



Economic Indicators, February 2014

RESEARCH PAPER 14/07 04 February 2014

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

- Preliminary estimates suggest that GDP grew by 0.7% in Q4 2013. GDP grew in each quarter of 2013, the longest period of sustained growth since the year to Q3 2010.
- Falling inflation (the CPI fell to 2.0% in December) and a faster than anticipated decline in unemployment (the rate fell to 7.1% in the quarter to November) raised expectations that the Bank of England would raise interest rates before the end of 2014. For now, interest rates remain unchanged at 0.5%.
- After a year and a half of slowing growth in the value of retail sales, late 2013 saw a return to stronger growth. The three months to December saw the biggest increase compared with the previous year since March 2012.

This month's articles:

The gender pay gap

English Regional Development Policy

Chris Rhodes (editor)

Recent Research Papers

2013

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|--------------|-------------------------------------------------------|----------|
| 13/70 | Intellectual Property Bill [HL] [Bill 102 of 2013-14] | 05.12.13 |
| 13/71 | Care Bill [HL] [Bill 123 of 2013-14] | 11.12.13 |
| 13/72 | Offender Rehabilitation Bill: Committee Stage Report | 16.12.13 |
| 13/73 | Germany's 2013 election: shaping the future? | 17.12.13 |
| 13/74 | Unemployment by Constituency, December 2013 | 18.12.13 |

2014

| | | |
|--------------|------------------------------------------------------------|----------|
| 14/01 | Water Bill: Committee Stage Report | 02.01.14 |
| 14/02 | Economic Indicators, January 2014 | 07.01.14 |
| 14/03 | European Union (Approvals) Bill [HL] [Bill 119 of 2013-14] | 08.01.14 |
| 14/04 | Unemployment by Constituency, January 2014 | 22.01.14 |
| 14/05 | Consumer Rights Bill [Bill 161 of 2013-14] | 27.01.14 |

Research Paper 14/07

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

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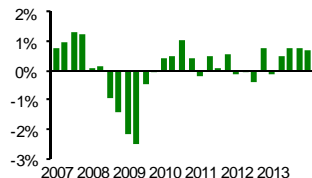
Summary

Preliminary estimates suggest that GDP grew by 0.7% in Q4 2013. GDP grew in each quarter of 2013, the longest period of sustained growth since the year to Q3 2010. Falling inflation (the CPI fell to 2.0% in December) and a faster than anticipated decline in unemployment (the rate fell to 7.1% in the quarter to November) raised expectations that the Bank of England would raise interest rates before the end of 2014. For now, interest rates remain unchanged at 0.5%. After a year and a half of slowing growth in the value of retail sales, late 2013 saw a return to stronger growth. The three months to December saw the biggest increase compared with the previous year since March 2012.

GDP growth

[page 1](#)

(% change quarter-on-quarter)



GDP grew by 0.7% in Q4 2013, following growth of 0.8% in Q3. GDP is now 1.3% below its pre-recession peak.

Inflation (CPI)

[page 7](#)

(% change on year ago)



The CPI annual inflation rate was 2.0% in December 2013 matching the Bank of England's target for the first time since November 2009.

Employment

[page 10](#)

(total, millions)

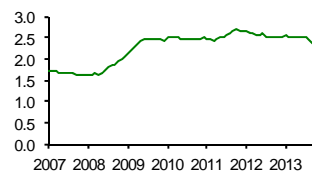


There were 30.15 million people aged 16 and over in employment in September-November 2013, up 280,000 on the quarter. The employment rate was 72.1%.

Unemployment

[page 11](#)

(total, millions, ILO definition)

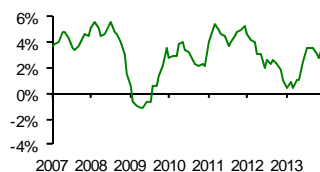


There were 2.32 million unemployed people in the three months to November 2013, down 167,000 on the quarter. The unemployment rate was 7.1%.

Value of retail sales

[page 20](#)

(quarterly, year on year % change; seasonally adjusted)



The value of retail sales was 3.9% higher in the three months to December 2013 compared to a year earlier, the biggest increase since the three months to March 2012.

Next issue: 4 March 2014

Editor: Chris Rhodes

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis please visit our page on the parliamentary intranet, where updated data is also available, at: <http://intranet.parliament.uk/research-online/statistics/economic-indicators/>.

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1 Introduction to *Economic Indicators*

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

Feedback

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

Weekly email alert

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

Sources and glossary

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

Contacts

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

| Subject | Statistician | tel. extn. |
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| Balance of payments | Gavin Thompson | 2042 |
| Business | Chris Rhodes | 2454 |
| EC finance | Gavin Thompson | 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/>

1 The gender pay gap

Between April 2012 and 2013, the difference between men and women's median full-time hourly earnings increased by 0.5 percentage points, bringing the gender pay gap to 10.0%. However, a single figure does not give the whole story of differing earnings between men and women.

1.1 Who works for what?

Earnings differ significantly depending on working patterns. The median hourly earnings³ of people in full-time jobs are consistently higher than those of people in part-time jobs.

In April 2013, men in full-time jobs had higher median hourly earnings (£13.60) than women (£12.24). The opposite was true for part-time jobs, where median hourly earnings for women (£8.40) were higher than men (£7.95).

Jobs are split relatively evenly between men and women (51% and 49% respectively). However, a much higher proportion of women work part-time than men. 43% of jobs that employed women were part-time compared to 14% of jobs employing men.

Part-time jobs saw larger increases in median hourly earnings than full-time jobs, over the year to April 2013. For men and women working part-time there were increases of 3.0% and 3.2% respectively. The median hourly earnings in full-time jobs increased by 2.5% for men and by 1.6% for women.

1.2 Three gender pay gaps

The gender pay gap measures the difference between male and female earnings as a percentage of male earnings. So, a gender pay gap of 10.0% in 2013 means female earnings were 10.0% lower than male earnings.

Simply comparing the median hourly earnings of men and women does not fully illustrate gender pay differences; because women are more likely to work part-time and earnings for part-time employees are usually lower than for people working full-time.

The pay gap between all men and women (19.7%) is much greater than the gap between men and women working full-time (10.0%). The part-time gender pay gap is negative (-5.7%), i.e. the median hourly earnings are 5.7% greater for women working part-time compared with men working part-time.

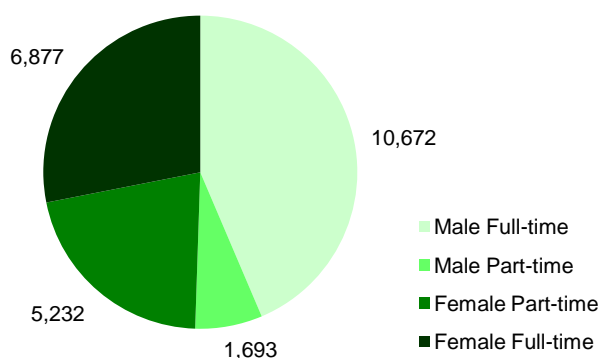
Median hourly earnings excluding overtime

April 2013



Employee jobs by gender and working pattern

April 2013 (Thousands)



³ Median earnings measure the earning level at which half the population earn more and half earn less.

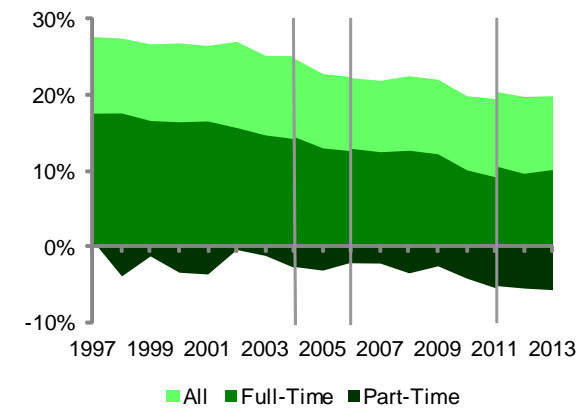
Between April 2012 and April 2013 both the full-time and part-time gaps widened; full-time median earnings increased more for men than women and part-time median earnings increased more for women than men.

The combined effect of two oppositely widening gaps was very little change in the overall gap for all employees.

Broadly speaking there has been a downwards trend in the full-time pay gap since 1997 and the overall pay gap has also decreased over the period. Since 2002, the part-time pay gap has widened, with women earning more than men.

UK Gender pay gap

1997-2013 (Median hourly earnings excluding overtime)



Lines represent discontinuities in estimates between years.

Between 1997 and 2013 the proportion of men working part-time has increased by nearly a half, whereas the proportion of females working part-time has remained relatively constant. With the working patterns of men and women becoming more similar, it may be expected that the pay gap should reduce, although for part-time jobs this has not been the case.

1.3 The gender pay is much greater for older workers

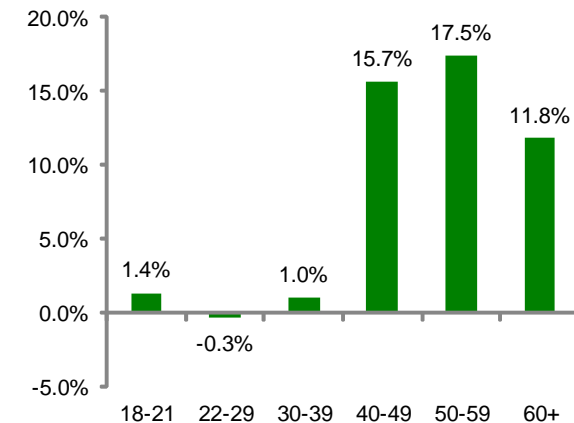
In April 2013, there was little difference between median earnings in full-time jobs for men and women aged between 18 and 39. However, this is not the case for all age groups.

In April 2013, gender pay gaps for people aged 18-21 and 30-39 were 1.4% and 1.0%, and marginally negative for 22-29 year olds. But, there were more significant pay gaps for people aged 40-49, 50-59 and over 60 (15.7%, 17.5% and 11.8% respectively).

One possible reason for this may be factors that affect the pay of women which become more evident in their 30s or 40s, such as maternity leave and prolonged career breaks, suggesting that a gender pay gap for older workers may persist.

Gender pay gap by age

April 2013 (Median full-time hourly earnings excluding overtime)



However, an alternative explanation is that generational differences account for the larger gap among older workers, suggesting that as younger generations move through the labour market, these gaps may reduce. Supporting this idea is data which shows that since 1997 the pay gap for older workers has fallen significantly: from 24.0% to 15.7% for 40-49 year olds. But it remains an open question whether this trend will continue.

James Mirza-Davies, Economic Policy and Statistics Section

2 English Regional Development Policy

The October 2010 White Paper *Local Growth: Realising Every Place's Potential* set out the Coalition Government's approach to regional development in England. The paper argues that a successful regional growth strategy should entail "shifting powers away from central government" in favour of local communities.

Additionally, the paper proposes an emphasis on "rebalancing" the economy in regions that had become reliant on public sector employment and recognising the effect specific local geographic, economic and environmental factors have on development.

2.1 The Regional Growth Fund

The Regional Growth Fund (RGF) was announced as part of the *Local Growth* White Paper as a fund open to businesses, local authorities and other organisations to bid for financial support to help stimulate private enterprise and create sustainable private sector employment. It is also expected that recipients will use their funding to secure investment from private sources.

The Department for Business, Innovation and Skills described the original purpose of the RGF as "to help areas and communities at risk of being particularly affected by public spending cuts." The original announcement was of a £1 billion fund covering the financial years 2011/12 and 2012/13. This has been increased to £3.2 billion and is scheduled to run until 2017. The first four funding rounds ran between 2010 and 2013, making 314 awards worth £2.6 billion. Rounds 5 and 6 will run in 2014 and will only be open to the private sector.

BIS stated in its 2012/13 Monitoring Report that 32,000 jobs have been created or safeguarded as a direct result of the RGF. Lord Heseltine's report, *No Stone Unturned: In Pursuit of Growth*, published in October 2012 states that every £1 invested from the RGF helped to secure an additional £6 funding from the private sector.

2.2 Local Enterprise Partnerships

The Coalition Agreement outlined plans to replace Regional Development Agencies with Local Enterprise Partnerships (LEPs). From June 2010, businesses and local authorities were invited to form LEPs. The approval of 24 LEPs was announced as part of the *Local Growth* White Paper; a further 15 LEPs, including one covering the whole of London, were subsequently approved.

LEPs are locally owned strategic partnerships of local businesses and civic leaders designed to determine specific local economic priorities and promote growth, employment and infrastructure development. Initially established without any direct government funding, LEPs were collectively awarded £25 million in September 2012 up to 2014/15 and a further £20 million over 2013/14 and 2014/15. LEPs were able to bid for funding from the first four rounds of the Regional Growth Fund, but will be barred from bidding in the fifth and sixth rounds. From mid-2014, LEPs will have responsibility for delivering part of the EU Structural and Investment Funds, with each LEP receiving an allocation based on population and levels of economic deprivation, which must be spent in line with a set of overarching priorities set out in the EU regulations.

No Stone Unturned

In March 2012, Lord Heseltine was commissioned to produce a report to the Chancellor and Secretary of State for Business with ideas to stimulate economic growth at a local level.

No Stone Unturned: In Search of Growth, published in October 2012 made 89 recommendations, including devolving central government funding to LEPs and collecting the budgets of different departments supporting local growth and combining them into a single funding pot.

In March 2013, the government published its response, accepting in full or in part 81 of Lord Heseltine's 89 recommendations.

2.3 Enterprise Zones

In a speech to the Conservative Party spring conference in March 2011, George Osborne announced plans for the creation of Enterprise Zones, to assist “the parts of Britain that had missed out in the last ten years.” The [2011 Budget](#) and accompanying [Plan for Growth](#) announced plans for 24 Enterprise Zones later, increased to 25. These became operational in April 2012. Enterprise Zones are geographically defined areas, hosted by LEPs, in which commercial and industrial businesses can receive incentives to set up or expand.

Businesses moving into Enterprise Zones are offered numerous concessions, including a business rate discount of up to 100% over a five year period, exemption from rates on industrial and commercial property and Development Land Tax, a simplified planning regime and capital allowances for plants and machinery. Funded by central government, these incentives are predicted to total £205 million until 2015/16.

2.4 National Audit Office assessment

In December 2013, The National Audit Office published a report, [Funding and structures for local economic growth](#), examining how effective the Department for Communities and Local Government and BIS have been in supporting economic growth and providing value for money. The report made some conclusions regarding the RGF, LEPs and Enterprise Zones, namely:

- The number of jobs reportedly created by the Regional Growth Fund has been as a result of the disproportionate success of a small number of schemes exceeding original estimates. The report goes on to state that 51% of all schemes funded by the RGF failed to meet job creation targets.
- It has not yet been effectively demonstrated that LEPs are capable of delivering value for money owing to weaknesses in leadership, frequent changes in board membership and insufficient administrative capacity.
- Enterprise Zones have been “slow to create jobs” and face a “significant challenge to produce the number of jobs expected.” The report also states the estimate of jobs to be created by Enterprise Zones by 2015 has dropped from 54,000 to between 6,000 and 18,000.

Further information is provided in the following Library Notes [Local Enterprise Partnerships](#), [The Regional Growth Fund](#) and [Enterprise Zones](#).

Matthew Ward, Economic Policy and Statistics Section

City Deals

The 2011 *Localism Act* included the Core Cities Amendment, which offered local councils the opportunity to submit plans on how they planned to promote local economic growth. If successful, councils would then be invited to negotiate deals with central government for greater local autonomy over financial and planning matters.

The first wave of ‘City Deals’ was launched in December 2011 and completed in July 2012. The ‘Core Cities’ - the 8 largest cities outside London negotiated deals based on projections that the devolution of powers would help them create 175,000 jobs and 37,000 new apprenticeships over the next 20 years.

The second wave, concluded in February 2013, saw a further 20 cities negotiate deals. Plymouth successfully agreed a deal in January 2014.

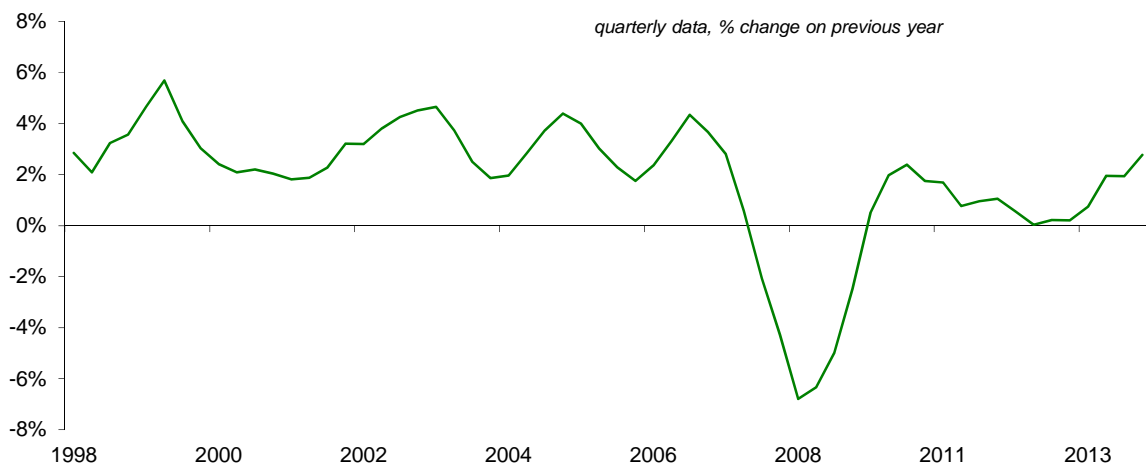
A1: Gross Domestic Product

Estimates show the economy grew by 0.7% in Q4 2013, following growth of 0.8% in Q3 2013. Real GDP in Q4 2013 is thought to be 1.3% below its pre-recession peak. In December, HM Treasury's average of independent economic forecasts of GDP growth was 2.6% for 2014. The Office for Budget Responsibility's (OBR) central forecasts from December 2013 are for growth of 2.4% in 2014.

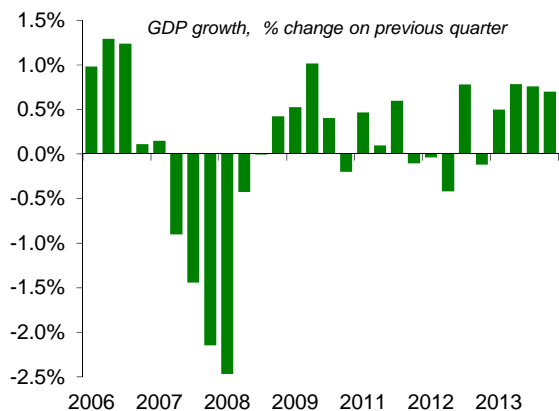
In a major revision to its GDP figures [published on 27 June](#), the ONS estimated that the 2008-09 recession was deeper than previously thought. Though the ONS revised away the technical 'double-dip' recession between Q4 2011 and Q2 2012, other downward revisions to quarterly figures left the growth picture over the previous two years broadly unchanged.

In Q4 2013, output of the production industries increased by an estimated 0.7% compared to the previous quarter (based on chained volume measures). Construction sector output fell by 0.3%, while output of the services industry increased by 0.8%.

Real GDP Growth since 1998



Real GDP Growth since 2007



Gross Domestic Product

| | Current prices | | Real GDP (inflation-adjusted) | |
|---------|----------------|---------------------|----------------------------------|---------------------|
| | £ billion | % change on year | % change on quarter | % change on year |
| 2010 | 1,486 | 4.8 | ... | 1.7 |
| 2011 | 1,537 | 3.5 | ... | 1.1 |
| 2012 | 1,567 | 2.0 | ... | 0.3 |
| 2013 | | | ... | 1.9 |
| 2012 Q1 | 387.8 | 2.6 | 0.0 | 0.6 |
| Q2 | 387.8 | 1.7 | -0.4 | 0.0 |
| Q3 | 392.0 | 1.0 | 0.8 | 0.2 |
| Q4 | 397.3 | 2.6 | -0.1 | 0.2 |
| 2013 Q1 | 401.6 | 3.0 | 0.5 | 0.7 |
| Q2 | 404.1 | 4.2 | 0.8 | 2.0 |
| Q3 | 409.8 | 4.5 | 0.8 | 1.9 |
| Q4 | .. | .. | 0.7 | 2.8 |

Source: ONS, series: YBHA, ABMI

Contact: Gavin Thompson, x2042

Updates: HMT, [Forecasts for the UK economy](#), 18 Feb 2014
ONS, [Second estimate of GDP](#), 26 Feb 2014

A2: GDP: International Comparisons

In Q4 2013, GDP in the UK grew by 0.7% compared with the previous quarter. This was slightly lower than in the US, which grew by 0.8%. Q4 data for major eurozone economies have not yet been published. In Q3 2013, eurozone GDP rose by only 0.1%.

Real GDP (% changes)

| | change on prev. year | | | | change on prev. quarter | | | |
|----------|----------------------|------|------|------|-------------------------|------|------|------|
| | 13Q1 | 13Q2 | 13Q3 | 13Q4 | 13Q1 | 13Q2 | 13Q3 | 13Q4 |
| UK | 0.7 | 2.0 | 1.9 | 2.8 | 0.5 | 0.8 | 0.8 | 0.7 |
| Eurozone | -1.2 | -0.6 | -0.3 | .. | -0.2 | 0.3 | 0.1 | .. |
| US | 1.3 | 1.6 | 2.0 | 2.7 | 0.3 | 0.6 | 1.0 | 0.8 |
| Japan | -0.1 | 1.3 | 2.4 | .. | 1.1 | 0.9 | 0.3 | .. |
| Germany | -0.3 | 0.5 | 0.6 | .. | 0.0 | 0.7 | 0.3 | .. |
| France | -0.4 | 0.5 | 0.2 | .. | -0.1 | 0.6 | -0.1 | .. |
| G7 | 0.5 | 1.1 | 1.5 | .. | 0.3 | 0.6 | 0.7 | .. |
| OECD | 0.6 | 1.0 | 1.4 | .. | 0.3 | 0.6 | 0.6 | .. |

Source: OECDstat

In **January 2014**, the IMF raised their 2014 and 2015 growth forecasts for the UK, last made in October 2013, from 1.8% to 2.4% in 2014 and from 2.0% to 2.2% in 2015. GDP growth forecasts for 2014 were raised slightly for Germany (from 1.4% to 1.6%), the eurozone (from 0.9% to 1.0%) and the US (from 2.6% to 2.8%). Forecasts for France were left unchanged at 0.9% in 2014.

In **November 2013**, the OECD revised up sharply their growth forecasts for the UK to 1.4% in 2013, from their previous May forecast of 0.8%, and 2.4% in 2014, from 1.5%. 2013 forecasts for France were also revised up, from -0.3% to +0.2%, while the 2013 growth estimate for Germany was raised from 0.4% to 0.5%. The 2013 forecast for world growth was revised lower from 3.1% to 2.7%.

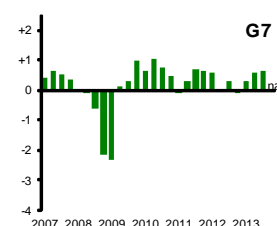
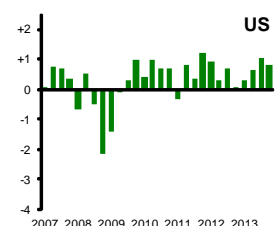
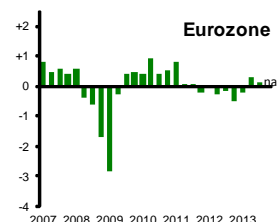
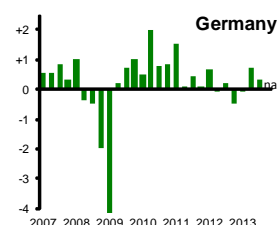
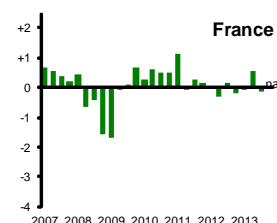
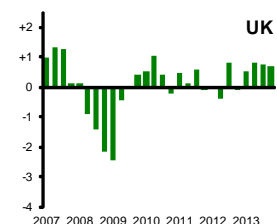
In **November 2013**, the European Commission raised their GDP growth forecasts for the UK, last made in May 2013, from 0.6% to 1.3% for 2013 and from 1.7% to 2.2% for 2014. Their growth forecast for the eurozone was left unchanged at -0.4% for 2013 and lowered slightly to 1.1% from 1.2% in 2014.

Real growth forecasts (% change)

| | IMF (Oct 13) | | EC (Nov 13) | | OECD (Nov 13) | |
|--------------|--------------|------------|-------------|------------|---------------|------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| UK | 2.4 | 2.2 | 2.2 | 2.4 | 2.4 | 2.5 |
| France | 0.9 | 1.5 | 0.9 | 1.7 | 1.0 | 1.6 |
| Germany | 1.6 | 1.4 | 1.7 | 1.9 | 1.7 | 2.0 |
| Eurozone | 1.0 | 1.4 | 1.1 | 1.7 | 1.0 | 1.6 |
| US | 2.8 | 3.0 | 2.6 | 3.1 | 2.9 | 3.4 |
| Japan | 1.7 | 1.0 | 2.0 | 1.3 | 1.5 | 1.0 |
| OECD | .. | .. | .. | .. | 2.3 | 2.7 |
| China | 7.5 | 7.3 | 7.4 | 7.4 | 8.2 | 7.5 |
| India | 5.4 | 6.4 | .. | .. | 4.7 | 5.7 |
| Brazil | 2.3 | 2.8 | .. | .. | 2.2 | 2.5 |
| World | 3.7 | 3.9 | 4.0 | 4.4 | 3.6 | 3.9 |

Sources: IMF Jan 2014 WEO; EC Autumn'13 f'cast; OECD Econ. Outlook Nov'13

Quarter-on-quarter growth rates



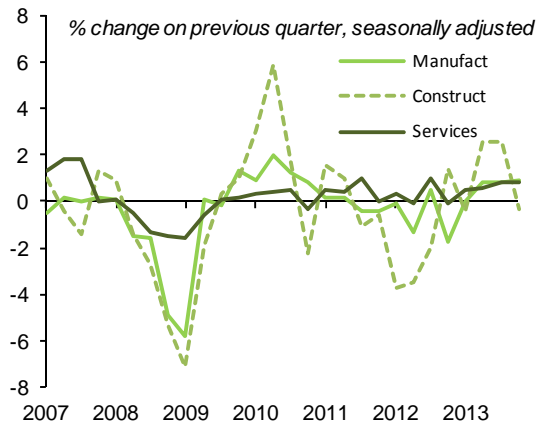
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), May/June 2014
 IMF, [World Economic Outlook](#), Apr/May 2014
 EC, [Winter Economic Forecast](#), Feb 2014

Contact: Daniel Harari, x2464

A3: Components of GDP

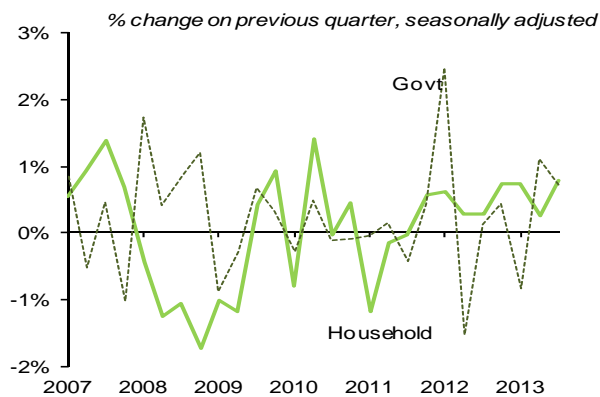
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 62% of the total in 2012. Government consumption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

Output by industry – gross value added



- Gross value added (GVA) measures economic output from parts of the economy such as industries or regions.
- Service sector output increased by 0.8% in Q4 2013 compared with Q3 2013 in real terms, unchanged from the previous quarter.
- Manufacturing output increased by 0.9%, up slightly on the previous quarter's figure of 0.8%.
- Construction sector output decreased by 0.3%. This compares with growth of 2.6% in Q3.

Expenditure - household and government consumption



- In Q3 2013, household consumption grew by 0.8% in real terms compared with Q2 2013. This is the highest rate of growth since Q2 2010.
- Government consumption increased by 0.7% in Q3 2013. Gross fixed capital formation increased by 1.5%. Exports fell by 3.0% and imports grew by 0.7% in Q3 2013.
- Overall GDP grew by 0.7% in Q4 2013. Figures for the growth of individual expenditure components in Q4 will be published in February.

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% | 0.7% | 1.1% | 3.1% | 0.3% |
| 2013 (annual % change) | .. | .. | .. | .. | .. | 1.9% |
| 2012 Q4 | 0.7% | 0.4% | -4.5% | -1.9% | -0.2% | -0.1% |
| 2013 Q1 | 0.7% | -0.8% | 0.7% | -0.2% | -1.7% | 0.5% |
| 2013 Q2 | 0.3% | 1.1% | 1.7% | 3.3% | 2.5% | 0.8% |
| 2013 Q3 | 0.8% | 0.7% | 1.5% | -3.0% | 0.7% | 0.8% |
| 2013 Q4 | .. | .. | .. | .. | .. | 0.7% |

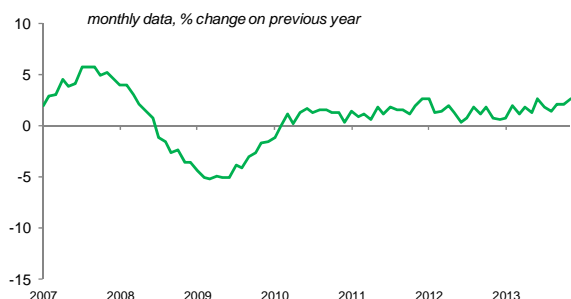
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

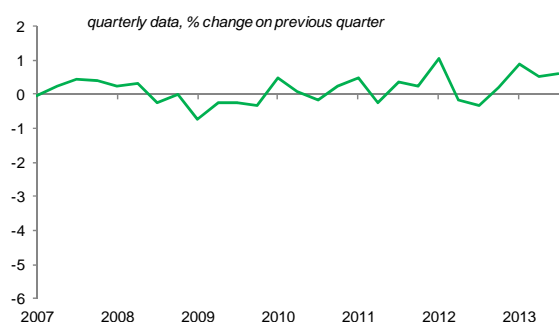


| | Index Value (2009=100) | % change on month | % change on year |
|----------|---------------------------|----------------------|---------------------|
| 2011 | 101.5 | ... | 1.5 |
| 2012 | 102.8 | ... | 1.3 |
| 2013 Aug | 105.2 | 0.4 | 1.4 |
| Sep | 105.4 | 0.2 | 2.1 |
| Oct | 105.5 | 0.1 | 2.1 |
| Nov | 106.0 | 0.4 | 2.6 |

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector increased by 0.4% in November compared to October 2013. Compared with a year before, services output increased by 2.6%. In August 2013, service sector output surpassed its previous peak in February 2008. By contrast, GDP is still 1.3% below its pre-recession peak.
- The hotel and distribution industry and the business services and finance industries contributed the most to the annual increase in services output.

Jobs in the service industries

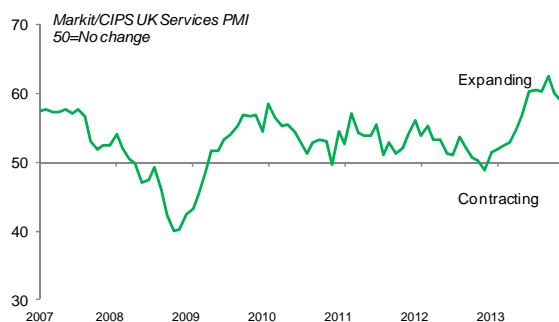


| | Thousands | % change on quarter | % change on year |
|---------|-----------|------------------------|---------------------|
| 2011 Q3 | 26,147 | ... | 0.8 |
| 2012 Q3 | 26,360 | ... | 0.8 |
| Q4 | 26,413 | 0.2 | 0.8 |
| 2013 Q1 | 26,645 | 0.9 | 0.6 |
| Q2 | 26,786 | 0.5 | 1.3 |
| Q3 | 26,950 | 0.6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

Source: ONS, Workforce Jobs

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

Services Purchasing Managers' Index (PMI)



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

Source: Markit/CIPS UK Services PMI

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

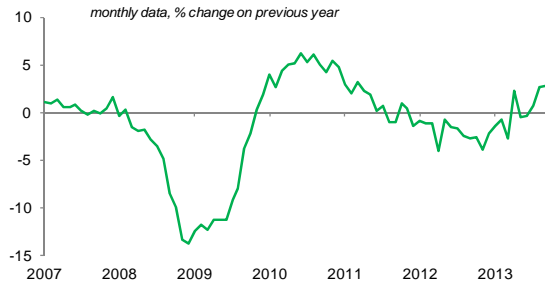
Contact: Chris Rhodes, x2454

Update: ONS, [Index of Services](#), 26 Feb 2014
 ONS, [Workforce Jobs](#), 19 Mar 2014
 Markit/CIPS [UK Services PMI](#), 5 Feb 2014

A5: Manufacturing

The manufacturing sector accounted for 10% of UK economic output (Gross Value Added) in 2012. Manufacturing is one of the production industries, which also include mining; electricity; water and waste management; and oil and gas extraction. The production industries accounted for 15% of UK output in 2012.

Manufacturing Output

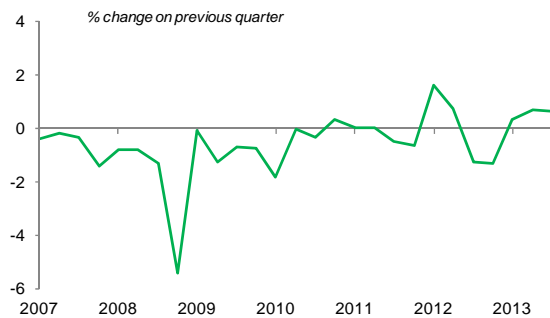


| | Index Value (2010=100) | % change on month | % change on year |
|----------|---------------------------|----------------------|---------------------|
| 2011 | 101.8 | ... | 1.8 |
| 2012 | 100.1 | ... | -1.7 |
| 2013 Aug | 99.6 | -1.2 | -0.4 |
| Sep | 100.8 | 1.2 | 0.7 |
| Oct | 101.0 | 0.2 | 2.6 |
| Nov | 101.0 | 0.0 | 2.8 |

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output remained unchanged in November 2013 compared with October 2013, and was 2.8% higher than in November 2012.
- The main contributions to the year on year increase were the manufacture of transport equipment, other manufacturing and repair, and the manufacture of basic metals and metal products.

Jobs in manufacturing

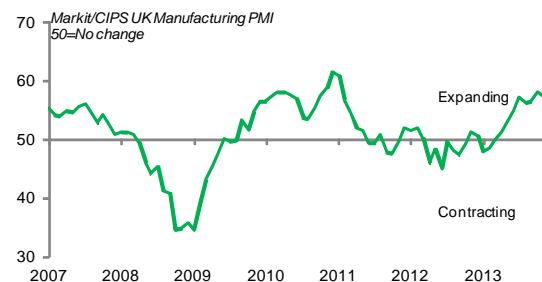


| | Thousands | % change on quarter | % change on year |
|---------|-----------|------------------------|---------------------|
| 2011 Q3 | 2,552 | ... | -0.1 |
| 2012 Q3 | 2,564 | ... | 0.5 |
| Q4 | 2,531 | -1.3 | -0.2 |
| 2013 Q1 | 2,539 | 0.3 | -1.5 |
| Q2 | 2,557 | 0.7 | -1.5 |
| Q3 | 2,574 | 0.7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

Source: ONS, Workforce Jobs

- In Q3 2013 there were 2.6 million jobs in the manufacturing sector, 8% of all jobs in the UK.
- The number of jobs in the manufacturing industry increased by 17,000 or 0.7% over the quarter. From the same quarter in 2012, the number of manufacturing jobs increased by 10,000 or 0.4%.

Manufacturing Purchasing Managers Index



| | Index | Monthly change |
|----------|-------|----------------|
| 2011 Jan | 52 | ... |
| 2012 Jan | 50.5 | ... |
| 2013 Oct | 56.5 | 0.2 |
| Nov | 58.1 | 1.6 |
| Dec | 57.2 | -0.9 |
| Jan | 56.7 | -0.5 |

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS UK Manufacturing PMI, an important measure of confidence in the sector, was 56.7 in January, down slightly from 57.2 in December (where 50.0 is no change).

Contact: James Mirza-Davies, x6962

Update: ONS, [Index of Production](#), 7 Feb
ONS, [Workforce Jobs](#), 22 Jan
Markit/CIPS [UK Manufacturing PMI](#), 3 Mar

A6: Productivity

Productivity is a measure of the efficiency of production in an economy. It is usually expressed as a ratio of units of output to units of input.

In measuring labour productivity, three measures are commonly used: output (or GDP) per worker, output per job and output per hour worked. The latter is the purest measure of productivity, as it adjusts for changes in working hours such as more part-time working.

UK data are published every three months, with international comparisons updated biannually.

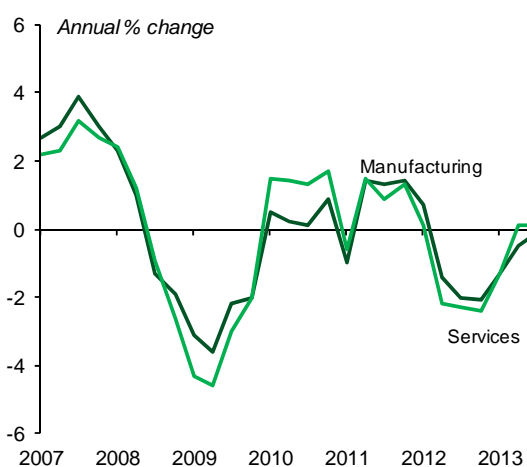
UK productivity by sector

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

Output per hour, seasonally adjusted

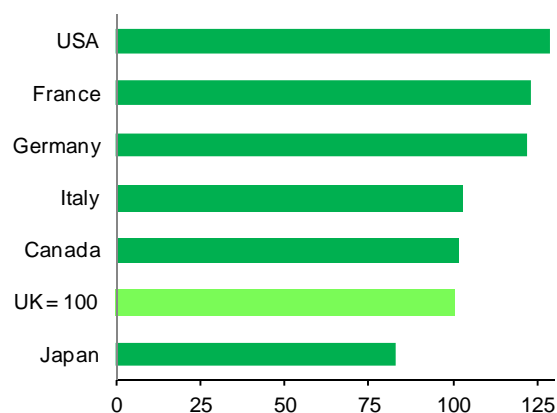
| | Manufact. | Services | Whole economy |
|-------------------------------|-----------|----------|---------------|
| <i>Annual % change</i> | | | |
| 2010 | 4.7 | 0.4 | 1.4 |
| 2011 | 2.4 | 0.7 | 0.8 |
| 2012 | -3.1 | -1.3 | -1.7 |
| 2012 Q1 | 0.7 | 0.1 | 2.2 |
| Q2 | -1.4 | -2.2 | -2.9 |
| Q3 | -2.0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

Source: ONS series LZVD, DJK8, DJQ3



International comparisons

GDP per hour, 2012, index where UK=100



- International comparisons of productivity are presented as an index where the UK=100.
- In 2012, based on GDP per hour, the UK came sixth of the G7 countries, with the USA top and Japan bottom. UK productivity was 14 percentage points lower than the G7 average, the widest productivity gap since 1996.
- UK productivity declined relative to Germany and France in 2012 but increased relative to Japan.

Contact: Gavin Thompson, x2042

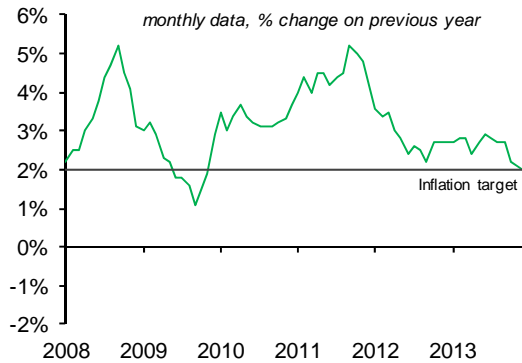
Update: ONS, [Labour Productivity](#), 27 March 2014
 ONS, [International Comparisons](#), Feb 2014

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 2.0% in December, down from 2.1% in November, matching the Bank of England's 2.0% target for the first time since November 2009.

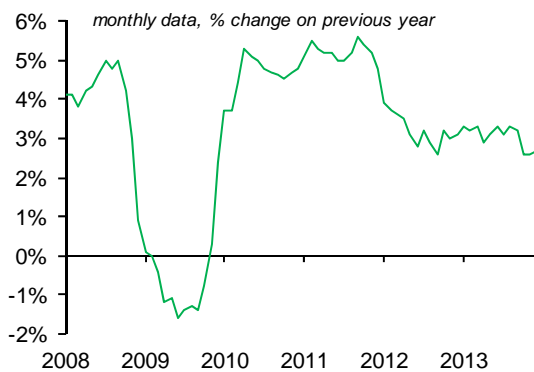
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, as measured by the annual change in the CPI.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was 2.0% in December, down from 2.1% in November.
- The main contributions to the fall were in food and non-alcoholic beverages and recreational goods and services. These were partially offset by an upward contribution from motor fuels.
- The RPI (all items) measure of annual inflation was 2.7% in December, up from 2.6% in November. (The RPI is no longer classified as a National Statistic because the way it is calculated does not meet the required standard.)

Retail Prices Index (RPI)

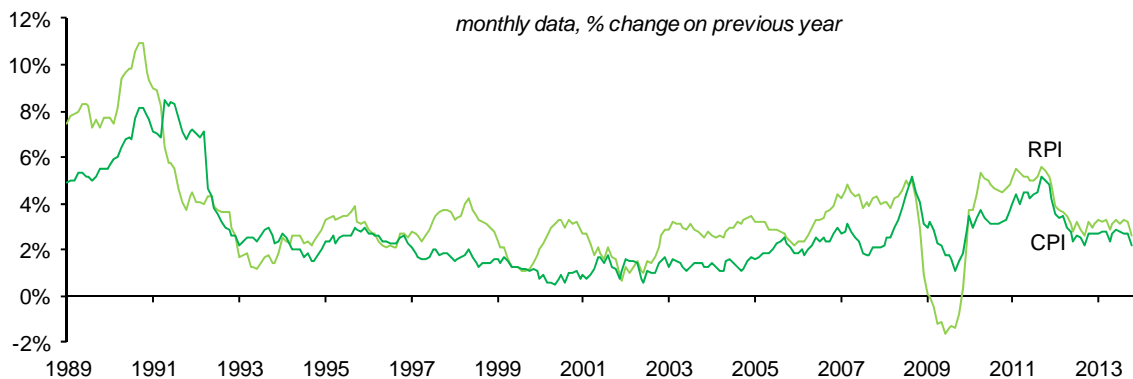


Price Indices

| | | % change on a year ago | |
|------|-----|------------------------|-----|
| | | CPI | RPI |
| 2010 | | 3.3 | 4.6 |
| 2011 | | 4.5 | 5.2 |
| 2012 | | 2.8 | 3.2 |
| 2013 | Jul | 2.8 | 3.1 |
| | Aug | 2.7 | 3.3 |
| | Sep | 2.7 | 3.2 |
| | Oct | 2.2 | 2.6 |
| | Nov | 2.1 | 2.6 |
| | Dec | 2.0 | 2.7 |

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.

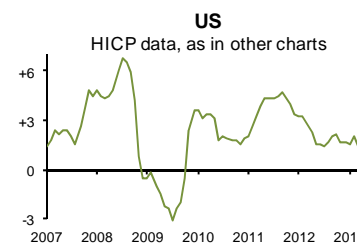
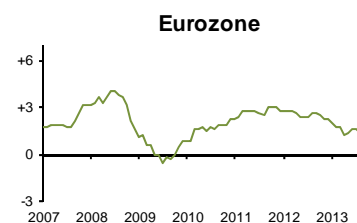
- UK inflation was 2.0% in the year to December 2013, down from 2.1% in November. The Bank of England's UK inflation target is 2%.
- Eurozone inflation for the year to January 2014 is expected to be 0.7% according to the Eurostat flash estimate, down 0.1 percentage points on the previous month. The European 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 December 2013, joint with Austria and Estonia at 2.0%. The lowest annual inflation rate in the EU was -1.8% in Greece, followed by -1.3% in Cyprus.
- HICP annual inflation in the US in the year to July 2013 was 1.8%, up from 1.7% in June. US inflation in the year to December 2013 was 1.5% using its own national definition, down from 1.2% in November.

Inflation rates: selected countries

Annual % change in consumer prices

| | 2010 | 2011 | 2012 | Sep-13 | Oct-13 | Nov-13 | Dec-13 |
|------------------------------------|------|------|------|--------|--------|--------|--------|
| HICP (OECD/Eurostat) | | | | | | | |
| UK | 3.3 | 4.5 | 2.8 | 2.7 | 2.2 | 2.1 | 2.0 |
| Eurozone | 1.6 | 2.7 | 2.5 | 1.1 | 0.7 | 0.9 | 0.8 |
| EU | 2.1 | 3.1 | 2.6 | 1.3 | 0.9 | 1.0 | 1.0 |
| France | 1.7 | 2.3 | 2.2 | 1.0 | 0.7 | 0.8 | 0.8 |
| Germany | 1.2 | 2.5 | 2.1 | 1.6 | 1.2 | 1.6 | 1.2 |
| Greece | 4.7 | 3.1 | 1.0 | -1.0 | -1.9 | -2.9 | -1.8 |
| Italy | 1.6 | 2.9 | 3.3 | 0.9 | 0.8 | 0.7 | 0.7 |
| Spain | 2.0 | 3.1 | 2.4 | 0.5 | 0.0 | 0.3 | 0.3 |
| US | 2.4 | 3.8 | 2.1 | : | : | : | : |
| National definitions (OECD) | | | | | | | |
| Canada | 1.8 | 2.9 | 1.5 | 1.1 | 0.7 | 0.9 | .. |
| Japan | -0.7 | -0.3 | 0.0 | 1.1 | 1.1 | 1.5 | .. |
| US | 1.6 | 3.2 | 2.1 | 1.2 | 1.0 | 1.2 | 1.5 |
| G7 | 1.4 | 2.6 | 1.9 | 1.2 | 1.0 | 1.3 | .. |
| OECD | 1.9 | 2.9 | 2.3 | 1.5 | 1.3 | 1.5 | .. |
| Brazil | 5.0 | 6.6 | 5.4 | 5.9 | 5.8 | 5.8 | 5.9 |
| China | 3.3 | 5.4 | 2.6 | 3.1 | 3.2 | 3.0 | .. |
| India | 12.0 | 8.9 | 9.3 | 10.7 | 11.1 | 11.5 | .. |
| Russia | 6.9 | 8.4 | 5.1 | 6.1 | 6.3 | 6.5 | .. |

Source: Eurostat & stat.OECD database



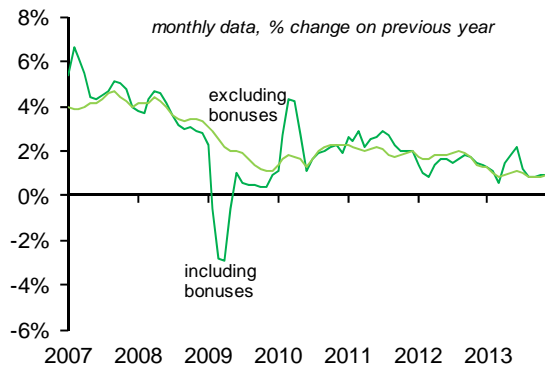
Contact: Gavin Thompson, x2042

Updates: ONS [Consumer Prices bulletin](#) (UK), 18 Feb 2014
Eurostat, [HICP full release](#), 24 Feb 2014
Eurostat, [Flash estimate](#) (Eurozone), 28 Feb 2014

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 0.9% in the three months to November, compared with a year ago. Inflation as measured by the CPI was 2.1% in November – the 43rd consecutive month in which inflation has exceeded nominal wage growth.

Average Earnings, Whole Economy



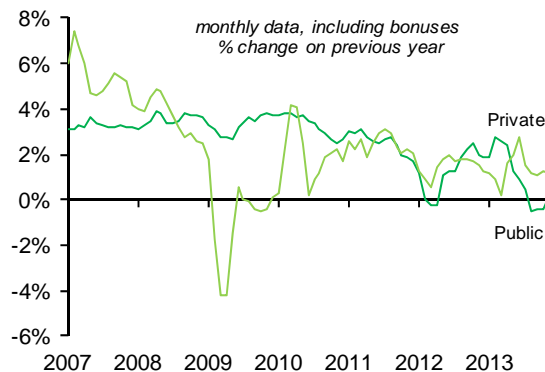
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

| | Private | Public | Manuf. | Serv. | Total |
|----------|---------|--------|--------|-------|-------|
| 2010 Nov | 2.2 | 2.5 | 3.5 | 2.4 | 2.3 |
| 2011 Nov | 2.2 | 1.9 | 1.7 | 2.1 | 2.0 |
| 2012 Nov | 1.5 | 2.0 | 1.6 | 1.6 | 1.5 |
| 2013 Jun | 2.8 | 0.9 | 2.6 | 2.2 | 2.2 |
| Jul | 1.5 | 0.5 | 2.1 | 1.2 | 1.2 |
| Aug | 1.2 | -0.5 | 2.1 | 0.6 | 0.8 |
| Sep | 1.1 | -0.4 | 1.8 | 0.6 | 0.8 |
| Oct | 1.3 | -0.4 | 1.8 | 0.7 | 0.9 |
| Nov | 1.2 | 0.2 | 2.1 | 0.7 | 0.9 |

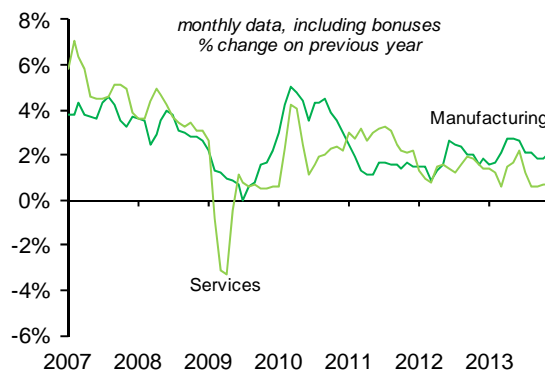
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly earnings (including bonuses) in November were £475 for the whole economy.
- Average weekly earnings (including bonuses) in the public sector were £488 in November, compared with £472 in the private sector.
- Average total weekly pay in the private sector was up 1.2% year-on-year in the three months to November, and up 0.2% in the public sector.

Average Earnings in Services and Manufacturing

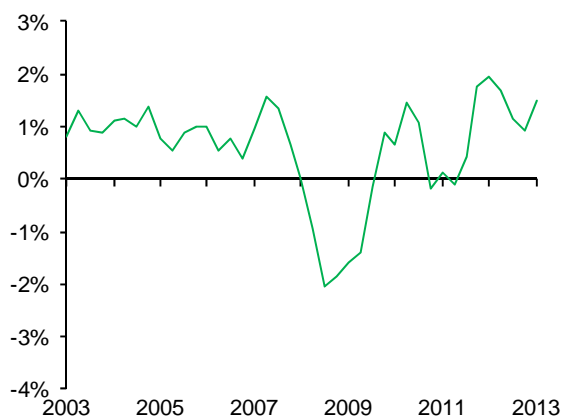


- Average weekly earnings (including bonuses) in the manufacturing sector were 2.1% higher in the three months to November than in the same period last year. In the services sector total pay grew by 0.7%.
- Average total weekly pay in the manufacturing sector was £558 in November, compared with £460 in the services sector.
- In the finance and business services sector, average weekly earnings (including bonuses) were £608 in November.

C1: Employment

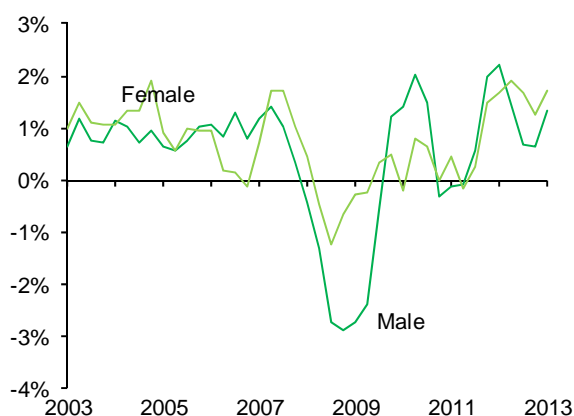
There were 30.15 million people aged 16 and over in employment in the UK in September-November 2013. The number of people in employment increased by 280,000 compared to the previous quarter and by 450,000 compared to the same period last year. The employment rate for people aged 16-64 was 72.1%. This compares to a pre-recession rate of 73.0% in March-May 2008.

Total employment (% change on previous year)



- 16.16 million men were in employment in September-November 2013, up 176,000 on the previous quarter. Female employment increased by 104,000 over the past quarter to 13.99 million.
- The number of 16-24 year olds in employment increased by 77,000 over the quarter. There were 50,000 more people in employment aged 65 and over.
- 160,000 more people were working as employees in September-November 2013 compared to the previous quarter. 147,000 more people were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 222,000 over the past quarter to 22.05 million.
- 8.10 million people were working part-time, 59,000 more than in the previous quarter. This included 1.44 million people working part-time because they could not find a full-time job.
- 1.59 million people were employed on a temporary basis in September-November 2013, 20,000 more than in the previous quarter.
- The number of people working in the private sector increased by 246,000 over the quarter to August-October 2013, to 24.42 million. Public sector increased by 4,000 to 5.67 million.

Employment by age group

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

| | Total | 16-24 | 25-49 | 50-64 | 65+ |
|-------------------------------|--------|-------|--------|-------|-------|
| Sep-Nov 2011 | 29,128 | 3,646 | 17,191 | 7,406 | 885 |
| Sep-Nov 2012 | 29,700 | 3,725 | 17,423 | 7,585 | 967 |
| Dec-Feb 2013 | 29,698 | 3,663 | 17,424 | 7,643 | 967 |
| Mar-May 2013 | 29,714 | 3,632 | 17,447 | 7,643 | 992 |
| Jun-Aug 2013 | 29,869 | 3,599 | 17,518 | 7,737 | 1,016 |
| Sep-Nov 2013 | 30,150 | 3,675 | 17,570 | 7,839 | 1,066 |
| % change on previous 3 months | +0.9 | +2.1 | +0.3 | +1.3 | +4.9 |
| % change on previous year | +1.5 | -1.3 | +0.8 | +3.3 | +10.2 |

Source: ONS

Contact: Feargal McGuinness, x4904

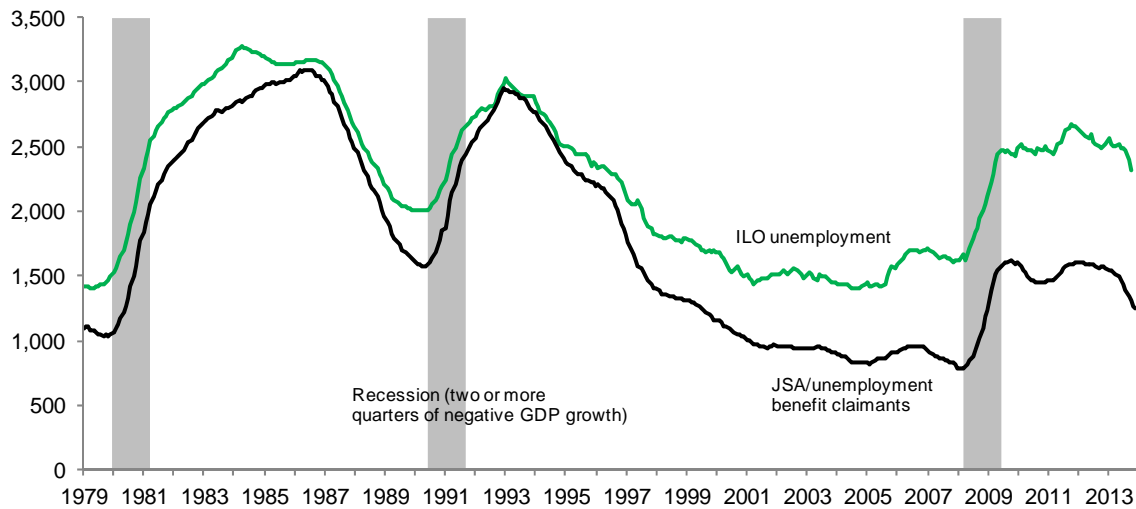
Update: ONS, [Labour Market Statistics](#), 19 Feb 2014

C2: Unemployment: National

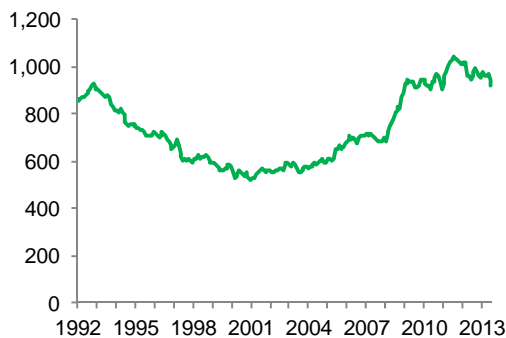
The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. The number of people claiming Jobseeker's Allowance (JSA) and predecessor unemployment benefits is also used.

- ILO unemployment was 2.32 million people in the UK in September-November 2013, down 167,000 from the previous quarter and down 173,000 from the previous year. The unemployment rate (the proportion of economically active people unemployed) was 7.1%.
- The number of people claiming JSA decreased by 24,000 between November and December 2013 to 1.25 million people aged 18 or over, the lowest level since January 2009.

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



Youth unemployment: 16-24 year olds (thousands)



- 920,000 young people aged 16-24 were unemployed in September-November 2013, down 39,000 from the previous quarter. The unemployment rate is 20.0%.
- There were 1.31 million men unemployed, down 106,000 on the quarter. 1.01 million women were unemployed, down 61,000 on the quarter.
- The number of people who have been unemployed for longer than twelve months was 839,000 in September-November 2013, a fall of 61,000 from the previous quarter and 53,000 lower than the previous year

ILO unemployment in the UK (seasonally adjusted)

| | Total | | 16-24 | | Total male | | Total female | |
|----------------------------|-------|-----|-------|------|------------|-----|--------------|-----|
| | 000s | % | 000s | % | 000s | % | 000s | % |
| 2011 Sep-Nov | 2,675 | 8.4 | 1,039 | 22.2 | 1,547 | 9.0 | 1,129 | 7.7 |
| 2012 Sep-Nov | 2,493 | 7.7 | 959 | 20.5 | 1,408 | 8.1 | 1,085 | 7.3 |
| 2013 Jun-Aug | 2,487 | 7.7 | 958 | 21.0 | 1,420 | 8.2 | 1,067 | 7.1 |
| 2013 Sep-Nov | 2,320 | 7.1 | 920 | 20.0 | 1,314 | 7.5 | 1,006 | 6.7 |
| <i>Change on quarter</i> | -167 | | -38 | | -106 | | -61 | |
| <i>Change on year</i> | -173 | | -39 | | -94 | | -79 | |
| <i>% change on quarter</i> | -6.7% | | -4.0% | | -7.5% | | -5.7% | |
| <i>% change on year</i> | -6.9% | | -4.1% | | -6.7% | | -7.3% | |

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

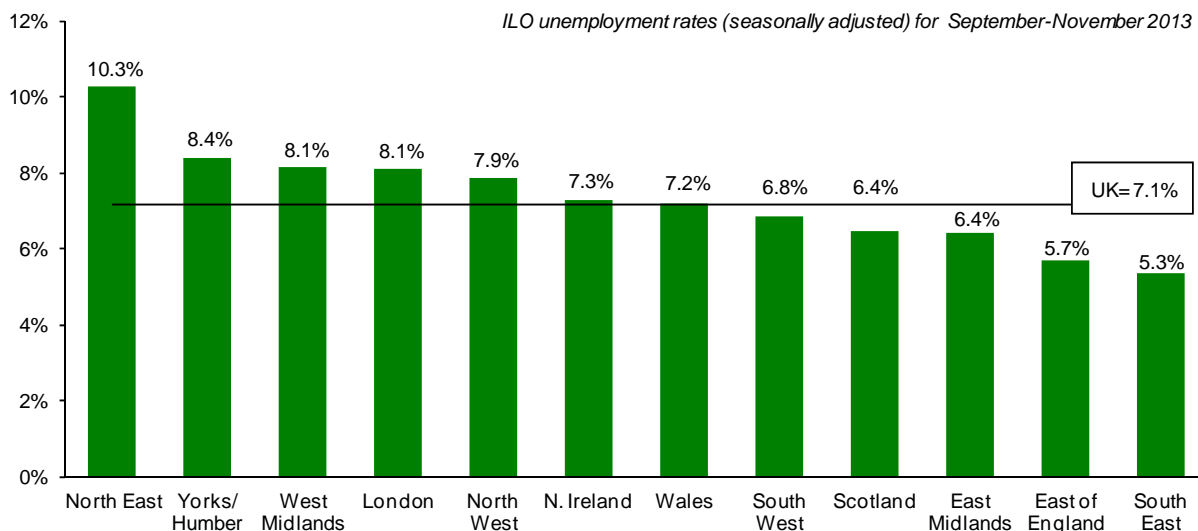
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 19 Feb 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 September-November 2013, the North East had the highest unemployment rate, at 10.3% of the economically active population. The lowest rate over the same period was 5.3% in the South East



- The largest increase in the level of unemployment over the last quarter was in the South West (up 15,000). The largest decrease was in the West Midlands (down 32,000).
- The (seasonally adjusted) Jobseeker's Allowance claimant count decreased across all regions between November and December 2013.

Unemployment statistics for countries and regions, seasonally adjusted

| | ILO unemployment | | | | JSA claimant count | |
|--------------------|-------------------------|-------------------------|-------------------|---------------------|--------------------|---------------------------------|
| | September-November 2013 | | Change in level | | December 2013 | |
| | Level (000s) | Rate (%) ^(a) | qtr-on-qtr (000s) | year-on-year (000s) | Level (000s) | change since prev. month (000s) |
| North East | 134 | 10.3 | +1 | +16 | 73.7 | -1.8 |
| North West | 270 | 7.9 | -24 | -26 | 155.8 | -2.3 |
| Yorkshire & Humber | 235 | 8.4 | -8 | -7 | 132.5 | -2.8 |
| East Midlands | 149 | 6.4 | -28 | -41 | 83.1 | -1.0 |
| West Midlands | 222 | 8.1 | -32 | -24 | 132.4 | -2.0 |
| East of England | 178 | 5.7 | -7 | -30 | 87.4 | -2.0 |
| London | 354 | 8.1 | -18 | -0 | 173.8 | -4.4 |
| South East | 244 | 5.3 | -29 | -47 | 102.8 | -2.6 |
| South West | 187 | 6.8 | +15 | +39 | 66.7 | -1.5 |
| Wales | 108 | 7.2 | -12 | -16 | 65.5 | -1.1 |
| Scotland | 176 | 6.4 | -25 | -31 | 113.8 | -1.9 |
| Northern Ireland | 63 | 7.3 | +1 | -6 | 59.5 | -0.6 |

Source: ONS, *Labour Market Statistics*

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

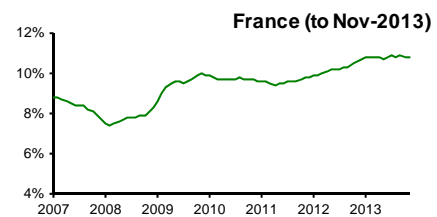
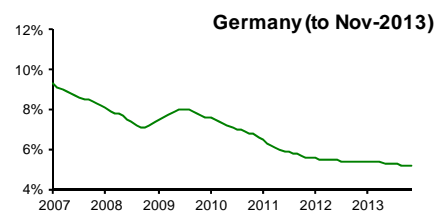
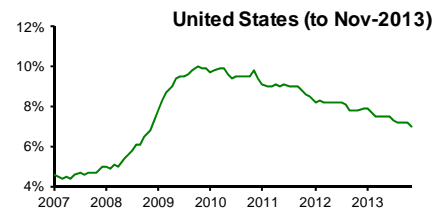
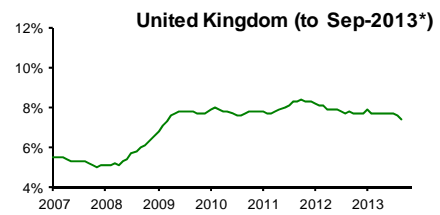
Contact: David Hough x6933

Update: ONS, *Labour Market Statistics*, 19 Feb 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 Q3 2013 was 7.6%. This was below the rate of France and Italy (10.9% and 12.3% respectively) but above that of Germany (5.3%).
- In the US, unemployment fell from 7.5% to 7.2% between Q2 2013 and Q3 2013. Compared with a year ago unemployment is 0.8 percentage points lower.
- In the euro zone, unemployment remained unchanged at 12.1% from Q2 2013 to Q3 2013.
- Spain and Greece have the highest harmonised unemployment rate among the 33 OECD member states (26.6% and 27.3% respectively). South Korea had the lowest unemployment rate in the OECD in Q3 2013, at 3.1%.
- Youth (15-24) unemployment is a major issue in many developed economies at present. In Q3 2013 youth unemployment was 56.5% in Spain and 58.0% in Greece. In the same period UK youth unemployment stood at 20.8%.



* latest figure refers to quarterly survey conducted over Aug-Oct 2013

Unemployment

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

| | 2010 | 2011 | 2012 | 2011 | | 2012 | | | | 2013 | | |
|----------|------|------|------|------|------|------|------|------|------|------|------|------|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Canada | 8.0 | 7.5 | 7.2 | 7.3 | 7.4 | 7.4 | 7.3 | 7.3 | 7.2 | 7.1 | 7.1 | 7.1 |
| France | 9.7 | 9.6 | 10.2 | 9.6 | 9.8 | 9.9 | 10.2 | 10.3 | 10.6 | 10.8 | 10.8 | 10.9 |
| Germany | 7.1 | 6.0 | 5.5 | 5.8 | 5.6 | 5.5 | 5.5 | 5.4 | 5.4 | 5.4 | 5.3 | 5.3 |
| Italy | 8.4 | 8.4 | 10.7 | 8.6 | 9.2 | 9.9 | 10.6 | 10.8 | 11.3 | 11.9 | 12.1 | 12.3 |
| Japan | 5.1 | 4.6 | 4.4 | 4.5 | 4.5 | 4.5 | 4.4 | 4.3 | 4.2 | 4.2 | 4.0 | 4.0 |
| UK | 7.8 | 8.0 | 7.9 | 8.2 | 8.3 | 8.1 | 7.9 | 7.8 | 7.7 | 7.8 | 7.7 | 7.6 |
| US | 9.6 | 9.0 | 8.1 | 9.0 | 8.6 | 8.2 | 8.2 | 8.0 | 7.8 | 7.7 | 7.5 | 7.2 |
| Eurozone | 10.2 | 10.1 | 11.4 | 10.2 | 10.6 | 10.9 | 11.3 | 11.5 | 11.8 | 12.0 | 12.1 | 12.1 |
| G7 | 8.2 | 7.7 | 7.4 | 7.7 | 7.6 | 7.5 | 7.5 | 7.4 | 7.3 | 7.3 | 7.2 | 7.1 |
| OECD | 8.3 | 8.0 | 8.0 | 8.0 | 7.9 | 7.9 | 7.9 | 8.0 | 8.0 | 8.0 | 8.0 | 7.9 |

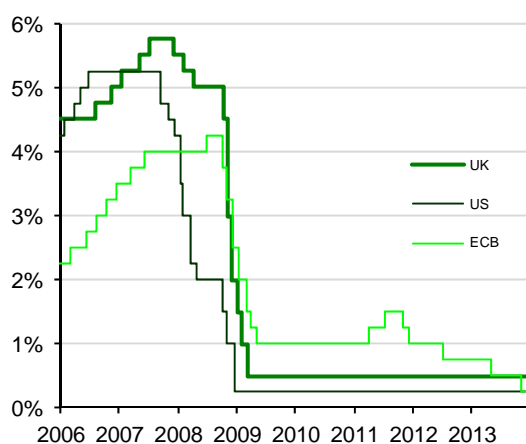
Source: OECD, Harmonised Unemployment Rates

Contact: James Mirza-Davies, x6962 Updates: OECD, [Harmonised Unemployment Rates](#), 19 Feb

D1: Interest Rates and the Money Supply

Latest official interest rates from the UK, eurozone and the US are shown on this page. A summary of the Bank of England's quantitative easing policy and latest money supply data in the UK are also provided.

Official interest rates

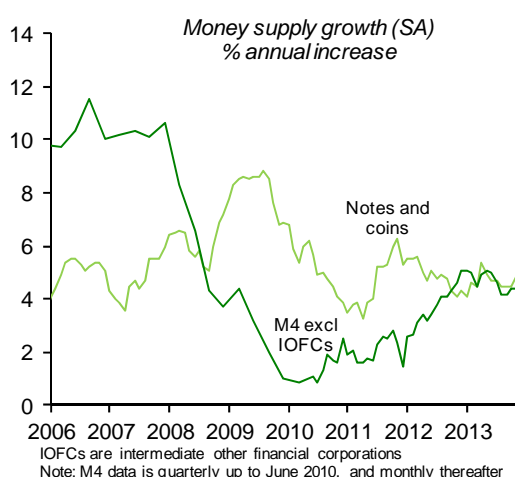


- In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest since the Bank was founded in 1694. The rate has remained at 0.50% since March 2009.
- On 6 August 2013, the Governor of the Bank of England [announced](#) that the Bank "intends not to raise the Bank Rate from its current level of 0.5% at least until the [ILO] unemployment rate has fallen to a threshold of 7%." The Bank does not expect this to happen until mid-2016.
- On 7 November 2013, the Governing Council of the European Central Bank agreed to lower the main interest rate for the eurozone from 0.5% to 0.25%.
- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008. Between September 2012, and December 2013, it purchased assets (quantitative easing) at a rate of around \$85bn per month. On 18 December 2013, the Federal Open Market Committee decided to slow this rate of asset purchases 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 November 2013 [Inflation Report](#), the Bank of England noted that money supply growth remained high during the three quarters of 2013, even though no quantitative easing had been undertaken over this period. The growth was driven predominantly by household deposits, particularly 'sight' (i.e. instant access) deposits. The Bank commented that while this could presage a rise in household spending, it could also be a consequence of low interest rates rendering time and instant access deposits more interchangeable. Business deposits increasingly contributed to money supply growth in Q3-2013.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 3.7% in December 2013, down from 4.3% in November.
- The value of notes and coins in circulation outside the Bank of England rose by 4.9% in December 2013 compared with a year ago, up from 4.8% in November.

Contact: Gavin Thompson, x2042

Updates: Monetary policy meetings: 6 Feb ([ECB, UK](#)); 19 Mar ([US](#))
Bank of England, [Notes and coin balances](#), 5 Feb

D2: Public Finances

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

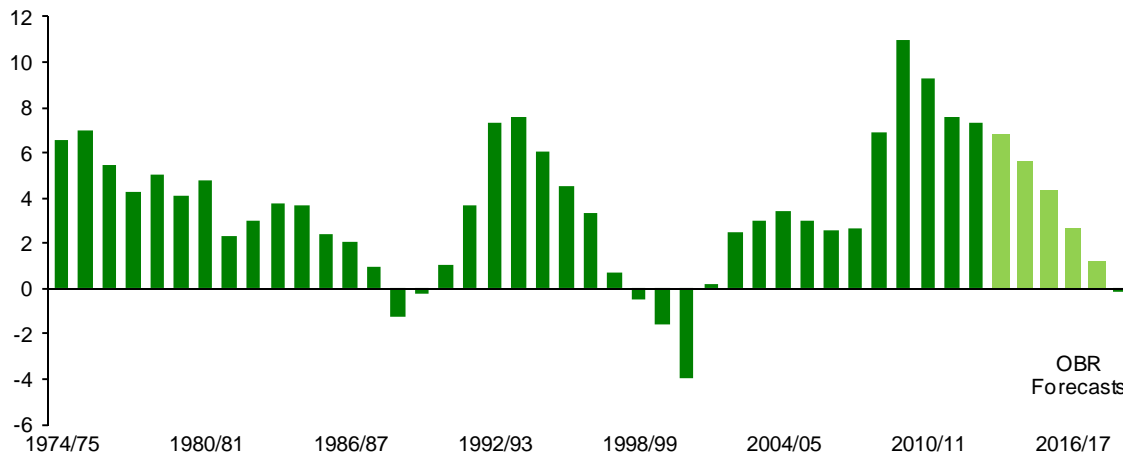
- Over the period April to December 2013, public sector borrowing was £96.1 billion, £4.8 billion lower than the same period in 2012.
- Net borrowing is forecast to fall from £111 in 2013/14 to £23 billion in 2017/18, before a budget surplus is recorded in 2018/19, of £2 billion.
- Public sector net debt (the stock of Government borrowing) is forecast to be 75.5% of GDP in 2013/14, rising to 80.0% in 2015/16, before falling back to 75.9% in 2018/19.

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

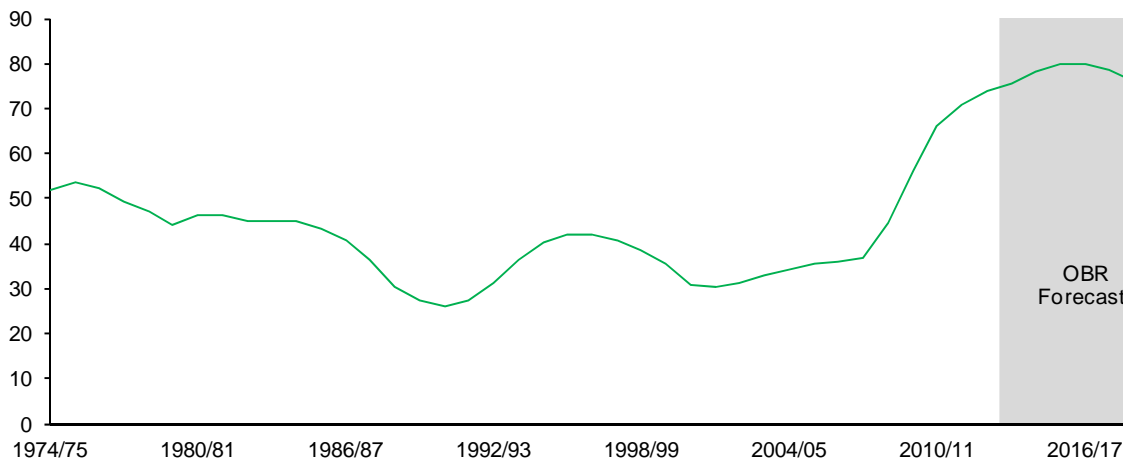
Source: ONS, OBR. Excludes financial sector interventions

Note: borrowing figures exclude Royal Mail transfer and QE

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

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

D3: Financial Indicators

The FTSE-100 tracks share-price movements in the 100 largest companies by market capitalisation listed on the London Stock Exchange. It hit an all-time high of 6,930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008. In May 2013 it reached its highest point since September 2000.

The price of Brent crude oil reached an all time high above \$145/barrel in July 2008. The price fell below \$100/barrel in June 2012 for the first time since February 2011, but has remained above \$100 since July 2012.

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

Data from 3 February 2014

| | FTSE-100 | Oil (\$/bbl) | Gold (\$/oz) |
|-----------------|------------|--------------|--------------|
| 03 Feb 2014 | 6,694.2 | 112.0 | 1,204.7 |
| %change over: | | | |
| 1-month | -0.5% | +5% | -2% |
| 12-months | +7% | -3% | -28% |
| %change from: | | | |
| cyclical peak | -2% | -23% | -37% |
| date | 15 Jun '07 | 03 Jul '08 | 23 Aug '11 |
| cyclical trough | +91% | +208% | +69% |
| date | 03 Mar '09 | 24 Dec '08 | 24 Oct '08 |

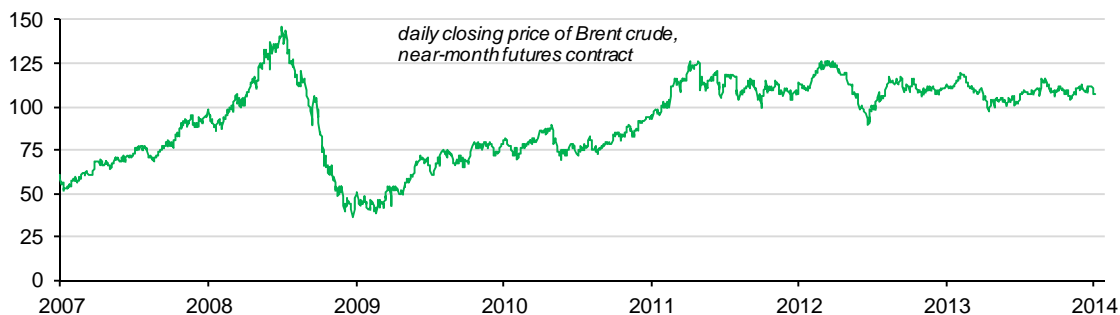
Note: Oil is Brent near-month futures price

Source: *Financial Times*

FTSE-100 Index



Brent Crude Oil price (\$ per barrel)



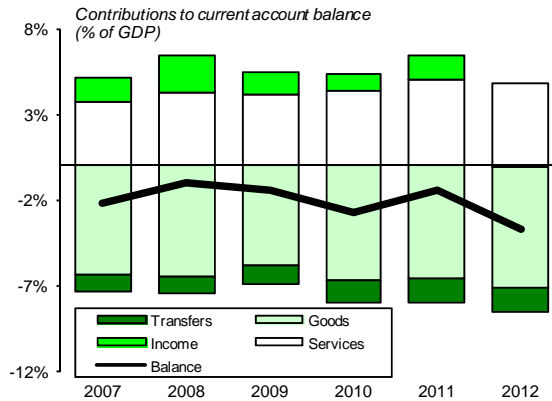
Gold price (\$ per ounce)



E1: Trade

The current account deficit in 2012 was £58.5 billion, equivalent to -3.7% of GDP. That compares with a deficit of £22.5 billion in 2011 or -1.5% of GDP. Part of this change can be attributed to a fall in the profits of UK companies' direct investments abroad, with earnings falling from £100.9 billion in 2011 to £81.0 billion in 2012.

Current Account



- On a **quarterly** basis, the current account deficit was £20.7 billion in Q3 2013 (equivalent to 5.1% of GDP), widening from £6.2 billion in Q2 2013 (1.5% of GDP). The surplus on services was down slightly at £19.4 billion while the deficit on goods rose to £29.4 billion.
- The **annual** current account deficit with EU28 countries was £82.1 billion in 2012 compared with a surplus with non-EU countries of £23.6 billion. On a **quarterly** basis, the deficit with EU28 countries was £23.2 billion in Q3 2013 compared to a £2.5 billion surplus with non-EU countries.

Current Account Balances

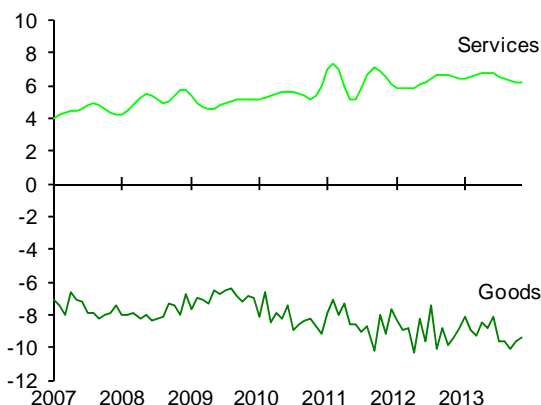
£ millions; seasonally adjusted

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

Source: ONS database, series: BOKI, IKBD, IKBH, IKBI, IKBJ, IKBP, HBOJ, HBOP

Trade in Goods and Services

Balance of trade, goods and services
£ billion, monthly data



- The estimated monthly deficit on goods trade in November was £9.4bn, down from £9.7bn in October.
- The monthly trade surplus on services was an estimated £6.2bn in November, unchanged from October.
- The overall monthly deficit on goods and services combined in November was £3.2bn, down from £3.5bn in October.
- The monthly goods deficit with the EU27 was £6.4bn in November, compared with £6.5bn in October, while the deficit with non-EU countries was £3.0bn in November, compared with £3.1bn in October.

Contact: Daniel Harari, x2464

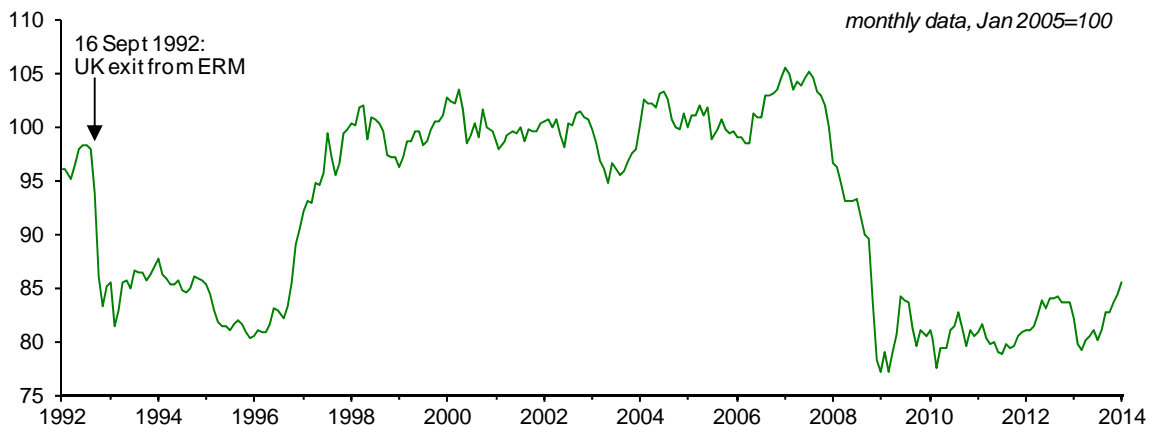
Updates: ONS, [UK Trade](#), 7 Feb 2014
ONS, [UK Balance of Payments](#), 26 Mar 2014

E2: Exchange rates

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

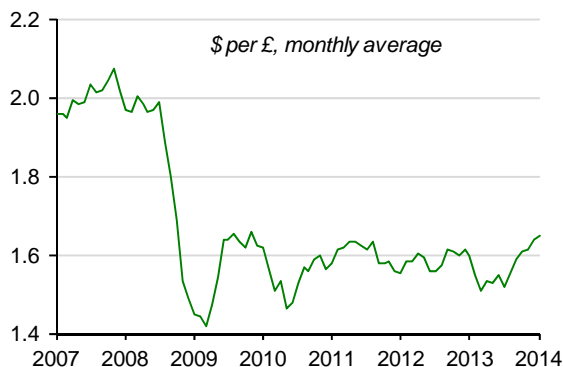
The SERI rose by 1.2% in January 2014, following a rise of 1.0% in December. Compared with the same period a year ago, it is 4.0% higher. It is currently 10.9% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 19.0% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



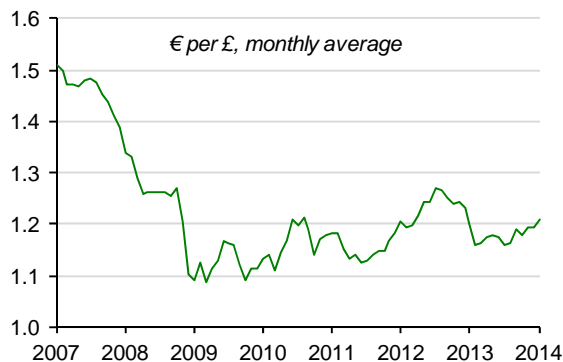
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in January, the pound was one cent higher against the dollar than in December. At the 3 February market close the pound stood at \$1.63, one cent below the January average.
- Sterling was one cent higher against the Euro in January compared to December.
- At the 3 February market close the pound stood at €1.21, the same as the January average. This compares with an all-time low of €1.02 (on 30 December 2008), and a launch rate of €1.48 on 31 December 1998.

€£ Exchange Rate



Sterling Exchange Rates

average rates in period and % changes

| | US Dollar (\$) | | Euro (€) | |
|----------|----------------|------------------|----------|------------------|
| | Rate | % change on year | Rate | % change on year |
| 2011 | 1.60 | 3.7% | 1.15 | -1.2% |
| 2012 | 1.59 | -1.1% | 1.23 | 7.0% |
| 2013 | 1.56 | -1.3% | 1.18 | -4.5% |
| 2012 Jan | 1.60 | 2.9% | 1.20 | -0.3% |
| 2013 Nov | 1.61 | 0.9% | 1.19 | -4.0% |
| Dec | 1.64 | 1.4% | 1.19 | -2.9% |
| 2014 Jan | 1.65 | 3.2% | 1.21 | 0.8% |

Source: Bank of England, Bankstats database

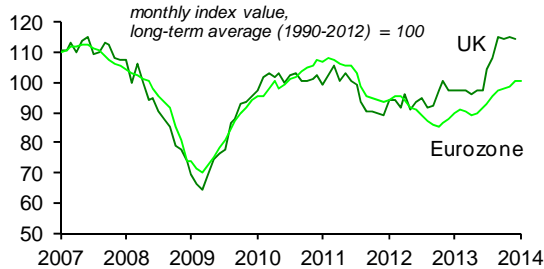
Contact: Daniel Harari, ext. 2464

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

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

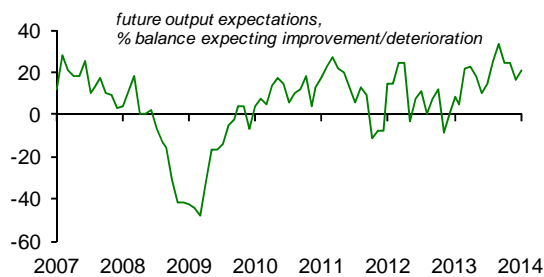


| | | UK Index | monthly change | change on year ago |
|------|-----|-------------|-------------------|-----------------------|
| 2012 | Jan | 94.0 | ... | ... |
| 2013 | Jan | 97.6 | ... | ... |
| 2013 | Nov | 115.0 | +0.2 | +14.4 |
| | Dec | 114.9 | -0.1 | +17.8 |
| | Jan | 115.9 | +1.0 | +18.3 |

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 December 2013 and January 2014 the overall UK sentiment index decreased marginally from 114.9 to 115.9 – 18.0 points higher than the previous year. The Eurozone index rose by 0.5 points to 100.9.

CBI Industrial Trends Survey



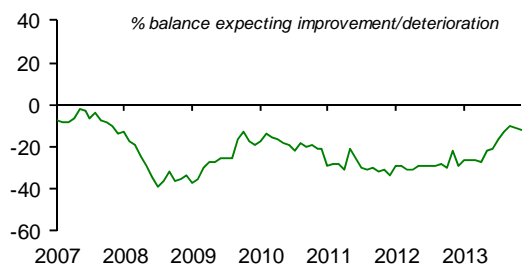
Balance (as a %) of those expecting an improvement
minus those expecting a deterioration

| | | Future output expectations | monthly change | change on year ago |
|------|-----|-------------------------------|-------------------|-----------------------|
| 2012 | Jan | +15 | ... | ... |
| 2013 | Jan | +8 | ... | ... |
| 2013 | Nov | +24 | 0 | +33 |
| | Dec | +16 | -8 | +16 |
| | Jan | +21 | +5 | +13 |

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In January 2014, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +21% of firms. This is the up from the balance in December 2013 and +13 points higher than January 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 | Jan | -29 | ... | ... |
| 2013 | Jan | -26 | ... | ... |
| 2013 | Nov | -12 | -1 | +10 |
| | Dec | -13 | -1 | +16 |
| | Jan | -7 | +6 | +19 |

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 -7 in January, 5 points higher than the previous month and 22 points higher than a year ago.

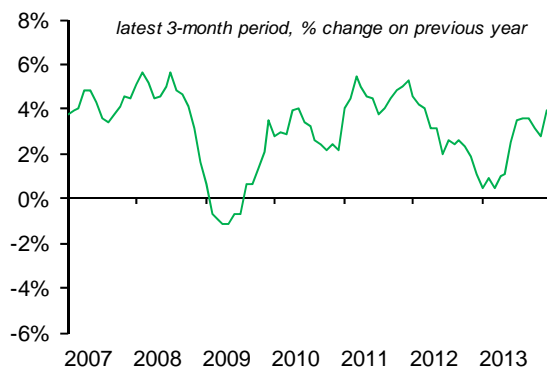
Contact: David Hough, x6933

Update: CBI, [Industrial Trends](#), 21 Feb 2014
EC, [Economic Sentiment Indicator](#), 28 Feb 2014
GfK NOP, [Consumer Confidence](#), 28 Feb 2014

F2: Retail Sales

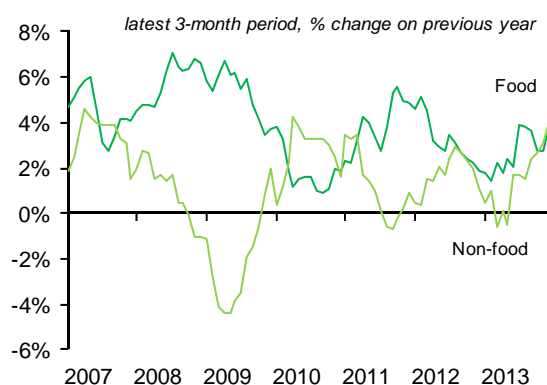
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI. This page uses official data from the Office for National Statistics.

Value of retail sales



- The value of retail sales in the three months to December 2013 was 3.9% higher than the same three months in the previous year.
- The value of retail sales in December 2013 alone was 6.1% higher than in December 2012.
- The value of retail sales in the whole of 2013 was 2.6% higher than in 2012.
- Internet sales were estimated to account for a 11.8% of the value of all retail sales (excluding vehicle fuels) in December 2013. The value of internet sales was 11.8% higher than in December 2012.

Value of food & non-food store sales



- The value of sales in food stores in the three months to December 2013 rose by 3.9% on the same period last year, and the value of sales in non-food stores increased by 4.1%.
- The largest retailers (with 100 or more employees) reported an average increase in sales values of 2.6% between November 2012 and November 2013. Medium-sized retailers (employing 40 to 99 employees) reported a much larger average increase in sales of 34.8%. Very small retailers (with up to nine employees) saw growth of 8.2%.

Value of retail sales

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

| | Food Stores | Non-Food Stores | | | | Total | All retailing total (inc vehicle fuel) |
|----------|-------------|---------------------|-----------------|-------------|-------|-------|----------------------------------------|
| | | Clothing & Footwear | Household goods | Dept stores | Other | | |
| 2012 | 3.0 | 1.5 | -0.4 | 6.4 | 0.6 | 1.7 | 2.4 |
| 2013 | 2.9 | 2.6 | -3.1 | 4.0 | 3.3 | 1.9 | 2.6 |
| 2013 AUG | 3.8 | 3.1 | -3.8 | 4.0 | 2.0 | 1.5 | 3.6 |
| SEP | 3.6 | 3.0 | -2.3 | 3.6 | 4.3 | 2.4 | 3.6 |
| OCT | 2.8 | 2.3 | -1.6 | 4.8 | 4.8 | 2.7 | 3.1 |
| NOV | 2.8 | 3.5 | -1.8 | 3.4 | 5.6 | 3.1 | 2.8 |
| DEC | 3.9 | 4.4 | -1.4 | 6.2 | 6.3 | 4.1 | 3.9 |

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

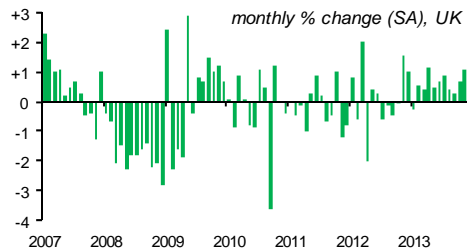
F3: Housing Market

House prices on the Nationwide index rose by 0.7% in January after a 1.7% rise in December. Prices were 8.8% higher compared with a year ago on this measure. House prices on the Halifax index fell by 0.6% in December following a 1.1% rise in November. Prices were 7.5% higher than a year ago on this measure.

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

House price indices

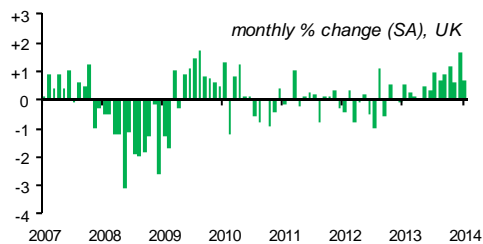
Halifax house price index



Latest monthly data
UK, seasonally adjusted

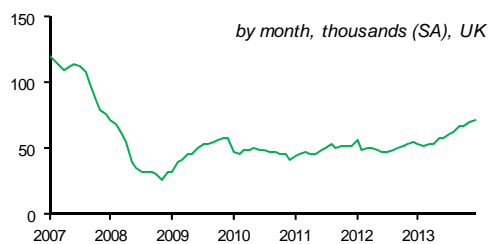
| | Halifax | Nationwide |
|---------------------|---------|------------|
| Latest data | Dec-13 | Jan-14 |
| Change in month | -0.6% | +0.7% |
| Change in year | +7.5% | +8.8% |
| Peak date | Aug-07 | Oct-07 |
| Change since peak | -14.8% | -8.1% |
| Trough date | Apr-09 | Feb-09 |
| Change since trough | +10.0% | +14.0% |

Nationwide house price index



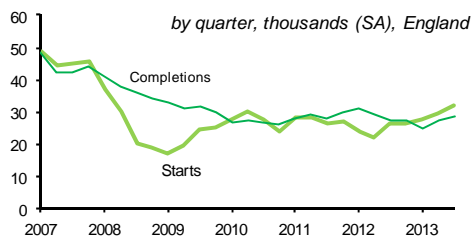
- Average house price growth has accelerated in recent months. In January 2014, the average house price on the Nationwide measure was just over £176,491.
- There is considerable regional variation. In Q3 2013 prices rose by 10% in London but were unchanged in the far north of England compared with a year earlier (Nationwide data).

Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 71,638 mortgage approvals in December 2013, a five-and-a-half year high. Approvals were 1% higher than in November and 29% higher than December 2012.

House-building



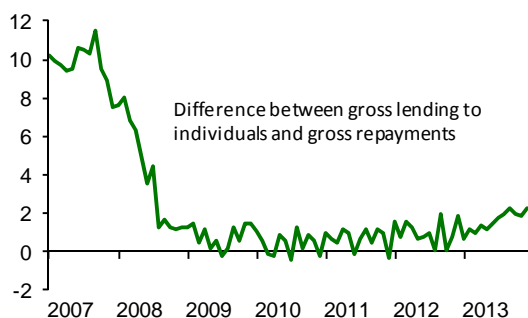
- There were 32,230 house building starts in England in Q3 2013, 8% more than in Q2 2013 and 22% more than in Q3 2012. This is above the low of 14,470 in Q1 2009, but still well below the 48,910 starts in Q1 2007.
- There were 28,850 dwelling completions in Q3 2013, up 5% from 27,270 in Q2 2013, and 5.4% higher than the number of completions in Q3 2012. This is still below the peak of 48,450 completions in Q1 2007.

Contact: Matthew Ward, x5919

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

F4: Household debt

Monthly net lending, £bn

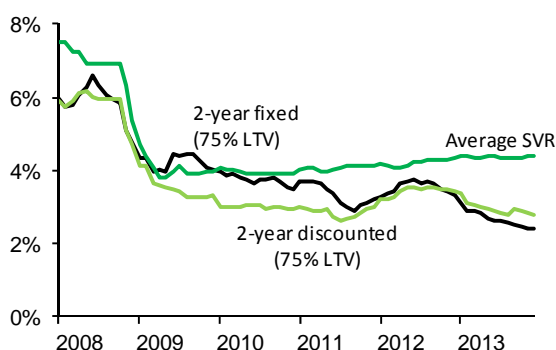


Source: Bank of England

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

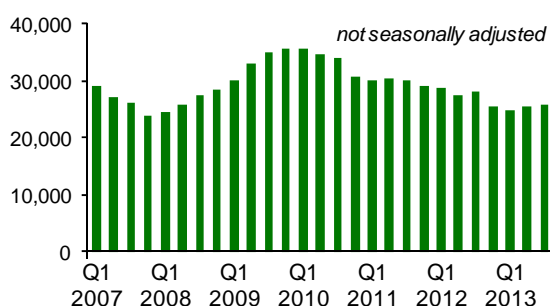
- Total net lending to individuals (excluding student loans) was £2.3 billion in December 2013. Net lending has been relatively low since mid-2008, but grew through most of 2013.
- Monthly net unsecured lending (consumer credit) was £0.6 billion in December. Monthly net secured lending (mortgages) was £1.7 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has changed little over the past year – in December 2013 it was 4.39%, compared with 4.35% the year before.
- In contrast fixed term mortgage rates have generally been falling since mid 2012 – the average 2-year fixed mortgage rate was 2.40% in December, compared to 3.35% the year before. The average 2-year variable rate was 2.77% in December (compared with 3.44% the year before). These figures are for a loan to value ratio of 75%.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 26,030 individual insolvencies in England and Wales in Q3 2013, a 7.3% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q3 2013 there were 3,411 individual insolvencies, a decrease of 16.1% on Q3 2012.
- In Northern Ireland in Q3 2013 there were 717 individual insolvencies, an decrease of 15.0% on Q3 2012

Contact: Lorna Booth, x2883

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 3 Mar 2014
Insolvency Service, [Insolvency Statistics](#), 7 Feb 2014

5 Indicator sources

The table gives details of sources used in this paper. Office for National Statistics (ONS) releases are available from <http://www.ons.gov.uk/ons/release-calendar/index.html>.

| Indicator | | Source details |
|-----------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A1 | Gross Domestic Product | ONS releases: GDP Preliminary Estimate ; Second Estimate of GDP ; Quarterly national accounts HM Treasury, Forecasts for the UK Economy |
| A2 | GDP: International Comparisons | Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, Economic Outlook (full document via www.sourceoecd.org); IMF World Economic Outlook database and updates European Commission's growth forecasts |
| A3 | Components of GDP | ONS releases: Second Estimate of GDP ; Quarterly national accounts |
| A4 | Services | ONS, Index of Services ONS, Workforce Jobs Markit/CIPS UK Services Purchasing Managers Index |
| A5 | Manufacturing | ONS, Index of Production ONS, Workforce Jobs Markit/CIPS UK Manufacturing Purchasing Managers Index |
| A6 | Productivity | ONS, Labour Productivity |
| B1 | Inflation | ONS, Consumer Price Indices |
| B2 | Inflation: International | CPI: OECD, Main Economic Indicators (link to user defined table); EU data: Eurostat news release and database |
| B3 | Average Earnings Index | ONS, Labour Market Statistics |
| C1 | Employment | ONS, Labour Market Statistics |
| C2 | Unemployment: National | ONS, Labour Market Statistics |
| C3 | Unemployment: Regional | ONS, Labour Market Statistics and Regional Labour Market Statistics |
| C4 | Unemployment: International Comparisons | Data: OECD, Main Economic Indicators Commentary: OECD, Economic Outlook (full document via www.sourceoecd.org) |

| Indicator | | Source details |
|-----------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| D1 | Interest Rates and the Money Supply | UK: Bank of England, Monetary Policy Committee decisions & minutes US: Federal Reserve, Federal Open Market Committee decisions ECB: European Central Bank news releases Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database. |
| D2 | Public Finances | Data: ONS, Public sector finances ; Forecasts of budget balance: Office for Budget Responsibility . |
| D3 | Financial Indicators | Financial Times , Markets Data |
| E1 | UK Balance of Trade | ONS, UK Balance of Payments ONS, UK Trade |
| E2 | Exchange Rates | Sterling effective exchange rates and sterling-dollar/euro rates: Bank of England, Bankstats database (annual and monthly) |
| F1 | Business and Consumer Confidence | European Commission: Economic Sentiment Indicator Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey press releases ; Consumer Confidence: GfK NOP Consumer Confidence Index |
| F2 | Retail Sales | ONS, Retail Sales |
| F3 | Housing Market | Bank of England: Lending to Individuals ; Department for Communities and Local Government (DCLG) UK Housing Starts: table 201 ; Halifax house price data: housing research page ; Nationwide house price data: data page |
| F4 | Household Debt | Bank of England: Lending to Individuals ; The Insolvency Service: Insolvency Statistics |

6 Glossary

Symbols and abbreviations

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

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. $GDP \text{ at market prices} = GDP \text{ at basic prices} + \text{transport prices paid separately} + \text{non deductible taxes on expenditure} - \text{subsidies received}$.

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.