



Economic Indicators, March 2013

RESEARCH PAPER 13/17 05 March 2013

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

- The most recent ONS estimate showed that GDP contracted by 0.3% in Q4 2012. This was partly due to a 1.3% fall in manufacturing output over the quarter and a 0.1% fall in output from the services sector, which accounts for around three quarters of the UK economy.
- February 2013 saw the downgrading of the UK's credit rating by the ratings agency Moody's from AAA to AA1. So far, this has not had an impact on the cost of UK government borrowing.
- Labour market data released last month were positive, showing another rise in employment and a slight fall in unemployment.

This month's articles:

- **UK recessions: three in a row?**
- **Key financial indicators**

The next edition of Economic Indicators will be published on Tuesday 19 March, the day before this year's Budget.

Chris Rhodes (editor)

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Research Paper 13/17

Contributing Authors: Chris Rhodes (editor),
Economic Policy and Statistics section

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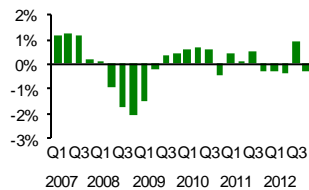
Summary

The most recent ONS estimate showed that GDP contracted by 0.3% in Q4 2012. This was partly due to a 1.3% fall in manufacturing output over the quarter and a 0.1% fall in output from the services sector, which accounts for around three quarters of the UK economy. February 2013 saw the downgrading of the UK's credit rating by the ratings agency Moody's from AAA to AA1. So far, this has not had an impact on the cost of UK government borrowing. Labour market data released last month were positive, showing another rise in employment and a slight fall in unemployment.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



The economy contracted by an estimated 0.3% in Q4 2012 (unrevised from the first estimate), following an increase of 0.9% in Q3 2012.

Inflation (CPI)

[page 7](#)

(% change on year ago)

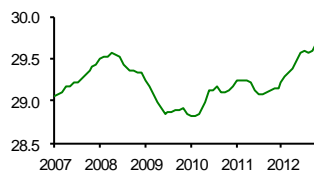


The CPI annual inflation rate was 2.7% in January 2013, unchanged for four months since October 2012. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

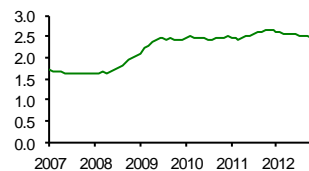


There were 29.73 million people aged 16 and over in employment in the three months to December 2012, an all-time high. However, the employment rate for people aged 16-64 was 71.5%, compared to a pre-recession level of 73.0% in March-May 2008.

Unemployment

[page 11](#)

(total, millions, ILO definition)

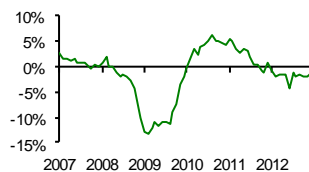


There were 2.50 million unemployed people in the three months to December 2012, down 14,000 on the quarter. The unemployment rate was 7.8%.

Manufacturing output

[page 5](#)

(% change on previous year)



Manufacturing output rose by 1.6% in December 2012 compared with November. However, manufacturing output fell by 1.3% over the final quarter of 2012.

Next issue: 19 March (day before budget)

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:

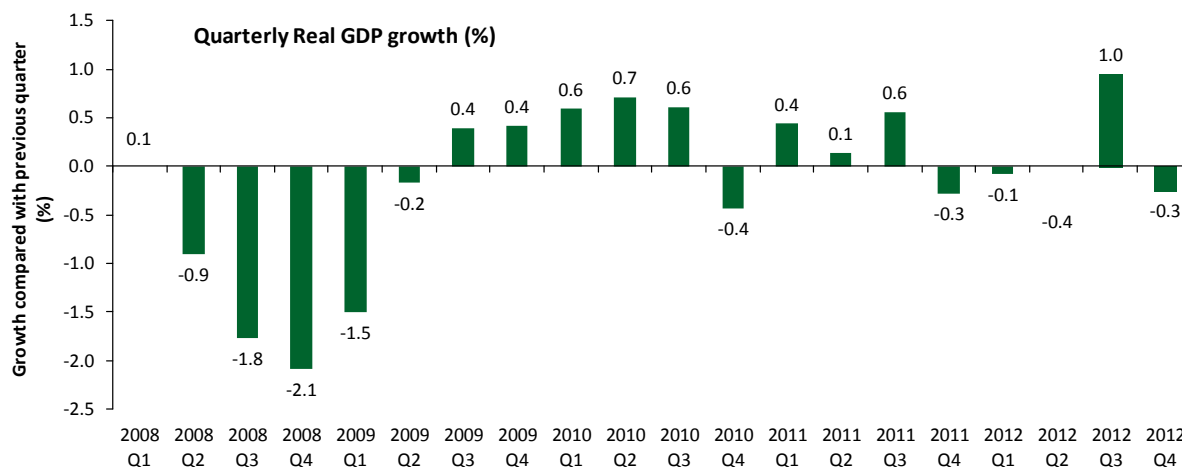
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¹ <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

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

2 UK recessions: three in a row?

ONS released its second estimate of GDP for the final quarter of 2012 on 27 February.³ The data shows the economy contracted by an estimated -0.3% in Q4 2012 following an expansion of 1.0% in Q3 2012. The UK economy could now technically return to recession in the first quarter of 2013. This would be the first so-called 'triple-dip' recession since official quarterly GDP statistics were first estimated in 1955 – and in all likelihood further back.



2.1 De-constructing the figures

In the construction sector, output rose by 0.9% following three consecutive quarterly contractions. In the production sector, output fell by -0.4%. Output in the services sector, by far the largest sector in the economy, fell by -0.1%, with the distribution, hotels & catering services sub-sector falling by -0.5% and government & other services sub-sectors falling by -0.8%.

Overall, the construction sector contribution to the last quarter growth figure of -0.3% was 0.1 of a percentage point, the production sector -0.3 of a percentage point and the services sector -0.1 of a percentage point.

There is some argument as to the importance of the tag 'recession' (and the so-called 'double-dip' recession) in the context of two successive quarters of falling GDP (see box). Regardless, excluding 'one-off' factors, GDP has remained largely flat over the past eighteen months and is still well below the levels seen before the onset of the 2008 recession.

2.2 The 2008 recession

If we look at the 2008 recession and its aftermath not only was this the 'deepest' recession (in terms of lost output) in the UK since at least the 1930s (see chart below), but the recovery has also been the slowest. While UK economic output has in recovered to its pre-recession level four years from the start of each of the recessions since the end of the Second World War, the UK economy is still 3.0% smaller than it was before the beginning of the 2008 recession.

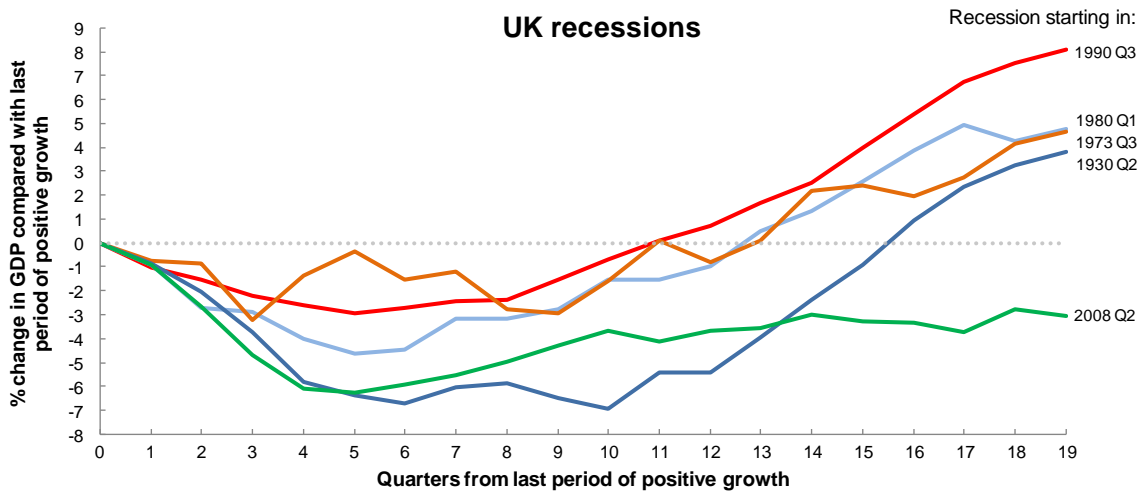
Measuring recessions

A recession can generally be described as a period of time, lasting more than a few months, when output of an economy is falling, and is often accompanied by rising unemployment.

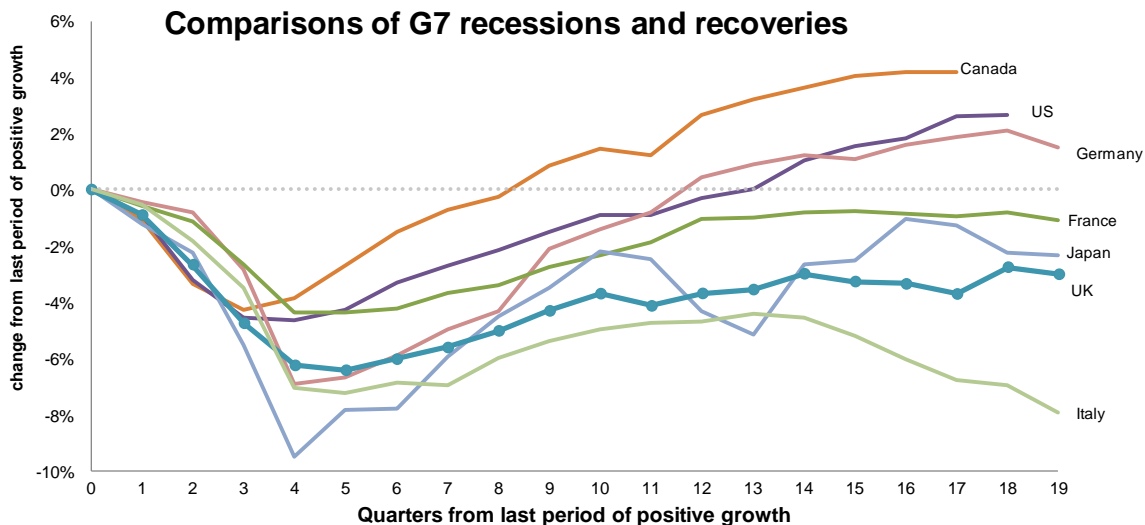
While there's no 'official' definition of when an economy is in recession, the most commonly used one is when GDP falls for two consecutive quarters. This is sometimes referred to as a technical recession.

Some economists believe this definition is too rigid and does not take into account other issues such as the magnitude of the fall in output and the performance of the labour market.

³ ONS, *Second Estimate of GDP, Q4 2012*, 27 February 2013



Of course, 2008 saw recessions in many countries, including all G7 economies. Revised OECD data shows that the UK economy contracted by -6.4%, at its lowest point, from its pre-2008 recession level, less severe than Japan's (-9.5%), Italy's (-7.9%) and Germany's (-6.9%) but more severe than in the other G7 economies:



Of the G7 economies, Canada, the US and Germany have since recovered the output lost during the recession. GDP in the Canada is now 4.2% above its pre-2008 recession level, the US 2.6% and Germany 1.5%. Meanwhile, as in the UK, GDP in Italy (-7.9%), Japan (-2.4%) and France (-1.1%) remains below pre-2008 recession levels.

2.3 Recovery and triple dipping

Output lost during the recession will not be recouped for some time yet. The -0.3% growth in the last quarter of 2012 was lower than expected at the Autumn Statement, when the Office for Budget Responsibility (OBR) forecast last quarter GDP growth of -0.1%. The OBR also [published forecasts](#) of quarterly growth to Q1 2018. The OBR will likely change these forecasts but assuming that the forecasts remained unchanged, UK economic output will not return to its pre-2008 recession level until some point during the third quarter of 2014.

Grahame Allen, Economic Policy and Statistics Section

3 Key financial indicators

Financial indicators provide insight into both the prevailing economic situation, and investors' assessment of the current outlook. Here we detail four key indicators that can provide such insight.

3.1 FTSE-100 Index

The FTSE-100 Index aims to track the share prices of the 100 largest companies listed on the London Stock Exchange by market capitalisation (the total value of all the ordinary shares of a company outstanding), with the constituents of the index reviewed, and if necessary adjusted, four times per year. The index is closely followed as a high-frequency indicator of current economic conditions, via the profitability of the corporate sector, and investors' confidence in the future outlook.

Despite the weak performance of the UK economy the FTSE-100 has actually performed fairly well over recent years, and since the start of 2013 the index has risen by 8% (as of 1 March). A number of factors help explain this apparent disconnect. One is low interest rates, which increase the relative appeal of equities to investors. Another, arguably more crucial, factor is that the FTSE-100 is now composed of large the multinational firms. Over 70% of the revenues generated by FTSE-100 companies currently originate from overseas, increasingly from fast-growing emerging markets, making the index a barometer of the global, rather than UK, economy.

Despite recent strength, the FTSE-100, as of 1 March, stood 8% below the all-time high it reached in 1999. However, this does not mean that an investor who invested in the FTSE-100 Index at its 1999 high would have lost 8%. Instead, such an investor would actually have received a return of approximately 50%⁴. This is because the index merely tracks share price movements, and does not take account of dividend payments made by its constituent firms. Not all share-price indices are constructed in the manner. Germany's DAX Index is a total return index – its movements capture both movements in the share prices of the underlying companies and the dividends received by investors.

3.2 UK Government 10-Year Bond Yield

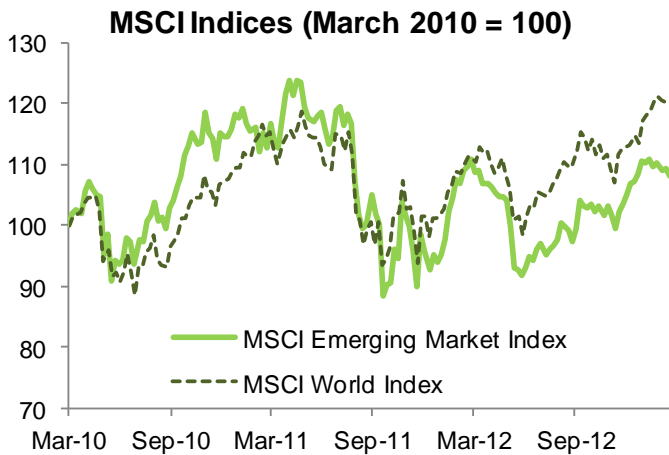


In order to finance its borrowing requirements the UK government issues bonds. Such bonds have a range of maturity dates (the date on which the government must repay the principal amount) and coupon rates (the regular payments made to investors). Benchmarks are constructed in order to track performance across these instruments, with one such benchmark being the 10-year generic yield (illustrated in the accompanying chart). This shows that, as of 1 March, 10-year UK government debt was priced to yield 1.87% – i.e. the UK government can

borrow over a period of 10 years at an interest rate of 1.87% per year. A range of factors combine to determine the 10-year yield, such as the perceived credit risk of the UK government, long-term inflation expectations, current and expected monetary policy, anticipated economic growth, the UK savings rate, and demand from overseas investors.

⁴ Assuming dividends are reinvested in the index.

3.3 MSCI Emerging Markets Index

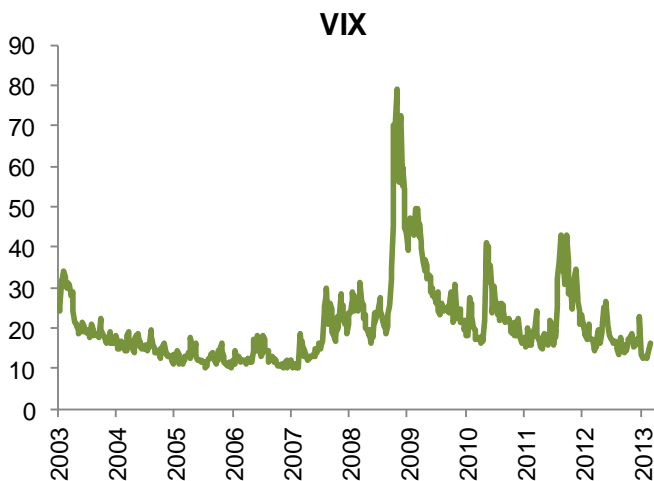


Emerging markets make up an increasing share of global economic output, whilst accounting for the majority of global growth at present. Accordingly these countries' financial markets have grown in importance, and received considerable inflows from investors in the developed world. The MSCI Emerging Markets Index tracks the performance of shares listed in 21 emerging markets (as defined by MSCI), including Russia, China, India and Brazil.

Interestingly, despite the weak macroeconomic landscape facing much of the developed world, developed-world stocks (as represented by the MSCI World) have actually outperformed their emerging market equivalents in recent years. Over the past three years the MSCI World returned approximately 35%, versus the 21% return provided by the emerging market index. (Note the accompanying chart illustrates only share price movements).

Interestingly, despite the weak macroeconomic landscape facing much

3.4 VIX



The Chicago Board Options Exchange Volatility Index, more commonly known as the VIX, is often referred to as the market's fear gauge. The index is used as an indicator of the level of uncertainty present in financial markets, as measured by the implied volatility on options on the S&P 500 Index. When uncertainty or fear rises, market participants are willing to pay more for options – and the VIX rises. As investors' outlook becomes more sanguine the VIX will fall.

The accompanying chart illustrates the trajectory of the VIX Index over the past decade. Prior to 2007 the index was low with little variation – indicating the financial markets were at the time anticipated to be fairly stable. Beginning in 2007, as the US subprime crisis began to unfold, the VIX started to rise before surging in late-2008 following the collapse of Lehman Brothers. Bouts of elevated fear have proved common over the subsequent period, arguably on account of the long-running eurozone crisis.

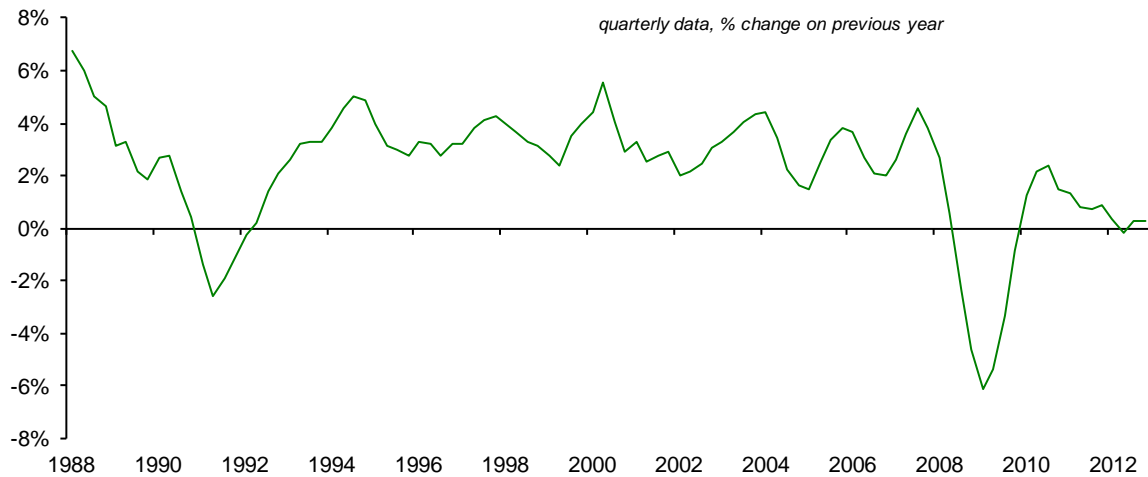
The accompanying chart illustrates the trajectory of the VIX Index over the past

Daniel Zaczekiewicz, Economic Policy and Statistics

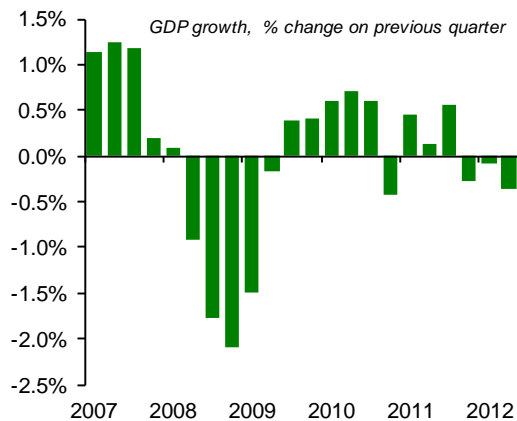
A1: Gross Domestic Product

The economy contracted by an estimated 0.3% in Q4 2012 (unrevised from the first estimate), following an increase of 0.9% in Q3 2012. In February, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.0% and 0.9% for 2013. The Office for Budget Responsibility's (OBR) central forecasts from December 2012 are -0.1% growth for 2012 and 1.2% 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	1,519	3.6	...	0.9
Q3	380.4	3.1	0.6	0.7
Q4	382.4	3.0	-0.3	0.9
2012 Q1	384.0	2.0	-0.1	0.3
Q2	380.9	1.1	-0.4	-0.2
Q3	387.1	1.7	1.0	0.2
Q4	387.5	1.3	-0.3	0.3

Source: ONS, series: YBHA, ABMI

- In Q4 2012, real GDP was estimated to be 0.3% up on the Q4 2011 figure. GDP remains 3% below its pre-recession level (Q1 2008).
- In Q4 2012, output of the production industries decreased by an estimated 1.9%, construction sector output increased by 0.9%, manufacturing output decreased by 1.3%, and output of the service fell by 0.1%, compared with Q3 2012, in chained volume measures.
- The ONS said the number of special events in 2012 (Diamond Jubilee and the Olympic and Paralympic Games) has introduced additional uncertainty in the interpretation of changes between Q2 and Q3 and between Q3 and Q4.

Contact: Grahame Allen, x3977

Updates: ONS, [Quarterly national accounts release](#), 27 Mar
HMT, [Comparison of Independent Forecasts](#), 20 Mar

A2: GDP: International Comparisons

In Q4-2012, output in the eurozone as a whole contracted by 0.6%, while Germany and France saw their output contract by 0.6% and 0.3% respectively. UK output contracted by 0.3% in Q4-2012 compared to the previous quarter, while US output did not grow.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	12Q1	12Q2	12Q3	12Q4	12Q1	12Q2	12Q3	12Q4
US	2.4	2.1	2.6	1.5	0.5	0.3	0.8	0.0
Japan	3.3	3.9	0.4	0.1	1.5	-0.2	-1.0	-0.1
UK	0.2	-0.3	0.0	0.0	-0.2	-0.4	0.9	-0.3
Germany	1.2	1.0	0.9	0.4	0.5	0.3	0.2	-0.6
France	0.2	0.1	0.0	-0.3	-0.1	-0.1	0.1	-0.3
Eurozone	-0.1	-0.5	-0.6	-0.9	0.0	-0.2	-0.1	-0.6
G7	1.8	1.7	1.3	0.7	0.4	0.1	0.3	-0.2
OECD	1.8	1.6	1.2	..	0.5	0.2	0.3	..

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

In **January 2013**, the IMF lowered their 2013 forecast for world growth, last made in October 2012, by 0.1 percentage points to 3.5%. 2013 growth forecasts were lowered for most advanced economies: for the UK, US and France by 0.1 percentage points, for Germany by 0.3 percentage points, and for the eurozone as a whole by 0.4 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.

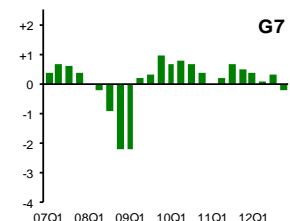
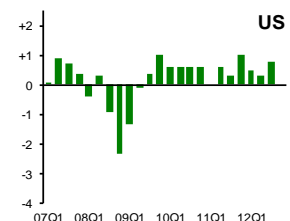
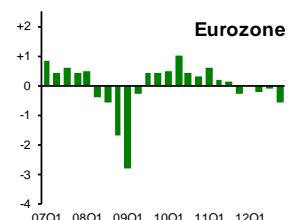
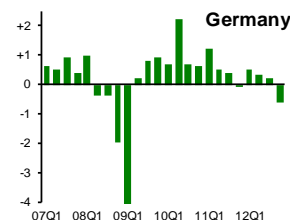
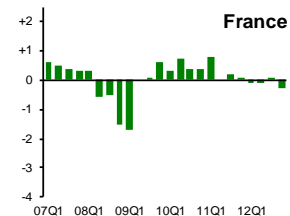
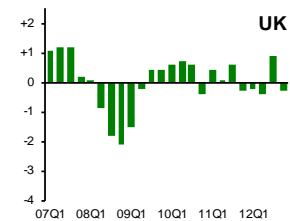
In **December 2012**, the OECD also revised down their growth forecasts for the UK – to -0.1% in 2012 (down 0.6 percentage points since the forecast in June 2012) and to 0.9% in 2013 (down 1.0 percentage points). Forecasts for the euro area were also lowered – to -0.4% in 2012 (down 0.3 percentage points) and -0.1% in 2013 (down 1.0 percentage points).

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

	IMF (Jan 13)		EC (Nov 12)		OECD (Dec 12)	
	2012	2013	2012	2013	2012	2013
UK	-0.2	1.0	-0.3	0.9	-0.1	0.9
France	0.2	0.3	0.2	0.4	0.2	0.3
Germany	0.9	0.6	0.8	0.8	0.9	0.6
Eurozone	-0.4	-0.2	-0.4	0.1	-0.4	-0.1
US	2.3	2.0	2.1	2.3	2.2	2.0
Japan	2.0	1.2	2.0	0.8	1.6	0.7
OECD	..	..	..	..	1.4	1.4
China	7.8	8.2	..	..	7.5	8.5
India	4.5	5.9	..	..	4.5	5.9
Brazil	1.0	3.5	..	..	1.5	4.0
World	3.2	3.5	..	..	2.9	3.4

Sources: IMF Oct 2012 WEO update; EC EEF; OECD Economic Outlook No.92

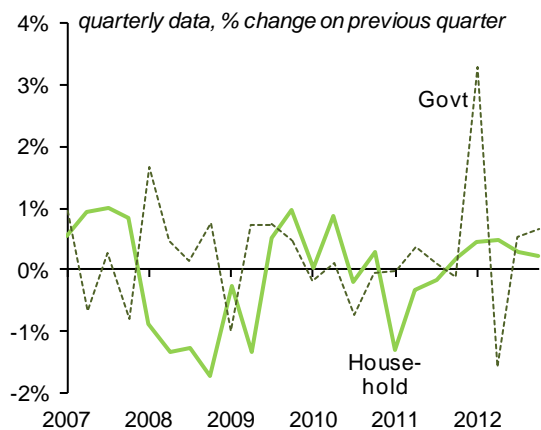
Quarter-on-quarter growth rates



A3: Components of GDP

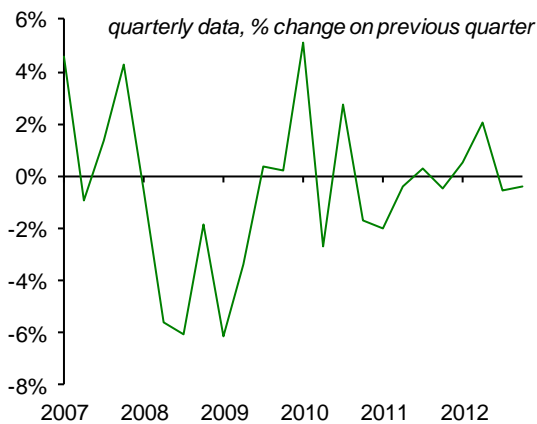
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 60% of the total in 2011. Government consumption accounted for 23% and investment for 15%.

Household consumption and government consumption



- In Q4 2012, household consumption grew by 0.2% in real terms compared with Q3 2012. This is the slowest rate of growth since Q4 2011.
- Government consumption increased by 0.6% in Q4 2012.
- Exports fell by 1.5% while imports fell by 1.2% in Q4 2012.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q4 2012 GFCF fell by 0.4%. It is 1.7% higher than a year ago.
- Business investment, a component of overall GFCF, decreased by 1.2% in Q4 2012.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2011 (annual % change)	-1.3%	-0.1%	-2.9%	4.6%	0.5%	0.9%
2012 (annual % change)	1.0%	2.6%	1.4%	-0.3%	2.0%	0.2%
2011 Q3	-0.2%	0.1%	0.3%	0.0%	0.1%	0.6%
2011 Q4	0.2%	-0.1%	-0.4%	2.9%	1.6%	-0.3%
2012 Q1	0.5%	3.3%	0.6%	-1.5%	0.0%	-0.1%
2012 Q2	0.5%	-1.6%	2.0%	-1.3%	1.3%	-0.4%
2012 Q3	0.3%	0.5%	-0.6%	1.7%	0.3%	1.0%
2012 Q4	0.2%	0.6%	-0.4%	-1.5%	-1.2%	-0.3%

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](#), 27 March 2013

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 83% of total workforce jobs (Q3 2012).

Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	Total GDP
<i>Annual % changes</i>				
2011	2.0	2.6	1.2	0.9
2012	-1.8	-9.3	1.2	0.0
2012 Q2	-2.4	-9.1	0.8	-0.3
2012 Q3	-1.5	-11.2	1.3	0.1
2012 Q4	-2.0	-11.0	1.4	0.0
<i>Quarter-on-quarter % changes</i>				
2012 Q2	-1.0	-2.8	-0.1	-0.4
2012 Q3	0.7	-2.5	1.2	0.9
2012 Q4	-1.5	0.3	0.0	-0.3

Source: ONS Series L2KX, L2N8, L2NC, YBEZ

Manufacturing and services output



- Manufacturing output fell by 1.5% in the fourth quarter of 2012, following a 0.7% rise in the previous quarter. Construction rose by 0.3%.
- The ONS commented that “manufacturing weakness in Q4 was widespread with the majority of industries showing a decline.”

Employment

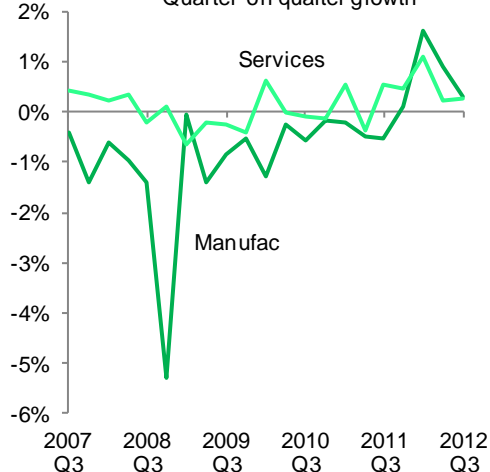
Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2010 Q3	-2.6%	-4.8%	0.1%	-0.4%
2011 Q3	-1.3%	-1.6%	0.6%	0.3%
2012 Q2	2.1%	-1.3%	2.4%	2.2%
2012 Q3	3.0%	-3.2%	2.1%	1.7%
<i>Quarter-on-quarter</i>				
2012 Q2	0.9%	-1.8%	0.2%	0.2%
2012 Q3	0.3%	-0.5%	0.3%	0.1%
<i>Thousands</i>				
2012 Q3	2,596	1,986	26,573	31,946

Source: ONS series JWR7, JWS2, JWT8, DYDC

Manufacturing and services jobs



- The number of manufacturing jobs has risen over the year and the quarter. In Q3 2012, the manufacturing workforce grew by 0.3% on the previous quarter and was 3.0% higher than a year earlier.
- The number of jobs in the construction sector decreased by 0.5% over the quarter to Q3 2012, and by 3.2% over the year.
- The number of jobs in the service industries grew by 0.3% over the quarter and by 2.1% over the year.

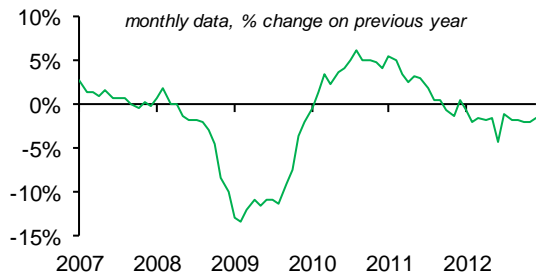
Contact: Chris Rhodes, x2454

Update: ONS, [Workforce jobs](#), 20 March

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

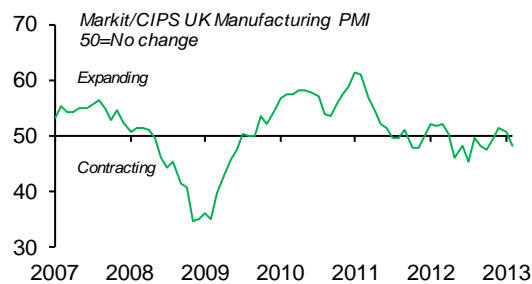


	Index Value (2009=100)	% change over month	% change over 12 months
2011	106.0	...	2.1
2012	104.1	...	-1.8
2012 Sep	104.2	+0.1	-1.6
Oct	102.9	-1.2	-1.9
Nov	102.5	-0.4	-2.0
Dec	104.1	+1.6	-1.5

Source: ONS, series K22A

- Manufacturing output rose by 1.6% in December 2012 compared with November 2012. Manufacturing output fell by 1.8% for the entirety of 2012, as compared with 2011.
- Total industrial production (including mining and utilities) rose by 1.2% in December compared with November. Over the entirety of 2012 industrial production fell 2.4% as compared to its 2011 level.

Manufacturing Purchasing Managers' Index

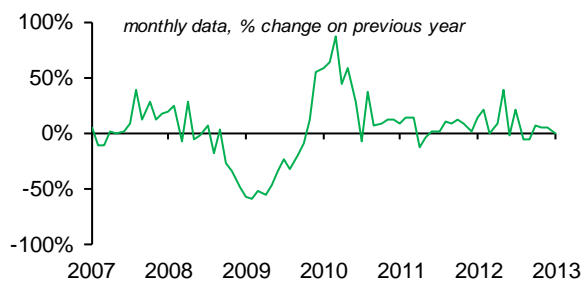


		Index	Monthly change
2011	Feb	61.0	...
2012	Feb	51.5	...
2012	Nov	49.1	+1.6
	Dec	51.4	+2.3
2013	Jan	50.5	-0.9
	Feb	47.9	-2.6

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

- The Markit/CIPS UK Manufacturing PMI fell to 47.9 in February from 50.5 in January (where 50.0 is no change).
- According to the survey, manufacturing "staffing levels [were] reduced at quickest pace for 40 months"

Vehicle Production



		Number '000s	% change over 12 months
2011		1,465	+5.1
2012		1,575	+7.5
2012	Jan	137	+14.2
	Nov	154	+4.3
	Dec	109	+4.2
2013	Jan	137	-0.3

Source: SMMT, not seasonally adjusted

- UK vehicle production was 137,000 in January 2013, down 0.3% from January 2012.
- In 2012, 1.58 million vehicles were produced in the UK, up by 7.5% compared with 2011, to the highest level since 2008.

Contact: Chris Rhodes, x2454

Update: SMMT, [Vehicle Production](#), mid Apr
Markit/CIPS [UK Manufacturing PMI](#), 1 Apr
ONS, [Index of Production](#), 12 Mar

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.

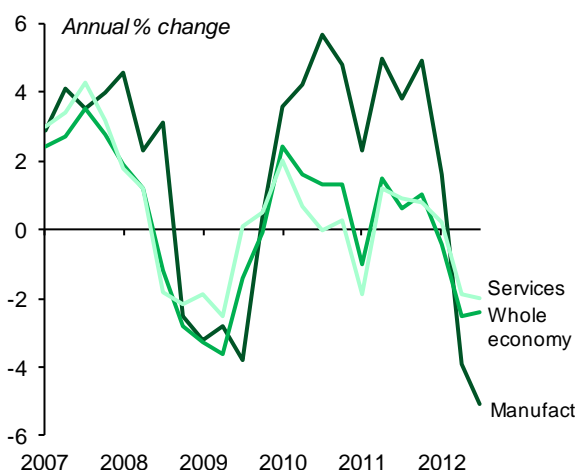
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 2.4% over the last year and by 0.2% between Q2 and Q3 2012.
- Output per hour in manufacturing fell by 5.1% between Q3 2011 and Q3 2012; this is the largest fall since the series began in 1998. Services productivity fell by 2.0%, the largest fall since Q2 2009.

Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2009	-2.4	-1.0	-2.1
2010	4.6	0.8	1.6
2011	4.0	0.2	0.5
2011 Q2	5.0	1.2	1.5
Q3	3.8	0.9	0.6
Q4	4.9	0.8	1.0
2012 Q1	1.6	0.2	-0.4
Q2	-3.9	-1.9	-2.5
Q3	-5.1	-2.0	-2.4
<i>Latest q-on-q % change</i>	-0.9	-0.1	-0.2

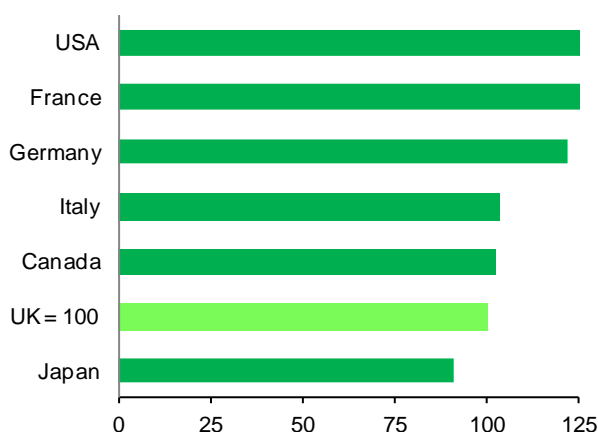
Source: ONS series LZVD, DJK8, DJQ3



- Recent declining productivity in the UK economy is a reflection of rising employment (and rising total hours worked) and stagnating output (or GDP). More on this is available in the Library Note, [The productivity puzzle](#).

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 sixth of the G7 countries, with the USA top and Japan bottom. UK productivity was 16 percentage points lower than the G7 average, the widest productivity gap since 1993.
- UK productivity declined relative to the US and France in 2011 but increased relative to Japan.

Contact: Aliyah Dar, x5919

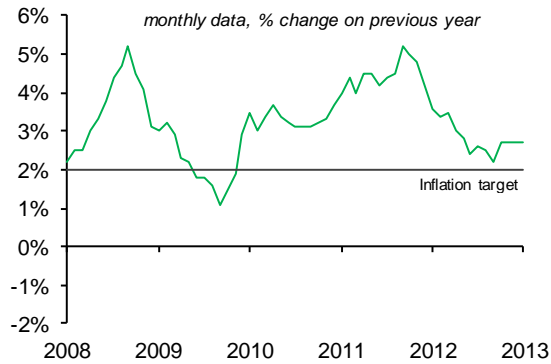
Update: ONS, [Labour Productivity](#), 28 Mar
 ONS, [International Comparisons](#), early sep

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.7% in January the same as December and above the Bank of England's 2% target for the thirty-eighth successive month.

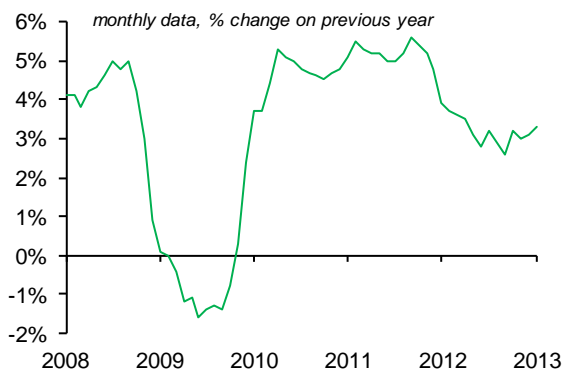
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.7% in January, unchanged for four months since October.
- The largest upward pressure came from price increases in alcohol and air fares. This upward pressure was balanced by the downward effect from miscellaneous goods & services and clothing.
- The RPI (all items) measure of annual inflation was 3.3% in January, up from 3.1% in December.

Retail Prices Index (RPI)

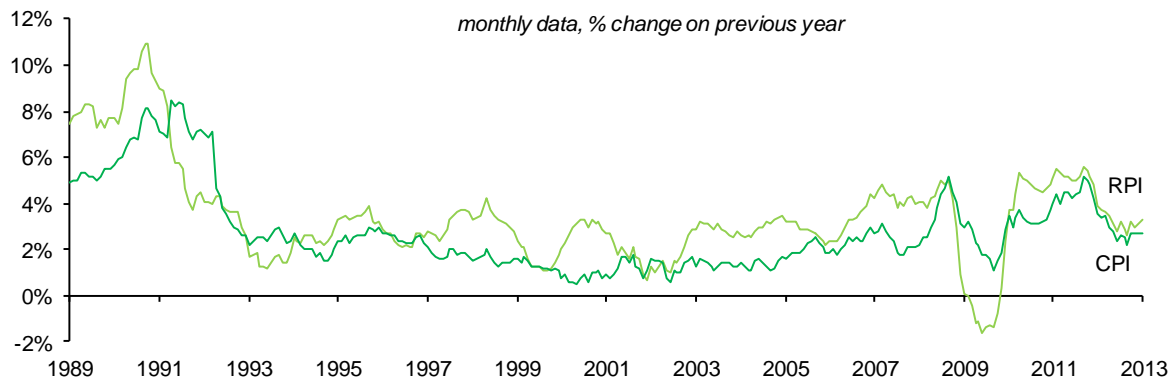


Price Indices

		% change on a year ago	
		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2012	Aug	2.5	2.9
	Sep	2.2	2.6
	Oct	2.7	3.2
	Nov	2.7	3.0
	Dec	2.7	3.1
2013	Jan	2.7	3.3

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989



Contact: Grahame Allen, x3977

Update: ONS, [Consumer Price Indices](#), 19 Mar

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.

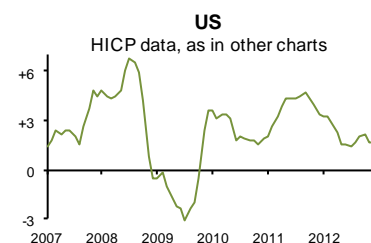
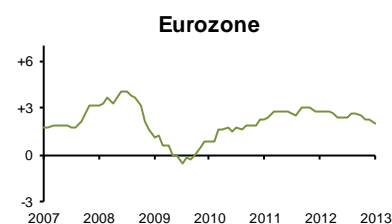
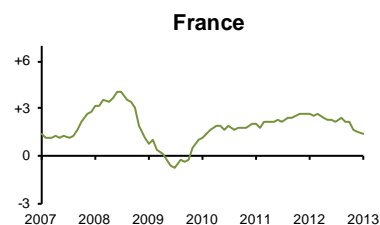
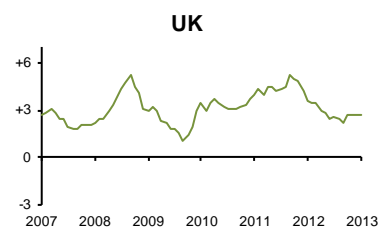
- In the year to January 2013, UK inflation was 2.7%, unchanged for the fourth consecutive month. The Bank of England's UK inflation target is 2%.
- The flash estimate of Eurozone inflation in the year to February 2013 was 1.8%, down from 2.0% in January. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Greece had the lowest annual inflation rate in the EU in January 2013, at 0.0%. The highest rate was in Romania at 5.1%.
- HICP annual inflation in the US in the year to December 2012 was 1.7%, the same as in November. US inflation in the year to January 2013 was 1.6% using its own national definition.

Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Oct-12	Nov-12	Dec-12	Jan-13
HICP (ONS/Eurostat)							
UK	3.3	4.5	2.8	2.7	2.7	2.7	2.7
Eurozone	1.6	2.7	2.5	2.5	2.2	2.2	2.0
EU	2.1	3.1	2.6	2.6	2.4	2.3	2.1
France	1.7	2.3	2.2	2.1	1.6	1.5	1.4
Germany	1.2	2.5	2.1	2.1	1.9	2.0	1.9
Greece	4.7	3.1	1.0	0.9	0.4	0.3	0.0
Italy	1.6	2.9	3.3	2.8	2.6	2.6	2.4
Spain	2.0	3.1	2.4	3.5	3.0	3.0	2.8
US	2.4	..	..	2.2	1.7	1.7	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	1.2	0.8	0.8	0.5
Japan	-0.7	-0.3	-0.0	-0.4	-0.2	-0.1	..
US	1.6	3.2	2.1	2.2	1.8	1.7	1.6
G7	1.4	2.6	1.9	1.8	1.6	1.6	..
OECD	1.8	2.9	2.2	2.2	1.9	1.9	..
Brazil	5.0	6.6	5.4	5.4	5.5	5.8	6.2
China	3.3	5.4	2.6	1.7	2.0	2.5	2.0
India	12.0	8.9	9.3	9.6	9.5	11.2	11.6
Russia	6.9	8.4	5.1	6.5	6.5	6.5	7.1

Source: ONS, Eurostat & stat.OECD database

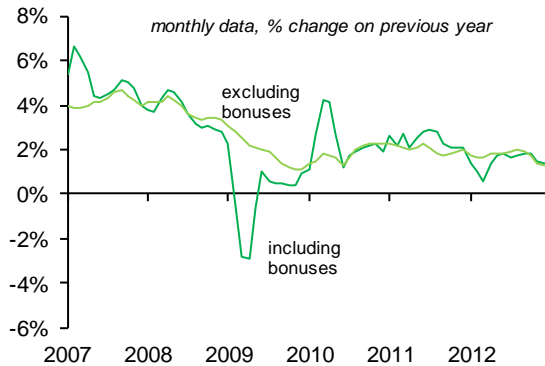


Contact: Feargal McGuinness, x4904 **Updates:** ONS [Consumer Prices bulletin](#) (UK), 19 Mar 2013
Eurostat, [HICP full release](#), 15 Mar 2013
Eurostat, [Flash estimate \(Feb\)](#), 03 Apr 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.4% in the three months to December, compared with a year ago, down 0.1 percentage points on the previous month. Average weekly earnings excluding bonuses rose by 1.3% in the three months to December compared with a year ago, down 0.1 percentage points on November. Inflation as measured by the CPI was 2.7% in December.

Average Earnings, Whole Economy



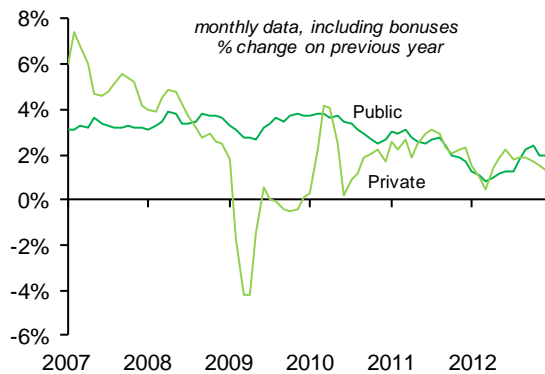
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 Dec	0.1	3.7	2.2	0.6	0.9
2010 Dec	1.7	2.7	3.0	2.2	1.9
2011 Dec	2.3	1.7	1.5	2.3	2.1
2012 Jul	1.8	1.3	2.6	1.4	1.6
Aug	1.9	1.8	2.4	1.6	1.7
Sep	1.9	2.2	2.0	1.9	1.8
Oct	1.7	2.4	2.0	1.9	1.8
Nov	1.5	2.0	1.6	1.6	1.5
Dec	1.3	2.0	1.8	1.5	1.4

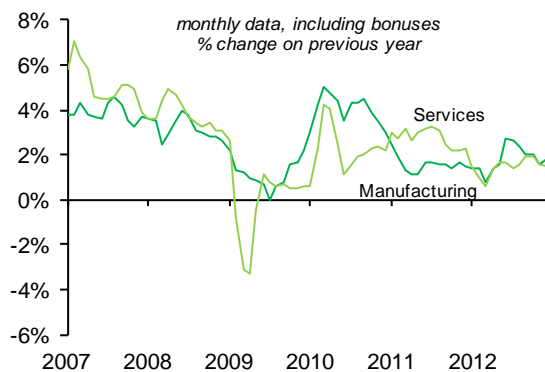
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.3% in the three months to October, compared with 2.0% in the public sector. Excluding financial services, public sector earnings rose by 2.2%.
- Average weekly earnings (including bonuses) in December in the public sector were £489 compared with £468 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

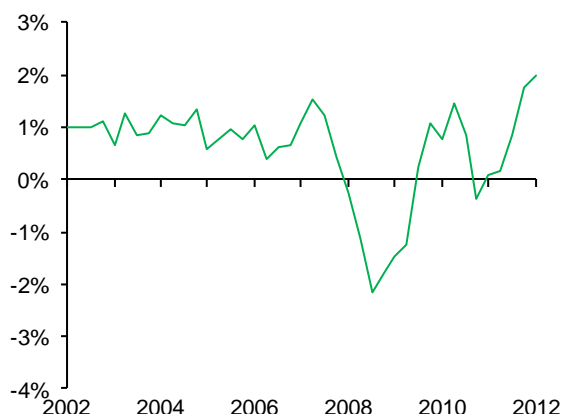


- Average total pay growth (including bonuses) in the manufacturing sector was 1.8% in the three months to December, compared with 1.5% in the services sector.
- Average weekly earnings (including bonuses) in December in the manufacturing sector were £544 compared with £458 in the services sector.
- 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

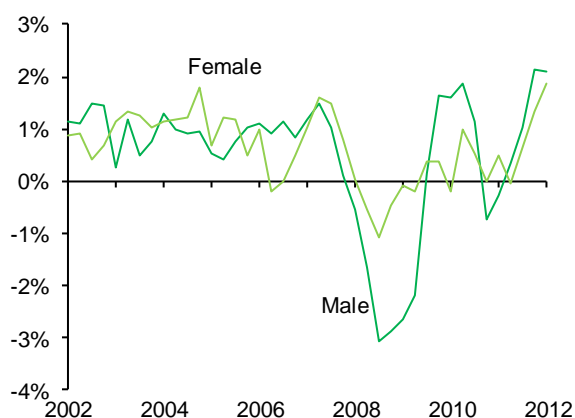
There were 29.73 million people aged 16 and over in employment in the UK in October-December 2012, an all-time high. The number of people in employment was up 154,000 on the previous quarter and up 584,000 on the previous year. The employment rate for people aged 16-64 was 71.5%, compared to a pre-recession level of 73.0% in March-May 2008.

Total employment (% change on previous year)



- Over the past quarter there were small increases in employment levels for people aged 16-24 and people aged 50 and over, as shown in the table below.
- The number of employees rose by 133,000 over the past quarter to 25.24 million. The number of self-employed people increased by 25,000 over the quarter, to 4.22 million.
- 8.08 million people were in part-time employment in October-December 2012, a fall of 43,000 on the previous quarter. Full-time employment increased by 197,000 to 21.65 million.

Employment by gender (% change on previous year)



- The number of men in employment increased by 55,000 over the last quarter to 15.93 million.
- The number of women in employment increased by 98,000 over the last quarter to 13.80 million.
- Public sector employment fell by 24,000 in the three months to September 2012, to 5.75 million or 19.4% of total employment. The number of people working in the private sector was 23.86 million, up 65,000 on the previous quarter. The private sector accounts for 80.6% of total employment.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Oct-Dec 2010	29,120	3,743	17,181	7,320	877
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
Oct-Dec 2012	29,730	3,715	17,418	7,623	973
% change on previous 3 months	+0.5	+0.8	+0.1	+1.2	+3.0
% change on previous year	+2.0	+2.1	+1.1	+2.9	+11.4

Source: ONS

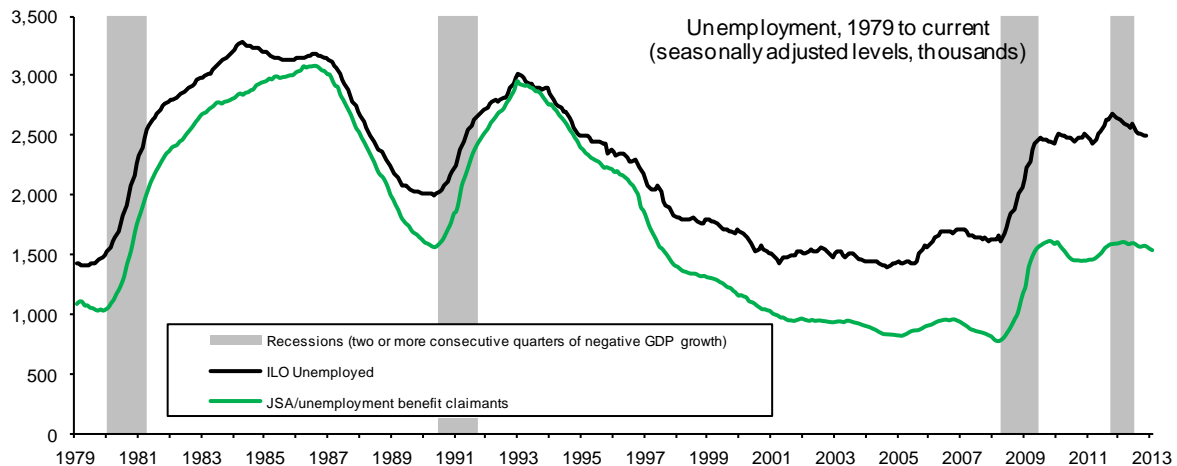
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 20 Mar 2013

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 October-December 2012 was 2.50 million (7.8% of all economically active) – down 14,000 from the previous quarter. (UK, seasonally adjusted.)**



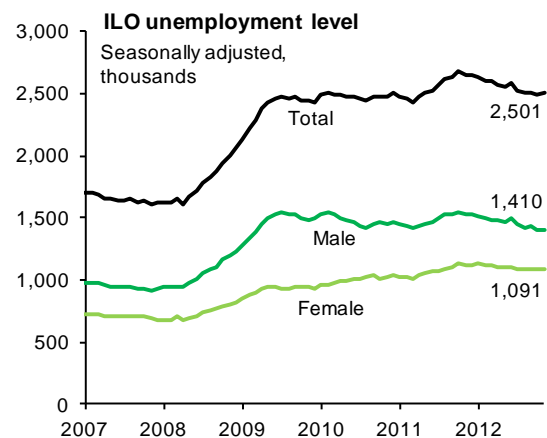
ILO unemployment (October-December 2012)

There were 879,000 people unemployed for more than 12 months, down 15,000 compared to the previous quarter.

The unemployment level among 16- to 24-year-olds was 974,000, up 11,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count fell by 12,500 between December 2012 and January 2013 to 1.54 million.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)
Oct-Dec 2007	1,610	5.2	684	13.9	692	3.8	225	3.0	9	1.3
Oct-Dec 2008	2,003	6.4	812	16.6	880	4.8	294	3.9	17	2.3
Oct-Dec 2009	2,438	7.8	908	19.4	1,140	6.2	368	4.8	22	2.8
Oct-Dec 2010	2,477	7.8	956	20.3	1,139	6.2	362	4.7	20	2.2
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
Oct-Dec 2012	2,501	7.8	974	20.8	1,138	6.1	367	4.6	22	2.2
% change on quarter	-0.5		+1.1		-1.4		-2.6		+8.3	
% change on year	-5.9		-5.7		-5.1		-7.8		-17.4	

Source: ONS, Labour Market Statistics.

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

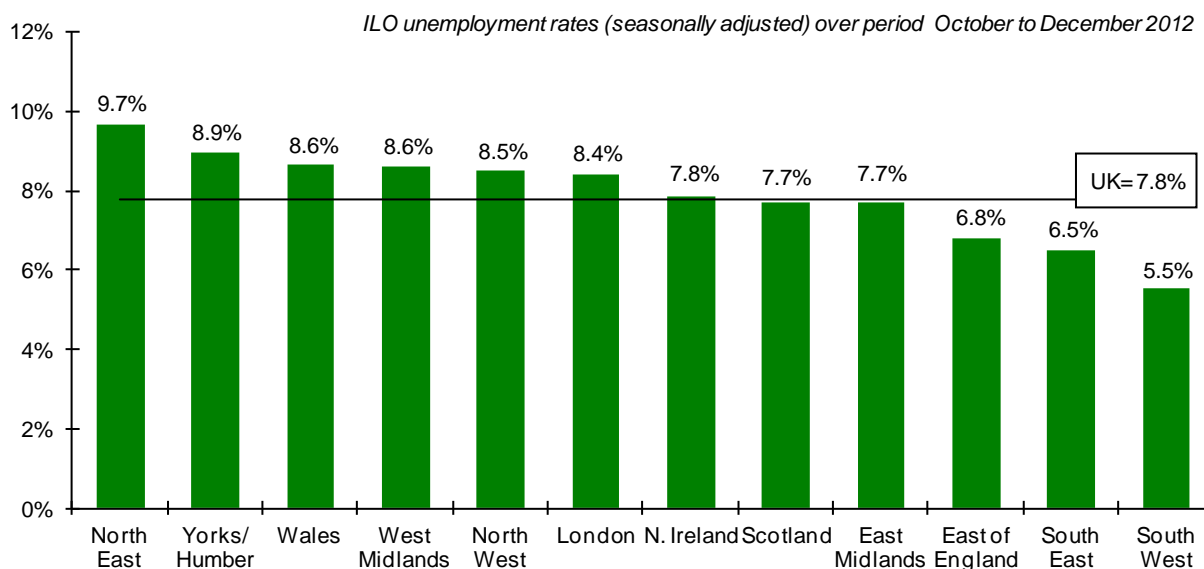
Contact: Jack Evans, x6920

Update: ONS, [Labour Market Statistics](#), 20 March 2013

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 October to December 2012, the North East had the highest unemployment rate, at 9.7% of the economically active population. The lowest rate over the same period was 5.5% in the South West.



- The largest increase in unemployment over the last quarter was in the South East (up 17,000). The largest decrease was in London (down 54,000).
- The seasonally-adjusted JSA claimant count increased in only one country (Northern Ireland) in December compared with December 2012.

Key labour market statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	Oct-Dec 2012		Change in level		January 2013	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	125	9.7	-2	-19	93.4	-0.6
North West	295	8.5	+2	-26	193.7	-2.1
Yorkshire & Humber	245	8.9	-1	-18	161.0	-1.2
East Midlands	178	7.7	-1	-9	103.7	-1.6
West Midlands	238	8.6	+3	-6	158.9	-1.5
East of England	212	6.8	-0	-2	111.6	-0.7
London	362	8.4	-10	-54	221.1	-0.8
South East	295	6.5	+6	+17	133.9	-1.1
South West	150	5.5	-6	-15	84.1	-1.4
Wales	127	8.6	+6	-6	77.5	-0.9
Scotland	206	7.7	-13	-25	137.0	-0.6
Northern Ireland	68	7.8	+1	+6	65.0	+0.0

Source: ONS, *Labour Market Statistics*

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

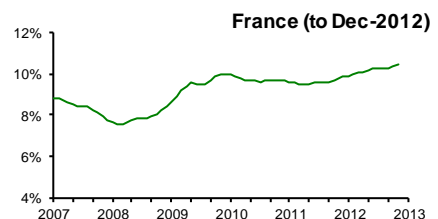
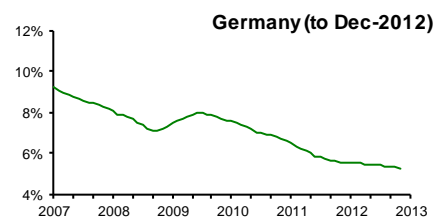
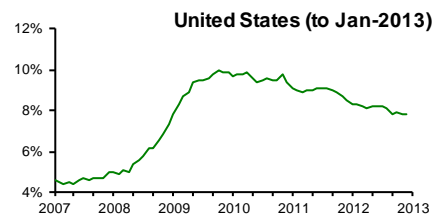
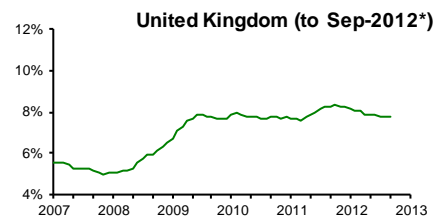
Contact: Aliyah Dar, x5919

Update: ONS, *Labour Market Statistics*, 20 March 2013

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 was 7.8%. This was below the rate of France and Italy (10.3% and 10.7%, respectively, in Q3) but above that of Germany (5.3%).
- In the US, unemployment fell from 8.0% to 7.8% between Q3 2012 and Q4 2012. Compared with a year ago unemployment is 0.9 percentage points lower. Unemployment stood at 7.9% in January 2013.
- In the euro zone, unemployment rose from 11.5% to 11.7% between Q3 2012 and Q4 2012, driven by rising unemployment in France, Italy and Spain.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states (26.1% in Q4 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 7.0% to 14.7% in Q4 2012). This compares with a 2.0 percentage point rise in unemployment in the OECD as a whole since Q3 2008 (from 6.0% to 8.0%) and a 4.0 percentage point rise in the euro zone (from 7.7% to 11.7%) over the same period. Norway and Luxembourg the lowest unemployment rate in the OECD (3.1% in Q3 2012).
- 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 Aug-Oct 2012

Unemployment

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

	2010	2011	2012	2010		2011				2012			
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	8.0	7.5	7.2	8.1	7.7	7.7	7.5	7.3	7.4	7.4	7.3	7.3	7.2
France	9.7	9.6	10.3	9.7	9.7	9.6	9.5	9.6	9.8	10.0	10.2	10.3	10.5
Germany	7.1	6.0	5.5	6.9	6.7	6.3	6.0	5.8	5.6	5.6	5.5	5.4	5.3
Italy	8.4	8.4	10.7	8.3	8.3	8.0	7.9	8.6	9.2	10.0	10.6	10.7	11.2
Japan	5.1	4.6	4.4	5.0	5.0	4.8	4.7	4.4	4.5	4.5	4.4	4.2	4.2
UK	7.8	8.0	..	7.7	7.8	7.7	7.9	8.3	8.3	8.1	7.9	7.8	..
US	9.6	9.0	8.1	9.5	9.5	9.0	9.0	9.0	8.7	8.3	8.2	8.0	7.8
Euro zone	10.1	10.1	11.4	10.1	10.1	9.9	9.9	10.2	10.6	10.9	11.3	11.5	11.7
G7	8.2	7.7	7.4	8.1	8.1	7.7	7.7	7.7	7.6	7.5	7.5	7.4	7.3
OECD	8.3	8.0	8.0	8.3	8.2	8.0	7.9	8.0	7.9	7.9	7.9	7.9	8.0

Source: OECD, Harmonised Unemployment Rates

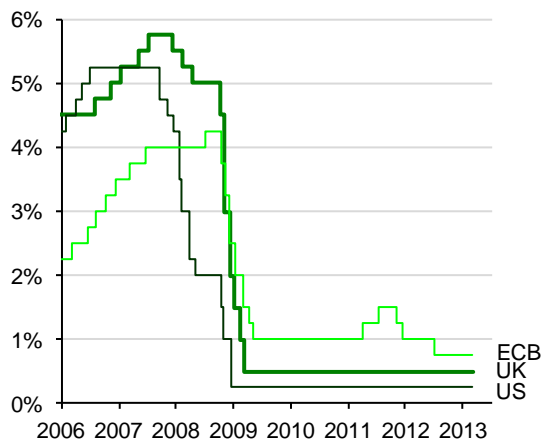
Contact: Jack Evans, x6920

Updates: OECD, [Harmonised Unemployment Rates](#), 20 Mar

D1: Interest Rates and the Money Supply

Latest official interest rates from the UK, eurozone and the US are shown on this page. A summary of the Bank of England's quantitative easing policy and latest money supply data in the UK are also provided.

Official interest rates

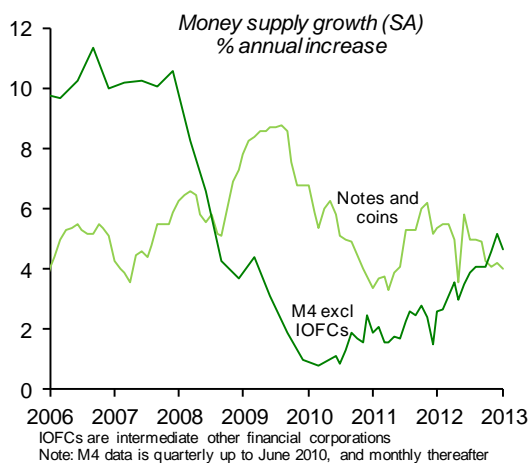


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- From November 2011, the European Central Bank's official interest rate for the eurozone 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.

Quantitative easing in the UK (asset purchase programme)

- With little room for further cuts in interest rates, the Bank initiated an asset purchase or 'quantitative easing' (QE) programme in March 2009.
- From an initial £75bn in March 2009, QE was increased by £125bn (to a total of £200bn) by November 2009. It was further increased as follows: up by £75bn (to £275bn) in October 2011; £50bn (to £325bn) in February 2012 and £50bn in July 2012 to a total of £375bn.
- The majority (over 99%) of assets purchased by the Bank of England through QE have been gilts (UK Government securities).

Money supply



- In its February 2013 *Inflation Report*, the Bank of England noted that the at least part of the increase in broad money supply growth in Q3 2012, and to a lesser extent in Q4, was due to the MPC's purchase of £35bn of gilts between July and October 2012 as part of its QE programme. The Bank said money growth could therefore fall back in Q1 2013.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.7% in January 2013 down from 5.2% in December 2012.
- The value of notes and coins in circulation outside the Bank of England rose by 4.0% in January 2013 compared with a year ago, down slightly from 4.2% in December 2012.

Contact: Daniel Harari, x2464

Updates: Monetary policy meetings: 7 Mar (UK and ECB); 20 Mar (US) Bank of England, *Monetary and Financial Statistics*, 2 Apr

D2: Public Finances

The independent Office for Budget Responsibility (OBR) forecast that public borrowing will be £109 billion in 2012/13, equivalent to 6.9% of GDP.

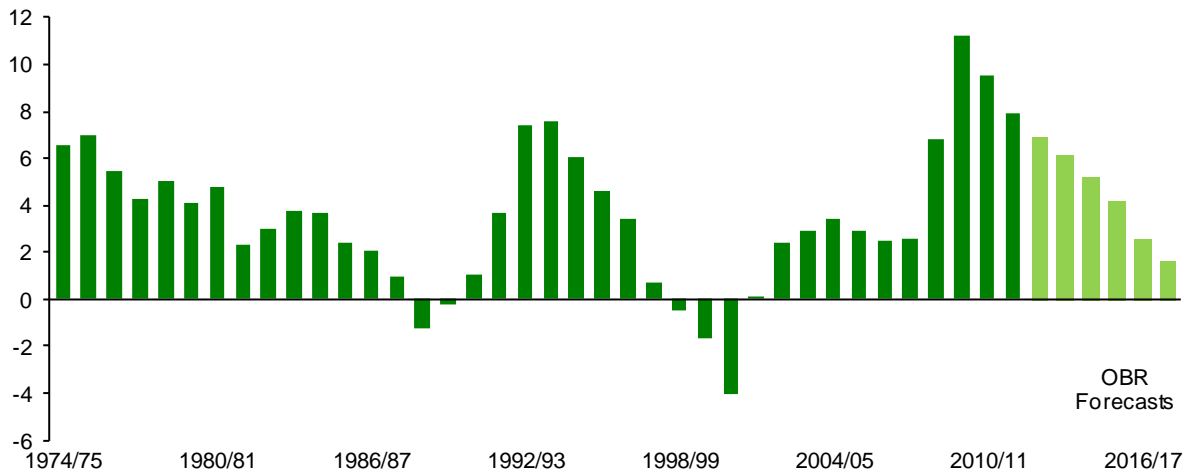
- Excluding the effects of the £28 billion Royal Mail pension transfer, borrowing to date in 2012/13 is £93.8 billion, 1.6% higher than over the same period last year.
- Removing the effects of other special factors relating to the Special Liquidity Scheme and QE, borrowing in 2012/13 is £7.5 billion higher than over the same period last year.
- Borrowing in January 2013 was £3.8 billion lower as a result of the first of three transfers of QE interest payments from the Bank of England.
- The borrowing figures on this page exclude Royal Mail but include the QE and other special factors.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	159	11.2	829	57.1
2010/11	141	9.5	1002	66.5
2011/12	121	7.9	1,104	71.8
2012/13	109	6.9	1,186	74.7
2013/14	99	6.1	1,270	76.8
2014/15	88	5.2	1,362	79.0
2015/16	73	4.2	1,442	79.9
2016/17	49	2.6	1,498	79.2
2017/18	31	1.6	1,534	77.3

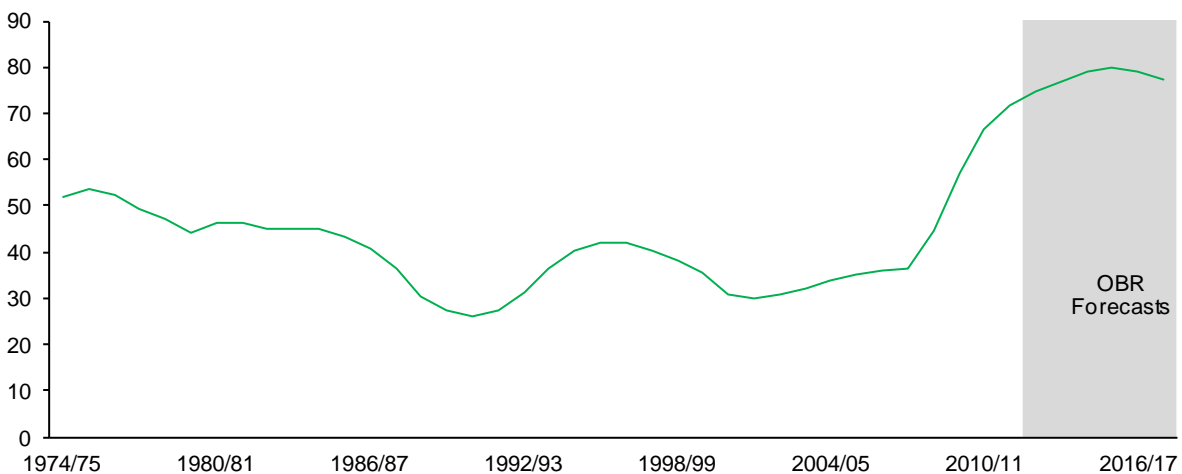
Source: ONS, OBR. Excludes financial sector interventions

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, [Economic and Fiscal Outlook](#), 20 Mar 2013
ONS, [Public Sector Finances](#), 21 Mar 2013

D3: Financial Indicators

The FTSE 100, tracks share-price movements in the 100 largest companies by market capitalisation listed on the London Stock Exchange. 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 early 2013 it reached its highest point since May 2008.

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

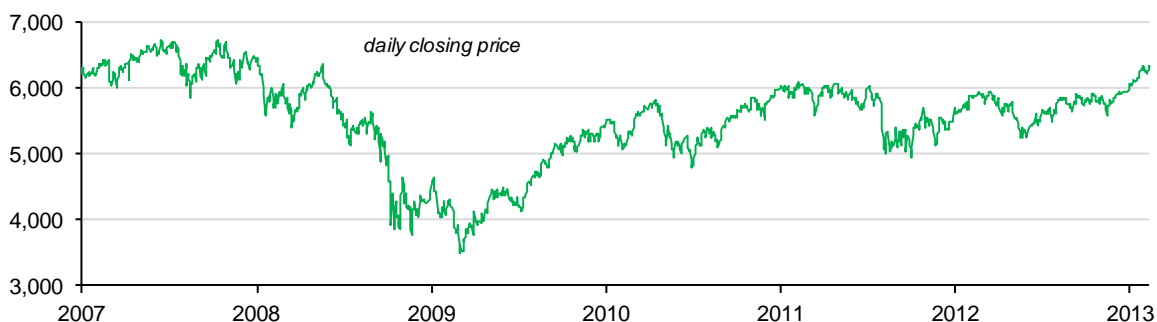
The nominal price of gold exceeded \$1,800/ounce for the first time in August 2011, but the metal's price has since moderated.

Data from 4 March 2013

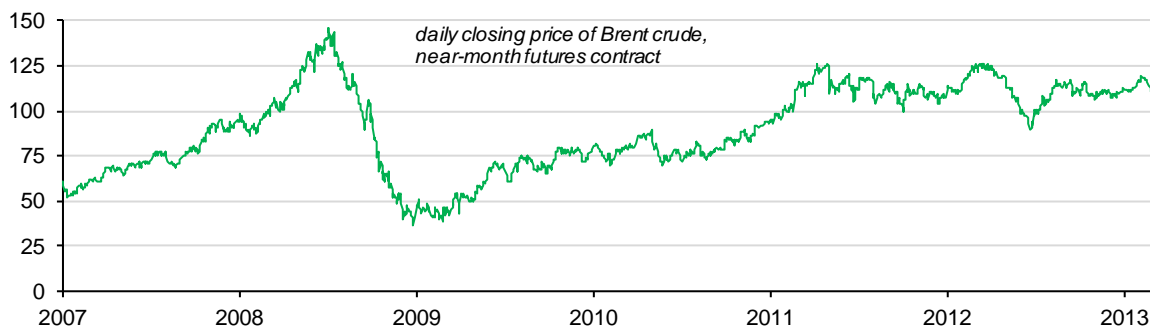
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
04 Mar 2013	6,345.6	110.1	1,575.3
%change over:			
1-month	+2%	-5%	-6%
12-months	+7%	-9%	-11%
%change from:			
cyclical peak	-6%	-25%	-17%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+81%	+203%	+122%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



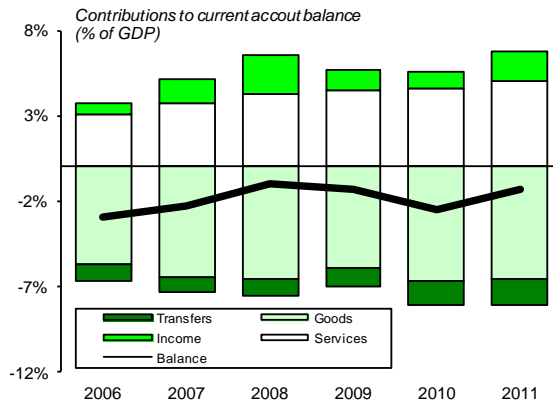
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2011 was £20.4 billion, equivalent to -1.3% of GDP. That compared with £37.3 billion or -2.5% of GDP in 2010. Preliminary estimates for 2012 show that the Balance of Trade in goods and services widened to -£37.7 billion from -£23.6 billion in 2011.

Current Account



- On a **quarterly** basis, the current account deficit was £12.8 billion in Q3 2012, narrowing from £17.4 billion in Q2 2012. The surplus on services rose to £17.3 billion while the deficit on goods fell to £25.6 billion.
- The **annual** current account deficit with EU27 countries in 2011 was £45.6 billion, compared with a surplus with non-EU countries of £25.2 billion. On a **quarterly** basis, the deficit with EU27 countries rose to £18.4 billion in Q3 2012. With non-EU countries, the current account surplus rose to £5.6 billion.

Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance
	Balance	Balance	Exports	Imports				Balance
2011	-100,228	76,639	493,006	516,595	-23,589	25,137	-20,437
2012	-106,614	68,907	487,328	525,035	-37,707	..	..
2011 Q3	-27,671	20,098	123,415	130,988	-7,573	4,747	-8,728
Q4	-24,857	18,978	125,528	131,407	-5,879	5,985	-5,646
2012 Q1	-25,628	17,586	123,588	131,600	-8,042	1,464	-11,800
Q2	-27,629	16,868	120,596	131,357	-10,761	-972	-17,433
Q3	-26,054	17,301	122,486	121,239	-8,753	1,238	-12,834

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

Trade in Goods and Services



- The estimated deficit on goods trade in December was £8.9bn, narrowing from £9.3bn in November.
- The monthly trade surplus on services was an estimated £5.696bn in December, down slightly from the November surplus of £5.698bn.
- The overall monthly deficit on goods and services combined in December was £3.2bn, narrowing from £3.6bn in November.
- The goods deficit with the EU27 was £4.658bn in December, up from £4.657bn in November, while the deficit with non-EU countries was £4.2bn in December, down from £4.6bn November.

Contact: Grahame Allen, x3977

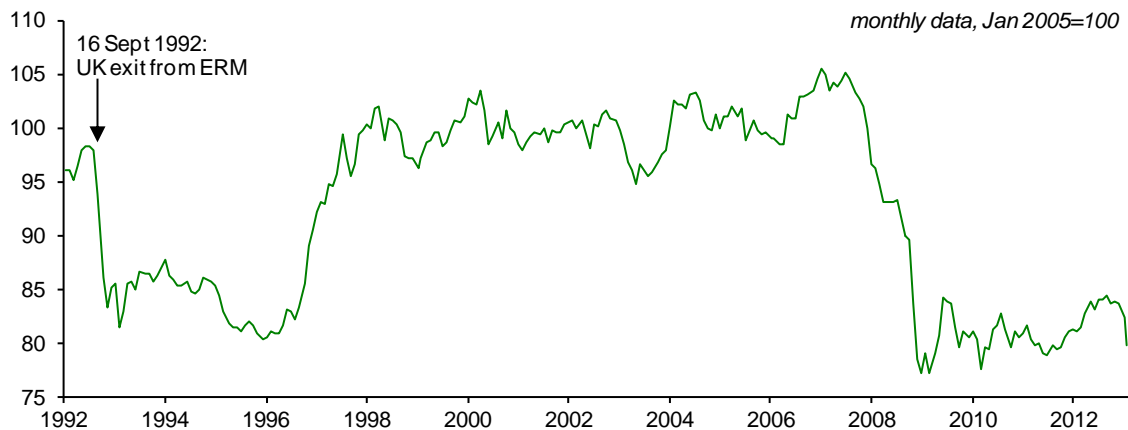
Updates: ONS, [UK Trade](#), 12 Mar;
ONS, [UK Balance of Payments](#), 27 Mar

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).

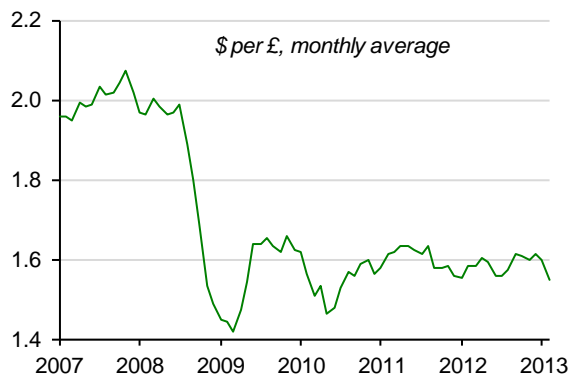
The SERI fell by 3.0% in February 2013, following a fall of 1.7% in January. Compared with the same period a year before, it was 1.6% lower. It is now 3.5% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 24.4% down from its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



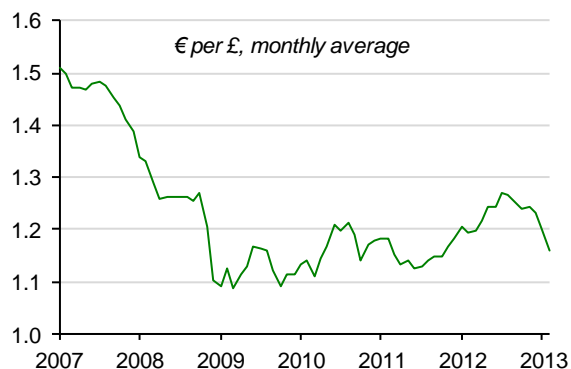
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in February, the pound was 5 cents lower against the dollar compared with January. At the 4 March market close the pound stood at \$1.51, 4 cents lower than the February average.
- Sterling was on average 4 cents lower against the Euro in February compared with January.
- At the 4 March market close the pound stood at €1.16, the same as the February 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
2010	1.55	-1.3%	1.17	3.8%
2011	1.60	3.7%	1.15	-1.2%
2012	1.59	-1.1%	1.23	7.0%
2012 Feb	1.58	-2.0%	1.19	1.1%
2012 Dec	1.61	3.6%	1.23	3.9%
2013 Jan	1.60	2.9%	1.20	-0.3%
2013 Feb	1.55	-2.1%	1.16	-2.9%

Source: Bank of England, Bankstats database

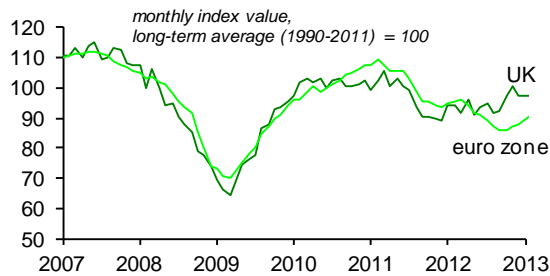
Contact: Jack Evans, x6920

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 2 Apr 13

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

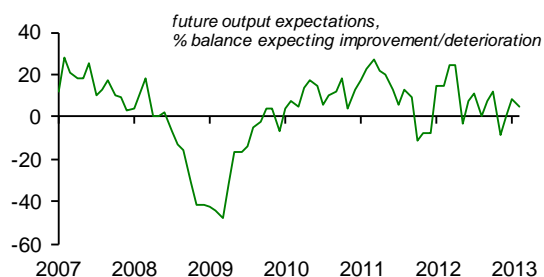


	UK Index	monthly change	change on year ago
2011 Feb	102.8	...	...
2012 Feb	94.3	...	...
2012 Dec	97.1	-3.5	+8.2
2013 Jan	97.6	+0.5	+3.6
2013 Feb	97.1	-0.5	+2.8

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 January and February the overall UK sentiment index fell by 0.5 points to 97.1. That is 2.8 points higher than a year before. The eurozone index rose by 1.6 points to 91.1.

CBI Industrial Trends Survey



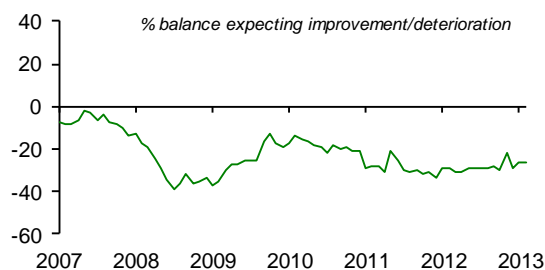
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2011 Feb	+23	...	...
2012 Feb	+15	...	...
2012 Dec	0	+9	+8
2013 Jan	+8	+8	-7
2013 Feb	+5	-3	-10

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In February 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +5% of firms. This is a decrease from a balance of +8% in January.

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
2011 Feb	-28	...	...
2012 Feb	-29	...	...
2012 Dec	-29	-7	+4
2013 Jan	-26	+3	+3
2013 Feb	-26	0	+3

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 -26 in February, unchanged from January. There was a slight improvement in consumers reporting improved personal finances over the past year.

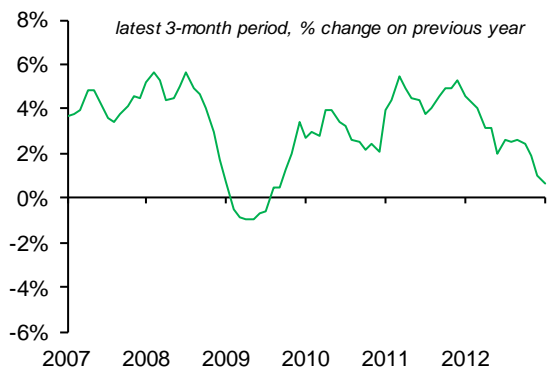
Contact: Daniel Harari, x2464

Update: EC, [Economic Sentiment Indicator](#), 27 Mar
GfK NOP [Consumer Confidence](#), 28 Mar
CBI, [Industrial Trends](#), 21 Mar

F2: Retail Sales

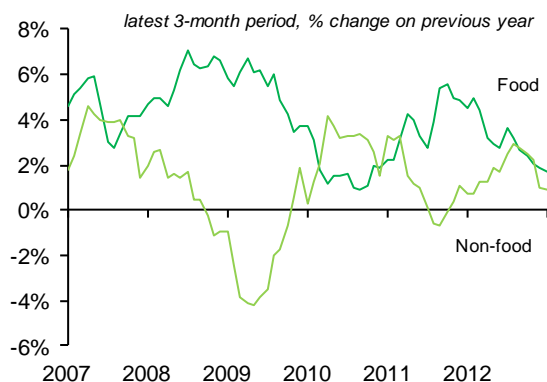
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to January 2013 was 0.6%.
- The value of retail sales in January 2013 alone fell by 0.4% compared with December 2012.
- The value of retail sales in January 2013 was unchanged compared with January 2012.
- Internet sales are now estimated to account for 10.1% 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 December rose by 1.9% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 0.9%.
- The value of sales in household goods stores in the three months to January fell by 0.1% compared to 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	
2011	4.2	3.3	-2.6	0.6	1.2	4.9
2012	3.0	1.4	-0.1	0.5	1.7	2.4
2012 Sep	2.7	3.4	-0.9	2.4	2.8	2.6
Oct	2.4	4.0	-1.9	1.6	2.5	2.4
Nov	2.1	2.6	-1.1	1.0	2.2	1.9
Dec	1.9	-0.2	-0.9	0.1	1.0	1.0
2013 Jan	1.7	-0.5	-0.1	-0.6	0.9	0.6

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

Contact: Aliyah Dar, x5919

Update: ONS, [Retail Sales](#), 21 Mar 2013

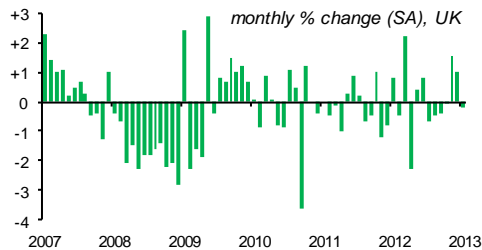
F3: Housing Market

House prices on the Nationwide index rose by 0.2% in February after 0.5% rise in January. Prices were unchanged compared with a year ago on this measure. House prices on the Halifax index fell by 0.2% in January following a 1.3% rise in December. Prices are 1.1% higher than a year ago on this measure.

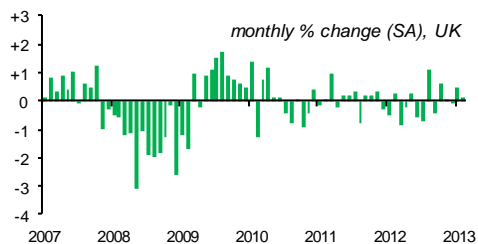
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

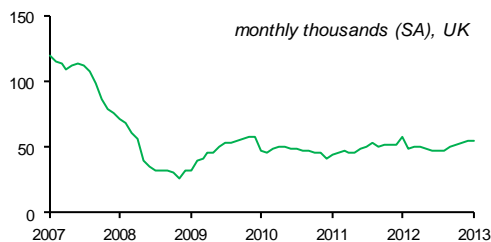


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jan-13	Feb-13
Change in month	-0.2%	+0.2%
Change in year	1.1%	-0.0%
Peak date	Aug-07	Oct-07
Change since peak	-18.4%	-11.3%
Trough date	Apr-09	Feb-09
Change since trough	+5.3%	+10.1%

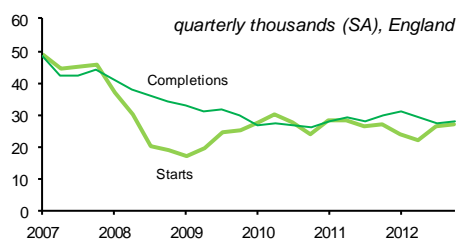
- The recovery in house prices since early 2009 has been tepid. At the beginning of 2013, the average house price on the Halifax and Nationwide measures was just over £160,000.
- There is considerable regional variation. In Q4 2012 prices rose by 1% in London but fell by 8% in Northern Ireland compared with a year earlier. Since Q4 2007, prices have fallen by 54% in Northern Ireland. (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 54,791 mortgage approvals in January 2013, 2% lower than December and 5% lower than January 2012. The number of approvals has remained generally flat since early 2010.

House-building



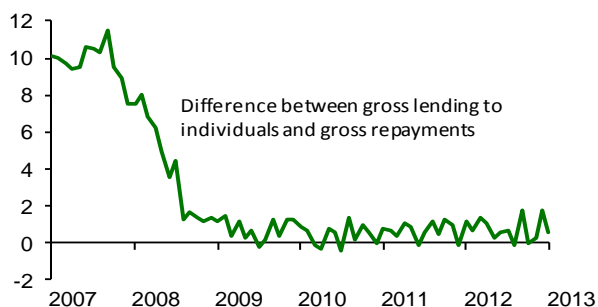
- There were 26,830 house building starts in England in Q4 2012, slightly more than in Q3 2012, but 1.5% less than in Q4 2011. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 27,890 dwelling completions in Q4 2012, slightly up from 27,890 in Q3 2012, and slightly up on the number of completions in Q4 2011. This is still below the peak of 48,450 completions in Q1 2007.

Contact: John Bardens, x6933

Updates: Halifax [House Price Index](#), Mar 2013;
Nationwide [House Price Index](#), Mar 2013;
Bank of England, [Lending to Individuals](#), 2 Apr 2013;
DCLG, [House-building](#), 16 May 2013;

F4: Household debt

Monthly net lending, £bn

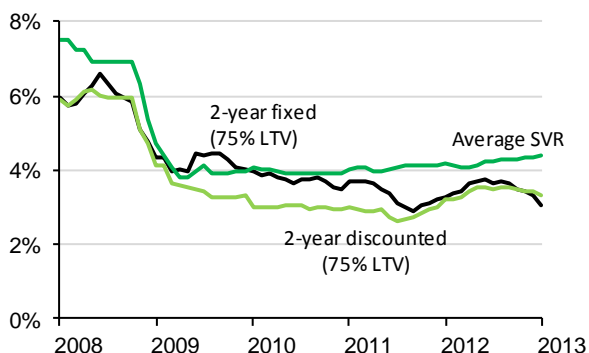


Source: Bank of England

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

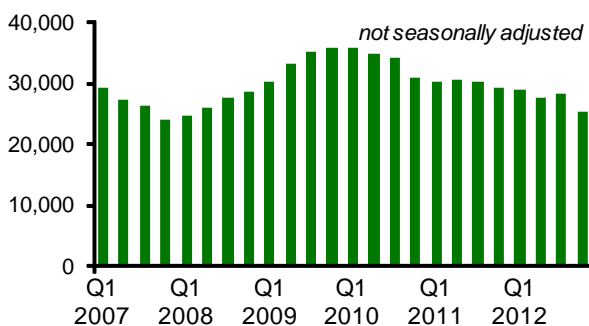
- Total net lending to individuals (excluding student loans) was £0.6 billion in January 2013. Net lending has been relatively low since mid-2008.
- Monthly net unsecured lending (consumer credit) was £0.4 billion in January. Monthly net secured lending (mortgages) was £0.1 billion.

Current average mortgage interest rates



- Average interest rates offered by banks and building societies fell sharply in late 2008 and early 2009.
- The average Standard Variable Rate (SVR) has however risen slightly over the last year – in January it was 4.40%, compared with 4.18% a year before.
- The average fixed mortgage rate was 3.06% in January (compared to 3.27% a year ago). The average fixed-term variable (discounted) rate was 3.33% in January (3.20% a year ago). These figures are for a loan to value ratio of 75%.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 25,302 individual insolvencies in England and Wales in Q4 2012, a 12.9% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q4 2012 there were 3,855 individual insolvencies, a decrease of 17.5% on Q4 2011.
- In N Ireland in Q4 2012 there were 756 individual insolvencies, an decrease of 3.9% on Q4 2011.

Contact: Lorna Booth, x2883

Update: Bank of England, [Lending to Individuals](#), 2 Apr
Insolvency Service, [Insolvency Statistics](#), 3 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.

