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Economic Indicators, January 2014

RESEARCH PAPER 14/02 07 January 2014

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

- GDP growth was confirmed as 0.8% in Q3 2013 compared with the previous quarter, following growth of 0.8% in Q2. GDP is now 2.0% below its peak in Q1 2008.
- Employment grew by 250,000 to 30.09 million in August-October 2013, the first time employment has exceeded 30 million. Unemployment during the same period fell by 99,000, to 2.39 million.
- Productivity in the UK grew slightly during Q2 and Q3 2013 compared with the same period in 2012, following four successive quarters of declining productivity.

This month's articles:

Tax revenues: recession and recovery

Lights, roads, water – the fragile state of infrastructure investment

Chris Rhodes (editor)

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Research Paper 14/02

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

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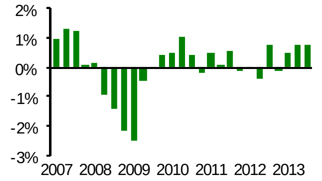
Summary

GDP growth was confirmed as 0.8% in Q3 2013 compared with the previous quarter, following growth of 0.8% in Q2. GDP is now 2.0% below its peak in Q1 2008. Employment grew by 250,000 to 30.09 million in August-October 2013, the first time employment has exceeded 30 million. Unemployment during the same period fell by 99,000, to 2.39 million. Productivity in the UK grew slightly during Q2 and Q3 2013 compared with the same period in 2012, following four successive quarters of declining productivity.

GDP growth
page 1

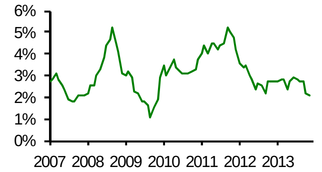
(% change quarter-on-quarter)



GDP grew by 0.8% in Q3 2013, following growth of 0.8% 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

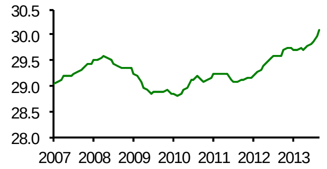
(% change on year ago)



The CPI annual inflation rate was 2.1% in November 2013, down from 2.2% in October. The Bank of England target is 2.0%.

Employment
page 10

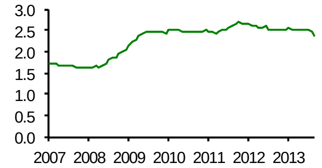
(total, millions)



There were 30.09 million people aged 16 and over in employment in August-October 2013, up 250,000 on the quarter. The employment rate, the proportion of people aged 16-64 in employment, was 72.0%.

Unemployment
page 11

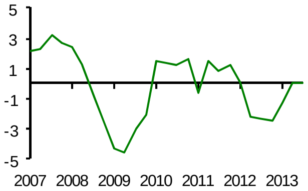
(total, millions, ILO definition)



There were 2.39 million unemployed people in the three months to October 2013, down 99,000 on the quarter. The unemployment rate, the proportion of economically active people out of work, was 7.4%.

Productivity output per hour
page 6

(annual % change)



Productivity (output per hour worked) in the whole economy grew by 0.1% in Q2 and Q3 2013 compared with the same period a year before. Before this, productivity fell in each quarter since the beginning of 2012.

Next issue: 4 February 2014 **Editor: Chris Rhodes**

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

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

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:

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

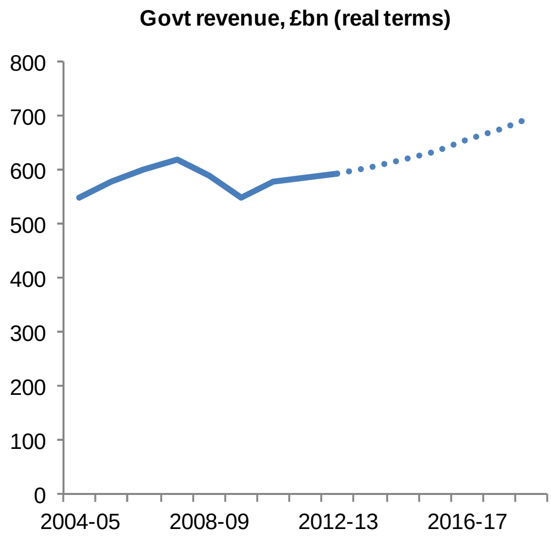
2 http://intranet.parliament.uk/people-offices/offices-departments/commons-departments/commons-information-services/commons-library/publications/using-the-commons-library/

2 Tax revenues: recession and recovery

Tax revenues were severely reduced by the recession but, as the economy recovers, they are expected to increase. This article examines recent trends in the three largest taxes: income tax, national insurance and VAT. It also considers receipts from stamp duty as these have grown particularly strongly over the last few months.

Total revenue

The recession which followed the financial crisis led to very large falls in tax revenue. Between 2007/08 and 2009/10, annual revenues fell from £549 billion to £516 billion, a fall of 11% in real terms. Revenues are not forecast to return to their pre-recession levels in real terms until 2014/15, according to the Office for Budget Responsibility (OBR) – a period of seven years. As the economy recovers, Government revenues are forecast to increase with real terms growth of 2.2% in 2013/14 and 2.3% in 2014/15. By 2017/18, revenues are forecast to be only 9% higher in real terms than 2007/08 compared with a 40% increase over the ten years from 1997/98.



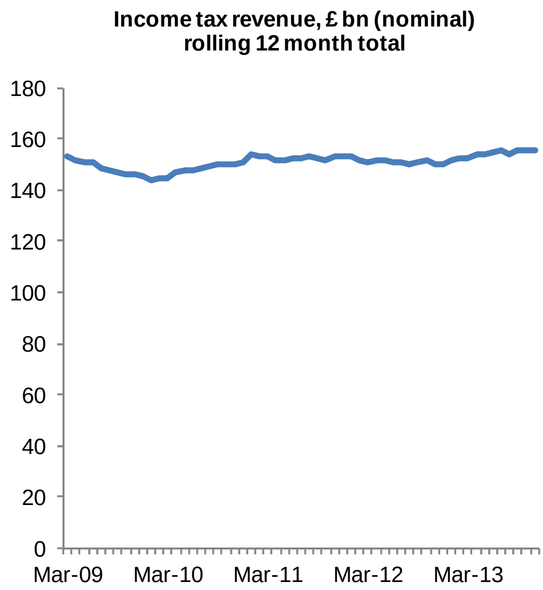
Source: OBR (publlic sector current receipts, 2012/13 prices)

In interpreting the figures, it is important to note that tax revenue varies significantly from month to month. Certain months of the year, such as January, bring in large amounts of revenue as a result of the way income tax and corporation tax are collected. The charts below, which are in cash terms, show receipts over a rolling 12 month period to help avoid these distortions and are based on HM Revenue and Customs monthly figures on tax receipts.

Income tax

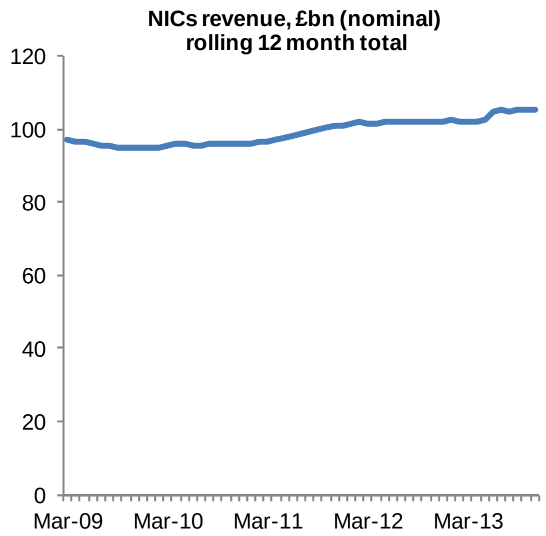
The level of income tax receipts is affected not only by the state of the economy, but also by policy changes, such as the increase in the personal allowance, which is effectively a tax cut.

Income tax revenues peaked at £153 billion in 2008/09 before falling to £145 billion in the following year. Over the 12 months to November 2013, income tax revenues were £156 billion, an increase of 3.8% in nominal terms over the same period a year earlier. The OBR forecasts that income tax receipts will increase to £156 billion in 2013/14 as a whole.



National insurance contributions

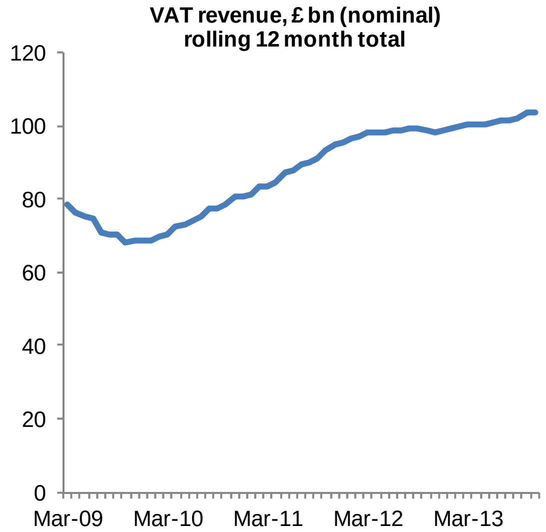
Revenue from national insurance contributions (NICs) fell from £100.4 billion in 2007/08 to £95.5 billion in 2009/10. NICs revenues are now higher than their pre-recession levels in cash terms. In the 12 months to November 2013, NICs revenues were £105.4 billion, 3.2% higher than a year earlier in cash terms. For 2013/14 as a whole, the OBR forecast revenues of £106.1 billion. NICs revenues have been boosted by a 1 percentage point increase in the rate of both employer and employee NICs from April 2011.



VAT

The rate of VAT was temporarily cut from 17.5% to 15% from 1 December 2008 to 31 December 2009. The rate was increased permanently to 20% with effect from January 2011.

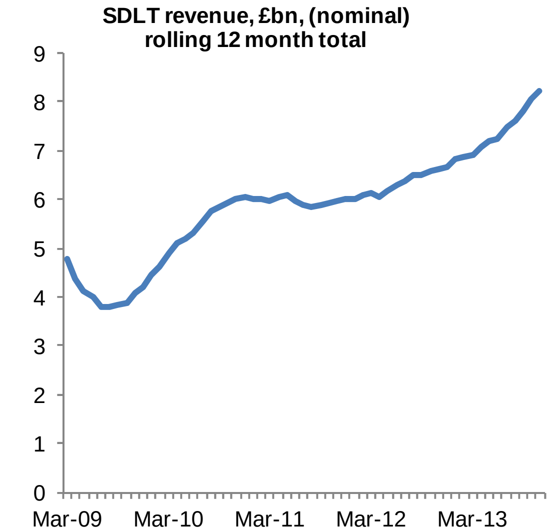
VAT revenues fell from £80.6 billion in 2007/08 to £70.2 in 2009/10, partly due to the temporary cut in the rate of VAT but also a fall in consumer spending. In 2012/13, VAT revenues were £100.6 billion and are forecast by the OBR to increase to £105.1 billion in 2013/14.



Stamp duty

Revenues from stamp duty land tax (SDLT) fell particularly sharply during the recession. In 2007/08, SDLT yielded just under £10 billion. Revenues were less than half this level in the following year. Stamp duty receipts have grown strongly over the last year or so. Over the 12 months to November 2013, SDLT revenues were £8.2 billion, 24% up on a year earlier in nominal terms.

The OBR forecasts that SDLT will grow by 29% in 2013/14 from £6.9 billion to £8.9 billion. Growth is forecast to be particularly strong in receipts from residential rather than commercial property.



Dominic Webb
Economic Policy and Statistics Section

3 Lights, roads, water – the fragile state of infrastructure investment

Infrastructure is the economy's "arteries and veins" in the words of *The Economist.* Transport networks, energy generation and distribution systems, water and sewerage systems, flood defences and more recently, internet and broadband networks, are all part of a country's infrastructure.

As well as the short term boost to employment that major infrastructure projects provide, high quality infrastructure has a long-term positive impact on the economy. Reliable transport and power makes investing in a country more attractive. Efficient infrastructure enables higher productivity which helps to drive up GDP.

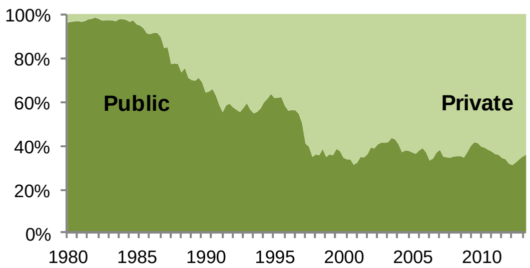
However, improving or creating new infrastructure requires a large initial investment and normally only generates returns over the very long term. Where does the money come from for this sort of project? How much is spent? And is it enough?

3.1 Who pays?

Eventually, the public pays for investment in infrastructure. When the initial investment comes from the private sector, the public pays through bills or charges. When the initial investment comes from government, this is funded through tax receipts and government borrowing. Sometimes a mixture of both public and private funding is used.

The Infrastructure Pipeline (a list complied each year by the Government of major projects planned or underway) currently includes 646 projects, worth £377 billion. 64% of these projects are to be privately financed, 19% are to be publicly financed and 17% are to be financed through mixed funding.

% of infrastructure orders by source of funding; *Great Britain*



Using a different source[3] it is possible to examine how the share of infrastructure investment has changed over time. The proportion of infrastructure orders from the public sector has declined from 96% in 1980 to only 36% in 2013. This is partly explained by the privatisation of the utilities sectors during the 1980s, but is also due to the large reduction in public house-building over this period.

3.2 What is the total value of investment in infrastructure?

By combining public sector sources and a variety of company accounts, the Treasury have produced estimates suggesting that infrastructure investment totalled around £41 billion in each year between 2005 and 2010, and £45 billion each year between 2011 and 2013.

These data are broadly supported by OECD estimates which suggest that total investment in the energy, transport, water and communications industries totalled around 2.9% of UK GDP in 2008, or £42 billion. This proportion was similar to the proportion in France and Germany, but around one percentage point lower than the OECD average.

[3] ONS, *Output in the construction industry,* December 2013

3.3 Is this enough?

In addition to necessary ongoing repairs and maintenance of existing infrastructure, there are various factors which mean that the need for increased investment is greater now than in the past. The rising population, the increased need and desire to travel, the growth of urban areas, climate change and the Government's commitment to renewable energy targets, and society's increasing reliance on electronic communication mean that the UK's infrastructure is under pressure, out of date and in need of massive renewal.

Is just over £40 billion a year enough to provide the UK with the infrastructure it needs? Various studies have concluded that it is not.

The OECD, for example, has argued that there would be detrimental "implications for living standards and quality of life" and that competitiveness would be "blunted" without infrastructure investment of 3.5% of GDP each year to 2030. Applying this proportion to the UK suggests that £60 billion a year in infrastructure investment is required. Policy Exchange, a think tank, has argued that £50 billion a year is required by 2020 – a 10% increase on the Treasury estimate of the current level of investment.

3.4 What is being done to bridge the gap?

Although the scale of the 'investment gap' is a matter of some debate, there is consensus that the current level of investment is too low, and mechanisms to secure more investment are needed. The Treasury itself has warned that "equipping the UK with the infrastructure it needs…would require new and diverse sources of investment."

One option is to make up any shortfall using public investment. However, the Government have set out their capital spending plans for several years and these do not include an increase on the scale needed to overcome the shortfall. Although the Labour Party have said they would use borrowing to temporarily increase capital spending if they are elected in 2015, the amount of extra investment required would mean borrowing on a scale that is unlikely to be entertained. So, regardless of which party is in power over the coming years, the necessary increase in infrastructure investment is unlikely to come from the public sector alone.

The other option is to increase private sector investment, and the Government have announced a number of schemes attempting to do this. The UK Guarantees Scheme provides a guarantee that any funding shortfall for certain infrastructure projects will be met by the Government. The Pension Infrastructure Platform provides expertise and support to pension funds in order to encourage them to invest in infrastructure projects – in 2013 it was announced that the Platform had raised its first £1 billion in committed funds. The Green Investment Bank uses some Government capital and leverages more investment from the private sector for environmentally-friendly infrastructure projects – the latest figures show that £2.1 billion has been committed in total. The extent to which these schemes will bridge the investment gap is not yet clear.

The struggle to attract investors by persuading them that they will be rewarded for their investment has been wrestled with by successive governments. The nature of infrastructure means that short term solutions are rarely effective and the success of projects can often only be judged after several decades. The political cycle, with its horizon rarely extending beyond five years, is in many ways the enemy of effective infrastructure investment. The current challenge is to break out of this cycle and take steps which attract cross-Party support, as well as investor interest.

Chris Rhodes, Economic Policy and Statistics Section

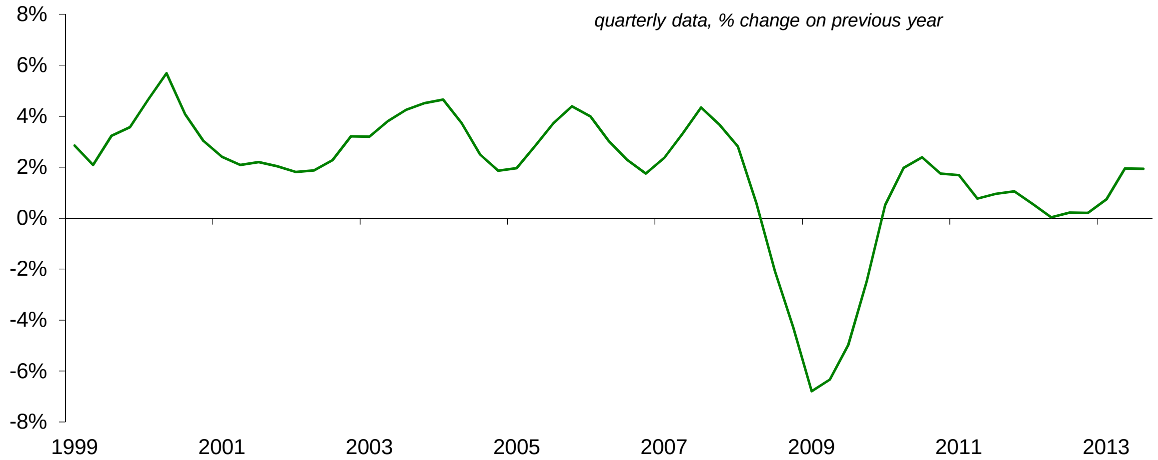
A1: Gross Domestic Product

Estimates show the economy grew by 0.8% in Q3 2013, following growth of 0.8% in Q2 2013. In December, HM Treasury's average of independent economic forecasts of GDP growth was 1.4% for 2013 and 2.3% for 2014. The Office for Budget Responsibility's (OBR) central forecasts from December 2013 are 1.4% growth for 2013 and 2.2% for 2014.

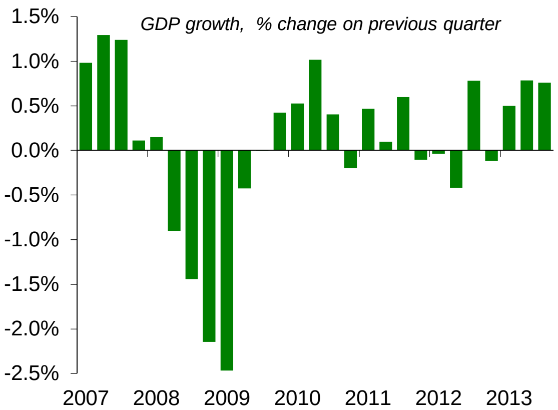
In a major revision to its GDP figures published on 27 June, the ONS estimated that the 2008-09 recession was deeper than previously thought. Real GDP in Q3 2013 is now thought to be 2.0% below its pre-recession peak. Though the ONS revised away the technical 'double-dip' recession between Q4 2011 and Q2 2012, other downward revisions to quarterly figures left the growth picture over the previous two years broadly unchanged.

In Q3 2013, output of the production industries increased by an estimated 0.6% compared to the previous quarter (based on chained volume measures). Construction sector output rose by 2.6%, and output of the services industry increased by 0.8%.

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	1,567	2.0	...	0.3
2012 Q1	390.0	2.6	0.0	0.6
Q2	387.8	1.7	-0.4	0.0
Q3	392.0	1.0	0.8	0.2
Q4	397.3	2.6	-0.1	0.2
2013 Q1	401.6	3.0	0.5	0.7
Q2	404.1	4.2	0.8	2.0
Q3	409.8	4.5	0.8	1.9

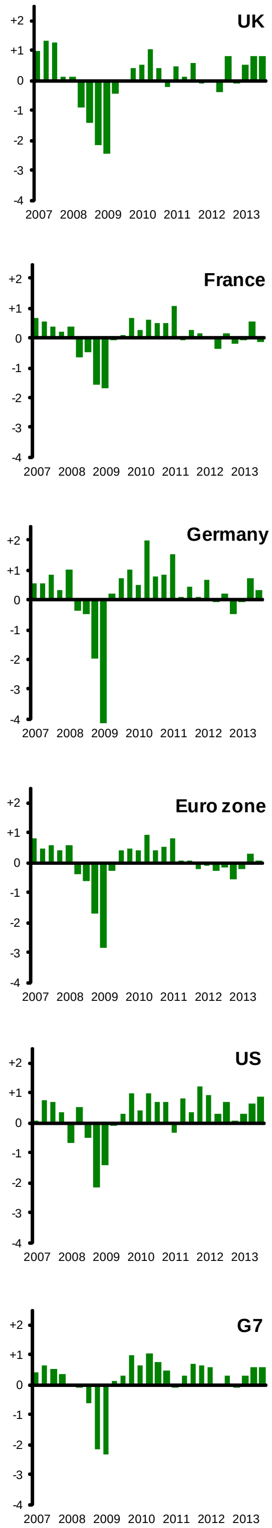
Source: ONS, series: YBHA, ABMI

Contact: Gavin Thompson, x2042 **Updates:** HMT, *Forecasts for the UK economy*, 15 Jan 2014
ONS, *Preliminary estimate of GDP (Q4-2013)*, 28 Jan 2014

A2: GDP: International Comparisons

In Q3 2013, GDP in the UK grew by 0.8% compared with the previous quarter. This was slightly lower than in the US, which grew by 0.9% 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 saw its economy contract by 0.1%.

Quarter-on-quarter growth rates



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	-0.1	0.5	0.8	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	1.8	0.0	0.3	0.6	0.9
Japan	-0.3	-0.1	1.3	2.4	0.1	1.1	0.9	0.3
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	0.8	0.5	1.1	1.4	-0.1	0.3	0.6	0.6
OECD	0.8	0.6	1.0	1.4	0.0	0.3	0.6	0.6

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

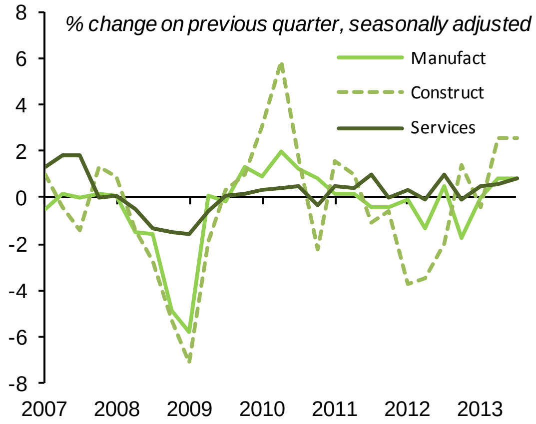
Contact: Daniel Harari, x2464

Update: OECD, *OECD.Stat* database
OECD, *Economic Outlook*, May/June 2014
IMF, *World Economic Outlook*, Jan 2014
EC, *Winter Economic Forecast*, Feb 2014

A3: Components of GDP

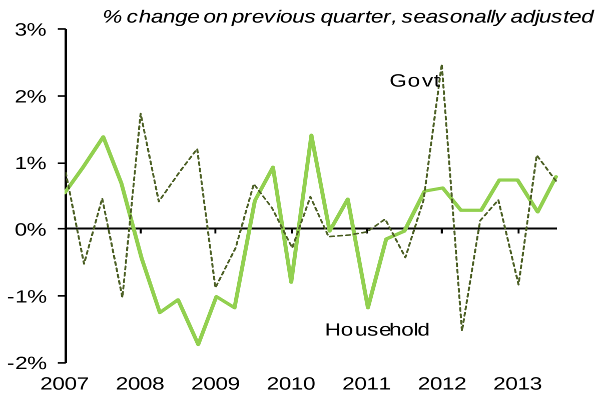
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption accounted for 23% and investment for 14%.

Output by industry – gross value added



- Gross value added (GVA) measures economic output from parts of the economy such as industries or regions.
- Service sector output increased by 0.8% in Q3 2013 compared with Q2 2013 in real terms.
- Manufacturing output increased by 0.8%.
- Construction sector output increased by 2.6%.

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 0.7% in Q3 2013. Gross fixed capital formation increased by 1.5%.
- Exports fell by 3.0% and imports grew by 0.7% 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)	1.5%	1.6%	0.7%	1.1%	3.1%	0.3%
2012 Q3	0.3%	0.1%	-2.2%	2.9%	0.6%	0.8%
2012 Q4	0.7%	0.4%	-4.5%	-1.9%	-0.2%	-0.1%
2013 Q1	0.7%	-0.8%	0.7%	-0.2%	-1.7%	0.5%
2013 Q2	0.3%	1.1%	1.7%	3.3%	2.5%	0.8%
2013 Q3	0.8%	0.7%	1.5%	-3.0%	0.7%	0.8%

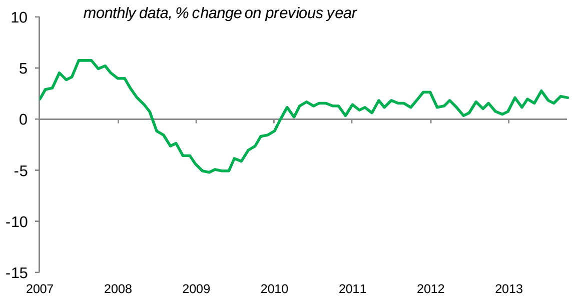
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI   Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324   **Update:** ONS, *Second estimate of GDP*, 28 January 2014

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

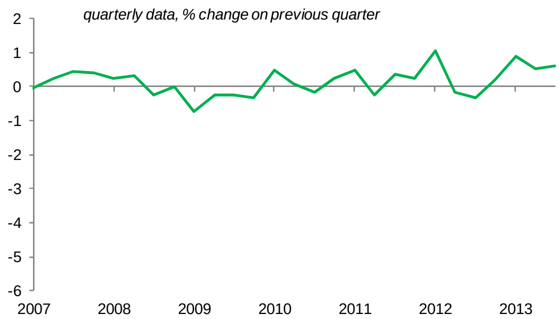


	Index Value (2009=100)	% change on month	% change on year
2011	101.5	…	1.5
2012	102.7	…	1.2
2013 Jul	104.8	0.3	1.9
Aug	105.2	0.4	1.6
Sep	105.4	0.2	2.2
Oct	105.5	0.1	2.1

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.1% in October 2013 compared with September 2013. Compared with a year before, services output increased by 2.1%. In Q3 2013, services output surpassed its previous peak which was recorded in Q1 2008. By contrast, total GDP is still 2.0% 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

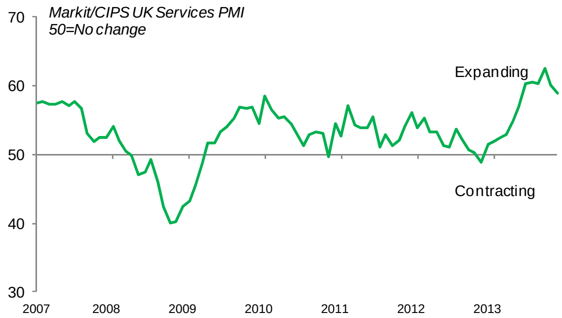


	Thousands	% change on quarter	% change on year
2011 Q3	26,147	…	0.8
2012 Q3	26,360	…	0.8
Q4	26,413	0.2	0.8
2013 Q1	26,645	0.9	0.6
Q2	26,786	0.5	1.3
Q3	26,950	0.6	2.2

Source: ONS, Workforce Jobs

- In Q2 2013 there were 27.0 million jobs in the service sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 164,000 over the quarter and by almost 600,000 over the year. This is the biggest annual increase in the number of service sector jobs since Q4 1999.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2011 Dec	54.0	…
2012 Dec	48.9	…
2013 Sep	60.3	-0.2
Oct	62.5	2.2
Nov	60.0	-2.5
Dec	58.8	-1.2

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) fell to 58.8 in December 2013, down on the historic high of 62.5 in October (where 50.0 is no change).
- Markit stated that despite the slight downward movement, optimism in the sector was "reassuringly robust."

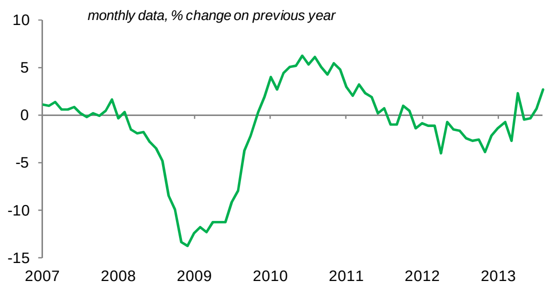
Contact: Chris Rhodes, x2454

Update: ONS, *Index of Services*, 23 Jan 2014
ONS, *Workforce Jobs*, 19 Mar 2014
Markit/CIPS *UK Services PMI*, 5 Feb 2014

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

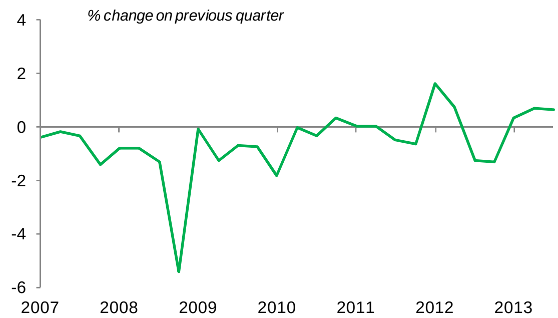


	Index Value (2010=100)	% change on month	% change on year
2011	101.8	…	1.8
2012	100.1	…	-1.7
2013 Jul	100.7	0.1	-0.5
Aug	99.6	-1.2	-0.4
Sep	100.8	1.2	0.7
Oct	101.1	0.4	2.7

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output increased by 0.4% in October 2013 compared with September 2013, and was 2.7% higher than in October 2012.
- The main upward contributions over the month were: transport equipment, machinery and equipment (not elsewhere classified), rubber and plastic products, and non-metallic mineral products.

Jobs in manufacturing

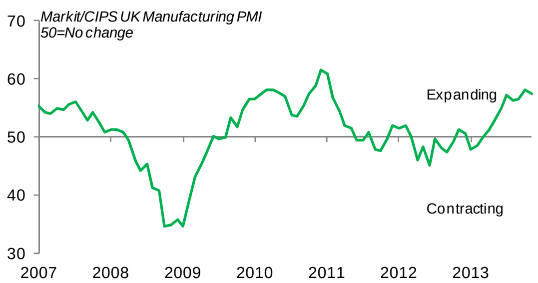


	Thousands	% change on quarter	% change on year
2011 Q3	2,552	…	-0.1
2012 Q3	2,564	…	0.5
Q4	2,531	-1.3	-0.2
2013 Q1	2,539	0.3	-1.5
Q2	2,557	0.7	-1.5
Q3	2,574	0.7	0.4

Source: ONS, Workforce Jobs

- In Q3 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 17,000 or 0.7% over the quarter. From the same quarter in 2012, the number of manufacturing jobs increased by 10,000 or 0.4%.

Manufacturing Purchasing Managers Index



	Index	Monthly change
2011 Dec	49.7	…
2012 Dec	51.2	…
2013 Sep	56.3	-0.8
Oct	56.5	0.2
Nov	58.1	1.6
Dec	57.3	-0.8

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was 57.3 in December, down slightly from 58.1 in November (where 50.0 is no change).

Contact: James Mirza-Davies, x6962

Update: ONS, *Index of Production*, 10 Jan
ONS, *Workforce Jobs,* 22 Jan
Markit/CIPS *UK Manufacturing PMI*, 1 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.

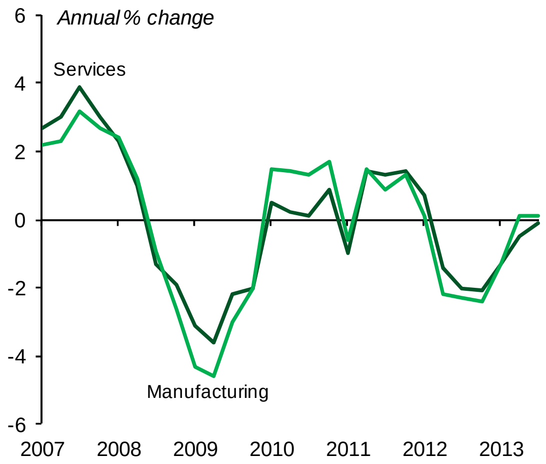
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have grown by 0.1% over the last year. Manufacturing productivity fell by 1.2% and services productivity fell by 0.1%.
- Compared with the previous quarter, productivity across the whole economy fell by 0.3%.

Output per hour, seasonally adjusted

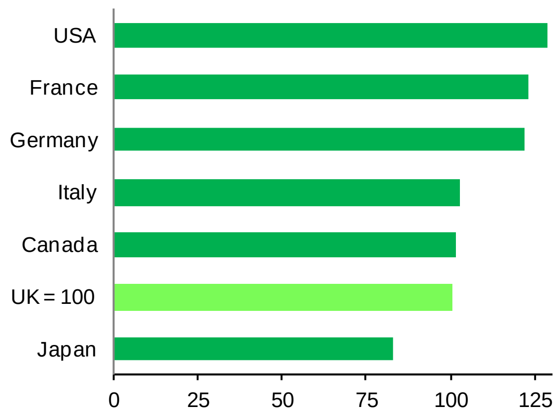
		Manufact.	Services	Whole economy
Annual % change				
2010		4.7	0.4	1.4
2011		2.4	0.7	0.8
2012		-3.1	-1.3	-1.7
2012	Q1	0.7	0.1	2.2
	Q2	-1.4	-2.2	-2.9
	Q3	-2.0	-2.3	-3.6
	Q4	-2.1	-2.4	-4.4
2013	Q1	-1.3	-1.3	-3.8
	Q2	-0.5	0.1	-1.0
	Q3	-1.2	-0.1	0.1
Latest q-on-q % change		*0.7*	*0.1*	*0.5*

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

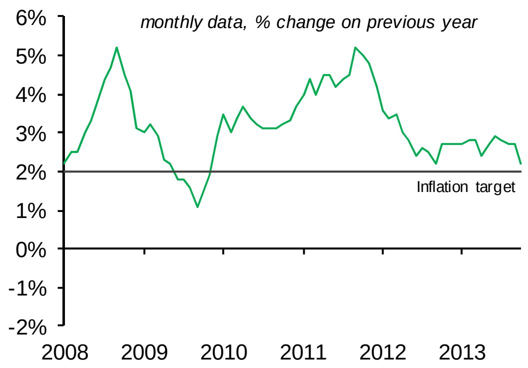
Update: ONS, *Labour Productivity*, 27 March 2014
ONS, *International Comparisons*, Feb 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 2.1% in November, down from 2.2% in October and above the Bank of England's 2.0% target.

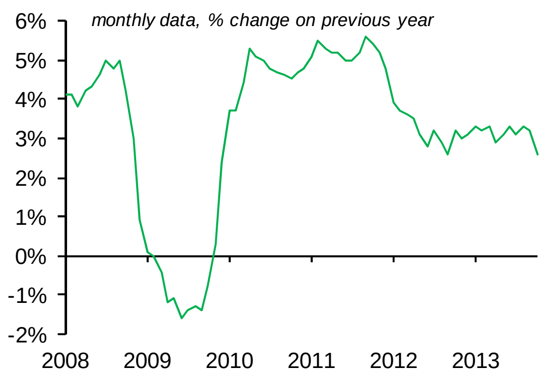
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.1% in November, down from 2.2% in October.
- The main contributions to the fall were in food and utilities (gas and electricity). These were partially offset by contributions from the transport sector and aspects of recreation and culture.
- The RPI (all items) measure of annual inflation was 2.6% in October, unchanged from 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)



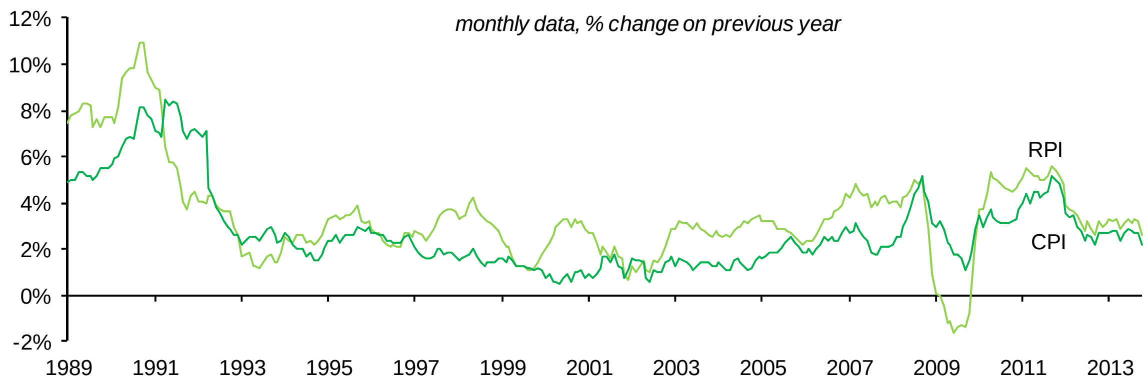
Price Indices

% change on a year ago

		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2013	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
	Nov	2.1	2.6

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989



Contact: Matthew Ward, x5919

Update: ONS, *Consumer Price Indices*, 14 Jan 2014

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.

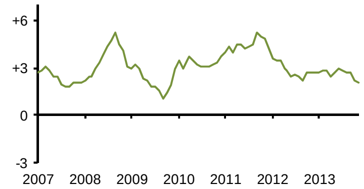
- UK inflation was 2.1% in the year to November 2013, down from 2.2% in October. The Bank of England's UK inflation target is 2%.
- The preliminary estimate for December 2013 indicates that annual inflation in the Eurozone was 0.8%, down 0.1 percentage points on the previous month.
- The UK had the highest annual inflation rate in the EU in November 2013, joint with Estonia at 2.1%. The lowest annual inflation rate in the EU was -2.9% in Greece, followed by -1.0% 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 October 2013 was 1.0% using its own national definition, down from 1.2% in September.

Inflation rates: selected countries
Annual % change in consumer prices

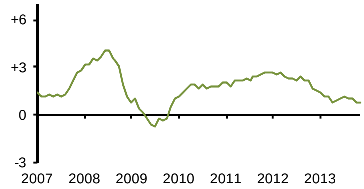
	2010	2011	2012	Aug-13	Sep-13	Oct-13	Nov-13
HICP (OECD/Eurostat)							
UK	3.3	4.5	2.8	2.7	2.7	2.2	2.1
Eurozone	1.6	2.7	2.5	1.3	1.1	0.7	0.9
EU	2.1	3.1	2.6	1.5	1.3	0.9	1.0
France	1.7	2.3	2.2	1.0	1.0	0.7	0.8
Germany	1.2	2.5	2.1	1.6	1.6	1.2	1.6
Greece	4.7	3.1	1.0	-1.0	-1.0	-1.9	-2.9
Italy	1.6	2.9	3.3	1.2	0.9	0.8	0.7
Spain	2.0	3.1	2.4	1.6	0.5	0.0	0.3
US	2.4	3.8	2.1	:	:	:	:
National definitions (OECD)							
Canada	1.8	2.9	1.5	1.1	1.1	0.7	..
Japan	-0.7	-0.3	0.0	0.9	1.1	1.1	..
US	1.6	3.2	2.1	1.5	1.2	1.0	..
G7	1.4	2.6	1.9	1.4	1.3	1.0	..
OECD	1.9	2.9	2.3	1.7	1.5	1.3	..
Brazil	5.0	6.6	5.4	6.1	5.9	5.8	5.8
China	3.3	5.4	2.6	2.6	3.1	3.2	3.0
India	12.0	8.9	9.3	10.7	10.7	11.1	..
Russia	6.9	8.4	5.1	6.5	6.1	6.3	..

Source: Eurostat & stat.OECD database

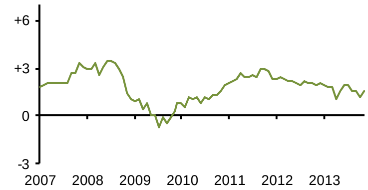
UK



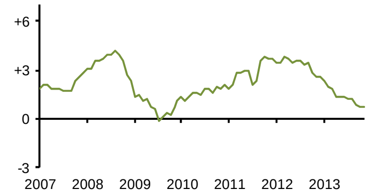
France



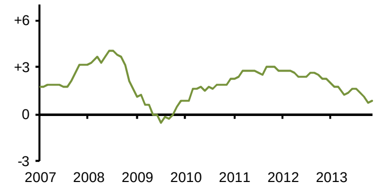
Germany



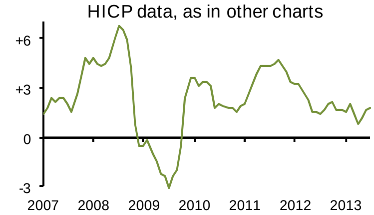
Italy



Eurozone



US
HICP data, as in other charts



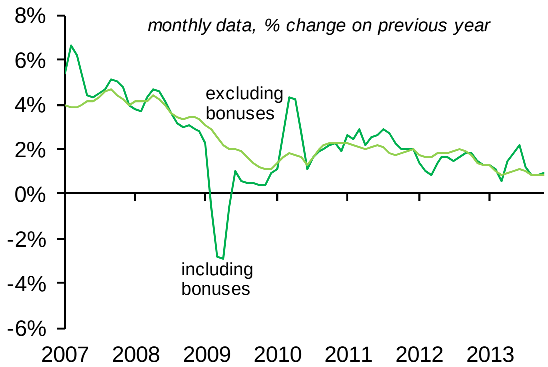
Contact: Gavin Thompson, x2042

Updates: ONS Consumer Prices bulletin (UK), 14 Jan 2014
Eurostat, HICP full release, 16 Jan 2014
Eurostat, Flash estimate (Eurozone), 31 Jan 2014

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 0.9% in the three months to October, compared with a year ago. Inflation as measured by the CPI was 2.2% in October – the 42nd consecutive month in which inflation has exceeded nominal wage growth.

Average Earnings, Whole Economy



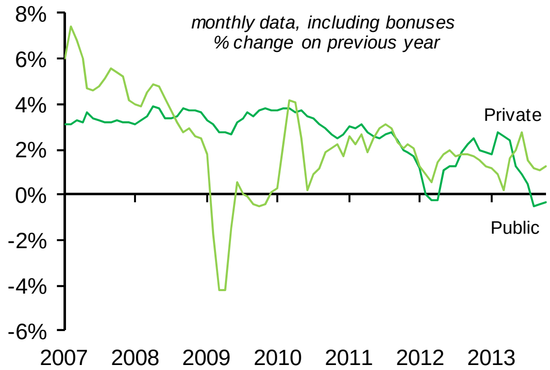
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2010 Oct	2.1	2.7	3.9	2.3	2.2
2011 Oct	2.1	2.0	1.4	2.2	2.0
2012 Oct	1.7	2.5	2.0	1.8	1.8
2013 May	2.0	1.3	2.7	1.7	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	-0.5	2.1	0.6	0.8
Sep	1.1	-0.4	1.8	0.6	0.8
Oct	1.3	-0.3	1.7	0.7	0.9

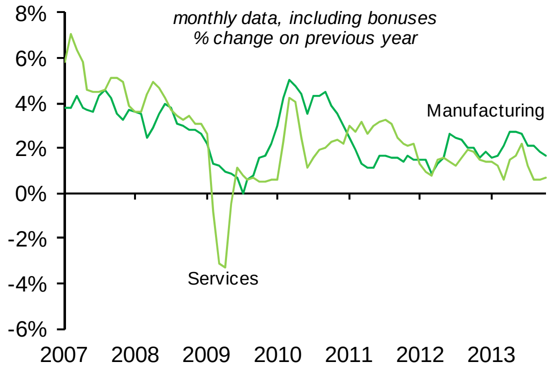
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly earnings (including bonuses) in October were £476 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £489 in October, compared with £473 in the private sector.
- Average total weekly pay in the private sector was up 1.3% year-on-year in the three months to October, compared with a -0.3% fall in the public sector.

Average Earnings in Services and Manufacturing



- Average weekly earnings (including bonuses) in the manufacturing sector were 1.7% higher in the three months to October than in the same period last year. In the services sector total pay grew by 0.7%.
- Average total weekly pay in the manufacturing sector was £554 in October, compared with £461 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £609 in October.

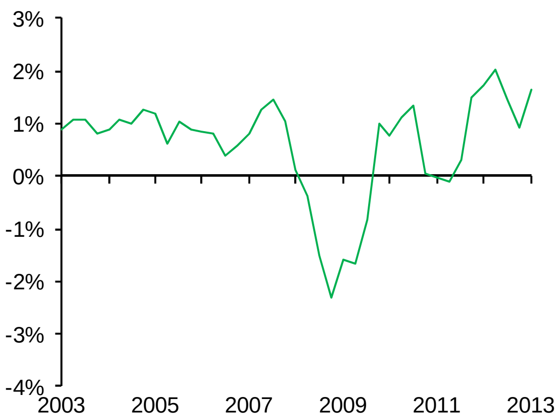
Contact: Feargal McGuinness, x4962

Update: ONS, *Labour Market Statistics*, 22 Jan 2013

C1: Employment

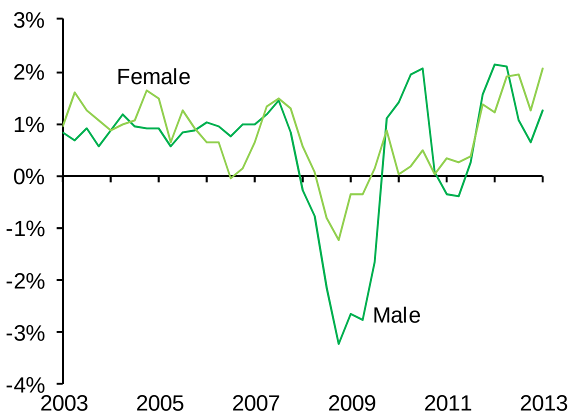
There were 30.09 million people aged 16 and over in employment in the UK in August-October 2013. The number of people in employment increased by 250,000 compared to the previous quarter and by 485,000 compared to the same period last year. The employment rate for people aged 16-64 was 72.0%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- 16.10 million men were in employment in August-October 2013, up 155,000 on the previous quarter. Female employment increased by 95,000 over the past quarter to 13.98 million.
- The number of 16-24 year olds in employment increased by 49,000 over the quarter. Employment of 16-24 year olds who are not in full-time education rose by 47,000 over the quarter.
- 154,000 more people were working as employees in August-October 2013 compared to the previous quarter. 80,000 more people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 155,000 over the past quarter to 21.94 million.
- 8.14 million people were working part-time, 95,000 more than in the previous quarter. This included 1.47 million people working part-time because they could not find a full-time job.
- 1.58 million people were employed on a temporary basis in August-October 2013, 27,000 more than in the previous quarter.
- The number of people working in the private sector increased by 246,000 over the quarter to August-October 2013, to 24.42 million. Public sector increased by 4,000 to 5.67 million.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Aug-Oct 2011	29,102	3,635	17,205	7,402	860
Aug-Oct 2012	29,601	3,712	17,389	7,541	959
Nov-Jan 2013	29,732	3,682	17,454	7,631	964
Feb-Apr 2013	29,756	3,678	17,447	7,628	1,003
May-Jul 2013	29,836	3,601	17,505	7,724	1,006
Aug-Oct 2013	30,086	3,650	17,558	7,810	1,068
% change on previous 3 months	+0.8	+1.4	+0.3	+1.1	+6.1
% change on previous year	+1.6	-1.7	+1.0	+3.6	+11.3

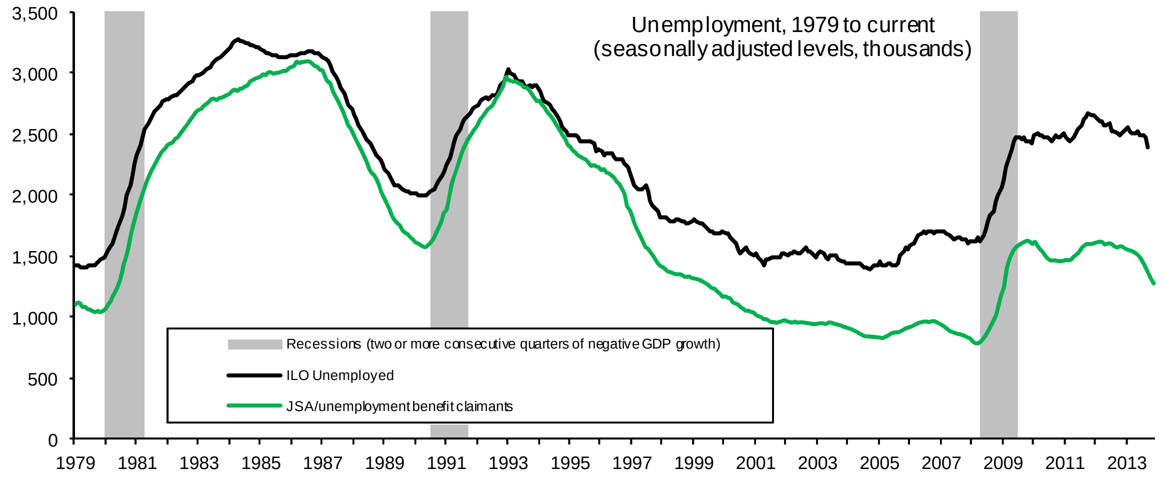
Source: ONS

Contact: Feargal McGuinness, x4904 **Update:** ONS, *Labour Market Statistics*, 22 Jan 2014

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 2.39 million in the UK in August-October 2013, down 99,000 on the previous quarter and 121,000 down on the previous year. 7.4% of the economically active population aged 16 and over were unemployed.

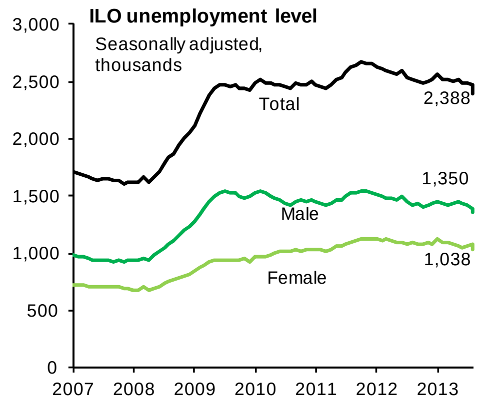


Source: ONS, *Labour Market Statistics*

ILO unemployment
The number of people who have been unemployed for longer than twelve months was 866,000 in August-October 2013, a fall of 33,000 from the previous quarter and 38,000 lower than the previous year.

941,000 people aged 16-24 were unemployed in August-October 2013, down 19,000 from the previous quarter and slightly down from the previous year.

Jobseeker's Allowance (JSA) claimant count
The number of people claiming Jobseeker's Allowance decreased by 36,700 between October and November 2013 to 1.27 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	(%)
Aug-Oct 2008	1,873	6.0	780	15.9	813	4.5	260	3.5	20	2.8
Aug-Oct 2009	2,469	7.9	938	20.0	1,149	6.3	357	4.7	26	3.2
Aug-Oct 2010	2,484	7.9	940	19.9	1,151	6.3	376	4.9	17	1.9
Aug-Oct 2011	2,637	8.3	1,026	22.0	1,200	6.5	383	4.9	30	3.3
Aug-Oct 2012	2,510	7.8	945	20.3	1,165	6.3	379	4.8	20	2.1
Nov-Jan 2013	2,516	7.8	993	21.2	1,134	6.1	373	4.7	17	1.7
Feb-Apr 2013	2,511	7.8	950	20.5	1,143	6.1	397	4.9	21	2.1
May-Jul 2013	2,487	7.7	960	21.0	1,113	6.0	390	4.8	24	2.4
Aug-Oct 2013	**2,388**	**7.4**	**941**	**20.5**	**1,044**	**5.6**	**380**	**4.6**	**24**	**2.2**
% change on quarter	*-4.0*		*-2.0*		*-6.2*		*-2.7*		*-2.3*	
% change on year	*-4.8*		*-0.4*		*-10.4*		*+0.1*		*+18.0*	

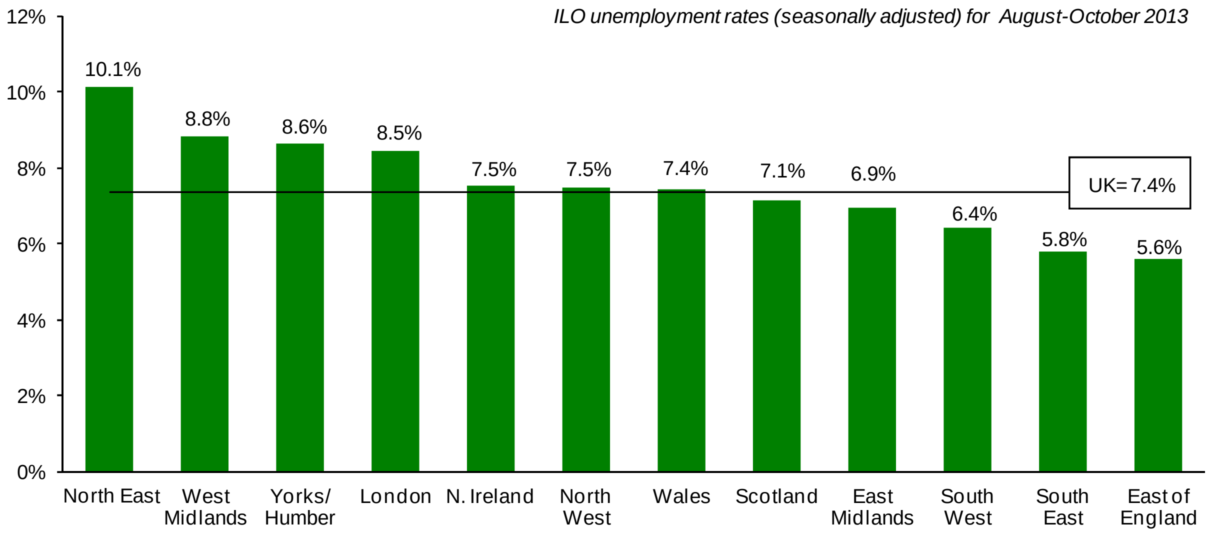
Source: ONS, *Labour Market Statistics*
Notes: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding.

Contact: David Hough, x6933 **Update:** ONS, *Labour Market Statistics*, 22 Jan 2014

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 August-October 2013, the North East had the highest unemployment rate, at 10.1% of the economically active population. The lowest rate over the same period was 5.6% in the East of England.



- The largest increase in the level of unemployment over the last quarter was in the South West (up 8,000). The largest decrease was in the East of England (down 35,000).

- The (seasonally adjusted) Jobseeker's Allowance claimant count decreased across all regions between October and November2013.

Unemployment statistics for countries and regions, *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	August-October 2013		Change in level		November 2013	
	Level (000s)	Rate (%)(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	133	10.1	-3	+9	75.3	-2.0
North West	257	7.5	-29	-41	157.4	-5.2
Yorkshire & Humber	239	8.6	-6	-4	135.1	-3.9
East Midlands	162	6.9	-6	-22	84.0	-3.3
West Midlands	240	8.8	-26	+4	134.1	-3.8
East of England	176	5.6	-35	-40	89.2	-3.1
London	368	8.5	+8	-14	177.2	-5.8
South East	266	5.8	-2	-18	105.4	-3.0
South West	175	6.4	+8	+20	68.3	-1.7
Wales	112	7.4	-7	-6	66.5	-1.3
Scotland	196	7.1	-7	-8	115.9	-2.9
Northern Ireland	65	7.5	+5	-3	60.2	-0.7

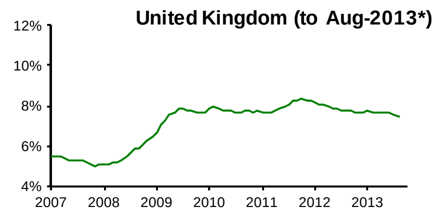
Source: ONS, *Labour Market Statistics*
Note: (a) Rates are percentages of economically active population in the region.

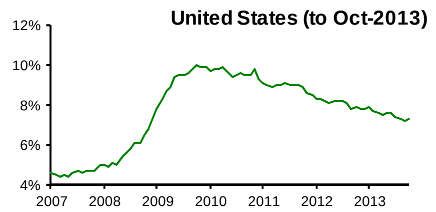
Contact: David Hough x6933 **Update:** ONS, *Labour Market Statistics*, 22 Jan 2014

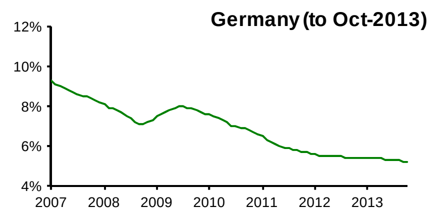
C4: Unemployment: International Comparisons

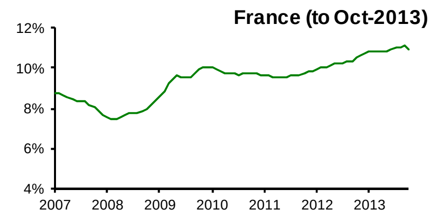
The OECD produces harmonised unemployment rates for OECD members based on the ILO definition of unemployment.

- 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 remained unchanged at 12.1% from Q2 2013 to Q3 2013.
- 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 Jul-Sep 2013

Unemployment

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

				2011		2012				2013		
	2010	2011	2012	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	10.2	9.6	9.8	10.0	10.2	10.3	10.6	10.8	10.8	11.0
Germany	7.1	6.0	5.5	5.8	5.7	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	11.8	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	10.2	10.1	11.4	10.2	10.6	10.9	11.3	11.5	11.8	12.0	12.1	12.1
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

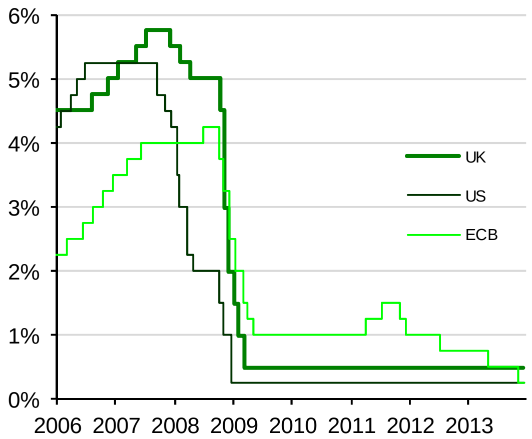
Source: OECD, Harmonised Unemployment Rates

Contact: James Mirza-Davies, x6962 **Updates:** OECD, *Harmonised Unemployment Rates*, 14 Jan

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

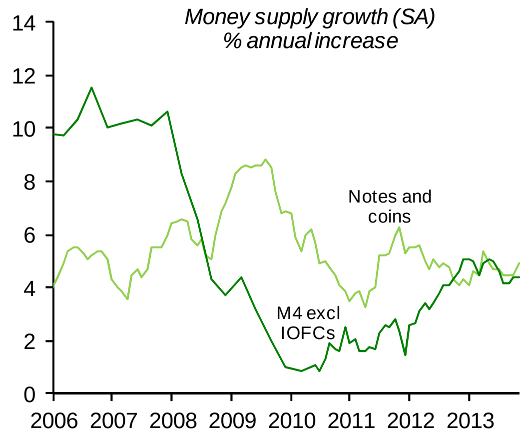


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 6 August 2013, the Governor of the Bank of England announced that 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. Between September 2012, and December 2013, it purchased assets (quantitative easing) at a rate of around $85bn per month. On 18 December 2013, the Federal Open Market Committee decided to slow this rate of asset purchases to $75bn per month.

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 though QE have been gilts (UK Government securities).

Money supply



IOFCs are intermediate other financial corporations
Note: M4 data is quarterly up to June 2010, and monthly thereafter

- In its November 2013 *Inflation Report*, the Bank of England noted that money supply growth remained high during the three quarters 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 while this could presage a rise in household spending, it could also be a consequence of low interest rates rendering time and instant access deposits more interchangeable. Business deposits increasingly contributed to money supply growth in Q3-2013.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.4% in November 2013, unchanged from October.
- The value of notes and coins in circulation outside the Bank of England rose by 4.9% in November 2013 compared with a year ago, up from 4.5% in September.

Contact: Gavin Thompson, x2042 **Updates:** Monetary policy meetings: 9 Jan (ECB, UK); 29 Jan (US)
Bank of England, *Bankstats*, 30 Jan

D2: Public Finances

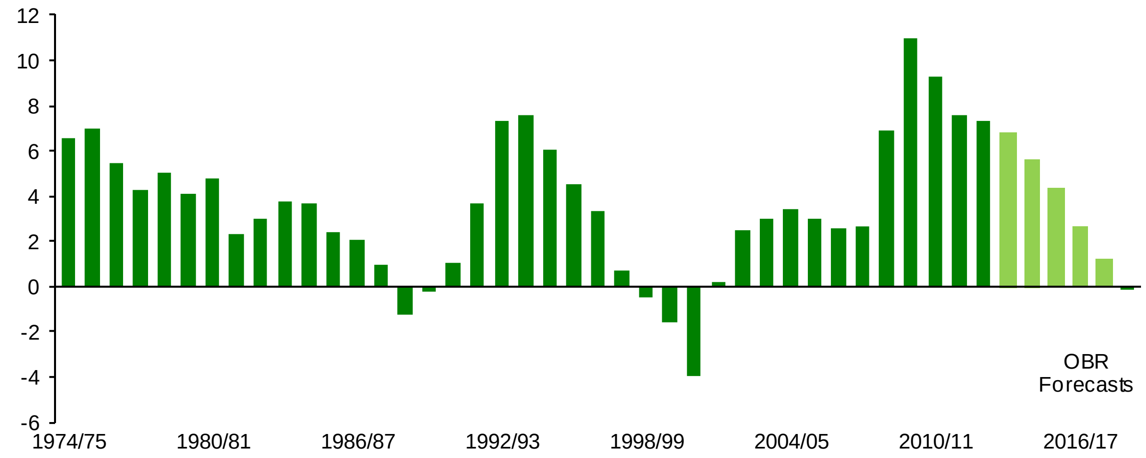
The independent Office for Budget Responsibility (OBR) revised down their forecasts of borrowing and debt in the Autumn Statement 2013. The OBR now forecasts that public borrowing will be £111 billion in 2013/14 (7% of GDP) and Government debt will total £1.3 trillion (76% of GDP).

- Over the period April to November 2013, public sector borrowing was £84.0 billion, 2.2% lower than the same period in 2012.
- Net borrowing is forecast to fall from £111 in 2013/14 to £23 billion in 2017/18, before a budget surplus is recorded in 2018/19, of £2 billion.
- Public sector net debt (the stock of Government borrowing) is forecast to be 75.5% of GDP in 2013/14, rising to 80.0% in 2015/16, before falling back to 75.9% in 2018/19.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	157	11.0	828	56.4
2010/11	139	9.3	1,005	65.9
2011/12	118	7.6	1,106	71.0
2012/13	115	7.3	1,185	74.3
2013/14	111	6.8	1,269	75.5
2014/15	96	5.6	1,365	78.3
2015/16	79	4.4	1,451	80.0
2016/17	51	2.7	1,515	79.9
2017/18	23	1.2	1,554	78.4
2018/19	-2	-0.1	1,573	75.9

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)

Contact: Dominic Webb, x4324

Updates: ONS, *Public Sector Finances*, 22 Jan 2014

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.

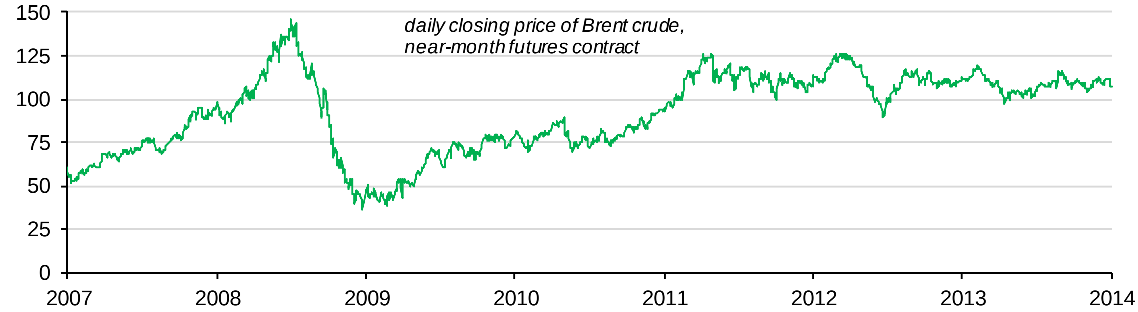
Data from 6 January 2014

	FTSE-100	Oil ($/bbl)	Gold ($/oz)
06 Jan 2014	6,730.7	106.7	1,236.6
%change over:			
1-month	+2.7%	-4%	+1%
12-months	+11%	-4%	-25%
%change from:			
cyclical peak	-2%	-27%	-35%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+92%	+193%	+74%
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)

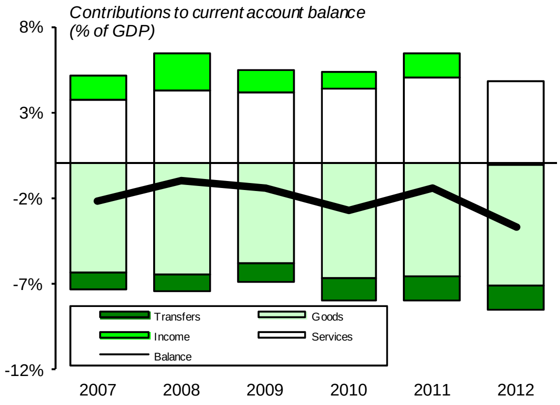
Contact: Matthew Ward, x5919

Update: Page updated on a weekly basis

E1: Trade

The current account deficit in 2012 was £58.5 billion, equivalent to -3.7% 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 £20.7 billion in Q3 2013 (equivalent to 5.1% of GDP), widening from £6.2 billion in Q2 2013 (1.5% of GDP). The surplus on services was down slightly at £19.4 billion while the deficit on goods rose to £29.4 billion.
- The **annual** current account deficit with EU28 countries was £82.1 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 £23.2 billion in Q3 2013 compared to a £2.5 billion surplus with non-EU countries.

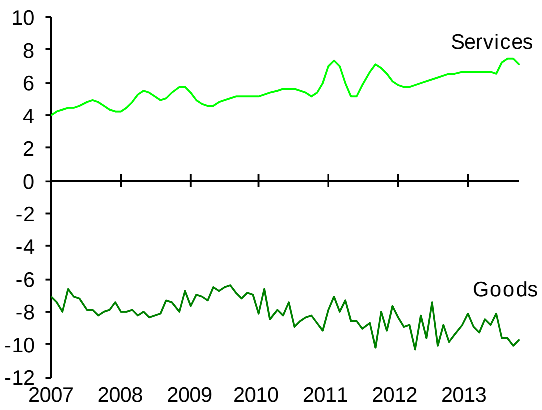
Current Account Balances
£ millions; seasonally adjusted

	Goods Balance	Services Balance	Goods and Services Exports	Goods and Services Imports	Goods and Services Balance	Income	Transfers	Current Account Balance
2011	-100,092	76,832	492,884	516,144	-23,260	22,494	-21,709	-22,475
2012	-108,700	75,060	494,298	527,938	-33,640	-1,845	-22,981	-58,466
2012 Q3	-26,265	19,791	125,354	131,828	-6,474	-1,807	-5,763	-14,044
Q4	-28,127	19,614	123,369	131,882	-8,513	-224	-6,261	-14,998
Q1	-26,268	19,681	125,393	131,980	-6,587	-5,923	-6,295	-18,805
2013 Q2	-25,368	20,349	128,582	133,601	-5,019	6,048	-7,185	-6,156
Q3	-29,418	19,400	124,497	134,515	-10,018	-3,703	-7,000	-20,721

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 October was £9.7bn, down from £10.1bn in September.
- The monthly trade surplus on services was an estimated £7.1bn in October, down from the September surplus of £7.5bn.
- The overall monthly deficit on goods and services combined in October was £2.6bn, the same as in September.
- The monthly goods deficit with the EU27 was £6.5bn in October, compared with £6.2bn in September, while the deficit with non-EU countries was £3.3bn in October, compared with £3.9bn in September.

Contact: Daniel Harari, x2464

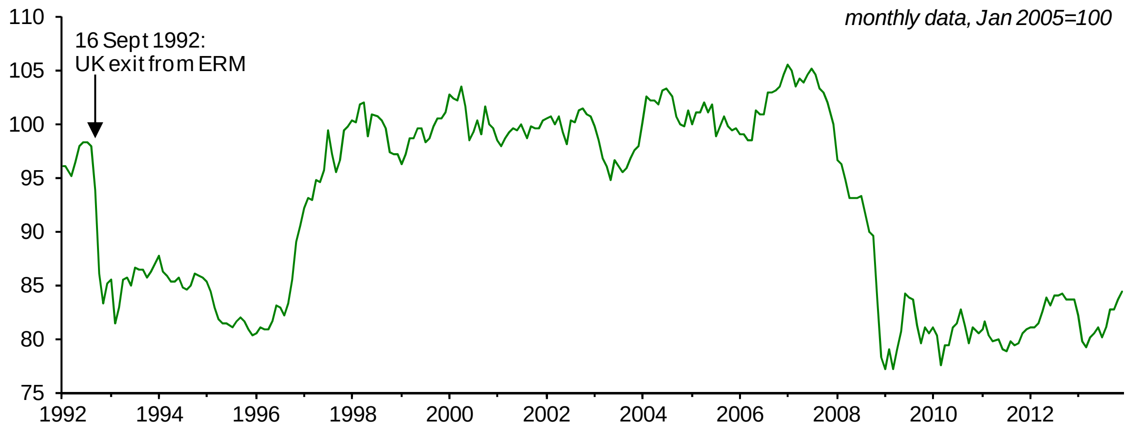
Updates: ONS, *UK Trade*, 9 Jan 2014
ONS, *UK Balance of Payments*, 26 Mar 2014

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).

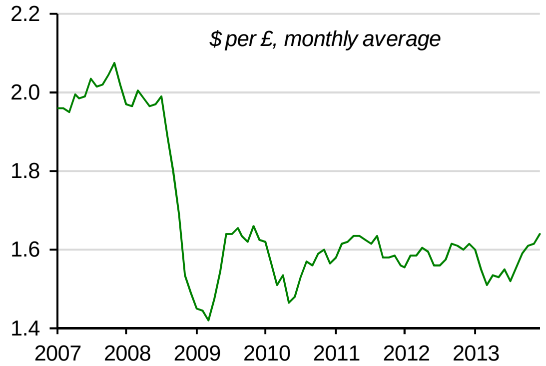
The SERI rose by 1.0% in December 2013, following a rise of 1.1% in November. Compared with the same period a year ago, it is 1.0% higher. It is currently 9.5% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 20.0% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



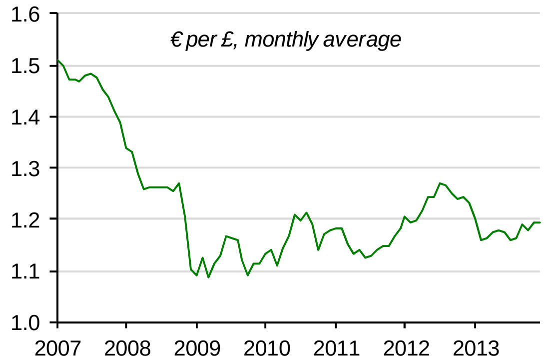
[Source: Bank of England, Bankstats database, XUMABK67]

US$/£ Exchange Rate



- On average in December, the pound was three cents higher against the dollar than in November. At the 3 January market close the pound stood at $1.64, one cent above the December average.
- Sterling was unchanged against the Euro in December compared with November.
- At the 3 January market close the pound stood at €1.21, one cent above the December 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
2011		1.60	3.7%	1.15	-1.2%
2012		1.59	-1.1%	1.23	7.0%
2013		1.56	-1.3%	1.18	-4.5%
2012	Dec	1.61	3.6%	1.23	3.9%
2013	Oct	1.61	0.1%	1.18	-4.8%
	Nov	1.61	0.9%	1.19	-4.0%
	Dec	1.64	1.4%	1.19	-2.9%

Source: Bank of England, Bankstats database

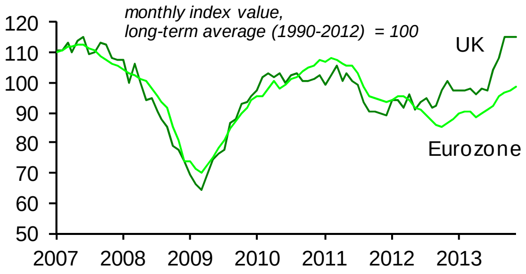
Contact: Daniel Harari, ext. 2464

Updates: Financial Times, sterling exchange rates (daily)
Bank of England, SERI & monthly rates, early Feb

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

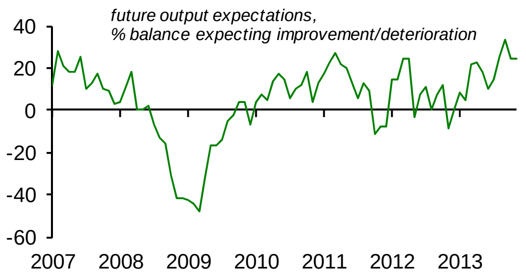


		UK Index	monthly change	change on year ago
2011	Nov	89.5	…	…
2012	Nov	100.6	…	…
2013	Sep	115.3	+6.8	+23.0
	Oct	115.0	-0.3	+17.4
	Nov	115.2	+0.2	+14.6

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



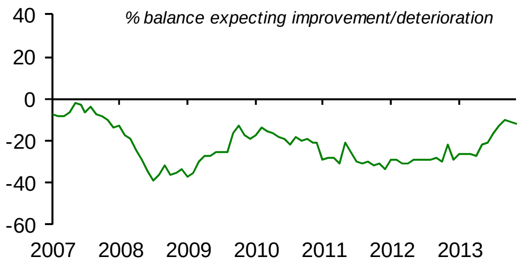
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2011	Dec	-8	…	…
2012	Dec	0	…	…
2013	Oct	+24	-9	+12
	Nov	+24	0	+33
	Dec	+16	-8	+16

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In December 2013, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +16% of firms. This is the down from the balance in November 2013 and +16 points higher than December 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	Dec	-33	…	…
2012	Dec	-29	…	…
2013	Oct	-11	-1	+19
	Nov	-12	-1	+10
	Dec	-13	-1	+16

Source: GfK NOP for EC, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- Overall consumer confidence was -13 in November,1 point lower than the previous month but 16 points higher than a year ago.

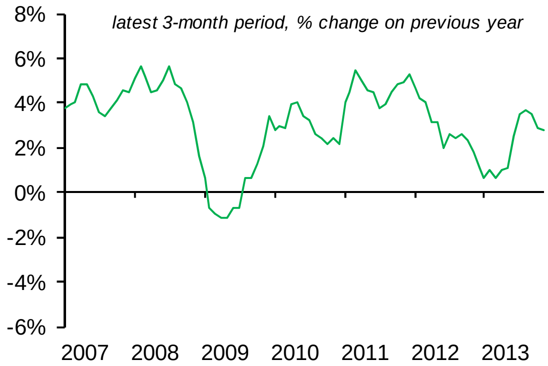
Contact: David Hough, x6933

Update: CBI, Industrial Trends,6 January 2014
EC, Economic Sentiment Indicator, 9 Jan 2014
Gfk NOP, Consumer Confidence, 20 Jan 2014

F2: Retail Sales

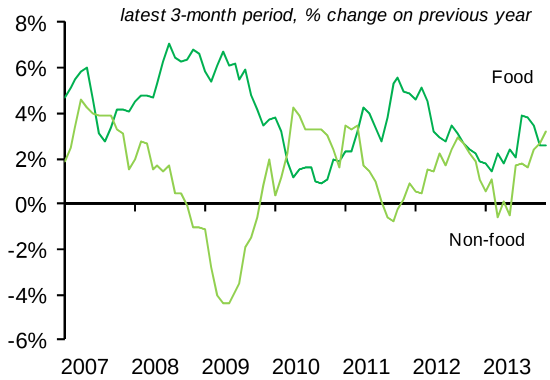
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of retail sales



- The value of retail sales in the three months to November 2013 was 2.8% higher than the same three months in the previous year.
- The value of retail sales in November 2013 alone was 2.7% higher than in November 2012.
- Internet sales were estimated to account for a record 11.9% of the value of all retail sales (excluding vehicle fuels) in November 2013. The value of internet sales was 15.1% higher than in November 2012.

Value of food & non-food store sales



- The value of sales in food stores in the three months to November 2013 rose by 2.6% on the same period last year, and the value of sales in non-food stores increased by 3.2%.
- The largest retailers (with 100 or more employees) reported an average increase in sales values of 2.9% between November 2012 and November 2013. Medium-sized retailers (employing 40 to 99 employees) reported a larger average increase in sales of 7.9%. Very small retailers (with up to nine employees) saw growth of just 0.6%.

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					**All retailing total (inc vehicle fuel)**
		Clothing & Footw ear	Household goods	Dept stores	Other	Total	
2011	4.2	3.3	-2.8	3.4	0.6	1.1	**4.9**
2012	3.0	1.5	-0.4	6.3	0.6	1.7	**2.4**
2013 JUL	3.9	3.4	-3.6	2.7	3.4	1.8	**3.5**
AUG	3.8	3.1	-3.8	3.9	2.3	1.6	**3.7**
SEP	3.5	3.0	-2.3	3.5	4.4	2.4	**3.5**
OCT	2.6	2.2	-1.4	4.5	4.9	2.7	**2.9**
NOV	2.6	3.8	-1.3	2.9	5.8	3.2	**2.8**

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

Contact: Lorna Booth, x2883 **Update:** ONS, *Retail Sales*, 17 Jan 2013

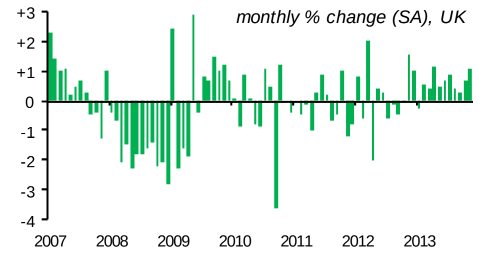
F3: Housing Market

House prices on the Nationwide index rose by 1.7% in December after a 0.6% rise in November. Prices were 8.4% higher compared with a year ago on this measure. House prices on the Halifax index rose by 1.1% in October following a 0.7% rise in October. Prices were 7.7% higher than a year ago on this measure.

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

House price indices

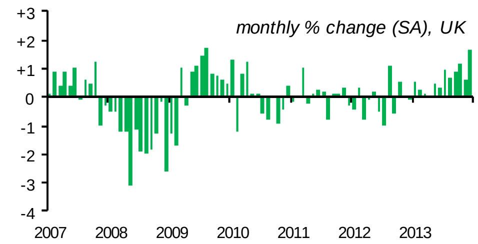
Halifax house price index



Latest monthly data
UK, seasonally adjusted

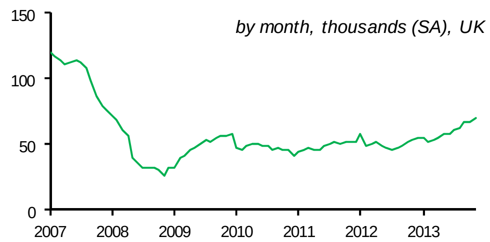
	Halifax	Nationwide
Latest data	Nov-13	Dec-13
Change in month	+1.1%	+1.7%
Change in year	+7.7%	+8.4%
Peak date	Aug-07	Oct-07
Change since peak	-14.8%	-8.1%
Trough date	Apr-09	Feb-09
Change since trough	+10.0%	+14.0%

Nationwide house price index



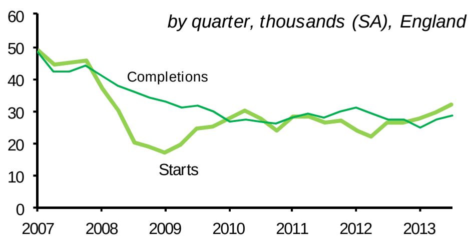
- Average house price growth has accelerated in recent months. In December 2013, the average house price on the Nationwide measure was just over £175,826.
- There is considerable regional variation. In Q3 2013 prices rose by 10% in London but were unchanged in the far north of England compared with a 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 70,758 mortgage approvals in November 2013, a five-and-a-half year high. Approvals were 5% higher than in October and 32% higher than October 2012.

House-building



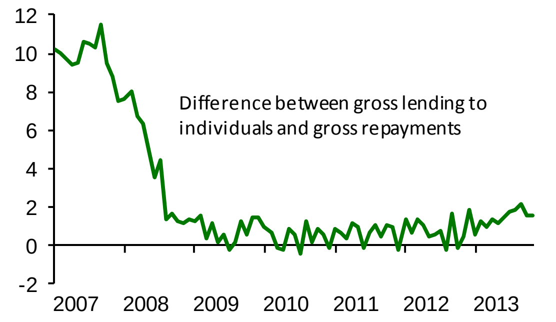
- There were 32,230 house building starts in England in Q3 2013, 8% more than in Q2 2013 and 22% more than in Q3 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 28,850 dwelling completions in Q3 2013, up 5% from 27,270 in Q2 2013, and 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 Jan 2014;
Nationwide *House Price Index*, early Feb 2014;
Bank of England, *Money and credit*, end Jan 2014
DCLG, *House-building*, 21 Feb 2014;

F4: Household debt

Monthly net lending, £bn



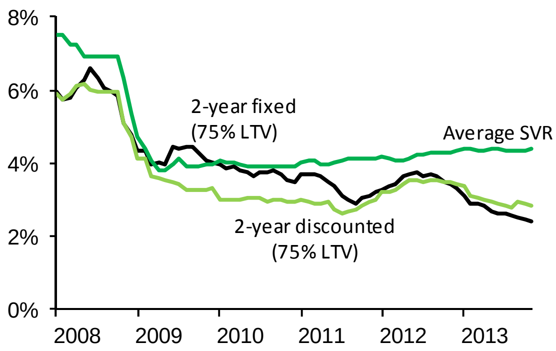
Source: Bank of England

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

- Total net lending to individuals (excluding student loans) was £1.5 billion in November 2013. Net lending has been relatively low since mid-2008, but appears to have been higher in 2013 than in 2012.

- Monthly net unsecured lending (consumer credit) was £0.6 billion in November. Monthly net secured lending (mortgages) was £0.9 billion.

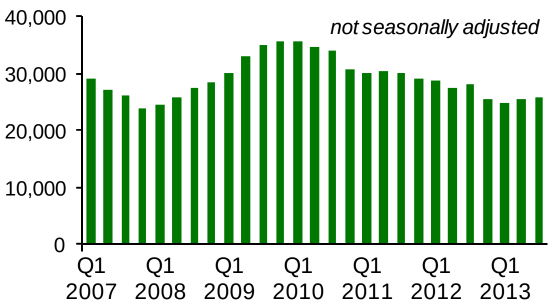
Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in November 2013 it was 4.41%, compared with 4.32% the year before.

- In contrast fixed term mortgage rates have generally been falling over the last year – the average 2-year fixed mortgage rate was 2.44% in November, compared to 3.43% the year before. The average 2-year variable rate was 2.83% in November (compared with 3.47% 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, 30 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

Definitions[1]

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.

1. Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

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.

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 at market prices = GDP at basic prices + transport prices paid separately + non deductible taxes on expenditure - 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.