



# Economic Indicators, September 2013

RESEARCH PAPER 13/52 03 September 2013

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

- GDP is estimated to have grown by 0.7% in Q2 2013 compared with the previous quarter, the biggest quarterly growth since Q3 2012 which was boosted by the Olympics.
- This positive news was compounded in August by data from the services industry which showed that output in June was only 0.2% below the pre-recession peak in Q1 2008.
- August also saw the Governor of the Bank of England [announce](#) that the Bank “intends not to raise the Bank Rate from its current level of 0.5% at least until the [ILO] unemployment rate has fallen to a threshold of 7%.” The Bank does not expect this to happen until mid-2016.

This month's articles:

**Getting real about earnings**

**Safe as houses? The UK housing market since 2007**

Chris Rhodes (editor)

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## Research Paper 13/52

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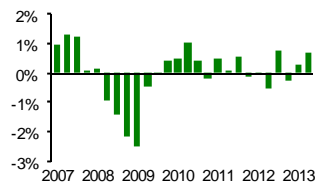
## Summary

GDP is estimated to have grown by 0.7% in Q2 2013 compared with the previous quarter, the biggest quarterly growth since Q3 2012 which was boosted by the Olympics. This positive news was compounded in August by data from the services industry which showed that output in June was only 0.2% below the pre-recession peak in Q1 2008. August also saw the Governor of the Bank of England [announce](#) that the Bank “intends not to raise the Bank Rate from its current level of 0.5% at least until the [ILO] unemployment rate has fallen to a threshold of 7%.” The Bank does not expect this to happen until mid-2016.

### GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by an estimated 0.7% in Q2 2013, following growth of 0.3% in Q1 2013. GDP is 3.2% below its pre-recession peak in Q1 2008.

### Inflation (CPI)

[page 7](#)

(% change on year ago)

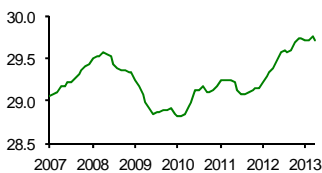


The CPI annual inflation rate was 2.8% in July 2013, down from 2.9% in June. The Bank of England target is 2.0%.

### Employment

[page 10](#)

(total, millions)

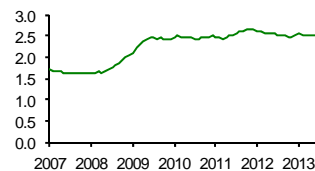


There were 29.78 million people aged 16 and over in employment in the three months to June 2013, up 69,000 on the quarter. The employment rate, the proportion of all people aged 16-64 in employment, was 71.5%.

### Unemployment

[page 11](#)

(total, millions, ILO definition)

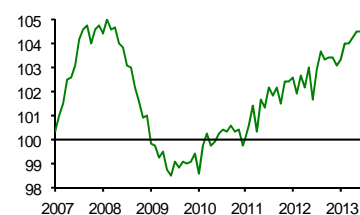


There were 2.51 million unemployed people in the three months to June 2013, down 4,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.8%.

### Services industry output

[page 4](#)

(Index, 2009=100)



Output in the services industry in June 2013 increased by 2.8% compared with a year before. Services output is now only 0.2% below its peak which was in Q1 2008.

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Next issue: 1 October

Editor: Chris Rhodes

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## 1 Introduction to *Economic Indicators*

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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.

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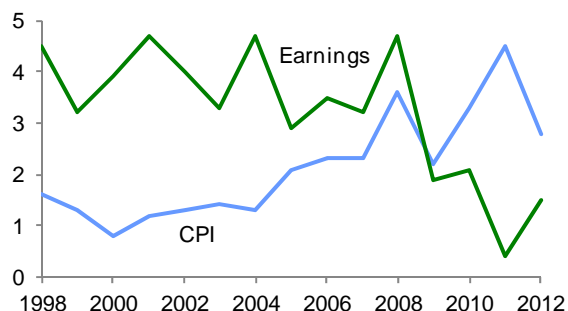
## 2 Getting real about earnings

Earnings growth has failed to keep pace with price rises in recent years. Prior to the economic downturn in 2008, annual increases in average earnings had been well above CPI inflation.

In April 2012, median weekly earnings for full-time employees were £506, about the same in real terms as in 2003. Real median earnings have fallen by around £39 from their 2008 peak, a decrease of 7.1%.<sup>3</sup>

There has been a real terms reduction in earnings since 2008 for both relatively high-paid and low-paid workers. Similarly, in earlier years, positive real earnings growth was observed across the earnings distribution.<sup>4</sup>

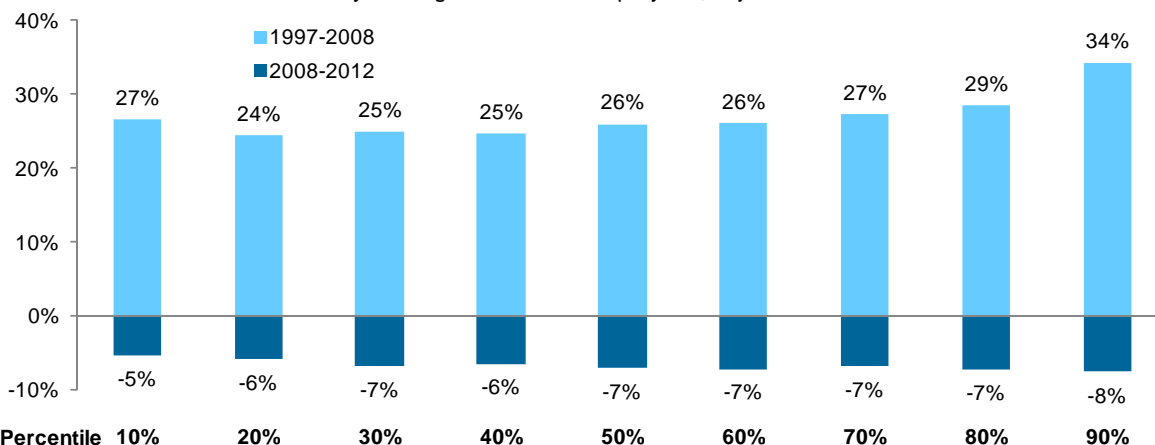
Median weekly earnings, annual % change



Gross median weekly earnings of full-time employees

Cumulative change in real earnings across the earnings distribution, 1997-2008 and 2008-2012

Gross weekly earnings of full-time employees; adjusted for CPI inflation



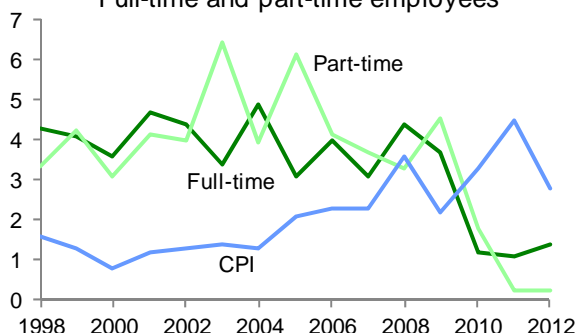
A person at the  $x^{\text{th}}$  percentile earns more than  $x\%$  of other employees

### Full-time and part-time earners

Full-time jobs tend to be more highly paid than part-time jobs: in April 2012, median hourly earnings for part-time employees were £8.01 compared to £12.82 for full-time employees.<sup>5</sup> Earnings of part-time workers have grown more slowly since 2011 than earnings of full-time workers.

Median hourly earnings, annual % change

Full-time and part-time employees



<sup>3</sup> Earnings figures are from ONS *Annual Survey of Hours and Earnings* (ASHE), converted to real terms using CPI inflation. Real terms figures are expressed in April 2012 prices.

<sup>4</sup> Percentage changes have been calculated taking into account discontinuities in the ASHE series in 2004, 2006 and 2011.

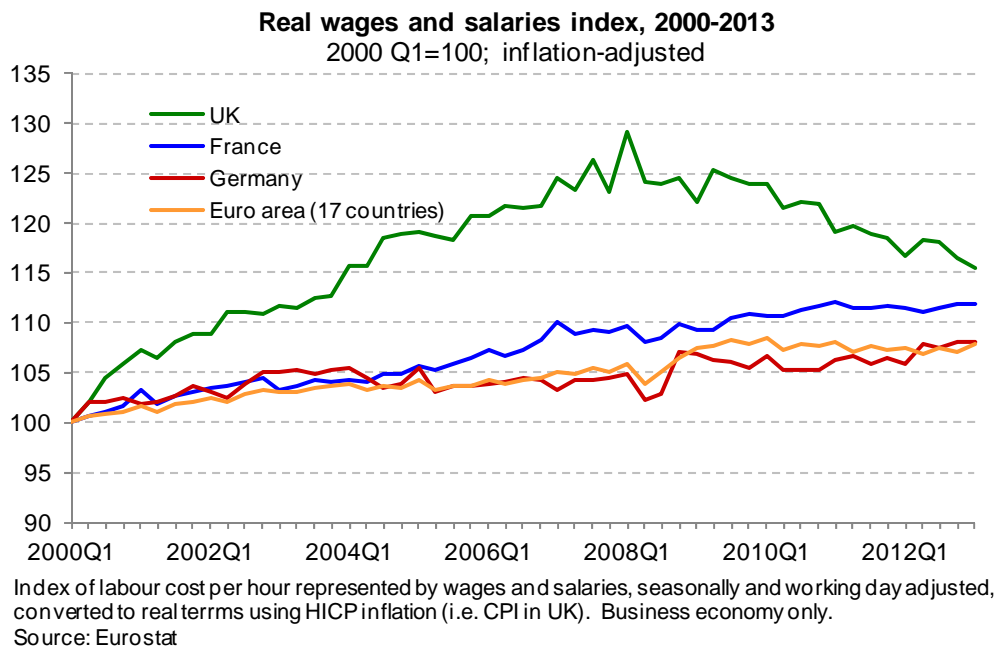
<sup>5</sup> Analysis of *weekly* earnings looks at pay in full-time employee jobs rather than part-time jobs, as one person may hold several part-time roles.



### Pay in other countries

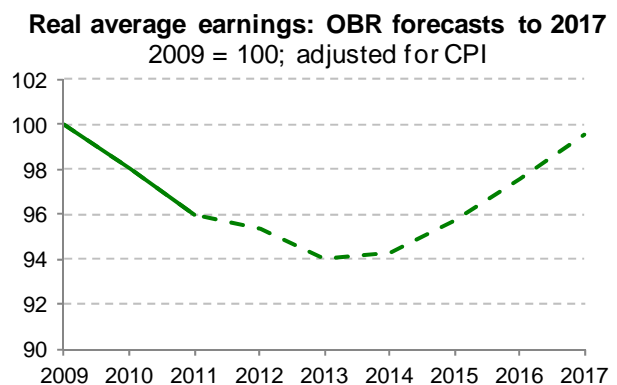
In the years preceding the financial crisis, real earnings in the business economy grew at a much faster rate in the UK than in other countries in Western Europe.<sup>6</sup> But while real wages have fallen in the UK since 2009, they have remained broadly flat in many other European countries, including France and Germany.

Part (but not all) of the difference is attributable to higher inflation. Consumer prices in the UK have increased by 19% since the start of 2008 compared to increases of less than 10% in France and Germany. Earnings in the UK are still relatively high compared to other European economies; in 2012, average pre-tax wages in the UK were around 5% higher than in Germany and 12% higher than France.<sup>7</sup>



### What next?

In its March 2013 forecasts, the Office for Budget Responsibility (OBR) projected that real average earnings will fall by 1.4% in 2013 but will start increasing again from next year. Earnings are expected to grow at 0.3% above inflation in 2014, followed by real terms increases of 1.5% in 2015 and 2.0% in 2016.<sup>8</sup> However the sustained fall in real earnings in recent years means they are not expected to return to 2009 levels before 2017.



Feargal McGuinness, Economic Policy and Statistics

<sup>6</sup> Business economy excludes agriculture, public administration, health and education industry sectors and non-market activities.

<sup>7</sup> Based on US\$ Purchasing Power Parity (PPP) exchange rates. Source: OECD, *Employment Outlook 2013*

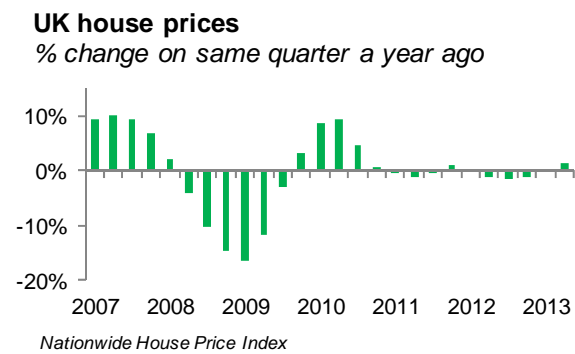
<sup>8</sup> The OBR earnings measure differs from the ASHE earnings measure.

### 3 Safe as houses? The UK housing market since 2007

Following the global financial crisis of 2007 and 2008, weak economic confidence and falling liquidity in the mortgage market meant that the UK housing market experienced a period of decline. Initial signs of recovery in 2010 were followed by a period of instability marked by fluctuating increases and decreases. This article looks at the current state of the UK housing market, examining some of the trends and statistics behind recent headlines.

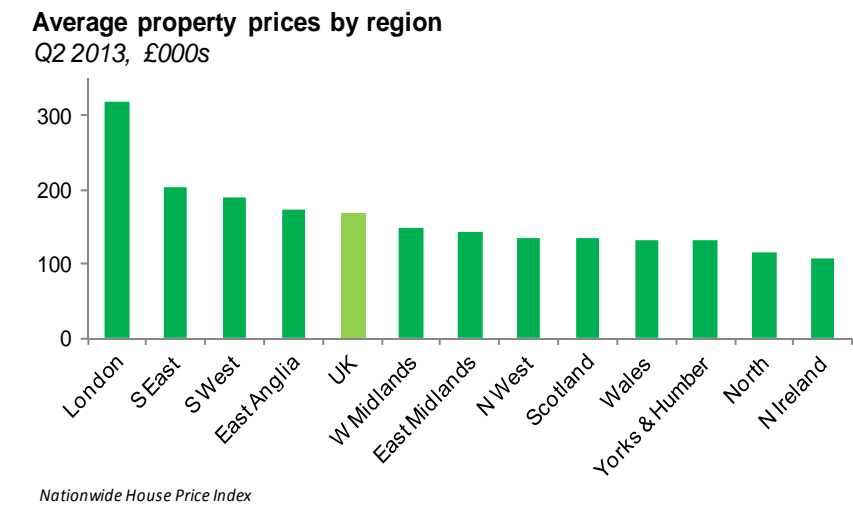
#### 3.1 House prices

Falling house prices received much media publicity at the height of the recession, with a number of different house price indicators showing monthly or quarterly declines between late 2007 and late 2009.



In annual terms, house prices continued to increase until Q1 2008 and then underwent a period of decline. House prices began to recover in late 2009 and some sustained increases were observed until 2011 when a trend towards declining prices set in. Although the declines were not as pronounced as those of 2008 and 2009, sustained increases over two consecutive quarters were not seen again until the first two quarters of 2013.

The effect of this is that in most areas, and for the UK as a whole, prices have not yet returned to their 2007 levels, the exception being London, which has seen the greatest recovery in prices of any region.



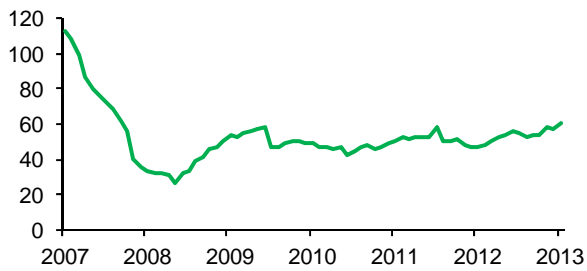
The average house price in London in Q2 2013 was 8.8% above that observed in Q2 2007.

In Q2 2013, the average property price in London was over £318,000, 90% more than the UK average (£167,000). The average property price in Northern Ireland was £108,000.

#### 3.2 House sales

Data from the Land Registry shows that throughout 2007, the 12 month rolling average for the number of house sales in England and Wales remained above 100,000. By January 2009, the 12 month rolling average had fallen to below 50,000. Although it has recovered slightly, the most recent Land Registry data for March 2013 shows a 12 month rolling average of around 55,000, still well below the pre-recession peak.

**Secured lending approvals for house purchases in the UK (000s)**

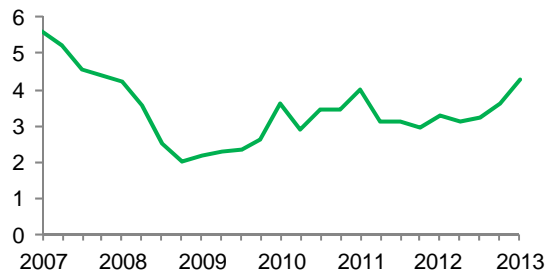


Mortgage approvals data from the Bank of England are another leading indicator of house sales. There was a decline in the number of approvals for house purchases from mid-2006 to late-2008. Approvals reached their lowest level in November 2008. Since then the trend has been towards an increase in house purchase approvals, with some fluctuations. The July 2013 figure of 60,642 approvals for house purchase was the highest observed since March 2008.

### 3.3 House building

The value of total housing orders in Great Britain fell sharply in 2007 and 2008 and although they have recovered, they are around £1.3 billion lower than their peak in Q1 2007. In Q1 2013, total housing orders totalled £4.3 billion compared with £5.6 billion in Q1 of 2007.

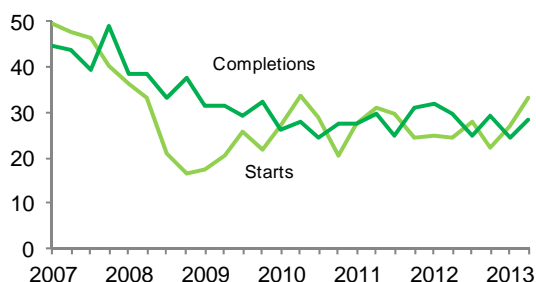
**Value of new housing orders in Great Britain (£ billion)**



However, the number of houses *completed* in England remains at a historically low level. 2010 saw fewer houses completed than in any year since 1946. Although there has been a slight recovery, 2012 saw only 115,000 houses completed, the third lowest annual total since 1946. The 2012 total is 35% lower than the number of houses completed in 2007.

Given the time it takes for an order to a construction firm to result in a completed house, house building completions are a lagging indicator of the state of the housing market. A more responsive indicator of activity in the house building sector is the number of houses *started*. When economic confidence is high, the number of houses started generally increases, and there tend to be more housing starts than completions. When confidence is low, starts are often outnumbered by completions, as orders for new housing diminish.

**Housing starts and completions, England (000s)**



As the economy stalled, there was a striking fall in the number of houses started – there were 54% fewer starts in Q1 2009 compared with Q1 2008. The number of starts recovered in 2009 and 2010, but has fluctuated since then. The first two quarters of 2013 have seen consecutive increases in the number of housing starts. In Q2 of 2013 there were 4,600 more starts than completions.

The combined impression from current data on house prices, mortgage approvals and house building suggest that the housing market is entering a further period of growth. However, recent years have seen much fluctuation between growth and decline, so it would be prudent to await additional data before deciding whether sustained increases are likely.

Rachael Harker, Social and General Statistics



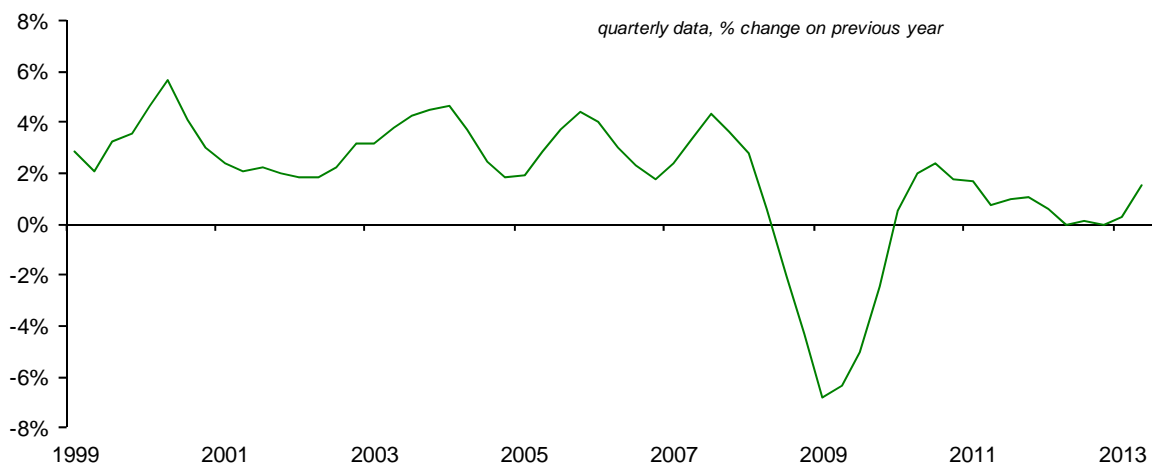
## A1: Gross Domestic Product

Revised estimates show that the economy grew by 0.7% 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 1.2% for 2013 and 1.9% 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.

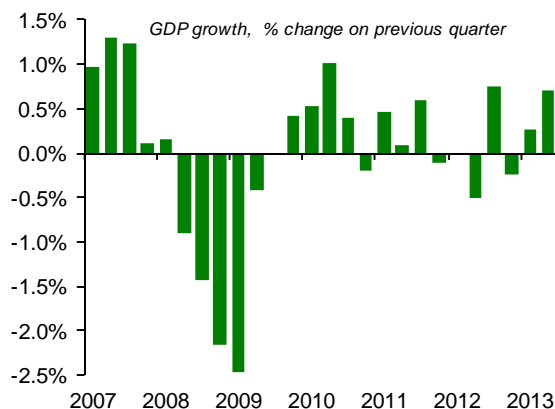
In a revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought, meaning real GDP in Q1 2013 is now thought to be 3.9% below its pre-recession peak (as opposed to 2.6% before the revisions). Though the ONS revised away the technical '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 Q2 2013, output of the production industries increased by an estimated 0.6% compared to the previous quarter (based on chained volume measures). Construction sector output rose by 1.4%, and output of the service industry increased by 0.6%.

### 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	399.8	3.3	0.7	1.5

Source: ONS, series: YBHA, ABMI

**Contact:** Gavin Thompson, x2042

**Updates:** HMT, [Forecasts for the UK economy](#), 18 Sept  
ONS, [Quarterly National Accounts](#), 26 Sept

## A2: GDP: International Comparisons

In Q2 2013, GDP in the UK grew by 0.7% compared with the previous quarter, while in the US it rose by 0.4%. Q2 saw the eurozone return to growth for the first time since mid-2011 with GDP up by 0.3%, underpinned by increases of 0.7% in Germany and 0.5% in France. GDP in Japan rose by 0.6% in Q2 after a 0.9% expansion in Q1.

### 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	0.7
Eurozone	-0.7	-0.9	-1.1	-0.7	-0.1	-0.6	-0.3	0.3
US	3.1	2.0	1.3	1.4	0.7	0.0	0.3	0.4
Japan	0.4	0.3	0.1	0.9	-0.9	0.3	0.9	0.6
Germany	0.9	0.3	-0.3	0.5	0.2	-0.5	0.0	0.7
France	0.0	-0.3	-0.5	0.3	0.2	-0.2	-0.2	0.5
G7	1.6	0.9	0.5	..	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%).

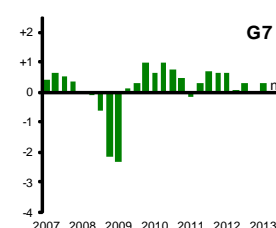
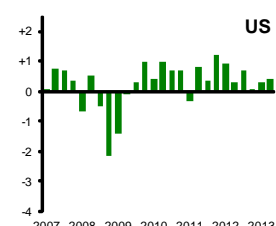
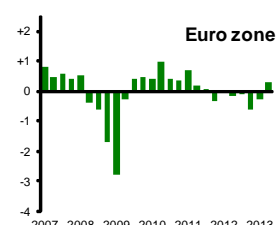
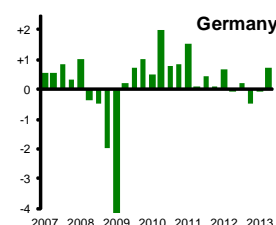
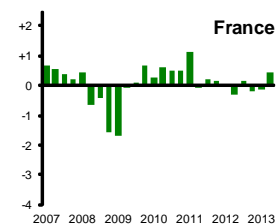
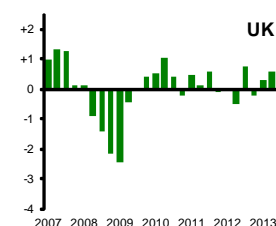
In **May 2013**, the European Commission lowered their GDP growth forecasts for the UK, last made in February 2013, from 0.9% to 0.6% for 2013 and from 1.9% to 1.7% for 2014. Their growth forecast for the euro zone was lowered by 0.1%-points to -0.4% for 2013.

### 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
<b>OECD</b>	..	..	..	..	<b>1.2</b>	<b>2.3</b>
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
<b>World</b>	<b>3.1</b>	<b>3.8</b>	<b>3.1</b>	<b>3.8</b>	<b>3.1</b>	<b>4.0</b>

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

### Quarter-on-quarter growth rates



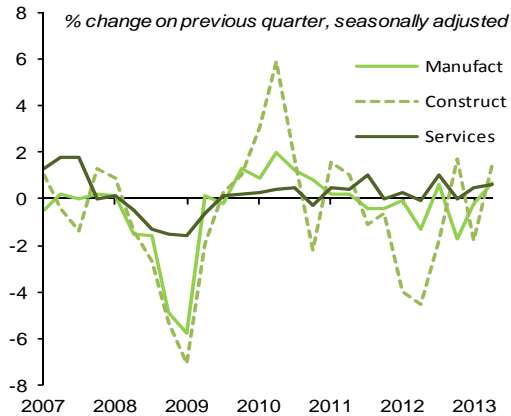
**Update:** OECD, [OECD.Stat](#) database  
 OECD, [Economic Outlook](#), Nov/Dec 2013  
 EC, [Autumn Economic Forecast](#), Oct 2013  
 IMF, [World Economic Outlook](#), Sep/Oct 2013

**Contact:** Daniel Harari, x2464

### A3: Components of GDP

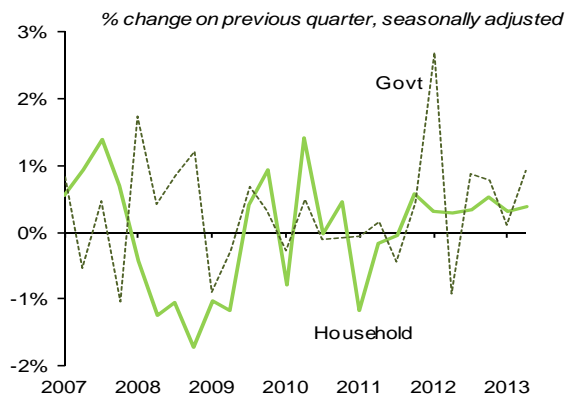
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the manufacturing sector for 10% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption 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 0.7%. Construction sector output increased by 1.4%
- The last quarter in which all three sectors grew was Q2 2011.

#### Expenditure - household and government consumption



- In Q2 2013, household consumption grew by 0.4% in real terms compared with Q1 2013.
- Government consumption increased by 0.9% in Q2 2013. Gross fixed capital formation increased by 1.7%.
- Exports grew by 3.6% and imports grew by 2.5% in Q2 2013 meaning that net trade was a significant contributor to overall GDP growth of 0.7%.

#### 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	0.4%	0.9%	1.7%	3.6%	2.5%	0.7%

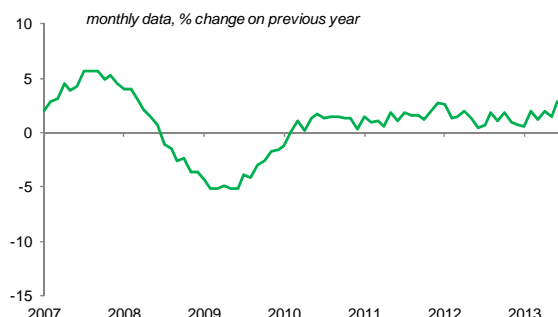
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

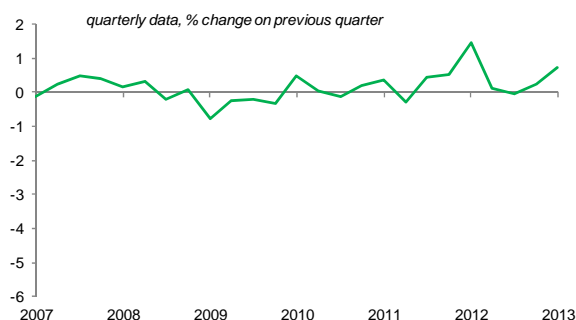


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	...	1.5
2012	102.8	...	1.3
2013 Mar	104.0	0.0	1.2
Apr	104.3	0.3	2.0
May	104.5	0.2	1.4
Jun	104.5	0.0	2.8

Source: ONS, series S2KU, S222, S26Q

- Output in the services sector was unchanged in June 2013 compared with May 2013. Compared with a year before, services output increased by 2.8%. Services output is now 0.2% below its peak which was in Q1 2008.
- The biggest contributor to growth in the service sector over the last year was the business services and finance sector, which contributed 1.1 percentage points to overall services growth.

### Jobs in the service industries

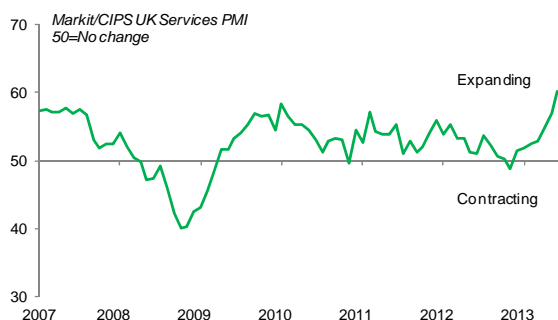


	Thousands	% change on quarter	% change on year
2011 Q1	26,099	...	0.5
2012 Q1	26,661	...	2.2
Q2	26,689	0.1	2.6
Q3	26,673	-0.1	2.0
Q4	26,736	0.2	1.7
2013 Q1	26,933	0.7	1.0

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

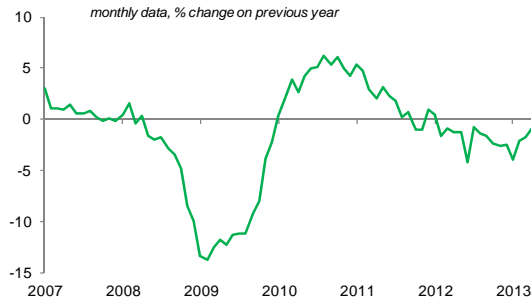
Update: ONS, [Index of Services](#), 27 Sep  
 ONS, [Workforce Jobs](#), 11 Sep  
 Markit/CIPS [UK Services PMI](#), 4 Sep



## 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

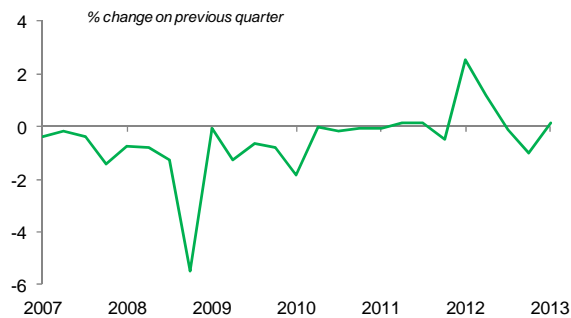


	Index Value (2010=100)	% change on month	% change on year
2011	101.8	...	1.8
2012	100.1	...	-1.7
2013 Mar	99.3	0.9	-1.7
Apr	99.1	-0.2	-0.9
May	98.4	-0.7	-2.9
Jun	100.3	1.9	2.0

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

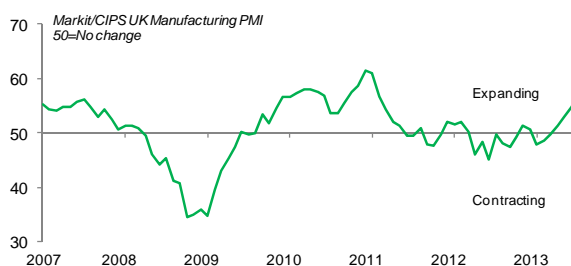


	Thousands	% change on quarter	% change on year
2011 Q1	2,552	...	-0.4
2012 Q1	2,611	...	2.3
Q2	2,641	1.1	3.4
Q3	2,638	-0.1	3.1
Q4	2,611	-1.0	2.5
2013 Q1	2,614	0.1	0.1

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 Aug	49.4	...
2012 Aug	49.6	...
2013 May	51.3	1.5
June	52.9	1.6
July	54.8	1.9
August	57.2	2.4

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, the highest since 1994 at 57.2 in August, up from 54.8 in July (where 50.0 is no change).
- Markit stated that "Manufacturing output increased at the fastest pace since July 1994, with marked expansion signalled across the consumer, intermediate and investment goods sectors."

**Contact:** James Mirza-Davies, x6962

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

## 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.

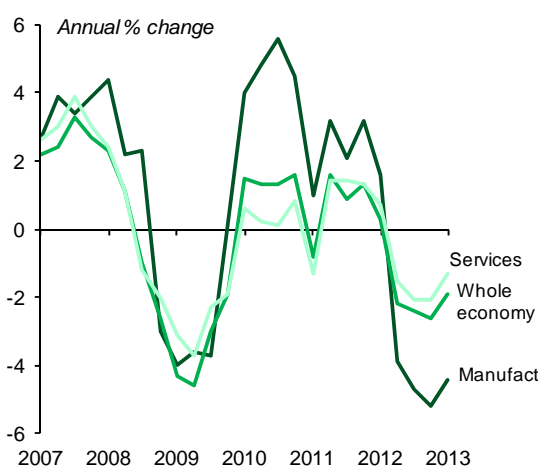
### UK productivity by sector

- 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

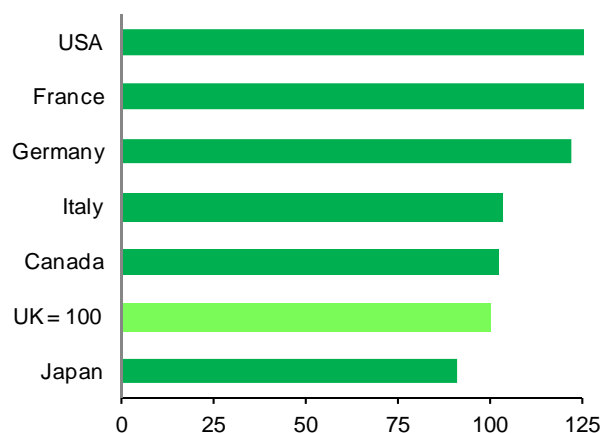
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.7	0.4	1.4
2011	2.4	0.7	0.8
2012	-3.1	-1.2	-1.7
2011 Q4	3.2	1.3	1.3
2012 Q1	1.6	0.7	0.3
Q2	-3.9	-1.5	-2.2
Q3	-4.7	-2.1	-2.4
Q4	-5.2	-2.1	-2.6
2013 Q1	-4.4	-1.3	-1.9
<i>Latest q-on-q % change</i>			
	-0.4	0.3	0.0

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

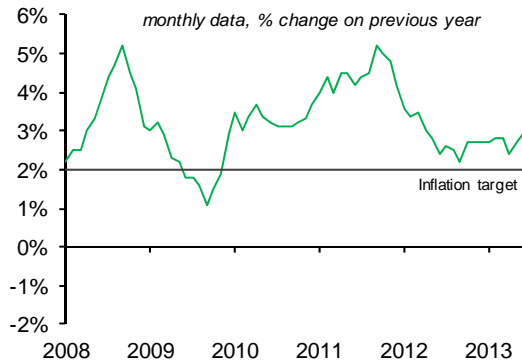
Update: ONS, [Labour Productivity](#), 27 Sep  
 ONS, [International Comparisons](#), early Sep

## B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.8% in July, down from 2.9% in June and above the Bank of England's 2.0% target.

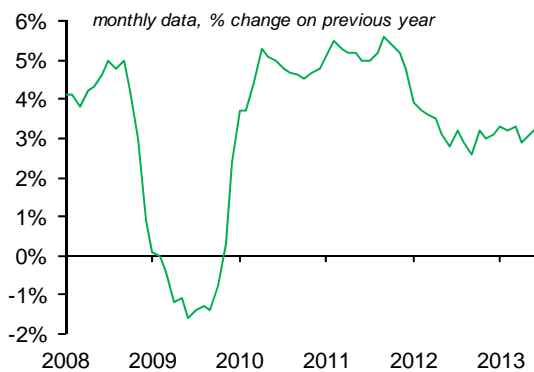
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

### Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.8% in July down from 2.9% in June.
- The largest downward contribution came from air fares, plus price movements in the recreation & culture, and clothing & footwear sectors. This downward trend was partially offset by a rise in petrol and diesel prices.
- The RPI (all items) measure of annual inflation was 3.1% in July, down from 3.3% in June.

### Retail Prices Index (RPI)

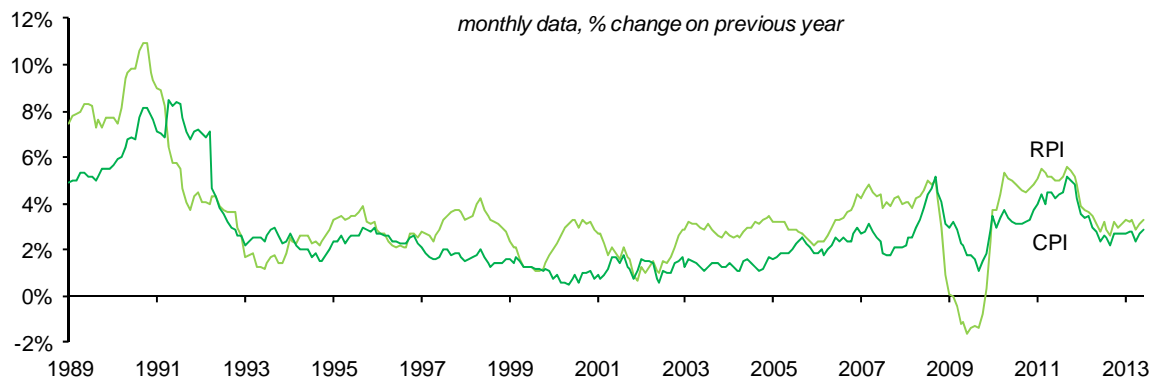


### Price Indices

		% change on a year ago	
		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2013	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
	Jul	2.8	3.1

Source: ONS database, series: D7G7, CZBH

### CPI and RPI since 1989



Contact: Matthew Ward, x5919

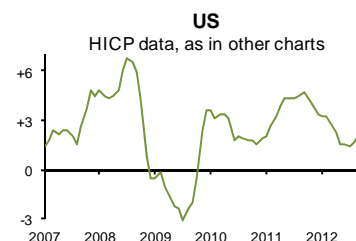
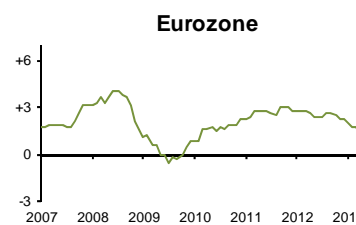
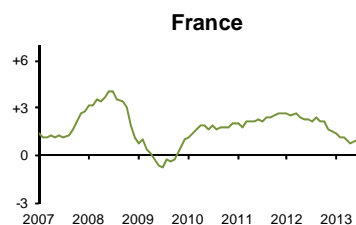
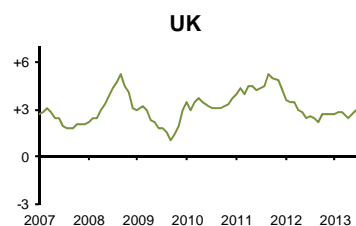
Update: ONS, [Consumer Price Indices](#), 13 Aug 2013

## 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 2.8% in the year to July 2013, down from 2.9% in June. The Bank of England's UK inflation target is 2%.
- Eurozone inflation in the year to August 2013 is expected to be 1.3%, down from 1.6% in July. 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 July 2013 was in Greece at -0.5%. The highest rate was in Estonia at 3.9%.
- 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 July 2013 was 2.0% using its own national definition, up from 1.8% in June.



### Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Apr-13	May-13	Jun-13	Jul-13
<b>HICP (OECD/Eurostat)</b>							
UK	3.3	4.5	2.8	2.4	2.7	2.9	2.8
Eurozone	1.6	2.7	2.5	1.2	1.4	1.6	1.6
EU	2.1	3.1	2.6	1.4	1.6	1.7	1.7
France	1.7	2.3	2.2	0.8	0.9	1.0	1.2
Germany	1.2	2.5	2.1	1.1	1.6	1.9	1.9
Greece	4.7	3.1	1.0	-0.6	-0.3	-0.3	-0.5
Italy	1.6	2.9	3.3	1.3	1.3	1.4	1.2
Spain	2.0	3.1	2.4	1.5	1.8	2.2	1.9
US	2.4	3.8	2.1	:	:	:	:
<b>National definitions (OECD)</b>							
Canada	1.8	2.9	1.5	0.4	0.7	1.2	:
Japan	-0.7	-0.3	0.0	-0.7	-0.3	0.2	:
US	1.6	3.2	2.1	1.1	1.4	1.8	2.0
G7	1.4	2.6	1.9	0.9	1.2	1.5	:
OECD	1.9	2.9	2.3	1.3	1.5	1.8	:
Brazil	5.0	6.6	5.4	6.5	6.5	6.7	6.3
China	3.3	5.4	2.6	2.4	2.1	2.7	2.7
India	12.0	8.9	9.3	10.2	10.7	11.1	:
Russia	6.9	8.4	5.1	7.2	7.4	6.9	:

Source: Eurostat & stat.OECD database

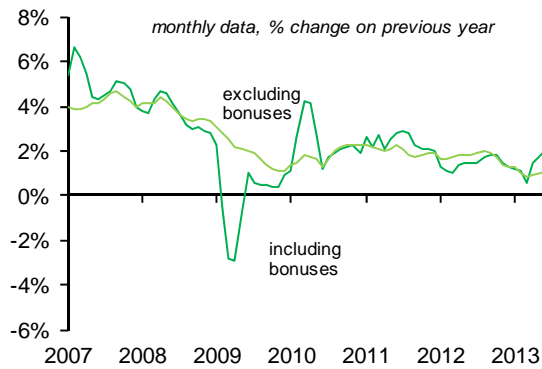
**Contact:** Gavin Thompson, x2042

**Updates:** ONS [Consumer Prices bulletin](#) (UK), 17 Sep 2013  
Eurostat, [HICP full release](#), 16 Sep 2013  
Eurostat, [Flash estimate](#) (Eurozone), 30 Sep 2013

### B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 2.1% in the three months to June, compared with a year ago. Inflation as measured by the CPI was 2.9% in June – the 38<sup>th</sup> consecutive month in which inflation has exceeded nominal wage growth.

#### Average Earnings, Whole Economy



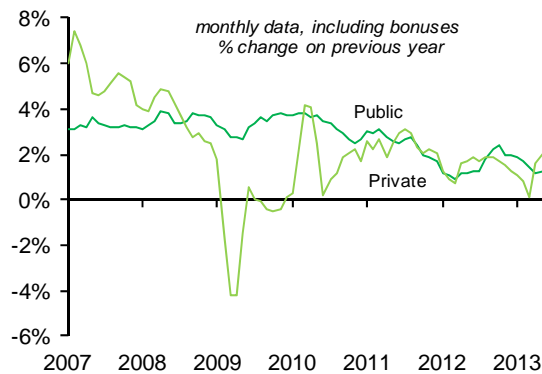
#### Average Earnings, Including Bonuses

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

		Private	Public	Manuf.	Serv.	Total
2010	Jun	0.2	3.5	3.5	1.1	1.2
2011	Jun	2.9	2.5	1.7	3.2	2.8
2012	Jun	1.9	1.3	2.5	1.2	1.5
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	2.1	1.3	2.7	1.8	1.8
	Jun	2.6	0.9	2.6	2.0	2.1

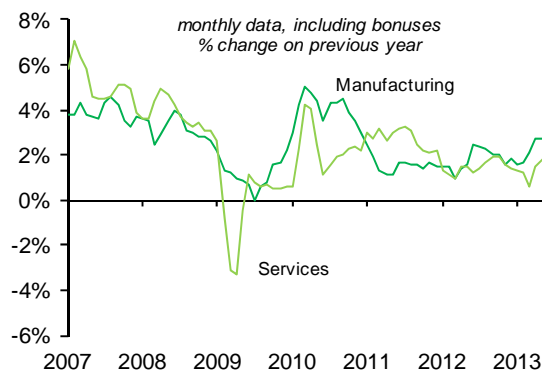
Source: ONS, data shows latest 3-month period

#### Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector was up 2.6% year-on-year in the three months to July, compared with a 0.9% increase in the public sector.
- Average weekly earnings (including bonuses) in June in the public sector were £483 compared with £470 in the private sector.
- Average weekly earnings (including bonuses) in June were £473 for the whole economy.

#### Average Earnings in Services and Manufacturing

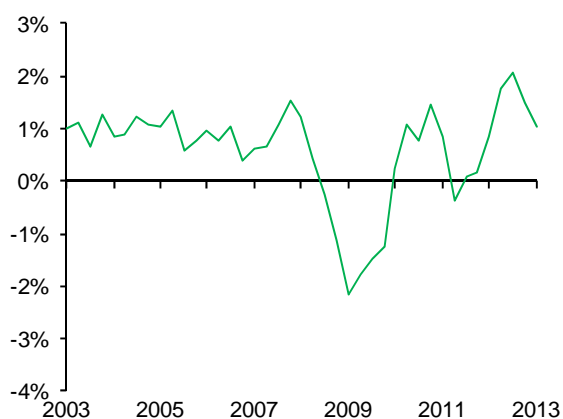


- Average total pay growth (including bonuses) in the manufacturing sector was 2.6% in the three months to June. In the service sector total pay grew by 2.0%.
- Average weekly earnings (including bonuses) in June in the manufacturing sector were £557 compared with £460 in the services sector.
- Average weekly earnings (including bonuses) in the finance and business services sector were £603 in June.

## C1: Employment

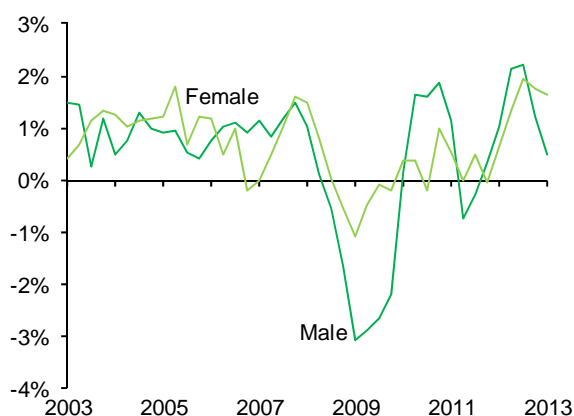
There were 29.78 million people aged 16 and over in employment in the UK in April to June 2013. The number of people in employment increased by 69,000 compared to the previous quarter and by 301,000 compared to the same period last year. The employment rate for people aged 16-64 was 71.5%. This compares to a pre-recession rate of 73.0% in March-May 2008.

### Total employment (% change on previous year)



- Male employment rose slightly over the last quarter, to 15.91 million, while female employment also rose, by 44,000, to 13.86 million.
- The number of people who are self-employed rose slightly to 4.18 million. The number of female self-employed people rose by 11,000 and the number of male self-employed people fell by 5,000.
- The number of employees increased by 40,000 over the last quarter to 25.32 million. The number of female employees rose by 14,000, and the number of male employees increased by 26,000.

### Employment by gender (% change on previous year)



- Full-time employment increased by 31,000 over the past quarter to 21.71 million. Full-time employment made up 73% of all employment.
- Part-time employment rose by 38,000 over the past quarter to 8.07 million. Male part-time employment was up 36,000 to 2.11 million. The number of women working part-time was broadly unchanged at 5.96 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+
Apr-Jun 2011	29,224	3,728	17,242	7,375	880
Apr-Jun 2012	29,476	3,690	17,352	7,502	931
Jul-Sep 2012	29,576	3,686	17,409	7,537	945
Oct-Dec 2012	29,751	3,720	17,429	7,628	973
Jan-Mar 2013	29,708	3,675	17,419	7,634	980
Apr-Jun 2013	29,777	3,582	17,496	7,689	1,010
% change on previous 3 months	+0.2	-2.5	+0.4	+0.7	+3.0
% change on previous year	+1.0	-2.9	+0.8	+2.5	+8.4

Source: ONS

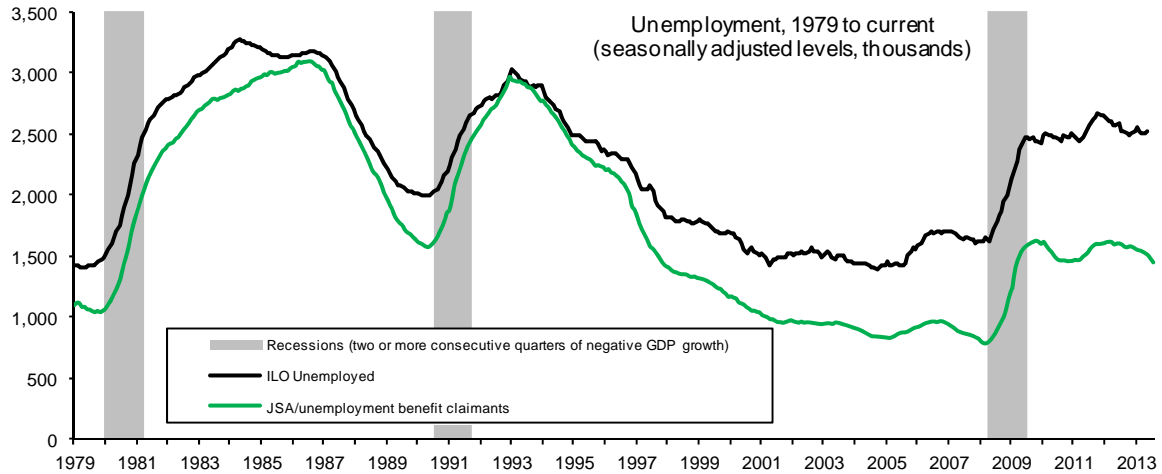
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 11 Sept 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 April 2013 – June 2013 was 2.51 million (7.8% of all economically active) – down 4,000 from the previous quarter. (UK, seasonally adjusted).**



[Source: ONS, *Labour Market Statistics*]

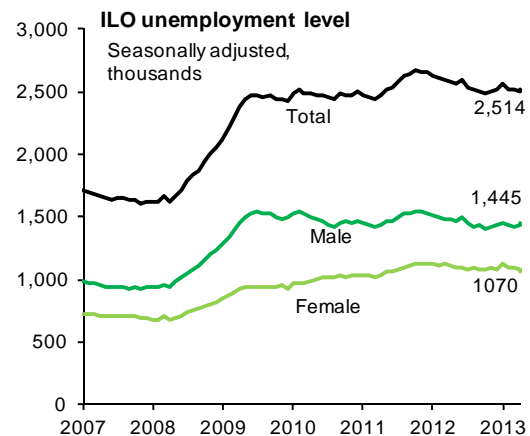
### ILO unemployment April 2013-June 2013

The number of people who have been unemployed for longer than twelve months increased by 7,000 over the past quarter and 28,000 over the past year, to 909,000 in April-June 2013.

973,000 people aged 16-24 were unemployed in April-June 2013, 15,000 more than in the previous quarter but 39,000 fewer than the previous year.

### Jobseeker's Allowance (JSA) claimant count

The number of people claiming Jobseeker's Allowance decreased by 29,200 between June and July 2013 to 1.44 million people aged 18 or over, the lowest level since February 2009.



### 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	(%)
Apr-Jun 2008	1,674	5.4	713	14.5	723	4.0	223	3.0	14	2.0
Apr-Jun 2009	2,435	7.8	925	19.2	1,140	6.3	350	4.6	21	2.8
Apr-Jun 2010	2,471	7.9	929	19.7	1,149	6.3	374	4.9	19	2.3
Apr-Jun 2011	2,513	7.9	957	20.4	1,168	6.3	370	4.8	18	2.0
Apr-Jun 2012	2,564	8.0	1,012	21.5	1,149	6.2	384	4.9	20	2.1
Jul-Sep 2012	2,514	7.8	963	20.7	1,155	6.2	377	4.8	20	2.1
Oct-Dec 2012	2,503	7.8	975	20.8	1,139	6.1	367	4.6	22	2.2
Jan-Mar 2013	2,518	7.8	958	20.7	1,154	6.2	388	4.8	18	1.8
<b>Apr-Jun 2013</b>	<b>2,514</b>	<b>7.8</b>	<b>973</b>	<b>21.4</b>	<b>1,116</b>	<b>6.0</b>	<b>398</b>	<b>4.9</b>	<b>26</b>	<b>2.5</b>
% change on quarter	-0.1		+1.6		-3.3		+2.7		+48.5	
% change on year	-1.9		-3.8		-2.8		+3.9		+33.5	

Source: ONS, *Labour Market Statistics*.

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

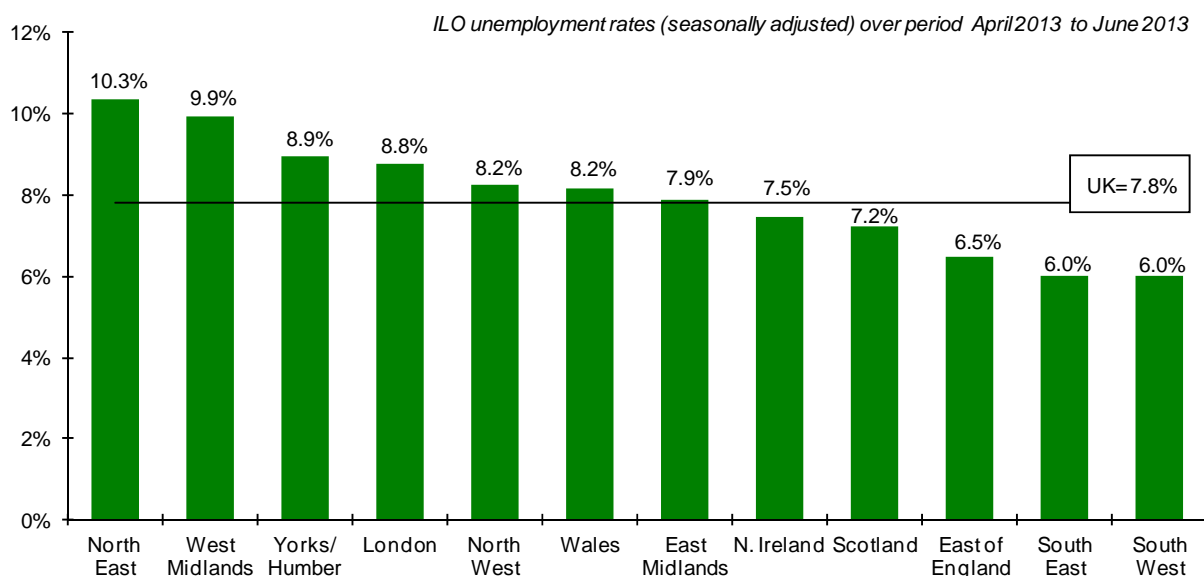
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 11 September 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 10.3% of the economically active population. The lowest rates over the same period were 6.0% in the South East and the South West.



- The largest increase in unemployment over the last quarter was in the West Midlands (up 18,000). The largest decrease was in the South East (down 25,000).
- All regions showed a decrease in the seasonally-adjusted JSA claimant count in June compared with June.

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

	ILO unemployment				JSA claimant count	
	Apr 13-Jun 13		Change in level		July 2013	
	Level (000s)	Rate (%) <sup>(a)</sup>	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	134	10.3	+7	-0	85.8	-1.5
North West	284	8.2	+7	-35	182.0	-3.3
Yorkshire & Humber	244	8.9	-5	-22	152.8	-2.9
East Midlands	181	7.9	+4	-12	97.0	-2.3
West Midlands	272	9.9	+18	+37	151.9	-2.6
East of England	203	6.5	-6	-1	103.6	-2.4
London	376	8.8	+9	+10	205.0	-4.3
South East	274	6.0	-25	-9	120.5	-2.8
South West	162	6.0	-5	+5	77.8	-1.9
Wales	122	8.2	+1	-4	73.4	-1.8
Scotland	198	7.2	-1	-17	129.3	-2.9
Northern Ireland	64	7.5	-6	-1	62.4	-0.5

Source: ONS, *Labour Market Statistics*

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

**Contact:** David Hough x6933

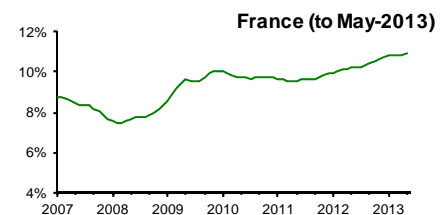
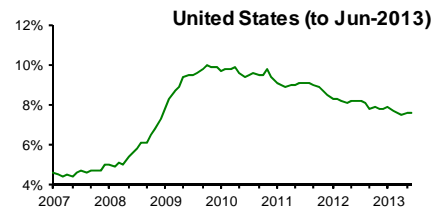
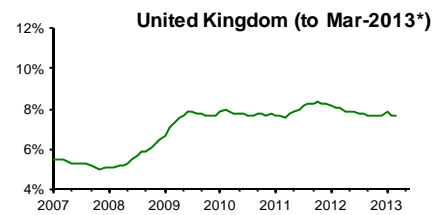
**Update:** ONS, *Labour Market Statistics*, 11 September 2013



## 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

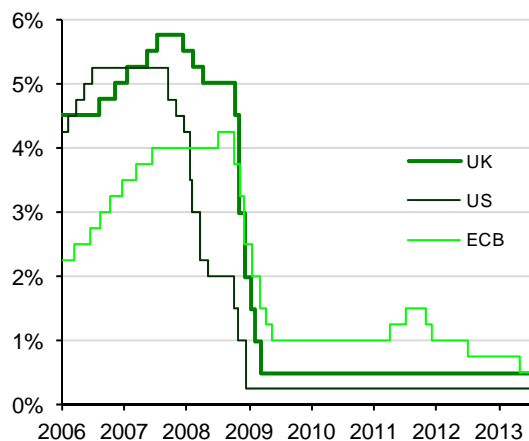
Source: OECD, Harmonised Unemployment Rates

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

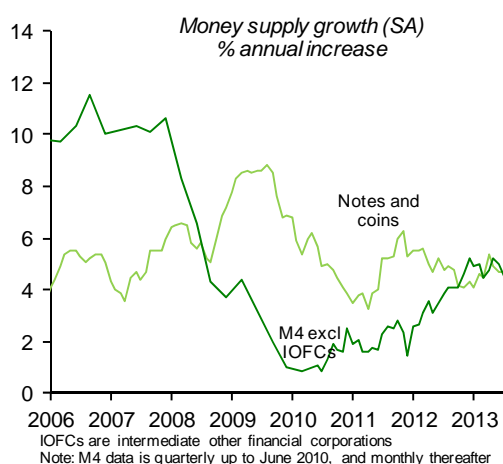


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 6 August 2013, the Governor of the Bank of England [announced](#) that the Bank “intends not to raise the Bank Rate from its current level of 0.5% at least until the [ILO] unemployment rate has fallen to a threshold of 7%.” The Bank does not expect this to happen until mid-2016.
- 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 August 2013 [Inflation Report](#), the Bank of England noted money supply growth in 2012 was driven by quantitative easing. It commented that recent money growth was mainly accounted for by household deposits.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.5% in July 2013, down from 5.0% in June.
- The value of notes and coins in circulation outside the Bank of England rose by 4.7% in July 2013 compared with a year ago, unchanged from June.

**Contact:** Gavin Thompson, x2042

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

## 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.

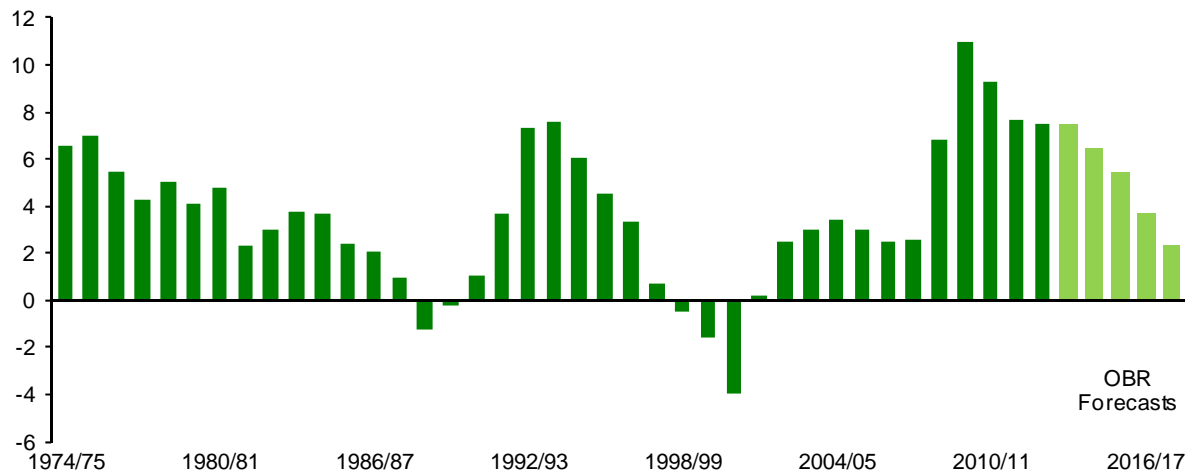
- Revised figures show that borrowing in 2012/13 was £116.5 billion, £2.0 billion lower than in 2011/12. These figures exclude the effects of the Royal Mail pension transfer and QE interest payments.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion 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	11.0	828	56.4
2010/11	139	9.3	1,005	65.9
2011/12	119	7.7	1,106	71.1
2012/13	117	7.4	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

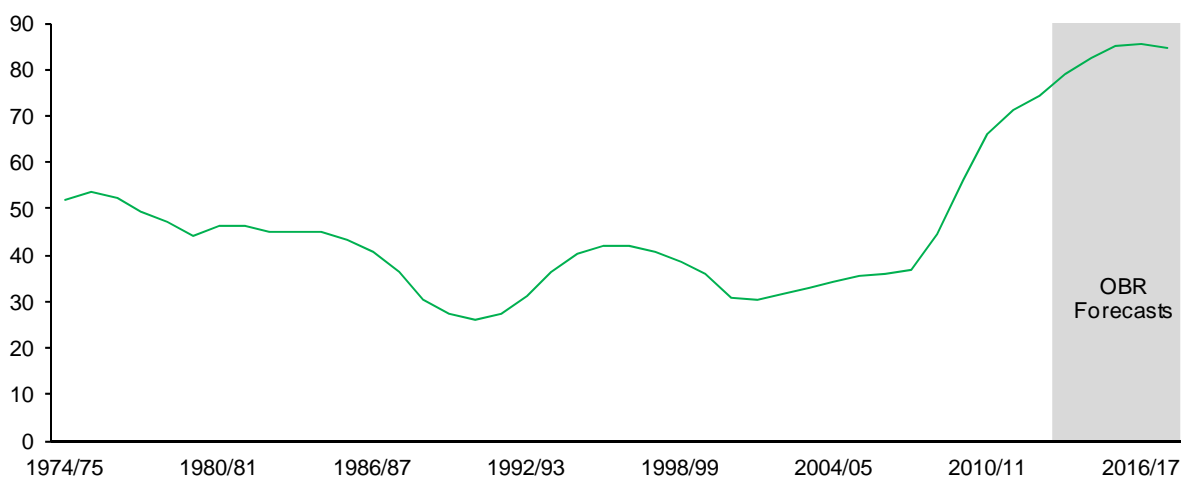
Source: ONS, OBR. Excludes financial sector interventions

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 29 August 2013

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
29 Aug 2013	6,483.1	115.2	1,418.5
%change over:			
1-month	-1%	+7%	+6%
12-months	+13%	+2%	-15%
%change from:			
cyclical peak	-5%	-21%	-25%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+85%	+217%	+100%
date	03 Mar '09	24 Dec '08	24 Oct '08

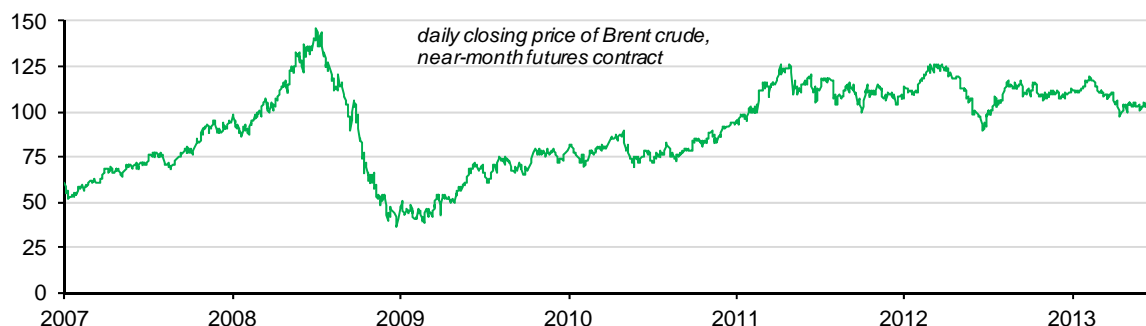
Note: Oil is Brent near-month futures price

Source: *Financial Times*

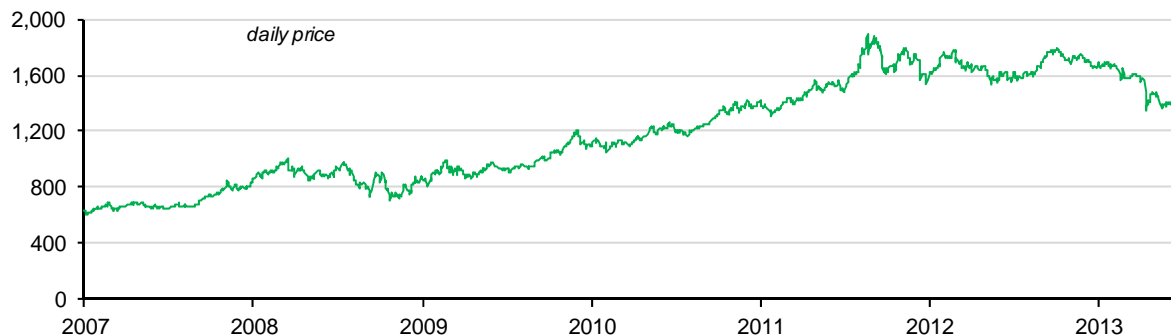
#### FTSE-100 Index



#### Brent Crude Oil price (\$ per barrel)



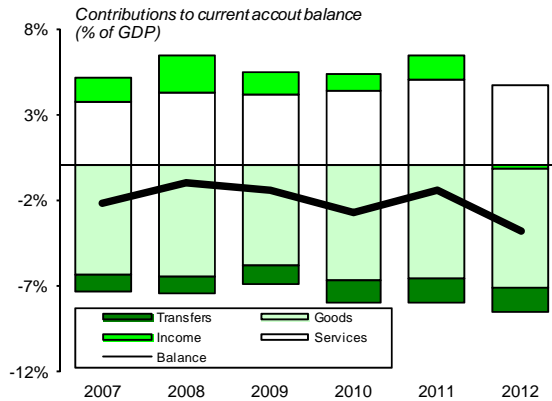
#### Gold price (\$ per ounce)



## 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

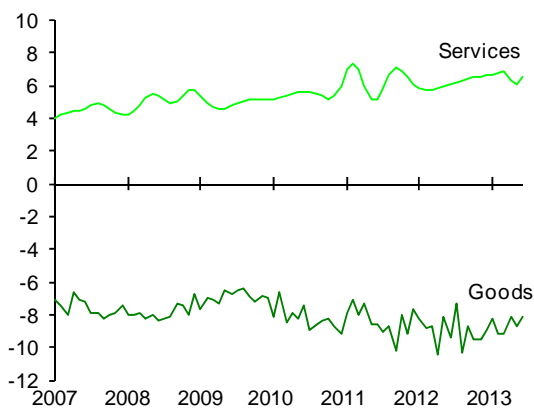
£ millions; seasonally adjusted

	Goods		Services		Goods and Services		Income	Transfers	Current Account Balance
	Balance	Balance	Exports	Imports	Balance	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 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	
Q1	-26,520	20,372	124,136	130,284	-6,148	-2,148	-6,216	-14,512	
2013 Q2	-24,872	18,947	127,264	133,189	-5,925	..	..	..	

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 June was £8.1bn, down from £8.7bn in May.
- The monthly trade surplus on services was an estimated £6.5bn in June, up from the May surplus of £6.1bn.
- The overall monthly deficit on goods and services combined in June was £1.5bn, down from £2.6bn in May.
- The monthly goods deficit with the EU27 was £5.4bn in June, up from £4.6bn in May, while the deficit with non-EU countries was £2.6bn in June, up from £4.0bn in May.

Contact: Daniel Harari, x2464

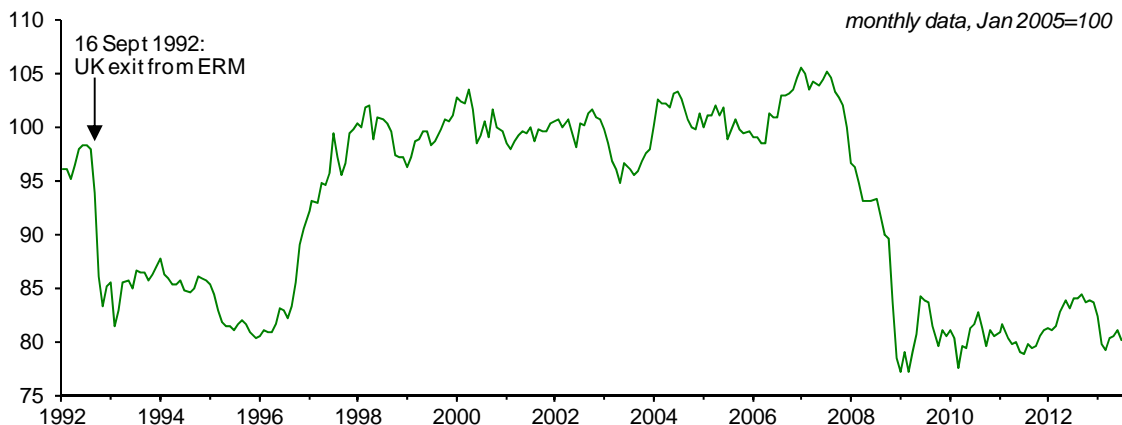
Updates: ONS, [UK Trade](#), 6 Sept;  
ONS, [UK Balance of Payments](#), 26 Sep

## 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).

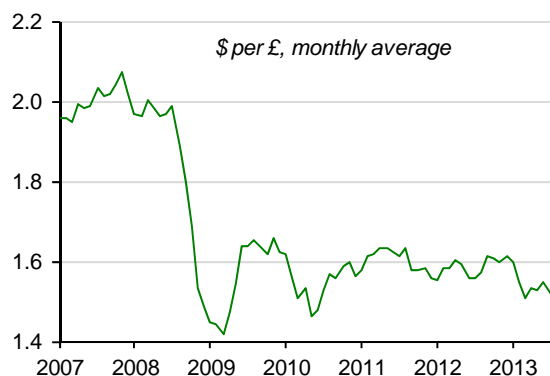
The SERI fell by 1.3% in July 2013, following a rise of 0.7% in June. Compared with the same period a year ago, it is 4.7% lower. It is currently 3.9% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 24.1% down from its pre-recession peak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

### Sterling Exchange Rate Index (SERI)



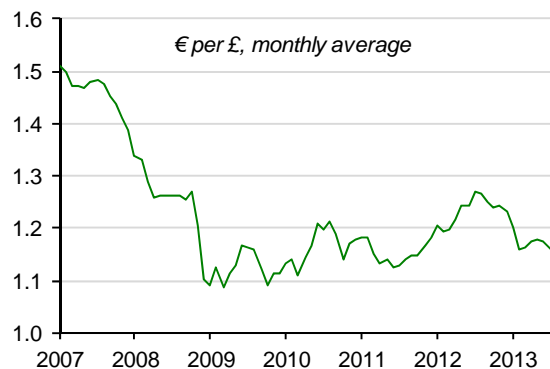
[Source: Bank of England, Bankstats database, XUMABK67]

### 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

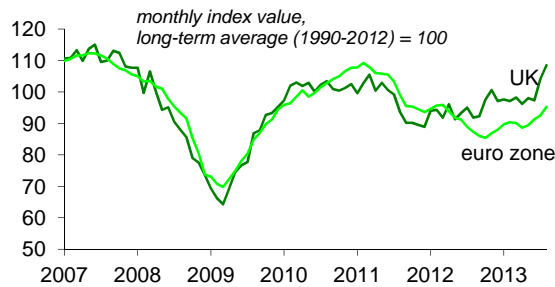
Contact: Daniel Harari, ext. 2464

Updates: Financial Times, [sterling exchange rates](#) (daily)  
Bank of England, [SERI & monthly rates](#), 4 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

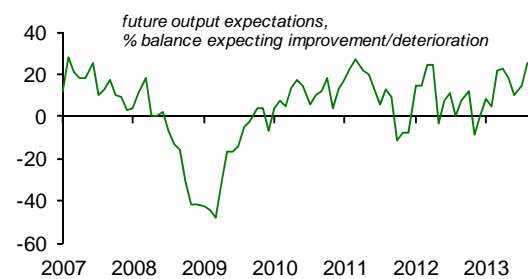


	UK Index	monthly change	change on year ago
2011 Aug	93.6	...	...
2012 Aug	91.8	...	...
2013 Jun	97.3	-0.7	+4.0
Jul	104.2	+6.9	+9.2
Aug	108.5	+4.3	+16.7

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 July and August 2013 the overall UK sentiment index rose by 4.3 points to 108.5 – 16.7 points higher than the previous year. The eurozone index rose by 2.7 points to 95.2.

### CBI Industrial Trends Survey



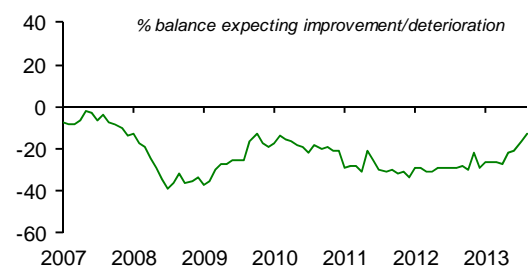
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2011 Aug	+13	...	...
2012 Aug	0	...	...
2013 Jun	+10	-8	+3
Jul	+15	+5	+4
Aug	+25	+10	+25

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In August 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +25% of firms. This is an increase from a balance of +15% in July and is 25% higher than in August 2012; it is the highest since March 2011.

### 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 Aug	-31	...	...
2012 Aug	-29	...	...
2013 Jun	-21	+1	+8
Jul	-16	+5	+13
Aug	-13	+3	+16

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 -13 in July, 3 points higher than the previous month and 16 points higher than a year ago

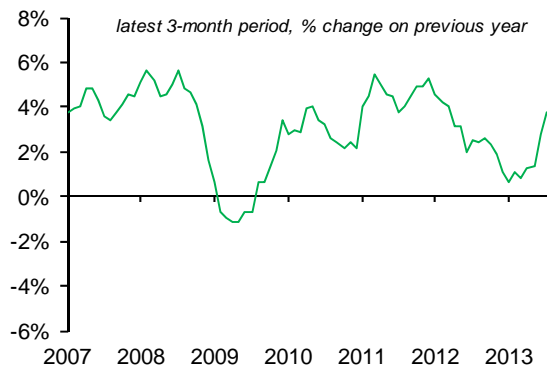
**Contact:** David Hough, x6933

**Update:** CBI, [Industrial Trends](#), 20 Sept  
EC, [Economic Sentiment Indicator](#), 20 Sept  
GfK NOP, [Consumer Confidence](#), 26 Sept

## F2: Retail Sales

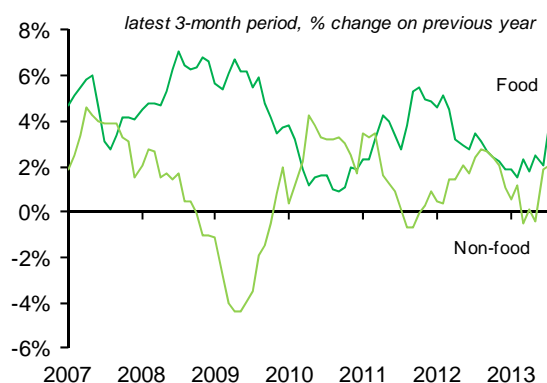
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

### Value of Retail Sales



- The value of retail sales in the three months to July 2013 increased by 3.8% compared with the same three months in the previous year.
- The value of retail sales in July 2013 alone was 4.9% higher than in July 2012.
- Internet sales are estimated to account for 9.5% of the value of all retail sales (excluding vehicle fuels). The value of internet sales in July 2013 was 10.7% higher than in July 2012.

### Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to July 2013 rose by 3.9% on the same period last year, while the value of sales in non-food stores increased by 2.1%.
- The value of sales in household goods stores in the three months to July fell by 2.9% compared to the same period last year.
- The value of sales in non-specialist stores (including supermarkets) in the three months to July 2013 was 2.6% higher than in the same period last year.

### 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				Total	All retailing total (inc vehicle fuel)
		Clothing & Footwear	Household goods	Dept stores	Other		
2011	4.2	3.3	-2.5	3.4	0.6	1.2	<b>4.9</b>
2012	3.0	1.5	-0.4	6.3	0.6	1.7	<b>2.4</b>
2013 MAR	2.3	0.0	-4.1	3.9	-1.4	-0.5	<b>0.8</b>
APR	1.8	0.3	-5.2	2.5	2.2	0.1	<b>1.3</b>
MAY	2.5	0.2	-6.0	0.3	2.4	-0.4	<b>1.4</b>
JUN	2.1	3.0	-3.9	2.3	4.6	1.9	<b>2.8</b>
JUL	3.9	3.6	-2.9	2.6	3.9	2.1	<b>3.8</b>

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



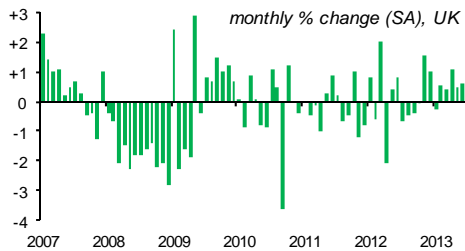
## F3: Housing Market

House prices on the Nationwide index rose by 0.6% in August after a 0.8% rise in July. Prices were 3.5% higher compared with a year ago on this measure. House prices on the Halifax index rose by 0.9% in July following a 0.6% rise in June. Prices are 4.6% 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

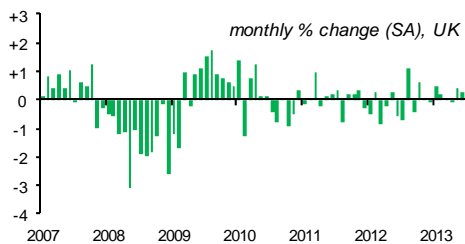
#### Halifax house price index



Latest monthly data  
UK, seasonally adjusted

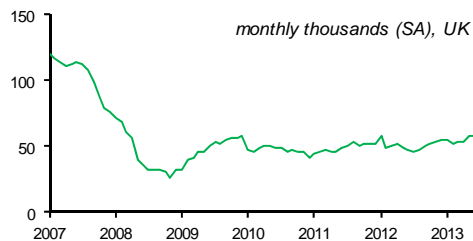
	Halifax	Nationwide
Latest data	Jul-13	Jul-13
Change in month	+0.9%	+1.1%
Change in year	+4.6%	+3.9%
Peak date	Aug-07	Oct-07
Change since peak	-15.8%	-10.7%
Trough date	Apr-09	Feb-09
Change since trough	+8.6%	+10.8%

#### Nationwide house price index



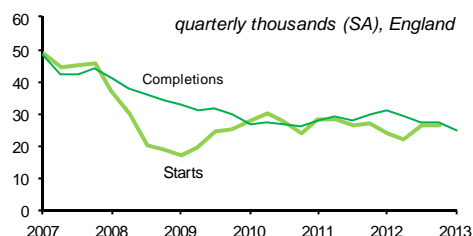
- The recovery in house prices since early 2009 has been tepid. At the beginning of Q2 2013, the average house price on the Nationwide measure was just over £167,000.
- There is considerable regional variation. In Q2 2013 prices rose by 7% in London but fell by 2% in Scotland compared with a year earlier. 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 60624 mortgage approvals in July 2013; this was 5% higher than in June and 30% higher than July 2012.

### House-building



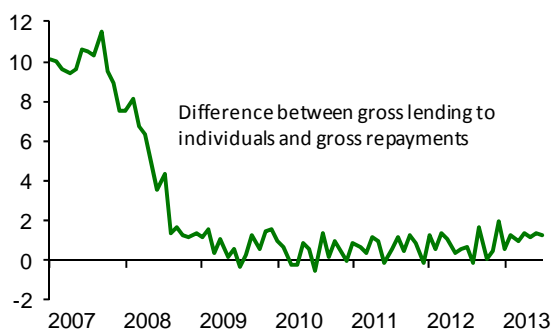
- There were 29,510 house building starts in England in Q2 2013, 6% more than in Q1 2012, and 33% more than in Q2 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 27,270 dwelling completions in Q2 2013, 9% up from 24,930 in Q1 2013, and 6% lower than the number of completions in Q2 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

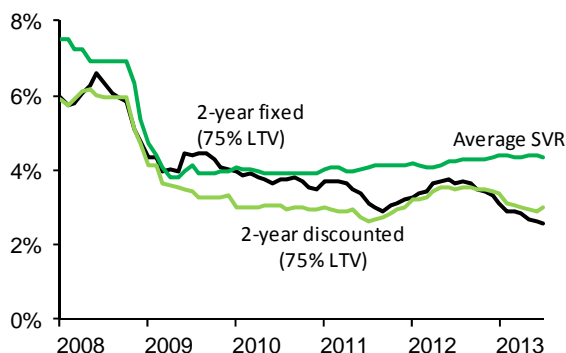


Source: Bank of England

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

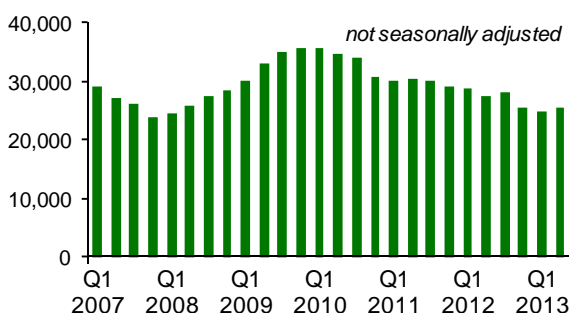
- Total net lending to individuals (excluding student loans) was £1.3 billion in July 2013. Net lending has been relatively low since mid-2008.
- Monthly net unsecured lending (consumer credit) was £0.6 billion in July. Monthly net secured lending (mortgages) was £0.7 billion.

### Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has been rising gradually for some time – in July 2013 it was 4.33%, compared with 4.24% a year before.
- In contrast fixed mortgage rates have generally been falling over the last year – the average fixed mortgage rate was 2.60% in June, compared to 3.67% the year before. The average fixed-term variable (discounted) rate was 2.98% in June (compared with 3.51% 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:** Lorna Booth, x2883

**Update:** Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 30 Sep  
Insolvency Service, [Insolvency Statistics](#), 1 Nov

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

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

## 6 Glossary

### Symbols and abbreviations

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

### Definitions<sup>1</sup>

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

**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.