



Economic Indicators, June 2011

RESEARCH PAPER 11/47 07 June 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 confirmed its preliminary estimate of GDP growth of 0.5% in Q1 2011 compared with the previous quarter.
- An expenditure breakdown of GDP was available for the first time and showed that consumer spending (which makes up over 60% of GDP) fell by 0.6% over the quarter. Investment also fell, while net exports (exports minus imports) rose sharply.
- The weak GDP growth figures over Q4 2010 (when GDP fell by 0.5%) and Q1 2011 have led the OECD and IMF to downgrade their forecasts for GDP growth in 2011 to 1.4% and 1.5%, respectively, and below the OBR's March forecast of 1.7%.

This month's articles:

- **Why is inflation so high?**
- **Poverty since 1997**

Daniel Harari (editor)

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Research Paper 11/47

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Economic Policy and Statistics section

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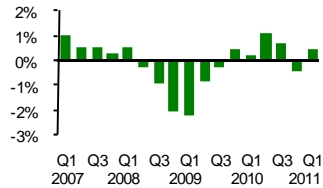
Summary

The ONS confirmed its preliminary estimate of GDP growth of 0.5% in Q1 2011 compared with the previous quarter. An expenditure breakdown of GDP was available for the first time and showed that consumer spending (which makes up over 60% of GDP) fell by 0.6% over the quarter. Investment also fell, while net exports (exports minus imports) rose sharply. The weak GDP growth figures over Q4 2010 (when GDP fell by 0.5%) and Q1 2011 have led the OECD and IMF to downgrade their forecasts for GDP growth in 2011 to 1.4% and 1.5%, respectively, and below the OBR's March forecast of 1.7%.

GDP growth

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(% change quarter-on-quarter)

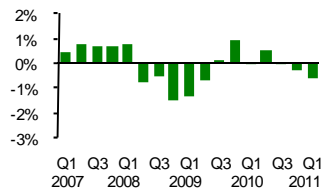


Quarterly GDP expanded by 0.5% in Q1 2011 compared with Q4 2010. This followed a contraction in GDP of 0.5% in Q4 2010.

Household spending growth

[page 3](#)

(% change quarter-on-quarter)

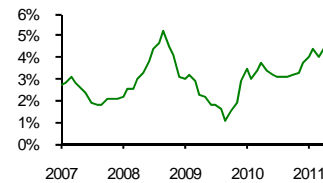


Quarterly household consumption fell by 0.6% in Q1 2011 compared with Q4 2010. This was the largest fall since the recession ended.

Inflation (CPI)

[page 7](#)

(% change on year ago)

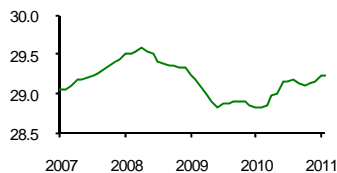


The rate of CPI inflation rose to 4.5% in the year to April from 4.0% in March. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

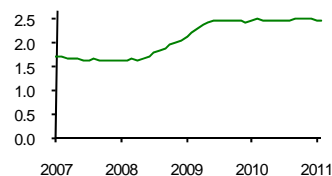


In the three months to March, the number of people employed rose by 118,000 to 29.2 million.

Unemployment

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(total, millions, ILO definition)



ILO unemployment fell by 36,000 to just under 2.5 million in the three months to March. The unemployment rate also decreased to 7.7% from 7.8%.

Next issue: 5 July

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

Feedback

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Sources and glossary

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

Contacts

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:

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

2 Why is inflation so high?

Consumer price inflation increased to 4.5% in April, marking the 17th month in succession that inflation was above the Bank of England's 2% target. Why has inflation been consistently above target? And is it expected to remain at these levels?

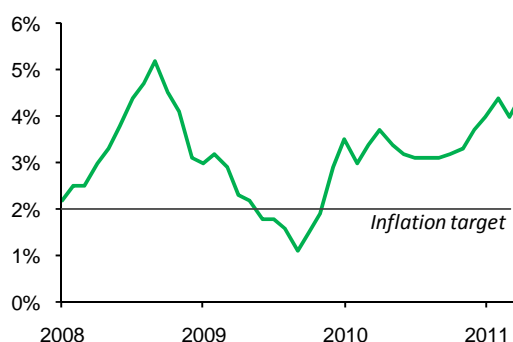
2.1 Recent developments

The annual rate of inflation as measured by the Consumer Prices Index (CPI) rose from 4.0% in March to 4.5% in April.³ The ONS stated that a major factor in this rise was the timing of Easter this year compared with last year. In April 2011, the ONS collected prices on air and sea travel during the Easter holidays, when fares are more expensive; in April 2010 prices were collected after Easter avoiding the higher fares. The result was that air fares were up nearly 30% on last year and sea fares up 22%. Overall this accounted for 0.35%-points of the total 0.5%-point increase in the inflation rate. Most of this increase is expected to be reversed in May.

Even beyond this temporary "Easter effect", CPI inflation remains well above the 2% target the Bank of England's Monetary Policy Committee (MPC) is charged with keeping by the government. Since October 2007, inflation has been over the 2% target in 37 out of 43 months and it has been at or over 3% since the beginning of 2010. So, why are prices rising at this pace when the economy is growing slowly and average annual wage growth is hovering around 2%?

Inflation has been accelerating over past year

CPI, annual % change



2.2 Reasons why inflation is so far above target

The Bank of England Governor Mervyn King writing in May to the Chancellor to explain why inflation was more than 1%-point away from its target cited three main factors: "the increase in the standard rate of VAT in January to 20%, higher energy prices and increases in import prices."

He went on to state that without these three factors inflation would be much lower:

Although the impact on inflation of these factors is difficult to quantify with precision, it is likely that had they not occurred, inflation would have been substantially lower and probably below the target.

The inflation target

The nine-member Monetary Policy Committee (MPC) of the Bank of England sets interest rates. The government charges them with maintaining price stability, defined as an annual inflation rate of 2% as measured by the consumer prices index (CPI).

The 2% target does not mean that the MPC must keep inflation at this level every month. Instead, in order to avoid overreactions to temporary changes in inflation, the MPC is required to meet this target over "a reasonable time period".

When inflation is more than 1%-point away from the 2% target, i.e. less than 1% or more than 3%, the Bank of England Governor is required to send an open letter to the Chancellor explaining why inflation has moved away from its target and what the MPC is doing to deal with it.

Subject to the inflation target, the MPC is also required to support the government's economic policy, currently defined as achieving strong, sustainable and balanced growth in the economy.

³ There are a number of different indexes which measure inflation. This article focuses on CPI inflation, the measure targeted by the Bank of England's Monetary Policy Committee.

VAT rise

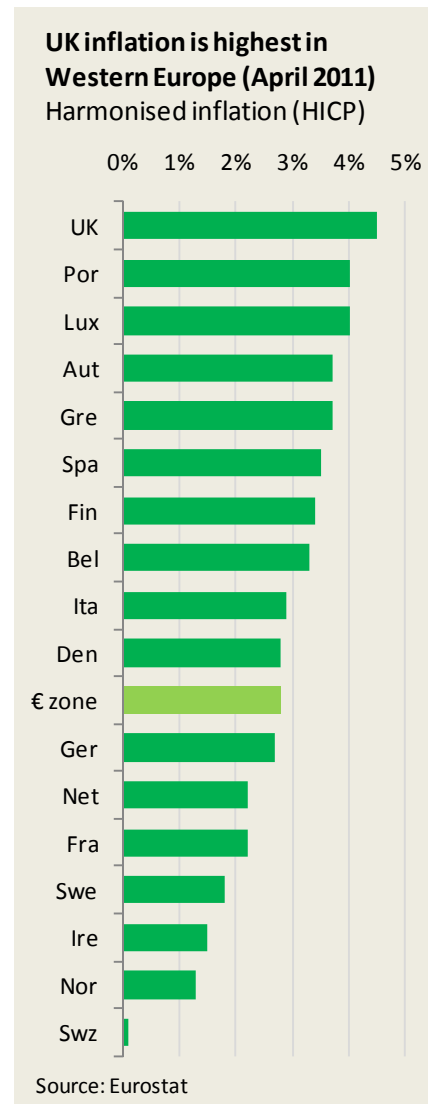
The ONS has estimated that the rise in the main rate of VAT from 17.5% to 20.0% accounted for 0.76%-points of the annual inflation rate of 4.0% in January 2011. The effect of this year's VAT rise will drop out of annual comparisons of prices from January 2012 (when the VAT rate will be the same for both January 2012 and January 2011), leading to downward pressure on inflation next year.

Energy prices

Increases in energy prices, and in particular oil prices, have been a large contributing factor to rising inflation. Oil prices have increased sharply over the past year as global demand has increased (especially from Asia), while uncertainty over supplies from North African and Middle Eastern countries following protests and conflict in the region also added to upward pressure on prices. While energy prices has stabilised recently, the future path of commodity prices remains uncertain

Import prices

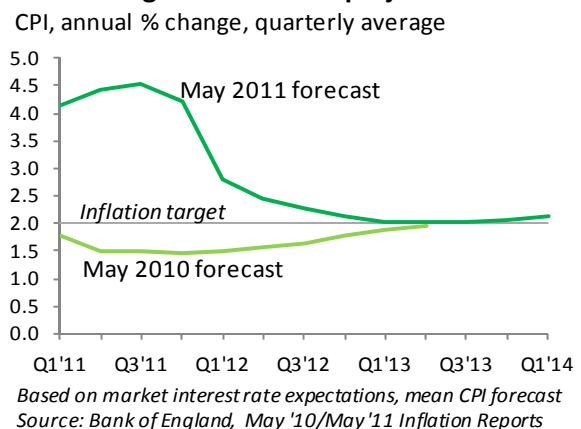
The 25% depreciation of the pound from mid-2007 to end-2008 led to the cost of imports to the UK rising (as the price of foreign goods for firms based in the UK increased). The Bank of England believes that the effects of the depreciation have persisted, stating that "non-energy import prices could have contributed between 1½ and 2½ percentage points to CPI inflation in 2011 Q1 [when CPI inflation averaged 4.1%]."



2.3 Forecasts

There is little prospect of inflation falling back to the 2%-target in the short-term. Mervyn King, the Bank of England Governor, said that inflation could reach 5% if utility prices rise further, before falling in 2012 and into 2013. The Bank's May inflation report expects inflation will only return to the 2% target in Q1 2013, and only under the assumption that the base rate will rise to 2.0% by Q1 2013 from its current level of 0.5%. It should also be noted that the Bank has consistently underestimated the strength of inflation in recent years.

Bank of England's inflation projection



3 Poverty since 1997

Tackling poverty, and in particular child poverty, was a significant part of the Labour Government's agenda. This article looks at how poverty changed over the period when it was in power.

3.1 What is poverty?

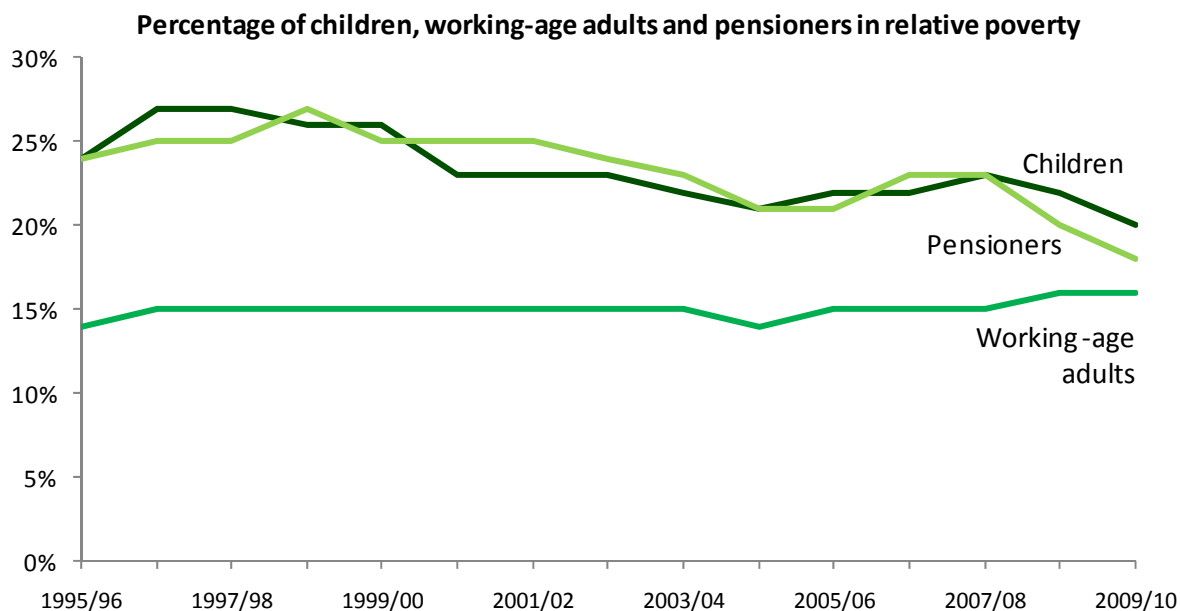
There are a number of ways of defining poverty, and no single measure captures every aspect of poverty. The *Child Poverty Act 2010* uses four measures – one on relative incomes, a low income measure fixed in real terms, a measure combining low income and material deprivation, and another relating to persistent poverty. The current Government has argued that an even wider set of measures should be used.⁴

This article focuses on what is probably the most common measure, relative income poverty – whether an individual lives in a household with an income less than 60% of the median income for all households. For brevity, it only looks at incomes before housing costs. On this measure the poverty line for a couple with no children was an income of £248 after taxes, benefits and tax credits in 2009/10.⁵

3.2 What has happened to poverty levels since 1997?

In 1996/97, 19% of people were in poverty. In 2009/10, 17% of people were in poverty. This relatively modest change hides considerable differences between groups:

- Child poverty decreased from 27% to 20% between 1996/97 and 2009/10. This represents the lowest rate of child poverty since 1985. However the Labour government set a goal of halving child poverty by 2010/11, compared with 1998/99, and it seems unlikely that this will be met.



⁴ [A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives](#), Cm 8061, April 2011

⁵ The data used is from the Department for Work and Pensions' [Households Below Average Incomes](#) publication, based on the Family Resources Survey, and the analysis of the same figures by the Institute for Fiscal Studies in their report [Inequality and Poverty in the UK: 2011](#) and associated [spreadsheet](#). The figures are for Great Britain up until 1997/98, and for the UK from 1998/99. Income figures are adjusted for household size and composition.

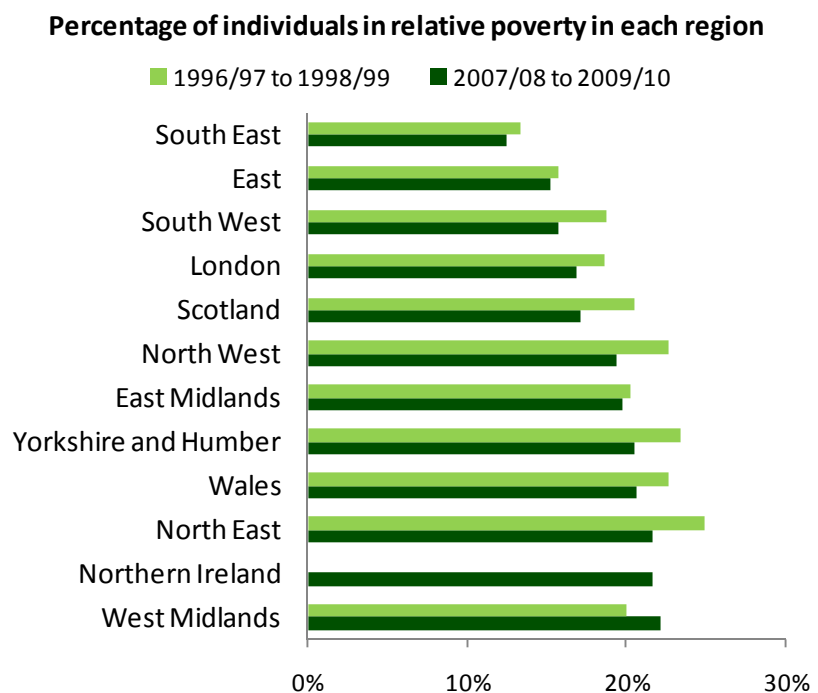
- Poverty among pensioners fell from 25% to 18% over the same period. Pensioner poverty is now at its lowest level since 1984.
- Poverty among working age adults went from 15% to 16% between 1996/97 and 2009/10:
 - Poverty among working-age people with dependent children went down from 20% to 17% between 1996/97 and 2009/10
 - Poverty among working-age people who did not have dependent children went up from 12% to 15% between 1996/97 and 2009/10, and is now at its highest level since comparable surveys began in 1961.

3.3 What has happened to poverty in each region?

Poverty (relative to the national median) is highest in the West Midlands, followed by Northern Ireland and the North East. It is lowest in the South East of England.⁶

Between 1996/97-1998/99 and 2007/08-2009/10, poverty fell most rapidly in Scotland, the North West, the North East and the South West, and Yorkshire and the Humber.

Relative poverty grew in only one region – the West Midlands.



3.4 Poverty over the next few years

Analysis by the Institute for Fiscal Studies suggests that poverty for children and working-age adults may rise slightly over the next few years.⁷ They have projected that poverty for children will be 22% by 2013/14 (compared with 20% in 2009/10), of which an estimated 1.7 percentage points are a result of the current Government's tax and benefit reforms. Their projection for working-age adults for 2013/14 is 17% (compared with 16% in 2009/10), of which 1.2 percentage points are a result of the tax and benefit reforms.

Lorna Booth, Economic Policy and Statistics Section

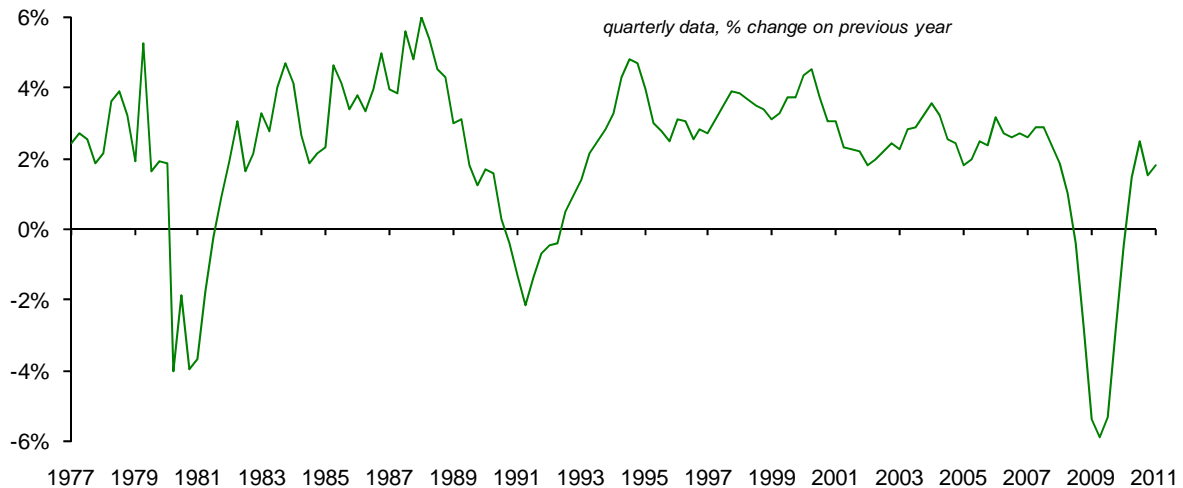
⁶ Three years of data are combined for this analysis to give a more robust estimate of figures for each region. Note that data for Northern Ireland is not available from this source for the early years. These figures are not adjusted for price differences in each region, and use the same poverty line in each year as the national figures.

⁷ Institute for Fiscal Studies, *Poverty projections between 2010-11 and 2013-14: a post-Budget 2011 update* (March 2011). These projections take account of announced tax and benefit reforms.

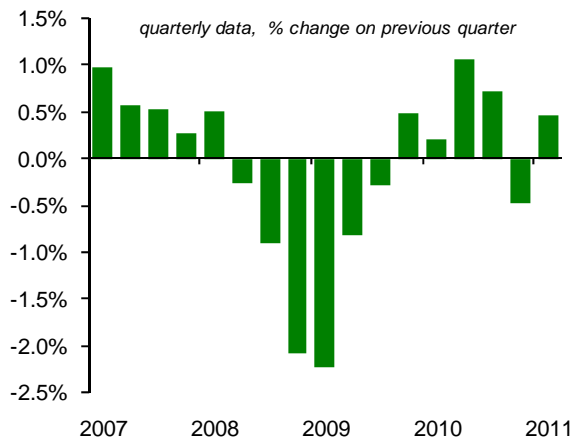
A1: Gross Domestic Product

The economy grew by 0.5% in Q1 2010, reversing a fall of 0.5% in Q4 2010. In May 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.6% 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
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	375.7	4.6	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](#), 28 Jun
HMT, [Comparison of Independent Forecasts](#), 15 Jun

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, Germany by 1.5%, and the eurozone as a whole by 0.8%. In Q4 2010 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	2.3	3.9	3.9	3.8	4.8	0.5	2.1	0.8	0.4	1.5
France	1.2	1.6	1.7	1.5	..	0.3	0.6	0.2	0.4	1.0
Eurozone	0.8	2.0	2.0	2.0	..	0.4	1.0	0.4	0.3	0.8
G7	2.4	2.8	3.2	2.6	..	0.9	0.7	0.6	0.4	..
OECD	2.6	3.2	3.2	2.8	..	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 IMF's [review of the UK economy](#), published in June 2011, forecast 1.5% growth in 2011, a downward revision of 0.2 percentage points from the April 2011 forecast, and 0.5 percentage points from November 2010.

After several upward revisions, the April 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 [May forecasts](#) revised down the February forecast for UK 2011 growth down from 2.0% to 1.7%.

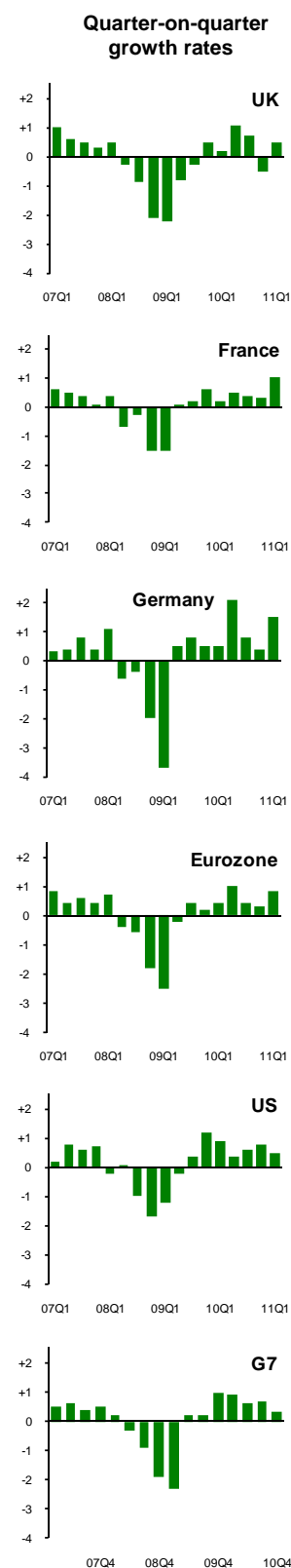
OECD [May forecasts](#) for OECD-wide growth in 2011 and 2012 were unchanged from November. The US saw an upward revision of 2011 growth from 2.2% to 2.6%. The UK's 2011 growth forecast was revised down slightly, from 1.5% to 1.4%, and the 2012 forecast was revised down from 2.0% to 1.8%. Since May 2010, the UK's 2011 forecast has been revised downwards three times, by 1.1 percentage points in total.

Real growth forecasts (% changes)

	IMF (Apr 11)			EC (May 11)		OECD (May 11)	
	2011	2012	2013	2011	2012	2011	2012
UK	1.5 ^a	2.3	2.5	1.7	2.1	1.4	1.8
France	1.6	1.8	2.0	1.8	2.0	2.2	2.1
Germany	2.5	2.1	1.9	2.6	1.9	3.4	2.5
Eurozone	1.6	1.8	1.8	1.6	1.8	2.0	2.0
US	2.8	2.9	2.7	2.6	2.7	2.6	3.1
Japan	1.4	2.3	2.5	0.5	1.6	-0.9	2.2
OECD	..	..	..	..	..	2.3	2.8
China	9.6	9.5	9.5	..	..	9.0	9.2
India	8.2	7.8	8.2	..	..	8.5	8.6
Brazil	4.5	4.1	4.1	..	..	4.1	4.5
World	4.4	4.5	4.5	..	..	..	..

^a UK 2011 IMF figure is based on results of June 2011 Article IV Consultation

Sources: IMF, WEO Jan/Oct; EC EEF; OECD, Economic Outlook 89, May



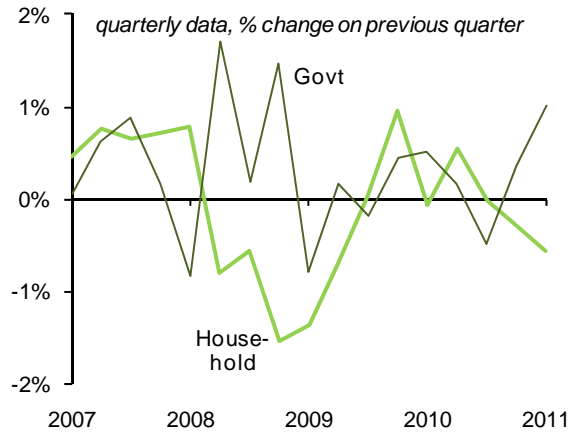
Contact: Gavin Thompson, x2042

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

A3: Components of GDP

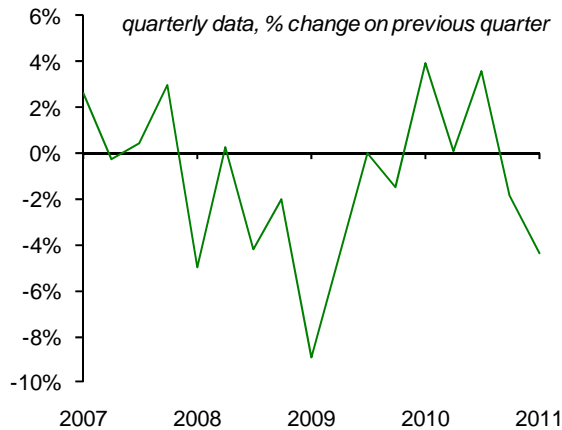
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation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

Household consumption and government consumption



- In Q1 2011, household consumption fell by 0.6% in real terms. This is the largest fall since Q2 2009.
- Government consumption increased by 1.0% in Q1 2011.
- Exports increased by 3.7% in Q1 2011 while imports fell by 2.3%.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q1 2011 GFCF fell by 4.4%.
- In Q1 2011, GFCF was 2.7% lower 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%
2011 Q1	-0.6%	1.0%	-4.4%	3.7%	-2.3%	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 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).

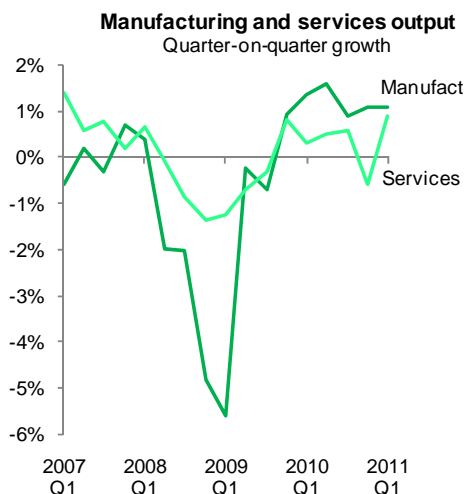
Output

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%	1.2%
2010 Q3	4.8%	10.1%	2.1%	2.5%
2010 Q4	5.0%	8.6%	0.8%	1.5%
2011 Q1	4.7%	4.3%	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%	-4.0%	0.9%	0.5%

Source: ONS series CKYY, GDQB, GDQS, YBEZ



- 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 4.7% in the year to Q1 2011, services by 1.4% and construction by 4.3%.
- Output in the business services and finance sector grew by 1.1% in the year to Q1 2011.

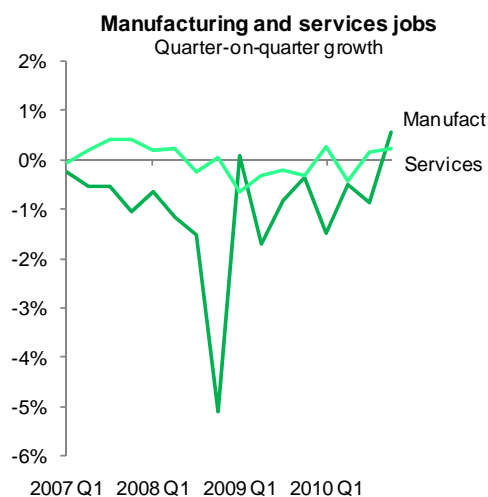
Employment

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

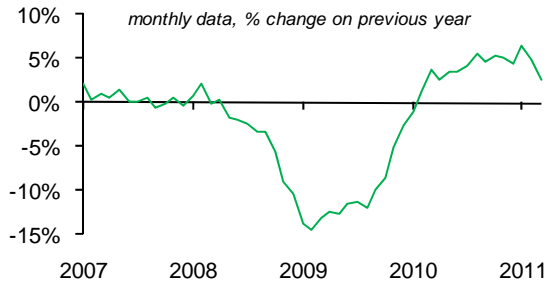


- The employment picture has been different, with numbers of manufacturing jobs continuing to fall. However, this was reversed in the latest quarter, when there was a 0.6% growth in the manufacturing workforce.
- Numbers of jobs in the construction sector fell in Q4, while the services workforce rose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

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

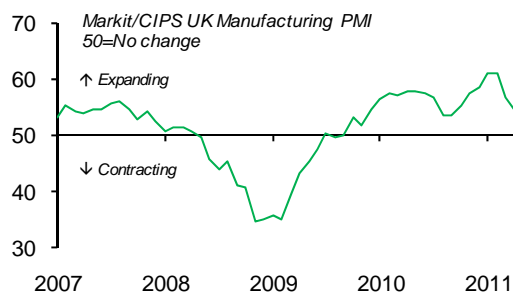


	Index Value (2005=100)	% change over month	% change over 12 months
2009	87.2	...	-10.7
2010	90.3	...	3.6
2010 Dec	91.9	-0.1	+4.5
2011 Jan	92.7	+0.9	+6.6
Feb	92.7	0.0	+4.9
Mar	92.9	+0.2	+2.7

Source: ONS, series CKYY

- Manufacturing output rose by 2.7% in the year to March 2011, a slowing from the 4.9% increase in the year to February.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was up by 0.7% in the year to March, compared with 2.4% in the year to February.

Manufacturing Purchasing Managers' Index

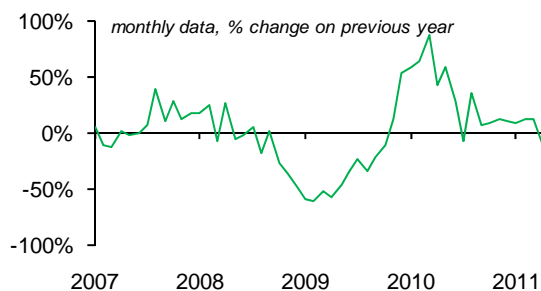


		Index	Monthly change
2009	May	45.4	...
2010	May	58.0	...
2011	Feb	61.0	-0.2
	Mar	56.7	-4.3
	Apr	54.4	-2.3
	May	52.1	-2.3

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

- The Markit/CIPS UK Manufacturing PMI fell to a twenty month low of 52.1 in May 2011 (where 50.0 is no change). Markit notes that "manufacturing has moved from rapid expansion to near-stagnation".
- The decline in the index is attributed to weak domestic demand, slower export growth and extra bank holidays.

Vehicle Production



		Number '000s	% change over 12 months
2009		1,090	-33.9
2010		1,393	+27.8
2010	Apr	109	+43.7
2011	Feb	122	+13.4
	Mar	147	+12.7
	Apr	95	-13.0

Source: SMMT, not seasonally adjusted

- UK vehicle production was 95,000 in April 2011, 13% lower than in April 2010. The SMMT said this was due to "global production challenges resulting from the Japanese earthquake" and that the outlook for the sector remained "extremely good".
- In 2010, 1.39 million vehicles were produced in the UK, up by 27.8% compared with 2009.

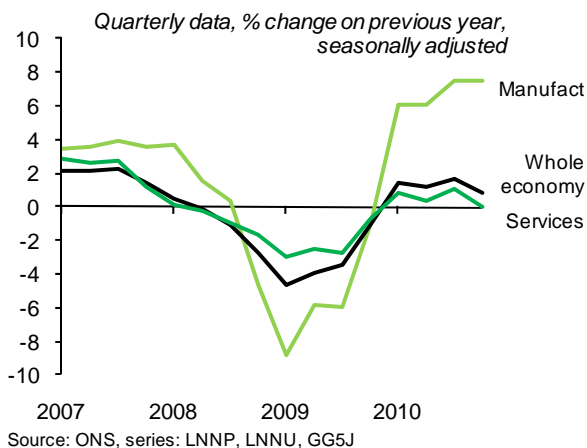
Contact: Adam Mellows-Facer, x4904

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

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%.

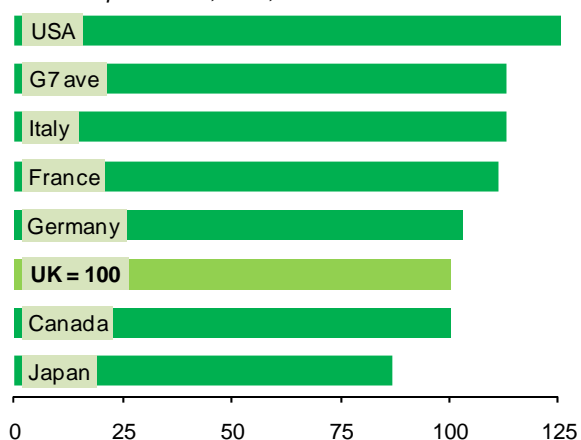
Productivity growth, seasonally adjusted

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



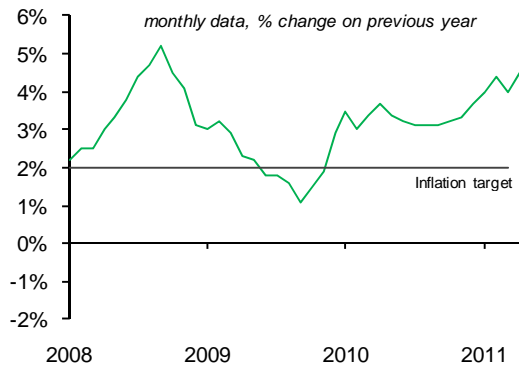
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Canada and Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009 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 4.5% in April, up from 4.0% in March and above the Bank of England's 2% target for the seventeenth 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.

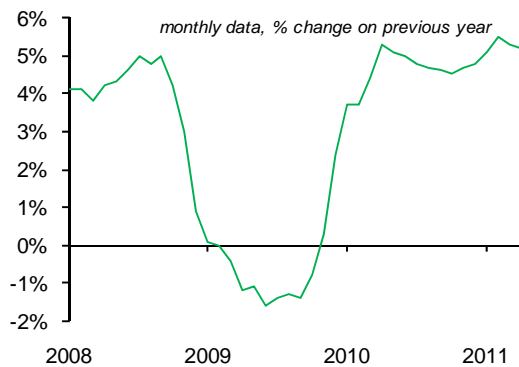
Consumer Prices Index (CPI)



The CPI annual inflation rate was 4.5% in April, up from 4.0% in March.

- The main factors behind the rise were rises in the cost of transport and alcoholic beverages and tobacco, where prices rose by a record 5.3% between March and April 2011 compared with a rise of 2.1% a year ago.
- The RPI (all items) measure of inflation fell to 5.2% in April, down from 5.3% in March, continuing the downward trend from its high of 5.5% in February, the highest rate since July 1991.

Retail Prices Index (RPI)



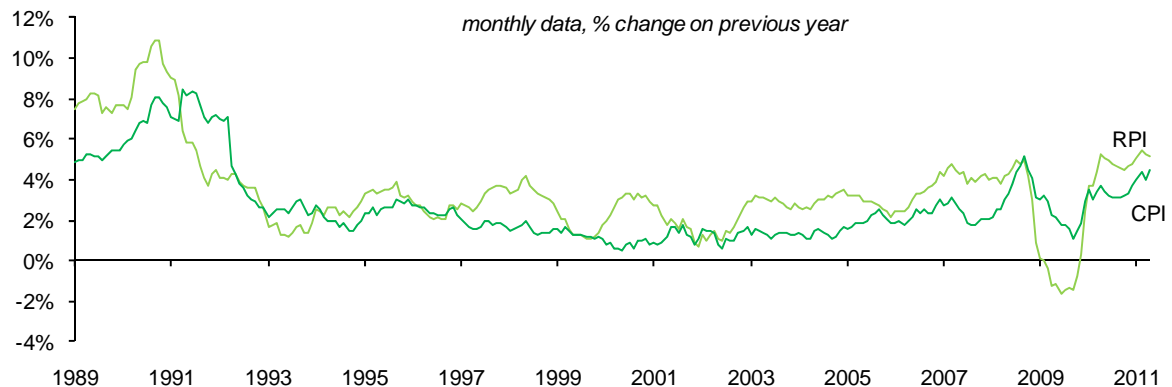
Price Indices

% change on a year ago

		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2010	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
	Apr	4.5	5.2

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1990

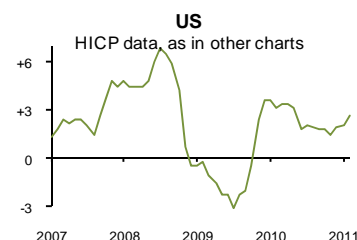
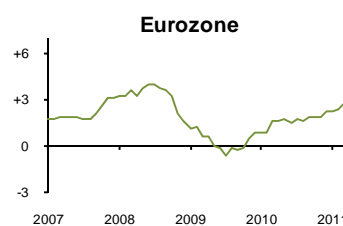
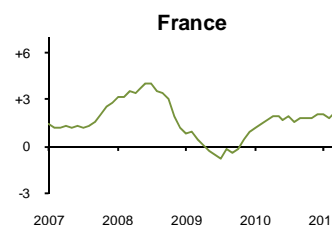


B2: Inflation: International

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 April, UK inflation was 4.5%, up from 4.0% in March. The Bank of England's UK inflation target is 2%.
- The flash estimate of Euro zone inflation in May was 2.7%, down from 2.8% in April. 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 April was 8.4% in Romania. Ireland has the lowest annual inflation rate in the EU at 1.5%.
- HICP annual inflation in the US in February was 2.6%, up from 2% in January. Using its national definition, US inflation was 3.2% in April, having risen by over a percentage point in two months.



Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Feb-11	Mar-11	Apr-11
HICP (ONS/Eurostat)					
UK	2.2	3.3	4.4	4.0	4.5
Eurozone	0.3	1.7	2.4	2.7	2.8
EU	1.0	2.1	2.9	3.1	3.2
France	0.1	1.7	1.8	2.2	2.2
Germany	0.2	1.2	2.2	2.3	2.7
Greece	1.3	4.7	4.2	4.3	3.7
Italy	0.8	1.6	2.1	2.8	2.9
Spain	-0.2	2.0	3.4	3.3	3.5
US	1.0	2.1	2.6	:	:
National definitions (OECD)					
Canada	0.3	1.8	2.2	3.3	3.3
Japan	-1.4	-0.7	0.0	0.0	0.3
US	-0.4	1.6	2.1	2.7	3.2
G7	-0.1	1.4	2.0	2.3	2.7
OECD	0.5	1.9	2.4	2.7	2.9
Brazil	4.9	5.0	6.0	6.3	6.5
China	-0.7	3.3	4.9	5.4	5.3
India	10.9	12.0	8.8	8.8	..
Russia	11.7	6.9	9.5	9.4	9.6

Source: ONS, Eurostat & stat.OECD database

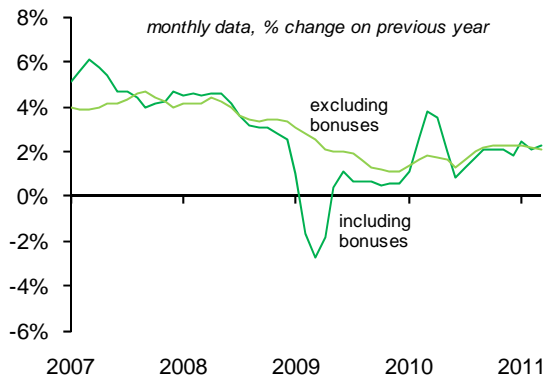
Contact: Gavin Thompson, x2042

Updates: Eurostat, [HICP full release](#), 16 Jun
Eurostat, [Flash estimate \(Jun\)](#), 30 Jun
OECD, [Main Economic Indicators](#), 14 Jun

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.3% in March compared with a year ago, up from 2.1% in February. Average weekly earnings excluding bonuses were 2.1% higher in the three months to March compared with a year ago, down from 2.2% in February. Inflation as measured by the CPI was 4.0% in March 2011 (the latest CPI inflation figure is 4.5% for April).

Average Earnings, Whole Economy



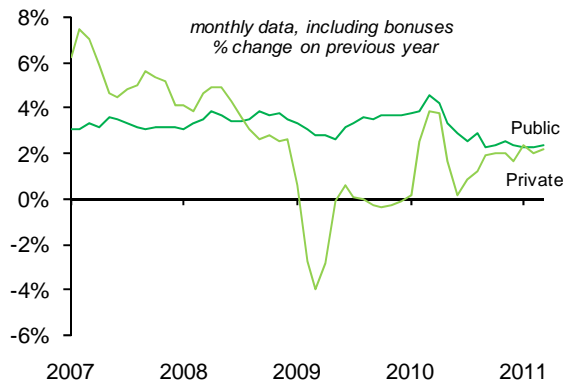
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2008 Mar	4.7	3.5	2.5	4.5	4.5
2009 Mar	-4.0	2.8	1.2	-3.8	-2.7
2010 Mar	3.9	4.6	6.3	4.3	3.8
2010 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	2.4
Feb	2.0	2.3	1.2	2.4	2.1
Mar	2.2	2.4	1.0	2.7	2.3

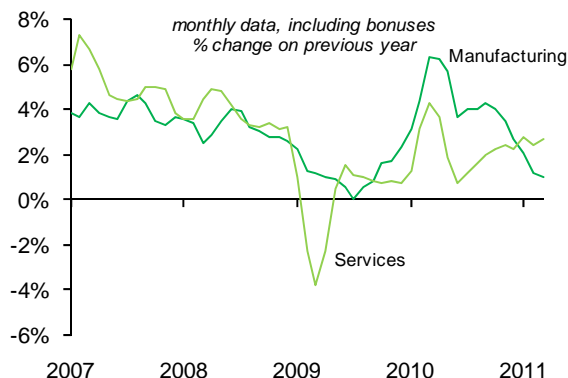
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 2.2% in March, compared with an increase of 2.4% in the public sector. Excluding financial services, public sector earnings also rose by 2.3%.
- Average weekly earnings (including bonuses) in March in the public sector were £481 compared with £466 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

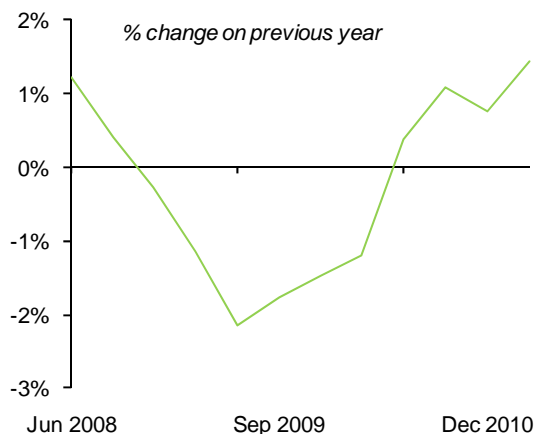


- Average total pay growth (including bonuses) in the manufacturing sector was 1.0% in March, compared with 2.7% in the services sector.
- Average weekly earnings (including bonuses) in March in the manufacturing sector were £549 compared with £455 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

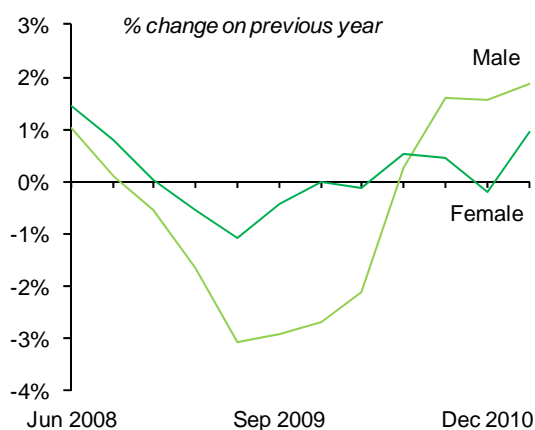
Employment grew by 415,000 over the year to March 2011, to 29.24 million. Employment is now 1.1% lower than its pre-recession peak of 29.6 million in the three months to April 2008.

Total employment



- Employment grew by 0.4% or 118,000 over the last quarter.
- Over the last year, and the last quarter, employment amongst those aged 25-49, 50-64 and 65+ has risen.
- Employment has risen by 236,000 amongst those aged 25-49 in the last year.
- Employment has fallen by 10,000 amongst those aged 16-24 in the last year.

Male and female employment



- The number of women in employment has increased by 100,000 over the past quarter, whilst the number of men in employment has increased by 19,000.
- The number of people employed in the public sector fell by 132,000 in the year to December 2010. The number of people employed in the private sector increased by 449,000 over the same period.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Jan-Mar 2009	29,172	3,970	17,244	7,249	702
Jan-Mar 2010	28,825	3,738	17,033	7,272	773
Apr-Jun 2010	29,014	3,804	17,136	7,254	802
Jul-Sep 2010	29,178	3,823	17,173	7,331	846
Oct-Dec 2010	29,122	3,735	17,207	7,302	870
Jan-Mar 2011	29,240	3,728	17,269	7,358	885
% change on previous 3 months	+0.4	-0.2	+0.4	+0.8	+0.8
% change on previous year	+1.4	-0.3	+1.4	+1.2	+13.4

Source: ONS

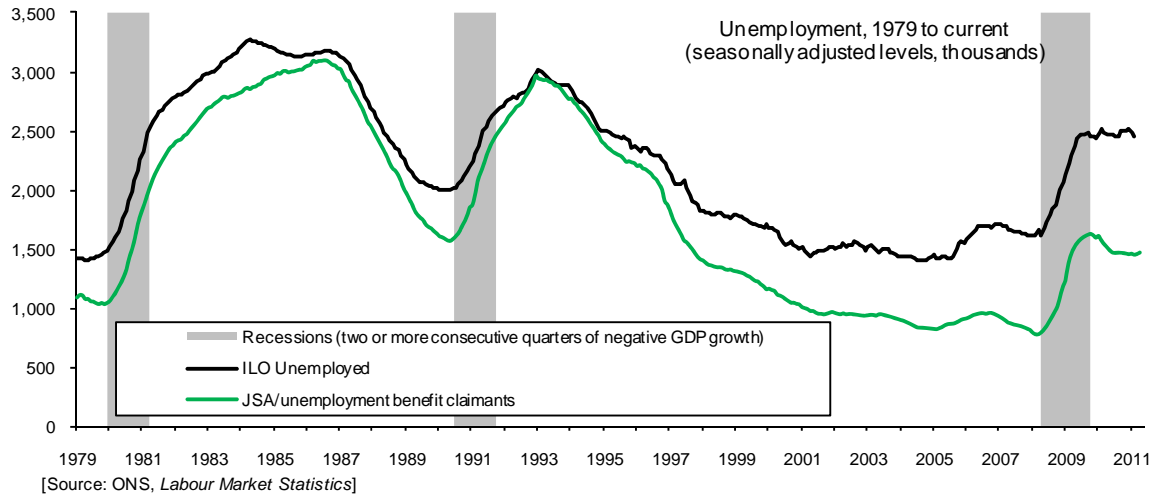
Contact: Chris Rhodes, x2454

Update: ONS, [Labour Market Statistics](#), 15 June

C2: Unemployment: National

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

- **ILO unemployment in January to March 2011 was 2,455,000 (7.7% of all economically active) – down 36,000 from the previous quarter (UK, seasonally adjusted).**

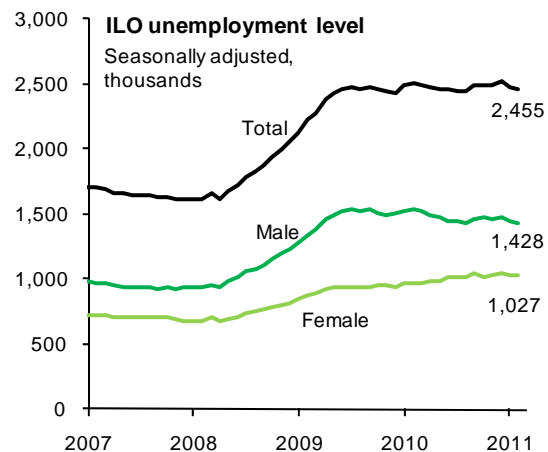


ILO unemployment (January to March 2011)

- There were 850,000 people unemployed for more than 12 months, up 20,000 from the previous quarter and the highest figure since the three months to January 1997;
- The unemployment level among 16- to 24-year-olds was 935,000, down 30,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 12,400 between March 2011 and April 2011 to 1,468,600.



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	(%)
Jan-Mar 2006	1,607	5.3	659	13.7	722	4.0	211	2.9	15	2.4
Jan-Mar 2007	1,701	5.5	711	14.5	745	4.1	231	3.2	14	2.2
Jan-Mar 2008	1,618	5.2	686	14.0	702	3.9	218	2.9	13	1.8
Jan-Mar 2009	2,225	7.1	874	18.0	1,005	5.5	327	4.3	19	2.6
Jan-Mar 2010	2,511	8.0	943	20.1	1,180	6.5	362	4.7	25	3.1
Apr-Jun 2010	2,462	7.8	924	19.5	1,150	6.3	370	4.8	19	2.2
Jul-Sep 2010	2,451	7.7	904	19.1	1,155	6.3	371	4.8	20	2.3
Oct-Dec 2010	2,492	7.9	965	20.5	1,141	6.2	366	4.8	20	2.3
Jan-Mar 2011	2,455	7.7	935	20.0	1,124	6.1	380	4.9	17	1.8
% change on quarter	-1.5		-3.1		-1.5		+4.0		-18.5	
% change on year	-2.2		-0.8		-4.8		+5.0		-34.0	

Source: ONS, Labour Market Statistics.

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

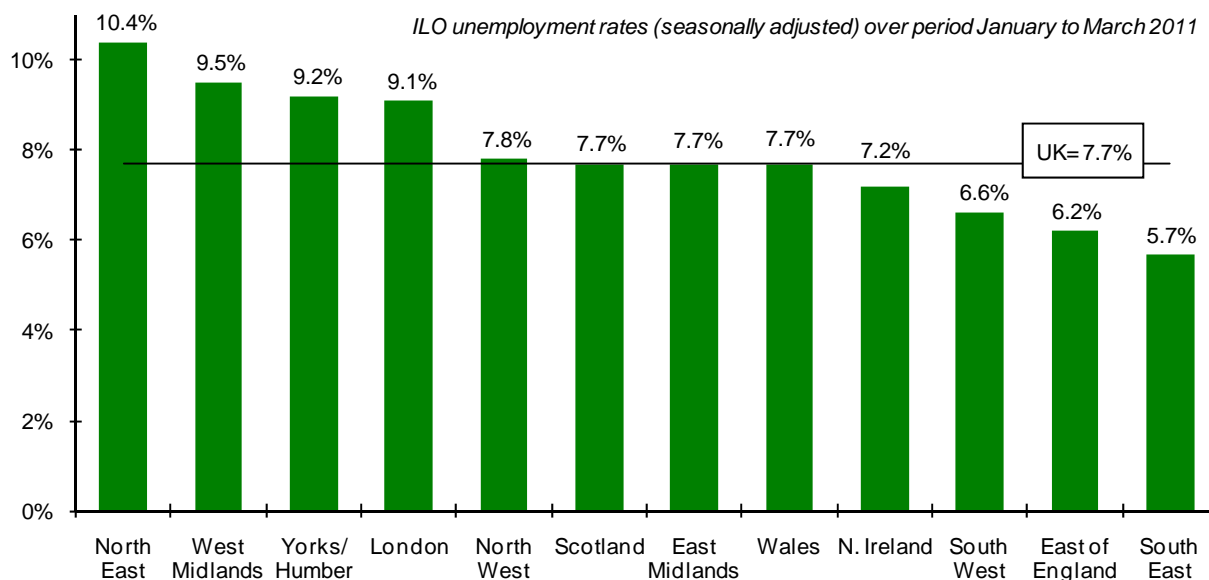
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 15 June

C3: Unemployment: Regional

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

- Over the period January to March 2011, the North East had the highest unemployment rate, at 10.4% of the economically active population, followed by the West Midlands at 9.5%. The lowest rate over the same period was 5.7% in the South East.



- The largest increase in unemployment over the last quarter was in the South West (+11,000). The largest decreases over the last quarter were in the South East (-17,000) and Wales (-10,000). (See table below.)
- The seasonally-adjusted JSA claimant count increased in nine regions and countries and decreased in two in April 2011 compared with the previous month.

Key regional labour market statistics *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	Jan - Mar 2011		Change in level		April 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	+4	+9	82.5	+1.9
North West	265	7.8	+3	-31	181.2	+2.0
Yorkshire & Humber	244	9.2	-1	-15	144.4	+0.4
East Midlands	177	7.7	-7	+11	98.3	+1.3
West Midlands	255	9.5	-4	+9	157.3	+1.5
East of England	187	6.2	-8	-8	105.5	+0.0
London	384	9.1	+6	+12	222.4	+5.3
South East	255	5.7	-17	-25	129.6	-0.3
South West	176	6.6	+11	+11	80.3	-0.2
Wales	112	7.7	-10	-22	70.3	+0.1
Scotland	208	7.7	-8	-10	137.6	+0.2
Northern Ireland	61	7.2	-6	+4	59.2	+0.2

Source: ONS, *Labour Market Statistics*

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

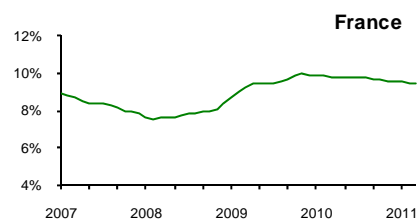
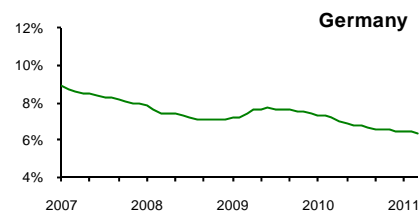
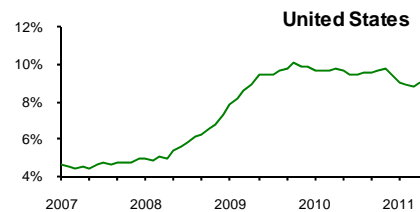
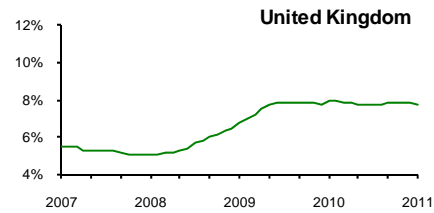
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 15 June

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 Q1 2010 and Q1 2011, unemployment fell across the G7 countries. Germany and the US saw the largest fall, of 0.8 percentage-points. Germany's unemployment rate in Q1 2011 stood at 6.4% and the US' at 8.9%. Italy saw the smallest decrease, of 0.1 percentage points; its unemployment rate in Q1 2011 was 8.3%.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (20.6% in Q1 2011), having risen particularly sharply over the last four years (up from 8.1% in Q1 2007). The Irish Republic has also seen a sharp rise over the same period (up from 4.5% to 14.8% in Q1 2011). This compares with a 2.4 percentage point rise in unemployment in the OECD as a whole over the past four years (from 5.9% to 8.3%) and a 2.1 percentage-point rise in the euro zone (from 7.8% to 9.9%) over the same period.
- The lowest unemployment rate in the OECD in Q4 2010 was in South Korea (3.5%).
- 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	9.5
Germany	8.4	7.3	7.5	7.1	7.2	6.9	6.7	6.6	6.4
Italy	6.2	6.8	7.8	8.4	8.4	8.4	8.3	8.6	8.3
Japan	3.9	4.0	5.1	5.1	4.9	5.2	5.1	4.9	4.7
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	9.9
G7	5.4	5.9	8.0	..	8.2	8.2	8.1	8.0	7.7
OECD	5.8	6.1	8.3	..	8.6	8.6	8.5	8.5	8.3

Source: OECD, Harmonised Unemployment Rates

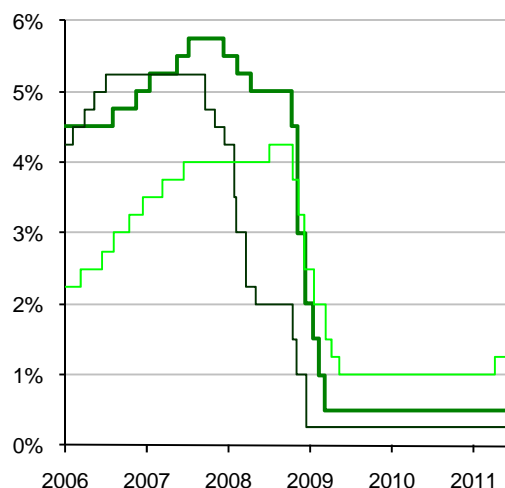
Contact: Gavin Thompson, x2042 Updates: OECD, [Harmonised Unemployment Rates](#), 14 Jun

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

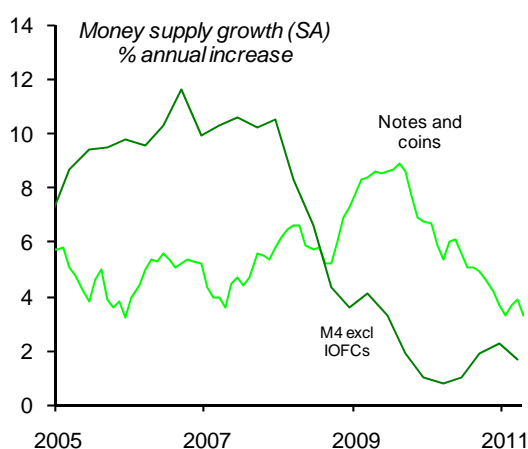
Source: Bank of England

- 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 1.7% in Q1 2011, 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 3.8% in the year to May 2011.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [9 June](#) (UK)
Bank of England, [Monetary and Financial Statistics](#), 29 June

D2: Public Finances

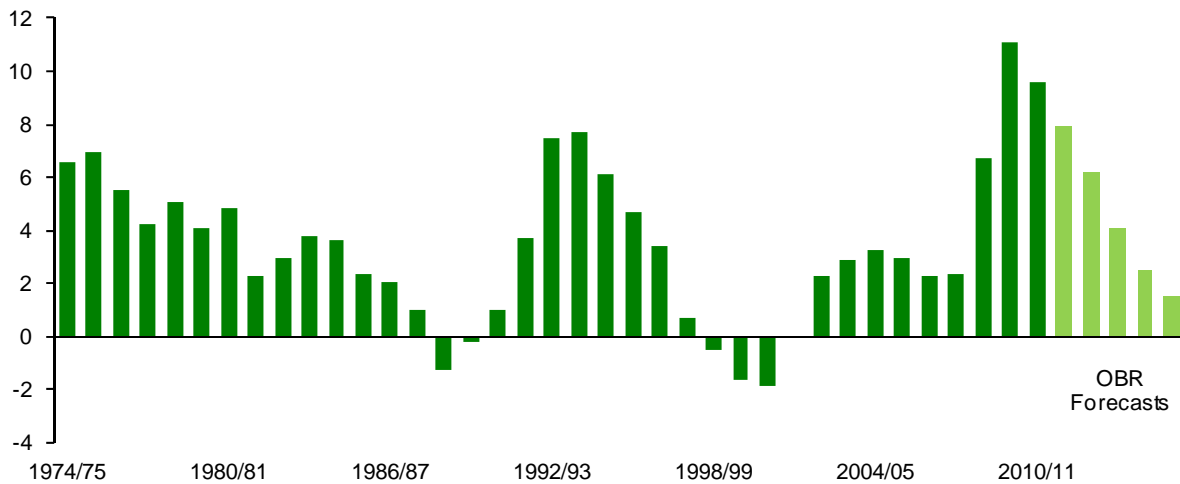
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £122 billion in 2011/12, equivalent to 7.9% of GDP.

- In April 2011, the Government borrowed £10.0 billion, 37% higher than April 2010.
- Borrowing in April 2010 was reduced by the one-off bank payroll tax which is being replaced by a levy on banks' balance sheets.
- 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.

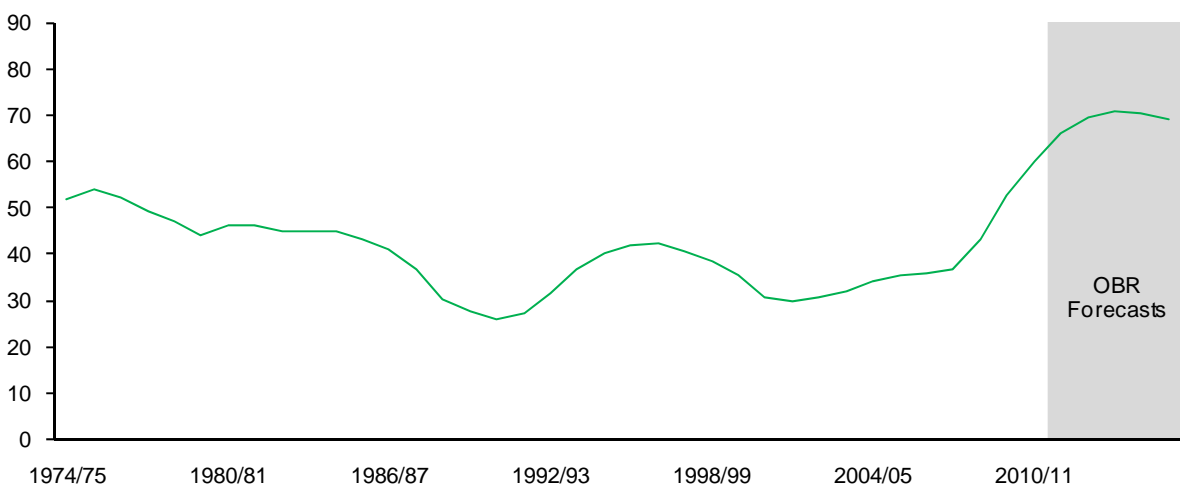
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	607	43.3
2009/10	157	11.1	760	52.8
2010/11	139	9.6	905	60.0
2011/12	122	7.9	1,046	66.1
2012/13	101	6.2	1,164	69.7
2013/14	70	4.1	1,251	70.9
2014/15	46	2.5	1,314	70.5
2015/16	29	1.5	1,359	69.1

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](#), 21 June 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. Then followed a steep decline, after which prices have recovered, and have been above \$100/barrel since February 2011.

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

Data from Thursday 02 June 2011

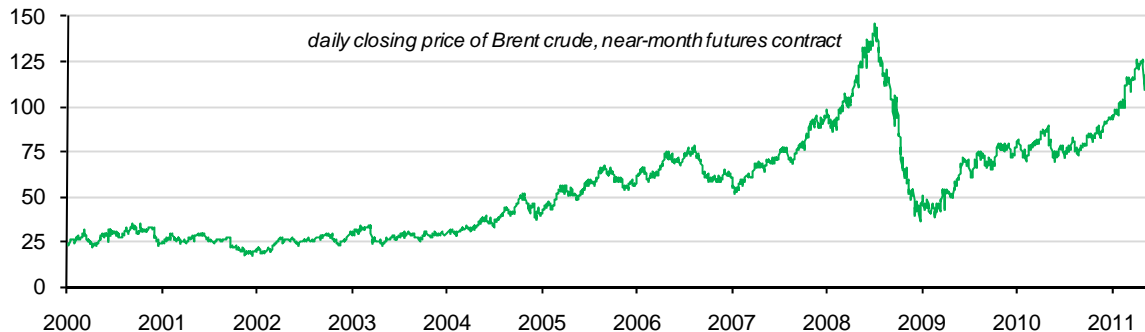
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02 Jun 2011	5,847.9	115.5	1,540.5
%change over:			
1-month	-4%	-8%	-2%
12-months	+14%	+57%	+26%
%change from:			
cyclical peak	-13%	-21%	-2%
date	15 Jun '07	03 Jul '08	02 May '11
cyclical trough	+67%	+218%	+117%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Oil price (\$ per barrel)



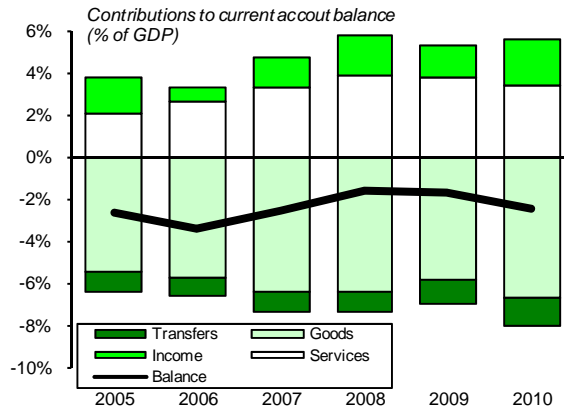
Gold price (\$ per ounce)



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).

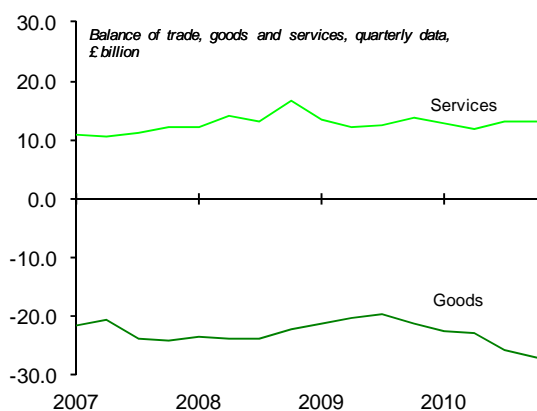
Current Account Balances

£ 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 March was £7.7 billion, wider than the February deficit of £7.0 billion.
- The monthly trade surplus on services was an estimated £4.7 billion in March, up from the February surplus of £4.3 billion.
- The overall monthly deficit on goods and services combined in March was £3.0 billion, up from £2.7 billion in February.
- The goods deficit with the EU27 was £3.2 billion in March (compared with £4.2 billion in February), while the deficit with non-EU countries was £4.5 billion (compared with £2.8 billion in February).

Contact: Grahame Allen, x3977

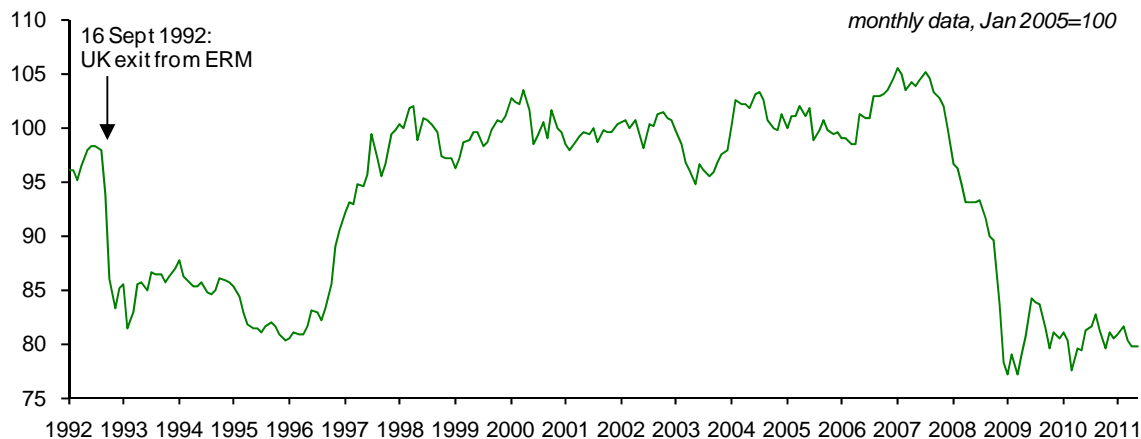
Updates: ONS, [UK Trade](#), 9 Jun;
ONS, [UK Balance of Payments](#), 28 Jun

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).

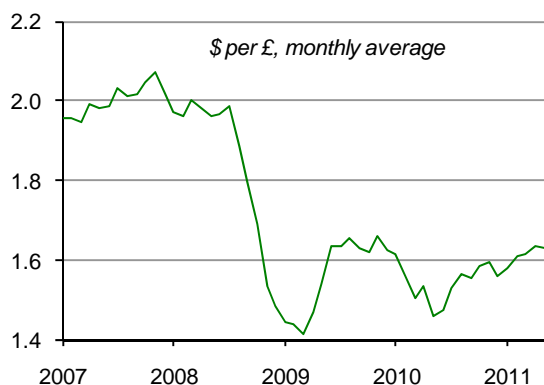
The SERI rose by 0.1% in May, following a 0.7% fall in April. Compared with the same period last year, the SERI was 0.5% higher. It is now 3.5% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 24.4% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



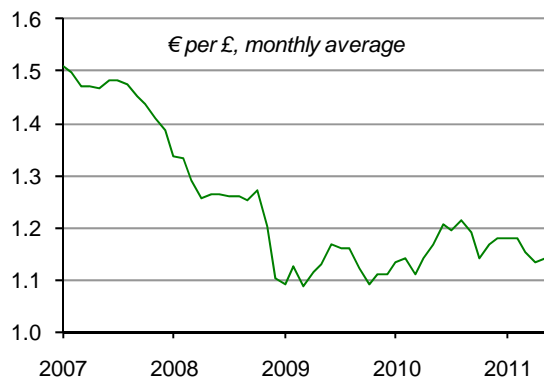
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In May, the pound was on average unchanged against the dollar, compared with April. At the 2 June market close the pound stood at \$1.63, the same level as the May average.
- Sterling was on average one cent stronger against the euro in May, when compared with April.
- At the 2 June market close the pound stood at €1.13, slightly below the May average of €1.14. This compares with an all-time low of €1.02 (on 30 December 2008), and a launch rate of €1.48 on 31 December 1998.

€/£ Exchange Rate



Sterling Exchange Rates

average rates in period and % changes

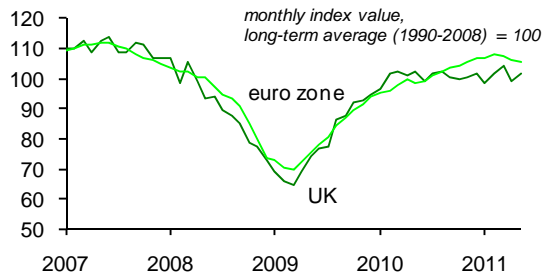
	US Dollar (\$)		Euro (€)	
	Rate	% change on year	Rate	% change on year
2008	1.85	-7.5%	1.26	-13.9%
2009	1.57	-15.5%	1.12	-10.8%
2010	1.55	-1.3%	1.17	3.8%
2010 May	1.46	-5.2%	1.17	3.5%
2011 Mar	1.62	7.3%	1.15	3.9%
Apr	1.63	6.6%	1.13	-0.9%
May	1.63	11.5%	1.14	-2.4%

Source: Bank of England, Bankstats database

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

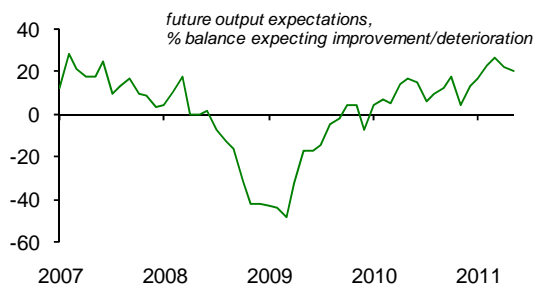


	UK Index	monthly change	change on year ago
2009 May	74.4	...	...
2010 May	102.2	...	...
2011 Mar	104.6	+2.7	+2.1
Apr	99.5	-5.1	-1.8
May	102.1	+2.6	-0.1

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 2.6 points to 102.1 in May 2011. The overall Euro area sentiment index decreased by 0.6 points in May to 105.5.

CBI Industrial Trends Survey



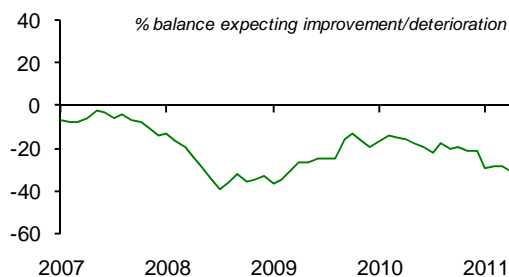
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2009 May	-17	...	...
2010 May	+17	...	...
2011 Mar	+27	+4	+22
Apr	+22	-5	+8
May	+20	-2	+3

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in May were +20% of firms expecting output to rise rather than fall over the next three months. This was a similar level to last month, when it was +22%.

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 May	-27	...	...
2010 May	-18	...	...
2011 Mar	-28	0	-13
Apr	-31	-3	-15
May	-21	+10	-3

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 -21, overall confidence was 10 points higher in May 2011 than in April, returning to its December 2010 level with its largest single-month rise since 1993.

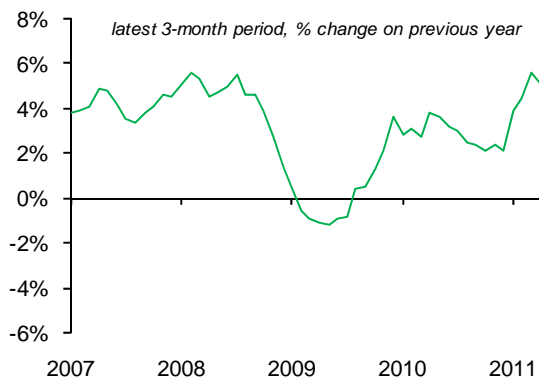
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), mid-June
EC, [Economic Sentiment Indicator](#), 29 June
GfK NOP, [Consumer Confidence](#), 30 June

F2: Retail Sales

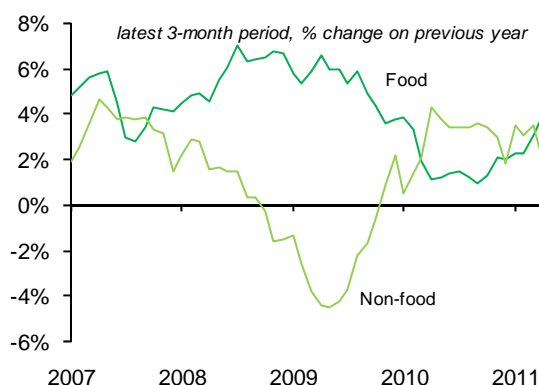
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The rate of annual increase in the value of retail sales in the three months to April 2011 was 5.1%. This was a slowing compared with the rate in March.
- The value of retail sales in April alone was up by 1.6% compared with March (in seasonally adjusted terms).
- The warm weather and royal wedding may have contributed to strong figures.
- The estimated total value of sales in April was £26.0 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to April rose by 4.0% compared with the previous year, the highest since October 2009.
- The annual rate of increase of the value of sales in non-food stores was 1.8% in the three months to April.
- Sales in household goods stores were 4.9% lower than a year ago.
- Sales in clothing and footwear stores were up by an annual rate of 2.0% in the three months to April, a further slowing in growth.
- Non-store sales (includes internet) were up by 17.0% in the year to the three months to April. This is a record high for this series.

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 Dec	2.0	6.1	-9.6	4.9	1.8	2.1
2011 Jan	2.3	5.6	-5.8	6.7	3.5	3.9
Feb	2.3	3.5	-4.6	6.5	3.1	4.4
Mar	3.1	2.2	-2.3	7.5	3.5	5.6
Apr	4.0	2.0	-4.9	5.3	1.8	5.1

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

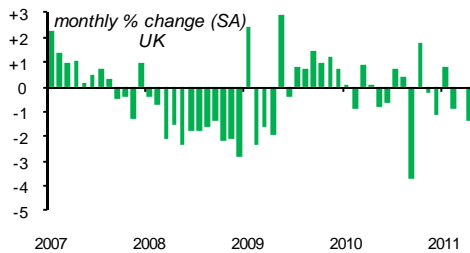
F3: Housing Market

House prices on the Nationwide index rose by 0.3% in May. Prices fell by 0.2% in the previous month. Prices were 1.2% lower in May compared with a year ago. House prices on the Halifax index decreased by 1.4% in April compared with a month ago. This follows no change in March. Prices were 4.9% lower than a year ago on this measure.

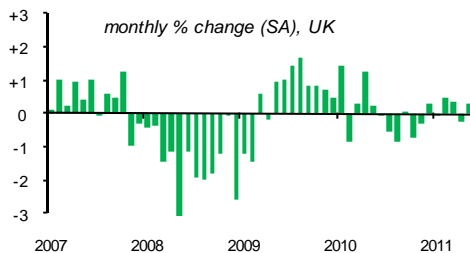
After recovering in 2009, numbers of mortgage approvals has remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

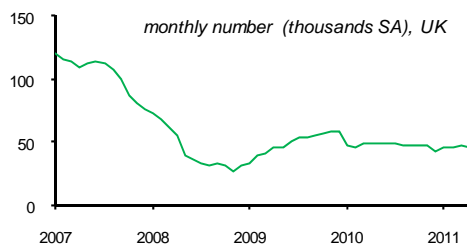


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Apr-11	May-11
Change in month	-1.4%	+0.3%
Change in year	-4.9%	-1.2%
Peak date	Aug-07	Jul-07
Change since peak	-19.6%	-9.0%
Trough date	Apr-09	Feb-09
Change since trough	+3.7%	+9.9%

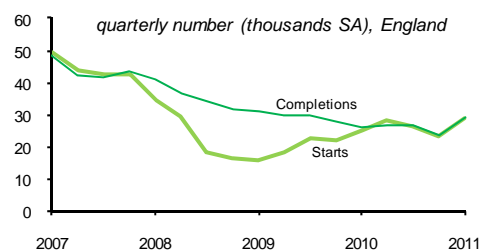
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q4 2010 prices fell by 9% in Northern Ireland but rose by 4% in East Anglia compared with 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 fell 4% to 45,166 in April. The number of approvals has remained generally flat since early 2010.

House-building



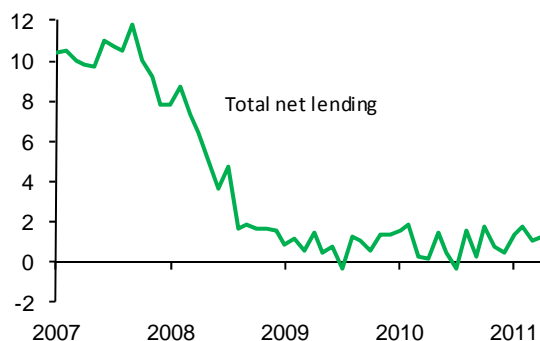
- There were 29,140 house building starts in England in Q1 2011, up from 23,140 in Q4 2010. This is nearly double the low of 15,510 in Q1 2009, but still well below the 50,000 starts in Q1 2007.
- The number of dwelling completions rose to 29,380 in Q1 2011, up from 23,500 in Q4 2010.

Contact: Daniel Harari, x2464

Updates: Halifax [House Price Index](#), early June;
Nationwide [House Price Index](#), early July;
Bank of England, [Lending to Individuals](#), 29 June;
DCLG, [House-building](#), 18 Aug

F4: Household debt

Monthly net lending, £bn



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

- Total net lending to individuals grew by £1.2 billion in April 2011. This compares with an increase of £1.1 billion in March.
- Monthly net unsecured lending increased by £0.5 billion in April 2011.
- Monthly net secured lending (mortgages) grew by £0.7 billion in April 2011, compared with a £0.5 billion rise in March.

Net outstanding lending to individuals

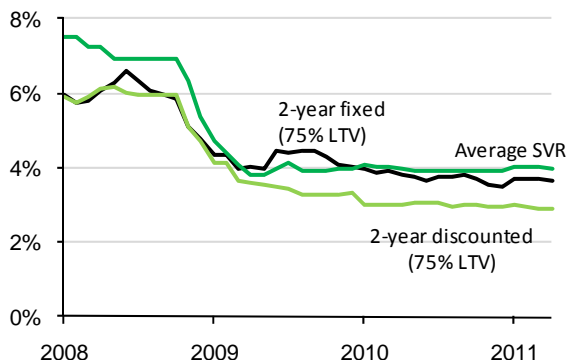
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Apr	1,112	214	1,326
2008 Apr	1,206	230	1,436
2009 Apr	1,227	231	1,459
2010 Apr	1,238	221	1,459
2010 Oct	1,238	216	1,454
2011 Jan	1,240	212	1,453
2011 Apr	1,241	211	1,452

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

- Total net outstanding lending to individuals was £1,452 billion at the end of April 2011, 0.5% lower than in April 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 85% of the total.
- Unsecured lending outstanding (including credit cards) was £211 billion at the end of April 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 April 2011 was 3.98%, a decrease of 0.06 percentage points on the previous month.
- The average fixed and discounted rates offered (75% LTV) in April 2011 were 3.66% and 2.90% respectively.

Individual insolvencies, England and Wales



- Q1 2011 provisional data indicates there were 30,162 individual insolvencies in England and Wales (not seasonally adjusted), a 15.5% decrease on Q1 2010.
- In Scotland in Q1 2011 there were 4,262 individual insolvencies, a fall of 18.0% on Q1 2010.
- In N Ireland in Q1 2011 there were 682 individual insolvencies, a rise of 24.9% on Q1 2010.

Contact: Dominic Webb, x2464

Update: Bank of England, [Lending to Individuals](#), 29 June
Insolvency Service, [Insolvency Statistics](#), 5 Aug

5 Indicator sources

The table gives details of sources used in this paper. Office for National Statistics (ONS) releases are available from www.statistics.gov.uk/press_release/CurrentReleases.asp.

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

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

The Public Sector Net Borrowing (PSNB): This measures the public sector's accumulation of debt net of liquid financial assets. Its approximate stock equivalent is net public sector debt.

Public Sector Net Debt: This is approximately the stock analogue of the PSNB. It measures the public sector's financial liabilities to the private sector and abroad, net of short-term financial assets such as bank deposits and foreign exchange reserves.

Retail Prices Index (RPI): A domestic indicator of inflation. It measures the average change from month to month in the prices of goods and services purchased in the UK. It is similar to the CPI, but differs in terms of methodology and coverage. For example, the RPI includes housing costs such as mortgage interest payments while the CPI doesn't.

Seasonally adjusted: Estimates in which the element of variability due to seasonal influences, which may distort the data, has been removed.

Sterling Exchange Rate Index (SERI): This measures the value of sterling against a trade-weighted 'basket' of other currencies. The weights used in this index measure currencies' relative importance to UK trade in goods and services.

UK Base/Repo rate: The rate at which the Bank of England lends to discount houses by buying their bills. The base rate is usually the minimum rate at which banks are prepared to lend money. The high street bank base rate follows that set by the Bank of England, and it acts as the benchmark for [cont]

other interest rates, including mortgages and personal loans.

Unemployment: The ILO definition includes all people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or are out of work and have accepted a job that they are waiting to start in the next fortnight.

Unemployment rate: The number of unemployed persons expressed as a percentage of the total economically active population.

Volume/value of retail sales: The volume of retail sales is the total takings adjusted for inflation and the value of retail sales is the total actual takings.

Workforce jobs: The sum of employee jobs, self-employment jobs, those in HM Forces and government-supported trainees.