



Economic Indicators, October 2013

RESEARCH PAPER 13/57 01 October 2013

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

- GDP grew by 0.7% in Q2 2013, following growth of 0.4% in Q1. Output increased in each of the manufacturing, construction and service sectors.
- Employment was 29.84 million in May-July 2013, up 80,000 on the previous quarter, while unemployment fell by 24,000 to 2.49 million.
- Retail sales, an indicator of household consumption, increased in value by 4.0% in June-August 2013 compared with the same period last year, while consumer and business surveys indicate rising confidence.

This month's articles:

UK recovery: how strong and how long?

Scotland's currency choices

Feargal McGuinness (editor)

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Research Paper 13/57

Contributing Authors: Feargal McGuinness (editor),
Economic Policy and Statistics section

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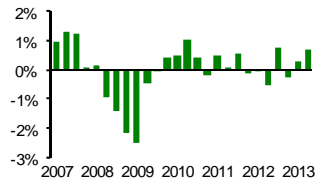
Summary

GDP grew by 0.7% in Q2 2013, following growth of 0.4% in Q1. Output increased in each of the manufacturing, construction and service sectors. Employment was 29.84 million in May-July 2013, up 80,000 on the previous quarter, while unemployment fell by 24,000 to 2.49 million. Retail sales, an indicator of household consumption, increased in value by 4.0% in June-August 2013 compared with the same period last year, while consumer and business surveys indicate rising confidence.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by an estimated 0.7% in Q2 2013, following growth of 0.4% in Q1 2013. In September, HM Treasury's average of independent economic forecasts of GDP growth was 1.3% for 2013 and 2.1% for 2014.

Inflation (CPI)

[page 7](#)

(% change on year ago)

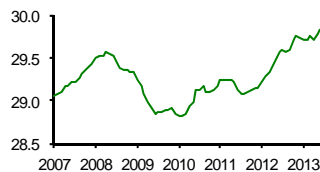


The CPI annual inflation rate was 2.7% in August 2013, down from 2.8% in July. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

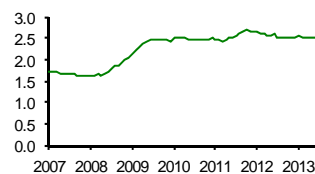


There were 29.84 million people aged 16 and over in employment in May-July 2013, up 80,000 on the quarter. The employment rate, the proportion of people aged 16-64 in employment, was 71.6%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

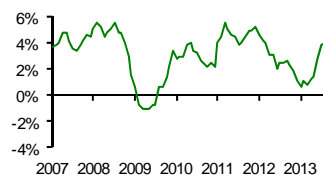


There were 2.49 million unemployed people in the three months to July 2013, down 24,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.7%.

Retail sales (value)

[page 20](#)

(% change on year ago)



The value of retail sales in the three months to August 2013 increased by 4.0% compared with the same three months in 2012.

Next issue: 5 November

Editor: Feargal McGuinness

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1 Introduction to *Economic Indicators*

Economic Indicators Research Papers are usually published on the first Tuesday of the month. Individual indicator pages are updated more frequently and are made available through the Library's intranet both under the relevant subject page headings, and collectively on the *Economic Indicators* subject page.¹

Feedback

If you have any comments or suggestions about *Economic Indicators* please contact the editor, Chris Rhodes, on x2454.

Weekly email alert

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

Sources and glossary

A guide to sources is provided in section 5. Economic terms, symbols and abbreviations used in the publication are described in the glossary in section 6.

Contacts

Members and their staff are encouraged to talk to Library subject specialists. A comprehensive guide is available in *Using the Library*.² Researchers are not able to discuss pages with members of the public. For enquiries in these subject areas please contact the following specialists:

Subject	Statistician	tel. extn.
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EC finance	Gavin Thompson	2042
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Employment	Feargal McGuinness	4904
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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 UK recovery: how strong and how long?

“A renewed recovery is now underway in the United Kingdom...

... the recovery remains weak by historical standards, and there is still a significant margin of spare capacity in the economy”

Mark Carney, Governor of the Bank of England, 7 August 2013

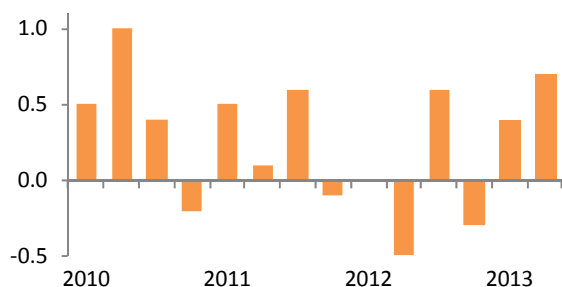
Recent GDP figures have shown the UK economy return to growth in the first half of 2013. Surveys of business activity suggest this growth will be sustained over the rest of the year. How strong is this recent recovery? What evidence is there that it will continue? And, taking a step back, where do we stand four years after the end of the recession?

2.1 Recovery gaining pace but economy still producing less than five years ago

After barely growing by 0.1% in 2012, the economy has expanded at a faster pace over the first half of 2013: GDP grew by 0.4% over Q1 2013 and by 0.7% over Q2. This acceleration in activity has taken forecasters by surprise and led them to revise upwards their expectations for growth in 2013 and 2014.³

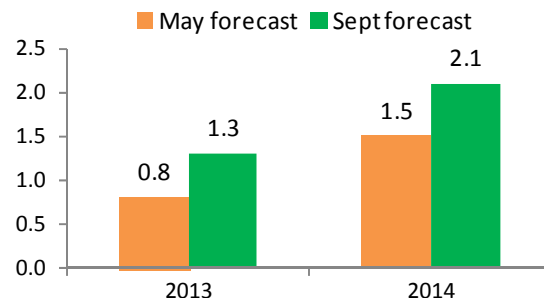
GDP growth accelerating...

% change on previous quarter



...and forecasts have been raised

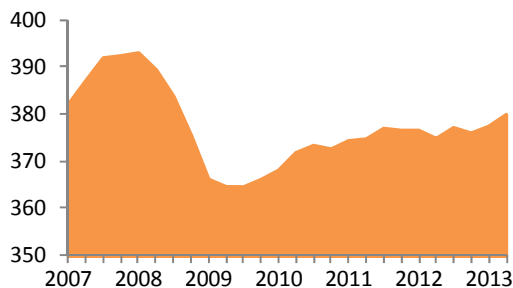
Annual GDP growth (%), average forecast



Despite this improvement in the past few quarters, the total level of output in the economy (GDP) is still 3.3% below what it was just before the 2008/2009 recession. This means that not only was the 2008/2009 recession the deepest since at least World War II, but also the recovery has been the weakest (at least in terms of output).

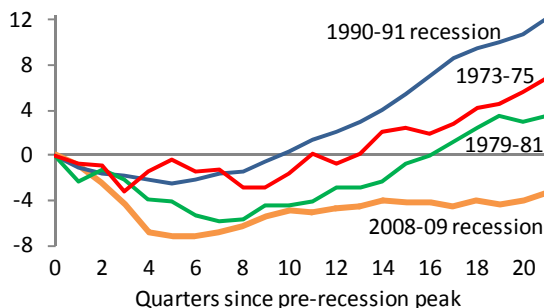
GDP still 3.3% below pre-recession level...

Quarterly GDP, £bn (constant 2010 prices)



...the deepest recession and slowest recovery

% change in GDP compared to pre-recession peak



The Bank of England’s central forecast from August 2013 is for consistent quarterly growth of between 0.6-0.8% over the next two years. Under this forecast GDP will finally return to its pre-recession level in Q3 2014.

³ HM Treasury, [Forecasts for the UK economy](#); this is a monthly survey of independent economic forecasters

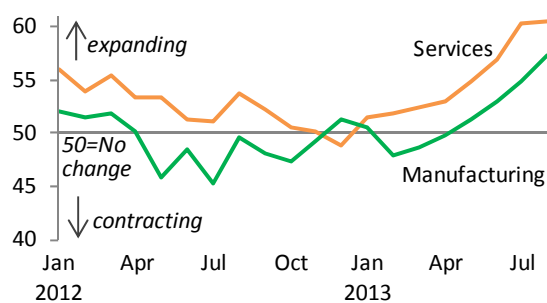
2.2 A stream of positive economic data suggest more upbeat outlook in short-term

The more positive near-term outlook is bolstered by noticeable improvements in a number of economic indicators. The Purchasing Managers Index (PMI), a measure of business activity viewed as a good leading indicator of GDP growth, has shown the services sector expanding at its fastest pace since late 2006, with the construction and manufacturing sectors also at multi-year highs. Rising business confidence is reflected in other business surveys as well (see page F1). The apparent stabilisation of the debt crisis in the eurozone and its return to growth after an 18-month recession have further supported the UK recovery.

Consumer spending is crucial to the economy, making up over 60% of GDP. Evidence of a boost in household expenditure can be found in a 10% rise in car sales, a 30% increase in mortgage approvals compared to a year ago, faster growth in retail sales and rising consumer confidence.

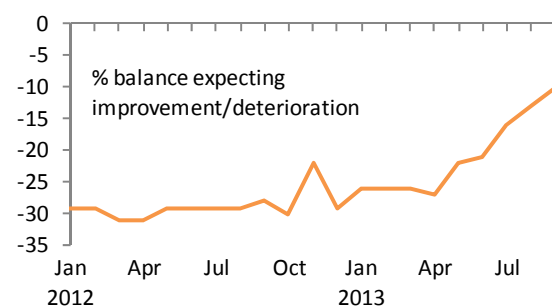
Activity strong in services & manufacturing...

Markit/CIPS services/manufacturing PMI indices



...with consumer confidence also rising

GfK consumer confidence index

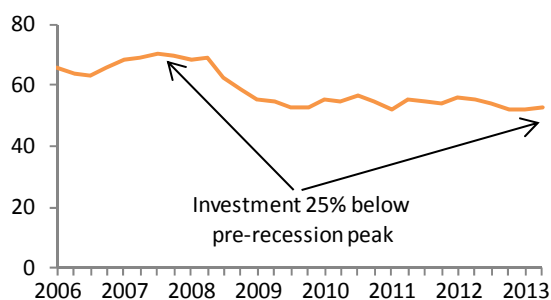


2.3 But the platform for a sustainable recovery may not be complete

While near-term prospects for GDP growth are fairly rosy, there are still serious questions over whether the recovery will be sustained in the medium- to long-term. Investment levels remain depressed, with business investment showing little sign of rebounding in official data: it was 8.5% lower in Q2 2013 than a year before. Net trade (exports minus imports) is also failing to provide much of a boost to overall economic growth.

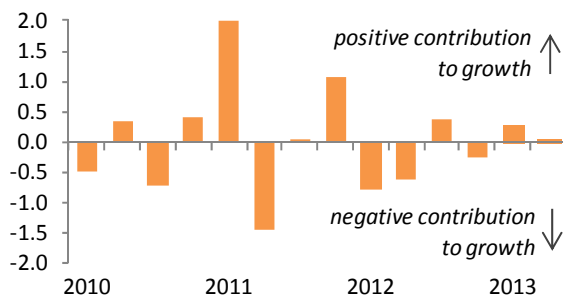
Investment remains flat since recession...

Total quarterly investment, £bn (2010 prices)



...with trade not contributing much to growth

net trade %-point contrib. to quarterly GDP growth



If investment and trade fail to contribute to growth in the future (this is not a given; some surveys are more optimistic over future business investment intentions and export orders), the recovery will mostly rest on consumer spending. With household incomes falling in real terms, there is some uncertainty as to how long such a recovery could be sustained.

Daniel Harari, Economic Policy and Statistics section

3 Scotland's currency choices

Scotland will hold its referendum on independence in just under a year's time, on 18 September 2014. Much of the debate on independence has focused on economic arguments. A central economic issue is the currency Scotland would use if it voted for independence.

3.1 Why does choice of currency matter?

The choice of currency affects a number of important economic areas, including trade with other countries, fiscal policy (government spending and taxation), monetary policy (interest rates) and policies relating to financial stability.

3.2 What options would an independent Scotland have?

An independent Scotland would have three main currency options:

- continuing to use the pound as part of a "sterling zone" with the rest of the UK
- introducing a new currency of its own
- using the Euro.

Continued use of the pound in a "sterling zone"

The Scottish Government's preferred option is for an independent Scotland to continue to use the pound as part of a sterling zone with the rest of the UK. It argues that this would be in the economic interest of the rest of the UK as well as Scotland. Continued use of the pound by Scotland would require an agreement to be reached with the rest of the UK. The UK Government has already said that it would be highly unlikely to enter into such an agreement.

This option would have a number of advantages for Scotland. Continued use of sterling would make it easier for Scotland to trade with the rest of the UK as there would be no costs of changing currency. It would also avoid the costs involved in switching prices, contracts and accounts to a new currency and the costs households and businesses would face as they adjusted to it. Keeping sterling might also make it easier for Scotland to divide up assets and liabilities (such as the national debt) with the rest of the UK.

Interest rates would be set for the sterling zone as a whole. By entering a sterling zone, Scotland would forfeit the ability to set its own interest rate. A single interest rate for the sterling zone would be appropriate for Scotland if its economic conditions were similar to those in the rest of the UK. If, however, the two economies were to diverge, the inability of Scotland to set its own interest rate could become more of an issue.

A sterling zone would also raise issues about the governance of the central bank. Assuming the Bank of England were to perform this role, an agreement between the Scottish and UK governments would be needed on how the Bank would be governed and key appointments made. At the moment, members of the Monetary Policy Committee, which sets interest rates, are appointed for their economic expertise, not as representatives of particular geographic or other interests. Agreement between the two governments would also be needed on policies to maintain the stability of the financial system, especially in cases where public money was involved.

Currency unions often require their members to accept limits on their level of public debt and budget deficit. An agreement between an independent Scotland and the rest of the UK would be likely to impose constraints on the level of government borrowing and debt

Scotland would be allowed to have. The Scottish Government has said it accepts the need for such constraints but argues that these apply only to *overall* levels of borrowing and debt, leaving scope for fiscal policy to operate through, for example, the design of individual taxes.

The Euro

The recent economic problems in the Eurozone mean that the Euro is a less attractive option than it may have been a few years ago. Nevertheless, joining the Euro would be an option for Scotland.

Countries wishing to join the Euro must first satisfy a number of conditions, known as the convergence criteria. These relate to price stability, interest rates, levels of budget deficit and government debt, and exchange rate fluctuations. Current forecasts of UK government debt suggest that Scotland might struggle to meet this part of the convergence criteria. It is also likely that Scotland would first need to establish its own currency to demonstrate exchange rate stability against the Euro.

Moving to the Euro would involve the transitional costs of changing currency and mean that money would have to be converted when trading with the rest of the UK. Interest rates would be set by the European Central Bank (ECB) which sets monetary policy for the Eurozone as a whole. Scotland would need to establish its own central bank and would have representation on the ECB. The relative size of its economy means that it would be unlikely to exert much influence over the ECB's decisions.

A new Scottish currency

A third option for Scotland would be to introduce its own new currency. This could be a freely floating currency where the exchange rate is determined by market forces. Alternatively, the Scottish Government could aim to peg the exchange rate against another currency.

The main advantage of an independent currency is that it allows a country to pursue its own monetary or exchange rate policy. This would give a Scottish Government an extra lever of economic policy which could be tailored to the economic needs of Scotland.

Disadvantages would include the transitional costs of introducing the new currency and the extra costs it would impose on trade between Scotland and the rest of the UK. A floating currency can itself become a source of instability if it is subject to large fluctuations. A pegged currency can also come under attack from speculators, as shown by the UK's experience on Black Wednesday.

The issues raised in this article are discussed in more depth in a Library note, [Economic aspects of Scottish independence: currency](#).

Dominic Webb, Economic Policy and Statistics Section

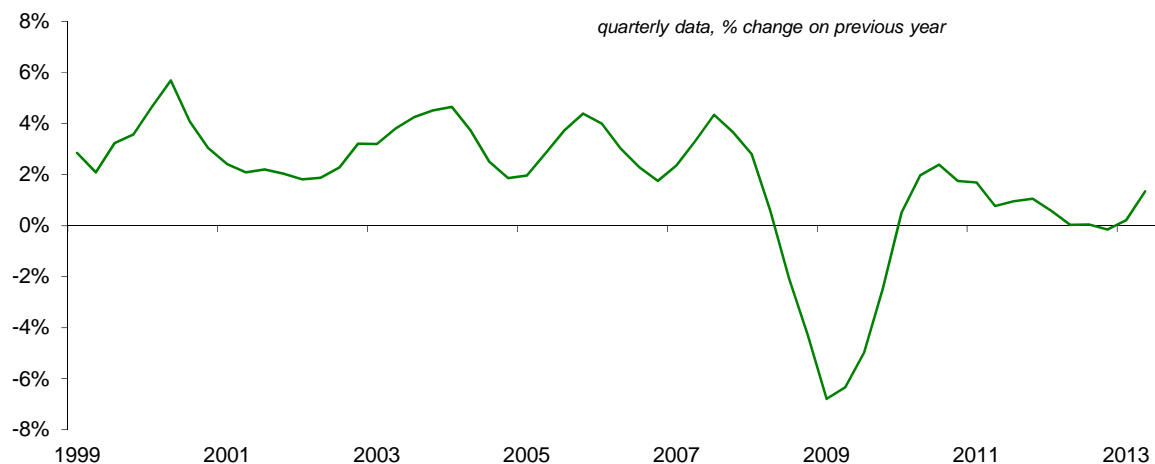
A1: Gross Domestic Product

Revised estimates show that the economy grew by 0.7% in Q2 2013, following growth of 0.4% in Q1 2013. In September, HM Treasury's average of independent economic forecasts of GDP growth was 1.3% for 2013 and 2.1% 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.

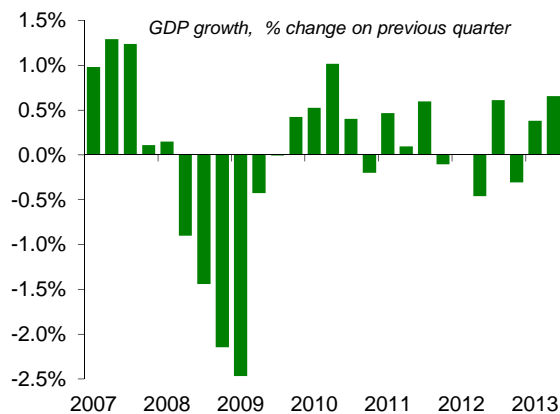
In a revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought, meaning real GDP in Q1 2013 is now thought to be 3.9% below its pre-recession peak (as opposed to 2.6% before the revisions). Though the ONS revised away the technical '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 0.8% compared to the previous quarter (based on chained volume measures). Construction sector output rose by 1.9%, and output of the services industry increased by 0.6%.

Real GDP Growth since 1999



Real GDP Growth since 2007



Gross Domestic Product

	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	1,565	1.8	...	0.1
2012 Q1	389.7	2.5	0.0	0.6
Q2	387.5	1.6	-0.5	0.0
Q3	392.6	1.2	0.6	0.0
Q4	394.9	2.0	-0.3	-0.2
2013 Q1	399.3	2.5	0.4	0.2
Q2	400.9	3.5	0.7	1.3

Source: ONS, series: YBHA, ABMI

Contact: Gavin Thompson, x2042

Updates: HMT, [Forecasts for the UK economy](#), 16 Oct 2013
ONS, [Preliminary estimate of GDP](#), 25 Oct 2013

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 0.6%. 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 0.9% in Q2 after a 1.0% expansion in Q1.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	12Q3	12Q4	13Q1	13Q2	12Q3	12Q4	13Q1	13Q2
UK	0.0	-0.2	0.2	1.3	0.6	-0.3	0.4	0.7
Eurozone	-0.7	-1.0	-1.0	-0.5	-0.1	-0.5	-0.2	0.3
US	3.1	2.0	1.3	1.6	0.7	0.0	0.3	0.6
Japan	0.4	0.3	0.1	1.3	-0.9	0.3	1.0	0.9
Germany	0.9	0.3	-0.3	0.5	0.2	-0.5	0.0	0.7
France	0.0	-0.3	-0.5	0.4	0.2	-0.2	-0.1	0.5
G7	1.6	0.9	0.5	1.1	0.3	-0.1	0.3	0.6
OECD	1.4	0.9	0.6	1.0	0.2	0.0	0.3	0.6

Source: OECDstat

In [September 2013](#), the OECD revised up sharply their 2013 growth forecast for the UK to 1.5%, from their previous May forecast of 0.8%. Forecasts for France were also revised up, from -0.3% to +0.3%, while the growth estimate for Germany was raised from 0.4% to 0.7%. The forecast for Chinese growth was revised lower from 7.8% to 7.4%.

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 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.

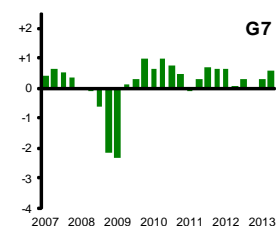
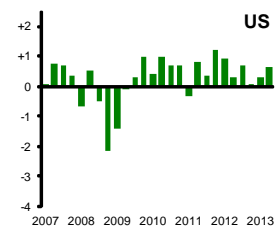
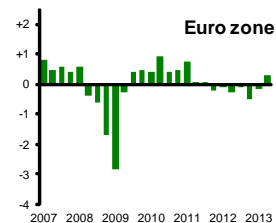
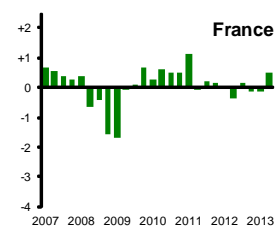
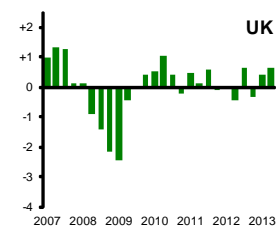
Real growth forecasts (% changes, year-on-year)

	IMF (Jul 13)		EC (May 13)		OECD (Sep 13)	
	2013	2014	2013	2014	2013	2014
UK	0.9	1.5	0.6	1.7	1.5	..
France	-0.2	0.8	-0.1	1.1	0.3	..
Germany	0.3	1.3	0.4	1.8	0.7	..
Eurozone	-0.6	0.9	-0.4	1.2	-0.6*	1.1*
US	1.7	2.7	1.9	2.6	1.7	..
Japan	2.0	1.2	1.4	1.6	1.6	..
OECD	..	..	..	..	1.2*	2.3*
China	7.8	7.7	8.0	8.1	7.4	..
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*

*forecasts from May 2013 OECD Economic Outlook No.93

Sources: IMF Jul 2013 WEO; EC Spring'13 f'cast; OECD Interim econ assess. Sep'13

Quarter-on-quarter growth rates



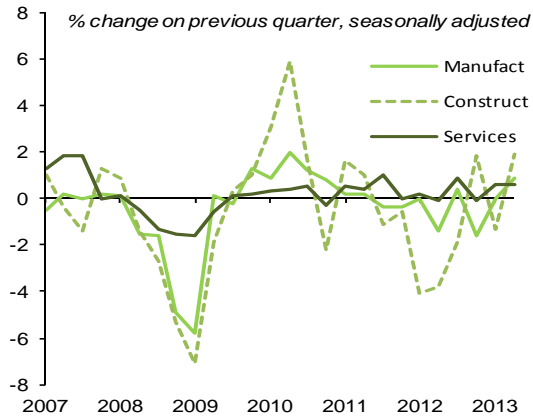
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Nov/Dec 2013
 EC, [Autumn Economic Forecast](#), 5 Nov 2013
 IMF, [World Economic Outlook](#), 7 Oct 2013

Contact: Daniel Harari, x2464

A3: Components of GDP

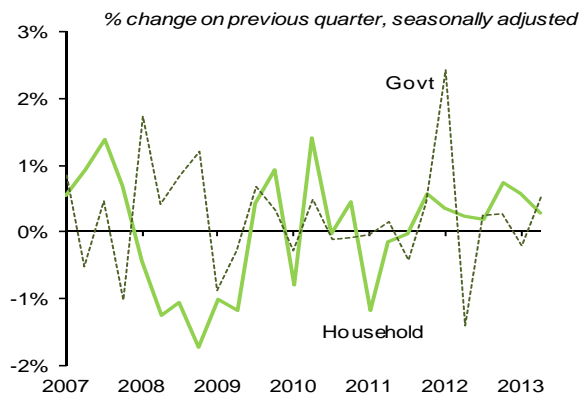
GDP can be analysed by output and expenditure. In 2011, the service sector accounted for 78% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption 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 0.9%. Construction sector output increased by 1.9%
- The last quarter in which all three sectors grew was Q2 2011.

Expenditure - household and government consumption



- In Q2 2013, household consumption grew by 0.3% in real terms compared with Q1 2013.
- Government consumption increased by 0.5% in Q2 2013. Gross fixed capital formation increased by 0.8%.
- Exports grew by 3.0% and imports grew by 2.9% in Q2 2013.
- Overall GDP grew by 0.7% in Q2 2013.

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%	1.7%	0.9%	1.0%	3.1%	0.1%
2012 Q1	0.4%	2.4%	3.6%	-1.8%	0.6%	0.0%
2012 Q2	0.2%	-1.4%	-0.8%	-0.4%	1.4%	-0.5%
2012 Q3	0.2%	0.2%	-2.4%	2.0%	0.8%	0.6%
2012 Q4	0.7%	0.3%	-3.8%	-1.7%	-0.9%	-0.3%
2013 Q1	0.6%	-0.2%	0.1%	0.1%	-0.8%	0.4%
2013 Q2	0.3%	0.5%	0.8%	3.0%	2.9%	0.7%

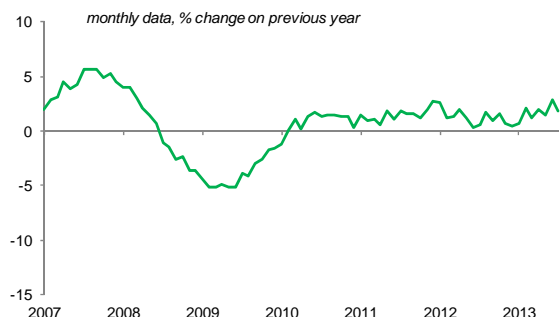
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

A4: Services

The service industries incorporate the retail sector, the financial sector, the public sector, business administration and cultural activities. In 2011, the service sector accounted for 78% of total UK economic output (Gross Value Added) and for 83% of jobs.

Services output

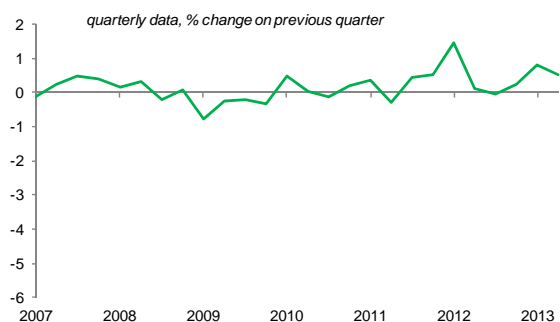


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	...	1.5
2012	102.7	...	1.2
2013 Apr	104.2	0.2	2.0
May	104.4	0.2	1.5
Jun	104.4	0.0	2.8
Jul	104.7	0.2	1.8

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.2% in July 2013 compared with June 2013. Compared with a year before, services output increased by 1.8%. Services output is now 0.3% below its February 2008 peak.
- The biggest contributor to growth in the service sector over the last year was the business services and finance sector, which contributed 0.8% points to overall services growth.

Jobs in the service industries

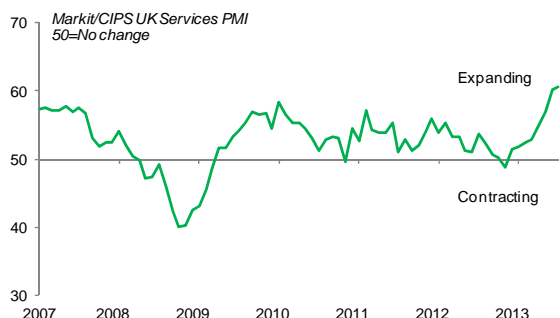


	Thousands	% change on quarter	% change on year
2011 Q2	26,025	...	0.2
2012 Q2	26,689	...	2.6
Q3	26,673	-0.1	2.0
Q4	26,736	0.2	1.7
2013 Q1	26,954	0.8	1.1
Q2	27,098	0.5	1.5

Source: ONS, Workforce Jobs

- In Q2 2013 there were 27.1 million jobs in the service sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 144,000 or 0.5% over the quarter. Since the same quarter in 2012, the number of service industry jobs has increased by 409,000 or 1.5%.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2011 Aug	51.1	...
2012 Aug	53.7	...
2013 May	54.9	2.0
June	56.9	2.0
July	60.2	3.3
August	60.5	0.3

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) rose to 60.5 in August 2013 up from 60.2 in July (where 50.0 is no change). This is the index's highest reading for over six years.
- Markit stated that "optimism abounds in the service sector...providing a platform for investment and expansion for the rest of the year."

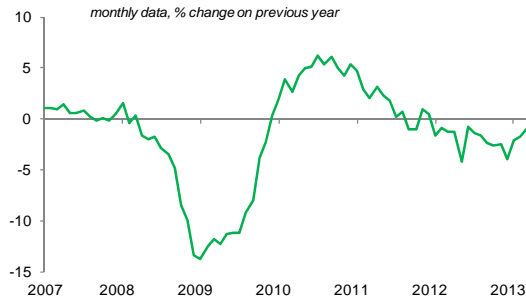
Contact: Chris Rhodes, x2454

Update: ONS, [Index of Services](#), 25 Oct 2013
 ONS, [Workforce Jobs](#), 18 Dec 2013
 Markit/CIPS [UK Services PMI](#), 3 Oct 2013

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

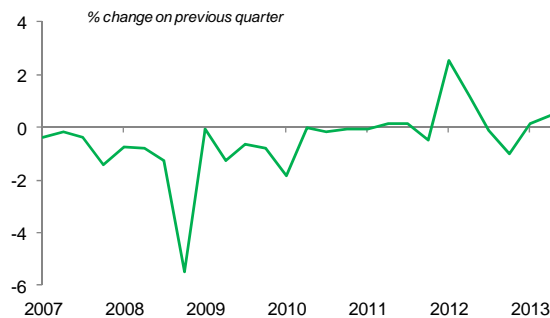


	Index Value (2010=100)	% change on month	% change on year
2011	101.8	...	1.8
2012	100.1	...	-1.7
2013 Apr	99.1	-0.3	-1.0
May	98.4	-0.7	-2.9
Jun	100.4	2.0	2.1
Jul	100.6	0.2	-0.7

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output increased by 0.2% in July 2013 compared with June 2013, but was 0.7% lower than in July 2012.
- The main downward contributions over the year were: the manufacture of machinery & equipment not elsewhere classified; the manufacture of basic metals & metal products; and the manufacture of basic pharmaceutical products & pharmaceutical preparations.

Jobs in manufacturing

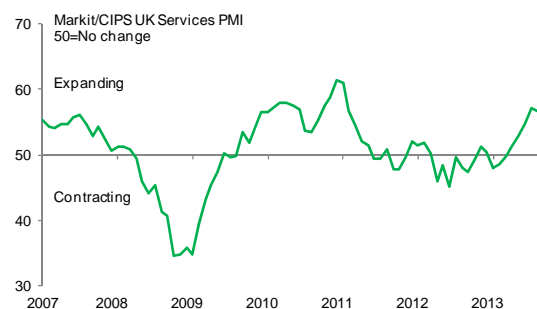


	Thousands	% change on quarter	% change on year
2011 Q2	2,555	...	-0.2
2012 Q2	2,641	...	3.4
Q3	2,638	-0.1	3.1
Q4	2,611	-1.0	2.5
2013 Q1	2,615	0.2	0.2
Q2	2,627	0.5	-0.5

Source: ONS, Workforce Jobs

- In Q2 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 12,000 or 0.5% over the quarter. From the same quarter in 2012, the number of manufacturing jobs decreased by 14,000 or 0.5%.

Manufacturing Purchasing Managers Index



	Index	Monthly change
2011 Sep	50.8	...
2012 Sep	48.1	...
2013 June	52.9	1.6
July	54.8	1.9
Aug	57.1	2.3
Sep	56.7	-0.4

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was 56.7 in September, down slightly from 57.1 in August (where 50.0 is no change).

Contact: David Hough, x6933

Update: ONS, [Index of Production](#), 9 Oct
ONS, [Workforce Jobs](#), 16 Oct
Markit/CIPS [UK Manufacturing PMI](#), 1 Nov

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.

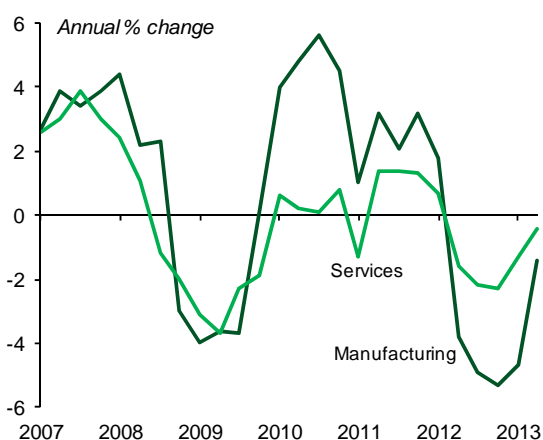
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 0.4% over the last year. Manufacturing productivity fell by 1.4% and services productivity fell by 0.4%.
- Compared with the previous quarter, productivity across the whole economy increased by 0.5%. This is the first quarter-on-quarter increase in productivity since Q2 2011.

Output per hour, seasonally adjusted

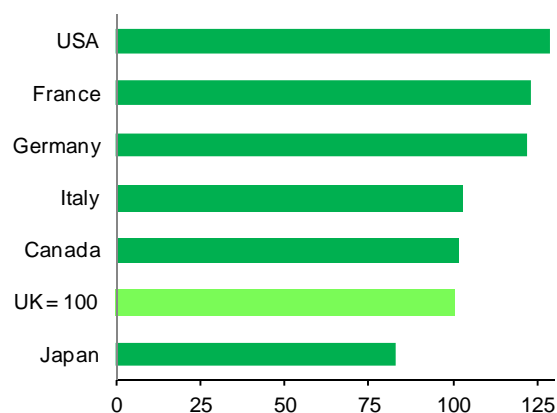
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.7	0.4	1.4
2011	2.4	0.7	0.8
2012	-3.1	-1.3	-1.7
2012 Q1	1.8	0.7	0.3
Q2	-3.8	-1.6	-2.2
Q3	-4.9	-2.2	-2.4
Q4	-5.3	-2.3	-2.6
2013 Q1	-4.7	-1.3	-1.9
Q2	-1.4	-0.4	-0.4
<i>Latest q-on-q % change</i>			
	0.7	0.1	0.5

Source: ONS series LZVD, DJK8, DJQ3



International comparisons

GDP per hour, 2012, index where UK=100



- International comparisons of productivity are presented as an index where the UK=100.
- In 2012, based on GDP per hour, the UK came sixth of the G7 countries, with the USA top and Japan bottom. UK productivity was 14 percentage points lower than the G7 average, the widest productivity gap since 1996.
- UK productivity declined relative to Germany and France in 2012 but increased relative to Japan.

Contact: Gavin Thompson, x2042

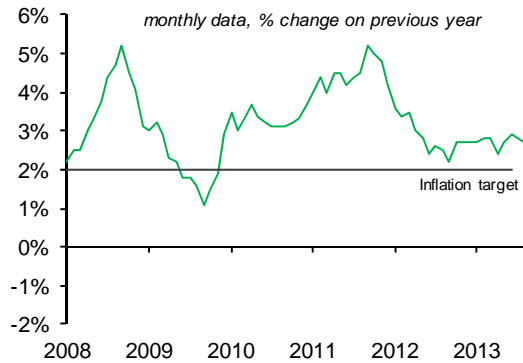
Update: ONS, [Labour Productivity](#), 24 Dec 2013
 ONS, [International Comparisons](#), Feb 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 2.7% in August, down from 2.8% in July and above the Bank of England's 2.0% target.

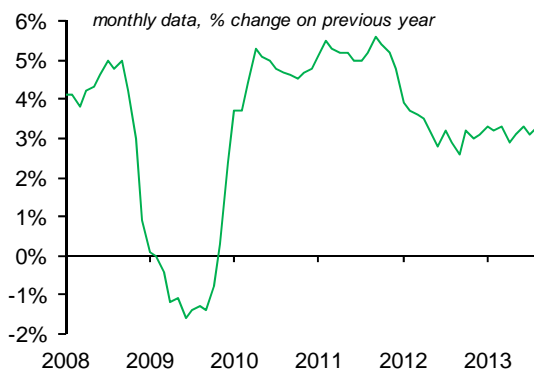
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.7% in August, down from 2.8% in July.
- The largest downward contributions came from motor fuels, air transport and clothing, where prices rises between July and August 2013 were less than those seen in the same months in 2012. These were partially offset by a rise in prices for furniture, household equipment and maintenance.
- The RPI (all items) measure of annual inflation was 3.3% in August, down from 3.1% in July. (The RPI is no longer classified as a National Statistic owing to the way it is calculated.)

Retail Prices Index (RPI)

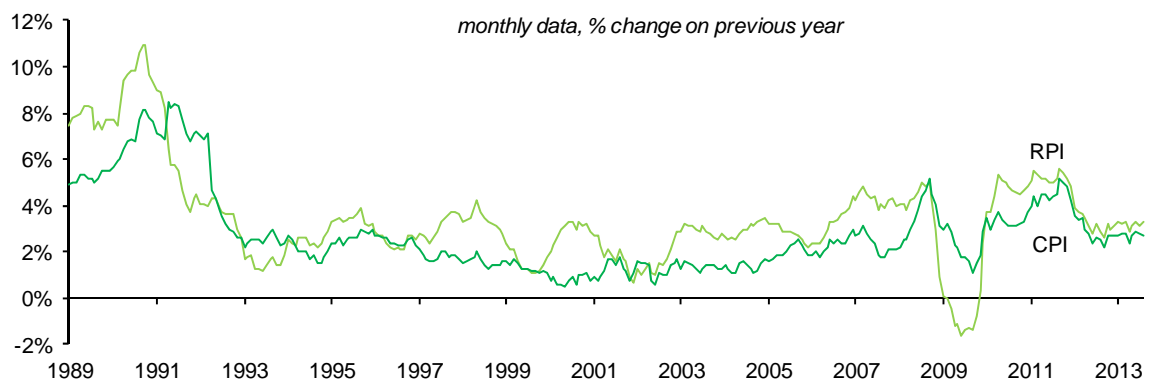


Price Indices

		% change on a year ago	
		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2013	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
	Aug	2.7	3.3

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989

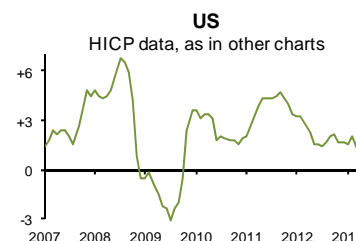
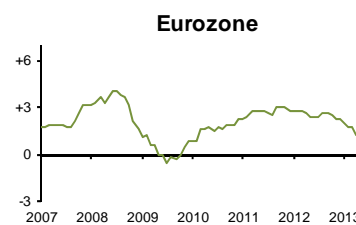
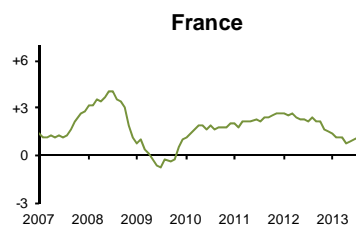
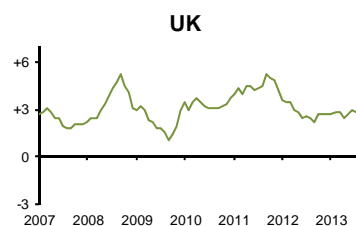


B2: Inflation: International

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 2.7% in the year to August 2013, down from 2.8% in July. The Bank of England's UK inflation target is 2%.
- Eurozone inflation in the year to September 2013 is expected to be 1.1%, down from 1.3% in August. 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 August 2013 was in Greece at -1.0%. The highest rate was in Estonia at 3.6%.
- HICP annual inflation in the US in the year to July 2013 was 1.8%, up from 1.7% in June. US inflation in the year to August 2013 was 1.5% using its own national definition, down from 2.0% in July.



Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	May-13	Jun-13	Jul-13	Aug-13
HICP (OECD/Eurostat)							
UK	3.3	4.5	2.8	2.7	2.9	2.8	2.7
Eurozone	1.6	2.7	2.5	1.4	1.6	1.6	1.3
EU	2.1	3.1	2.6	1.6	1.7	1.7	1.5
France	1.7	2.3	2.2	0.9	1.0	1.2	1.0
Germany	1.2	2.5	2.1	1.6	1.9	1.9	1.6
Greece	4.7	3.1	1.0	-0.3	-0.3	-0.5	-1.0
Italy	1.6	2.9	3.3	1.3	1.4	1.2	1.2
Spain	2.0	3.1	2.4	1.8	2.2	1.9	1.6
US	2.4	3.8	2.1	1.2	1.7	1.8	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	0.7	1.2	1.3	1.1
Japan	-0.7	-0.3	0.0	-0.3	0.2	0.7	0.9
US	1.6	3.2	2.1	1.4	1.8	2.0	1.5
G7	1.4	2.6	1.9	1.2	1.5	1.7	1.4
OECD	1.8	2.9	2.2	1.5	1.8	2.0	1.7
Brazil	5.0	6.6	5.4	6.5	6.7	6.3	6.1
China	3.3	5.4	2.6	2.1	2.7	2.7	2.6
India	12.0	8.9	9.3	10.7	11.1	10.8	:
Russia	6.9	8.4	5.1	7.4	6.9	6.4	6.5

Source: Eurostat & stat.OECD database

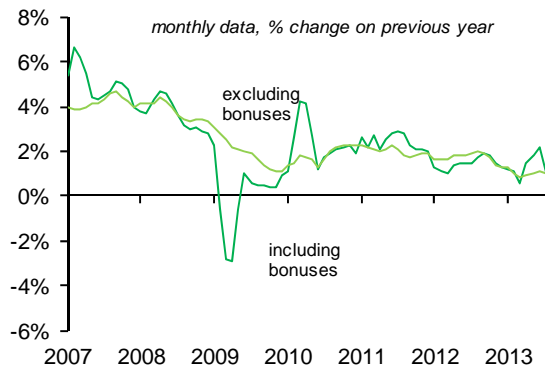
Contact: Gavin Thompson, x2042

Updates: ONS [Consumer Prices bulletin](#) (UK), 15 Oct 2013
Eurostat, [HICP full release](#), 16 Oct 2013
Eurostat, [Flash estimate](#) (Eurozone), 31 Oct 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.1% in the three months to July, compared with a year ago. Inflation as measured by the CPI was 2.8% in July – the 39th consecutive month in which inflation has exceeded nominal wage growth.

Average Earnings, Whole Economy



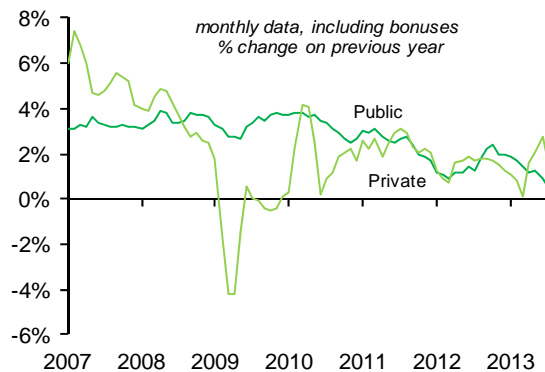
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2010 Jul	0.9	3.4	4.3	1.6	1.7
2011 Jul	3.1	2.7	1.7	3.3	2.9
2012 Jul	1.7	1.3	2.4	1.3	1.5
2013 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	2.8	0.9	2.6	2.2	2.2
Jul	1.4	0.5	2.1	1.1	1.1

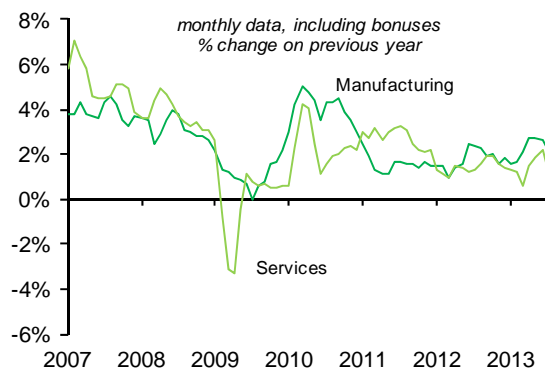
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly earnings (including bonuses) in July were £474 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £487 in July, compared with £471 in the private sector.
- Average total weekly pay in the private sector was up 1.4% year-on-year in the three months to July, compared with a 0.5% increase in the public sector.

Average Earnings in Services and Manufacturing

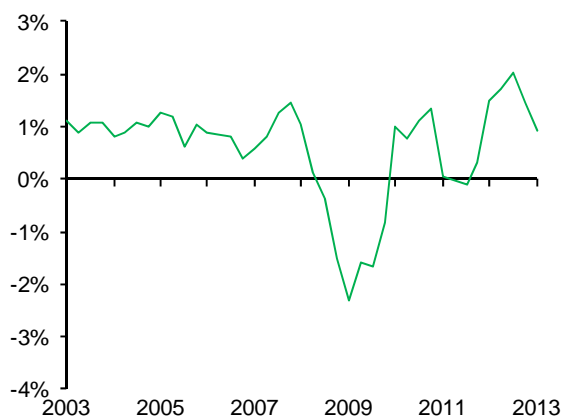


- Average weekly earnings (including bonuses) in the manufacturing sector were 2.1% higher in the three months to July than in the same period last year. In the services sector total pay grew by 1.1%.
- Average total weekly pay in the manufacturing sector was £553 in July, compared with £460 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £612 in July.

C1: Employment

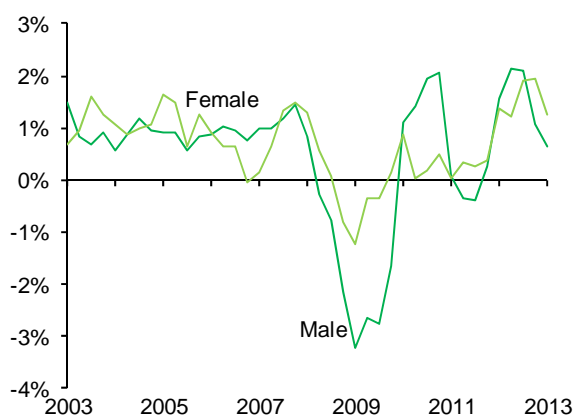
There were 29.84 million people aged 16 and over in employment in the UK in May-July 2013. The number of people in employment increased by 80,000 compared to the previous quarter and by 275,000 compared to the same period last year. The employment rate for people aged 16-64 was 71.6%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- 15.95 million men were in employment in May-July 2013, up 41,000 on the previous quarter. Female employment increased by 39,000 over the past quarter to 13.89 million.
- Employment of people aged 50-64 rose by 95,000 over the past quarter. The number of 16-24 year olds in employment fell by 77,000.
- The number of employees rose by 98,000 over the past quarter to 25.39 million.
- 4.17 million people were self-employed, down 27,000 on the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment increased by 95,000 over the past quarter to 21.79 million. Full-time employment made up 73.0% of all employment.
- 8.05 million people were working part-time, down 15,000 compared to the previous quarter.
- Public sector employment decreased by 34,000 in the three months to June 2013, to 5.67 million. The number of people working in the private sector rose by 114,000, to 24.17 million.
- Private sector employment accounted for 81.0% of total employment in May-July 2013. The public sector accounted for 19.0% of total employment.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
May-Jul 2011	29,130	3,675	17,226	7,369	859
May-Jul 2012	29,560	3,699	17,405	7,501	955
Aug-Oct 2012	29,601	3,712	17,389	7,541	959
Nov-Jan 2013	29,732	3,682	17,454	7,631	964
Feb-Apr 2013	29,756	3,678	17,447	7,628	1,003
May-Jul 2013	29,836	3,601	17,505	7,724	1,006
% change on previous 3 months	+0.3	-2.1	+0.3	+1.3	+0.3
% change on previous year	+0.9	-2.7	+0.6	+3.0	+5.3

Source: ONS

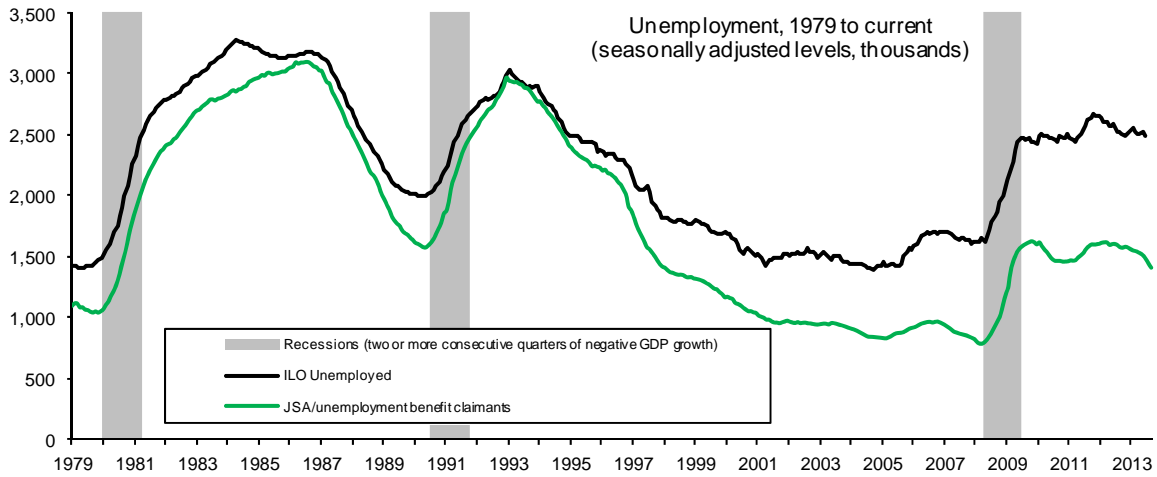
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 16 Oct 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 was 2.49 million in the UK in May-July 2013**, down 24,000 on the previous quarter and down 105,000 on the previous year. 7.7% of the economically active population aged 16 and over were unemployed.



Source: ONS, *Labour Market Statistics*

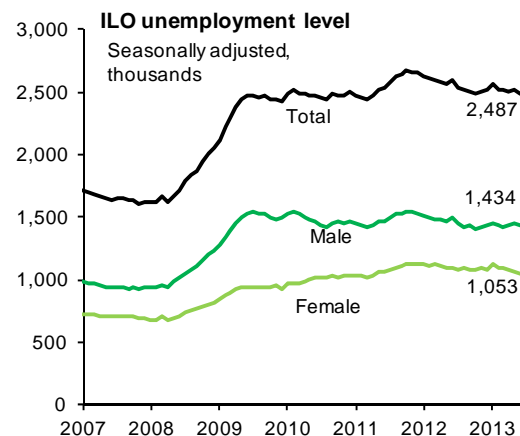
ILO unemployment

The number of people who have been unemployed for longer than twelve months was 899,000 in May-July 2013, unchanged from the previous quarter and down slightly from the previous year.

960,000 people aged 16-24 were unemployed in May-July 2013, 9,000 more than in the previous quarter but 57,000 fewer than the same period last year.

Jobseeker's Allowance (JSA) claimant count

The number of people claiming Jobseeker's Allowance decreased by 32,600 between July and August 2013 to 1.40 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	(%)
May-Jul 2008	1,719	5.5	727	14.8	747	4.1	232	3.1	13	1.8
May-Jul 2009	2,469	7.9	944	19.8	1,151	6.3	351	4.6	23	3.0
May-Jul 2010	2,475	7.8	923	19.5	1,154	6.3	379	4.9	19	2.2
May-Jul 2011	2,531	8.0	980	21.0	1,165	6.3	364	4.7	22	2.5
May-Jul 2012	2,592	8.1	1,017	21.6	1,162	6.3	390	4.9	23	2.3
Aug-Oct 2012	2,510	7.8	945	20.3	1,165	6.3	379	4.8	20	2.1
Nov-Jan 2013	2,516	7.8	993	21.2	1,134	6.1	373	4.7	17	1.7
Feb-Apr 2013	2,511	7.8	950	20.5	1,143	6.1	397	4.9	21	2.1
May-Jul 2013	2,487	7.7	960	21.0	1,113	6.0	390	4.8	24	2.4
% change on quarter	-1.0		+1.0		-2.7		-1.6		+15.9	
% change on year	-4.0		-5.6		-4.2		+0.0		+6.9	

Source: ONS, *Labour Market Statistics*

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

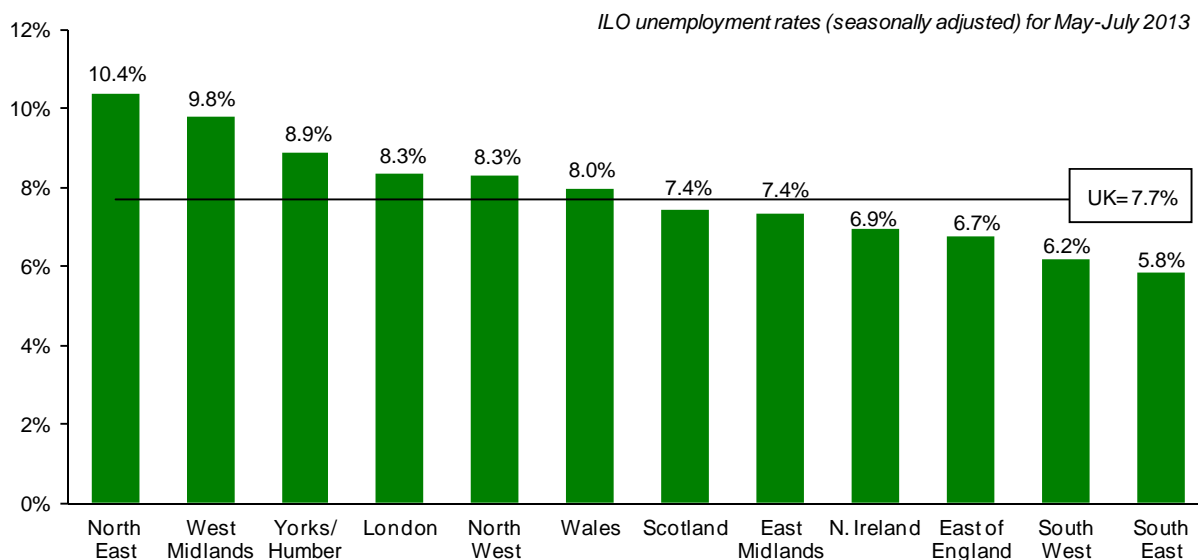
Contact: David Hough, x6933

Update: ONS, *Labour Market Statistics*, 16 Oct 2013

C3: Unemployment: Regional

The Office for National Statistics uses the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. The *unemployment rate* is the proportion of the economically active population who are unemployed.

- Over the period May-July 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 East.



- The largest increase in the level of unemployment over the last quarter was in the North West (up 13,000). The largest decrease was in the South East (down 29,000).
- The (seasonally adjusted) Jobseeker's Allowance claimant count decreased across all regions between July and August 2013.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	May-July 2013		Change in level		August 2013	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	136	10.4	+5	+1	83.6	-1.8
North West	285	8.3	+13	-31	176.1	-4.7
Yorkshire & Humber	245	8.9	+1	-28	148.0	-3.6
East Midlands	168	7.4	-11	-25	94.5	-2.1
West Midlands	267	9.8	+7	+29	146.7	-4.1
East of England	211	6.7	+3	+10	100.4	-2.5
London	359	8.3	-7	-17	200.7	-4.0
South East	267	5.8	-29	-15	116.6	-3.1
South West	167	6.2	-1	+14	75.2	-2.0
Wales	118	8.0	-7	-14	71.8	-1.5
Scotland	203	7.4	+10	-19	126.0	-2.9
Northern Ireland	60	6.9	-8	-10	62.2	-0.3

Source: ONS, *Labour Market Statistics*

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

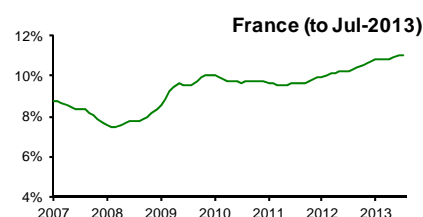
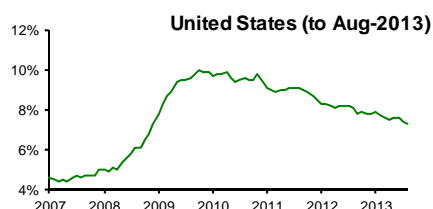
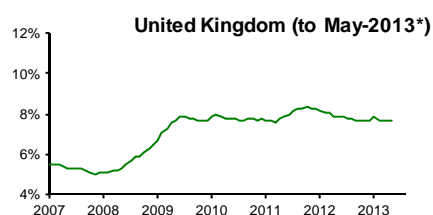
Contact: David Hough x6933

Update: ONS, *Labour Market Statistics*, 16 Oct 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 in France and Italy (10.8% and 11.9% respectively in Q1) but above that of Germany (5.4%).
- In the US, unemployment fell from 7.7% to 7.6% between Q1 2013 and Q2 2013. Unemployment is 0.6% points lower compared with a year ago.
- In the Eurozone, unemployment rose from 12.0% to 12.1% between Q1 2013 and Q2 2013, with the Netherlands and Slovenia experiencing the biggest rises in unemployment, at 0.4% points and 0.6% points respectively.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states, at 26.6% in Q2 2013. Spain's unemployment rate has risen 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 13.8% in Q1 2013). This compares with a 2.0% point rise in unemployment in the OECD as a whole since Q3 2008 (from 6.0% to 8.0%) and a 4.4% point rise in the Eurozone (from 7.7% to 12.1%). South Korea had the lowest unemployment rate in the OECD in Q2 2013, at 3.2%.
- Youth (aged 16-24) unemployment is a major issue in many developed economies at present. In Spain youth unemployment hit 55.7% in Q2 2013 while in Greece youth unemployment was 60.8%. In the UK, youth unemployment stood at 21.0% over the three months to July 2013, according to ONS data.



* latest figure refers to quarterly survey conducted over Apr-Jun 2013

Unemployment

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

	2010	2011	2012	2011			2012				2013	
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Canada	8.0	7.5	7.2	7.5	7.3	7.4	7.4	7.3	7.3	7.2	7.1	7.1
France	9.7	9.6	10.3	9.5	9.6	9.8	10.0	10.2	10.3	10.6	10.8	10.9
Germany	7.1	6.0	5.5	6.0	5.8	5.6	5.5	5.5	5.4	5.4	5.4	5.4
Italy	8.4	8.4	10.7	7.9	8.6	9.2	10.0	10.6	10.8	11.3	11.9	12.1
Japan	5.1	4.6	4.4	4.7	4.5	4.5	4.5	4.4	4.3	4.2	4.2	4.0
UK	7.8	8.0	7.9	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	8.7	8.3	8.2	8.0	7.8	7.7	7.6
Eurozone	10.1	10.1	11.4	9.9	10.2	10.6	10.9	11.3	11.5	11.8	12.0	12.1
G7	8.2	7.7	7.4	7.7	7.7	7.6	7.5	7.4	7.4	7.3	7.3	7.2
OECD	8.3	8.0	8.0	7.9	8.0	7.9	7.9	7.9	8.0	8.0	8.1	8.0

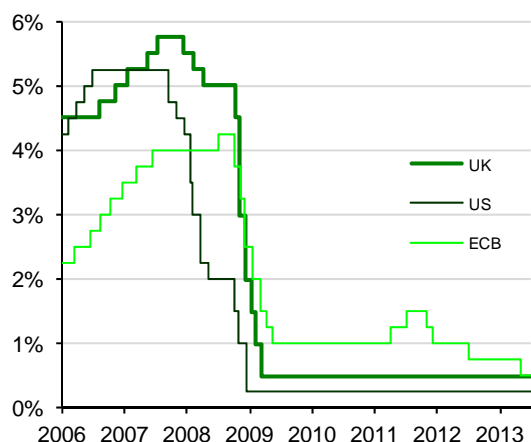
Source: OECD, Harmonised Unemployment Rates

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

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

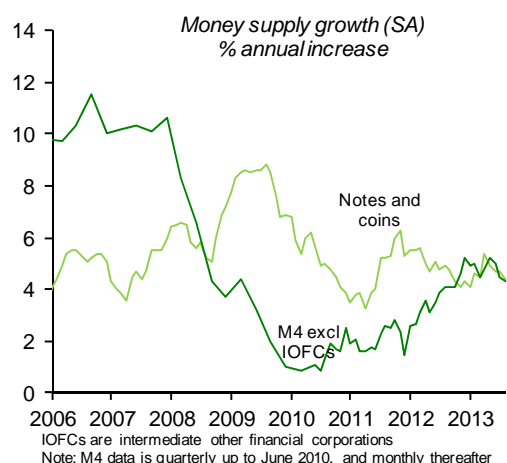


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 6 August 2013, the Governor of the Bank of England [announced](#) 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 to 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. Since September 2012, it has been purchasing assets (quantitative easing) at a rate of around \$85bn per month. On 18 September 2013, against market expectations, the Federal Open Market Committee decided to maintain this rate of asset purchases.

Quantitative easing in the UK (asset purchase programme)

- With little room for further cuts in interest rates, the Bank of England 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 that money supply growth remained high during the first half of 2013, even though no quantitative easing had been undertaken over this period. The growth was driven predominantly by household deposits, particularly 'sight' (i.e. instant access) deposits. The Bank commented that this could presage a rise in household spending; but that it could also be a consequence of a convergence in interest rates between longer-term savings products and sight deposits, rendering the two more interchangeable.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.3% in August 2013, down from 4.5% in July.
- The value of notes and coins in circulation outside the Bank of England rose by 4.3% in August 2013 compared with a year ago, down from 4.7% in July.

Contact: Gavin Thompson, x2042

Updates: Monetary policy meetings: 2 Oct ([ECB](#)); 10 Oct ([UK](#)); 30 Oct ([US](#))
Bank of England, [Narrow money and reserve balances](#), 2 Oct

D2: Public Finances

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

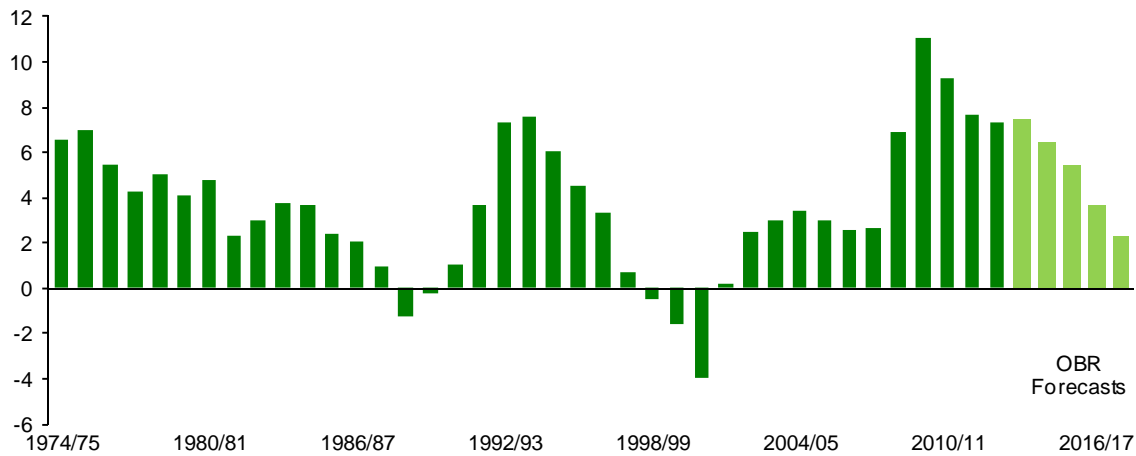
- Revised figures show that borrowing in 2012/13 was £115.7 billion, £2.8 billion lower than in 2011/12. These figures exclude the effects of the Royal Mail pension transfer and QE interest payments.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion 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	158	11.0	828	56.4
2010/11	140	9.3	1,005	65.9
2011/12	118	7.7	1,106	71.1
2012/13	116	7.4	1,182	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 25 September 2013

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
25 Sep 2013	6,565.6	109.2	1,333.6
%change over:			
1-month	+1.9%	-1%	-5%
12-months	+12%	-1%	-24%
%change from:			
cyclical peak	-4%	-25%	-30%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+87%	+200%	+88%
date	03 Mar '09	24 Dec '08	24 Oct '08

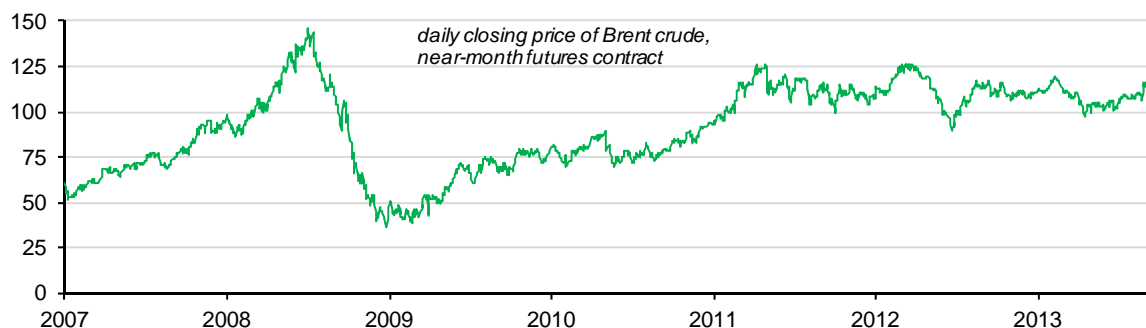
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



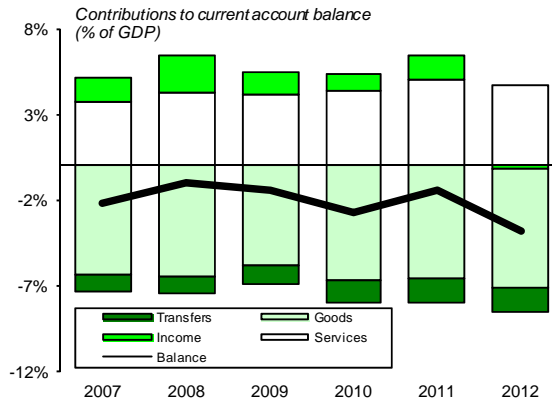
Gold price (\$ per ounce)



E1: Trade

The current account deficit in 2012 was £59.8 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 profits of UK companies' direct investments abroad, with earnings falling from £100.9 billion in 2011 to £81.0 billion in 2012.

Current Account



- On a **quarterly** basis, the current account deficit was £13.0 billion in Q2 2013, narrowing from £21.8 billion in Q1 2013. The surplus on services was down slightly at £19.8 billion while the deficit on goods fell to £25.3 billion.
- The **annual** current account deficit with EU28 countries was £83.5 billion in 2012 compared with a surplus with non-EU countries of £23.6 billion. On a **quarterly** basis, the deficit with EU28 countries was £20.2 billion in Q2 2013 compared to a £7.2 billion surplus with non-EU countries.

Current Account Balances

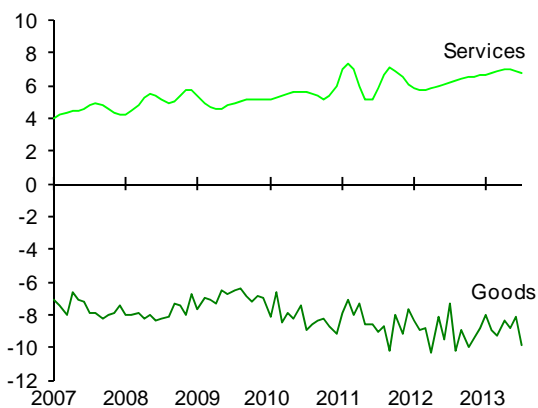
£ millions; seasonally adjusted

	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	-108,698	74,056	493,866	528,508	-34,642	-2,183	-23,017	-59,842	
2012 Q2	-27,902	17,880	122,132	132,154	-10,022	-1,823	-5,521	-17,366	
Q3	-26,474	19,048	125,105	132,531	-7,426	-2,020	-5,746	-15,192	
Q4	-28,199	19,719	122,969	131,449	-8,480	-323	-6,337	-15,140	
2013 Q1	-26,191	19,925	125,477	131,743	-6,266	-9,218	-6,281	-21,765	
Q2	-25,285	19,830	128,002	133,457	-5,455	-322	-7,212	-12,989	

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 July was £9.9bn, down from £8.2bn in June.
- The monthly trade surplus on services was an estimated £6.8bn in July, down slightly from the June surplus of £6.9bn.
- The overall monthly deficit on goods and services combined in July was £3.1bn, up from £1.3bn in June.
- The monthly goods deficit with the EU27 was £5.3bn in July, down slightly from £5.4bn in June, while the deficit with non-EU countries was £4.5bn in July, up from £2.8bn in June.

Contact: Daniel Harari, x2464

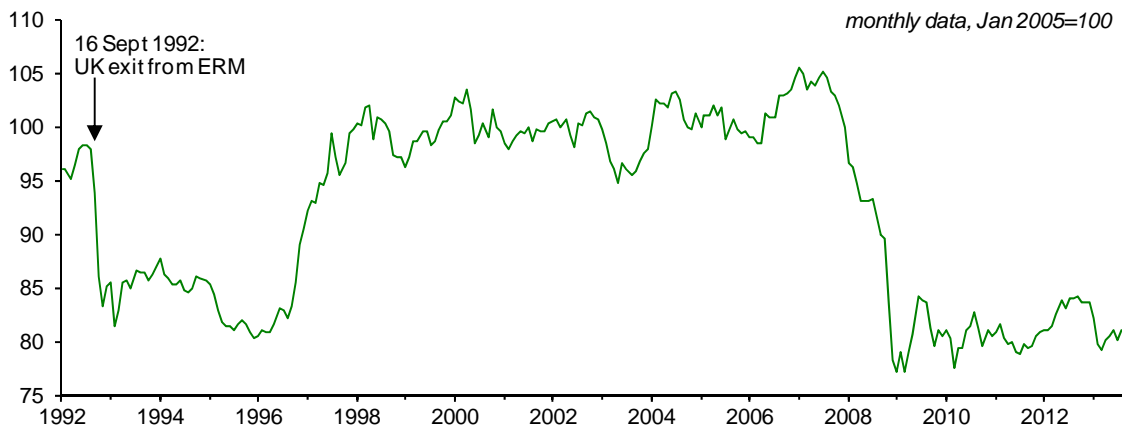
Updates: ONS, [UK Trade](#), 9 Oct 2013
ONS, [UK Balance of Payments](#), 20 Dec 2013

E2: Exchange rates

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

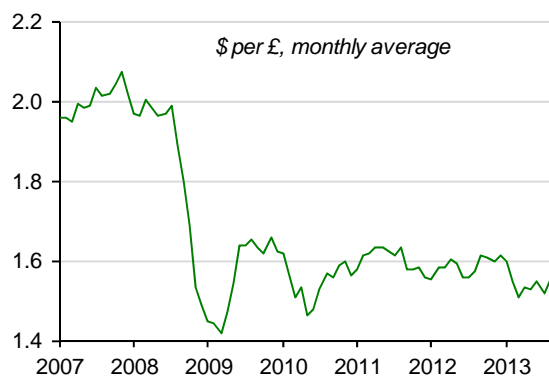
The SERI rose by 1.2% in August 2013, following a fall of 1.3% in July. Compared with the same period a year ago, it is 3.6% lower. It is currently 5.1% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 23.3% down from its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



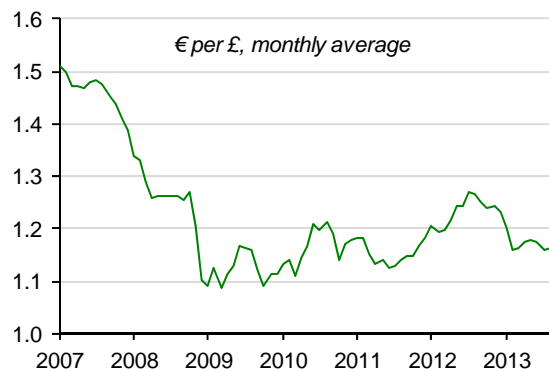
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in August, the pound was three cents higher against the dollar compared with July. At the 5 September market close the pound stood at \$1.56, one cent above the August average.
- Sterling was unchanged against the Euro in August compared with July.
- At the 5 September market close the pound stood at €1.19, two cents above the August 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 Aug	1.57	-3.8%	1.27	11.0%
2013 Jun	1.55	-0.6%	1.17	-5.4%
Jul	1.52	-2.7%	1.16	-8.6%
Aug	1.55	-1.3%	1.16	-8.1%

Source: Bank of England, Bankstats database

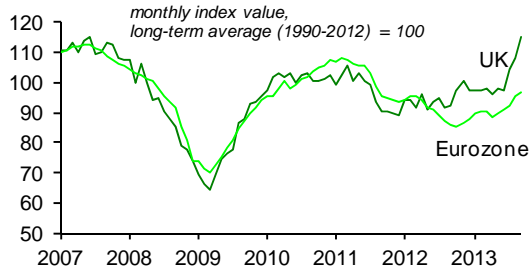
Contact: Daniel Harari, ext. 2464

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

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

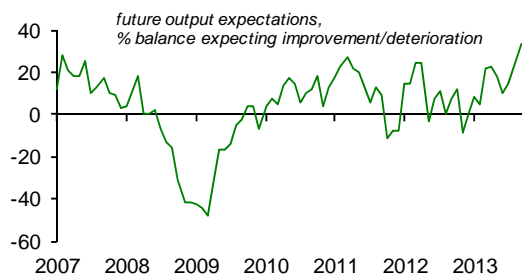


	UK Index	monthly change	change on year ago
2011 Sep	90.2	...	...
2012 Sep	92.3	...	...
2013 Jul	104.2	+6.9	+9.2
Aug	108.5	+4.3	+16.7
Sep	115.4	+6.9	+23.1

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of EU member states' economies.
- Between August and September 2013 the overall UK sentiment index rose by 6.9 points to 115.4 – 23.1 points higher than the previous year. The Eurozone index rose by 1.6 points to 96.9.

CBI Industrial Trends Survey



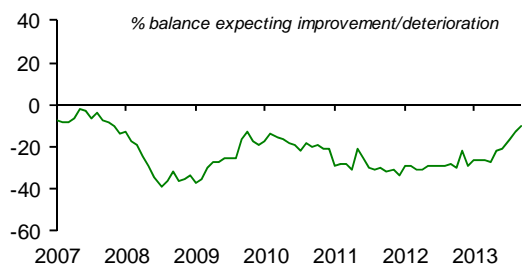
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2011 Sep	+9	...	...
2012 Sep	+7	...	...
2013 Jul	+15	+5	+4
Aug	+25	+10	+25
Sep	+33	+8	+26

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In September 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +33% of firms. This is an increase from a balance of +25% in August 2013 and +7% in September 2012. It is the highest balance since March 1995.

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 Sep	-30	...	...
2012 Sep	-28	...	...
2013 Jul	-16	+5	+13
Aug	-13	+3	+16
Sep	-10	+3	+18

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 -10 in September, 3 points higher than the previous month and 18 points higher than a year ago.

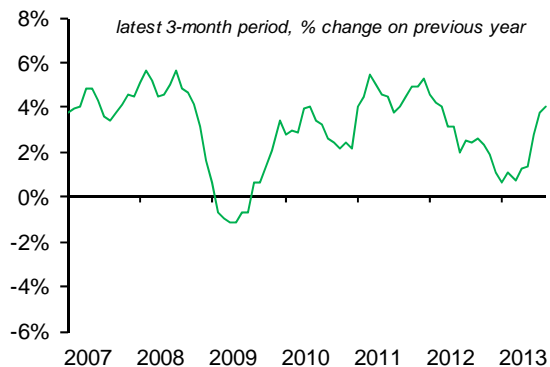
Contact: David Hough, x6933

Update: CBI, [Industrial Trends](#), mid-October 2013
EC, [Economic Sentiment Indicator](#), 30 Oct 2013
GfK NOP, [Consumer Confidence](#), 31 Oct 2013

F2: Retail Sales

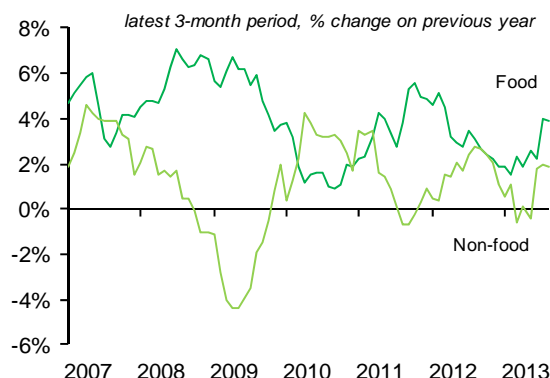
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The value of retail sales in the three months to August 2013 increased by 4.0% compared with the same three months in the previous year.
- The value of retail sales in August 2013 alone was 3.6% higher than in August 2012.
- Internet sales are estimated to account for 9.7% of the value of all retail sales (excluding vehicle fuels). The value of internet sales in August 2013 was 22.5% higher than in August 2012.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to August 2013 rose by 3.9% on the same period last year, while the value of sales in non-food stores increased by 1.9%.
- Despite this increase for non-food stores overall, the value of sales in household goods stores in the three months to August fell by 3.0% compared to 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	-2.8	3.4	0.6	1.1	4.9
2012	3.0	1.5	-0.4	6.4	0.6	1.7	2.4
2013 APR	1.9	0.4	-5.2	2.5	2.1	0.1	1.3
MAY	2.6	0.2	-6.0	0.3	2.3	-0.4	1.4
JUN	2.2	3.0	-4.0	2.3	4.5	1.8	2.8
JUL	4.0	3.5	-3.0	2.6	3.6	2.0	3.8
AUG	3.9	3.5	-3.0	3.7	2.8	1.9	4.0

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

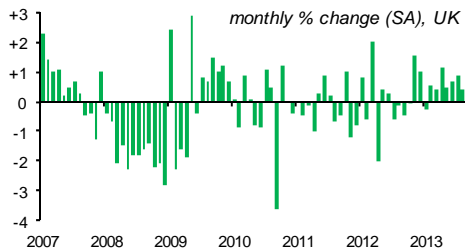
F3: Housing Market

House prices on the Nationwide index rose by 0.9% in September after a 0.7% rise in August. Prices were 5.0% higher compared with a year ago on this measure. House prices on the Halifax index rose by 0.4% in August following a 0.9% rise in July. Prices were 6.2% higher than a year ago on this measure.

Numbers of mortgage approvals have started to pick up in recent months but still remain well down on pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

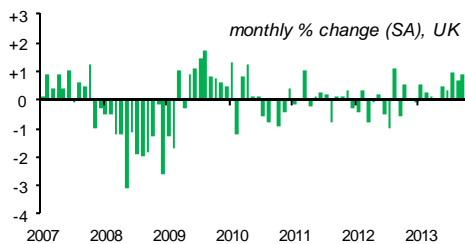
Halifax house price index



Latest monthly data
UK, seasonally adjusted

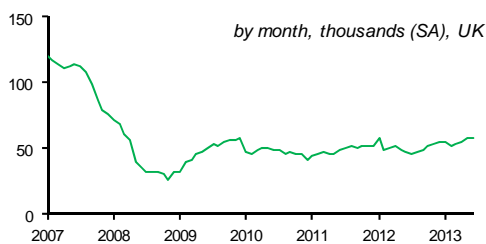
	Halifax	Nationwide
Latest data	Aug-13	Sep-13
Change in month	+0.4%	+0.9%
Change in year	+6.2%	+5.0%
Peak date	Aug-07	Oct-07
Change since peak	-14.7%	-8.1%
Trough date	Apr-09	Feb-09
Change since trough	+10.1%	+14.0%

Nationwide house price index



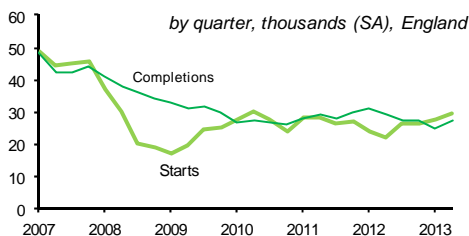
- Average house price growth has accelerated in recent months. In September 2013, the average house price on the Nationwide measure was just over £172,000.
- There is considerable regional variation. In Q3 2013 prices rose by 10% in London but were unchanged in the far north of England compared with 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 62,226 mortgage approvals in August 2013, a five-and-a-half year high. Approvals were 2% higher than in July and 31% higher than August 2012.

House-building



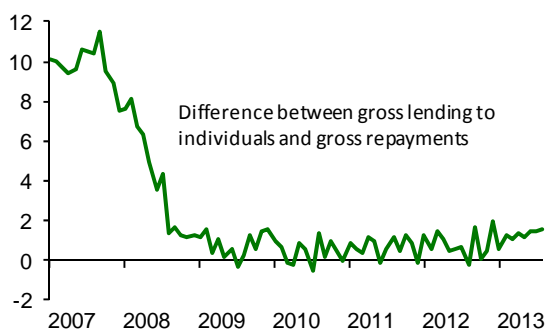
- There were 29,510 house building starts in England in Q2 2013, 6% more than in Q1 2012 and 33% more than in Q2 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 27,270 dwelling completions in Q2 2013, up 9% from 24,930 in Q1 2013, and 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](#), early Oct 2013;
Nationwide [House Price Index](#), end Oct 2013;
Bank of England, [Money and credit](#), end Oct 2013
DCLG, [House-building](#), 21 Nov 2013;

F4: Household debt

Monthly net lending, £bn

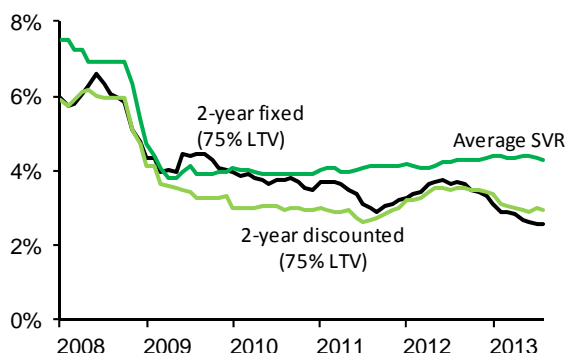


Source: Bank of England

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

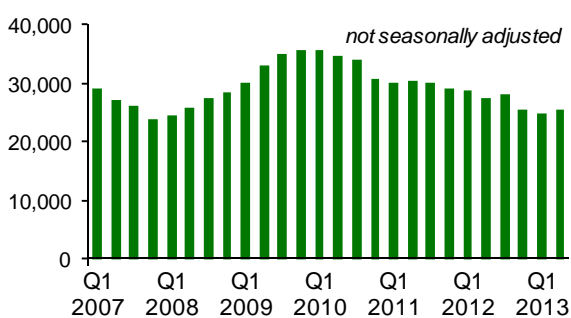
- Total net lending to individuals (excluding student loans) was £1.6 billion in August 2013. Net lending has been relatively low since mid-2008, but appears to have been gradually rising this year.
- Monthly net unsecured lending (consumer credit) was £0.6 billion in August. Monthly net secured lending (mortgages) was £1.0 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in August 2013 it was 4.32%, compared with 4.27% a year before.
- In contrast fixed mortgage rates have generally been falling over the last year – the average fixed mortgage rate was 2.56% in August, compared to 3.69% the year before. The average fixed-term variable (discounted) rate was 2.94% in August (compared with 3.54% 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 Q2 2012

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Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 29 Oct 2013
Insolvency Service, [Insolvency Statistics](#), 1 Nov 2013

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.