



Economic Indicators, April 2011

RESEARCH PAPER 11/29 5 April 2011

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

- The decline in Q4 2010 GDP was revised from 0.6% to 0.5%. ONS estimated that if the effects of December's winter weather were excluded, GDP would have been unchanged.
- Although data from early 2011 is mixed, the economy is likely to have returned to growth in Q1. The manufacturing sector continues to expand strongly and business confidence indicators are generally positive.
- However, with earnings growth failing to keep pace with rising inflation, consumer expenditure – which makes up around two-thirds of GDP – is likely to remain subdued over the near future

This month's articles:

- Employment: behind the headlines
- Changes to the personal allowance

Daniel Harari (editor)

Recent Research Papers

11/19	Unemployment by Constituency, February 2011	16.02.11
11/20	Protection of Freedoms Bill [Bill 146 of 2010-11]	24.02.11
11/21	Economic Indicators, March 2011	01.03.11
11/22	Transport policy in 2011: a new direction?	02.03.11
11/23	Welfare Reform Bill: reform of disability benefits, Housing Benefit, and other measures [Bill 154 of 2010-11]	04.03.11
11/24	Welfare Reform Bill: Universal Credit provisions [Bill 154 of 2010-11]	07.03.11
11/25	Budget Responsibility and National Audit Bill [HL]: Committee Stage Report	15.03.11
11/26	Unemployment by Constituency	16.03.11
11/27	Economic Indicators, Budget update	22.03.11
11/28	Police Reform and Social Responsibility Bill: Committee Stage Report	24.03.11

Research Paper 11/29

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

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

We welcome comments on our papers; these should be e-mailed to papers@parliament.uk.

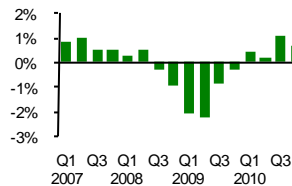
Summary

The decline in Q4 2010 GDP was revised from 0.6% to 0.5%. ONS estimated that if the effects of December's winter weather were excluded, GDP would have been unchanged. Although data from early 2011 is mixed, the economy is likely to have returned to growth in Q1. The manufacturing sector continues to expand strongly and business confidence indicators are generally positive. However, with earnings growth failing to keep pace with rising inflation, consumer expenditure – which makes up around two-thirds of GDP – is likely to remain subdued over the near future.

GDP Growth

[page 1](#)

(% change quarter-on-quarter)

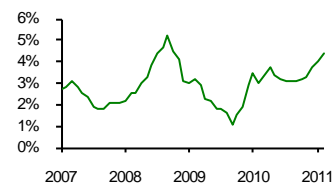


Quarterly GDP contracted by 0.5% in Q4 2010 compared with Q3 2010. This followed GDP growth of 0.7% in Q3 2010.

Inflation (CPI)

[page 7](#)

(% change on year ago)

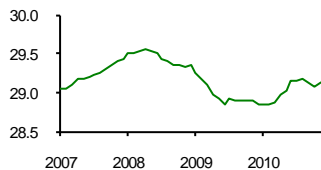


The rate of CPI inflation rose to 4.4% in the year to February, up from 4.0% in January. The Bank of England's target is 2%.

Employment

[page 10](#)

(total, millions)

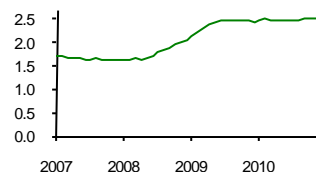


In the three months to January, the number of people employed rose by 32,000 to 29.2 million.

Unemployment

[page 11](#)

(total, millions, ILO definition)

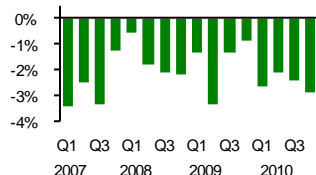


ILO unemployment rose by 27,000 to just over 2.5 million in the three months to January, the highest level since 1994. The unemployment rate increased to 8.0% from 7.9%.

Current Account Balance

[page 17](#)

(quarterly data, % of GDP)



The UK's current account deficit was estimated at £10.5 billion in Q4 2010, equivalent to 2.9% of GDP. In 2010, the current account deficit widened to £36.2 billion (2.5% of GDP) from £23.9 billion in 2009 (1.7% of GDP).

Next issue: 3 May

Editor: Daniel Harari

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis please visit our page on the parliamentary intranet, where updated data is also available, at: <http://hcl1.hclibrary.parliament.uk/wdw/subject/ei.asp>.

Contents

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

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

1 Introduction to *Economic Indicators*

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

Feedback

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

Weekly email alert

A weekly email alert with updated indicators is available to Members and their staff on request. To subscribe, please visit <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

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

Members and their staff are encouraged to talk to Library subject specialists. A comprehensive guide is available in *Using the Library*.² Researchers are not able to discuss pages with members of the public. For enquiries in these subject areas please contact the following specialists:

Subject	Statistician	tel. extn.
Balance of payments	Grahame Allen	3977
Business	Adam Mellows-Facer	4904
EC finance	Gavin Thompson	2042
GDP	Grahame Allen	3977
Employment	Daniel Harari/Lorna Booth	2464/2883
Financial services	Adam Mellows-Facer	4904
Housing	Matthew Keep	6789
Incomes	Lorna Booth	2883
Industries	Adam Mellows-Facer	4904
International Trade	Grahame Allen	3977
National accounts	Grahame Allen	3977
International development	Gavin Thompson	2042
International economies	Gavin Thompson	2042
Prices and interest rates	Grahame Allen	3977
Public expenditure	Dominic Webb	4324
Taxation	Dominic Webb	4324
Unemployment	Daniel Harari/Lorna Booth	2464/2883
Wages and earnings	Daniel Harari/Lorna Booth	2464/2883

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>

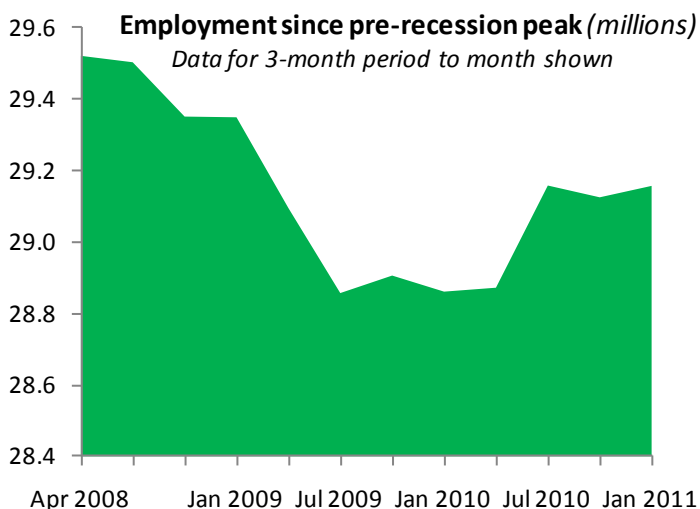
2 Employment: behind the headlines

There are 29.2 million people employed in the UK. This article looks behind this headline figure to analyse trends in full-time and part-time work, the recession's differing affects on male and female employment, as well as an analysis of changes in public and private sector employment.

2.1 Total employment remains below pre-recession level

The UK economy entered recession in the second quarter of 2008 and by the time it exited in the final quarter of 2009, employment had declined by 2.4% (700,000).³

Given the severity of the downturn, this compares favourably with previous recessions. In the early 1980s recession, employment fell by 6.5% (1.7 million) from its pre-recession level. A similar decline was recorded in the early 1990s recession, with employment falling by 6.3% (1.7 million).



Since the end of the recent recession, employment has begun to recover, with 300,000 more people in work than at the lowest point during the recession. However, this is still 400,000 fewer than before the recession.

2.2 Uneven impact on women and men

During the recession and its aftermath, female employment declined less steeply and recovered more quickly than male employment following the recession. Overall, the number of women in employment is now only 24,000 (0.2%) below the pre-recession figure, while the number of men in employment has fallen by 340,000 (2.1%).

These differences are largely due to employment in the sectors hardest hit by the recession, such as manufacturing and construction, being male dominated.

For example, following the large contraction in the construction industry, the number of people employed in it fell by 14% compared with 2008. The only sector to have suffered a bigger decline in employment has been the manufacturing sector, which now employs 17% fewer people than in 2008.⁴



³ All data taken from the ONS Labour Force Survey unless otherwise stated.

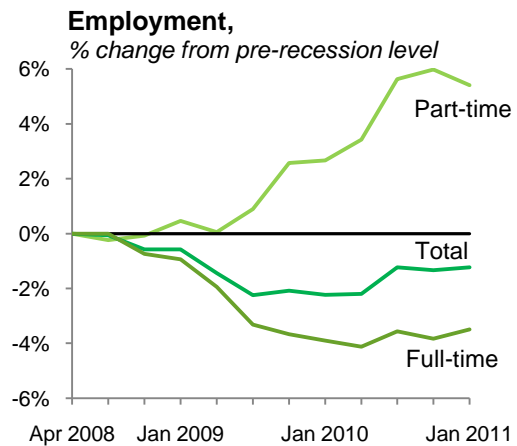
⁴ ONS Annual Population Survey. Oct 2009-Sep 2010 compared with Oct 2007-Sep 2008.

2.3 Increase in the number of part-time workers

This chart illustrates the significant increase in the number of people working part time. Since the recession began there has been a 5.4% increase to 7.9 million in the number of people working part-time. There has been a 3.5% decline in the number working full-time, to 21.2 million.

This 406,000 increase in part-time workers has partly mitigated the 770,000 fall in the number of full-time workers. Overall, there are only 364,000 fewer people in employment.

The proportion of part-time workers who state that they are only working part-time because they cannot find a full-time job has increased from 9% before the recession to 15% now. This suggests that people are settling for part-time jobs when they would prefer full-time jobs.



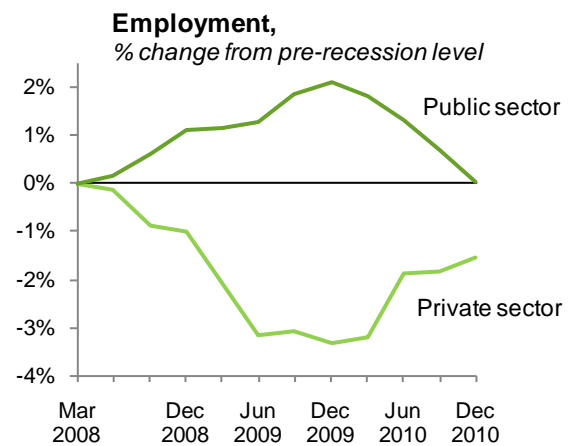
2.4 Public sector squeeze?

There is a stark contrast in the way that employment levels in the public and private sectors have changed in recent years.⁵

Public sector employment increased during the recession, but has fallen throughout 2010. There are now 6.0 million people employed in the public sector, marginally more than there were before the recession (excluding employees of financial institutions currently in public ownership).

In contrast, from early 2008 to the end of 2009, employment in the private sector declined by 784,000. Despite a recovery in 2010, there are still 365,000 fewer people employed in the sector than before the recession. (A total of 23.2 million people are employed in the sector).

Public sector employment is forecast to fall over the next few years. Meanwhile, the latest data show that employment in the private sector has increased by 2% in the last year, but will this trend continue and will it be enough to offset the likely fall in public sector employment?



Chris Rhodes
Economic Policy and Statistics section

⁵ The data used in this section is adjusted so that employees of financial institutions taken into public ownership during 2007 and 2008, including Northern Rock, RBS and Lloyds Group, are included in the private sector employment figures and not the public sector employment figures. Please note that headline public sector employment figures usually include the employees of financial institutions taken into public ownership. Source of data: ONS Quarterly Public Sector Employment Survey

3 Changes to the personal allowance

A key feature of both the June 2010 and March 2011 Budgets was a significant increase in the income tax personal allowance.⁶ This is the amount of money a taxpayer can receive before paying income tax. If there are no other changes to the tax system, an increase in the personal allowance is equivalent to a tax cut. However, the increase in the personal allowance has been offset for higher rate taxpayers by changes to the threshold at which tax is paid at 40%. In addition, changes to income tax are only part of wider changes to the tax system, such as the increase in VAT.

3.1 Background

The Coalition Agreement contains a commitment to increase the personal allowance in real terms. It said:

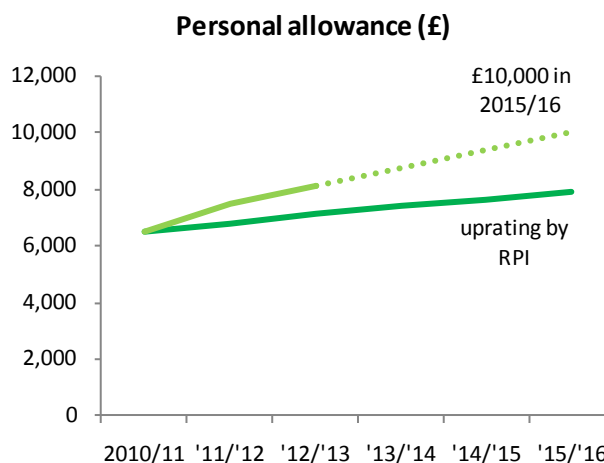
We will increase the personal allowance for income tax to help lower and middle income earners. We will announce in the first Budget a substantial increase in the personal allowance from April 2011, with the benefits focused on those with lower and middle incomes. [...] We will further increase the personal allowance to £10,000, making real terms steps each year towards meeting this as a longer term policy objective. We will prioritise this over other tax cuts, including cuts to Inheritance Tax.

The June 2010 Budget announced a £1,000 increase in the personal allowance to £7,475 for 2011/12. The March 2011 Budget announced a further increase of £630 to £8,105 for 2012/13. Both of these changes are real terms increases in the personal allowance.

3.2 Uprating the personal allowance

In the past, the starting point for uprating the personal allowance has been the increase in the Retail Prices Index (RPI) in the September before the beginning of the relevant tax year. If this approach had been taken for 2011/12, the allowance for 2010/11 (£6,475) would have been increased by the rate of inflation in September 2010. This would have given an increase in the allowance of £310 in 2011/12 to £6,785. The actual increase of £1,000 was thus £690 above inflation. Similarly, the increase for 2012/13 is £240 above inflation.

The Government's target is that the personal allowance reaches £10,000. The chart compares how the personal allowance would grow, assuming the aim is to hit this target by 2015/16, compared to how it would grow if increased in line with forecasts for the RPI. Taking 2010/11 as the starting point, the allowance would be around £2,000 lower in 2015/16 if it were uprated by RPI compared to the target of £10,000. For a basic rate taxpayer, this is equivalent to a saving of around £400 in income tax.



⁶ This article considers the personal allowance for those aged under 65. Those aged 65 and over receive a different allowance. It also excludes those on very high incomes for whom the personal allowance is reduced.

Three further points are worth noting. First, not only is the personal allowance increasing by more than the RPI, it is also increasing faster than earnings growth. Indeed the Office for Budget Responsibility forecast that the RPI will increase by more than earnings in both 2011/12 and 2012/13.

Second, forecasts for future inflation have risen since the commitment to the £10,000 personal allowance was made in the Coalition Agreement. The effect of the higher expected inflation is to reduce the real terms increase of the personal allowance reaching £10,000.

Third, the Budget announced that from April 2012 the Consumer Prices Index (CPI) will be the default index used for uprating direct taxes. As the CPI is generally lower than the RPI, using this measure to uprate direct taxes will mean allowances and thresholds will increase more slowly. This will raise more money for the Government. However, until the £10,000 target for the personal allowance is reached, it will increase by more than either the RPI or the CPI.

3.3 How much better off?

As noted above, the increase in the personal allowance in 2011/12 was £690 above indexation. As a result, anyone with an income between £6,785 and £7,475 will no longer pay income tax. Other basic rate (20%) taxpayers are made better off by £138 as they now pay tax on £690 less than they would have done if the allowance had been indexed by the RPI.

The position for higher rate taxpayers is slightly more complicated. If the personal allowance is increased, and there are no other changes to bands of taxable income, higher rate taxpayers would gain more than basic rate taxpayers. This is because the effect of increasing the personal allowance is to reduce the amount on which they pay 40% tax. The gain to this group is thus twice that to basic rate taxpayers.

To ensure that the benefit of the increased personal allowance is focused on those with lower and middle incomes, as set out in the Coalition Agreement, the level at which tax starts being paid at 40% was reduced for 2011/12. This claws back the benefit from the higher personal allowance from higher rate taxpayers.

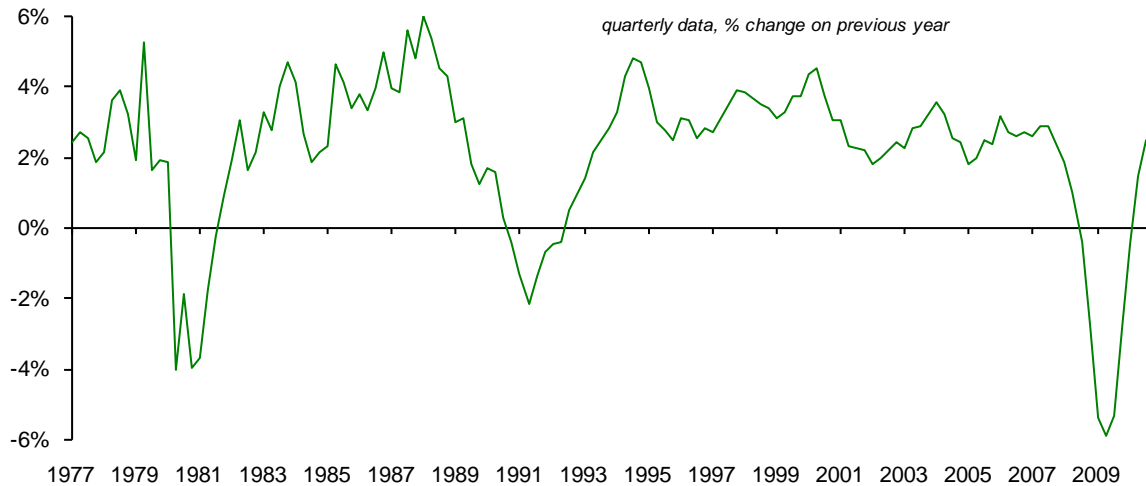
Higher rate taxpayers will, however, pay more compared to the case where the allowances and thresholds had been indexed. While they gain from the increase in the personal allowance, this is more than offset by the fact that the threshold for 40% tax is reduced in cash terms rather than increasing with inflation. This means tax is paid at 40% on more income, compared with what would have happened under RPI indexation.

Dominic Webb
Economic Policy and Statistics Section

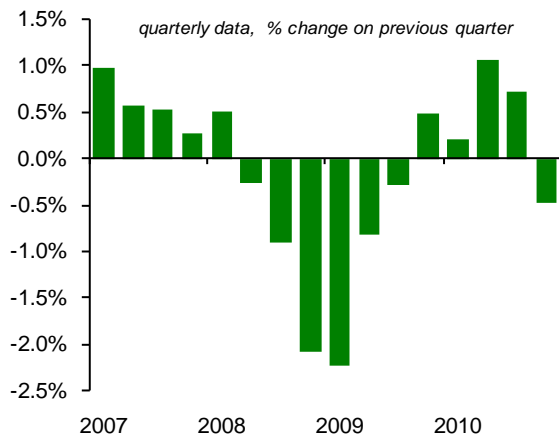
A1: Gross Domestic Product

The economy contracted by 0.5% in Q4 2010, following growth of 0.7% in Q3 2010. In March 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.8% and for 2012 was 2.1%. The Office for Budget Responsibility's (OBR) central forecasts from March 2011 are for 1.7% growth in 2011, 2.5% for 2012 and 2.9% for 2013.

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	1,454	4.2	...	1.3
2009 Q4	352.6	-1.7	0.5	-2.8
2010 Q1	359.1	2.7	0.2	-0.4
Q2	361.5	4.9	1.1	1.5
Q3	365.5	5.0	0.7	2.5
Q4	367.5	4.2	-0.5	1.5

Source: ONS, series: YBHA, ABMI

- The economy contracted by 0.5% in Q4 2010 compared with Q3 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 2009 was the largest percentage fall in quarterly GDP since Q3 of 1987 (also 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, 27 Apr
HMT, [Comparison of Independent Forecasts](#), 20 Apr

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, and 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%

The IMF left UK growth forecasts unrevised. 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.

Among major emerging markets, China's IMF 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% points to 4.5% in 2011.

The European Commission's **February forecasts** revised down the November forecast for UK 2010 growth from 1.8% to 1.4%, and 2011 growth down from 2.2% to 2.0%.

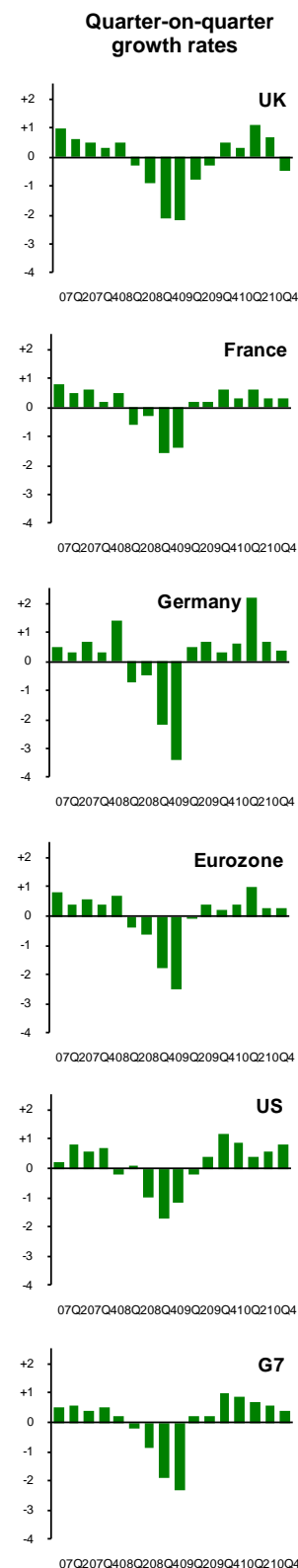
OECD **November forecasts** revised OECD-wide growth up by 0.1 percentage points to 2.8% in 2010 and down by 0.5 percentage points to 2.3% in 2011. The US saw significant downward revisions for both 2010 and 2011. The **March 2011 survey of the UK economy** revised 2010 growth for the UK down by 0.4 percentage points, and 2011 growth down by 0.2 percentage points, relative to the November forecasts.

Real growth forecasts (% changes)

	IMF (Jan 11)		EC (Feb 11)		OECD (Nov 10 ^a)		
	2010	2011	2010	2011	2010	2011	2012
UK	1.7	2.0	1.4	2.0	1.4	1.5	2.0
France	1.6	1.8	1.6	1.7	1.6	1.6	2.0
Germany	3.6	2.2	3.6	2.4	3.5	2.5	2.2
Eurozone	1.8	1.5	1.7	1.6	1.7	1.7	2.0
US	2.8	3.0	..	..	2.7	2.2	3.2
Japan	4.3	1.6	..	..	3.7	1.7	1.3
OECD	..	..	..	..	2.8	2.3	2.8
China	10.3	9.6	..	..	10.5	9.7	9.7
India	9.7	8.4	..	..	9.1	8.2	8.5
Brazil	7.5	4.5	..	..	7.5	4.3	5.0
World	5.0	4.4	..	..	..	..	..

^a OECD UK growth forecasts are taken from March 2011 UK economic survey; forecasts for other countries are from November 2010

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



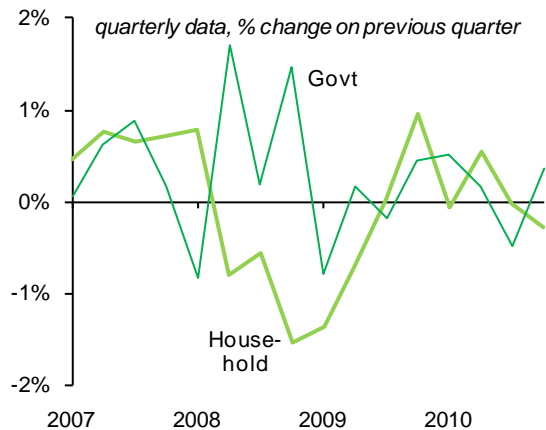
Contact: Gavin Thompson, x2042

Update: OECD *Main Economic Indicators*, 11 Apr
EC *Economic Forecast*, 14 May
IMF *World Economic Outlook*, Apr

A3: Components of GDP

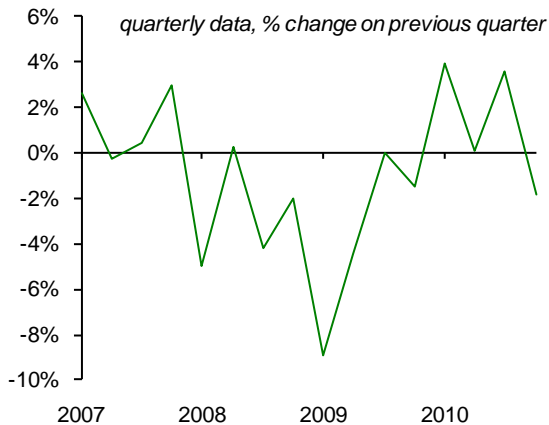
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation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

Household consumption and government consumption



- In Q4 2010, household consumption fell by 0.3% in real terms. This is the first fall since Q1 2010.
- Government consumption increased by 0.4% in Q4 2010.
- Exports increased by 1.7% in Q4 2010 while imports increased by 2.3%.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q4 2010 GFCF fell by 1.8%.
- In Q4 2010, GFCF was 5.8% higher than a year earlier.

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)	0.8%	0.8%	3.0%	5.3%	8.5%	1.3%
2010 Q1	-0.1%	0.5%	3.9%	-1.0%	1.9%	0.2%
2010 Q2	0.5%	0.2%	0.1%	3.0%	2.1%	1.1%
2010 Q3	0.0%	-0.5%	3.6%	1.6%	1.9%	0.7%
2010 Q4	-0.3%	0.4%	-1.8%	1.7%	3.2%	-0.5%

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

Note: (a) gross fixed capital formation

A4: Output and employment by industry

In 2008 (the latest National Accounts data), services accounted for 77% of UK Gross Value Added (GVA), manufacturing 12%, other production (mining & quarrying, and utilities) 5%, construction 6% and agriculture, hunting and fishing 1%. The services sector accounts for 82% of total workforce jobs (December 2010).

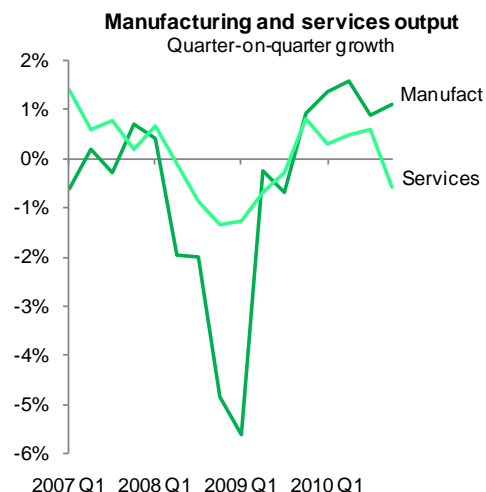
Output

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%	6.0%	1.1%	1.4%
2010 Q2	3.1%	7.6%	1.3%	1.5%
2010 Q3	4.8%	10.1%	2.1%	2.5%
2010 Q4	5.0%	8.6%	0.8%	1.5%
<i>Quarter-on-quarter</i>				
2010 Q2	1.6%	7.2%	0.5%	1.1%
2010 Q3	0.9%	3.7%	0.6%	0.7%
2010 Q4	1.1%	-2.3%	-0.6%	-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 0.6% 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 8.6%
- Services output rose by 0.8% in the year to Q4 2010, with output in the business services and finance sector growing by 0.9%.

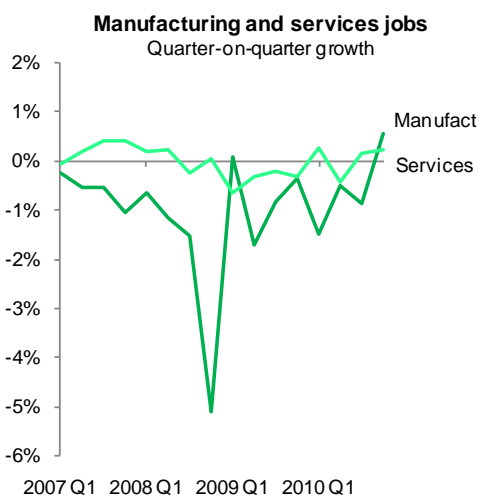
Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	All industries
<i>Annual % changes</i>				
2008 Q4	-8.2%	-0.2%	0.2%	-0.5%
2009 Q4	-2.8%	-6.8%	-1.5%	-1.9%
2010 Q3	-3.2%	-1.4%	-0.3%	-0.5%
2010 Q4	-2.3%	-2.4%	0.2%	0.1%
<i>Quarter-on-quarter</i>				
2010 Q3	-0.9%	-1.0%	0.2%	-0.1%
2010 Q4	0.6%	-0.4%	0.2%	0.3%
<i>Thousands</i>				
2010 Q4	2,549	2,128	25,756	31,260

Source: ONS series JWR7, JWS2, JWT8, DYDC



- The employment picture has been different, with numbers of manufacturing jobs continuing to fall. However, this was reversed in the latest quarter, when there was a 0.6% growth in the manufacturing workforce.
- Numbers of jobs in the construction sector fell in Q4, while the services workforce rose slightly.
- The public administration, health and education workforce rose by 0.3% in the year to December 2010.

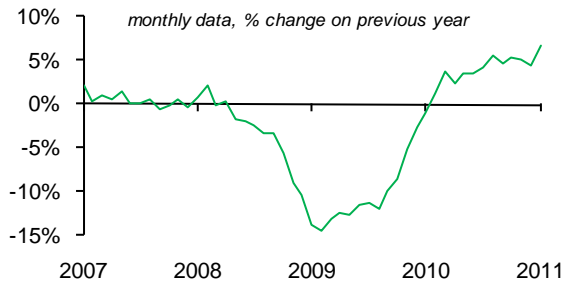
Contact: Adam Mellows-Facer, x4904

Update: ONS, [GDP Preliminary Estimate](#), 27 Apr

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

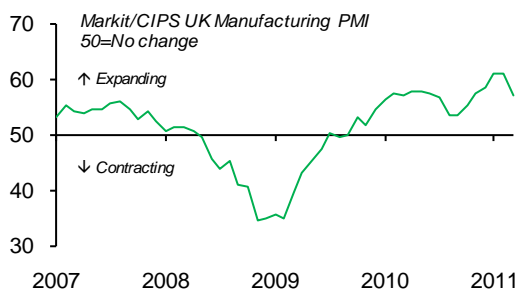


	Index Value (2005=100)	% change over month	% change over 12 months
2009	87.2	...	-10.7
2010	90.3	...	3.6
2010 Oct	91.4	+0.5	+5.3
Nov	92.0	+0.6	+5.2
Dec	91.9	-0.1	+4.5
2011 Jan	92.9	+1.0	+6.8

Source: ONS, series CKYY

- Manufacturing output rose by 6.8% in the year to January 2011, the largest increase recorded since November 1994. It increased by 1.0% in January alone.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was up by 4.4%, also the highest since late 1994.

Manufacturing Purchasing Managers' Index

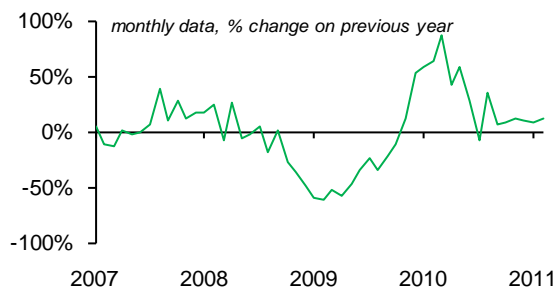


		Index	Monthly change
2009	Mar	39.5	...
2010	Mar	57.3	...
2010	Dec	58.7	+1.2
2011	Jan	61.2	+2.5
	Feb	61.0	-0.2
	Mar	57.1	-3.9

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

- The Markit/CIPS UK Manufacturing PMI fell sharply to 57.1 in March 2011 (where 50.0 is no change), compared with a record high of 61.2 in January. It remains well above the long run average.
- 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	Feb	107	+63.7
	Dec	103	+11.3
2011	Jan	120	+8.9
	Feb	122	+13.4

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 122,000 in February 2011, 13% higher than in February 2010. The SMMT said this showed the sector was "continuing to lead a manufacturing recovery".

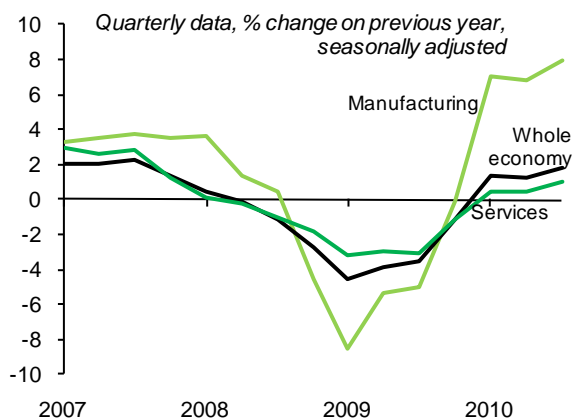
Contact: Adam Mellows-Facer, x4904

Update: ONS, [Index of Production](#), 6 Apr
Markit/CIPS [UK Manufacturing PMI](#), 1 May
SMMT, [Vehicle Production](#), mid Apr

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%.

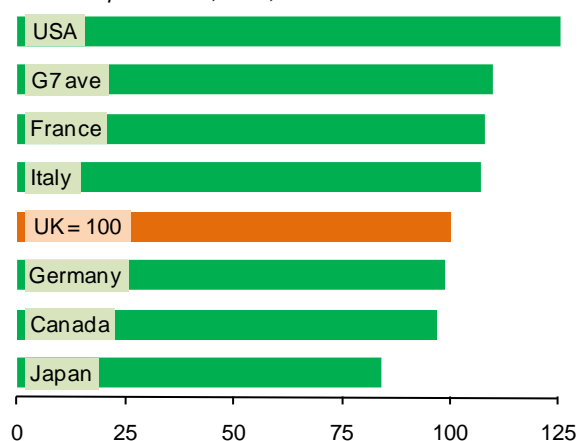
Productivity growth, seasonally adjusted

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



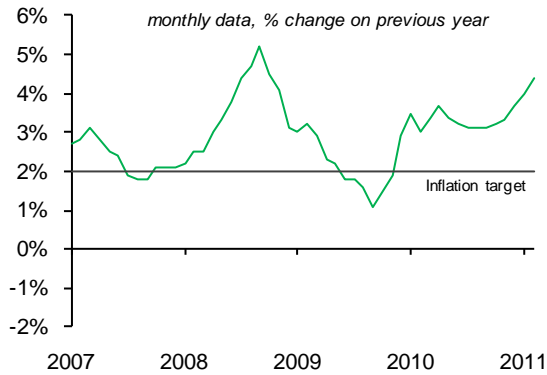
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009 the UK 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 4.4% in February, up from 4.0% in January and above the Bank of England's 2% target for the fifteenth 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.

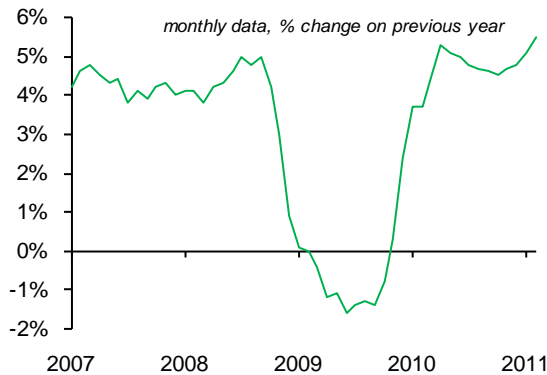
Consumer Prices Index (CPI)



The CPI annual inflation rate was 4.4% in February, up from 4.0% in January.

- The CPI is now at its highest annual rate since October 2008.
- The main factors behind the rise were increases in heating costs and clothes prices.
- The RPI (all items) measure of inflation rose to 5.5% in February, its highest rate since July 1991.

Retail Prices Index (RPI)



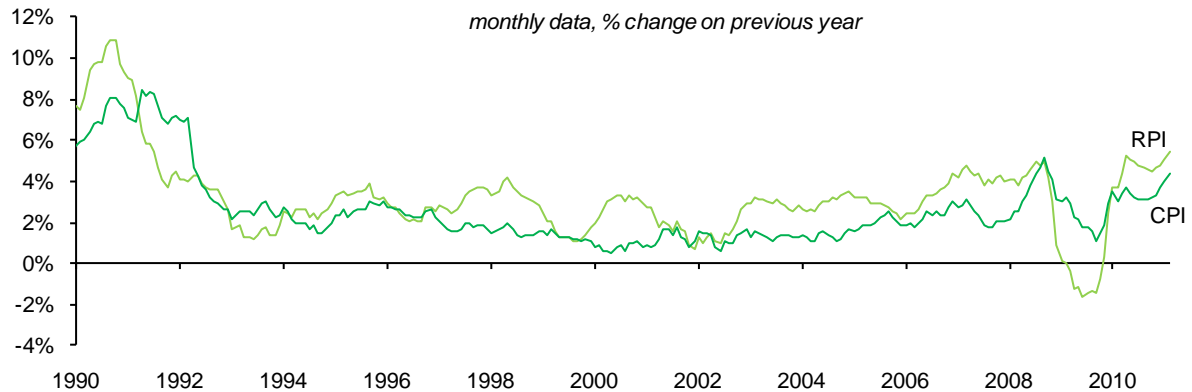
Price Indices

% change on a year ago

		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2010	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
	Feb	4.4	5.5

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1990

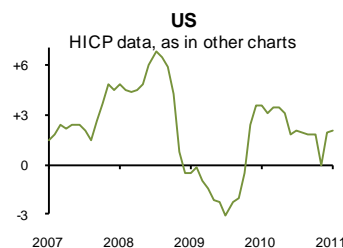
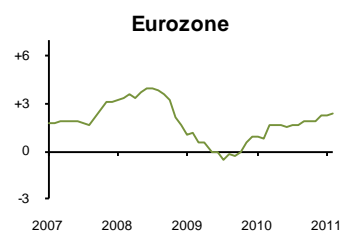
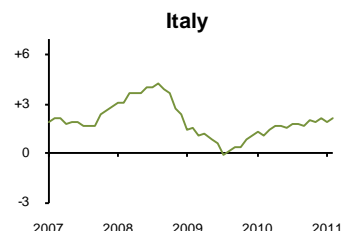
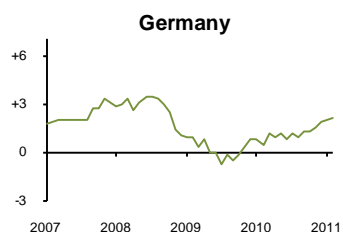
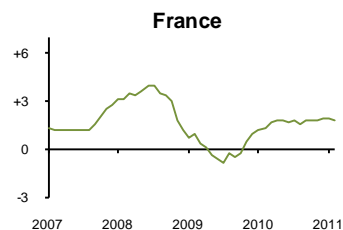
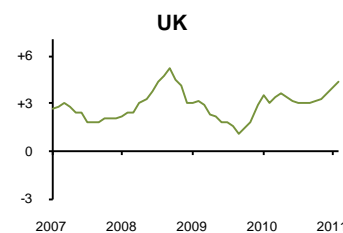


B2: Inflation: International

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 February, UK inflation was 4.4%, up from 4.0% in January and 3.7% in December. The Bank of England's UK inflation target is 2%.
- The flash estimate of Euro zone inflation in March was 2.6%, up from 2.4% in February. 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 February was 7.6% in Romania. Ireland has the lowest annual inflation rate in the EU at 0.9%.
- HICP annual inflation in the US in January was 2.0%, up from 1.9% in December. Using its national definition, US inflation was 2.1% in February, up from 1.6% in January.



Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Nov 10	Dec 10	Jan-11	Feb 11
HICP (ONS/Eurostat)						
UK	2.2	3.3	3.3	3.7	4.0	4.4
Eurozone	0.3	2.1	1.9	2.2	2.3	2.4
EU	1.0	2.1	2.3	2.7	2.8	2.8
France	0.1	1.5	1.8	2.0	2.0	1.8
Germany	0.4	1.1	1.6	1.9	2.0	2.2
Greece	1.2	4.7	4.8	5.2	4.9	4.2
Italy	0.8	1.5	1.9	2.1	1.9	2.1
Spain	-0.3	1.8	2.3	2.9	3.0	3.4
US	-0.4	1.6	:	1.9	2.0	:
National definitions (OECD)						
Canada	0.3	1.8	2.0	2.4	2.3	..
Japan	-1.4	-0.7	0.1	0.0	0.0	..
US	-0.4	1.6	1.1	1.5	1.6	2.1
G7	-0.1	1.4	1.3	1.6	1.7	..
OECD	0.5	1.9	1.8	2.1	2.1	..
Brazil	4.9	5.0	5.6	5.9	6.0	6.0
China	-0.7	..	5.1	..	..	..
India	10.9	12.0	8.3	9.5	9.3	..
Russia	11.7	6.9	8.1	8.8	9.6	..

Source: ONS, Eurostat & stat.OECD database

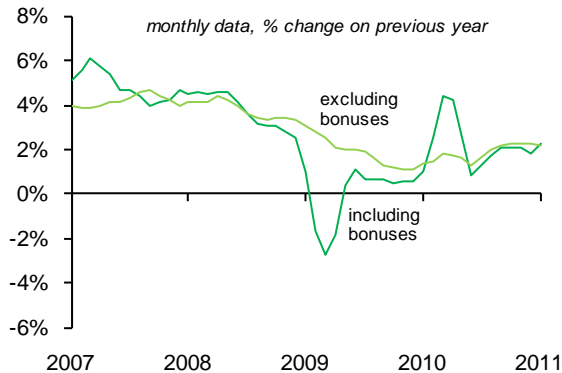
Contact: Gavin Thompson, x2042

Updates: Eurostat, [HICP full release](#), 15 Apr
Eurostat, [Flash estimate \(Mar\)](#), 29 Apr
OECD, [Main Economic Indicators](#), 11 Apr

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.3% in January compared with a year ago, up from 1.8% in December. Average weekly earnings excluding bonuses were 2.2% higher in the three months to January compared with a year ago, down from 2.3% in December. Inflation as measured by the CPI was 4.0% in January 2011.

Average Earnings, Whole Economy



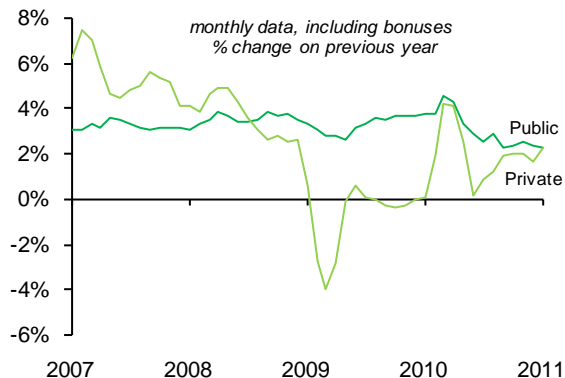
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2008 Jan	4.1	3.1	3.6	3.6	4.5
2009 Jan	0.6	3.3	2.2	1.0	1.0
2010 Jan	0.1	3.8	3.1	1.2	1.0
2010 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	2.7	2.2	1.8
2011 Jan	2.3	2.3	2.0	2.7	2.3

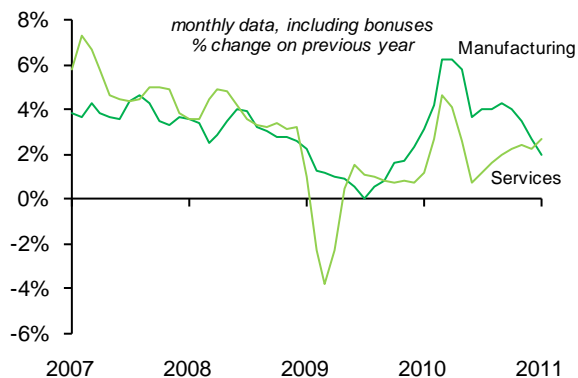
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 2.3% in January, compared with an increase of 2.3% in the public sector. Excluding financial services, public sector earnings also rose by 2.3%.
- Average weekly earnings (including bonuses) in January in the public sector were £472 compared with £449 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

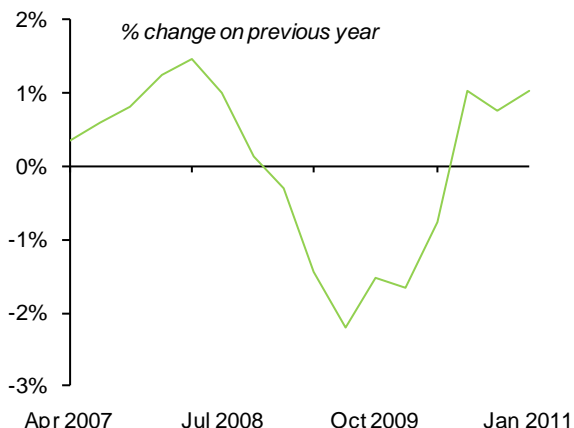


- Average total pay growth (including bonuses) in the manufacturing sector was 2.0% in January, compared with 2.7% in the services sector.
- Average weekly earnings (including bonuses) in January in the manufacturing sector were £526 compared with £436 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

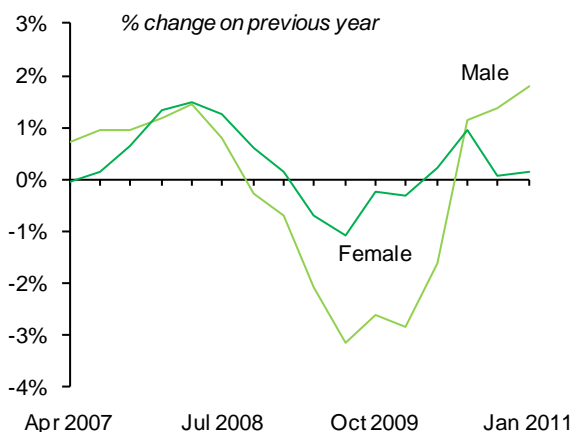
Employment grew by 1.0% in the last year, to 29.2 million. Employment amongst 16-24 year olds fell in the last quarter by 1.6%.

Total employment



- Over the past year, employment has increased for all age groups.
- Employment of those aged 65 and over has increased by 16.9% in the last year.
- Over the last quarter, only the 16-24 age group experienced a fall in employment over the last quarter.
- Employment is now 1.4% lower than its pre-recession peak of 29.6 million in the three months to April 2008.

Male and female employment



- Over the past year, male employment has increased by 1.8% and female employment has increased by 0.1%.
- Full-time employment has increased by 75,000 over the quarter, whilst part-time employment has fallen by 43,000.
- The number of people employed in the public sector has declined by 45,000 in the last quarter, whilst the number employed in the private sector has increased by 77,000.

Employment by age group

3-month period: '000s & % changes; seasonally adjusted

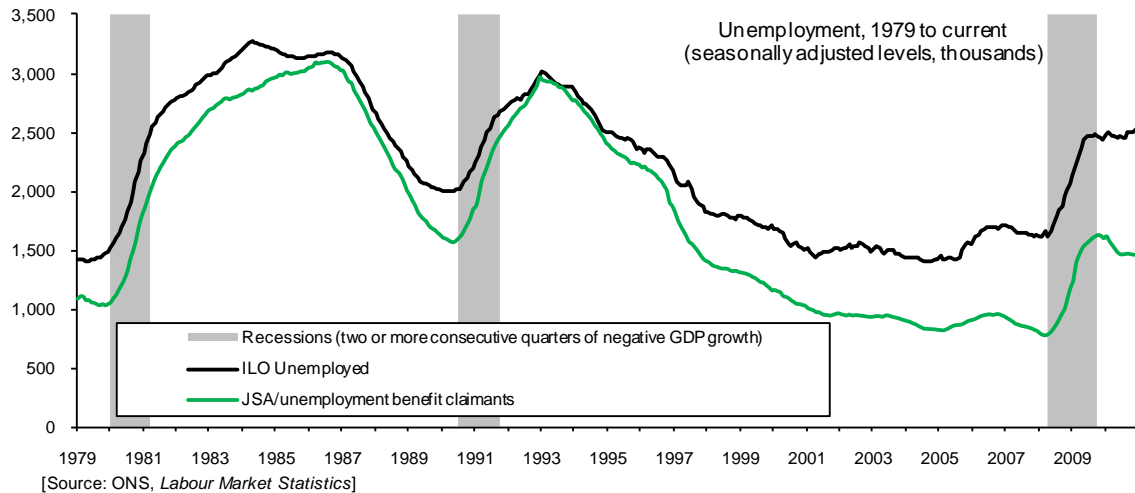
	Total	16-24	25-49	50-64	65+
Nov-Jan 2009	29,349	4,099	17,315	7,234	701
Nov-Jan 2010	28,861	3,751	17,115	7,225	770
Feb-Apr 2010	28,872	3,797	17,040	7,244	791
May-Jul 2010	29,158	3,851	17,163	7,280	864
Aug-Oct 2010	29,125	3,813	17,176	7,292	844
Nov-Jan 2011	29,157	3,753	17,187	7,318	900
% change on previous 3 months	+0.1	-1.6	+0.1	+0.3	+6.6
% change on previous year	+1.0	+0.1	+0.4	+1.3	+16.9

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 November to January 2011 was 2,529,000 (8.0% of all economically active) – up by 27,000 from the previous quarter (UK, seasonally adjusted) and the highest level since 1994.**

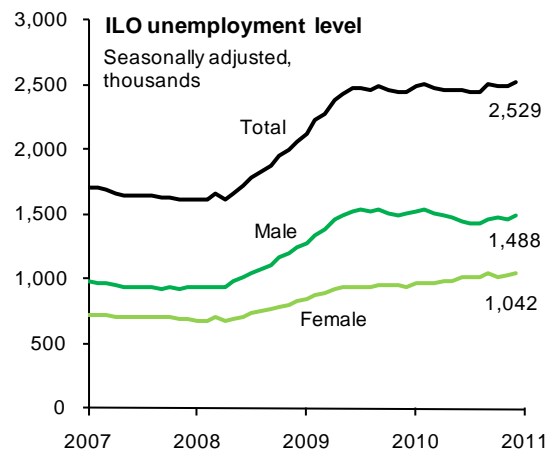


ILO unemployment (November to January 2011)

- There were 848,000 people unemployed for more than 12 months, up 9,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 974,000, 20.6% of all economically active people of this age. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count decreased by 10,200 between January 2011 and February 2011 to 1,448,600.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Nov-Jan 2006	1,554	5.1	650	13.7	679	3.8	209	2.9	17	2.7
Nov-Jan 2007	1,705	5.5	700	14.3	767	4.3	227	3.1	11	1.8
Nov-Jan 2008	1,621	5.2	683	13.9	707	3.9	219	3.0	11	1.6
Nov-Jan 2009	2,065	6.6	828	16.8	922	5.1	299	4.0	16	2.2
Nov-Jan 2010	2,443	7.8	916	19.6	1,131	6.2	371	4.9	25	3.1
Feb-Apr 2010	2,475	7.9	924	19.6	1,171	6.4	358	4.7	23	2.8
May-Jul 2010	2,467	7.8	916	19.2	1,158	6.3	375	4.9	19	2.1
Aug-Oct 2010	2,502	7.9	943	19.8	1,164	6.3	376	4.9	19	2.2
Nov-Jan 2011	2,529	8.0	974	20.6	1,163	6.3	372	4.8	21	2.2
% change on quarter	+1.1		+3.3		-0.1		-1.1		+10.5	
% change on year	+3.6		+6.3		+2.8		+0.2		-15.9	

Source: ONS, Labour Market Statistics.

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

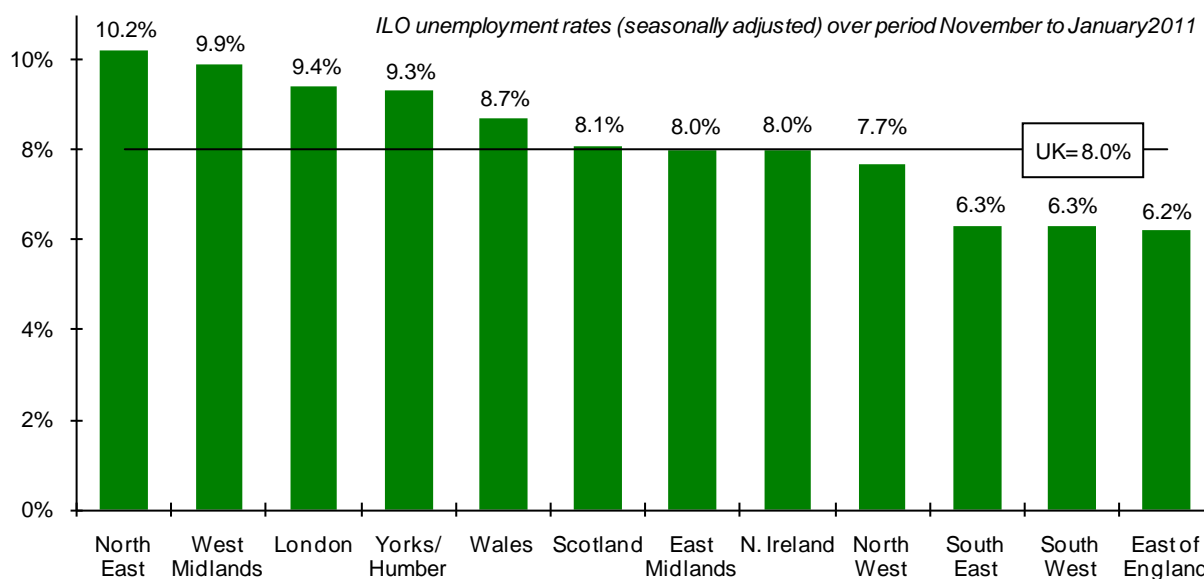
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 13 Apr

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 November to January 2011, the North East had the highest unemployment rate, at 10.2% of the economically active population, followed by the West Midlands at 9.9%. The lowest rates over the same period were 6.3%, in the South East and South West, and 6.2% in the East of England.



- The largest increase in unemployment over the last quarter was in the West Midlands (+27,000), and the next largest increases were in London and the South West (both +16,000). The largest decreases over the last quarter were in the North West, East of England and Scotland (all -16,000). (See table below.)
- The seasonally-adjusted JSA claimant count increased in two regions and countries and decreased in eight in February 2011 compared with the previous month.

Key regional labour market statistics *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	Nov - Jan 2011		Change in level		February 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	+5	+12	80.1	+0.0
North West	263	7.7	-16	-27	177.6	+0.2
Yorkshire & Humber	246	9.3	+2	+15	142.9	-1.9
East Midlands	186	8.0	-2	+16	95.3	-1.6
West Midlands	265	9.9	+27	+14	154.6	-2.5
East of England	186	6.2	-16	-8	105.9	-0.7
London	392	9.4	+16	+28	214.4	-0.2
South East	282	6.3	+6	+12	129.6	-0.6
South West	169	6.3	+16	+5	81.2	+0.0
Wales	126	8.7	+2	-7	70.3	-1.1
Scotland	218	8.1	-16	+11	137.6	-2.1
Northern Ireland	67	8.0	+4	+15	59.1	+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*, 13 Apr

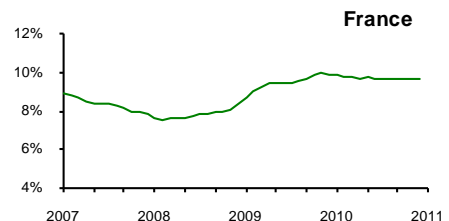
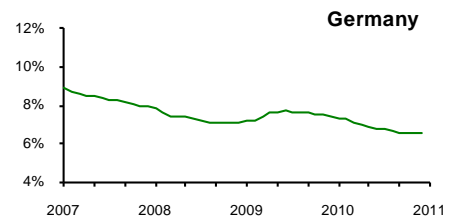
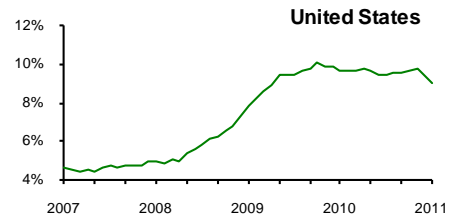
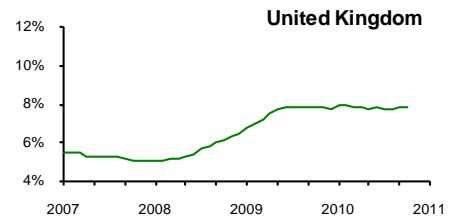
C4: Unemployment: International Comparisons

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); based on the

(The ONS headline estimate of ILO employment in the UK for Q4 2010 was 7.9%. This measure is not directly comparable with OECD harmonised rates.)

- 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 UK recent forecasts published by the OECD ([March 2011 Economic Survey of the UK](#)) suggested the UK unemployment rate would be 7.7% in 2011 and 7.5% in 2012. The respective forecasts for the euro zone (from [Economic Outlook no. 88, Oct 2010](#)) were 9.6% and 9.2%, and for the OECD as a whole 8.1% and 7.5%.



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

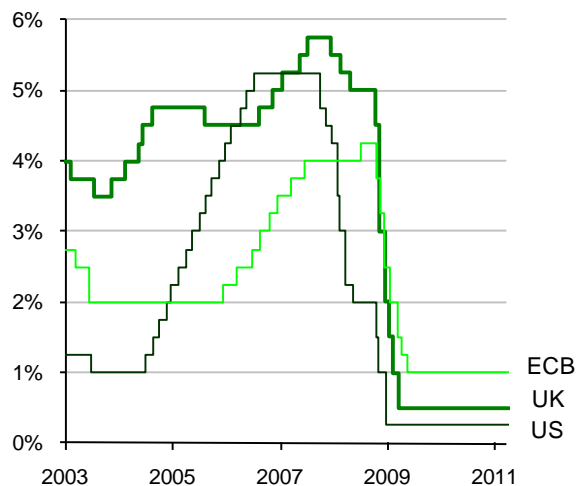
Source: OECD, Harmonised Unemployment Rates, February 2011

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	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

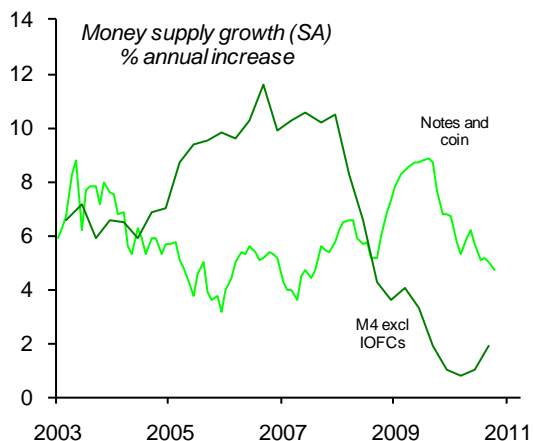
Source: Bank of England

- 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.

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: [7 Apr](#) (UK)
Bank of England, [Monetary and Financial Statistics](#), 4 May

D2: Public Finances

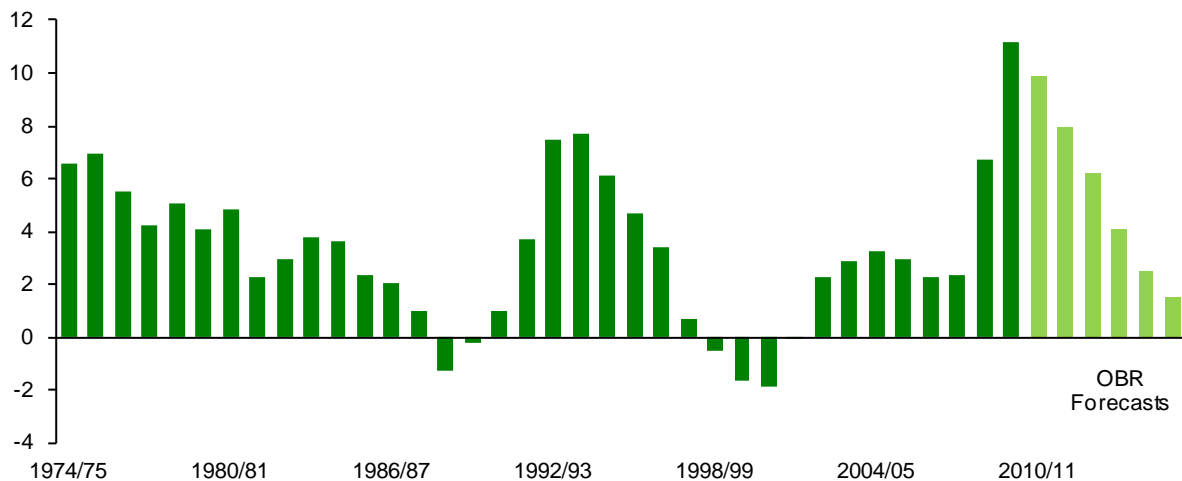
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £145.9 billion in 2010/11, equivalent to 9.9% of GDP.

- The OBR's forecast for government borrowing in 2010/11 was revised down to £145.9 billion in its Budget 2011 forecast. In November 2010, the OBR had forecast borrowing of £148.5 billion.
- Borrowing forecasts were revised upwards for every year between 2011/12 and 2015/16 by between £4 billion and £11 billion a year.
- Over the first eleven months of 2010/11, borrowing was £123.5 billion, 9.6% lower than the same period in 2009/10.

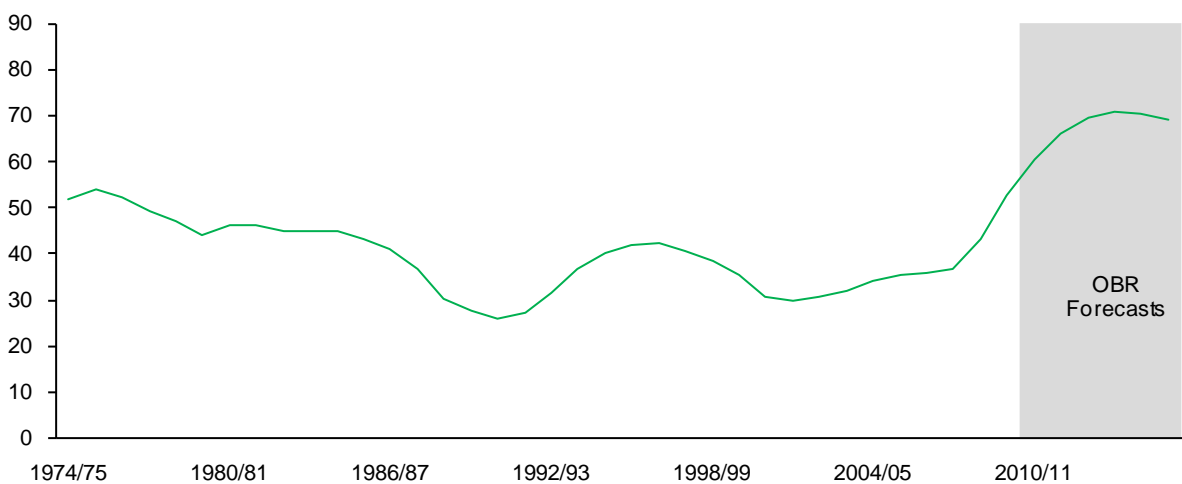
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	606	43.3
2009/10	156	11.1	760	52.7
2010/11	146	9.9	909	60.3
2011/12	122	7.9	1,046	66.1
2012/13	101	6.2	1,164	69.7
2013/14	70	4.1	1,251	70.9
2014/15	46	2.5	1,314	70.5
2015/16	29	1.5	1,359	69.1

Source: ONS, OBR

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

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

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 recently rose above \$110.

The price of gold hit an all-time high of \$1,435/ounce in March 2011.

Data from Thursday 31 March 2011

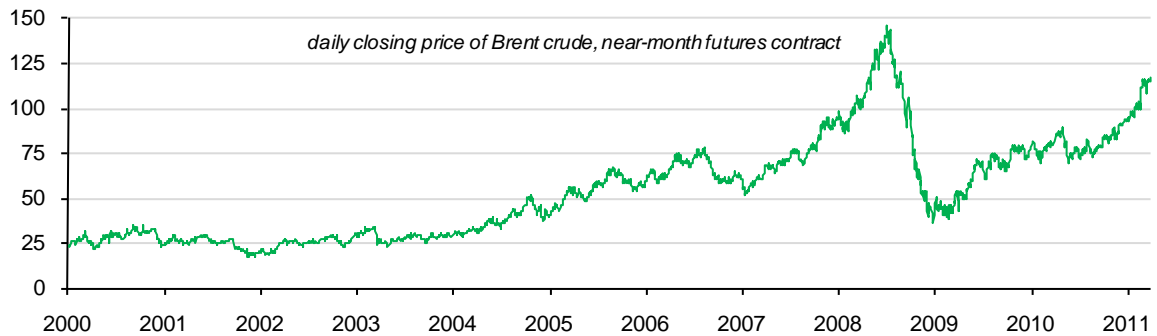
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
31 Mar 2011	5,908.8	117.4	1,423.9
%change over:			
1-month	-1%	+5%	+1%
12-months	+4%	+44%	+28%
%change from:			
cyclical peak	-12%	-20%	-1.0%
date	15 Jun '07	03 Jul '08	03 Mar '11
cyclical trough	+68%	+223%	+100%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

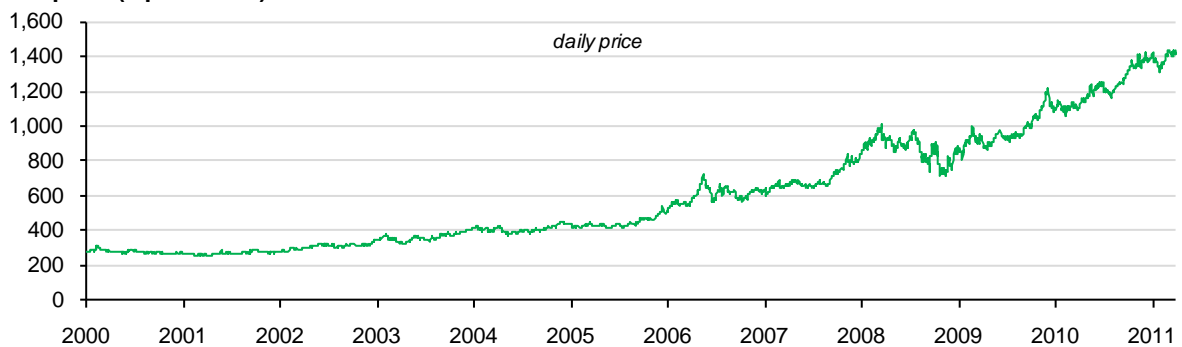
FTSE-100 Index



Oil price (\$ per barrel)



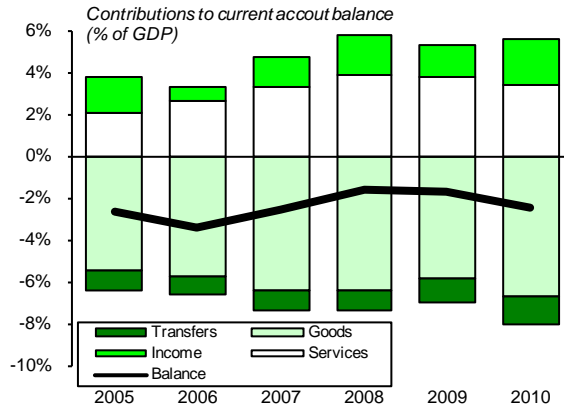
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2010 was £36.2 billion, equivalent to -2.5% of GDP. The surplus on services narrowed between 2009 and 2010, the deficit in goods and surplus on income widened, resulting in the current account deficit widening in 2010 compared with 2009.

Current Account



- On a **quarterly** basis, the current account deficit was estimated at £10.5 billion in Q4 2010 (the largest quarterly deficit on record) widening from a Q3 2010 deficit of £8.7 billion. The surplus on services narrowed and the deficit on goods widened.
- The **annual** current account deficit with EU27 countries in 2010 was £46.6 billion, compared with a surplus with non-EU countries of £10.3 bn.
- On a **quarterly** basis, the deficit with EU27 countries was £13.9 billion in Q4 2010 (£14.9 billion deficit in Q3 2010). With non-EU countries, the current account was in surplus by £3.4 billion in Q4 2010 (£6.2 billion surplus in Q2 2010).

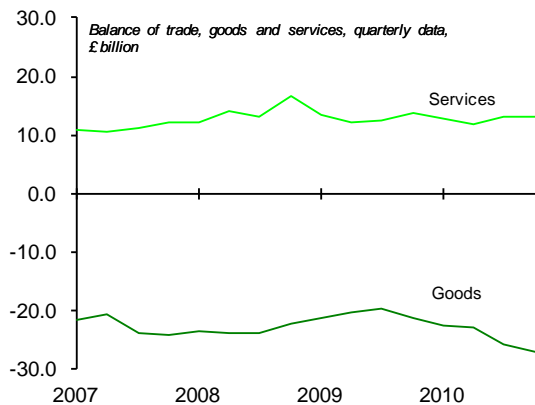
Current Account Balances

£ 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	265,329	363,106	-97,777	49,323	-48,454	31,885	-19,661	-36,230
2009 Q4	60,627	81,923	-21,296	13,870	-7,426	7,608	-3,322	-3,140
2010 Q1	62,154	84,763	-22,609	12,943	-9,666	4,575	-4,413	-9,504
Q2	66,112	88,799	-22,687	11,585	-11,102	7,813	-4,286	-7,575
Q3	66,664	92,340	-25,676	12,693	-12,983	9,195	-4,875	-8,663
Q4	70,399	97,204	-26,805	12,012	-14,703	10,302	-6,087	-10,488

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 January was £7.1 billion, narrower than the December deficit of £9.7 billion.
- The monthly trade surplus on services was an estimated £4.1 billion in January, down slightly from the December surplus of £4.2 billion.
- The overall monthly deficit on goods and services combined in January was £3.0 billion, down from £5.5 billion in December.
- The goods deficit with the EU27 was £2.9 billion in January (compared with £3.9 billion in December), while the deficit with non-EU countries was £4.2 billion (compared with £5.8 billion in December).

Contact: Grahame Allen, x3977

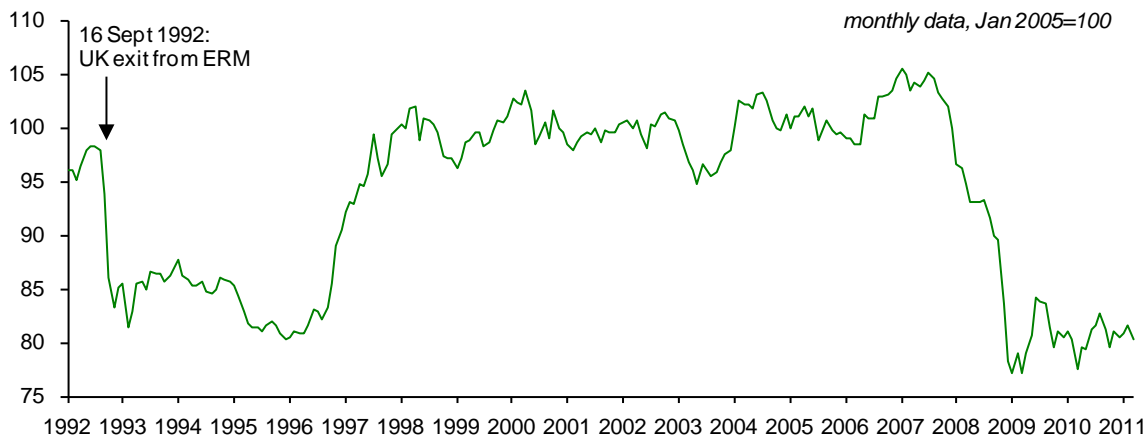
Updates: ONS, [UK Trade](#), 12 Apr;
ONS, [UK Balance of Payments](#), 28 Jun

E2: Exchange rates

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

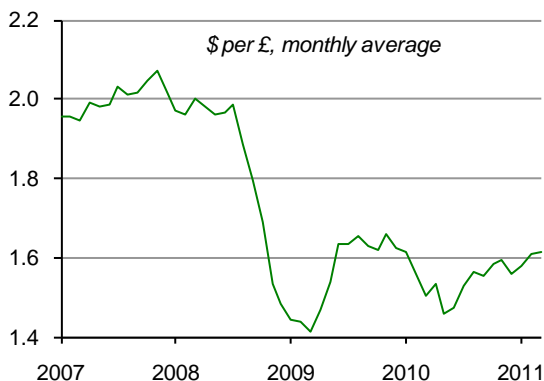
The SERI fell by 1.6% in March, following a 0.8% rise in February. Compared with the same period last year, the SERI was up 3.4%. It is now 4.1% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 23.9% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



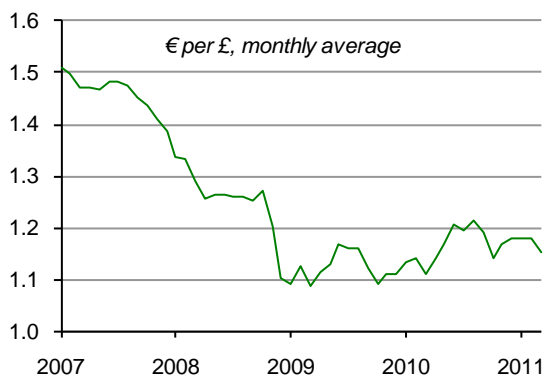
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In March, the pound was on average one cent stronger against the dollar than in February. At the 4 April market close the pound stood at \$1.61 dollars, slightly below the March average of \$1.62.
- Sterling was on average three cents weaker against the euro in March, when compared with February.
- At the 4 April market close the pound stood at €1.13. 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	Mar	1.51	6.2%	1.11	2.1%
2011	Jan	1.58	-2.3%	1.18	4.3%
	Feb	1.61	3.3%	1.18	3.5%
	Mar	1.62	7.3%	1.15	3.9%

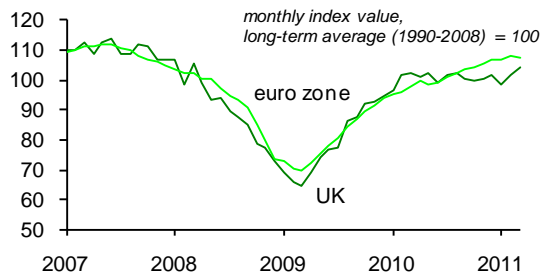
Contact: Gavin Thompson x2042

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 4 May

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

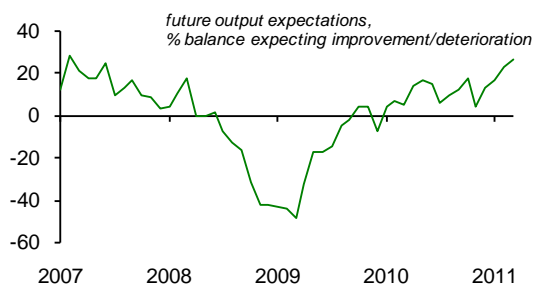


		UK Index	monthly change	change on year ago
2009	Mar	64.4	...	...
2010	Mar	102.5	...	...
2011	Jan	98.8	-2.9	+1.9
	Feb	101.9	+3.1	+0.4
	Mar	104.6	+2.7	+2.1

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 2.7 points to 104.6 in March 2011, reaching its highest level since March 2008. The overall Euro area sentiment index decreased by 0.6 points in March to 107.3.

CBI Industrial Trends Survey



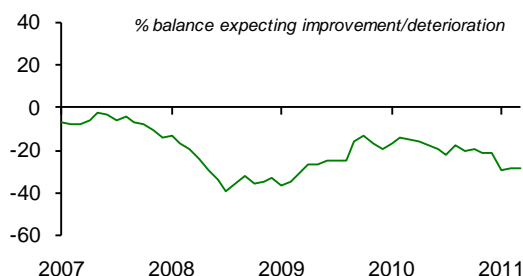
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2009	Mar	-48	...	...
2010	Mar	+5	...	...
2011	Jan	+17	+4	+13
	Feb	+23	+6	+16
	Mar	+27	+4	+22

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in March were +27% of firms expecting output to rise rather than fall over the next three months. This was up 4 points on last month's +23% and is the highest figure since February 2007.

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	Mar	-30	...	...
2010	Mar	-15	...	...
2011	Jan	-29	-8	-12
	Feb	-28	+1	-14
	Mar	-28	0	-13

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.
- At -28, overall confidence was the same in March as in February. In January confidence had dropped by 8 points to -29, the lowest level since March 2009.

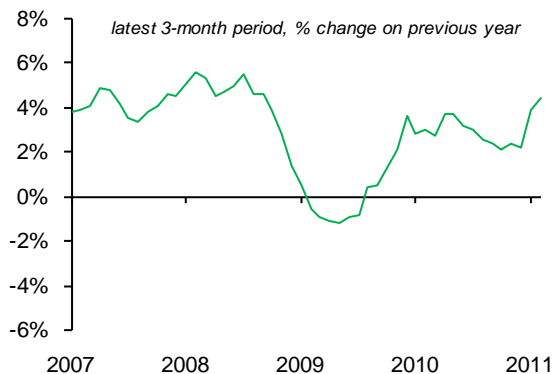
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 26 Apr
EC, [Economic Sentiment Indicator](#), 29 Apr
GfK NOP, [Consumer Confidence](#), 28 Apr

F2: Retail Sales

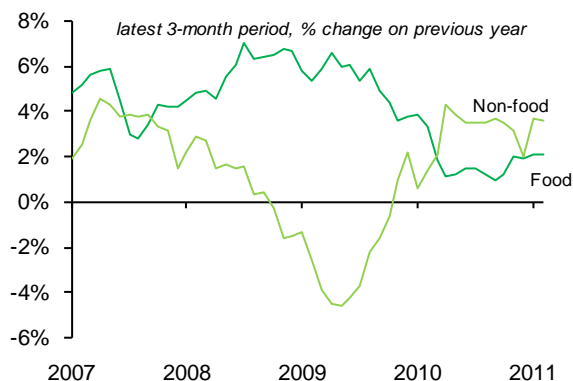
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

Value of Retail Sales



- The rate of annual increase in the value of retail sales rose in the three months to February 2011 to 4.4%.
- The value of retail sales in February alone was down slightly compared with January (in seasonally adjusted terms). However, recent analysis is complicated by the cold weather and VAT increase.
- The estimated total value of sales in February was £23.9 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to February rose by 2.1% compared with the previous year.
- The annual rate of increase of the value of sales in non-food stores was 3.6% in the three months to February.
- Sales in household goods stores were 4.6% lower than a year ago, a further slowing of recent rapid declines.
- Sales in clothing and footwear stores were up by an annual rate of 3.6% in the three months to February, a slowing in growth.

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 Oct	1.2	6.6	-5.0	5.5	3.5	2.1
Nov	2.0	7.3	-6.5	5.5	3.2	2.4
Dec	1.9	6.2	-9.4	5.4	2.0	2.2
2011 Jan	2.1	5.6	-5.6	7.3	3.7	3.9
Feb	2.1	3.6	-4.6	7.8	3.6	4.4

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

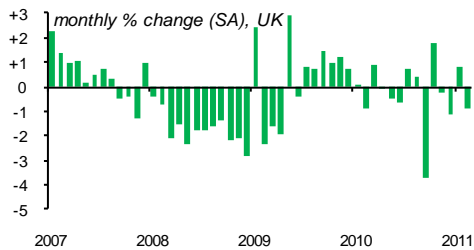
F3: Housing Market

House prices on the Nationwide index rose by 0.5% in March, the third monthly increase in the past four months. Prices were though only 0.1% higher in March compared with a year ago. House prices on the Halifax index fell by 0.9% in February compared with a month ago. However, this follows a 0.8% rise in January. Prices were 2.6% lower than a year ago on this measure.

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

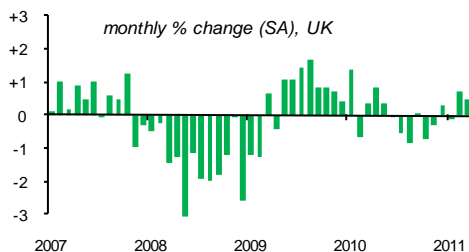
Halifax house price index



Latest monthly data UK, seasonally adjusted

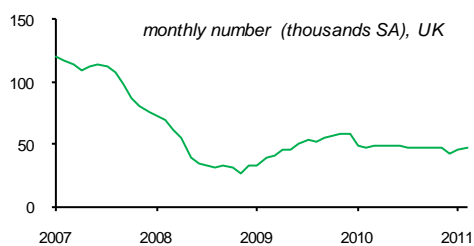
	Halifax	Nationwide
Latest data	Feb-11	Mar-11
Change in month	-0.9%	+0.5%
Change in year	-2.6%	+0.1%
Peak date	Aug-07	Jul-07
Change since peak	-18.5%	-8.8%
Trough date	Apr-09	Feb-09
Change since trough	+5.2%	+10.0%

Nationwide house price index



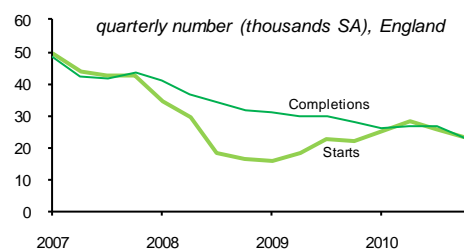
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q4 2010 prices fell by 9% in Northern Ireland but rose by 4% in East Anglia compared with 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 rose to 46,967 in February, a rise of 2% compared with January. However, the number of approvals in February was still lower than in every month of 2010 except December.

House-building



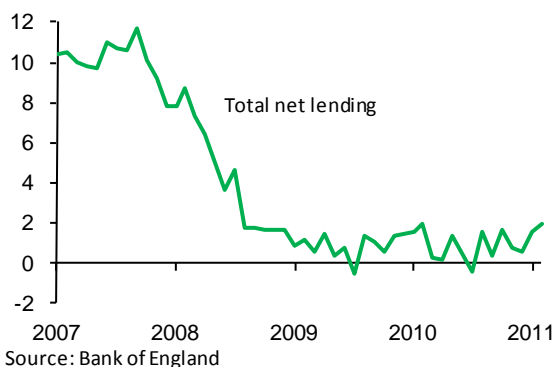
- There were 23,000 house building starts in England in Q4 2010, down from 25,780 in Q3 2010. This is 7,500 higher than the low of 15,510 in Q1 2009, but still below half of the 50,000 starts in Q1 2007.
- The number of dwelling completions fell to 23,190 in Q4 2010 and is still nearly 50% lower than 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 Apr;
Nationwide [House Price Index](#), early May;
Bank of England, [Lending to Individuals](#), 4 May;
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 £2.0 billion in February 2011. This compares with an increase of £1.5 billion in January.
- Monthly net unsecured lending fell by £0.8 billion in February 2011.
- Monthly net secured lending (mortgages) grew by £1.2 billion in February 2011, compared with a £1.9 billion rise in January.

Net outstanding lending to individuals

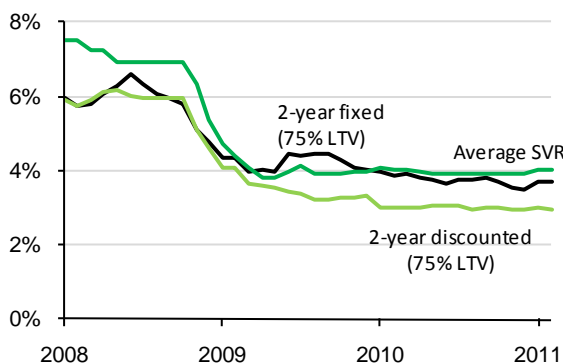
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Feb	1,096	213	1,310
2008 Feb	1,194	229	1,424
2009 Feb	1,227	233	1,460
2010 Feb	1,239	224	1,463
2010 Aug	1,240	217	1,457
2010 Nov	1,239	214	1,453
2011 Feb	1,242	212	1,454

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

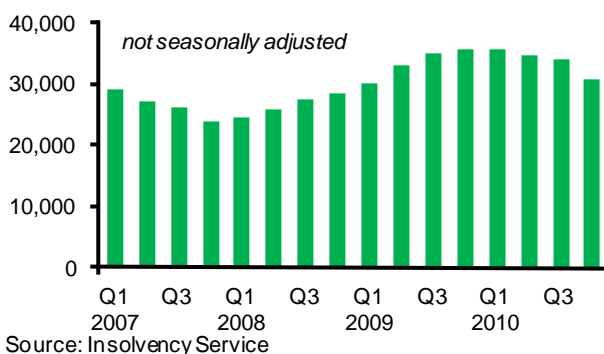
- Total net outstanding lending to individuals was £1,454 billion at the end of February 2011, 0.6% lower than in February 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 85% of the total.
- Unsecured lending outstanding (including credit cards) was £212 billion at the end of February 2011.

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 February was 4.05%, an increase of 0.03 percentage points on January 2011.
- The average fixed and discounted rates offered (75% LTV) in February were 3.69% and 2.96% 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. 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](#), 4 May
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: Preliminary GDP estimates ; UK output, income & expenditure ; Quarterly national accounts HM Treasury, Forecasts for the UK Economy
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, Economic Outlook (full document via www.sourceoecd.org); IMF World Economic Outlook database and updates European Commission's growth forecasts
A3	Components of GDP	ONS releases: UK output, income & expenditure ; Quarterly national accounts
A4	Output and Employment by Industry	ONS releases: Preliminary GDP estimates ; UK output, income & expenditure ; Quarterly national accounts
A5	Manufacturing (Including Automotives)	ONS, Index of Production SMMT, Vehicle Production SMMT, New Car Registrations
A6	Productivity	ONS, Productivity
B1	Inflation	ONS, Consumer Price Indices
B2	Inflation: International	CPI: OECD, Main Economic Indicators (link to user defined table); EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, Average Weekly Earnings and Labour Market Statistics
C1	Employment	ONS, Employment and Labour Market Statistics
C2	Unemployment: National	ONS, Labour Market Statistics release and Labour Market Statistics First Release Historical Supplement
C3	Unemployment: Regional	ONS, Labour Market Statistics and Regional Labour Market Statistics
C4	Unemployment: International Comparisons	Data: OECD, Main Economic Indicators Commentary: OECD, Economic Outlook (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.