



Economic Indicators, May 2013

RESEARCH PAPER 13/28 07 May 2013

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

- Preliminary estimates suggest that GDP grew by 0.3% in Q1 2013, following a 0.3% contraction in Q4 2012. GDP remains 2.6% below its pre-recession level in Q1 2008.
- Unemployment was 2.56 million and employment was 29.70 million in the quarter to February 2013.
- Mid-April saw a sharp fall in the price of gold, signalling a cooling of investor sentiment in this important commodity market.

This month's articles

- **GDP growth: analysis by sector**
- **Japan's new economic policies: the quest for growth**

Chris Rhodes (editor)

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Research Paper 13/28

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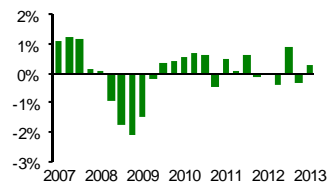
Summary

Preliminary estimates suggest that GDP grew by 0.3% in Q1 2013, following a 0.3% contraction in Q4 2012. GDP remains 2.6% below its pre-recession level in Q1 2008. Unemployment was 2.56 million and employment was 29.70 million in the quarter to February 2013. Mid-April saw a sharp fall in the price of gold, signalling a cooling of investor sentiment in this important commodity market.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by an estimated 0.3% in Q1 2013, following a contraction of 0.3% in Q3 2013. GDP remains 2.6% below its pre-recession peak (Q1 2008).

Inflation (CPI)

[page 7](#)

(% change on year ago)

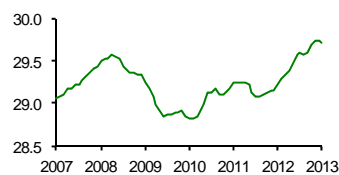


The CPI annual inflation rate was 2.8% in March 2013, unchanged from February. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

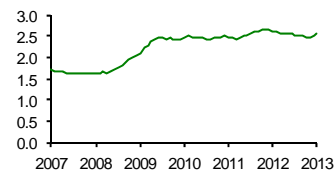


There were 29.70 million people aged 16 and over in employment in the three months to February 2013. The employment rate, the proportion of all people aged 16-64 in employment, was 71.4%.

Unemployment

[page 11](#)

(total, millions, ILO definition)



There were 2.56 million unemployed people in the three months to February 2013, up 7,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.9%.

Gold price (\$ per ounce)

[page 17](#)

(daily price)



The price of gold fell by over \$100 an ounce in one day in mid-April. This is the biggest daily fall in dollar terms in over 30 years. The price of gold has fallen 12% since the beginning of 2013.

Next issue: 4 June

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://intranet.parliament.uk/research-online/statistics/economic-indicators/>

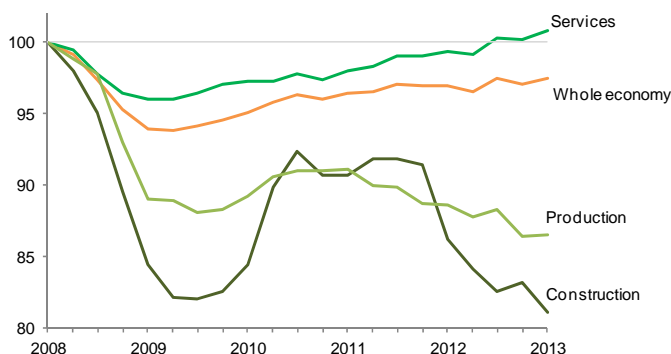
² <http://intranet.parliament.uk/people-offices/offices-departments/commons-departments/commons-information-services/commons-library/publications/using-the-commons-library/>

2 GDP growth: analysis by sector

The preliminary estimate of UK GDP growth in the first quarter 2013 suggested that the economy grew 0.3% compared to the previous quarter, avoiding a “triple dip” recession. However, growth over the last two quarters has been flat, the economy having contracted by 0.3% in Q4 2012. This article looks at how the various sectors in the economy have fared since 2008 and asks why growth in some sectors has been more lacklustre than in others.

2.1 Under-performance...

Gross value added by sector
Indexed, Q1 2008=100



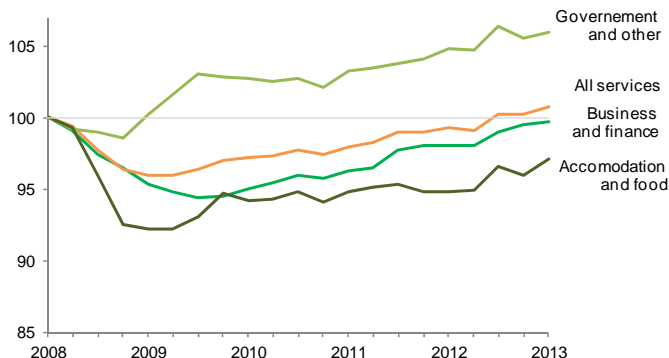
The UK economy is still under-performing compared with the period prior to the global downturn. Total GDP in Q1 2013 was 2.6% below its peak in Q1 2008.

The production and construction industries have performed particularly badly. In Q1 2013 production output was down 13.5% and construction output was down 18.9% compared with the Q1 2008 level.

2.2 ...but some services are succeeding...

The service sector has fared better since the global downturn, and output in Q1 2013 was up 1.7% compared with Q1 2008. The service sector comprises the financial sector, business administration, accommodation and food services and the cultural sector. It contributes over three quarters of the UK’s economic output.

Gross value added in the service sectors
Indexed, Q1 2008=100



Since the beginning of 2008, the industries that comprise the service sector have generally out-performed the whole economy, and have also performed considerably better than the production and construction industries.

Output from the accommodation and food services sector fell particularly steeply in 2008, in response to consumers ceasing to spend on luxuries such as meals in

restaurants and holidays. Since then the sector has recovered, but not as strongly as other service sectors. In Q1 2013, output from this sector was down 2.9% compared with Q1 2008.

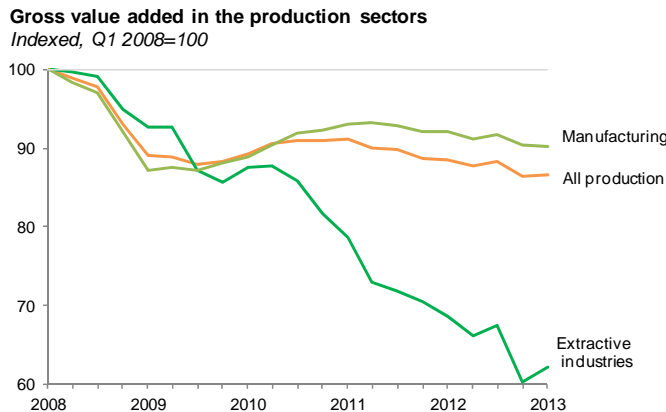
The business and finance sector also suffered after the global downturn but has recovered more strongly than the accommodation and food sector. Q1 2013 output was only 0.3% below the Q1 2008 level.

The government sector is subject to different pressures. For example, after the global downturn, demand for government services did not fall to the same extent as demand for other services. In addition, public sector employment has fallen by almost 10% since Q2 2010 but output has risen. Productivity in the government sector has therefore increased by almost 4% over this period. All this means that the sector is out-performing the other service

sectors and the whole economy by a considerable margin – output from the government sector in Q1 2013 was 6.0% up on output in Q1 2008.

2.3 ...whilst production declines

The production industries, which include manufacturing, extractive industries and utilities, have fared badly since the global downturn. Output from the production industries fell sharply in 2008 and 2009. Despite a slight recovery in 2010, output has fallen gradually over 2011 and 2012. In Q1 2013, output was 13.5% down on the Q1 2008 level.



Manufacturing, an important component of the production industries, also fell sharply in 2009 before recovering in 2010. Since then, manufacturing has performed better than the production industries as a whole and in Q1 2013 manufacturing output was down 9.8% on its Q1 2008 level. This is partly because the weakness of the pound in recent years has boosted exports, upon which the UK manufacturing industry is heavily reliant.

The extractive industries have performed much worse than manufacturing, the production industries and the whole economy since 2008. Output from extractive industries in Q1 2013 was 37.7% down on the Q1 2008 level. This is due to the long term decline of North Sea oil production since the late 1990s – oil production in 2012 was just 32% of production in 1999.

In addition, one of the most productive oil facilities in the North Sea (the Buzzard oilfield, northeast of Aberdeen), ceased production in Autumn 2012 due to maintenance work which over-ran. This contributed to a striking 10.7% quarterly fall in output from the extractive industries in Q4 2012, cited by the ONS as an important factor in the overall 0.3% decline in GDP. Late 2012 saw a return to production at the Buzzard oilfield, and a subsequent 3.2% increase in the extractive industries' economic output in Q1 2013.

The decline in North Sea oil production in recent years, and the volatility of what production there is, has led to divergence between “on-shore GDP” (which excludes oil production) and total GDP. On-shore GDP has declined less sharply than total GDP in recent years, with on-shore economic activity falling only 1.7% between Q1 2008 and Q1 2013, compared to the 2.6% fall in total GDP. Importantly, the on-shore economy did not enter a “double dip” recession in late 2011 and early 2012 because GDP excluding oil production was flat in Q1 2012, whilst total GDP fell by 0.1% following a fall of 0.3% in Q4 2011.

The differing performance of the service and the production industries re-enforces the idea of a ‘two-speed’ economy, with manufacturing slowing growth whilst the services drive recovery. Although this is a simplistic interpretation of the current situation, it is not an entirely misleading picture. The service sector contributes a far larger proportion of output and has grown since the global downturn, whilst the production industries are smaller and contribute a declining share. But it should be remembered that this is all in the context of weak or non-existent overall GDP growth – the last time the UK economy grew by more than 1% in a quarter was in Q3 2007.

Chris Rhodes, Economic Policy and Statistics Section

3 Japan's new economic policies: the quest for growth

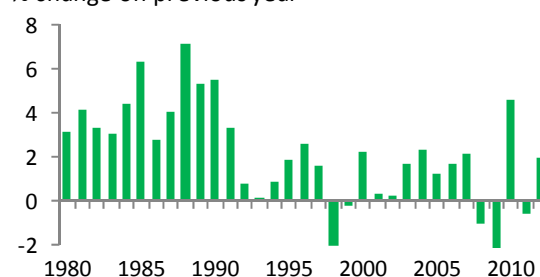
Following two decades of sluggish growth, a new government in Japan has embarked on a bold plan to revitalise the fortunes of the world's third largest economy. These policies have become known as 'Abenomics', after new Prime Minister Shinzo Abe, and are the hottest topic in world economics. What are these policies and why are they being introduced?

3.1 Background: the "lost decade" and beyond

In the post-war period Japan's economy grew rapidly, with strong growth of about 5% continuing in the 1970s and 1980s. Large bubbles developed in the property and stock markets in the late 1980s, the collapse of which led to sluggish growth in the 1990s, known as the "lost decade". Lingering effects of this were still felt in the 2000s, as a modest economic recovery in the mid-2000s gave way, as in much of the world, to a deep recession in 2008-2009. Recovery was set back by the March 2011 earthquake and tsunami.

GDP growth

% change on previous year



Source: IMF, WEO database

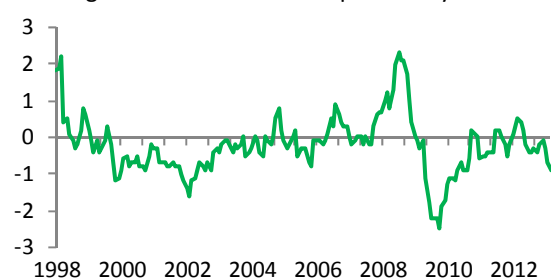
3.2 Key issues facing the economy

The Japanese economy currently faces three main problems:

- **Weak growth** – persistent slow growth over the past two decades and a number of structural problems – particularly a rapidly ageing population and some protected, uncompetitive sectors of the economy – hinder future economic prospects.
- **Deflation** – year after year of falling prices (see chart) has had a harmful effect on the economy. Deflation has become entrenched. Consumers put off spending on some goods and services as they become cheaper in the future and businesses are discouraged from investing. This, in turn, is having a harmful impact on GDP growth.
- **Public finances** – over the past two decades, a weak economy and repeated attempts by government via fiscal stimulus packages to stimulate it have led to very large budget deficits and a sharply increasing level of debt (see chart). Gross debt is now 238% of GDP, compared to 90% for the UK (based on comparable IMF data).

Consumer prices

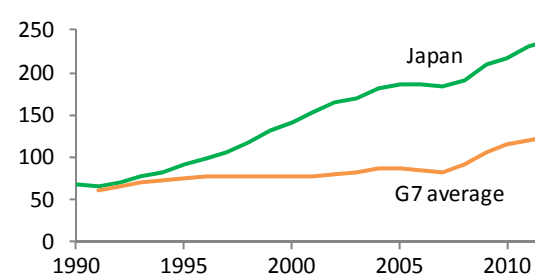
% change over same month in previous year



Source: National statistics agency, Japan

General government gross debt

% of GDP



Source: IMF, WEO database

3.3 Abenomics: Prime Minister Abe's economic policies

Since winning the December 2012 election and becoming Prime Minister, Shinzo Abe and his government have begun to implement economic policies which have become known collectively as Abenomics. They can be grouped into three main strands.

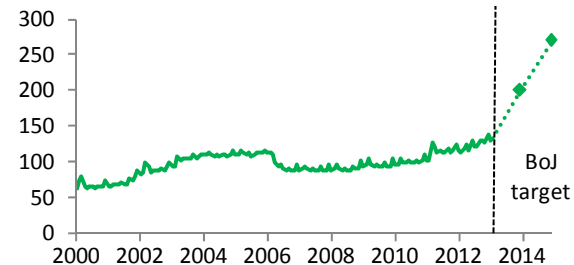
Monetary policy

To implement bolder policies, Mr Abe appointed a new governor to the Bank of Japan (BoJ, the central bank). In April 2013, the BoJ announced new measures, the aggressiveness of which surprised financial markets, to try and lift inflation to its new (higher) target of 2% in two years:

- (i) A doubling of its quantitative easing programme (creating money to buy assets from banks): from 29% of GDP at end-2012 to 55% at end-2014 (see chart), mainly via purchases of government bonds; and
- (ii) Increasing the average maturity of government bonds purchased from 3 to 7 years. The intention is that by buying longer-dated bonds from banks and taking them off the market it will force banks to seek riskier investments (such as supplying loans to firms). It is also hoped that this additional demand for bonds will drive down longer-term interest rates, which may increase demand for loans from individuals and firms.

QE programme doubling

Monetary base, trillion yen (140 yen/£1 end-2012)



Source: Bank of Japan, via OECD

A key element to these measures is psychological: to break the vicious cycle of deflation creating the expectation of deflation in the future, which leads to deflation continuing. Another aspect is that expanding the money supply is likely to weaken the value of the yen, thereby making Japanese goods cheaper to foreign markets and, in turn, boosting exports. One of the dangers of this policy is that by massively expanding the amount of government debt the BoJ holds, market confidence in the government's commitment to tackling the debt problem could be undermined, leading to rising interest costs on government borrowing and the negative consequences that entails for both the deficit and banks holding these bonds.

Fiscal policy

A stimulus package (of about £75bn, or 2.2% of GDP) consisting mostly of public-works projects designed to boost economic activity in the short-term was announced in January 2013. Critics point out that many similar stimulus plans have been tried before and argue that it will only provide a temporary boost to the economy while adding to the already massive stock of debt. The government, in acknowledging the scale of the fiscal challenge, has also committed to reducing the budget deficit and will present a more detailed plan in mid-2013.

Structural reforms

This is probably the most important component over the longer-term; many believe only by tackling structural problems will the economy be able to grow more strongly on a consistent basis. The government will announce a growth strategy in mid-2013. The reforms are likely to include: (i) reforming the labour market to improve the number of female workers (particularly mothers) and younger people in work; and (ii) deregulating certain sectors, such as energy and health care, that are viewed as protected and uncompetitive. While these moves would be welcomed by many economists, some are concerned that the government's rhetoric may not be matched by its actions.

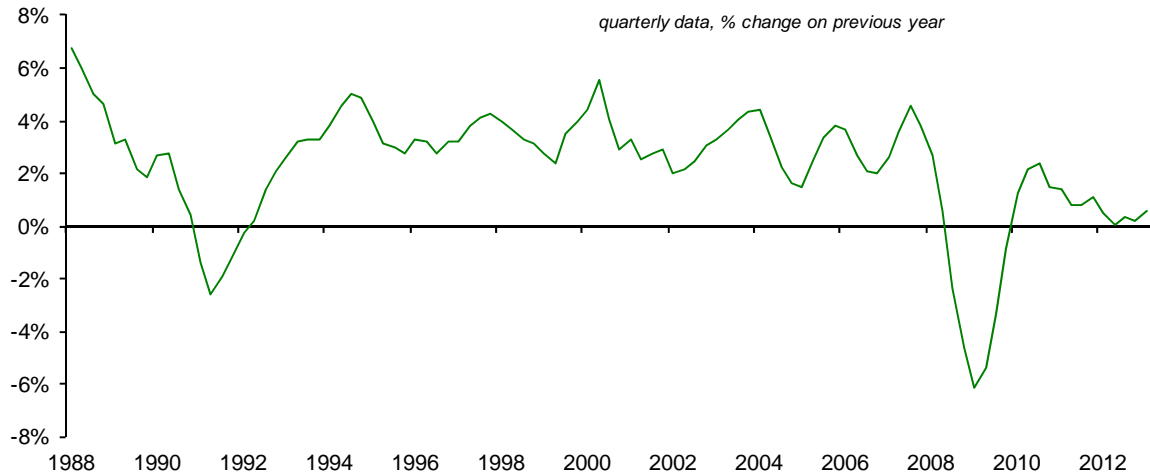
Daniel Harari, Economic Policy and Statistics Section

For more see the Library Note: [Japan's economy: from the "lost decade" to Abenomics.](#)

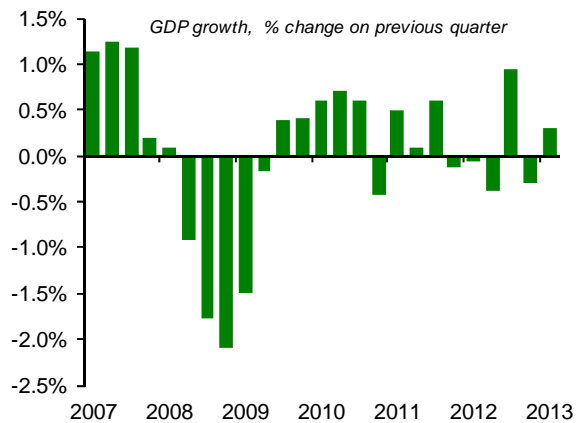
A1: Gross Domestic Product

The economy grew by an estimated 0.3% in Q1 2013, following a contraction of 0.3% in Q4 2012. In April, HM Treasury's average of independent economic forecasts of GDP growth was 0.8% for 2013 and 1.6% for 2014. The Office for Budget Responsibility's (OBR) central forecasts from March 2013 are 0.6% growth for 2013 and 1.8% for 2014.

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
2010	1,402	-2.7	...	-4.0
2011	1,467	4.6	...	1.8
2012	1,519	3.6	...	1.0
2011 Q4	382.4	3.0	-0.1	1.1
Q1	384.0	2.0	-0.1	0.5
2012 Q2	380.9	1.1	-0.4	0.0
Q3	387.1	1.7	0.9	0.4
Q4	387.5	1.3	-0.3	0.2
2013 Q1	-	-	0.3	0.6

Source: ONS, series: YBHA, ABMI

- In Q1 2013, real GDP was estimated to be 0.6% up on the Q4 2012 figure. GDP remains 2.6% below its pre-recession level (Q1 2008).
- In Q1 2013, output of the production industries increased by an estimated 0.2%, construction sector output decreased by 2.5%, manufacturing output decreased by 0.3%, and output of the service industry increased by 0.6%, compared with Q4 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: Gavin Thompson, x2042

Updates: HMT, [Comparison of Independent Forecasts](#), 15 May
ONS, [Second estimate of GDP](#), 23 May

A2: GDP: International Comparisons

In Q1 2013, GDP in the UK grew by 0.3% (compared with the previous quarter), while in the US it rose by 0.6%. Q1 2013 data are not currently available for eurozone countries. In Q4 2012, Germany and France saw GDP contract by 0.6% and 0.3% respectively. In the eurozone as a whole, GDP fell by 0.6% in Q4 2012.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	12Q2	12Q3	12Q4	13Q1	12Q2	12Q3	12Q4	13Q1
US	2.1	2.6	1.7	1.8	0.3	0.8	0.1	0.6
Japan	4.0	0.4	0.4	..	-0.2	-0.9	0.0	..
UK	0.0	0.4	0.2	0.6	-0.4	0.9	-0.3	0.3
Germany	1.0	0.9	0.4	..	0.3	0.2	-0.6	..
France	0.1	0.1	-0.3	..	-0.1	0.2	-0.3	..
Eurozone	-0.5	-0.7	-0.9	..	-0.2	-0.1	-0.6	..
G7	1.7	1.4	0.8	..	0.1	0.3	-0.1	..
OECD	1.7	1.3	0.8	..	0.2	0.3	-0.1	..

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

In [February 2013](#), the European Commission left 2013 their forecast for the UK, last made in November 2012, unchanged at 0.9%. Their growth forecast for the euro area was lowered by 0.4%-points to -0.3%. 2013 growth forecasts were once again lowered substantially for most eurozone economies.

In [April 2013](#), the IMF lowered their 2013 forecast for world growth, last made in January 2013, by 0.2%-points to 3.3%. 2013 growth forecasts were lowered for most advanced economies: for the UK by 0.3%-points (to 0.7%), for France by 0.4%-points (to -0.1%), and for the eurozone as a whole by 0.2%-points (to -0.3%). The forecast for Germany was raised by 0.1%-points (to 0.6%).

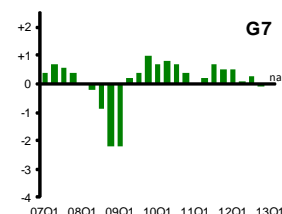
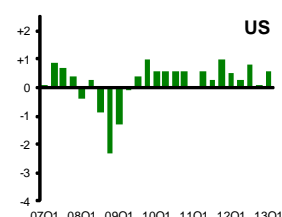
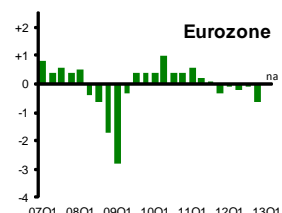
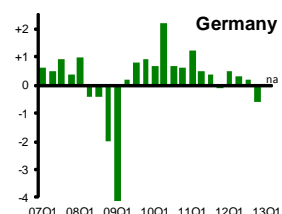
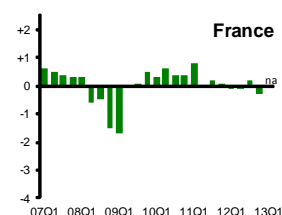
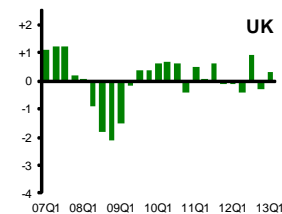
In [December 2012](#), the OECD also revised down their growth forecasts for the UK – to 0.9% in 2013 (down 1.0 %-points since the forecast in June 2012). Forecasts for the euro area were also lowered to -0.1% in 2013 (down 1.0 %-points).

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

	IMF (Apr 13)		EC (Feb 13)		OECD (Dec 12)	
	2013	2014	2013	2014	2013	2014
UK	0.7	1.5	0.9	1.9	0.9	1.6
France	-0.1	0.9	0.1	1.2	0.3	1.3
Germany	0.6	1.5	0.5	2.0	0.6	1.9
Eurozone	-0.3	1.1	-0.3	1.4	-0.1	1.3
US	1.9	3.0	1.9	2.6	2.0	2.8
Japan	1.6	1.4	1.0	1.6	0.7	0.8
OECD	..	..	..	..	1.4	2.3
China	8.0	8.2	8.0	8.1	8.5	8.9
India	5.7	6.2	..	..	6.5	7.1
Brazil	3.0	4.0	..	..	4.0	4.1
World	3.3	4.0	3.2	3.9	3.4	4.2

Sources: IMF Apr 2013 WEO ; EC EEF; OECD Economic Outlook No.92

Quarter-on-quarter growth rates



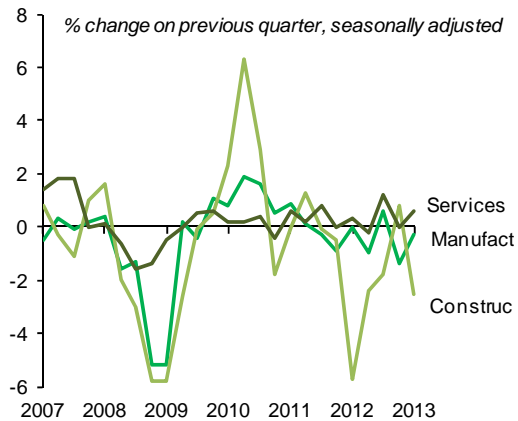
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), May/June 2013
 EC, [Spring Economic Forecast](#), May 2013
 IMF, [World Economic Outlook update](#), Jul 2013

Contact: Daniel Harari, x2464

A3: Components of GDP

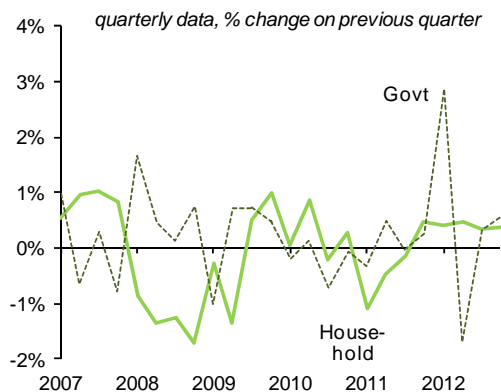
GDP can be analysed by output and expenditure. The service sector accounted for 77% of economic output in 2011, the manufacturing sector for 11% and the construction sector for 7%. Household consumption is the largest element of expenditure, accounting for 60% of the total in 2012. Government consumption accounted for 23% and investment for 15%.

Output by industry – gross value added



- Gross value added (GVA) measures economic output from parts of the economy such as industries or regions.
- Service sector output increased by 0.6% in Q1 2013.
- Output in the manufacturing sector fell by 0.3%.
- Construction sector output fell by 2.5%, its largest fall since Q1 2012.

Expenditure - household and government consumption



- In Q4 2012, household consumption grew by 0.4% in real terms compared with Q3 2012.
- Government consumption increased by 0.6% in Q4 2012.
- Exports fell by 1.6% while imports fell by 1.0% in Q4 2012.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2011 (annual % change)	-1.1%	-0.3%	-2.9%	4.5%	0.0%	1.0%
2012 (annual % change)	1.2%	2.2%	1.5%	-0.2%	2.7%	0.3%
2011 Q4	0.5%	0.3%	-0.3%	3.1%	1.4%	-0.1%
2012 Q1	0.4%	2.9%	0.5%	-1.5%	0.6%	-0.1%
2012 Q2	0.5%	-1.7%	1.7%	-1.1%	1.3%	-0.4%
2012 Q3	0.3%	0.3%	-0.4%	1.8%	0.3%	0.9%
2012 Q4	0.4%	0.6%	-0.2%	-1.6%	-1.0%	-0.3%
2013 Q1	..	..	..	..	..	0.3%

Source: ONS series ABJR, NMR Y, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

Sectors: ONS series: Services L3E2; manufacturing L3BN; construction L3DW

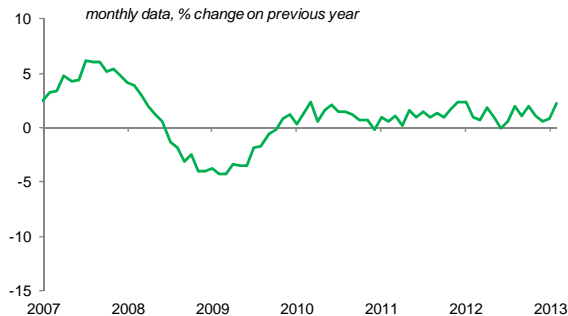
Contact: Dominic Webb, x4324

Update: ONS, *Second estimate of GDP*, 23 May 2013

A4: Services

The service industry incorporates the retail sector, the financial sector, the public sector, business administration and cultural activities. In 2011, the service sector accounted for 76% of total UK economic output (Gross Value Added) and 83% of jobs.

Services output

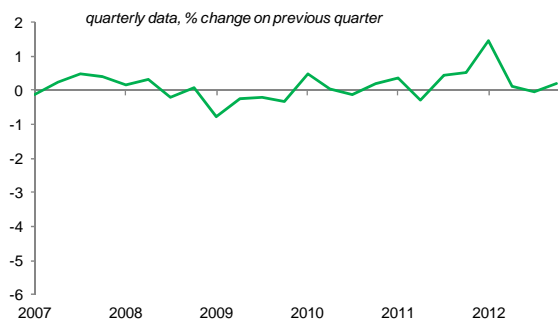


	Index Value (2009=100)	% change on month	% change on year
2011	102.3	...	1.2
2012	103.5	...	1.2
Nov	104.2	0.0	1.1
Dec	103.7	-0.4	0.6
2013 Jan	104.0	0.3	0.8
Feb	104.9	0.8	2.2

Source: ONS, series S2KU, S222, S26Q

- Output in the services sector rose by 0.8% in February 2013 compared with January 2013. Compared with a year before, services output increased by 2.2%. Services output surpassed its pre-2008 peak in August 2012 and this month's figures represent another peak.
- The biggest contributor to monthly growth was the distribution, hotel and restaurant sector which grew by 0.8% in February 2013 compared with February 2012.

Jobs in the service industries

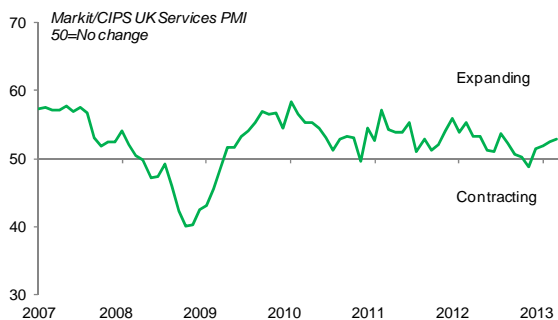


	Thousands	% change on quarter	% change on year
2010 Q4	25,888	...	1.5
2011 Q4	25,851	...	-1.5
2012 Q1	26,661	1.5	2.2
Q2	26,689	0.1	2.6
Q3	26,673	-0.1	2.0
Q4	26,729	0.2	1.7

Source: ONS, Workforce Jobs

- In Q4 2012 there were 26.7 million jobs in the services sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 56,000 or 0.2% over the quarter. Since the same quarter in 2011, the number of service industry jobs has increased by 452,000 or 1.7%.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2011 Apr	54.3	...
2012 Apr	53.3	...
2013 Jan	51.5	2.6
Feb	51.8	0.3
Mar	52.4	0.6
Apr	52.9	0.5

Source: Markit/CIPS UK Services PMI

- The Markit/Chartered Institute of Purchasing & Supply UK Services PMI rose to 52.9 in April 2013 from 52.4 in March (where 50.0 is no change). This is the index's highest level for eight months.
- Markit attributed the good outlook in the sector to "new products, better weather and increased foreign demand."

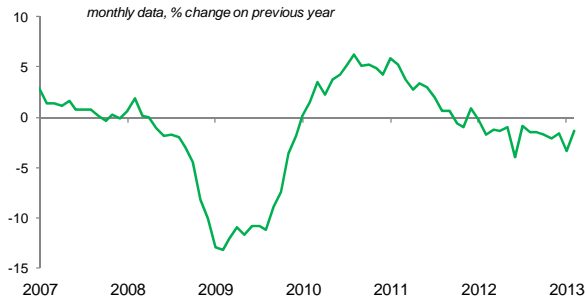
Contact: Chris Rhodes, x2454

Update: ONS, [Index of Services](#), 23 May
 ONS, [Workforce Jobs](#), 12 June
 Markit/CIPS [UK Services PMI](#), 5 June

A5: Manufacturing

The manufacturing sector accounted for 11% of UK economic output (Gross Value Added) in 2011. Manufacturing is one of the production industries, which also include mining; electricity; water and waste management; and oil and gas extraction. The production industries accounted for 16% of UK output in 2011.

Manufacturing Output

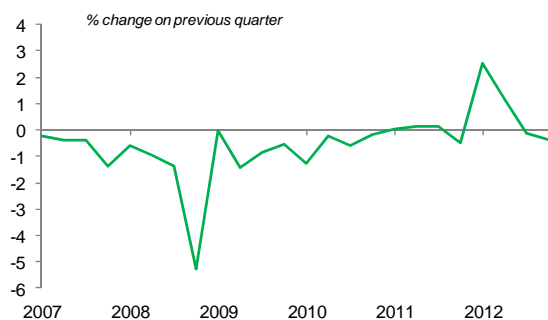


	Index Value (2009=100)	% change on month	% change on year
2011	106.1	...	2.2
2012	104.5	...	-1.5
Nov	102.7	-0.4	-2.1
Dec	104.3	1.5	-1.6
2013 Jan	102.3	-1.9	-3.3
Feb	103.1	0.8	-1.4

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing rose by 0.8% in February 2013 compared with January 2012. Manufacturing output fell by 1.4% in February 2013 compared with February 2012.
- The largest upward contributions in manufacturing output were: machinery & equipment not elsewhere classified, transport equipment, and basic metals & metal products.

Jobs in manufacturing

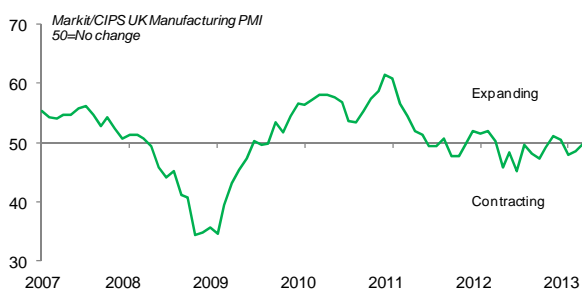


	Thousands	% change on quarter	% change on year
2010 Q4	2,551	...	-2.2
2011 Q4	2,547	...	-0.2
2012 Q1	2,611	2.5	2.3
Q2	2,641	1.1	3.4
Q3	2,638	-0.1	3.1
Q4	2,628	-0.4	3.2

Source: ONS, Workforce Jobs

- In Q4 2012 there were 2.6 million jobs in the manufacturing sector, 8% of all jobs in the UK.
- The number of jobs in the manufacturing industry decreased by 10,000 or 0.4% over the quarter. From the same quarter in 2011, the number of manufacturing jobs increased by 81,000 or 3.2%.

Manufacturing Purchasing Managers Index



	Index	Monthly change
2011 Apr	54.4	...
2012 Apr	50.2	...
2013 Jan	50.5	-0.7
Feb	47.9	-2.6
Mar	48.6	0.7
Apr	49.8	1.2

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI was 49.8 in April, up slightly from 48.6 in March (where 50.0 is no change).
- Markit stated that "the UK manufacturing sector showed signs of stabilising at the start of the second quarter of 2013, as levels of production and new orders rose".

Contact: Daniel Zaczekiewicz, x6962

Update: ONS, [Index of Production](#), 9 May
ONS, [Workforce Jobs](#), 15 May
Markit/CIPS [UK Manufacturing PMI](#), 3 Jun

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.

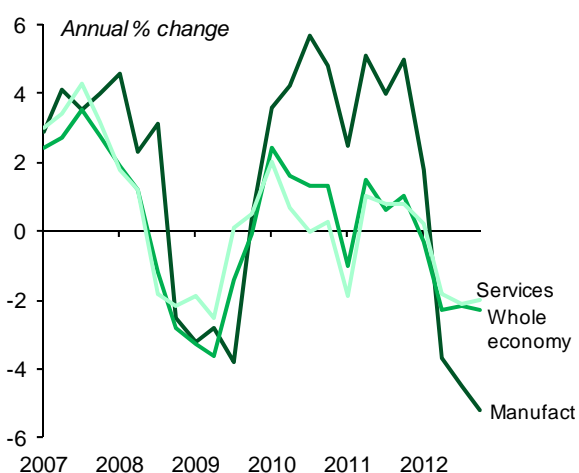
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 2.3% over the last year and by 0.5% between Q3 and Q4 2012.
- Output per hour in manufacturing fell by 5.2% between Q4 2011 and Q4 2012; this is the largest fall since the series began in 1998. Services productivity fell by 2.0%.

Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.6	0.8	1.6
2011	4.1	0.2	0.5
2012	-2.9	-1.4	-1.8
2011 Q3	4.0	0.8	0.6
Q4	5.0	0.8	1.0
2012 Q1	1.8	0.2	-0.3
Q2	-3.7	-1.8	-2.3
Q3	-4.5	-2.1	-2.2
Q4	-5.2	-2.0	-2.3
<i>Latest q-on-q % change</i>			
	-0.8	-0.5	-0.5

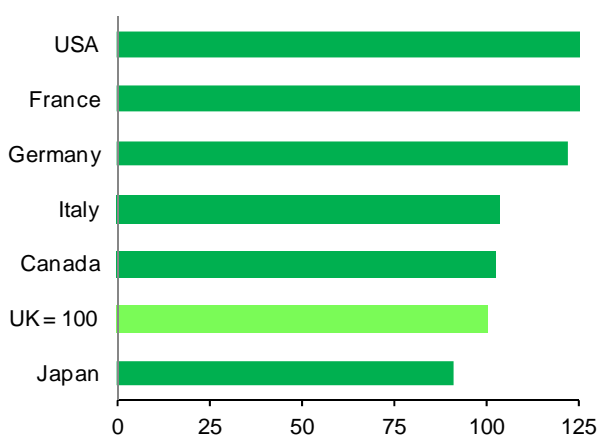
Source: ONS series LZVD, DJK8, DJQ3



- 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

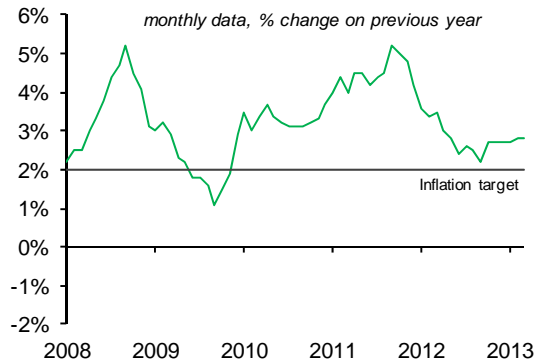
Update: ONS, [Labour Productivity](#), 28 Jun
 ONS, [International Comparisons](#), early sep

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.8% in March unchanged from February and above the Bank of England's 2.0% target for the fortieth successive month.

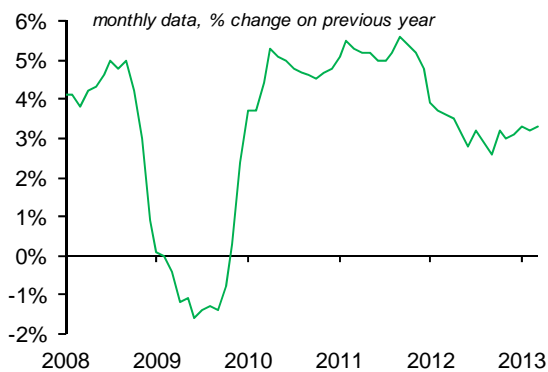
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.8% in March.
- The largest upward pressure came from the recreation and cultural sector where there were price rises for televisions, books, newspapers and stationery. The largest downward contributions came from furniture and furnishings, motor fuels and meat.
- The RPI (all items) measure of annual inflation was 3.3% in March, up from 3.2% in February.

Retail Prices Index (RPI)

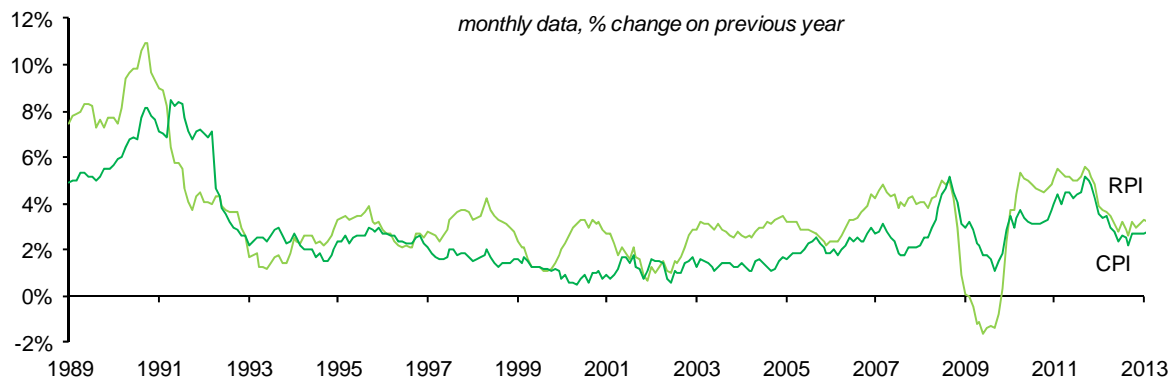


Price Indices

		% change on a year ago	
		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2012	Oct	2.7	3.2
	Nov	2.7	3.0
	Dec	2.7	3.1
2013	Jan	2.7	3.3
	Feb	2.8	3.2
	Mar	2.8	3.3

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989

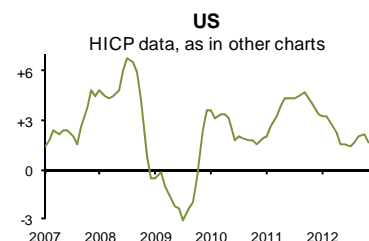
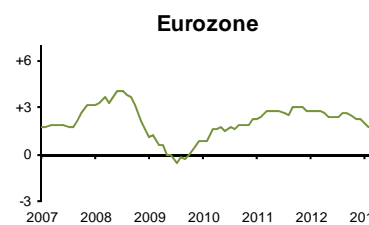
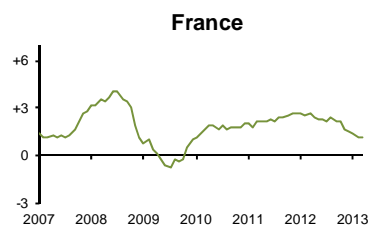
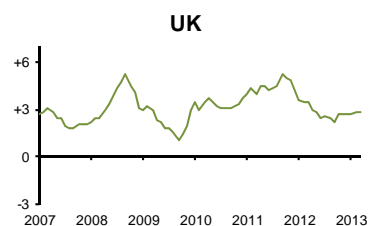


B2: Inflation: International

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.

- UK inflation was 2.8% in the year to March 2013, the same as in February. The Bank of England's UK inflation target is 2%.
- The flash estimate of Eurozone inflation in the year to April 2013 was 1.2%, down from 1.7% in March. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Greece experienced negative inflation in the year to March 2013. Its inflation rate of -0.2% was the lowest in the EU. The highest rate was in Romania at 4.4%.
- 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 March 2013 was 1.5% using its own national definition.



Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Dec-12	Jan-13	Feb-13	Mar-13
HICP (OECD/Eurostat)							
UK	3.3	4.5	2.8	2.7	2.7	2.8	2.8
Eurozone	1.6	2.7	2.5	2.2	2.0	1.8	1.7
EU	2.1	3.1	2.6	2.3	2.1	2.0	1.9
France	1.7	2.3	2.2	1.5	1.4	1.2	1.1
Germany	1.2	2.5	2.1	2.0	1.9	1.8	1.8
Greece	4.7	3.1	1.0	0.3	0.0	0.1	-0.2
Italy	1.6	2.9	3.3	2.6	2.4	2.0	1.8
Spain	2.0	3.1	2.4	3.0	2.8	2.9	2.6
US	2.4	3.8	2.1	1.7	:	:	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	0.8	0.5	1.2	1.0
Japan	-0.7	-0.3	0.0	-0.1	-0.3	-0.6	-0.9
US	1.6	3.2	2.1	1.7	1.6	2.0	1.5
G7	1.4	2.6	1.9	1.6	1.4	1.6	1.2
OECD	1.9	2.9	2.3	1.9	1.7	1.8	1.6
Brazil	5.0	6.6	5.4	5.8	6.2	6.3	6.6
China	3.3	5.4	2.6	2.5	2.0	3.2	2.1
India	12.0	8.9	9.3	11.2	11.6	12.1	11.4
Russia	6.9	8.4	5.1	6.5	7.1	7.3	..

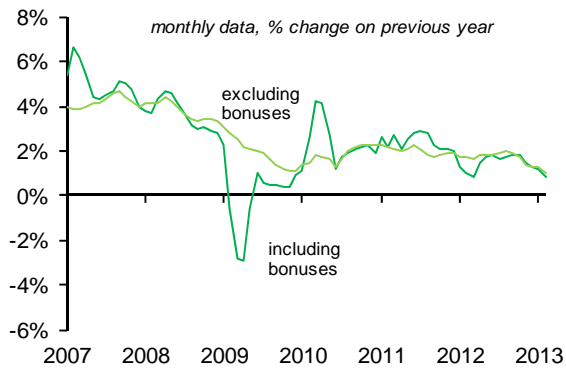
Source: Eurostat & stat.OECD database

Contact: Feargal McGuinness, x4904 **Updates:** ONS [Consumer Prices bulletin \(UK\)](#), 21 May 2013
Eurostat, [HICP full release](#), 16 May 2013
Eurostat, [Flash estimate \(Apr\)](#), 31 May 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 0.8% in the three months to February, compared with a year ago, down 0.4 percentage points on the previous month. Average weekly earnings excluding bonuses rose by 1.0% in the three months to February compared with a year ago, down 0.3 percentage points from January. Inflation as measured by the CPI was 2.8% in February.

Average Earnings, Whole Economy



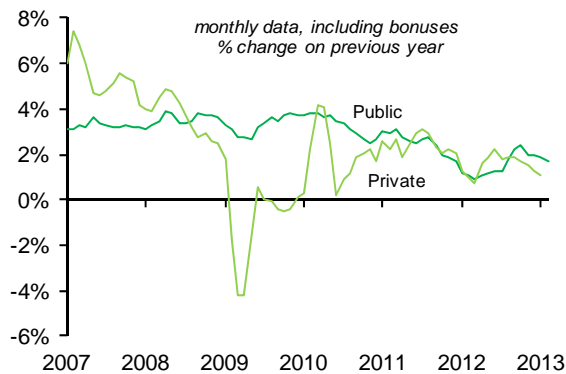
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2010 Feb	2.2	3.8	4.2	2.3	2.6
2011 Feb	2.2	2.9	1.9	2.7	2.2
2012 Feb	1.0	1.1	1.5	1.2	1.0
2012 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	1.4	1.3
2013 Jan	1.1	1.9	1.6	1.4	1.2
Feb	0.5	1.7	1.6	0.9	0.8

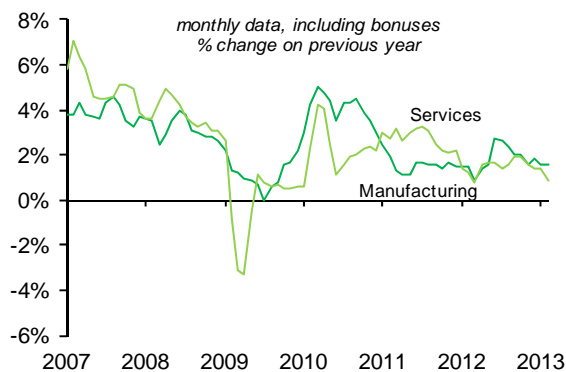
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 0.5% in the three months to February, compared with 1.7% in the public sector.
- Average weekly earnings (including bonuses) in February in the public sector were £485 compared with £457 in the private sector.
- Average weekly earnings (including bonuses) in February were £464 for the whole economy, down from a nominal peak of £473 in August 2012.

Average Earnings in Services and Manufacturing

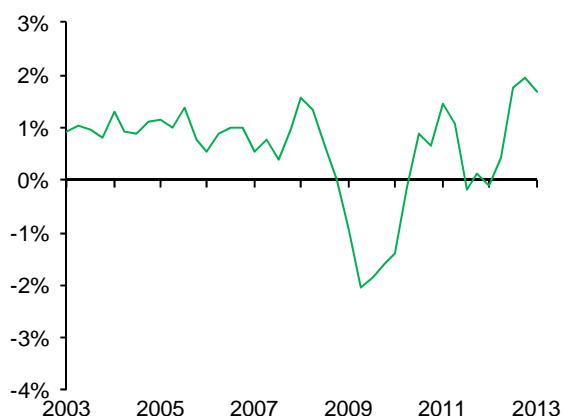


- Average total pay growth (including bonuses) in the manufacturing sector was 1.6% in the three months to February, compared with 0.9% in the services sector.
- Average weekly earnings (including bonuses) in February in the manufacturing sector were £547 compared with £451 in the services sector.
- 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

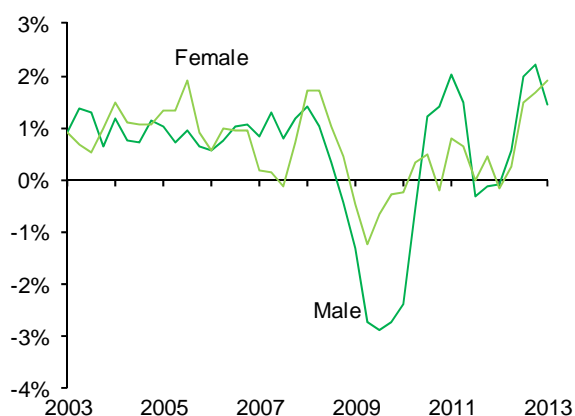
There were 29.70 million people aged 16 and over in employment in the UK in December 2012 to February 2013. The number of people in employment was about the same as in the previous quarter (down 2,000) and up 488,000 on the previous year. The employment rate for people aged 16-64 was 71.4%, compared to a pre-recession level of 73.0% in March-May 2008.

Total employment (% change on previous year)



- Over the past quarter, the number of 16-24 year olds in employment fell by 62,000. Employment of 50-64 year olds was up 58,000. Employment increased over the past year among all age groups shown in the table.
- The number of employees rose by 22,000 over the past quarter to 25.24 million. The number of self-employed people was about the same as in the previous quarter (down 2,000), at 4.20 million.
- 8.05 million people were employed part-time in December 2012 to February 2013, a fall of 62,000 on the previous quarter. Full-time employment increased by 60,000 to 21.65 million.

Employment by gender (% change on previous year)



- The number of men in employment fell by 56,000 over the past quarter to 15.89 million.
- The number of women in employment rose by 54,000 compared to the last quarter, to 13.81 million. 83,000 more women were working full-time, while there were 29,000 fewer women employed part-time.
- Public sector employment fell by 20,000 in the three months to December 2012, to 5.72 million or 19.2% of total employment. The number of people working in the private sector was 24.01 million, up 151,000 on the previous quarter. The private sector accounts for 80.8% of total employment.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Dec-Feb 2011	29,242	3,759	17,223	7,379	881
Dec-Feb 2012	29,210	3,644	17,267	7,423	875
Mar-May 2012	29,378	3,658	17,330	7,462	928
Jun-Aug 2012	29,590	3,709	17,416	7,519	946
Sep-Nov 2012	29,700	3,725	17,423	7,585	967
Dec-Feb 2013	29,698	3,663	17,424	7,643	967
% change on previous 3 months	-0.0	-1.7	+0.0	+0.8	-0.0
% change on previous year	+1.7	+0.5	+0.9	+3.0	+10.5

Source: ONS

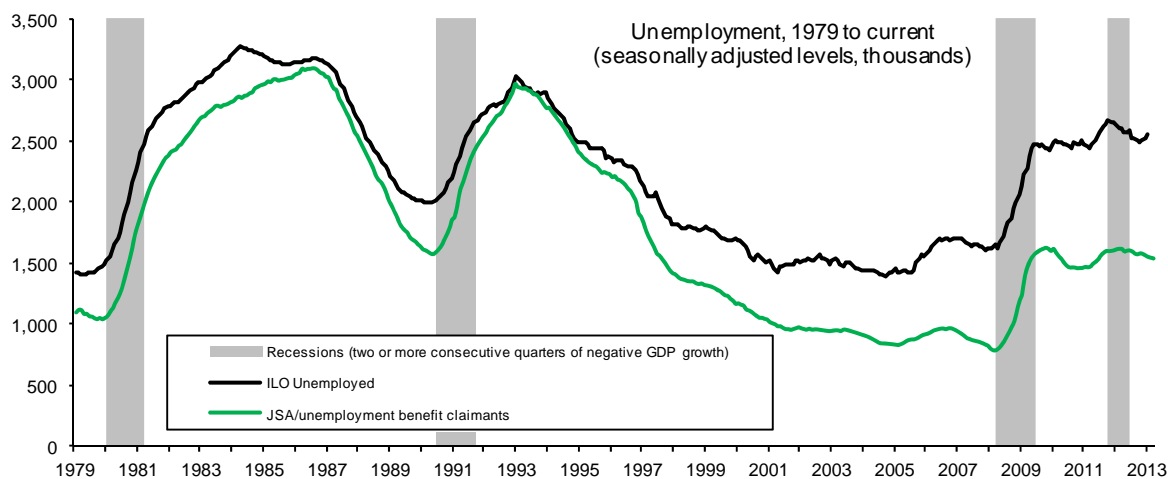
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 15 May 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 December 2012 - February 2013 was 2.56 million (7.9% of all economically active) – up 70,000 from the previous quarter.** (UK, seasonally adjusted).



[Source: ONS, *Labour Market Statistics*]

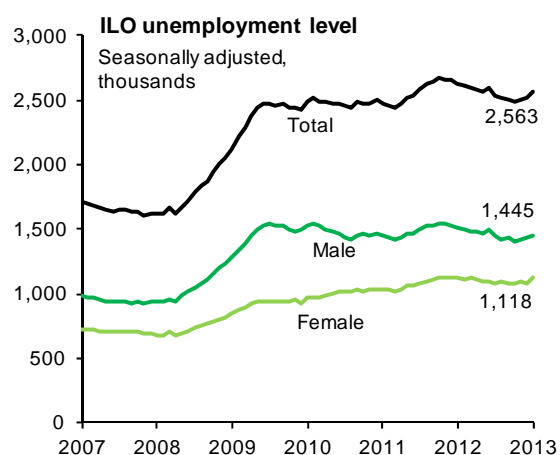
ILO unemployment (December 2012- February 2013)

There were 900,000 people unemployed for more than 12 months, up 8,000 compared to the previous quarter.

The unemployment level among 16-24 year-olds was 979,000, up 20,000 on the previous quarter (see table below).

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count fell by 7,000 between February and March 2013 to 1.53 million.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Dec-Feb 2008	1,620	5.2	679	13.8	706	3.9	222	3.0	12	1.8
Dec-Feb 2009	2,123	6.8	821	16.9	967	5.3	317	4.2	18	2.5
Dec-Feb 2010	2,486	7.9	923	19.8	1,175	6.5	364	4.8	24	3.0
Dec-Feb 2011	2,471	7.8	957	20.3	1,130	6.2	367	4.7	17	1.9
Dec-Feb 2012	2,634	8.3	1,025	21.9	1,181	6.4	404	5.2	24	2.7
Mar-May 2012	2,577	8.1	1,018	21.8	1,152	6.2	384	4.9	23	2.4
Jun-Aug 2012	2,528	7.9	957	20.5	1,162	6.3	389	4.9	21	2.2
Sep-Nov 2012	2,493	7.7	959	20.5	1,138	6.1	373	4.7	23	2.4
Dec-Feb 2013	2,563	7.9	979	21.1	1,182	6.4	384	4.8	17	1.7
% change on quarter	+2.8		+2.1		+3.9		+3.2		-28.4	
% change on year	-2.7		-4.5		+0.1		-4.9		-30.9	

Source: ONS, *Labour Market Statistics*.

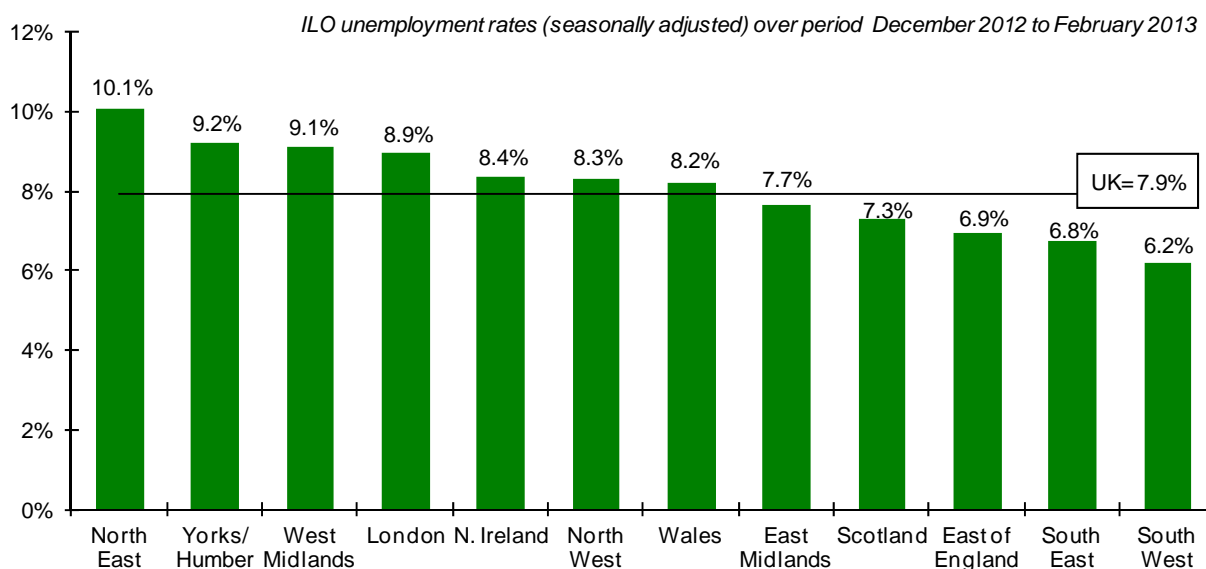
Notes: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding.

Contact: Feargal McGuinness, 4904 **Update:** ONS, [Labour Market Statistics](#), 15 May 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 December 2012 to February 2013, the North East had the highest unemployment rate, at 10.1% of the economically active population. The lowest rate over the same period was 6.2% in the South West.



- The largest increase in unemployment over the last quarter was in London (up 30,000). The largest decrease was in the East Midlands (down 15,000).
- The seasonally-adjusted JSA claimant count only increased in one country or region (Northern Ireland) in March compared with February.

Key labour market statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	Dec12-Feb'13		Change in level		March 2013	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	131	10.1	+12	-14	91.1	-0.8
North West	288	8.3	-7	-38	192.5	-0.7
Yorkshire & Humber	253	9.2	+11	+5	161.2	-0.2
East Midlands	175	7.7	-15	-14	103.6	-0.5
West Midlands	252	9.1	+6	+15	159.6	-0.4
East of England	217	6.9	+9	+13	111.3	-0.5
London	384	8.9	+30	-32	218.7	-1.5
South East	306	6.8	+15	+23	131.4	-1.2
South West	167	6.2	+20	-11	82.8	-0.4
Wales	120	8.2	-3	-11	77.4	-0.3
Scotland	197	7.3	-11	-21	136.6	-0.6
Northern Ireland	72	8.4	+3	+13	64.8	+0.1

Source: ONS, *Labour Market Statistics*

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

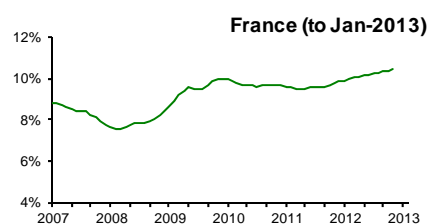
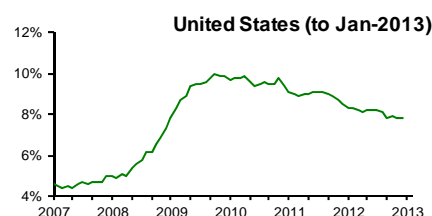
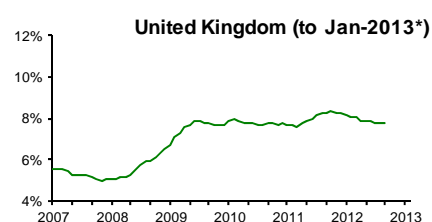
Contact: David Hough x6933

Update: ONS, *Labour Market Statistics*, 15 May 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 Q4 2012 was 7.8%. This was below the rate of France and Italy (10.5% and 11.2%, respectively, in Q4) but above that of Germany (5.4%).
- In the US, unemployment fell from 7.2% to 7.1% between Q4 2012 and Q1 2013. Compared with a year ago unemployment is 0.3 percentage points lower.
- In the euro zone, unemployment rose from 11.5% to 11.8% 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 (26.4% 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 14.3% 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. South Korea had the lowest unemployment rate in the OECD in Q4 2012, at 3.0%.
- Youth (16-24) unemployment is a major issue in many developed economies at present. In Spain youth unemployment hit 55.1% in the final quarter of 2012. In the UK youth unemployment stood at 22.2% over the three months Dec-Feb 2013, according to ONS data.



* latest figure refers to quarterly survey conducted over Dec-Feb 2013

Unemployment

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

	2010	2011	2012	2011				2012				2013
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Canada	8.0	7.5	7.2	7.7	7.5	7.3	7.4	7.4	7.3	7.3	7.2	7.1
France	9.7	9.6	10.3	9.6	9.5	9.6	9.8	10.0	10.2	10.3	10.5	..
Germany	7.1	6.0	5.5	6.3	6.0	5.8	5.6	5.6	5.5	5.4	5.4	..
Italy	8.4	8.4	10.7	8.0	7.9	8.6	9.2	10.0	10.6	10.7	11.2	..
Japan	5.1	4.6	4.4	4.8	4.7	4.4	4.5	4.5	4.4	4.3	4.2	..
UK	7.8	8.0	7.9	7.7	7.9	8.3	8.3	8.2	7.9	7.8	7.7	..
US	9.6	9.0	8.1	9.0	9.0	9.0	8.7	8.3	8.2	8.0	7.8	7.7
Euro zone	10.1	10.1	11.4	9.9	9.9	10.2	10.6	10.9	11.3	11.5	11.8	..
G7	8.2	7.7	7.4	7.7	7.7	7.7	7.6	7.5	7.4	7.4	7.3	..
OECD	8.3	8.0	8.0	8.0	7.9	8.0	7.9	7.9	7.9	8.0	8.0	..

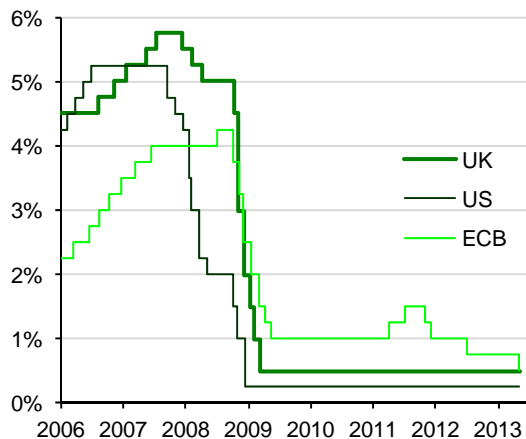
Source: OECD, Harmonised Unemployment Rates

Contact: Daniel Zaczekiewicz, x6962 Updates: OECD, [Harmonised Unemployment Rates](#), 20 May

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

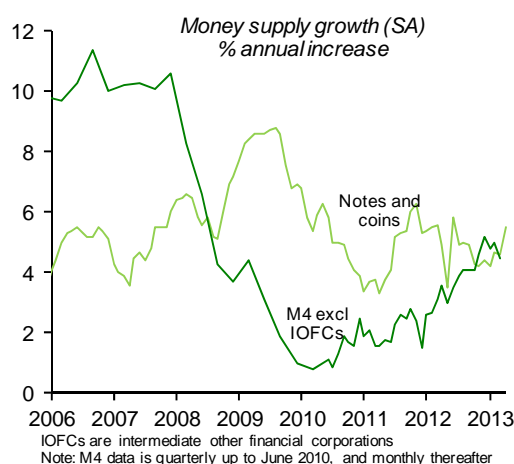


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 2 May 2013, the Governing Council of the European Central Bank agreed lower the main interest rate for the eurozone from 0.75% to 0.5%.
- 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 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 4.5% in March 2013, down from 5.0% in February 2013.
- The value of notes and coins in circulation outside the Bank of England rose by 5.5% in April 2013 compared with a year ago, up from 4.6% in March 2013.

Contact: Gavin Thompson, x2042

Updates: Monetary policy meetings: 9 May (UK); 6 Jun (ECB); 19 Jun (US)
Bank of England, [Monetary and Financial Statistics](#), 31 May

D2: Public Finances

The independent Office for Budget Responsibility (OBR) forecast that public borrowing will be £120 billion in 2013/14, equivalent to 7.5% of GDP.

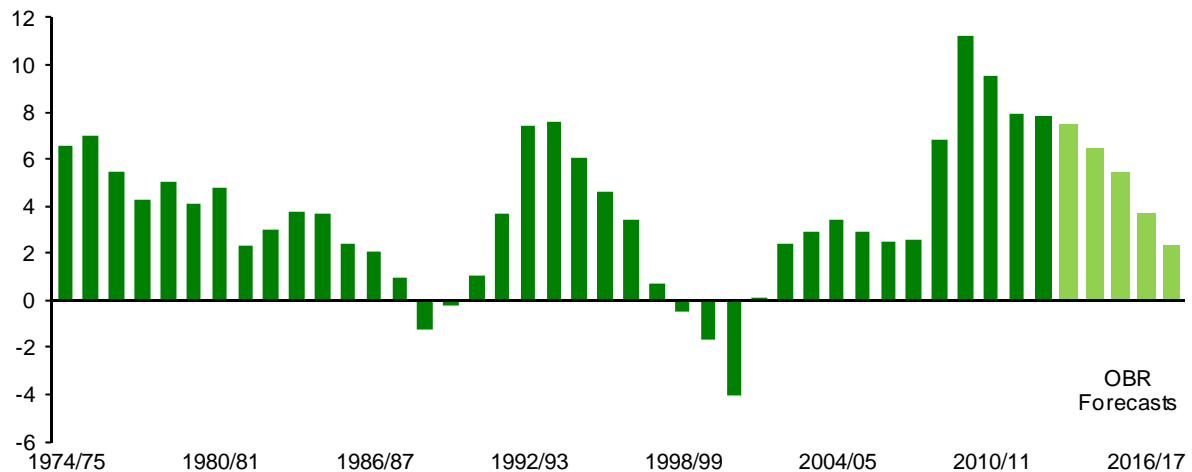
- Excluding the effects of the Royal Mail pension transfer and QE interest payments, borrowing in 2012/13 was £120.6 billion, 0.3% lower than in 2011/12.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion in February 2013.
- At the end of 2012/13, public sector net debt excluding financial sector interventions was £1.2 trillion, equivalent to 75.4% of GDP.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	159	11.2	829	57.1
2010/11	141	9.5	1,002	66.6
2011/12	121	7.9	1,104	71.8
2012/13	121	7.8	1,186	75.4
2013/14	120	7.5	1,286	79.2
2014/15	108	6.5	1,398	82.6
2015/16	96	5.5	1,502	85.1
2016/17	67	3.7	1,580	85.6
2017/18	43	2.3	1,637	84.8

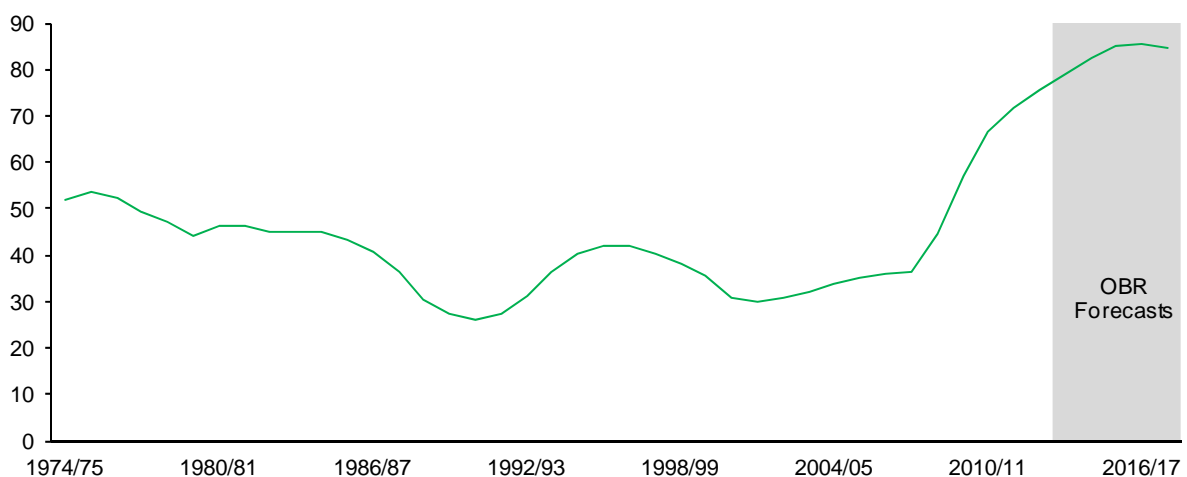
Source: ONS, OBR. Excludes financial sector interventions

Note: borrowing figures exclude Royal Mail transfer and QE

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Updates: ONS, [Public Sector Finances](#), 22 May 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 the global financial crisis.

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 considerably.

Data from 02 May 2013

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02 May 2013	6,460.7	102.9	1,457.6
%change over:			
1-month	-0%	-7%	-9%
12-months	+12%	-13%	-12%
%change from:			
cyclical peak	-4%	-30%	-23%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+84%	+183%	+105%
date	03 Mar '09	24 Dec '08	24 Oct '08

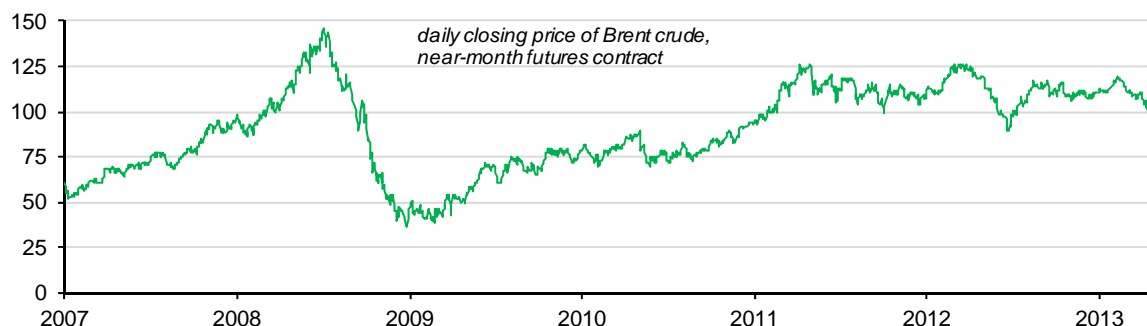
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



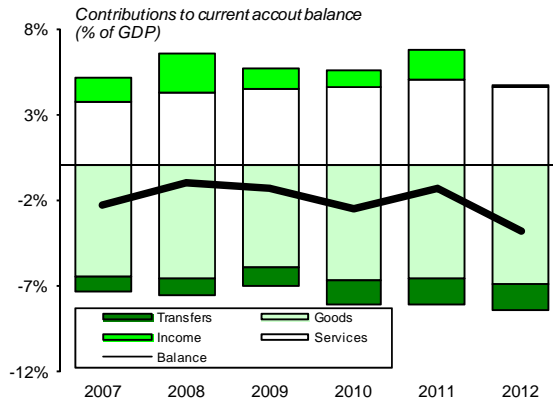
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2012 was £57.7 billion equivalent to -3.7% of GDP. That compared with £20.2 billion in 2011 or -1.3% of GDP. This change can principally be attributed to a decrease in the UK's trade in services surplus from £76 billion in 2011 to £70 billion in 2012.

Current Account



- On a **quarterly** basis, the current account deficit was £14.0 billion in Q4 2012, narrowing from £15.1 billion in Q3 2012. The surplus on services fell to £17.5 billion while the deficit on goods increased £27.1 billion.
- The **annual** current account deficit with EU27 countries in 2012 was £70.5 billion, compared with a surplus with non-EU countries of £12.9 billion. On a **quarterly** basis, the deficit with EU27 countries fell to £16.6 billion in Q4 2012. With non-EU countries, the current account surplus was £2.5 billion.

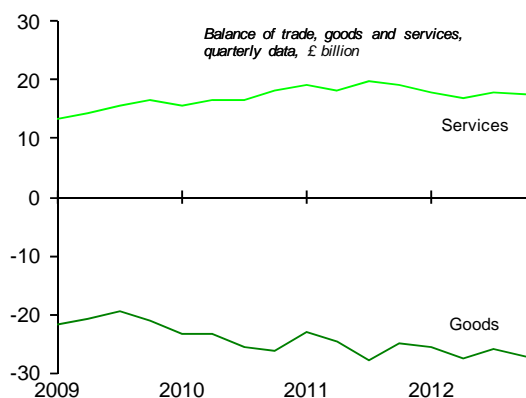
Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance
	Balance	Balance	Exports	Imports				Balance
2011	-100,230	76,083	492,455	516,602	-24,147	25,871	-20,234
2012	-106,343	70,189	488,428	524,582	-36,154	1,562	-57,679
2011 Q4	-24,831	19,051	125,858	131,638	-5,780	6,155	-5,341
2012 Q1	-25,667	17,778	123,866	131,755	-7,889	1,374	-11,875
Q2	-27,538	16,989	120,842	131,391	-10,549	-548	-16,693
Q3	-26,008	17,920	123,067	131,155	-8,088	-1,391	-15,074
Q4	-27,130	17,502	120,653	130,281	-9,628	2,127	-14,037

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

Trade in Goods and Services



- The estimated deficit on goods trade in February was £9.4bn, widening from £8.2bn in January.
- The monthly trade surplus on services was an estimated £5.8bn in February, up slightly from the January surplus of £5.7bn.
- The overall monthly deficit on goods and services combined in February was £3.6bn, widening from £2.5bn in January.
- The goods deficit with the EU27 was £5.1bn in February, up from £4.8bn in January, while the deficit with non-EU countries was £4.3bn in January, up from £3.4bn January.

Contact: Gavin Thompson, x2042

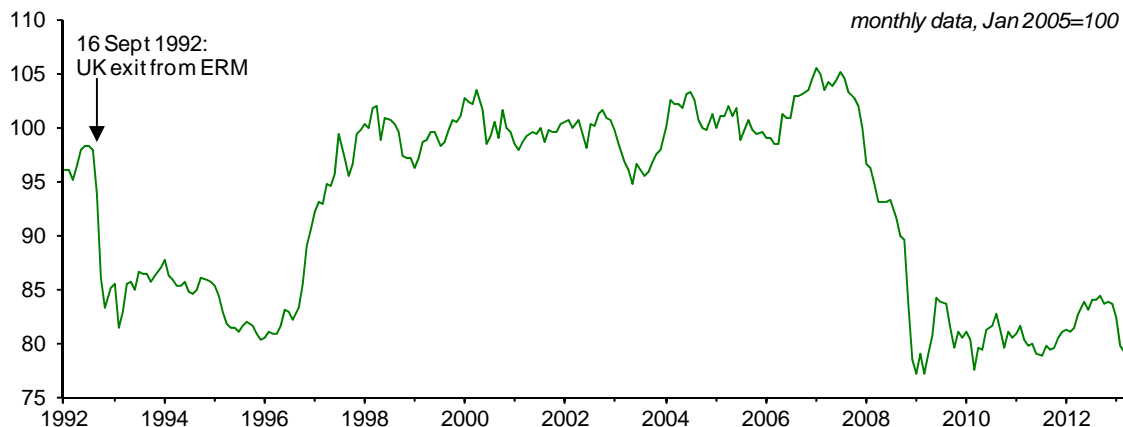
Updates: ONS, [UK Trade](#), 10 May;
ONS, [UK Balance of Payments](#), 27 Jun

E2: Exchange rates

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

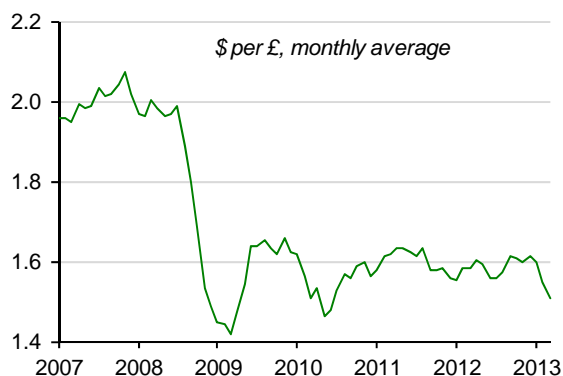
The SERI rose by 1.3% in April 2013, following a fall of 0.7% in March. Compared with the same period a year ago, it was 2.9% lower. It is now 4.1% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 23.9% down from its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



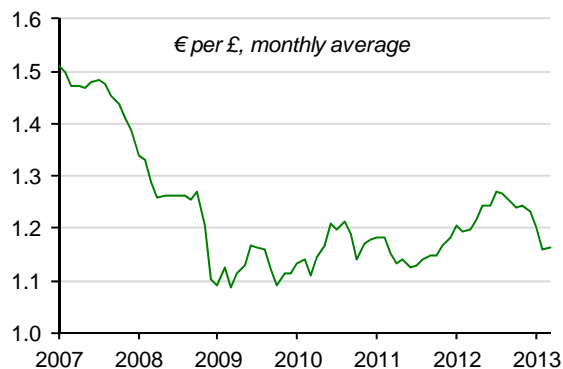
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in April, the pound was unchanged against the dollar compared with March. At the 2 May market close the pound stood at \$1.55, the April average.
- Sterling was on average unchanged against the Euro in March compared with February.
- At the 4 April market close the pound stood at €1.18, 2 cents above the 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 Apr	1.60	-2.0%	1.22	7.3%
2013 Feb	1.55	-2.1%	1.16	-2.9%
2013 Mar	1.55	-2.2%	1.16	-3.2%
2013 Apr	1.55	-3.3%	1.16	-4.7%

Source: Bank of England, Bankstats database

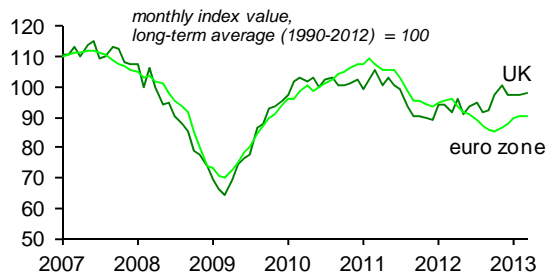
Contact: Daniel Harari, ext. 2464

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 3 June

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

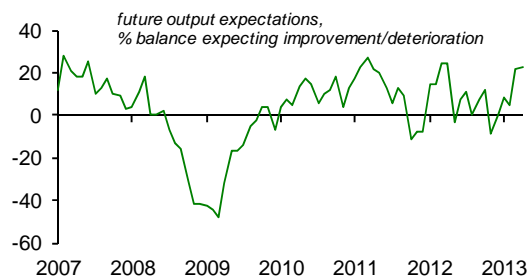


		UK Index	monthly change	change on year ago
2011	Apr	100.4	...	...
2012	Apr	96.1	...	...
2013	Feb	97.1	-0.5	+2.8
	Mar	98.2	+1.1	+6.4
	Apr	96.2	-2.0	+0.1

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 March and April the overall UK sentiment index fell by 2.0 points to 96.2. That is the same level as a year before. The eurozone index fell by 1.5 points to 88.6.

CBI Industrial Trends Survey



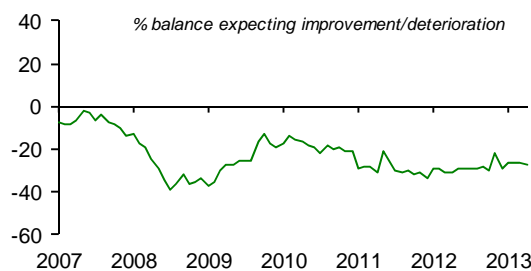
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2011	Apr	+22	...	...
2012	Apr	+24	...	...
2013	Feb	+5	-3	-10
	Mar	+22	+17	-2
	Apr	+23	+1	-1

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In April 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +23% of firms. This is an increase from a balance of +22% in March and the highest it's been since April 2012.

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	Apr	-31	...	...
2012	Apr	-31	...	...
	Feb	-26	0	+3
2013	Mar	-26	0	+5
	Apr	-27	-1	+4

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 -27 in April, 1 point lower than the previous three months.

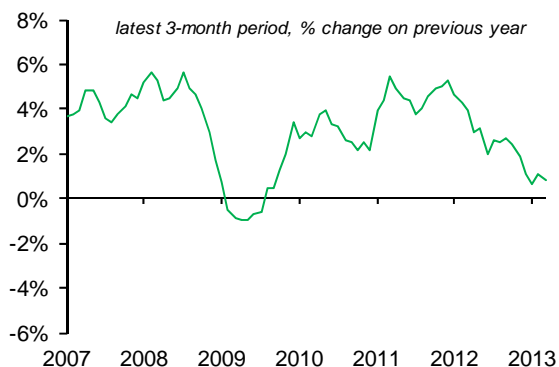
Contact: David Hough, x6933

Update: EC, [Economic Sentiment Indicator](#), 30 May
GfK NOP [Consumer Confidence](#), 31 May
CBI, [Industrial Trends](#), 22 May

F2: Retail Sales

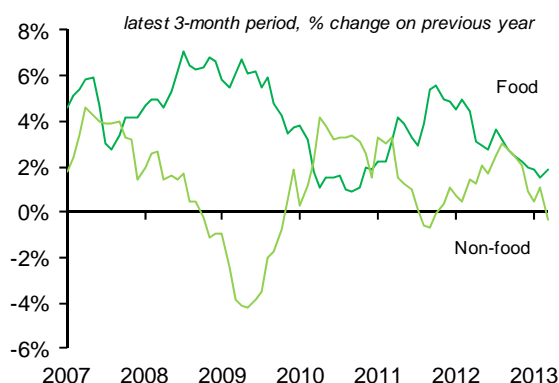
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to March 2013 was 0.8%.
- The value of retail sales in March 2013 alone was unchanged compared with February 2013.
- The value of retail sales in March 2013 increased by 0.1% compared with March 2012.
- Internet sales are now estimated to account for 10.4% of all retail sales values, excluding automotive fuel.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to March rose by 1.9% on the same period last year.
- The value of sales in non-food stores fell by 0.3% compared to the previous year.
- The value of sales in household goods stores in the three months to March fell by 3.5% 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 Nov	2.2	2.5	-1.3	1.3	2.1	1.9
Dec	2.0	-0.1	-1.2	0.1	0.9	1.1
2013 Jan	1.9	-0.8	-0.6	-0.9	0.5	0.6
Feb	1.5	0.1	-0.8	0.0	1.1	1.1
Mar	1.9	-0.6	-3.5	-0.1	-0.3	0.8

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

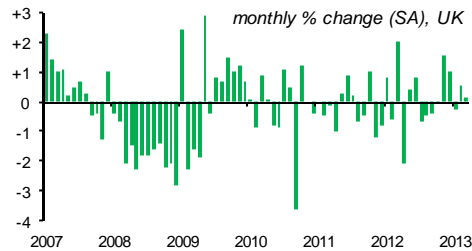
F3: Housing Market

House prices on the Nationwide index fell by 0.1% in April after no change rise in March. Prices were 0.1% lower compared with a year ago on this measure. House prices on the Halifax index rose by 0.2% in March following a 0.5% rise in February. Prices are 0.3% higher than a year ago on this measure.

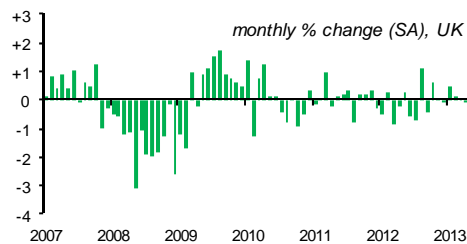
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

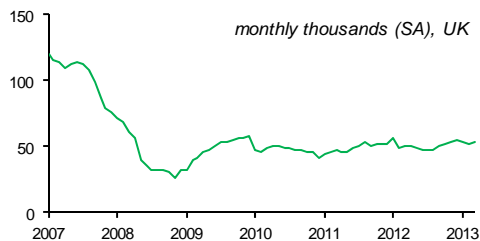


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Mar-13	Apr-13
Change in month	+0.2%	-0.1%
Change in year	+0.3%	+0.9%
Peak date	Aug-07	Oct-07
Change since peak	-17.9%	-11.3%
Trough date	Apr-09	Feb-09
Change since trough	+6.0%	+10.0%

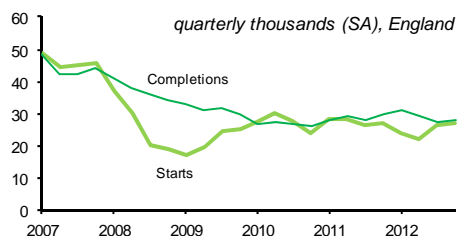
- The recovery in house prices since early 2009 has been tepid. At the beginning of 2013, the average house price on the Halifax and Nationwide measures was just over £160,000.
- There is considerable regional variation. In Q1 2013 prices rose by 4.6% in London but fell by 4.9% in Scotland compared with a year earlier. In Northern Ireland prices saw a marked improvement and were only 0.9% lower compared with a year earlier, they were 8.2% lower in Q4 2012 (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 53504 mortgage approvals in March 2013, 4% higher than February but 6% higher than March 2012. The number of approvals has remained generally flat since early 2010.

House-building



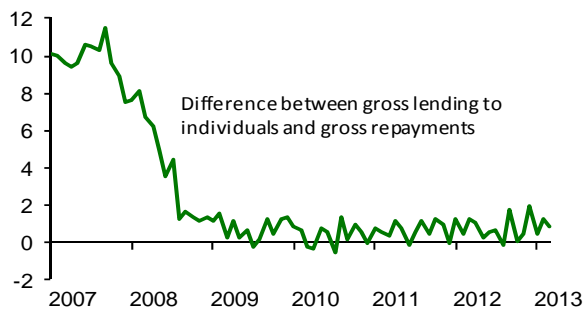
- There were 26,830 house building starts in England in Q4 2012, slightly more than in Q3 2012, but 1.5% less than in Q4 2011. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 27,890 dwelling completions in Q4 2012, slightly up from 27,890 in 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: David Hough, x6933

Updates: Halifax [House Price Index](#), May 2013;
Nationwide [House Price Index](#), June 2013;
Bank of England, [Lending to Individuals](#), 31 May
DCLG, [House-building](#), 16 May;

F4: Household debt

Monthly net lending, £bn

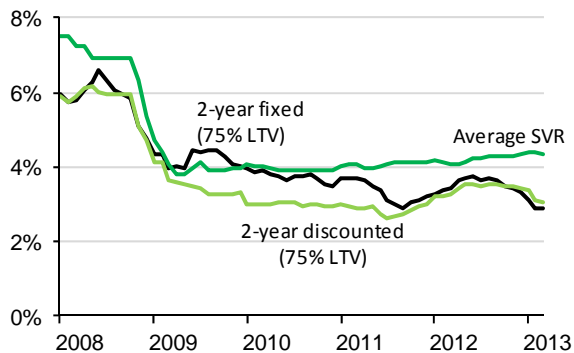


Source: Bank of England

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

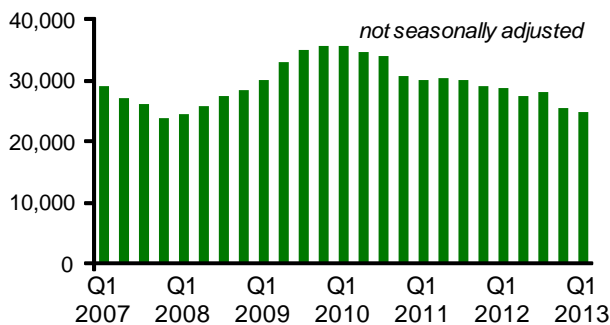
- Total net lending to individuals (excluding student loans) was £0.9 billion in March 2013. Net lending has been relatively low since mid-2008.
- Monthly net unsecured lending (consumer credit) was £0.5 billion in March. Monthly net secured lending (mortgages) was £0.4 billion.

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 March it was 4.34%, compared with 4.10% a year before.
- The average fixed mortgage rate was 2.91% in March (compared to 3.44% a year ago). The average fixed-term variable (discounted) rate was 3.08% in March (3.26% a year ago). These figures are for a loan to value ratio of 75%.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 25,006 individual insolvencies in England and Wales in Q1 2013, a 12.9% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q1 2013 there were 3,472 individual insolvencies, a decrease of 28.8% on Q1 2012.
- In N Ireland in Q1 2013 there were 836 individual insolvencies, an increase of 5.3% on Q1 2012.

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Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 31 May
Insolvency Service, [Insolvency Statistics](#), 2 Aug

5 Indicator sources

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

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

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

6 Glossary

Symbols and abbreviations

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

Definitions¹

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

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

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

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

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

Basic prices: Prices excluding taxes and subsidies on products.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other interest rates, including mortgages and personal loans.

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

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

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

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