



# Economic Indicators, November 2013

RESEARCH PAPER 13/62

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 0.8% in Q3 2013 compared with the previous quarter, following growth of 0.7% in Q2 and 0.4% growth in Q1. GDP remains 2.5% below its peak in Q1 2008.
- Employment grew by 155,000 (to 29.87 million) and unemployment fell by 18,000 (to 2.49 million) in June-August 2013.
- Continued GDP growth and strong labour market data has boosted industry confidence, and October saw the sharpest increase in service industry confidence in over 15 years.

This month's articles:

**Wants, needs and desires: What can households no longer afford?**

**A typical apprenticeship**

Chris Rhodes (editor)

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## Research Paper 13/62

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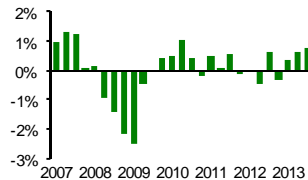
## Summary

GDP grew by 0.8% in Q3 2013 compared with the previous quarter, following growth of 0.7% in Q2 and 0.4% growth in Q1. GDP remains 2.5% below its peak in Q1 2008. Employment grew by 155,000 (to 29.87 million) and unemployment fell by 18,000 (to 2.49 million) in June-August 2013. Continued GDP growth and strong labour market data has boosted industry confidence, and October saw the sharpest increase in service industry confidence in over 15 years.

### GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by an estimated 0.8% in Q3 2013, following growth of 0.7% in Q2. The economy grew for the first three quarters of 2013, the longest period of growth since the first three quarters of 2011.

### Inflation (CPI)

[page 7](#)

(% change on year ago)



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

### Employment

[page 10](#)

(total, millions)

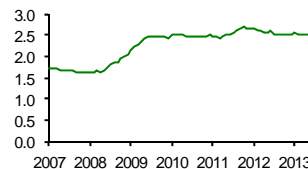


There were 29.87 million people aged 16 and over in employment in June-August 2013, up 155,000 on the quarter. The employment rate, the proportion of people aged 16-64 in employment, was 71.7%.

### Unemployment

[page 11](#)

(total, millions, ILO definition)

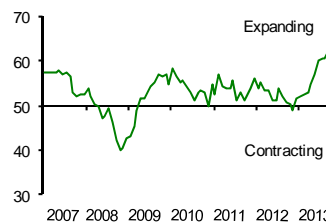


There were 2.49 million unemployed people in the three months to August 2013, down 18,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.7%.

### Services Purchasing Managers Index

[page 4](#)

(Markit/CIPS UK Services PMI)



This indicator of confidence in the largest sector in the economy – the services sector – rose to 62.5 in October from 60.3 in September (where 50 is no change). This is the index's sharpest increase since May 1997.

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Next issue: 3 December

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 Wants, needs and desires – what can households no longer afford?

Average incomes have been falling relative to prices in recent years. This article explores how the overall squeeze on real incomes, along with changes in prices for particular items, have changed what people spend their money on.

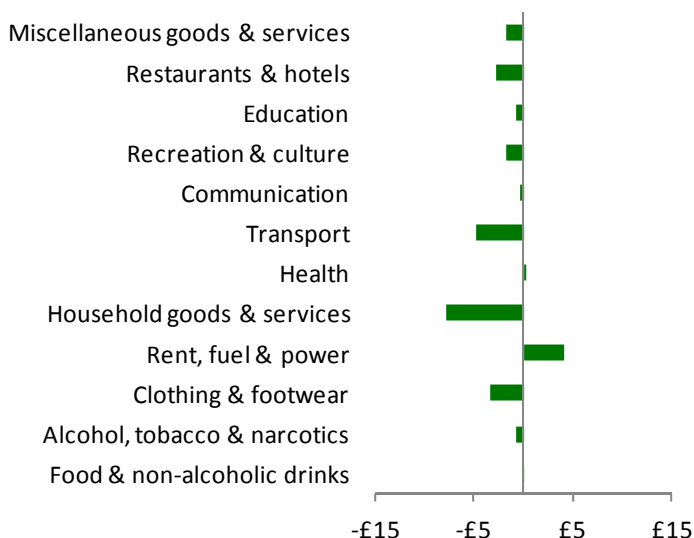
### 2.1 How has spending changed compared with before the recession?

Average UK household spending fell by 8% in real terms between 2007 and 2011.<sup>3</sup>

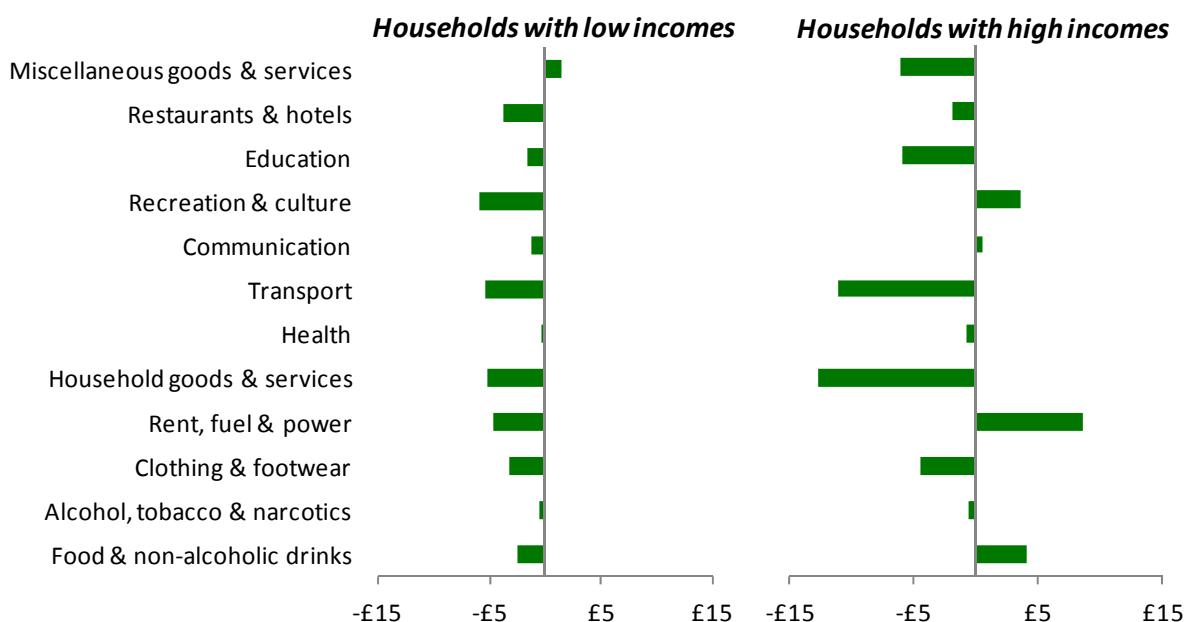
Spending on household goods and services (e.g. furniture or cleaning products) is the category of spending that has seen the greatest fall – down an average of £8 a week in real terms between 2007 and 2011.

The poorest households were spending less in most categories in 2011 than in 2007, while the richest households saw more variation – for example the amount they spent on recreation and culture increased between 2007 and 2011.

**Change in average weekly household spending, real terms, 2007 to 2011**



**Change in average weekly household spending, real terms, 2007 to 2011**



<sup>3</sup> Figures in this article are from ONS [Family Spending](#) (adjusted for inflation using the CPI), and from Gordon et al, [The Impoverishment of the UK; Poverty and Social Exclusion UK first summary report](#) (March 2013). For the purpose of working out the (20%) richest or poorest households in this section, incomes have been adjusted for household size and composition (using the McClements scale for 2007 / OECD scale for 2011).



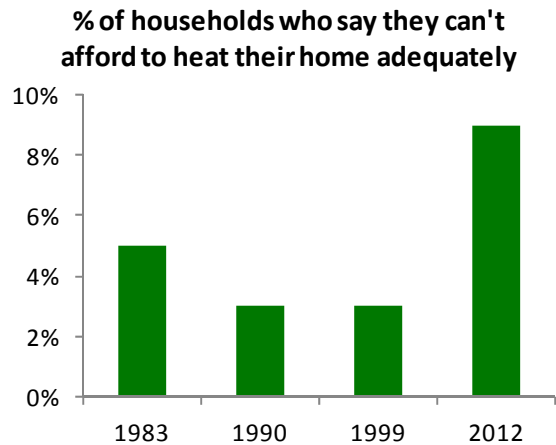
## 2.2 Are people managing to cover the essentials of life?

Most people manage to feed and clothe themselves adequately and to keep warm, but there are exceptions.

### ***Keeping warm***

In 2012, one in ten households (9%) in Britain reported that they cannot afford to keep their home adequately warm – up from 3% at the end of the 1990s.

If 2011, fuel and power accounted for 5% of average UK household expenditure (up from 3% in the late 1990s when domestic energy prices were lower). They accounted for 8% of spending for households with lower total incomes, and 3% for households on higher total incomes.



### ***Keeping clothed***

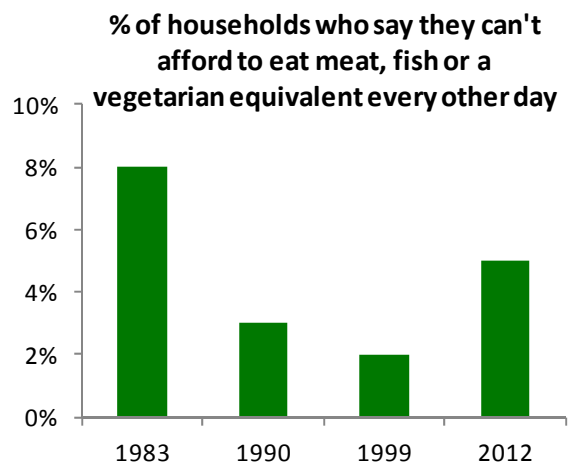
In 2012, 9% of adults of working age reported not being able to afford appropriate clothes for a job interview.

Spending on clothing and footwear was down 14% between 2007 and 2011, and was down further among the poorest households in the population.

### ***Keeping fed***

In 2012, 5% of households reported not being able to afford to eat meat or fish (or a vegetarian alternative) every other day. 3% said that they cannot afford two meals a day. Both percentages are higher than they were in 1999.

Food and non-alcoholic drinks account for 17% of the expenditure of the poorest households – twice the proportion spent by the richest (8%).



Lorna Booth, Economic Policy and Statistics

### 3 A typical apprenticeship

An apprenticeship is a paid job, incorporating training towards a nationally recognised qualification. In England there are nearly 200 different apprenticeships, known as apprenticeship frameworks, available in 13 broad sector subject areas. Whilst it is difficult to define a ‘typical apprenticeship’ there has been some noticeable broad trends over the last decade, which makes them distinct from apprenticeships a few years ago.

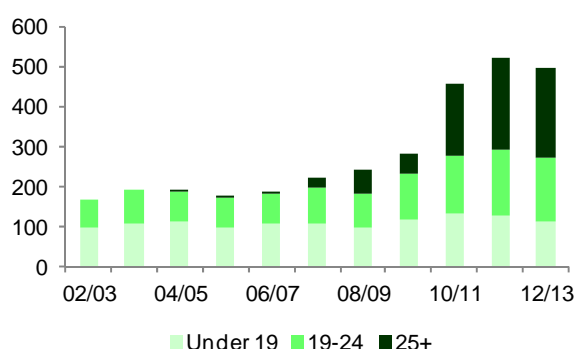
#### How old are apprentices?

Over the last ten years the number of apprenticeship starts has risen significantly from 168,000 in 2000/03 to 495,000 in 2012/13.

Much of the growth in apprenticeship starts has been driven by apprenticeships becoming available to people aged over 25, who accounted for 45% of apprenticeship starts in the most recent academic year.

Over the last two academic years the number of apprenticeship starts by under 19s has fallen by 20,000 and they now account for 23% of all apprenticeship starts, compared to 58% in 2002/03.

**Apprenticeship starts by age, England**  
(000's)



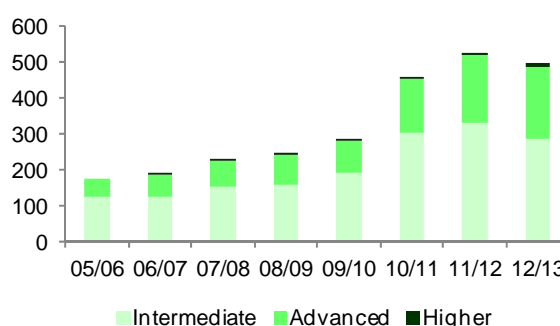
#### What level are apprenticeships studied at?

Apprenticeships are studied at three different qualification levels: Intermediate (equivalent to A\*-C GCSEs), Advanced (equivalent to A-levels) and Higher (equivalent to BTEC professional diplomas and Higher National Certificates).

58% of all apprenticeship starts, in 2012/13, were for Intermediate Apprenticeships, 40% for Advanced Apprenticeships and 2% for Higher Apprenticeships. Since 2005/06 the number of starts has increased across all apprenticeship levels, however the proportion made up by Intermediate Apprenticeships has fallen (down from 70% of all apprenticeship starts in 2005/06).

For the first time in the 2010/11 academic year more women than men started apprenticeships. This has continued every year since, with the gap widening.

**Apprenticeship starts by level, England**  
(000's)



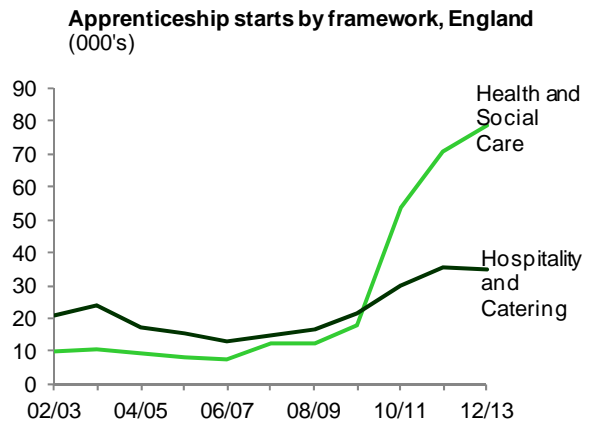
Over the last decade, females under 19 have been less likely to study a higher or advanced apprenticeship than males under 19 and females aged 25 and over have been more likely to study a higher or advanced apprenticeship than males aged 25 and over. Of men who started an apprenticeship 29% aged under 19 and 34% aged over 19 started an Advanced or Higher Apprenticeship in 2011/12. During the same period, of the women who started an apprenticeship 23% aged under 19 started an Advanced or Higher Apprenticeship compared to 48% aged 25 and over.

**What are the most popular apprenticeship frameworks?**

Despite there being almost 200 different apprenticeship frameworks available, just five frameworks accounted for over half (51%) of all apprenticeship starts in 2012/13.

The most popular framework in 2012/13 was Health and Social Care with 78,000 starts. This is eight times higher than the number of starts in 2002/03.

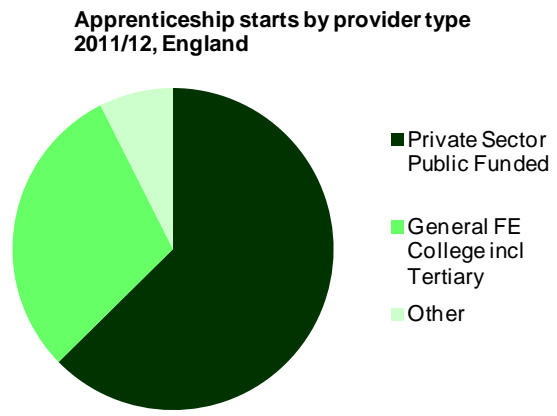
In 2002/03 there were more starts for Hospitality and Catering than any other framework. Despite apprenticeship starts in Hospitality and Catering increasing by 14,000 between 2002/03 and 2012/13, there have been larger increases for other frameworks. Hospitality and Catering is now the fifth most popular framework, behind Health and Social Care, Business Administration, Management and Customer Service.



**Where are apprenticeships studied?**

There are a variety of institutions providing the off-the-job guided learning all apprentices are required to complete.

In 2011/12 63% of apprenticeships were started with publically funded providers in the private sector. This covers a broad range of providers from companies which design and run their own training schemes and private sector training organisations through to trade unions and employer organisations.



General further education colleges provide for a further 30% of apprenticeship starts, with the remainder being made up by other public funded providers, sixth form colleges, special colleges and schools.

James Mirza-Davies, Economic Policy and Statistics



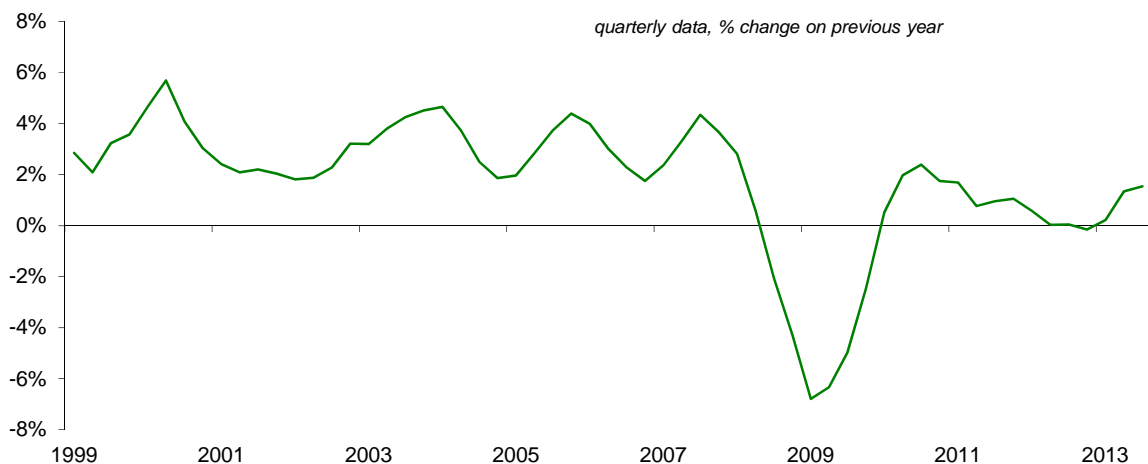
## A1: Gross Domestic Product

Preliminary estimates show the economy grew by 0.8% in Q3 2013, following growth of 0.7% in Q2 2013. In October, HM Treasury's average of independent economic forecasts of GDP growth was 1.4% for 2013 and 2.2% 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.

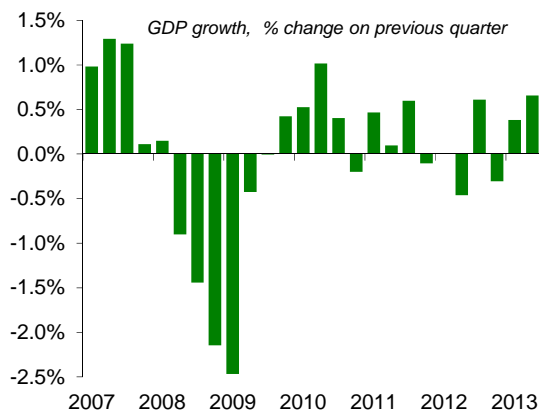
In a revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought, meaning real GDP in Q1 2013 is now thought to be 3.9% below its pre-recession peak (as opposed to 2.6% before the revisions). Though the ONS revised away the technical '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 0.5% compared to the previous quarter (based on chained volume measures). Construction sector output rose by 2.5%, and output of the services industry increased by 0.7%.

### 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	1,565	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
Q3	..	..	0.8	1.5

Source: ONS, series: YBHA, ABMI

**Contact:** Gavin Thompson, x2042

**Updates:** HMT, [Forecasts for the UK economy](#), 20 Nov 2013  
ONS, [Second estimate of GDP](#) 27 Nov 2013

## A2: GDP: International Comparisons

In Q3 2013, GDP in the UK grew by 0.8% compared with the previous quarter. Q3 data for the other G7 countries have not yet been published. In Q2 2013, GDP in the US rose by 0.6%. Q2 also 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			
	12Q4	13Q1	13Q2	13Q3	12Q4	13Q1	13Q2	13Q3
UK	-0.2	0.2	1.3	1.5	-0.3	0.4	0.7	0.8
Eurozone	-1.0	-1.2	-0.6	..	-0.5	-0.2	0.3	..
US	2.0	1.3	1.6	..	0.0	0.3	0.6	..
Japan	0.3	0.1	1.3	..	0.3	1.0	0.9	..
Germany	0.3	-0.3	0.5	..	-0.5	0.0	0.7	..
France	-0.3	-0.5	0.4	..	-0.2	-0.1	0.5	..
G7	0.9	0.5	1.1	..	-0.1	0.3	0.6	..
OECD	0.9	0.6	1.0	..	0.0	0.3	0.5	..

Source: OECDstat

In **November 2013**, the European Commission raised their GDP growth forecasts for the UK, last made in May 2013, from 0.6% to 1.3% for 2013 and from 1.7% to 2.2% for 2014. Their growth forecast for the eurozone was left unchanged at -0.4% for 2013 and lowered slightly to 1.1% from 1.2% in 2014.

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 **October 2013**, the IMF lowered their 2013 forecast for world GDP growth, last made in July 2013, by 0.3% points, to 2.9%. Forecasts for the UK were raised from 0.9% to 1.4%. 2013 GDP growth forecasts were raised for Germany (from 0.3% to 0.5%), France (from -0.1% to 0.2%), the eurozone (from -0.5% to -0.4%) and were lowered for the US (from 1.7% to 1.6%).

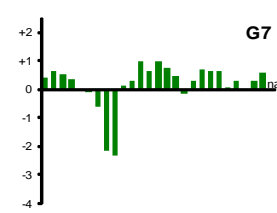
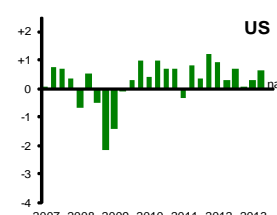
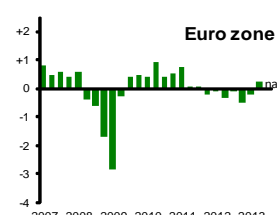
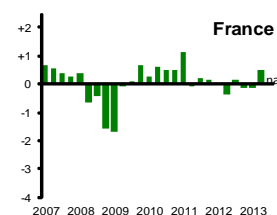
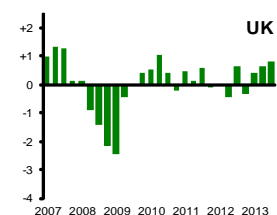
### Real growth forecasts (% change)

	IMF (Oct 13)		EC (Nov 13)		OECD (Sep 13)	
	2013	2014	2013	2014	2013	2014
UK	1.4	1.9	1.3	2.2	1.5	..
France	0.2	1.0	0.2	0.9	0.3	..
Germany	0.5	1.4	0.5	1.7	0.7	..
Eurozone	-0.4	1.0	-0.4	1.1	-0.6*	1.1*
US	1.6	2.6	1.6	2.6	1.7	..
Japan	2.0	1.2	2.1	2.0	1.6	..
<b>OECD</b>	..	..	..	..	<b>1.2*</b>	<b>2.3*</b>
China	7.6	7.3	7.5	7.4	7.4	..
India	3.8	5.1	..	..	5.3*	6.4*
Brazil	2.5	2.5	..	..	2.9*	3.5*
<b>World</b>	<b>2.9</b>	<b>3.6</b>	<b>3.2</b>	<b>4.0</b>	<b>3.1*</b>	<b>4.0*</b>

\*forecasts from May 2013 OECD Economic Outlook No.93

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

### Quarter-on-quarter growth rates



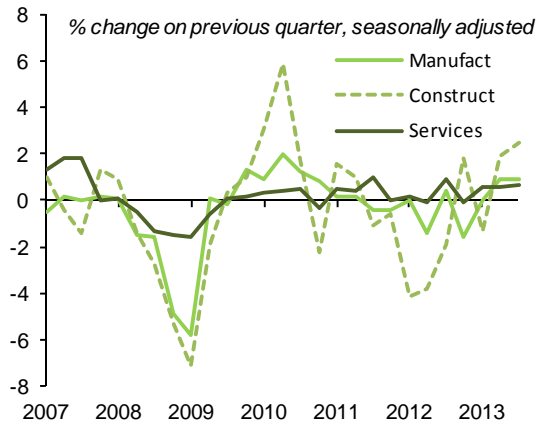
Contact: Daniel Harari, x2464

Update: OECD, [OECD.Stat](#) database  
 OECD, [Economic Outlook](#), Nov/Dec 2013  
 IMF, [World Economic Outlook](#), Jan 2014  
 EC, [Winter Economic Forecast](#), Feb 2014

### A3: Components of GDP

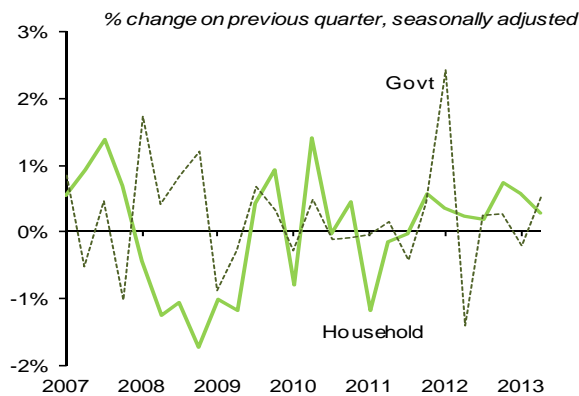
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption 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 0.7% in Q3 2013 compared with Q2 2013 in real terms.
- Manufacturing output increased by 0.9%.
- Construction sector output increased by 2.5%. This is the fastest rate of quarterly growth for three years.

#### Expenditure - household and government consumption



- Growth figures for the expenditure components of GDP in Q3 2013 will be published on 27 November.
- 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 0.8% in Q3 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 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%
2013 Q3	..	..	..	..	..	0.8%

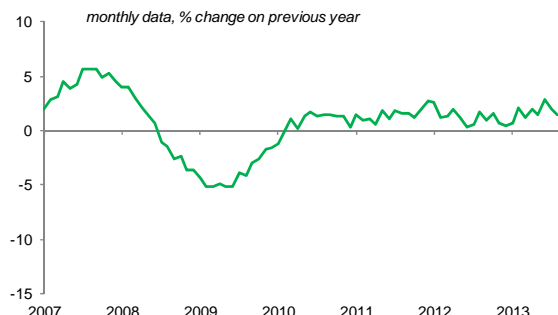
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

### Services output

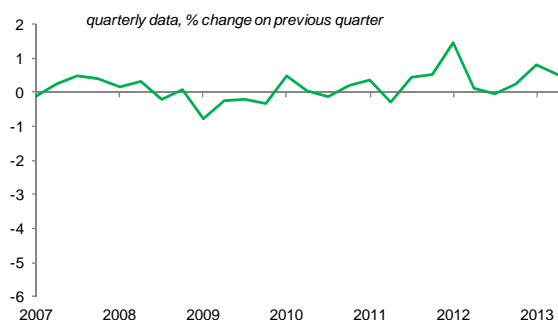


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	...	1.5
2012	102.7	...	1.2
2013 May	104.4	0.2	1.5
Jun	104.4	0.0	2.8
Jul	104.8	0.3	1.9
Aug	105.1	0.4	1.5

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.4% in August 2013 compared with June 2013. Compared with a year before, services output increased by 1.5%. In August 2013, services output surpassed its previous peak which was recorded in February 2008. By contrast, total GDP is still 2.5% below its previous 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

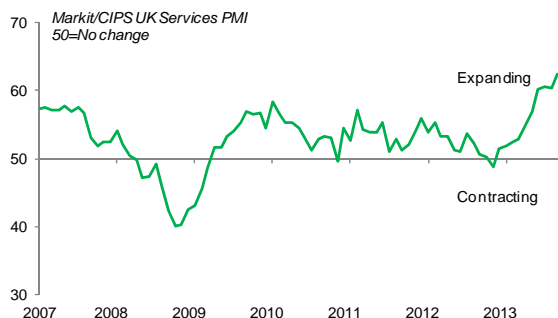


	Thousands	% change on quarter	% change on year
2011 Q2	26,025	...	0.2
2012 Q2	26,689	...	2.6
Q3	26,673	-0.1	2.0
Q4	26,736	0.2	1.7
2013 Q1	26,954	0.8	1.1
Q2	27,098	0.5	1.5

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 Oct	51.3	...
2012 Oct	50.6	...
2013 Jul	60.2	3.3
Aug	60.5	0.3
Sep	60.3	-0.2
Oct	62.5	2.2

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) rose to 62.5 in October 2013 up from 60.3 in September (where 50.0 is no change). This was the sharpest rise since May 1997.
- Markit stated that this was due to "rising levels of business placed with service providers...in line with strengthened economic conditions."

Contact: Chris Rhodes, x2454

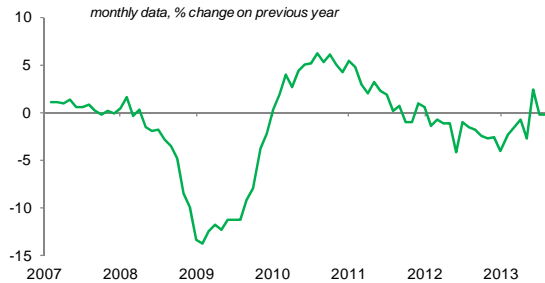
Update: ONS, [Index of Services](#), 27 Nov 2013  
 ONS, [Workforce Jobs](#), 18 Dec 2013  
 Markit/CIPS [UK Services PMI](#), 4 Dec 2013



## 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

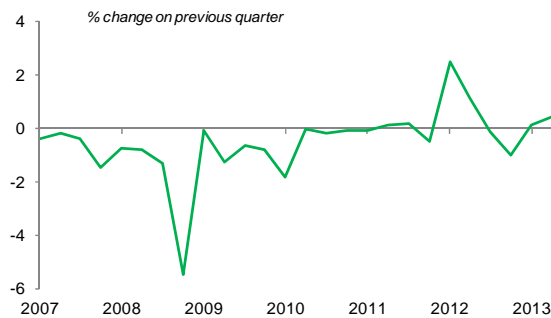


	Index Value (2010=100)	% change on month	% change on year
2011	101.8	...	1.8
2012	100.1	...	-1.7
2013 May	98.6	-0.7	-2.7
Jun	100.6	2.0	2.4
Jul	100.8	0.2	-0.3
Aug	99.6	-1.2	-0.2

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output decreased by 1.2% in August 2013 compared with July 2013, and was 0.2% lower than in August 2012.
- The main downward contributions over the year were: manufacture of machinery & equipment not elsewhere classified; the manufacture of basic pharmaceutical products & pharmaceutical preparations; and the manufacture of basic metals & metal products.

### Jobs in manufacturing

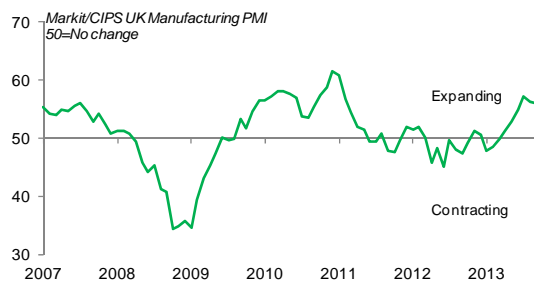


	Thousands	% change on quarter	% change on year
2011 Q2	2,555	...	-0.2
2012 Q2	2,641	...	3.4
Q3	2,638	-0.1	3.1
Q4	2,611	-1.0	2.5
2013 Q1	2,615	0.2	0.2
Q2	2,627	0.5	-0.5

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 Oct	47.8	...
2012 Oct	47.3	...
2013 July	54.8	1.9
Aug	57.1	2.3
Sep	56.3	-0.8
Oct	56.0	-0.3

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was 56.0 in October, down slightly from 56.3 in September (where 50.0 is no change).

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

**Update:** ONS, [Index of Production](#), 6 Nov  
ONS, [Workforce Jobs](#), 16 Dec  
Markit/CIPS [UK Manufacturing PMI](#), 1 Dec

## 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.

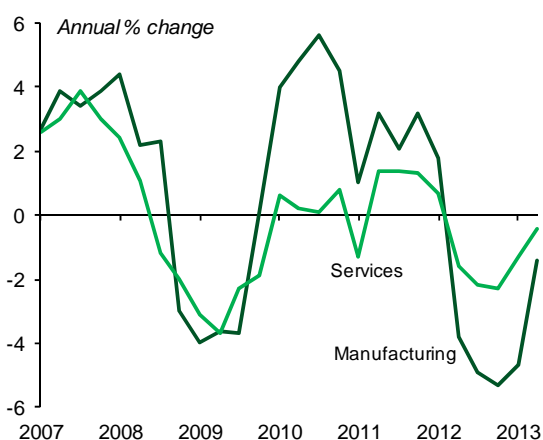
### UK productivity by sector

- 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

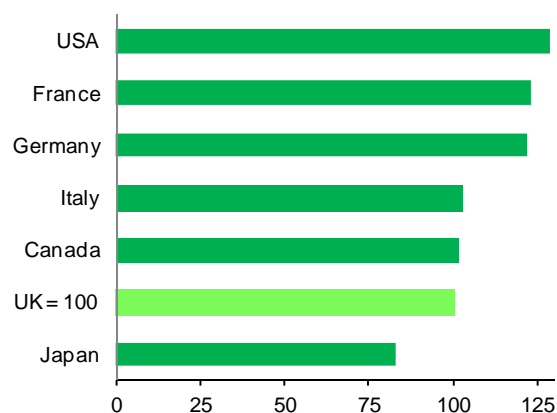
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.7	0.4	1.4
2011	2.4	0.7	0.8
2012	-3.1	-1.3	-1.7
2012 Q1	1.8	0.7	0.3
Q2	-3.8	-1.6	-2.2
Q3	-4.9	-2.2	-2.4
Q4	-5.3	-2.3	-2.6
2013 Q1	-4.7	-1.3	-1.9
Q2	-1.4	-0.4	-0.4
<i>Latest q-on-q % change</i>			
	0.7	0.1	0.5

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

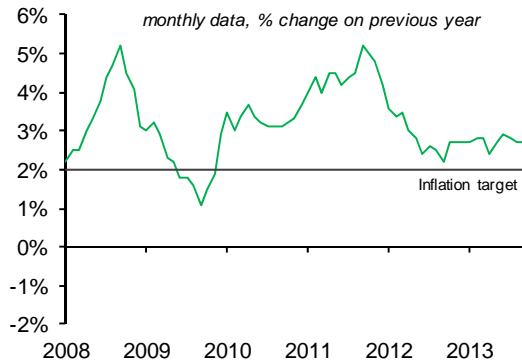
Update: ONS, [Labour Productivity](#), 24 Dec 2013  
 ONS, [International Comparisons](#), Feb 2014

## B1: Inflation

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

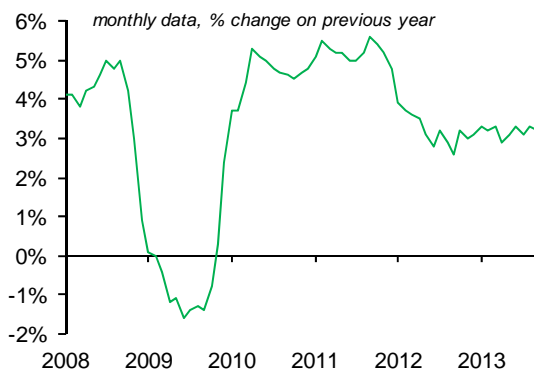
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

### Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.7% in September, unchanged from August.
- The largest upward contribution came from air fares, but this was to some extent offset by downward contributions from petrol and diesel prices.
- The RPI (all items) measure of annual inflation was 3.2% in September, up from 3.2% in August. (The RPI is no longer classified as a National Statistic because the way it is calculated does not meet the required standard.)

### Retail Prices Index (RPI)



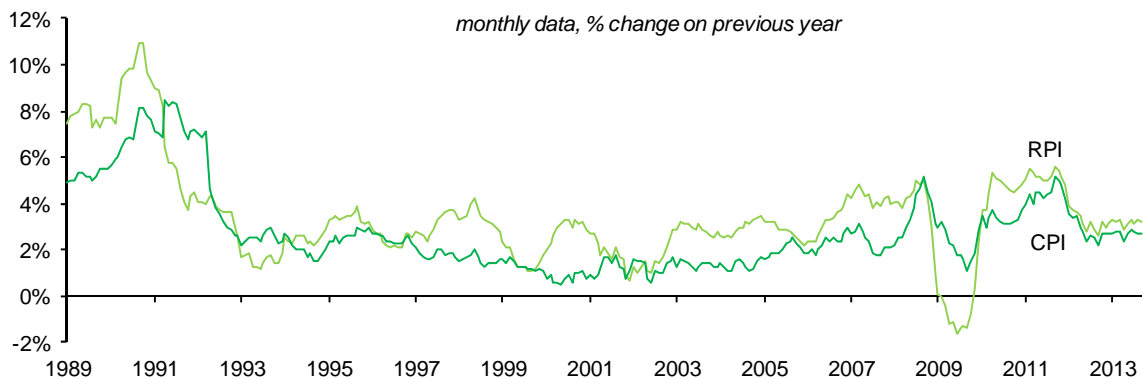
### Price Indices

% change on a year ago

		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2013	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
	Sep	2.7	3.2

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.

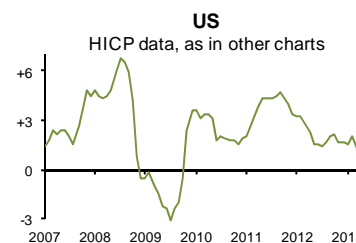
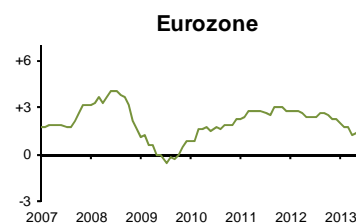
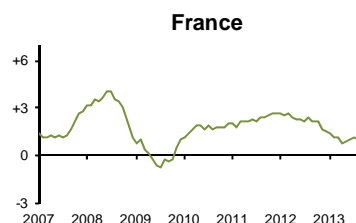
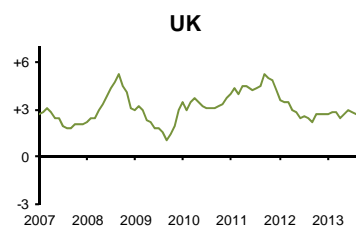
- UK inflation was 2.7% in the year to September 2013, unchanged from August. The Bank of England's UK inflation target is 2%.
- Eurozone inflation is expected to be 0.7% in the year to October 2013, down from 1.1% in September. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term."
- The UK had the highest annual inflation rate in the EU in September 2013, followed by Estonia at 2.6% and the Netherlands at 2.4%. The lowest annual inflation rate in the EU was -1.3% in Bulgaria, followed by -1.0% in Greece.
- 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 September 2013 was 1.2% using its own national definition, down from 1.5% in August.

### Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Jun-13	Jul-13	Aug-13	Sep-13
<b>HICP (OECD/Eurostat)</b>							
UK	3.3	4.5	2.8	2.9	2.8	2.7	2.7
Eurozone	1.6	2.7	2.5	1.6	1.6	1.3	1.1
EU	2.1	3.1	2.6	1.7	1.7	1.5	1.3
France	1.7	2.3	2.2	1.0	1.2	1.0	1.0
Germany	1.2	2.5	2.1	1.9	1.9	1.6	1.6
Greece	4.7	3.1	1.0	-0.3	-0.5	-1.0	-1.0
Italy	1.6	2.9	3.3	1.4	1.2	1.2	0.9
Spain	2.0	3.1	2.4	2.2	1.9	1.6	0.5
US	2.4	3.8	2.1	1.7	1.8	:	:
<b>National definitions (OECD)</b>							
Canada	1.8	2.9	1.5	1.2	1.3	1.1	1.1
Japan	-0.7	-0.3	0.0	0.2	0.7	0.9	1.0
US	1.6	3.2	2.1	1.8	2.0	1.5	1.2
G7	1.4	2.6	1.9	1.5	1.7	1.4	1.3
OECD	1.9	2.9	2.3	1.8	2.0	1.7	1.5
Brazil	5.0	6.6	5.4	6.7	6.3	6.1	5.9
China	3.3	5.4	2.6	2.7	2.7	2.6	3.1
India	12.0	8.9	9.3	11.1	10.8	10.7	:
Russia	6.9	8.4	5.1	6.9	6.5	6.5	6.1

Source: Eurostat & stat.OECD database



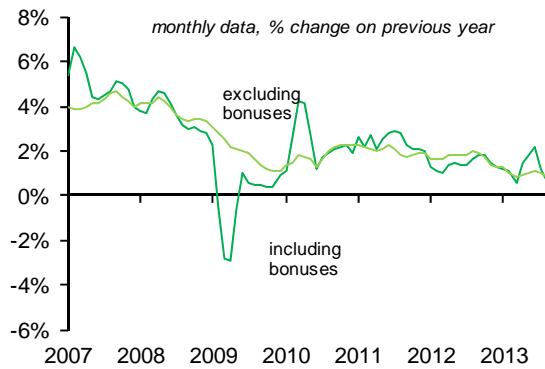
**Contact:** Gavin Thompson, x2042

**Updates:** ONS [Consumer Prices bulletin](#) (UK), 12 Nov 2013  
Eurostat, [HICP full release](#), 15 Nov 2013  
Eurostat, [Flash estimate](#) (Eurozone), 29 Nov 2013

### B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 0.7% in the three months to August, compared with a year ago. Inflation as measured by the CPI was 2.7% in August – the 40<sup>th</sup> consecutive month in which inflation has exceeded nominal wage growth.

#### Average Earnings, Whole Economy



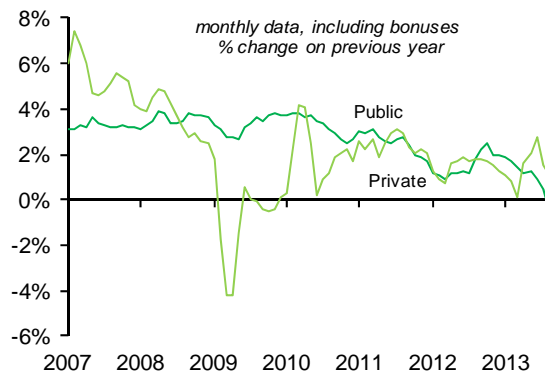
#### Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2010 Aug	1.2	3.1	4.3	1.9	1.9
2011 Aug	2.9	2.8	1.6	3.1	2.8
2012 Aug	1.8	1.8	2.3	1.6	1.6
2013 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	1.5	0.5	2.1	1.2	1.2
Aug	1.1	-0.5	2.1	0.6	0.7

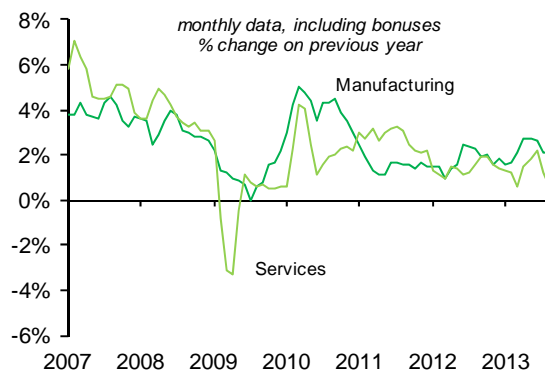
Source: ONS, data shows latest 3-month period

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



- Average weekly earnings (including bonuses) in August were £474 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £484 in August, compared with £486 in the private sector.
- Average total weekly pay in the private sector was up 1.1% year-on-year in the three months to August, compared with a -0.5% fall in the public sector, the first such fall since the series began in 2001.

#### Average Earnings in Services and Manufacturing

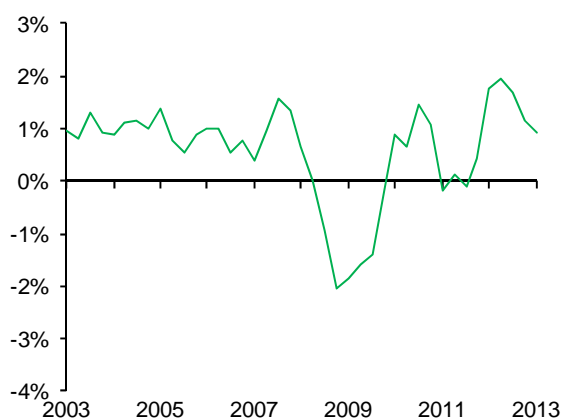


- Average weekly earnings (including bonuses) in the manufacturing sector were 2.1% higher in the three months to August than in the same period last year. In the services sector total pay grew by 0.1%.
- Average total weekly pay in the manufacturing sector was £554 in August, compared with £459 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £613 in August.

## C1: Employment

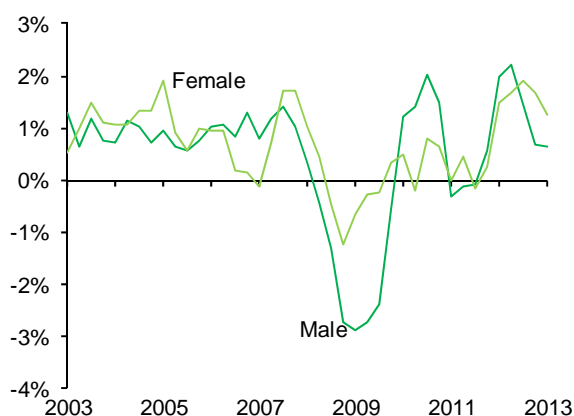
There were 29.87 million people aged 16 and over in employment in the UK in June-August 2013. The number of people in employment increased by 155,000 compared to the previous quarter and by 279,000 compared to the same period last year. The employment rate for people aged 16-64 was 71.7%. This compares to a pre-recession rate of 73.0% in March-May 2008.

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



- 15.98 million men were in employment in June-August 2013, up 90,000 on the previous quarter. Female employment increased by 65,000 over the past quarter to 13.89 million.
- Employment of 16-24 year olds fell by 34,000 over the quarter. The number of people in employment aged 65 and over rose by 24,000.
- The number of employees increased by 102,000 over the past quarter to 25.38 million.
- The number of self-employed people also increased, rising by 34,000 over the quarter to 4.21 million.

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



- Full-time employment increased by 148,000 over the past quarter to 21.82 million. Full-time employment made up 73.1% of all employment.
- 8.05 million people were working part-time, 8,000 more than in the previous quarter.
- The number of workers with second jobs rose by 52,000 over the quarter to 1.16 million.
- 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.

### Employment by age group

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

	Total	16-24	25-49	50-64	65+
Jun-Aug 2011	29,080	3,663	17,214	7,380	823
Jun-Aug 2012	29,590	3,709	17,416	7,519	946
Sep-Nov 2012	29,700	3,725	17,423	7,585	967
Dec-Feb 2013	29,698	3,663	17,424	7,643	967
Mar-May 2013	29,714	3,632	17,447	7,643	992
Jun-Aug 2013	29,869	3,599	17,518	7,737	1,016
% change on previous 3 months	+0.5	-0.9	+0.4	+1.2	+2.4
% change on previous year	+0.9	-3.0	+0.6	+2.9	+7.3

Source: ONS

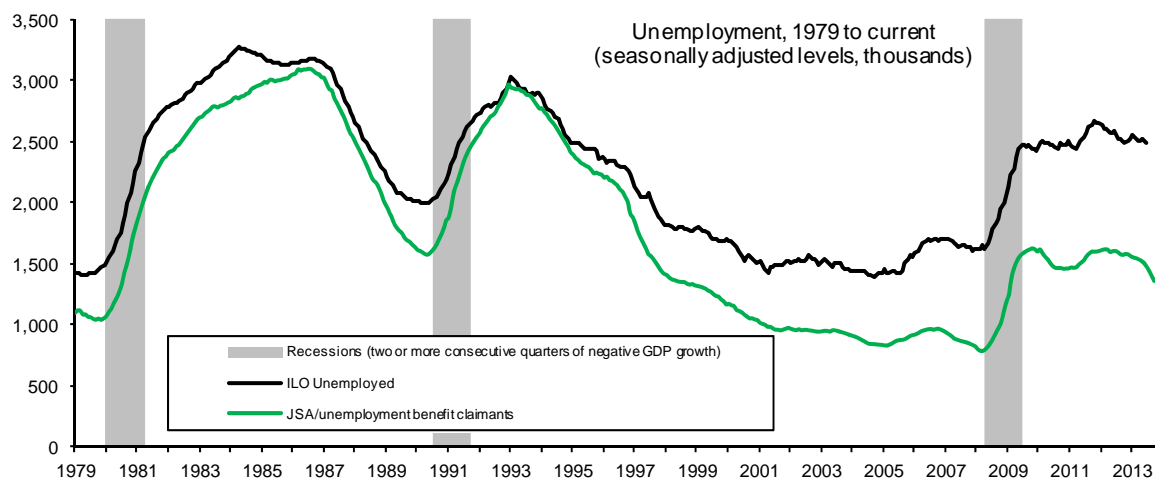
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 13 Nov 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 June-August 2013**, down 18,000 on the previous quarter and down 40,000 on the previous year. 7.7% of the economically active population aged 16 and over were unemployed.



Source: ONS, *Labour Market Statistics*

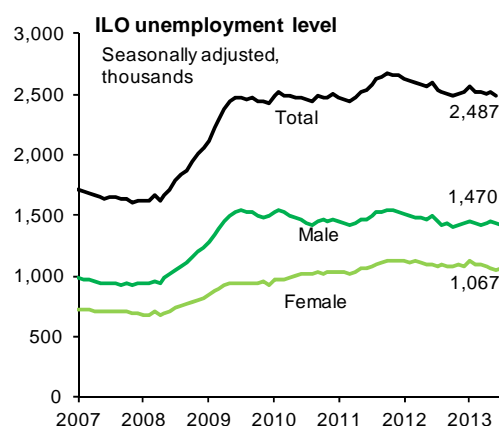
### ILO unemployment

The number of people who have been unemployed for longer than twelve months was 900,000 in June-August 2013, a fall of 15,000 from the previous quarter and about the same as a year ago previous.

958,000 people aged 16-24 were unemployed in June-August 2013, essentially unchanged from the previous quarter and from the same period last year.

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

The number of people claiming Jobseeker's Allowance decreased by 41,700 between August and September 2013 to 1.35 million people aged 18 or over, the lowest level since January 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	(%)
Jun-Aug 2008	1,788	5.7	746	15.2	782	4.3	243	3.3	16	2.3
Jun-Aug 2009	2,473	7.9	939	19.7	1,157	6.4	358	4.7	20	2.6
Jun-Aug 2010	2,455	7.8	921	19.5	1,142	6.2	373	4.8	19	2.2
Jun-Aug 2011	2,577	8.1	998	21.4	1,193	6.5	364	4.7	22	2.7
Jun-Aug 2012	2,528	7.9	957	20.5	1,162	6.3	389	4.9	21	2.2
Sep-Nov 2012	2,493	7.7	959	20.5	1,138	6.1	373	4.7	23	2.4
Dec-Feb 2013	2,563	7.9	979	21.1	1,182	6.4	384	4.8	17	1.7
Mar-May 2013	2,505	7.8	959	20.9	1,129	6.1	396	4.9	21	2.1
<b>Jun-Aug 2013</b>	<b>2,487</b>	<b>7.7</b>	<b>958</b>	<b>21.0</b>	<b>1,116</b>	<b>6.0</b>	<b>388</b>	<b>4.8</b>	<b>26</b>	<b>2.5</b>
% change on quarter	-0.7		-0.1		-1.2		-2.1		+20.1	
% change on year	-1.6		+0.2		-4.0		-0.2		+22.5	

Source: ONS, *Labour Market Statistics*

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

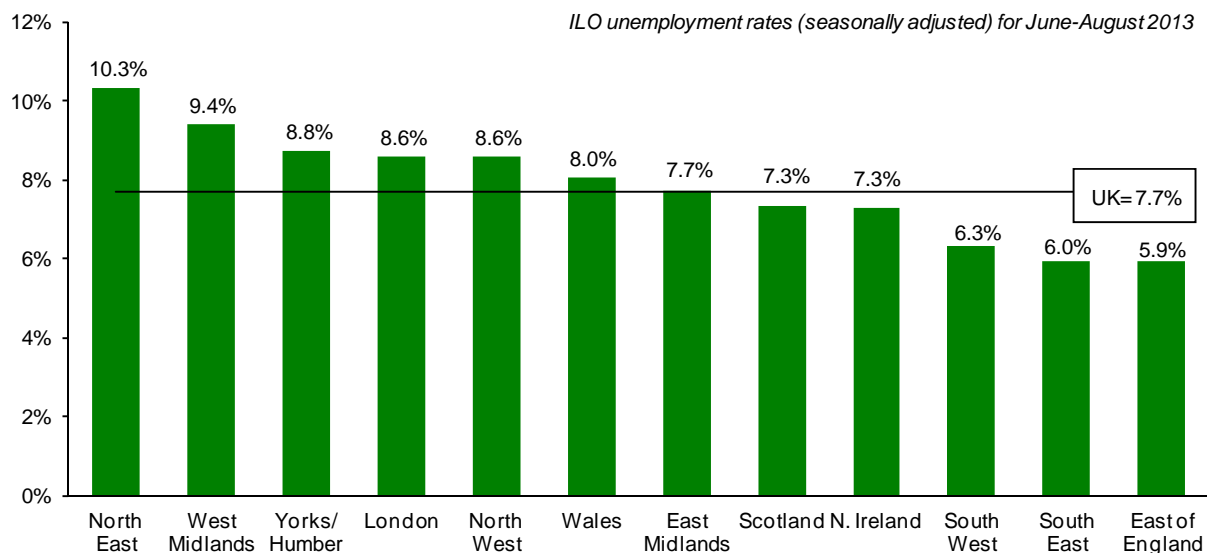
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 13 Nov 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 June-August 2013, the North East had the highest unemployment rate, at 10.3% of the economically active population. The lowest rate over the same period was 5.9% in the South East.



- The largest increase in the level of unemployment over the last quarter was in the North West (up 24,000). The largest decrease was in the East of England (down 20,000).
- The (seasonally adjusted) Jobseeker's Allowance claimant count decreased across all regions between August and September 2013.

#### Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	June-August 2013		Change in level		September 2013	
	Level (000s)	Rate (%) (a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	133	10.3	-2	+4	80.1	-2.8
North West	294	8.6	+24	+2	168.5	-6.3
Yorkshire & Humber	242	8.8	-6	-11	143.7	-3.8
East Midlands	177	7.7	+1	-2	90.0	-3.5
West Midlands	254	9.4	-14	+21	142.0	-4.2
East of England	185	5.9	-20	-21	96.4	-3.4
London	372	8.6	+4	-8	192.2	-6.2
South East	273	6.0	-12	-8	112.7	-3.3
South West	172	6.3	+16	+14	72.7	-2.0
Wales	120	8.0	-1	-4	69.4	-2.1
Scotland	201	7.3	-3	-20	121.8	-3.5
Northern Ireland	63	7.3	-5	-7	61.6	-0.6

Source: ONS, *Labour Market Statistics*

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

**Contact:** David Hough x6933

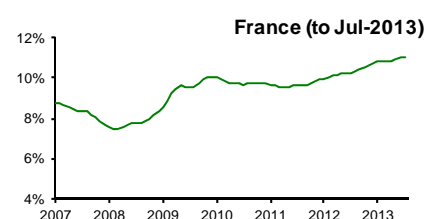
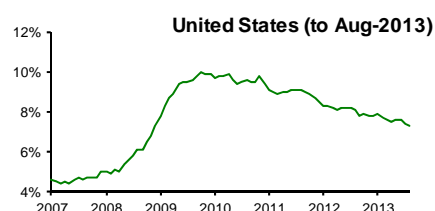
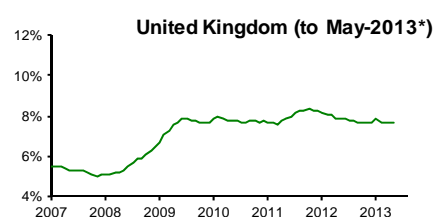
**Update:** ONS, *Labour Market Statistics*, 13 Nov 2013



## 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 7.7% to 7.6% between Q1 2013 and Q2 2013. Compared with a year ago unemployment is 0.6 percentage points lower.
- In the euro zone, 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 and 0.6 percentage points respectively.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states (26.6% in Q2 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 13.8% in Q1 2013). This compares with a 2.0 percentage point rise in unemployment in the OECD as a whole since Q3 2008 (from 6.0% to 8.0%) and a 4.4 percentage point rise in the eurozone (from 7.7% to 12.1%) over the same period. South Korea had the lowest unemployment rate in the OECD in Q2 2013, at 3.2%.
- Youth (16-24) unemployment is a major issue in many developed economies at present. In Spain youth unemployment hit 55.7% in Q2 2013 and in Greece youth unemployment reached 60.8% in the same period. In the UK youth unemployment stood at 21.4% over the three months Apr-Jun 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

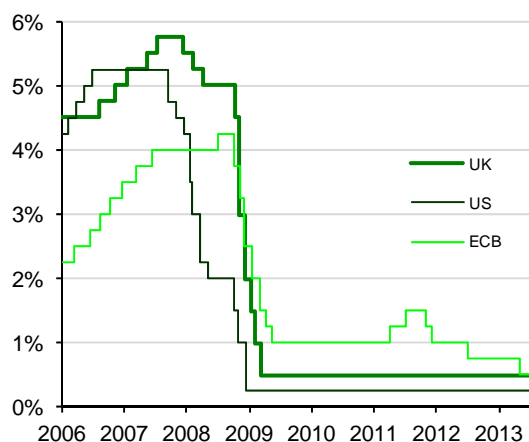
Source: OECD, Harmonised Unemployment Rates

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

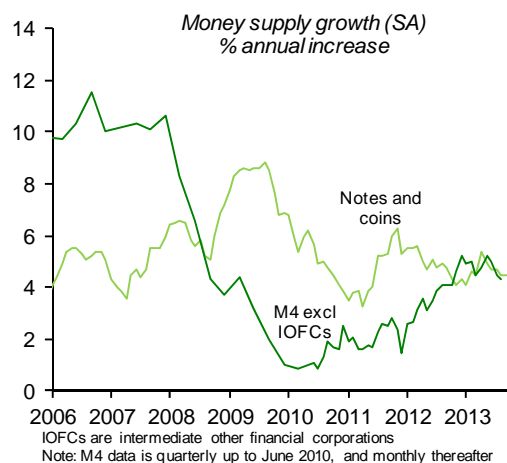


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 6 August 2013, the Governor of the Bank of England [announced](#) 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 in 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 4.5% in September 2013 compared with a year ago, unchanged from in August.

**Contact:** Gavin Thompson, x2042

**Updates:** Monetary policy meetings: 7 Nov ([ECB, UK](#)); 30 Oct ([US](#))  
Bank of England, [Narrow money and reserve balances](#), 6 Nov

## 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.

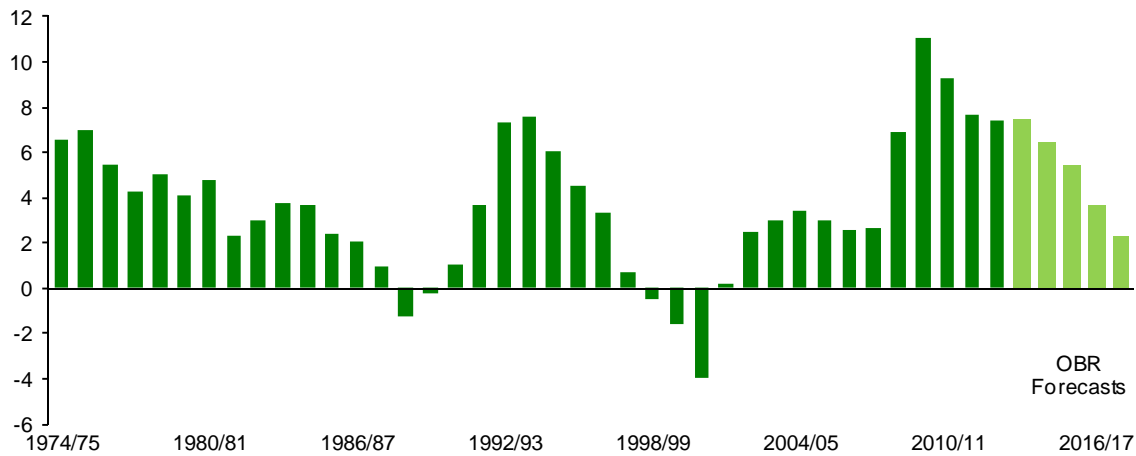
- Revised figures show that borrowing in 2012/13 was £115.4 billion, £3.1 billion lower than in 2011/12. These figures exclude the effects of the Royal Mail pension transfer and QE interest payments.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion in February 2013.
- At the end of 2012/13, public sector net debt excluding financial sector interventions was £1.2 trillion, equivalent to 74.1% 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	71.0
2012/13	115	7.4	1,182	74.1
2013/14	120	7.5	1,286	79.2
2014/15	108	6.5	1,398	82.6
2015/16	96	5.5	1,502	85.1
2016/17	67	3.7	1,580	85.6
2017/18	43	2.3	1,637	84.8

Source: ONS, OBR. Excludes financial sector interventions

Note: borrowing figures exclude Royal Mail transfer and QE

### Public sector net borrowing (% of GDP)



### Public sector net debt (% of GDP)



### 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 31 October 2013

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
31 Oct 2013	6,731.4	108.8	1,342.8
%change over:			
1-month	+4.2%	+0%	+0%
12-months	+16%	+0%	-21%
%change from:			
cyclical peak	-2%	-25%	-29%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+92%	+199%	+89%
date	03 Mar '09	24 Dec '08	24 Oct '08

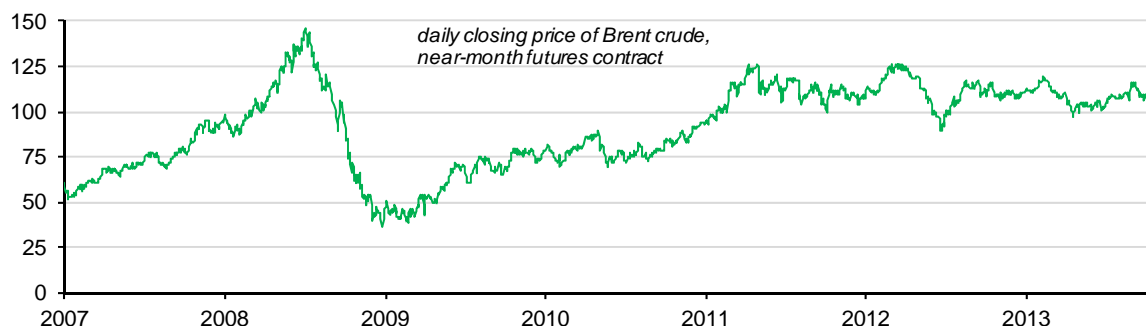
Note: Oil is Brent near-month futures price

Source: *Financial Times*

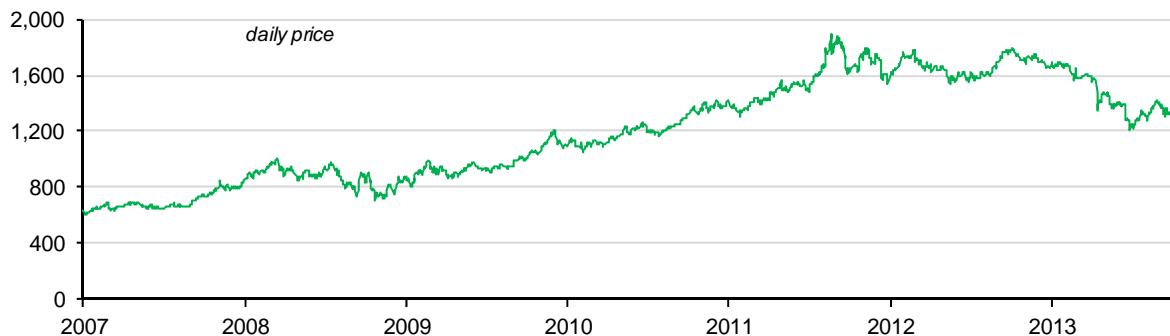
#### FTSE-100 Index



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



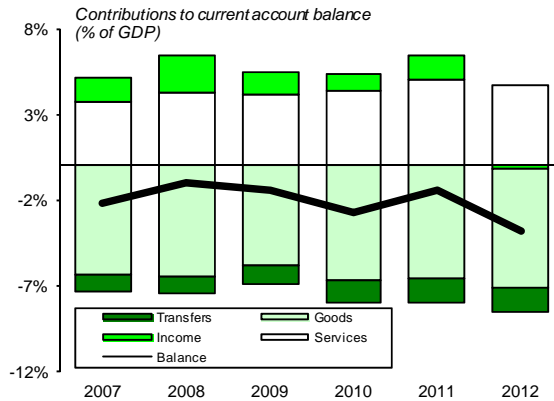
#### Gold price (\$ per ounce)



## 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

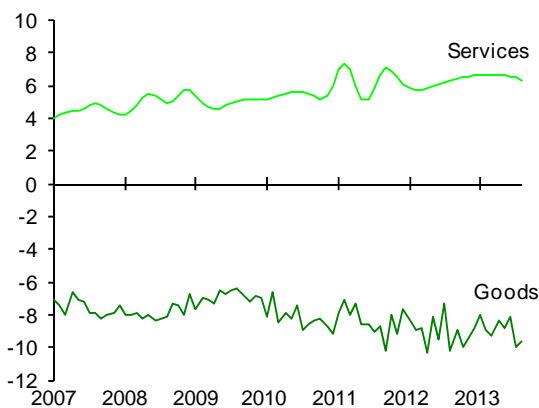
£ millions; seasonally adjusted

	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 August was £9.6bn, compared with £9.9bn in July.
- The monthly trade surplus on services was an estimated £6.3bn in August, down slightly from the July surplus of £6.4bn.
- The overall monthly deficit on goods and services combined in August was £3.3bn, compared with £3.4bn in July.
- The monthly goods deficit with the EU27 was £5.3bn in August, compared with £5.2bn in July, while the deficit with non-EU countries was £4.4bn in August, compared with £4.8bn in July.

Contact: Daniel Harari, x2464

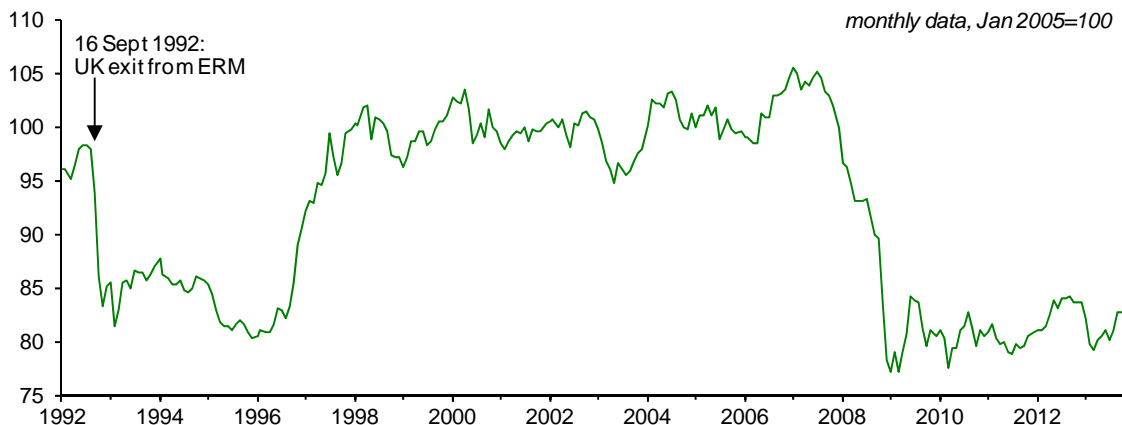
Updates: ONS, [UK Trade](#), 8 Nov 2013  
ONS, [UK Balance of Payments](#), 20 Dec 2013

## 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).

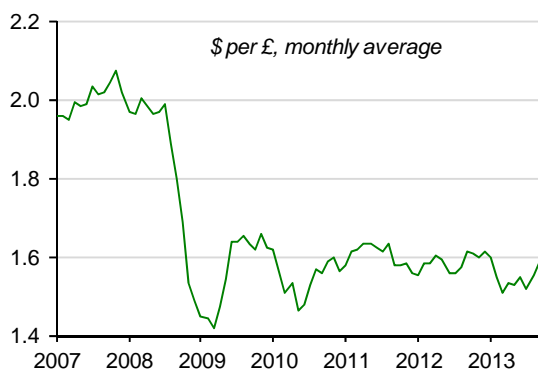
The SERI fell by 0.1% in October 2013, following an increase of 2.2% in September. Compared with the same period a year ago, it is 1.2% lower. It is currently 7.2% above its March 2009 level, when it was at its lowest point since the series began in 1980, but is 21.7% below its pre-recession peak in July 2007.

### Sterling Exchange Rate Index (SERI)



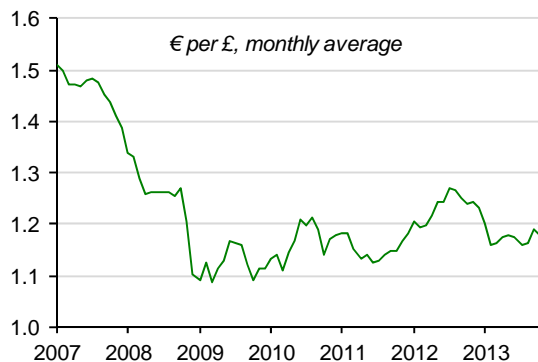
[Source: Bank of England, Bankstats database, XUMABK67]

### US\$/£ Exchange Rate



- On average in October, the pound was two cents higher against the dollar compared with September. At the 4 November market close the pound stood at \$1.60, one cent below the September average.
- Sterling was one cent lower against the Euro in October compared with September.
- At the 4 November market close the pound stood at €1.18, the same as the October 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 Oct	1.61	2.0%	1.24	7.9%
2013 Aug	1.55	-1.3%	1.16	-8.1%
Sep	1.59	-1.6%	1.19	-5.1%
Oct	1.61	0.1%	1.18	-4.8%

Source: Bank of England, Bankstats database

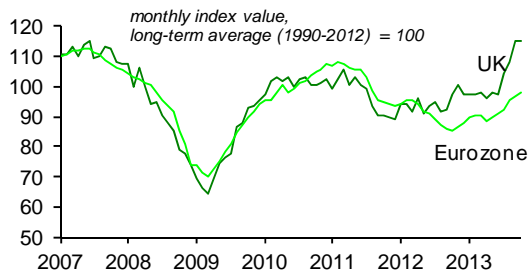
**Contact:** David Hough, ext. 6933

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

## 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

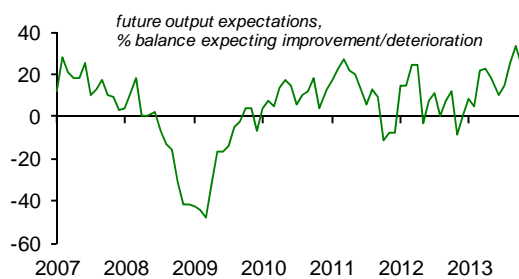


		UK Index	monthly change	change on year ago
2011	Oct	90.2	...	...
2012	Oct	97.6	...	...
2013	Aug	108.5	+4.3	+16.7
	Sep	115.1	+6.6	+22.8
	Oct	115.1	+0.0	+17.5

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 September and October 2013 the overall UK sentiment index remained the same at 115.1 – 17.5 points higher than the previous year. The Eurozone index rose by 0.9 points to 97.8.

### CBI Industrial Trends Survey



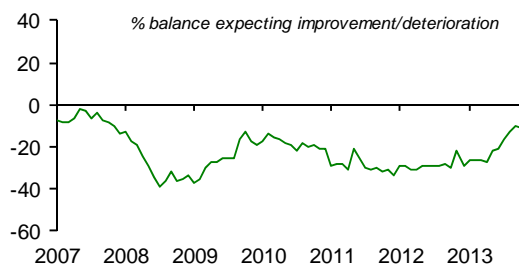
Balance (as a %) of those expecting an improvement  
minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2011	Oct	-11	...	...
2012	Oct	+12	...	...
2013	Aug	+25	+10	+25
	Sep	+33	+8	+26
	Oct	+24	-9	+12

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In October 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +24% of firms. This is a decrease from a balance of +33% in September 2013 and +12% in October 2012.

### GfK NOP Consumer Confidence Survey



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

		Consumer Conf. Index	monthly change	change on year ago
2011	Oct	-32	...	...
2012	Oct	-30	...	...
2013	Aug	-13	+3	+16
	Sep	-10	+3	+18
	Oct	-11	-1	+19

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 -11 in October, 1 point lower than the previous month but 19 points higher than a year ago.

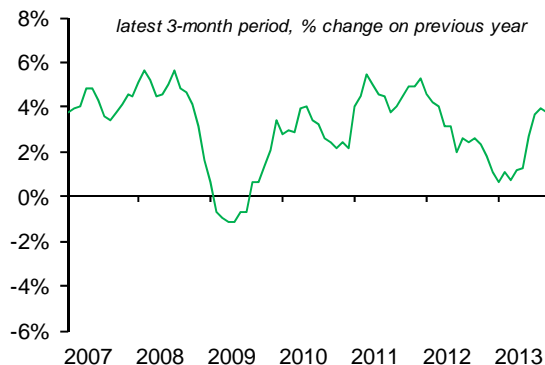
**Contact:** David Hough, x6933

**Update:** CBI, [Industrial Trends](#), 22 November 2013  
EC, [Economic Sentiment Indicator](#), 28 Nov 2013  
GfK NOP, [Consumer Confidence](#), 30 Nov 2013

## F2: Retail Sales

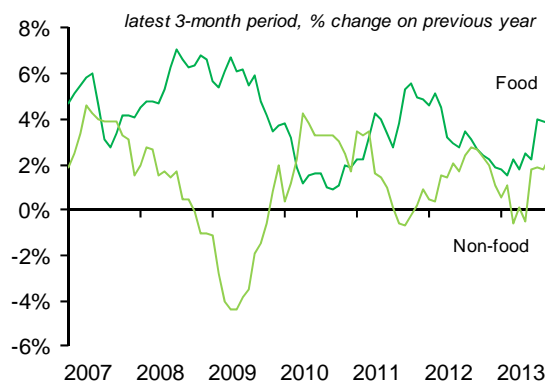
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

### Value of Retail Sales



- The value of retail sales in the three months to September 2013 increased by 3.8% compared with the same three months in the previous year.
- The value of retail sales in September 2013 alone was 3.2% higher than in September 2012.
- Internet sales are estimated to account for 10.2% of the value of all retail sales (excluding vehicle fuels). The value of internet sales in September 2013 was 19.1% higher than in September 2012.

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



- The value of sales in food stores in the three months to September 2013 rose by 3.8% on the same period last year, while the value of sales in non-food stores increased by 2.3%.
- Despite this increase for non-food stores overall, the value of sales in household goods stores in the three months to September fell by 1.6% 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	<b>4.9</b>
2012	3.0	1.5	-0.4	6.4	0.6	1.7	<b>2.4</b>
2013 MAY	2.5	0.3	-6.0	0.3	2.2	-0.5	<b>1.3</b>
JUN	2.2	3.0	-4.0	2.3	4.3	1.8	<b>2.7</b>
JUL	4.0	3.4	-3.1	2.5	3.5	1.9	<b>3.7</b>
AUG	3.9	3.2	-3.2	3.8	2.5	1.8	<b>3.9</b>
SEP	3.8	2.9	-1.6	3.2	3.9	2.3	<b>3.8</b>

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



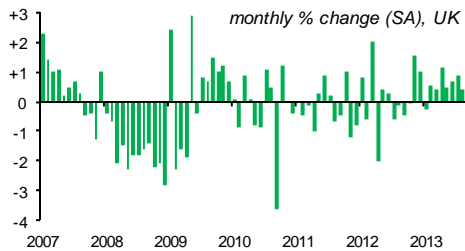
## F3: Housing Market

House prices on the Nationwide index rose by 1.0% in October after a 0.9% rise in September. Prices were 5.8% higher compared with a year ago on this measure. House prices on the Halifax index rose by 0.3% in September following a 0.4% rise in August. 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

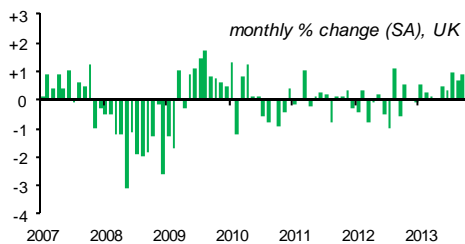
#### Halifax house price index



Latest monthly data  
UK, seasonally adjusted

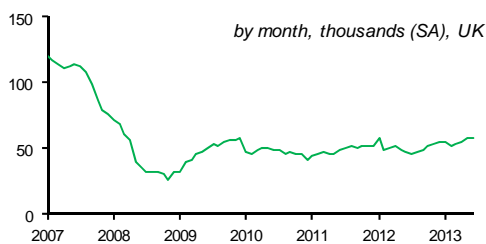
	Halifax	Nationwide
Latest data	Sep-13	Oct-13
Change in month	+0.4%	+1.2%
Change in year	+6.1%	+5.8%
Peak date	Aug-07	Oct-07
Change since peak	-14.8%	-8.1%
Trough date	Apr-09	Feb-09
Change since trough	+10.0%	+14.0%

#### Nationwide house price index



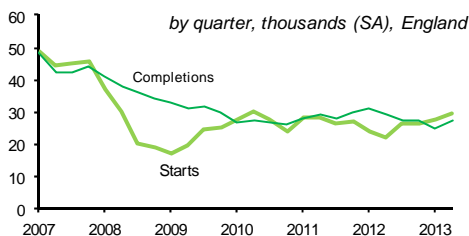
- Average house price growth has accelerated in recent months. In October 2013, the average house price on the Nationwide measure was just over £173,000.
- There is considerable regional variation. In Q3 2013 prices rose by 10% in London but were unchanged in the far north of England compared with a 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 66,735 mortgage approvals in September 2013, a five-and-a-half year high. Approvals were 7% higher than in August and 34% higher than September 2012.

### House-building



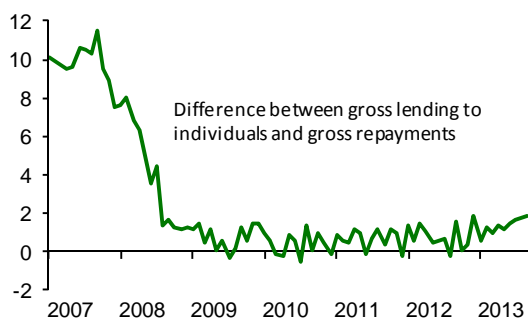
- There were 29,510 house building starts in England in Q2 2013, 6% more than in Q1 2012 and 33% more than in Q2 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 27,270 dwelling completions in Q2 2013, up 9% from 24,930 in Q1 2013, and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

## F4: Household debt

### Monthly net lending, £bn

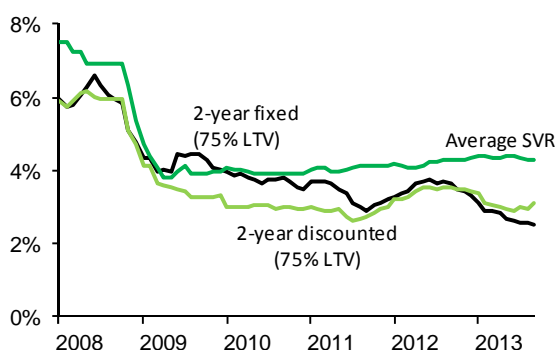


Source: Bank of England

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

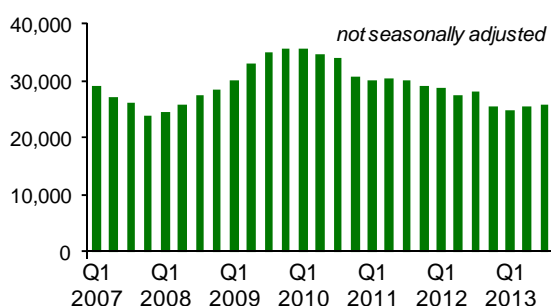
- Total net lending to individuals (excluding student loans) was £1.9 billion in September 2013. Net lending has been relatively low since mid-2008, but appears to have been gradually rising this year.
- Monthly net unsecured lending (consumer credit) was £0.9 billion in September. Monthly net secured 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 September 2013 it was 4.30%, compared with 4.29% the year before.
- In contrast fixed mortgage rates have generally been falling over the last year – the average fixed mortgage rate was 2.51% in September, compared to 3.67% the year before. The average fixed-term variable (discounted) rate was 3.11% in September (compared with 3.52% the year before). These figures are for a loan to value ratio of 75%.

### Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 26,030 individual insolvencies in England and Wales in Q3 2013, a 7.3% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q3 2013 there were 3,411 individual insolvencies, a decrease of 16.1% on Q3 2012.
- In N Ireland in Q3 2013 there were 717 individual insolvencies, an decrease of 15.0% on Q3 2012

**Contact:** Lorna Booth, x2883

**Update:** Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 29 Nov 2013  
Insolvency Service, [Insolvency Statistics](#), 7 Feb 2014

## 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.