



RESEARCH PAPER 98/17
3 FEBRUARY 1998

Economic Indicators

This Research Paper summarises some of the main economic indicators currently available for the UK and gives comparisons with other major OECD countries on selected indicators.

This month's article: Multilateral Agreement on Investment (MAI).

Jane Dyson (Editor)

ECONOMIC POLICY & STATISTICS SECTION

HOUSE OF COMMONS LIBRARY

Recent Library Research Papers include:

98/2	The <i>Scotland Bill</i> : Some Operational Aspects of Scottish Devolution	07.01.98
98/3	The <i>Scotland Bill</i> : Some Constitutional and Representational Aspects	07.01.98
98/4	The <i>Scotland Bill</i> : tax-varying powers	08.01.98
98/5	The <i>Scotland Bill</i> : the Scottish Parliament and Local Government	07.01.98
98/6	Dogs	02.01.98
98/7	Regional Development Agencies Bill [Bill 100 of 1997/98]	09.01.98
98/8	The Barnett formula	12.01.98
98/9	Regional Government in England	13.01.98
98/10	Unemployment by Constituency - December 1997	14.01.98
98/11	Public Processions in Northern Ireland	13.01.98
98/12	Animal Welfare	15.01.98
98/13	<i>Employment Rights (Dispute Resolution) Bill [HL] 1997/98 Bill 110</i>	16.01.98
98/14	<i>Private Hire Vehicles (London) Bill 1997/98 Bill 10</i>	20.01.98
98/15	The NHS White Papers	26.01.98
98/16	Traffic Congestion [including the <i>Road Traffic Reduction (United Kingdom Targets) Bill 1997/98 Bill 11</i>]	28.01.98

Library Research Papers are compiled for the benefit of Members of Parliament and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

CONTENTS

I	Contacts for further information	5
II	Multilateral Agreement on Investment (MAI)	6
III	Subject pages	8
	A. Growth & Output	8
	1. GDP	8
	2. GDP by Industry	9
	3. Investment	10
	4. Productivity	11
	B. Wages & Prices	12
	1. Retail Price	12
	2. Average Earnings	13
	C. Labour Market	14
	1. Employment	14
	2. Unemployment: National	15
	3. Unemployment: Regional	16
	D. Finances & Government Borrowing	17
	1. Interest Rates	17
	2. Exchange Rates	18
	3. PSBR	19
	4. Money Supply	20
	E. International Trade	21
	1. International Trade	21
	2. Trade in Goods	22

F.	Other Indicators	23
1.	Housing	23
2.	New Registration of Cars	24
3.	Retail Sales	25
G.	International Comparisons	26
1.	Growth	26
2.	Unemployment	27
3.	Prices	28
4.	Interest Rates	29

I Contacts for further information

Members and their staff requiring further information are encouraged to talk to the statistician specialising in the relevant area. The statisticians dealing with the subjects covered by this Research Paper are shown below. (After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriel Room of the Main Library - extn 3666)

Subject	Statistician	Phone 219-
Balance of payments	Tim Edmonds/Bob Twigger	2883/4904
Construction	Tim Edmonds	2883/3977
EC finance	Mick Hillyard/Jane Dyson	4324/2464
Employment	Tim Edmonds	3977/2883
Energy	Graham Vidler	2454
Financial services	Bob Twigger/Tim Edmonds	4904/2883
Housing	Adrian Crompton/Bryn Morgan	6789/3851
Incomes	Bob Twigger	4904/3977
Industries	Tim Edmonds	2883/3977
National Accounts-GDP etc	Bob Twigger/Tim Edmonds	4904/2883
Overseas aid	Mick Hillyard/Bob Twigger	4324/4904
Prices	Bob Twigger/Tim Edmonds	4904/2883
Production	Bob Twigger/Tim Edmonds	4904/2883
Public expenditure	Bob Twigger/Tim Edmonds	4904/2883
Taxation	Bob Twigger	4904/3977
Trade	Mick Hillyard/Bob Twigger	4324/4904
Transport	Adrian Crompton/Graham Vidler	6789/2454
Unemployment	Jane Dyson/Bob Twigger	2464/4904
Wages & earnings	Tim Edmonds	2883/3977

A comprehensive guide to the subject coverage of specialists in the Research Division is available from the Library - *Who Does What in Research*.

II Multilateral Agreement on Investment (MAI)

The Multilateral Agreement on Investment (MAI) is currently being negotiated between the 29 members of the Organisation of Economic Co-operation and Development (OECD). Some non-OECD members have been involved as observers at the negotiations.

The aim of the MAI is to establish a comprehensive framework for international investment with high standards of liberalisation, investment protection and a procedure for dispute settlement. In many ways, the MAI is an attempt to extend the disciplines that regulate international trade (e.g. non-discrimination, transparency and rule obedience) to cross border investment. The MAI, if agreed, would replace a tangle of bilateral treaties and other arrangements that currently exist between countries. The MAI would provide greater certainty to international business.

It is intended that the MAI will be signed at the OECD Ministerial in April 1998 and will then enter into force in late 1999, after a sufficient number of signatories have ratified it. Concerning non-OECD members, the MAI will be open to those who are willing and able to abide by its disciplines. These new signatories will negotiate the terms of their accession. The UK Government warmly supports the general aim of the proposed MAI and is working hard to achieve a successful outcome to the negotiations by April.

The next meeting for negotiations is expected to take place between 16 February – 20 February and will be a relatively high level meeting comprising leading officials and junior Ministers. The discussions will assume a more political dimension as negotiations move towards their final stage. At that meeting there is likely to be an attempt to conclude the negotiations ready for signing in April. However, there is a chance that the signing date may be postponed until the autumn or that the negotiations fail completely.

The MAI is open to criticisms by opponents and proponents of international business. On one hand, some NGOs are concerned that the agreement will, amongst other things, further impoverish developing countries. On the other hand, major businesses, especially those in the US and Europe, have expressed concerns that the agreement may dismantle few international barriers but create costly new ones relating to environmental and labour standards.

Some international businesses (and some developing countries) are concerned that the MAI will include tough provisions to enforce what they see as inappropriate labour and environmental standards. Their concern is that such provisions may impede flexible labour markets and the efforts of developing countries to attract inward investment generally.

NGOs are generally very hostile to the MAI, in part reflecting their general hostility to internationalisation of the global economy. In a Joint Statement on the MAI, a coalition of development, environment and consumer groups from around the world, with representation in over 70 countries, agreed:

There is an obvious need for multilateral regulation of investments in view of the scale of social and environmental disruption created by the increasing mobility of capital. However, the intention of the MAI is not to regulate investments but to regulate governments. As such, the MAI is unacceptable.¹

NGOs criticise a number of aspects of the MAI and argue that it will be highly detrimental to developing countries. The World Development Movement (WDM) takes a very hostile position in its briefing paper on the MAI:²

"On 27 April 1998 ministers from 29 governments will probably sign the first world's international agreement on investment. Yet few people have even heard of this historic agreement. Most will only find out when its provisions come into effect:

- Citizens will lose long-standing and fundamental democratic rights, while multinational companies will be sweeping new powers, including the ability to sue governments and local authorities.
- The world's poorest countries will be locked into poverty and under-development
- Social and environmental laws in all countries could be progressively dismantled
- Regional development agencies and local authorities, including those in the UK will lose important powers to control and influence local economic development
- Local-level initiatives to promote sustainable development and the local economy will be undermined
- British companies, especially small businesses, will be put at a competitive disadvantage."

A balance clearly needs to be struck between on the one hand, not undermining environmental and labour standards and on the other not burdening the MAI with "inappropriate" measures. Some recent cases suggest that discrimination may at times be disguised as environmentalism.

For further information on this subject contact: Mick Hillyard on 219 4324

¹ Joint NGO statement on the Multilateral Agreement on Investment (MAI), NGO/ OECD Consultation on the MAI Paris: 27 October, 1997

² A Dangerous leap into the Dark: Implications of the Multilateral Agreement on Investment, November 1997.

A 1. Gross Domestic Product



Gross Domestic Product; seasonally adjusted

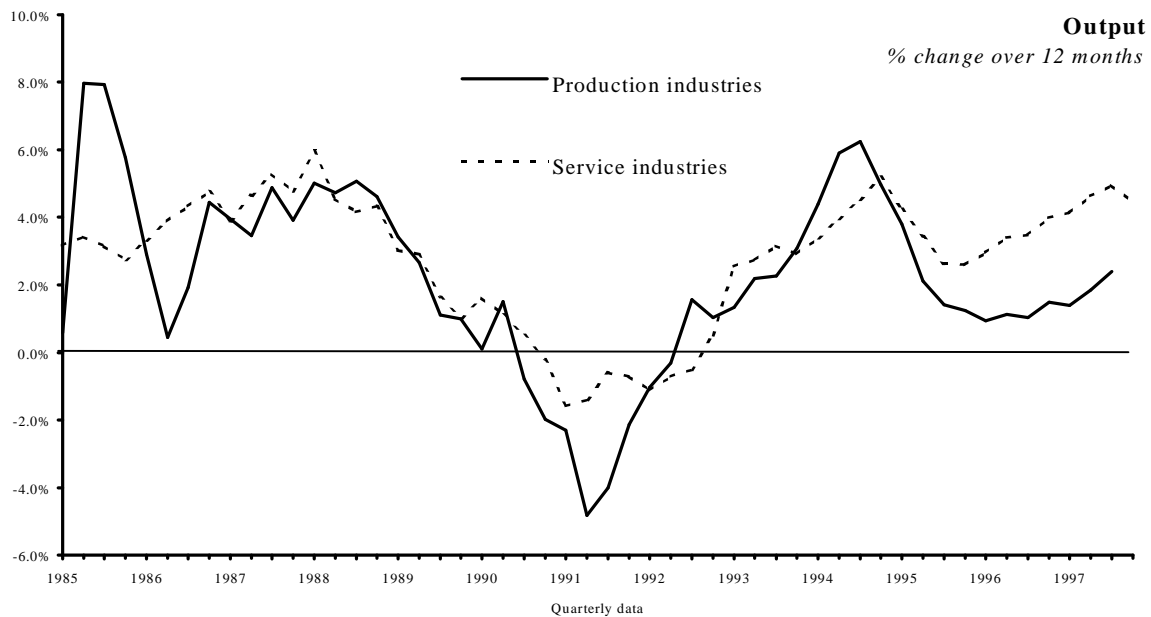
	GDP at constant factor cost <i>12 month change</i>	Non-Oil GDP at constant factor cost <i>12 month change</i>	GDP at current market prices <i>£ billion</i>	GDP at current factor cost <i>£ billion</i>
1995	2.8%	2.7%	704.2	608.1
1996	2.6%	2.5%	741.8	642.8
1997 (prov)	3.3%	3.4%	n.a.	n.a.
1996 Q3	2.6%	2.5%	186.1	161.3
1996 Q4	3.0%	2.9%	189.8	164.7
1997 Q1	2.9%	3.0%	192.4	165.9
1997 Q2	3.5%	3.7%	195.6	168.5
1997 Q3	3.7%	3.8%	198.8	171.3
1997 Q4 (prov)	3.1%	3.2%	n.a.	n.a.

Source: ONS Database; ONS first release (98)20 dated 23 January

- Provisional estimates for the fourth quarter of 1997 suggest that gross domestic product (GDP) grew by 0.5% to a level 3.1% higher than in the fourth quarter of 1996. Provisional data for 1997 as a whole suggest a growth rate of 3.3% compared with 2.6% in 1996.
- Output excluding oil and gas extraction grew by 0.5% in the fourth quarter of 1997 to a level 3.2% higher than in the fourth quarter of 1996. On this basis, the economy has grown by 17.3% since the bottom of the recession in the first quarter of 1992.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will slow to 2.4% in 1998 and 2.0% in 1999.

Next update: 23 February

A 2. GDP by Industry



Gross domestic product
% changes on year; seasonally adjusted

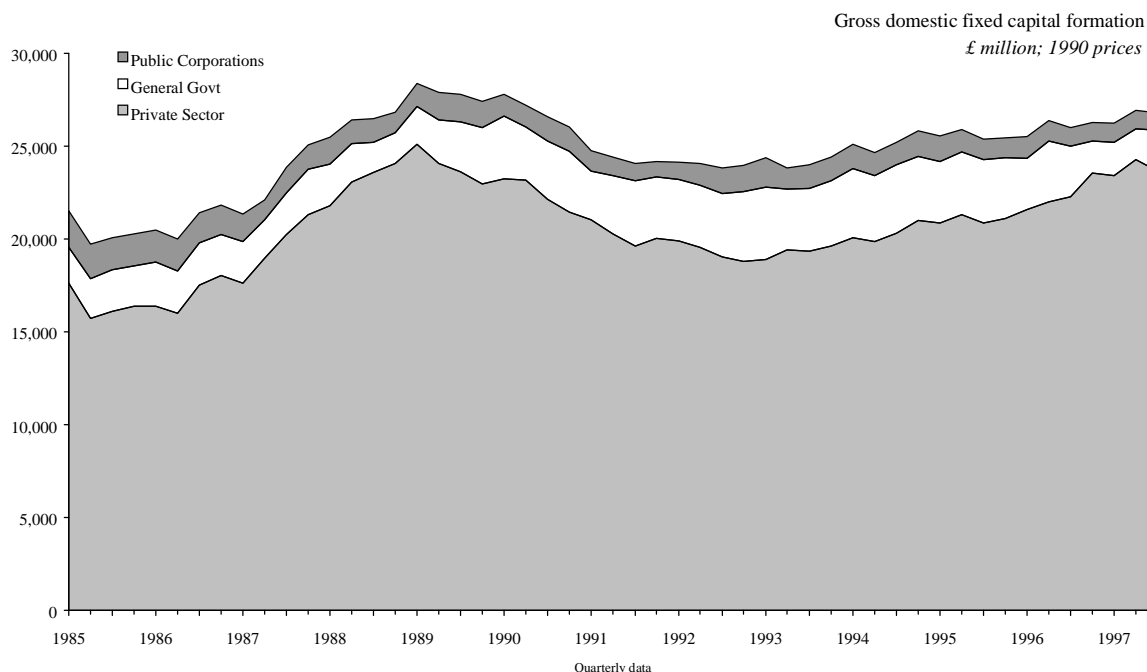
	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufac- turing			
1995	2.2%	1.7%	3.1%	-1.4%	-0.7%
1996	1.1%	0.3%	3.6%	-1.6%	1.3%
1997 (prov)	n.a.	n.a.	4.5%	n.a.	n.a.
1996 Q3	1.0%	0.4%	3.5%	-1.1%	1.9%
1996 Q4	1.5%	0.7%	4.0%	-2.3%	2.9%
1996 Q1	1.4%	1.7%	4.1%	-5.8%	2.8%
1997 Q2	1.9%	2.3%	4.6%	-0.2%	3.4%
1997 Q3	2.4%	1.8%	5.0%	-3.0%	2.3%
1997 Q4 (prov)	n.a.	n.a.	4.5%	n.a.	n.a.

Sources: ONS database (series DVZI, DVZK, CKCE, CKAP, DVJO)

- Since 1995, output has grown faster in service sector than in other parts of the economy and is currently growing at an annual rate of around 4½%. Data for October and November suggest that output in the production sector is likely to fall in the fourth quarter with a consequent reduction in the year-on-year growth from the 2.3% recorded in the third quarter.
- In the year to the third quarter of 1997, a number of industries in the service sector experienced substantial increases in output. For example, post & telecommunication +12.1%; real estate, renting & business activities +12.2%; and financial intermediation (banks, building societies, etc.) +8.4%.
- In 1996 manufacturing accounted for 21% of GDP, other production industries (mining & quarrying and electricity gas & water supply) for 5%, agriculture, etc. for 2%, construction for 5% and services for 67%.

Next update: 23 February

A 3. Investment



Gross domestic fixed capital formation
£ million; 1990 prices; seasonally adjusted

	Vehicles, Ships & Aircraft	Plant & Machinery	Other New (1) Building & Works	Dwellings	Total
1994	9,874	33,705	36,828	20,371	100,778
1995	9,450	36,352	36,125	20,322	102,249
1996	9,727	37,083	37,205	20,106	104,121
1996 Q3	2,376	9,313	9,328	4,963	25,980
1996 Q4	2,442	8,989	9,505	5,335	26,271
1997 Q1	2,994	8,852	9,461	4,912	26,219
1997 Q2	2,723	9,628	9,495	5,086	26,932
1997 Q3	2,561	9,650	9,463	5,123	26,797

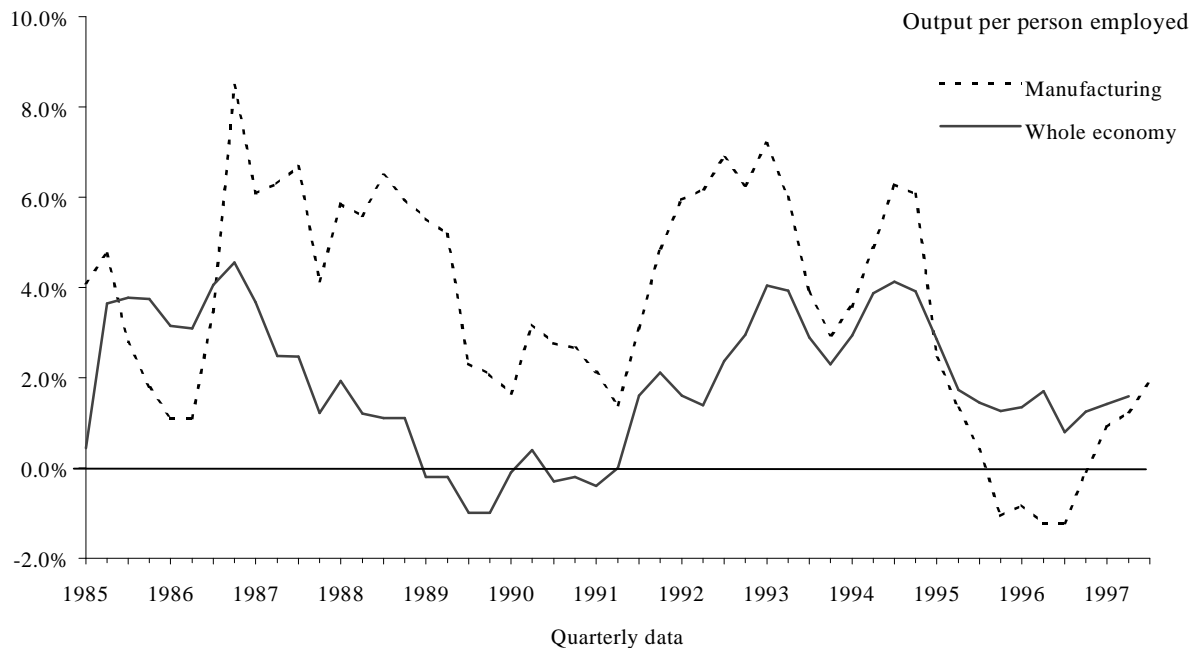
Notes: (1) including transfer of costs of land and buildings

Source: ONS database (Series DEBP, DEBO, DFCV, DFEA, DFEC, DECU)

- Gross Domestic Fixed Capital Formation (GDFCF) is expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets.
- In 1996 total GDFCF (at 1990 prices) is estimated to have risen by 1.8% compared with 1995, which in turn was 1.5% higher than the level in 1994. However, GDFCF in 1996 was still 6.6% below the peak (£111.5 billion) in 1989.
- The revised estimate of capital expenditure by manufacturing industries show the third quarter was 4% lower than the previous quarter and 20% than the third quarter of 1996.

Next update: 24 February

A 4. Productivity



% change on year ; seasonally adjusted

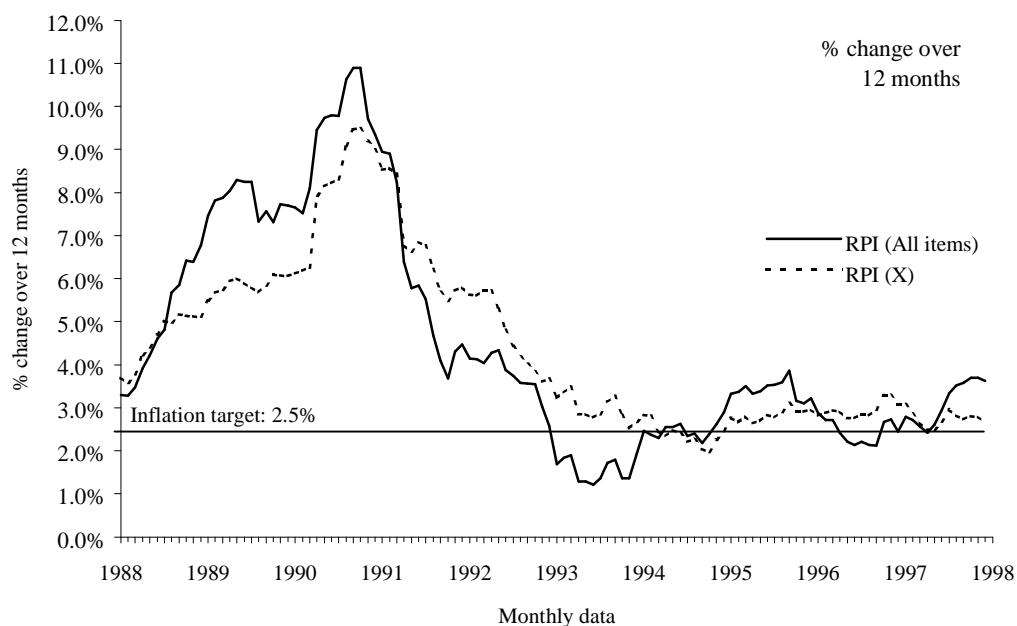
	Manufacturing			Whole Economy		
	Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1994	4.7%	-0.5%	5.1%	4.5%	0.9%	3.7%
1995	1.7%	1.0%	0.8%	2.8%	0.8%	1.9%
1996	0.3%	1.1%	-0.9%	2.6%	1.2%	1.4%
1996 Q3	0.4%	1.7%	-1.2%	2.6%	1.5%	1.0%
Q4	0.7%	0.7%	-0.1%	3.0%	1.6%	1.4%
1997 Q1	1.7%	0.6%	1.0%	2.9%	1.8%	1.2%
Q2	2.3%	0.8%	1.5%	3.5%	1.9%	1.6%
Q3	1.8%	0.0%	2.0%	3.7%	1.6%	2.2%

Source: ONS database (series DVZK, DMWB, DMOB, CAOP, DMBC, DMBE)

- Growth in output per head has slowed considerably since 1994. This is because output growth has fallen from the rapid rates experienced in 1994, while employment growth has picked up.
- The data for 1997 show signs of an improvement in productivity growth, although rates remain well below the levels seen in the late 1980s and early 1990s.
- Although there has been a slight fall in manufacturing productivity growth recently, the first three quarters of 1997 now show positive growth rates for this sector. This is the result of faster output growth in the first half of the year and falling manufacturing employment in the third quarter. The results for 1997 follow 5 quarters of falling productivity.

Next update: 11 February

B 1. Retail Prices



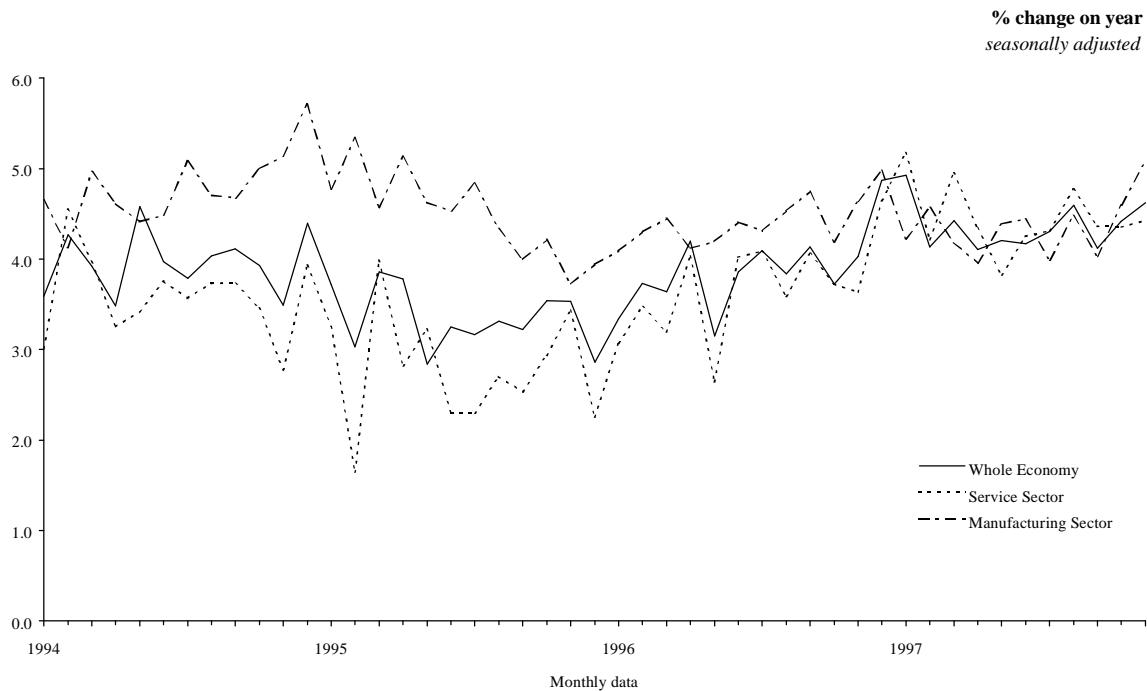
	<u>% change on previous year</u>	
	<u>Retail Prices Index</u>	
	All-items	excl. mortgage interest (RPI(X))
1995	3.5%	2.9%
1996	2.4%	3.0%
1997	3.1%	2.8%
1996 Dec	2.5%	3.1%
1997 Jan	2.8%	3.1%
1997 Feb	2.7%	2.9%
1997 Mar	2.6%	2.7%
1997 Apr	2.4%	2.5%
1997 May	2.6%	2.5%
1997 Jun	2.9%	2.7%
1997 Jul	3.3%	3.0%
1997 Aug	3.5%	2.8%
1997 Sep	3.6%	2.7%
1997 Oct	3.7%	2.8%
1997 Nov	3.7%	2.8%
1997 Dec	3.6%	2.7%

Source: ONS Database (series CHAW, CHMK)

- The current target for RPI(X) is 2.5%; if inflation diverges from this target by more than 1 percentage point, the Governor of the Bank of England is required to send a written account to the Chancellor.
- Inflation has been at or above the target level since the beginning of 1995, but has remained within one percentage point of the target.
- Independent forecasts suggest that RPI(X) will be rising at 2.8% in the fourth quarter of this year.
- As measured by the all items RPI, inflation fell from 3.7% in November 1997 to 3.6% in December 1997. The main factor behind the decrease was a fall in motoring costs resulting from lower petrol prices.

Next update: 10 February

B 2. Average Earnings



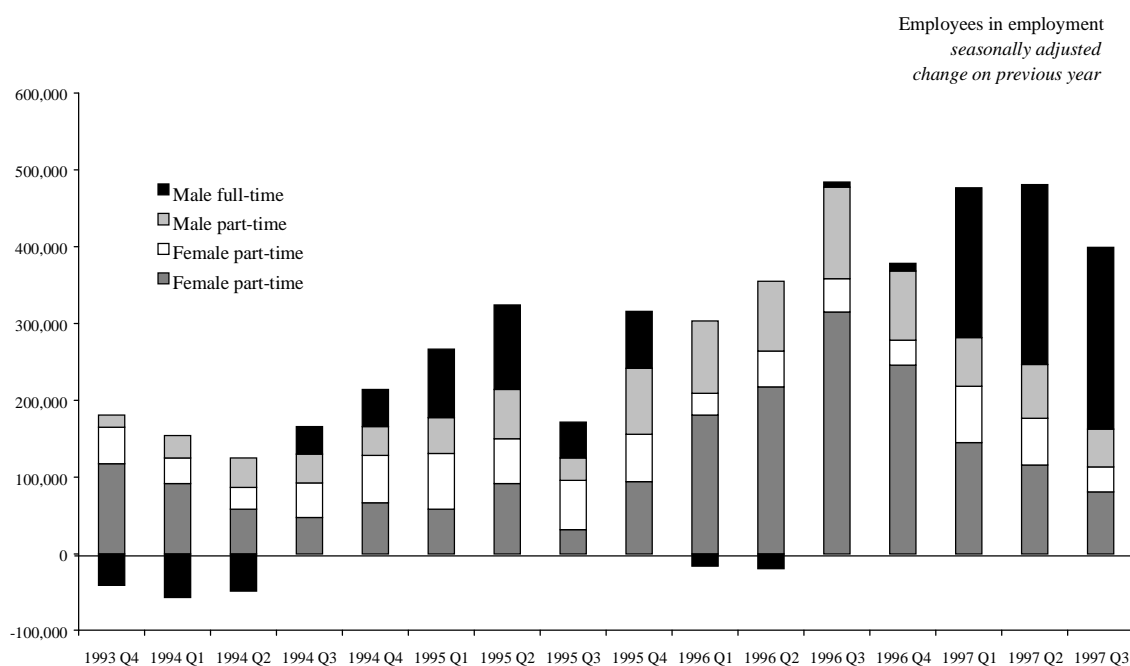
Average earnings
All employees; Great Britain

	% change on year	
	seasonally adjusted	underlying
Nov 1996	4.0%	4 ¹ / ₄ %
Dec 1996	4.9%	4 ³ / ₄ %
Jan 1997	4.9%	4 ³ / ₄ %
Feb 1997	4.1%	4 ¹ / ₂ %
Mar 1997	4.4%	4 ¹ / ₂ %
Apr 1997	4.1%	4 ¹ / ₂ %
May 1997	4.2%	4 ¹ / ₄ %
Jun 1997	4.2%	4 ¹ / ₄ %
Jul 1997	4.3%	4 ¹ / ₂ %
Aug 1997	4.6%	4 ¹ / ₄ %
Sep 1997	4.1%	4 ¹ / ₄ %
Oct 1997	4.4%	4 ¹ / ₂ %
Nov 1997	4.6%	4 ³ / ₄ %

Sources: ONS database (Series DNHS)
ONS Labour Market Statistics (98) 9

- Average earnings growth rose again to 4.6 per cent in November 1997. The underlying rate, which takes into account staged agreements and bonuses also rose, to 4³/₄ per cent.
- Independent forecasts suggest that average earnings will increase by 4.8 per cent in 1998, and by 4.6 per cent in 1999.
- November 1997 estimates show average gross earnings for full-time employees at £19,479 per year. For male full-time employees, the average was £21,637; for female full-time employees the average was £15,777.
- In its November 1997 *Inflation Report*, the Bank of England commented that ‘any increase in the current growth rate of nominal earnings would be difficult to reconcile with the inflation target of 2½%’.

C 1. Employment



seasonally adjusted; thousands

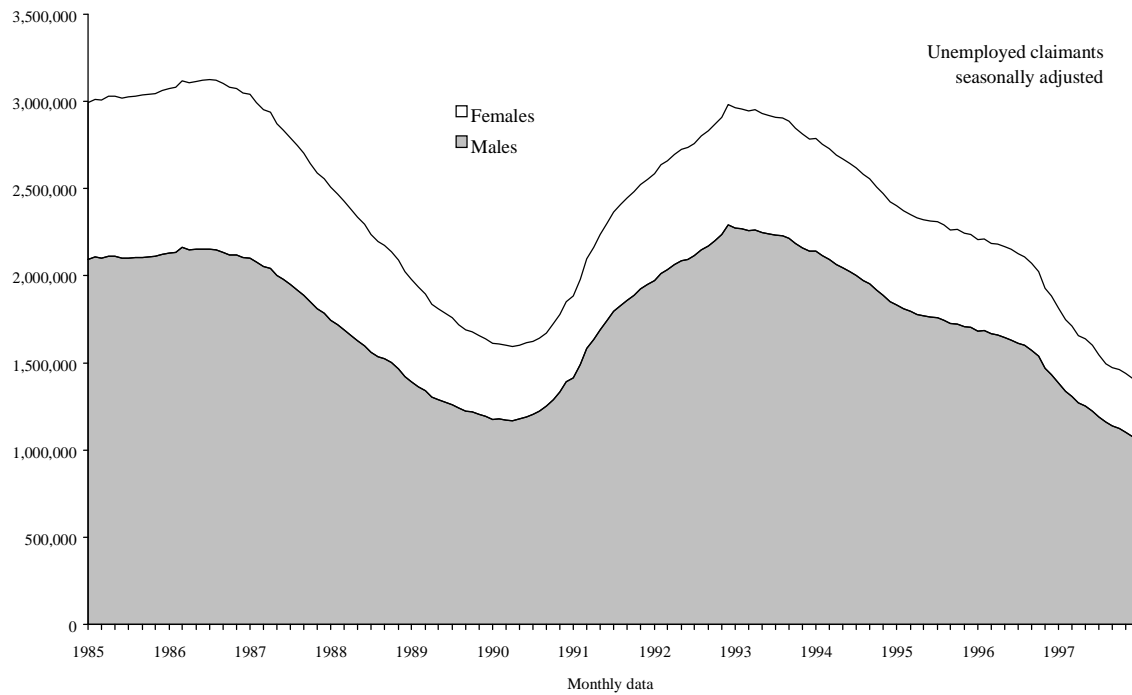
	Employees in employment	Self employed	HM Forces	Work related govt-supported training	Workforce in employment
Sep-94	21,828	3,302	246	289	25,664
Sep-95	21,999	3,325	228	222	25,773
Sep-96	22,484	3,367	218	189	26,257
Dec-96	22,567	3,361	216	190	26,344
Mar-97	22,687	3,355	214	175	26,431
Jun-97	22,803	3,342	210	167	26,522
Sep-97	22,882	3,327	210	176	26,595
Changes: September 1996 to 1997					
000s	398	-40	-8	-13	338
%	1.8%	-1.2%	-3.7%	-6.9%	1.3%

Source: ONS First Release: Labour Market Statistics (ONS (98)9)

- The number in employment has continued to grow during 1997, although the rate of growth has slowed slightly in the year to September. Employment has now been growing steadily since the end of 1993, with the largest increases being in male part-time employment. In the year to September 1997 the number of male part-time employees grew by almost 49,000 – an increase of 3.7% on the previous year.
- Monthly data for manufacturing employment in Great Britain suggest that the growth in employment may be slowing, with a fall of 20,000 employees between June and September 1997.
- Manufacturing industries accounted for 18% of all employees in September 1997 while service industries accounted for 76%. In September 1997, 46% of the workforce in employment were female.

Next update: 11 February

C 2. Unemployment: National

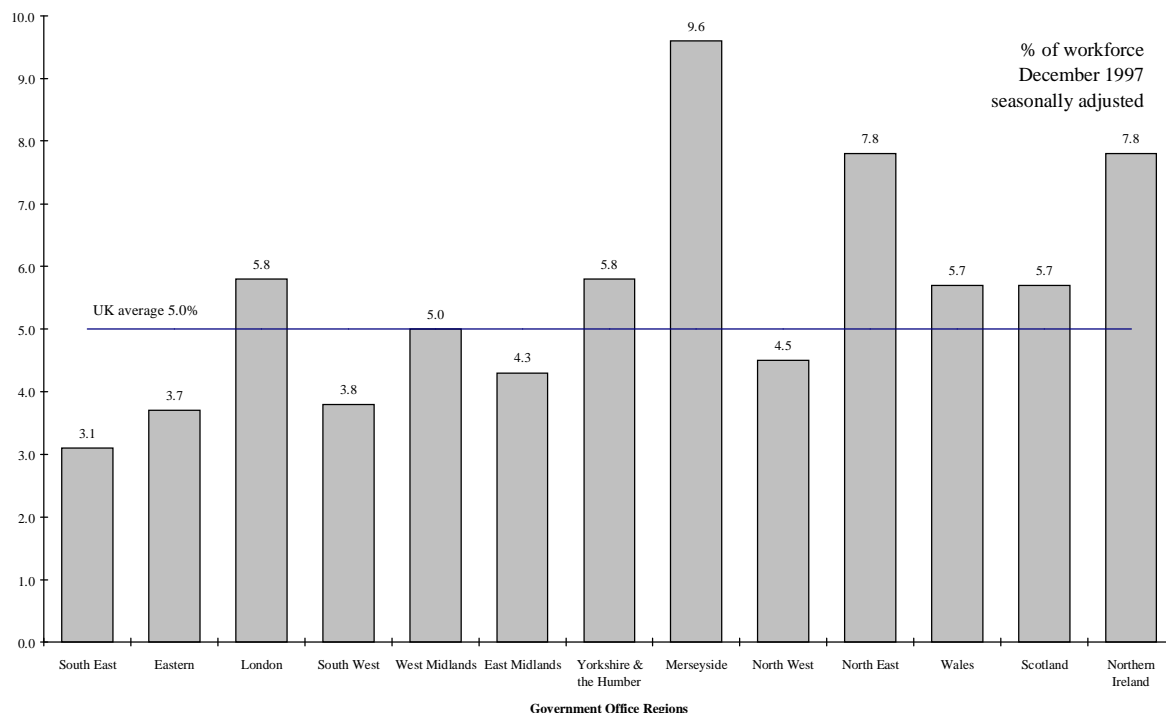


<i>seasonally adjusted</i>		
Unemployed Claimants in the UK		
	Number	% of workforce
1994	2,619,300	9.3
1995	2,308,200	8.2
1996	2,104,000	7.5
Dec-96	1,883,100	6.7
Jan-97	1,814,500	6.5
Feb-97	1,748,100	6.2
Mar-97	1,710,800	6.1
Apr-97	1,654,400	5.9
May-97	1,637,300	5.8
Jun-97	1,599,800	5.7
Jul-97	1,545,200	5.5
Aug-97	1,495,400	5.3
Sep-97	1,473,800	5.2
Oct-97	1,464,300	5.2
Nov-97	1,439,900	5.1
Dec-97	1,411,200	5.0

Source: ONS (Nomis database)

- The number of unemployed claimants in the UK on a seasonally adjusted and consistent basis is now the lowest since July 1980.
- The claimant unemployment rate is now less than half the level it stood at in the peak of the recession – 5% of the workforce now, compared to 10.5% in December 1992.
- The claimant unemployment rate for is 6.9% for men and 2.7% for women.
- The number of people unemployed according to the ILO definition in Great Britain is nearly half a million higher than on the claimant count definition (1,847,000 compared to 1,399,000 in autumn 1997).

C 3. Unemployment: Regional



% change December 1996 to 1997

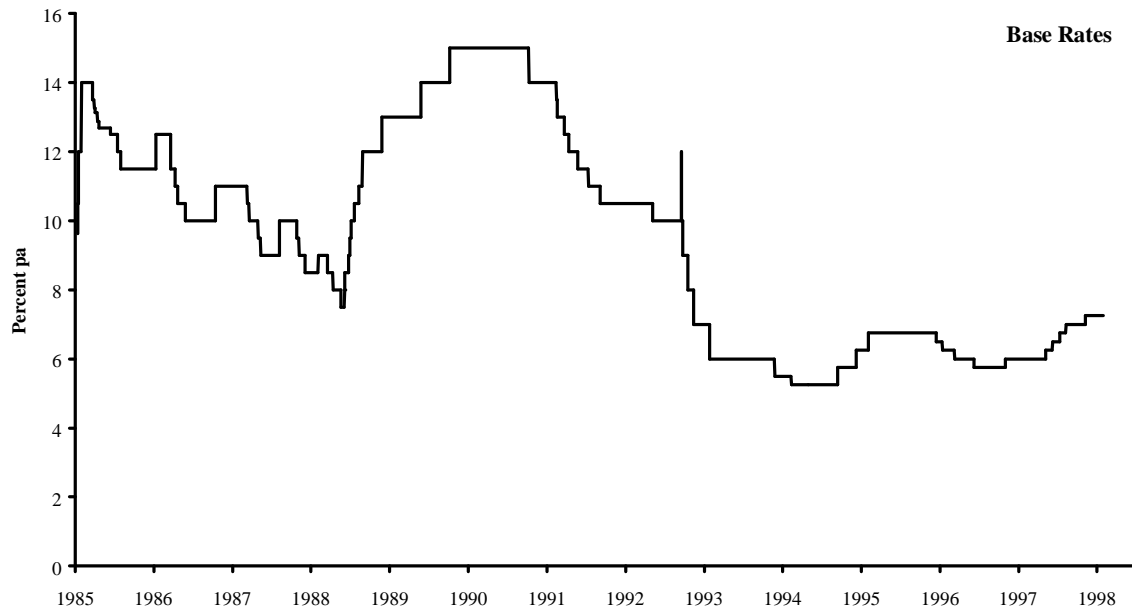
South East	-33.4%
Eastern	-30.4%
London	-26.8%
South West	-31.3%
West Midlands	-22.9%
East Midlands	-27.7%
Yorkshire & the Humber	-20.1%
Merseyside	-20.6%
North West	-26.5%
North East	-17.4%
Wales	-22.8%
Scotland	-21.7%
Northern Ireland	-19.0%
UK	-25.1%

- Regional claimant unemployment rates range from just 3.1% of the workforce in the South East to 9.6% in Merseyside.
- ILO unemployment rates, taken from the Summer 1997 Labour Force Survey, remain somewhat higher than figures from the claimant count.
- Merseyside still has the highest unemployment rate on the ILO measure: 10.0%, followed by London (9.5%) and the Northern Ireland (8.8%). These figures are not seasonally adjusted.

Source: ONS (NOMIS Database)

Next update: 11 February

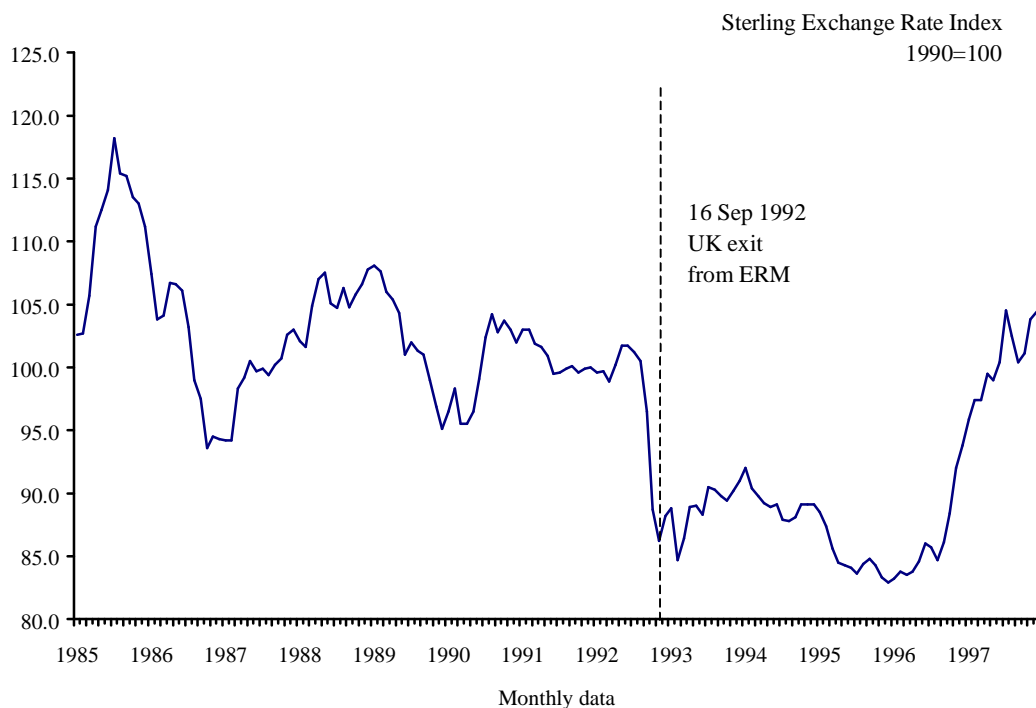
D 1. Interest Rates



<i>per cent per annum</i>		
Date of change		New rate
1991	27-Feb	13.00
	22-Mar	12.50
	12-Apr	12.00
	24-May	11.50
	12-Jul	11.00
1992	4-Sep	10.50
	5-May	10.00
	16-Sep	12.00
	17-Sep	10.00
	22-Sep	9.00
1993	16-Oct	8.00
	13-Nov	7.00
	26-Jan	6.00
	23-Nov	5.50
1994	8-Feb	5.25
	12-Sep	5.75
	7-Dec	6.25
1995	2-Feb	6.75
	13-Dec	6.50
1996	11-Jan	6.25
	8-Mar	6.00
	6-Jun	5.75
1997	30-Oct	6.00
	6-May	6.25
	6-Jun	6.50
	10-Jul	6.75
	7-Aug	7.00
	6-Nov	7.25

- The interest rate increase on 6th June 1997 was the first occasion when interest rates were set by the independent Monetary Policy Committee of the Bank of England rather than by the Chancellor.
- The Monetary Policy Committee next meets on 4th & 5th of February.
- A sequence of five monthly ¼ per cent point rises in base rates (now termed the Bank's repo rate) ended in August.
- At the time of the August increase the Committee said: "the appreciation of the exchange rate over the past year is putting severe pressure on businesses exposed to international competition. Nevertheless... the Committee judges that today's rise is necessary to put the economy on track for achieving the inflation target of 2½% looking two years ahead." At its December Meeting, when it decided to leave rates unchanged, the Committee concluded that there was some doubt over the state of the economy and that "there was a case for waiting to see further developments".
- A rate of 15.0% p.a. was announced on 16th September 1992 but was cancelled before becoming effective.

D 2. Exchange Rates

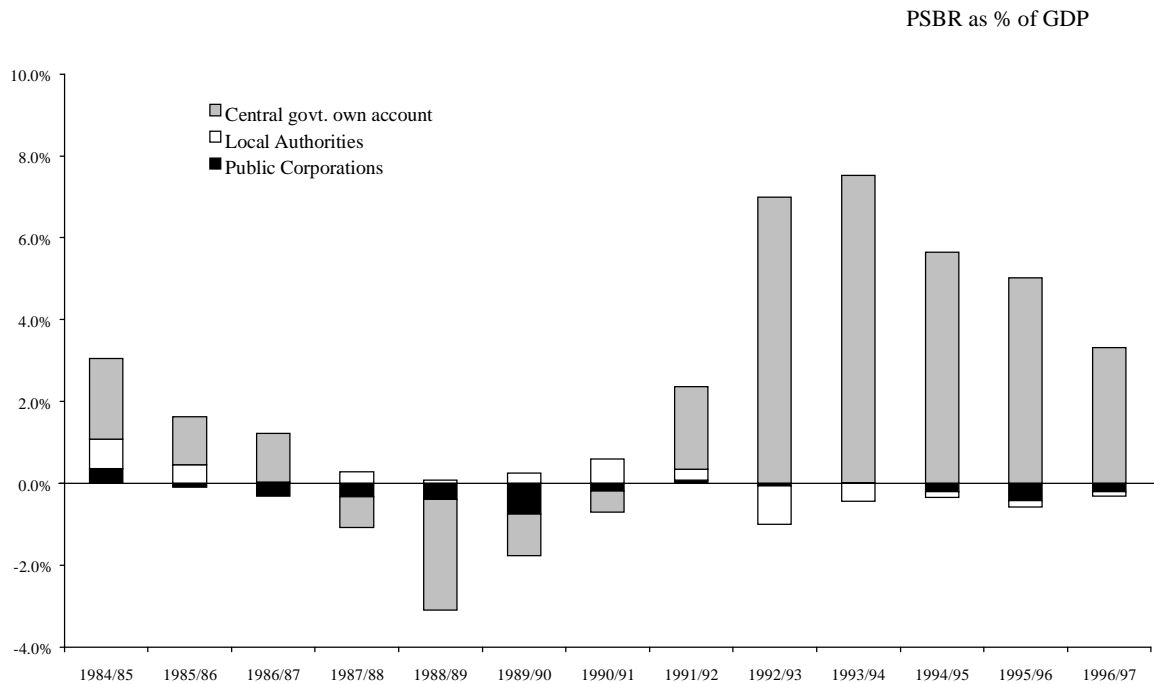


	Exchange Rates							
	DM		US\$		Yen		ECU	
	Rate	% year on change	Rate	% year on change	Rate	% year on change	Rate	% year on change
1992	2.75	-5.9%	1.77	-0.1%	223.72	-5.8%	1.36	-4.6%
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%	1.58	3.0%	148.37	-5.1%	1.22	-5.5%
1996	2.35	4.0%	1.56	-1.1%	170.00	14.6%	1.25	2.1%
1997	2.84	20.9%	1.64	4.9%	198.12	16.5%	1.45	16.3%
Oct-97	2.87	18.3%	1.63	2.9%	197.50	10.8%	1.46	15.3%
Nov 97	2.93	16.4%	1.69	1.6%	211.78	13.5%	1.48	13.0%
Dec 97	2.95	14.2%	1.66	-0.3%	215.14	13.4%	1.49	11.4%

Recent Developments

- The upward trend in sterling resumed in the last quarter of 1997. Various reasons have been given for this. First, the favourable market reaction to the Chancellor's statement on the possible time scale for UK participation in EMU. Secondly, the unexpected increase in interest rates at the start of November. Finally, sterling benefited from the collapse of currencies in S E Asia.
- Outside Europe, the main feature has been the continued fall in the value of the currencies of South East Asian countries. In a phenomenon that has been dubbed the 'Asian contagion' successive 'Tiger' economies have, to varying degrees, seen collapses in currency values, falls in asset prices (land and shares) and crises in the domestic banking system. There is some evidence that the declines in value have stabilised.

D 3. PSBR



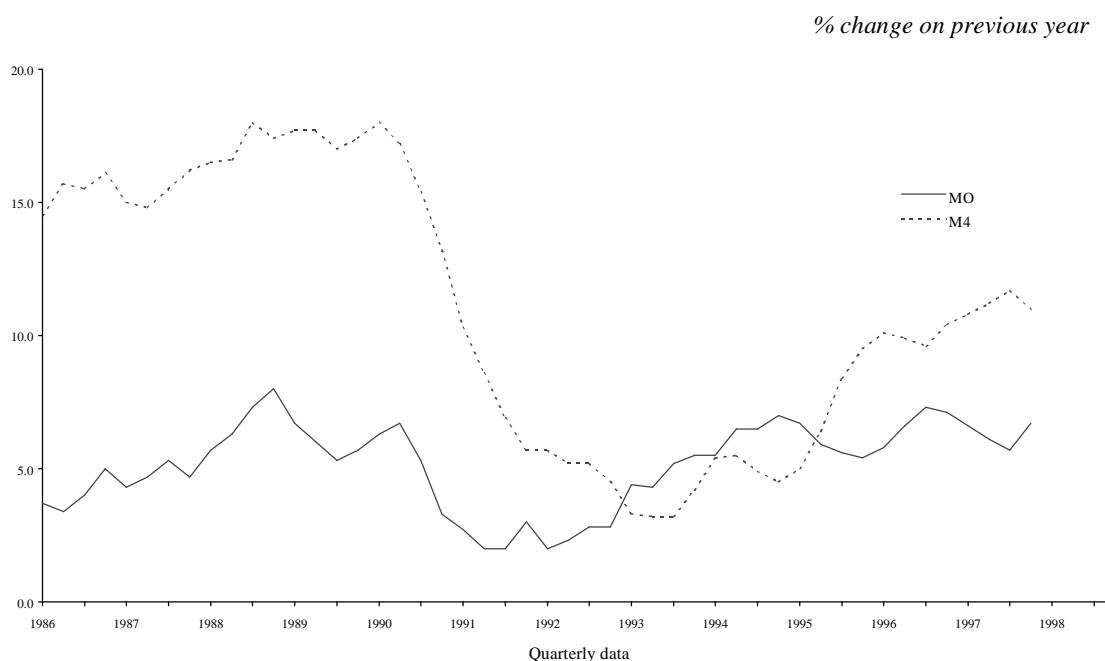
	Public Sector Borrowing Requirement			
	PSBR		PSBR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1994/95	35.9	5.3%	42.3	6.2%
1995/96	31.7	4.4%	34.1	4.8%
1996/97	22.6	3.0%	27.0	3.6%
1996 Q4	0.6	0.3%	1.1	0.6%
1997 Q1	6.3	3.3%	6.5	3.4%
1997 Q2	8.2	4.2%	9.3	4.7%
1997 Q3	0.1	0.0%	0.8	0.4%
1997 Q4	-2.1	n.a.	-2.1	n.a.

Source: ONS Database Series ABEN, ABII, CAOB

- The PSBR (including privatisation receipts) for the first seven months of 1997/98 was £2.6 billion compared with £11.2 billion in the same period of 1996/97. Excluding privatisation receipts, the PSBR for the first seven months of 1997/98 was £4.3 billion compared with £15.2 billion in the same period of 1996/97.
- In the November 1997 Pre-Budget Report the Government forecast a PSBR of £9.5 billion for 1997/98, or £11.9 billion if the proceeds from the windfall tax are excluded. Independent forecasters are predicting a PSBR of £10.7 billion.
- Privatisation proceeds worth £1.8 million were received in December 1997.

Next update: 17 February

D 4. Money Supply



Money stock
seasonally adjusted

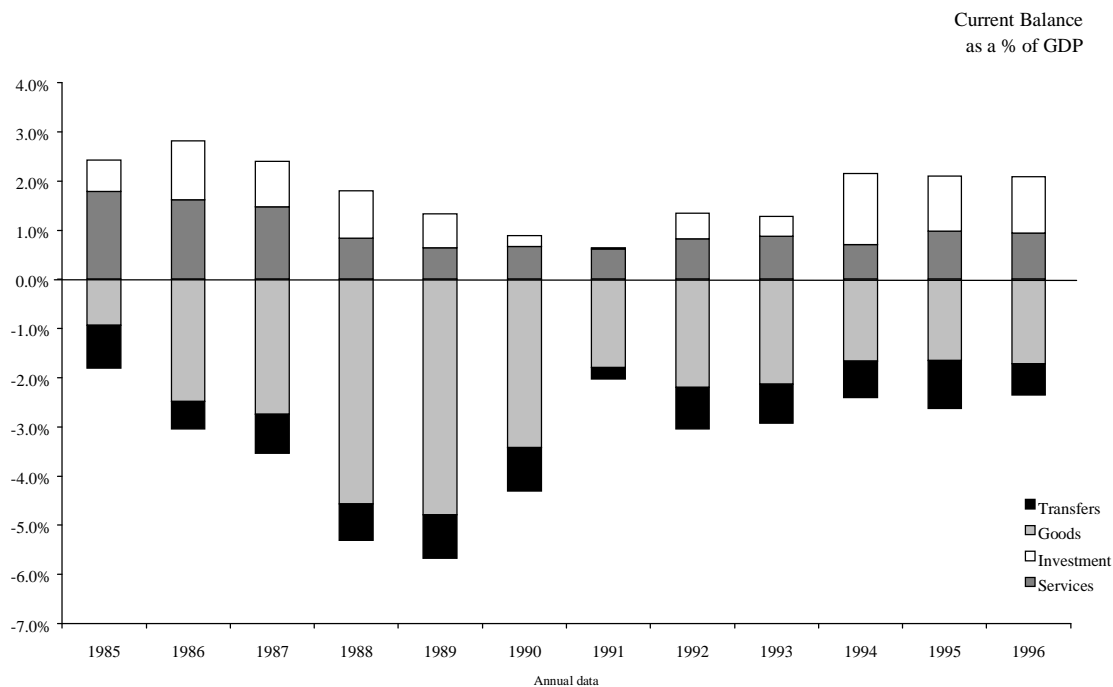
	MO		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1996 Dec	8.1	7.0	9.8	9.8
1997 Jan	7.1	7.1	9.9	10.0
1997 Feb	5.4	6.4	11.2	11.2
1997 Mar	4.3	6.4	15.3	11.1
1997 Apr	4.1	5.9	11.1	10.5
1997 May	5.0	6.1	11.3	11.4
1997 Jun	7.0	6.3	10.8	11.6
1997 Jul	6.7	5.8	13.0	11.9
1997 Aug	5.3	5.0	10.4	11.6
1997 Sep	5.3	6.2	10.5	11.6
1997 Oct	8.3	6.5	9.1	10.8
1997 Nov	11.5	6.9	9.3	10.5
1997 Dec	8.0	6.7	9.8	11.6

Source: Bank of England press notice dated 30 January 1998

- M0 comprises notes and coins in circulation outside the Bank of England *plus* bankers' operational deposits with the Bank. M4 is a broad measure of money consisting of the private sector's holdings of cash, and sterling deposits held by the private sector at both banks and building societies.
- Provisional estimates for January 1998 show the 3-month growth in M0 as 7.9% and the 12-month growth as 6.9% (both on an annualised basis).
- There are now no formal targets for money supply growth. As part of the decision to make the Bank of England operationally independent, the Government has given the Monetary Policy Committee (MPC) the discretion over whether to employ targets or monitoring ranges for money supply growth. The MPC has decided that, at present, it will not reinstate the monitoring ranges that lapsed in May 1997.

Next update: 19 February

E 1. International Trade



Current Account Balances
seasonally adjusted; £ million

	Trade in Goods	Trade in services	Investment Income	Transfers	Current Balance
1994	-11,129	4,776	9,667	-4,969	-1,655
1995	-11,582	6,877	7,920	-6,887	-3,672
1996	-12,657	6,970	8,546	-4,725	-1,866
1996 Q3	-3,162	1,881	1,699	-1,033	-615
1996 Q4	-2,604	1,988	2,048	-1,135	297
1997 Q1	-2,494	2,320	3,026	-1,214	1,638
1997 Q2	-2,997	2,549	2,897	-1,007	1,442
1997 Q3	-2,568	2,314	2,153	-1,426	473

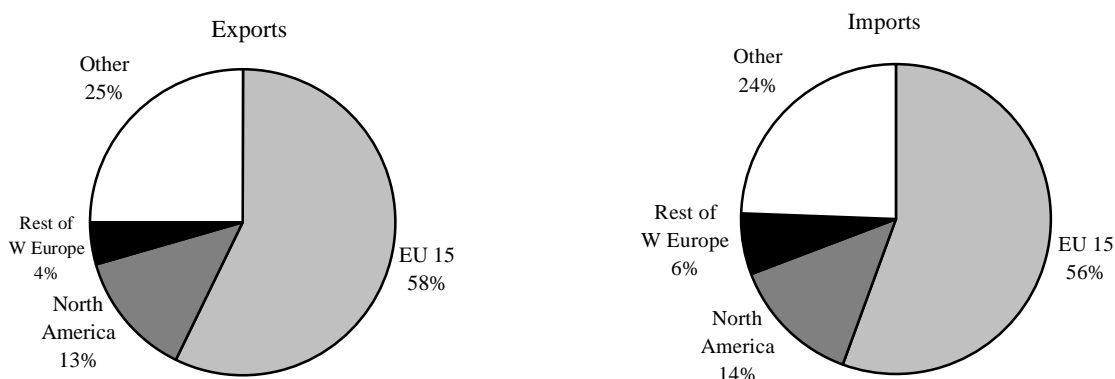
Source: ONS database (Series AIMA, AIMC, AIMD, AIME, AIMF)

- In addition to figures for trade in goods, the ONS is publishing figures for trade in services on a monthly basis. Figures for other elements of the current account are published on a quarterly basis.
- In the third quarter of 1997 the estimated deficit in goods **and** services overall fell to £254 million from £448 million in the second quarter.
- The current account was in surplus by £473 million in the third quarter of 1997 compared to a surplus of £1,442 million in the second quarter.
- The deficit on transfers rose in the third quarter to £1,426 million from £1,007 million in the previous quarter. Between the two quarters the deficit on transfers with the EU increased from £528 million to £845 million.

Next update: 20 March

E 2. Trade in Goods

Shares of visible trade by area: 1996
Balance of Payment Basis



Export and import volume indices and trade in goods balances
seasonally adjusted; Balance of Payment basis

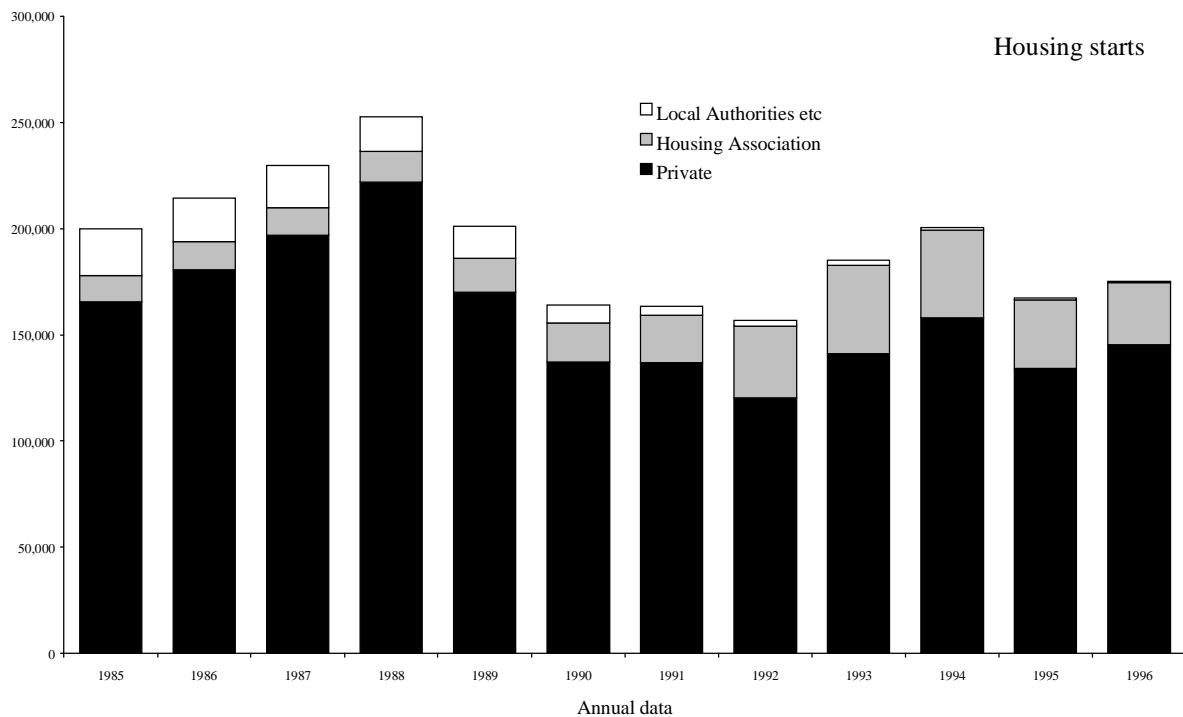
	Volume Index 1990=100		Trade in Goods Balance (£m)		
	Exports	Imports	Exports	Imports	Balance
1994	118.5	109.4	134,664	145,793	-11,129
1995	127.7	114.3	153,077	164,659	-11,582
1996	136.8	124.5	166,921	179,578	-12,657
1996 Q3	137.2	125.0	41,831	44,993	-3,162
1996 Q4	140.0	126.5	42,348	44,952	-2,604
1997 Q1	143.0	128.4	42,111	44,595	-2,484
1997 Q2	148.3	135.0	42,614	45,536	-2,922
1997 Q3	150.6	136.3	43,208	45,868	-2,660

Source: ONS database (Series: CGTR, CGTS, CGKG, CGHK, AIMA)

First Release, UK Trade, ONS(98) 22, 28 January 1998

- **EU:** In the third quarter of 1997, the deficit with EU countries increased to £1,238 million from £1,152 million in the second quarter. For the three months ended November 1997, exports (in value terms) to the EU countries declined, including falls in exports to Germany and France. The UK deficit on trade in goods with EU members for 1996 was £4.1 billion, marginally higher than the 1995 figure. In 1996 the other members of the enlarged European Union (EU 15) received 58% of UK exports and supplied 56% of all UK imports.
- **Non EU:** For the three months ended November 1997, exports fell in value compared to the previous three-month period. The largest falls in exports were to non-EU Western Europe and Rest of World. For the same three months, countries outside the EU accounted for the growth (in value) of imports. The largest rise was in imports from Oil Exporting Countries.
- The UK's overall deficit on trade in goods in November is provisionally estimated at £1.5 billion compared with £1.3 billion deficit in October. In November export volumes fell by 4½% and import volumes by 2½% compared with the previous month, possibly reflecting a high exchange rate. The latest estimate of volume trends shows exports flat and imports rising.

F 1. Housing



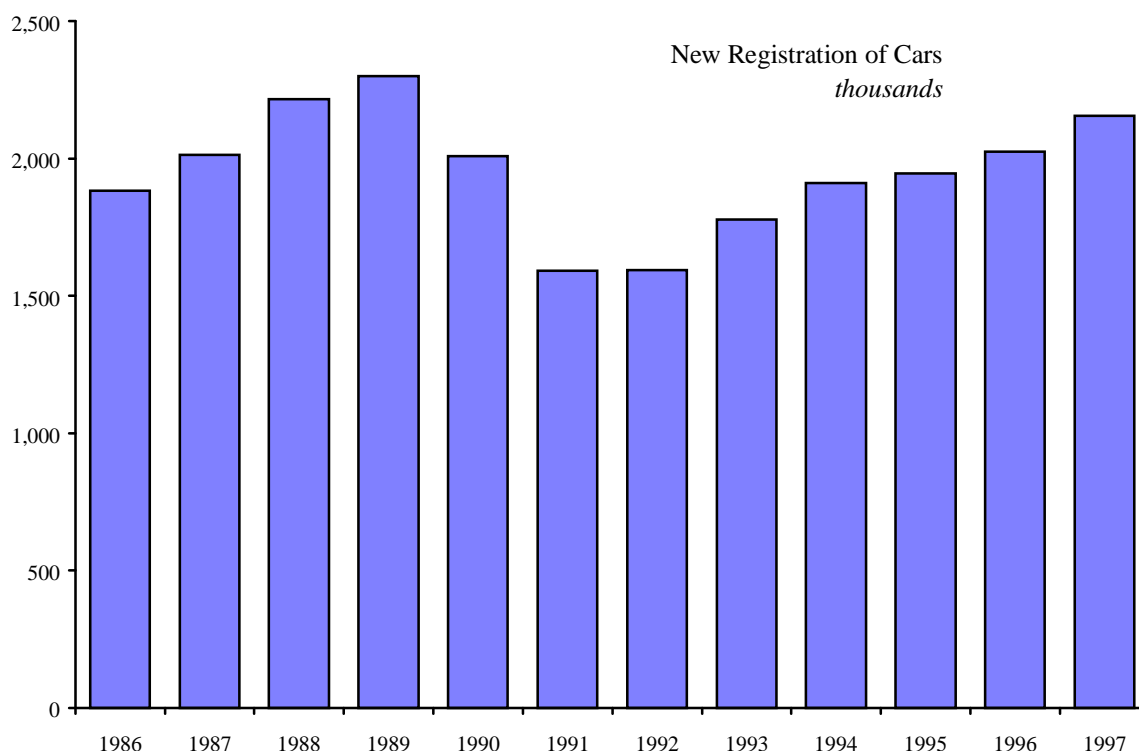
House prices				
	All Houses	New Houses	Existing Houses	First time buyers
Standardised average price (£)				
1996	43,600	49,500	64,000	47,100
1997	46,300	50,800	68,300	49,700
1996 Q4	44,400	49,000	65,300	48,200
1997 Q3	46,700	50,800	68,900	50,100
1997 Q4	46,800	50,800	68,900	50,000
% change over same period last year				
1996	4.5%	1.8%	4.8%	3.9%
1997	6.3%	2.6%	6.7%	5.6%
1996 Q4	7.5%	0.6%	7.9%	7.7%
1997 Q3	6.6%	2.5%	6.9%	5.8%
1997 Q4	5.4%	3.5%	5.5%	3.8%

Source: Halifax House Price Index: Fourth Quarter 1997

- Provisional estimates for November 1997 show that the seasonally adjusted total starts in September-November 1997 were 8% higher than in the previous three months.
- Using the Halifax Quarterly Index, house prices increased by 5.4% in the year to 1997 Q4 in the UK as a whole. The largest increase was in Greater London (15.2%), whilst two regions recorded slight falls: Scotland had a fall in prices of 1.9% and Yorkshire & Humberside a fall of 1.4%.
- Using the Halifax Monthly Index, house prices in the UK as a whole fell by 0.2% between November and December on a seasonally adjusted basis. This followed a rise of 0.9% between October and November. On an annual basis, house price inflation slowed to 4.3% pa in December 1997 from the 6.1% pa reported in November.

Next update: Prices - 5 March; Starts - 5 February

F 2. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

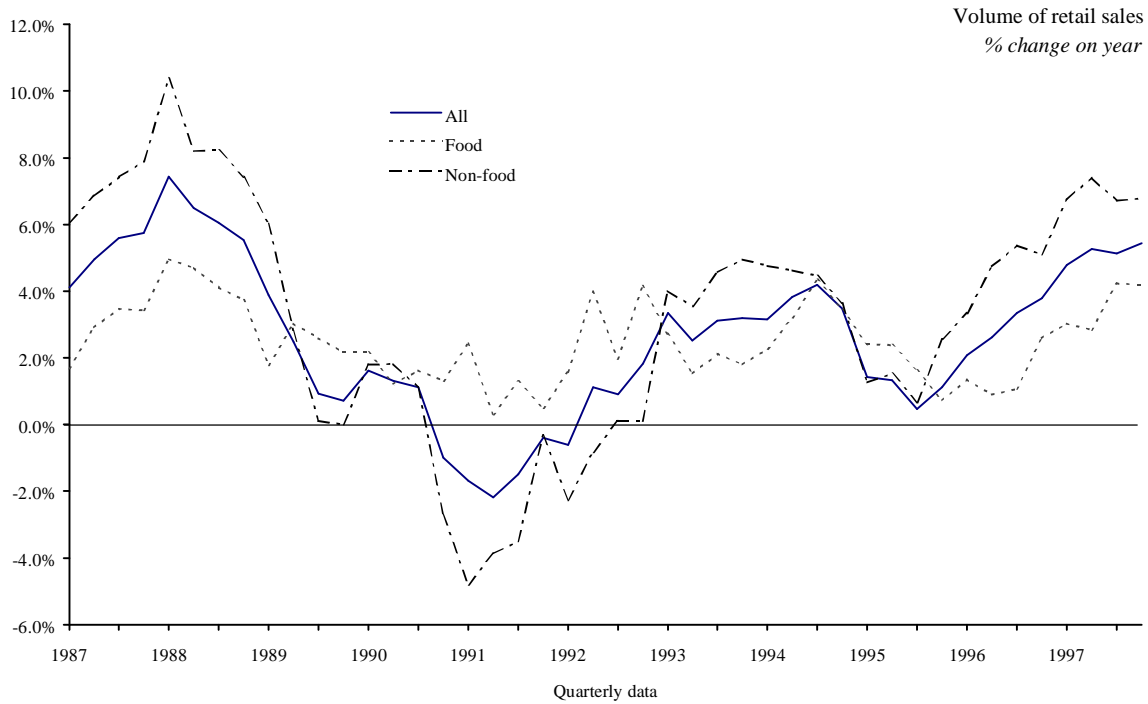
	Numbers thousands	Change over 12 months
1993	1,778	11.6%
1994	1,911	7.5%
1995	1,945	1.8%
1996	2,025	4.1%
1997 (provisional)	2,171	7.2%
1998 (forecast)	2,100	-3.3%
1999 (forecast)	2,050	-2.4%
Sep-97	161	16.4%
Oct-97	157	1.3%
Nov-97	152	12.6%
Dec-97	85	9.0%
1997 Year to date	2,171	7.2%

- Figures from the SMMT show that the number of new registrations of cars exceeded 2 million in 1996 and 1997, representing year on year changes of 4.1% and 7.2% respectively. The figure for 1997 is the third highest annual level after 1989 and 1988.
- The SMMT is forecasting declines for 1998 and 1999 of 3.3% and 2.4% respectively.
- 84,634 cars were registered in December 1997, an increase of 9% on the figure for December 1996.
- Importers took 65% of the market in December, taking their market share for the year as a whole to a record high of 66.2%

Source: SMMT "Monthly Statistical Review", Dec. 1997

Next update: mid February

F 3. Retail Sales



Value of Sales
not seasonally adjusted; % change on year

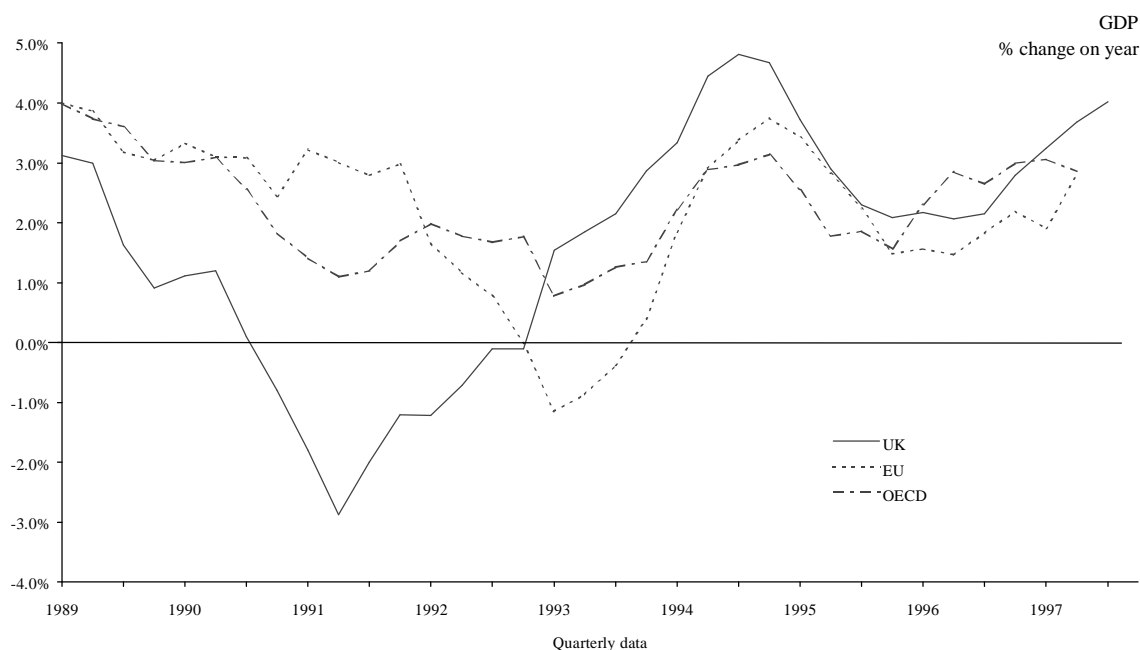
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1995	5%	3%	3%	3%
1996	5%	4%	8%	5%
1997	4%	9%	11%	6%
1996 Q4	2%	5%	10%	4%
1997 Q1	4%	6%	9%	8%
1997 Q2	2%	8%	13%	5%
1997 Q3	4%	6%	10%	7%
1997 Q4	5%	9%	9%	6%

Source: ONS database (series EAWN, EAWO, EAWP, EAWQ)

- Retail sales continue to show strong growth. In volume terms, sales in the final quarter of 1997 were 5.5 per cent higher than in the same period of 1996.
- Since late-1995, sales from predominately non-food stores have been growing at a faster rate than those from predominately food stores.
- Unadjusted data on the value of sales shows sales continue to suggest strong growth in sales of household goods, possibly a continuing reflection of additional spending from windfall gains.

Next update: 10 February

G 1. International Comparisons - Growth



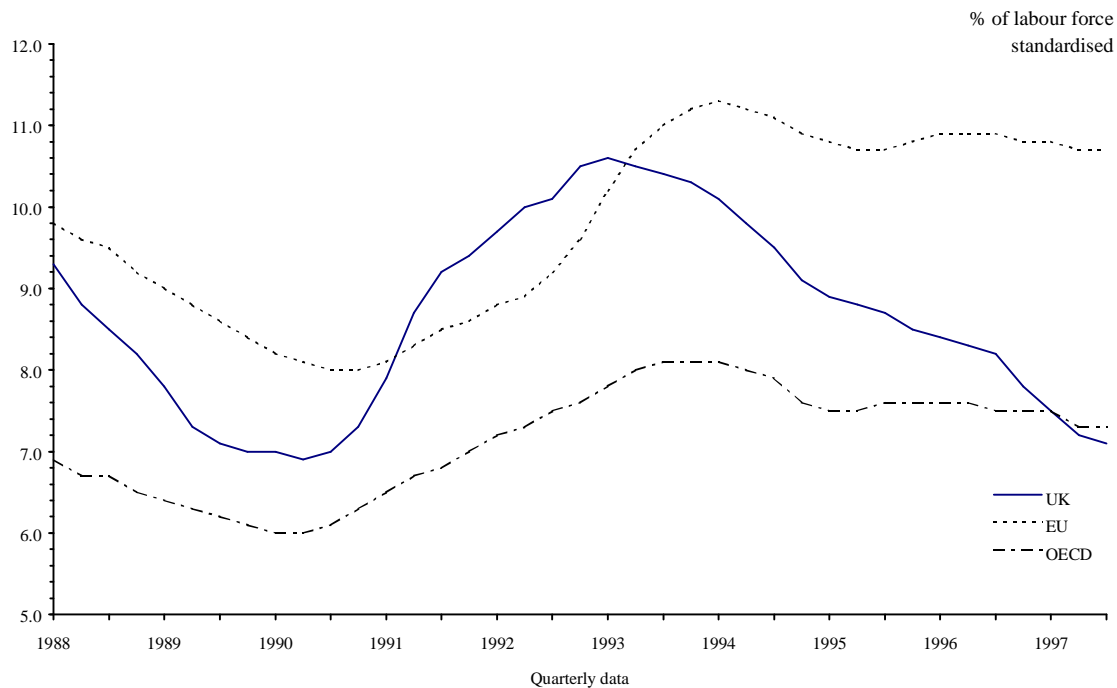
	GDP at constant market prices % change on year						
	1994	1995	1996	1996 Q4	1997 Q1	1997 Q2	1997 Q3
USA	3.5%	2.0%	2.7%	3.2%	4.0%	3.4%	3.9%
Japan	0.7%	1.4%	3.9%	3.4%	2.8%	-0.2%	1.1%
Canada	3.9%	2.2%	1.2%	1.9%	2.9%	4.0%	3.9%
United Kingdom	4.3%	2.8%	2.3%	2.8%	3.2%	3.7%	4.0%
Germany	2.8%	1.8%	1.4%	2.1%	2.5%	2.1%	2.4%
France	2.8%	2.1%	1.5%	2.4%	1.4%	2.6%	2.6%
Italy	2.2%	2.9%	0.8%	0.3%	-0.6%	2.1%	2.1%
EU15	3.0%	2.4%	1.8%	2.2%	1.9%	2.8%	n.a.
OECD	2.8%	2.0%	2.7%	3.0%	3.1%	2.9%	n.a.

Source: OECD Main Economic Indicators, January 1998

- In year to the third quarter of 1997 the UK economy grew by 4.0%. This was the highest growth rate among the G7 countries although rates in Canada and the USA were similar. In the second quarter of 1997 growth in the UK was above the average for both the EU15 and the OECD as a whole.
- Since the beginning of 1993 the UK has consistently grown at a faster rate than the EU average. This partly reflects an earlier recovery from the recession.
- The forecasts in the December 1997 edition of the OECD's *Economic Outlook* suggest that growth in the UK is likely to fall below the EU average in 1998 and 1999.

Next update: late February

G 2. International Comparisons - Unemployment



Unemployed as % of labour force
standardised; seasonally adjusted

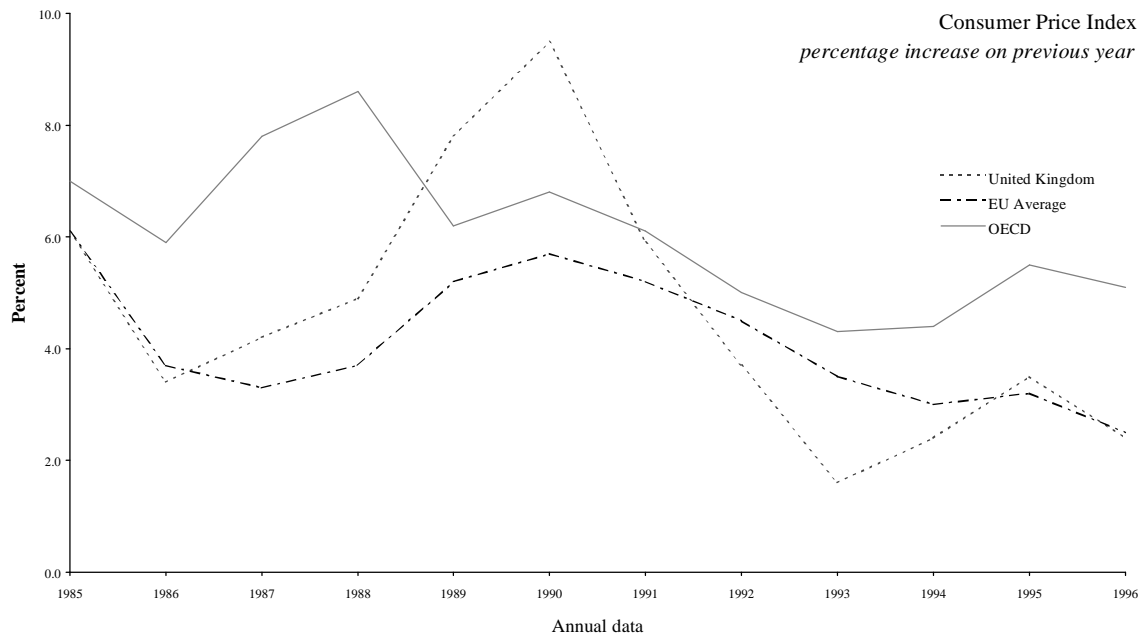
	1994	1995	1996	1996 Q4	1997 Q1	1997 Q2	1997 Q3
USA	6.1	5.6	5.4	5.3	5.3	4.9	4.9
Japan	2.9	3.1	3.4	3.3	3.3	3.4	3.4
Canada	10.4	9.5	9.7	9.9	9.6	9.4	9.0
United Kingdom	9.6	8.8	8.2	7.8	7.5	7.2	7.1
Germany	8.4	8.2	8.9	9.1	9.4	9.6	9.9
France	12.3	11.7	12.4	12.6	12.5	12.6	12.6
Italy	11.4	11.9	12.0	12.0	12.2	12.1	na
EU 15	11.1	10.8	10.9	10.8	10.8	10.7	10.7
G7	7.1	6.8	6.8	6.8	6.8	6.6	6.6
OECD	7.9	7.5	7.6	7.5	7.5	7.3	7.3

Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate was significantly below the EU average but a little above the average for G7 countries.
- Other countries with unemployment rates below that of the UK were: Austria (4.5%), Denmark (6.2%), Luxembourg (3.7%), Norway (4.1%) and Portugal (6.2%), New Zealand (6.8%) and the Netherlands (5.3%).

Next update: mid February

G 3. International Comparisons – Prices



Consumer Price Index
% change over 12 months

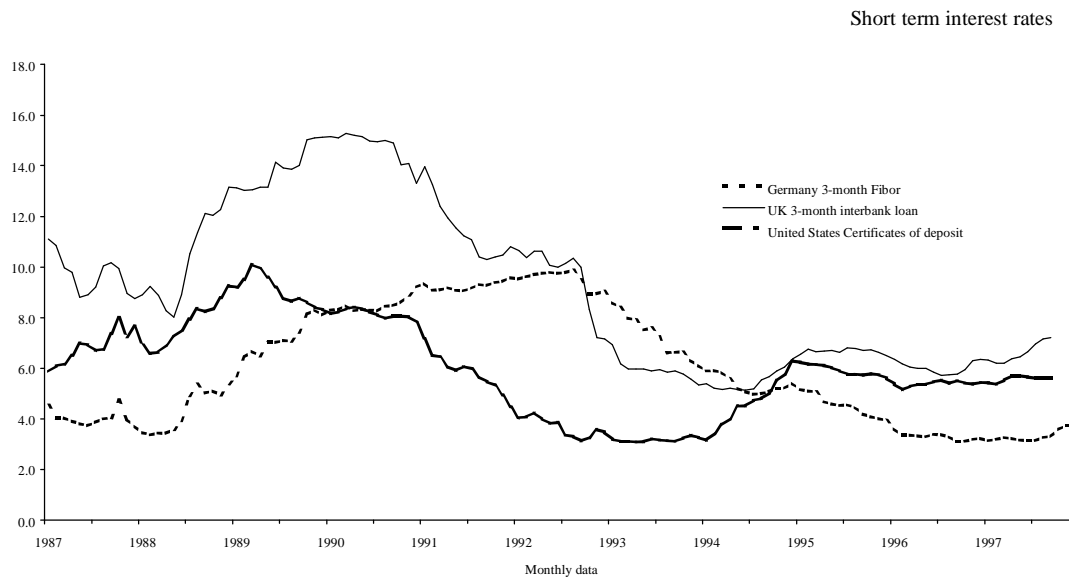
	1996	Oct 1997	Nov 1997	Dec 1997
United States	2.9%	2.1%	1.8%	1.7%
Japan	0.1%	2.5%	2.1%	..
Canada	1.5%	1.5%	0.9%	0.7%
OECD	5.0%	4.4%	4.3%	4.2%
UK	2.5%	3.8%	3.7%	3.7%
Germany	1.5%	1.8%	1.9%	1.7%
France	2.0%	1.0%	1.3%	1.1%
Italy	3.8%	1.6%	1.6%	1.6%
EU 15	2.5%	2.0%	2.2%	2.0%

Source: OECD Main Economic Indicators

- The EU inflation rate has increased slightly in recent months, although it remains lower than it was this time last year.
- Of all the EU Member States, Greece remains the country with the highest rate of inflation, currently 5%.
- Seven Member States (Belgium, Denmark, Germany, Luxembourg, the Netherlands, Finland and Sweden) have seen an increase in their annual inflation rate over the last year.

Next update: mid February

G 4. International Comparisons - Interest Rates



- UK interest rates remain well above key European rates reflecting the relative buoyancy of the UK economy compared to other parts of Europe.
- Expectations of a significant rise in rates in the United States remain confounded. The Chairman of the Federal Reserve commented that the turmoil in the world's stock markets in late October were "...a salutary event in terms of its implications for the macroeconomy", suggesting no early change in US policy. The dollar has benefited from its status as a 'safe haven' currency and this make a US rate rise even less likely.
- Japanese interest rates are for all practical purposes at their lowest level. The government is expected to introduce a further fiscal stimulus to the Japanese economy and the Bank of Japan wants to prevent the Yen from appreciating against the dollar. In view of this, Japanese interest rates are likely to remain at this level for some time, unless the economy, which is no longer in recession, grows strongly.

Short-Term Interest Rates as at 30 January 1998

	3-month rate (% pa)
London	7 ¹ / ₄
New York	5 ⁹ / ₁₆
Frankfurt	3 ⁹ / ₁₆
Tokyo	¹⁵ / ₃₂
Paris	3 ¹ / ₂
Milan	6 ¹ / ₁₈
Brussels	3 ⁵ / ₈

Source: *Financial Times*, 2 February 1998