



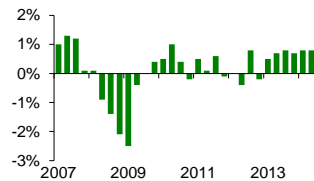
Economic Indicators, September 2014

RESEARCH PAPER 14/46 02 September 2014

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

Revised estimates published in August show that GDP grew by 0.8% in Q2 2014. In the quarter to June, unemployment fell and employment rose. Inflation in July was 1.6%, below the Bank of England's target for the seventh successive month.

GDP growth (% change quarter-on-quarter)



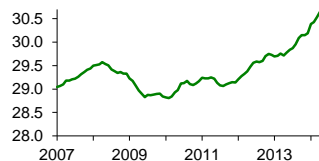
GDP grew by an estimated 0.8% in Q2 2014, following growth of 0.8% in Q1.

Inflation (CPI) (% change on year ago)



The CPI annual inflation rate was 1.6% in July 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 April-June 2014. The employment rate was 73.0%, above the pre-recession level in 2008.

This month's articles:

- **Disabled people and welfare to work**
- **Internet access and usage in the UK**

Chris Rhodes (editor)

Recent Research Papers

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Research Paper 14/46

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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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Businesses	Chris Rhodes	2454
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Employment	Aliyah Dar	6920
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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 Disabled people and welfare-to-work

There are over 11 million people in Great Britain with a limiting long term illness, impairment or disability.

In the period April to June 2014, 49.6% of people aged 16-64 and defined as disabled by the Equality Act were in employment compared to 78.8% of non-disabled people.

Disabled people may receive back-to-work support through the [Work Programme](#). However, for those whose needs cannot be met through mainstream employment support, [specialist disability employment programmes](#) are available.

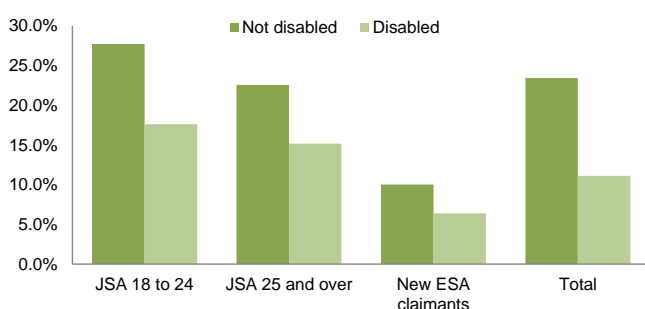
2.1 The Work Programme

The Work Programme is the Government's main welfare to work scheme. Unemployed people claiming Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA) are referred on to the programme from their local Jobcentre Plus, and remain on the programme for up to two years.

ESA is available to individuals who are ill or disabled and require personalised help to get into work or financial support if they are unable to work. Claimants who are expected to be fit for work within 12 months are referred to the Work Programme on a mandatory basis following their Work Capability Assessment. Claimants who are not expected to be fit for work within this timeframe may join the Programme on a voluntary basis. JSA claimants with a disability are also referred to the Work Programme.

The group of ESA claimants who are eligible for mandatory referral to the Work Programme has been expanded since the programme's introduction, in response to initial referral levels being lower than expected. Since June 2011, over 265,000 ESA claimants have been referred to the Work Programme.

Job outcomes as a proportion of referrals
June 2011 to March 2014



Note: Group of non-disabled ESA claimants is much smaller than the the group of disabled claimants

Statistics using claimant's self-assessment of disability show that to March 2014, 27.7% of people without a disability have received a job outcome on the Work Programme – compared to 11.1% of disabled people. Across the selected payment groups, a higher proportion of non-disabled people than disabled people have achieved job outcomes.

2.2 Jobcentre Plus support

Jobcentre Plus delivers support to benefit claimants across all working age benefits. If an adviser feels that a claimant requires specialist support due to a health condition or disability they can be referred to a specialist Disability Employment Advisor (DEA). However, this support is limited – it's estimated that the ratio of DEAs to ESA claimants in the Work Related Activity Group (WRAG) is 1:600. It should be noted that ESA claimants typically attend the Jobcentre no more than twice a year.³

³ DWP Select Committee, [The role of Jobcentre Plus in the reformed welfare system](#), Jan 2014, p 3

2.3 Work Choice

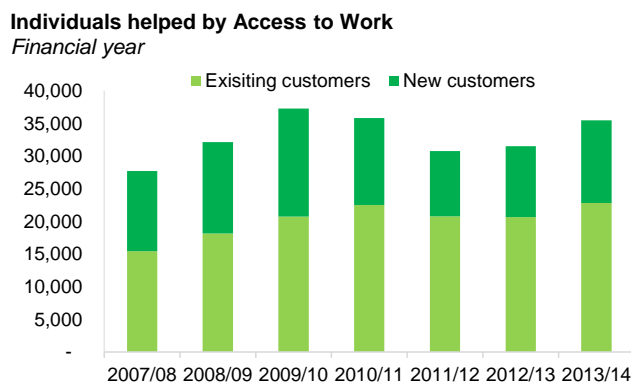
Work Choice is a Government specialist disability employment programme. It was introduced in October 2010 and replaced WORKSTEP and Work Preparation. It provides individuals with help through all stages of finding and getting a job and help to stay in work where the other DWP work schemes might not be suitable.

Since October 2010, 74,440 individuals started on the programme. Of these, 36% (26,660) have obtained a job outcome.

2.4 Access to Work

Access to Work can contribute towards the equipment an individual needs at work, a communicator at interviews, adapting premises to meet an individual's needs, or paying a support worker. It can also pay towards the cost of transport if an individual cannot use public transport.

The independent [Sayce review](#) which examined how to support disabled people into work, recommended that the scheme should be transformed from being “the best kept secret in government to being a recognised passport to successful employment, doubling the number of people helped”. The report called upon the Government to immediately increase the visibility of the programme.



111,470 people have been helped by the scheme between April 2007 and March 2014.

There was a drop in the number of existing customers helped by the scheme in 2011/12 and 2012/13. The number of new customers also dropped in 2010/11 and 2011/12. DWP have [attributed](#) these drops to operational changes that were implemented in 2010.

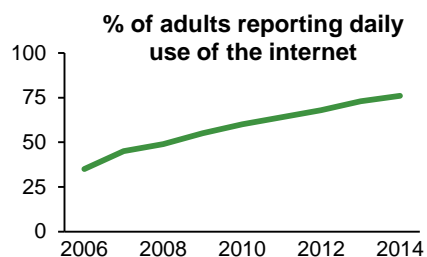
The profile of people helped by the scheme has also begun to change - individuals with Mental Health conditions have seen the largest increase in numbers supported, following the introduction of a new mental health support system that has been delivered by Remploy. Statistics show 1,410 people were supported by the scheme in 2013/14 – an increase of over 160% on 2010/11.

In June 2014, the Government announced that there would be a review of Access to Work over a three month period. The timescales of this review will be announced shortly.

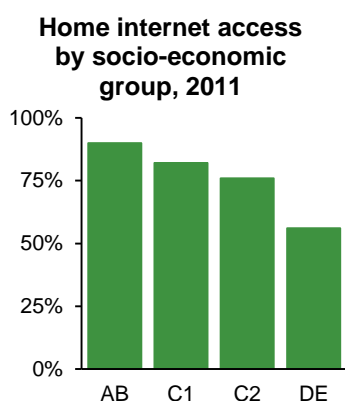
Aliyah Dar, Economic Policy and Statistics

3 Internet access and usage in the UK

The internet, along with the devices we access it on, has become a staple of everyday life. [The ONS reports](#) that 73% of those aged sixteen or above use a computer daily – a sharp increase from 45% in 2006. Less than one in ten people say they have never used a computer. Even among those of pension age, 42% report daily computer use and the proportion of the elderly who have never used a computer has fallen from 65% in 2006 to 28% today.



Internet usage is even more prevalent than computer usage. 76% report daily use, up from one-third in 2006. This equates to 37.6 million UK adults accessing the internet daily.



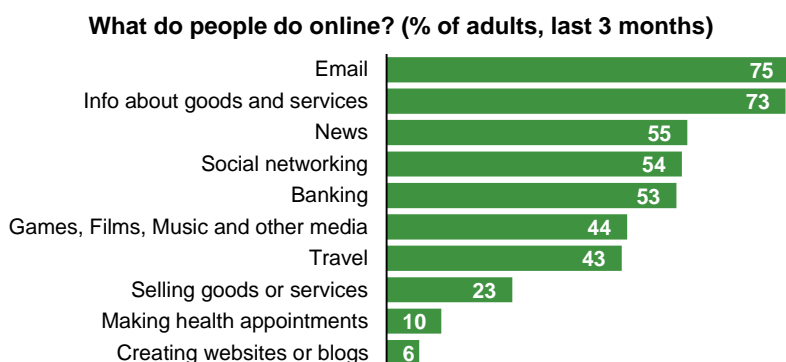
In 2014, over four-fifths of households in Great Britain have some kind of access to the internet. In 1998, this figure was just 9%, and it was not until 2005 that over half of households had access to the internet.

[Ofcom reports](#) that in 2011, home internet access was related to socio-economic group, with AB households at 90% take-up and DE households at 56% take-up.

The household compositions most likely to have internet access are those with at least three adults, households with children, or households with 2 adults aged 16 to 64 (all 96%). Households with one adult aged 65+ are least likely to have internet access, with 41% take-up.

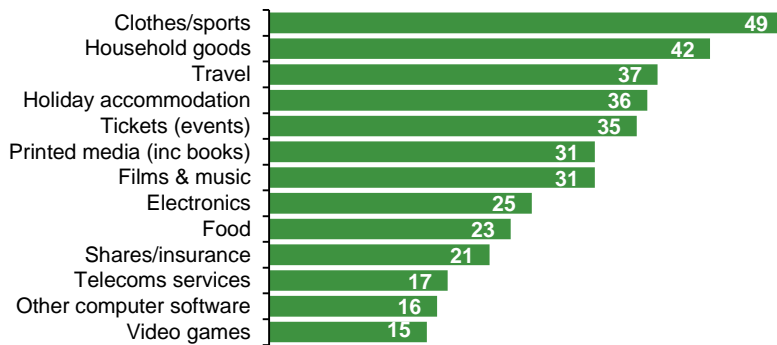
3.1 Online Lives

The most common online activities are checking or sending email and finding information about goods and services. Over half of adults have used online banking services in the last three months – almost as many as have used social networking or accessed newspapers or magazines. Use of online banking services has grown from 30% in 2007 to 53% in 2014, and the percentage of adults accessing news media online has risen from 20% of adults to 55% over the same time period.



Social networking usage peaks at 91% among 16-24 year olds – this is only age group where social networking ranks higher than email usage. Interaction with games, films and other entertainment media also peaks among young people, with 68% having accessed these services in the last three months.

What do people buy online? (% of adults, last year)



Three quarters of adults have purchased a good or service on the internet in the last twelve months, up from 53% in 2008. Online purchasing is most common among 25-34 year olds (90%) and least common among those aged 65+ (40%).

Clothes and sports goods are the most popular online purchase, with half of adults having made such a purchase in the last year. Household goods are proportionally popular among those aged 35-54, and are the most common purchase for those aged 65+. The biggest gender gaps were found in electronics (32% of men, 18% of women), telecommunication services (21% vs 13%) and video games (20% vs 10%).

3.2 Hotspots and Notspots

The average UK broadband speed has risen from 7.6 Mb/s to 14.7 Mb/s since 2011. The tables below show the highest and lowest administrative authorities on several measures of broadband speed and take-up, summarised from [Ofcom data](#). According to analysis of postcode-level data by [ThinkBroadband](#), the postcode areas with the slowest speeds are **Inverness, Galashiels, Lerwick, Kirkwall, and Shrewsbury** (which covers a large area of central Wales). The postcode areas with the highest speeds are **Cleveland, Romford, Enfield, Bromley and Manchester**.

Highest and Lowest Administrative Authorities, UK

Internet Take-up and Speed Measures

Broadband take-up		Superfast broadband availability		Percent receiving < 2Mbit/s	
Brighton & Hove	87%	Derry	99%	Omagh	24%
London	83%	New tow nabbey	99%	Dungannon	23%
Milton Keynes	82%	Luton	99%	Isles of Scilly	22%
East Dunbartonshire	82%	Stockport District	99%	Cookstow n	22%
Surrey County	82%	North Dow n	98%	Ceredigion	22%
Kingston-upon-Hull	49%	Na H-Eileanan an Iar	0.0%	Kingston upon Hull	3.1%
Na H-Eileanan an Iar	49%	Merthyr Tydfil	0.0%	Bristol	3.4%
Moyle	55%	Pow ys	0.0%	Edinburgh	4.0%
Coleraine	57%	Ceredigion	0.0%	Southend-on-Sea	4.1%
Strabane	59%	Orkney Islands	0.0%	Wolverhampton District	4.8%

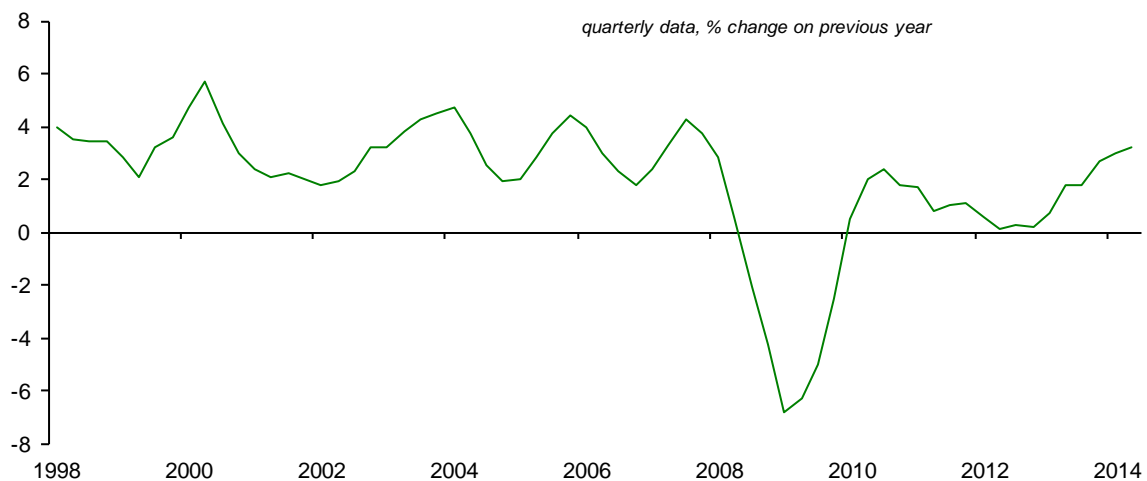
Superfast broadband takeup		Average sync speed (Mbits/s)	
Belfast	38%	Belfast	25.4
Luton	38%	North East Lincolnshire	24.9
Portsmouth	37%	Portsmouth	24.6
Castlereagh	37%	Bristol	24.5
North East Lincolnshire	36%	Luton	24.3
Na H-Eileanan an Iar	0.0%	Isles of Scilly	4.4
Merthyr Tydfil	0.0%	Na H-Eileanan an Iar	5.1
Pow ys	0.0%	Ceredigion	6.3
Ceredigion	0.0%	Argyll and Bute	6.4
Orkney Islands	0.0%	Merthyr Tydfil	6.8

Carl Baker, Social and General Statistics

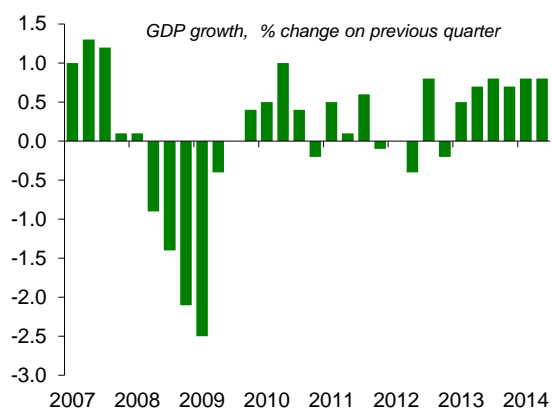
A1: Gross Domestic Product

- Secondary estimates show the economy grew by 0.8% in Q2 2014, following growth of 0.8% in Q1 2014. In August, HM Treasury's average of independent economic forecasts of GDP growth was 3.1% for 2014 and 2.6% for 2015. 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 remained constant, 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	3.2

Source: ONS, series: YBHA, ABMI

Contact: James Mirza-Davies, x6962 **Updates:** HMT, [Forecasts for the UK economy](#), 17 Sep 2014
ONS, [Quarterly National Accounts](#), 30 Sep 2014

A2: GDP: International Comparisons

In Q2 2014, real GDP in the UK grew by 0.8% compared with the previous quarter. This contrasts with 0.1% growth in the Eurozone including a decline of 0.2% in Germany and no growth in France. In the US, GDP grew by 1.0%, while in Japan it fell by 1.7% after a 1.5% expansion in Q1 as consumers brought forward spending ahead of a sales tax increase in April.

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	3.2	0.8	0.7	0.8	0.8
Eurozone	-0.3	0.5	0.9	0.7	0.1	0.3	0.2	0.1
US	2.3	3.1	1.9	2.5	1.1	0.9	-0.5	1.0
Japan	2.4	2.4	2.7	0.0	0.4	0.0	1.5	-1.7
Germany	0.3	1.1	2.2	1.3	0.3	0.4	0.7	-0.2
France	0.3	0.8	0.8	0.1	-0.1	0.2	0.0	0.0
G7	1.7	2.4	1.9	1.7	0.7	0.6	0.1	0.3
OECD	1.6	2.2	2.1	1.9	0.7	0.6	0.2	0.4

Source: OECDstat

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.

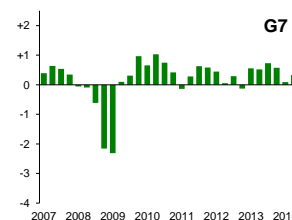
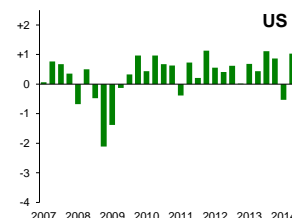
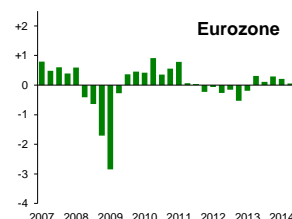
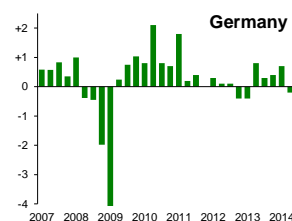
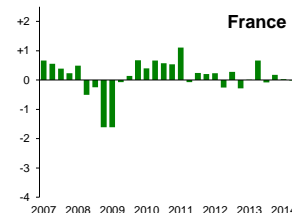
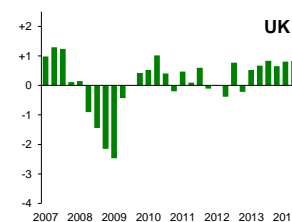
Real growth forecasts (% change)

	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



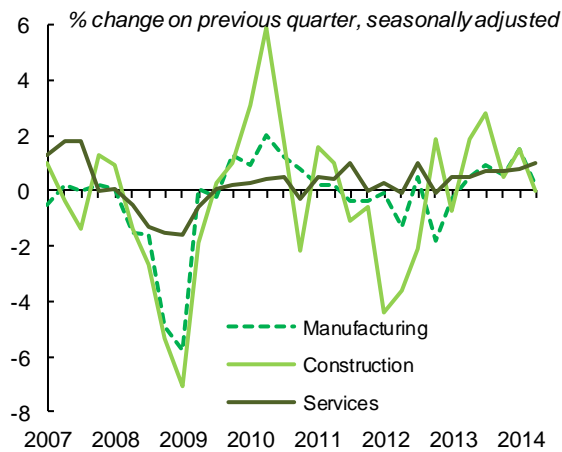
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Nov/Dec 2014
 IMF, [World Economic Outlook](#), Oct 2014
 EC, [Autumn Economic Forecast](#), Nov 2014

Contact: Lorna Booth, x2883

A3: Components of GDP

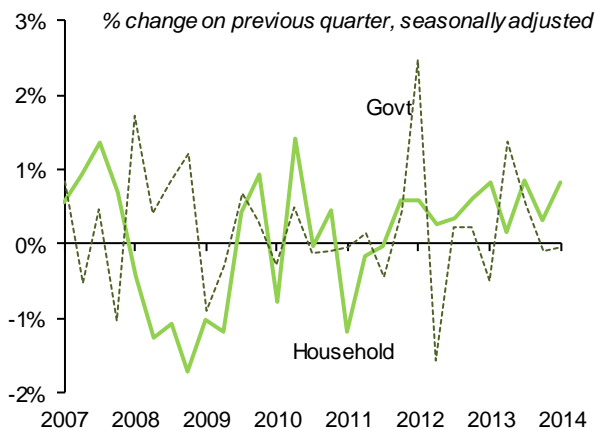
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2013. Government consumption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

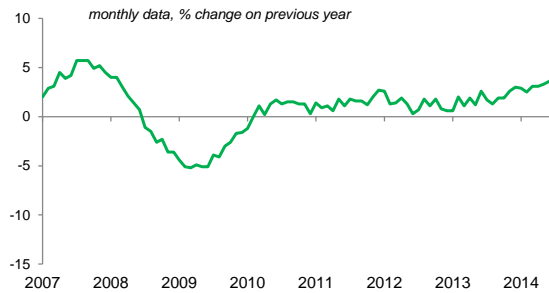
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

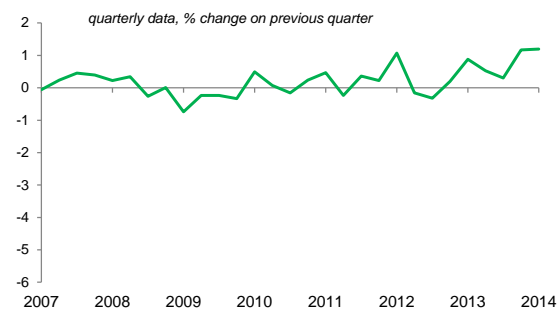


	Index Value (2009=100)	% change on month	% change on year
2012	102.8	...	1.3
2013	104.7	...	1.8
2014 Mar	107.1	0.5	3.1
Apr	107.4	0.3	3.1
May	107.8	0.3	3.3
June	108.1	0.3	3.6

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.3% in June 2014 compared to May. Compared with a year before, services output increased by 3.6%.
- The largest contributions came from: business services & finance, which contributed 1.7 percentage points to total growth; and distribution, hotels & restaurants, which contributed 0.9 percentage points to total growth.

Jobs in the service industries

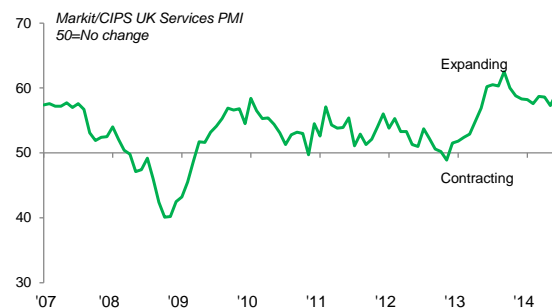


	Thousands	% change on quarter	% change on year
2012 Q1	26,486	...	1.4
2013 Q1	26,645	...	0.6
Q2	26,786	0.5	1.3
Q3	26,868	0.3	1.9
Q4	27,182	1.2	2.9
2014 Q1	27,507	1.2	3.2

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.

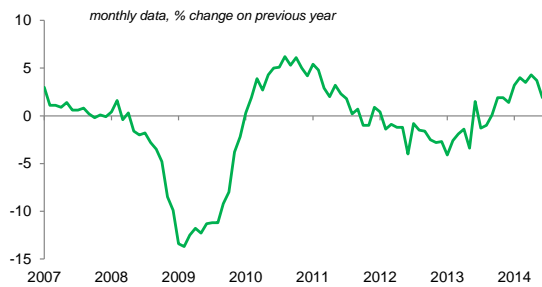
Contact: David Hough, x6933

Update: ONS, [Index of Services](#), 30 Sep 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

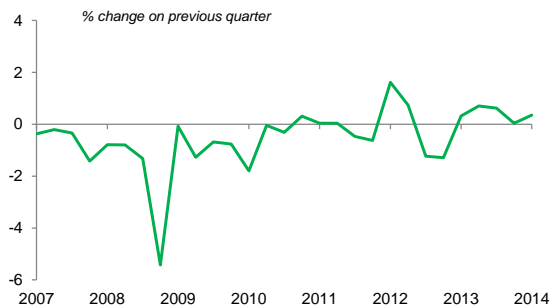


	Index Value (2010=100)	% change on month	% change on year
2012	100.1	...	-1.7
2013	99.3	...	-0.8
2014 Mar	102.6	0.5	3.5
Apr	102.9	0.3	4.3
May	101.5	-1.3	3.7
Jun	101.9	0.3	1.9

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output rose by 0.3% in June 2014 compared with May 2014, and was 1.9% higher than in June 2013.
- The production of transport equipment was the main contributor to this month's small growth in manufacturing output.

Jobs in manufacturing

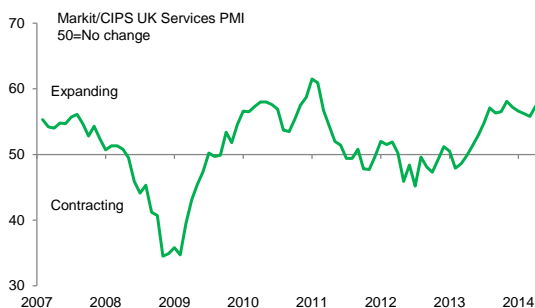


	Thousands	% change on quarter	% change on year
2011 Q1	2,577	...	0.5
2012 Q1	2,539	...	-1.5
2013 Q2	2,557	0.7	-1.5
Q3	2,573	0.6	0.4
Q4	2,574	0.0	1.7
2014 Q1	2,583	0.3	1.7

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 Aug	49.6	...
2013 Aug	57.1	...
2014 May	57	-0.3
Jun	57.5	0.5
Jul	55.4	-2.1
Aug	52.5	-2.9

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS Manufacturing PMI, an important measure of manufacturing activity, was 52.5 in August, down from 55.4 in July (50.0 is unchanged). Markit manufacturing performance in August 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](#), 9 Sep
 ONS, [Workforce Jobs](#), 17 Sep
 Markit/CIPS [UK Manufacturing PMI](#), 1 Oct

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.

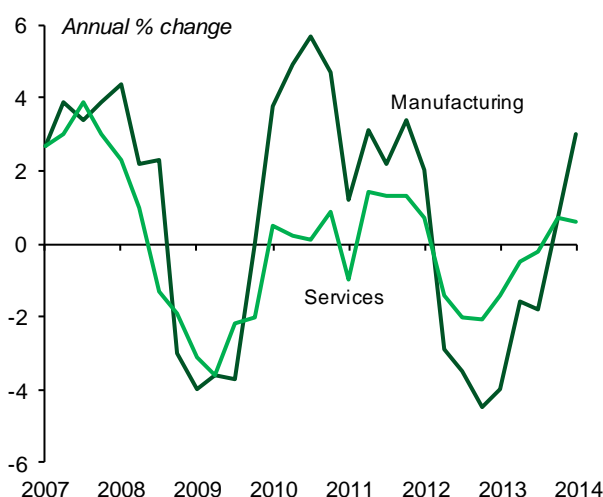
UK productivity by sector

- 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

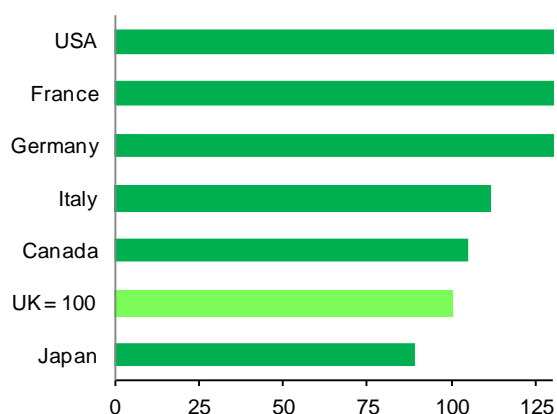
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	4.8	0.4	1.5
2011	2.5	0.8	0.8
2012	-2.2	-1.2	-1.6
2013	-1.7	-0.4	-0.3
2013 Q2	-1.6	-0.5	-0.2
Q3	-1.8	-0.2	0.0
Q4	0.7	0.7	0.7
2014 Q1	3.0	0.6	0.4
<i>Latest q-on-q % change</i>			
	1.5	0.2	-0.1

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

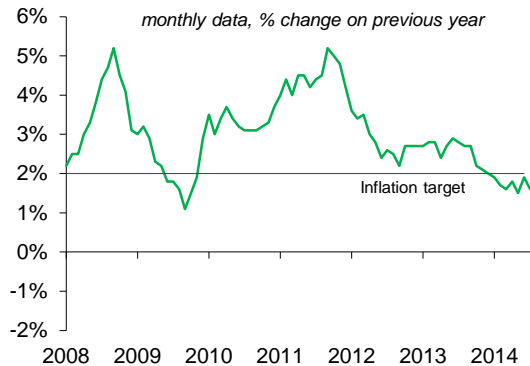
Update: ONS, [International Comparisons](#), 1 Sep 14
 ONS, [Labour Productivity](#), 1 Oct 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 1.6% in July, down from 1.9% in June, falling below the Bank of England's 2.0% target for the seventh 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 1.6% in July, down from 1.9% in June.
- The largest contributions to the fall in the rate came from the clothing, alcohol, financial services and food & non-alcoholic drinks.
- The RPI (all items) measure of annual inflation was 2.5% in July, down from 2.6% in June. (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)



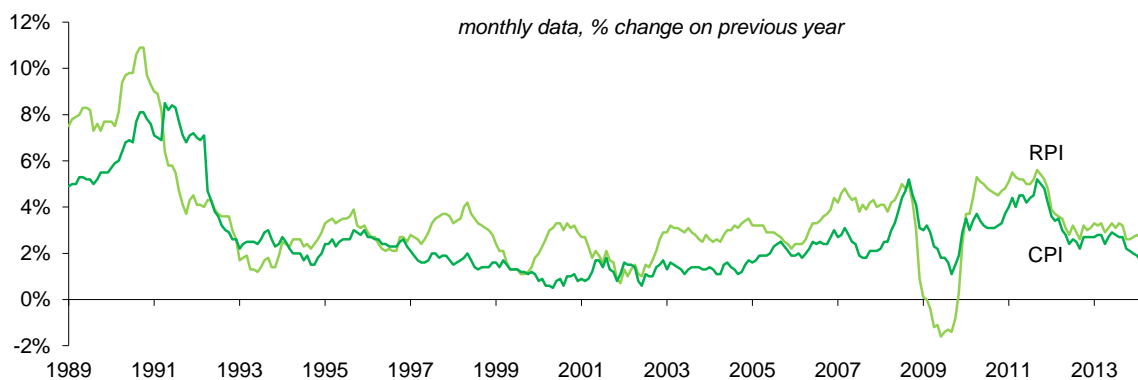
Price Indices

% change on a year ago

	CPI	RPI
2011	4.5	5.2
2012	2.8	3.2
2013	2.6	3.0
2014		
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
Jul	1.6	2.5

Source: ONS database, series: D7G7, CZBH

CPI and RPI since 1989



Contact: David Hough, x6933

Update: ONS, [Consumer Price Indices](#) 16 Sep 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.

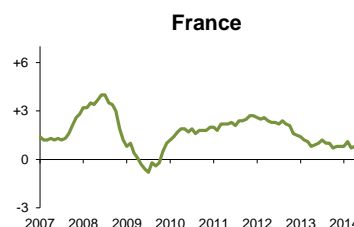
- UK inflation was 1.6% in the year to July, down from 1.9% in June. The Bank of England's UK inflation target is 2%.
- Eurozone inflation for the year to July 2014 was 0.6%, down from 0.7% in June. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term."
- 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	Mar-14	Apr-14	May-14	Jun-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	0.6	0.8	0.6	0.7
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	1.2	1.7	2.0	:
National definitions (OECD)							
Canada	2.9	1.5	0.9	1.5	2.0	2.3	2.4
Japan	-0.3	0.0	0.4	1.6	3.4	3.7	3.6
US	3.2	2.1	1.5	1.5	2.0	2.1	2.1
G7	2.6	1.9	1.3	1.4	1.9	2.0	2.0
OECD	2.9	2.3	1.6	1.6	2.0	2.1	2.1
Brazil	6.6	5.4	6.2	6.2	6.3	6.4	6.5
China	5.4	2.6	2.6	2.4	1.8	2.5	2.3
India	8.9	9.3	10.9	6.7	7.1	7.0	6.5
Russia	8.4	5.1	6.8	6.9	7.3	7.6	7.8

Source: Eurostat & stat.OECD database, ONS



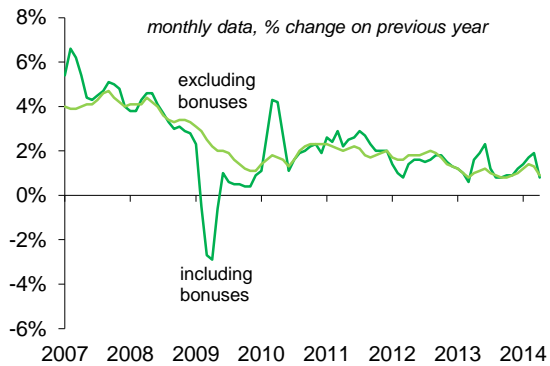
Contact: Matthew Ward, x5919

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

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy fell by 0.2% in the three months to June 2014, compared with a year ago. Inflation as measured by the CPI was 1.9% in June.

Average Earnings, Whole Economy



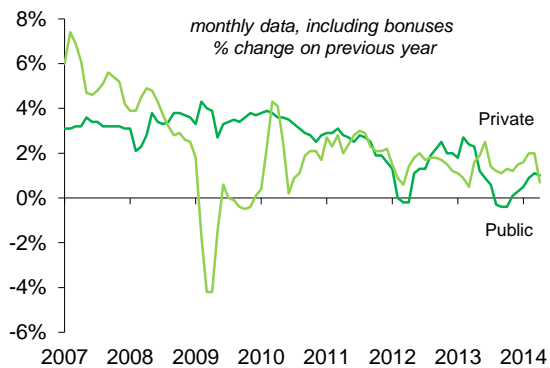
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2011 Jun	2.8	2.5	1.6	3.0	2.6
2012 Jun	2.0	1.3	2.6	1.4	1.6
2013 Jun	2.5	0.9	2.6	2.4	2.3
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	1.0	2.1	0.7	0.8
May	0.3	0.5	1.8	0.2	0.4
Jun	-0.1	-0.5	1.6	-0.4	-0.2

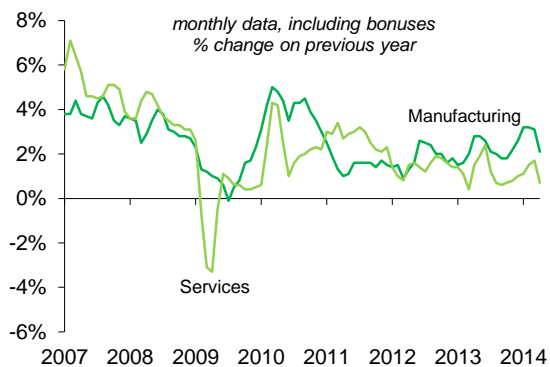
Source: ONS, data shows latest 3-month period

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

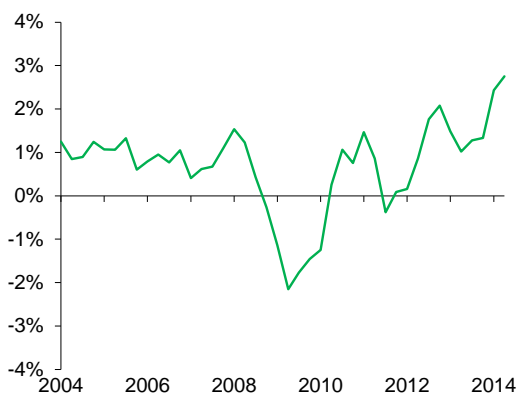


- Average weekly earnings (including bonuses) in the manufacturing sector were 1.7% higher in the three months to May than in the same period last year. In the services sector total pay grew by 0.2%.
- Average total weekly pay in the manufacturing sector was £563 in May, compared with £464 in the services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

C1: Employment

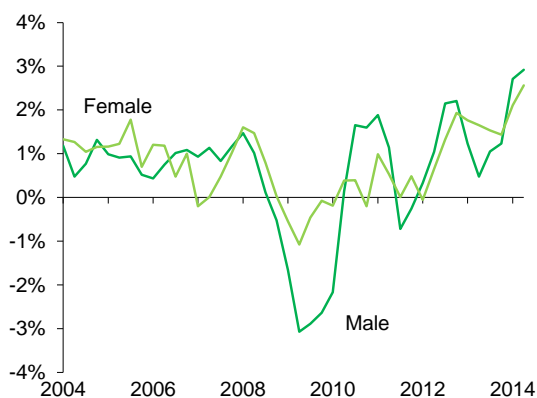
There were 30.60 million people aged 16 and over in employment in the UK in April to June 2014. The number of people in employment increased by 167,000 compared to the previous quarter and by 820,000 compared to the same period last year. The employment rate for people aged 16-64 was 73.0%.

Total employment (% change on previous year)



- 16.38 million men were in employment in April to June 2014, up 59,000 on the previous quarter. Female employment increased by 108,000 over the past quarter to 14.22 million.
- The number of 16-24 year olds in employment increased by 61,000 over the quarter.
- 136,000 more people were working as employees in April to June 2014 than in the previous quarter. 39,000 more people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 150,000 over the past quarter to 22.40 million in April to June 2014. 8.19 million people were working part-time, 17,000 more than in the previous quarter. This included 1.33 million people working part-time because they could not find a full-time job.
- 1.64 million people were employed on a temporary basis in April to June 2014, 5,000 less 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+
Apr-Jun 2012	29,476	3,690	17,352	7,502	931
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
Apr-Jun 2014	30,597	3,774	17,790	7,943	1,091
% change on previous 3 months	+0.5	+1.6	+0.5	+0.3	+0.4
% change on previous year	+2.8	+5.3	+1.7	+3.3	+8.0

Source: ONS, Labour Market Statistics reference table A05

Contact: Lorna Booth, x2883

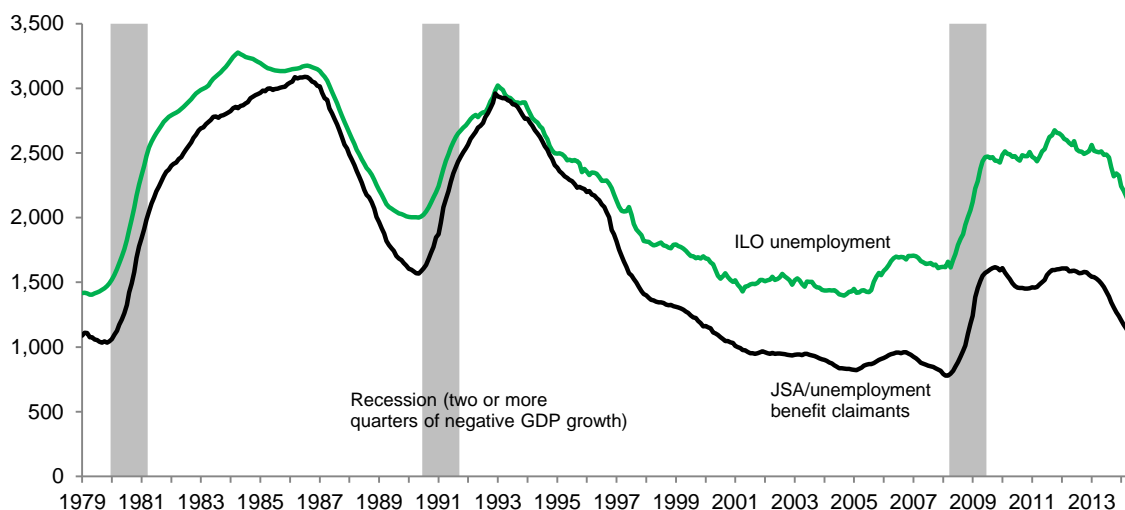
Update: ONS, [Labour Market Statistics](#), 17 Sept 2014

C2: Unemployment: National

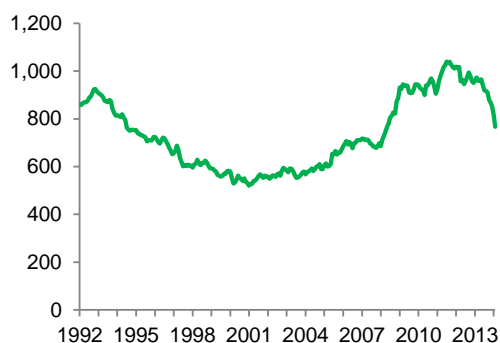
The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. The number of people claiming Jobseeker's Allowance (JSA) and predecessor unemployment benefits is also used.

- ILO unemployment was 2.08 million people in the UK in April-June, down 132,000 from the previous quarter and down 437,000 from the previous year. The unemployment rate (the proportion of economically active people unemployed) was 6.4%.
- The number of people claiming JSA decreased by 33,600 between June and July to 1.01 million people aged 18 or over, the lowest level since September 2008.

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



Youth unemployment: 16-24 year olds (thousands)



- 767,000 young people aged 16-24 were unemployed in April-June 2014, down 102,000 from the previous quarter. The unemployment rate was 16.9%.
- There were 1.15 million men unemployed, down 85,000 on the quarter. 926,000 women were unemployed, down 46,000 on the quarter.
- The number of people who have been unemployed for longer than twelve months was 738,000 in April-June 2014, a fall of 75,000 from the previous quarter and 171,000 lower than the previous year.

ILO unemployment in the UK (seasonally adjusted)

	Total		16-24		Total male		Total female	
	000s	%	000s	%	000s	%	000s	%
2012 Apr-Jun	2,564	8.0	1,012	21.5	1,464	8.5	1,099	7.5
2013 Apr-Jun	2,514	7.8	973	21.4	1,445	8.3	1,070	7.2
2014 Jan-Mar	2,209	6.8	868	19.0	1,236	7.0	973	6.4
2014 Apr-Jun	2,077	6.4	767	16.9	1,151	6.6	926	6.1
<i>Change on quarter</i>	-132		-102		-85		-46	
<i>Change on year</i>	-437		-206		-294		-143	
<i>% change on quarter</i>	-6.0%		-11.7%		-6.9%		-4.8%	
<i>% change on year</i>	-17.4%		-21.2%		-20.3%		-13.4%	

Source: ONS series, MGSC, MGSCX, MGVF, MGWY, MGSD, MGSY, MGSE, MGX

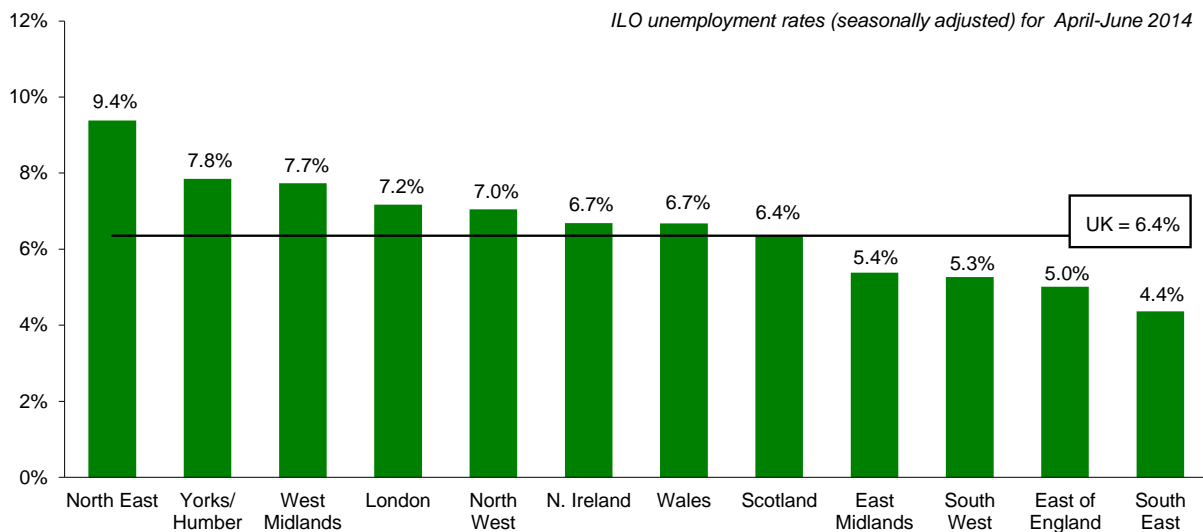
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 17 Sep 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 April-June 2014, the North East had the highest unemployment rate at 9.4% of the economically active population. The lowest rate was 4.4% in the South East. The UK average was 6.4%.



- There were 11 regions/countries which saw a decrease in the level of unemployment over the last quarter, with just one seeing an increase. The largest decrease was in the East Midlands (down 29,000) followed by the North West (down 23,000), while the only increase was in the South West (up 10,000).
- The (seasonally adjusted) Jobseeker's Allowance (JSA) claimant count decreased across all regions and countries between June and July 2014.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	April-June 2014		Change in level		July 2014	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	126	9.4	-10	-8	60.6	-1.6
North West	243	7.0	-23	-41	119.4	-6.1
Yorkshire & Humber	218	7.8	-12	-26	107.0	-4.2
East Midlands	126	5.4	-29	-55	66.6	-2.0
West Midlands	210	7.7	-3	-61	107.7	-3.8
East of England	158	5.0	-13	-46	67.2	-2.3
London	317	7.2	-17	-59	145.4	-3.4
South East	201	4.4	-26	-72	80.0	-2.5
South West	145	5.3	+10	-16	51.6	-1.8
Wales	97	6.7	-3	-25	56.4	-1.4
Scotland	176	6.4	-2	-21	92.9	-3.1
Northern Ireland	59	6.7	-4	-6	52.7	-1.4

Source: ONS, *Labour Market Statistics*

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

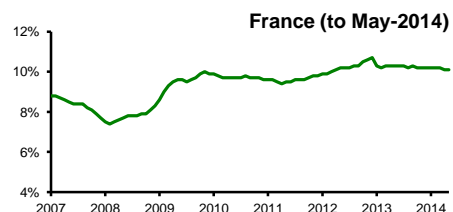
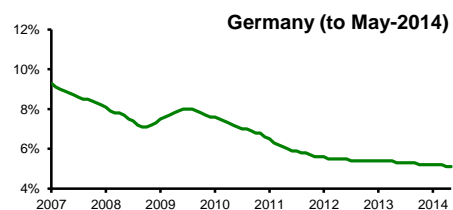
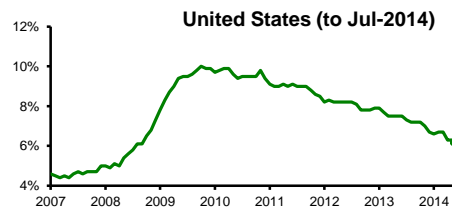
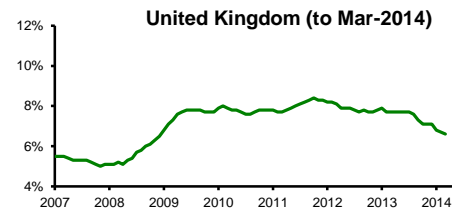
Contact: Daniel Harari x2464

Update: ONS, *Labour Market Statistics*, 17 Sep 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 6.2% in Q2 2014.
- In the euro zone, unemployment is 11.6%, slightly down on Q2 2014.
- Spain and Greece have the highest harmonised unemployment rate among the 33 OECD member states (24.7% in Q2 2014 and 27.3% in Q1 2014 respectively). Japan had the lowest unemployment rate in the OECD in Q2 2014, at 3.6%.
- Youth (15-24) unemployment is a major issue in many developed economies at present. In Q2 2014 youth unemployment was 53.1% in Spain and in Q1 it was 56.6% in Greece. In the same period UK youth unemployment stood at 18.7%.



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

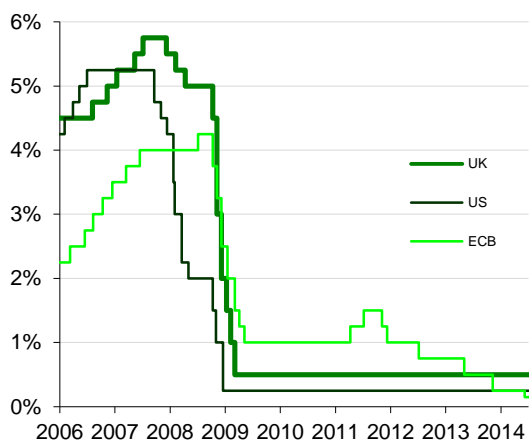
Contact: Chris Rhodes, x2454

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

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



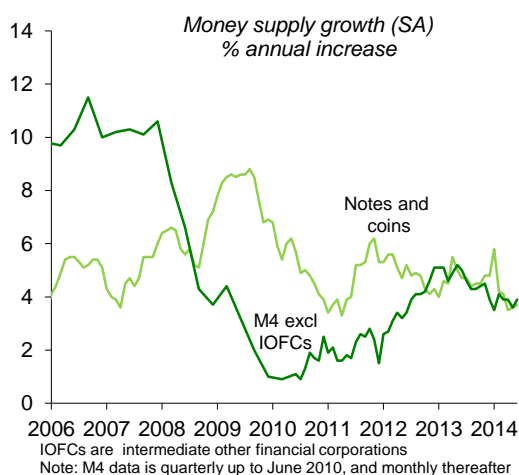
- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England (BoE) cut the official Base Rate from 4.5% to 0.5%, the lowest since the Bank was founded in 1694. The rate has remained at 0.5% since March 2009.
- On 5 June 2014, the Governing Council of the European Central Bank (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 August 2014 [Inflation Report](#), the Bank of England noted that typically broad money has grown more quickly than nominal GDP. However, recently they have grown at a similar pace. The bank states this could be because of weak credit growth or because the programme of asset purchases has remained unchanged and while it may be boosting nominal demand, its impact of money growth has faded.
- 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 3.6% in July 2014 compared with a year ago, down from 3.7% in June.

Contact: Aliyah Dar x6920

Updates: Monetary policy meetings: 17 Sep (US), 4 Sep (ECB), 4 Sep (UK); Bankstats (BoE), 29 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 July 2014 stood at £1.3 trillion, equivalent to 76.5% of GDP.

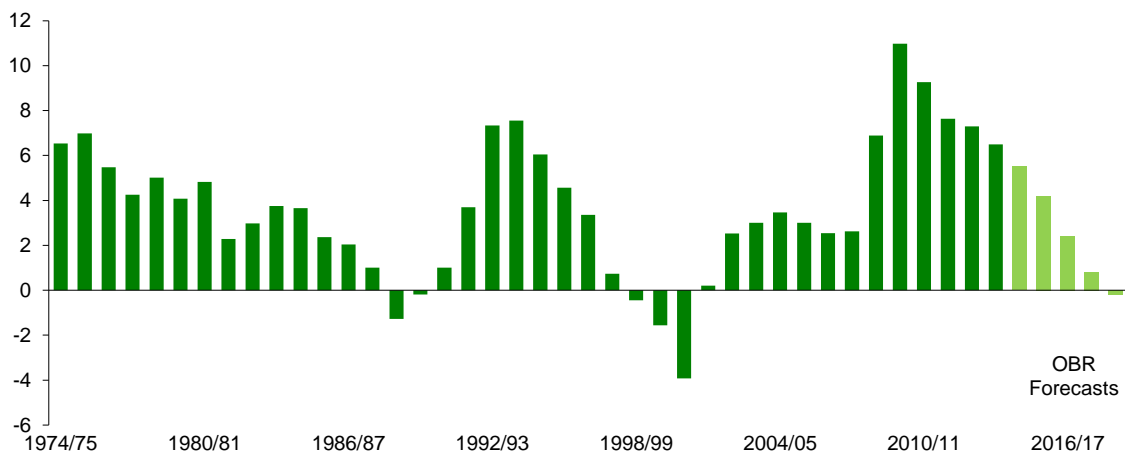
- In July 2014 net borrowing was £764 million, around half the level in July 2013. Net borrowing used in this note excludes financial interventions, transfers of the Royal Mail Pension Plan and the Bank of England Asset Purchase Facility Fund, commonly known as quantitative easing.
- Borrowing tends to be low in July as large payments of corporation tax are made in this month. A surplus was recorded in July 2011 and July 2012.
- 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	7.3	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

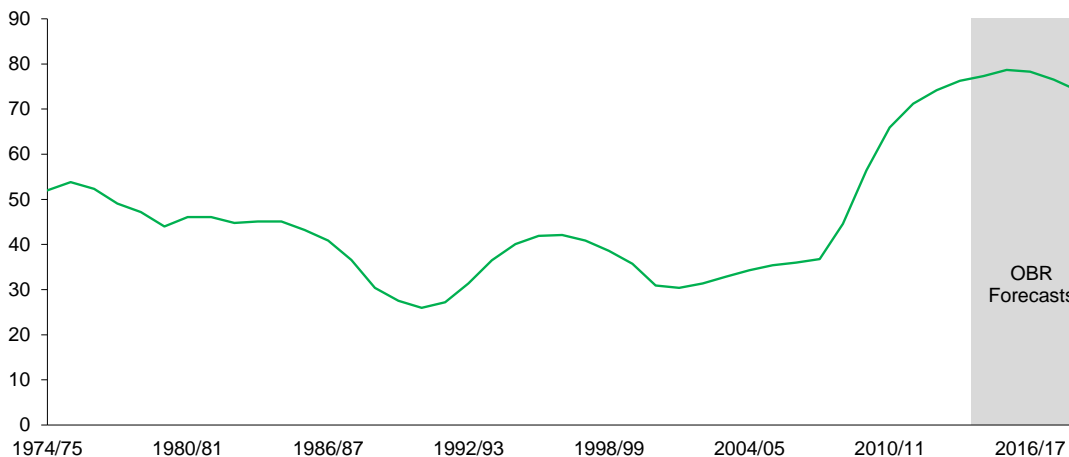
Source: ONS, OBR. Excludes financial sector interventions

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 June 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 1 September 2014

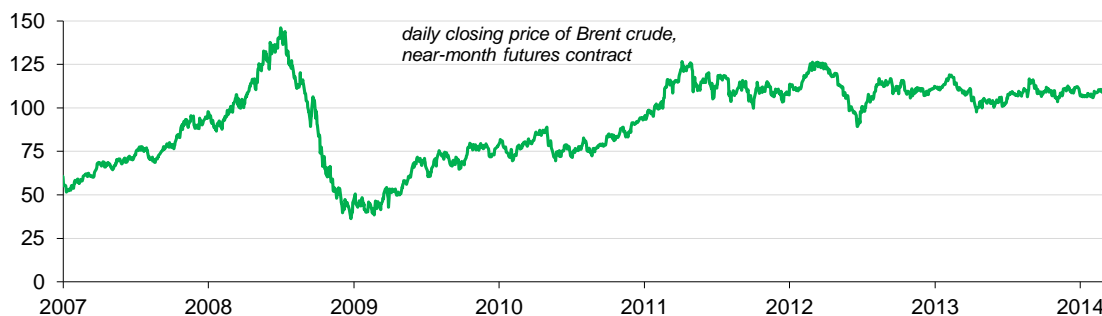
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
01 Sep 2014	6,825.3	102.8	1,287.6
%change over:			
1-month	+2.2%	-2%	+0%
12-months	+5%	-10%	-8%
%change from:			
cyclical peak	-1%	-30%	-32%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+94%	+183%	+81%
date	03 Mar '09	24 Dec '08	24 Oct '08

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	

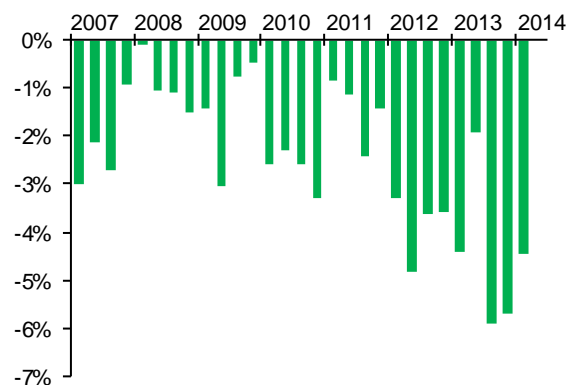
Source: ONS, Pink Book 2013, table 9.3
Includes both goods and services

- 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 Q2 2014, the trade deficit was £6.9bn compared with £4.2bn a year earlier. The deficit on trade in goods (excluding oil and erratics) was £23.7bn. The surplus on trade in services was £20.5bn.

Goods & Services and Current Account Balances

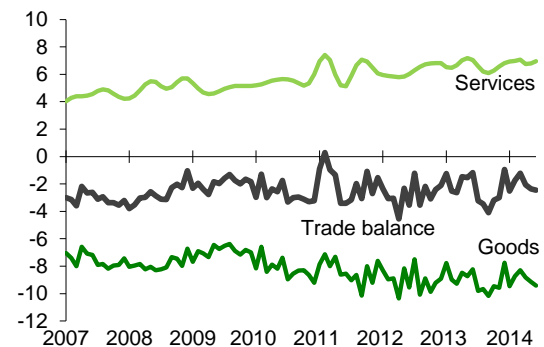
Seasonally adjusted

	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%
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%
Q2	121.7	128.6	-6.9	..	..

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

Balance of trade, goods and services

£ billion, monthly data



Contact: Dominic Webb, x2042

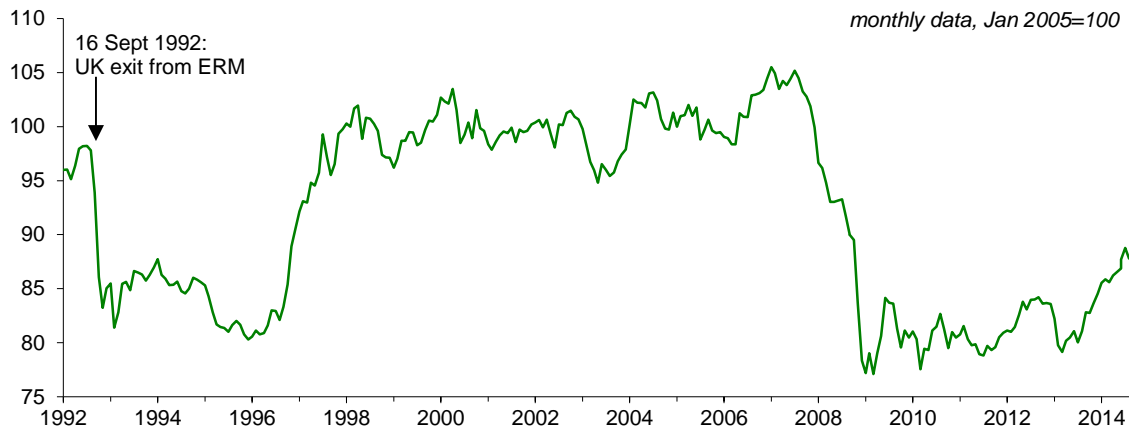
Updates: ONS, [UK Trade](#), 9 Sept 2014
ONS, [UK Balance of Payments](#), 30 Sep 2014

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).

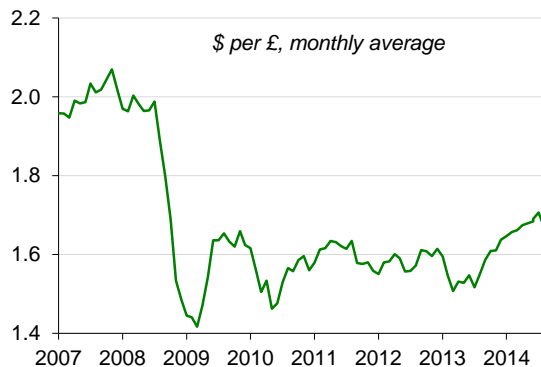
The SERI fell by 1.1% in August 2014, the first fall in 2014. Compared with the same period a year ago, it is 8.3% higher, the biggest annual increase since the late 1990s. It is currently 13.9% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 16.8% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



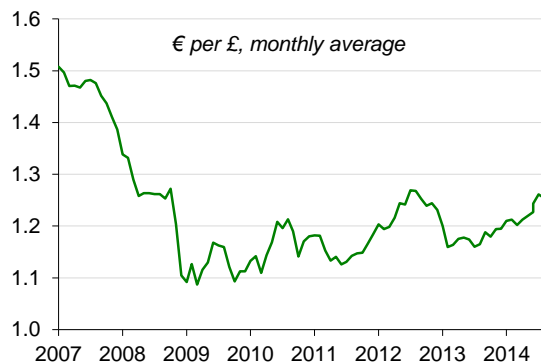
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in August, the pound was down 2.1% against the dollar compared to July. At the 1st September market close the pound stood at \$1.66.
- Sterling was down 0.5% against the Euro in August compared to July.
- At the 1st September market close the pound stood at €1.27. 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 June	1.69	9.2%	1.24	5.9%
July	1.71	12.5%	1.26	8.7%
August	1.67	7.8%	1.25	7.7%

Source: Bank of England, Bankstats database

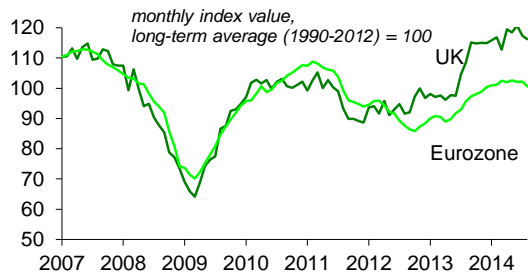
Contact: Chris Rhodes x2454

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

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

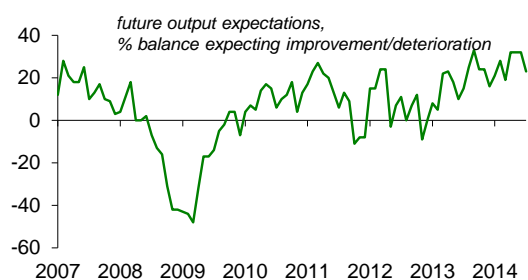


		UK Index	monthly change	change on year ago
2012	Aug	91.6	...	...
2013	Aug	108.5	...	...
2014	Jun	120.7	+2.2	+23.2
	Jul	117.4	-3.3	+12.8
	Aug	116.3	-1.1	+7.8

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 July and August 2014 the overall UK sentiment index decreased from 117.4 to 116.3, 7.8 points higher than the previous year. The Eurozone index was up over the year by 4.9 points to 100.6.

CBI Industrial Trends Survey



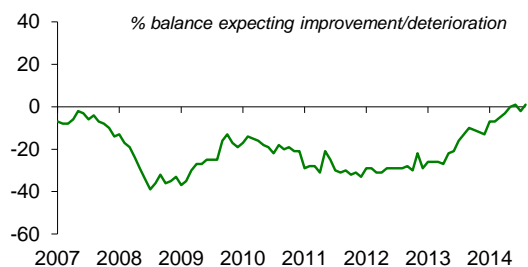
Balance (as a %) of those expecting an improvement
minus those expecting a deterioration

		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	Aug	-29	...	...
2013	Aug	-13	...	...
2014	Jun	+1	+1	+22
	Jul	-2	-3	+14
	Aug	+1	+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 1 in August, up 3 points on the previous month and 14 points higher than a year ago. This is still historically high, prior to May 2014 consumer confidence had been negative since April 2005.

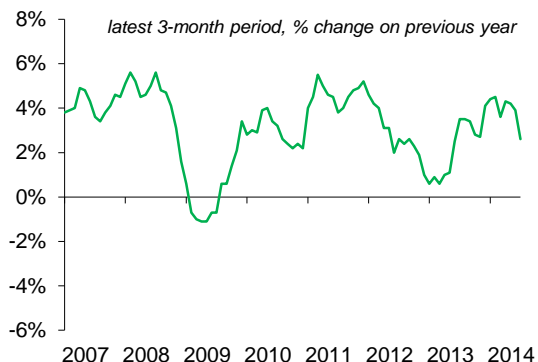
Contact: James Mirza-Davies, x6962

Update: CBI, [Industrial Trends](#), 3 Sep 2014
EC, [Economic Sentiment Indicator](#), 29 Sep 2014
GfK NOP, [Consumer Confidence](#), 29 Sep 2014

F2: Retail Sales

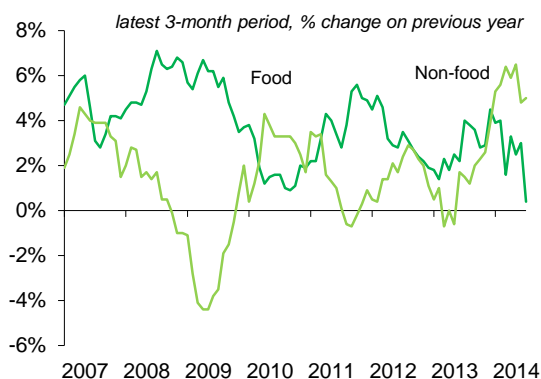
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of retail sales



- The value of retail sales in the three months to July 2014 was 2.6% higher than the same three months in the previous year.
- The value of retail sales in July 2014 alone was 1.7% higher than in July 2013 and 0.2% lower than June 2014.
- The value of internet sales in July 2014 was 11.2% higher than in July 2013 and decreased by 3.8% compared with June 2014.

Value of food & non-food store sales



- The value of sales in food stores in the three months to July 2014 rose by 0.4% on the same period last year, and the value of sales in non-food stores increased by 5.0%.
- The value of sales in household goods stores increased by 2.3% in the three months to July 2014 compared with the previous year. Department stores saw growth of 5.9%.

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	-0.5	6.4	0.6	1.7	2.4
2013	3.2	2.7	-3.6	4.1	2.8	1.7	2.7
2014 MAR	1.6	3.1	5.0	7.1	10.1	6.4	3.6
APR	3.3	4.2	4.3	7.5	7.4	5.9	4.3
MAY	2.5	5.8	3.9	8.6	7.4	6.5	4.2
JUN	3.0	4.3	2.7	6.3	5.5	4.8	3.9
JUL	0.4	3.8	2.3	5.9	7.2	5.0	2.6

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

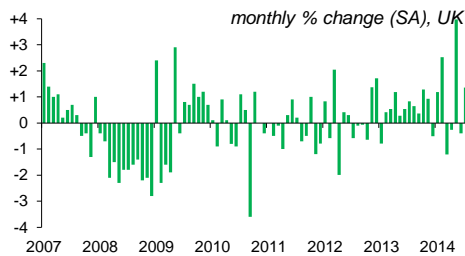
F3: Housing Market

House prices on the Nationwide index increased slightly in August by a 0.8%, keeping house prices just above their pre-recession peak. Prices were 11.0% higher compared with a year ago on this measure. House prices on the Halifax index increased by 1.4% in July but remain below their August 2007 peak.

Mortgage approvals decreased in July, following a slight increase in June. 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

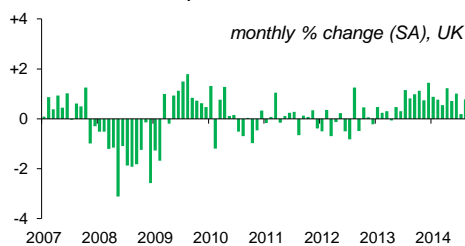
Halifax house price index



- The average house price on the Nationwide measure was at a record peak in August 2014, exceeding 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).

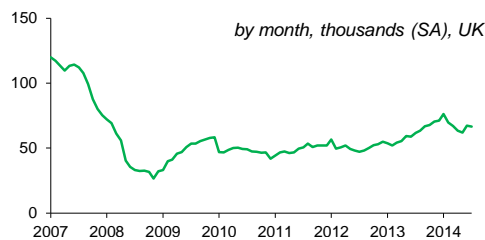
Latest monthly data
UK, seasonally adjusted

Nationwide house price index



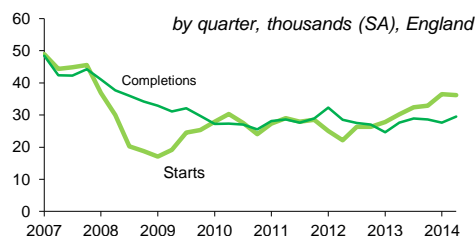
	Halifax	Nationwide
Latest data	Jul-14	Aug-14
Change in month	+1.4%	+0.8%
Change in year	+10.2%	+11.0%
Peak date	Aug-07	Jun-14
Change since peak	-6.7%	n.a
Trough date	Apr-09	Feb-09
Change since trough	+20.5%	0.0%

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 66,569 mortgage approvals in July 2014, falling slightly from 67,085 in June.

House-building



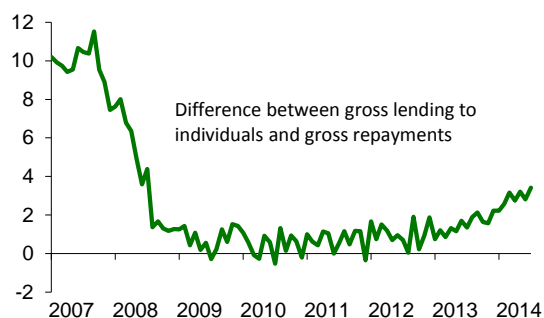
- There were 36,230 house building starts in England in Q2 2014, unchanged on Q1 2014 and 18% more than in Q2 2013. This is above the recent low of 17,090 in Q1 2009, but still well below the 48,990 starts in Q1 2007.
- There were 29,540 dwelling completions in Q2 2014, up 6% from Q1 2014 and 6% higher than in Q2 2013. Completions remain below the peak of 48,440 completions in Q1 2007.

Contact: Matthew Keep x4324

Updates: Halifax [House Price Index](#), early September 2014; Nationwide [House Price Index](#), early October 2014; Bank of England, [Money and credit](#), 1 Oct 2014; DCLG, [House-building](#), 20 November 2014

F4: Household debt

Monthly net lending, £bn

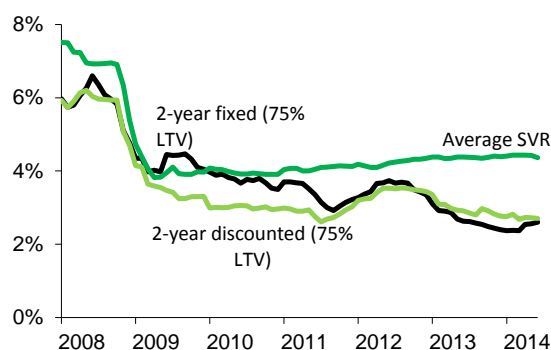


Source: Bank of England

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

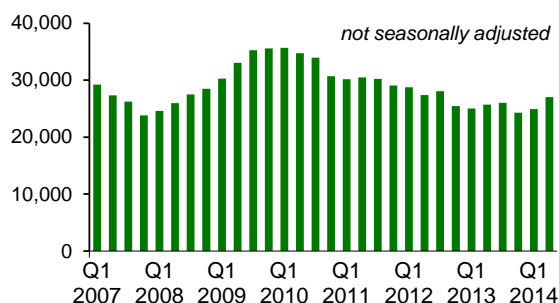
- Total net lending to individuals (excluding student loans) was £3.4 billion in July 2014. Net lending has been relatively low since mid-2008, but has been on a broadly upward trend since 2013.
- Monthly net unsecured lending (consumer credit) grew by £1.1 billion in July. Monthly net secured lending (mortgages) grew by £2.3 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in July 2014 it was 4.45%, compared with 4.37% a year before.
- The average 2-year fixed mortgage rate was 2.54% in July, compared to 2.62% a year before.
- The average 2-year discounted rate was 2.74% in July compared with 2.85% 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](#), 29 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: <i>GDP Preliminary Estimate</i> ; <i>Second Estimate of GDP</i> ; <i>Quarterly national accounts</i> HM Treasury, <i>Forecasts for the UK Economy</i>
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), <i>Main Economic Indicators</i> , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, <i>Economic Outlook</i> (full document via www.sourceoecd.org); IMF <i>World Economic Outlook database and updates</i> European Commission's growth forecasts
A3	Components of GDP	ONS releases: <i>Second Estimate of GDP</i> ; <i>Quarterly national accounts</i>
A4	Services	ONS, <i>Index of Services</i> ONS, <i>Workforce Jobs</i> Markit/CIPS <i>UK Services Purchasing Managers Index</i>
A5	Manufacturing	ONS, <i>Index of Production</i> ONS, <i>Workforce Jobs</i> Markit/CIPS <i>UK Manufacturing Purchasing Managers Index</i>
A6	Productivity	ONS, <i>Labour Productivity</i>
B1	Inflation	ONS, <i>Consumer Price Indices</i>
B2	Inflation: International	CPI: OECD, <i>Main Economic Indicators</i> (link to user defined table); EU data: Eurostat news release and database
B3	Average Earnings Index	ONS, <i>Labour Market Statistics</i>
C1	Employment	ONS, <i>Labour Market Statistics</i>
C2	Unemployment: National	ONS, <i>Labour Market Statistics</i>
C3	Unemployment: Regional	ONS, <i>Labour Market Statistics</i> and <i>Regional Labour Market Statistics</i>
C4	Unemployment: International Comparisons	Data: OECD, <i>Main Economic Indicators</i> Commentary: OECD, <i>Economic Outlook</i> (full document via www.sourceoecd.org)

Indicator		Source details
D1	Interest Rates and the Money Supply	UK: Bank of England, Monetary Policy Committee decisions & minutes US: Federal Reserve, Federal Open Market Committee decisions ECB: European Central Bank news releases Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database.
D2	Public Finances	Data: ONS, Public sector finances ; Forecasts of budget balance: Office for Budget Responsibility .
D3	Financial Indicators	<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.