



Economic Indicators, February 2011

RESEARCH PAPER 11/12 1 February 2011

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

- The 0.5% contraction in GDP in Q4 2010 surprised most economists who had predicted modest growth.
- The ONS blamed the impact of December's weather for some, but not all, of the weakness.
- This together with other recent economic data – particularly increasing unemployment, rising inflation and falling consumer confidence – further amplify the uncertainty about the economy in 2011.

This month's articles:

- **GDP growth: It was the weather – wasn't it?**
- **Working out work – what's happening to the labour market?**

Daniel Harari (editor)

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Research Paper 11/12

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

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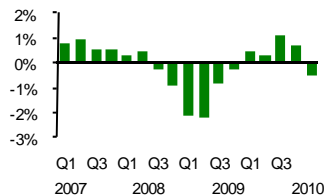
Summary

The 0.5% contraction in GDP in Q4 2010 surprised most economists who had predicted modest growth (see page 1). The ONS blamed the impact of December's weather for some, but not all, of the weakness. This, together with other recent economic data – particularly increasing unemployment (page 11), rising inflation (page 7) and falling consumer confidence (page 19) – further amplify the uncertainty about the economy in 2011.

GDP Growth

page 1

(% change quarter-on-quarter)



Quarterly GDP contracted in Q4 2010 (-0.5%) compared with Q3 2010. This followed GDP growth of 0.7% in Q3 2010.

Inflation (CPI)

page 7

(% change on year ago)

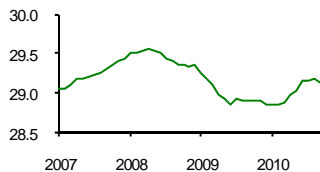


The rate of CPI inflation rose to 3.7% in the year to December, up from 3.3% in November. Inflation was at least 3% in every month of 2010.

Employment

page 10

(total, millions)

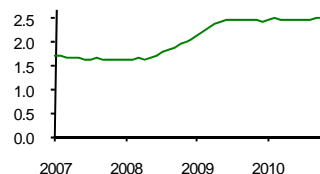


In the three months to November the number of people employed fell by 69,000 to 29.1 million.

Unemployment

page 11

(total, millions, ILO definition)

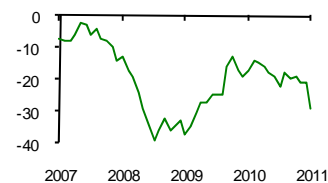


ILO unemployment rose by 49,000 to just under 2.5 million in the three months to November. The unemployment rate increased to 7.9% from 7.7%.

Consumer Confidence

page 19

(GfK NOP survey, % balance expecting improvement/deterioration)



The GfK NOP survey shows consumer confidence fell sharply in January 2011. This was the largest drop in a single month since 1994

Next issue: 1 March

Editor: Daniel Harari

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1 Introduction to *Economic Indicators*

Economic Indicators Research Papers are usually published on the first Tuesday of the month. Individual indicator pages are updated more frequently and are made available through the Library's intranet both under the relevant subject page headings, and collectively on the *Economic Indicators* subject page.¹

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Sources and glossary

A guide to sources is provided in section 5. Economic terms, symbols and abbreviations used in the publication are described in the glossary in section 6.

Contacts

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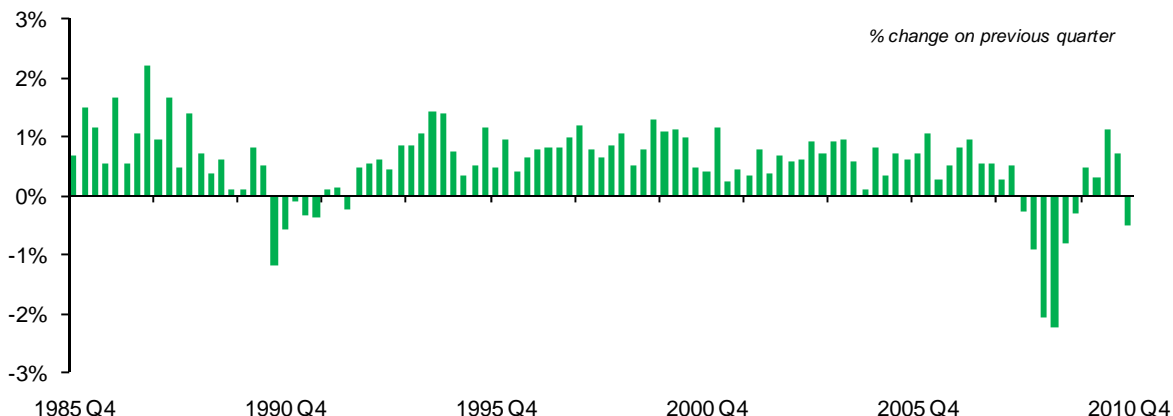
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2 GDP growth: It was the weather – wasn't it?

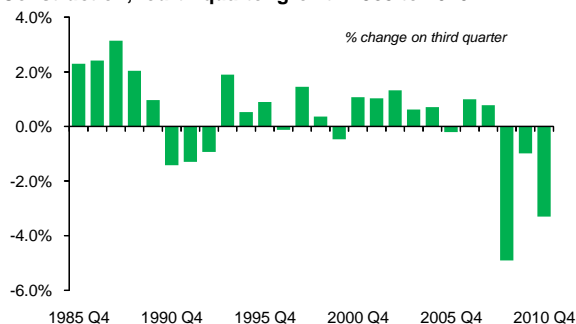
The fourth quarter (Q4) of 2010 saw UK economic output contract by a provisionally estimated -0.5%. This was the first quarter-on-quarter fall in GDP since the end of the last recession (Q3 2009) and the first fall, outside of a recession, since Q2 1992. The general consensus has been that economic activity stalled due to bad weather in December but that even given the bad weather, growth had 'stagnated'.

2.1 Real GDP growth



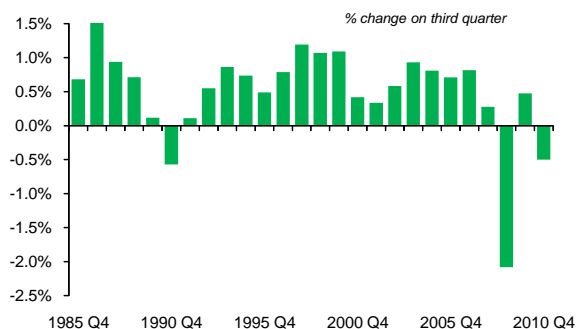
The construction sector saw the largest decline in output (-3.3%), though fourth quarter growth in this sector has traditionally been susceptible to adverse weather conditions.

Construction, fourth quarter growth 1985 to 2010

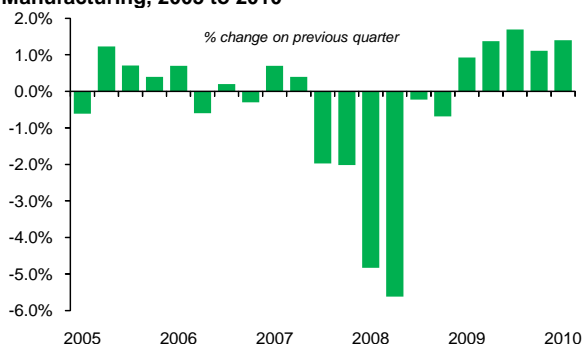


Output also fell in all four services sectors. Transport, storage and communications fell by -0.8%, business and financial services by -0.7%, and distribution, hotels and restaurants by -0.5%. Growth in the government services sector also fell (-0.2%), though this was not as unexpected as the bad weather. Output did not fall in all sectors of the economy as total production grew by 0.9%, including manufacturing (1.4%) and the utility sector (1.2%).

Whole economy, fourth sector growth 1985 to 2010



Manufacturing, 2005 to 2010



Figures for previous years' fourth quarters show the decline in GDP in Q4 2010 was the second highest Q4 fall in GDP, outside a recession, since 1974 (-1.2%). Only in the midst of the recent recession in Q4 2008 did GDP fall faster (-2.1%).

2.2 Coldest December in 100 years

It is not easy to compare the impact of the weather on the economy during Q4 2010 with previous periods of disruption from bad weather. However, there are some examples of periods of low temperature and low growth. The average daily temperature recorded in December 2010 was -0.7°C . In January 1979, the average daily temperature was -0.4°C while first quarter GDP fell by -0.8% . January and February 1963 were months when the average daily temperatures were -2.1°C and -0.2°C respectively. Given these extremes of temperature, GDP growth in Q1 1963 was 0.1% .

2.3 Stormy weather ahead

There is an increased possibility that the economy could exhibit a “double-dip” recession, if the economy contracts again in Q1 of this year.

There is some good news for the economy. Previous quarters of negative growth during cold periods have usually been followed by higher than average growth. The economy ‘bounced back’ in Q2 1979 and Q2 1963, growing by 4.3% and 4.2% respectively, the second and third highest single quarters of growth since 1955.

The world economy is growing again. In the US, the UK’s main export market, GDP rose by 0.8% in Q4 2010. There is a chance that UK Q4 2010 figures will be revised, probably upwards, but the revision is unlikely to be the full 0.5% loss of output.

However, a bounce back in growth, following the recent bad weather, appears less likely than in 1963 and 1979. The main hope for growth, the construction sector, may not grow as expected as Q2 2010 (7.0%) and Q3 2010 (3.9%) showed the highest growth in this sector during two consecutive quarters since 1963.

With a tightening of fiscal policy, an easing of monetary policy would be the normal reaction to slow growth – lowering interest rates reduces savings and boosts borrowing and spending.

However, inflation has now been above the Bank of England target for over a year making a growth-enhancing cut in interest rates unlikely. There is also more than one voice on the MPC pushing for an increase in interest rates. Further quantitative easing to boost the economy is also unlikely as this usually drives inflation higher.

There is little doubt the expected austerity measures will lead to a further fall in output from the government sector. How growth over the whole economy will be affected depends on the willingness of the private sector to raise spending sufficiently to plug this gap.

Business confidence is low and consumer demand, the driving force behind growth before the recession, is also likely to be subdued. Rising prices (including the rise in VAT), a rise in National Insurance and fears over job security are all reducing consumers’ willingness to spend their income. They are also less likely to borrow to spend during the current adverse credit conditions.

Finally, the lowest average daily temperatures usually occur, not in December, but in January and February. Further disruption in Q1 2011 from the weather can’t be discounted.

Grahame Allen, Economic Policy and Statistics Section

3 Working out work – what’s happening to the labour market?

What’s happening to unemployment and work? This article discusses some key trends.

3.1 Prospects for the labour market are uncertain

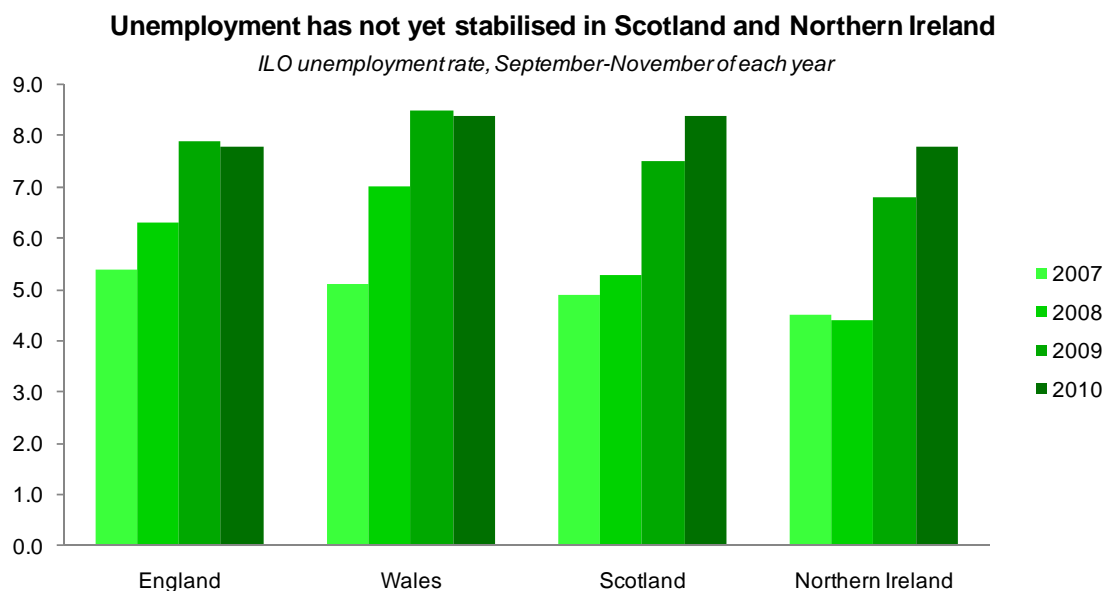
Patterns of unemployment in the current economic downturn are unlike those seen following previous recessions – unemployment rates have not hit the levels seen in the early eighties or early nineties. The economic outlook is uncertain. It is not clear how the private sector will respond to planned reductions in budgets in the public sector, and whether they will create new jobs to replace public sector job losses.

Despite these uncertainties, current trends in the labour market can offer insights into the changing landscape of employment and unemployment, and clues to future developments.

3.2 The countries of the UK have different patterns of unemployment

Patterns of unemployment vary across the UK:

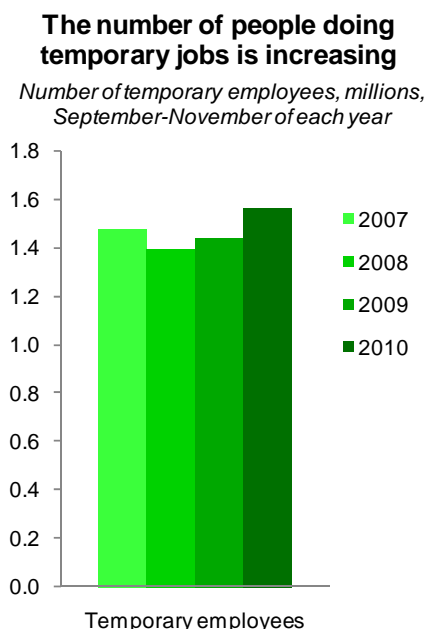
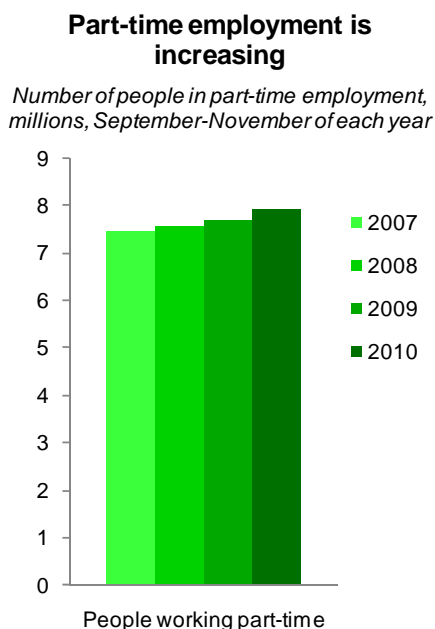
- The overall unemployment rate in England has broadly stabilised over the past year, and is now at 7.8%.
- Despite starting at a similar level, the unemployment rate in Wales has stabilised at a higher level than that in England – it is now 8.4%.
- The unemployment rate in Scotland continues to rise – it is now 8.4%, up from 7.5% one year before.
- Three years ago the unemployment rate in Northern Ireland started was the lowest of the four countries. It is now at the same level as England, 7.8%, and has seen the largest rise over the last year.



Notes on data: All data used in this article is from the Office for National Statistics, and is based on the Labour Force Survey. ILO unemployment is used, which counts people if they are looking for and are available for work, irrespective of whether they are claiming Jobseekers Allowance. Data is seasonally adjusted and is for adults aged 16 and over.

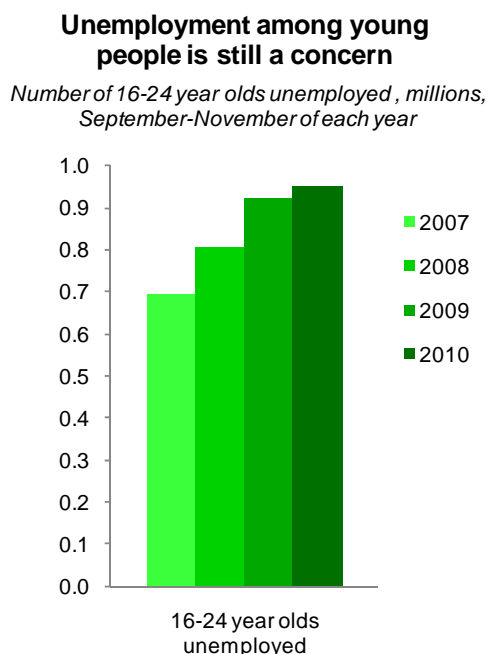
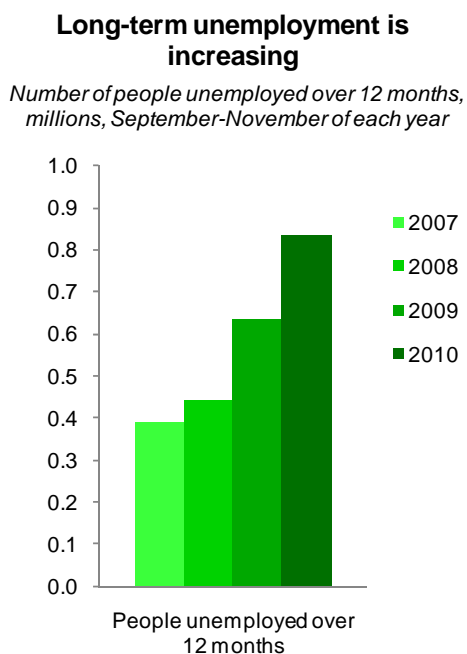
3.3 Part-time and temporary employment are increasingly important

The number of people in part-time employment in the UK has been increasing over the past three years, and part-time workers now account for 27% of all those in employment. Over the last two years the number of employees in temporary jobs has also increased.



3.4 There are high levels of long-term and youth unemployment

Long-term unemployment is at its highest level since the winter of 1996/97. This may be a particular problem in the coming months, as the greater the length of time an individual spends out of work, the more difficult it is for them to find employment as they lose skills and become detached from the labour market. Unemployment among young people aged 16-24 is now at its highest level since comparable records began in 1992.

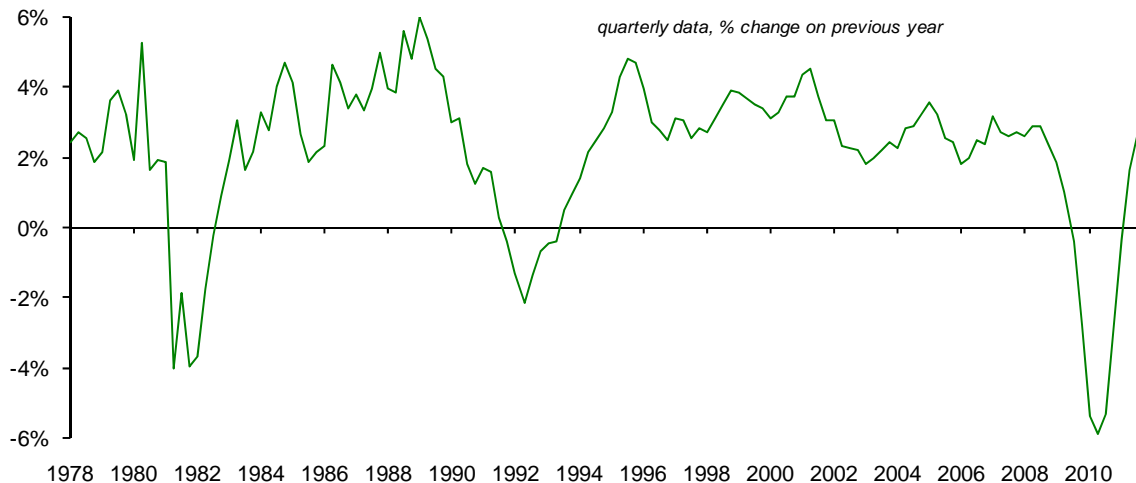


Lorna Booth, Economic Policy and Statistics Section

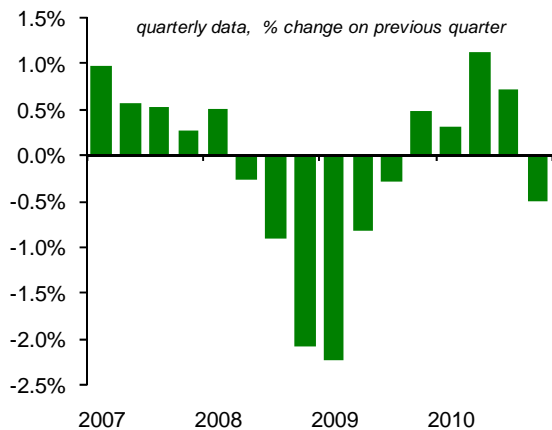
A1: Gross Domestic Product

The economy grew by a preliminary estimate of -0.5% in Q4 2010, following growth of 0.7% in Q3 2010. In January 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2010 was 1.7%, and for 2011 was 2.0%. The Office for Budget Responsibility's (OBR) central forecasts from November 2010 are for 1.8% growth in 2010 and 2.1% for 2011.

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
2008	1,446	2.9	...	-0.1
2009	1,395	-3.5	...	-4.9
2010	-	-	...	1.4
2009 Q4	352.6	-1.7	0.5	-2.8
2010 Q1	358.9	2.6	0.3	-0.3
Q2	362.6	5.3	1.1	1.6
Q3	365.9	5.1	0.7	2.7
Q4	-	-	-0.5	1.7

Source: ONS, series: YBHA, ABMI

- The economy grew by a preliminary estimate of -0.5% in Q4 2010, compared with Q3 of 2010. This compares with growth of 0.7% in Q3 2010 compared with Q2 2010.
- The contraction in the economy of -2.2% between Q4 2008 and Q1 of 2009 was the largest percentage fall in quarterly GDP since Q3 of 1987 (-2.2%).
- In Q4 2010, GDP rose by a preliminary estimate of 1.7% compared with the same period a year ago, compared with 2.7% growth in Q2 2010, compared with the same period a year ago.
- Total output of the economy fell by (a revised) 6.4% during the recession.

Contact: Grahame Allen, x3977

Updates: ONS, [UK output, income & expenditure, ONS](#), 25 Feb
HM Treasury, [Forecasts for the UK Economy](#), 16 Feb

A2: GDP: International Comparisons

France, Germany and Japan were the first G7 countries to emerge from recession (in Q2 2009), followed by the US, Canada, Italy and the eurozone in Q3 2009, and the UK in Q4 2009.

The UK economy grew 0.7% in Q3 2010, the latest period for which most internationally comparable data is available, while the US grew 0.6%. Germany grew 0.7% in Q3 (from a record 2.3% in Q2), while the eurozone as a whole grew 0.3%. The G7 grew 0.6%.

Real GDP, % changes

	change on prev. year						change on prev. quarter				
	2009	09Q3	09Q4	10Q1	10Q2	10Q3	09Q3	09Q4	10Q1	10Q2	10Q3
US	-2.6	-2.7	0.2	2.4	3.0	3.2	0.4	1.2	0.9	0.4	0.6
Japan	-5.2	-6.2	-1.8	5.5	3.5	5.0	-0.3	1.4	1.7	0.7	1.1
UK	-5.0	-5.3	-2.8	-0.3	1.6	2.7	-0.3	0.5	0.3	1.1	0.7
Germany	-4.7	-4.4	-2.0	2.1	3.9	3.9	0.7	0.3	0.6	2.3	0.7
France	-2.6	-2.7	-0.5	1.2	1.6	1.7	0.2	0.6	0.2	0.6	0.3
Eurozone	-4.0	-4.0	-2.0	0.8	2.0	1.9	0.4	0.2	0.4	1.0	0.3
G7	-3.6	-3.8	-0.9	2.4	2.9	3.3	0.2	1.0	0.9	0.7	0.6
OECD	-3.4	-3.5	-0.6	2.5	3.2	3.3	0.5	0.9	0.8	0.9	0.6

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

In [January 2011](#), the IMF raised their [October forecast](#) for 2010 world growth by 0.2 percentage points to 5.0%, and their 2011 forecast by 0.2 percentage points to 4.4%

UK growth forecasts were left unrevised, at 1.7% in 2010 and 2.0% in 2011. The forecasts for Germany were revised upward for the third consecutive time, to 3.6% in 2010 and 2.2% in 2011. US growth was also revised upward, by 0.2 percentage points to 2.8% in 2010, and by 0.7 percentage points to 3.0% in 2011. Japan's growth is expected to be 4.3% this year, up 1.5 percentage points.

Among major emerging markets, China's growth forecast was reduced slightly for 2010: it is now expected to grow at 10.3% in 2010 and 9.6% in 2011. Forecasts for India were unchanged, while Brazil's 2011 growth was revised up by 0.4 percentage points to 4.5% in 2011.

The European Commission's [November forecasts](#) revised up the May forecast for UK 2010 growth from 1.2% to 1.8%, and for France from 1.3% to 1.6%. Germany's forecast more than tripled (1.2% to 3.7%).

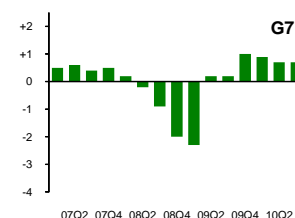
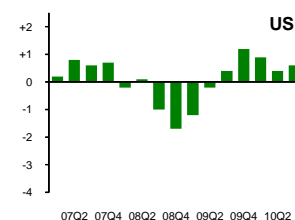
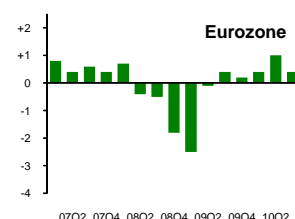
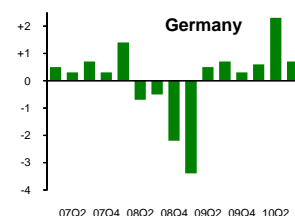
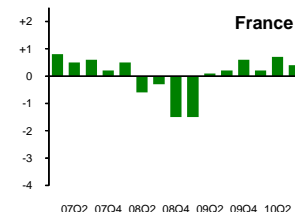
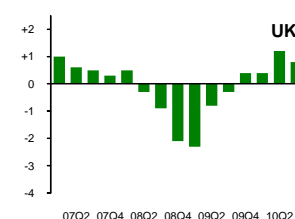
OECD [November forecasts](#) revised OECD-wide growth up by 0.1 percentage points to 2.8% in 2010 and down by 0.5 percentage points to 2.3% in 2011. UK forecasts were revised up by 0.5 percentage points for 2010, but down by 0.8 percentage points, from 2.5% to 1.7% in 2011. The US also saw significant downward revisions for both 2010 and 2011.

Real growth forecasts (% changes)

	IMF		Jan vs Oct (% pts)		EC (Nov)	OECD (Nov)			Nov vs. May (% pts)	
	2010	2011	2010	2011		2010	2010	2011	2012	2010	2011
UK	1.7	2.0	0.0	0.0	1.8	1.8	1.7	2.0	0.5	-0.8
France	1.6	1.8	0.0	0.2	1.6	1.6	1.6	2.0	-0.1	-0.5
Germany	3.6	2.2	0.3	0.2	3.7	3.5	2.5	2.2	1.6	0.4
Eurozone	1.8	1.5	0.1	0.0	1.7	1.7	1.7	2.0	0.5	-0.1
US	2.8	3.0	0.2	0.7	2.7	2.7	2.2	3.2	-0.5	-1.0
Japan	4.3	1.6	1.5	0.1	3.5	3.7	1.7	1.3	0.7	-0.3
OECD	..	..	..	..	..	2.8	2.3	2.8	0.1	-0.5
China	10.3	9.6	-0.2	0.0	..	10.5	9.7	9.7	-0.6	0.0
India	9.7	8.4	0.0	0.0	..	9.1	8.2	8.5	0.1	0.0
Brazil	7.5	4.5	0.0	0.4	..	7.5	4.3	5.0	-1.0	0.0
World	5.0	4.4	0.2	0.2	..	..	..	..	..	..

Sources: IMF, WEO Jan/Oct; EC EEF; OECD, Economic Outlook 88, November

Quarter-on-quarter growth rates



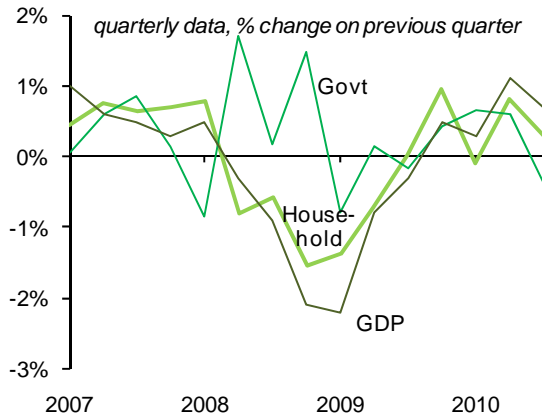
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 14 Feb 2011
EC [Economic Forecast](#), 1 Mar 2011
IMF [World Economic Outlook](#), Apr 2011

A3: Components of GDP

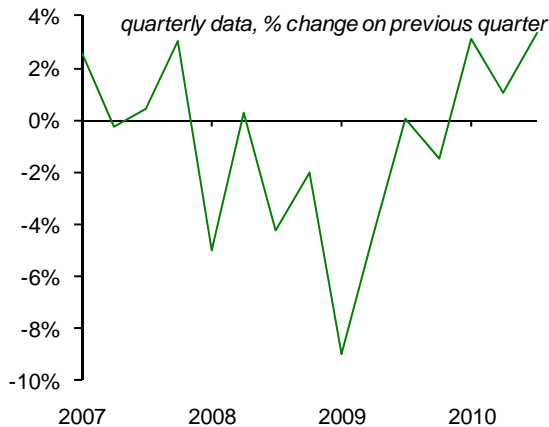
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2009. Government consumption accounted for 23% and gross fixed capital formation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

Household consumption, government consumption and GDP



- In Q3, 2010, household consumption increased by 0.3%. Government consumption decreased by 0.4%.
- Over the past year, government consumption has increased by 1.3% compared with 2.0% for household consumption.
- Exports increased by 1.5% in Q3, 2010 while imports increased by 1.7%.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q3, 2010 GFCF grew by 3.4%.
- In Q3, 2010, companies increased their stocks for the first time since Q3, 2008. This contributed nearly half the growth seen in the quarter.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2008 (annual % change)	0.6%	1.6%	-5.0%	1.0%	-1.2%	-0.1%
2009 (annual % change)	-3.3%	1.0%	-15.4%	-10.1%	-11.9%	-4.9%
2009 Q4	1.0%	0.4%	-1.5%	3.7%	4.1%	0.5%
2010 Q1	-0.1%	0.7%	3.1%	-0.9%	2.1%	0.3%
2010 Q2	0.8%	0.6%	1.0%	3.1%	2.0%	1.1%
2010 Q3	0.3%	-0.4%	3.4%	1.5%	1.7%	0.7%

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 Feb

A4: Output and employment by industry

In 2008, services accounted for 77% of UK Gross Value Added (GVA), manufacturing 12%, other production industries (mining & quarrying, and utilities) 5%, construction 6% and agriculture, hunting and fishing 1%. The services sector accounts for 83% of total workforce jobs (September 2010).

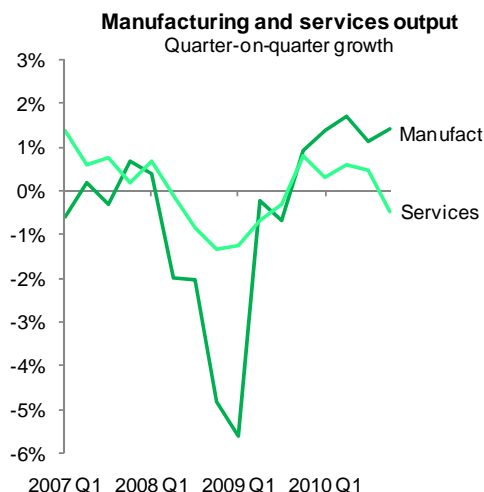
Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	All industries
<i>Annual % changes</i>				
2009	-10.7%	-10.7%	-3.2%	-4.7%
2010	3.8%	5.2%	1.2%	
2010 Q2	3.3%	6.8%	1.4%	1.7%
2010 Q3	5.2%	9.5%	2.2%	2.7%
2010 Q4	5.7%	7.0%	0.9%	
<i>Quarter-on-quarter</i>				
2010 Q2	1.7%	7.0%	0.6%	1.1%
2010 Q3	1.1%	4.0%	0.5%	0.7%
2010 Q4	1.4%	-3.3%	-0.5%	

Source: ONS series CKYY, GDQB, GDQS, CGCE



- Following sharp falls in manufacturing output in 2008 and 2009, it is now growing at a faster rate than services, which contracted by 0.5% in Q4 2010. Construction fell sharply in Q4 2010 following strong growth in Q2 and Q3.
- Manufacturing output rose by 5.7% in the year to Q4 2010. Construction output rose by 7.0%
- Services output rose by 0.9% in the year to Q4 2010, with output in the business services and finance sector also growing by 0.9%.

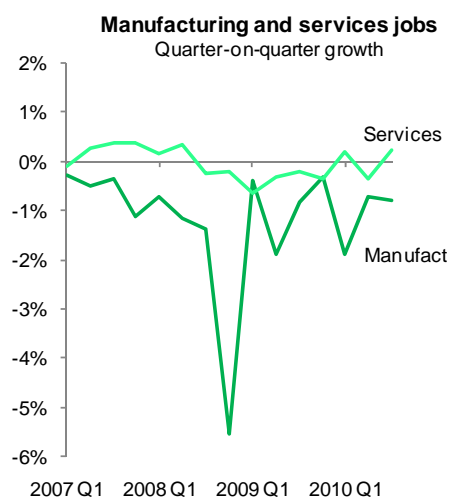
Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	All industries
<i>Annual % changes</i>				
2008 Q3	-4.3%	1.1%	0.6%	0.2%
2009 Q3	-8.5%	-10.9%	-1.4%	-2.7%
2010 Q2	-3.7%	-3.6%	-0.8%	-1.0%
2010 Q3	-3.7%	-1.3%	-0.3%	-0.6%
<i>Quarter-on-quarter</i>				
2010 Q2	-0.7%	2.3%	-0.4%	-0.1%
2010 Q3	-0.8%	-0.8%	0.2%	0.0%
<i>Thousands</i>				
2010 Q3	2,494	2,080	25,374	30,703

Source: ONS series JWR7, JWS2, JWT8, DYDC



- The employment picture is different, with numbers of manufacturing jobs continuing to fall sharply (3.7% in the year to September 2010). Numbers of service sector jobs have been steadier.
- Numbers of jobs in the construction sector fell in Q3 having risen in Q2.
- The public administration, health and education workforce rose by 0.9% in the year to September 2010.

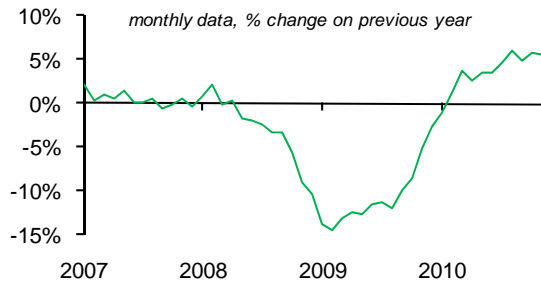
Contact: Adam Mellows-Facer, x4904

Update: ONS, [UK output, income and expenditure](#), 25 Feb

A5: Manufacturing (Including Automotives)

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

Manufacturing Output

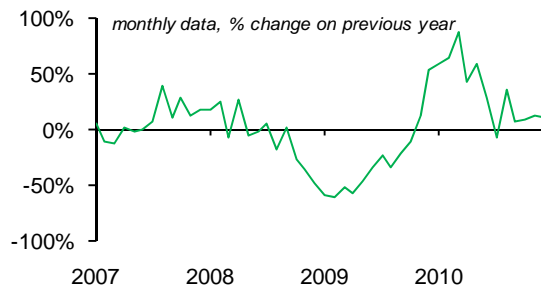


	Index Value (2005=100)	% change over month	% change over 12 months
2008	97.6	...	-2.9
2009	87.2	...	-10.7
2010 Aug	91.1	+0.4	+6.0
Sep	91.3	+0.2	+4.9
Oct	91.9	+0.6	+5.8
Nov	92.4	+0.6	+5.6

Source: ONS, series CKYY

- Manufacturing output was up by 5.6% in the year to November 2010 and by 0.6% in November alone. In 2009 output fell by 10.7%.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was up by 3.3% compared with a year ago, down from 3.5% in October.

Vehicle Production

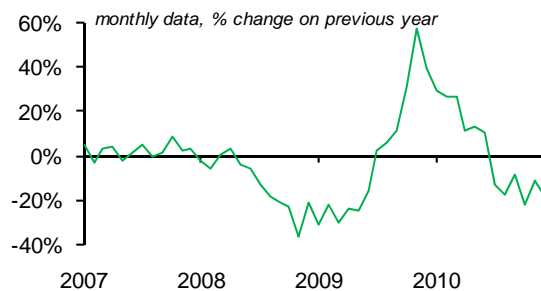


		Number '000s	% change over 12 months
2008		1,090	-33.9
2010		1,393	+27.8
2009	Dec	93	+54.0
2010	Oct	124	+8.9
	Nov	137	+11.8
	Dec	103	+11.3

Source: SMMT, not seasonally adjusted

- In 2010, 1.39 million vehicles were produced in the UK, up by 27.8% compared with 2009. Out of the total, 346,000 or 25% were for the UK market and 1,047,000 or 75% were for export.
- UK vehicle production was 103,000 in December 2010, 11% higher than in December 2009.

New Car Registrations



		Number '000s	% change over 12 months
2009		1,994	-6.4
2010		2,031	+1.8
2009	Dec	151	+38.9
2010	Oct	131	-22.2
	Nov	140	-11.5
	Dec	124	-18.0

Source: SMMT, not seasonally adjusted

- New car registrations rose by 1.8% in 2010 to 2.0 million. However, registrations in each of the last six months of 2010 were lower than the same months in 2009. This is partly attributable to the closure of the government scrappage scheme.
- There were 18% fewer new registrations of cars in December 2010 than in December 2009.

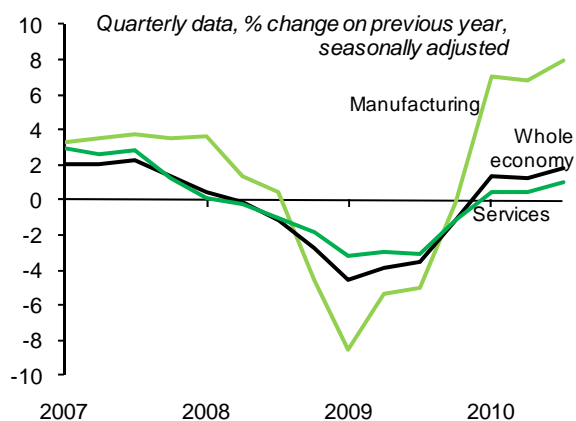
Contact: Adam Mellows-Facer, x4904

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

A6: Productivity

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

Productivity 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 3.2% in 2009 compared with a fall of 0.8% in 2008.
- Output per worker rose by 1.7% in Q3 2010 compared to the same quarter a year ago.
- Manufacturing output per job grew by 8.0% in Q3 2010 compared to the same quarter a year ago, as output in the sector increased while employment fell. Output per job in the service sector rose by 1.0% over the same period.
- Comparing Q3 2010 with Q2 2010, manufacturing output per job increased by 0.8%, services output per job was unchanged while output per job for the whole economy grew by 0.2%.

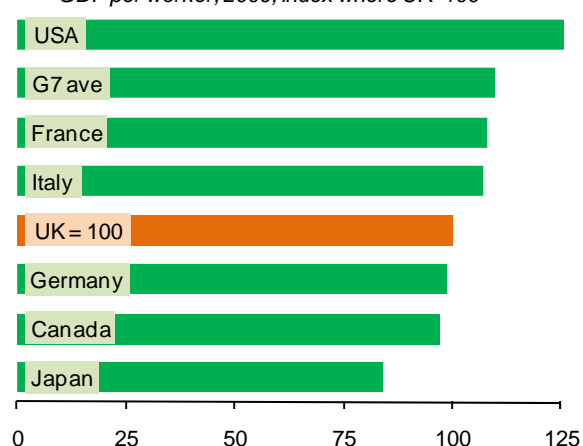
Productivity growth, seasonally adjusted

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	0.2	0.2	..	..	-0.8	-0.9	-0.5
2009	-4.8	-3.4	..	..	-3.2	-3.3	-1.9
2009 Q3	-5.0	-3.7	-3.1	-1.7	-3.3	-3.5	-1.9
Q4	-0.1	1.2	-1.1	-0.2	-1.0	-1.1	0.1
2010 Q1	7.0	4.8	0.5	0.2	1.1	1.4	0.9
Q2	6.8	5.2	0.4	0.9	1.4	1.3	1.4
Q3	8.0	6.2	1.0	0.9	1.7	1.8	1.4
Latest quarterly % change	0.8	1.1	0.0	0.1	0.1	0.2	0.3

Source: ONS

International comparisons

GDP per worker, 2009, index where UK=100



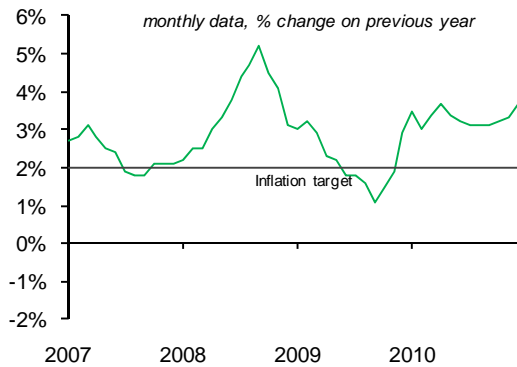
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009 the UK had higher levels of productivity than Japan, around the same levels as Italy, 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 3.7% in December, higher than in November and above the Bank of England's 2% target for the thirteenth successive month.

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.

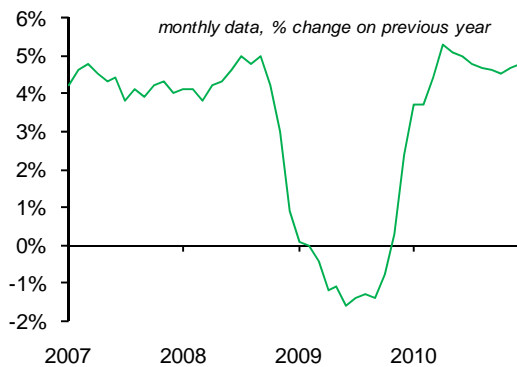
Consumer Prices Index (CPI)



The CPI annual inflation rate was higher in December at 3.7% rising from 3.3% in November.

- Upward pressure on inflation came from transport (especially air fares and fuel & lubricants) and housing and household services (in particular gas prices).
- The RPI (all items) measure of inflation rose to 4.8% in December, continuing the reversal in trend that has seen it fall from its highest level (since July 1991) of 5.3% in April 2010.

Retail Prices Index (RPI)



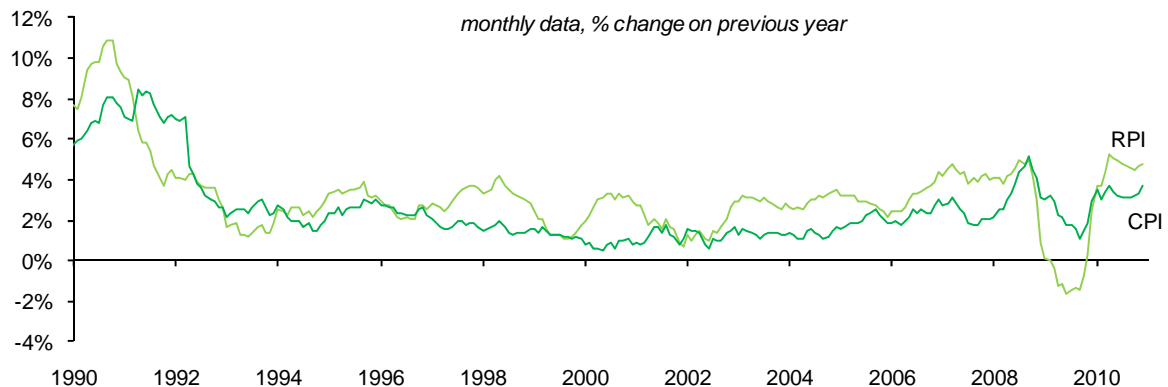
Price Indices

% change on a year ago

		CPI	RPI
2007		2.3	4.3
2008		3.6	4.0
2009		2.2	-0.5
2010	Jul	3.1	4.8
	Aug	3.1	4.7
	Sep	3.1	4.6
	Oct	3.2	4.5
	Nov	3.3	4.7
	Dec	3.7	4.8

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1990

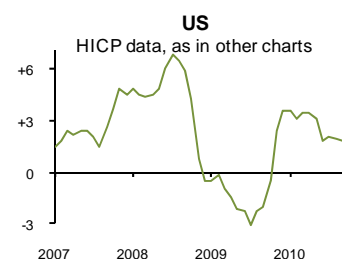
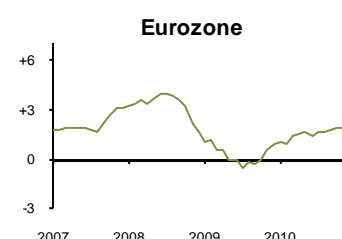
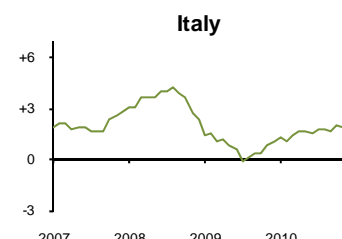
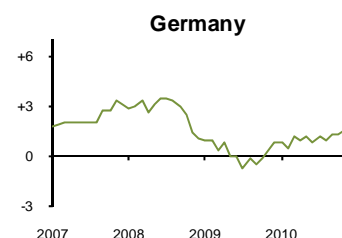
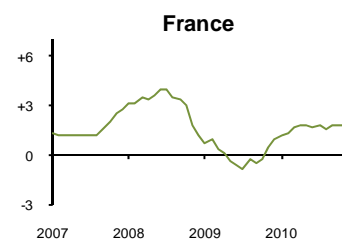
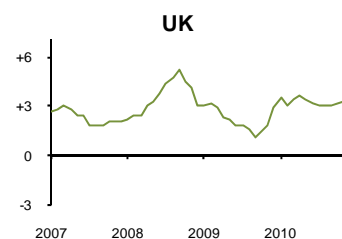


B2: Inflation: International

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

Inflation in the EU, some other European countries, and the US, can be compared using the standard Harmonised Index of Consumer Prices (HICP), or the CPI as it is known in the UK. National inflation calculations methods differ from this standard to varying degrees. For example, the US' national measure is based on prices in urban areas only, and unlike the HICP includes costs of owner-occupied housing. Care should therefore be taken when making comparisons between national and harmonised measures.

- In the year to December, UK inflation was 3.7%, up from 3.3% in November. This rate was the 7th highest in the EU. The Bank of England's UK inflation target is 2%.
- Euro zone inflation was 2.4% in January, up 0.2% points from December. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The highest rate in the EU in December was 7.9% in Romania. Ireland is the only EU country with lower prices than a year ago (-0.8% in November).
- HICP annual inflation in the US in October was 1.8%, unchanged from September. Using its national definition, US inflation was 1.5% in December, up from 1.1% in November.



Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Sep 10	Oct 10	Nov 10	Dec 10
HICP (ONS/Eurostat)						
UK	2.2	3.3	3.1	3.2	3.3	3.7
Eurozone	0.3	2.0	1.8	1.9	1.9	2.2
EU	1.0	2.1	2.2	2.3	2.3	2.6
France	0.1	1.5	1.8	1.8	1.8	2.0
Germany	0.4	1.1	1.3	1.3	1.6	1.9
Greece	1.2	4.7	5.7	5.2	4.8	5.2
Italy	0.8	1.5	1.6	2.0	1.9	2.1
Spain	-0.3	1.8	2.1	2.3	2.2	2.9
US	-0.4	1.6	1.8	1.8	..	..
National definitions (OECD)						
Canada	0.3	1.8	1.9	2.4	2.0	2.4
Japan	-1.4	-0.7	-0.6	0.2	0.1	0.0
US	-0.4	1.6	1.1	1.2	1.1	1.5
G7	-0.1	1.4	1.2	1.3	1.3	1.6
OECD	0.5	1.9	1.7	1.9	1.8	2.1
Brazil	4.9	5.0	4.7	5.2	5.6	5.9
China	-0.7	..	3.4	4.3	5.1	..
India	10.9	..	9.8	9.7	8.3	..
Russia	11.7	6.9	7.0	7.5	8.1	8.8

Source: ONS, Eurostat & stat.OECD database

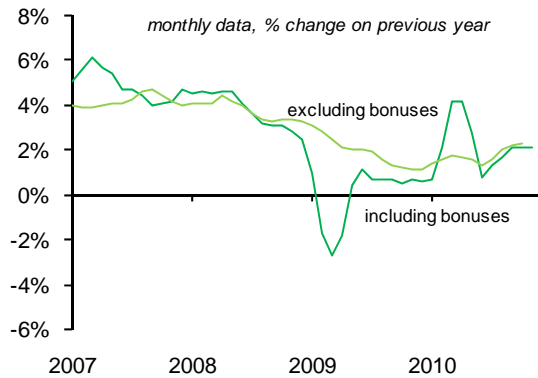
Contact: Gavin Thompson, x2042

Updates: Eurostat, [HICP full release](#), 28 Feb
Eurostat, [Flash estimate \(Feb\)](#), 1 Mar
OECD, [Main Economic Indicators](#), 14 Feb

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.1% in November compared with a year ago, the same as is in October. Average weekly earnings excluding bonuses were 2.3% higher in the three months to November compared with a year ago, the same as in October.

Average Earnings, Whole Economy



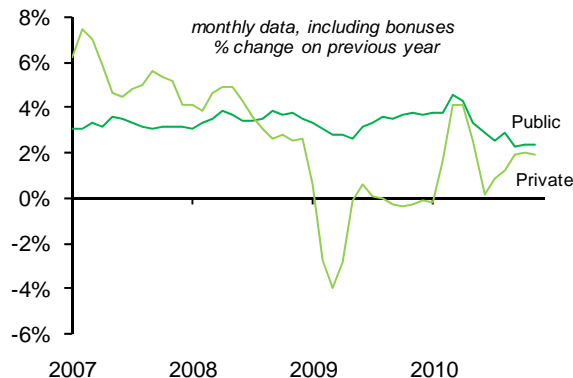
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2007 Nov	5.2	3.2	3.3	4.9	4.2
2008 Nov	2.5	3.8	2.8	3.1	2.8
2009 Nov	-0.3	3.8	1.8	0.9	0.7
2010 Jun	0.2	2.9	3.7	0.7	0.8
Jul	0.9	2.5	4.0	1.2	1.3
Aug	1.2	2.9	4.0	1.6	1.7
Sep	1.9	2.3	4.3	2.0	2.1
Oct	2.0	2.4	4.0	2.3	2.1
Nov	1.9	2.4	3.5	2.3	2.1

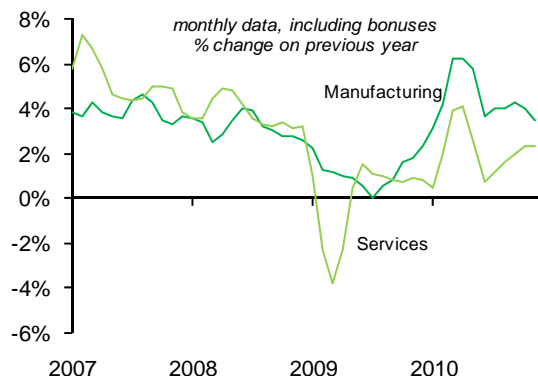
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.9% in November, compared with an increase of 2.4% in the public sector. Excluding financial services, public sector earnings rose by 2.2%.
- Average weekly earnings (including bonuses) in November in the public sector were £469 compared with £449 in the private sector.
- In 2009, headline (including bonuses) earnings in the public sector averaged an increase of 3.2%, while the private sector averaged a 0.9% decrease.

Average Earnings in Services and Manufacturing

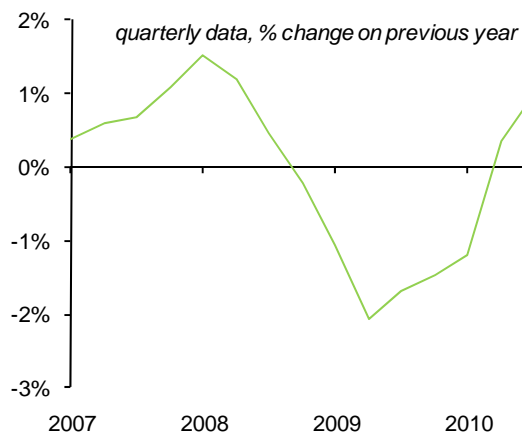


- Average total pay growth (including bonuses) in the manufacturing sector was 3.5% in November, compared with 2.3% in the services sector.
- Average weekly earnings (including bonuses) in November in the manufacturing sector were £525 compared with £441 in the services sector.
- In 2009, headline (including bonuses) earnings in the services sector averaged a decrease of 0.2% compared with a 1.3% increase in the manufacturing sector.

C1: Employment

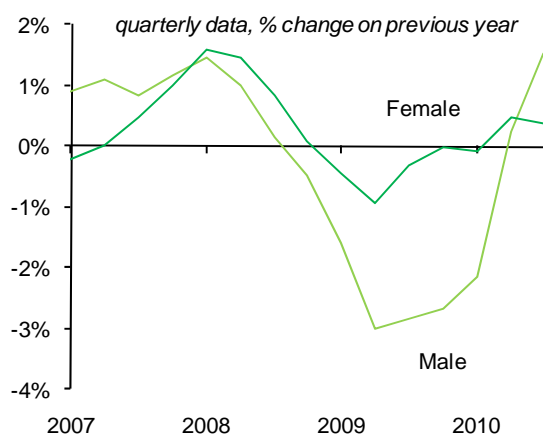
There are now 29.09 million people in employment, which means that in the three months to October 2010, employment fell by 69,000. Employment amongst 16-24 year olds fell by 2.6% over this period.

Total employment



- Employment is 1.6% lower than its peak of 29.6 million in April 2008.
- Over the past year, employment has increased for all age groups except for 16-24 year olds.
- Employment of those aged 65 and over has increased by 13.9%.

Male and female employment



- Over the past year, male employment has increased by 1.3% while female employment fallen by 0.2%.
- Full-time employment has fallen by 37,000 over the quarter while part-time employment has fallen by 32,000.
- Over the past quarter, the number of public sector jobs has fallen by 33,000 while the number of private sector jobs remains unchanged.

Employment by age

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

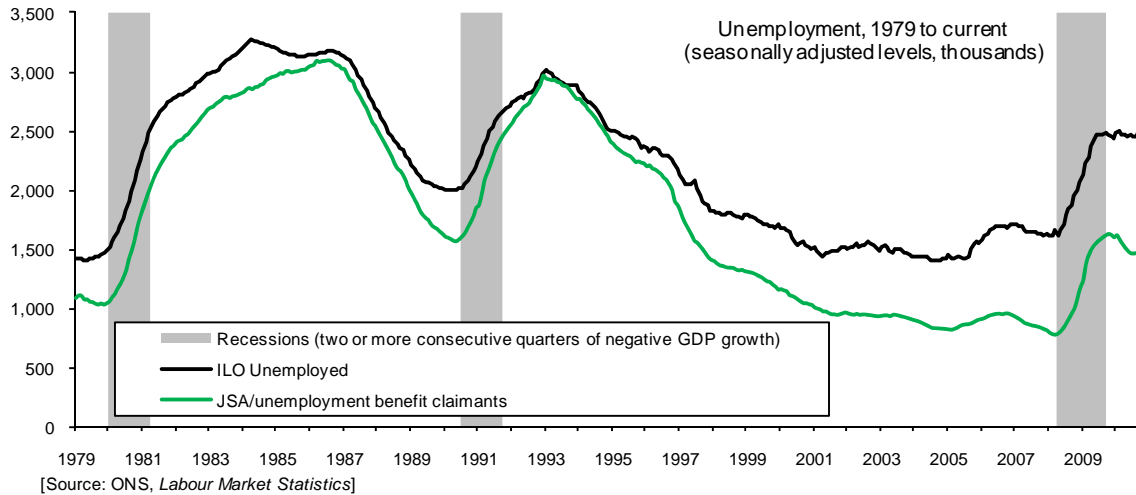
	Total	16-24	25-49	50-64	65+
Oct 2008	29,365	4,131	17,288	7,245	700
Oct 2009	28,905	3,795	17,135	7,210	764
Jan 2010	28,843	3,756	17,075	7,239	773
Apr 2010	28,980	3,817	17,108	7,253	802
Jul 2010	29,158	3,837	17,184	7,291	846
Oct 2010	29,089	3,737	17,198	7,285	870
% change on previous 3 months	-0.2	-2.6	+0.1	-0.1	+2.8
% change on previous year	+0.6	-1.5	+0.4	+1.0	+13.9

Source: ONS

C2: Unemployment: National

The Office for National Statistics uses the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- **ILO unemployment in September to November 2010 was 2,498,000 (7.9% of all economically active)** – up by 49,000 from the previous quarter (UK, seasonally adjusted).

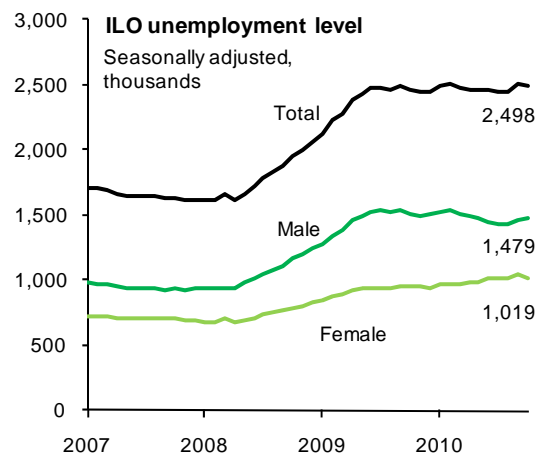


ILO unemployment (September to November 2010)

- There were 836,000 people unemployed for more than 12 months, up 15,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 951,000, 20.3% of all economically active people of this age. These are the highest levels since comparable records began in 1992. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count decreased by 4,100 between November and December 2010 to 1,456,600.



ILO Unemployment in the UK

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Sep-Nov 2005	1,541	5.1	650	13.7	663	3.7	210	2.9	18	2.9
Sep-Nov 2006	1,678	5.5	678	13.9	767	4.3	220	3.0	13	2.0
Sep-Nov 2007	1,637	5.3	696	14.1	702	3.9	228	3.1	12	1.7
Sep-Nov 2008	1,947	6.2	807	16.3	844	4.7	275	3.7	20	2.8
Sep-Nov 2009	2,460	7.8	922	19.5	1,147	6.3	364	4.8	27	3.4
Dec-Feb 2010	2,486	7.9	925	19.8	1,169	6.4	368	4.8	24	3.1
Mar-May 2010	2,469	7.8	923	19.5	1,156	6.3	369	4.8	21	2.6
Jun-Aug 2010	2,448	7.7	919	19.3	1,142	6.2	367	4.8	20	2.3
Sep-Nov 2010	2,498	7.9	951	20.3	1,161	6.3	364	4.8	22	2.5
% change on quarter	+2.0		+3.5		+1.7		-0.8		+10.0	
% change on year	+1.5		+3.1		+1.2		+0.0		-18.5	

Source: ONS, Labour Market Statistics.

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

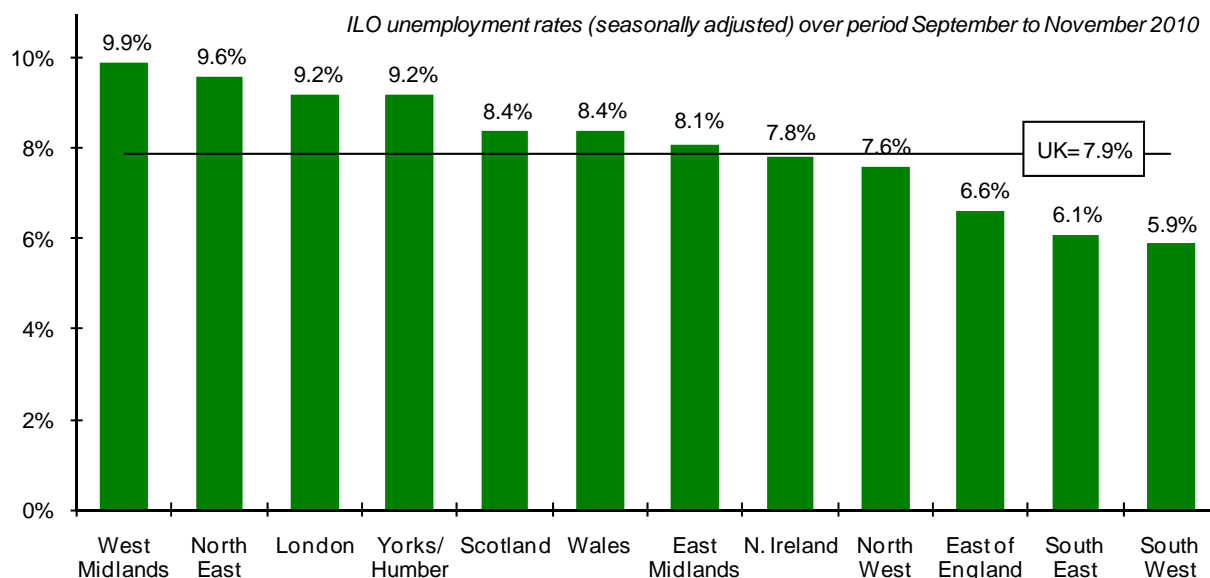
Contact: Lorna Booth, x2883

Updates: ONS, [Labour Market Statistics](#), 16 Feb

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 September to November 2010, the West Midlands had the highest unemployment rate, at 9.9% of the economically active population, followed by the North East at 9.6%. The lowest rate over the same period was 5.9%, in the South West.



- The largest increase in unemployment over the last quarter was in the West Midlands (+48,000), although the increase over the last year in the West Midlands was considerably less (+6,000). The largest decrease over the last quarter was in the North West (-18,000). (See table below.)
- The seasonally-adjusted JSA claimant count fell in eight regions and countries and rose in three in December 2010 compared with the previous month.

Key regional labour market statistics *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	Sept - Nov 2010		Change in level		December 2010	
	Level (000s)	Rate (%) (a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	120	9.6	+5	-5	80.3	-0.5
North West	260	7.6	-17	-18	176.3	-2.2
Yorkshire & Humber	241	9.2	-6	+0	144.3	+0.1
East Midlands	186	8.1	+15	+21	96.7	-0.1
West Midlands	264	9.9	+48	+6	156.5	-1.1
East of England	199	6.6	-5	+12	107.3	-0.7
London	382	9.2	+5	-3	214.1	-1.3
South East	273	6.1	-8	+0	131.6	-0.5
South West	159	5.9	+6	-9	81.7	+0.0
Wales	123	8.4	+4	+1	71.0	-0.3
Scotland	225	8.4	-5	+23	138.3	+2.2
Northern Ireland	65	7.8	+7	+10	58.5	+0.3

Source: ONS, *Labour Market Statistics*

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

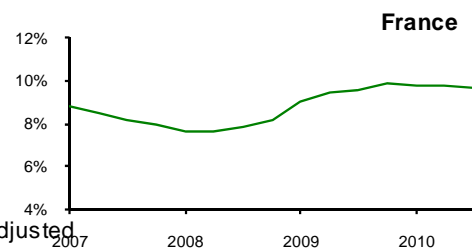
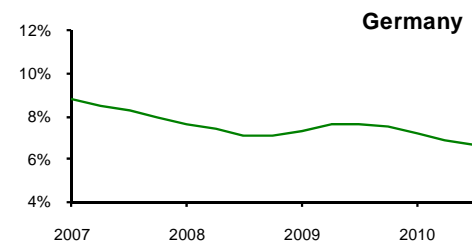
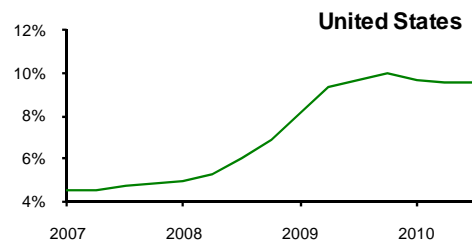
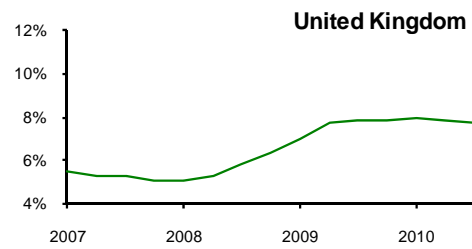
Contact: Lorna Booth, x2883

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

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 Q3 2010 was 7.7%, below the euro zone rate (10.0%) and below the G7 and OECD rates (8.1% and 8.5% respectively).
- Between Q3 2009 and Q3 2010 Germany saw a 0.9 percentage-point fall in its unemployment rate (from 7.6% to 6.7%); Canada saw the second-largest fall among G7 countries (-0.5 percentage points). The US unemployment rate fell by 0.1 percentage points over the same period. Italy saw the largest rise (+0.3 percentage points).
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (20.5% in Q3 2010), having risen particularly sharply over the last three years (up from 8.3% in Q3 2007). The Irish Republic has also seen a sharp rise over the same period (up from 4.5% to 13.7%). This compares with a 2.8 percentage point rise in unemployment in the OECD as a whole (from 5.7% to 8.5%) and a 2.5 percentage-point rise in the euro zone (from 7.5% to 10.0%) over the same period.
- The lowest unemployment rate in the OECD in Q3 was in South Korea (3.6%).
- The most recent forecasts published by the OECD ([Economic Outlook no. 88, Oct 2010](#)) suggested the UK unemployment rate would be 7.9% in 2010 and 7.8% in 2011. The respective forecasts for the euro zone were 9.9% and 9.6%, and for the OECD as a whole 8.3% and 8.1%.



Unemployment

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

	2007	2008	2009	2010	2009				2010			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	6.0	6.1	8.3	8.0	7.8	8.4	8.5	8.4	8.2	8.0	8.0	7.7
France	8.3	7.8	9.5	..	9.0	9.4	9.6	9.9	9.8	9.8	9.7	..
Germany	8.4	7.3	7.5	..	7.3	7.6	7.6	7.5	7.2	6.9	6.7	..
Italy	6.2	6.8	7.8	..	7.4	7.6	8.0	8.3	8.4	8.4	8.3	..
Japan	3.9	4.0	5.1	..	4.5	5.1	5.4	5.2	4.9	5.2	5.1	..
UK	5.3	5.6	7.6	..	7.0	7.7	7.8	7.8	7.9	7.8	7.7	..
USA	4.6	5.8	9.3	9.6	8.2	9.3	9.7	10.0	9.7	9.6	9.6	9.6
Euro zone	7.5	7.6	9.4	..	8.8	9.4	9.7	9.9	10	10	10	..
G7	5.4	5.9	8.0	..	7.3	8.1	8.3	8.5	8.2	8.2	8.1	..
OECD	5.8	6.1	8.3	..	7.6	8.3	8.6	8.7	8.6	8.6	8.5	..

Source: OECD, Harmonised Unemployment Rates, January 2011

Contact: Gavin Thompson, x2042

Updates:

OECD, [Economic Outlook](#), Apr 2011

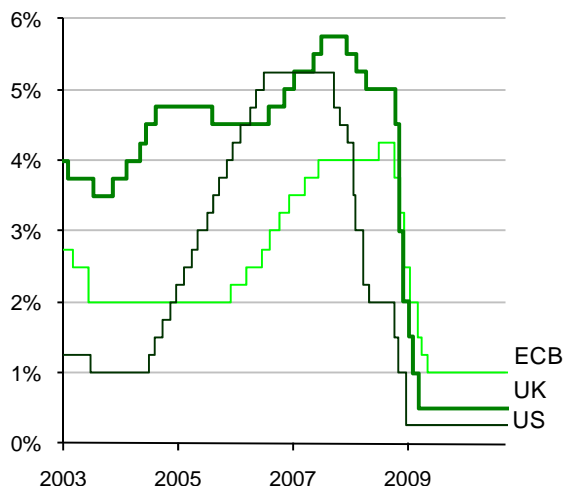
OECD, [Harmonised Unemployment Rates](#), 14 Feb 2011

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

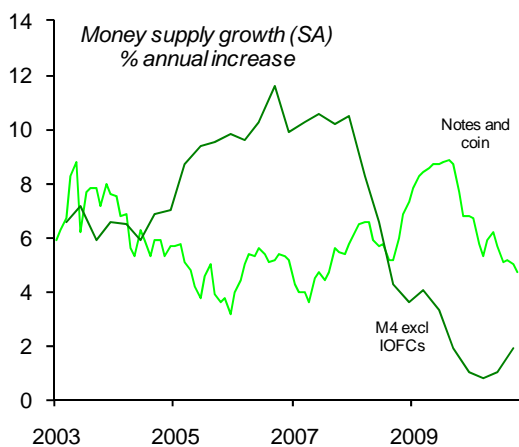
Source: Bank of England

- 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 currently scheduled, although there has been recent speculation that purchases may begin again.

Money supply



- In its May 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 2.3% in Q4 2010, up from the record low of 0.8% in Q1 2010.
- The value of notes and coins in circulation outside the Bank of England rose by 3.7% in the year to December 2010.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [10 Feb](#) (UK); [03 Feb](#) (ECB)
Bank of England, [Monetary and Financial Statistics](#), 01 Mar

D2: Public Finances

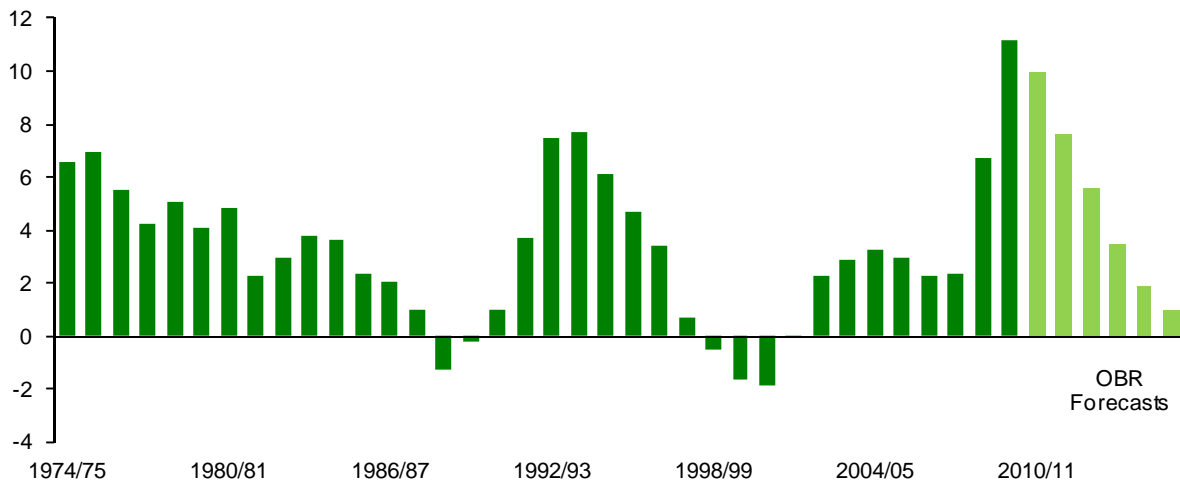
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £148.5 billion in 2010/11, equivalent to 10.0% of GDP.

- The Government borrowed £156 billion in 2009/10 (11.1% of GDP). Over the first nine months of 2010/11, borrowing was £118.4 billion, £8.4 billion (or 6.6%) lower than the same period in 2009/10.
- In November, the OBR forecast that borrowing would fall to 10.0% of GDP in 2010/11 and to 1.0% of GDP by 2015/16.
- The OBR forecast that debt would fall as a share of GDP in 2014/15.

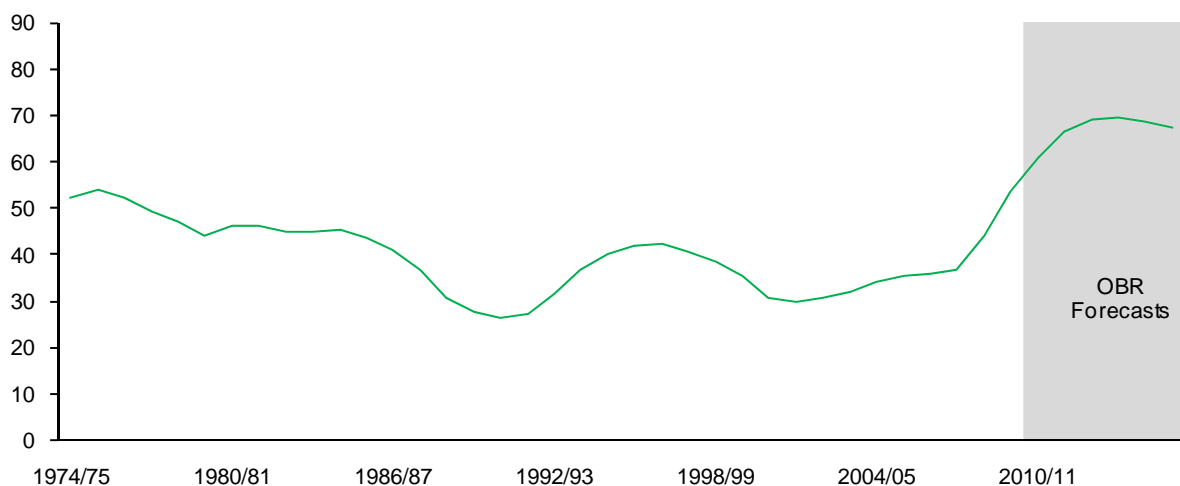
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	619	44.2
2009/10	156	11.1	772	53.6
2010/11	149	10.0	923	60.8
2011/12	117	7.6	1,052	66.3
2012/13	91	5.6	1,157	69.1
2013/14	60	3.5	1,232	69.7
2014/15	35	1.9	1,284	68.8
2015/16	18	1.0	1,320	67.2

Source: ONS, OBR

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update: ONS, [Public sector finances](#), 22 Feb 2011

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 hit an all-time high of 6,930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008. In January 2011, it exceeded 6,000 for the first time since June 2008.

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

The price of gold hit an all-time high of \$1,423/ounce in December 2010.

Data from Thursday 27 January 2011

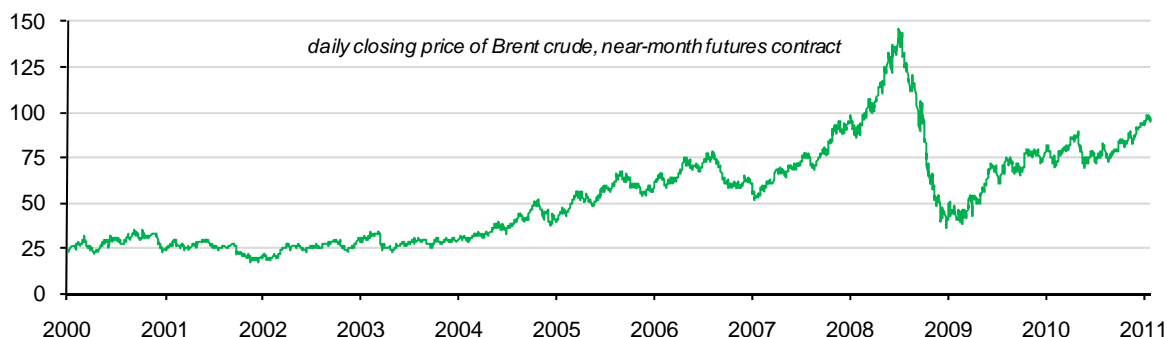
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
27 Jan 2011	5,965.1	97.4	1,346.6
%change over:			
1-month	-0.5%	+3%	-4%
12-months	+14%	+35%	+23%
%change from:			
cyclical peak	-11%	-33%	-5%
date	15 Jun '07	03 Jul '08	07 Dec '10
cyclical trough	+70%	+168%	+89%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

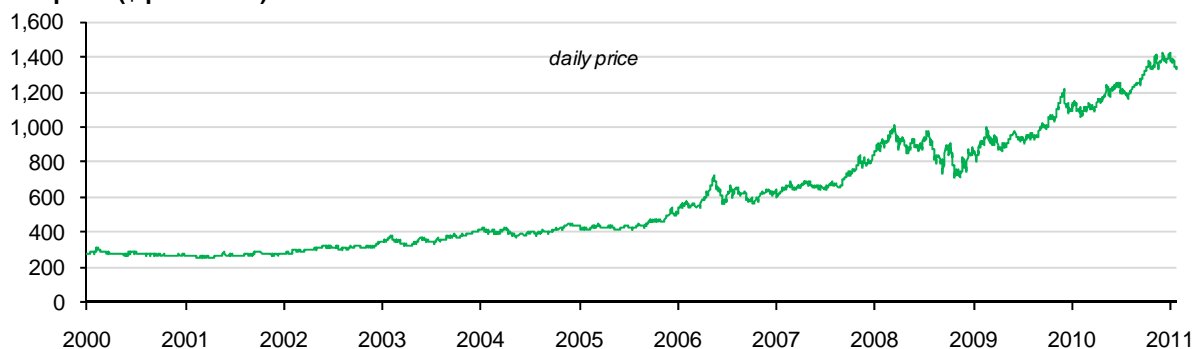
FTSE-100 Index



Oil price (\$ per barrel)



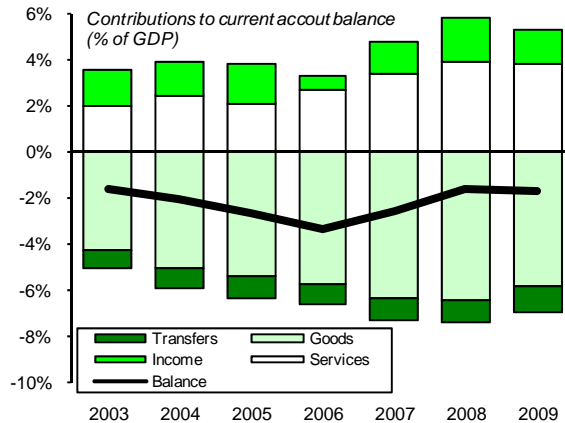
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2009 was £23.9 billion, equivalent to -1.7% of GDP. The surplus on services and income narrowed between 2008 and 2009. The deficit in goods also narrowed, resulting in the current account deficit widening slightly in 2009 compared with 2008.

Current Account



- On a **quarterly** basis, the current account deficit was estimated at £9.6 billion in Q3 2010, widening from a Q2 2010 deficit of £5.2 billion. Between Q2 2010 and Q3 2010 the surplus on services and the deficit on goods widened.
- The **annual** current account deficit with EU27 countries in 2009 was £14.3 billion, compared with a deficit with non-EU countries of £9.6 billion. On a **quarterly** basis, the deficit with EU27 countries was £12.8 billion in Q3 2010 (£7.0 billion deficit in Q2 2010). With non-EU countries, the current account was in surplus by £3.2 billion in Q3 2010 (£1.8 billion surplus in Q2 2010).

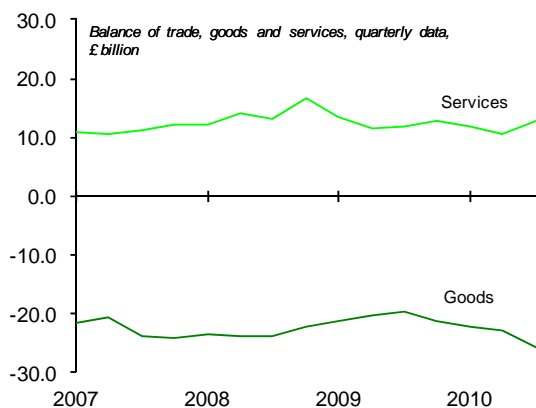
Current Account Balances

£ millions; seasonally adjusted

	Goods		Balance	Services Balance	Goods and Services Balance	Income	Transfers	Current Account Balance
	Exports	Imports						
2007	220,858	310,612	-89,754	46,798	-42,956	20,020	-13,546	-36,482
2008	252,086	345,202	-93,116	55,356	-37,760	28,035	-14,051	-23,776
2009	227,645	310,010	-82,365	52,678	-29,687	20,552	-14,719	-23,854
2009 Q3	56,712	76,425	-19,713	12,574	-7,139	5,912	-3,416	-4,643
Q4	60,627	81,923	-21,296	13,870	-7,426	7,608	-3,322	-3,140
2010 Q1	62,466	84,688	-22,222	12,669	-9,553	4,073	-4,291	-9,771
Q2	65,963	88,657	-22,694	11,727	-10,967	9,866	-4,119	-5,220
Q3	66,178	91,909	-25,731	13,101	-12,630	7,540	-4,478	-9,568

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

Trade in Goods and Services



- The estimated deficit on goods trade in November was £8.7 billion, wider than the October deficit of £8.6 billion.
- The monthly trade surplus on services was an estimated £4.61 billion in November, up slightly from the October surplus of £4.56 billion.
- The overall monthly deficit on goods and services combined in November was £4.1 billion, up from £4.0 billion in October.
- The goods deficit with the EU27 was £3.7 billion in November (compared with £3.5 billion in October), while the deficit with non-EU countries was £5.0 billion (the same as in October).

Contact: Grahame Allen, x3977

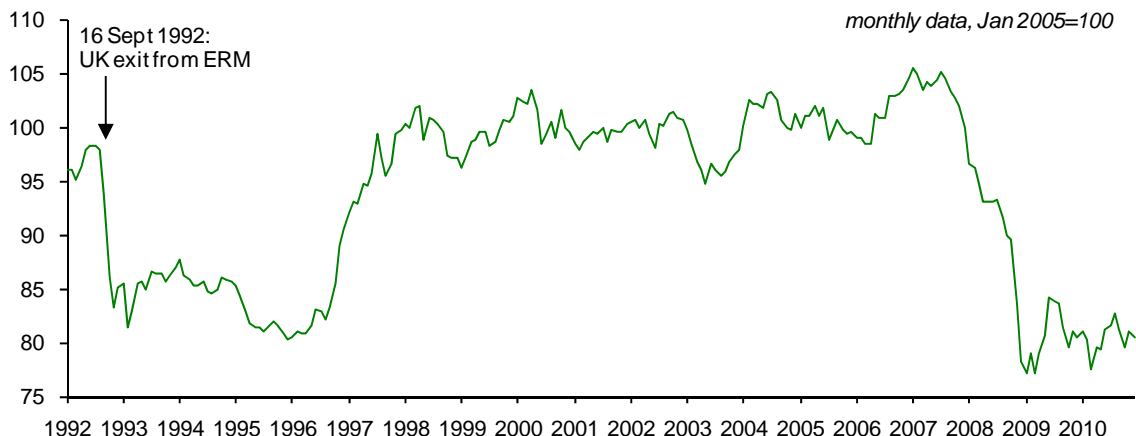
Updates: ONS, [UK Trade](#), 9 Feb;
ONS, [UK Balance of Payments](#), 29 Mar

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).

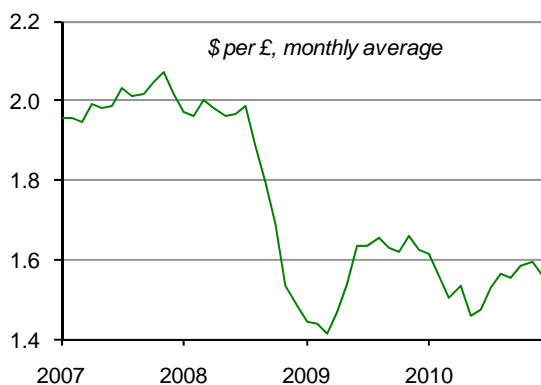
The SERI fell 0.5% in December, following a rise of 1.9% in November. Compared with the same period last year, the SERI was unchanged. It is now 4.5% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 24% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



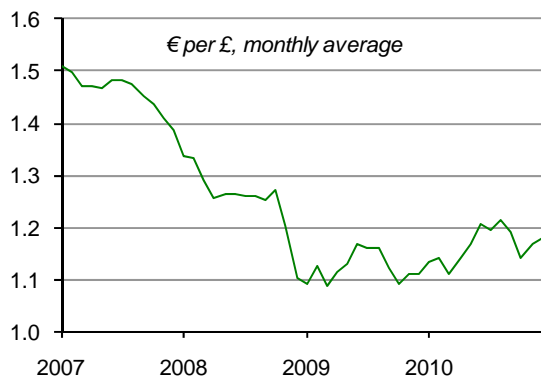
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In December, the pound was on average four cents weaker against the dollar than in November. At 6 January market close the pound stood at \$1.55 dollars, slightly below the December average of \$1.56.
- Sterling rose one cent against the euro in December, compared with November, following a three cent rise in the previous month.
- At the 6 January market close the pound stood at €1.19. This compares with an all-time low of €1.02 (on 30 December 2008), and a 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%
2010	1.55	-1.3%	1.17	3.8%
2009 Dec	1.62	9.3%	1.11	0.8%
2010 Sep	1.56	-4.6%	1.19	6.1%
Oct	1.59	-2.1%	1.14	4.4%
Nov	1.60	-3.8%	1.17	5.2%
Dec	1.56	-3.9%	1.18	6.1%

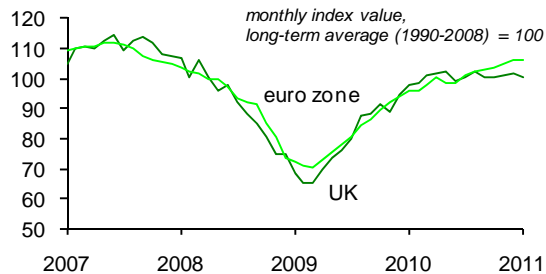
Contact: Gavin Thompson x2042

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 2 Feb

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

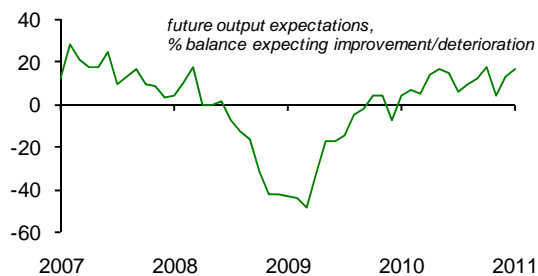


		UK Index	monthly change	change on year ago
2009	Jan	68.5	...	...
2010	Jan	98.2	...	...
2010	Nov	101.0	+0.5	+12.1
	Dec	101.7	+0.7	+6.7
	Jan	100.5	-1.2	+2.3

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of EU member states' economies.
- The overall UK sentiment index dropped by 1.2 points in January. The overall EU sentiment index dropped by 0.3 points.

CBI Industrial Trends Survey



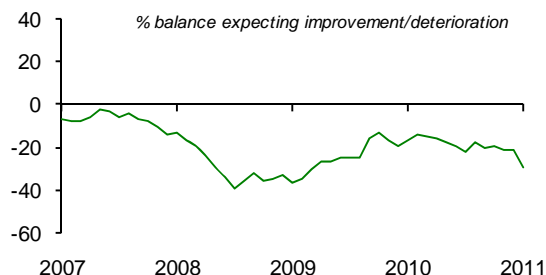
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2009	Jan	-43	...	...
2010	Jan	+4	...	...
2010	Nov	+4	-14	+0
	Dec	+13	+9	+20
	Jan	+17	+4	+13

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in January were +17% of firms expecting output to rise rather than fall over the next three months. This was up 4 points on December's +13%.

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
2009	Jan	-37	...	...
2010	Jan	-17	...	...
2010	Nov	-21	-2	-4
	Dec	-21	0	-2
	Jan	-29	-8	-12

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.
- Overall confidence was dropped by 8 points in January to -29, the lowest level since March 2009. This was the greatest drop in a single month since November - December 1994. Much of the drop was caused by a reduction in the number of people who thought it a good time to be making major purchases.

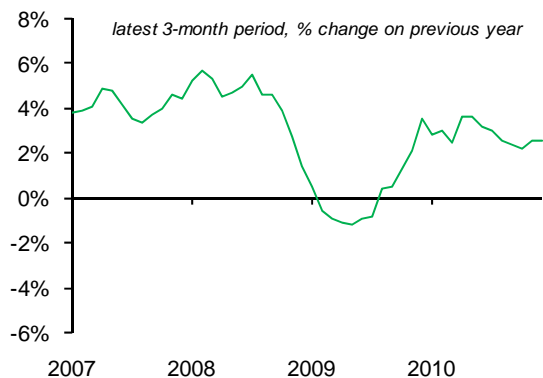
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), mid-Feb
EC, [Economic Sentiment Indicator](#), 24 Feb
GfK NOP, [Consumer Confidence](#), 25 Feb

F2: Retail Sales

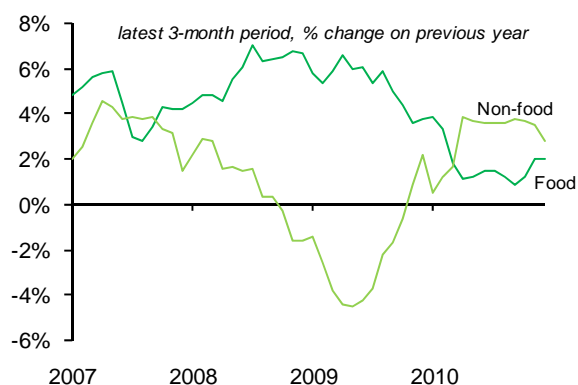
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

Value of Retail Sales



- The rate of annual increase in the value of retail sales remained steady in the three months to December at 2.6%.
- The value of retail sales in December alone was down by 0.6% compared with November (in seasonally adjusted terms), with the cold weather a possible reason for the decline.
- The estimated total value of sales in December was £39.2 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to December rose by 2.0%.
- The annual rate of increase of the value of sales in non-food stores fell sharply to 2.8% in the three months to December, the lowest growth rate since March.
- Sales in household goods stores were 7.9% lower than a year ago, the largest decline since the recession ended.
- Sales in clothing and footwear stores were up by an annual rate of 6.5% in the three months to December.

Value of Retail Sales

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

	Food Stores	Non-Food Stores				All retailing total
		Clothing & Footwear	Household goods	Other	Total	
2008	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 Aug	1.2	4.8	-0.7	3.2	3.6	2.6
Sep	0.9	6.2	-3.0	4.8	3.8	2.4
Oct	1.2	6.8	-4.4	5.7	3.7	2.2
Nov	2.0	7.5	-5.6	5.8	3.5	2.6
Dec	2.0	6.5	-7.9	6.5	2.8	2.6

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

Contact: Adam Mellows-Facer, x4904

Update: ONS, [Retail Sales](#), 18 Feb

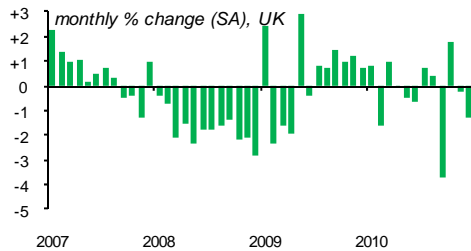
F3: Housing Market

House prices on the Nationwide index fell by 0.1% in January. Prices were 1.1% lower than a year ago on this measure. House prices on the Halifax index fell by 1.3% in December, following a 0.2% decline in November. Prices were 3.4% lower compared with a year ago, the largest annual decrease since September 2009.

After recovering in 2009, numbers of mortgage approvals fell again over the course of 2010. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

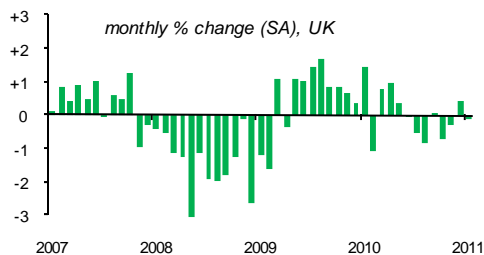
Halifax house price index



Latest monthly data
UK, seasonally adjusted

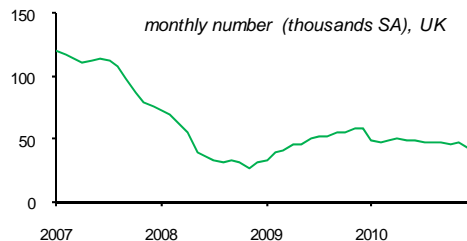
	Halifax	Nationwide
Latest data	Dec-10	Jan-11
Change in month	-1.3%	-0.1%
Change in year	-3.4%	-1.1%
Peak date	Aug-07	Jul-07
Change since peak	-18.6%	-9.7%
Trough date	Apr-09	Feb-09
Change since trough	+5.0%	+9.3%

Nationwide house price index



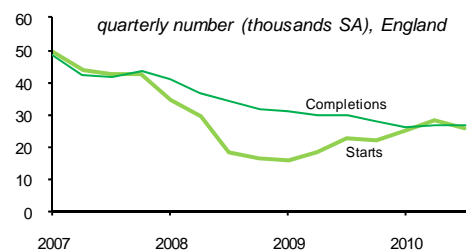
- The recovery in house prices since early 2009 has stalled, with recent data showing year-on-year growth slowing on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q4 2010 prices fell by 9% in Northern Ireland but rose by 4% in East Anglia compared with a year 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.
- Mortgage approvals fell sharply in December 2010, down 10% from November to 42,563, the lowest since March 2009.

House-building



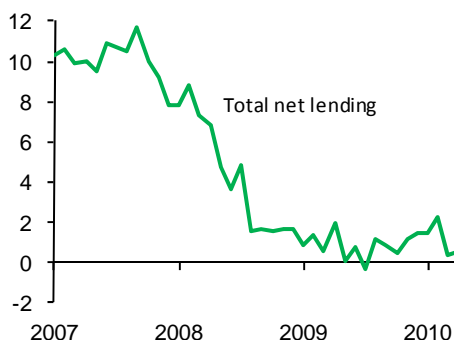
- There were 25,870 house building starts in England in Q3 2010, down from 28,460 in Q2 2010. This is 10,000 higher than the low of 15,510 in Q1 2009, but still only just over half the 50,000 starts in Q1 2007.
- The number of dwelling completions fell slightly to 26,470 in Q3 2010 and is still almost 40% lower than it was three years ago.

Contact: Daniel Harari, x2464

Updates: Halifax [House Price Index](#), early Feb;
Nationwide [House Price Index](#), early Mar;
Bank of England, [Lending to Individuals](#), 1 Mar;
DCLG, [House-building](#), 17 Feb

F4: Household debt

Monthly net lending, £bn



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

- Total net lending to individuals fell by £0.1 billion in December. This compares with an increase of £0.4 billion in November. Monthly net lending peaked in October 2008 at £12.0 billion.
- Monthly net unsecured lending grew by £0.2 billion in December 2010.
- Monthly net secured lending (mortgages) fell by £0.3 billion in December 2010, compared with a £0.5 billion increase in November.

Net outstanding lending to individuals

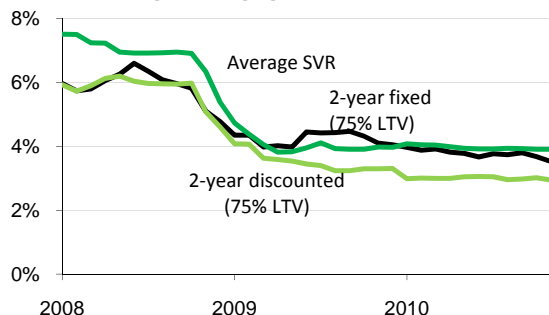
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2006 Dec	1,077	213	1,290
2007 Dec	1,186	221	1,407
2008 Dec	1,225	233	1,458
2009 Dec	1,234	227	1,460
2010 Jun	1,239	218	1,457
Sep	1,241	216	1,457
Dec	1,238	214	1,452

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

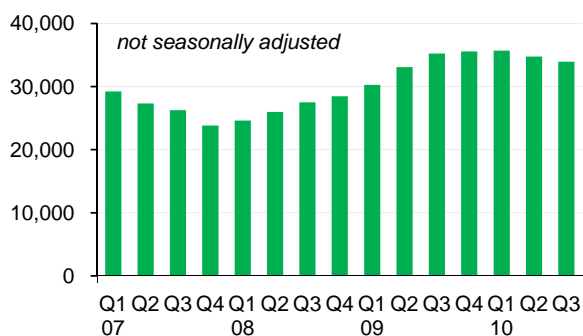
- Total net outstanding lending to individuals was £1,452 billion at the end of December 2010.
- Secured lending (mortgages) is the largest form of lending at £1,238 billion, 85% of total lending outstanding.
- Unsecured lending outstanding (including credit cards) was £214 billion at the end of Dec. 2010.
- Total net outstanding lending was 0.6% lower in December compared with a year ago. Secured lending was 0.3% higher, while unsecured lending was 5.7% lower.

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 December was 3.91%, 1.47 percentage points lower than in December 2008.
- The average fixed and discounted rates offered (75% LTV) in December were 3.50% and 2.95% respectively (1.27 and 21.65 percentage points lower than in December 2008).

Individual insolvencies, England and Wales



Source: Insolvency Service

- Q3 2010 provisional data indicates there were 33,935 individual insolvencies (bankruptcy orders, Individual Voluntary Arrangements (IVAs) or debt relief orders) in England and Wales (not seasonally adjusted), a 3.7% decrease on Q3 2009. This was made up of 13,907 bankruptcies, 12,960 IVAs and 7,068 Debt Relief Orders.
- In Scotland in Q3 2010 there were 5,168 individual insolvencies, a fall of 10.5% on Q3 2009.
- In Northern Ireland in Q3 2010 there were 551 individual insolvencies, a rise of 45% on Q3 2009.

Contact: Dominic Webb, x2464

Update: Bank of England, [Lending to Individuals](#), 1 Mar
Insolvency Service, [Insolvency Statistics](#), 4 Feb

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.

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

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

6 Glossary

Symbols and abbreviations

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

Definitions¹

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. $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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

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.