



Economic Indicators, March 2011

RESEARCH PAPER 11/21 1 March 2011

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

- Revisions to Q4 2010 GDP showed the economy had contracted more sharply than first thought, -0.6% compared with an initial figure of -0.5%.
- In addition, unemployment remains stuck around 2.5 million and average earnings are growing at around half the rate of inflation
- Other indicators are more positive. The manufacturing sector is growing strongly, business sentiment is improving and retail sales recovered in January.

This month's articles:

- **Lending to small business**
- **The UK's aid programmes – where is the money going?**

Daniel Harari (editor)

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Research Paper 11/21

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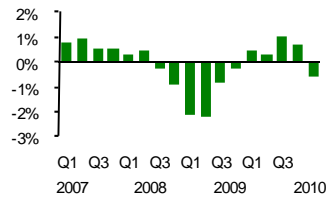
Summary

Revisions to Q4 2010 GDP showed the economy had contracted more sharply than first thought, -0.6% compared with an initial figure of -0.5% (see [page 1](#)). In addition, unemployment remains stuck around 2.5 million and average earnings are growing at around half the rate of inflation (see below). Other indicators are more positive. The manufacturing sector is growing strongly ([page 5](#)), business sentiment is improving ([page 19](#)) and retail sales recovered in January ([page 20](#)).

GDP Growth

[page 1](#)

(% change quarter-on-quarter)

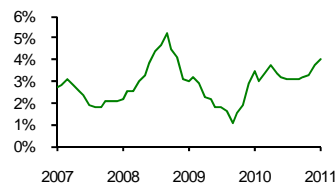


Quarterly GDP contracted in Q4 2010 (-0.6%) compared with Q3 2010. This followed GDP growth of 0.7% in Q3 2010.

Inflation (CPI)

[page 7](#)

(% change on year ago)

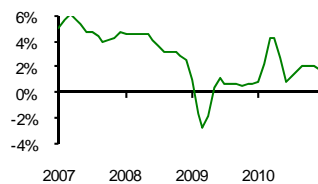


The rate of CPI inflation rose to 4.0% in the year to January, up from 3.7% in December. Inflation was at least 3% in every month of 2010.

Average Earnings

[page 9](#)

(% change on year ago)

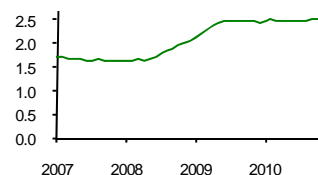


In the three months to December, average earnings (including bonuses) rose by 1.8%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

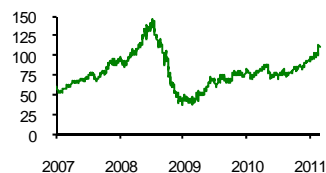


ILO unemployment rose by 44,000 to just under 2.5 million in the three months to December. The unemployment rate increased to 7.9% from 7.8%.

Oil price

[page 16](#)

(US\$/barrel, Brent Crude)



Oil prices rose above \$110/barrel in late February, the highest they have been since mid-2008. Oil prices are 45% higher compared with a year ago.

Next issue: 5 April

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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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.

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

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

2 Lending to small business

The recent “Project Merlin” agreement between the Government and major banks included a commitment by Barclays, HSBC, Lloyds Banking Group, RBS and Santander to provide £76 billion of gross new lending capacity to small and medium-sized enterprises (SMEs) in 2011.³ This would be 15% higher than the £66 billion lent in 2010. The Chancellor described this as “the absolute key” to the discussions.⁴

This article looks at recent trends in lending to SMEs and the difficulties facing such businesses in obtaining credit.

2.1 Lending statistics

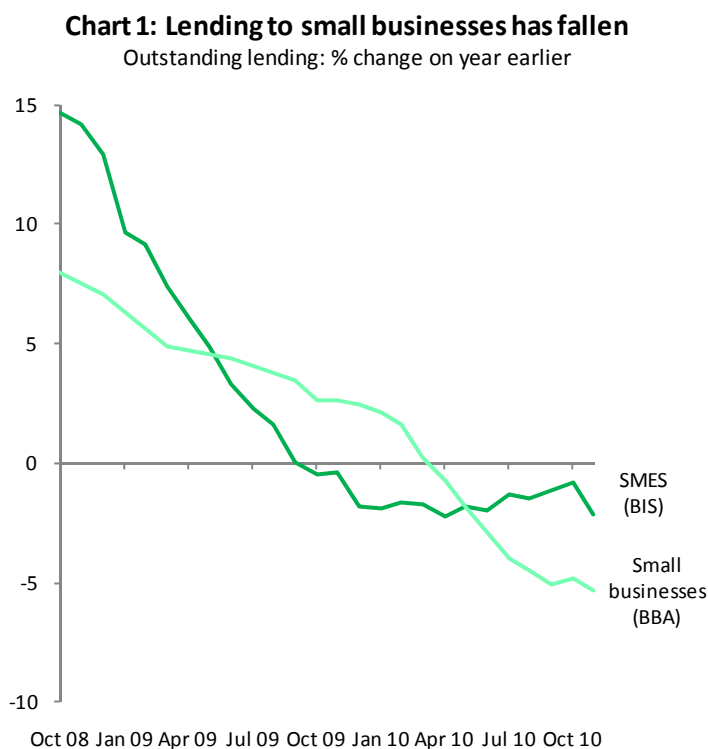
SME lending statistics will be collected by the Bank of England and published in its quarterly *Trends in Lending* publication.⁵ The latest (January 2011) edition included analysis of two relevant lending series: monthly British Bankers’ Association (BBA) statistics on lending to small businesses⁶ and monthly BIS survey data of lending to SMEs,⁷ which are published quarterly through the Bank of England.

Chart 1 shows the Bank of England analysis, updated for more recently published BBA data.

BIS data suggest that lending to SMEs was growing at an annual rate of almost 15% in late 2008. The rate slowed dramatically over the next year and lending has fallen in every month since October 2009.

BBA data show a more gradual slowing of growth in lending. Outstanding lending on their series did not start falling until April 2010, though it has subsequently fallen at a faster annual rate, reaching -5.3% in November 2010.

However, these data cover total outstanding lending. The BBA has also published monthly data on new term lending to small business since October 2008. These show starker trends:



³ [Project Merlin – Banks’ statement](#), 9 February 2011 – Revised, para 1.3.3

⁴ [HC Deb 9 February 2011 c317](#)

⁵ HM Treasury press release 17/11, [Government welcomes banks’ statements on lending 15% more to SMEs, and on pay and support for regional growth](#), 9 February 2011

⁶ Sterling lending by seven UK lenders to commercial businesses with an annual bank account debit turnover of up to £1 million. Available at www.bba.org.uk/statistics/small-business

⁷ Lending by four UK lenders to enterprises with annual bank account debit turnover less than £25 million. Data cover lending in both sterling and foreign currency, expressed in sterling terms.

Chart 2:
New term lending has fallen sharply
 £ million, monthly BBA small business data
 Not seasonally adjusted

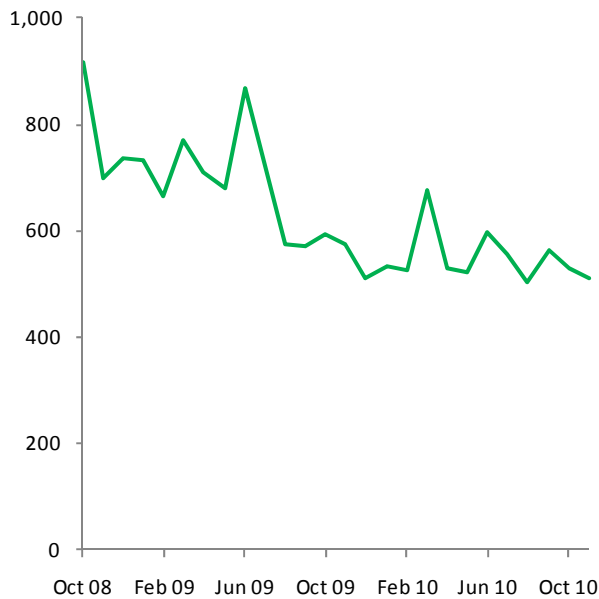
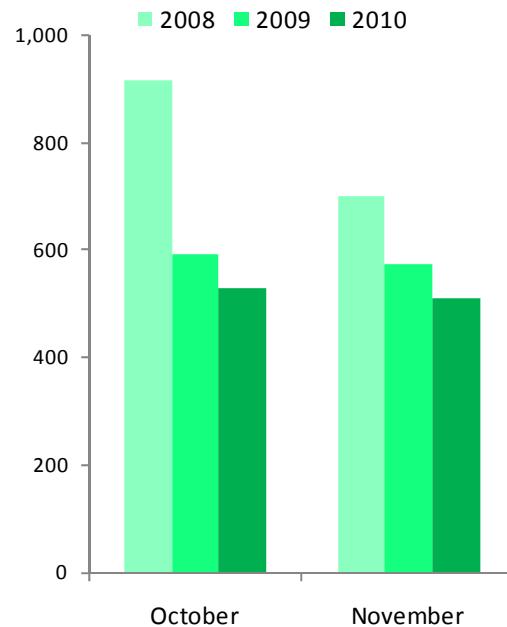


Chart 3: October and November
lending trends demonstrate falls
 £ million, monthly BBA small business data



New term lending to small businesses fell sharply in 2009. It has since continued to fall – each month in 2010 (data available to November) saw lower new term lending than the same month in 2009. New lending in November 2010 was 11% lower than in November 2009 and 27% lower than in November 2008.

2.2 Demand and supply conditions

Does this fall in new lending to small businesses mean that banks have not been doing their bit for the recovery? Or is it that small businesses do not want to borrow? A balanced analysis should look at both the demand and supply sides of the equation.

In its latest *Trends in Lending*, the Bank of England noted that in the last quarter, “many small firms continued to be focused on repaying bank debt” rather than new lending.⁸ The Q4 2010 *Credit Conditions Survey* showed the availability of credit to small firms had increased, but that demand for lending was steady and expected to fall.⁹

On the other hand, Bank of England statistics also show that SME loan interest rate spreads over the base rate (the risk premiums businesses pay for credit) have increased over recent quarters. This has been particularly true of smaller businesses. They are being charged more for credit. It might be that this reflects a small number of dominant banks taking advantage of their market power. But it may be that banks are pricing loans more conservatively, something that might, given the origins of the financial crisis, not necessarily be a bad thing. And should Government be intervening in commercial decisions?

Adam Mellows-Facer
 Economic Policy and Statistics Section

⁸ Bank of England, *Trends in Lending*, January 2011

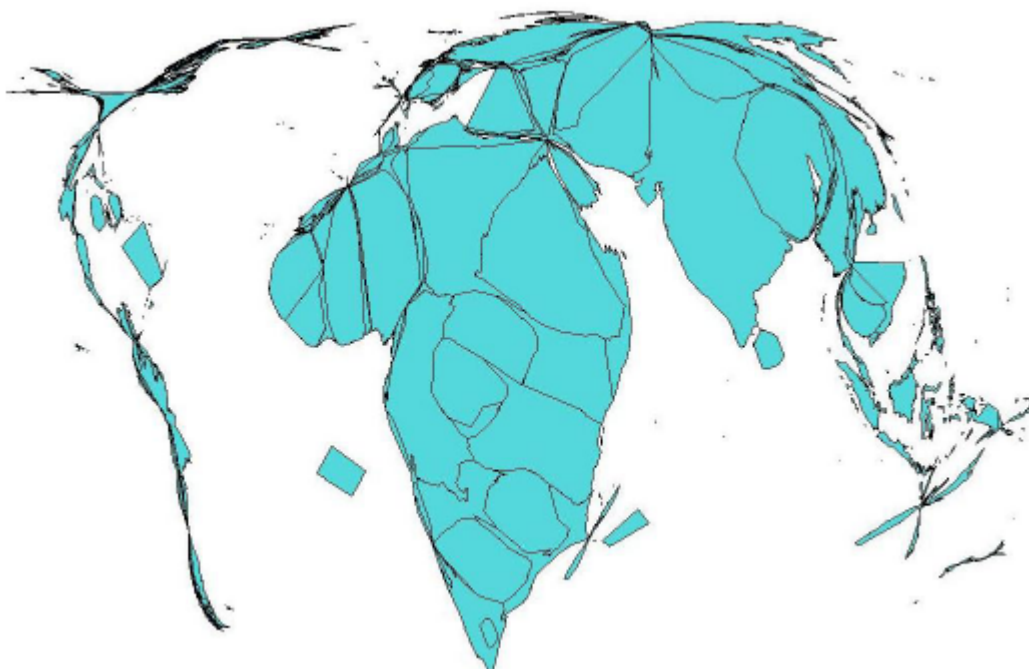
⁹ Bank of England, *Credit Conditions Survey*, Q4 2010

3 The UK's aid programmes – where is the money going?

The UK spent £7.4 billion on official development assistance (ODA) in 2009, equivalent to around 1.1% of total public expenditure and 0.5% of gross national income. Around two-thirds of this is classed as bilateral aid which goes directly to specific countries or sectors, whilst the remainder is channelled through multilateral institutions, such as the UN and the EU.

3.1 The UK's bilateral aid is concentrated in the poorest parts of the world

In the world map below, countries are sized according to the amount of UK aid they received in 2009.¹⁰ UK aid is concentrated in sub-Saharan Africa, South Asia, and parts of the Middle East. Certain islands (e.g. Montserrat, St. Helena and Mauritius) also received relatively large amounts of aid.



3.2 But current aid distributions reflect more than just poverty

The top ten recipients of aid since 1960 are all Commonwealth members, and the long-term distribution of aid has been shaped by Britain's colonial legacy. More recently, the UK's aid budget has been guided by 'pure' development considerations, for instance the achievement of the Millennium Development Goals (MDGs), and by political and security objectives.

The top five recipients of UK aid, 1960s vs 2000s^a

Position	1960-69	2000-09
1	India	Nigeria
2	Kenya	India
3	Pakistan	Iraq
4	Malawi	Tanzania
5	Tanzania	Afghanistan

^a Bangladesh, which has been independent from Pakistan since Dec 1971, has been excluded from the analysis

Source: OECD DAC Database

¹⁰ The map is intended to indicate the regional concentration of UK aid. Some countries that do not receive any UK aid (e.g. Canada and the US) are still visible, albeit much reduced in size, in order to preserve the impression of a world map.

3.3 Relative or absolute?

Though India receives more UK aid than any other country (£334 million in 2009), it gets less than most other UK aid recipients relative to the numbers living in poverty there (see table). Despite its strong economic performance and the perceived extravagance of its defence and space programme expenditure, India remains home to more than a third of the world's poor, making it pivotal to the achievement of the MDGs by 2015. Relative to the numbers living in poverty, sub-Saharan Africa, Europe and Central Asia, and the Middle East all receive larger amounts of aid than South Asia.

Top ten recipients of UK aid, 2009

	£ millions	£ per head ^a		
		total	<\$2 per day	<\$1.25 per day
India	333.6	0.29	0.38	0.69
Ethiopia	219.5	2.65	3.42	6.79
Afghanistan	207.7	6.97	.	.
Sudan	187.2	4.43	.	.
Bangladesh	160.1	0.99	1.21	1.99
Congo, Dem. Rep.	144.3	2.19	2.75	3.69
Pakistan	139.2	0.82	1.36	3.63
Tanzania	138.7	3.17	.	.
Nigeria	120.9	0.78	0.93	1.21
Ghana	98.5	4.13	7.71	13.78

^a Aid divided by total population (left), population living at less than \$2 per day, adjusting for purchasing power (middle) and population living at less than \$1.25 per day, adjusting for purchasing power (right). Some data not

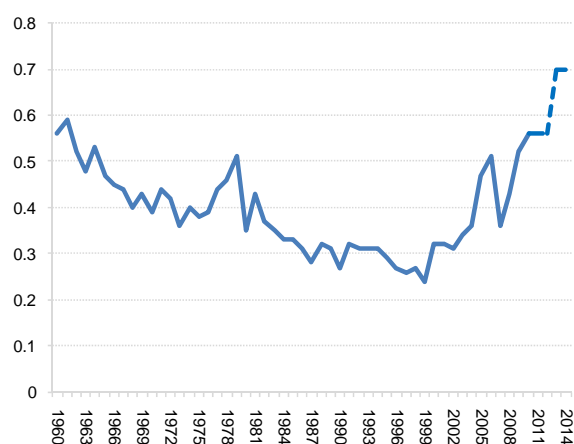
Sources: DFID *Statistics on International Development 2010*; World Bank *World Development Indicators 2010*

3.4 Government plans to increase aid spending but in fewer countries

The October 2010 Spending Review planned for aid as a proportion of gross national income (GNI) to be held constant at 0.56% until 2012, before increasing sharply to 0.7% in 2013. This would imply a £3 billion increase in expenditure in a single year. The plans have attracted criticism both from those who think that expenditure overseas should not be increased at a time of fiscal austerity, and supporters of the 0.7% target who believe that this spending trajectory is not credible.

The Department for International Development (DFID), which is responsible for around 85% of aid expenditure, has just completed a series of wide-ranging reviews on its multilateral, bilateral and humanitarian aid programmes. The number of countries that DFID will give bilateral aid to will be reduced by 16, and Ethiopia will overtake India as the largest recipient of UK aid.

UK aid as a percentage of GNI: 1960-2014



3.5 But a sceptical public remain to be convinced

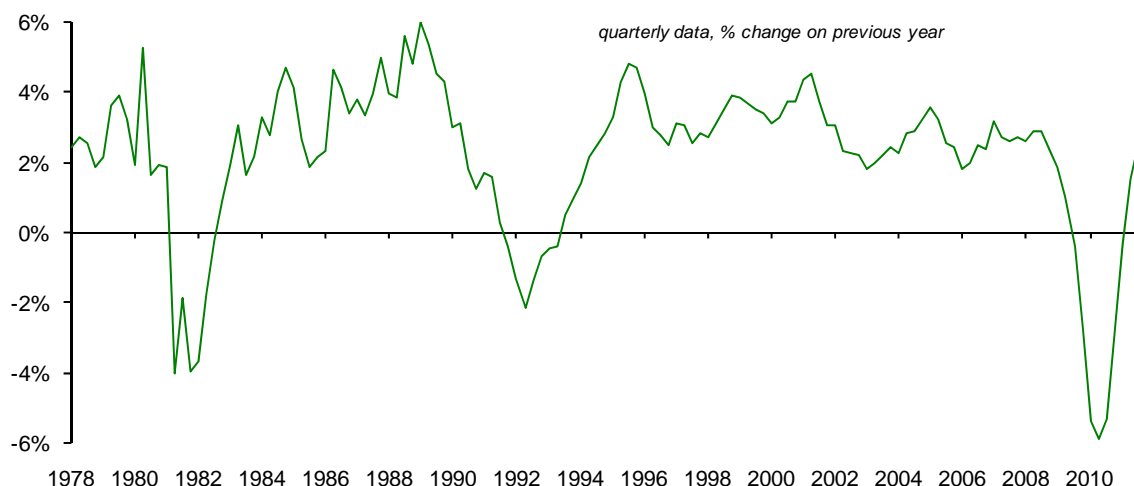
The terms 'value for money', 'transparency' and 'results' permeate recent Government policy statements on development. Given that in an opinion poll last July, 64% of respondents thought that aid expenditure should bear the brunt of any cuts, convincing a sceptical public that aid money is well-spent may well be a necessary first step to justifying a 32% spending increase in 2013.

Gavin Thompson, Economic Policy and Statistics Section

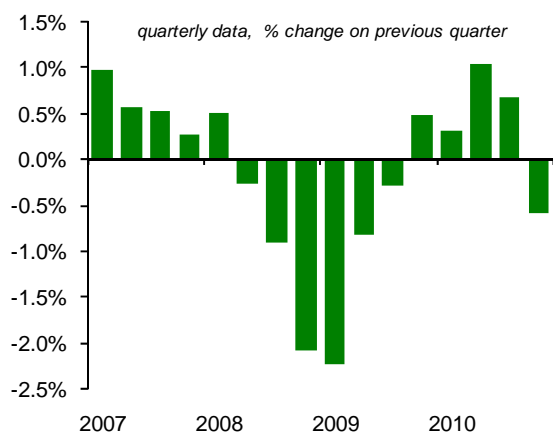
A1: Gross Domestic Product

The economy contracted by 0.6% in Q4 2010, following growth of 0.7% in Q3 2010. In February 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2010 was 1.5%, for 2011 was 1.9% and for 2012 was 2.1%. The Office for Budget Responsibility's (OBR) central forecasts from November 2010 are for 1.8% growth in 2010, 2.1% for 2011 and 2.6% for 2012.

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	1,456	4.4	...	1.3
2009 Q4	352.6	-1.7	0.5	-2.8
2010 Q1	360.0	2.9	0.3	-0.3
Q2	362.4	5.2	1.0	1.5
Q3	366.2	5.2	0.7	2.5
Q4	367.7	4.3	-0.6	1.5

Source: ONS, series: YBHA, ABMI

- The economy grew by an estimated -0.6% 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 an estimated 1.5% compared with the same period a year ago, compared with 2.5% growth in Q3 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, 29 Mar
HM Treasury, [Forecasts for the UK Economy](#), 16 Mar

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 contracted 0.5% in Q4 2010, while the US grew 0.8%. Germany grew 0.4% in Q4, while the eurozone as a whole grew 0.3%. The G7 grew 0.4%.

Real GDP, % changes

	2009	change on prev. year				change on prev. quarter				
		09Q4	10Q1	10Q2	10Q3	09Q4	10Q1	10Q2	10Q3	10Q4
US	-2.6	0.2	2.4	3.0	3.2	1.2	0.9	0.4	0.6	0.8
Japan	-6.3	-1.8	5.4	3.3	4.7	1.8	1.5	0.5	0.8	-0.3
UK	-4.9	-2.8	-0.3	1.6	2.7	0.5	0.3	1.1	0.7	-0.5
Germany	-4.7	-2.0	2.1	3.9	3.9	0.3	0.6	2.2	0.7	0.4
France	-2.6	-0.5	1.2	1.6	1.7	0.6	0.3	0.6	0.3	0.3
Eurozone	-4.0	-2.0	0.8	2.0	1.9	0.2	0.4	1.0	0.3	0.3
G7	-3.7	-0.9	2.4	2.8	3.2	1.0	0.9	0.7	0.6	0.4
OECD	-3.5	-0.6	2.5	3.2	3.2	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.

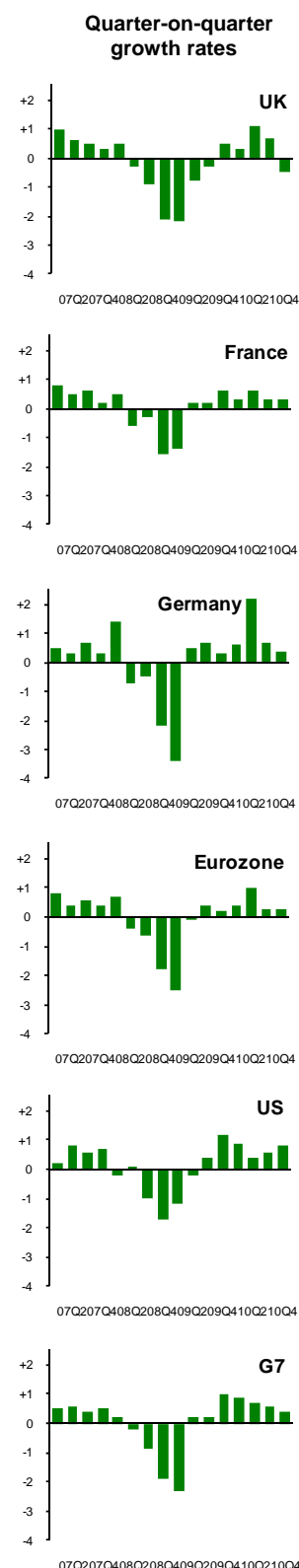
The European Commission's **November forecasts** revised up the May forecast for UK 2010 growth from 1.2% to 1.8%, and for France from 1.3% to 1.6%. Germany's forecast more than tripled (1.2% to 3.7%).

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



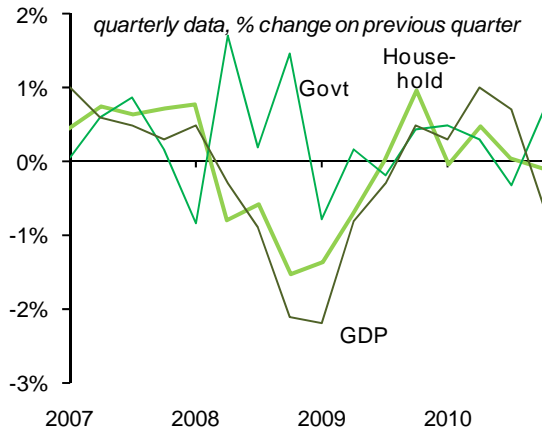
Contact: Gavin Thompson, x2042

Update: OECD *Main Economic Indicators*, 11 Apr 2011
EC *Economic Forecast*, early Mar 2011
IMF *World Economic Outlook*, Apr 2011

A3: Components of GDP

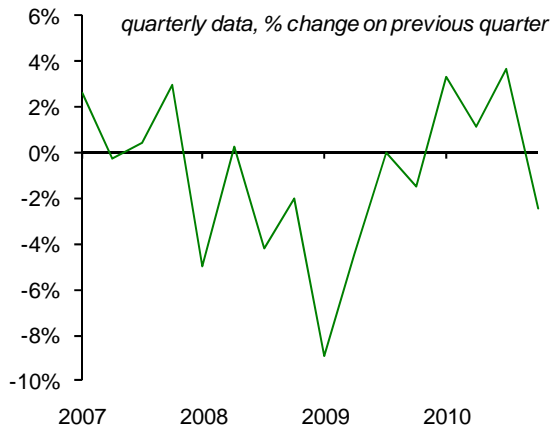
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation for 15%.

Household consumption, government consumption and GDP



- In Q4, 2010, household consumption fell by 0.1%. This is the first fall since Q1, 2010.
- Government consumption increased by 0.7% in Q4, 2010.
- Exports increased by 2.3% in Q4, 2010 while imports increased by 3.0%.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q4, 2010 GFCF fell by 2.5%.
- GFCF was 5.6% higher than in Q4, 2009.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2009 (annual % change)	-3.3%	1.0%	-15.4%	-10.1%	-11.9%	-4.9%
2010 (annual % change)	0.9%	1.0%	3.1%	5.8%	8.5%	1.3%
2010 Q1	0.0%	0.5%	3.3%	-0.8%	2.2%	0.3%
2010 Q2	0.5%	0.3%	1.1%	3.1%	1.9%	1.0%
2010 Q3	0.1%	-0.3%	3.7%	1.7%	1.6%	0.7%
2010 Q4	-0.1%	0.7%	-2.5%	2.3%	3.0%	-0.6%

Source: ONS series ABJR, NMR Y, NPQT, IKBK, IKB L and ABMI

Note: (a) gross fixed capital formation

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).

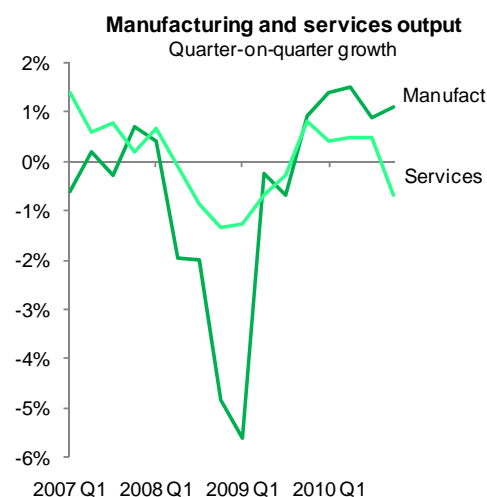
Output

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	3.6%	5.7%	1.2%	1.4%
2010 Q2	3.1%	7.2%	1.4%	1.7%
2010 Q3	4.8%	9.8%	2.2%	2.7%
2010 Q4	5.0%	8.0%	0.7%	1.5%
<i>Quarter-on-quarter</i>				
2010 Q2	1.5%	7.1%	0.5%	1.0%
2010 Q3	0.9%	3.8%	0.5%	0.7%
2010 Q4	1.1%	-2.5%	-0.7%	-0.6%

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 5.0% in the year to Q4 2010. Construction output rose by 8.0%
- Services output rose by 0.7% in the year to Q4 2010, with output in the business services and finance sector growing by 0.4%.

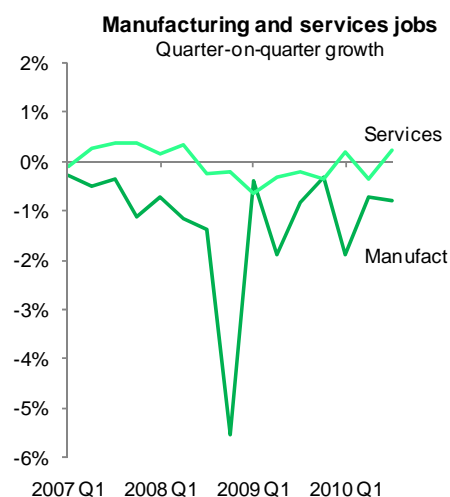
Employment

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.

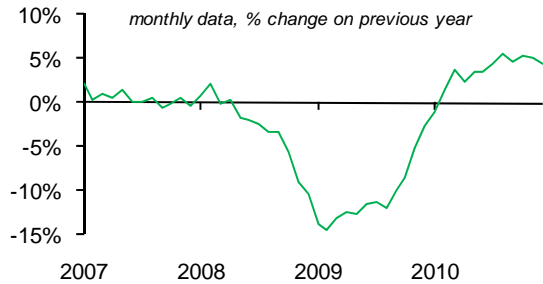
Contact: Adam Mellows-Facer, x4904

Update: ONS, [Quarterly national accounts release](#), 29 Mar

A5: Manufacturing

ONS produces a monthly index of manufacturing output data. The Markit/Chartered Institute of Purchasing & Supply (CIPS) UK Manufacturing Purchasing Managers' Index is a top leading indicator of manufacturing output. The Society of Motor Manufacturers and Traders (SMMT) publishes monthly vehicle production statistics.

Manufacturing Output

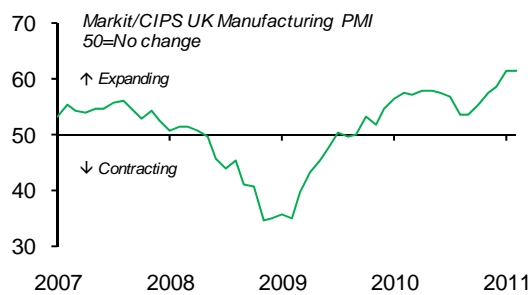


	Index Value (2005=100)	% change over month	% change over 12 months
2009	97.6	...	-2.9
2010	87.2	...	-10.7
2010 Sep	91.0	+0.2	+4.6
Oct	91.4	+0.4	+5.3
Nov	92.0	+0.7	+5.1
Dec	91.9	-0.1	+4.4

Source: ONS, series CKYY

- Manufacturing output was up by 4.4% in the year to December 2010. However, it fell slightly in December itself. 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 3.6% compared with a year ago, up from 3.2% in October.

Manufacturing Purchasing Managers' Index

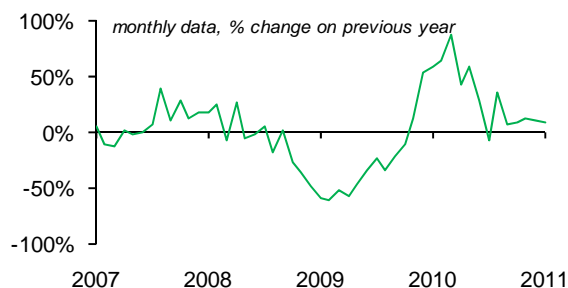


		Index	Monthly change
2009	Feb	34.9	...
2010	Feb	57.4	...
2010	Nov	57.5	+2.1
	Dec	58.7	+1.2
2011	Jan	61.5	+2.8
	Feb	61.5	0.0

Source: Markit/CIPS UK Manufacturing PMI
Data as originally published

- The Markit/CIPS UK Manufacturing PMI remained steady at 61.5 in February 2011 (where 50.0 is no change). This is a record over the 19-year history of the index.
- The employment, consumer goods output and intermediate goods output components of the index each recorded record growth rates in February.

Vehicle Production



		Number '000s	% change over 12 months
2008		1,090	-33.9
2010		1,393	+27.8
2010	Jan	110	+58.2
	Nov	137	+11.8
	Dec	103	+11.3
2011	Jan	120	+8.9

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 120,000 in January 2011, 9% higher than in January 2010. The SMMT described this as "a flying start to 2011 despite tough economic conditions".

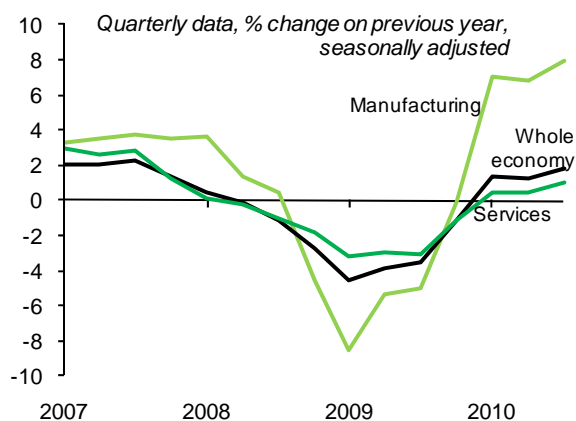
Contact: Adam Mellows-Facer, x4904

Update: ONS, [Index of Production](#), 10 Mar
Markit/CIPS [UK Manufacturing PMI](#), 1 Apr
SMMT, [Vehicle Production](#), mid Mar

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%.

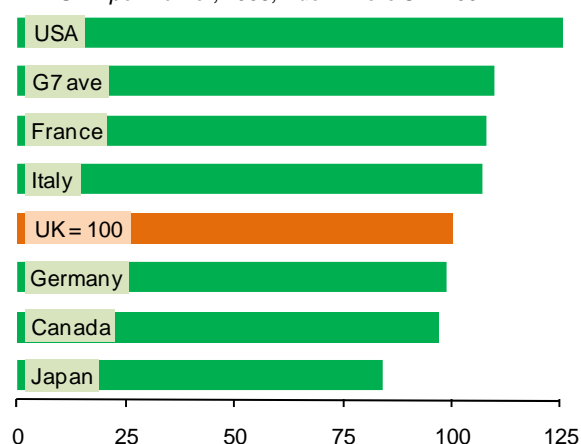
Productivity growth, seasonally adjusted

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



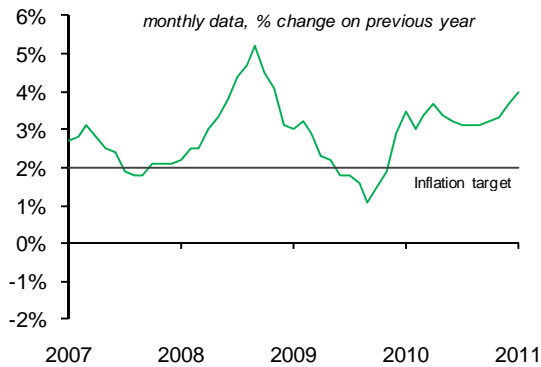
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009 the UK 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 4.0% in January, higher than in December and above the Bank of England's 2% target for the fourteenth 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.

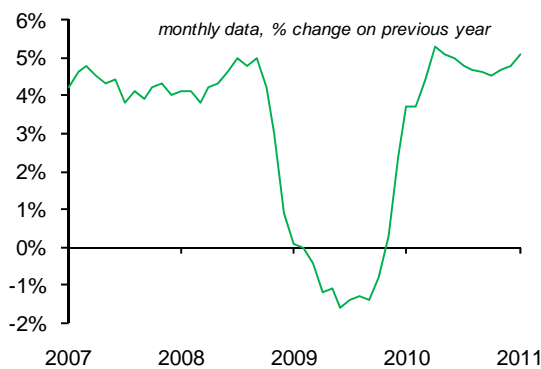
Consumer Prices Index (CPI)



The CPI annual inflation rate was 4.0% in January, up from 3.7% in December.

- The CPI is now at its highest annual rate since November 2008.
- The main factors behind the increase were the increase in the VAT rate and rising oil prices.
- The RPI (all items) measure of inflation rose to 5.1% in January, 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)

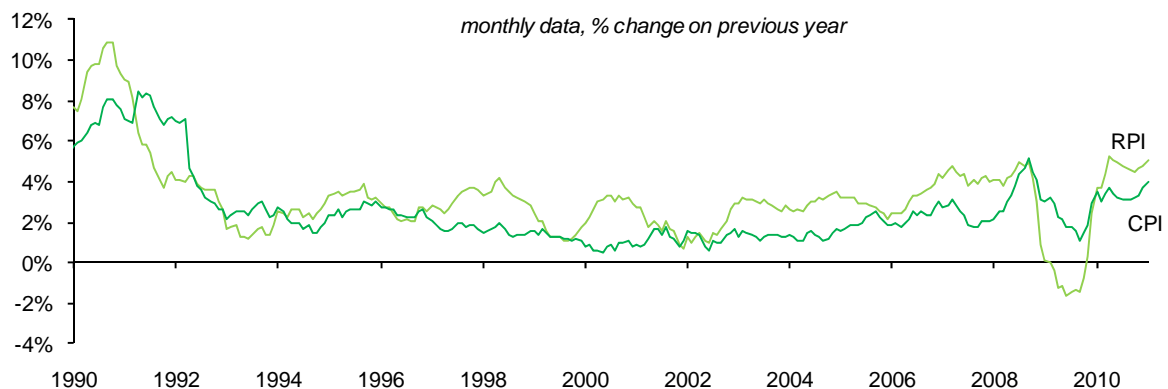


Price Indices

		% change on a year ago	
		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2010	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
2011	Jan	4.0	5.1

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.

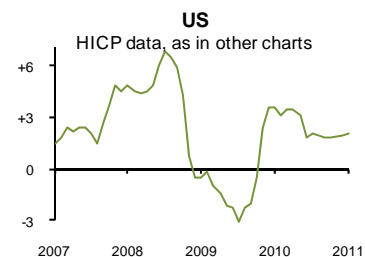
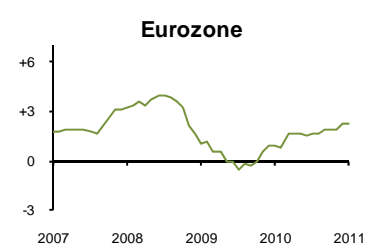
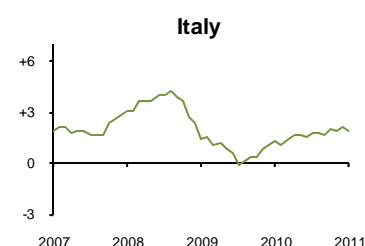
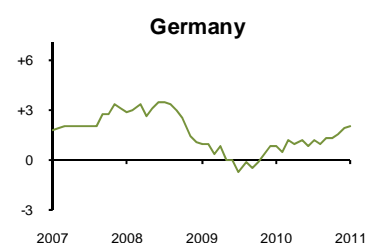
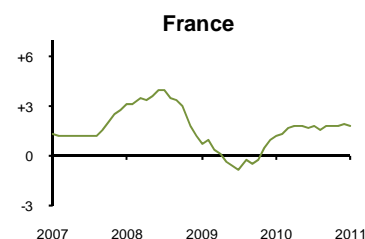
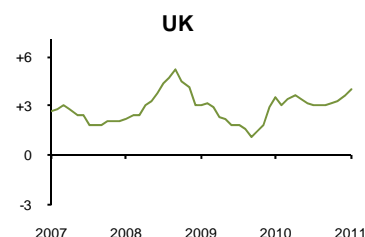
- In the year to January, UK inflation was 4.0%, up from 3.7% in December. The Bank of England's UK inflation target is 2%.
- The 'flash' estimate of Euro zone inflation was 2.4% in February, up 0.1%-points from January. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The highest rate in the EU in January was 7.0% in Romania. Ireland has the lowest annual inflation rate in the EU at 0.2%.
- HICP annual inflation in the US in January was 2.0%, up from 1.9% in December. Using its national definition, US inflation was 1.6% in January, up from 1.5% in December.

Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Oct 10	Nov 10	Dec 10	Jan-11
HICP (ONS/Eurostat)						
UK	2.2	3.3	3.2	3.3	3.7	4.0
Eurozone	0.3	2.1	1.9	1.9	2.2	2.3
EU	1.0	2.1	2.3	2.3	2.7	2.7
France	0.1	1.5	1.8	1.8	2.0	1.9
Germany	0.4	1.1	1.3	1.6	1.9	2.0
Greece	1.2	4.7	5.2	4.8	5.2	4.9
Italy	0.8	1.5	2.0	1.9	2.1	1.9
Spain	-0.3	1.8	2.5	2.3	2.9	3.0
US	-0.4	1.6	1.8	..	1.9	2.0
National definitions (OECD)						
Canada	0.3	1.8	2.4	2.0	2.4	2.3
Japan	-1.4	-0.7	0.2	0.1	0.0	-0.0
US	-0.4	1.6	1.2	1.1	1.5	1.6
G7	-0.1	1.4	1.3	1.3	1.6	..
OECD	0.5	1.9	1.9	1.8	2.1	..
Brazil	4.9	5.0	5.2	5.6	5.9	6.0
China	-0.7	..	4.3	5.1	..	..
India	10.9	12.0	9.7	8.3	9.5	..
Russia	11.7	6.9	7.5	8.1	8.8	..

Source: ONS, Eurostat & stat.OECD database



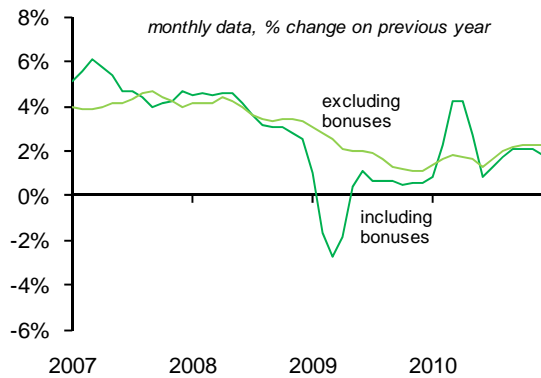
Contact: Gavin Thompson, x2042

Updates: Eurostat, [HICP full release](#), 16 Mar
Eurostat, [Flash estimate \(Mar\)](#), 31 Mar
OECD, [Main Economic Indicators](#), 11 Apr

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.8% in December compared with a year ago, down from 2.1% in November. Average weekly earnings excluding bonuses were 2.3% higher in the three months to December compared with a year ago, the same as in November. Inflation as measured by the CPI was 4.0% in January 2011.

Average Earnings, Whole Economy



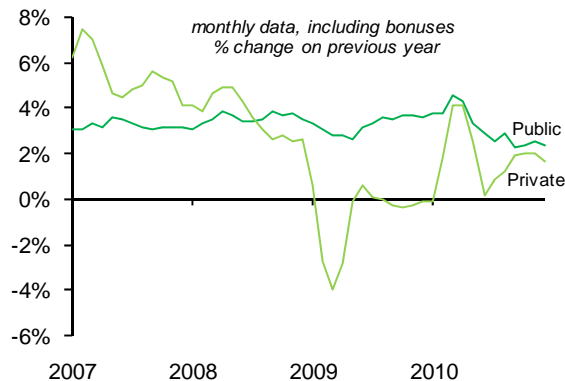
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2007 Dec	4.1	3.2	3.7	3.8	4.7
2008 Dec	2.6	3.5	2.6	3.2	2.5
2009 Dec	-0.1	3.6	2.3	0.8	0.6
2010 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	2.2	2.1
Nov	2.0	2.5	3.5	2.4	2.1
Dec	1.7	2.4	2.6	2.2	1.8

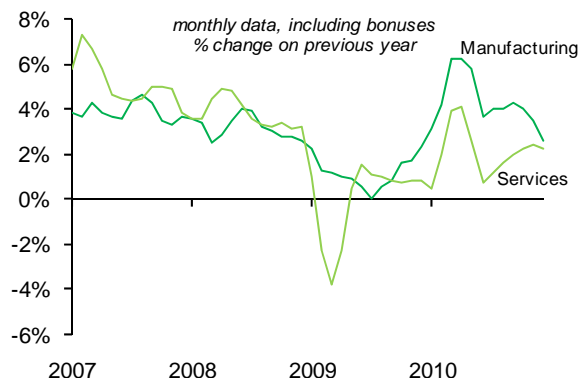
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.7% in December, compared with an increase of 2.4% in the public sector. Excluding financial services, public sector earnings rose by 2.3%.
- Average weekly earnings (including bonuses) in December in the public sector were £467 compared with £447 in the private sector.
- In 2010, headline (including bonuses) earnings in the public sector averaged a rise of 2.9%, while the private sector averaged a 2.1% increase.

Average Earnings in Services and Manufacturing

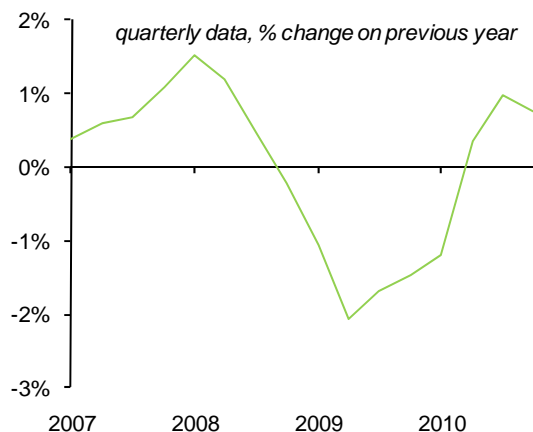


- Average total pay growth (including bonuses) in the manufacturing sector was 2.6% in December, compared with 2.2% in the services sector.
- Average weekly earnings (including bonuses) in December in the manufacturing sector were £522 compared with £439 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.1% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

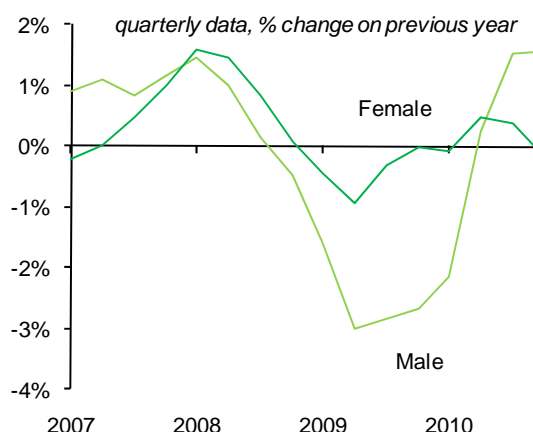
There are now 29.1 million people in employment, which means that in the three months to December 2010, employment fell by 68,000. Employment amongst 16-24 year olds fell by 2.4% over this period.

Total employment



- Employment is 1.5% 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 13.5%.

Male and female employment



- Over the past year, male employment has increased by 1.5% while female employment fell by 0.1%.
- Full-time employment has increased by 66,000 over the quarter while part-time employment has fallen by 62,000.
- 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

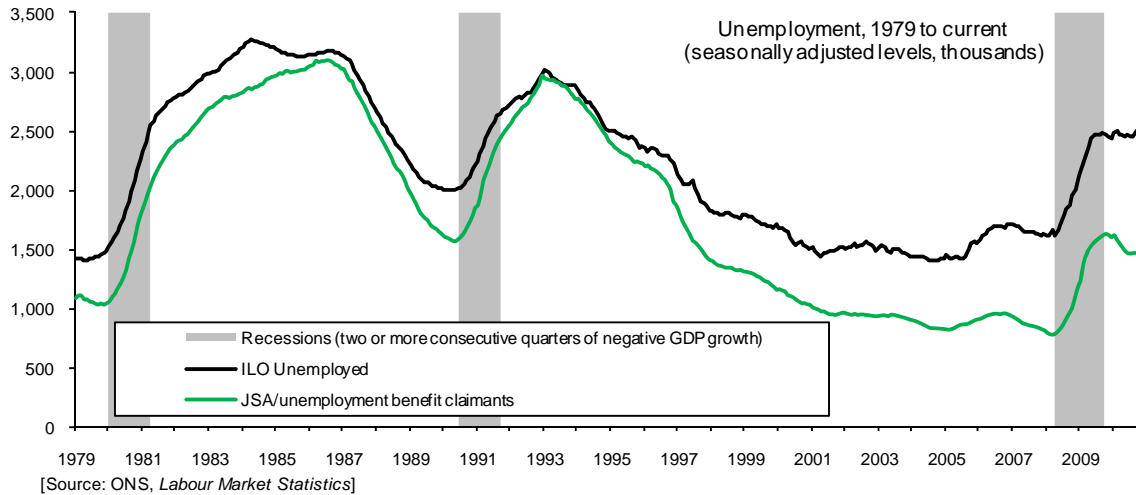
	Total	16-24	25-49	50-64	65+
Nov 2008	29,331	4,102	17,299	7,224	706
Nov 2009	28,903	3,768	17,138	7,213	770
Feb 2010	28,839	3,759	17,046	7,251	782
May 2010	29,023	3,820	17,139	7,240	823
Aug 2010	29,189	3,844	17,177	7,317	850
Nov 2010	29,121	3,751	17,203	7,293	874
% change on previous 3 months	-0.2	-2.4	+0.2	-0.3	+2.7
% change on previous year	+0.8	-0.5	+0.4	+1.1	+13.5

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 October to December 2010 was 2,492,000 (7.9% of all economically active) – up by 44,000 from the previous quarter (UK, seasonally adjusted).**

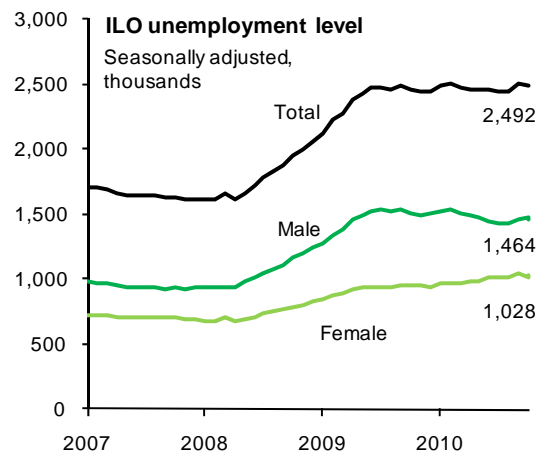


ILO unemployment (October to December 2010)

- There were 833,000 people unemployed for more than 12 months, up 17,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 965,000, 20.5% of all economically active people of this age. These are the highest levels since ONS's current series began in 1992. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 2,400 between December 2010 and January 2011 to 1,459,700.



ILO Unemployment in the UK

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Oct-Dec 2005	1,572	5.2	665	14.0	679	3.8	211	3.0	16	2.6
Oct-Dec 2006	1,705	5.5	698	14.2	774	4.3	223	3.1	10	1.6
Oct-Dec 2007	1,611	5.2	686	14.0	692	3.8	223	3.0	9	1.3
Oct-Dec 2008	2,005	6.4	816	16.6	879	4.8	292	3.9	17	2.4
Oct-Dec 2009	2,452	7.8	922	19.6	1,135	6.2	372	4.9	23	2.9
Jan-Mar 2010	2,506	8.0	937	20.0	1,177	6.5	367	4.8	25	3.1
Apr-Jun 2010	2,457	7.8	920	19.4	1,146	6.3	372	4.9	19	2.2
Jul-Sep 2010	2,448	7.7	899	19.0	1,156	6.3	373	4.9	20	2.3
Oct-Dec 2010	2,492	7.9	965	20.5	1,143	6.2	362	4.7	21	2.4
% change on quarter	+1.8		+7.3		-1.1		-2.9		+7.7	
% change on year	+1.6		+4.7		+0.7		-2.7		-6.4	

Source: ONS, Labour Market Statistics.

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

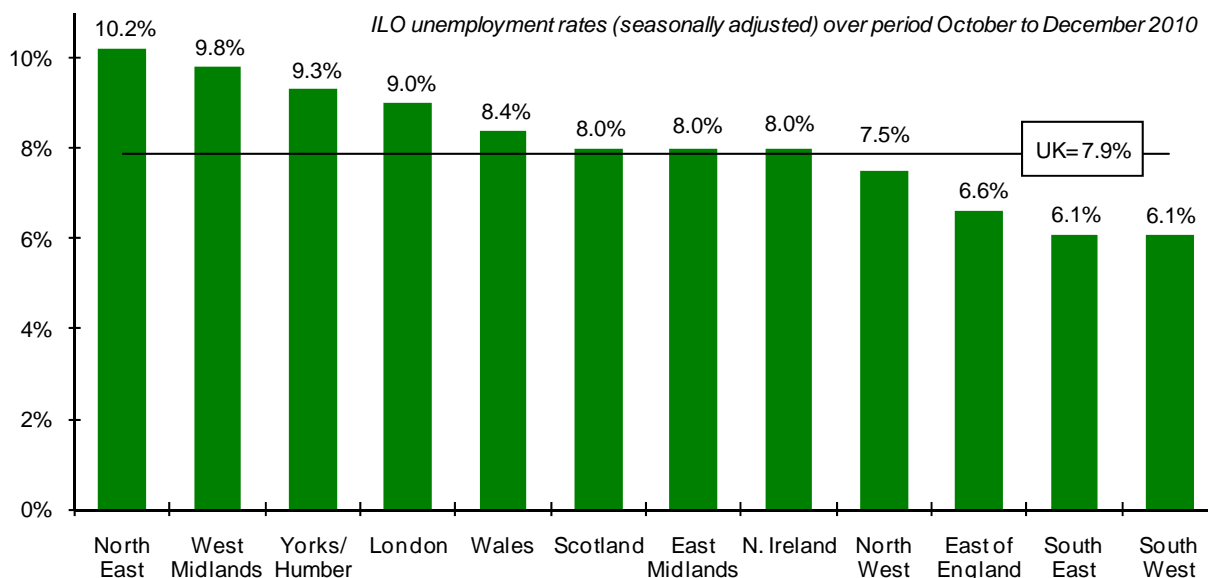
Contact: Lorna Booth, x2883

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

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 October to December 2010, the North East had the highest unemployment rate, at 10.2% of the economically active population, followed by the West Midlands at 9.8%. The lowest rate over the same period was 6.1%, in the South East and South West.



- The largest increase in unemployment over the last quarter was in the West Midlands (+28,000), and the second largest increase was in the South West (+17,000). The largest decrease over the last quarter was in the North West (-19,000). (See table below.)
- The seasonally-adjusted JSA claimant count increased in seven regions and countries and decreased in three in January 2011 compared with the previous month.

Key regional labour market statistics *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	Oct - Dec 2010		Change in level		January 2011	
	Level (000s)	Rate (%) (a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	129	10.2	+13	+12	80.0	-0.1
North West	258	7.5	-19	-31	177.0	+0.2
Yorkshire & Humber	244	9.3	+8	+3	144.7	+0.4
East Midlands	185	8.0	+3	+19	96.9	+0.0
West Midlands	261	9.8	+28	+11	157.2	+0.3
East of England	198	6.6	-1	+5	107.0	-0.1
London	373	9.0	-1	-1	215.2	+0.5
South East	273	6.1	-5	-1	130.2	-1.0
South West	165	6.1	+17	-6	81.4	+0.0
Wales	123	8.4	+5	-1	71.3	+0.2
Scotland	216	8.0	-13	+10	139.7	+1.4
Northern Ireland	68	8.0	+9	+18	59.1	+0.6

Source: ONS, *Labour Market Statistics*

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

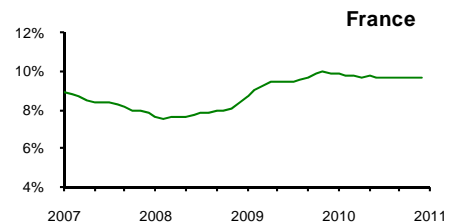
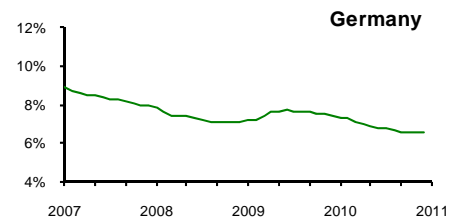
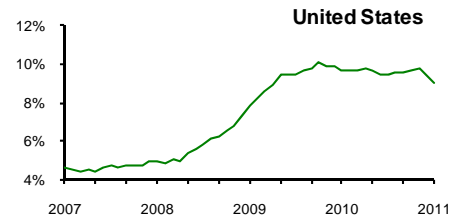
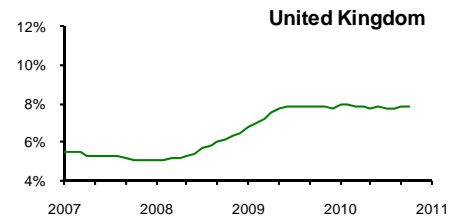
Contact: Lorna Booth, x2883

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

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 Q4 2009 and Q4 2010 Germany saw a 0.9 percentage-point fall in its unemployment rate (from 7.5% to 6.6%); Canada saw a fall of 0.5 percentage points. The US unemployment rate fell by 0.4 percentage points over the same period. Italy saw the largest rise of the G7 countries (+0.3 percentage points).
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (20.2% in Q4 2010), having risen particularly sharply over the last three years (up from 8.8% in Q4 2007). The Irish Republic has also seen a sharp rise over the same period (up from 4.8% to 13.8%). 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 Q4 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	9.7
Germany	8.4	7.3	7.5	..	7.3	7.6	7.6	7.5	7.2	6.9	6.7	6.6
Italy	6.2	6.8	7.8	..	7.4	7.6	8.0	8.3	8.4	8.4	8.3	8.6
Japan	3.9	4.0	5.1	..	4.5	5.1	5.4	5.2	4.9	5.2	5.1	4.9
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	10.0	10.0	10.0	10.0
G7	5.4	5.9	8.0	..	7.3	8.1	8.3	8.5	8.2	8.2	8.1	8.0
OECD	5.8	6.1	8.3	..	7.6	8.3	8.6	8.7	8.6	8.6	8.5	8.5

Source: OECD, Harmonised Unemployment Rates, February 2011

Contact: Gavin Thompson, x2042

Updates:

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

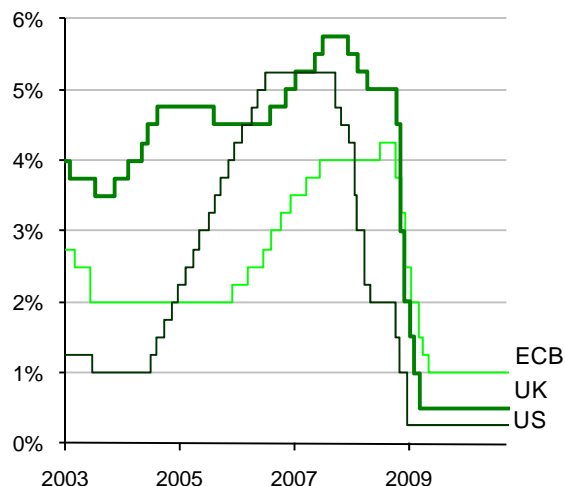
OECD, [Harmonised Unemployment Rates](#), 11 Apr 2011

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

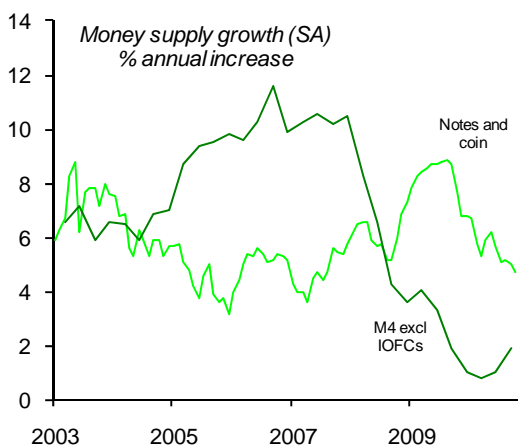
Source: Bank of England

- 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 Mar \(UK\)](#); [3 Mar \(ECB\)](#)
Bank of England, [Monetary and Financial Statistics](#), 01 Mar

D2: Public Finances

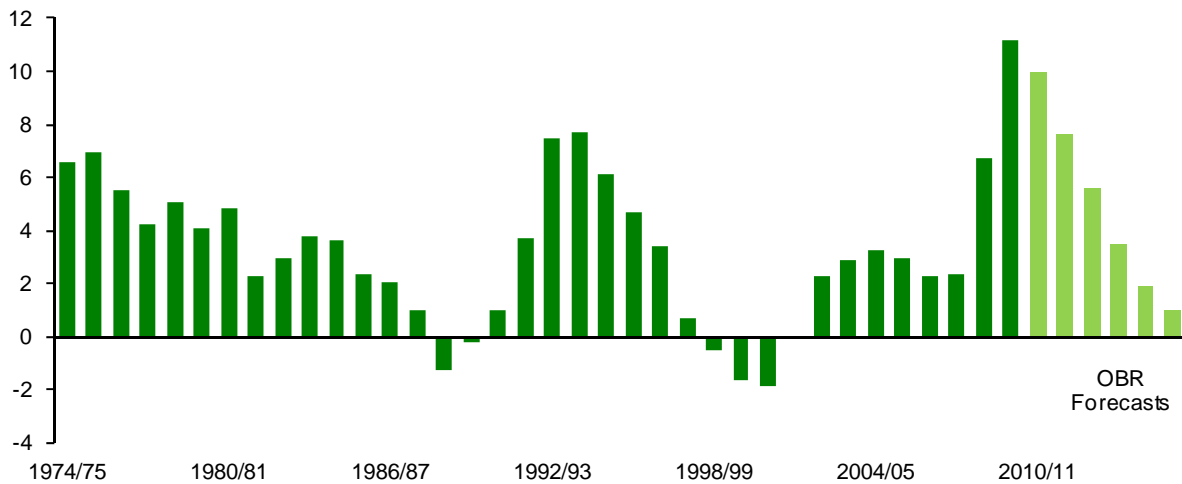
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £148.5 billion in 2010/11, equivalent to 10.0% of GDP.

- The Government borrowed £156 billion in 2009/10 (11.1% of GDP). Over the first ten months of 2010/11, borrowing was £113.0 billion, £14.1 billion (or 11.1%) 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 will fall as a share of GDP in 2014/15.

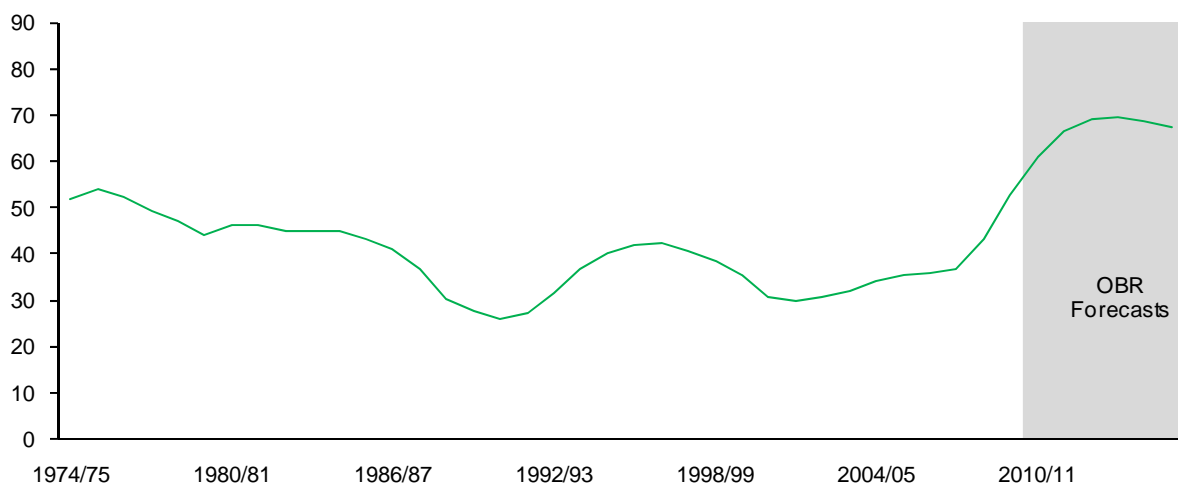
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	606	43.3
2009/10	156	11.1	760	52.7
2010/11	149	10.0	923	60.8
2011/12	117	7.6	1,052	66.3
2012/13	91	5.6	1,157	69.1
2013/14	60	3.5	1,232	69.7
2014/15	35	1.9	1,284	68.8
2015/16	18	1.0	1,320	67.2

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 Mar 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 reached an all time high above \$145/barrel in July 2008. A steep decline then followed to below \$40 by the end of 2008. Since then prices have recovered and rose above \$100 in early 2011.

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

Data from Monday 28 February 2011

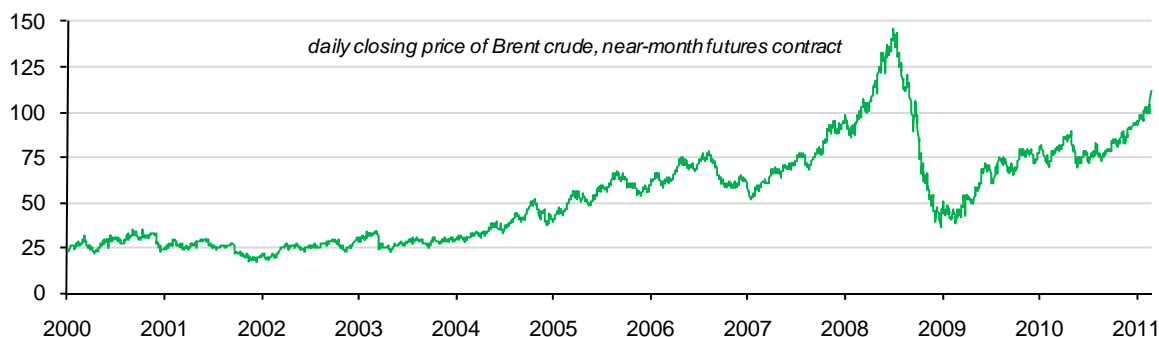
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
28 Feb 2011	5,994.0	111.8	1,414.0
%change over:			
1-month	+2%	+12%	+8%
12-months	+11%	+45%	+26%
%change from:			
cyclical peak	-11%	-23%	-1%
date	15 Jun '07	03 Jul '08	07 Dec '10
cyclical trough	+71%	+207%	+99%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Oil price (\$ per barrel)



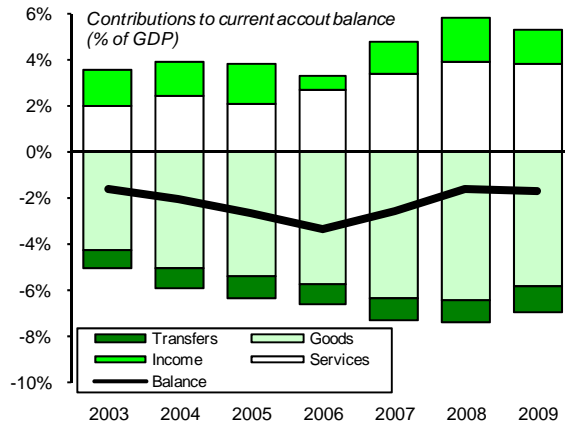
Gold price (\$ per ounce)



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).

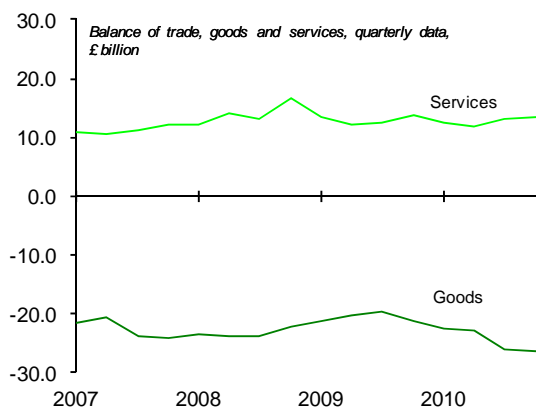
Current Account Balances

£ millions; seasonally adjusted

	Goods		Balance	Services Balance	Goods and Services Balance	Income	Transfers	Current Account Balance
	Exports	Imports						
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
2010	266,079	363,278	-97,199	50,979	-46,220	..	..	..
2009 Q4	60,627	81,923	-21,296	13,870	-7,426	7,608	-3,322	-3,140
2010 Q1	62,466	84,688	-22,404	12,669	-9,735	4,073	-4,291	-9,771
Q2	65,963	88,657	-22,760	11,727	-11,033	9,866	-4,119	-5,220
Q3	66,178	91,909	-25,889	13,101	-12,768	7,540	-4,478	-9,568
Q4	66,178	91,909	-26,166	13,482	-12,684	..	..	..

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 December was £9.2 billion, wider than the November deficit of £8.5 billion.
- The monthly trade surplus on services was an estimated £4.4 billion in December, down slightly from the November surplus of £4.5 billion.
- The overall monthly deficit on goods and services combined in December was £4.8 billion, up from £4.0 billion in November.
- The goods deficit with the EU27 was £3.4 billion in December (compared with £3.6 billion in November), while the deficit with non-EU countries was £5.8 billion (compared with £4.9 billion in November).

Contact: Grahame Allen, x3977

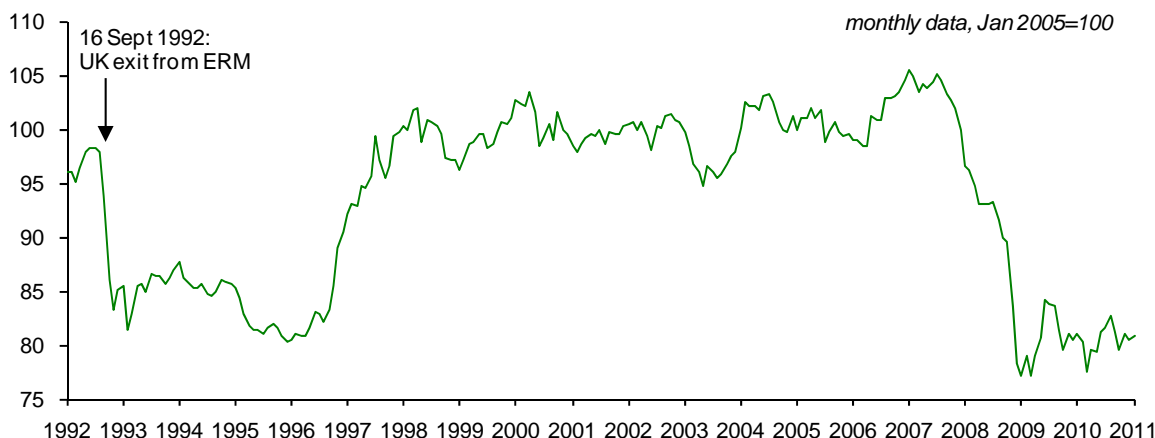
Updates: ONS, [UK Trade](#), 9 Mar;
ONS, [UK Balance of Payments](#), 29 Mar

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).

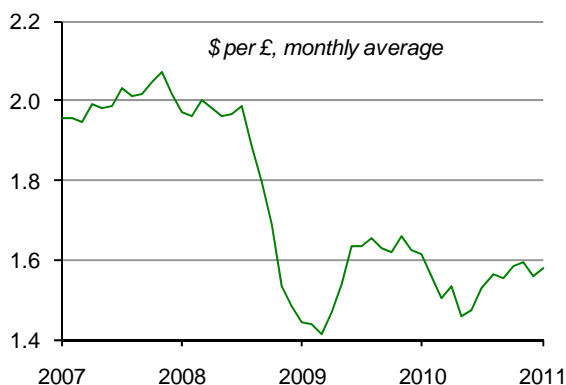
The SERI increased by 0.4% in January, following a fall of 0.5% in December. Compared with the same period last year, the SERI was down 0.2%. It is now 4.9% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 23.4% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



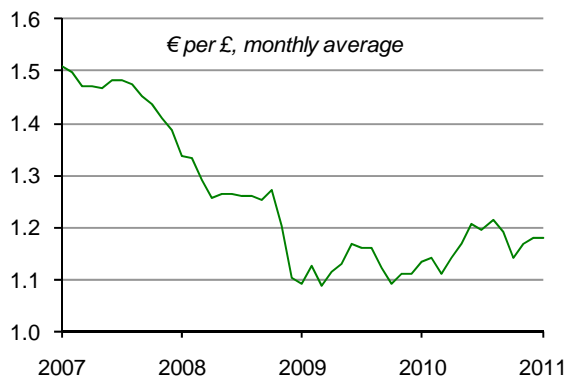
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In January, the pound was on average two cents stronger against the dollar than in December. At 28 February market close the pound stood at \$1.63 dollars, above the January average of \$1.58.
- Sterling was stable against the euro in January when compared with December.
- At the 28 February market close the pound stood at €1.18. 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 (€)	
		% change		% change	
		Rate	on year	Rate	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%
2010	Jan	1.62	11.8%	1.13	3.7%
	Oct	1.59	-2.1%	1.14	4.4%
	Nov	1.60	-3.8%	1.17	5.2%
2010	Dec	1.56	-3.9%	1.18	6.1%
2011	Jan	1.58	-2.3%	1.18	4.3%

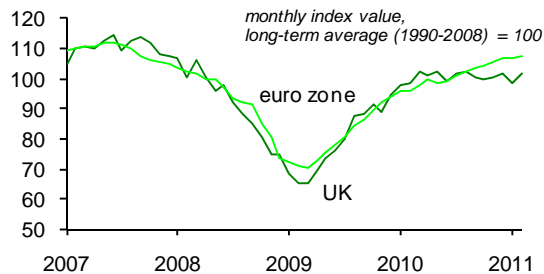
Contact: Gavin Thompson x2042

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

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

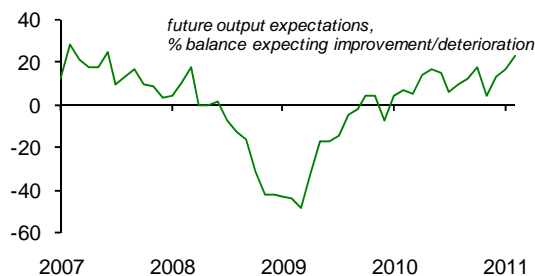


	UK Index	monthly change	change on year ago
2009 Feb	65.6	...	...
2010 Feb	98.3	...	...
2010 Dec	101.7	+1.1	+6.7
Jan	98.8	-2.9	+0.6
Feb	101.9	+3.1	+3.6

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 increased by 3.1 points in February, after a fall of 2.9 points the previous month. The overall EU sentiment index increased by 1.4 points in February.

CBI Industrial Trends Survey



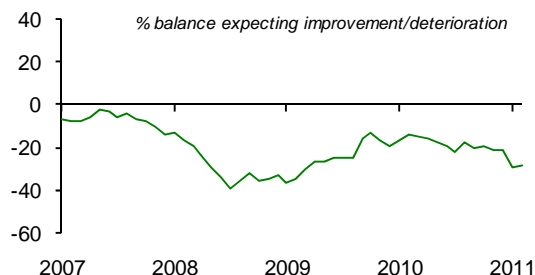
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2009 Feb	-44	...	...
2010 Feb	+7	...	...
2010 Dec	+13	+9	+20
2011 Jan	+17	+4	+13
Feb	+23	+6	+16

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in February were +23% of firms expecting output to rise rather than fall over the next three months. This was up 6 points on January's +17%.

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 Feb	-35	...	...
2010 Feb	-14	...	...
2010 Dec	-21	0	-2
2011 Jan	-29	-8	-12
Feb	-28	+1	-14

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 increased by 1 point in the month to February. In January confidence had dropped by 8 points to -29, the lowest level since March 2009.

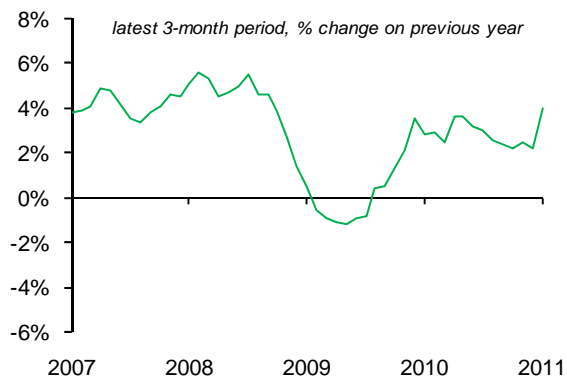
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 22 Mar
EC, [Economic Sentiment Indicator](#), 30 Mar
GfK NOP, [Consumer Confidence](#), 31 Mar

F2: Retail Sales

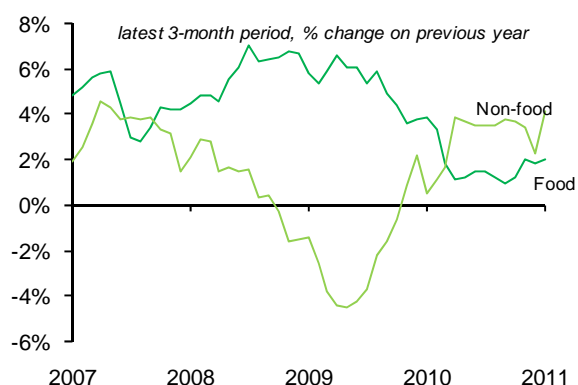
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

Value of Retail Sales



- The rate of annual increase in the value of retail sales increased sharply in the three months to January to 4.0%.
- The value of retail sales in January alone was up by 3.0% compared with December (in seasonally adjusted terms). Analysis of this is complicated by the cold weather and VAT increase.
- The estimated total value of sales in January was £23.6 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to January rose by 2.0% compared with the previous year.
- The annual rate of increase of the value of sales in non-food stores rose to 4.1% in the three months to January.
- Sales in household goods stores were 4.7% lower than a year ago, a slowing of recent rapid declines.
- Sales in clothing and footwear stores were up by an annual rate of 6.0% in the three months to January.

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	
2009	5.2	0.9	-5.3	-3.6	-1.9	0.6
2010	1.5	5.6	-3.2	2.7	2.8	2.6
2010 Sep	1.0	6.2	-3.1	4.7	3.8	2.4
Oct	1.2	6.8	-4.6	5.5	3.7	2.2
Nov	2.0	7.5	-5.8	5.7	3.4	2.5
Dec	1.8	6.5	-8.5	5.5	2.3	2.2
2011 Jan	2.0	6.0	-4.7	7.4	4.1	4.0

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

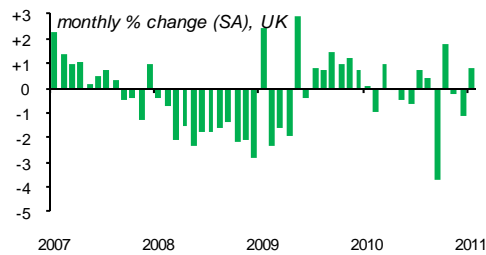
F3: Housing Market

House prices on the Nationwide index rose by 0.3% in February. Prices were 0.1% lower than a year ago on this measure. House prices on the Halifax index rose by 0.8% in January compared with a month ago. However, this follows a 1.1% fall in December. Prices were 2.5% lower in January compared with a year ago.

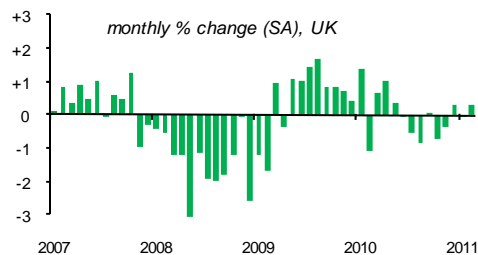
After recovering in 2009, numbers of mortgage approvals fell again over the course of 2010. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

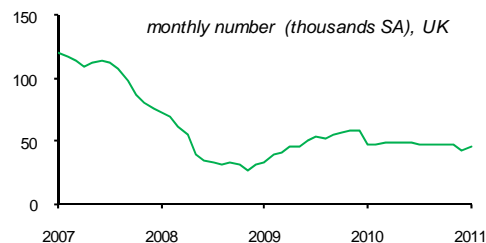


Latest monthly data UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jan-11	Feb-11
Change in month	+0.8%	+0.3%
Change in year	-2.5%	-0.1%
Peak date	Aug-07	Jul-07
Change since peak	-17.8%	-9.6%
Trough date	Apr-09	Feb-09
Change since trough	+6.1%	+9.4%

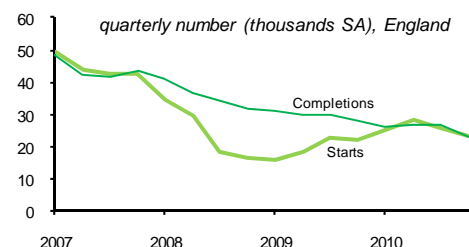
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q4 2010 prices fell by 9% in Northern Ireland but rose by 4% in East Anglia compared with 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 rebounded in January after a sharp drop in December. There were 45,723 mortgage approvals in January, up 7% from December. However, January's figure is still lower than every month in 2010 except December.

House-building



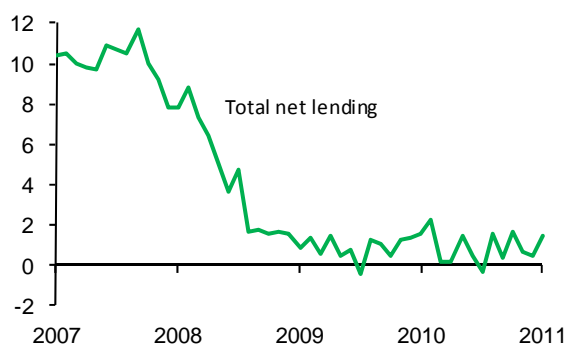
- There were 23,000 house building starts in England in Q4 2010, down from 25,780 in Q3 2010. This is 7,500 higher than the low of 15,510 in Q1 2009, but still below half of the 50,000 starts in Q1 2007.
- The number of dwelling completions fell to 23,190 in Q4 2010 and is still nearly 50% lower than it was three years ago.
- The DCLG stated that poor weather in December likely negatively affected starts and completions in Q4.

Contact: Daniel Harari, x2464

Updates: Halifax [House Price Index](#), early Mar;
Nationwide [House Price Index](#), early Apr;
Bank of England, [Lending to Individuals](#), 29 Mar;
DCLG, [House-building](#), 19 May

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 grew by £1.5 billion in January. This compares with an increase of £0.5 billion in December.
- Monthly net unsecured lending fell by £0.3 billion in January 2010.
- Monthly net secured lending (mortgages) grew by £1.8 billion in January 2010, compared with a £0.3 billion fall in December.

Net outstanding lending to individuals

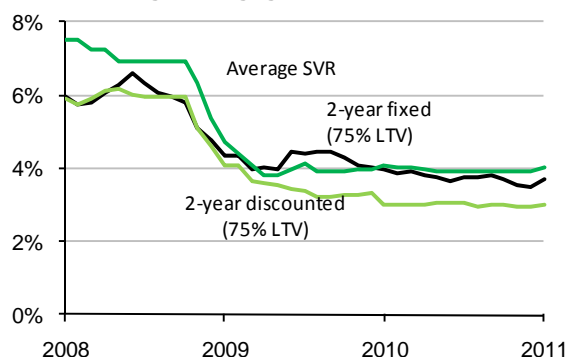
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Jan	1,086	213	1,300
2008 Jan	1,188	228	1,416
2009 Jan	1,226	233	1,459
2010 Jan	1,237	225	1,463
2010 Jul	1,239	217	1,456
2010 Oct	1,238	216	1,454
2011 Jan	1,240	212	1,452

- Total net outstanding lending to individuals was £1,452 billion at the end of January 2011, 0.7% lower than in January 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 85% of the total.
- Unsecured lending outstanding (including credit cards) was £212 billion at the end of Jan. 2011.

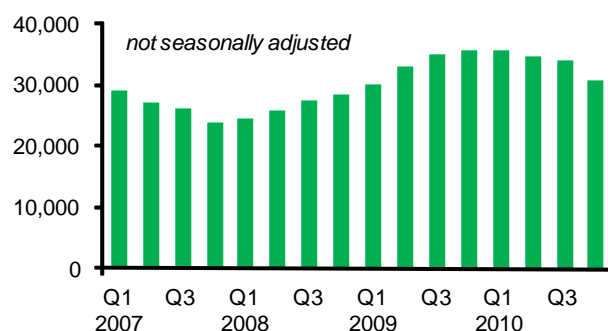
Source: Bank of England, series: LPMVTXK, LPMVZRI, LPMVTXC

Current average mortgage interest rates



- Average interest rates offered by banks and building societies have fallen sharply since late 2008.
- The average Standard Variable Rate (SVR) in January was 4.02%, an increase of 0.11 percentage points on December 2010.
- The average fixed and discounted rates offered (75% LTV) in January were 3.70% and 2.99% respectively.

Individual insolvencies, England and Wales



- Q4 2010 provisional data indicates there were 30,729 individual insolvencies in England and Wales (not seasonally adjusted), a 13.6% decrease on Q4 2009. This was made up of 12,049 bankruptcies, 12,508 IVAs and 6,172 Debt Relief Orders. In 2010 as a whole, there were 135,089 insolvencies – a record high.
- In Scotland in Q4 2010 there were 4,583 individual insolvencies, a fall of 19.5% on Q4 2009.
- In N Ireland in Q4 2010 there were 582 individual insolvencies, a rise of 1.6% on Q4 2009.

Contact: Dominic Webb, x2464

Update: Bank of England, [Lending to Individuals](#), 29 Mar
Insolvency Service, [Insolvency Statistics](#), 6 May

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.