



# Economic Indicators, May 2012

RESEARCH PAPER 12/22 01 May 2012

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

- The preliminary estimate of quarterly GDP showed that the economy had contracted for the second successive quarter: by 0.2% in Q1 2012 following a 0.3% decline in Q4 2011.
- While a sharp fall in output in the construction sector was the main factor behind the fall in GDP, the services sector – accounting for three-quarters of the economy – only grew by 0.1%.
- Unemployment fell in the three months to February for the first time since the three months to May 2011.

This month's articles:

- **The UK economy: recent performance in context**
- **Labour market statistics: misuses and misleading interpretations**

Daniel Harari (editor)

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## Research Paper 12/22

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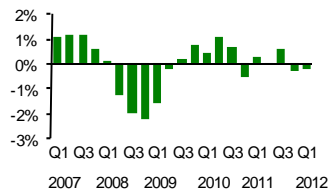
## Summary

The preliminary estimate of quarterly GDP showed that the economy had contracted for the second successive quarter: by 0.2% in Q1 2012 following a 0.3% decline in Q4 2011. While a sharp fall in output in the construction sector was the main factor behind the fall in GDP, the services sector – accounting for three-quarters of the economy – only grew by 0.1%. Meanwhile, unemployment fell in the three months to February for the first time since the three months to May 2011.

### GDP growth

[page 1](#)

(% change quarter-on-quarter)



Quarterly GDP fell by 0.2% in Q1 2012 compared with Q4 2011. This followed a decline in GDP of 0.3% in Q4 2011. GDP is 4.3% below its pre-recession peak of Q1 2008.

### Inflation (CPI)

[page 7](#)

(% change on year ago)

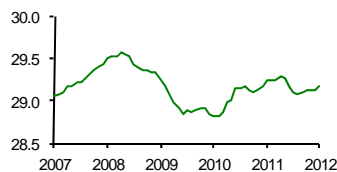


The annual rate of CPI inflation was 3.5% in March compared with a year ago, up from 3.4% in February. The Bank of England target is 2%.

### Employment

[page 10](#)

(total, millions)

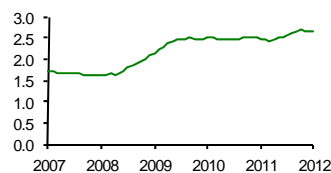


Compared with the previous quarter, the number of people employed rose by 53,000 to 29.17 million in the three months to February.

### Unemployment

[page 11](#)

(total, millions, ILO definition)

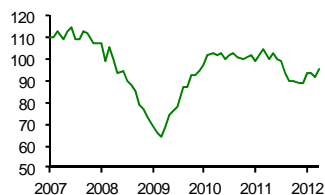


Compared with the previous quarter, ILO unemployment fell by 35,000 to 2.65 million in the three months to February. The unemployment rate also decreased, from 8.4% to 8.3%.

### Economic sentiment index

[page 19](#)

(European Commission survey for UK, index where 100=long-term average of 1990-2011)



The EC economic sentiment indicator for the UK – which measures business and consumers conditions – rose sharply in April.

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Next issue: 5 June

Editor: Daniel Harari

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## 1 Introduction to *Economic Indicators*

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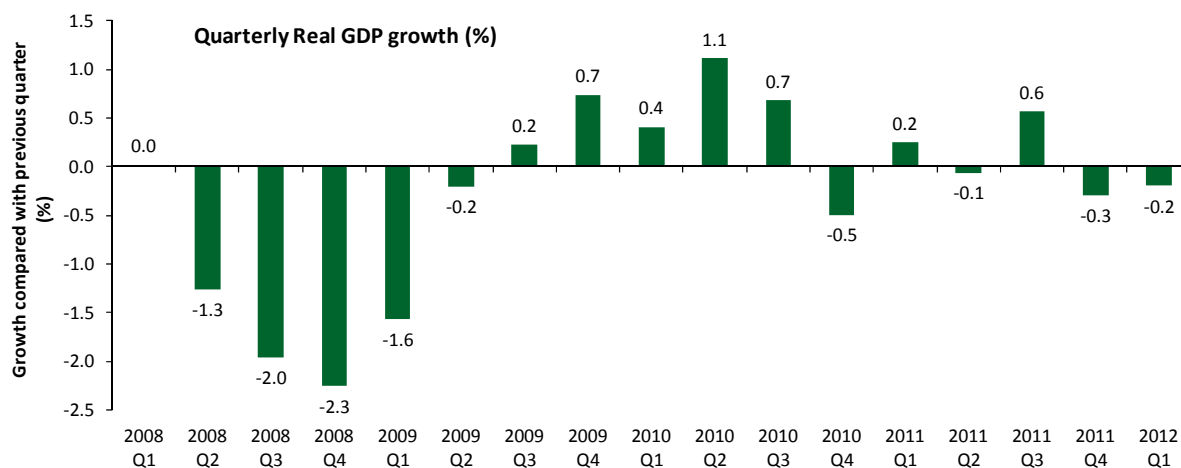
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<sup>2</sup> <http://intranet.parliament.uk/Documents/intranet/offices-departments/assets/using-the-commons-library.pdf>

## 2 The UK economy: recent performance in context

ONS released its preliminary estimate of GDP for the first quarter of 2012 on 25 April.<sup>3</sup> The data shows that the UK economy is now technically back in recession. The economy contracted by an estimated -0.2% in Q1 2012 following a contraction of -0.3% in Q4 2011.



### 2.1 De-constructing the figures

In the volatile construction sector, output fell by -3.0%, the second consecutive quarterly contraction. In the other sectors, overall output was flat on the quarter. In the production sector output fell by -0.4%. However, output in the services sector, by far the largest sector in the economy, rose by 0.1%, with the business & financial services and government & other services sub-sectors both rising by 0.2%.

Overall, the construction sector contribution to the first quarter growth figure of -0.2% was -0.2 of a percentage point, the production sector -0.1 of a percentage point and the services sector 0.1 of a percentage point.

There is some argument as to the importance of the tag 'recession' (and the so-called 'double-dip' recession) in the context of two successive quarters of falling GDP (see box).<sup>4</sup> Regardless, GDP has remained largely flat over the past 18 months and is still well below the levels seen before the onset of the 2008 recession.

### 2.2 The 2008 recession

If we look at the 2008 recession and its aftermath not only was this the 'deepest' recession (in terms of lost output) in the UK since at least the 1930s (see chart below), but the recovery has also been the slowest. While UK economic output has recovered to its pre-recession level three years from the start of each of the recessions since the end of the Second World War (and after four years in the 1930 recession), the UK economy is still 4.3% smaller than it was before the beginning of the 2008 recession.

#### Measuring recessions

A recession can generally be described as a period of time, lasting more than a few months, when output of an economy is falling, and is often accompanied by rising unemployment.

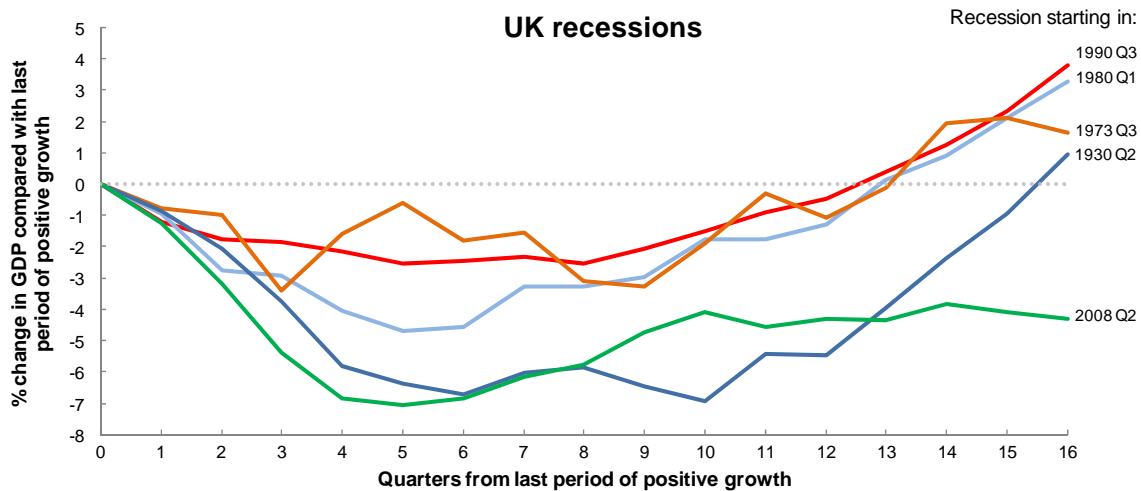
While there's no 'official' definition of when an economy is in recession, the most commonly used one is when GDP falls for two consecutive quarters. This is sometimes referred to as a technical recession.

Some economists believe this definition is too rigid and does not take into account other issues such as the magnitude of the fall in output and the performance of the labour market.

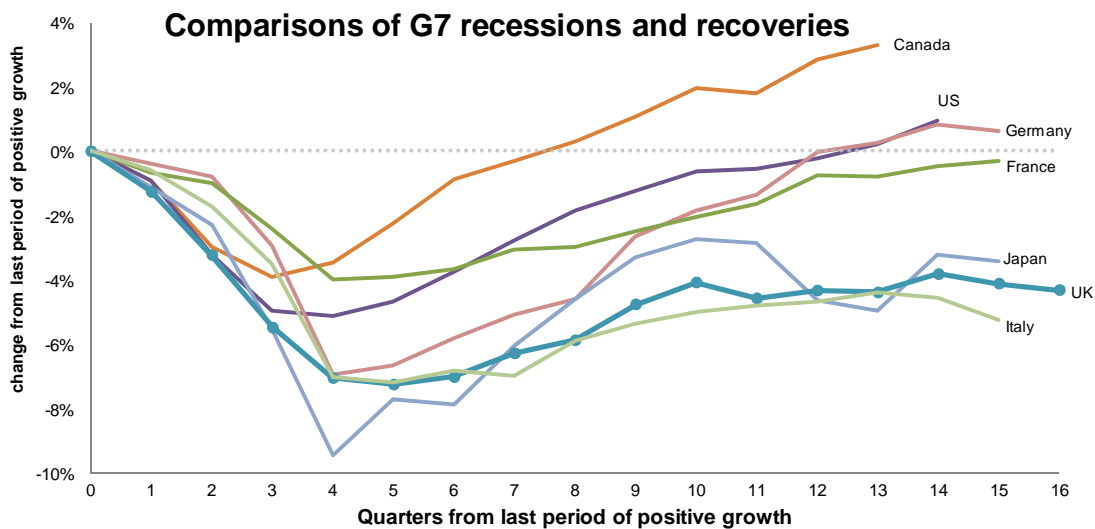
<sup>3</sup> ONS, *Gross Domestic Product: Preliminary Estimate, Q1 2012*, 25 April 2012

<sup>4</sup> See for example, Tim Harford, "Our growth fixation is positively baffling", FT online, 27 April 2012"





Of course, 2008 saw recessions in many countries, including all G7 economies. OECD data show that economic output in the UK economy contracted by -7.3%, at its lowest point, from its pre-2008 recession level, less severe than Japan's (-9.5%) but more severe than in all other G7 economies.



Of the G7 economies, Canada, the US and Germany have since recovered the output lost during the recession. GDP in the US is now 1.4% above its pre-2008 recession level, Canada 3.3% and Germany 0.6%. Meanwhile, GDP in Italy (-5.2%), Japan (-3.4%) and France (-0.3%) remains below pre-2008 recession levels. In the UK, GDP remains 4.3% below its pre-2008 recession level.

### 2.3 Recovery

Output lost during the recession will not be recouped for some time yet. Growth in the first quarter of 2012 was much lower than expectations at the Budget in March, when the Office for Budget Responsibility (OBR) forecast first quarter GDP growth of 0.3%. The OBR also published forecasts of quarterly growth to Q1 2017 in [March](#). The OBR will likely change these forecasts given the lower than anticipated growth in the first quarter but assuming that the forecasts remained unchanged, UK economic output will not return to its pre-2008 recession level until some point during the second quarter of 2014.

Grahame Allen, Economic Policy and Statistics Section

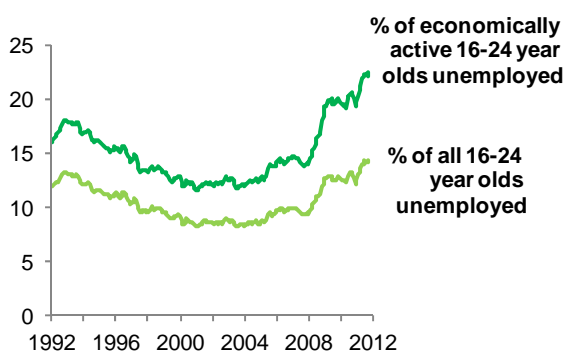
### 3 Labour market statistics: misuses and misleading interpretations

Labour market statistics are widely reported but are often misinterpreted, misused or used in a misleading way. This article examines some of the most frequently repeated mistakes.

#### 3.1 Misuse: one in five young people are unemployed

“...one in five young people are now out of work.” *Guardian*, 16 November 2011

This comment is indicative of a widespread misunderstanding of the definition of the unemployment rate. In the three months to February 2012, the unemployment rate for 16-24 year olds was 22.2%, but this does not mean that roughly one in five young people were unemployed.



The unemployment rate is the proportion of the economically active population who are unemployed. The economically active population is defined as all employed and unemployed people, and excludes economically inactive people, such as most full-time students. So, around one in five *economically active* young people were unemployed in the three months to February 2012.

A smaller proportion of *all* 16-24 year olds were unemployed during this period: 14.1%. So, we can say more accurately that one in seven young people are unemployed, whilst around one in five *economically active* young people are unemployed.

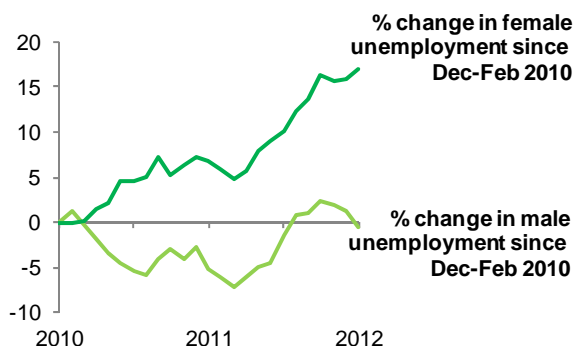
It is also worth noting that the unemployment rate for people of all ages is worked out in the same way. So, the unemployment rate in the UK in the three months to February 2012 was 8.3%, but this does not mean that 8.3% of the population were unemployed. Rather, 8.3% of economically active people were unemployed.

#### 3.2 Misconception: unemployment is worse among women than among men

“Women bear the brunt of unemployment...” *Daily Mail*, 15 March 2012

In the last two years, the number of unemployed women has increased by more than the number of unemployed men. Since the three months to February 2010, the number of unemployed women has increased by 165,000, whilst the number of unemployed men has fallen by 7,000.

The chart on the right shows female unemployment has risen by over 17% since the three months to February 2010, whilst male unemployment is almost unchanged. In short, the recent change in unemployment has been concentrated on women.



However, taking a step back, and contrary to the implication in some press comment, the *overall* male unemployment rate is still higher than the *overall* female unemployment rate and



has been for several decades. Since 1980, the male unemployment rate has been on average one percentage point higher than the female unemployment rate. In the three months to February 2012, the male unemployment rate was 8.8%, whilst the female unemployment rate was 7.7%.

Since 1974 there have been, on average, 445,000 more men unemployed than women. In the three months to February 2012 there were 1.13 million women

unemployed and 1.51 million men unemployed, meaning that unemployed men outnumbered unemployed women by 378,000.

### 3.3 Misleading: foreigners take the new jobs

“Two out of three new jobs given to migrants.” *Daily Express*, 20 January 2011

A commonly cited labour market statistic is that x% of new jobs in the UK have gone to those born outside the UK. This is misleading. Alongside the published statistics, the ONS [explicitly](#) warns against interpreting the figures in this way:

These statistics have sometimes been incorrectly interpreted as indicating the proportion of new jobs that are taken by foreign migrants.

Employment measures the number of people in work and is not a measure of jobs. Over a given period, many people find jobs and many lose jobs. The difference is the net change in employment. For example, if 350,000 people leave employment and 250,000 find employment, there is a net increase of 100,000.

Similarly, changes to employment among two groups can also be measured: (i) employed people born in the UK, and (ii) employed people born outside the UK. If, in this time period, the net change in employment of British-born people is 33,000 and the net change of those born outside the UK is 67,000, some may report this as ‘two-thirds of new jobs go to migrants’. But this creates the false impression that there is a set number of jobs being created when, as noted above, in fact the labour market is more dynamic with lots more jobs being created – and lost – every month.

More broadly, as the chart opposite shows, a higher proportion of UK-born people than non-UK-born people are in employment. On average over the last 10 years, the employment rate for UK-born people has been eight percentage points higher than the employment rate for non-UK born people, although in recent years, the rates have drawn closer together. In the fourth quarter of 2011, the employment rate for UK born people was 71.3%, whilst the rate for non-UK born people was 66.4%.



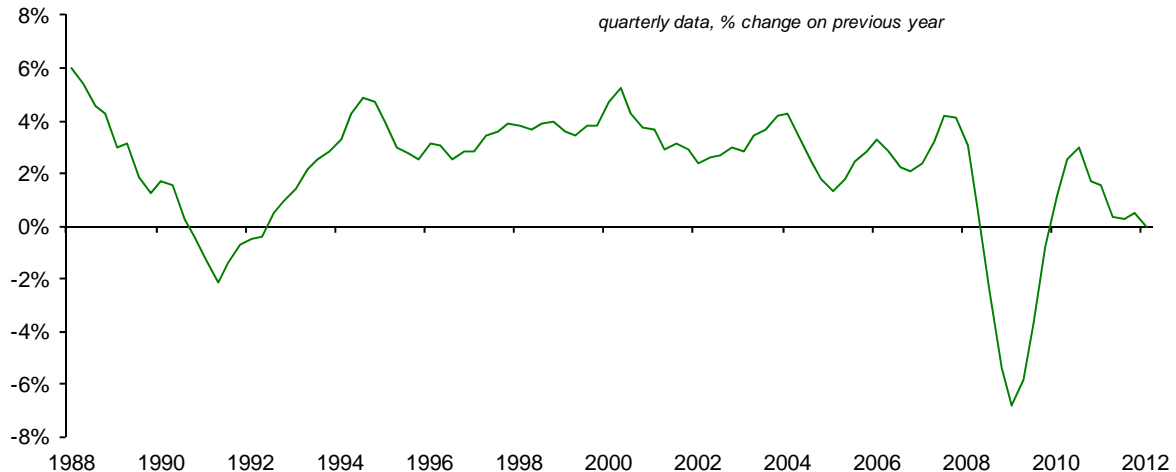
Chris Rhodes, Economic Policy and Statistics Section



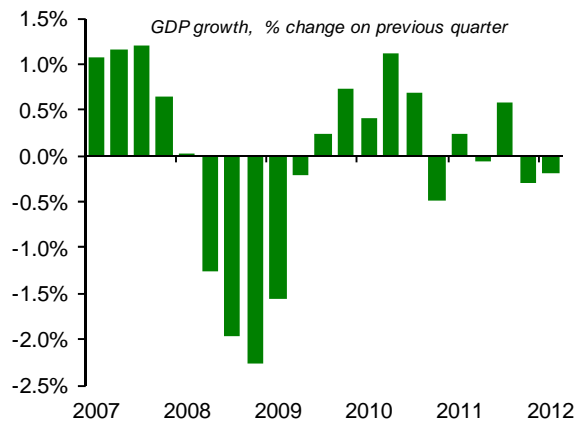
## A1: Gross Domestic Product

The economy contracted by a first estimate of -0.2% in Q1 2012 rising from -0.3% in Q4 2011. In April, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.6% and 1.7% for 2013. The Office for Budget Responsibility's (OBR) central forecasts from March 2012 are 0.8% growth for 2012 and 2.0% for 2013.

### Real GDP Growth since 1988



### Real GDP Growth since 2007



### Gross Domestic Product

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	1,508	3.0	...	0.7
2011 Q1	373.8	3.8	0.2	1.5
Q2	374.9	2.8	-0.1	0.4
Q3	378.4	2.6	0.6	0.3
Q4	380.5	2.8	-0.3	0.5
2012 Q1	-	-	-0.2	0.0

Source: ONS, series: YBHA, ABMI

- The UK economy is now technically back in recession. The economy contracted by a first estimate of -0.2% in Q1 2012 compared with Q4 2011. This compares with a fall of -0.3% in Q4 2011 compared with Q3 2011.
- In Q1 2012, real GDP was estimated to have remained unchanged on a year earlier. GDP remains more than 4% below its pre-2008/09 recession level (Q1 2008).
- In Q1 2012, output of the production industries decreased by a first estimate of 0.4%, the construction sector output decreased by 3.0% and output of the service industries increased by 0.1%.

**Contact:** Grahame Allen, x3977

**Updates:** ONS, [National Accounts](#) 24 May  
HMT, [Comparison of Independent Forecasts](#), 16 May

## A2: GDP: International Comparisons

UK output contracted by 0.2% in Q1 2012, while US output expanded by 0.5% over the same period. In Q4 2011, with the exceptions of the US, France and Canada, all the G7 countries saw a contraction in output. The UK economy and the eurozone contracted by 0.3% in Q4 2011.

### Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	11Q2	11Q3	11Q4	12Q1	11Q2	11Q3	11Q4	12Q1
US	1.6	1.5	1.6	2.0	0.3	0.5	0.7	0.5
Japan	-1.7	-0.5	-0.6	..	-0.3	1.7	-0.2	..
UK	0.4	0.3	0.5	0.0	-0.1	0.6	-0.3	-0.2
Germany	2.9	0.7	0.5	..	0.3	0.6	-0.2	..
France	1.7	0.6	0.1	..	0.0	0.3	0.2	..
Eurozone	1.6	0.4	0.4	..	0.1	0.1	-0.3	..
G7	1.2	1.2	1.1	..	0.2	0.6	0.3	..
OECD	1.7	1.7	1.4	..	0.3	0.6	0.2	..

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

In [April 2012](#), the IMF raised their 2012 forecast for world growth by 0.2 percentage points to 3.5%. 2012 growth forecasts for the UK were raised by 0.2 percentage points, for the eurozone by 0.2 percentage points, and for the US by 0.3 percentage points.

Among major emerging markets, China's and Brazil's growth forecast for 2012 were left unrevised, while India's was revised downward by 0.1 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.

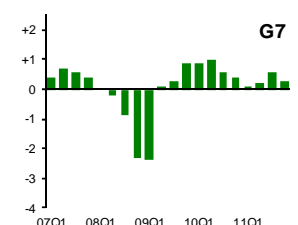
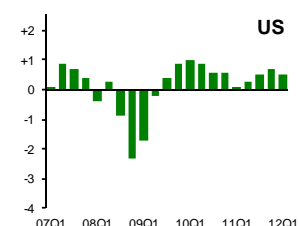
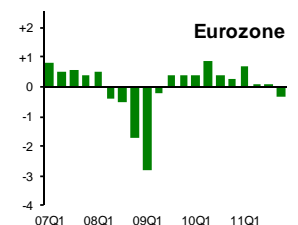
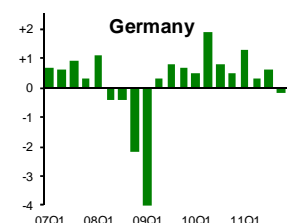
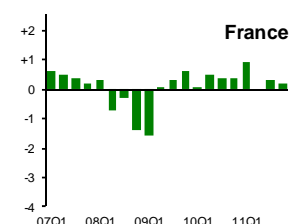
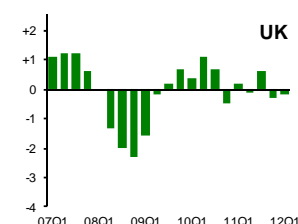
### Real growth forecasts (% changes, year-on-year)

	IMF (Apr 12)		EC (Nov 11) <sup>a</sup>		OECD (Nov 11)	
	2012	2013	2012	2013	2012	2013
UK	0.8	2.0	0.6	1.5	0.5	1.8
France	0.5	1.0	0.4	1.4	0.3	0.4
Germany	0.6	1.5	0.6	1.5	0.6	1.9
Eurozone	-0.3	0.9	-0.3	1.3	0.2	1.4
US	2.1	2.4	1.5	1.3	2.0	2.5
Japan	2.0	1.7	1.8	1.0	2.0	1.6
<b>OECD</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>1.6</b>	<b>2.3</b>
China	8.2	8.8	..	..	8.5	9.5
India	6.9	7.3	..	..	7.5	8.4
Brazil	3.0	4.1	..	..	3.2	3.9
<b>World</b>	<b>3.5</b>	<b>4.1</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

<sup>a</sup> 2012 forecasts for UK, France, Germany and Euro zone are from February 2012

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

### Quarter-on-quarter growth rates



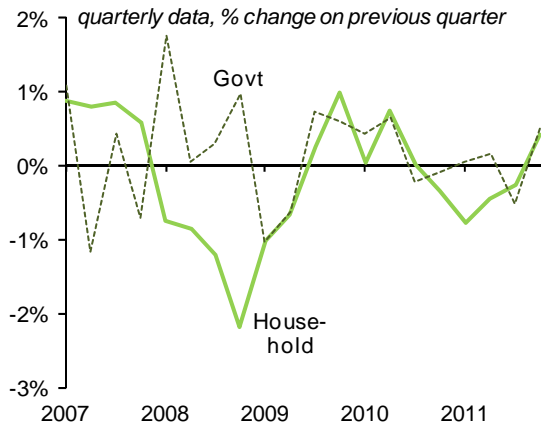
**Contact:** Gavin Thompson, x2042

**Update:** OECD [Main Economic Indicators](#), 10 May 2012  
EC [Economic Forecast](#), May 2012  
IMF [World Economic Outlook update](#), Jun 2012

### A3: Components of GDP

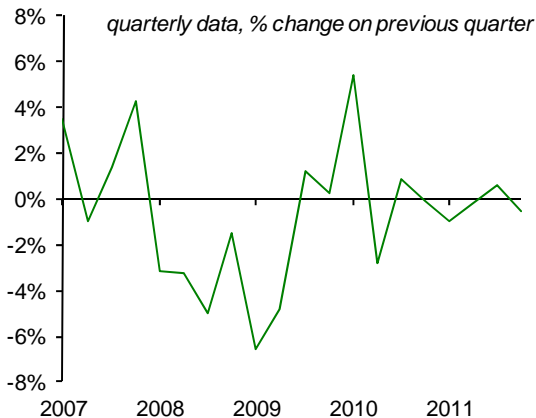
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 62% of the total in 2011. Government consumption accounted for 23% and gross fixed capital formation for 14%.

#### Household consumption and government consumption



- In Q4 2011, household consumption rose by 0.4% in real terms compared with Q3. This followed four consecutive quarters of falling consumption.
- Government consumption increased by 0.5% in Q4 2011, the largest rise since Q2 2010.
- Exports rose by 1.6% while imports increased by 0.9% in Q4 2011.
- Sharp declines in stockbuilding and investment (below), resulted in GDP falling by 0.3% in Q4 2011.

#### Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q4 2011 GFCF decreased by 0.6%. In 2011 as a whole it fell by 1.2%.
- Business investment, a component of overall GFCF, fell by 3.3% in Q4 2011. In 2011 overall, however, it rose slightly by 1.2%.

#### 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)	-1.2%	0.1%	-1.2%	4.6%	1.2%	0.7%
2010 Q4	-0.3%	-0.1%	0.0%	4.1%	1.2%	-0.5%
2011 Q1	-0.8%	0.1%	-0.9%	1.4%	-1.7%	0.2%
2011 Q2	-0.4%	0.2%	-0.1%	-2.2%	-0.6%	-0.1%
2011 Q3	-0.3%	-0.5%	0.6%	0.0%	0.2%	0.6%
2011 Q4	0.4%	0.5%	-0.6%	1.6%	0.9%	-0.3%
2012 Q1	..	..	..	..	..	-0.2%

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

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

Update: ONS, [Second estimate of GDP](#), 24 May

## 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 (Q4 2011).

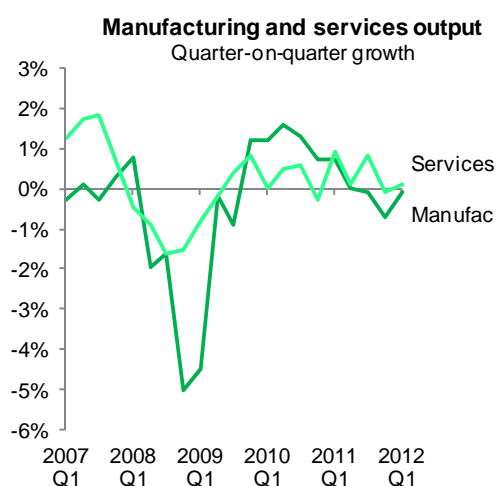
### Output

#### 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	2.0%	2.8%	1.6%	0.7%
2011 Q3	1.2%	-0.1%	1.5%	0.3%
2011 Q4	-0.2%	1.0%	1.6%	0.4%
2012 Q1	-0.9%	1.0%	1.6%	0.0%
<i>Quarter-on-quarter</i>				
2011 Q3	-0.1%	0.5%	0.8%	0.6%
2011 Q4	-0.7%	-0.2%	-0.1%	-0.3%
2012 Q1	-0.1%	-3.0%	0.1%	-0.2%

Source: ONS Series L2KX, L2N8, L2NC, YBEZ



- Preliminary estimates suggest manufacturing output fell by 0.1% in the first quarter of 2012. Services output rose by 0.1%, while construction output fell by 3.0%.
- Manufacturing output rose by 2.0% in 2011 and services by 1.6%. Construction output grew by 2.8%.
- Output in the business services and finance sector fell by 0.1% in Q1 2012. The largest fall was in extractive industries, 3.6%.

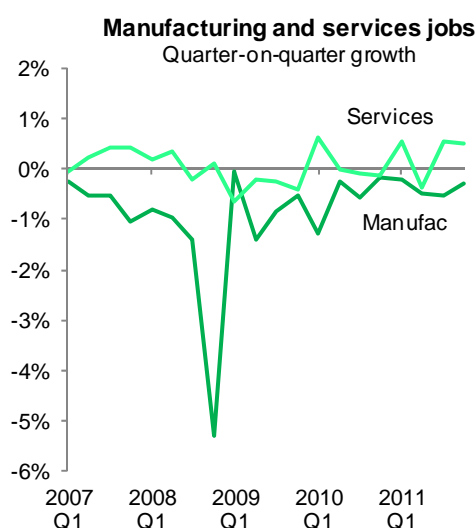
### Employment

#### Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2009 Q4	-2.8%	-7.3%	-1.5%	-2.0%
2010 Q4	-2.2%	-6.3%	0.4%	-0.1%
2011 Q3	-1.3%	-1.6%	0.6%	0.3%
2011 Q4	-1.5%	0.9%	1.2%	0.9%
<i>Quarter-on-quarter</i>				
2011 Q3	-0.5%	-0.8%	0.5%	0.6%
2011 Q4	-0.3%	0.2%	0.5%	0.4%
<i>Thousands</i>				
2011 Q4	2,514	2,055	26,160	31,537

Source: ONS series JWR7, JWS2, JWT8, DYDC



- The number of manufacturing jobs has continued to fall. In Q4 2011, the manufacturing workforce fell by 0.3% on the previous quarter.
- The number of jobs in the construction sector increased by 0.2% in Q4 2011, while the services workforce grew by 0.5%.
- The public administration, health and education workforce fell by 2.3% in the year to Q4 2011.

**Contact:** Lucinda Maer, x3841

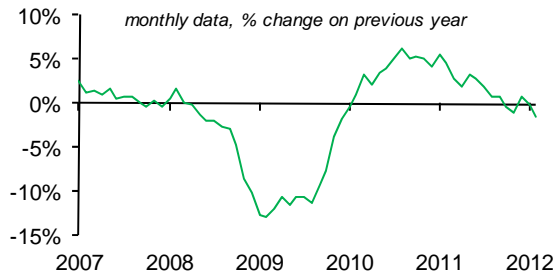
**Update:** ONS, [Second Estimate of GDP](#), 24 May



## 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

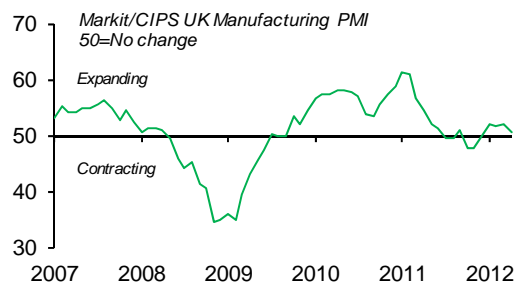


	Index Value (2008=100)	% change over month	% change over 12 months
2010	93.7	...	3.7
2011	95.6	...	2.0
2012 Nov	94.6	-0.1	-1.0
Dec	95.7	+1.1	+0.9
Jan	95.4	-0.3	-0.1
Feb	94.4	-1.0	-1.4

Source: ONS, series K22A

- Manufacturing output fell by 1.0% in February 2012 compared with January 2012. Manufacturing output fell by 1.4% in February 2012 compared to February 2011.
- Total industrial production (including mining and utilities) grew by 0.4% in February 2012 compared with January 2012. Total production was 2.3% lower in February 2012 than in February 2011.

### Manufacturing Purchasing Managers' Index

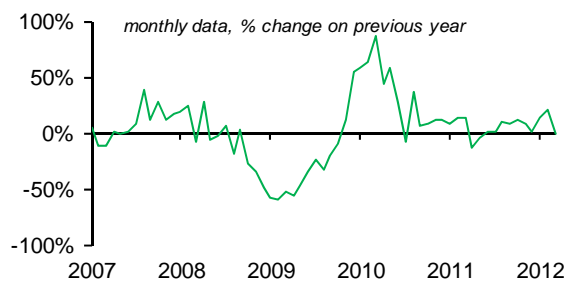


		Index	Monthly change
2010	Apr	58.0	...
2011	Apr	54.4	...
2012	Jan	52.0	+2.3
2012	Feb	51.5	-0.5
	Mar	51.9	+0.4
	Apr	50.5	-1.4

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

- The Markit/CIPS UK Manufacturing PMI fell to 50.5 in April 2012 from 51.9 in March (where 50.0 is no change), the lowest level this year. This suggests slow expansion in the sector.
- Markit/CIPS partly attributed the "softening" of growth to "a sharp reduction in new export orders", noting that output increases were being driven by existing contracts rather than new orders.

### Vehicle Production



		Number '000s	% change over 12 months
2010		1,393	+27.8
2011		1,465	+5.1
2011	Mar	147	+12.7
2012	Jan	137	+14.2
	Feb	148	+21.4
	Mar	145	-1.5

Source: SMMT, not seasonally adjusted

- UK vehicle production was 145,000 in March 2012, 1.5% lower than in March 2011. This was the first year-on-year monthly fall since May 2011. The SMMT says that "the prospects for the UK motor industry are extremely good".
- 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](#), 10 May  
Markit/CIPS [UK Manufacturing PMI](#), 1 Jun  
SMMT, [Vehicle Production](#), mid May

## 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.

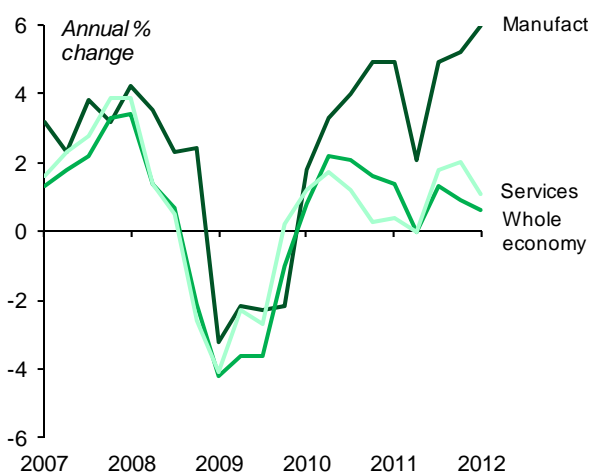
### UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have risen by 0.6% in the year to 2011 Q4. It fell by 0.7% in the last quarter of 2011 alone.
- Productivity in terms of output per hour is similar to levels early in the recession (2008 Q3). However, hours worked are below pre-recession levels.

#### Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2009	-1.3	-0.9	-1.9
2010	4.3	0.9	1.9
2011	4.6	1.2	0.7
2010 Q3	4.9	0.3	1.6
Q4	4.9	0.4	1.4
Q1	2.1	0.0	0.0
2011 Q2	4.9	1.8	1.3
Q3	5.2	2.0	0.9
Q4	6.0	1.1	0.6
<i>Latest q-on-q % change</i>			
	0.7	-1.0	-0.7

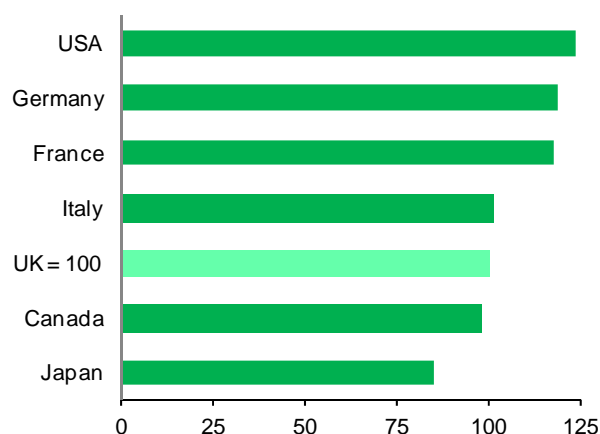
Source: ONS series LZVD, DJK8, DJQ3



- Manufacturing productivity has grown faster than that in the service sector. Output per hour in manufacturing grew 6.0% between 2010 Q4 and 2011 Q4, compared with 1.1% 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.

Contact: Adam Mellows-Facer, x4904

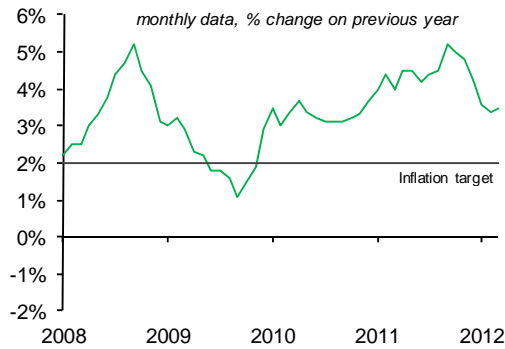
Update: ONS, [Labour Productivity](#), 29 Jun

## B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 3.5% in March, up from 3.4% in February and above the Bank of England's 2% target for the twenty-eighth successive month.

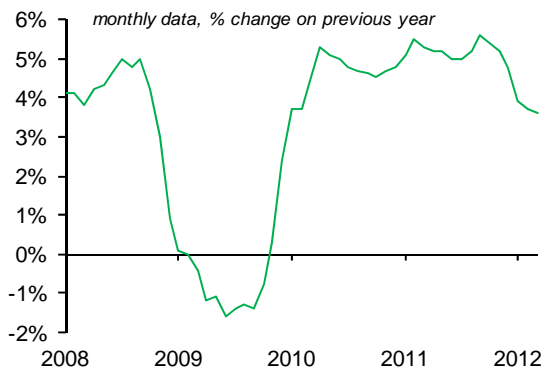
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

### Consumer Prices Index (CPI)



- The CPI annual inflation rate was 3.5% in March, up from 3.4% in February. This is the first rise in CPI inflation since August 2011 and ends a run of five consecutive months in which the annual rate has fallen.
- The largest upward pressures to this change came from food (particularly fruit, bread & cereals and meat), clothing and recreation & culture prices compared with last year.
- The RPI (all items) measure of annual inflation was 3.6% in March, down from 3.7% in February.

### Retail Prices Index (RPI)

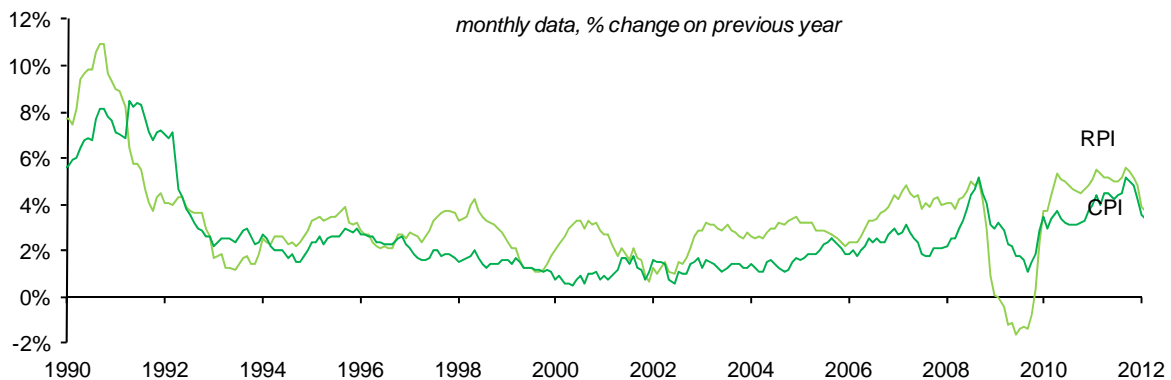


### Price Indices

		% change on a year ago	
		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
2011	Oct	5.0	5.4
	Nov	4.8	5.2
	Dec	4.2	4.8
2012	Jan	3.6	3.9
	Feb	3.4	3.7
	Mar	3.5	3.6

Source: ONS database, series: D7G7, CZBH

### CPI and RPI since 1990



Contact: Grahame Allen, x3977

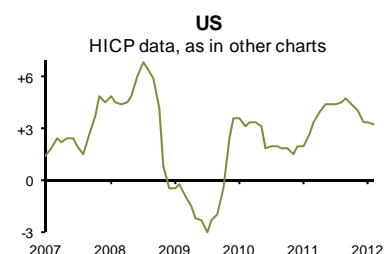
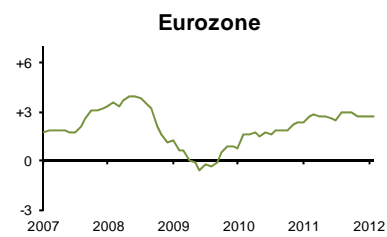
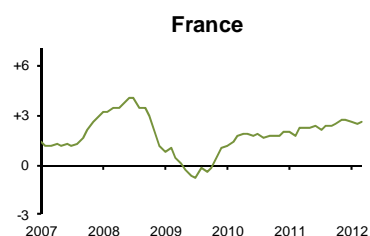
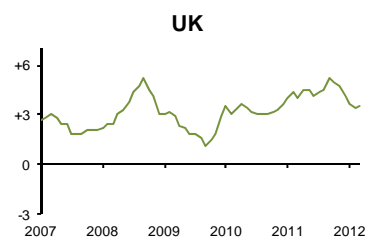
Update: ONS, [Consumer Price Indices](#), 22 May

## 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 March, UK inflation was 3.5%, up from 3.4% in February. This is the eighth-highest rate in the EU. The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in the year to April 2012 was 2.6%, down from 2.7% in March. 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 March, at 1.1%. The highest rate was in Hungary, at 5.5%.
- HICP annual inflation in the US in February was 3.2%, down from 3.3% in January. Using its national definition, US inflation was 2.7% in March, down from 2.9% in February.



### Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Dec-11	Jan-12	Feb-12	Mar-12
<b>HICP (ONS/Eurostat)</b>							
UK	2.2	3.3	4.5	4.2	3.6	3.4	3.5
Eurozone	0.3	1.6	2.7	2.7	2.7	2.7	2.7
EU	1.0	2.1	3.1	3.0	2.9	2.9	2.9
France	0.1	1.7	2.3	2.7	2.6	2.5	2.6
Germany	0.2	1.2	2.5	2.3	2.3	2.5	2.3
Greece	1.3	4.7	3.1	2.2	2.1	1.7	1.4
Italy	0.8	1.6	2.9	3.7	3.4	3.4	3.8
Spain	-0.2	2.0	3.1	2.4	2.0	1.9	1.8
US	-0.8	2.4	..	3.4	3.3	3.2	:
<b>National definitions (OECD)</b>							
Canada	0.3	1.8	2.9	2.3	2.5	2.6	1.9
Japan	-1.3	-0.7	-0.3	-0.2	0.1	0.3	0.5
US	-0.4	1.6	3.2	3.0	2.9	2.9	2.7
G7	-0.1	1.4	2.6	2.5	2.5	2.5	2.4
OECD	0.5	1.9	2.9	2.9	2.8	2.8	2.7
Brazil	4.9	5.0	6.6	6.5	6.2	5.8	5.2
China	-0.7	3.3	5.4	4.1	4.5	3.2	3.6
India	10.9	12.0	8.9	6.5	5.3	7.6	..
Russia	11.7	6.9	8.4	6.1	4.1	3.7	3.7

Source: ONS, Eurostat & stat.OECD database

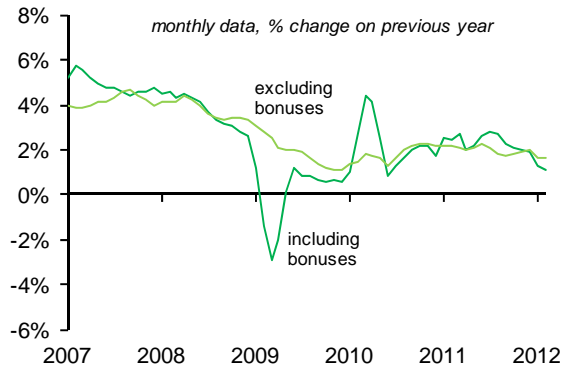
**Contact:** Gavin Thompson, x2042

**Updates:** OECD, [Main Economic Indicators](#), 10 May 2012  
Eurostat, [HICP full release](#), 16 May 2012  
Eurostat, [Flash estimate \(May\)](#), 31 May 2012

### B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.1% in February compared with a year ago, down from 1.3% in January. Average weekly earnings excluding bonuses rose by 1.6% in the three months to February compared with a year ago, unchanged from January. Inflation as measured by the CPI was 3.4% in February 2012 (the latest CPI inflation figure is 3.5% for March).

#### Average Earnings, Whole Economy



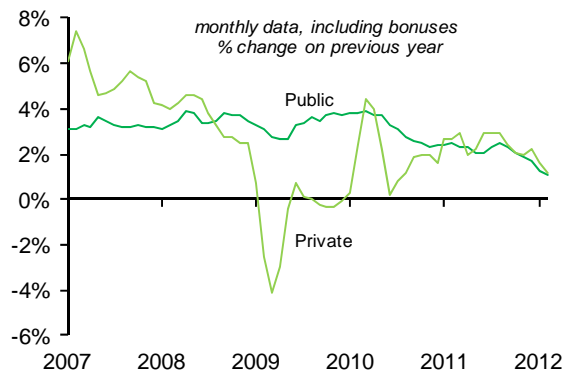
#### Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 Feb	-2.5	3.1	1.3	-1.9	-1.4
2010 Feb	2.4	3.8	4.2	2.7	2.7
2011 Feb	2.7	2.5	1.4	3.2	2.4
2011 Sep	2.4	2.3	1.6	2.5	2.3
Oct	2.1	2.1	1.3	2.3	2.1
Nov	2.0	1.9	1.7	2.1	2.0
Dec	2.2	1.7	1.5	2.2	1.9
2012 Jan	1.6	1.3	1.4	1.5	1.3
Feb	1.2	1.1	1.4	1.2	1.1

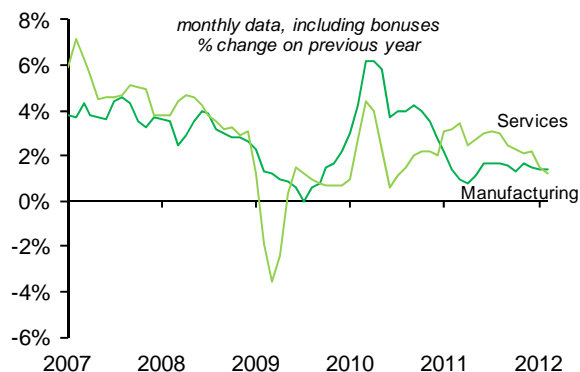
Source: ONS, data shows latest 3-month period

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



- Average total pay (including bonuses) in the private sector rose by 1.2% in February, compared with an increase of 1.1% in the public sector. Excluding financial services, public sector earnings rose by 0.6%.
- Average weekly earnings (including bonuses) in February in the public sector were £477 compared with £459 in the private sector.
- In 2011, headline (including bonuses) earnings in the private sector averaged a rise of 2.0%, while the public sector averaged a 2.1% increase.

#### Average Earnings in Services and Manufacturing

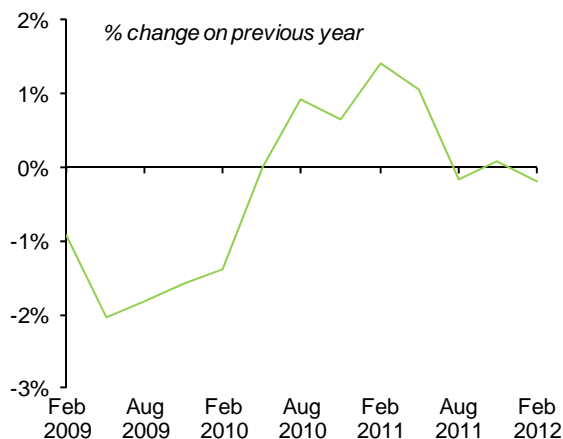


- Average total pay growth (including bonuses) in the manufacturing sector was 1.4% in February, compared with 1.2% in the services sector.
- Average weekly earnings (including bonuses) in February in the manufacturing sector were £532 compared with £449 in the services sector.
- In 2011, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 1.3% increase in the manufacturing sector.

## C1: Employment

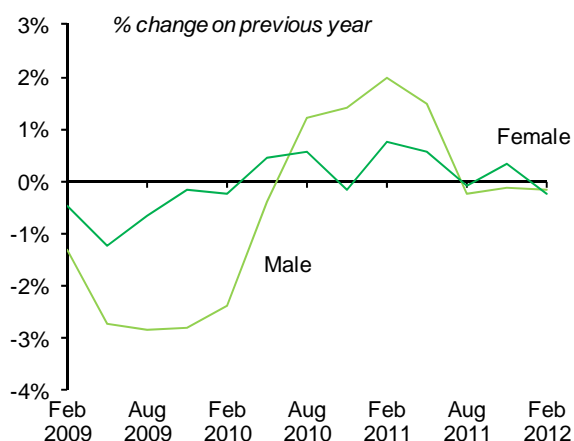
Employment rose by 53,000 over the quarter to February 2012, to 29.17 million. Employment is now 1.3% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

### Total employment



- Employment has fallen by 57,000 over the last year.
- In the past year, employment among 16-24 year olds has fallen by 117,000 or 3.1%.
- In the past year, employment fell slightly among people aged over 65, by 8,000 or 0.9%.
- The number of people employed part-time increased by 80,000 over the quarter.
- The number of people employed full-time fell by 27,000 over the quarter.

### Male and female employment



- The number of men in employment increased by 52,000 over the last quarter to 15.64 million.
- The number of women in employment increased by 2,000 over the last quarter to 13.53 million.
- The number of people employed in the public sector fell by 37,000 in the three months to December 2011, to 5.94 million.
- The number of people employed in the private sector increased by 45,000 in the three months to December 2011, to 23.17 million.

### Employment by age group

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

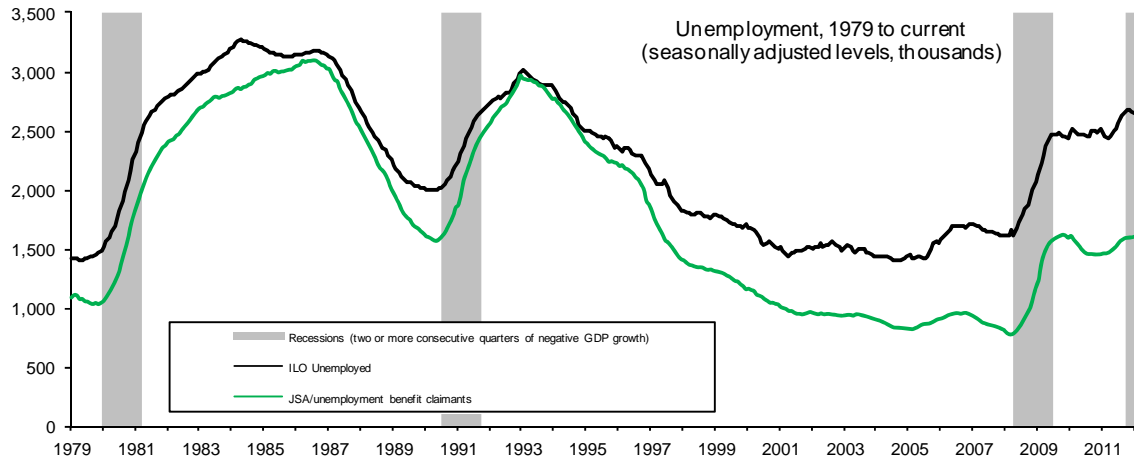
	Total	16-24	25-49	50-64	65+
Dec-Feb 2010	28,820	3,731	17,060	7,258	771
Dec-Feb 2011	29,229	3,745	17,239	7,362	884
Mar-May 2011	29,279	3,749	17,247	7,388	895
Jun-Aug 2011	29,101	3,670	17,227	7,383	822
Sep-Nov 2011	29,119	3,642	17,186	7,406	885
Dec-Feb 2012	29,172	3,628	17,251	7,416	877
% change on previous 3 months	+0.2	-0.4	+0.4	+0.1	-0.9
% change on previous year	-0.2	-3.1	+0.1	+0.7	-0.8

Source: ONS

## C2: Unemployment: National

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

- **ILO unemployment in December 2011 to February 2012 was 2,650,000 (8.3% of all economically active) – down 35,000 from the previous quarter. (UK, seasonally adjusted.)**



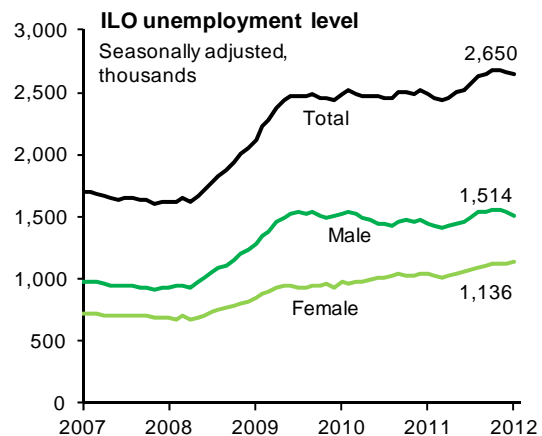
[Source: ONS, *Labour Market Statistics*]

### ILO unemployment (December 2011 to February 2012)

- There were 883,000 people unemployed for more than 12 months, up 26,000 from the previous quarter, and the highest figure since 1996.
- The unemployment level among 16- to 24-year-olds was 1,033,000, down 9,000 on the previous quarter. (See table below.)

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

The seasonally-adjusted monthly JSA claimant count increased by 3,600 between February and March 2012 to 1,613,000.



### 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	(%)
Dec-Feb 2007	1,707	5.6	711	14.5	756	4.2	229	3.2	11	1.7
Dec-Feb 2008	1,620	5.2	679	13.8	706	3.9	222	3.0	12	1.8
Dec-Feb 2009	2,123	6.8	821	16.9	967	5.3	317	4.2	18	2.5
Dec-Feb 2010	2,491	8.0	924	19.8	1,177	6.5	366	4.8	24	3.0
Dec-Feb 2011	2,478	7.8	959	20.4	1,130	6.2	371	4.8	17	1.9
Mar-May 2011	2,452	7.7	917	19.7	1,145	6.2	372	4.8	18	2.0
Jun-Aug 2011	2,566	8.1	991	21.3	1,191	6.5	362	4.7	22	2.7
Sep-Nov 2011	2,685	8.4	1,043	22.3	1,210	6.6	404	5.2	28	3.1
<b>Dec-Feb 2012</b>	<b>2,650</b>	<b>8.3</b>	<b>1,033</b>	<b>22.2</b>	<b>1,186</b>	<b>6.4</b>	<b>406</b>	<b>5.2</b>	<b>25</b>	<b>2.7</b>
% change on quarter	-1.3		-0.9		-2.0		+0.6		-12.4	
% change on year	+6.9		+7.7		+4.9		+9.4		+44.3	

Source: ONS, *Labour Market Statistics*.

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

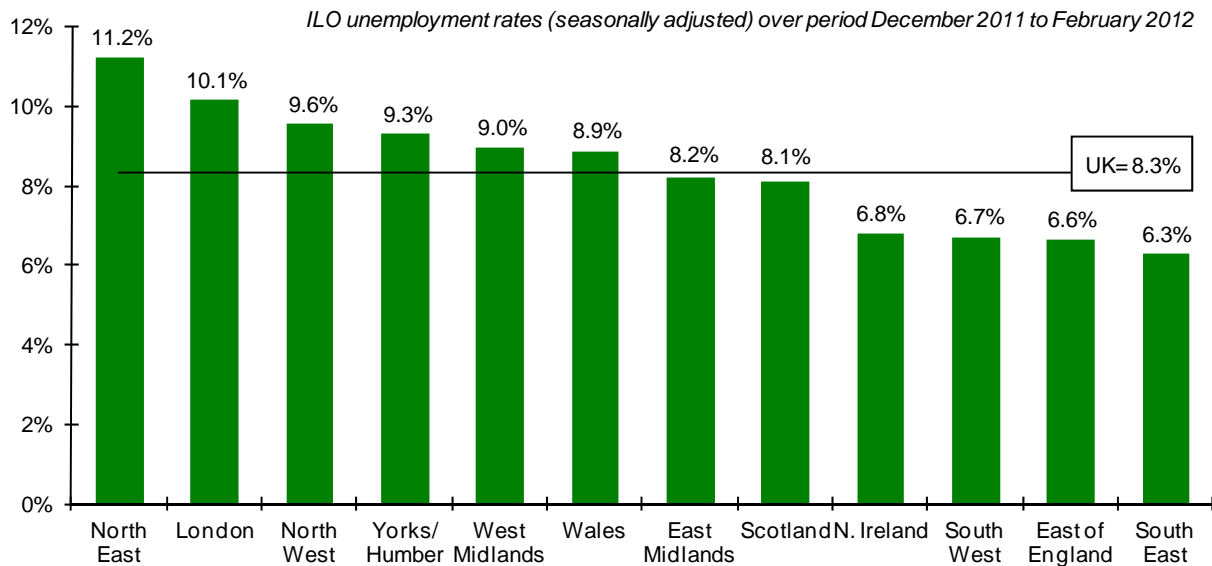
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 16 May 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 December 2011 to February 2012, the North East had the highest unemployment rate, at 11.2% of the economically active population. The lowest rate over the same period was 6.3% in the South West.



- The largest increase in unemployment over the last quarter was in the North West (+18,000) and largest decrease was in Yorkshire and Humber (-21,000).
- The seasonally-adjusted JSA claimant count increased in nine regions and countries, and decreased in three in March, compared with February 2012.

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

	ILO unemployment				JSA claimant count	
	Dec 2011 - Feb 2012		Change in level		March 2012	
	Level (000s)	Rate (%) <sup>(a)</sup>	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	144	11.2	-9	+14	92.3	+0.9
North West	325	9.6	+18	+57	204.3	+1.1
Yorkshire & Humber	248	9.3	-21	+5	164.9	+0.7
East Midlands	189	8.2	-1	+9	111.1	+0.3
West Midlands	239	9.0	-3	-19	167.7	-0.5
East of England	203	6.6	-17	+22	118.2	+0.4
London	431	10.1	+7	+44	234.5	-1.3
South East	282	6.3	-2	+20	143.7	+0.5
South West	179	6.7	+4	+14	90.7	-0.2
Wales	131	8.9	+1	+7	80.3	+0.6
Scotland	219	8.1	-12	+4	143.8	+0.9
Northern Ireland	58	6.8	-0	-3	61.5	+0.2

Source: ONS, *Labour Market Statistics*

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

**Contact:** Lorna Booth, x2883

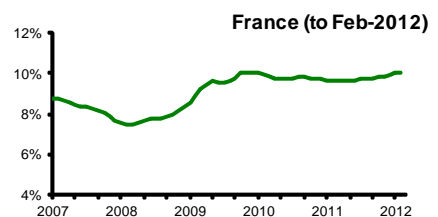
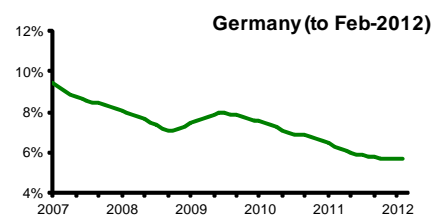
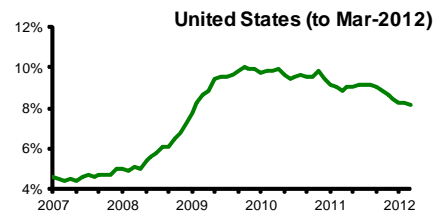
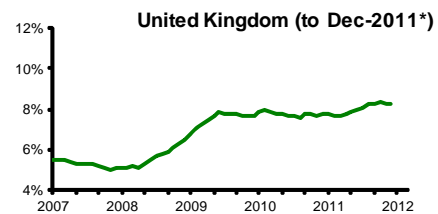
**Update:** ONS, *Labour Market Statistics*, 16 May 2012



## C4: Unemployment: International Comparisons

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

- Using harmonised definitions, UK unemployment was 8.4% in Q4 2011, up from 8.2% in Q3 2011. UK unemployment in Q4 was below that of France and Italy but above that of Germany.
- In the US, unemployment fell from 8.7% to 8.3% between Q4 2011 and Q1 2012, continuing its sharp decline of the previous quarter. Compared with a year ago unemployment is 0.7%-points lower.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (23.1% in Q4 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 14.6% in Q4 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 Q4 2011 was in Norway (3.3%).
- 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 Nov-Jan 2012

### Unemployment

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

	2009	2010	2011	2010			2011				2012
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Canada	8.3	8.0	7.5	8.0	8.0	7.7	7.7	7.5	7.3	7.5	7.4
France	9.1	9.4	9.3	9.3	9.3	9.3	9.2	9.1	9.3	9.4	..
Germany	7.8	7.1	6.0	7.0	6.8	6.8	6.3	5.9	5.9	5.7	..
Italy	7.8	8.4	8.4	8.6	8.2	8.2	8.2	8.2	8.4	8.8	..
Japan	5.1	5.1	4.6	5.1	5.0	5.0	4.8	4.6	4.4	4.5	..
UK	7.6	7.9	8.1	7.8	7.8	7.9	7.7	7.8	8.2	8.4	..
US	9.3	9.6	9.0	9.6	9.5	9.6	9.0	9.0	9.1	8.7	8.3
Euro zone	9.5	10.0	..	10.0	10.0	10.1	9.8	9.8	10.1	..	..
G7	8.1	8.2	..	8.3	8.1	8.1	7.7	7.7	7.7	7.6	..
OECD	8.4	8.6	..	8.6	8.5	8.5	8.2	8.2	8.2	8.2	..

Source: OECD, Harmonised Unemployment Rates

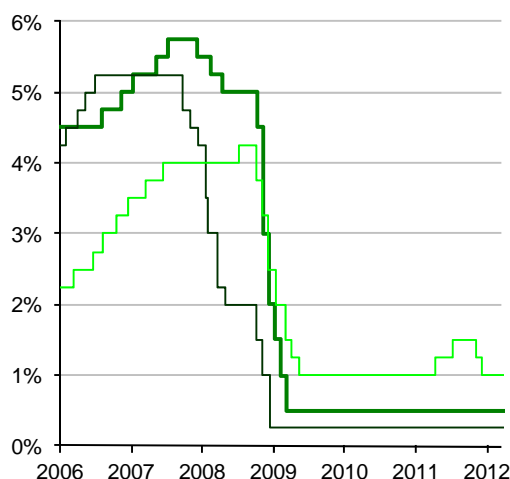
Contact: Gavin Thompson, x2042      Updates: OECD, [Harmonised Unemployment Rates](#), 10 May

## 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 since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.

With little room for further cuts in interest rates, the Bank initiated an asset purchase or 'quantitative easing' (QE) programme in March 2009. 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

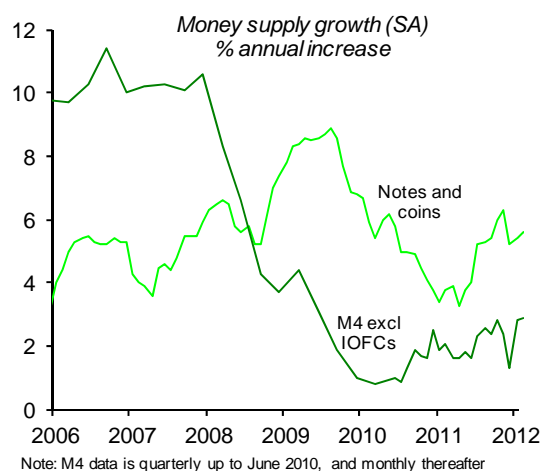
Source: Bank of England

- 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



Note: M4 data is quarterly up to June 2010, and monthly thereafter

- 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 2.9% in February, up from 2.8% in January and 1.3% in December.
- The value of notes and coins in circulation outside the Bank of England rose by 5.6% in March 2012 compared with a year ago.

**Contact:** Chris Rhodes, x2454

**Updates:** Monetary policy meetings: [10 May \(UK\)](#), [3 May \(ECB\)](#)  
Bank of England, [Monetary and Financial Statistics](#), 2 May

## D2: Public Finances

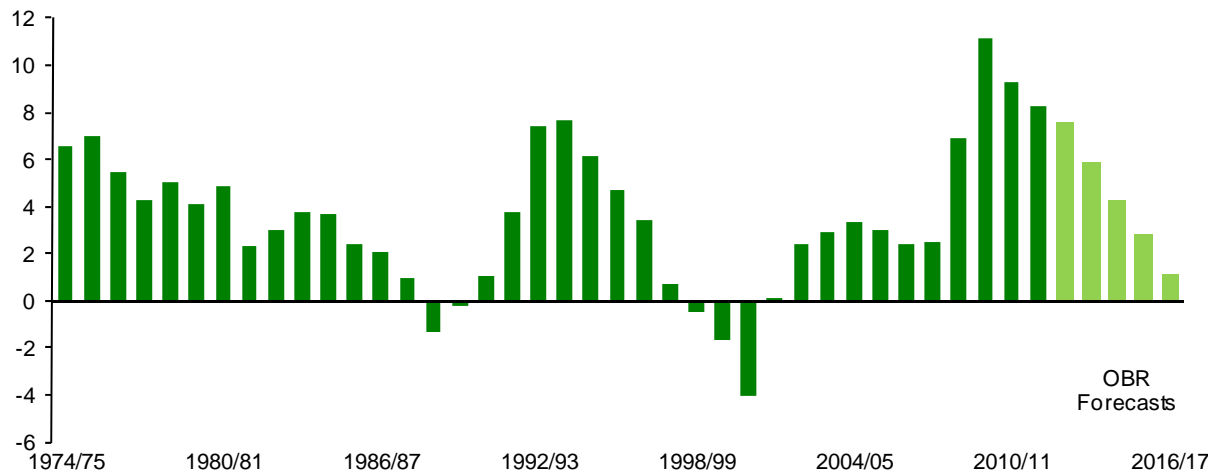
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £120 billion in 2012/13, equivalent to 7.6% of GDP.

- The Government met its annual borrowing forecast of £126 billion for 2011/12, which is £11 billion less than it borrowed in 2010/11.
- The OBR forecast public sector net debt to peak at 76.3% of GDP in 2014/15 and to fall to 74.3% by 2016/17.
- The 2012/13 borrowing figures exclude the impact of transferring the Royal Mail pension scheme to the public sector.

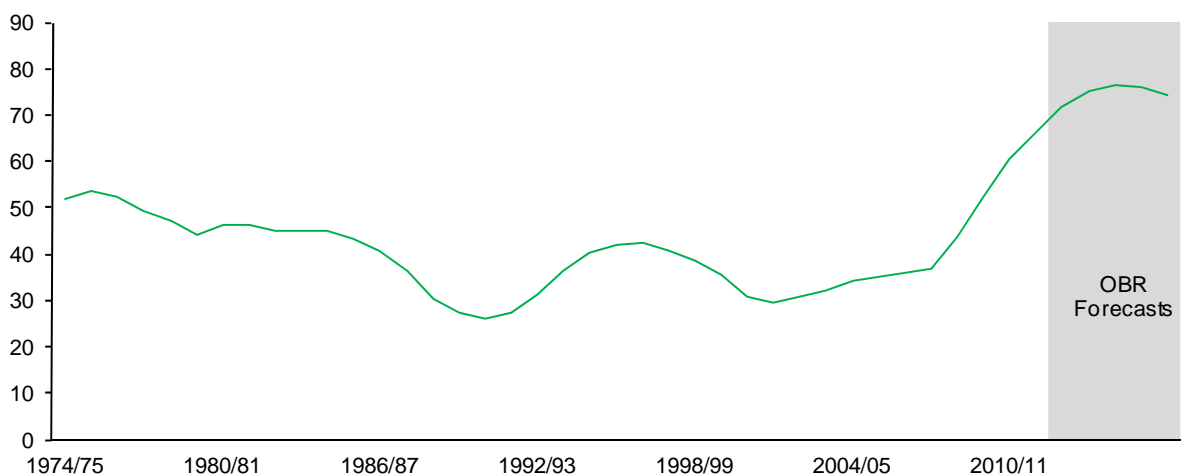
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	157	11.2	760	52.5
2010/11	137	9.3	905	60.5
2011/12	126	8.3	1,023	66.0
2012/13	120	7.6	1,159	71.9
2013/14	98	5.9	1,272	75.0
2014/15	75	4.3	1,365	76.3
2015/16	52	2.8	1,437	76.0
2016/17	21	1.1	1,479	74.3

Source: ONS, OBR. Excludes financial sector interventions

### Public sector net borrowing (% of GDP)



### Public sector net debt (% of GDP)



### 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 returned to around the 6,000-level.

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.

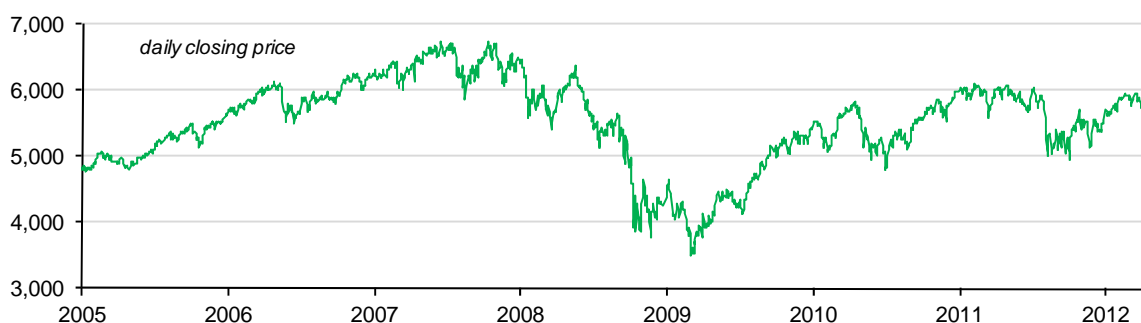
The price of gold exceeded \$1,800/ounce for the first time in August 2011, but has since fallen.

Data from 26 April 2012

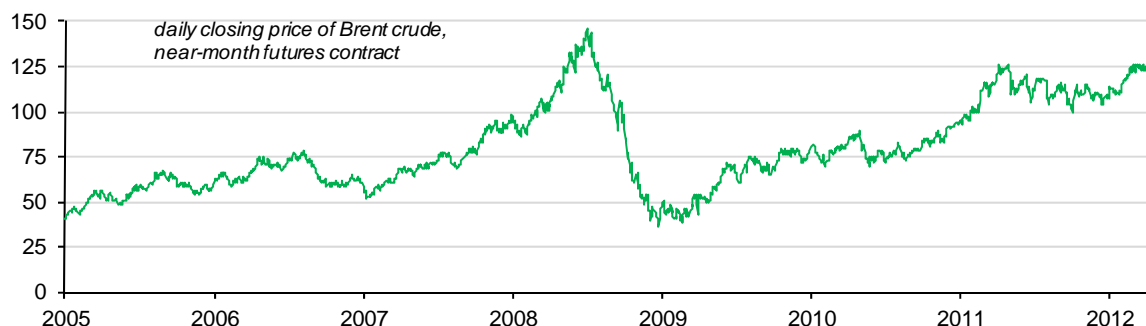
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
26 Apr 2012	5,723.7	119.9	1,658.5
%change over:			
1-month	-3%	-3%	+0.5%
12-months	-6%	-3%	+10%
%change from:			
cyclical peak	-15%	-18%	-13%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+63%	+230%	+133%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

#### FTSE-100 Index



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



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



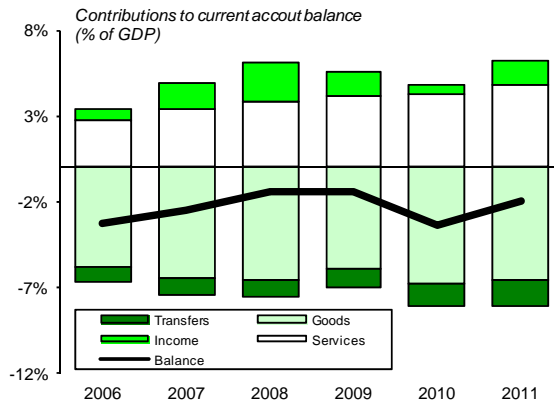
Contact: Chris Rhodes, x2454

Update: Page updated on a weekly basis

## E1: UK Balance of Trade

Annually, the current account deficit in 2011 was £29.0 billion, equivalent to -1.9% of GDP. That compared with £48.6 billion (-3.3% of GDP) in 2010. This change can principally be attributed to an increase in the UK's income (from £8.6 billion in 2010 to £21.0 billion in 2011) and services surplus (from £61.8 billion in 2010 to £71.9 billion in 2011).

### Current Account



- On a **quarterly** basis, the current account deficit was £8.5 billion in Q4 2011, narrowing from £10.5 billion in Q3 2011. The surplus on services fell to £17.2 billion while the deficit on goods fell to £24.2 billion.
- The **annual** current account deficit with EU27 countries in 2011 was £41.2 billion, compared with a surplus with non-EU countries of £12.2 billion. On a **quarterly** basis, the deficit with EU27 countries fell to £12.0 billion in Q4 2011. With non-EU countries, the current account surplus rose to £3.5 billion.

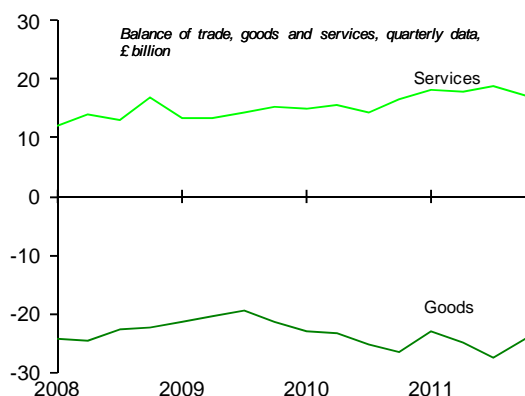
### Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance	
	Balance	Balance	Exports	Imports				Balance
2010	-98,514	61,776	440,880	477,618	-36,738	8,583	-20,411	-48,566
2011	-99,678	71,853	487,309	515,134	-27,825	21,013	-22,166	-28,978
2010 Q4	-26,605	16,752	115,702	125,555	-9,853	1,989	-6,238	-14,102
2011 Q1	-22,917	18,074	120,645	125,488	-4,843	3,929	-5,649	-6,563
Q2	-24,905	17,770	121,193	128,328	-7,135	8,440	-4,754	-3,449
Q3	-27,614	18,846	122,051	130,819	-8,768	4,047	-5,794	-10,515
Q4	-24,242	17,163	123,420	130,499	-7,079	4,597	-5,969	-8,451

Source: ONS database, series: BOKI, IKBD, IKBH, IKBI, IKBJ, HBOJ, HBOP

### Trade in Goods and Services



- The estimated deficit on goods trade in February was £8.8bn, wider than the January figure of £7.9bn.
- The monthly trade surplus on services was an estimated £5,376mn in February, very slightly down from the January surplus of £5,382mn.
- The overall monthly deficit on goods and services combined in February was £3.4bn, widening from £2.5bn in January.
- The goods deficit with the EU27 was £3.8bn in February, down from £4.2bn in January, while the deficit with non-EU countries was £5.0bn, up from £3.7bn in January.

Contact: Grahame Allen, x3977

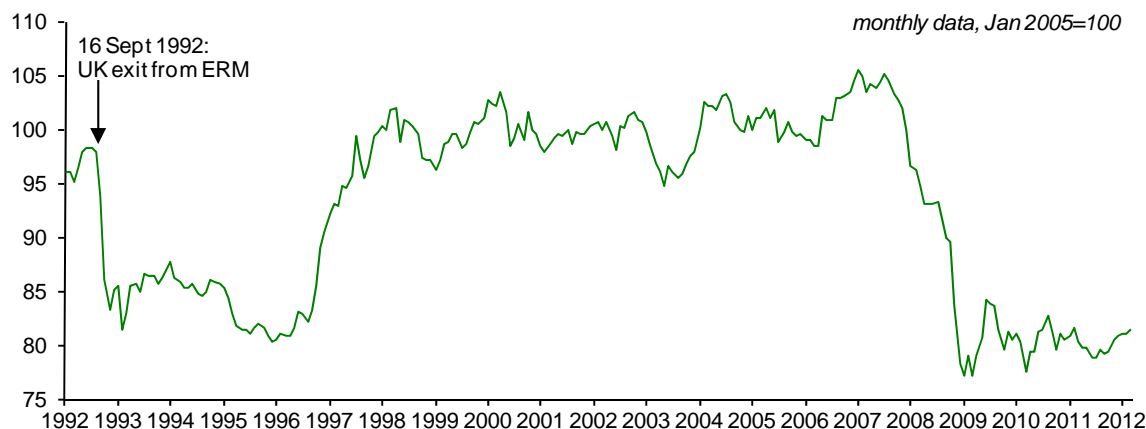
Updates: ONS, [UK Trade](#), 15 May;  
ONS, [UK Balance of Payments](#), 28 Jun

## 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).

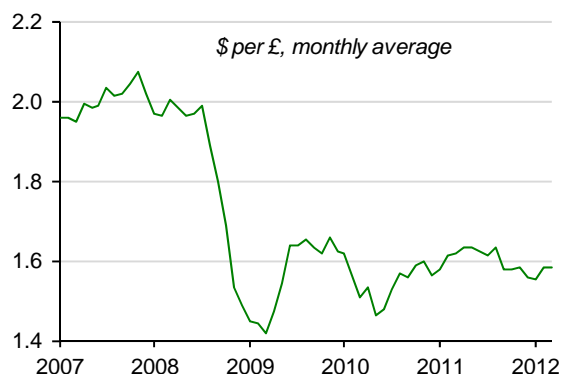
The SERI rose by 0.5% in March, having fallen by 0.1% in February. Compared with the same period last year, the SERI was 1.4% higher. It is now 5.6% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is still 22.9% down from its pre-recession July 2007 peak.

### Sterling Exchange Rate Index (SERI)



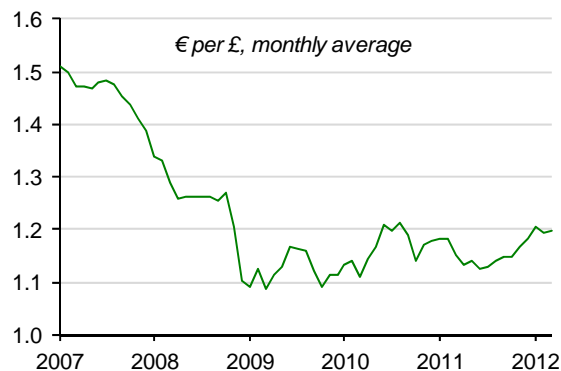
[Source: Bank of England, Bankstats database, XUMABK67]

### US\$/£ Exchange Rate



- On average in March, the pound was unchanged against the dollar compared with February. At the 30 April market close the pound stood at \$1.62, four cents stronger when compared to the March average.
- Sterling was on average 1 cent stronger against the Euro in March, compared with February.
- At the 30 April market close the pound stood at €1.22, 2 cents stronger than the March 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 Mar	1.62	7.3%	1.15	3.9%
2012 Jan	1.55	-1.8%	1.20	1.8%
Feb	1.58	-2.0%	1.19	1.1%
Mar	1.58	-2.1%	1.20	3.9%

Source: Bank of England, Bankstats database

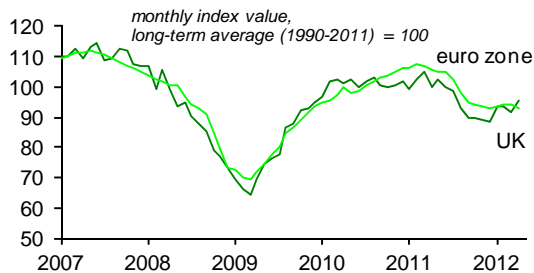
Contact: Aliyah Dar, x5919

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

## 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

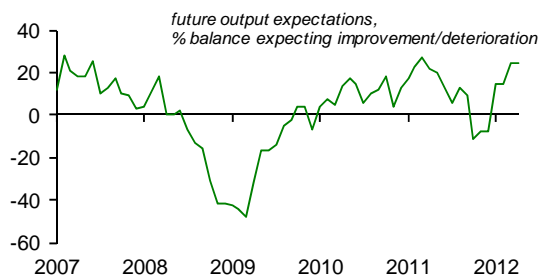


	UK Index	monthly change	change on year ago
2010 Apr	101.5	...	...
2011 Apr	99.9	...	...
2012 Feb	93.9	+0.3	-8.4
2012 Mar	91.5	-2.4	-13.5
2012 Apr	95.7	+4.2	-4.2

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of EU member states' economies.
- Between March and April 2012 the overall UK sentiment index increased by 4.2 points to 95.7, after falling by 2.4 points the month before. The euro zone index decreased by 1.7 points in April 2012, to 92.8.

### CBI Industrial Trends Survey



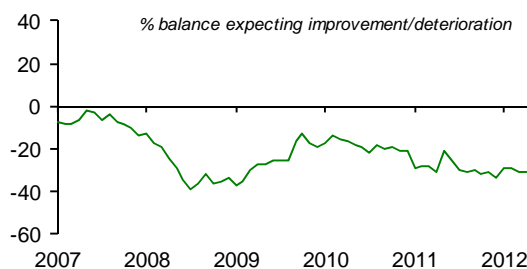
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2010 Apr	+14	...	...
2011 Apr	+22	...	...
2012 Feb	+15	+0	-8
2012 Mar	+24	+9	-3
2012 Apr	+24	+0	+2

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In April 2012, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +24% of firms, the same as in March 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 Apr	-16	...	...
2011 Apr	-31	...	...
2012 Feb	-29	0	-1
2012 Mar	-31	-2	-3
2012 Apr	-31	0	0

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 -31, overall consumer confidence in April 2012 was the same as in March. It has been at much the same level for the last nine months.

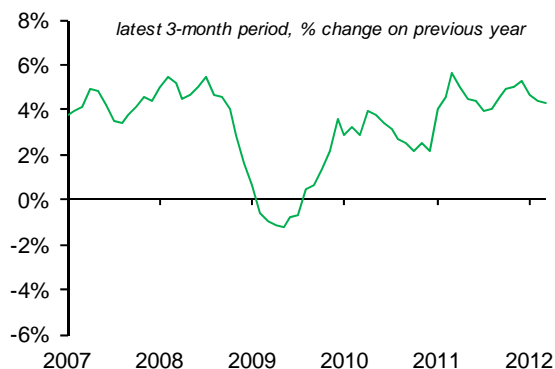
**Contact:** Lorna Booth, x2883

**Update:** CBI, [Industrial Trends](#), 23 May  
EC, [Economic Sentiment Indicator](#), 30 May  
GfK NOP, [Consumer Confidence](#), 31 May

## F2: Retail Sales

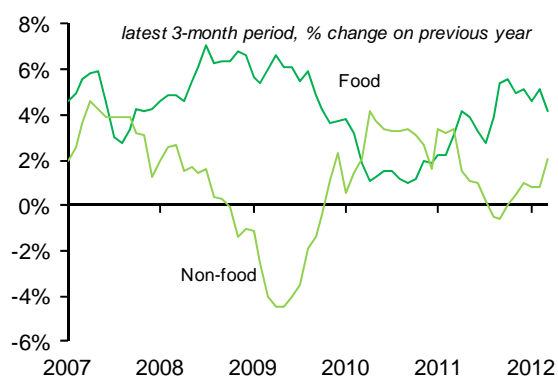
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

### Value of Retail Sales



- The annual increase in the value of retail sales in the three months to March 2012 was 4.3%, a decrease on February's 4.4%.
- The value of retail sales in March 2012 alone showed an increase of 1.8% compared with February 2012.
- The value of retail sales in March 2012 alone was 5.7% higher than in March 2011.
- Unusually high automotive fuel sales were a major contributor to retail sales growth in March.

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



- The value of sales in food stores in the three months to March rose by 4.2% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 2.1%.
- Sales in household goods stores were the same as a year ago, best the year-on-year performance since mid-2010.
- The value of non-store sales (includes internet) increased by 10.9% in the three months to March 2012 compared to the same period in 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	<b>2.7</b>
2011	4.2	3.4	-2.5	0.4	1.2	<b>5.0</b>
2011 Nov	5.0	1.9	-0.5	-1.5	0.5	<b>5.0</b>
2011 Dec	5.1	4.8	-0.2	-2.9	1.0	<b>5.3</b>
2012 Jan	4.6	5.3	-1.0	-2.6	0.8	<b>4.7</b>
2012 Feb	5.1	5.1	-1.1	-2.3	0.8	<b>4.4</b>
2012 Mar	4.2	4.3	0.0	1.8	2.1	<b>4.3</b>

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

Contact: Lucinda Maer, x3841

Update: ONS, [Retail Sales](#), 23 May 2012



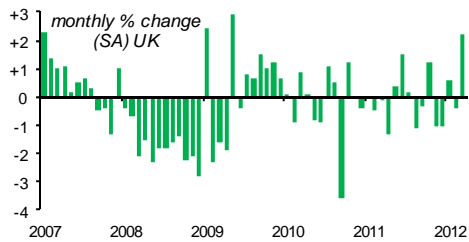
### F3: Housing Market

House prices on the Halifax index rose by 2.2% in March after a 0.4% decline in February. Despite this strong monthly gain, prices were only 0.8% higher than a year ago. In contrast, house prices on the Nationwide index fell by 1.0% in March, after a 0.4% rise in February. Prices were 0.9% lower in March compared with a year ago on this measure.

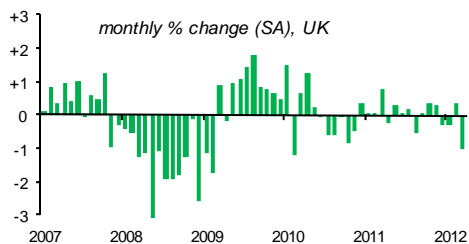
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

#### House price indices

##### Halifax house price index



##### Nationwide house price index

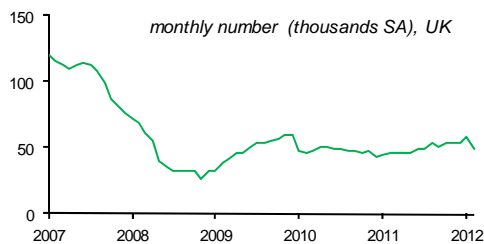


Latest monthly data  
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Mar-12	Mar-12
Change in month	+2.2%	-1.0%
Change in year	0.8%	-0.9%
Peak date	Aug-07	Oct-07
Change since peak	-17.9%	-11.9%
Trough date	Apr-09	Feb-09
Change since trough	+5.9%	+9.2%

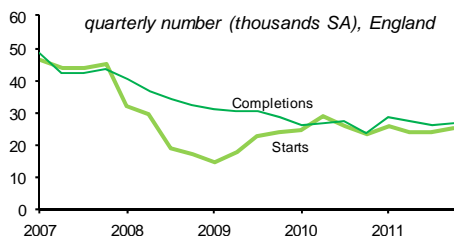
- The recovery in house prices since early 2009 has been tepid. In early 2012 the average house price on the Halifax and Nationwide measures was around £160,000.
- There is considerable regional variation. In Q1 2012 prices rose by 2.3% in London but fell by 8.6% in Northern Ireland compared with a year 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 48,986 mortgage approvals in January. The number of approvals has remained generally flat since early 2010.

#### House-building



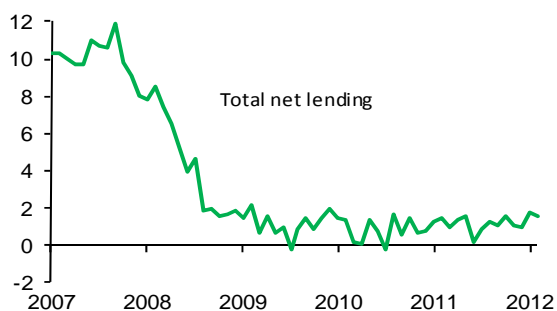
- There were 25,240 house building starts in England in Q4 2011, up 6% from 23,880 in Q3 2011. This is over 50% above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions also rose to 26,730 in Q4 2011, up from 26,180 in Q3 2011.

**Contact:** Aliyah Dar, x5919

**Updates:** Halifax [House Price Index](#), early May;  
Nationwide [House Price Index](#), early May;  
Bank of England, [Lending to Individuals](#), 2 May;  
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 £1.6 billion in February 2012. This compares with January's figure of £1.8 billion.
- Monthly net unsecured lending grew by £0.4 billion in February, compared with £0.2 billion in January.
- Monthly net secured lending (mortgages) grew by £1.2 billion in February, compared with £1.6 billion in January.

### Net outstanding lending to individuals

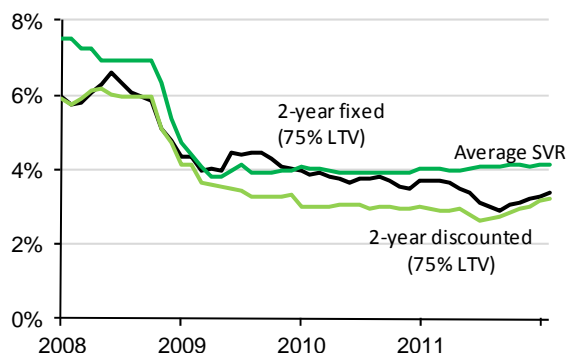
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2008 Feb	1,194	230	1,424
2009 Feb	1,227	220	1,447
2010 Feb	1,239	223	1,461
2011 Feb	1,241	212	1,452
2011 Aug	1,242	209	1,452
2011 Nov	1,244	207	1,452
2012 Feb	1,249	208	1,457

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

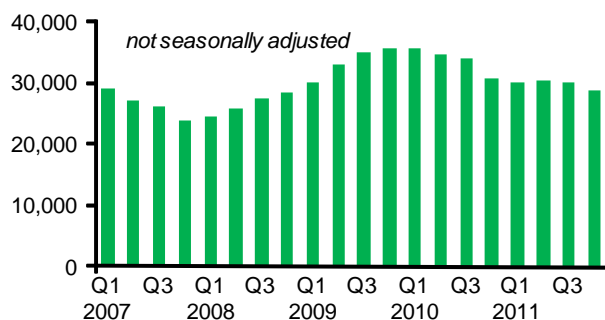
- Total net outstanding lending to individuals was £1,457 billion at the end of February, 0.4% higher than a year earlier.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £208 billion at the end of February.

### 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 February was 4.12%, compared with 4.05% a year previously.
- The average fixed and discounted rates offered (75% LTV) in February were 3.37% and 3.23% respectively, compared with 3.70% and 2.96% 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](#), 2 May  
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	<b>Gross Domestic Product</b>	ONS releases: <a href="#">GDP Preliminary Estimate</a> ; <a href="#">Second Estimate of GDP</a> ; <a href="#">Quarterly national accounts</a> HM Treasury, <a href="#">Forecasts for the UK Economy</a>
A2	<b>GDP: International Comparisons</b>	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <a href="#">Main Economic Indicators</a> , via Stat.OECD database ( <a href="#">link to user defined table</a> ) Growth Forecasts: OECD, <a href="#">Economic Outlook</a> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> ); IMF <a href="#">World Economic Outlook database and updates</a> European Commission's <a href="#">growth forecasts</a>
A3	<b>Components of GDP</b>	ONS releases: <a href="#">Second Estimate of GDP</a> ; <a href="#">Quarterly national accounts</a>
A4	<b>Output and Employment by Industry</b>	ONS releases: <a href="#">GDP Preliminary Estimate</a> ; <a href="#">Second Estimate of GDP</a> ; <a href="#">Quarterly national accounts</a>
A5	<b>Manufacturing</b>	ONS, <a href="#">Index of Production</a> Markit/CIPS <a href="#">UK Manufacturing Purchasing Managers Index</a> SMMT, <a href="#">Vehicle Production</a>
A6	<b>Productivity</b>	ONS, <a href="#">Labour Productivity</a>
B1	<b>Inflation</b>	ONS, <a href="#">Consumer Price Indices</a>
B2	<b>Inflation: International</b>	CPI: OECD, <a href="#">Main Economic Indicators</a> ( <a href="#">link to user defined table</a> ); EU data: Eurostat <a href="#">news release</a> and <a href="#">database</a>
B3	<b>Average Earnings Index</b>	ONS, <a href="#">Labour Market Statistics</a>
C1	<b>Employment</b>	ONS, <a href="#">Labour Market Statistics</a>
C2	<b>Unemployment: National</b>	ONS, <a href="#">Labour Market Statistics</a>
C3	<b>Unemployment: Regional</b>	ONS, <a href="#">Labour Market Statistics</a> and <a href="#">Regional Labour Market Statistics</a>
C4	<b>Unemployment: International Comparisons</b>	Data: OECD, <a href="#">Main Economic Indicators</a> Commentary: OECD, <a href="#">Economic Outlook</a> (full document via <a href="http://www.sourceoecd.org">www.sourceoecd.org</a> )

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

## 6 Glossary

### Symbols and abbreviations

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

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

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

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

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

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

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

**Basic prices:** Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.