



Economic Indicators, October 2011

RESEARCH PAPER 11/67 04 October 2011

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

- Latest labour market statistics have shown declines in employment and rising unemployment over the summer. It is too early to say whether this marks the beginning of a sustained deterioration in the jobs market, although weak economic data have heightened such fears.
- For instance, leading indicators of the UK economy compiled by the European Commission and OECD in recent months suggest weakening prospects for growth.
- In addition, slowing international economic activity and the uncertainty of the euro zone sovereign debt crisis are additional risks to the outlook.

This month's articles:

- **Where are the jobs?**
- **Regional development update**

Daniel Harari (editor)

Recent Research Papers

11/57	Sovereign Grant Bill [Bill 213 of 2010-12]	12.07.11
11/58	Unemployment by Constituency, July 2011	13.07.11
11/59	Economic Indicators, August 2011	02.08.11
11/60	Unemployment by Constituency, August 2011	17.08.11
11/61	London Olympic Games and Paralympic Games (Amendment) Bill: Committee Stage Report	22.08.11
11/62	Terrorism Prevention and Investigation Measures Bill: Committee Stage Report	24.08.11
11/63	Health and Social Care (Re-committed) Bill: the NHS Future Forum and the Committee Stage Report	30.08.11
11/64	Energy Bill [HL]: Committee Stage Report	06.09.11
11/65	Economic Indicators, September 2011	06.09.11
11/66	Unemployment by Constituency	14.09.11

Research Paper 11/67

Contributing Authors: Daniel Harari (editor),
Lorna Booth,
Adam Mellows-Facer,
Economic Policy and Statistics section

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

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

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

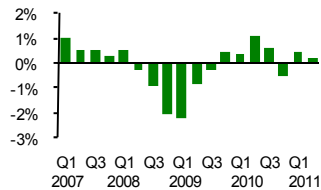
Summary

Latest labour market statistics have shown declines in employment and rising unemployment over the summer. It is too early to say whether this marks the beginning of a sustained deterioration in the jobs market, although weak economic data have heightened such fears. For instance, leading indicators of the UK economy compiled by the European Commission and OECD in recent months suggest weakening prospects for growth. In addition, slowing international economic activity and the uncertainty of the euro zone sovereign debt crisis are additional risks to the outlook.

GDP growth

[page 1](#)

(% change quarter-on-quarter)

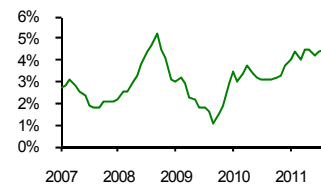


Quarterly GDP expanded by 0.2% in Q2 2011 compared with Q1 2011. This followed growth of 0.5% in Q1 2011. (Revised figures will be released on 5 Oct.)

Inflation (CPI)

[page 7](#)

(% change on year ago)

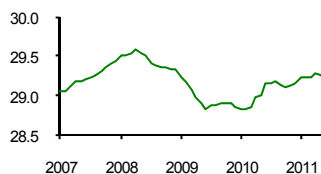


The rate of CPI inflation was 4.5% in the year to August, up from 4.4% in July. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

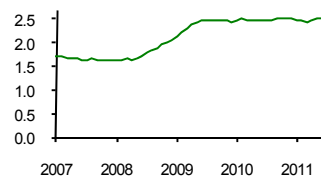


In the three months to July, the number of people employed fell by 69,000 to 29.17 million.

Unemployment

[page 11](#)

(total, millions, ILO definition)

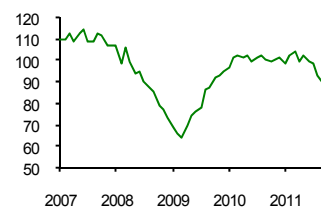


ILO unemployment rose by 80,000 to 2.51 million in the three months to July. The unemployment rate also increased from 7.7% to 7.9%.

Economic sentiment index

[page 19](#)

(European Commission survey for UK, index where 100=long-term average of 1990-2008)



The EC economic sentiment indicator for the UK – which measures business and consumer conditions – has fallen sharply in recent months indicating a deteriorating economic outlook.

Next issue: 1 November

Editor: Daniel Harari

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

Contents

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

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

1 Introduction to *Economic Indicators*

Economic Indicators Research Papers are usually published on the first Tuesday of the month. Individual indicator pages are updated more frequently and are made available through the Library's intranet both under the relevant subject page headings, and collectively on the *Economic Indicators* subject page.¹

Feedback

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

Weekly email alert

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

Sources and glossary

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

Contacts

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

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

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

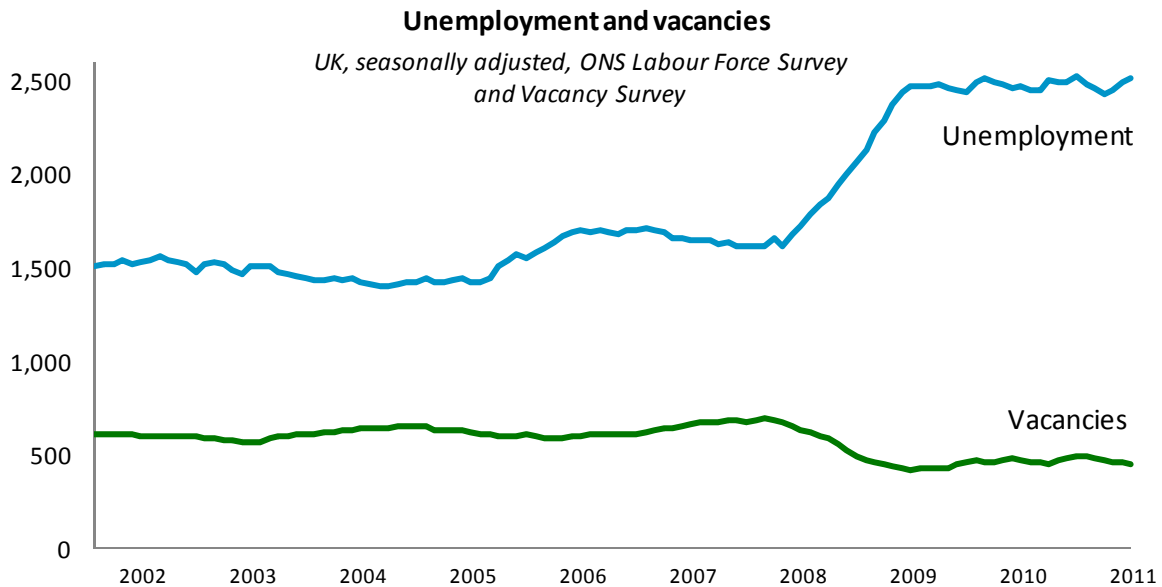
² <http://intranet.parliament.uk/Documents/intranet/offices-departments/assets/using-the-commons-library.pdf>

2 Where are the jobs?

Since the recession more people have been competing for fewer job vacancies.

2.1 How does the number of unemployed compare with the number of vacancies?

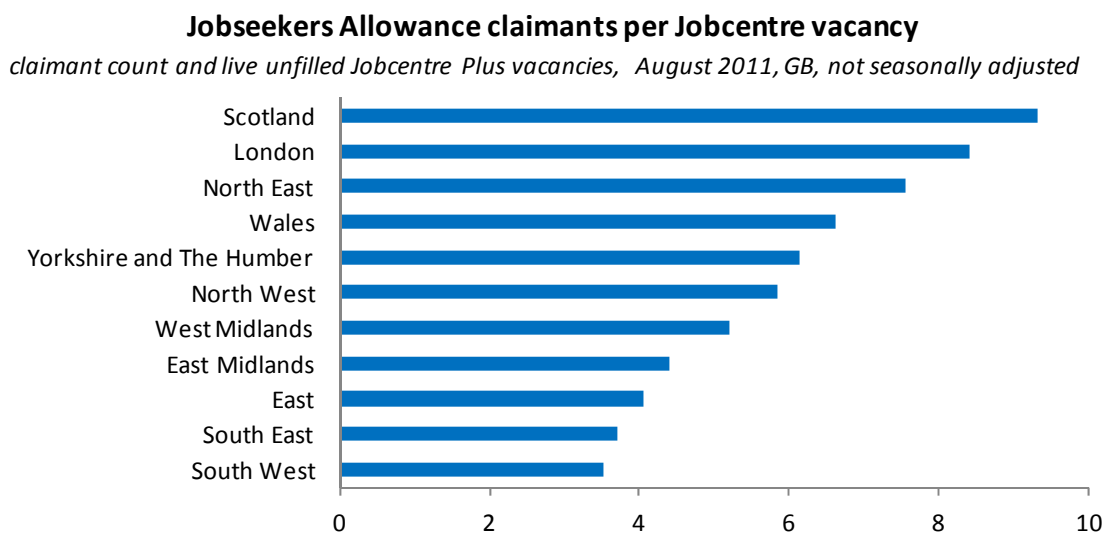
In May-July 2011, there were 2,510,000 unemployed people in the UK and 452,000 job vacancies – an average of 5.6 unemployed people to each vacancy.



From 2001 to mid 2008, there were less than three unemployed people to each vacancy, but during the recession unemployment rose sharply while the number of vacancies declined. From the summer of 2009 both stabilised at around their current levels.

2.2 How do regions differ?

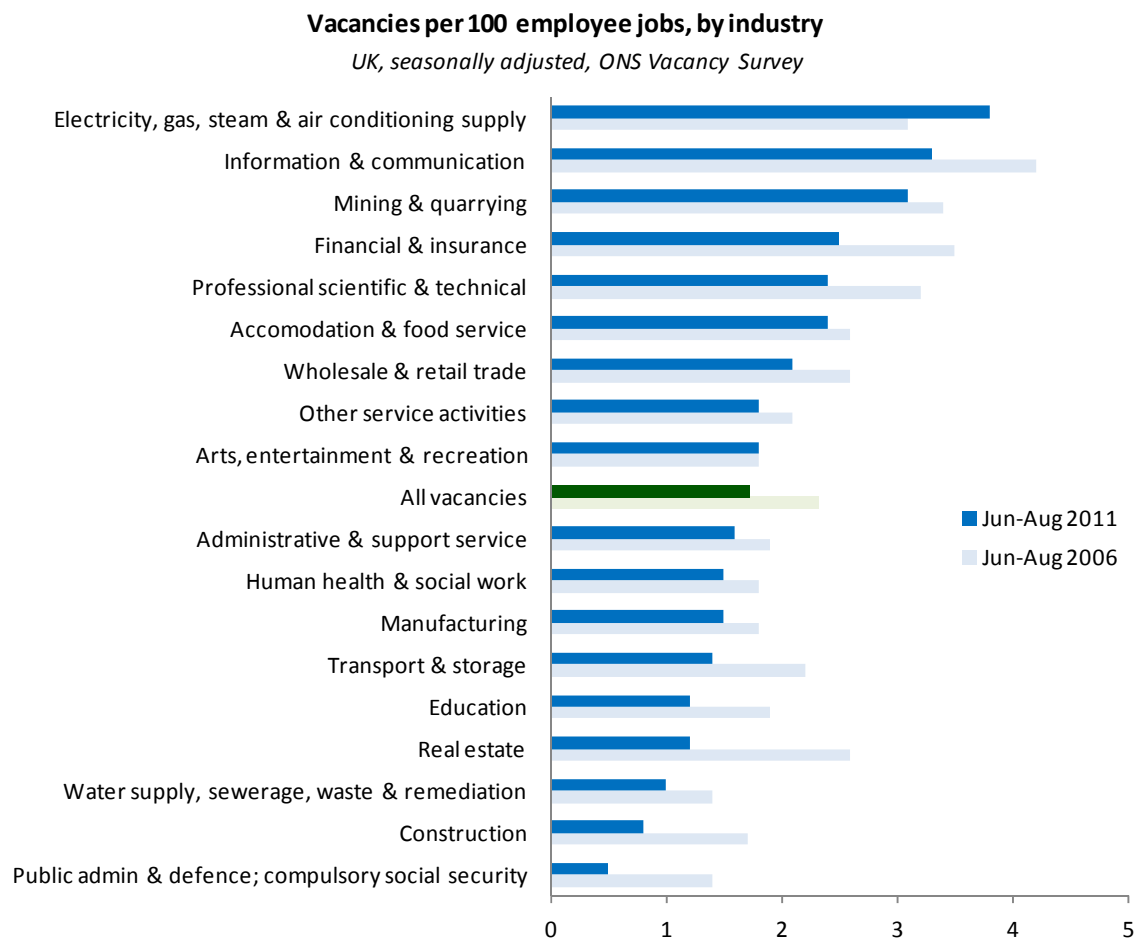
The labour market varies across the UK. The average number of people claiming Jobseekers Allowance per vacancy advertised in Jobcentre Plus is higher in Scotland and London than in other parts of Great Britain.³



2.3 Which industries have the most job vacancies?

Across the whole economy there are currently 1.7 vacancies for every 100 jobs (June-August 2011), but the number of vacancies varies considerably between industries. The industry with the lowest ratio of vacancies to jobs – 0.5 vacancies for each 100 jobs – is public administration (including defence and social security). Construction also has a low ratio of vacancies to jobs – 0.8 vacancies for every 100 jobs. The ratio of vacancies to jobs in both public administration and construction have dropped to less than half their levels from five years ago, as has the ratio of vacancies to jobs in real estate activities.

The highest ratio of vacancies to jobs is in the relatively small electricity, gas, steam and air conditioning supply industry, where there are 3.8 vacancies for every 100 jobs, slightly more than five years ago. Information and communication also has a relatively high ratio of vacancies to jobs, at 3.3 vacancies for every 100 jobs.



Lorna Booth, Economic Policy and Statistics Section

³ Regional vacancy statistics are based on job openings reported by employers to Jobcentre Plus – not all vacancies are reported. Overall twice as many vacancies are identified in the UK Vacancy Survey as in the GB Jobcentre Plus statistics, although the exact proportion varies. Note that some regions advertise a higher proportion of vacancies in Jobcentres than others.

3 Regional development update

One of the features of the early months of the current Government's tenure was reform of regional development policy in England. The May 2010 *Coalition Agreement* included the introduction of Local Enterprise Partnerships (LEPs) to replace Regional Development Agencies (RDAs). The first round of in-year *spending cuts* later that month included £270 million from RDAs. Plans for the Regional Growth Fund (RGF) were announced in June 2010 and detailed in the October 2010 *Local Growth* White Paper. One of the centrepieces of the *Plan for Growth*, which accompanied the March 2011 *Budget* was the creation of new Enterprise Zones (EZs). A year on from *Local Growth*, where are we now?

3.1 Local Enterprise Partnerships

LEPs are strategic partnerships of local businesses and councils. They are intended to be better in tune with local economic geography and needs than RDAs. They are not a direct replacement for RDAs: some RDA functions, such as access to finance, innovation and administering the European Regional Development Fund (ERDF) are now central responsibilities.

24 LEPs were announced in *Local Growth* in October 2010. Since then, a further 14 have been announced and they now cover 99% of England's population.

While this has assuaged concerns that some areas would miss out, LEPs are still to fully establish their role. While responsibility for Enterprise Zones (EZs) may give some LEPs an injection of purpose, 40% of LEPs have not been allocated an EZ. Other than a small set-up fund, LEPs are not centrally financed.

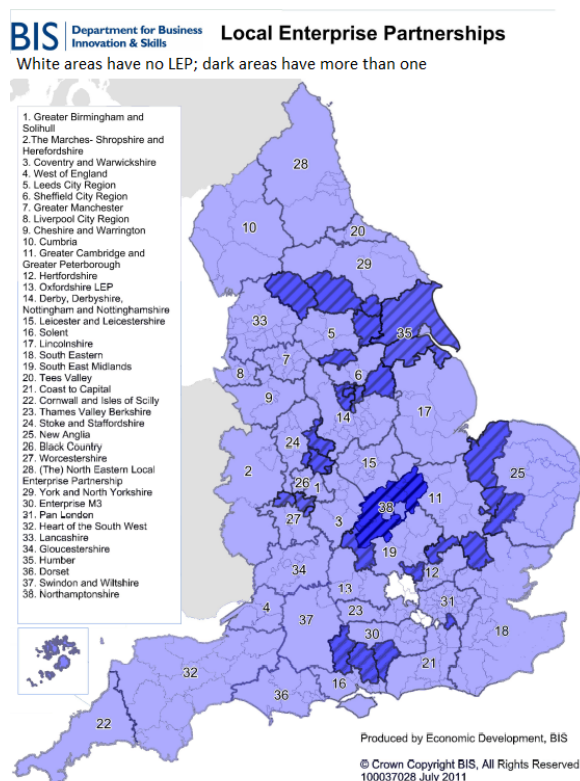
A May 2011 Centre for Cities paper, *Sink or Swim*, argued that LEPs needed greater responsibilities and funding to succeed, concluding that "if LEPs aren't demonstrating that they're making a difference in the next 6 months, they'll struggle to regain the business confidence that is crucial to making LEPs work".

3.2 Regional Growth Fund

The RGF is worth £1.4 billion over three years from 2011/12 – 2013/14. It is intended to promote the private sector in areas in England most at risk to public sector cuts.

The Government announced the 45 successful bids for the first £450 million of funding in April 2011. These have proceeded to due diligence. Applications for the second round of funding, which will cover almost all of the remaining £950 million, closed on 1 July. However, a recent BIS *FOI response* showed that no funding has yet been distributed.

Labour has argued that RGF funding is insufficient: the £1.4 billion over three years is the same as that provided to RDAs in 2010/11 alone. Labour now *advocate* adding £200 million to the RGF from the proceeds of a bankers' bonus tax.



3.3 Enterprise Zones

EZs are a revival of a 1980s regional development policy. New generation EZs will be coordinated by LEPs and will range from 28 to 375 hectares. They will benefit from:

- 100% business rate discounts worth up to £275,000 over a five year period for businesses that move into an EZ;
- retention of business rate growth by local authorities for reinvestment;
- simplified planning regulations; and
- superfast broadband.

Additional measures will be in place in specific EZs if deemed appropriate for those areas.

With the announcement of two additional EZs following BAE Systems' decision to close three sites in the north of England, the locations of 24 planned EZs have now been announced. For advocates of EZs, these will deliver rapid economic growth in deprived areas, in many cases through developing manufacturing technologies. Critics of EZs argue that their 1980s incarnation acted to displace activity between areas, rather than stimulate growth overall.

For all the interest generated by EZs, we are still early in the process. The precise geographies of EZs and the policies on offer are still to be finalised. The Government expects to have new planning regulations and business rate discounts in place by April 2012. However, LEPs are already targeting April 2015 as the deadline for businesses to move into EZs and benefit from tax deductions.

3.4 Regional Development Agencies and the European Regional Development Fund

RDAs have been wound down and will formally cease to exist by the end of March 2012, subject to the passing of the *Localism Bill* (London Development Agency, LDA) and the *Public Bodies Bill* (RDAs for the other 8 English regions).

LDA assets and liabilities will be transferred to the Greater London Authority. Land and property assets of other RDAs that have been deemed ready for sale will be sold on the open market. Formal ownership of a [large number of other assets](#) not ready for sale, valued at £600 million, was transferred to the Homes and Communities Agency (HCA) in September 2011, under what has been termed a "stewardship arrangement". These will be developed in collaboration with LEPs and other local partners to "maximise economic outcomes".

The DCLG took over responsibility for administration of ERDF funding in England from RDAs on 1 July 2011 and the Government already [claims](#) to have made substantial management improvements. Critics of the Government have [argued](#) that its RDA cuts risk a dearth of match funding and, possibly, a failure to use all the money allocated to England.

3.5 Where are we now?

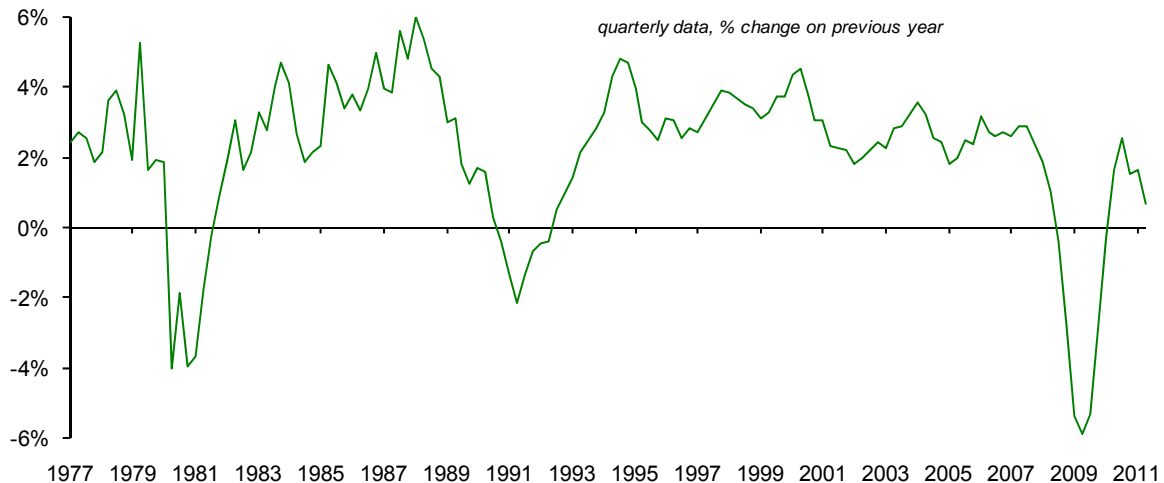
The incoming Government identified needs for economic growth across England and reform of the costly policy levers used to foster it. One question now is whether the time taken to make institutional reforms is holding back the development they are intended to promote.

Adam Mellows-Facer, Economic Policy and Statistics Section

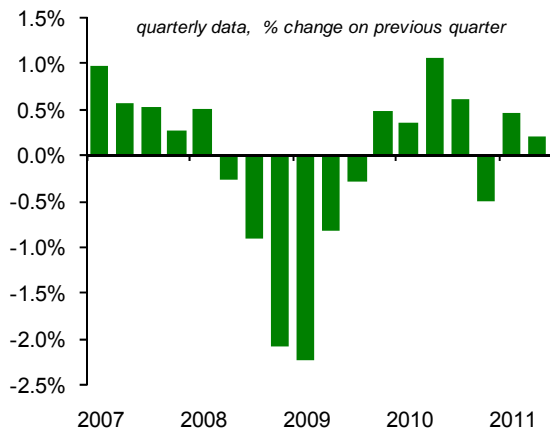
A1: Gross Domestic Product

The economy grew by 0.2% in Q2 2011, following a rise of 0.5% in Q1 2011. In September 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.2% and for 2012 was 1.8%. 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 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 0.5% in Q2 2011 compared with the previous quarter, while services and construction both grew by a preliminary estimate of 0.5%.
- In Q2 2011, real GDP was 0.7% higher than a year earlier but GDP remains 3.9% below its pre-recession (Q1 2008) level.

Contact: Grahame Allen, x3977

Updates: ONS, [Quarterly national accounts](#), 5 Oct
HMT, [Comparison of Independent Forecasts](#), 19 Oct

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 0.2% in Q2 2011 (growth in Q1 was revised down from 0.4% to 0.1%). Growth in the eurozone as a whole was 0.2% in Q2 2011: in Germany, the figure was 0.1%, and in France GDP did not grow. The eurozone figures are the weakest for two years.

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	1.5	0.9	0.6	0.6	0.1	0.2
Japan	3.3	4.8	2.5	-0.7	-1.1	-0.2	1.0	-0.6	-0.9	-0.5
UK	1.6	2.5	1.5	1.6	0.7	1.1	0.6	-0.5	0.5	0.2
Germany	4.1	4.0	3.8	4.6	2.8	1.9	0.8	0.5	1.3	0.1
France	1.5	1.6	1.4	2.1	1.6	0.5	0.4	0.3	0.9	0.0
Eurozone	2.0	2.0	2.0	2.4	1.6	0.9	0.4	0.3	0.8	0.2
G7	3.0	3.4	2.8	1.9	1.2	0.8	0.7	0.3	0.2	0.1
OECD	3.3	3.3	3.0	2.4	..	0.9	0.6	0.5	0.3	..

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 [September interim forecast](#) revised down the May forecast for UK 2011 growth from 1.7% to 1.1%. France and Germany also saw downward revisions of 0.2 and 0.3 percentage points respectively.

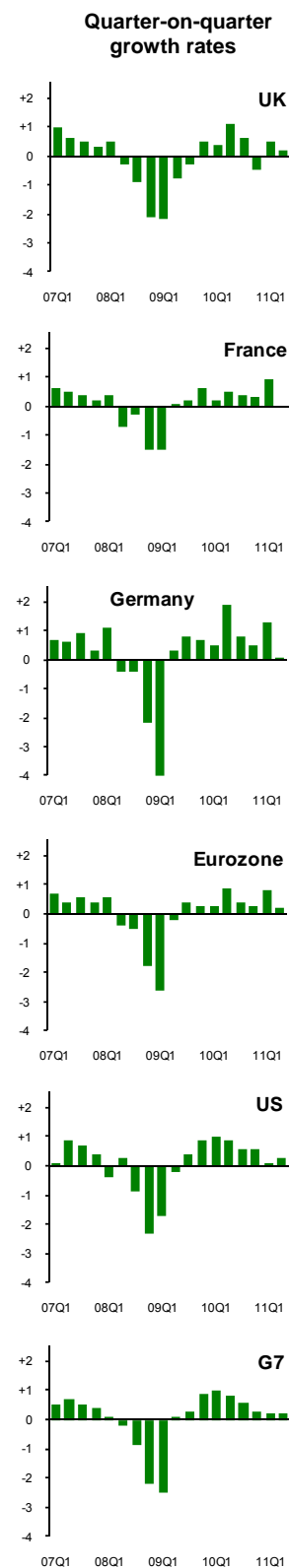
The [OECD September interim forecast](#) for the G7 (not shown in the table) was considerably more pessimistic than May forecasts. It implied UK growth in 2011 would be 0.8% in 2011, the fourth downward revision since May 2010, when the forecast was 2.5%. The implied US growth forecast for 2011 was 0.7%, France 1.2% and Germany 1.8%, although the OECD noted all figures were subject to considerable uncertainty.

Real growth forecasts (% changes)

	IMF (Jun 11)			EC (May/Sep 11) ^a		OECD (May 11)	
	2011	2012	2013	2011	2012	2011	2012
UK	1.5	2.3	2.5	1.1 ^a	2.1	1.4	1.8
France	2.1	1.9	2.0	1.6 ^a	2.0	2.2	2.1
Germany	3.2	2.0	1.9	2.9 ^a	1.9	3.4	2.5
Eurozone	2.0	1.7	1.8	1.6 ^a	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	..	..	..	..

^a 2011 EC forecast for UK, France, Germany and Eurozone is from Sep-2011; all other EC forecasts are from May-2011

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



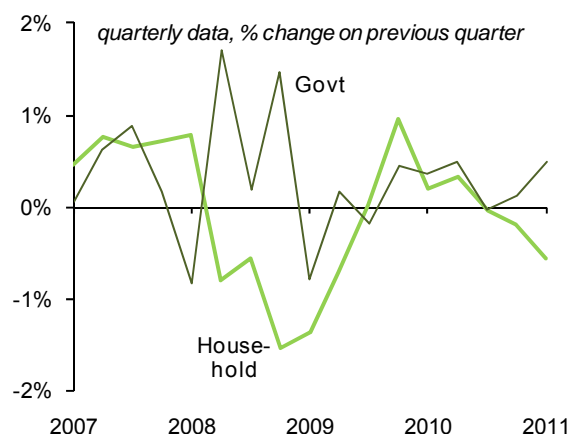
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 10 Oct 2011
EC [Economic Forecast](#), Nov 2011
IMF [World Economic Outlook](#), Oct 2011

A3: Components of GDP

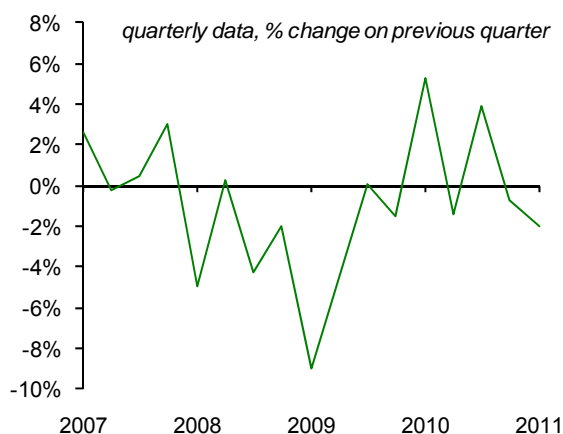
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation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

Household consumption and government consumption



- ONS have not yet released data on the components of GDP for Q2 2011. This will be published on 5 October.
- 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 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%
2011 Q2	..	..	..	..	..	0.2%

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 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	2.0%	-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	-0.5%	0.5%	0.5%	0.2%

Source: ONS series CKYY, GDQB, GDQS, YBEZ

Manufacturing and services output
Quarter-on-quarter growth



- Manufacturing output fell by 0.5% 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 2.0% 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

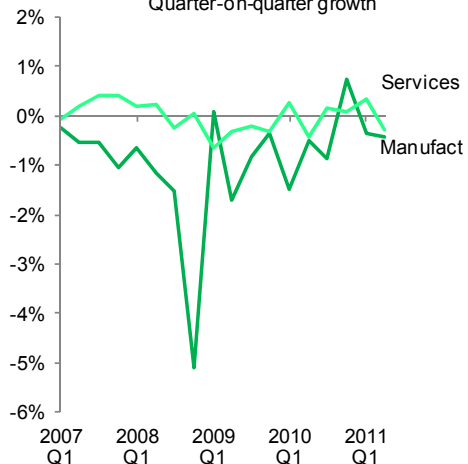
Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	GDP
<i>Annual % changes</i>				
2009 Q2	-8.1%	-2.8%	-1.2%	-1.9%
2010 Q2	-3.1%	-3.7%	-0.7%	-0.8%
2011 Q1	-1.0%	-0.7%	0.1%	0.1%
2011 Q2	-0.9%	-3.0%	0.3%	-0.1%
<i>Quarter-on-quarter</i>				
2011 Q1	-0.4%	-1.6%	0.3%	0.1%
2011 Q2	-0.4%	-0.1%	-0.3%	-0.3%
<i>Thousands</i>				
2011 Q2	2,534	2,093	25,731	31,160

Source: ONS series JWR7, JWS2, JWT8, DYDC

Manufacturing and services jobs
Quarter-on-quarter growth

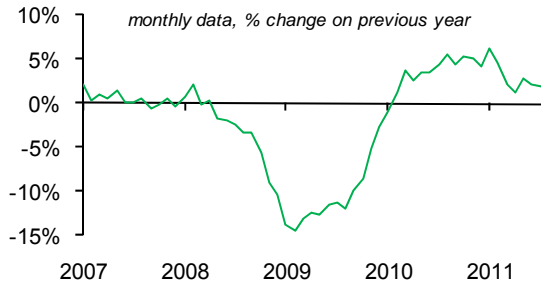


- Numbers of manufacturing jobs has continued to fall, with the exception of a rise in Q4 2010. In Q2 2011, the manufacturing workforce fell by 0.4%.
- Numbers of jobs in the construction sector fell by 0.1% in Q2 2011, while the services workforce fell by 0.3%.
- The public administration, health and education workforce fell by 1.3% in the year to Q2 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

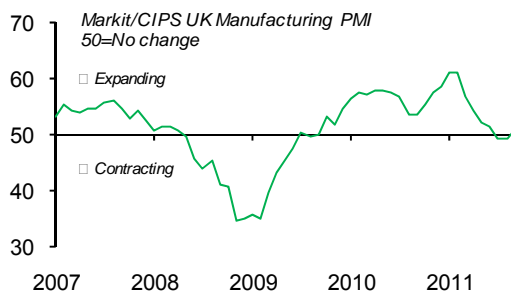


	Index Value (2005=100)	% change over month	% change over 12 months
2009	87.2	...	-10.7
2010	90.3	...	3.6
2011 Apr	90.9	-1.6	+1.2
May	92.5	+1.8	+2.8
Jun	92.2	-0.4	+2.1
Jul	92.3	+0.1	+1.9

Source: ONS, series CKYY

- Manufacturing output rose by 0.1% in July 2011 compared with June 2011. Manufacturing output rose by 1.9% in July 2011 compared to July 2010, the eighteenth consecutive month on a year ago rise.
- Total industrial production (including mining and utilities) fell by 0.2% in July 2011 compared with June 2011. Total production was 0.7% lower in July 2011 than in July 2010.

Manufacturing Purchasing Managers' Index

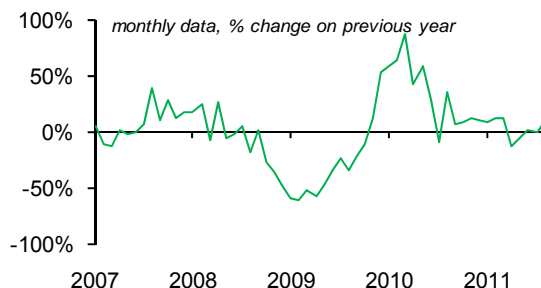


	Index	Monthly change
2009 Sep	49.9	...
2010 Sep	53.5	...
2011 Jun	51.4	-0.6
Jul	49.4	-2.0
Aug	49.4	0.0
Sep	51.1	+1.7

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

- The Markit/CIPS UK Manufacturing PMI rose to 51.1 in September 2011 (where 50.0 is no change). This was the first posting above the neutral 50.0 mark since June 2011.
- The rise was attributed in large part to the fast depletion of backlogs of work. The average PMI reading in Q3 2011 (50.0) was down on those in Q1 (59.4) and Q2 (52.7).

Vehicle Production



	Number '000s	% change over 12 months
2009	1,090	-33.9
2010	1,393	+27.8
2010 Aug	84	+36.1
2011 Jun	130	+1.5
Jul	107	+0.7
Aug	93	+10.6

Source: SMMT, not seasonally adjusted

- UK vehicle production was 93,000 in August 2011, 10.6% higher than in August 2010. The SMMT said that private investment was helping the automotive manufacturing recover further.
- In 2010, 1.39 million vehicles were produced in the UK, up by 27.8% compared with 2009.

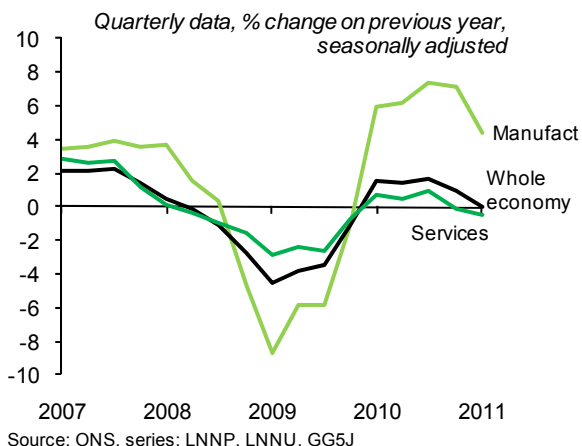
Contact: Lucinda Maer, x3841

Update: ONS, [Index of Production](#), 11 Oct
Markit/CIPS [UK Manufacturing PMI](#), 1 Nov
SMMT, [Vehicle Production](#), mid Oct

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



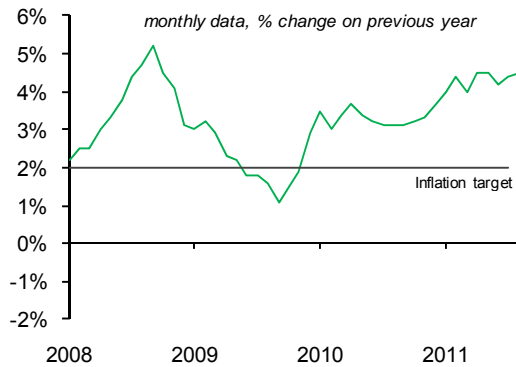
- International comparisons of productivity are presented as an index where the UK=100.
- In 2009, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Canada and Germany, and lower levels than the US and the G7 average.
- Based on GDP per hour, in 2009 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 4.5% in August, up from 4.4% in July and above the Bank of England's 2% target for the twenty-first 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)

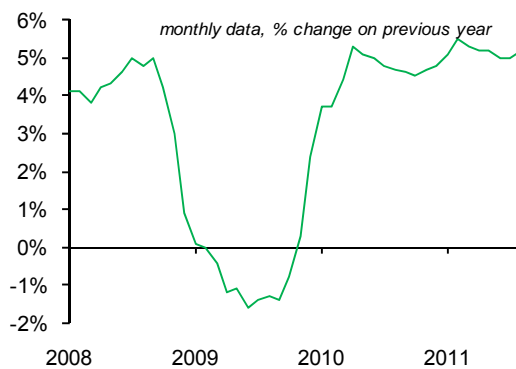


The CPI annual inflation rate was 4.5% in August, up from 4.4% in July.

- The main contributor to the CPI annual inflation rate came from rises in the cost of transport (contributing 1.2% of the 4.5% rate) where fuels and lubricants rose by 17% over the year and air transport by 7.7%.

The RPI (all items) measure of inflation was 5.2% in August, up from 5.0% in July, ending a short period of declining RPI inflation.

Retail Prices Index (RPI)



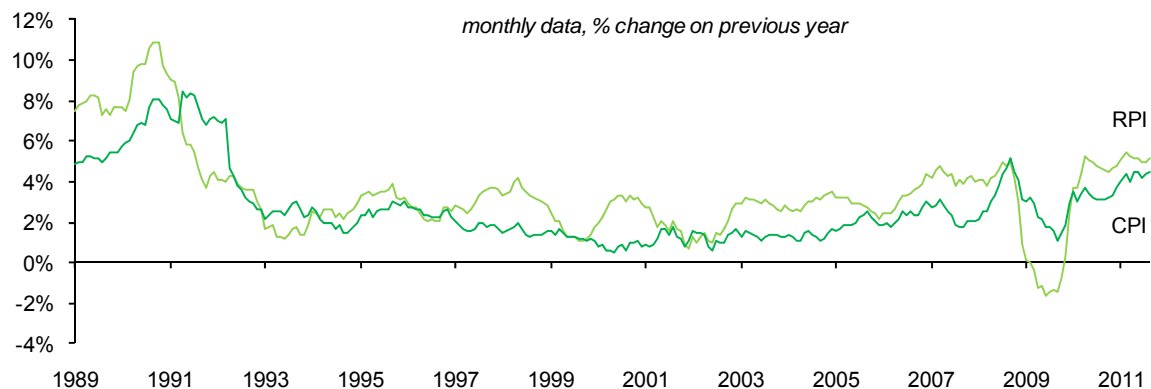
Price Indices

% change on a year ago

		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2011	Mar	4.0	5.3
	Apr	4.5	5.2
	May	4.5	5.2
	Jun	4.2	5.0
	Jul	4.4	5.0
	Aug	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.

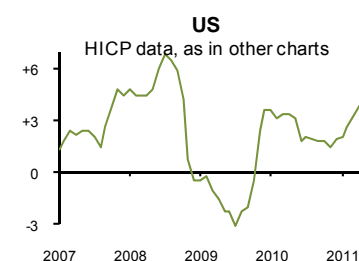
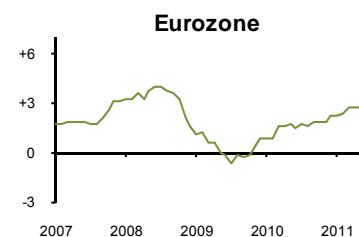
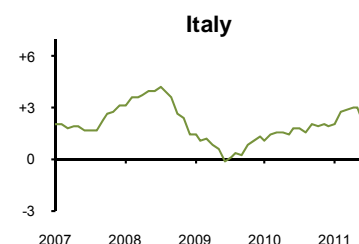
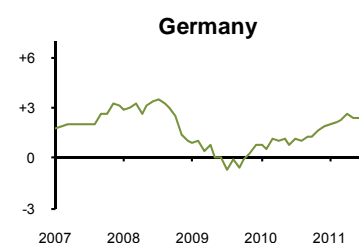
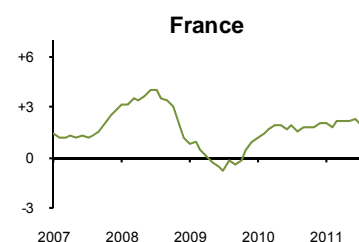
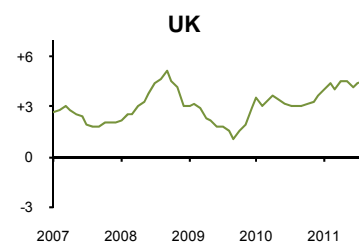
- In the year to August, UK inflation was 4.5%, up from 4.4% in July and the third-highest rate in the EU. The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in September was 3.0%, up from 2.5% in August and July. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The highest rate in the EU in August was 5.6% in Estonia. Ireland had the lowest annual inflation rate in the EU at 1.0%.
- HICP annual inflation in the US in July was 4.4%, unchanged from June. Using its national definition, US inflation was 3.8% in August, up from 3.6% in July.

Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Jun-11	Jul-11	Aug-11
HICP (ONS/Eurostat)					
UK	2.2	3.3	4.2	4.4	4.5
Eurozone	0.3	1.7	2.7	2.5	2.5
EU	1.0	2.1	3.1	2.9	2.9
France	0.1	1.7	2.3	2.1	2.4
Germany	0.2	1.2	2.4	2.6	2.5
Greece	1.3	4.7	3.1	2.1	1.4
Italy	0.8	1.6	3.0	2.1	2.3
Spain	-0.2	2.0	3.0	3.0	2.7
US	1.0	2.1	4.4	4.4	:
National definitions (OECD)					
Canada	0.3	1.8	3.1	2.7	..
Japan	-1.3	-0.7	-0.4	0.2	..
US	-0.4	1.6	3.6	3.6	3.8
G7	-0.1	1.4	2.8	2.9	..
OECD	0.5	1.9	3.0	3.1	..
Brazil	4.9	5.0	6.7	6.9	7.2
China	-0.7	3.3	6.4	6.5	..
India	10.9	12.0	8.6	8.4	..
Russia	11.7	6.9	9.4	9.0	..

Source: ONS, Eurostat & stat.OECD database



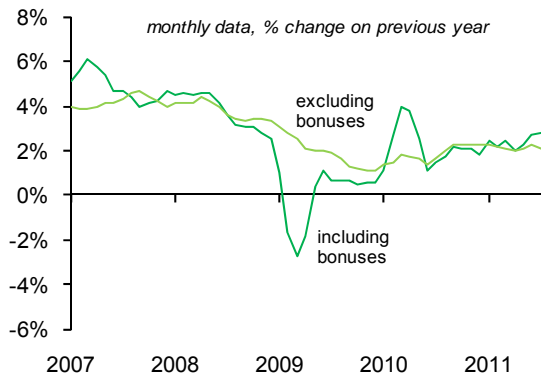
Contact: Gavin Thompson, x2042

Updates: OECD, [Main Economic Indicators](#), 18 Oct
Eurostat, [HICP full release](#), 14 Oct
Eurostat, [Flash estimate \(Oct\)](#), 31 Oct

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.8% in July compared with a year ago, up from 2.7% in June. Average weekly earnings excluding bonuses rose by 2.1% in the three months to July compared with a year ago, down from 2.3% in June. Inflation as measured by the CPI was 4.4% in July 2011 (the latest CPI inflation figure is 4.5% for August).

Average Earnings, Whole Economy



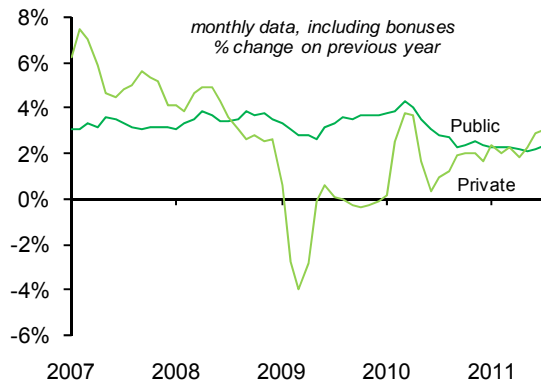
Average Earnings, Including Bonuses

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

		Private	Public	Manuf.	Serv.	Total
2008	Jul	3.6	3.4	3.9	3.6	3.6
2009	Jul	0.1	3.3	0.0	1.1	0.7
2010	Jul	1.0	2.8	4.1	1.1	1.5
2011	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	0.6	2.3	2.0
	May	2.3	2.1	1.0	2.8	2.3
	Jun	2.9	2.2	1.7	3.1	2.7
	Jul	3.1	2.4	1.7	3.2	2.8

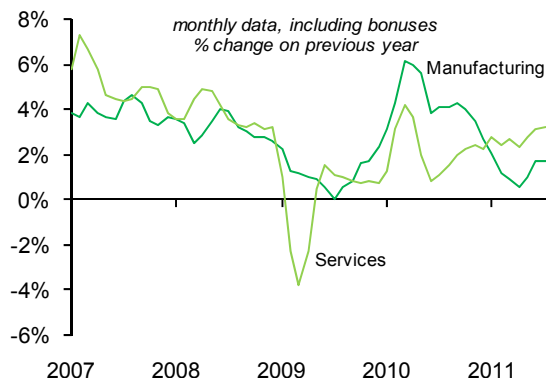
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 3.1% in July, compared with an increase of 2.4% in the public sector. Excluding financial services, public sector earnings rose by 1.6%.
- Average weekly earnings (including bonuses) in July in the public sector were £476 compared with £460 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

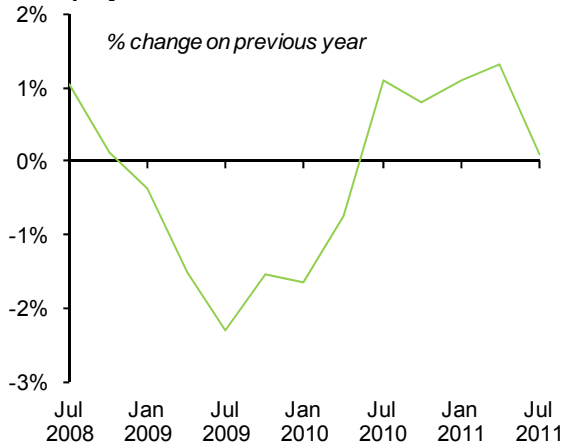


- Average total pay growth (including bonuses) in the manufacturing sector was 1.7% in July, compared with 3.2% in the services sector.
- Average weekly earnings (including bonuses) in June in the manufacturing sector were £530 compared with £449 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

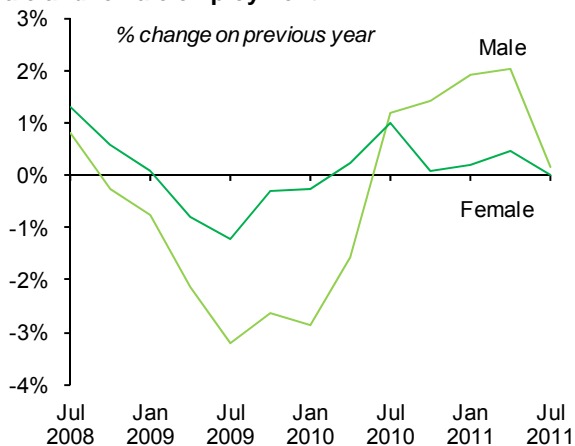
Employment decreased by 69,000 over the quarter to July 2011, to 29.17 million. Employment is now 1.3% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment



- Employment increased by 0.1% or 24,000 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 55,000 or 1.4% over the last year.

Male and female employment



- The number of men in employment decreased by 71,000 over the last quarter, whilst the number of women in employment was rose by 2,000 over the quarter.
- The number of people employed in the public sector fell by 111,000 between March and June 2011. This is the largest fall since comparable quarterly records began in 1999
- The number of people employed in the private sector increased by 41,000 between March and June 2011.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
May-Jul 2009	28,831	3,826	17,030	7,240	736
May-Jul 2010	29,145	3,832	17,160	7,293	861
Aug-Oct 2010	29,121	3,788	17,177	7,310	845
Nov-Jan 2011	29,159	3,736	17,193	7,333	898
Feb-Apr 2011	29,239	3,747	17,236	7,368	887
May-Jul 2011	29,169	3,692	17,241	7,373	862
% change on previous 3 months	-0.2	-1.5	+0.0	+0.1	-2.8
% change on previous year	+0.1	-3.6	+0.5	+1.1	+0.2

Source: ONS

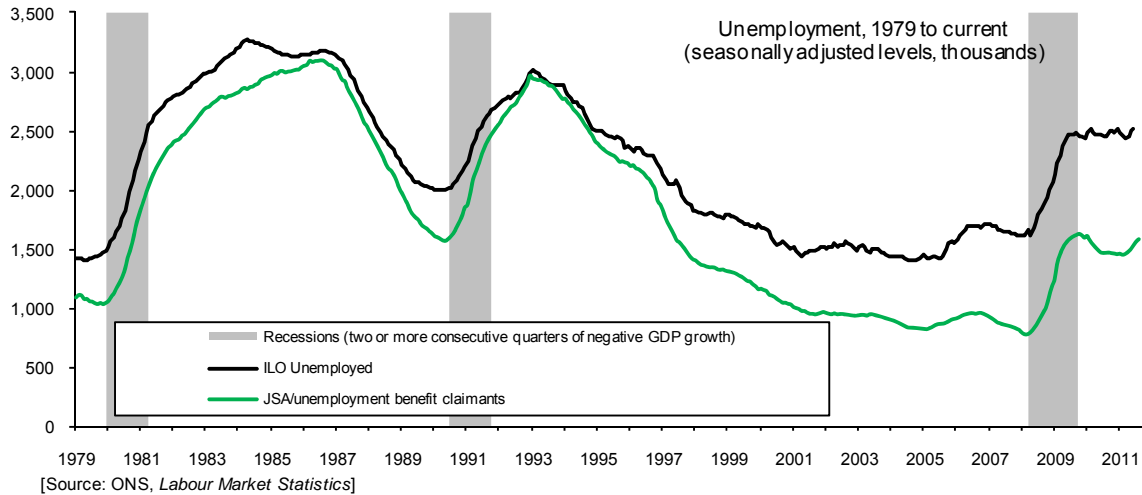
Contact: Chris Rhodes, x2454

Update: ONS, [Labour Market Statistics](#), 12 Oct

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 May to July 2011 was 2,510,000 (7.9% of all economically active) – up 80,000 from the previous quarter (UK, seasonally adjusted).**

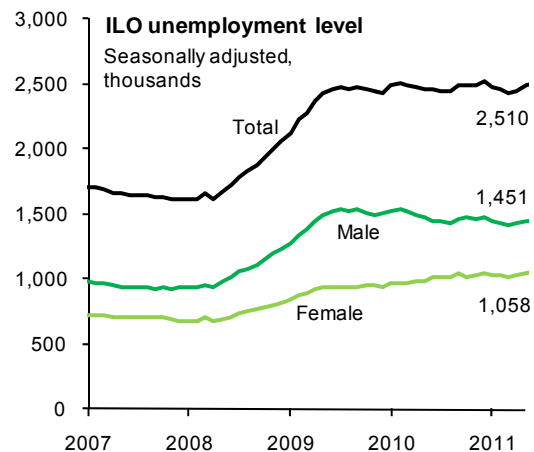


ILO unemployment (May to July 2011)

- There were 849,000 people unemployed for more than 12 months, up 20,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 973,000, up 78,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 20,300 between July 2011 and August 2011 to 1,580,900.



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	(%)
May-Jul 2006	1,700	5.5	706	14.5	755	4.2	222	3.1	17	2.7
May-Jul 2007	1,643	5.3	711	14.6	685	3.8	232	3.2	15	2.4
May-Jul 2008	1,719	5.5	727	14.8	747	4.1	232	3.1	13	1.8
May-Jul 2009	2,469	7.9	944	19.8	1,151	6.3	351	4.6	23	3.0
May-Jul 2010	2,466	7.8	922	19.4	1,154	6.3	373	4.9	18	2.1
Aug-Oct 2010	2,499	7.9	948	20.0	1,159	6.3	374	4.9	18	2.1
Nov-Jan 2011	2,518	7.9	974	20.7	1,153	6.3	371	4.8	20	2.2
Feb-Apr 2011	2,430	7.7	895	19.3	1,137	6.2	381	4.9	18	1.9
May-Jul 2011	2,510	7.9	973	20.8	1,157	6.3	360	4.7	21	2.3
% change on quarter	+3.3		+8.7		+1.8		-5.4		+17.1	
% change on year	+1.8		+5.6		+0.3		-3.5		+13.4	

Source: ONS, Labour Market Statistics.

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

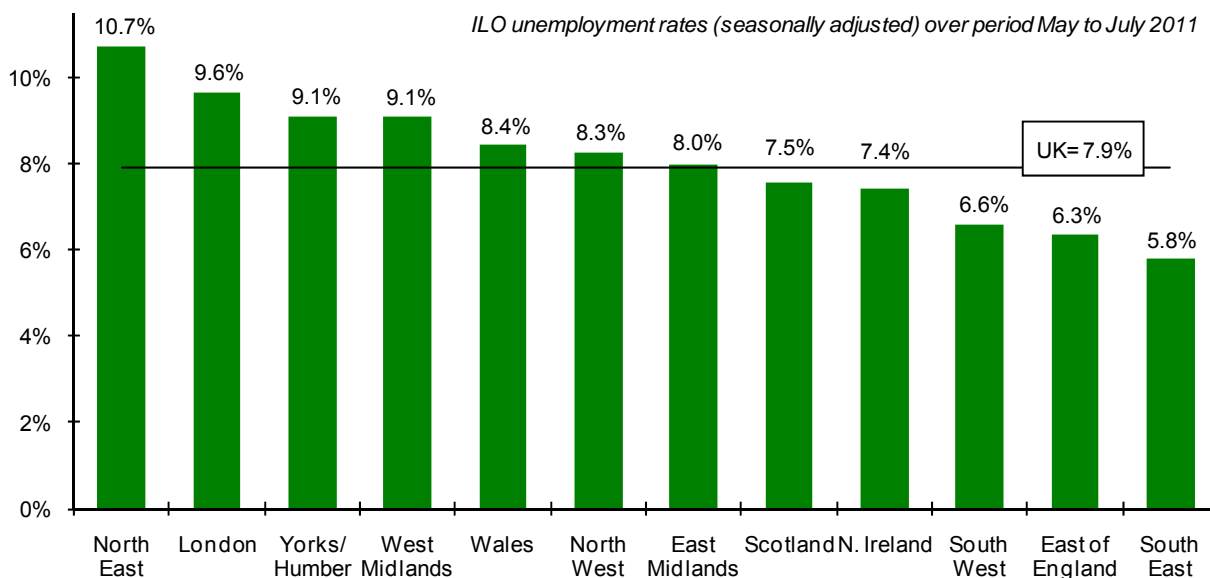
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 12 Oct 2011

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 May to July 2011, the North East had the highest unemployment rate, at 10.7% of the economically active population, followed by London (at 9.6%). The lowest rate over the same period was 5.8% in the South East.



- The largest increases in unemployment over the last quarter was in London (+26,000) and the North East (+18,000). The largest decrease over the last quarter was in Scotland (-3,000).
- The seasonally-adjusted JSA claimant count increased in every region and country in August 2011 compared with the month before.

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

	ILO unemployment				JSA claimant count	
	May - Jul 2011		Change in level		August 2011	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	136	10.7	+18	+18	88.1	+1.4
North West	282	8.3	+5	+4	195.5	+2.8
Yorkshire & Humber	243	9.1	+6	-2	158.7	+2.8
East Midlands	186	8.0	+11	+17	106.8	+1.3
West Midlands	239	9.1	+4	+12	169.9	+2.3
East of England	192	6.3	+0	-9	114.8	+0.3
London	410	9.6	+26	+29	234.6	+3.4
South East	256	5.8	+1	-16	141.3	+1.9
South West	175	6.6	+2	+15	87.5	+1.8
Wales	122	8.4	+7	+1	77.6	+1.0
Scotland	204	7.5	-3	-33	145.7	+1.2
Northern Ireland	64	7.4	+3	+7	60.4	+0.1

Source: ONS, *Labour Market Statistics*

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

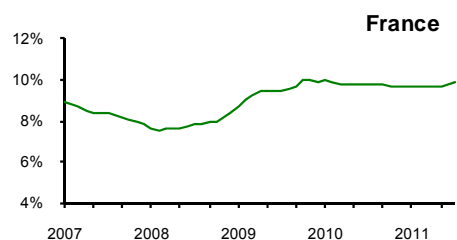
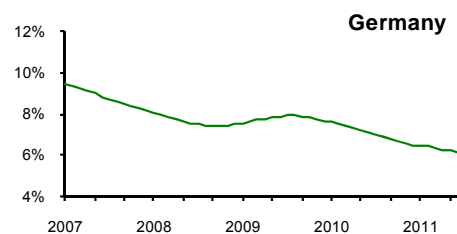
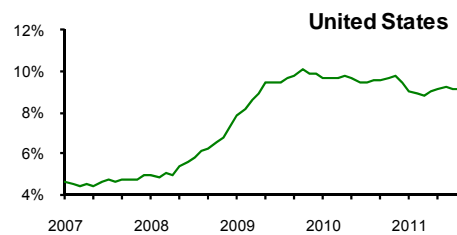
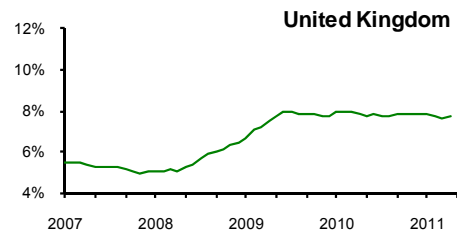
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 12 October 2011

C4: Unemployment: International Comparisons

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

- Based on national (unharmonised) definitions, UK unemployment in Q2 2011 was 7.9%, up from 7.7% in Q1 2011.
- 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. Q2 harmonised figures have not yet been published.
- Between Q2 2010 and Q2 2011, unemployment fell across the remaining G7 countries. Germany saw the largest fall, of 1.1 percentage-points, and the France saw the smallest decrease, of 0.2 percentage points. Between Q1 and Q2 2011, unemployment fell in France and Germany, but rose in the US.
- 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	9.7
Germany	7.6	7.7	7.1	7.5	7.2	6.9	6.6	6.4	6.2
Italy	6.8	7.8	8.4	8.5	8.5	8.3	8.3	8.1	8.0
Japan	4.0	5.1	5.1	5.0	5.1	5.0	5.0	4.7	4.6
UK	5.7	7.6	7.8	7.9	7.7	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	10.1	10.1	10.0	10.0
G7	5.9	8.1	8.2	8.3	8.2	8.1	8.1	7.7	7.7
OECD	6.1	8.4	8.6	8.7	8.6	8.6	8.5	8.2	8.2

Source: OECD, Harmonised Unemployment Rates

Contact: Gavin Thompson, x2042

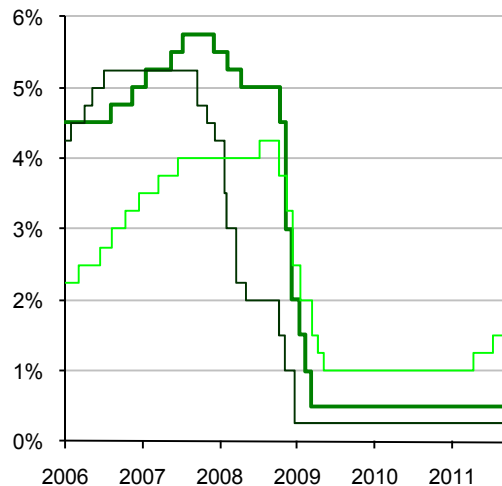
Updates: OECD, [Harmonised Unemployment Rates](#), 10 Oct

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
2001 Nov 8	4.00	2007 May 10	5.50
2003 Feb 6	3.75	2007 Jul 5	5.75
2003 Jul 10	3.50	2007 Dec 6	5.50
2003 Nov 6	3.75	2008 Feb 7	5.25
2004 Feb 5	4.00	2008 Apr 10	5.00
2004 May 6	4.25	2008 Oct 8	4.50
2004 Jun 10	4.50	2008 Nov 6	3.00
2004 Aug 5	4.75	2008 Dec 4	2.00
2005 Aug 4	4.50	2009 Jan 8	1.50
2006 Aug 3	4.75	2009 Feb 5	1.00
2006 Nov 9	5.00	2009 Mar 5	0.50

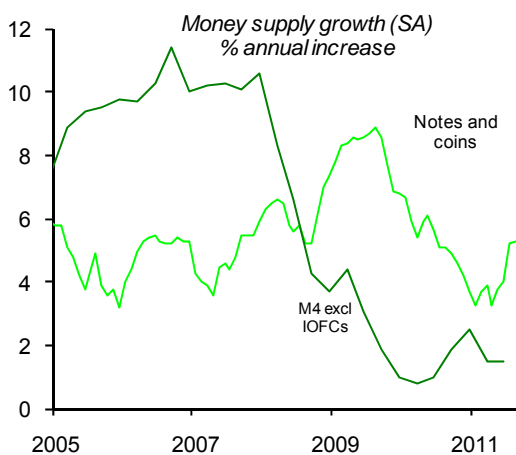
Source: Bank of England

- 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 four 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 August 2011.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [6 Oct \(UK\)](#)
Bank of England, [Monetary and Financial Statistics](#), 31 Oct

D2: Public Finances

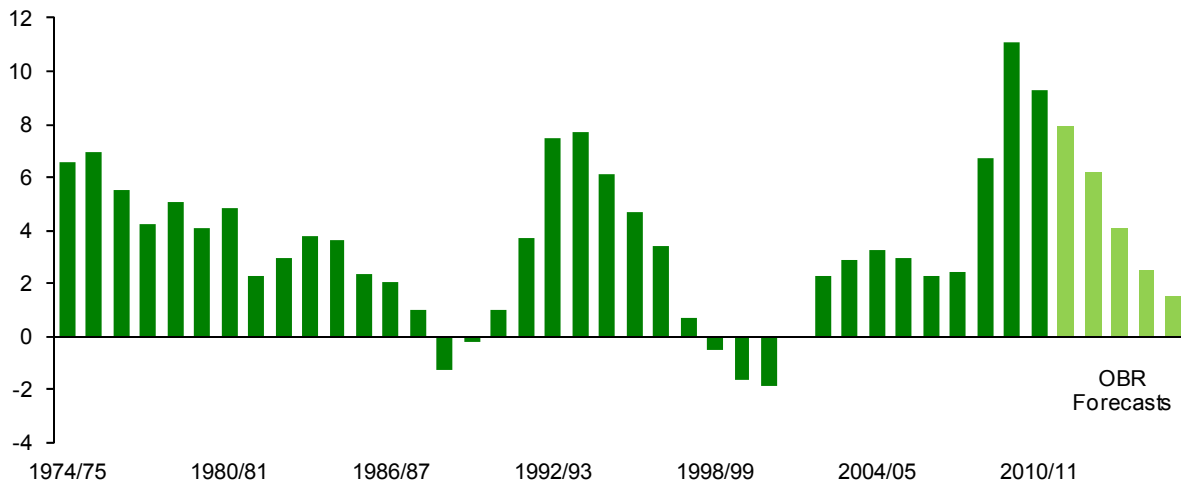
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £122 billion in 2011/12, equivalent to 7.9% of GDP.

- Between April and August 2011, the Government borrowed £51.5 billion, 7% lower than the same period a year ago.
- Borrowing in August 2011 was £15.9 billion compared with £14.0 billion in August 2010.
- The OBR attributed the rise in borrowing in August 2011 compared to August last year to a larger increase in central government spending than in receipts. The monthly profile of departmental spending changes year to year.

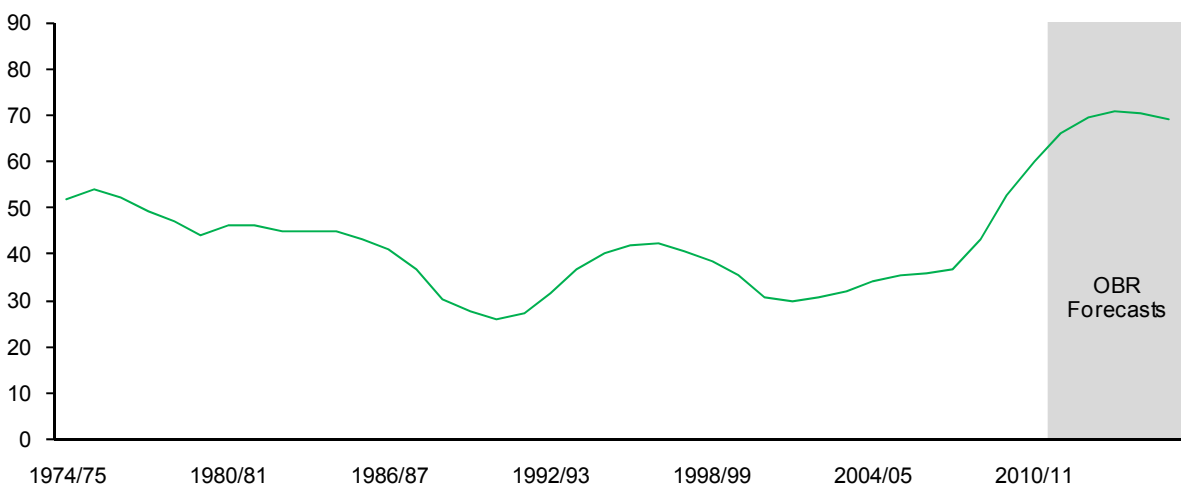
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	607	43.3
2009/10	156	11.1	760	52.8
2010/11	137	9.3	905	60.2
2011/12	122	7.9	1,046	66.1
2012/13	101	6.2	1,164	69.7
2013/14	70	4.1	1,251	70.9
2014/15	46	2.5	1,314	70.5
2015/16	29	1.5	1,359	69.1

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](#), 21 Oct 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. It fell sharply in August 2011, but has since stabilised.

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 exceeded \$1,800/ounce for the first time in August 2011, but has since fallen.

Data from 29 September 2011

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
29 Sep 2011	5,196.8	104.0	1,620.0
% change over:			
1-month	-1%	-7%	-11%
12-months	-7%	+29%	+24%
% change from:			
cyclical peak	-23%	-29%	-15%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+48%	+186%	+128%
date	03 Mar '09	24 Dec '08	24 Oct '08

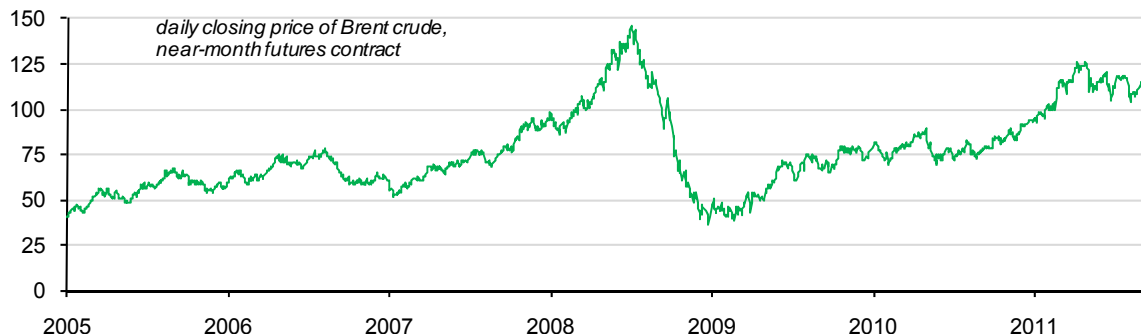
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Oil price (\$ per barrel)



Gold price (\$ per ounce)



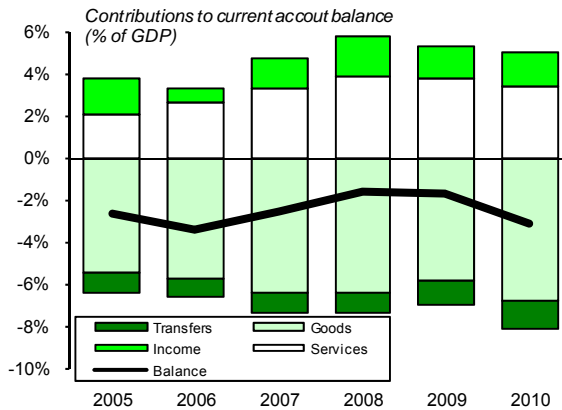
Contact: Chris Rhodes, x2454

Update: Page updated on a weekly basis

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).

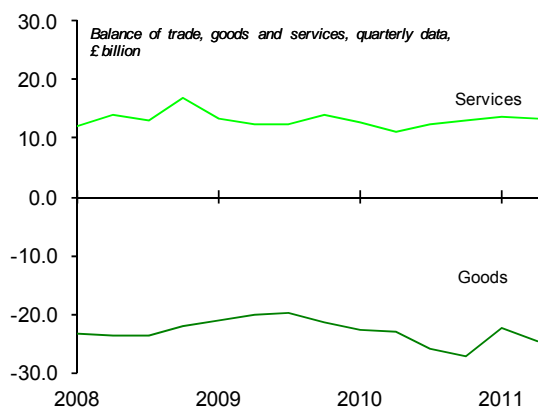
Current Account Balances

£ 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 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
Q2	73,826	98,428	-24,602	13,298	-11,304	..	..	..

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 July was £8.92 billion, slightly wider than the June deficit of £8.87 billion.
- The monthly trade surplus on services was an estimated £4.5 billion in July, up slightly from the June surplus of £4.4 billion.
- The overall monthly deficit on goods and services combined in July was £4.45 billion, narrowing from £4.5 billion in June.
- The goods deficit with the EU27 was £3.4 billion in July (compared with £3.2 billion in June), while the deficit with non-EU countries was £5.5 billion (compared with £5.7 billion in June).

Contact: Grahame Allen, x3977

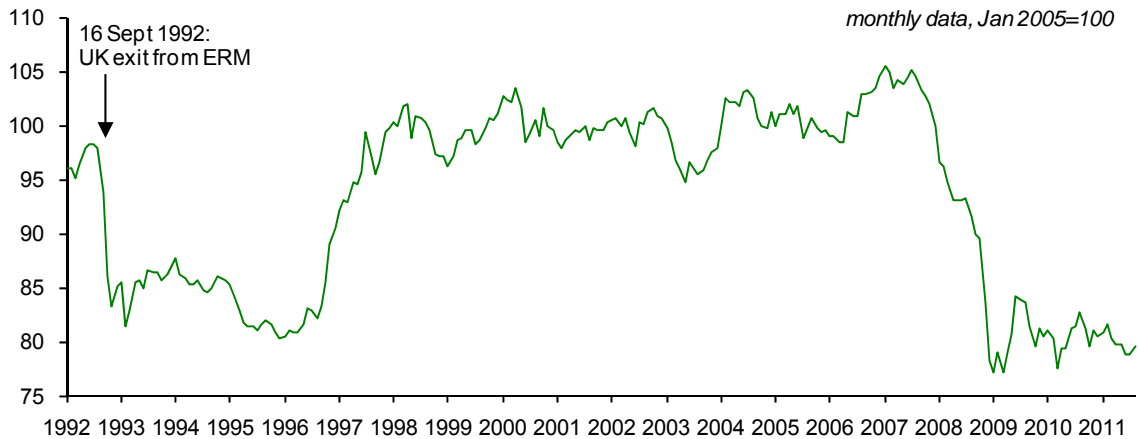
Updates: ONS, [UK Trade](#), 13 Oct;
ONS, [UK Balance of Payments](#), 5 Oct

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).

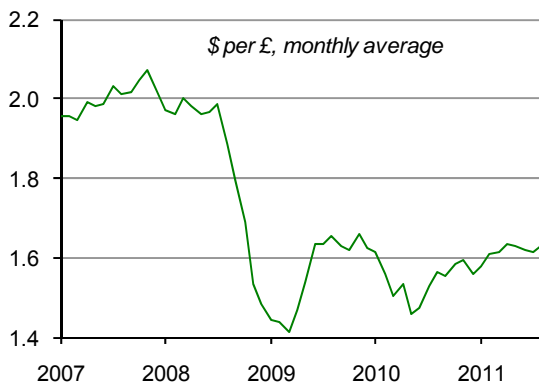
The SERI fell by 0.5% in September, having risen by 1.4% in August. Compared with the same period last year, the SERI was 2.5% lower. It is now 2.7% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 24.9% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



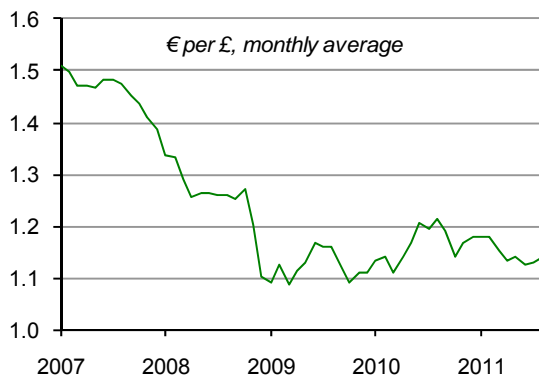
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In September, the pound was on average five cents weaker against the dollar compared with August. At the 3 October market close the pound stood at \$1.54, four cents below the September average (\$1.58).
- Sterling was on average one cent stronger against the Euro in September.
- At the 3 October market close the pound stood at €1.16, one cent above the September average of €1.15. 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 Sep	1.56	-4.6%	1.19	6.1%
2011 Jul	1.61	5.5%	1.13	-5.4%
Aug	1.63	4.4%	1.14	-5.9%
Sep	1.58	1.3%	1.15	-3.6%

Source: Bank of England, Bankstats database

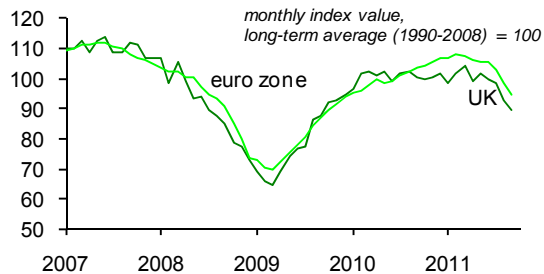
Contact: Aliyah Dar x5919

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

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

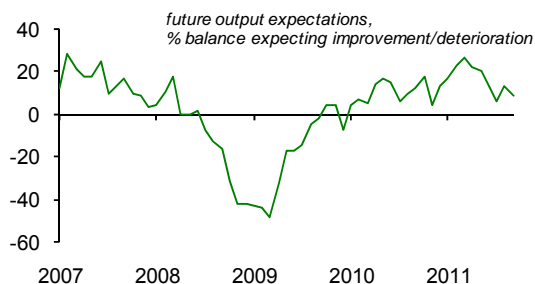


	UK Index	monthly change	change on year ago
2009 Sep	87.5	...	...
2010 Sep	100.2	...	...
2011 Jul	98.5	-1.4	-3.1
Aug	92.9	-5.6	-9.8
Sep	89.5	-3.4	-10.7

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 3.4 points to 89.5 in September 2011. The overall Euro area sentiment index also decreased by 3.4 points in September, to 95.0.

CBI Industrial Trends Survey



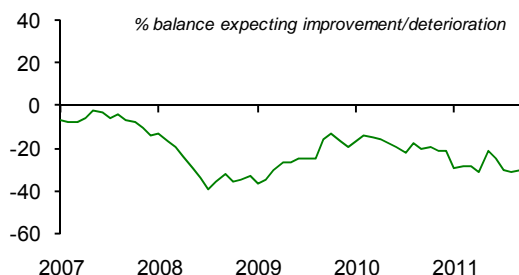
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2009 Sep	-2	...	...
2010 Sep	+12	...	...
2011 Jul	+6	-7	+0
Aug	+13	+7	+3
Sep	+9	-4	-3

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in September 2011 were +9% of firms expecting output to rise rather than fall over the next three months. This is down 4 percentage points on August 2011, when it was +13%, but is slightly higher than in July (+6%).

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 Sep	-16	...	...
2010 Sep	-20	...	...
2011 Jul	-30	-5	-8
Aug	-31	-1	-13
Sep	-30	+1	-10

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 at a similar level in September 2011 to August, when it was -31.

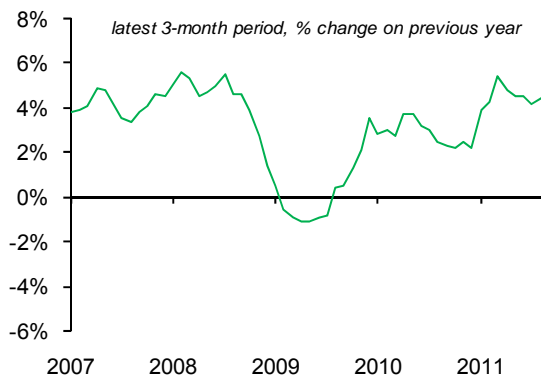
Contact: Lorna Booth, x2883

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

F2: Retail Sales

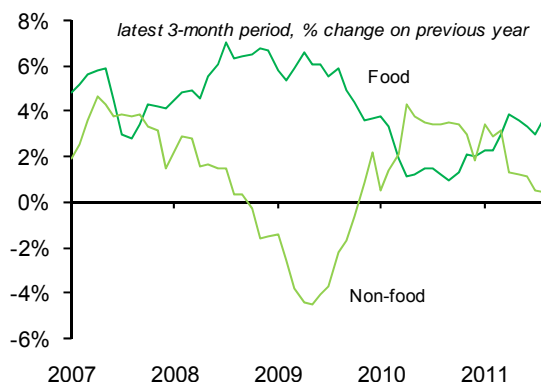
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The rate of annual increase in the value of retail sales in the three months to August 2011 was 4.4%, a small increase on July's 4.2%.
- The value of retail sales in August alone was unchanged compared with July (in seasonally adjusted terms).
- The estimated total value of sales in August was £25 billion (non-seasonally-adjusted).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to August rose by 3.8% a reversal of recent slowing.
- The annual rate of increase in the value of sales in non-food stores was 0.4% in the three months to August, the lowest since October 2009.
- Sales in household goods stores were 4.2% lower than a year ago.
- Sales in clothing and footwear stores were up by an annual rate of 3.4% in the three months to August.
- Non-store sales (includes internet) were up by 17.4% in the year to the three months to August.

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 Apr	3.9	1.7	-5.0	4.2	1.3	4.8
May	3.6	2.0	-5.2	4.0	1.2	4.5
Jun	3.3	2.8	-4.1	2.8	1.1	4.5
Jul	3.0	2.6	-4.4	1.1	0.5	4.2
Aug	3.8	3.4	-4.2	-0.5	0.4	4.4

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

Contact: Adam Mellows-Facer, x4904

Update: ONS, [Retail Sales](#), 20 Oct

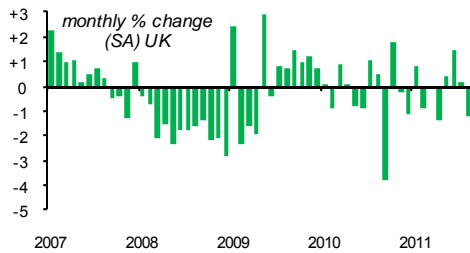
F3: Housing Market

House prices on the Nationwide index rose by 0.1% in September. Prices were 0.3% lower in September compared with a year ago. House prices on the Halifax index fell by 1.2% in August compared with a month ago. This follows a 0.2% rise in July. Prices were 3.9% lower than 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

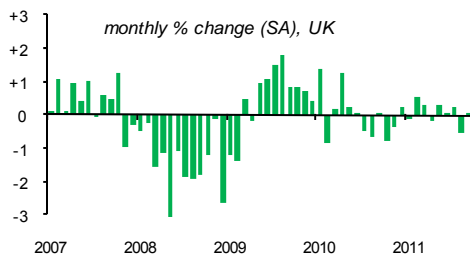
Halifax house price index



Latest monthly data
UK, seasonally adjusted

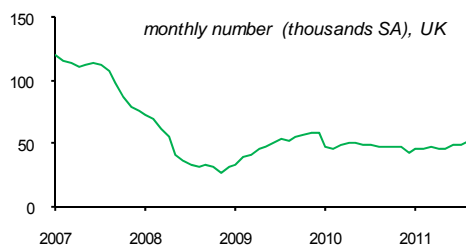
	Halifax	Nationwide
Latest data	Aug-11	Sep-11
Change in month	-1.2%	+0.1%
Change in year	-3.9%	-0.3%
Peak date	Aug-07	Jul-07
Change since peak	-18.0%	-9.0%
Trough date	Apr-09	Feb-09
Change since trough	+5.9%	+9.8%

Nationwide house price index



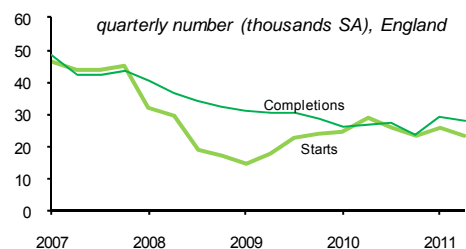
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q2 2011 prices rose by 6% in London and 5% in Wales but fell by 1% in East Anglia and 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 52,410 mortgage approvals in August, a rise of 6% compared with July. The number of approvals has remained generally flat since early 2010.

House-building



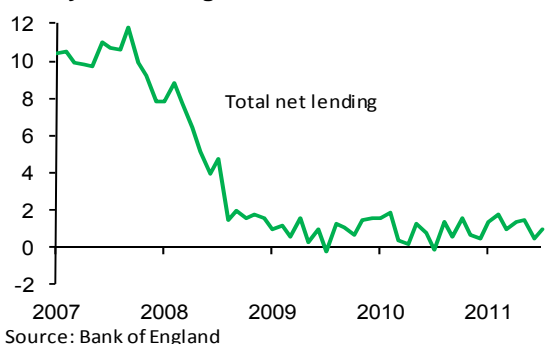
- There were 23,400 house building starts in England in Q2 2011, down 9% from 25,680 in Q1 2011. This is over 50% above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions also fell to 27,750 in Q2 2011, down from 29,020 in Q1 2011.

Contact: Aliyah Dar, x5919

Updates: Halifax [House Price Index](#), early Oct;
Bank of England, [Lending to Individuals](#), 31 Oct;
Nationwide [House Price Index](#), early Nov;
DCLG, [House-building](#), 17 Nov

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 £1.0 billion in August 2011. This is the same as in July.
- Monthly net unsecured lending increased by £0.5 billion in August 2011.
- Monthly net secured lending (mortgages) grew by £0.6 billion in August 2011. It grew by £0.7 billion in July.

Net outstanding lending to individuals

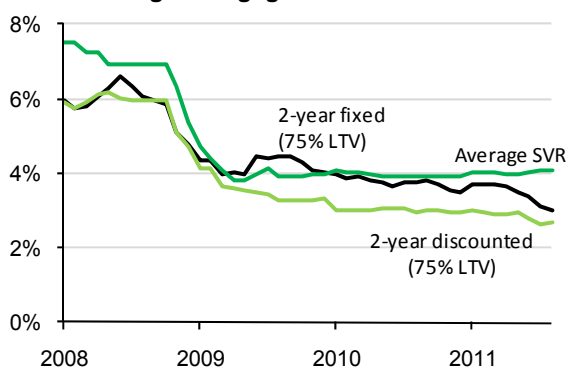
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Aug	1,149	216	1,365
2008 Aug	1,218	235	1,453
2009 Aug	1,230	229	1,458
2010 Aug	1,240	216	1,456
2011 Feb	1,241	212	1,452
2011 May	1,241	210	1,451
2011 Aug	1,242	209	1,451

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

- Total net outstanding lending to individuals was £1,451 billion at the end of August 2011, 0.3% lower than in August 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £209 billion at the end of August 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 August 2011 was 4.10%, 0.02 percentage points higher than the previous month.
- The average fixed and discounted rates offered (75% LTV) in August 2011 were 3.00% and 2.69% respectively.

Individual insolvencies, England and Wales



- Q2 2011 provisional data indicates there were 30,513 individual insolvencies in England and Wales (not seasonally adjusted), a 12.2% decrease on Q2 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 692 individual insolvencies, a rise of 24.9% on Q1 2010.

Contact: Dominic Webb, x4324

Update: Bank of England, [Lending to Individuals](#), 31 Oct
Insolvency Service, [Insolvency Statistics](#), 4 Nov

5 Indicator sources

The table gives details of sources used in this paper. Office for National Statistics (ONS) releases are available from <http://www.ons.gov.uk/ons/release-calendar/index.html>.

Indicator		Source details
A1	Gross Domestic Product	ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; 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: Second Estimate of GDP ; Quarterly national accounts
A4	Output and Employment by Industry	ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; Quarterly national accounts
A5	Manufacturing	ONS, Index of Production Markit/CIPS UK Manufacturing Purchasing Managers Index SMMT, Vehicle Production
A6	Productivity	ONS, Labour 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, Labour Market Statistics
C1	Employment	ONS, Labour Market Statistics
C2	Unemployment: National	ONS, Labour Market Statistics
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 finances ; Forecasts of budget balance: Office for Budget Responsibility .
D3	Financial Indicators	Financial Times , Markets Data
E1	UK Balance of Trade	ONS, UK 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 Index
F2	Retail Sales	ONS, Retail Sales
F3	Housing Market	Bank of England: Lending to Individuals ; Department for Communities and Local Government (DCLG) UK Housing Starts: table 201 ; Halifax house price data: housing research page ; Nationwide house price data: data page
F4	Household Debt	Bank of England: Lending to Individuals ; The Insolvency Service: Insolvency Statistics

6 Glossary

Symbols and abbreviations

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

Definitions¹

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

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

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

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

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

Basic prices: Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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