



Economic Indicators, December 2013

RESEARCH PAPER 13/69 04 December 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 0.8% 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 177,000 (to 29.95 million) and unemployment fell by 48,000 (to 2.47 million) in July-September 2013.
- GDP growth, strong labour market figures, growth in service sector output and other positive economic news have raised the probability of positive revisions to the OBR's growth and borrowing forecasts, due to be published alongside the Autumn Statement on Thursday 5 December.
- Further information on the Statement can be found in the House of Commons Library note [Autumn Statement 2013: background briefing](#).

This month's articles:

Who's looking for work? Differences between ILO unemployment and the claimant count

Interesting times: inflation and monetary policy responses

Chris Rhodes (editor)

Recent Research Papers

13/59	Immigration Bill [Bill No 110 of 2013-14]	16.10.13
13/60	National Insurance Contributions Bill [Bill 112 of 2013-14]	01.11.13
13/61	Offender Rehabilitation Bill [Bill 88 of 2013-14]	06.11.13
13/62	Economic Indicators, November 2013	05.11.13
13/63	Unemployment by Constituency, November 2013	13.11.13
13/64	CAP reform 2014-2020: EU Agreement and Implementation in the UK and in Ireland	20.11.13
13/65	Women in Parliament: making a difference since 1918	18.11.13
13/66	Mesothelioma Bill [HL] [Bill 100 of 2013-14]	18.11.13
13/67	Water Bill [Bill 82 of 2013-14]	21.11.13
13/68	Gambling (Licensing and Advertising) Bill: Committee Stage Report	25.11.13

Research Paper 13/69

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

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

We welcome comments on our papers; these should be e-mailed to papers@parliament.uk.

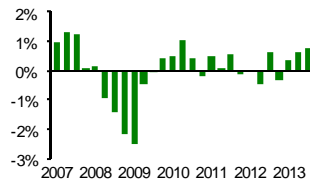
Summary

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 177,000 (to 29.95 million) and unemployment fell by 48,000 (to 2.47 million) in July-September 2013. GDP growth, strong labour market figures, growth in service sector output and other positive economic news have raised the probability of positive revisions to the OBR's growth and borrowing forecasts, due to be published alongside the Autumn Statement on Thursday 5 December. Further information on the Statement can be found in the House of Commons Library note [Autumn Statement 2013: background briefing](#).

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 2.2% in October 2013, down from 2.7% in September. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

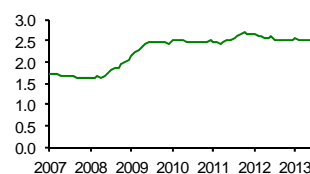


There were 29.95 million people aged 16 and over in employment in July-September 2013, up 177,000 on the quarter. The employment rate, the proportion of people aged 16-64 in employment, was 71.8%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

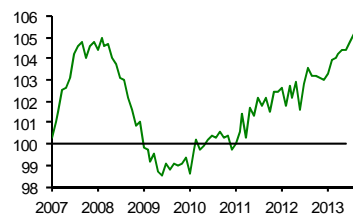


There were 2.47 million unemployed people in the three months to September 2013, down 48,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.6%.

Services industry output

[page 4](#)

(Index 2009=100)



Output from the services sector has surpassed its previous peak level recorded in February 2008. By contrast, overall GDP is still below its pre-recession peak.

Next issue: 7 January 2014

Editor: Chris Rhodes

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

Contents

1	Introduction to <i>Economic Indicators</i>	i
2	Who's looking for work? Differences between ILO unemployment and the claimant count	ii
3	Interesting times: inflation and monetary policy responses	iv
4	Indicator pages:	
A.	Growth and Output	1
	1. Gross Domestic Product	1
	2. GDP: International Comparisons	2
	3. Components of GDP	3
	4. Services	4
	5. Manufacturing	5
	6. Productivity	6
B.	Prices and Wages	7
	1. Inflation	7
	2. Inflation: International	8
	3. Average Earnings	9
C.	Labour Market	10
	1. Employment	10
	2. Unemployment: National	11
	3. Unemployment: Regional	12
	4. Unemployment: International Comparisons	13
D.	Finance and Government Borrowing	14
	1. Interest Rates and the Money Supply	14
	2. Public Finances	15
	3. Financial Indicators	16
E.	Trade and Exchange Rates	17
	1. Trade	17

	2. Exchange Rates	18
F.	Other Indicators	19
	1. Business and Consumer Confidence	19
	2. Retail Sales	20
	3. Housing Market	21
	4. Household Debt	22
5	Indicator sources	23
6	Glossary	25

1 Introduction to *Economic Indicators*

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

Feedback

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

Weekly email alert

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

Sources and glossary

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

Contacts

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

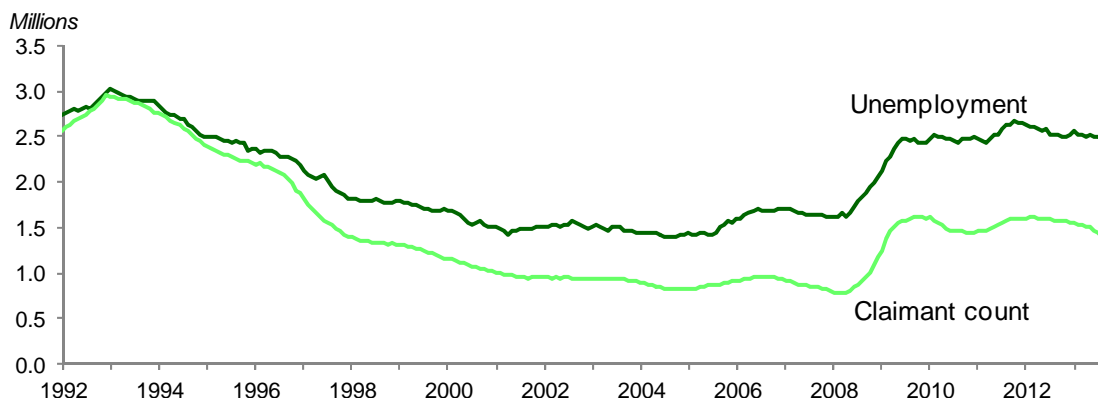
Subject	Statistician	tel. extn.
Balance of payments	Gavin Thompson	2042
Business	Chris Rhodes	2454
EC finance	Gavin Thompson	2042
GDP	Gavin Thompson	2042
Employment	Feargal McGuinness	4904
Financial services	Gavin Thompson	2042
Housing	Matthew Keep	6789
Incomes	Daniel Harari	2464
Industries	Chris Rhodes	2454
International Trade	Gavin Thompson	2042
National accounts	Gavin Thompson	2042
International development	Lorna Booth	2883
International economies	Daniel Harari	2464
Prices and interest rates	Gavin Thompson	2042
Public expenditure	Dominic Webb	4324
Taxation	Dominic Webb	4324
Unemployment	Feargal McGuinness	4904
Wages and earnings	Daniel Harari	2464

¹ <http://intranet.parliament.uk/research-online/statistics/economic-indicators/>

² <http://intranet.parliament.uk/people-offices/offices-departments/commons-departments/commons-information-services/commons-library/publications/using-the-commons-library/>

2 Who's looking for work? Differences between ILO unemployment and the claimant count

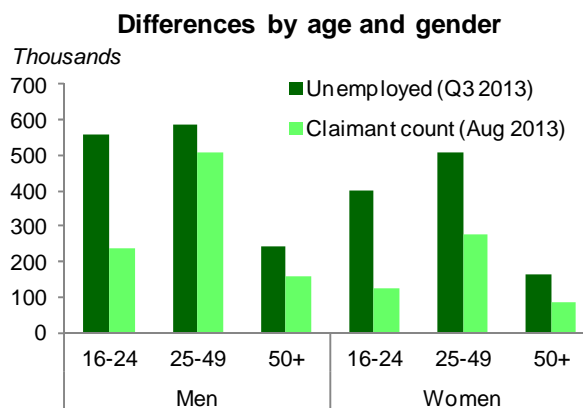
Unemployment fell by 48,000 over the quarter to July-September 2013, but the number of people claiming Jobseeker's Allowance (JSA) fell by 104,000 over the same period.³ What might explain the difference between the series?



2.1 Who is counted as unemployed?

Many more people are unemployed than are claiming JSA. 2.47 million people were unemployed in Q3 2013, compared to an October 2013 claimant count of 1.31 million.

Headline unemployment figures are based on the internationally agreed ILO definition and include all people actively seeking and available for work. Therefore they include some people not eligible for JSA, such as full-time students or people over State Pension Age. Conversely, some JSA claimants are not counted as unemployed, for example if they are working part-time. The two series are closest for men aged 25-49.



Even adjusting for some of the differences between the series, there remains a larger fall in the claimant count over recent months. Among 18-64 year olds, excluding those 18-24 year olds in full-time education, unemployment fell by 35,000 between Q2 and Q3 2013. Over the same period, the three-month average of the claimant count fell by 104,000.

Statistics on ILO unemployment are survey-based, so some of the quarterly variation will be attributable to survey sampling error.

2.2 Longer-term trends

Changes in benefit rules and the nature of the labour market can lead to a divergence between unemployment and the claimant count.

The claimant count fell more quickly than the ILO unemployment level after 1993. [Previous analysis by ONS](#) suggests this was because of flows of people from economic inactivity to

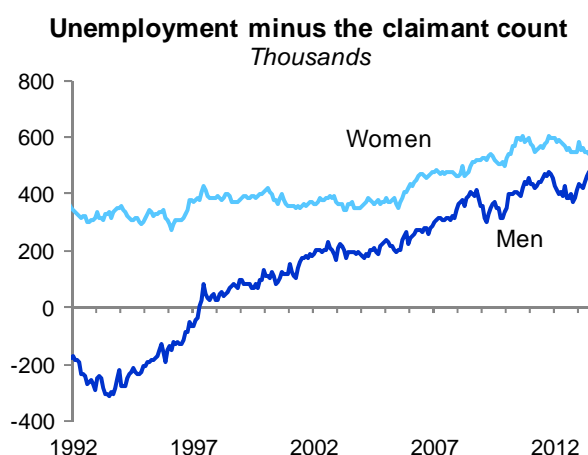
³ Change in the three-month average of the JSA claimant count between April-June and July-September 2013.

unemployment. Improving labour market conditions may have encouraged more people to start looking for work. Some of these individuals may not have claimed benefit, either through choice or because they were ineligible.

There was a sharp widening of the gap between the ILO unemployment level and the claimant count at the end of 1996 and start of 1997, coinciding with the introduction of Jobseeker's Allowance. This entailed a range of measures to encourage more successful job search and eligibility checks were increased. ONS estimate that the introduction of JSA "led to the removal of around 100,000 to 200,000 claimants from the count compared with what was expected at that point in the labour market cycle."

2.3 Gender differences

The claimant count was much closer to the unemployment level in the early 1990s, although this masked differences for men and women. The claimant count for men actually exceeded ILO unemployment. For women, the gap between unemployment and the claimant count remained relatively stable up to the mid-2000s; many women who were looking for work would have been ineligible for unemployment benefit because of their partner's employment.



2.4 Impact of recent benefit changes

Encouraging job search and improving financial returns to work are likely to increase the number of people looking for work, even if these individuals are not claiming JSA. At the same time, tighter eligibility conditions for receipt of benefit could mean fewer people claim.

The Government has attempted to improve claimants' motivation to seek work via a tougher [JSA sanctions regime](#), introduced in October 2012. Sanctioned individuals are still included in the claimant count, provided they continue to sign on. However, [Inclusion](#) points out that since the new regime was introduced, a higher number of individuals have ceased claiming JSA following referral for sanction. In the first six months of 2013, there were 281,000 cases where a claimant had stopped claiming JSA before or after they were referred for sanction. This compares to 155,000 cases in the first six months of 2012 prior to the new rules being introduced.

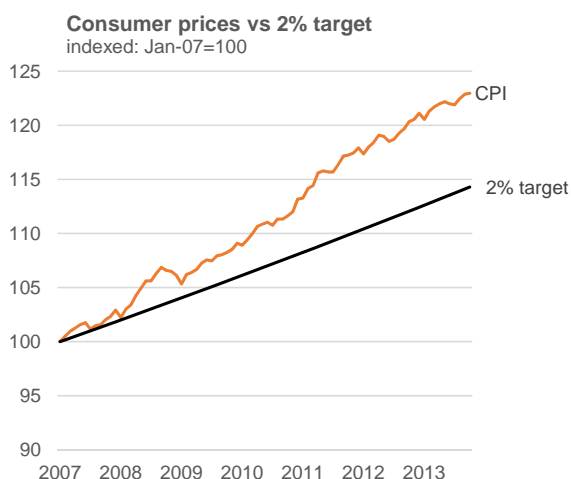
From October 2013, new JSA claimants are required to sign a [Claimant Commitment](#), setting out conditions for receipt of benefit. The Claimant Commitment "emphasises claimants' responsibility to do all they can to look for work in return for the support they receive from the state". Jobseekers will have to "account more clearly for their efforts to find work in order to receive their benefits".

The Government is also introducing a new benefit, *Universal Credit*, to replace a variety of means-tested benefits and tax credits for working age families. [Research](#) for the Joseph Rowntree Foundation suggests that Universal Credit will improve work incentives for some individuals, particularly if they work for only a small number of hours each week. In this case, Universal Credit could increase flows into unemployment if more people look for work.

Feargal McGuinness, Economic Policy and Statistics

3 Interesting times: inflation and monetary policy responses

Inflation in the UK has been above its target rate of 2% for almost four years, driven in particular by rising food, energy and housing costs. Prices as measured by the consumer prices index (CPI) are now 7.6% higher than they would have been if the target had been consistently met since 2007.

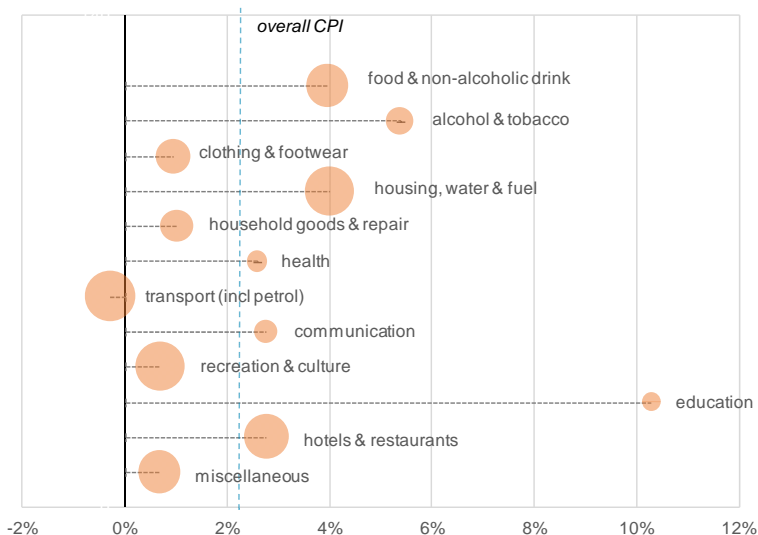


There are a number of explanations for the persistence of inflation in the face of economic stagnation, including rising demand for energy and other commodities from fast-growing emerging markets; the sharp depreciation of sterling following the financial crisis; sharp increases in 'regulated prices' (such as student tuition fees); and the possibility that elevated inflation has been the necessary alternative to cash-terms wage cuts in the face of unprecedentedly weak productivity.⁴

The situation has posed a challenge for monetary policymakers. Although "hitting the inflation target remains the centrepiece of monetary policy,"⁵ the Bank of England's Monetary Policy Committee has faced a trade-off between achieving this core objective (which would tend to call for higher interest rate and monetary contraction) and supporting economic activity (which calls for a low interest rate and monetary stimulus).

In this context, the October inflation figures must have come as welcome surprise: inflation in the year to October was 2.2%, well below the Bank's and the market's expectations. The effect of a decline in oil prices on petrol prices and a delayed rise in utility bills to late November (in previous years these had taken effect in October) both contributed to the fall in the rate. Although university tuition fees for the new academic year meant education prices rose by 8.2% between September and October 2012, this was far lower than the 19.1% rise between the same two months in 2013.

Inflation in components of CPI
October 2013 - percentage change over previous year
bubble size indicates weight of component in CPI basket



⁴ See, for instance, speech by MPC member Spencer Dale [Sticky inflation](#), 12 Dec 2012

⁵ [Oral evidence](#) from Professor David Miles (external MPC member) to Treasury Committee, 12 Sep 2013, Q14

3.1 The inflation outlook

Will the recently-announced rises in gas and electricity costs make the October figure look like a temporary blip? The Bank of England thinks not. It notes in its [November Inflation Report](#) that, once price rises come into effect, the contribution of domestic energy costs to overall inflation will be 0.4 percentage points, in line with their average over the past two years. It forecasts that inflation will be 2.1% in November, 2.2% in December, and will stay close to its target throughout 2014. The recent appreciation of sterling, which reached its highest level since August 2009 on 2 December, is also likely to act as a moderating influence on inflation.

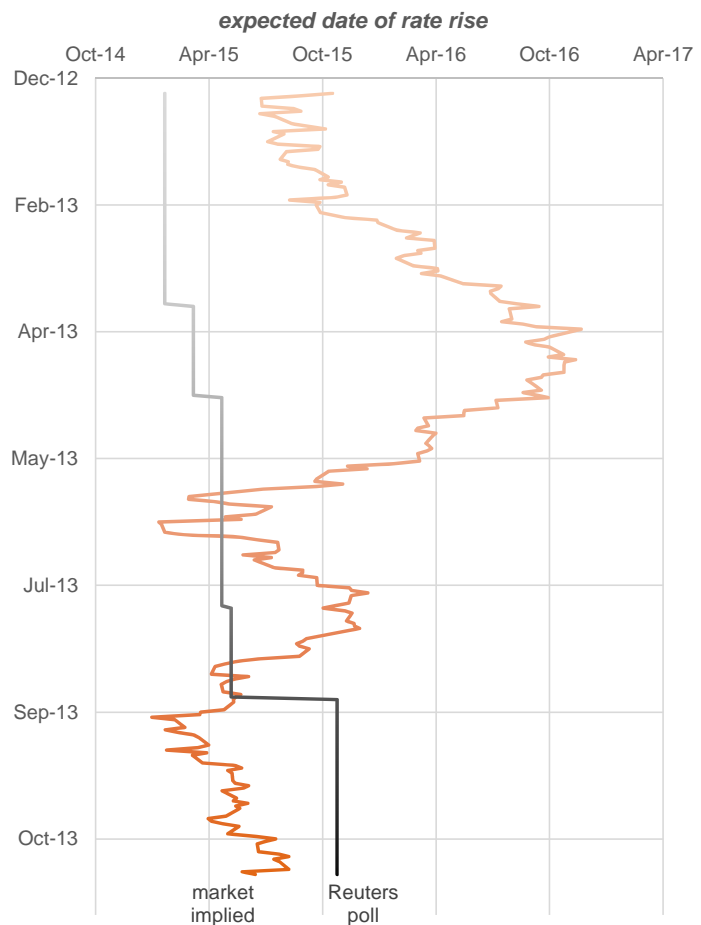
The inflation outlook remains inherently uncertain and sensitive to economic shocks. In particular, it is not yet clear how far economic growth, if it is sustained, will lead to inflationary pressure. The extent to which this occurs will depend on the level of spare capacity in the economy; that is, the amount of unused labour and capital that can quickly be employed to meet rising demand. In its November Report, the Bank noted “tentative signs” that the degree of spare capacity might be diminishing but added that a ‘sustained period of strong growth is likely to be needed before slack is materially eroded’. In the labour market much will depend on whether or not weak productivity is a permanent feature of the economy. If productivity can revive, so that additional output can be produced with the same amount of employment, the pressure on wages, and hence inflation, from rising demand will be muted. If, by contrast, demand can be met only by taking on additional employment, the wage and cost pressures may begin to bear down more rapidly.

3.2 Implications for monetary policy

Monetary policy is currently subject to forward guidance, whereby the Bank “intends not to raise the Bank rate from its current level of 0.5% at least until the unemployment rate has fallen to a threshold of 7%”. This commitment is subject to caveats, or ‘knockouts’ that allow the Bank rate to be raised before the threshold is reached if there are material risks to price or financial stability.

The recent fall in inflation will reduce the chances of the price stability ‘knockout’ being activated before the 7% threshold is reached; it thus tends to reduce the likelihood of an early rate increase. However, this effect will be at least partly offset by the unexpectedly strong revival in economic activity, which would tend to hasten the fall in unemployment towards the 7% threshold. The Bank currently attaches a two-in-five (40%) probability of the unemployment level falling to 7% by the end of 2014, and a three-in-five (60%) probability of it reaching this threshold by the end of 2015.

Indicators of when Bank rate is expected to rise
market- and survey-based view, Dec-12 to Nov-13



Gavin Thompson, Economic Policy and Statistics

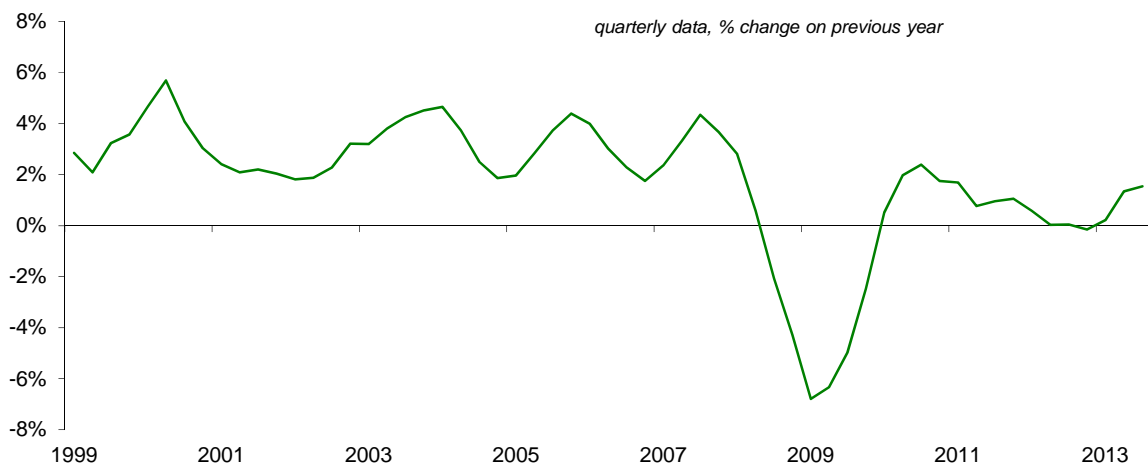
A1: Gross Domestic Product

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.

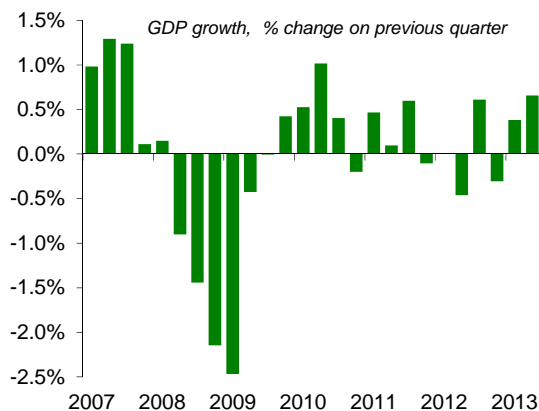
In a revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought, meaning real GDP in Q1 2013 is now thought to be 3.9% below its pre-recession peak (as opposed to 2.6% before the revisions). Though the ONS revised away the technical '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 Q3 2013, output of the production industries increased by an estimated 0.9% compared to the previous quarter (based on chained volume measures). Construction sector output rose by 1.7%, 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](#), 18 Dec 2013
ONS, [Quarterly National Accounts](#) 20 Dec 2013

A2: GDP: International Comparisons

In Q3 2013, GDP in the UK grew by 0.8% compared with the previous quarter. This was slightly higher than in the US, which grew by 0.7% but much faster than in the eurozone which expanded by only 0.1%. GDP growth in Germany was 0.3% in Q3 2013, while France and Italy both saw their economies contract by 0.1%.

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	-0.4	-0.5	-0.2	0.3	0.1
US	2.0	1.3	1.6	1.6	0.0	0.3	0.6	0.7
Japan	0.2	0.1	1.2	2.6	0.1	1.1	0.9	0.5
Germany	0.3	-0.3	0.5	0.6	-0.5	0.0	0.7	0.3
France	-0.3	-0.4	0.5	0.2	-0.2	-0.1	0.5	-0.1
G7	0.9	0.5	1.1	1.3	-0.1	0.3	0.6	0.5
OECD	0.9	0.6	1.0	1.4	0.0	0.3	0.6	0.5

Source: OECDstat

In [November 2013](#), the OECD revised up sharply their growth forecasts for the UK to 1.4% in 2013, from their previous May forecast of 0.8%, and 2.4% in 2014, from 1.5%. 2013 forecasts for France were also revised up, from -0.3% to +0.2%, while the 2013 growth estimate for Germany was raised from 0.4% to 0.5%. The 2013 forecast for world growth was revised lower from 3.1% to 2.7%.

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.

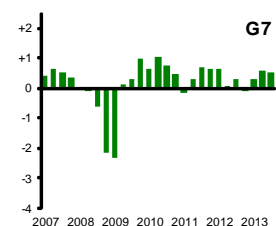
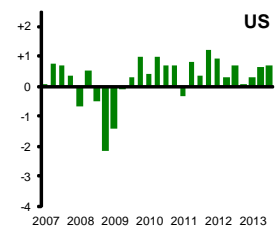
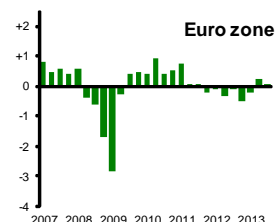
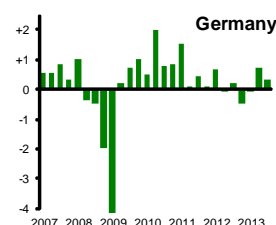
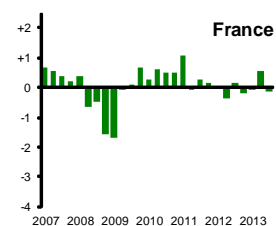
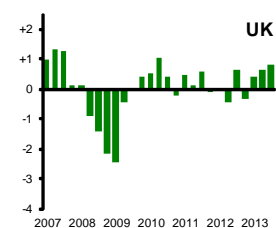
In [October 2013](#), the IMF lowered their 2013 forecast for world GDP growth, last made in July 2013, by 0.3% points, to 2.9%. Forecasts for the UK were raised from 0.9% to 1.4%. 2013 GDP growth forecasts were raised for Germany (from 0.3% to 0.5%), France (from -0.1% to 0.2%), the eurozone (from -0.5% 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 (Nov 13)	
	2013	2014	2013	2014	2013	2014
UK	1.4	1.9	1.3	2.2	1.4	2.4
France	0.2	1.0	0.2	0.9	0.2	1.0
Germany	0.5	1.4	0.5	1.7	0.5	1.7
Eurozone	-0.4	1.0	-0.4	1.1	-0.4	1.0
US	1.6	2.6	1.6	2.6	1.7	2.9
Japan	2.0	1.2	2.1	2.0	1.8	1.5
OECD	..	..	..	..	1.2	2.3
China	7.6	7.3	7.5	7.4	7.7	8.2
India	3.8	5.1	..	..	3.0	4.7
Brazil	2.5	2.5	..	..	2.5	2.2
World	2.9	3.6	3.2	4.0	2.7	3.6

Sources: IMF Oct 2013 WEO; EC Autumn'13 f'cast; OECD Econ. Outlook Nov'13

Quarter-on-quarter growth rates



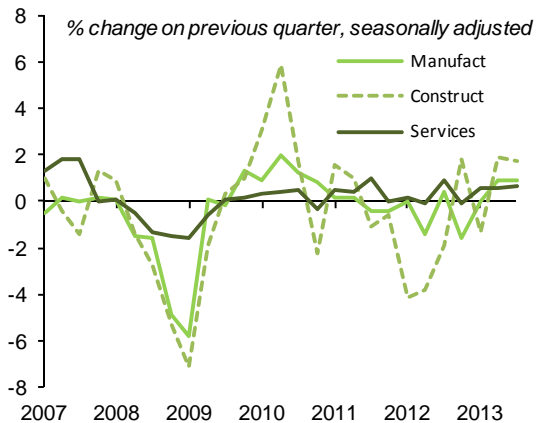
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), May/June 2014
 IMF, [World Economic Outlook](#), Jan 2014
 EC, [Winter Economic Forecast](#), Feb 2014

Contact: Daniel Harari, x2464

A3: Components of GDP

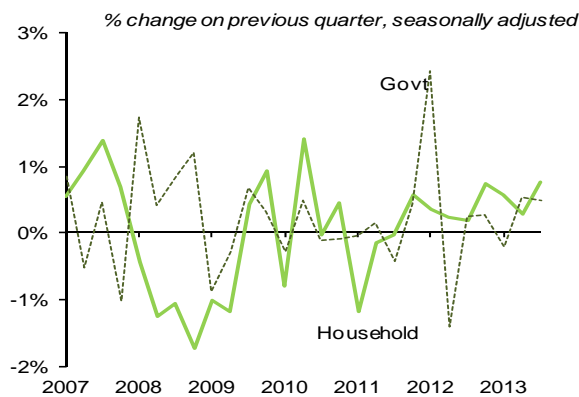
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption 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 1.7%.

Expenditure - household and government consumption



- In Q3 2013, household consumption grew by 0.8% in real terms compared with Q2 2013. This is the highest rate of growth since Q2 2010.
- Government consumption increased by 0.5% in Q3 2013. Gross fixed capital formation increased by 1.4%.
- Exports fell by 2.4% and imports grew by 0.4% in Q3 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%	0.5%	1.4%	-2.4%	0.4%	0.8%

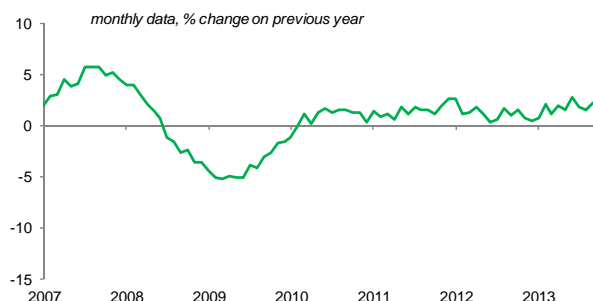
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

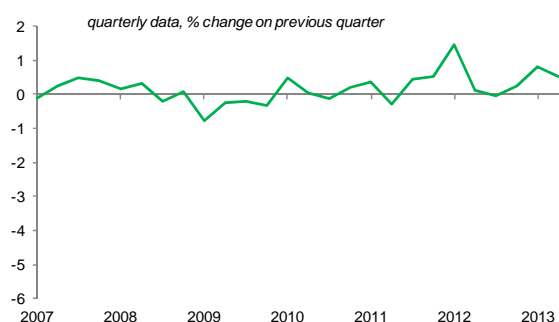


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	...	1.5
2012	102.7	...	1.2
2013 Jun	104.4	0.0	2.8
Jul	104.8	0.3	1.9
Aug	105.2	0.4	1.6
Sep	105.4	0.2	2.2

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.2% in September 2013 compared with August 2013. Compared with a year before, services output increased by 2.2%. In Q3 2013, services output surpassed its previous peak which was recorded in Q1 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 1.0% points to overall services growth.

Jobs in the service industries

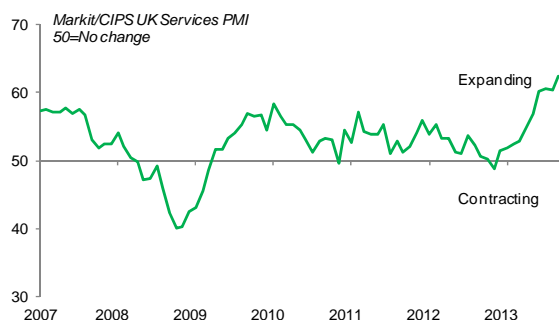


	Thousands	% change on quarter	% change on year
2011 Q2	26,025	...	0.2
2012 Q2	26,689	...	2.6
Q3	26,673	-0.1	2.0
Q4	26,736	0.2	1.7
2013 Q1	26,954	0.8	1.1
Q2	27,098	0.5	1.5

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."

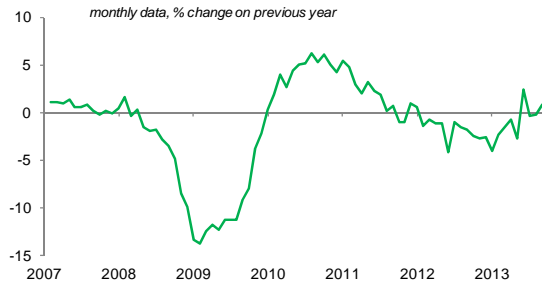
Contact: Chris Rhodes, x2454

Update: ONS, [Index of Services](#), 20 Dec 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

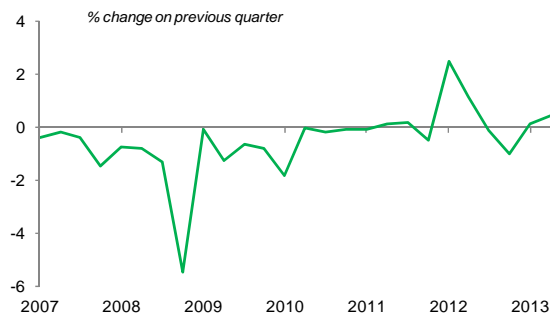


	Index Value (2010=100)	% change on month	% change on year
2011	101.8	...	1.8
2012	100.1	...	-1.7
2013 Jun	100.6	2.0	2.4
Jul	100.8	0.2	-0.4
Aug	99.6	-1.2	-0.2
Sep	100.8	1.2	0.8

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output increased by 1.2% in September 2013 compared with August 2013, and was 0.8% higher than in September 2012.
- The main upward contributions over the month were: manufacture of basic pharmaceutical preparations; the manufacture of transport equipment; and the manufacture of computer, electronic & optical products.

Jobs in manufacturing

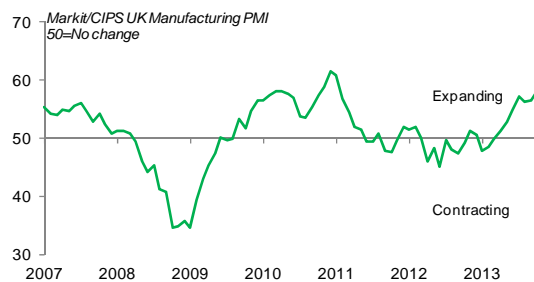


	Thousands	% change on quarter	% change on year
2011 Q2	2,555	...	-0.2
2012 Q2	2,641	...	3.4
Q3	2,638	-0.1	3.1
Q4	2,611	-1.0	2.5
2013 Q1	2,615	0.2	0.2
Q2	2,627	0.5	-0.5

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 Nov	47.7	...
2012 Nov	49.2	...
2013 Aug	57.1	2.3
Sep	56.3	-0.8
Oct	56.5	0.2
Nov	58.4	1.9

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was 58.4 in November, up slightly from 56.6 in October (where 50.0 is no change).

Contact: James Mirza-Davies, x6962

Update: ONS, [Index of Production](#), 10 Dec
ONS, [Workforce Jobs](#), 16 Dec
Markit/CIPS [UK Manufacturing PMI](#), 2 Jan

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.

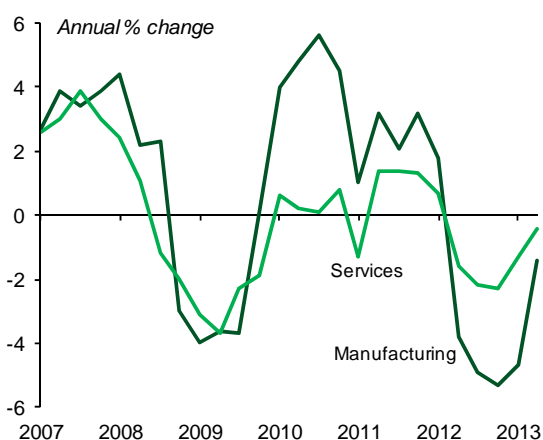
UK productivity by sector

- 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

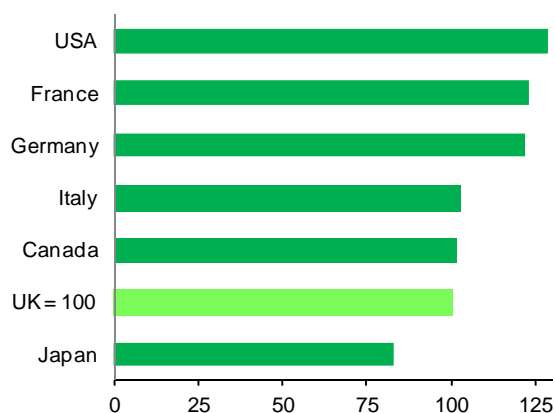
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.7	0.4	1.4
2011	2.4	0.7	0.8
2012	-3.1	-1.3	-1.7
2012 Q1	1.8	0.7	0.3
Q2	-3.8	-1.6	-2.2
Q3	-4.9	-2.2	-2.4
Q4	-5.3	-2.3	-2.6
2013 Q1	-4.7	-1.3	-1.9
Q2	-1.4	-0.4	-0.4
<i>Latest q-on-q % change</i>			
	0.7	0.1	0.5

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

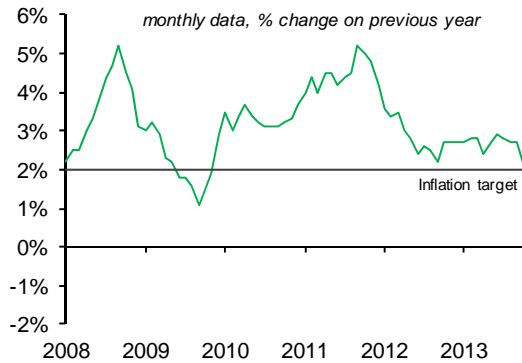
Update: ONS, [Labour Productivity](#), 24 Dec 2013
 ONS, [International Comparisons](#), Feb 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 2.2% in October, down from 2.7% in September and above the Bank of England's 2.0% target.

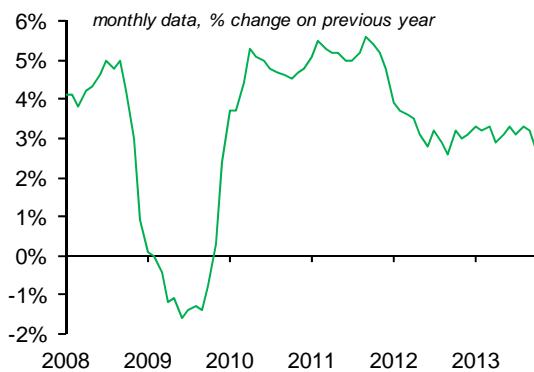
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.2% in October, down from 2.7% in September.
- The main upward contribution came from transport (notably motor fuels) and education (notably tuition fees). The largest downward contributions came from air fares and prices for second hand cars.
- The RPI (all items) measure of annual inflation was 2.6% in October, down from 3.2% in September. (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)



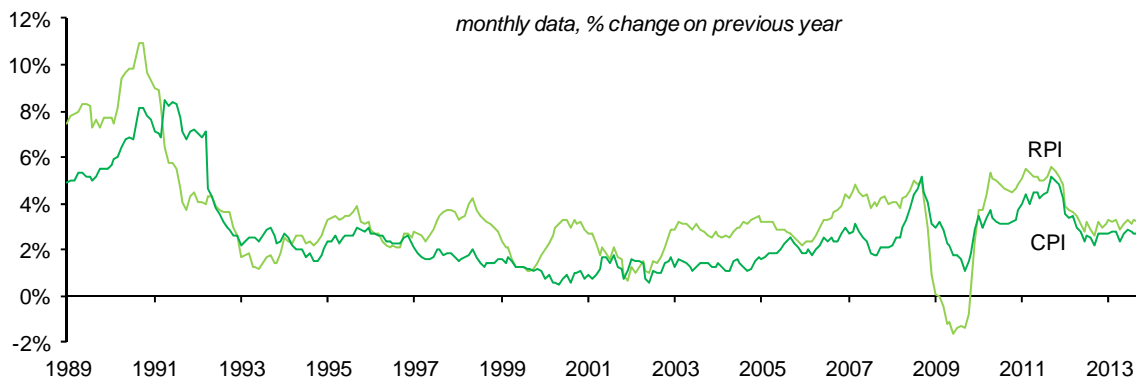
Price Indices

% change on a year ago

		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2013	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
	Oct	2.2	2.6

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989



Contact: Matthew Ward, x5919

Update: ONS, [Consumer Price Indices](#), 17 Dec 2013

B2: Inflation: International

UK inflation, measured by the Consumer Prices Index (CPI), remained positive throughout the recession. Other major economies, including the US, France and Germany, saw deflation (negative inflation, or falling prices).

Inflation in the EU, some other European countries, and the US can be compared using the standard Harmonised Index of Consumer Prices (HICP), or the CPI as it is known in the UK. National inflation calculation methods differ from this standard to varying degrees. For example, the US' national measure is based on prices in urban areas only and unlike the HICP includes costs of owner-occupied housing. Care should therefore be taken when making comparisons between national and harmonised measures.

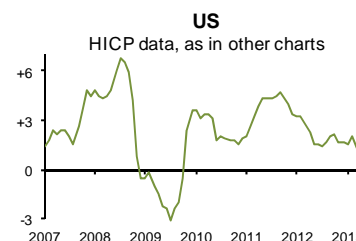
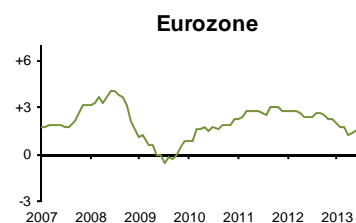
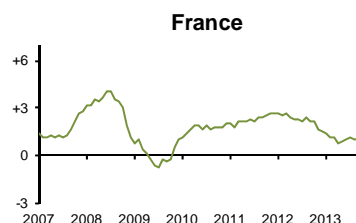
- UK inflation was 2.2% in the year to October 2013, down from 2.7% in September. The Bank of England's UK inflation target is 2%.
- Eurozone inflation is expected to be 0.9% in the year to November 2013, up from 0.7% in October. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term."
- The UK had the highest annual inflation rate in the EU in October 2013, joint with Estonia at 2.2%. The lowest annual inflation rate in the EU was -1.9% in Greece, followed by -1.1% in Bulgaria.
- 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	Jul-13	Aug-13	Sep-13	Oct-13
HICP (OECD/Eurostat)							
UK	3.3	4.5	2.8	2.8	2.7	2.7	2.2
Eurozone	1.6	2.7	2.5	1.6	1.3	1.1	0.7
EU	2.1	3.1	2.6	1.7	1.5	1.3	0.9
France	1.7	2.3	2.2	1.2	1.0	1.0	0.7
Germany	1.2	2.5	2.1	1.9	1.6	1.6	1.2
Greece	4.7	3.1	1.0	-0.5	-1.0	-1.0	-1.9
Italy	1.6	2.9	3.3	1.2	1.2	0.9	0.8
Spain	2.0	3.1	2.4	1.9	1.6	0.5	0.0
US	2.4	3.8	2.1	1.8	:	:	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	1.3	1.1	1.1	..
Japan	-0.7	-0.3	0.0	0.7	0.9	1.1	..
US	1.6	3.2	2.1	2.0	1.5	1.2	..
G7	1.4	2.6	1.9	1.7	1.4	1.3	..
OECD	1.9	2.9	2.3	2.0	1.7	1.5	..
Brazil	5.0	6.6	5.4	6.3	6.1	5.9	5.8
China	3.3	5.4	2.6	2.7	2.6	3.1	3.2
India	12.0	8.9	9.3	10.8	10.7	:	..
Russia	6.9	8.4	5.1	6.5	6.5	6.1	..

Source: Eurostat & stat.OECD database



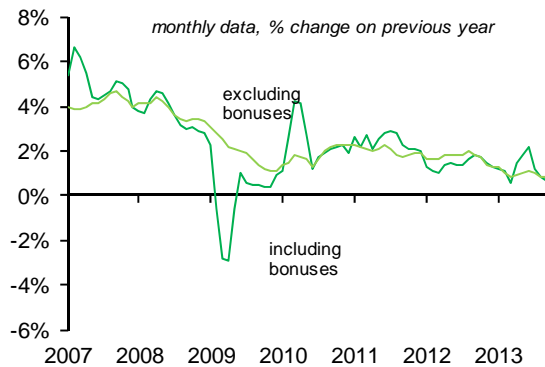
Contact: Gavin Thompson, x2042

Updates: ONS [Consumer Prices bulletin](#) (UK), 17 Dec 2013
Eurostat, [HICP full release](#), 17 Dec 2013
Eurostat, [Flash estimate](#) (Eurozone), 13 Dec 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 September, compared with a year ago. Inflation as measured by the CPI was 2.7% in September – the 41st consecutive month in which inflation has exceeded nominal wage growth.

Average Earnings, Whole Economy



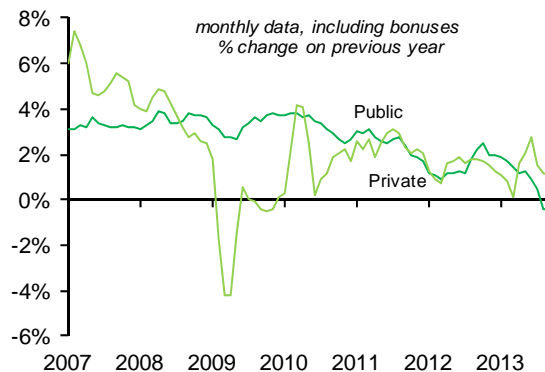
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2010 Sep	1.9	2.9	4.5	2.0	2.1
2011 Sep	2.3	2.4	1.6	2.5	2.3
2012 Sep	1.8	2.2	1.9	1.8	1.8
2013 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	1.2	-0.4	2.1	0.6	0.8
Sep	1.1	-0.4	1.6	0.6	0.7

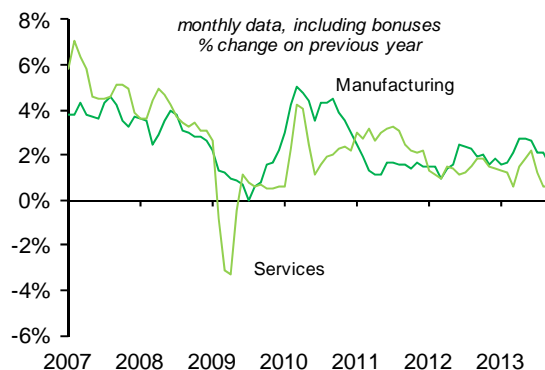
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly earnings (including bonuses) in September were £475 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £487 in September, compared with £473 in the private sector.
- Average total weekly pay in the private sector was up 1.1% year-on-year in the three months to September, compared with a -0.4% fall in the public sector; falling for the first time in the three months to August 2013.

Average Earnings in Services and Manufacturing

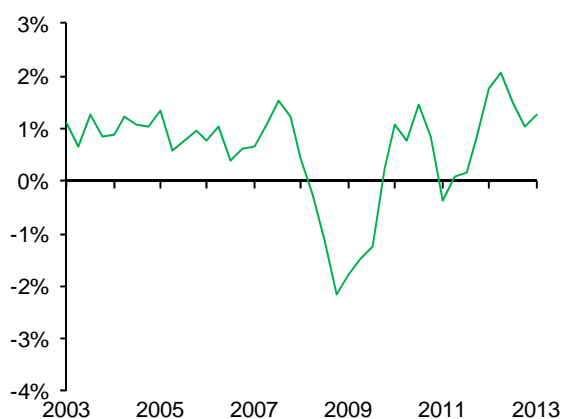


- Average weekly earnings (including bonuses) in the manufacturing sector were 1.6% higher in the three months to August than in the same period last year. In the services sector total pay grew by 0.6%.
- Average total weekly pay in the manufacturing sector was £550 in September, compared with £460 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £612 in September.

C1: Employment

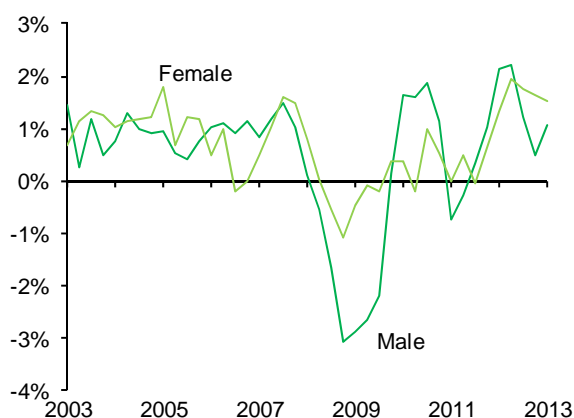
There were 29.95 million people aged 16 and over in employment in the UK in July-September 2013. The number of people in employment increased by 177,000 compared to the previous quarter and by 378,000 compared to the same period last year. The employment rate for people aged 16-64 was 71.8%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- 16.04 million men were in employment in July-September 2013, up 130,000 on the previous quarter. Female employment increased by 47,000 over the past quarter to 13.91 million.
- The number of 16-24 year olds in employment increased by 50,000 over the quarter. Employment of 16-24 year olds who are not in full-time education rose by 75,000 over the quarter.
- 148,000 more people were working as employees in July-September 2013 compared to the previous quarter. 15,000 more people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 157,000 over the past quarter to 21.87 million.
- 8.09 million people were working part-time, 19,000 more than in the previous quarter. This included 1.46 million people working part-time because they could not find a full-time job.
- 1.60 million people were employed on a temporary basis in July-September 2013, 54,000 more than in the previous quarter.
- The number of people working in the private sector increased by 114,000 over the quarter to May-July 2013, to 24.17 million. Public sector employment decreased by 34,000 to 5.67 million.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Jul-Sep 2011	29,063	3,625	17,205	7,383	849
Jul-Sep 2012	29,576	3,686	17,409	7,537	945
Oct-Dec 2012	29,751	3,720	17,429	7,628	973
Jan-Mar 2013	29,708	3,675	17,419	7,634	980
Apr-Jun 2013	29,777	3,582	17,496	7,689	1,010
Jul-Sep 2013	29,953	3,633	17,524	7,758	1,040
% change on previous 3 months	+0.6	+1.4	+0.2	+0.9	+3.0
% change on previous year	+1.3	-1.4	+0.7	+2.9	+10.0

Source: ONS

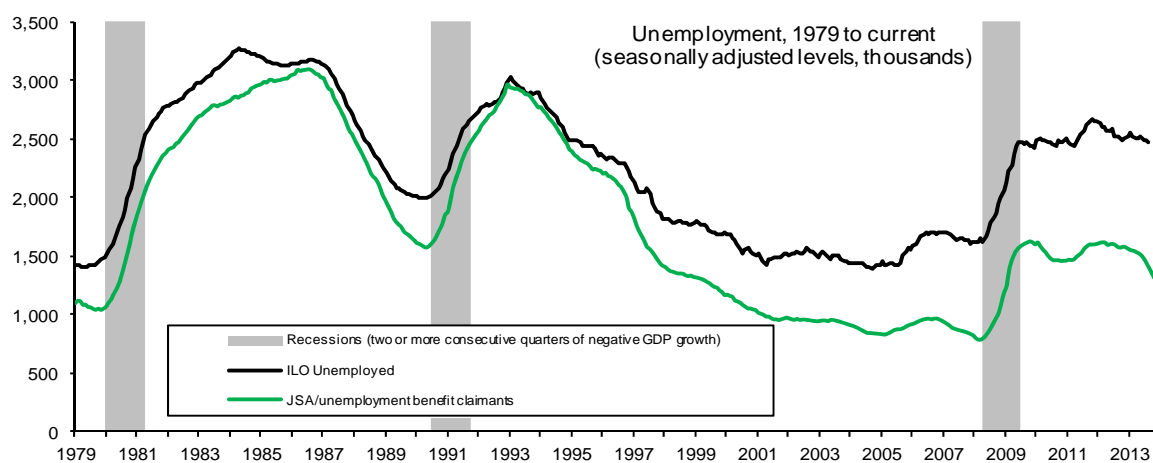
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 18 Dec 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 2.47 million in the UK in July-September 2013, down 48,000 on the previous quarter and on the previous year. 7.6% of the economically active population aged 16 and over were unemployed.



Source: ONS, *Labour Market Statistics*

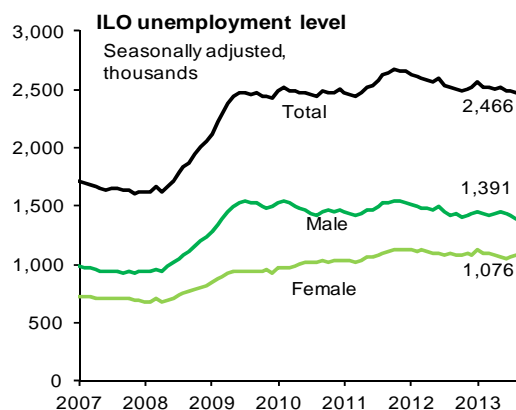
ILO unemployment

The number of people who have been unemployed for longer than twelve months was 890,000 in July-September 2013, a fall of 19,000 from the previous quarter and slightly lower than the previous year.

965,000 people aged 16-24 were unemployed in July-September 2013, down 9,000 from the previous quarter and essentially unchanged from the previous year.

Jobseeker's Allowance (JSA) claimant count

The number of people claiming Jobseeker's Allowance decreased by 41,700 between September and October 2013 to 1.31 million people aged 18 or over.



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	(%)
Jul-Sep 2008	1,836	5.9	765	15.5	801	4.4	251	3.4	19	2.6
Jul-Sep 2009	2,462	7.9	940	19.9	1,147	6.3	350	4.6	24	3.1
Jul-Sep 2010	2,442	7.7	900	19.0	1,149	6.3	374	4.9	19	2.1
Jul-Sep 2011	2,624	8.3	1,016	21.9	1,197	6.5	385	5.0	26	3.0
Jul-Sep 2012	2,514	7.8	963	20.7	1,155	6.2	377	4.8	20	2.1
Oct-Dec 2012	2,503	7.8	975	20.8	1,139	6.1	367	4.6	22	2.2
Jan-Mar 2013	2,518	7.8	958	20.7	1,154	6.2	388	4.8	18	1.8
Apr-Jun 2013	2,514	7.8	973	21.4	1,116	6.0	398	4.9	26	2.5
Jul-Sep 2013	2,466	7.6	965	21.0	1,092	5.9	389	4.8	21	2.0
% change on quarter	-1.9		-0.9		-2.1		-2.5		-20.9	
% change on year	-1.9		+0.2		-5.4		+3.2		+4.1	

Source: ONS, *Labour Market Statistics*

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

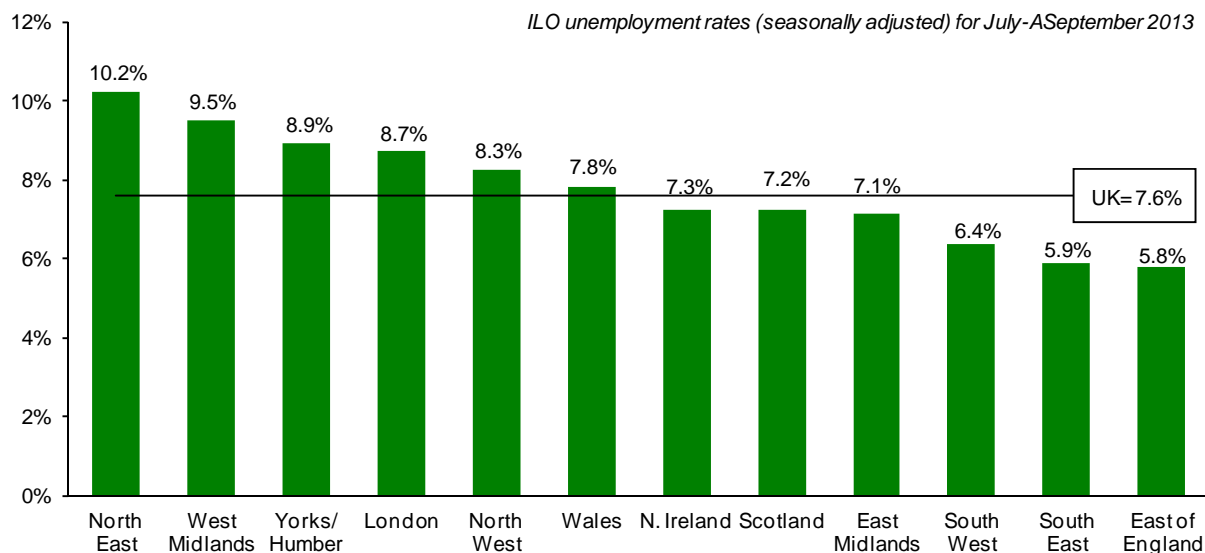
Contact: David Hough, x6933

Update: ONS, *Labour Market Statistics*, 18 Dec 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 July-September 2013, the North East had the highest unemployment rate, at 10.2% 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 South West (up 11,000). The largest decrease was in the East of England (down 23,000).
- The (seasonally adjusted) Jobseeker's Allowance claimant count decreased across all regions between September and October 2013.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	July-September 2013		Change in level		October 2013	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	133	10.2	-1	+6	77.3	-2.6
North West	283	8.3	-1	-10	162.7	-5.6
Yorkshire & Humber	248	8.9	+4	+1	138.9	-4.4
East Midlands	166	7.1	-15	-12	87.6	-2.8
West Midlands	257	9.5	-15	+22	138.2	-3.9
East of England	181	5.8	-23	-32	92.4	-3.6
London	376	8.7	-0	+4	183.0	-8.0
South East	271	5.9	-3	-19	108.6	-3.6
South West	173	6.4	+11	+18	70.3	-2.0
Wales	117	7.8	-4	-4	67.5	-1.8
Scotland	199	7.2	+1	-20	118.9	-2.8
Northern Ireland	63	7.3	-1	-3	61.0	-0.6

Source: ONS, *Labour Market Statistics*

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

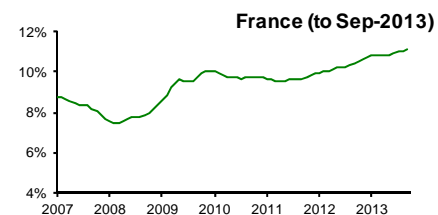
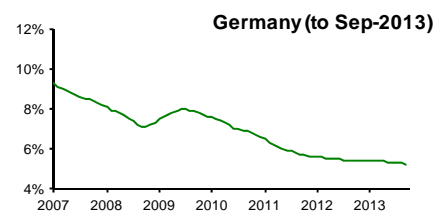
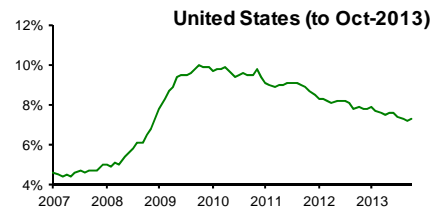
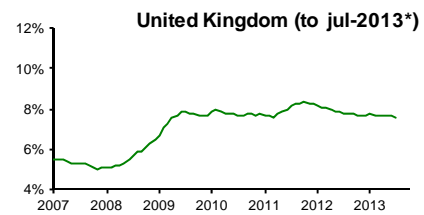
Contact: David Hough x6933

Update: ONS, *Labour Market Statistics*, 18 Dec 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 Q2 2013 was 7.7%. This was below the rate of France and Italy (10.8% and 12.1%, respectively, in Q2) but above that of Germany (5.3%).
- In the US, unemployment fell from 7.6% to 7.3% between Q2 2013 and Q3 2013. Compared with a year ago unemployment is 0.6 percentage points lower.
- In the euro zone, unemployment rose from 12.1% to 12.2% between Q2 2013 and Q3 2013, with the Netherlands experiencing the biggest rise in unemployment, at 0.4 percentage points respectively.
- Spain and Greece have the highest harmonised unemployment rate among the 33 OECD member states (26.6% in Q3 2013 and 27.4% in Q2 2013 respectively). South Korea had the lowest unemployment rate in the OECD in Q3 2013, at 3.1%.
- 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

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

	2010	2011	2012	2011		2012				2013		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Canada	8.0	7.5	7.2	7.3	7.4	7.4	7.3	7.3	7.2	7.1	7.1	7.1
France	9.7	9.6	10.3	9.6	9.8	9.9	10.2	10.3	10.6	10.8	10.8	11.0
Germany	7.1	6.0	5.5	5.8	5.6	5.5	5.5	5.4	5.4	5.4	5.3	5.3
Italy	8.4	8.4	10.7	8.6	9.2	9.9	10.6	10.8	11.3	11.9	12.1	12.3
Japan	5.1	4.6	4.4	4.5	4.5	4.5	4.4	4.3	4.2	4.2	4.0	4.0
UK	7.8	8.0	7.9	8.2	8.3	8.1	7.9	7.8	7.7	7.7	7.7	..
US	9.6	9.0	8.1	9.0	8.7	8.3	8.2	8.0	7.8	7.7	7.6	7.3
Eurozone	10.1	10.1	11.4	10.2	10.6	10.9	11.3	11.5	11.8	12.0	12.1	12.2
G7	8.2	7.7	7.4	7.7	7.6	7.5	7.4	7.4	7.3	7.3	7.2	7.1
OECD	8.3	8.0	8.0	8.0	7.9	7.9	7.9	8.0	8.0	8.0	8.0	7.9

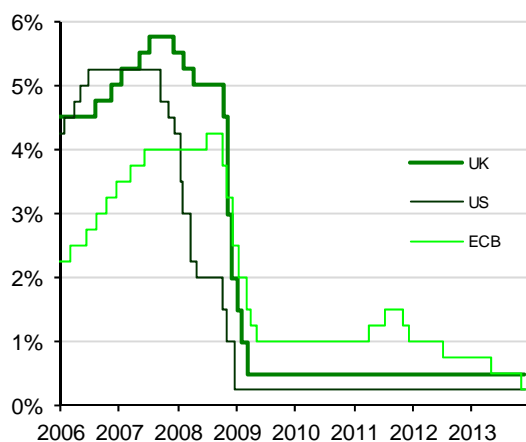
Source: OECD, Harmonised Unemployment Rates

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

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

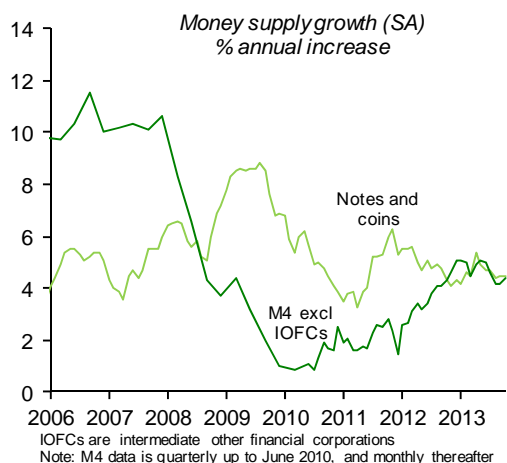


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 6 August 2013, the Governor of the Bank of England [announced](#) 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 7 November 2013, the Governing Council of the European Central Bank agreed to lower the main interest rate for the eurozone from 0.5% to 0.25%.
- 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 4.4% in October 2013, up from 4.2% in September.
- The value of notes and coins in circulation outside the Bank of England rose by 4.3% in October 2013 compared with a year ago, unchanged from September.

Contact: Gavin Thompson, x2042

Updates: Monetary policy meetings: 5 Dec ([ECB, UK](#)); 18 Dec ([US](#))
Bank of England, [Notes and coin](#), 4 Dec

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. The OBR will publish updates to these forecasts alongside the Autumn Statement on Thursday 5 December.

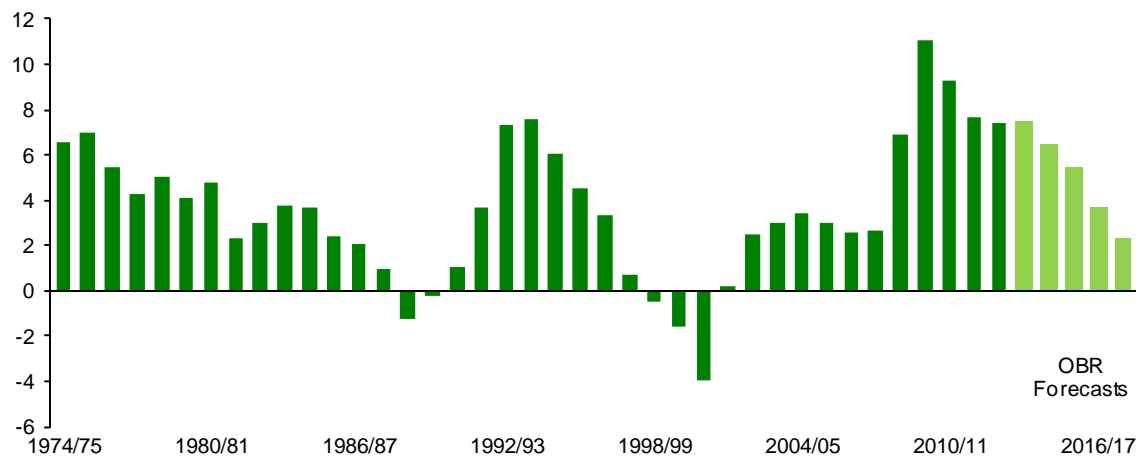
- Revised figures show that borrowing in 2012/13 was £115.0 billion, £3.5 billion lower than in 2011/12. These figures exclude the effects of the Royal Mail pension transfer and QE interest payments.
- These figures include other one off factors such as the 4G spectrum auction, which raised £2.3 billion 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

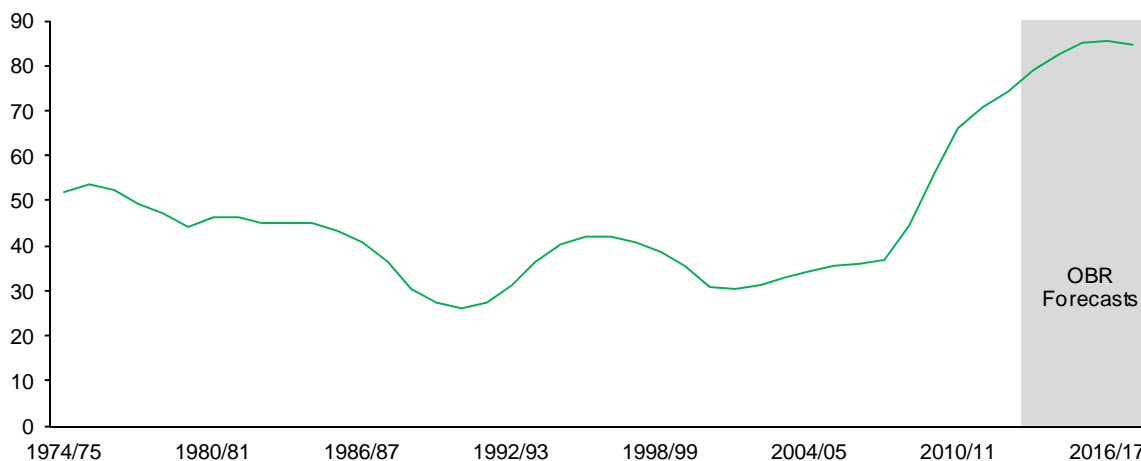
Source: ONS, OBR. Excludes financial sector interventions

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 2 December 2013

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02 Dec 2013	6,595.3	111.5	1,253.5
%change over:			
1-month	-2.1%	+5%	-5%
12-months	+12%	+0%	-27%
%change from:			
cyclical peak	-4%	-24%	-34%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+88%	+206%	+76%
date	03 Mar '09	24 Dec '08	24 Oct '08

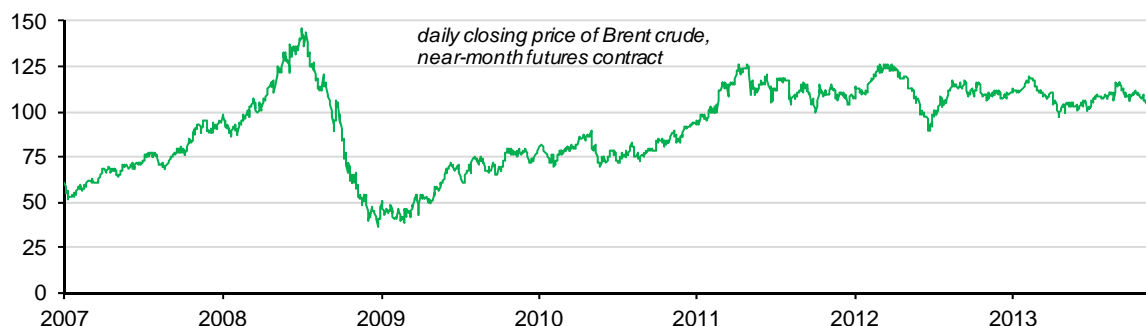
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



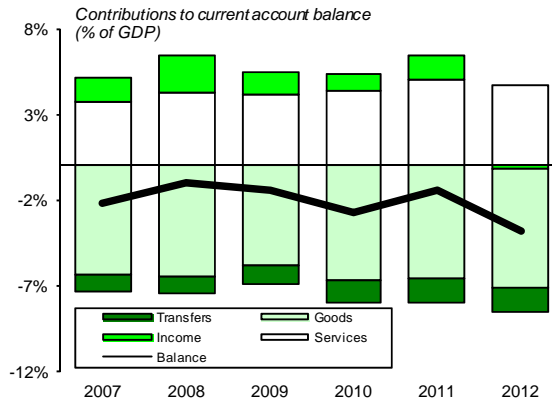
Gold price (\$ per ounce)



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

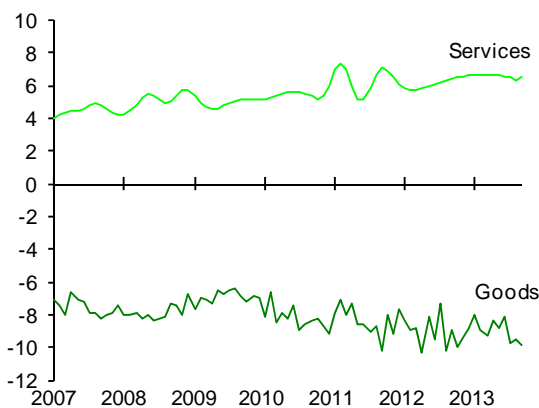
£ millions; seasonally adjusted

	Goods		Services		Goods and Services		Income	Transfers	Current Account Balance
	Balance	Balance	Exports	Imports	Balance				
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 September was £9.8bn, compared with £9.6bn in August.
- The monthly trade surplus on services was an estimated £6.5bn in September, up slightly from the August surplus of £6.3bn.
- The overall monthly deficit on goods and services combined in September was £3.3bn, the same as in August.
- The monthly goods deficit with the EU27 was £6.0bn in September, compared with £5.2bn in August, while the deficit with non-EU countries was £3.8bn in September, compared with £4.3bn in August.

Contact: Daniel Harari, x2464

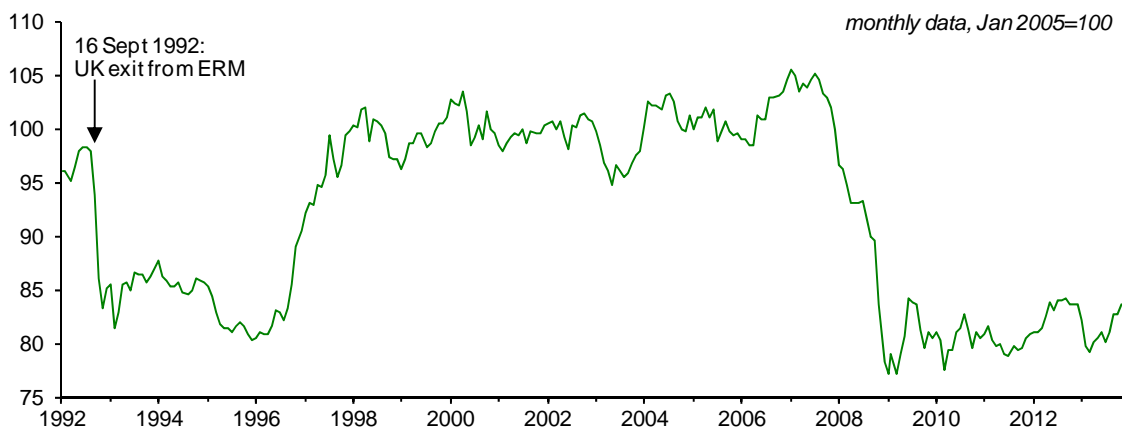
Updates: ONS, [UK Trade](#), 10 Dec 2013
ONS, [UK Balance of Payments](#), 20 Dec 2013

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).

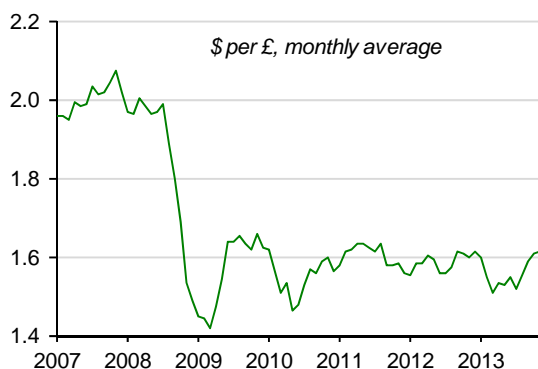
The SERI rose by 1.1% in November 2013, following a fall of 0.1% in October. Compared with the same period a year ago, it is 0.1% lower. It is currently 8.4% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 20.8% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



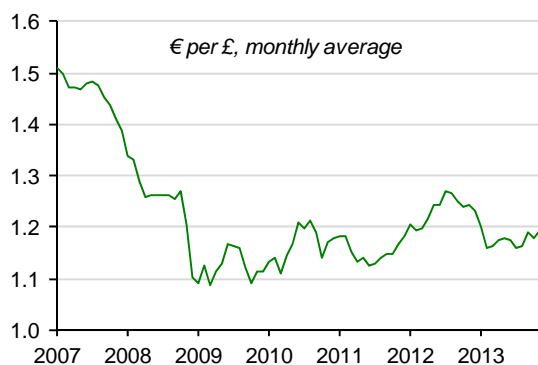
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in November, the pound was unchanged against the dollar. At the 2 December market close the pound stood at \$1.64, three cents above the November average.
- Sterling was one cent higher against the Euro in November compared with October.
- At the 2 December market close the pound stood at €1.21, one cent above the November 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 Nov	1.60	1.0%	1.24	6.7%
2013 Sep	1.59	-1.6%	1.19	-5.1%
Oct	1.61	0.1%	1.18	-4.8%
Nov	1.61	0.9%	1.19	-4.0%

Source: Bank of England, Bankstats database

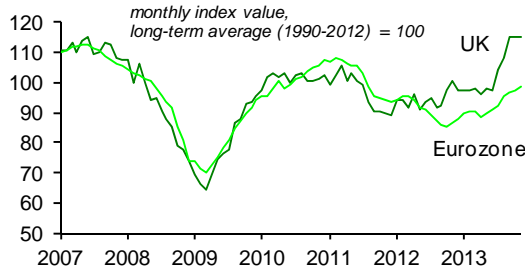
Contact: Daniel Harari, ext. 2464

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

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

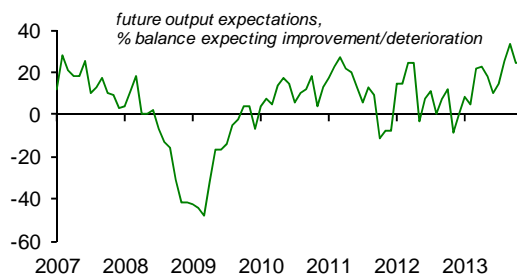


	UK Index	monthly change	change on year ago
2011 Nov	89.5	...	...
2012 Nov	100.6	...	...
2013 Sep	115.3	+6.8	+23.0
Oct	115.0	-0.3	+17.4
Nov	115.2	+0.2	+14.6

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 October and November 2013 the overall UK sentiment index increased marginally from 115.0 to 115.2 – 14.6 points higher than the previous year. The Eurozone index rose by 0.7 points to 98.5.

CBI Industrial Trends Survey



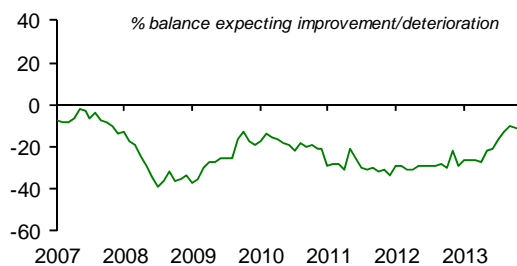
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2011 Nov	-8	...	...
2012 Nov	-9	...	...
2013 Sep	+33	+8	+26
Oct	+24	-9	+12
Nov	+24	0	+33

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In November 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 the same as the balance in October 2013 but +33 points higher than November 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 Nov	-31	...	...
2012 Nov	-22	...	...
2013 Sep	-10	+3	+18
Oct	-11	-1	+19
Nov	-12	-1	+10

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 -12 in November, 1 point lower than the previous month but 10 points higher than a year ago.

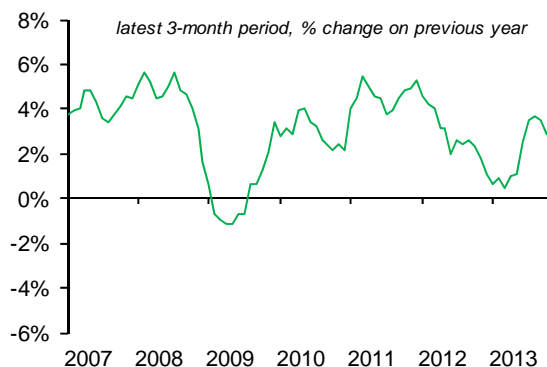
Contact: David Hough, x6933

Update: CBI, [Industrial Trends](#), 6 January 2014
EC, [Economic Sentiment Indicator](#), 4 Jan 2014
GfK NOP, [Consumer Confidence](#), 20 Dec 2013

F2: Retail Sales

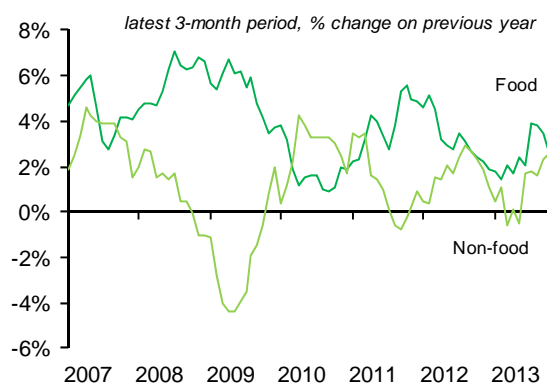
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The value of retail sales in the three months to October 2013 increased by 2.9% compared with the same three months in the previous year.
- The value of retail sales in October 2013 alone was 2.5% higher than in October 2012.
- Internet sales are estimated to account for 10.5% of the value of all retail sales (excluding vehicle fuels). The value of internet sales in October 2013 was 15.9% higher than in October 2012.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to October 2013 rose by 2.6% on the same period last year, and the value of sales in non-food stores increased by 2.6% as well.
- Despite this increase for non-food stores overall, the value of sales in household goods stores in the three months to October fell by 1.2% 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 JUN	2.1	3.0	-4.3	2.4	4.2	1.7	2.5
JUL	3.9	3.4	-3.4	2.7	3.2	1.8	3.5
AUG	3.8	3.1	-3.6	4.0	2.1	1.6	3.7
SEP	3.5	2.8	-2.0	3.6	3.8	2.3	3.5
OCT	2.6	2.1	-1.2	4.7	4.3	2.6	2.9

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

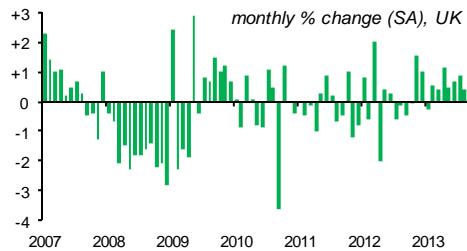
F3: Housing Market

House prices on the Nationwide index rose by 0.6% in November after a 1.0% rise in October. Prices were 6.5% higher compared with a year ago on this measure. House prices on the Halifax index rose by 0.7% in October following a 0.3% rise in September. Prices were 6.9% higher than a year ago on this measure.

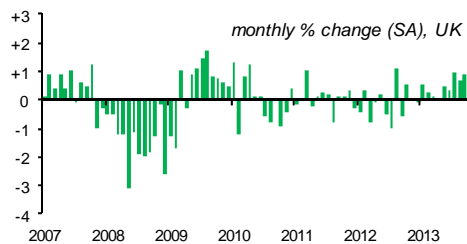
Numbers of mortgage approvals have started to pick up in recent months but still remain well down on pre-recession levels. Housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

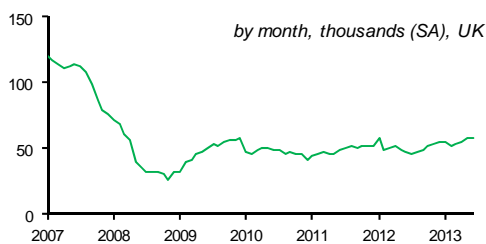


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Oct-13	Nov-13
Change in month	+0.7%	+0.6%
Change in year	+6.9%	+6.5%
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%

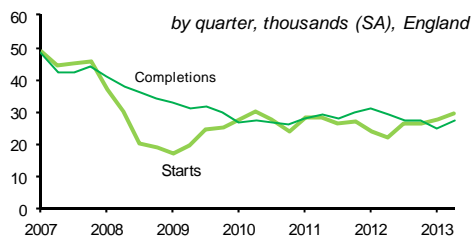
- Average house price growth has accelerated in recent months. In November 2013, the average house price on the Nationwide measure was just over £174,566.
- There is considerable regional variation. In Q3 2013 prices rose by 10% in London but were unchanged in the far north of England compared with a 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 67,701 mortgage approvals in October 2013, a five-and-a-half year high. Approvals were 1% higher than in September and 29% higher than October 2012.

House-building



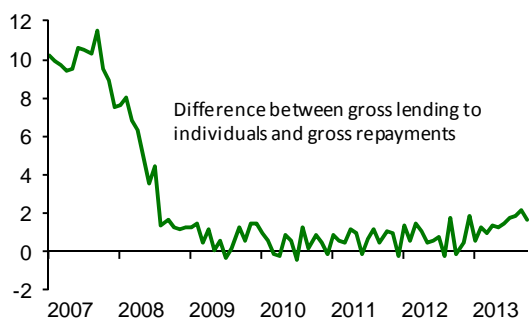
- There were 32,230 house building starts in England in Q3 2013, 8% more than in Q2 2013 and 22% more than in Q3 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 28,850 dwelling completions in Q3 2013, up 5% from 27,270 in Q2 2013, and 5.4% higher than the number of completions in Q3 2012. This is still below the peak of 48,450 completions in Q1 2007.

Contact: Matthew Ward, x5919

Updates: Halifax [House Price Index](#), early Dec 2013;
Nationwide [House Price Index](#), early Jan 2013;
Bank of England, [Money and credit](#), end Dec 2013
DCLG, [House-building](#), 21 Feb 2014;

F4: Household debt

Monthly net lending, £bn

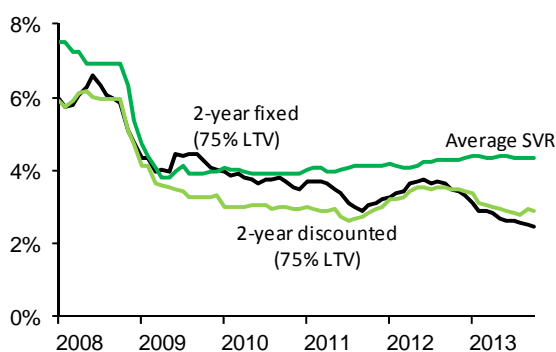


Source: Bank of England

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

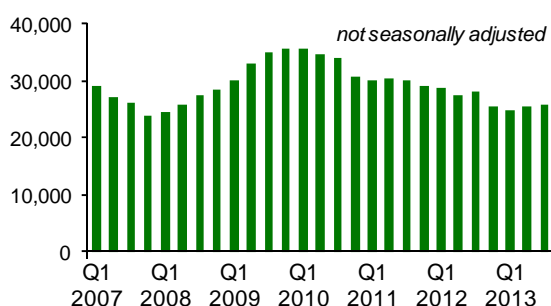
- Total net lending to individuals (excluding student loans) was £1.7 billion in October 2013. Net lending has been relatively low since mid-2008, but appears to have been gradually rising this year.
- Monthly net unsecured lending (consumer credit) was £0.5 billion in October. Monthly net secured lending (mortgages) was £1.2 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in October 2013 it was 4.36%, compared with 4.32% the year before.
- In contrast fixed mortgage rates have generally been falling over the last year – the average fixed mortgage rate was 2.48% in October, compared to 3.49% the year before. The average fixed-term variable (discounted) rate was 2.92% in October (compared with 3.49% 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](#), 4 Jan 2014
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	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.