



Economic Indicators, July 2013

RESEARCH PAPER 13/43 02 July 2013

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

- Following revisions, GDP is estimated to have grown by 0.3% in Q1 2013. It remains 3.9% below its peak in Q1 2008. The revised data suggest that the 2008/09 recession was deeper than previously thought and that there was no 'double-dip' recession in 2011/12. However, growth over the last two years is broadly unchanged.
- Unemployment was 2.51 million and employment was 29.76 million in the quarter to April 2013.
- In the service industry, which accounts for three quarters of economic activity in the UK, confidence rose by the highest margin for nine months in May 2013.

This month's articles

- **Poverty today**
- **New remit at the Old Lady**

Chris Rhodes (editor)

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Research Paper 13/43

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

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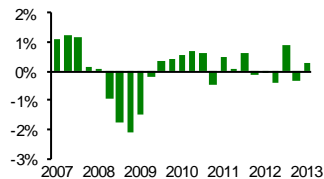
Summary

Following revisions, GDP is estimated to have grown by 0.3% in Q1 2013. It remains 3.9% below its peak in Q1 2008. The revised data suggest that the 2008/09 recession was deeper than previously thought and that there was no 'double-dip' recession in 2011/12. However, growth over the last two years is broadly unchanged. Unemployment was 2.51 million and employment was 29.76 million in the quarter to April 2013. In the service industry, which accounts for three quarters of economic activity in the UK, confidence rose by the highest margin for nine months in May 2013.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by an estimated 0.3% in Q1 2013, following a contraction of 0.2% in Q3 2013. GDP remains 3.9% below its pre-recession peak (Q1 2008).

Inflation (CPI)

[page 7](#)

(% change on year ago)



The CPI annual inflation rate was 2.7% in May 2013, up from 2.4% in April. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

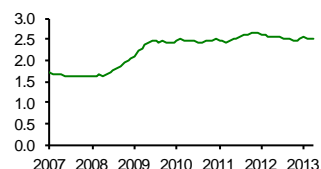


There were 29.76 million people aged 16 and over in employment in the three months to April 2013, up 24,000 on the quarter. The employment rate, the proportion of all people aged 16-64 in employment, was 71.5%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

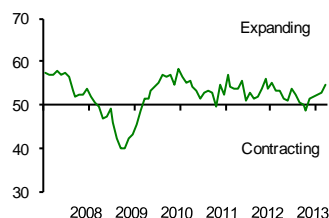


There were 2.51 million unemployed people in the three months to April 2013, down 5,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.8%.

Services Purchasing Managers Index

[page 4](#)

(Markit/CIPS UK Services PMI)



This indicator of confidence in the services sector rose to 54.9 in May, from 52.9 in April (where 50.0 is no change). This is the index's biggest upward movement in nine months.

Next issue: 6 August

Editor: Chris Rhodes

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis please visit our page on the parliamentary intranet, where updated data is also available, at: <http://intranet.parliament.uk/research-online/statistics/economic-indicators/>.

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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.

Weekly email alert

A weekly email alert with updated indicators is available to Members and their staff on request. To subscribe, please visit <http://intranet.parliament.uk/research-online/statistics/economic-indicators/>

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:

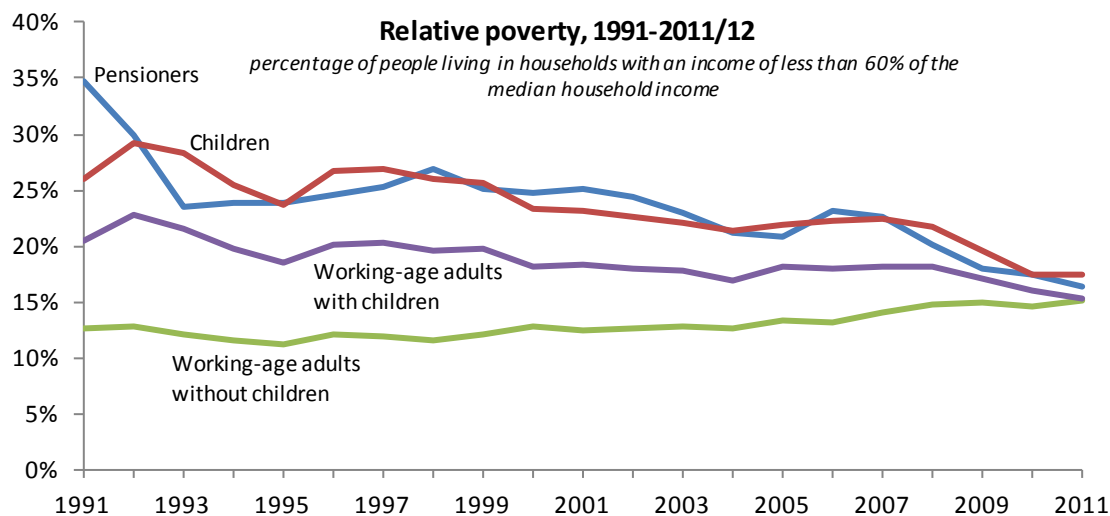
Subject	Statistician	tel. extn.
Balance of payments	Gavin Thompson	2042
Business	Chris Rhodes	2454
EC finance	Gavin Thompson	2042
GDP	Gavin Thompson	2042
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Unemployment	Feargal McGuinness	4904
Wages and earnings	Daniel Harari	2464

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 Poverty today

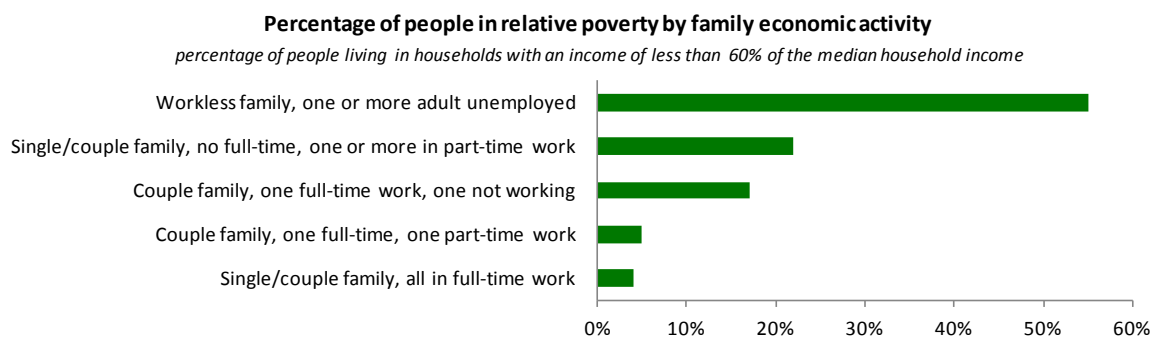
Poverty has changed over recent decades. Living standards have risen across the income distribution. Twenty years ago you were twice as likely to be in poverty if you were a child or a pensioner as if you were a person of working age without children; today there is very little gap between these groups.³



2.1 Who is in poverty today?

Your chance of being in poverty today depends on your characteristics and circumstances:

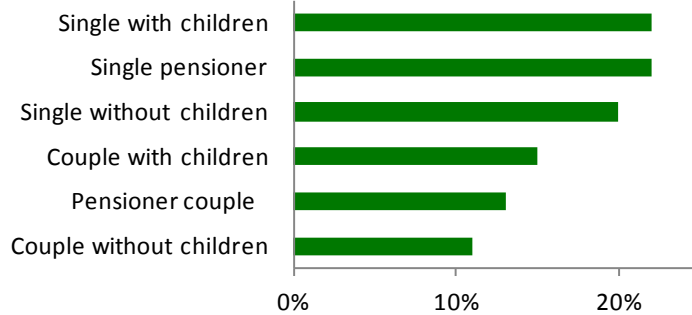
- Work is important to your chance of being in poverty – children in workless families have three times the chance of being in poverty than with children in families where at least one adult works. The amount of work done is also important; poverty is unusual among couple families where both adults work, is fairly common among families where there is a non-working adult alongside one that works full time, and is very common in workless families of working age.



³ There are many possible definitions of poverty. In this article, we say that someone is in poverty in a particular year if they live in a household with less than 60% of the median income for all households in that year. The median income can be thought of as a 'typical' income – it is the level of income at which half of people earn more and half earn less. For this calculation, incomes are measured after direct taxes and benefits, but before housing costs. They are also adjusted for household size and composition, reflecting the idea that larger households are likely to need a greater income for the same standard of living. Figures are from the DWP's *Households Below Average Incomes* publication 2011/12 and analysis by the Institute for Fiscal Studies of the same data. Statistics are for the UK from 2002/03 and are for Great Britain before this.

- Single people are more likely to be in poverty than people in couples.
- Disability makes poverty slightly more likely among adults of working age, and poverty for disabled people of working age is more common among those who do not receive disability benefits.

Poverty by family type
percentage of people living in households with an income of less than 60% of the median household income



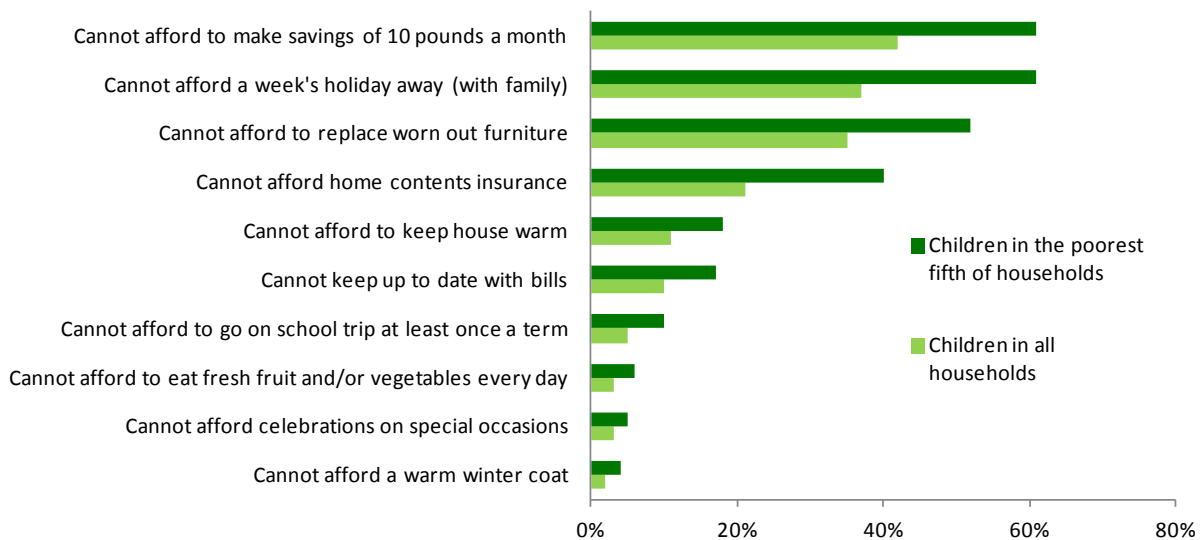
- Ethnic group has a significant link with poverty – people in the Pakistani ethnic group are almost three times as likely to be in poverty as people in the White ethnic group, with people in other ethnic groups between these extremes.
- Poverty also varies across the UK. People in Northern Ireland have the highest chance of being in poverty and people in the South East of England the lowest.

2.2 What is being in poverty like?

The poverty line is £172 a week for a single person with no children (equivalent to £9,000 a year), £256 a week for a couple with no children (equivalent to £13,300 a year) and £392 a week for a couple with two children aged 5 and 14 (equivalent to £20,400 a year), all measured after taxes and benefits, but before housing.

Most of the poorest children live in families which say that they do not have enough money for a week of holiday once a year, to make savings of more than £10 a month or to replace worn out furniture. However even in the poorest fifth of families with children, most do manage to celebrate special occasions, give their children fresh fruit or vegetables every day and provide warm coats for their children.

Percentage of children living in families which say they would like certain things but cannot afford them



Lorna Booth, Economic Policy and Statistics

3 New remit at the Old Lady

Monetary policy has a critical role to play in supporting the economy as the Government delivers on its commitment to necessary fiscal consolidation **Budget 2013**

In many advanced economies, weak growth and the limited scope for fiscal stimulus have raised the burden of expectation on monetary policy to stimulate economic recovery, and central banks have increasingly resorted to unconventional measures such as quantitative easing to improve credit conditions and drive growth. In the UK in particular, weak growth has been accompanied by inflation that has remained above the targeted level of 2% for 42 consecutive months. The inherent trade-off between supporting economic activity (which calls for a low interest rate and monetary stimulus) and meeting the inflation target (which would call for a higher rate and monetary contraction), has thus been made explicit.

In his 2013 Budget speech, the Chancellor announced an ‘updated remit’ for the Bank of England’s Monetary Policy Committee (MPC) as part of the Government’s economic strategy of ‘active monetary policy and a responsible fiscal policy’.

The monetary policy framework

The Bank of England Act 1998 sets out the broad monetary policy objectives of the Bank:

- To maintain price stability (currently defined in the remit as a 2% rate of increase in the 12-month CPI)
- *Subject to this*, to support the economic policy of the Government, including its objectives for growth and employment

The specifics, including the definition of price stability (currently a 2% rate of increase in the 12-month CPI) and the policy of the Government, are then spelled out by the Chancellor in the MPC’s remit, updated annually.⁴ While recognising the primacy of price stability, these documents have always provided flexibility for the Bank by acknowledging that ‘shocks and disturbances’ may cause inflation to deviate from its target rate, and that an impulsive reaction to this may cause undesirable economic volatility.

This flexibility, and the interpretation of the price stability target as applying in the ‘medium term’, rather than from month to month, have in practice meant the MPC have been willing to tolerate an above-target rate of inflation: the past 23 monthly meetings have seen unanimous agreement to maintain the Bank rate at 0.5%. In evidence to the Treasury Committee, MPC member Ben Broadbent described their decision-making:

Our job is always to balance the risks... on the one hand, trying to ensure that the slack in the economy, or indeed in the opposite direction when it is operating above capacity diminishes over time and at the same time we want to keep inflation close to target over the medium term. It is a matter of judgment, given the lags with which policy operates, where that balance lies.

Key features of the new remit

Price stability. The new remit announced in the Budget 2013 represents a careful attempt to maintain the credibility of the Bank’s commitment to price stability, while making more explicit its tolerance of above-target inflation in certain circumstances. In particular, the remit strengthens the language on ‘shocks and disturbances’, noting that there may exist ‘exceptional’ situations in which particularly significant trade-offs exist between bringing

⁴ Current and past versions of the remit can be found here
<http://www.bankofengland.co.uk/monetarypolicy/Pages/remit.aspx>

inflation back to target and supporting economic growth. The remit expects more clarity from the MPC about the nature of this trade-off, and the particular weight being afforded to economic growth in its decisions.

Unconventional measures. With interest rates close to zero, central banks have resorted to various ‘unconventional’ measures to repair dysfunctional credit markets and support economic activity. The Bank of England is free to use the monetary policy instruments it deems necessary to meet the objectives described in its remit. What exactly constitutes an instrument of monetary policy is a matter of some controversy, firstly because the losses from such activities may be borne by the taxpayer, and secondly because they may have distributional effects that benefit some groups over others. Both effects, it is argued, demand levels of public accountability not typically seen in operationally independent central banks.

For the first time, the remit addresses unconventional policy explicitly, stating that interventions in ‘specific markets or activities, with implications for credit risk or credit allocation’ should be developed with the Government to ensure appropriate governance and accountability arrangements are in place.

‘Forward guidance’ about the expected future path of monetary policy, and the direct linking of policy decisions to the value of economic indicators such as the unemployment rate (so-called **‘intermediate thresholds’**), have been deployed by a number of central banks following the financial crisis. Most famously, the US Federal Reserve committed in December 2012 to keep interest rates low until unemployment fell below 6.5%. The use of such tools, it is argued, helps central banks to manage market expectations of the future path of monetary policy, and provides certainty about policy reactions to economic developments.

The remit notes the existence of forward guidance as a tool available to the MPC, and requests an assessment of the use of ‘intermediate thresholds’ in the Bank’s August 2013 Inflation Report. At the same time, it concedes that such measures are already part of the Bank’s operational toolkit, implying that they are not something on which the Government should issue direct instruction.

What’s new?

On the face of it, the new remit does not provide the Bank with additional powers or a substantively different set of objectives than before. Price stability remains defined by the 2% CPI target, with more radical alternatives, such as a target for the level or growth rate of nominal GDP, explicitly rejected in the review of the monetary policy framework that was published alongside the new remit. Moreover, the Bank always had the operational independence necessary to pursue unconventional measures and issue forward guidance.

Some commentators argue that the new remit merely reflects the reality of what the Bank is already doing. Others believe that the impression of a fresh start given by a new remit and a new Governor is intended to give the MPC the impetus to pursue the sort of monetary activism the Government sees as crucial to economic recovery. Whether or not the remit makes any practical difference to the conduct of policy, the era of monetary dominance, in which the Bank is expected to play a central role in supporting economic activity, looks set to endure.

Gavin Thompson, Economic Policy and Statistics

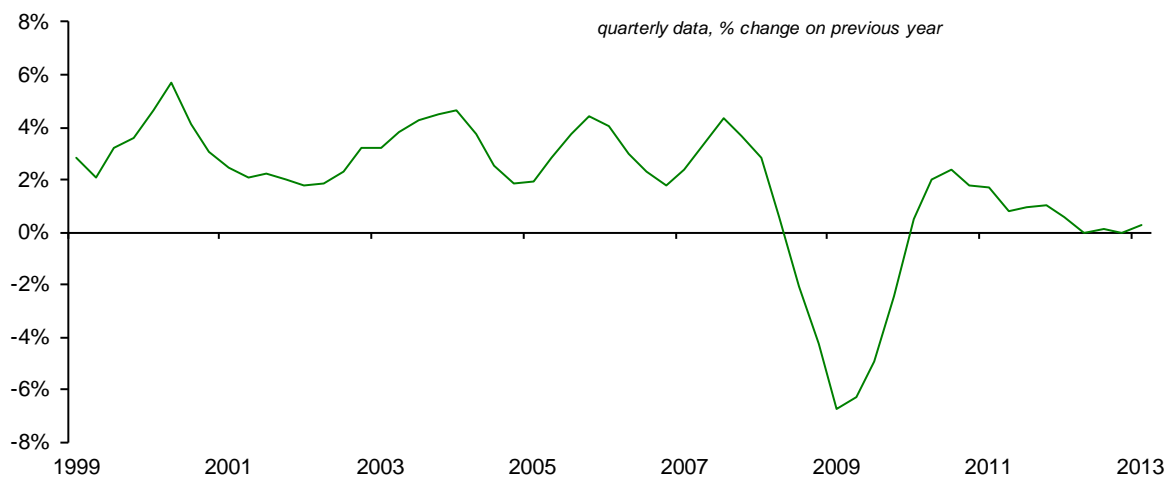
A1: Gross Domestic Product

The economy grew by an estimated 0.3% in Q1 2013, following a contraction of 0.2% in Q4 2012. In June, HM Treasury's average of independent economic forecasts of GDP growth was 0.9% 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.

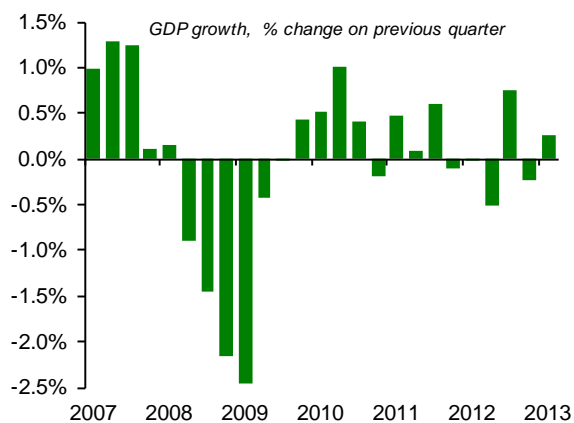
In a revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought, meaning real GDP in Q1 2013 is now thought to be 3.9% below its pre-recession peak (as opposed to 2.6% before the revisions). Though the ONS revised away the technical 'double-dip' recession between Q4 2011 and Q2 2012, other downward revisions to quarterly figures mean the growth picture over the past two years is broadly unchanged.

In Q1 2013, output of the production industries increased by an estimated 0.3% compared to the previous quarter (based on chained volume measures). Manufacturing output (a subset of the production industry) decreased by 0.2%. Construction sector output decreased by 1.8%, and output of the service industry increased by 0.5%

Real GDP Growth since 1999



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	1,417	-3.1	...	-5.2
2011	1,486	4.8	...	1.7
2012	1,537	3.5	...	1.1
2011 Q4	387.3	3.2	-0.1	1.1
2012 Q1	389.5	2.4	0.0	0.6
Q2	386.9	1.5	-0.5	0.0
Q3	391.4	0.9	0.7	0.1
Q4	394.5	1.9	-0.2	0.0
2013 Q1	398.2	2.2	0.3	0.3

Source: ONS, series: YBHA, ABMI

Contact: Gavin Thompson, x2042

Updates: HMT, [Forecasts for the UK economy](#), 19 July
ONS, [Preliminary estimate of GDP](#), 25 July

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 0.4%. GDP in the eurozone contracted by 0.2% - its sixth consecutive quarterly contraction. Italian GDP fell by 0.6%, while in France there was a 0.2% decline. German GDP rose slightly (by 0.1%).

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	12Q2	12Q3	12Q4	13Q1	12Q2	12Q3	12Q4	13Q1
UK	0.0	0.4	0.2	0.6	-0.4	0.9	-0.3	0.3
Euro zone	-0.5	-0.7	-1.0	-1.1	-0.2	-0.1	-0.6	-0.2
US	2.1	2.6	1.7	1.6	0.3	0.8	0.1	0.4
Japan	3.9	0.3	0.4	0.2	-0.2	-0.9	0.3	1.0
Germany	1.0	0.9	0.3	-0.3	0.2	0.2	-0.7	0.1
France	0.1	0.0	-0.3	-0.4	-0.2	0.1	-0.2	-0.2
G7	1.7	1.3	0.8	0.7	0.1	0.3	-0.1	0.4
OECD	1.6	1.2	0.8	0.8	0.2	0.3	0.0	0.4

Source: OECDstat

In **May 2013**, the OECD revised down their growth forecasts slightly for the UK – to 0.8% in 2013 and 1.5% in 2014 (down 0.1%-points in both cases since the previous forecast in December 2012). Forecasts for 2013 GDP growth in the eurozone were lowered by 0.5%-points to -0.6%. 2013 GDP growth forecasts were also lowered for China (-0.7%-points to 7.8%), India (-1.2%-points to 5.3%) and Brazil 2013 (-1.1%-points to 3.5%).

In **May 2013**, the European Commission lowered their GDP growth forecasts for the UK, last made in February 2013, from 0.9% to 0.6% for 2013 and from 1.9% to 1.7% for 2014. Their growth forecast for the euro zone was lowered by 0.1%-points to -0.4% for 2013.

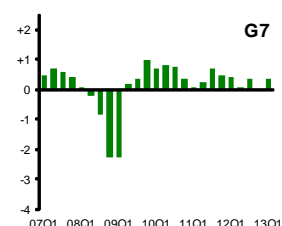
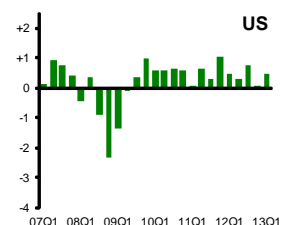
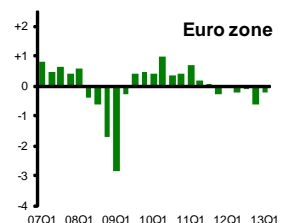
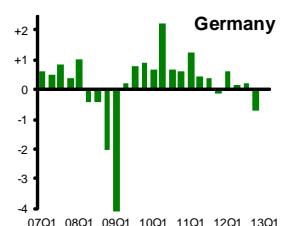
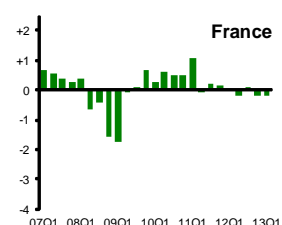
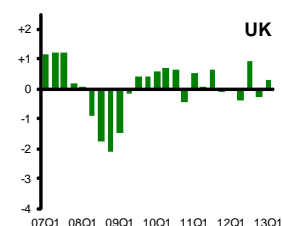
In **April 2013**, the IMF lowered their 2013 forecast for world growth, last made in January 2013, by 0.2%-points to 3.3%. 2013 growth forecasts were lowered for most advanced economies: for the UK by 0.3%-points (to 0.7%), for France by 0.4%-points (to -0.1%), and for the euro zone as a whole by 0.2%-points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

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

	IMF (Apr 13)		EC (May 13)		OECD (May 13)	
	2013	2014	2013	2014	2013	2014
UK	0.7	1.5	0.6	1.7	0.8	1.5
France	-0.1	0.9	-0.1	1.1	-0.3	0.8
Germany	0.6	1.5	0.4	1.8	0.4	1.9
Eurozone	-0.3	1.1	-0.4	1.2	-0.6	1.1
US	1.9	3.0	1.9	2.6	1.9	2.8
Japan	1.6	1.4	1.4	1.6	1.6	1.4
OECD	..	..	..	..	1.2	2.3
China	8.0	8.2	8.0	8.1	7.8	8.4
India	5.7	6.2	..	..	5.3	6.4
Brazil	3.0	4.0	..	..	2.9	3.5
World	3.3	4.0	3.1	3.8	3.1	4.0

Sources: IMF Apr 2013 WEO; EC Spring'13 forecast; OECD Economic Outlook No.93

Quarter-on-quarter growth rates



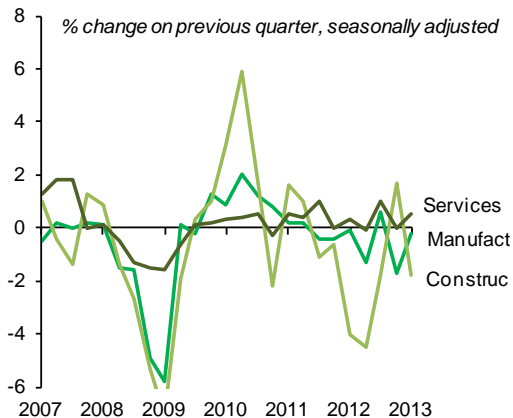
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Nov/Dec 2013
 EC, [Autumn Economic Forecast](#), Oct 2013
 IMF, [World Economic Outlook update](#), Jul 2013

Contact: Daniel Harari, x2464

A3: Components of GDP

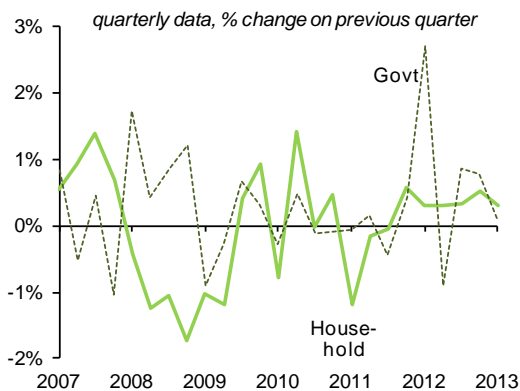
GDP can be analysed by output and expenditure. The service sector accounts for 77% of economic output, the manufacturing sector for 11% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption accounted for 23% and investment for 14%.

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 0.5% in Q1 2013 compared with Q4 2012 in real terms.
- Manufacturing output fell by 0.2%.
- Construction sector output fell by 1.8%

Expenditure - household and government consumption



- In Q1 2013, household consumption grew by 0.3% in real terms compared with Q4 2012.
- Government consumption increased by 0.1% in Q1 2013. Gross fixed capital formation increased by 0.2%.
- Exports fell by 0.1% while imports fell by 2.0% in Q1 2013 meaning that net trade was a significant contributor to overall GDP growth of 0.3%.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2011 (annual % change)	-0.5%	0.0%	-2.4%	4.5%	0.3%	1.1%
2012 (annual % change)	1.2%	2.8%	0.5%	0.9%	2.8%	0.2%
2011 Q4	0.6%	0.4%	-1.2%	4.7%	1.1%	-0.1%
2012 Q1	0.3%	2.7%	4.1%	-1.7%	0.4%	0.0%
2012 Q2	0.3%	-0.9%	-2.1%	-0.6%	1.6%	-0.5%
2012 Q3	0.3%	0.9%	-1.6%	1.9%	0.6%	0.7%
2012 Q4	0.5%	0.8%	-4.9%	-1.9%	-1.0%	-0.2%
2013 Q1	0.3%	0.1%	0.2%	-0.1%	-2.0%	0.3%

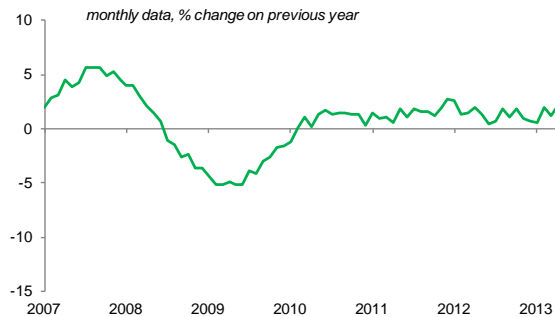
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

A4: Services

The service industry incorporates the retail sector, the financial sector, the public sector, business administration and cultural activities. In 2010, the service sector accounted for 77% of total UK economic output (Gross Value Added) and for 83% of jobs in 2012.

Services output

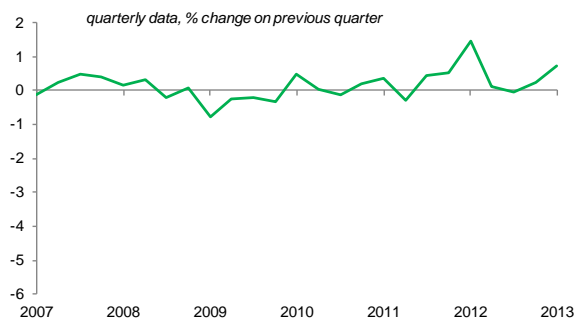


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	...	1.5
2012	102.8	...	1.3
2013 Jan	103.3	0.2	0.6
Feb	104.0	0.7	2.0
Mar	104.0	0.0	1.2
Apr	104.2	0.2	2.0

Source: ONS, series S2KU, S222, S26Q

- Output in the services sector rose by 0.2% in April 2013 compared with March 2013. Compared with a year before, services output increased by 2.0%. Services output is now 0.8% below its peak which was in February 2008.
- The biggest contributor to growth in the service sector over the last month was the transport, storage and communication sector which grew by 1.3%.

Jobs in the service industries

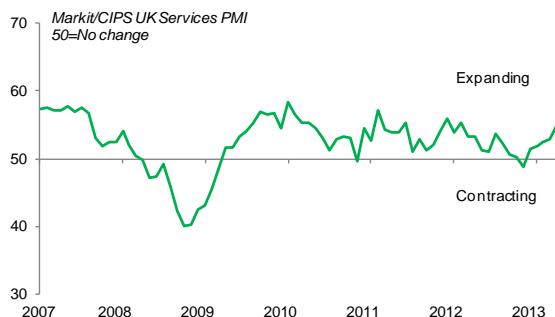


	Thousands	% change on quarter	% change on year
2011 Q1	26,099	...	0.5
2012 Q1	26,661	...	2.2
Q2	26,689	0.1	2.6
Q3	26,673	-0.1	2.0
Q4	26,736	0.2	1.7
2013 Q1	26,933	0.7	1.0

Source: ONS, Workforce Jobs

- In Q1 2013 there were 26.9 million jobs in the services sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 197,000 or 0.7% over the quarter. Since the same quarter in 2012, the number of service industry jobs has increased by 272,000 or 1.0%.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2011 May	53.8	...
2012 May	53.3	...
2013 Feb	51.8	0.3
Mar	52.4	0.6
Apr	52.9	0.5
May	54.9	2.0

Source: Markit/CIPS UK Services PMI

- The Markit/Chartered Institute of Purchasing & Supply UK Services PMI rose to 54.9 in May 2013 from 52.9 in March (where 50.0 is no change). This is the index's biggest upward movement in nine months.
- Markit stated that underpinning the good performance in the sector was "higher sales volumes, promotional activities and new product launches."

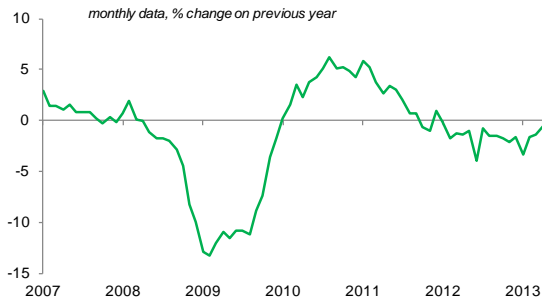
Contact: Chris Rhodes, x2454

Update: ONS, [Index of Services](#), 25 July
 ONS, [Workforce Jobs](#), 11 Sept
 Markit/CIPS [UK Services PMI](#), 3 July

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

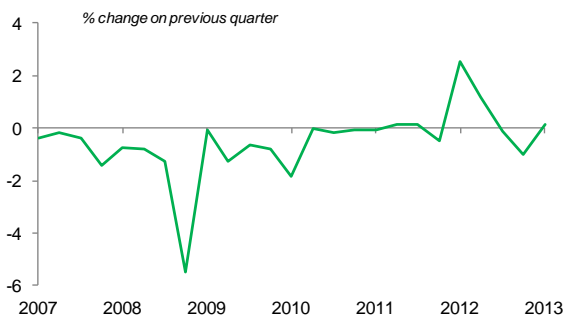


	Index Value (2009=100)	% change on month	% change on year
2011	106.1	...	2.2
2012	104.5	...	-1.5
2013 Jan	102.3	-1.9	-3.4
Feb	102.9	0.7	-1.6
Mar	104.0	1.1	-1.4
Apr	103.8	-0.2	-0.5

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing fell by 0.2% in April 2013 compared with March 2013. Manufacturing output fell by 0.5% in April 2013 compared with April 2012.
- The largest downward contributions over the month in manufacturing output were: transport equipment; wood & paper products and basis metal & metal products.

Jobs in manufacturing

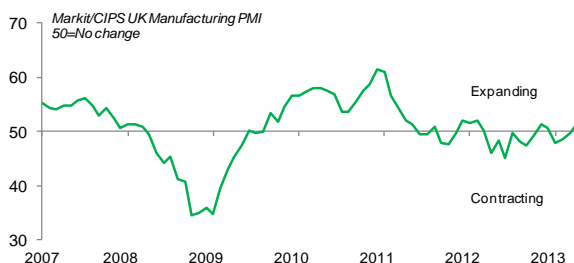


	Thousands	% change on quarter	% change on year
2011 Q1	2,552	...	-0.4
2012 Q1	2,611	...	2.3
Q2	2,641	1.1	3.4
Q3	2,638	-0.1	3.1
Q4	2,611	-1.0	2.5
2013 Q1	2,614	0.1	0.1

Source: ONS, Workforce Jobs

- In Q1 2013 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 increased by 3,000 or 0.1% over the quarter. From the same quarter in 2012, the number of manufacturing jobs increased by 3,000 or 0.1%.

Manufacturing Purchasing Managers Index



	Index	Monthly change
2011 Jun	51.4	...
2012 Jun	48.4	...
2013 Mar	48.6	0.7
Apr	49.8	1.2
May	51.3	1.5
June	52.5	1.2

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was 52.5 in June, up from 51.3 in May (where 50.0 is no change).
- Markit stated that the latest expansion "was broad-based, with all of the sub-sectors covered by the survey signalling increases."

Contact: James Mirza-Davies, x6962

Update: ONS, [Index of Production](#), 11 Jun
 ONS, [Workforce Jobs](#), 11 Sep
 Markit/CIPS [UK Manufacturing PMI](#), 1 Jul

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.

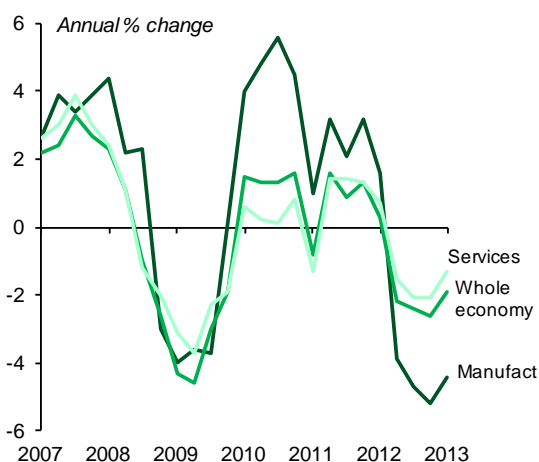
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 1.9% over the last year but was unchanged between Q4 2012 and Q1 2013.
- Output per hour in manufacturing fell by 4.4% between Q1 2012 and Q1 2013, whilst services productivity fell by 1.3%.

Output per hour, seasonally adjusted

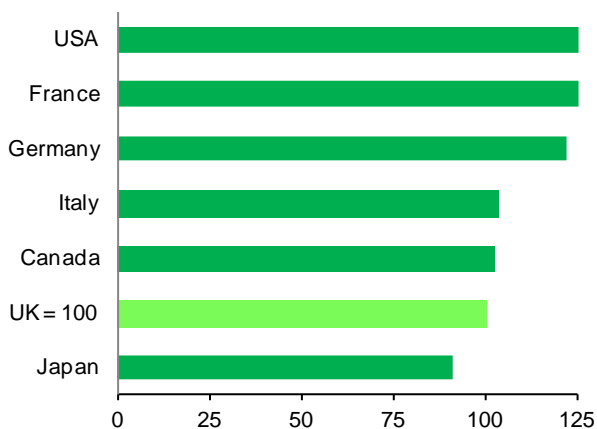
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.7	0.4	1.4
2011	2.4	0.7	0.8
2012	-3.1	-1.2	-1.7
2011 Q4	3.2	1.3	1.3
2012 Q1	1.6	0.7	0.3
Q2	-3.9	-1.5	-2.2
Q3	-4.7	-2.1	-2.4
Q4	-5.2	-2.1	-2.6
2013 Q1	-4.4	-1.3	-1.9
<i>Latest q-on-q % change</i>			
	-0.4	0.3	0.0

Source: ONS series LZVD, DJK8, DJQ3



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: Gavin Thompson, x2042

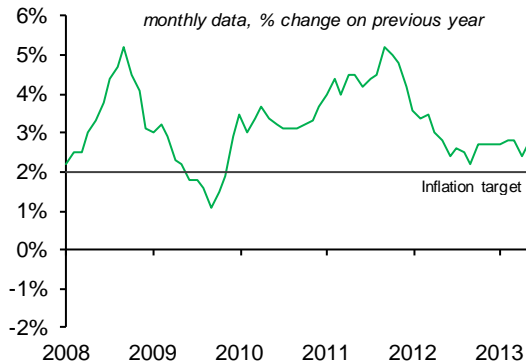
Update: ONS, [Labour Productivity](#), 27 Sep
 ONS, [International Comparisons](#), early Sep

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.7% in May, up from 2.4% in April and above the Bank of England's 2.0% target.

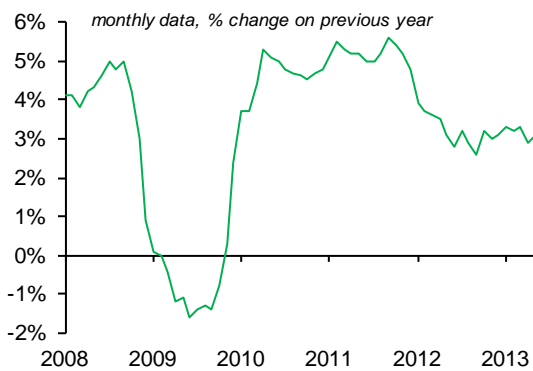
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.7% in May.
- The largest upward pressure came from transport costs, mainly increased air fares. The largest downward contribution came from the cost of food and alcoholic beverages.
- The RPI (all items) measure of annual inflation was 3.1% in May, up from 2.9% in April.

Retail Prices Index (RPI)

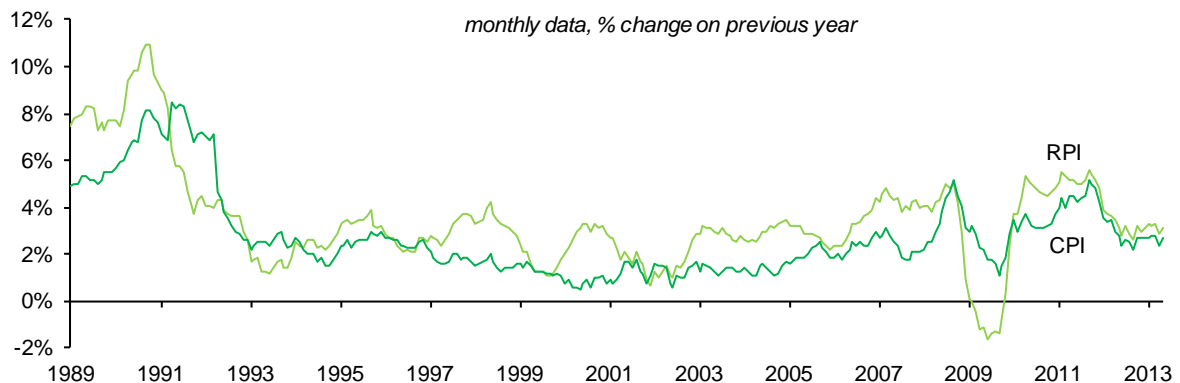


Price Indices

% change on a year ago		
	CPI	RPI
2010	3.3	4.6
2011	4.5	5.2
2012	2.8	3.2
Dec	2.7	3.1
2013 Jan	2.7	3.3
Feb	2.8	3.2
Mar	2.8	3.3
Apr	2.4	2.9
May	2.7	3.1

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989



Contact: Gavin Thompson, x2042

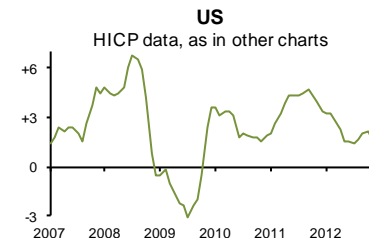
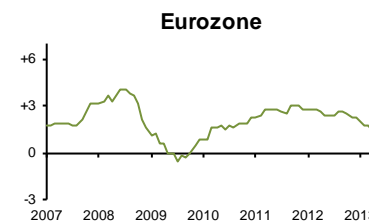
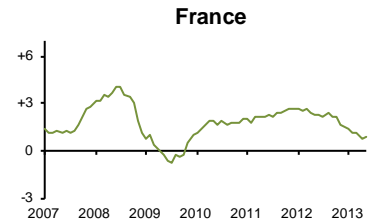
Update: ONS, [Consumer Price Indices](#), 16 Jul 2013

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 2.7% in the year to May 2013, up from 2.4% in April. The Bank of England's UK inflation target is 2%.
- The flash estimate of Eurozone inflation in the year to June 2013 was 1.6%, up from 1.4% in May. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term."
- The lowest annual inflation rate in the EU in May 2013 was in Greece at -0.3%, followed by Latvia at -0.2%. 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 May 2013 was 1.4% using its own national definition, up from 1.1% in April.



Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Feb-13	Mar-13	Apr-13	May-13
HICP (OECD/Eurostat)							
UK	3.3	4.5	2.8	2.8	2.8	2.4	2.7
Eurozone	1.6	2.7	2.5	1.8	1.7	1.2	1.4
EU	2.1	3.1	2.6	2.0	1.9	1.4	1.6
France	1.7	2.3	2.2	1.2	1.1	0.8	0.9
Germany	1.2	2.5	2.1	1.8	1.8	1.1	1.6
Greece	4.7	3.1	1.0	0.1	-0.2	-0.6	-0.3
Italy	1.6	2.9	3.3	2.0	1.8	1.3	1.3
Spain	2.0	3.1	2.4	2.9	2.6	1.5	1.8
US	2.4	3.8	2.1	:	:	:	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	1.2	1.0	0.4	0.7
Japan	-0.7	-0.3	0.0	-0.6	-0.9	-0.7	-0.3
US	1.6	3.2	2.1	2.0	1.5	1.1	1.4
G7	1.4	2.6	1.9	1.6	1.2	0.9	1.2
OECD	1.9	2.9	2.3	1.8	1.6	1.3	1.5
Brazil	5.0	6.6	5.4	6.3	6.6	6.5	6.5
China	3.3	5.4	2.6	3.2	2.1	2.4	2.1
India	12.0	8.9	9.3	12.1	11.4	10.2	..
Russia	6.9	8.4	5.1	7.3	7.0	7.2	7.4

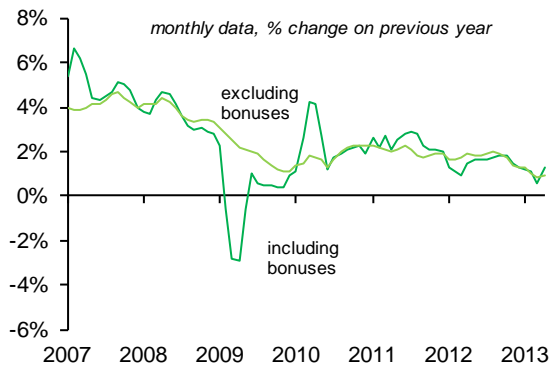
Source: Eurostat & stat.OECD database

Contact: Gavin Thompson, x2042 **Updates:** ONS [Consumer Prices bulletin](#) (UK), 16 July 2013
Eurostat, [HICP full release](#), 16 July 2013
Eurostat, [Flash estimate](#) (Apr), 31 July 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.3% in the three months to April, compared with a year ago. Inflation as measured by the CPI was 2.4% in April – the 36th consecutive month in which inflation has exceeded nominal wage growth.

Average Earnings, Whole Economy



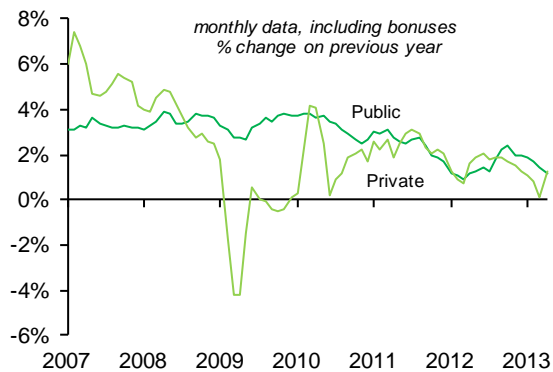
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2010 Apr	4.1	3.6	4.8	4.1	4.1
2011 Apr	1.9	2.8	1.1	2.6	2.1
2012 Apr	1.6	1.2	1.4	1.6	1.5
2012 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	1.3	1.2
Feb	0.8	1.7	1.7	1.2	1.1
Mar	0.1	1.4	2.1	0.6	0.6
Apr	1.3	1.2	2.8	1.3	1.3

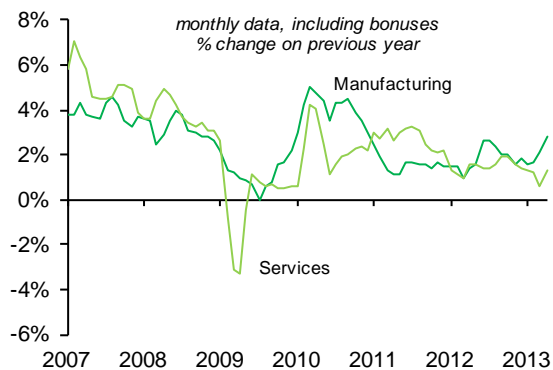
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector was up 1.3% year-on-year in the three months to April, compared with a 1.2% increase in the public sector.
- Average weekly earnings (including bonuses) in March in the public sector were £488 compared with £486 in the private sector.
- Average weekly earnings (including bonuses) in April were £484 for the whole economy, the peak since 2000 in nominal terms.

Average Earnings in Services and Manufacturing



- Average total pay growth (including bonuses) in the manufacturing sector was 2.8% in the three months to April, the biggest increase since December 2010. In the service sector total pay grew by 1.3%.
- Average weekly earnings (including bonuses) in April in the manufacturing sector were £560 compared with £467 in the services sector.
- Average weekly earnings (including bonuses) in the finance and business services sector were £658 in April, the peak since 2000 in nominal terms.

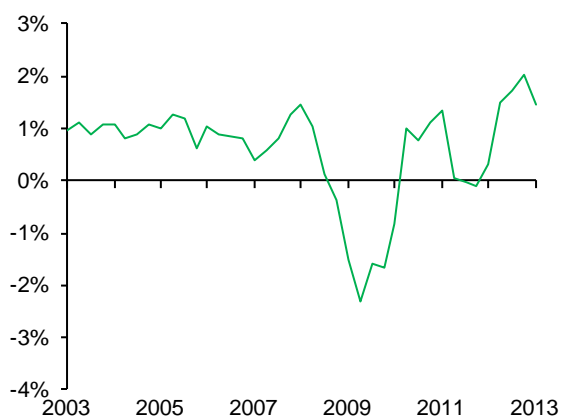
Contact: Feargal McGuinness, x4962

Update: ONS, [Labour Market Statistics](#), 17 July

C1: Employment

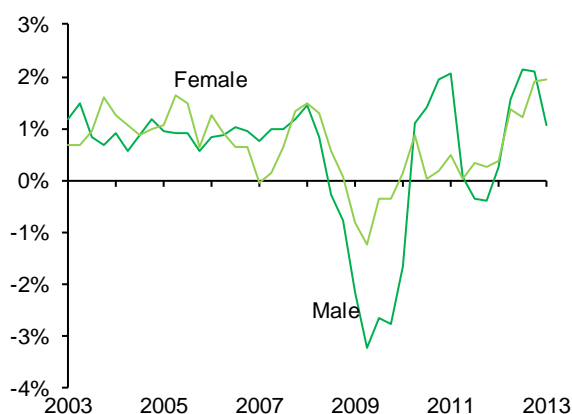
There were 29.76 million people aged 16 and over in employment in the UK in February to April 2013. The number of people in employment increased by 24,000 compared to the previous quarter and by 432,000 compared to the same period last year. The employment rate for people aged 16-64 was 71.5%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- The number of people in employment aged 65 and over increased by 38,000 (4.0%) over the past quarter, to exceed 1 million for the first time.
- Male employment fell by 14,000 over the past quarter to 15.91 million, while female employment increased by 38,000 to 13.85 million.
- The number of people who are self-employed rose by 21,000 compared to the previous quarter, to 4.20 million. There were 23,000 more men in self-employment, but 2,000 fewer women.
- The number of employees increased by 6,000 over the last quarter to 25.29 million. The number of female employees rose by 35,000, but the number of male employees fell by 29,000.

Employment by gender (% change on previous year)



- Full-time employment increased by 15,000 over the past quarter. The number of men working full-time decreased by 30,000 to 13.79 million, but the number of women working full-time rose by 46,000 to 7.90 million.
- Part-time employment rose by 8,000 over the past quarter. Male part-time employment was up 16,000 to 2.12 million. However the number of women working part-time decreased by 8,000 to 5.94 million.
- Public sector employment fell by 22,000 in the three months to March 2013, to 5.70 million. Private sector employment increased by 46,000 to 24.06 million.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Feb-Apr 2011	29,228	3,744	17,222	7,374	888
Feb-Apr 2012	29,324	3,641	17,308	7,468	907
May-Jul 2012	29,560	3,699	17,405	7,501	955
Aug-Oct 2012	29,601	3,712	17,389	7,541	959
Nov-Jan 2013	29,732	3,682	17,454	7,631	964
Feb-Apr 2013	29,756	3,678	17,447	7,628	1,003
% change on previous 3 months	+0.1	-0.1	-0.0	-0.0	+4.0
% change on previous year	+1.5	+1.0	+0.8	+2.1	+10.6

Source: ONS

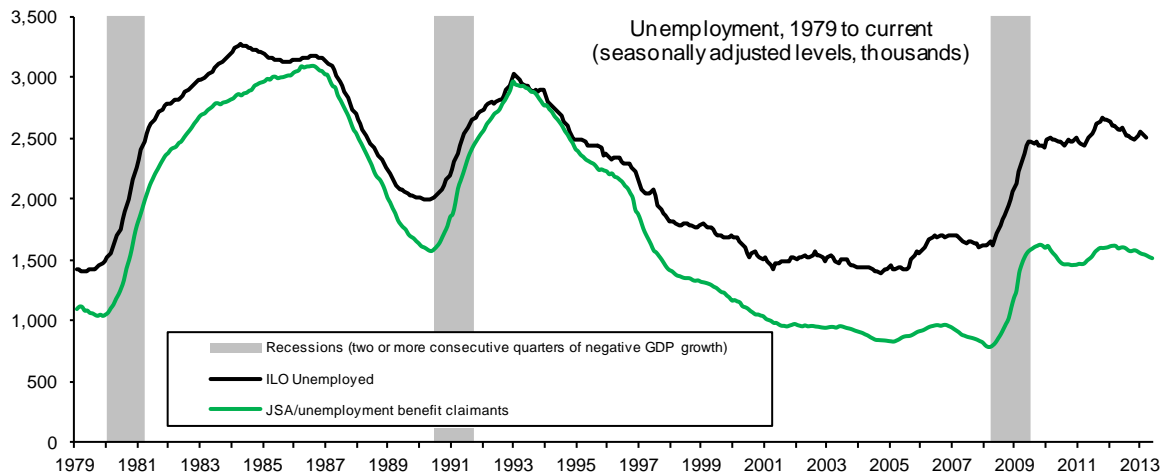
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 17 July 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 February 2013 – April 2013 was 2.51 million (7.8% of all economically active) – down 5,000 from the previous quarter. (UK, seasonally adjusted).**



[Source: ONS, *Labour Market Statistics*]

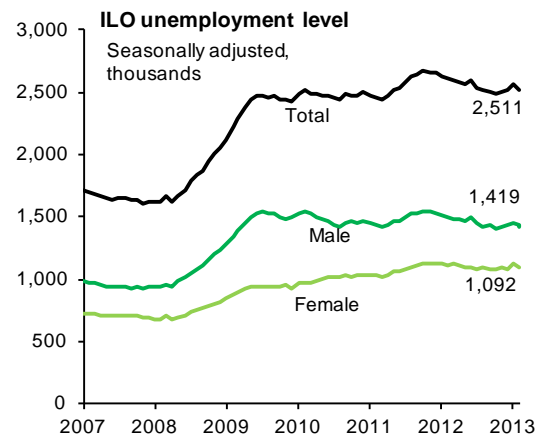
ILO unemployment February 2013-April 2013)

There were 889,000 people aged 16 to 64 unemployed for more than 12 months, up 7,000 compared to the previous quarter.

The unemployment level among 16-24 year-olds was 950,000, down 43,000 on the previous quarter (see table below).

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count fell by 8,000 between April and May 2013 to 1.51 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	(%)
Feb-Apr 2008	1,660	5.3	698	14.2	720	4.0	225	3.0	17	2.3
Feb-Apr 2009	2,283	7.3	886	18.4	1,034	5.7	344	4.5	18	2.4
Feb-Apr 2010	2,494	8.0	944	20.0	1,176	6.5	351	4.6	23	2.8
Feb-Apr 2011	2,436	7.7	904	19.5	1,137	6.2	376	4.9	18	2.0
Feb-Apr 2012	2,599	8.1	1,010	21.7	1,167	6.3	394	5.0	27	2.9
May-Jul 2012	2,592	8.1	1,017	21.6	1,162	6.3	390	4.9	23	2.3
Aug-Oct 2012	2,510	7.8	945	20.3	1,165	6.3	379	4.8	20	2.1
Nov-Jan 2013	2,516	7.8	993	21.2	1,134	6.1	373	4.7	17	1.7
Feb-Apr 2013	2,511	7.8	950	20.5	1,143	6.1	397	4.9	21	2.1
% change on quarter	-0.2		-4.3		+0.8		+6.5		+24.5	
% change on year	-3.4		-5.9		-2.1		+0.6		-21.9	

Source: ONS, *Labour Market Statistics*.

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

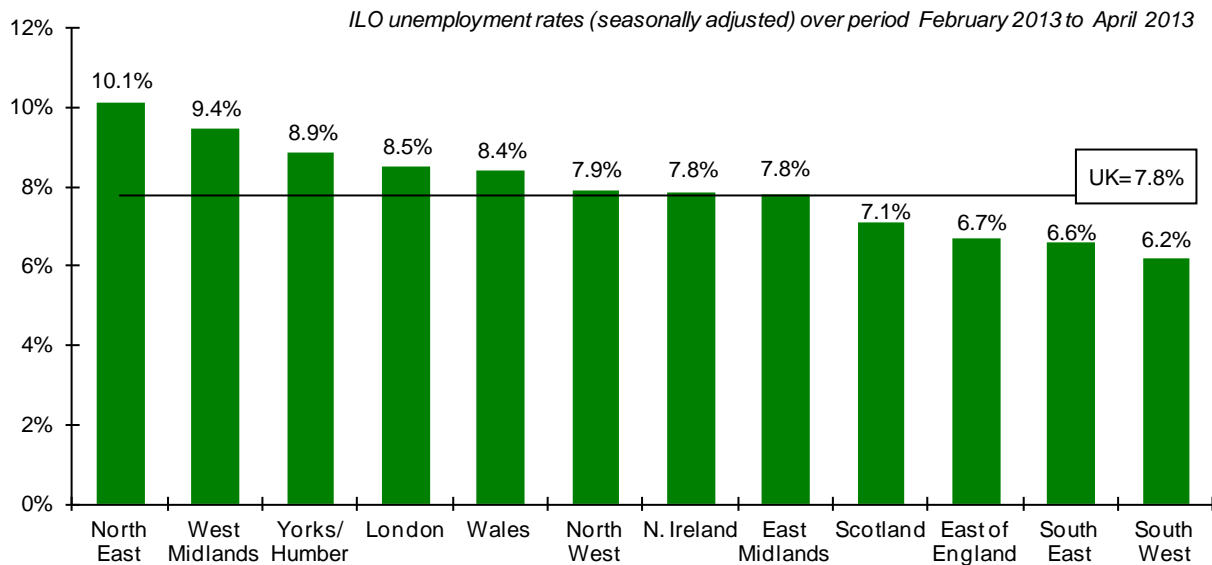
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 17 July 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 February 2013 to April 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 the West Midlands (up 19,000). The largest decrease was in the North West (down 28,000).
- The only region where the seasonally-adjusted JSA claimant count increased in May compared with April was in the South West.

Key labour market statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	Feb 13-Apr 13		Change in level		May 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	+4	-15	89.6	-0.5
North West	273	7.9	-28	-52	189.7	-0.9
Yorkshire & Humber	244	8.9	-2	-6	158.4	-0.8
East Midlands	179	7.8	+1	-8	102.1	-0.5
West Midlands	259	9.4	+19	+38	157.6	-0.6
East of England	208	6.7	+1	-3	109.0	-0.7
London	366	8.5	+1	-33	214.0	-2.3
South East	297	6.6	-2	+8	127.6	-1.4
South West	168	6.2	+12	+5	82.6	+0.2
Wales	125	8.4	+0	-6	77.4	-0.2
Scotland	194	7.1	-6	-25	135.6	-0.7
Northern Ireland	68	7.8	-5	+7	64.1	-0.2

Source: ONS, *Labour Market Statistics*

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

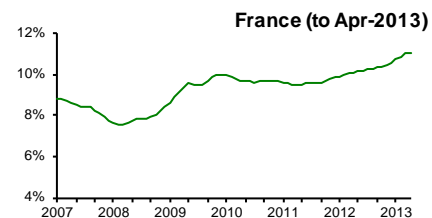
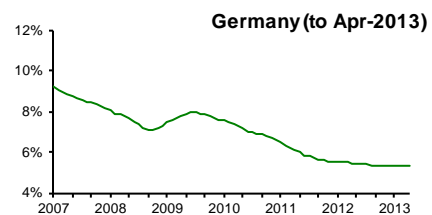
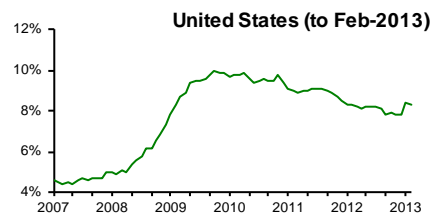
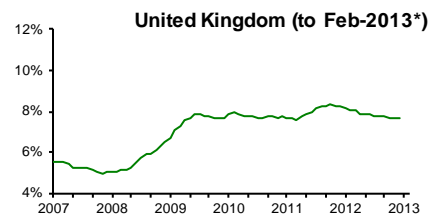
Contact: David Hough x6933

Update: ONS, *Labour Market Statistics*, 17 July 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 7.7%. 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 7.8% to 7.7% between Q4 2012 and Q1 2013. Compared with a year ago unemployment is 0.9 percentage points lower.
- In the euro zone, unemployment rose from 11.8% to 12.1% between Q4 2012 and Q1 2013, driven by rising unemployment in Italy, Portugal and Spain, each of which saw growth of over 0.5 percentage points.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states (26.6% in Q1 2013), 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 13.7% in Q1 2013). This compares with a 2.1 percentage point rise in unemployment in the OECD as a whole since Q3 2008 (from 6.0% to 8.1%) and a 4.4 percentage point rise in the euro zone (from 7.7% to 21.1%) over the same period. South Korea had the lowest unemployment rate in the OECD in Q1 2013, at 3.3%.
- Youth (16-24) unemployment is a major issue in many developed economies at present. In Spain youth unemployment hit 56.4% in April 2013. In the UK youth unemployment stood at 20.7% 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	10.8
Germany	7.1	6.0	5.5	6.3	6.0	5.8	5.6	5.6	5.5	5.4	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	11.9
Japan	5.1	4.6	4.4	4.8	4.7	4.4	4.5	4.5	4.4	4.3	4.2	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	12.1
G7	8.2	7.7	7.4	7.7	7.7	7.7	7.6	7.5	7.4	7.4	7.3	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	8.1

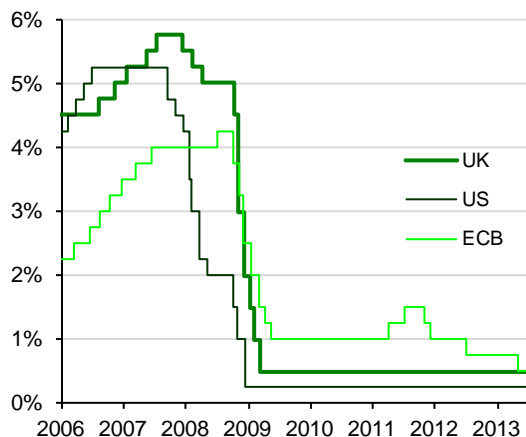
Source: OECD, Harmonised Unemployment Rates

Contact: Feargal McGuinness, x4904 **Updates:** OECD, [Harmonised Unemployment Rates](#), 9 July

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

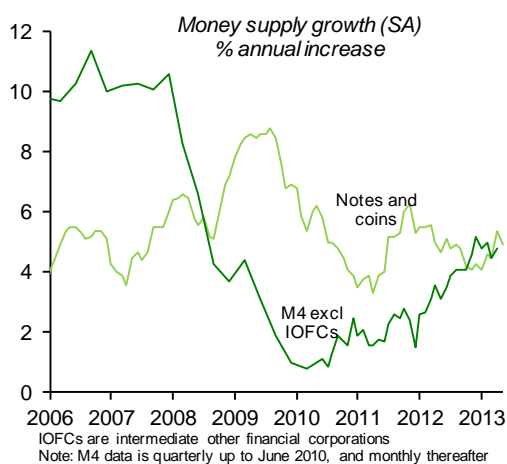


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 2 May 2013, the Governing Council of the European Central Bank agreed 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 May 2013 [Inflation Report](#), the Bank of England noted money supply growth in the second half of 2012 was driven by quantitative easing, specifically the MPC's purchase of £35bn of gilts between July and October that year. It commented that money growth in Q1 2013 was unexpectedly strong, driven by a rise in deposits from households and non-financial corporations, which occurred despite recent falls in retail interest rates.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.8% in April 2013, up from 4.5% in March 2013.
- The value of notes and coins in circulation outside the Bank of England rose by 4.9% in May 2013 compared with a year ago, down from 5.4% in April 2013.

Contact: Gavin Thompson, x2042

Updates: Monetary policy meetings: 4 Jul (UK, ECB); 31 Jul (US)
Bank of England, [Monetary and Financial Statistics](#), early Jul

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.

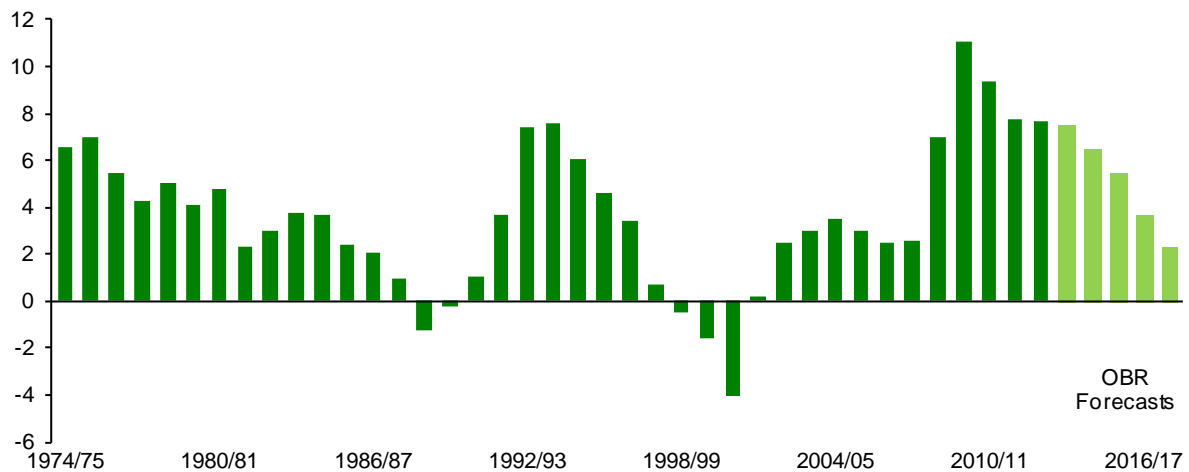
- Revised figures show that borrowing in 2012/13 was £118.5 billion, similar to the 2011/12 level. These figures exclude the effects of the Royal Mail pension transfer and QE interest payments.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion in February 2013.
- At the end of 2012/13, public sector net debt excluding financial sector interventions was £1.2 trillion, equivalent to 75.1% of GDP.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	157	11.1	828	57.1
2010/11	139	9.4	1,005	66.8
2011/12	119	7.8	1,106	72.0
2012/13	119	7.7	1,181	75.1
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

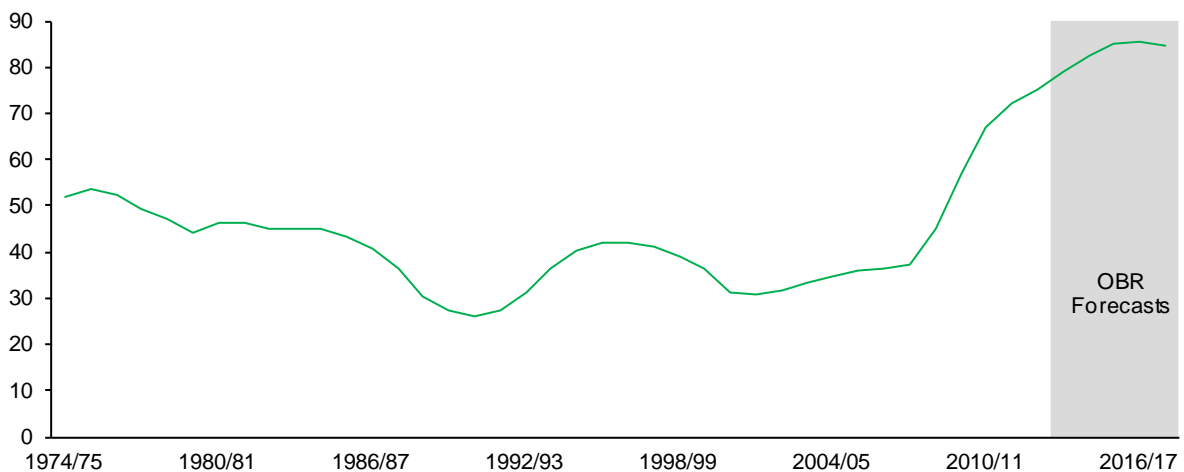
Source: ONS, OBR. Excludes financial sector interventions

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](#), 19 July 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 May 2013 it reached its highest point since September 2000.

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 27 June 2013

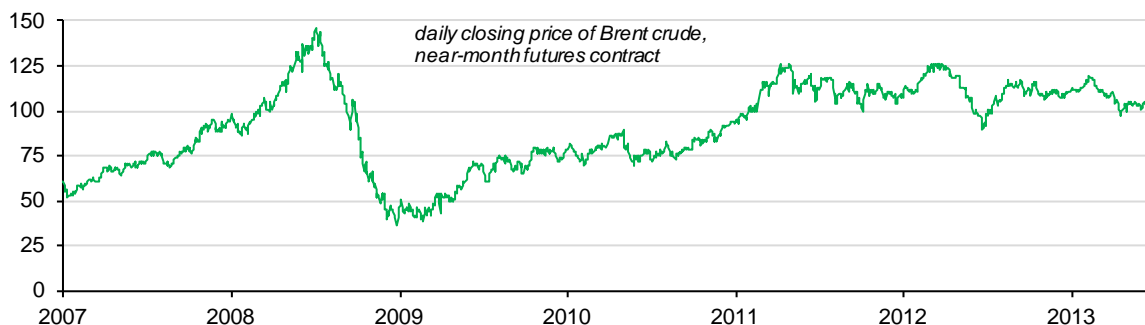
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
27 Jun 2013	6,243.4	102.8	1,226.4
%change over:			
1-month	-6%	+0%	-15%
12-months	+14%	+6%	-24%
%change from:			
cyclical peak	-9%	-30%	-35%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+78%	+183%	+73%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

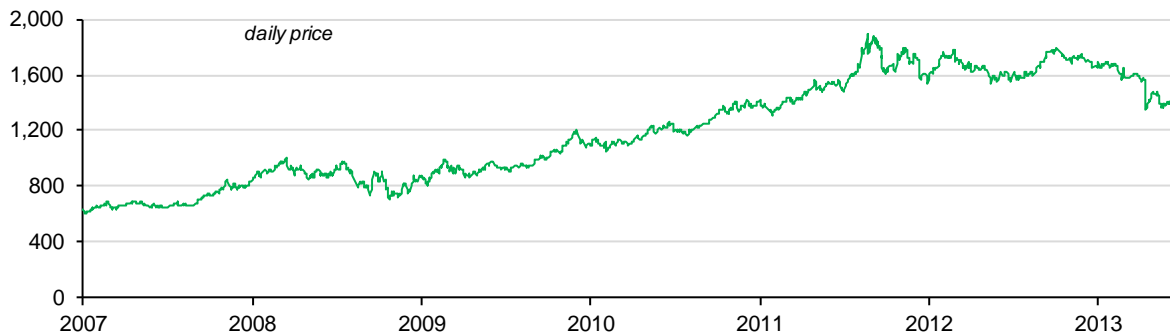
FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



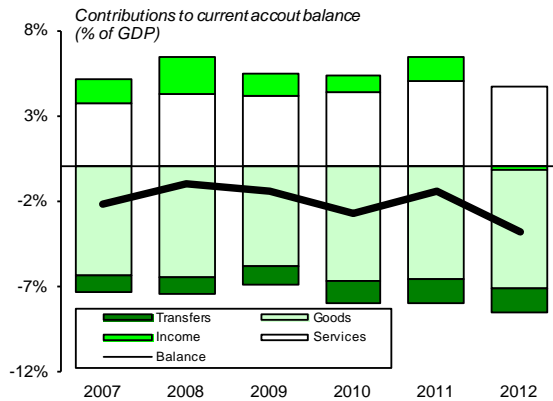
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2012 was £59.2 billion, equivalent to -3.8% of GDP. That compares with a deficit of £22.4 billion in 2011 or -1.5% of GDP. This change can principally be attributed to a fall in the direct investment income surplus from £57.5 billion in 2011 to £37.5 billion in 2012.

Current Account



- On a **quarterly** basis, the current account deficit was £14.5 billion in Q1 2013, widening from £13.6 billion in Q4 2012. The surplus on services fell to £20.4 billion while the deficit on goods increased £26.5 billion.
- Geographical breakdowns of the current account balance were not published in the most recent ONS bulletin. Data released in March showed an **annual** current account deficit of £70.5 billion with EU27 countries in 2012 compared with a surplus with non-EU countries of £12.9 billion. On a **quarterly** basis, the deficit with EU27 countries was £16.6 billion in Q4 2012 compared to £2.5 billion surplus with non-EU countries.

Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance	
	Balance	Balance	Exports	Imports				Balance
2011	-100,092	76,832	492,884	516,144	-23,260	22,494	-21,709	-22,475
2012	-107,893	73,992	492,810	526,711	-33,901	-2,254	-23,055	-59,210
2012 Q1	-25,719	17,280	123,809	132,248	-8,439	1,312	-5,395	-12,522
Q2	-27,936	17,978	121,992	131,950	-9,958	-2,247	-5,614	-17,819
Q3	-26,269	19,037	124,754	131,986	-7,232	-2,366	-5,654	-15,252
Q4	-27,969	19,697	122,255	130,527	-8,272	1,047	-6,392	-13,617
2013 Q1	-26,520	20,372	124,136	130,284	-6,148	-2,148	-6,216	-14,512

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

Trade in Goods and Services



- The estimated monthly deficit on goods trade in April was £8.2bn, down from £9.2bn in March.
- The monthly trade surplus on services was an estimated £5.6bn in April, down slightly from the March surplus of £5.9bn.
- The overall monthly deficit on goods and services combined in April was £2.6bn, down from £3.2bn in March.
- The monthly goods deficit with the EU27 was £4.8bn in April, down from £5.7bn in March, while the deficit with non-EU countries was £3.4bn in April, down from £3.5bn in March.

Contact: Daniel Harari, x2464

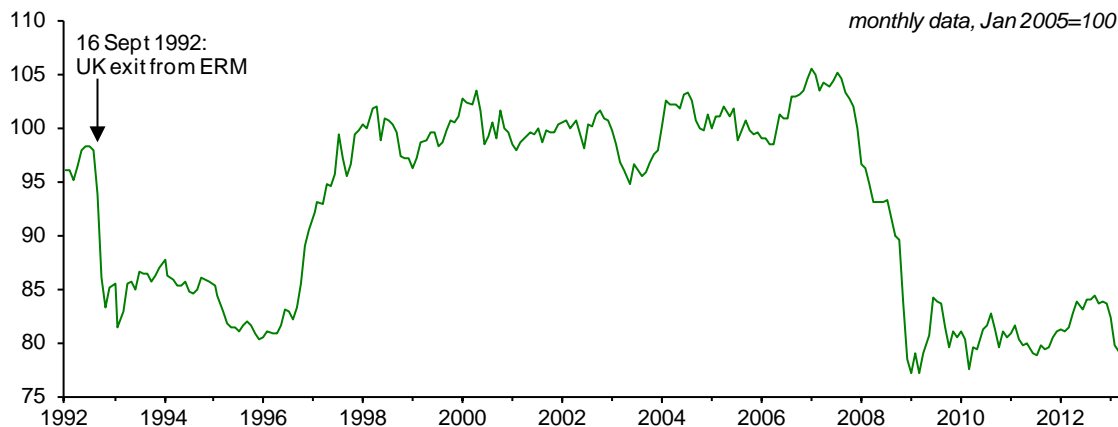
Updates: ONS, [UK Trade](#), 9 Jul;
ONS, [UK Balance of Payments](#), 26 Sep

E2: Exchange rates

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

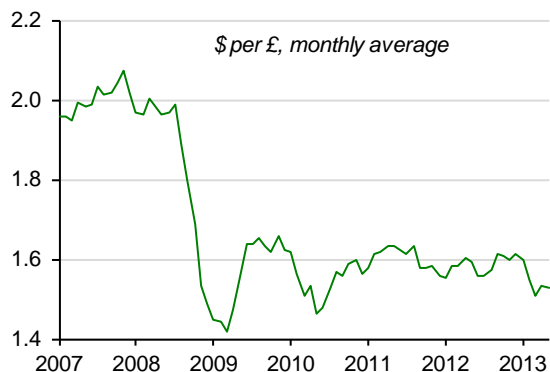
The SERI rose by 0.4% in May 2013, following a rise of 1.3% in April. Compared with the same period a year ago, it is 3.9% lower. It is now 4.5% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 23.6% down from its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



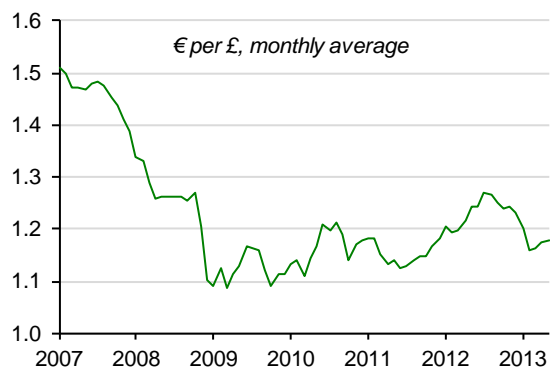
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in May, the pound was unchanged against the dollar compared with April. At the 3 June market close the pound stood at \$1.53, the May average.
- Sterling was on average unchanged against the Euro in May compared with April.
- At the 3 June market close the pound stood at €1.17, less than 1 cent below 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	May	1.59	-2.5%	1.24	9.1%
2013	Mar	1.51	-4.7%	1.16	-2.9%
	Apr	1.53	-4.4%	1.18	-3.4%
	May	1.53	-3.9%	1.18	-5.3%

Source: Bank of England, Bankstats database

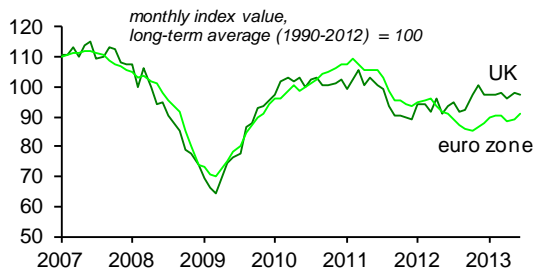
Contact: Daniel Harari, ext. 2464

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 1 July

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

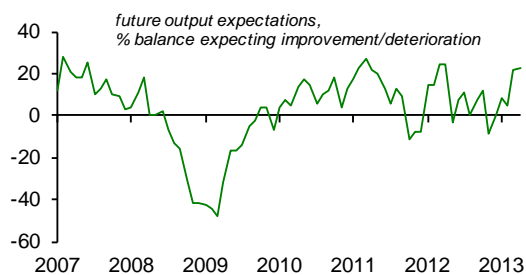


	UK Index	monthly change	change on year ago
2011 Jun	100.6	...	...
2012 Jun	93.3	...	...
2013 Apr	96.2	-2.0	+0.1
May	98.0	+1.8	+6.7
Jun	97.3	-0.7	+4.0

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of EU member states' economies.
- Between April and May the overall UK sentiment index fell by 0.7 points to 97.3 – 4.0 points higher than the previous year. The eurozone index rose by 1.9 points to 91.3.

CBI Industrial Trends Survey



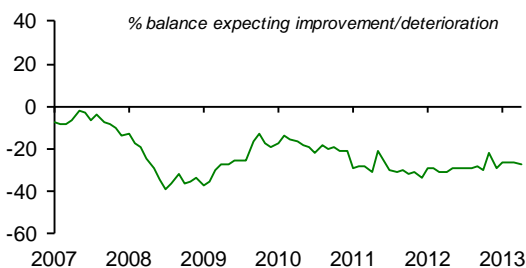
Balance (as a %) of those expecting an improvement
minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2011 Jun	+13	...	...
2012 Jun	+7	...	...
2013 Apr	+23	+1	-1
May	+18	-5	+21
Jun	+10	-8	+3

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In June 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +10% of firms. This is a decrease from a balance of +18% in April and is a little higher than in May 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 May	-21	...	...
2012 May	-29	...	...
2013 Mar	-26	0	+5
Apr	-27	-1	+4
May	-22	+5	+7

Source: GfK NOP for EC, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- Overall consumer confidence was -22 in April, 5 points higher than the previous month.

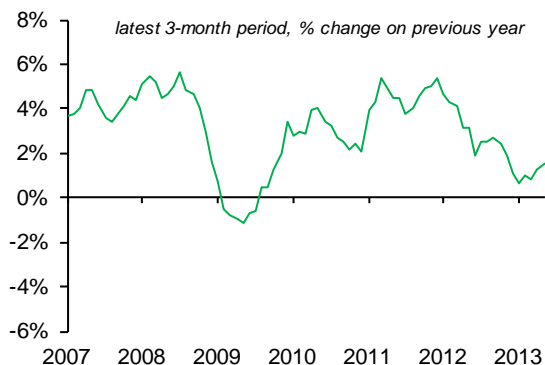
Contact: David Hough, x6933

Update: CBI, [Industrial Trends](#), 24 July
EC, [Economic Sentiment Indicator](#), 30 Jul
GfK NOP, [Consumer Confidence](#), 31 Jul

F2: Retail Sales

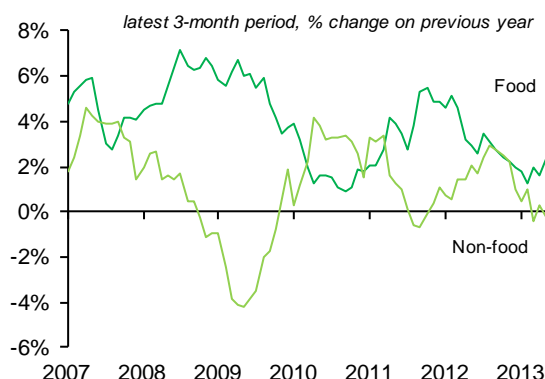
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The value of retail sales in the three months to May 2013 increased by 1.5% compared with the same three months in the previous year.
- The value of retail sales in May 2013 alone was 2.1% higher than in April 2013, and 3.1% higher than in May 2012.
- Internet sales are estimated to account for 9.7% of the value of all retail sales (excluding vehicle fuels).

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to May 2013 rose by 2.5% on the same period last year, while the value of sales in non-food stores decreased by 0.3%.
- The value of sales in household goods stores in the three months to May fell by 6.0% compared to the same period last year.

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 (inc vehicle fuel)
		Clothing & Footwear	Household goods	Other (ex dept stores)	Total	
2011	4.2	3.3	-2.6	0.6	1.2	4.9
2012	3.0	1.5	-0.4	0.6	1.7	2.4
2013 JAN	1.8	-0.5	-1.1	-1.2	0.5	0.6
FEB	1.3	0.6	-1.3	-0.4	1.0	1.0
MAR	2.0	0.0	-4.2	-0.7	-0.4	0.8
APR	1.6	0.1	-5.0	2.9	0.3	1.3
MAY	2.5	-0.2	-6.0	3.5	-0.3	1.5

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

Contact: Lorna Booth, x2883

Update: ONS, [Retail Sales](#), 18 July 2013

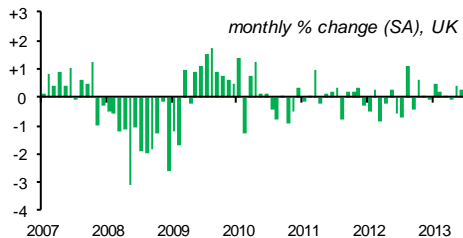
F3: Housing Market

House prices on the Nationwide index rose by 0.3% in June after a 0.4% rise in May. Prices were 1.9% higher compared with a year ago on this measure. House prices on the Halifax index rose by 0.4% in May following a 1.1% rise in April. Prices are 1.1% higher than a year ago on this measure.

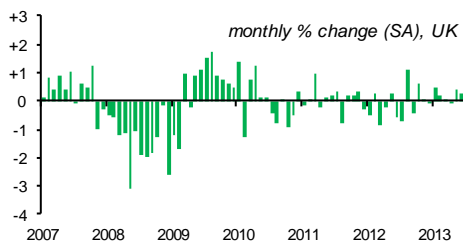
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index



Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	May-13	Jun-13
Change in month	+0.4%	+0.3%
Change in year	+3.8%	+1.9%
Peak date	Aug-07	Oct-07
Change since peak	-16.4%	-10.7%
Trough date	Apr-09	Feb-09
Change since trough	+7.9%	+10.8%

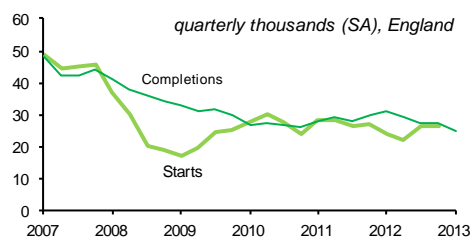
- The recovery in house prices since early 2009 has been tepid. At the beginning of Q2 2013, the average house price on the Nationwide measure was just over £167,000.
- There is considerable regional variation. In Q2 2013 prices rose by 7% in London but fell by 2% in Scotland compared with a year earlier. In Northern Ireland prices 3% lower compared with a year earlier (Nationwide data).

Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 53,710 mortgage approvals in April 2013; this was unchanged on March but 5% higher than April 2012. The number of approvals has remained generally flat since early 2010.

House-building



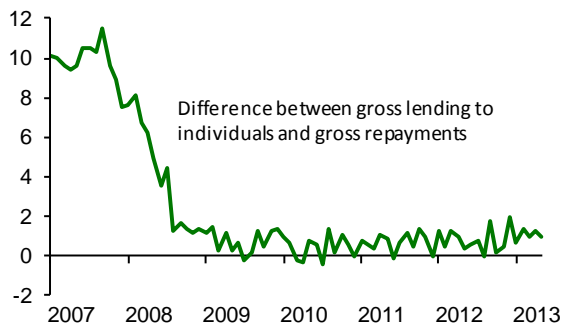
- There were 27,370 house building starts in England in Q1 2013, 4% more than in Q4 2012, and 15% more than in Q1 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 24,960 dwelling completions in Q1 2013, 8% down from 27,070 in Q4 2012, and almost 20% lower than the number of completions in Q1 2012. This is still below the peak of 48,450 completions in Q1 2007.

Contact: David Hough, x6933

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

F4: Household debt

Monthly net lending, £bn

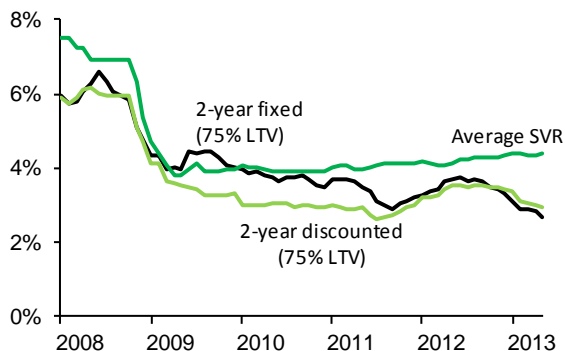


Source: Bank of England

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

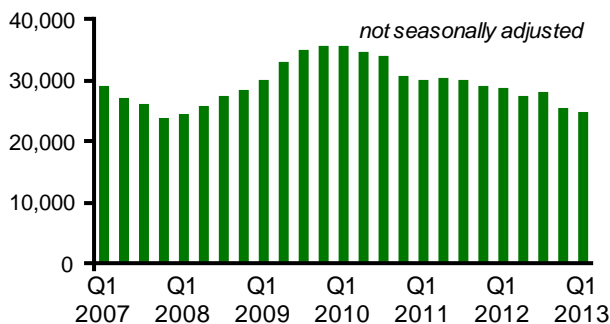
- Total net lending to individuals (excluding student loans) was £1.0 billion in May 2013. Net lending has been relatively low since mid-2008.
- Monthly net unsecured lending (consumer credit) was £0.7 billion in May. Monthly net secured lending (mortgages) was £0.3 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has been rising gradually for some time – in May 2013 it was 4.38%, compared with 4.16% a year before.
- In contrast fixed mortgage rates have been falling over the last year – the average fixed mortgage rate was 2.68% in May, compared to 3.68% the year before. The average fixed-term variable (discounted) rate was 2.93% in May (compared with 3.53% the year before). 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.

Contact: Lorna Booth, x2883

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 29 July
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	Services	ONS, Index of Services ONS, Workforce Jobs Markit/CIPS UK Services Purchasing Managers Index
A5	Manufacturing	ONS, Index of Production ONS, Workforce Jobs Markit/CIPS UK Manufacturing Purchasing Managers Index
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.