



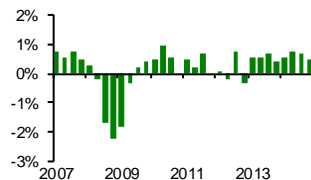
Economic Indicators, March 2015

RESEARCH PAPER 15/10 03 March 2015

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

In February the FTSE-100 hit an all-time high of 6,949, passing the previous record high of 6,930 set in December 1999.

GDP growth (% change quarter-on-quarter)



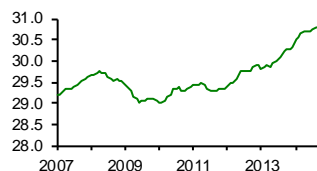
GDP grew by 0.5% in Q4 2014, following growth of 0.7% in Q3.

Inflation (CPI) (% change on year ago)



The CPI annual inflation rate was 0.3% in January, below the Bank of England's target of 2.0%.

Employment (total, millions)



There were 30.90 million people in employment in October-December 2014. The unemployment rate was 5.7%

This month's article:

- **The UK Economy since 2010**

James Mirza-Davies (editor)

Recent Research Papers

15/01	Economic Indicators, January 2015	06.01.15
15/02	Nigeria 2015: analysis of election issues and future prospects	19.01.15
15/03	Insurance Bill [HL] [Bill 39 of 2014-15]	20.01.15
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15/06	Economic Indicators, February 2015	03.02.15
15/07	NHS Indicators, February 2015	17.02.15
15/08	House of Commons Commission Bill [Bill 169 of 2014-15]	17.02.15
15/09	Unemployment by constituency, February 2015	18.02.15

Research Paper 15/10

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Economic Policy and Statistics section

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

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1 Introduction to *Economic Indicators*

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

Feedback

If you have any comments or suggestions about *Economic Indicators* please contact the editor, James Mirza-Davies, on x6962.

Weekly email alert

A weekly email alert with updated indicators is available to Members and their staff on request. To subscribe, please visit the [Economic Indicators page](#) on the intranet.

Regional Economic Indicators

A separate standard note, [Regional and National Economic Indicators](#), is available containing key economic data on the regions and countries of the UK, compared to the national UK average.

Sources and glossary

A guide to sources is provided in section 4. Economic terms, symbols and abbreviations used in the publication are described in the glossary in section 5.

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
Housing	Richard Cracknell	4632
Incomes	Feargal McGuinness	4904
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Taxation	Matthew Keep	4324
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¹ <http://intranet.parliament.uk/research-online/statistics/economic-indicators/>

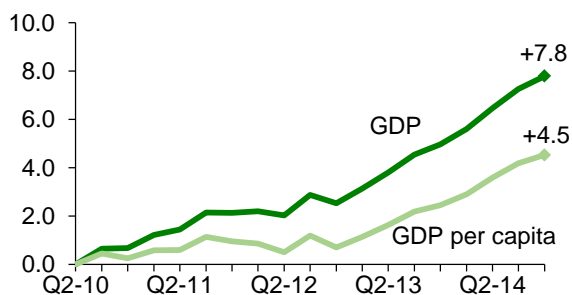
² <http://intranet.parliament.uk/people-offices/offices-departments/commons-departments/commons-information-services/commons-library/publications/using-the-commons-library/>

2 The UK Economy Since 2010

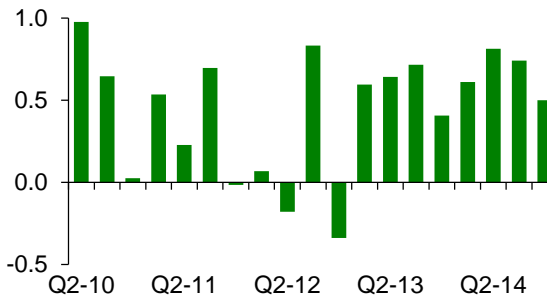
2.1 GDP

Real (inflation-adjusted) Gross Domestic Product increased by 7.8% in the four-and-a-half years since the second quarter (Q2) of 2010. GDP per capita, which adjusts for population growth, rose by 4.5% over the same period.

Real GDP and real GDP per capita
% change from Q2 2010



Quarterly real GDP growth
% change on previous quarter



During the recession – Q1 2008 to Q2 2009 – GDP fell by 6.0%. A steady recovery over the rest of 2009 and 2010, gave way to weaker growth in 2011 and stagnation in 2012. Since the beginning of 2013, healthy and consistent growth has returned. GDP growth in 2014 as a whole of 2.6% was the most since 2007. GDP is now 3.4% higher than the highest level seen before the recession. However, if you adjust for population growth, GDP is still 1.4% below its pre-recession peak, almost seven years on.

Growth from Q2 2010 to Q4 2014 has been driven entirely by domestic demand: consumer spending was up by 5.7%, government consumption rose by 4.0%, and investment increased by 16.8%. While exports rose by 10.0%, its contribution to growth was offset almost entirely by a 9.8% increase in imports.

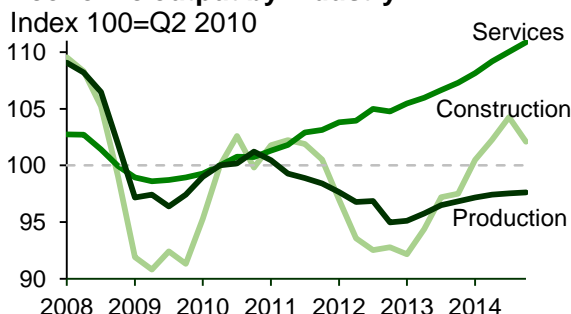
2.2 Industries

The industries of the UK weathered the 2008/09 recession to varying degrees and their performance since 2010 has been diverse.

The services sector – which dominates the UK economy, accounting for 80% of output – has grown significantly since Q2 2010.

As a whole the, sector has grown by 11%, and is now 8% above its pre-recession peak in 2008. Growth in the real estate industry has been particularly noteworthy – 11% up since 2010 – due to the recent rise in house prices, particularly in London and the South East.

Economic output by industry



Other major industries have fared less well. The construction sector – output from which is volatile and sensitive to the economic climate – was recovering strongly in early 2010. Output declined sharply in late 2011 and 2012 to almost the level seen in the recession. It has since recovered and is now 2% above the 2010 level.

Output from the production sector, which includes manufacturing, the oil and gas industry and the utilities, has declined. Overall the sector's output is now 2% below the Q2 2010 level.

However, this headline figure masks considerable variation in the sub-sectors. Output from manufacturing (the largest sub-sector) is now above its 2010 level by 3%, with automotive manufacturing among the most important contributors to this growth.

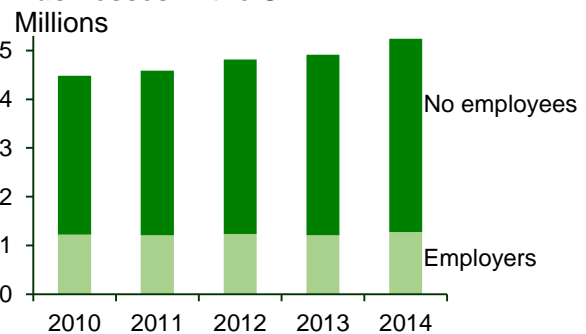
But the oil and gas industry has struggled in recent years and since 2010 has performed much worse than manufacturing – economic output has fallen by 27%. This is largely due to the long term decline in North Sea oil production, and the increasing volatility of what production there is. However, the recent fall in global oil prices could prove equally significant by reducing the incentive to invest in already challenging oil fields.

2.3 Businesses

In 2014 there were 5.2 million businesses in the UK, the most ever. Since 2010 the total number has grown steadily, and is up 760,000 over the period.

Almost all of this growth has come from businesses with no employees; generally referred to as self-employed people³. Since 2010, this type of business increased by 707,000 to 4.0 million. The number of employers also increased but only by 52,000.

Businesses in the UK



Although businesses with no employees have always accounted for a significant number of businesses, the strong growth over the last few years means that their significance has increased: in 2014, 76% of businesses has no employees, up from 68% in 2010.

2.4 The Labour Market

Strong employment growth since 2013

Following a dip in 2011, UK employment has been growing strongly since the spring of 2013 and is currently at record highs. 30.90 million people were in employment at October - December 2014, almost 1.50 million more than in the same period in 2010. The employment rate (the proportion of people aged 16-64 who are in work) in October – December 2014 was 73.2% - the highest since comparable records began in 1971.⁴ The female employment rate was 68.5%, the highest on record.

This growth in employment reflects both rising numbers of employees and people working as self-employed: at the end of 2014 employee numbers had increased by 1.04 million (4.0%) and self-employment increased by 476,000 (10.6%) when compared to the end of 2010. Self-employment rose sharply during late 2013 and early 2014, but dropped in the most recent quarter (down 19,000) as shown in the chart.

Change in employment (May 2010 = 0)



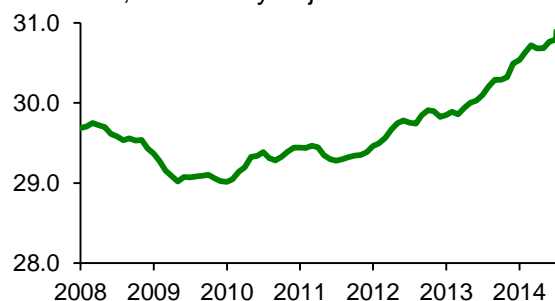
³ This is not the same as the headline measure of the number of people who are self-employed

⁴ All data in this section are taken from ONS *Labour Market Statistics, February 2015*, 18 February 2015

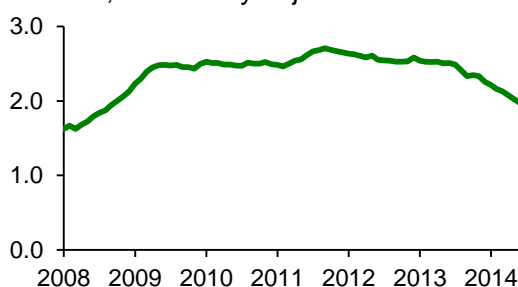
Public/private sector

Over the course of this Parliament, public sector employment⁵ has fallen by 387,000 whilst private sector employment increased by around 1.86 million. Over the middle of the Parliament, public sector employment remained relatively constant but began to fall in the middle of 2013 (when employment began to increase):

Number of people employed, 2008-14
Millions, seasonally adjusted



Number of people unemployed, 2008-14
Millions, seasonally adjusted



Unemployment

These large increases in employment have been accompanied by steep falls in unemployment. Over the course of this Parliament, the unemployment rate peaked at 8.5% at the end of 2011. Over the course of 2014 we have seen a fall in the rate which currently stands at 5.7% (0.5 percentage points higher than its pre financial crisis low):

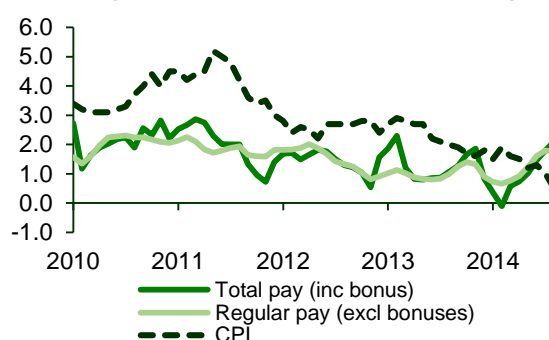
But pay growth remains muted

Despite the recent rises in employment and reductions in unemployment, growth in employee earnings has remained stubbornly low since the economic downturn and until recently lagged behind inflation.

Average weekly employee pay in Great Britain was 2.1% higher in the three months October-December 2014 compared to the year before, or 1.7% higher excluding bonus payments. By comparison, CPI inflation was 0.5% in September (over the three months October-December 2014, it averaged 0.9%).

Towards the end of 2014, some commentators began suggesting that pay is finally catching up with inflation. This does not disguise the fact that earnings growth has remained weak in nominal (i.e. cash) terms and has been lower in recent quarters than in 2011 and 2012.⁶

Annual % change in average weekly employee earnings, Great Britain
Earnings series are three-month averages



⁵ Excluding effects of major reclassifications

⁶ ONS [Labour Market Statistics, February 2015](#), 18 February 2015 and ONS, [Consumer Price Inflation, January 2015](#), 17 February 2015

2.5 Inflation

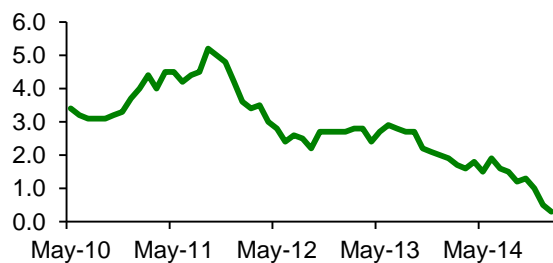
The average inflation rate has been 2.9% since May 2010, measured by the consumer prices index (CPI). This average masks considerable variation. Inflation was 3.4% when the Coalition Government came to office. After falling marginally for a few months, inflation increased, reaching 5.2% in September 2011. Since then, it has been on a broadly downward path and reached a record low of 0.3% in January 2015. Under the previous Government, inflation averaged 1.8%, and also peaked at 5.2% in September 2008.

The Bank of England's target is for inflation to be 2%. The Governor of the Bank of England must write an open letter to the Chancellor if inflation is more than one percentage point higher or lower than this target (i.e. more than 3% or less 1%). Inflation has been either above 3% or less than 1% in 25 of the 57 months since May 2010.

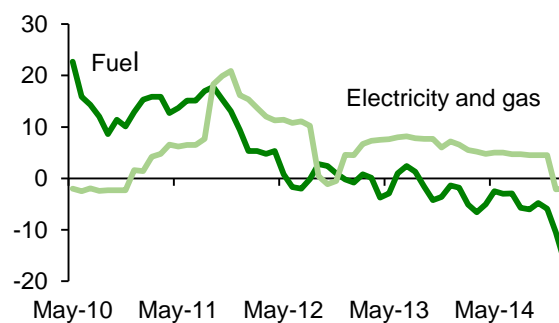
Two factors which influence the inflation rate are fuel (petrol and diesel) and domestic gas and electricity bills. As the second chart shows, the prices of these goods can fluctuate considerably. In late 2011, the prices of both fuel and electricity/gas were increasing at around 20%. By January 2015, prices of both were falling. Gas and electricity prices were 2% lower than a year earlier while the cost of fuel was 16% lower.

CPI, Inflation

Annual % change



Fuel, gas & electricity inflation (%)



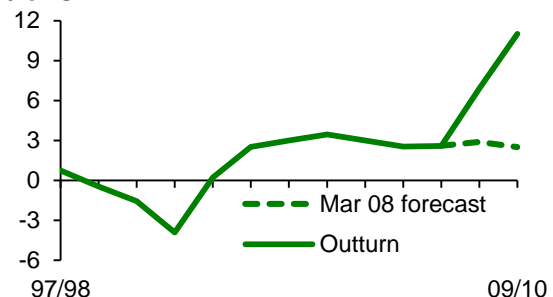
2.6 Public finances

Since 2010 the public finances have been going through a period of consolidation. The main Westminster parties are all signed up to reducing the deficit and bringing down debt following the largest peacetime economic shock in living memory.

The financial crisis came after a decade of relative stability in the economy and public finances. When the crisis came its impact was large – the deficit⁷ more than tripled between 2007/08 and 2009/10 as receipts fell and government spending increased, and debt⁸ surged from 37% of GDP to 62%. The path that the public finances took following the crisis could have hardly been more different to that forecast by the Labour government in its last pre-crisis budget.

Deficit

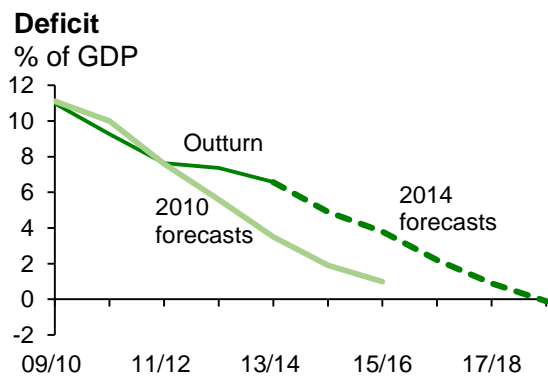
% of GDP



⁷ Public sector net borrowing

⁸ Public sector net debt

Upon coming to power in May 2010 the coalition government made control of the public finances its *raison d'être*. The coalition accepted deficit reduction measures inherited from the outgoing Labour administration but went further when in 2010 it announced further tax increases, cuts to social security and cuts to spending on public services. The measures taken were expected, by the end of this parliament, to reduce the deficit to 2% of GDP and have debt falling as a % of GDP.



Weaker than expected economic performance and tax receipts have meant that the public finances have not improved as quickly as the coalition expected. At the end of this parliament the deficit is forecast to be 5% of GDP in 2014/15 and debt will be continuing its upward trend.

Rather than increasing fiscal consolidation during this parliament to counter the poor economic and tax performance, the coalition decided to extend consolidation into the next. The current expectation is for the deficit to be eliminated by 2018/19, and debt to be falling as a % of GDP by 2016/17.

Daniel Harari (GDP)

Christopher Rhodes (Industries and Business)

Aliyah Dar (The Labour Market)

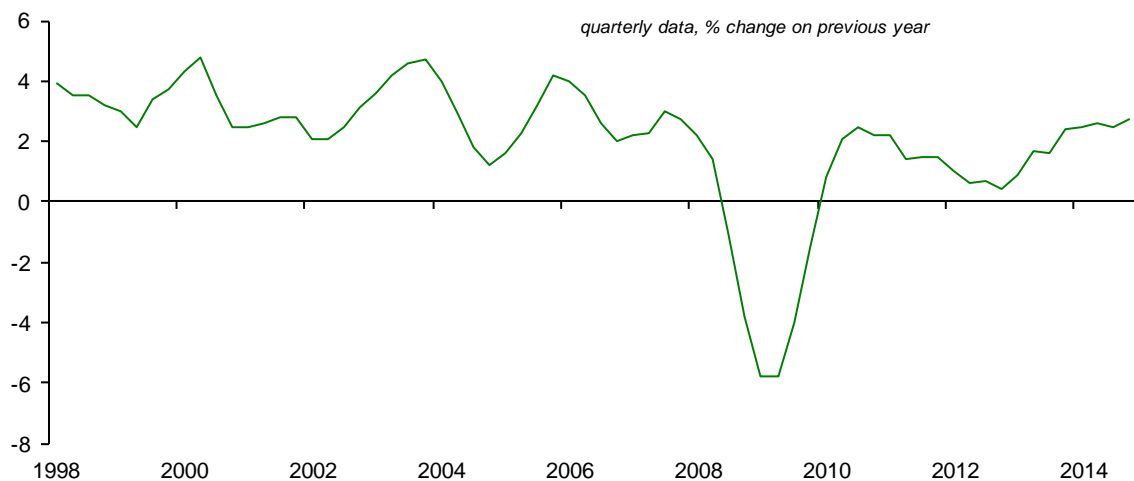
Dominic Webb (Inflation)

Matthew Keep (Public Finances)

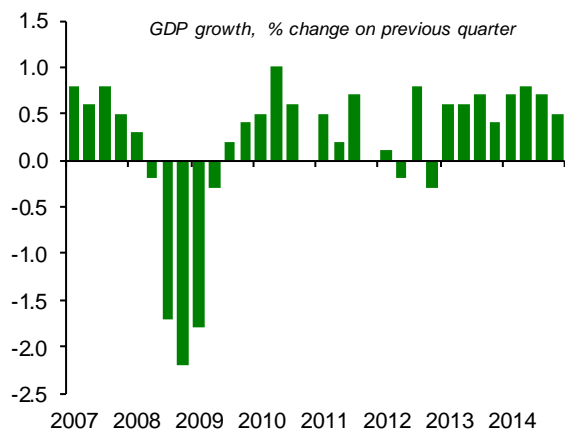
A1: Gross Domestic Product

- Secondary estimates show that economy grew by 0.5% in Q4 2014, following growth of 0.7% in Q3 2014. In February, HM Treasury's average of independent economic forecasts of GDP growth was 2.6% for 2014, 2.6% for 2015 and 2.3% for 2016. The Office for Budget Responsibility's (OBR) central forecasts from March 2014 are for growth of 2.7% in 2014.
- GDP is estimated to be 3.4% above the pre-economic downturn peak in Q1 2008. The economy shrank by 6.0% from 2008/2009 peak to trough.
- In Q4 2014, output of the production industries fell by 0.1% compared to the previous quarter. Construction sector also decreased by 1.8%, while output of the services industry increased by 0.8%.

Real GDP Growth since 1998



Real GDP Growth since 2007



Gross Domestic Product

seasonally adjusted

	Current prices £ billion	Real GDP (inflation-adjusted)	
		% change on year	% change on quarter
2010	1,558	4.8	...
2011	1,618	3.5	...
2012	1,655	1.4	...
2013	1,713	3.5	...
2011 Q4	407.6	3.7	0.0
2012 Q4	416.4	2.1	-0.3
2013 Q4	435.2	4.5	0.4
2014 Q1	439.3	4.7	0.7
Q1	447.2	4.5	0.8
Q3	449.8	4.5	0.7
Q4	451.6	3.8	0.5

Source: ONS, series: YBHA, ABMI

Contact: James Mirza-Davies, x6962 **Updates:** HMT, [Forecasts for the UK economy](#), 18 Mar 2015
ONS, [Quarterly National Accounts](#), 31 Mar 2015

A2: GDP: International Comparisons

In Q4 2014, real GDP in the UK grew by 0.5% compared with the previous quarter. In the United States, GDP grew by 0.5%. The Eurozone saw an increase of 0.3%, with France growing by 0.1% and Germany by 0.7%. Japan came out of its recession, growing by 0.6%. Across the OECD as a whole GDP grew by 0.5% compared with the previous quarter.

Real GDP (% changes)

	change on prev. year				change on prev. quarter			
	Q1 14	Q2 14	Q3 14	Q4 14	Q1 14	Q2 14	Q3 14	Q4 14
UK	2.5	2.6	2.5	2.7	0.7	0.8	0.7	0.5
Eurozone	1.1	0.8	0.8	0.9	0.3	0.1	0.2	0.3
US	1.9	2.6	2.7	2.4	-0.5	1.1	1.2	0.5
Japan	2.2	-0.4	-1.3	-0.4	1.3	-1.7	-0.6	0.6
Germany	2.3	1.4	1.2	1.5	0.8	-0.1	0.1	0.7
France	0.8	0.0	0.4	0.2	0.0	-0.1	0.3	0.1
G7	1.8	1.7	1.6	1.6	0.1	0.4	0.6	0.5
OECD	1.9	1.9	1.8	1.8	0.2	0.4	0.6	0.5

Source: OECDstat

In [February 2015](#), the European Commission's GDP growth forecasts for the UK in 2015, last made in November 2014, were little changed, going from 2.7% to 2.6%. Their growth forecasts for the eurozone increased very slightly, from 1.1% to 1.3% for 2015. All EU economies are forecast to grow to some extent in 2015.

In [January 2015](#), the IMF left their growth forecast, last made in October 2014, unchanged for the UK, at 2.7% in 2015. This puts forecast GDP growth for the UK in 2015 ahead of that for most of the other G7 countries but behind that for the United States, which is now forecast 3.6% growth in 2015. The IMF lowered its 2015 forecast for world growth slightly, down from 3.8% to 3.5% in 2015.

In [November 2014](#), the OECD left their growth forecasts for the UK broadly unchanged (from their September 2014 forecast) going from 3.1% to 3.0% for 2014 (the highest of the G7 economies) and from 2.8% to 2.7% in 2015. Forecasts for the eurozone overall in 2014 and 2015 were unchanged, but forecast growth for Germany in 2015 was revised down from 1.5% to 1.1%.

Real growth forecasts (% change)

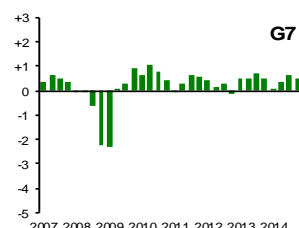
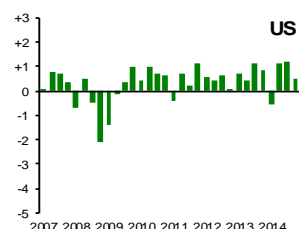
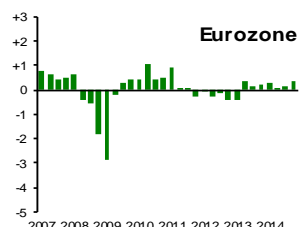
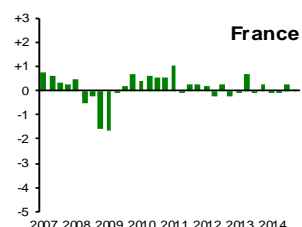
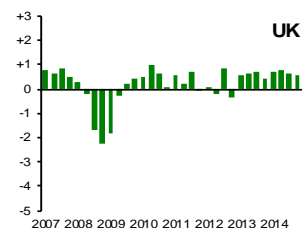
	IMF (Jan 14)		EC (Feb 14)		OECD (Nov 14)	
	2014	2015	2014	2015	2014	2015
UK	2.6	2.7	2.6	2.6	3.0	2.7
France	0.4	0.9	0.4	1.0	0.4	0.8
Germany	1.5	1.3	1.5	1.5	1.5	1.1
Eurozone	0.8	1.2	0.8	1.3	0.8	1.1
US	2.4	3.6	2.4	3.5	2.2	3.1
Japan	0.1	0.6	0.4	1.3	0.4	0.8
China	7.4	6.8	7.4	7.1	7.3	7.1
India ¹	5.8	6.3	6.0	6.6	5.4	6.4
Brazil	0.1	0.3	0.2	0.7	0.3	1.5
World	3.3	3.5	3.3	3.6	3.3	3.7

Sources: IMF Jan 2015 WEO; EC Winter 2015 forecast; OECD Ec Outlook Nov 14

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

*forecasts from May 2013 OECD Economic Outlook No.93

Quarter-on-quarter growth rates (%)



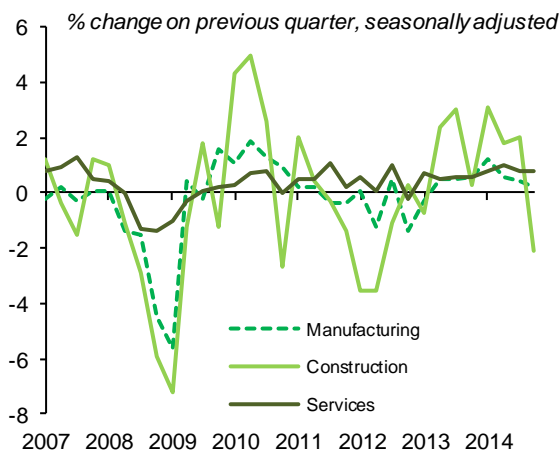
Update: OECD, [OECD.Stat](#) database
 OECD, [Economic Outlook](#), Mar 2015
 IMF, [World Economic Outlook](#), April 2015
 EC, [Spring Economic Forecast](#), April/May 2015

Contact: Lorna Booth, x2883

A3: Components of GDP

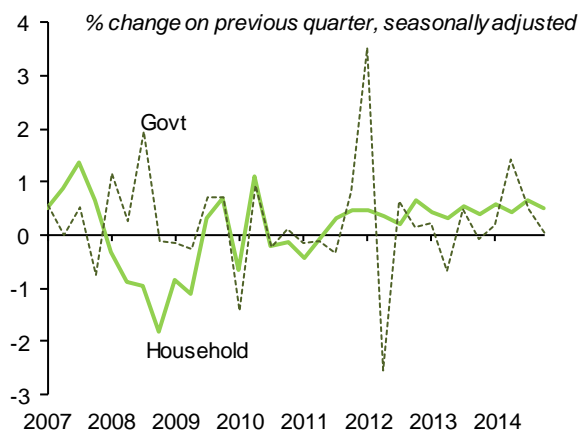
GDP can be analysed by output and expenditure. In 2012, the service sector accounted for 79% of economic output, the production sector for 15% and the construction sector for 6%. Household consumption is the largest element of expenditure, accounting for 61% of the total in 2014. Government consumption accounted for 20% and investment for 17%.

Output by industry – gross value added



- Overall, GDP increased by 0.5% in real terms in Q4 2014 compared with the previous quarter. This follows an increase of 0.7% in Q3 2014.
- Service sector output increased by 0.8%, the same rate of growth as in Q3 2014.
- Manufacturing output increased by 0.2%, having grown by 0.4% in Q3 2014.
- Output in the construction sector fell by 2.1%, after an increase of 2.0% in the previous quarter. This is the first quarterly fall in construction output since Q1 2013.

Expenditure - household and government consumption



- In Q4 2014, household consumption grew by 0.5% in real terms compared with Q3 2014.
- Government consumption was flat in Q4 2014 compared with the previous quarter.
- Gross fixed capital formation was down 0.5%. Exports increased by 3.5% while imports were up 1.3%.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2013 (annual change)	1.7%	-0.3%	3.4%	1.5%	1.4%	1.7%
2014 (annual change)	2.1%	1.5%	6.8%	0.4%	1.8%	2.6%
2013 Q4	0.4%	-0.1%	2.3%	-1.3%	-1.4%	0.4%
2014 Q1	0.6%	0.2%	2.4%	1.8%	1.0%	0.7%
2014 Q2	0.5%	1.4%	1.3%	-0.3%	-1.3%	0.8%
2014 Q3	0.7%	0.5%	0.5%	-0.8%	1.4%	0.7%
2014 Q4	0.5%	0.0%	-0.5%	3.5%	1.3%	0.5%

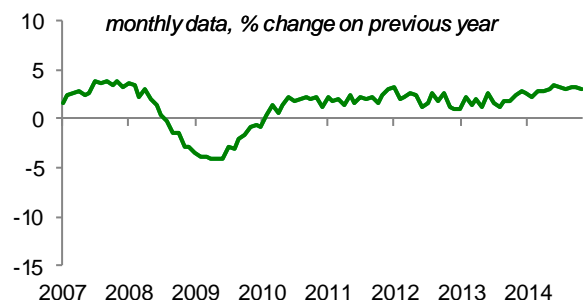
Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

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

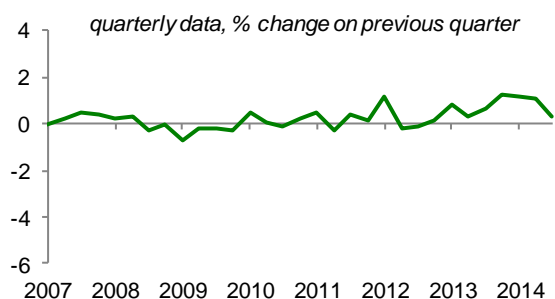


	Index Value (2009=100)	% change on month	% change on year
2012	102.0	...	2.0
2013	103.9	...	1.8
2014 Sep	107.9	0.5	3.2
Oct	108.1	0.2	3.3
Nov	108.2	0.1	3.1
Dec	108.8	0.6	3.6

Source: ONS, series S2KU, S222, S26Q

- Output in the service sector grew by 0.6% in December compared to November 2014. Compared with a year before, services output increased by 3.6%.
- The largest contributions came from: business services & finance, which contributed 1.7 percentage points to total growth; and distribution, hotels & restaurants, which contributed 0.9 percentage points to total growth.

Jobs in the service industries

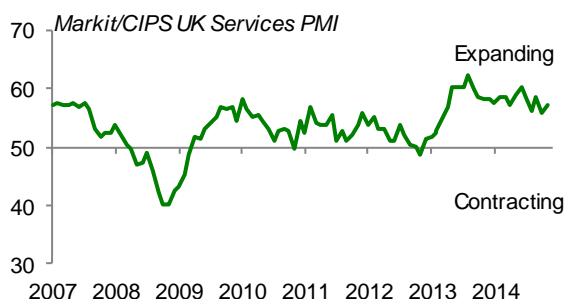


	Thousands	% change on quarter	% change on year
2012 Q3	26,398	...	0.9
2013 Q3	26,898	...	1.9
Q4	27,237	1.3	3.0
2014 Q1	27,545	1.1	3.4
Q2	27,840	1.1	4.2
Q3	27,929	0.3	3.8

Source: ONS, Workforce Jobs

- In Q3 2014 there were 27.9 million jobs in the service sector, 83% of all jobs in the UK.
- The number of jobs in the service industries increased by 89,000 over the quarter and by 1,031,000 over the year.

Services Purchasing Managers' Index (PMI)



	Index	Monthly change
2012 Jan	51.5	...
2013 Jan	58.3	...
2014 Oct	56.2	-2.5
Nov	58.6	2.4
Dec	55.8	-2.8
2015 Jan	57.2	1.4

Source: Markit/CIPS UK Services PMI

- The Markit/CIPS UK Services PMI (an important indicator of confidence in the sector) rose in January to 57.2 (where a score above 50 indicates confidence is expanding).
- The UK services economy experienced a loss of growth momentum at the end of 2014, with both activity and new business rising at their weakest rates in over a year-and-a-half.

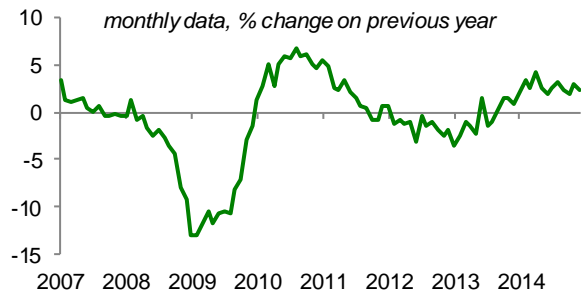
Contact: David Hough, x6933

Update: ONS, [Index of Services](#), 31 Mar 2015
 ONS, [Workforce Jobs](#), 18 March 2015
 Markit/CIPS [UK Services PMI](#), 4 Mar 2015

A5: Manufacturing

The manufacturing sector accounted for 10% of UK economic output in 2013. 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 14% of UK output in 2013.

Manufacturing Output

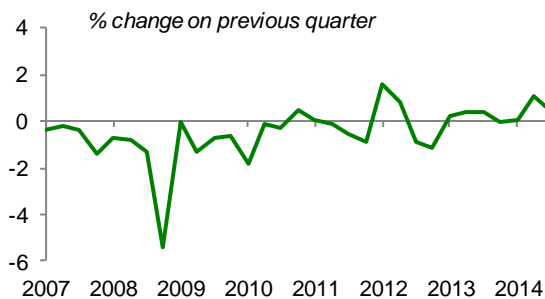


	Index Value (2010=100)	% change on month	% change on year
2012	98.7	...	-1.3
2013	98.0	...	-0.7
2014 Sep	101.4	0.6	2.4
Oct	100.7	-0.7	1.9
Nov	101.5	0.8	3.0
Dec	101.6	0.1	2.4

Source: ONS, series K22A, K27Y, K2DO

- Manufacturing output rose by 0.1% in December 2014 compared with November, and was 2.4% higher than in December 2013.
- The largest contributor to the rise was the manufacture of, electronic & optical products; the manufacture of transport equipment; and the manufacture of food products, beverages & tobacco.

Jobs in manufacturing

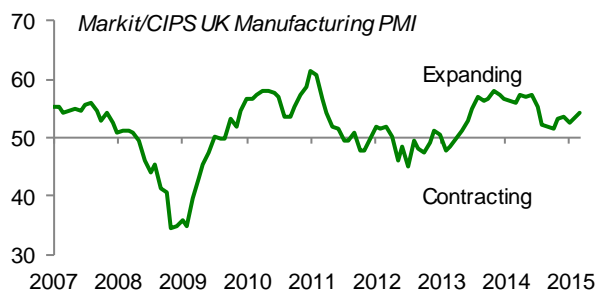


	Thousands	% change on quarter	% change on year
2012 Q3	2,569	...	0.6
2013 Q3	2,564	...	-0.2
Q4	2,564	0.0	1.0
2014 Q1	2,566	0.1	0.9
Q2	2,593	1.1	1.5
Q3	2,606	0.5	1.6

Source: ONS, Workforce Jobs

- In Q3 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 13,000 or 0.5% over the quarter. From the same quarter in 2013, the number of manufacturing jobs increased by 42,000 or 1.5%.

Manufacturing Purchasing Managers Index



	Index	Change on month
2012 Feb	47.9	...
2013 Feb	56.2	...
2014 Nov	53.5	0.3
Dec	52.5	-1.0
2015 Jan	53.1	0.6
Feb	54.1	1.0

Source: Markit/CIPS UK Manufacturing PMI

- The Markit/CIPS Manufacturing PMI, an important measure of manufacturing activity, was 54.1 in February, up from 53.1 in January (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](#), 11 Mar
 ONS, [Workforce Jobs](#), 18 Mar
 Markit/CIPS [UK Manufacturing PMI](#), 1 Apr

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.

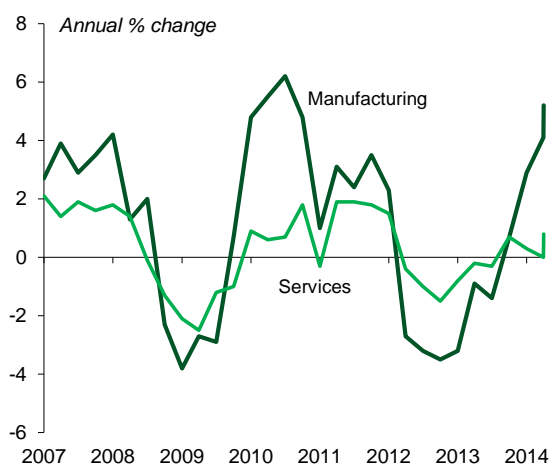
UK productivity by sector

- 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 5.2% while services productivity increased by 0.8%.
- Compared with the previous quarter, productivity across the whole economy increased by 0.6%.

Output per hour, seasonally adjusted

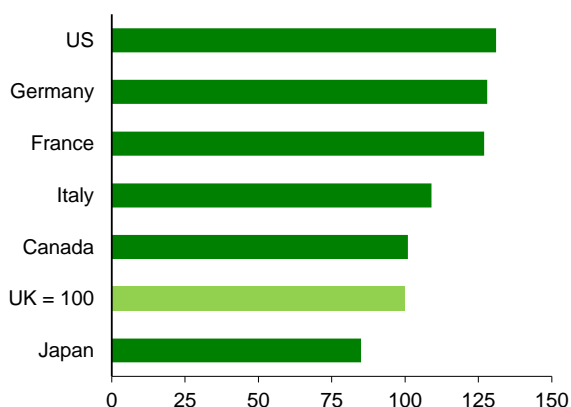
	Manufact.	Services	Whole economy
<i>Annual % change</i>			
2010	5.3	1.0	2.0
2011	2.5	1.3	1.3
2012	-1.8	-0.3	-1.2
2013	-1.2	-0.2	-0.3
2013 Q4	0.7	0.7	0.5
2014 Q1	2.9	0.3	-0.2
Q2	4.1	0.0	-0.6
Q3	5.2	0.8	0.3
<i>% change on quarter</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>

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](#), 1 April 2015
 ONS, [International Comparisons](#), 18 Sep 15

B1: Inflation

Compared with a year ago, the Consumer Prices Index (CPI) showed inflation at 0.3% in January, down from 0.5% in December, falling below the Bank of England's 2.0% target for the thirteenth 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 0.3% in January, down from 0.5% in December.
-
- Falling prices for motor fuels and food were the main contributors to the slowdown in the rate of inflation.
- The RPI (all items) measure of annual inflation was 1.1% in January, down from 1.6% in December. (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)



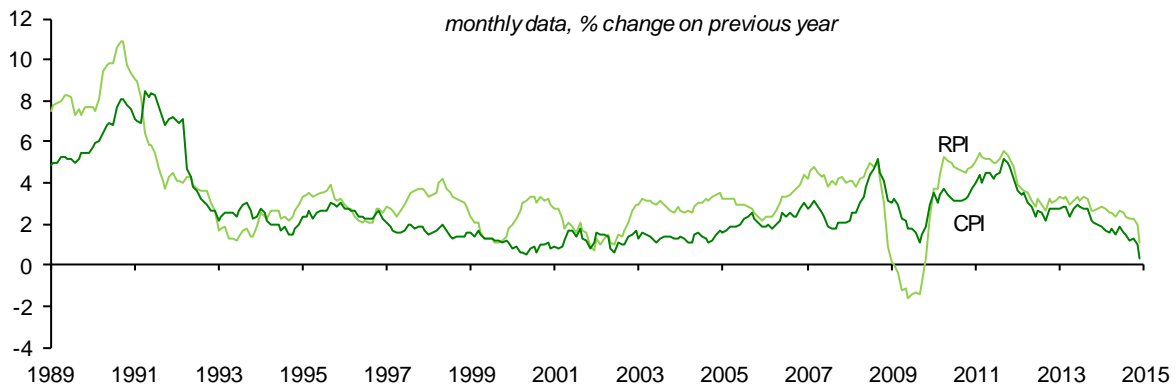
Price Indices

% change on a year ago

	CPI	RPI
2012	3.6	3.9
2013	2.7	3.3
2014	1.9	2.8
2014 Aug	1.5	2.4
Sep	1.2	2.3
Oct	1.3	2.3
Nov	1.0	2.0
Dec	0.5	1.6
2015 Jan	0.3	1.1

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 0.3% in the year to January 2015, down from 0.5% in December 2014. The Bank of England's UK inflation target is 2%.
- Eurozone inflation for the year to January was -0.6%, down from 0.2% in December. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term." Euro area annual inflation is expected to be -0.3% in February 2015, according to a flash estimate from Eurostat, the statistical office of the European Union.
- Malta had the highest annual inflation rate in the EU in January 2015 at 0.8% and 0.8%, followed by Romania and Austria at 0.5%.
- The lowest annual inflation rate in the EU was -2.8% in Greece, followed by Bulgaria (-2.3%), Spain (-1.5%) and Cyprus (-1.4%).
- HICP annual inflation in the US in the year to December was 0.2%, down from 0.9% in November. US inflation in the year to January 2015 was -0.1% using its own national definition, down from 0.8% in December.

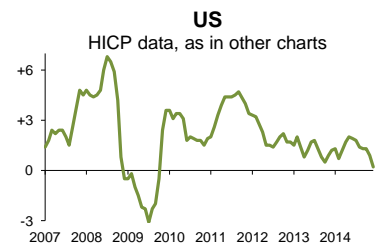
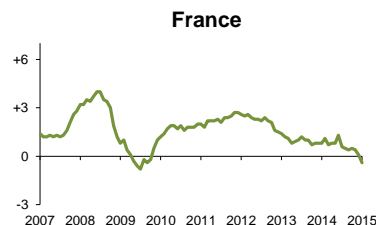
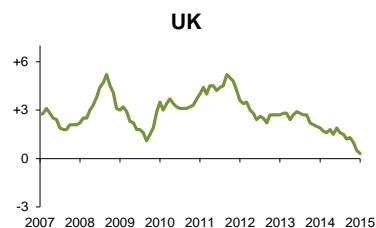
Inflation rates: selected countries

Annual % change in consumer prices

	2011	2012	2013	Oct-14	Nov-14	Dec-14	Jan-15
HICP (OECD/Eurostat)							
UK	4.5	2.8	2.6	1.3	1.0	0.5	0.3
Eurozone	2.7	2.5	1.3	0.4	0.3	-0.2	-0.6
EU	3.1	2.6	1.5	0.5	0.4	-0.1	-0.5
France	2.3	2.2	1.0	0.5	0.4	0.1	-0.4
Germany	2.5	2.1	1.6	0.7	0.5	0.1	-0.5
Greece	3.1	1.0	-0.9	-1.8	-1.2	-2.5	-2.8
Italy	2.9	3.3	1.3	0.2	0.3	-0.1	-0.5
Spain	3.1	2.4	1.5	-0.2	-0.5	-1.1	-1.5
US	3.8	2.1	1.3	1.3	0.9	0.2	..
National definitions (OECD)							
Canada	2.9	1.5	0.9	2.4	2.0	1.5	1.0
Japan	-0.3	0.0	0.4	2.9	2.4	2.4	2.4
US	3.2	2.1	1.5	1.7	1.3	0.8	-0.1
G7	2.6	1.9	1.3	1.6	1.3	0.8	0.2
OECD	2.9	2.2	1.6	1.7	1.5	1.1	0.5
Brazil	6.6	5.4	6.2	6.6	6.6	6.4	7.1
China	5.4	2.6	2.6	1.6	1.4	1.5	0.8
India	8.9	9.3	10.9	5.0	4.1	5.9	7
Russia	8.4	5.1	6.8	8.3	9.1	11.4	15

Source: Eurostat & stat.OECD database, ONS

Inflation rates: selected countries



Contact: Matthew Ward, x5919

Updates:

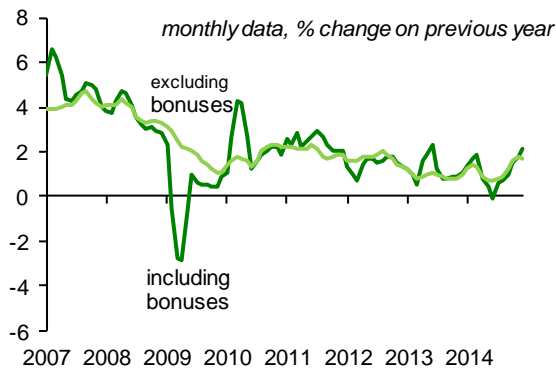
ONS, [Consumer Prices bulletin](#) (UK), 24 Mar 2015
Eurostat, [Flash estimate](#) (Eurozone), 1 Apr 2015
Eurostat, [HICP full release](#), 17 Mar 2015

B3: Average Earnings

Average weekly earnings (including bonuses) in Great Britain increased by 2.1% in October to December 2014, compared with the year before. Excluding bonuses, average weekly pay increased by 1.7%.

Inflation as measured by the CPI averaged 0.9% over the same period.

Average Earnings, Whole Economy



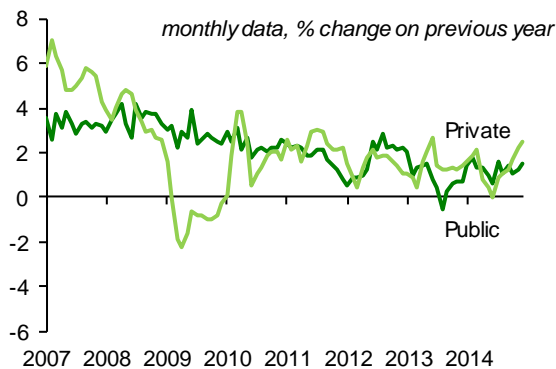
Average Earnings, Including Bonuses

% change on year; seasonally adjusted; Great Britain

	Private	Public	Manuf.	Serv.	Total
2011 Dec	2.2	0.8	1.5	2.2	2.0
2012 Dec	1.1	2.2	1.8	1.4	1.3
2013 Dec	1.4	0.7	2.6	0.9	1.1
2014 Jul	0.9	1.6	2.0	0.4	0.6
Aug	1.1	1.1	1.8	0.5	0.7
Sep	1.2	1.4	1.9	0.8	1.0
Oct	1.7	1.1	1.8	1.4	1.5
Nov	2.2	1.2	1.7	1.8	1.8
Dec	2.5	1.5	1.7	2.1	2.1

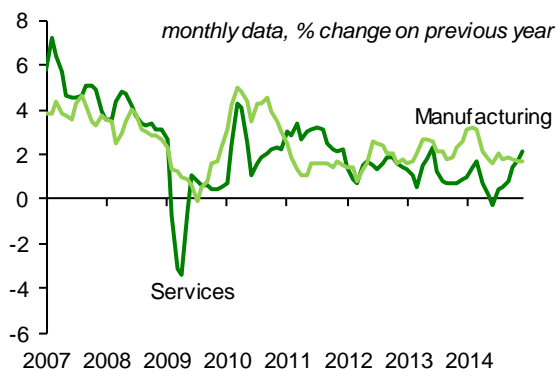
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average weekly total pay (including bonuses) was £489 across the whole economy in December 2014. In the public sector, average weekly total pay was £495 while in the private sector it was £486.
- Average weekly total pay was 2.5% higher in the private sector and 0.7% higher in the public sector in October to December 2014 compared with the previous year.

Average Earnings in Services and Manufacturing

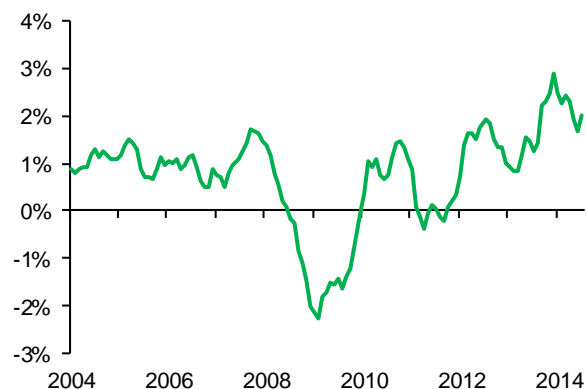


- In the services sector, average weekly total pay (including bonuses) was 2.1% higher in the three months to December 2014 than in the same period the year before.
- Average total weekly pay in the manufacturing sector grew by 1.7%.
- Average weekly total pay was £472 in the services sector and £73 in the manufacturing sector in December 2014.

C1: Employment

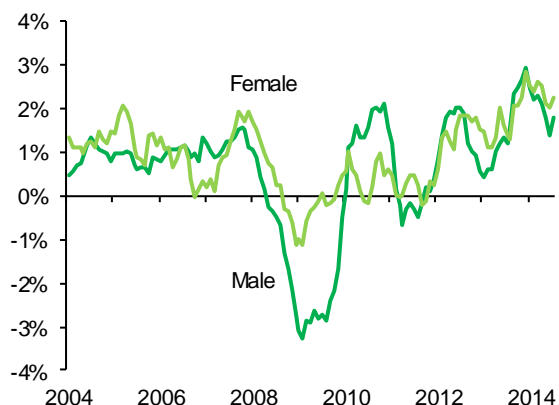
There were 30.90 million people aged 16 and over in employment in the UK in October to December 2014. The number of people in employment increased by 103,000 compared to the previous quarter and by 608,000 compared to the same period last year. The employment rate for people aged 16-64 was 73.2%.

Total employment (% change on previous year)



- 16.43 million men were in employment in October to December 2014, up 38,000 on the previous quarter. Female employment increased by 65,000 over the past quarter to 14.47 million.
- The employment rate for men aged 16-64 was 78.0%. The employment rate for women aged 16-64 was 68.5%.
- 154,000 more people were working as employees in October to December 2014 than in the previous quarter. 19,000 fewer were self-employed than in the previous quarter.

Employment by gender (% change on previous year)



- Full-time employment was up 74,000 over the past quarter to 22.60 million in October to December 2014. In addition 8.30 million people were working part-time, up 29,000 from the previous quarter, including 1.31 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 October to December 2014, a similar number as in the previous quarter.
- The number of people working in the private sector increased by 121,000 over the quarter to October 2014, to 25.38 million. The number of people in the public sector was down slightly.

Employment by age group

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

	Total	16-24	25-49	50-64	65+
Oct-Dec 2012	29,910	3,736	17,494	7,697	983
Oct-Dec 2013	30,288	3,730	17,547	7,937	1,075
Jan-Mar 2014	30,534	3,756	17,691	7,987	1,100
Apr-Jun 2014	30,680	3,816	17,760	8,004	1,101
Jul-Sep 2014	30,793	3,819	17,777	8,077	1,119
Oct-Dec 2014	30,896	3,840	17,800	8,129	1,127
% change on previous quarter	0.3%	0.5%	0.1%	0.6%	0.7%
% change on previous year	2.0%	2.9%	1.4%	2.4%	4.8%

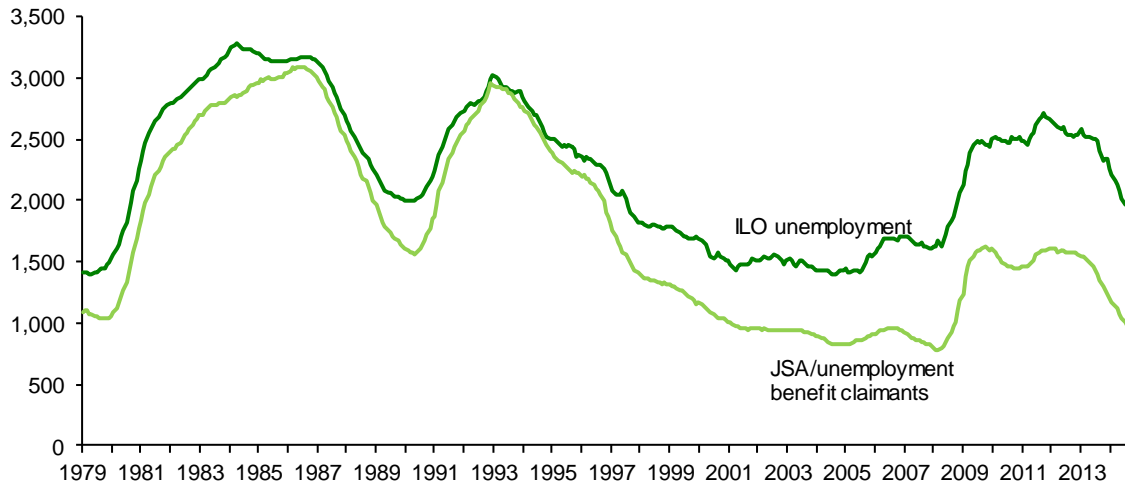
Source: ONS, Labour Market Statistics reference table A05

C2: Unemployment: National

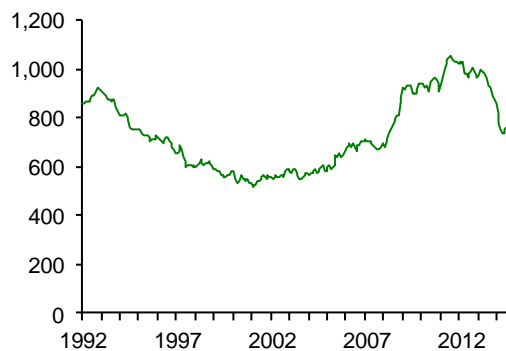
The International Labour Organisation (ILO) definition of unemployment is the headline measure of unemployment in the UK. The number of people claiming Jobseeker's Allowance (JSA) and predecessor unemployment benefits is also used.

- ILO unemployment was 1.86 million people in the UK in October to December 2014, down 97,000 from the previous quarter and down 486,000 from the previous year. The unemployment rate (the proportion of economically active people unemployed) was 5.7%.
- The number of people claiming JSA decreased by 38,600 between December and January to 823,000 people aged 18 or over.

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



Youth unemployment: 16-24 year olds (thousands)



- 740,000 people aged 16-24 were unemployed in October to December 2014, up 3,000 from the previous quarter. The unemployment rate was 16.2%.
- There were 1.04 million men unemployed, down 48,000 on the quarter. 822,000 women were unemployed, down 50,000 on the quarter.
- The number of people who have been unemployed for longer than twelve months was 638,000 in October to December 2014, a fall of 50,000 from the previous quarter and 210,000 lower than the previous year.

ILO unemployment in the UK (seasonally adjusted)

	Total		16-24		Total male		Total female	
	000s	%	000s	%	000s	%	000s	%
Oct-Dec 2012	2,529	7.8	988	20.9	1,419	8.2	1,110	7.4
Oct-Dec 2013	2,348	7.2	928	19.9	1,321	7.6	1,027	6.8
Jul-Sep 2014	1,959	6.0	737	16.2	1,087	6.2	872	5.7
Oct-Dec 2014	1,862	5.7	740	16.2	1,039	6.0	822	5.4
<i>Change on quarter</i>	-97	-0.3	3	0	-48	-0.2	-50	-0.3
<i>Change on year</i>	-486	-2	-188	-4	-282	-2	-205	-1
<i>% change on quarter</i>	-5%		0%		-4%		-6%	
<i>% change on year</i>	-21%		-20%		-21%		-20%	

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

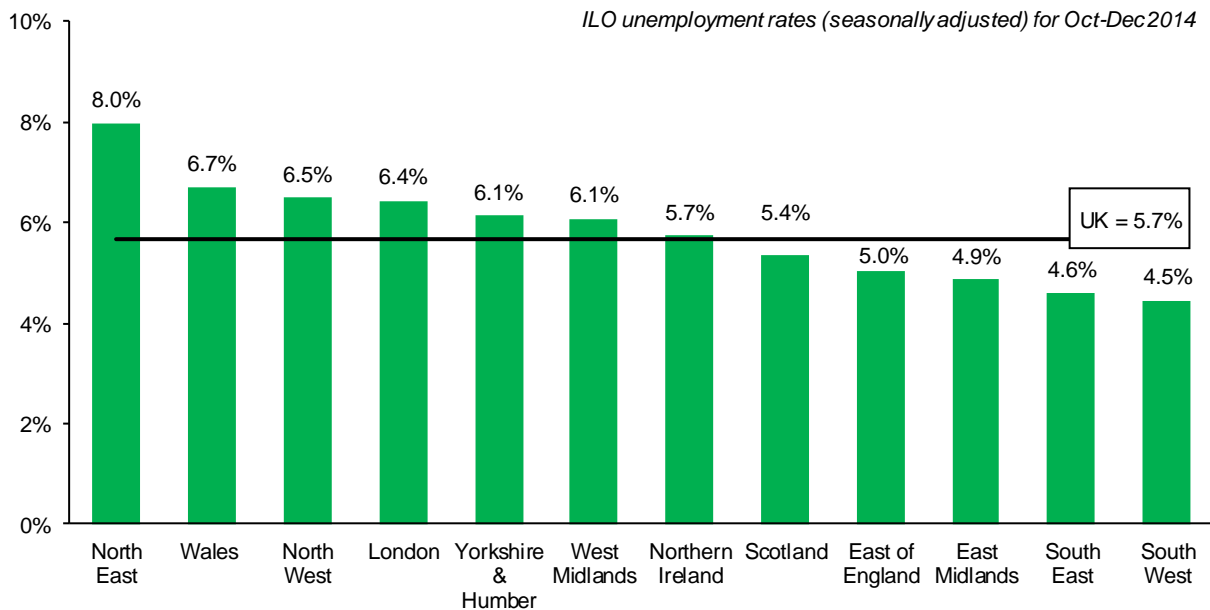
Contact: David Hough, x6933

Update: ONS, [Labour Market Statistics](#), 18 Mar 2015

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 October to December 2014, the North East had the highest unemployment rate at 8.0% of the economically active population. The lowest rate was 4.5% in the South West. The UK average was 5.7%.



- Seven out of twelve regions/countries saw a decrease in the level of unemployment over the last quarter, with the largest being the West Midlands (down 32,000) followed by Yorkshire and the Humber (down 29,000).
- The (seasonally adjusted) Jobseeker's Allowance (JSA) claimant count decreased across all regions and countries between December 2014 and January 2015.

Unemployment statistics for countries and regions, seasonally adjusted

	ILO unemployment				JSA claimant count	
	Oct-Dec 2014		Change in level		2015 Jan	
	Level (000s)	Rate (%) (a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	103	8.0	-15	-23	49	-3
North West	229	6.5	11	-48	86	-7
Yorkshire & Humber	164	6.1	-29	-66	91	-4
East Midlands	115	4.9	-17	-45	54	-2
West Midlands	169	6.1	-32	-63	86	-4
East of England	156	5.0	2	-22	53	-3
London	295	6.4	7	-78	124	-4
South East	212	4.6	0	-23	65	-3
South West	122	4.5	-7	-50	40	-2
Wales	99	6.7	2	-7	47	-2
Scotland	149	5.4	-15	-48	81	-3
Northern Ireland	50	5.7	-3	-14	48	-2

Source: ONS, *Labour Market Statistics*

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

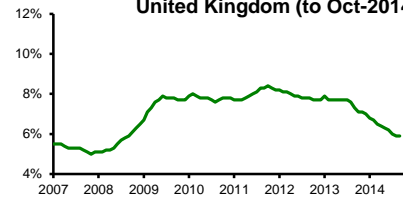
C4: Unemployment: International Comparisons

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

- The UK harmonised unemployment rate for Q3 2014 was 5.9%. This was below the US and France but above Germany.
- In the US, unemployment stood at 6.1% in Q3 2014.
- In the Eurozone, unemployment was 11.5% in Q3 2014, compared to 11.6% in Q2 2014.
- Spain and Greece have the highest harmonised unemployment rate among 34 OECD member states (24.5% and 25.9% respectively in Q3 2014).
- Norway had the lowest unemployment rate in the OECD in Q2 2014 at 3.3%, followed by Japan at 3.6%.

Harmonised unemployment rate (%)

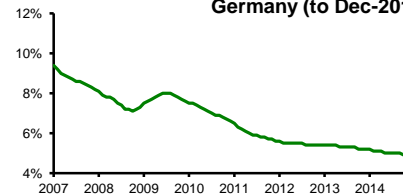
United Kingdom (to Oct-2014)



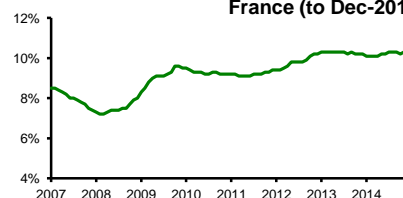
United States (to Jan-2015)



Germany (to Dec-2014)



France (to Dec-2014)



Unemployment

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

	2011	2012	2013	2012				2013				2014			
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	7.5	7.2	7.1	7.2	7.1	7.1	7.1	7.0	7.0	7.0	7.0	6.7			
France	9.2	9.8	10.3	10.2	10.3	10.3	10.3	10.2	10.1	10.1	10.3	10.3			
Germany	6.0	5.5	5.3	5.4	5.4	5.3	5.3	5.2	5.1	5.0	5.0	4.9			
Italy	8.4	10.7	12.2	11.3	11.9	12.2	12.3	12.5	12.7	12.5	12.9	13.2			
Japan	4.6	4.4	4.0	4.2	4.2	4.0	4.0	3.9	3.6	3.6	3.6	3.5			
UK	8.0	7.9	7.5	7.7	7.8	7.7	7.5	7.1	6.7	6.3	5.9	..			
US	9.0	8.1	7.4	7.8	7.7	7.5	7.2	7.0	6.6	6.2	6.1	5.7			
Eurozone	10.1	11.3	12.0	11.7	12.0	12.0	12.0	11.9	10.5	10.3	10.1	10.0			
G7	7.6	7.4	7.1	7.3	7.3	7.2	7.1	6.9	6.6	6.4	6.4	6.2			
OECD	7.9	7.9	7.9	8.0	8.0	8.0	7.9	7.7	7.5	7.4	7.3	7.1			

Source: OECD, Harmonised Unemployment Rates

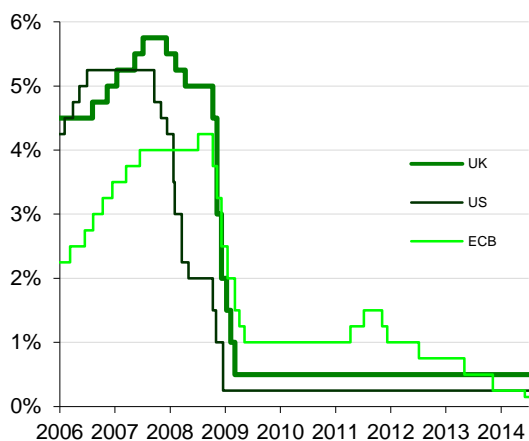
Contact: Chris Rhodes, x2454

Updates: OECD, [Harmonised Unemployment Rates](#), Mar 2015

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



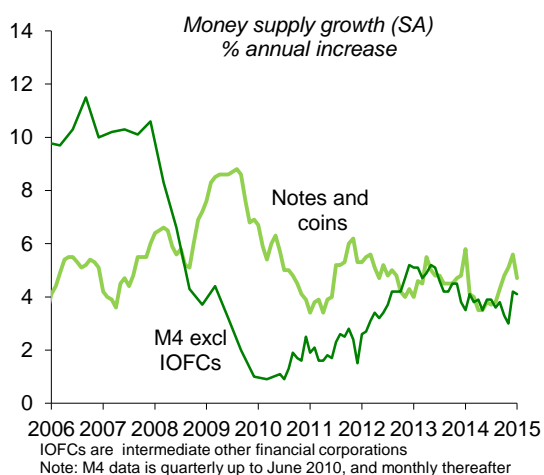
- The Bank of England has left the Base Rate in the UK unchanged at 0.5% since March 2009 – the lowest since the Bank was founded in 1694.
- The Governing Council of the European Central Bank (ECB) lowered the main interest rate for the Eurozone to 0.05% and the deposit rate to -0.20% in 2014.
- On 22 January the ECB launched a 'quantitative easing' (QE) programme that will buy €60bn assets (mostly government bonds of Eurozone countries) each month until at least September 2016. The ECB has implemented this programme to raise the rate of inflation to its 2% target (inflation was -0.2% in Dec 2014).

- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008. Between September 2012, and December 2013, it purchased assets (quantitative easing) at a rate of around \$85bn per month. On 18 December 2013, the Federal Open Market Committee decided to slow this rate of asset purchases by \$10bn at each of its meetings. 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 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 February 2014 [Inflation Report](#), the Bank of England noted that recently, broad money has grown at a similar pace to nominal GDP. This is likely to reflect, in part credit growth which had been weak since the financial crisis.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 4.1% in January 2015, down slightly on December 2014.
- The value of notes and coins in circulation outside the Bank of England rose by 4.7% in January 2015 compared with a year ago, down slightly from December.

Contact: Aliyah Dar x6920

Updates: Monetary policy meetings: 18 Mar (US), 5 Mar (ECB), 5 Mar (UK); Bankstats (BoE), 30 Mar

D2: Public Finances

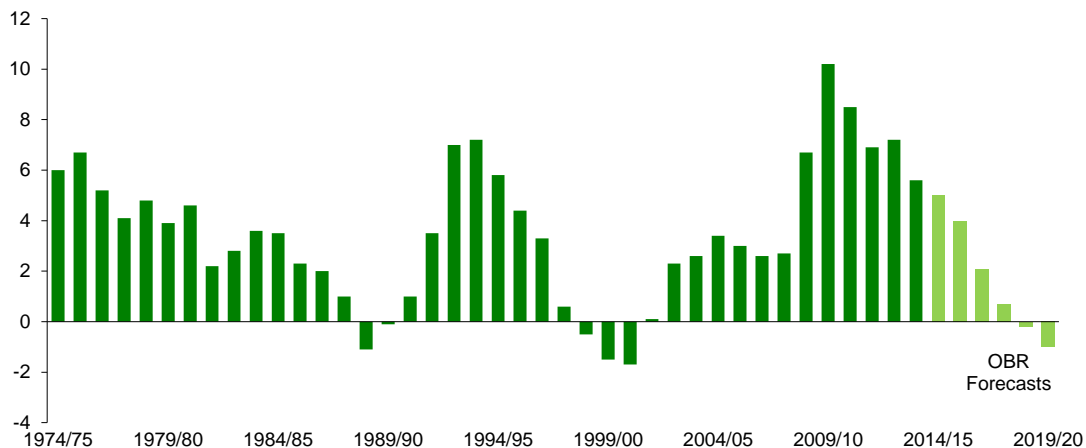
In the 2014 Autumn Statement the OBR revised public sector net borrowing up by £5 billion in 2014/15 and £8 billion in 2015/16 – subsequent years have been revised down slightly. The OBR now forecasts that public borrowing will be £91 billion in 2014/15 (5.0% of GDP). Debt forecasts are largely unchanged.

- Public sector net borrowing in the first ten months of 2014/15 was £6.0 billion, or 7.5%, lower than in the same period of 2013/14.
- Net borrowing is forecast to fall from £91 billion in 2014/15 to £15 billion in 2017/18, before reaching a small surplus of £4 billion in 2018/19.
- Public sector net debt (the stock of Government borrowing) was 79.1% of GDP in 2013/14. It is forecast to rise to 81.1% in 2015/16, before falling to 72.8% in 2019/20.

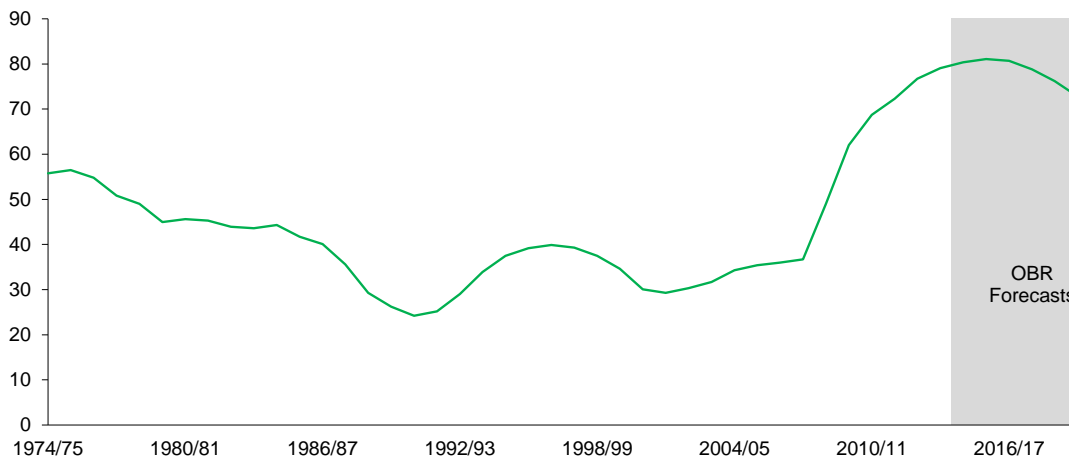
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2009/10	153	10.2	956	62.0
2010/11	134	8.5	1,101	68.7
2011/12	113	6.9	1,191	72.3
2012/13	119	7.2	1,299	76.7
2013/14	97	5.6	1,402	79.1
2014/15	91	5.0	1,489	80.4
2015/16	76	4.0	1,558	81.1
2016/17	41	2.1	1,610	80.7
2017/18	15	0.7	1,638	78.8
2018/19	-4	-0.2	1,652	76.2
2019/20	-23	-1.0	1,648	72.8

Sources: ONS, OBR. Excludes 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](#), 20 Mar 2015

D3: Financial Indicators

The FTSE-100 tracks the share-prices of the 100 largest companies listed on the London Stock Exchange. It hit an all-time high of 6,949 in February 2015, passing the previous record high of 6,930 set in December 1999.

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 2014 for the first time since May 2013. In January 2015 it fell to its lowest level in six years.

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. In November 2014, it fell to its lowest level in four and a half years.

Data from 2 March 2015

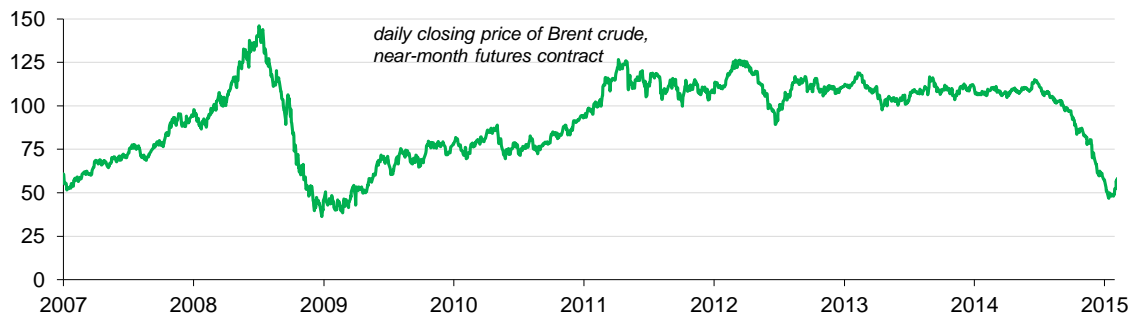
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02 Mar 2015	6,940.6	59.9	1,212.5
%change over:			
1-month	+2%	+14%	-4.9%
12-months	+2%	-45%	-10%
%change from:			
cyclical peak	+1%	-59%	-36%
date	15 Jun '07	03 Jul '08	23 Aug '11
cyclical trough	+98%	+65%	+71%
date	03 Mar '09	24 Dec '08	24 Oct '08

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 2014, the UK's exports of goods and services totalled £500 billion and imports totalled £535 billion. The EU accounted for 45% of exports of goods and services in 2013 and 52% of imports of goods and services.

UK's largest trading partners (good + services) 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

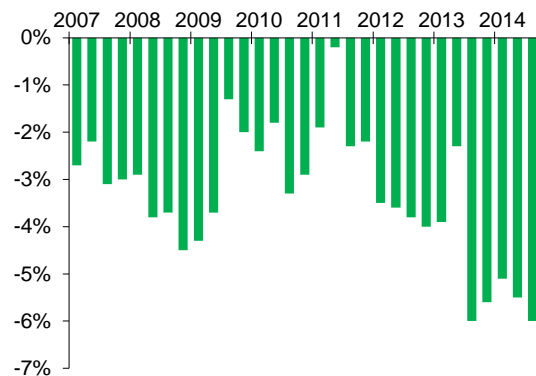
Source: ONS, Pink Book 2014, Table 9.3

- In 2013, 17.6% of UK exports of goods and services (£90 billion) went to the US, making it the UK's most important export partner. Germany was second, with 8.3% of UK exports and the Netherlands was third (7.0%).
- The UK imported more goods from Germany than from any other country (12.3% of goods and services imports). The US was second (9.0%) and the Netherlands third (7.6%).
- In 2013, 45% of UK exports (goods and services) went to other EU countries, while the EU made up just over half (52%) of total UK imports.

Current Account balance and trade in goods and services

Current Account Balance, % of GDP

Quarterly data



- The current account deficit in 2013 was £76.7bn, (4.5% of GDP).
- There was a £34.8bn deficit in trade in goods and services in 2014
- In Q4 2014, the trade deficit was £7.1 billion compared with £8.7 billion in the previous quarter. The deficit on trade in goods was £29.4 billion. The surplus on trade in services was £22.3 billion.

Goods & Services and Current Account Balances

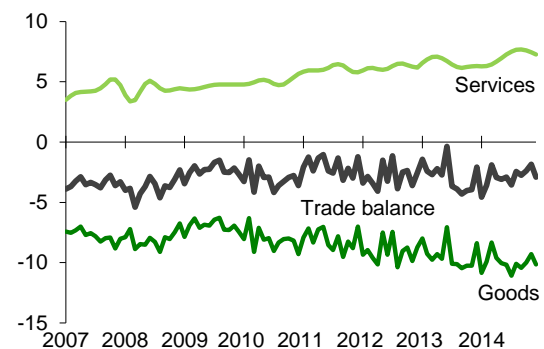
Seasonally adjusted

	Goods and Services (£bn)			Current Account	
	Exports	Imports	Balance	£bn	% GDP
2013	515.9	549.6	-33.7	-76.7	-4.5%
2014	499.9	534.7	-34.8	..	..
2013 Q4	126.6	136.6	-10.1	-24.5	-5.6%
2014 Q1	125.2	135.2	-10.0	-22.5	-5.1%
Q2	123.9	132.8	-8.9	-24.3	-5.5%
Q3	124.3	133.0	-8.7	-27.0	-6.0%
Q4	126.5	133.6	-7.1	..	..

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

Balance of trade, goods and services

£ billion, monthly data



Contact: Dominic Webb, x2042

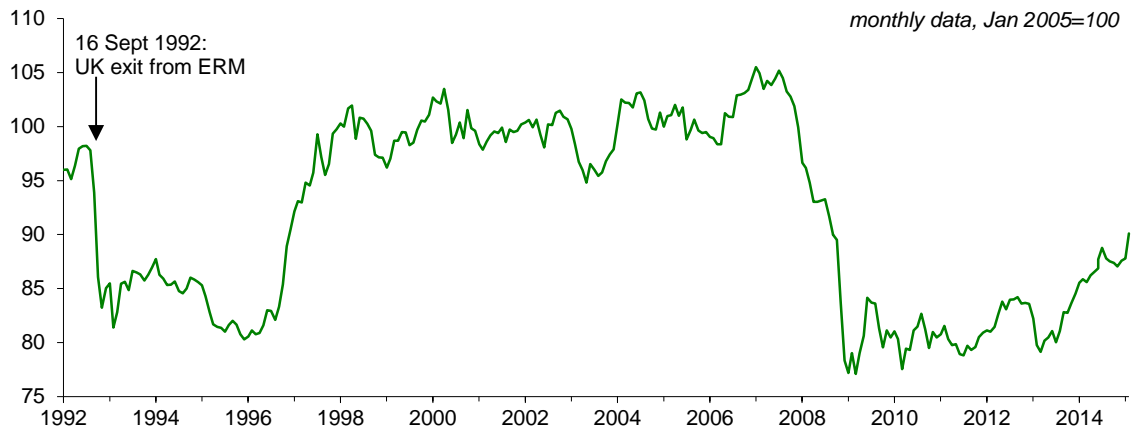
Updates: ONS, [UK Trade](#), 12 Mar 2015
ONS, [UK Balance of Payments](#), 31 Mar 2015

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).

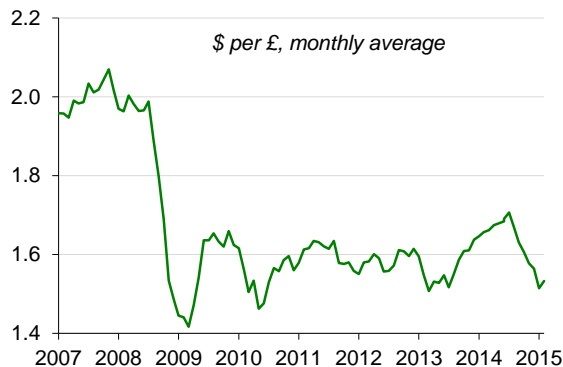
The SERI rose by 2.7% in February 2015. Compared with the same period a year ago, it is 4.9% higher. It is currently 16.9% above its March 2009 level, when it was at its lowest point since the series began in 1980. It is 14.6% below its pre-recession peak in July 2007.

Sterling Exchange Rate Index (SERI)



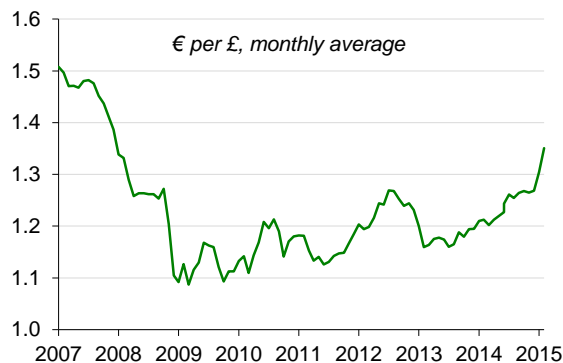
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- On average in February, the pound was up 1.3% against the dollar compared to January. At the 2 March market close the pound stood at \$1.54.
- Sterling was up 3.5% against the Euro in February compared to January.
- At the 2 March market close the pound stood at €1.37. 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

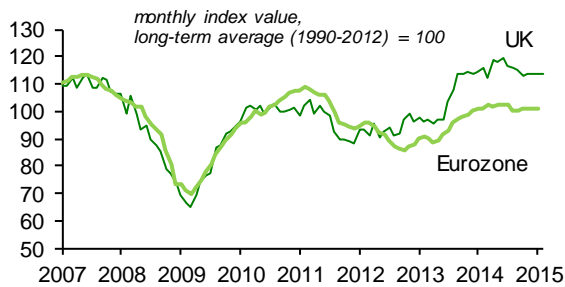
	US Dollar (\$)		Euro (€)	
	Rate	% change on year	Rate	% change on year
2012	1.59	-1.1%	1.23	7.0%
2013	1.56	-1.3%	1.18	-4.5%
2014	1.65	5.3%	1.24	5.4%
2014 Dec	1.56	-4.5%	1.27	6.2%
2015 Jan	1.51	-8.1%	1.30	7.8%
2015 Feb	1.53	-7.4%	1.35	11.4%

Source: Bank of England, Bankstats database

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

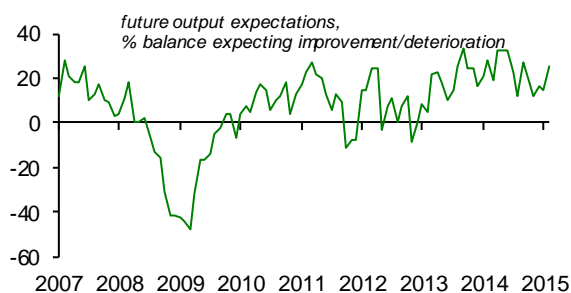


	UK Index	monthly change	change on year ago
2013 Feb	96.5	...	...
2014 Feb	115.9	...	...
2014 Dec	113.3	+0.0	-0.7
Jan	113.9	+0.6	-0.8
Feb	113.8	-0.1	-2.1

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 January 2015 and February 2015 the overall UK sentiment index fell slightly to 113.8, 2.1 points lower than February 2014. The Eurozone index was up 0.7 points over the year to 102.1.

CBI Industrial Trends Survey



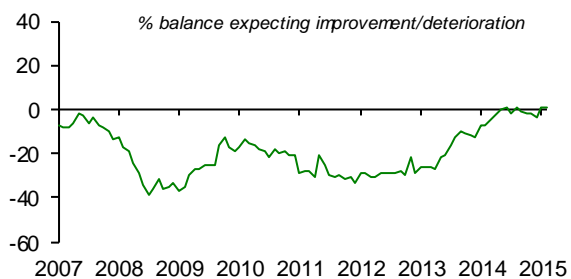
Balance (as a %) of those expecting an improvement minus those expecting a deterioration

	Future output expectations	monthly change	change on year ago
2013 Feb	+5	...	...
2014 Feb	+28	...	...
2014 Dec	+16	+4	0
Jan	+15	-1	-6
Feb	+25	+10	-3

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- In February 2015, more manufacturers thought that output would rise over the next three months than thought it would fall – the difference was +25% of firms. This is 10 points higher than the previous month but 3 points lower than February 2014.

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
2013 Feb	-26	...	...
2014 Feb	-7	...	...
2015 Dec	-4	-2	+9
Jan	+1	+5	+8
Feb	+1	0	+8

Source: GfK NOP for EC, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- Overall consumer confidence was +1 in February, unchanged on the previous month and 8 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*, 15 Mar 2015
EC, *Economic Sentiment Indicator*, 31 Mar 2015
GfK NOP, *Consumer Confidence*, 31 Mar 2015

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 January 2015 was 2.3% higher than the same three months in the previous year.
- Continuing a sustained period of year-on-year growth, retail sales in January 2015 were estimated to have increased by 5.4% compared with January 2014. This is the 22nd consecutive month of year-on-year growth..
- The value of Internet sales decreased by 0.2% in January 2015 compared with December 2014 and accounted for 11.6% of all retail sales in January 2015. Online sales increased by 12.0% compared with January 2014.

Value of food & non-food store sales



- The value of sales in food stores in the three months to January 2015 was 0.1% higher than in the same period last year, and the value of sales in non-food stores increased by 5.4%.
- The value of sales in household goods stores increased by 5.8% in the three months to January 2015 compared with the previous year. Department (non-specialised) stores saw growth of 4.0%.

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		
2013	3.1	2.6	-3.5	4.1	2.7	1.7	2.6
2014	1.0	3.2	6.0	6.1	7.4	5.6	3.0
2014 Sep	-0.5	3.0	6.7	7.0	5.1	5.1	1.8
Oct	0.2	2.3	8.7	6.7	4.4	5.1	2.1
Nov	0.4	0.9	9.5	8.2	4.9	5.2	2.6
Dec	0.1	2.3	9.7	5.3	9.1	6.4	2.9
2015 Jan	0.1	3.5	5.8	4.0	8.0	5.4	2.7

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

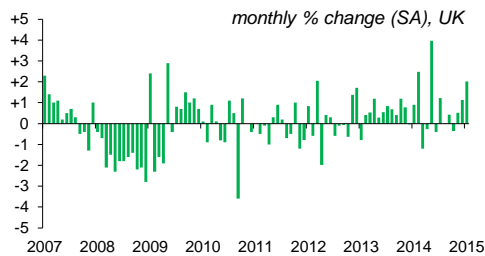
F3: Housing Market

House prices on the Nationwide index have slowed in recent months, and fell by 0.1% in February 2015. Prices were 5.7% higher compared with a year ago on this measure. House prices have been rising faster according to the Halifax index; prices grew by 2% in January 2015, making prices around 10% higher than in January 2014.

Mortgage approvals increased for the first time in six months in December 2014, but were 17% lower than in December 2013. 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

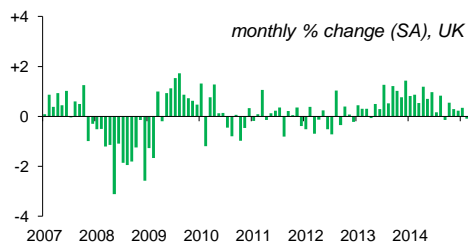


- The average house price on the Nationwide measure was slightly below £188,000 in February 2015.
- There is considerable regional variation. The average house price in London exceeds £400,000 and has grown by 18% in the year to Q4 2014. House prices grew by less than 2% in Yorkshire & Humberside and Wales. At around £121,000, house prices are lowest in Northern Ireland (Nationwide data).

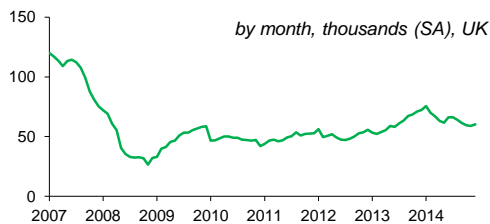
Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Jan-15	Feb-15
Change in month	+2.0%	-0.1%
Change in year	+9.9%	+5.7%
Peak date	Aug-07	Jan-15
Change since peak	-3.2%	n/a
Trough date	Apr-09	Feb-09
Change since trough	+24.9%	+27.1%

Nationwide house price index

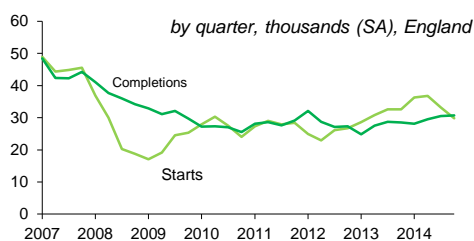


Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were 60,275 mortgage approvals in December 2014, up slightly on the 58,956 recorded in November. Approvals had fallen in the previous five months.

House-building



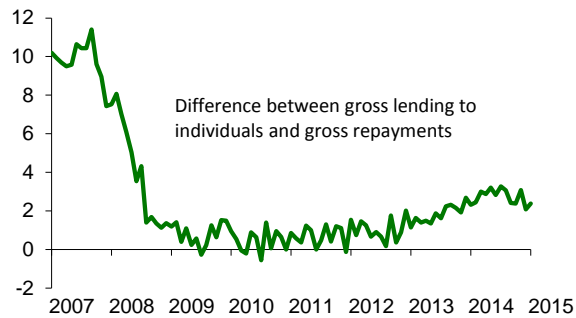
- There were 29,800 house building starts in England in Q4 2014, down 10% on Q3 2014 and down 8.7% on Q4 2013. This is above the recent low of 17,090 in Q1 2009, but still well below the 48,990 starts in Q1 2007.
- There were 30,760 dwelling completions in Q4 2014, up 1% from Q3 2014 and 7.9% higher than in Q4 2013. Completions remain below the peak of 48,440 completions in Q1 2007.

Contact: Matthew Keep x4324

Updates: Halifax [House Price Index](#), early Mar 2015;
Nationwide [House Price Index](#), early Apr 2015;
Bank of England, [Money and credit](#), early Mar 2015;
DCLG, [House-building](#), 16 May 2015

F4: Household debt

Monthly net lending, £bn

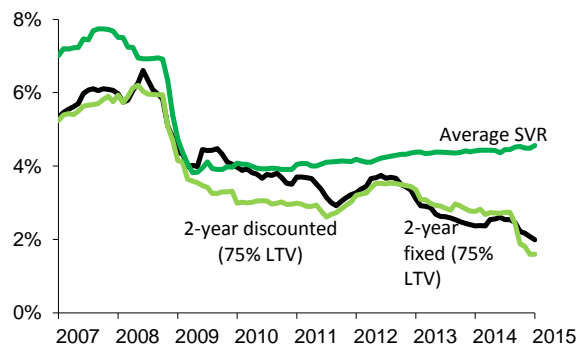


Source: Bank of England

Data on lending to individuals is published on a monthly basis and is seasonally adjusted. The figures below are for the amount of lending in the month, not the total amounts outstanding which are much higher.

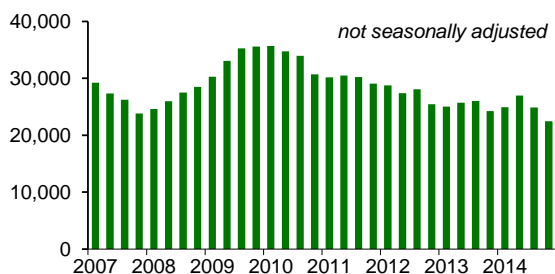
- Total net lending to individuals (excluding student loans) was £2.4 billion in January 2015. Net lending has been relatively low since mid-2008, but has been on a broadly upward trend since 2013.
- Monthly net unsecured lending (consumer credit) was £0.8 billion in January. Monthly net secured lending (mortgages) was £1.6 billion.

Current average mortgage interest rates



- The average Standard Variable Rate (SVR) has increased slightly over the past year – in January 2015 it was 4.56%, compared with 4.41% a year before.
- The average 2-year fixed mortgage rate was 1.99% in January, compared to 2.37% a year before.
- The average 2-year discounted rate was 1.60% in January compared with 2.76% a year before.

Individual insolvencies, England and Wales



Source: Insolvency Service

- There were 22,433 individual insolvencies in England and Wales in Q4 2014, a 7.4% decrease on a year earlier. These figures are not seasonally adjusted and are a provisional estimate.
- In Scotland in Q4 2014 there were 2,633 individual insolvencies, a decrease of 21.3% on a year earlier.
- In Northern Ireland in Q4 2014 there were 811 individual insolvencies, a decrease of 12.4% on a year earlier.

Contact: Dominic Webb, x2042

Update: Bank of England, [Bankstats](#) (Money and Lending) and [Statistical Database](#), 30 Mar 2015
Insolvency Service, [Insolvency Statistics](#), 29 Apr 2015

4 Indicator sources

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

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

Indicator		Source details
D1	Interest Rates and the Money Supply	UK: Bank of England, Monetary Policy Committee decisions & minutes US: Federal Reserve, Federal Open Market Committee decisions ECB: European Central Bank news releases Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database.
D2	Public Finances	Data: ONS, Public sector finances ; Forecasts of budget balance: Office for Budget Responsibility .
D3	Financial Indicators	<i>Financial Times</i> , Markets Data
E1	UK Balance of Trade	ONS, UK Balance of Payments ONS, UK Trade
E2	Exchange Rates	Sterling effective exchange rates and sterling-dollar/euro rates: Bank of England, 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

5 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.

