



Economic Indicators, March 2012

RESEARCH PAPER 12/11 06 March 2012

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

- The second release of GDP data for Q4 2011 left unchanged the initial estimate of a 0.2% contraction in the economy compared with the previous quarter.
- Contributing to the decline were sharp falls in investment and in inventories held by companies.
- On a more positive note, consumer spending rose for the first time since Q2 2010, while there was also a strong rise in exports.
- Indicators point to a return to growth in Q1 2012.

This month's articles:

- **Forecasting UK GDP**
- **Is the public sector really half the UK economy?**

The next edition of *Economic Indicators* will be published on Tuesday 20 March, the day before this year's Budget.

Daniel Harari (editor)

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Research Paper 12/11

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

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Summary

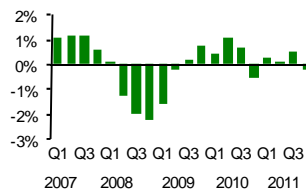
The second release of GDP data for Q4 2011 left unchanged the initial estimate of a 0.2% contraction in the economy compared with the previous quarter. Contributing to the decline were sharp falls in investment and in inventories held by companies. On a more positive note, consumer spending rose for the first time since Q2 2010, while there was also a strong rise in exports. Indicators point to a return to growth in Q1 2012.

The next edition of *Economic Indicators* will be published on Tuesday 20 March, the day before this year's Budget.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



Quarterly GDP fell by 0.2% in Q4 2011 compared with Q3 2011. This followed an increase in GDP of 0.5% in Q3 2011. GDP is 3.9% below its pre-recession peak of Q1 2008.

Inflation (CPI)

[page 7](#)

(% change on year ago)

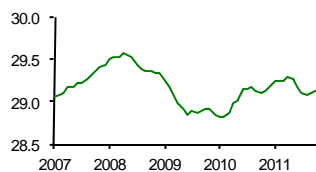


The annual rate of CPI inflation was 3.6% in the year to January, down from 4.2% in December. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

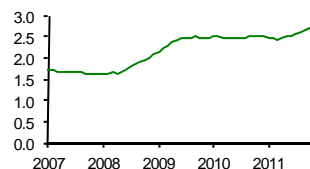


Compared with the previous quarter, the number of people employed rose by 60,000 to 29.13 million in the three months to December.

Unemployment

[page 11](#)

(total, millions, ILO definition)

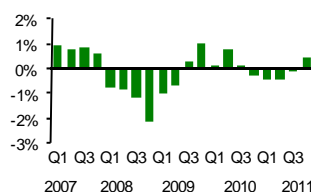


Compared with the previous quarter, ILO unemployment rose by 48,000 to 2.67 million in the three months to December. The unemployment rate also increased, from 8.3% to 8.4%.

Household consumption

[page 3](#)

(% change quarter-on-quarter)



In Q4 2011, consumer spending rose by 0.5% compared with Q3. Despite this increase, consumption fell by 0.8% during 2011 as a whole and is 5.4% below its pre-recession peak of Q4 2007.

Next issue: 20 March (day before Budget)

Editor: Daniel Harari

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1 Introduction to *Economic Indicators*

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

Feedback

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

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Sources and glossary

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

Contacts

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

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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 Forecasting UK GDP

It is very difficult to predict the future evolution of an economy with a high degree of accuracy, especially given that the past path of GDP is liable to revision. Consequently, many modern-day ‘soothsayers’ are employed to use the latest modelling techniques to ‘best guess’ the future path of GDP. Uncertainty, and the associated risks attributed to this uncertainty, is often glossed over by GDP forecasters, the majority of which then produce a single ‘point’ forecast for each period in the future. The main source of UK GDP point forecasts is the Treasury’s monthly publication *Forecasts for the UK economy: a comparison of independent forecasts*, the average from the latest edition (February 2012) is for GDP growth in 2012 of 0.4% and 1.8% for 2013.

Point forecasts of UK GDP growth are also published by the OECD and IMF. The OECD’s latest forecasts for the UK, published in November 2011, are for growth of 0.5% in 2012 and 1.8% in 2013.³ The IMF’s latest forecasts for the UK, published in January, are for growth of 0.6% in 2012 and 2.0% in 2013.⁴

The Office for Budget Responsibility (OBR) currently produces the forecasts of UK GDP used by the Government to form the underlying economic assumptions for its fiscal plans. The OBR publishes a central (point) growth forecast (where there is an equal likelihood that actual growth will be higher or lower than the forecast) in its *Economic and fiscal outlook* in spring (alongside the Budget) and in autumn of each year. The latest OBR central forecasts (from November 2011) are for 0.7% growth for 2012 and 2.1% for 2013.

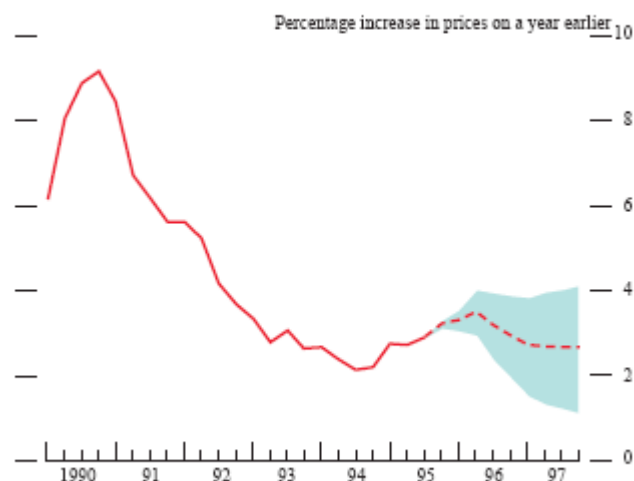
2.1 Forecasting uncertainty

Single number forecasts have a high probability of being incorrect. The consequences of the smallest forecasting error in GDP growth can be considerable (0.1 of a percentage point of annual GDP equates to around £1.5 billion). Such errors can prove costly when they occur in growth forecasts employed to estimate future tax revenue streams.

Prior to the creation of the OBR, HM Treasury produced forecasts which included an upper and lower end for its forecast range of GDP to include a measure of the uncertainty caused by different future scenarios. A similar type of chart was published by the Bank of England for its inflation projections showing a central forecast of inflation with a shaded area around this projection bounded by (plus or minus) the average of past forecast errors on either side.⁵

Although this type of forecast can provide some additional information over a point forecast it provides no indication of the weights given to different forecast outcomes within that range. The Bank’s chart was also not thought suitable as too much attention was given to the central projection and too little on the uncertainty around it.

November 1995 RPIX inflation projection, showing symmetric error bands^(a)



(a) The range of the error bands is defined as the central projection plus or minus the average absolute error on RPIX inflation projections since 1985.

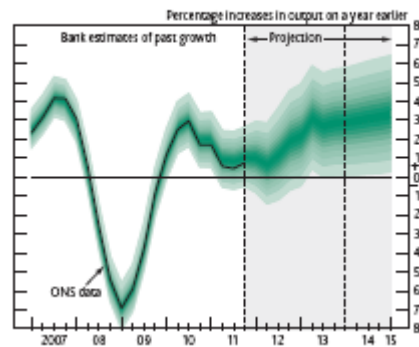
³ OECD, *Economic Surveys: United Kingdom*, November 2011

⁴ IMF, *World Economic Outlook Update, Global Recovery Stalls, Downside Risks Intensify*, January 24 2012

⁵ Bank Of England, *Quarterly Bulletin*, February 1998

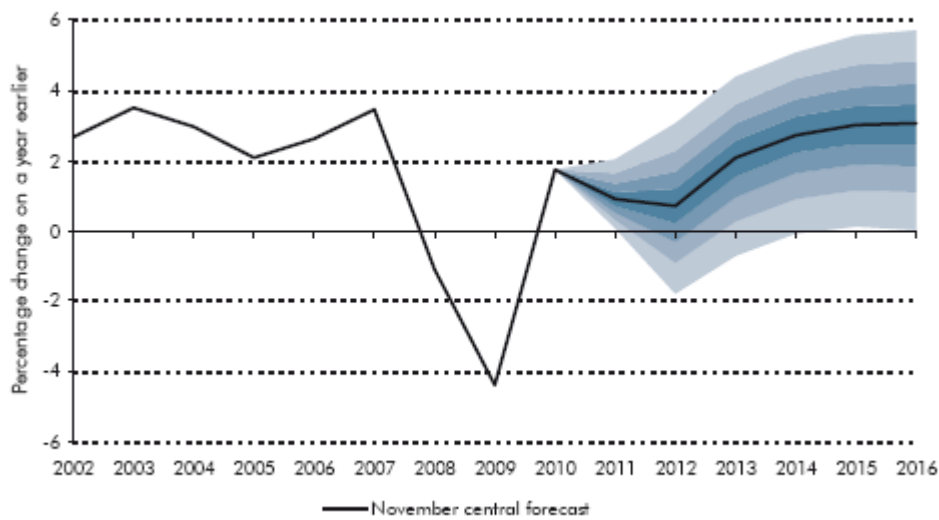
The Bank first produced fan charts (probability distribution) for forecasts of inflation in 1996 and GDP in 1997 (both in its Inflation Report). The forecasts represent the ‘best’ collective judgement of the Monetary Policy Committee. A central forecast is not reported as such and GDP growth is always represented in probability terms given the current market interest rate expectation and a given purchase of assets from central bank reserves (under quantitative easing).

Chart 1 GDP projection based on market interest rate expectations and £325 billion asset purchases



The OBR publishes a central growth forecast, complimented by a fan chart showing the probability distribution of outcomes different from that central forecast. This distribution shows the “probability of different outcomes if you expected our [OBR] forecasts to be as accurate as official forecasts have been in the past”.⁶

Chart 3.1: GDP fan chart



Source: ONS, OBR

The fan chart above shows OBR’s forecast of the most likely GDP growth outcome (central growth forecast) and is surrounded by forecasts of prediction intervals (bands) at various probability levels. Each successive band is shaded, with the 10% most probable band darkest and the shading becoming lighter as outcomes become less likely. Forecasts for longer time horizons are more uncertain and this is represented in the chart by the bands getting larger the further away from the time of the forecast. This gives the fan chart its distinctive shape. The chart tells us that the OBR, in its most recent November 2011 forecast, believes there is around a 70% probability that the UK economy will grow in 2012, leaving a 30% chance that it will shrink.

Grahame Allen, Economic Policy and Statistics section

⁶ OBR, *Economic and fiscal outlook*, November 2011

3 Is the public sector really half the UK economy?

Britain officially remains a state-dominated economy. For all the talk of “swingeing” cuts, public spending is set to remain at 50.1 per cent of GDP in 2011, according to the latest OECD predictions. This is an astonishing figure: more than half the economy, which by one definition means that the UK is more socialist than it is capitalist.

City AM Editorial, 21 July 2011

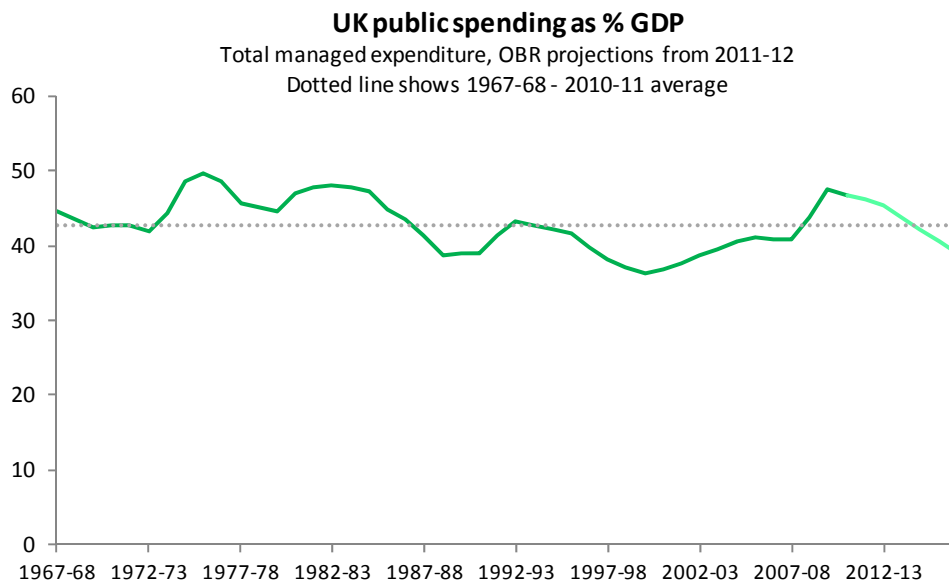
Public expenditure as a share of GDP is a commonly used – and misused – statistic

Why do we use it? Predominantly to give context. For one, public spending is a very big number. Here is forecast UK total managed expenditure in 2011-12:

£702,600,000,000

Expressing spending as a share of GDP makes it more manageable. Total public spending is forecast to be equivalent to 46.2% of GDP in 2011-12. It also enables us to make comparisons:

- **Over time:** by expressing as a share of GDP we can account for increases in prices and prosperity. As a share of GDP, public spending in 2009-10 (47.6%) was the highest since 1983-84. It is forecast to fall below its long term average in 2014:⁷



- **Between regions:** by expressing public spending in this way we can account for the different size and prosperity of different regions. Public spending in Northern Ireland was equivalent to around 69% of gross value added in 2010-11, compared with 29% in London.⁸

⁷ HM Treasury, *Public finances databank*

⁸ Regional data use a slightly different measure. Rather than GDP, 2010 workplace-based estimates of gross value added (GVA, GDP excluding taxes and subsidies on production) from ONS, *Regional GVA*, are used. The spending data, from HM Treasury, *Public expenditure statistical analyses*, cover expenditure on services that can be attributed to regions.

- **Between countries:** again, we can control for the size and prosperity of countries as well as exchange rates. The OECD's latest estimates suggest that total government outlays in the UK were equivalent to just under 50% of GDP in 2011. That compares with 59% in Denmark, 56% in France, 41% in the US and 31% in South Korea.⁹

So expressing public spending as a fraction of GDP is useful. But is it fair to say that the public sector is almost half of the UK economy? **The short answer is no.**

The reason for this is that not all government spending contributes to GDP. To understand this, we need to distinguish between exchange transactions and transfer payments:

- An **exchange transaction** made by the government is one in which it makes a payment in return for a good or service. For example, the government pays a teacher's salary as compensation for her services, or gives a defence company money and gets a helicopter in return. These payments are part of GDP.
- A **transfer payment** is not made in return for a good or service. Examples of government transfer payments include state pensions, unemployment benefit or subsidies to companies. These do not contribute to GDP.

Public spending that is part of GDP is expected to be 25.1% of GDP in 2011-12.

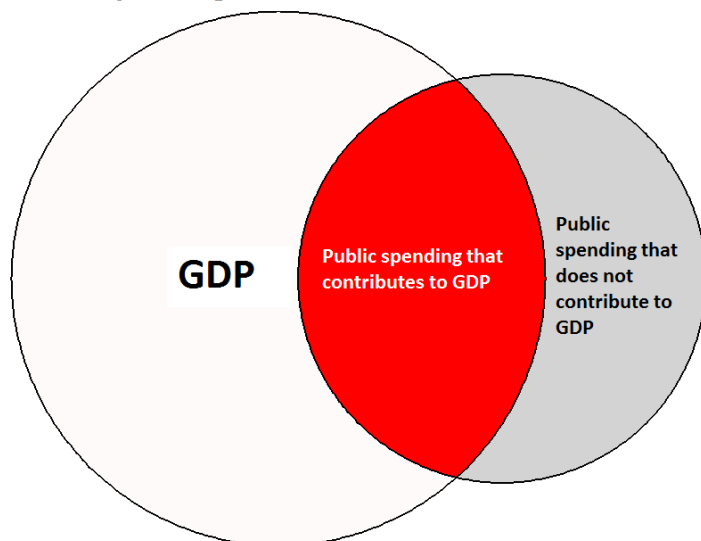
So in fact, **public spending is equivalent to almost half of GDP but the public sector is a quarter of the economy.** The chart illustrates this distinction.

The Office for Budget Responsibility expects the public sector to be less than one-fifth of the UK economy by 2016-17.¹⁰

This distinction between exchange transactions and transfer payments helps explain the apparent anomaly of public spending being equivalent to almost half of GDP while the public sector only employs around one-in-five of the workforce.

This does not mean that total public spending as a share of GDP is irrelevant. It gives us an indication of a government's involvement or interference in an economy. It is closely related to concepts of the "**tax burden**". Total public sector receipts are expected to be equivalent to around 38% of GDP in 2011-12.¹¹ Finally, it gives context to the amount that government needs to finance through taxation and borrowing.

Public spending and GDP in 2011-12 - to scale



Adam Mellows-Facer, Economic Policy and Statistics section

⁹ OECD *World Economic Outlook 2011*. This uses a slightly different definition to the UK's official measure.

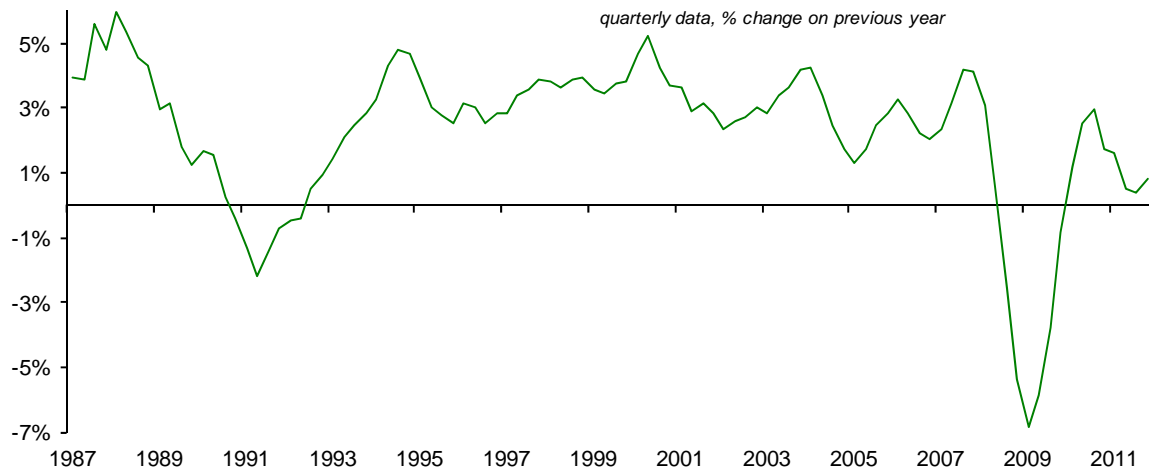
¹⁰ OBR, *Economic and Fiscal Outlook*, November 2011, table 4.15

¹¹ HM Treasury, *Public finances databank*

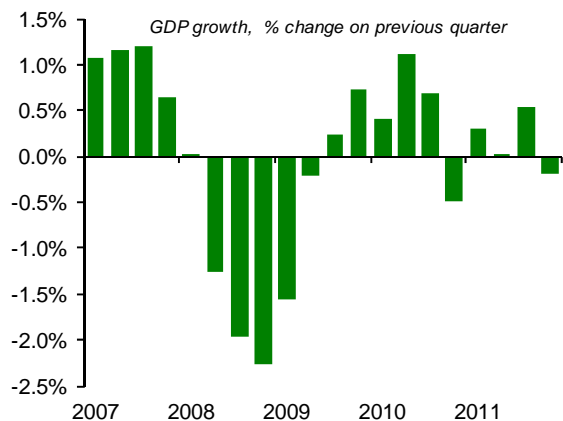
A1: Gross Domestic Product

The economy grew by a preliminary estimate of -0.2% in Q4 2011 falling from 0.5% in Q3 2011. In February, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.4% and 1.8% for 2013. The Office for Budget Responsibility's (OBR) central forecasts from November 2011 are 0.7% growth 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
2009	1,394	-2.8	...	-4.4
2010	1,464	5.0	...	2.1
2011	1,510	3.1	...	0.8
2010 Q4	370.1	4.9	-0.5	1.7
2011 Q1	374.4	4.0	0.3	1.6
Q2	375.0	2.8	0.0	0.5
Q3	379.2	2.8	0.5	0.4
Q4	381.0	2.9	-0.2	0.8

Source: ONS, series: YBHA, ABMI

- The economy grew by a preliminary estimate of -0.2% in Q4 2011 compared with Q3 2011. This compares with a rise of 0.5% in Q3 2011 compared with Q2 2011.
- In Q4 2011, real GDP was an estimated 0.8% higher than a year earlier but GDP (to 2011 Q4) remains 3.9% below its pre-recession (Q1 2008) level.
- The economy grew by a preliminary estimate of 0.8% in 2011 compared to 2.1% in 2010.
- 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 but that the initial 'bounce-back' was stronger.

Contact: Grahame Allen, x3977

Updates: ONS, [Quarterly National Accounts](#) 28 Mar
HMT, [Comparison of Independent Forecasts](#), 21 Mar

A2: GDP: International Comparisons

With the exception of the US, France and Canada, all the G7 countries saw a contraction in output in Q4 2011. The UK economy contracted by 0.2% in Q4 2011, following 0.5% growth in Q3 2011. The eurozone contracted in Q4 2011 for the first time since 2009, by 0.3%. The US grew by 0.7% in Q4 2011, following growth of 0.5% in Q3 2011.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	11Q1	11Q2	11Q3	11Q4	11Q1	11Q2	11Q3	11Q4
US	2.2	1.6	1.5	1.6	0.1	0.3	0.5	0.7
Japan	-0.1	-1.7	-0.6	-1.0	-1.8	-0.4	1.7	-0.6
UK	1.6	0.5	0.7	0.4	0.3	0.0	0.5	-0.2
Germany	4.6	2.9	0.7	0.5	1.3	0.3	0.6	-0.2
France	2.2	1.6	0.6	0.1	0.9	-0.1	0.3	0.2
Eurozone	2.4	1.6	0.4	0.4	0.8	0.2	0.1	-0.3
G7	2.0	1.2	0.9	0.9	0.1	0.1	0.6	0.2
OECD	2.5	1.7	0.9	0.8	0.3	0.3	..	..

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

In [January 2012](#), the IMF lowered their 2012 forecast for world growth by 0.7 percentage points to 3.3%. 2012 growth forecasts for the UK were lowered by 1.0 percentage points, for the eurozone by 1.6 percentage points, and for the US were unrevised.

Among major emerging markets, China's and India's IMF growth forecast for 2012 was revised downward by 0.8 and 0.5 percentage points respectively. The 2012 forecast for Brazil was reduced by 0.6 percentage points.

The European Commission's [February interim forecast](#) left the forecast for UK in 2012 unchanged from November, at 0.6%. The eurozone economies saw further downward revisions: France and Germany are now expected to grow 0.4% and 0.6% in 2012.

The [OECD's November forecast](#) also saw major downward revisions from June, particularly for the UK and eurozone. Compared with the last forecast in June, 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.

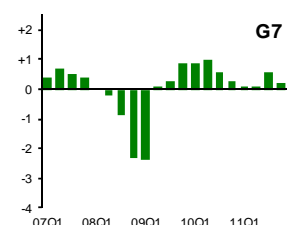
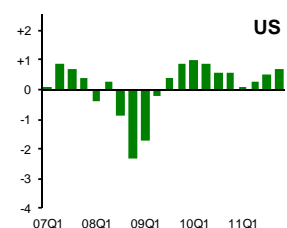
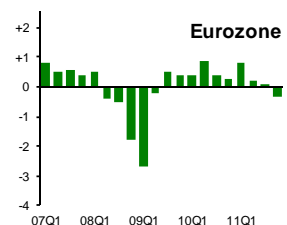
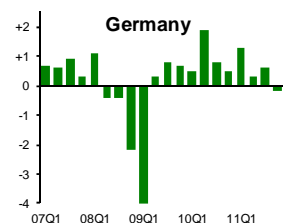
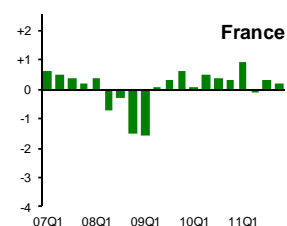
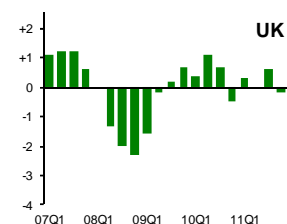
Real growth forecasts (% changes, year-on-year)

	IMF (Jan 11)		EC (Nov 11) ^a		OECD (Nov 11)	
	2012	2013	2012	2013	2012	2013
UK	0.6	2.0	0.6	1.5	0.5	1.8
France	0.2	1.0	0.4	1.4	0.3	0.4
Germany	0.3	1.5	0.6	1.5	0.6	1.9
Eurozone	-0.5	0.8	-0.3	1.3	0.2	1.4
US	1.8	2.2	1.5	1.3	2.0	2.5
Japan	1.7	1.6	1.8	1.0	2.0	1.6
OECD	..	..	..	..	1.6	2.3
China	8.2	8.8	..	..	8.5	9.5
India	7.0	7.3	..	..	7.5	8.4
Brazil	3.0	4.0	..	..	3.2	3.9
World	3.3	3.9	..	..	..	..

^a 2012 forecasts for UK, France, Germany and Eurozone are from February 2012

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

Quarter-on-quarter growth rates



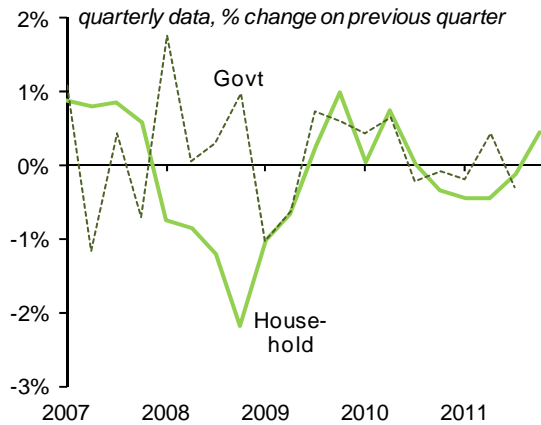
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 12 Mar 2012
EC [Economic Forecast](#), May 2012
IMF [World Economic Outlook](#), Apr 2012

A3: Components of GDP

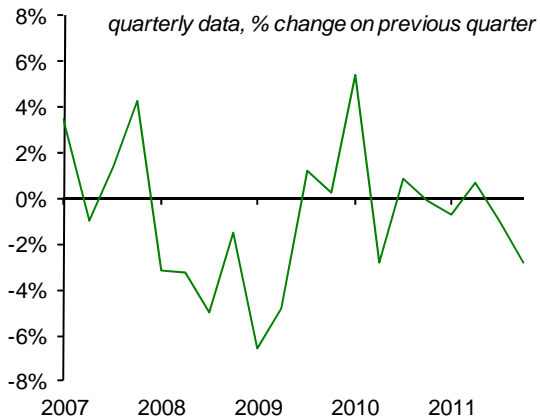
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 60% of the total in 2011. Government consumption accounted for 23% and gross fixed capital formation for 15%.

Household consumption and government consumption



- In Q4 2011, household consumption rose by 0.5% in real terms compared with Q3. In 2011 overall, consumption declined by 0.8%.
- Government consumption increased by 1.0% in Q4 2011, the largest rise since Q4 2008.
- Exports rose by 2.3% while imports increased by 0.4% in Q4 2011.
- Despite these positive contributions to GDP, sharp declines in investment (below) and in inventories held by firms, resulted in GDP falling by 0.2% in Q4 2011.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q4 2011 GFCF decreased by 2.8%, the largest decline since Q2 2010. In 2011 as a whole it fell by 1.7%.
- Business investment, a component of overall GFCF, fell by 5.6% in Q4 2011. In 2011 overall, however, it rose slightly by 0.2%.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2010 (annual % change)	1.2%	1.5%	3.1%	7.4%	8.6%	2.1%
2011 (annual % change)	-0.8%	0.3%	-1.7%	4.8%	0.6%	0.8%
2010 Q3	0.0%	-0.2%	0.9%	0.6%	3.0%	0.7%
2010 Q4	-0.3%	-0.1%	0.0%	4.1%	1.2%	-0.5%
2011 Q1	-0.5%	-0.2%	-0.7%	1.7%	-2.0%	0.3%
2011 Q2	-0.5%	0.4%	0.7%	-2.1%	-0.8%	0.0%
2011 Q3	-0.1%	-0.3%	-1.0%	-0.7%	0.2%	0.5%
2011 Q4	0.5%	1.0%	-2.8%	2.3%	0.4%	-0.2%

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

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

Update: ONS, [Quarterly national accounts](#), 28 Mar

A4: Output and employment by industry

In 2010 (the latest National Accounts data), services accounted for 78% of UK Gross Value Added (GVA), manufacturing 10%, other production (mining & quarrying, and utilities) 5%, construction 7% and agriculture, hunting and fishing 1%. The services sector accounts for 83% of total workforce jobs (Q3 2011).

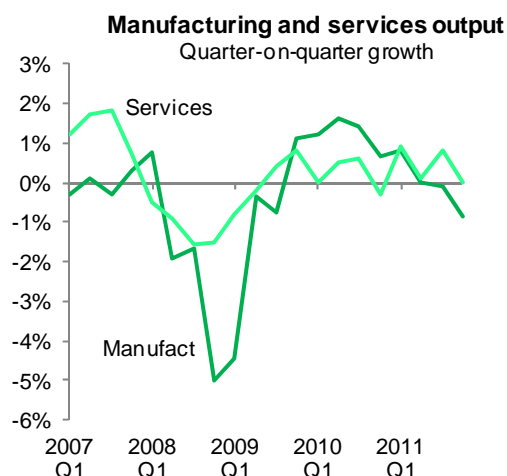
Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	Total GDP
<i>Annual % changes</i>				
2010	3.7%	8.2%	1.4%	2.1%
2011	2.1%	2.7%	1.6%	0.8%
2011 Q2	2.7%	2.7%	1.3%	0.5%
2011 Q3	1.3%	-0.1%	1.5%	0.4%
2011 Q4	-0.2%	0.8%	1.8%	0.6%
<i>Quarter-on-quarter</i>				
2011 Q2	0.0%	2.8%	0.1%	0.0%
2011 Q3	-0.1%	0.3%	0.8%	0.5%
2011 Q4	-0.8%	-0.5%	0.0%	-0.2%

Source: ONS Series L2KX, L2N8, L2NC, YBEZ



- Manufacturing output fell by 0.8% in the fourth quarter of 2011. Services output was flat, while construction output fell by 0.5% in Q4 2011 compared with an increase of 0.3% in Q3.
- Manufacturing output rose by 2.1% in 2011 and services by 1.6%. Construction output grew by 2.7%.
- Output in the business services and finance sector rose by 0.1% in Q4 2011, following a 1.3% rise in Q3 2011. Total output in the production industries decreased by 1.4% in Q4 2011, with mining and quarrying falling by 2.0%.

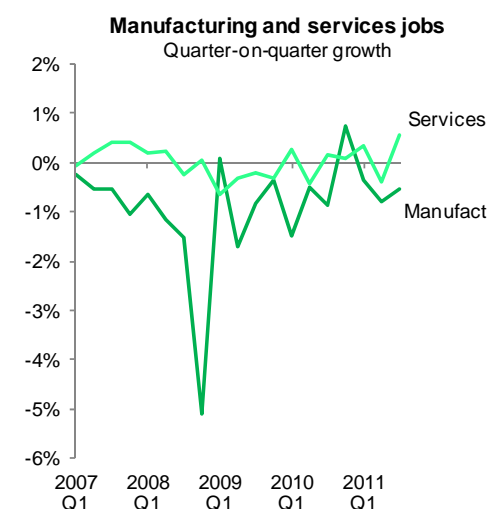
Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2009 Q3	-7.4%	-8.7%	-1.2%	-2.1%
2010 Q3	-3.2%	-1.4%	-0.3%	-0.5%
2011 Q2	-1.3%	-3.2%	0.2%	-0.3%
2011 Q3	-1.0%	-3.1%	0.6%	0.3%
<i>Quarter-on-quarter</i>				
2011 Q2	-0.8%	-0.3%	-0.4%	-0.5%
2011 Q3	-0.6%	-0.8%	0.6%	0.5%
<i>Thousands</i>				
2011 Q3	2,511	2,071	25,851	31,271

Source: ONS series JWR7, JWS2, JWT8, DYDC



- The number of manufacturing jobs has continued to fall. In Q3 2011, the manufacturing workforce fell by 0.6% on the previous quarter.
- The number of jobs in the construction sector fell by 0.8% in Q3 2011, while the services workforce grew by 0.6%.
- The public administration, health and education workforce fell by 2.6% in the year to Q3 2011.

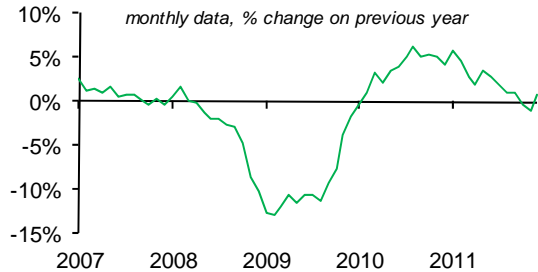
Contact: Lucinda Maer, x3841

Update: ONS, [Quarterly National Accounts](#), 28 March

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

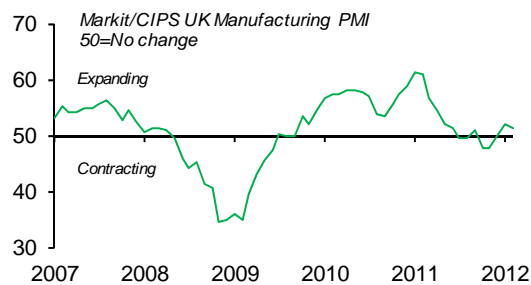


	Index Value (2008=100)	% change over month	% change over 12 months
2010	93.7	...	3.7
2011	95.6	...	2.1
2011 Sep	95.6	0.0	+1.0
Oct	94.8	-0.9	-0.3
Nov	94.6	-0.1	-1.0
Dec	95.6	+1.0	+0.8

Source: ONS, series K22A

- Manufacturing output grew by 1.0% in December 2011 compared with November 2011. Manufacturing output grew by 0.8% in December 2011 compared to December 2010.
- Total industrial production (including mining and utilities) rose by 0.5% in December 2011 compared with November 2011. Total production was 3.3% lower in December 2011 than in December 2010.

Manufacturing Purchasing Managers' Index

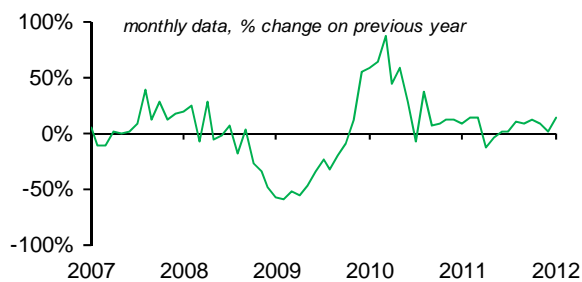


		Index	Monthly change
2010	Feb	57.4	...
2011	Feb	61.0	...
2011	Nov	47.7	-0.1
	Dec	49.7	+2.0
2012	Jan	52.0	+2.3
	Feb	51.2	-0.8

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

- The Markit/CIPS UK Manufacturing PMI fell to 51.2 in February 2012 from 52.0 in January 2012 (where 50.0 is no change). The PMI was below the 50.0 mark throughout Q4 2011.
- Markit/CIPS reported that volumes of new work from both domestic and overseas clients had stabilised, with reports of weak demand from the Eurozone offsetting new business wins in the US and Asia.

Vehicle Production



		Number '000s	% change over 12 months
2010		1,393	+27.8
2011		1,465	+5.1
2011	Jan	120	+8.9
	Nov	147	+8.0
	Dec	104	+1.2
2012	Jan	137	+14.2

Source: SMMT, not seasonally adjusted

- UK vehicle production was 137,000 in January 2012, 14.2% higher than in January 2011. The SMMT said that UK vehicle and engine production had continued to drive manufacturing growth.
- In 2011, 1.47 million vehicles were produced in the UK, up by 5.1% compared with 2010.

Contact: Lucinda Maer, x3841

Update: ONS, [Index of Production](#), 9 March
Markit/CIPS [UK Manufacturing PMI](#), 2 April
SMMT, [Vehicle Production](#), mid Mar

A6: Productivity

Productivity is a measure of the efficiency of production in an economy. It is usually expressed as a ratio of units of output to units of input.

In measuring labour productivity, three measures are commonly used: output (or GDP) per worker, output per job and output per hour worked. The latter is the purest measure of productivity, as it adjusts for changes in working hours such as more part-time working.

UK data are published every three months, with international comparisons updated biannually.

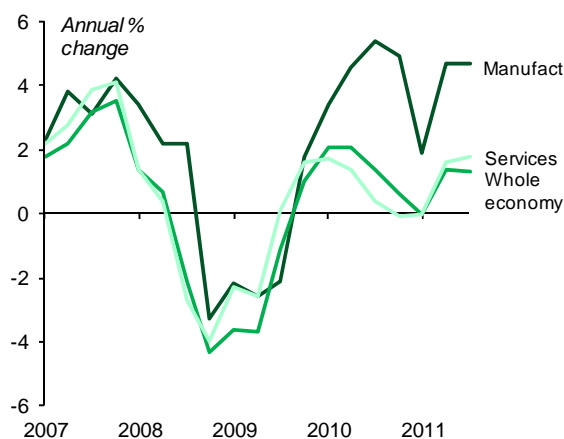
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have risen by 1.4% in the year to 2011 Q3.
- Productivity in terms of output per hour has returned to levels at the beginning of the recession (2008 Q2). However, hours worked are below pre-recession levels.

Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2008	1.1	-1.3	-1.1
2009	-1.3	-0.8	-1.9
2010	4.5	0.8	1.6
2010 Q2	3.4	1.7	2.1
Q3	4.6	1.4	2.1
Q4	5.4	0.4	1.4
2011 Q1	4.9	-0.1	0.6
Q2	1.9	0.0	0.0
Q3	4.7	1.6	1.4
<i>Latest q-on-q % change</i>			
	1.4	0.3	0.2

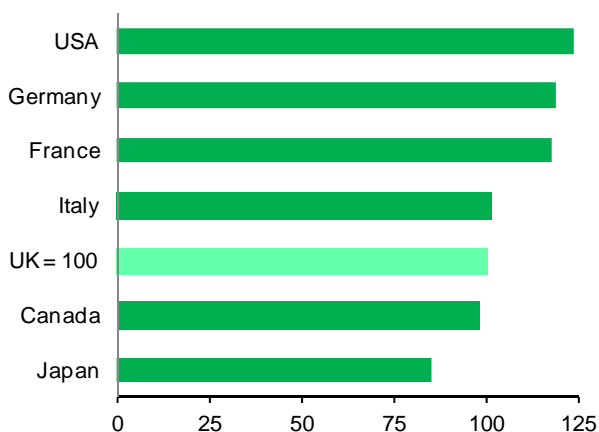
Source: ONS series LZVD, DJK8, DJQ3



- Manufacturing productivity has grown faster than that in the service sector. Output per hour in manufacturing grew 4.7% between 2010 Q3 and 2011 Q3, compared with 1.6% in services.

International comparisons

GDP per hour, 2010, index where UK=100



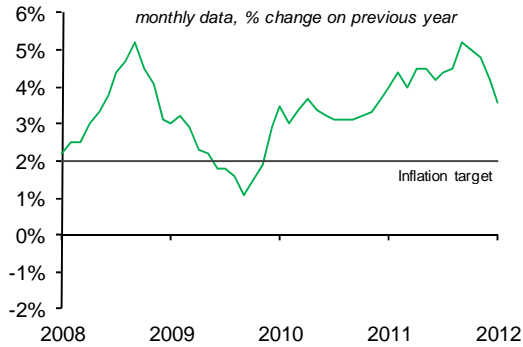
- International comparisons of productivity are presented as an index where the UK=100.
- In 2010, based on GDP per hour, the UK came fifth of the G7 countries, with the USA top and Japan bottom. UK productivity was 10% below the G7 average.
- On a per hour worked basis the productivity gap between the UK and the USA in 2010 was at its widest since 1995.

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 3.6% in January, down from 4.2% in December and above the Bank of England's 2% target for the twenty-sixth 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)

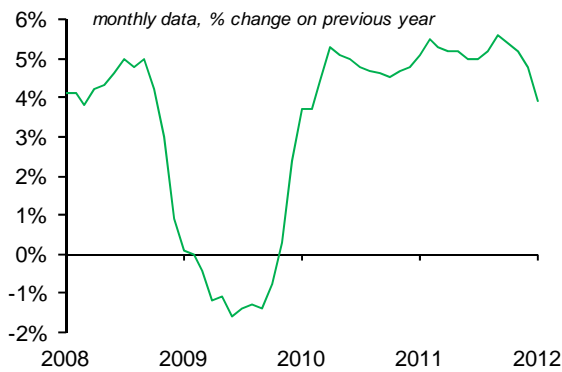


The CPI annual inflation rate was 3.6% in January, down from 4.2% in December. The January figure is the lowest rate for CPI inflation since November 2010 (3.3%).

- The largest downward pressures to this change came from fuels & lubricants, products bought in restaurants & cafes, tobacco, vehicle maintenance & repair, the purchase of new vehicles and alcoholic beverages

The RPI (all items) measure of annual inflation was 3.9% in January, down from 4.8% in December.

Retail Prices Index (RPI)

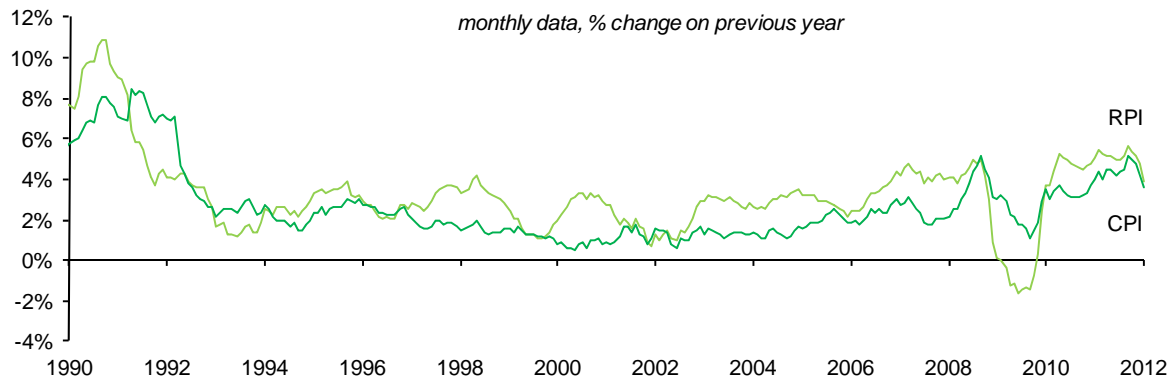


Price Indices

		% change on a year ago	
		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
2011	Aug	4.5	5.2
	Sep	5.2	5.6
	Oct	5.0	5.4
	Nov	4.8	5.2
	Dec	4.2	4.8
2012	Jan	3.6	3.9

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1990

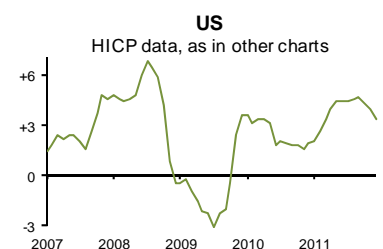
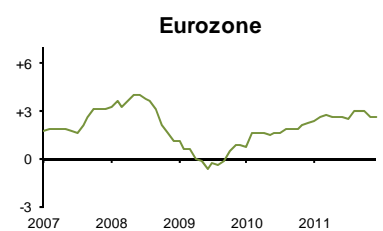
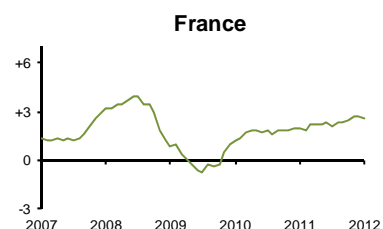


B2: Inflation: International

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 January, UK inflation was 3.6%, down sharply from 4.2% in December and 4.8% in November. This is the sixth-highest rate in the EU. The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in February 2012 was 2.7%, up from 2.6% in January. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Sweden had the lowest annual inflation rate in the EU in December, at 0.4%. The highest rate was in Hungary, at 5.6%.
- HICP annual inflation in the US in December was 3.4%, down from 4.0% in November. Using its national definition, US inflation was 2.9% in January, down from 3.0% in November.



Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Oct-11	Nov-11	Dec-11	Jan-12
HICP (ONS/Eurostat)							
UK	2.2	3.3	4.5	5.0	4.8	4.2	3.6
Eurozone	0.3	1.6	2.7	3.0	3.0	2.7	2.6
EU	1.0	2.1	3.1	3.4	3.3	3.0	2.9
France	0.1	1.7	2.3	2.5	2.7	2.7	2.6
Germany	0.2	1.2	2.5	2.9	2.8	2.3	2.3
Greece	1.3	4.7	3.1	2.9	2.8	2.2	2.1
Italy	0.8	1.6	2.9	3.8	3.7	3.7	3.4
Spain	-0.2	2.0	3.1	3.0	2.9	2.4	2.0
US	-0.8	2.4	..	:	4.0	3.4	:
National definitions (OECD)							
Canada	0.3	1.8	2.9	2.9	2.9	2.3	2.5
Japan	-1.3	-0.7	-0.3	-0.2	-0.5	-0.2	..
US	-0.4	1.6	3.2	3.5	3.4	3.0	2.9
G7	-0.1	1.4	2.6	2.9	2.8	2.5	..
OECD	0.5	1.9	2.9	3.1	3.1	2.9	..
Brazil	4.9	5.0	6.6	7.0	6.6	6.5	6.2
China	-0.7	3.3	5.4	5.5	4.2	4.1	4.5
India	10.9	12.0	8.9	9.4	9.3	6.5	..
Russia	11.7	6.9	8.4	7.2	6.8	6.1	4.1

Source: ONS, Eurostat & stat.OECD database

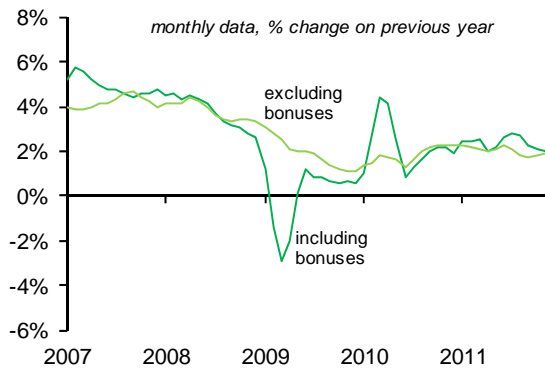
Contact: Gavin Thompson, x2042

Updates: OECD, [Main Economic Indicators](#), 12 Mar 2012
Eurostat, [HICP full release](#), 14 Mar 2012
Eurostat, [Flash estimate \(Mar\)](#), 30 Mar 2012

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.0% in December compared with a year ago, unchanged from November. Average weekly earnings excluding bonuses also rose by 2.0% in the three months to December compared with a year ago, up from 1.9% in November. Inflation as measured by the CPI was 4.2% in December 2011 (latest CPI inflation figure is 3.6% for January).

Average Earnings, Whole Economy



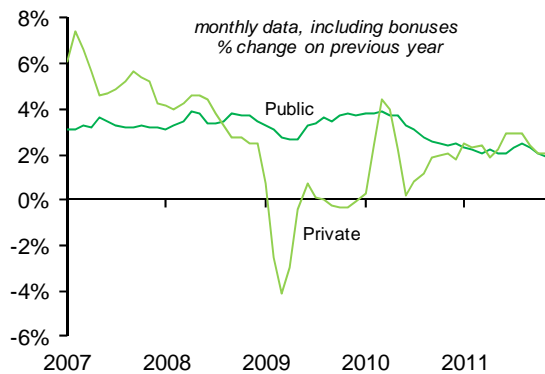
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2008 Dec	2.5	3.5	2.6	3.1	2.6
2009 Dec	-0.1	3.7	2.2	0.7	0.6
2010 Dec	1.8	2.5	2.7	2.2	1.9
2011 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	1.6	2.5	2.3
Oct	2.1	2.1	1.3	2.3	2.1
Nov	2.1	1.9	1.7	2.1	2.0
Dec	2.3	1.7	1.4	2.3	2.0

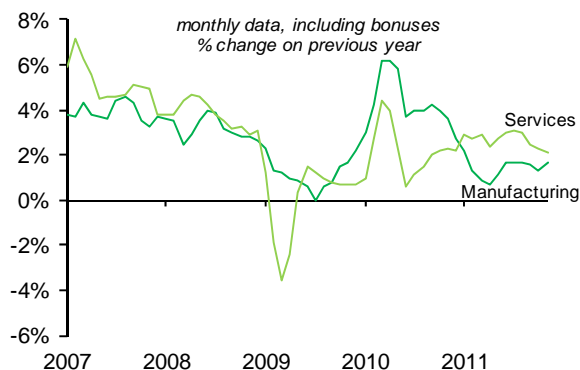
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 2.3% in December, compared with an increase of 1.7% in the public sector. Excluding financial services, public sector earnings rose by 1.1%.
- Average weekly earnings (including bonuses) in December in the public sector were £477 compared with £462 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

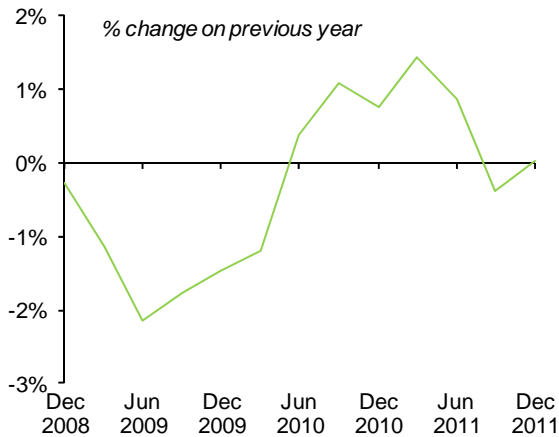


- Average total pay growth (including bonuses) in the manufacturing sector was 1.4% in December, compared with 2.3% in the services sector.
- Average weekly earnings (including bonuses) in December in the manufacturing sector were £531 compared with £452 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

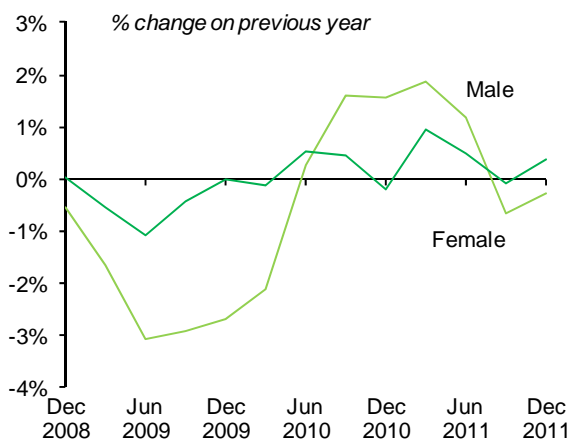
Employment rose by 60,000 over the quarter to December 2011, to 29.13 million. Employment is now 1.5% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment



- Employment increased by 7,000 over the last year.
- In the past quarter, employment among 16-24 year olds has fallen by 2.8%.
- In the past quarter, employment among people aged over 65 increased by 3.1%.
- Over the last year, the number of employees (which excludes self-employed people) fell by 79,000.
- The number of self-employed people increased by 101,000.

Male and female employment



- The number of men in employment increased by 43,000 over the last quarter to 15.59 million.
- The number of women in employment increased by 17,000 over the quarter to 13.54 million
- The number of people employed in the public sector fell by 67,000 in the three months to September 2011, to 5.98 million.
- The number of people employed in the private sector increased by 5,000 in the three months to September 2011, to 23.12 million.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Oct-Dec 2009	28,903	3,767	17,128	7,236	772
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
Oct-Dec 2011	29,129	3,631	17,219	7,404	875
% change on previous 3 months	+0.2	+0.3	+0.0	+0.2	+3.1
% change on previous year	+0.0	-2.8	+0.1	+1.4	-0.3

Source: ONS

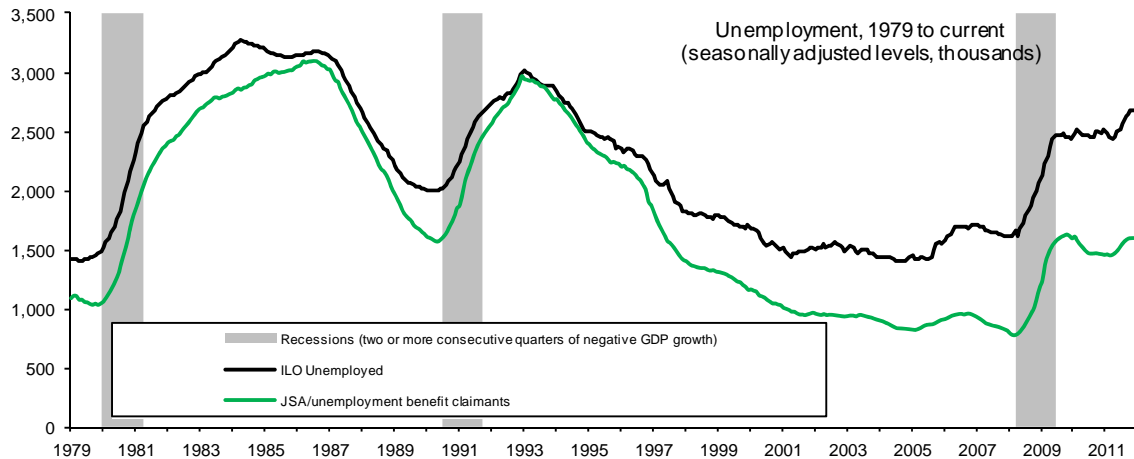
Contact: Chris Rhodes, x2454

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

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 October to December 2011 was 2,671,000 (8.4% of all economically active) – up 48,000 from the previous quarter. The unemployment rate is the highest since 1995. (UK, seasonally adjusted.)**



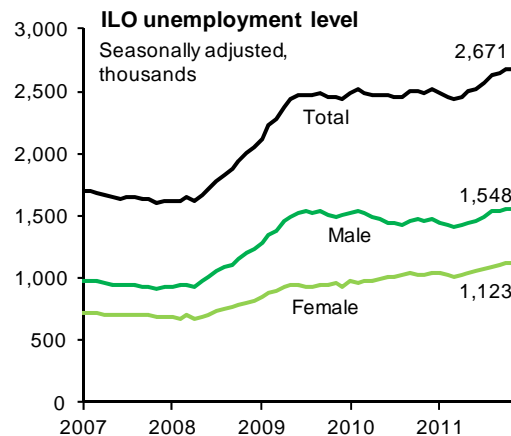
[Source: ONS, Labour Market Statistics]

ILO unemployment (October to December 2011)

- There were 860,000 people unemployed for more than 12 months, down 8,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 1,038,000, up 22,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 6,900 between December 2011 and January 2012 to 1,604,600.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Oct-Dec 2006	1,705	5.5	698	14.2	773	4.3	223	3.1	10	1.6
Oct-Dec 2007	1,610	5.2	684	13.9	692	3.8	225	3.0	9	1.3
Oct-Dec 2008	2,003	6.4	812	16.6	880	4.8	294	3.9	17	2.3
Oct-Dec 2009	2,449	7.8	915	19.5	1,141	6.2	371	4.9	23	2.8
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
Oct-Dec 2011	2,671	8.4	1,038	22.2	1,207	6.6	399	5.1	26	2.9
% change on quarter	+1.8		+2.2		+0.9		+4.2		-2.1	
% change on year	+7.2		+7.6		+5.8		+9.2		+29.3	

Source: ONS, Labour Market Statistics.

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

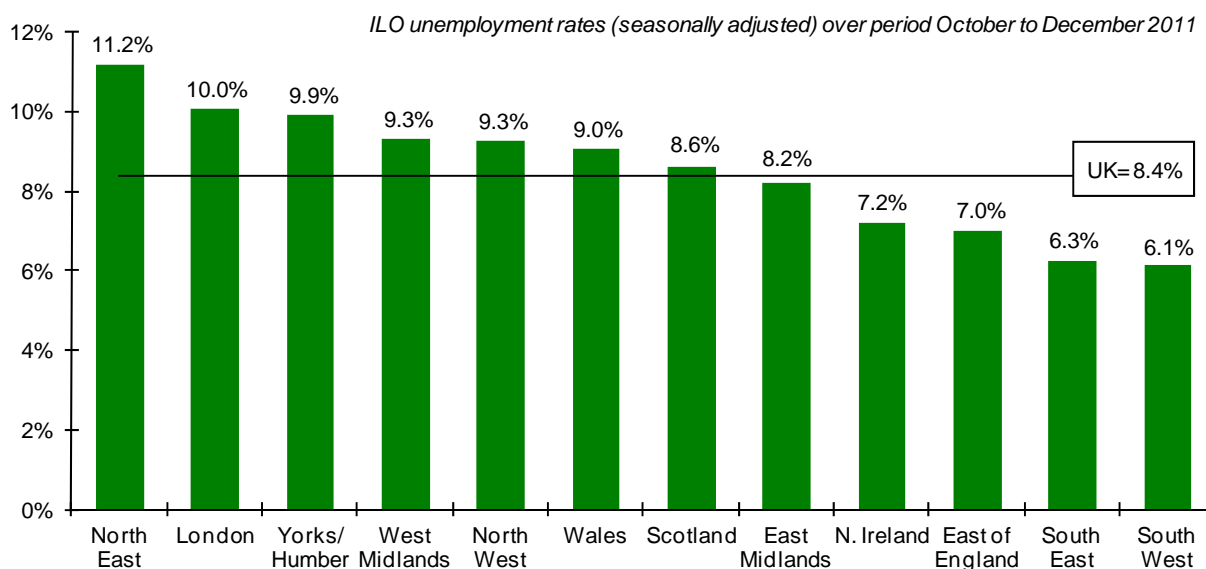
Contact: Lorna Booth, x2883

Update: ONS, Labour Market Statistics, 14 Mar 2012

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 October to December 2011, the North East had the highest unemployment rate, at 11.2% of the economically active population. The lowest rates over the same period were 6.1% in the South West and 6.3% in the South East.



- The largest increase in unemployment over the last quarter was in the North West (+26,000) and largest decrease was in the South West (-13,000).
- The seasonally-adjusted JSA claimant count increased in nine regions and countries, and decreased in three in January 2012, compared with December 2011.

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

	ILO unemployment				JSA claimant count	
	Oct - Dec 2011		Change in level		January 2012	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	143	11.2	-4	+16	90.8	+0.7
North West	319	9.3	+26	+57	201.7	+1.2
Yorkshire & Humber	264	9.9	-10	+19	163.9	+1.7
East Midlands	188	8.2	+1	+4	110.1	+1.4
West Midlands	247	9.3	+13	-12	169.2	+0.4
East of England	213	7.0	+3	+19	117.4	+0.2
London	427	10.0	+18	+50	236.1	-0.9
South East	278	6.3	+2	+6	142.3	-0.3
South West	165	6.1	-13	-1	91.3	+0.8
Wales	134	9.0	-3	+12	79.1	+1.3
Scotland	231	8.6	+16	+15	141.2	-0.2
Northern Ireland	62	7.2	-0	-5	61.5	+0.6

Source: ONS, *Labour Market Statistics*

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

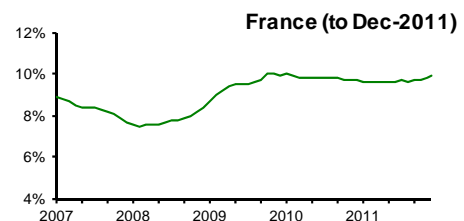
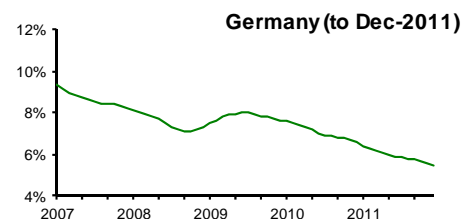
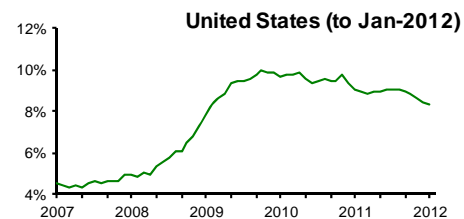
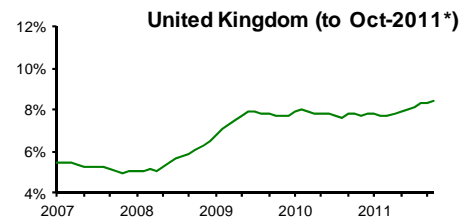
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 14 March 2012

C4: Unemployment: International Comparisons

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

- In the UK, harmonised rates for Q4 2011 are not yet available. Based on national figures, UK unemployment was 8.4% in Q4 2011.
- Using harmonised definitions, UK unemployment was 8.2% in Q3 2011, up from 7.9% in Q2 2011 and the sharpest increase across the G7 countries. UK unemployment in Q3 was below the euro zone and OECD rates (10.2% and 8.2% respectively), but above the G7 average.
- In the US, unemployment rose from 9.0% to 9.1% between Q2 and Q3 2011, before falling back sharply in Q4 to 8.7%.
- 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 2.3 percentage-point rise in the euro zone (from 7.9% to 10.2%) over the same period.
- The lowest unemployment rate in the OECD in Q3 2011 was in Norway (3.2%).
- The most recent 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%.



* latest figure refers to quarterly survey conducted over Sep-Nov 2011

Unemployment

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

	2009	2010	2011	2010				2011			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	8.3	8.0	7.4	8.2	8.0	8.0	7.7	7.7	7.5	7.2	7.4
France	9.5	9.8	..	9.9	9.8	9.8	9.7	9.6	9.6	9.7	9.8
Germany	7.8	7.1	..	7.5	7.2	6.9	6.7	6.3	6.0	5.8	5.6
Italy	7.8	8.4	..	8.5	8.6	8.2	8.2	8.2	8.2	8.4	8.7
Japan	5.1	5.1	..	5.0	5.1	5.0	5.0	4.7	4.6	4.4	4.5
UK	7.6	7.8	..	7.9	7.8	7.7	7.8	7.7	7.9	8.2	..
US	9.3	9.6	9.0	9.8	9.6	9.5	9.6	9.0	9.0	9.1	8.7
Euro zone	9.6	10.1	..	10.1	10.2	10.1	10.0	10.0	10.0	10.2	10.4
G7	8.1	8.2	..	8.3	8.3	8.1	8.1	7.7	7.7	7.7	7.6
OECD	8.4	8.6	..	8.7	8.6	8.5	8.5	8.2	8.2	8.2	8.2

Source: OECD, Harmonised Unemployment Rates

Contact: Gavin Thompson, x2042

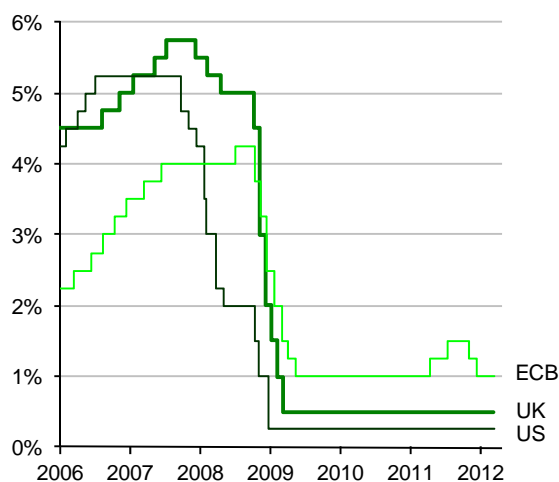
Updates: OECD, [Harmonised Unemployment Rates](#), 12 Mar 2012

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. In the face of gloomy economic data that suggested UK inflation would "undershoot the 2% target in the medium term", QE was increased in October 2011 by £75 billion and in February 2012 by a further £50 billion, to a total of £325 billion.

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

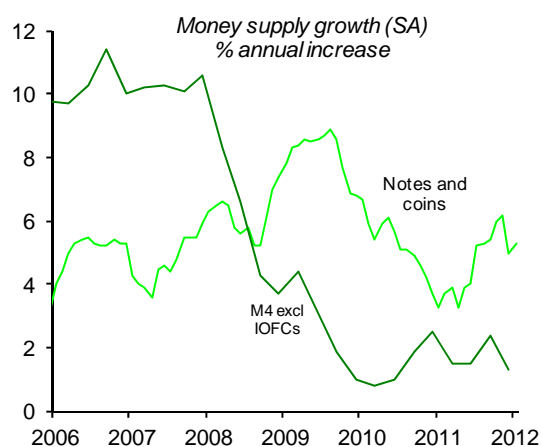
Source: Bank of England

- From November 2011, the European Central Bank's official interest rate was lowered in two steps from 1.50% to 1.00%. This follows rate rises in April and August 2011. The rise in April 2011 was the first since 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" or 'QE'. From this initial £75 billion, the programme was increased to £200 billion by November 2009. Due to "the weak near-term growth outlook and associated downward pressure" on the economy, it was increased by £75 billion in October 2011 and by a further £50 billion in February 2012, to a total of £325 billion.
- Of the £200 billion of assets purchased by the Bank of England in the first phase of QE, 99% by value were gilts (UK Government securities).

Money supply



- In its November 2011 *Inflation Report*, the Bank of England noted that money supply growth "has remained subdued over the past year", but less so than it would have been in the absence of the asset purchase programme.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 1.3% in Q4 2011, down from 2.4% in Q3 2011.
- The value of notes and coins in circulation outside the Bank of England rose by 5.3% in the year to January 2012.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [8 Mar](#) (UK)
Bank of England, [Monetary and Financial Statistics](#), 30 Mar

D2: Public Finances

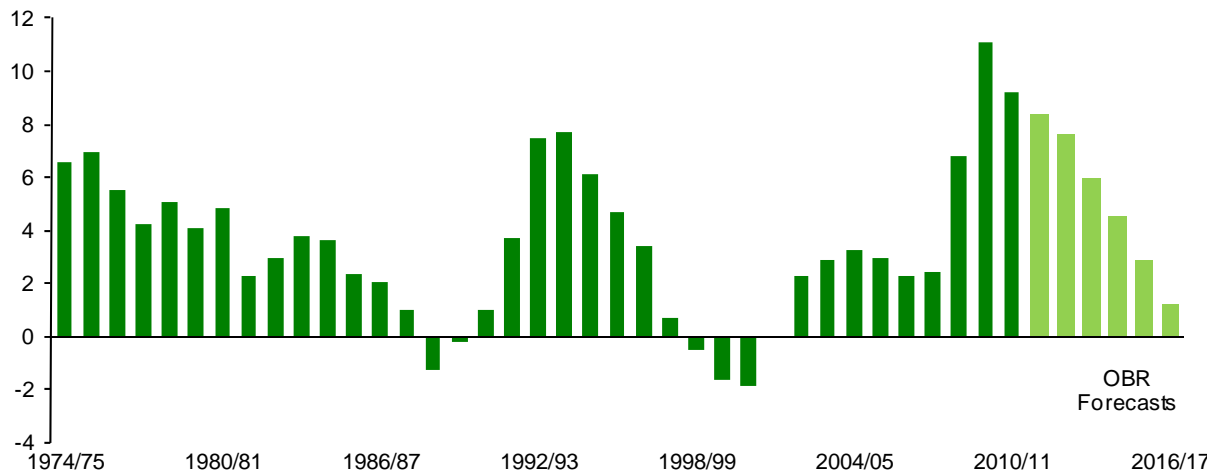
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £127 billion in 2011/12, equivalent to 8.4% of GDP. These forecasts will be updated at the Budget on 21 March.

- Between April 2011 and January 2012, the Government borrowed £93.5 billion, 14.3% lower than the same period a year ago.
- There was a public sector net surplus of £7.8 billion in January 2012, compared with £5.2 billion in January 2011.
- Debt exceeded £1 trillion in December 2011 but fell to £989 billion in January 2012.

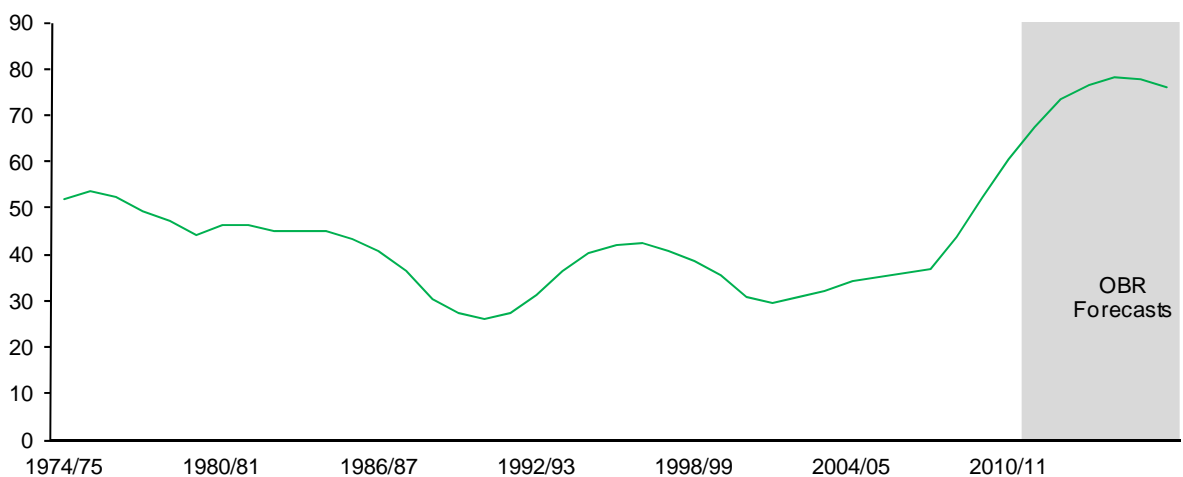
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	156	11.1	760	52.5
2010/11	136	9.2	905	60.5
2011/12	127	8.4	1,044	67.5
2012/13	120	7.6	1,182	73.3
2013/14	100	6.0	1,300	76.6
2014/15	79	4.5	1,397	78.0
2015/16	53	2.9	1,470	77.7
2016/17	24	1.2	1,515	75.8

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 Mar

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 March 2012

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
05 Mar 2012	5,874.8	123.8	1,712.4
%change over:			
1-month	+1%	+11%	-1%
12-months	-2%	+8%	+20%
%change from:			
cyclical peak	-13%	-15%	-10%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+67%	+240%	+141%
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)



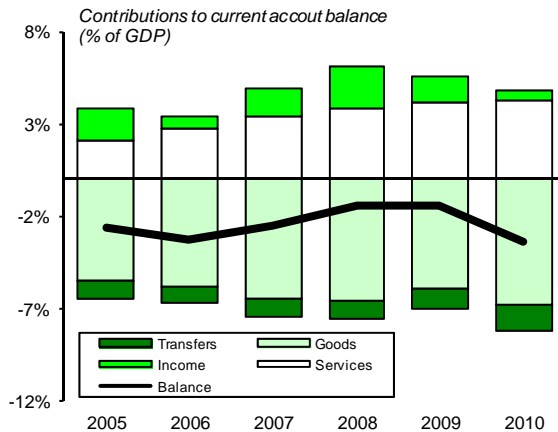
Contact: Chris Rhodes, x2454

Update: Page updated on a weekly basis

E1: UK Balance of Trade

Annually, the current account deficit in 2010 was £48.6 billion, equivalent to -3.3% 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 £15.2 billion in Q3 2011, widening from £7.4 billion in Q2 2011. The surplus on services fell slightly to £17.7 billion. However, the deficit on goods increased to £27.6 billion – the largest quarterly deficit recorded.
- The **annual** current account deficit with EU27 countries in 2010 was £47.6 billion, compared with a deficit with non-EU countries of £1.0 billion. On a **quarterly** basis, the deficit with EU27 countries rose to £13.8 billion in Q3 2011. With non-EU countries, the current account surplus rose to £1.4 billion.

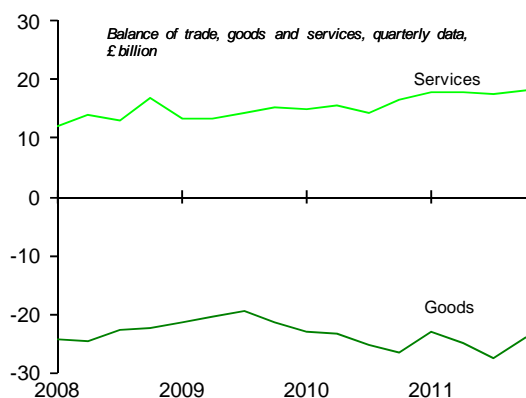
Current Account Balances

£ millions; seasonally adjusted

	Goods		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	265,708	364,222	-98,514	61,776	-36,738	8,583	-20,411	-48,566
2010 Q3	66,786	92,228	-25,442	14,492	-10,950	3,466	-5,021	-12,505
Q4	69,961	96,566	-26,605	16,752	-9,853	1,989	-6,238	-14,102
2011 Q1	74,018	96,981	-22,963	17,749	-5,214	3,395	-5,544	-7,363
Q2	74,125	99,093	-24,968	17,748	-7,220	4,574	-4,740	-7,386
Q3	74,215	101,784	-27,569	17,680	-9,889	349	-5,686	-15,226

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 December was £7.1bn, narrower than the November figure of £8.9bn.
- The monthly trade surplus on services was an estimated £6.0bn in December, down slightly from the November surplus of £6.1 bn.
- The overall monthly deficit on goods and services combined in December was £1.1bn, narrowing from £2.8bn in November.
- The goods deficit with the EU27 was £3.4bn in December, down from £3.9bn in November, while the deficit with non-EU countries was £3.7bn, down from £5.0bn in November.

Contact: Grahame Allen, x3977

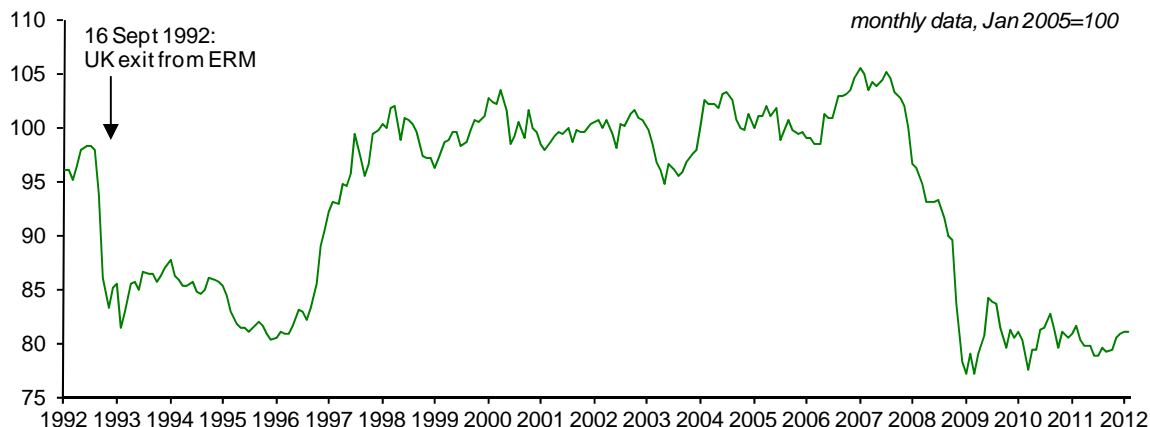
Updates: ONS, [UK Trade](#), 13 Mar;
ONS, [UK Balance of Payments](#), 28 Mar

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).

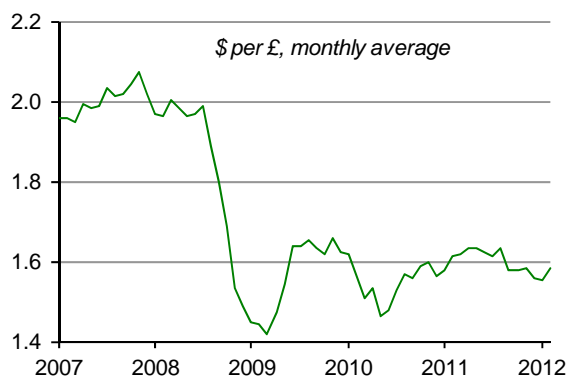
The SERI fell by 0.1% in February, having risen by 0.3% in January. Compared with the same period last year, the SERI was 0.6% lower. It is now 5.1% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 23.2% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



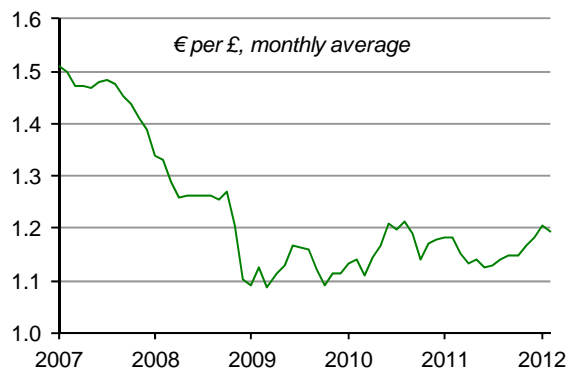
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in February, the pound was 3 cents stronger against the dollar compared with January. At the 5 March market close the pound stood at \$1.58. unchanged when compared to the February average.
- Sterling was on average 1 cent weaker against the Euro in February, compared with January.
- At the 5 March market close the pound stood at €1.19, unchanged when compared to the February average. 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

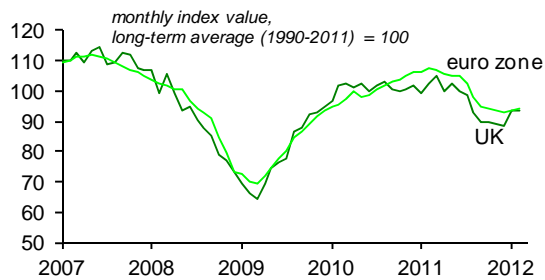
	US Dollar (\$)		Euro (€)	
	Rate	% change on year	Rate	% change on year
2009	1.57	-15.5%	1.12	-10.8%
2010	1.55	-1.3%	1.17	3.8%
2011	1.60	3.7%	1.15	-1.2%
2011 Feb	1.61	3.3%	1.18	3.5%
Dec	1.56	-0.1%	1.18	0.3%
Jan	1.55	-1.8%	1.20	1.8%
2012 Feb	1.58	-2.0%	1.19	1.1%

Source: Bank of England, Bankstats database

F1: Business and Consumer Confidence

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

European Commission Economic Sentiment Indicator

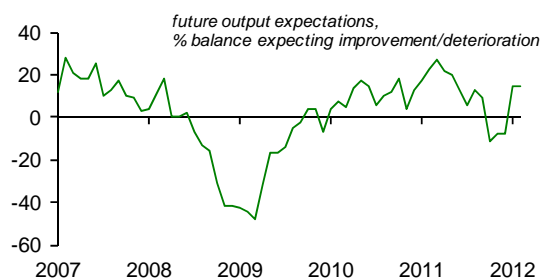


	UK Index	monthly change	change on year ago
2010 Feb	101.7	...	...
2011 Feb	102.3	...	...
2011 Dec	88.6	-0.6	-13.4
2012 Jan	93.6	+5.0	-5.5
2012 Feb	93.9	+0.3	-8.4

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 January and February 2012 the overall UK sentiment index increased by 0.3 points to 93.9. The euro zone sentiment index increased by 1.0 points to 94.4.

CBI Industrial Trends Survey



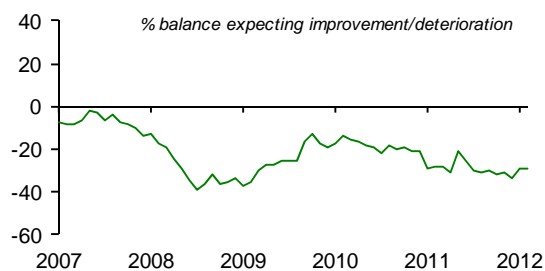
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2010 Feb	+7	...	...
2011 Feb	+23	...	...
2011 Dec	-8	+0	-21
2012 Jan	+15	+23	-2
2012 Feb	+15	+0	-8

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In February 2012, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +15% of firms. This is the same difference as in January 2012.

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
2010 Feb	-14	...	...
2011 Feb	-28	...	...
2011 Dec	-33	-2	-12
2012 Jan	-29	+4	0
2012 Feb	-29	0	-1

Source: GfK NOP for EC, *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 -29, overall consumer confidence in February 2012 was the same as in January.

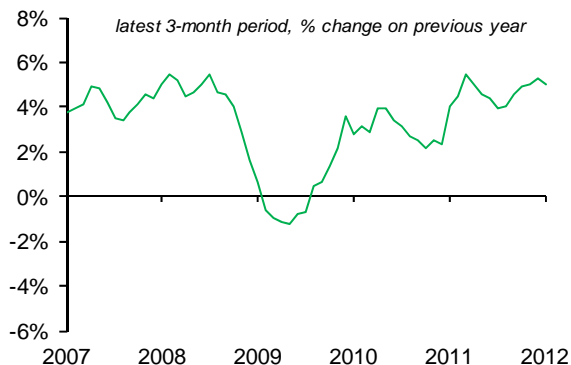
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 20 Mar
EC, [Economic Sentiment Indicator](#), 29 Mar
GfK NOP, [Consumer Confidence](#), 30 Mar

F2: Retail Sales

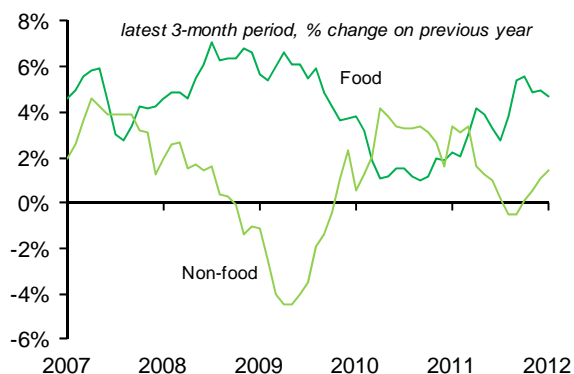
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to January 2012 was 5.0%, a decrease on December's 5.3%.
- The value of retail sales in January 2012 alone showed an increase of 0.9% compared with December 2011.
- The value of retail sales in January 2012 alone showed an increase of 4.4% compared with January 2011.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to January rose by 4.7% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 1.4% in the three months to January 2012.
- Sales in household goods stores were 0.1% higher than a year ago.
- The value of non-store sales (includes internet) increased by 13.0% in January 2012 compared to January 2011.

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	
2010	1.6	5.4	-3.4	2.0	2.6	2.7
2011	4.2	3.6	-2.5	0.4	1.2	5.0
2011 Sep	5.4	2.5	-3.6	-3.2	-0.5	4.6
Oct	5.6	2.0	-2.0	-1.9	0.1	4.9
Nov	4.9	2.0	-0.5	-1.4	0.6	5.0
Dec	5.0	5.0	0.0	-2.8	1.1	5.3
2012 Jan	4.7	5.6	0.1	-1.9	1.4	5.0

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

Contact: Lucinda Maer, x3841

Update: ONS, [Retail Sales](#), 22 March 2012

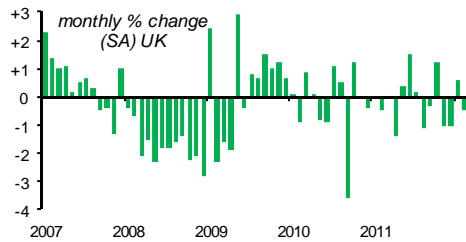
F3: Housing Market

House prices on the Nationwide index rose by 0.6% in February. Prices were 0.9% higher in February compared with a year ago. House prices on the Halifax index fell by 0.5% in February after rising by 0.6% in January. Prices were 1.6% lower than a year ago on this measure.

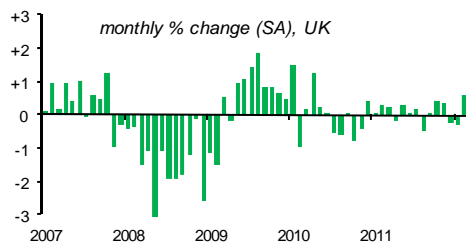
After recovering in 2009, numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

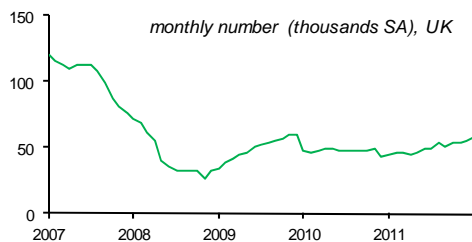


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Feb-12	Feb-12
Change in month	-0.5%	+0.6%
Change in year	-1.6%	+0.9%
Peak date	Aug-07	Oct-07
Change since peak	-19.8%	-10.6%
Trough date	Apr-09	Feb-09
Change since trough	+3.5%	+10.5%

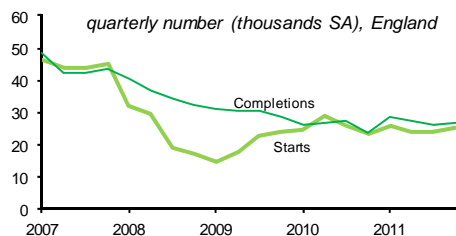
- The recovery in house prices since early 2009 has been tepid. In January 2012, the average house price on the Halifax index was £160,907 and £162,228 on the Nationwide measure.
- There is considerable regional variation. In Q4 2011 prices rose by 5.4% in London and by 1.6% in Yorks & Humberside but fell by 8.9% in Northern Ireland compared with a year earlier (Nationwide data).

Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 58,728 mortgage approvals in January. The number of approvals has remained generally flat since early 2010.

House-building



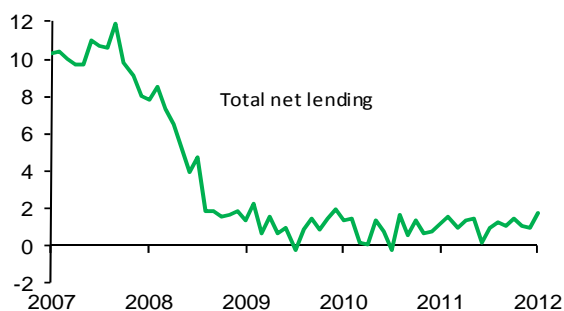
- There were 25,240 house building starts in England in Q4 2011, up 6% from 23,880 in Q3 2011. This is over 50% above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions also rose to 26,730 in Q4 2011, up from 26,180 in Q3 2011.

Contact: Aliyah Dar, x5919

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

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 £1.8 billion in January 2012. This compares with December's figure of £0.9 billion.
- Monthly net unsecured lending grew by £0.1 billion in January (December: no change).
- Monthly net secured lending (mortgages) grew by £1.6 billion in January. It grew by £1.0 billion in December.

Net outstanding lending to individuals

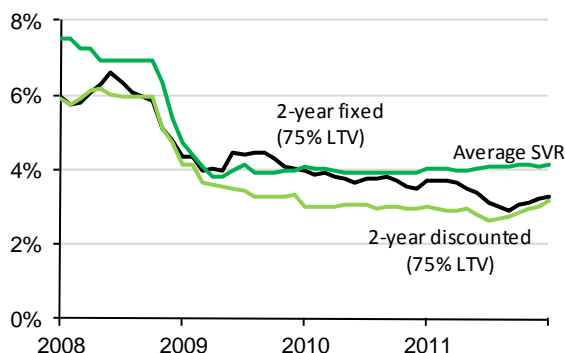
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2008 Jan	1,188	228	1,416
2009 Jan	1,226	219	1,445
2010 Jan	1,237	225	1,462
2011 Jan	1,240	212	1,452
2011 Jul	1,242	209	1,451
2011 Oct	1,244	208	1,452
2012 Jan	1,248	207	1,456

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

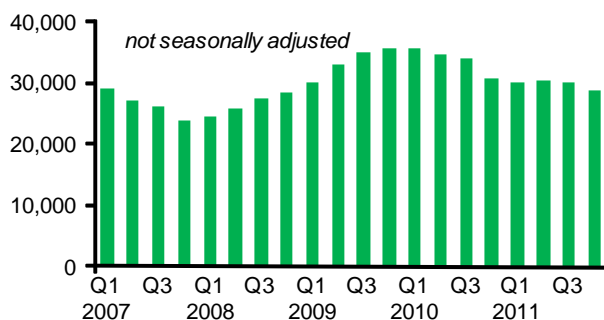
- Total net outstanding lending to individuals was £1,456 billion at the end of January, 0.3% higher than a year earlier.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £207 billion at the end of January.

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 January was 4.16%, compared with 4.02% a year previously.
- The average fixed and discounted rates offered (75% LTV) in January were 3.27% and 3.19% respectively, compared with 3.70% and 2.99% a year ago.

Individual insolvencies, England and Wales



Source: Insolvency Service

- Q4 2011 provisional data indicates there were 28,973 individual insolvencies in England and Wales (not seasonally adjusted), a 5.6% decrease on Q4 2010.
- In Scotland in Q4 2011 there were 4,664 individual insolvencies, an increase of 1.6% on Q4 2010.
- In N Ireland in Q4 2011 there were 747 individual insolvencies, a rise of 28.4% on Q4 2010.

Contact: Dominic Webb, x4324

Update: Bank of England, [Lending to Individuals](#), 29 Mar
Insolvency Service, [Insolvency Statistics](#), 4 May

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.