



# Economic Indicators, June 2010

RESEARCH PAPER 10/39 01 June 2010

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

- The ONS revised up GDP growth in Q1 2010 from 0.2% to 0.3%. This compares with growth of 0.4% in Q4 2009 (when the economy emerged from recession).
- Inflation rose to its highest level since late 2008 in April, but is expected to subside during the second half of the year.
- Revisions to public finance data have lowered total Government borrowing for 2009/10 by over £7 billion to £156.1 billion (11.1% of GDP).

This month's articles:

- **Is the recent rise in inflation temporary?**
- **Household income and poverty in 2008/09**

Daniel Harari (editor)

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## Research Paper 10/39

**Contributing Authors:** Daniel Harari (editor),  
Economic Policy and Statistics section

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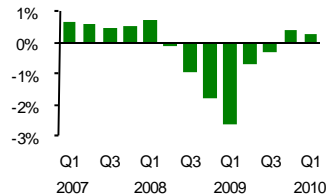
## Summary

The ONS revised up GDP growth in Q1 2010 from 0.2% to 0.3% (see [page 1](#)). This compares with growth of 0.4% in Q4 2009 (when the economy emerged from recession). Inflation rose to its highest level since late 2008 in April, but is expected to subside during the second half of the year (see article on [page ii](#)). Meanwhile, revisions to public finance data have lowered total Government borrowing for 2009/10 by over £7 billion to £156.1 billion (11.1% of GDP).

### GDP Growth

[page 1](#)

(% change quarter-on-quarter)

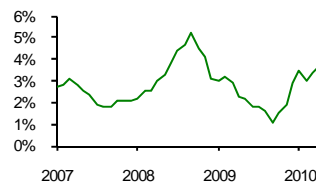


GDP growth was revised up to 0.3% from 0.2% in Q1 2010 compared with Q4 2009. This follows 0.4% growth in Q4 2009. Growth in the year to Q1 2010 was -0.2%, compared with -3.1% in the year to Q4 2009.

### Inflation (CPI)

[page 7](#)

(% change on year ago)

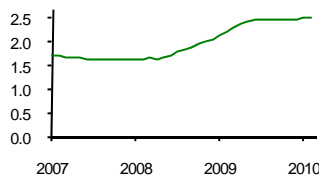


In the year to April, CPI inflation rose to 3.7%, from 3.4% in March, the highest it's been since November 2008.

### 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%.

### Interest Rates

[page 14](#)

(Bank of England, bank rate)



The Bank of England's Monetary Policy Committee have left interest rates unchanged at 0.5% since March 2009, the lowest level in the Bank's 315-year history.

### Manufacturing Output

[page 5](#)

(% change on year ago)



Manufacturing production rose by 2.3% in March, compared with an increase of 1.4% in February. The rebound in manufacturing output helped boost GDP growth in Q1.

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Next issue: 6 July

Editor: Daniel Harari

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## Contents

<b>1</b>	<b>Introduction to <i>Economic Indicators</i></b>	<b>i</b>
<b>2</b>	<b>Is the recent rise in inflation temporary?</b>	<b>ii</b>
<b>3</b>	<b>Household income and poverty in 2008/09</b>	<b>iv</b>
<b>4</b>	<b>Indicator pages:</b>	
<b>A.</b>	<b>Growth and Output</b>	<b>1</b>
	<b>1. Gross Domestic Product</b>	<b>1</b>
	<b>2. GDP: International Comparisons</b>	<b>2</b>
	<b>3. Components of GDP</b>	<b>3</b>
	<b>4. Output and Employment by Industry</b>	<b>4</b>
	<b>5. Manufacturing (Including Automotives)</b>	<b>5</b>
	<b>6. Productivity</b>	<b>6</b>
<b>B.</b>	<b>Prices and Wages</b>	<b>7</b>
	<b>1. Inflation</b>	<b>7</b>
	<b>2. Inflation: International</b>	<b>8</b>
	<b>3. Average Earnings</b>	<b>9</b>
<b>C.</b>	<b>Labour Market</b>	<b>10</b>
	<b>1. Employment</b>	<b>10</b>
	<b>2. Unemployment: National</b>	<b>11</b>
	<b>3. Unemployment: Regional</b>	<b>12</b>
	<b>4. Unemployment: International Comparisons</b>	<b>13</b>
<b>D.</b>	<b>Finance and Government Borrowing</b>	<b>14</b>
	<b>1. Interest Rates and the Money Supply</b>	<b>14</b>
	<b>2. Public Finances</b>	<b>15</b>
	<b>3. Financial Indicators</b>	<b>16</b>
<b>E.</b>	<b>Trade and Exchange Rates</b>	<b>17</b>
	<b>1. UK Balance of Trade</b>	<b>17</b>
	<b>2. Exchange Rates</b>	<b>18</b>

- F. Other Indicators** **19**
- 1. Business and Consumer Confidence** **19**
  - 2. Retail Sales** **20**
  - 3. Housing Market** **21**
  - 4. Household Debt** **22**
- 5 Indicator sources** **23**
- 6 Glossary** **25**

## 1 Introduction to *Economic Indicators*

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<sup>2</sup> <http://intranet.parliament.uk/Documents/intranet/offices-departments/assets/using-the-commons-library.pdf>

## 2 Is the recent rise in inflation temporary?

Inflation recently rose to its highest level in 18 months and has been above the Bank of England's 2% target for 25 of the last 31 months. What are the reasons behind this? How long is inflation expected to remain at these high levels? This article provides analysis of recent developments in inflation.

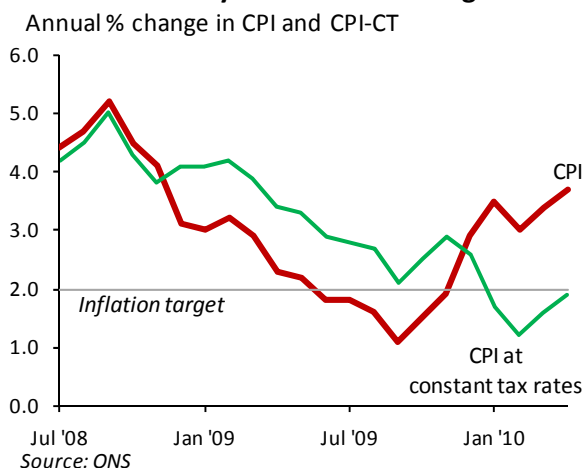
### 2.1 Why has inflation risen recently?

Last September the annual rate of inflation on the Consumers Prices Index (CPI) fell to 1.1%. Since then it has risen to 3.7% in April, the highest it's been since November 2008.<sup>3</sup> The Bank of England's Monetary Policy Committee (MPC) is charged by the Government to maintain price stability, defined as keeping annual inflation at 2% (as measured by the CPI). The MPC believes that the recent rise in inflation above the 2% target is largely due to three factors: the restoration of the standard rate of VAT to 17.5% from 1 January 2010; the increasing cost of oil; and the past depreciation of the pound.

#### Rise in VAT

In November 2008, the previous Government announced that the standard rate of VAT was to be lowered from 17.5% to 15% for 13 months. This resulted in increased price volatility. The restoration of the 17.5% rate in January 2010, for instance, is a major factor behind the increase in inflation this year. Assuming there are no further changes to the VAT rate, we can expect downward pressure on the annual rate of inflation from January 2011 as this year's VAT increase drops out of annual comparisons in the CPI data.

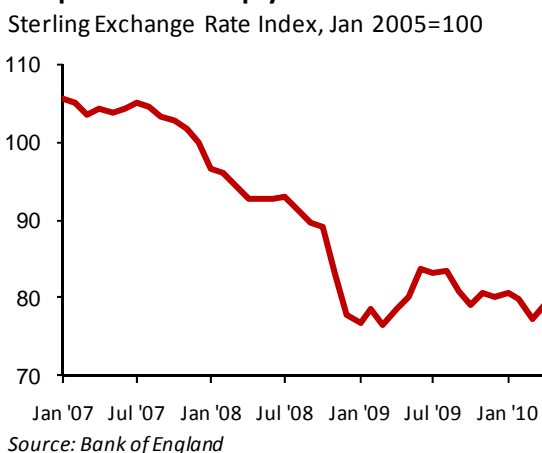
#### VAT increase key factor behind rising inflation



#### Depreciation of the pound

The MPC believes that the sharp depreciation of the pound in 2007 and 2008 is still having an effect on inflation via higher import costs. The MPC's May *Inflation Report* states that even excluding fuels the price of imports was 15% higher in Q4 2009 than in Q4 2007; however, compared with a year ago they were unchanged. The future path of import prices is highly uncertain and, in addition to exchange rate movements, will depend on companies' pricing decisions.

#### The pound fell sharply in 2007 and 2008



<sup>3</sup> The Retail Prices Index (RPI) rose to 5.3% in April, its highest level since July 1991. This article focuses on the Consumer Prices Index (CPI), the inflation measure targeted by the Bank of England's MPC.

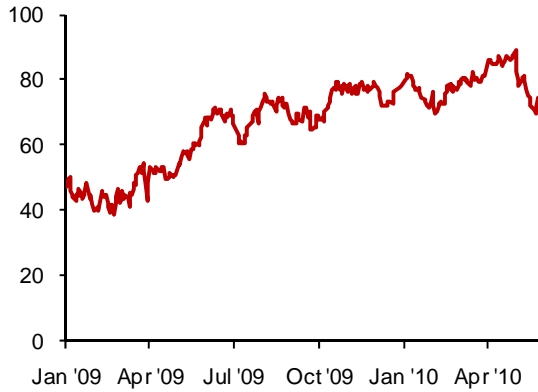


**Increase in oil prices**

The rising price of petrol as oil prices have doubled since early 2009 has been another prominent cause of higher inflation. The transport component (including fuel costs) of the CPI contributed nearly half of April's overall 3.7% increase in the CPI.

**Rise in oil price since early 2009...**

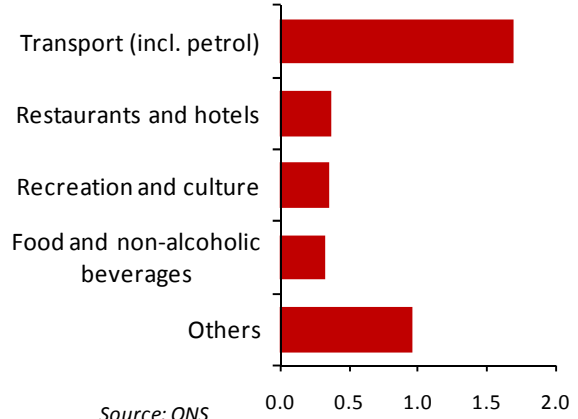
Brent crude (\$/barrel)



Source: Financial Times

**...has contributed to higher inflation**

percentage point contribution to April CPI of 3.7%



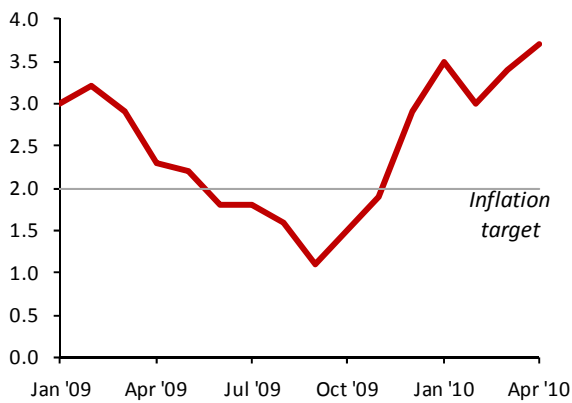
Source: ONS

**2.2 Inflation forecasts**

Despite the current elevated levels of inflation, the Bank of England's central projection is for CPI inflation to fall sharply during the second half of 2010 and into 2011. It believes that once the impact of the VAT increase, higher oil prices and low level of the pound subside, "downward pressure from the persistent spare capacity" in the economy as a result of the recession will likely drive inflation below 2%.<sup>4</sup> Most economists share this view. A survey of independent economists conducted by HM Treasury in May showed an average forecast for CPI inflation of 2.3% for Q4 2010 and 1.8% for Q4 2011.<sup>5</sup>

**Inflation has risen sharply since Sept 2009...**

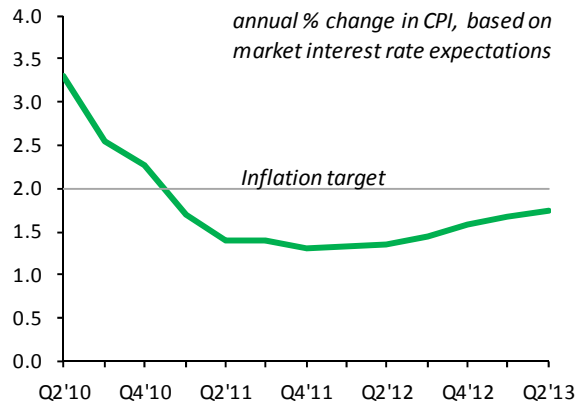
Annual % change in CPI



Source: ONS

**...but is expected to fall below 2% in 2011**

Bank of England's central inflation projection



Source: Bank of England, May 2010 Inflation Report

Daniel Harari  
Economic Policy and Statistics section

<sup>4</sup> Bank of England, *Inflation Report: May 2010*, page 38

<sup>5</sup> HM Treasury, *Forecast for the UK economy: a comparison of independent forecasts*, May 2010

### 3 Household income and poverty in 2008/09

The annual *Households Below Average Income (HBAI)* report was published on 20 May 2010 and provides the latest data available on the number of individuals considered to be in poverty.<sup>6</sup> There is no single definition of 'poverty' but a standard statistical measure used is those living in households with below 60 per cent of contemporary median net disposable income (referred to as median income from here on). Income is measured before or after housing costs, but the former is most widely used.

In 2008/09 there were:

- 2.8 million children living in UK households with below 60 per cent of median income Before Housing Costs (BHC) and 3.9 million After Housing Costs (AHC).
- 5.8 million working age adults living in UK households with below 60 per cent of median income BHC and 7.8 million AHC.
- 2.3 million pensioners living in UK households with below 60 per cent of median income BHC and 1.8 million AHC.
- 10.9 million people living in UK households with below 60 per cent of median income BHC and 13.4 million AHC.

HBAI data are based on the Family Resources Survey (FRS) and published by the Department for Work and Pensions. The incomes used in the results are equivalised, which means they have been adjusted to compensate for household size and composition. Data are survey based, which means it can be subject to sampling errors. 'Relative' and 'absolute' measures are often quoted: 'relative' measures are based on contemporary income (income levels in the survey year), whilst 'absolute' measures are based on income thresholds fixed at a particular point in time.

These data are important for public policy on a number of levels. They were used to measure progress against 2004 and 2007 spending review targets and they are now central to the *Child Poverty Act*.<sup>7</sup> The Act received Royal Assent in March 2010 and includes statutory targets concerning relative and absolute poverty. The Act also requires a new UK-wide child poverty strategy to be published before March 2011.<sup>8</sup>

The IFS, which published a report based on the HBAI data on 21 May 2010, focused on how poverty levels varied by region over the term of the last Government. It finds that relative poverty has been falling by the greatest amounts since 1996/97 in Scotland and the North East but has risen in the East and West Midlands.<sup>9</sup>

#### 3.1 Trends since 1996/97

Since 1996/97 both relative and absolute poverty have been falling at a national level although in recent years levels and proportions have been relatively stable, with small falls in most measures over the last year. The chart below shows the percentage of the population and children living in households with below 60% of median income on a relative and absolute basis. Data up to 1997/98 is only available for Great Britain, but from 1998/99 onwards UK data is shown.

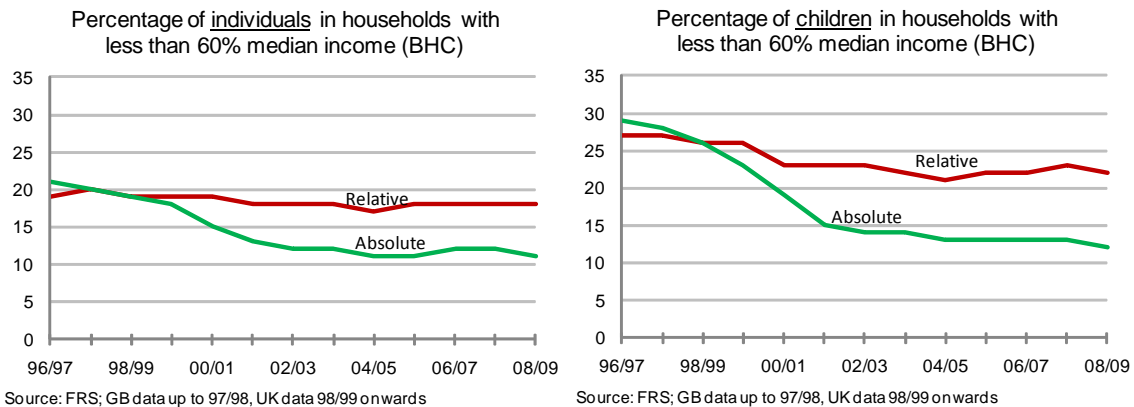
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<sup>6</sup> DWP, *Households below average income statistics*, 20 May 2010

<sup>7</sup> See Research Paper 09/62, *Child Poverty Bill, Bill No 112 of 2008-09*, 30 June 2009

<sup>8</sup> HM Treasury, *Ending child poverty: mapping the route to 2020*, March 2010

<sup>9</sup> IFS, *Poverty falls most under Labour in Scotland and the North East, but rises in the Midlands*, Press Release, 21 May 2010



For both measures, a decline in proportions is clearly shown in the first part of the period, stabilising from 2002 onwards. In relative terms, the proportion of each population included remains slightly above lows in 2004/05.

The table below provides the number of people in each category for selected years. On both measures, the number of people and children living below 60% of median income in 2008/09 is lower now than in 2007/08 as well as in 1998/99.

Looking at children in particular, the number of children living in households with income below 60% of the median has fallen by 600,000 between 1998/99 and 2008/09 based on contemporary income levels, and by 100,000 between 2007/08 and 2008/09.

#### Individuals and children living in households with incomes below 60% of median income

*Selected years, before housing costs*

	Contemporary income levels (Relative)				Fixed income levels (98/99) (Absolute)			
	All Individuals		Children		All Individuals		Children	
	%	Level (millions)	%	Level (millions)	%	Level (millions)	%	Level (millions)
1996/97 (GB)	19	10.8	27	3.4	21	11.9	29	3.7
1998/99 (UK)	19	11.2	26	3.4	19	11.2	26	3.4
2007/08 (UK)	18	11.0	23	2.9	12	7.1	13	1.7
2008/09 (UK)	18	10.9	22	2.8	11	6.8	12	1.6
<i>Change since 98/99</i>	-1	-0.3	-4	-0.6	-8	-4.4	-14	-1.8
<i>Change since 07/08</i>	0	-0.1	-1	-0.1	-1	-0.3	-1	-0.1

Note: UK data is only available for 1998/99 onwards, GB only data shown for 1996/97

Source: HBAI/FRS

For further data or analysis please contact the Library or view the full HBAI report.<sup>10</sup> Further data are available covering individuals and children as well as pensioners and working age adults.

Ed Potton  
Economic Policy and Statistics section

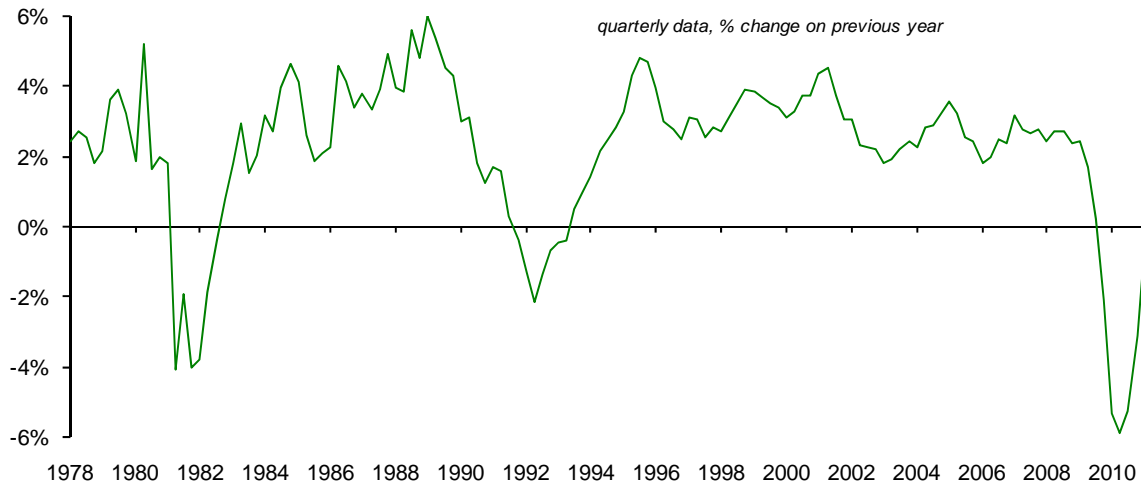
<sup>10</sup> DWP, [Households Below Average Income \(HBAI\) 1994/95-2008/09](#), 20 May 2010



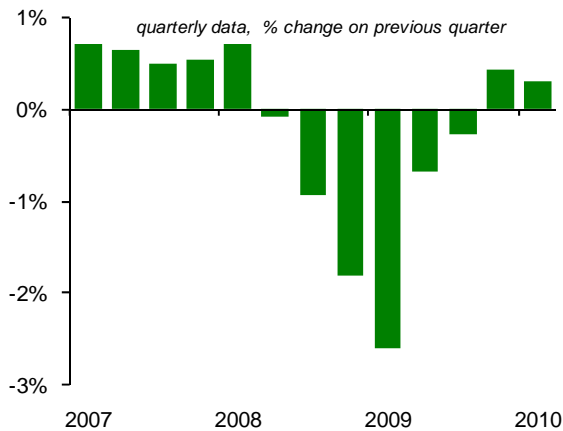
## A1: Gross Domestic Product

The economy grew by a revised 0.3% in Q1 2010, following growth of 0.4% in Q4 2009. In May 2010, HM Treasury's average of independent economic forecasts of GDP growth for 2010 was 1.2%, and for 2011 was 2.2%.

### 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	360.2	3.3	0.3	-0.2

Source: ONS, series: YBHA, ABMI

- The economy grew by 0.3% 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 0.2% compared with the same period a year ago, compared with a 3.1% decline recorded in 2009 Q4.
- Total output of the economy fell by 6.2% during the recession.

**Contact:** Grahame Allen, x3977

**Updates:** HM Treasury, [Forecasts for the UK Economy](#), 16 Jun  
ONS, [Quarterly National Accounts](#), 30 Jun

## 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.

In Q1 2010 the US economy grew 0.8% compared with Q4 2009. The UK economy grew by 0.3%, faster than 0.2% in Germany (and the eurozone as a whole), and 0.1% in France. Japan grew by 1.2%, faster than the US, with the G7 as a whole expanding by 0.7%. An all-OECD figure is not yet available.

### Real GDP, % changes

	2009	change on prev. year				change on prev. quarter			
		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	-4.8	-1.4	4.2	1.8	0.1	1.0	1.2
UK	-4.9	-5.9	-5.3	-3.1	-0.2	-0.7	-0.3	0.4	0.3
Germany	-4.9	-5.8	-4.8	-2.2	1.5	0.4	0.7	0.2	0.2
France	-2.6	-3.2	-2.6	-0.4	1.2	0.2	0.3	0.5	0.1
Eurozone	-4.0	-4.9	-4.1	-2.2	0.5	-0.1	0.4	0.0	0.2
G7	-3.5	-4.6	-3.5	-0.9	2.2	0.1	0.4	1.0	0.7
OECD	-3.3	-4.5	-3.4	-0.7	..	0.3	0.6	0.9	..

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

The OECD's [Economic Outlook May 2010 forecasts](#) saw UK growth of 1.3% in 2010 (up from 1.2% in their previous forecasts from November). France and Germany are expected to grow more quickly (1.7% and 1.9% respectively), although the eurozone as whole is expected to grow more slowly (1.2%). The US and Japan are expected to grow by 3.2% and 3.0% respectively.

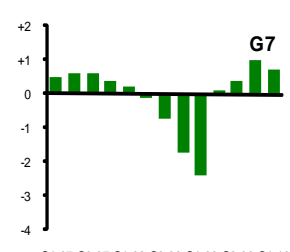
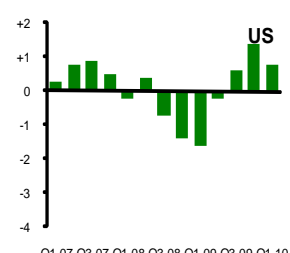
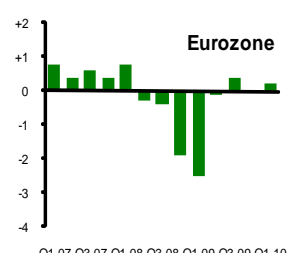
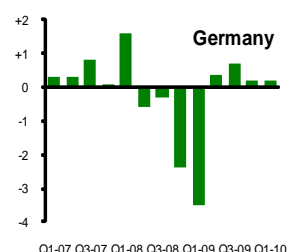
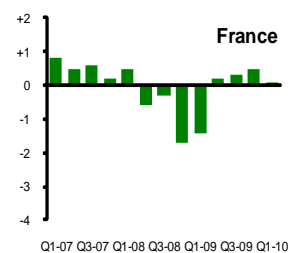
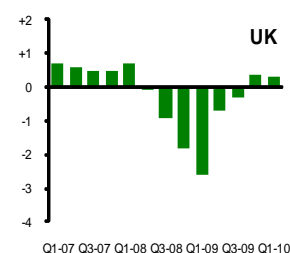
The European Commission's [May 2010 forecasts](#) saw UK growth of 1.2% in 2010 (up from 0.6% in their [February forecasts](#)). It also forecast annual growth of 1.2% in Germany in 2010, and 1.3% in France. Contractions are forecast for Spain (0.4%), Ireland (0.9%) and Greece (3.0%) this year.

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)

	OECD (May)		EC (May)		IMF (Apr)		World Bank (Feb)	
	2010	2011	2010	2011	2010	2011	2010	2011
UK	1.3	2.5	1.2	2.1	1.3	2.5	..	..
France	1.7	2.1	1.3	1.5	1.5	1.8	..	..
Germany	1.9	2.1	1.2	1.6	1.2	1.7	..	..
Eurozone	1.2	1.8	0.9	1.5	1.0	1.5	1.0	1.7
US	3.2	3.2	2.8	2.5	3.1	2.6	2.5	2.7
Japan	3.0	2.0	2.1	1.5	1.9	2.0	1.3	1.8
<b>OECD</b>	<b>2.7</b>	<b>2.8</b>	..	..	..	..	<b>1.8</b>	<b>2.3</b>
China	11.1	9.7	..	..	10.0	9.9	9.0	9.0
India	8.3	8.5	..	..	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>

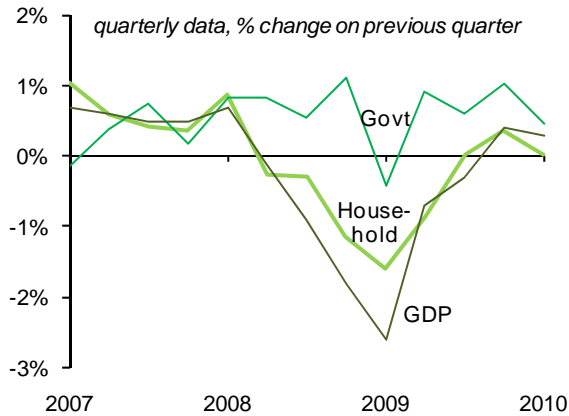
Sources: OECD, EO87 flashfile, May 10; EC, May 10; WB, Global Economic Prospects 2010; IMF, WEO Apr 10



### A3: Components of GDP

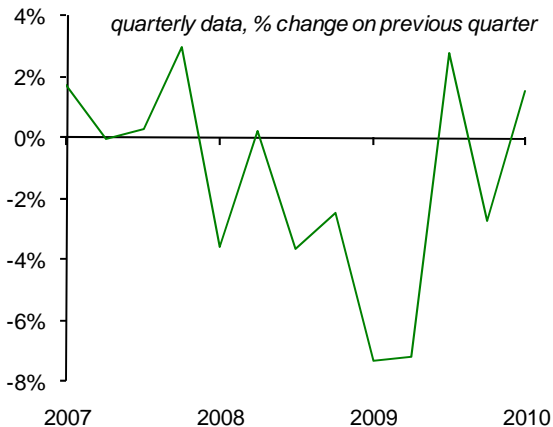
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2009. Government consumption accounted for 23% and gross fixed capital formation for 15%.

#### Household consumption, government consumption and GDP



- Government consumption has been the main element of demand supporting the economy recently. It is 3.1% higher than a year ago, while household consumption is 0.5% lower.
- Household consumption was unchanged in Q1 2010 compared with an increase of 0.4% in Q4 2009.
- 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 Q1 2010.

#### Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- GFCF increased by 1.5% in Q1 2010 but is still 5.7% below its level a year earlier.
- Business investment increased by 6.0% in Q1 2010 but is 11.0% 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 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%
2010 Q1	0.0%	0.5%	1.5%	0.0%	1.4%	0.3%

Source: ONS series ABJR, NMR Y, NPQT, IKBK, IKBL and ABM I

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

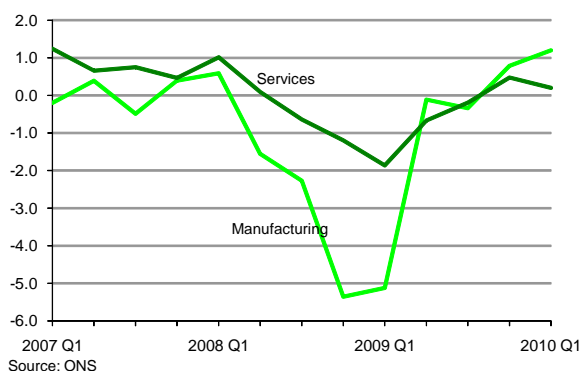
Update: ONS, [Quarterly National Accounts](#), 30 Jun

## A4: Output and Employment by Industry

In Q1 2010 output in the manufacturing industry rose by 1.2% 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 0.1% 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

	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	-10.5	-10.8	-3.5	-4.4	-4.7
Quar Change	1.2	-0.5	0.2	-0.7	0.7
Ann Change	1.5	0.4	-0.1	2.0	-1.1

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 0.1% to Q1 2010, the business services and finance sector has fallen by more (-1.1%).
- 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.

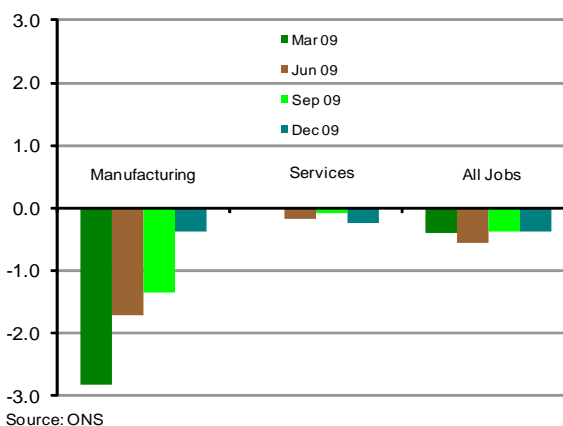
**Workforce jobs by industry, 2007-2009**

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**

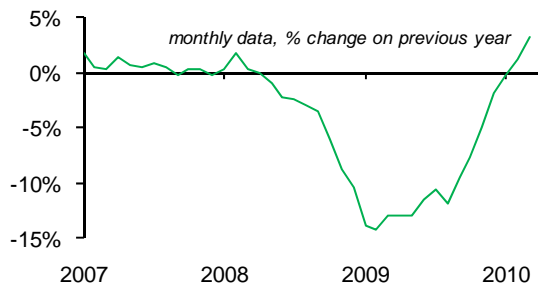




## A5: Manufacturing (Including Automotives)

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

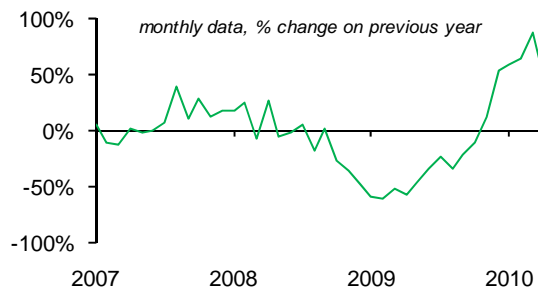


	Index Value (2005=100)	% change over month	% change over 12 months
2008	99.2	...	-2.9
2009	88.8	...	-10.5
2009 Dec	89.7	+0.9	-1.9
2010 Jan	88.7	-1.2	-0.1
Feb	89.9	+1.4	+1.3
Mar	92.0	+2.3	+3.3

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

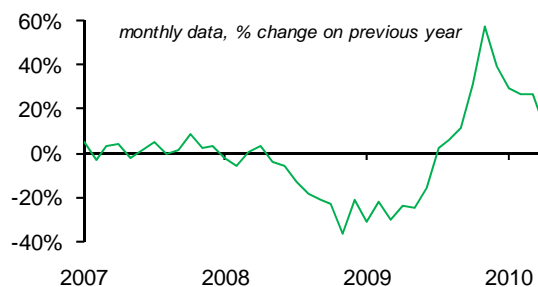


	Number '000s	% change over 12 months
2008	1,650	-5.8
2009	1,090	-33.9
2009 Apr	76	-56.5
2010 Feb	107	+63.7
Mar	131	+86.9
Apr	109	+43.7

Source: SMMT, not seasonally adjusted

- The annual rate of increase in UK car production fell in April as the scrappage scheme came to an end. However, production remains well above 2009 levels.
- 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.

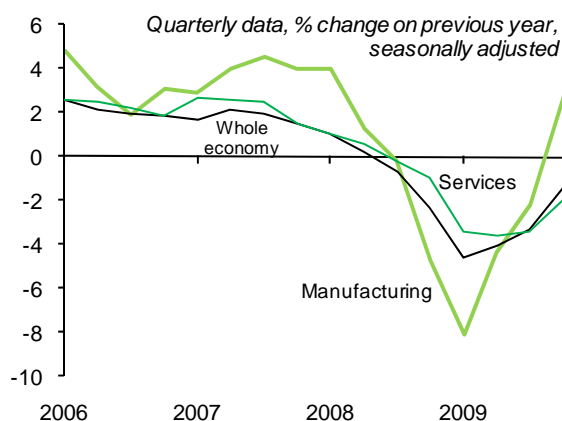
**Contact:** Adam Mellows-Facer, x4904

**Update:** ONS, [Index of Production](#), 11 Jun  
SMMT, [Vehicle Production](#), late June  
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%.

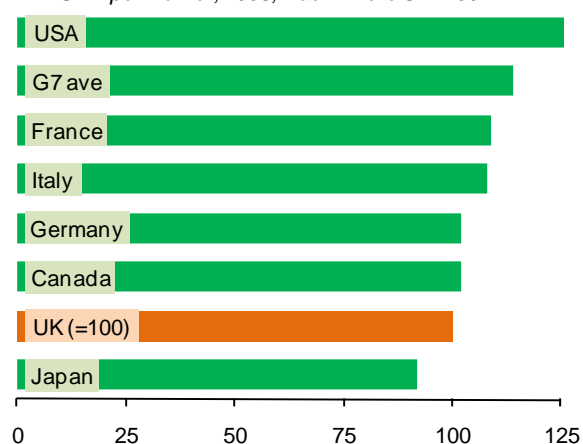
### Productivity growth, seasonally adjusted

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.

Contact: Daniel Harari, x2464

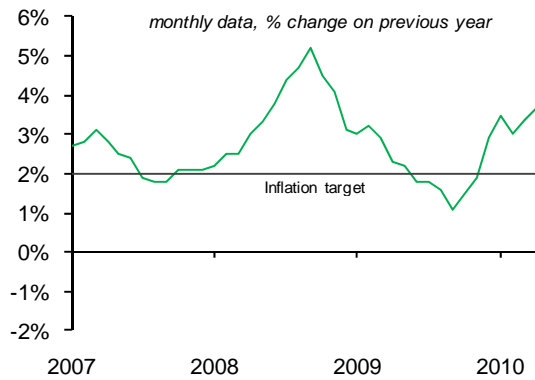
Update: ONS, [Productivity](#), 1 Jul

## B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 3.7% in April, up from 3.4% in March and still above the Bank of England's 2% target.

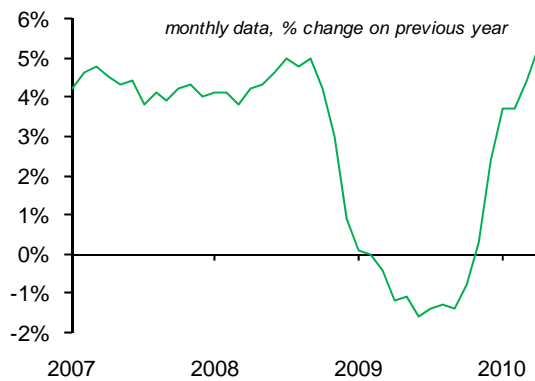
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

### Consumer Prices Index (CPI)



- The CPI annual inflation rate rose 0.3 percentage points in April to 3.7%, its highest level since November 2008.
- Upward pressure on inflation came from clothing and footwear (especially women's clothing), food and non-alcoholic beverages, and alcoholic beverages and tobacco.
- The RPI (all items) measure of inflation increased rose to 5.3% in April, its highest level since July 1991.

### Retail Prices Index (RPI)



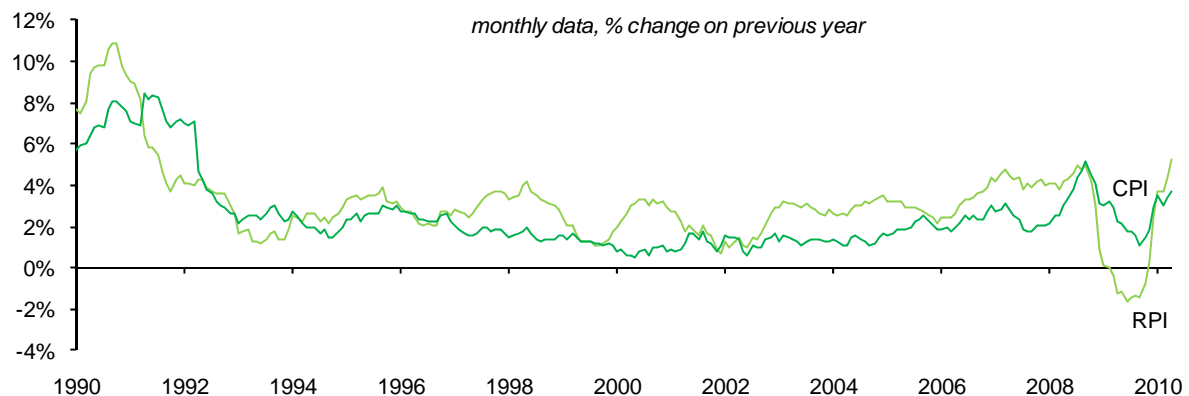
### Price Indices

% change on a year ago

		CPI	RPI
2007		2.3	4.3
2008		3.6	4.0
2009		2.2	-0.5
2009	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
	Apr	3.7	5.3

Source: ONS database, series: D7G7, CDKQ

### CPI and RPI since 1989



Contact: Grahame Allen, x3977

Update: ONS, [Consumer Price Indices](#), 15 Jun

## 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.

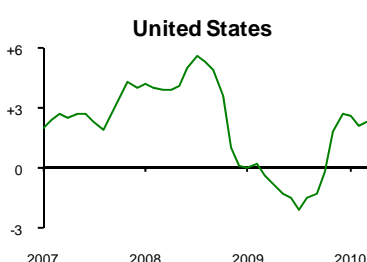
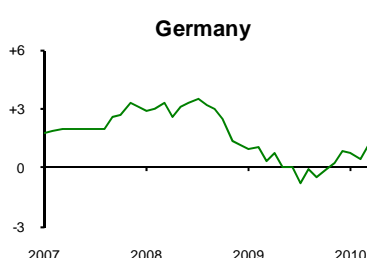
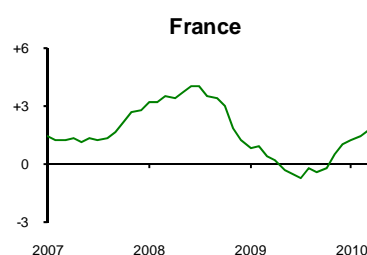
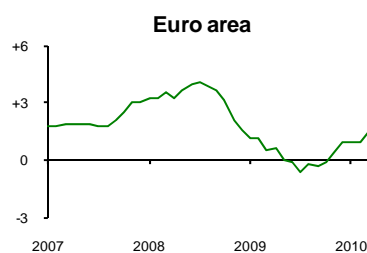
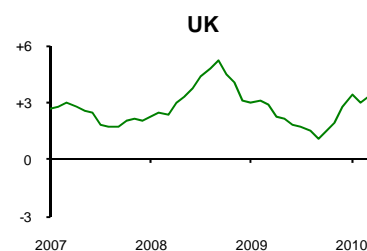
- In the year to April, UK inflation (CPI/HICP) was 3.7%, the third highest in the EU behind Hungary (5.7%) and Greece (4.7%). The Bank of England's target for UK inflation is 2%.
- Euro-area inflation was estimated to be 1.6% (HICP) in the year to May 2010, up slightly on 1.5% in April. The European 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, then falling back to 2.2% in April.
- Iceland (11.1%) and Turkey (10.2%), and Ireland (-2.5%) continue to be inflation rate outliers (all HICP).

### Inflation rates: selected countries

Annual % change in consumer prices

	2008	2009	Feb 10	Mar 10	Apr 10
<b>HICP</b>					
UK	3.6	2.2	3.0	3.4	3.7
Euro area	3.3	0.3	0.9	1.4	1.5
EU	3.7	1.0	1.5	1.9	2.0
France	3.2	0.1	1.4	1.7	1.9
Germany	2.8	0.2	0.5	1.2	1.0
Greece	4.2	1.3	2.9	3.9	4.7
Italy	3.5	0.8	1.1	1.4	1.6
Spain	4.1	-0.2	0.9	1.5	1.6
<b>National defs</b>					
Canada	2.4	0.3	1.6	1.4	1.8
Japan	1.4	-1.4	-1.1	-1.1	-1.2
US	3.8	-0.4	2.1	2.3	2.2
G7	3.2	-0.1	1.5	1.7	1.7
OECD	3.7	0.5	1.9	2.1	2.1
Brazil	5.7	4.9	4.8	5.2	5.3
China	5.9	-0.7	1.7	..	..
India	8.3	10.9	14.9	14.9	..
Russia	14.1	11.7	7.2	6.5	6.1

Source: stat.OECD database & UK ONS



Contact: Ian Townsend, x2042

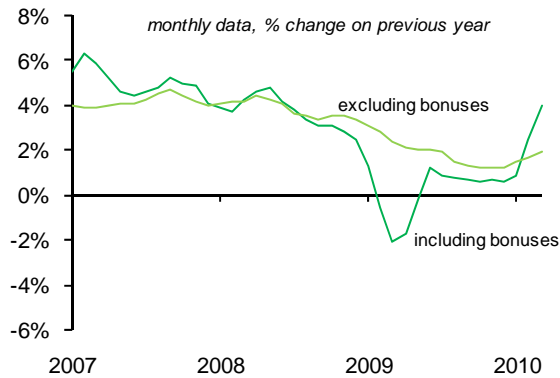
Updates:

Eurostat, [HICP release](#), 16 Jun  
 Eurostat, [Flash estimate](#), 30 Jun  
 OECD, [Consumer prices release](#), 5 Jul

### 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



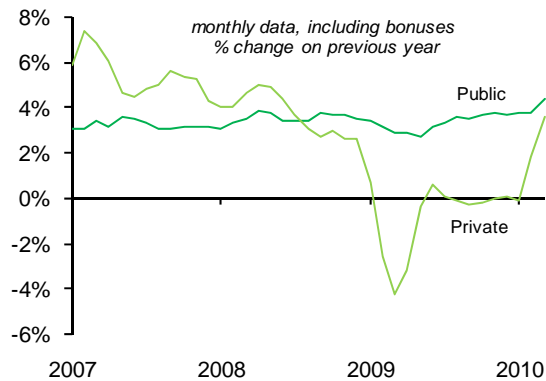
#### Average Earnings, Including Bonuses

% 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
2009 Nov	0.0	3.8	1.7	0.9	0.7
2009 Dec	0.1	3.7	2.2	0.8	0.6
2010 Jan	-0.1	3.8	3.2	0.5	0.9
2010 Feb	1.8	3.8	4.3	2.0	2.5
2010 Mar	3.6	4.4	6.1	3.5	4.0

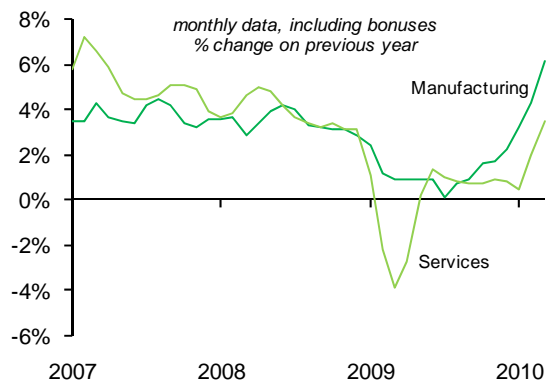
Source: ONS, data shows latest 3-month period

#### 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

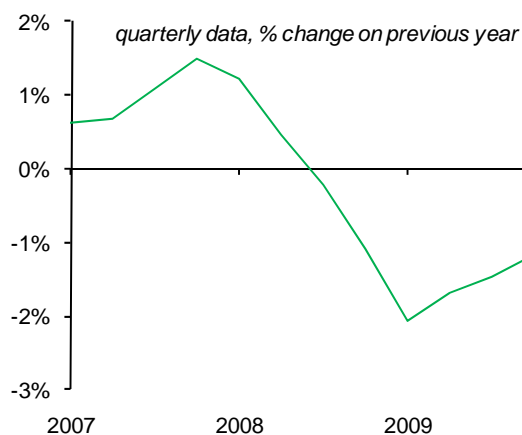


- Average total pay growth (including bonuses) in the manufacturing sector was 6.1% in March, compared with 3.5% in the services sector.
- Average weekly earnings (including bonuses) in March in the manufacturing sector were £544 compared with £445 in the services sector.
- In 2009, headline (including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

## C1: Employment

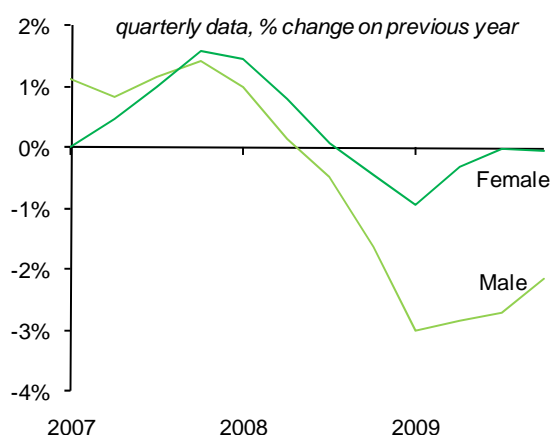
Total employment in the three months to March 2010 was 341,000 (1.2%) lower than a year earlier and 76,000 (0.3%) lower than the previous quarter.

### 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

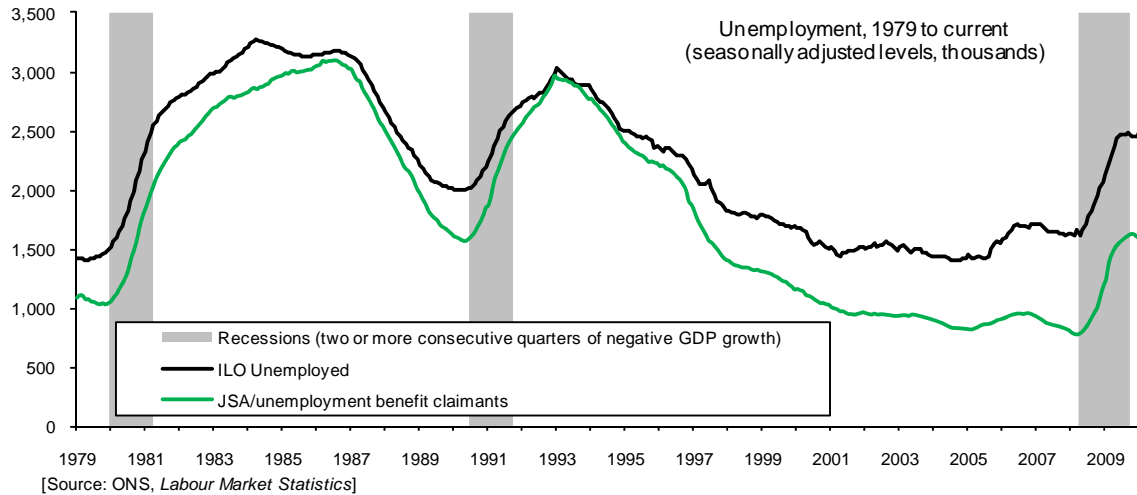
**Contact:** Dominic Webb, x4324

**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).**

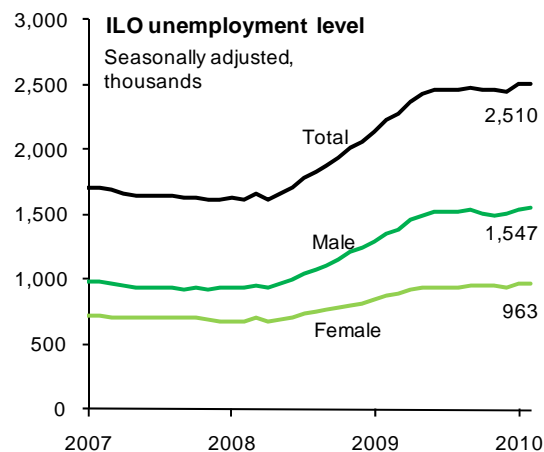


### ILO unemployment (period Jan-Mar 2010)

- 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.

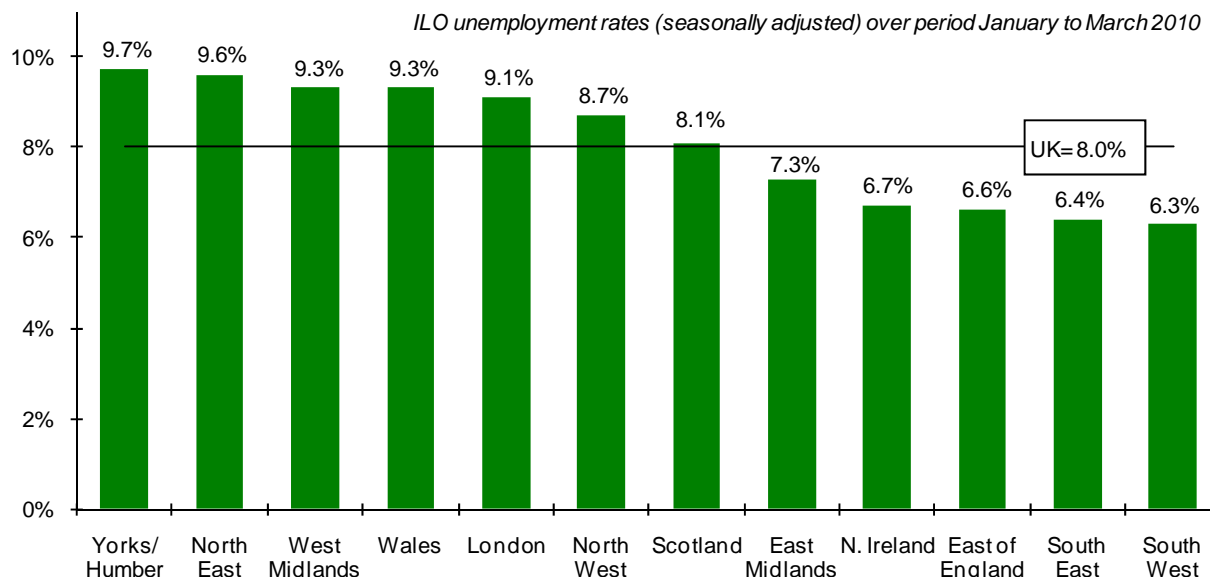
Notes: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding. 60+(f)/65+(m) refers to the respective state retirement ages for females and males.

**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



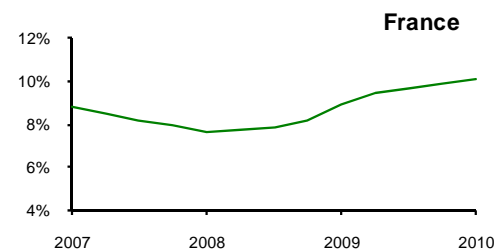
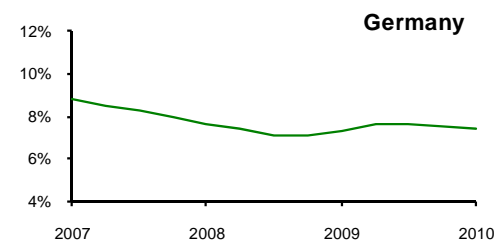
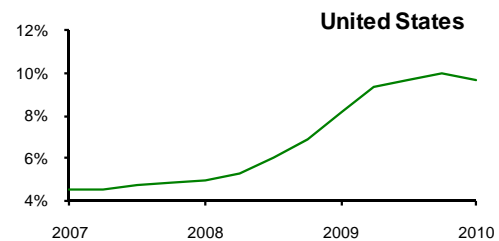
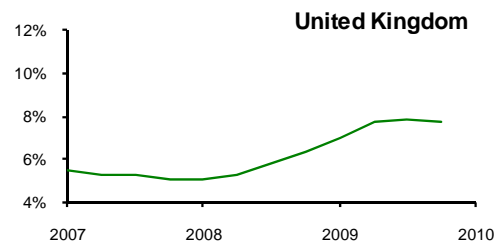
## C4: Unemployment: International Comparisons

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. 87, May 2010](#)) suggested the UK unemployment rate would be 8.1% in 2010 and 7.9% in 2011. The respective forecasts for the eurozone were 10.1% and 10.1%, and for the OECD as a whole 8.5% and 8.2%.



### 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:

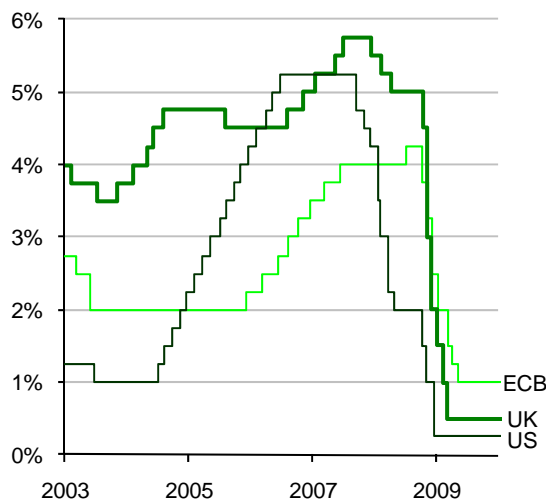
OECD, [Harmonised Unemployment Rates](#), Jun  
OECD, [Economic Outlook](#), Jul

## 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

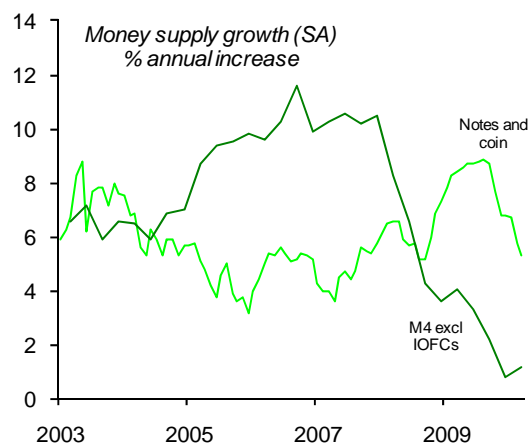
Source: Bank of England

- 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.

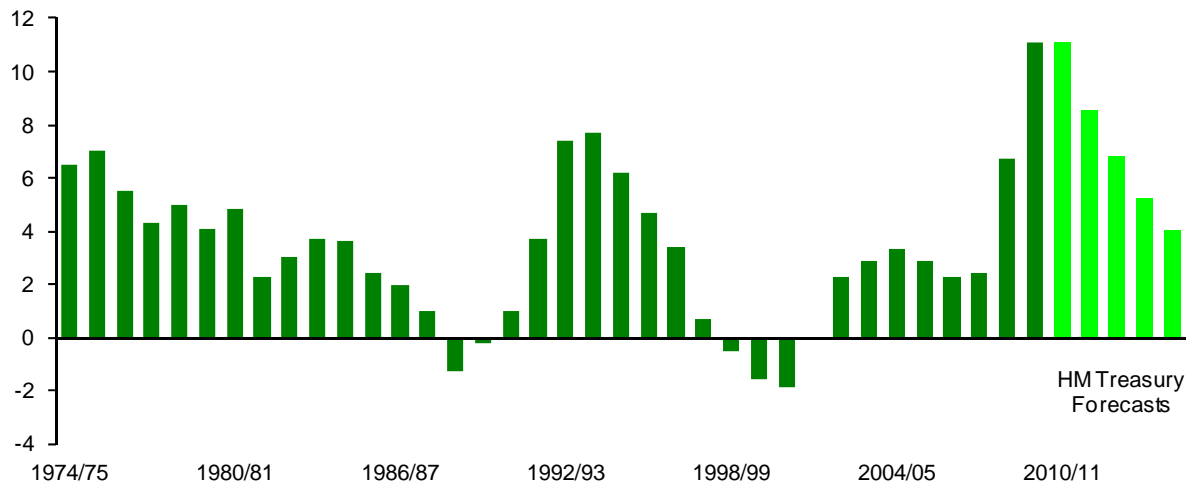
- The Government borrowed £156.1 billion in 2009/10 (11.1% of GDP). This is £10.4 billion lower than the forecast in the Budget.
- Borrowing in 2009/10 was 62% higher than borrowing in 2008/09 (£96.5 billion).
- Government debt was £772 billion in 2009/10 (53.8% of GDP). This is also slightly lower than forecast in the Budget.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	617	44.0
2009/10	156	11.1	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

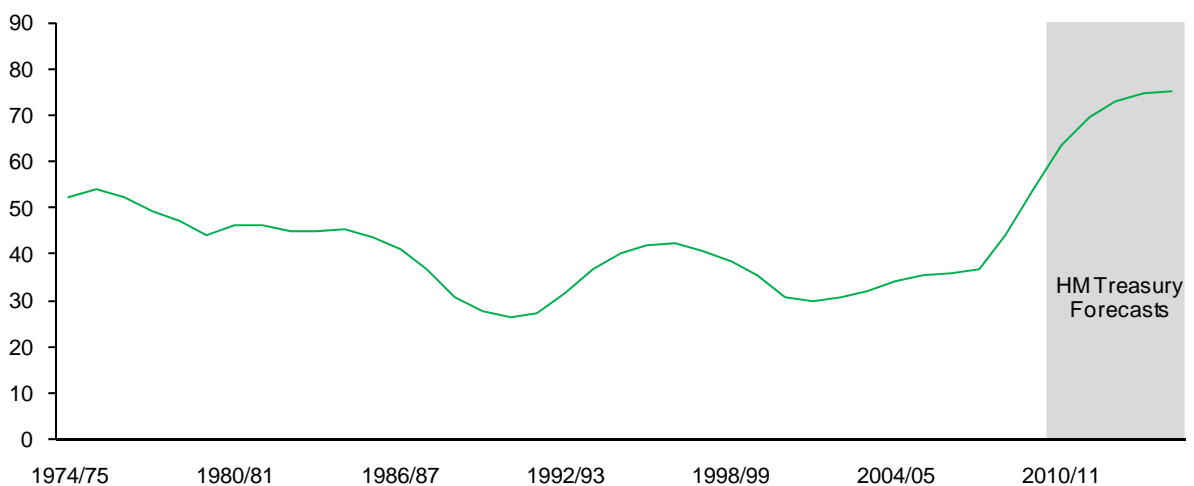
Source: ONS, HM Treasury forecasts

Note: figures exclude financial sector interventions

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



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



### 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 in mid-May 2010.

Data from Friday 28 May 2010

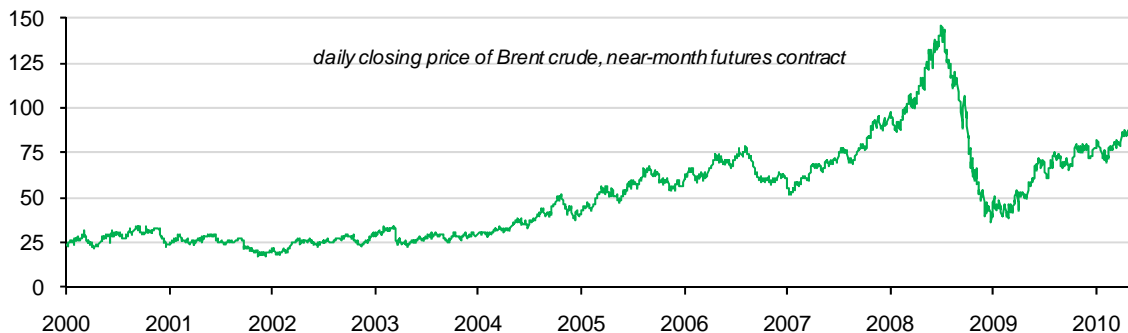
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
28 May 2010	5,195.2	74.0	1,212.1
%change over:			
1-month	-7%	-14%	+4%
12-months	+18%	+15%	+28%
%change from:			
cyclical peak	-23%	-49%	-2%
date	15 Jun '07	03 Jul '08	13 May '10
cyclical trough	+48%	+104%	+71%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

#### FTSE-100 Index



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



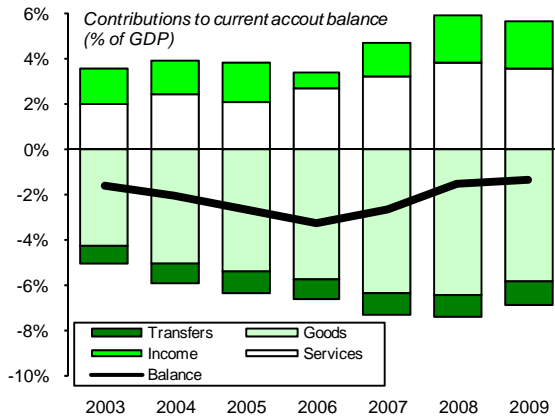
#### Gold price (\$ per ounce)



## 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).

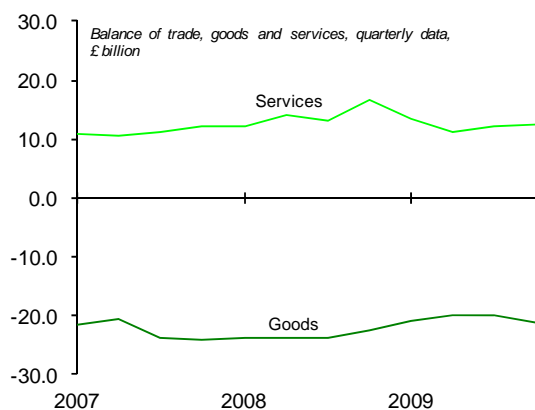
### Current Account Balances

£ 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

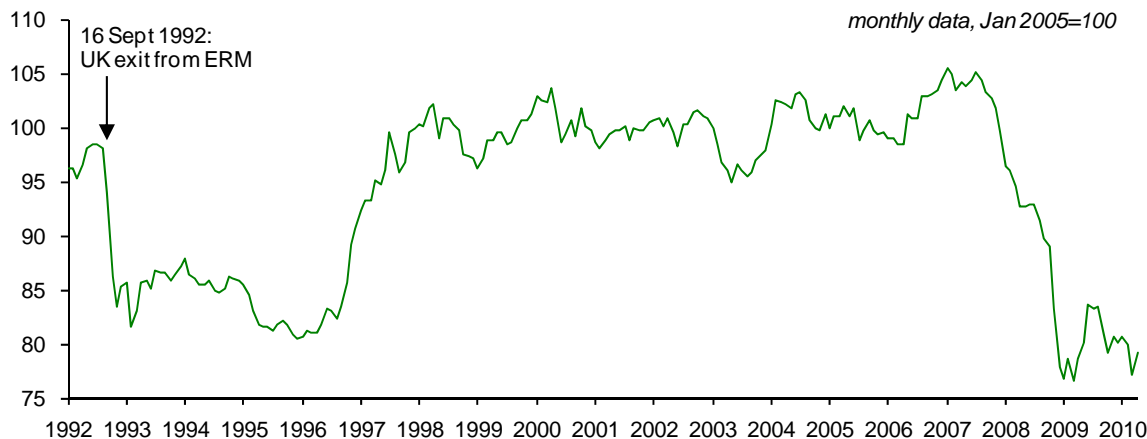
Updates: ONS, [UK Trade](#), 9 June;  
ONS, [UK Balance of Payments](#), 30 Jun

## 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).

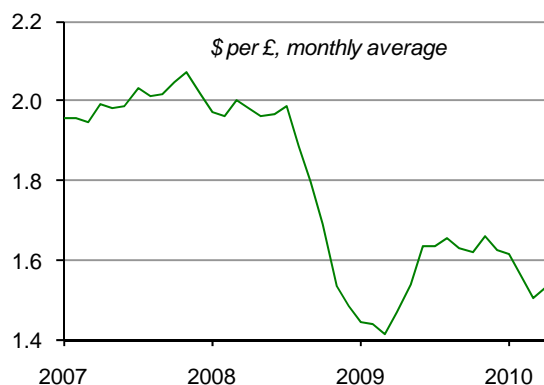
The SERI rose 2.5% during April 2010, after falling 3.4% in March. It is now 3.3% above its lowest point in March 2009 (since 1980, when the series began) and down 24.7% from a peak in July 2007. Compared with the previous year, the SERI was up 0.7% in April.

### Sterling Exchange Rate Index (SERI)



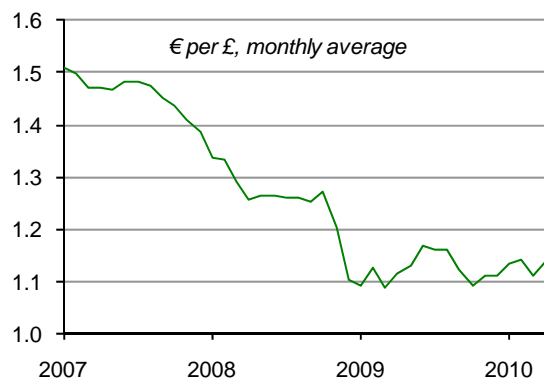
[Source: Bank of England, Bankstats database, XUMABK67]

### 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

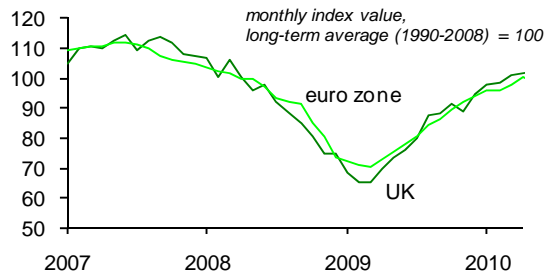
Contact: Ian Townsend, x2042

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

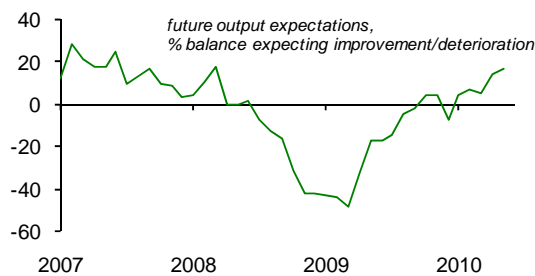


	UK Index	monthly change	change on year ago
2008 May	96.1	...	...
2009 May	73.6	...	...
2010 Mar	100.9	+2.6	+35.5
Apr	101.7	+0.8	+31.8
May	102.4	+0.7	+28.8

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 0.7 of a point in May to stand 28.8 points higher than a year ago.

### CBI Industrial Trends Survey



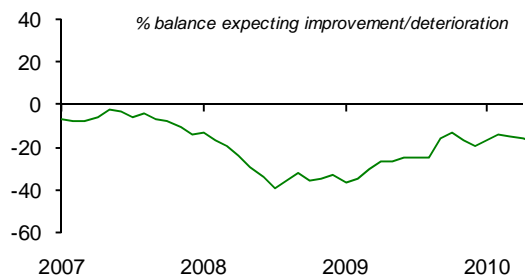
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2008 May	+0	...	...
2009 May	-17	...	...
2010 Mar	+5	-2	+53
Apr	+14	+9	+46
May	+17	+3	+34

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in May were +17% of firms expecting output to rise rather than fall over the next three months. This was up 3 points on April's figure of +14%, is 34 points higher than a year ago, and compares with +5% in March.

### 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 May	-29	...	...
2009 May	-27	...	...
2010 Mar	-15	-1	+15
Apr	-16	-1	+11
May	-18	-2	+9

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 -18 in May, down 2 points on April, and 9 points higher than a year ago.

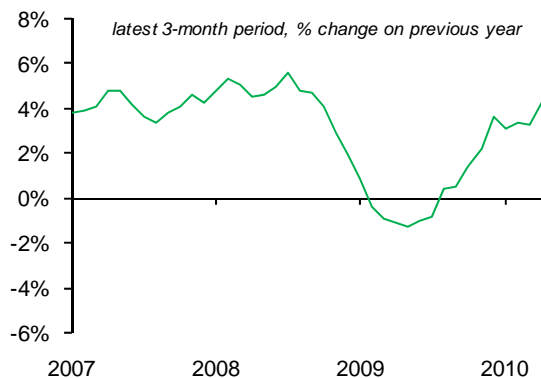
**Contact:** Ian Townsend, x2042

**Update:** CBI, [Industrial Trends](#), 17 Jun  
EC, [Economic Sentiment Indicator](#), 29 Jun  
GfK NOP, [Consumer Confidence](#), 30 Jun

## F2: Retail Sales

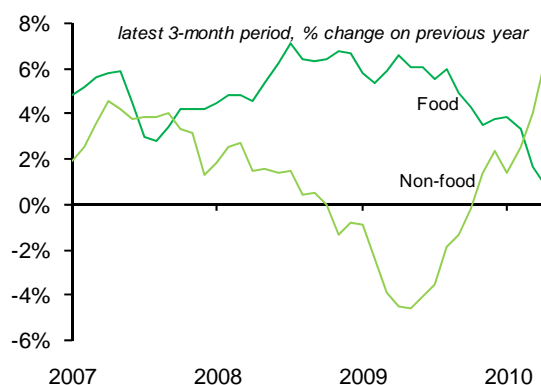
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

### Value of Retail Sales



- The seasonally-adjusted value of retail sales in the three months to April was 4.3% higher than a year ago, up from 3.3% in March
- The value of retail sales in April alone was up by 1.1% compared with March. That compares with 0.9% between March and February
- The estimated total value of sales in April was £24.4 billion (non-seasonally-adjusted)

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



- The value of sales in food stores in the three months to April was 0.9% higher than a year ago, the lowest since the series began in 1989
- By contrast, the value of sales in non-food stores in the three months to April was 6.3% higher than a year ago, the highest since June 2002
- Sales in household goods stores rose by 4.2% in the three months to April.
- Sales in clothing and footwear stores rose by 6.2% in the three months to April.

### Value of Retail Sales

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

	Food Stores	Non-Food Stores				Total	All retailing total
		Clothing & Footwear	Household goods	Other			
2008	6.0	0.3	-2.2	6.1	0.9	<b>4.1</b>	
2009	5.2	0.8	-5.1	-3.4	-1.8	<b>0.6</b>	
2009 Dec	3.8	1.6	2.1	1.8	2.4	<b>3.6</b>	
2010 Jan	3.9	1.3	-1.3	1.6	1.4	<b>3.1</b>	
Feb	3.3	2.9	-0.7	2.6	2.5	<b>3.4</b>	
Mar	1.7	3.9	0.5	4.4	4.0	<b>3.3</b>	
Apr	0.9	6.2	4.2	6.6	6.3	<b>4.3</b>	

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



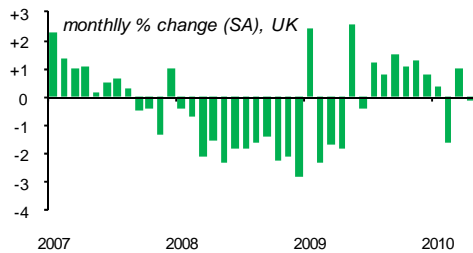
## F3: Housing Market

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.

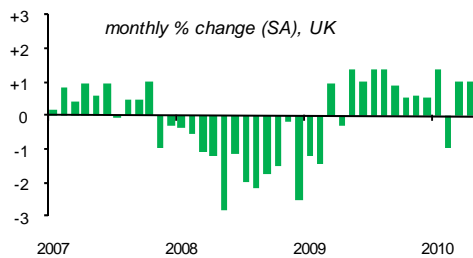
Concern has been expressed that recent increases in prices reflect supply constraints rather than healthy wider conditions. Numbers of mortgage approvals and housing starts remain well below pre-recession levels.

### House price indices

#### Halifax house price index



#### Nationwide house price index

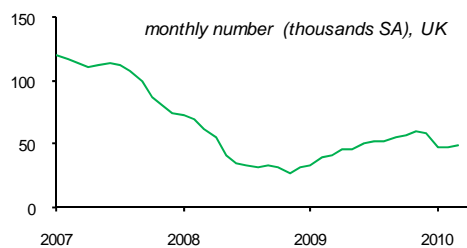


Latest monthly data  
UK, seasonally adjusted

	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%

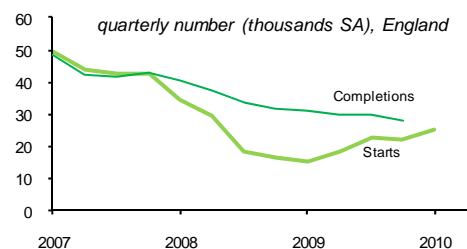
- On the Halifax index, prices are now at a similar level to those in October 2008. According to Nationwide they have recovered to July 2008 levels.
- There is considerable regional variation. In Q1 2010 prices fell by 3% in Northern Ireland but rose by 16% in London compared with a year earlier (Nationwide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



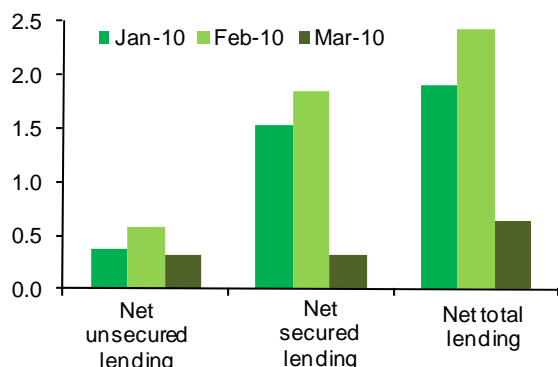
- There were nearly 25,000 house building starts in England in Q1 2010, up from 22,000 in Q4 2009. This is 10,000 higher than the figure for Q1 2009, but still only half the 50,000 starts in Q1 2007.
- The number of dwelling completions has fallen in each of the last nine quarters and now stand at approximately half the level they did three years ago.

**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](#), 19 Aug

## 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

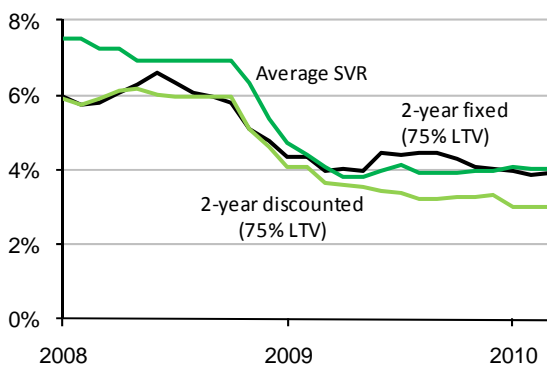
£ billions; seasonally adjusted

	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

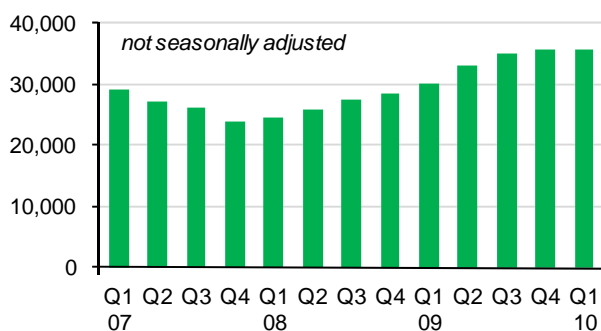
- Total net outstanding lending to individuals was £1,460 billion at the end of March 2010.
- Secured lending (mortgages) is the largest form of lending at £1,239 billion, 85% of total lending outstanding.
- Unsecured lending outstanding (including credit cards) was £222 billion.
- Total net outstanding 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: <a href="#">Preliminary GDP estimates</a> ; <a href="#">UK output, income &amp; expenditure</a> ; <a href="#">Quarterly national accounts</a> HM Treasury, <a href="#">Forecasts for the UK Economy</a>
A2	<b>GDP: International Comparisons</b>	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <a href="#">Main Economic Indicators</a> , via Stat.OECD database ( <a href="#">link to user defined table</a> ) Growth Forecasts: OECD, <a href="#">Economic Outlook</a> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> ); IMF <a href="#">World Economic Outlook database and updates</a> European Commission's <a href="#">growth forecasts</a>
A3	<b>Components of GDP</b>	ONS releases: <a href="#">UK output, income &amp; expenditure</a> ; <a href="#">Quarterly national accounts</a>
A4	<b>Output and Employment by Industry</b>	ONS releases: <a href="#">Preliminary GDP estimates</a> ; <a href="#">UK output, income &amp; expenditure</a> ; <a href="#">Quarterly national accounts</a>
A5	<b>Manufacturing (Including Automotives)</b>	ONS, <a href="#">Index of Production</a> SMMT, <a href="#">Vehicle Production</a> SMMT, <a href="#">New Car Registrations</a>
A6	<b>Productivity</b>	ONS, <a href="#">Productivity</a>
B1	<b>Inflation</b>	ONS, <a href="#">Consumer Price Indices</a>
B2	<b>Inflation: International</b>	CPI: OECD, <a href="#">Main Economic Indicators</a> ( <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, <a href="#">Average Weekly Earnings</a> and <a href="#">Labour Market Statistics</a>
C1	<b>Employment</b>	ONS, <a href="#">Employment</a> and <a href="#">Labour Market Statistics</a>
C2	<b>Unemployment: National</b>	ONS, <a href="#">Labour Market Statistics</a> release and <a href="#">Labour Market Statistics First Release Historical Supplement</a>
C3	<b>Unemployment: Regional</b>	ONS, <a href="#">Labour Market Statistics</a> and <a href="#">Regional Labour Market Statistics</a>
C4	<b>Unemployment: International Comparisons</b>	Data: OECD, <a href="#">Main Economic Indicators</a> Commentary: OECD, <a href="#">Economic Outlook</a> (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.