



Economic Indicators, August 2013

RESEARCH PAPER 13/49 06 August 2013

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

- The first estimate for GDP in Q2 2013 showed growth of 0.6% compared with the previous quarter. All major industrial groupings grew in Q2 2013, with the service sector performing particularly strongly and accounting for almost 0.5 percentage points of the 0.6% growth.
- Buoyant performance in the service sector looks set to continue into Q3, with July 2013 seeing confidence in the sector reach its highest level since late 2006.
- Unemployment fell by more than 50,000 to 2.51 million and employment was broadly unchanged at 29.71 million in the quarter to May 2013.

This month's articles:

Signed, sealed, delivered: Postal services from the 'penny black' to privatisation

Lesser spotted labour market statistics

Chris Rhodes (editor)

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Research Paper 13/49

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

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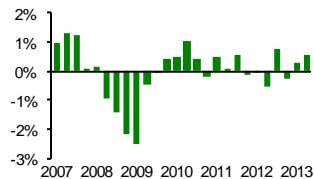
Summary

The first estimate for GDP in Q2 2013 showed growth of 0.6% compared with the previous quarter. All major industrial groupings grew in Q2 2013, with the service sector performing particularly strongly and accounting for almost 0.5 percentage points of the 0.6% growth. Buoyant performance in the service sector looks set to continue into Q3, with July 2013 seeing confidence in the sector reach its highest level since late 2006. Unemployment fell by more than 50,000 to 2.51 million and employment was broadly unchanged at 29.71 million in the quarter to May 2013.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by an estimated 0.6% in Q2 2013, following growth of 0.3% in Q1 2013. GDP is 3.3% below its pre-recession peak in Q1 2008.

Inflation (CPI)

[page 7](#)

(% change on year ago)

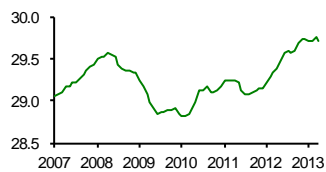


The CPI annual inflation rate was 2.9% in June 2013, up from 2.7% in May. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

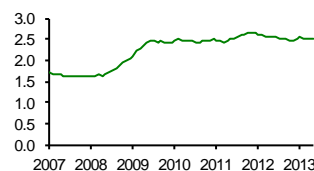


There were 29.71 million people aged 16 and over in employment in the three months to May 2013, up 16,000 on the quarter. The employment rate, the proportion of all people aged 16-64 in employment, was 71.4%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

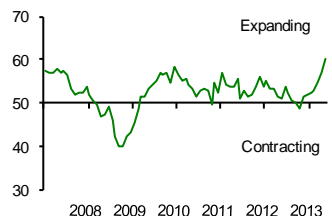


There were 2.51 million unemployed people in the three months to May 2013, down 57,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.8%.

Services Purchasing Managers Index

[page 4](#)

(Markit/CIPS UK Services PMI)



This indicator of confidence in the services sector rose to 60.2 in July, (where 50.0 is no change). This is the index's highest reading since December 2006.

Next issue: 3 September

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:

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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 Signed, sealed, delivered: Postal services from the ‘penny black’ to privatisation

The postal service dates back to 1635 when Charles I opened up a service to the public previously available only for the monarch. Today the Royal Mail is the successor to this early service and is obliged to sort and deliver the post to all 29 million addresses in the UK six days a week. The Royal Mail monopoly on the letter post ended in 2006. In July 2013 the government announced its plan to sell a majority of its shares in Royal Mail by April 2014, while keeping the Post Office network in a form of public ownership.

The postal service has undergone several transformations with many closely associated with the development of the infrastructure in the UK. It was instrumental in the development of the early road network; the routes of the earliest ‘post’ roads largely radiating from London to the major cities and ports can still be seen in the major trunk routes today.

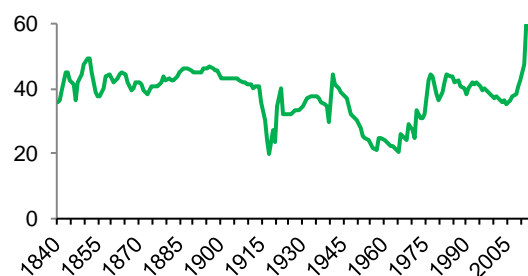
The Royal Mail was an early and major user of the growing rail network from the 1840s onwards. This ensured next day delivery to the major cities and increasingly to the smaller towns and more remote rural areas. It enabled major towns to receive six or more posts a day enabling commerce and industry to develop at a faster rate as a result.

Stamp prices

The introduction of the ‘penny black’ postage stamp in 1840 revolutionised the postal service. The principle of a uniform tariff at an affordable level whatever the distance within the UK remains a legal obligation on the Royal Mail today and will continue after privatisation.

Stamp prices in 2012 prices (pence)

First class stamp or equivalent



Indeed the (old) penny stamp for all letters of up to ½ ounce remained until 1918. The penny black in 1840 cost the equivalent to 35 pence in today’s money. The cost of a first class stamp today is 60 pence.

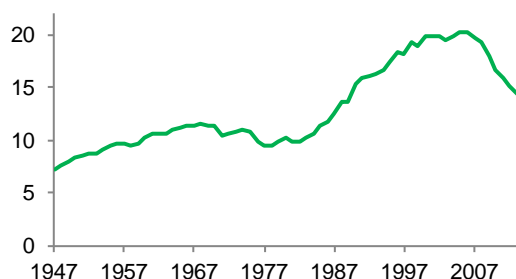
The recent significant increase in stamp prices in April 2012 followed a decision of the post service regulator Ofcom to allow the Royal Mail greater commercial freedom to set stamp prices subject to close monitoring and a cap on the cost of second class stamps.

Letter volumes

By the 1860s, the Royal Mail was delivering some 600 million letters a year which increased to around 6 billion by the 1920s.

Letters delivered by Royal Mail

Billions



Post-Second World War the volume increased once more, reaching 20.2 billion letters a year by 2005.

The advent of the internet and the growing use of email considerably slowed the growth in the volume of letters from the 1990s onwards. Since 2005, the volume of letters has been falling.

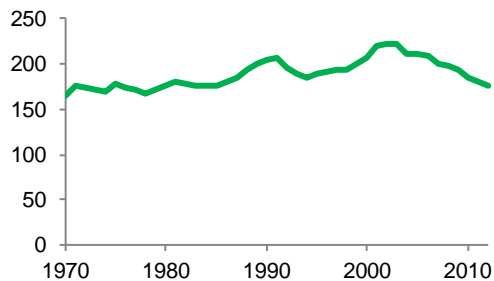
However, one of the consequences of the increased availability and use of the internet has benefitted the Royal Mail through the increased use for online shopping and the consequent rise in use of its parcel services. In the financial year 2012/13 letter volumes decreased by 8% while parcel volumes increased by 5%.

Administration

The growth of postal services in the 19th and early 20th century meant that by 1914 the Royal Mail had over 250,000 employees and was the world's single largest employer.

Royal Mail and Post Office Employees

(1000s)



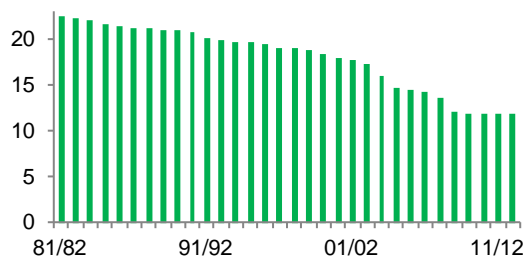
More recently, modernisation of the postal service with greater and greater use of mechanisation and modern technology has over time transformed the Royal Mail.

This process has enabled it to reduce its staffing level and yet continue to achieve the required 'universal service provision' for collection, sorting and deliveries.

Similarly the Post Office network has undergone major change. The number of Post Offices has reduced from some 22,500 at the start of the 1980s to around 11,800 at the end of 2012.

Number of Post Offices

Thousands



At the same time the network has undergone an extensive process of modernisation and yet continues to be accessible to the vast majority of the population.

There are now a variety of offices including 'locals' partnered with other retailers and 'alliances' with major retailers. The Post Office Limited was formally separated from Royal Mail on 1 April 2012.

The Royal Mail has been providing a public service throughout the UK for almost four centuries. Many of the principal elements in today's 'universal service provision' (such as serving all addresses, regular deliveries, uniform tariff available throughout the country) have been a feature of the service for a considerable time. At the same time the Royal Mail is facing new challenges of competition from other postal service providers, the internet and in the future, the expectations of new shareholders.

David Hough, Economic Policy and Statistics

3 Lesser spotted labour market statistics

ONS publish Labour Market Statistics every month, revealing that in the most recent period (March to May 2013), 29.7 million people were in employment, 2.5 million people were unemployed and the average weekly wage was £476.

But the ONS also produce other Labour Market Statistics that are less widely quoted but can be equally revealing about the labour market. These include how many hours people work, why people choose to work in part-time or temporary jobs and the reasons for economic inactivity.

3.1 How many hours do people work a week?

Since the early 1990s the average number of hours worked by full-time workers has trended downwards, whilst the average number hours worked by part-time workers has increased. Between March and May 1992 a person working full-time worked an average of 38.1 hours a week and a person working part-time 14.8 hours a week. Over the same period in 2013 full-time workers were working an average of 37.5 hours a week and part-time workers 15.9 hours a week.

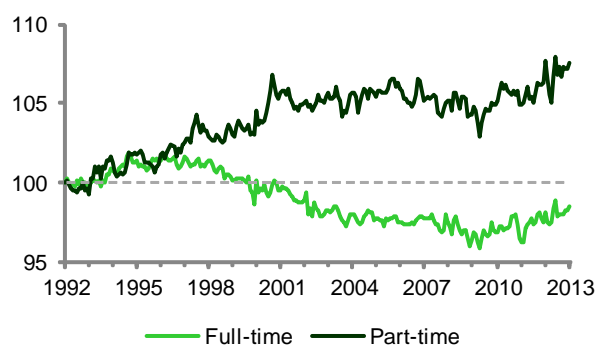
There are a number of differences in average working hours dependent on gender. Men working full-time average 39.5 hours a week compared to 34.2 hours a week for women. Part of the decline in the average number of hours worked by all full-time workers can be attributed to the rise in women working full-time over the past two decades – in March to May 1992, 33.0% of full-time workers were women, compared to 36.4% today.

However, although average number of hours worked by full-time men is greater than the average for women, the number of hours worked by all men has decreased significantly since the early 1990s. The average number of hours worked by men has fallen from 38.7 hours in March and May 1992 to 36.7 hours in the same period this year. This is partly due to falling full-time hours and is also a result of more men working part-time. Over the period the proportion of men working part-time has risen from 6.9% to 13.2%.

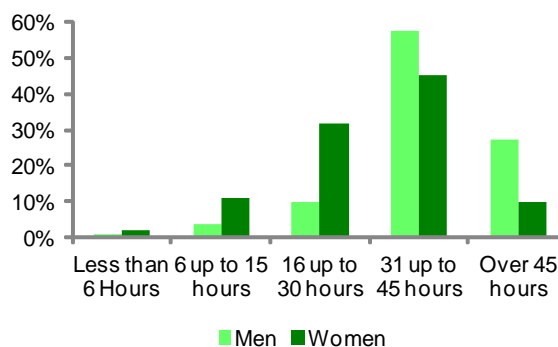
The average number of hours worked by women increased slightly from 26.3 to 26.7 hours a week between March-May 1992 and the same period this year. The proportion of women working part-time over the period has remained relatively stable at around 40%. The increase in the number of hours worked by women can be attributed to rising part-time hours.

The average number of hours worked each week can also vary significantly by occupation, with those working in accommodation and food services working 27.6 hours a week and those in agriculture, forestry and fishing working 41.1 hours a week on average.

Weekly hours worked per person
Mar-May 1992 = 100 (Seasonally adjusted)



Usual hours worked by gender: Mar-May 2013
(Seasonally adjusted)

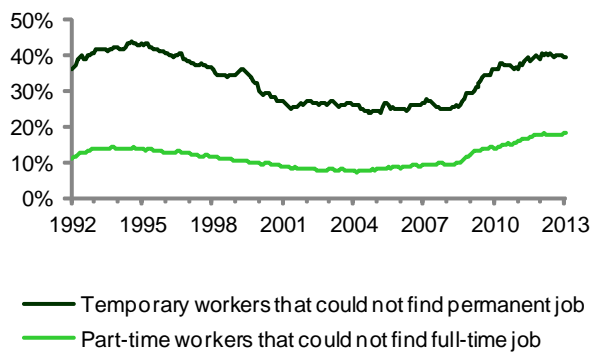


3.2 Why are people working in part-time and temporary jobs?

The number of people working part-time because they could not find a full-time job reached its highest level at 1.4 million, between March and May 2013. Out of 8.0 million people working part-time in the United Kingdom, 5.2 million did not want a full-time job, 1.0 million were students and 180,000 were ill or disabled.

Almost 40% (622,000) of the 1.6 million temporary employees in the United Kingdom, were in temporary employment because they could not find a permanent job. 102,000 had a training contract and 327,000 did not want a permanent job.

Reasons for temporary and part-time work
(Seasonally adjusted)



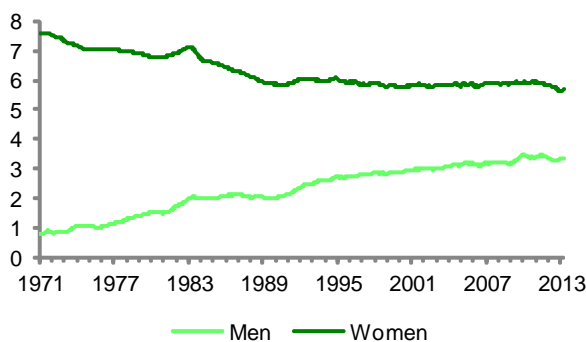
The trends in the percentage of temporary workers who could not find a permanent job and the percentage of part-time workers who could not find full-time employment have followed a similar trend since 1992 as shown in the chart.

The proportion of people working part-time who could not find a full-time job reached a new high in the most recent period, at 18.4%. The proportion of people in temporary employment who could not find a permanent job reached a recent peak of 40.5% in the third quarter of 2012.

3.3 Why are people economically inactive?

Since the early 1970s the number of economically inactive 16-64 year old women has fallen from 7.6 million in the first quarter of 1971 to 5.7 million between March and May 2013. In the same period economic inactivity amongst men in the age group has increased from 0.8 million to 3.4 million.

Economic inactivity by gender: aged 16-64
Millions (Seasonally adjusted)



The main reasons for men aged 16-64 being economically inactive is that they are students (35% of economically inactive men) or long term sick (31%). A similar proportion of economically inactive women fell into these categories.

However, the main reason for economic inactivity for women was that they were looking after the family/home, accounting for 36% of economically inactive women. Only 6% of economically inactive men are inactive because they look after the family/home.

The increase in economically inactive men over since 1993 has been driven by rises in the number of men aged 16-64 who are students (up 450,000), in early retirement (up 170,000) or looking after the family/home (up 100,000).

Over the same period, despite increases in the number of women aged 16-64 who are students (up 390,000), long-term sick (up 160,000) and retired (up 120,000), there has been an overall fall in economic inactivity amongst women because of a 30% decrease in the number of women who are looking after the family/home (down 860,000).

James Mirza-Davies, Economic Policy and Statistics

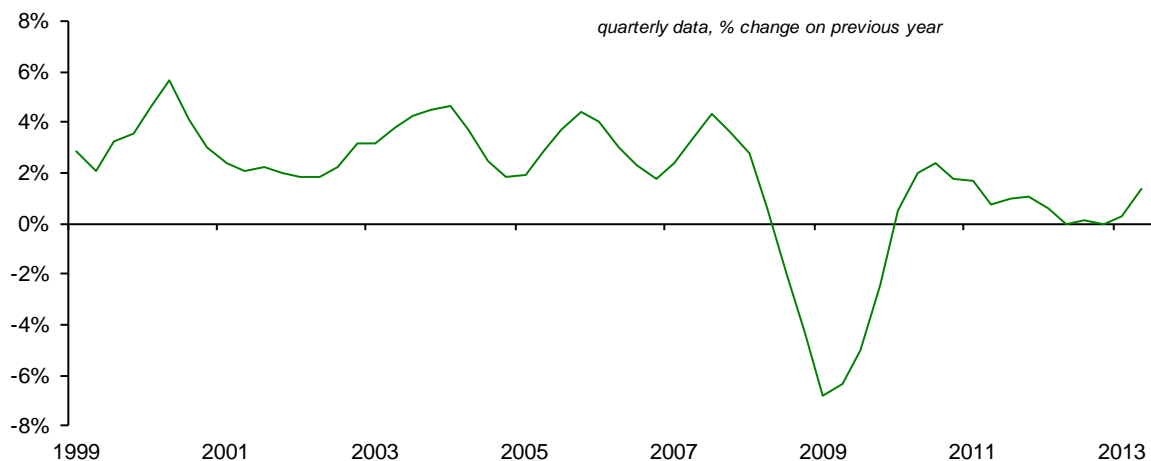
A1: Gross Domestic Product

The economy grew by an estimated 0.6% in Q2 2013, following growth of 0.3% in Q1 2013. In July, HM Treasury's average of independent economic forecasts of GDP growth was 1.0% for 2013 and 1.7% 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.

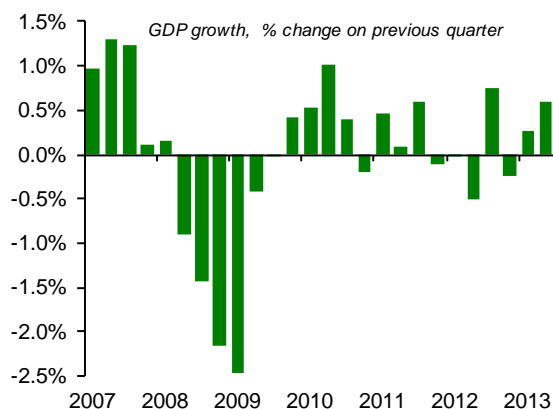
In a revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought, meaning real GDP in Q1 2013 is now thought to be 3.9% below its pre-recession peak (as opposed to 2.6% before the revisions). Though the ONS revised away the technical '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	1,486	4.8	...	1.7
2011	1,537	3.5	...	1.1
2012	1,562	1.6	...	0.2
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
Q2	..	..	0.6	1.4

Source: ONS, series: YBHA, ABMI

Contact: Gavin Thompson, x2042

Updates: HMT, [Forecasts for the UK economy](#), 21 Aug
ONS, [Second estimate of GDP](#), 23 Aug

A2: GDP: International Comparisons

In Q2 2013, GDP in the UK grew by 0.6% (compared with the previous quarter), while in the US it rose by 0.4%. Q2 data in the eurozone is not yet available. In Q1 2013 GDP growth in the eurozone contracted by 0.3% - 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			
	12Q3	12Q4	13Q1	13Q2	12Q3	12Q4	13Q1	13Q2
UK	0.1	0.0	0.3	1.4	0.7	-0.2	0.3	0.6
Euro zone	-0.7	-0.9	-1.1	..	-0.1	-0.6	-0.3	..
US	3.1	2.0	1.3	1.4	0.7	0.0	0.3	0.4
Japan	0.3	0.4	0.2	..	-0.9	0.3	1.0	..
Germany	0.9	0.3	-0.3	..	0.2	-0.7	0.1	..
France	0.0	-0.3	-0.4	..	0.1	-0.2	-0.2	..
G7	1.6	0.9	0.6	..	0.3	-0.1	0.3	..
OECD	1.4	0.9	0.6	..	0.2	0.0	0.3	..

Source: OECDstat

In **July 2013**, the IMF lowered their 2013 forecast for world GDP growth, last made in April 2013, by 0.2%-points to 3.1%. Forecasts for the UK were raised from 0.7% to 0.9% in 2013 (2014 forecasts were unchanged). Meanwhile 2013 GDP growth forecasts were lowered for Germany (from 0.6% to 0.3%), France (from -0.1% to -0.2%), the eurozone (from -0.3% to -0.6%) and the US (from 1.9% to 1.7%).

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%).

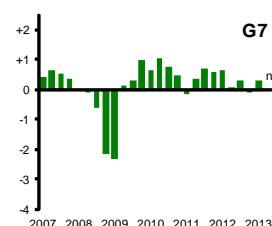
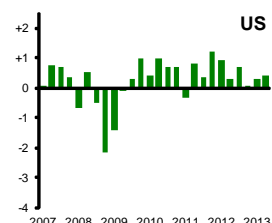
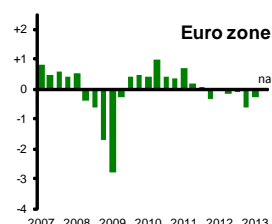
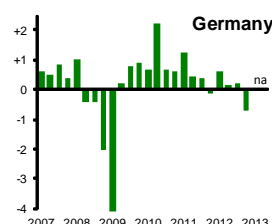
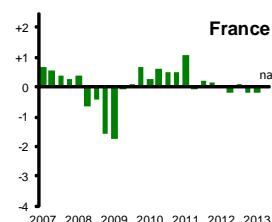
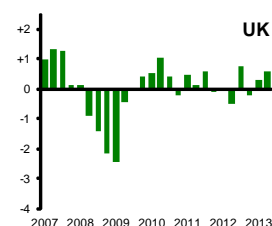
In **May 2013**, the European Commission lowered their GDP growth forecasts for the UK, last made in February 2013, from 0.9% to 0.6% for 2013 and from 1.9% to 1.7% for 2014. Their growth forecast for the euro zone was lowered by 0.1%-points to -0.4% for 2013.

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

	IMF (Jul 13)		EC (May 13)		OECD (May 13)	
	2013	2014	2013	2014	2013	2014
UK	0.9	1.5	0.6	1.7	0.8	1.5
France	-0.2	0.8	-0.1	1.1	-0.3	0.8
Germany	0.3	1.3	0.4	1.8	0.4	1.9
Eurozone	-0.6	0.9	-0.4	1.2	-0.6	1.1
US	1.7	2.7	1.9	2.6	1.9	2.8
Japan	2.0	1.2	1.4	1.6	1.6	1.4
OECD	..	..	..	..	1.2	2.3
China	7.8	7.7	8.0	8.1	7.8	8.4
India	5.6	6.3	..	..	5.3	6.4
Brazil	2.5	3.2	..	..	2.9	3.5
World	3.1	3.8	3.1	3.8	3.1	4.0

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

Quarter-on-quarter growth rates



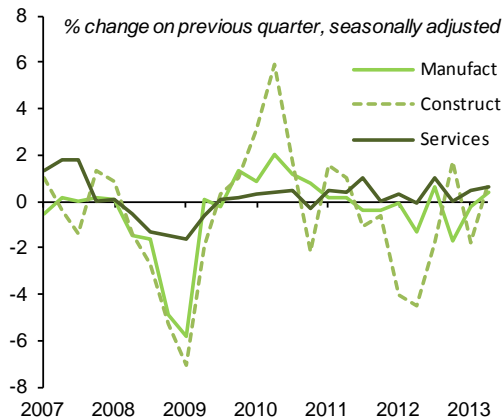
Contact: Daniel Harari, x2464

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

A3: Components of GDP

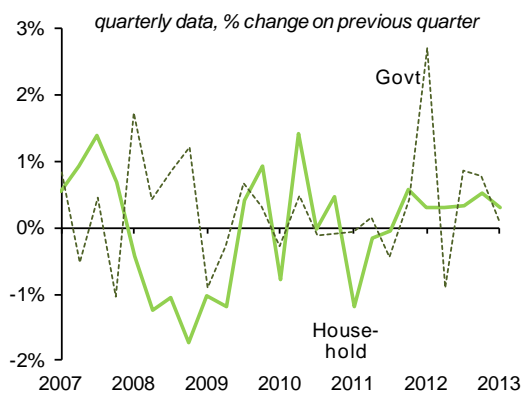
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the manufacturing sector for 10% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption 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 0.6% in Q2 2013 compared with Q1 2013 in real terms.
- Manufacturing output increased by 0.4%. Construction sector output increased by 0.9%
- The last quarter in which all three sectors grew was Q2 2011.

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%.
- Overall GDP grew by 0.6% in Q2 2013. Q2 figures for the expenditure components of GDP will not be published until August.

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%
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%
2013 Q2	..	..	..	..	..	0.6%

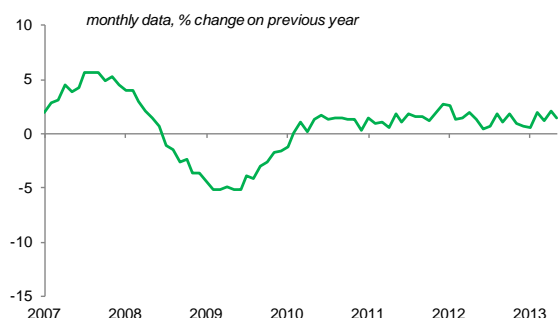
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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 2012, the service sector accounted for 79% of total UK economic output (Gross Value Added) and for 83% of jobs.

Services output

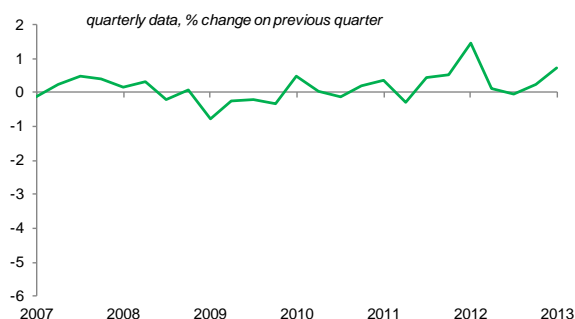


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	...	1.5
2012	102.8	...	1.3
2013 Feb	104.0	0.7	2.0
Mar	104.0	0.0	1.2
Apr	104.3	0.3	2.1
May	104.5	0.2	1.5

Source: ONS, series S2KU, S222, S26Q

- Output in the services sector rose by 0.2% in May 2013 compared with April 2013. Compared with a year before, services output increased by 1.5%. Services output is now 0.5% below its peak which was in February 2008.
- The biggest contributor to growth in the service sector over the last month was the distribution, accommodation and food services sector, which grew by 1.2%.

Jobs in the service industries

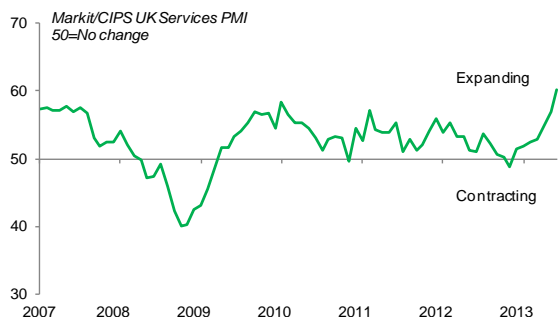


	Thousands	% change on quarter	% change on year
2011 Q1	26,099	...	0.5
2012 Q1	26,661	...	2.2
Q2	26,689	0.1	2.6
Q3	26,673	-0.1	2.0
Q4	26,736	0.2	1.7
2013 Q1	26,933	0.7	1.0

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 Jul	55.4	...
2012 Jul	51.0	...
2013 Apr	52.9	0.5
May	54.9	2.0
June	56.9	2.0
July	60.2	3.3

Source: Markit/CIPS UK Services PMI

- The Markit/Chartered Institute of Purchasing & Supply UK Services PMI rose to 60.2 in July 2013 from 56.9 in June (where 50.0 is no change). This is the index's highest reading since December 2006.
- Markit stated that the positive data for July suggests the "recovery is becoming increasingly broad-based and is gaining further traction heading through the summer."

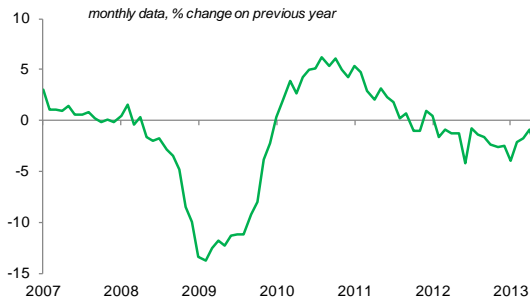
Contact: Chris Rhodes, x2454

Update: ONS, [Index of Services](#), 23 Aug
 ONS, [Workforce Jobs](#), 11 Sep
 Markit/CIPS [UK Services PMI](#), 4 Sep

A5: Manufacturing

The manufacturing sector accounted for 10% of UK economic output (Gross Value Added) in 2012. 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 15% of UK output in 2012.

Manufacturing Output

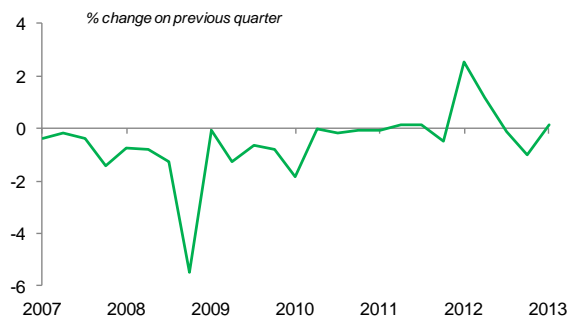


	Index Value (2010=100)	% change on month	% change on year
2011	101.8	...	1.8
2012	100.1	...	-1.7
2013 Mar	99.3	0.9	-1.7
Apr	99.1	-0.2	-0.9
May	98.4	-0.7	-2.9
Jun	100.3	1.9	2.0

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing increased by 1.9% in June 2013 compared with May 2013. Manufacturing output increased by 2.0% in June 2013 compared with June 2012.
- The largest upward contributions over the month in manufacturing output were: the manufacture of transport equipment, the manufacture of wood & paper products and the manufacture of electrical equipment.

Jobs in manufacturing

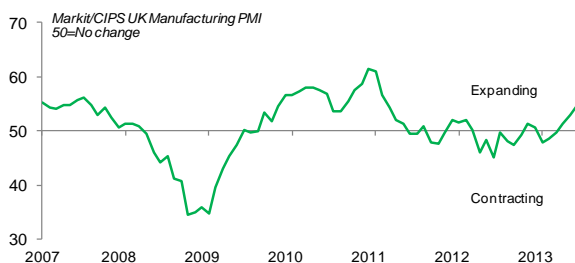


	Thousands	% change on quarter	% change on year
2011 Q1	2,552	...	-0.4
2012 Q1	2,611	...	2.3
Q2	2,641	1.1	3.4
Q3	2,638	-0.1	3.1
Q4	2,611	-1.0	2.5
2013 Q1	2,614	0.1	0.1

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 Jul	49.4	...
2012 Jul	45.2	...
2013 Apr	49.8	1.2
May	51.3	1.5
June	52.9	1.6
July	54.6	1.7

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was at a 28 month high of 54.6 in July, up from 52.9 in May (where 50.0 is no change).
- Markit stated that "the upturn was led by strong and accelerated growth of output and new orders in the consumer goods sector."

Contact: James Mirza-Davies, x6962

Update: ONS, [Index of Production](#), 6 Sep
 ONS, [Workforce Jobs](#), 11 Sep
 Markit/CIPS [UK Manufacturing PMI](#), 1 Sep

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.

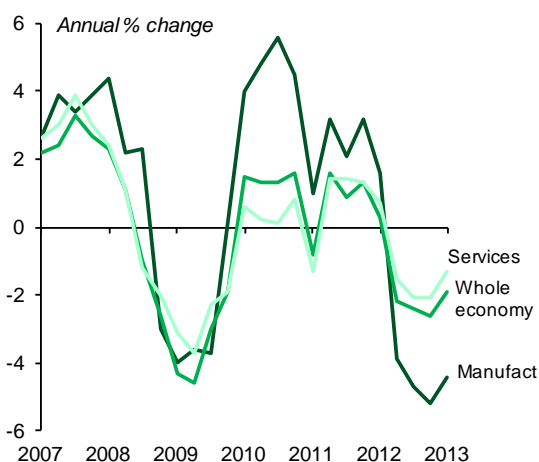
UK productivity by sector

- 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

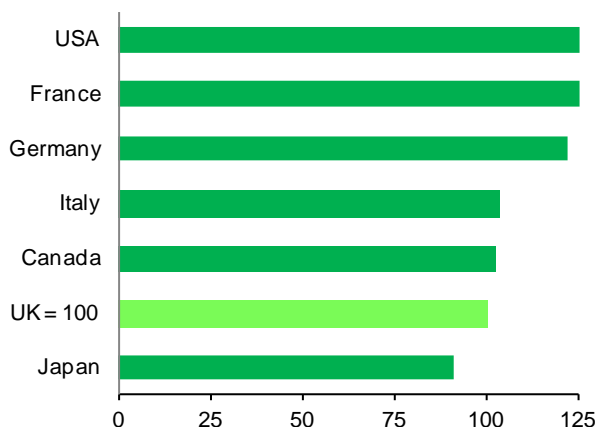
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.7	0.4	1.4
2011	2.4	0.7	0.8
2012	-3.1	-1.2	-1.7
2011 Q4	3.2	1.3	1.3
2012 Q1	1.6	0.7	0.3
Q2	-3.9	-1.5	-2.2
Q3	-4.7	-2.1	-2.4
Q4	-5.2	-2.1	-2.6
2013 Q1	-4.4	-1.3	-1.9
<i>Latest q-on-q % change</i>			
	-0.4	0.3	0.0

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

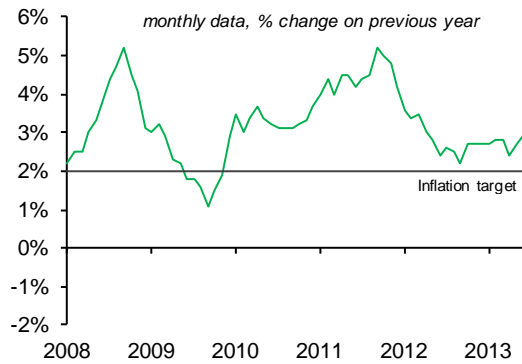
Update: ONS, [Labour Productivity](#), 27 Sep
 ONS, [International Comparisons](#), early Sep

Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.9% in June, up from 2.7% in May and above the Bank of England's 2.0% target.

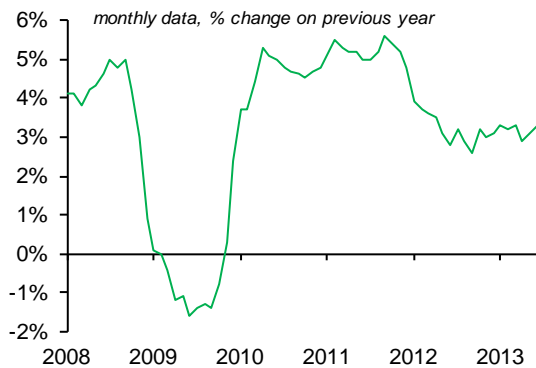
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.9% in June up from 2.7% in May.
- The largest upward pressure came from clothing and footwear and motor fuels. The largest downward contribution came from the cost of food and non-alcoholic beverages.
- The RPI (all items) measure of annual inflation was 3.3% in June, up from 3.1% in May.

Retail Prices Index (RPI)

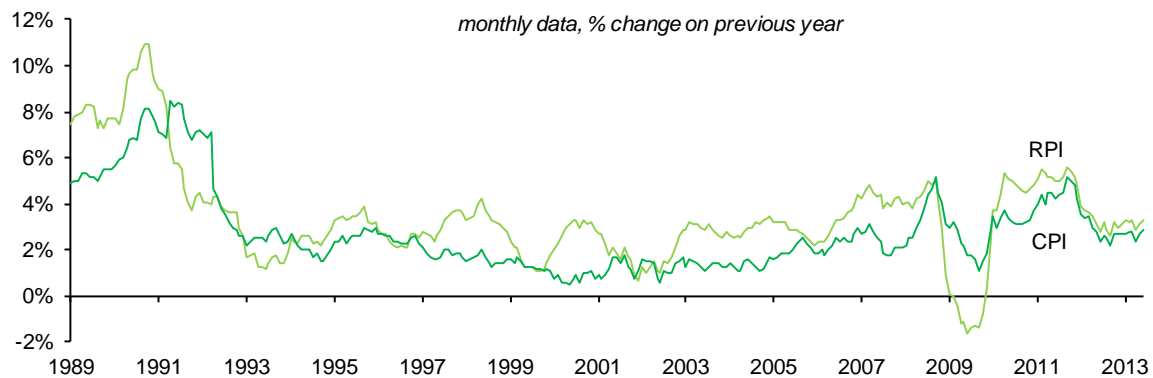


Price Indices

		% change on a year ago	
		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
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
	Jun	2.9	3.3

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989

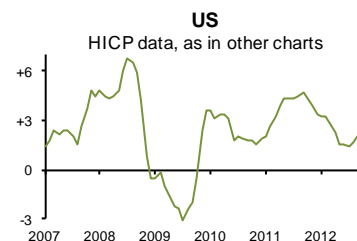
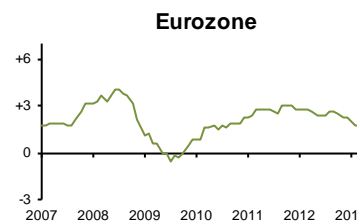
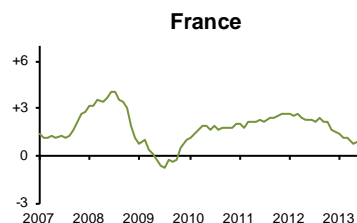
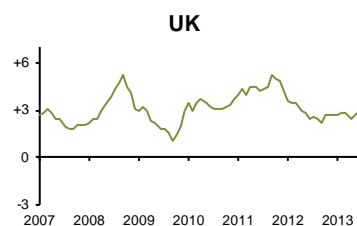


B2: Inflation: International

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 2.9% in the year to June 2013, up from 2.7% in May. The Bank of England's UK inflation target is 2%.
- Eurozone inflation in the year to July 2013 is expected to be 1.6%, unchanged from June. 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 June 2013 was in Greece at -0.3%. The highest rate was in Romania at 4.5%.
- 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 June 2013 was 1.8% using its own national definition, up from 1.4% in May.



Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Mar-13	Apr-13	May-13	Jun-13
HICP (OECD/Eurostat)							
UK	3.3	4.5	2.8	2.8	2.4	2.7	2.9
Eurozone	1.6	2.7	2.5	1.7	1.2	1.4	1.6
EU	2.1	3.1	2.6	1.9	1.4	1.6	1.7
France	1.7	2.3	2.2	1.1	0.8	0.9	1.0
Germany	1.2	2.5	2.1	1.8	1.1	1.6	1.9
Greece	4.7	3.1	1.0	-0.2	-0.6	-0.3	-0.3
Italy	1.6	2.9	3.3	1.8	1.3	1.3	1.4
Spain	2.0	3.1	2.4	2.6	1.5	1.8	2.2
US	2.4	3.8	2.1	:	:	:	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	1.0	0.4	0.7	1.2
Japan	-0.7	-0.3	0.0	-0.9	-0.7	-0.3	0.2
US	1.6	3.2	2.1	1.5	1.1	1.4	1.8
G7	1.4	2.6	1.9	1.2	0.9	1.2	1.5
OECD	1.9	2.9	2.3	1.6	1.3	1.5	1.8
Brazil	5.0	6.6	5.4	6.6	6.5	6.5	6.7
China	3.3	5.4	2.6	2.1	2.4	2.1	2.7
India	12.0	8.9	9.3	11.4	10.2	10.7	..
Russia	6.9	8.4	5.1	7.0	7.2	7.4	6.9

Source: Eurostat & stat.OECD database

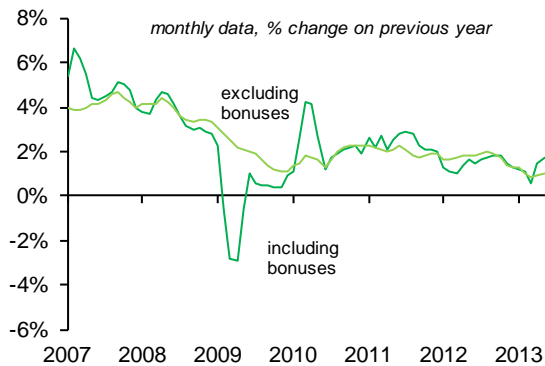
Contact: Gavin Thompson, x2042

Updates: ONS [Consumer Prices bulletin](#) (UK), 13 August 2013
Eurostat, [HICP full release](#), 13 August 2013
Eurostat, [Flash estimate](#) (Eurozone), 30 August 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.7% in the three months to May, compared with a year ago. Inflation as measured by the CPI was 2.5% in May – the 37th consecutive month in which inflation has exceeded nominal wage growth.

Average Earnings, Whole Economy



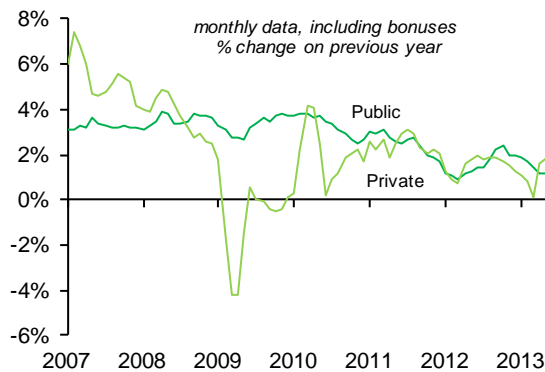
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2010 May	2.5	3.7	4.4	2.5	2.7
2011 May	2.5	2.6	1.1	3.0	2.5
2012 May	1.8	1.3	1.6	1.5	1.6
2012 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	1.6	1.2	2.7	1.5	1.5
May	1.9	1.2	2.7	1.7	1.7

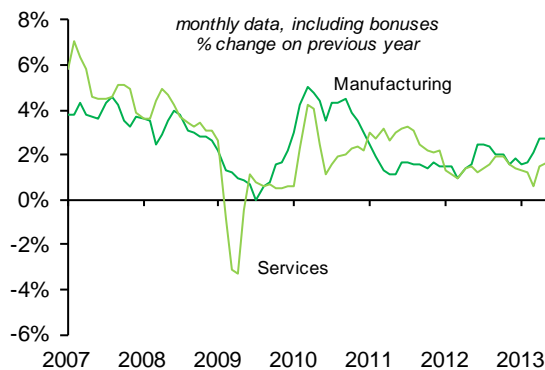
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector was up 1.9% year-on-year in the three months to May, compared with a 1.2% increase in the public sector.
- Average weekly earnings (including bonuses) in May in the public sector were £488 compared with £473 in the private sector.
- Average weekly earnings (including bonuses) in May were £476 for the whole economy.

Average Earnings in Services and Manufacturing



- Average total pay growth (including bonuses) in the manufacturing sector was 2.7% in the three months to May. In the service sector total pay grew by 1.7%.
- Average weekly earnings (including bonuses) in May in the manufacturing sector were £552 compared with £462 in the services sector.
- Average weekly earnings (including bonuses) in the finance and business services sector were £624 in May.

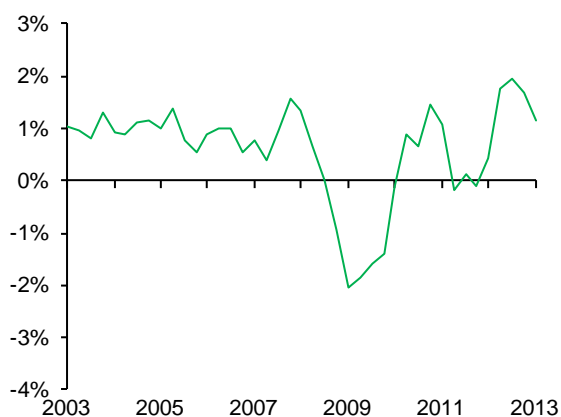
Contact: Feargal McGuinness, x4962

Update: ONS, [Labour Market Statistics](#), 14 August

C1: Employment

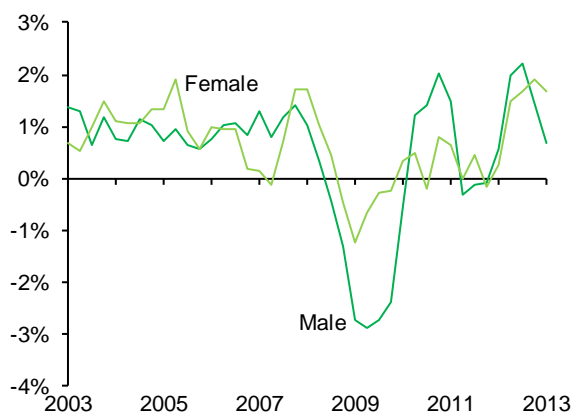
There were 29.71 million people aged 16 and over in employment in the UK in March to May 2013. The number of people in employment increased by 16,000 compared to the previous quarter and by 336,000 compared to the same period last year. The employment rate for people aged 16-64 was 71.4%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- Male employment changed very little over the last quarter – remaining at 15.89 million, while female employment increased slightly, by 14,000, to 13.83 million.
- The number of people who are self-employed fell by 28,000 compared to the previous quarter, to 4.18 million. There were 10,000 less men in self-employment, and 18,000 fewer women.
- The number of employees increased by 34,000 over the last quarter to 25.27 million. The number of female employees rose by 15,000, and the number of male employees increased by 19,000.

Employment by gender (% change on previous year)



- Full-time employment increased by 28,000 over the past quarter to 21.68 million. The number of men working full-time decreased by 11,000 to 13.79 million, but the number of women working full-time rose by 39,000 to 7.88 million.
- Part-time employment fell by 12,000 over the past quarter to 8.04 million. Male part-time employment was up 13,000 to 2.10 million. However the number of women working part-time decreased by 25,000 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+
Mar-May 2011	29,248	3,742	17,225	7,389	892
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
Mar-May 2013	29,714	3,632	17,447	7,643	992
% change on previous 3 months	+0.1	-0.9	+0.1	+0.0	+2.6
% change on previous year	+1.1	-0.7	+0.7	+2.4	+6.9

Source: ONS

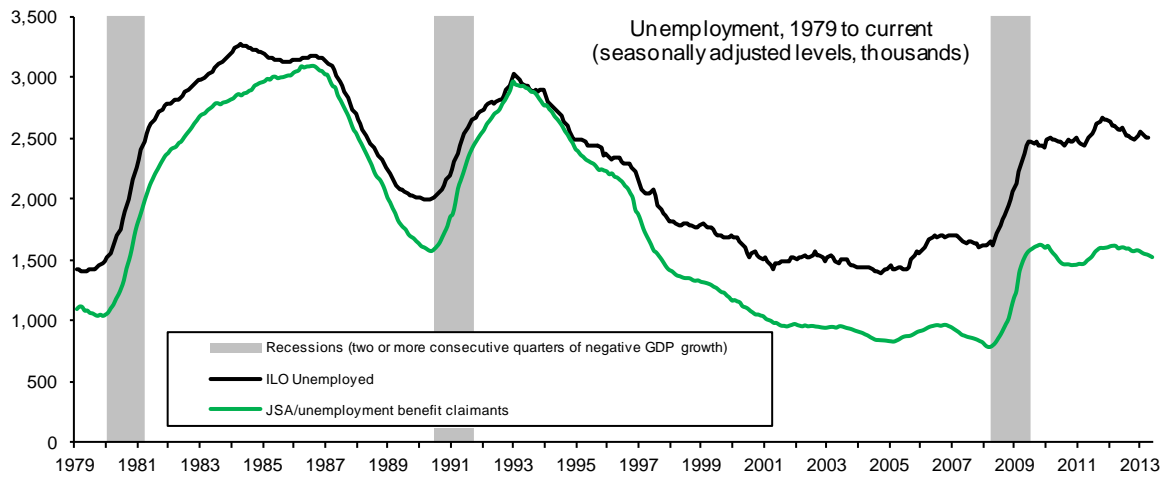
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 14 Aug 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 March 2013 – May 2013 was 2.51 million (7.8% of all economically active) – down 57,000 from the previous quarter. (UK, seasonally adjusted).**



[Source: ONS, *Labour Market Statistics*]

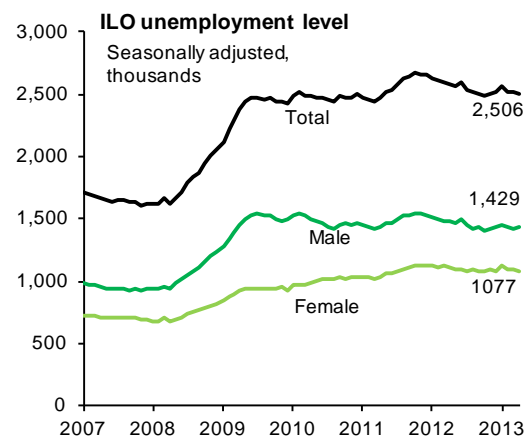
ILO unemployment March 2013-May 2013)

The number of people who have been unemployed for longer than twelve months increased by 15,000 over the past quarter and 32,000 over the past year, to 915,000 in March-May 2013.

959,000 people aged 16-24 were unemployed in March-May 2013, 20,000 fewer than in the previous quarter and 59,000 fewer than the previous year.

Jobseeker's Allowance (JSA) claimant count

The number of people claiming Jobseeker's Allowance decreased by 21,200 between May and June 2013, to 1.48 million people aged 18 or over, the lowest level since March 2011.



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	(%)
Mar-May 2008	1,614	5.2	685	13.9	701	3.9	212	2.9	15	2.1
Mar-May 2009	2,377	7.6	931	19.3	1,089	6.0	339	4.5	18	2.4
Mar-May 2010	2,491	7.9	942	19.9	1,160	6.4	366	4.8	22	2.7
Mar-May 2011	2,470	7.8	925	19.8	1,152	6.3	375	4.8	18	2.0
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
Mar-May 2013	2,505	7.8	959	20.9	1,129	6.1	396	4.9	21	2.1
% change on quarter	-2.2		-2.1		-4.5		+3.1		+27.7	
% change on year	-2.8		-5.8		-2.0		+3.1		-7.5	

Source: ONS, *Labour Market Statistics*.

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

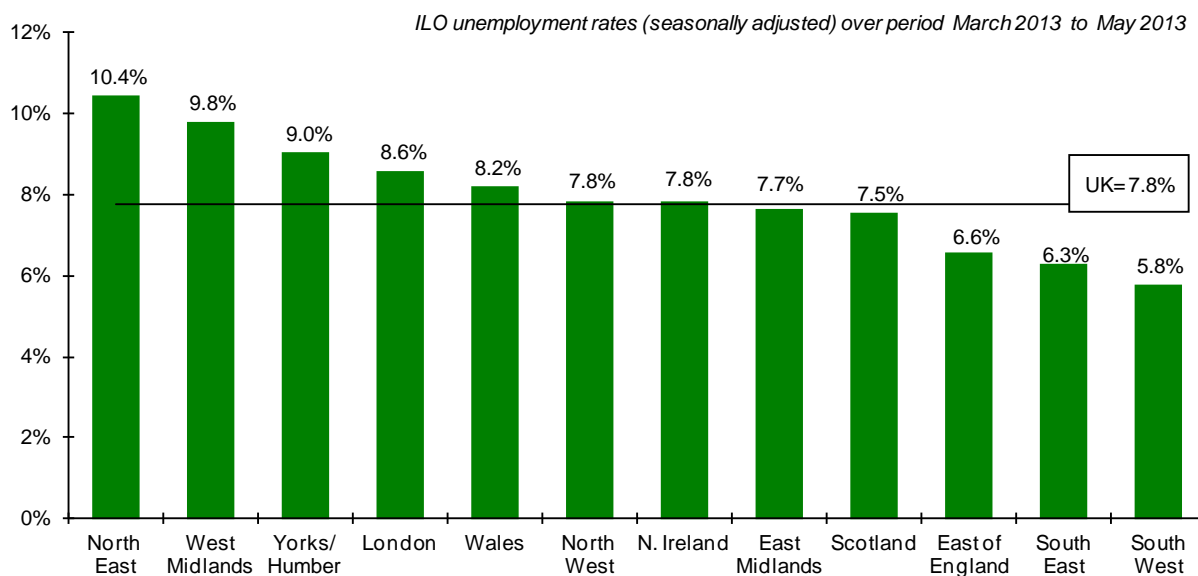
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 14 August 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 March 2013 to May 2013, the North East had the highest unemployment rate, at 10.4% of the economically active population. The lowest rate over the same period was 5.8% in the South West.



- The largest increase in unemployment over the last quarter was in the West Midlands (up 15,000). The largest decrease was in the South East (down 20,000).
- All regions showed a decrease in the seasonally-adjusted JSA claimant count in June compared with May.

Key labour market statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	Mar 13-May 13		Change in level		June 2013	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	134	10.4	+4	-6	87.6	-1.4
North West	270	7.8	-18	-62	186.2	-2.6
Yorkshire & Humber	249	9.0	-4	-13	156.7	-1.3
East Midlands	176	7.7	+1	-17	100.0	-1.5
West Midlands	268	9.8	+15	+40	155.2	-1.8
East of England	205	6.6	-12	-1	106.6	-1.8
London	368	8.6	-16	-2	210.1	-3.2
South East	286	6.3	-20	+3	124.2	-2.4
South West	156	5.8	-11	-1	80.2	-1.7
Wales	122	8.2	+1	-10	75.7	-1.1
Scotland	205	7.5	+8	-10	133.4	-1.6
Northern Ireland	68	7.8	-4	+9	63.0	-0.8

Source: ONS, *Labour Market Statistics*

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

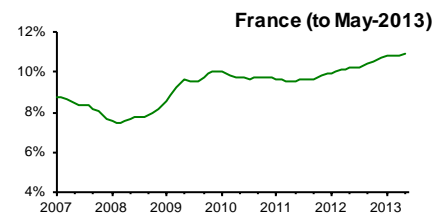
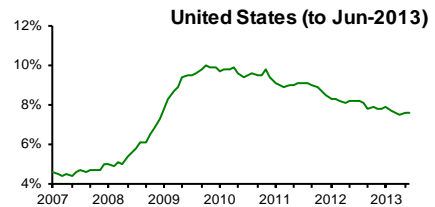
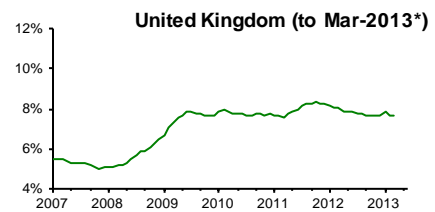
Contact: David Hough x6933

Update: ONS, *Labour Market Statistics*, 14 August 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 Q1 2013 was 7.8%. This was below the rate of France and Italy (10.8% and 11.9%, respectively, in Q1) 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	10.6	10.8
Germany	7.1	6.0	5.5	6.3	6.0	5.8	5.6	5.5	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	10.8	11.3	11.9
Japan	5.1	4.6	4.4	4.7	4.7	4.5	4.5	4.5	4.4	4.3	4.2	4.2
UK	7.8	8.0	7.9	7.7	7.9	8.2	8.3	8.1	7.9	7.8	7.7	7.8
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

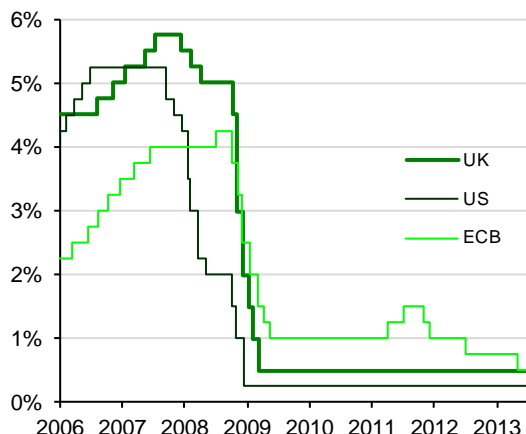
Source: OECD, Harmonised Unemployment Rates

Contact: James Mirza-Davies, x6962 Updates: OECD, [Harmonised Unemployment Rates](#), 10 Sep

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

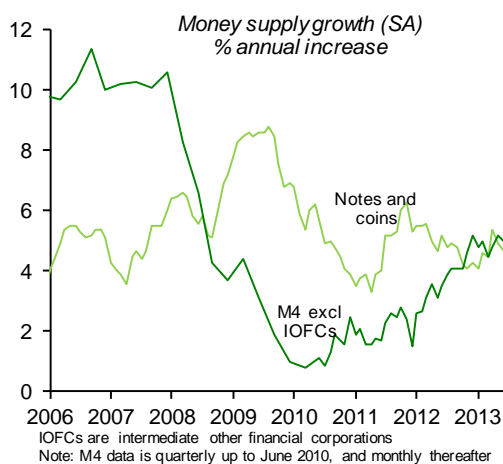


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 2 May 2013, the Governing Council of the European Central Bank agreed lower the main interest rate for the eurozone from 0.75% to 0.5%, where it has remained since.
- 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 5.0% in June 2013, down from 5.2% in May.
- The value of notes and coins in circulation outside the Bank of England rose by 4.7% in June 2013 compared with a year ago, down from 4.9% in May.

Contact: Gavin Thompson, x2042

Updates: Monetary policy meetings: 5 Sep (UK, ECB); 18 Sep (US)
Bank of England, [Monetary and Financial Statistics](#), 30 Aug

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.

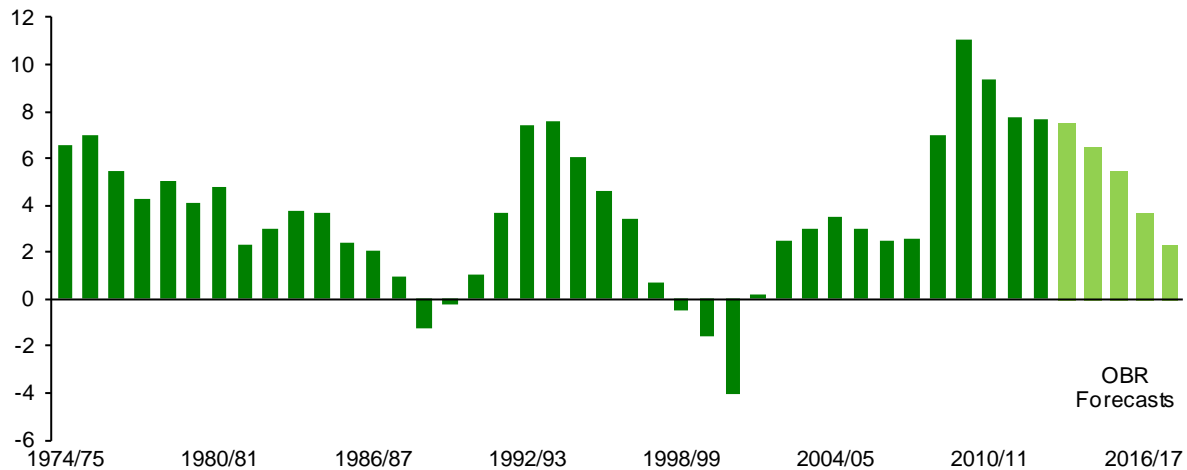
- Revised figures show that borrowing in 2012/13 was £116.5 billion, £2.1 billion lower than in 2011/12. These figures exclude the effects of the Royal Mail pension transfer and QE interest payments.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion in February 2013.
- At the end of 2012/13, public sector net debt excluding financial sector interventions was £1.2 trillion, equivalent to 74.2% of GDP.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	157	11.1	828	56.4
2010/11	139	9.4	1,005	65.9
2011/12	119	7.8	1,106	71.1
2012/13	117	7.7	1,181	74.2
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

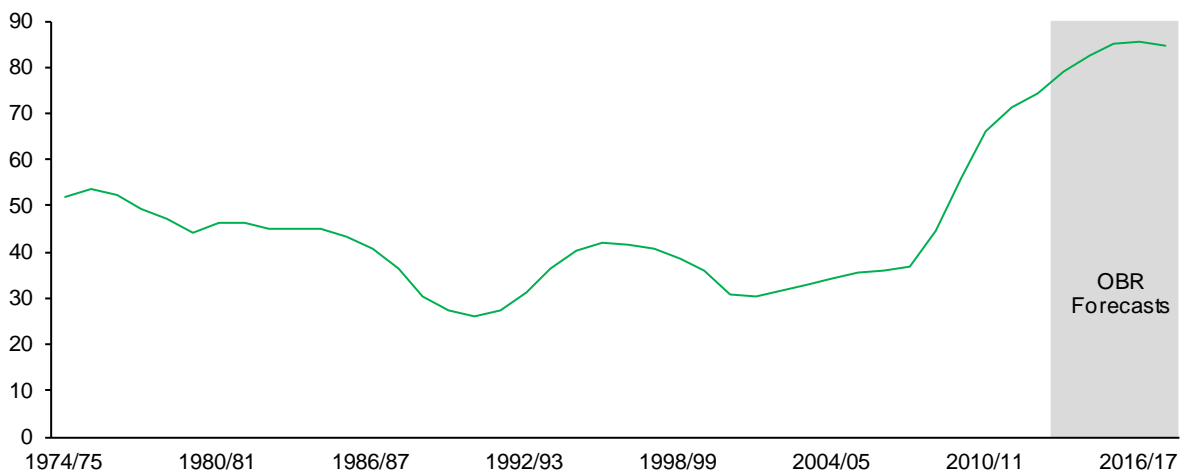
Source: ONS, OBR. Excludes financial sector interventions

Note: borrowing figures exclude Royal Mail transfer and QE

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



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 1 August 2013

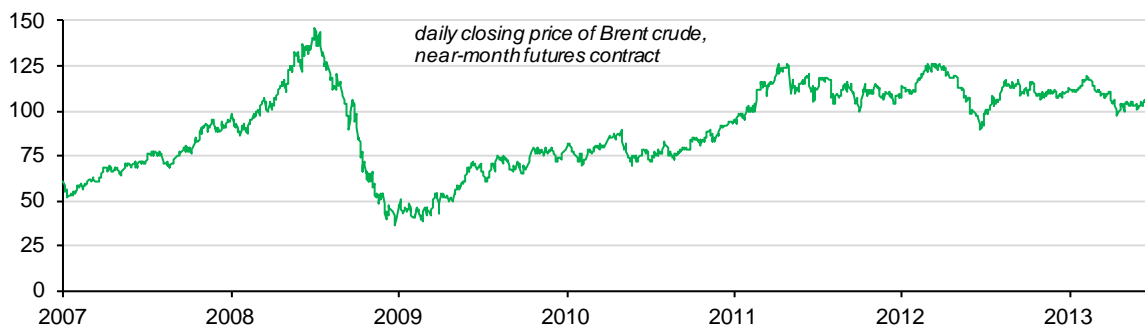
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
01 Aug 2013	6,682.0	109.5	1,323.1
%change over:			
1-month	+6%	+5%	+6%
12-months	+18%	+3%	-17%
%change from:			
cyclical peak	-2%	-25%	-30%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+90%	+201%	+86%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



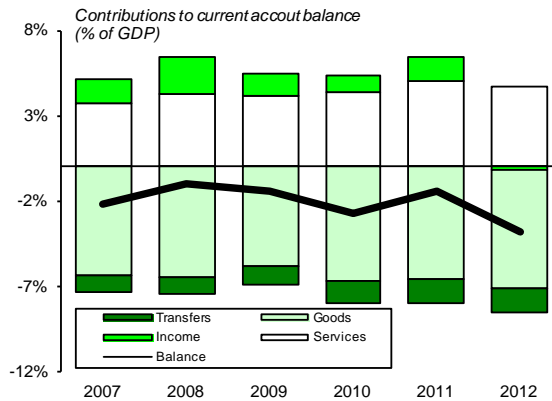
Gold price (\$ per ounce)



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 £22.5 billion in 2011 or -1.5% of GDP. Part of this change can 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

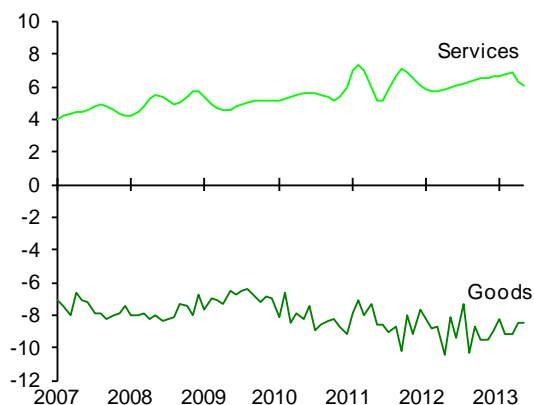
£ millions; seasonally adjusted

	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

Balance of trade, goods and services
£ billion, monthly data



- The estimated monthly deficit on goods trade in May was £8.5bn, up from £8.4bn in April.
- The monthly trade surplus on services was an estimated £6.1bn in May, down slightly from the April surplus of £6.4bn.
- The overall monthly deficit on goods and services combined in May was £2.4bn, up from £2.1bn in April.
- The monthly goods deficit with the EU27 was £4.4bn in May, down from £5.0bn in April, while the deficit with non-EU countries was £4.1bn in May, down from £3.4bn in April.

Contact: Daniel Harari, x2464

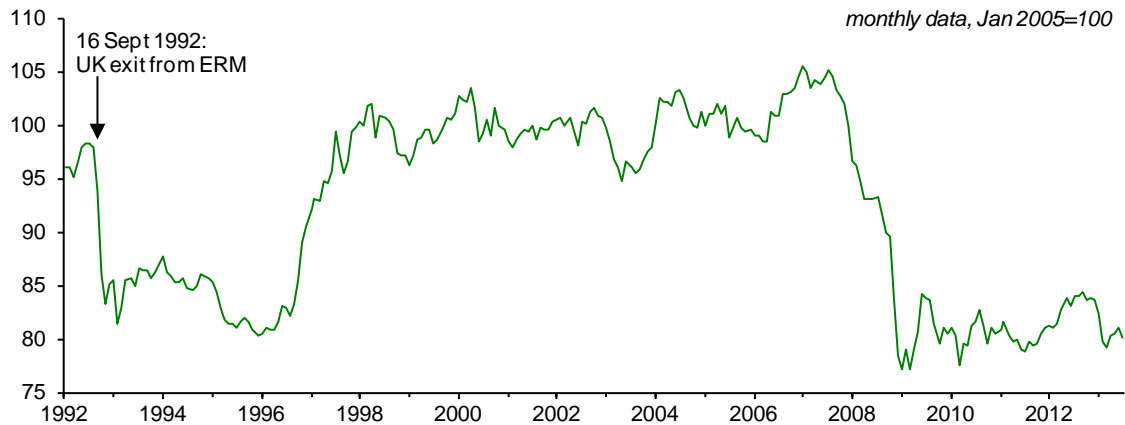
Updates: ONS, [UK Trade](#), 9 Aug;
ONS, [UK Balance of Payments](#), 26 Sep

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).

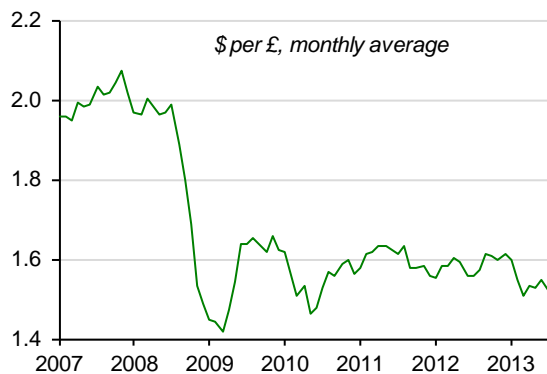
The SERI fell by 1.3% in July 2013, following a rise of 0.7% in June. Compared with the same period a year ago, it is 4.7% lower. It is currently 3.9% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 24.1% down from its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



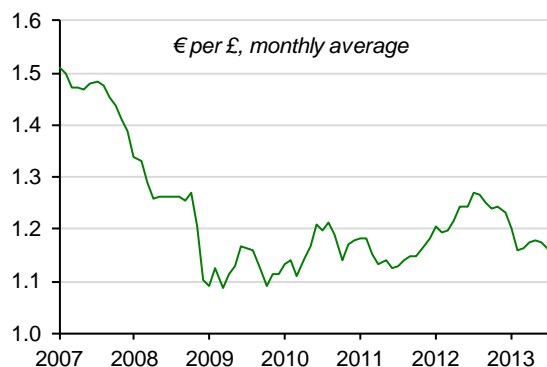
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in July, the pound was three cents lower against the dollar compared with June. At the 1 August market close the pound stood at \$1.52, the same as the July average.
- Sterling was on average down slightly against the Euro in July compared with June.
- At the 1 August market close the pound stood at €1.15, one cent below the July 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 Jul	1.56	-3.4%	1.27	12.2%
2013 May	1.53	-3.9%	1.18	-5.3%
Jun	1.55	-0.6%	1.17	-5.4%
Jul	1.52	-2.7%	1.16	-8.6%

Source: Bank of England, Bankstats database

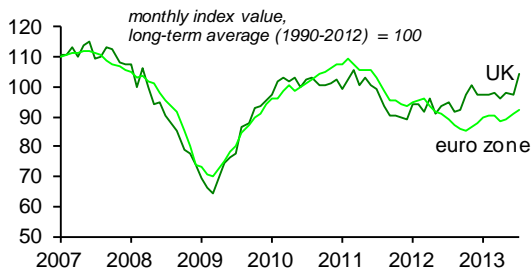
Contact: Daniel Harari, ext. 2464

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

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

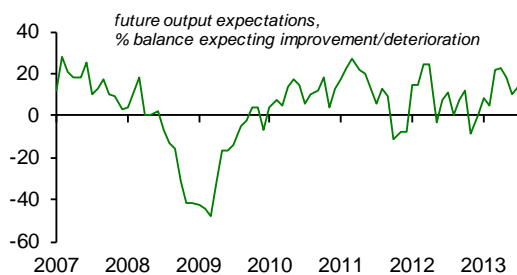


		UK Index	monthly change	change on year ago
2011	Jul	99.2	...	...
2012	Jul	95.0	...	...
2013	May	98.0	+1.8	+6.7
	Jun	97.3	-0.7	+4.0
	Jul	104.2	+6.9	+9.2

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 June and July the overall UK sentiment index rose by 6.9 points to 104.2 – 9.2 points higher than the previous year. The eurozone index rose by 1.2 points to 92.5.

CBI Industrial Trends Survey



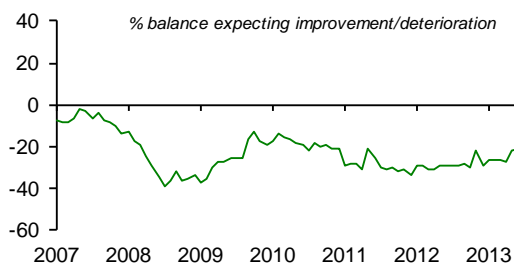
Balance (as a %) of those expecting an improvement
minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2011	Jul	+6	...	...
2012	Jul	+11	...	...
2013	May	+18	-5	+21
	Jun	+10	-8	+3
	Jul	+15	+5	+4

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In July 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +15% of firms. This is an increase from a balance of +10% in June and is higher than in June 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	Jul	-30	...	...
2012	Jul	-29	...	...
2013	May	-22	+5	+7
	Jun	-21	+1	+8
	Jul	-16	+5	+13

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 -16 in July, 5 points higher than the previous month and 13 points higher than a year ago

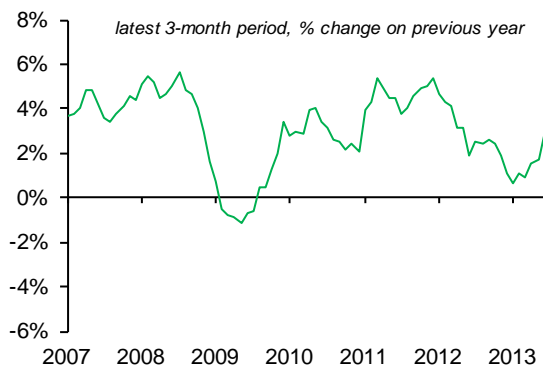
Contact: David Hough, x6933

Update: CBI, [Industrial Trends](#), 29 August
EC, [Economic Sentiment Indicator](#), 23 Aug
GfK NOP, [Consumer Confidence](#), 2 Sept

F2: Retail Sales

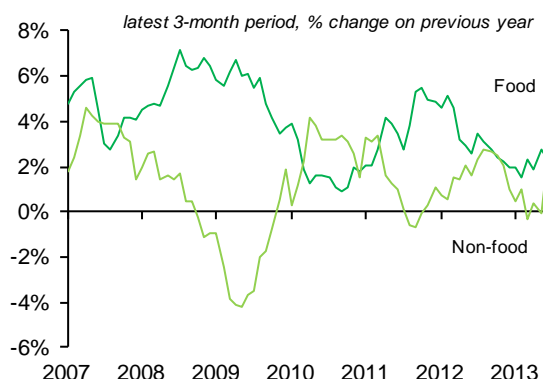
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The value of retail sales in the three months to June 2013 increased by 3.0% compared with the same three months in the previous year.
- The value of retail sales in June 2013 alone was 0.2% higher than in May 2013, and 3.8% higher than in June 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 June 2013 rose by 2.3% on the same period last year, while the value of sales in non-food stores increased by 2.3%.
- The value of sales in household goods stores in the three months to June fell by 3.3% compared to the same period last year, while the value of sales in 'other' specialised non-food stores rose by 6.1% (these are stores other than department stores and other than stores focusing on clothing or household goods).

Value of Retail Sales

annual data and 3-month periods ending in recent months, % change on previous year; seasonally adjusted

	Food Stores	Non-Food Stores					All retailing total (inc vehicle fuel)
		Clothing & Footwear	Household goods	Dept stores	Other	Total	
2011	4.2	3.3	-2.5	3.4	0.6	1.2	4.9
2012	3.0	1.5	-0.4	6.3	0.6	1.7	2.4
2013 FEB	1.5	0.7	-1.2	6.5	-0.6	1.0	1.1
MAR	2.3	0.1	-4.1	3.9	-0.9	-0.3	0.9
APR	1.9	0.4	-4.8	2.5	2.7	0.4	1.5
MAY	2.8	0.3	-5.7	0.4	3.3	-0.1	1.7
JUN	2.3	2.4	-3.3	2.5	6.1	2.3	3.0

Source: ONS, series: IEAU, IEBJ, IEBM, IEBA, IEAX, J5BY - all retail total includes non-store and vehicle fuel retail

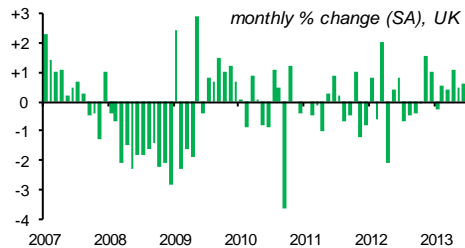
F3: Housing Market

House prices on the Nationwide index rose by 0.8% in July after a 0.3% rise in June. Prices were 3.9% higher compared with a year ago on this measure. House prices on the Halifax index rose by 0.6% in June following a 0.5% rise in May. Prices are 3.6% higher than a year ago on this measure.

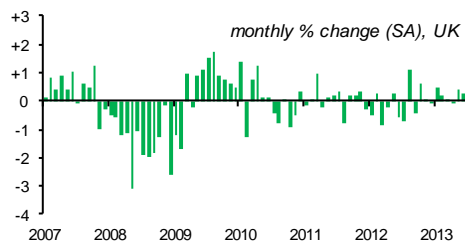
Numbers of mortgage approvals have remained generally flat since early 2010, at below half of pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index



Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jun-13	Jun-13
Change in month	+0.6%	+0.3%
Change in year	+3.6%	+1.9%
Peak date	Aug-07	Oct-07
Change since peak	-15.8%	-10.7%
Trough date	Apr-09	Feb-09
Change since trough	+8.6%	+10.8%

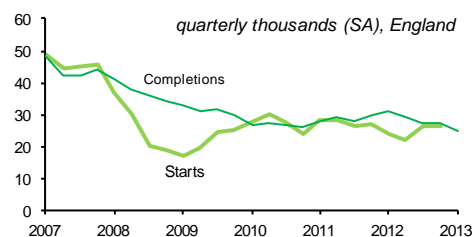
- The recovery in house prices since early 2009 has been tepid. At the beginning of Q2 2013, the average house price on the Nationwide measure was just over £167,000.
- There is considerable regional variation. In Q2 2013 prices rose by 7% in London but fell by 2% in Scotland compared with a year earlier. 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 57,667 mortgage approvals in June 2013; this was 1% lower than in May and 22% higher than June 2012.

House-building



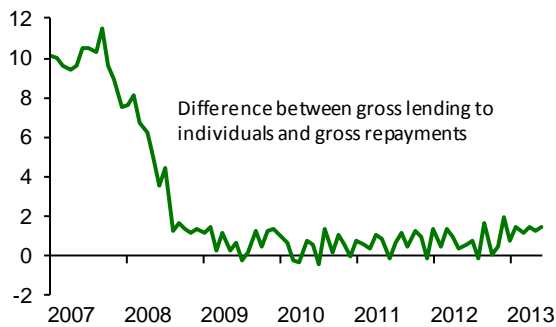
- There were 27,370 house building starts in England in Q1 2013, 4% more than in Q4 2012, and 15% more than in Q1 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 24,960 dwelling completions in Q1 2013, 8% down from 27,070 in Q4 2012, and 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: Matthew Ward, x5919

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

F4: Household debt

Monthly net lending, £bn

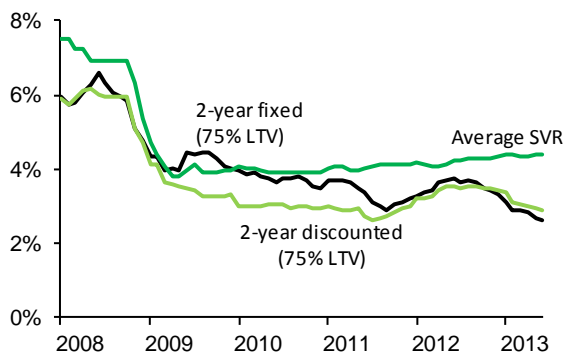


Source: Bank of England

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

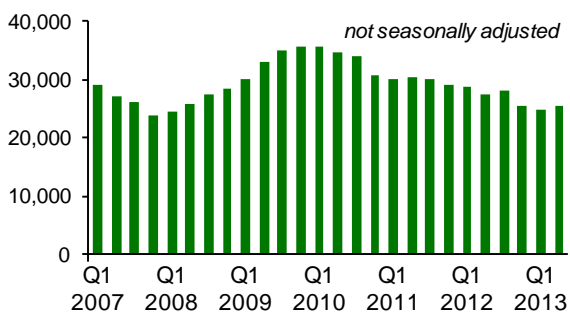
- Total net lending to individuals (excluding student loans) was £1.5 billion in June 2013. Net lending has been relatively low since mid-2008.
- Monthly net unsecured lending (consumer credit) was £0.5 billion in June. Monthly net secured lending (mortgages) was £1.0 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has been rising gradually for some time – in June 2013 it was 4.38%, compared with 4.22% a year before.
- In contrast fixed mortgage rates have been falling over the last year – the average fixed mortgage rate was 2.63% in June, compared to 3.74% the year before. The average fixed-term variable (discounted) rate was 2.91% in June (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 25,717 individual insolvencies in England and Wales in Q2 2013, a 6.1% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q2 2013 there were 3,999 individual insolvencies, a decrease of 28.6% on Q2 2012.
- In N Ireland in Q2 2013 there were 894 individual insolvencies, an increase of 12.5% on Q. 2 2012

Contact: David Hough, x6933

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 30 August
Insolvency Service, [Insolvency Statistics](#), 2 Sept

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.