



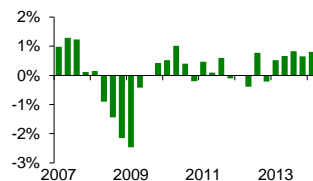
Economic Indicators, July 2014

RESEARCH PAPER 14/36 01 July 2014

This paper features analysis of the latest UK and international economic indicators.

In June, the pound climbed to its highest level against the dollar since October 2008 and new data showed inflation at its lowest level since 2009. GDP growth was confirmed as 0.8% in Q1 2014 and employment continued to rise steeply.

GDP growth (% change quarter-on-quarter)



GDP grew by 0.8% in Q1 2014, following growth of 0.7% in Q4 2014.

Inflation (CPI) (% change on year ago)



The CPI annual inflation rate was 1.5% in May 2014, below the Bank of England's target of 2.0%.

Employment (total, millions)



There were 30.5 million people aged 16 and over in employment in the quarter to April 2014, up 345,000 on the quarter. The employment rate was 72.9%.

This month's articles:

- Child poverty: 2020 vision
- The changing face of union membership

Chris Rhodes (editor)

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Research Paper 14/36

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

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

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1 Introduction to *Economic Indicators*

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

Feedback

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

Weekly email alert

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

Sources and glossary

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

Contacts

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

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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 Child poverty: 2020 vision

The Child Poverty Act 2010 set a target of “abolishing” child poverty by 2020, as assessed against four different targets. New [statistics](#) released today (1 July) show the extent of the challenge.

2.1 Poverty measures and targets

- 17% of children in the UK – 2.3 million children – were living in *relative poverty* in 2012/13 (the child’s household income, after taxes and benefits but before housing costs are taken into account, is less than 60% of the median). This compares to a target set by the Child Poverty Act of less than 10% of children by 2020/21.
- 19% of children (2.6 million) were living in *absolute poverty* (household income in real terms is below 60% of the 2010/11 median). The Act set a target of 5% by 2020/21.
- 13% of children (1.8 million) were living in households with *combined low income and material deprivation* (household income is below 70% of the median and the family lacks the ability to purchase key goods and services). The Act sets a target of 5% by 2020/21.

A fourth target in the Act relates to persistent poverty: children who have been in relative poverty for three of the past four years (data on this measure are not included in today’s release). The Government is [currently consulting](#) on whether the persistent poverty target should be set at 7%.

The proportion of children in relative and in absolute poverty (before housing costs) in 2012/13 was similar to that seen in 2011/12, although there has been a slight increase in the proportion of children experiencing combined low income and material deprivation.

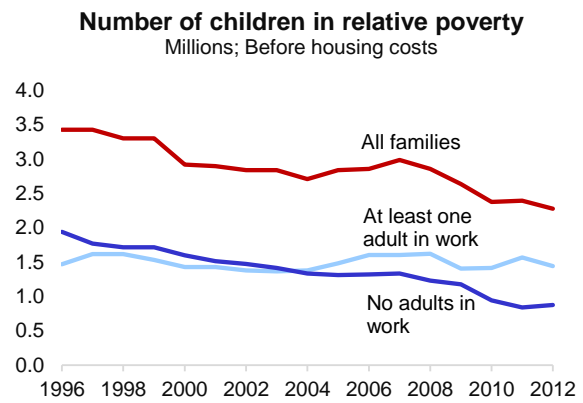
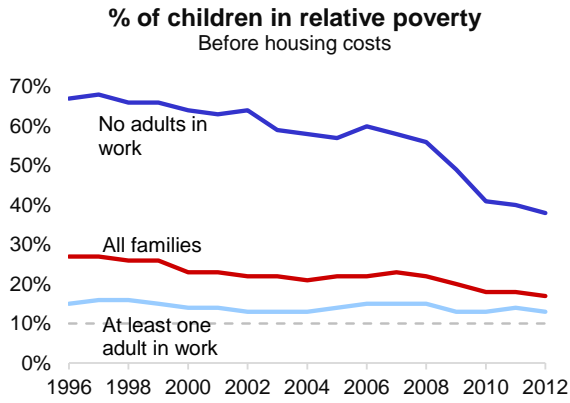
Relative versus absolute poverty

The Act set a more demanding target for absolute poverty than for relative poverty. This was based on an assumption that incomes would grow faster than inflation, as was indeed the case for the decade up to the recession. However in the past few years real household incomes have declined, meaning more children are in absolute than relative poverty – the opposite situation to that anticipated by the Act.

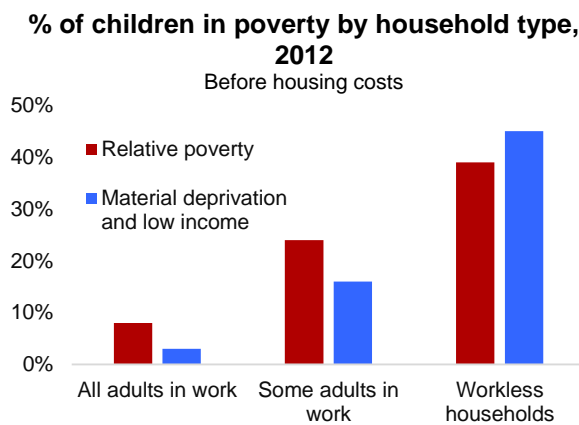
2.2 Higher risk of poverty in workless families

Children living in families where no one works are around three times more likely to be in poverty than those where at least one adult works. 38% of children in workless families were in relative poverty in 2012/13, compared with 13% of children in families where at least one adult worked. In couple families where both adults work full-time, the proportion is just 2%.

Nevertheless, children living in families where someone works still comprise a majority of children in poverty (63%) – reflecting the fact that there are many more working than workless families to begin with. Children in families where at least one adult works have comprised the majority of children in poverty since 2004/05. This is the product of a decline both in the total number of children in workless families and in the proportion of this group who are in poverty, during the late 1990s and early 2000s. Note the stock of families in poverty is not fixed and families may flow between ‘workless’ and ‘working’ states before their income rises above the poverty threshold.

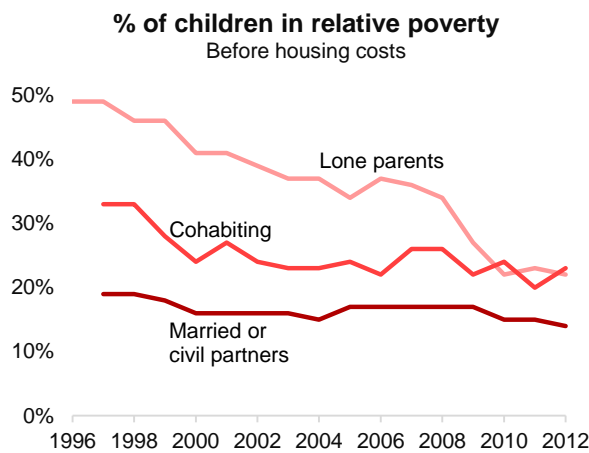


Material deprivation



The gap between working and workless families widens on the combined low income and material deprivation measure. Children in families where no one works were around six times more likely to experience material deprivation and low income (43%) compared to children in families where at least one adult works (7%).

2.3 Higher risk of poverty for lone parent families or cohabiting couple families



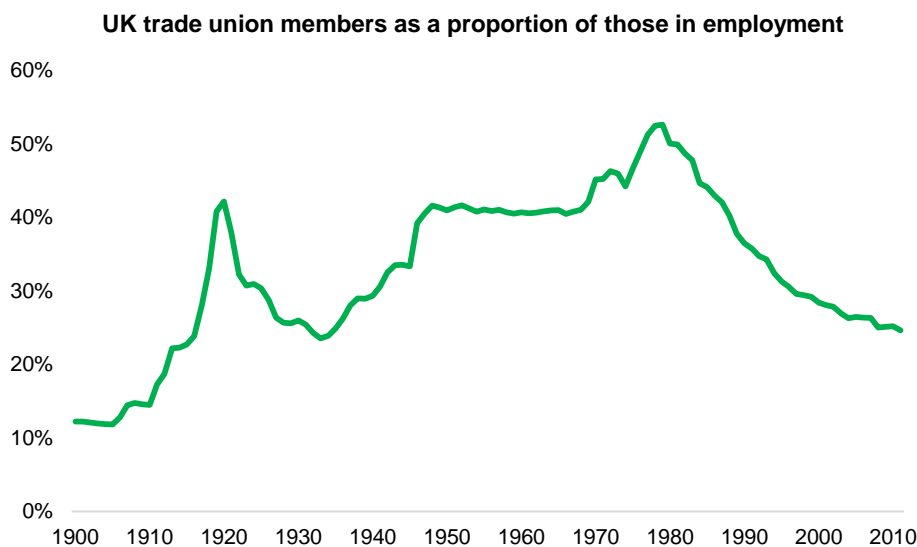
Children living in lone parent families, or couple families where the couple are cohabiting, are more likely to be in poverty than couple families who are married or civil partners. The share of children in poverty who are from lone parent families has decreased since the 1990s, as the risk of poverty for this group has declined.

Meanwhile the number of children from in poverty from cohabiting couple families has increased. This reflects an increase in the total population of children living in this type of family.

However, the risk of combined low income and material deprivation is higher for children in lone parent families than for cohabiting couple families, even though the risk of relative poverty is about the same. The proportion of children experiencing material deprivation and low income was 25% for lone parent families compared to 18% for cohabiting couples and 8% for married couples or civil partners.

3 The changing face of union membership

Trade union membership was 6.5 million in 2013, around half the number at its peak in 1979. Trade union members were 25% of those in employment in 2013, down from nearly 53% in 1979. After 1979, there followed a rapid decline in membership in the 1980s and early 1990s, with a more gradual decline since the mid-1990s.



Trade union members in 2013 are more likely to be: white and born in the UK; older and with longer service; better qualified; working full time in a 'professional' occupation in a large work place that is or was in the public sector.

In 2013, the proportion of employees in the public sector who were union members was 56% compared with 14% of employees in the private sector.

Gender

Given that public sector employees are much more likely to be union members and there are more women working in the public sector then it follows that women are more likely to be union members.

In 2013, the overall proportion of women employees who were union members, at 26%, was higher than for men, at 20%.

In 1995, the situation was the opposite when the proportion of male employees who were union members was 30% compared with 28% for women.

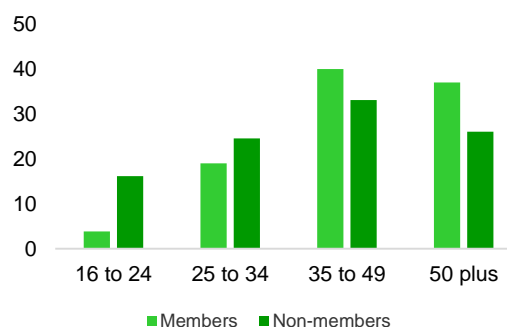
Age

Trade union members are increasingly older employees. In 2013, 37% of union members were aged over 50 but only 27% of employees in total were aged over 50.

Trade union membership by gender (%) 1995-2013



Trade union members and non-members by age (%) 2013



Not surprisingly, then, trade union members tend to be longer serving employees. In 2013, 51% of employees with 20 or more years of service were union members compared with less than 13% of those who have been employees for only one to two years.

Industry

The greatest densities of union membership are in the predominantly public sector industries of education, public administration and health and social work and in the now principally privately-owned (but previously nationalised) utilities of electricity, gas, water and transport, each with membership of between 40% and 50% of employees.

The lowest densities are in services such as accommodation and food (4%), estate agents (9%), wholesale and retail (12%), and construction (14%).

In between are manufacturing and the (now very small) mining and quarrying sector, both with 20% of employees as union members.

Occupation

Professional occupations (which include teaching and many health related roles) have the highest density of union membership, at 45% of all employees. The percentage is even higher for women in professional occupations - at nearly 60%. Directors and managers together with sales and service staff have the lowest proportion of employees who are union members, at 14%. About 20% of employees who are skilled trades people are union members with a similar percentage for those who operate process plant and other machinery.

International comparisons

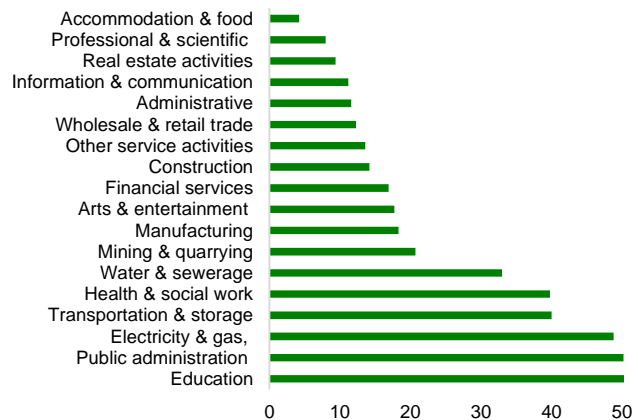
Scandinavian countries have by far the largest density of trade union membership in Europe with around 70% of employees as trade union members. (Source: [OECD](#))

France, on the other hand, has just under 8% of employees as union members, with a similar percentage for Estonia.

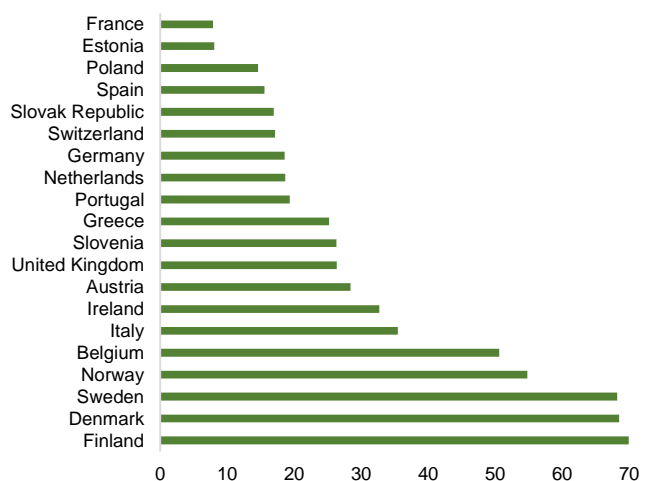
The UK, at 26%, is roughly the same as Greece, Slovenia and Austria with Italy at 35% and Belgium at 50%.

David Hough, Economic Policy and Statistics section

Trade union membership by industrial sector (%)
2013



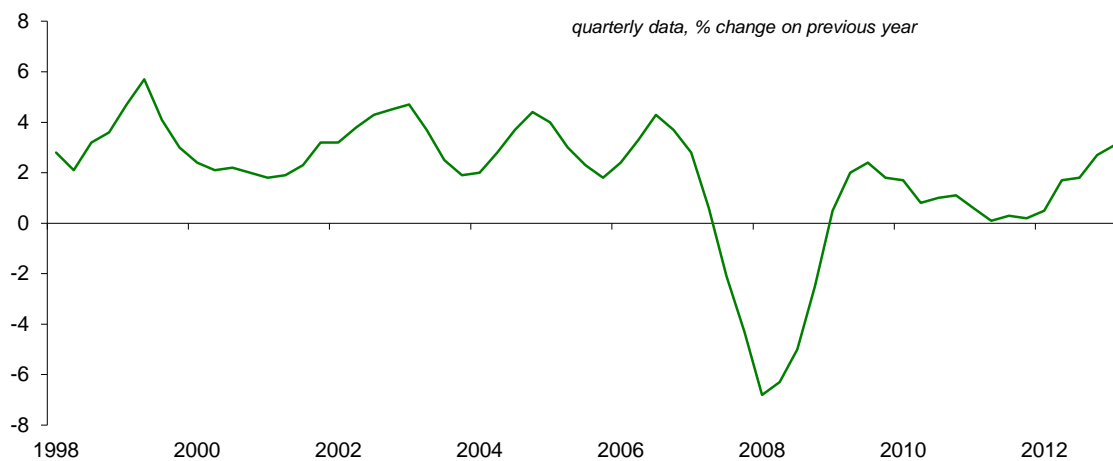
Trade union membership in selected European countries (%) 2010



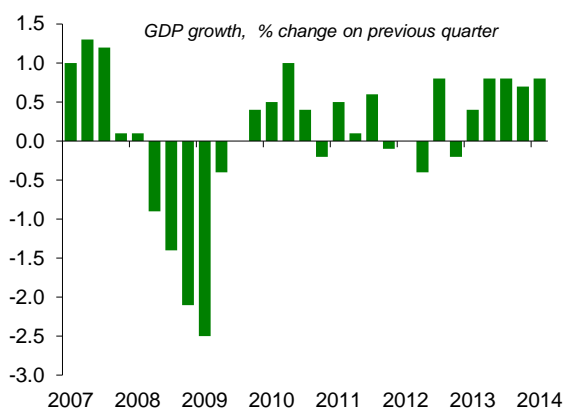
A1: Gross Domestic Product

- Secondary estimates show the economy grew by 0.8% in Q1 2014, following growth of 0.7% in Q4 2013. In June, HM Treasury's average of independent economic forecasts of GDP growth was 3.0% for 2014. The Office for Budget Responsibility's (OBR) central forecasts from March 2014 are for growth of 2.7% in 2014.
- GDP was estimated to be 0.6% below the Q1 2008 peak, in Q1 2014. The economy shrank by 7.2% from Q1 2008 to the trough in 2009.
- In Q1 2014, output of the production industries increased by an estimated 0.7% compared to the previous quarter (based on chained volume measures). Construction sector increased by 0.6%, while output of the services industry increased by 0.9%.

Real GDP Growth since 1998



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	1,558	1.4	...	0.3
2013	1,613	3.5	...	1.7
2012 Q2	385.5	2.3	-0.4	0.1
Q3	388.4	1.1	0.8	0.3
Q4	395.4	0.1	-0.2	0.2
2013 Q1	398.5	2.1	0.4	0.5
Q2	398.9	2.4	0.8	1.7
Q3	404.7	3.5	0.8	1.8
Q4	411.3	4.2	0.7	2.7
2014 Q1	416.2	4.0	0.8	3.1

Source: ONS, series: YBHA, ABMI

Contact: James Mirza-Davies, x6962 **Updates:** HMT, [Forecasts for the UK economy](#), 16 Jul 2014
ONS, [Preliminary estimate of GDP](#), 25 Jul 2014

A2: GDP: International Comparisons

In Q1 2014, GDP in the UK grew by 0.8% compared with the previous quarter. This compares with a fall of 0.7% in the US (a larger fall than in earlier estimates for the US). Overall the G7 economies saw no growth.

The eurozone grew by 0.2% in Q1 2014, with Germany's economy expanding by 0.8%, while France saw no growth.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	13Q2	13Q3	13Q4	14Q1	13Q2	13Q3	13Q4	14Q1
UK	1.8	1.8	2.7	3.0	0.7	0.8	0.7	0.8
Eurozone	-0.6	-0.3	0.5	0.9	0.3	0.1	0.3	0.2
US	1.6	2.0	2.6	1.5	0.6	1.0	0.7	-0.7
Japan	1.3	2.4	2.4	2.8	0.7	0.3	0.1	1.6
Germany	0.5	0.6	1.4	2.3	0.7	0.3	0.4	0.8
France	0.7	0.3	0.8	0.8	0.6	-0.1	0.2	0.0
G7	1.2	1.5	2.1	1.8	0.6	0.7	0.5	0.0
OECD	1.1	1.5	2.0	2.1	0.5	0.7	0.5	..

Source: OECDstat, ONS (UK)

In [April 2014](#), the IMF raised their 2014 and 2015 growth forecasts for the UK, last made in January 2014, from 2.4% to 2.9% in 2014 and from 2.2% to 2.5% in 2015. This puts forecast GDP growth for the UK in 2014 ahead of that for the other G7 countries, although 2015 growth for the UK is still forecast to be lower than that in the United States.

In [May 2014](#), the OECD revised up sharply their growth forecasts for the UK to 3.2% in 2014, from their previous November forecast of 2.4%. They forecast growth of 2.7% in 2015. Revisions for other major economies for 2014 were less dramatic. Forecasts for the Eurozone for 2014 went from 1.0% to 1.2% and for the United States from 2.9% to 2.6%. The 2014 forecast for world growth was revised down from from 3.6% to 3.4%.

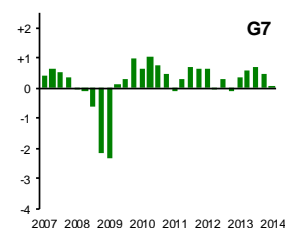
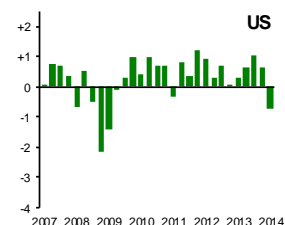
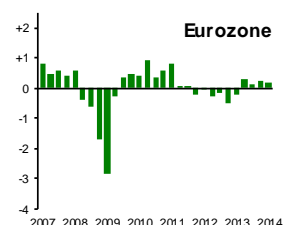
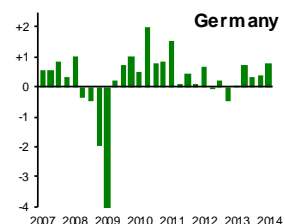
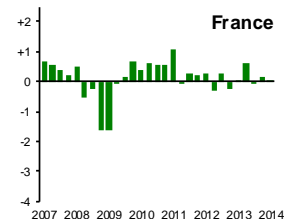
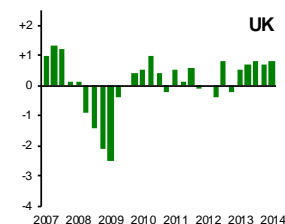
In [May 2014](#), the European Commission raised their GDP growth forecasts for the UK, last made in February 2013, from 2.5% to 2.7% for 2014 and from 2.4% to 2.5% for 2015. Their growth forecast for the eurozone was unchanged at 1.2% for 2014 and decreased slightly from 1.8% to 1.7% for 2015.

Real growth forecasts (% change)

	IMF (Apr 14)		EC (May 14)		OECD (May 14)	
	2014	2015	2014	2015	2014	2015
UK	2.9	2.5	2.7	2.5	3.2	2.7
France	1.0	1.5	1.0	1.5	0.9	1.5
Germany	1.7	1.6	1.8	2.0	1.9	2.1
Eurozone	1.2	1.5	1.2	1.7	1.2	1.7
US	2.8	3.0	2.8	3.2	2.6	3.5
Japan	1.4	1.0	1.5	1.3	1.2	1.2
OECD	..	..	..	..	2.2	2.8
China	7.5	7.3	7.2	7.0	7.4	7.3
India	5.4	6.4	..	..	4.9	5.9
Brazil	1.8	2.7	..	..	1.8	2.2
World	3.6	3.9	3.5	3.8	3.4	3.9

Sources: IMF Apr 2014 WEO; EC Spring 2014 forecast; OECD Econ Outlook May 13

Quarter-on-quarter growth rates



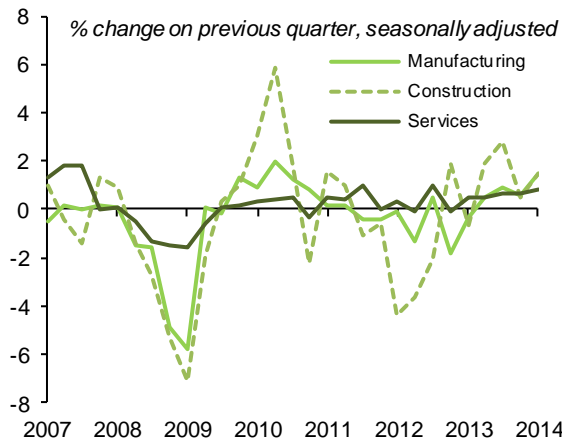
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Nov/Dec 2014
 IMF, [World Economic Outlook update](#), Jul 2014
 EC, [Autumn Economic Forecast](#), Nov 2014

Contact: Lorna Booth, x2883

A3: Components of GDP

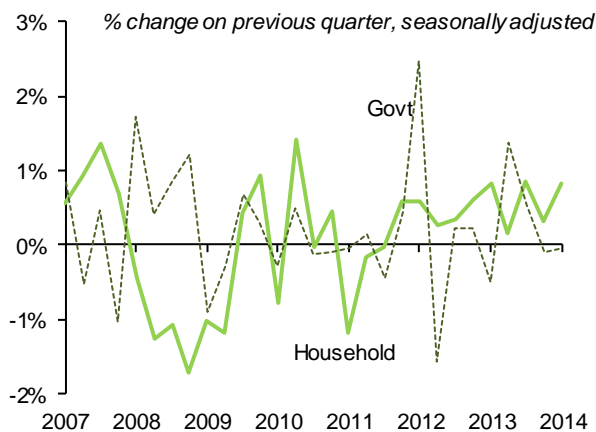
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2013. Government consumption accounted for 22% and investment for 14%.

Output by industry – gross value added



- Overall, GDP increased by 0.8% in real terms in Q1 2014 compared with Q4 2013, up from 0.7% in the previous quarter.
- Service sector output increased by 0.8%, up slightly from 0.7% in the previous quarter.
- Manufacturing output increased by 1.5%, up from 0.6% in the previous quarter.
- Construction sector output increased by 1.5%, following a rise of 0.5% in Q4 2013.

Expenditure - household and government consumption



- In Q1 2014, household consumption grew by 0.8% in real terms compared with Q4 2013.
- Government consumption was unchanged in Q1 2014 compared with the previous quarter.
- Gross fixed capital formation increased by 2.4%. Exports were down 0.1% while imports fell by 1.2%.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2012 (annual % change)	1.5%	1.6%	0.8%	1.7%	3.4%	0.3%
2013 (annual % change)	2.2%	0.7%	-0.8%	0.5%	0.2%	1.7%
2013 Q1	0.8%	-0.5%	1.0%	-0.6%	-2.3%	0.5%
2013 Q2	0.2%	1.4%	3.2%	2.4%	2.4%	0.7%
2013 Q3	0.8%	0.6%	2.4%	-2.6%	1.1%	0.8%
2013 Q4	0.3%	-0.1%	1.3%	0.9%	-1.3%	0.7%
2014 Q1	0.8%	0.0%	2.4%	-0.1%	-1.2%	0.8%

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

Note: (a) gross fixed capital formation

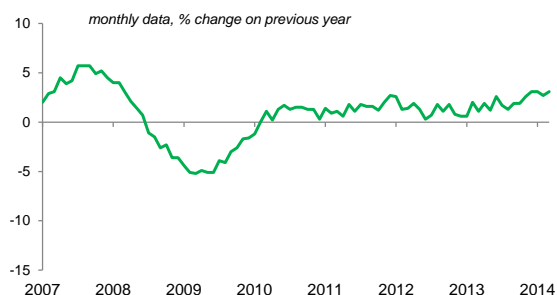
Contact: Matthew Keep, x4324

Update: ONS, [Preliminary estimate of GDP](#), 25 July 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

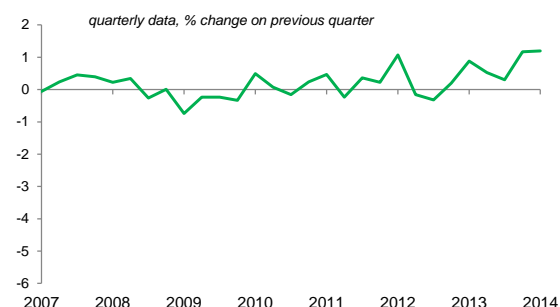


	Index Value (2009=100)	% change on month	% change on year
2012	102.8	...	1.3
2013	104.7	...	1.8
2013 Jan	106.5	0.3	2.9
Feb	106.7	0.2	2.5
Mar	107.1	0.5	3.1
Apr	107.4	0.3	3.1

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.3% in April 2014 compared to March. Compared with a year before, services output increased by 3.1%.
- The biggest contributors to growth in the service sector over the year to April 2014 was the business services and finance sector and distribution, hotels & restaurants.

Jobs in the service industries

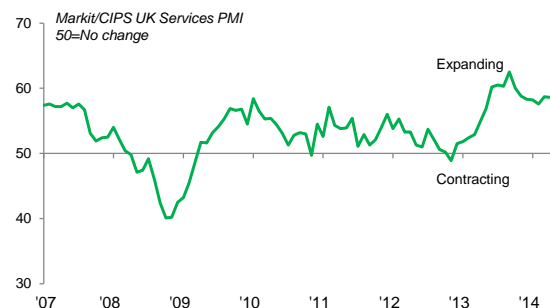


	Thousands	% change on quarter	% change on year
2011 Q1	26,486	...	1.4
2012 Q1	26,645	...	0.6
Q2	26,786	0.5	1.3
2013 Q3	26,868	0.3	1.9
Q4	27,182	1.2	2.9
Q1	27,507	1.2	3.2

Source: ONS, Workforce Jobs

- In Q1 2014 there were 27.5 million jobs in the service sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 325,000 over the quarter and by 862,000 over the year. This is the biggest annual increase in the number of service sector jobs since Q1 1989.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2011 May	53.3	...
2012 May	54.9	...
2013 Feb	58.2	-0.1
Mar	57.6	-0.6
Apr	58.7	1.1
May	58.6	-0.1

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) remained more or less level in April, at 58.6 (where a score above 50 indicates confidence is expanding).
- Markit stated that the Index had expanded for 16 straight months up to April 2014.

Contact: David Hough, x6933

Update: ONS, [Index of Services](#), 25 July 2014
 ONS, [Workforce Jobs](#), 17 Sept 2014
 Markit/CIPS [UK Services PMI](#), 3 Jul 2014

A5: Manufacturing

The manufacturing sector accounted for 10% of UK economic output 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 in total accounted for 15% of UK output in 2012.

Manufacturing Output

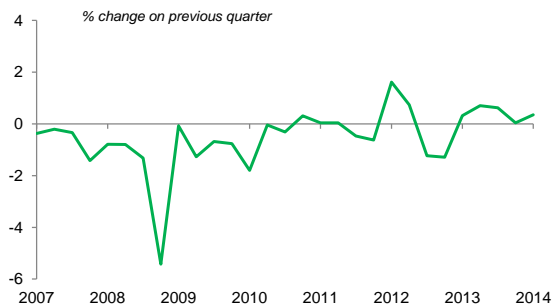


	Index Value (2010=100)	% change on month	% change on year
2012	100.1	...	-1.7
2013	99.3	...	-0.8
2014 Jan	101.0	0.3	3.2
Feb	102.1	1.1	4.0
Mar	102.6	0.5	3.5
Apr	103.0	0.4	4.4

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output grew by 0.4% in April 2014 compared with March 2014, and was 4.4% higher than in April 2013 – the fastest rate of annual growth since February 2011.
- Output in 9 of the 13 manufacturing subsectors recorded year-on-year growth. The 'rubber and plastics products and other non-metallic mineral products' sector saw the fastest growth, with output 18.0% higher than a year ago. Next highest was the 'manufacture of transport equipment', up 8.9% on last year.

Jobs in manufacturing

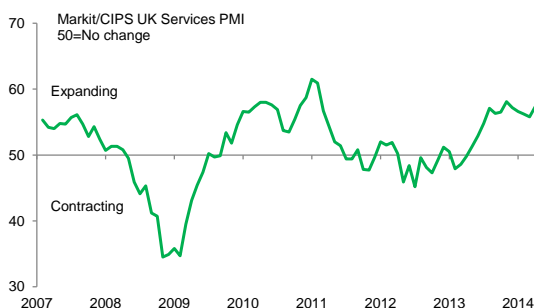


	Thousands	% change on quarter	% change on year
2011 Q1	2,577	...	0.5
2012 Q1	2,539	...	-1.5
2013 Q2	2,557	0.7	-1.5
Q3	2,573	0.6	0.4
Q4	2,574	0.0	1.7
2014 Q1	2,583	0.3	1.7

Source: ONS, Workforce Jobs

- In Q1 2014 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 9,000 or 0.3% over the quarter. From the same quarter in 2013, the number of manufacturing jobs increased by 44,000 or 1.7%.

Manufacturing Purchasing Managers Index



	Index	Monthly change
2012 Jun	48.4	...
2013 June	52.9	...
2014 Mar	55.8	-0.4
Apr	57.3	1.5
May	57.0	-0.3
Jun	57.5	0.5

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS Manufacturing PMI, an important measure of manufacturing activity, was 57.5 in June, up from 57.0 in May (50.0 is unchanged). Markit described manufacturing performance in June as "rounding off one of the best quarters for the sector over the past two decades."

Contact: Daniel Harari, x2464

Update: ONS, [Index of Production](#), 8 Jul
 ONS, [Workforce Jobs](#), 17 Sep
 Markit/CIPS [UK Manufacturing PMI](#), 1 Aug

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.

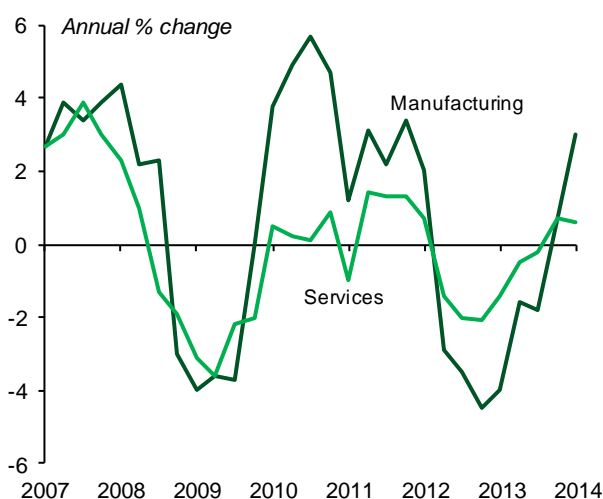
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have grown by 0.4% over the last year. Manufacturing productivity grew by 3.0% and services productivity grew by 0.6%.
- Compared with the previous quarter, productivity across the whole economy fell by 0.1%.

Output per hour, seasonally adjusted

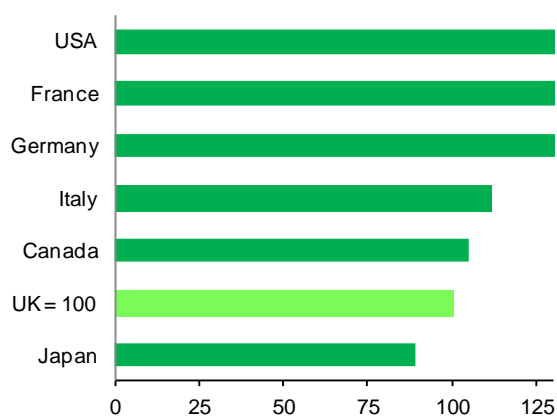
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.8	0.4	1.5
2011	2.5	0.8	0.8
2012	-2.2	-1.2	-1.6
2013	-1.7	-0.4	-0.3
2013 Q2	-1.6	-0.5	-0.2
Q3	-1.8	-0.2	0.0
Q4	0.7	0.7	0.7
2014 Q1	3.0	0.6	0.4
<i>Latest q-on-q % change</i>	1.5	0.2	-0.1

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 20 percentage points lower than the G7 average, the widest productivity gap since 1992.
- UK productivity declined relative to all the other G7 nations in 2012.

Contact: Feargal McGuinness, x4904

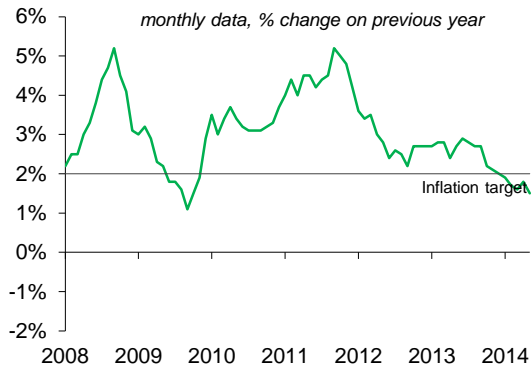
Update: ONS, [International Comparisons](#), 1 Sep 14
 ONS, [Labour Productivity](#), 1 Oct 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 1.5% in May, down from 1.8% in April, falling below the Bank of England's 2.0% target for the fifth time since November 2009.

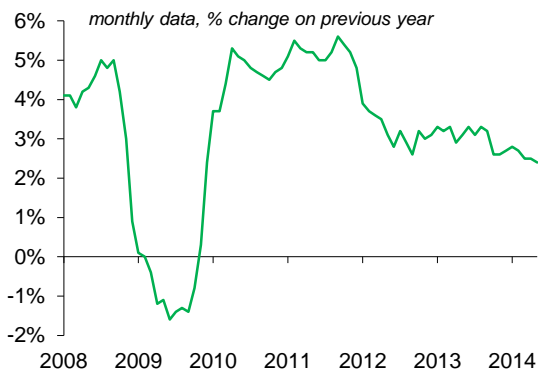
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 1.5% in May, down from 1.8% in April.
- Falls in transport services costs, notably air fares, provided the largest contribution to the decrease in the rate. The largest offsetting upward effects came from motor fuels and recreation & culture.
- The RPI (all items) measure of annual inflation was 2.5% in April, unchanged from March. (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)

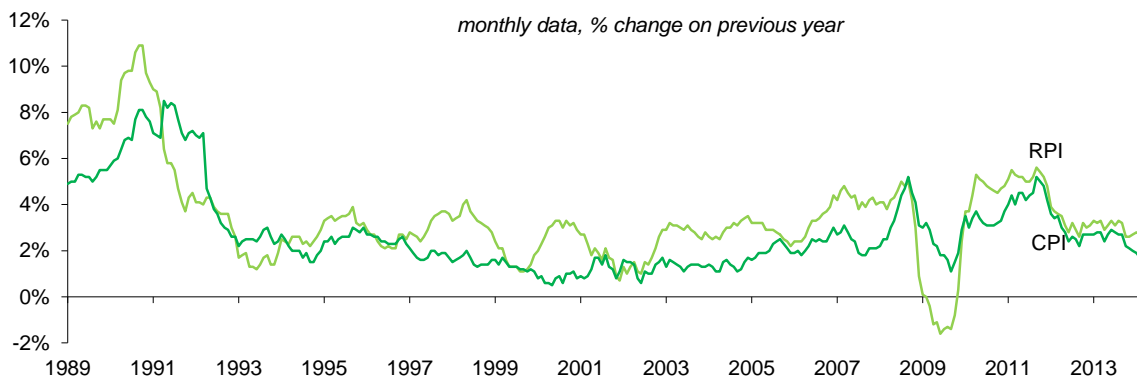


Price Indices

		% change on a year ago	
		CPI	RPI
2010		3.3	4.6
2011		4.5	5.2
2012		2.8	3.2
2013	Dec	2.0	2.7
2014	Jan	1.9	2.8
	Feb	1.7	2.7
	Mar	1.6	2.5
	Apr	1.8	2.5
	May	1.5	2.4

Source: ONS database. series: D7G7. CZBH

CPI and RPI since 1989



Contact: David Hough, x6933

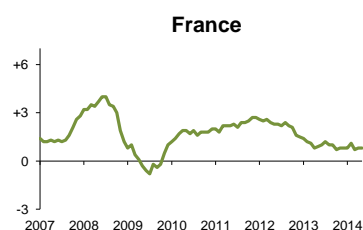
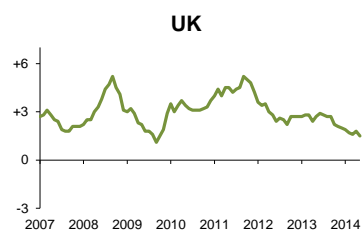
Update: ONS, [Consumer Price Indices](#) 15 July 2014

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 1.5% in the year to May, down from 1.8% in April. The Bank of England's UK inflation target is 2%.
- Eurozone inflation for the year to April 2014 was 0.5%, down from 0.7% in April. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term."
- The UK had the highest annual inflation rate in the EU in April 2014 at 1.8%. The lowest annual inflation rate in the EU was -2.1% in Greece, followed by -1.8% in Bulgaria.
- HICP annual inflation in the US in the year to April was 2.0%, up from 1.5% in March. US inflation in the year to May 2014 was 2.1% using its own national definition, up from 2.0% in April.



Inflation rates: selected countries

Annual % change in consumer prices

	2011	2012	2013	Feb-14	Mar-14	Apr-14	May-14
HICP (OECD/Eurostat)							
UK	4.5	2.8	2.6	1.7	1.6	1.8	1.5
Eurozone	2.7	2.5	1.3	0.7	0.5	0.8	0.5
EU	3.1	2.6	1.5	0.8	0.0	0.0	0.0
France	2.3	2.2	1.0	1.1	0.7	0.8	0.8
Germany	2.5	2.1	1.6	1.0	0.9	1.1	0.6
Greece	3.1	1.0	-0.9	-0.9	-1.5	-1.6	-2.1
Italy	2.9	3.3	1.3	0.4	0.3	0.5	0.4
Spain	3.1	2.4	1.5	0.1	-0.2	0.3	0.2
US	3.8	2.1	1.3	1.1	1.5	2.0	-
National definitions (OECD)							
Canada	2.9	1.5	0.9	0.9	1.2	1.5	1.1
Japan	-0.3	0.0	0.4	1.5	1.6	1.4	1.5
US	3.2	2.1	1.5	1.2	1.5	1.6	1.1
G7	2.6	1.9	1.3	1.3	1.4	1.4	1.2
OECD	2.9	2.3	1.6	1.5	1.6	1.7	1.4
Brazil	6.6	5.4	6.2	5.8	5.9	5.6	5.7
China	5.4	2.6	2.6	3.0	2.5	2.5	2.0
India	8.9	9.3	10.9	11.5	9.1	7.2	6.7
Russia	8.4	5.1	6.8	6.5	6.5	6.1	6.2

Source: Eurostat & stat.OECD database, ONS

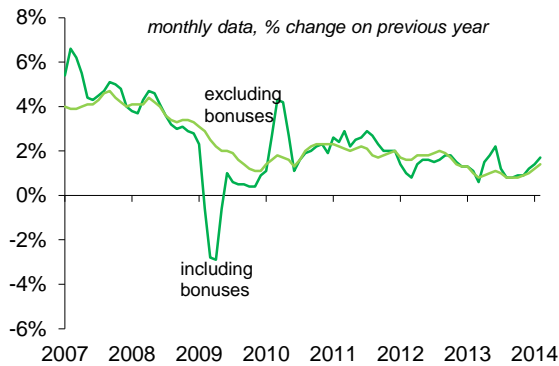
Contact: Matthew Ward, x5919

Updates: ONS, [Consumer Prices bulletin \(UK\)](#), 17 June 2014
Eurostat, [Flash estimate \(Eurozone\)](#), 17 June 2014
Eurostat, [HICP full release](#), 17 June 2014

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.7% in the three months to March 2014, compared with a year ago. Inflation as measured by the CPI was 1.6% in March – the 1st month since April 2010 in which nominal wage growth has been above inflation.

Average Earnings, Whole Economy



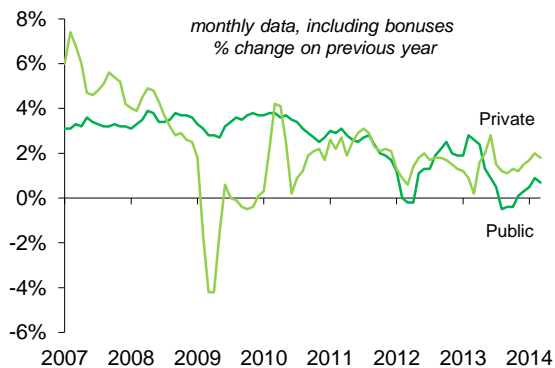
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2011 Mar	2.7	3.1	1.3	3.2	2.9
2012 Mar	0.6	-0.2	0.9	0.8	0.8
2013 Mar	0.2	2.6	2.1	0.6	0.6
2013 Oct	1.3	-0.4	1.8	0.7	0.9
Nov	1.2	0.1	2.2	0.8	0.9
Dec	1.5	0.3	2.6	1.0	1.2
2014 Jan	1.7	0.5	3.2	1.1	1.4
Feb	2.0	0.9	3.2	1.5	1.7
Mar	1.8	0.7	2.9	1.5	1.7

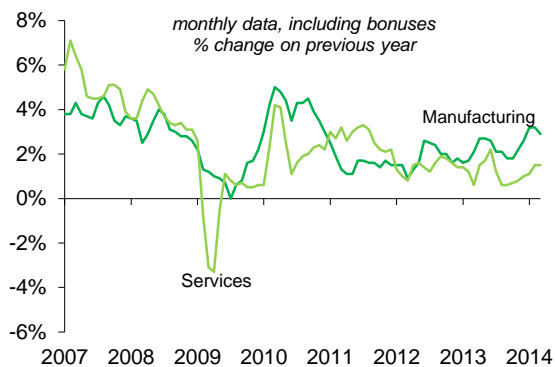
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly earnings (including bonuses) in March were £474 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £487 in March, compared with £468 in the private sector.
- Average total weekly pay in the private sector was up 1.6% year-on-year in the three months to February, and down 0.1% in the public sector.

Average Earnings in Services and Manufacturing

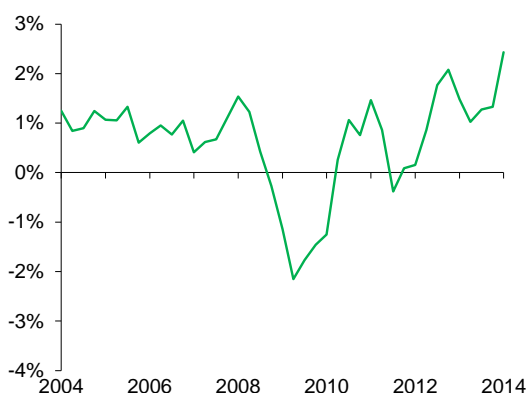


- Average weekly earnings (including bonuses) in the manufacturing sector were 2.9% higher in the three months to March than in the same period last year. In the services sector total pay grew by 1.5%.
- Average total weekly pay in the manufacturing sector was £559 in March, compared with £459 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £596 in March.

C1: Employment

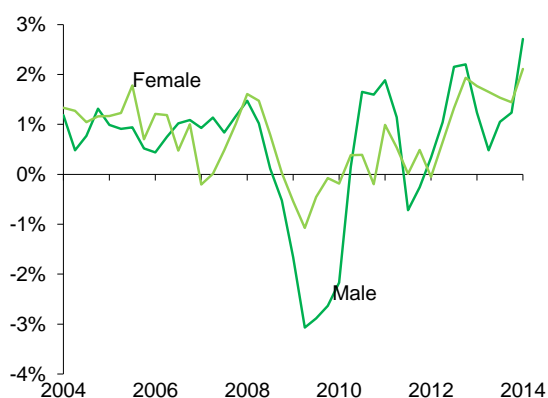
There were 30.43 million people aged 16 and over in employment in the UK in January-March 2014. The number of people in employment increased by 283,000 compared to the previous quarter and by 722,000 compared to the same period last year. The employment rate for people aged 16-64 was 72.7%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- 16.32 million men were in employment in January-March 2014, up 175,000 on the previous quarter. Female employment increased by 108,000 over the past quarter to 14.11 million.
- The number of 16-24 year olds in employment increased by 31,000 over the quarter. There were 25,000 more people in employment aged 65 and over.
- 99,000 more people were working as employees in January-March 2014 than in the previous quarter. 183,000 more people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 176,000 over the past quarter to 22.25 million in January-March 2014. 8.18 million people were working part-time, 107,000 more than in the previous quarter. This included 1.42 million people working part-time because they could not find a full-time job.
- 1.65 million people were employed on a temporary basis in January-March 2014, 33,000 more than in the previous quarter.
- The number of people working in the private sector increased by 264,000 over the quarter to November-January 2014, to 24.68 million, boosted significantly by the privatisation of Royal Mail.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Jan-Mar 2012	29,274	3,651	17,285	7,449	890
Jan-Mar 2013	29,708	3,675	17,419	7,634	980
Apr-Jun 2013	29,777	3,582	17,496	7,689	1,010
Jul-Sep 2013	29,953	3,633	17,524	7,758	1,040
Oct-Dec 2013	30,146	3,682	17,540	7,862	1,062
Jan-Mar 2014	30,430	3,713	17,708	7,922	1,087
% change on previous 3 months	+0.9	+0.8	+1.0	+0.8	+2.3
% change on previous year	+2.4	+1.0	+1.7	+3.8	+10.9

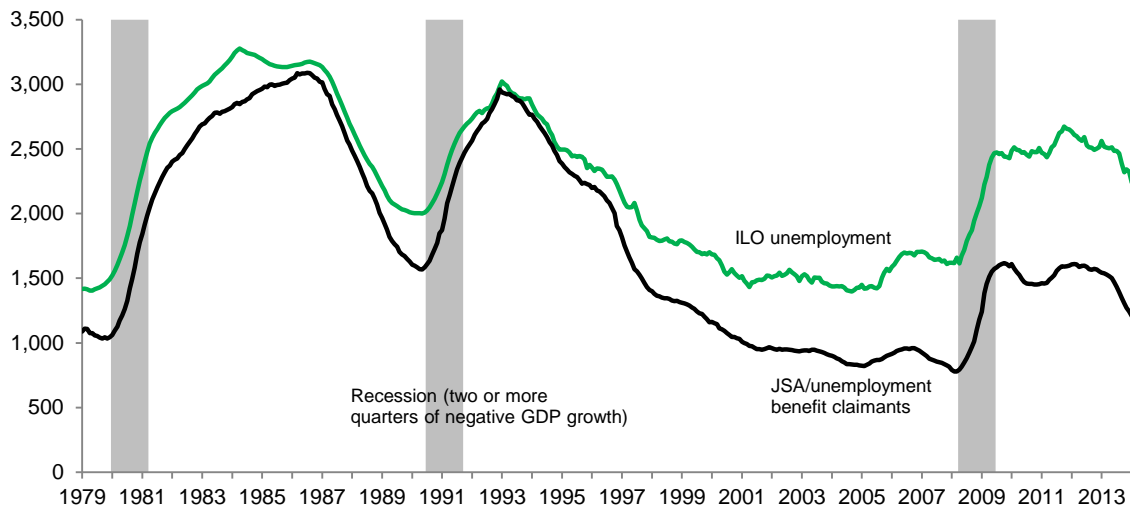
Source: ONS, Labour Market Statistics reference table A05

C2: Unemployment: National

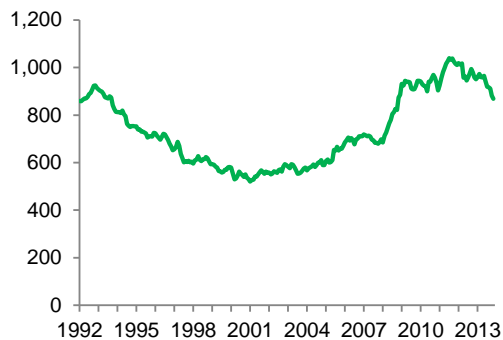
The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. The number of people claiming Jobseeker's Allowance (JSA) and predecessor unemployment benefits is also used.

- ILO unemployment was 2.16 million people in the UK in February-April, down 161,000 from the previous quarter and down 347,000 from the previous year. The unemployment rate (the proportion of economically active people unemployed) was 6.6%.
- The number of people claiming JSA decreased by 27,400 between April and May to 1.09 million people aged 18 or over, the lowest level since November 2008.

Unemployment, 1979 to current (seasonally adjusted levels, thousands)



Youth unemployment: 16-24 year olds (thousands)



- 853,000 young people aged 16-24 were unemployed in February–April 2014, down 98,000 from the previous quarter. The unemployment rate was 18.5%.
- There were 1.21 million men unemployed, down 80,000 on the quarter. 955,000 women were unemployed, down 81,000 on the quarter.
- The number of people who have been unemployed for longer than twelve months was 791,000 in February–April 2014, a fall of 37,000 from the previous quarter and 108,000 lower than the previous year.

ILO unemployment in the UK (seasonally adjusted)

	Total		16-24		Total male		Total female	
	000s	%	000s	%	000s	%	000s	%
2011 Feb-Apr	2,599	8.1	1,010	21.7	1,482	8.6	1,117	7.6
2012 Feb-Apr	2,511	7.8	950	20.5	1,419	8.2	1,092	7.3
2013 Nov-Jan	2,326	7.2	912	19.8	1,290	7.4	1,036	6.9
2014 Feb-Apr	2,165	6.6	0	0.0	1,210	6.9	955	6.3
<i>Change on quarter</i>	-161		-912		-80		-81	
<i>Change on year</i>	-346		-950		-209		-137	
<i>% change on quarter</i>	-6.9%		-100.0%		-6.2%		-7.8%	
<i>% change on year</i>	-13.8%		-100.0%		-14.7%		-12.5%	

Source: ONS series, MGSC, MGSX, MGVF, MGWY, MGSD, MGSY, MGSE, MGSX

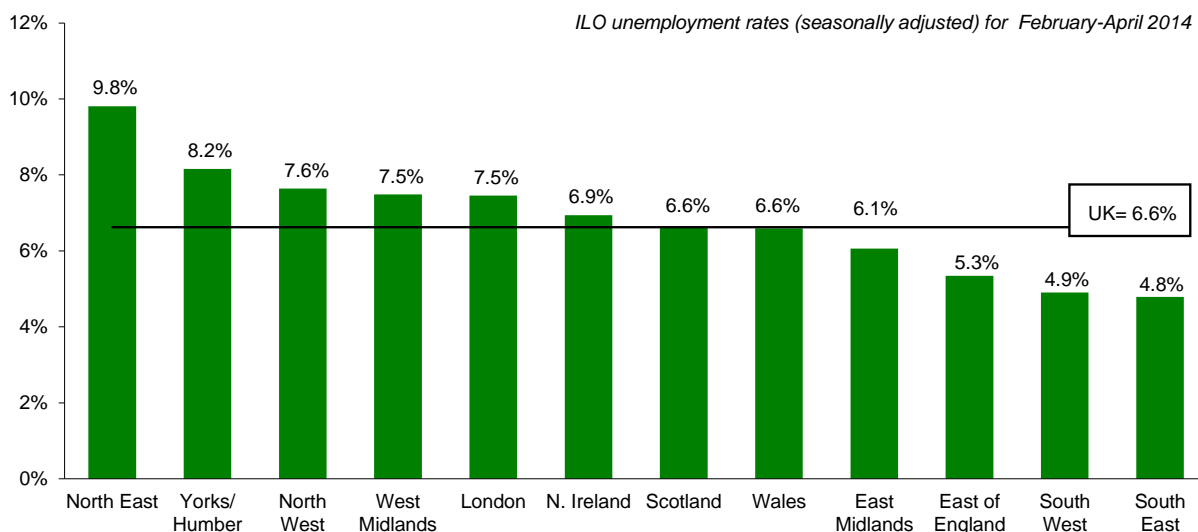
Contact: Matthew Ward, x5919

Update: ONS, [Labour Market Statistics](#), 16 July 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 February-April 2014, the North East had the highest unemployment rate, at 9.8% of the economically active population. The lowest rate was 4.8% in the South East.



- The only region with an increase in the level of unemployment over the last quarter was the North East (up 6,000). The largest decrease was in London (down 27,000).
- The (seasonally adjusted) Jobseeker's Allowance (JSA) claimant count decreased across all regions and countries between April and May 2014.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	February-April 2014		Change in level		May 2014	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	131	9.8	+6	+1	64.9	-2.0
North West	266	7.6	-13	-7	132.5	-4.3
Yorkshire & Humber	228	8.2	-12	-15	116.0	-3.3
East Midlands	142	6.1	-22	-37	71.3	-1.6
West Midlands	203	7.5	-19	-57	115.8	-3.0
East of England	168	5.3	-15	-40	72.9	-2.3
London	329	7.5	-27	-38	155.0	-3.1
South East	220	4.8	-21	-77	85.7	-2.1
South West	136	4.9	-26	-32	55.8	-1.7
Wales	97	6.6	-3	-28	60.1	-1.2
Scotland	183	6.6	-7	-10	100.5	-2.3
Northern Ireland	61	6.9	-4	-7	55.5	-0.5

Source: ONS, *Labour Market Statistics*

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

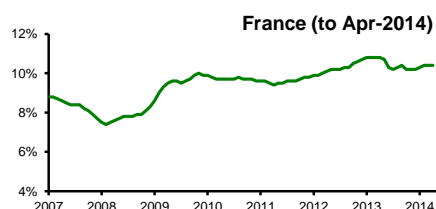
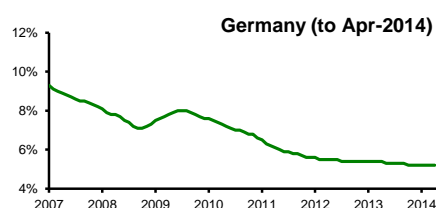
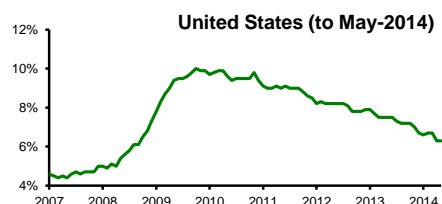
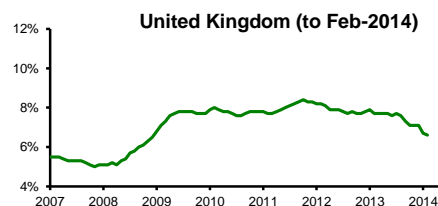
Contact: Daniel Harari x2464

Update: ONS, *Labour Market Statistics*, 16 Jul 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 Q1 2014 was 7.1%. This was below the rate of France and Italy but above that of Germany.
- In the US, unemployment fell throughout 2013 and was 6.7% in Q1 2014.
- In the euro zone, unemployment is 11.8%, slightly down on Q1 2014.
- Spain and Greece have the highest harmonised unemployment rate among the 33 OECD member states (25.4% in Q1 2014 and 27.4% in Q4 2013 respectively). South Korea had the lowest unemployment rate in the OECD in Q1 2014, at 3.5%.
- Youth (15-24) unemployment is a major issue in many developed economies at present. In Q3 2013 youth unemployment was 56.5% in Spain and 58.0% in Greece. In the same period UK youth unemployment stood at 20.8%.



Unemployment

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

	2011	2012	2013	2012				2013				2014
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Canada	7.5	7.2	7.1	7.4	7.3	7.3	7.2	7.1	7.1	7.1	7.0	7.0
France	9.6	10.2	10.8	9.9	10.2	10.3	10.6	10.8	10.3	10.3	10.2	10.4
Germany	6.0	5.5	5.3	5.5	5.5	5.4	5.4	5.4	5.3	5.3	5.2	5.1
Italy	8.4	10.7	12.2	9.9	10.6	10.8	11.4	11.9	12.1	12.3	12.6	12.7
Japan	4.6	4.4	4.0	4.5	4.4	4.3	4.2	4.2	4.0	4.0	3.9	3.6
UK	8.0	7.9	..	8.2	7.9	7.8	7.7	7.8	7.7	7.5	7.1	..
US	9.0	8.1	7.4	8.2	8.2	8.0	7.8	7.7	7.5	7.2	7.0	6.7
Eurozone	10.1	11.4	..	10.9	11.3	11.5	11.8	12.0	12.0	12.0	11.9	11.8
G7	7.7	7.4	7.1	7.5	7.5	7.4	7.3	7.3	7.2	7.1	6.9	6.7
OECD	8.0	8.0	7.9	7.9	7.9	7.9	8.0	8.1	8.0	7.9	7.7	7.5

Source: OECD, Harmonised Unemployment Rates

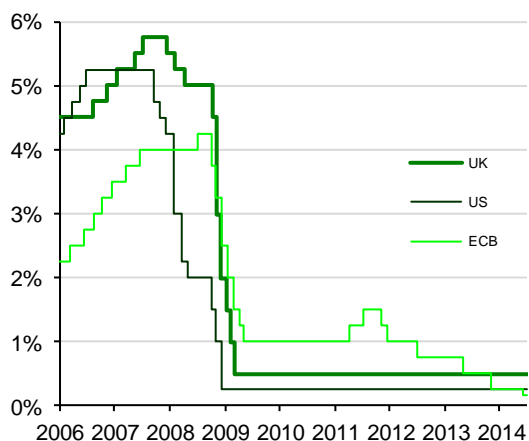
Contact: Chris Rhodes, x2454

Updates: OECD, [Harmonised Unemployment Rates](#), mid-July

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

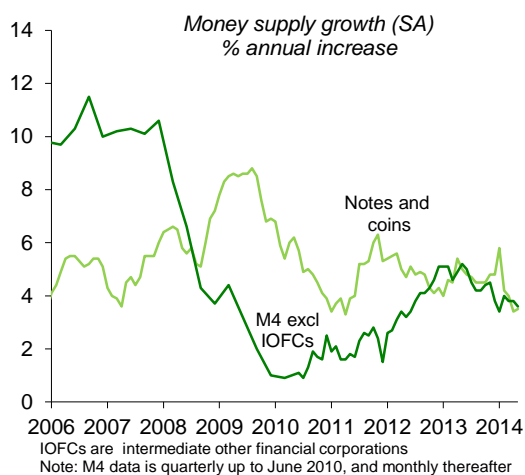


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England (BoE) cut the official Base Rate from 4.5% to 0.5%, the lowest since the Bank was founded in 1694. The rate has remained at 0.5% since March 2009.
- On 6 August 2013, the Governor of the BoE issued 'forward guidance' on the future path of interest rates, stating <http://www.bankofengland.co.uk/publications/Pages/news/2013/096.aspx> 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%."
- On **5 June 2014**, the Governing Council of the European Central Bank (ECB) agreed to lower the main interest rate for the eurozone from 0.25% to 0.15%.
- The ECB also announced that the interest rate on the deposit facility will be decreased by 10 basis points to -0.10%, with effect from 11 June 2014.
- 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 by \$10bn at each of its meetings. Thus at its January meeting, the Fed reduced its rate of asset purchases from \$75bn to \$65bn 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 through QE have been gilts (UK Government securities).

Money supply



- In its May 2014 [Inflation Report](#), the Bank of England noted that annual broad money growth had fallen slightly. The fall was down to a reduction in the holdings of other financial institutions. However, flows into household 'sight' (i.e. instant access) deposits and contributions from PNFs (UK private non-financial corporations) remained robust.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 3.6% in May 2014, down from 3.8% in April.
- The value of notes and coins in circulation outside the Bank of England rose by 3.5% in May 2014 compared with a year ago, up from 3.4% in April.

D2: Public Finances

Public sector net borrowing totalled £107.0 billion in 2013/14, £8.1 billion lower than in 2012/13. Public sector net debt (the stock of Government borrowing) at the end of March 2014 stood at £1.27 trillion, equivalent to 76.1% of GDP, higher than the 74.5% forecast by the Office for Budget Responsibility (OBR) at Budget 2014.

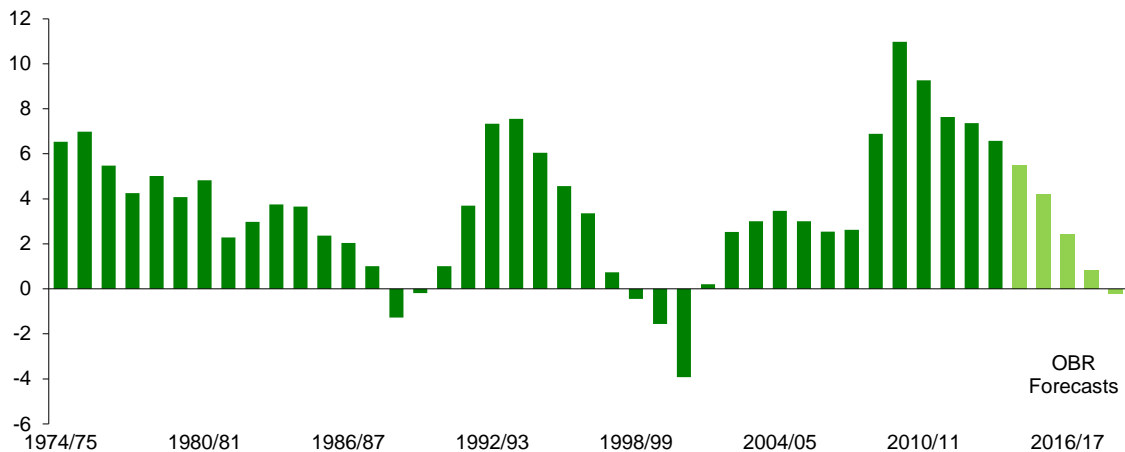
- In May 2014 net borrowing was £13.3 billion, 6% higher than in May 2013.
- Net borrowing is forecast to fall from £107 billion in 2013/14 to £17 billion in 2017/18, before a budget surplus is recorded in 2018/19 of £5 billion.
- Public sector net debt (the stock of Government borrowing) in 2013/14 was 76.1%. OBR forecast that public sector net debt will rise to 78.7% in 2015/16, before falling back to 74.2% in 2018/19.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	157	11.0	829	56.4
2010/11	139	9.3	1,005	65.9
2011/12	118	7.6	1,106	71.2
2012/13	115	7.4	1,185	74.2
2013/14	107	6.6	1,273	76.1
2014/15	96	5.5	1,355	77.3
2015/16	75	4.2	1,439	78.7
2016/17	45	2.4	1,497	78.3
2017/18	17	0.8	1,530	76.5
2018/19	-5	-0.2	1,548	74.2

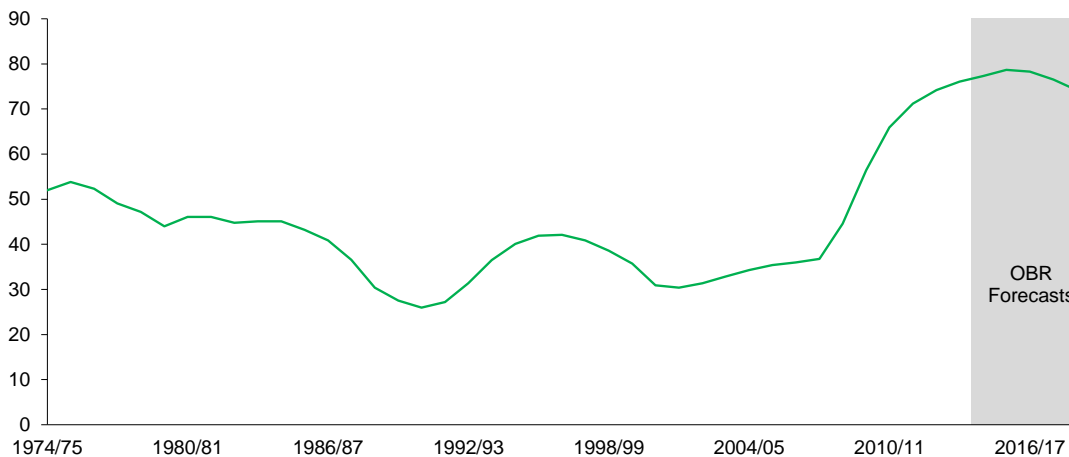
Source: ONS, OBR. Excludes financial sector interventions

Note: borrowing figures exclude Royal Mail transfer and QE

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Matthew Keep, x4324

Updates: ONS, [Public Sector Finances](#), 22 July 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 30 June 2014

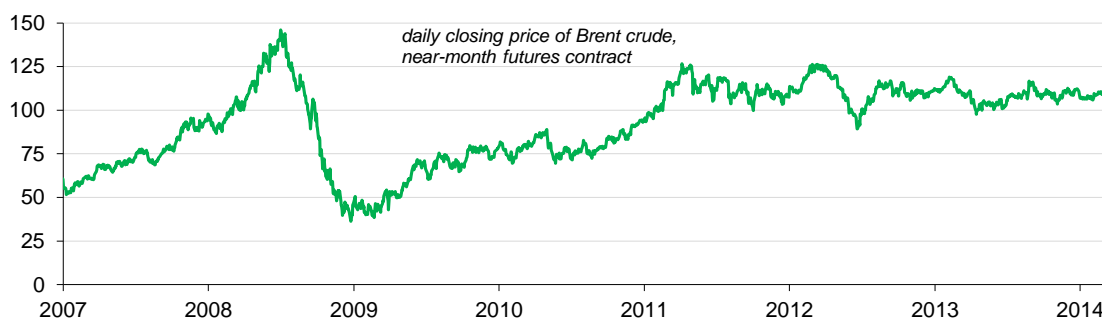
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
30 Jun 2014	6,743.9	112.4	1,315.4
%change over:			
1-month	-1.5%	+3%	+5%
12-months	+7%	+9%	+7%
%change from:			
cyclical peak	-2%	-23%	-31%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+92%	+209%	+85%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



Gold price (\$ per ounce)



E1: Trade

In 2012, the UK's exports totalled £493 billion and imports totalled £527 billion. EU countries accounted for 45% of exports and 51% of imports.

UK's largest trading partners, 2012

Exports			Imports		
	£bn	% tot.		£bn	% tot.
1. USA	84.1	17.1	1. Germany	61.0	11.6
2. Germany	43.2	8.8	2. USA	50.6	9.6
3. Netherlands	34.6	7.0	3. Netherlands	35.8	6.8
4. France	30.2	6.1	4. France	33.2	6.3
5. Ireland	27.0	5.5	5. China	32.9	6.2
EU	222	45.1	EU	267	50.6
Non-EU	271	54.9	Non-EU	260	49.4
World total	493		World total	527	

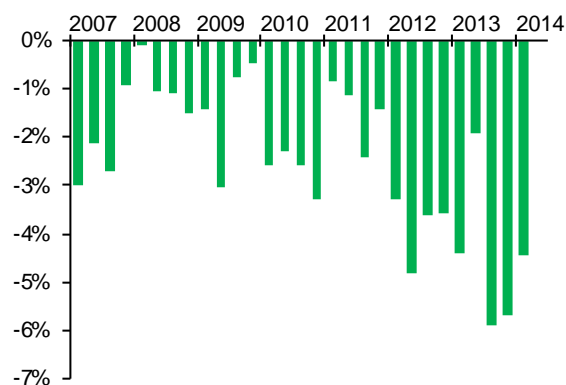
Source: ONS, Pink Book 2013, table 9.3
Includes both goods and services

- In 2012, 17.1% of total UK exports (£84bn) went to the US, making it the most important export partner to the UK. Germany was second, with 8.8% of UK exports going there, and the Netherlands were third (7.0%).
- The UK imported more goods and services from Germany than from any other country (11.6% of total imports). The US was second (9.6%) and the Netherlands third (6.8%).
- In 2012, 45.1% of UK exports go to other EU countries, while the EU made up just over half (50.6%) of total UK imports.

Current Account balance and trade in goods and services

Current Account Balance, % of GDP

Quarterly data



- The current account deficit in Q1 2014 was £18.5bn (4.4% of GDP) down from £23.5bn in Q4 2013.
- The current account deficit in 2013 was £72.8bn, (4.5% of GDP). There was a £28.5bn deficit in trade in goods and services.
- In Q1 2014, the trade deficit was £5.0bn. The deficit on trade in goods (excluding oil and erratics) was £23.5bn. The surplus on trade in services was £21.5bn.

Goods & Services and Current Account Balances

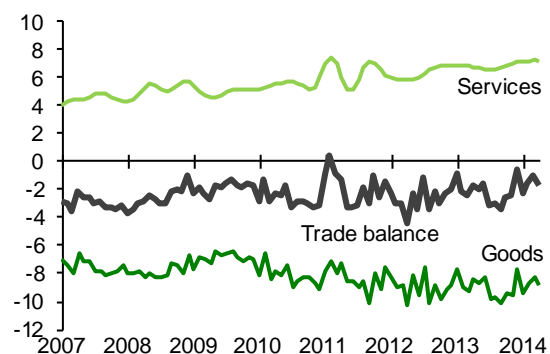
Seasonally adjusted

	Goods and Services (£bn)			Current Account	
	Exports	Imports	Balance	£bn	% GDP
2012	495.3	528.7	33.4	-59.7	-3.8%
2013	505.6	534.1	28.5	-72.8	-4.5%
2013 Q1	126.2	132.6	-6.4	-17.6	-4.4%
Q2	129.0	133.2	-4.2	-7.7	-1.9%
Q3	125.0	135.8	-10.8	-23.9	-5.9%
Q4	125.5	132.6	-7.1	-23.5	-5.7%
2014 Q1	123.4	128.9	-5.5	-18.5	-4.4%

Source: ONS, series: IKBI, IKBI, IKBJ, HBOP

Balance of trade, goods and services

£ billion, monthly data



Contact: Dominic Webb, x2042

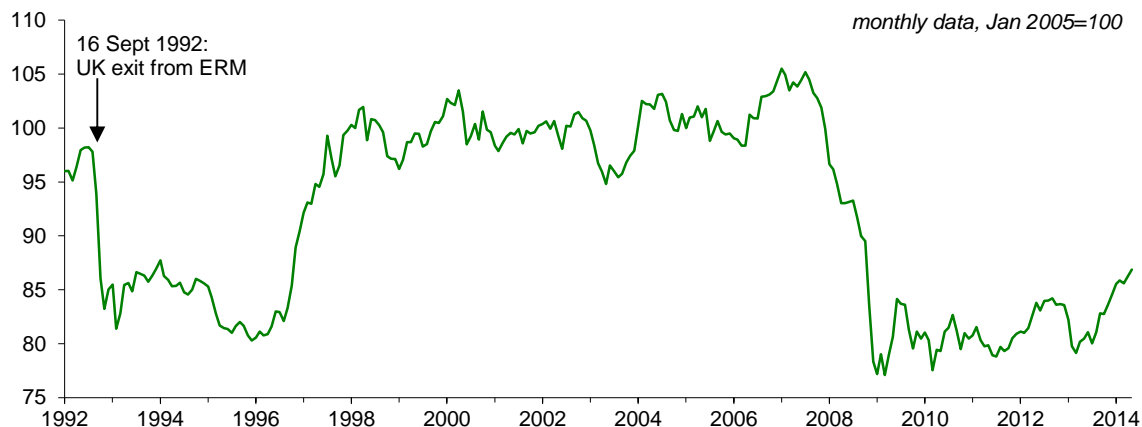
Updates: ONS, [UK Trade](#), 10 Jul 2014
ONS, [UK Balance of Payments](#), 30 Sep 2014

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).

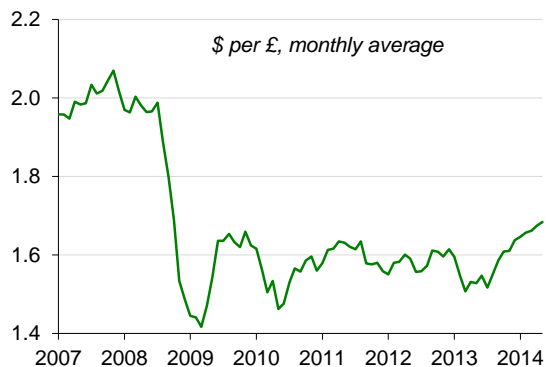
The SERI fell by 0.8% in May 2014, following a growth of 0.7% in April. Compared with the same period a year ago, it is 8.0% higher. It is currently 11.8% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 17.7% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



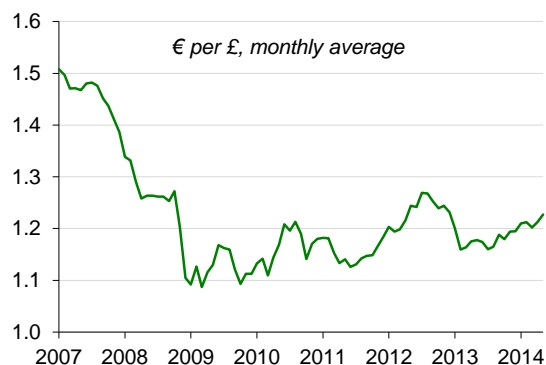
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in May, the pound was up 0.6% against the dollar compared to in April. At the 2 June market close the pound stood at \$1.67, 1% up on the May average.
- Sterling was up 1.2% against the Euro in May compared to April.
- At the 2 June market close the pound stood at €1.23. 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%
2014				
Mar	1.66	10.3%	1.20	3.3%
Apr	1.67	9.3%	1.21	3.2%
May	1.68	10.2%	1.23	4.2%

Source: Bank of England, Bankstats database

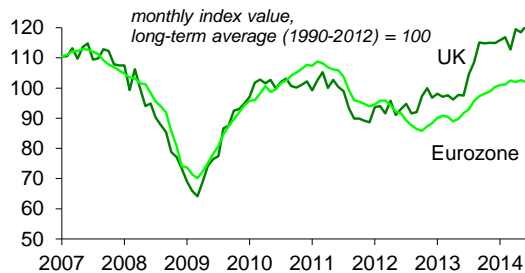
Contact: Daniel Harari, ext. 2464

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

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

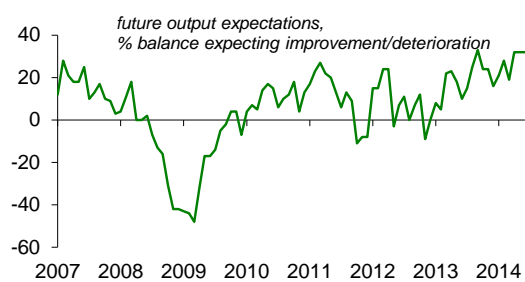


		UK Index	monthly change	change on year ago
2012	Jun	93.0	...	...
2013	Jun	97.5	...	...
2014	Apr	119.5	+6.7	+23.3
	May	118.5	-1.0	+20.8
	Jun	120.7	+2.2	+23.2

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 May and April 2014 the overall UK sentiment index increased from 118.5 to 120.7, 23.2 points higher than the previous year. The Eurozone index was up over the year by 13.6 points to 106.4.

CBI Industrial Trends Survey



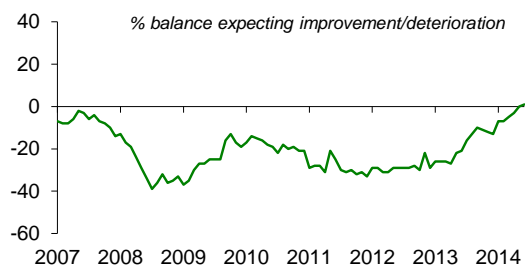
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2012	Jun	+7	...	...
2013	Jun	+10	...	...
2014	Apr	+32	+13	+9
	May	+32	0	+14
	Jun	+32	0	+22

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In June 2014, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +32% of firms. This is the same as the balance in the previous two months and 22 points higher than June 2013.

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
2012	Jun	-29	...	...
2013	Jun	-21	...	...
2014	Apr	-3	+2	+24
	May	+0	+3	+22
	Jun	+1	+1	+22

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 1 in June, up 1 point on the previous month and 22 points higher than a year ago. Prior to May 2014 consumer confidence had been negative since April 2005.

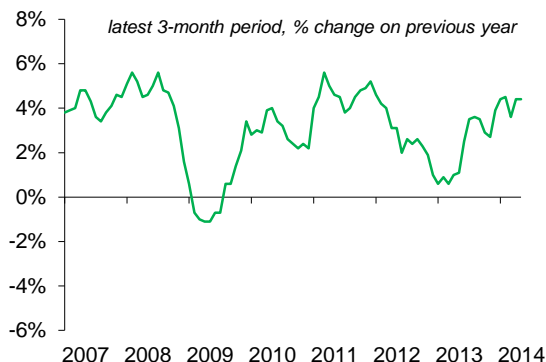
Contact: James Mirza-Davies, x6962

Update: CBI, [Industrial Trends](#), 24 Jul 2014
EC, [Economic Sentiment Indicator](#), 30 Jul 2014
GfK NOP, [Consumer Confidence](#), 29 Jul 2014

F2: Retail Sales

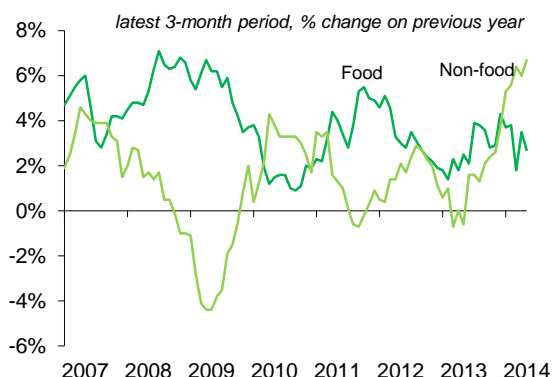
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of retail sales



- The value of retail sales in the three months to May 2014 was 4.4% higher than the same three months in the previous year.
- The value of retail sales in May 2014 alone was 3.9% higher than in April 2013.
- The value of internet sales in May 2014 was 15.1% higher than in May 2013.

Value of food & non-food store sales



- The value of sales in food stores in the three months to May 2014 rose by 2.7% on the same period last year, and the value of sales in non-food stores increased by 6.7%.
- The value of sales in household goods stores increased by 4.0% in the three months to May compared with the previous year. Department stores saw growth of 8.7%.

Value of retail sales

annual data and 3-month periods ending in recent months, % change on previous year; seasonally adjusted

	Food Stores	Non-Food Stores				Total	All retailing total (inc vehicle fuel)
		Clothing & Footwear	Household goods	Dept stores	Other		
2012	3.0	1.5	-0.4	6.4	0.6	1.7	2.4
2013	3.0	2.7	-3.5	4.0	2.7	1.7	2.6
2014 JAN	3.7	5.2	0.7	6.4	7.8	5.3	4.4
FEB	3.8	2.9	2.7	7.7	8.9	5.6	4.5
MAR	1.8	3.3	4.9	7.1	10.1	6.4	3.6
APR	3.5	4.4	4.3	7.5	7.5	6.0	4.4
MAY	2.7	6.0	4.0	8.7	7.8	6.7	4.4

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

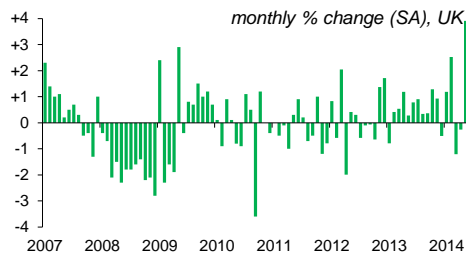
F3: Housing Market

House prices on the Nationwide index increased for the 13th consecutive month in May, rising by 0.7%. Prices were 11.1% higher compared with a year ago on this measure. House prices on the Halifax index increased by 3.9% in May following two months of decreases. Prices were 10.6% higher than in May 2013 on this measure.

Mortgage approvals fell for the fourth consecutive month in May, but remain higher than in any month during 2009 to 2012. Approvals still remain well down on pre-recession levels. Housing starts have increased from the lows observed in late 2008 and early 2009 but remain well below pre-recession levels.

House price indices

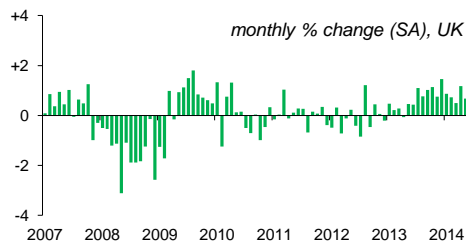
Halifax house price index



- House prices have grown significantly over the last year. In May 2014, the average house price on the Nationwide measure was approaching £187,000.
- There is considerable regional variation. In Q1 2014 house prices in London are 18% higher than during the same quarter in 2013. In Wales and Northern Ireland prices have increased by 5%. (Nationwide data).

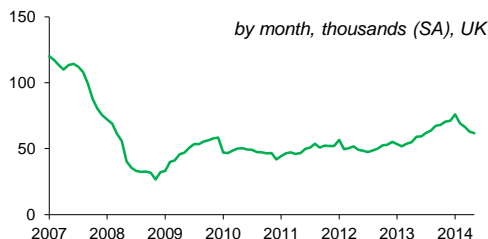
Latest monthly data
UK, seasonally adjusted

Nationwide house price index



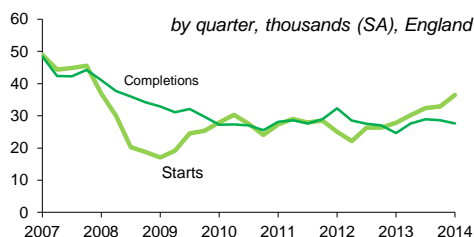
	Halifax	Nationwide
Latest data	May-14	May-14
Change in month	+3.9%	+0.7%
Change in year	+10.6%	+11.1%
Peak date	Aug-07	Oct-07
Change since peak	-7.6%	-0.9%
Trough date	Apr-09	Feb-09
Change since trough	+19.3%	+23.0%

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 61,707 mortgage approvals in May 2014. Approvals have decreased for four successive months following a six year high in January 2014

House-building



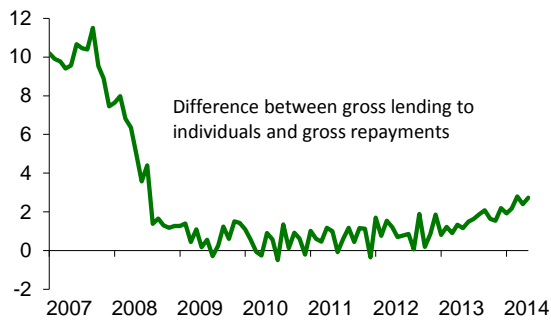
- There were 36,450 house building starts in England in Q1 2014, 11% more than in Q4 2013 and 31% more than in Q1 2013. This is above the recent low of 17,090 in Q1 2009, but still well below the 48,990 starts in Q1 2007.
- There were 26,670 dwelling completions in Q1 2014, down 3% from Q4 2013, but 12% higher than in Q1 2013. Completions remain below the peak of 48,440 completions in Q1 2007.

Contact: Matthew Keep x4324

Updates: Halifax [House Price Index](#), early July 2014;
Nationwide [House Price Index](#), early July 2014;
Bank of England, [Money and credit](#), 29 July 2014;
DCLG, [House-building](#), 21 August 2014

F4: Household debt

Monthly net lending, £bn

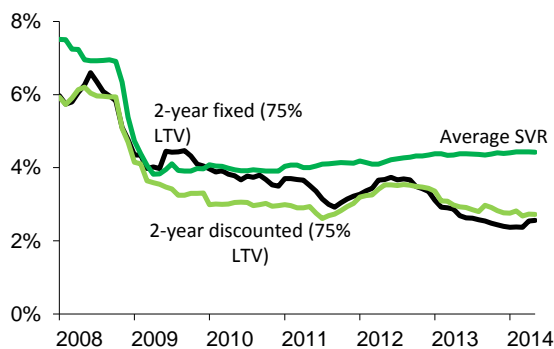


Source: Bank of England

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

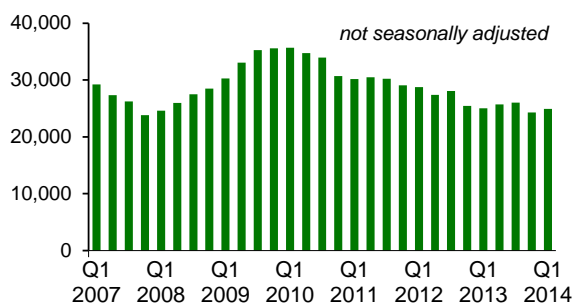
- Total net lending to individuals (excluding student loans) was £2.7 billion in May 2014. Net lending has been relatively low since mid-2008, but grew through most of 2013.
- Monthly net unsecured lending (consumer credit) grew by £0.7 billion in May. Monthly net secured lending (mortgages) grew by £2.0 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in May 2014 it was 4.42%, compared with 4.38% a year before.
- In contrast fixed-term mortgage rates have generally been falling since mid 2012 – the average 2-year fixed mortgage rate was 2.56% in May, compared to 2.69% a year before.
- The average 2-year discounted rate was 2.72% in May compared with 2.93% a year before.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 24,931 individual insolvencies in England and Wales in Q1 2014, a 0.3% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q1 2014 there were 2,998 individual insolvencies, a decrease of 14.0% on Q1 2013.
- In Northern Ireland in Q1 2014 there were 840 individual insolvencies, an increase of 0.5% on Q1 2013.

Contact: Dominic Webb, x2042

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 29 July 2014
Insolvency Service, [Insolvency Statistics](#), 1 Aug 2014

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	<i>Financial Times</i> , 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, <i>Bankstats</i> database (annual and monthly)
F1	Business and Consumer Confidence	European Commission: Economic Sentiment Indicator Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey press releases ; Consumer Confidence: GfK NOP Consumer Confidence Index
F2	Retail Sales	ONS, Retail Sales
F3	Housing Market	Bank of England: Lending to Individuals ; Department for Communities and Local Government (DCLG) UK Housing Starts: table 201 ; Halifax house price data: housing research page ; Nationwide house price data: data page
F4	Household Debt	Bank of England: Lending to Individuals ; The Insolvency Service: Insolvency Statistics

6 Glossary

Symbols and abbreviations

..	Figure(s) not yet available
CBI	Confederation of British Industry
ILO	International Labour Organisation
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics

Definitions¹

Balance of payments: A country's financial position, with other countries of the world, comprising two parts:

Current account: the balance of imports and exports of goods and services, income and transfers combined;

Capital account: the difference between a country's capital invested in other countries, and the capital invested by other countries in it.

Technically, the two parts always balance. A balance of payments deficit normally refers to a **current account deficit**.

Balance of trade: The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

Basic prices: Prices excluding taxes and subsidies on products.

Claimant count: The number of people claiming Jobseeker's Allowance (JSA) benefits.

Consumer Prices Index (CPI): This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

Current account balance: The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A current account deficit means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

Current budget: Measures the balance of public sector current account revenue over public sector current expenditure.

Current/constant prices: Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Economically active: Those aged 16 and over who are either in employment or unemployed.

Economically inactive: Those aged 16 and over who are neither in employment nor unemployed. This includes those who do not want a job, those who want a job but have not been seeking work in the last four weeks and those who want a job and are seeking work but not available to start work.

Employment: The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

Exchange rate: The rate at which one currency is traded against another.

Gross Domestic Product (GDP): The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

Gross Domestic Product – Real GDP: Also known as constant price or chained volume measure, this is a measure used to indicate change in the actual quantity of goods and services produced, by adjusting for inflation.

Gross Fixed Capital Formation (GFCF): Expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.

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

Gross Value Added (GVA): The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. GVA is used to measure the productivity of sectors/industries and economies.

Harmonised Indices of Consumer Prices (HICP): Harmonised indices of consumer prices for Member States of the European Union, which enable comparisons to be made across countries. The UK's CPI measure uses HICP methodology.

Market prices: The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes. $\text{GDP at market prices} = \text{GDP at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

Money supply: The total amount of money in an economy at a given time.

The Public Sector Net Borrowing (PSNB): This measures the public sector's accumulation of debt net of liquid financial assets. Its approximate stock equivalent is net public sector debt.

Public Sector Net Debt: This is approximately the stock analogue of the PSNB. It measures the public sector's financial liabilities to the private sector and abroad, net of short-term financial assets such as bank deposits and foreign exchange reserves.

Retail Prices Index (RPI): A domestic indicator of inflation. It measures the average change from month to month in the prices of goods and services purchased in the UK. It is similar to the CPI, but differs in terms of methodology and coverage. For example, the RPI includes housing costs such as mortgage interest payments while the CPI doesn't.

Seasonally adjusted: Estimates in which the element of variability due to seasonal influences, which may distort the data, has been removed.

Sterling Exchange Rate Index (SERI): This measures the value of sterling against a trade-weighted 'basket' of other currencies. The weights used in this index measure currencies' relative importance to UK trade in goods and services.

UK Base/Repo rate: The rate at which the Bank of England lends to discount houses by buying their bills. The base rate is usually the minimum rate at which banks are prepared to lend money. The high street bank base rate follows that set by the Bank of England, and it acts as the benchmark for [cont]

other interest rates, including mortgages and personal loans.

Unemployment: The ILO definition includes all people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or are out of work and have accepted a job that they are waiting to start in the next fortnight.

Unemployment rate: The number of unemployed persons expressed as a percentage of the total economically active population.

Volume/value of retail sales: The volume of retail sales is the total takings adjusted for inflation and the value of retail sales is the total actual takings.

Workforce jobs: The sum of employee jobs, self-employment jobs, those in HM Forces and government-supported trainees.