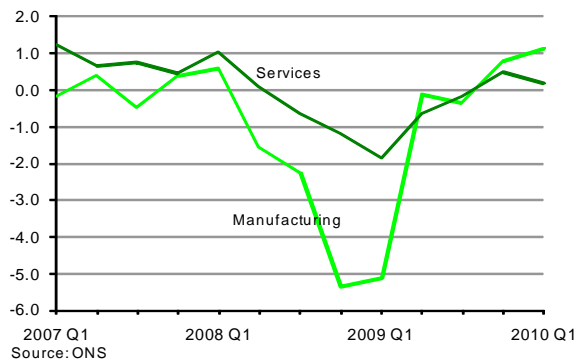
Update: ONS, [UK Output, Income and Expenditure](#), 25 May

## A4: Output and Employment by Industry

In Q1 2010 output in the manufacturing industry rose by 1.1% compared to the previous quarter and by 1.5% compared to the same quarter a year ago. Output in the services sector rose by 0.2% compared to the last quarter and fell by 0.2% compared to the same quarter a year ago.

In the quarter to December 2009, the number of jobs in the manufacturing sector fell by 0.4% compared to the previous quarter and by 6.1% compared to the same quarter a year ago. The number of jobs in the service sector fell by 0.2% over the last quarter and by 0.5% 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*

	Manufa- cturing	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	-10.5	-10.8	-3.5	-4.4	-4.7
Quar Change	1.1	-0.7	0.2	-0.7	0.6
Ann Change	1.5	0.2	-0.2	2.0	-1.2

Notes: Changes: Ann compares to Q1 09, Quar to Q4 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).
- Following sharp falls in manufacturing output in 2008 and 2009, it is now growing at a faster rate than services.
- Although on an annual basis the service sector declined by 0.2% to Q1 2010, the business services and finance sector has fallen by more (-1.2%).
- 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 (-9.2%).
- Over the last four quarters the number of jobs has fallen in both the manufacturing and services sectors.

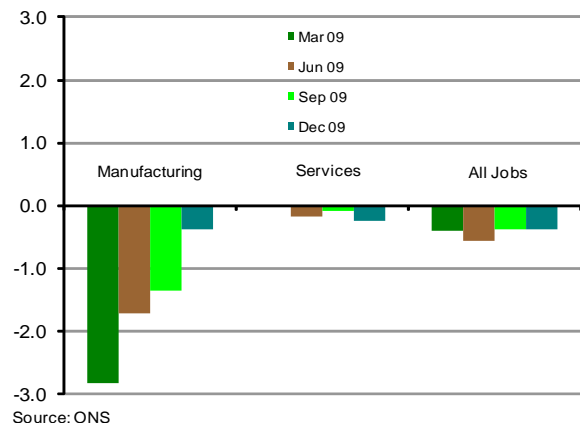
**Workforce jobs by industry, 2007-2009**

*seasonally adjusted, SIC 2003*

	Manufa- cturing	Constru- ction	Retail and hotels	Busin- ess	Public admin	All Jobs
Dec 2007	3,162	2,237	7,050	6,701	7,962	31,602
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
Jun 2009	2,883	2,162	6,817	6,404	8,201	30,987
Sep 2009	2,844	2,091	6,826	6,378	8,246	30,872
Dec 2009	2,833	2,068	6,764	6,379	8,285	30,753
Quar Change	-0.4	-1.1	-0.9	0.0	0.5	-0.4
Ann change	-6.1	-9.2	-1.8	-1.6	2.7	-1.7

Notes: Changes: Ann compares to Dec 08, Quar to Sep 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

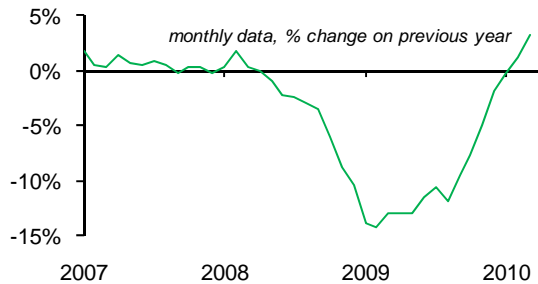
**Update:**

ONS, *UK Output, income and expenditure—Q1*, 25 May

## 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

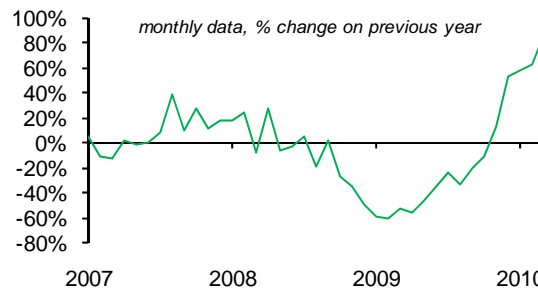


	Index Value (2005=100)	% change over month	% change over 12 months
2008	99.2	...	-2.9
2009	88.8	...	-10.5
2009 Dec	89.7	+0.9	-1.9
2010 Jan	88.7	-1.2	-0.1
Feb	89.9	+1.4	+1.3
Mar	92.0	+2.3	+3.3

Source: ONS, series CKYY

- Manufacturing output was up by 2.3% month-on-month in March, compared with an increase of 1.4% in February. Output was up by 3.3% in March compared with a year ago. In 2009 output fell by 10.5%.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was up by 2.0% during March and also up by 2.0% compared with a year ago.

### Vehicle Production

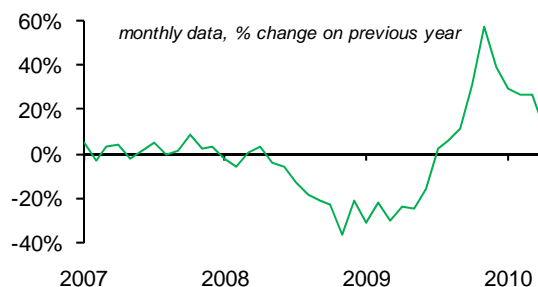


	Number '000s	% change over 12 months
2008	1,650	-5.8
2009	1,090	-33.9
2009 Mar	70	-52.1
2010 Jan	110	+58.2
Feb	107	+63.7
Mar	131	+86.9

Source: SMMT, not seasonally adjusted

- Supported by the scrappage scheme, vehicle (car plus commercial vehicle) production has recovered since early 2009, and rose by 87% in March compared with a year ago.
- 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	1,994	-6.5
2009 Apr	133	-24.0
2010 Feb	69	+26.4
Mar	397	+26.6
Apr	149	+11.5

Source: SMMT, not seasonally adjusted

- New registrations of cars rose by 11.5% in April compared with a year ago. According to the SMMT, the scrappage scheme, which resulted in 400,000 orders being placed under it, supported the recovery in new car registrations since spring 2009.
- New car registrations fell by 6.4% in 2009 to 2 million, the lowest level since 1995.

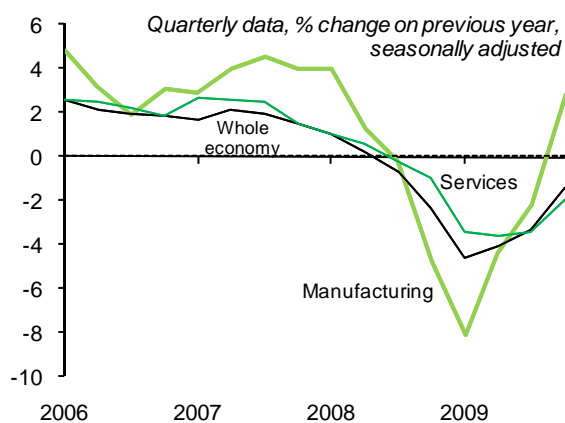
**Contact:** Daniel Harari, x2464

**Update:** ONS, [Index of Production](#), 11 Jun  
SMMT, [Vehicle Production](#), late May  
SMMT, [New Car Registrations](#), 4 Jun

## 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 by sector, output per job



Source: ONS, series: LNNP, LNNU, GG5J

- Productivity across the whole economy, measured by output per worker, is estimated to have fallen by 3.1% in 2009 compared with a fall of 0.3% in 2008.
- Output per worker fell by 1.4% in Q4 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 grew by 2.8% in Q4 2009 compared to the same quarter a year ago; output per job in the service sector fell by 2.0% over the same period.
- Comparing Q4 2009 with Q3 2009, manufacturing output per job increased by 1.4%, services output per job grew by 0.4% while output per job for the whole economy grew by 0.5%.

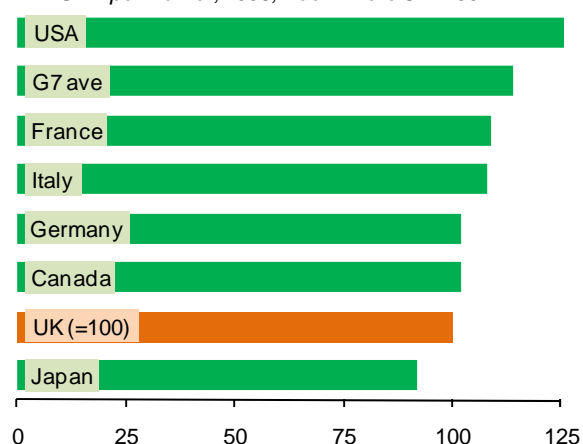
### Productivity growth, seasonally adjusted

Annual % change	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
2008	0.1	0.3	..	..	-0.3	-0.5	0.0
2009	-3.0	-1.3	..	..	-3.1	-3.3	-1.9
2008 Q4	-4.7	-4.0	-1.0	-0.6	-2.0	-2.3	-1.7
2009 Q1	-8.1	-5.3	-3.4	-0.9	-4.2	-4.6	-2.1
Q2	-4.4	-2.7	-3.6	-3.4	-3.6	-4.0	-3.3
Q3	-2.2	-1.0	-3.4	-2.3	-3.3	-3.3	-1.8
Q4	2.8	3.9	-2.0	-1.2	-1.4	-1.4	-0.3
Latest quarterly % change	1.4	2.4	0.4	0.6	0.5	0.5	0.7

Source: ONS

### International comparisons

GDP per worker, 2008, index where UK=100



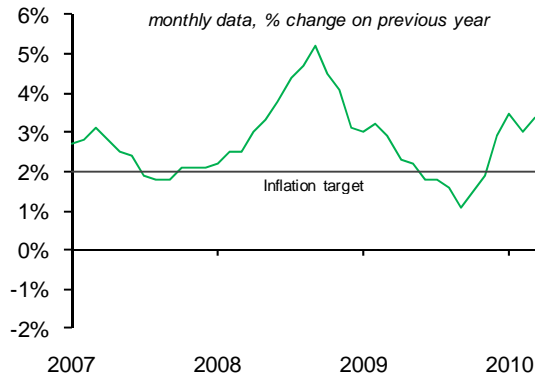
- International comparisons of productivity are presented as an index where the UK=100.
- In 2008, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Germany and Canada, and lower levels than Italy, France, the US and the G7 average.
- From 1997 to 2008 UK productivity improved by 20%, a larger improvement compared to all but one G7 country (USA, 21% increase). It increased by 17% for the G7 average, 14% for Japan, 11% for Canada and France, 10% for Germany and no change for Italy.
- Based on GDP per hour, in 2008 the UK had higher levels of productivity than Japan, around the same levels as Italy and Canada, and lower levels than Germany, France, the US and the G7 average.

## B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 3.4% in March, up from 3.0% in February and still above the Bank of England's 2% target.

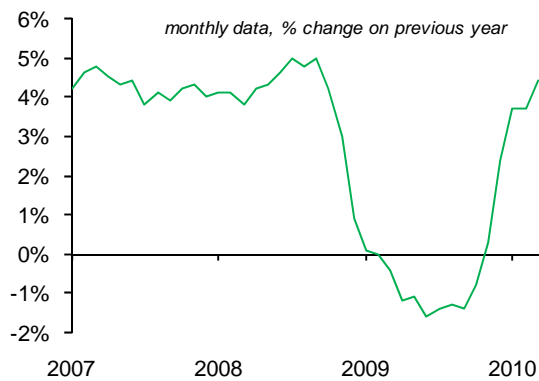
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

### Consumer Prices Index (CPI)



- The CPI annual inflation rate rose 0.4 percentage points in March to 3.4%. The increase in VAT was behind inflation rising in January to its highest level since November 2008.
- Upward pressure on inflation came from housing and household services, transport and food and non-alcoholic beverages.
- The RPI (all items) measure of inflation increased rose to 4.4% in March.

### Retail Prices Index (RPI)



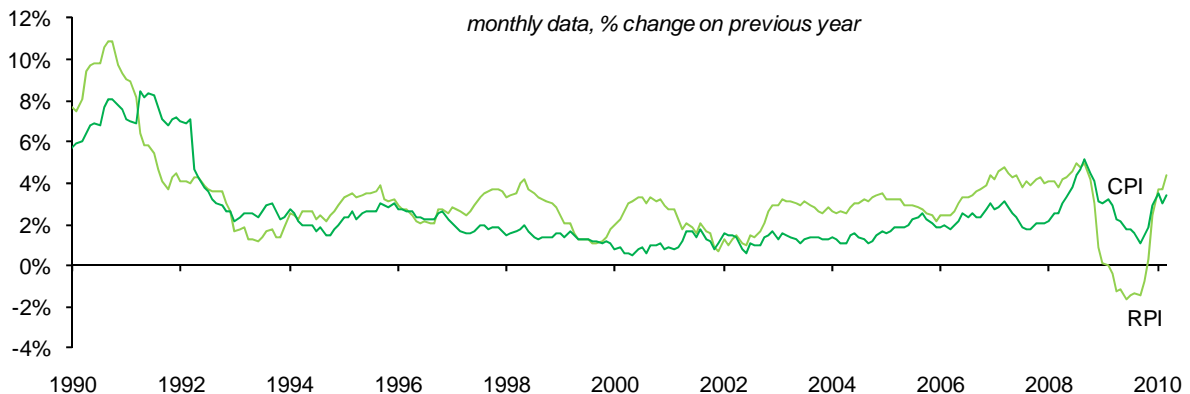
### Price Indices

% change on a year ago

		CPI	RPI
2007		2.3	4.3
2008		3.6	4.0
2009		2.2	-0.5
2009	Oct	1.5	-0.8
	Nov	1.9	0.3
	Dec	2.9	2.4
2010	Jan	3.5	3.7
	Feb	3.0	3.7
	Mar	3.4	4.4

Source: ONS database, series: D7G7, CDKQ

### CPI and RPI since 1989



Contact: Grahame Allen, x3977

Update: ONS, [Consumer Price Indices](#), 18 May

## B2: Inflation: International

UK inflation, measured by the Consumer Prices Index (CPI), remained positive throughout the recession. That contrasts with other major economies, including the US, France and Germany, which saw deflation (negative inflation, or falling prices).

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

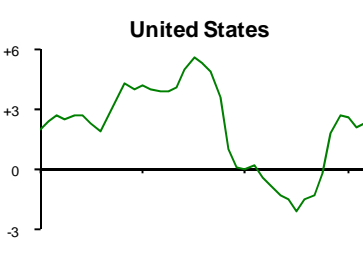
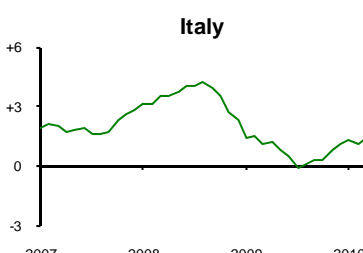
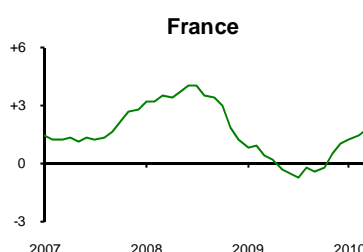
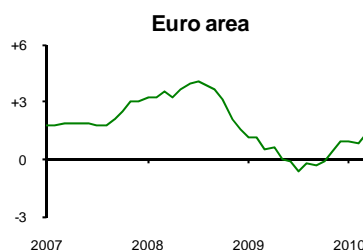
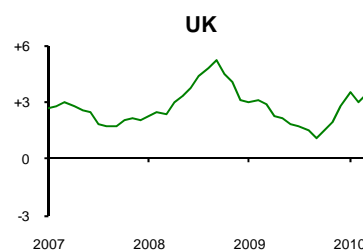
- In the year to March, UK inflation (CPI/HICP) was 3.4%, the highest in the G7 and the third highest in the EU behind Hungary (5.7%) and Greece (3.9%). The Bank of England's target is 2%.
- Euro-area inflation was estimated to be 1.4% (HICP) in the year to March 2010. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- After having been negative through much of 2009, inflation in the United States rose sharply to 2.7% (national definition) in December before slowing to 2.1% in February, before rising to 2.3% in March.
- Iceland (11.6%) and Turkey (9.6%), and Ireland (-2.4%) continue to be inflation rate outliers (all HICP).

### Inflation rates: selected countries

Annual % change in consumer prices

	2008	2009	Jan 10	Feb 10	Mar 10
<b>HICP</b>					
UK	3.6	2.2	3.5	3.0	3.4
Euro area	3.3	0.3	1.0	0.9	1.4
EU	3.7	1.0	1.7	1.5	1.9
France	3.2	0.1	1.2	1.4	1.7
Germany	2.8	0.2	0.8	0.5	1.2
Greece	4.2	1.3	2.3	2.9	3.9
Italy	3.5	0.8	1.3	1.1	1.4
Spain	4.1	-0.3	1.1	0.9	1.5
<b>National defs</b>					
Canada	2.4	0.3	1.9	1.6	1.4
Japan	1.4	-1.4	-1.3	-1.1	-1.1
US	3.8	-0.4	2.6	2.1	2.3
G7	3.2	-0.1	1.8	1.5	1.7
OECD	3.7	0.5	2.1	1.9	2.1
Brazil	5.7	4.9	4.6	4.8	5.2
China	5.9	-0.7	0.5	1.7	..
India	8.3	10.9	16.2	14.9	14.9
Russia	14.1	11.7	8.0	7.2	6.5

Source: stat.OECD database & UK ONS



Contact: Ian Townsend, x2042

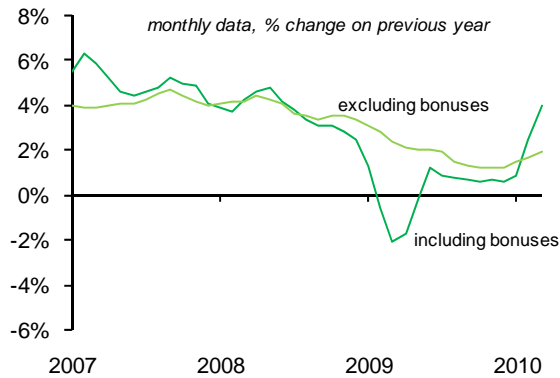
Updates:

Eurostat, [HICP release](#), 18 May  
 OECD, [Consumer prices release](#), 1 Jun

### B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 4.0% in March compared with a year ago, the biggest increase since the three months to June 2008. However, most of this rise is accounted for by increases in bonuses in the private sector. Average weekly earnings excluding bonuses were 1.9% higher in the three months to March compared with a year ago, up from 1.7% in February.

#### Average Earnings, Whole Economy



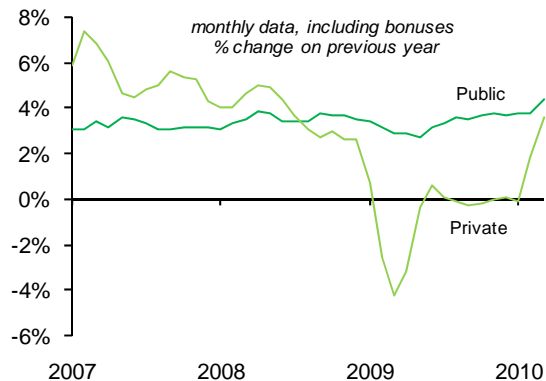
#### Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2007 Mar	6.9	3.4	4.3	6.6	5.9
2008 Mar	4.7	3.5	2.9	4.6	4.3
2009 Mar	-4.2	2.9	0.9	-3.9	-2.1
2009 Oct	-0.2	3.7	1.6	0.7	0.6
Nov	0.0	3.8	1.7	0.9	0.7
Dec	0.1	3.7	2.2	0.8	0.6
2010 Jan	-0.1	3.8	3.2	0.5	0.9
Feb	1.8	3.8	4.3	2.0	2.5
Mar	3.6	4.4	6.1	3.5	4.0

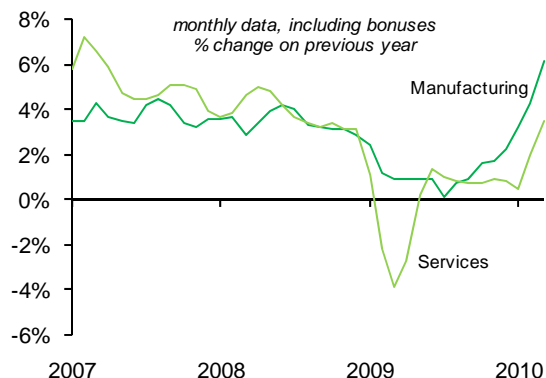
Source: ONS, data shows latest 3-month period

#### Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the public sector rose by 4.4% in March, compared with an increase of 3.6% in the private sector.
- Average weekly earnings (including bonuses) in March in the public sector were £467 compared with £463 in the private sector.
- In 2009, headline (including bonuses) earnings in the public sector averaged an increase of 3.3%, while the private sector averaged a 0.9% decrease.

#### Average Earnings in Services and Manufacturing

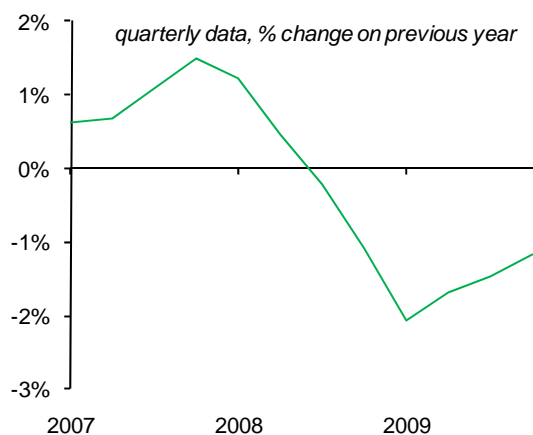


- Average total pay growth (including bonuses) in the manufacturing sector was 6.1% in March, compared with 3.5% in the services sector.
- Average weekly earnings (including bonuses) in March in the manufacturing sector were £544 compared with £445 in the services sector.
- In 2009, headline (including bonuses) earnings in the services sector averaged a decrease of 0.3% compared with a 1.2% increase in the manufacturing sector.

## C1: Employment

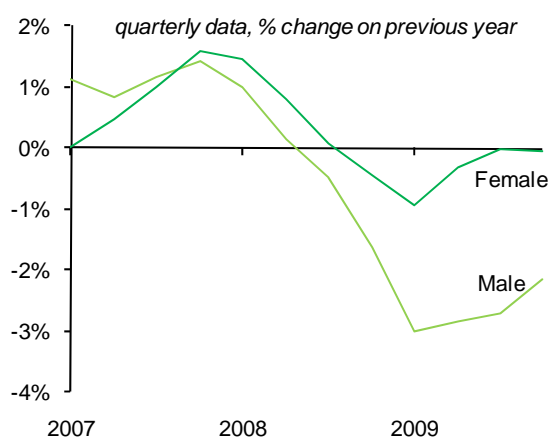
Total employment in the three months to March 2010 was 341,000 (1.2%) lower than a year earlier and 76,000 (0.3%) lower than the previous quarter.

### Total employment



- Employment is 2.5% lower than its peak of 29.6 million in April 2008.
- Over the past year, employment among 16-24 year olds has fallen by 5.8%. This is more than any other age group (see table below).
- Employment of women aged 60 and over has increased by 4.6% over the last year.

### Male and female employment



- Male employment was 15.4 million in the three months to March 2010, compared with female employment of 13.5 million.
- Over the past year, male employment has fallen by 2.1% while female employment was unchanged.
- Full-time employment has fallen by 2.4% over the past year while part-time employment has increased by 2.3%.

### 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)
Feb-08	29,490	4,224	17,368	6,595	1,303
Feb-09	29,170	3,984	17,245	6,592	1,350
May-09	28,925	3,918	17,069	6,567	1,372
Aug-09	28,917	3,825	17,102	6,589	1,400
Nov-09	28,905	3,786	17,135	6,573	1,410
Feb-10	28,829	3,753	17,040	6,608	1,428
% change on previous 3 months	-0.3	-0.9	-0.6	+0.5	+1.3
% change on previous year	-1.2	-5.8	-1.2	+0.2	+5.8

Source: ONS

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

**Contact:** Dominic Webb, x4324

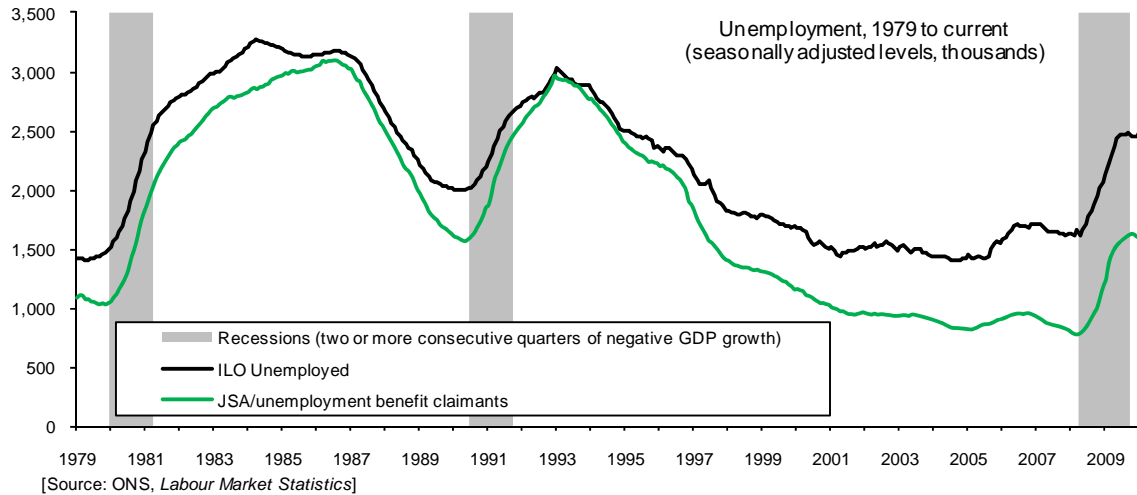
**Update:** ONS, [Labour Market Statistics](#), 16 Jun



## 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 January to March 2010 was 2,510,000 (8.0% of all economically active) – up by 53,000 from the previous quarter (UK, seasonally adjusted).**

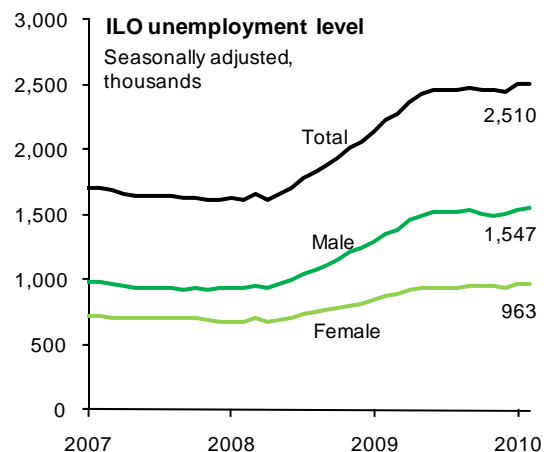


### ILO unemployment (period Jan-Mar 2010)

- The number of people unemployed for more than 12 months stood at 757,000, a year-on-year increase of 248,000;
- The unemployment level among 16- to 24-year-olds was 941,000, 20.0% 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 27,100 between March and April 2010 to 1,516,900.



### ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 59(f)/64(m)		60+(f)/65+(m)	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Jan-Mar 2005	1,413	4.7	586	12.3	615	3.5	194	3.0	19	1.8
Jan-Mar 2006	1,601	5.2	656	13.6	718	4.0	199	3.0	27	2.4
Jan-Mar 2007	1,702	5.5	710	14.5	747	4.2	220	3.3	25	2.0
Jan-Mar 2008	1,619	5.2	684	13.9	704	3.9	211	3.1	20	1.5
Jan-Mar 2009	2,231	7.1	877	18.0	1,008	5.5	314	4.5	33	2.4
Apr-Jun 2009	2,431	7.8	925	19.1	1,133	6.2	338	4.9	35	2.5
Jul-Sep 2009	2,461	7.8	936	19.7	1,151	6.3	337	4.9	37	2.5
Oct-Dec 2009	2,457	7.8	923	19.6	1,139	6.2	356	5.1	39	2.7
<b>Jan-Mar 2010</b>	<b>2,510</b>	<b>8.0</b>	<b>941</b>	<b>20.0</b>	<b>1,179</b>	<b>6.5</b>	<b>349</b>	<b>5.0</b>	<b>41</b>	<b>2.8</b>
% change on quarter	+2.2		+2.0		+3.5		-2.0		+5.1	
% change on year	+12.5		+7.3		+17.0		+11.1		+24.2	

Source: ONS, Labour Market Statistics.

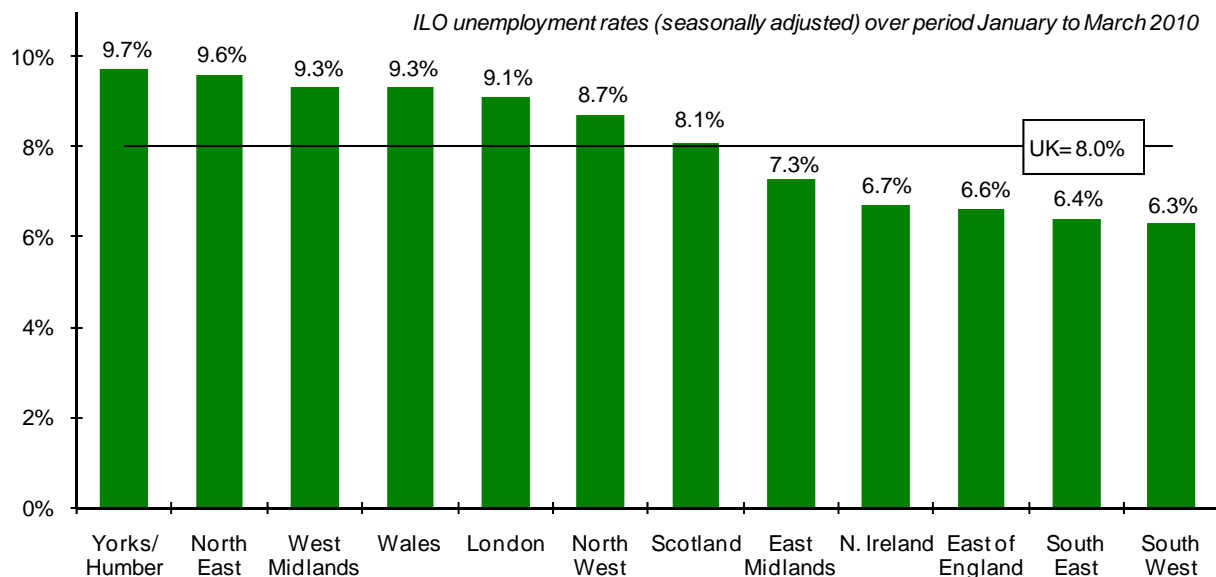
Notes: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding. 60+(f)/65+(m) refers to the respective state retirement ages for females and males.

**Contact:** Roderick McInnes, x3793 **Updates:** ONS, [Labour Market Statistics](#), 16 Jun

### C3: Unemployment: Regional

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).

- Over the period January to March 2010 Yorkshire and the Humber had the highest unemployment rate, 9.7% of the economically active population. The lowest rate over the same period was 6.3%, in the South West.



- Four regions (the East Midlands, the West Midlands, London and the South West) have seen falls in their unemployment level since the previous quarter (see table below).
- Over the year, all regions have seen a rise in unemployment except for the West Midlands, where the unemployment level is unchanged compared with January-March 2009.
- The seasonally adjusted JSA claimant count fell in April 2010 compared with the previous month in every region.

#### Key regional labour market statistics *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	Jan - Mar 2010		Change in level		April 2010	
	Level (000s)	Rate (%) <sup>(a)</sup>	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	121	9.6	+4	+16	81.1	-1.7
North West	297	8.7	+8	+27	185.6	-4.0
Yorkshire & Humber	258	9.7	+18	+48	151.2	-2.2
East Midlands	166	7.3	-1	+2	104.2	-2.6
West Midlands	249	9.3	-4	+0	166.6	-3.9
East of England	194	6.6	+1	+15	113.9	-1.3
London	372	9.1	-2	+36	218.3	-3.3
South East	283	6.4	+7	+44	145.4	-2.9
South West	166	6.3	-6	+8	85.3	-2.7
Wales	133	9.3	+11	+22	74.5	-1.3
Scotland	216	8.1	+10	+55	135.4	-1.0
Northern Ireland	55	6.7	+6	+6	55.4	-0.2

Source: ONS, *Labour Market Statistics*

Note: (a) Rates are percentages of economically active population in the region.

**Contact:** Roderick McInnes, x3793      **Update:** ONS, *Labour Market Statistics*, 16 Jun

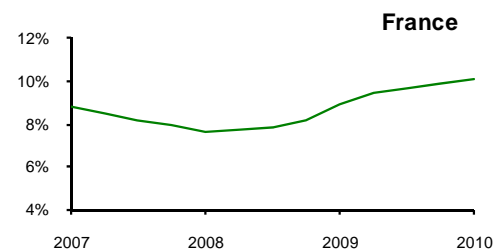
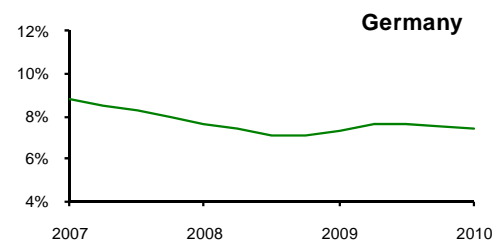
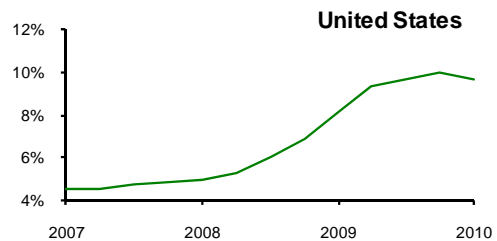
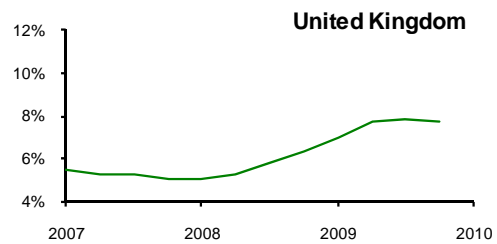
## C4: Unemployment: International Comparisons

The OECD produces harmonised unemployment rates for OECD members based on the ILO definition of unemployment.

- Using harmonised definitions, the UK unemployment rate in Q4 2009 (the latest quarter for which all data are available) was 7.7%, below the Eurozone rate (9.8%) and below the G7 and OECD rates (8.5% and 8.7% respectively).

(The ONS headline estimate of ILO unemployment in the UK for Q1 2010 was 8.0%. This measure is not directly comparable with OECD harmonised rates.)

- Between Q4 2008 and Q4 2009 Germany had the smallest rise in unemployment among G7 countries: (0.4 percentage points), followed by Japan (1.1 percentage points). The UK and US unemployment rates rose by 1.4 percentage points and 3.1 percentage points respectively over the same period.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 31 OECD member states (19.0% in Q1 2010) and has seen a particularly sharp increase in unemployment over the last two years, rising by 11 percentage points from its most recent low point (8.0% in Q2 2007). This compares with a 3.0 percentage point rise in unemployment in the OECD as a whole (from 5.7% to 8.7%) and a 2.5 percentage point rise in the Eurozone (from 7.5% to 10.0%) over the same period.
- The most recent forecasts published by the OECD ([Economic Outlook no. 86 November 2009](#)) suggested the UK unemployment rate would be 9.3% in 2010 and 9.5% in 2011. The respective forecasts for the eurozone were 10.6% and 10.8%, and for the OECD as a whole 9.0% and 8.8%.



### Unemployment

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

	2007	2008	2009	2008				2009				2010
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Canada	6.0	6.1	8.3	5.9	6.0	6.1	6.5	7.8	8.4	8.5	8.4	8.2
France	8.4	7.8	9.5	7.6	7.7	7.8	8.2	8.9	9.4	9.7	9.9	10.1
Germany	8.4	7.3	7.5	7.6	7.4	7.1	7.1	7.3	7.6	7.6	7.5	7.4
Italy	6.2	6.8	7.7	6.5	6.8	6.7	7.0	7.4	7.5	7.8	8.2	8.6
Japan	3.9	4.0	5.1	3.9	4.0	4.0	4.1	4.5	5.1	5.4	5.2	4.9
UK	5.3	5.6	7.6	5.1	5.3	5.8	6.3	7.0	7.7	7.8	7.7	..
USA	4.6	5.8	9.3	5.0	5.3	6.0	6.9	8.2	9.3	9.7	10.0	9.7
Eurozone	7.5	7.6	9.4	7.2	7.4	7.6	8.0	8.8	9.3	9.7	9.8	10.0
G7	5.5	5.9	8.0	5.5	5.6	6.0	6.5	7.3	8.0	8.3	8.5	8.3
OECD	5.8	6.1	8.3	5.7	5.8	6.2	6.7	7.6	8.3	8.6	8.7	8.7

Source: OECD, Harmonised Unemployment Rates, May 2010

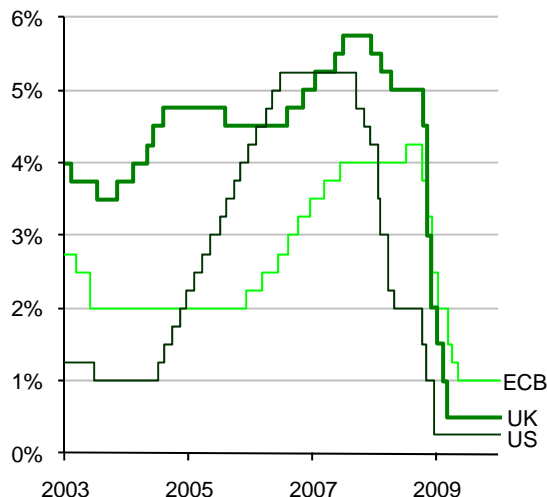
**Contact:** Roderick McInnes, x3793      **Updates:** OECD, [Harmonised Unemployment Rates](#), Jun  
OECD, [Economic Outlook](#), Jul

## 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

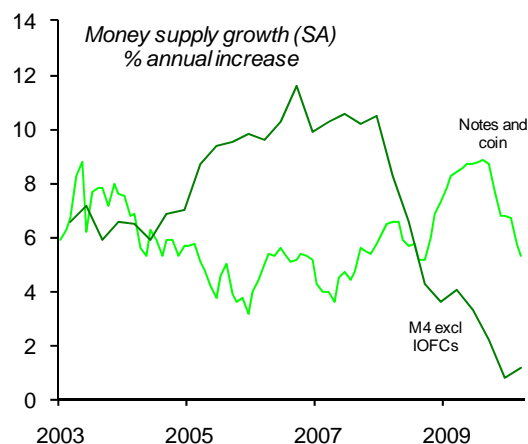
Source: Bank of England

- 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.
- The Bank of England has now purchased £200 billion worth of assets using created reserves. 99% of the purchases by value have been gilts (UK Government securities). No further purchases are scheduled.

### Money supply



- In its February 2010 *Inflation Report*, the Bank of England noted that money supply growth has been weak, but less so than it would have been in the absence of the asset purchase programme.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 1.2% in Q1 2010. That is up slightly from Q4 2009 when it was 0.8%, the lowest recorded for this measure (series runs from Q4 1998) and compared with 11.6% in Q3 2006.
- The value of notes and coins in circulation outside the Bank of England rose by 5.3% in the year to March 2010.

**Contact:** Adam Mellows-Facer, x4904    **Updates:** Monetary policy: 10 Jun (UK) 10 Jun (ECB) 23 Jun (US)  
 Bank of England [Monetary & Financial Stats](#), 2 Jun

## D2: Public Finances

The 2010 Budget forecasts that public borrowing will be £163 billion in 2010/11, equivalent to 11.1% of GDP.

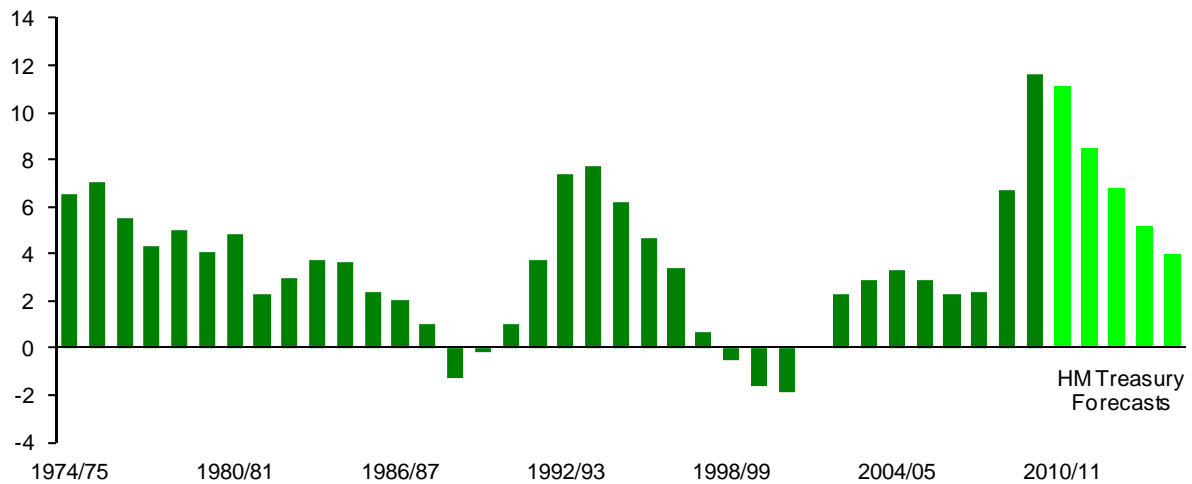
- The Government borrowed £163.4 billion in 2009/10 (11.6% of GDP). This is £3.1 billion lower than the forecast in the Budget.
- Borrowing in 2009/10 was around 70% higher than borrowing in 2008/09 (£96.5 billion).
- Government debt was £772 billion in 2009/10 (53.8% of GDP). This is also slightly lower than forecast in the Budget.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	617	44.0
2009/10	163	11.6	772	53.8
2010/11	163	11.1	952	63.6
2011/12	131	8.5	1,095	69.5
2012/13	110	6.8	1,218	73.0
2013/14	89	5.2	1,320	74.5
2014/15	74	4.0	1,406	74.9

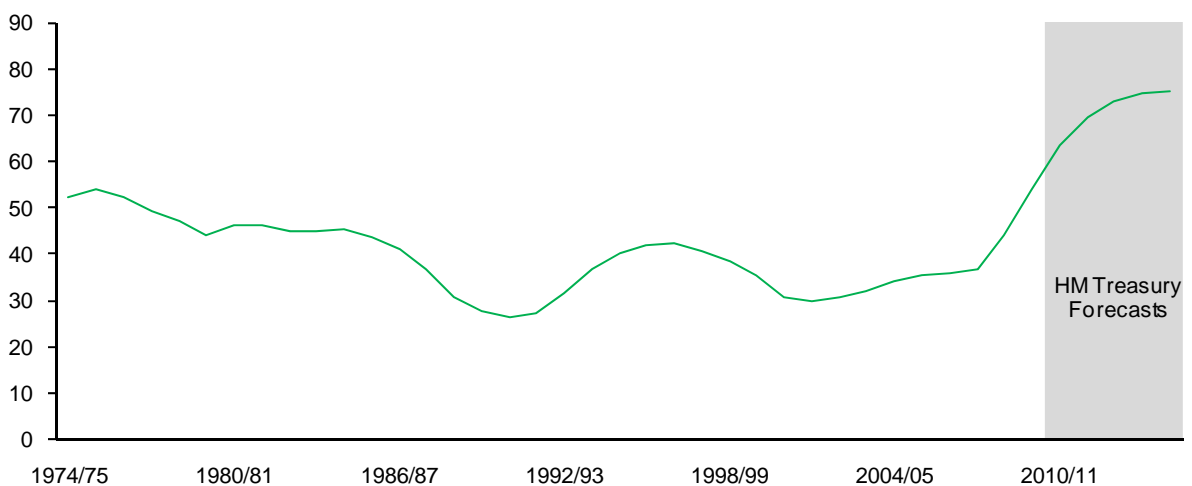
Source: ONS, HM Treasury forecasts

Note: figures exclude financial sector interventions

### Public sector net borrowing (% of GDP)



### Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update: ONS, [Public sector finances](#), 21 May

### 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 6,930 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 recently hit an all-time high above \$1230/ounce on 12 May 2010.

Data from Wednesday 12 May 2010

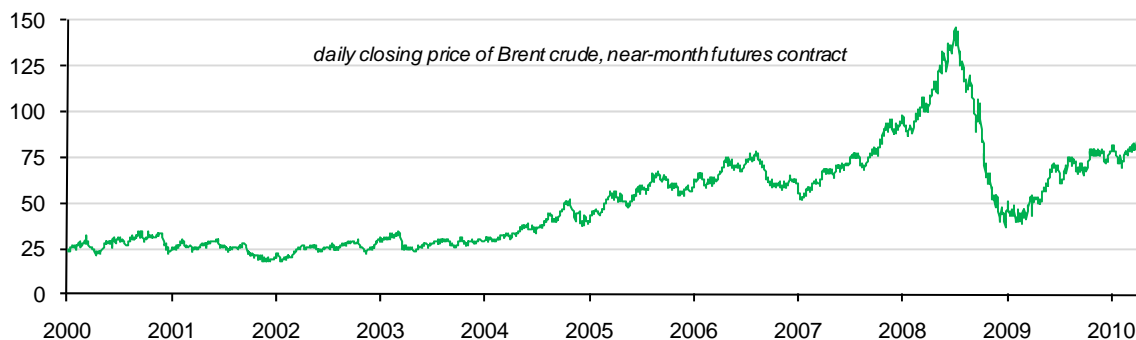
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
12 May 2010	5,334.2	81.2	1,232.6
%change over:			
1-month	-8%	-4%	+6%
12-months	+21%	+40%	+34%
%change from:			
cyclical peak	-21%	-44%	-
date	15 Jun '07	03 Jul '08	12 May '10
cyclical trough	+52%	+123%	+73%
date	03 Mar '09	24 Dec '08	24 Oct '08

Note: Oil is Brent near-month futures price  
Source: *Financial Times*

#### FTSE-100 Index



#### Oil price (\$ per barrel)



#### Gold price (\$ per ounce)



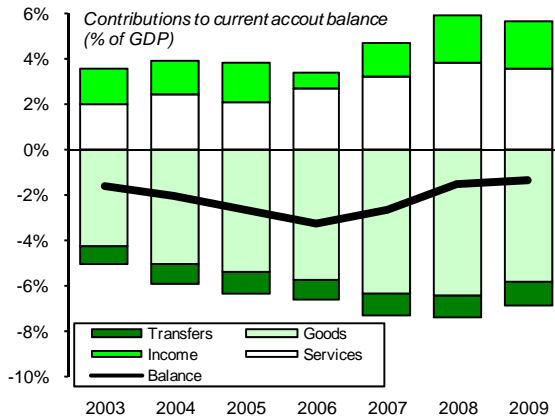
Contact: Daniel Harari, x2464

Update: Page updated on a weekly basis

## E1: UK Balance of Trade

Annually, the current account deficit in 2009 was £18.4 billion, equivalent to -1.3% of GDP. The surplus on income and services narrowed between 2008 and 2009, but the deficit in goods narrowed by an even greater amount, resulting in the current account deficit narrowing in 2009 compared with 2008.

### Current Account



- On a **quarterly** basis, the current account deficit was estimated at £1.7 billion in Q4 2009, narrowing from a Q3 2009 deficit of £5.9 billion. Between Q3 2009 and Q4 2009 the surplus on services widened as did the deficit on goods.
- The **annual** current account deficit with EU27 countries in 2009 was £19.5 billion, compared with a surplus with non-EU countries of £1.1 billion. On a **quarterly** basis, the deficit with EU27 countries was £8.2 billion in Q4 2009 (£3.9 billion deficit in Q3 2009). With non-EU countries, the current account was in surplus by £6.5 billion in Q4 2009 (£2.1 billion deficit in Q3 2009).

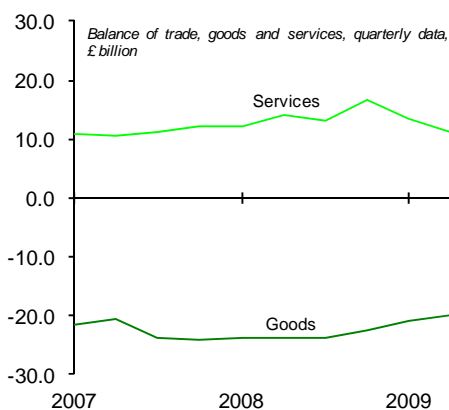
### Current Account Balances

£ millions; seasonally adjusted

	Goods		Balance	Services Balance	Goods and Services Balance	Income	Transfers	Current Account Balance
	Exports	Imports						
2007	-68,789	24,611	-89,754	44,807	-44,947	20,775	-13,538	-37,710
2008	-77,399	31,005	-93,381	55,142	-38,239	30,293	-14,029	-21,975
2009	-87,425	36,464	-81,790	49,313	-32,477	28,656	-14,614	-18,435
2008 Q4	-20,143	8,559	-22,310	16,444	-5,866	1,940	-2,973	-6,899
2009 Q1	-20,845	8,956	-21,080	13,154	-7,926	7,487	-3,770	-4,209
Q2	-20,094	9,112	-19,847	11,676	-8,171	5,585	-4,044	-6,630
Q3	-23,187	9,345	-19,816	12,095	-7,721	5,299	-3,490	-5,912
Q4	-23,299	9,051	-21,047	12,388	-8,659	10,285	-3,310	-1,684

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 March was £7.5 billion, wider than the February deficit of £6.3 billion.
- The monthly trade surplus on services was £3.8 billion in March, down from the February surplus of £4.1 billion.
- The overall monthly deficit on goods and services combined in March was £3.7 billion, up from £3.9 billion in February.
- The goods deficit with the EU27 was £3.4 billion in March (compared with £2.9 billion in February), while the deficit with non-EU countries was £4.1 billion (compared with £3.4 billion in February).

Contact: Grahame Allen, x3977

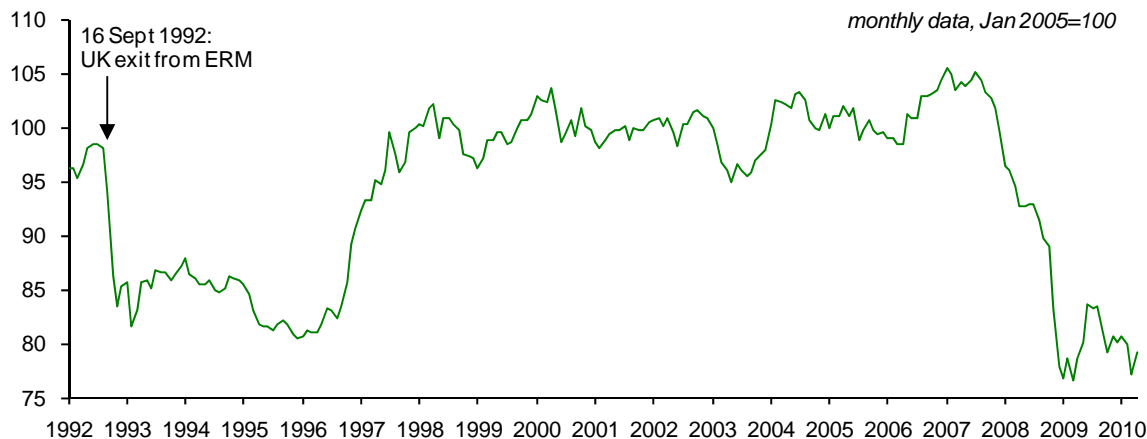
Updates: ONS, [UK Trade](#), 9 June;  
ONS, [UK Balance of Payments](#), 30 Jun

## 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).

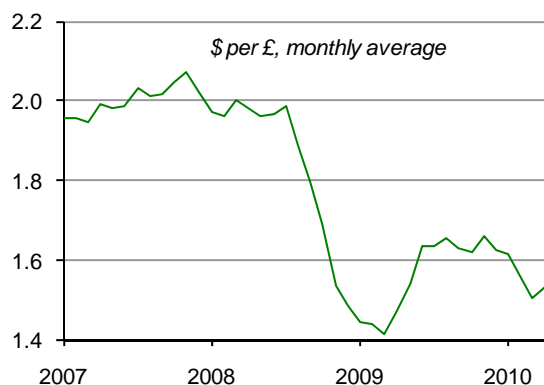
The SERI rose 2.5% during April 2010, after falling 3.4% in March. It is now 3.3% above its lowest point in March 2009 (since 1980, when the series began) and down 24.7% from a peak in July 2007. Compared with the previous year, the SERI was up 0.7% in April.

### Sterling Exchange Rate Index (SERI)



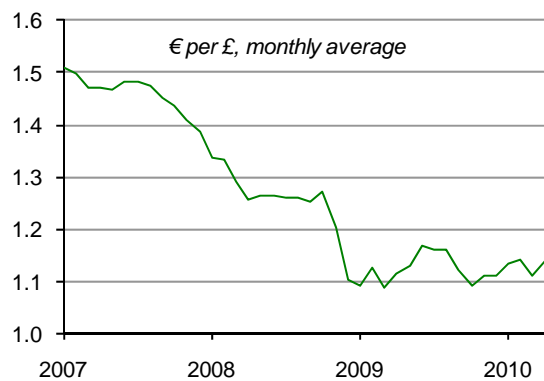
[Source: Bank of England, Bankstats database, XUMABK67]

### US\$/£ Exchange Rate



- In April, the pound rose against the dollar and the euro.
- At the 7 May market close, the pound sterling was worth \$1.47.
- The pound was worth €1.16 at the 7 May close, compared with the all-time low of €1.02 (on 30 December 2008), and the launch rate of €1.48 on 31 December 1998.

### €/£ 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	Apr	1.47	-25.7%	1.12	-11.3%
	Jan	1.62	11.8%	1.13	3.7%
2010	Feb	1.56	8.4%	1.14	1.3%
	Mar	1.51	6.2%	1.11	2.1%
	Apr	1.53	4.2%	1.14	2.5%

Source: Bank of England, Bankstats database

Contact: Ian Townsend, x2042

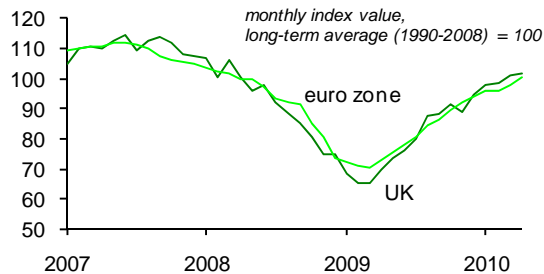
Updates: Bank of England, [SERI & monthly rates](#), 2 Jun; Financial Times, [Sterling Exchange Rates](#) (daily)



## 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

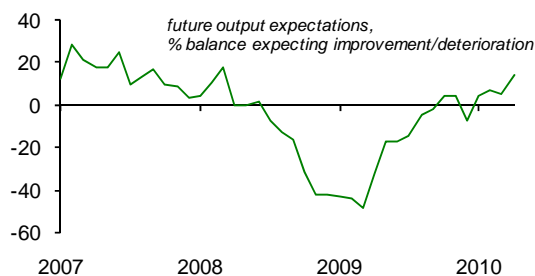


		UK Index	monthly change	change on year ago
2008	Apr	100.4	...	...
2009	Apr	69.9	...	...
2010	Feb	98.3	+0.1	+32.7
	Mar	100.9	+2.6	+35.5
	Apr	101.7	+0.8	+31.8

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 rose 0.8 of a point between March and April to stand 31.8 points higher than a year ago.

### CBI Industrial Trends Survey



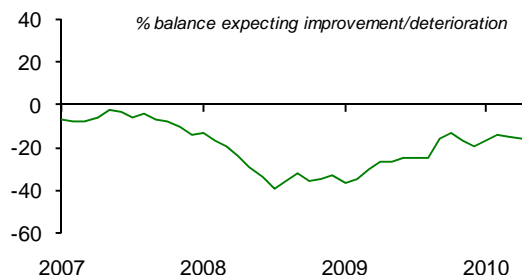
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2008	Apr	+0	...	...
2009	Apr	-32	...	...
2010	Feb	+7	+3	+51
	Mar	+5	-2	+53
	Apr	+14	+9	+46

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in April were +14% of firms expecting output to rise rather than fall over the next three months. This was up 9 points on the March figure of +5%, and is the strongest figure seen since March 2008.

### 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	Apr	-24	...	...
2009	Apr	-27	...	...
2010	Feb	-14	+3	+21
	Mar	-15	-1	+15
	Apr	-16	-1	+11

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 -16 in April, down 1 point on March, and 11 points higher than a year ago.

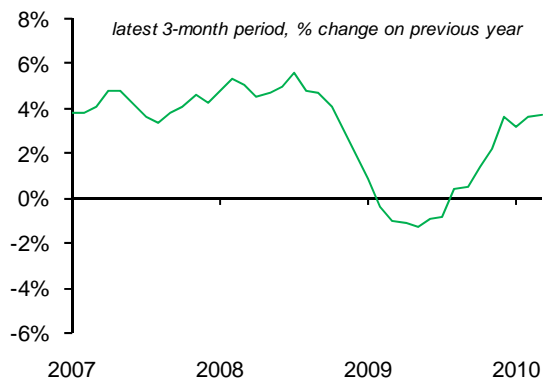
**Contact:** Ian Townsend, x2042

**Update:** CBI, *Industrial Trends*, 18 May  
GfK NOP, *Consumer Confidence*, 28 May  
EC, *Economic Sentiment Indicator*, 31 May

## F2: Retail Sales

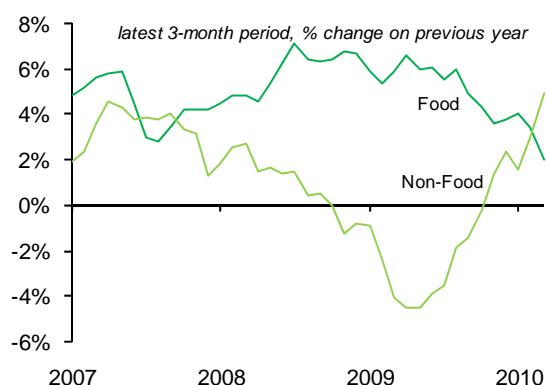
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

### Value of Retail Sales



- The seasonally-adjusted value of retail sales in the three months to March was 3.7% higher than a year ago, up from 3.6% in February.
- The value of retail sales in March alone was up by 0.9% compared with February. This follows a sharp 2.4% monthly increase in February, the most since May 2008.
- The estimated total value of sales in March was £29.9 billion (non-seasonally-adjusted).

### Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to March was 2.0% higher than a year ago, the lowest since July 2000.
- The value of sales in non-food stores in the three months to March was 4.9% higher than a year ago, the highest since September 2004.
- Sales in household goods stores rose by 1.7% in the three months to March.
- Sales in clothing and footwear stores rose by 3.5% in the three months to March.

### Value of Retail Sales

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

		Non-Food Stores				Total	All retailing total
		Food Stores	Clothing & Footwear	Household goods	Other		
2008		6.0	0.3	-2.2	6.1	0.9	4.1
2009		5.2	0.8	-5.1	-3.4	-1.8	0.6
2009	Nov	3.6	1.3	0.7	-0.4	1.4	2.2
	Dec	3.8	1.6	2.1	1.9	2.4	3.6
2010	Jan	4.0	1.3	-1.1	2.1	1.6	3.2
	Feb	3.4	2.8	0.2	3.6	3.0	3.6
	Mar	2.0	3.5	1.7	6.4	4.9	3.7

Source: ONS, series: IEAU, IEBJ, IEBM, IEBA, IEAX, J5BY

Contact: Daniel Harari, x2464

Update: ONS, [Retail Sales](#), 20 May

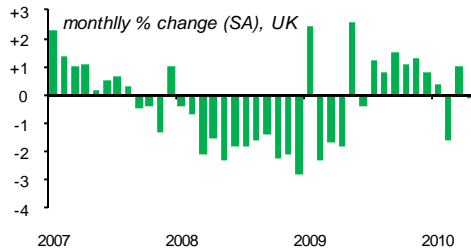
## F3: Housing Market

House prices on the Halifax index fell slightly during April 2010. Contrastingly, Nationwide data showed a second successive monthly rise of 1.0%. Both indices, however, showed price rises accelerating compared with a year ago, with the Halifax measure posting an 8.9% increase, while on the Nationwide index a 10.5% rise was recorded.

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

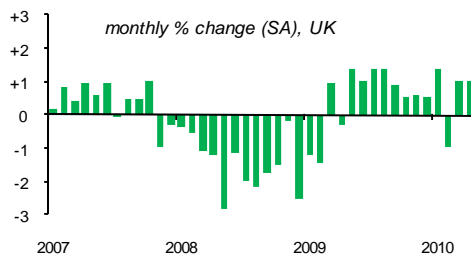
#### Halifax house price index



Latest monthly data  
UK, seasonally adjusted

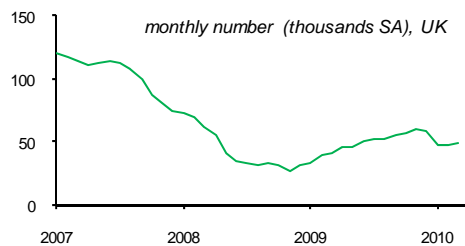
	Halifax	Nationwide
Latest data	Apr-10	Apr-10
Change in month	-0.1%	+1.0%
Change in year	+8.9%	+10.5%
Peak date	Aug-07	Jul-07
Change since peak	-15.7%	-8.2%
Trough date	Apr-09	Feb-09
Change since trough	+8.9%	+11.4%

#### Nationwide house price index



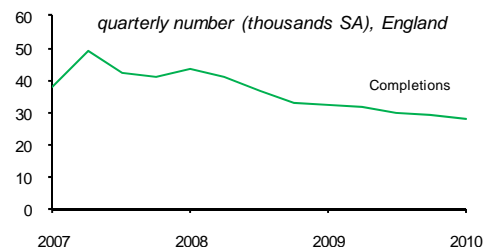
- On the Halifax index, prices are now at a similar level to those in October 2008. According to Nationwide they have recovered to July 2008 levels.
- There is considerable regional variation. In Q1 2010 prices fell by 3% in Northern Ireland but rose by 16% in London compared with a year earlier (Nationwide data).

### 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 49,000 mortgage approvals in March 2010, with numbers remaining low following a sharp fall in January.

### House-building



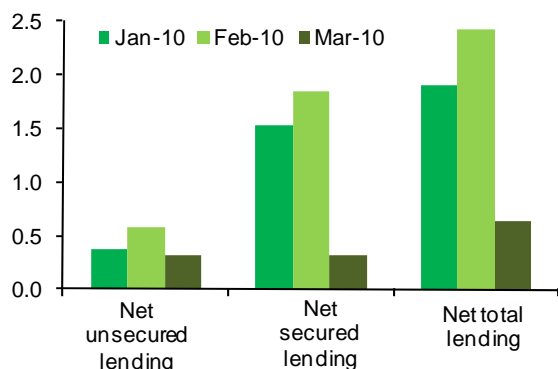
- There were nearly 22,000 dwelling starts in England in Q4 2009. The Department for Communities and Local Government (DCLG) has withdrawn previous housing starts data while they are revised to ensure consistency with current data collection methods.
- The number of dwelling completions has fallen in each of the last eight quarters for which data are available.

**Contact:** Daniel Harari, x2464

**Updates:** Halifax [House Price Index](#), early June;  
Nationwide [House Price Index](#), early June;  
Bank of England, [Lending to Individuals](#), 2 June;  
DCLG, [House-building](#), 20 May

## F4: Household debt

### Monthly net lending, last three months, £bn



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

- Total net lending to individuals grew by £0.6 billion in March. This compares with an increase of £2.4 billion in February. Monthly net lending peaked in October 2003 at £12.0 billion.
- Monthly net unsecured lending grew by £0.3 billion in March 2010.
- Monthly net secured lending (mortgages) also rose by £0.3 billion in March 2010, well down on February's £1.8 billion increase.

### Net outstanding lending to individuals

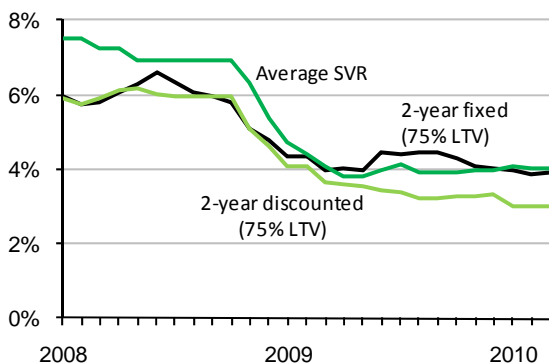
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2006 Mar	990	211	1,201
2007 Mar	1,103	214	1,317
2008 Mar	1,200	230	1,430
2009 Mar	1,227	232	1,459
Sep	1,230	229	1,459
Dec	1,234	227	1,461
2010 Mar	1,239	222	1,460

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

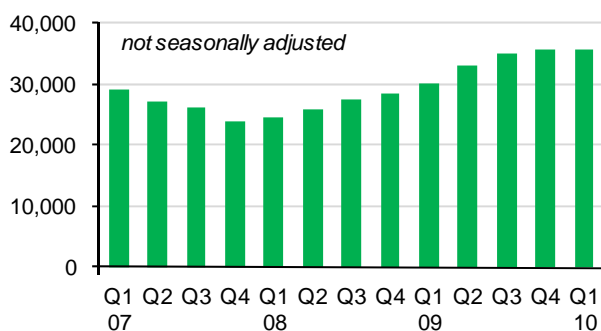
- Total net outstanding lending to individuals was £1,460 billion at the end of March 2010.
- Secured lending (mortgages) is the largest form of lending at £1,239 billion, 85% of total lending outstanding.
- Unsecured lending outstanding (including credit cards) was £222 billion.
- Total net outstanding lending is 0.1% higher in March compared to a year ago. Secured lending increased by 0.9% in March compared with March 2009, while unsecured lending fell by 4.3%.

### Current average mortgage interest rates



- 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 March was 4.04%, 3.2 percentage points lower than in March 2008.
- The average fixed and discounted rates offered (75% LTV) in March were 3.92% and 3.00% respectively (1.88 and 2.79 percentage points lower than in March 2008).

### Individual insolvencies, England and Wales



Source: Insolvency Service

- Q1 2010 provisional data indicates there were 35,682 individual insolvencies (bankruptcy orders, Individual Voluntary Arrangements (IVAs) or debt relief orders) in England and Wales (not seasonally adjusted), a 17.9% increase on Q1 2009. This was made up of 18,256 bankruptcies, 11,782 IVAs and 5,644 Debt Relief Orders.
- In Scotland in Q1 2010 there were 5,175 individual insolvencies, a fall of 9.9% on Q1 2009.
- In Northern Ireland in Q1 2010 there were 554 individual insolvencies, a rise of 24.2% on Q1 2009.

Contact: Daniel Harari, x2464

Update: Bank of England, [Lending to Individuals](#), 2 Jun  
Insolvency Service, [Insolvency Statistics](#), 6 Aug

## 5 Indicator sources

The table gives details of sources used in this paper. Office for National Statistics (ONS) releases are available from [www.statistics.gov.uk/press\\_release/CurrentReleases.asp](http://www.statistics.gov.uk/press_release/CurrentReleases.asp).

Indicator	Source details
A1 <b>Gross Domestic Product</b>	ONS releases: <i>Preliminary GDP estimates</i> ; <i>UK output, income &amp; expenditure</i> ; <i>Quarterly national accounts</i> HM Treasury, <i>Forecasts for the UK Economy</i>
A2 <b>GDP: International Comparisons</b>	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <i>Main Economic Indicators</i> , via Stat.OECD database ( <a href="#">link to user defined table</a> ) Growth Forecasts: OECD, <i>Economic Outlook</i> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> ); IMF <i>World Economic Outlook database and updates</i> European Commission's <a href="#">growth forecasts</a>
A3 <b>Components of GDP</b>	ONS releases: <i>UK output, income &amp; expenditure</i> ; <i>Quarterly national accounts</i>
A4 <b>Output and Employment by Industry</b>	ONS releases: <i>Preliminary GDP estimates</i> ; <i>UK output, income &amp; expenditure</i> ; <i>Quarterly national accounts</i>
A5 <b>Manufacturing (Including Automotives)</b>	ONS, <i>Index of Production</i> SMMT, <i>Vehicle Production</i> SMMT, <i>New Car Registrations</i>
A6 <b>Productivity</b>	ONS, <i>Productivity</i>
B1 <b>Inflation</b>	ONS, <i>Consumer Price Indices</i>
B2 <b>Inflation: International Comparisons</b>	CPI: OECD, <i>Main Economic Indicators</i> ( <a href="#">link to user defined table</a> ); EU data: Eurostat <a href="#">news release</a> and <a href="#">database</a>
B3 <b>Average Earnings Index</b>	ONS, <i>Average Weekly Earnings</i> and <i>Labour Market Statistics</i>
C1 <b>Employment</b>	ONS, <i>Employment</i> and <i>Labour Market Statistics</i>
C2 <b>Unemployment: National</b>	ONS, <i>Labour Market Statistics</i> release and <i>Labour Market Statistics First Release Historical Supplement</i>
C3 <b>Unemployment: Regional</b>	ONS, <i>Labour Market Statistics</i> and <i>Regional Labour Market Statistics</i>
C4 <b>Unemployment: International Comparisons</b>	Data: OECD, <i>Main Economic Indicators</i> Commentary: OECD, <i>Economic Outlook</i> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> )

Indicator		Source details
D1	<b>Interest Rates and the Money Supply</b>	UK: Bank of England, Monetary Policy Committee <a href="#">decisions &amp; minutes</a> US: Federal Reserve, <a href="#">Federal Open Market Committee decisions</a> ECB: <a href="#">European Central Bank news releases</a> Bank of England: <a href="#">Bankstats</a> , tables A 1.1 and A 2.2.1; and ONS Database.
D2	<b>Public Finances</b>	Data: ONS, <a href="#">Public Sector Accounts</a> or <a href="#">Public Sector Finances</a> ; Forecasts of budget balance: HM Treasury, <a href="#">Pre-Budget Report</a> , table B2 or <a href="#">Budget Red Book</a> , table C2.
D3	<b>Financial Indicators</b>	<a href="#">Financial Times</a> , <a href="#">Markets Data</a>
E1	<b>UK Balance of Trade</b>	ONS, <a href="#">Balance of Payments</a> ONS, <a href="#">UK Trade</a>
E2	<b>Exchange Rates</b>	Sterling effective exchange rates and sterling-dollar/euro rates: Bank of England, <a href="#">Bankstats</a> database ( <a href="#">annual</a> and <a href="#">monthly</a> )
F1	<b>Business and Consumer Confidence</b>	European Commission: <a href="#">Economic Sentiment Indicator</a> Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), <a href="#">Economic and Business Outlook and Quarterly Industrial Trends Survey</a> press releases; Consumer Confidence: GfK NOP <a href="#">Consumer Confidence Barometer</a>
F2	<b>Retail Sales</b>	ONS, <a href="#">Retail Sales</a>
F3	<b>Housing Market</b>	Bank of England: <a href="#">Lending to Individuals</a> ; Department for Communities and Local Government (DCLG) UK Housing Starts: <a href="#">table 201</a> ; Halifax house price data: <a href="#">housing research page</a> ; Nationwide house price data: <a href="#">data page</a>
F4	<b>Household Debt</b>	Bank of England: <a href="#">Lending to Individuals</a> ; The Insolvency Service: <a href="#">Insolvency Statistics</a>

## 6 Glossary

### Symbols and abbreviations

..	Figure(s) not yet available
<b>CBI</b>	Confederation of British Industry
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ONS</b>	Office for National Statistics

### Definitions<sup>1</sup>

**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 (JSA) 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:** 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.

**Current/constant prices:** 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.

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.

**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 do not want a job, those who want a job but have not been seeking work in the last four weeks and those who want a job and are seeking work but not available to start work.

**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 – Real GDP:** Also known as constant price or chained volume measure, this is a measure used to indicate change in the actual quantity of goods and services produced, by adjusting for inflation.

**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.

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

**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, which enable comparisons to be made across countries. The UK's CPI measure uses HICP methodology.

**Market prices:** The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes.  $GDP \text{ at market prices} = GDP \text{ at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$ .

**Money supply:** The total amount of money in an economy at a given time.

**The Public Sector Net Borrowing (PSNB):** 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 PSNB. 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 methodology and coverage. For example, the RPI includes housing costs such as mortgage interest payments while the CPI doesn't.

**Seasonally adjusted:** Estimates in which the element of variability due to seasonal influences, which may distort the data, has been removed.

**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 goods and services.

**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 [cont]

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 total 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.