



Economic Indicators, February 2012

RESEARCH PAPER 12/09 07 February 2012

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

- Latest data show that the economy contracted by 0.2% in the final quarter of 2011 compared with the previous quarter.
- The weakness in economic activity in Q4 2011 was broad-based, with manufacturing output falling by 0.9% and output in services, by far the largest sector of the economy, unchanged.
- Some indicators have been more positive recently, with purchasing managers' indices for services and manufacturing showing strong improvements for both sectors in December and January.
- In addition, business and consumer surveys have in general shown rising confidence in recent months.

This month's articles:

- **Prospects for the UK, US and eurozone economies in 2012**
- **Raising the personal allowance to £10,000**

Daniel Harari (editor)

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Research Paper 12/09

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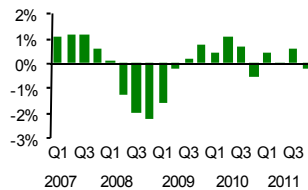
Summary

Latest data show that the economy contracted by 0.2% in the final quarter of 2011 compared with the previous quarter. The weakness in economic activity in Q4 2011 was broad-based, with manufacturing output falling by 0.9% and output in services, by far the largest sector of the economy, unchanged. Some indicators have been more positive recently, with purchasing managers' indices for services and manufacturing showing strong improvements for both sectors in December and January. In addition, business and consumer surveys have in general shown rising confidence in recent months.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



Quarterly GDP fell by 0.2% in Q4 2011 compared with Q3 2011. This followed an increase in GDP of 0.6% in Q3 2011.

Inflation (CPI)

[page 7](#)

(% change on year ago)

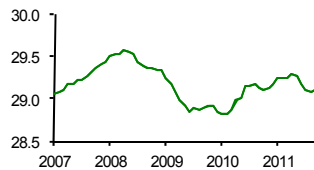


The annual rate of CPI inflation was 4.2% in the year to December, down from 4.8% in November. The Bank of England target is 2%.

Employment

[page 10](#)

(total, millions)

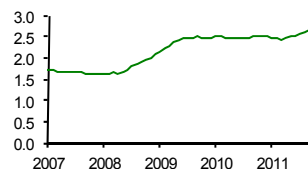


Compared with the previous quarter, the number of people employed rose by 18,000 to 29.12 million in the three months to November.

Unemployment

[page 11](#)

(total, millions, ILO definition)

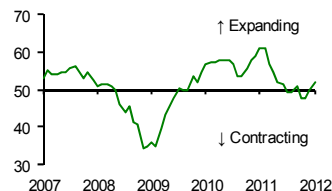


Compared with the previous quarter, ILO unemployment rose by 118,000 to 2.68 million in the three months to November. The unemployment rate also increased, from 8.1% to 8.4%.

Manufacturing Purchasing Managers' Index

[page 5](#)

(Markit/CIPS UK Manufacturing PMI, 50 = no change)



This measure of manufacturing indicated that activity in the sector expanded in January for the first time since September 2011.

Next issue: 6 March

Editor: Daniel Harari

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1 Introduction to *Economic Indicators*

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

Feedback

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

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Sources and glossary

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

Contacts

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

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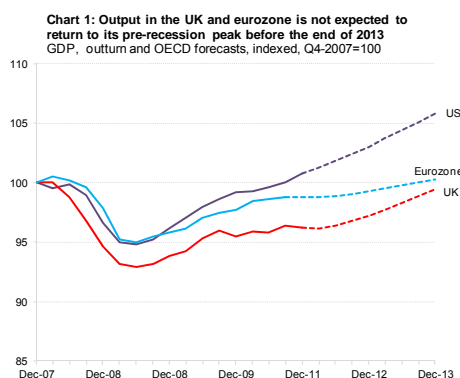
¹ <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

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2 Prospects for the UK, US and eurozone economies in 2012

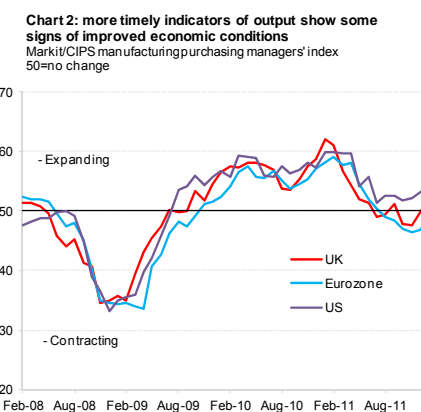
The economic performance of major developed economies in 2011 was broadly worse than expected, and the outlook for 2012 has deteriorated significantly over the past year. The seemingly interminable eurozone debt crisis is widely seen as responsible for this, as imbalances in productivity, investment levels and debt between its member states are slowly reversed through deleveraging in the financial sector, and austerity in the public sector.

Even under relatively benign assumptions, the eurozone is expected to experience a mild recession in 2012. The UK is projected to see anaemic growth, while the US will fare slightly better. However, the spectre of more serious developments in the eurozone casts a long shadow: if the Greek government fails to reach an agreement with its creditors on sovereign debt restructuring by March, resulting in a disorderly default; if Italian and Spanish borrowing costs are pushed back above 6 per cent for a sustained period; if risk aversion among financial institutions continues to inhibit interbank funding and lending to individuals and businesses; or if austerity measures fuel political unrest in the eurozone periphery, the outcome in 2012 could be considerably worse.



Green shoots?

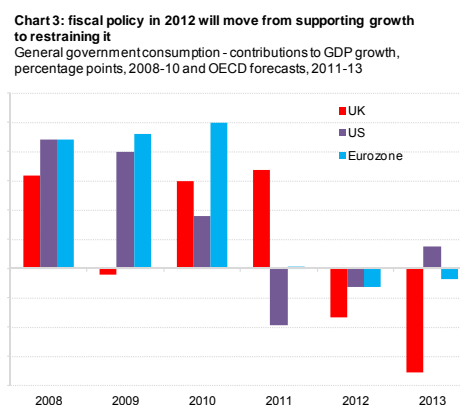
Despite these uncertainties, a number of short-term economic indicators are pointing towards more positive conditions. The FTSE100 rose to a 6-month high on 3 February, while the Dow Jones in the US reached its highest level since 2008. Purchasing managers' indices, more timely indicators of output than GDP data, have been surprisingly strong in the US, UK and eurozone (Chart 2); the US created 240,000 jobs in January, far more than expected; and business and consumer confidence, in the UK and US at least, have shown some improvements.



The policy context

Fiscal restraint

Following the 2008 financial crisis, fiscal stimulus in the UK, US and eurozone was important in sustaining private demand. Fiscal policy has now moved from supporting growth to constraining it (Chart 3) as policymakers seek to maintain confidence in public finances.



In the US, a range of tax and spending measures expire in 2012, most notably a 2-percentage point reduction in payroll tax; these will unwind particularly quickly if no political agreement can be reached on a spending plan. In the eurozone, the focus on fiscal austerity has been formalised through a new treaty that requires governments to maintain balanced budgets. Countries in the eurozone periphery, meanwhile, are having to make particularly deep spending cuts, either to avoid being shut out of debt markets (in the case of Italy and Spain), or in return for emergency loans (in the case of Greece, Portugal and

Ireland). It is hard to see, however, how this imperative for austerity can be squared with need for public recapitalisation of banks identified in January by the IMF as necessary to avoid ‘a devastating credit crunch’. In the UK, meanwhile, there are no signs that the government intends to deviate from current deficit reduction plans, or undertake the tax cuts tentatively advocated recently by the Institute for Fiscal Studies in its Green Budget.

Monetary looseness

With little scope for further fiscal stimulus, the burden has shifted to monetary policy to support economic recovery. With official interest rates in the US, UK and eurozone all close to zero (see page 14), central banks and governments have turned to unconventional measures to ease stress in interbank funding markets and stimulate lending to businesses. As well as announcing a near-zero interest rate policy until the end of 2014, the Federal Reserve in the US has hinted at the possibility of a third round of quantitative easing (QE) this year. In the UK, many economists expect a further £50bn of QE to be announced by the Bank of England on 9 February, bringing the total to £325bn since 2009. In the eurozone, the European Central Bank (ECB) has not engaged in QE, but it has supplied longer-term (3-year) loans to banks in unlimited quantities, and lowered the collateral standards for banks making use of its lending facilities. With interbank lending severely restricted, demand for the ECB’s long-term loans has been high: €489bn was requested by banks in December, with some predicting a further €1tn will be demanded in the next round on 29 February.

A key difficulty is that the liquidity supplied through these measures is not always transmitted into lending to individuals and businesses, but is instead used by banks to reduce their reliance on private funding, and to support claims that they are well-capitalised. A survey by the ECB on credit conditions in the eurozone showed that, despite its operations, banks were imposing significantly harsher loan terms on businesses and consumers. In the UK, a government programme of ‘credit easing’ aims to overcome this problem by channelling lending directly to businesses through government loan guarantees and co-investment, while the Federal Reserve has in the past intervened in the private lending market, allowing lenders to continue to make loans for cars, college education and small businesses even though there was no private market for their securities.

How to grow

O patriotic housewives, sally out tomorrow early into the streets and go to the wonderful sales which are everywhere advertised. You will do yourselves good... and have the added joy that you are increasing employment.

(John Maynard Keynes, BBC Radio, 1931)

Keynes’ appeal may seem hopelessly dated, but the paradox of thrift to which he alluded has relevance today: to support growth, private consumption and business investment will both be required to fill the gap in demand left by public spending restraint. Rising unemployment, falling real wages and the unravelling of pre-crisis indebtedness have all inhibited consumers in the UK, US and eurozone, patriotic or otherwise, from sallying out on spending sprees. Low confidence and high spare capacity, meanwhile, mean businesses are reluctant to embark on investment projects, and for their part, banks are not fulfilling their patriotic duty by supplying them with easy credit. It may be that, in the context of fragile financial systems and with fiscal stimulus declared out of bounds, policymakers can do little to motivate short-term growth but provide loose monetary conditions, and hope that a convincing resolution to the eurozone crisis restores the confidence necessary to raise consumption, investment and employment.

Gavin Thompson, Economic Policy and Statistics Section

3 Raising the personal allowance to £10,000

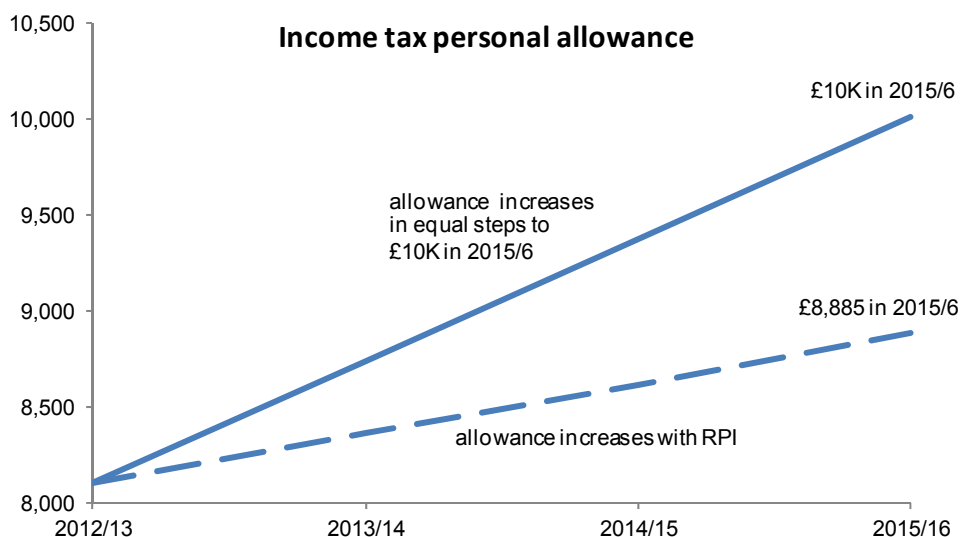
The Budget in March is likely to announce a further increase in the personal allowance. The Government's first two Budgets have each announced significant increases in the income tax personal allowance, the amount of income a person can receive before they start paying income tax. The June 2010 Budget increased the allowance by £1,000 from £6,475 to £7,475. The 2011 Budget increased the allowance by a further £630 to £8,105. Both were significant real terms increases.

Increasing the personal allowance is effectively a tax cut and therefore costs the Treasury money. Some people are removed from income tax altogether while others pay income tax on a smaller proportion of their earnings. The increase in the personal allowance announced in the 2010 Budget was projected to cost between £3.3 and £3.8 billion a year over the following four years. The increase announced in last year's Budget was projected to cost around £1.1 to £1.2 billion a year over the next four years.

These estimates take account offsetting changes to other elements of the income tax and national insurance system. For example, the point at which income tax starts to be paid at 40% was lowered in cash terms in 2011/12 and frozen in 2012/13 rather than being uprated with inflation, thereby saving the Treasury money.

The increases in the personal allowance are in line with the Coalition Agreement which included a commitment to raise it to £10,000 with real terms increases each year. The Agreement does not say when the target of £10,000 is to be reached but it has often been assumed that it would be at the end of the Parliament in April 2015.

The chart below shows how the personal allowance would grow if it were to reach £10,000 in April 2015 in equal steps from its planned April 2012 level. This would involve increases of £630 - £640 a year. The chart also shows the increase in the allowance if it were increased in line with the retail prices index. By 2015/16, the gap is over £1,100 – worth around £225 for a basic rate taxpayer.



The real terms increases in the allowance from April 2013 have not yet been announced by the Government and, as the Institute for Fiscal Studies (IFS) has pointed out, are not included in the public finance forecasts. The IFS has estimated that the cost of increasing the allowance to £10,000 in 2015/16 would be between £3 billion and £4 billion, depending on how it is implemented. This money will need to be found from offsetting tax cuts or further reductions in spending if the forecasts for borrowing are to be met.

In a speech in January, Nick Clegg called for the allowance to be raised to £10,000 more quickly, although he did not specify the year in which he wanted this to happen. He did, however, say that the cost of increasing the allowance should be paid for by increasing other taxes, such as green taxes and taxes on wealth as well as tackling tax avoidance.

Bringing the £10,000 personal allowance forward would involve costs on top of those associated with achieving £10,000 in April 2015. The cost would clearly depend on how soon the change is introduced. Reaching £10,000 sooner costs more as it means a larger increase in the allowance and also means that the cost will be incurred for a greater number of years. Taking an extreme example, increasing the allowance to £10,000 from April 2012, would cost the Treasury around £10.5 billion. Bringing the £10,000 allowance forward a year to 2014/15 might cost around £3 billion.

If the £10,000 allowance were introduced in 2012/13, a basic rate taxpayer would be £380 better off than if the personal allowance were £8,105 as announced in the last Budget. Roughly two million extra people would be lifted out of income tax.

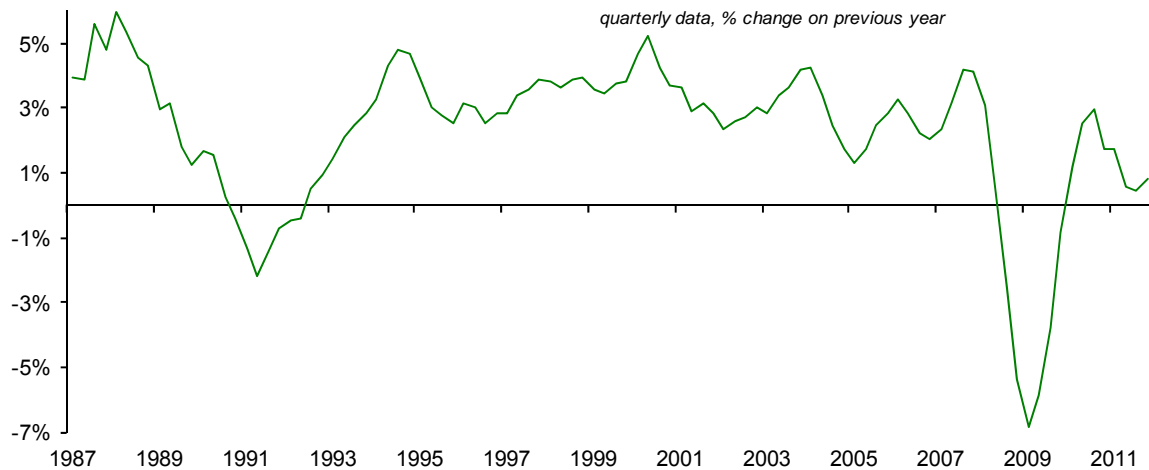
If the £10,000 allowance were introduced in 2014/15, a basic rate taxpayer would be around £125 a year better off than the case shown in the chart where the allowance increases steadily to £10,000 in 2015/16 and around £280 better off than if the allowance increased in line with inflation.

Dominic Webb, Economic Policy and Statistics Section

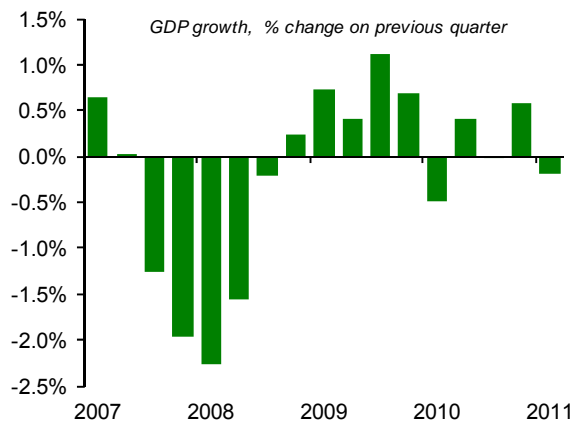
A1: Gross Domestic Product

The economy grew by a preliminary estimate of -0.2% in Q4 2011 falling from 0.6% in Q2 2011. In January 2012, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.9%, downgraded (for the fifth consecutive month) from 0.6% to 0.4%. The Office for Budget Responsibility's (OBR) central forecasts from November 2011 are 0.7% growth for 2012 and 2.1% for 2013.

Real GDP Growth since 1977



Real GDP Growth since 2007



Gross Domestic Product

£ billion & %; seasonally adjusted

	Current prices		Real GDP (inflation-adjusted)	
	£ billion	% change on year	% change on quarter	% change on year
2009	1,394	-2.8	...	-4.4
2010	1,464	5.0	...	2.1
2011	-	-	...	0.9
2010 Q4	370.1	4.9	-0.5	1.7
2011 Q1	374.7	4.1	0.4	1.7
Q2	375.9	3.1	0.0	0.6
Q3	379.9	3.0	0.6	0.5
Q4	-	-	-0.2	0.8

Source: ONS, series: YBHA, ABMI

- The economy grew by a preliminary estimate of -0.2% in Q4 2011 compared with Q3 2011. This compares with a rise of 0.6% in Q3 2011 compared with Q2 2011.
- In Q4 2011, real GDP was an estimated 0.8% higher than a year earlier but GDP (to 2011 Q3) remains 3.6% below its pre-recession (Q1 2008) level.
- The economy grew by a preliminary estimate of 0.9% in 2011 compared to 2.1% in 2010.
- The recession was shorter than previously thought, with the economy returning to growth in Q3 2009 rather than Q4. The revisions also show that the recession was deeper than previously estimated but that the initial 'bounce-back' was stronger.

Contact: Grahame Allen, x3977

Updates: ONS, [Quarterly National Accounts](#) 24 Feb
HMT, [Comparison of Independent Forecasts](#), 15 Feb

A2: GDP: International Comparisons

France, Germany and Japan were the first G7 countries to emerge from recession (in Q2 2009), followed by the US, Canada, Italy, the UK and the eurozone in Q3 2009.

The UK economy contracted by 0.2% in Q4 2011, following 0.6% growth in Q3 2011. The US grew by 0.6% in Q4 2011, following growth of 0.5% in Q3 2011. Across the G7 as a whole, quarter-on-quarter growth was faster in Q3 2011 than in Q2 2011.

Real GDP, % changes

	change on prev. year				change on prev. quarter			
	10Q3	10Q4	11Q1	11Q2	11Q1	11Q2	11Q3	11Q4
US	3.5	3.1	2.2	1.6	0.1	0.3	0.5	0.6
Japan	5.2	3.3	0.0	-1.7	-1.7	-0.5	1.4	..
UK	3.0	1.7	1.7	0.6	0.4	0.0	0.6	-0.2
Germany	4.0	3.8	4.6	2.9	1.3	0.3	0.5	..
France	1.6	1.4	2.2	1.7	0.9	-0.1	0.3	..
Eurozone	2.1	2.0	2.4	1.7	0.8	0.2	0.1	..
G7	3.5	2.9	2.0	1.2	0.1	0.1	0.6	..
OECD	3.4	3.1	2.5	1.7	0.3	0.3	..	..

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

In [January 2012](#), the IMF lowered their 2012 forecast for world growth by 0.7 percentage points to 3.3%. 2012 growth forecasts for the UK were lowered by 1.0 percentage points, for the eurozone by 1.6 percentage points, and for the US were unrevised.

Among major emerging markets, China's and India's IMF growth forecast for 2012 was revised downward by 0.8 and 0.5 percentage points respectively. The 2012 forecast for Brazil was reduced by 0.6 percentage points.

The European Commission's [November forecast](#) revised down the September forecast for UK 2011 growth from 1.1% to 0.7%. France and Germany also saw downward revisions of 0.5 and 0.3 percentage points respectively. 2012 forecasts for major EU economies were revised down significantly across the board.

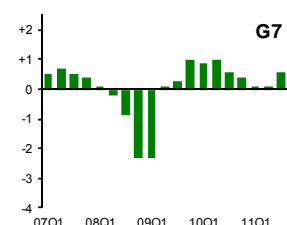
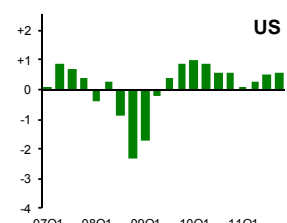
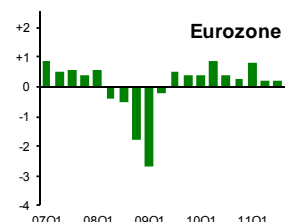
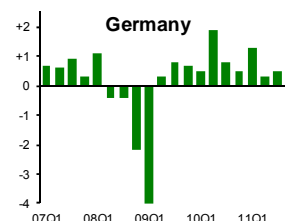
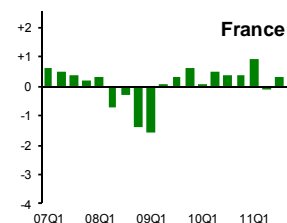
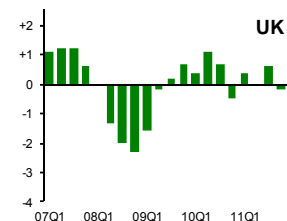
The [OECD's November forecast](#) also saw major downward revisions, particularly for the UK and eurozone. Compared with the last forecast in June, 2012 growth has been revised down from 1.8% to 0.5% in the UK and from 2.0% to 0.2% in the eurozone.

Real growth forecasts (% changes)

	IMF (Jan 12)			EC (Nov 11)			OECD (Nov 11)		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
UK	0.9	0.6	2.0	0.7	0.6	1.5	0.9	0.5	1.8
France	1.6	0.2	1.0	1.6	0.6	1.4	1.6	0.3	0.4
Germany	3.0	0.3	1.5	2.9	0.8	1.5	3.0	0.6	1.9
Eurozone	1.6	-0.5	0.8	1.5	0.5	1.3	1.6	0.2	1.4
US	1.8	1.8	2.2	1.6	1.5	1.3	1.7	2.0	2.5
Japan	-0.9	1.7	1.6	-0.4	1.8	1.0	-0.3	2.0	1.6
OECD	..	..	..	..	..	..	1.9	1.6	2.3
China	9.2	8.2	8.8	..	..	..	9.0	9.2	..
India	7.4	7.0	7.3	..	..	..	8.5	8.6	..
Brazil	2.9	3.0	4.0	..	..	..	4.1	4.5	..
World	3.8	3.3	3.9	..	..	..	..	..	..

Sources: IMF, September WEO; EC EEF; OECD, Economic Outlook 90

Quarter-on-quarter growth rates



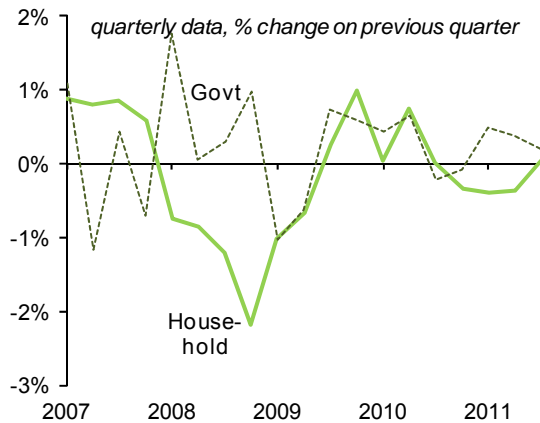
Contact: Gavin Thompson, x2042

Update: OECD [Main Economic Indicators](#), 13 Feb 2012
EC [Interim Economic Forecast](#), Feb 2012
IMF [World Economic Outlook](#), Apr 2012

A3: Components of GDP

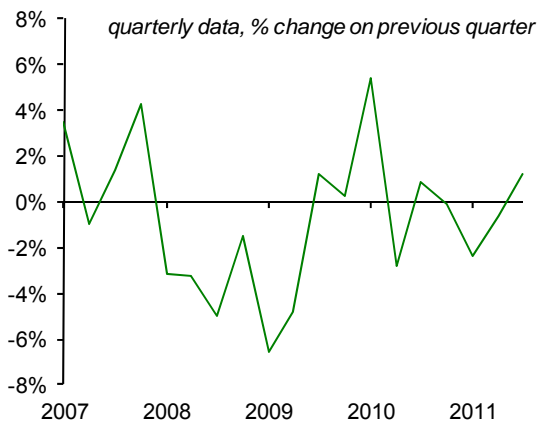
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 62% of the total in 2010. Government consumption accounted for 23% and gross fixed capital formation for 15%.

Household consumption and government consumption



- In Q3 2011, household consumption was unchanged in real terms compared with Q2. This follows three successive quarters when consumption fell.
- Government consumption increased by 0.2% in Q3 2011.
- Exports fell by 0.8% while imports increased by 0.5% in Q3 2011.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q3 2011 GFCF increased by 1.3%.
- In Q3 2011, GFCF was 1.8% lower than a year earlier.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2009 (annual % change)	-3.5%	-0.1%	-13.4%	-9.5%	-12.2%	-4.4%
2010 (annual % change)	1.2%	1.5%	3.1%	7.4%	8.6%	2.1%
2010 Q3	0.0%	-0.2%	0.9%	0.6%	3.0%	0.7%
2010 Q4	-0.3%	-0.1%	0.0%	4.1%	1.2%	-0.5%
2011 Q1	-0.4%	0.5%	-2.4%	1.3%	-1.5%	0.4%
2011 Q2	-0.4%	0.4%	-0.6%	-1.5%	-0.6%	0.0%
2011 Q3	0.0%	0.2%	1.3%	-0.8%	0.5%	0.6%
2011 Q4	..	..	..	..	..	-0.2%

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

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

Update: ONS, [Second estimate of GDP](#), 24 Feb 2012

A4: Output and employment by industry

In 2009 (the latest National Accounts data), services accounted for 79% of UK Gross Value Added (GVA), manufacturing 11%, other production (mining & quarrying, and utilities) 4%, construction 6% and agriculture, hunting and fishing 1%. The services sector accounts for 83% of total workforce jobs (Q3 2011).

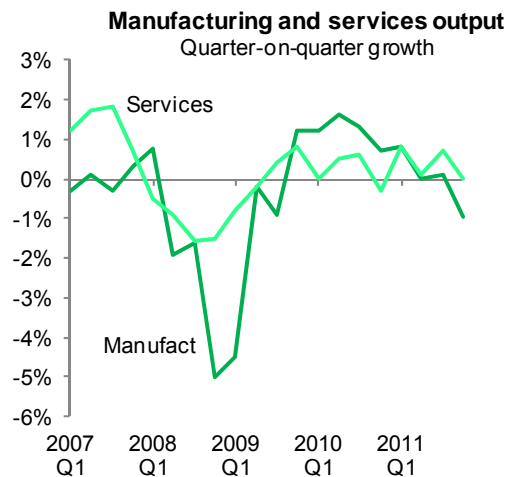
Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	Total GDP
<i>Annual % changes</i>				
2010	3.7%	8.2%	1.4%	2.1%
2011	2.2%	3.1%	1.4%	0.9%
2011 Q2	2.9%	3.2%	1.2%	0.6%
2011 Q3	1.5%	0.4%	1.3%	0.5%
2011 Q4	-0.1%	1.3%	1.6%	0.7%
<i>Quarter-on-quarter</i>				
2011 Q2	0.0%	3.1%	0.1%	0.0%
2011 Q3	0.1%	0.3%	0.7%	0.6%
2011 Q4	-0.9%	-0.5%	0.0%	-0.2%

Source: ONS Series L2KX, L2N8, L2NC, YBEZ



- Manufacturing output fell by 0.9% in the fourth quarter of 2011. Services output was flat, while construction output fell by 0.5% in Q4 2011 compared with an increase of 0.3% in Q3.
- Manufacturing output rose by 2.2% in 2011 and services by 1.4%. Construction output grew by 3.1%.
- Output in the business services and finance sector was unchanged in Q4 2011, following a 1.2% rise in Q3 2011. Total output in the production industries decreased by 1.2% in Q4 2011, with mining and quarrying falling by 1.1%.

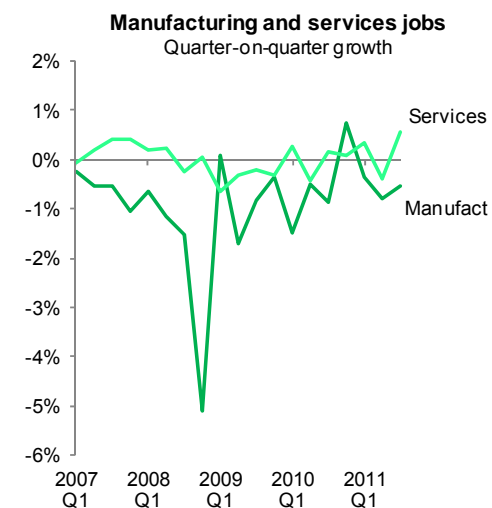
Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2009 Q3	-7.4%	-8.7%	-1.2%	-2.1%
2010 Q3	-3.2%	-1.4%	-0.3%	-0.5%
2011 Q2	-1.3%	-3.2%	0.2%	-0.3%
2011 Q3	-1.0%	-3.1%	0.6%	0.3%
<i>Quarter-on-quarter</i>				
2011 Q2	-0.8%	-0.3%	-0.4%	-0.5%
2011 Q3	-0.6%	-0.8%	0.6%	0.5%
<i>Thousands</i>				
2011 Q3	2,511	2,071	25,851	31,271

Source: ONS series JWR7, JWS2, JWT8, DYDC



- The number of manufacturing jobs has continued to fall. In Q3 2011, the manufacturing workforce fell by 0.6% on the previous quarter.
- The number of jobs in the construction sector fell by 0.8% in Q3 2011, while the services workforce grew by 0.6%.
- The public administration, health and education workforce fell by 2.6% in the year to Q3 2011.

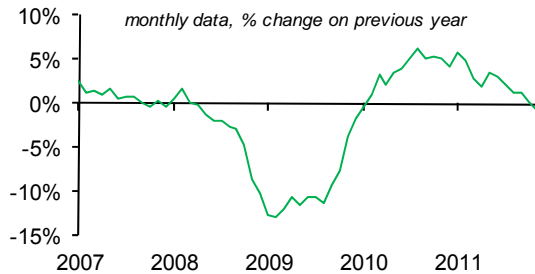
Contact: Lucinda Maer, x3841

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

A5: Manufacturing

ONS produces a monthly index of manufacturing output data. The Markit/Chartered Institute of Purchasing & Supply (CIPS) UK Manufacturing Purchasing Managers' Index is a top leading indicator of manufacturing output. The Society of Motor Manufacturers and Traders (SMMT) publishes monthly vehicle production statistics.

Manufacturing Output

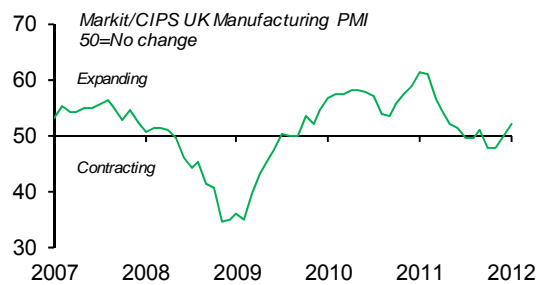


	Index Value (2008=100)	% change over month	% change over 12 months
2009	90.4	...	-9.6
2010	93.7	...	3.7
2011 Aug	95.9	-0.4	+1.2
Sep	95.9	+0.1	+1.3
Oct	95.1	-0.9	+0.1
Nov	95.0	-0.2	-0.6

Source: ONS, series K22A

- Manufacturing output fell by 0.2% in November 2011 compared with October 2011. Manufacturing output fell by 0.6% in November 2011 compared to November 2010.
- Total industrial production (including mining and utilities) fell by 0.6% in November 2011 compared with October 2011. Total production was 3.1% lower in November 2011 than in November 2010.

Manufacturing Purchasing Managers' Index

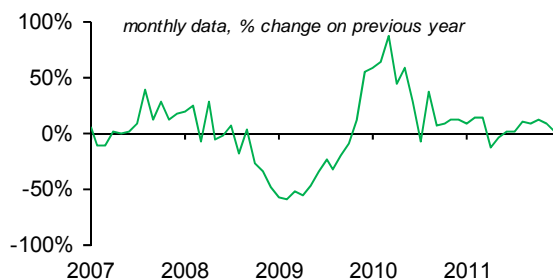


		Index	Monthly change
2010	Jan	56.6	...
2011	Jan	61.2	...
2011	Oct	47.8	-3.0
	Nov	47.7	-0.1
	Dec	49.7	+2.0
2012	Jan	52.1	+2.4

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

- The Markit/CIPS UK Manufacturing PMI rose to 52.1 in January 2012 (where 50.0 is no change). The PMI was below the 50.0 mark throughout Q4 2011.
- Markit/CIPS reported that output had expanded at the fastest pace since March 2011 with new orders rising for the first time in seven months.

Vehicle Production



		Number '000s	% change over 12 months
2010		1,393	+27.8
2011		1,465	+5.1
2010	Dec	103	+11.3
2011	Oct	140	+12.5
	Nov	147	+8.0
	Dec	104	+1.2

Source: SMMT, not seasonally adjusted

- UK vehicle production was 104,000 in December 2011, 1.2% higher than in December 2010. The SMMT said that UK vehicle and engine production had continued to lead the manufacturing recovery.
- In 2011, 1.47 million vehicles were produced in the UK, up by 5.1% compared with 2010.

Contact: Lucinda Maer, x3841

Update: ONS, [Index of Production](#), 9 Feb
Markit/CIPS [UK Manufacturing PMI](#), 1 Mar
SMMT, [Vehicle Production](#), mid Feb

A6: Productivity

Productivity is a measure of the efficiency of production in an economy. It is usually expressed as a ratio of units of output to units of input.

In measuring labour productivity, three measures are commonly used: output (or GDP) per worker, output per job and output per hour worked. The latter is the purest measure of productivity, as it adjusts for changes in working hours such as more part-time working.

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

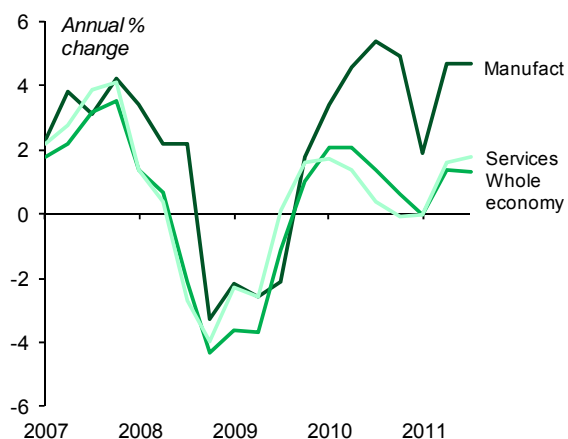
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have risen by 1.4% in the year to 2011 Q3.
- Productivity in terms of output per hour has returned to levels at the beginning of the recession (2008 Q2). However, hours worked are below pre-recession levels.

Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2008	1.1	-1.3	-1.1
2009	-1.3	-0.8	-1.9
2010	4.5	0.8	1.6
2010 Q2	3.4	1.7	2.1
Q3	4.6	1.4	2.1
Q4	5.4	0.4	1.4
2011 Q1	4.9	-0.1	0.6
Q2	1.9	0.0	0.0
Q3	4.7	1.6	1.4
<i>Latest q-on-q % change</i>			
	1.4	0.3	0.2

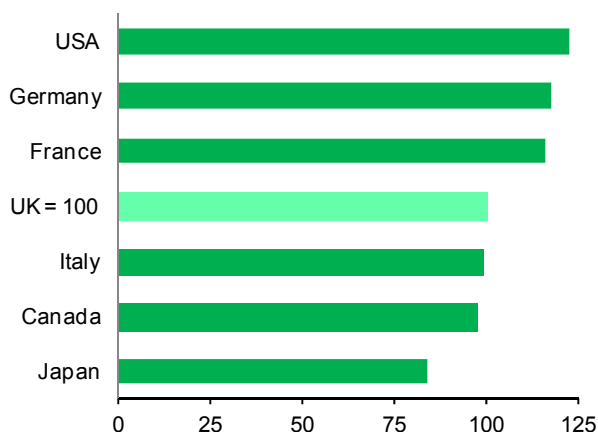
Source: ONS series LZVD, DJK8, DJQ3



- Manufacturing productivity has grown faster than that in the service sector. Output per hour in manufacturing grew 4.7% between 2010 Q3 and 2011 Q3, compared with 1.6% in services.

International comparisons

GDP per hour, 2010, index where UK=100



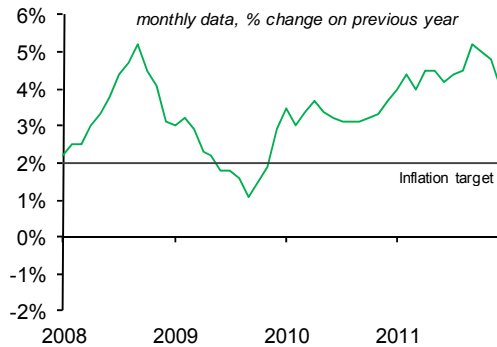
- International comparisons of productivity are presented as an index where the UK=100.
- In 2010, based on GDP per hour, the UK came mid-way among G7 countries, with the USA top and Japan bottom. UK productivity was 9% below the G7 average.
- UK productivity declined relative to the US and France in 2010 but increased relative to Germany and Italy.

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 4.2% in December, down from 4.8% in November and above the Bank of England's 2% target for the twenty-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). Inflation must remain within 1 percentage point either side.

Consumer Prices Index (CPI)

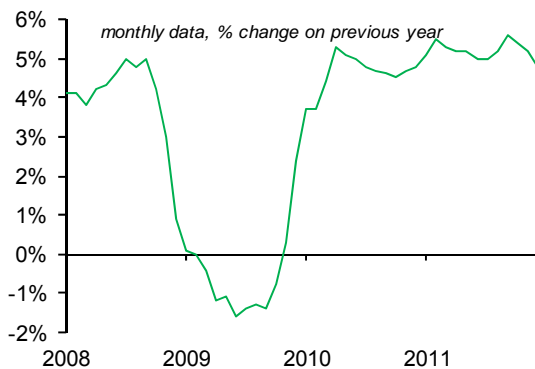


The CPI annual inflation rate was 4.2% in December, down from 4.8% in November and down from 5.2% in September which had been its highest rate since September 2008.

- The main contributor to the CPI annual inflation rate came from rises in energy costs. Gas charges were up 20% from a year ago, electricity charges increased by 14%. Fuels and lubricants rose by 9%.

The RPI (all items) measure of annual inflation was 4.8% in December, down from 5.2% in November.

Retail Prices Index (RPI)

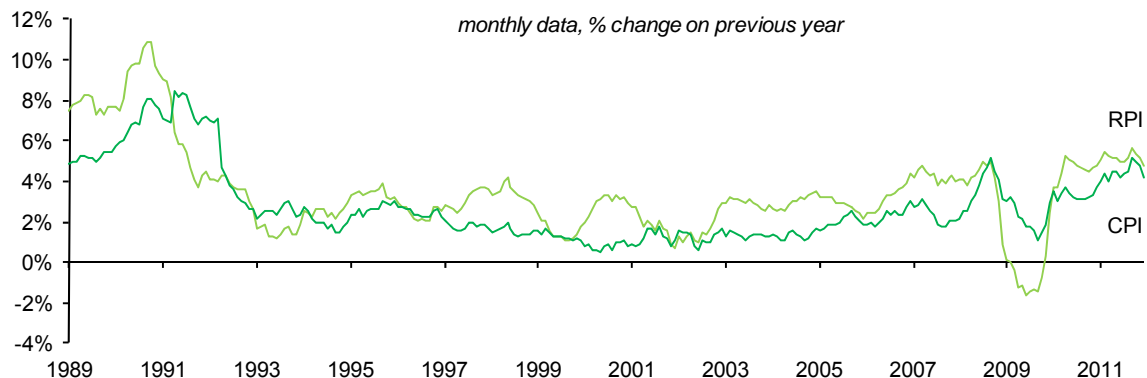


Price Indices

		% change on a year ago	
		CPI	RPI
2008		3.6	4.0
2009		2.2	-0.5
2010		3.3	4.6
2011	Jul	4.4	5.0
	Aug	4.5	5.2
	Sep	5.2	5.6
	Oct	5.0	5.4
	Nov	4.8	5.2
	Dec	4.2	4.8

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.

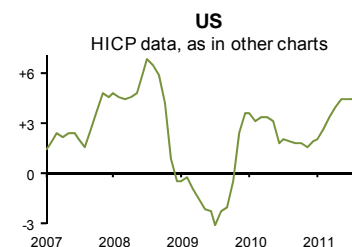
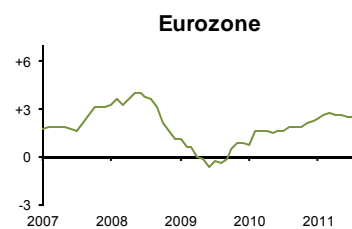
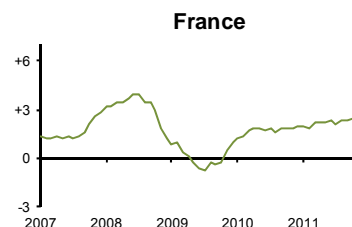
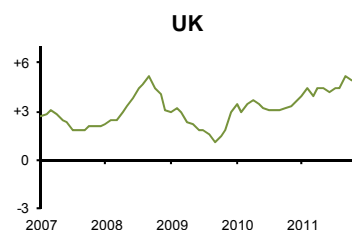
- In the year to December, UK inflation was 4.2%, down from 4.8% in November and 5.0% in October. This is the third-highest rate in the EU, behind Slovakia (4.6%) and Poland (4.5%). The Bank of England's UK inflation target is 2%.
- The flash estimate of eurozone inflation in January 2012 was 2.7%, unchanged from December, and down from 3.0% in November. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Sweden had the lowest annual inflation rate in the EU in November, at 0.4%.
- HICP annual inflation in the US in November was 4.0%, down from 4.7% in September (an October figure has not yet been published). Using its national definition, US inflation was 3.0% in December, down from 3.4% in November.

Inflation rates: selected countries

Annual % change in consumer prices

	2009	2010	2011	Sep-11	Oct-11	Nov-11	Dec-11
HICP (ONS/Eurostat)							
UK	2.2	3.3	4.5	5.2	5.0	4.8	4.2
Eurozone	0.3	1.6	2.7	3.0	3.0	3.0	2.7
EU	1.0	2.1	3.1	3.3	3.4	3.4	3.0
France	0.1	1.7	2.3	2.4	2.5	2.7	2.7
Germany	0.2	1.2	2.5	2.9	2.9	2.8	2.3
Greece	1.3	4.7	3.1	2.9	2.9	2.8	2.2
Italy	0.8	1.6	2.9	3.6	3.8	3.7	3.7
Spain	-0.2	2.0	3.1	3.0	3.0	2.9	2.4
US	-0.8	2.4	..	4.7	:	4.0	:
National definitions (OECD)							
Canada	0.3	1.8	..	3.2	2.9	2.9	..
Japan	-1.3	-0.7	..	0.0	-0.2	-0.5	..
US	-0.4	1.6	3.2	3.9	3.5	3.4	3.0
G7	-0.1	1.4	..	3.2	2.9	2.8	..
OECD	0.5	1.9	..	3.3	3.2	3.1	..
Brazil	4.9	5.0	6.6	7.3	7.0	6.6	6.5
China	-0.7	3.3	..	6.1	5.5	4.2	..
India	10.9	12.0	..	10.1	9.4	9.3	..
Russia	11.7	6.9	..	7.2	7.2	6.8	..

Source: ONS, Eurostat & stat.OECD database



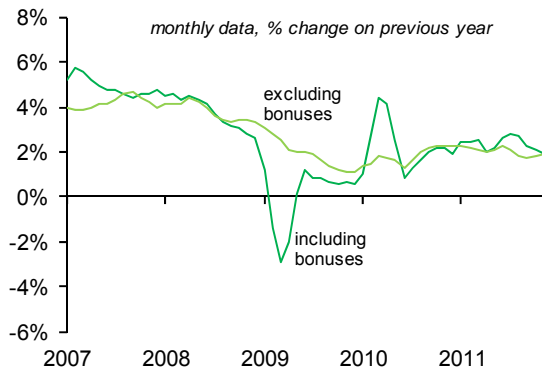
Contact: Gavin Thompson, x2042

Updates: OECD, [Main Economic Indicators](#), 13 Feb 2012
Eurostat, [HICP full release](#), 14 Feb 2012
Eurostat, [Flash estimate \(Jan\)](#), 1 Feb 2012

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.9% in November compared with a year ago, down from 2.1% in October. Average weekly earnings excluding bonuses also rose by 1.9% in the three months to November compared with a year ago, up from 1.8% in October. Inflation as measured by the CPI was 4.8% in November 2011 (latest CPI inflation figure is 4.2% for December).

Average Earnings, Whole Economy



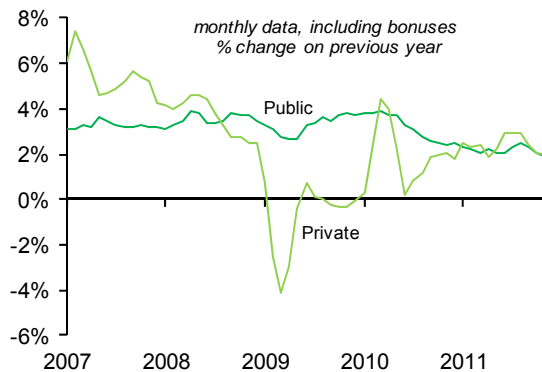
Average Earnings, Including Bonuses

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

		Private	Public	Manuf.	Serv.	Total
2008	Nov	2.5	3.7	2.8	2.9	2.8
2009	Nov	-0.3	3.8	1.7	0.7	0.7
2010	Nov	2.1	2.4	3.6	2.3	2.2
2011	Jun	2.9	2.1	1.7	3.0	2.6
	Jul	2.9	2.3	1.7	3.1	2.8
	Aug	2.9	2.5	1.7	3.0	2.7
	Sep	2.4	2.3	1.6	2.5	2.3
	Oct	2.1	2.1	1.3	2.3	2.1
	Nov	2.0	1.9	1.5	2.1	1.9

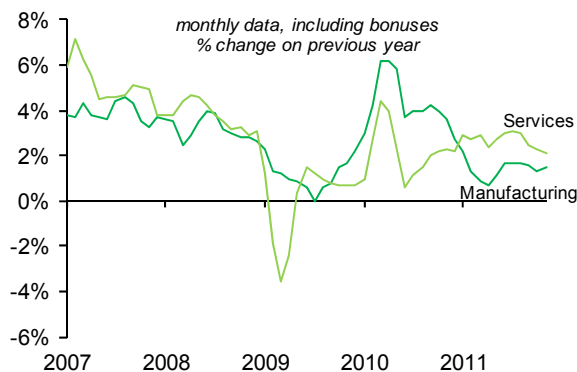
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 2.0% in November, compared with an increase of 1.9% in the public sector. Excluding financial services, public sector earnings rose by 1.4%.
- Average weekly earnings (including bonuses) in November in the public sector were £477 compared with £462 in the private sector.
- In 2010, headline (including bonuses) earnings in the public sector averaged a rise of 3.1%, while the private sector averaged a 2.1% increase.

Average Earnings in Services and Manufacturing

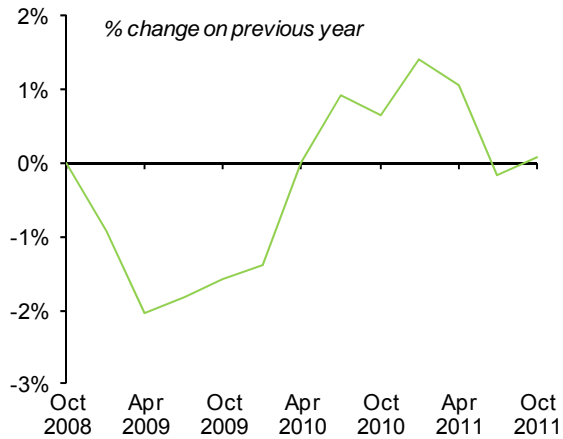


- Average total pay growth (including bonuses) in the manufacturing sector was 1.5% in November, compared with 2.1% in the services sector.
- Average weekly earnings (including bonuses) in November in the manufacturing sector were £532 compared with £452 in the services sector.
- In 2010, headline (including bonuses) earnings in the services sector averaged a rise of 2.3% compared with a 4.2% increase in the manufacturing sector.

C1: Employment

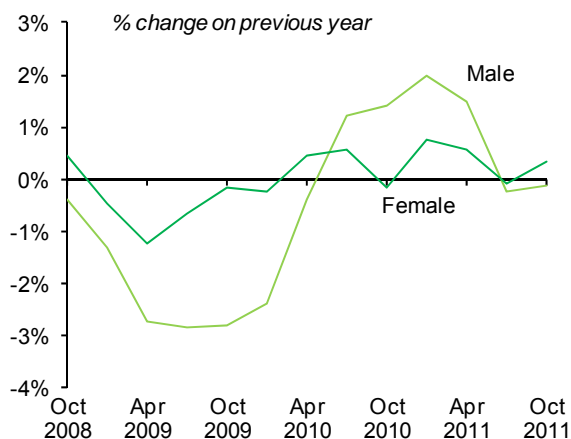
Employment rose by 18,000 over the quarter to November 2011, to 29.12 million. Employment is now 1.5% lower than its pre-recession peak of 29.56 million in the three months to April 2008.

Total employment



- Employment increased by 26,000 over the last year.
- In the past quarter, employment among 16-24 year olds and 25-49 year olds has fallen
- In the past quarter, employment among people aged over 65 increased by 7.7%.
- Over the last quarter, the number of employees (which excludes self-employed people) fell by 109,000.
- The number of self-employed people increased by 101,000.

Male and female employment



- The number of men in employment increased by 9,000 over the last quarter to 15.58 million.
- The number of women in employment increased by 8,000 over the quarter to 13.53 million
- The number of people employed in the public sector fell by 67,000 in the three months to September 2011, to 5.98 million.
- The number of people employed in the private sector increased by 5,000 in the three months to September 2011, to 23.12 million.

Employment by age group

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

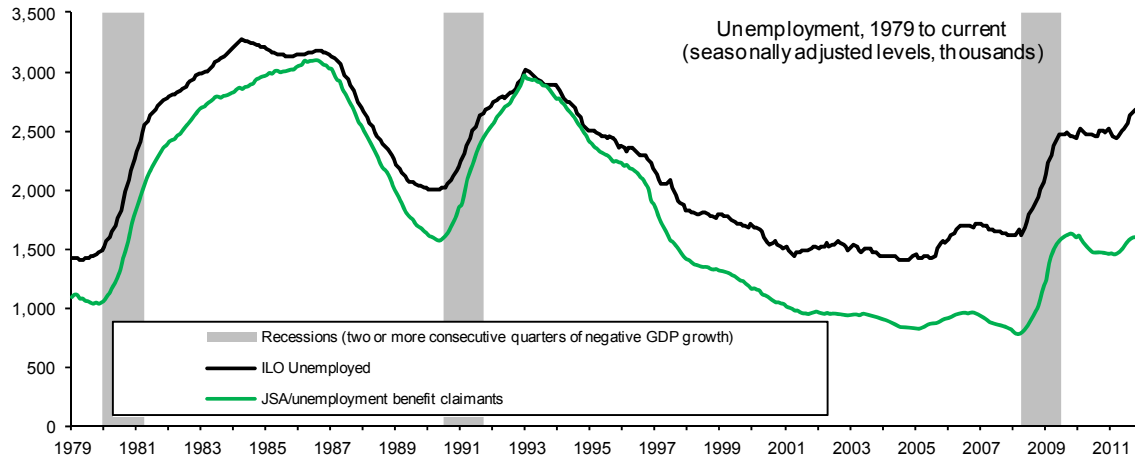
	Total	16-24	25-49	50-64	65+
Sep-Nov 2009	28,899	3,774	17,125	7,236	764
Sep-Nov 2010	29,092	3,722	17,198	7,301	872
Dec-Feb 2011	29,229	3,745	17,239	7,362	884
Mar-May 2011	29,279	3,749	17,247	7,388	895
Jun-Aug 2011	29,101	3,670	17,227	7,383	822
Sep-Nov 2011	29,119	3,642	17,186	7,406	885
% change on previous 3 months	+0.1	-0.8	-0.2	+0.3	+7.7
% change on previous year	+0.1	-2.2	-0.1	+1.4	+1.5

Source: ONS

C2: Unemployment: National

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

- **ILO unemployment in September to November 2011 was 2,685,000 (8.4% of all economically active) – up 118,000 from the previous quarter, and the highest level since 1994 (UK, seasonally adjusted).**



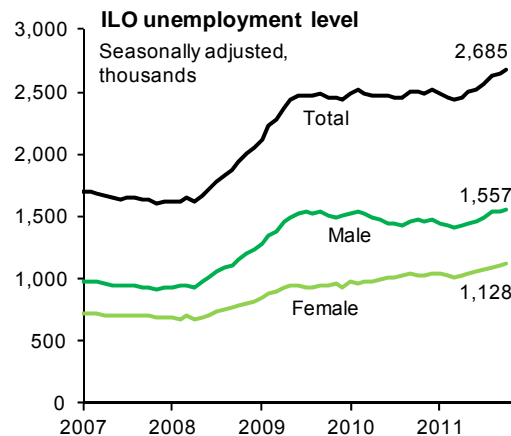
[Source: ONS, *Labour Market Statistics*]

ILO unemployment (September to November 2011)

- There were 857,000 people unemployed for more than 12 months, down 10,000 from the previous quarter;
- The unemployment level among 16- to 24-year-olds was 1,043,000, up 52,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count increased by 1,200 between November 2011 and December 2011 to 1,597,000.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Sep-Nov 2006	1,677	5.5	677	13.9	767	4.3	220	3.0	13	2.0
Sep-Nov 2007	1,636	5.3	694	14.1	702	3.9	228	3.1	12	1.8
Sep-Nov 2008	1,943	6.2	805	16.3	843	4.7	275	3.7	20	2.8
Sep-Nov 2009	2,455	7.8	918	19.6	1,149	6.3	362	4.8	27	3.4
Sep-Nov 2010	2,495	7.9	950	20.3	1,160	6.3	364	4.8	21	2.4
Dec-Feb 2011	2,478	7.8	959	20.4	1,130	6.2	371	4.8	17	1.9
Mar-May 2011	2,452	7.7	917	19.7	1,145	6.2	372	4.8	18	2.0
Jun-Aug 2011	2,566	8.1	991	21.3	1,191	6.5	362	4.7	22	2.7
Sep-Nov 2011	2,685	8.4	1,043	22.3	1,210	6.6	404	5.2	28	3.1
% change on quarter	+4.6		+5.2		+1.6		+11.6		+25.5	
% change on year	+7.6		+9.8		+4.3		+10.8		+34.4	

Source: ONS, *Labour Market Statistics*.

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

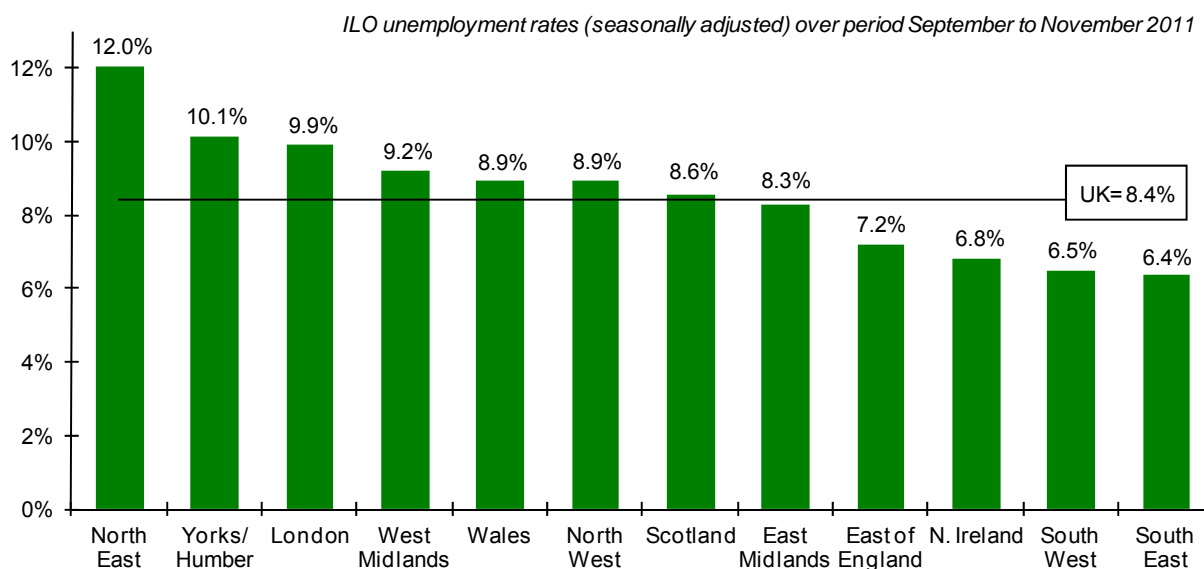
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 15 Feb 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 September to November 2011, the North East had the highest unemployment rate, at 12.0% of the economically active population. The lowest rates over the same period were 6.5% in the South West and 6.4% in the South East.



- The largest increases in unemployment over the last quarter were in the South East (+27,000) and the North West (+25,000).
- The seasonally-adjusted JSA claimant count increased in eight regions and countries, and decreased in three in December 2011, compared with November 2011.

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

	ILO unemployment				JSA claimant count	
	Sept - Nov 2011		Change in level		December 2011	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	153	12.0	+11	+31	90.1	+0.2
North West	307	8.9	+25	+44	200.3	+0.6
Yorkshire & Humber	270	10.1	+11	+28	161.7	+0.5
East Midlands	190	8.3	+7	+4	108.2	+0.0
West Midlands	243	9.2	+9	-19	168.6	-0.2
East of England	220	7.2	+18	+26	117.3	+0.2
London	424	9.9	-1	+40	238.4	+1.0
South East	284	6.4	+27	+12	143.0	+0.3
South West	175	6.5	-1	+15	90.5	+0.4
Wales	130	8.9	-1	+7	77.3	-0.5
Scotland	231	8.6	+19	+7	140.9	-1.4
Northern Ireland	59	6.8	-7	-7	60.7	+0.1

Source: ONS, *Labour Market Statistics*

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

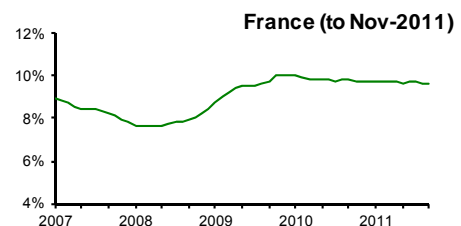
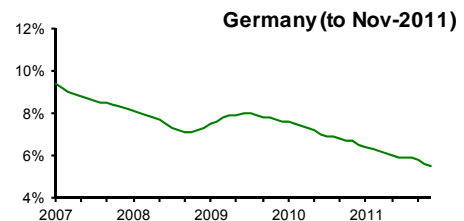
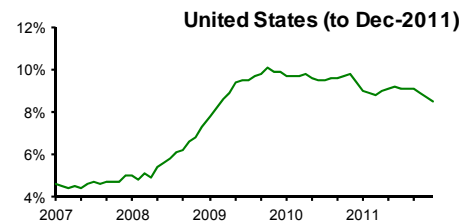
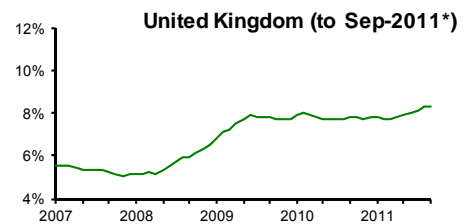
Contact: Lorna Booth, x2883

Update: ONS, *Labour Market Statistics*, 15 February 2012

C4: Unemployment: International Comparisons

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

- Using harmonised definitions, UK unemployment was 8.2% in Q3 2011, up from 7.9% in Q2 2011 and the sharpest increase across the G7 countries. UK unemployment in Q3 was below the euro zone and OECD rates (10.1% and 8.3% respectively), but above the G7 average.
- In the US, unemployment rose from 9.0% to 9.1% between Q2 and Q3 2011, before falling back sharply in Q4 to 8.7%.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 33 OECD member states (22.2% in Q3 2011), having risen particularly sharply over the last four years (up from 8.1% in Q1 2007). The Irish Republic has also seen a sharp rise over the same period (up from 4.5% to 14.4% in Q3 2011). This compares with a 2.3 percentage point rise in unemployment in the OECD as a whole since the start of 2007 (from 5.9% to 8.2%) and a 2.2 percentage-point rise in the euro zone (from 7.9% to 10.1%) over the same period.
- The lowest unemployment rate in the OECD in Q3 2011 was in Norway (3.2%).
- The most recent forecasts published by the OECD ([Economic Outlook no. 90, November 2011](#)) suggested the UK unemployment rate would be 8.8% in 2012 (an upward revision of 0.7 percentage points from the May 2011 forecast), and 9.1% in 2013. The respective forecasts for the euro zone were 10.3% in 2012 and 2013, and for the OECD as a whole 8.1% and 7.9%.



* latest figure refers to quarterly survey conducted over Aug-Oct 2011

Unemployment

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

	2009	2010	2011	2010				2011			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	8.3	8.0	7.4	8.2	8.0	8.0	7.7	7.7	7.5	7.2	7.4
France	9.5	9.8	..	9.9	9.8	9.8	9.7	9.6	9.6	9.6	..
Germany	7.8	7.1	..	7.5	7.2	6.9	6.7	6.3	6.0	5.8	..
Italy	7.8	8.4	..	8.5	8.6	8.2	8.3	8.2	8.1	8.1	..
Japan	5.1	5.1	..	5.0	5.1	5.0	5.0	4.7	4.6	4.4	..
UK	7.6	7.8	..	7.9	7.8	7.7	7.8	7.7	7.9	8.2	..
US	9.3	9.6	9.0	9.8	9.6	9.5	9.6	9.0	9.0	9.1	8.7
Euro zone	9.6	10.1	..	10.1	10.2	10.1	10.0	10.0	10.0	10.1	..
G7	8.1	8.2	..	8.3	8.3	8.1	8.1	7.7	7.7	7.7	..
OECD	8.4	8.6	..	8.7	8.6	8.5	8.5	8.2	8.2	8.2	..

Source: OECD, Harmonised Unemployment Rates

Contact: Gavin Thompson, x2042

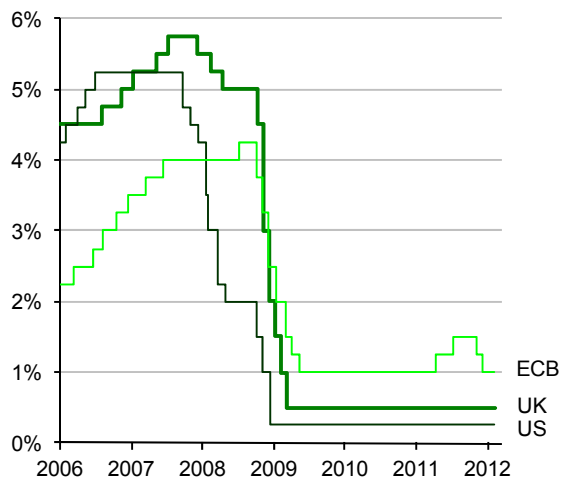
Updates: OECD, [Harmonised Unemployment Rates](#), 12 Feb 2012

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 in the Bank's 315-year history. It has remained at that level since then.

In March 2009, with little room for further cuts in interest rates, the Bank initiated an asset purchase or 'quantitative easing' (QE) programme. This was increased by £75 billion to £275 billion in October 2011, in the face of gloomy economic data that suggested UK inflation would "undershoot the 2% target in the medium term".

Official interest rates



UK Base/Repo rate changes

% per annum

Date	New rate	Date	New rate
2001	Oct 4 4.50	2007	Jan 11 5.25
	Nov 8 4.00		May 10 5.50
2003	Feb 6 3.75		Jul 5 5.75
	Jul 10 3.50		Dec 6 5.50
	Nov 6 3.75	2008	Feb 7 5.25
2004	Feb 5 4.00		Apr 10 5.00
	May 6 4.25		Oct 8 4.50
	Jun 10 4.50		Nov 6 3.00
	Aug 5 4.75		Dec 4 2.00
2005	Aug 4 4.50	2009	Jan 8 1.50
2006	Aug 3 4.75		Feb 5 1.00
	Nov 9 5.00		Mar 5 0.50

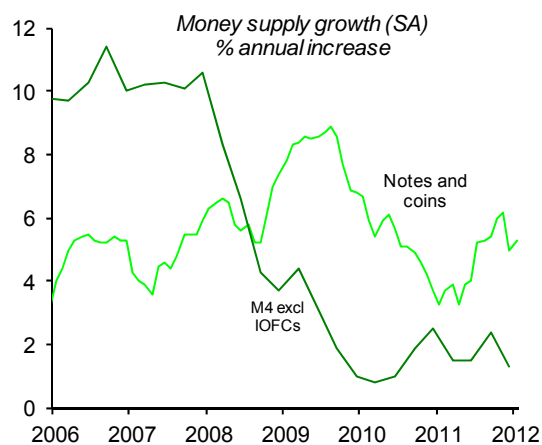
Source: Bank of England

- From November 2011, the European Central Bank's official interest rate was lowered in two steps from 1.50% to 1.00%. This follows rate rises in April and August 2011. The rise in April 2011 was the first since 2008.
- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008.

Asset purchase programme (quantitative easing)

- On 5 March 2009, the Bank of England announced that it would undertake "quantitative easing" or 'QE'. From this initial £75 billion, the programme was increased to £200 billion by November 2009. In October 2011, it was increased by a further £75 billion to £275 billion. These purchases will take place over four months and are planned to be completed in February 2012.
- Of the £200 billion of assets purchased by the Bank of England in the first phase of QE, 99% by value have been gilts (UK Government securities).

Money supply



- In its November 2011 *Inflation Report*, the Bank of England noted that money supply growth "has remained subdued over the past year", but less so than it would have been in the absence of the asset purchase programme.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 1.3% in Q4 2011, down from 2.4% in Q3 2011.
- The value of notes and coins in circulation outside the Bank of England rose by 5.3% in the year to January 2012.

Contact: Chris Rhodes, x2454

Updates: Monetary policy: [9 Feb \(UK\)](#)
Bank of England, [Monetary and Financial Statistics](#), 29 Feb

D2: Public Finances

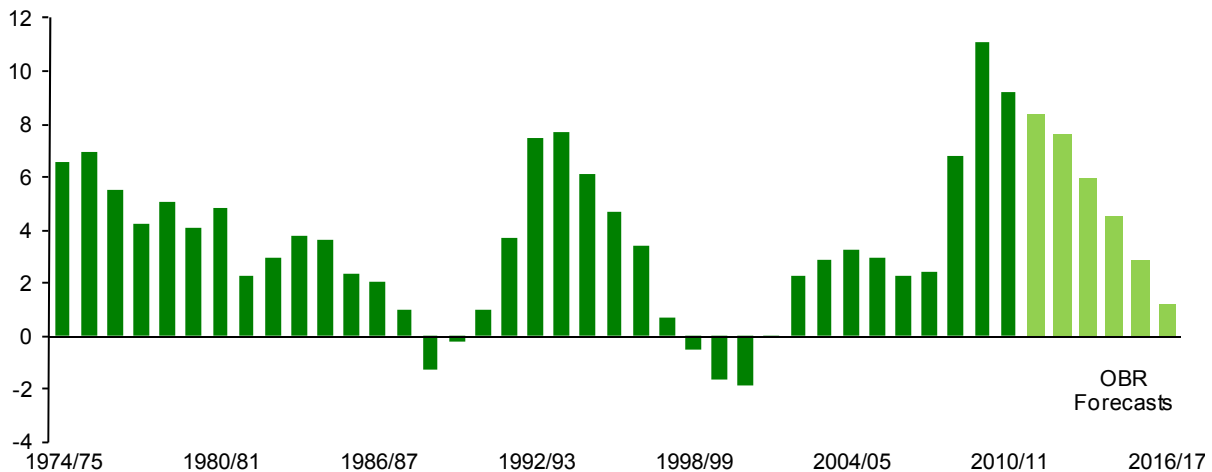
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £127 billion in 2011/12, equivalent to 8.4% of GDP.

- Between April and December 2011, the Government borrowed £103.3 billion, 9.9% lower than the same period a year ago.
- The OBR revised its forecasts for borrowing up in its November 2011 forecast. Over the period 2011/12 to 2015/16, borrowing is forecast to be £111 billion higher than forecast in March 2011.
- Debt is now forecast to fall as a share of GDP in 2015/16, a year later than previously forecast.

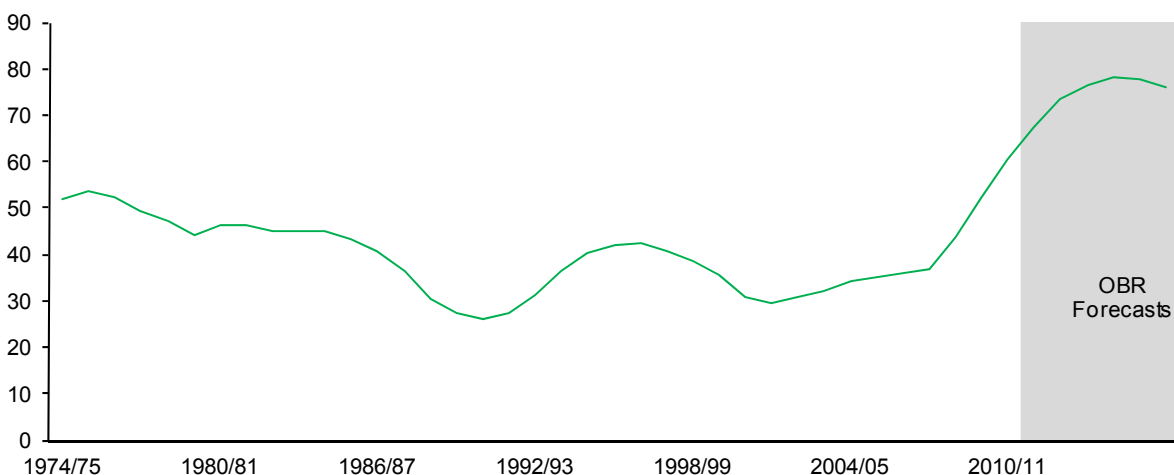
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	156	11.1	760	52.5
2010/11	136	9.2	905	60.5
2011/12	127	8.4	1,044	67.5
2012/13	120	7.6	1,182	73.3
2013/14	100	6.0	1,300	76.6
2014/15	79	4.5	1,397	78.0
2015/16	53	2.9	1,470	77.7
2016/17	24	1.2	1,515	75.8

Source: ONS, OBR. Excludes financial sector interventions

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update:- ONS, [Public sector finances](#), 21 Feb

D3: Financial Indicators

The leading share index in the UK, the FTSE 100, tracks share-price movements in the country's 100 largest companies (by market capitalisation). It hit an all-time high of 6,930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008. In January 2011, it exceeded 6,000 for the first time since June 2008. It fell sharply in August 2011, but has since stabilised.

The price of oil reached an all time high above \$145/barrel in July 2008. Then followed a steep decline, after which prices have recovered, and have been above \$100/barrel since February 2011.

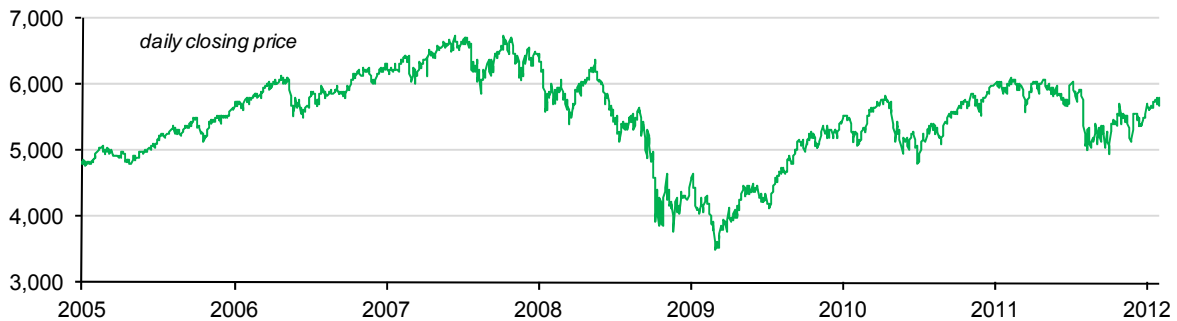
The price of gold exceeded \$1,800/ounce for the first time in August 2011, but has since fallen.

Data from 02 February 2012

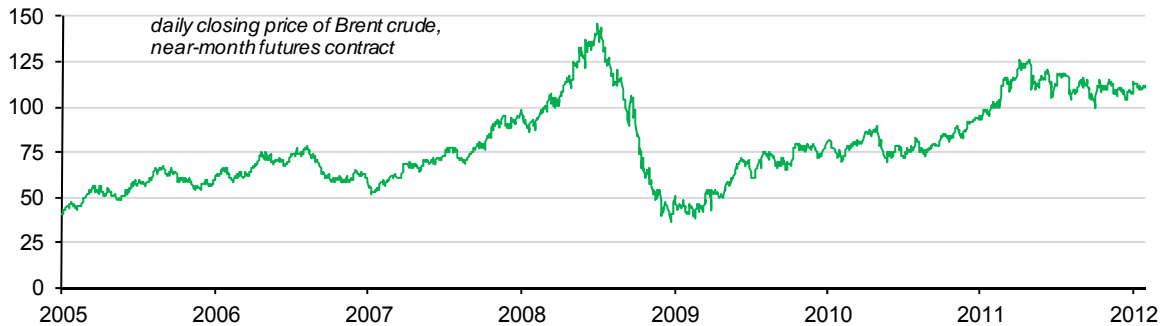
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02 Feb 2012	5,796.1	112.1	1,744.2
%change over:			
1-month	+1.7%	+4%	+11%
12-months	-3%	+10%	+30%
%change from:			
cyclical peak	-14%	-23%	-8%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+65%	+208%	+145%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Oil price (\$ per barrel)



Gold price (\$ per ounce)



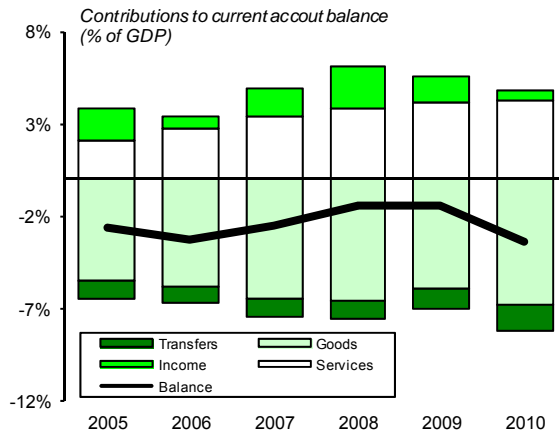
Contact: Chris Rhodes, x2454

Update: Page updated on a weekly basis

E1: UK Balance of Trade

Annually, the current account deficit in 2010 was £48.6 billion, equivalent to -3.3% of GDP. That compared with £20.3 billion (-1.5% of GDP) in 2009. This change can principally be attributed to a worsening of the UK's good deficit, from £82.9 billion in 2009 to £98.5 billion in 2010.

Current Account



- On a **quarterly** basis, the current account deficit was £15.2 billion in Q3 2011, widening from £7.4 billion in Q2 2011. The surplus on services fell slightly to £17.7 billion. However, the deficit on goods increased to £27.6 billion – the largest quarterly deficit recorded.
- The **annual** current account deficit with EU27 countries in 2010 was £47.6 billion, compared with a deficit with non-EU countries of £1.0 billion. On a **quarterly** basis, the deficit with EU27 countries rose to £13.8 billion in Q3 2011. With non-EU countries, the current account surplus rose to £1.4 billion.

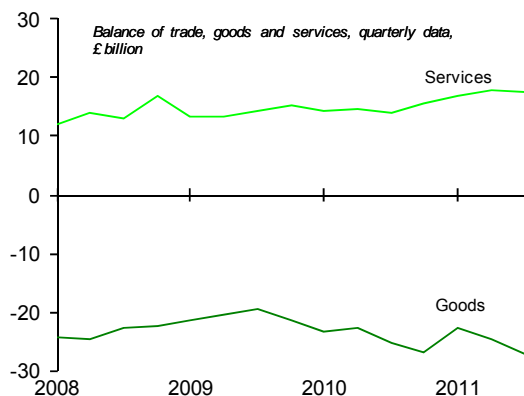
Current Account Balances

£ millions; seasonally adjusted

	Goods		Services Balance	Goods and Services Balance	Income	Transfers	Current Account Balance	
	Exports	Imports						Balance
2009	228,126	310,978	-82,852	57,215	-25,637	20,397	-15,076	-20,316
2010	265,708	364,222	-98,514	61,776	-36,738	8,583	-20,411	-48,566
2010 Q3	66,786	92,228	-25,442	14,492	-10,950	3,466	-5,021	-12,505
Q4	69,961	96,566	-26,605	16,752	-9,853	1,989	-6,238	-14,102
2011 Q1	74,018	96,981	-22,963	17,749	-5,214	3,395	-5,544	-7,363
Q2	74,125	99,093	-24,968	17,748	-7,220	4,574	-4,740	-7,386
Q3	74,215	101,784	-27,569	17,680	-9,889	349	-5,686	-15,226

Source: ONS database, series: BQKU, BQKV, BOKG, BOKH, BOKI, FNSV, FNTC, HBOJ, HBOP, IKBD, IKBJ, IKBP

Trade in Goods and Services



- The estimated deficit on goods trade in November was £8.6bn, wider than the October figure of £7.9bn.
- The monthly trade surplus on services was an estimated £6.1bn in November, up slightly from the October surplus of £6.0 bn.
- The overall monthly deficit on goods and services combined in November was £2.6bn, widening from £1.9bn in October.
- The goods deficit with the EU27 was £3.6bn in November, up from £3.3bn in October, while the deficit with non-EU countries was £5.0bn, up from £4.6bn in October.

Contact: Grahame Allen, x3977

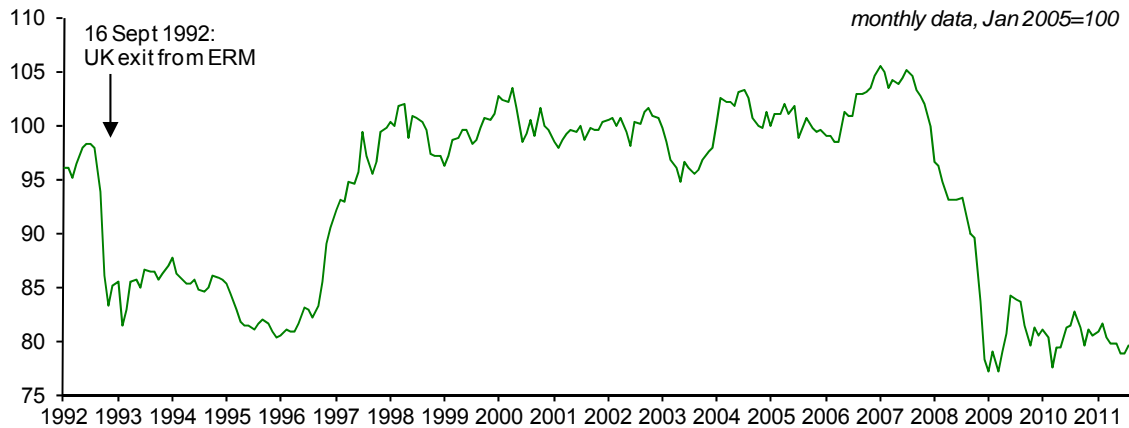
Updates: ONS, [UK Trade](#), 9 Feb;
ONS, [UK Balance of Payments](#), 28 Mar

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).

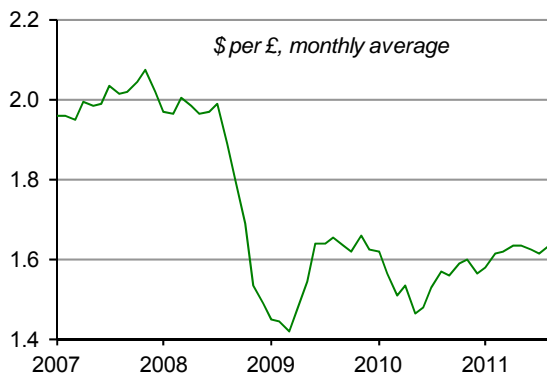
The SERI rose by 0.3% in January, having risen by 0.5% in December. Compared with the same period last year, the SERI was 0.4% higher. It is now 5.2% above its March 2009 level, when it was at its lowest point since the series began in 1980, and 23.1% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



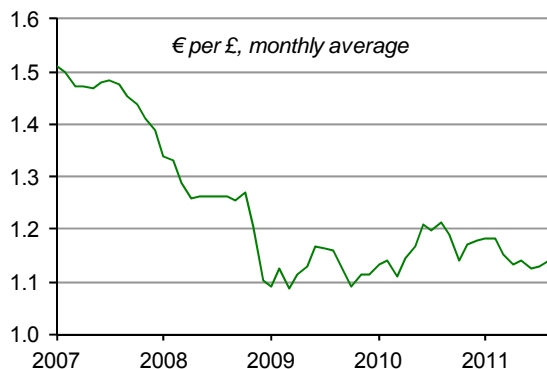
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in January, the pound was 1 cent weaker against the dollar compared with December. At the 3 February market close the pound stood at \$1.58.
- Sterling was on average 2 cents stronger against the Euro in January, compared with December.
- At the 3 February market close the pound stood at €1.20, unchanged when compared to the January 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	
2008	1.85	-7.5%	1.26	-13.9%	
2009	1.57	-15.5%	1.12	-10.8%	
2010	1.55	-1.3%	1.17	3.8%	
2011	Jan	1.58	-2.3%	1.18	4.3%
	Nov	1.58	-1.0%	1.17	-0.4%
	Dec	1.56	-0.1%	1.18	0.3%
2012	Jan	1.55	-1.8%	1.20	1.8%

Source: Bank of England, Bankstats database

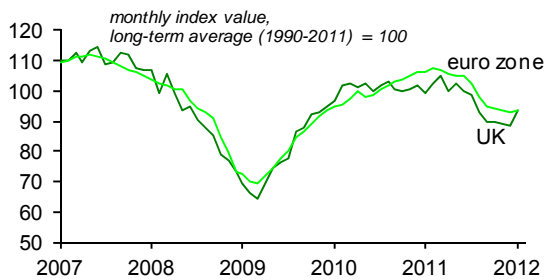
Contact: Aliyah Dar, x5919

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

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

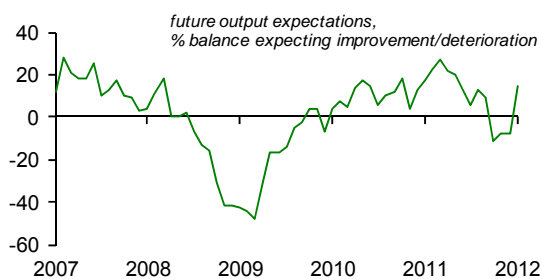


	UK Index	monthly change	change on year ago
2010 Jan	97.0	...	...
2011 Jan	99.1	...	...
2011 Nov	89.2	-0.6	-11.7
2011 Dec	88.6	-0.6	-13.4
2012 Jan	93.6	+5.0	-5.5

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 December 2011 and January 2012 the overall UK sentiment index increased by 5.0 points to 93.6. The euro zone sentiment index increased by 0.6 points to 93.4.

CBI Industrial Trends Survey



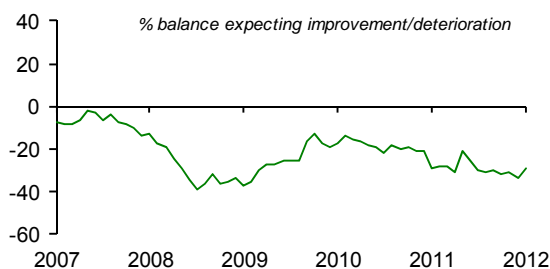
balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2010 Jan	+4	...	...
2011 Jan	+17	...	...
2011 Nov	-8	+3	-12
2011 Dec	-8	+0	-21
2012 Jan	+15	+23	-2

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In January 2011, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +15% of firms. This is an improvement on December 2011 when the difference was -8% of firms.

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 Jan	-17	...	...
2011 Jan	-29	...	...
2011 Nov	-31	+1	-10
2011 Dec	-33	-2	-12
2012 Jan	-29	+4	0

Source: GfK NOP for EC, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- At -29, overall consumer confidence in January 2012 was four points up on December 2011.

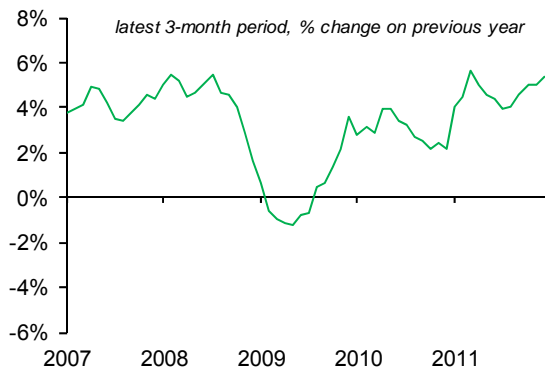
Contact: Lorna Booth, x2883

Update: CBI, [Industrial Trends](#), 23 Feb
EC, [Economic Sentiment Indicator](#), 28 Feb
GfK NOP, [Consumer Confidence](#), 29 Feb

F2: Retail Sales

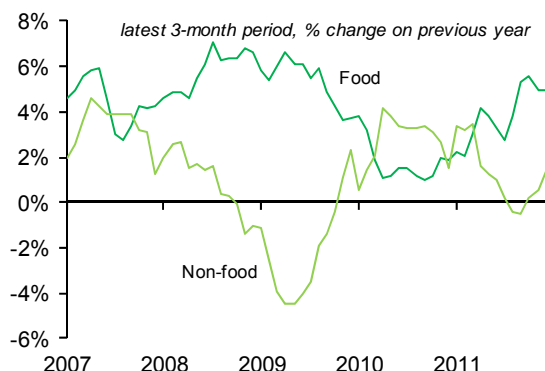
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to December 2011 was 5.4%, an increase on November's 5.0%.
- The value of retail sales in December 2011 alone showed an increase of 0.8% compared with November 2011.
- The value of retail sales in December 2011 alone showed an increase of 6.2% compared with December 2010.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to December rose by 5.0% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 1.4% in the three months to December 2011.
- Sales in household goods stores were 0.1% higher than a year ago.
- The value of non-store sales (includes internet) increased 9.7% in December 2011 compared to December 2010.

Value of Retail Sales

annual data and latest 3-month period, % change on previous year; seasonally adjusted

	Food Stores	Non-Food Stores				All retailing total
		Clothing & Footwear	Household goods	Other	Total	
2010	1.6	5.4	-3.4	2.0	2.6	2.7
2011	4.2	3.4	-2.5	0.8	1.3	5.0
2011 Aug	3.8	3.4	-4.5	-2.7	-0.4	4.0
Sep	5.3	2.6	-3.6	-3.3	-0.5	4.6
Oct	5.6	2.0	-2.0	-1.5	0.2	5.0
Nov	5.0	2.0	-0.3	-1.4	0.6	5.0
Dec	5.0	4.5	0.1	-1.5	1.4	5.4

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

Contact: Lucinda Maer, x3841

Update: ONS, [Retail Sales](#), 17 February 2012

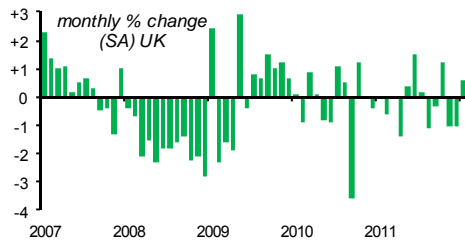
F3: Housing Market

House prices on the Nationwide index fell by 0.2% in January. Prices were 0.6% higher in January compared with a year ago. House prices on the Halifax index rose by 0.6% in January having fallen by 1.0% in December. Prices were 1.6% lower than a year ago on this measure.

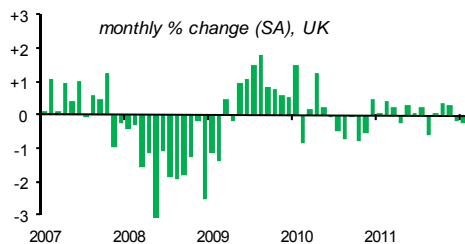
After recovering in 2009, numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

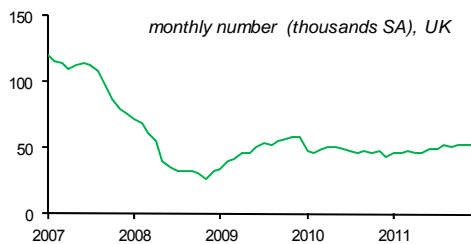


Latest monthly data UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jan-12	Jan-12
Change in month	+0.6%	-0.2%
Change in year	-1.6%	+0.6%
Peak date	Aug-07	Oct-07
Change since peak	-19.4%	-11.2%
Trough date	Apr-09	Feb-09
Change since trough	+4.0%	+9.7%

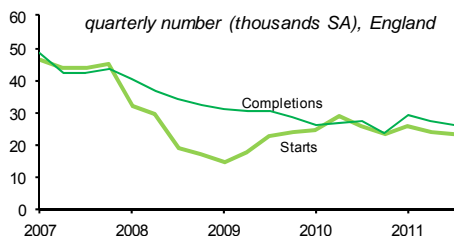
- The recovery in house prices since early 2009 has been tepid. In January 2012, the average house price on the Halifax index was £160,907 and £162,228 on the Nationwide measure.
- There is considerable regional variation. In Q4 2011 prices rose by 5.4% in London and by 1.6% in Yorks & Humberside but fell by 8.9% 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 52,939 mortgage approvals in December. The number of approvals has remained generally flat since early 2010.

House-building



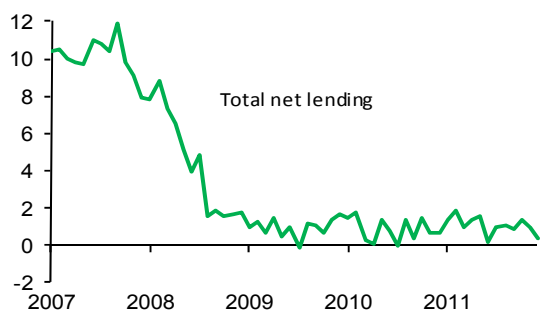
- There were 23,410 house building starts in England in Q3 2011, down 1% from 23,610 in Q2 2011. This is over 50% above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- The number of dwelling completions also fell to 26,190 in Q3 2011, down from 27,330 in Q2 2011.

Contact: Aliyah Dar, x5919

Updates: DCLG, [House-building](#), 16 Feb;
Bank of England, [Lending to Individuals](#), 29 Feb;
Halifax [House Price Index](#), early Mar;
Nationwide [House Price Index](#), early Mar

F4: Household debt

Monthly net lending, £bn



Source: Bank of England

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

- Total net lending to individuals grew by £0.4 billion in December 2011. This compares with November's figure of £1.0 billion.
- Monthly net unsecured lending fell by £0.4 billion in December 2011.
- Monthly net secured lending (mortgages) grew by £0.7 billion in December 2011. It grew by £0.6 billion in November.

Net outstanding lending to individuals

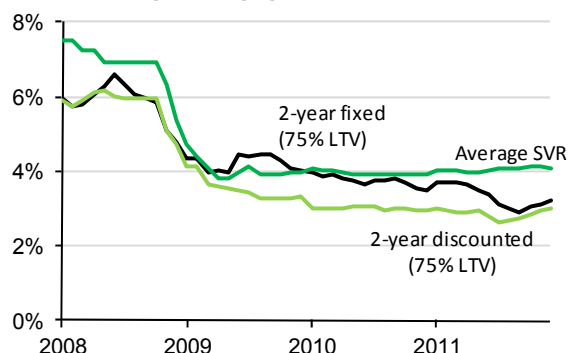
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2007 Dec	1,186	222	1,407
2008 Dec	1,225	234	1,459
2009 Dec	1,234	228	1,462
2010 Dec	1,238	216	1,454
2011 Jun	1,241	210	1,451
2011 Sep	1,242	209	1,451
2011 Dec	1,245	207	1,451

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

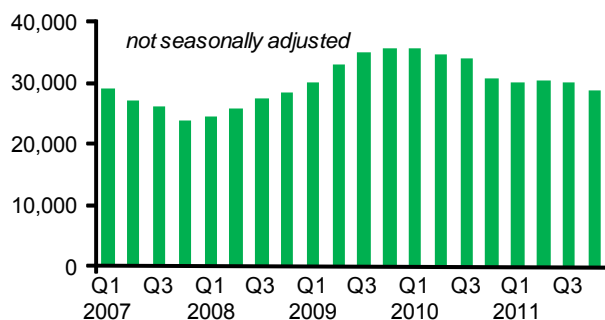
- Total net outstanding lending to individuals was £1,451 billion at the end of December 2011, 0.2% lower than a year earlier
- Secured lending (mortgages) is the largest form of lending accounting for 86% of the total.
- Unsecured lending outstanding (including credit cards) was £207 billion at the end of December 2011.

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 December 2011 was 4.1%, compared with 3.91% a year previously.
- The average fixed and discounted rates offered (75% LTV) in December 2011 were 3.22% and 3.02% respectively, compared with 3.50% and 2.96% a year ago.

Individual insolvencies, England and Wales



Source: Insolvency Service

- Q4 2011 provisional data indicates there were 28,973 individual insolvencies in England and Wales (not seasonally adjusted), a 5.6% decrease on Q4 2010.
- In Scotland in Q4 2011 there were 4,664 individual insolvencies, an increase of 1.6% on Q4 2010.
- In N Ireland in Q4 2011 there were 747 individual insolvencies, a rise of 28.4% on Q4 2010.

Contact: Dominic Webb, x4324

Update: Bank of England, [Lending to Individuals](#), 29 Feb
Insolvency Service, [Insolvency Statistics](#), 4 May

5 Indicator sources

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

Indicator		Source details
A1	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. $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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