



Economic Indicators, February 2013

RESEARCH PAPER 13/09 05 February 2013

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

- The most recent ONS estimate showed that GDP contracted by 0.3% in Q4 2012, following growth of 0.9% in Q3. ONS stated that this may be partly due to “fall back” from the more buoyant growth seen in Q3 2012 when the Olympics occurred, and partly due to “significantly reduced” oil and gas extraction in Q4 2012.
- In the three months to November 2012, there were 29.68 million people employed, an all time high. However, the employment rate was 71.4%, still below the rate of 73.0% seen in the three months to May 2008.
- In January 2013, the FTSE-100 saw its best start to the year since 1989, suggesting investors are becoming more confident about the UK’s economic prospects.

This month’s articles

- **The Productivity Puzzle**
- **Apprenticeships in England since 2010**

Chris Rhodes (editor)

Recent Research Papers

2013

13/01	Welfare Benefits Up-rating Bill [Bill 116 of 2012-13]	04.01.13
13/02	HGV Road User Levy Bill: Committee Stage Report	07.01.13
13/03	Economic Indicators, January 2013	08.01.13
13/04	Crime and Courts Bill [Bill 115 of 2012-13]	09.01.13
13/05	Groceries Code Adjudicator Bill [HL]: Committee Stage Report	10.01.13
13/06	Unemployment by Constituency, January 2013	23.01.13
13/07	European Union (Approvals) Bill [Bill 121 of 2012-13]	30.01.13
13/08	Marriage (Same Sex Couples) Bill [Bill 126 of 2012-13]	01.02.13

Research Paper 13/09

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.

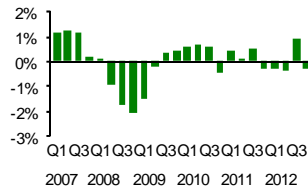
Summary

The most recent ONS estimate showed that GDP contracted by 0.3% in Q4 2012, following growth of 0.9% in Q3. ONS stated that this may be partly due to “fall back” from the more buoyant growth seen in Q3 2012 when the Olympics occurred, and partly due to “significantly reduced” oil and gas extraction in Q4 2012. In the three months to November 2012, there were 29.68 million people employed, an all time high. However, the employment rate was 71.4%, still below the rate of 73.0% seen in the three months to May 2008. In January 2013, the FTSE-100 saw its best start to the year since 1989, suggesting investors are becoming more confident about the UK’s economic prospects.

GDP growth

[page 1](#)

(% change quarter-on-quarter)

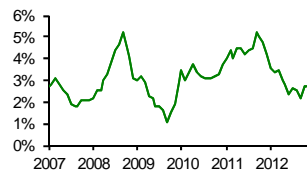


The economy contracted by an estimated 0.3% in Q4 2012. This followed an increase of 0.9% in Q3 2012.

Inflation (CPI)

[page 7](#)

(% change on year ago)

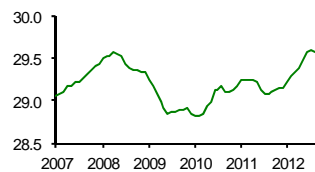


The CPI annual inflation rate was 2.7% in December 2012, unchanged for three months since October. The Bank of England target is 2.0%.

Employment

[page 10](#)

(total, millions)

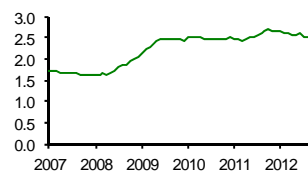


There were 29.68 million people aged 16 and over in employment in the three months to November 2012, an all-time high. However, the employment rate for people aged 16-64 was 71.4%, compared to a pre-recession level of 73.0% in March-May 2008.

Unemployment

[page 11](#)

(total, millions, ILO definition)



There were 2.49 million unemployed people in the three months to November 2012, down 37,000 on the quarter. The unemployment rate was 7.7%.

FTSE-100

[page 16](#)

(daily closing price)



The FTSE-100 is up 5% on the month and 10% on the year. In January 2013 it reached its highest point since May 2008.

Next issue: 5 March

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	The Productivity Puzzle	ii
3	Apprenticeships in England since 2010	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. Output and Employment by Industry	4
	5. Manufacturing (Including Automotives)	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. UK Balance of 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://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

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	Grahame Allen	3977
Business	Chris Rhodes	2454
EC finance	Grahame Allen	3977
GDP	Grahame Allen	3977
Employment	Daniel Harari	2464
Financial services	Gavin Thompson	2042
Housing	Matthew Keep	6789
Incomes	Daniel Harari	2464
Industries	Chris Rhodes	2454
International Trade	Grahame Allen	3977
National accounts	Grahame Allen	3977
International development	Lorna Booth	2883
International economies	Gavin Thompson	2042
Prices and interest rates	Grahame Allen	3977
Public expenditure	Dominic Webb	4324
Taxation	Dominic Webb	4324
Unemployment	Jack Evans	6920
Wages and earnings	Daniel Harari	2464

¹ <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

² <http://intranet.parliament.uk/Documents/intranet/offices-departments/assets/using-the-commons-library.pdf>

2 The Productivity Puzzle

Productivity refers to how efficiently inputs are used to produce outputs. Labour productivity is generally defined as output per hour worked:

$$\text{Labour productivity} = \frac{\text{Economic output}}{\text{No. of jobs} \times \text{Average hours worked}}$$

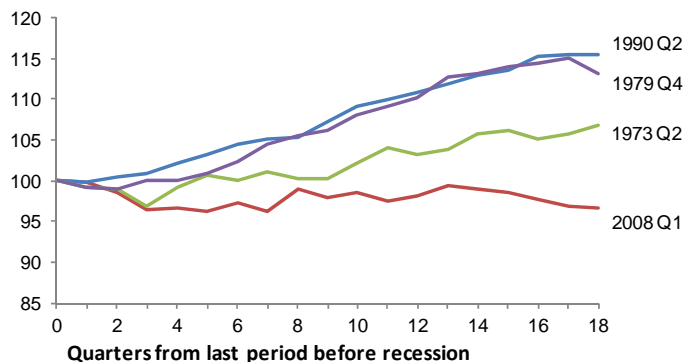
Changes in any of these variables will affect productivity. For example, if output increases and all other variables remain constant, then productivity will increase. However, if output were to remain constant and the number of hours worked increased, the result would be a fall in productivity.

More detail on how to calculate Labour productivity and the latest statistics can be found in the Library Standard note, [Labour Productivity in the UK](#).

The puzzle of recent years is that economic output in the UK has been weak but that this has not been accompanied by a weak labour market. Current levels of productivity are also weaker when compared to previous recessions and other countries. So what is going on?

Productivity weaker than in previous recessions...

Labour productivity in the UK
Quarter after start of recession = 100

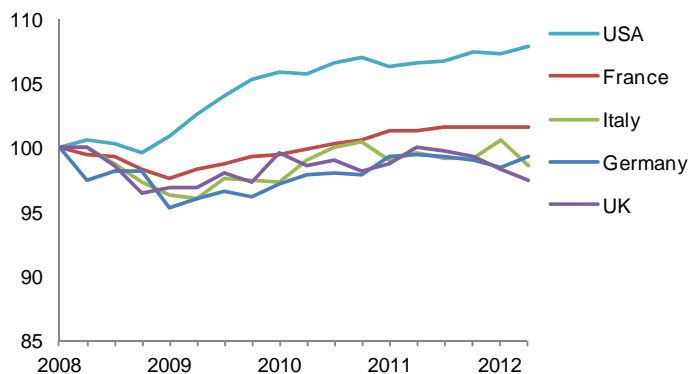


Data after the most recent recession showed a large fall in GDP, but the fall in employment was small by comparison. We expect productivity to fall as output contracts in a recession but falling output is not always accompanied by an immediate fall in employment levels.

As the economy returns to growth, we expect to see a recovery in levels of productivity; however, following the 2008/09 recession, productivity has fallen.

...and weaker than in other countries

Labour productivity
2008 Q1 = 100



Recent weak productivity growth is not confined to the UK. The UK's experience is similar to that of other European countries. However, in many countries productivity hasn't weakened to the same extent experienced in the UK, whilst productivity in the USA has been relatively strong since 2009.

This suggests that weak productivity growth in the UK can be explained by UK specific factors.

2.1 Unpicking the puzzle

So why has output and employment diverged more than in previous recessions and when compared with other countries?

GDP

The 2008-09 recession was the deeper than previous recessions with UK GDP falling by a total of 6.3% between Q1 2008 and Q3 2009. The loss of output in this period was almost 2 percentage points more than the 1979-1980 recession. Poor output figures may be expected to cause unusually poor productivity figures.

Labour market

Employment has recovered strongly since the post-recession trough in 2009. The most recent data for 2012 show the employment rate at 71.4%, only slightly below the pre-recession peak of 73.0% in Q2 2008.

This may be partly explained by the fact that since Q1 2008, the number of people in part-time employment has risen by 7.8% to 8.1 million. The increase in part-time working suggests that rather than downsizing the workforce, many firms have retained workers on shorter hours. This is part of a larger pattern known as 'labour hoarding' – some employers have retained a level of staffing following the recession which is not commensurate with their output, leading to many employees being underemployed and decreasing productive overall.

Real wages

It has also been suggested that the relatively small rise in real wages in recent years has made it possible for businesses to hold onto labour and substitute it for capital. The latest data on gross hourly pay suggests that it was up by 1.1% on 2011, compared to an average growth of 4.0% a year in the years up to 2007. If growth in real wages had not been subdued since 2008 then it is possible workforces would have been cut and firms may have been more productive.

Financial services sector

Productivity in the finance and insurance sector has fallen by 9.6 percentage points from its 2009 Q4 peak. The finance and insurance sector affects the productivity of the rest of the economy due to its role in providing finance for business investment. For example, it has been suggested that the financial sector has extended forbearance to more firms in recent years, creating a strata of unproductive, 'zombie' companies. This may be partly because the financial services sector has become averse to funding riskier, but potentially more productive, new firms and ideas.

Statistics

Another suggestion is that the official GDP figures are too low to reflect actual economic activity, or that the official employment data are too robust to reflect the actual labour market. The chief economist at the ONS has acknowledged that measurement error cannot be ruled out, but the ONS data do comply with international standards and have been found to be broadly in line with information from tax revenue and private sector business surveys.

There is no conclusive answer as to why productivity has been so weak in the UK, if the data is correct as the ONS says then it is a puzzle that will continue for some time yet.

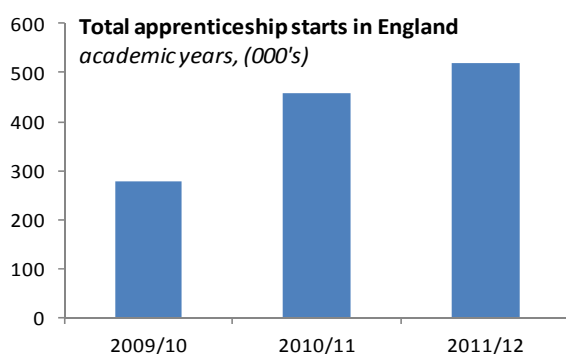
Aliyah Dar, Economic Policy and Statistics Section

3 Apprenticeships in England since 2010

Apprenticeships are paid jobs that incorporate on and off the job training. They take between one and four years to complete and cover a variety of job roles in a wide range of industries, from things like engineering to financial advice, plumbing to retail. Apprenticeships are a vocational alternative to university for many young people. Successful apprentices receive a nationally recognised qualification on completion of their contract.

1.1 Growth in apprenticeships

In May 2010 the coalition Government announced their intention to increase the number of apprenticeships, with a specific ambition to increase the number of adult (age 19+) apprenticeships in England by 50,000 in 2010/11 (compared to the previous year) and by 250,000 over the current parliament. How successful has this policy been?

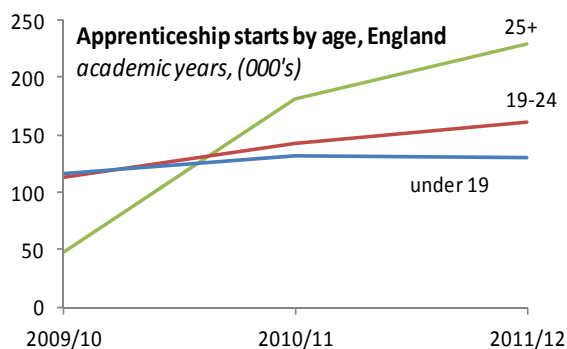


There has indeed been a large increase in apprenticeship starts over the last two academic years, with 520,600 in 2011/12, almost double the 279,700 in 2009/10.

The Government achieved its ambition by delivering 103,000 additional adult apprenticeships in 2010/11 compared to the previous year.

1.2 Demographic changes

There has been a large increase in the number of apprenticeship starts by both men and women since 2010. However, the upward trend has been greater for women, with 2010/11 being the first year since modern apprenticeships were introduced that women made up a majority of all apprenticeship starts. In 2011/12, 53% of apprenticeships starts were by women, up from 49% in 2009/10.



While the number of apprenticeship starts by those aged 25+ has increased rapidly from 49,100 in 2009/10 to 229,300 in 2011/12 (now by far the largest group with 44% of total starts), the number for those under 19 actually fell slightly in the last year, from 131,700 in 2010/11 to 129,900 in 2011/12.

The [Institute for Public Policy Research](#) suggests that this increase in the number of people aged 25+ doing apprenticeships has come largely from adults already in work. Over the same period the number of adults getting workplace skills training has been cut by almost exactly the same amount as the increase in adults starting apprenticeships. If some employers are merely shifting their workers onto apprenticeships in order to receive government funding for training that would have been delivered anyway then the large rise in apprenticeships, while welcome, is perhaps not as beneficial as it might seem.

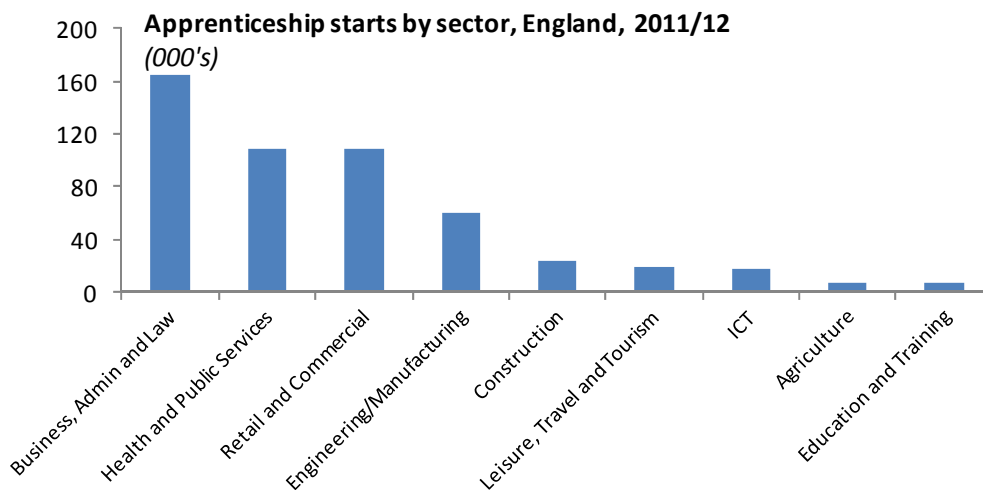
1.3 Levels

Apprenticeships can be 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).

There has been an increase in apprenticeships at all levels since 2010. The largest proportional rise (albeit from a much smaller base) has been in higher level apprenticeships, from 1,500 in 2009/10 to 3,700 in 2011/12, an increase of 147%. This compares to a 73% increase in intermediate apprenticeships (190,500 to 329,000) and a 114% increase in advanced apprenticeships (87,700 to 187,900). However, higher level apprenticeships still account for less than 1% of total apprenticeships, while 36% are at advanced level and the remaining 63% are at intermediate level.

1.4 Sectors

Apprenticeships cover a wide variety of job roles in different sectors of the economy.



In the academic year 2011/12, the top three sectors (Business, Administration & Law, Health & Public Services, and Retail & Commercial) accounted for almost three quarters of all apprenticeship starts. This is up from around 65% in 2009/10, with the increase driven by particularly large rises in the Business Administration and Law, and Health and Public Services sectors (both more than double the number of starts in 2011/12 compared to 2009/10).

1.5 Success?

It is clear that there has been a large increase in the number of apprenticeships since 2010 and the Government has achieved its ambition to increase the number of adult apprenticeships. There has also been a rise in the proportion of apprenticeships undertaken by women and a greater proportion of apprenticeships at the advanced and higher levels.

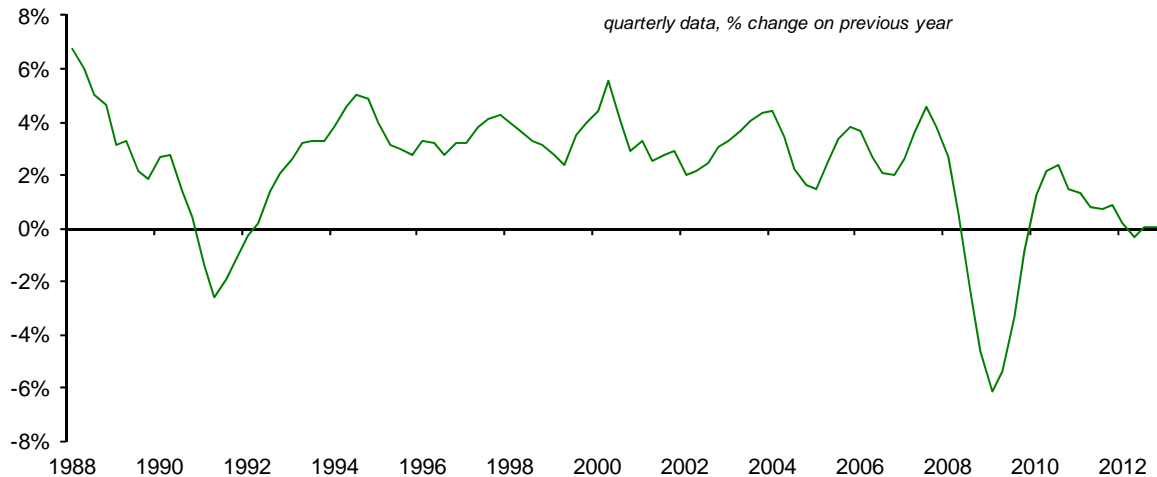
However, while the headline rise in apprenticeships is welcome, especially in a time of high unemployment, there are still some causes for concern. The fall in apprenticeships for those aged under 19 is noteworthy, particularly as apprenticeships are often hailed as an effective tool in tackling youth unemployment.

Jack Evans, Economic Policy and Statistics

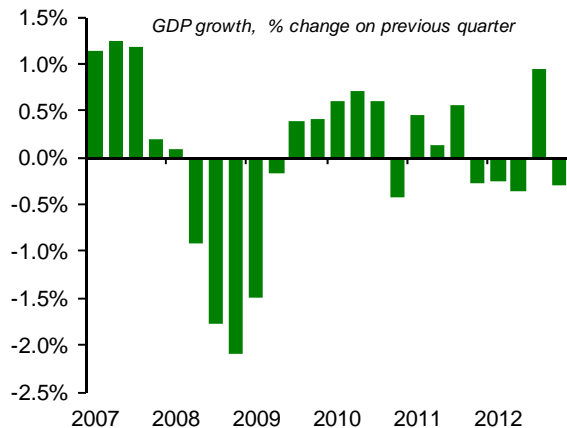
A1: Gross Domestic Product

The economy contracted by an estimated 0.3% in Q4 2012, following an increase of 0.9% in Q3 2012. In January, HM Treasury's average of independent economic forecasts of GDP growth for 2012 was 0.0% and 1.0% for 2013. The Office for Budget Responsibility's (OBR) central forecasts from December 2012 are -0.1% growth for 2012 and 1.2% for 2013.

Real GDP Growth since 1988



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
2009	1,402	-2.7	...	-4.0
2010	1,467	4.6	...	1.8
2011	1,519	3.6	...	0.9
Q3	380.4	3.1	0.6	0.7
Q4	382.4	3.0	-0.3	0.9
2012 Q1	383.2	1.8	-0.2	0.2
Q2	382.2	1.4	-0.4	-0.3
Q3	388.9	2.2	0.9	0.0
Q4	...	...	-0.3	0.0

Source: ONS, series: YBHA, ABMI

- In Q4 2012, real GDP was estimated to be unchanged on the Q4 2011 figure. GDP remains over 3% below its pre-recession level (Q1 2008).
- In Q4 2012, output of the production industries decreased by an estimated 1.8%, construction sector output increased by 0.3%, manufacturing output decreased by 1.5%, and output of the service industries was estimated to have been flat, compared with Q3 2012, in chained volume measures.
- The ONS said the number of special events in 2012 (Diamond Jubilee and the Olympic and Paralympic Games) has introduced additional uncertainty in the interpretation of changes between Q2 and Q3 and between Q3 and Q4.

Contact: Grahame Allen, x3977

Updates: HMT, [Comparison of Independent Forecasts](#), 20 Feb
ONS, [Second Estimate of GDP](#), 27 Feb 2013

A2: GDP: International Comparisons

UK output contracted by 0.3% in Q4-2012 compared to the previous quarter, while US output did not grow. In Q3-2012, output in the eurozone as a whole contracted by 0.1%, though Germany and France saw their output expand by 0.2% and 0.1% respectively

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	12Q1	12Q2	12Q3	12Q4	12Q1	12Q2	12Q3	12Q4
US	2.4	2.1	2.6	1.5	0.5	0.3	0.8	0.0
Japan	3.3	4.0	0.5	..	1.4	0.0	-0.9	..
UK	0.2	-0.3	0.0	0.0	-0.2	-0.4	0.9	-0.3
Germany	1.2	1.0	0.9	..	0.5	0.3	0.2	..
France	0.2	0.1	0.0	..	0.0	-0.1	0.1	..
Eurozone	-0.1	-0.5	-0.6	..	0.0	-0.2	-0.1	..
G7	1.8	1.7	1.4	..	0.4	0.1	0.3	..
OECD	1.8	1.6	1.2	..	0.5	0.2	0.3	..

Source: OECD, Main Economic Indicators (via stat.OECD website)

In **January 2013**, the IMF lowered their 2013 forecast for world growth, last made in October 2012, by 0.1 percentage points to 3.5%. 2013 growth forecasts were lowered for most advanced economies: for the UK, US and France by 0.1 percentage points, for Germany by 0.3 percentage points, and for the eurozone as a whole by 0.4 percentage points.

In **November 2012**, the European Commission lowered their 2012 growth forecast for the UK, last made in May, by 0.8 percentage points to -0.3%. Their growth forecast for the euro area was lowered by 0.1 percentage points to -0.4%. 2013 growth forecasts were lowered substantially for all European economies.

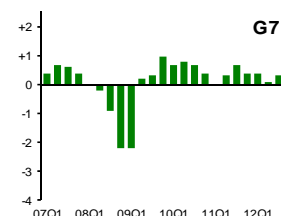
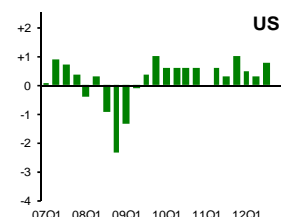
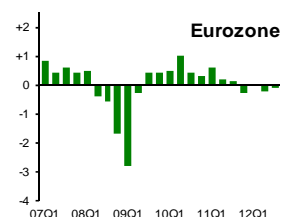
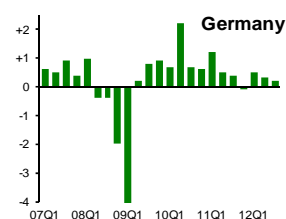
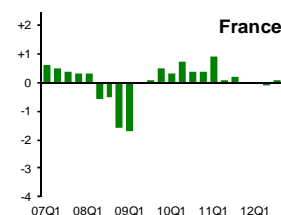
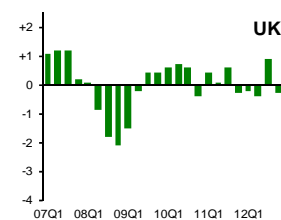
In **December 2012**, the OECD also revised down their growth forecasts for the UK – to -0.1% in 2012 (down 0.6 percentage points since the forecast in June 2012) and to 0.9% in 2013 (down 1.0 percentage points). Forecasts for the euro area were also lowered – to -0.4% in 2012 (down 0.3 percentage points) and -0.1% in 2013 (down 1.0 percentage points).

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

	IMF (Jan 13)		EC (Nov 12)		OECD (Dec 12)	
	2012	2013	2012	2013	2012	2013
UK	-0.2	1.0	-0.3	0.9	-0.1	0.9
France	0.2	0.3	0.2	0.4	0.2	0.3
Germany	0.9	0.6	0.8	0.8	0.9	0.6
Eurozone	-0.4	-0.2	-0.4	0.1	-0.4	-0.1
US	2.3	2.0	2.1	2.3	2.2	2.0
Japan	2.0	1.2	2.0	0.8	1.6	0.7
OECD	..	..	..	..	1.4	1.4
China	7.8	8.2	..	..	7.5	8.5
India	4.5	5.9	..	..	4.5	5.9
Brazil	1.0	3.5	..	..	1.5	4.0
World	3.2	3.5	..	..	2.9	3.4

Sources: IMF Oct 2012 WEO update; EC EEF; OECD Economic Outlook No.92

Quarter-on-quarter growth rates



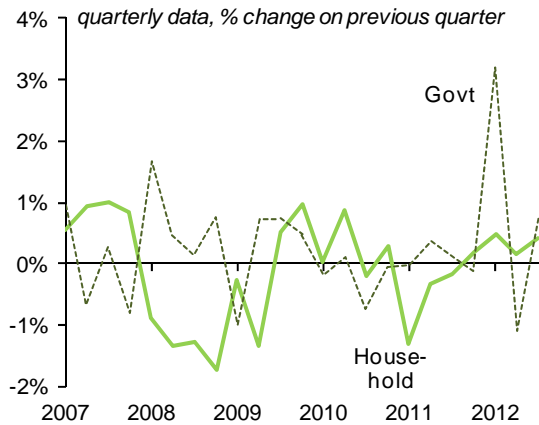
Contact: Gavin Thompson, x2042

Update: OECD *Main Economic Indicators*, 20 Feb 2013
EC *Interim Economic Forecast*, March 2013
IMF *World Economic Outlook*, Apr 2013

A3: Components of GDP

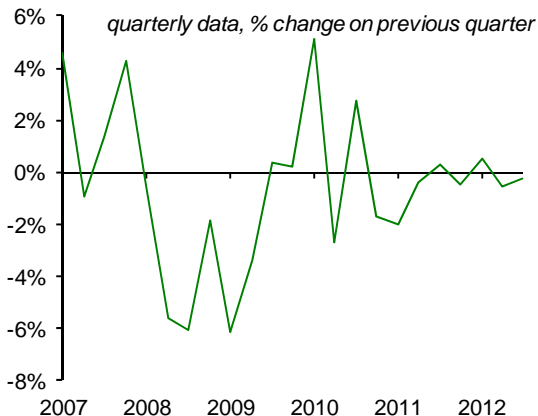
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 60% of the total in 2011. Government consumption accounted for 23% and investment for 15%.

Household consumption and government consumption



- Overall GDP decreased by 0.3% in Q4 2012. Q4 growth rates for the individual components of GDP will be published in February.
- Government consumption increased by 0.8% in Q3 2012.
- Trade made a significant contribution to GDP growth: exports grew by 1.2% while imports fell by 0.4% in Q3 2012.
- In Q3 2012, household consumption grew by 0.4% in real terms compared with Q2 2012.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- In Q3 2012 GFCF fell by 0.2% and is 0.7% lower than a year ago.
- Business investment, a component of overall GFCF, increased by 3.8% in Q3 2012.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2010 (annual % change)	1.3%	0.4%	3.5%	6.4%	8.0%	1.8%
2011 (annual % change)	-1.3%	-0.1%	-2.9%	4.6%	0.5%	0.9%
2011 Q3	-0.2%	0.1%	0.3%	0.0%	0.1%	0.6%
2011 Q4	0.2%	-0.1%	-0.4%	2.9%	1.6%	-0.3%
2012 Q1	0.5%	3.2%	0.6%	-1.7%	-0.1%	-0.2%
2012 Q2	0.2%	-1.1%	-0.5%	-1.1%	1.7%	-0.4%
2012 Q3	0.4%	0.8%	-0.2%	1.2%	-0.4%	0.9%
2012 Q4	..	..	..	..	..	-0.3%

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

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

Update: ONS, [Second estimate of GDP](#), 27 February 2013

A4: Output and employment by industry

In 2011 (the latest National Accounts data), services accounted for 76% of UK Gross Value Added (GVA), manufacturing 11%, other production (mining & quarrying, and utilities) 6%, construction 7% and agriculture, hunting and fishing 1%. The services sector accounts for 83% of total workforce jobs (Q3 2012).

Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	Total GDP
<i>Annual % changes</i>				
2011	2.0	2.6	1.2	0.9
2012	-1.8	-9.3	1.2	0.0
2012 Q2	-2.4	-9.1	0.8	-0.3
2012 Q3	-1.5	-11.2	1.3	0.1
2012 Q4	-2.0	-11.0	1.4	0.0
<i>Quarter-on-quarter % changes</i>				
2012 Q2	-1.0	-2.8	-0.1	-0.4
2012 Q3	0.7	-2.5	1.2	0.9
2012 Q4	-1.5	0.3	0.0	-0.3

Source: ONS Series L2KX, L2N8, L2NC, YBEZ

Manufacturing and services output

Quarter-on-quarter growth (%)



- Manufacturing output fell by 1.5% in the fourth quarter of 2012, following a 0.7 % rise in the previous quarter. Construction rose by 0.3%.
- The ONS commented that “manufacturing weakness in Q4 was widespread with the majority of industries showing a decline.”

Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	Total
<i>Annual % changes</i>				
2010 Q3	-2.6%	-4.8%	0.1%	-0.4%
2011 Q3	-1.3%	-1.6%	0.6%	0.3%
2012 Q2	2.1%	-1.3%	2.4%	2.2%
2012 Q3	3.0%	-3.2%	2.1%	1.7%
<i>Quarter-on-quarter</i>				
2012 Q2	0.9%	-1.8%	0.2%	0.2%
2012 Q3	0.3%	-0.5%	0.3%	0.1%
<i>Thousands</i>				
2012 Q3	2,596	1,986	26,573	31,946

Source: ONS series JWR7, JWS2, JWT8, DYDC

Manufacturing and services jobs

Quarter-on-quarter growth



- The number of manufacturing jobs has risen over the year and the quarter. In Q3 2012, the manufacturing workforce grew by 0.3% on the previous quarter and was 3.0% higher than a year earlier.
- The number of jobs in the construction sector decreased by 0.5% over the quarter to Q3 2012, and by 3.2% over the year.
- The number of jobs in the service industries grew by 0.3% over the quarter to and by 2.1% over the year.

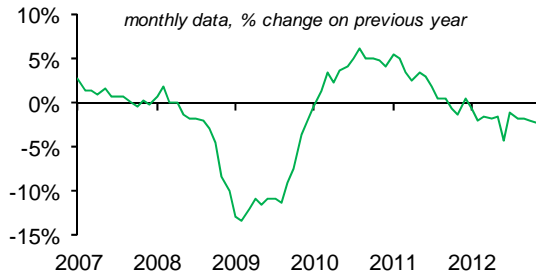
Contact: Chris Rhodes, x2454

Update: ONS, [Preliminary GDP Estimates](#), 27 February

A5: Manufacturing

ONS produces a monthly index of manufacturing output data. The Markit/Chartered Institute of Purchasing & Supply (CIPS) UK Manufacturing Purchasing Managers' Index is a leading indicator of manufacturing output. The Society of Motor Manufacturers and Traders (SMMT) publishes monthly vehicle production statistics.

Manufacturing Output

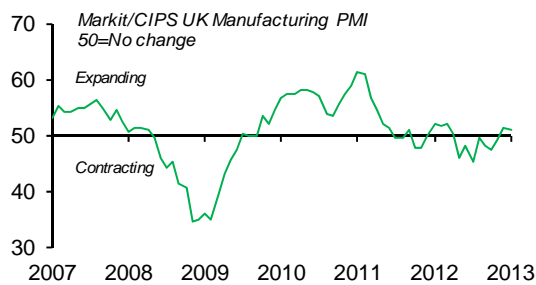


	Index Value (2009=100)	% change over month	% change over 12 months
2010	103.8	...	3.8
2011	106.0	...	2.1
2012 Aug	104.1	-1.2	-1.8
Sep	104.1	0.0	-1.7
Oct	102.8	-1.2	-2.0
Nov	102.4	-0.4	-2.1

Source: ONS, series K22A

- Manufacturing output fell by 0.4% in November 2012 compared with October 2012. Manufacturing output fell by 2.1% in November 2012 compared to November 2011.
- Total industrial production (including mining and utilities) rose by 0.3% compared with October 2012. This is the first monthly rise since July 2012. Total production was 2.4% lower in November 2012 than in November 2011.

Manufacturing Purchasing Managers' Index

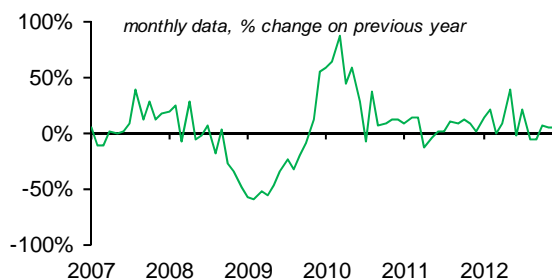


		Index	Monthly change
2012	Jan	52.0	...
2013	Jan	50.8	...
2012	Oct	47.5	-0.6
	Nov	49.1	+1.6
	Dec	51.4	+2.3
2013	Jan	50.8	-0.6

Source: Markit/CIPS UK Manufacturing PMI
Data as originally published

- The Markit/CIPS UK Manufacturing PMI fell to 50.8 in January from 51.4 in December (where 50.0 is no change).
- Markit stated that growth in the sector in January represented "an encouraging start to 2013".

Vehicle Production



		Number '000s	% change over 12 months
2011		1,465	+5.1
2012		1,575	+7.5
2011	Dec	104	+1.2
2012	Oct	149	+6.4
	Nov	154	+4.3
	Dec	109	+4.2

Source: SMMT, not seasonally adjusted

- UK vehicle production was 109,000 in December 2012, 4.2% higher than December 2011.
- In 2012, 1.58 million vehicles were produced in the UK, up by 7.5% compared with 2011, to the highest level since 2008.

Contact: Chris Rhodes, x2454

Update: SMMT, [Vehicle Production](#), mid Feb
Markit/CIPS [UK Manufacturing PMI](#), 1 Mar
ONS, [Index of Production](#), 7 Feb

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.

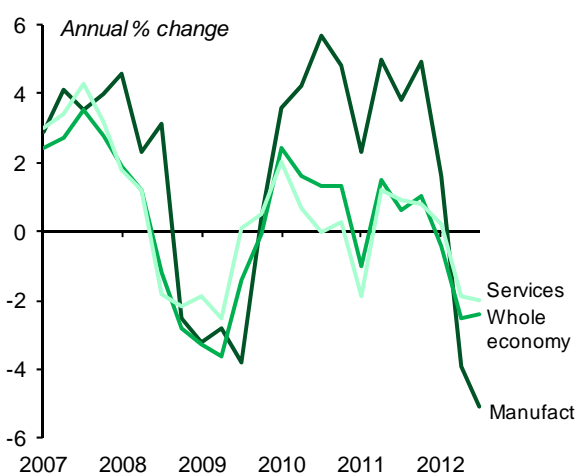
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have fallen by 2.4% over the last year and by 0.2% between Q2 and Q3 2012.
- Output per hour in manufacturing fell by 5.1% between Q3 2011 and Q3 2012; this is the largest fall since the series began in 1998. Services productivity fell by 2.0%, the largest fall since Q2 2009.

Output per hour, seasonally adjusted

	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2009	-2.4	-1.0	-2.1
2010	4.6	0.8	1.6
2011	4.0	0.2	0.5
2011 Q2	5.0	1.2	1.5
Q3	3.8	0.9	0.6
Q4	4.9	0.8	1.0
2012 Q1	1.6	0.2	-0.4
Q2	-3.9	-1.9	-2.5
Q3	-5.1	-2.0	-2.4
<i>Latest q-on-q % change</i>			
	-0.9	-0.1	-0.2

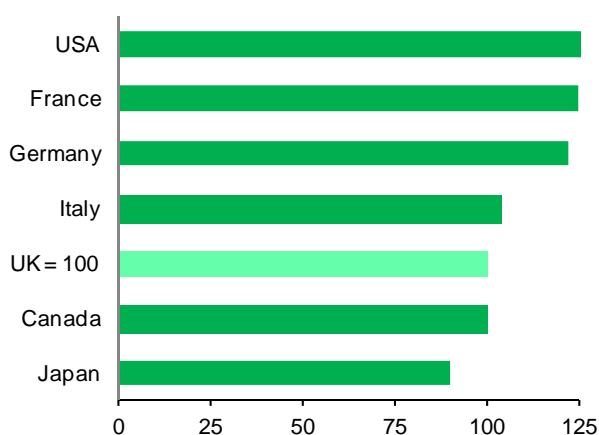
Source: ONS series LZVD, DJK8, DJQ3



- Recent declining productivity in the UK economy is a reflection of rising employment (and rising total hours worked) and stagnating output (or GDP). More on this is available in the Library Note, [The productivity puzzle](#).

International comparisons

GDP per hour, 2011, index where UK=100



- International comparisons of productivity are presented as an index where the UK=100.
- In 2011, based on GDP per hour, the UK came fifth of the G7 countries, with the USA top and Japan bottom. UK productivity was 15% below the G7 average, the widest productivity gap since 1995.
- On a per hour worked basis the productivity gap between the UK and the USA in 2011 was at its widest since 1992.

Contact: Aliyah Dar, x5919

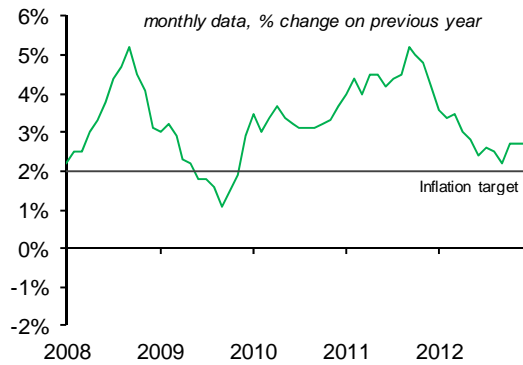
Update: ONS, [Labour Productivity](#), 28 Mar
 ONS, [International Comparisons](#), Feb

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 2.7% in December the same as November (and October) and above the Bank of England's 2% target for the thirty-seventh successive month.

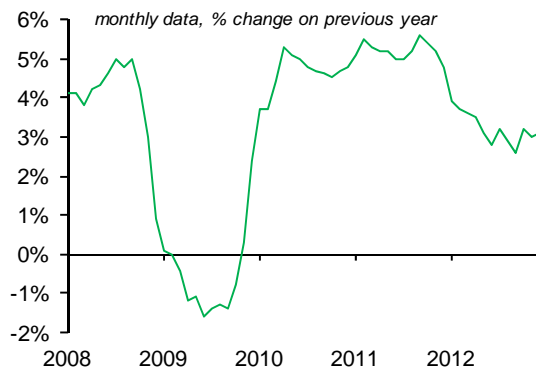
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI).

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.7% in December, unchanged for three months since October.
- The largest upward pressure came from price increases in housing & household services, particularly gas and electricity bills. This upward pressure was balanced by the downward effect from transport costs, predominantly from air fares but also from falling motor fuel costs.
- The RPI (all items) measure of annual inflation was 3.1% in December, up from 3.0% in November.

Retail Prices Index (RPI)

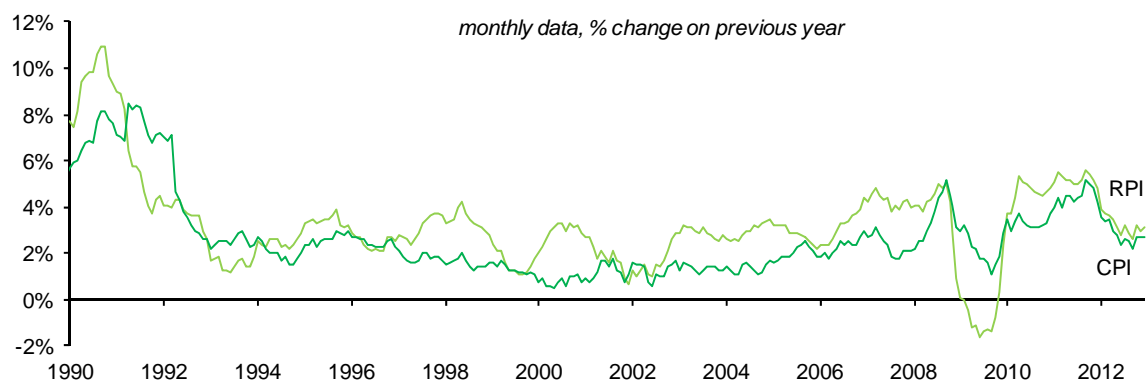


Price Indices

		% change on a year ago	
		CPI	RPI
2009		2.2	-0.5
2010		3.3	4.6
2011		4.5	5.2
2012	Jul	2.6	3.2
	Aug	2.5	2.9
	Sep	2.2	2.6
	Oct	2.7	3.2
	Nov	2.7	3.0
	Dec	2.7	3.1

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1990

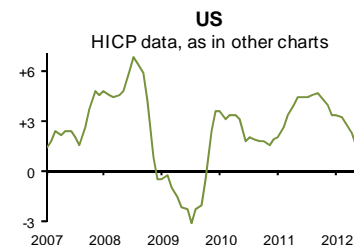
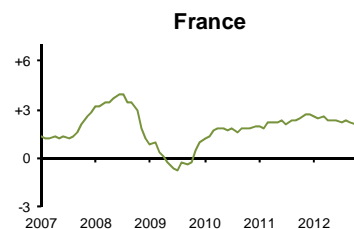


B2: Inflation: International

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.

- In the year to December 2012, UK inflation was 2.7%, unchanged from October and November. The Bank of England's UK inflation target is 2%.
- The flash estimate of Eurozone inflation in the year to January 2013 was 2.0%, down from 2.2% in December 2012. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- Greece had the lowest annual inflation rate in the EU in December 2012, at 0.3%. The highest rate was in Hungary, at 5.1%.
- HICP annual inflation in the US in the year to September 2012 was 2.0%, up from 1.7% in August. US inflation in the year to December was 1.7% using its own national definition.



Inflation rates: selected countries

Annual % change in consumer prices

	2010	2011	2012	Sep-12	Oct-12	Nov-12	Dec-12
HICP (ONS/Eurostat)							
UK	3.3	4.5	2.8	2.2	2.7	2.7	2.7
Eurozone	1.6	2.7	2.5	2.6	2.5	2.2	2.2
EU	2.1	3.1	2.6	2.7	2.6	2.4	2.3
France	1.7	2.3	2.2	2.2	2.1	1.6	1.5
Germany	1.2	2.5	2.1	2.1	2.1	1.9	2.0
Greece	4.7	3.1	1.0	0.3	0.9	0.4	0.3
Italy	1.6	2.9	3.3	3.4	2.8	2.6	2.6
Spain	2.0	3.1	2.4	3.5	3.5	3.0	3.0
US	2.4	..	..	2.0	..	..	..
National definitions (OECD)							
Canada	1.8	2.9	1.5	1.2	1.2	0.8	0.8
Japan	-0.7	-0.3	-0.0	-0.3	-0.4	-0.2	-0.1
US	1.6	3.2	2.1	2.0	2.2	1.8	1.7
G7	1.4	2.6	1.9	1.7	1.8	1.6	1.6
OECD	1.8	2.9	2.2	2.2	2.2	1.9	1.9
Brazil	5.0	6.6	5.4	5.3	5.4	5.5	5.8
China	3.3	5.4	2.6	1.9	1.7	2.0	2.5
India	12.0	8.9	9.3	9.1	9.6	9.5	11.2
Russia	6.9	8.4	5.1	6.6	6.5	6.5	6.5

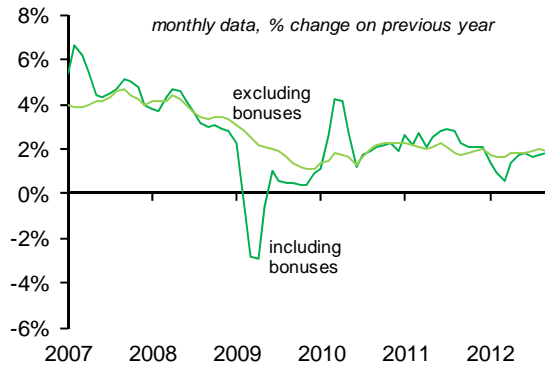
Source: ONS, Eurostat & stat.OECD database

Contact: Feargal McGuinness, x4904 **Updates:** ONS [Consumer Prices bulletin \(UK\)](#), 12 Feb 2013
Eurostat, [HICP full release](#), 28 Feb 2013
Eurostat, [Flash estimate \(Feb\)](#), 01 Mar 2013

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.5% in the three months to November, compared with a year ago, down 0.3 percentage points on the previous month. Average weekly earnings excluding bonuses rose by 1.4% in the three months to November compared with a year ago, down 0.3 percentage points on October. Inflation as measured by the CPI was 2.7% in November.

Average Earnings, Whole Economy



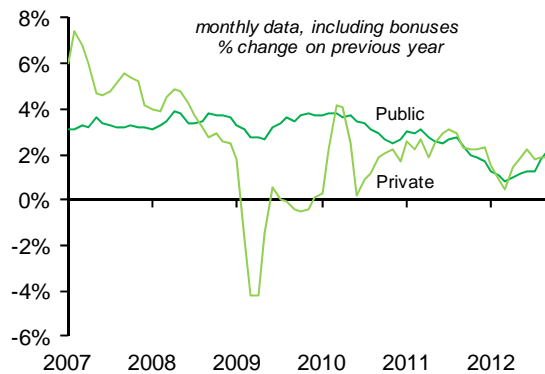
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2009 Nov	-0.4	3.8	1.7	0.5	0.4
2010 Nov	2.2	2.5	3.5	2.4	2.3
2011 Nov	2.2	1.9	1.8	2.2	2.1
2012 Jun	2.2	1.3	2.7	1.7	1.8
Jul	1.8	1.3	2.6	1.4	1.6
Aug	1.9	1.8	2.4	1.6	1.7
Sep	1.9	2.2	2.0	1.9	1.8
Oct	1.7	2.4	2.0	1.9	1.8
Nov	1.4	2.0	1.6	1.5	1.5

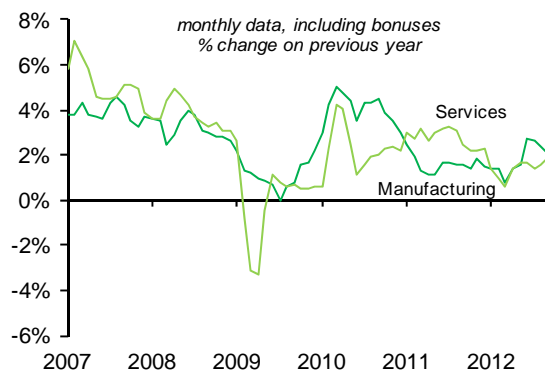
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.4% in the three months to October, compared with 2.0% in the public sector. Excluding financial services, public sector earnings rose by 2.2%.
- Average weekly earnings (including bonuses) in November in the public sector were £487 compared with £468 in the private sector.
- In 2011, headline (including bonuses) earnings in the private sector averaged a rise of 2.5%, while the public sector averaged a 2.4% increase.

Average Earnings in Services and Manufacturing

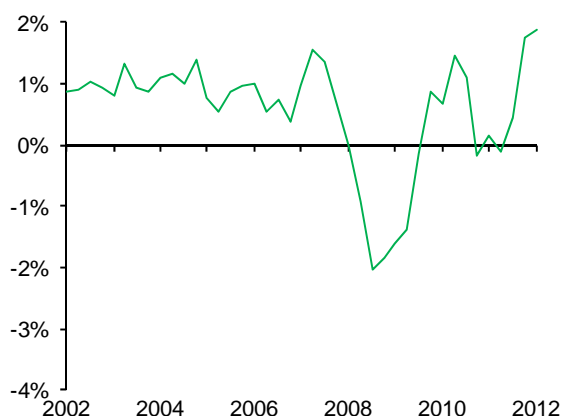


- Average total pay growth (including bonuses) in the manufacturing sector was 1.6% in the three months to November, compared with 1.5% in the services sector.
- Average weekly earnings (including bonuses) in November in the manufacturing sector were £545 compared with £458 in the services sector.
- In 2011, headline (including bonuses) earnings in the services sector averaged a rise of 2.8% compared with a 1.5% increase in the manufacturing sector.

C1: Employment

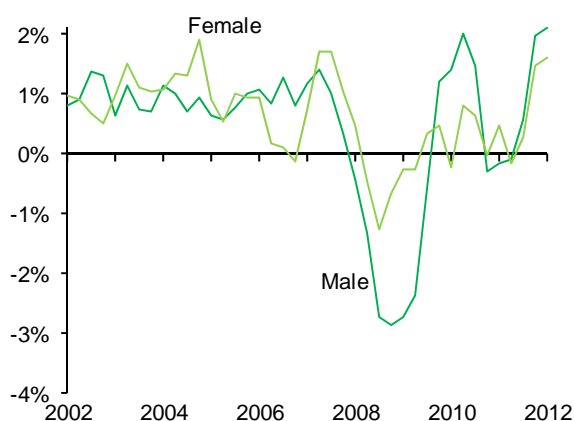
There were 29.68 million people aged 16 and over in employment in the UK in September-November 2012, an all-time high. The number of people in employment was up 90,000 on the previous quarter and up 552,000 on the previous year. The employment rate for people aged 16-64 was 71.4%, compared to a pre-recession level of 73.0% in March-May 2008.

Total employment (% change on previous year)



- Over the past quarter there were small increases in employment levels for people aged 16-24 and people aged 50 and over, as shown in the table below.
- The number of employees rose by 77,000 over the past quarter to 25.20 million. The number of self-employed people increased by 7,000 over the quarter, to 4.20 million.
- 8.11 million people were employed part-time in September-November 2012, a fall of 23,000 on the previous quarter. Full-time employment increased by 113,000 to 21.57 million.

Employment by gender (% change on previous year)



- The number of men in employment increased by 54,000 over the last quarter to 15.93 million.
- The number of women in employment increased by 36,000 over the last quarter to 13.75 million.
- Public sector employment fell by 24,000 in the three months to September 2012, to 5.75 million or 19.4% of total employment. The number of people working in the private sector was 23.86 million, up 65,000 on the previous quarter. The private sector accounts for 80.6% of total employment.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Sep-Nov 2010	29,086	3,727	17,175	7,311	874
Sep-Nov 2011	29,128	3,646	17,191	7,406	885
Dec-Feb 2012	29,210	3,644	17,267	7,423	875
Mar-May 2012	29,378	3,658	17,330	7,462	928
Jun-Aug 2012	29,590	3,709	17,416	7,519	946
Sep-Nov 2012	29,681	3,720	17,412	7,581	967
% change on previous 3 months	+0.3	+0.3	-0.0	+0.8	+2.2
% change on previous year	+1.9	+2.0	+1.3	+2.4	+9.3

Source: ONS

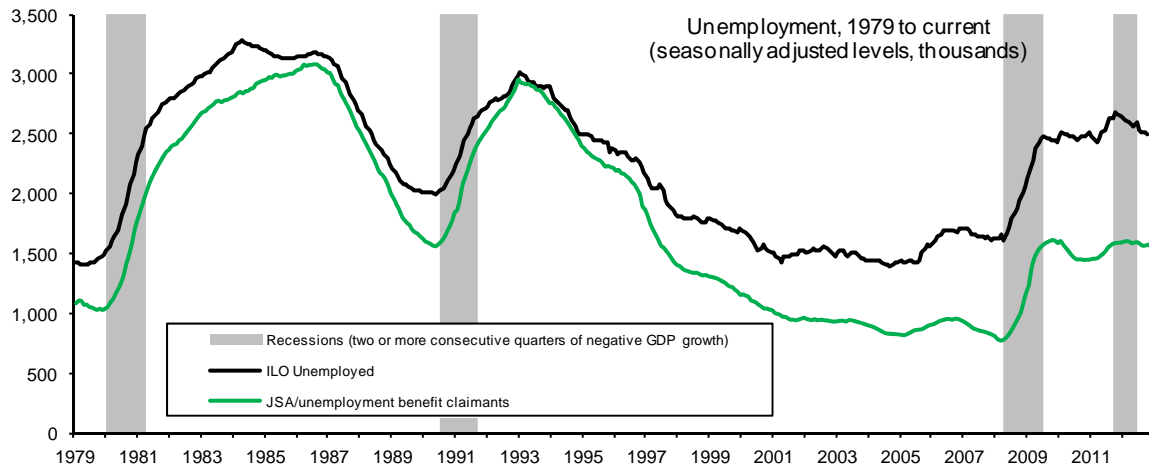
Contact: Feargal McGuinness, x4904

Update: ONS, [Labour Market Statistics](#), 20 Feb 2013

C2: Unemployment: National

The Office for National Statistics uses the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- **ILO unemployment in September-November 2012 was 2.49 million (7.7% of all economically active) – down 37,000 from the previous quarter. (UK, seasonally adjusted.)**



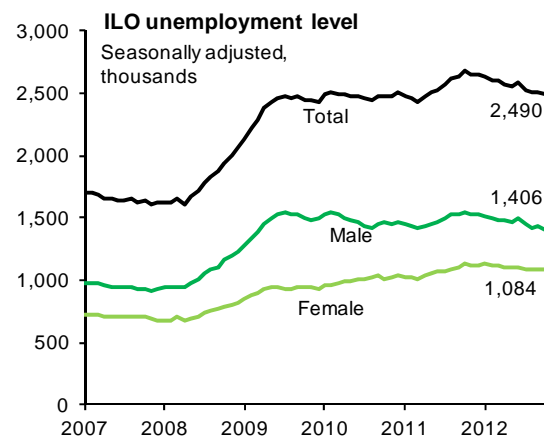
ILO unemployment (September-November 2012)

There were 892,000 people unemployed for more than 12 months, down 5,000 compared to the previous quarter.

The unemployment level among 16- to 24-year-olds was 957,000, up 1,000 on the previous quarter. (See table below.)

Jobseeker's Allowance (JSA) claimant count

The seasonally-adjusted monthly JSA claimant count fell by 12,100 between November and December 2012 to 1.56 million.



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	(%)
Sep-Nov 2007	1,636	5.3	694	14.1	702	3.9	228	3.1	12	1.8
Sep-Nov 2008	1,943	6.2	805	16.3	843	4.7	275	3.7	20	2.8
Sep-Nov 2009	2,442	7.8	911	19.4	1,143	6.3	361	4.8	27	3.4
Sep-Nov 2010	2,476	7.8	940	20.1	1,151	6.3	364	4.7	21	2.3
Sep-Nov 2011	2,675	8.4	1,039	22.2	1,204	6.5	404	5.2	28	3.1
Dec-Feb 2012	2,634	8.3	1,025	21.9	1,181	6.4	404	5.2	24	2.7
Mar-May 2012	2,577	8.1	1,018	21.8	1,152	6.2	384	4.9	23	2.4
Jun-Aug 2012	2,528	7.9	957	20.5	1,162	6.3	389	4.9	21	2.2
Sep-Nov 2012	2,490	7.7	957	20.5	1,137	6.1	372	4.7	23	2.4
% change on quarter	-1.5		+0.1		-2.1		-4.1		+11.6	
% change on year	-6.9		-7.9		-5.5		-7.8		-17.8	

Source: ONS, Labour Market Statistics.

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

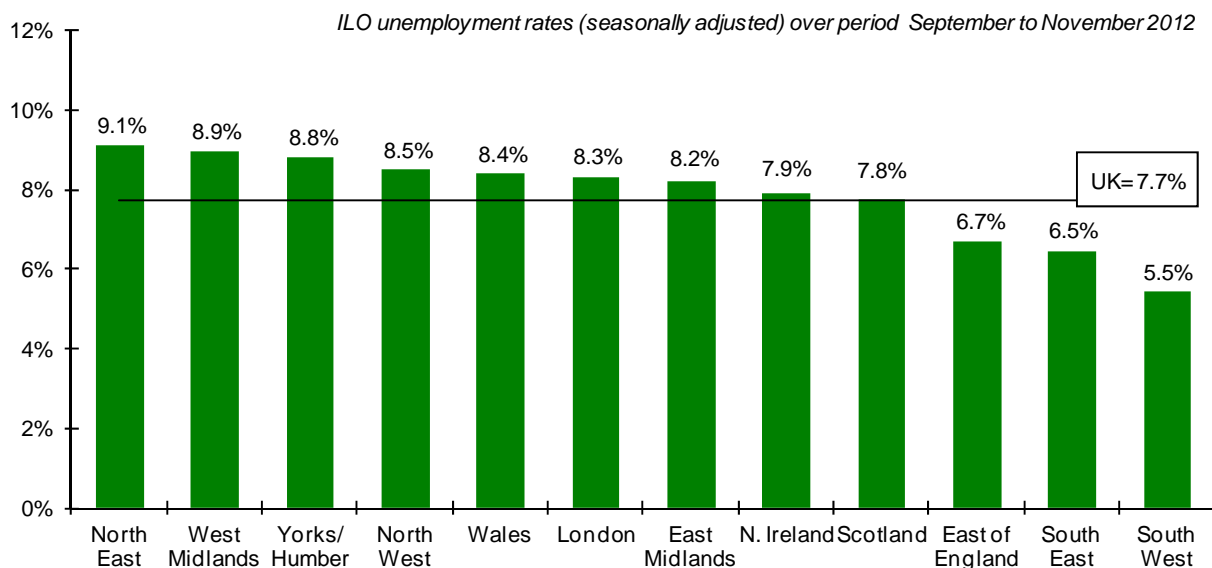
Contact: Jack Evans, x6920

Update: ONS, [Labour Market Statistics](#), 20 February 2013

C3: Unemployment: Regional

The Office for National Statistics uses the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).

- Over the period September to November 2012, the North East had the highest unemployment rate, at 9.1% of the economically active population. The lowest rate over the same period was 5.5% in the South West.



- The largest increase in unemployment over the last quarter was in the West Midlands (up 13,000). The largest decrease was in London (down 26,000).
- The seasonally-adjusted JSA claimant count increased in only one country (Northern Ireland) in December compared with November 2012.

Key labour market statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	Sept-Nov 2012		Change in level		December 2012	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	119	9.1	-10	-36	94.2	-0.9
North West	295	8.5	+3	-16	196.3	-1.6
Yorkshire & Humber	241	8.8	-12	-26	162.7	-0.7
East Midlands	190	8.2	+10	-1	106.1	-0.8
West Midlands	246	8.9	+13	+5	160.4	-1.8
East of England	207	6.7	+1	-12	112.5	-0.5
London	354	8.3	-26	-58	221.9	-2.3
South East	291	6.5	+10	+5	135.5	-1.4
South West	147	5.5	-10	-27	85.9	-0.9
Wales	124	8.4	-1	-8	78.9	-0.3
Scotland	207	7.8	-14	-23	137.5	-1.4
Northern Ireland	69	7.9	-1	+11	65.2	+0.5

Source: ONS, *Labour Market Statistics*

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

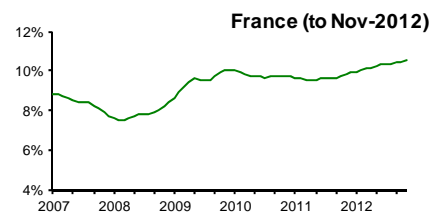
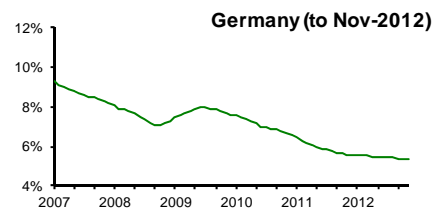
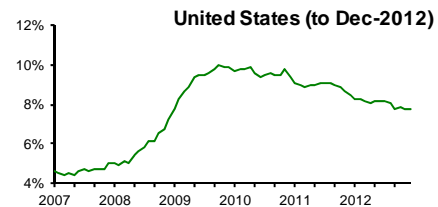
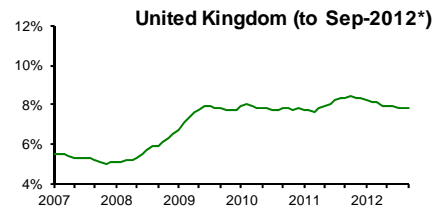
Contact: Aliyah Dar, x5919

Update: ONS, *Labour Market Statistics*, 20 February 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 Q3 2012 was 7.8%. This is below the rate of France and Italy (10.3% and 10.6% respectively) but above that of Germany (5.5%).
- In the US, unemployment fell from 8.2% to 8.0% between Q2 2012 and Q3 2012. Compared with a year ago unemployment is 1 percentage point lower. More recent monthly data show unemployment to have fallen to 7.8% in December 2012.
- In the eurozone, unemployment rose from 11.3% to 11.5% between Q2 2012 and Q3 2012, driven by rising unemployment in France, Italy and Spain.
- Spain has the highest harmonised unemployment rate among the 33 OECD member states (25.6% in Q3 2012), 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 14.8% in Q3 2012). This compares with a 1.9 percentage point rise in unemployment in the OECD as a whole since Q3 2008 (from 6.0% to 7.9%) and a 3.9 percentage point rise in the euro zone (from 7.7% to 11.5%) over the same period. Norway has the lowest unemployment rate in the OECD (3.0% in Q3 2012).
- The most recent forecasts published by the European Commission ([European Economic Forecast](#), November 2012) suggested the UK unemployment rate would be 7.9% in 2012 (a downward revision of 0.6 percentage points from the spring 2012 forecast), and 8.0% in 2013. The respective forecasts for the euro zone were 11.3% in 2012 and 11.8% in 2013.



*latest figure refers to quarterly survey conducted over Aug-Oct 2012

Unemployment

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

	2009	2010	2011	2010		2011				2012		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Canada	8.3	8.0	7.5	8.0	7.7	7.7	7.5	7.3	7.5	7.4	7.3	7.3
France	9.5	9.7	9.6	9.7	9.7	9.6	9.5	9.6	9.8	10.0	10.2	10.3
Germany	7.8	7.1	6.0	6.9	6.7	6.3	6.0	5.8	5.6	5.6	5.5	5.5
Italy	7.8	8.4	8.4	8.3	8.3	8.0	7.9	8.5	9.2	10.0	10.5	10.6
Japan	5.1	5.1	4.6	5.0	5.0	4.8	4.7	4.4	4.5	4.5	4.4	4.2
UK	7.6	7.8	8.0	7.7	7.8	7.7	7.9	8.3	8.3	8.1	7.9	7.8
US	9.3	9.6	9.0	9.5	9.6	9.0	9.0	9.0	8.7	8.3	8.2	8.0
Euro zone	9.6	10.1	10.1	10.1	10.1	9.9	9.9	10.2	10.6	10.9	11.3	11.5
G7	8.0	8.2	7.7	8.1	8.1	7.7	7.7	7.7	7.6	7.5	7.4	7.4
OECD	8.1	8.3	8.0	8.3	8.2	8.0	7.9	8.0	7.9	7.9	7.9	7.9

Source: OECD, Harmonised Unemployment Rates

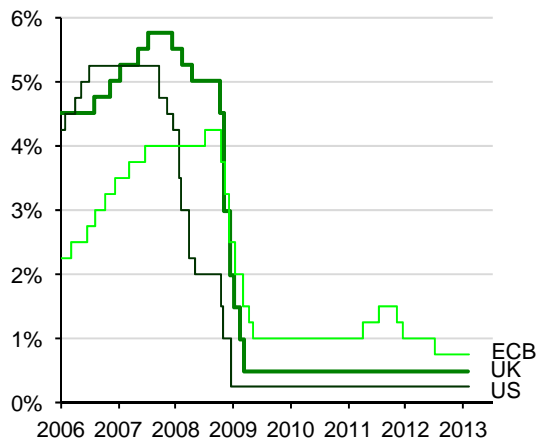
Contact: Jack Evans, x6920

Updates: OECD, [Harmonised Unemployment Rates](#), 20 Feb

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

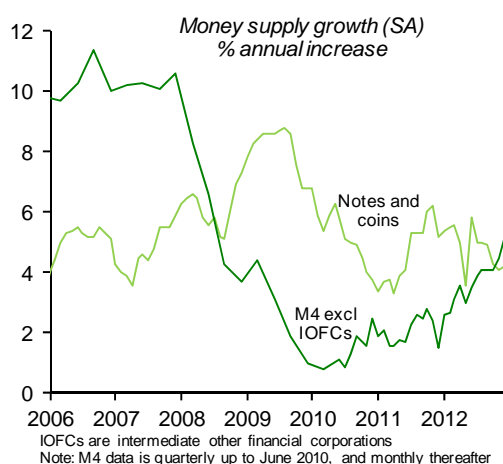


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- From November 2011, the European Central Bank's official interest rate for the eurozone was lowered in three steps from 1.50% to 0.75%. The current rate of 0.75% is a record low for the ECB rate.
- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008.

Quantitative easing in the UK (asset purchase programme)

- With little room for further cuts in interest rates, the Bank initiated an asset purchase or 'quantitative easing' (QE) programme in March 2009.
- From an initial £75bn in March 2009, QE was increased by £125bn (to a total of £200bn) by November 2009. It was further increased as follows: up by £75bn (to £275bn) in October 2011; £50bn (to £325bn) in February 2012 and £50bn in July 2012 to a total of £375bn.
- The majority (over 99%) of assets purchased by the Bank of England through QE have been gilts (UK Government securities).

Money supply



- In its November 2012 *Inflation Report*, the Bank of England noted that the increase in broad money supply growth in Q3 is likely, in part, to be a result of the Monetary Policy Committee's purchase of £35bn of gilts during the quarter (as part of its Quantitative Easing programme).
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 5.2% in December 2012, up from 4.5% in November 2012.
- The value of notes and coins in circulation outside the Bank of England rose by 4.2% in December 2012 compared with a year ago, up from 4.1% in November 2012.

Contact: Daniel Harari, x2464

Updates: Monetary policy meetings: 7 Feb (UK and ECB); 20 Mar (US) Bank of England, [Monetary and Financial Statistics](#), 1 Mar

D2: Public Finances

The independent Office for Budget Responsibility (OBR) forecast that public borrowing will be £109 billion in 2012/13, equivalent to 6.9% of GDP.

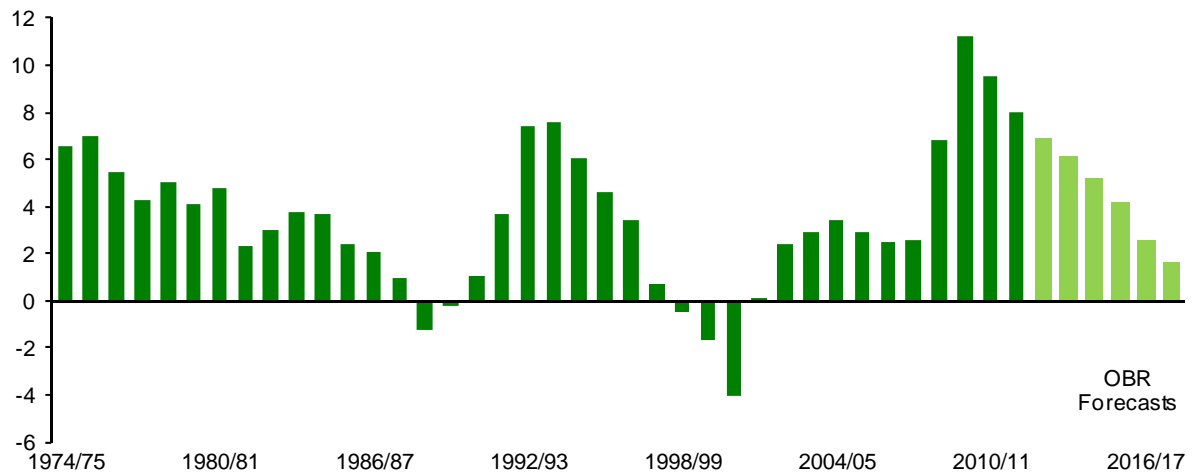
- Excluding the effects of the £28 billion Royal Mail pension transfer, borrowing so far in 2012/13 is £106.5 billion, 7.3% higher than over the same period last year.
- Borrowing forecasts are affected by a number of special factors. These include the transfer of the Royal Mail pension fund, which reduces borrowing by £28bn in 2012/13. The transfer of quantitative easing (QE) interest payments also reduces borrowing over the next few years. The borrowing figures on this page exclude Royal Mail but include the QE and other special factors.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	159	11.2	770	53.1
2010/11	142	9.6	910	60.4
2011/12	122	8.0	1,026	66.8
2012/13	109	6.9	1,186	74.7
2013/14	99	6.1	1,270	76.8
2014/15	88	5.2	1,362	79.0
2015/16	73	4.2	1,442	79.9
2016/17	49	2.6	1,498	79.2
2017/18	31	1.6	1,534	77.3

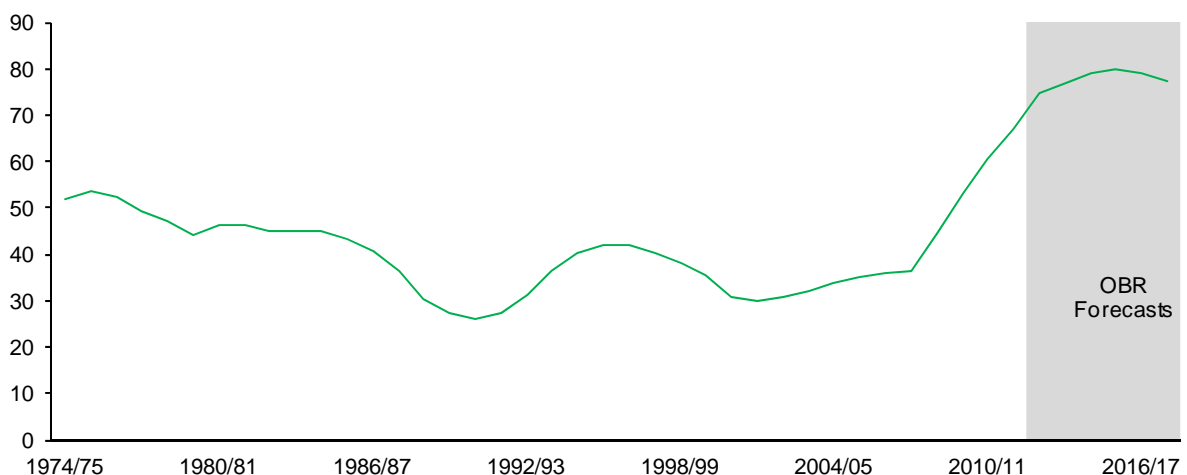
Source: ONS, OBR. Excludes financial sector interventions

Note: 12/13 figures exclude Royal Mail pension transfer

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 January 2013 it reached its highest point since May 2008.

The price of 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 price of gold exceeded \$1,800/ounce for the first time in August 2011.

Data from 4 Feb 2013

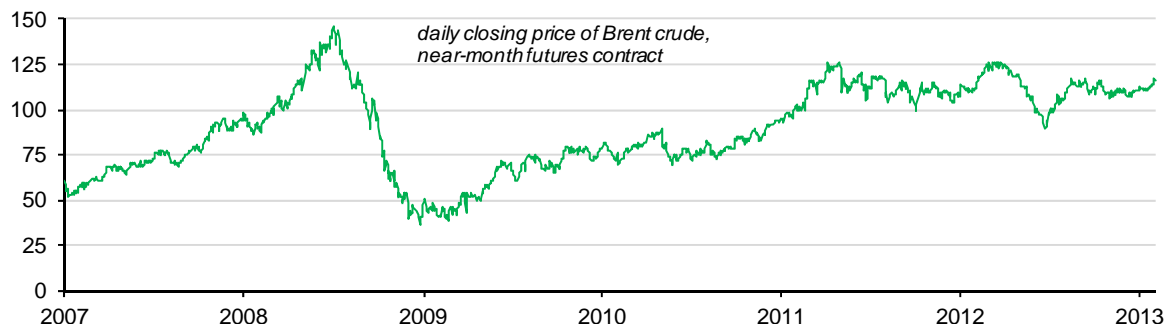
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
04 Feb 2013	6,246.8	115.6	1,667.2
%change over:			
1-month	+4%	+4%	+1%
12-months	+10%	+4%	-4%
%change from:			
cyclical peak	-7%	-21%	-12%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+78%	+218%	+135%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



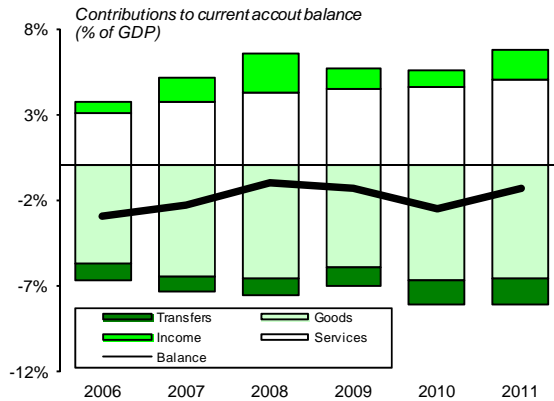
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2011 was £20.4 billion, equivalent to -1.3% of GDP. That compared with £37.3 billion (revised down from £48.6 billion) or -2.5% of GDP in 2010. This change can principally be attributed to an increase in the UK's trade in services surplus (from £67 billion in 2010 to £77 billion in 2011).

Current Account



- On a **quarterly** basis, the current account deficit was £12.8 billion in Q3 2012, narrowing from £17.4 billion in Q2 2012. The surplus on services rose to £17.3 billion while the deficit on goods fell to £25.6 billion.
- The **annual** current account deficit with EU27 countries in 2011 was £45.6 billion, compared with a surplus with non-EU countries of £25.2 billion. On a **quarterly** basis, the deficit with EU27 countries rose to £18.4 billion in Q3 2012. With non-EU countries, the current account surplus rose to £5.6 billion.

Current Account Balances

£ millions; seasonally adjusted

	Goods	Services	Goods and Services		Income	Transfers	Current Account Balance	
	Balance	Balance	Exports	Imports				Balance
2010	-98,509	67,007	447,885	479,387	-31,502	14,628	-20,410	-37,284
2011	-100,228	76,639	493,006	516,595	-23,589	25,137	-21,985	-20,437
2011 Q3	-27,671	20,098	123,415	130,988	-7,573	4,747	-5,902	-8,728
Q4	-24,857	18,978	125,528	131,407	-5,879	5,985	-5,752	-5,646
2012 Q1	-25,534	17,586	123,598	131,546	-7,948	1,464	-5,316	-11,800
Q2	-27,908	16,868	120,605	131,645	-11,040	-972	-5,421	-17,433
Q3	-25,631	17,301	122,162	130,492	-8,330	1,238	-5,742	-12,834

Source: ONS database, series: BOKI, IKBD, IKBH, IKBI, IKBJ, HBOJ, HBOP

Trade in Goods and Services



- The estimated deficit on goods trade in November was £9.2bn, narrowing from £9.5bn in October.
- The monthly trade surplus on services was an estimated £5.69bn in November, down slightly from the October surplus of £5.75bn.
- The overall monthly deficit on goods and services combined in November was £3.5bn, narrowing from £3.7bn in October.
- The goods deficit with the EU27 was £4.6bn in November, down from £5.0bn in October, while the deficit with non-EU countries was £4.5bn in November, unchanged from October.

Contact: Grahame Allen, x3977

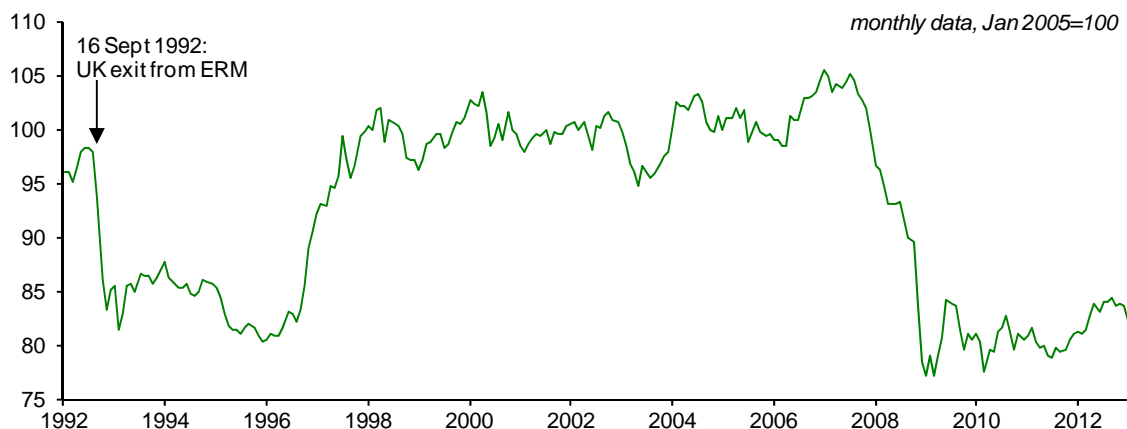
Updates: ONS, [UK Trade](#), 7 Feb;
ONS, [UK Balance of Payments](#), 27 Mar

E2: Exchange rates

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

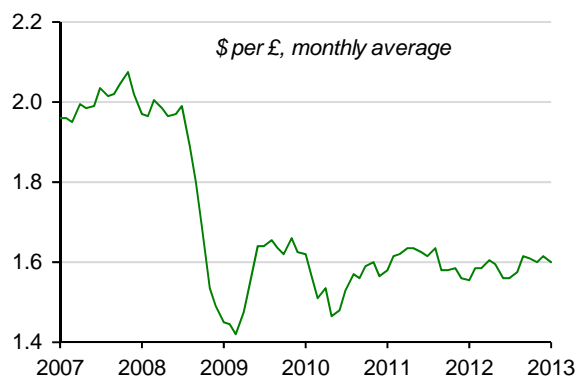
The SERI fell by 1.7% in January 2013, following a fall of 0.1% in December 2012. Compared with the same period a year before, it was 1.3% higher. It is now 6.7% above its March 2009 level, when it was at its lowest point since the series began in 1980. However, sterling is 22% down from its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



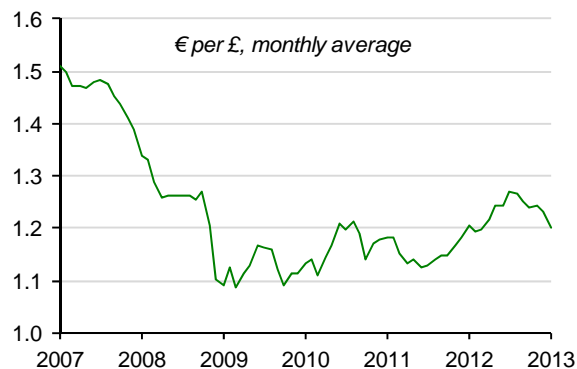
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in January, the pound was 1 cent lower against the dollar compared with December. At the 1 February market close the pound stood at \$1.57, 3 cents lower than the January average.
- Sterling was on average 3 cents lower against the Euro in January compared with December.
- At the 1 February market close the pound stood at €1.15, 5 cents lower than the January 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 Jan	1.55	-1.8%	1.20	1.8%
2012 Nov	1.60	1.0%	1.24	6.7%
2012 Dec	1.61	3.6%	1.23	3.9%
2013 Jan	1.60	2.9%	1.20	-0.3%

Source: Bank of England, Bankstats database

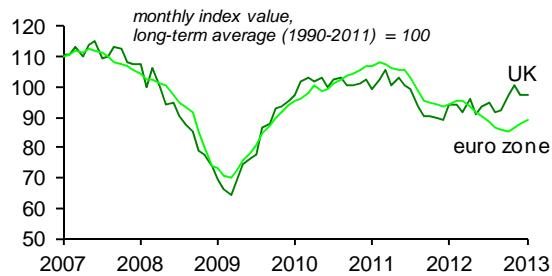
Contact: Jack Evans, x6920

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 4 Mar 13

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

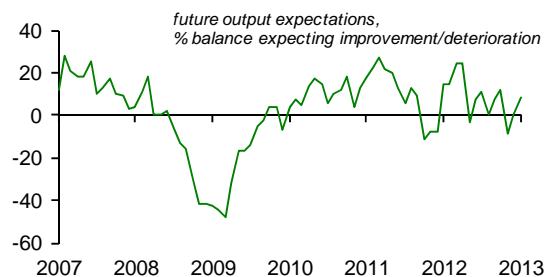


		UK Index	monthly change	change on year ago
2011	Jan	99.6	...	...
2012	Jan	94.0	...	...
2012	Nov	100.6	+3.0	+11.1
2012	Dec	97.1	-3.5	+8.2
2013	Jan	97.6	+0.5	+3.6

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 December and January the overall UK sentiment index rose by 0.5 points to 97.6. That is 3.6 points higher than a year before. The eurozone index rose by 1.3 points to 87.0.

CBI Industrial Trends Survey



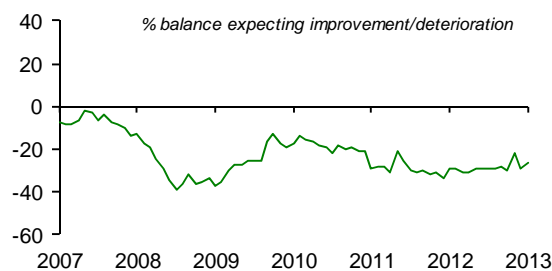
Balance (as a %) of those expecting an improvement
minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2011	Jan	+17	...	...
2012	Jan	+15	...	...
2012	Nov	-9	-21	-1
2012	Dec	0	+9	+8
2013	Jan	+8	+8	-7

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In January 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +8% of firms. This is an increase from a balance of 0% (an equal number of firms thought output would rise and fall in the coming three months) in December.

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	Jan	-29	...	...
2012	Jan	-29	...	...
2012	Nov	-22	+8	+9
2012	Dec	-29	-7	+4
2013	Jan	-26	+3	+3

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 -26 in January, up from -29 in December. GfK stated that there was an increase in optimism over the general economic situation over the next year.

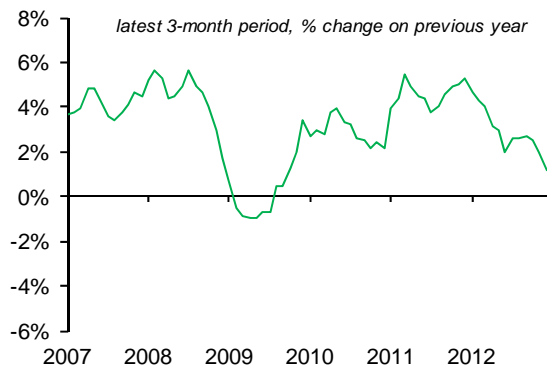
Contact: Daniel Harari, x2464

Update: EC, [Economic Sentiment Indicator](#), 27 Feb
CBI, [Industrial Trends](#), 21 Feb,
GfK NOP [Consumer Confidence](#), 28 Feb

F2: Retail Sales

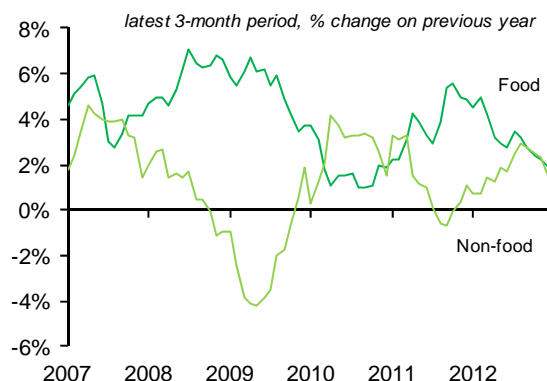
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of Retail Sales



- The annual increase in the value of retail sales in the three months to December 2012 was 1.2%.
- The value of retail sales in December 2012 alone fell by 0.1% compared with November 2012.
- The value of retail sales in December 2012 alone was 0.7% higher than in December 2011.
- Internet sales are now estimated to account for 10.6% of all retail sales values, excluding automotive fuel.

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to December rose by 1.9% on the same period last year.
- The annual rate of increase in the value of sales in non-food stores was 1.4%.
- The value of sales in household goods stores in the three months to December was unchanged compared to the same period last year.
- The ONS commented that the increase in the amount spent on goods in the retail sector (all retailing sales values) since 2007 had primarily been caused by a rise in the prices of goods sold.

Value of Retail Sales

annual data and latest 3-month period, % change on previous year; seasonally adjusted

	Food Stores	Non-Food Stores				All retailing total
		Clothing & Footwear	Household goods	Other	Total	
2011	4.2	3.3	-2.6	0.6	1.2	4.9
2012	2.9	1.3	0.2	0.7	1.8	2.4
2012 Aug	3.2	2.0	0.6	2.8	2.9	2.6
Sep	2.8	3.3	-0.9	2.4	2.8	2.7
Oct	2.4	3.9	-1.8	1.7	2.5	2.5
Nov	2.2	2.6	-0.8	1.2	2.3	2.0
Dec	1.9	-0.4	0.0	1.0	1.4	1.2

Source: ONS, series: IEAU, IEBJ, IEBM, IEBA, IEAX, J5BY

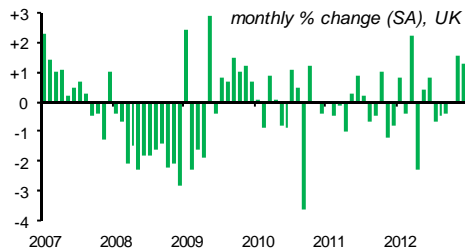
F3: Housing Market

House prices on the Halifax index rose by 1.3% in December 2012 following a 1.6% rise in November. Prices are 2.6% higher than a year ago on this measure. House prices on the Nationwide index fell by 0.1% in December 2012 after 0.1% fall in November. Prices were 1% lower in December compared with a year ago on this measure.

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

House price indices

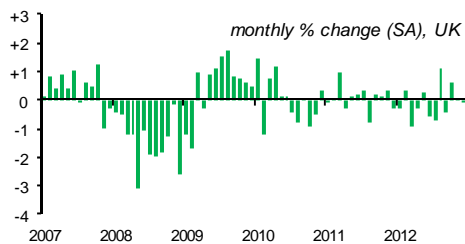
Halifax house price index



Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Dec-12	Dec-12
Change in month	+1.3%	-0.1%
Change in year	2.6%	-1.0%
Peak date	Aug-07	Oct-07
Change since peak	-17.9%	-11.9%
Trough date	Apr-09	Feb-09
Change since trough	+5.9%	+9.2%

Nationwide house price index



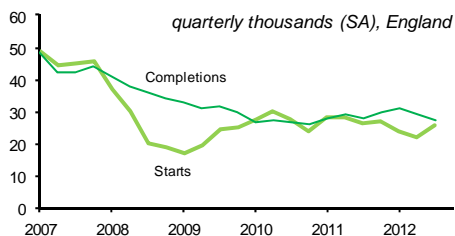
- The recovery in house prices since early 2009 has been tepid. At the end of 2012 the average house price on the Halifax and Nationwide measures was just over £160,000.
- There is considerable regional variation. In Q4 2012 prices rose by 1% in London but fell by 8% in Northern Ireland compared with a year earlier. Since Q4 2007, prices have fallen by 54% in Northern Ireland. (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 55,785 mortgage approvals in December, a 3% rise on November and a 6% rise on December 2011. It is the highest number since January 2012, although the number of approvals has remained generally flat since early 2010.

House-building



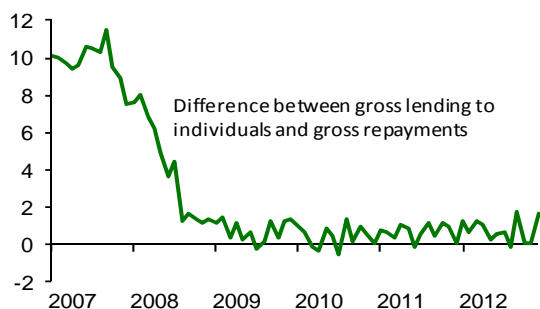
- There were 25,760 house building starts in England in Q3 2012, a 17.7% increase on Q2 2012. This is above the low of 14,470 in Q1 2009, but still well below the 46,190 starts in Q1 2007.
- There were 27,060 dwelling completions in Q2 2012, down from 29,180 in Q1 2012.

Contact: John Bardens, x6933

Updates: Halifax [House Price Index](#), Feb 2013;
Nationwide [House Price Index](#), Feb 2013;
DCLG, [House-building](#), 16 Feb 2013;
Bank of England, [Lending to Individuals](#), 1 Mar 2013;

F4: Household debt

Monthly net lending, £bn

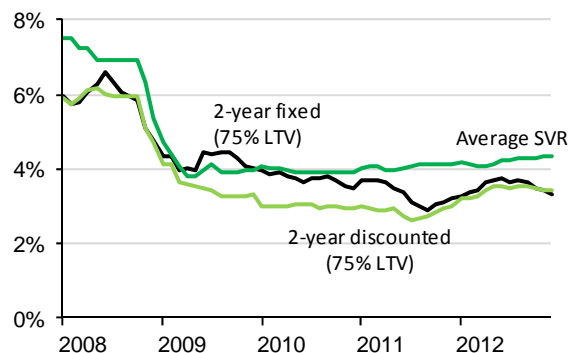


Source: Bank of England

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

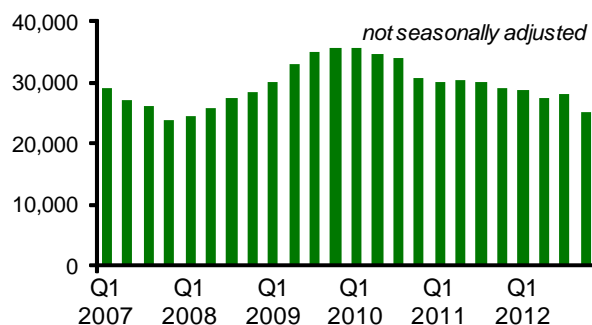
- Total net lending to individuals (excluding student loans) was £1.7 billion in December 2012. Net lending has been relatively low since mid-2008.
- Monthly net unsecured lending (consumer credit) was £0.6 billion in December. Monthly net secured lending (mortgages) was £1.0 billion.

Current average mortgage interest rates



- Average interest rates offered by banks and building societies fell sharply in late 2008 and early 2009.
- The average Standard Variable Rate (SVR) has however risen slightly over the last year – in December it was 4.37%, compared with 4.12% a year before.
- The average fixed mortgage rate was 3.35% in December (compared to 3.22% a year ago). The average fixed-term variable (discounted) rate was 3.42% in December (3.02% a year ago). These figures are for a loan to value ratio of 75%.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 25,302 individual insolvencies in England and Wales in Q4 2012, a 12.9% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q4 2012 there were 3,855 individual insolvencies, a decrease of 17.5% on Q4 2011.
- In N Ireland in Q4 2012 there were 756 individual insolvencies, an decrease of 3.9% on Q4 2011.

Contact: Lorna Booth, x2883

Update: Bank of England, [Lending to Individuals](#), 1 Mar
Insolvency Service, [Insolvency Statistics](#), 3 May

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: <i>GDP Preliminary Estimate</i> ; <i>Second Estimate of GDP</i> ; <i>Quarterly national accounts</i> HM Treasury, <i>Forecasts for the UK Economy</i>
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <i>Main Economic Indicators</i> , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, <i>Economic Outlook</i> (full document via www.sourceoecd.org); IMF <i>World Economic Outlook database and updates</i> European Commission's growth forecasts
A3	Components of GDP	ONS releases: <i>Second Estimate of GDP</i> ; <i>Quarterly national accounts</i>
A4	Output and Employment by Industry	ONS releases: <i>GDP Preliminary Estimate</i> ; <i>Second Estimate of GDP</i> ; <i>Quarterly national accounts</i>
A5	Manufacturing	ONS, <i>Index of Production</i> Markit/CIPS <i>UK Manufacturing Purchasing Managers Index</i> SMMT, <i>Vehicle Production</i>
A6	Productivity	ONS, <i>Labour Productivity</i>
B1	Inflation	ONS, <i>Consumer Price Indices</i>
B2	Inflation: International	CPI: OECD, <i>Main Economic Indicators</i> (link to user defined table); EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, <i>Labour Market Statistics</i>
C1	Employment	ONS, <i>Labour Market Statistics</i>
C2	Unemployment: National	ONS, <i>Labour Market Statistics</i>
C3	Unemployment: Regional	ONS, <i>Labour Market Statistics</i> and <i>Regional Labour Market Statistics</i>
C4	Unemployment: International Comparisons	Data: OECD, <i>Main Economic Indicators</i> Commentary: OECD, <i>Economic Outlook</i> (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. $GDP \text{ at market prices} = GDP \text{ at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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.