



Economic Indicators, July 2012

RESEARCH PAPER 12/36 03 July 2012

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

- ONS's latest estimate of quarterly GDP for Q1 2012 was unchanged showing a contraction of 0.3%, but it revised lower the fall in GDP in Q4 2011 (from 0.3% to 0.4%). Output in the economy in Q1 2012 was roughly the same as it was in Q3 2010.
- In contrast, recent labour market data has been more positive. In the quarter to April 2012, employment increased by the most (up by 166,000) since mid-2010. During the same period, unemployment fell by 51,000.

This month's articles:

- **Olympic Britain – economic change since the 1908 London Games**
- **Money and poverty in 2010/11**

Daniel Harari (editor)

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Research Paper 12/36

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Economic Policy and Statistics section

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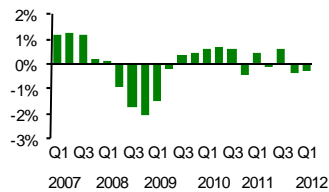
Summary

ONS's latest estimate of quarterly GDP for Q1 2012 was unchanged showing a contraction of 0.3%, but it revised lower the fall in GDP in Q4 2011 (from 0.3% to 0.4%). Output in the economy in Q1 2012 was roughly the same as it was in Q3 2010. In contrast, recent labour market data has been more positive. In the quarter to April 2012, employment increased by the most (up by 166,000) since mid-2010. During the same period, unemployment fell by 51,000.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP fell by 0.3% in Q1 2012 compared with Q4 2011. This follows a 0.4% decline in GDP in Q4 2011. GDP is 3.8% below its pre-recession peak in Q1 2008.

Inflation (CPI)

[page 7](#)

(% change on year ago)

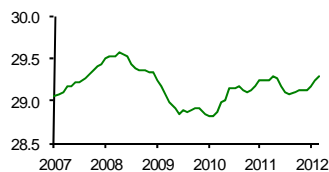


The annual rate of CPI inflation was 2.8% in May compared with a year ago, down from 3.0% in April. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

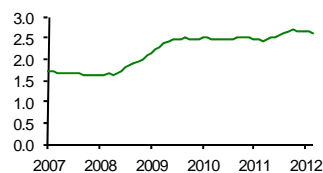


Compared with the previous quarter, the number of people employed rose by 166,000 to 29.28 million in the three months to April.

Unemployment

[page 11](#)

(total, millions, ILO definition)

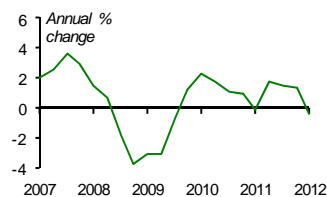


Compared with the previous quarter, ILO unemployment fell by 51,000 to 2.61 million in the three months to April. The unemployment rate also decreased, from 8.4% to 8.2%.

Productivity growth

[page 6](#)

(quarterly data, % change on year ago)



Productivity in the UK economy, measured by output per hour, is estimated to have fallen by 0.4% in the year to 2012 Q1. Productivity is similar to levels seen early in the recession (in Q3 2008).

Next issue: 7 August

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

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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

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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 Olympic Britain – economic change since the 1908 London Games

The three short articles below are adapted from *Olympic Britain*, a forthcoming book from the House of Commons Library. The book tells the story of the profound economic and social change in the UK since the two previous London Olympics, in 1908 and 1948, using statistics and expert analysis. It will be published on 10 July and digital copies will be freely available around the estate and on the Parliament website.

The UK economy

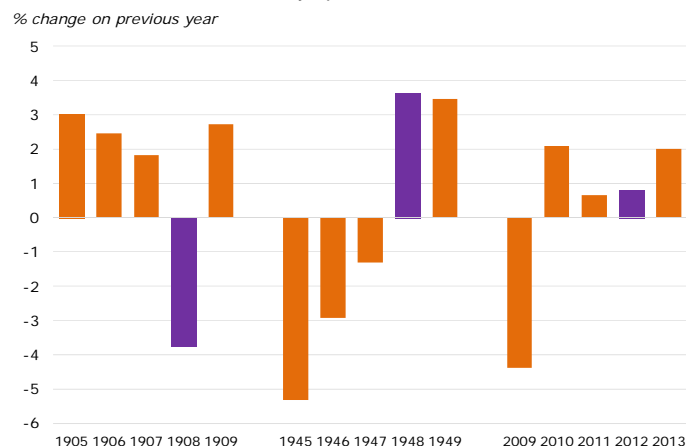
At the time of the 1908 Olympics, the UK, at the heart of the largest empire in the world, was only just beginning its decline from being *the* world's economic superpower. There was increasing competition, chiefly from the US, France and Germany, for the title of most industrialised and powerful country. However, including the output of its colonies, it remained (just) the largest economy in the world.

By 1948, two world wars later, the UK was no longer the economic or political force it had once been. The economy was emerging from a severe recession, contracting in each of the four years prior the Games. At home, rationing meant that even when money was available, spending was subdued. Overseas, the UK could no longer rely on demand for its products from the Empire to shore-up the home economy. It had lost the 'jewel in the crown' of its Empire, India, the year before, and the *Atlantic Charter* (1941) had promised its colonies the rights to self determination. Even if the political will to hold on to Empire had existed, the economic means were severely depleted. As Keynes put it to government ministers shortly after the war, Britain's world role was a burden which 'there is no reasonable expectation of our being able to carry.'

1948 was a turning point for the UK economy: grants from the United States worth \$2.7 billion under the Marshall Plan may not have saved face, but are estimated to have saved 1.2 million jobs and raised national income by 10%. It seems unlikely that this Olympic year will prove to be the same; the UK began it by returning to technical recession, and output remains 4% below its pre-recession peak.

Games theory

The chart shows the year-on-year change in UK GDP in the periods before and after the London Olympics



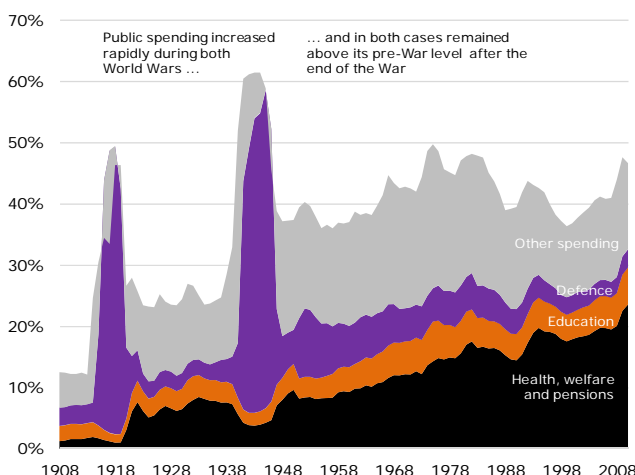
Where the money goes – public spending

In 1908, Government spending was equivalent to just one seventh of economic output (GDP), with more spent on defence than on health, welfare and education combined. Today, public spending is equivalent to half of GDP, with eight times more spent on health, old-age pensions and welfare than on defence.

The two World Wars had an enormous effect on public spending, which increased dramatically not only during wartime, but remained permanently higher thereafter. Besides the increase in the scale of public

From military to social protection

The chart shows public spending as a share of economic output



spending over the century, its composition has altered. Even in the early 1950s, defence spending was equivalent to 9% of GDP and over a fifth of all public spending, more than social security and health spending combined. Today, it is equivalent to less than 3% of GDP.

As the government's financial commitment to military protection waned, so its role as a provider of social protection expanded. The process arguably began with the Old Age Pensions Act 1908 and culminated with the implementation of the 1942 Beveridge Report, which famously recommended that the state accept responsibility for the social security of its citizens from 'cradle to grave'. Since the early 1950s, this responsibility has been reflected in growing education, health and social security budgets: together, these have increased from 11% of GDP to nearly 30%. Adjusting for inflation, health spending is now seventeen times higher than in 1948, and welfare and pensions spending twelve times greater.

Working miracles – employment by age and gender

The story of rising rates of paid employment among women during the 20th century is a well-known one. Historically, marriage was the critical factor in determining whether a woman worked or not. In 1911 the employment rate for single and widowed women aged 25-44 was 70%, not very different from the rate among women of that age today. But among married women in the same age group, it was just 10%.

As the rate of women's employment has risen in the decades following WWII, the rate for men, though it still remains higher, has gone into decline. In 1921, 90% of working age men were in paid employment; today, the figure is 70%. Partly, this is because of the declining labour market participation of young people, who spend longer in education, and older people, who spend longer in retirement (such trends are also in evidence for women). But even among men aged 25-44, employment rates fell from over 97% until 1981, to 91% by 2001.

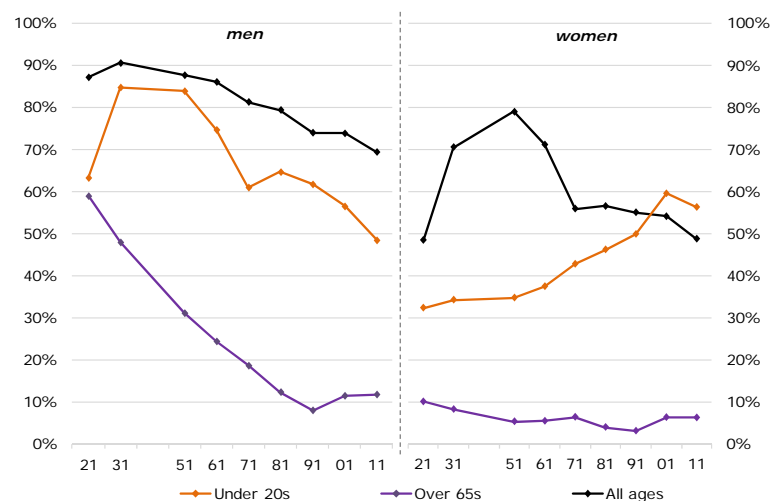
The trend in participation among older men is particularly striking. In the early 20th century, if a man was lucky enough to live to today's retirement age, he could expect to still be in work (participation among men over 65 was 62% in 1901). Indeed, he may well have been glad of the fact. Withdrawal from the labour force at this time was rarely a matter of choice, even among the elderly, because most households did not have the savings required to sustain a protracted retirement.

The difficulty older people faced in keeping their jobs led reformers, Charles Booth and Joseph Chamberlain among them, to campaign for publicly provided old-age pensions. But the rate at which these were introduced in 1908 – just 5 shillings per week for the over 70s, well below the poverty lines of the time – hardly made retirement an attractive prospect, and as late as 1921, participation among older men remained close to 60%. With the state pension age set to increase, and long life expectancies raising the cost of retirement, the trend away from old-age working looks set to be reversed.

Gavin Thompson, Economic Policy and Statistics Section

Job for life

The chart shows employment rates among men and women of all ages (black line), and among younger and older sub-groups (orange and purple lines) at ten-year intervals since 1921 (excluding 1941)



3 Money and poverty in 2010/11

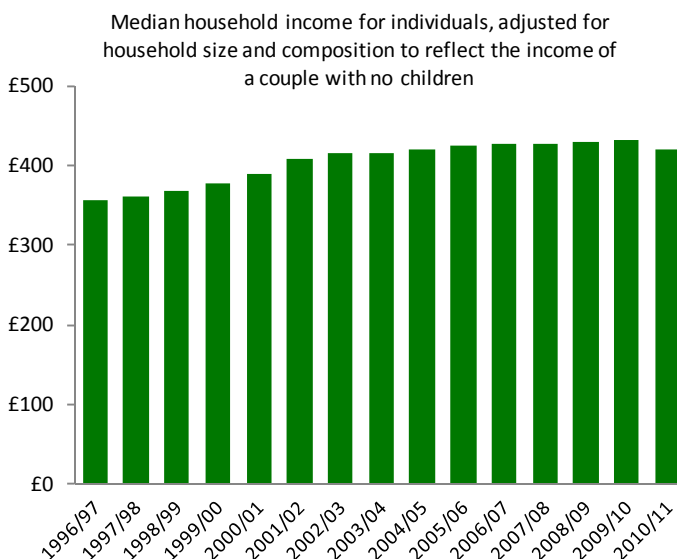
Living standards fell in 2010/11, largely due to a real reduction in earned income. People on low incomes saw smaller falls and this led to a decrease in relative low income poverty.

3.1 Living standards

Median incomes – incomes for those half way up the UK income distribution – fell by 3% in real terms between 2009/10 and 2010/11, taking them back to levels last seen in 2004/05.³ They are forecast to continue to fall to 2013/14.⁴

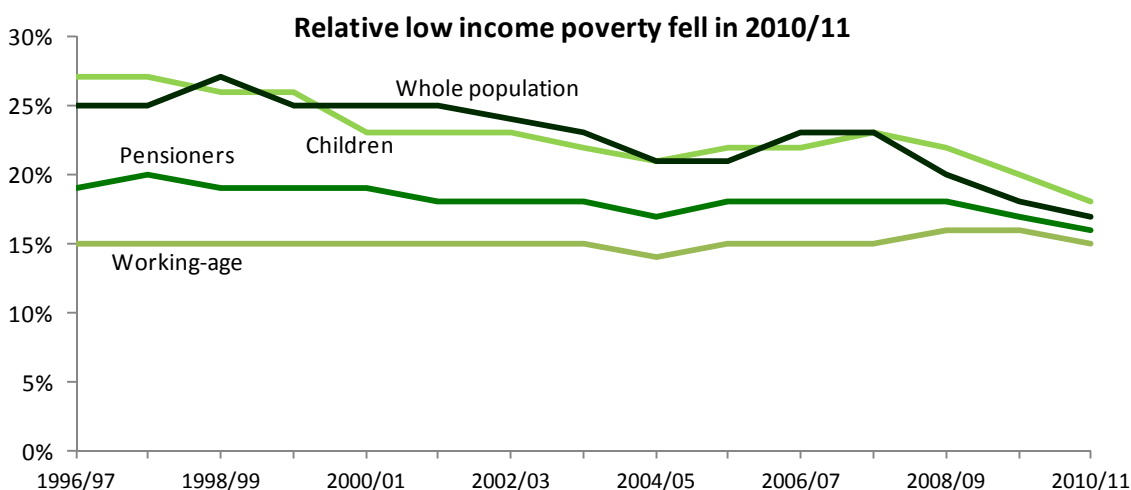
The fall in 2010/11 was driven by a reduction in earnings relative to inflation. Lower-income households saw smaller decreases in incomes, as such households are typically less dependent on earned income – they are more dependent on benefits and tax credit income, which only fell slightly in real terms.

Median household incomes fell in 2010/11



3.2 Relative and absolute poverty

Probably the most common way of looking at poverty is to examine how many people live on less than some fraction of typical incomes for the whole of the population – how many have *relative* low incomes. Generally this involves looking at whether someone lives in a household with an income of less than 60% of the median income in that year.



³ Figures in this article are based on household incomes from all sources including earnings and benefits, measured after direct taxes but before housing costs, and adjusted for differences in household size and composition, from DWP's *Households Below Average Income 2010/11* (June 2012). Figures from before 1998/99 exclude Northern Ireland. Figures are in 2010/11 prices.

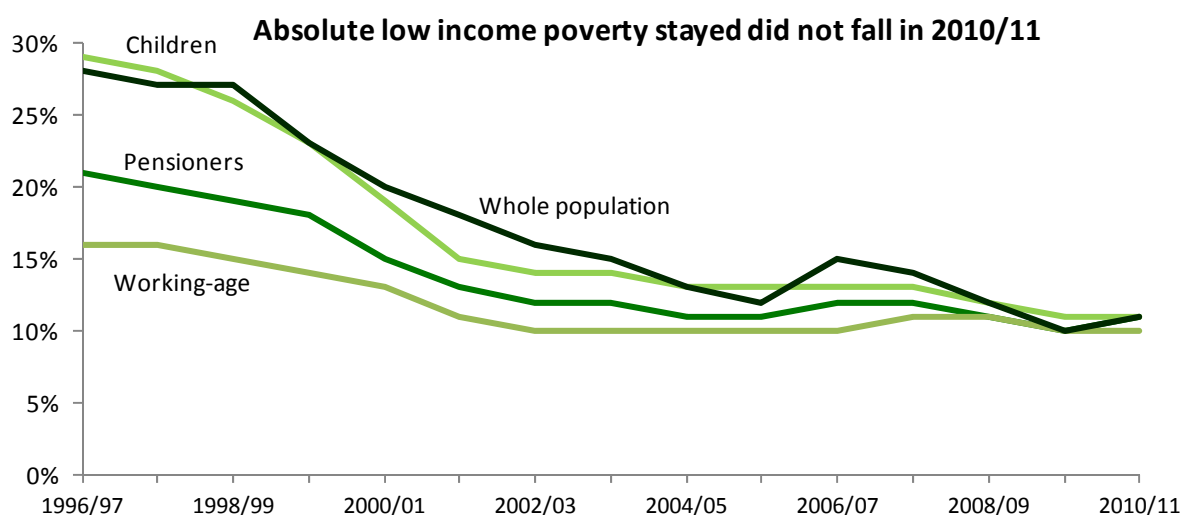
⁴ Institute for Fiscal Studies, *Tax and benefit reforms due in 2012-13, and the outlook for household incomes* (March 2012)

Relative low income poverty fell for the whole population from 17% in 2009/10 to 16% in 2010/11. 18% of children were in relative low income poverty in 2010/11, as were 15% of working-age adults and 17% of pensioners.

The change in relative low income poverty reflects both changes in typical (median) incomes and changes for those on low incomes. To disentangle these, we can look at an alternate measure of poverty – *absolute* low income poverty. This looks at how many people live on less than a fixed amount.⁵

As the graph below shows, *absolute* low income poverty for the whole population went from 10% in 2009/10 to 11% in 2010/11. The lack of a decrease in *absolute* low income poverty suggests that the decreases in *relative* low income poverty are due to the decreases in median incomes discussed above, which moved the relative low income poverty line down.

In 2010/11, 11% of children were in absolute low income poverty, as were 10% of people of working age, and 11% of pensioners.



3.3 Is there a better way of looking at poverty?

People are often thought of as being poor if they do not have enough money and other resources to live at some basic level. One way of examining this is to look at the extent of poverty using relative or absolute incomes, as we have done above. Another way is to look at material deprivation – whether people are missing items that might be considered essential, such as a warm winter coat. Such measures of income and material deprivation are used in the challenging targets included in the *Child Poverty Act 2010*.

The Government has argued that such measures of income and material deprivation are too narrow, and that other important dimensions of poverty and disadvantage should also be considered. In its *Child Poverty Strategy*, the Government suggested a range of indicators looking at family circumstances – for example the number of children in workless households, and children's life chances (including rates of progression to higher education) as well as income measures. A consultation on poverty definitions has been announced for autumn 2012.

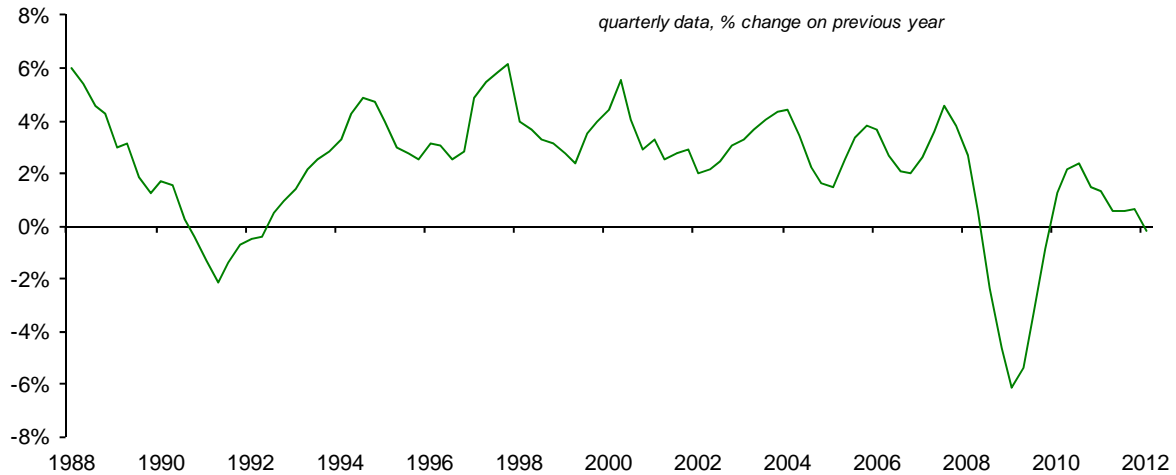
Lorna Booth, Economic Policy and Statistics section

⁵ In this case we use a line given by 60% of median incomes in 1998/99, adjusted for changes in prices.

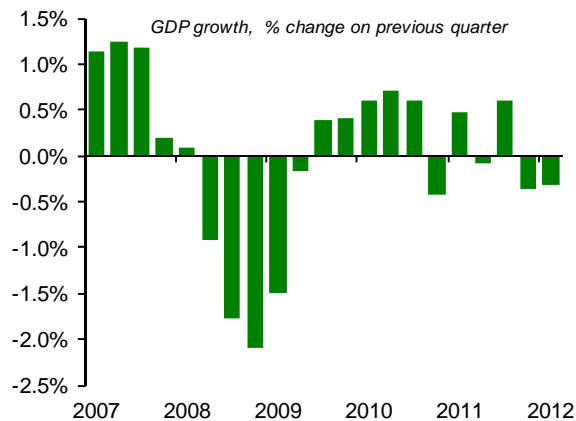
A1: Gross Domestic Product

The economy contracted by an estimated -0.3% in Q1 2012, after contracting -0.4% in Q4 2011. In June, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.3% (downgraded from 0.4% in the May edition) 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	1,402	-2.7	...	-4.0
2010	1,467	4.6	...	1.8
2011	1,516	3.4	...	0.8
2011 Q1	376.5	4.3	0.5	1.4
Q2	377.6	3.4	-0.1	0.5
Q3	380.4	3.1	0.6	0.5
Q4	381.6	2.8	-0.4	0.6
2012 Q1	383.3	1.8	-0.3	-0.2

Source: ONS, series: YBHA, ABMI

- The UK economy is now technically back in recession. The economy contracted by an estimated -0.3% in Q1 2012 compared with Q4 2011. This compares with a fall of -0.4% in Q4 2011 compared with Q3 2011.
- In Q1 2012, real GDP was estimated to be 0.2% below what it in Q1 2011. GDP remains 3.8% below its pre-2008/09 recession level (Q1 2008).
- In Q1 2012, output of the production industries decreased by an estimated 0.5%, construction sector output decreased by 4.9%, manufacturing output decreased by 0.3%, and output of the service industries increased by 0.2%.

Contact: Grahame Allen, x3977

Updates: HMT, [Comparison of Independent Forecasts](#), 18 July
ONS, [National Accounts](#) 25 July

A2: GDP: International Comparisons

UK output contracted by 0.3% in Q1 2012, while US output expanded by 0.5% over the same period. In the eurozone as a whole, there was no growth in Q1 2012, though Germany saw its output expand by 0.5%

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	2.1	0.3	0.5	0.7	0.5
Japan	-1.7	-0.5	-0.5	2.6	-0.3	1.9	0.0	1.0
UK	0.4	0.3	0.5	-0.1	-0.1	0.6	-0.4	-0.3
Germany	2.9	2.7	2.0	1.2	0.3	0.6	-0.2	0.5
France	1.7	1.5	1.2	0.3	0.0	0.3	0.1	0.0
Eurozone	1.6	1.3	0.7	-0.1	0.1	0.1	-0.3	0.0
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 [May forecast](#) revised down February forecasts of UK growth in 2012 by 0.1 percentage points to 0.5%. Most eurozone economies saw only slight revisions: France and Germany's growth forecasts were revised up by 0.1 percentage points each to 0.5% and 0.7% respectively.

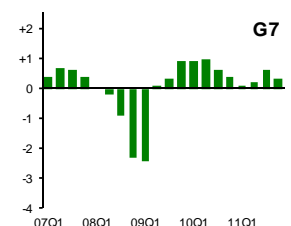
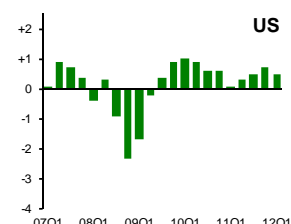
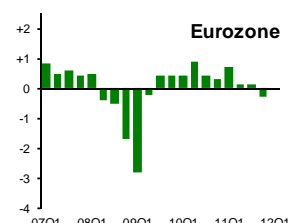
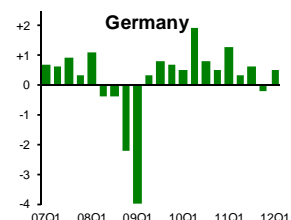
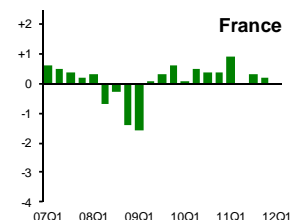
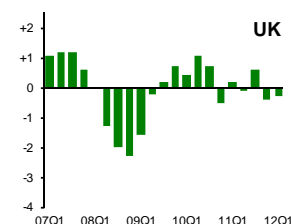
The [OECD's May forecast](#) made only slight revisions to its November projections for most major economies. However, eurozone growth in 2012 was revised down from 0.2% to -0.1%, and for 2013 from 1.4% to 0.9%.

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

	IMF (Apr 12)		EC (May 12)		OECD (May 12)	
	2012	2013	2012	2013	2012	2013
UK	0.8	2.0	0.5	1.7	0.5	1.9
France	0.5	1.0	0.5	1.3	0.6	1.2
Germany	0.6	1.5	0.7	1.7	1.2	2.0
Eurozone	-0.3	0.9	-0.3	1.0	-0.1	0.9
US	2.1	2.4	2.0	2.1	2.4	2.6
Japan	2.0	1.7	1.9	1.7	2.0	1.5
OECD	..	..	..	..	1.6	2.2
China	8.2	8.8	..	..	8.2	9.3
India	6.9	7.3	..	..	7.1	7.7
Brazil	3.0	4.1	..	..	3.2	4.2
World	3.5	4.1	..	..	..	..

Sources: IMF, April WEO; EC EEF; OECD, Economic Outlook 91

Quarter-on-quarter growth rates



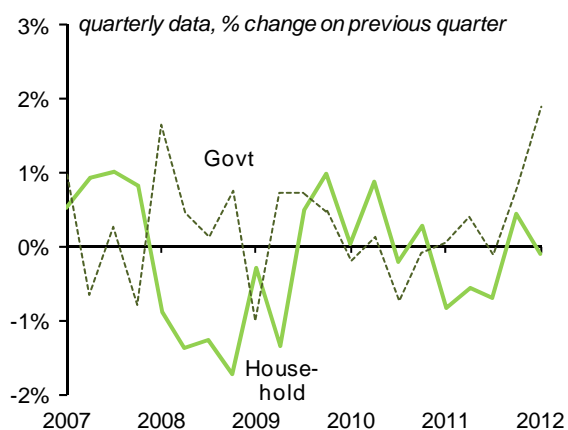
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 9 Jul 2012
 EC [Economic Forecast](#), September 2012
 IMF [World Economic Outlook update](#), Jul 2012

A3: Components of GDP

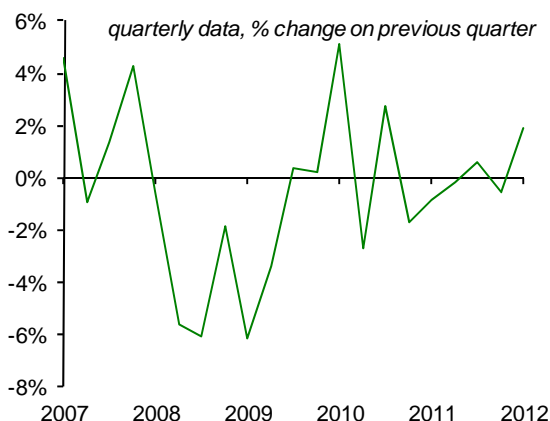
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 62% of the total in 2011. Government consumption accounted for 23% and gross fixed capital formation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

Household consumption and government consumption



- In Q1 2012, household consumption fell by 0.1% in real terms compared with Q4 2011.
- Government consumption increased by 1.9% in Q1 2012, the largest rise since Q2 2005.
- Exports fell by 1.7% while imports fell by 0.3% in Q1 2012.
- A sharp decline in stockbuilding contributed to GDP falling by 0.3% in Q1 2012.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q1 2012 GFCF increased by 1.9%.
- Business investment, a component of overall GFCF, increased by 1.9% in Q1 2012.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2010 (annual % change)	1.3%	0.4%	3.5%	6.4%	8.0%	1.8%
2011 (annual % change)	-1.1%	0.1%	-1.4%	4.4%	0.5%	0.8%
2010 Q4	0.3%	-0.1%	-1.7%	3.3%	1.5%	-0.4%
2011 Q1	-0.8%	0.1%	-0.8%	1.7%	-2.2%	0.5%
2011 Q2	-0.6%	0.4%	-0.1%	-3.0%	-0.8%	-0.1%
2011 Q3	-0.7%	-0.1%	0.6%	0.7%	0.2%	0.6%
2011 Q4	0.5%	0.8%	-0.6%	3.1%	1.6%	-0.4%
2012 Q1	-0.1%	1.9%	1.9%	-1.7%	-0.3%	-0.3%

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 August

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 (Q1 2012).

Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	Total GDP
<i>Annual % changes</i>				
2010	3.8	7.9	1.1	1.8
2011	2.1	2.8	1.2	0.8
2011 Q3	1.2	-0.3	1.4	0.5
2011 Q4	-0.4	1.5	1.6	0.6
2012 Q1	-1.4	-4.0	1.0	-0.2
<i>Quarter-on-quarter % changes</i>				
2011 Q3	-0.3	0.1	0.8	0.6
2011 Q4	-1.1	0.0	-0.2	-0.4
2012 Q1	-0.3	-4.9	0.2	-0.3

Source: ONS Series L2KX, L2N8, L2NC, YBEZ

Manufacturing and services output

Quarter-on-quarter growth (%)



- Revised estimates show manufacturing output fell by 0.3% in the first quarter of 2012. Services output rose by 0.2%. Construction output fell by 4.9% having remained flat in Q4 of 2011.
- Manufacturing output rose by 2.1% in 2011 and services by 1.2%. Construction output grew by 2.8%.
- Output in the business services and finance sector fell by 0.3% in Q1 2012.

Employment

Workforce jobs by industry

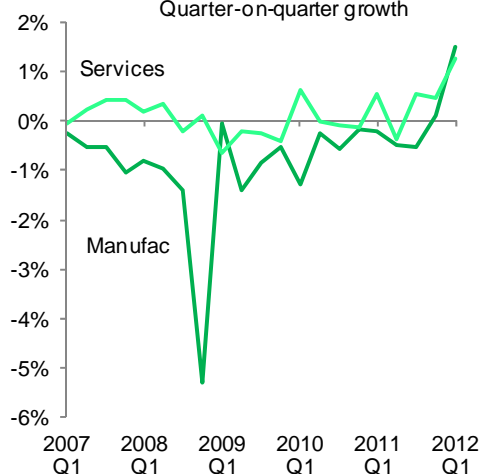
Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2010 Q1	-4.0%	-11.0%	-0.2%	-1.2%
2011 Q1	-1.2%	-2.6%	0.3%	0.0%
2011 Q4	-1.1%	0.5%	1.2%	0.9%
2012 Q1	0.6%	0.7%	1.9%	1.7%
<i>Quarter-on-quarter</i>				
2011 Q4	0.1%	-0.2%	0.4%	0.4%
2012 Q1	1.5%	-0.5%	1.3%	1.1%
<i>Thousands</i>				
2012 Q1	2,562	2,038	26,476	31,885

Source: ONS series JWR7, JWS2, JWT8, DYDC

Manufacturing and services jobs

Quarter-on-quarter growth



- The number of manufacturing jobs has risen. In Q1 2012, the manufacturing workforce grew by 1.5% on the previous quarter.
- The number of jobs in the construction sector decreased by 0.5% in Q1 2012, while the services workforce grew by 1.3%.
- The public administration, health and education workforce fell by 6.4% in the year to Q1 2012.

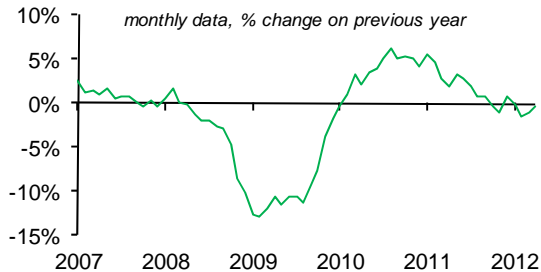
Contact: Lucinda Maer, x3841

Update: ONS, [Preliminary Estimate of GDP](#), 25 July 2012

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

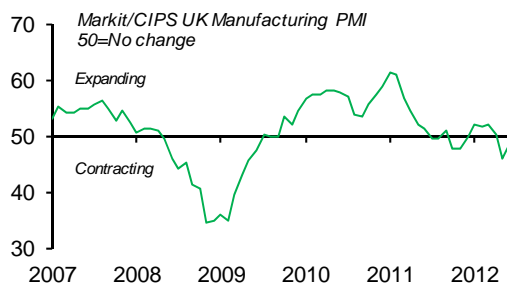


		Index Value (2008=100)	% change over month	% change over 12 months
2010		93.7	...	3.7
2011		95.6	...	2.0
2012	Jan	95.4	-0.3	-0.1
	Feb	94.4	-1.1	-1.5
	Mar	95.2	+0.9	-0.9
	Apr	94.6	-0.7	-0.3

Source: ONS, series K22A

- Manufacturing output fell by 0.7% in April 2012 compared with March 2012. Manufacturing output fell by 0.3% in April 2012 compared to April 2011.
- Total industrial production (including mining and utilities) was unchanged in April 2012 compared with March 2012. Total production was 1.0% lower in April 2012 than in April 2011, the fourteenth consecutive month (on a year-on-year basis).

Manufacturing Purchasing Managers' Index

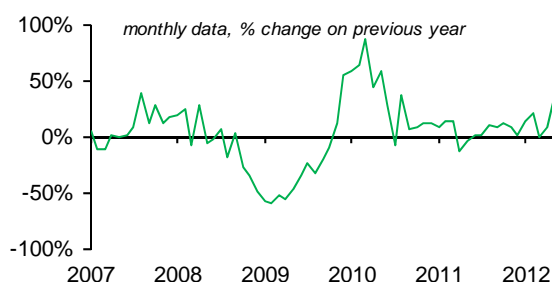


		Index	Monthly change
2010	Jun	57.6	...
2011	Jun	51.4	...
2012	Mar	51.9	+0.4
2012	Apr	50.2	-1.7
	May	45.9	-4.3
	Jun	48.6	+2.7

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

- The Markit/CIPS UK Manufacturing PMI rose to 48.6 in June 2012 from 45.9 in May (where 50.0 is no change). Over Q2 2012 as a whole, the average PMI reading at its weakest since Q2 2009.
- Markit/CIPS said that the ongoing crisis in the Eurozone had weighed on new export orders in June with overseas demand falling for the third consecutive month.

Vehicle Production



		Number '000s	% change over 12 months
2010		1,393	+27.8
2011		1,465	+5.1
2011	May	109	-4.9
2012	Mar	145	-1.5
	Apr	103	+8.8
	May	151	+37.5

Source: SMMT, not seasonally adjusted

- UK vehicle production was 151,000 in May 2012, 37.5% higher than in May 2011. It was the month's highest output of cars since 2004. The SMMT said it was a sizable recovery against volumes hampered by last year's Japanese tsunami, which affected the supply chain.
- 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 July
Markit/CIPS [UK Manufacturing PMI](#), 1 Aug
SMMT, [Vehicle Production](#), mid July

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.

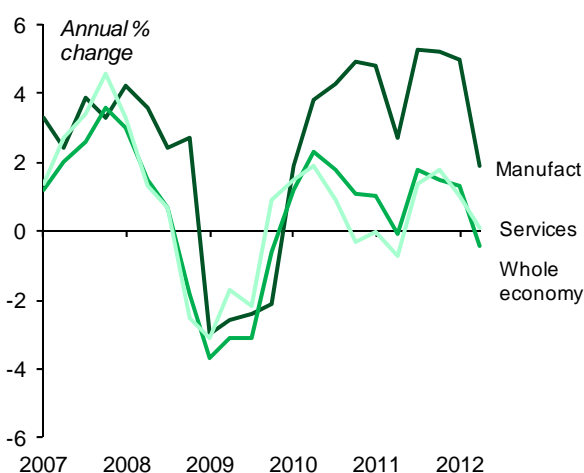
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 0.4% in the year to 2012 Q1. It fell by 1.3% in the first quarter of 2012 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	-0.4	-1.4
2010	4.4	0.6	1.5
2011	4.6	0.9	1.1
2010 Q4	4.8	0.0	1.0
Q1	2.7	-0.7	-0.1
2011 Q2	5.3	1.4	1.8
Q3	5.2	1.8	1.5
Q4	5.0	1.0	1.3
2012 Q1	1.9	0.1	-0.4
<i>Latest q-on-q % change</i>			
	-2.6	-0.4	-1.3

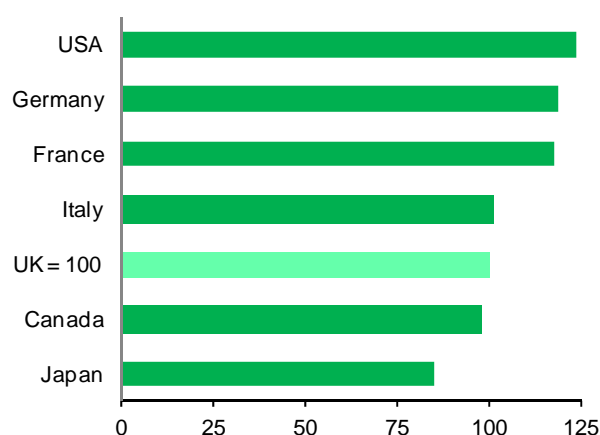
Source: ONS series LZVD, DJK8, DJQ3



- Manufacturing productivity has grown faster than that in the service sector. Output per hour in manufacturing grew 1.9% between 2011 Q1 and 2012 Q1, compared with 0.1% 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

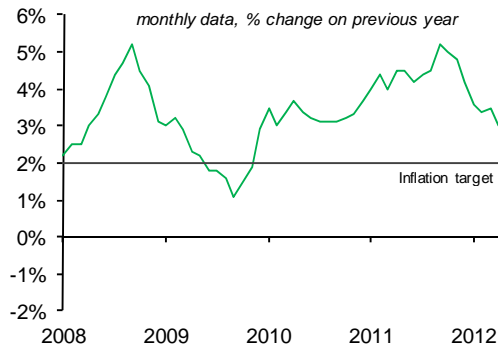
Update: ONS, [Labour Productivity](#), 28 Sep
 ONS, [International Comparisons](#), 1 Sep

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.8% in May, down from 3.0% in April and above the Bank of England's 2% target for the thirtieth successive month.

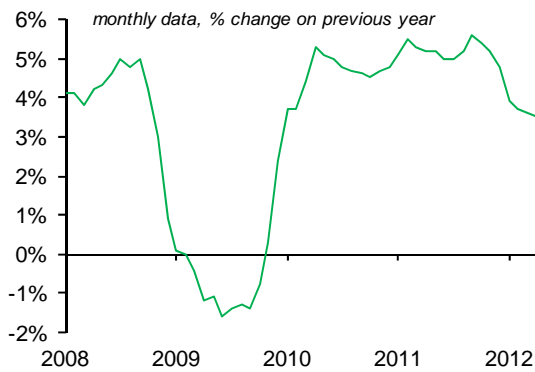
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.8% in May, down from 3.0% in April. This continues the downward trend in CPI inflation (following the first rise in inflation in March since August 2011).
- The RPI (all items) measure of annual inflation was 3.1% in May, down (for the ninth consecutive month) from 3.5% in April.

Retail Prices Index (RPI)

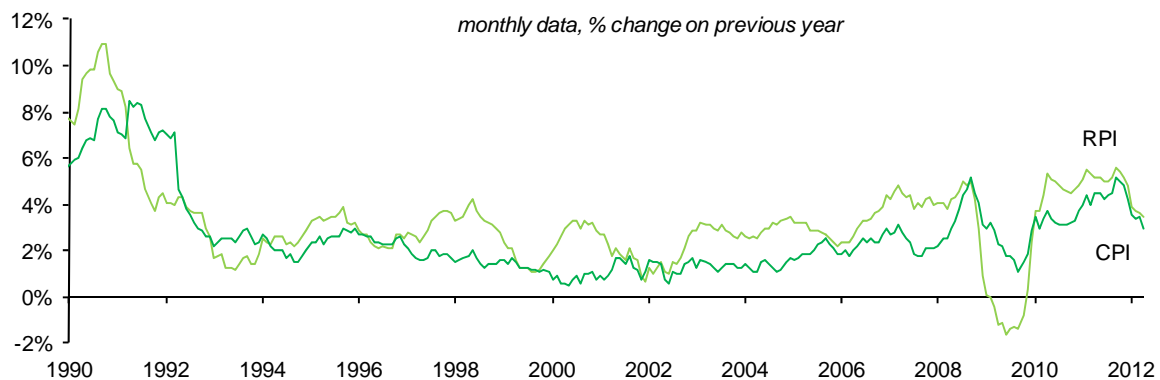


Price Indices

		% change on a year ago	
		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
2011	Dec	4.2	4.8
2012	Jan	3.6	3.9
	Feb	3.4	3.7
	Mar	3.5	3.6
	Apr	3.0	3.5
	May	2.8	3.1

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1990



Contact: Grahame Allen, x3977

Update: ONS, [Consumer Price Indices](#), 17 July

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.

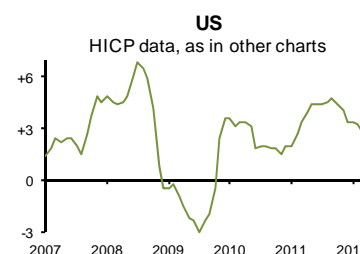
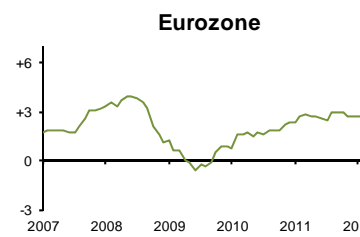
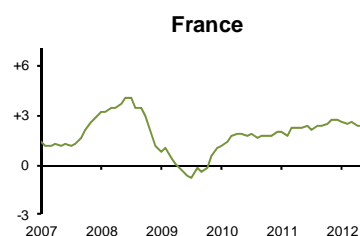
- In the year to May, UK inflation was 2.8%, down from 3.0% in April and the lowest level for over two years. The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in the year to June 2012 was 2.4%, unchanged from May. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Sweden and Greece had the lowest annual inflation rates in the EU in May, at 0.9%. The highest rate was in Hungary, at 5.4%.
- HICP annual inflation in the US in April was 2.3%, down from 3.2% in February, when it was last recorded. Using its national definition, US inflation was 1.7% in May, down from 2.3% in April and 2.7% in March.

Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Feb-12	Mar-12	Apr-12	May-12
HICP (ONS/Eurostat)							
UK	2.2	3.3	4.5	3.4	3.5	3.0	2.8
Eurozone	0.3	1.6	2.7	2.7	2.7	2.6	2.4
EU	1.0	2.1	3.1	2.9	2.9	2.7	2.6
France	0.1	1.7	2.3	2.5	2.6	2.4	2.3
Germany	0.2	1.2	2.5	2.5	2.3	2.2	2.2
Greece	1.3	4.7	3.1	1.7	1.4	1.5	0.9
Italy	0.8	1.6	2.9	3.4	3.8	3.7	3.5
Spain	-0.2	2.0	3.1	1.9	1.8	2.0	1.9
US	1.0	2.1	3.1	3.2	:	2.3	:
National definitions (OECD)							
Canada	0.3	1.8	2.9	2.6	1.9	2.0	1.2
Japan	-1.3	-0.7	-0.3	0.3	0.5	0.5	0.2
US	-0.4	1.6	3.2	2.9	2.7	2.3	1.7
G7	-0.1	1.4	2.6	2.5	2.4	2.1	..
OECD	0.5	1.9	2.9	2.8	2.7	2.5	..
Brazil	4.9	5.0	6.6	5.8	5.2	5.1	5.0
China	-0.7	3.3	5.4	3.2	3.6	3.4	3.0
India	10.9	12.0	8.9	7.6	8.6	10.2	..
Russia	11.7	6.9	8.4	3.7	3.7	3.6	..

Source: ONS, Eurostat & stat.OECD database



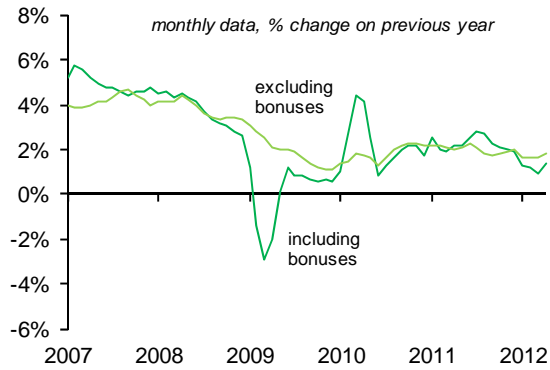
Contact: Gavin Thompson, x2042

Updates: ONS [Consumer Prices bulletin \(UK\)](#), 17 Jul 2012
Eurostat, [HICP full release](#), 16 Jul 2012
Eurostat, [Flash estimate \(Jun\)](#), 31 Jul 2012

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.4% in April compared with a year ago, up from 0.9% in March. Average weekly earnings excluding bonuses rose by 1.8% in the three months to April compared with a year ago, up from 1.6% in March. Inflation as measured by the CPI was 2.8% in April 2012.

Average Earnings, Whole Economy



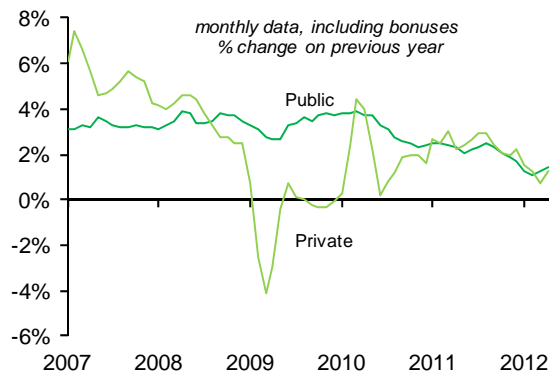
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 Apr	-3.0	2.7	1.0	-2.4	-2.0
2010 Apr	4.0	3.7	6.2	4.0	4.1
2011 Apr	2.2	2.3	0.7	2.6	2.2
2011 Nov	2.0	1.9	1.7	2.1	2.0
2011 Dec	2.2	1.7	1.5	2.2	1.9
2012 Jan	1.5	1.3	1.4	1.5	1.3
2012 Feb	1.3	1.1	1.4	1.3	1.2
2012 Mar	0.7	1.3	0.8	0.9	0.9
2012 Apr	1.3	1.4	1.3	1.4	1.4

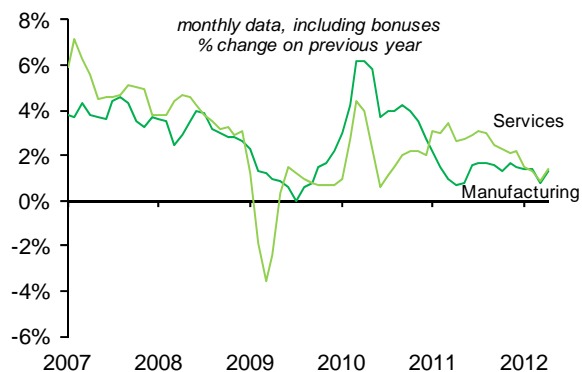
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.3% in April, compared with an increase of 1.4% in the public sector. Excluding financial services, public sector earnings rose by 0.8%.
- Average weekly earnings (including bonuses) in April in the public sector were £479 compared with £465 in the private sector.
- In 2011, headline (including bonuses) earnings in the private sector averaged a rise of 2.6%, while the public sector averaged a 2.1% increase.

Average Earnings in Services and Manufacturing

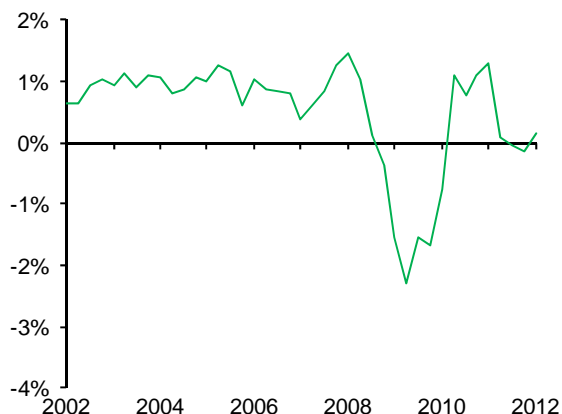


- Average total pay growth (including bonuses) in the manufacturing sector was 1.3% in April, compared with 1.4% in the services sector.
- Average weekly earnings (including bonuses) in April in the manufacturing sector were £540 compared with £455 in the services sector.
- In 2011, headline (including bonuses) earnings in the services sector averaged a rise of 2.8% compared with a 1.4% increase in the manufacturing sector.

C1: Employment

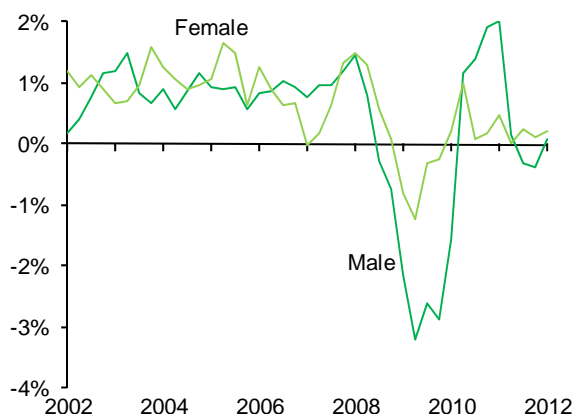
Employment rose by 166,000 over the quarter to April 2012, to 29.28 million. This was the biggest quarterly rise in employment since the three months to July 2010. Employment is now 1% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment (% change on previous year)



- Over the past quarter, employment rose among all age groups featured in the table below.
- The number of self-employed people rose by 84,000 over the quarter, to 4.17 million, the highest level since comparable records began in 1992.
- The number of people employed part-time rose by 83,000 over the quarter, to 7.96 million.
- The number of people employed full-time rose by 82,000 to 21.32 million.

Employment by gender (% change on previous year)



- The number of men in employment increased by 143,000 over the last quarter to 15.72 million.
- The number of women in employment increased by 23,000 over the last quarter to 13.57 million.
- The number of people employed in the public sector fell by 39,000 in the three months to March 2012, to 5.90 million.
- The number of people employed in the private sector increased by 205,000 in the three months to March 2012, to 23.38 million.

Employment by age group

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

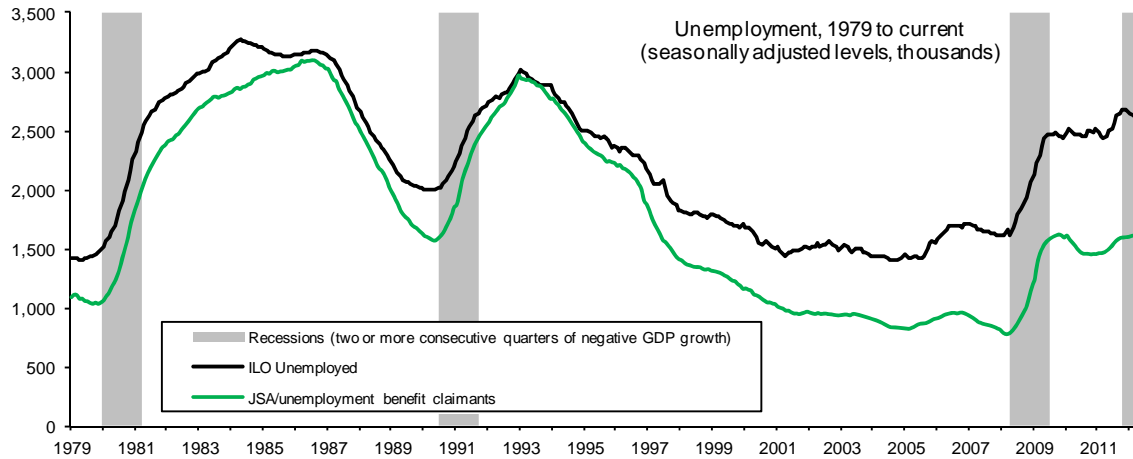
	Total	16-24	25-49	50-64	65+
Feb-Apr 2010	28,862	3,777	17,028	7,266	791
Feb-Apr 2011	29,239	3,747	17,236	7,368	887
May-Jul 2011	29,169	3,692	17,241	7,373	862
Aug-Oct 2011	29,107	3,631	17,213	7,404	859
Nov-Jan 2012	29,115	3,599	17,225	7,421	870
Feb-Apr 2012	29,281	3,623	17,289	7,463	906
% change on previous 3 months	+0.6	+0.7	+0.4	+0.6	+4.2
% change on previous year	+0.1	-3.3	+0.3	+1.3	+2.2

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 February to April 2012 was 2,615,000 (8.2% of all economically active) – down 51,000 from the previous quarter. (UK, seasonally adjusted.)**



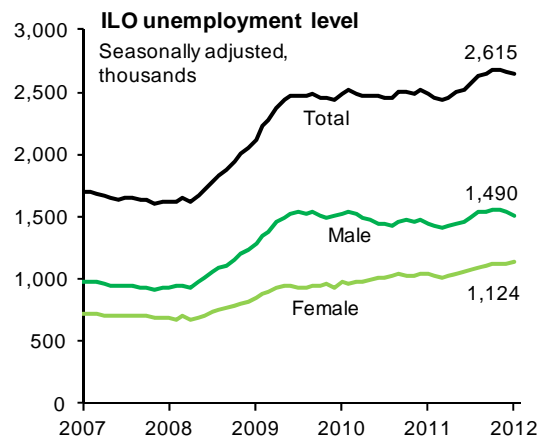
[Source: ONS, *Labour Market Statistics*]

ILO unemployment (February to April 2012)

- There were 886,000 people unemployed for more than 12 months, up 30,000 from the previous quarter.
- The unemployment level among 16- to 24-year-olds was 1,013,000, down 29,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 8,100 between April and May 2012 to 1,599,300.



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	(%)
Feb-Apr 2007	1,688	5.5	711	14.5	724	4.0	238	3.3	16	2.4
Feb-Apr 2008	1,660	5.3	698	14.2	720	4.0	225	3.0	17	2.3
Feb-Apr 2009	2,283	7.3	886	18.4	1,034	5.7	344	4.5	18	2.4
Feb-Apr 2010	2,487	7.9	930	19.8	1,180	6.5	355	4.7	23	2.8
Feb-Apr 2011	2,430	7.7	895	19.3	1,137	6.2	381	4.9	18	1.9
May-Jul 2011	2,510	7.9	973	20.8	1,157	6.3	360	4.7	21	2.3
Aug-Oct 2011	2,638	8.3	1,027	22.0	1,203	6.5	379	4.9	30	3.4
Nov-Jan 2012	2,666	8.4	1,042	22.5	1,195	6.5	405	5.2	23	2.6
Feb-Apr 2012	2,615	8.2	1,013	21.9	1,176	6.4	398	5.1	28	3.0
% change on quarter	-1.9		-2.8		-1.6		-1.8		+18.6	
% change on year	+7.6		+13.2		+3.5		+4.5		+57.8	

Source: ONS, *Labour Market Statistics*.

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

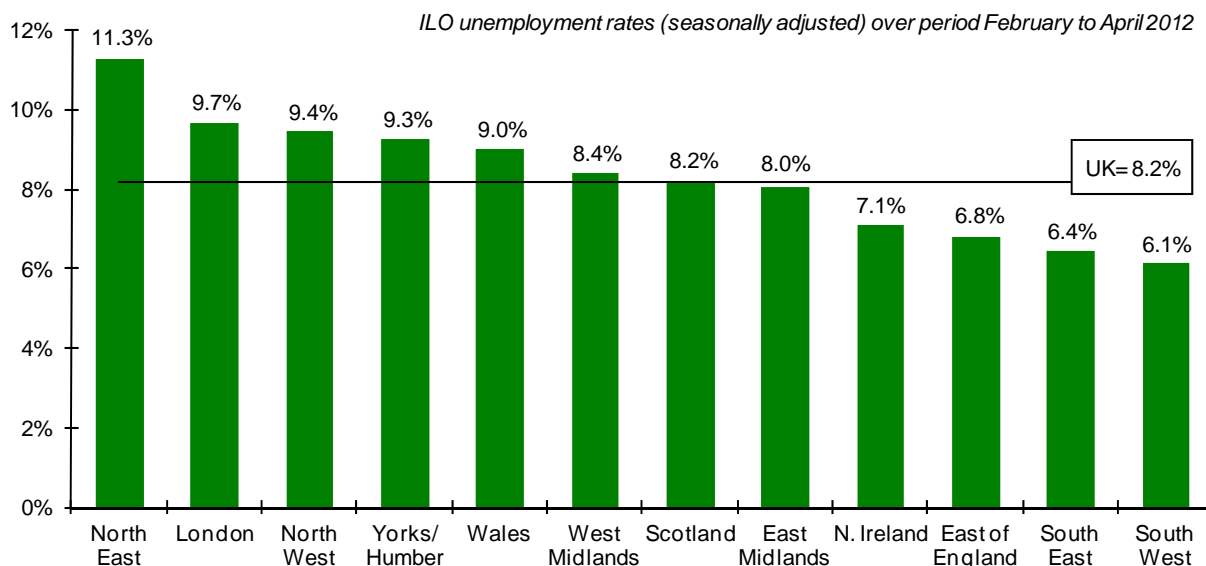
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 18 Jul 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 February to April 2012, the North East had the highest unemployment rate, at 11.3% of the economically active population. The lowest rate over the same period was 6.1% in the South West.



- The largest increases in unemployment over the last quarter were in the North East (+8,000) and North West (+8,000) and the largest decrease was in London (-20,000).
- The seasonally-adjusted JSA claimant count increased in ten regions and countries, and decreased in two in May, compared with April 2012.

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

	ILO unemployment				JSA claimant count	
	Feb - Apr 2012		Change in level		May 2012	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	145	11.3	+8	+27	93.7	+0.9
North West	325	9.4	+8	+48	201.3	-0.1
Yorkshire & Humber	248	9.3	-13	+11	166.1	+2.6
East Midlands	186	8.0	-1	+11	110.8	+1.4
West Midlands	223	8.4	-18	-12	165.5	+1.0
East of England	209	6.8	+2	+18	117.3	+1.6
London	413	9.7	-20	+29	227.4	-2.5
South East	288	6.4	+2	+33	141.2	+1.1
South West	164	6.1	-5	-10	90.8	+1.1
Wales	132	9.0	-2	+17	80.0	+0.3
Scotland	220	8.2	-14	+14	142.6	+0.4
Northern Ireland	60	7.1	+5	-0	62.6	+0.3

Source: ONS, *Labour Market Statistics*

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

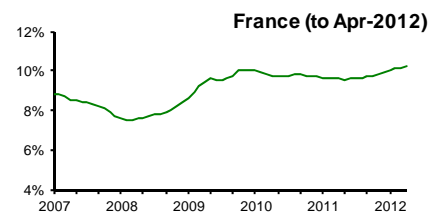
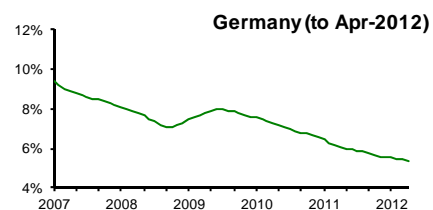
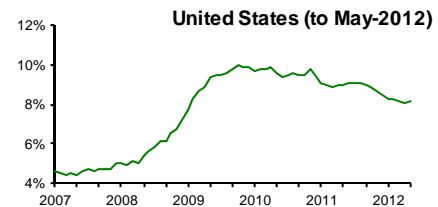
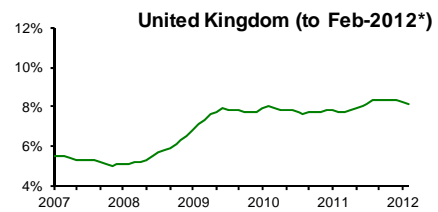
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 18 July 2012

C4: Unemployment: International Comparisons

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

- Figures for Q1 2012 unemployment in the UK using harmonised definitions are not yet available. Using unharmonised definitions, UK unemployment in Q1 2012 was 8.2%, down from 8.4% in Q4 2011.
- Using harmonised figures, 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 from the previous quarter. Compared with a year ago unemployment is 0.7%-points lower. More recent monthly data from the US indicate unemployment may be on the rise, however.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (23.8% in Q1 2012), having risen particularly sharply over the last four years (up from 8.1% in Q1 2007). Ireland has also seen a sharp rise over the same period (up from 4.5% to 14.5% in Q1 2012). This compares with a 2.0 percentage point rise in unemployment in the OECD as a whole since the start of 2007 (from 5.9% to 7.9%) and a 3.0 percentage-point rise in the euro zone (from 7.9% to 10.9%) over the same period.
- Norway has the lowest unemployment rate in the OECD (3.2%).
- The most recent forecasts published by the OECD ([Economic Outlook no. 91, May 2012](#)) suggested the UK unemployment rate would be 8.6% in 2012 (an downward revision of 0.2 percentage points from the November 2011 forecast), and 9.0% in 2013. The respective forecasts for the euro zone were 10.8% in 2012 and 11.1% in 2013, and for the OECD as a whole 8.0% and 7.9%.



* latest figure refers to quarterly survey conducted over Jan-Mar 2012

Unemployment

Unemployed 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	7.4	8.0	8.0	7.7	7.7	7.5	7.3	7.5	7.4
France	9.5	9.8	9.7	9.7	9.8	9.7	9.6	9.6	9.6	9.8	10.1
Germany	7.8	7.1	5.9	7.2	6.9	6.7	6.3	6.0	5.9	5.6	5.5
Italy	7.8	8.4	8.5	8.6	8.3	8.3	7.9	8.1	8.5	9.1	9.8
Japan	5.1	5.1	4.6	5.1	5.0	5.0	4.8	4.6	4.4	4.5	4.5
UK	7.6	7.8	8.0	7.8	7.7	7.7	7.7	7.9	8.2	8.3	..
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	9.6	10.1	10.2	10.2	10.1	10.1	9.9	10.0	10.2	10.6	10.9
G7	8.1	8.2	7.7	8.2	8.1	8.1	7.7	7.7	7.7	7.6	7.5
OECD	8.4	8.6	8.2	8.4	8.3	8.2	8.0	8.0	8.0	7.9	7.9

Source: OECD, Harmonised Unemployment Rates

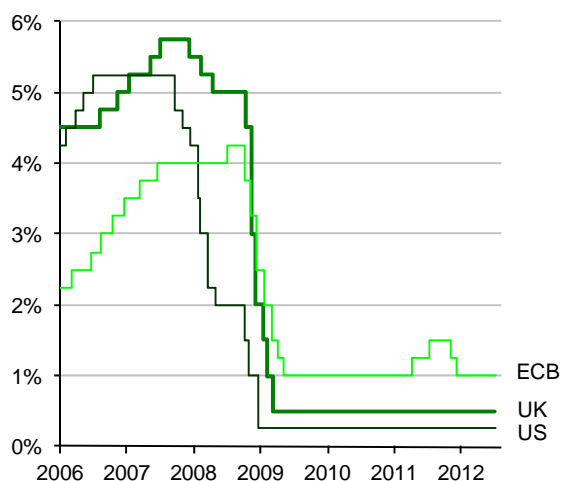
Contact: Gavin Thompson, x2042 Updates: OECD, [Harmonised Unemployment Rates](#), 9 Jul

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

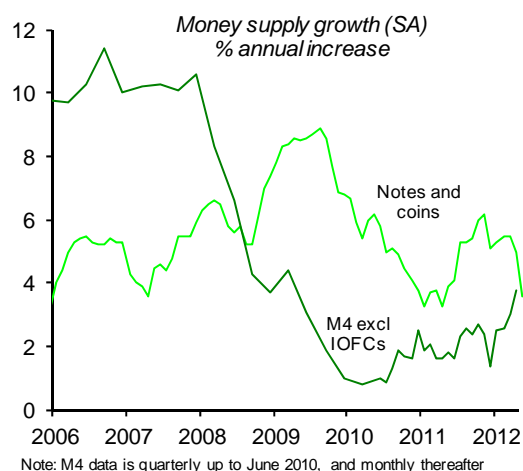
Source: Bank of England

- 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 May 2012 *Inflation Report*, the Bank of England noted that money supply growth "has been volatile in recent quarters", and that the impact of the asset purchase programme on money supply is "necessarily uncertain."
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 3.8% in April, up from 3.0% in March and 2.6% in February.
- The value of notes and coins in circulation outside the Bank of England rose by 3.6% in May 2012 compared with a year ago, the smallest percentage rise since April 2011.

Contact: Chris Rhodes, x2454

Updates: [Monetary policy meeting: 5 July \(UK\)](#),
Bank of England, [Monetary and Financial Statistics](#), 4 July

D2: Public Finances

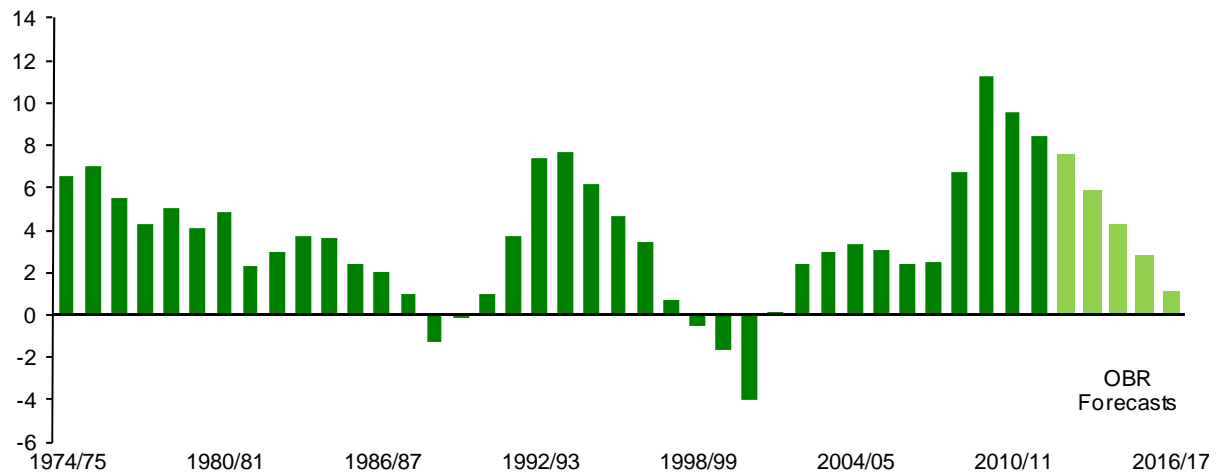
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £120 billion in 2012/13, equivalent to 7.6% of GDP.

- Public sector net borrowing was £17.9 billion in May, up from £15.2 billion in the same month last year.
- Public sector net debt was 65% of GDP in May. The OBR forecast public sector net debt to peak at 76.3% of GDP in 2014/15.
- A large one-off transfer to Government of £28 billion, as part of the transfer of the Royal Mail Pension Plan, has resulted in a net surplus of £16.5 billion in April 2012. This is excluded from the borrowing figures in the table.

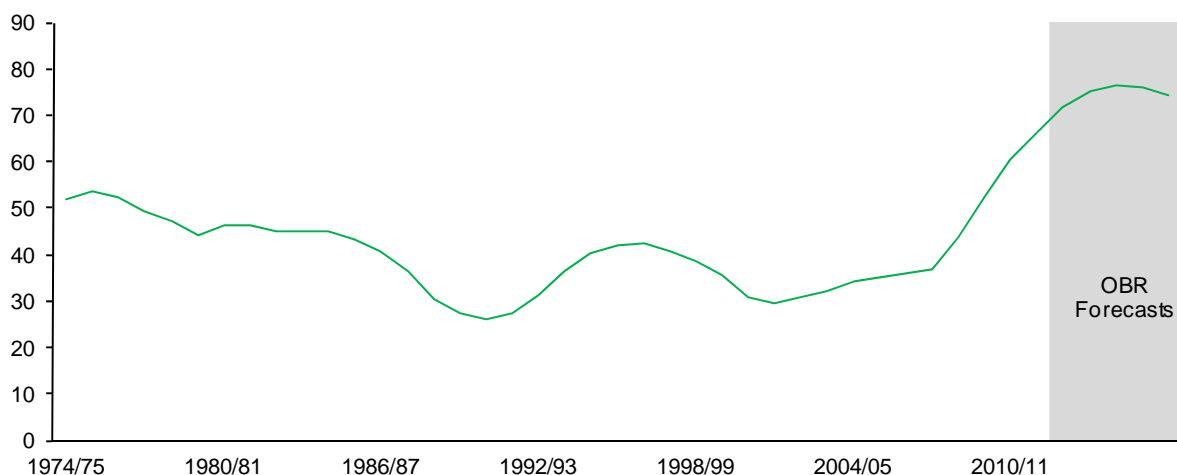
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	159	11.3	760	52.5
2010/11	141	9.5	905	60.5
2011/12	128	8.4	1,023	66.1
2012/13	120	7.6	1,159	71.9
2013/14	98	5.9	1,272	75.0
2014/15	75	4.3	1,365	76.3
2015/16	52	2.8	1,437	76.0
2016/17	21	1.1	1,479	74.3

Source: ONS, OBR. Excludes financial sector interventions

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update:- ONS [Public Sector Finances](#), 20 July 2012

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. During the second half of 2011, it rose steadily. It fell in the early months of 2012 due to renewed fears about the Eurozone but has recovered since then.

The price of oil reached an all time high above \$145/barrel in July 2008. The price fell below \$100/barrel in early June 2012 for the first time since February 2011.

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

Data from 02 Jul 2012

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02 Jul 2012	5,766.6	97.3	1,597.6
%change over:			
1-month	+7%	-9%	+2%
12-months	-4%	-13%	+7%
%change from:			
cyclical peak	-14%	-33%	-16%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+64%	+168%	+125%
date	03 Mar '09	24 Dec '08	24 Oct '08

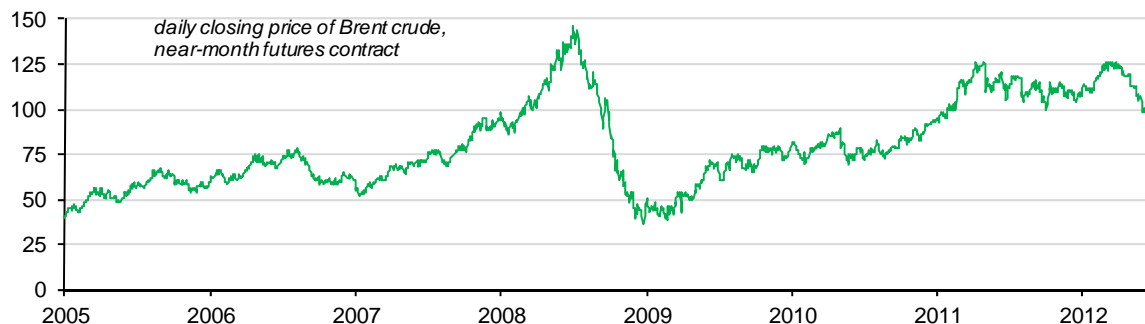
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Oil price (\$ per barrel)



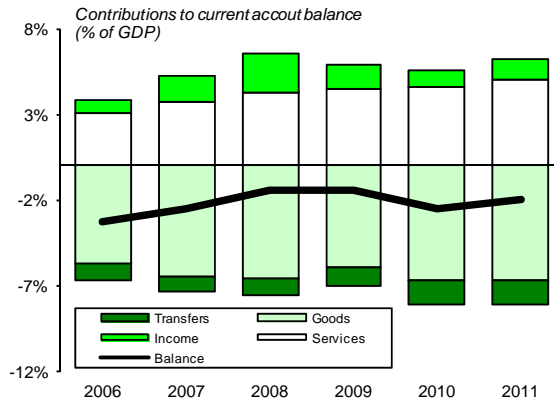
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2011 was £29.0 billion, equivalent to -1.9% of GDP. That compared with £37 billion (revised down from £48.6 billion) or -2.5% of GDP in 2010. This change can principally be attributed to an increase in the UK's trade in services surplus (from £67 billion in 2010 to £76 billion in 2011).

Current Account



- On a **quarterly** basis, the current account deficit was £11.2 billion in Q1 2012, widening from £7.2 billion in Q4 2011. The surplus on services fell to £17.2 billion while the deficit on goods rose to £25 billion.
- The **annual** current account deficit with EU27 countries in 2011 was £44.9 billion, compared with a surplus with non-EU countries of £15.9 billion. On a **quarterly** basis, the deficit with EU27 countries rose to £17.7 billion in Q1 2012. With non-EU countries, the current account surplus fell to £6.5 billion.

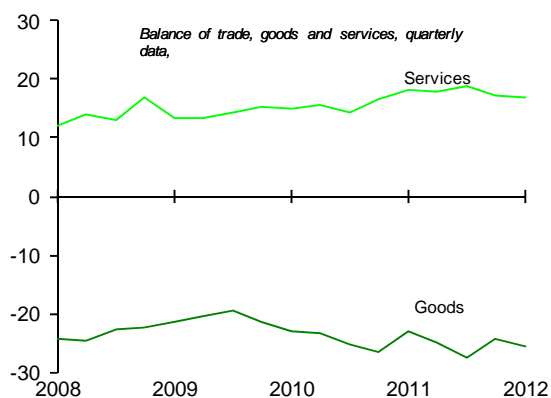
Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance	
	Balance	Balance	Exports	Imports				Balance
2010	-98,509	67,007	447,885	479,387	-31,502	14,628	-20,410	-37,284
2011	-100,343	76,380	492,646	516,609	-23,963	17,133	-22,216	-29,046
2011 Q1	-22,957	19,068	122,012	125,901	-3,889	3,229	-5,628	-6,288
Q2	-24,945	18,273	121,763	128,435	-6,672	7,217	-4,812	-4,267
Q3	-27,706	19,858	123,110	130,958	-7,848	2,291	-5,706	-11,263
Q4	-24,735	19,181	125,761	131,315	-5,554	4,396	-6,070	-7,228
2012 Q1	-25,047	17,200	123,466	131,313	-7,847	2,205	-5,537	-11,179

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

Trade in Goods and Services



- The estimated deficit on goods trade in April was £10.1bn, wider than the March figure of £8.7bn.
- The monthly trade surplus on services was an estimated £5.7bn in April, down from the March surplus of £5.8bn.
- The overall monthly deficit on goods and services combined in April was £4.4bn, widening from £3.0bn in March.
- The goods deficit with the EU27 was £4.9bn in April, up from £4.6bn in March, while the deficit with non-EU countries was £5.2bn, up from £4.2bn in March.

Contact: Grahame Allen, x3977

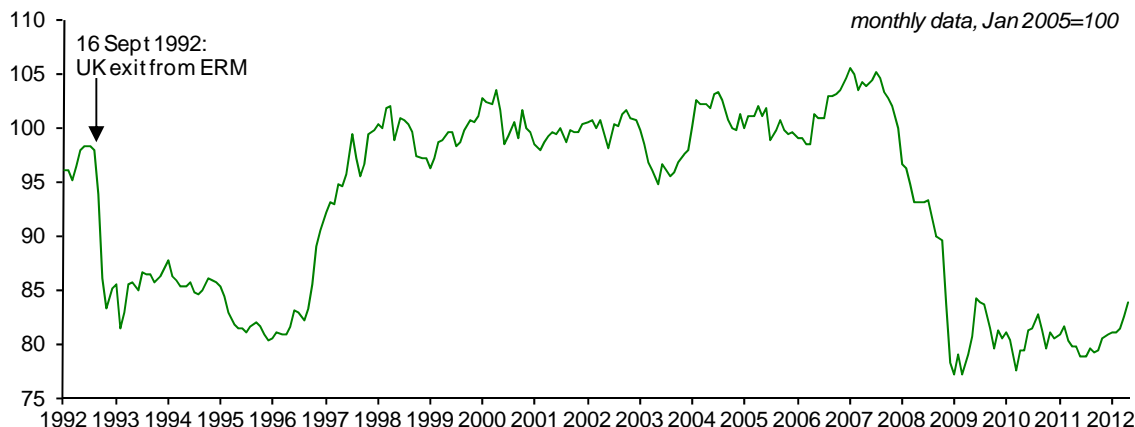
Updates: ONS, [UK Trade](#), 10 Jul;
ONS, [UK Balance of Payments](#), 27 Sep

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).

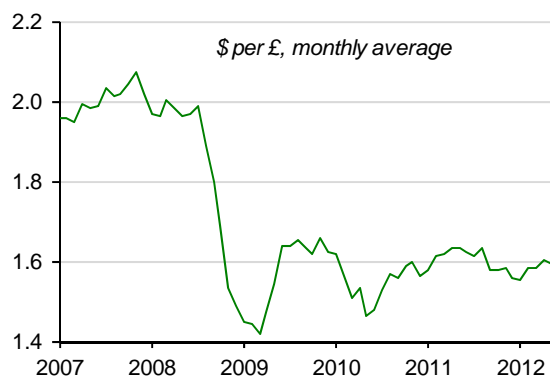
The SERI fell by 0.8% in June, having risen by 1.4% in May. Compared with the same period last year, the SERI was 5.4% higher. It is now 7.8% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is still 21.2% down from its pre-recession July 2007 peak.

Sterling Exchange Rate Index (SERI)



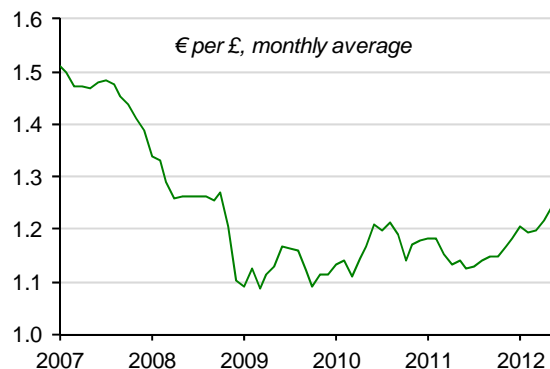
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in June, the pound was 3 cents weaker against the dollar compared with May. At the 2 July market close the pound stood at \$1.56, the June average.
- Sterling was on average unchanged against the Euro in June compared with May.
- At the 2 July market close the pound stood at €1.24 - the June 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 Jun	1.62	9.8%	1.13	-6.8%
2012 Apr	1.60	-2.0%	1.22	7.3%
May	1.59	-2.5%	1.24	9.1%
Jun	1.56	-4.0%	1.24	10.3%

Source: Bank of England, Bankstats database

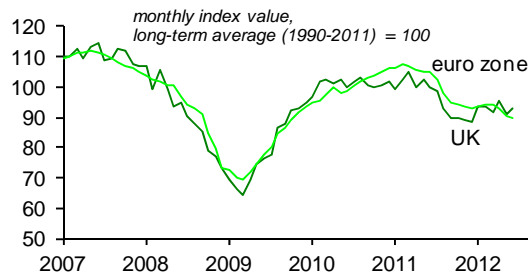
Contact: Aliyah Dar, x5919

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 30 Jul

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

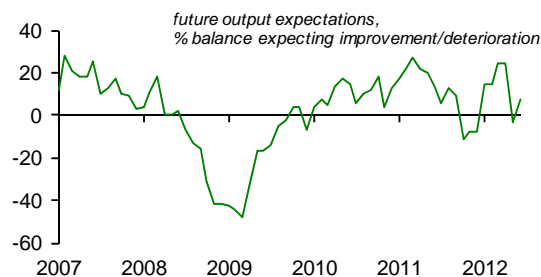


	UK Index	monthly change	change on year ago
2010 Jun	99.7	...	...
2011 Jun	100.2	...	...
2012 Apr	95.7	+4.2	-4.2
2012 May	91.0	-4.7	-11.5
2012 Jun	92.9	+1.9	-7.3

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 May and June 2012 the overall UK sentiment index increased by 1.9 points to 92.9. The euro zone index decreased by 0.6 points to 89.9.

CBI Industrial Trends Survey



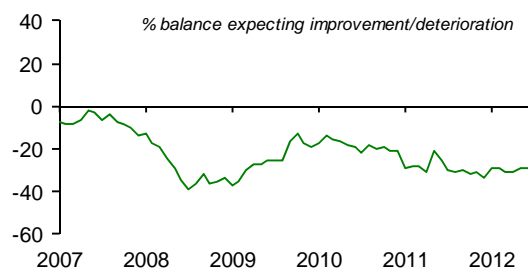
balance (as a %) of those expecting an improvement
minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2010 Jun	+15	...	...
2011 Jun	+13	...	...
2012 Apr	+24	+0	+2
2012 May	-3	-27	-23
2012 Jun	+7	+10	-6

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In June 2012, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +7% of firms. This is up from -3% of firms in May – an increase of 10 points, but it is still considerably lower than the difference of +24% of firms seen in April.

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 Jun	-19	...	...
2011 Jun	-25	...	...
2012 Apr	-31	0	0
2012 May	-29	+2	-8
2012 Jun	-29	0	-4

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 June 2012 was the same as in May. It has been at much the same level for most of the last year.

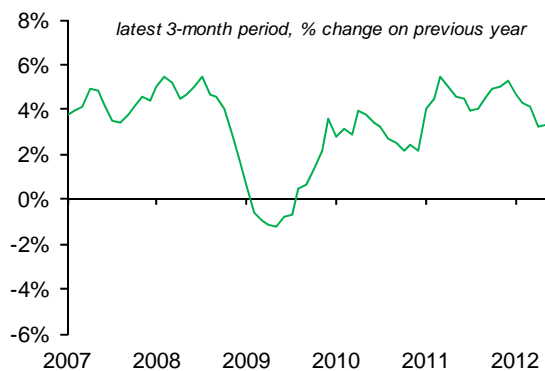
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 25 July
EC, [Economic Sentiment Indicator](#), 30 July
GfK NOP, [Consumer Confidence](#), 31 July

F2: Retail Sales

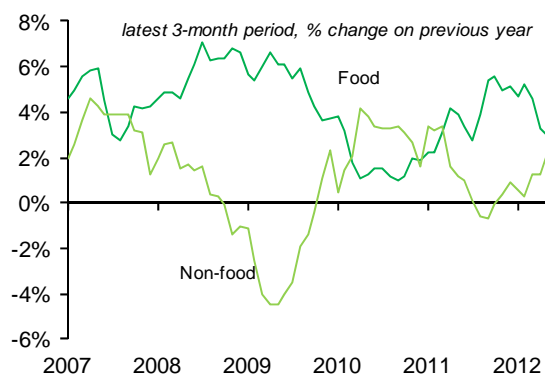
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to May 2012 was 3.3%, a slight increase on April's 3.2%.
- The value of retail sales in May 2012 alone showed an increase of 1.0% compared with April 2012.
- The value of retail sales in May 2012 alone was 3.3% higher than in May 2011.
- Internet sales are now estimated to account for 8.8% of all retail sales values, excluding automotive fuel.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to May rose by 2.9% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 2.3%.
- Sales in household goods stores increased by 2.4%.
- The value of non-store sales (includes internet) increased by 14.6% in the three months to May 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	-3.5	2.0	2.6	2.7
2011	4.2	3.4	-2.6	0.3	1.1	5.0
2012 Jan	4.7	5.0	-1.1	-3.0	0.6	4.7
Feb	5.2	4.6	-1.3	-3.3	0.3	4.3
Mar	4.6	3.7	0.0	-0.7	1.3	4.1
Apr	3.3	1.2	0.8	-1.0	1.3	3.2
May	2.9	1.0	2.4	0.3	2.3	3.3

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

Contact: Lucinda Maer, x3841

Update: ONS, [Retail Sales](#), 19 July 2012

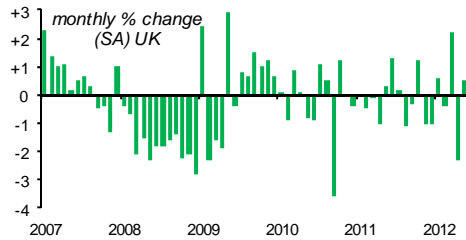
F3: Housing Market

House prices on the Nationwide index fell by 0.6% in June 2012 after rising by 0.2% in May. Prices were 1.5% lower in June compared with a year ago on this measure. House prices on the Halifax index rose by 0.5% in May 2012 after falling 2.4% in April. Prices are now 0.2% lower than a year ago on this measure.

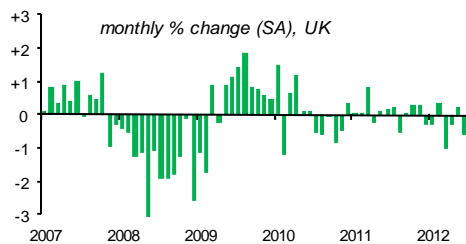
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

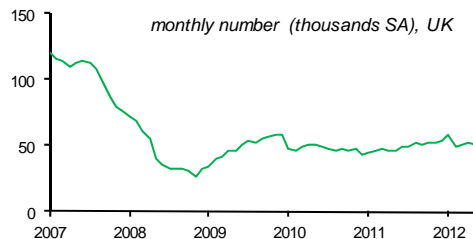


Latest monthly data UK, seasonally adjusted

	Halifax	Nationwide
Latest data	May-12	Jun-12
Change in month	+0.5%	-0.6%
Change in year	-0.2%	-1.5%
Peak date	Aug-07	Oct-07
Change since peak	-19.4%	-12.4%
Trough date	Apr-09	Feb-09
Change since trough	+4.1%	+8.6%

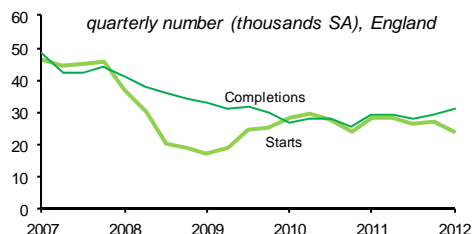
- The recovery in house prices since early 2009 has been tepid. In early 2012 the average house price on the Halifax and Nationwide measures was around £160,000.
- There is considerable regional variation. In Q2 2012 prices rose by 1.2% in London but fell by 10.6% in Northern Ireland compared with a 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 51,098 mortgage approvals in May a 1% fall on April. The number of approvals has remained generally flat since early 2010.

House-building



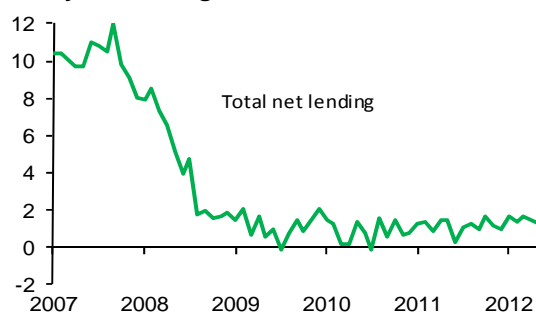
- There were 24,140 house building starts in England in Q1 2012, down 11% from 27,240 in Q4 2011. This is above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions rose to 31,010 in Q1 2012, up from 29,360 in Q4 2011.

Contact: Aliyah Dar, x5919

Updates: Halifax [House Price Index](#), early Jul;
Bank of England, [Lending to Individuals](#), 30 Jul;
Nationwide [House Price Index](#), early Aug;
DCLG, [House-building](#), 16 Aug

F4: Household debt

Monthly net lending, £bn



Source: Bank of England

Data on lending to individuals is published on a monthly basis and is seasonally adjusted.

- Total net lending to individuals grew by £1.3 billion in May 2012. This compares with April's figure of £1.4 billion.
- Monthly net unsecured lending grew by £0.7 billion in May, compared with £0.4 billion in April.
- Monthly net secured lending (mortgages) grew by £0.6 billion in May, compared with £1.0 billion in April.

Net outstanding lending to individuals

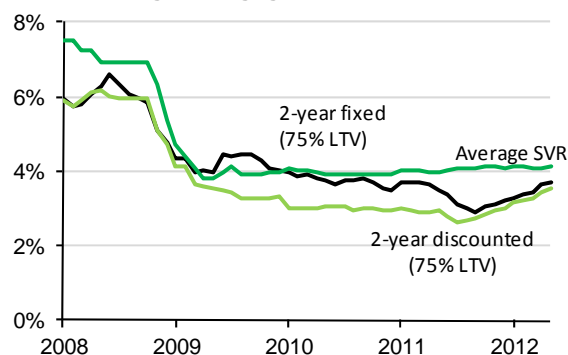
£ billion; seasonally adjusted

	Secured	Unsecured	Total
2008 May	1,209	232	1,441
2009 May	1,228	220	1,447
2010 May	1,239	218	1,457
2011 May	1,241	210	1,451
2011 Nov	1,244	207	1,452
2012 Feb	1,249	207	1,457
2012 May	1,252	208	1,460

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

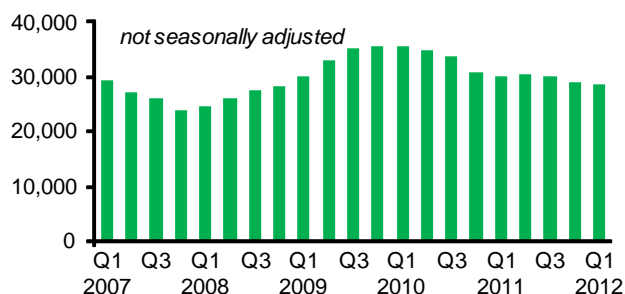
- Total net outstanding lending to individuals was £1,460 billion at the end of May, 0.6% higher than a year earlier.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £208 billion at the end of May.

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 May was 4.15%, compared with 3.98% a year previously.
- The average fixed and discounted rates offered (75% LTV) in April were 3.68% and 3.54% respectively, compared with 3.51% and 2.94% a year ago.

Individual insolvencies, England and Wales



Source: Insolvency Service

- Q1 2012 provisional data indicates there were 28,723 individual insolvencies in England and Wales (not seasonally adjusted), a 4.7% decrease on Q1 2011.
- In Scotland in Q1 2012 there were 4,854 individual insolvencies, an increase of 13.6% on Q1 2011.
- In N Ireland in Q1 2012 there were 796 individual insolvencies, a rise of 15.0% on Q1 2011.

Contact: Dominic Webb, x4324

Update: Bank of England, [Lending to Individuals](#), 30 July
Insolvency Service, [Insolvency Statistics](#), 3 Aug

5 Indicator sources

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

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

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

6 Glossary

Symbols and abbreviations

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

Definitions¹

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

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

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

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

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

Basic prices: Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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