



# Economic Indicators, November 2011

RESEARCH PAPER 11/72 01 November 2011

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

- Though the UK showed stronger than expected GDP growth in the third quarter of 2011, other indicators suggest a difficult economic environment and a weak outlook.
- Unemployment is at its highest rate since 1994, consumer price inflation at its joint-highest level since it was first measured in 1997, and manufacturing output and consumer confidence at their weakest since the financial crisis.
- Further afield, the threat of a disorderly Greek default receded for just a few days following a eurozone agreement involving public sector austerity and 'haircuts' for the Greek government's private sector creditors, before the Greek Prime Minister put an abrupt end to the resulting stock-market euphoria by announcing a referendum on the deal.

This month's articles:

- **Deeper! Faster! And finished sooner: Revisions to recession GDP**
- **Rescuing the euro: the summit to end all summits?**

Gavin Thompson (editor)

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## Research Paper 11/72

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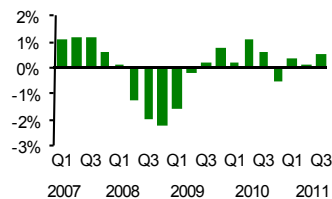
## Summary

Though the UK showed stronger than expected GDP growth in the third quarter of 2011, other indicators suggest a difficult economic environment and a weak outlook. Unemployment is at its highest rate since 1994, consumer price inflation at its joint-highest level since it was first measured in 1997, and manufacturing output and consumer confidence at their weakest since the financial crisis. Further afield, the threat of a disorderly Greek default receded for just a few days following a eurozone agreement involving public sector austerity and 'haircuts' for the Greek government's private sector creditors, before the Greek Prime Minister put an abrupt end to the resulting stock-market euphoria by announcing a referendum on the deal.

### GDP growth

[page 1](#)

(% change quarter-on-quarter)

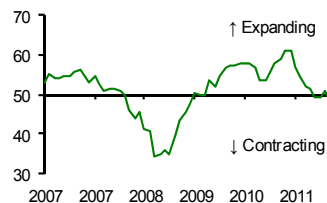


Preliminary estimates indicate quarterly GDP expanded by 0.5% in Q3 2011 compared with Q2 2011. This followed growth of 0.1% in Q2 2011.

### Manufacturing Purchasing Managers' Index

[page 5](#)

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



This measure of manufacturing fell to a 28-month low in October. The figures indicate that the sector contracted, following weak demand in both domestic and overseas markets.

### Inflation (CPI)

[page 7](#)

(% change on year ago)

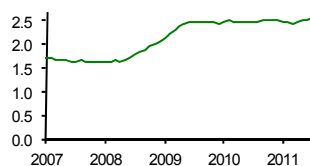


The rate of CPI inflation was 5.2% in the year to September, up from 4.5% in August. The Bank of England target is 2%.

### Unemployment

[page 11](#)

(total, millions, ILO definition)

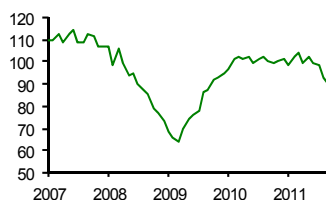


ILO unemployment rose by 114,000 to 2.57 million in the three months to August. The unemployment rate also increased from 7.9% to 8.1%.

### 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 consumers conditions – has fallen sharply in recent months indicating a deteriorating economic outlook.

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## Contents

|           |  |           |
|-----------|--|-----------|
| <b>1</b>  | <b>Introduction to <i>Economic Indicators</i></b>                      | <b>i</b>  |
| <b>2</b>  | <b>Deeper! Faster! And finished sooner: Revisions to recession GDP</b> | <b>ii</b> |
| <b>3</b>  | <b>Rescuing the euro: the summit to end all summits?</b>               | <b>iv</b> |
| <b>4</b>  | <b>Indicator pages:</b>  |           |
| <b>A.</b> | <b>Growth and Output</b>   | <b>1</b>  |
|           | 1. <b>Gross Domestic Product</b>                                       | <b>1</b>  |
|           | 2. <b>GDP: International Comparisons</b>                               | <b>2</b>  |
|           | 3. <b>Components of GDP</b>  | <b>3</b>  |
|           | 4. <b>Output and Employment by Industry</b>                            | <b>4</b>  |
|           | 5. <b>Manufacturing (Including Automotives)</b>                        | <b>5</b>  |
|           | 6. <b>Productivity</b>   | <b>6</b>  |
| <b>B.</b> | <b>Prices and Wages</b>  | <b>7</b>  |
|           | 1. <b>Inflation</b>  | <b>7</b>  |
|           | 2. <b>Inflation: International</b>                                     | <b>8</b>  |
|           | 3. <b>Average Earnings</b>   | <b>9</b>  |
| <b>C.</b> | <b>Labour Market</b>   | <b>10</b> |
|           | 1. <b>Employment</b>   | <b>10</b> |
|           | 2. <b>Unemployment: National</b>                                       | <b>11</b> |
|           | 3. <b>Unemployment: Regional</b>                                       | <b>12</b> |
|           | 4. <b>Unemployment: International Comparisons</b>                      | <b>13</b> |
| <b>D.</b> | <b>Finance and Government Borrowing</b>                                | <b>14</b> |
|           | 1. <b>Interest Rates and the Money Supply</b>                          | <b>14</b> |
|           | 2. <b>Public Finances</b>  | <b>15</b> |
|           | 3. <b>Financial Indicators</b>   | <b>16</b> |
| <b>E.</b> | <b>Trade and Exchange Rates</b>  | <b>17</b> |
|           | 1. <b>UK Balance of Trade</b>  | <b>17</b> |
|           | 2. <b>Exchange Rates</b>   | <b>18</b> |

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

## 1 Introduction to *Economic Indicators*

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

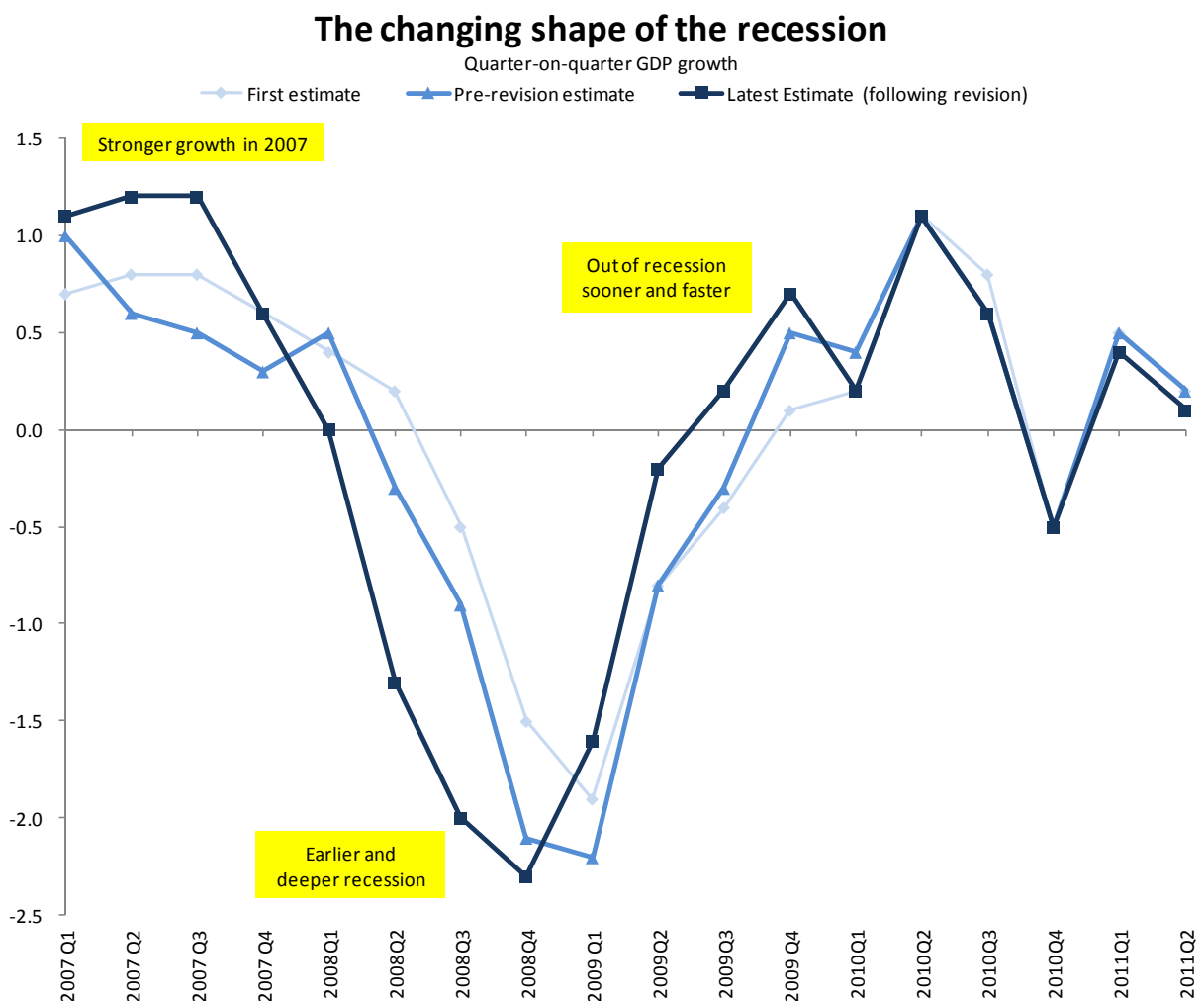
## 2 Deeper! Faster! And finished sooner: Revisions to recession GDP

ONS recently made some major revisions to historic GDP estimates. These primarily affect the period since 2007, which includes the recent recession. The revisions can be split into two main categories:

- a) **Methodological changes:** the most significant of these is using components of the Consumer Price Index (CPI) rather than of the Retail Price Index (RPI) to deflate GDP and estimate real growth. This is in line with international standards and generally has the effect of raising the calculated volume of GDP over the period since 1998.
- b) **The inclusion of new data:** ONS has a regular system of “supply and use balancing” to account for the later availability of more data which enable improved calculation of GDP by different methods. For the purposes of this revision, the availability of lower than expected company profits data from HMRC had the greatest impact on GDP estimates.

The chart shows three different estimates of quarter-on-quarter changes to GDP since 2007:

1. The first ONS estimate published for that quarter
2. The latest ONS estimate made before the major revisions
3. The current post-revisions ONS estimates





The latest estimates suggest that the UK economy has performed very differently than was previously thought, especially when compared with the high profile first estimates of GDP made at the time:

- GDP growth in 2007 is now estimated to have been stronger than previously published. It is now estimated to have averaged 1.0% per quarter, quarter-on-quarter, meaning the economy entered the downturn from a higher point.
- The descent into recession was steeper than hitherto estimated. The economy did not grow at all in Q1 2008, compared with the pre-revision estimate of 0.5% growth. More substantially, GDP is now estimated to have contracted by 1.3% in Q2 2008. That compares with the pre-revision estimate of a 0.3% contraction and the first estimate of 0.2% *growth*. The UK economy was contracting sharply before Lehman Brothers collapsed, though at the time the official estimate was of slow but positive growth.
- The contraction was sharper and deeper than previously thought. The total fall in GDP from peak to trough is now estimated at 7.1%, compared with 6.4% pre-revision.
- The recovery began sooner than previously estimated. The worst single quarter of contraction is now thought to have been Q4 2008, not Q1 2009. ONS now estimates that the recession ended a quarter earlier than previously thought, estimating growth of 0.2% in Q3 2009, compared with the pre-revision estimate of -0.3% and the original estimate of -0.4%.
- Growth in the immediate aftermath of recession was stronger than thought at the time. The first estimate of growth in Q4 2009 (then thought to be the first quarter of post-recession growth) was 0.1%. This estimate has been gradually revised upwards and now stands at 0.7%.

### **Why does this matter?**

The political implications of revisions to GDP are very clear. There was much coverage of the UK being the last major economy in recession. We now know that not to have been the case. The economic mood should also not be ignored – the economy is partly path-dependent as consumers and producers make decisions based on confidence and expectations.

Policy decisions, both by the Government and by the Bank of England, are also partly made on the basis of growth estimates. For example, might interest rates have been reduced faster in 2008 had more been known about the path of the economy? The latest ONS estimates will be a key determinant of the Office for Budget Responsibility's next forecasts later this month, both in terms of recent trends and the amount of slack in the economy. These in turn will influence debate.

The revisions also guard against drawing too many conclusions from the first estimate of Q3 2011 published today. It is made on the basis of very limited information and is highly likely to be revised at some point – perhaps several times. More focus should arguably be given to labour market and business survey indicators than these preliminary estimates of economic output.

#### **ONS GDP estimates**

*ONS publishes quarterly GDP estimates on a three publication cycle. The basic Preliminary Estimate is made around 4 weeks after the quarter ends; the more detailed Second Estimate at around 8 weeks and the full Quarterly National Accounts at around 12 weeks. However, historic revisions continue to be made as more data become available and methodology changes.*

### 3 Rescuing the euro: the summit to end all summits?

This article covers the agreements reached in relation to Greece and the European Financial Stabilisation Facility (EFSF) following meetings of EU finance ministers and heads of state at the end of October. Agreement was also reached on bank recapitalisation (at EU level) and on further euro-area economic and fiscal integration, neither of which are covered in detail here.

#### ***Greece – Agreement***

The agreement originally reached in July, which proposed haircuts of 21% for the Greek government's private sector creditors, and official loans worth €109bn has been overhauled.

Eurozone governments, via the EFSF, have agreed to provide €100bn in loans as part of a second 'bailout' package (they have already provided €80bn under an agreement reached in May 2010). €30bn of this will be used to provide 'credit enhancements' to Greece's private sector creditors (see next paragraph). The remainder is likely to go towards recapitalising the Greek financial institutions, and supporting the Greek government, which remains unable to borrow on the open market. The IMF has been called upon to 'continue to contribute to the financing of the new Greek programme'; based on its contribution to the first package, this is likely to amount to around €35bn.

Greece's private sector creditors are expected to take a 50 per cent loss ('haircut') on their holdings of Greek sovereign debt under a voluntary arrangement. This, together with austerity measures and structural reform required as conditions of Greece's official loans, should reduce Greece's public debt to 120% GDP by 2020. €30bn will be provided by euro-area governments in the form of credit enhancements: exactly what this will mean in practice is unclear, although it has been speculated that they might take the form of EFSF collateral for the newly restructured debt.

#### ***Greece – Issues raised***

The increase in 'private sector involvement' from 21% to 50% is an indication of the shift in the perception of Greece's debt sustainability held by euro-area governments. That such a significant haircut will still leave Greece with a debt burden among the highest in the world is partly due to the high proportion of Greek sovereign debt held by 'official sector' creditors (namely, the EFSF and the ECB), who will not be taking haircuts on their holdings. If a 50% haircut turns out to be insufficient, euro-area governments may suffer losses through the credit enhancements they have offered.

Greece's private sector creditors are to be involved in the proposals on a voluntary basis. Take-up is expected to be high, with the managing director of the Institute of International Finance, the organisation responsible for administering the proposals, quoted as saying 'I am very optimistic that more than 90% of banks will participate'. Voluntary participation is necessary to prevent the arrangement meeting the technical definition of default that would trigger payouts on credit default swaps linked to Greek sovereign debt, thereby raising the prospect of further instability in the financial sector. However, whether a 'credit event' is triggered will also depend critically on how those not participating in the agreement are treated; 'punishing' them may indeed trigger CDS payouts, but failing to do so may create free-rider incentives and low participation.

The impact on living standards of severe austerity and extensive structural reform in Greece, a country that is already poor by euro-area standards, will also put the agreement under pressure. The country has already been brought to the brink of default by failure to meet budget deficit targets under its existing loans agreement, and the political and social pressures generated by fresh austerity will mean the government's relationship with its electorate on the one hand, and its official creditors on the other, will remain precarious. Ostensibly in an attempt to secure a mandate for further reform, the Greek Prime Minister has unexpectedly announced a referendum on the new agreement, sending markets across the world tumbling. The consequences of a 'no' vote are highly uncertain.

### ***EFSF - Agreement***

The EFSF is an entity that was originally established following an extraordinary meeting of the Economic and Financial Affairs Council (ECOFIN) on 9 May 2010, following the onset of the Greek sovereign debt crisis. It was initially intended to provide up to €440bn of loans to crisis-stricken euro-area states, backed by unconditional and irrevocable bilateral guarantees from the 16 eurozone governments, though its mandate is set to expand to include the direct purchase of government debt and the provision of capital to financial institutions that cannot raise it on the open market.

The focus of the October summit was to increase the 'firepower' of the EFSF without raising the capital guarantees provided by eurozone governments. Instead, the EFSF's existing capital will be 'leveraged' through two approaches, which it is hoped will raise the potential impact of the facility to €1tn. Firstly, the EFSF will insure newly issued sovereign debt of Member States. On purchasing debt at auction, investors will have the option of buying-in to this insurance, which would then provide protection on any losses up to a given threshold: a value of 20% has been suggested.

Secondly, special investment trusts are to be spun out of the EFSF. Each would invest in the primary and secondary sovereign bond markets for a 'specific country'. They would be financed partly from EFSF capital, and partly from outside investments. Importantly, the EFSF component would be 'subordinated', giving protection for the remaining investors against any loss. The remaining investments may also be subject to a hierarchy with different risk and return characteristics; this structure is designed to attract a range of investors. It looks like separate vehicles will be set up to concentrate on particular member states, and they will buy bonds in primary and secondary markets to keep borrowing costs down.

### ***EFSF – Issues raised***

Critics of the EFSF as a solution to euro-area debt crises point to what they see as a fundamental design flaw at its heart; namely, the circularity of having the facility guaranteed by the same group of countries that might need to draw on it. In the context of the new agreement, this may adversely affect the credibility of any loss protection on offer. This credibility is crucial because raising the EFSF's potential impact to the advertised €1tn requires the co-participation of investors, both in purchasing sovereign debt directly, and in providing capital for the new investment trusts. Without a credible guarantee of protection against losses, there will be no new demand.

The underlying objective of leveraging the EFSF is to increase demand for peripheral euro-area sovereign debt and thereby limit these countries' borrowing costs. The rationale for this approach rests on the argument that, Greece aside, the eurozone periphery is facing a crisis of liquidity rather than of solvency; that is, provided borrowing costs are kept down, public debt burdens are fundamentally sustainable and there will be no need for substantial private sector 'haircuts'. Again, the loss protection on offer from the EFSF may not generate sufficient new demand if markets do not perceive this to be the case. As an indication of how important it is to counter perceptions of insolvency, a sentence affirming 'Greek exceptionalism' has appeared in the last two summit statements:-

Greece requires an exceptional and unique solution [...] All other euro area Member States solemnly reaffirm their inflexible determination to honour fully their own individual sovereign signature

Finally, there is the issue of where the investment trusts are to find their capital. Sovereign wealth funds and other 'official' investors are expected to play a significant role, and the head of the EFSF, Klaus Regling, has already travelled to China to secure support. This has raised political questions about what concessions governments might extract in return for their money: as one commentator put it, '[China] does not want to buy eurozone government bonds for the sake of it'.

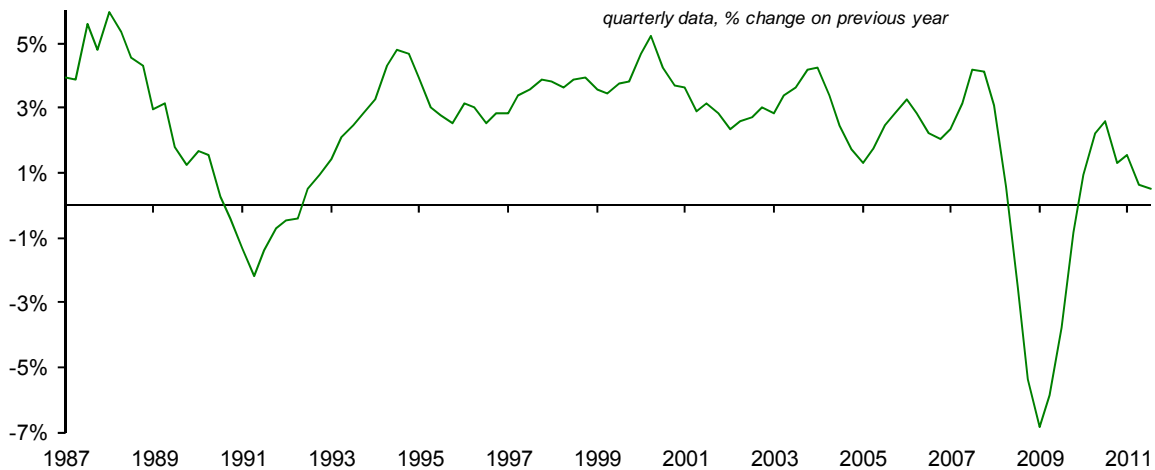
Gavin Thompson, Economic Policy and Statistics



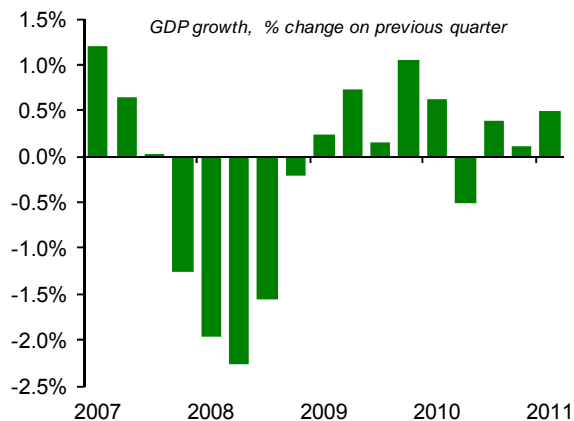
## A1: Gross Domestic Product

The economy grew by a preliminary estimate of 0.5% in Q3 2011 rising from 0.1% in Q2 2011. In October 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.0% and for 2012 was 1.5%. 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<br>(inflation-adjusted) |                     |
|---------|----------------|---------------------|----------------------------------|---------------------|
|         | £ billion      | % change<br>on year | % change<br>on quarter           | % change<br>on year |
| 2008    | 1,434          | 2.0                 | ...                              | -1.1                |
| 2009    | 1,394          | -2.8                | ...                              | -4.4                |
| 2010    | 1,458          | 4.6                 | ...                              | 1.8                 |
| 2010 Q3 | 367.6          | 5.1                 | 0.6                              | 2.6                 |
| Q4      | 369.1          | 4.6                 | -0.5                             | 1.3                 |
| 2011 Q1 | 372.4          | 4.0                 | 0.4                              | 1.6                 |
| Q2      | 374.4          | 3.0                 | 0.1                              | 0.6                 |
| Q3      | -              | -                   | 0.5                              | 0.5                 |

Source: ONS, series: YBHA, ABMI

- The economy grew by a preliminary estimate of 0.5% in Q3 2011 compared with Q2 2011. This compares with a rise of 0.1% in Q2 2011 compared with Q1 2011.
- In Q3 2011, real GDP was a preliminary estimated 0.5% higher than a year earlier but GDP remains 4.4% below its pre-recession (Q1 2008) level.
- The latest data show that the recession was shorter than previously thought, with the economy returning to growth in Q3 2009 rather than Q4. The revisions also show that the recession was deeper than previously estimated.

**Contact:** Grahame Allen, x3977

**Updates:** ONS, [GDP: second estimate](#), 24 Nov  
HMT, [Comparison of Independent Forecasts](#), 16 Nov

## 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 0.5% in Q3 2011, following growth of 0.1% in Q2 2011. The US grew by 0.6% in Q3 2011 and 0.3% in Q2 2011. 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 |      |      |      |
|----------|----------------------|------|------|------|-------------------------|------|------|------|
|          | 10Q3                 | 10Q4 | 11Q1 | 11Q2 | 10Q4                    | 11Q1 | 11Q2 | 11Q3 |
| US       | 3.5                  | 3.1  | 2.2  | 1.6  | 0.6                     | 0.1  | 0.3  | 0.6  |
| Japan    | 4.8                  | 2.5  | -0.7 | -1.1 | -0.6                    | -0.9 | -0.5 | ..   |
| UK       | 2.6                  | 1.3  | 1.6  | 0.6  | -0.5                    | 0.4  | 0.1  | 0.5  |
| Germany  | 4.0                  | 3.8  | 4.6  | 2.8  | 0.5                     | 1.3  | 0.1  | ..   |
| France   | 1.6                  | 1.4  | 2.2  | 1.7  | 0.3                     | 0.9  | 0.0  | ..   |
| Eurozone | 2.1                  | 1.9  | 2.4  | 1.6  | 0.3                     | 0.8  | 0.2  | ..   |
| G7       | 3.4                  | 2.7  | 1.9  | 1.2  | 0.3                     | 0.2  | 0.1  | ..   |
| OECD     | 3.4                  | 2.9  | 2.4  | 1.7  | 0.4                     | 0.3  | 0.3  | ..   |

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

In [September 2011](#), the IMF lowered their 2011 forecast for world growth by 0.3 percentage points to 4.0%. 2011 growth forecasts for the UK were lowered by 0.4 percentage points, for the US by 1.0 percentage points, and for the eurozone by 0.4 percentage points.

Among major emerging markets, China's and India's IMF growth forecast for 2011 was revised downward by 0.2 and 0.4 percentage points respectively. left unchanged. The 2011 forecast for Brazil was reduced by 0.3 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.

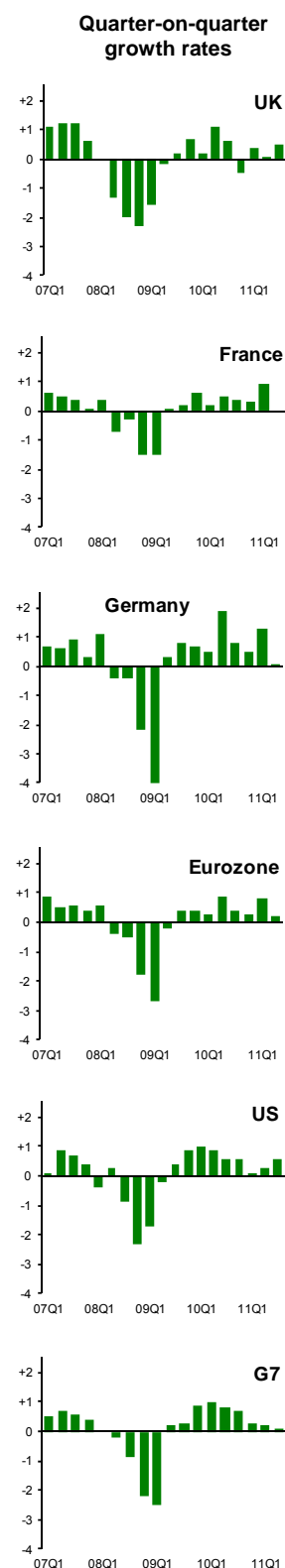
The [OECD September interim forecast](#) for the G7 (not shown in the table) was considerably more pessimistic than May forecasts. It implied UK growth in 2011 would be 0.8% in 2011, the fourth downward revision since May 2010, when the forecast was 2.5%. The implied US growth forecast for 2011 was 0.7%, 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) <sup>a</sup> |      | OECD (May 11) |            |
|--------------|--------------|------------|------------|------------------------------|------|---------------|------------|
|              | 2011         | 2012       | 2013       | 2011                         | 2012 | 2011          | 2012       |
| UK           | 1.1          | 1.6        | 2.4        | 1.1 <sup>a</sup>             | 2.1  | 1.4           | 1.8        |
| France       | 1.7          | 1.4        | 1.9        | 1.6 <sup>a</sup>             | 2.0  | 2.2           | 2.1        |
| Germany      | 2.7          | 1.3        | 1.5        | 2.9 <sup>a</sup>             | 1.9  | 3.4           | 2.5        |
| Eurozone     | 1.6          | 1.1        | 1.5        | 1.6 <sup>a</sup>             | 1.8  | 2.0           | 2.0        |
| US           | 1.5          | 1.8        | 2.5        | 2.6                          | 2.7  | 2.6           | 3.1        |
| Japan        | -0.5         | 2.3        | 2.0        | 0.5                          | 1.6  | -0.9          | 2.2        |
| <b>OECD</b>  | ..           | ..         | ..         | ..                           | ..   | <b>2.3</b>    | <b>2.8</b> |
| China        | 9.4          | 9.0        | 9.5        | ..                           | ..   | 9.0           | 9.2        |
| India        | 7.8          | 7.6        | 8.1        | ..                           | ..   | 8.5           | 8.6        |
| Brazil       | 3.8          | 3.6        | 4.2        | ..                           | ..   | 4.1           | 4.5        |
| <b>World</b> | <b>4.0</b>   | <b>4.0</b> | <b>4.5</b> | ..                           | ..   | ..            | ..         |

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

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



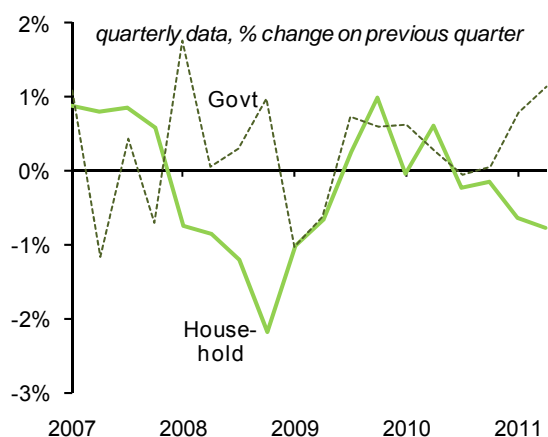
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 14 Nov 2011  
EC [Economic Forecast](#), Nov 2011  
IMF [World Economic Outlook](#), Jan 2012

## A3: Components of GDP

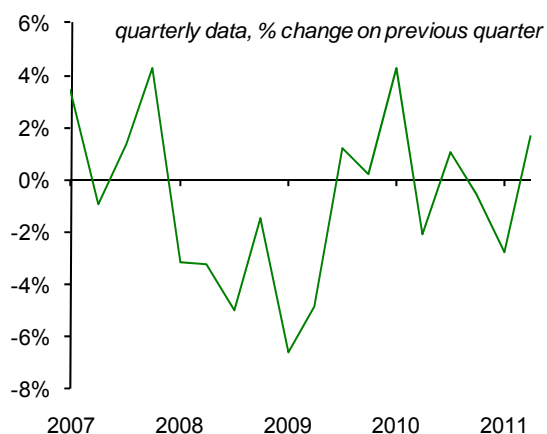
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation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

### Household consumption and government consumption



- In Q2 2011, household consumption fell by 0.8% in real terms. This is the largest fall since Q1 2009. It is the fourth consecutive quarter in which household consumption has fallen.
- Government consumption increased by 1.1% in Q2 2011. This is the largest increase since Q1 2008
- Exports and imports both fell in Q2 2011.

### Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q2 2011 GFCF increased by 1.7%.
- In Q2 2011, GFCF was 0.6% 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) | -3.5%                 | -0.1%                  | -13.4%   | -13.4%  | -12.2%  | -4.4% |
| 2010 (annual % change) | 1.0%                  | 1.5%                   | 2.6%     | 2.6%    | 8.5%    | 1.8%  |
| 2010 Q2                | 0.6%                  | 0.3%                   | -2.1%    | 3.7%    | 2.8%    | 1.1%  |
| 2010 Q3                | -0.2%                 | -0.1%                  | 1.1%     | 0.2%    | 2.6%    | 0.6%  |
| 2010 Q4                | -0.1%                 | 0.1%                   | -0.5%    | 3.9%    | 1.6%    | -0.5% |
| 2011 Q1                | -0.6%                 | 0.8%                   | -2.8%    | 1.5%    | -2.9%   | 0.4%  |
| 2011 Q2                | -0.8%                 | 1.1%                   | 1.7%     | -1.3%   | -0.3%   | 0.1%  |

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 (Q2 2011).

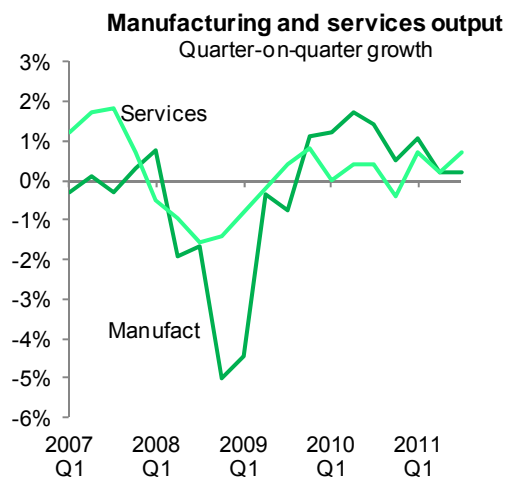
### Output

#### GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

|                           | Manufacturing | Construction | Services | Total GDP |
|---------------------------|---------------|--------------|----------|-----------|
| <i>Annual % changes</i>   |               |              |          |           |
| 2009                      | -9.6%         | -13.5%       | -2.6%    | -4.4%     |
| 2010                      | 3.8%          | 8.2%         | 1.2%     | 1.8%      |
| 2011 Q1                   | 4.8%          | 6.7%         | 1.1%     | 1.6%      |
| 2011 Q2                   | 3.2%          | -0.3%        | 0.9%     | 0.6%      |
| 2011 Q3                   | 2.0%          | -4.0%        | 1.2%     | 0.5%      |
| <i>Quarter-on-quarter</i> |               |              |          |           |
| 2011 Q1                   | 1.1%          | -2.7%        | 0.7%     | 0.4%      |
| 2011 Q2                   | 0.2%          | 1.1%         | 0.2%     | 0.1%      |
| 2011 Q3                   | 0.2%          | -0.6%        | 0.7%     | 0.5%      |

Source: ONS Series L2KX, L2N8, L2NC, YBEZ



- Manufacturing output rose by 0.2% in the third quarter of 2011. Services output rose by 0.7%, while construction output decreased by 0.6% compared with an increase of 1.1% in the previous quarter.
- Manufacturing output rose by 2.0% in the year to Q3 2011 and services by 1.2%. Construction output fell by 4.0%.
- Output in the business services and finance sector grew by 0.8% in Q3 2011. Total output in the production industries increased by 0.5% in Q3 2011, with mining and quarrying increasing by 0.9%.

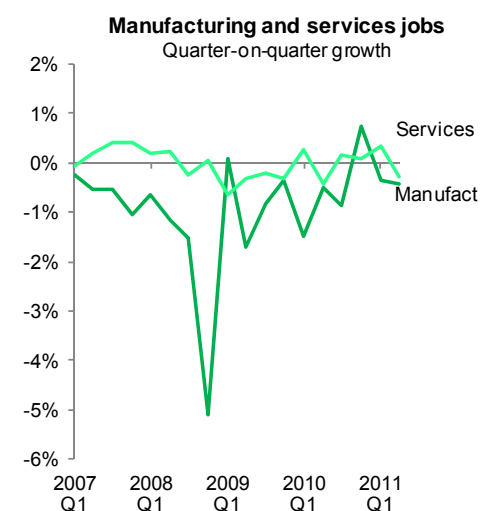
### Employment

#### 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



- The number 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%.
- The number 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.

Contact: Lucinda Maer, x3841

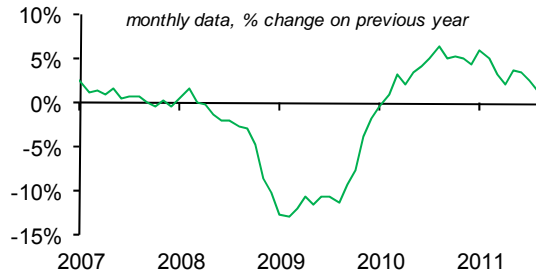
Update: ONS, [Second Estimate of GDP](#), 24 Nov



## 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

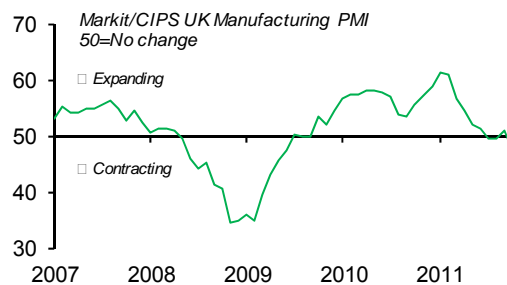


|          | Index Value<br>(2008=100) | % change<br>over month | % change over<br>12 months |
|----------|---------------------------|------------------------|----------------------------|
| 2009     | 90.4                      | ...                    | -9.6                       |
| 2010     | 93.8                      | ...                    | 3.8                        |
| 2011 May | 97.0                      | +1.9                   | +3.9                       |
| Jun      | 96.9                      | -0.1                   | +3.5                       |
| Jul      | 96.7                      | -0.2                   | +2.6                       |
| Aug      | 96.4                      | -0.3                   | +1.5                       |

Source: ONS, series K22A

- Manufacturing output fell by 0.3% in August 2011 compared with July 2011. Manufacturing output rose by 1.5% in August 2011 compared to August 2010.
- Total industrial production (including mining and utilities) rose by 0.2% in August 2011 compared with July 2011. Total production was 1.0% lower in August 2011 than in August 2010.

### Manufacturing Purchasing Managers' Index

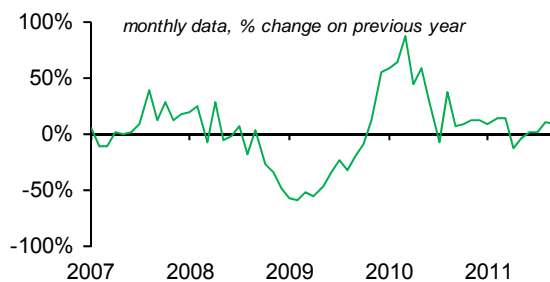


|      |     | Index | Monthly change |
|------|-----|-------|----------------|
| 2009 | Oct | 53.4  | ...            |
| 2010 | Oct | 55.4  | ...            |
| 2011 | Jul | 49.4  | -2.0           |
|      | Aug | 49.4  | 0.0            |
|      | Sep | 50.8  | +1.4           |
|      | Oct | 47.4  | -3.4           |

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

- The Markit/CIPS UK Manufacturing PMI fell to 47.4 in September 2011 (where 50.0 is no change). This is the lowest level since June 2009.
- The level of new work received fell at the sharpest pace since March 2009, reflecting low client confidence, market uncertainty and destocking, with weaker demand from both domestic and export markets.

### Vehicle Production



|      |     | Number<br>'000s | % change over<br>12 months |
|------|-----|-----------------|----------------------------|
| 2009 |     | 1,090           | -33.9                      |
| 2010 |     | 1,393           | +27.8                      |
| 2010 | Sep | 138             | +6.6                       |
| 2011 | Jul | 107             | +0.7                       |
|      | Aug | 93              | +10.6                      |
|      | Sep | 148             | +7.4                       |

Source: SMMT, not seasonally adjusted

- UK vehicle production was 148,000 in September 2011, 7.4% higher than in September 2010. The SMMT said that investment by vehicle manufacturers was opening up opportunities for UK-based suppliers.
- In 2010, 1.39 million vehicles were produced in the UK, up by 27.8% compared with 2009.

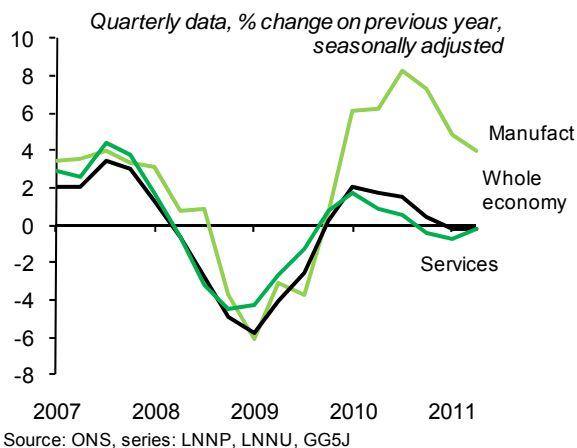
Contact: Lucinda Maer, x3841

Update: ONS, [Index of Production](#), 8 Nov  
Markit/CIPS [UK Manufacturing PMI](#), 1 Dec  
SMMT, [Vehicle Production](#), mid Nov

## 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 1.4% in 2010, following a fall of 2.9% in 2009.
- Output per worker fell by 0.2% in Q2 2011 compared to the same quarter a year ago, the first such fall since Q3 2009.
- Manufacturing output per job grew by 4.0% in Q2 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 0.2% over the same period.
- Comparing Q2 2011 with Q2 2010, manufacturing output per job increased by 0.9%, services output per job was up very slightly while output per job for the whole economy rose by 0.2%.

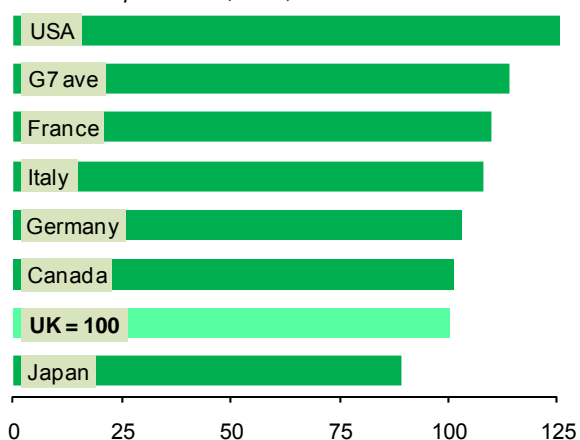
### Productivity growth, seasonally adjusted

| Annual % change           | Manufacturing  |                 | Services       |                 | Whole Economy     |                |                 |
|---------------------------|----------------|-----------------|----------------|-----------------|-------------------|----------------|-----------------|
|                           | Output per job | Output per hour | Output per job | Output per hour | Output per worker | Output per job | Output per hour |
| 2009                      | -3.1           | -1.3            | -1.9           | -0.8            | -2.9              | -3.0           | -1.9            |
| 2010                      | 7.0            | 4.7             | 0.7            | 0.7             | 1.4               | 1.5            | 1.1             |
| 2010 Q2                   | 6.2            | 4.7             | 0.9            | 1.3             | 1.7               | 1.7            | 1.7             |
| Q3                        | 8.3            | 5.7             | 0.6            | 0.2             | 1.4               | 1.5            | 1.0             |
| Q4                        | 7.3            | 5.0             | -0.4           | -0.4            | 0.5               | 0.5            | 0.1             |
| 2011 Q1                   | 4.9            | 2.3             | -0.7           | -0.4            | 0.1               | -0.2           | -0.2            |
| Q2                        | 4.0            | 4.9             | -0.2           | 1.4             | -0.2              | -0.2           | 1.4             |
| Latest quarterly % change | 0.9            | 3.7             | 0.1            | 1.1             | 0.0               | 0.2            | 1.3             |

Source: ONS

### International comparisons

GDP per worker, 2010, index where UK=100



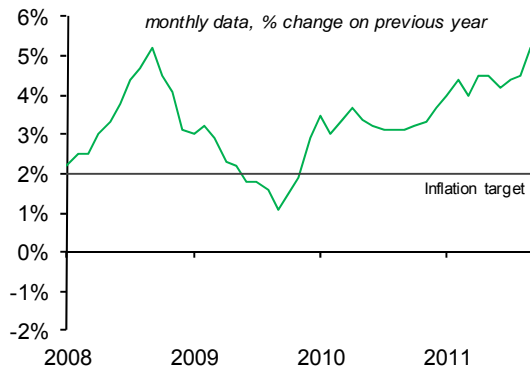
- International comparisons of productivity are presented as an index where the UK=100.
- In 2010, based on GDP per worker, the UK had higher levels of productivity than Japan but lower than all other G7 countries. In 2010, GDP per worker fell relative to all G7 countries except Italy and Germany.
- Based on GDP per hour, in 2010 the UK had higher levels of productivity than Japan, but substantially lower productivity than the US, Germany or France.

## B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 5.2% in September, up from 4.5% in August and above the Bank of England's 2% target for the twenty-second 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)

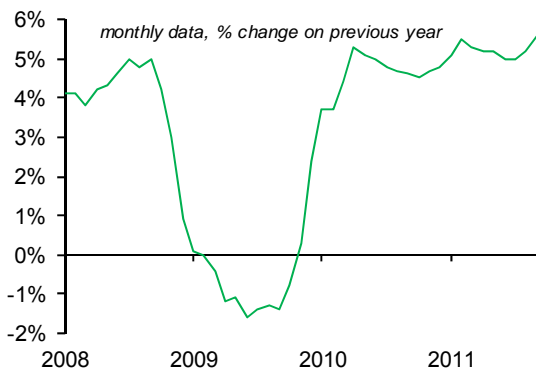


The CPI annual inflation rate was 5.2% in September, up from 4.5% in August and its highest rate of increase since September 2008.

- The main contributor to the CPI annual inflation rate came from rises in gas and electricity bills. Gas charges were up 22% from a year ago, while electricity charges increased by 13%.

The RPI (all items) measure of annual inflation was 5.6% in September, up from 5.2% in August, and its highest rate of increase since June 1991.

### Retail Prices Index (RPI)

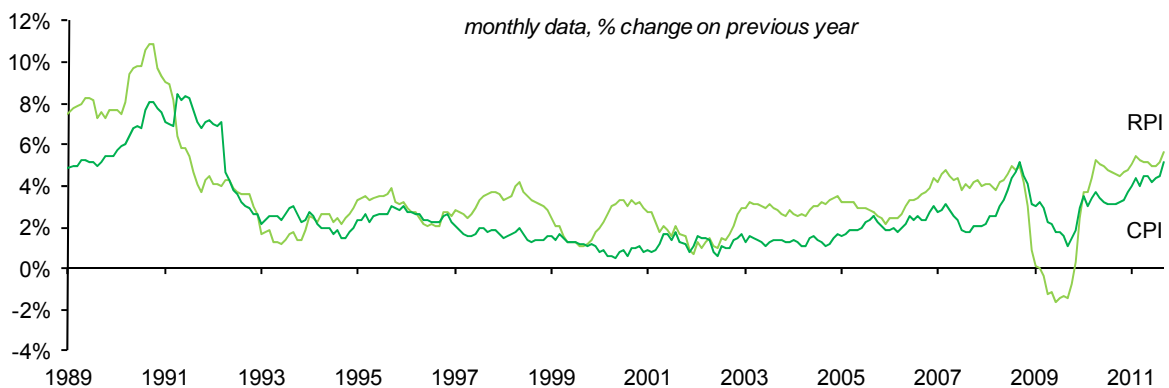


### Price Indices

|      |     | % change on a year ago |      |
|------|-----|------------------------|------|
|      |     | CPI                    | RPI  |
| 2008 |     | 3.6                    | 4.0  |
| 2009 |     | 2.2                    | -0.5 |
| 2010 |     | 3.3                    | 4.6  |
| 2011 | 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  |
|      | Sep | 5.2                    | 5.6  |

Source: ONS database. series: D7G7. CZBH

### 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.

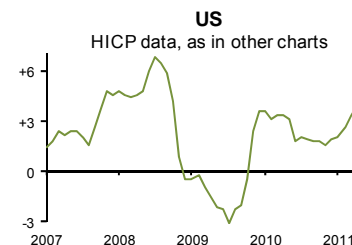
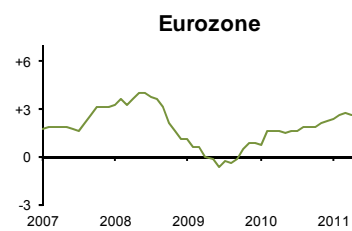
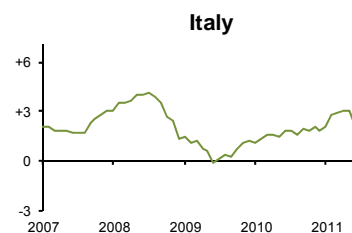
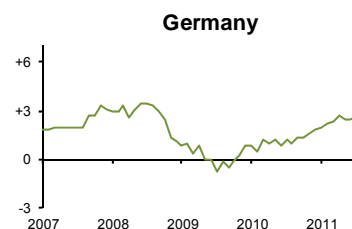
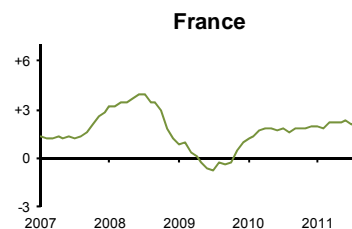
- In the year to September, UK inflation was 5.2%, up from 4.5% in August and the second-highest rate in the EU. The Bank of England's UK inflation target is 2%. September inflation figures for the UK are to be published on 18 October.
- The flash estimate of Eurozone inflation in October was 3.0%, unchanged from September. 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 September was 5.4% in Estonia. Ireland had the lowest annual inflation rate in the EU at 1.3%.
- 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 | Sep-11 |
|------------------------------------|------|------|--------|--------|--------|--------|
| <b>HICP (ONS/Eurostat)</b>         |      |      |        |        |        |        |
| UK                                 | 2.2  | 3.3  | 4.2    | 4.4    | 4.5    | 5.2    |
| Eurozone                           | 0.3  | 1.7  | 2.7    | 2.5    | 2.5    | 3.0    |
| EU                                 | 1.0  | 2.1  | 3.1    | 2.9    | 2.9    | 3.3    |
| France                             | 0.1  | 1.7  | 2.3    | 2.1    | 2.4    | 2.4    |
| Germany                            | 0.2  | 1.2  | 2.4    | 2.6    | 2.5    | 2.9    |
| Greece                             | 1.3  | 4.7  | 3.1    | 2.1    | 1.4    | 2.9    |
| Italy                              | 0.8  | 1.6  | 3.0    | 2.1    | 2.3    | 3.6    |
| Spain                              | -0.2 | 2.0  | 3.0    | 3.0    | 2.7    | 3.0    |
| US                                 | 1.0  | 2.1  | 4.4    | 4.4    | 4.5    | :      |
| <b>National definitions (OECD)</b> |      |      |        |        |        |        |
| Canada                             | 0.3  | 1.8  | 3.1    | 2.7    | 3.1    | 3.2    |
| Japan                              | -1.3 | -0.7 | -0.4   | 0.2    | 0.2    | 0.0    |
| US                                 | -0.4 | 1.6  | 3.6    | 3.6    | 3.8    | 3.9    |
| G7                                 | -0.1 | 1.4  | 2.8    | 2.9    | 3.0    | 3.2    |
| OECD                               | 0.5  | 1.9  | 3.0    | 3.1    | 3.2    | 3.3    |
| Brazil                             | 4.9  | 5.0  | 6.7    | 6.9    | 7.2    | 7.3    |
| China                              | -0.7 | 3.3  | 6.4    | 6.5    | 6.2    | 6.1    |
| India                              | 10.9 | 12.0 | 8.6    | 8.4    | 9.0    | ..     |
| Russia                             | 11.7 | 6.9  | 9.4    | 9.0    | 8.1    | 7.2    |

Source: ONS, Eurostat & stat.OECD database



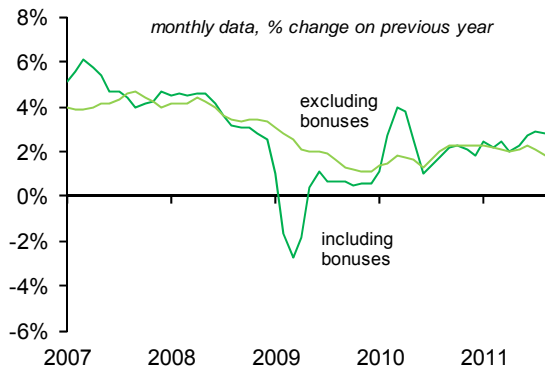
Contact: Gavin Thompson, x2042

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

### B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.8% in August compared with a year ago, down from 2.9% in July. Average weekly earnings excluding bonuses rose by 1.8% in the three months to August compared with a year ago, down from 2.1% in July. Inflation as measured by the CPI was 4.5% in August 2011.

#### Average Earnings, Whole Economy



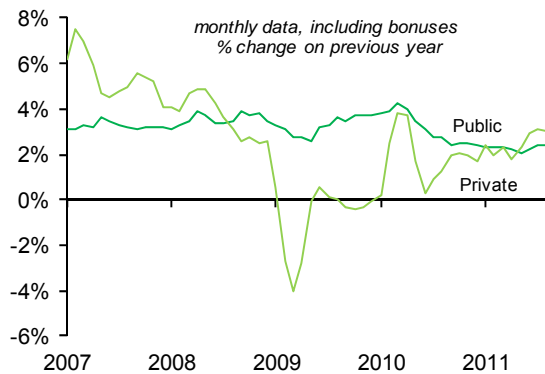
#### Average Earnings, Including Bonuses

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

|          | Private | Public | Manuf. | Serv. | Total |
|----------|---------|--------|--------|-------|-------|
| 2008 Aug | 3.1     | 3.5    | 3.2    | 3.3   | 3.2   |
| 2009 Aug | 0.0     | 3.6    | 0.6    | 1.0   | 0.7   |
| 2010 Aug | 1.3     | 2.8    | 4.1    | 1.4   | 1.7   |
| 2011 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    | 3.3   | 2.9   |
| Aug      | 3.0     | 2.4    | 1.5    | 3.1   | 2.8   |

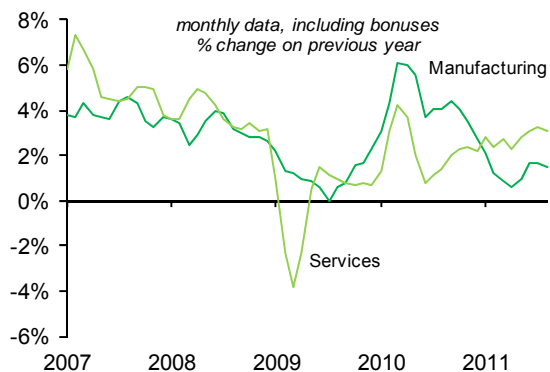
Source: ONS, data shows latest 3-month period

#### Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 3.0% in August, compared with an increase of 2.4% in the public sector. Excluding financial services, public sector earnings rose by 1.7%.
- Average weekly earnings (including bonuses) in August in the public sector were £476 compared with £458 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

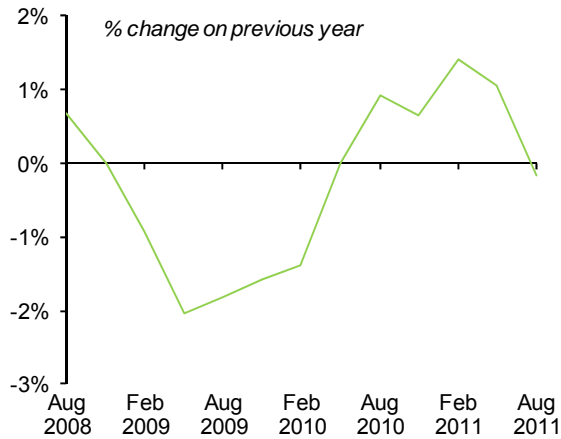


- Average total pay growth (including bonuses) in the manufacturing sector was 1.5% in August, compared with 3.1% in the services sector.
- Average weekly earnings (including bonuses) in August in the manufacturing sector were £529 compared with £448 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

## C1: Employment

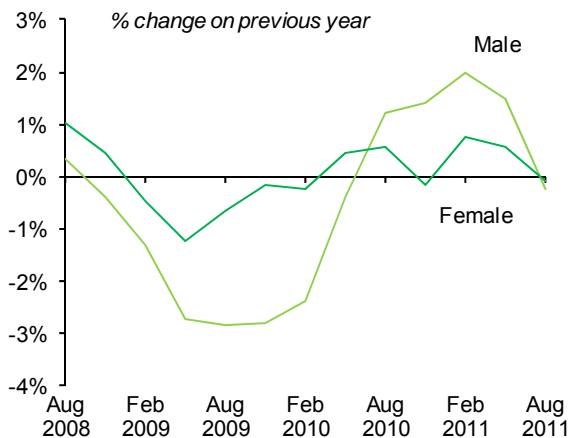
Employment fell by 178,000 over the quarter to August 2011, to 29.10 million. This is the biggest quarterly fall in employment since the three months to May 2009. Employment is now 1.6% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

### Total employment



- Employment decreased by 0.2% or 47,000 over the last year.
- In the past quarter, employment has fallen for 16-24 year olds, 25-49 year olds 50-64 year olds and people over 65.
- Employment fell by 74,000 or 8.2% among people over 65 in the past quarter.

### Male and female employment



- The number of men in employment decreased by 134,000 over the last quarter, whilst the number of women in employment fell by 43,000.
- 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

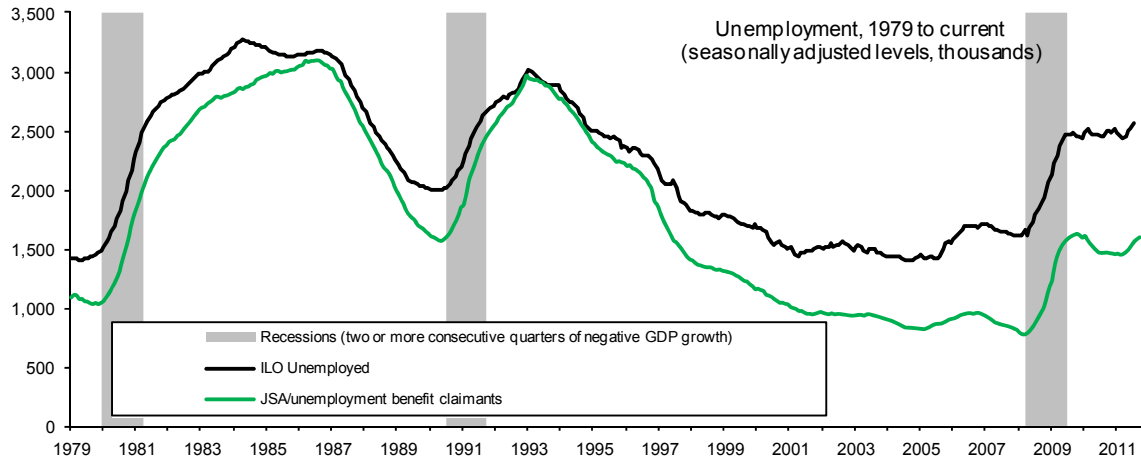
|                               | Total  | 16-24 | 25-49  | 50-64 | 65+  |
|-------------------------------|--------|-------|--------|-------|------|
| Jun-Aug 2009                  | 28,881 | 3,829 | 17,041 | 7,254 | 757  |
| Jun-Aug 2010                  | 29,149 | 3,822 | 17,177 | 7,304 | 845  |
| 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  |
| Jun-Aug 2011                  | 29,101 | 3,670 | 17,227 | 7,383 | 822  |
| % change on previous 3 months | -0.6   | -2.1  | -0.1   | -0.1  | -8.2 |
| % change on previous year     | -0.2   | -4.0  | +0.3   | +1.1  | -2.8 |

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 June to August 2011 was 2,566,000 (8.1% of all economically active) – up 114,000 from the previous quarter, and the highest level since 1994 (UK, seasonally adjusted).**



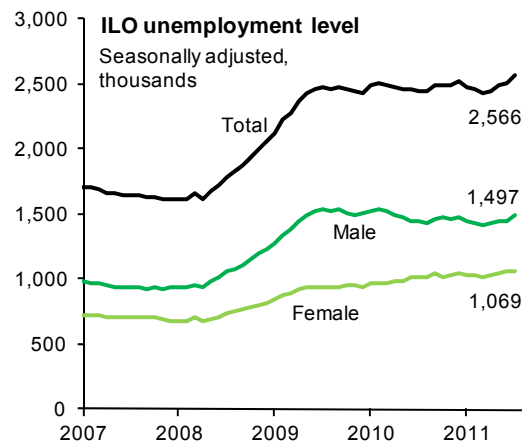
[Source: ONS, *Labour Market Statistics*]

### ILO unemployment (June to August 2011)

- There were 867,000 people unemployed for more than 12 months, up 60,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 991,000, up 74,000 on the previous quarter. (See table below.)

### Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 17,500 between August 2011 and September 2011 to 1,597,200.



### 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       | (%)        |
| Jun-Aug 2006        | 1,692        | 5.5        | 693        | 14.2        | 754          | 4.2        | 230        | 3.2        | 15          | 2.3        |
| Jun-Aug 2007        | 1,645        | 5.3        | 713        | 14.6        | 690          | 3.8        | 228        | 3.1        | 14          | 2.1        |
| Jun-Aug 2008        | 1,788        | 5.7        | 746        | 15.2        | 782          | 4.3        | 243        | 3.3        | 16          | 2.3        |
| Jun-Aug 2009        | 2,472        | 7.9        | 940        | 19.7        | 1,158        | 6.4        | 355        | 4.7        | 20          | 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        |
| <b>Jun-Aug 2011</b> | <b>2,566</b> | <b>8.1</b> | <b>991</b> | <b>21.3</b> | <b>1,191</b> | <b>6.5</b> | <b>362</b> | <b>4.7</b> | <b>22</b>   | <b>2.7</b> |
| % change on quarter | +4.7         |            | +8.0       |             | +4.1         |            | -2.8       |            | +25.6       |            |
| % change on year    | +4.6         |            | +7.5       |             | +4.0         |            | -1.3       |            | +15.3       |            |

Source: ONS, *Labour Market Statistics*.

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

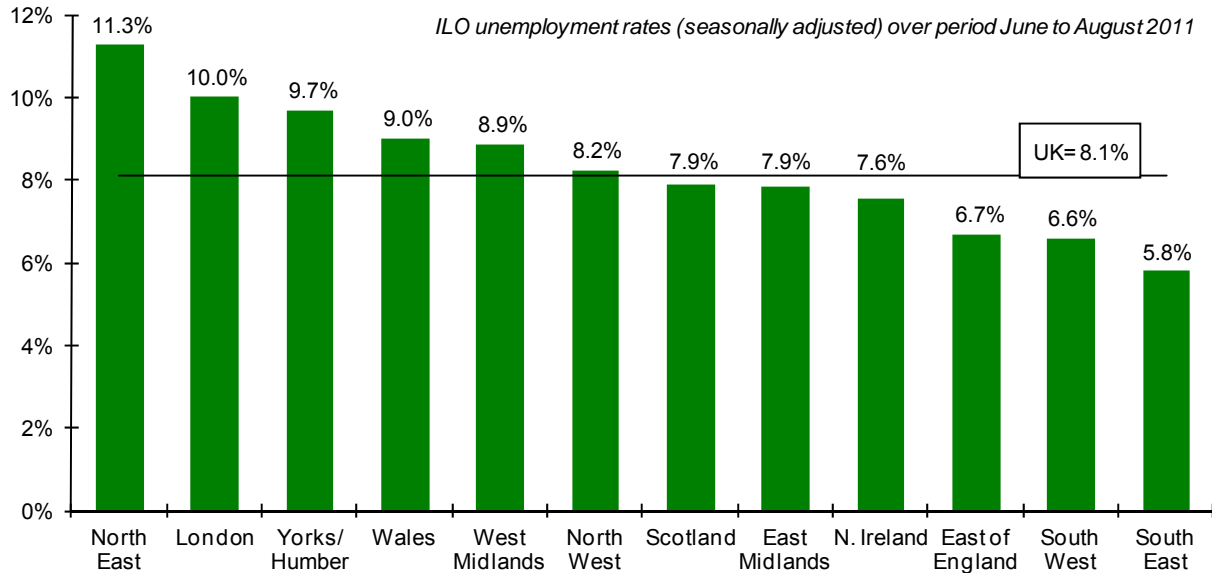
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 16 Nov 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 June to August 2011, the North East had the highest unemployment rate, at 11.3% of the economically active population, followed by London (at 10.0%). 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 Yorkshire and Humber (+32,000) and London (+28,000). The largest decrease over the last quarter was in the North West (-10,000).
- The seasonally-adjusted JSA claimant count increased in every region and country except Scotland in September 2011, compared with August 2011.

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

|                    | ILO unemployment |                         |                   |                     | JSA claimant count |                                 |
|--------------------|------------------|-------------------------|-------------------|---------------------|--------------------|---------------------------------|
|                    | Jun - Aug 2011   |                         | Change in level   |                     | September 2011     |                                 |
|                    | Level (000s)     | Rate (%) <sup>(a)</sup> | qtr-on-qtr (000s) | year-on-year (000s) | Level (000s)       | change since prev. month (000s) |
| North East         | 142              | 11.3                    | +19               | +25                 | 89.7               | +1.5                            |
| North West         | 282              | 8.2                     | -10               | +5                  | 199.4              | +3.5                            |
| Yorkshire & Humber | 259              | 9.7                     | +32               | +10                 | 160.6              | +2.2                            |
| East Midlands      | 183              | 7.9                     | -1                | +11                 | 107.8              | +1.1                            |
| West Midlands      | 234              | 8.9                     | +8                | +16                 | 169.7              | +0.5                            |
| East of England    | 202              | 6.7                     | +3                | +2                  | 116.6              | +1.6                            |
| London             | 425              | 10.0                    | +28               | +47                 | 235.4              | +1.6                            |
| South East         | 257              | 5.8                     | +4                | -25                 | 143.4              | +2.1                            |
| South West         | 175              | 6.6                     | +5                | +21                 | 90.2               | +2.3                            |
| Wales              | 131              | 9.0                     | +16               | +13                 | 78.3               | +0.8                            |
| Scotland           | 212              | 7.9                     | +7                | -17                 | 145.2              | -0.2                            |
| Northern Ireland   | 65               | 7.6                     | +4                | +7                  | 60.9               | +0.5                            |

Source: ONS, *Labour Market Statistics*

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

**Contact:** Lorna Booth, x2883

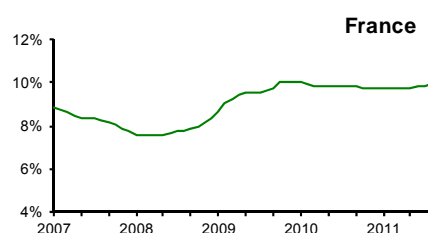
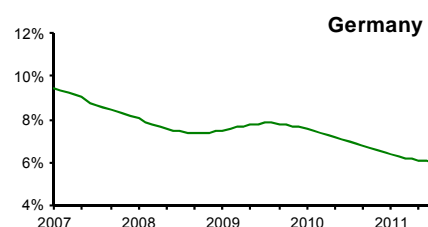
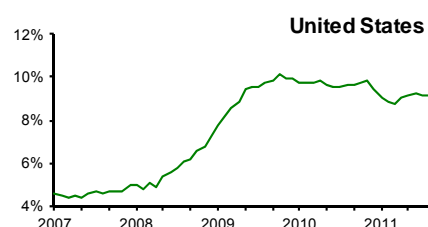
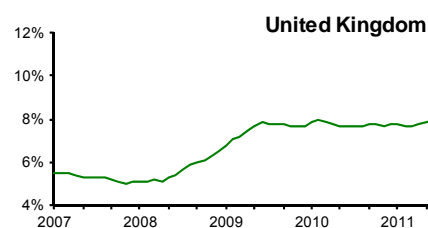
**Update:** ONS, *Labour Market Statistics*, 16 November 2011



## 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 Q2 2011 was 7.9%, below the euro zone and OECD rates (10.0% and 8.2% respectively), but above the G7 average.
- With the exception of the UK, unemployment fell across the G7 countries between Q2 2010 and Q2 2011. Germany saw the largest fall, of 1.1 percentage-points.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (20.8% in Q2 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 14.3% in Q2 2011). This compares with a 2.3 percentage point rise in unemployment in the OECD as a whole over the since the start of 2007 (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   | Q3  |
| Canada    | 6.1  | 8.3  | 8.0  | 8.2  | 8.0  | 8.0  | 7.7  | 7.7  | 7.5  | 7.2 |
| 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  | 6.3  | 6.1  | ..  |
| Italy     | 6.8  | 7.8  | 8.4  | 8.5  | 8.6  | 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  | 7.9  | ..  |
| US        | 5.8  | 9.3  | 9.6  | 9.7  | 9.6  | 9.6  | 9.6  | 8.9  | 9.1  | 9.1 |
| Euro zone | 7.7  | 9.6  | 10.2 | 10.1 | 10.2 | 10.2 | 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

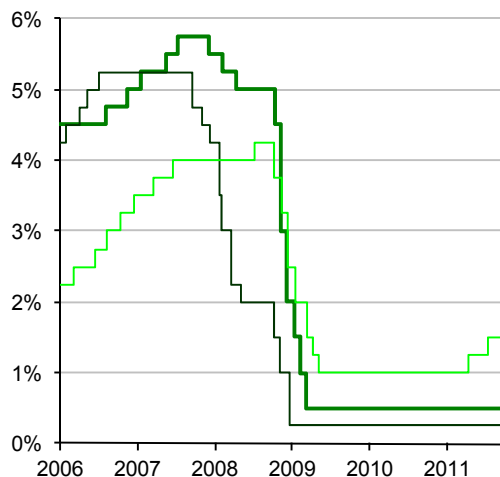
Updates: OECD, [Harmonised Unemployment Rates](#), 14 Nov

## 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. This was increased by £75 billion to £275 billion in October 2011, in the face of gloomy economic data that suggested UK inflation would “undershoot the 2% target in the medium term”.

### Official interest rates



### UK Base/Repo rate changes

| % per annum |          |      |          |        |          |
|-------------|----------|------|----------|--------|----------|
| Date        | New rate | Date | New rate | Date   | New rate |
| 2001        | Oct 4    | 4.50 | 2007     | Jan 11 | 5.25     |
|             | Nov 8    | 4.00 |          | May 10 | 5.50     |
| 2003        | Feb 6    | 3.75 |          | Jul 5  | 5.75     |
|             | Jul 10   | 3.50 |          | Dec 6  | 5.50     |
|             | Nov 6    | 3.75 | 2008     | Feb 7  | 5.25     |
| 2004        | Feb 5    | 4.00 |          | Apr 10 | 5.00     |
|             | May 6    | 4.25 |          | Oct 8  | 4.50     |
|             | Jun 10   | 4.50 |          | Nov 6  | 3.00     |
|             | Aug 5    | 4.75 |          | Dec 4  | 2.00     |
| 2005        | Aug 4    | 4.50 | 2009     | Jan 8  | 1.50     |
| 2006        | Aug 3    | 4.75 |          | Feb 5  | 1.00     |
|             | Nov 9    | 5.00 |          | Mar 5  | 0.50     |

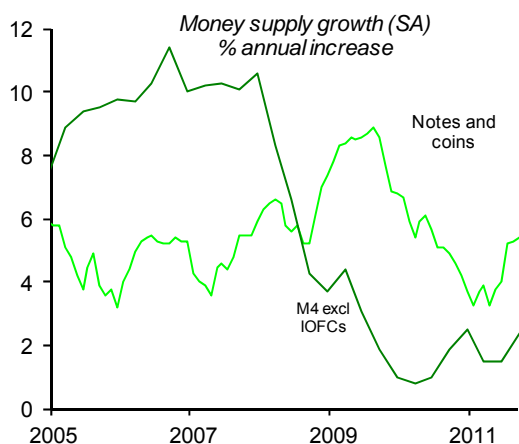
Source: Bank of England

- 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 five 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 “quantitative easing”. From this initial £75 billion, the programme was increased to £200 billion by November 2009. In October 2011, it was increased by a further £75 billion to £275 billion. These purchases will take place over four months
- Of the £200 billion of assets purchased so far by the Bank of England under the programme, 99% by value have been gilts (UK Government securities).

### Money supply



- In its August 2011 *Inflation Report*, the Bank of England noted that money supply growth “remained subdued”, but less so than it would have been in the absence of the asset purchase programme.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 2.4% in Q3 2011, up from 1.5% in Q2 2011.
- The value of notes and coins in circulation outside the Bank of England rose by 5.4% in the year to September 2011.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [10 Nov \(UK\)](#)  
Bank of England, [Monetary and Financial Statistics](#), 29 Nov

## D2: Public Finances

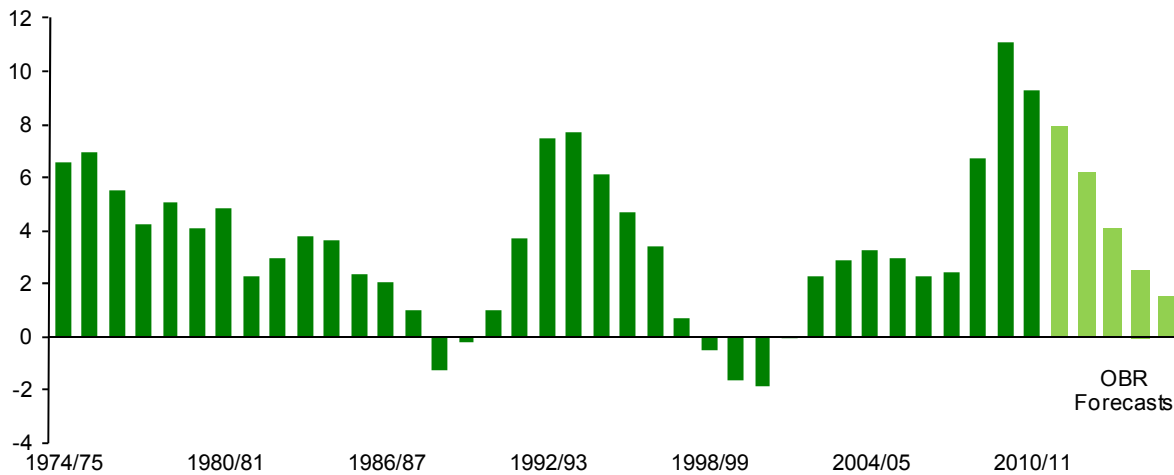
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £122 billion in 2011/12, equivalent to 7.9% of GDP.

- Between April and September 2011, the Government borrowed £63.5 billion, 10.6% lower than the same period a year ago.
- Borrowing in September 2011 was £14.1 billion compared with £15.4 billion in September 2010.
- The OBR's forecast that borrowing will be £122 billion in 2011/12 implies that borrowing will be 11% lower than 2010/11. The OBR will be presenting revised forecasts for the economy and public finances on 29 November.

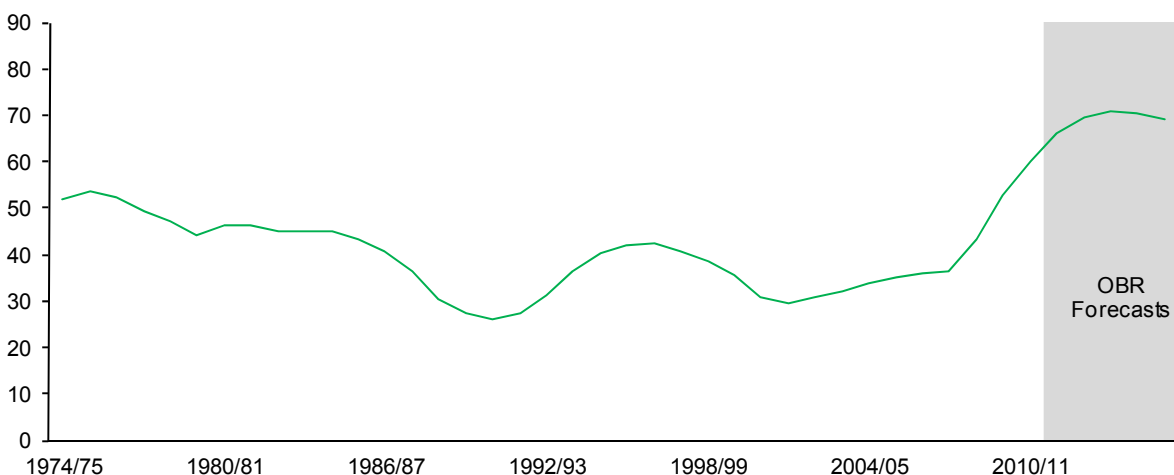
|         | Net borrowing |       | Net debt  |       |
|---------|---------------|-------|-----------|-------|
|         | £ billion     | % GDP | £ billion | % GDP |
| 2008/09 | 96            | 6.7   | 607       | 43.3  |
| 2009/10 | 156           | 11.1  | 760       | 52.8  |
| 2010/11 | 137           | 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](#), 22 Nov 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 27 October 2011

|                 | FTSE-100   | Oil (\$/bbl) | Gold (\$/oz) |
|-----------------|------------|--------------|--------------|
| 27 Oct 2011     | 5,713.8    | 112.1        | 1,720.0      |
| %change over:   |            |              |              |
| 1-month         | +13.3%     | +6%          | -1%          |
| 12-months       | +1%        | +35%         | +28%         |
| %change from:   |            |              |              |
| cyclical peak   | -15%       | -23%         | -9%          |
| date            | 15 Jun '07 | 03 Jul '08   | 23 Aug '11   |
| cyclical trough | +63%       | +208%        | +142%        |
| date            | 03 Mar '09 | 24 Dec '08   | 24 Oct '08   |

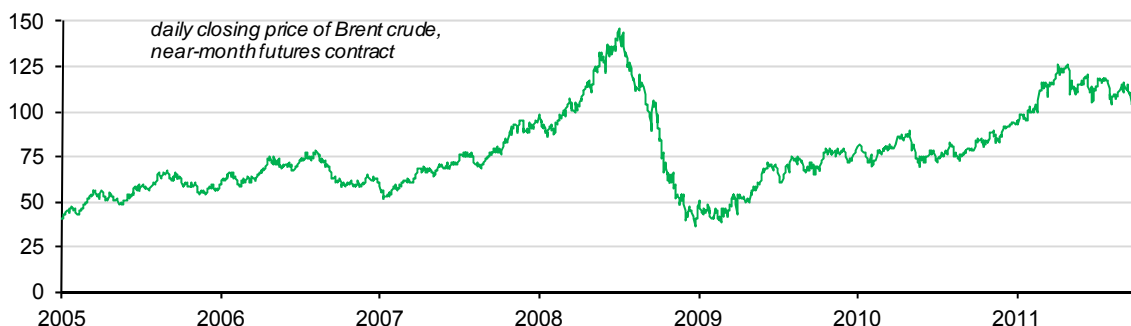
Note: Oil is Brent near-month futures price

Source: *Financial Times*

#### FTSE-100 Index



#### Oil price (\$ per barrel)



#### Gold price (\$ per ounce)



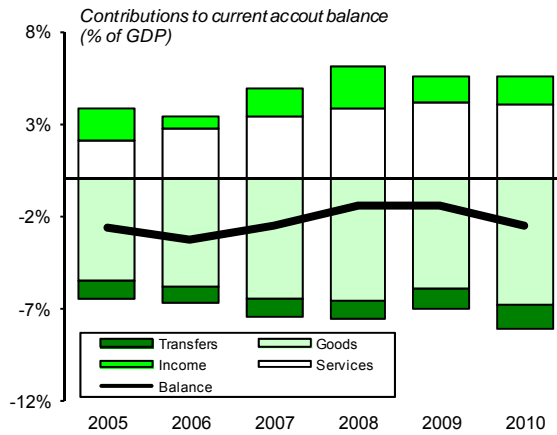
Contact: Chris Rhodes, x2454

Update: Page updated on a weekly basis

## E1: UK Balance of Trade

Annually, the current account deficit in 2010 was £36.7 billion, equivalent to -2.5% of GDP. That compared with £20.3 billion (-1.5% of GDP) in 2009. This change can principally be attributed to a worsening of the UK's good deficit, from £82.9 billion in 2009 to £98.5 billion in 2010.

### Current Account



- On a **quarterly** basis, the current account deficit was £2.0 billion in Q2 2011, a narrowing from £4.1 billion in Q1 2011. The surplus on services increased to its highest recorded level - £17.8 billion. However, the deficit on goods also increased.
- The **annual** current account deficit with EU27 countries in 2010 was £51.8 billion, compared with a surplus with non-EU countries of £15.0 billion.
- On a **quarterly** basis, the deficit with EU27 countries fell to £8.9 billion in Q2 2011. With non-EU countries, the current account surplus fell to £6.8 billion.

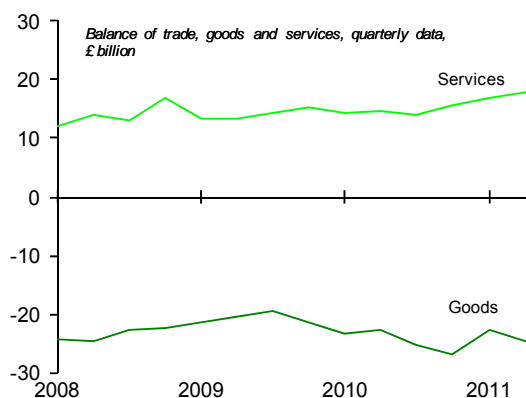
### Current Account Balances

£ millions; seasonally adjusted

|         | Goods   |         |         | Services Balance | Goods and Services Balance | Income | Transfers | Current Account Balance |
|---------|---------|---------|---------|------------------|----------------------------|--------|-----------|-------------------------|
|         | Exports | Imports | Balance |                  |                            |        |           |                         |
| 2009    | 228,126 | 310,978 | -82,852 | 57,215           | -25,637                    | 20,397 | -15,076   | -20,316                 |
| 2010    | 265,714 | 364,176 | -98,462 | 58,778           | -39,684                    | 23,039 | -20,081   | -36,726                 |
| 2010 Q2 | 66,425  | 89,295  | -22,870 | 14,700           | -8,170                     | 5,809  | -4,494    | -6,855                  |
| Q3      | 66,418  | 91,768  | -25,350 | 14,042           | -11,308                    | 6,159  | -4,967    | -10,116                 |
| Q4      | 70,033  | 96,975  | -26,942 | 15,582           | -11,360                    | 7,830  | -6,164    | -9,694                  |
| 2011 Q1 | 75,033  | 97,833  | -22,800 | 16,968           | -5,832                     | 7,429  | -5,717    | -4,120                  |
| Q2      | 73,822  | 98,387  | -24,602 | 17,787           | -6,778                     | 9,581  | -4,825    | -2,022                  |

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 August was £7.8bn, narrower than the July figure of £8.2bn.
- The monthly trade surplus on services was an estimated £5.9bn in August, unchanged from the July figure.
- The overall monthly deficit on goods and services combined in August was £1.9bn, narrowing from £2.3bn in July.
- The goods deficit with the EU27 was £2.9bn in August, down from £3.5 billion in July, while the deficit with non-EU countries was £4.9bn, up from £4.7bn in July.

Contact: Grahame Allen, x3977

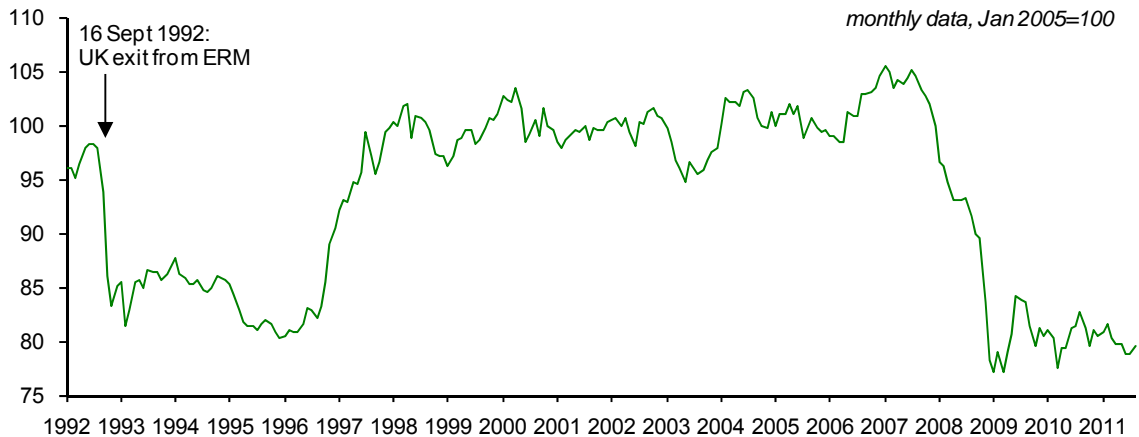
Updates: ONS, [UK Trade](#), 9 Nov;  
ONS, [UK Balance of Payments](#), 22 Dec

## 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).

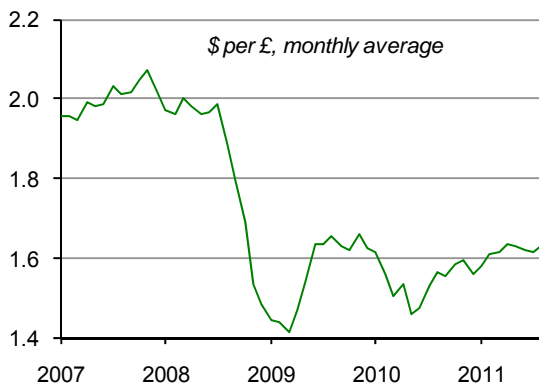
The SERI fell by 0.5% in September, having risen by 1.4% in August. Compared with the same period last year, the SERI was 2.5% lower. It is now 2.7% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 24.9% down from its July 2007 peak.

### Sterling Exchange Rate Index (SERI)



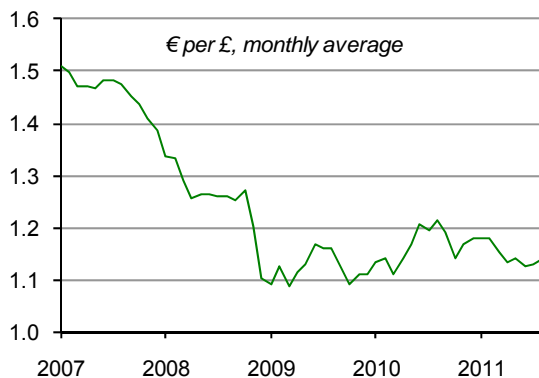
[Source: Bank of England, Bankstats database, XUMABK67]

### 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

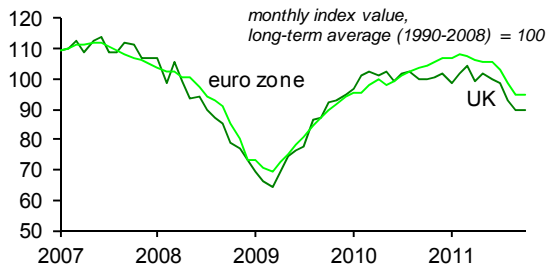
Contact: Aliyah Dar, x5919

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

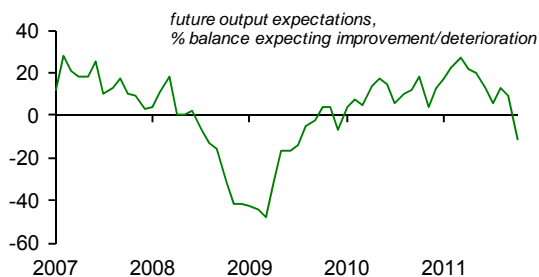


|      |     | UK<br>Index | monthly<br>change | change on<br>year ago |
|------|-----|-------------|-------------------|-----------------------|
| 2009 | Oct | 92.4        | ...               | ...                   |
| 2010 | Oct | 99.7        | ...               | ...                   |
| 2011 | Aug | 92.9        | -5.6              | -9.8                  |
|      | Sep | 89.5        | -3.4              | -10.7                 |
|      | Oct | 89.5        | +0.0              | -10.2                 |

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of EU member states' economies.
- There was little change between September and October 2011 in either the overall UK sentiment index (which remained at 89.5) or the overall Euro area sentiment index (which decreased 0.2 points to 94.8).

### CBI Industrial Trends Survey



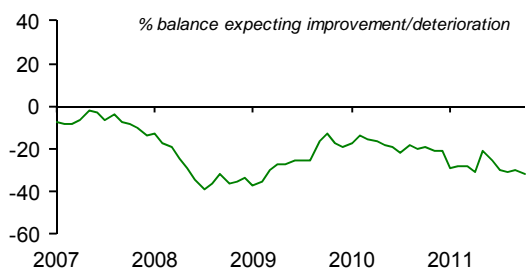
balance (as a %) of those expecting an improvement  
minus those expecting a deterioration

|      |     | Future output<br>expectations | monthly<br>change | change on<br>year ago |
|------|-----|-------------------------------|-------------------|-----------------------|
| 2009 | Oct | +4                            | ...               | ...                   |
| 2010 | Oct | +18                           | ...               | ...                   |
| 2011 | Aug | +13                           | +7                | +3                    |
|      | Sep | +9                            | -4                | -3                    |
|      | Oct | -11                           | -20               | -29                   |

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in October 2011 were -11% of firms expecting output to rise rather than fall over the next three months. This is down 20 percentage points on September 2011, when it was +9%, and is the lowest level seen since 2009.

### GfK NOP Consumer Confidence Survey



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

|      |     | Consumer<br>Conf. Index | monthly<br>change | change on<br>year ago |
|------|-----|-------------------------|-------------------|-----------------------|
| 2009 | Oct | -13                     | ...               | ...                   |
| 2010 | Oct | -19                     | ...               | ...                   |
| 2011 | Aug | -31                     | -1                | -13                   |
|      | Sep | -30                     | +1                | -10                   |
|      | Oct | -32                     | -2                | -13                   |

Source: GfK NOP, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- At -32, overall consumer confidence was 2 points lower in October 2011 than in September. It is now at its lowest level since spring 2009.

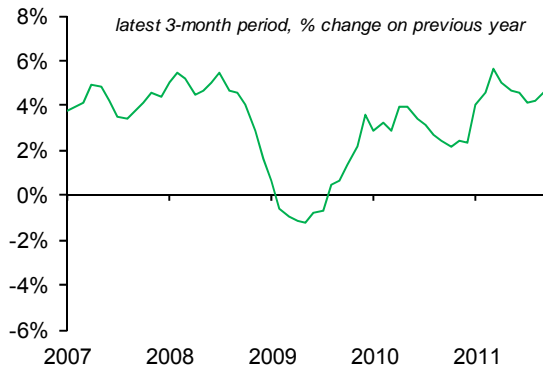
**Contact:** Lorna Booth, x2883

**Update:** CBI, [Industrial Trends](#), late Nov  
EC, [Economic Sentiment Indicator](#), 29 Nov  
GfK NOP, [Consumer Confidence](#), 30 Nov

## F2: Retail Sales

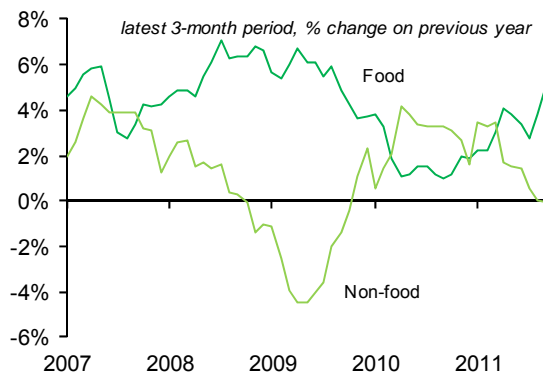
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

### Value of Retail Sales



- The annual increase in the value of retail sales in the three months to September 2011 was 4.7%, a small increase on August's 4.2%.
- The value of retail sales in September 2011 alone showed an increase of 0.8% compared with August 2011.
- The value of retail sales in September 2011 alone showed an increase of 5.4% compared with September 2010.

### Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to September rose by 5.3%.
- The annual rate of increase in the value of sales in non-food stores was -0.1% in the three months to September, the lowest since October 2009.
- Sales in household goods stores were 3.9% lower than a year ago.
- Non-store sales (includes internet) were up by 15.5% in the year to September.

### 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  | <b>0.6</b>          |
| 2010     | 1.6         | 5.5                 | -3.4            | 2.3   | 2.7   | <b>2.6</b>          |
| 2011 May | 3.8         | 3.2                 | -5.2            | 3.9   | 1.5   | <b>4.7</b>          |
| Jun      | 3.4         | 3.9                 | -4.3            | 2.7   | 1.4   | <b>4.6</b>          |
| Jul      | 2.8         | 3.6                 | -4.6            | 0.6   | 0.6   | <b>4.1</b>          |
| Aug      | 3.8         | 3.5                 | -4.7            | -1.3  | 0.0   | <b>4.2</b>          |
| Sep      | 5.3         | 2.1                 | -3.9            | -1.9  | -0.1  | <b>4.7</b>          |

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

Contact: Lucinda Maer, x3841

Update: ONS, [Retail Sales](#), 17 Nov



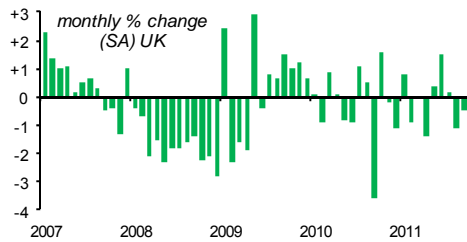
## F3: Housing Market

House prices on the Nationwide index rose by 0.4% in October. Prices were 0.8% higher in October compared with a year ago. House prices on the Halifax index fell by 0.5% in September having fallen by 1.1% in August. Prices were 0.7% 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

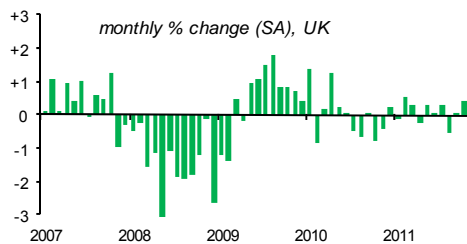
#### Halifax house price index



Latest monthly data  
UK, seasonally adjusted

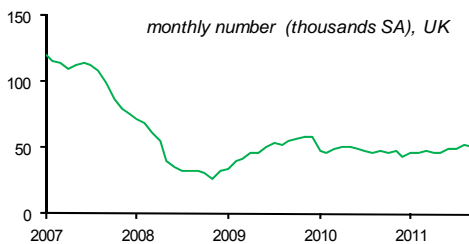
|                     | Halifax | Nationwide |
|---------------------|---------|------------|
| Latest data         | Sep-11  | Oct-11     |
| Change in month     | -0.5%   | +0.4%      |
| Change in year      | -0.7%   | +0.8%      |
| Peak date           | Aug-07  | Jul-07     |
| Change since peak   | -18.0%  | -9.0%      |
| Trough date         | Apr-09  | Feb-09     |
| Change since trough | +5.9%   | +9.8%      |

#### Nationwide house price index



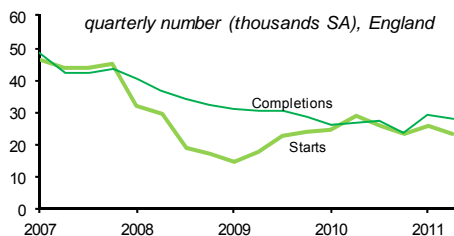
- The recovery in house prices since early 2009 has stalled, with recent data showing prices falling in year-on-year terms on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q2 2011 prices rose by 6% in London and 5% in Wales but fell by 1% in East Anglia and 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.
- Mortgage approvals fell by 3% to 50,967 in September. The number of approvals has remained generally flat since early 2010.

### House-building



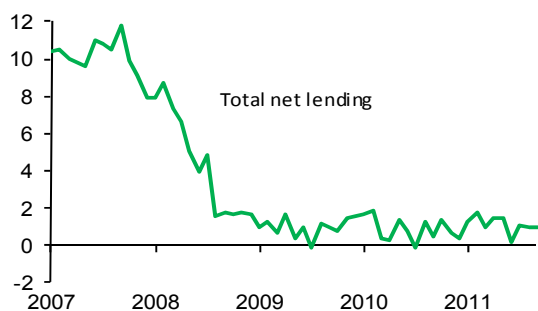
- There were 23,400 house building starts in England in Q2 2011, down 9% from 25,680 in Q1 2011. This is over 50% above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions also fell to 27,750 in Q2 2011, down from 29,020 in Q1 2011.

**Contact:** Aliyah Dar, x5919

**Updates:** Halifax [House Price Index](#), early Nov;  
DCLG, [House-building](#), 17 Nov;  
Bank of England, [Lending to Individuals](#), 29 Nov;  
Nationwide [House Price Index](#), early Dec

## F4: Household debt

### Monthly net lending, £bn



Source: Bank of England

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 September 2011. This is the same as in August.
- Monthly net unsecured lending increased by £0.6 billion in September 2011.
- Monthly net secured lending (mortgages) grew by £0.3 billion in September 2011. It grew by £0.5 billion in August.

### Net outstanding lending to individuals

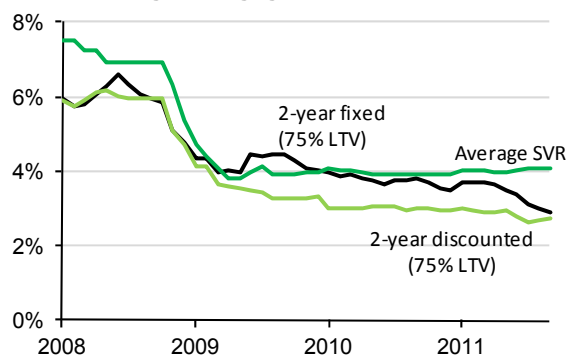
£ billions; seasonally adjusted

|          | Secured | Unsecured | Total |
|----------|---------|-----------|-------|
| 2007 Sep | 1,164   | 218       | 1,382 |
| 2008 Sep | 1,221   | 238       | 1,459 |
| 2009 Sep | 1,231   | 231       | 1,462 |
| 2010 Sep | 1,241   | 218       | 1,459 |
| 2011 Mar | 1,240   | 211       | 1,451 |
| 2011 Jun | 1,241   | 210       | 1,451 |
| 2011 Sep | 1,242   | 209       | 1,451 |

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

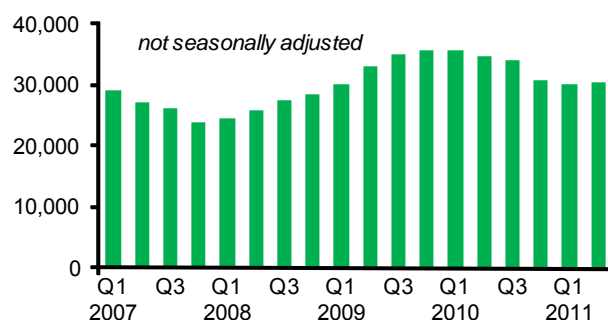
- Total net outstanding lending to individuals was £1,451 billion at the end of September 2011, 0.3% lower than in September 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £209 billion at the end of September 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 September 2011 was 4.10%, unchanged from the previous month.
- The average fixed and discounted rates offered (75% LTV) in September 2011 were 2.92% and 2.73% respectively.

### Individual insolvencies, England and Wales



Source: Insolvency Service

- 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](#), 29 Nov  
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        | <b>Gross Domestic Product</b>                  | ONS releases:<br><a href="#">GDP Preliminary Estimate</a> ;<br><a href="#">Second Estimate of GDP</a> ;<br><a href="#">Quarterly national accounts</a><br>HM Treasury, <a href="#">Forecasts for the UK Economy</a>  |
| A2        | <b>GDP: International Comparisons</b>          | Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <a href="#">Main Economic Indicators</a> , via Stat.OECD database ( <a href="#">link to user defined table</a> )<br>Growth Forecasts: OECD, <a href="#">Economic Outlook</a> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> ); IMF <a href="#">World Economic Outlook database and updates</a><br>European Commission's <a href="#">growth forecasts</a> |
| A3        | <b>Components of GDP</b>                       | ONS releases:<br><a href="#">Second Estimate of GDP</a> ;<br><a href="#">Quarterly national accounts</a>   |
| A4        | <b>Output and Employment by Industry</b>       | ONS releases:<br><a href="#">GDP Preliminary Estimate</a> ;<br><a href="#">Second Estimate of GDP</a> ;<br><a href="#">Quarterly national accounts</a>   |
| A5        | <b>Manufacturing</b>                           | ONS, <a href="#">Index of Production</a><br>Markit/CIPS <a href="#">UK Manufacturing Purchasing Managers Index</a><br>SMMT, <a href="#">Vehicle Production</a>   |
| A6        | <b>Productivity</b>                            | ONS, <a href="#">Labour Productivity</a>   |
| B1        | <b>Inflation</b>                               | ONS, <a href="#">Consumer Price Indices</a>  |
| B2        | <b>Inflation: International</b>                | CPI: OECD, <a href="#">Main Economic Indicators</a> ( <a href="#">link to user defined table</a> );<br>EU data: Eurostat <a href="#">news release</a> and <a href="#">database</a>   |
| B3        | <b>Average Earnings Index</b>                  | ONS, <a href="#">Labour Market Statistics</a>  |
| C1        | <b>Employment</b>                              | ONS, <a href="#">Labour Market Statistics</a>  |
| C2        | <b>Unemployment: National</b>                  | ONS, <a href="#">Labour Market Statistics</a>  |
| C3        | <b>Unemployment: Regional</b>                  | ONS, <a href="#">Labour Market Statistics</a> and <a href="#">Regional Labour Market Statistics</a>  |
| C4        | <b>Unemployment: International Comparisons</b> | Data: OECD, <a href="#">Main Economic Indicators</a><br>Commentary: OECD, <a href="#">Economic Outlook</a> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> )   |

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

## 6 Glossary

### Symbols and abbreviations

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

### Definitions<sup>1</sup>

**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.