



# Economic Indicators, November 2012

RESEARCH PAPER 12/67 06 November 2012

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

- The preliminary estimate of GDP shows that the economy grew 1.0% in Q3 2012, the largest quarterly rise since Q3 2007.
- Employment rose to 29.56 million, the highest level since comparable records began in 1971 (although the employment rate was higher in 2009). The unemployment rate fell to 7.9%, the first time in over a year that the unemployment rate has been below 8.0%.
- CPI inflation fell to 2.2% in September, down from 2.5% in August. September's CPI figure is the lowest since November 2009.

This month's article(s):

- **Will the Government break its debt rule?**
- **Public and private sector employment**

Chris Rhodes (editor)

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## Research Paper 12/67

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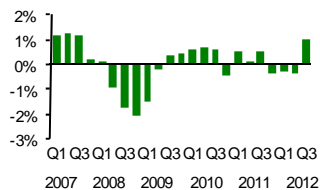
## Summary

The past month has seen several pieces of positive economic news. The preliminary estimate of GDP shows that the economy grew 1.0% in Q3 2012, the largest quarterly rise since Q3 2007. Employment rose to 29.56 million, the highest level since comparable records began in 1971 (although the employment rate was higher in 2009). The unemployment rate fell to 7.9%, the first time in over a year that the unemployment rate has been below 8.0%. CPI inflation fell to 2.2% in September, the lowest level since November 2009. However, confidence in the economy remains low, with the GfK/NOP survey showing consumer confidence at -30 in October, roughly the same level it has been for the last year.

### GDP growth

[page 1](#)

(% change quarter-on-quarter)



The economy grew by an estimated 1.0% in Q3 2012 (the largest quarterly rise since Q3 2007), following a contraction of 0.4% in Q2 2012. GDP remains 3.1% below its pre-recession level in Q1 2008.

### Inflation (CPI)

[page 7](#)

(% change on year ago)

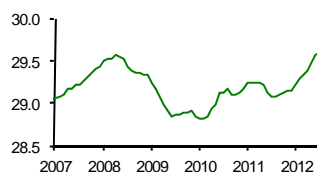


The CPI annual inflation rate was 2.2% in September, down from 2.5% in August. The Bank of England target is 2.0%.

### Employment

[page 10](#)

(total, millions)

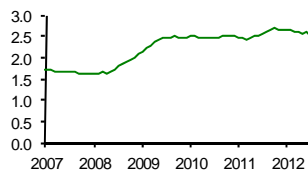


Employment rose by 212,000 over the quarter to August, to 29.59 million. This is the highest number of people in employment since comparable records began in 1971. The employment rate is 71.3%, the highest rate since the three months to April 2009.

### Unemployment

[page 11](#)

(total, millions, ILO definition)

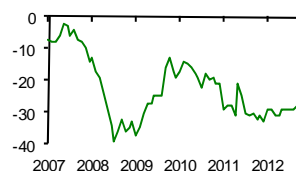


Compared with the previous quarter, ILO unemployment fell by 50,000 to 2.53 million in the three months to August. The unemployment rate fell to 7.9%.

### Consumer confidence

[page 19](#)

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



The GfK/NOP survey showed consumer confidence at -30 in October, down from -28 in September. Consumer confidence has been at roughly this level for the past year.



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## 1 Introduction to *Economic Indicators*

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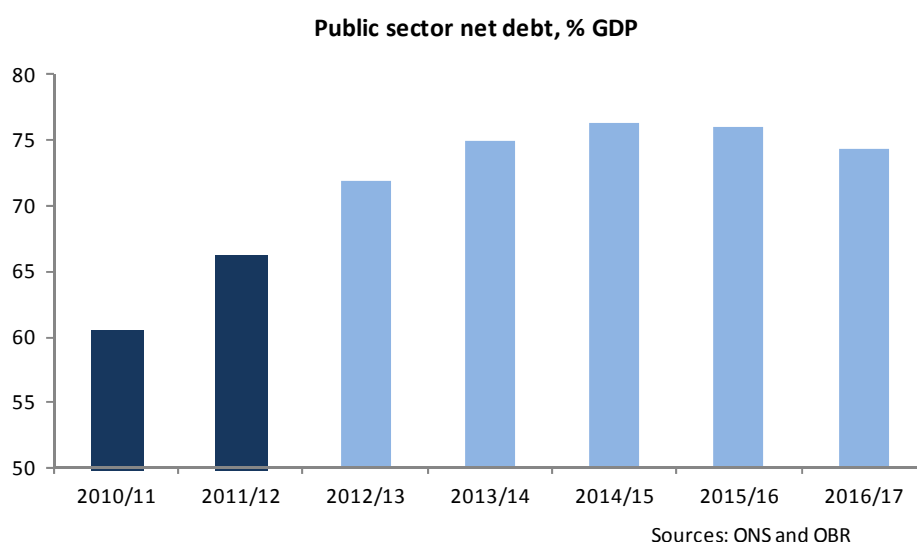
## 2 Will the Government break its debt rule?

It is widely expected that one of the Government's fiscal rules is in danger of being broken when the Office for Budget Responsibility (OBR) presents new forecasts in the Autumn Statement on 5 December, unless the Chancellor announces more austerity measures.

### Budget forecasts showed that the Government was on target to meet its fiscal rules ...

In its first Budget, the Government announced its fiscal mandate: "to achieve cyclically-adjusted current budget balance by the end of a rolling five year forecast period", currently 2016/17. In addition to the fiscal mandate, the Government has adopted a supplementary debt target which requires public sector net debt to be falling as a share of GDP in 2015/16.

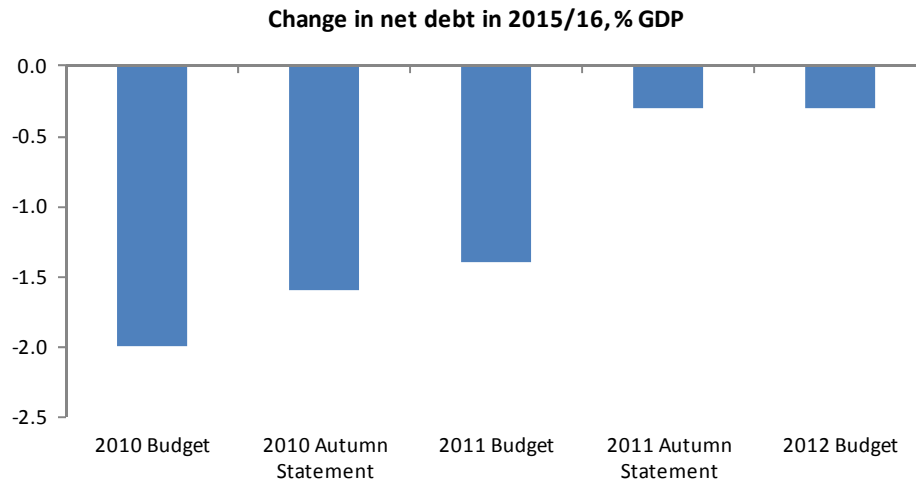
The independent OBR reports at each Budget and Autumn Statement on whether the Government has a better than 50:50 chance of meeting these targets for the public finances. So far, the OBR has concluded that the Government is on course to meet the targets. In the Budget, the OBR's central forecast was that debt would fall from 76.3% of GDP in 2014/15 to 76.0% in 2015/16 (see chart below). The debt rule would be met on the basis of this forecast but only by 0.3% of GDP. It would take only a small deterioration in the economic outlook for the rule to be breached.



### ...but the Autumn Statement may show the debt rule being broken ...

The margin by which the debt rule is met has become much smaller over time, as the chart below shows. In the Government's first Budget, debt started to fall in 2014/15 – a year earlier than required by the rule – and debt fell by 2% of GDP in 2015/16. The latest forecasts show that debt starts to fall in 2015/16 by only 0.3% of GDP.





Source: OBR

The narrow margin by which the rule is met, together with the weaker performance of the economy since the Budget, has led to speculation that the supplementary debt target may be breached. This is because borrowing over the next few years is likely to be higher than forecast at the Budget. The latest independent forecast is for borrowing of £79 billion in 2015/16, compared with the OBR's Budget forecast of £52 billion.

Stephanie Flanders, the BBC's economics editor, said in a recent [blog](#) "if the independent forecasters are right, the OBR is almost certain to tell him [the Chancellor] that he will not be able to meet his debt target ... without additional tax rises or spending cuts, before the election."<sup>3</sup> The National Institute of Economic and Social Research predicts that debt will not fall as a share of GDP until 2017/18.

### ... which would leave a choice between more austerity and changing the rule

If forecasts were to show the debt target being missed on the basis of current policies, the Chancellor would have a choice between announcing further austerity measures and scrapping/altering the rule. *The Economist* has suggested scrapping the target as further austerity would damage the economy.<sup>4</sup> The Governor of the Bank of England has said that it could be acceptable to miss the debt target, if there was a good reason, such as the slowdown in the world economy.<sup>5</sup> The Institute for Fiscal Studies has argued that the target should be dropped and that the Chancellor should consult on the design of a replacement.<sup>6</sup>

The current debate about the debt target illustrates one of the key problems in designing a credible fiscal framework. While rules can enhance the credibility of a government's fiscal plans, they need to be flexible enough to deal with unforeseen economic developments. It is not easy to find the right balance between the discipline imposed by a rule and the freedom to adjust policy in response to economic shocks.

Dominic Webb  
Economic Policy and Statistics Section

<sup>3</sup> Stephanie Flanders, "George Osborne chooses his words carefully", BBC website, 8 October 2012

<sup>4</sup> "Heading out of the storm" [leader], *The Economist*, 29 September 2012

<sup>5</sup> See for example, "King gives green light to breach debt rule", *Financial Times*, 20 September 2012 and "King's 'acceptable excuse' for missing debt target", Channel 4 website, 20 September 2012

<sup>6</sup> Carl Emmerson and Gemma Tetlow, "Biting the bullet on fiscal targets", *Public Finance*, 26 September 2012

### 3 Public and private sector employment

Approximately 23.9 million people are employed in the private sector in the UK, accounting for over 80% of total employment. The number of people employed in the private sector has been increasing since the start of 2010, having previously fallen sharply during the financial crisis. Public sector employment on the other hand stayed about the same during the crisis, but has steadily decreased since 2010 to stand at 5.7 million in June 2012.

Private sector employment is estimated as the difference between total employment as measured in the Labour Force Survey, and public sector employment based on returns from public sector organisations and as published by the Office for National Statistics. This estimate is likely to understate private sector employment by a small amount, as the public sector employment figures will include individuals whose main job is in the private sector but who have a second job in the public sector.

#### 3.1 National trends

##### *Growth in employment prior to the financial crisis*

Prior to 2008, the total number of people in employment had been increasing each year since 1993. The proportion of people aged 16-64 in employment rose to just over 73% at the start of 2005, compared to 71% in 1997. Private sector employment also increased year on year from 1993, but after the onset of the financial crisis it fell by almost one million over 2008 and 2009.



The number of public sector workers decreased steadily over the period 1979 to 1997, but started to increase from 1998. There was a small reduction in public sector employment between 2005 and 2008, over which time private sector employment continued to increase.



In contrast to the private sector, the number of public sector workers remained stable in 2008 and 2009. Additionally, after Royal Bank of Scotland and Lloyds Banking Group were taken into public ownership, public sector employment increased by over 229,000, as can be seen in the chart.

##### *Changes since 2010*

Public sector employment has been decreasing each quarter since the end of 2009. However, the total number of people in employment remained relatively steady after the second quarter of 2010 up to the end of 2011 as a result of growing private sector employment. The number of private sector workers increased more quickly in the first half of 2012, driving a rise in total employment.

There was a net increase in private sector employment of about 861,000 between June 2010 and June 2012 (taking into account the reclassification of around 200,000 employees of further education and sixth form college corporations in England from the public to private sector from March 2012). The total number of people in employment rose by 442,000 and the employment rate for 16-64 year olds increased from 70.7% to 71.2% over the period.

The percentage of total employment occurring in the private sector increased from 79.1% in June 2010 to 80.8% in June 2012.<sup>7</sup>

### Reclassifications between the public and private sector

Total public and private sector employment estimates are affected by changes to how organisations are classified between the sectors.

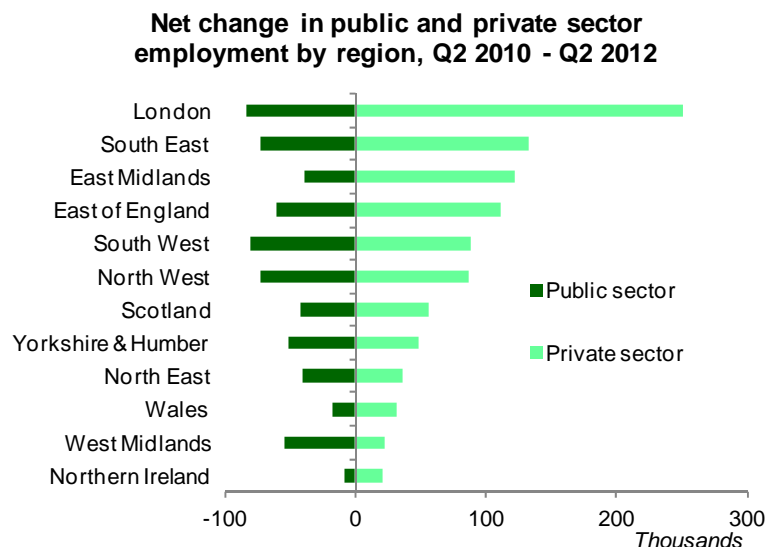
Royal Bank of Scotland and Lloyds Banking Group have been classified to the public sector since the fourth quarter of 2008, when they were taken into public ownership. As a result, public sector employment increased by around 229,000 from that quarter.

Further education and sixth form college corporations in England were classified to the public sector from 1993 to March 2012. Their reclassification to the private sector in the second quarter of 2012 means the public sector employment figures for the quarter are reduced by about 196,000, with a corresponding increase in estimated private sector employment.

### 3.2 Regional private sector employment

All regions and countries of the UK have seen a net decrease in public sector employment and a net increase in private sector employment since June 2010.<sup>8</sup>

In three regions (Yorkshire and the Humber, the West Midlands and the North East), the decrease in the number of public sector workers exceeds the rise in private sector employment. All other regions have seen total employment increase in net terms.<sup>9</sup>



The largest percentage increases in private sector employment since June 2010 were in the East Midlands (up 7.8%) and London (up 7.5%). Over a third (36%) of the increase in private sector employment is attributable to London and the South East regions. London and the South East also account for a quarter of the net decrease in public sector employment.

Feargal McGuinness, Economic Policy and Statistics

<sup>7</sup> Including FE and sixth form college corporations in England as part of the private sector in both 2010 and 2012.

<sup>8</sup> This does not account for the increase in private sector employment attributable to the reclassification of FE and sixth form colleges in England. Quarterly estimates of private sector employment by region have been published by ONS on an ad hoc basis.

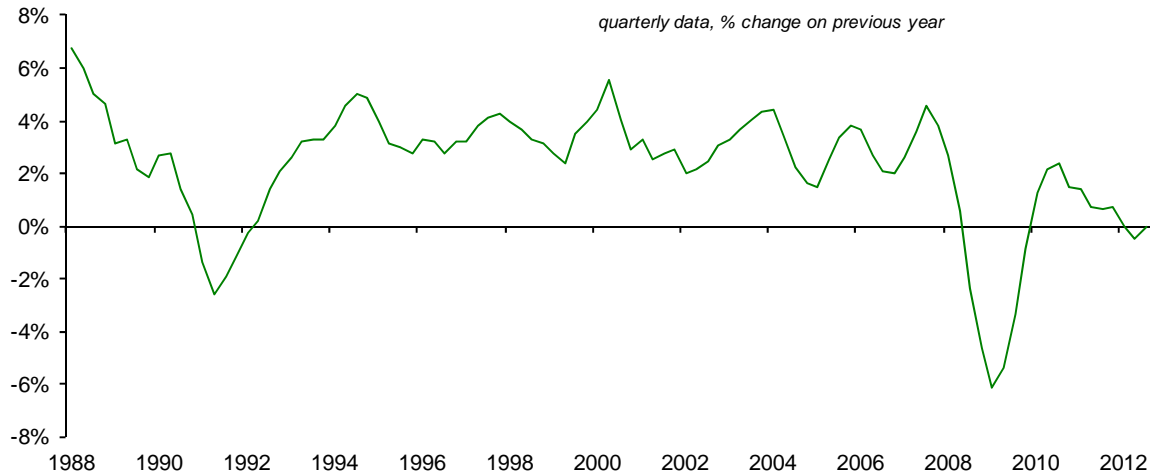
<sup>9</sup> Total regional employment as measured by the number of people whose place of work is in the region, rather than the number of people resident in the region who are employed. On a residence basis, total employment has increased in all regions between June 2010 and June 2012 with the exception of the North East.



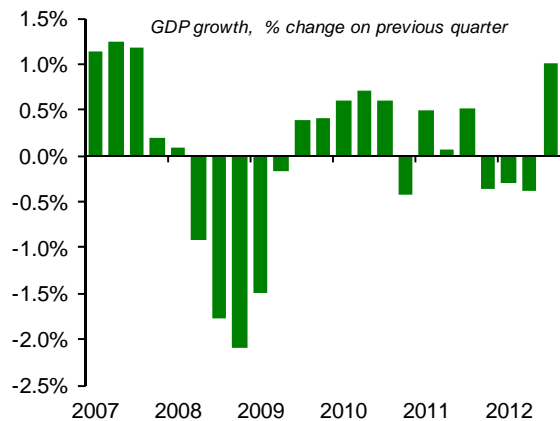
## A1: Gross Domestic Product

The economy grew by an estimated 1.0% in Q3 2012 (the largest quarterly rise since Q3 2007), following a contraction of 0.4% in Q2 2012. In October, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was -0.3% (unchanged from the September edition) and 1.1% 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 Q2	378.6	3.7	0.1	0.7
Q3	380.7	3.2	0.5	0.6
Q4	382.8	3.1	-0.4	0.7
2012 Q1	382.8	1.5	-0.3	-0.1
Q2	386.7	2.1	-0.4	-0.5
Q3	-	-	1.0	0.0

Source: ONS, series: YBHA, ABMI

- The UK economy has exited recession after contracting for three quarters in a row. In Q3 2012, real GDP was estimated to be unchanged on the Q3 2011 figure. GDP remains 3.1% below its pre-recession level (Q1 2008).
- In Q3 2012, output of the production industries increased by an estimated 1.1%, construction sector output decreased by 2.5%, manufacturing output increased by 1.0%, and output of the service industries increased by 1.3%, compared with Q2 2012, in chained volume measures.
- The ONS suggested that the extra working day in Q3, compared to Q2 (when there was an extra bank holiday for the Jubilee) and the Olympics and Paralympics events could explain part of the growth for Q3 2012.

**Contact:** Grahame Allen, x3977

**Updates:** ONS, [GDP: Second estimate - Q3 2012](#), 27 Nov  
HMT, [Comparison of Independent Forecasts](#), 21 Nov

## A2: GDP: International Comparisons

UK output contracted by 0.4% in Q2 2012, while US output expanded by 0.4% over the same period. In the eurozone as a whole, output contracted by 0.2% in Q2 2012, though Germany saw its output expand by 0.3%

### 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	2.1	0.3	1.0	0.5	0.3
Japan	-0.7	-0.6	2.8	3.3	1.7	0.1	1.3	0.2
UK	0.6	0.7	-0.1	-0.5	0.5	-0.4	-0.3	-0.4
Germany	2.7	1.9	1.2	1.0	0.4	-0.1	0.5	0.3
France	1.5	1.2	0.4	0.3	0.2	0.0	0.0	0.0
Eurozone	1.3	0.6	0.0	-0.4	0.1	-0.3	0.0	-0.2
G7	1.2	1.3	1.7	1.5	0.5	0.4	0.4	0.1
OECD	1.7	1.5	1.7	1.5	0.5	0.3	0.4	..

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

In **October 2012**, the IMF lowered their 2012 forecast for world growth by 0.2 percentage points to 3.3%. 2012 growth forecasts for the UK were lowered by 0.6, the largest downward revision among advanced economies. The 2012 forecast for the US was revised upward by 0.1 and the forecast for the eurozone downgraded by 0.1 percentage points. Forecasts for 2013 were revised downward across the board.

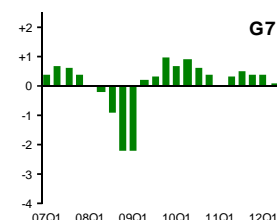
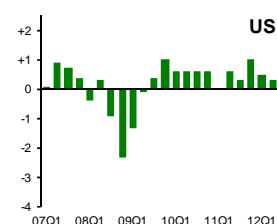
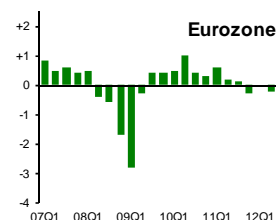
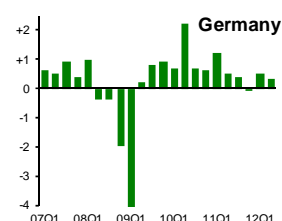
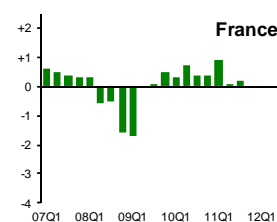
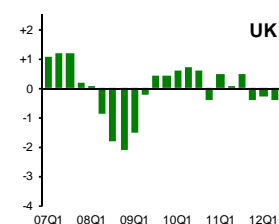
Major emerging markets also saw downward revisions to their 2012 growth forecasts: India's was revised down by 1.1 percentage points, Brazil's by 1 percentage point and China's by 0.2 percentage points.

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

	IMF (Oct 12)		EC (May 12)		OECD (May 12)	
	2012	2013	2012	2013	2012	2013
UK	-0.4	1.1	0.5	1.7	0.5	1.9
France	0.1	0.4	0.5	1.3	0.6	1.2
Germany	0.9	0.9	0.7	1.7	1.2	2.0
Eurozone	-0.4	0.2	-0.3	1.0	-0.1	0.9
US	2.2	2.1	2.0	2.1	2.4	2.6
Japan	2.2	1.2	1.9	1.7	2.0	1.5
<b>OECD</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>1.6</b>	<b>2.2</b>
China	7.8	8.2	..	..	8.2	9.3
India	4.9	6.0	..	..	7.1	7.7
Brazil	1.5	4.0	..	..	3.2	4.2
<b>World</b>	<b>3.3</b>	<b>3.6</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

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

### Quarter-on-quarter growth rates



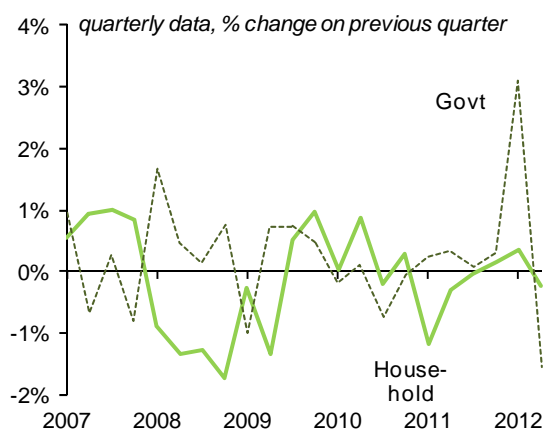
Contact: Gavin Thompson, x2042

Update: OECD *Main Economic Indicators*, 12 Nov 2012  
EC *Economic Forecast*, 7 Nov 2012  
IMF *World Economic Outlook update*, Jan 2013

### A3: Components of GDP

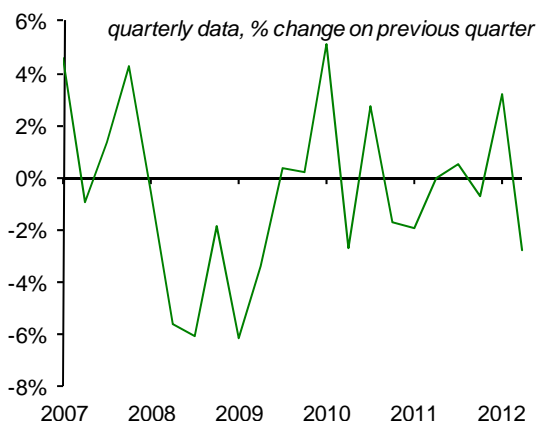
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 62% of the total in 2011. Government consumption accounted for 22% and investment for 14%.

#### Household consumption and government consumption



- In Q2 2012, household consumption fell by 0.2% in real terms compared with Q1 2012.
- Government consumption fell by 1.6% in Q2 2012.
- Exports fell by 1.1% while imports rose by 1.4% in Q2 2012.
- GDP increased by 1.0% in Q3 2012. Q3 figures for the expenditure components will be published in November.

#### Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q2 2012 GFCF fell by 2.7%, the biggest quarterly fall since Q2 2010. The main reason was a fall in investment in dwellings.
- Business investment, a component of overall GFCF, increased by 0.9% in Q2 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%	0.2%	-2.4%	4.5%	0.5%	0.9%
2011 Q2	-0.3%	0.3%	0.0%	-2.3%	-0.5%	0.1%
2011 Q3	0.0%	0.1%	0.5%	0.0%	0.3%	0.5%
2011 Q4	0.2%	0.3%	-0.7%	3.0%	1.6%	-0.4%
2012 Q1	0.3%	3.1%	3.2%	-1.6%	-0.1%	-0.3%
2012 Q2	-0.2%	-1.6%	-2.7%	-1.1%	1.4%	-0.4%
2012 Q3	..	..	..	..	..	1.0%

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](#), 27 November

## 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

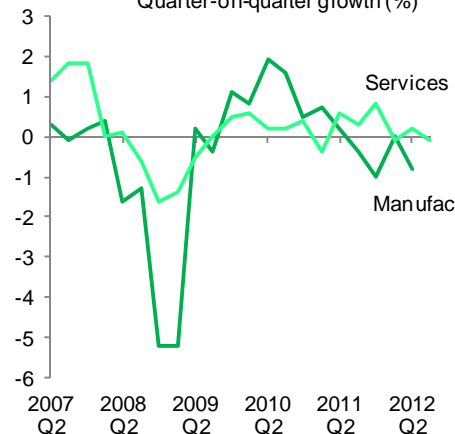
Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	Total GDP
<i>Annual % changes</i>				
2010	3.8	7.9	1.1	1.8
2011	2.0	2.6	1.2	0.9
2011 Q4	-0.5	1.4	1.6	0.7
2012 Q1	-1.2	-4.6	1.2	-0.1
2012 Q2	-2.2	-9.0	0.8	-0.5
<i>Quarter-on-quarter % changes</i>				
2011 Q4	-1.0	0.2	-0.1	-0.4
2012 Q1	0.0	-5.9	0.2	-0.3
2012 Q2	-0.8	-3.0	-0.1	-0.4

Source: ONS Series L2KX, L2N8, L2NC, YBEZ

#### Manufacturing and services output

Quarter-on-quarter growth (%)



- Manufacturing output fell by 0.8% in the second quarter of 2012. Services fell by 0.1%. Construction output fell by 3.0%, following a 5.9% 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 2.0% in 2011 and services by 1.2%. Construction output grew by 2.6%.
- Output in the business services and finance sector was unchanged in Q2 2012.

### Employment

#### Workforce jobs by industry

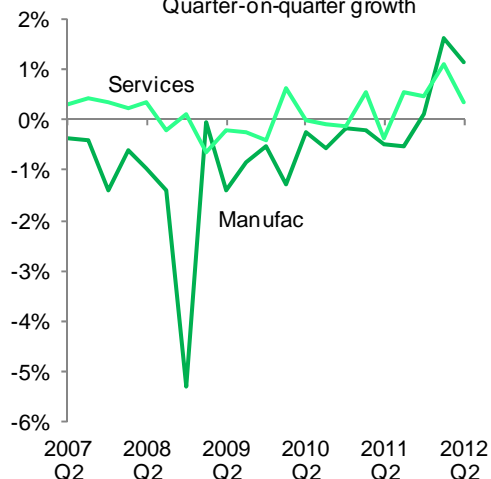
Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2010 Q2	-2.8%	-6.3%	0.0%	-0.5%
2011 Q2	-1.4%	-4.4%	0.0%	-0.5%
2012 Q1	0.7%	0.3%	1.8%	1.6%
2012 Q2	2.4%	-1.2%	2.5%	2.3%
<i>Quarter-on-quarter</i>				
2012 Q1	1.6%	-0.8%	1.1%	1.0%
2012 Q2	1.1%	-1.7%	0.3%	0.3%
<i>Thousands</i>				
2012 Q2	2,594	1,996	26,528	31,935

Source: ONS series JWR7, JWS2, JWT8, DYDC

#### Manufacturing and services jobs

Quarter-on-quarter growth



- The number of manufacturing jobs has risen. In Q2 2012, the manufacturing workforce grew by 1.1% on the previous quarter and was 2.4% higher than a year earlier.
- The number of jobs in the construction sector decreased by 1.7% in Q2 2012, while the services workforce grew by 0.3%.
- The public administration, health and education workforce fell by 1.4% in the year to Q2 2012.

Contact: Chris Rhodes, x3841

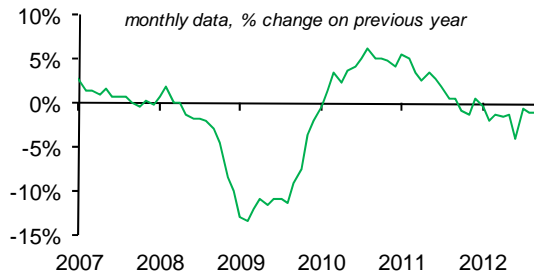
Update: ONS, [Second Estimate of GDP](#), 27 Nov 2012



## 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 leading indicator of manufacturing output. The Society of Motor Manufacturers and Traders (SMMT) publishes monthly vehicle production statistics.

### Manufacturing Output

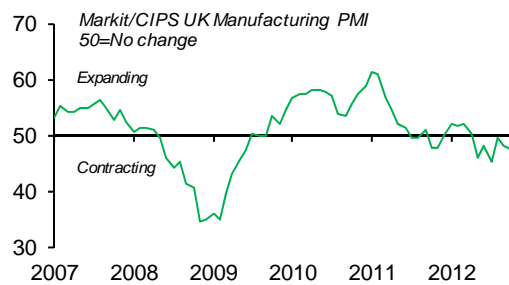


		Index Value (2009=100)	% change over month	% change over 12 months
2010		103.8	...	3.8
2011		106.0	...	2.1
2012	Jun	102.6	-2.9	-3.9
	Jul	105.9	+3.2	-0.6
	Aug	104.7	-1.1	-1.1
	Sep	104.8	+0.1	-1.0

Source: ONS, series K22A

- Manufacturing output rose by 0.1% in September 2012 compared with August 2012. Manufacturing output fell by 1.0% in September 2012 compared to September 2011.
- Total industrial production (including mining and utilities) fell by 1.8% compared with August 2012. Total production was 2.6% lower in September 2012 than in September 2011. This was the 18<sup>th</sup> consecutive monthly fall on the same month a year ago.

### Manufacturing Purchasing Managers' Index

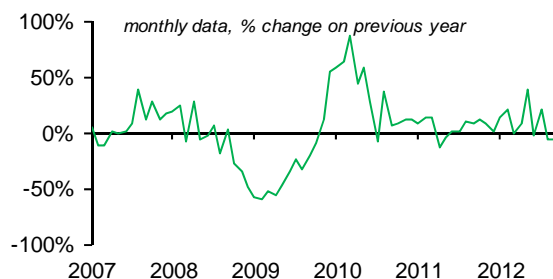


		Index	Monthly change
2010	Oct	55.4	...
2011	Oct	47.8	...
2012	Jul	45.2	-3.0
	Aug	49.6	+4.4
	Sep	48.1	-1.5
	Oct	47.5	-0.6

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

- The Markit/CIPS UK Manufacturing PMI fell to 47.5 in October from 48.1 in September (where 50.0 is no change).
- The index has been below 50 for six successive months. The October level is the lowest since July 2012.

### Vehicle Production



		Number '000s	% change over 12 months
2010		1,393	+27.8
2011		1,465	+5.1
2011	Sep	148	+7.4
2012	Jul	129	+20.2
	Aug	86	-7.0
	Sept	138	-7.0

Source: SMMT, not seasonally adjusted

- UK vehicle production was 138,000 in September 2012, 7.0% lower than September 2011. SMMT said that there had been declining demand across major European markets.
- In 2011, 1.47 million vehicles were produced in the UK, up by 5.1% compared with 2010.

Contact: Chris Rhodes, x2454

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

## 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.

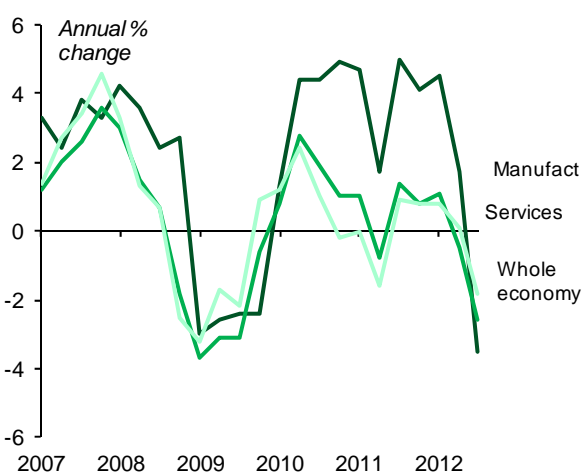
UK data are published every three months, with international comparisons updated biannually.

### UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 2.6% over the last year and by 0.9% 2012 Q1 to 2012 Q2.
- Output per hour in manufacturing fell by 3.5% between 2011 Q2 and 2012 Q2; this is the largest fall since 2008 Q4. Services productivity fell by 1.8%, the largest fall since 2009 Q2.

#### Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2009	-1.5	-0.5	-1.5
2010	4.6	0.8	1.7
2011	3.8	0.3	0.6
Q1	1.7	-1.6	-0.8
Q2	5.0	0.9	1.4
Q3	4.1	0.8	0.8
Q4	4.5	0.8	1.1
Q1	1.7	0.1	-0.5
2012 Q2	-3.5	-1.8	-2.6
<i>Latest q-on-q % change</i>	-0.8	-1.5	-0.9

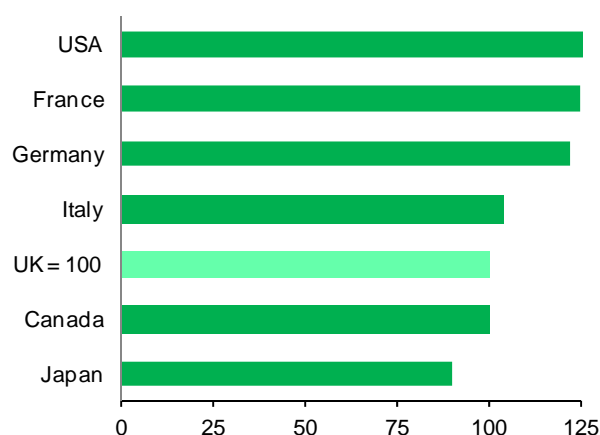


Source: ONS series LZVD, DJK8, DJQ3

- Within manufacturing, output per hour in Chemicals and Pharmaceuticals fell the most, by 15.6% between 2011 Q2 and 2012 Q2. Output per hour in Machinery & Equipment increased by 8.8% over the same period.

### International comparisons

#### GDP per hour, 2011, index where UK=100



- International comparisons of productivity are presented as an index where the UK=100.
- In 2011, based on GDP per hour, the UK came fifth of the G7 countries, with the USA top and Japan bottom. UK productivity was 15% below the G7 average, the widest productivity gap since 1995.
- On a per hour worked basis the productivity gap between the UK and the USA in 2011 was at its widest since 1992.

Contact: Aliyah Dar, x5919

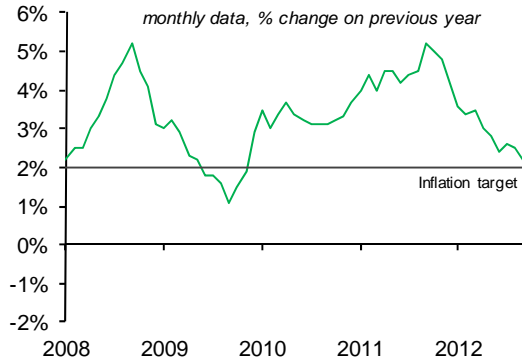
Update: ONS, [Labour Productivity](#), 3 Jan 2013  
 ONS, [International Comparisons](#), Feb 2013

## B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.2% in September (the lowest rate since November 2009), down from 2.5% in July and above the Bank of England's 2% target for the thirty-fourth successive month.

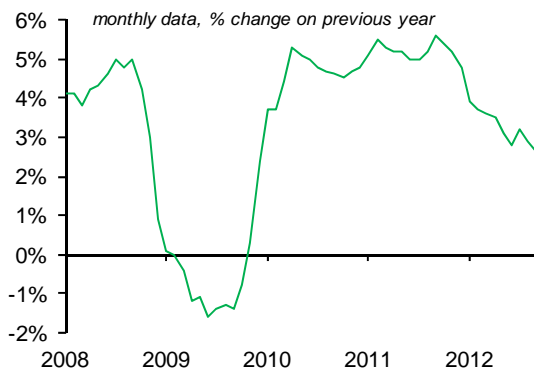
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

### Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.2% in September, down from 2.5% in August. The September figure is the lowest CPI inflation rate since November 2009.
- The main downward pressure to the change in the CPI came from the housing & household services sector, especially utility bills.
- The RPI (all items) measure of annual inflation was 2.6% in September, down from 2.9% in August. The September figure is the lowest RPI inflation rate since December 2009.

### Retail Prices Index (RPI)

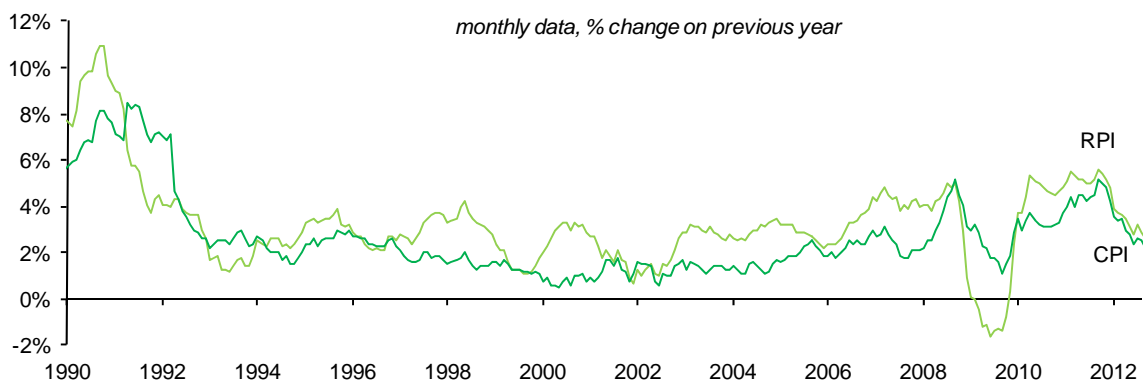


### Price Indices

		% change on a year ago	
		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
2012	Apr	3.0	3.5
	May	2.8	3.1
	Jun	2.4	2.8
	Jul	2.6	3.2
	Aug	2.5	2.9
	Sep	2.2	2.6

Source: ONS database, series: D7G7, CZBH

### CPI and RPI since 1990



## B2: Inflation: International

UK inflation, measured by the Consumer Prices Index (CPI), remained positive throughout the recession. Other major economies, including the US, France and Germany, saw deflation (negative inflation, or falling prices).

Inflation in the EU, some other European countries, and the US, can be compared using the standard Harmonised Index of Consumer Prices (HICP), or the CPI as it is known in the UK. National inflation calculations methods differ from this standard to varying degrees. For example, the US' national measure is based on prices in urban areas only, and unlike the HICP includes costs of owner-occupied housing. Care should therefore be taken when making comparisons between national and harmonised measures.

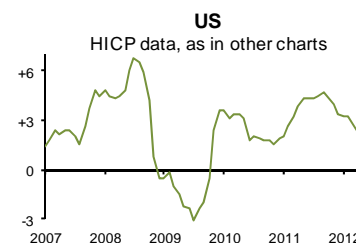
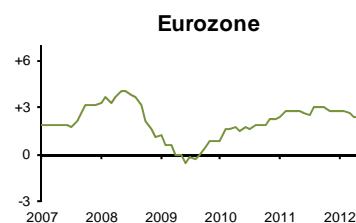
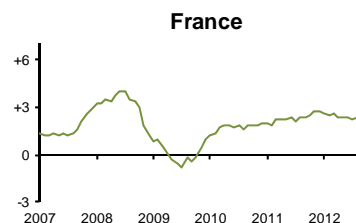
- In the year to September, UK inflation was 2.2%, down from 2.5% in August. The Bank of England's UK inflation target is 2%.
- Eurozone inflation in the year to September was 2.6%, unchanged from August. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Greece had the lowest annual inflation rates in the EU in September, at 0.3%. The highest rate was in Hungary, at 6.4%.
- HICP annual inflation in the US in the year to July was 1.4%, down from 1.5% in June. Using its national definition, US inflation in the year to July was 1.4%, down from 1.7% in June.

### Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Jun-12	Jul-12	Aug-12	Sep-12
<b>HICP (ONS/Eurostat)</b>							
UK	2.2	3.3	4.5	2.4	2.6	2.5	2.2
Eurozone	0.3	1.6	2.7	2.4	2.4	2.6	2.6
EU	1.0	2.1	3.1	2.5	2.5	2.7	2.7
France	0.1	1.7	2.3	2.3	2.2	2.4	2.2
Germany	0.2	1.2	2.5	2.0	1.9	2.2	2.1
Greece	1.3	4.7	3.1	1.0	0.9	1.2	0.3
Italy	0.8	1.6	2.9	3.6	3.6	3.3	3.4
Spain	-0.2	2.0	3.1	1.8	2.2	2.7	3.5
US	1.0	2.1	3.1	1.5	1.4	:	:
<b>National definitions (OECD)</b>							
Canada	0.3	1.8	2.9	1.5	1.3	1.2	..
Japan	-1.3	-0.7	-0.3	-0.1	-0.4	-0.5	..
US	-0.4	1.6	3.2	1.7	1.4	1.7	2.0
G7	-0.1	1.4	2.6	1.6	1.4	1.6	..
OECD	0.5	1.9	2.9	2.0	1.9	2.0	..
Brazil	4.9	5.0	6.6	4.9	5.2	5.2	5.3
China	-0.7	3.3	5.4	2.2	1.8	2.0	1.9
India	10.9	12.0	8.9	10.1	9.8	10.3	..
Russia	11.7	6.9	8.4	4.3	5.6	5.9	..

Source: ONS, Eurostat & stat.OECD database



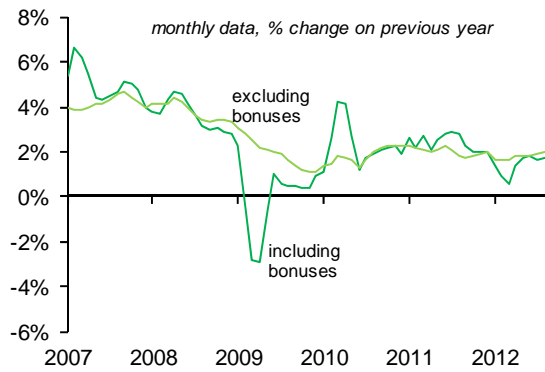
**Contact:** Gavin Thompson, x2042

**Updates:** ONS [Consumer Prices bulletin \(UK\)](#), 13 Nov 2012  
Eurostat, [HICP full release](#), 15 Nov 2012  
Eurostat, [Flash estimate \(Oct\)](#), 31 Oct 2012

### B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.7% in August compared with a year ago, up from 1.6% in July. Average weekly earnings excluding bonuses rose by 2.0% in the three months to August compared with a year ago, up 0.1 percentage points on July. Inflation as measured by the CPI was 2.5% in August 2012 (latest data for September is 2.2%).

#### Average Earnings, Whole Economy



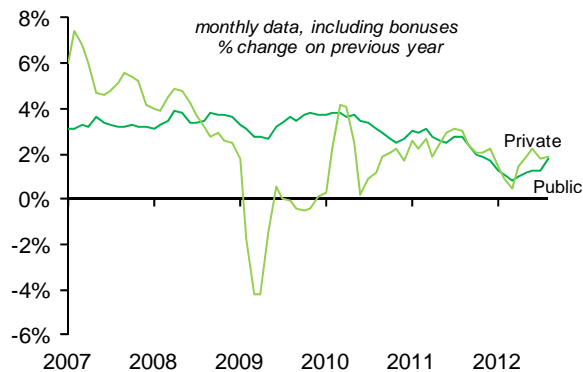
#### Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 Aug	-0.1	3.6	0.6	0.6	0.5
2010 Aug	1.2	3.1	4.3	1.9	1.9
2011 Aug	3.0	2.8	1.6	3.1	2.8
2012 Mar	0.5	0.8	0.8	0.6	0.6
Apr	1.4	1.0	1.4	1.4	1.4
May	1.9	1.2	1.6	1.7	1.7
Jun	2.2	1.3	2.7	1.7	1.8
Jul	1.8	1.3	2.6	1.4	1.6
Aug	1.9	1.8	2.4	1.6	1.7

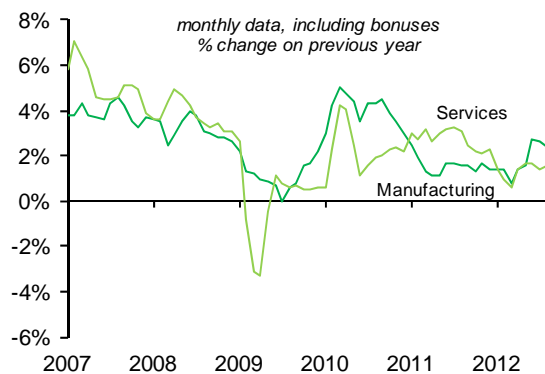
Source: ONS, data shows latest 3-month period

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



- Average total pay (including bonuses) in the private sector rose by 1.9% in the three months to August, compared with 1.8% in the public sector. Excluding financial services, public sector earnings rose by 2.4%.
- Average weekly earnings (including bonuses) in August in the public sector were £491 compared with £469 in the private sector.
- In 2011, headline (including bonuses) earnings in the private sector averaged a rise of 2.5%, while the public sector averaged a 2.4% increase.

#### Average Earnings in Services and Manufacturing



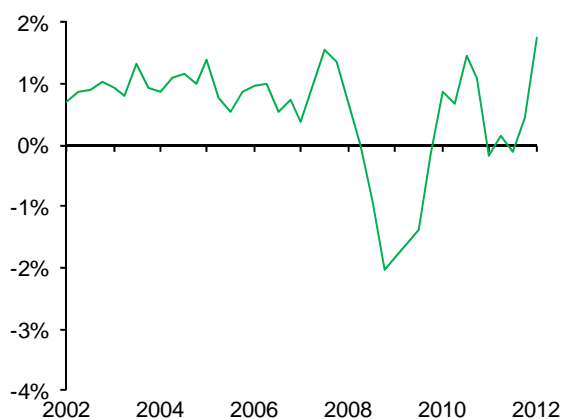
- Average total pay growth (including bonuses) in the manufacturing sector was 2.4% in the three months to August, compared with 1.6% in the services sector.
- Average weekly earnings (including bonuses) in August in the manufacturing sector were £545 compared with £459 in the services sector.
- In 2011, headline (including bonuses) earnings in the services sector averaged a rise of 2.8% compared with a 1.5% increase in the manufacturing sector.

## C1: Employment

Employment among all people over 16 rose by 212,000 over the quarter to August 2012, to 29.59 million. This is the highest number of people in employment since comparable records began in 1971.

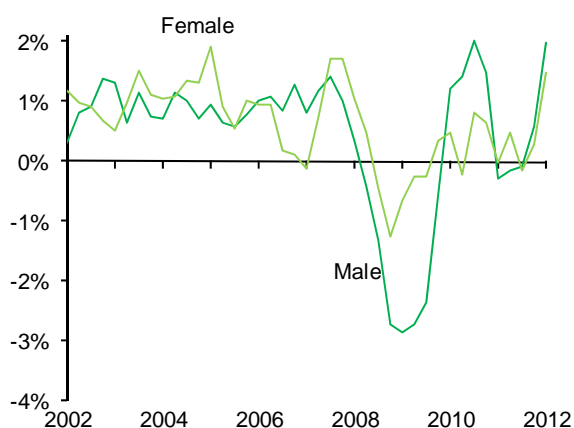
The employment rate (the proportion of 16-64 year olds in employment) was 71.3% in the three months to August 2012, the highest employment rate since the three months to April 2009.

### Total employment (% change on previous year)



- Over the past year, employment rose among all age groups in the table below. It also rose over the last quarter for all the age groups in the table below.
- The number of self-employed people rose by 35,000 over the quarter, to 4.20 million. The number of employees rose by 162,000 over the same period, to 25.12 million.
- The number of people employed part-time rose by 125,000 over the quarter, to 8.13 million.
- The number of people employed full-time rose by 88,000 to 21.46 million.

### Employment by gender (% change on previous year)



- The number of men in employment increased by 94,000 over the last quarter to 15.88 million.
- The number of women in employment increased by 118,000 over the last quarter to 13.72 million.
- Excluding reclassified FE workers, public sector employment fell by 39,000 in the three months to June 2012, to 5.66 million or 19.2% of all employment.
- Excluding reclassified FE workers, private sector employment increased by 275,000 in the three months to June 2012, to 23.90 million or 80.8% of all employment.

### Employment by age group

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

	Total	16-24	25-49	50-64	65+
Jun-Aug 2010	29,128	3,813	17,145	7,317	853
Jun-Aug 2011	29,080	3,663	17,214	7,380	823
Sep-Nov 2011	29,128	3,646	17,191	7,406	885
Dec-Feb 2012	29,210	3,644	17,267	7,423	875
Mar-May 2012	29,378	3,658	17,330	7,462	928
Jun-Aug 2012	29,590	3,709	17,416	7,519	946
% change on previous 3 months	+0.7	+1.4	+0.5	+0.8	+2.0
% change on previous year	+1.8	+1.2	+1.2	+1.9	+15.0

Source: ONS

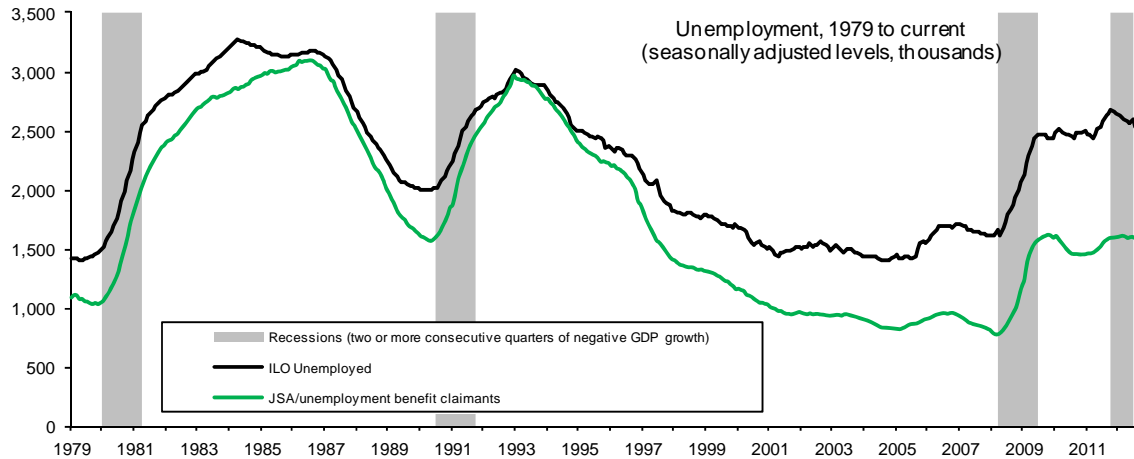
Contact: Chris Rhodes, x2454

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

## 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 June to August 2012 was 2.53 million (7.9% of all economically active) – down 50,000 from the previous quarter. (UK, seasonally adjusted.)**



[Source: ONS, *Labour Market Statistics*]

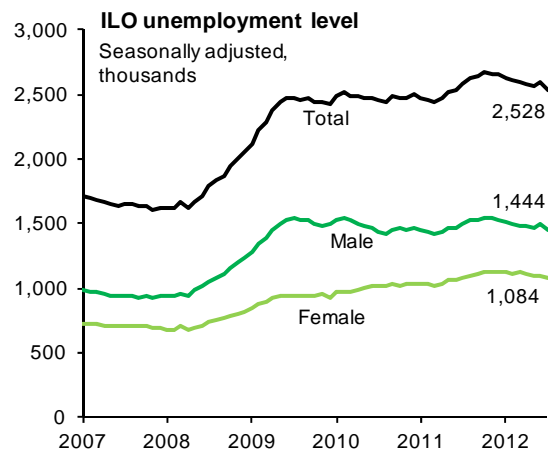
### ILO unemployment (June to August 2012)

There were 897,000 people unemployed for more than 12 months, an increase of 13,000 on the previous quarter.

The unemployment level among 16- to 24-year-olds was 957,000, down 62,000 on the previous quarter. (See table below.)

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

The seasonally-adjusted monthly JSA claimant count decreased by 4,000 between August and September 2012 to 1.57 million.



### 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	(%)
Jun-Aug 2007	1,645	5.3	713	14.6	690	3.8	228	3.1	14	2.1
Jun-Aug 2008	1,788	5.7	746	15.2	782	4.3	243	3.3	16	2.3
Jun-Aug 2009	2,473	7.9	939	19.7	1,157	6.4	358	4.7	20	2.6
Jun-Aug 2010	2,455	7.8	921	19.5	1,142	6.2	373	4.8	19	2.2
Jun-Aug 2011	2,577	8.1	998	21.4	1,193	6.5	364	4.7	22	2.7
Sep-Nov 2011	2,675	8.4	1,039	22.2	1,204	6.5	404	5.2	28	3.1
Dec-Feb 2012	2,634	8.3	1,025	21.9	1,181	6.4	404	5.2	24	2.7
Mar-May 2012	2,577	8.1	1,018	21.8	1,152	6.2	384	4.9	23	2.4
<b>Jun-Aug 2012</b>	<b>2,528</b>	<b>7.9</b>	<b>957</b>	<b>20.5</b>	<b>1,162</b>	<b>6.3</b>	<b>389</b>	<b>4.9</b>	<b>21</b>	<b>2.2</b>
% change on quarter	-1.9		-6.0		+0.9		+1.1		-9.3	
% change on year	-1.9		-4.1		-2.6		+6.7		-6.7	

Source: ONS, *Labour Market Statistics*.

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

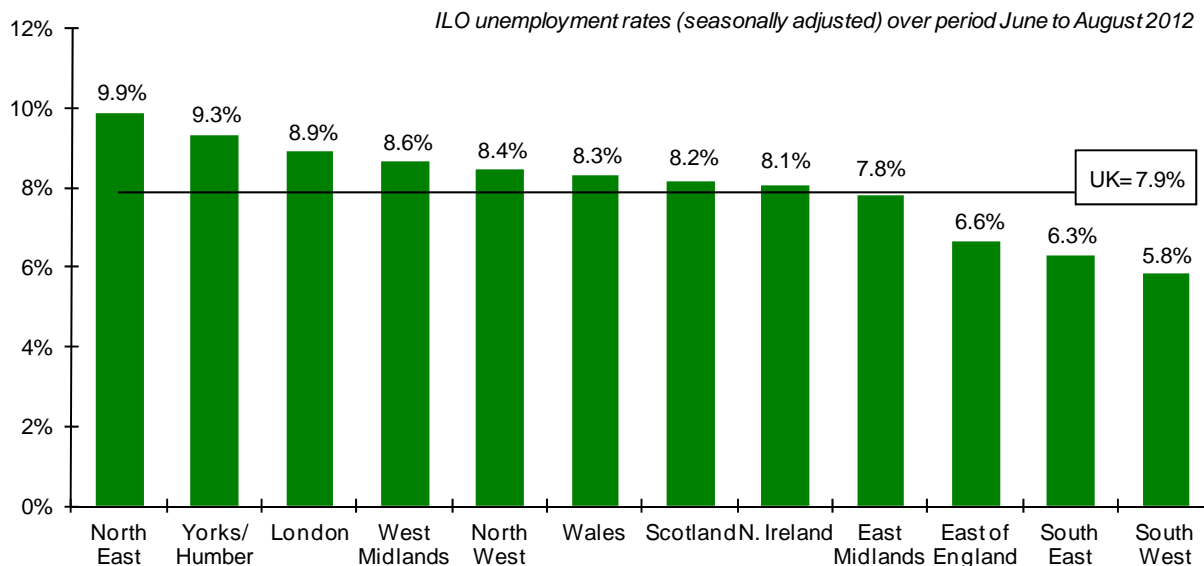
Contact: Lorna Booth, x2883

Update: ONS, [Labour Market Statistics](#), 14 November 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 June to August 2012, the North East had the highest unemployment rate, at 9.9% of the economically active population. The lowest rate over the same period was 5.8% in the South West.



- The largest increases in unemployment over the last quarter were in London and Northern Ireland (both up 10,000). The largest decrease was in the North West (down 40,000).
- The seasonally-adjusted JSA claimant count increased in five countries and regions, and decreased in seven in September, compared with August 2012.

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

	ILO unemployment				JSA claimant count	
	June - August 2012		Change in level		September 2012	
	Level (000s)	Rate (%) <sup>(a)</sup>	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	129	9.9	-11	-14	94.3	+0.7
North West	292	8.4	-40	+7	197.6	-1.0
Yorkshire & Humber	253	9.3	-9	-9	163.2	-1.3
East Midlands	180	7.8	-13	-4	107.9	-0.7
West Midlands	233	8.6	+5	-3	163.2	-0.8
East of England	206	6.6	-0	+1	114.2	+0.3
London	380	8.9	+10	-37	219.9	+1.9
South East	281	6.3	-2	+22	136.8	-1.2
South West	158	5.8	+0	-19	87.2	-1.0
Wales	125	8.3	-7	-8	79.7	+0.2
Scotland	222	8.2	+7	+10	139.9	-1.3
Northern Ireland	70	8.1	+10	+5	63.4	+0.2

Source: ONS, *Labour Market Statistics*

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

**Contact:** Lorna Booth, x2883

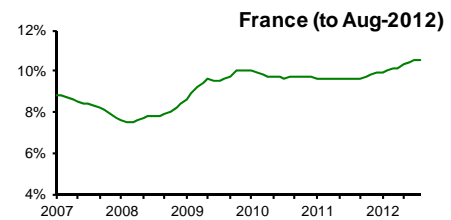
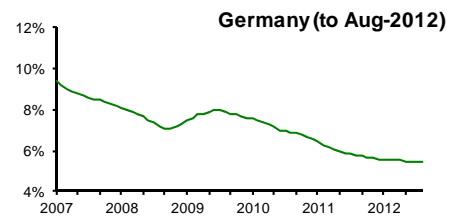
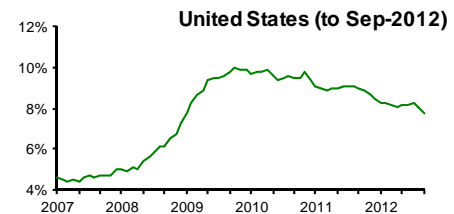
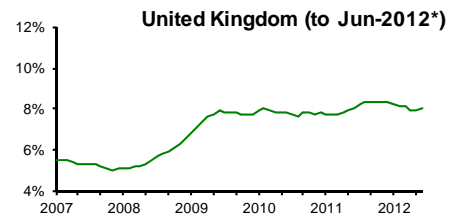
**Update:** ONS, *Labour Market Statistics*, 14 November 2012



## 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 Q2 2012 was 7.9%, down from 8.1% on the previous quarter. This is below the rate of France and Italy (10.1% and 10.6% respectively), but above that of Germany (5.5%).
- In the US, unemployment fell from 8.3% to 8.2% between Q1 2012 and Q2 2012. Compared with a year ago unemployment is 0.8%-points lower. More recent monthly data show unemployment to have fallen to 7.8% in September 2012.
- In the eurozone, unemployment rose from 10.9% to 11.2% between Q1 2012 and Q2 2012, driven by rising unemployment in France, Italy and Spain.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states (24.7% in Q2 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 14.7% in Q2 2012). This compares with a 2.1 percentage point rise in unemployment in the OECD as a whole since the start of 2007 (from 5.8% 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 IMF ([World Economic Outlook, October 2012](#)) suggested the UK unemployment rate would be 8.1% in 2012 (a downward revision of 0.2 percentage points from the April 2012 forecast), and 8.1% in 2013. The respective forecasts for the euro zone were 11.2% in 2012 and 11.5% in 2013.



\* latest figure refers to quarterly survey conducted over May-Jul 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	9.7	9.7	9.6	9.6	9.6	9.8	10.0	10.1
Germany	7.8	7.1	5.9	6.9	6.7	6.3	6.0	5.8	5.7	5.6	5.5
Italy	7.8	8.4	8.5	8.3	8.3	8.0	8.0	8.5	9.2	10.0	10.6
Japan	5.1	5.1	4.6	5.0	5.0	4.8	4.6	4.4	4.5	4.5	4.4
UK	7.6	7.8	8.0	7.7	7.8	7.7	7.9	8.3	8.3	8.1	7.9
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	9.9	10.2	10.6	10.9	11.2
G7	8.1	8.2	7.7	8.1	8.1	7.7	7.7	7.7	7.6	7.5	7.5
OECD	8.4	8.6	8.2	8.3	8.2	8.0	7.9	8.0	8.0	7.9	7.9

Source: OECD, Harmonised Unemployment Rates

Contact: Gavin Thompson, x2042

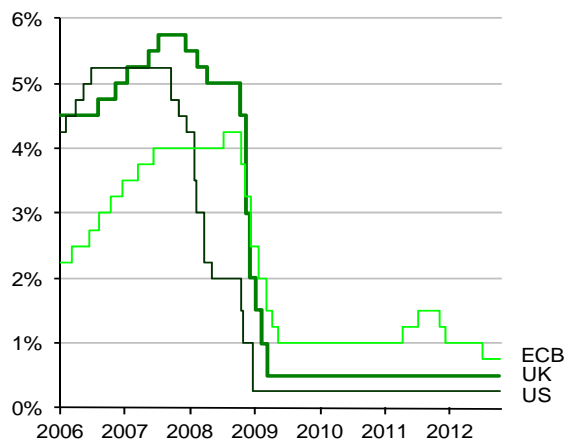
Updates: OECD, [Harmonised Unemployment Rates](#), 12 Nov

## 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	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

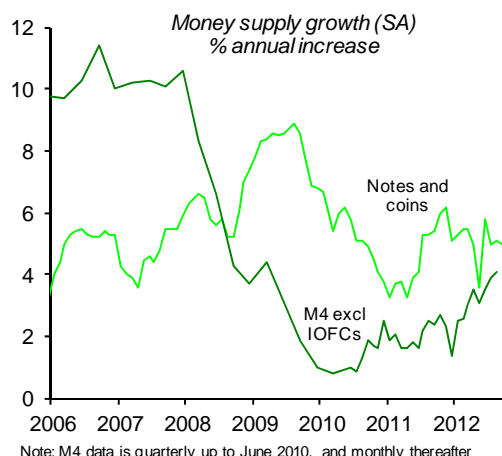
Source: Bank of England

- 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 again increased by £75 billion in October 2011, £50 billion in February 2012 and £50 billion in July 2012, to a total of £375 billion. In August 2012, the Bank announced that "inflation was still slightly above 2% but likely to remain close to the target in the coming months" and that therefore QE would remain at £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 August 2012 *Inflation Report*, the Bank of England said that although money supply growth "remains subdued", it grew faster than nominal GDP in Q1 (1.8%) for the first time since 2009.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.1% in August 2012, up from 3.9% in July 2012.
- The value of notes and coins in circulation outside the Bank of England rose by 5.0% in September 2012 compared with a year ago, down from 5.1% in August 2012.

Contact: Chris Rhodes, x2454

Updates: [Monetary policy meeting](#): 8 Nov (UK), Bank of England, [Monetary and Financial Statistics](#), 7 Nov

## 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.

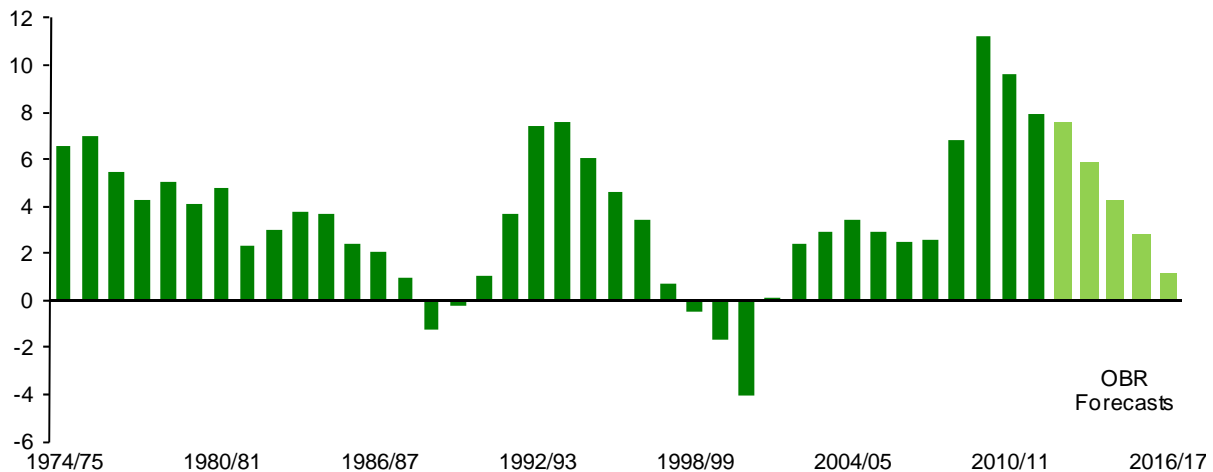
- Public sector net borrowing was £12.8 billion in September 2012, 5.1% lower than September 2011.
- Excluding the effects of the £28 billion Royal Mail pension transfer, borrowing so far in 2012/13 is £65.1 billion, 4.2% higher than over the same period last year. The OBR forecasts that borrowing will fall slightly in 2012/13 as a whole.
- Borrowing between April and September 2012 was revised down by £6.7 billion compared with figures published in September.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	159	11.2	770	53.1
2010/11	142	9.6	910	60.4
2011/12	122	8.0	1,025	66.2
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

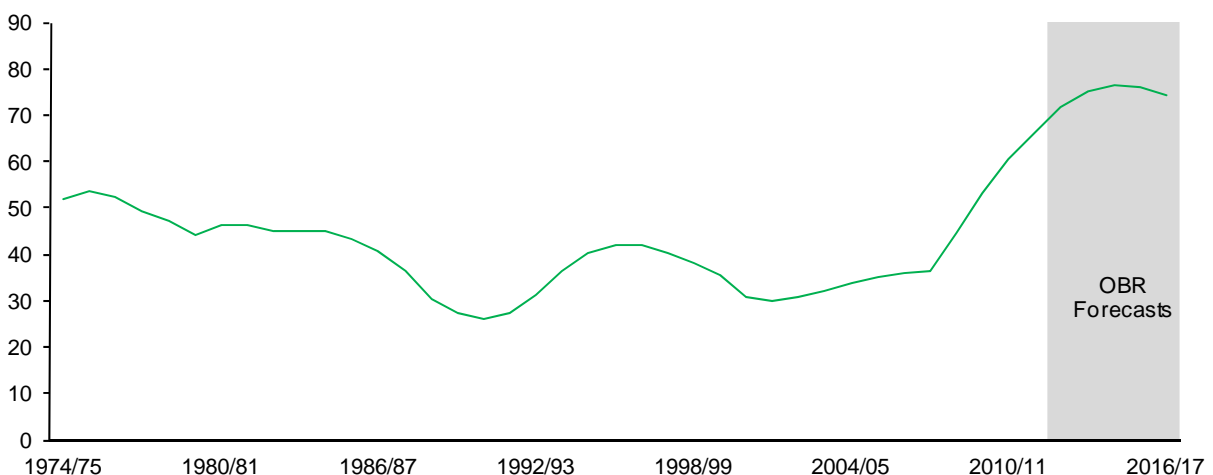
Source: ONS, OBR. Excludes financial sector interventions

Note: 12/13 figures exclude Royal Mail pension transfer

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



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



### D3: Financial Indicators

The leading share index in the UK, the FTSE 100, tracks share-price movements in the country's 100 largest companies (by market capitalisation). It hit an all-time high of 6,930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008. 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 5 Nov 2012

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
05 Nov 2012	5,839.1	107.7	1,677.0
%change over:			
1-month	+1%	-3%	-5%
12-months	+6%	-1%	-2.5%
%change from:			
cyclical peak	-13%	-26%	-12%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+66%	+196%	+136%
date	03 Mar '09	24 Dec '08	24 Oct '08

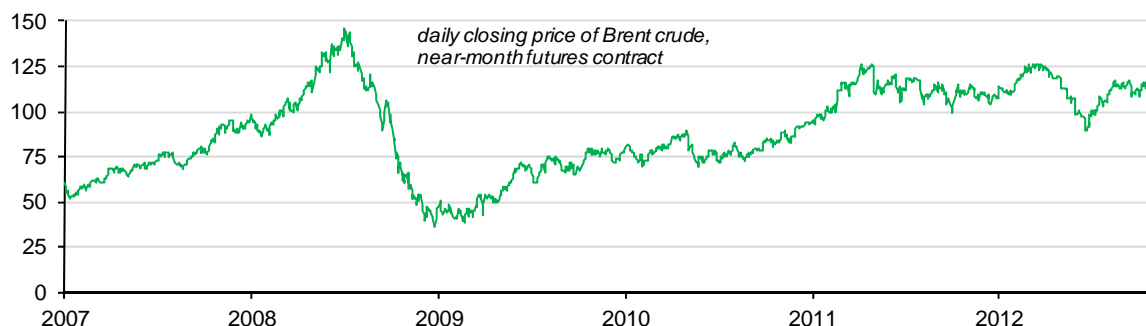
Note: Oil is Brent near-month futures price

Source: *Financial Times*

#### FTSE-100 Index



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



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



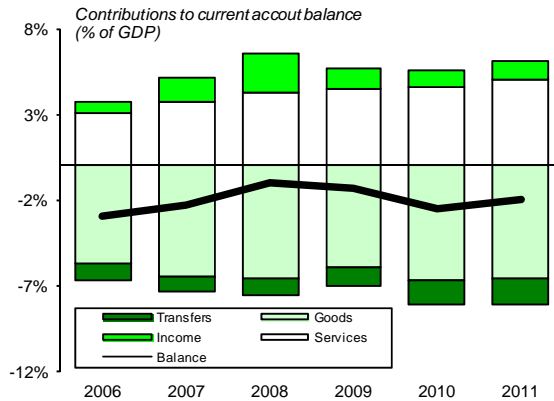
Contact: John Bardens, x6933

Update: Page updated on a weekly basis

## E1: UK Balance of Trade

Annually, the current account deficit in 2011 was £29.0 billion, equivalent to -1.9% of GDP. That compared with £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 £20.8 billion in Q2 2012, widening from £15.4 billion in Q1 2012. The surplus on services rose to £17.9 billion while the deficit on goods rose to £28.0 billion.
- The **annual** current account deficit with EU27 countries in 2011 was £45.6 billion, compared with a surplus with non-EU countries of £17.6 billion. On a **quarterly** basis, the deficit with EU27 countries fell to £19.5 billion in Q2 2012. With non-EU countries, the current account surplus fell to £1.3 billion.

### Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance	
	Balance	Balance	Exports	Imports				
2010	-98,509	67,007	447,885	479,387	-31,502	14,628	-20,410	-37,284
2011	-100,014	76,305	492,880	516,589	-23,709	16,849	-22,142	-29,002
2011 Q2	-24,807	18,547	122,409	128,669	-6,260	8,054	-4,824	-3,030
Q3	-27,751	19,793	123,127	131,085	-7,958	2,763	-5,802	-10,997
Q4	-24,702	18,998	125,665	131,369	-5,704	3,120	-5,872	-8,456
2012 Q1	-25,415	17,302	123,268	131,381	-8,113	-1,918	-5,335	-15,366
Q2	-28,059	17,942	121,118	131,235	-10,117	-5,150	-5,500	-20,767

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

### Trade in Goods and Services



- The estimated deficit on goods trade in August was £9.8bn, widening from £7.3bn in July.
- The monthly trade surplus on services was an estimated £5.7bn in August, up slightly from the July surplus of £5.6bn.
- The overall monthly deficit on goods and services combined in August was £4.2bn, widening from £1.7bn in July.
- The goods deficit with the EU27 was £4.9bn in August, up from £4.4bn in July, while the deficit with non-EU countries was £5.0bn in August (a record month for exports), up from £2.9bn in July.

Contact: Grahame Allen, x3977

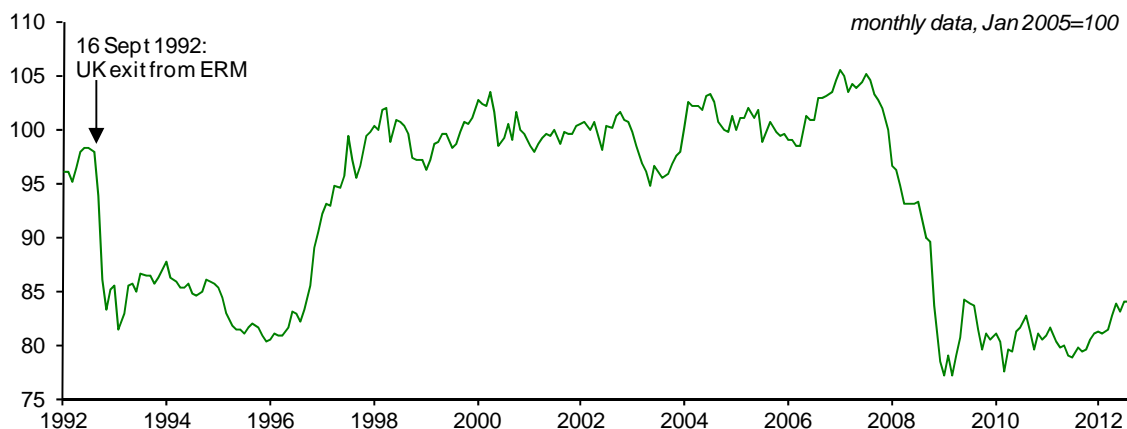
Updates: ONS, [UK Trade](#), 8 Nov;  
ONS, [UK Balance of Payments](#), 21 Dec

## E2: Exchange rates

The *Sterling Exchange Rate Index* (SERI) measures sterling's value against a 'basket' of currencies, 'trade-weighted' (based on currencies' relative importance in UK trade).

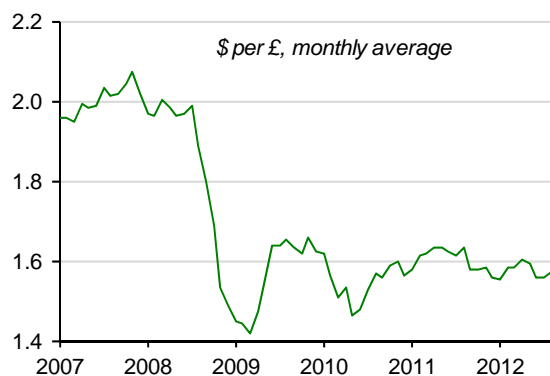
The SERI rose by 0.7% in October, following an increase of 0.3% in September. Compared with the same period last year, the SERI was 5.2% higher. It is now 8.6% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 20.7% down from its pre-recession peak in July 2007.

### Sterling Exchange Rate Index (SERI)



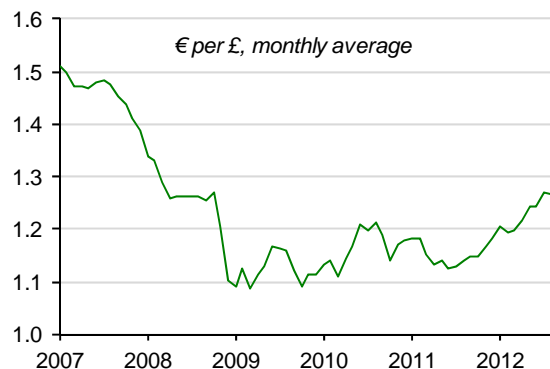
[Source: Bank of England, Bankstats database, XUMABK67]

### US\$/£ Exchange Rate



- On average in October, the pound was unchanged against the dollar compared with September. At the 5 November market close the pound stood at \$1.59, 2 cents lower than the October average.
- Sterling was on average 1 cent lower against the Euro in October compared with September.
- At the 5 November market close the pound stood at €1.24, the October 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

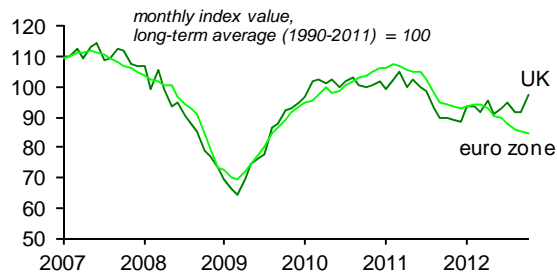
	US Dollar (\$)		Euro (€)	
	Rate	% change on year	Rate	% change on year
2009	1.57	-15.5%	1.12	-10.8%
2010	1.55	-1.3%	1.17	3.8%
2011	1.60	3.7%	1.15	-1.2%
2011 Oct	1.58	-0.6%	1.15	0.7%
2012 Aug	1.57	-3.8%	1.27	11.0%
Sep	1.61	2.1%	1.25	9.2%
Oct	1.61	2.0%	1.24	7.9%

Source: Bank of England, Bankstats database

## F1: Business and Consumer Confidence

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

### European Commission Economic Sentiment Indicator

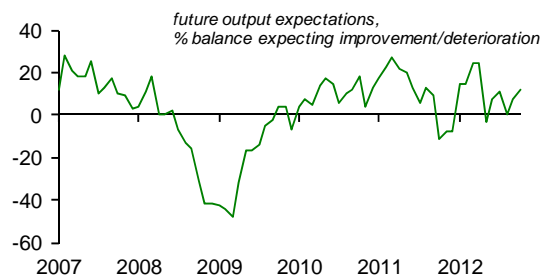


	UK Index	monthly change	change on year ago
2010 Oct	100.0	...	...
2011 Oct	89.8	...	...
2012 Aug	91.5	-3.1	-1.7
2012 Sep	91.9	+0.4	+2.1
2012 Oct	97.1	+5.2	+7.3

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 September and October the overall UK sentiment index rose by 5.2 points to 97.1, the largest monthly rise since Aug 2009. The euro zone index fell by 0.7 points to 84.5, its lowest level since Aug 2009.

### CBI Industrial Trends Survey



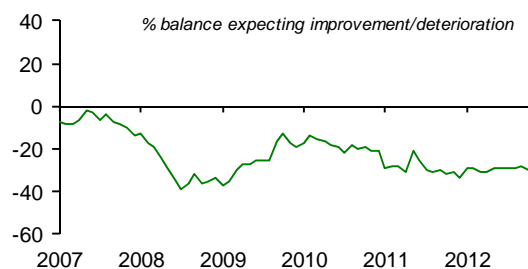
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2010 Oct	+18	...	...
2011 Oct	-11	...	...
2012 Aug	0	-11	-13
2012 Sep	+7	+7	-2
2012 Oct	+12	+5	+23

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In October 2012, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +12% of firms. This is up from +7% of firms in September.

### 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 Oct	-19	...	...
2011 Oct	-32	...	...
2012 Aug	-29	0	+2
2012 Sep	-28	+1	+2
2012 Oct	-30	-2	+2

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.
- Overall consumer confidence was -30 in October, down from -28 in September. It has been at much the same level for the last year.

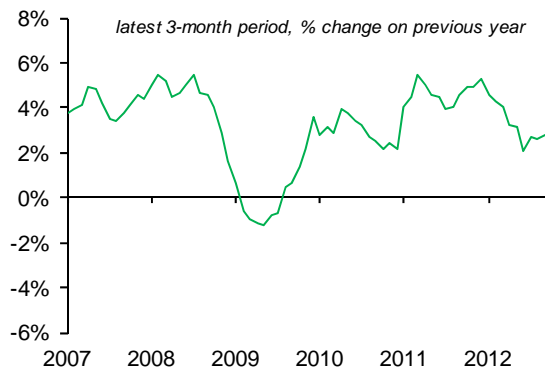
**Contact:** Daniel Harari, x2464

**Update:** CBI, [Industrial Trends](#), 22 Nov  
EC, [Economic Sentiment Indicator](#), 29 Nov  
GfK NOP, [Consumer Confidence](#), 30 Nov

## F2: Retail Sales

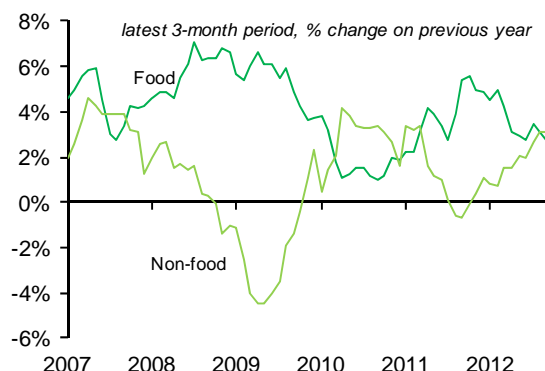
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

### Value of Retail Sales



- The annual increase in the value of retail sales in the three months to September 2012 was 2.8%.
- The value of retail sales in September 2012 alone showed an increase of 1.1% compared with August 2012.
- The value of retail sales in September 2012 alone was 3.2% higher than in September 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 September rose by 2.7% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 3.1%.
- The value of sales in household goods stores in the three months to September fell by 1.7% on the same period last year.
- The ONS commented that the increase in the amount spent on goods in the retail sector (all retailing sales values) since 2007 had primarily been caused by a rise in the prices of goods sold.

### 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	<b>2.7</b>
2011	4.2	3.3	-2.6	0.6	1.2	<b>4.9</b>
2012 May	2.9	0.8	1.7	0.1	2.1	<b>3.1</b>
Jun	2.8	-0.6	2.1	0.3	2.0	<b>2.1</b>
Jul	3.5	1.0	1.4	1.8	2.7	<b>2.7</b>
Aug	3.1	1.7	0.1	3.8	3.1	<b>2.6</b>
Sep	2.7	2.9	-1.7	4.4	3.1	<b>2.8</b>

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



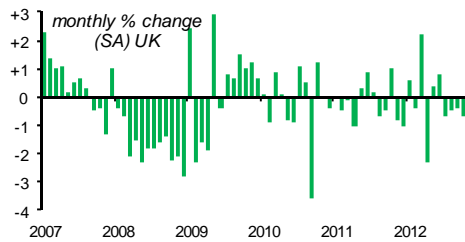
### F3: Housing Market

House prices on the Halifax index fell by 0.7% in October 2012 following a 0.4% decline in September. Prices are now 2.8% lower than a year ago on this measure. House prices on the Nationwide index increased by 0.6% in October 2012 after falling by 0.4% in September. Prices were 0.9 % lower in October compared with a year ago on this measure.

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

#### House price indices

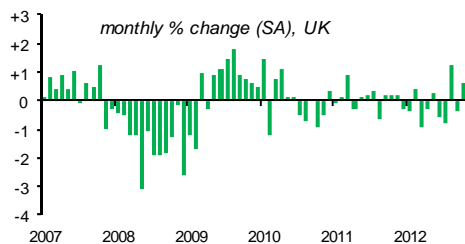
##### Halifax house price index



Latest monthly data  
UK, seasonally adjusted

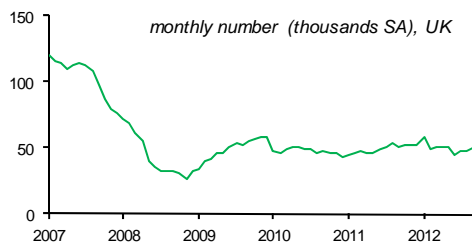
	Halifax	Nationwide
Latest data	Oct-12	Oct-12
Change in month	-0.7%	+0.6%
Change in year	-2.8%	-0.9%
Peak date	Aug-07	Oct-07
Change since peak	-20.6%	-11.8%
Trough date	Apr-09	Feb-09
Change since trough	+2.4%	+9.4%

##### Nationwide house price index



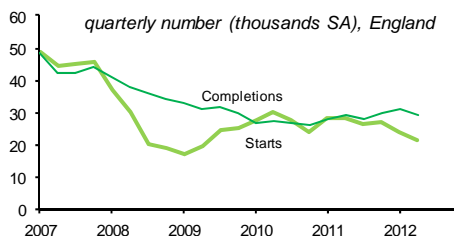
- The recovery in house prices since early 2009 has been tepid. In mid-2012 the average house price on the Halifax and Nationwide measures was just over £160,000.
- There is considerable regional variation. In Q3 2012 prices rose by 2% in London but fell by 9% in Northern Ireland compared with a year earlier (Nationwide data).

#### Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 50,024 mortgage approvals in September a 4% rise on August. The number of approvals has remained generally flat since early 2010.

#### House-building



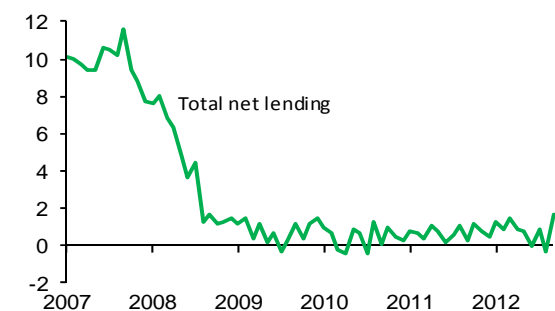
- There were 21,540 house building starts in England in Q2 2012, down 9.6% from 23,820 in Q1 2012. This is above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- There were 29,470 dwelling completions in Q2 2012, down from 31,350 in Q1 2012.

**Contact:** John Bardens, x6933

**Updates:** DCLG, [House-building](#), 15 Nov;  
Bank of England, [Lending to Individuals](#), 29 Nov;  
Nationwide [House Price Index](#), early Dec;  
Halifax [House Price Index](#), early Dec

## F4: Household debt

### Monthly net lending, £bn

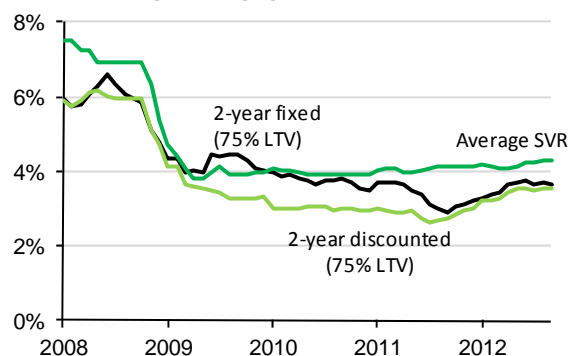


Source: Bank of England

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

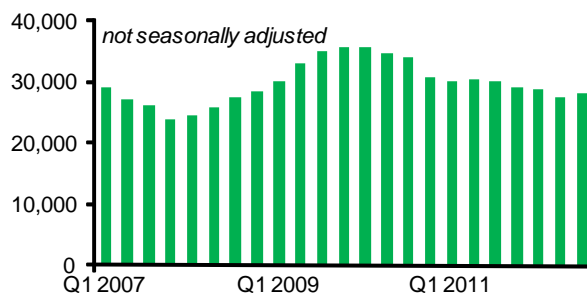
- Total net lending to individuals (excluding student loans) increased by £1.7 billion in September 2012. This compares with a decrease of £0.3 billion in August.
- Monthly net unsecured lending increased by £1.2 billion in September, compared with a decrease of £0.1 billion in August. Monthly net secured lending (mortgages) increased by £0.5 billion in September, compared with a decrease of £0.2 billion in August.

### 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 September was 4.28%, compared with 4.12% a year previously.
- The average fixed mortgage rate was 3.67% in September (2.92% a year ago). The average discounted rate was 3.52% in September (2.73% a year ago). These figures are for a loan to value ratio of 75%.

### Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 28,062 individual insolvencies in England and Wales in Q3 2012, a 7.2% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q3 2012 there were 4,063 individual insolvencies, a decrease of 24.5% on Q3 2011.
- In N Ireland in Q3 2012 there were 844 individual insolvencies, an increase of 38.8% on Q3 2011.

**Contact:** Lorna Booth, x2883

**Update:** Bank of England, [Lending to Individuals](#), 29 Nov  
Insolvency Service, [Insolvency Statistics](#), 1 Feb

## 5 Indicator sources

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

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

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

## 6 Glossary

### Symbols and abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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