



Economic Indicators, May 2011

RESEARCH PAPER 11/35 03 May 2011

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

- The ONS's first estimate of Q1 2011 GDP showed that the economy grew by 0.5% compared with the previous quarter.
- Growth in Q1 came from the manufacturing sector (up by 1.1%) and the services sector (up by 0.9%). However, overall GDP growth was reined in by a steep decline in construction output (down by 4.7%).
- The Q1 outturn followed a 0.5% decline in GDP in Q4 2010 when bad weather was blamed for the contraction in activity. Taking the two quarters together, economic output remained unchanged over the six month period October 2010-March 2011

This month's articles:

- **Analysing the latest GDP data**
- **Which English constituencies are the most deprived?**

Daniel Harari (editor)

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Research Paper 11/35

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Economic Policy and Statistics section

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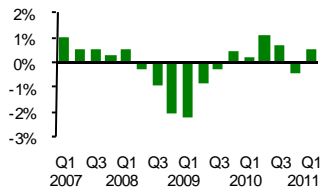
Summary

The ONS's first estimate of Q1 2011 GDP showed that the economy grew by 0.5% compared with the previous quarter. Growth in Q1 came from the manufacturing sector (up by 1.1%) and the services sector (up by 0.9%). However, overall GDP growth was reined in by a steep decline in construction output (down by 4.7%). The Q1 outturn followed a 0.5% decline in GDP in Q4 2010 when bad weather was blamed for the contraction in activity. Taking the two quarters together, economic output remained unchanged over the six month period October 2010-March 2011. For more on the GDP data see the article on [page ii](#).

GDP Growth

[page 1](#)

(% change quarter-on-quarter)

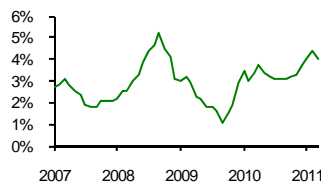


Quarterly GDP expanded by 0.5% in Q1 2011 compared with Q4 2010. This followed a contraction in GDP of 0.5% in Q4 2010.

Inflation (CPI)

[page 7](#)

(% change on year ago)

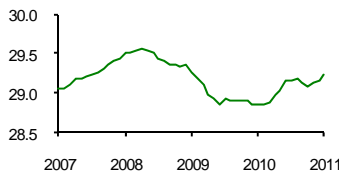


The rate of CPI inflation slowed to 4.0% in the year to March, down from 4.4% in February. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

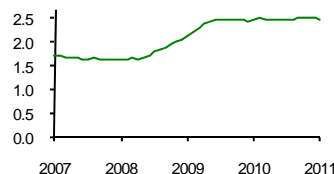


In the three months to February, the number of people employed rose by 143,000 to 29.2 million.

Unemployment

[page 11](#)

(total, millions, ILO definition)

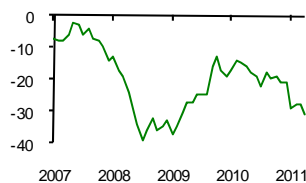


ILO unemployment fell by 17,000 to just under 2.5 million in the three months to February. The unemployment rate also decreased to 7.8% from 7.9%.

Consumer Confidence

[page 19](#)

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



The GfK NOP survey shows that consumer confidence fell in April to its lowest level since spring 2009.

Next issue: 7 June

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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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 Analysing the latest GDP data

ONS released its preliminary estimate of GDP for the first quarter of 2011 on 27 April.³ This suggests that the economy grew by 0.5% quarter-on-quarter, avoiding a “double dip” recession. George Osborne welcomed “the good news that the economy has returned to growth”.

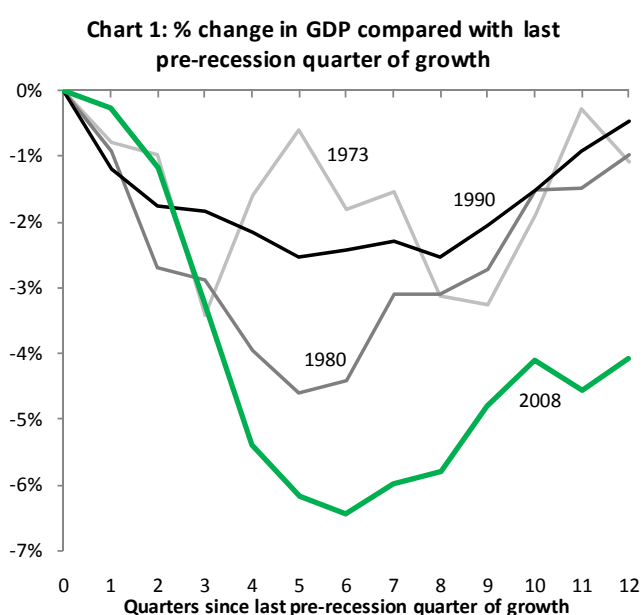
However, this growth was lower than the 0.8% expected by the Office for Budget Responsibility in its March forecast. It also merely recouped the lost output during the snow-affected fourth quarter of 2010. ONS Chief Economist Joe Grice, described an “economy on a plateau”, Ed Balls said the economy was “flat-lining” and the *FT* said it was “stagnant”.

Where does this leave the economic recovery? And is Government policy to blame?

2.1 The state of the recovery

Chart 1 compares the current recovery with those from previous recessions. This recession was particularly deep and economic output remains at early 2006 levels, more than 4% below its peak.

It is also clear that bumpy recoveries are not unusual. The economy recovered quickly after the 1973-74 recession, but then fell back into recession in 1975. The recovery from the 1990-91 recession saw two quarters of very slow growth cancelled out by a contraction in the next; and that from the 1980-81 recession saw two quarters of zero growth.



2.2 De-constructing the figures

One of the reasons the Chancellor declared the GDP figures to be good news was that “manufacturing is growing so strongly”. Manufacturing output was estimated to have increased by 1.1% quarter-on-quarter, while services, by far the largest sector of the economy, rose by 0.9%. Simon Ward, of Henderson Global Investors, has argued that positive data in these key sectors provide “confirmation that the economic recovery remains on track”.⁴

So why then did GDP only grow by 0.5%? Output in the utilities industry was estimated to have fallen by 3.5% quarter-on-quarter, reducing overall GDP by 0.1%. Furthermore, output in the construction industry was estimated to have fallen by 4.7%, reducing GDP by 0.3%. Put differently, if construction had remained stable, the economy would have grown by a far healthier 0.8%.

This exclusion of construction is not without merit. The sector has been particularly volatile – it is not difficult to see why it might be particularly affected by the weather – and the ONS has

³ ONS Statistical Bulletin, *Gross domestic product preliminary estimate: 1st Quarter 2011*, 27 April 2011

⁴ Simon Ward, Henderson Global Investors, *UK GDP detail shows economic recovery on track*, 27 April 2011

launched an internal review into how it collects construction output data amid concerns that its data lag behind actual economic activity.

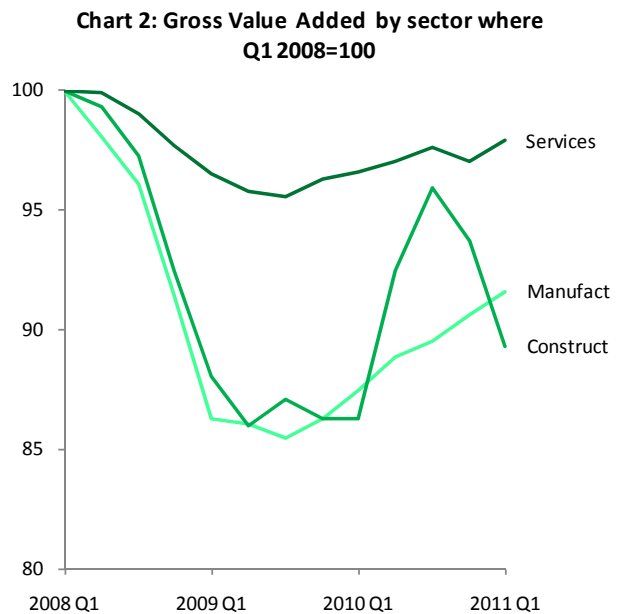
2.3 An uneven recession and an uneven recovery

However, that construction output has fallen sharply is not disputed. As Chart 2 demonstrates, both the recession and the recovery have been very uneven.

Services output has grown relatively slowly in recent quarters, but from a relatively high base: in the trough of the recession, output in services was 4.5% below that in the first quarter of 2008.

By contrast, manufacturing output fell by 14.5%. This gives some context to its relatively rapid subsequent recovery.

Construction output has been particularly erratic. It had a terrible recession, very strong growth in the first half of 2010 (including 7.2% quarter-on-quarter growth in Q2), followed by strongly negative growth in the past two quarters. The latest estimates put construction output back to more than 10% below pre-recession levels.



2.4 Policy implications

Opponents of the Government's fiscal retrenchment argue that the economy is suffering as a result. Ed Balls said "by making a political choice to cut further and faster than any other major economy", the Government has "choked off the recovery when it should have been secured". Keynesian economist Paul Krugman responded to the data by saying "contractionary fiscal policy is, well, contractionary".⁵

However, it is not clear that cuts are behind the slow growth. Though VAT rose to 20% in January 2011, these data predate spending reductions: output in the Government and other services sector rose by 0.7% in the last quarter. Much of the medicine is still to be taken.

As ever, much depends on consumer expectations. Consumers fearful of the effects of cuts and of economic stagnation could generate that very outcome. The Government hopes that confidence in the economy being on the right track combined with a dynamic private sector will have the reverse effect in stimulating strong growth.

Adam Mellows-Facer, Economic Policy and Statistics Section

⁵ Paul Krugman, *UK, Not Ok*, *New York Times Conscience of a Liberal Blog*, 27 April 2011

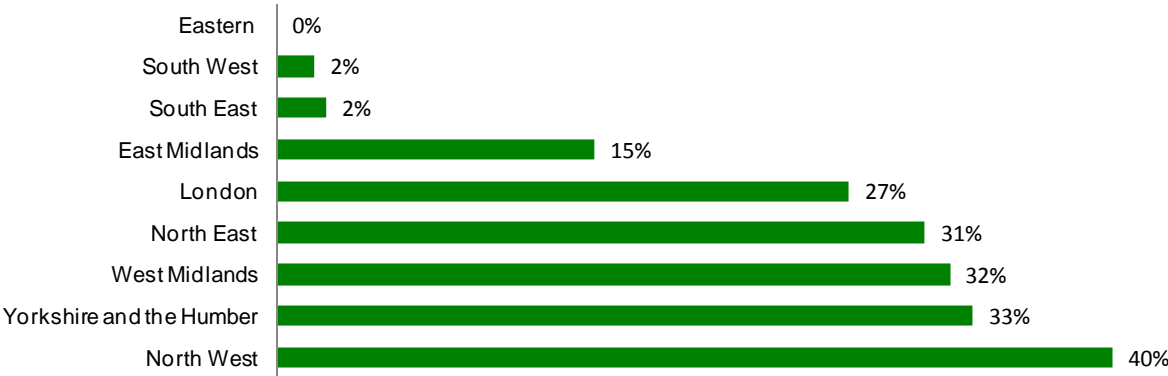
3 Which English constituencies are the most deprived?

Deprivation varies across England. The South East, South West and Eastern regions have a much smaller proportion of the most deprived constituencies than the other regions. Deprivation is closely associated with the party holding a constituency – 51% of Labour-held constituencies are among the most deprived, compared with 1% of Conservative-held constituencies.

3.1 The geography of deprivation

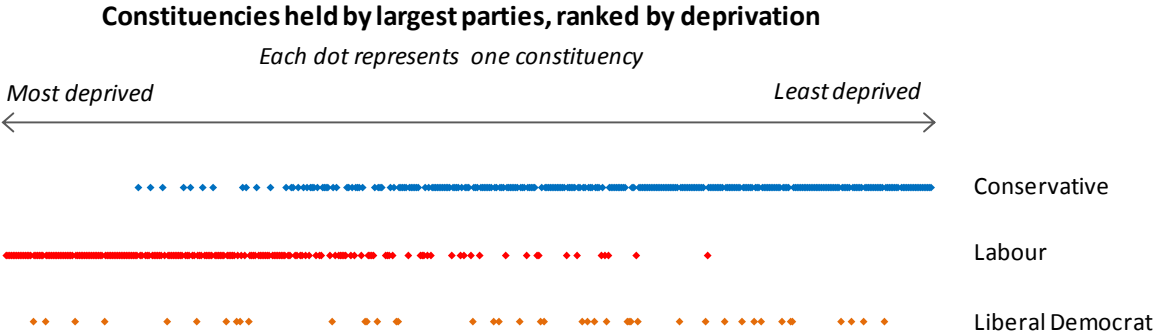
The map opposite shows how deprivation varies across the country, based on the 2010 English Index of Multiple Deprivation.⁶ The Eastern region has the lowest proportion of deprived constituencies – it contains none of the constituencies in the bottom 20% across the country. The region with the highest proportion is the North West, where 40% of the constituencies are among the most deprived.

Proportion of constituencies in each region that are in the most deprived 20% in England



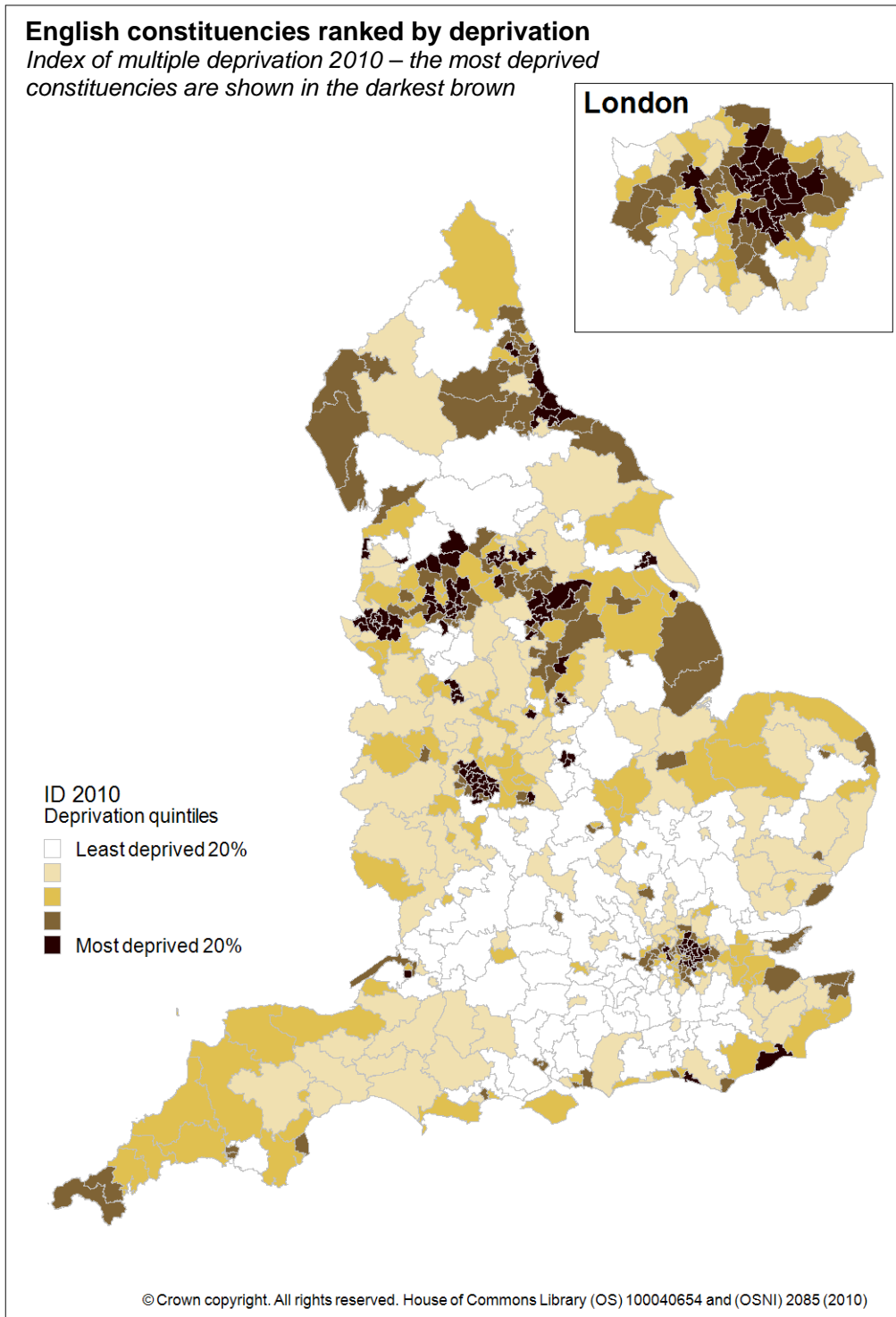
3.2 Deprivation and party

There is a strong association between deprivation levels and the party that holds a constituency. Just 1% of Conservative-held seats are among the most deprived 20% of constituencies, compared with 51% of Labour-held seats and 12% of Liberal Democrat-held seats.⁷



⁶ This index, from the Department for Communities and Local Government, is made up from a range of indicators covering deprivation relating to income, employment, education, crime, health, barriers to housing and services and people’s living environment. Similar indices are also available for [Scotland](#), [Wales](#) and [Northern Ireland](#), although they are produced in slightly different ways and cannot be compared with each other.

⁷ This analysis excludes Leicester South where a by-election will be held on 5 May 2011 and which is among the 20% most deprived constituencies, as well as the constituencies held by the Green Party and the Speaker, which are not among the most deprived 20%.

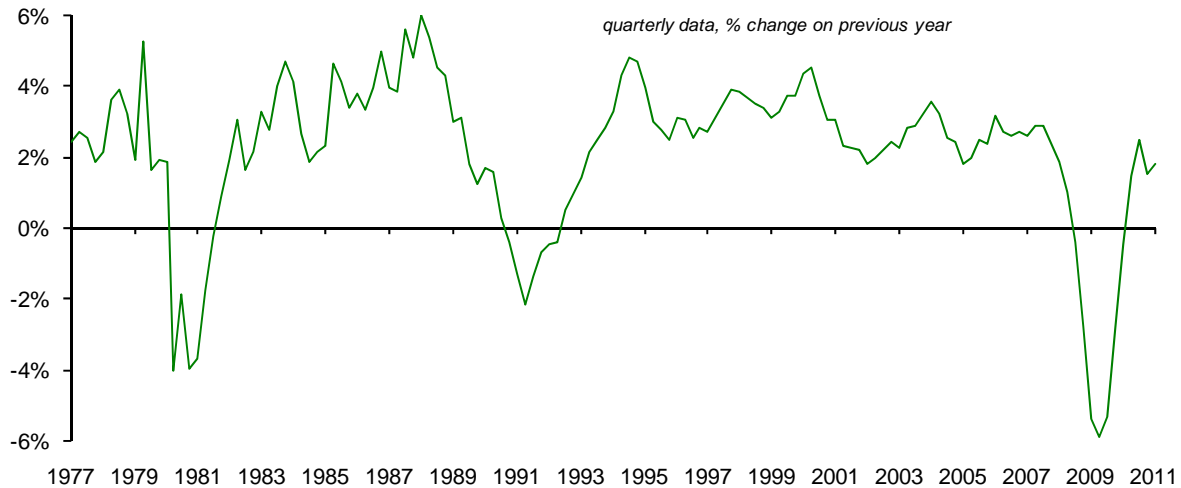


Notes: Data is from the English Indices of Deprivation 2010, published by the Department for Communities and Local Government (DCLG). The figures shown are for the ranks of the population-weighted average deprivation scores for the small areas (lower super output areas) that make up each constituency. Small areas that cover more than one constituency have been allocated to the constituency that covers the largest proportion of them (measured by the number of output areas). Output areas have been matched to constituencies using the National Statistics Postcode Look-up. The populations used for weighting are from the Office for National Statistics and are for 2008.

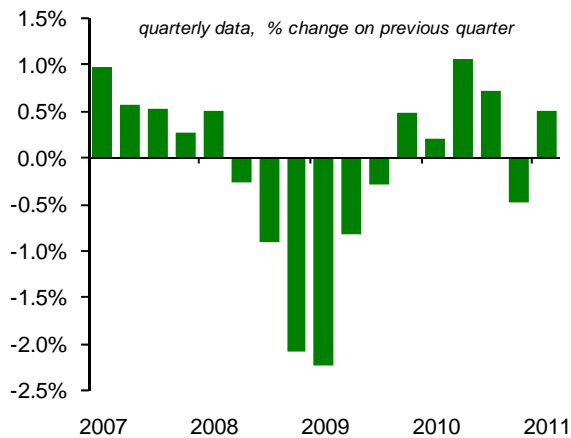
A1: Gross Domestic Product

The economy grew by 0.5% in Q1 2010, reversing a fall of 0.5% in Q4 2010. In April 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.7% 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 £ billion on year | % change on year | Real GDP (inflation-adjusted) | |
|---------|-------------------------------------|---------------------|----------------------------------|---------------------|
| | | | % 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 |
| 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 |
| 2011 Q1 | ... | ... | 0.5 | 1.8 |

Source: ONS, series: YBHA, ABMI

- The economy grew by 0.5% in Q1 2011 compared with Q4 2010. This compares with a fall of 0.5% in Q4 2010.
- Manufacturing grew by 1.1% in Q1 2011 compared with the previous quarter. Services grew by 0.9%. Construction fell by 4.7%.
- In Q1 2011, GDP was 1.8% higher than a year earlier but GDP remains 4.1% below its pre-recession level.

Contact: Grahame Allen, x3977

Updates: ONS, [UK output, income & expenditure, ONS](#), 25 May
HMT, [Comparison of Independent Forecasts](#), 18 May

A2: GDP: International Comparisons

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

The UK economy grew 0.5% in Q1 2011, following a contraction of 0.5% in Q4 2010. The US grew 0.4% in Q1 2011. In Q4 2010, Germany grew 0.4%, and the eurozone as a whole grew 0.3%; the G7 grew 0.4% and the OECD 0.6%.

Real GDP, % changes

| | change on prev. year | | | | | change on prev. quarter | | | | |
|----------|----------------------|------|------|------|------|-------------------------|------|------|------|------|
| | 10Q1 | 10Q2 | 10Q3 | 10Q4 | 11Q1 | 10Q1 | 10Q2 | 10Q3 | 10Q4 | 11Q1 |
| US | 2.4 | 3.0 | 3.2 | 2.8 | 2.3 | 0.9 | 0.4 | 0.6 | 0.8 | 0.4 |
| Japan | 5.4 | 3.3 | 4.7 | 2.5 | .. | 1.5 | 0.5 | 0.8 | -0.3 | .. |
| UK | -0.4 | 1.5 | 2.5 | 1.5 | 1.8 | 0.2 | 1.1 | 0.7 | -0.5 | 0.5 |
| Germany | 2.1 | 3.9 | 3.9 | 4.0 | .. | 0.6 | 2.2 | 0.7 | 0.4 | .. |
| France | 1.2 | 1.6 | 1.7 | 1.5 | .. | 0.3 | 0.6 | 0.2 | 0.4 | .. |
| Eurozone | 0.8 | 2.0 | 2.0 | 2.0 | .. | 0.4 | 1.0 | 0.4 | 0.3 | .. |
| G7 | 2.4 | 2.8 | 3.2 | 2.6 | .. | 0.9 | 0.7 | 0.6 | 0.4 | .. |
| OECD | 2.6 | 3.2 | 3.2 | 2.9 | .. | 0.8 | 0.9 | 0.6 | 0.6 | .. |

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

In [April 2011](#), the IMF left their 2011 forecast for world growth unchanged at 4.4%.

The 2011 UK growth forecast was revised downwards by 0.3 percentage points to 1.7%. After several upward revisions, the 2011 forecast for Germany was revised down from 2.2% to 2.1%. US growth was also revised downward slightly, by 0.1 percentage points, to 2.9%.

Among major emerging markets, China's and Brazil's IMF growth forecast for 2011 was left unchanged. The 2011 forecast for India was reduced by 0.2 percentage points, from 8.4% to 8.2%.

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%.

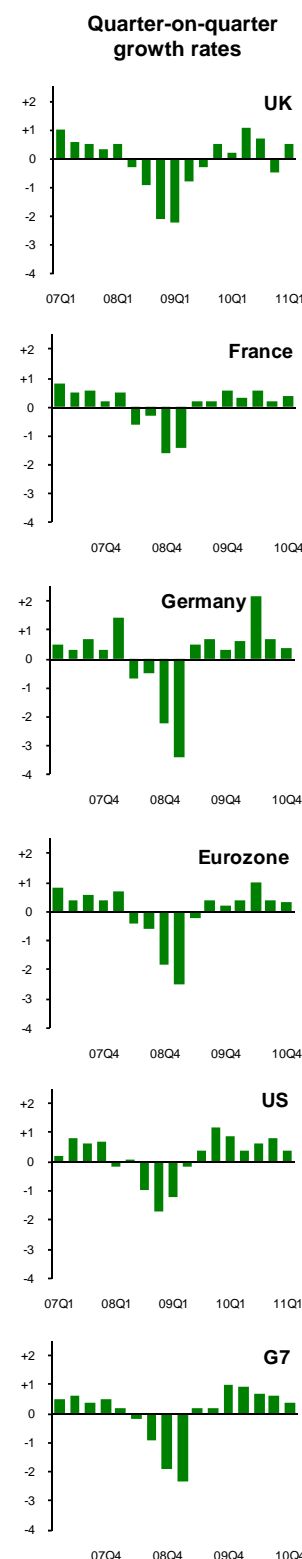
OECD [November forecasts](#) revised OECD-wide growth up by 0.1 percentage points to 2.8% in 2010 and down by 0.5 percentage points to 2.3% in 2011. The US saw significant downward revisions for both 2010 and 2011. The [March 2011 survey of the UK economy](#) revised 2010 growth for the UK down by 0.4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

Real growth forecasts (% changes)

| | IMF (Apr 11) | | | EC (Feb 11) | OECD (Nov 10 ^a) | |
|--------------|--------------|------------|------------|-------------|-----------------------------|------------|
| | 2011 | 2012 | 2013 | 2011 | 2011 | 2012 |
| UK | 1.7 | 2.3 | 2.5 | 2.0 | 1.5 | 2.0 |
| France | 1.6 | 1.8 | 2.0 | 1.7 | 1.6 | 2.0 |
| Germany | 2.5 | 2.1 | 1.9 | 2.4 | 2.5 | 2.2 |
| Eurozone | 1.6 | 1.8 | 1.8 | 1.6 | 1.7 | 2.0 |
| US | 2.8 | 2.9 | 2.7 | .. | 2.2 | 3.2 |
| Japan | 1.4 | 2.3 | 2.5 | .. | 1.7 | 1.3 |
| OECD | .. | .. | .. | .. | 2.3 | 2.8 |
| China | 9.6 | 9.5 | 9.5 | .. | 9.7 | 9.7 |
| India | 8.2 | 7.8 | 8.2 | .. | 8.2 | 8.5 |
| Brazil | 4.5 | 4.1 | 4.1 | .. | 4.3 | 5.0 |
| World | 4.4 | 4.5 | 4.5 | .. | .. | .. |

^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



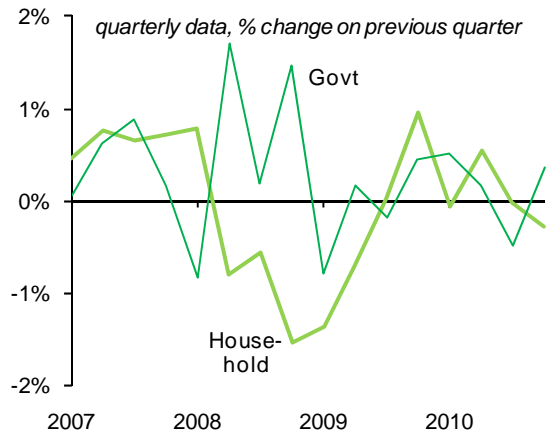
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 9 May 2011
EC [Economic Forecast](#), 14 May 2011
IMF [World Economic Outlook](#), Jul 2011

A3: Components of GDP

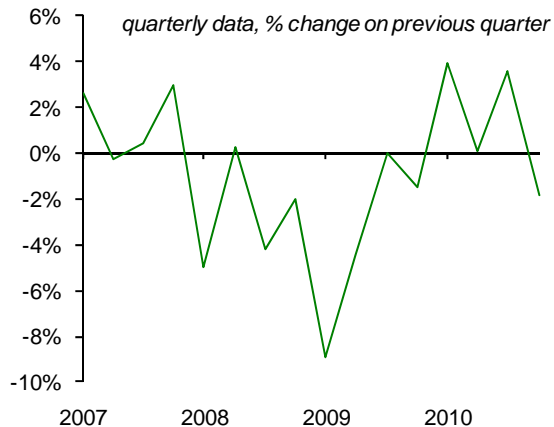
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation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

Household consumption 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, NMR Y, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

A4: Output and employment by industry

In 2009 (the latest National Accounts data), services accounted for 79% of UK Gross Value Added (GVA), manufacturing 11%, other production (mining & quarrying, and utilities) 4%, construction 6% and agriculture, hunting and fishing 1%. The services sector accounts for 82% of total workforce jobs (December 2010).

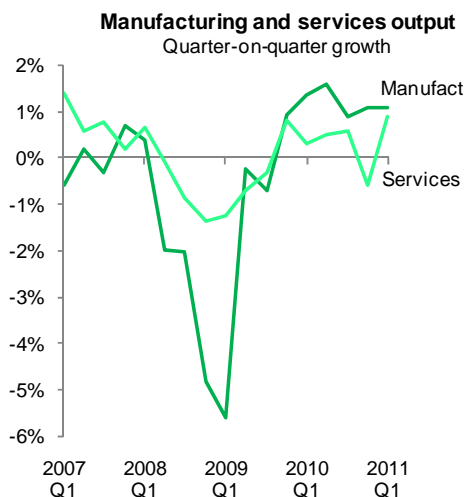
Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

| | Manufacturing | Construction | Services | Total GDP |
|---------------------------|---------------|--------------|----------|-----------|
| <i>Annual % changes</i> | | | | |
| 2009 | -10.7% | -10.7% | -3.2% | -4.9% |
| 2010 | 3.6% | 6.0% | 1.1% | 1.3% |
| 2010 Q3 | 4.8% | 10.1% | 2.1% | 2.5% |
| 2010 Q4 | 5.0% | 8.6% | 0.8% | 1.5% |
| 2011 Q1 | 4.8% | 3.5% | 1.4% | 1.8% |
| <i>Quarter-on-quarter</i> | | | | |
| 2010 Q3 | 0.9% | 3.8% | 0.6% | 0.7% |
| 2010 Q4 | 1.1% | -2.3% | -0.6% | -0.5% |
| 2011 Q1 | 1.1% | -4.7% | 0.9% | 0.5% |

Source: ONS series CKYY, GDQB, GDQS, CGCE



- Following sharp falls in manufacturing output in 2008 and 2009, it has grown at a faster rate than services in each of the past six quarters. Construction has contracted sharply in the past two quarters following strong growth in Q2 and Q3 2010.
- Manufacturing output rose by 4.8% in the year to Q1 2011, services by 1.4% and construction by 3.5%.
- Output in the business services and finance sector grew by 1.5% in the year to Q1 2011.

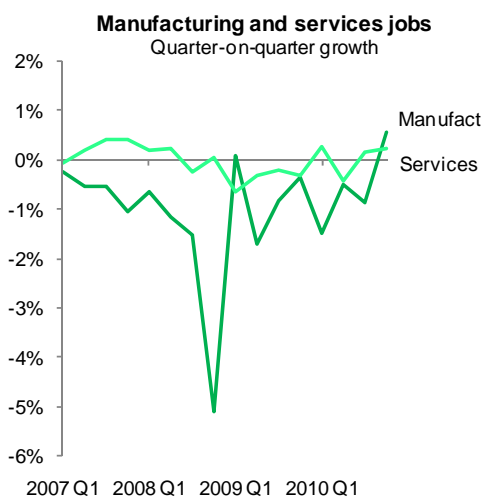
Employment

Workforce jobs by industry

Seasonally adjusted

| | Manufacturing | Construction | Services | GDP |
|---------------------------|---------------|--------------|----------|--------|
| <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.

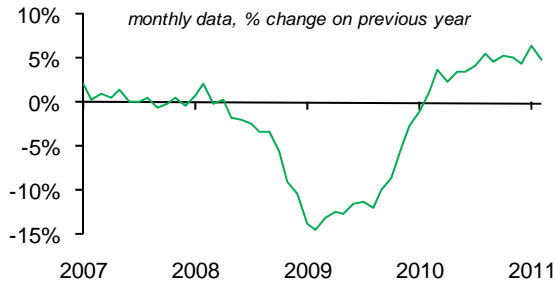
Contact: Adam Mellows-Facer, x4904

Update: ONS, [Second estimate of GDP](#), 25 May

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

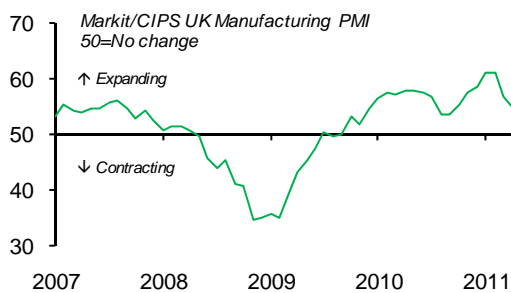


| | Index Value (2005=100) | % change over month | % change over 12 months |
|----------|---------------------------|------------------------|----------------------------|
| 2009 | 87.2 | ... | -10.7 |
| 2010 | 90.3 | ... | 3.6 |
| 2011 Nov | 92.0 | +0.6 | +5.2 |
| Dec | 91.9 | -0.1 | +4.5 |
| Jan | 92.7 | +0.9 | +6.6 |
| Feb | 92.7 | 0.0 | +4.9 |

Source: ONS, series CKYY

- Manufacturing output rose by 4.9% in the year to February 2011, a slowing from the 6.6% increase in the year to January.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was up by 2.4%, compared with 4.2% in the year to January.

Manufacturing Purchasing Managers' Index

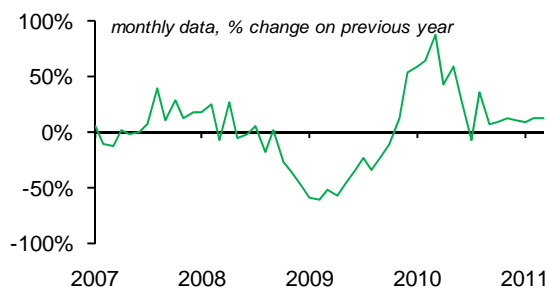


| | | Index | Monthly change |
|------|-----|-------|----------------|
| 2009 | Apr | 43.1 | ... |
| 2010 | Apr | 58.0 | ... |
| 2011 | Jan | 61.2 | +2.5 |
| 2011 | Feb | 61.0 | -0.2 |
| | Mar | 56.7 | -4.3 |
| | Apr | 54.6 | -2.1 |

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

- The Markit/CIPS UK Manufacturing PMI fell to a seven month low of 54.6 in April 2011 (where 50.0 is no change), compared with a record high of 61.2 in January. It remains above the long run average.
- Manufacturers reported subdued domestic demand, particularly from the construction sector. In contrast, new export orders grew substantially.

Vehicle Production



| | | Number '000s | % change over 12 months |
|------|-----|-----------------|----------------------------|
| 2008 | | 1,090 | -33.9 |
| 2010 | | 1,393 | +27.8 |
| 2010 | Mar | 131 | +86.9 |
| 2011 | Jan | 120 | +8.9 |
| | Feb | 122 | +13.4 |
| | Mar | 147 | +12.7 |

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 147,000 in March 2011, 13% higher than in March 2010. The SMMT said this provided further evidence of "long-term strength and stability in the sector".

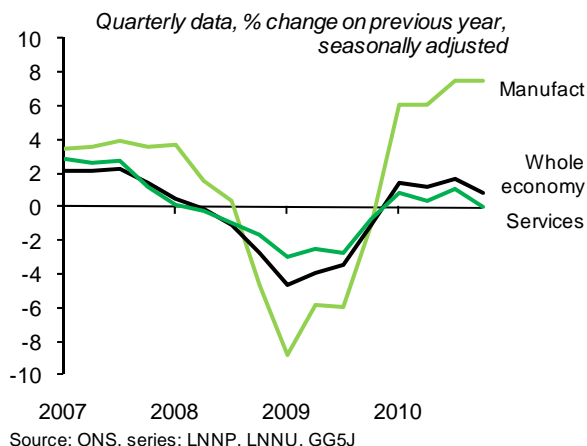
Contact: Adam Mellows-Facer, x4904

Update: ONS, [Index of Production](#), 12 May
Markit/CIPS [UK Manufacturing PMI](#), 1 Jun
SMMT, [Vehicle Production](#), mid May

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



- Productivity across the whole economy, measured by output per worker, is estimated to have risen by 1.2% in 2010, following a fall of 3.2% in 2009.
- Output per worker rose by 0.8% in Q4 2010 compared to the same quarter a year ago.
- Manufacturing output per job grew by 7.5% in Q4 2010 compared to the same quarter a year ago, as output in the sector continued to increase faster than employment. Output per job in the service sector was unchanged over the same period.
- Comparing Q4 2010 with Q3 2010, manufacturing output per job increased by 1.4%, services output per job fell by 0.7% while output per job for the whole economy fell by 0.3%.

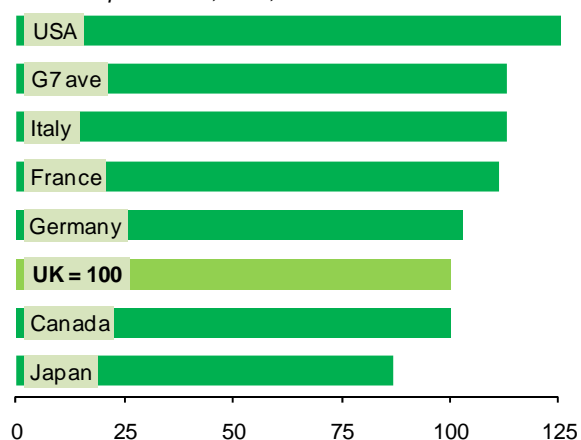
Productivity growth, seasonally adjusted

| 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 |
| 2009 | -5.5 | -4.0 | .. | .. | -3.2 | -3.3 | -1.9 |
| 2010 | 6.8 | 4.3 | .. | .. | 1.2 | 1.3 | 0.8 |
| 2009 Q4 | -1.1 | 0.0 | -0.7 | 0.3 | -1.0 | -1.1 | 0.1 |
| 2010 Q1 | 6.1 | 3.4 | 0.8 | 0.6 | 1.1 | 1.4 | 0.9 |
| Q2 | 6.1 | 4.4 | 0.4 | 1.0 | 1.3 | 1.2 | 1.3 |
| Q3 | 7.5 | 5.5 | 1.1 | 1.0 | 1.6 | 1.7 | 1.3 |
| Q4 | 7.5 | 3.9 | 0.0 | -0.5 | 0.8 | 0.8 | -0.2 |
| Latest quarterly % change | 1.4 | 0.4 | -0.7 | 0.0 | -0.3 | -0.3 | -0.8 |

Source: ONS

International comparisons

GDP per worker, 2009, index where UK=100



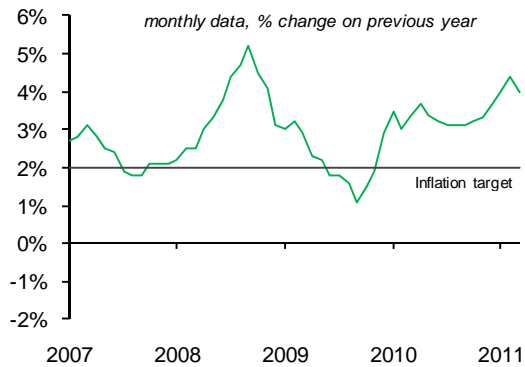
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Canada and Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009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

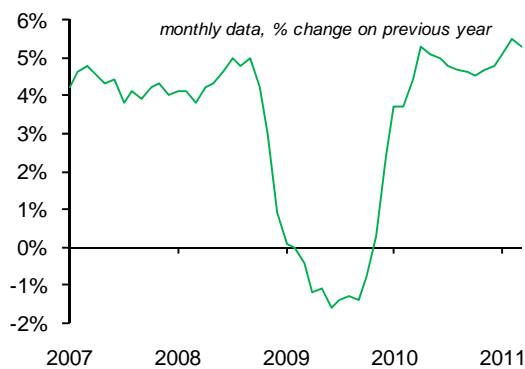
Consumer Prices Index (CPI)



The CPI annual inflation rate was 4.0% in March, down from 4.4% in February.

- CPI in February was at its highest annual rate since October 2008.
- The main factors behind the fall were falls in food and non-alcoholic beverages – particularly the price of fruit and bread.
- The RPI (all items) measure of inflation fell to 5.3% in March, down from 5.5% in February which was its highest rate since July 1991.

Retail Prices Index (RPI)



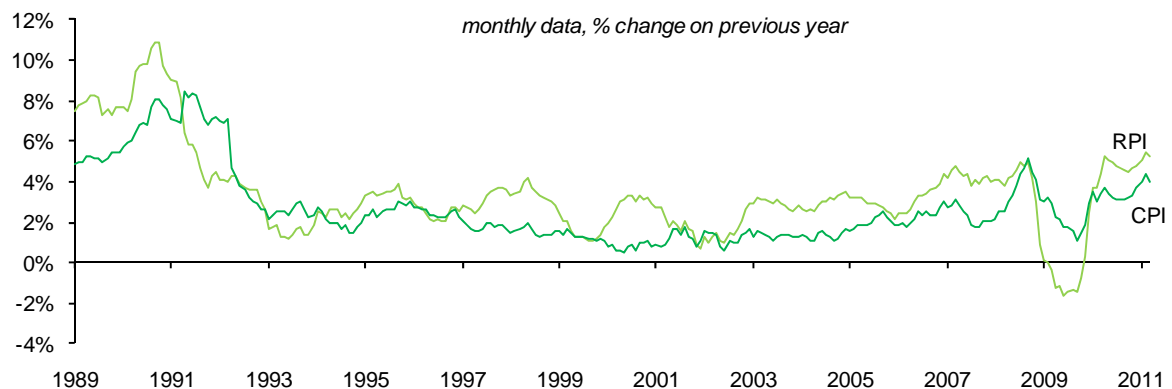
Price Indices

% change on a year ago

| | | CPI | RPI |
|------|-----|-----|------|
| 2008 | | 3.6 | 4.0 |
| 2009 | | 2.2 | -0.5 |
| 2010 | | 3.3 | 4.6 |
| 2010 | 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 |
| | Mar | 4.0 | 5.3 |

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.

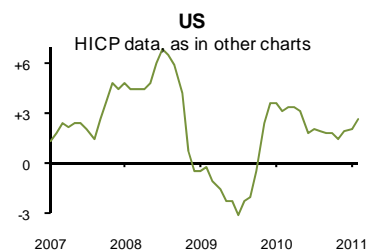
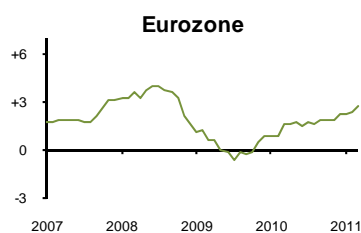
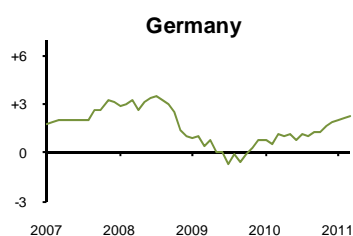
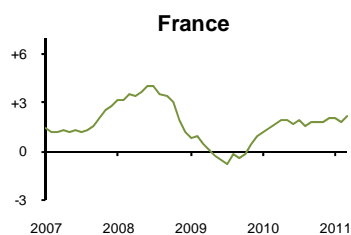
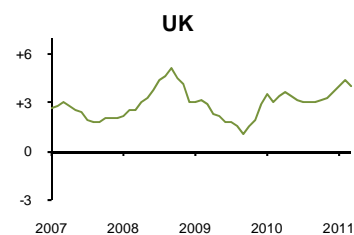
- In the year to March, UK inflation was 4.0%, down from 4.4% in February. The Bank of England's UK inflation target is 2%.
- Euro zone inflation in April was 2.8% (flash estimate), up from 2.7% in March. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The highest rate in the EU in March was 8% in Romania. Ireland has the lowest annual inflation rate in the EU at 1.2%.
- HICP annual inflation in the US in February was 2.6%, up from 2% in January. 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 | Jan-11 | Feb-11 | Mar-11 |
|------------------------------------|------|------|--------|--------|--------|
| HICP (ONS/Eurostat) | | | | | |
| UK | 2.2 | 3.3 | 4.0 | 4.4 | 4.0 |
| Eurozone | 0.3 | 1.7 | 2.3 | 2.4 | 2.7 |
| EU | 1.0 | 2.1 | 2.8 | 2.9 | 3.1 |
| France | 0.1 | 1.7 | 2.0 | 1.8 | 2.2 |
| Germany | 0.2 | 1.2 | 2.0 | 2.2 | 2.3 |
| Greece | 1.3 | 4.7 | 4.9 | 4.2 | 4.3 |
| Italy | 0.8 | 1.6 | 1.9 | 2.1 | 2.8 |
| Spain | -0.2 | 2.0 | 3.0 | 3.4 | 3.3 |
| US | 1.0 | 2.1 | 2.0 | 2.6 | : |
| National definitions (OECD) | | | | | |
| Canada | 0.3 | 1.8 | 2.3 | 2.2 | .. |
| Japan | -1.4 | -0.7 | 0.0 | 0.0 | .. |
| US | -0.4 | 1.6 | 1.6 | 2.1 | .. |
| G7 | -0.1 | 1.4 | 1.7 | 2.0 | .. |
| OECD | 0.5 | 1.9 | 2.2 | 2.4 | .. |
| Brazil | 4.9 | 5.0 | 6.0 | 6.0 | .. |
| China | -0.7 | .. | .. | .. | .. |
| India | 10.9 | 12.0 | 9.3 | 8.8 | .. |
| Russia | 11.7 | 6.9 | 9.6 | 9.5 | .. |

Source: ONS, Eurostat & stat.OECD database



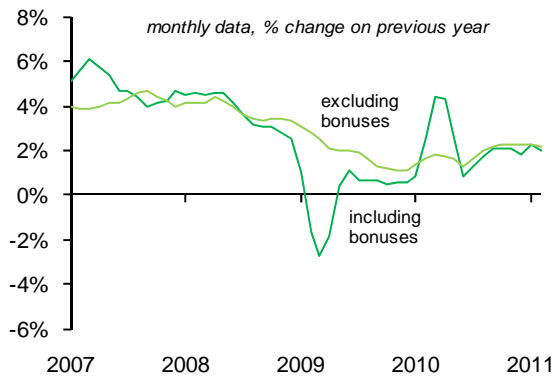
Contact: Gavin Thompson, x2042

Updates: Eurostat, [HICP full release](#), 16 May
Eurostat, [Flash estimate \(Mar\)](#), 31 May
OECD, [Main Economic Indicators](#), 9 May

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.0% in February compared with a year ago, down from 2.3% in January. Average weekly earnings excluding bonuses were 2.2% higher in the three months to February compared with a year ago, down from 2.3% in January. Inflation as measured by the CPI was 4.4% in February 2011.

Average Earnings, Whole Economy



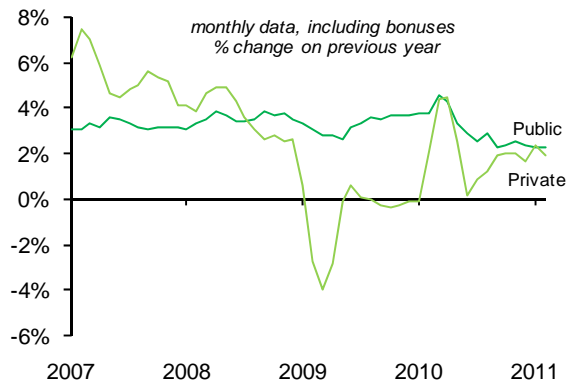
Average Earnings, Including Bonuses

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

| | Private | Public | Manuf. | Serv. | Total |
|----------|---------|--------|--------|-------|-------|
| 2008 Feb | 3.9 | 3.3 | 3.4 | 3.6 | 4.6 |
| 2009 Feb | -2.7 | 3.1 | 1.3 | -2.3 | -1.7 |
| 2010 Feb | 2.1 | 3.8 | 4.2 | 2.8 | 2.4 |
| 2010 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 | 2.4 | 2.3 | 2.1 | 2.8 | 2.3 |
| Feb | 1.9 | 2.3 | 1.2 | 2.3 | 2.0 |

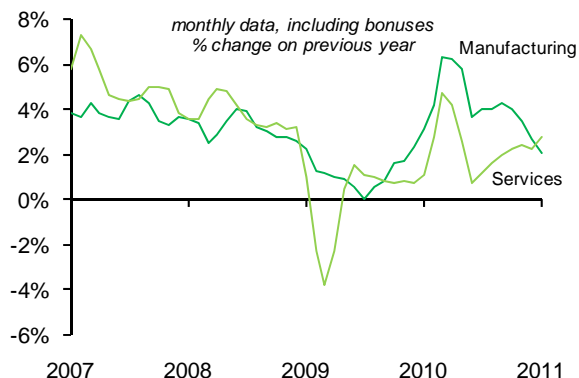
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.9% in February, compared with an increase of 2.3% in the public sector. Excluding financial services, public sector earnings also rose by 2.2%.
- Average weekly earnings (including bonuses) in February 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

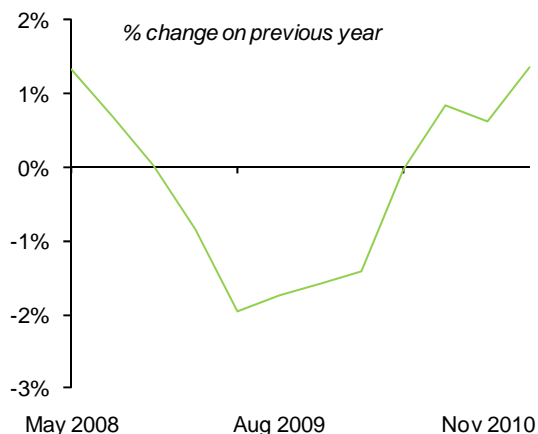


- Average total pay growth (including bonuses) in the manufacturing sector was 1.2% in February, compared with 2.3% in the services sector.
- Average weekly earnings (including bonuses) in February in the manufacturing sector were £518 compared with £439 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

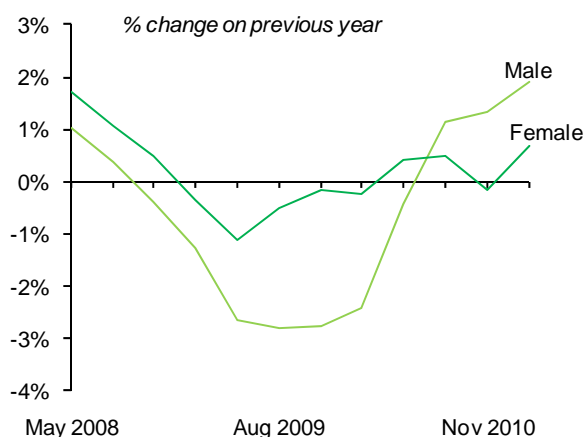
Employment grew by 1.4% in the last year, to 29.23 million. Employment amongst 16-24 year olds rose in the last quarter by 0.7%.

Total employment



- Over the past year, employment has increased for all age groups.
- Employment of those aged 65 and over has increased by 14.6% in the last year.
- Over the last quarter, employment rose for all age groups.
- Employment is now 1.1% 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 1.9% and female employment has increased by 0.7%.
- Full-time employment has increased by 140,000 over the quarter, whilst part-time employment has increased by 3,000.
- 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

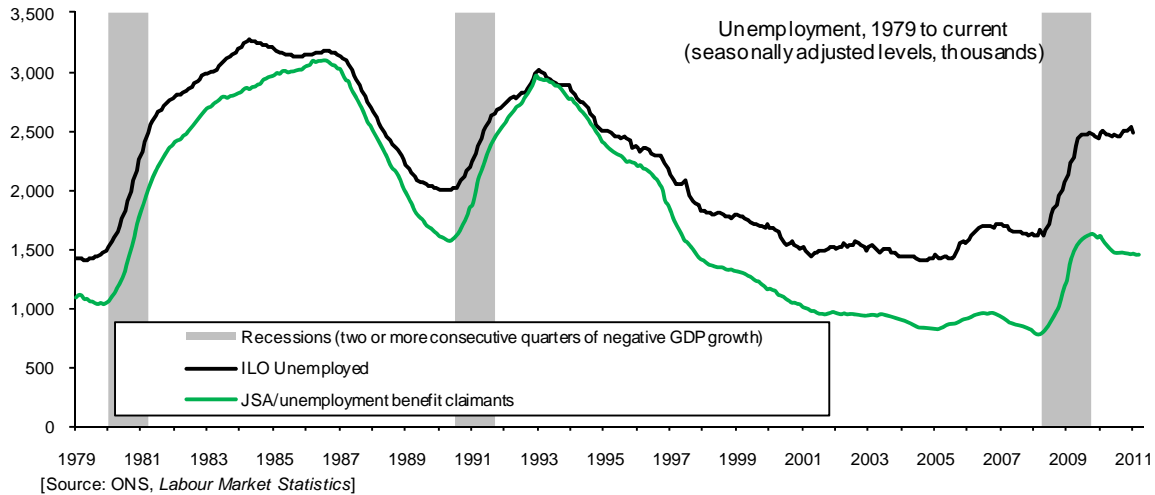
| | Total | 16-24 | 25-49 | 50-64 | 65+ |
|-------------------------------|--------|-------|--------|-------|-------|
| Dec-Feb 2009 | 29,253 | 4,050 | 17,286 | 7,214 | 702 |
| Dec-Feb 2010 | 28,843 | 3,756 | 17,075 | 7,239 | 773 |
| Mar-May 2010 | 28,980 | 3,817 | 17,108 | 7,253 | 802 |
| Jun-Aug 2010 | 29,158 | 3,837 | 17,184 | 7,291 | 846 |
| Sep-Nov 2010 | 29,089 | 3,737 | 17,198 | 7,285 | 870 |
| Dec-Feb 2011 | 29,233 | 3,764 | 17,237 | 7,348 | 885 |
| % change on previous 3 months | +0.5 | +0.7 | +0.2 | +0.9 | +1.8 |
| % change on previous year | +1.4 | +0.2 | +0.9 | +1.5 | +14.6 |

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 December to February 2011 was 2,480,000 (7.8% of all economically active) – down 17,000 from the previous quarter (UK, seasonally adjusted).**

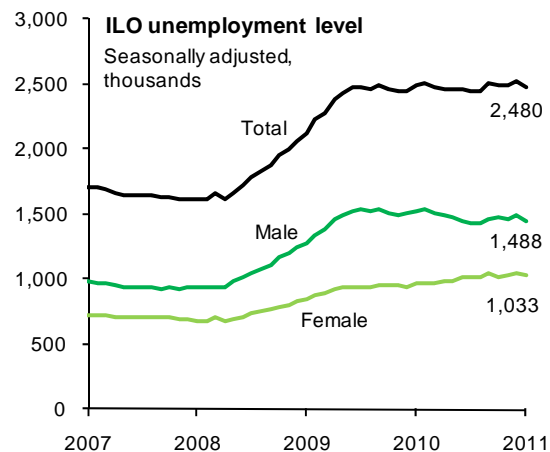


ILO unemployment (December to February 2011)

- There were 847,000 people unemployed for more than 12 months, up 11,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 963,000, 20.4% of all economically active people of this age. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 700 between February 2011 and March 2011 to 1,450,500.



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 | (%) |
| Dec-Feb 2006 | 1,585 | 5.2 | 657 | 13.7 | 707 | 3.9 | 206 | 2.9 | 14 | 2.3 |
| Dec-Feb 2007 | 1,705 | 5.5 | 709 | 14.5 | 755 | 4.2 | 229 | 3.2 | 11 | 1.7 |
| Dec-Feb 2008 | 1,616 | 5.2 | 678 | 13.8 | 704 | 3.9 | 221 | 3.0 | 12 | 1.8 |
| Dec-Feb 2009 | 2,121 | 6.8 | 824 | 16.9 | 962 | 5.3 | 316 | 4.2 | 18 | 2.5 |
| Dec-Feb 2010 | 2,486 | 7.9 | 924 | 19.7 | 1,169 | 6.4 | 368 | 4.8 | 24 | 3.1 |
| Mar-May 2010 | 2,469 | 7.8 | 923 | 19.5 | 1,156 | 6.3 | 369 | 4.8 | 21 | 2.6 |
| Jun-Aug 2010 | 2,448 | 7.7 | 919 | 19.3 | 1,142 | 6.2 | 367 | 4.8 | 20 | 2.3 |
| Sep-Nov 2010 | 2,498 | 7.9 | 951 | 20.3 | 1,161 | 6.3 | 364 | 4.8 | 22 | 2.5 |
| Dec-Feb 2011 | 2,480 | 7.8 | 963 | 20.4 | 1,130 | 6.2 | 370 | 4.8 | 17 | 1.9 |
| % change on quarter | -0.7 | | +1.3 | | -2.7 | | +1.7 | | -21.2 | |
| % change on year | -0.2 | | +4.2 | | -3.3 | | +0.4 | | -29.1 | |

Source: ONS, Labour Market Statistics.

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

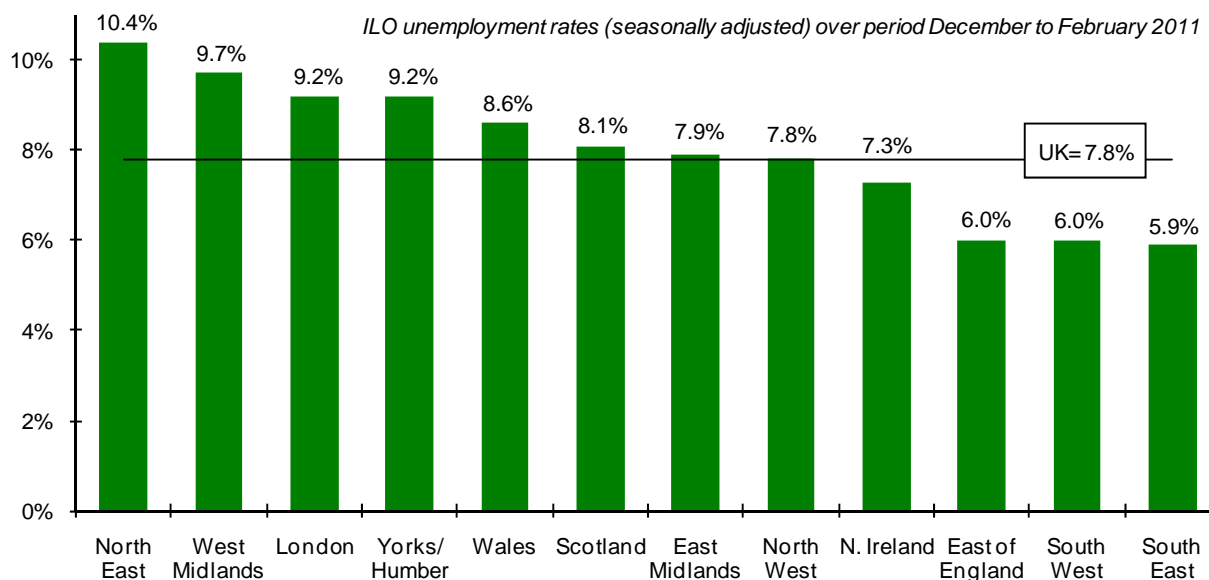
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 18 May

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 December to February 2011, the North East had the highest unemployment rate, at 10.4% of the economically active population, followed by the West Midlands at 9.7%. The lowest rates over the same period were 5.9% in the South East and 6.0%, in the East of England and South West.



- The largest increase in unemployment over the last quarter was in the North East (+11,000). The largest decreases over the last quarter were in the East of England (-15,000) and the South East (-10,000). (See table below.)
- The seasonally-adjusted JSA claimant count increased in six regions and countries and decreased in five in March 2011 compared with the previous month.

Key regional labour market statistics *seasonally adjusted*

| | ILO unemployment | | | | JSA claimant count | |
|--------------------|------------------|-------------------------|-------------------|---------------------|--------------------|---------------------------------|
| | Dec - Feb 2011 | | Change in level | | March 2011 | |
| | Level (000s) | Rate (%) ^(a) | qtr-on-qtr (000s) | year-on-year (000s) | Level (000s) | change since prev. month (000s) |
| North East | 131 | 10.4 | +11 | +15 | 80.2 | +0.1 |
| North West | 266 | 7.8 | +6 | -23 | 178.3 | +0.5 |
| Yorkshire & Humber | 242 | 9.2 | +2 | -9 | 143.6 | +0.3 |
| East Midlands | 183 | 7.9 | -4 | +3 | 96.3 | +0.3 |
| West Midlands | 260 | 9.7 | -4 | +11 | 154.9 | -0.1 |
| East of England | 183 | 6.0 | -15 | -15 | 105.7 | -0.1 |
| London | 383 | 9.2 | +1 | +20 | 214.6 | +0.1 |
| South East | 263 | 5.9 | -10 | -16 | 129.9 | +0.0 |
| South West | 163 | 6.0 | +4 | -5 | 80.8 | -0.1 |
| Wales | 126 | 8.6 | +3 | -5 | 70.1 | -0.1 |
| Scotland | 219 | 8.1 | -7 | +10 | 137.1 | -0.3 |
| Northern Ireland | 62 | 7.3 | -4 | +8 | 59.0 | +0.1 |

Source: ONS, *Labour Market Statistics*

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

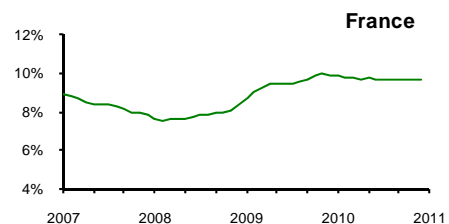
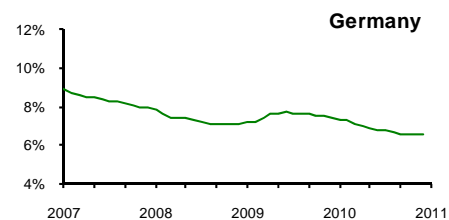
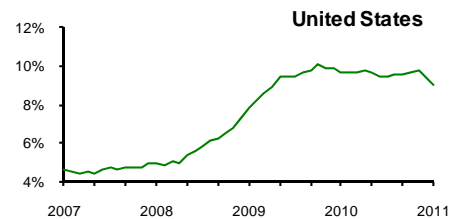
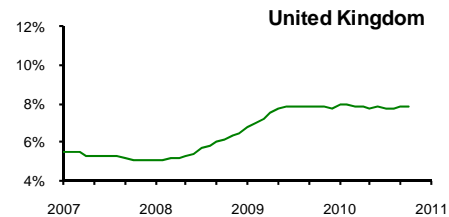
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 18 May

C4: Unemployment: International Comparisons

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

- Using harmonised definitions, the UK unemployment rate in Q4 2010 was 7.9%, below the euro zone rate (10.0%) and the G7 and OECD rates (8.0% 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 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 | 2010 | | | | 2011 |
|-----------|------|------|------|------|------|------|------|------|------|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 |
| Canada | 6.0 | 6.1 | 8.3 | 8.0 | 8.2 | 8.0 | 8.0 | 7.7 | 7.8 |
| France | 8.3 | 7.8 | 9.5 | 9.3 | 9.8 | 9.8 | 9.7 | 9.7 | .. |
| Germany | 8.4 | 7.3 | 7.5 | 7.1 | 7.2 | 6.9 | 6.7 | 6.6 | .. |
| Italy | 6.2 | 6.8 | 7.8 | 8.4 | 8.4 | 8.4 | 8.3 | 8.6 | .. |
| Japan | 3.9 | 4.0 | 5.1 | 5.1 | 4.9 | 5.2 | 5.1 | 4.9 | .. |
| UK | 5.3 | 5.6 | 7.6 | 7.9 | 7.9 | 7.8 | 7.7 | 7.9 | .. |
| USA | 4.6 | 5.8 | 9.3 | 9.6 | 9.7 | 9.6 | 9.6 | 9.6 | 8.9 |
| Euro zone | 7.5 | 7.6 | 9.4 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | .. |
| G7 | 5.4 | 5.9 | 8.0 | .. | 8.2 | 8.2 | 8.1 | 8.0 | .. |
| OECD | 5.8 | 6.1 | 8.3 | .. | 8.6 | 8.6 | 8.5 | 8.5 | .. |

Source: OECD, Harmonised Unemployment Rates, February 2011

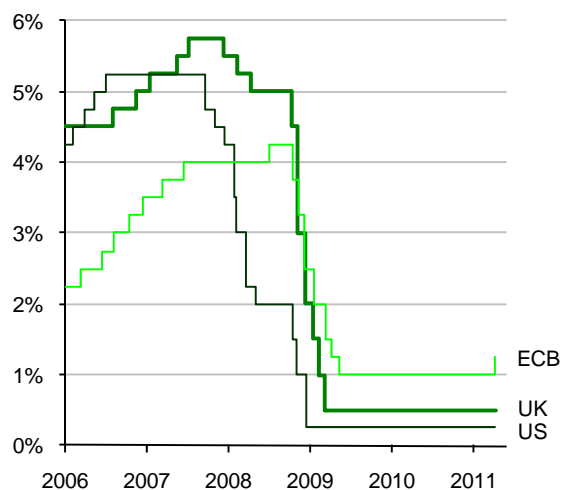
Contact: Gavin Thompson, x2042 Updates: OECD, [Harmonised Unemployment Rates](#), 9 May

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 |

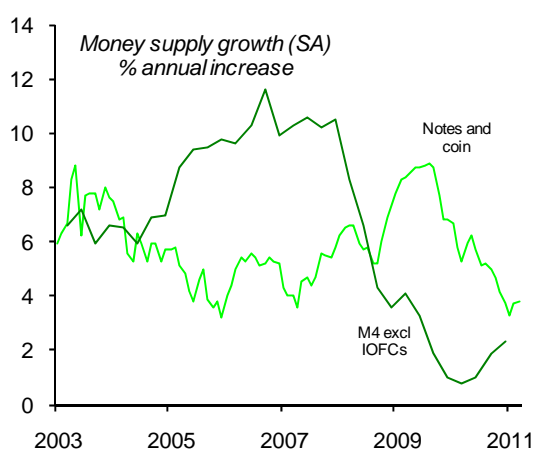
Source: Bank of England

- In April 2011, the European Central Bank's official interest rate was raised to 1.25%. This is the first time the ECB has raised interest rates since July 2008.
- 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: [5 May \(UK\)](#)
Bank of England, [Monetary and Financial Statistics](#), 4 May

D2: Public Finances

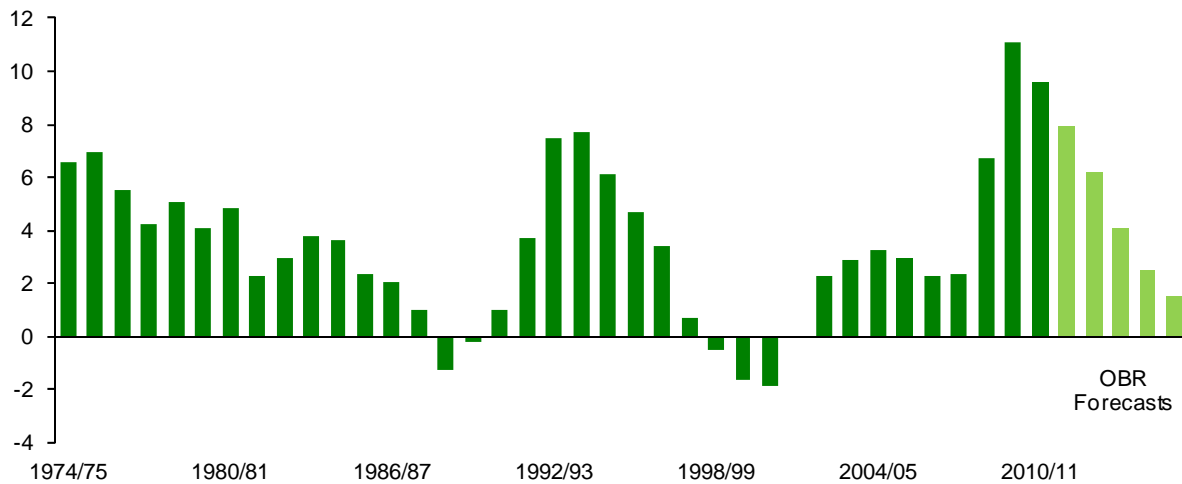
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £122 billion in 2011/12, equivalent to 7.9% of GDP.

- The provisional estimate of public borrowing in 2010/11 is £141.1 billion (9.6% of GDP). This is slightly lower than the OBR's Budget 2011 forecast of £145.9 billion (9.9% of GDP).
- In March 2011, the government borrowed £18.6 billion, 5.7% lower than March 2010.
- In the Budget, the OBR revised its borrowing forecasts upwards for every year between 2011/12 and 2015/16 by between £4 billion and £11 billion a year.

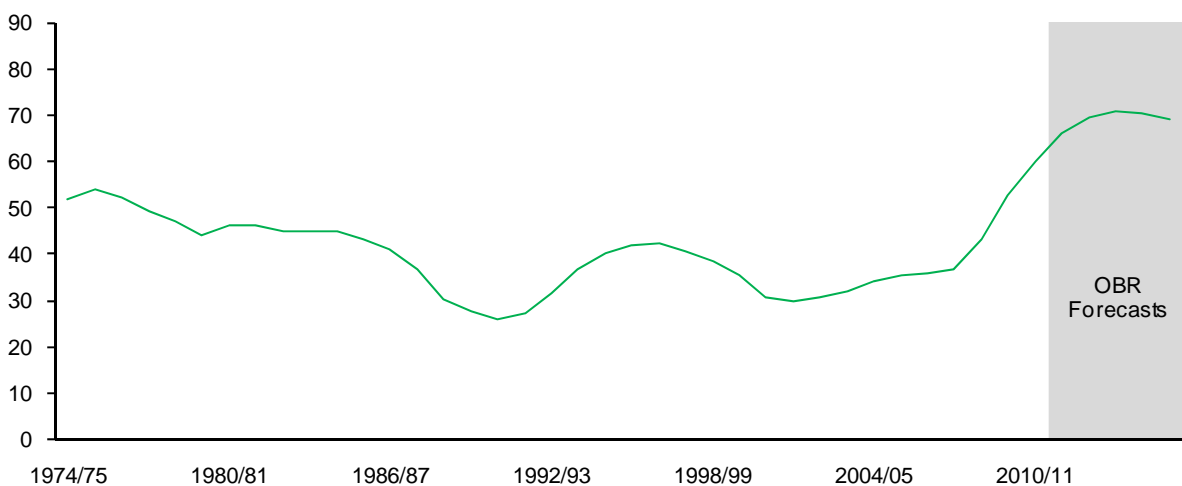
| | Net borrowing | | Net debt | |
|---------|---------------|-------|-----------|-------|
| | £ billion | % GDP | £ billion | % GDP |
| 2008/09 | 96 | 6.7 | 607 | 43.3 |
| 2009/10 | 157 | 11.1 | 760 | 52.8 |
| 2010/11 | 141 | 9.6 | 903 | 59.9 |
| 2011/12 | 122 | 7.9 | 1,046 | 66.1 |
| 2012/13 | 101 | 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. Excludes financial sector interventions

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update:- ONS [Public sector finances](#), 24 May 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 recently rose above \$125.

The price of gold hit an all-time high above \$1,550/ounce in early May 2011.

Data from Monday 2 May 2011

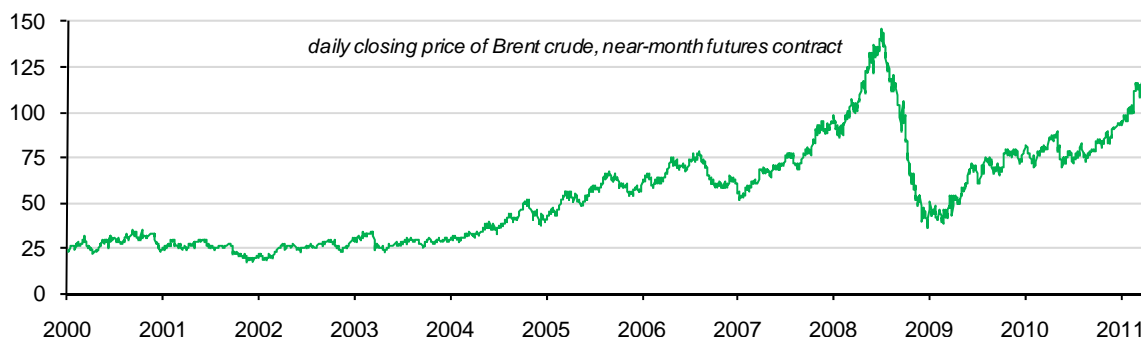
| | FTSE-100 | Oil (\$/bbl) | Gold (\$/oz) |
|-----------------|------------|--------------|--------------|
| 02 May 2011 | 6,069.9 | 125.1 | 1,564.2 |
| %change over: | | | |
| 1-month | +1% | +3% | +10% |
| 12-months | +12% | +41% | +33% |
| %change from: | | | |
| cyclical peak | -10% | -14% | at peak |
| date | 15 Jun '07 | 03 Jul '08 | 02 May '11 |
| cyclical trough | +73% | +244% | +120% |
| 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)



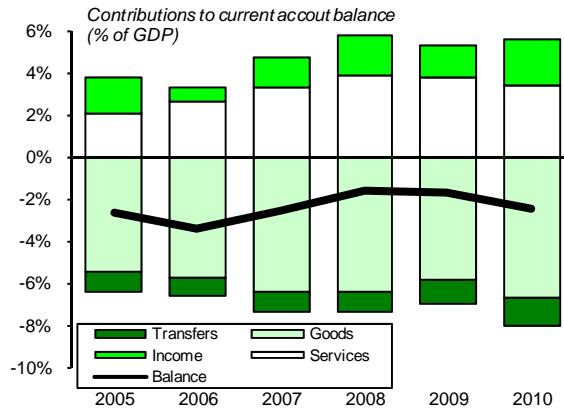
Gold price (\$ per ounce)



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 February was £6.8 billion, narrower than the January deficit of £7.8 billion.
- The monthly trade surplus on services was an estimated £4.3 billion in February, up from the January surplus of £4.0 billion.
- The overall monthly deficit on goods and services combined in February was £2.4 billion, down from £3.9 billion in January.
- The goods deficit with the EU27 was £3.9 billion in February (compared with £3.6 billion in January), while the deficit with non-EU countries was £2.8 billion (compared with £4.2 billion in January).

Contact: Grahame Allen, x3977

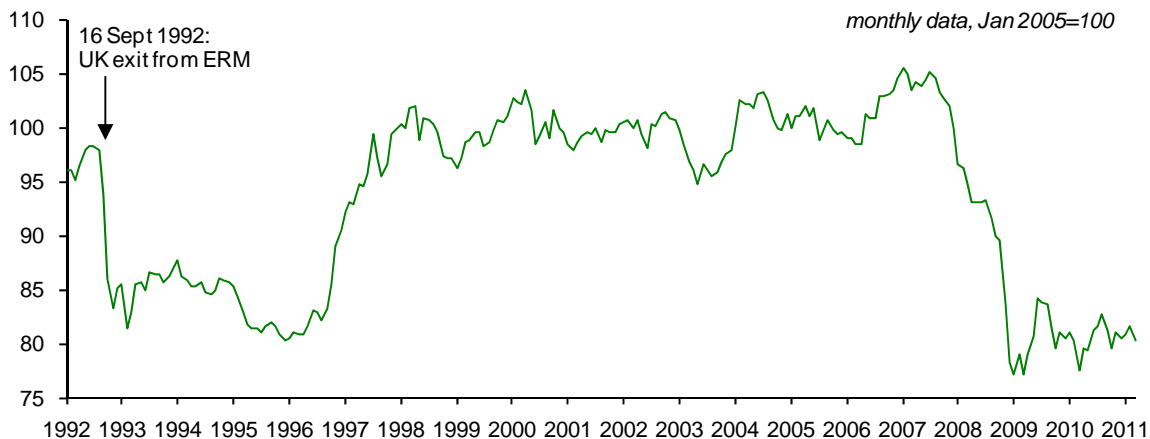
Updates: ONS, [UK Trade](#), 11 May;
ONS, [UK Balance of Payments](#), 28 Jun

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).

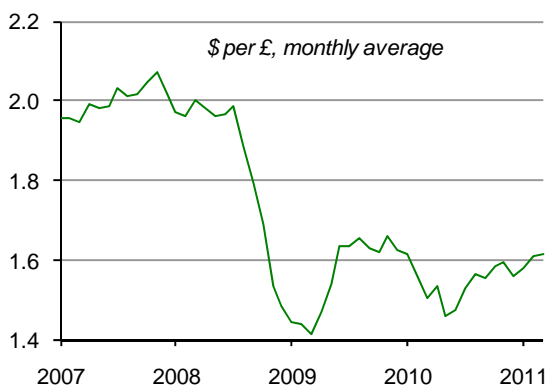
The SERI fell by 1.6% in March, following a 0.8% rise in February. Compared with the same period last year, the SERI was up 3.4%. It is now 4.1% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 23.9% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



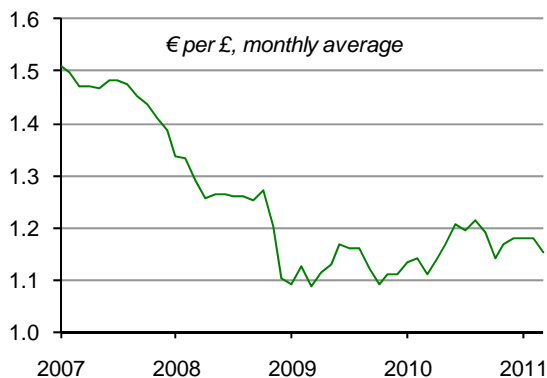
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In March, the pound was on average one cent stronger against the dollar than in February. At the 2 May market close the pound stood at \$1.67, above the March average of \$1.62.
- Sterling was on average three cents weaker against the euro in March, when compared with February.
- At the 2 May market close the pound stood at €1.12. 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% |

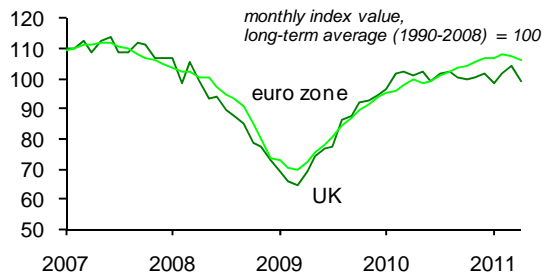
Contact: Gavin Thompson x2042

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

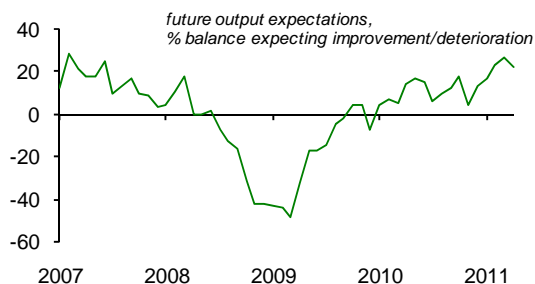


| | UK Index | monthly change | change on year ago |
|----------|----------|----------------|--------------------|
| 2009 Apr | 69.2 | ... | ... |
| 2010 Apr | 101.3 | ... | ... |
| 2011 Feb | 101.9 | +3.1 | +0.4 |
| Mar | 104.6 | +2.7 | +2.1 |
| Apr | 99.5 | -5.1 | -1.8 |

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 decreased by 5.1 points to 99.5 in April 2011. The overall Euro area sentiment index decreased by 1.1 points in April to 106.2.

CBI Industrial Trends Survey



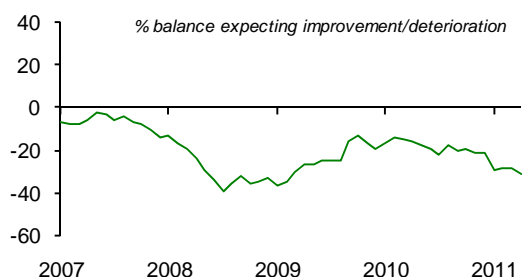
balance (as a %) of those expecting an improvement minus those expecting a deterioration

| | Future output expectations | monthly change | change on year ago |
|----------|----------------------------|----------------|--------------------|
| 2009 Apr | -32 | ... | ... |
| 2010 Apr | +14 | ... | ... |
| 2011 Feb | +23 | +6 | +16 |
| Mar | +27 | +4 | +22 |
| Apr | +22 | -5 | +8 |

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in April were +22% of firms expecting output to rise rather than fall over the next three months. This was down 5 points on last month's +27%, but is still relatively high.

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 Apr | -27 | ... | ... |
| 2010 Apr | -16 | ... | ... |
| 2011 Feb | -28 | +1 | -14 |
| Mar | -28 | 0 | -13 |
| Apr | -31 | -3 | -15 |

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 -31, overall confidence was 3 points lower in April 2011 than in March, and is now lower than at any time since spring 2009.

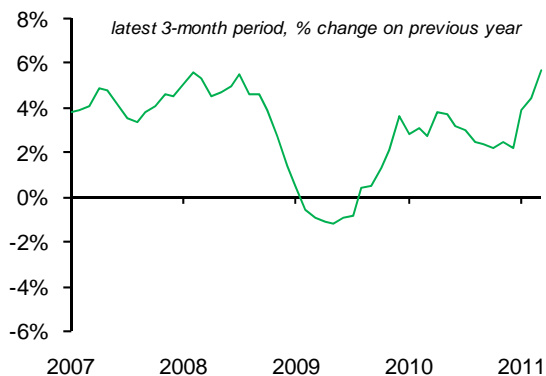
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 19 May
EC, [Economic Sentiment Indicator](#), 27 May
GfK NOP, [Consumer Confidence](#), 28 May

F2: Retail Sales

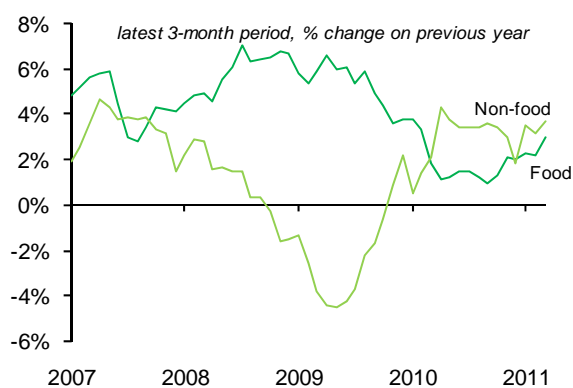
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

Value of Retail Sales



- The rate of annual increase in the value of retail sales rose in the three months to March 2011 was 5.7%.
- The value of retail sales in March alone was up slightly compared with February (in seasonally adjusted terms). However, recent analysis is complicated by the VAT increase.
- The estimated total value of sales in March was £31.0 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to March rose by 3.0% compared with the previous year.
- The annual rate of increase of the value of sales in non-food stores was 3.7% in the three months to March.
- Sales in household goods stores were 2.6% 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 2.1% in the three months to March, a further 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 Nov | 2.1 | 7.3 | -6.6 | 5.2 | 3.0 | 2.5 |
| Dec | 2.0 | 6.1 | -9.6 | 5.0 | 1.8 | 2.2 |
| 2011 Jan | 2.3 | 5.5 | -6.0 | 6.8 | 3.5 | 3.9 |
| Feb | 2.2 | 3.4 | -4.8 | 6.9 | 3.2 | 4.4 |
| Mar | 3.0 | 2.1 | -2.6 | 8.4 | 3.7 | 5.7 |

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

Contact: Adam Mellows-Facer, x4904

Update: ONS, [Retail Sales](#), 19 May

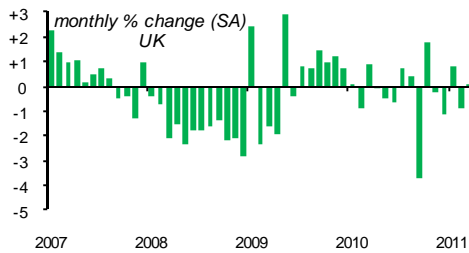
F3: Housing Market

House prices on the Halifax index increased by 0.1% in March compared with a month ago. However, this follows a 0.9% decline in February. Prices were 3.3% lower than a year ago. 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 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

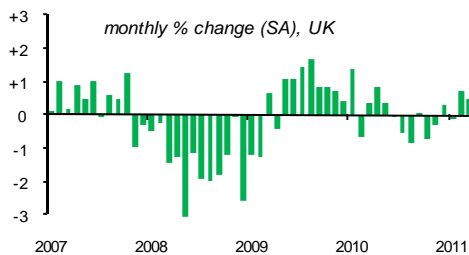
Halifax house price index



Latest monthly data
UK, seasonally adjusted

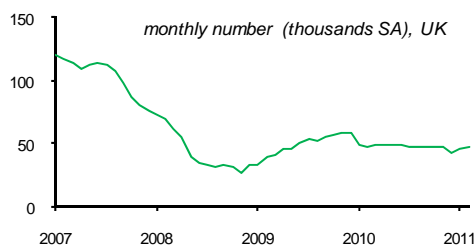
| | Halifax | Nationwide |
|---------------------|---------|------------|
| Latest data | Mar-11 | Mar-11 |
| Change in month | +0.1% | +0.5% |
| Change in year | -3.3% | +0.1% |
| Peak date | Aug-07 | Jul-07 |
| Change since peak | -18.4% | -8.8% |
| Trough date | Apr-09 | Feb-09 |
| Change since trough | +5.3% | +10.0% |

Nationwide house price index



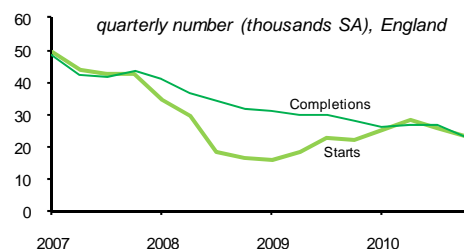
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q4 2010 prices fell by 9% in Northern Ireland but rose by 4% in East Anglia compared with 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 May;
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

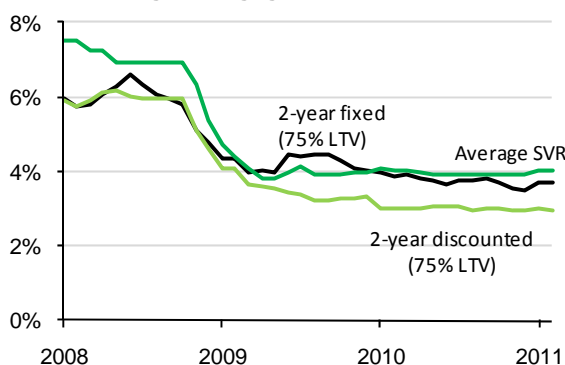
£ billions; seasonally adjusted

| | 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

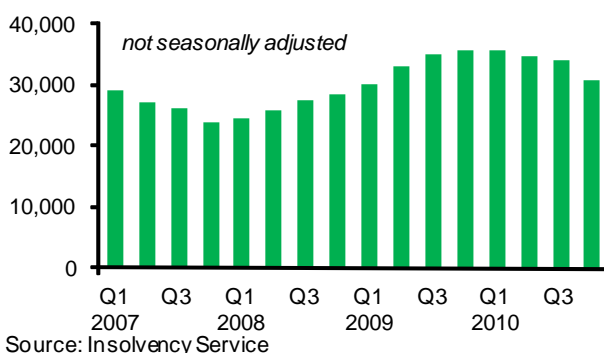
- Total net outstanding lending to individuals was £1,454 billion at the end of February 2011, 0.6% lower than in February 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 85% of the total.
- Unsecured lending outstanding (including credit cards) was £212 billion at the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