



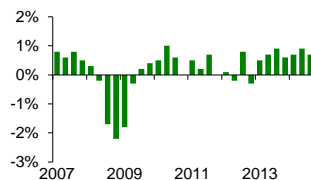
Economic Indicators, November 2014

RESEARCH PAPER 14/58 04 November 2014

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

Preliminary estimates published in September show that GDP grew by 0.7% in Q3 2014. In the quarter to August, unemployment fell and employment rose. Inflation in September was 1.2%, below the Bank of England's target for the ninth successive month.

GDP growth (% change quarter-on-quarter)



GDP grew by an estimated 0.7% in Q3 2014, following growth of 0.9% in Q2.

Inflation (CPI) (% change on year ago)



The CPI annual inflation rate was 1.2% in September 2014, below the Bank of England's target of 2.0%.

Employment (total, millions)



There were 30.76 million people aged 16 and over in employment in June to August 2014. The employment rate was 73.0%

This month's articles:

- **UK growth: where do we stand?**
- **Trading partners: geographical patterns of UK trade**

James Mirza-Davies (editor)

Recent Research Papers

14/48	International Development (Official Development Assistance Target) Bill [Bill 14 of 2014-15]	10.09.14
14/49	Unemployment by Constituency, September 2014	17.09.14
14/50	Scottish Independence Referendum 2014	30.09.14
14/51	House of Commons Sitting of the UK Youth Parliament – November 2014	06.10.14
14/52	Economic Indicators, October 2014	07.10.14
14/53	Recall of MPs Bill [Bill 94 of 2014-15]	09.10.14
14/54	Unemployment by Constituency, October 2014	15.10.14
14/55	European Union (Referendum) Bill [Bill 15 of 2014-15]	15.10.14
14/56	CAP reform 2014-20: EU Agreement and Implementation in the UK and in Ireland (updated)	30.10.14
14/57	Taxation of Pensions Bill 2014-15 [Bill 97 of 2014-15]	23.10.14

Research Paper 14/58

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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.
Balance of payments	Dominic Webb	2042
Businesses	Chris Rhodes	2454
EC finance	Matthew Keep	4324
GDP	Daniel Harari	2464
Employment	Aliyah Dar	6920
Financial services	Dominic Webb	2042
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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 UK growth: where do we stand?

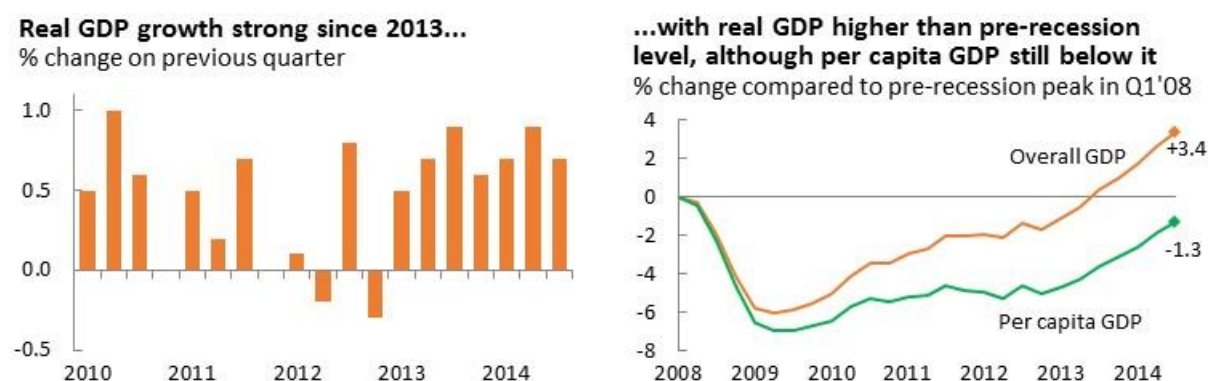
The UK economy continues to grow briskly, with the first estimate of GDP growth in Q3 2014 revealing that output increased by 0.7% compared with the previous quarter. How have the different sectors of the economy performed of late and how does overall growth compare with the other major economies of the world?

2.1 Period of strong growth since early 2013 continues in Q3 2014...

GDP growth of 0.7% during Q3 2014 was in line with average quarterly recorded since the beginning of 2013.³ This period of expansion is the most consistent since before the 2008-2009 recession. The economy is now 3.4% larger than it was at its pre-recession peak level of Q1 2008.

Recently-completed changes to the way GDP is measured revised growth since the recession upwards with GDP estimated to have returned to its pre-recession level almost a year earlier than previously estimated – in Q3 2013 instead of Q2 2014.⁴

Despite recent growth and these upward revisions, GDP per head – a measure of living standards – remains 1.3% below that recorded over six years ago before the recession began. This is the result of the UK population growing by more than GDP over this period.



2.2 ...as all sectors of the economy exhibit growth...

All of the major sectors saw growth in Q3 2014 compared with the previous quarter. Industrial production, which includes manufacturing and North Sea oil and gas, rose by 0.5%; construction increased by 0.8%; and the services sector was up by 0.7%.

Within services, output in the transport, storage and communication sector rose by 1.1%; business services and finance was 1.0% higher; distribution, hotels and restaurants saw output go up by 0.5%; and government and other services increased by 0.3%.

Of the 0.7% growth recorded in Q3 2014, 0.58%-points came from the services sector, 0.07%-points from industrial production and 0.05%-points from construction. The services sector is the dominant sector making up over three-quarters of all economic output, industrial production around 15% and construction just over 6%.

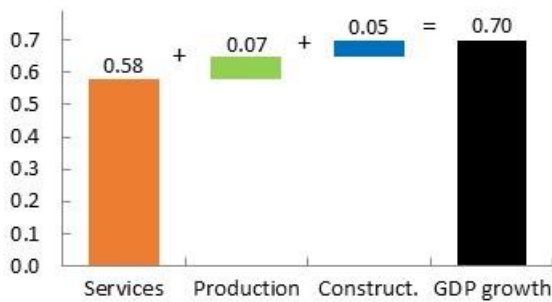
Looking at the performance of each sector since the recession, the depth of the downturn was greater in industrial production (output fell by around 12%) and construction (a decline of 17%) and the recovery took much longer than in the services sector. Since early 2013, growth in all three major sectors has been recorded with construction output in particular

³ ONS, "Gross Domestic Product Preliminary Estimate, Q3 2014", 24 Oct 2014

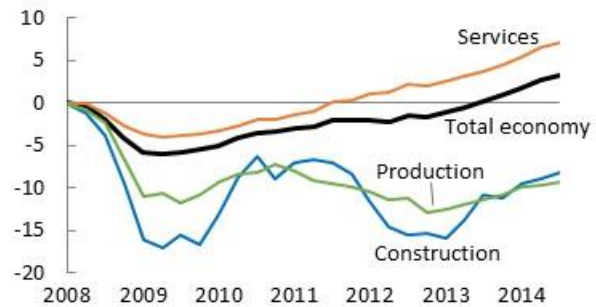
⁴ For more detail see Library Note SN6902, "GDP and the national accounts: 2014 revisions"

growing quickly (up by 9.3% over this time). However, production and construction output is still over 8% below what it was in Q1 2008.

Services provide largest boost to growth...
% -point contribution to GDP growth in Q3 2014



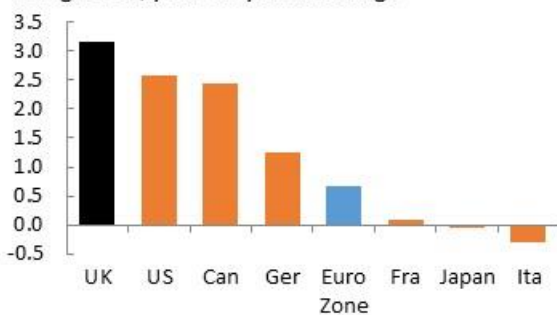
...and outperformed other sectors since 2008
% change in output in Q3'14 compared to Q1'08



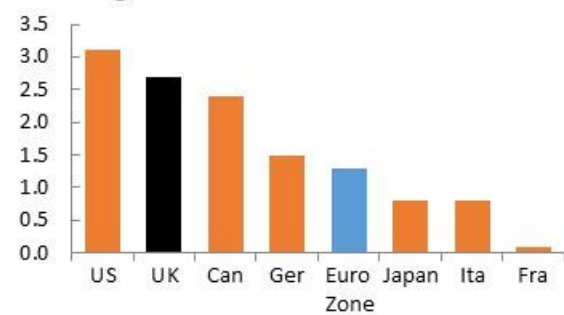
2.3 ...with UK growth the fastest in the G7 in 2014...

The UK economy has performed well compared with other large economies countries recently and the UK is expected to be the fastest-expanding G7 economy in 2014, although growth is forecast to slow slightly in 2015.

UK strongest annual growth in G7 in Q2'14...
GDP growth, year-on-year % change



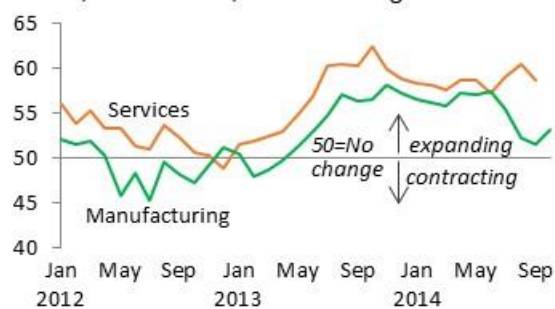
...UK forecast to be 2nd highest in 2015
IMF GDP growth forecast of Oct 2014



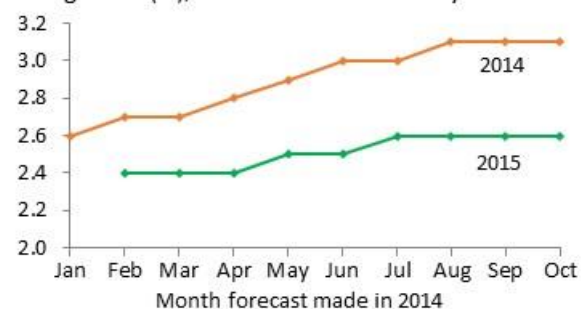
2.4 ...and outlook still generally positive for 2015 although international risks rising

Economic indicators remain generally positive and forecasts for growth in 2015 have remained stable in recent months, although there have been signs of a slowdown in the housing market and in manufacturing. Risks to the outlook come predominantly from abroad, as weakness in the eurozone economy persists and growth in emerging markets slows.

Growth slowing in services & manufacturing..
Markit/CIPS services/manufacturing PMI indices



..and growth forecasts now stable after rising
GDP growth (%), consensus forecast for year shown

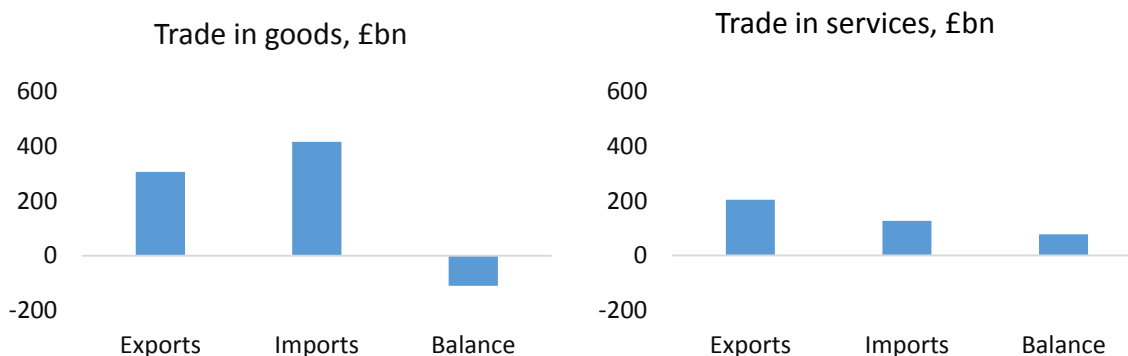


Trading partners: geographical patterns of UK trade

The ONS has recently published the 2014 edition of the *Pink Book* which gives details of the UK's balance of payments. This article looks at one particular aspect: the geographical breakdown of the UK's trade in goods and services.

2.5 Overall balance of trade

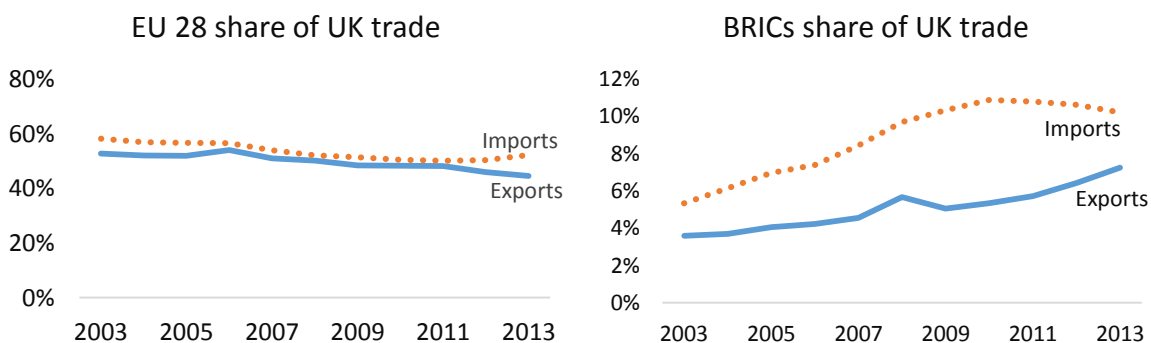
In 2013, the UK had a deficit of £32 billion on trade in goods and services, down from £34 billion in 2012. The UK had a deficit on trade in goods of £110 billion in 2013 (£109 billion in 2012) but a surplus of £78 billion on trade in services (£75 billion in 2012).



2.6 Geographical breakdown of trade

The EU accounted for 45% of UK exports and 52% of imports into the UK in 2013. The EU's share of UK trade has fallen over the last decade. The EU's share of UK exports fell from 53% to 45% between 2003 and 2013. The EU's share of UK imports fell from 58% to 52% over the same period.

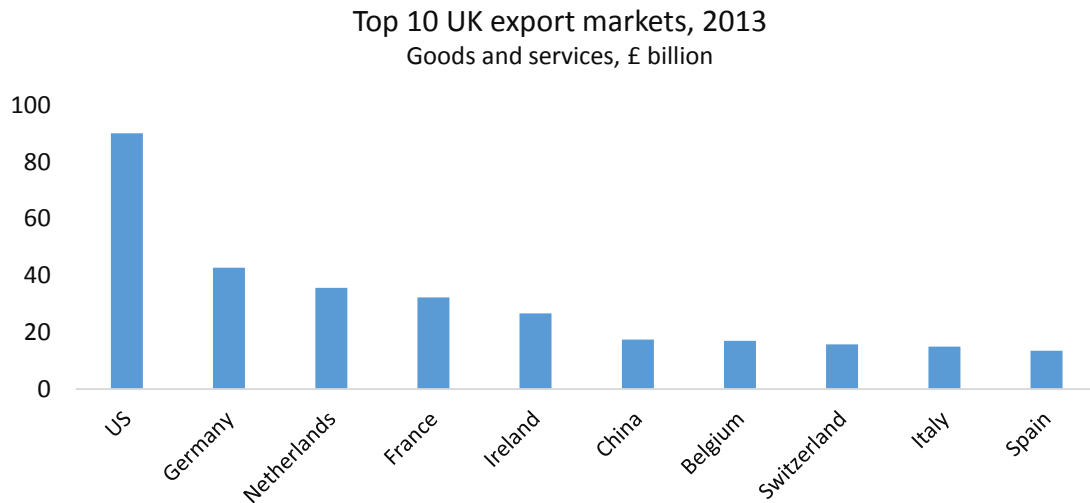
Within the EU 28, the UK's main export markets in 2013 were Germany, the Netherlands and France. UK exports to Germany were £42.7 billion, exports to the Netherlands were £35.6 billion and exports to France £32.2 billion. Exports to the EU 28 as a whole were £228 billion and UK exports to all countries were £511 billion. Germany, the Netherlands and France were also the three largest sources of UK imports from the EU. The figures for the Netherlands are particularly high due to the large amount of trade routed through Rotterdam. Some of this is classified as trade with the Netherlands rather than the "real" trading partner country. This is sometimes referred to as the Rotterdam effect. The size of this distortion is not known.



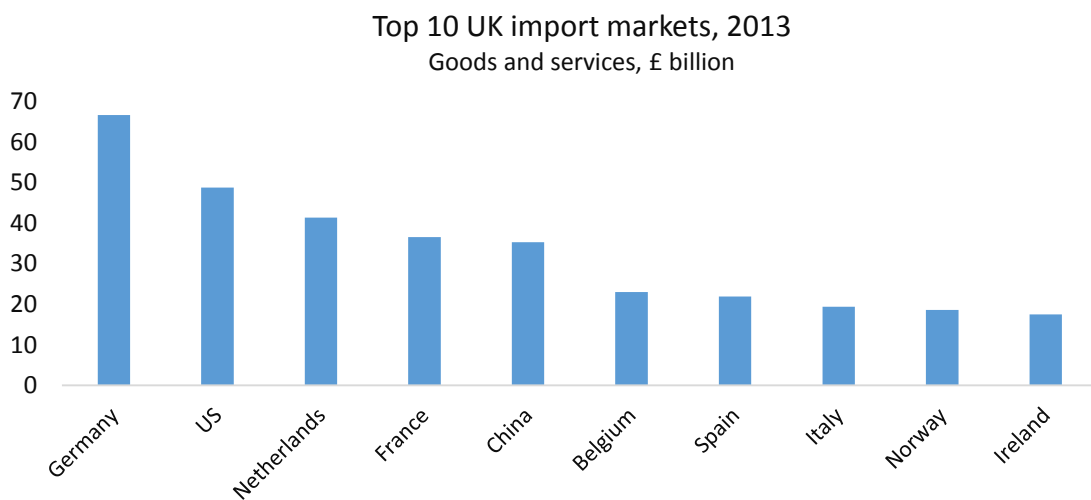
The share accounted for by the BRICs countries (Brazil, Russia, India and China) has increased rapidly. In absolute terms, however, trade with the BRICS is still much lower than with the EU. BRICs countries made up 7% of UK exports in 2013 (up from 4% in 2003). The

BRICs accounted for 10% of UK imports in 2013, up from 5% in 2003. China is by some way the most significant UK trading partner among the BRICs. Nearly half of UK exports to the BRICs countries are to China. 3.4% of total UK exports went to China in 2013 compared with just 1.2% in 2003. On the imports side, China accounted for over 60% of UK imports from the BRICs in 2013. 6.5% of all UK imports were from China in 2013, up from 2.9% in 2003.

The chart below shows the UK's ten largest export markets in 2013. The US is by far the largest at £90 billion, more than twice as large as Germany, the next largest export market. Eight of the top 10 markets are in Europe, with the two exceptions being the US and China.



The chart below shows the top 10 sources of imports into the UK. Germany is the largest source of imports (£67 billion), followed by the US and the Netherlands. As with exports, eight of the top 10 are European countries with the exceptions being the US and China.

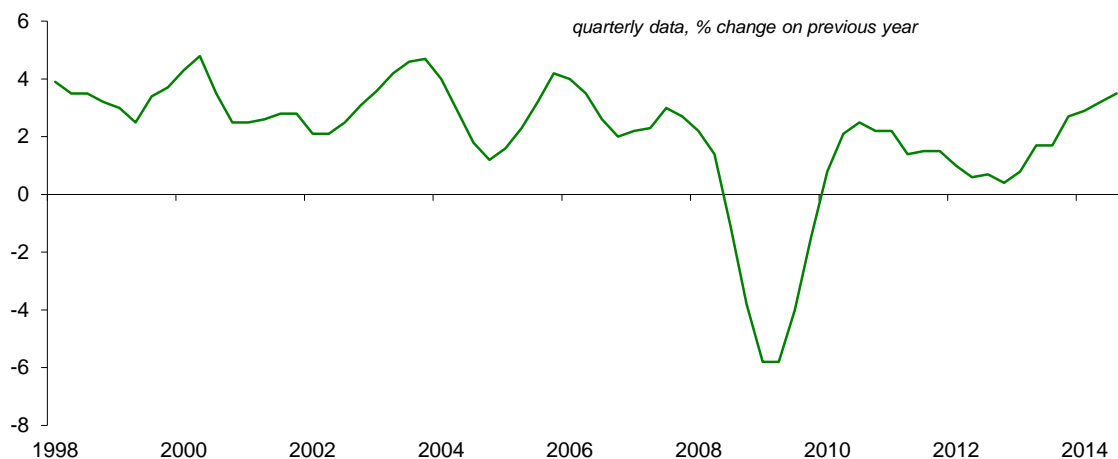


Dominic Webb
Economic Policy and Statistics Section

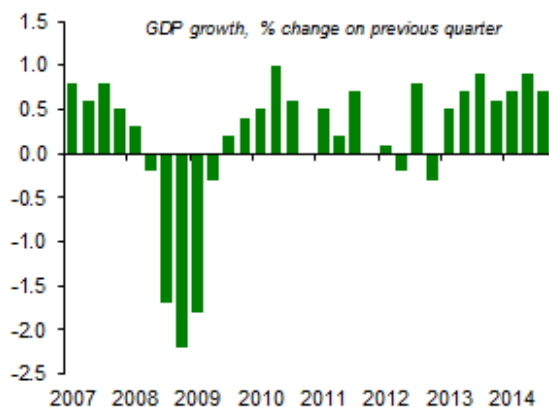
A1: Gross Domestic Product

- Preliminary estimates show the economy grew by 0.7% in Q3 2014, following growth of 0.9% in Q2 2014. In September, HM Treasury's average of independent economic forecasts of GDP growth was 3.1% for 2014 and 2.7% for 2015. The Office for Budget Responsibility's (OBR) central forecasts from March 2014 are for growth of 2.7% in 2014.
- GDP estimates have been changed to meet updates to international standards. GDP in Q2 2014 is now estimated to be 2.7% above the Q1 2008 rather than the previous estimate of 0.2% higher. The economy shrank by 6.0% rather than the previous estimate of 7.2% from 2008/2009 peak to trough.
- In Q3 2014, output of the total production increased by an estimated 0.5% compared to the previous quarter (based on chained volume measures). Construction sector increased by 0.8%, while output of the services industry increased by 0.7%.

Real GDP Growth since 1998



Real GDP Growth since 2007



Gross Domestic Product

	seasonally adjusted			
	Current prices £ billion	% change on year	Real GDP (inflation-adjusted)	
			% change on quarter	% change on year
2010	1,558	4.8	...	1.7
2011	1,618	3.5	...	1.1
2012	1,655	1.4	...	0.3
2013	1,713	3.5	...	1.7
2012 Q4	416.4	2.1	-0.3	0.4
2013 Q1	420.2	2.0	0.5	0.8
Q2	424.8	3.5	0.7	1.7
Q3	432.7	3.9	0.9	1.7
Q4	435.6	4.6	0.6	2.7
2014 Q1	439.3	4.5	0.7	2.9
Q1	447.8	5.4	0.9	3.2
Q3	...	...	0.7	3.5

Source: ONS, series: YBHA, ABMI

Contact: James Mirza-Davies, x6962

Updates: HMT, [Forecasts for the UK economy](#), 19 Nov 2014
ONS, [Second estimate of GDP](#), 26 Nov 2014

A2: GDP: International Comparisons

In Q3 2014, real GDP in the UK grew by 0.7% compared with the previous quarter. In the US GDP grew by 0.9%.

In the previous quarter, Q2 2014, there was no growth in the Eurozone, including a decline of 0.2% in Germany and no growth in France. In Japan GDP fell by 1.8% 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	2.7	2.9	3.2	3.0	0.6	0.7	0.9	0.7
Eurozone	0.5	1.0	0.7	..	0.3	0.2	0.0	..
US	3.1	1.9	2.6	2.3	0.9	-0.5	1.1	0.9
Japan	2.4	2.7	0.0	..	-0.1	1.5	-1.8	..
Germany	1.1	2.2	1.3	..	0.4	0.7	-0.2	..
France	0.8	0.8	0.1	..	0.2	0.0	0.0	..
G7	2.3	1.9	1.7	..	0.5	0.1	0.4	..
OECD	2.2	2.0	1.9	..	0.5	0.3	0.4	..

Source: OECDstat

In **October 2014**, the IMF left their growth forecasts, last made in July 2014, unchanged for the UK, at 3.2% in 2014 and 2.7% in 2015. This puts forecast GDP growth for the UK in 2014 ahead of that for the other G7 countries (Canada is next highest at 2.3%). The IMF lowered its 2014 and 2015 forecasts for world growth slightly, down from 3.4% to 3.3% in 2014 and from 4.0% to 3.8% in 2015.

In **September 2014**, the OECD left their growth forecasts for the UK roughly unchanged (from their May 2014 forecast) at 3.1% in 2014 (the highest of the G7 economies) and 2.8% in 2015. Revisions for other major economies for 2014 were more dramatic. Forecasts for the eurozone for 2014 fell from 1.2% to 0.8%, with France down from 0.9% to 0.4%, Germany from 1.9% to 1.5%, and Italy from 0.5% to -0.4%. For the US, 2014 forecasts were lowered from 2.6% to 2.1%.

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.

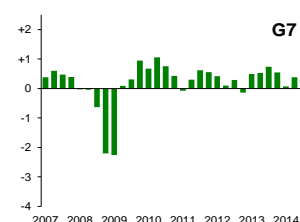
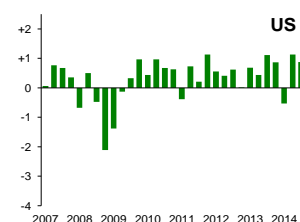
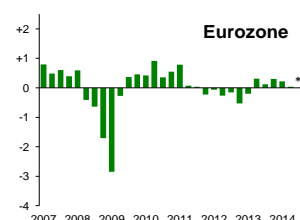
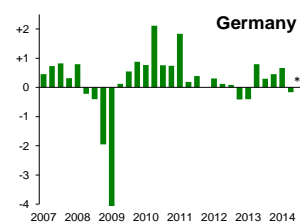
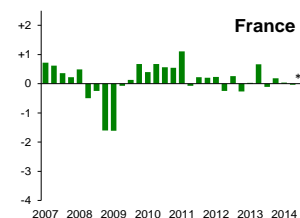
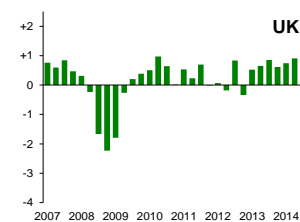
Real growth forecasts (% change)

	IMF (Oct 14)		EC (May 14)		OECD (Sep 14)	
	2014	2015	2014	2015	2014	2015
UK	3.2	2.7	2.7	2.5	3.1	2.8
France	0.4	1.0	1.0	1.5	0.4	1.0
Germany	1.4	1.5	1.8	2.0	1.5	1.5
Eurozone	0.8	1.3	1.2	1.7	0.8	1.1
US	2.2	3.1	2.8	3.2	2.1	3.1
Japan	0.9	0.8	1.5	1.3	0.9	1.1
China	7.4	7.1	7.2	7.0	7.4	7.3
India ¹	5.6	6.4	..	..	5.7	5.9
Brazil	0.3	1.4	..	..	0.3	1.4
World	3.3	3.8	3.5	3.8	..	..

Sources: IMF Oct 2014 WEO; EC Spring 2014 forecast; OECD Interim f'casts Sep 14

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

Quarter-on-quarter growth rates



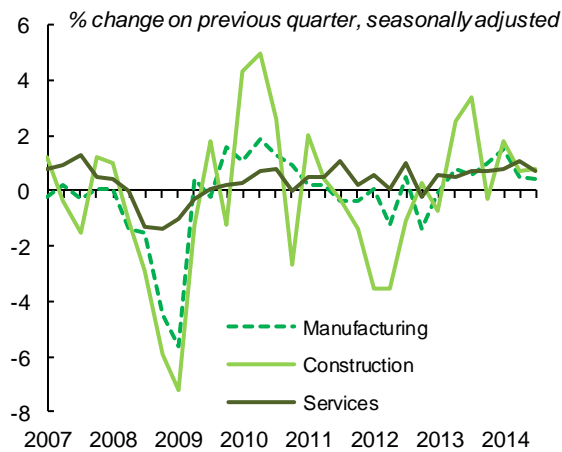
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Nov 2014
 IMF, [World Economic Outlook](#), Jan 2015
 EC, [Autumn Economic Forecast](#), Nov 2014

Contact: Lorna Booth, x2883

A3: Components of GDP

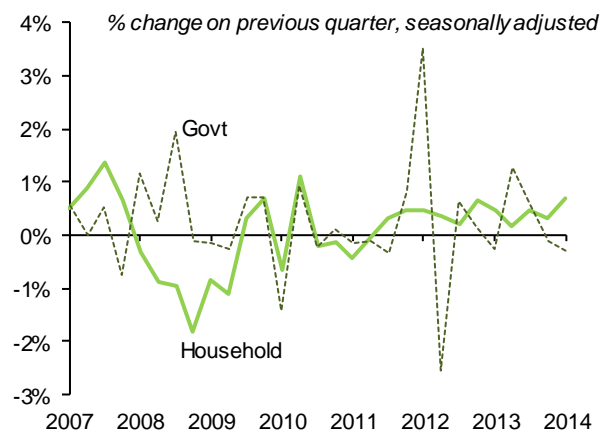
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 61% of the total in 2013. Government consumption accounted for 21% and investment for 16%.

Output by industry – gross value added



- Overall, GDP increased by 0.7% in real terms in Q3 2014 compared with the previous quarter. This follows a quarterly increase of 0.9% in Q2 2014.
- Service sector output increased by 0.7%, down from 1.1% in the previous quarter.
- Manufacturing output increased by 0.4%, compared to 0.5% in Q2 2014.
- Output in the construction sector increased by 0.8%, compared to 0.7% in the previous quarter.

Expenditure - household and government consumption



- In Q2 2014, household consumption grew by 0.6% in real terms compared with Q1 2014.
- Government consumption increased by 1.0% in Q2 2014 compared with the previous quarter.
- Gross fixed capital formation increased by 1.3%. Exports were down 0.4% while imports fell by 0.3%.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2012 (annual % change)	1.5%	2.3%	0.7%	0.7%	3.1%	0.7%
2013 (annual % change)	1.6%	0.7%	3.2%	0.5%	0.5%	1.7%
2013 Q2	0.2%	1.3%	0.5%	5.9%	3.5%	0.7%
2013 Q3	0.5%	0.6%	2.8%	-4.6%	1.5%	0.9%
2013 Q4	0.3%	-0.1%	2.4%	0.2%	-1.4%	0.6%
2014 Q1	0.7%	-0.3%	2.4%	-0.4%	-2.0%	0.7%
2014 Q2	0.6%	1.0%	1.3%	-0.4%	-0.3%	0.9%

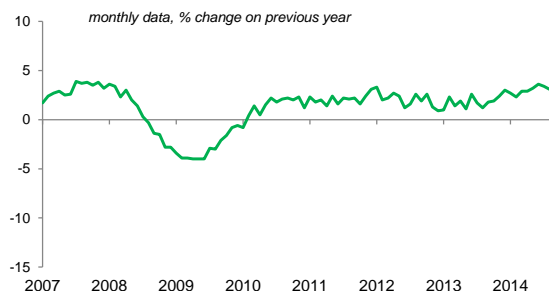
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

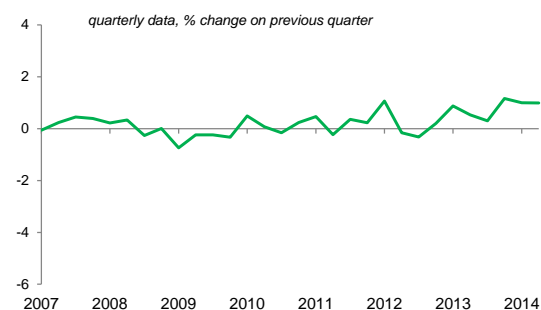


	Index Value (2009=100)	% change on month	% change on year
2012	102.0	...	2.0
2013	103.9	...	1.8
2014 May	106.9	0.3	3.2
June	107.2	0.3	3.6
July	107.5	0.2	3.4
Aug	107.5	0.0	3.1

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector was unchanged in August compared to July 2014. Compared with a year before, services output increased by 3.1%.
- The largest contributions came from: business services & finance, which contributed 1.5 percentage points to total growth; and distribution, hotels & restaurants, which contributed 0.7 percentage points to total growth.

Jobs in the service industries

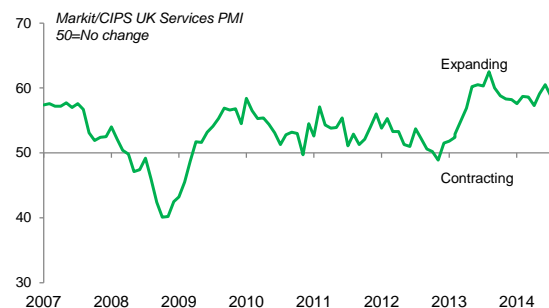


	Thousands	% change on quarter	% change on year
2012 Q2	26,445	...	1.5
2013 Q2	26,786	...	1.3
Q3	26,868	0.3	1.9
Q4	27,182	1.2	2.9
2014 Q1	27,454	1.0	3.0
Q2	27,726	1.0	3.5

Source: ONS, Workforce Jobs

- In Q2 2014 there were 27.7 million jobs in the service sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 272,000 over the quarter and by 940,000 over the year.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2012 Sep	52.2	...
2013 Sep	60.3	...
2014 Jun	57.3	-1.3
Jul	59.1	1.8
Aug	60.5	1.4
Sept	58.7	-1.8

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) fell in September to 58.7 (where a score above 50 indicates confidence is expanding).
- This was the lowest level for 3 months, though the index remains at a level indicative of rapid growth and is well above the survey average.

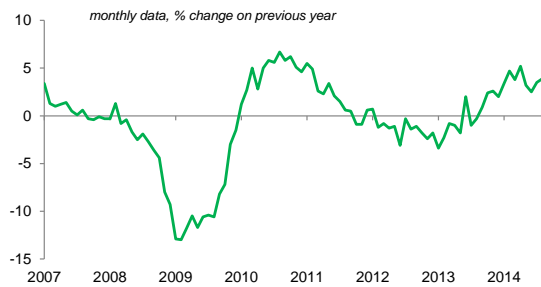
Contact: David Hough, x6933

Update: ONS, [Index of Services](#), 26 Nov 2014
 ONS, [Workforce Jobs](#), 17 Dec 2014
 Markit/CIPS [UK Services PMI](#), 5 Nov 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

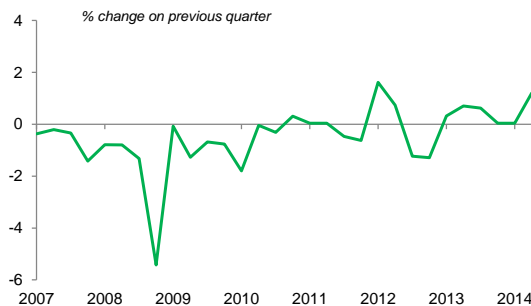


	Index Value (2010=100)	% change on month	% change on year
2012	100.1	...	-1.7
2013	99.3	...	-0.8
2014 May	101.1	-1.5	3.2
Jun	101.7	0.6	2.5
Jul	102.1	0.3	3.5
Aug	102.2	0.1	3.9

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output rose by 0.1% in August 2014 compared with July 2014, and was 3.9% higher than in August 2013.
- The production of basic metals & metal products; other manufacturing & repair; and the manufacture of wood, paper products & printing were the main contributors to this month's small growth in manufacturing output.

Jobs in manufacturing

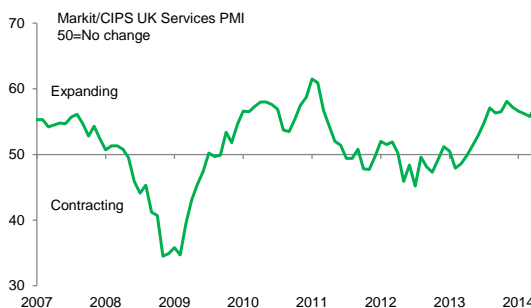


	Thousands	% change on quarter	% change on year
2011 Q2	2,596	...	1.2
2012 Q2	2,557	...	-1.5
2013 Q3	2,573	0.6	0.4
Q4	2,574	0.0	1.7
2014 Q1	2,575	0.0	1.4
Q2	2,606	1.2	1.9

Source: ONS, Workforce Jobs

- In Q2 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 31,000 or 1.2% over the quarter. From the same quarter in 2013, the number of manufacturing jobs increased by 49,000 or 1.9%.

Manufacturing Purchasing Managers Index



	Index	Monthly change
2012 Oct	47.3	...
2013 Oct	56.5	...
2014 Jul	55.4	-2.1
Aug	52.2	-3.2
Sep	51.6	-0.6
Oct	53.2	1.6

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS Manufacturing PMI, an important measure of manufacturing activity, was 53.2 in October, up from 51.6 in September (50.0 is unchanged). Markit manufacturing performance in October was the first positive percentage increase since June.

Contact: Gloria Tyler x2432

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

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.

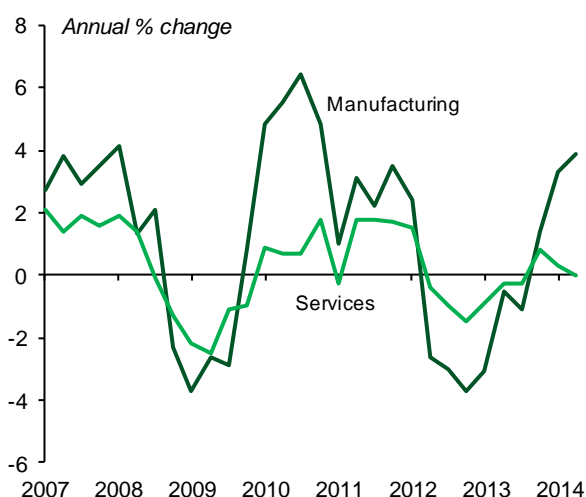
UK productivity by sector

- Productivity across the whole UK economy, measured by output per hour, is estimated to have decreased by 0.3% over the last year. Manufacturing productivity grew by 3.9% while services productivity was unchanged.
- Compared with the previous quarter, productivity across the whole economy was unchanged.

Output per hour, seasonally adjusted

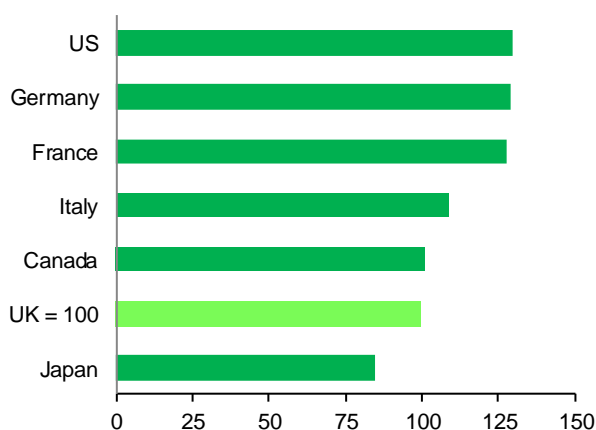
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	5.4	1.0	2.0
2011	2.5	1.3	1.3
2012	-1.8	-0.4	-1.2
2013	-0.8	-0.2	-0.3
2013 Q3	-1.1	-0.3	-0.2
2013 Q4	1.4	0.8	0.8
2014 Q1	3.3	0.3	0.1
2014 Q2	3.9	0.0	-0.3
<i>Latest q-on-q % change</i>			
	1.2	-0.1	0.0

Source: ONS series LZVD, DJK8, DJQ3



International comparisons

GDP per hour, 2013, index where UK=100



- International comparisons of productivity are presented as an index where the UK=100.
- In 2013, based on GDP per hour, the UK came sixth of the G7 countries, with the USA top and Japan bottom. UK productivity was 17 percentage points lower than the average for the rest of the G7, the widest productivity gap since 1992.
- GDP per hour fell slightly in the UK between 2012 and 2013. This contrasts with a 1.0% increase across the rest of the G7.

Contact: Daniel Harari, x2464

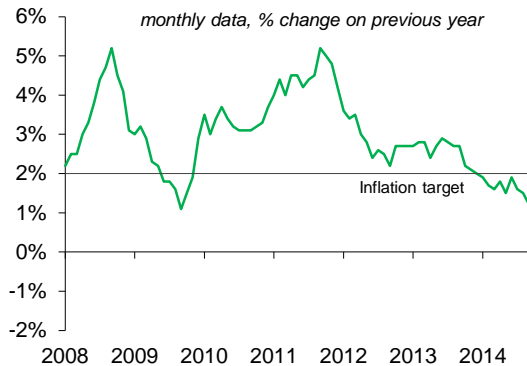
Update: ONS, [Labour Productivity](#), 24 Dec 2014
 ONS, [International Comparisons](#), 20 Feb 15

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 1.2% in September, down from 1.5% in August, falling below the Bank of England’s 2.0% target for the ninth time since November 2009.

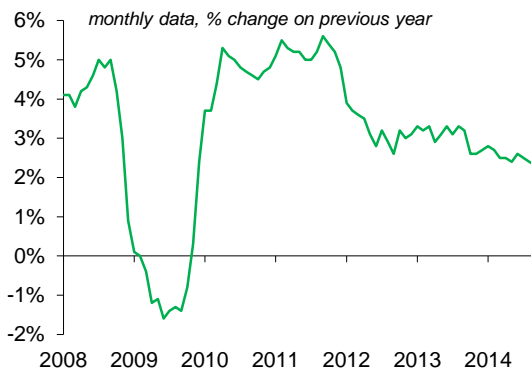
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 1.2% in September, down from 1.5% in August.
- Falls in the prices of transport costs and a range of recreational goods provided the largest downward contributions to the change in the rate. The largest, partially offsetting, upward effects came from housing and household services, including utility bills.
- The RPI (all items) measure of annual inflation was 2.4% in August, down from 2.5% in July. (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)

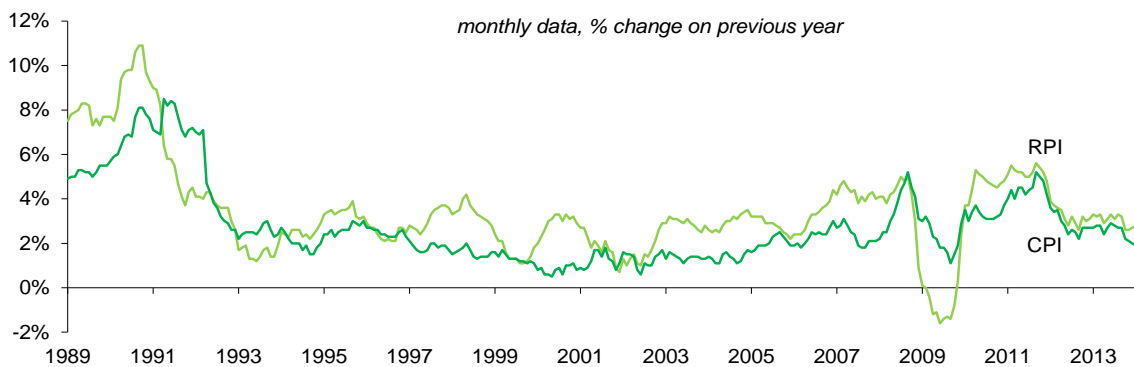


Price Indices

		% change on a year ago	
		CPI	RPI
2011		4.5	5.2
2012		2.8	3.2
2013		2.6	3.0
2014	Apr	1.8	2.5
	May	1.5	2.4
	Jun	1.9	2.6
	Jul	1.6	2.5
	Aug	1.5	2.4
	Sep	1.2	2.3

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.

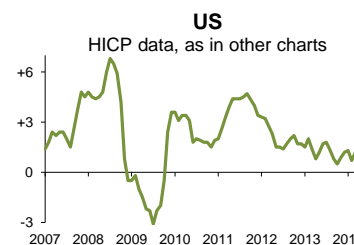
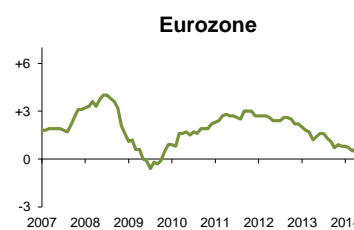
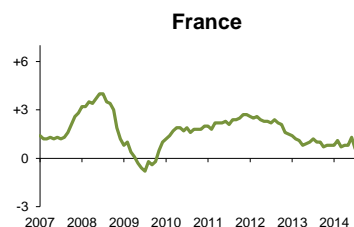
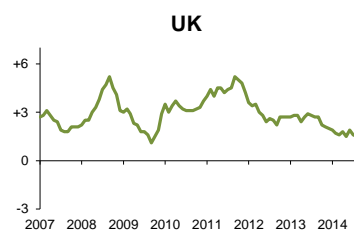
- UK inflation was 1.2% in the year to September 2014, down from 1.5% in August. The Bank of England's UK inflation target is 2%.
- Eurozone inflation for the year to October was 0.4%, up from 0.3% in September. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term."
- Romania had the highest annual inflation rate in the EU at September 2014 at 1.8%, followed by Finland (1.5%) and Austria (1.4%).
- The lowest annual inflation rate in the EU was -1.4% in Bulgaria, followed by Greece (-1.1%), Hungary (-0.5%) and Spain (-0.3%).
- HICP annual inflation in the US in the year to August was 1.4%, down from 1.8% in July. US inflation in the year to September 2014 was 1.7% using its own national definition, unchanged from August.

Inflation rates: selected countries

Annual % change in consumer prices

	2011	2012	2013	Jun-14	Jul-14	Aug-14	Sep-14
HICP (OECD/Eurostat)							
UK	4.5	2.8	2.6	1.9	1.6	1.5	1.2
Eurozone	2.7	2.5	1.3	0.5	0.4	0.4	0.3
EU	3.1	2.6	1.5	0.7	0.5	0.5	0.4
France	2.3	2.2	1.0	0.6	0.6	0.5	0.4
Germany	2.5	2.1	1.6	1.0	0.8	0.8	0.8
Greece	3.1	1.0	-0.9	-1.5	-0.8	-0.2	-1.1
Italy	2.9	3.3	1.3	0.2	0.0	-0.2	-0.1
Spain	3.1	2.4	1.5	0.0	-0.4	-0.5	-0.3
US	3.8	2.1	1.3	1.9	1.8	1.4	..
National definitions (OECD)							
Canada	2.9	1.5	0.9	2.4	2.1	2.1	2.0
Japan	-0.3	0.0	0.4	3.6	3.4	3.3	..
US	3.2	2.1	1.5	2.1	2.0	1.7	1.7
G7	2.6	1.9	1.3	2.0	1.8	1.6	..
OECD	2.9	2.2	1.6	2.1	1.9	1.8	..
Brazil	6.6	5.4	6.2	6.5	6.5	6.5	6.7
China	5.4	2.6	2.6	2.3	2.3	2.0	1.6
India	8.9	9.3	10.9	6.5	7.2	6.8	..
Russia	8.4	5.1	6.8	7.8	7.4	7.6	8.0

Source: Eurostat & stat.OECD database, ONS



Contact: Matthew Ward, x5919

Updates:

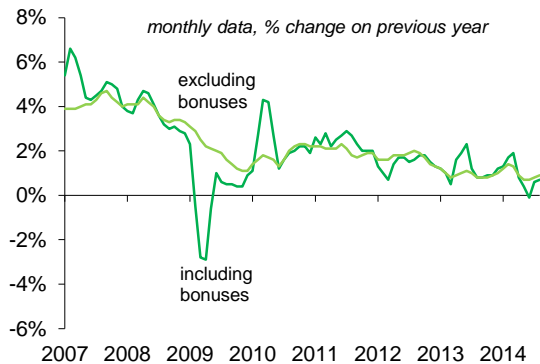
ONS, [Consumer Prices bulletin \(UK\)](#), 18 Nov 2014
Eurostat, [Flash estimate \(Eurozone\)](#), 28 Nov 2014
Eurostat, [HICP full release](#), 14 Nov 2014

B3: Average Earnings

Average weekly earnings (including bonuses) in Great Britain increased by 0.7% in June-August 2014, compared with the year before. Excluding bonuses, average weekly pay increased by 0.9%.

Inflation as measured by the CPI averaged 1.7% over the same period.

Average Earnings, Whole Economy



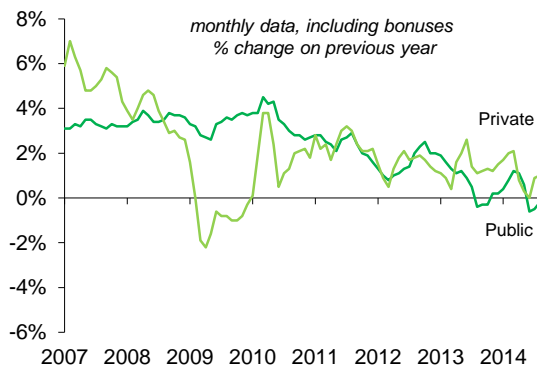
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2011 Aug	3.0	2.9	1.6	3.1	2.7
2012 Aug	1.8	2.0	2.4	1.6	1.6
2013 Aug	1.1	-0.4	2.1	0.7	0.8
2014 Mar	2.1	1.2	3.1	1.7	1.9
Apr	0.8	1.1	2.1	0.7	0.8
May	0.3	0.6	1.8	0.2	0.4
Jun	0.0	-0.6	1.6	-0.3	-0.1
Jul	0.9	-0.5	2.0	0.4	0.6
Aug	1.0	-0.2	1.8	0.5	0.7

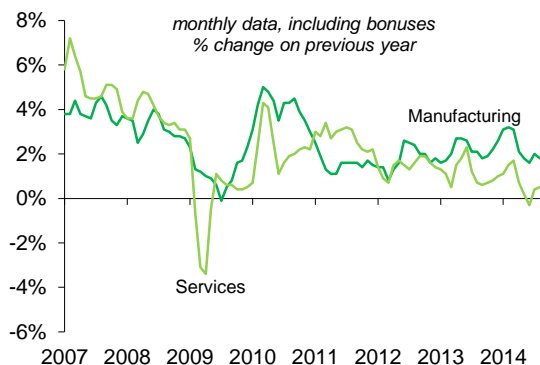
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly total pay (including bonuses) was £479 across the whole economy in August 2014. In the public sector, average weekly total pay was £492 while in the private sector it was £477.
- Average weekly total pay was 1.0% higher in the private sector and 0.2% lower in the public sector in June-August 2014 compared with the previous year.
- Average weekly regular pay (excluding bonuses) was up 1.2% in the private sector and up 0.8% in the public sector.

Average Earnings in Services and Manufacturing

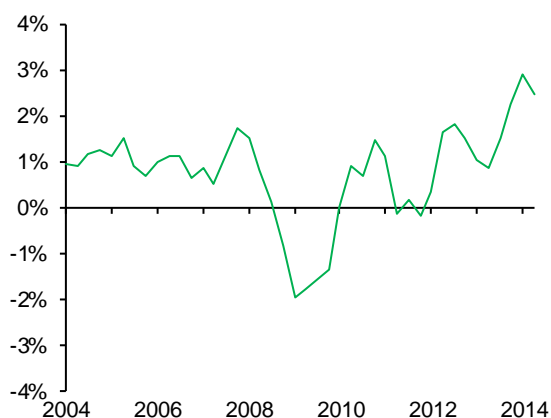


- In the services sector, average weekly total pay (including bonuses) was 0.5% higher in the three months to August 2014 than in the same period the year before.
- Average total weekly pay in the manufacturing sector grew by 1.8%.
- Average weekly total pay was £463 in the services sector and £562 in the manufacturing sector in July 2014.

C1: Employment

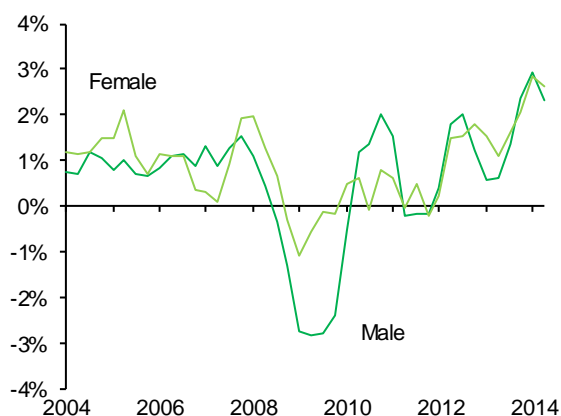
There were 30.76 million people aged 16 and over in employment in the UK in June to August 2014. The number of people in employment increased by 46,000 compared to the previous quarter and by 736,000 compared to the same period last year. The employment rate for people aged 16-64 was 73.0%.

Total employment (% change on previous year)



- 16.36 million men were in employment in June to August 2014, up 9,000 on the previous quarter. Female employment increased by 37,000 over the past quarter to 14.40 million.
- The employment rate for men aged 16-64 was 77.9%. The employment rate for women aged 16-64 was 68.1%.
- 107,000 more people were working as employees in June to August 2014 than in the previous quarter. 76,000 fewer people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 37,000 over the past quarter to 22.48 million in June to August 2014. In addition 8.28 million people were working part-time, 10,000 more than in the previous quarter. This included 1.35 million people working part-time because they could not find a full-time job.
- 1.70 million people were employed on a temporary basis in June to August 2014, 12,000 more than in the previous quarter.
- The number of people working in the private sector increased by 64,000 over the quarter to July 2014, to 25.29 million.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Jun-Aug 2012	29,780	3,734	17,489	7,598	960
Jun-Aug 2013	30,028	3,645	17,526	7,822	1,035
Sep-Nov 2013	30,288	3,722	17,572	7,915	1,079
Dec-Feb 2014	30,491	3,762	17,657	7,971	1,101
Mar-May 2014	30,717	3,815	17,765	8,021	1,117
Jun-Aug 2014	30,763	3,853	17,736	8,064	1,110
% change on previous 3 months	+0.1	+1.0	-0.2	+0.5	-0.6
% change on previous year	+2.4	+5.7	+1.2	+3.1	+7.3

Source: ONS, Labour Market Statistics reference table A05

Contact: Lorna Booth, x2883

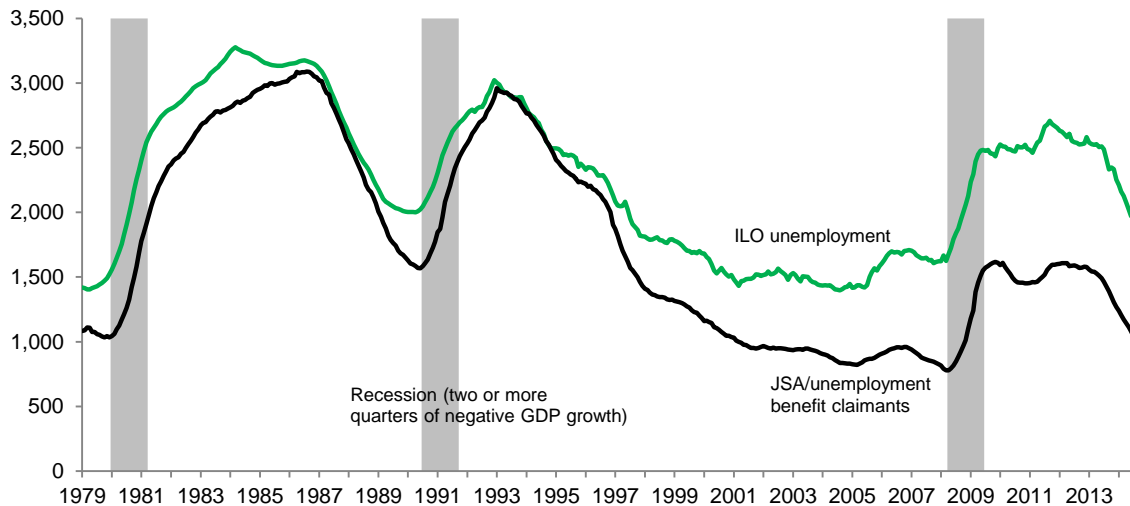
Update: ONS, [Labour Market Statistics](#), 12 Nov 2014

C2: Unemployment: National

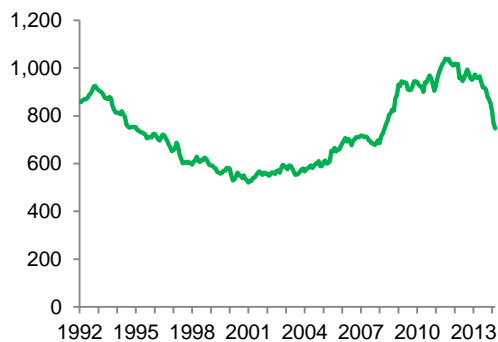
The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. The number of people claiming Jobseeker's Allowance (JSA) and predecessor unemployment benefits is also used.

- ILO unemployment was 1.97 million people in the UK in June-August, down 154,000 from the previous quarter and down 538,000 from the previous year. The unemployment rate (the proportion of economically active people unemployed) was 6%.
- The number of people claiming JSA decreased by 18,600 between August and September to 971,900 people aged 18 or over, the lowest level since August 2008.

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



Youth unemployment: 16-24 year olds (thousands)



- 733,000 young people aged 16-24 were unemployed in June-August 2014, down 89,000 from the previous quarter. The unemployment rate was 16%.
- There were 1.09 million men unemployed, down 69,000 on the quarter. 876,000 women were unemployed, down 85,000 on the quarter.
- The number of people who have been unemployed for longer than twelve months was 711,000 in June-August 2014, a fall of 43,000 from the previous quarter and 194,000 lower than the previous year.

ILO unemployment in the UK (seasonally adjusted)

	Total		16-24		Total male		Total female	
	000s	%	000s	%	000s	%	000s	%
2012 Jun-Aug	2,553	7.9	981	20.8	1,446	8.3	1,107	7.4
2013 Jun-Aug	2,510	7.7	986	21.3	1,421	8.2	1,089	7.2
2014 Mar-May	2,126	6.5	822	17.7	1,164	6.6	961	6.3
2014 Jun-Aug	1,972	6.0	733	16.0	1,095	6.3	876	5.7
<i>Change on quarter</i>	-154		-89		-69		-85	
<i>Change on year</i>	-538		-253		-326		-213	
<i>% change on quarter</i>	-7.2%		-10.8%		-5.9%		-8.8%	
<i>% change on year</i>	-21.4%		-25.7%		-22.9%		-19.6%	

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

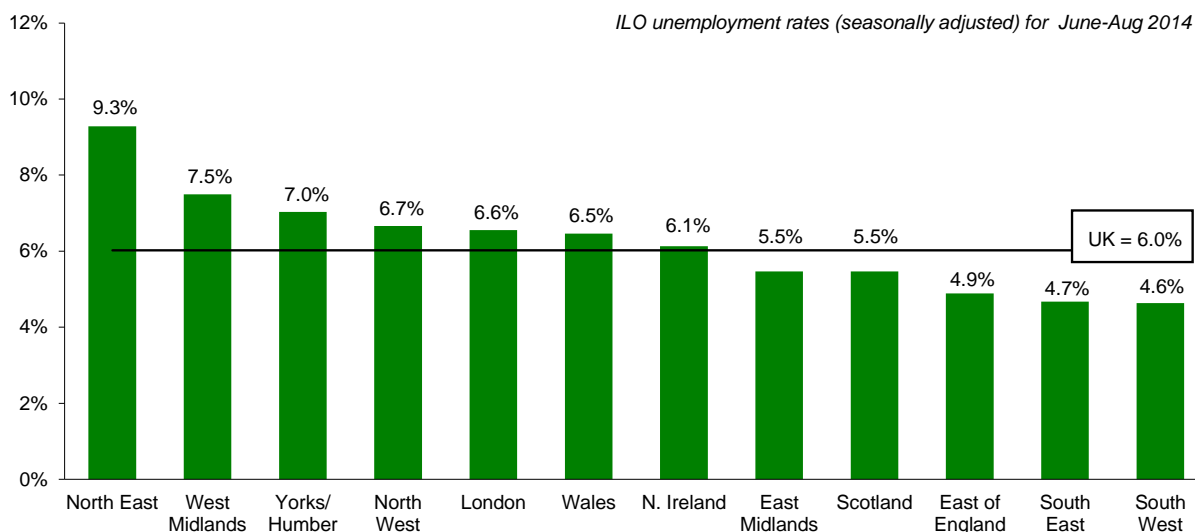
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 12 Nov 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 June-August 2014, the North East had the highest unemployment rate at 9.3% of the economically active population. The lowest rate was 4.6% in the South West. The UK average was 6.0%.



- There were 11 regions/countries which saw a decrease in the level of unemployment over the last quarter, with only the South East seeing an increase. The largest decrease was in London (down 43,000) followed by Scotland (down 40,000).
- The (seasonally adjusted) Jobseeker's Allowance (JSA) claimant count decreased across all regions and countries except Scotland, which saw a slight rise, between August and September 2014.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	June-Aug 2014		Change in level		September 2014	
	Level (000s)	Rate (%) ^(a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	119	9.3	-6	-8	58.1	-0.8
North West	233	6.7	-18	-68	109.5	-3.1
Yorkshire & Humber	189	7.0	-20	-46	102.5	-1.7
East Midlands	128	5.5	-5	-48	62.6	-1.1
West Midlands	207	7.5	-1	-50	100.3	-2.6
East of England	152	4.9	-14	-30	62.0	-2.1
London	301	6.6	-43	-97	138.2	-3.3
South East	215	4.7	+9	-57	74.9	-1.7
South West	127	4.6	-8	-44	47.8	-1.1
Wales	94	6.5	-3	-27	52.9	-1.1
Scotland	151	5.5	-40	-54	91.1	+0.3
Northern Ireland	53	6.1	-5	-10	52.0	-0.3

Source: ONS, *Labour Market Statistics*

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

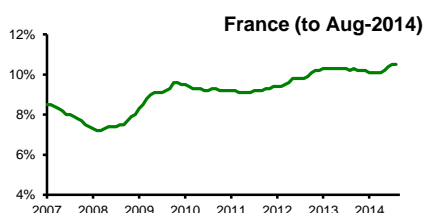
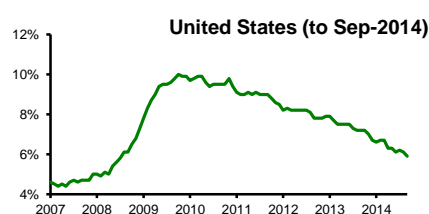
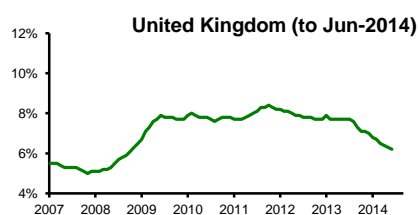
Contact: Daniel Harari x2464

Update: ONS, *Labour Market Statistics*, 12 Nov 2014

C4: Unemployment: International Comparisons

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

- The UK harmonised unemployment rate for Q2 2014 was 6.3%. This was below the rate of France and Italy but above that of Germany.
- In the US, unemployment stood at 6.1% in Q3 2014.
- In the euro zone, unemployment was 11.6% in Q2 2014, compared to 11.7% in Q1 2014.
- Spain and Greece have the highest harmonised unemployment rate among 34 OECD member states (24.7% and 27.1% respectively in Q2 2014).
- Norway had the lowest unemployment rate in the OECD in Q2 2014 at 3.3%, followed by Japan 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		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Canada	7.5	7.2	7.1	7.3	7.2	7.1	7.1	7.1	7.0	7.0	7.0	6.9
France	9.2	9.8	10.3	9.8	10.2	10.3	10.3	10.3	10.2	10.1	10.2	..
Germany	6.0	5.5	5.3	5.4	5.4	5.4	5.3	5.3	5.2	5.1	5.0	..
Italy	8.4	10.7	12.2	10.8	11.3	11.9	12.2	12.3	12.5	12.5	12.5	..
Japan	4.6	4.4	4.0	4.3	4.2	4.2	4.0	4.0	3.9	3.6	3.6	..
UK	8.0	7.9	7.5	7.8	7.7	7.8	7.7	7.5	7.1	6.7	6.3	..
US	9.0	8.1	7.4	8.0	7.8	7.7	7.5	7.2	7.0	6.7	6.2	6.1
Eurozone	10.1	11.3	12.0	11.4	11.7	12.0	12.0	12.0	11.9	11.7	11.6	..
G7	7.6	7.4	7.1	7.3	7.3	7.3	7.2	7.1	6.9	6.6	6.4	..
OECD	7.9	7.9	7.9	7.9	8.0	8.0	8.0	7.9	7.7	7.5	7.4	..

Source: OECD, Harmonised Unemployment Rates

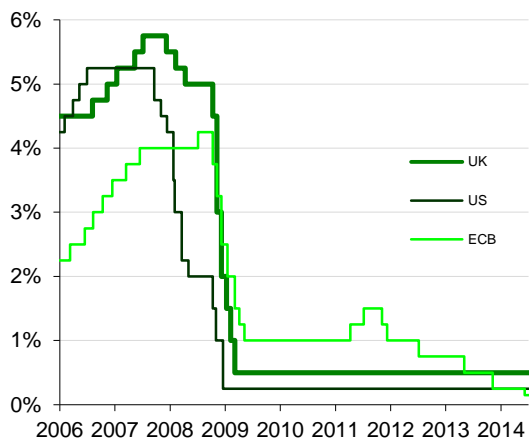
Contact: Chris Rhodes, x2454

Updates: OECD, [Harmonised Unemployment Rates](#), 12 Nov 2014

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



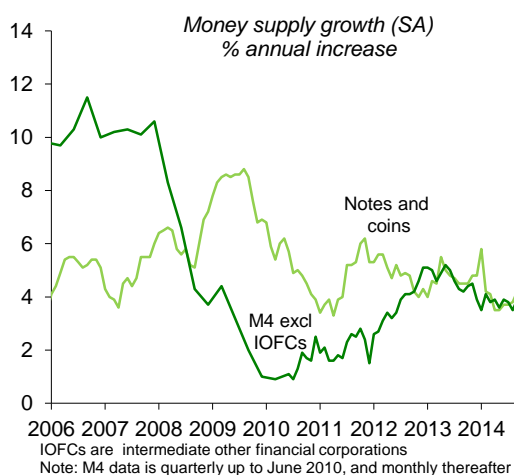
- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England (BoE) cut the official Base Rate from 4.5% to 0.5%, the lowest since the Bank was founded in 1694. The rate has remained at 0.5% since March 2009.
- On 4 September 2014, the Governing Council of the European Central Bank (ECB) agreed to lower the main interest rate for the eurozone from 0.15% to 0.05%.
- The ECB also announced that the interest rate on the deposit facility will be decreased by 10 basis points to -0.20%.

- 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. As of October 1, the Fed will purchase \$15bn of assets 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 4.2% in September 2014, up from August.
- The value of notes and coins in circulation outside the Bank of England rose by 3.9% in September 2014 compared with a year ago, up slightly from August.

Contact: Aliyah Dar x6920

Updates: Monetary policy meetings: 29 Oct (US), 6 Nov (ECB), 9 Oct (UK); Bankstats (BoE), 1 Dec

D2: Public Finances

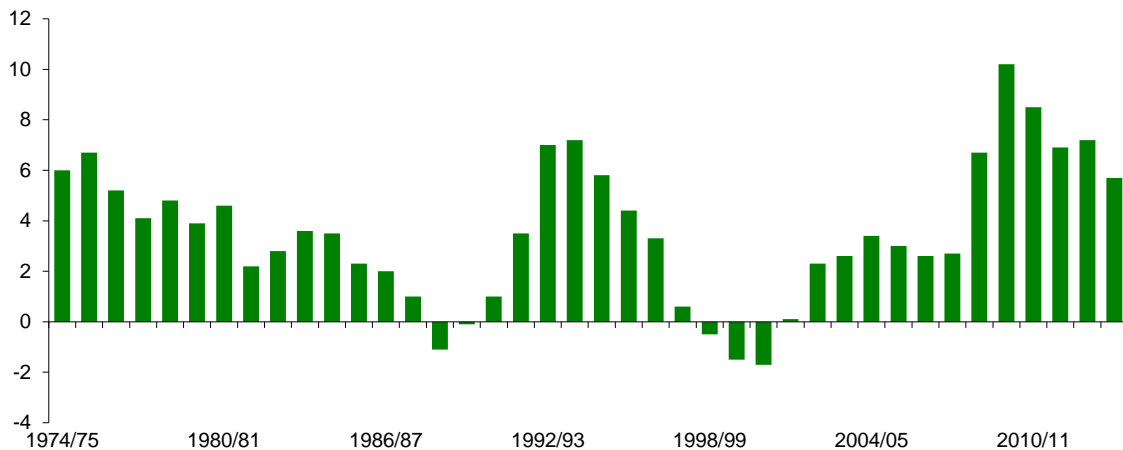
Public sector net borrowing in the first half of 2014/15 increased by £5.4bn compared with the same period in 2013/14; this is equivalent to a 10.3% increase. The OBR say that higher borrowing so far this year is largely due to weak growth in receipts, and it is “looking likely” that their forecast for receipts in 2014/15 may not be met.

- The Library note [Public sector finances: 2014 revisions](#) explains recent changes made by the ONS to how the finances are measured. All figures used in this note exclude public sector banks.
- Public sector net debt (the stock of Government borrowing) was £1.45 trillion in September 2014, 7.5% larger than in September 2013.
- In March 2014 the Office for Budget Responsibility (OBR) forecasted a budget surplus in 2018/19 and a peak in debt as a % of GDP in 2015/16 with subsequent decreases.

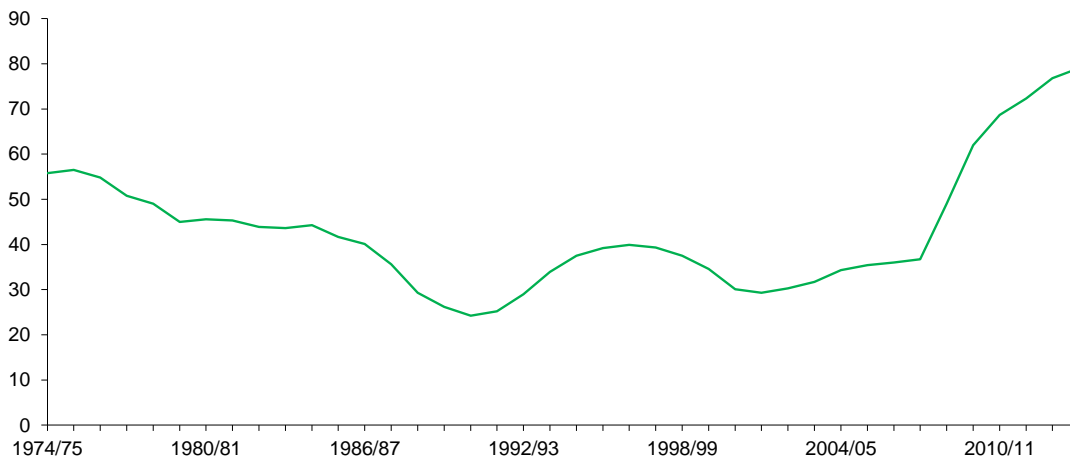
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2004/05	44	3.4	448	34.3
2005/06	41	3.0	490	35.4
2006/07	36	2.6	527	36.0
2007/08	40	2.7	558	36.7
2008/09	100	6.7	724	49.0
2009/10	153	10.2	956	62.0
2010/11	134	8.5	1,101	68.7
2011/12	112	6.9	1,191	72.3
2012/13	119	7.2	1,299	76.8
2013/14	98	5.7	1,402	79.0

Source: ONS. Excluding public sector banks

Public sector net borrowing, excluding public sector banks (% of GDP)



Public sector net debt, excluding public sector banks (% of GDP)



Contact: Matthew Keep, x4324

Updates: ONS, [Public Sector Finances](#), 21 Nov 2014

D3: Financial Indicators

The FTSE-100 tracks share-price movements in the 100 largest companies by market capitalisation listed on the London Stock Exchange. It hit an all-time high of 6,930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008. In 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 September 2009 for the first time since May 2008.

The nominal price of gold exceeded \$1,800/ounce for the first time in August 2011, but the metal's price has since moderated considerably.

Data from 30 October 2014

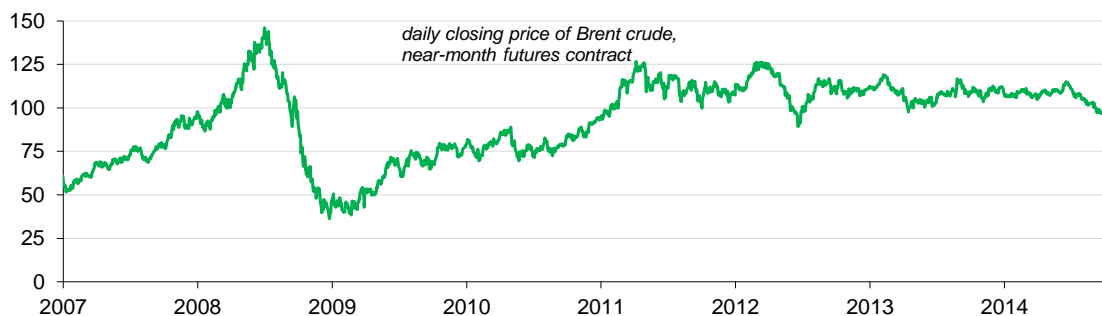
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
30 Oct 2014	6,463.6	86.0	1,223.5
%change over:			
1-month	-2%	-9%	+0.3%
12-months	-5%	-22%	-9%
%change from:			
cyclical peak	-6%	-41%	-36%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+84%	+137%	+72%
date	03 Mar '09	24 Dec '08	24 Oct '08

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, 2013

Exports			Imports		
	£bn	% tot.		£bn	% tot.
1. US	90.1	17.6	1. Germany	66.6	12.3
2. Germany	42.7	8.3	2. US	48.7	9.0
3. Netherlands	35.6	7.0	3. Netherlands	41.4	7.6
4. France	32.2	6.3	4. France	36.6	6.7
5. Ireland	26.7	5.2	5. China	35.3	6.5
EU	228	44.5	EU	284	52.2
Non-EU	284	55.5	Non-EU	260	47.8
World total	511	100.0	World total	543	100

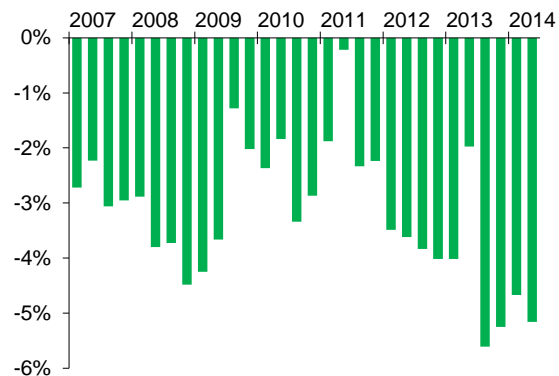
Source: ONS, Pink Book 2014, table 9.3
Includes both goods and services

- In 2013, 17.6% of total UK exports (£90bn) went to the US, making it the most important export partner to the UK. Germany was second, with 8.3% 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 (12.3% of total imports). The US was second (9.0%) and the Netherlands third (7.6%).
- In 2013, 44.5% of UK exports went to other EU countries, while the EU made up just over half (52.2%) of total UK imports.

Current Account balance and trade in goods and services

Current Account Balance, % of GDP

Quarterly data



- Trade figures published on 30 September 2014 are on a new basis and are substantially revised from those published previously.
- The current account deficit in 2013 was £72.4bn, (4.2% of GDP). There was a £32.1bn deficit in trade in goods and services.
- In Q2 2014, the trade deficit was £6.5bn compared with £4.5bn a year earlier. The deficit on trade in goods was £28.1bn. The surplus on trade in services was £21.6bn.

Goods & Services and Current Account Balances

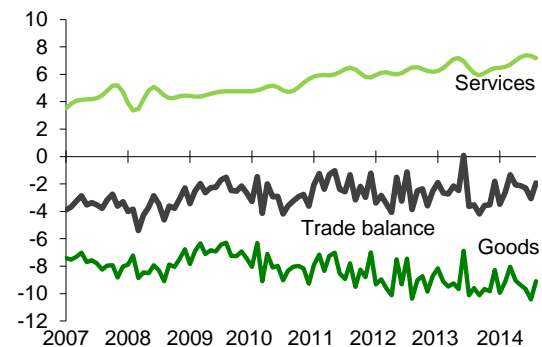
Seasonally adjusted

	Goods and Services (£bn)			Current Account	
	Exports	Imports	Balance	£bn	% GDP
2012	500.7	535.2	-34.5	-61.9	-3.7%
2013	511.3	543.4	-32.1	-72.4	-4.2%
2013 Q2	132.5	137.0	-4.5	-8.4	-2.0%
Q3	126.9	138.3	-11.4	-24.3	-5.6%
Q4	125.6	134.5	-8.9	-22.9	-5.3%
2014 Q1	123.0	130.4	-7.4	-20.5	-4.7%
Q2	122.0	128.4	-6.5	-23.1	-5.2%

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

Balance of trade, goods and services

£ billion, monthly data



Contact: Dominic Webb, x2042

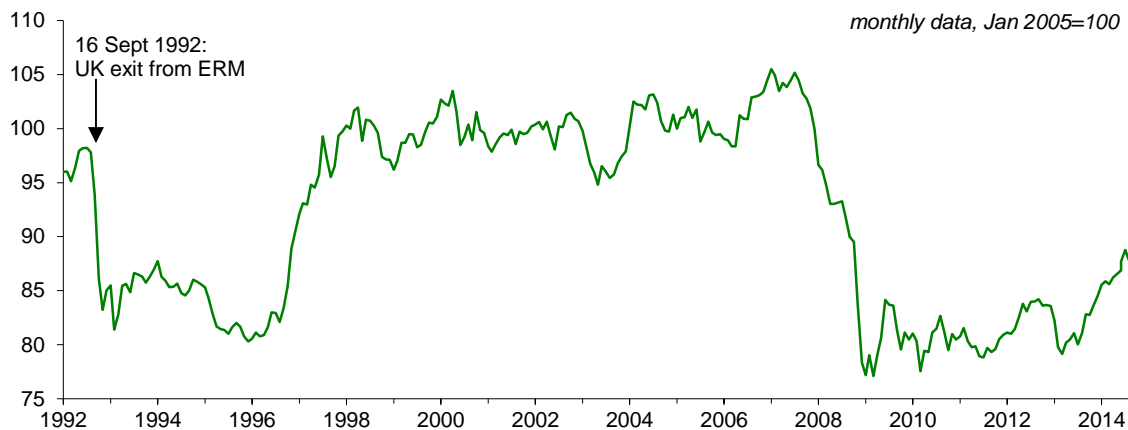
Updates: ONS, [UK Trade](#), 7 Nov 2014
ONS, [UK Balance of Payments](#), 23 Dec 2014

E2: Exchange rates

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

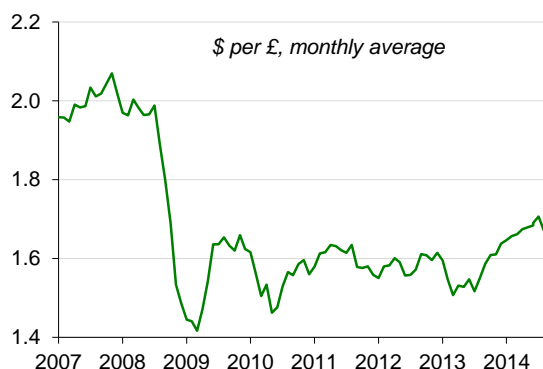
The SERI fell by 0.2% in October 2014, the third fall in 2014. Compared with the same period a year ago, it is 5.6% higher. It is currently 13.4% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 17.2% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



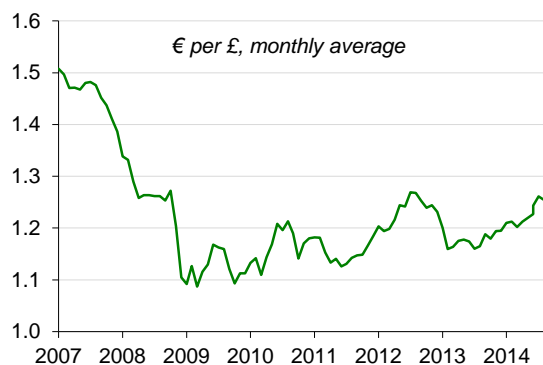
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in October, the pound was down 0.5% against the dollar compared to September. At the 31st October market close the pound stood at \$1.59.
- Sterling was up 0.6% against the Euro in October compared to September.
- At the 31st October market close the pound stood at €1.28. 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	Jul	1.71	12.5%	1.26	8.7%
	Aug	1.67	7.8%	1.25	7.7%
	Sep	1.63	2.8%	1.26	6.4%

Source: Bank of England, Bankstats database

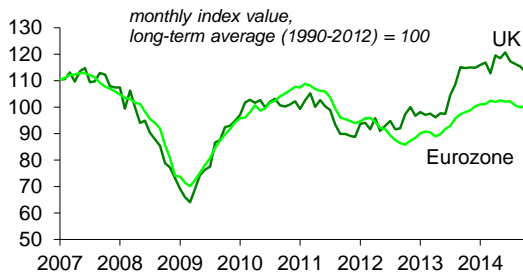
Contact: Chris Rhodes x2454

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

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

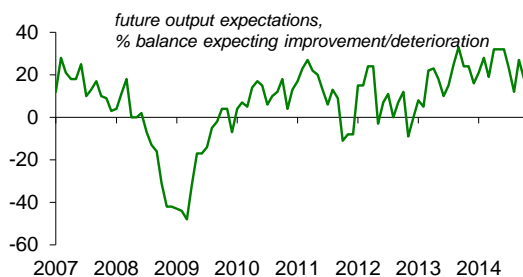


		UK Index	monthly change	change on year ago
2012	Oct	97.3	...	...
2013	Oct	114.8	...	...
2014	Aug	116.3	-1.1	+7.8
	Sep	115.4	-0.9	+0.3
	Oct	113.3	-2.1	-1.5

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 September and October 2014 the overall UK sentiment index decreased from 115.4 to 113.3, 1.5 points lower than October 2013. The Eurozone index was down 1.5 points over the year to 100.7.

CBI Industrial Trends Survey



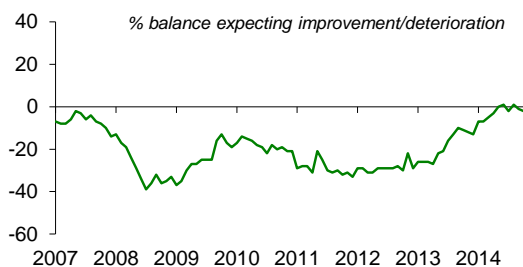
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2012	Oct	+12	...	...
2013	Oct	+24	...	...
2014	Aug	+12	-11	-13
	Sep	+27	+15	-6
	Oct	+18	-9	-6

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In October 2014, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +18% of firms. This is 9 points lower than the previous month and 6 points lower than October 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	Oct	-30	...	...
2013	Oct	-11	...	...
2014	Aug	+1	+3	+14
	Sep	-1	-2	+9
	Oct	-2	-1	+9

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 October, down 1 point on the previous month but 9 points higher than a year ago. Prior to May 2014 consumer confidence had been negative since April 2005.

Contact: James Mirza-Davies, x6962

Update: CBI, [Industrial Trends](#), 20 Nov 2014
EC, [Economic Sentiment Indicator](#), 27 Nov 2014
GfK NOP, [Consumer Confidence](#), 28 Nov 2014

F2: Retail Sales

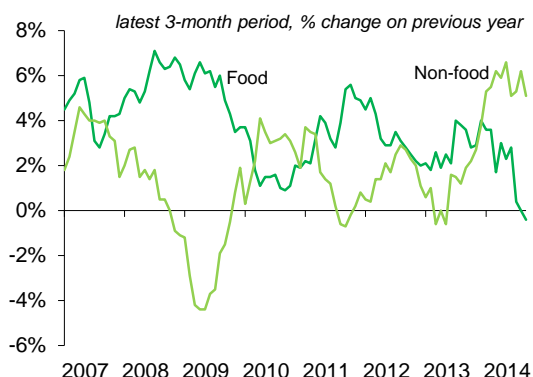
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of retail sales



- The value of retail sales in the three months to September 2014 was 1.9% higher than the same three months in the previous year.
- The value of retail sales in September 2014 alone was 1.3% higher than in September 2013 and 0.6% lower than August 2014.
- The value of internet sales in September 2014 was 10.1% higher than in September 2013.

Value of food & non-food store sales



- The value of sales in food stores in the three months to September 2014 was 0.4% lower than in the same period last year, and the value of sales in non-food stores increased by 5.1%.
- The value of sales in household goods stores increased by 6.7% in the three months to September 2014 compared with the previous year. Department (non-specialised) stores saw growth of 7.0%.

Value of retail sales

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

	Food Stores	Non-Food Stores				Total	All retailing total (inc vehicle fuel)
		Clothing & Footwear	Household goods	Dept stores	Other		
2012	3.0	1.5	-0.5	6.3	0.7	1.7	2.4
2013	3.1	2.6	-3.5	4.1	2.7	1.7	2.6
2014 MAY	2.3	6.1	3.9	8.4	7.7	6.6	4.1
JUN	2.8	4.8	2.8	6.3	6.2	5.1	4.0
JUL	0.4	4.4	2.7	5.8	7.6	5.3	2.8
AUG	0.0	5.6	6.3	5.8	7.1	6.2	2.7
SEP	-0.4	2.3	6.7	7.0	5.7	5.1	1.9

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

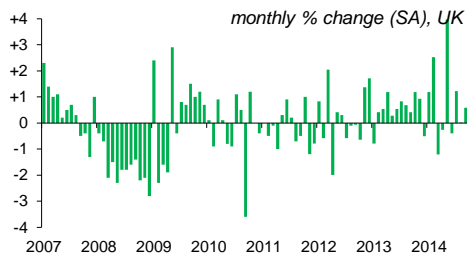
F3: Housing Market

House prices on the Nationwide index increased by 0.5% in October 2014, following a small decrease in September 2014. Prices were 9.0% higher compared with a year ago on this measure. House prices on the Halifax index increased by 0.6% in September and are 9.5% higher than in the same month in 2013.

Mortgage approvals decreased in September 2014 for the third consecutive month. Approvals 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

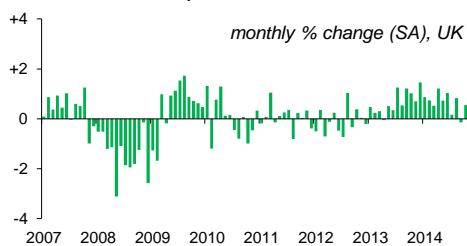


- The average house price on the Nationwide measure was in excess of £189,000 in October 2014.
- There is considerable regional variation. The average house price in London exceeds £400K and has grown by 21% in the year to Q3 2014. House prices grew by less than 5.5% in Scotland, Wales and the North (Nationwide data).

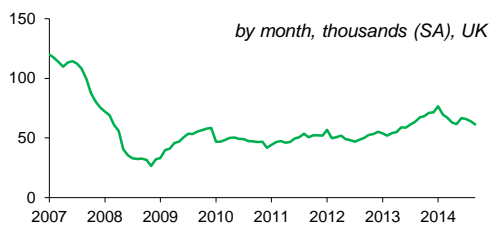
Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Sep-14	Oct-14
Change in month	+0.6%	+0.5%
Change in year	+9.5%	+9.0%
Peak date	Aug-07	Oct-14
Change since peak	-6.2%	...
Trough date	Apr-09	Feb-09
Change since trough	+21.0%	+26.0%

Nationwide house price index

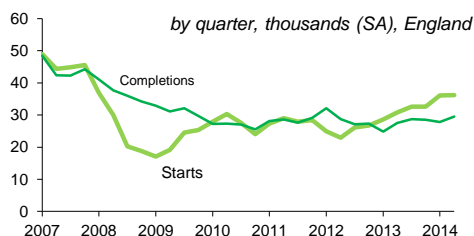


Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 61,267 mortgage approvals in September 2014, fewer than the 64,054 recorded in August.

House-building



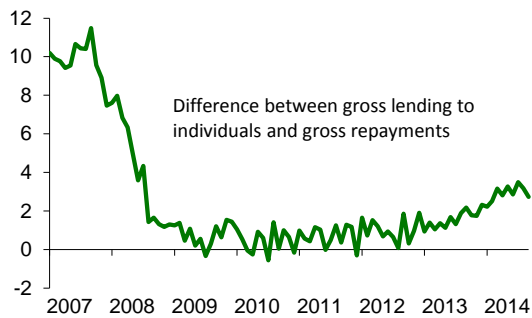
- There were 36,230 house building starts in England in Q2 2014, broadly similar to Q1 2014 and 18% more than in Q2 2013. This is above the recent low of 17,090 in Q1 2009, but still well below the 48,990 starts in Q1 2007.
- There were 29,540 dwelling completions in Q2 2014, up 6% from Q1 2014 and 7% 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 Nov 2014;
Nationwide [House Price Index](#), early Dec 2014;
Bank of England, [Money and credit](#), 29 Nov 2014;
DCLG, [House-building](#), 20 Nov 2014

F4: Household debt

Monthly net lending, £bn

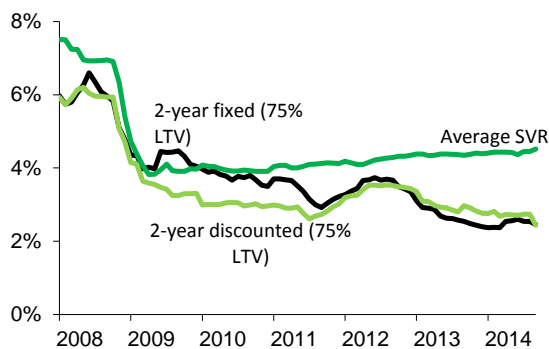


Source: Bank of England

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

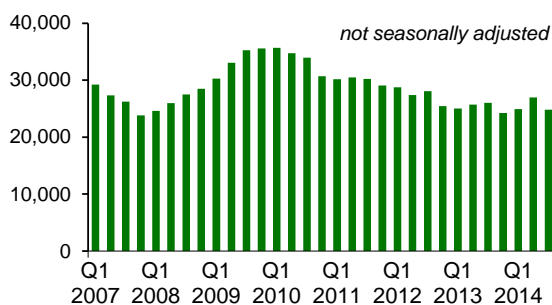
- Total net lending to individuals (excluding student loans) was £2.7 billion in September 2014. Net lending has been relatively low since mid-2008, but has been on a broadly upward trend since 2013.
- Monthly net unsecured lending (consumer credit) grew by £0.9 billion in September. Monthly net secured lending (mortgages) grew by £1.8 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed relatively little over the past year – in September 2014 it was 4.52%, compared with 4.35% a year before.
- The average 2-year fixed mortgage rate was 2.46% in September, compared to 2.54% a year before.
- The average 2-year discounted rate was 2.44% in September compared with 2.97% a year before.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 24,837 individual insolvencies in England and Wales in Q3 2014, a 4.6% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q3 2014 there were 2,991 individual insolvencies, a decrease of 12.5% on Q3 2013.
- In Northern Ireland in Q3 2014 there were 975 individual insolvencies, an increase of 36.0% on Q3 2013.

Contact: Dominic Webb, x2042

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 1 Dec 2014
Insolvency Service, [Insolvency Statistics](#), 29 Jan 2015

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.

