



Economic Indicators, December 2011

RESEARCH PAPER 11/76 06 December 2011

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

- Latest forecasts from the OBR expected the economy to grow more slowly over the next few years than previously predicted.
- The OBR also forecast government borrowing over the five years from 2011/12 to 2015/16 to be £111 billion higher than forecast in March.
- Meanwhile, a weakening labour market has seen the number of people unemployed rise to its highest level in 17 years, while employment fell by almost 200,000 in July-September over the previous quarter.

This month's articles:

- **Earnings and incomes in the downturn**
- **The Government's fiscal targets**

Daniel Harari (editor)

Recent Research Papers

11/66	Unemployment by Constituency, September 2011	14.09.11
11/67	Economic Indicators, October 2011	04.10.11
11/68	Pensions Bill [HL]: Committee Stage Report	05.10.11
11/69	Unemployment by Constituency, October 2011	12.10.11
11/70	Legal Aid, Sentencing and Punishment of Offenders Bill: Committee Stage Report	20.10.11
11/71	Social Indicators	26.10.11
11/72	Economic Indicators, November 2011	02.11.11
11/73	The Arab uprisings	15.11.11
11/74	Unemployment by Constituency, November 2011	16.11.11
11/75	High Speed Two (HS2): the debate	17.11.11

Research Paper 11/76

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

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

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

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

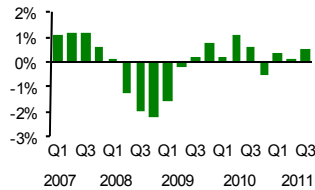
Summary

Latest forecasts from the OBR expected the economy to grow more slowly over the next few years than previously predicted. The OBR also forecast government borrowing over the five years from 2011/12 to 2015/16 to be £111 billion higher than forecast in March. Meanwhile, a weakening labour market has seen the number of people unemployed rise to its highest level in 17 years, while employment fell by almost 200,000 in July-September over the previous quarter.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



Quarterly GDP expanded by 0.5% in Q3 2011 compared with Q2 2011. This followed growth of 0.1% in Q2 2011.

Inflation (CPI)

[page 7](#)

(% change on year ago)

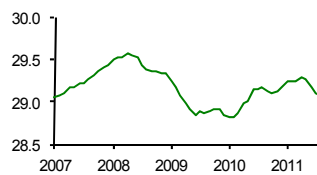


The rate of CPI inflation was 5.0% in the year to October, down from 5.2% in September. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

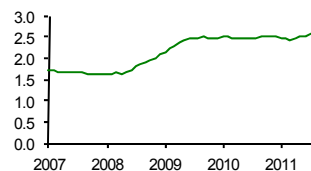


In the three months to September, the number of people employed fell by 197,000 to 29.07 million.

Unemployment

[page 11](#)

(total, millions, ILO definition)



ILO unemployment rose by 129,000 to 2.62 million in the three months to September. The unemployment rate also increased from 7.9% to 8.3%.

Consumer Confidence

[page 19](#)

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



The GfK NOP survey showed consumer confidence at -31 in November 2011, a similar level to October, when it was at -32 – its lowest level since spring 2009.

Next issue: 10 January

Editor: Daniel Harari

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

Contents

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

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

1 Introduction to *Economic Indicators*

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

Feedback

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

Weekly email alert

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

Sources and glossary

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

Contacts

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

Subject	Statistician	tel. extn.
Balance of payments	Grahame Allen	3977
Business	Lucinda Maer	3841
EC finance	Gavin Thompson	2042
GDP	Grahame Allen	3977
Employment	Daniel Harari	2464
Financial services	Lucinda Maer	3841
Housing	Matthew Keep	6789
Incomes	Lorna Booth	2883
Industries	Lucinda Maer	3841
International Trade	Grahame Allen	3977
National accounts	Grahame Allen	3977
International development	Gavin Thompson	2042
International economies	Gavin Thompson	2042
Prices and interest rates	Grahame Allen	3977
Public expenditure	Dominic Webb	4324
Taxation	Dominic Webb	4324
Unemployment	Chris Rhodes	2454
Wages and earnings	Lorna Booth	2883

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

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

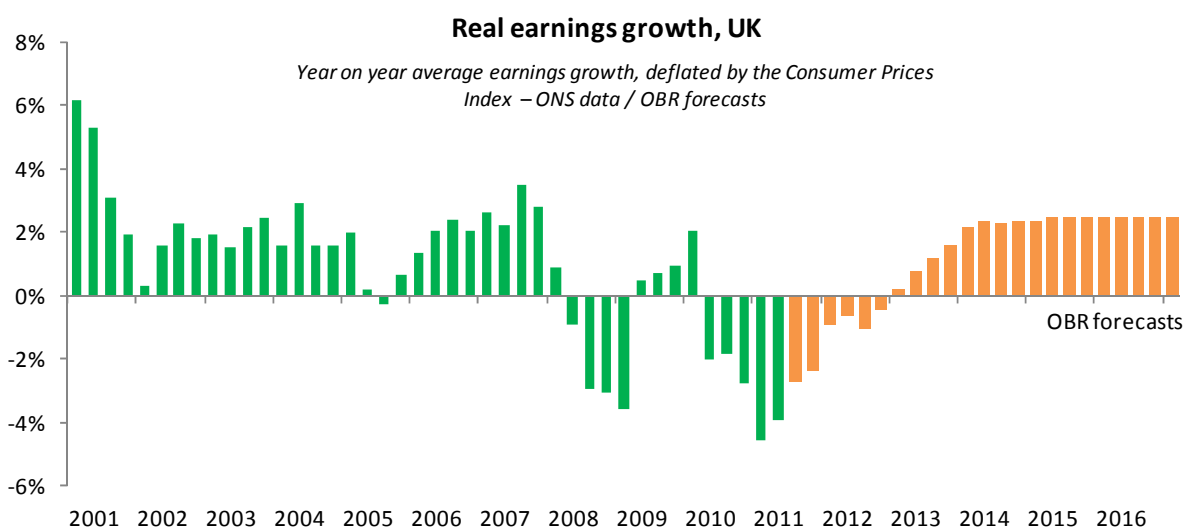
2 Earnings and incomes in the downturn

Earnings and incomes are falling relative to prices. This is forecast to continue until 2013, squeezing living standards across the UK. The recovery from the downturn will take even longer – real median net household incomes are forecast to be lower in 2015/16 than in 2002/03.

2.1 Earnings

Trends in average earnings

Prices rose faster than average earnings during the 2008 recession, and have been increasing faster than earnings again since the spring of 2010 – this means real earnings are falling.³ Forecasts from the Office for Budget Responsibility (OBR) suggest that real earnings will continue to decline until 2013.⁴



The distribution of earnings

Through 2010 and 2011, full-time workers across the earnings distribution have seen their real earnings decline.⁵ However, in 2011, those at the bottom and middle of the earnings distribution saw a greater decline than those near the top of the earnings distribution.

These changes are relatively small compared with overall inequality in earnings. 10% of people in full-time employee jobs earn more than £1,002 a week – twice as much as those in the middle of the earnings distribution (£501 a week), and 3.6 times as much as those near the bottom: 10% of people in full-time employee jobs earn £278 a week or less.

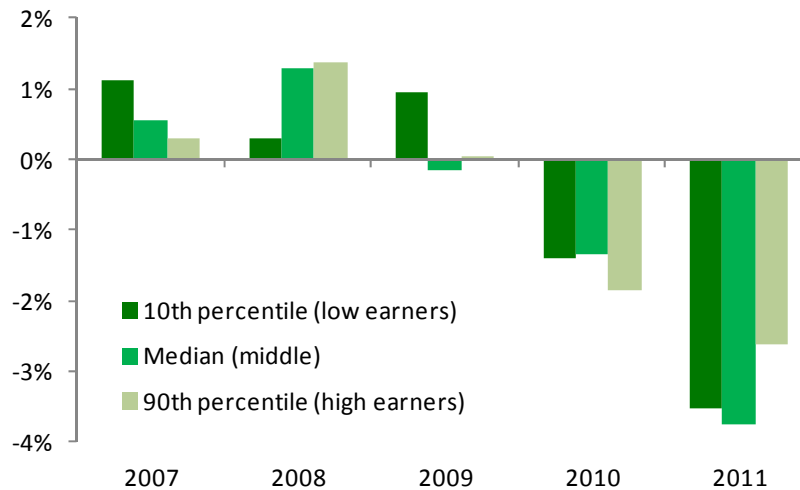
³ Data from the Office for National Statistics for the Consumer Prices Index (CPI), national accounts measures of wages and salaries (less employer contributions) and employee numbers.

⁴ Office for Budget Responsibility, *Economic and fiscal outlook – November 2011* (supplementary economy tables).

⁵ Data from the Office for National Statistics, *Annual Survey of Hours and Earnings* – figures are for gross weekly earnings in the UK and are for April of each year. They are deflated using the average of monthly CPI indices for Q2 each year.

Real earnings growth for those at the top, middle and bottom of the earnings distribution

Year on year growth in gross weekly earnings for full-time workers in the UK, April each year, deflated by Consumer Prices Index (Q2)



2.2 Incomes

As well as earnings, many households also have income from other sources, such as benefits and tax credits. Like earnings, overall household incomes are falling – the OBR forecasts that total real household disposable incomes have fallen by 2.3% in 2011, a record post-war fall.

The OBR forecasts also imply that average real household disposable incomes (per person) will be lower in 2016 than in 2006.⁶

Incomes at the middle

Net median incomes – the level at which half of households earn more and half less – were the equivalent of £276 a week for a single person with no children, or £631 a week for a couple with two children in 2009/10 in the UK.⁷

These are also expected to fall – the Institute of Fiscal Studies forecast a 7.4% fall in real median net household incomes between 2009/10 and 2012/13. Real median net household incomes in 2015/16 are forecast to be lower than in 2002/03 – the longest period without growth since records for this measure began in 1961.⁸

Lorna Booth, Economic Policy and Statistics section

⁶ Analysis by the Institute of Fiscal Studies, in *What does yesterday's news mean for living standards?* – presentation by Robert Joyce (30 November 2011)

⁷ Department for Work and Pensions, *Households Below Average Incomes 2009/10* – data for disposable incomes before housing costs, adjusted for household size and composition. Figures for a couple with children are assume children are aged 5 and 14

⁸ Analysis by the Institute of Fiscal Studies, in *What does yesterday's news mean for living standards?* – presentation by Robert Joyce (30 November 2011)

3 The Government's fiscal targets

In its first Budget in June 2010, the Government set out its “fiscal mandate” as well as a supplementary target for debt, which it says “will guide fiscal policy decisions over the medium term”. The independent Office for Budget Responsibility (OBR) is tasked with assessing whether the Government will meet these targets.

3.1 Fiscal mandate

The Government set itself this fiscal target in the June 2010 Budget:

to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period.

There are three main elements to this rule:

- The **current balance** refers to government borrowing that excludes investment spending. This allows the government to borrow for the purposes of investment.
- The **cyclically-adjusted** measure of the budget balance excludes the impact of the economic cycle on the public finances. In other words, this is the underlying budget deficit (or surplus) that is left over once the effects of a weak (or strong) economy are removed. This allows the government to borrow more in times of a temporary economic downturn.
- The **rolling five-year forecast period** means that to meet this target, the cyclically-adjusted current balance must be in surplus at the end of a reference year, five years from now. This reference year is extended out a further year once every year. For example, in the June 2010 Budget the reference year was 2015/16; now it is 2016/17.

Critiques

The main criticism of this target is that it only relates to forecasts with a moving time horizon rather than outturns. So, in theory, a government could repeatedly promise to cut spending in the future, so as to meet the target in five years' time, but never actually implement the policies needed to do this. Of course, the government would likely lose credibility if it did this.

In addition, the target relates to a theoretical concept, the cyclically-adjusted budget balance. Estimating which bits of the deficit are structural and which bits are cyclical is far from easy and requires an assessment of what stage the economy is in the economic cycle. This means that there is a greater chance that the rule will be broken if more of the downturn is attributed to structural factors as opposed to the economic cycle.

Forecasts

The OBR most recent forecasts from November 2011 and its previous forecasts from March 2011 are shown in the table below.

OBR forecasts: Cyclically-adjusted current balance, as a % of GDP

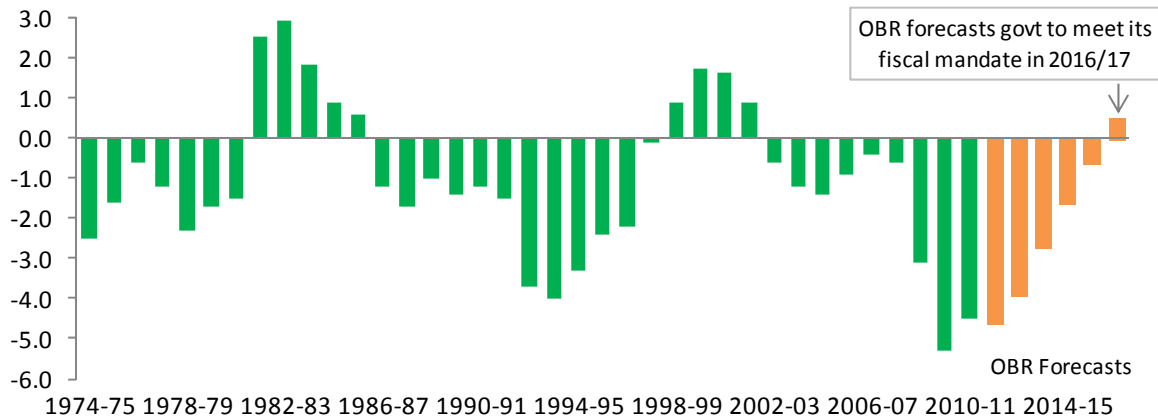
Negative figures indicate a deficit, positive figures a surplus

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
March 2011	-3.2	-2.0	-0.6	0.4	0.8	..
November 2011	-4.6	-3.9	-2.7	-1.6	-0.6	0.5

In its March 2011 forecasts the OBR believed the Government would meet its fiscal mandate a year before the end of the rolling five-year period, which was 2015/16 at the time (the cyclically-adjusted current balance was predicted to move into surplus in 2014/15).⁹ In its latest November 2011 forecasts the OBR did not predict a surplus until 2016/17, the last year of the new five-year reference period. This means the OBR now believes the cyclically-adjusted current balance will be in surplus two years later than it did in March.

Annual cyclically-adjusted current budget (as a % of GDP)

Negative figures indicate a deficit, positive figures a surplus



Source: OBR, fiscal supplementary table 2.30

3.2 Supplementary debt target

In addition to the fiscal mandate, the Government also set a “supplementary target” in the June 2010 Budget:

for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16

This target requires public sector net debt to be falling as a proportion of GDP in 2015/16. The OBR in March 2011 forecast that this target would be met a year early, in 2014/15. The latest OBR forecasts show that, while Government will still meet this target, the year in which debt begins to fall has been pushed back a year to 2015/16 (when net debt is forecast to fall from 78.0% in 2014/15 to 77.7% in 2015/16).

It is worth noting that net debt is now forecast to be 8.6 percentage points higher in 2015/16 (77.7%) than it was in the OBR’s March forecast (69.1%).

OBR forecasts: Net debt, as a % of GDP

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
March 2011	66.1	69.7	70.9	70.5	69.1	..
November 2011	67.5	73.3	76.6	78.0	77.7	75.8

While the Government is still expected to meet both its fiscal targets it has lost the room for manoeuvre it had at the time of the March 2011 Budget.

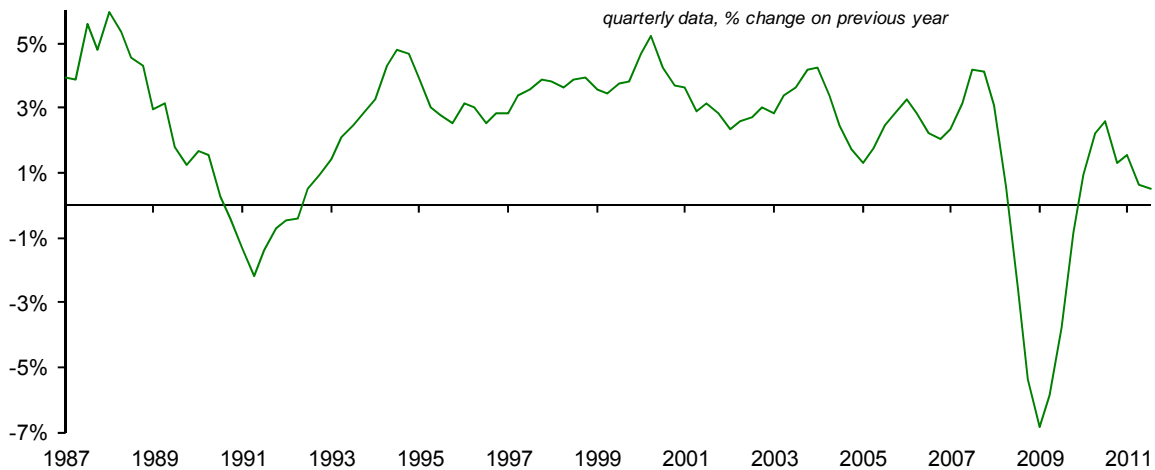
Daniel Harari, Economic Policy and Statistics section

⁹ Technically, the OBR reports on whether the government’s policy is consistent with a better than 50% probability of meeting its target.

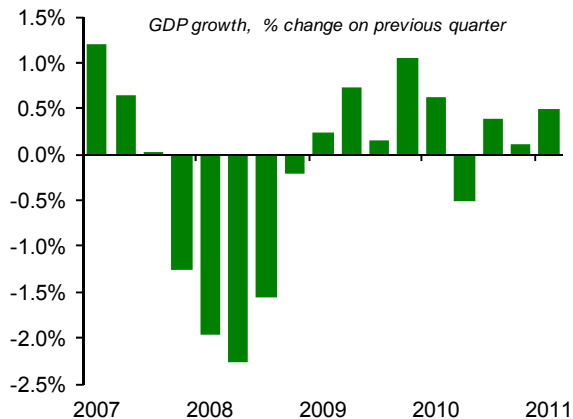
A1: Gross Domestic Product

The economy grew by an estimated 0.5% in Q3 2011 rising from 0.1% in Q2 2011. In November 2011, HM Treasury's average of independent economic forecasts of GDP growth for 2011 was 1.0% and for 2012 was 1.2%. The Office for Budget Responsibility's (OBR) central forecasts from November 2011 are for 0.9% growth in 2011, 0.7% for 2012 and 2.1% for 2013.

Real GDP Growth since 1977



Real GDP Growth since 2007



Gross Domestic Product

£ billion & %; seasonally adjusted

	Current prices		Real GDP (inflation-adjusted)	
	£ billion	% change on year	% change on quarter	% change on year
2008	1,434	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, [Quarterly National accounts](#) 22 Dec
HMT, [Comparison of Independent Forecasts](#), 21 Dec

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, the UK and the eurozone in Q3 2009.

Across the G7 as a whole, quarter-on-quarter growth was faster in Q3 2011 than in Q2 2011. The UK economy grew by 0.5% in Q3 2011, following growth of 0.1% in Q2 2011. The US, France, Germany and Japan also saw growth rise in Q3 2011, relative to Q2. In the eurozone as a whole, however, the Q2 and Q3 2011 figures were the weakest for two years, at 0.2%.

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	4.9	2.5	-0.6	-1.0	-0.7	-0.7	-0.3	1.5
UK	2.6	1.3	1.6	0.6	-0.5	0.4	0.1	0.5
Germany	4.0	3.8	4.6	2.9	0.5	1.3	0.3	0.5
France	1.6	1.4	2.2	1.6	0.3	0.9	-0.1	0.4
Eurozone	2.1	1.9	2.4	1.6	0.3	0.8	0.2	0.2
G7	3.4	2.7	2.0	1.3	0.3	0.2	0.2	0.6
OECD	3.4	3.0	2.4	1.8	0.4	0.4	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. The 2011 forecast for Brazil was reduced by 0.3 percentage points.

The European Commission's [November forecast](#) revised down the September forecast for UK 2011 growth from 1.1% to 0.7%. France and Germany also saw downward revisions of 0.5 and 0.3 percentage points respectively. 2012 forecasts for major EU economies were revised down significantly across the board.

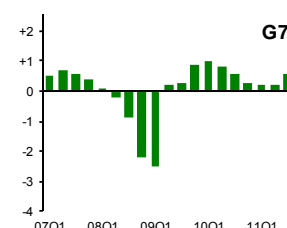
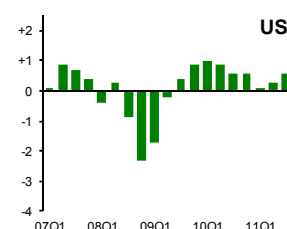
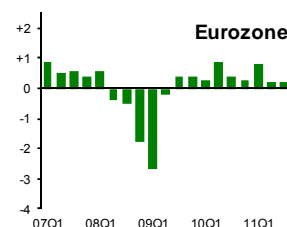
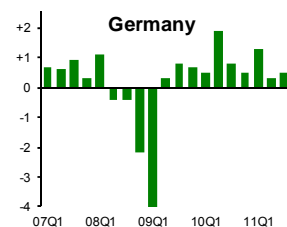
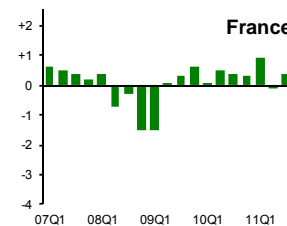
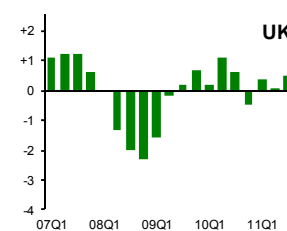
The [OECD's November forecast](#) also saw major downward revisions, particularly for the UK and eurozone. Compared with the last forecast, 2012 growth has been revised down from 1.8% to 0.5% in the UK and from 2.0% to 0.2% in the eurozone.

Real growth forecasts (% changes)

	IMF (Jun 11)			EC (Nov 11)			OECD (Nov 11)		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
UK	1.1	1.6	2.4	0.7	0.6	1.5	0.9	0.5	1.8
France	1.7	1.4	1.9	1.6	0.6	1.4	1.6	0.3	0.4
Germany	2.7	1.3	1.5	2.9	0.8	1.5	3.0	0.6	1.9
Eurozone	1.6	1.1	1.5	1.5	0.5	1.3	1.6	0.2	1.4
US	1.5	1.8	2.5	1.6	1.5	1.3	1.7	2.0	2.5
Japan	-0.5	2.3	2.0	-0.4	1.8	1.0	-0.3	2.0	1.6
OECD	..	..	..	..	..	..	1.9	1.6	2.3
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	..
World	4.0	4.0	4.5	..	..	..	..	..	..

Sources: IMF, September WEO; EC EEF; OECD, Economic Outlook 90

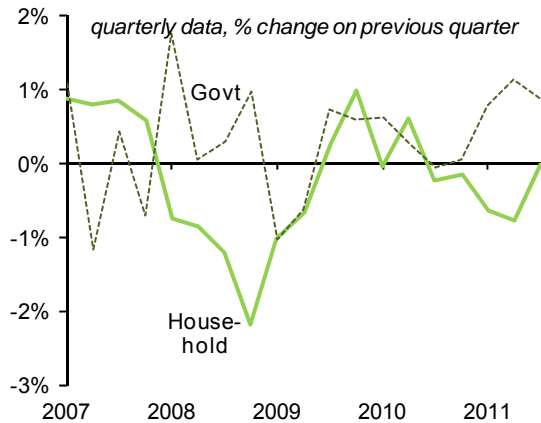
Quarter-on-quarter growth rates



A3: Components of GDP

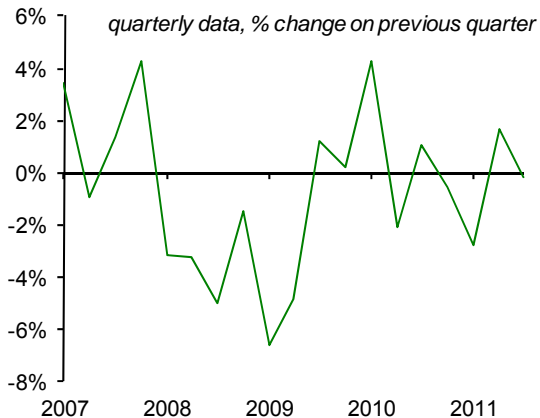
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 61% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation for 15%.

Household consumption and government consumption



- In Q3 2011, household consumption was unchanged in real terms compared with Q2. This is the first time consumption has not fallen since Q2 2010.
- Government consumption increased by 0.9% in Q3 2011.
- Exports fell by 1.0% while imports increased by 0.3% in Q3 2011.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q3 2011 GFCF decreased by 0.2%.
- In Q3 2011, GFCF was 1.8% 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%	-9.5%	-12.2%	-4.4%
2010 (annual % change)	1.0%	1.5%	2.6%	6.2%	8.5%	1.8%
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%
2011 Q3	0.0%	0.9%	-0.2%	-1.0%	0.3%	0.5%

Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

A4: Output and employment by industry

In 2009 (the latest National Accounts data), services accounted for 79% of UK Gross Value Added (GVA), manufacturing 11%, other production (mining & quarrying, and utilities) 4%, construction 6% and agriculture, hunting and fishing 1%. The services sector accounts for 83% of total workforce jobs (Q2 2011).

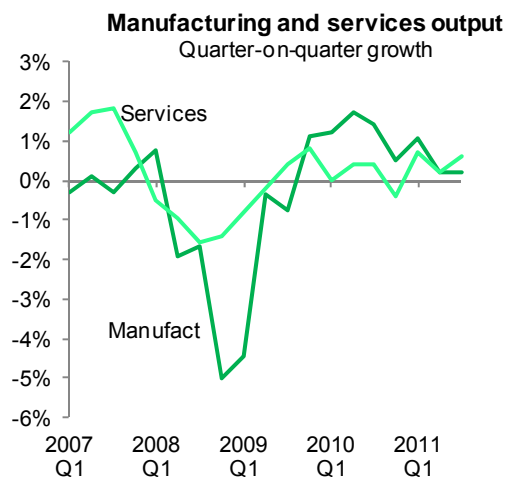
Output

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	2.1%	-3.6%	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%	-0.2%	0.6%	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 0.6%, while construction output decreased by 0.2% compared with an increase of 1.1% in the previous quarter.
- Manufacturing output rose by 2.1% in the year to Q3 2011 and services by 1.2%. Construction output fell by 3.6%.
- Output in the business services and finance sector grew by 1.0% in Q3 2011. Total output in the production industries increased by 0.4% in Q3 2011, with mining and quarrying increasing by 0.4%.

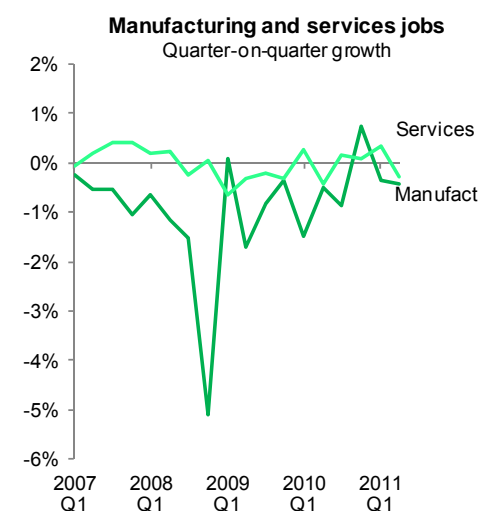
Employment

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.

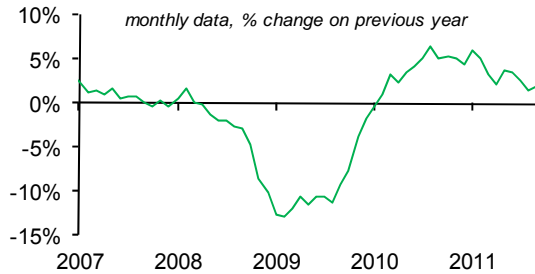
Contact: Lucinda Maer, x3841

Update: ONS, [Quarterly National Accounts](#), 22 Dec

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

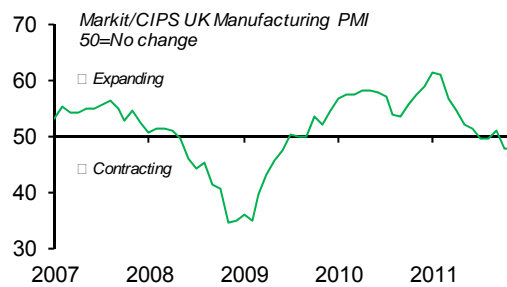


	Index Value (2008=100)	% change over month	% change over 12 months
2009	90.4	...	-9.6
2010	93.8	...	3.8
2011 Jun	96.9	-0.1	+3.5
Jul	96.8	-0.1	+2.6
Aug	96.5	-0.3	+1.6
Sep	96.6	+0.2	+2.0

Source: ONS, series K22A

- Manufacturing output rose by 0.2% in September 2011 compared with August 2011. Manufacturing output rose by 2.0% in September 2011 compared to September 2010.
- Total industrial production (including mining and utilities) remained flat in September 2011 compared with August 2011. Total production was 0.7% lower in September 2011 than in September 2010.

Manufacturing Purchasing Managers' Index

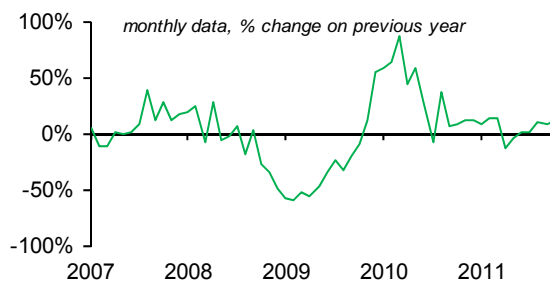


	Index	Monthly change
2009 Nov	51.8	...
2010 Nov	57.5	...
2011 Aug	49.4	0.0
Sep	50.8	+1.4
Oct	47.8	-3.0
Nov	47.6	-0.2

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

- The Markit/CIPS UK Manufacturing PMI fell to 47.6 in November 2011 (where 50.0 is no change). This is its lowest level since June 2009.
- Lower production was linked to reduced new orders, and weaker global and domestic conditions, with clients becoming more reluctant to spend.

Vehicle Production



	Number '000s	% change over 12 months
2009	1,090	-33.9
2010	1,393	+27.8
2010 Oct	124	+8.9
2011 Aug	93	+10.6
Sep	148	+7.4
Oct	140	+12.5

Source: SMMT, not seasonally adjusted

- UK vehicle production was 140,000 in October 2011, 12.5% higher than in October 2010. The SMMT said this was driven by strong export markets, though domestic demand remains weak.
- In 2010, 1.39 million vehicles were produced in the UK, up by 27.8% compared with 2009.

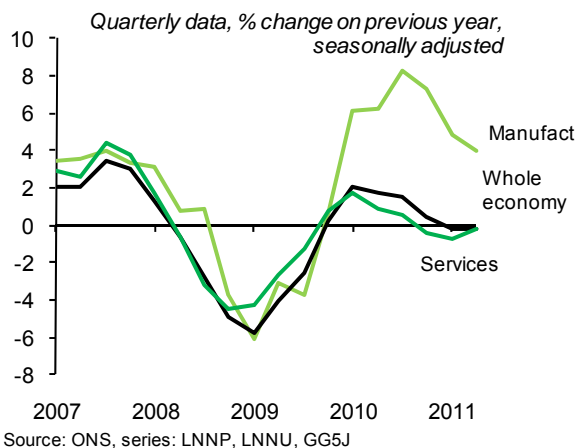
Contact: Lucinda Maer, x3841

Update: ONS, [Index of Production](#), 7 Dec
Markit/CIPS [UK Manufacturing PMI](#), 3 Jan
SMMT, [Vehicle Production](#), mid Dec

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%.

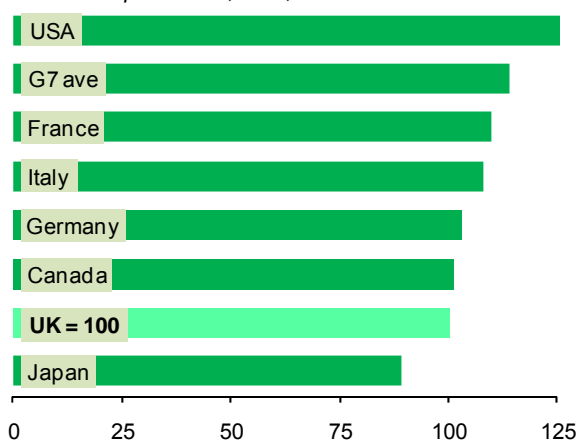
Productivity growth, seasonally adjusted

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



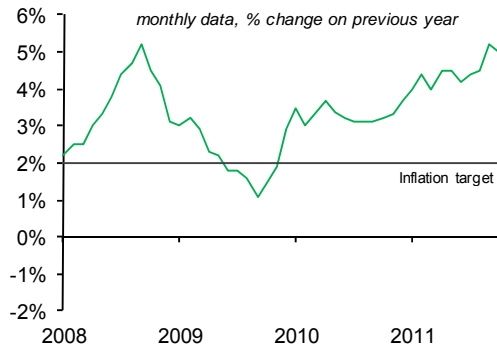
- International comparisons of productivity are presented as an index where the UK=100.
- In 2010, based on GDP per worker, the UK had higher levels of productivity than Japan but lower than all other G7 countries. In 2010, GDP per worker fell relative to all G7 countries except Italy and Germany.
- 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 5.0% in October, down from 5.2% in September and above the Bank of England's 2% target for the twenty-third 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)

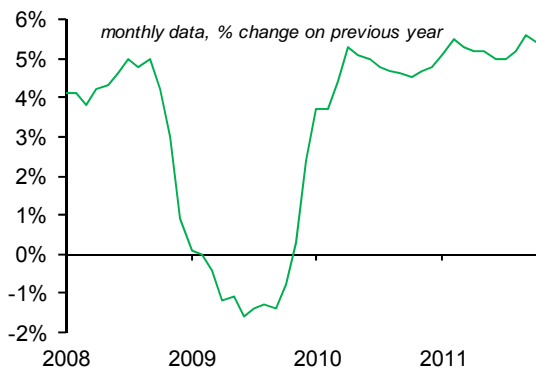


The CPI annual inflation rate was 5.0% in October, down from 5.2% in September which had been its highest rate since September 2008.

- The main contributor to the CPI annual inflation rate came from rises in energy costs. Gas charges were up 24% from a year ago, electricity charges increased by 15% and fuels and lubricants rose by 15%.

The RPI (all items) measure of annual inflation was 5.4% in October, down from 5.6% in September, which had been its highest rate of increase since June 1991.

Retail Prices Index (RPI)



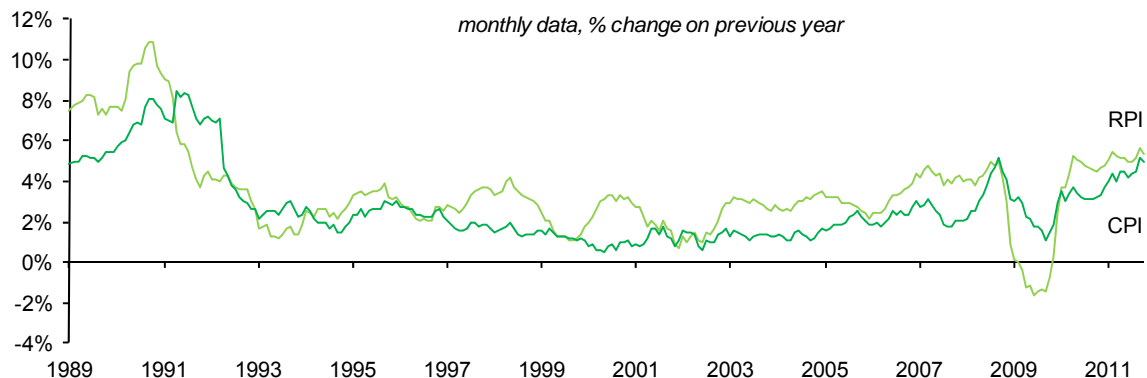
Price Indices

% change on a year ago

		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2011	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
	Oct	5.0	5.4

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1990



Contact: Grahame Allen, x3977

Update: ONS, [Consumer Price Indices](#), 13 Dec

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.

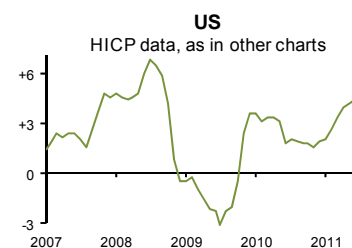
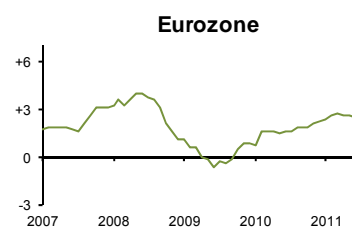
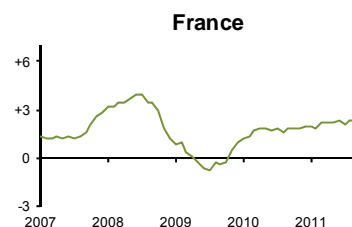
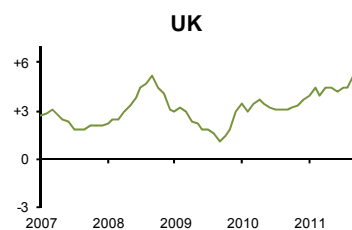
- In the year to October, UK inflation was 5.0%, down from 5.2% in September. This is the highest rate in the EU. The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in November was 3.0%, unchanged from October and September. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The second-highest rate in the EU in October (behind the UK) was 4.7% in Estonia. Sweden had the lowest annual inflation rate in the EU at 1.1%.
- HICP annual inflation in the US in September was 4.7%, unchanged from August. Using its national definition, US inflation was 3.5% in October, down from 3.9% in September.

Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	Jul-11	Aug-11	Sep-11	Oct-11
HICP (ONS/Eurostat)						
UK	2.2	3.3	4.4	4.5	5.2	5.0
Eurozone	0.3	1.7	2.5	2.5	3.0	3.0
EU	1.0	2.1	2.9	2.9	3.3	3.4
France	0.1	1.7	2.1	2.4	2.4	2.5
Germany	0.2	1.2	2.6	2.5	2.9	2.9
Greece	1.3	4.7	2.1	1.4	2.9	2.9
Italy	0.8	1.6	2.1	2.3	3.6	3.8
Spain	-0.2	2.0	3.0	2.7	3.0	3.0
US	1.0	2.1	4.4	4.5	4.7	:
National definitions (OECD)						
Canada	0.3	1.8	2.7	3.1	3.2	..
Japan	-1.3	-0.7	0.2	0.2	0.0	..
US	-0.4	1.6	3.6	3.8	3.9	3.5
G7	-0.1	1.4	2.9	3.0	3.2	..
OECD	0.5	1.9	3.1	3.2	3.3	..
Brazil	4.9	5.0	6.9	7.2	7.3	7.0
China	-0.7	3.3	6.5	6.2	6.1	5.5
India	10.9	12.0	8.4	9.0	10.1	..
Russia	11.7	6.9	9.0	8.1	7.2	..

Source: ONS, Eurostat & stat.OECD database



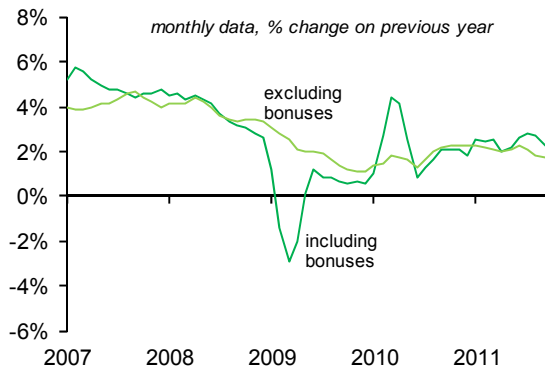
Contact: Gavin Thompson, x2042

Updates: OECD, [Main Economic Indicators](#), 12 Dec
Eurostat, [HICP full release](#), 15 Dec
Eurostat, [Flash estimate \(Dec\)](#), 4 Jan

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.3% in September compared with a year ago, down from 2.7% in August. Average weekly earnings excluding bonuses rose by 1.7% in the three months to September compared with a year ago, down from 1.8% in August. Inflation as measured by the CPI was 5.2% in September 2011 (the latest CPI inflation figure is 5.0% for October).

Average Earnings, Whole Economy



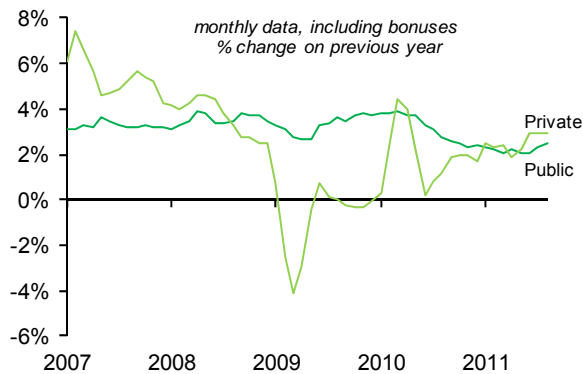
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2008 Sep	2.8	3.8	3.0	3.2	3.2
2009 Sep	-0.2	3.5	0.8	0.8	0.7
2010 Sep	1.9	2.6	4.3	2.0	2.1
2011 Apr	1.9	2.2	0.7	2.4	2.0
May	2.2	2.1	1.1	2.7	2.2
Jun	2.9	2.1	1.7	3.0	2.6
Jul	2.9	2.3	1.7	3.1	2.8
Aug	2.9	2.5	1.7	3.0	2.7
Sep	2.4	2.3	1.5	2.5	2.3

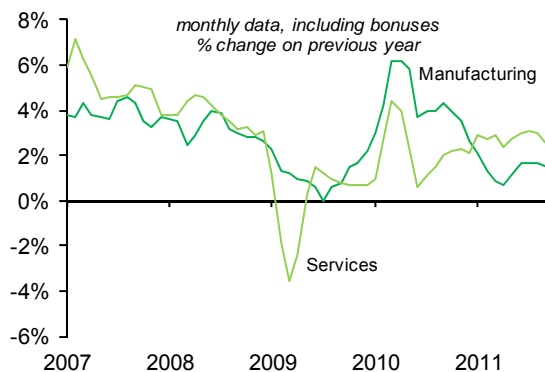
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 2.4% in September, compared with an increase of 2.3% in the public sector. Excluding financial services, public sector earnings rose by 1.8%.
- Average weekly earnings (including bonuses) in September in the public sector were £477 compared with £460 in the private sector.
- In 2010, headline (including bonuses) earnings in the public sector averaged a rise of 3.1%, while the private sector averaged a 2.1% increase.

Average Earnings in Services and Manufacturing

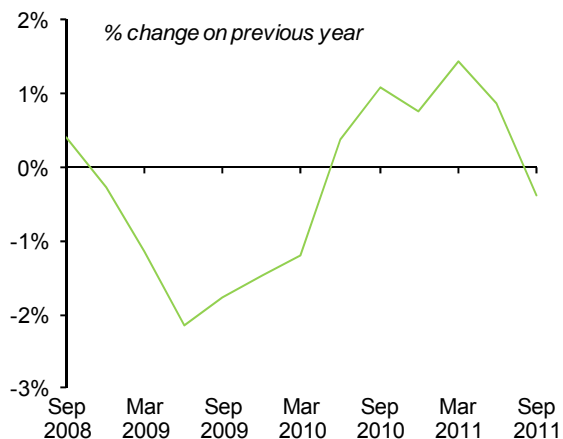


- Average total pay growth (including bonuses) in the manufacturing sector was 1.5% in September, compared with 2.5% in the services sector.
- Average weekly earnings (including bonuses) in September in the manufacturing sector were £534 compared with £450 in the services sector.
- In 2010, headline (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

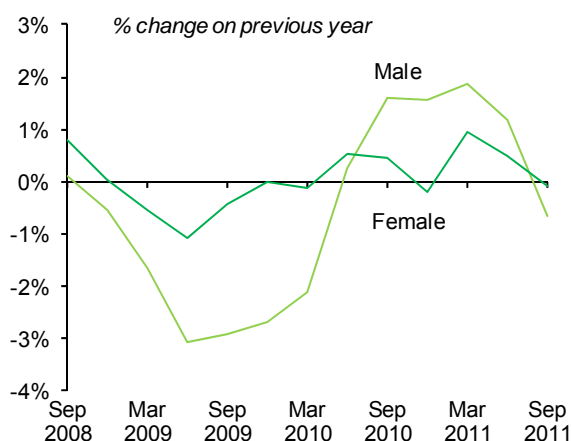
Employment fell by 197,000 over the quarter to September 2011, to 29.07 million. This is the biggest quarterly fall in employment since the three months to July 2009. Employment is now 1.7% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment



- Employment decreased by 0.4% or 109,000 over the last year.
- In the past quarter, employment has fallen for 16-24 year olds, 25-49 year olds and people over 65.
- Employment fell by 129,000 or 3.4% among 16-24 year olds in the past quarter.

Male and female employment



- The number of men in employment decreased by 153,000 over the last quarter, whilst the number of women in employment fell by 44,000.
- 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+
Jul-Sep 2009	28,867	3,781	17,078	7,254	753
Jul-Sep 2010	29,178	3,823	17,173	7,331	851
Oct-Dec 2010	29,122	3,735	17,207	7,302	878
Jan-Mar 2011	29,240	3,728	17,269	7,358	885
Apr-Jun 2011	29,265	3,749	17,260	7,376	881
Jul-Sep 2011	29,069	3,620	17,214	7,386	849
% change on previous 3 months	-0.7	-3.4	-0.3	+0.1	-3.7
% change on previous year	-0.4	-5.3	+0.2	+0.8	-0.3

Source: ONS

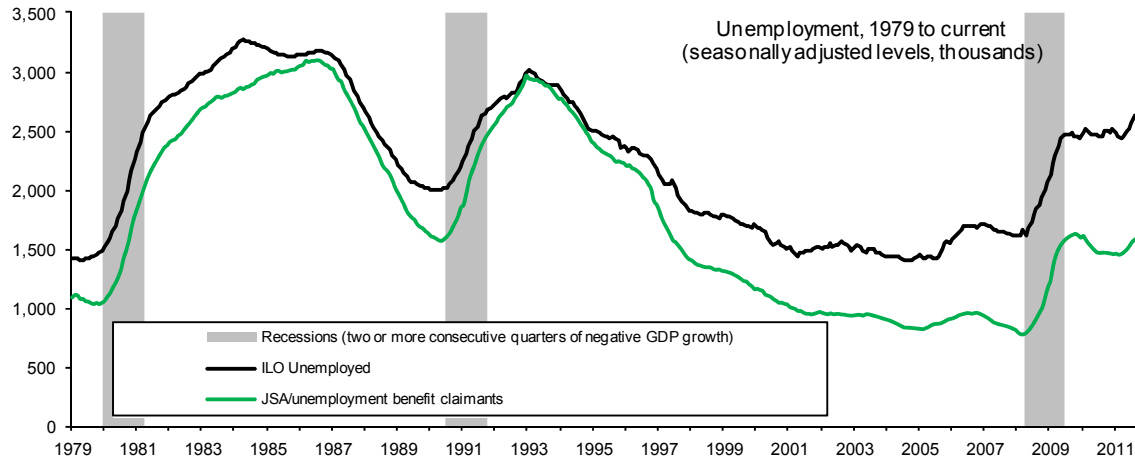
Contact: Chris Rhodes, x2454

Update: ONS, [Labour Market Statistics](#), 14 Dec

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 July to September 2011 was 2,622,000 (8.3% of all economically active) – up 129,000 from the previous quarter, and the highest level since 1994 (UK, seasonally adjusted).**



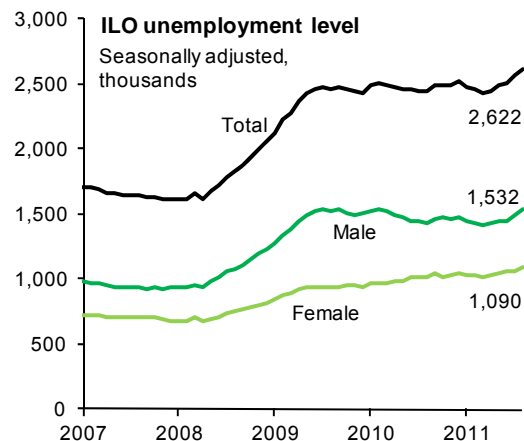
[Source: ONS, *Labour Market Statistics*]

ILO unemployment (July to September 2011)

- There were 868,000 people unemployed for more than 12 months, up 31,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 1,016,000, up 67,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 5,300 between September 2011 and October 2011 to 1,598,400.



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	(%)
Jul-Sep 2006	1,696	5.5	703	14.4	744	4.1	232	3.2	16	2.5
Jul-Sep 2007	1,650	5.3	710	14.5	696	3.9	232	3.2	12	1.8
Jul-Sep 2008	1,836	5.9	765	15.5	801	4.4	251	3.4	19	2.6
Jul-Sep 2009	2,467	7.9	944	20.0	1,150	6.3	348	4.6	25	3.2
Jul-Sep 2010	2,451	7.7	904	19.1	1,155	6.3	371	4.8	20	2.3
Oct-Dec 2010	2,492	7.9	965	20.5	1,141	6.2	366	4.8	20	2.3
Jan-Mar 2011	2,455	7.7	935	20.0	1,124	6.1	380	4.9	17	1.8
Apr-Jun 2011	2,494	7.9	949	20.2	1,160	6.3	367	4.7	17	1.9
Jul-Sep 2011	2,622	8.3	1,016	21.9	1,196	6.5	383	4.9	27	3.1
% change on quarter	+5.2		+7.0		+3.1		+4.4		+61.7	
% change on year	+7.0		+12.4		+3.6		+3.3		+35.7	

Source: ONS, *Labour Market Statistics*.

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

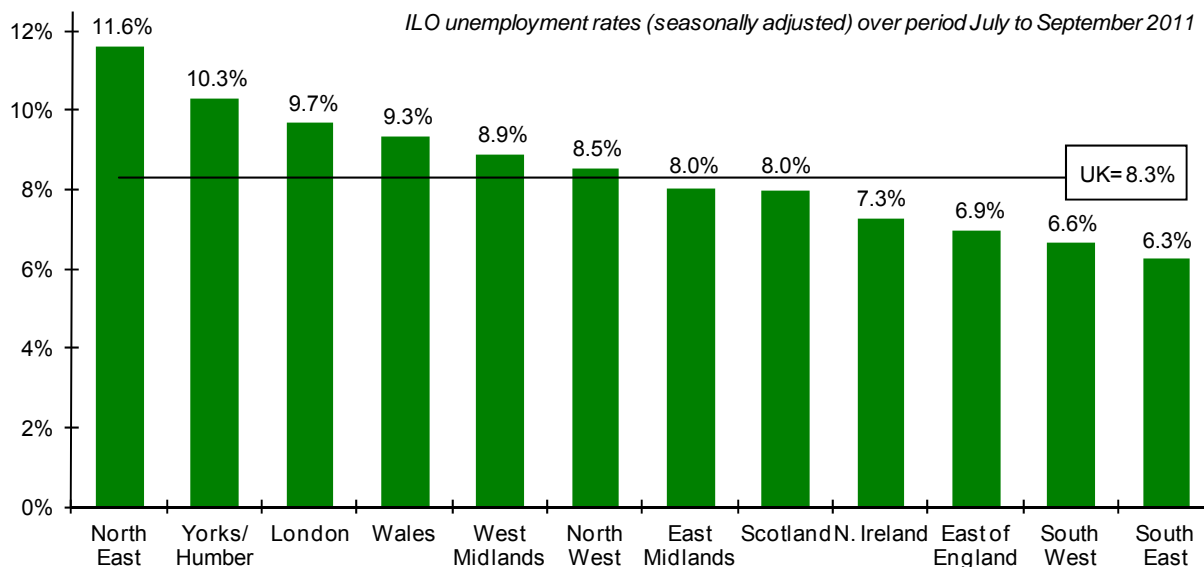
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 14 Dec 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 July to September 2011, the North East had the highest unemployment rate, at 11.6% of the economically active population, followed by Yorkshire and the Humber (at 10.3%). The lowest rate over the same period was 6.3% in the South East.



- The largest increases in unemployment over the last quarter was in Yorkshire and the Humber (+51,000) and the North East (+20,000). The largest decrease over the last quarter was in the North West (-7,000).
- The seasonally-adjusted JSA claimant count increased in every region and country except the North East, South West and Scotland in October 2011, compared with September 2011.

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

	ILO unemployment				JSA claimant count	
	Jul - Sept 2011		Change in level		October 2011	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	146	11.6	+20	+31	89.3	-0.2
North West	293	8.5	-7	+15	199.8	+0.9
Yorkshire & Humber	274	10.3	+51	+35	161.2	+1.0
East Midlands	187	8.0	-0	+4	107.5	+0.2
West Midlands	234	8.9	+10	-1	170.0	+0.6
East of England	210	6.9	+14	+14	117.1	+0.8
London	410	9.7	+4	+36	236.7	+1.6
South East	276	6.3	+16	-1	144.0	+1.0
South West	178	6.6	+2	+30	89.5	-0.4
Wales	137	9.3	+14	+20	78.9	+0.6
Scotland	215	8.0	+5	-14	143.7	-0.9
Northern Ireland	63	7.3	-1	+4	60.7	+0.1

Source: ONS, *Labour Market Statistics*

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

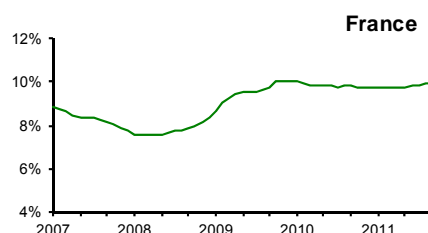
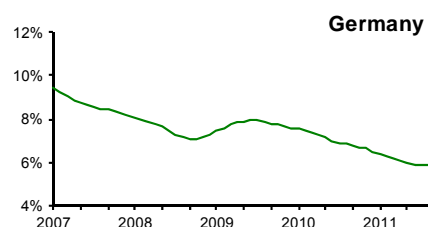
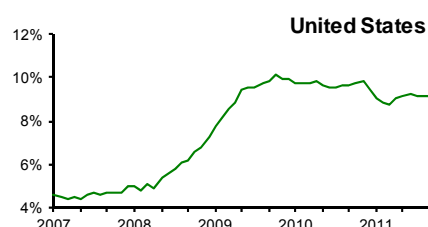
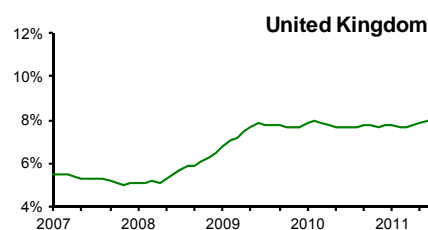
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 14 December 2011

C4: Unemployment: International Comparisons

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

- Harmonised figures for Q3 2011 are not yet available for the UK. Using national definitions, UK unemployment was 8.3% in Q3 2011, up from 7.9% in Q2 2011. 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.
- In the US, unemployment was unchanged between Q2 2011 and Q3 2011, at 9.1%. Among other G7 countries, Canada saw the largest quarter-on-quarter fall in unemployment, of 0.3 percentage points, and France the largest rise, of 0.2 percentage points.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (22.2% in Q3 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 14.4% in Q3 2011). This compares with a 2.3 percentage point rise in unemployment in the OECD as a whole since the start of 2007 (from 5.9% to 8.2%) and a 2.2 percentage-point rise in the euro zone (from 7.9% to 10.1%) over the same period.
- The lowest unemployment rate in the OECD in Q2 2011 was in Norway (3.3%).
- The most forecasts published by the OECD ([Economic Outlook no. 90, November 2011](#)) suggested the UK unemployment rate would be 8.8% in 2012 (an upward revision of 0.7 percentage points from the May 2011 forecast), and 9.1% in 2013. The respective forecasts for the euro zone were 10.3% in 2012 and 2013, and for the OECD as a whole 8.1% and 7.9%.



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	9.9
Germany	7.6	7.7	7.1	7.5	7.2	6.9	6.6	6.3	6.0	5.9
Italy	6.8	7.8	8.4	8.5	8.6	8.2	8.3	8.2	8.1	8.2
Japan	4.0	5.1	5.1	5.0	5.1	5.0	5.0	4.7	4.6	4.4
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	10.1	10.1	10.0	10.0	10.1
G7	5.9	8.1	8.2	8.3	8.2	8.1	8.1	7.7	7.7	7.7
OECD	6.1	8.4	8.6	8.7	8.6	8.5	8.5	8.2	8.2	8.2

Source: OECD, Harmonised Unemployment Rates

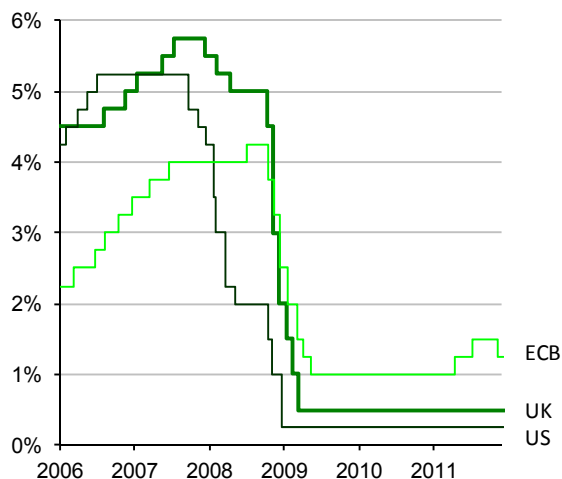
Contact: Gavin Thompson, x2042 Updates: OECD, [Harmonised Unemployment Rates](#), 12 Dec

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
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

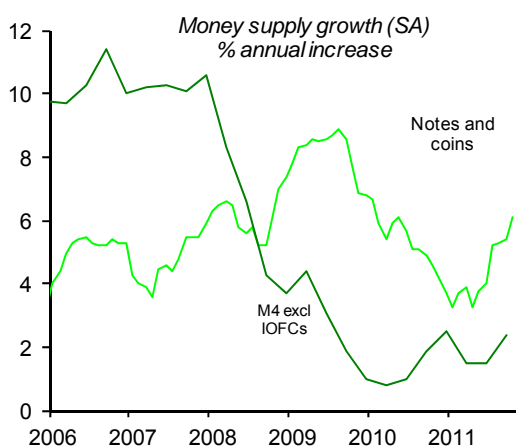
Source: Bank of England

- Between April and July 2011, the European Central Bank’s official interest rate was raised twice, eventually reaching 1.50%. April’s rate rise was the first since July 2008. In November 2011, this rate was lowered to 1.25%.
- 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” or ‘QE’. 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 by the Bank of England in the first phase of QE, 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 6.1% in the year to October 2011.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: 08 Dec (UK)
Bank of England, *Monetary and Financial Statistics*, 04 Jan

D2: Public Finances

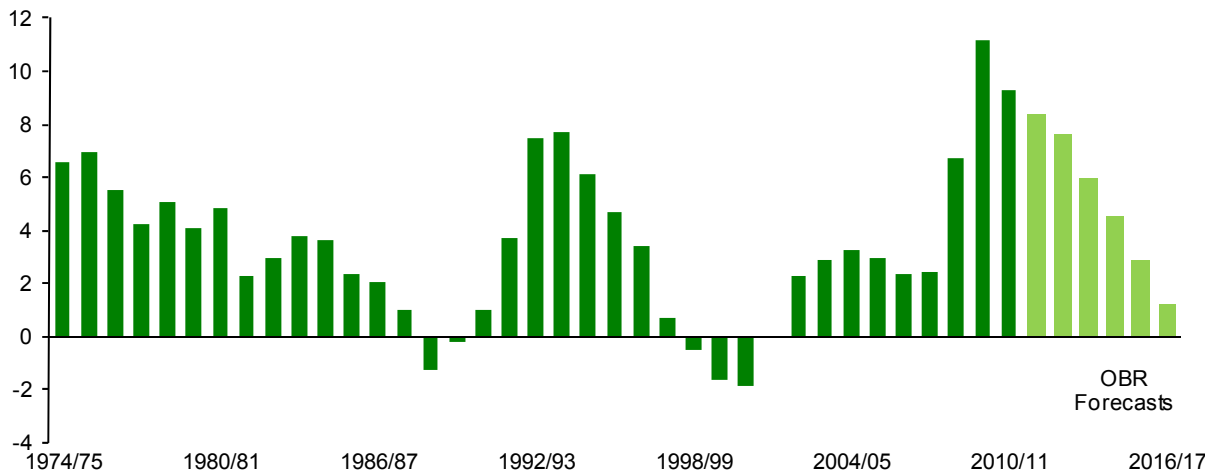
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £127 billion in 2011/12, equivalent to 8.4% of GDP.

- Between April and October 2011, the Government borrowed £68.3 billion, 13.2% lower than the same period a year ago.
- The OBR revised its forecasts for borrowing up in its November 2011 forecast. Over the period 2011/12 to 2015/16, borrowing is forecast to be £111 billion higher than forecast in March 2011.
- Debt is now forecast to fall as a share of GDP in 2015/16, a year later than previously forecast.

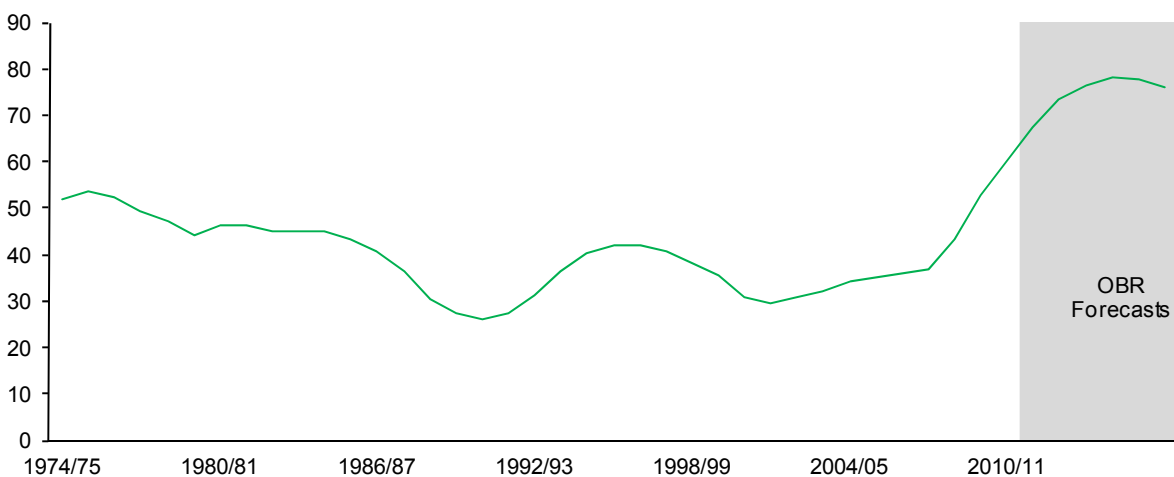
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	156	11.2	760	52.9
2010/11	137	9.3	905	60.1
2011/12	127	8.4	1,044	67.5
2012/13	120	7.6	1,182	73.3
2013/14	100	6.0	1,300	76.6
2014/15	79	4.5	1,397	78.0
2015/16	53	2.9	1,470	77.7
2016/17	24	1.2	1,515	75.8

Source: ONS, OBR. Excludes financial sector interventions

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update:- ONS, [Public sector finances](#), 21 Dec

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 05 December 2011

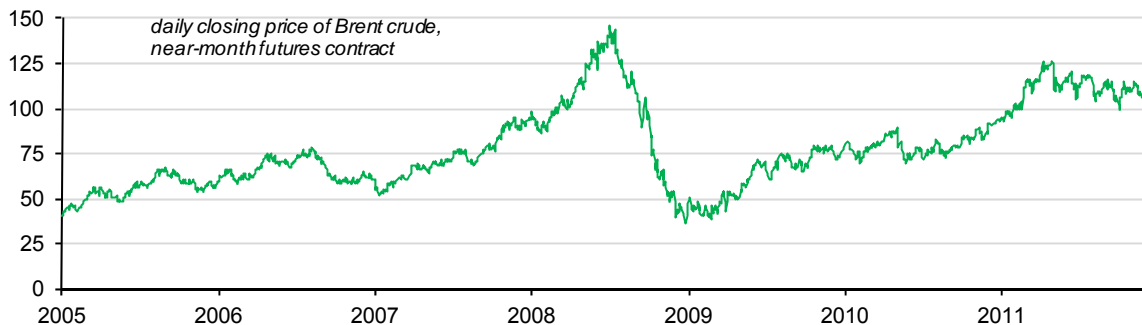
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
05 Dec 2011	5,568.0	109.8	1,746.7
%change over:			
1-month	+2.7%	+0%	+2%
12-months	-4%	+20%	+23%
%change from:			
cyclical peak	-17%	-25%	-8%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+59%	+202%	+146%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Oil price (\$ per barrel)



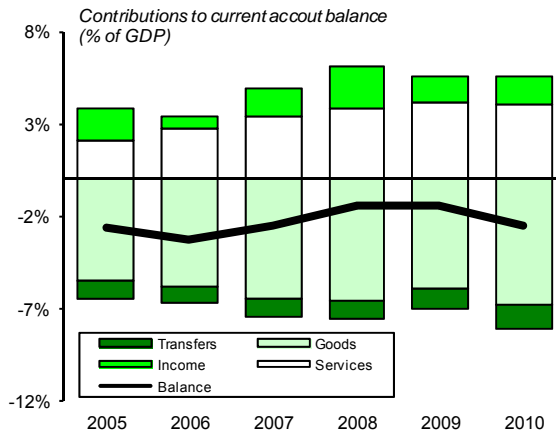
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2010 was £36.7 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. Early data for Q3 2011 suggests the surplus on services fell to £17.6bn while the deficit on goods rose to £74bn.
- 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.

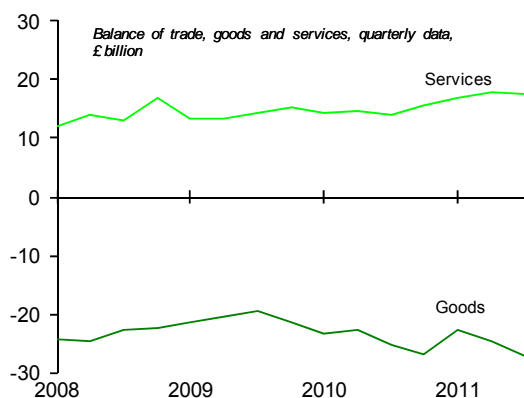
Current Account Balances

£ millions; seasonally adjusted

	Goods		Balance	Services Balance	Goods and Services Balance	Income	Transfers	Current Account Balance
	Exports	Imports						
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 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	97,832	-22,799	16,968	-5,831	7,429	-5,717	-4,120
Q2	73,819	98,387	-24,568	17,787	-6,781	9,581	-4,825	-2,022
Q3	74,022	101,196	-27,174	17,646	-9,528	-	-	-

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 September was £9.8bn, wider than the August figure of £8.6bn.
- The monthly trade surplus on services was an estimated £5.9bn in September, down slightly from the August figure.
- The overall monthly deficit on goods and services combined in September was £3.9bn, widening from £2.7bn in August.
- The goods deficit with the EU27 was £2.9bn in September, up from £3.5bn in August, while the deficit with non-EU countries was £5.7bn, up from £5.1bn in September.

Contact: Grahame Allen, x3977

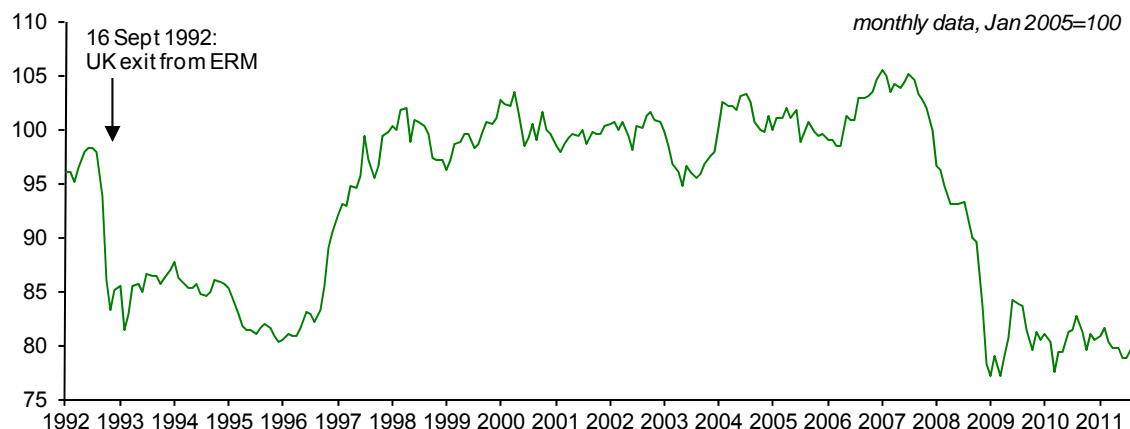
Updates: ONS, [UK Trade](#), 9 Dec;
ONS, [UK Balance of Payments](#), 22 Dec

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).

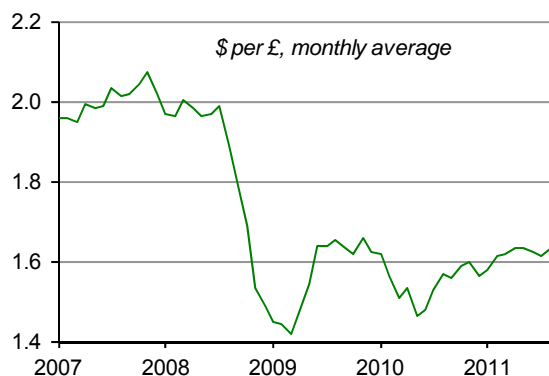
The SERI rose by 1.1% in November, having risen by 0.3% in October. Compared with the same period last year, the SERI was 0.7% lower. It is now 4.3% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 23.8% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



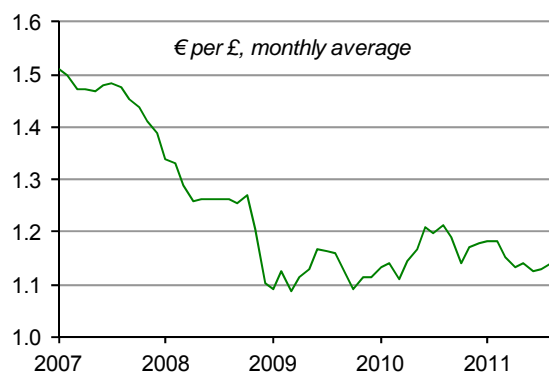
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in November, the pound was unchanged against the dollar compared with October. At the 5 December market close the pound stood at \$1.57, one cent below the November average (\$1.58).
- Sterling was on average 2 cents stronger against the Euro in November, compared with October
- At the 5 December market close the pound stood at €1.16, one cent below the November average of €1.17. 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 Nov	1.60	-3.8%	1.17	5.2%
2011 Sep	1.58	1.3%	1.15	-3.6%
Oct	1.58	-0.6%	1.15	0.7%
Nov	1.58	-1.0%	1.17	-0.4%

Source: Bank of England, Bankstats database

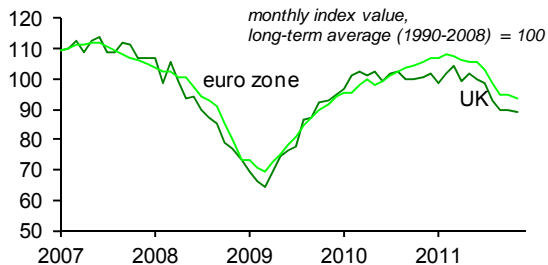
Contact: Aliyah Dar, x5919

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 3 Jan

F1: Business and Consumer Confidence

Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.

European Commission Economic Sentiment Indicator

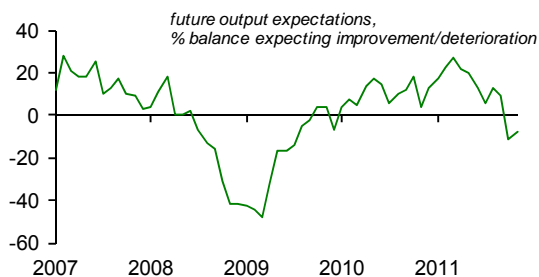


	UK Index	monthly change	change on year ago
2009 Nov	92.9	...	...
2010 Nov	100.6	...	...
2011 Sep	89.5	-3.4	-10.7
Oct	89.5	+0.0	-10.2
Nov	88.9	-0.6	-11.7

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of EU member states' economies.
- Between October and November 2011 the overall UK sentiment index decreased by 0.6 points, to 88.9. This was a smaller drop than that in the overall Euro area sentiment index, of 1.1 points (to 93.7).

CBI Industrial Trends Survey



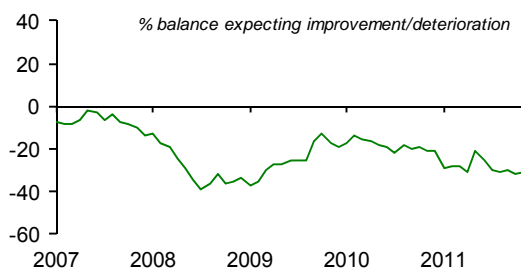
balance (as a %) of those expecting an improvement
minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2009 Nov	+4	...	...
2010 Nov	+4	...	...
2011 Sep	+9	-4	-3
Oct	-11	-20	-29
Nov	-8	+3	-12

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in November 2011 were -8% of firms expecting output to rise rather than fall over the next three months. This is up 3 percentage points on October 2011, when it was -11%, which was 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 Conf. Index	monthly change	change on year ago
2009 Nov	-17	...	...
2010 Nov	-21	...	...
2011 Sep	-30	+1	-10
Oct	-32	-2	-13
Nov	-31	+1	-10

Source: GfK NOP, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- At -31, overall consumer confidence was at a similar level in November 2011 to in October, when it was at -32 – its lowest level since spring 2009.

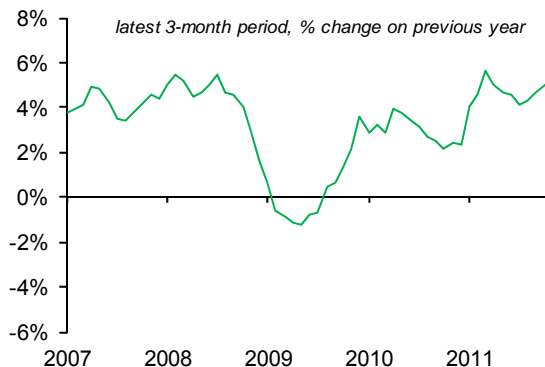
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 15 Dec
EC, [Economic Sentiment Indicator](#), 6 Jan
GfK NOP, [Consumer Confidence](#), 20 Dec

F2: Retail Sales

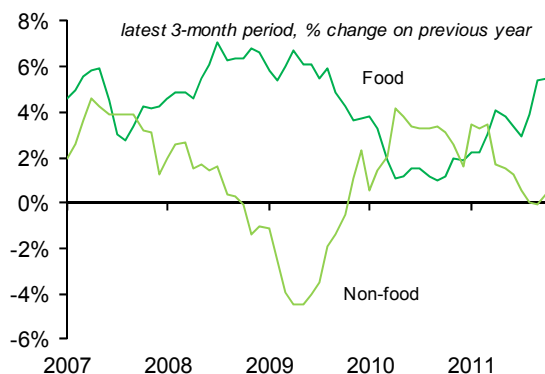
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to October 2011 was 5.0%, a small increase on September's 4.7%.
- The value of retail sales in October 2011 alone showed an increase of 0.7% compared with September 2011.
- The value of retail sales in October 2011 alone showed an increase of 5.4% compared with October 2010.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to October rose by 5.5%, the highest since August 2009.
- The annual rate of increase in the value of sales in non-food stores was 0.5% in the three months to October.
- Sales in household goods stores were 2.0% lower than a year ago, a continued slowing of a downward trend.
- Non-store sales (includes internet) were up by 13.0% in the year to October.

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	0.8	-5.0	-3.4	-1.8	0.6
2010	1.6	5.4	-3.4	2.1	2.6	2.7
2011 Jun	3.4	3.9	-4.2	2.6	1.3	4.6
Jul	2.9	3.6	-4.5	0.6	0.6	4.1
Aug	3.9	3.4	-4.5	-1.4	0.0	4.3
Sep	5.4	2.4	-3.7	-2.0	-0.1	4.7
Oct	5.5	2.1	-2.0	-0.8	0.5	5.0

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

Contact: Lucinda Maer, x3841

Update: ONS, [Retail Sales](#), 15 Dec

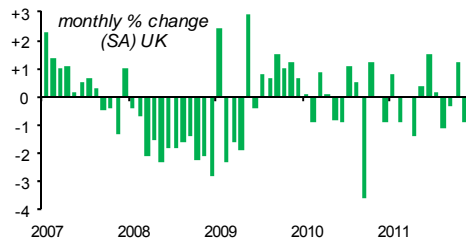
F3: Housing Market

House prices on the Nationwide index rose by 0.4% in November. Prices were 1.6% higher in November compared with a year ago. House prices on the Halifax index fell by 0.9% in November having risen by 1.2% in October. Prices were 0.6% 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

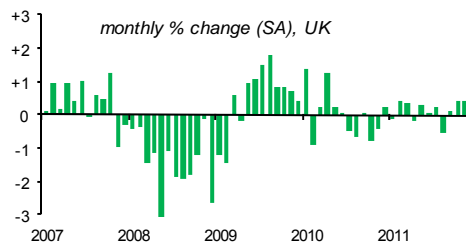
Halifax house price index



Latest monthly data
UK, seasonally adjusted

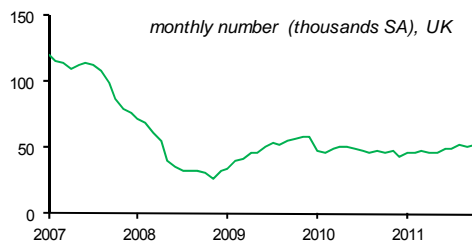
	Halifax	Nationwide
Latest data	Oct-11	Nov-11
Change in month	-0.9%	+0.4%
Change in year	-1.6%	+1.6%
Peak date	Aug-07	Jul-07
Change since peak	-18.0%	-9.0%
Trough date	Apr-09	Feb-09
Change since trough	+5.9%	+9.9%

Nationwide house price index



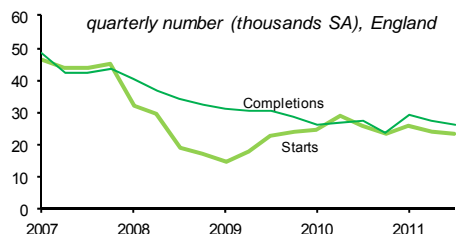
- The recovery in house prices since early 2009 has fluctuated. Recent data has shown prices falling in year-on-year terms on the Halifax measure but rising on the Nationwide measure.
- There is considerable regional variation. In Q2 2011 prices rose by 6% in London and 5% in Wales but fell by 1% in 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 rose by 3% to 52,743 in October. The number of approvals has remained generally flat since early 2010.

House-building



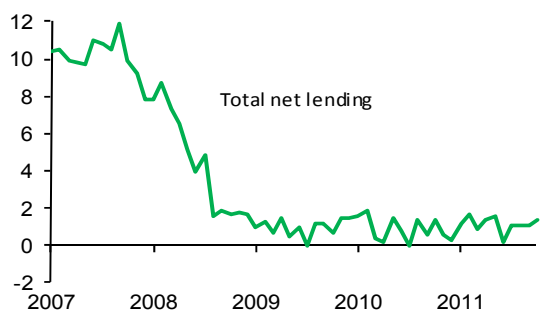
- There were 23,410 house building starts in England in Q3 2011, down 1% from 23,610 in Q2 2011. This is over 50% above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions also fell to 26,190 in Q3 2011, down from 27,330 in Q2 2011.

Contact: Aliyah Dar, x5919

Updates: Halifax [House Price Index](#), early Jan;
Nationwide [House Price Index](#), early Jan;
Bank of England, [Lending to Individuals](#), 4 Jan;
DCLG, [House-building](#), 16 Feb

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 £1.3 billion in October 2011. This compares with September's figure of £1.1 billion.
- Monthly net unsecured lending was unchanged in October 2011.
- Monthly net secured lending (mortgages) grew by £1.3 billion in October 2011. It grew by £0.5 billion in September.

Net outstanding lending to individuals

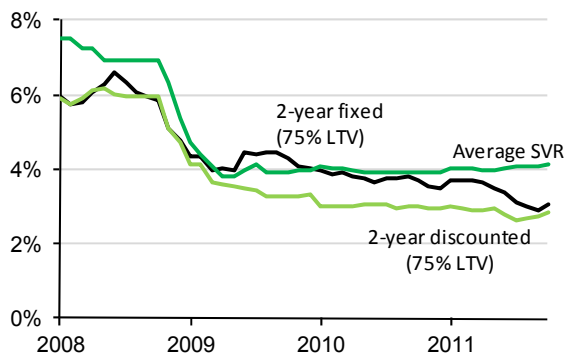
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Oct	1,172	220	1,392
2008 Oct	1,223	235	1,458
2009 Oct	1,232	230	1,462
2010 Oct	1,238	218	1,456
2011 Apr	1,240	210	1,450
2011 Jul	1,242	209	1,451
2011 Oct	1,243	208	1,451

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

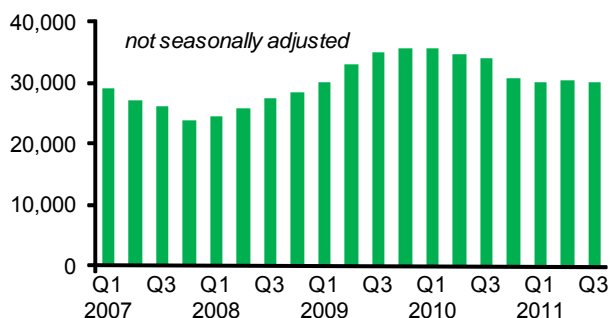
- Total net outstanding lending to individuals was £1,451 billion at the end of October 2011, 0.3% lower than in October 2010.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £208 billion at the end of October 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 October 2011 was 4.12%, compared with 3.91% a year ago.
- The average fixed and discounted rates offered (75% LTV) in October 2011 were 3.04% and 2.82% respectively, compared with 3.68% and 3.02% a year ago.

Individual insolvencies, England and Wales



Source: Insolvency Service

- Q3 2011 provisional data indicates there were 30,219 individual insolvencies in England and Wales (not seasonally adjusted), an 11.0% decrease on Q3 2010.
- In Scotland in Q3 2011 there were 5,378 individual insolvencies, an increase of 3.9% on Q3 2010.
- In N Ireland in Q3 2011 there were 612 individual insolvencies, a rise of 11.1% on Q3 2010.

Contact: Dominic Webb, x4324

Update: Bank of England, [Lending to Individuals](#), 4 Jan 2012
Insolvency Service, [Insolvency Statistics](#), 3 Feb 2012

5 Indicator sources

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

Indicator		Source details
A1	Gross Domestic Product	ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; Quarterly national accounts HM Treasury, Forecasts for the UK Economy
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, Economic Outlook (full document via www.sourceoecd.org); IMF World Economic Outlook database and updates European Commission's growth forecasts
A3	Components of GDP	ONS releases: Second Estimate of GDP ; Quarterly national accounts
A4	Output and Employment by Industry	ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; Quarterly national accounts
A5	Manufacturing	ONS, Index of Production Markit/CIPS UK Manufacturing Purchasing Managers Index SMMT, Vehicle Production
A6	Productivity	ONS, Labour Productivity
B1	Inflation	ONS, Consumer Price Indices
B2	Inflation: International	CPI: OECD, Main Economic Indicators (link to user defined table); EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, Labour Market Statistics
C1	Employment	ONS, Labour Market Statistics
C2	Unemployment: National	ONS, Labour Market Statistics
C3	Unemployment: Regional	ONS, Labour Market Statistics and Regional Labour Market Statistics
C4	Unemployment: International Comparisons	Data: OECD, Main Economic Indicators Commentary: OECD, Economic Outlook (full document via www.sourceoecd.org)

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

6 Glossary

Symbols and abbreviations

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

Definitions¹

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

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

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

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

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

Basic prices: Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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