



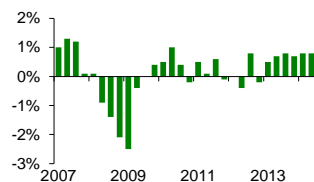
Economic Indicators, August 2014

RESEARCH PAPER 14/41 05 August 2014

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

New estimates published in July suggest that GDP grew by 0.8% in Q2 2014 and that GDP has surpassed to its pre-recession peak. The employment rate rose to 73.1%, whilst inflation rose slightly to 1.9%.

GDP growth (% change quarter-on-quarter)



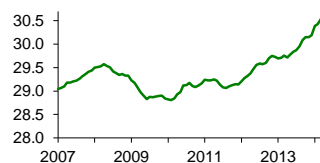
GDP grew by an estimated 0.8% in Q2 2014, following growth of 0.8% in Q1.

Inflation (CPI) (% change on year ago)



The CPI annual inflation rate was 1.9% in June 2014, below the Bank of England's target of 2.0%.

Employment (total, millions)



There were 30.6 million people aged 16 and over in employment in March-May 2014. The employment rate was 73.1%, above the pre-recession level in 2008.

This month's articles:

- **Developments to public sector finances**
- **Women on FTSE boards – is the UK approach the most effective?**

Chris Rhodes (editor)

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Research Paper 14/41

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:

Subject	Statistician	tel. extn.
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Businesses	Chris Rhodes	2454
EC finance	Matthew Keep	4324
GDP	Daniel Harari	2464
Employment	Aliyah Dar	6920
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Housing	Richard Cracknell	4632
Incomes	Feargal McGuinness	4904
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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 Developments to Public Sector Finances

Key measures of public sector debt and the deficit are set to increase due to changes in the way that public finances are measured. The changes, being introduced in September 2014, are expected to add just under £130bn to public sector net debt and £4bn to the deficit (public sector net borrowing) in 2013/14.

The new methodology brings the UK's public finances in line with the 2010 European System of Accounts (ESA2010), and implements findings from a recent review of public sector finance statistics (PSF).³

2.1 The debt: Public Sector Net Debt (PSND)

The ONS will replace PSND excluding financial interventions, with PSND excluding banks. The new measure will be applied retrospectively resulting in higher debt in all years since 2004/05.

Debt levels will increase due to the introduction of Network Rail to the public sector; a changed view as to how easily the Government can turn their bank shares into cash; and greater coherence in the treatment of financial interventions.

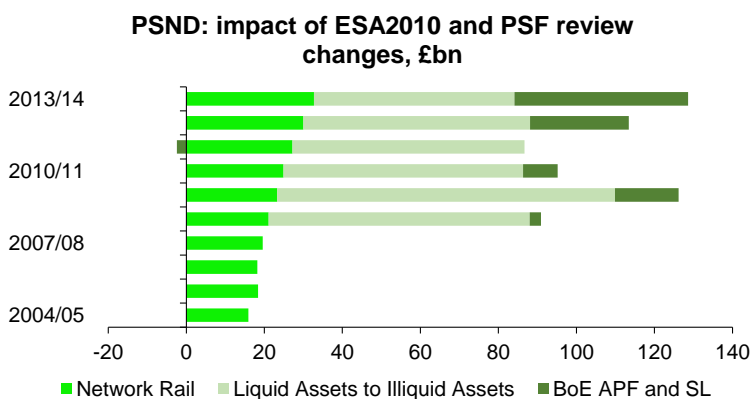
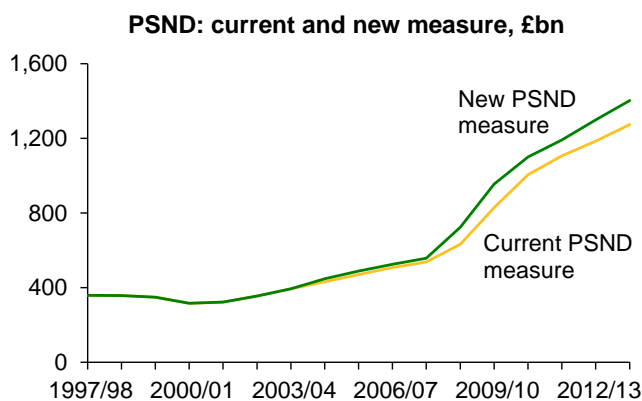
Network Rail and its debt will be brought into the public sector from 2004/05. This is the only change affecting PSND prior to the financial crisis.

A more coherent approach is achieved from the changes impacting on PSND from 2008/09:

- shares held by the Government in RBS and Lloyds, previously classed as liquid or easily sellable and deductible from debt, will be classed as illiquid in line with other Government held shares
- currently, financial interventions made during and after the financial crisis are not treated in the same way. To ensure equal treatment the net debt of both the Bank of England's Asset Purchase Facility (APF), also known as quantitative easing, and Special Liquidity (SL) scheme will be included in the new measure

PSND as a % of GDP

ESA2010 is also being introduced to the calculation of GDP. Revisions will add around 3.6% per year⁴ to GDP and will therefore impact upon the often discussed measure of debt: PSND as a % of GDP.



³ See ONS. [Developments to Public Sector Finance Statistics – June 2014 update](#), for further details.

⁴ Between 1997 and 2009

PSND as a % of GDP is set to decrease in years prior to 2008, as increases in GDP more than offset increases to PSND. However, larger PSND increases from 2008 are set to increase PSND as a % of GDP.

At the end of 2009, PSND as a % of GDP is expected to increase by around 7 percentage points.

2.2 The deficit: Public sector net borrowing (PSNB)

The ONS will replace PSNB excluding financial interventions, with PSNB excluding banks. The new measure of the deficit will be applied retrospectively and PSNB is set to increase in the majority of the last 17 years.

In 2013/14 around £3.8 billion will be added to the measure of the deficit.

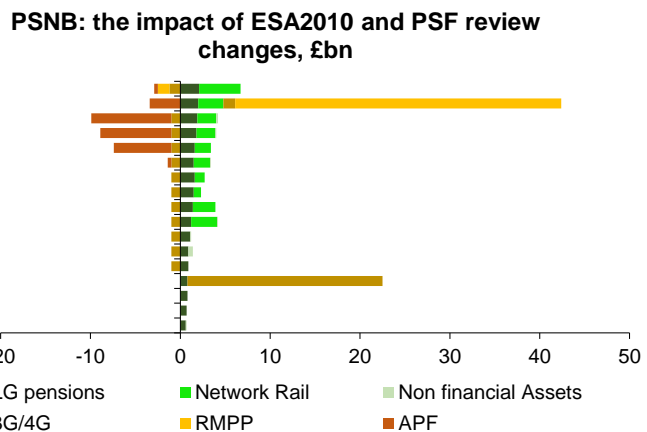
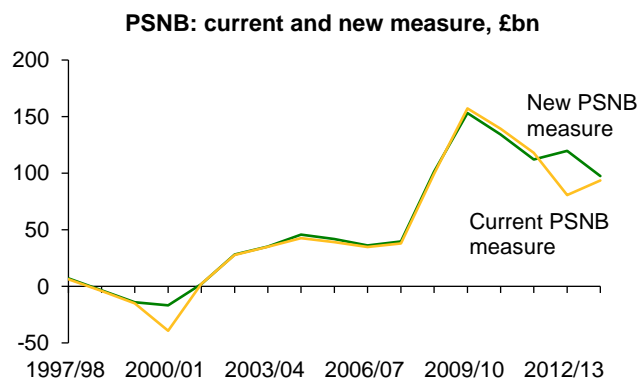
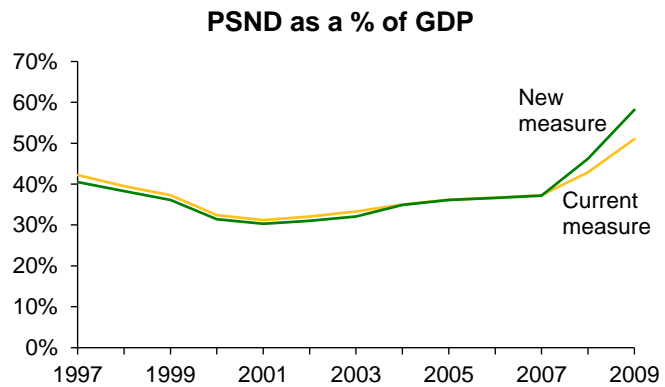
The new measure incorporates the following changes which will impact on borrowing:

- Network Rail’s move to the public sector will increase borrowing, as will the requirement that the Local Government Pensions Scheme includes annual social contributions to cover contribution shortfalls
- Transactions between the APF and the private sector will be included, and will decrease borrowing
- Phone licence sales will be treated as a rent. Consequently the one off sales which currently decrease borrowing in 2000/01 (£23bn for 3G) and 2012/13 (£2.3bn for 4G) are removed and replaced with annual receipts which decrease borrowing by around £1bn
- Borrowing increases in 2012/13 due to changes in how the liabilities and assets transferred to government from the Royal Mail Pension Plan (RMPP) are treated, but borrowing in future years decreases as benefits paid are reduced by imputed revenue

2.3 Concluding thought

The accounting changes discussed above are just that, and as Paul Johnson, director of the Institute for Fiscal Studies has said “It is important to remember that nothing has really changed in the health of the public finances, just the way the figures are counted.”⁵

Matthew Keep, Economic Policy and Statistics section

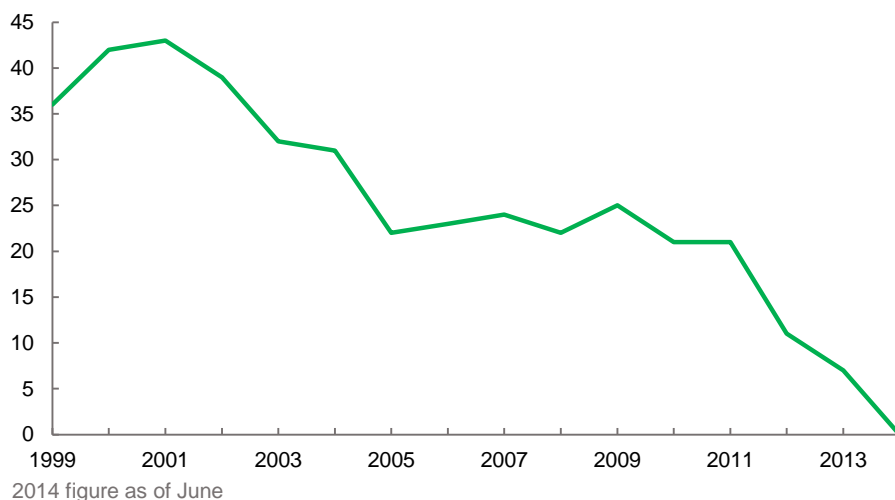


⁵ “ONS gives pre-election boost to UK politicians”, FT [online], 28 February 2014, (accessed on 4 August 2014)

3 Women on FTSE boards – is the UK approach the most effective?

In June 2014, Patrice Merrin was appointed a non-executive director of Glencore PLC, a mining multinational. This meant that for the first time, all FTSE100 boards had at least one female member.

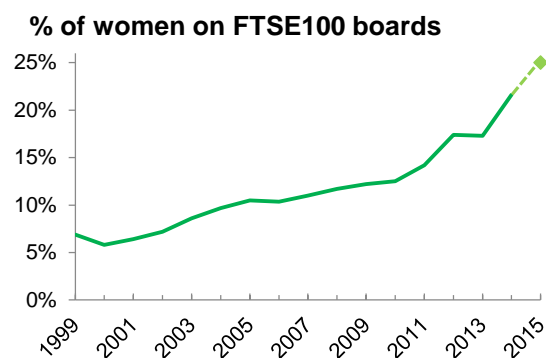
FTSE100 boards with no female members



This news was well received, with the [BoardWatch](#) declaring that it was “delighted” and this is unquestionably an important landmark from an equal opportunities point of view, but also from a purely economic point of view – there is now a [considerable body of evidence](#) demonstrating that companies with strong female representation at board level perform better than those without. How was this landmark achieved, and how can female representation at board-level be further increased?

3.1 A decade of progress

The gender balance on UK boards has been regularly tracked since 1999 by the [Cranfield School of Management](#). Their Female FTSE Index is announced each November showing the proportion of women on FTSE boards.



Since 2011, the Cranfield Index has been complimented by [Lord Davies of Abersoch’s reports](#). Lord Davies was invited by the Coalition Government to lead a review looking into what could be done to allow more women to reach board-level positions. His [first report was published in February 2011](#) and its central recommendation was that “FTSE 100 boards should aim for a minimum of 25% female representation by 2015.”

In 1999, only 6.9% of FTSE100 board members were female. In 2011, Lord Davies reported that 12.5% of board members were women. Since then there has been considerable progress and the most recent BoardWatch report shows that as of May 2014, women make up 21.6% of board members.

3.2 The power of scrutiny

Perhaps the most important reason for the increase in the number of women on boards over the last few years is the added scrutiny that FTSE100 companies have been under on this issue. Lord Davies and BoardWatch now regularly publish the names of companies without any female board members, and league tables of the best and worst performing boards in terms of female representation.

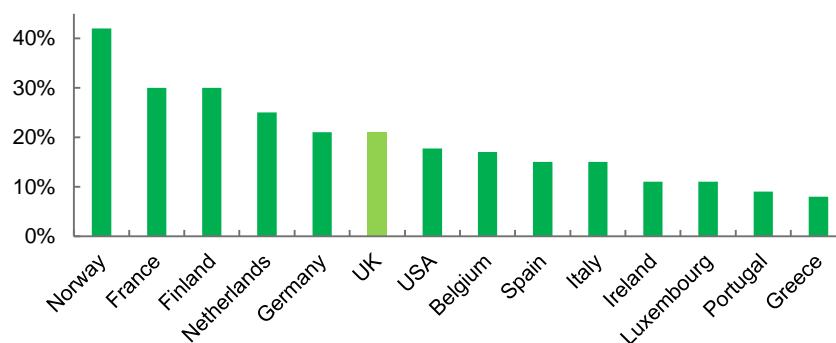
The appointment of Patrice Merrin to the Glencore board is a good example of the impact of this type of scrutiny. In early May 2014, BoardWatch reported that Glencore's was the only FTSE100 board with no female members. On the 20th May, Vince Cable, the Business Secretary, [said that it was "simply not credible"](#) that Glencore was unable to find any women with suitable qualifications to join the board and asked for a meeting with the firm's Chairman. On the 25th June, Patrice Merrin was appointed to the board.

3.3 Questioning quotas

Alternative policy measures have been recommended at EU-level. Although not EU law, a [Commission proposal](#) (supported by the [European Parliament's committees on Legal Affairs and Women's Affairs](#)) would oblige publicly listed companies to maintain at least 40% female boards.

This proposal has been [rejected by the UK Government and Lord Davies](#). But quotas are used in other European countries. Italy and Belgium each have quotas that 33% of board members are women, whilst France and Norway have a quotas that 40% of board members must be women. However, the efficacy of this approach is [only partially supported by the data](#).

% of women on boards, 2013, selected countries



Includes 'blue-chip' companies in each country - no more than 50

Norway and France each have a higher proportion of women on the boards of their largest companies (42% and 30%), compared with the UK. However, other countries that use quotas have a lower proportion of women board members compared with the UK – 17% in Belgium and 15% in Italy.

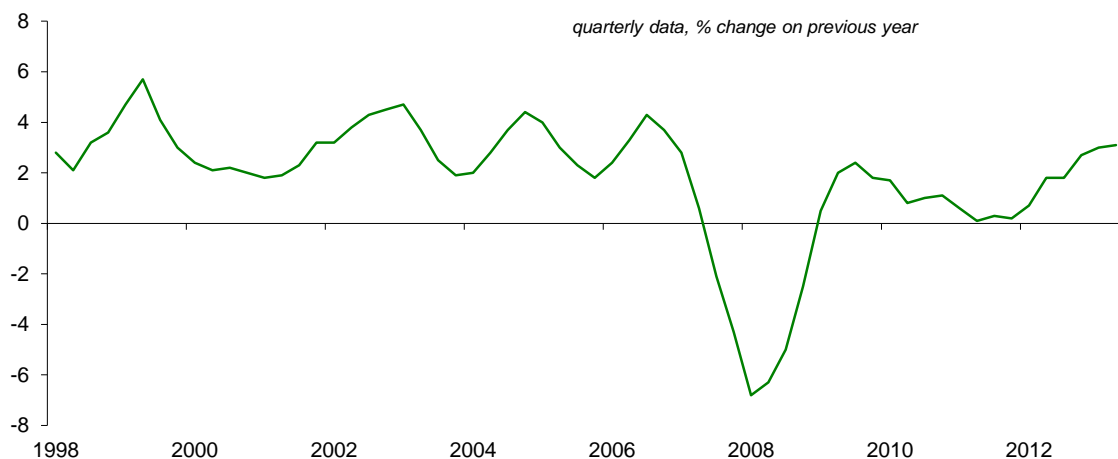
There have also been questions raised over the legality of stipulating the gender of appointments to public companies. The [Equalities and Human Rights Commission](#) has [stated](#) that this would constitute "unlawful sex discrimination." So, on legal grounds, and because the data does not suggest the overwhelming success of other strategies, the broad approach in place in the UK appears to be an effective and practical way to increase female representation on boards: increased publicity, understanding and scrutiny of the issue, without rigid quotas.

Chris Rhodes, Economic Policy and Statistics section

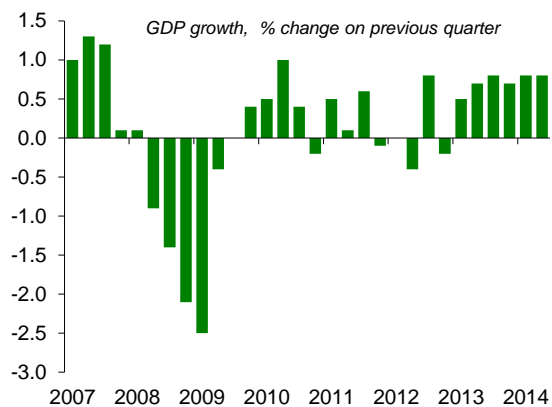
A1: Gross Domestic Product

- Primary estimates show the economy grew by 0.8% in Q2 2014, following growth of 0.8% in Q1 2014. In July, 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 above the Q1 2008 peak for the first time, being 0.2% higher in Q2 2014. The economy shrank by 7.2% from Q1 2008 to the trough in 2009.
- In Q2 2014, output of the production industries increased by an estimated 0.4% compared to the previous quarter (based on chained volume measures). Construction sector decreased by 0.5%, while output of the services industry increased by 1.0%.

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 Q3	388.4	0.1	0.8	0.3
Q4	395.4	2.1	-0.2	0.2
2013 Q1	398.5	2.4	0.5	0.7
Q2	398.9	3.5	0.7	1.8
Q3	404.7	4.2	0.8	1.8
Q4	411.3	4.0	0.7	2.7
2014 Q1	416.2	4.4	0.8	3.0
Q2	...	...	0.8	3.1

Source: ONS, series: YBHA, ABMI

Contact: James Mirza-Davies, x6962 **Updates:** HMT, [Forecasts for the UK economy](#), 20 Aug 2014
ONS, [Preliminary estimate of GDP](#), 15 Aug 2014

A2: GDP: International Comparisons

In Q2 2014, real GDP in the UK grew by 0.8% compared with the previous quarter. In the United States, GDP grew by 1.0%.

In Q1 2014, the UK expanded by 0.8%, the same as in Germany (the eurozone overall saw growth of 0.2%). The US economy contracted by 0.5% in Q1, partly as a result of a severe winter.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	13Q3	13Q4	14Q1	14Q2	13Q3	13Q4	14Q1	14Q2
UK	1.8	2.7	3.0	3.1	0.8	0.7	0.8	0.8
Eurozone	-0.3	0.5	0.9	..	0.1	0.3	0.2	..
US	2.3	3.1	1.9	2.4	1.1	0.9	-0.5	1.0
Japan	2.4	2.4	2.8	..	0.3	0.1	1.6	..
Germany	0.6	1.4	2.3	..	0.3	0.4	0.8	..
France	0.3	0.7	0.7	..	-0.1	0.2	0.0	..
G7	1.7	2.4	1.9	..	0.7	0.6	0.1	..
OECD	1.6	2.2	2.1	..	0.7	0.6	0.3	..

Source: OECDstat, ONS (UK)

In [July 2014](#), the IMF raised their 2014 and 2015 growth forecasts for the UK, last made in April 2014, from 2.9% to 3.2% in 2014 and from 2.5% to 2.7% in 2015. This puts forecasted GDP growth for the UK in 2014 ahead of that for the other G7 countries (Canada is next highest at 2.2%). The IMF lowered its 2014 forecast for US growth from 2.8% to 1.7% due to the weak Q1 2014 GDP outturn.

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 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.

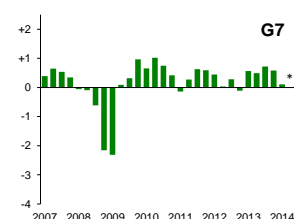
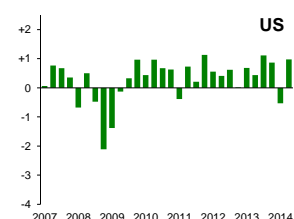
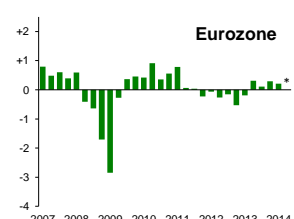
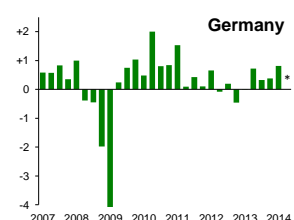
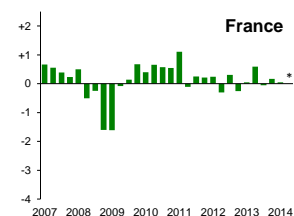
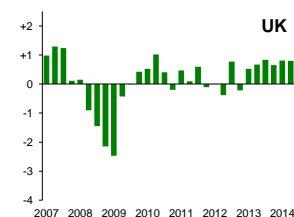
Real growth forecasts (% change)

	IMF (Jul 14)		EC (May 14)		OECD (May 14)	
	2014	2015	2014	2015	2014	2015
UK	3.2	2.7	2.7	2.5	3.2	2.7
France	0.7	1.4	1.0	1.5	0.9	1.5
Germany	1.9	1.7	1.8	2.0	1.9	2.1
Eurozone	1.1	1.5	1.2	1.7	1.2	1.7
US	1.7	3.0	2.8	3.2	2.6	3.5
Japan	1.6	1.1	1.5	1.3	1.2	1.2
OECD	..	..	..	..	2.2	2.8
China	7.4	7.1	7.2	7.0	7.4	7.3
India ¹	5.4	6.4	..	..	4.9	5.9
Brazil	1.3	2.0	..	..	1.8	2.2
World	3.4	4.0	3.5	3.8	3.4	3.9

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

¹Indian IMF GDP growth forecasts on fiscal year basis (Apr-Mar)

Quarter-on-quarter growth rates



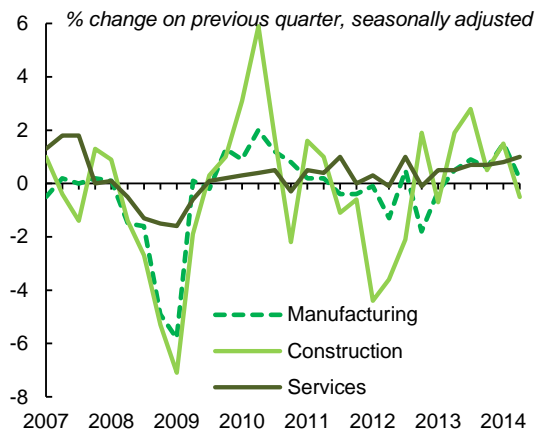
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Nov/Dec 2014
 IMF, [World Economic Outlook](#), Oct 2014
 EC, [Autumn Economic Forecast](#), Nov 2014

Contact: Lorna Booth, x2883

A3: Components of GDP

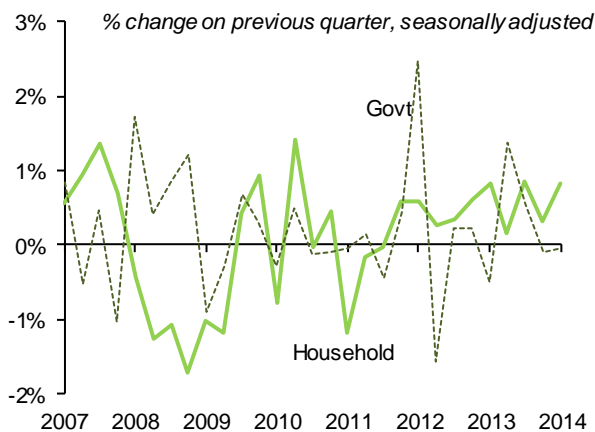
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2013. Government consumption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

Output by industry – gross value added



- Overall, GDP increased by 0.8% in real terms in Q2 2014 compared with the previous quarter.
- Service sector output increased by 1.0%, up from 0.8% in the previous quarter.
- Manufacturing output increased slightly by 0.2%, down from 1.5% in the previous quarter.
- Construction sector output fell by 0.5%, following a rise of 1.5% in Q1 2014.

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%

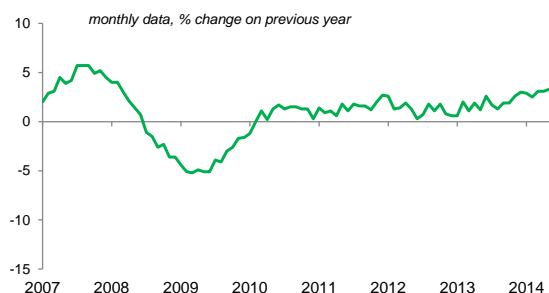
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

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

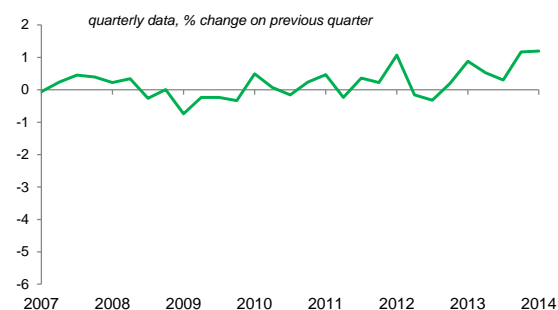


	Index Value (2009=100)	% change on month	% change on year
2012	102.8	...	1.3
2013	104.7	...	1.8
2014 Feb	106.7	0.2	2.5
Mar	107.1	0.5	3.1
Apr	107.4	0.3	3.1
May	107.8	0.3	3.3

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.3% in May 2014 compared to April. Compared with a year before, services output increased by 3.3%.
- The biggest contributors to growth in the service sector over the year to May 2014 came from business services and finance.

Jobs in the service industries

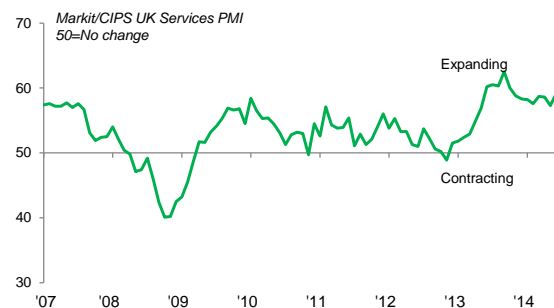


	Thousands	% change on quarter	% change on year
2012 Q1	26,486	...	1.4
2013 Q1	26,645	...	0.6
Q2	26,786	0.5	1.3
Q3	26,868	0.3	1.9
Q4	27,182	1.2	2.9
2014 Q1	27,507	1.2	3.2

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
2012 Jul	51.0	...
2013 Jul	60.2	...
2014 Apr	58.7	1.1
May	58.6	-0.1
June	57.3	-1.3
July	59.1	1.8

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) rose in July to 59.1 (where a score above 50 indicates confidence is expanding).
- Markit stated that this was an eight month high for the Index.

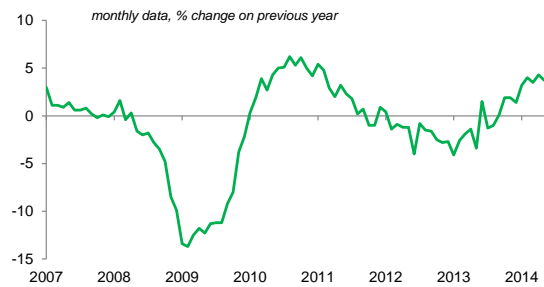
Contact: David Hough, x6933

Update: ONS, [Index of Services](#), 15 Aug 2014
 ONS, [Workforce Jobs](#), 17 Sept 2014
 Markit/CIPS [UK Services PMI](#), 3 Sep 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

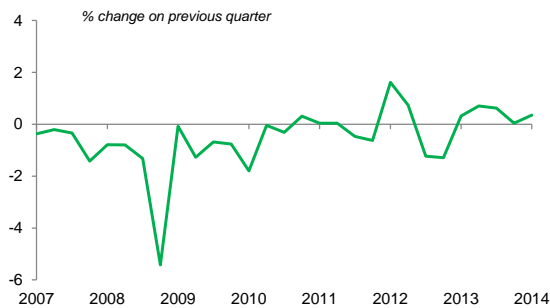


	Index Value (2010=100)	% change on month	% change on year
2012	100.1	...	-1.7
2013	99.3	...	-0.8
2014 Feb	102.1	1.1	4.0
Mar	102.6	0.5	3.5
Apr	102.9	0.3	4.3
May	101.5	-1.3	3.7

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output fell by -1.3% in May 2014 compared with April 2014, and was 3.7% higher than in May 2013. This is the biggest monthly fall in manufacturing output since early 2013.
- The production of metals, pharmaceutical products and electronic equipment were the main contributors to this monthly fall in manufacturing output.

Jobs in manufacturing

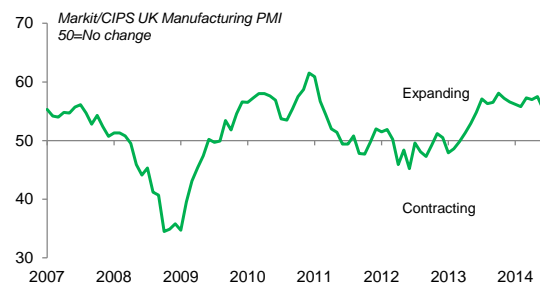


	Thousands	% change on quarter	% change on year
2011 Q1	2,577	...	0.5
2012 Q1	2,539	...	-1.5
2013 Q2	2,557	0.7	-1.5
Q3	2,573	0.6	0.4
Q4	2,574	0.0	1.7
2014 Q1	2,583	0.3	1.7

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 Jul	45.2	...
2013 July	54.8	...
2014 Apr	57.3	1.5
May	57	-0.3
Jun	57.5	0.5
Jul	55.4	-2.1

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS Manufacturing PMI, an important measure of manufacturing activity, was 55.4 in July, down from 57.5 in June (50.0 is unchanged). Markit manufacturing performance in July posted its lowest reading in one year, but nonetheless remained well above the survey average of 51.5.

Contact: David Hough x6933

Update: ONS, [Index of Production](#), 6 Aug
ONS, [Workforce Jobs](#), 17 Sep
Markit/CIPS [UK Manufacturing PMI](#), 1 Sep

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.

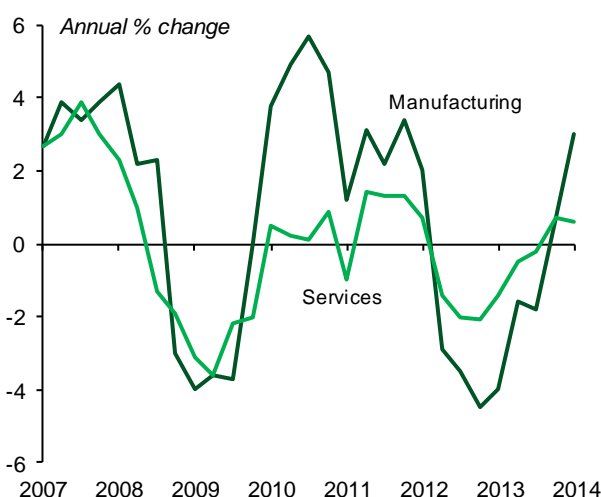
UK productivity by sector

- 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

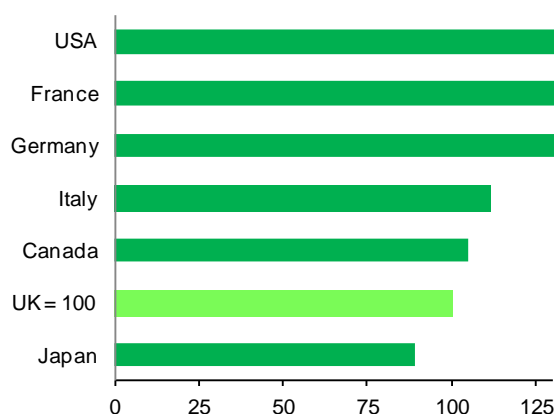
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.8	0.4	1.5
2011	2.5	0.8	0.8
2012	-2.2	-1.2	-1.6
2013	-1.7	-0.4	-0.3
2013 Q2	-1.6	-0.5	-0.2
Q3	-1.8	-0.2	0.0
Q4	0.7	0.7	0.7
2014 Q1	3.0	0.6	0.4
<i>Latest q-on-q % change</i>			
	1.5	0.2	-0.1

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

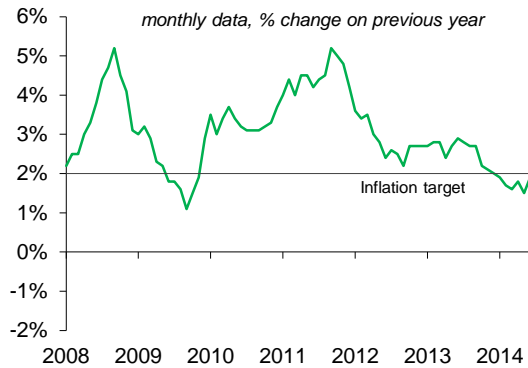
Update: ONS, [International Comparisons](#), 1 Sep 14
 ONS, [Labour Productivity](#), 1 Oct 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 1.9% in June, up from 1.5% in May, falling below the Bank of England's 2.0% target for the sixth time since November 2009.

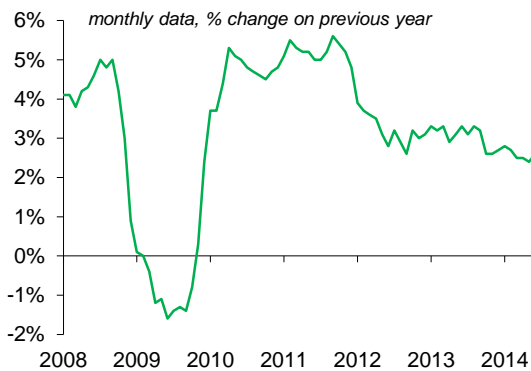
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 1.9% in June, up from 1.5% in May.
- The largest contributions to the rise in the rate came from the clothing, food & non-alcoholic drinks and air transport sectors.
- The RPI (all items) measure of annual inflation was 2.6% in June, up from 2.4% in May. (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)

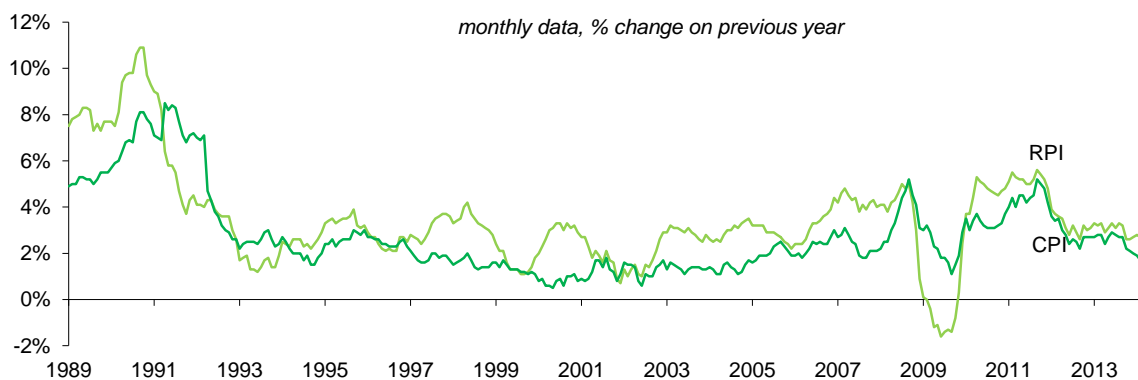


Price Indices

		% change on a year ago	
		CPI	RPI
2011		4.5	5.2
2012		2.8	3.2
2013		2.6	3.0
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
	Jun	1.9	2.6

Source: ONS database. series: D7G7. CZBH

CPI and RPI since 1989

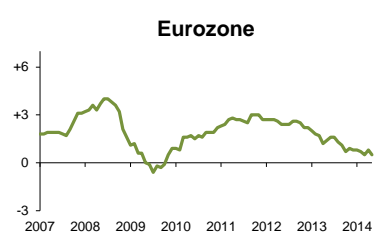
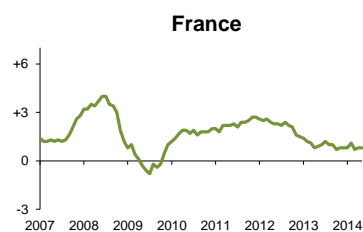


B2: Inflation: International

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

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

- UK inflation was 1.9% in the year to June, up from 1.5% in May. The Bank of England's UK inflation target is 2%.
- Eurozone inflation for the year to June 2014 was 0.8%, unchanged from May. 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 June 2014 at 1.9%. The lowest annual inflation rate in the EU was -1.8% in Bulgaria, followed by -1.5% in Greece.
- HICP annual inflation in the US in the year to May was 1.2%, unchanged from April. 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	1.6	1.8	1.5	1.9
Eurozone	2.7	2.5	1.3	0.5	0.8	0.5	0.5
EU	3.1	2.6	1.5	0.0	0.0	0.0	0.0
France	2.3	2.2	1.0	0.7	0.8	0.8	0.6
Germany	2.5	2.1	1.6	0.9	1.1	0.6	1.0
Greece	3.1	1.0	-0.9	-1.5	-1.6	-2.1	-1.5
Italy	2.9	3.3	1.3	0.3	0.5	0.4	0.2
Spain	3.1	2.4	1.5	-0.2	0.3	0.2	0.0
US	3.8	2.1	1.3	1.1	1.2	1.2	-
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

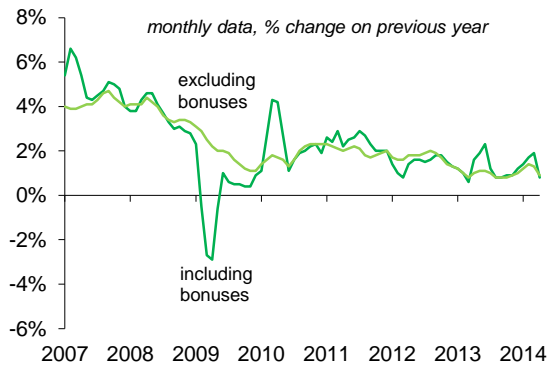
Contact: Matthew Ward, x5919

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

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 0.3% in the three months to May 2014, compared with a year ago. Inflation as measured by the CPI was 1.5% in May.

Average Earnings, Whole Economy



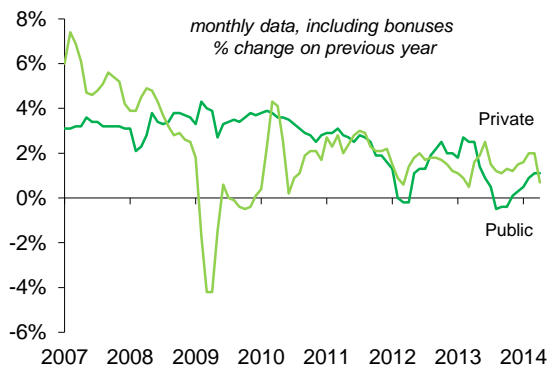
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2011 May	2.4	2.7	1.1	2.9	2.5
2012 May	1.8	1.1	1.6	1.6	1.6
2013 May	1.9	1.4	2.8	1.9	1.9
2013 Dec	1.5	0.3	2.6	1.0	1.2
2014 Jan	1.6	0.5	3.2	1.1	1.4
Feb	2.0	0.9	3.2	1.5	1.7
Mar	2.0	1.1	3.1	1.7	1.9
Apr	0.7	1.1	2.1	0.7	0.8
May	0.2	0.6	1.7	0.2	0.3

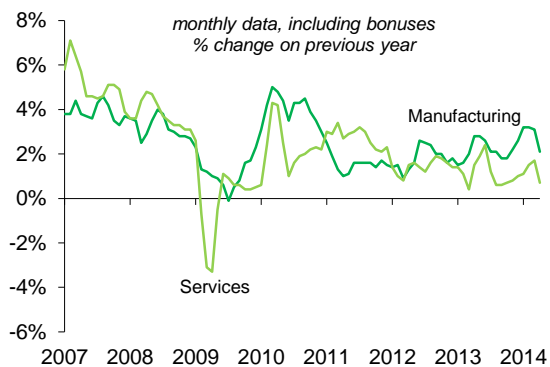
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly earnings (including bonuses) in May were £449 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £491 in May, compared with £476 in the private sector.
- Average total weekly pay in the private sector was up 0.2% year-on-year in the three months to May, and up 0.6% in the public sector.

Average Earnings in Services and Manufacturing

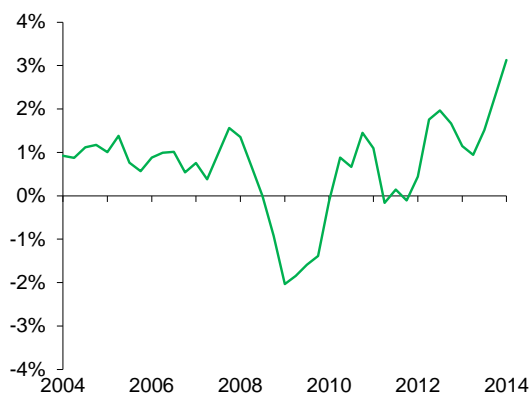


- Average weekly earnings (including bonuses) in the manufacturing sector were 1.7% higher in the three months to May than in the same period last year. In the services sector total pay grew by 0.2%.
- Average total weekly pay in the manufacturing sector was £563 in May, compared with £464 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £614 in May.

C1: Employment

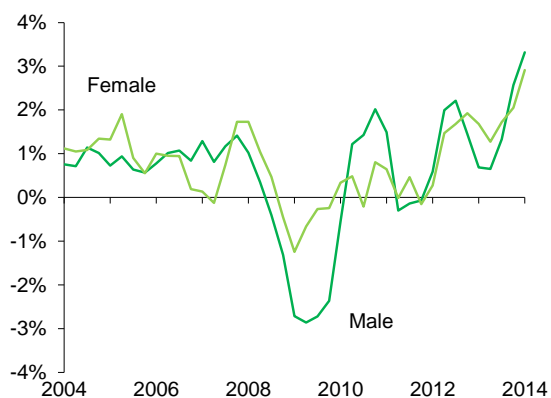
There were 30.64 million people aged 16 and over in employment in the UK in March to May 2014. The number of people in employment increased by 254,000 compared to the previous quarter and by 929,000 compared to the same period last year. The employment rate for people aged 16-64 was 73.1%, rising above the pre-recession rate of 73.0% in March-May 2008 for the first time in recent years.

Total employment (% change on previous year)



- 16.42 million men were in employment in March to May 2014, up 121,000 on the previous quarter. Female employment increased by 133,000 over the past quarter to 14.23 million.
- The number of 16-24 year olds in employment increased by 49,000 over the quarter. There were 22,000 more people in employment aged 65 and over.
- 190,000 more people were working as employees in March to May 2014 than in the previous quarter. 78,000 more people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 231,000 over the past quarter to 22.44 million in March to May 2014. 8.20 million people were working part-time, 24,000 more than in the previous quarter. This included 1.36 million people working part-time because they could not find a full-time job.
- 1.67 million people were employed on a temporary basis in March to May 2014, 57,000 more than in the previous quarter.
- The number of people working in the private sector increased by 447,000 over the quarter to March 2014, to 25.13 million, boosted by the re-classification of the Lloyds Banking Group.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Mar-May 2012	29,378	3,658	17,330	7,462	928
Mar-May 2013	29,714	3,632	17,447	7,643	992
Jun-Aug 2013	29,869	3,599	17,518	7,737	1,016
Sep-Nov 2013	30,150	3,675	17,570	7,839	1,066
Dec-Feb 2014	30,389	3,724	17,671	7,905	1,089
Mar-May 2014	30,643	3,773	17,793	7,966	1,110
% change on previous 3 months	+0.8	+1.3	+0.7	+0.8	+2.0
% change on previous year	+3.1	+3.9	+2.0	+4.2	+11.9

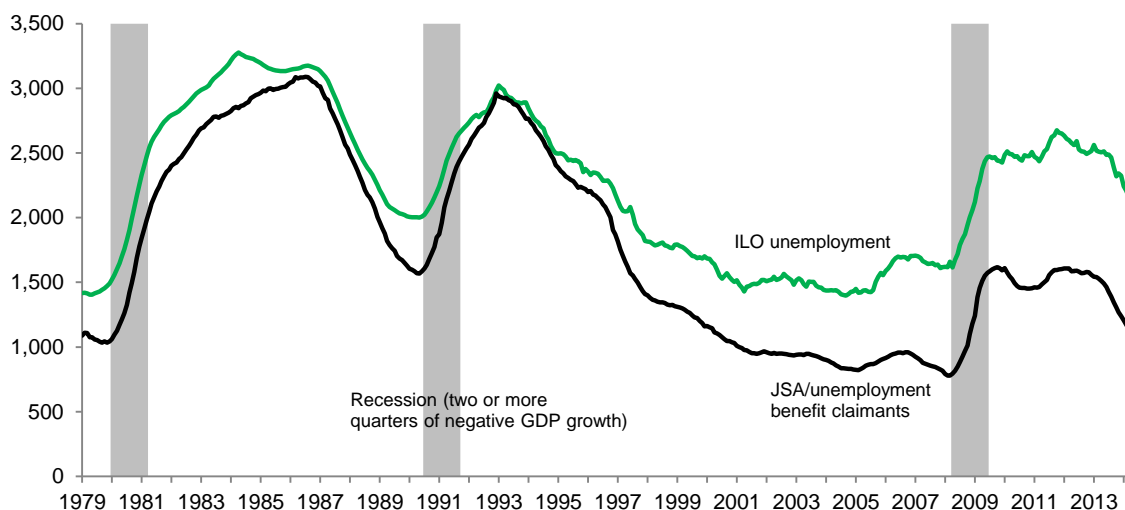
Source: ONS, Labour Market Statistics reference table A05

C2: Unemployment: National

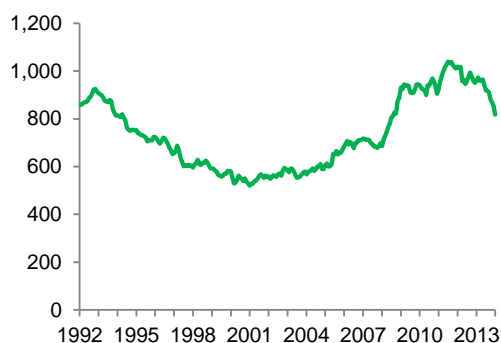
The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. The number of people claiming Jobseeker's Allowance (JSA) and predecessor unemployment benefits is also used.

- ILO unemployment was 2.12 million people in the UK in March-May, down 121,000 from the previous quarter and down 383,000 from the previous year. The unemployment rate (the proportion of economically active people unemployed) was 6.5%.
- The number of people claiming JSA decreased by 36,300 between May and June to 1.04 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)



- 817,000 young people aged 16-24 were unemployed in March-May 2014, down 64,000 from the previous quarter. The unemployment rate was 17.8%.
- There were 1.17 million men unemployed, down 95,000 on the quarter. 956,000 women were unemployed, down 25,000 on the quarter.
- The number of people who have been unemployed for longer than twelve months was 749,000 in March-May 2014, a fall of 57,000 from the previous quarter and 166,000 lower than the previous year.

ILO unemployment in the UK (seasonally adjusted)

	Total		16-24		Total male		Total female	
	000s	%	000s	%	000s	%	000s	%
2012 Mar-May	2,577	8.1	1,018	21.8	1,475	8.5	1,103	7.5
2013 Mar-May	2,505	7.8	959	20.9	1,429	8.3	1,077	7.2
2014 Dec-Feb	2,243	6.9	881	19.1	1,261	7.2	982	6.5
2014 Mar-May	2,122	6.5	817	17.8	1,166	6.6	956	6.3
<i>Change on quarter</i>	-121		-64		-95		-25	
<i>Change on year</i>	-383		-141		-263		-120	
<i>% change on quarter</i>	-5.4%		-7.3%		-7.6%		-2.6%	
<i>% change on year</i>	-15.3%		-14.8%		-18.4%		-11.2%	

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

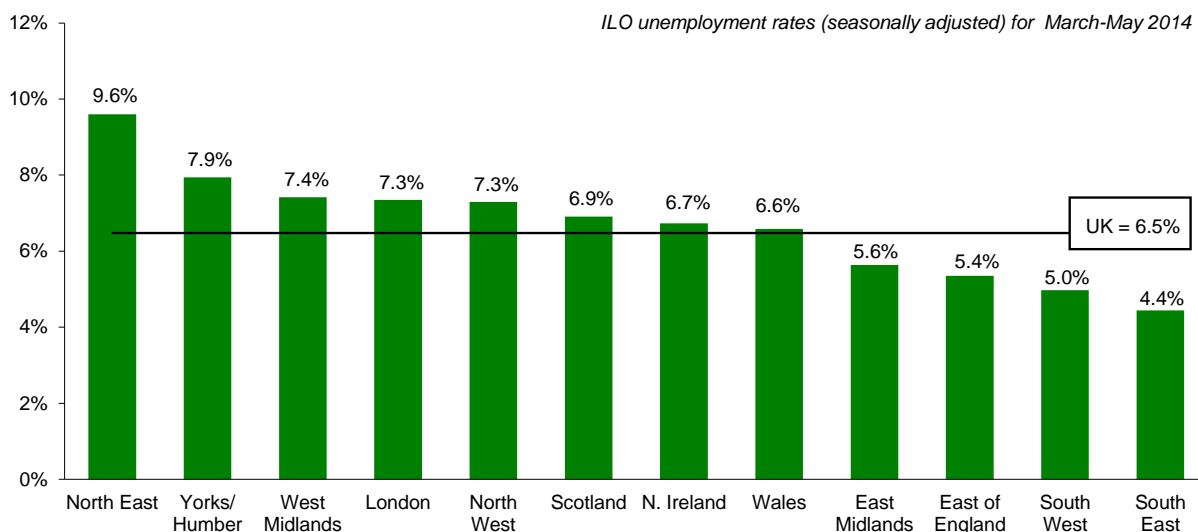
Contact: Matthew Ward, x5919

Update: ONS, [Labour Market Statistics](#), 13 Aug 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 March-May 2014, the North East had the highest unemployment rate, at 9.6% of the economically active population. The lowest rate was 4.4% in the South East.



- There were nine regions/countries which saw a decrease in the level of unemployment over the last quarter, with three seeing an increase. The largest decrease was in the East Midlands (down 30,000), while the largest increase was in Scotland (up 13,000).
- The (seasonally adjusted) Jobseeker's Allowance (JSA) claimant count decreased across all regions and countries between May and June 2014.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	March-May 2014		Change in level		June 2014	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	129	9.6	+5	-5	62.3	-2.3
North West	253	7.3	-10	-17	126.3	-5.8
Yorkshire & Humber	222	7.9	-16	-27	111.7	-3.8
East Midlands	133	5.6	-30	-43	69.0	-1.9
West Midlands	202	7.4	-22	-66	111.5	-3.7
East of England	169	5.4	-2	-36	69.7	-2.7
London	325	7.3	-17	-43	149.1	-5.1
South East	205	4.4	-28	-81	82.8	-2.5
South West	138	5.0	+3	-19	53.8	-1.7
Wales	96	6.6	-6	-26	57.8	-1.9
Scotland	192	6.9	+13	-13	96.0	-4.0
Northern Ireland	59	6.7	-9	-9	54.3	-0.9

Source: ONS, *Labour Market Statistics*

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

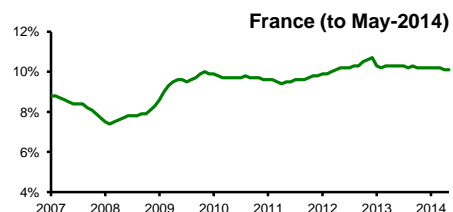
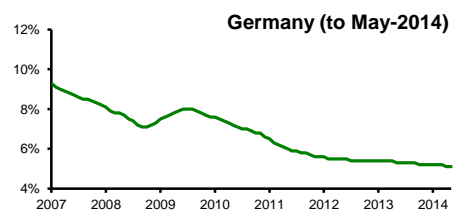
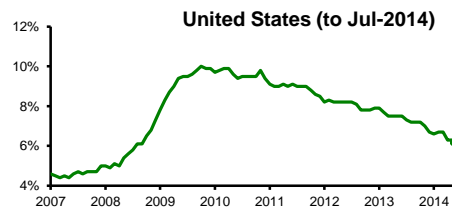
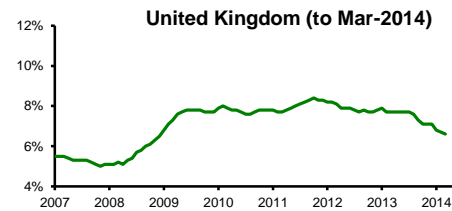
Contact: Daniel Harari x2464

Update: ONS, *Labour Market Statistics*, 13 Aug 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 6.7%. 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	9.2	9.8	10.3	9.4	9.7	9.8	10.2	10.3	10.3	10.3	10.2	10.2
Germany	6.0	5.5	5.3	5.5	5.5	5.4	5.4	5.4	5.3	5.3	5.2	5.2
Italy	8.4	10.7	12.2	9.9	10.6	10.8	11.3	11.9	12.1	12.3	12.5	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	7.5	8.1	7.9	7.8	7.7	7.8	7.7	7.5	7.1	6.7
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	11.3	12.0	10.8	11.2	11.4	11.7	12.0	12.0	12.0	11.9	11.7
G7	7.6	7.4	7.1	7.4	7.4	7.3	7.3	7.3	7.2	7.1	6.9	6.7
OECD	7.9	7.9	7.9	7.9	7.9	7.9	8.0	8.0	8.0	7.9	7.7	7.5

Source: OECD, Harmonised Unemployment Rates

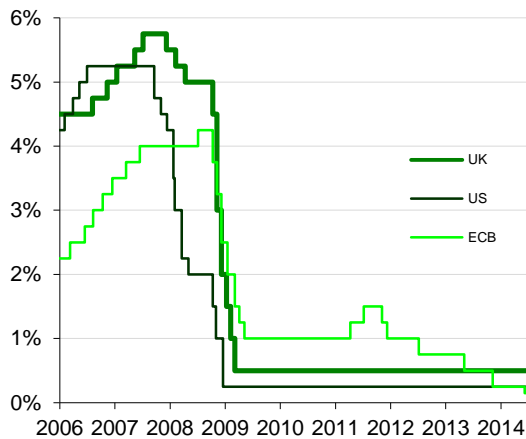
Contact: Chris Rhodes, x2454

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

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

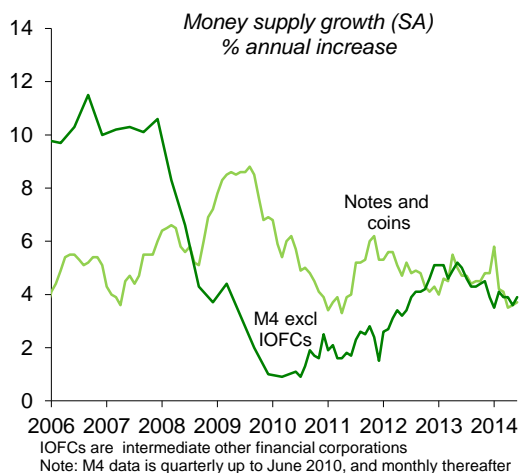


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England (BoE) cut the official Base Rate from 4.5% to 0.5%, the lowest since the Bank was founded in 1694. The rate has remained at 0.5% since March 2009.
- On 6 August 2013, the Governor of the BoE issued 'forward guidance' on the future path of interest rates, stating 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 3.9% in June 2014, up slightly from May.
- The value of notes and coins in circulation outside the Bank of England rose by 3.7% in June 2014 compared with a year ago, up from 3.6% in May.

Contact: Aliyah Dar x6920

Updates: Monetary policy meetings: 17 Sep (US), 7 Aug (ECB), 7 Aug (UK); Bankstats (BoE), 1 Sep

D2: Public Finances

Public sector net borrowing totalled £105.8 billion in 2013/14, £9.3 billion lower than in 2012/13. Public sector net debt (the stock of Government borrowing) at the end of June 2014 stood at £1.3 trillion, equivalent to 77.3% of GDP.

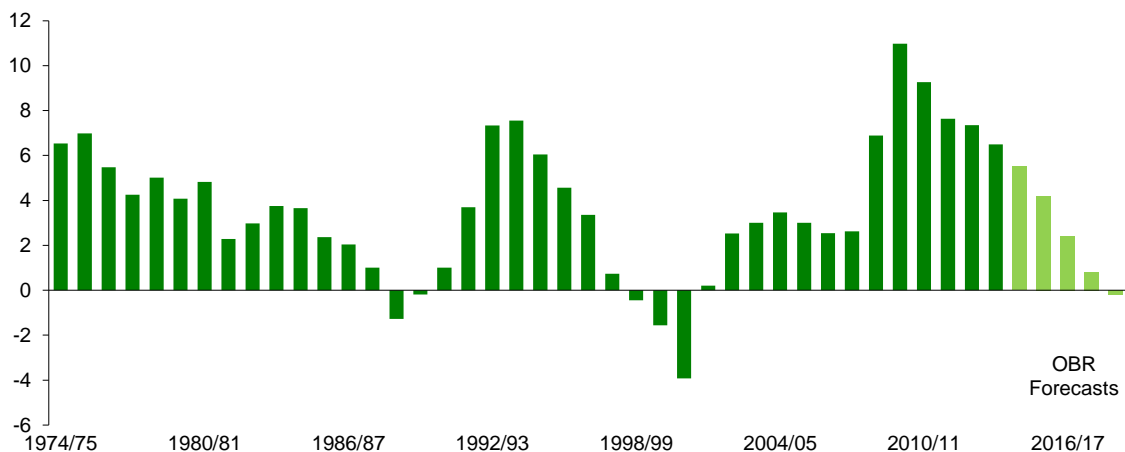
- In June 2014 net borrowing was £11.4 billion, 1% lower than in June 2013. Net borrowing used in this note excludes financial interventions, transfers of the Royal Mail Pension Plan and the Bank of England Asset Purchase Facility Fund, commonly known as quantitative easing.
- Net borrowing is forecast to fall from £106 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 76.3%. 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	106	6.5	1,273	76.3
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

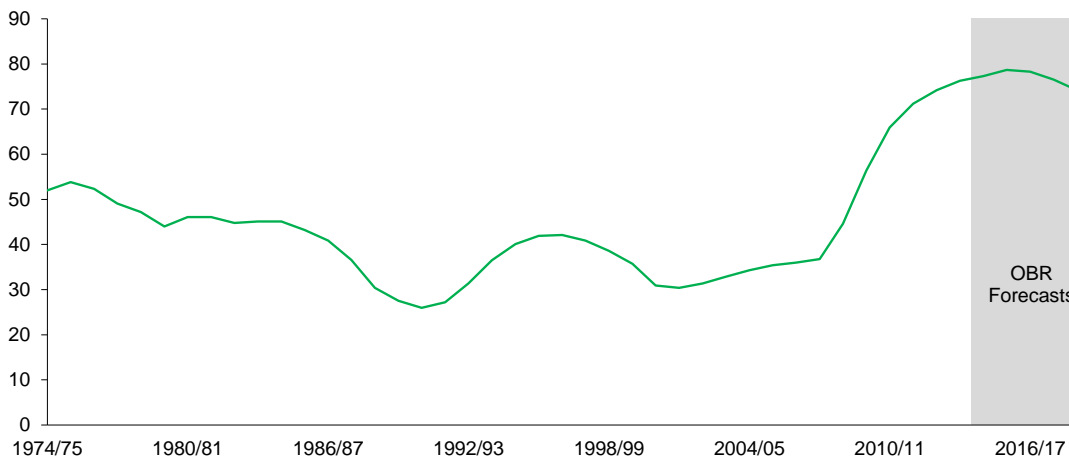
Source: ONS, OBR. Excludes financial sector interventions

Note: borrowing figures exclude Royal Mail transfer and QE

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



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 May 2013 for the first time since April 2013, but has remained above \$100 ever since.

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 04 August 2014

	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
04 Aug 2014	6,677.5	105.4	1,294.1
%change over:			
1-month	-2.7%	-5%	-2%
12-months	+1%	-3%	-1%
%change from:			
cyclical peak	-3%	-28%	-32%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+90%	+190%	+82%
date	03 Mar '09	24 Dec '08	24 Oct '08

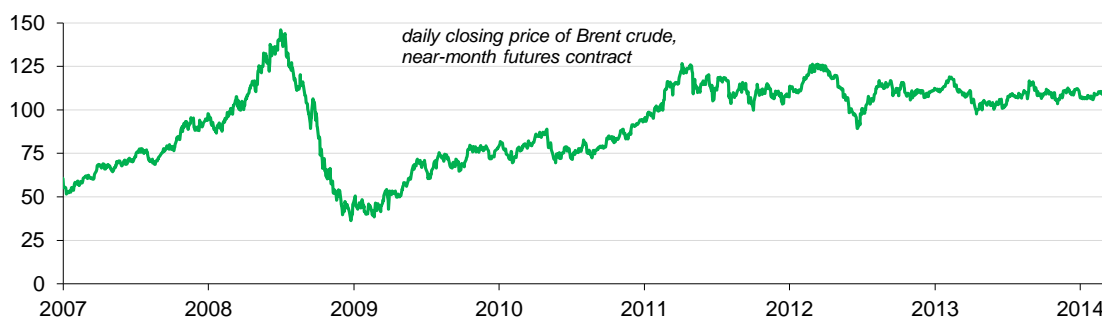
Note: Oil is Brent near-month futures price

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	

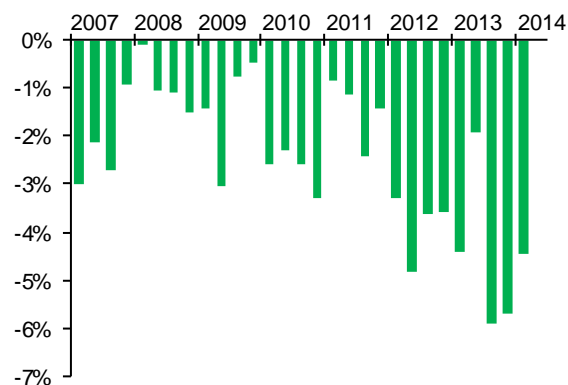
Source: ONS, Pink Book 2013, table 9.3
Includes both goods and services

- 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

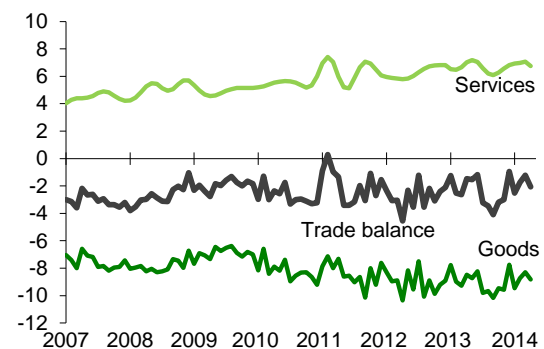
Seasonally adjusted

	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

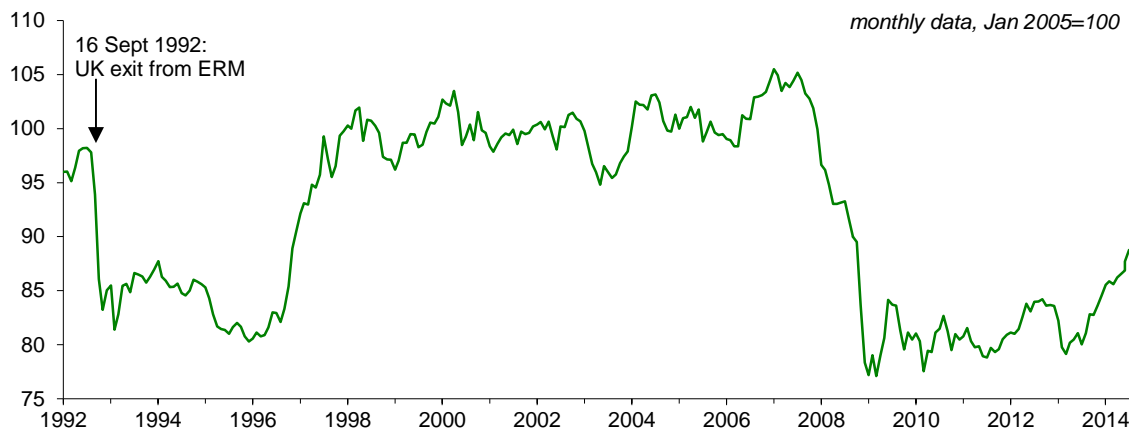
Updates: ONS, [UK Trade](#), 8 Aug 2014
ONS, [UK Balance of Payments](#), 30 Sep 2014

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).

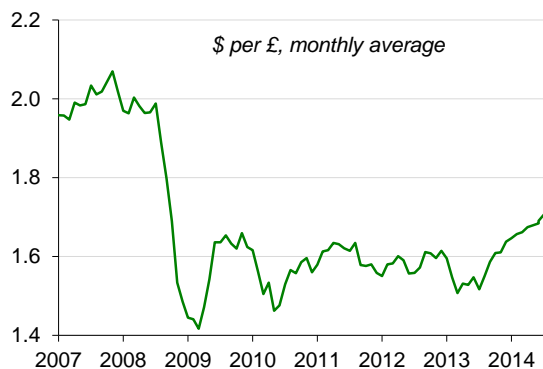
The SERI grew by 1.2% in July 2014, continuing the strong growth seen over the past few months. Compared with the same period a year ago, it is 10.9% higher, the biggest annual increase since the late 1990s. It is currently 15.2% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 15.9% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



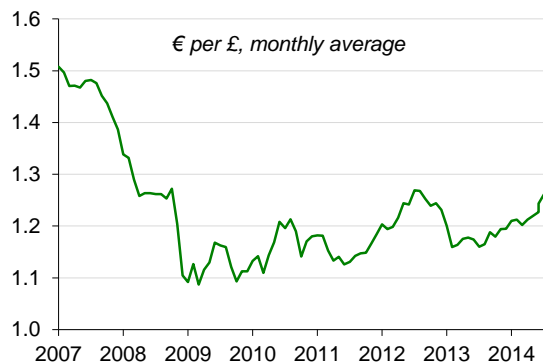
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in July, the pound was up 1.0% against the dollar compared to June. At the 4th August market close the pound stood at \$1.68.
- Sterling was up 1.4% against the Euro in July compared to June.
- At the 4th August market close the pound stood at €1.26. 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				
May	1.68	10.2%	1.23	4.2%
June	1.69	9.2%	1.24	5.9%
July	1.71	12.5%	1.26	8.7%

Source: Bank of England, Bankstats database

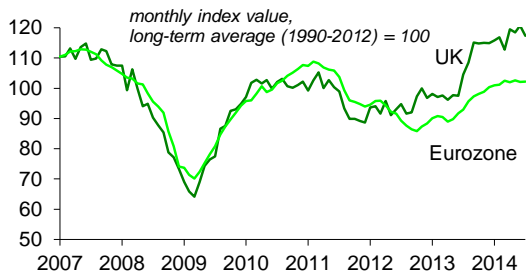
Contact: Chris Rhodes x2454

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

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

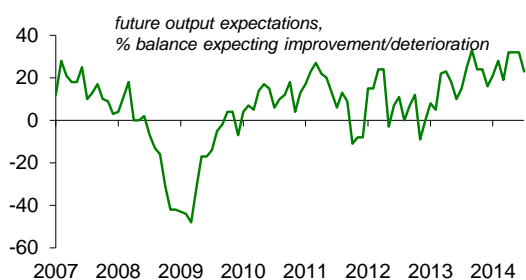


		UK Index	monthly change	change on year ago
2012	Jul	94.8	...	...
2013	Jul	104.6	...	...
2014	May	118.5	-1.0	+20.8
	Jun	120.7	+2.2	+23.2
	Jul	117.4	-3.3	+12.8

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 June and July 2014 the overall UK sentiment index decreased from 120.7 to 117.4, 12.8 points higher than the previous year. The Eurozone index was up over the year by 10.5 points to 105.8.

CBI Industrial Trends Survey



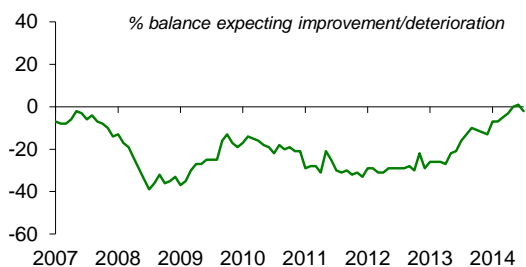
Balance (as a %) of those expecting an improvement
minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2012	Jul	+11	...	...
2013	Jul	+15	...	...
2014	May	+32	0	+14
	Jun	+32	0	+22
	Jul	+23	-9	+8

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In July 2014, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +23% of firms. This 9 points lower than the previous month but 8 points higher than July 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	Jul	-29	...	...
2013	Jul	-16	...	...
2014	May	+0	+3	+22
	Jun	+1	+1	+22
	Jul	-2	-3	+14

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 -2 in July, down 3 point on the previous month, but 14 points higher than a year ago. This is still historically high, prior to May 2014 consumer confidence had been negative since April 2005.

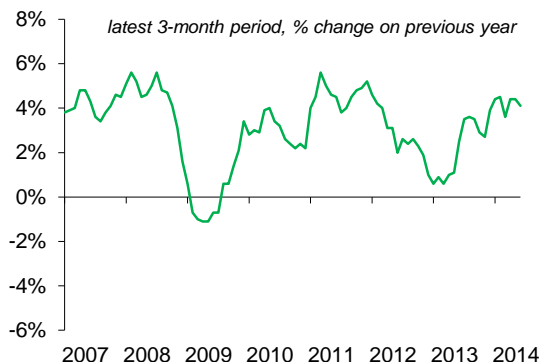
Contact: James Mirza-Davies, x6962

Update: CBI, [Industrial Trends](#), 24 Aug 2014
EC, [Economic Sentiment Indicator](#), 28 Aug 2014
GfK NOP, [Consumer Confidence](#), 29 Aug 2014

F2: Retail Sales

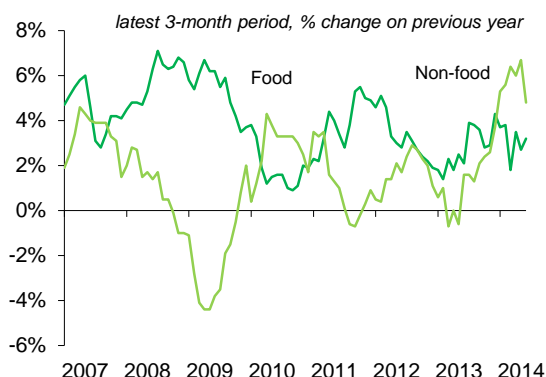
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of retail sales



- The value of retail sales in the three months to June 2014 was 4.1% higher than the same three months in the previous year.
- The value of retail sales in June 2014 alone was 3.5% higher than in June 2013 and by 0.8% compared with May 2014.
- The value of internet sales in June 2014 was 13.4% higher than in June 2013 and decreased by 0.1% compared with May 2014.

Value of food & non-food store sales



- The value of sales in food stores in the three months to June 2014 rose by 3.2% on the same period last year, and the value of sales in non-food stores increased by 4.8%.
- The value of sales in household goods stores increased by 2.8% in the three months to June 2014 compared with the previous year. Department stores saw growth of 6.3%.

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 & Footwear	Household goods	Dept stores	Other	Total	
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 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
JUN	3.2	4.2	2.8	6.3	5.6	4.8	4.1

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

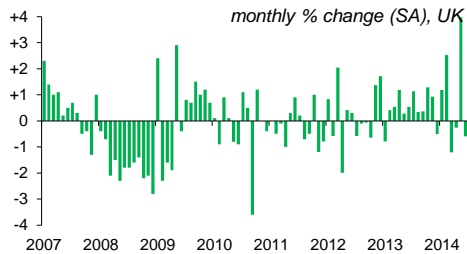
F3: Housing Market

House prices on the Nationwide index changed very little in July; a 0.1% increase kept house prices just above their pre-recession peak. Prices were 10.6% higher compared with a year ago on this measure. House prices on the Halifax index decreased by 0.6% in June and remain below their August 2007 peak.

Mortgage approvals increased in June, following four months of decreases. 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

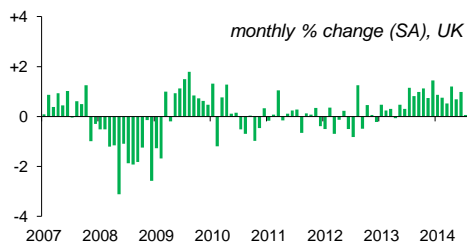
Halifax house price index



- In June 2014 the average house price on the Nationwide measure reached a record peak, close to £189,000.
- There is considerable regional variation. An annual increase of 26% took the average house price in London over £400K for the first time in Q2 2014. House prices grew by less than 8% in Scotland, Yorkshire & Humberside and the North West (Nationwide data).

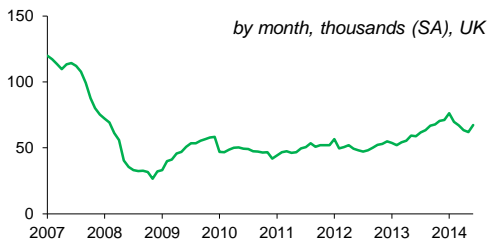
Latest monthly data
UK, seasonally adjusted

Nationwide house price index



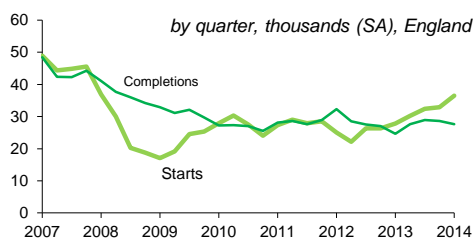
	Halifax	Nationwide
Latest data	Jun-14	Jul-14
Change in month	-0.6%	+0.1%
Change in year	+9.4%	+10.6%
Peak date	Aug-07	Jun-14
Change since peak	-8.1%	n.a
Trough date	Apr-09	Feb-09
Change since trough	+18.6%	+24.3%

Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 67,196 mortgage approvals in June 2014. This was the first increase since a six year high was reached in January 2014.

House-building



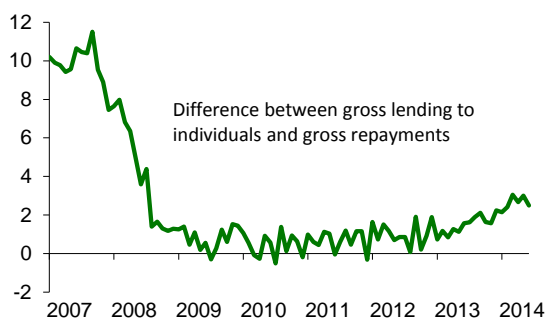
- There were 36,450 house building starts in England in Q1 2014, 11% more than in Q4 2013 and 31% more than in Q1 2013. This is above the recent low of 17,090 in Q1 2009, but still well below the 48,990 starts in Q1 2007.
- There were 26,670 dwelling completions in Q1 2014, down 3% from Q4 2013, but 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 August 2014;
Nationwide [House Price Index](#), early Sep 2014;
Bank of England, [Money and credit](#), 1 Sep 2014;
DCLG, [House-building](#), 21 August 2014

F4: Household debt

Monthly net lending, £bn

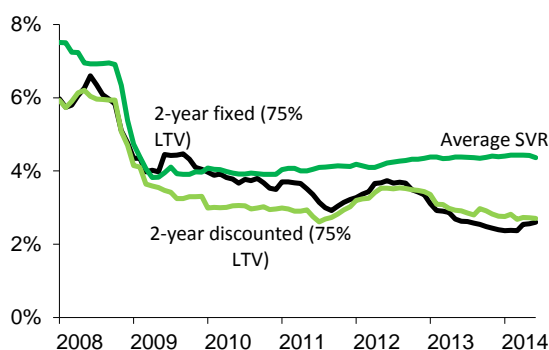


Source: Bank of England

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

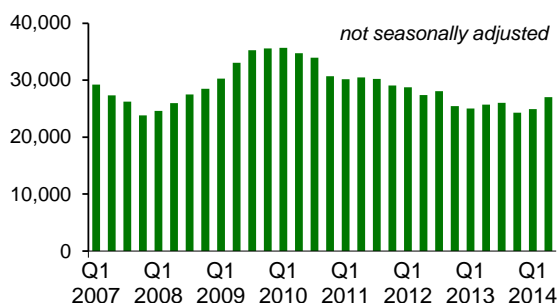
- Total net lending to individuals (excluding student loans) was £2.5 billion in June 2014. Net lending has been relatively low since mid-2008, but has been on a broadly upward trend since 2013.
- Monthly net unsecured lending (consumer credit) grew by £0.4 billion in June. Monthly net secured lending (mortgages) grew by £2.1 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in June 2014 it was 4.36%, compared with 4.38% a year before.
- The average 2-year fixed mortgage rate was 2.60% in June, compared to 2.63% a year before.
- The average 2-year discounted rate was 2.71% in June compared with 2.91% a year before.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 27,029 individual insolvencies in England and Wales in Q2 2014, a 5.1% increase on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q2 2014 there were 2,968 individual insolvencies, a decrease of 25.8% on Q2 2013.
- In Northern Ireland in Q2 2014 there were 769 individual insolvencies, a decrease of 14.0% on Q2 2013.

Contact: Dominic Webb, x2042

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 1 Sep 2014
Insolvency Service, [Insolvency Statistics](#), 29 Oct 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	<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.