



Economic Indicators, August 2012

RESEARCH PAPER 12/42 07 August 2012

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

- The first estimate of GDP for Q2 2012 showed a contraction of 0.7% compared with the previous quarter, with weakness in all sectors but particularly in construction (the ONS said the extra Jubilee Bank Holiday contributed to some of the decline).
- This marked the third successive quarter of falling output, following declines of 0.4% and 0.3% in Q4 2011 and Q1 2012, respectively.
- In contrast, recent labour market data has been positive. In the quarter to May 2012, employment increased by 181,000, while unemployment fell by 65,000 over the same period.

This month's articles:

- **Recent changes in tax receipts**
- **Geographical breakdown of trade in goods and services in 2011**

Daniel Harari (editor)

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Research Paper 12/42

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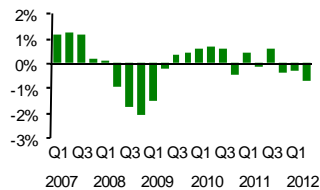
Summary

The first estimate of GDP for Q2 2012 showed a contraction of 0.7% compared with the previous quarter, with weakness in all sectors but particularly in construction (the ONS said the extra Jubilee Bank Holiday contributed to some of the decline). This marked the third successive quarter of falling output, following declines of 0.4% and 0.3% in Q4 2011 and Q1 2012, respectively. In contrast, recent labour market data has been positive. In the quarter to May 2012, employment increased by 181,000, while unemployment fell by 65,000 over the same period.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP fell by 0.7% in Q2 2012 (preliminary estimate) compared with Q1 2012. This follows a 0.3% decline in GDP in Q1 2012. GDP is 4.5% below its pre-recession peak in Q1 2008.

Inflation (CPI)

[page 7](#)

(% change on year ago)

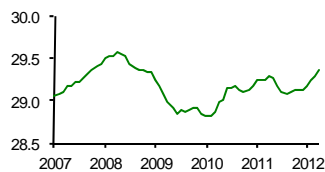


The annual rate of CPI inflation was 2.4% in June compared with a year ago, down from 2.8% in May. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

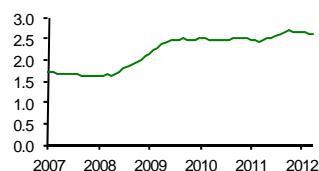


Compared with the previous quarter, the number of people employed rose by 181,000 to 29.35 million in the three months to May.

Unemployment

[page 11](#)

(total, millions, ILO definition)

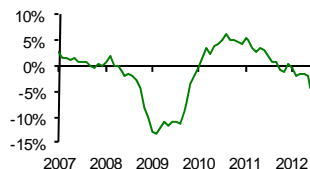


Compared with the previous quarter, ILO unemployment fell by 65,000 to 2.58 million in the three months to May. The unemployment rate also decreased, from 8.3% to 8.1%.

Manufacturing output

[page 5](#)

(% change on year ago)



Manufacturing output has been weakening over the course of the first half of the year, compared with a year before.

Next issue: 4 September

Editor: Daniel Harari

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1 Introduction to *Economic Indicators*

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

Feedback

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

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Sources and glossary

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

Contacts

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

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Business	Lucinda Maer	3841
EC finance	Gavin Thompson	2042
GDP	Grahame Allen	3977
Employment	Daniel Harari	2464
Financial services	Lucinda Maer	3841
Housing	Matthew Keep	6789
Incomes	Lorna Booth	2883
Industries	Lucinda Maer	3841
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² <http://intranet.parliament.uk/Documents/intranet/offices-departments/assets/using-the-commons-library.pdf>

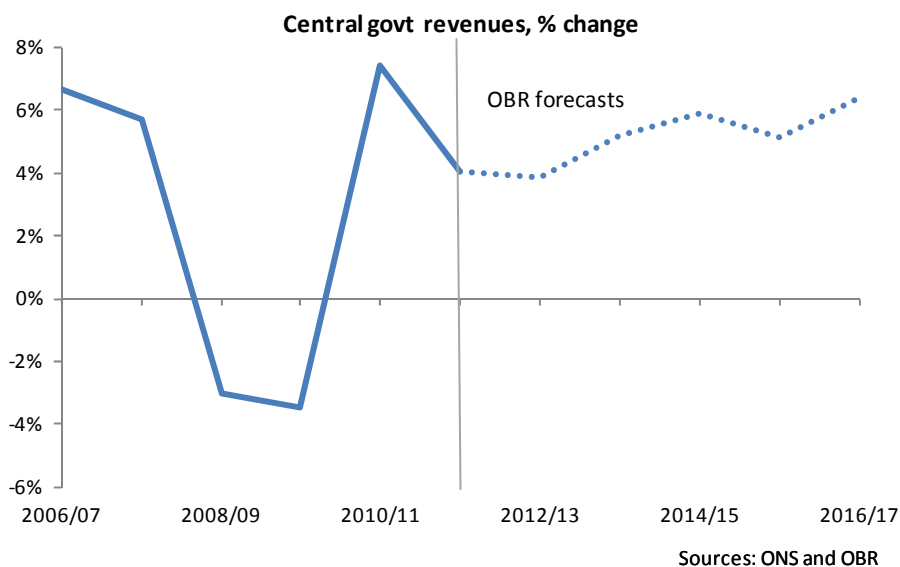
2 Recent changes in tax receipts

The Government's plans for reducing the budget deficit depend on a combination of spending cuts and increases in revenue. While most of the planned reduction in the deficit will be the result of lower public spending, the revenue side of the equation is also important.

2.1 Where government tax revenue comes from

Central government receipts were around £530 billion in 2011/12. The main elements were income tax and capital gains tax (£150 billion), VAT (£110 billion) and national insurance contributions (£100 billion).

Immediately before the financial crisis, central government receipts were growing strongly at 6-7% a year (in nominal terms). Receipts fell by about 3% in both 2008/09 and 2009/10 before rebounding strongly in 2010/11 (see chart below). VAT receipts in particular grew rapidly in both 2010/11 and 2011/12 as the rate was increased first to 17½% in January 2010, following the temporary cut in the rate to 15%, and again to 20% from January 2011. The Office for Budget Responsibility (OBR) forecasts annual growth of total receipts of between 4 and 6% over the next few years.



2.2 2012/13 so far

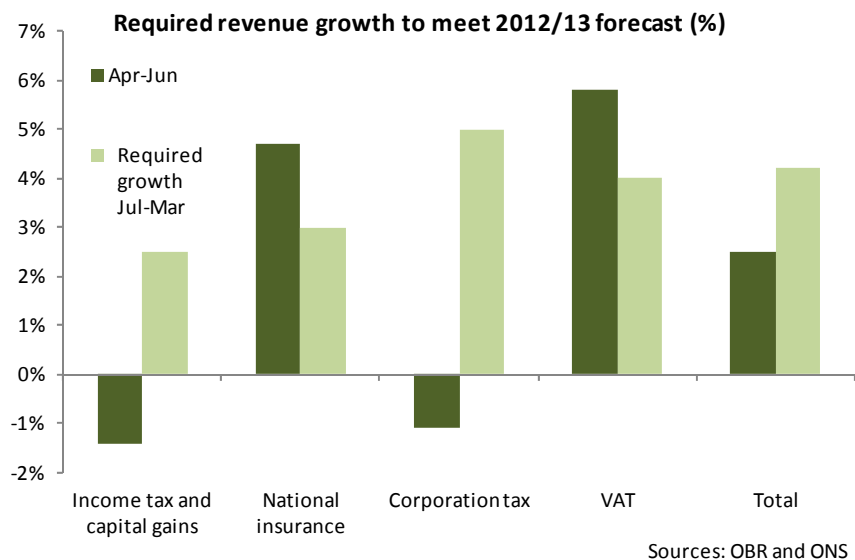
Data on central government receipts have been published for the first three months of the 2012/13 financial year. Public finance data fluctuate considerably from month to month. Revenues in particular tend to be higher in some months than others. As a result, it is necessary to be cautious when extrapolating trends for the year as a whole.

Over the first three months of the financial year (April – June) central government receipts grew by 2.5%. This is below the OBR's forecast of 3.9% for 2012/13. The chart below shows a breakdown of some of the major sources of revenue. The darker bars show the change between April to June 2012, compared with the same period last year. The lighter bars show the OBR's forecast for the whole of 2012/13. National insurance and VAT receipts have both grown strongly over the first three months of the financial year by 5.8% and 4.7% respectively. In both cases, this is a faster rate of growth than the OBR forecast for 2012/13 as a whole.

By contrast, income tax/capital gains and corporation tax revenue have both fallen over the first three months of 2012/13. The OBR forecast that revenues from both these taxes would increase over 2012/13 as a whole.



The OBR has calculated how much tax receipts would need to grow over the rest of year (July 2012 to March 2013) for its forecast for the year as a whole to be met. In total, revenues would need to grow by 4.2% over the rest of the year for the OBR's full year forecast of 3.9% growth to be achieved. This compares with growth of 2.5% over the first three months of the year (see chart below). Income tax/capital gains tax would need to grow by 2.5% over the rest of the year and corporation tax by 5.0% for the OBR forecast to be met. Revenues from both these taxes have fallen so far this year.



A clearer picture of the chances of meeting the 2012/13 revenue forecast may emerge when July's figures are published. Instalments of corporation tax and self assessment income tax are paid in July making it an important month for government revenues.

3 Geographical breakdown of trade in goods and services in 2011

ONS released the *UK Balance of Payments: The Pink Book 2012* on 31 July 2012. Amongst other things, the *Pink Book* contains a geographical breakdown of the Current Account.

The tables below provide a brief summary of the UK's main trading partners for goods and services in 2011:

UK goods and services trading partners, exports, 2011

	£million	% UK World exports
World	492,646	
EU27	233,801	47.5%
Germany	43,901	8.9%
Netherlands	34,075	6.9%
France	32,035	6.5%
Ireland	27,409	5.6%
Belgium	19,047	3.9%
Italy	15,607	3.2%
Spain	15,283	3.1%
Sweden	9,564	1.9%
Denmark	5,935	1.2%
Poland	5,755	1.2%
Luxembourg	2,986	0.6%
Finland	2,976	0.6%
Portugal	2,584	0.5%
Czech Republic	2,505	0.5%
Austria	2,481	0.5%
Greece	2,452	0.5%
Hungary	1,726	0.4%
Cyprus	1,489	0.3%
Romania	1,331	0.3%
Slovakia	1,054	0.2%
Malta	748	0.2%
Bulgaria	526	0.1%
Lithuania	450	0.1%
Latvia	361	0.1%
Estonia	345	0.1%
Slovenia	325	0.1%
Rest of the World	258,845	52.5%
EFTA	21,408	4.3%
US	79,888	16.2%
China	12,530	2.5%
India	8,332	1.7%
Russia	7,286	1.5%
Brazil	3,695	0.8%

Source: ONS, *The Pink Book* 2012 dataset, 2012

In 2011:

- UK exports of goods and services (£493 billion) amounted to 30% of UK GDP (£1,516 billion);
- Exports to the European Union accounted for 47.5% of total goods and services exports with the Rest of the World accounting for the remaining 52.5%;
- Exports to the 17 eurozone countries accounted for 41.6% of UK exports (the same as in 2010);
- The US was the UK's single largest export market accounting for 16.2% of all exports, followed by Germany (8.9%), the Netherlands (6.9%) and France (6.5%);
- Exports to the BRIC countries (Brazil, Russia, India and China) together accounted for 6.5% of all exports (up from 5.6% in 2010);
- Exports to the PIGS countries (Portugal, Ireland, Greece and Spain) accounted for 7.0% of UK exports (down from 10.5% in 2010); and
- EFTA countries (Iceland, Lichtenstein, Norway and Switzerland) accounted for 4.3% of all exports – more than Belgium (3.9%) but less than Ireland (5.6%).

UK goods and services trading partners, imports, 2011

	£million	% UK World imports
World	516,609	
EU27	261,378	50.6%
Germany	59,563	11.5%
France	33,170	6.4%
Netherlands	32,774	6.3%
Belgium	21,521	4.2%
Spain	21,435	4.1%
Italy	18,465	3.6%
Ireland	17,297	3.3%
Sweden	9,672	1.9%
Poland	8,610	1.7%
Denmark	7,394	1.4%
Czech Republic	4,694	0.9%
Austria	3,804	0.7%
Hungary	3,586	0.7%
Portugal	3,556	0.7%
Finland	2,942	0.6%
Luxembourg	2,747	0.5%
Greece	2,694	0.5%
Slovakia	1,633	0.3%
Romania	1,536	0.3%
Cyprus	1,097	0.2%
Lithuania	746	0.1%
Bulgaria	577	0.1%
Malta	557	0.1%
Latvia	531	0.1%
Slovenia	407	0.1%
Estonia	266	0.1%
Rest of the World	255,231	49.4%
EFTA	37,357	7.2%
US	48,639	9.4%
China	32,775	6.3%
India	8,544	1.7%
Russia	8,520	1.6%
Brazil	3,106	0.6%

Source: ONS, *The Pink Book* 2012 dataset, 2012

In 2011:

- Imports from the European Union accounted for 50.6% of total goods and services imports, with the Rest of the World accounting for the remaining for 49.4%;
- Imports from the 17 eurozone countries accounted for 43.3% of UK imports;
- Germany was the UK's single largest source of imports accounting for 11.5% of all imports, followed by the US (9.4%), France (6.4%) and China (6.3%);
- Imports from the BRIC countries (Brazil, Russia, India and China) together accounted for 10.2% of all imports;
- Imports from the PIGS countries (Portugal, Ireland, Greece and Spain) accounted for 8.9% of UK imports; and
- EFTA countries (Iceland, Lichtenstein, Norway and Switzerland) accounted for 7% of all UK imports, with Norway and Switzerland accounting for 5.1% and 2.0% of UK imports respectively.

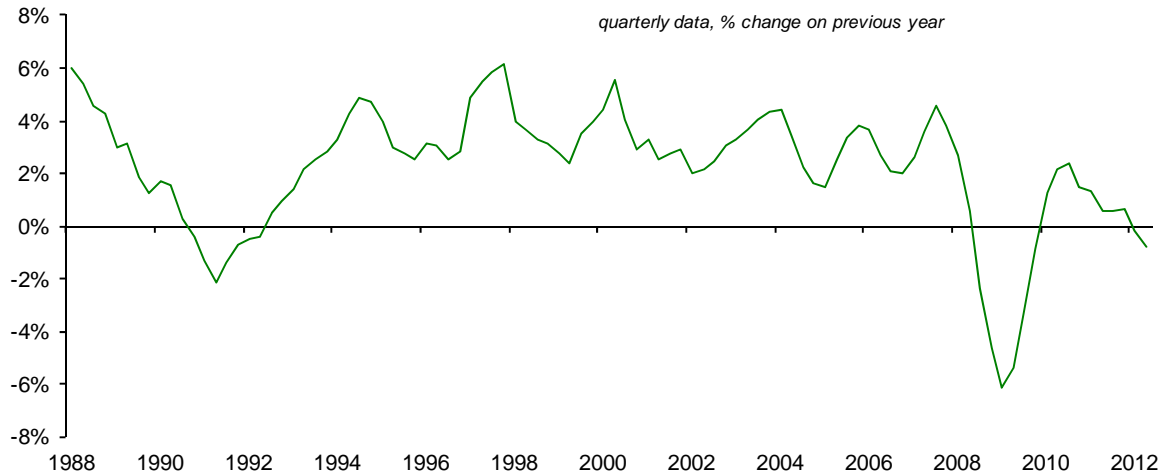
The Library's Standard Note: [UK trade statistics](#) looks at UK trade in more detail and provides a summary of the key statistics behind the UK's Balance of Trade.

Grahame Allen
Economic Policy and Statistics Section

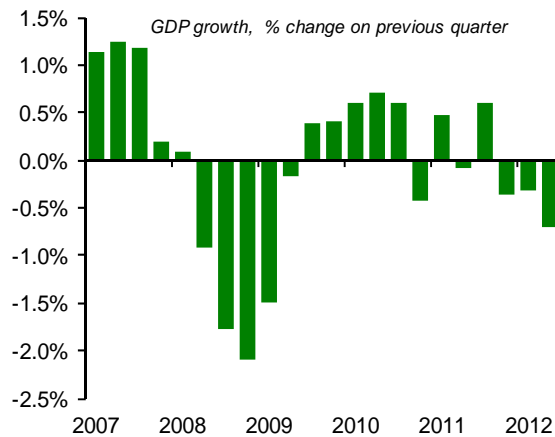
A1: Gross Domestic Product

The economy contracted by an estimated 0.7% in Q2 2012, after contracting 0.3% in Q1 2012. In July, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.1% (downgraded from 0.3% in the June edition) and 1.4% 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
Q2	...	...	-0.7	-0.8

Source: ONS, series: YBHA, ABM1

- The UK economy is still in recession and has contracted for three quarters in a row. In Q2 2012, real GDP was estimated to be 0.8% below what it was in Q2 2011. GDP remains 4.5% below its recession level (Q1 2008).
- In Q2 2012, output of the production industries decreased by an estimated 1.3%, construction sector output decreased by 5.2%, manufacturing output decreased by 1.4%, and output of the service industries decreased by 0.1%.
- The ONS suggested that the extra bank holiday for the Jubilee and the bad weather may have had an impact in some sectors.

Contact: Grahame Allen, x3977

Updates: HMT, [Comparison of Independent Forecasts](#), 15 August
ONS, [Second Estimate of GDP](#), 24 August

A2: GDP: International Comparisons

UK output contracted by 0.7% in Q2 2012, while US output expanded by 0.4% 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			
	11Q3	11Q4	12Q1	12Q2	11Q3	11Q4	12Q1	12Q2
US	1.6	2.0	2.4	2.2	0.3	1.0	0.5	0.4
Japan	-0.6	-0.5	2.7	..	1.9	0.0	1.2	..
UK	0.5	0.6	-0.2	-0.8	0.6	-0.4	-0.3	-0.7
Germany	2.7	2.0	1.2	..	0.6	-0.2	0.5	..
France	1.5	1.2	0.3	..	0.3	0.1	0.0	..
Eurozone	1.3	0.7	0.0	..	0.1	-0.3	0.0	..
G7	1.2	1.3	1.7	..	0.6	0.4	0.4	..
OECD	1.7	1.5	1.7	0.0	0.6	0.4	0.4	..

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

In **July 2012**, the IMF lowered their 2012 forecast for world growth by 0.1 percentage points to 3.5%. 2012 growth forecasts for the UK were lowered by 0.6 percentage points and for the US by 0.1 percentage points. The 2012 forecast for the eurozone was left unchanged.

Major emerging markets also saw downward revisions to their 2012 growth forecast: China's was revised down by 0.2 percentage points, India's by 0.7 percentage points and Brazil's by 0.6 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.

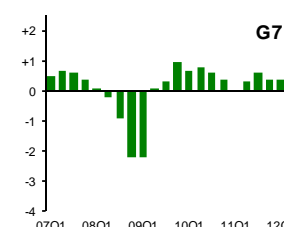
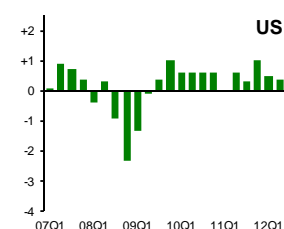
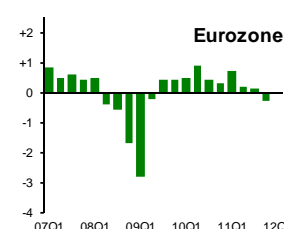
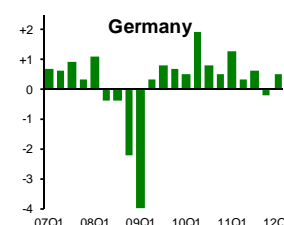
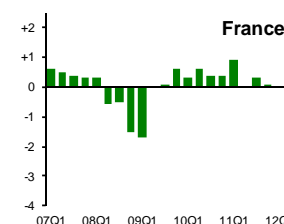
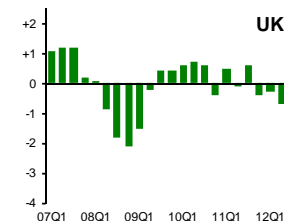
The **OECD's May forecast** made only slight revisions to its November projections for most major economies. However, eurozone growth in 2012 was revised down from 0.2% to -0.1%, and for 2013 from 1.4% to 0.9%.

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

	IMF (Jul 12)		EC (May 12)		OECD (May 12)	
	2012	2013	2012	2013	2012	2013
UK	0.2	1.4	0.5	1.7	0.5	1.9
France	0.3	0.8	0.5	1.3	0.6	1.2
Germany	1.0	1.4	0.7	1.7	1.2	2.0
Eurozone	-0.3	0.7	-0.3	1.0	-0.1	0.9
US	2.0	2.3	2.0	2.1	2.4	2.6
Japan	2.4	1.5	1.9	1.7	2.0	1.5
OECD	..	..	..	..	1.6	2.2
China	8.0	8.5	..	..	8.2	9.3
India	6.1	6.5	..	..	7.1	7.7
Brazil	2.5	4.6	..	..	3.2	4.2
World	3.5	3.9	..	..	..	..

Sources: IMF Jul 2012 WEO update; EC EEF; OECD Economic Outlook No.91

Quarter-on-quarter growth rates



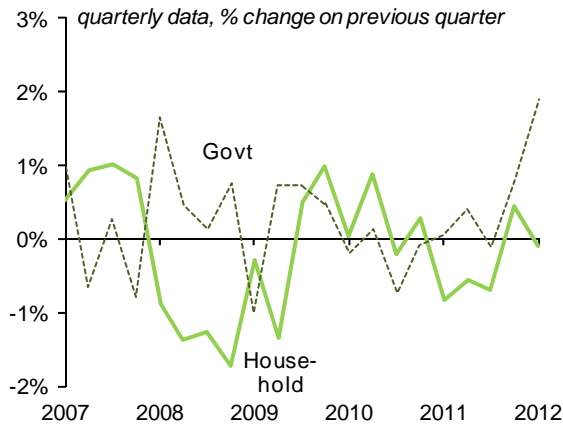
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 10 Sep 2012
EC [Economic Forecast](#), Sep 2012
IMF [World Economic Outlook](#), Sep 2012

A3: Components of GDP

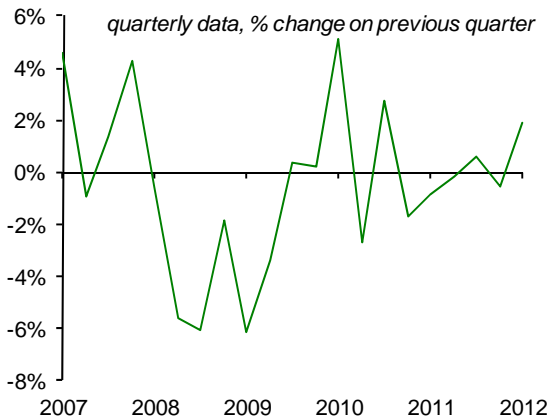
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 64% of the total in 2011. Government consumption accounted for 22% and gross fixed capital formation 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%
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%
2012 Q2	..	..	..	..	..	-0.7%

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

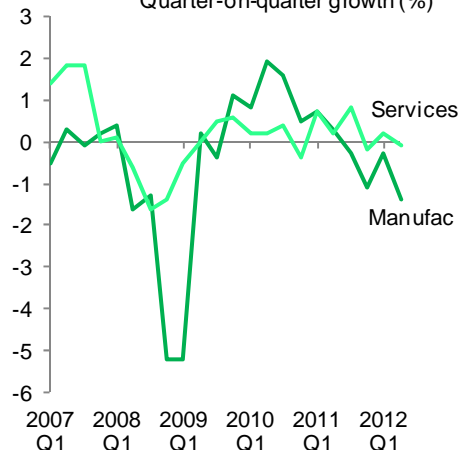
Seasonally adjusted, chained volume measures at basic prices

	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 Q4	-0.4	1.5	1.6	0.6
2012 Q1	-1.4	-4.0	1.0	-0.2
2012 Q2	-3.1	-9.7	0.7	-0.8
<i>Quarter-on-quarter % changes</i>				
2011 Q4	-1.1	0.0	-0.2	-0.4
2012 Q1	-0.3	-4.9	0.2	-0.3
2012 Q2	-1.4	-5.2	-0.1	-0.7

Source: ONS Series L2KX, L2N8, L2NC, YBEZ

Manufacturing and services output

Quarter-on-quarter growth (%)



- Preliminary estimates show manufacturing output fell by 1.4% in the second quarter of 2012. Services fell by 0.1%. Construction output fell by 5.2%, following a 4.9% fall in Q1.
- The ONS suggested that the extra bank holiday for the Jubilee and the bad weather may have had an impact in some sectors.
- 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 increased by 0.1% in Q2 2012.

Employment

Workforce jobs by industry

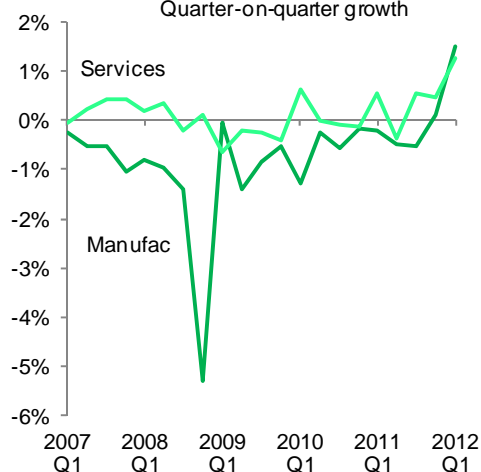
Seasonally adjusted

	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.

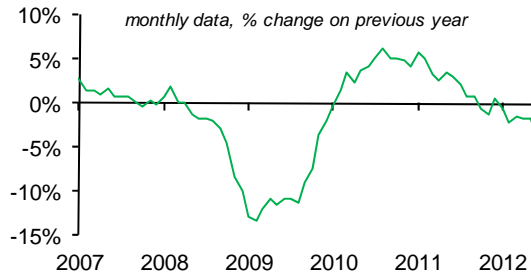
Contact: Lucinda Maer, x3841

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

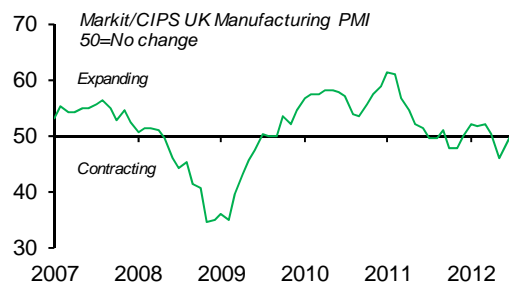


	Index Value (2009=100)	% change over month	% change over 12 months
2010	103.8	...	3.8
2011	106.0	...	2.1
2012 Mar	104.9	+0.9	-1.5
Apr	104.0	-0.9	-1.6
May	105.3	+1.2	-1.8
Jun	102.2	-2.9	-4.3

Source: ONS, series K22A

- Manufacturing output fell by 2.9% in June 2012 compared with May 2012. Manufacturing output fell by 4.3% in June 2012 compared to June 2011.
- Total industrial production (including mining and utilities) fell by 2.5% compared with May 2012. Total production was 4.3% lower in June 2012 than in June 2011.
- Postponing the May bank holiday and the extra Jubilee holiday may have affected month-on-month growth.

Manufacturing Purchasing Managers' Index

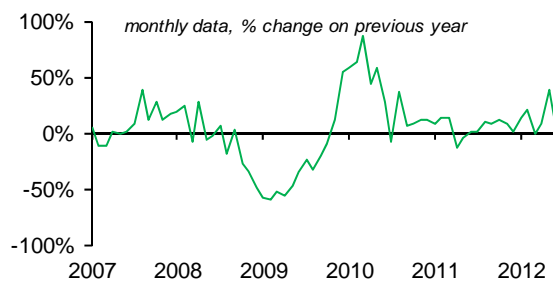


	Index	Monthly change
2010 Jul	56.9	...
2011 Jul	49.4	...
2012 Apr	50.2	-1.7
2012 May	45.9	-4.3
Jun	48.2	+2.3
Jul	50.9	+2.7

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

- The Markit/CIPS UK Manufacturing PMI rose to 50.9 in July 2012 from 48.2 in June (where 50.0 is no change). Over Q2 2012 as a whole, the average PMI reading is at its weakest since Q2 2009.
- Markit/CIPS said that despite the sustained rebound from May's two and half year low, the July data indicate the continuation of a general weakness in underlying demand.

Vehicle Production



	Number '000s	% change over 12 months
2010	1,393	+27.8
2011	1,465	+5.1
2011 Jun	130	+1.5
2012 Apr	103	+8.8
May	151	+37.5
Jun	128	-2.2

Source: SMMT, not seasonally adjusted

- UK vehicle production was 128,000 in June 2012, 2.2% lower than June 2011. Vehicle manufacturing rose 12.1% in the first half of the year. However, the SMMT warned that weakness in European demand might cause make the next few months "a little bumpy".
- 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](#), 7 Sept
Markit/CIPS [UK Manufacturing PMI](#), 3 Sept
SMMT, [Vehicle Production](#), mid August

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.

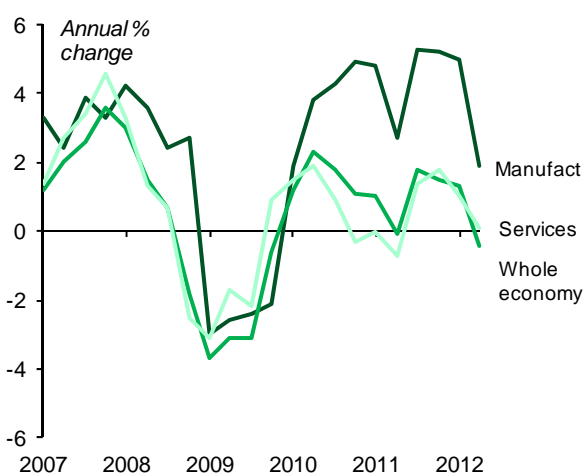
UK productivity by sector

- 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

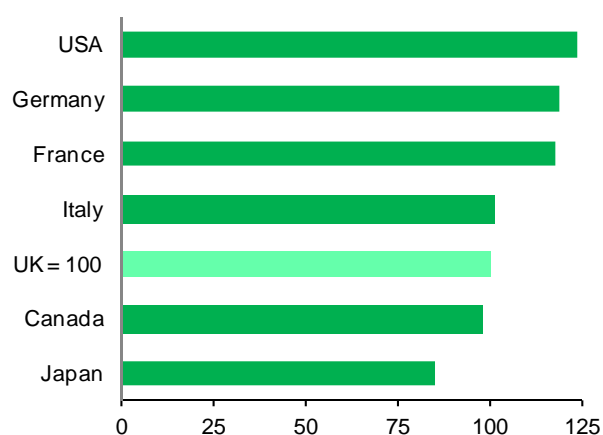
Source: ONS series LZVD, DJK8, DJQ3



- 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

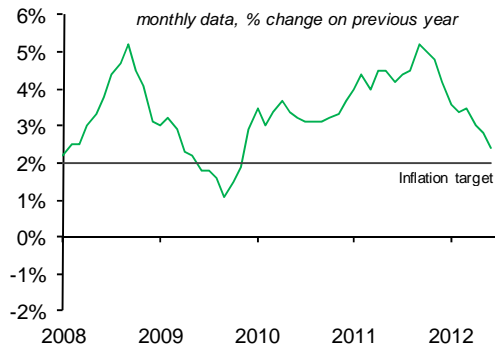
Update: ONS, [Labour Productivity](#), 28 Sep
 ONS, [International Comparisons](#), 1 Sep

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.4% in June, down from 2.8% in May and above the Bank of England's 2% target for the thirty-first successive month.

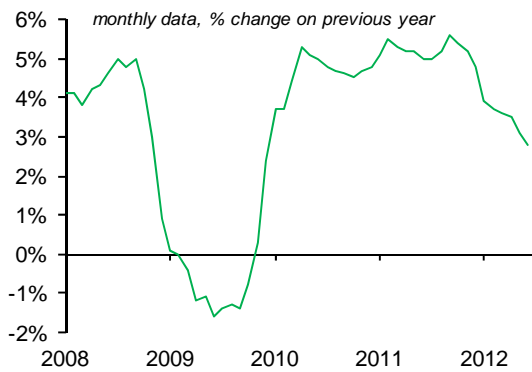
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.4% in June, down from 2.8% in May. This continues the downward trend in CPI inflation (following the first rise in inflation in March since August 2011).
- The main downward pressure to this change came from clothing (with reports of summer sales starting earlier this year) and transport, particularly fuels & lubricants.
- The RPI (all items) measure of annual inflation was 2.8% in June, down (for the tenth consecutive month) from 3.1% in May.

Retail Prices Index (RPI)

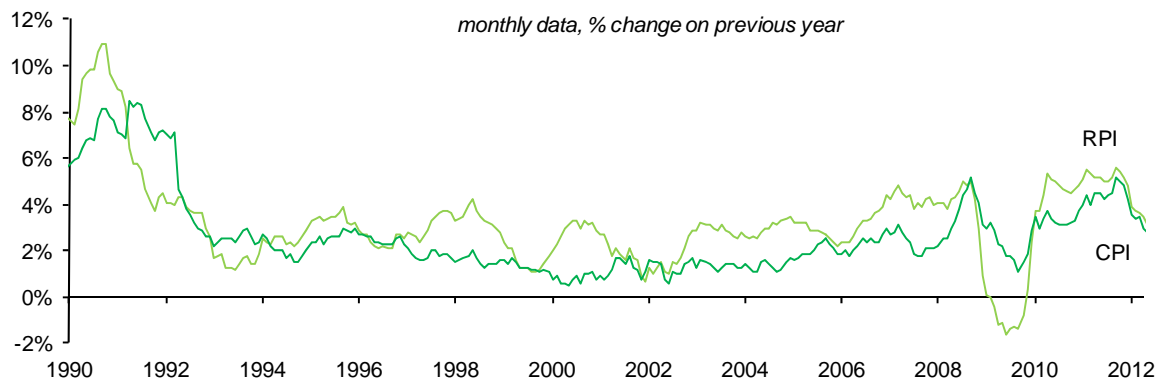


Price Indices

		% change on a year ago	
		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
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
	Jun	2.4	2.8

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1990



Contact: Grahame Allen, x3977

Update: ONS, [Consumer Price Indices](#), 18 Aug

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.

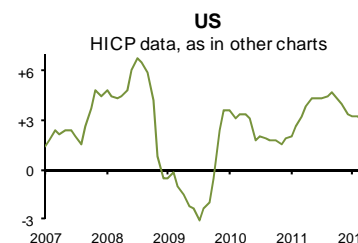
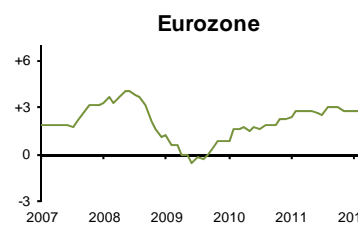
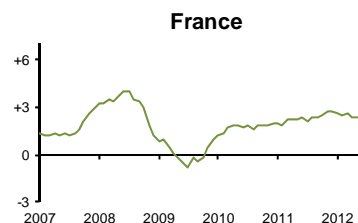
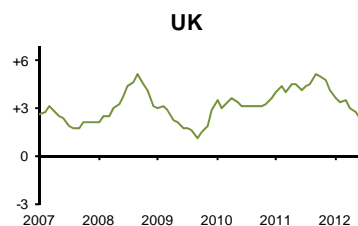
- In the year to June, UK inflation was 2.4%, down from 2.8% in May and the lowest level for 31 months. The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in the year to July 2012 was 2.4%, unchanged from June and May. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Sweden had the lowest annual inflation rates in the EU in June, at 0.9%. The highest rate was in Hungary, at 5.6%.
- HICP annual inflation in the US in the year to May was 1.5%, down sharply from 2.3% in April. Using its national definition, US inflation in the year to June was 1.7%, unchanged from the May figure.

Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Mar-12	Apr-12	May-12	Jun-12
HICP (ONS/Eurostat)							
UK	2.2	3.3	4.5	3.5	3.0	2.8	2.4
Eurozone	0.3	1.6	2.7	2.7	2.6	2.4	2.4
EU	1.0	2.1	3.1	2.9	2.7	2.5	2.6
France	0.1	1.7	2.3	2.6	2.4	2.3	2.3
Germany	0.2	1.2	2.5	2.3	2.2	2.2	2.0
Greece	1.3	4.7	3.1	1.4	1.5	0.9	1.0
Italy	0.8	1.6	2.9	3.8	3.7	3.5	3.6
Spain	-0.2	2.0	3.1	1.8	2.0	1.9	1.8
US	1.0	2.1	3.1	:	2.3	1.5	:
National definitions (OECD)							
Canada	0.3	1.8	2.9	1.9	2.0	1.2	1.5
Japan	-1.3	-0.7	-0.3	0.5	0.5	0.2	-0.2
US	-0.4	1.6	3.2	2.7	2.3	1.7	1.7
G7	-0.1	1.4	2.6	2.4	2.1	1.7	1.6
OECD	0.5	1.9	2.9	2.7	2.5	2.1	2.0
Brazil	4.9	5.0	6.6	5.2	5.1	5.0	4.9
China	-0.7	3.3	5.4	3.6	3.4	3.0	2.2
India	10.9	12.0	8.9	8.6	10.2	10.2	10.1
Russia	11.7	6.9	8.4	3.7	3.6	3.6	4.3

Source: ONS, Eurostat & stat.OECD database



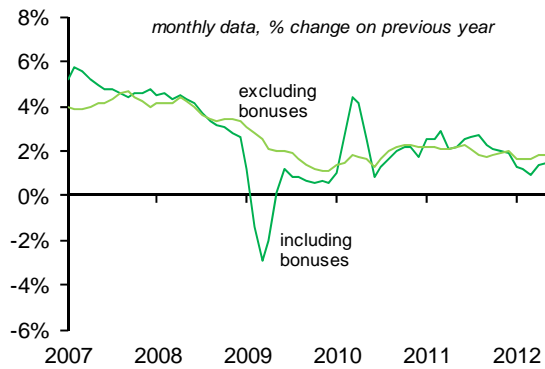
Contact: Gavin Thompson, x2042

Updates: ONS [Consumer Prices bulletin](#) (UK), 18 Aug 2012
Eurostat, [HICP full release](#), 16 Aug 2012
Eurostat, [Flash estimate](#) (Aug), 31 Aug 2012

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.5% in May compared with a year ago, up from 1.4% in April. Average weekly earnings excluding bonuses rose by 1.8% in the three months to May compared with a year ago, the same as in April. Inflation as measured by the CPI was 2.8% in May 2012 (the latest CPI figure is 2.4% for June).

Average Earnings, Whole Economy



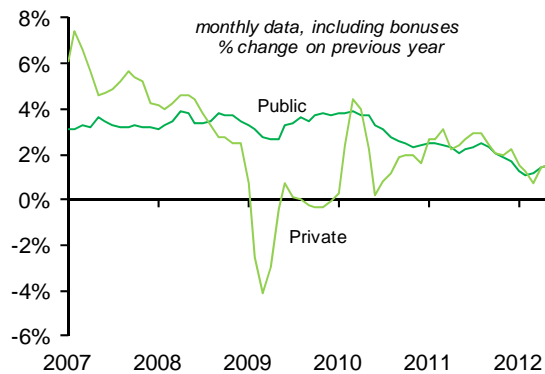
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 May	-0.4	2.7	0.9	0.3	0.1
2010 May	2.2	3.7	5.8	2.3	2.5
2011 May	2.4	2.1	0.8	2.7	2.2
2011 Dec	2.2	1.7	1.5	2.2	1.9
2012 Jan	1.5	1.3	1.4	1.5	1.3
Feb	1.3	1.1	1.4	1.3	1.2
Mar	0.7	1.2	0.8	0.9	0.9
Apr	1.4	1.4	1.3	1.4	1.4
May	1.5	1.5	1.5	1.6	1.5

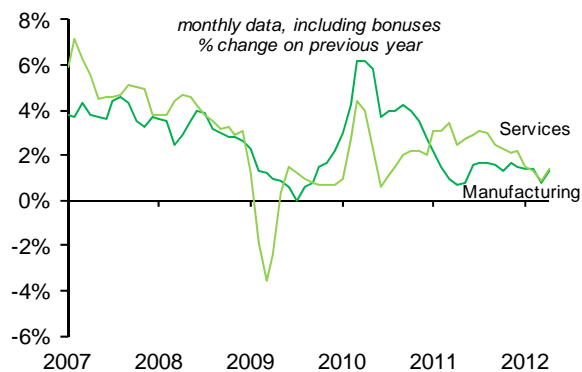
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.5% in May, the same as in the public sector. Excluding financial services, public sector earnings rose by 0.9%.
- Average weekly earnings (including bonuses) in May in the public sector were £480 compared with £466 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

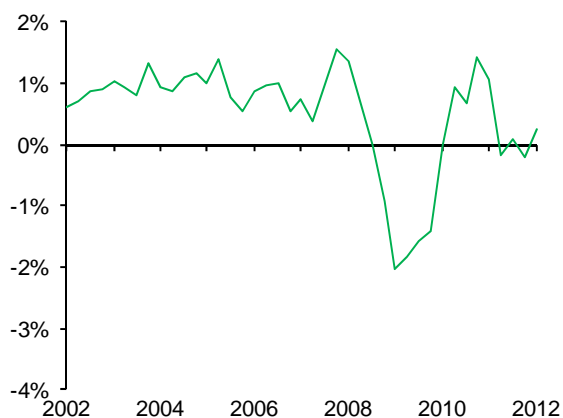


- Average total pay growth (including bonuses) in the manufacturing sector was 1.5% in May, compared with 1.6% in the services sector.
- Average weekly earnings (including bonuses) in May in the manufacturing sector were £543 compared with £455 in the services sector.
- In 2011, headline (including bonuses) earnings in the services sector averaged a rise of 2.7% compared with a 1.4% increase in the manufacturing sector.

C1: Employment

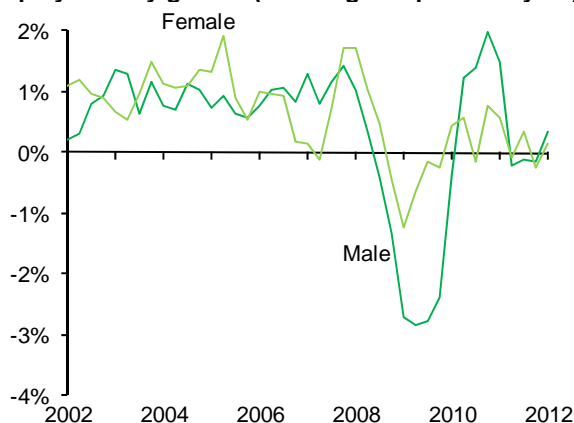
Employment rose by 181,000 over the quarter to May 2012, to 29.35 million. This was the biggest quarterly rise in employment since the three months to July 2010. Employment is now 0.7% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment (% change on previous year)



- Over the past year, employment rose among all age groups featured in the table below, except for 16-24 year olds, among whom it fell by 107,000.
- The number of self-employed people rose by 32,000 over the quarter, to 4.17 million. The number of employees rose by 96,000 over the same period, to 24.95 million.
- The number of people employed part-time rose by 48,000 over the quarter, to 7.99 million.
- The number of people employed full-time rose by 133,000 to 21.37 million.

Employment by gender (% change on previous year)



- The number of men in employment increased by 130,000 over the last quarter to 15.77 million.
- The number of women in employment increased by 51,000 over the last quarter to 13.58 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

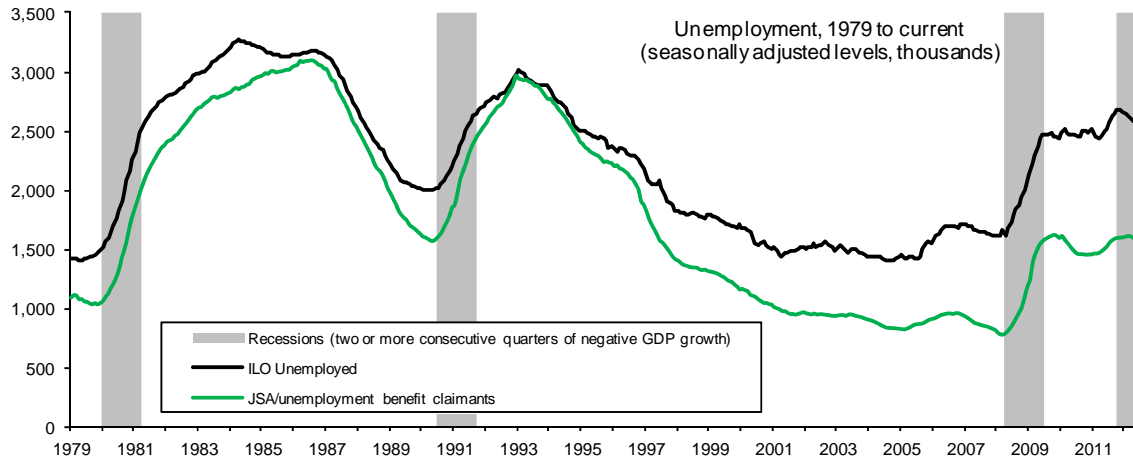
	Total	16-24	25-49	50-64	65+
Mar-May 2010	28,969	3,793	17,099	7,278	800
Mar-May 2011	29,279	3,749	17,247	7,388	895
Jun-Aug 2011	29,101	3,670	17,227	7,383	822
Sep-Nov 2011	29,119	3,642	17,186	7,406	885
Dec-Feb 2012	29,172	3,628	17,251	7,416	877
Mar-May 2012	29,354	3,642	17,325	7,457	929
% change on previous 3 months	+0.6	+0.4	+0.4	+0.6	+6.0
% change on previous year	+0.3	-2.8	+0.4	+0.9	+3.8

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 March to May 2012 was 2,584,000 (8.1% of all economically active) – down 65,000 from the previous quarter. (UK, seasonally adjusted.)**



[Source: ONS, *Labour Market Statistics*]

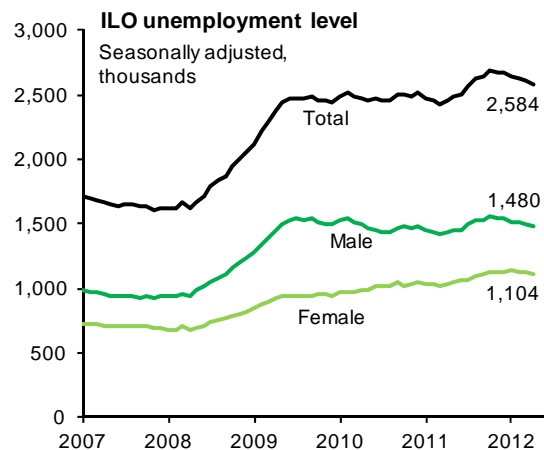
ILO unemployment (March to May 2012)

There were 885,000 people unemployed for more than 12 months, up 3,000 from the previous quarter.

The unemployment level among 16- to 24-year-olds was 1,024,000, down 10,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 6,100 between May and June 2012 to 1,604,200.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Mar-May 2007	1,663	5.4	718	14.7	699	3.9	232	3.2	15	2.4
Mar-May 2008	1,614	5.2	685	13.9	701	3.9	212	2.9	15	2.1
Mar-May 2009	2,377	7.6	931	19.3	1,089	6.0	339	4.5	18	2.4
Mar-May 2010	2,475	7.9	935	19.8	1,158	6.3	361	4.7	21	2.6
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
Dec-Feb 2012	2,650	8.3	1,033	22.2	1,186	6.4	406	5.2	25	2.7
Mar-May 2012	2,584	8.1	1,024	21.9	1,153	6.2	384	4.9	23	2.5
% change on quarter	-2.5		-0.9		-2.7		-5.4		-5.2	
% change on year	+5.4		+11.6		+0.8		+3.1		+30.9	

Source: ONS, *Labour Market Statistics*.

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

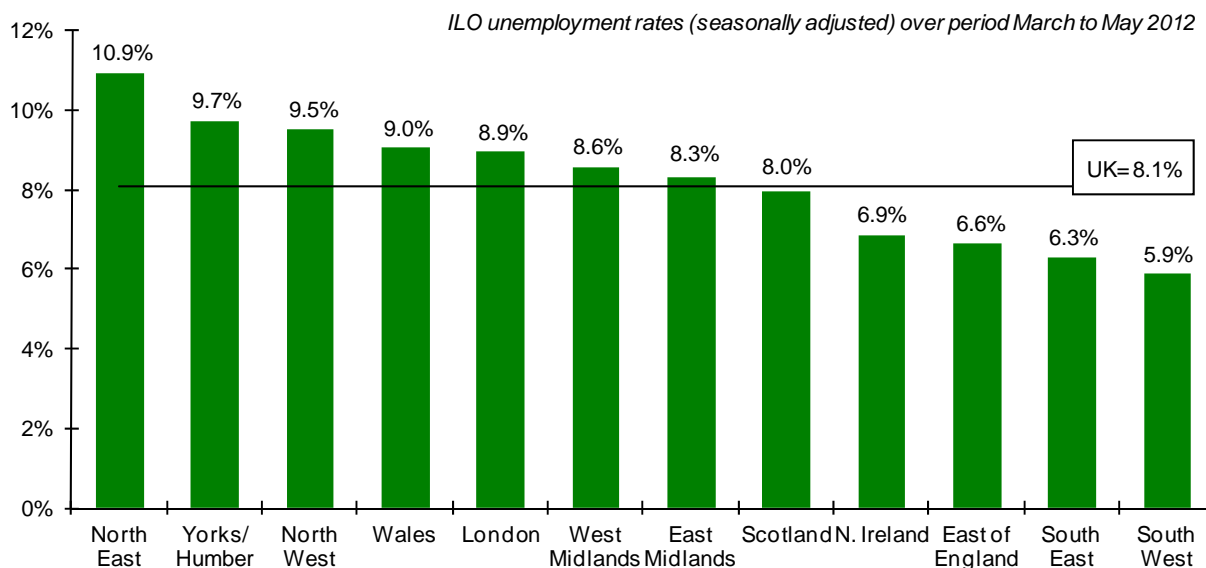
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 15 Aug 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 March to May 2012, the North East had the highest unemployment rate, at 10.9% of the economically active population. The lowest rate over the same period was 5.9% in the South West.



- The largest increase in unemployment over the last quarter was in Yorkshire and the Humber (+13,000). The largest decrease was in London (-50,000).
- The seasonally-adjusted JSA claimant count increased in nine regions and countries, and decreased in three in June, compared with May 2012.

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

	ILO unemployment				JSA claimant count	
	Mar - May 2012		Change in level		June 2012	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	140	10.9	-4	+17	94.2	+0.6
North West	331	9.5	+6	+38	202.6	+1.0
Yorkshire & Humber	262	9.7	+13	+34	166.7	+1.0
East Midlands	193	8.3	+3	+9	110.3	-0.1
West Midlands	228	8.6	-11	+2	166.7	+1.0
East of England	203	6.6	+1	+4	116.2	-0.4
London	381	8.9	-50	-16	227.6	-0.2
South East	281	6.3	-0	+29	142.1	+1.2
South West	158	5.9	-21	-12	90.7	+0.1
Wales	133	9.0	+2	+17	80.1	+0.2
Scotland	215	8.0	-4	+10	144.1	+1.3
Northern Ireland	59	6.9	+1	-2	62.9	+0.4

Source: ONS, *Labour Market Statistics*

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

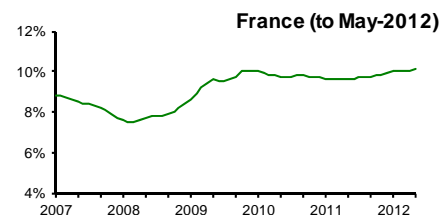
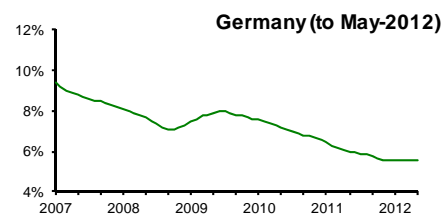
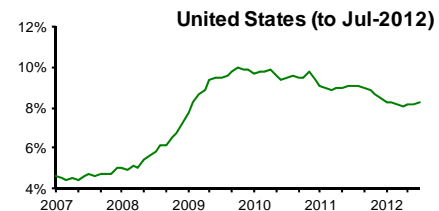
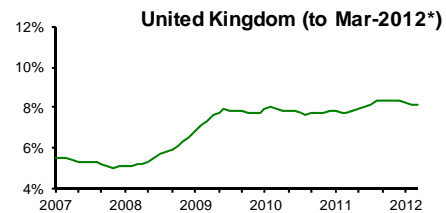
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 15 August 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 in Q1 2012 was 8.1%, down from 8.3% in Q4 2011. This is below the rate of France (10.0%) and Italy (9.8%), but above that of Germany (5.6%).
- In the US, unemployment fell from 8.3% to 8.2% between Q1 2012 and Q2 2012, continuing its decline. Compared with a year ago unemployment is 0.8%-points lower.
- 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 Feb-Apr 2012

Unemployment

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

	2009	2010	2011	2010		2011				2012	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Canada	8.3	8.0	7.4	8.0	7.7	7.7	7.5	7.3	7.5	7.4	7.3
France	9.5	9.8	9.7	9.8	9.7	9.6	9.6	9.7	9.8	10.0	..
Germany	7.8	7.1	5.9	6.9	6.7	6.3	6.0	5.9	5.6	5.6	..
Italy	7.8	8.4	8.5	8.3	8.3	7.9	8.2	8.5	9.1	9.8	..
Japan	5.1	5.1	4.6	5.0	5.0	4.8	4.6	4.4	4.5	4.5	..
UK	7.6	7.8	8.0	7.7	7.7	7.7	7.9	8.2	8.3	8.1	..
US	9.3	9.6	9.0	9.5	9.6	9.0	9.0	9.1	8.7	8.3	8.2
Euro zone	9.6	10.1	10.2	10.1	10.1	9.9	10.0	10.2	10.6	10.9	..
G7	8.1	8.2	7.7	8.1	8.1	7.7	7.7	7.7	7.6	7.5	..
OECD	8.4	8.6	8.2	8.3	8.2	8.0	8.0	8.0	8.0	7.9	..

Source: OECD, Harmonised Unemployment Rates

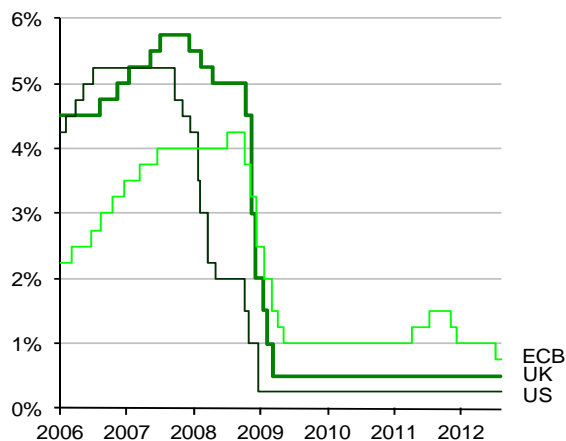
Contact: Gavin Thompson, x2042 Updates: OECD, [Harmonised Unemployment Rates](#), 9 Aug

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 continuing weak economic data, QE was increased in October 2011, February 2012 and July 2012 to a total of £375 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

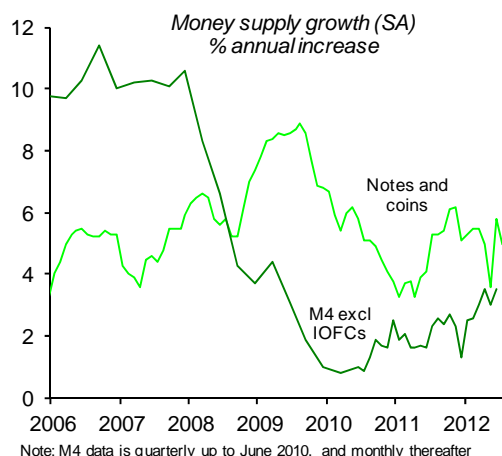
Source: Bank of England

- From November 2011, the European Central Bank's official interest rate was lowered in three steps from 1.50% to 0.75%. The current rate of 0.75% is a record low for the ECB rate.
- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008.

Asset purchase programme (quantitative easing)

- On 5 March 2009, the Bank of England announced that it would undertake quantitative easing. From an initial £75 billion, QE was increased to £200 billion by November 2009. QE was increased by £75 billion in October 2011 and by £50 billion in February 2012. In July 2012, the Bank announced that "it was more likely than not that inflation would undershoot the [2%] target in the medium term" and so QE was increased again, by £50 billion, to a total of £375 billion.
- The majority (over 99%) of assets purchased by the Bank of England through QE have been 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 3.5% in June, up from 3.0% in May.
- The value of notes and coins in circulation outside the Bank of England rose by 5.0% in July 2012 compared with a year ago, down from 5.8% in June 2012.

Contact: Chris Rhodes, x2454

Updates: [Monetary policy meeting](#): 6 Sep (UK), Bank of England, [Monetary and Financial Statistics](#), 5 Sep

D2: Public Finances

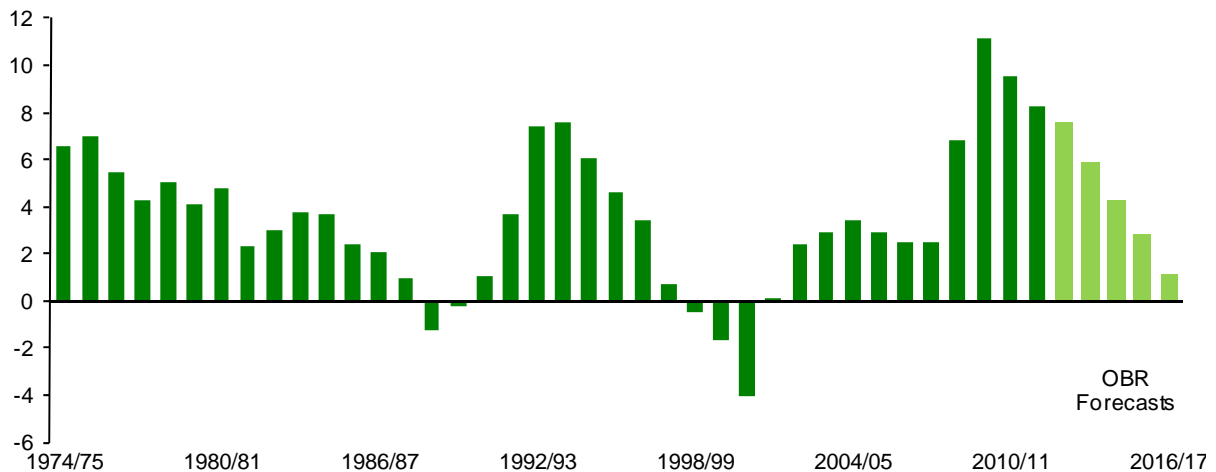
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £120 billion in 2012/13, equivalent to 7.6% of GDP.

- Public sector net borrowing was £14.4 billion in June, up from £13.9 billion in the same month last year.
- Public sector net debt was 66.1% of GDP in May. The OBR forecast public sector net debt to peak at 76.3% of GDP in 2014/15.
- Excluding the effects of the £28 billion Royal Mail pension transfer, borrowing for 2012 Q2 was £42.9 billion. Borrowing for the same period in 2011 was £38.4 billion.

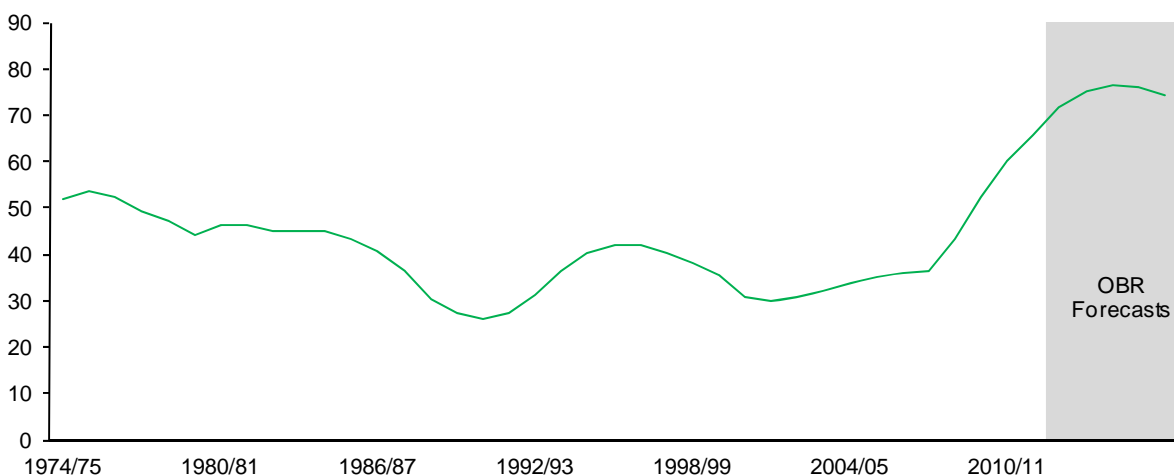
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	158	11.2	760	52.4
2010/11	141	9.5	905	60.2
2011/12	126	8.2	1,023	65.8
2012/13	120	7.6	1,159	71.9
2013/14	98	5.9	1,272	75.0
2014/15	75	4.3	1,365	76.3
2015/16	52	2.8	1,437	76.0
2016/17	21	1.1	1,479	74.3

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](#), 21 Aug 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 2009 for the first time since February 2011, but has returned to above \$100 again.

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

Data from 6 Aug 2012

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
06 Aug 2012	5,766.6	109.6	1,605.0
%change over:			
1-month	+2%	+12%	+0.0%
12-months	+10%	+0.2%	-3%
%change from:			
cyclical peak	-14%	-25%	-15%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+64%	+201%	+126%
date	03 Mar '09	24 Dec '08	24 Oct '08

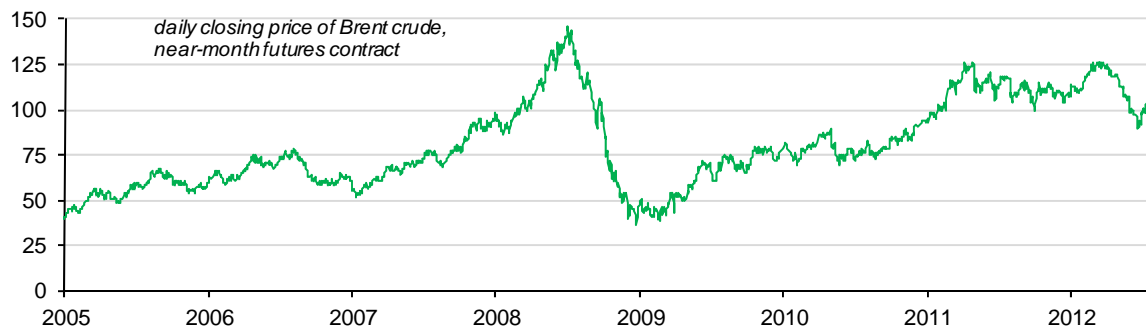
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Oil price (\$ per barrel)



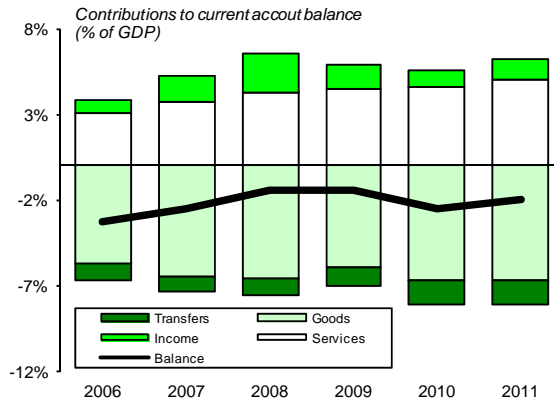
Gold price (\$ per ounce)



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 £37.3 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 £25.0 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.

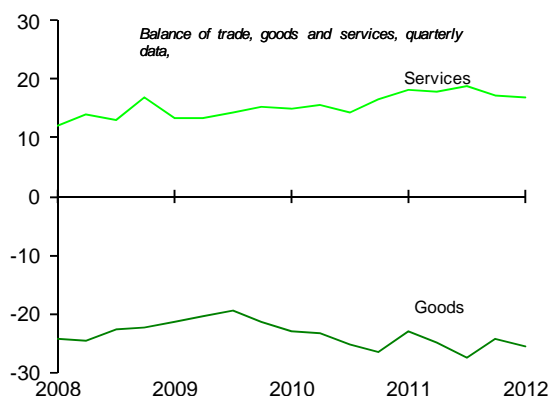
Current Account Balances

£ 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 May was £8.4bn, narrower than the April figure of £9.7bn.
- The monthly trade surplus on services was an estimated £5.65bn in May, up slightly from the April surplus of £5.62bn.
- The overall monthly deficit on goods and services combined in May was £2.7bn, narrowing from £4.1bn in April.
- The goods deficit with the EU27 was £4.5bn in May, down from £4.6bn in April, while the deficit with non-EU countries was £3.9bn, down from £5.1bn in April.

Contact: Grahame Allen, x3977

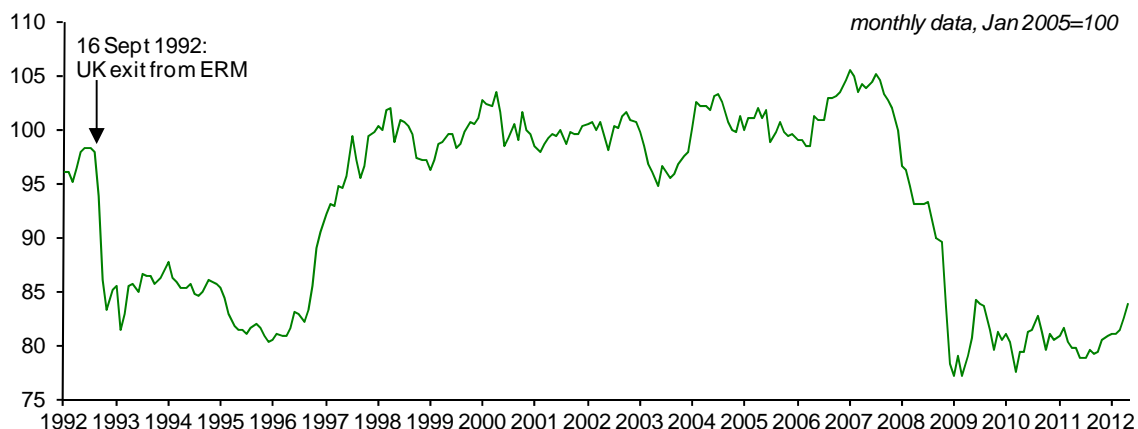
Updates: ONS, [UK Trade](#), 8 Aug;
ONS, [UK Balance of Payments](#), 27 Sep

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).

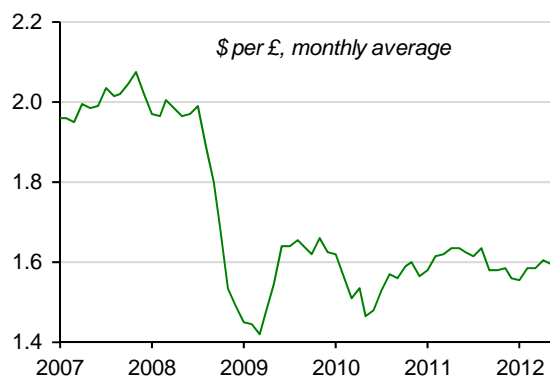
The SERI rose by 1.1% in July, having fallen by 0.8% in June. Compared with the same period last year, the SERI was 6.6% higher. It is now 9.0% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is still 20.4% down from its pre-recession July 2007 peak.

Sterling Exchange Rate Index (SERI)



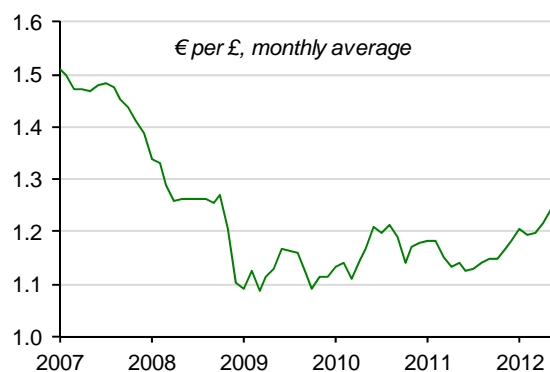
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in July, the pound was unchanged against the dollar compared with June. At the 1 August market close the pound stood at \$1.55, 1 cent below the July average.
- Sterling was on average 3 cents higher against the Euro in July compared with June.
- At the 1 August market close the pound stood at €1.26 1 cent below the July 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 Jul	1.61	5.5%	1.13	-5.4%
2012 May	1.59	-2.5%	1.24	9.1%
Jun	1.56	-4.0%	1.24	10.3%
Jul	1.56	-3.4%	1.27	12.2%

Source: Bank of England, Bankstats database

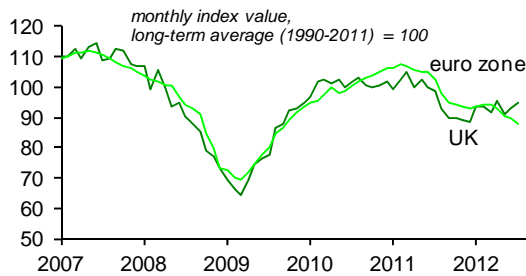
Contact: Aliyah Dar, x5919

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 5 Sep

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

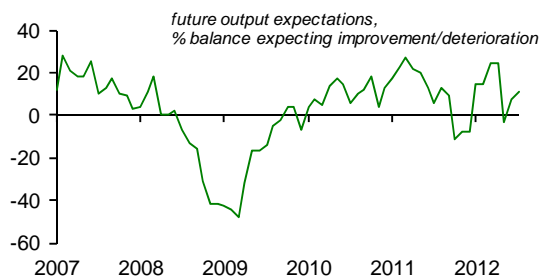


		UK Index	monthly change	change on year ago
2010	Jul	101.9	...	...
2011	Jul	98.8	...	...
2012	May	91.0	-4.7	-11.5
2012	Jun	92.9	+1.9	-7.3
2012	Jul	94.6	+1.7	-4.2

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 June and July 2012 the overall UK sentiment index increased by 1.7 points to 94.6. In contrast, the euro zone index decreased by 2.0 points to 87.9, its lowest level in nearly three years.

CBI Industrial Trends Survey



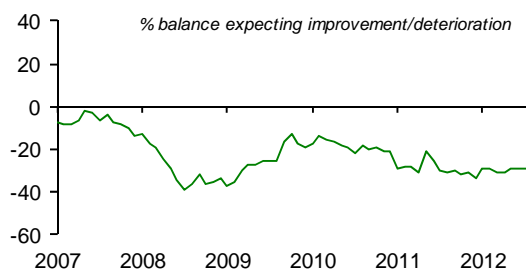
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2010	Jul	+6	...	...
2011	Jul	+6	...	...
2012	May	-3	-27	-23
2012	Jun	+7	+10	-6
2012	Jul	+11	+4	+5

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In July 2012, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +11% of firms. This is up from 7% of firms in June – an increase of 4 points.

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	Jul	-22	...	...
2011	Jul	-30	...	...
2012	May	-29	+2	-8
2012	Jun	-29	0	-4
2012	Jul	-29	0	+1

Source: GfK NOP for EC, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- At -29, overall consumer confidence in July 2012 was the same as in the previous two months. It has been at much the same level for most of the last year.

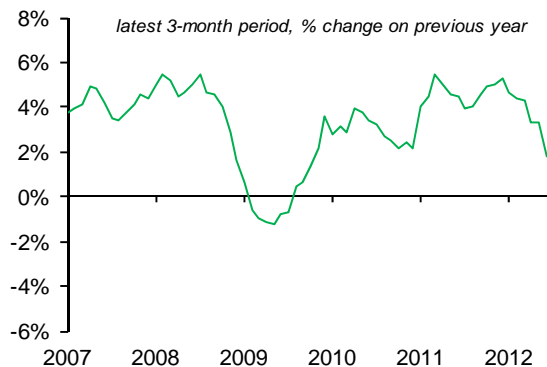
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 21 Aug
EC, [Economic Sentiment Indicator](#), 30 Aug
GfK NOP, [Consumer Confidence](#), 31 Aug

F2: Retail Sales

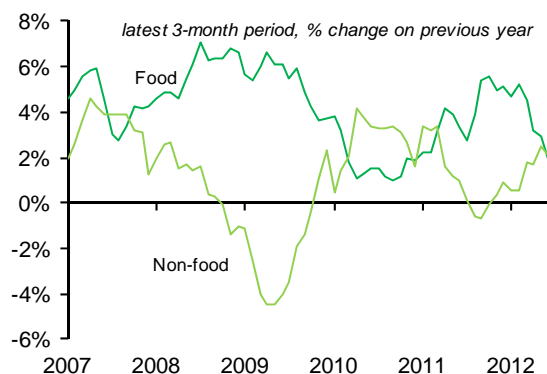
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to June 2012 was 1.8%, a decrease on May's 3.3%.
- The value of retail sales in June 2012 alone showed a decrease of 0.5% compared with May 2012.
- The value of retail sales in June 2012 alone was 1.9% higher than in June 2011.
- Internet sales are now estimated to account for 8.5% 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 June rose by 1.8% 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 increased by 1.7%.
- ONS commented that the weather and the bank holiday changes for the Diamond Jubilee may have had an impact on sales over the last month.

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	0.4	1.1	5.0
2012 Feb	5.2	4.6	-1.3	-2.5	0.6	4.4
Mar	4.5	3.7	-0.1	0.6	1.8	4.3
Apr	3.2	1.3	0.7	0.3	1.7	3.3
May	2.9	1.1	1.8	1.0	2.5	3.3
Jun	1.8	-0.5	1.7	1.0	2.1	1.8

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

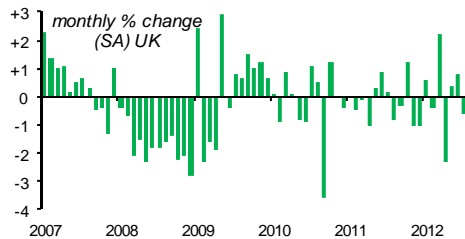
F3: Housing Market

House prices on the Nationwide index fell by 0.7% in July 2012 after falling by 0.6% in June. Prices were 2.6% lower in July compared with a year ago on this measure. House prices on the Halifax index fell by 0.6% in July 2012 following a 0.5% decline in June. Prices are now 1.3% lower than a year ago on this measure.

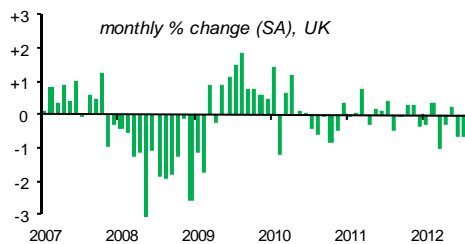
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

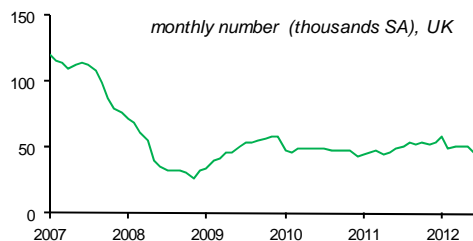


Latest monthly data UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jul-12	Jul-12
Change in month	-0.6%	-0.7%
Change in year	-1.3%	-2.6%
Peak date	Aug-07	Oct-07
Change since peak	-19.3%	-13.1%
Trough date	Apr-09	Feb-09
Change since trough	+4.2%	+7.7%

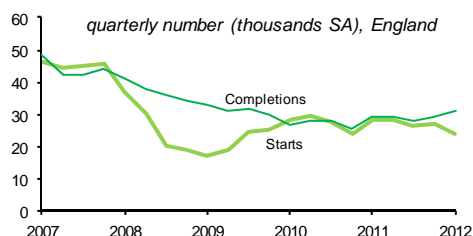
- The recovery in house prices since early 2009 has been tepid. In mid-2012 the average house price on the Halifax and Nationwide measures was just over £160,000.
- There is considerable regional variation. In Q2 2012 prices rose by 1.2% in London but fell by 10.6% in Northern Ireland compared with a 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 44,192 mortgage approvals in June a 13% fall on May. The number of approvals has remained generally flat since early 2010.

House-building



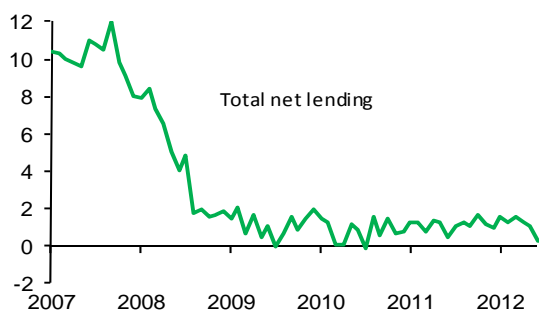
- There were 24,140 house building starts in England in Q1 2012, down 11% from 27,240 in Q4 2011. This is above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions rose to 31,010 in Q1 2012, up from 29,360 in Q4 2011.

Contact: Aliyah Dar, x5919

Updates: Halifax [House Price Index](#), early Sep;
Nationwide [House Price Index](#), early Sep
Bank of England, [Lending to Individuals](#), 30 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 £0.3 billion in June 2012. This compares with May's figure of £1.1 billion.
- Monthly net unsecured lending grew by £0.6 billion in June, compared with £0.8 billion in May.
- Monthly net secured lending (mortgages) fell by £0.4 billion in June, compared with an increase of £0.3 billion in May.

Net outstanding lending to individuals

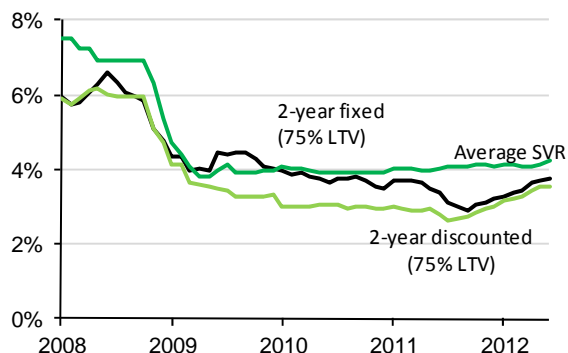
£ billion; seasonally adjusted

	Secured	Unsecured	Total
2008 Jun	1,213	231	1,444
2009 Jun	1,228	219	1,447
2010 Jun	1,239	217	1,456
2011 Jun	1,241	209	1,450
2011 Dec	1,245	206	1,452
2012 Mar	1,250	207	1,458
2012 Jun	1,252	207	1,458

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

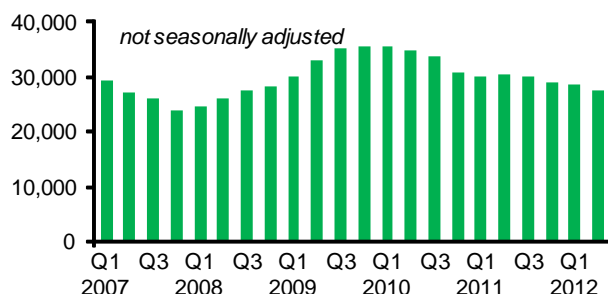
- Total net outstanding lending to individuals was £1,458 billion at the end of June, 0.6% higher than a year earlier.
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £207 billion at the end of June.

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 June was 4.22%, compared with 4.03% a year previously.
- The average fixed and discounted rates offered (75% LTV) in June were 3.74% and 3.53% respectively, compared with 3.36% and 2.77% a year ago.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 27,390 individual insolvencies in England and Wales in Q2 2012, a 10.2% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q2 2012 there were 5,601 individual insolvencies, an increase of 5.3% on Q2 2011.
- In N Ireland in Q2 2012 there were 796 individual insolvencies, a rise of 5.9% on Q2 2011.

Contact: Dominic Webb, x4324

Update: Bank of England, [Lending to Individuals](#), 30 Aug
Insolvency Service, [Insolvency Statistics](#), 2 Nov

5 Indicator sources

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

Indicator		Source details
A1	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.