



RESEARCH PAPER 98/40  
1 APRIL 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: Public Debt.

Jane Dyson (Editor)

ECONOMIC POLICY & STATISTICS SECTION

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## CONTENTS

<b>I</b>	<b>Contacts for further information</b>	<b>5</b>
<b>II</b>	<b>Public Debt</b>	<b>6</b>
<b>III</b>	<b>Subject pages</b>	<b>10</b>
	<b>A. Growth &amp; Output</b>	<b>10</b>
	1. GDP	10
	2. GDP by Industry	11
	3. Investment	12
	4. Productivity	13
	<b>B. Prices &amp; Wages</b>	<b>14</b>
	1. Retail Prices	14
	2. Average Earnings	15
	<b>C. Labour Market</b>	<b>16</b>
	1. Employment	16
	2. Unemployment: National	17
	3. Unemployment: Regional	18
	<b>D. Finances &amp; Government Borrowing</b>	<b>19</b>
	1. Interest Rates	19
	2. Exchange Rates	20
	3. PSBR	21
	4. Money Supply	22
	<b>E. International Trade</b>	<b>23</b>
	1. International Trade	23
	2. Trade in Goods	24

<b>F.</b>	<b>Other Indicators</b>	<b>25</b>
1.	Housing	25
2.	New Registration of Cars	26
3.	Retail Sales	27
<b>G.</b>	<b>International Comparisons</b>	<b>28</b>
1.	Growth	28
2.	Unemployment	29
3.	Prices	30
4.	Interest Rates	31

## 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	Bryn Morgan	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	Graham Vidler	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 Public Debt

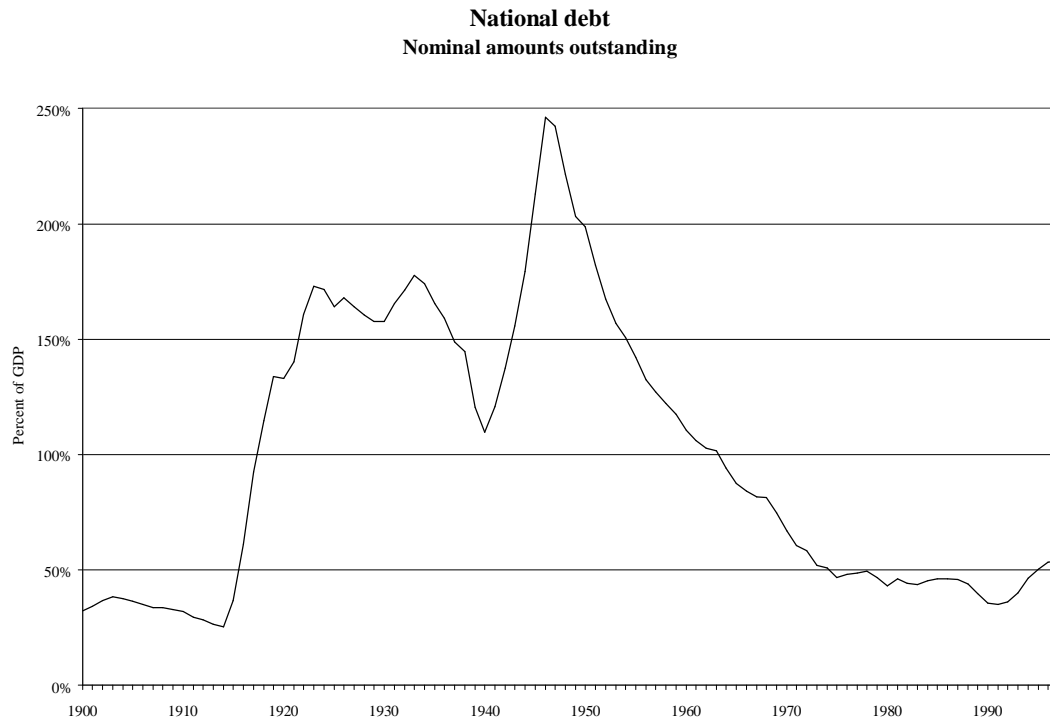
One of the fiscal rules adopted by the Government in the July 1997 Budget relates to public debt:

Public debt as a proportion of national income will be held over the economic cycle at a stable and prudent level.

There are several measures of government debt of which the most important are:

- **Net public sector debt.** This represents the consolidated debt of central government, local authorities and public corporations less the value of liquid assets such as official reserves, gilts held under repo and bank and building society deposits. Net public sector debt is the Treasury's preferred measure and the nearest stock equivalent to the PSBR.
- **Gross general government debt.** This represents the consolidated debt of central government and local authorities and is the measure of debt used in the Maastricht convergence criteria. Under the protocol on the Excessive Budgets Procedure there is a reference value of 60% for the ratio of government debt to GDP.
- **The National Debt.** This represents the nominal outstanding liabilities of the National Loans Fund. As such it is a measure of central government Exchequer debt. While not widely quoted these days it provides a useful basis for long-term comparisons.

At 31 March 1997 the National Debt stood at some £420 billion or around 54% of GDP. The chart overleaf provides a long-term perspective of trends in the ratio of public debt to GDP. At the start of the 20<sup>th</sup> Century, the debt/GDP ratio was around 30%. There were substantial increases during both World Wars with the ratio peaking at around 250% in 1946. After the Second World War, the ratio was in steady decline for around 30 years. This was partly assisted by the post-War trend for the inflation rate to be consistently positive - inflation erodes the real value of outstanding debt, hence reducing the debt/GDP ratio. Trends since the mid-1970s are discussed in more detail below.



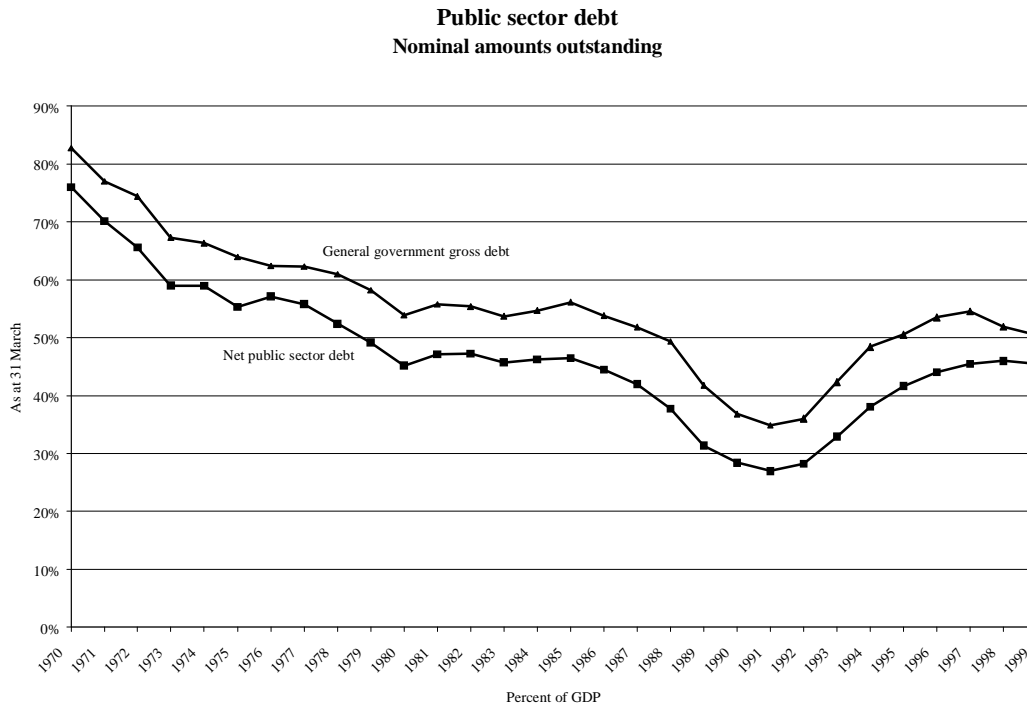
The table on page 9 sets out more detailed statistics on trends in net public sector debt and general government gross debt in the period since 1970. The debt/GDP ratios are illustrated in the graph overleaf.

Despite high PSBRs – net public sector debt trebled in absolute terms between 1973 and 1982 – the debt/GDP ratio fell as high inflation rates eroded the real value of the debt. Towards the end of the 1980's negative PSBRs resulted in falls in the nominal amounts of debt and a rapid decline in the debt/GDP ratio. By 31 March 1991 the stock of net public sector debt had fallen to £153 billion. With the onset of the recession this trend was quickly reversed. By 31 March 1997 the total had more than doubled to £350 billion. Over this period net public sector debt rose from 27% of GDP to 45%.

Budget forecasts suggest that the debt/GDP ratio peaked in 1997 and is now expected to fall. Trends beyond 1999 in part depend on the outcome of the Government's Comprehensive Spending Reviews, which will help to determine public expenditure levels from 1999/00 onwards. However, on all three illustrative scenarios contained in the Budget Red Book, the

# Research Paper 98/40

debt/GDP ratio continues to fall throughout this Parliament. Net public sector debt is projected to be in the range 29 to 34 percent of GDP by March 2003.<sup>1</sup>



*For further information on this subject contact Robert Twigger on ext. 4904*

<sup>1</sup> See table B5 in the Budget Red Book for details.



**Public debt**

31 March	Net public sector debt		Gen. Govt. gross debt (d)	
	Total £ billion	Percent of GDP (b)(c)	Total £ billion	Percent of GDP (b)(e)
1970	38	76.0%	39	82.8%
1971	39	70.2%	40	77.0%
1972	40	65.6%	43	74.4%
1973	42	59.0%	45	67.3%
1974	47	59.0%	49	66.4%
1975	54	55.4%	56	64.0%
1976	67	57.2%	68	62.4%
1977	77	55.8%	80	62.3%
1978	84	52.4%	91	61.0%
1979	91	49.2%	99	58.2%
1980	100	45.2%	110	53.9%
1981	115	47.1%	130	55.8%
1982	127	47.3%	142	55.4%
1983	134	45.7%	151	53.7%
1984	146	46.2%	167	54.7%
1985	159	46.5%	183	56.1%
1986	165	44.5%	193	53.8%
1987	170	42.0%	200	51.8%
1988	170	37.8%	211	49.4%
1989	156	31.4%	199	41.8%
1990	154	28.4%	190	36.8%
1991	153	27.0%	194	34.8%
1992	168	28.2%	209	36.1%
1993	205	32.9%	256	42.4%
1994	251	38.1%	309	48.4%
1995	290	41.7%	342	50.5%
1996	322	44.1%	380	53.5%
1997	350	45.0%	409	54.6%
1998 (a)	355	43.5%	413	51.9%
1999 (a)	359	42.1%	421	50.5%

- Notes: (a) Budget forecasts.  
 (b) Money GDP adjusted for the abolition of domestic rates.  
 (c) GDP for year centred on 31 March.  
 (d) Maastricht definitions from 1992.  
 (e) GDP for the 12 months ending 31 March.

Sources: Bank of England "Statistical Abstract" 1997 table 13.1  
 HM Treasury "FSBR March 1998" HC 620 1997-98 table B7  
 ONS database

## A 1. Gross Domestic Product

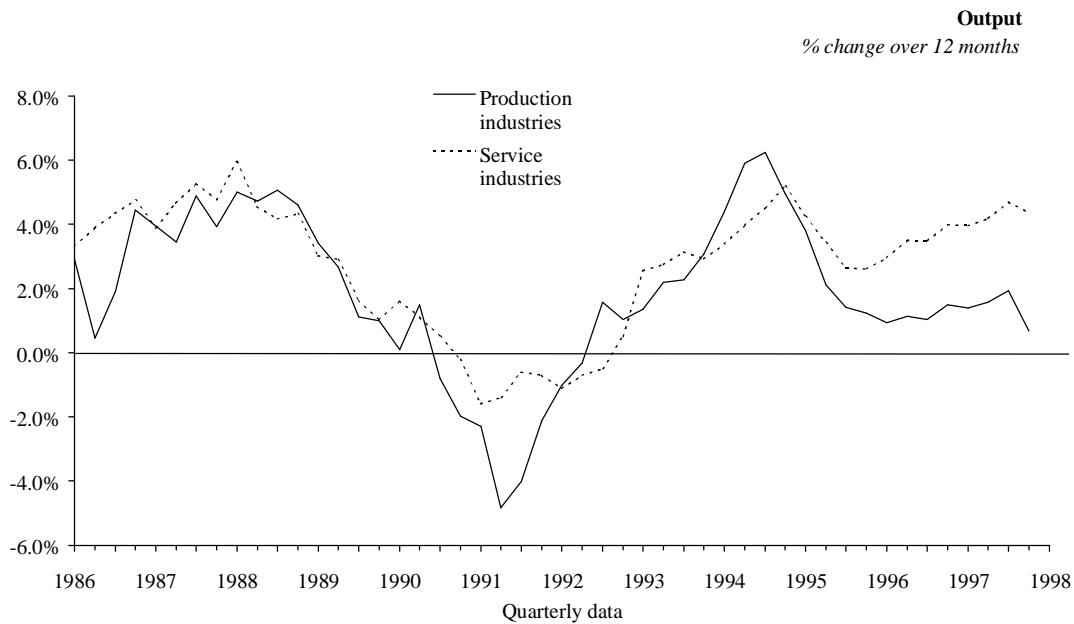


	Gross Domestic Product <i>seasonally adjusted</i>			
	GDP at constant factor cost <i>12 month change</i>	Non-Oil GDP at constant factor cost <i>12 month change</i>	GDP at current market prices <i>£ billion</i>	GDP at current factor cost <i>£ billion</i>
1995	2.8%	2.7%	704.2	608.1
1996	2.5%	2.4%	742.1	642.9
1997	3.1%	3.1%	786.3	675.8
1996 Q3	2.5%	2.4%	186.0	161.2
Q4	2.9%	2.8%	190.3	164.7
1997 Q1	2.8%	2.8%	192.6	166.1
Q2	3.1%	3.3%	195.8	168.1
Q3	3.4%	3.4%	198.1	169.8
Q4	2.9%	3.0%	199.8	171.8

Source: ONS Database; ONS first release (98)63

- Revised estimates for the fourth quarter of 1997 suggest that gross domestic product (GDP) grew by 0.6% to a level 2.9% higher than in the fourth quarter of 1996. Estimates for 1997 as a whole suggest a growth rate of 3.1% compared with 2.5% in 1996.
- Output excluding oil and gas extraction grew by 0.7% in the fourth quarter of 1997 to a level 3.0% higher than in the fourth quarter of 1996. On this basis, the economy has grown by 16.9% 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 2.3% in 1998 and 2.0% in 1999.

## A 2. GDP by Industry



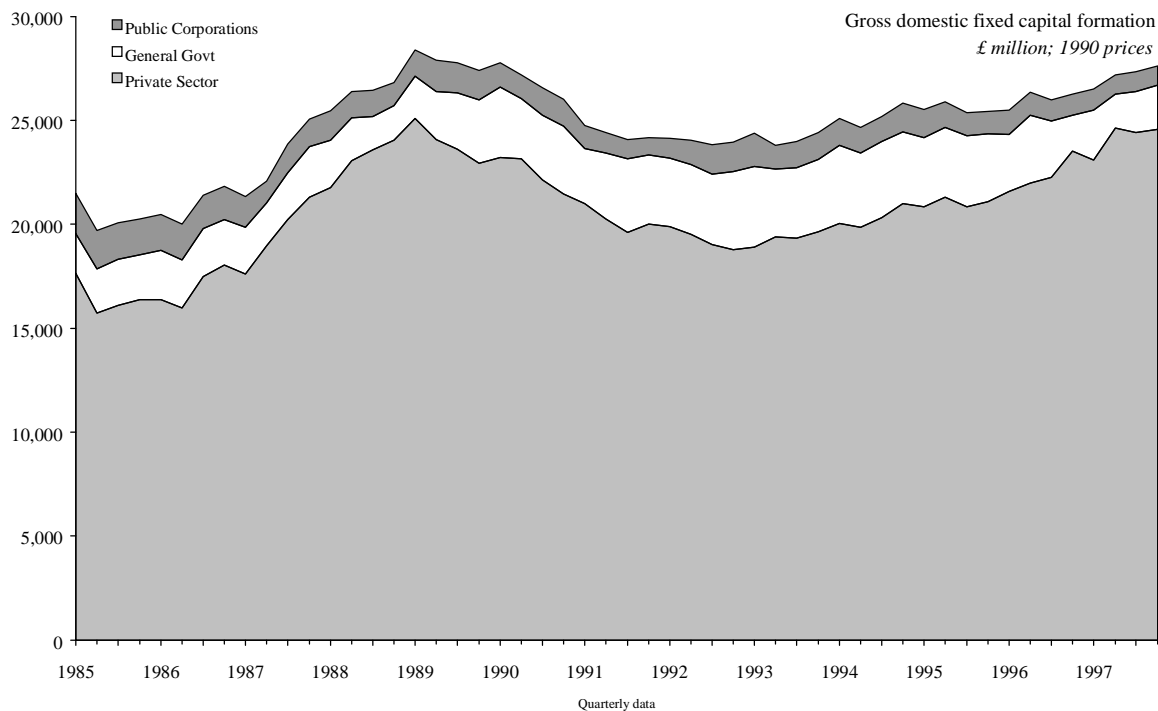
Gross domestic product  
% changes on year; seasonally adjusted

	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	1.4%	1.5%	4.3%	-2.3%	2.3%
1996 Q3	1.0%	0.4%	3.5%	-1.1%	1.9%
Q4	1.5%	0.7%	4.0%	-2.3%	2.9%
1997 Q1	1.4%	1.5%	4.0%	-5.5%	2.3%
Q2	1.6%	2.0%	4.2%	0.3%	3.2%
Q3	1.9%	1.6%	4.7%	-2.6%	2.0%
Q4	0.7%	0.9%	4.3%	-1.4%	1.8%

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%. Growth of industrial production fell sharply in the last quarter of 1997 to an annual rate of around ¾%. This partly reflected falling output in the mining & quarrying and electricity, gas & water sectors which, in turn, reflected lower oil and gas extraction and reduced energy consumption as a result of December's mild weather. Manufacturing output fell by 0.5% between the third and fourth quarters highlighting concerns about the impact on the sector of the appreciation of Sterling.
- Monthly data for industrial production show output falling by 0.5% between December 1997 and January 1998. There were falls in output in the mining & quarrying and electricity, gas & water sectors but output in manufacturing was unchanged.
- 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%.

### 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
1995	9,450	36,352	36,125	20,322	102,249
1996	9,727	37,083	37,205	20,106	104,121
1997	11,417	38,460	38,301	20,515	108,693
1996 Q4	2,442	8,989	9,505	5,335	26,271
1997 Q1	3,024	9,171	9,378	4,950	26,523
Q2	2,788	9,711	9,641	5,063	27,203
Q3	2,714	9,775	9,701	5,152	27,342
Q4	2,891	9,803	9,581	5,350	27,625

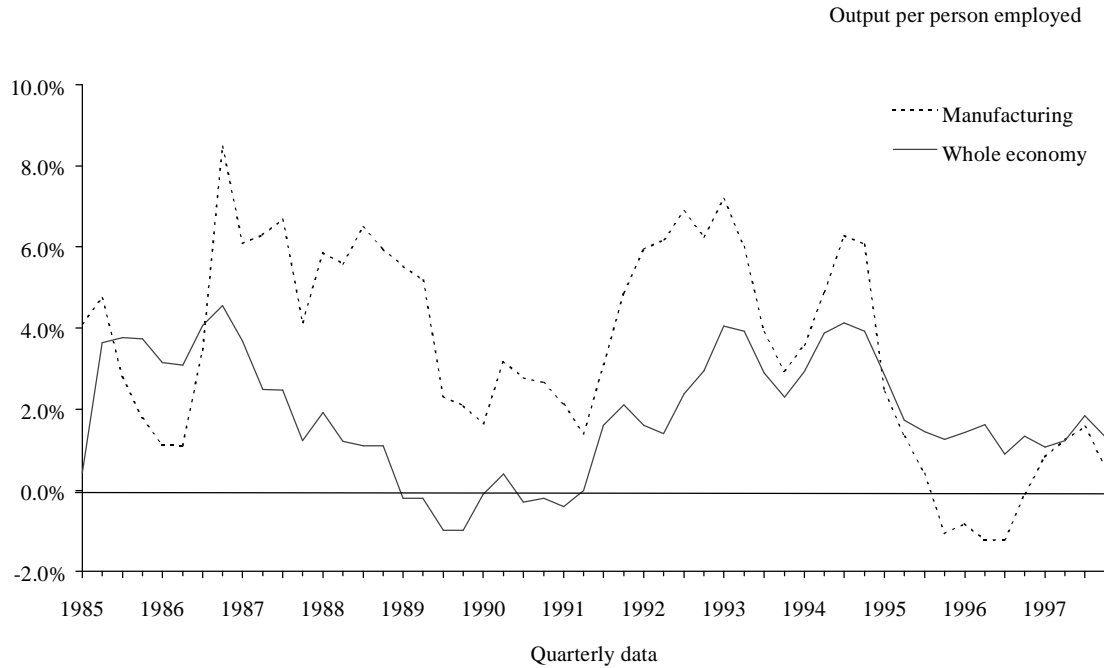
Notes: (1) including transfer of costs of land and buildings

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.
- New figures show that the 1997 total GDFCF (at 1990 prices) is estimated to have risen by 4.4% compared with 1996, which in turn was 1.8% higher than the level in 1995. However, GDFCF in 1997 was still 2.5% below the peak (£111.5 billion) reached in 1989.
- The revised estimate of capital expenditure by manufacturing industries show the fourth quarter was 4% lower than the previous quarter but 13% higher than the fourth quarter of 1996.

Next update: 21 May

## A 4. Productivity



% change on year  
*seasonally adjusted*

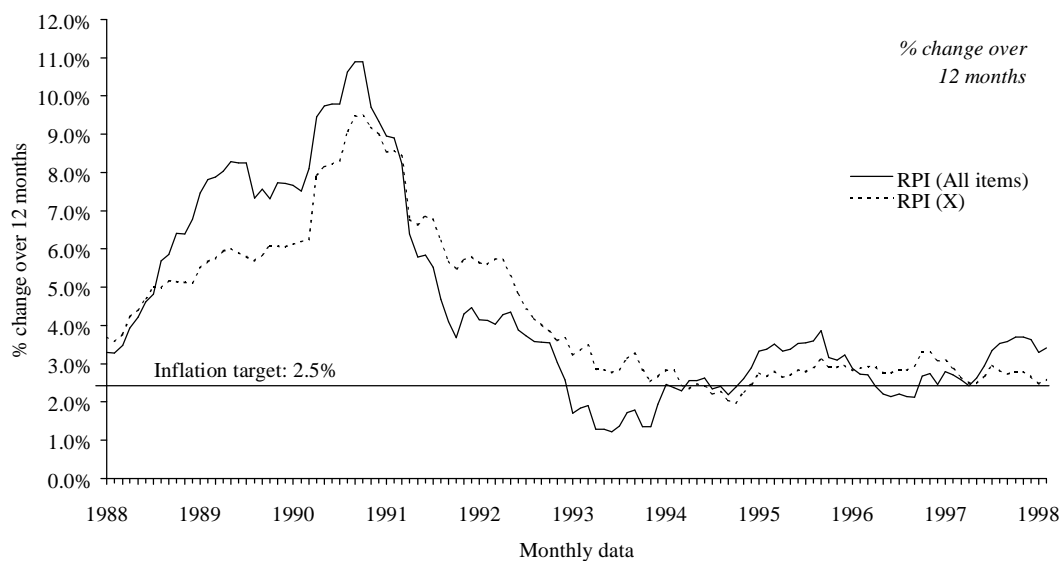
	Manufacturing			Whole Economy		
	Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1995	1.7%	1.0%	0.8%	2.8%	0.8%	1.9%
1996	0.3%	1.1%	-0.9%	2.5%	1.2%	1.2%
1997	1.5%	0.5%	1.1%	3.1%	1.7%	1.4%
1996 Q4	0.7%	0.7%	-0.1%	2.9%	1.6%	1.3%
1997 Q1	1.5%	0.6%	0.8%	2.8%	1.8%	1.1%
Q2	2.0%	0.8%	1.2%	3.1%	1.9%	1.2%
Q3	1.6%	0.0%	1.6%	3.4%	1.7%	1.8%
Q4	0.9%	0.4%	0.6%	2.9%	1.6%	1.3%

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

- Growth in output per head has slowed considerably since 1994 levels. 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 a small improvement in productivity growth compared to 1996, although rates remain well below the levels seen in the late 1980s and early 1990s.
- Manufacturing productivity growth slowed significantly in the last quarter of 1997, reflecting a downturn in output growth and negligible employment growth during the year. Productivity growth for the whole economy has also slowed during 1997; output growth has weakened whilst employment growth has remained more buoyant.

Next update: 22 April

## B 1. Retail Prices



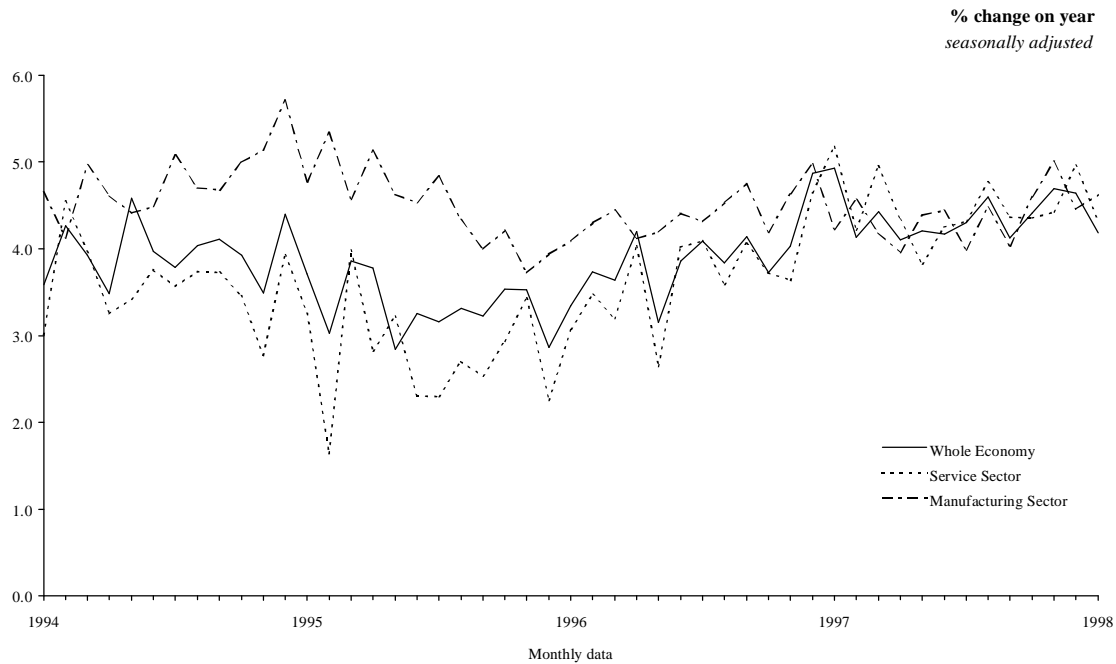
	<i>% change on previous year</i>	
	Retail Prices Index	
	All-items	excl. mortgage interest (RPI(X))
1995	3.5%	2.9%
1996	2.4%	3.0%
1997	3.1%	2.8%
1997 Feb	2.7%	2.9%
Mar	2.6%	2.7%
Apr	2.4%	2.5%
May	2.6%	2.5%
Jun	2.9%	2.7%
Jul	3.3%	3.0%
Aug	3.5%	2.8%
Sep	3.6%	2.7%
Oct	3.7%	2.8%
Nov	3.7%	2.8%
Dec	3.6%	2.7%
1998 Jan	3.3%	2.5%
Feb	3.4%	2.6%

Source: ONS Database (series CHAW, CHMK)

sales.

- 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. In February 1998 the RPI(X) inflation rate increased slightly to 2.6%.
- Independent forecasts suggest that RPI(X) will be rising at 2.7% in the fourth quarter of this year and will remain at this rate up to the fourth quarter of 1999 as well.
- As measured by the all items RPI, inflation in February 1998 rose from 3.3% to 3.4%. The slight increase was primarily attributable to a rebound in prices following discounting during the January sales.

## B 2. Average Earnings



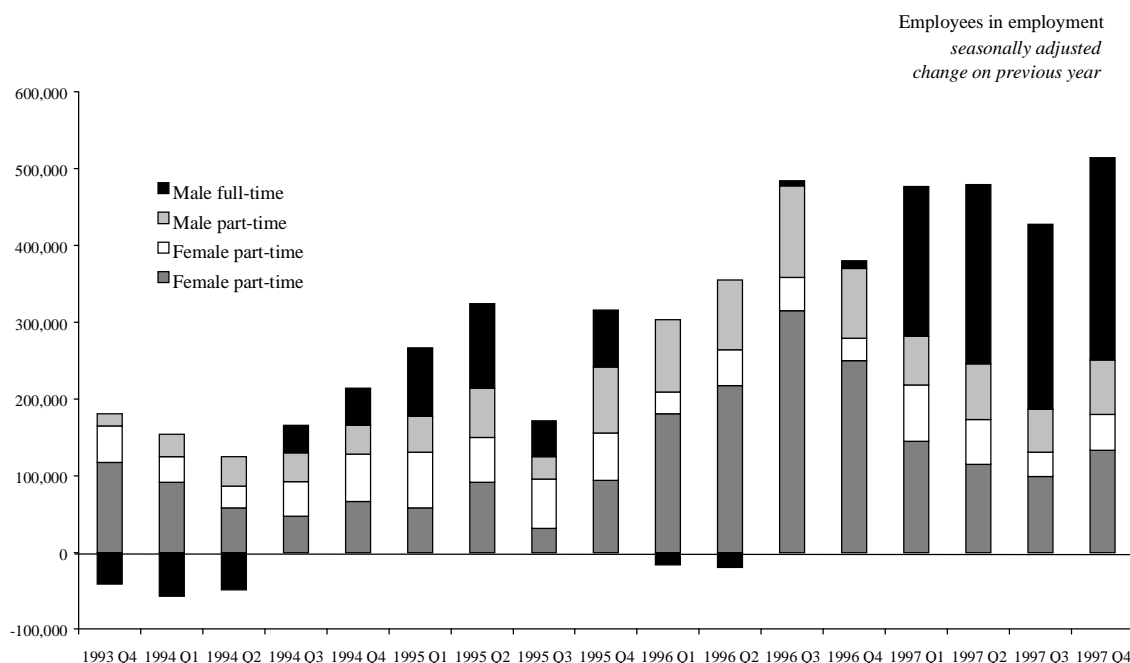
Average earnings <i>All employees; Great Britain</i>		
	% change on year	
	seasonally adjusted	underlying
1997 Jan	4.9%	4 <sup>3</sup> / <sub>4</sub> %
Feb	4.1%	4 <sup>1</sup> / <sub>2</sub> %
Mar	4.4%	4 <sup>1</sup> / <sub>2</sub> %
Apr	4.1%	4 <sup>1</sup> / <sub>2</sub> %
May	4.2%	4 <sup>1</sup> / <sub>4</sub> %
Jun	4.2%	4 <sup>1</sup> / <sub>4</sub> %
Jul	4.3%	4 <sup>1</sup> / <sub>2</sub> %
Aug	4.6%	4 <sup>1</sup> / <sub>4</sub> %
Sep	4.1%	4 <sup>1</sup> / <sub>4</sub> %
Oct	4.4%	4 <sup>1</sup> / <sub>2</sub> %
Nov	4.7%	4 <sup>1</sup> / <sub>2</sub> %
Dec	4.6%	4 <sup>1</sup> / <sub>2</sub> %
1998 Jan	4.2%	4 <sup>1</sup> / <sub>2</sub> %

Sources: ONS database (Series DNHS)  
ONS Labour Market Statistics (98)74

- Average earnings growth fell significantly to 4.2 per cent in January 1998. The underlying rate, which takes into account staged agreements and bonuses, has remained at 4<sup>1</sup>/<sub>2</sub>% for the last four months.
- Independent forecasts suggest that average earnings will increase by 4.8 per cent in 1998, and by 4.5 per cent in 1999.
- December 1997 estimates show average gross earnings for full-time employees at £20,036 per year. For male full-time employees, the average was £22,230; for female full-time employees the average was £16,276.
- In its February 1998 *Inflation Report*, the Bank of England reiterated the point that a 'nominal earnings growth higher than 4<sup>1</sup>/<sub>2</sub>% a year and unit labour costs rising more quickly than 2<sup>1</sup>/<sub>2</sub>% could not be sustained in the long run, unless domestically generated inflation were higher than 2<sup>1</sup>/<sub>2</sub>%'.

Next update: 22 April

## C 1. Employment



*seasonally adjusted; thousands*

	Employees in employment	Self employed	HM Forces	Work related govt-supported training	Workforce in employment
1994 Dec	21,874	3,345	237	296	25,752
1995 Dec	22,189	3,321	226	227	25,963
1996 Dec	22,569	3,361	216	190	26,336
1997 Mar	22,687	3,355	214	175	26,431
Jun	22,801	3,342	210	163	26,517
Sep	22,911	3,327	210	176	26,624
Dec	23,082	3,312	211	169	26,774
Changes: December 1996 to 1997					
000s	513	-49	-5	-21	438
%	2.3%	-1.5%	-2.3%	-11.1%	1.7%

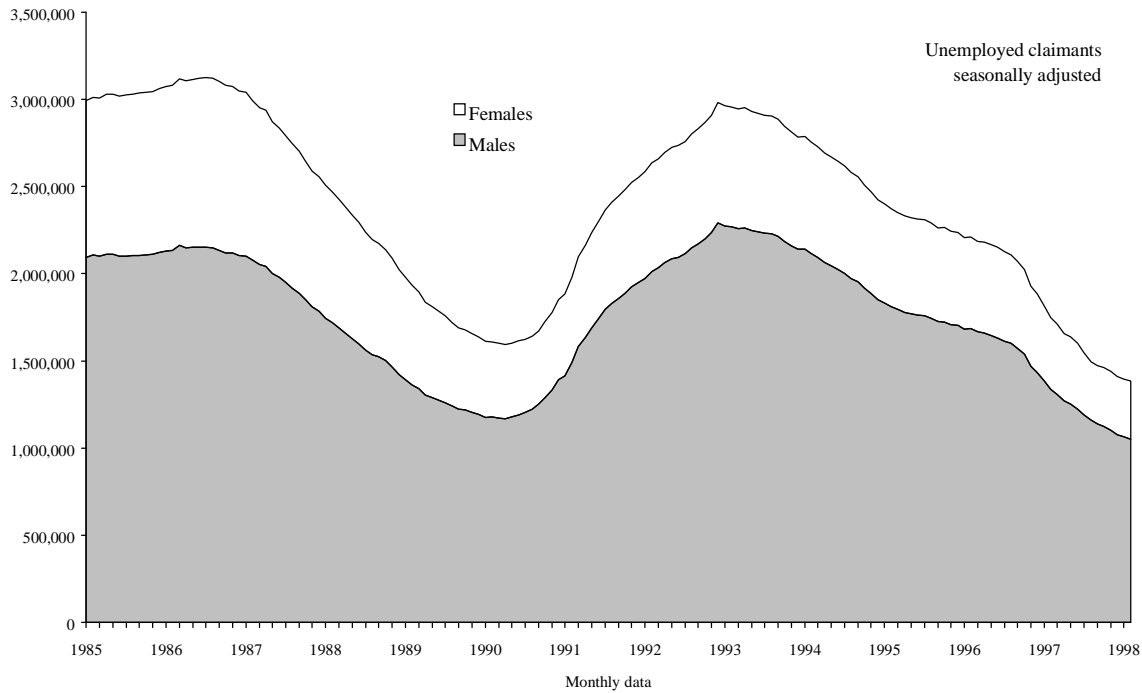
Source: ONS First Release: Labour Market Statistics ONS (98)74

- The workforce in employment has continued to increase during 1997, as strong growth in the number of employees has been slightly offset by a decline in self-employment. Employment has been growing steadily since the end of 1993 and the rate of growth has shown signs of accelerating since mid-1996.
- As employment growth has accelerated during the last year, the greatest proportionate increase has been in male part-time employment. In the year to December 1997, the number of male part-time employees grew by almost 71,000 – an increase of 5.3% on the previous year. Male part-time employees represent only 6.1% of the total workforce however.

Next update: 22 April



## C 2. Unemployment: National



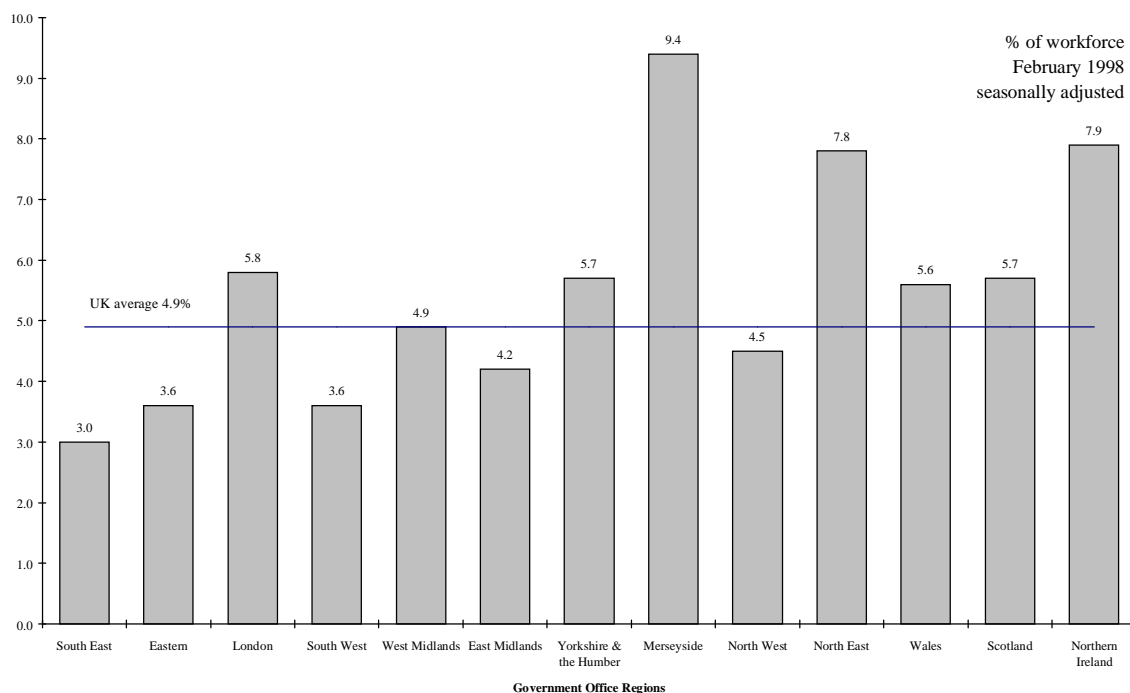
<i>seasonally adjusted</i>		
<u>Unemployed Claimants in the UK</u>		
	Number	% of workforce
1995	2,308,200	8.2
1996	2,104,000	7.5
1997	1,582,800	5.6
1997 Feb	1,748,100	6.2
Mar	1,710,800	6.1
Apr	1,654,400	5.9
May	1,637,300	5.8
Jun	1,599,800	5.7
Jul	1,545,200	5.5
Aug	1,495,400	5.3
Sep	1,473,800	5.2
Oct	1,463,200	5.2
Nov	1,439,900	5.1
Dec	1,410,800	5.0
1998 Jan	1,397,500	5.0
Feb	1,383,800	4.9

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 – 4.9% of the workforce now, compared to 10.5% in December 1992.
- The claimant unemployment rate for is 6.7% 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).

Next update: 22 April

### C 3. Unemployment: Regional



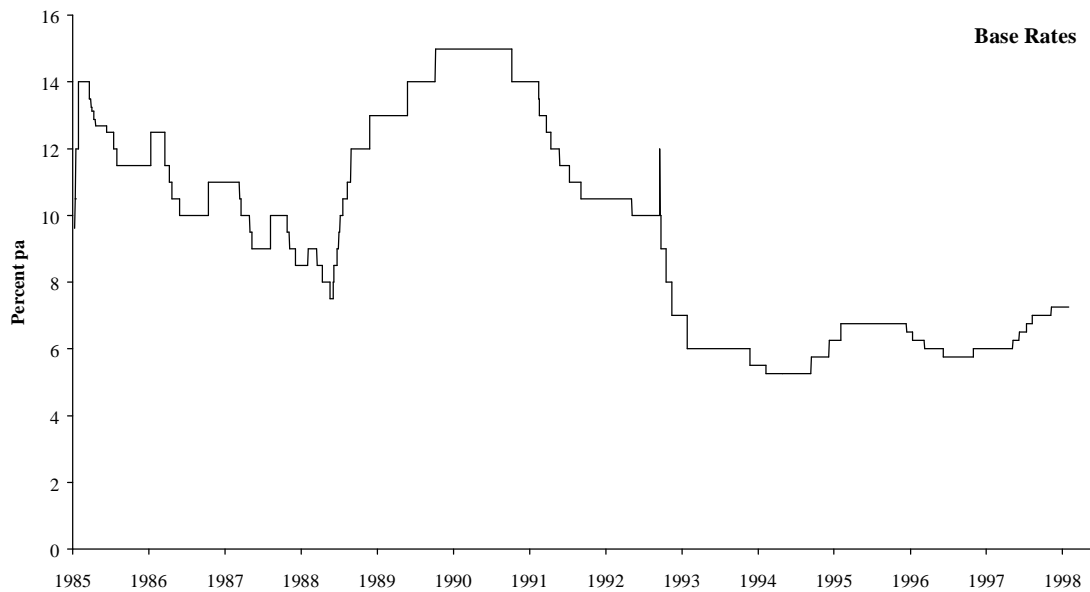
#### *% change February 1997 to 1998*

South East	-28.8%
Eastern	-26.1%
London	-22.8%
South West	-28.3%
West Midlands	-19.0%
East Midlands	-23.7%
Yorkshire & the Humber	-15.4%
Merseyside	-18.5%
North West	-21.7%
North East	-11.5%
Wales	-19.1%
Scotland	-17.2%
Northern Ireland	-11.3%
UK	-20.8%

Source: ONS (NOMIS Database)

- Regional claimant unemployment rates range from just 3.0% of the workforce in the South East to 9.4% in Merseyside.
- Unemployment has fallen fastest - by over a quarter in the past year - in the South East, the Eastern Region and the South West. It has fallen much more slowly in the North East and Northern Ireland (by only 11%).
- Merseyside still has the highest unemployment rate on the ILO definition: 10.0%, followed by London (9.5%) and the Northern Ireland (8.8%). These figures are not seasonally adjusted.
- Monthly estimates of unemployment based on the ILO definition will be available from next month.

## D 1. Interest Rates

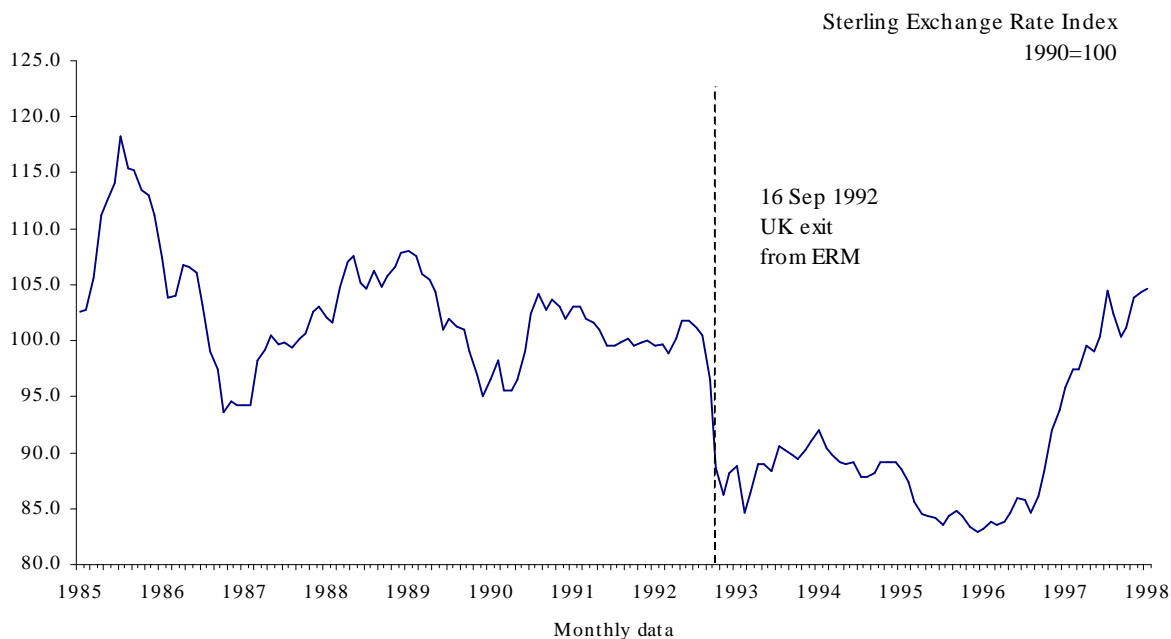


*per cent per annum*

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

- The interest rate increase on 6 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 8-9 of April.
- 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." The decision to leave rates unchanged at the February meeting was decided by the Governor's casting vote following a tied vote in the Committee.
- A rate of 15.0% p.a. was announced on 16 September 1992 but was cancelled before becoming effective.

## D 2. Exchange Rates



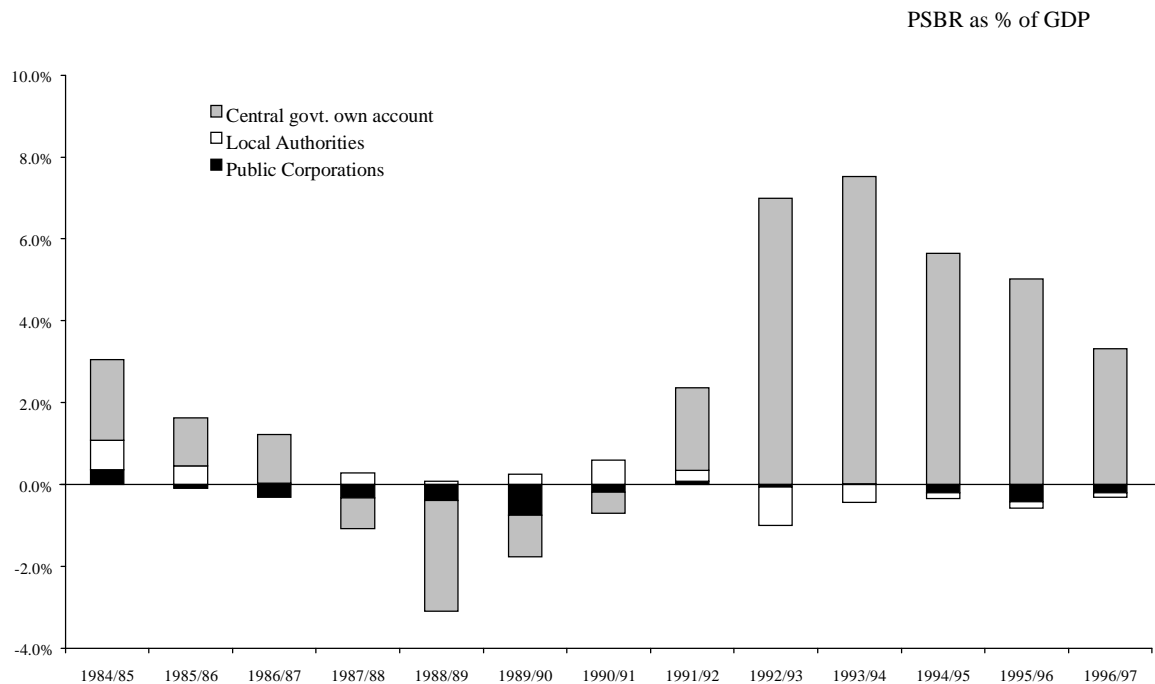
	Exchange Rates							
	DM		US\$		Yen		ECU	
	Rate	% year on change	Rate	% year on change	Rate	% year on change	Rate	% year on change
1992	2.75	-5.9%	1.77	-0.1%	223.72	-5.8%	1.36	-4.6%
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%	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%
1997 Dec	2.95	14.2%	1.66	-0.3%	215.14	13.4%	1.49	11.4%
1998 Jan	2.97	11.7%	1.64	-1.4%	211.80	8.4%	1.50	9.8%
Feb	2.97	9.3%	1.64	1.0%	206.38	3.3% #	1.51	7.4%

Sources: ONS database (series AJFH, AJFA, AJFO, AJHW)

### Recent Developments

- Sterling reached a nine-year high against the DM following strong support for the currency after the Chancellor's Budget on 17 March. This exacerbated the influence of the UK's advanced position in the business cycle compared with the rest of Europe. Sterling receives support because markets believe that there may yet be one more interest rate rise to come. By contrast, on the continent, lower levels of activity justify a more relaxed monetary policy. Recent output figures show rapidly rising levels of activity in Europe and hence this support may therefore be reaching its effective end.
- Outside Europe, there has been some recovery in the currencies of SE Asia following the announcement of international rescue plans. Expected interest rate rises in the US have been delayed, halting some of the dollar's rise, mainly due to the assessment of the significant impact that 'Asia' is expected to have on the US economy.

D 3. PSBR

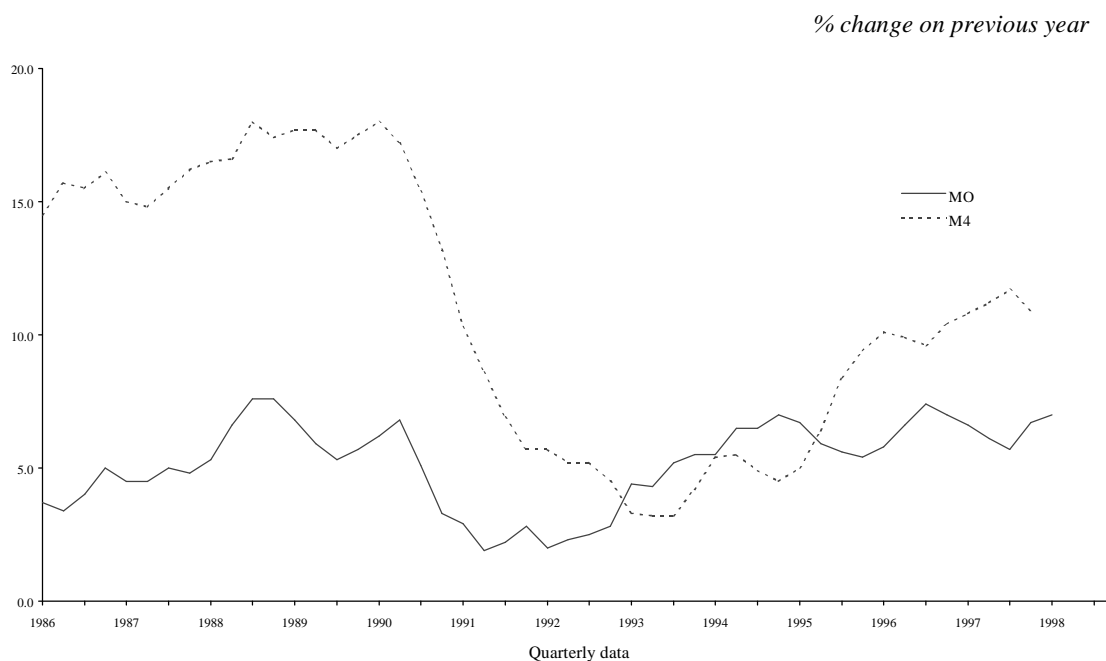


	Public Sector Borrowing Requirement			
	PSBR		PSBR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1994/95	35.9	5.3%	42.3	6.2%
1995/96	31.7	4.4%	34.1	4.8%
1996/97	22.6	3.0%	27.0	3.6%
1996 Q4	8.7	0.3%	10.5	0.6%
1997 Q1	9.9	3.3%	11.3	3.4%
1997 Q2	5.8	4.2%	8.1	4.7%
1997 Q3	0.6	0.0%	1.1	0.4%
1997 Q4	6.3	-1.0%	6.5	-1.0%

Source: ONS Database Series ABEN, ABII, CAOB

- The PSBR (including privatisation receipts) for the first eleven months of 1997/98 was a negative (ie debt repayment took place) £6.0 billion compared with a positive £13.9 billion over the same period of 1996/97. Excluding privatisation receipts, the PSBR for the first eleven months of 1997/98 was a negative £4.3 billion compared with a positive £18.1 billion in the same period of 1996/97.
- In the March 1998 Financial Statement and Budget Report the Government forecast a PSBR of £2.6 billion for 1997/98, or £5 billion if the proceeds from the windfall tax are excluded. Independent forecasters are predicting a PSBR of £8.4 billion for 1997/98.
- Privatisation proceeds worth £1.8 million were received in February 1998.

## D 4. Money Supply



Money stock  
*seasonally adjusted*

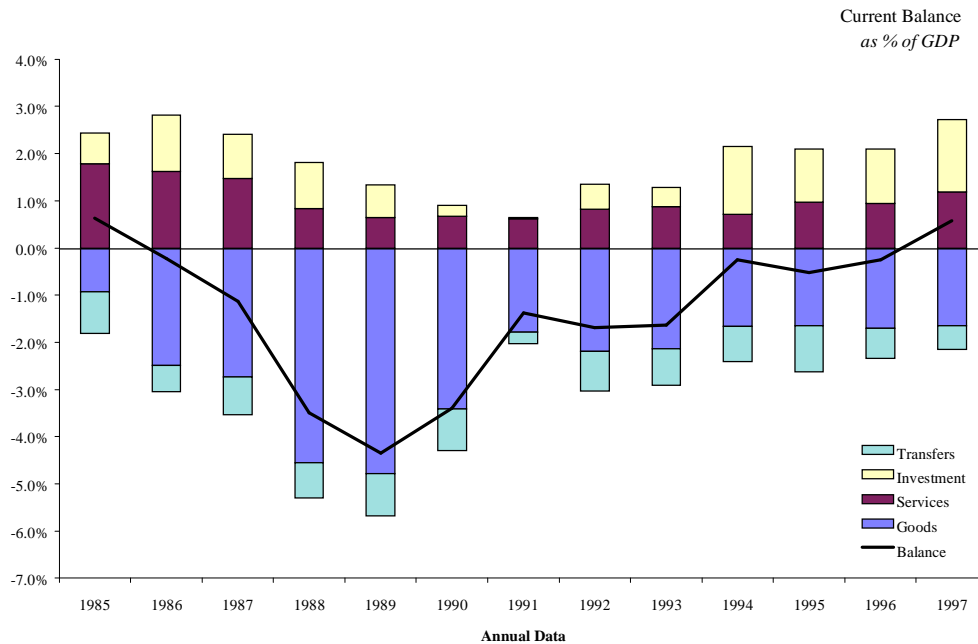
	MO		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1997 Mar	5.7	6.4	16.0	11.1
Apr	4.9	6.0	10.9	10.5
May	5.8	6.1	11.3	11.4
Jun	6.8	6.3	10.8	11.6
Jul	6.5	5.8	12.9	11.9
Aug	5.5	5.0	10.1	11.6
Sep	5.8	6.2	10.2	11.5
Oct	8.5	6.5	9.0	10.8
Nov	11.7	6.9	8.9	10.5
1998 Dec	8.6	6.7	9.5	11.6
Jan	8.1	7.0	8.4	10.3
Feb	5.8	7.2	8.9	9.8
Mar (prov)	5.9	6.8	n.a.	n.a.

Sources: ONS database; Bank of England press notice dated 30 March 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.
- 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: 22 April

## E 1. International Trade



Current Account Balances  
seasonally adjusted; £ million

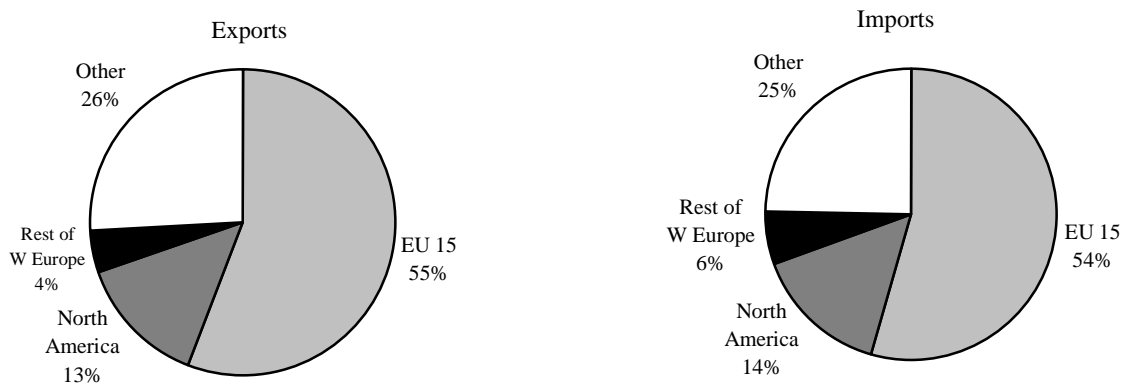
	Trade in Goods	Trade in services	Investment Income	Transfers	Current Balance
1995	-11,582	6,877	7,920	-6,887	-3,672
1996	-12,657	6,970	8,582	-4,725	-1,830
1997	-12,979	9,284	12,166	-3,968	4,503
1996 Q4	-2,604	1,988	2,116	-1,135	365
1997 Q1	-2,787	2,269	3,018	-1,177	1,323
Q2	-3,126	2,508	3,303	-983	1,702
Q3	-2,844	2,342	3,135	-1,271	1,362
Q4	-4,222	2,165	2,710	-537	116

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 fourth quarter of 1997 the deficit in goods and services increased to £2,000 million from £502 million in the previous quarter. For 1997 as a whole, the deficit on goods and services fell to £3,695 million from £5,687 million in 1996.
- The current account as a whole was in surplus by £116 million in the fourth quarter of 1997 compared with a surplus of £1,362 million in the third quarter.
- The deficit on transfers fell in the fourth quarter to £537 million from £1,271 million in the previous quarter.

## E 2. Trade in Goods

**Shares of visible trade by area: 1997**  
Balance of Payment Basis



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

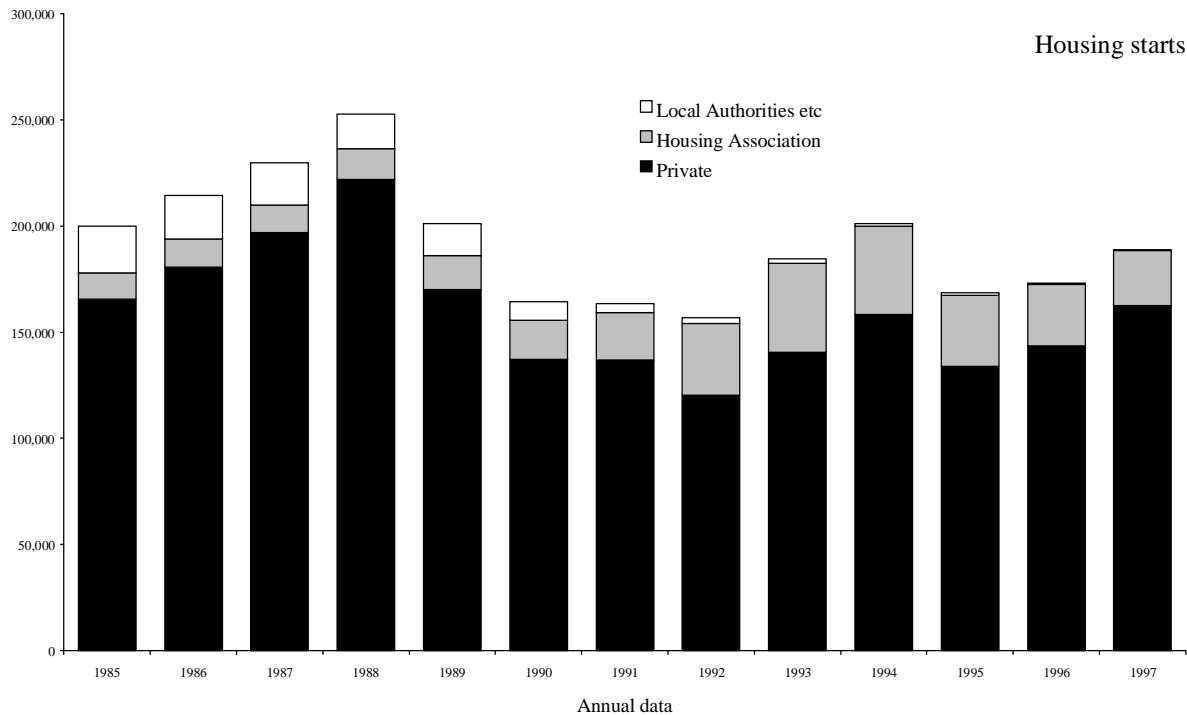
	Volume Index 1990=100		Trade in Goods Balance (£m)		
	Exports	Imports	Exports	Imports	Balance
1995	127.7	114.3	153,077	164,659	-11,582
1996	136.8	124.5	166,921	179,578	-12,657
1997	147.7	135.6	170,145	183,124	-12,979
1996 Q4	140.0	126.5	42,348	44,952	-2,604
1997 Q1	143.1	129.1	42,026	44,813	-2,787
1997 Q2	147.9	136.2	42,450	45,576	-3,126
1997 Q3	150.1	137.1	43,010	45,854	-2,844
1997 Q4	149.6	140.0	42,659	46,881	-4,222
1998 Jan.	146.7	132.7	13,571	14,673	-1,102

Source: ONS database (Series: CGTR, CGTS, CGKG, CGHK, AIMA)  
First Release: UK Trade (ONS(98) 83)

- 1997 as a whole:** The deficit in 1997 is provisionally estimated at £13,000 million. The deficit with EU countries in 1997 increased to £5,042 million from £4,108 million in the previous year. The deficit with non-EU countries fell to £7,937 million in 1997 from £8,549 million in 1996. In 1997 the other members of the European Union (EU 15) received 55% of UK exports and supplied 54% of all UK imports.
- 1997, Fourth Quarter:** In the fourth quarter the deficit in goods was £4,200 million compared with a deficit of £2,800 million in the previous quarter. Export volumes fell by 0.3% during the fourth quarter compared with the previous quarter.
- Recent Monthly Data:** The UK's balance on trade in goods and services in January is provisionally estimated as £500 million in deficit. The figure for export volumes fell in January by 5.6% compared with the previous month, whereas import volumes fell by 7% over the same period. The deficit in trade in goods with non-EU Members in February is provisionally estimated at £1,600 million, which is unusually large and nearly twice the deficit of the previous month. Excluding trade in oil and erratics reduces the deficit to £900 million
- The latest estimate of trend suggests that the deficit in goods is widening.



## F 1. Housing



### House prices

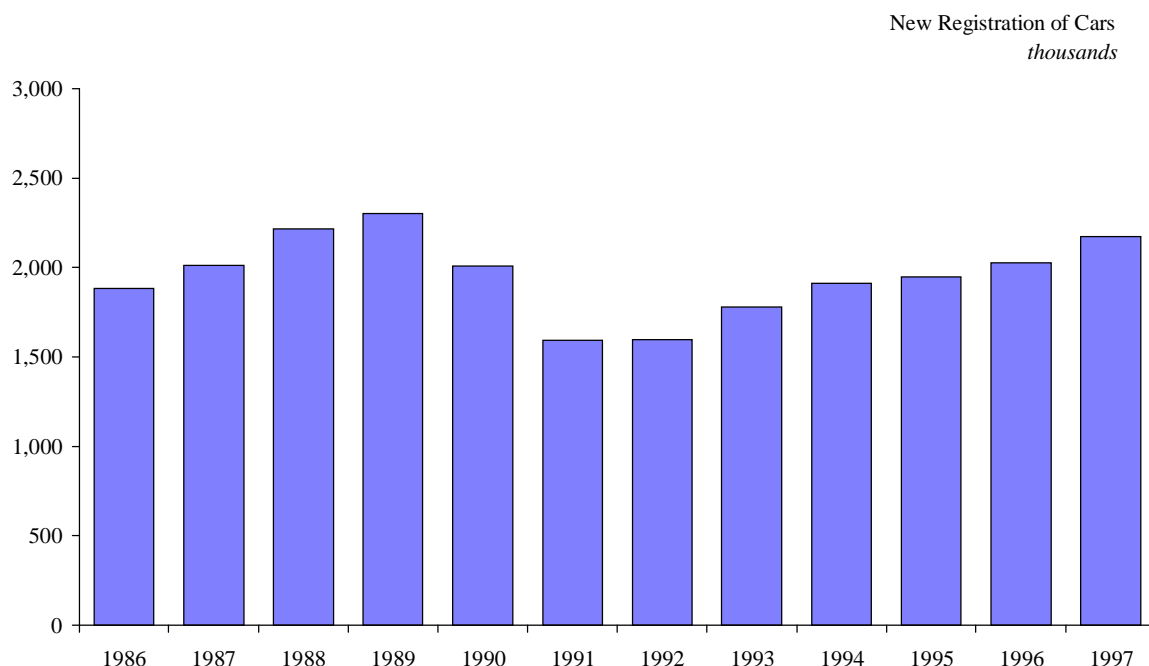
	All Houses	New Houses	Existing Houses	First time buyers
<b>Standardised average price (£)</b>				
1996	43,600	49,500	64,000	47,100
1997	46,300	50,800	68,300	49,700
1996 Q4	44,400	49,000	65,300	48,200
1997 Q3	46,700	50,800	68,900	50,100
1997 Q4	46,800	52,000	69,000	50,000
<b>% change over same period last year</b>				
1996	4.6%	1.9%	4.7%	4.0%
1997	6.2%	2.6%	6.7%	5.5%
1996 Q4	7.5%	0.4%	7.9%	7.8%
1997 Q3	6.6%	2.4%	6.8%	5.7%
1997 Q4	5.4%	6.1%	5.7%	3.7%

Source: Halifax House Price Index: Fourth Quarter 1997

- Provisional estimates for the quarter ending in January 1998 show that the seasonally adjusted total starts were 2% lower when compared with the previous three months.
- Using the Halifax Quarterly Index, house prices in the United Kingdom increased by 5.4% in the year to the fourth quarter in 1997. This compared with a rise of 6.6% in the year to the third quarter. 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. On an annual basis, house price inflation slowed to 4.3% in December 1997 from the 6.1% pa reported in November.

Next update: 5

## F 2. New Registrations of Cars



New Registrations of Cars  
*not seasonally adjusted*

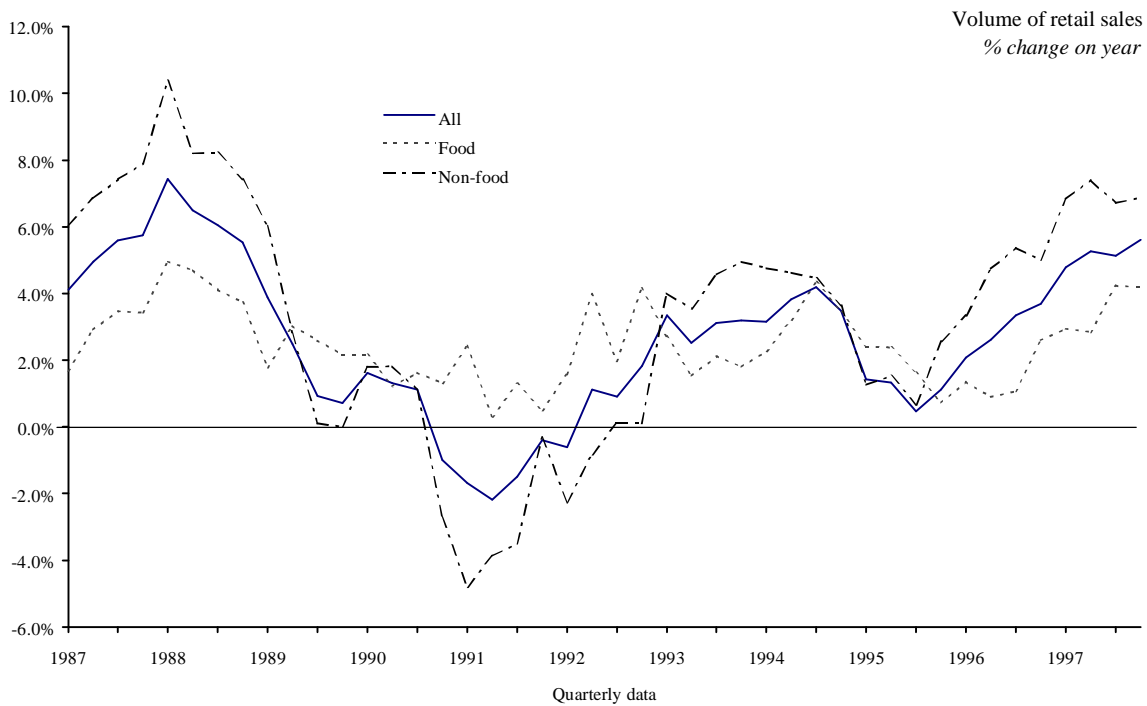
	Numbers thousands	Change over 12 months
1993	1,778	11.6%
1994	1,911	7.5%
1995	1,945	1.8%
1996	2,026	4.1%
1997 (provisional)	2,171	7.2%
1998 (forecast)	2,150	-1.0%
1999 (forecast)	2,000	-7.0%
1997 Nov	152	12.6%
Dec	85	9.0%
Jan	232	12.1%
Feb	177	8.6%

Source: SMMT "Monthly Statistical Review", Feb 1998

- 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 1% and 7% respectively.
- 177,133 cars were registered in February 1998. This was the largest February outturn since 1989 and represented a 8.6% increase on the figure for February 1996.
- Importers took 67.7% of the market in February, boosting their market share for the year as a whole to a record high of 67.3%.

Next update: 22 April

### F 3. Retail Sales



Value of Sales  
*not seasonally adjusted; % change on year*

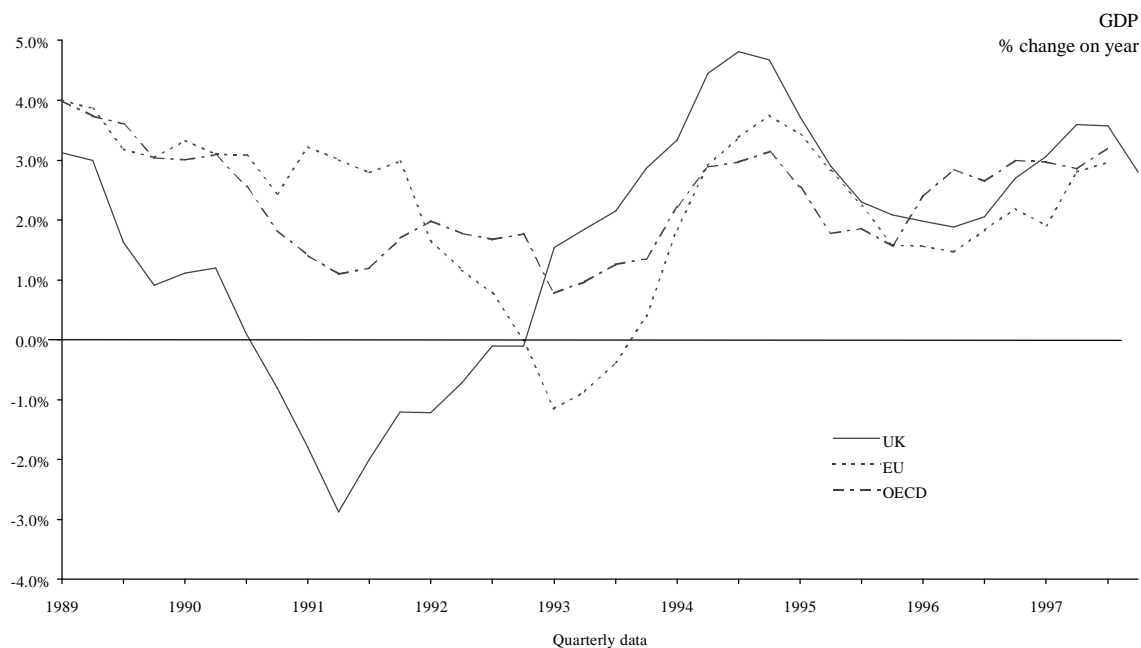
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1995	5%	3%	3%	3%
1996	5%	4%	8%	5%
1997	4%	9%	11%	6%
1996 Q4	2%	5%	10%	4%
1997 Q1	4%	6%	9%	8%
Q2	2%	8%	13%	5%
Q3	4%	6%	10%	7%
Q4	5%	9%	9%	5%

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 5.6 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 that the strong growth in sales of household goods - reflecting additional spending from windfall gains - is beginning to slow down.

Next update: 23 April

## G 1. International Comparisons - Growth

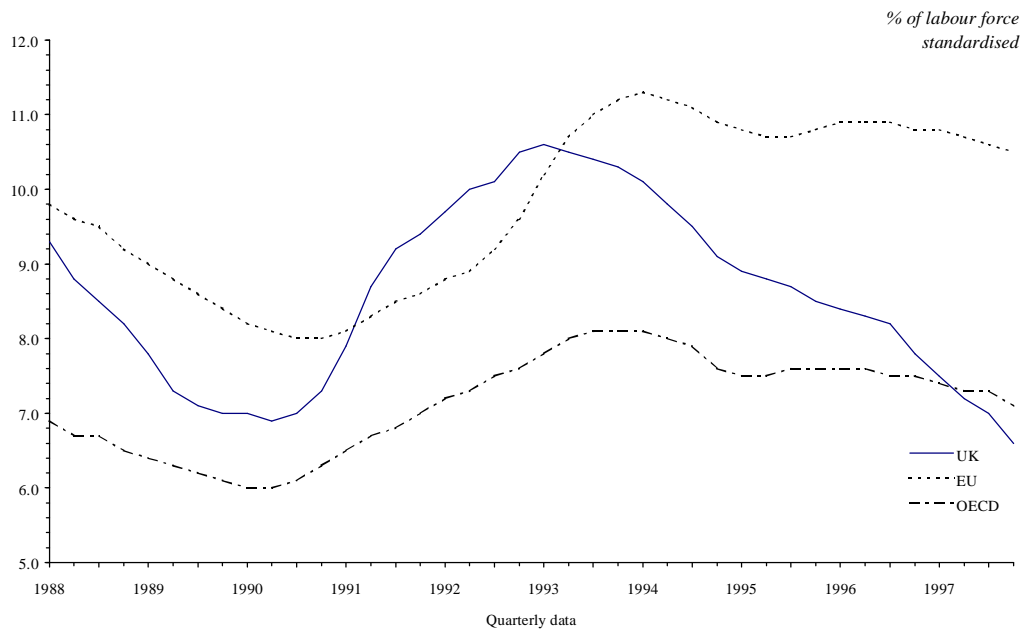


	GDP at constant market prices % change on year						
	1995	1996	1997	1997 Q1	1997 Q2	1997 Q3	1997 Q4
USA	2.0%	2.7%	3.8%	4.0%	3.4%	3.9%	3.8%
Japan	1.4%	3.9%	n.a.	2.8%	-0.2%	1.1%	n.a.
Canada	2.2%	1.2%	3.8%	3.0%	4.1%	4.0%	4.2%
United Kingdom	2.8%	2.2%	3.3%	3.1%	3.6%	3.6%	2.8%
Germany	1.8%	1.4%	2.2%	2.5%	2.1%	2.3%	2.3%
France	2.1%	1.5%	2.4%	1.3%	2.5%	2.6%	3.2%
Italy	2.9%	0.8%	n.a.	-0.6%	2.1%	2.1%	n.a.
EU15	2.5%	1.7%	n.a.	1.9%	2.8%	3.0%	n.a.
G7	2.1%	2.5%	n.a.	3.0%	2.6%	2.9%	n.a.
OECD	2.0%	2.7%	n.a.	3.0%	2.9%	3.2%	n.a.

Source: OECD Main Economic Indicators, March 1998; ONS database

- In year to the third quarter of 1997 the UK economy grew by 3.6%. This was below the rates experienced in Canada and the USA, but above those in France, Germany, Italy and, in particular, Japan. Growth in the UK was also above the averages for the EU15, G7 and the OECD as a whole.
- Between the beginning of 1993 and the third quarter of 1997, the UK economy consistently grew at a faster rate than the EU average. This partly reflected an earlier recovery from recession.
- The UK growth rate fell significantly in the fourth quarter of 1997. 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.

## G 2. International Comparisons - Unemployment



Unemployed as % of labour force  
*standardised; seasonally adjusted*

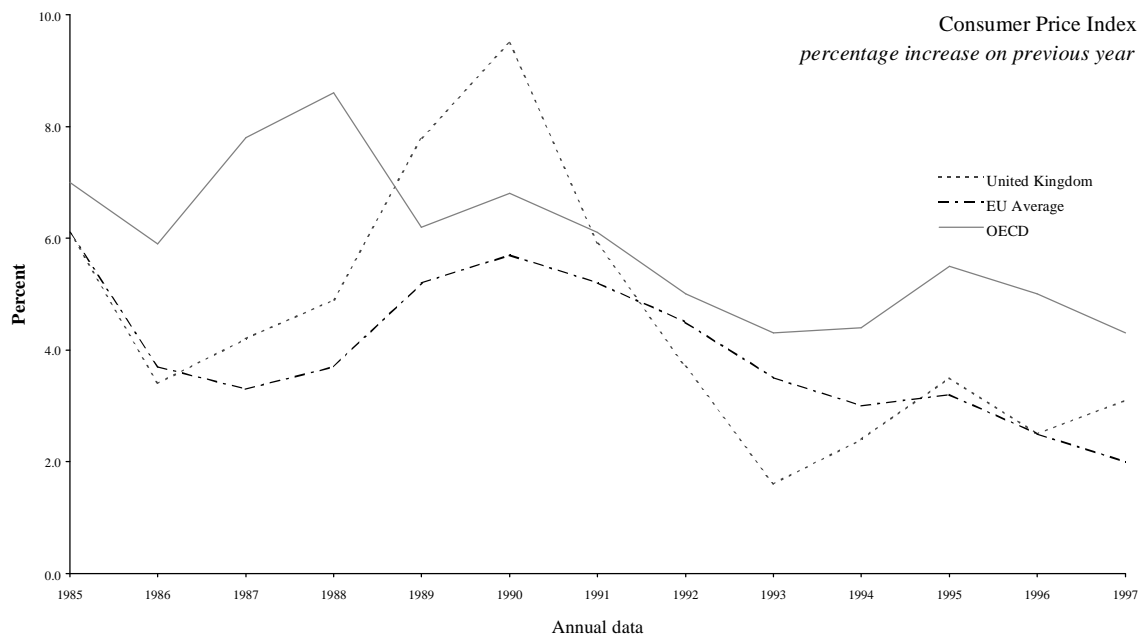
	1995	1996	1997	1997 Q1	1997 Q2	1997 Q3	1997 Q4
USA	5.6	5.4	4.9	5.3	4.9	4.9	4.7
Japan	3.1	3.4	3.4	3.3	3.4	3.4	3.5
Canada	9.5	9.7	9.2	9.6	9.4	9.0	8.9
United Kingdom	8.8	8.2	7.1	7.5	7.2	7.0	6.6
Germany	8.2	8.9	9.7	9.4	9.6	9.9	10.0
France	11.7	12.4	12.5	12.4	12.4	12.4	12.3
Italy	11.9	12.0	..	12.2	12.1	12.1	..
EU 15	10.8	10.9	10.7	10.8	10.7	10.6	10.5
G7	6.8	6.8	6.6	6.7	6.6	6.6	6.5
OECD	7.5	7.6	7.3	7.4	7.3	7.3	7.1

Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate was significantly below the EU average, and the previous gap between the UK and the G7 average has narrowed to just 0.1 of a percentage point.
- Other countries with unemployment rates below that of the UK were: Austria (4.4%), Denmark (5.7%), Luxembourg (3.6%), Norway (3.8%) and the Netherlands (4.6%).

Next update: mid April

### G 3. International Comparisons – Prices



Consumer Price Index (national definitions)  
% change over 12 months

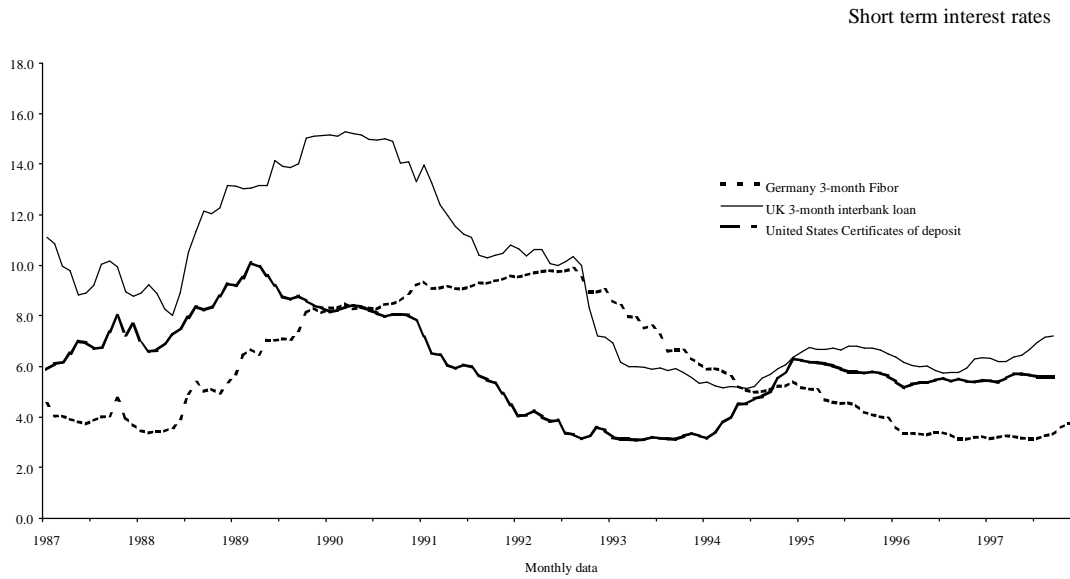
	1996	1997	Nov 1997	Dec 1997	Jan 1998
United States	2.9%	2.4%	1.8%	1.7%	1.6%
Japan	0.1%	1.8%	2.1%	1.8%	1.8%
Canada	1.5%	1.6%	0.9%	0.7%	1.0%
OECD	5.0%	4.3%	4.3%	4.2%	4.2%
UK	2.5%	3.1%	3.7%	3.7%	3.3%
Germany	1.5%	1.7%	1.9%	1.7%	1.2%
France	2.0%	1.2%	1.3%	1.1%	0.5%
Italy	3.8%	1.8%	1.6%	1.6%	1.6%
EU 15	2.5%	2.0%	2.2%	2.0%	1.7%

Source: OECD Main Economic Indicators

- Under the terms of the Maastricht Treaty, harmonised indices of consumer prices (and not data compiled on national definitions) are used to assess price stability in each Member State. On a harmonised basis the EU inflation rate has declined slightly in recent months, standing at 1.3% in January 1998. The UK's inflation rate on this basis stood at 1.5%.
- Using the harmonised index, all but three EU Member States have seen their annual inflation rates fall over the last year (the exceptions being Finland, Sweden and Luxembourg).

Next update: mid April (OECD data)  
28 April (harmonised EU data)

## G 4. International Comparisons - Interest Rates



Short-Term Interest Rates as at 26 February 1998

	3-month rate (% pa)
London	7 <sup>1</sup> / <sub>4</sub>
New York	5 <sup>5</sup> / <sub>8</sub>
Frankfurt	3 <sup>23</sup> / <sub>32</sub>
Tokyo	<sup>19</sup> / <sub>32</sub>
Paris	3 <sup>17</sup> / <sub>32</sub>
Milan	5 <sup>3</sup> / <sub>16</sub>
Brussels	3 <sup>11</sup> / <sub>16</sub>

Source: *Financial Times*, 30 March 1998

- UK interest rates remain well above key European rates reflecting the relative buoyancy of the UK economy compared to other parts of Europe. Recent data, however, suggests that this gap may be diminishing as continental Europe now seems to be growing much faster and UK growth shows signs of levelling off.
- Expectations of a significant rise in rates in the United States have been downgraded due to the significant impact that the drop in demand from Asia is having on the US manufacturing sector.
- 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.