



Economic Indicators, December 2012

RESEARCH PAPER 12/75 03 December 2012

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

- The second release of GDP data for Q3 2012 left unchanged the preliminary estimate of 1% growth in the economy - the largest quarterly rise since Q3 2007. The ONS commented that the reduction in working days (due to the Diamond Jubilee) in the second quarter of 2012 and the hosting of the Olympic and Paralympic Games in the third quarter of 2012 may explain why growth seems so buoyant compared with previous quarters.
- The unemployment rate fell to 7.8% and employment grew to 29.6 million over the quarter to September.
- CPI inflation rose slightly to 2.7% in October, up from the two year low of 2.2% recorded in September.

This month's articles

- **Pay differences in the UK**
- **House building and the construction industry**

Chris Rhodes (editor)

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Research Paper 12/75

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Economic Policy and Statistics section

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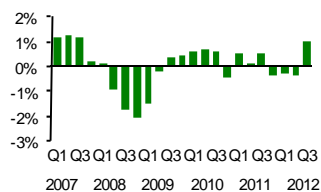
Summary

The second release of GDP data for Q3 2012 left unchanged the preliminary estimate of 1% growth in the economy - the largest quarterly rise since Q3 2007. The ONS commented that the reduction in working days (due to the Diamond Jubilee) in the second quarter of 2012 and the hosting of the Olympic and Paralympic Games in the third quarter of 2012 may explain why growth seems so buoyant compared with previous quarters. The unemployment rate fell to 7.8% and employment grew to 29.6 million over the quarter to September. CPI inflation rose slightly to 2.7% in October, up from the two year low of 2.2% recorded in September.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP increased by 1.0% in Q3 2012. This figure was not revised from the preliminary estimate published in October. GDP is 0.1% lower than a year ago. GDP remains 3.1% below its pre-recession level in Q1 2008.

Inflation (CPI)

[page 7](#)

(% change on year ago)

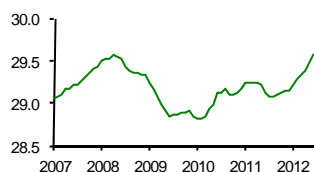


The CPI annual inflation rate was 2.7% in October, up from 2.2% in September. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

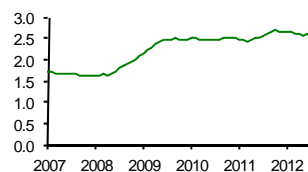


Employment among all people over 16 rose by 100,000 over the quarter to September 2012, to 29.58 million. The employment rate rose to 71.2%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

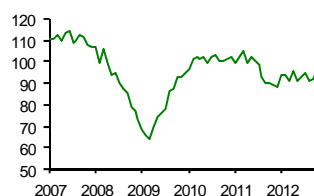


Compared with the previous quarter, ILO unemployment fell by 49,000 to 2.51 million in the three months to September. The unemployment rate fell to 7.8%.

Economic sentiment index

[page 19](#)

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



Between October and November the overall UK sentiment index (which measures business and consumer sentiment about the economy) rose by 3.1 points to 100.2. This is its highest level since June 2011.

Next issue: 8 January

Editor: Chris Rhodes

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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, Chris Rhodes, on x2454.

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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	Chris Rhodes	2454
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GDP	Grahame Allen	3977
Employment	Daniel Harari	2464
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Wages and earnings	Daniel Harari	2464

¹ <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

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

2 Pay differences in the UK

Average earnings have fallen in real terms in recent years as inflation has outpaced wage growth. Newly-released earnings statistics³ reveal how average earnings levels changed in 2012 for different groups in society.

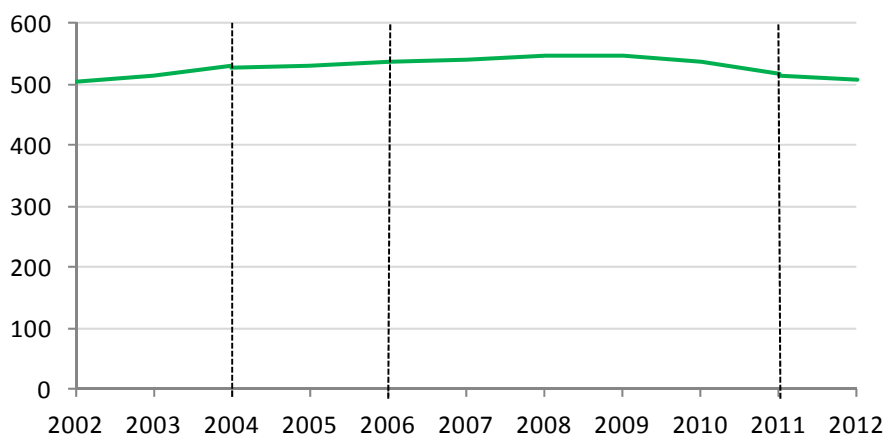
2.1 Changes over past decade

In the UK, median gross weekly earnings of full-time employees were £506 in April 2012, a rise of 1.5% from £498 in April 2011.⁴ Over the same period, consumer prices (as measured by the CPI inflation measure) rose by twice that amount: 3.0%. 2012 was the fourth successive year in which inflation was higher than earnings growth. Over that time period the cumulative real terms decline in median full-time earnings was 7.1%.

The charts below show how real median full-time earnings have changed over the past decade (all data are for April of each year). Real earnings increased from 2002 to 2008, before falling over the 2008/2009 recession and its aftermath. Between 2002 and 2012, real earnings were up slightly.

Real gross weekly median full-time earnings (£), 2012 prices (using CPI)

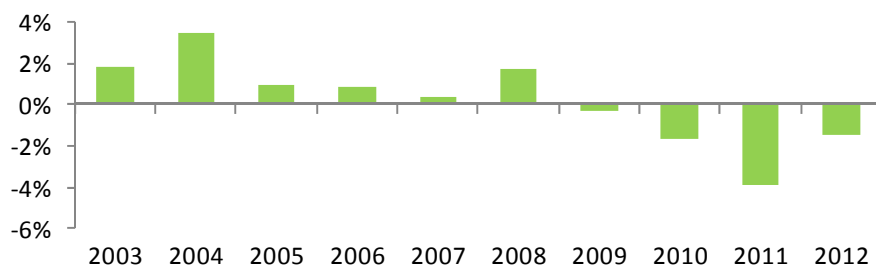
April of each year



Note: Dotted lines indicate discontinuities in the series

Real terms annual change (%) in gross weekly median full-time earnings

Difference between April of each year ; using CPI



³ All data in this article are from ONS, *Annual Survey of Hours and Earnings (ASHE) 2012*, 22 Nov 2012. Data are collected from employers for April of each year. All data are for employees – this excludes the self-employed.

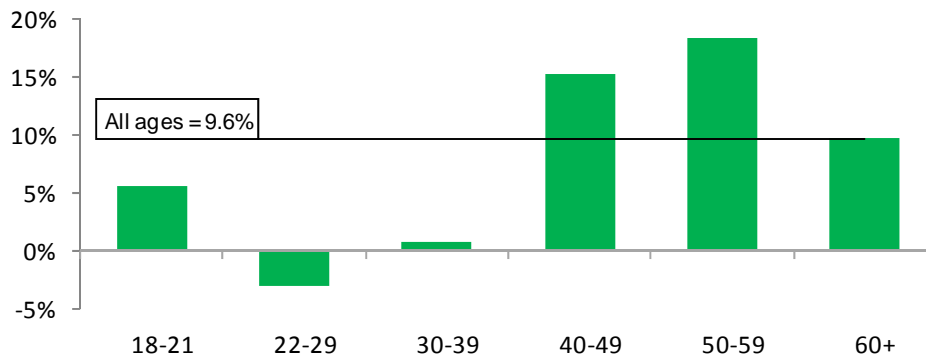
⁴ The median is the point at which half of earners earn more than, and half less than.

2.2 Differences by gender and age group

The gender pay gap – how much more men are paid than women for full-time hourly pay – narrowed from 10.5% in April 2011 to 9.6% April 2012. This gap, however, is not uniform. The chart below shows how the gender pay gap varies depending on age group, with older age groups seeing a much larger gender pay difference. In fact, the median wage for women aged 22-29 in full-time employee jobs is higher than for men.

Gender pay gap by age group, April 2012 (how much more men are paid than women)

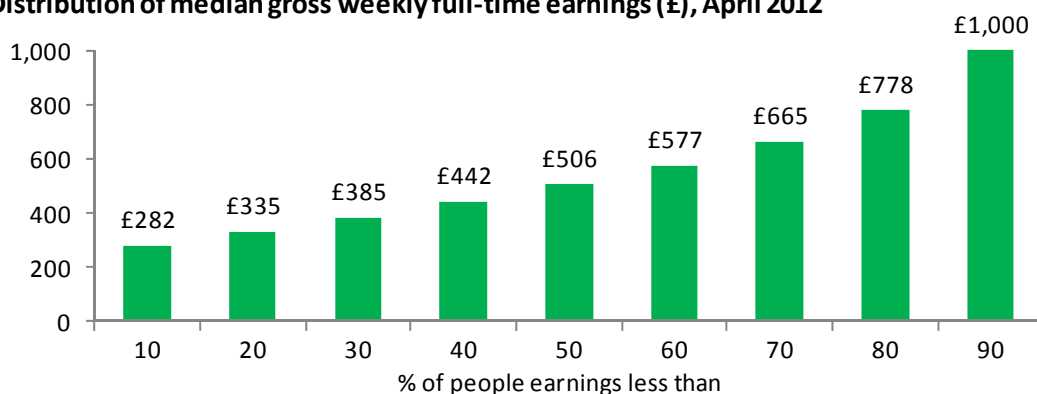
Full-time median gross hourly pay (excl overtime) of employees



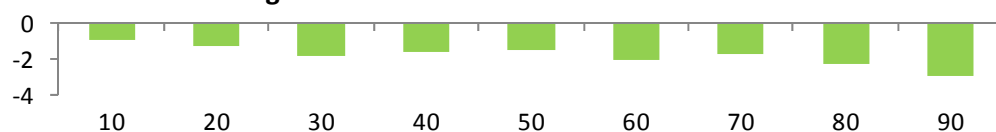
2.3 Differences by distribution of earnings

So far, the focus has been on the middle point of the earnings distribution (the median). Looking at the wider distribution of earnings shows the difference between high earners and those with lower-paid jobs. In April 2012, 10% of full-time employees were paid less than £282 per week, while 90% of people were paid less than £1,000 per week (so 10% earned more than £1,000 per week). If we look at the annual change in real terms of pay in these groups, all parts of the earnings distribution saw a real decline in earnings between April 2011 and April 2012. Those with relatively low earnings, though, fared relatively better than those with relatively high earnings. Earnings for those in the bottom 10% of the distribution fell by 1.0% in real terms compared to a 2.9% decline for the top 10%.

Distribution of median gross weekly full-time earnings (£), April 2012



Real terms annual % change



Daniel Harari, Economic Policy and Statistics Section

3 House building and the construction industry

The government has stated that a “successful construction industry is vital for sustainable growth” and that a suitable housing stock is “vital for our future economic competitiveness.”⁵ However, the performance of the construction industry has been erratic in recent years and house building has been historically low. This note examines the construction sector and analyses the contribution of house building.

3.1 The crunch on construction

In 2011, the construction sector in the UK was worth £89.5 billion. This was 6.7% of the total UK economy.

The construction sector has suffered in recent years and output has declined by a greater proportion than the whole economy. Between Q1 2008 and Q1 2010, construction output fell by 17%, compared with a 6% fall in the economy overall.

Since then, output in the whole economy has been broadly steady at around 4% below the Q1 2008 level, but output in the construction sector has fluctuated. Construction output increased by 7% over the year to Q1 2011, but the sector suffered another sharp contraction in the first three quarters of 2012. Between Q4 2011 and Q3 2012, construction output fell by 10%, to 18% below the Q1 2008 level.

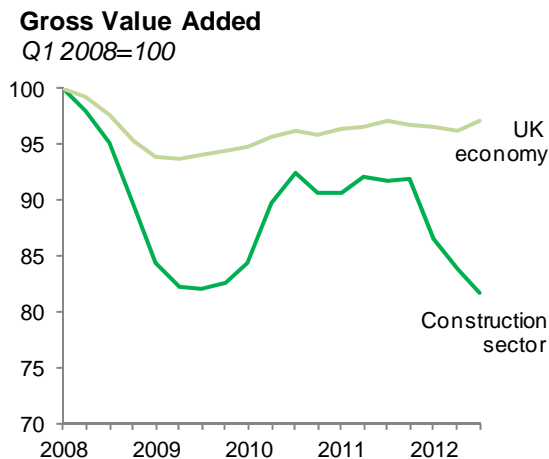
These fluctuations reflect the fact that the construction sector is “disproportionately affected” by downturns in the economy compared with other sectors.⁶ When economic confidence is low, people are less attracted to large and long term investments such as construction projects – the financial crisis resulted in the value of orders to the construction sector falling by 33% between Q1 2008 and Q1 2009.

3.2 Ordering up recovery

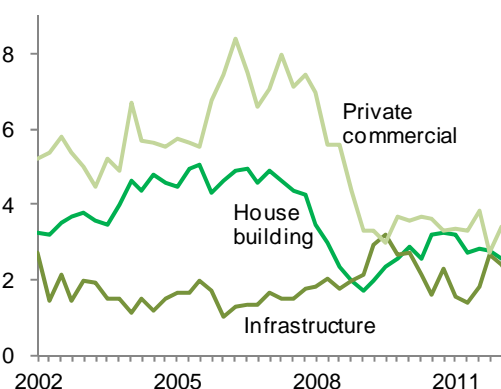
27% of new orders in the construction sector (by value) were for house building in Q2 2012. This compares to 19% for infrastructure, and 29% for private commercial projects (excluding infrastructure).

Following the financial crisis, the construction sector became increasingly reliant on infrastructure projects, and the proportion of orders from this sort of project rose from 8% in mid-2007 to 24% in mid-2009. On average, infrastructure has represented 18% of orders in each quarter since 2008, compared with only 11% of orders in each quarter during the period 1980-2008.

House building orders as a proportion of construction sector orders fell during the late 2000s to a low of 15% in the early part of 2009. A similar reduction occurred in the proportion of



Orders in the UK construction sector
£ billions, 2005 prices, quarterly



⁵ HM Treasury, *Plan for growth*, March 2011, pp 115

⁶ *Ibid*

orders from private commercial projects around the time of the financial crisis. Private commercial orders represented 46% of orders in mid-2006, but only 23% in mid-2009.

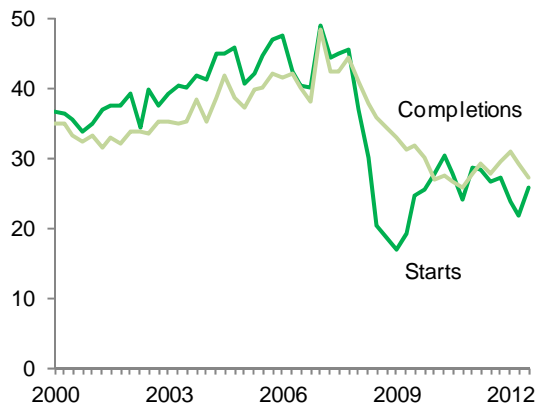
Between Q1 2009 and Q1 2011, the value of housing orders grew by 87%, although it should be noted that Q1 2009 was the post-Second World War low in terms of the value of house building orders. This increase resulted in house building orders increasing as a proportion of all construction orders to pre-crash levels.

3.3 Building the way back?

The increase in the value of housing orders in 2009 and 2010 has not resulted in a significant increase in the numbers of houses being built.

This is partly explained by the fact that the increases in orders 2009 and 2010 were not sufficient to bring the *value* of house building orders back up to the pre-2008 levels. In addition, house building is a lagging indicator of the state of the construction industry. It takes some time for an order to a construction firm to result in a completed house.

Houses started and completed in England
(000s, seasonally adjusted quarterly data)



A more responsive indicator of activity in the house building sector is the number of houses *started*. When economic confidence is high, the number of houses started generally rises, and there tend to be more housing starts than completions. When confidence is low, starts are often outnumbered by completions, as orders for new housing dwindle.

As the economy stalled, there was a striking fall in the number of houses started – there were 54% fewer starts in Q1 2009 compared with Q1 2008. The number of starts recovered in 2009, but has fluctuated since then. The number of housing starts in Q3 2012 was still 30% down on Q1 2008.

The number of houses *completed* in England is at a historically low level. 2010 saw fewer houses completed than in any year since 1946. 2011 saw 114,000 houses completed, the second lowest annual total since 1946. The 2011 total is 35% lower than the number of houses completed in 2007.

House building represents almost a third of construction orders and has recovered better than other sub-sectors in the industry since the financial crisis. The strategic importance of house building means that its continued growth is essential if the government is to meet its aim of a “successful construction industry.”

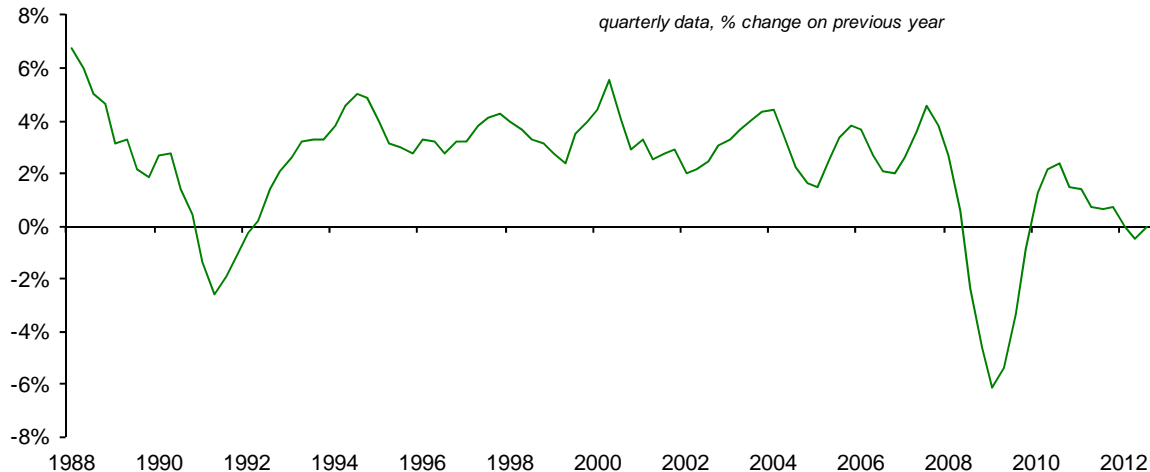
But the barriers to growth in house building are many and complex. They include limited access to credit and planning restrictions, neither of which can be overcome quickly or easily.

Chris Rhodes, Economic Policy and Statistics Section

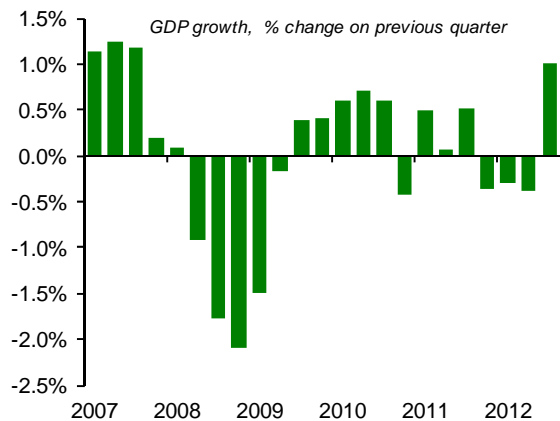
A1: Gross Domestic Product

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 November, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was -0.2% 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	391.5	2.8	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 0.9%, construction sector output decreased by 2.6%, manufacturing output increased by 0.9%, 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 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: HMT, [Comparison of Independent Forecasts](#), 19 Dec
ONS, [Quarterly National Accounts](#), 21 Dec

A2: GDP: International Comparisons

UK output rose by 1.0% in Q3-2012 compared to the previous quarter, while US output expanded by 0.5% over the same period. In the eurozone as a whole, output contracted by 0.1% in Q3 2012, though Germany and France saw their output expand by 0.2%.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	11Q4	12Q1	12Q2	12Q3	11Q4	12Q1	12Q2	12Q3
US	2.0	2.4	2.1	2.3	1.0	0.5	0.3	0.5
Japan	-0.6	2.7	3.4	0.2	-0.3	1.3	0.1	-0.9
UK	0.7	-0.1	-0.5	-0.1	-0.4	-0.3	-0.4	1.0
Germany	1.9	1.2	1.0	0.9	-0.1	0.5	0.3	0.2
France	1.1	0.2	0.1	0.1	0.0	0.0	-0.1	0.2
Eurozone	0.6	0.0	-0.4	-0.6	-0.3	0.0	-0.2	-0.1
G7	1.3	1.7	1.6	1.2	0.4	0.4	0.1	0.2
OECD	1.5	1.7	1.6	..	0.3	0.4	0.2	0.0

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

In **October 2012**, the IMF lowered their 2012 forecast for world growth, last made in April, 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.

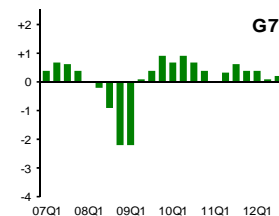
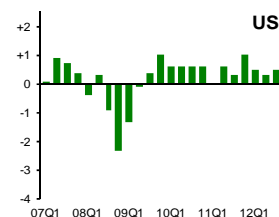
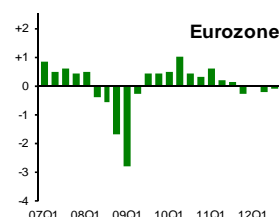
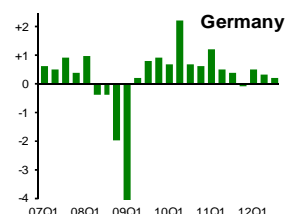
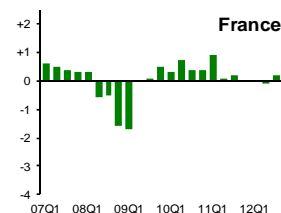
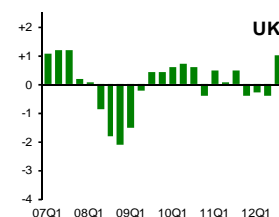
In **November 2012**, the European Commission lowered their 2012 growth forecast for the UK, last made in May, by 0.8 percentage points to -0.3%. Their growth forecast for the euro area was lowered by 0.1 percentage points to -0.4%. 2013 growth forecasts were lowered substantially for all European economies.

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

	IMF (Oct 12)		EC (Nov 12)		OECD (May 12)	
	2012	2013	2012	2013	2012	2013
UK	-0.4	1.1	-0.3	0.9	0.5	1.9
France	0.1	0.4	0.2	0.4	0.6	1.2
Germany	0.9	0.9	0.8	0.8	1.2	2.0
Eurozone	-0.4	0.2	-0.4	0.1	-0.1	0.9
US	2.2	2.1	2.1	2.3	2.4	2.6
Japan	2.2	1.2	2.0	0.8	2.0	1.5
OECD		..	..	..	1.6	2.2
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
World	3.3	3.6	..	..	..	..

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

Quarter-on-quarter growth rates



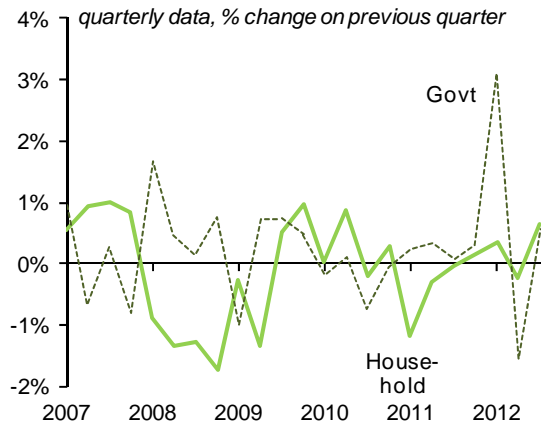
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 10 Dec 2012
EC [Interim Economic Forecast](#), March 2013
IMF [World Economic Outlook update](#), Jan 2013

A3: Components of GDP

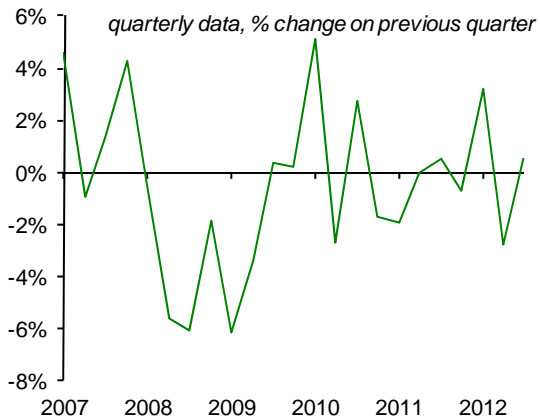
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 60% of the total in 2011. Government consumption accounted for 23% and investment for 15%.

Household consumption and government consumption



- In Q3 2012, household consumption grew by 0.6% in real terms compared with Q2 2012.
- This is the highest rate of growth since Q2 2010 and may well be related to the Olympics and Paralympics
- Exports grew by 1.7% while imports fell by 0.4% in Q3 2012.
- GDP increased by 1.0% in Q3 2012. This figure was not revised from the preliminary estimate published in October. GDP is 0.1% lower than a year ago.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q3 2012 GFCF grew by 0.5% and is 0.3% higher than a year ago.
- Business investment, a component of overall GFCF, increased by 3.7% in Q3 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	0.6%	0.6%	0.5%	1.7%	-0.4%	1.0%

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

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

Update: ONS, [Quarterly National Accounts](#), 21 December

A4: Output and employment by industry

In 2011 (the latest National Accounts data), services accounted for 76% of UK Gross Value Added (GVA), manufacturing 11%, other production (mining & quarrying, and utilities) 6%, construction 7% and agriculture, hunting and fishing 1%. The services sector accounts for 87% of total workforce jobs (Q2 2012).

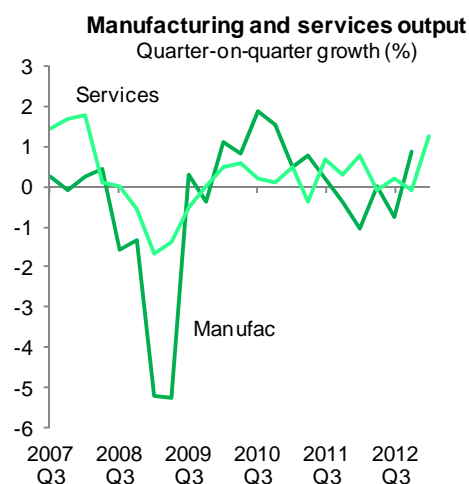
Output

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
2012 Q1	0.1	-1.2	-4.7	1.2
2012 Q2	-0.4	-2.2	-9.0	0.8
2012 Q3	0.0	-0.9	-10.9	1.3
<i>Quarter-on-quarter % changes</i>				
2012 Q1	0.0	-5.9	0.2	-0.3
2012 Q2	-0.8	-3.1	-0.1	-0.4
2012 Q3	0.9	-2.6	1.3	1.0

Source: ONS Series L2KX, L2N8, L2NC, YBEZ



- Manufacturing output rose by 0.9% in the third quarter of 2012, following a 0.8% fall in the previous quarter. Services rose by 1.3%. Construction output fell by 2.6%.
- The ONS commented that the overall picture was one of “weak growth over the last quarter, bolstered by special factors such as the Olympics and Paralympics Games.”
- Manufacturing output rose by 2.0% in 2011 and services by 1.2%. Construction output grew by 2.6%.

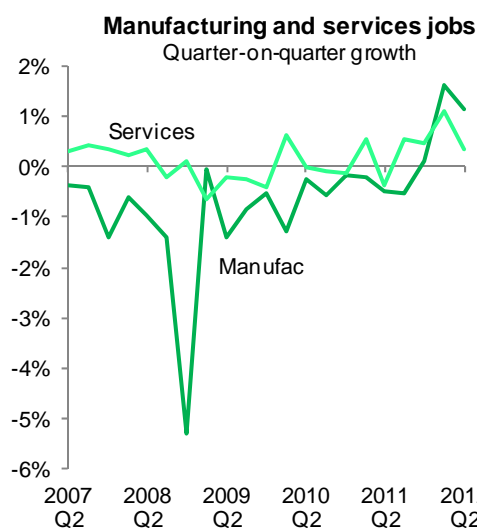
Employment

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



- 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.

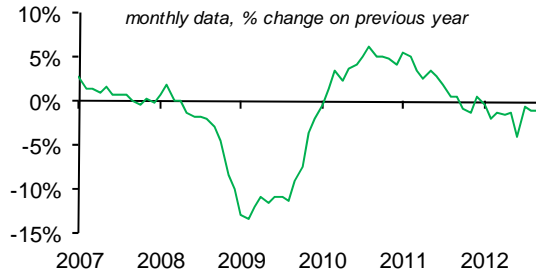
Contact: Chris Rhodes, x2454

Update: ONS, [Workforce jobs](#), 12 December 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

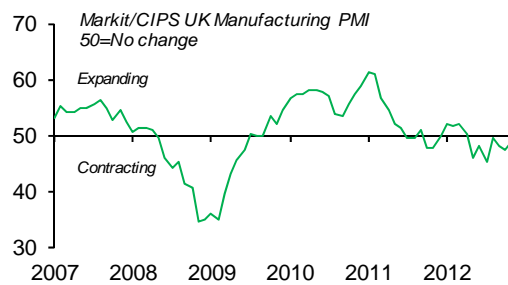


		Index Value (2009=100)	% change over month	% change over 12 months
2010		103.8	...	3.8
2011		106.0	...	2.1
2012	Jun	102.6	-2.9	-3.9
	Jul	105.9	+3.2	-0.6
	Aug	104.7	-1.1	-1.1
	Sep	104.8	+0.1	-1.0

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 18th consecutive monthly fall on the same month a year ago.

Manufacturing Purchasing Managers' Index

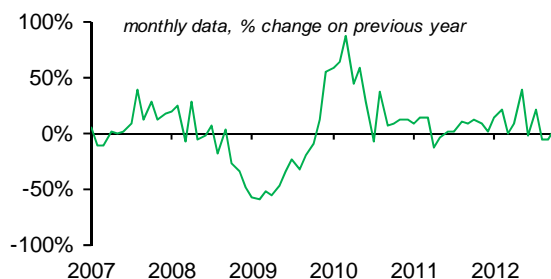


		Index	Monthly change
2010	Nov	57.5	...
2011	Nov	47.7	...
2012	Aug	49.6	+4.4
	Sep	48.1	-1.5
	Oct	47.5	-0.6
	Nov	49.1	+1.6

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

- The Markit/CIPS UK Manufacturing PMI rose to 49.1 in November from 47.5 in October (where 50.0 is no change).
- Markit welcomed November's data but stated that "manufacturing is unlikely to help prevent a possible slide back into contraction in the fourth quarter of 2012."

Vehicle Production



		Number '000s	% change over 12 months
2010		1,393	+27.8
2011		1,465	+5.1
2011	Oct	140	+12.5
2012	Aug	86	-7.0
	Sept	138	-7.0
	Oct	149	+6.4

Source: SMMT, not seasonally adjusted

- UK vehicle production was 149,000 in October 2012, 6.4% higher than October 2011. SMMT welcomed this increase but stated that there remain significant challenges as European market demand remains weak.
- 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 Dec
Markit/CIPS [UK Manufacturing PMI](#), 2 Jan
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.

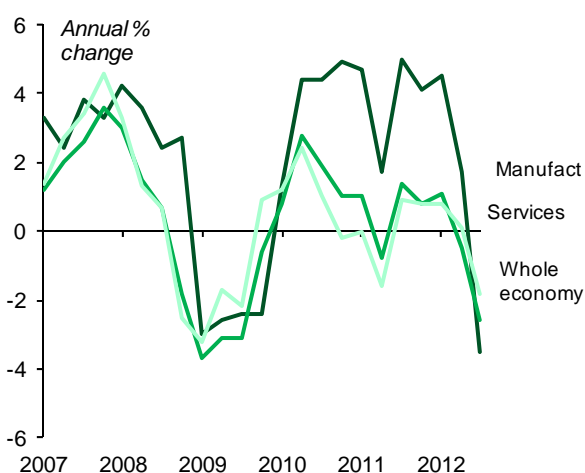
UK productivity by sector

- 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
2011			
Q2	5.0	0.9	1.4
Q3	4.1	0.8	0.8
Q4	4.5	0.8	1.1
2012			
Q1	1.7	0.1	-0.5
Q2	-3.5	-1.8	-2.6
<i>Latest q-on-q % change</i>	-0.8	-1.5	-0.9

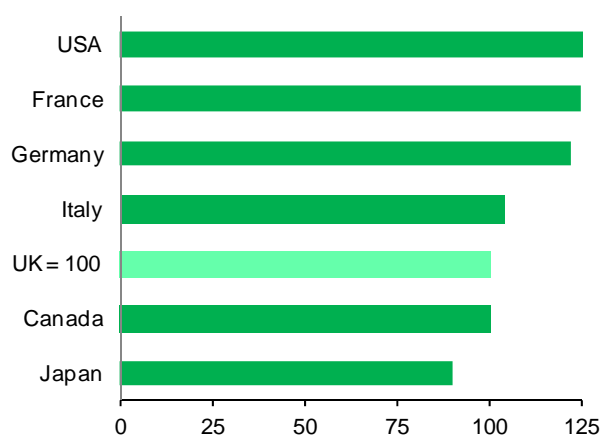
Source: ONS series LZVD, DJK8, DJQ3



- 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

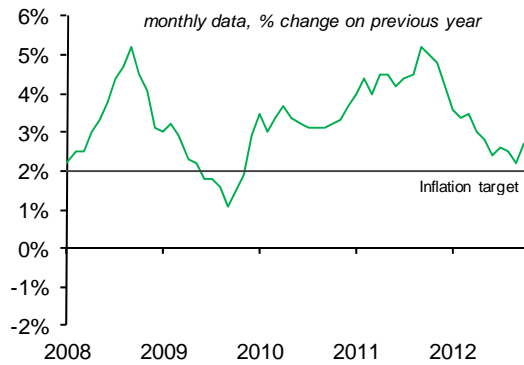
Update: ONS, [Labour Productivity](#), 3 Jan 2013
 ONS, [International Comparisons](#), Feb 2013

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.7% in October up from 2.2% in September (which had been the lowest rate since November 2009) and above the Bank of England's 2% target for the thirty-fifth successive month.

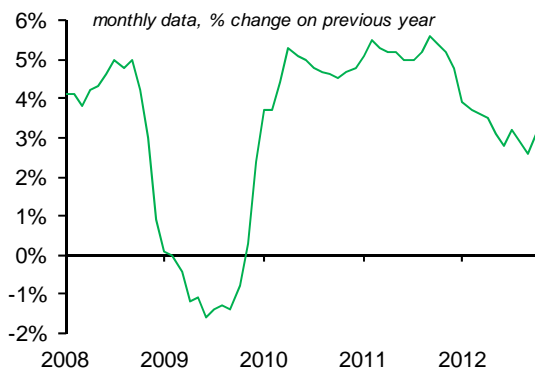
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.7% in October, up from 2.2% in September (the September figure was the lowest CPI inflation rate since November 2009).
- The main upward pressure came from the education sector (university tuition fees) along with food & non-alcoholic beverages and transport.
- The RPI (all items) measure of annual inflation was 3.2% in October, up from 2.6% in September. The September figure was the lowest RPI inflation rate since December 2009.

Retail Prices Index (RPI)



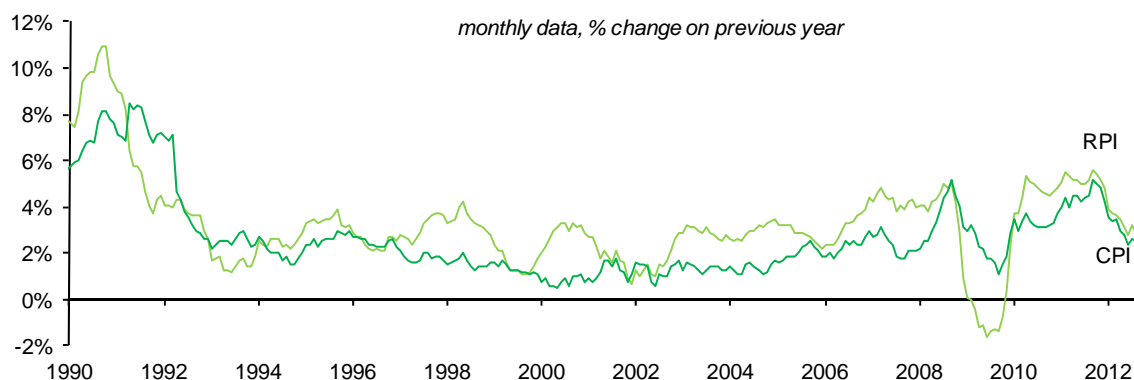
Price Indices

% change on a year ago

		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
2012	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
	Oct	2.7	3.2

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1990

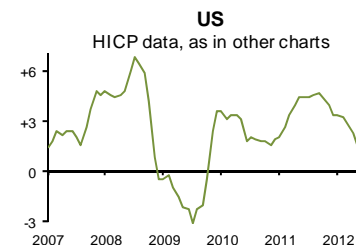
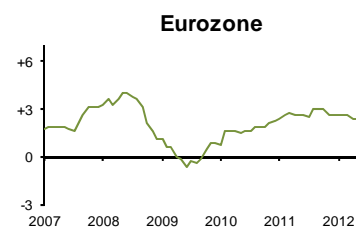
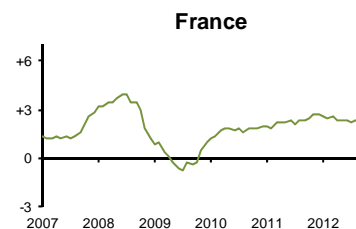


B2: Inflation: International

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 calculation 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 October, UK inflation was 2.7%, up from 2.2% in September. The Bank of England's UK inflation target is 2%.
- The flash estimate of Eurozone inflation in the year to November 2012 was 2.2%, down from 2.5% in October. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Greece had the lowest annual inflation rate in the EU in October, at 0.9%. The highest rate was in Hungary, at 6.0%.
- HICP annual inflation in the US in the year to September was 2.0%, up from 1.7% in August. US inflation in the year to October was 2.2% using its own national definition.



Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Jul-12	Aug-12	Sep-12	Oct-12
HICP (ONS/Eurostat)							
UK	2.2	3.3	4.5	2.6	2.5	2.2	2.7
Eurozone	0.3	1.6	2.7	2.4	2.6	2.6	2.5
EU	1.0	2.1	3.1	2.5	2.7	2.7	2.6
France	0.1	1.7	2.3	2.2	2.4	2.2	2.1
Germany	0.2	1.2	2.5	1.9	2.2	2.1	2.1
Greece	1.3	4.7	3.1	0.9	1.2	0.3	0.9
Italy	0.8	1.6	2.9	3.6	3.3	3.4	2.8
Spain	-0.2	2.0	3.1	2.2	2.7	3.5	3.5
US	1.0	2.1	3.1	1.4	1.7	2.0	:
National definitions (OECD)							
Canada	0.3	1.8	2.9	1.3	1.2	1.2	1.2
Japan	-1.3	-0.7	-0.3	-0.4	-0.5	-0.3	..
US	-0.4	1.6	3.2	1.4	1.7	2.0	2.2
G7	-0.1	1.4	2.6	1.4	1.6	1.7	..
OECD	0.5	1.9	2.9	1.9	2.1	2.2	..
Brazil	4.9	5.0	6.6	5.2	5.2	5.3	5.4
China	-0.7	3.3	5.4	1.8	2.0	1.9	1.7
India	10.9	12.0	8.9	9.8	10.3	9.1	..
Russia	11.7	6.9	8.4	5.6	5.9	6.6	6.5

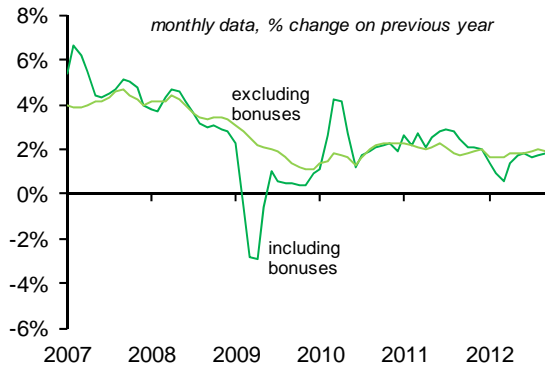
Source: ONS, Eurostat & stat.OECD database

Contact: Feargal McGuinness, x4904 **Updates:** ONS [Consumer Prices bulletin \(UK\)](#), 18 Dec 2012
Eurostat, [HICP full release](#), 14 Dec 2012
Eurostat, [Flash estimate \(Dec\)](#), 04 Jan 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.8% in September compared with a year ago, up from 1.7% in August. Average weekly earnings excluding bonuses rose by 1.9% in the three months to September compared with a year ago, down 0.1 percentage points on August. Inflation as measured by the CPI was 2.2% in September 2012 (latest data for October is 2.7%).

Average Earnings, Whole Economy



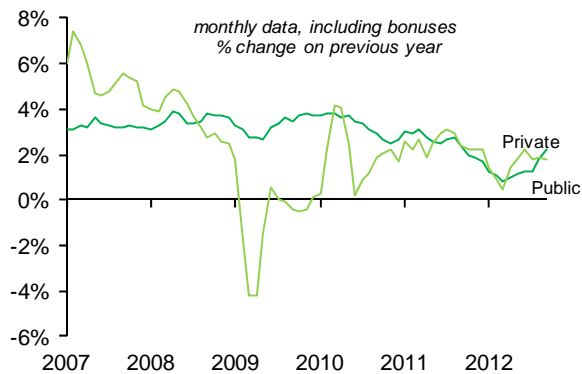
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 Sep	-0.4	3.5	0.8	0.7	0.5
2010 Sep	1.9	2.9	4.5	2.0	2.1
2011 Sep	2.4	2.4	1.6	2.5	2.4
2012 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
Sep	1.8	2.2	2.0	1.9	1.8

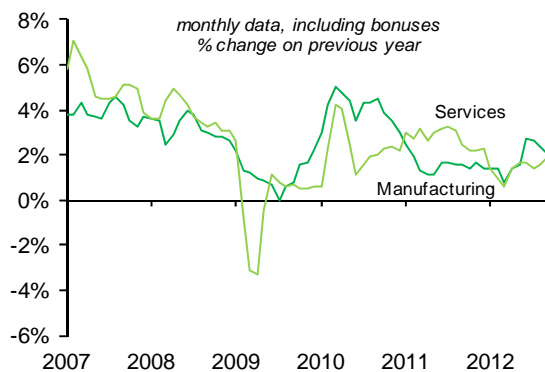
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.8% in the three months to September, compared with 2.2% in the public sector. Excluding financial services, public sector earnings rose by 2.3%.
- Average weekly earnings (including bonuses) in August in the public sector were £488 compared with £467 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

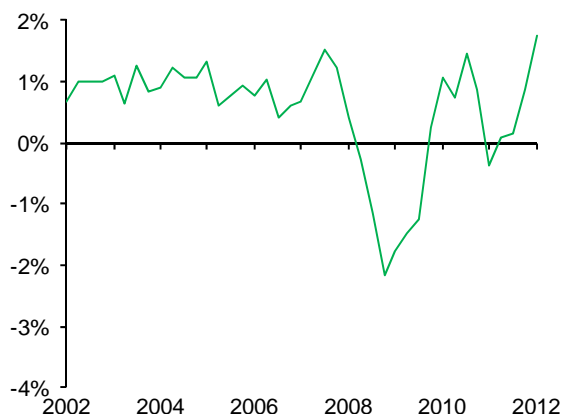


- Average total pay growth (including bonuses) in the manufacturing sector was 2.0% in the three months to September, compared with 1.9% in the services sector.
- Average weekly earnings (including bonuses) in August in the manufacturing sector were £543 compared with £458 in the services sector.
- In 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

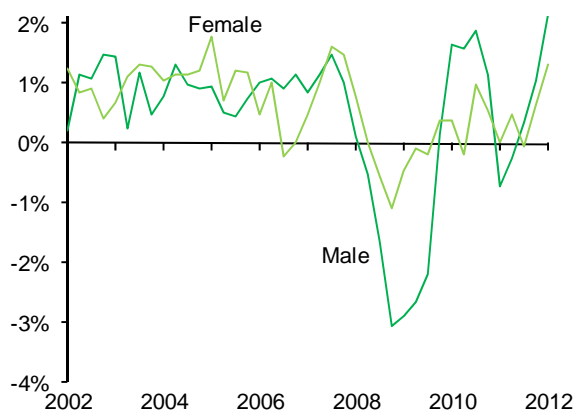
Employment among all people over 16 rose by 100,000 over the quarter to September 2012, to 29.58 million. This is 0.1% below the pre recession peak in the three months to May 2012.

Total employment (% change on previous year)



- Over the past year, employment rose among all age groups in the table below. However, it fell for 16-24 year olds over the last quarter.
- The number of self-employed people fell by 11,000 over the quarter, to 4.20 million. The number of employees rose by 87,000 over the same period, to 25.11 million.
- The number of people employed part-time rose by 49,000 over the quarter, to 8.12 million.
- The number of people employed full-time rose by 51,000 to 21.46 million.

Employment by gender (% change on previous year)



- The number of men in employment increased by 39,000 over the last quarter to 15.87 million.
- The number of women in employment increased by 61,000 over the last quarter to 13.70 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+
Jul-Sep 2010	29,173	3,828	17,145	7,342	858
Jul-Sep 2011	29,063	3,625	17,205	7,383	849
Oct-Dec 2011	29,146	3,640	17,224	7,408	874
Jan-Mar 2012	29,274	3,651	17,285	7,449	890
Apr-Jun 2012	29,476	3,690	17,352	7,502	931
Jul-Sep 2012	29,576	3,686	17,409	7,537	945
% change on previous 3 months	+0.3	-0.1	+0.3	+0.5	+1.5
% change on previous year	+1.8	+1.7	+1.2	+2.1	+11.3

Source: ONS

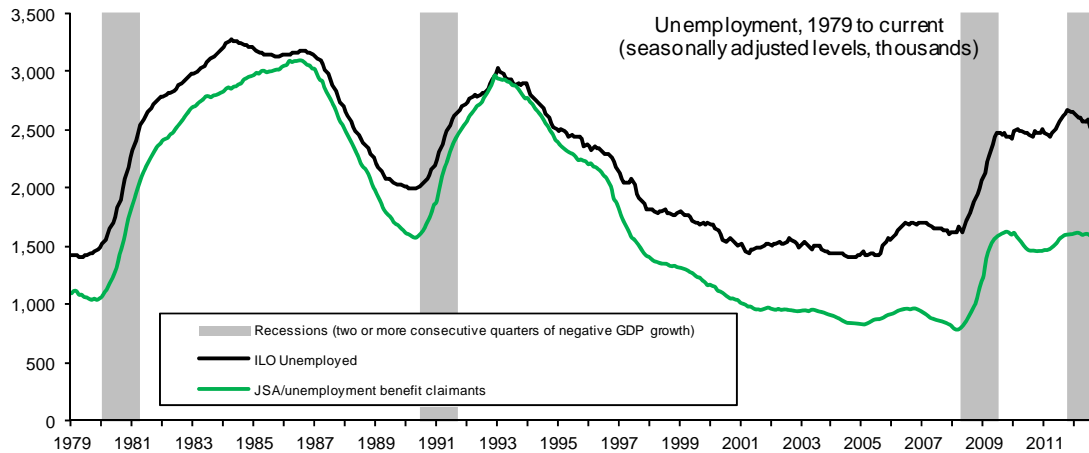
Contact: Chris Rhodes, x2454

Update: ONS, [Labour Market Statistics](#), 12 Dec

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 July to September 2012 was 2.51 million (7.8% of all economically active) – down 49,000 from the previous quarter. (UK, seasonally adjusted.)**



[Source: ONS, *Labour Market Statistics*]

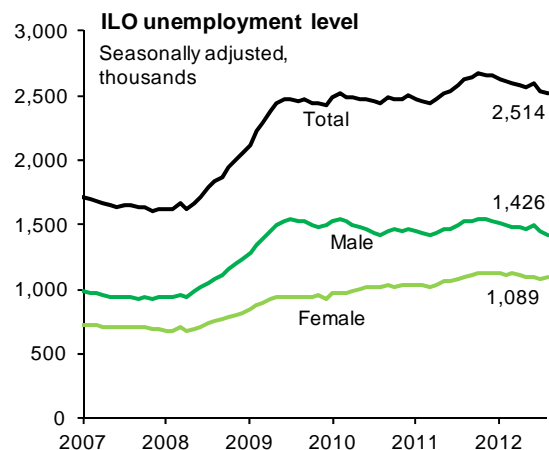
ILO unemployment (July to September 2012)

There were 894,000 people unemployed for more than 12 months, an increase of 12,000 on the previous quarter.

The unemployment level among 16- to 24-year-olds was 963,000, down 49,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 10,100 between September and October 2012 to 1.58 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	(%)
Jul-Sep 2007	1,650	5.3	710	14.5	696	3.9	232	3.2	12	1.8
Jul-Sep 2008	1,836	5.9	765	15.5	801	4.4	251	3.4	19	2.6
Jul-Sep 2009	2,462	7.9	940	19.9	1,147	6.3	350	4.6	24	3.1
Jul-Sep 2010	2,442	7.7	900	19.0	1,149	6.3	374	4.9	19	2.1
Jul-Sep 2011	2,624	8.3	1,016	21.9	1,197	6.5	385	5.0	26	3.0
Oct-Dec 2011	2,657	8.4	1,033	22.1	1,200	6.5	398	5.1	26	2.9
Jan-Mar 2012	2,610	8.2	1,016	21.8	1,175	6.4	391	5.0	28	3.1
Apr-Jun 2012	2,564	8.0	1,012	21.5	1,149	6.2	384	4.9	20	2.1
Jul-Sep 2012	2,514	7.8	963	20.7	1,155	6.2	377	4.8	20	2.1
% change on quarter	-1.9		-4.8		+0.5		-1.8		+1.5	
% change on year	-4.2		-5.2		-3.5		-2.2		-24.7	

Source: ONS, *Labour Market Statistics*.

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

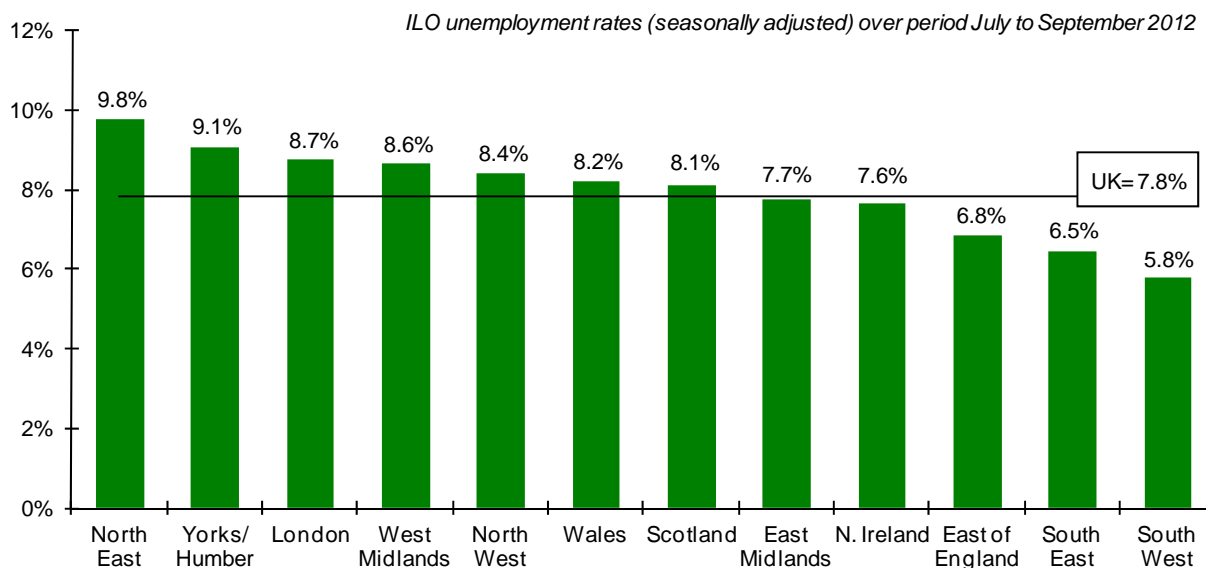
Contact: Jack Evans, x6920

Update: ONS, *Labour Market Statistics*, 12 December 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 July to September 2012, the North East had the highest unemployment rate, at 9.8% of the economically active population. The lowest rate over the same period was 5.8% in the South West.



- The largest increase in unemployment over the last quarter was in the East of England (up 8,000). The largest decrease was in the North West (down 26,000).
- The seasonally-adjusted JSA claimant count increased in all countries and regions, in October, compared with September 2012.

Key labour market statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	July - September 2012		Change in level		October 2012	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	127	9.8	-7	-23	95.5	+1.1
North West	293	8.4	-26	-2	199.6	+1.1
Yorkshire & Humber	247	9.1	-20	-27	164.5	+1.1
East Midlands	178	7.7	-15	-8	108.5	+0.4
West Midlands	235	8.6	-0	-2	164.0	+0.4
East of England	212	6.8	+8	-1	113.9	+0.0
London	372	8.7	+6	-29	224.5	+2.9
South East	289	6.5	+6	+11	137.8	+0.7
South West	155	5.8	-2	-22	88.4	+1.0
Wales	121	8.2	-5	-14	80.7	+0.7
Scotland	218	8.1	+4	+3	140.7	+0.1
Northern Ireland	67	7.6	+1	+4	64.1	+0.6

Source: ONS, *Labour Market Statistics*

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

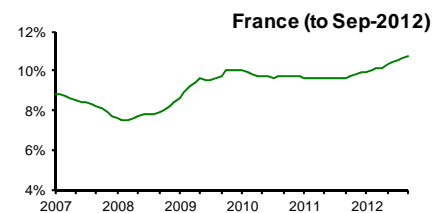
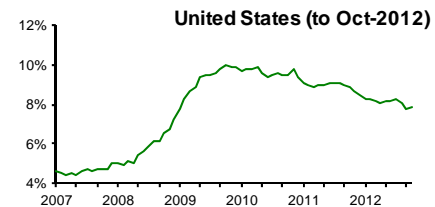
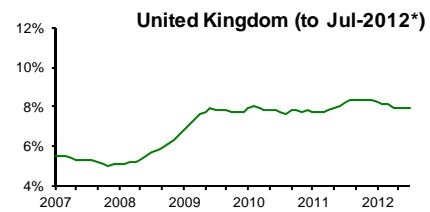
Contact: Aliyah Dar, x5919

Update: ONS, *Labour Market Statistics*, 12 December 2012

C4: Unemployment: International Comparisons

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

- The UK harmonised unemployment rate for Q3 2012 is not yet available. The non-harmonised UK unemployment rate in Q3 2012 was 7.8%, down from 7.9% on the previous quarter. This is below the rate of France and Italy (both 10.7%), but above that of Germany (5.4%). The UK rate for Q3 2012 is non-harmonised so these are not direct comparisons. However, the harmonised rate is usually within 0.1 percentage points of the non-harmonised rate.
- In the US, unemployment fell from 8.2% to 8.1% between Q2 2012 and Q3 2012. Compared with a year ago unemployment is 1 percentage point lower. More recent monthly data show unemployment to have fallen to 7.9% in October 2012.
- In the eurozone, unemployment rose from 11.3% to 11.5% between Q2 2012 and Q3 2012, driven by rising unemployment in France, Italy and Spain.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states (25.5% in Q3 2012), having risen particularly sharply over the last four years (up from 11.8% in Q3 2008). Ireland has also seen a sharp rise over the same period (up from 6.9% to 15.0% in Q3 2012). This compares with a 2 percentage point rise in unemployment in the OECD as a whole since Q3 2008 (from 6.0% to 8.0%) and a 3.8 percentage point rise in the euro zone (from 7.7% to 11.5%) over the same period.
- South Korea has the lowest unemployment rate in the OECD (3.1%).
- The most recent forecasts published by the European Commission ([European Economic Forecast](#), November 2012) suggested the UK unemployment rate would be 7.9% in 2012 (a downward revision of 0.6 percentage points from the spring 2012 forecast), and 8.0% in 2013. The respective forecasts for the euro zone were 11.3% in 2012 and 11.8% in 2013.



* latest figure refers to quarterly survey conducted over Jun-Aug 2012

Unemployment

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

	2009	2010	2011	2010		2011				2012		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Canada	8.3	8.0	7.5	8.0	7.7	7.7	7.5	7.3	7.5	7.4	7.3	7.3
France	9.5	9.7	9.6	9.7	9.7	9.6	9.6	9.6	9.8	10.0	10.3	10.7
Germany	7.8	7.1	6.0	6.9	6.7	6.3	6.0	5.8	5.6	5.6	5.5	5.4
Italy	7.8	8.4	8.4	8.3	8.3	8.0	7.9	8.5	9.2	10.0	10.5	10.7
Japan	5.1	5.1	4.6	5.0	5.0	4.8	4.7	4.4	4.5	4.5	4.4	4.2
UK	7.6	7.8	8.0	7.7	7.8	7.7	7.9	8.3	8.3	8.1	7.9	7.8*
US	9.3	9.6	9.0	9.5	9.6	9.0	9.0	9.1	8.7	8.3	8.2	8.1
Euro zone	9.6	10.1	10.1	10.1	10.1	9.9	9.9	10.2	10.6	10.9	11.3	11.5
G7	8.0	8.2	7.7	8.1	8.1	7.7	7.7	7.7	7.6	7.5	7.5	7.4
OECD	8.4	8.6	8.2	8.3	8.2	8.0	7.9	8.0	8.0	7.9	7.9	8.0

Source: OECD, Harmonised Unemployment Rates

*non-harmonised Q3 data from ONS LFS

Contact: Jack Evans, x6920

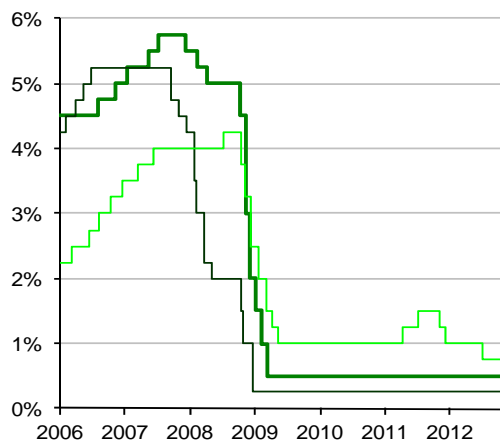
Updates: OECD, [Harmonised Unemployment Rates](#), 10 Dec

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
2001 Nov 8	4.00	2007 May 10	5.50
2003 Feb 6	3.75	2007 Jul 5	5.75
2003 Jul 10	3.50	2007 Dec 6	5.50
2003 Nov 6	3.75	2008 Feb 7	5.25
2004 Feb 5	4.00	2008 Apr 10	5.00
2004 May 6	4.25	2008 Oct 8	4.50
2004 Jun 10	4.50	2008 Nov 6	3.00
2004 Aug 5	4.75	2008 Dec 4	2.00
2005 Aug 4	4.50	2009 Jan 8	1.50
2006 Aug 3	4.75	2009 Feb 5	1.00
2006 Nov 9	5.00	2009 Mar 5	0.50

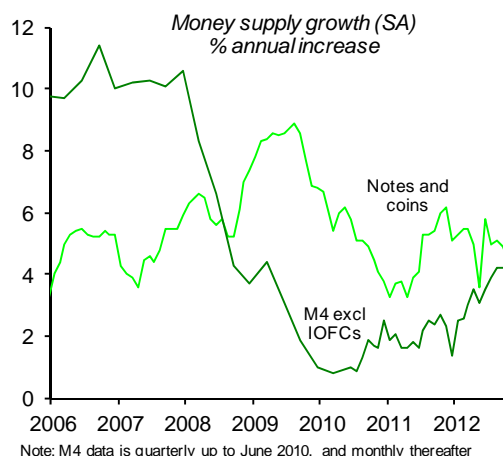
Source: Bank of England

- 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. It was further increased as follows: up by £75 billion in October 2011; £50 billion in February 2012 and £50 billion in July 2012, to a total of £375 billion.
- At its November meeting, the Bank's Monetary Policy Committee decided that 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



- In its November 2012 *Inflation Report*, the Bank of England noted that the increase in broad money supply growth in Q3 is likely, in part, to be a result of the Monetary Policy Committee's purchase of £35 billion of gilts during the quarter (as part of its Quantitative Easing programme).
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.2% in September 2012, unchanged from August 2012.
- The value of notes and coins in circulation outside the Bank of England rose by 4.4% in October 2012 compared with a year ago, down from 4.4% in September 2012.

Contact: Daniel Harari, x2464

Updates: [Monetary policy meeting](#), 6 Dec (UK); 6 Dec (ECB); 12 Dec(US)
Bank of England, [Monetary and Financial Statistics](#), 5 Dec

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.

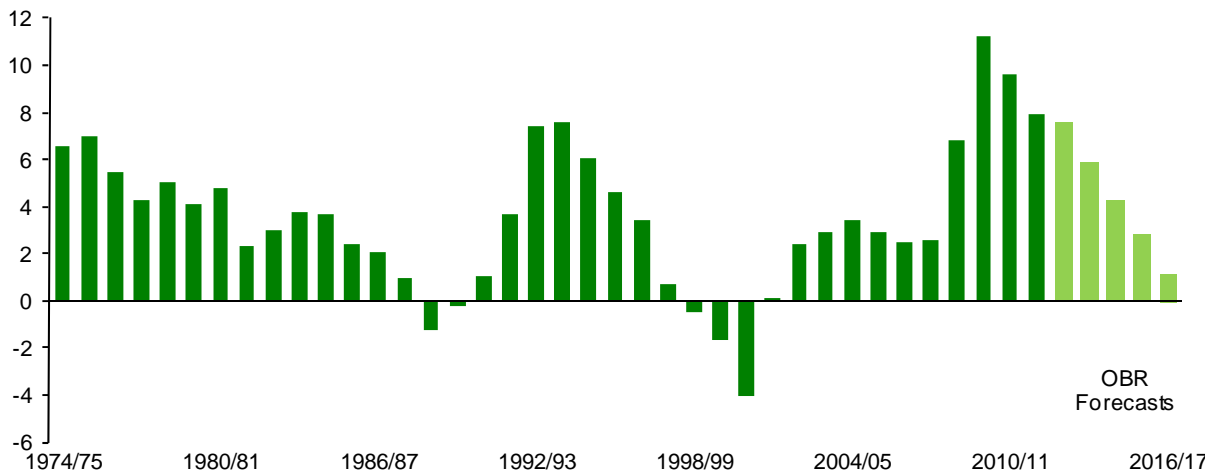
- Public sector net borrowing was £8.6 billion in October 2012, £2.7 billion more than in October 2011.
- Excluding the effects of the £28 billion Royal Mail pension transfer, borrowing so far in 2012/13 is £73.3 billion, 7.4% higher than over the same period last year. The OBR forecasts that borrowing will fall slightly in 2012/13 as a whole.
- At the end of October 2012 public sector net debt was 67.9% of GDP. Public sector net debt is forecast to peak at 76.3% of GDP in 2014/15.

	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	121	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

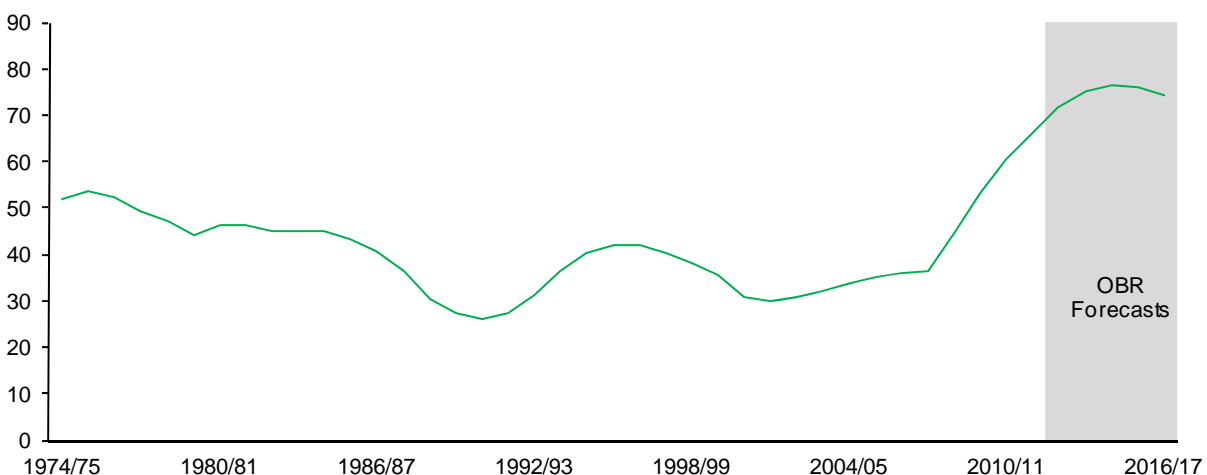
Source: ONS, OBR. Excludes financial sector interventions

Note: '12/'13 figures exclude Royal Mail pension transfer

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Updates: OBR, Updated forecasts, 5 Dec 2012
ONS, [Public Sector Finances](#), 21 Dec 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 30 Nov 2012

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
30 Nov 2012	5,866.8	111.2	1,725.4
%change over:			
1-month	+0.3%	+2%	+0.9%
12-months	+7%	+0.6%	+0.6%
%change from:			
cyclical peak	-13%	-24%	-9%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+67%	+206%	+143%
date	03 Mar '09	24 Dec '08	24 Oct '08

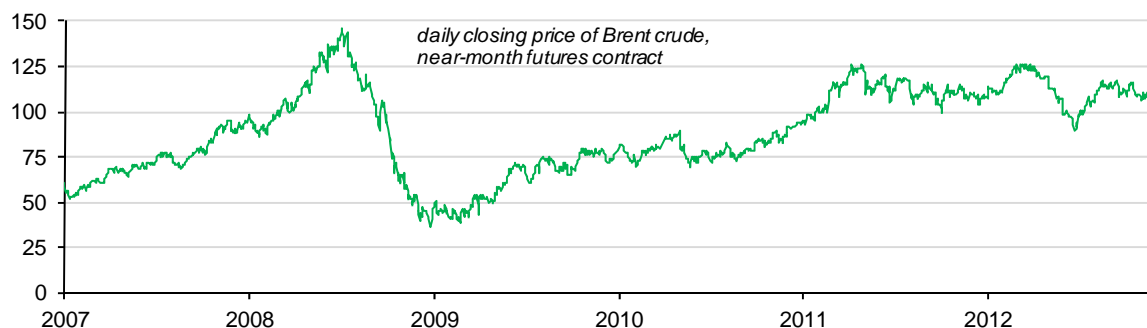
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Oil price (\$ per barrel)



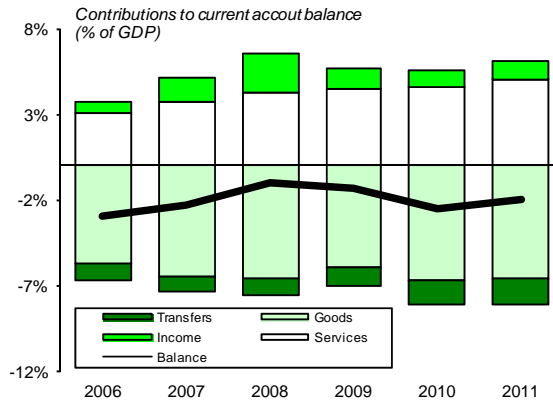
Gold price (\$ per ounce)



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 £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.

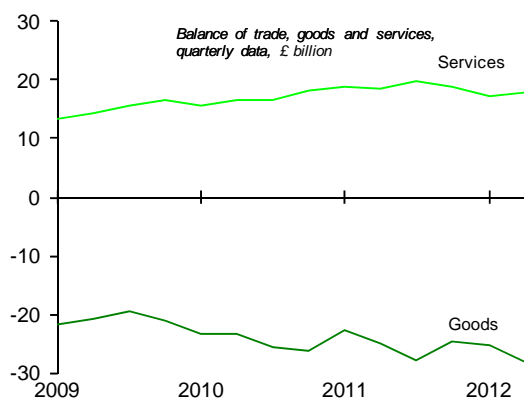
Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance	
	Balance	Balance	Exports	Imports				Balance
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 September was £8.4bn, narrowing from £10.0bn in August.
- The monthly trade surplus on services was an estimated £5.669bn in September, up slightly from the August surplus of £5.675bn.
- The overall monthly deficit on goods and services combined in September was £2.7bn, narrowing from £4.3bn in August.
- The goods deficit with the EU27 was £4.4bn in September, down from £5.0bn in August, while the deficit with non-EU countries was £4.0bn in September, down from £5.0bn in August.

Contact: Grahame Allen, x3977

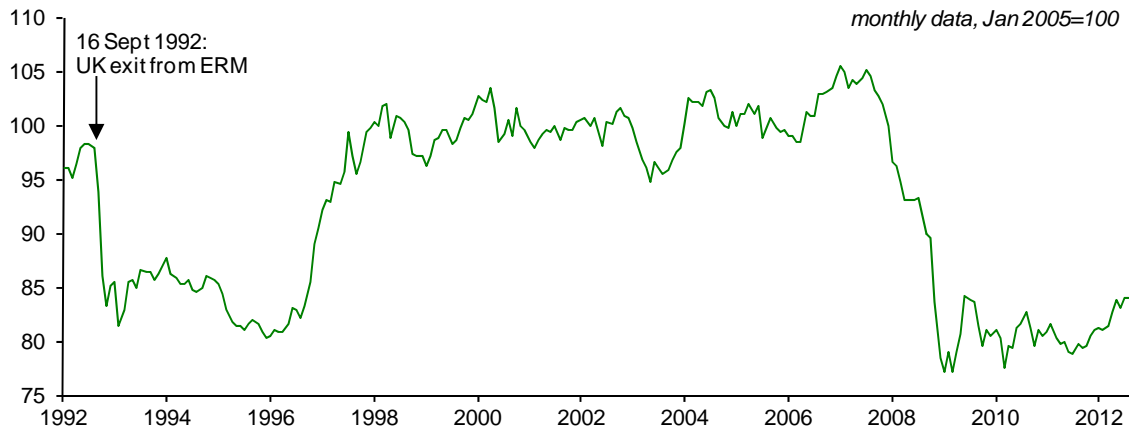
Updates: ONS, [UK Trade](#), 6 Dec;
ONS, [UK Balance of Payments](#), 21 Dec

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).

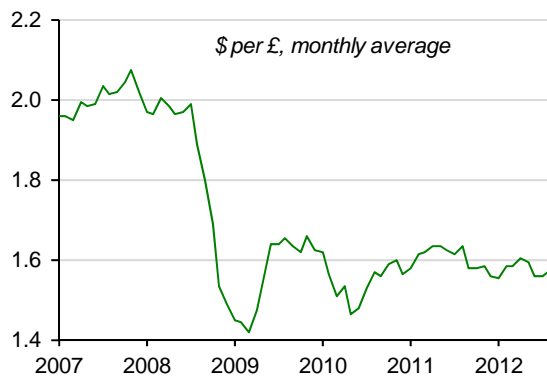
The SERI rose by 0.7% in October, following an increase of 0.3% in September. Compared with the same period last year, the SERI was 5.2% higher. It is now 8.6% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 20.7% down from its pre-recession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

Sterling Exchange Rate Index (SERI)



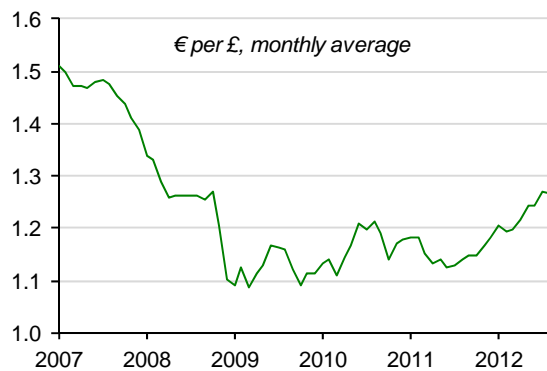
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in October, the pound was unchanged against the dollar compared with September. At the 30 November market close the pound stood at \$1.60, 1 cent lower than the October average.
- Sterling was on average 1 cent lower against the Euro in October compared with September.
- At the 30 November market close the pound stood at €1.23, 1 cent lower than 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

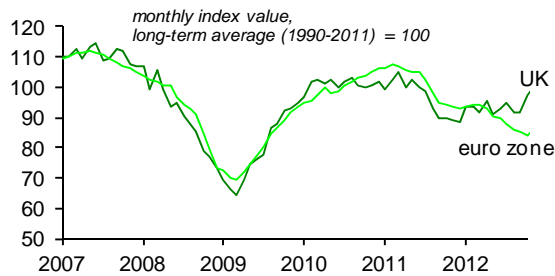
Contact: Aliyah Dar, x5919

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 4 Dec

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

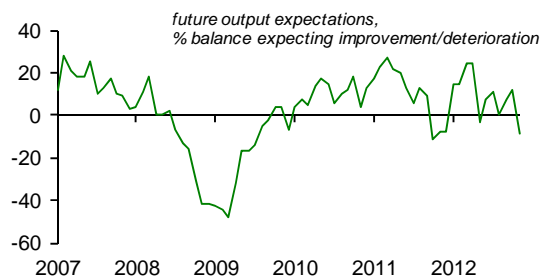


	UK Index	monthly change	change on year ago
2010 Nov	100.9	...	...
2011 Nov	89.2	...	...
2012 Sep	91.9	+0.4	+2.1
2012 Oct	97.1	+5.2	+7.3
2012 Nov	100.2	+3.1	+11.0

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 October and November the overall UK sentiment index rose by 3.1 points to 100.2. This is its highest level since June 2011. The euro zone index rose by 1.4 points to 85.7.

CBI Industrial Trends Survey



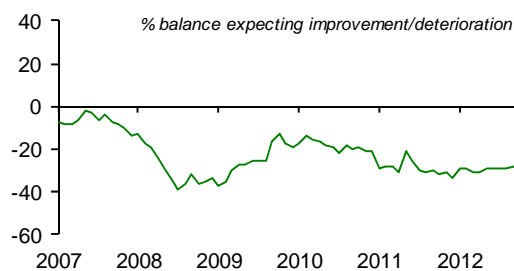
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2010 Nov	+4	...	...
2011 Nov	-8	...	...
2012 Sep	+7	+7	-2
2012 Oct	+12	+5	+23
2012 Nov	-9	-21	-1

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In November 2012, more manufacturers thought that output would fall over the next three months than thought it would rise – the difference was -9% of firms. This is a decline from +12% of firms in October.

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 Nov	-21	...	...
2011 Nov	-31	...	...
2012 Sep	-28	+1	+2
2012 Oct	-30	-2	+2
2012 Nov	-22	+8	+9

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 -22 in November, up from -30 in October. It is now at its highest level since May 2011.

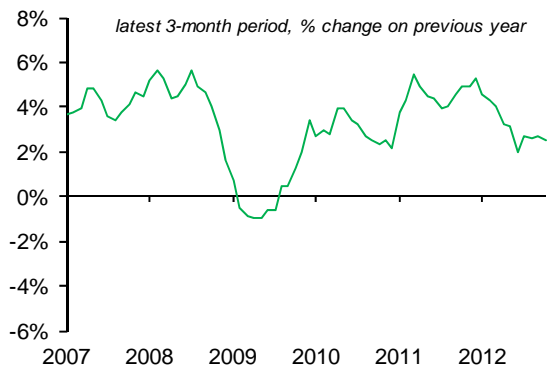
Contact: Daniel Harari, x2464

Update: CBI, [Industrial Trends](#), 13 Dec
EC, [Economic Sentiment Indicator](#), 20 Dec
GfK NOP, [Consumer Confidence](#), 21 Dec

F2: Retail Sales

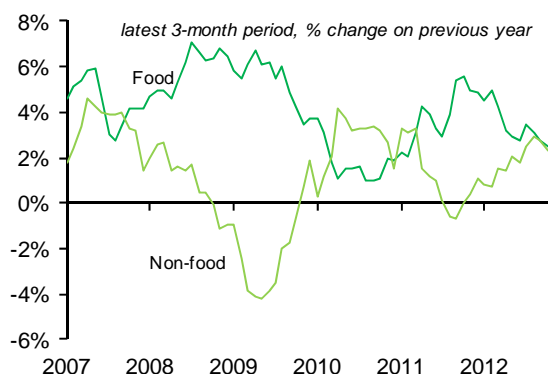
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to October 2012 was 2.5%.
- The value of retail sales in October 2012 alone fell by 0.4% compared with September 2012.
- The value of retail sales in October 2012 alone was 1.6% higher than in October 2011.
- Internet sales are now estimated to account for 9.4% 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 October rose by 2.5% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 2.3%.
- The value of sales in household goods stores in the three months to September fell by 3.1% 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	2.7
2011	4.2	3.3	-2.6	0.6	1.2	4.9
2012 Jun	2.8	-0.7	2.1	0.0	1.8	2.0
Jul	3.5	1.0	1.4	1.3	2.5	2.7
Aug	3.1	1.7	0.0	3.2	2.9	2.6
Sep	2.8	3.1	-2.0	3.1	2.8	2.7
Oct	2.5	3.6	-3.1	2.1	2.3	2.5

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

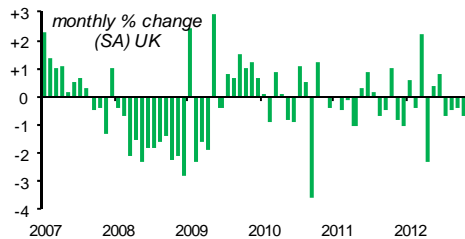
F3: Housing Market

House prices on the Nationwide index fell by 0.1% in November 2012 after 0.6% increase in October. Prices were 1.2% lower in November compared with a year ago on this measure. 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.

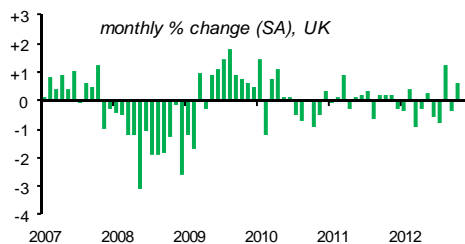
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

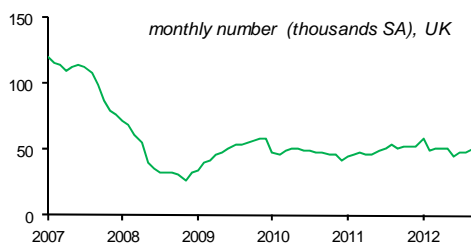


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Oct-12	Nov-12
Change in month	-0.7%	-0.1%
Change in year	-2.8%	-1.2%
Peak date	Aug-07	Oct-07
Change since peak	-20.6%	-11.8%
Trough date	Apr-09	Feb-09
Change since trough	+2.4%	+9.3%

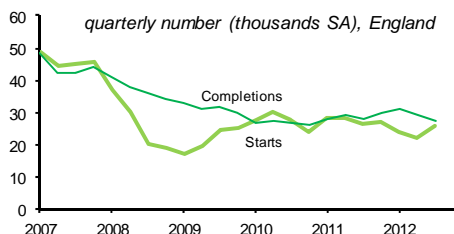
- The recovery in house prices since early 2009 has been tepid. Towards the end of 2012 the average house price on the Halifax and Nationwide measures was just over £160,000.
- There is considerable regional variation. In Q3 2012 prices rose by 2% in London but fell by 9% in Northern Ireland compared 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 52,982 mortgage approvals in October a 5% rise on September. The number of approvals has remained generally flat since early 2010.

House-building



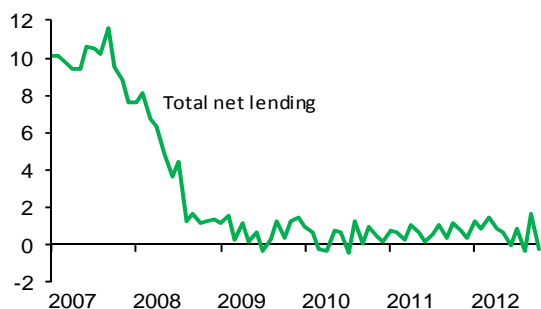
- There were 25,760 house building starts in England in Q3 2012, a 17.7% increase on Q2 2012. This is above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- There were 27,060 dwelling completions in Q2 2012, down from 29,180 in Q1 2012.

Contact: John Bardens, x6933

Updates: Halifax [House Price Index](#), early Dec;
Nationwide [House Price Index](#), early Jan 2013;
Bank of England, [Lending to Individuals](#), 4 Jan 2013;
DCLG, [House-building](#), 16 Feb 2013;

F4: Household debt

Monthly net lending, £bn

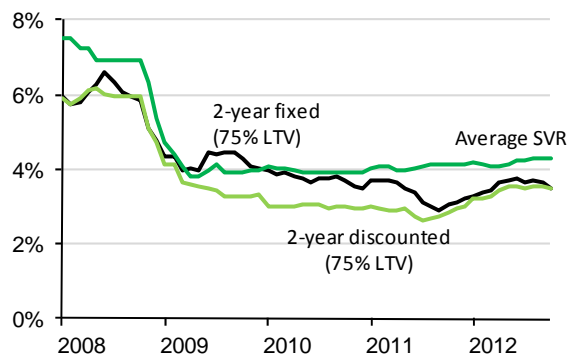


Source: Bank of England

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

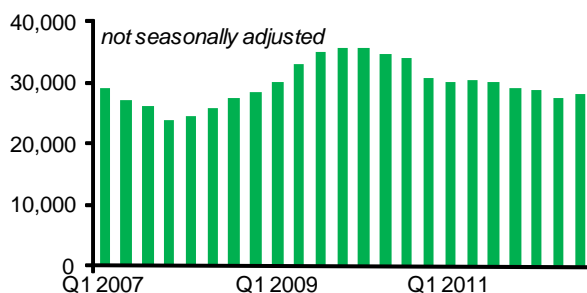
- Total net lending to individuals (excluding student loans) decreased by £0.3 billion in October 2012. This compares with an increase of £1.7 billion in September.
- Monthly net unsecured lending decreased by £0.5 billion in October, compared with an increase of £1.1 billion in September. Monthly net secured lending (mortgages) increased by £0.2 billion in October, compared with an increase of £0.6 billion in September.

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) has however risen slightly over the last year – in October it was 4.32%, compared with 4.14% a year before.
- The average fixed mortgage rate was 3.49% in October (compared to 3.04% a year ago). The average fixed-term variable (discounted) rate was 3.49% in October (2.83% 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](#), 4 Jan
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	Gross Domestic Product	ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; Quarterly national accounts HM Treasury, Forecasts for the UK Economy
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, Economic Outlook (full document via www.sourceoecd.org); IMF World Economic Outlook database and updates European Commission's growth forecasts
A3	Components of GDP	ONS releases: Second Estimate of GDP ; Quarterly national accounts
A4	Output and Employment by Industry	ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; Quarterly national accounts
A5	Manufacturing	ONS, Index of Production Markit/CIPS UK Manufacturing Purchasing Managers Index SMMT, Vehicle Production
A6	Productivity	ONS, Labour Productivity
B1	Inflation	ONS, Consumer Price Indices
B2	Inflation: International	CPI: OECD, Main Economic Indicators (link to user defined table); EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, Labour Market Statistics
C1	Employment	ONS, Labour Market Statistics
C2	Unemployment: National	ONS, Labour Market Statistics
C3	Unemployment: Regional	ONS, Labour Market Statistics and Regional Labour Market Statistics
C4	Unemployment: International Comparisons	Data: OECD, Main Economic Indicators Commentary: OECD, Economic Outlook (full document via www.sourceoecd.org)

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

6 Glossary

Symbols and abbreviations

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

Definitions¹

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

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

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

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

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

Basic prices: Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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