



Economic Indicators, August 2011

RESEARCH PAPER 11/59 2 August 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 preliminary estimate of GDP in Q2 2011 showed the economy grew by 0.2% compared with the previous quarter.
- The ONS stated that there were a number of 'special events' during the quarter (royal wedding, warm weather and effects of the Japanese tsunami) that may have had a net downward impact on GDP of 0.5%-points.
- Despite this, growth remains weak with economic output only 0.7% higher in Q2 2011 than it was a year ago, and still 4% below its pre-recession level over three years ago (Q1 2008).

This month's articles:

- **The UK economy, forecasts, real growth and future prospects**
- **Accession migration through the economic downturn**

Daniel Harari (editor)

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Research Paper 11/59

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

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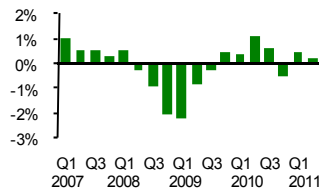
Summary

The ONS's preliminary estimate of GDP in Q2 2011 showed the economy grew by 0.2% compared with the previous quarter. The ONS stated that there were a number of 'special events' during the quarter (royal wedding, warm weather and effects of the Japanese tsunami) that may have had a net downward impact on GDP of 0.5%-points. Despite this, growth remains weak with economic output only 0.7% higher in Q2 2011 than it was a year ago, and still 4% below its pre-recession level over three years ago (Q1 2008).

GDP growth

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(% change quarter-on-quarter)

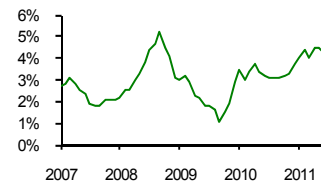


Quarterly GDP expanded by 0.2% in Q2 2011 compared with Q1 2011. This followed growth of 0.5% in Q1 2011.

Inflation (CPI)

[page 7](#)

(% change on year ago)

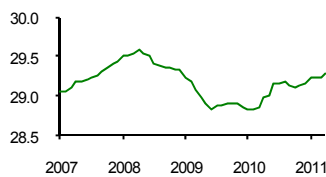


The rate of CPI inflation was 4.2% in the year to June, down from 4.5% in May. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

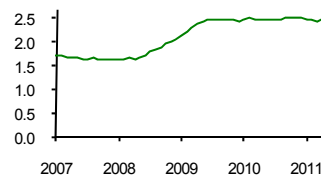


In the three months to May, the number of people employed rose by 50,000 to 29.28 million.

Unemployment

[page 11](#)

(total, millions, ILO definition)

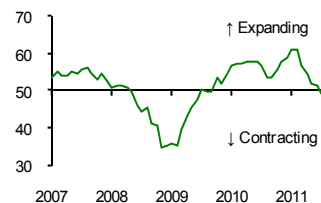


ILO unemployment fell by 26,000 to 2.45 million in the three months to May. The unemployment rate also decreased from 7.8% to 7.7%.

Manufacturing Purchasing Managers' Index

[page 5](#)

(Markit/CIPS UK Manufacturing PMI, 50 = no change)



This measure of manufacturing indicated that the sector contracted for the first time in two years in July following weak domestic demand.

Next issue: 6 September

Editor: Daniel Harari

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1 Introduction to *Economic Indicators*

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

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

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

2 The UK economy, forecasts, real growth and future prospects

ONS released its preliminary estimate of GDP for the second quarter of 2011 on 26 July.³

This suggests that the economy grew by 0.2% quarter-on-quarter (following positive growth of 0.5% in the first quarter of 2011) and by just 0.7% compared with the second quarter of 2010. ONS suggested that there were several “special” events that had occurred in the second quarter which may have suppressed growth. The on-going impact on UK manufacturing from the Japanese tsunami, the impact of the additional bank holiday for the royal wedding on production generally, and warm weather – together, these could have reduced growth by as much as 0.4%-points.

As the chart opposite shows, figures for previous years’ second quarters show that 2011 second quarter growth is the lowest (outside a recession) since 1984 (-0.7%).

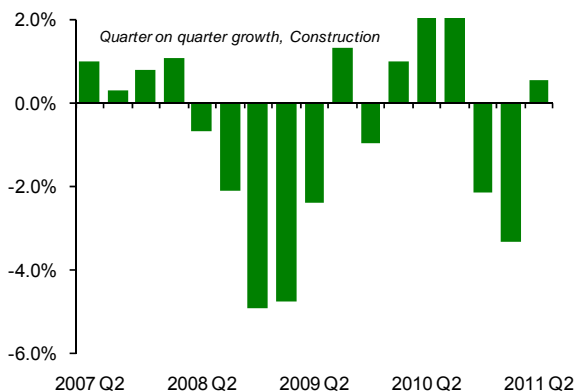
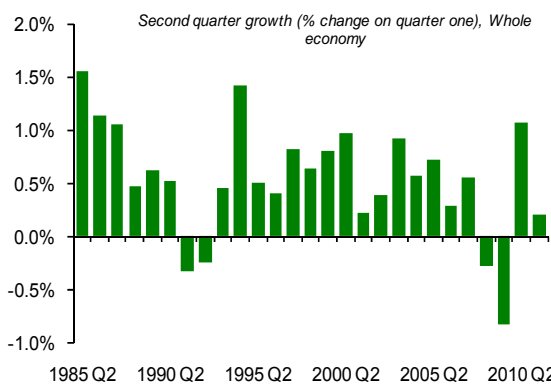
2.1 De-constructing the figures

Amongst the production sectors, the extraction (-6.6%) and energy sectors (-3.2%) saw the largest decline in output due, it has been suggested, to the warm weather and on-going maintenance in the North Sea.

Output in manufacturing fell (-0.3%) for the first quarter since the end of the recession (third quarter of 2009) as the effects of the Japanese tsunami continued.

In the volatile construction sector, output grew (0.5%) for the first time since the third quarter of 2010.

Output growth in the service sector, by far the largest sector of the economy, rose by 0.5%. Transport, storage and communications rose by 1.1%; business and financial services by 0.7%; and distribution, hotels and restaurants by 0.3%. Growth in the government and other services sector remained constant.



³ ONS Statistical Bulletin, [Gross domestic product preliminary estimate: 2nd Quarter 2011](#), 26 July 2011

2.2 Prospects for growth

Growth in the second quarter was lower than expectations at the Budget in March, when the Office for Budget Responsibility forecast second quarter 2011 growth of 0.4%. The second quarter growth figures now make it unlikely that the OBR's March forecast for growth in the whole of 2011 (1.7%) will be met. However, they will not be alone, the [average of independent forecasters](#), published monthly by the Treasury, suggested in March that the UK economy would grow by 1.8%.

Currently, the [average of independent forecasters](#) (July) suggests 2011 growth of 1.4% is more likely. The IMF forecasts growth for 2011 of 1.5% while the OECD forecasts growth of 1.4%. With the value of hindsight, these forecasts appear a little over-optimistic although evidence from the underlying economic variables provides a mixed outlook.

The unemployment rate has fallen recently, employment has increased and the service sector is continuing to perform strongly, even given slow growth in the finance and government sectors. The impact of the Japanese tsunami appears to be easing while the pound also remains relatively weak which should improve the UK's export position.

However, there remain some dark clouds on the horizon. The risk to the UK from a sovereign debt default in the eurozone has receded but remains a possibility. Although exports are increasing, imports are increasing at a faster rate. The volume of retail sales is increasing slower than the value of these sales suggesting that consumers are having to pay more for the same amount of goods. Interest rates remain low but inflation continues above the Bank of England target making further growth-enhancing cuts in interest rates unlikely. There have been calls for further quantitative easing to boost the economy, but this is also unlikely as this usually drives inflation higher.

Public sector finances remain weak. Although total borrowing in the year to June 2011 was down from its peak in 2009/10, the current budget deficit has fallen by less. ONS suggests that the main contributor to the downward trend in borrowing has come from public sector investment.

There is little doubt the expected austerity measures will lead to slow growth in output from the government sector. How growth over the whole economy will be affected depends on the willingness of the private sector to raise spending sufficiently to plug this gap. Private sector investment may eventually replace this public investment but many banks remain unwilling to lend while many borrowers are unwilling to borrow at current rates.

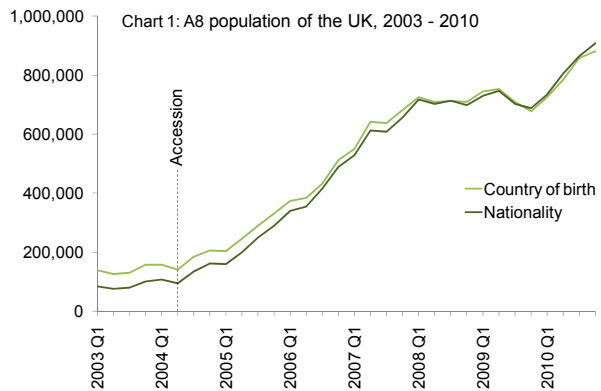
There is also the chance that second quarter GDP figures will be revised, probably upwards, but the revision is unlikely to be major.

Grahame Allen, Economic Policy and Statistics Section

3 Accession migration through the economic downturn

When the recession hit the British economy, some anticipated that the end of the boom would mean the end of economic migration from Eastern Europe. Reports of Polish plumbers returning home appeared in the press as employment opportunities dried up and a falling exchange rate made the UK a less attractive place for Europeans to work.⁴

Although the rate of inward migration from A8 countries⁵ fell as the economy faltered in 2008, and turned negative during the second half of 2009, by 2010 the UK's population of A8 migrants was once again growing at the same rate as before the recession. In the last quarter of 2010, there were over 900,000 A8 nationals living in the UK, which is roughly 1.5% of the total resident population.

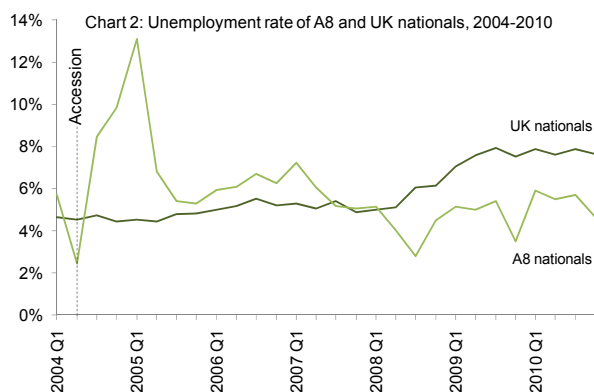


Many A8 migrants have settled in the UK and started families. In the final quarter of 2010 there were around 57,000 A8 nationals under the age of five who had been born in the UK.

3.1 Has the downturn led to higher unemployment among A8 migrants?

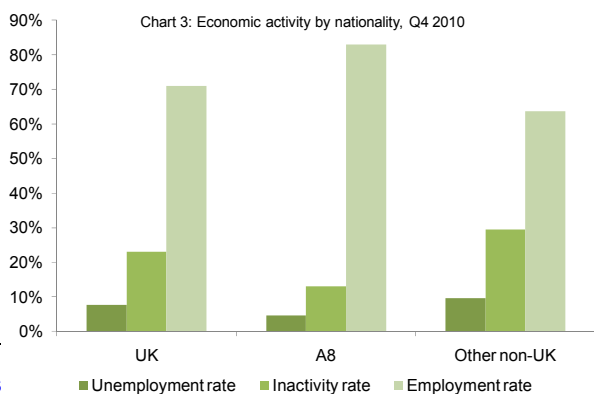
The unemployment rate among A8 nationals has actually been lower since the economic downturn than it was beforehand. A8 nationals faced the highest rate of unemployment shortly after the first cohort arrived following accession to the EU in May 2004.

Since mid-2007 the unemployment rate among A8 nationals has been lower than among UK nationals. This is particularly striking given that the population of other non-UK nationals has lower rates of employment and higher rates of economic inactivity. A8 nationals have higher rates of employment, lower rates of unemployment and lower rates of inactivity than both UK and other non-UK nationals. It is not clear why.



3.2 How does the A8 workforce differ?

It's worth noting that the population of A8 nationals has a very different age structure to the population of UK nationals. 88% are under 40, 46% are aged 25 to 34. They are perhaps more mobile and more flexible in terms of where they can work. A8 nationals are reasonably evenly distributed across the

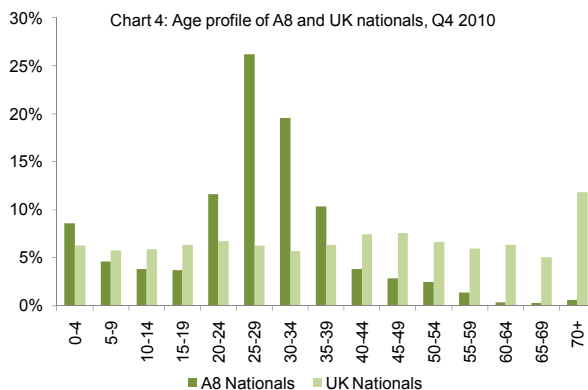


⁴ See for example, "Polish plumbers pack their bags as

⁵ The A8 countries are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

regions of the UK, accounting for between 1% and 2% of the resident population in every region except the North East (0.6%), London (2.4%) and Northern Ireland (2.6%).

The unusual age profile of the A8 population does not by itself explain the group's lower unemployment rate. In the last quarter of 2010, the unemployment rate among UK nationals aged 25 to 34 was lower than for all UK nationals – 7.2% compared with 7.6% respectively – but it was nevertheless much closer to the overall unemployment rate among UK nationals than the overall rate among A8 nationals, which was 4.6%.



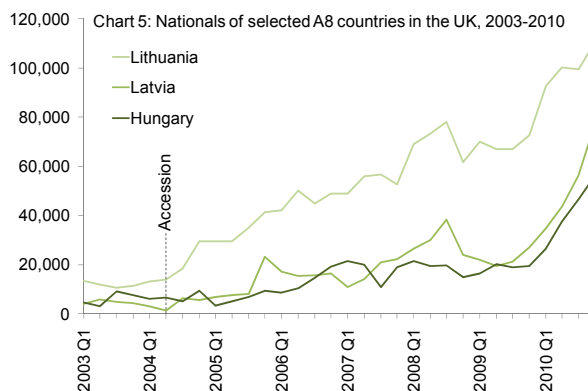
3.3 What kinds of work do A8 migrants do?

Despite the stereotype of the Polish plumber, only 13% of A8 nationals with a job work in skilled trades. 38% work in elementary occupations: jobs that require little or no formal training, that are repetitive in nature and are often physically demanding. A further 19% work in factory-floor positions as plant and machine operatives. Only 12% are either managers or senior officials, or work in professional, associate professional or technical occupations. By contrast, 45% of working UK nationals has a job in these higher-skilled categories.

The nature of the work done by A8 migrants is reflected in lower wages. Median gross hourly pay among A8 nationals was £7.04 in the final quarter of 2010, compared with £10.16 for UK nationals. A8 nationals are more likely to be employed in jobs that are temporary in nature, but not much. The proportion of A8 employees in non-permanent jobs (9%) is higher than for UK employees (6%), but more than 90% of A8 employees are working in permanent jobs.

3.4 Which A8 countries have the largest numbers of migrants in the UK?

Most accession migration to the UK is from Poland, whose 571,000 nationals account for 63% of all A8 nationals in the UK. The three A8 countries with the next largest migrant populations are Lithuania (111,000), Latvia (78,000) and Hungary (56,000). Most of the growth in the population of nationals from these countries has taken place since the recession. In the last quarter of 2007 there were 94,000 nationals of these countries living in the UK. In the last quarter of 2010 there were 245,000.



The UK economy remains a comparatively attractive place for accession migrants to find jobs, especially in light of the ongoing economic problems in Eastern Europe. A8 nationals living in the UK are achieving higher levels of economic activity than UK nationals in the same economic climate, and are doing so while their numbers are rising.⁶

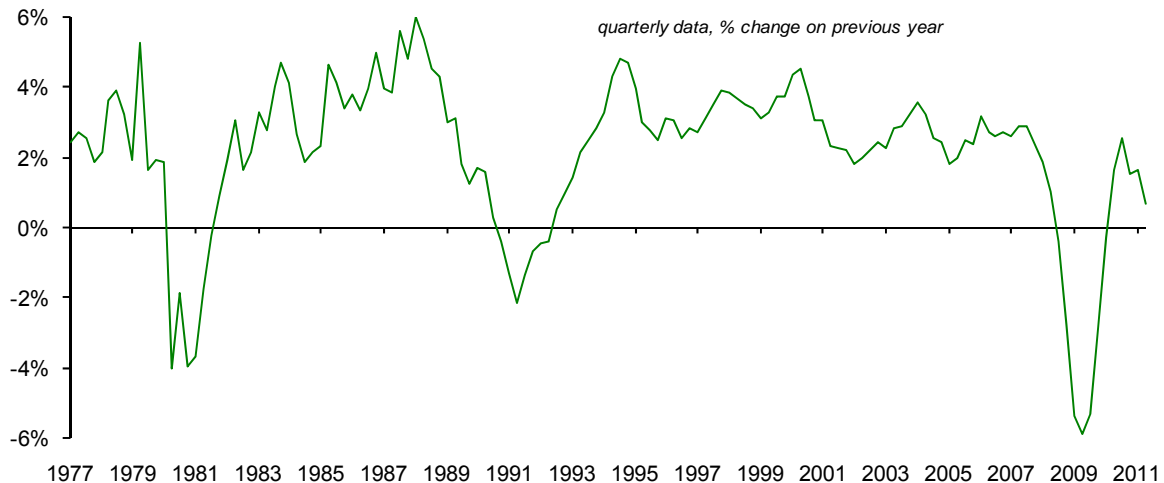
Oliver Hawkins, Social and General Statistics

⁶ All figures are estimates from the Labour Force Survey. Figures are not seasonally adjusted, but comparisons are made between the same or equivalent quarters.

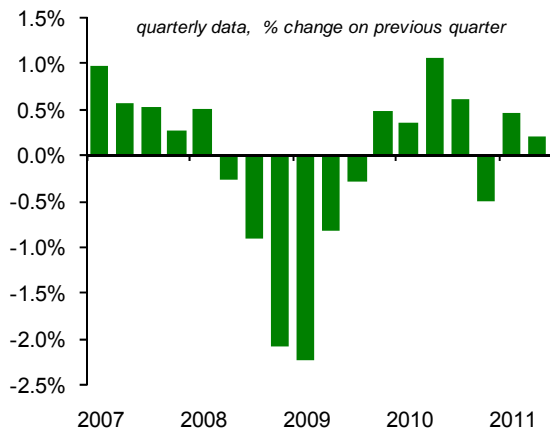
A1: Gross Domestic Product

The economy grew by a preliminary estimate of 0.2% in Q2 2011, following a rise of 0.5% in Q1 2011. In July 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.4% 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	1,455	4.3	...	1.4
2010 Q2	362.6	5.3	1.1	1.6
Q3	364.9	4.8	0.6	2.5
Q4	369.2	4.7	-0.5	1.5
2011 Q1	375.3	4.6	0.5	1.6
Q2	...	...	0.2	0.7

Source: ONS, series: YBHA, ABMI

- The economy grew by a preliminary estimate of 0.2% in Q2 2011 compared with Q1 2011. This compares with a rise of 0.5% in Q1 2011 compared with Q4 2010.
- Manufacturing shrank by a preliminary estimate of 0.3% in Q2 2011 compared with the previous quarter, while services and construction both grew by a preliminary estimate of 0.5%.
- In Q1 2011, real GDP was 1.6% higher than a year earlier but GDP remains 4.3% below its pre-recession (Q1 2008) level.

Contact: Grahame Allen, x3977

Updates: ONS, [UK output, income & expenditure, ONS](#), 26 Aug
HMT, [Comparison of Independent Forecasts](#), 17 Aug

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 by 0.2% in Q2 2011, following growth of 0.5% in Q1 2011. The US grew by 0.3% in Q2 2011 (growth in Q1 was revised down from 0.4% to 0.1%). In Q1 2011 Germany grew by 1.5%, and the eurozone as a whole by 0.8%.

Real GDP, % changes

	change on prev. year					change on prev. quarter				
	10Q2	10Q3	10Q4	11Q1	11Q2	10Q2	10Q3	10Q4	11Q1	11Q2
US	3.3	3.5	3.1	2.2	1.6	0.9	0.6	0.6	0.1	0.3
Japan	3.3	4.8	2.4	-0.7	..	0.0	0.9	-0.7	-0.9	..
UK	1.6	2.5	1.5	1.6	0.7	1.1	0.6	-0.5	0.5	0.2
Germany	3.9	3.9	3.8	4.8	..	2.1	0.8	0.4	1.5	..
France	1.5	1.6	1.4	2.2	..	0.5	0.4	0.3	0.9	..
Eurozone	2.0	2.0	2.0	2.5	..	0.9	0.4	0.3	0.8	..
G7	3.0	3.4	2.8	2.0	..	0.8	0.6	0.2	0.2	..
OECD	3.3	3.3	3.0	2.4	..	1.0	0.6	0.4	..	..

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

In **June 2011**, the IMF lowered their 2011 forecast for world growth by 0.1 percentage points to 4.3%. 2011 growth forecasts for the UK were lowered by 0.2 percentage points, for the US by 0.3 percentage points, and for Japan by 2.1 percentage points. Germany, France and the euro area as a whole saw upward revisions of 0.4, 0.7 and 0.5 percentage points respectively.

Among major emerging markets, China's and India's IMF growth forecast for 2011 was left unchanged. The 2011 forecast for Brazil was reduced by 0.4 percentage points.

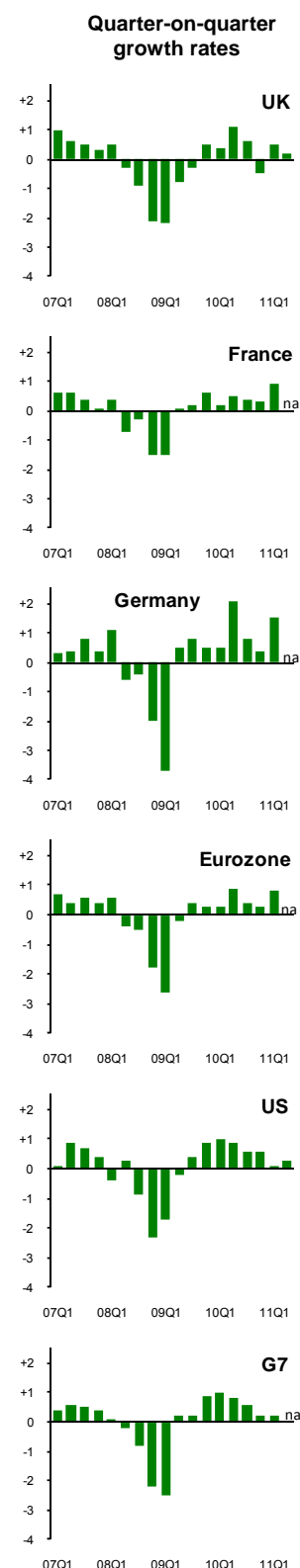
The European Commission's **May forecasts** revised down the February forecast for UK 2011 growth down from 2.0% to 1.7%.

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 (Jun 11)			EC (May 11)		OECD (May 11)	
	2011	2012	2013	2011	2012	2011	2012
UK	1.5	2.3	2.5	1.7	2.1	1.4	1.8
France	2.1	1.9	2.0	1.8	2.0	2.2	2.1
Germany	3.2	2.0	1.9	2.6	1.9	3.4	2.5
Eurozone	2.0	1.7	1.8	1.6	1.8	2.0	2.0
US	2.5	2.7	2.7	2.6	2.7	2.6	3.1
Japan	-0.7	2.9	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	4.1	3.6	4.1	..	..	4.1	4.5
World	4.3	4.5	4.5	..	..	..	..

Sources: IMF, WEO June update; EC EEF; OECD, Economic Outlook 89



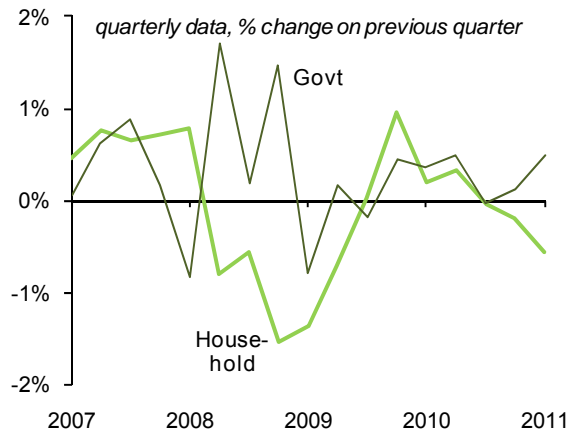
Contact: Gavin Thompson, x2042

Update: OECD *Main Economic Indicators*, 8 Aug 2011
EC *Economic Forecast*, Sep 2011
IMF *World Economic Outlook*, Oct 2011

A3: Components of GDP

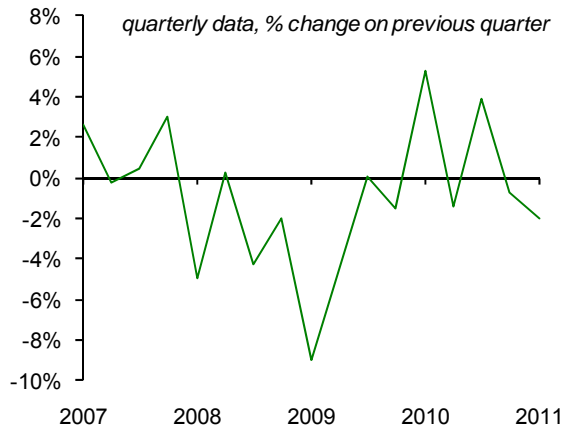
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation 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 0.5% in Q1 2011.
- Net trade made a significant contribution to growth in Q1 2011: exports increased by 2.4% while imports fell by 2.4%.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q1 2011 GFCF fell by 2.0%.
- In Q1 2011, GFCF was 0.2% 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)	0.9%	1.0%	3.7%	5.2%	8.8%	1.4%
2010 Q1	0.2%	0.4%	5.3%	-1.1%	2.3%	0.4%
2010 Q2	0.3%	0.5%	-1.4%	3.0%	2.1%	1.1%
2010 Q3	0.0%	0.0%	3.9%	1.5%	1.7%	0.6%
2010 Q4	-0.2%	0.1%	-0.7%	2.1%	2.8%	-0.5%
2011 Q1	-0.6%	0.5%	-2.0%	2.4%	-2.4%	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 83% of total workforce jobs (Q1 2011).

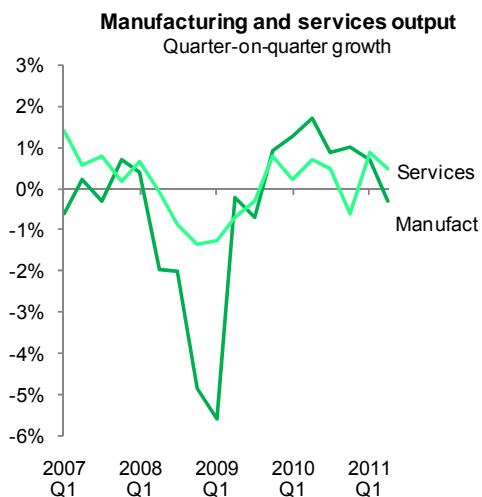
Output

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%	7.1%	1.1%	1.4%
2010 Q4	4.9%	9.8%	0.6%	1.5%
2011 Q1	4.3%	5.2%	1.4%	1.6%
2011 Q2	2.3%	-1.4%	1.2%	0.7%
<i>Quarter-on-quarter</i>				
2010 Q4	1.0%	-2.1%	-0.6%	-0.5%
2011 Q1	0.7%	-3.4%	0.9%	0.5%
2011 Q2	-0.3%	0.5%	0.5%	0.2%

Source: ONS series CKYY, GDQB, GDQS, YBEZ



- Manufacturing output fell by 0.3% in the second quarter of 2011, the first fall in seven quarters. Services output rose by 0.5%, while construction returned to growth after two quarters of sharp contraction.
- Manufacturing output rose by 2.3% in the year to Q2 2011 and services by 1.2%. Construction output fell by 1.4%.
- Output in the business services and finance sector grew by 0.8% in the year to Q2 2011.

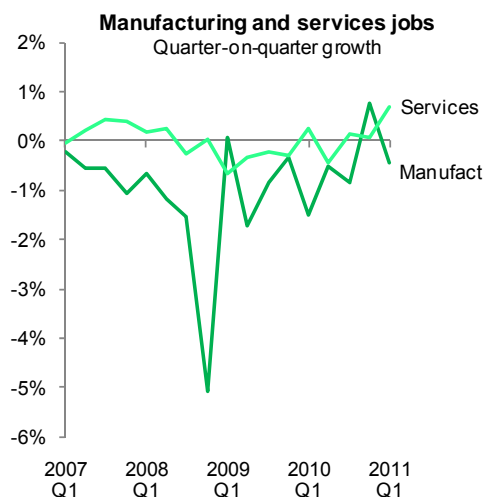
Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	GDP
<i>Annual % changes</i>				
2009 Q1	-7.6%	0.1%	-0.6%	-1.1%
2010 Q1	-4.3%	-9.3%	-0.6%	-1.4%
2010 Q4	-2.1%	-2.3%	0.1%	0.0%
2011 Q1	-1.1%	-0.2%	0.5%	0.4%
<i>Quarter-on-quarter</i>				
2010 Q4	0.7%	-0.4%	0.1%	0.2%
2011 Q1	-0.4%	-1.1%	0.7%	0.4%
<i>Thousands</i>				
2011 Q1	2,543	2,105	25,896	31,354

Source: ONS series JWR7, JWS2, JWT8, DYDC

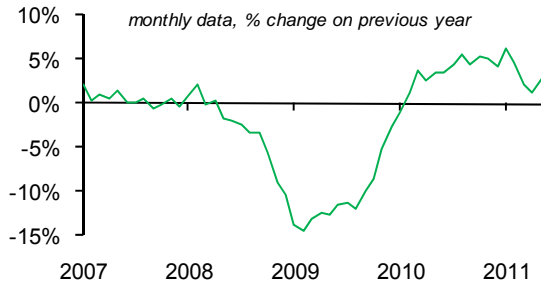


- The employment picture has been different, with numbers of manufacturing jobs continuing to fall, with the exception of a rise in Q4 2010. In Q1 2011, the manufacturing workforce fell by 0.4%.
- Numbers of jobs in the construction sector fell in Q1, while the services workforce rose.
- The public administration, health and education workforce fell by 0.5% in the year to Q1 2011.

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

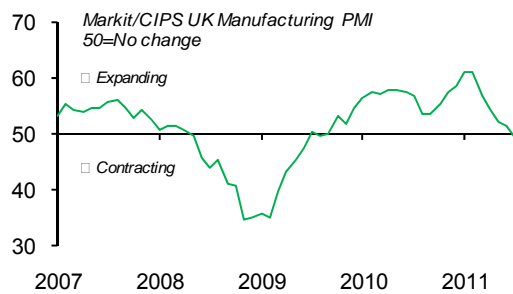


	Index Value (2005=100)	% change over month	% change over 12 months
2009	87.2	...	-10.7
2010	90.3	...	3.6
2011 Feb	92.3	-0.2	+4.6
Mar	92.4	+0.2	+2.2
Apr	90.9	-1.6	+1.2
May	92.6	+1.8	+2.8

Source: ONS, series CKYY

- Manufacturing output rose by 1.8% in May, the largest month-on-month rise since March 2010. This can be partly attributed to the unravelling of the effects of the royal wedding and Japanese tsunami which depressed output in April. Manufacturing output was 2.8% higher in May 2011 than May 2010.
- Total industrial production (including mining and utilities), was 0.8% lower in May 2011 than in May 2010.

Manufacturing Purchasing Managers' Index

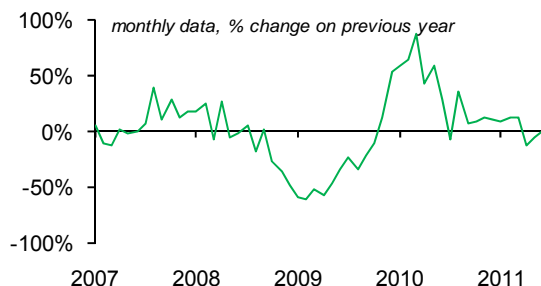


		Index	Monthly change
2009	Jul	50.2	...
2010	Jul	56.9	...
2011	Apr	54.4	-2.3
	May	52.0	-2.4
	Jun	51.4	-0.6
	Jul	49.1	-2.3

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

- The Markit/CIPS UK Manufacturing PMI fell to 49.1 in July 2011 (where 50.0 is no change), signalling contraction for the first time in two years. The index was at its lowest reading since June 2009.
- The decline in the index is attributed to weak domestic demand, and a slowing of export growth.

Vehicle Production



		Number '000s	% change over 12 months
2009		1,090	-33.9
2010		1,393	+27.8
2010	Jun	129	+28.3
2011	Apr	95	-13.0
	May	109	-4.9
	Jun	130	+1.5

Source: SMMT, not seasonally adjusted

- UK vehicle production was 130,000 in June 2011, 1.5% higher than in June 2010. The SMMT pointed to strong demand from export markets.
- In 2010, 1.39 million vehicles were produced in the UK, up by 27.8% compared with 2009.

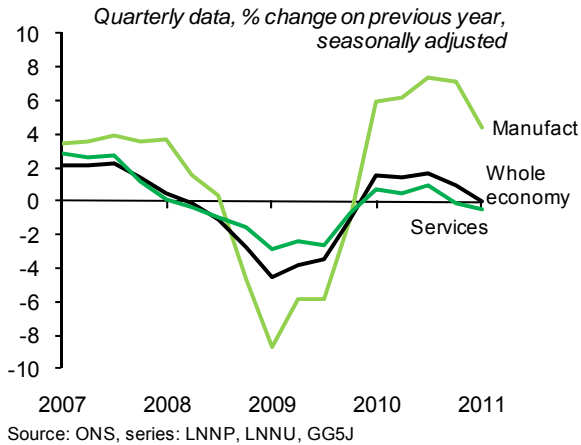
Contact: Lucinda Maer, x3841

Update: ONS, [Index of Production](#), 9 Aug
Markit/CIPS [UK Manufacturing PMI](#), 1 Sep
SMMT, [Vehicle Production](#), mid Aug

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 1.3% in 2010, following a fall of 3.1% in 2009.
- Output per worker rose by 0.3% in Q1 2011 compared to the same quarter a year ago, a slower rate of growth than in Q4 2010 (0.9%).
- Manufacturing output per job grew by 4.4% in Q1 2011 compared with the same quarter a year ago, as output in the sector continued to increase faster than employment. Output per job in the services sector fell by 0.5% over the same period.
- Comparing Q1 2011 with Q4 2010, manufacturing output per job increased by 0.9%, services output per job was unchanged while output per job for the whole economy fell by 0.1%.

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	-5.4	-3.7	..	..	-3.1	-3.2	-1.8
2010	6.7	4.1	..	..	1.3	1.4	1.0
2010 Q1	6.0	3.2	0.7	0.5	1.2	1.5	0.9
Q2	6.2	4.2	0.5	1.1	1.4	1.4	1.5
Q3	7.4	5.1	1.0	1.1	1.6	1.7	1.3
Q4	7.2	4.0	-0.1	0.4	0.9	0.9	0.4
2011 Q1	4.4	2.2	-0.5	0.2	0.3	0.0	0.3
Latest quarterly % change	0.9	-0.3	0.0	0.3	0.1	-0.1	0.4

Source: ONS

International comparisons



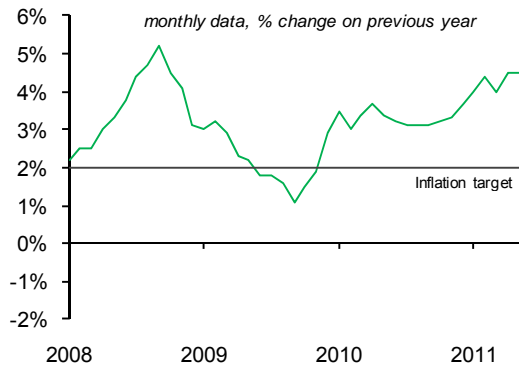
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Canada and Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009 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 4.2% in June, down from 4.5% in May and above the Bank of England's 2% target for the nineteenth 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.

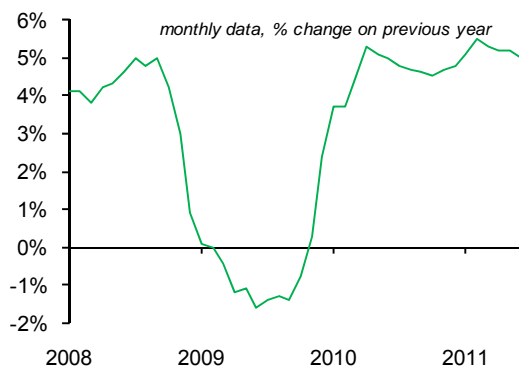
Consumer Prices Index (CPI)



The CPI annual inflation rate was 4.2% in June, down from 4.5% in May.

- The main contributor to the CPI annual inflation rate came from rises in the cost of transport (contributing 1.3% of the 4.2% rate) where fuels and lubricants rose by 15.1% over the year and air transport by 12.2%.
- The RPI (all items) measure of inflation was 5.0% in June, down from 5.2% in May continuing the downward trend from its high of 5.5% in February (the highest rate since July 1991).

Retail Prices Index (RPI)



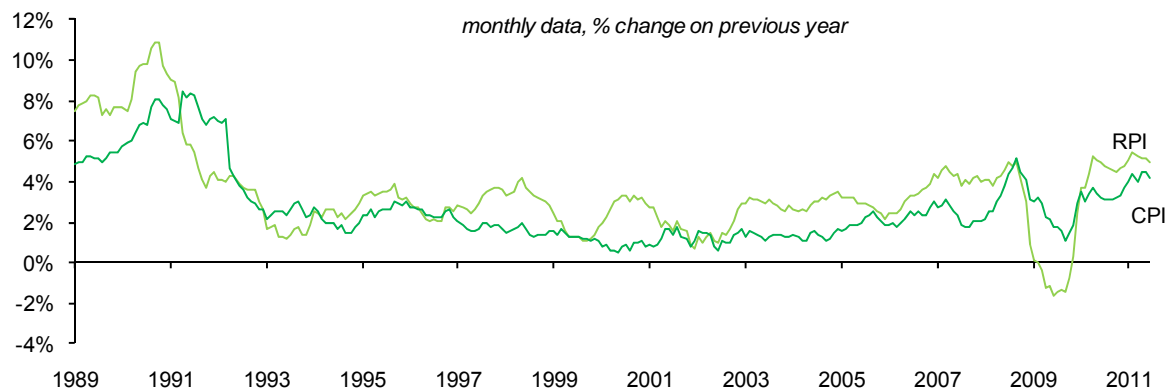
Price Indices

% change on a year ago

		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2011	Jan	4.0	5.1
	Feb	4.4	5.5
	Mar	4.0	5.3
	Apr	4.5	5.2
	May	4.5	5.2
	Jun	4.2	5.0

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1990

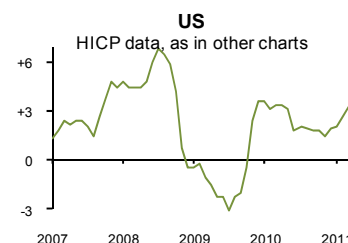
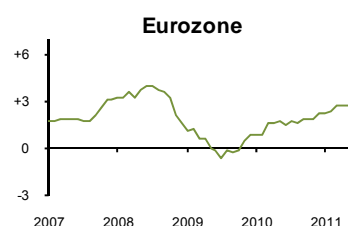
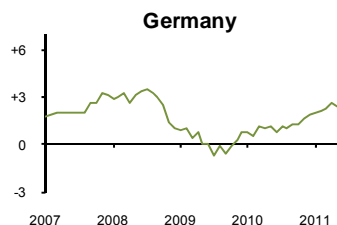
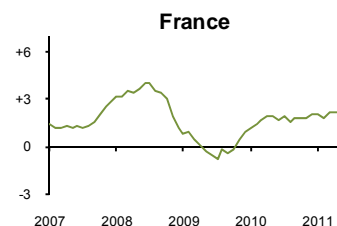
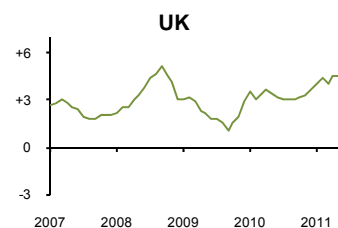


B2: Inflation: International

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 June, UK inflation was 4.2%, down from 4.5% in May. The Bank of England's UK inflation target is 2%.
- Eurozone inflation in July was 2.5% (flash estimate), down from 2.7% in June. 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 May was 8.0 % in Romania. Sweden had the lowest annual inflation rate in the EU at 1.5%.
- HICP annual inflation in the US in April was 3.9%, up from 3.3% in March. Using its national definition, US inflation was 3.6% in May.



Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Apr-11	May-11	Jun-11
HICP (ONS/Eurostat)					
UK	2.2	3.3	4.5	4.5	4.2
Eurozone	0.3	1.7	2.8	2.7	2.7
EU	1.0	2.1	3.3	3.2	3.1
France	0.1	1.7	2.2	2.2	2.3
Germany	0.2	1.2	2.7	2.4	2.4
Greece	1.3	4.7	3.7	3.1	3.1
Italy	0.8	1.6	2.9	3.0	3.0
Spain	-0.2	2.0	3.5	3.4	3.0
US	1.0	2.1	3.9	:	:
National definitions (OECD)					
Canada	0.3	1.8	3.3	3.7	..
Japan	-1.4	-0.7	0.3	0.3	..
US	-0.4	1.6	3.2	3.6	..
G7	-0.1	1.4	2.7	2.9	..
OECD	0.5	1.9	2.9	3.2	..
Brazil	4.9	5.0	6.5	6.6	6.7
China	-0.7	3.3	5.3	5.5	6.4
India	10.9	12.0	9.4	8.7	..
Russia	11.7	6.9	9.6	9.6	..

Source: ONS, Eurostat & stat.OECD database

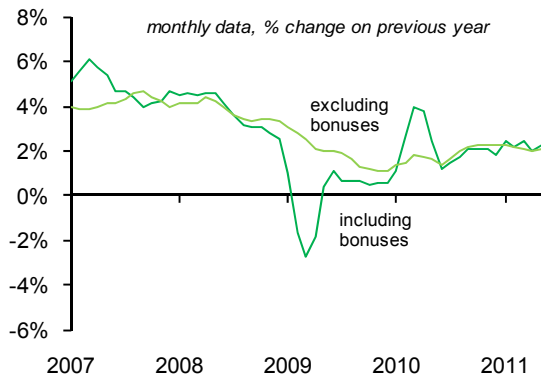
Contact: Gavin Thompson, x2042

Updates: OECD, [Main Economic Indicators](#), 8 Aug
Eurostat, [HICP full release](#), 17 Aug
Eurostat, [Flash estimate \(Jul\)](#), 31 Aug

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.3% in May compared with a year ago, up from 2.0% in April. Average weekly earnings excluding bonuses were more stable rising 2.1% in the three months to May compared with a year ago, up from 2.0% in April. Inflation as measured by the CPI was 4.5% in May 2011 (the latest CPI inflation figure is 4.2% for June).

Average Earnings, Whole Economy



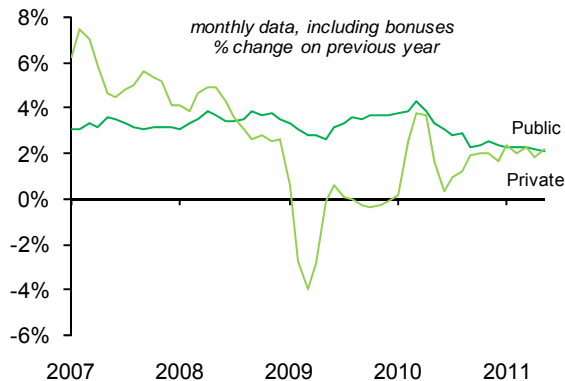
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2008 May	4.9	3.7	3.5	4.8	4.6
2009 May	-0.1	2.6	0.9	0.5	0.4
2010 May	1.7	3.3	5.6	2.0	2.4
2010 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	2.2
Mar	2.3	2.3	0.9	2.7	2.4
Apr	1.8	2.2	0.7	2.3	2.0
May	2.2	2.1	1.1	2.7	2.3

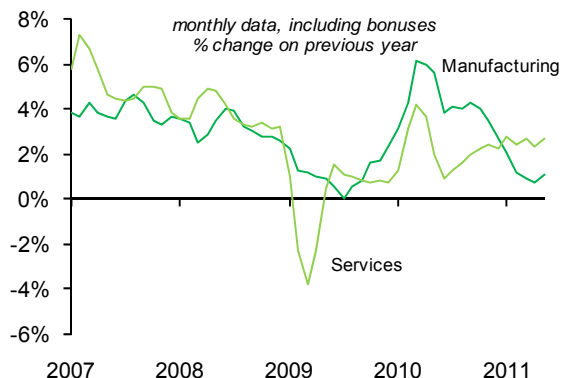
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 2.2% in April, compared with an increase of 2.1% in the public sector. Excluding financial services, public sector earnings rose by 1.9%.
- Average weekly earnings (including bonuses) in May in the public sector were £464 compared with £456 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

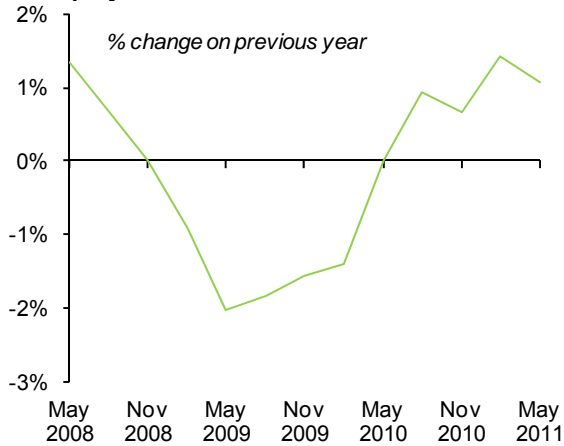


- Average total pay growth (including bonuses) in the manufacturing sector was 1.1% in May, compared with 2.7% in the services sector.
- Average weekly earnings (including bonuses) in May in the manufacturing sector were £528 compared with £446 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

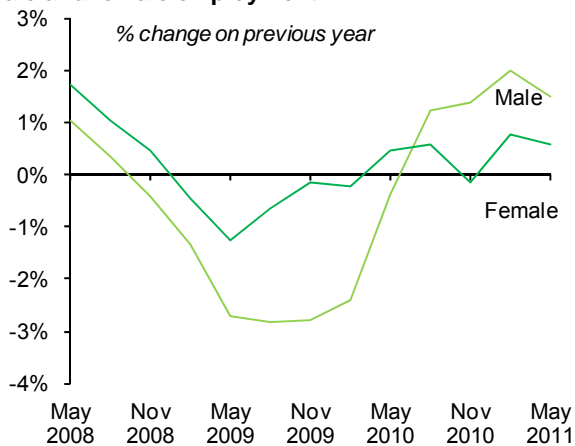
Employment increased by 50,000 over the quarter to May 2011, to 29.27 million. Employment is now 1.0% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment



- Employment increased by 1.1% or 310,000 over the last year.
- Over the last year, employment has risen for 25-49 year olds, 50-64 year olds and over 65 year olds.
- For 16-24 year olds, employment has fallen by 44,000 or 1.2% over the last year.
- Employment has risen for all the age bands mentioned below over the last quarter.

Male and female employment



- The number of men in employment increased by 50,000 over the last quarter, whilst the number of women in employment was unchanged over the quarter.
- The number of people employed in the public sector fell by 24,000 in Quarter 1 2011. The number of people employed in the private sector increased by 104,000 over the same period.

Employment by age group

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

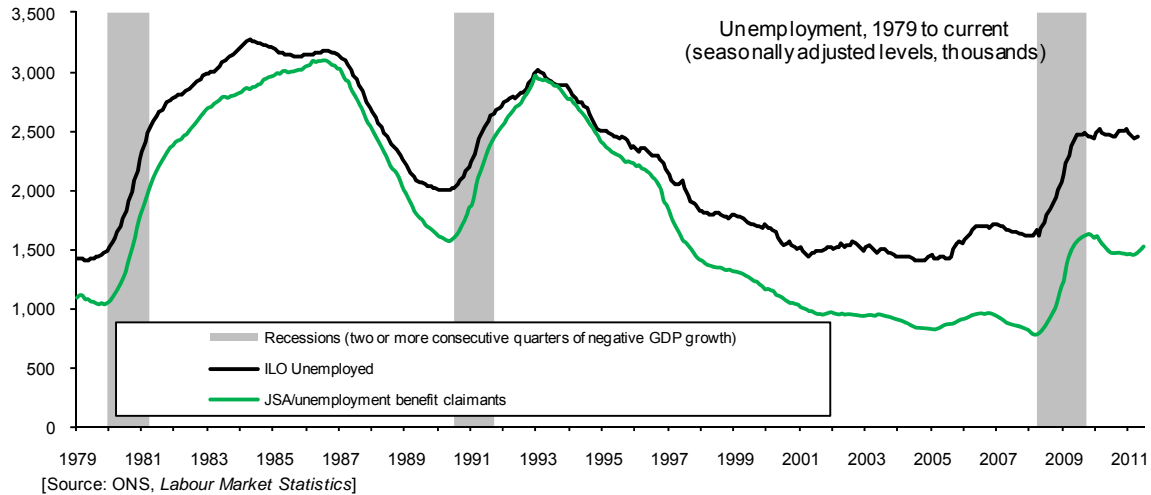
	Total	16-24	25-49	50-64	65+
Mar-May 2009	28,970	3,889	17,108	7,249	724
Mar-May 2010	28,969	3,793	17,099	7,278	800
Jun-Aug 2010	29,149	3,822	17,177	7,304	845
Sep-Nov 2010	29,092	3,722	17,198	7,301	872
Dec-Feb 2011	29,229	3,745	17,239	7,362	884
Mar-May 2011	29,279	3,749	17,247	7,388	895
% change on previous 3 months	+0.2	+0.1	+0.0	+0.4	+1.2
% change on previous year	+1.1	-1.2	+0.9	+1.5	+11.9

Source: ONS

C2: Unemployment: National

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

- **ILO unemployment in March to May 2011 was 2,452,000 (7.7% of all economically active) – down 26,000 from the previous quarter (UK, seasonally adjusted).**

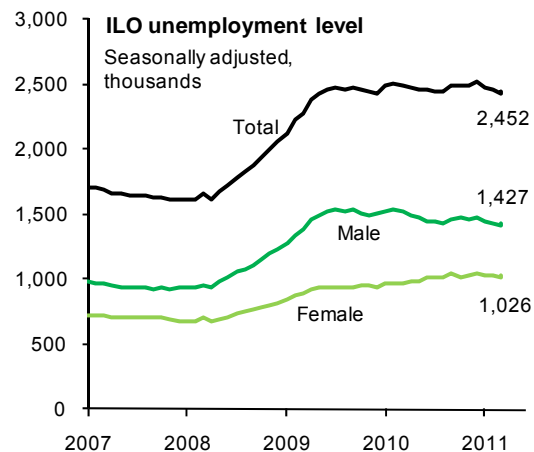


ILO unemployment (March to May 2011)

- There were 807,000 people unemployed for more than 12 months, down 37,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 917,000, down 42,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 24,500 between May 2011 and June 2011 to 1,520,100.



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	(%)
Mar-May 2006	1,665	5.4	685	14.2	743	4.1	223	3.1	14	2.2
Mar-May 2007	1,663	5.4	718	14.7	699	3.9	232	3.2	15	2.4
Mar-May 2008	1,614	5.2	685	13.9	701	3.9	212	2.9	15	2.1
Mar-May 2009	2,377	7.6	931	19.3	1,089	6.0	339	4.5	18	2.4
Mar-May 2010	2,475	7.9	935	19.8	1,158	6.3	361	4.7	21	2.6
Jun-Aug 2010	2,453	7.8	922	19.4	1,145	6.3	367	4.8	19	2.3
Sep-Nov 2010	2,495	7.9	950	20.3	1,160	6.3	364	4.8	21	2.4
Dec-Feb 2011	2,478	7.8	959	20.4	1,130	6.2	371	4.8	17	1.9
Mar-May 2011	2,452	7.7	917	19.7	1,145	6.2	372	4.8	18	2.0
% change on quarter	-1.0		-4.4		+1.3		+0.3		+4.5	
% change on year	-0.9		-1.9		-1.2		+3.1		-16.5	

Source: ONS, Labour Market Statistics.

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

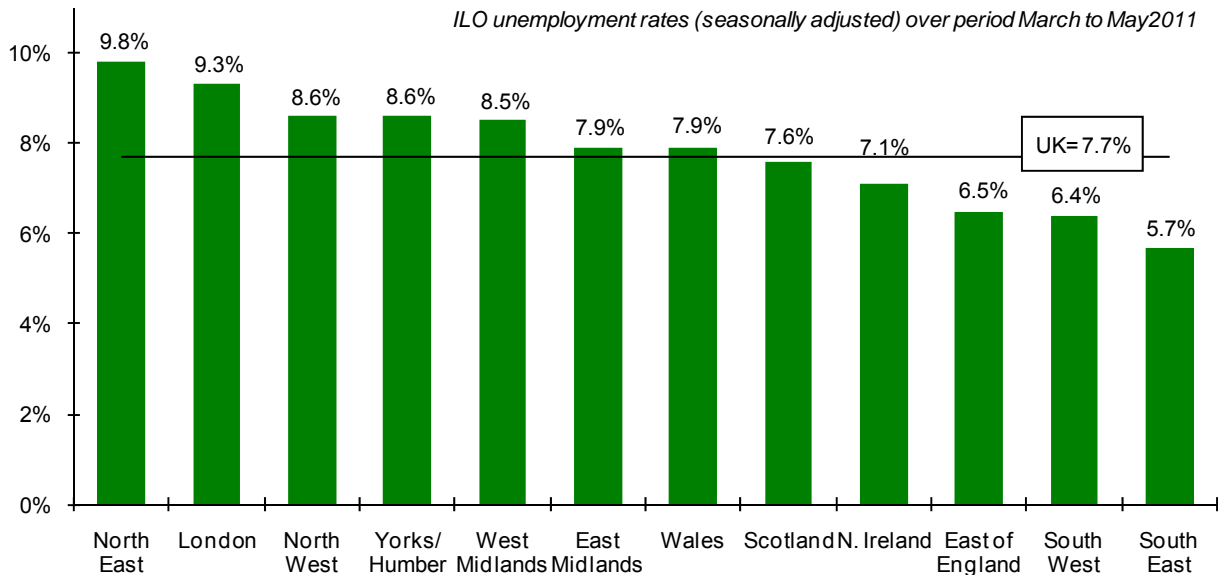
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 17 August

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 March to May 2011, the North East had the highest unemployment rate, at 9.8% of the economically active population, followed by London (at 9.3%). 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 North West (+24,000) and the East of England (+18,000). The largest decrease over the last quarter was in the West Midlands (-32,000).
- The seasonally-adjusted JSA claimant count increased in every region and country in June 2011 compared with the previous month.

Key labour market statistics for countries and regions, *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	Mar - May 2011		Change in level		June 2011	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	123	9.8	-7	-1	83.9	+1.0
North West	292	8.6	+24	+6	188.6	+3.2
Yorkshire & Humber	227	8.6	-17	-20	151.3	+3.1
East Midlands	183	7.9	+3	+17	102.7	+2.4
West Midlands	226	8.5	-32	-5	163.0	+2.2
East of England	199	6.5	+18	+4	110.4	+2.6
London	397	9.3	+10	+13	226.4	+2.8
South East	253	5.7	-9	-14	135.7	+2.2
South West	170	6.4	+5	+6	82.6	+1.4
Wales	115	7.9	-9	-16	74.5	+1.7
Scotland	205	7.6	-11	-14	141.3	+1.5
Northern Ireland	61	7.1	+0	+2	59.7	+0.4

Source: ONS, *Labour Market Statistics*

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

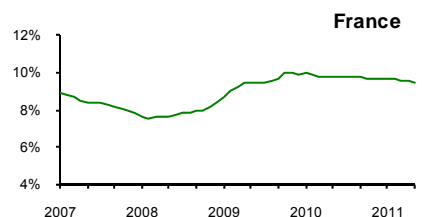
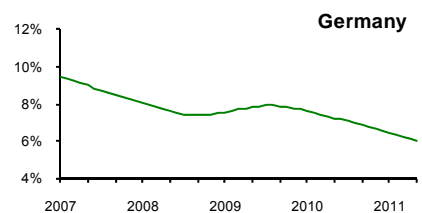
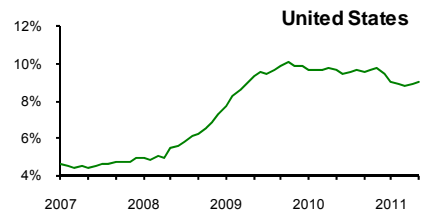
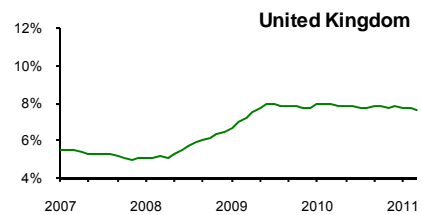
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 17 August

C4: Unemployment: International Comparisons

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

- Using harmonised definitions, UK unemployment in Q1 2011 was 7.7%, below the euro zone and OECD rates (10.0% and 8.2% respectively), and in line with the G7 average.
- Between Q1 2010 and Q1 2011, unemployment fell across the G7 countries. Germany saw the largest fall, of 1.2 percentage-points, and the UK saw the smallest decrease, of 0.2 percentage points. Germany's unemployment rate in Q1 2011 stood at 6.3% and the US' at 8.9%. More recently (Q2 2011), US unemployment rose to 9.1%.
- 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 2.3 percentage point rise in unemployment in the OECD as a whole over the past four years (from 5.9% to 8.2%) and a 2.1 percentage-point rise in the euro zone (from 7.9% to 10.0%) over the same period.
- The lowest unemployment rate in the OECD in Q1 2011 was in Norway (3.3%).
- The most forecasts published by the OECD ([Economic Outlook no. 89, May 2011](#)) suggested the UK unemployment rate would be 8.1% in 2011 and 8.3% in 2012. The respective forecasts for the euro zone were 9.7% and 9.3%, and for the OECD as a whole 7.9% and 7.4%.



Unemployment

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

	2008	2009	2010	2010				2011	
				Q1	Q2	Q3	Q4	Q1	Q2
Canada	6.1	8.3	8.0	8.2	8.0	8.0	7.7	7.7	7.5
France	7.8	9.5	9.8	9.9	9.8	9.8	9.7	9.7	..
Germany	7.6	7.7	7.1	7.5	7.2	7.0	6.7	6.3	..
Italy	6.8	7.8	8.4	8.5	8.5	8.3	8.4	8.2	..
Japan	4.0	5.1	5.1	5.0	5.1	5.0	5.0	4.7	..
UK	5.7	7.6	7.8	7.9	7.8	7.7	7.8	7.7	..
US	5.8	9.3	9.6	9.7	9.6	9.6	9.6	8.9	9.1
Euro zone	7.7	9.6	10.2	10.1	10.2	10.2	10.1	10.0	..
G7	5.9	8.1	8.2	8.3	8.3	8.2	8.1	7.7	..
OECD	6.1	8.4	8.6	8.7	8.6	8.6	8.5	8.2	..

Source: OECD, Harmonised Unemployment Rates

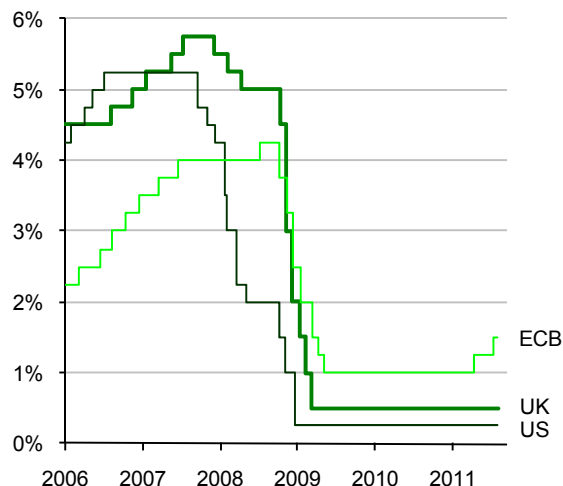
Contact: Gavin Thompson, x2042 Updates: OECD, [Harmonised Unemployment Rates](#), 8 Aug

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

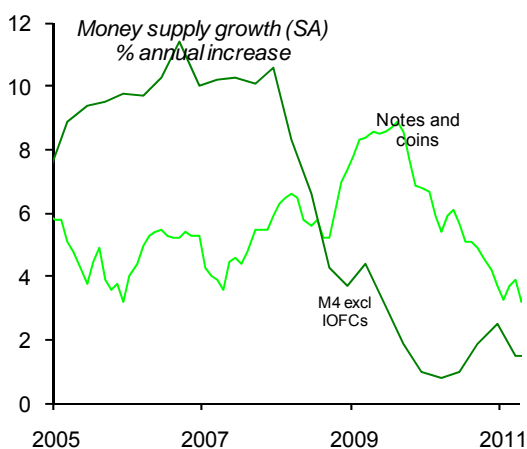
Source: Bank of England

- In July 2011, the European Central Bank’s official interest rate was raised to 1.50%. The ECB has raised rates twice in the last three months. April’s rate rise was the first 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 1.5% in Q2 2011, unchanged from Q1.
- The value of notes and coins in circulation outside the Bank of England rose by 3.9% in the year to June 2011.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [4 August \(UK\)](#)
Bank of England, [Monetary and Financial Statistics](#), 30 Aug

D2: Public Finances

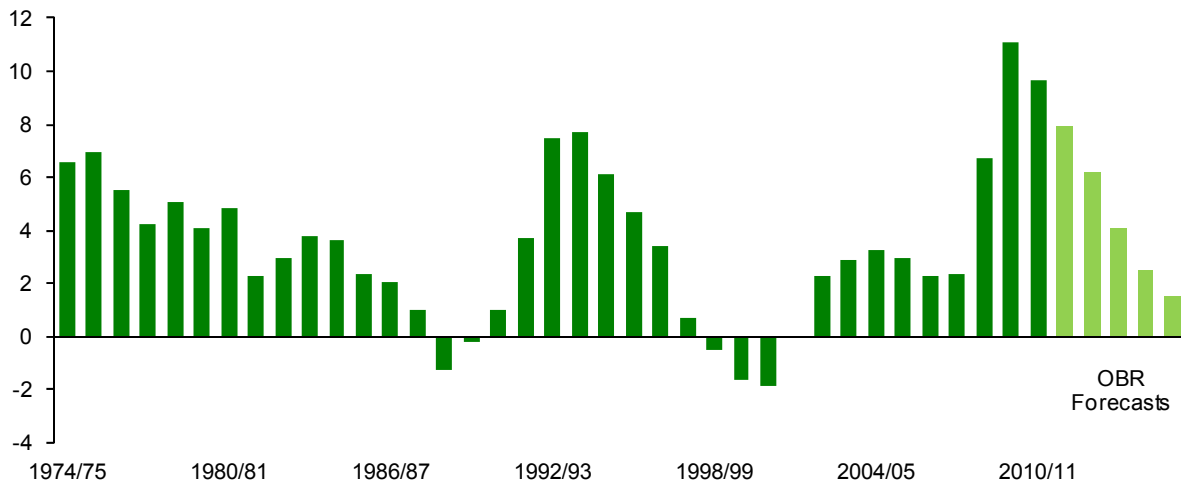
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £122 billion in 2011/12, equivalent to 7.9% of GDP.

- Between April and June 2011, the Government borrowed £39.2 billion, 1% lower than the same period a year ago.
- Comparisons between this financial year and last year are complicated by the one-off bank payroll tax which reduced borrowing in April 2010.
- The OBR also expects government revenues to grow more strongly in the remainder of 2011/12 than they have so far.

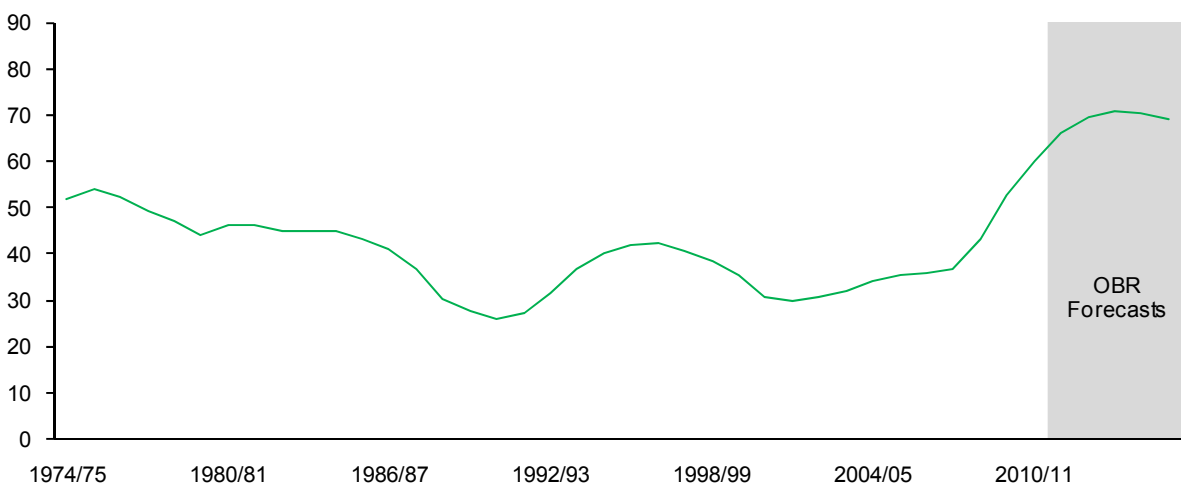
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	607	43.3
2009/10	157	11.1	760	52.8
2010/11	142	9.7	905	60.2
2011/12	122	7.9	1,046	66.1
2012/13	101	6.2	1,164	69.7
2013/14	70	4.1	1,251	70.9
2014/15	46	2.5	1,314	70.5
2015/16	29	1.5	1,359	69.1

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](#), 19 August 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 rose above \$1,600/ounce for the first time in July 2011.

Data from Monday 1 August 2011

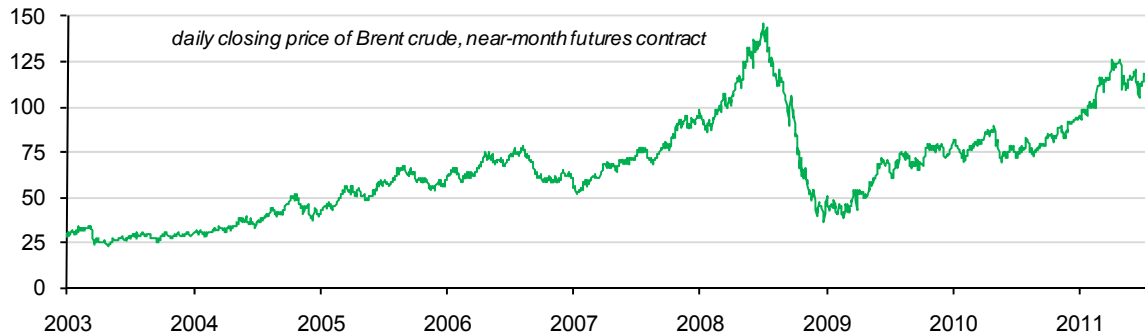
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
01 Aug 2011	5,774.4	116.8	1,627.0
% change over:			
1-month	-4%	+5%	+9%
12-months	+7%	+45%	+37%
% change from:			
cyclical peak	-14%	-20%	at high
date	15 Jun '07	03 Jul '08	01 Aug '11
cyclical trough	+64%	+221%	+129%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Oil price (\$ per barrel)



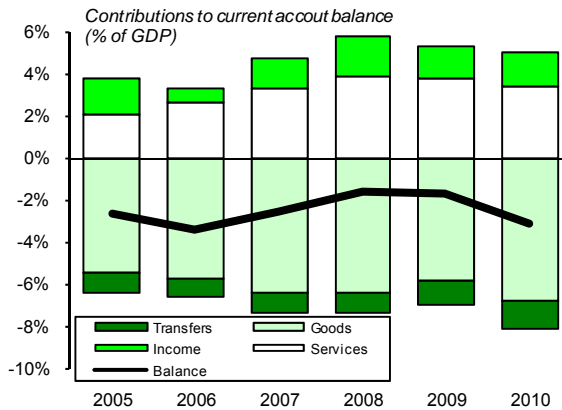
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2010 was £46.3 billion, equivalent to -3.2% of GDP. The surplus on services narrowed between 2009 and 2010, while 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 £9.4 billion in Q1 2011, narrowing from a Q4 2010 deficit of £13.0 billion (the second largest quarterly deficit on record). The surplus on services widened and the deficit on goods narrowed.
- The **annual** current account deficit with EU27 countries in 2010 was £53.4 bn, compared with a surplus with non-EU countries of £7.1 bn.
- On a **quarterly** basis, the deficit with EU27 countries was £15.0 billion in Q1 2011 (£16.9 billion deficit in Q4 2010). With non-EU countries, the current account was in surplus by £5.7 billion in Q1 2011 (£4.0 billion surplus in Q4 2010).

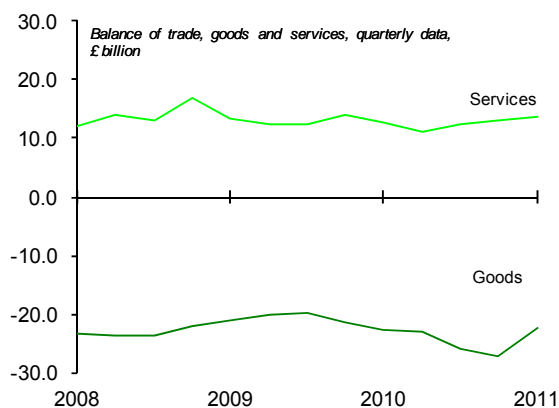
Current Account Balances

£ 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	265,272	364,088	-98,816	49,515	-49,301	22,858	-19,823	-46,266
2010 Q1	62,341	85,051	-22,710	12,743	-9,967	4,034	-4,416	-10,349
Q2	66,243	89,322	-23,079	11,280	-11,799	5,180	-4,326	-10,945
Q3	66,768	92,602	-25,834	12,524	-13,310	6,216	-1,922	-12,016
Q4	69,920	97,113	-27,193	12,968	-14,225	7,428	-6,159	-12,956
2011 Q1	74,647	96,875	-22,228	13,771	-8,457	4,585	-5,482	-9,354

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 May was £8.5 billion, wider than the April deficit of £7.6 billion.
- The monthly trade surplus on services was an estimated £4.4 billion in May, down from the April surplus of £4.5 billion.
- The overall monthly deficit on goods and services combined in May was £4.1 billion, widening from £3.1 billion in April.
- The goods deficit with the EU27 was £3.4 billion in May (compared with £3.1 billion in April), while the deficit with non-EU countries was £5.1 billion (compared with £4.5 billion in April).

Contact: Grahame Allen, x3977

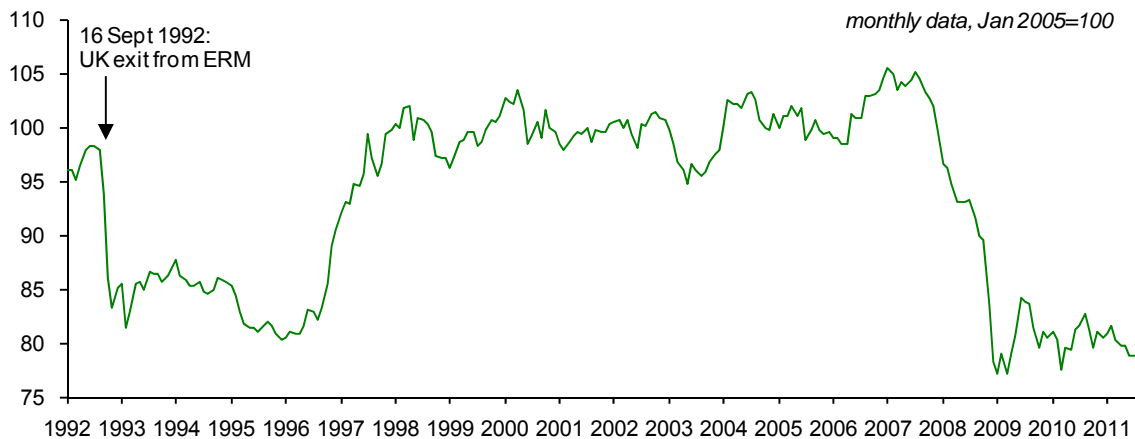
Updates: ONS, [UK Trade](#), 9 Aug;
ONS, [UK Balance of Payments](#), 5 Oct

E2: Exchange rates

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

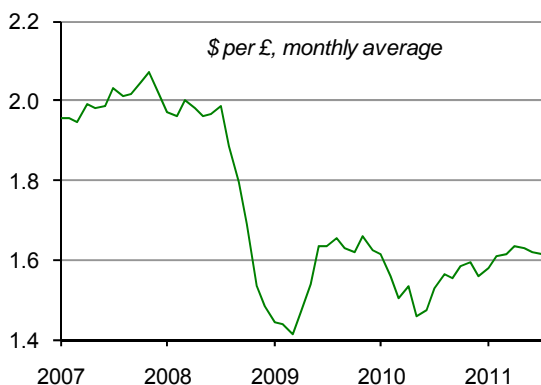
The SERI fell 0.1% in July, having fallen by 1.1% in June. Compared with the same period last year, the SERI was 3.3% lower. It is now 2.2% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 25.3% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



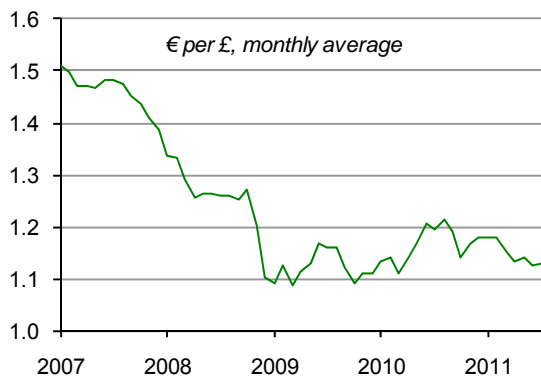
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In July, the pound was on average one cent weaker against the dollar compared with June. At the 1 August market close the pound stood at \$1.63, two cents above the June average (\$1.61).
- Sterling was unchanged against the euro in July, compared with June.
- At the 1 August market close the pound stood at €1.15, two cents above the July average of €1.13. This compares with an all-time low of €1.02 (on 30 December 2008), and a launch rate of €1.48 on 31 December 1998.

€/£ Exchange Rate



Sterling Exchange Rates

average rates in period and % changes

	US Dollar (\$)		Euro (€)	
	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 Jul	1.53	-6.5%	1.20	2.9%
2011 May	1.63	11.5%	1.14	-2.4%
Jun	1.62	9.8%	1.13	-6.8%
Jul	1.61	5.5%	1.13	-5.4%

Source: Bank of England, Bankstats database

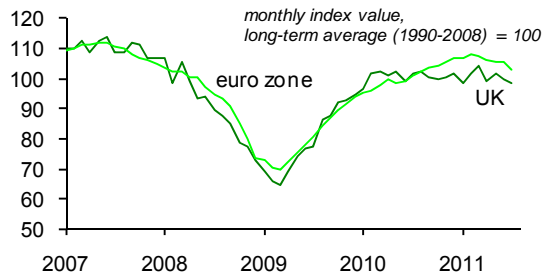
Contact: Gavin Thompson x2042

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

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

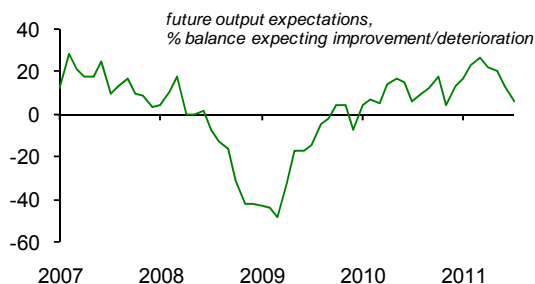


		UK Index	monthly change	change on year ago
2009	Jul	77.6	...	...
2010	Jul	101.6	...	...
2011	May	102.1	+2.6	-0.1
	Jun	99.9	-2.2	+0.4
	Jul	98.5	-1.4	-3.1

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 decreased by 1.4 points to 98.5 in July 2011. The overall Euro area sentiment index decreased by 2.2 points in July to 103.2.

CBI Industrial Trends Survey



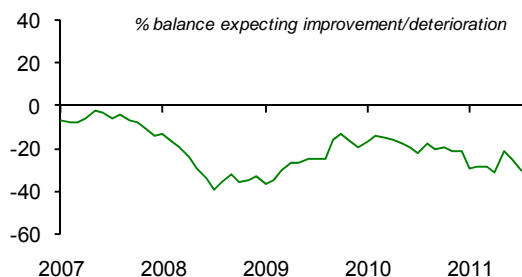
balance (as a %) of those expecting an improvement
minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2009	Jul	-14	...	...
2010	Jul	+6	...	...
2011	May	+20	-2	+3
	Jun	+13	-7	-2
	Jul	+6	-7	+0

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in July 2011 were +6% of firms expecting output to rise rather than fall over the next three months. This is down 7 percentage points on June 2011, when it was +13%, and is the lowest level so far this year.

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	Jul	-25	...	...
2010	Jul	-22	...	...
2011	May	-21	+10	-3
	Jun	-25	-4	-6
	Jul	-30	-5	-8

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 -30, overall confidence was 5 points lower in July 2011 than in June, returning to a level typical of the early months of 2011.

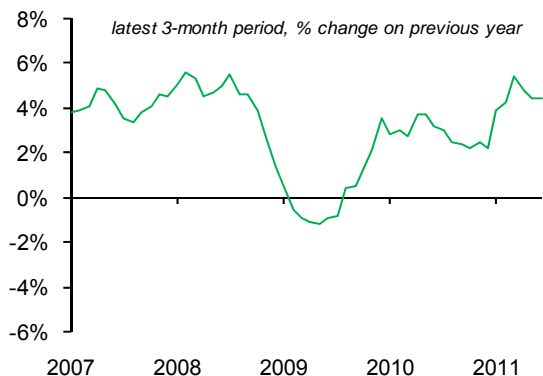
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), mid to late Aug
EC, [Economic Sentiment Indicator](#), 30 Aug
GfK NOP, [Consumer Confidence](#), 31 Aug

F2: Retail Sales

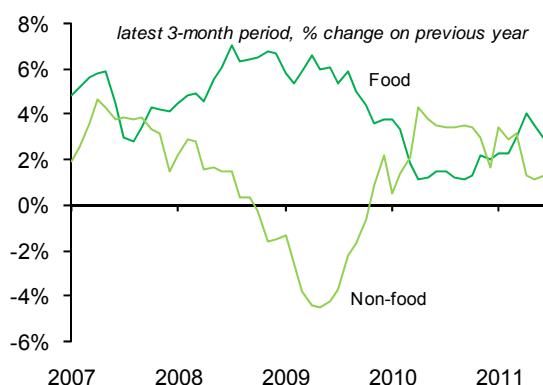
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The rate of annual increase in the value of retail sales in the three months to June 2011 was 4.4%, the same as in May.
- The value of retail sales in June alone was up by 0.3% compared with May (in seasonally adjusted terms).
- The estimated total value of sales in May was £32.1 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to June rose by 2.9% compared with the previous year, a continuation of May's fall.
- The annual rate of increase in the value of sales in non-food stores was 1.3% in the three months to June.
- Sales in household goods stores were 3.9% lower than a year ago.
- Sales in clothing and footwear stores were up by an annual rate of 2.8% in the three months to June.
- Non-store sales (includes internet) were up by 19.9% in the year to the three months to June, a record 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	1.6	5.5	-3.4	2.3	2.7	2.6
2011 Feb	2.3	3.4	-4.6	6.0	2.9	4.3
Mar	3.0	2.0	-2.3	6.6	3.2	5.4
Apr	4.0	1.6	-5.0	4.2	1.3	4.8
May	3.5	1.9	-5.3	3.9	1.1	4.4
Jun	2.9	2.8	-3.9	3.0	1.3	4.4

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

Contact: Adam Mellows-Facer, x4904

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

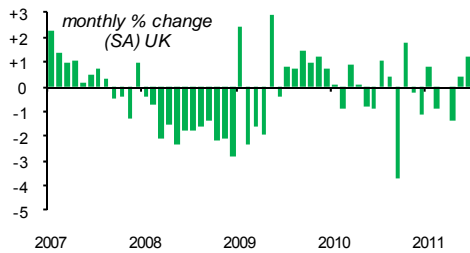
F3: Housing Market

House prices on the Halifax index increased by 1.2% in June compared with a month ago. This follows a 0.4% rise in May. Prices were 1.6% lower than a year ago. House prices on the Nationwide index were unchanged in June. Prices rose by 0.3% in the previous month. Prices were 1.1% lower in June compared with a year ago on this measure.

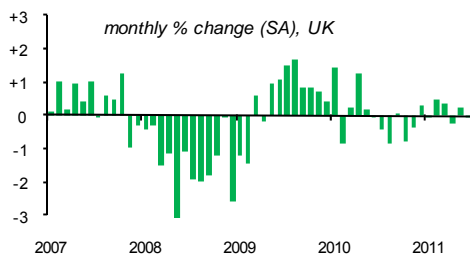
After recovering in 2009, numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

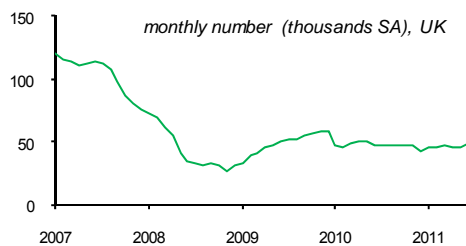


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jun-11	Jun-11
Change in month	+1.2%	0.0%
Change in year	-1.6%	-1.1%
Peak date	Aug-07	Jul-07
Change since peak	-18.3%	-9.0%
Trough date	Apr-09	Feb-09
Change since trough	+5.4%	+9.9%

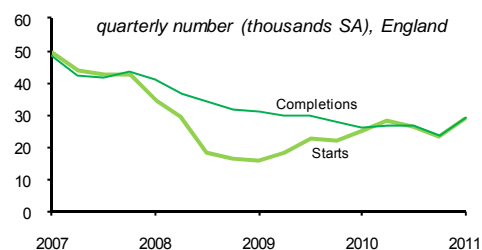
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q2 2011 prices rose by 6% in London and 5% in Wales but fell by 1% in East Anglia and Northern Ireland 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.
- There were 48,421 mortgage approvals in June, a rise of 4% compared with May. The number of approvals has remained generally flat since early 2010.

House-building



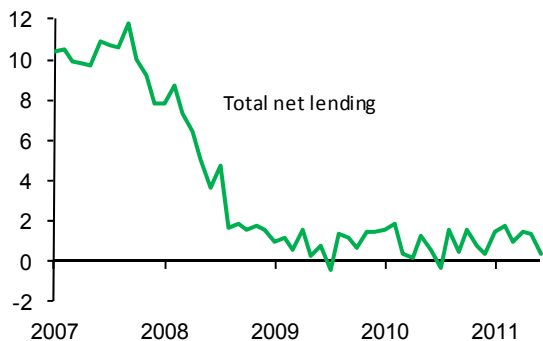
- There were 29,140 house building starts in England in Q1 2011, up from 23,140 in Q4 2010. This is nearly double the low of 15,510 in Q1 2009, but still well below the 50,000 starts in Q1 2007.
- The number of dwelling completions rose to 29,380 in Q1 2011, up from 23,500 in Q4 2010.

Contact: Daniel Harari, x2464

Updates: Halifax [House Price Index](#), early Aug;
Nationwide [House Price Index](#), early Aug;
Bank of England, [Lending to Individuals](#), 30 Aug;
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 £0.4 billion in June 2011. This compares with an increase of £1.4 billion in May.
- Monthly net unsecured lending increased by £0.4 billion in June 2011.
- Monthly net secured lending (mortgages) fell by £0.1 billion in June 2011, compared with a £1.0 billion rise in May.

Net outstanding lending to individuals

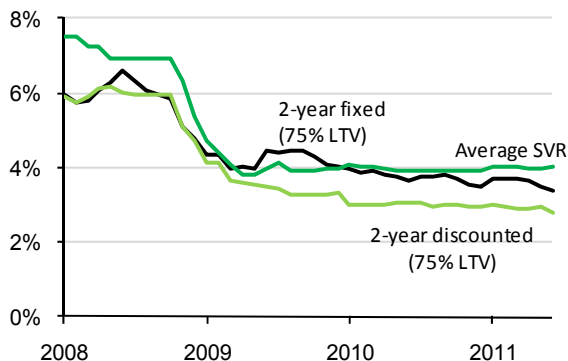
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Jun	1,131	215	1,345
2008 Jun	1,213	231	1,443
2009 Jun	1,228	231	1,459
2010 Jun	1,239	218	1,457
2010 Dec	1,238	214	1,452
2011 Mar	1,240	211	1,452
2011 Jun	1,241	210	1,451

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

- Total net outstanding lending to individuals was £1,451 billion at the end of June 2011, 0.4% lower than in June 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £210 billion at the end of June 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 June 2011 was 4.03%, 0.05 percentage points higher than the previous month.
- The average fixed and discounted rates offered (75% LTV) in June 2011 were 3.36% and 2.77% 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, x4324

Update: Bank of England, [Lending to Individuals](#), 30 Aug
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: <i>Preliminary GDP estimates</i> ; <i>UK output, income & expenditure</i> ; <i>Quarterly national accounts</i> HM Treasury, <i>Forecasts for the UK Economy</i>
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <i>Main Economic Indicators</i> , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, <i>Economic Outlook</i> (full document via www.sourceoecd.org); IMF <i>World Economic Outlook database and updates</i> European Commission's growth forecasts
A3	Components of GDP	ONS releases: <i>UK output, income & expenditure</i> ; <i>Quarterly national accounts</i>
A4	Output and Employment by Industry	ONS releases: <i>Preliminary GDP estimates</i> ; <i>UK output, income & expenditure</i> ; <i>Quarterly national accounts</i>
A5	Manufacturing (Including Automotives)	ONS, <i>Index of Production</i> SMMT, <i>Vehicle Production</i> SMMT, <i>New Car Registrations</i>
A6	Productivity	ONS, <i>Productivity</i>
B1	Inflation	ONS, <i>Consumer Price Indices</i>
B2	Inflation: International	CPI: OECD, <i>Main Economic Indicators</i> (link to user defined table); EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, <i>Average Weekly Earnings</i> and <i>Labour Market Statistics</i>
C1	Employment	ONS, <i>Employment</i> and <i>Labour Market Statistics</i>
C2	Unemployment: National	ONS, <i>Labour Market Statistics</i> release and <i>Labour Market Statistics First Release Historical Supplement</i>
C3	Unemployment: Regional	ONS, <i>Labour Market Statistics</i> and <i>Regional Labour Market Statistics</i>
C4	Unemployment: International Comparisons	Data: OECD, <i>Main Economic Indicators</i> Commentary: OECD, <i>Economic Outlook</i> (full document via www.sourceoecd.org)

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

6 Glossary

Symbols and abbreviations

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

Definitions¹

Balance of payments: A country's financial position, with other countries of the world, comprising two parts:

Current account: the balance of imports and exports of goods and services, income and transfers combined;

Capital account: the difference between a country's capital invested in other countries, and the capital invested by other countries in it.

Technically, the two parts always balance. A balance of payments deficit normally refers to a **current account deficit**.

Balance of trade: The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

Basic prices: Prices excluding taxes and subsidies on products.

Claimant count: The number of people claiming Jobseeker's Allowance (JSA) benefits.

Consumer Prices Index (CPI): This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

Current account balance: The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A current account deficit means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

Current budget: Measures the balance of public sector current account revenue over public sector current expenditure.

Current/constant prices: Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Economically active: Those aged 16 and over who are either in employment or unemployed.

Economically inactive: Those aged 16 and over who are neither in employment nor unemployed. This includes those who do not want a job, those who want a job but have not been seeking work in the last four weeks and those who want a job and are seeking work but not available to start work.

Employment: The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

Exchange rate: The rate at which one currency is traded against another.

Gross Domestic Product (GDP): The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

Gross Domestic Product – Real GDP: Also known as constant price or chained volume measure, this is a measure used to indicate change in the actual quantity of goods and services produced, by adjusting for inflation.

Gross Fixed Capital Formation (GFCF): Expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.

1. Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

Gross Value Added (GVA): The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA is used to measure the productivity of sectors/industries and economies.

Harmonised Indices of Consumer Prices (HICP): Harmonised indices of consumer prices for Member States of the European Union, which enable comparisons to be made across countries. The UK's CPI measure uses HICP methodology.

Market prices: The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes. $GDP \text{ at market prices} = GDP \text{ at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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.