



RESEARCH PAPER 98/54
1 MAY 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: Labour Market Statistics

Jane Dyson (Editor)

ECONOMIC POLICY & STATISTICS SECTION

HOUSE OF COMMONS LIBRARY

Recent Library Research Papers include:

98/39	EMU: Views in the other EU Member States	23.03.98
98/40	Economic Indicators	01.04.98
98/41	The <i>National Lottery Bill [HL]</i> 1997/98 Bill 148	02.04.98
98/42	<i>Late Payment of Commercial Debts (Interest) Bill [HL]</i> 1997/98 Bill 132	02.04.98
98/43	The <i>Crime and Disorder Bill [HL]</i> [Bill 167 of 1997-98]: Youth Justice, Criminal Procedures and Sentencing	06.04.98
98/44	The <i>Crime and Disorder Bill [HL]</i> , [Bill 167 of 1997-98]: Anti-social neighbours, sex offenders, racially motivated offences and sentencing drug-dependent offenders	06.04.98
98/45	The 1998 Budget and Work Incentives (forthcoming)	
98/46	Working Families Tax Credit and Family Credit	09.04.98
98/47	Voting Systems - The Government's Proposals (revised edition)	09.04.98
98/48	The <i>Data Protection Bill [HL]</i> : Bill 158 of 1997-98	17.04.98
98/49	Unemployment by Constituency - March 1998	22.04.98
98/50	Gibraltar, United Kingdom and Spain	22.04.98
98/51	Work Related Upper Limb Disorders	20.04.98
98/52	NATO's New Directions	27.04.98
98/53	<i>Competition Bill [HL]</i> Bill 140 of 1997-98	28.04.98

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	Labour Market Statistics	6
III	Subject pages	8
	A. Growth & Output	8
	1. GDP	8
	2. GDP by Industry	9
	3. Investment	10
	4. Productivity	11
	B. Prices & Wages	12
	1. Retail Prices	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	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 Presentation of Labour Market Statistics

On 3 February 1998 the Government announced a new approach to the presentation of UK labour market statistics. To help people understand these changes, the Office for National Statistics has published two booklets, *How exactly is unemployment measured?* and *How exactly is employment measured?* which outline the background to the way in which the statistics are compiled. Copies of both these leaflets are available in the Members' Library and in the Current Affairs Room.

From April 1998, one press release a month will be published, making use of all available statistics. The press release will include figures showing the number of people in employment, the numbers unemployed and seeking work, and the number who are economically inactive.

Greater weight than previously will be given to figures from the Labour Force Survey (LFS). The LFS is a sample survey of 60,000 households (about 150,000 individuals) undertaken each quarter. The survey includes a very wide range of questions, which cover individuals' demographic characteristics, their educational qualifications, and their labour market position. The results are then grossed up and weighted to be representative of the country as a whole.

The LFS uses the International Labour Organisation (ILO) definition of unemployment. This comprises people who are unemployed, would like a job, have looked for work in the four weeks prior to the survey and are available to start work in the two weeks following the survey, or are waiting to start a job already obtained. This definition is used by the European Commission's statistical office (Eurostat) and by the OECD, and therefore lends itself to international comparisons.

Statistics from the monthly count of unemployed claimants (those people claiming Jobseeker's Allowance or National Insurance credits) will continue to be published alongside figures from the LFS. **There will be no changes to the definition of unemployment.**

The package of changes includes the following:

- LFS data will be released on a monthly basis (as opposed to the present quarterly publication). Figures will be an average of the latest three months' data;
- Measures of the number of people without work, who want a job but are not unemployed according to the ILO definition (e.g. because they have not searched for work in the four weeks prior to the survey) will be strengthened;

- Statistics for employment in the whole of the economy (not just the manufacturing sector) and for ILO unemployment will now be published monthly;
- LFS data will now be presented for the UK, rather than for Great Britain;
- LFS data will be incorporated into the series of regional labour market press releases;
- New indicators relating to jobs and businesses will be published;
- Improvements will be made to earnings data, reducing the need for revisions.

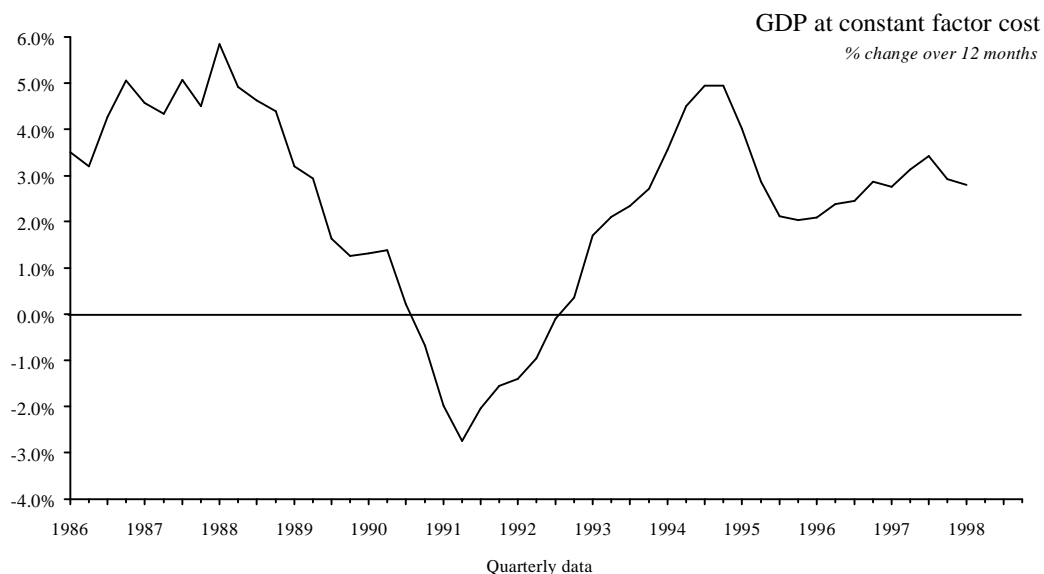
The size and structure of the LFS will not change. At the present time the sampling is done on a continuous basis. The results are published four times a year and represent an average of the position over the thirteen weeks in each quarter. **There is no overlap in the periods the data refer to:** spring data include all the households sampled in March, April and May; summer data include all households sampled in June, July and August and so on.

From April onwards LFS data will be published every month. They will still represent an average of the position over a thirteen-week period, but this time there **will** be an overlap in the periods the data refer to. Data published in May will be an average of the sampling undertaken in January to March; data published in June will be an average of the sampling undertaken in February to April and so on. Publication will be approximately six weeks after the end of the thirteen-week period. It is vital, when interpreting the figures, that although data are **published** monthly, they are not monthly data: they are averages for a thirteen-week period.

The pages in this Paper relating to Employment, Unemployment and Average Earnings have been redesigned to reflect these changes.

For further information on this subject contact: Jane Dyson on ext. 2464

A 1. Gross Domestic Product

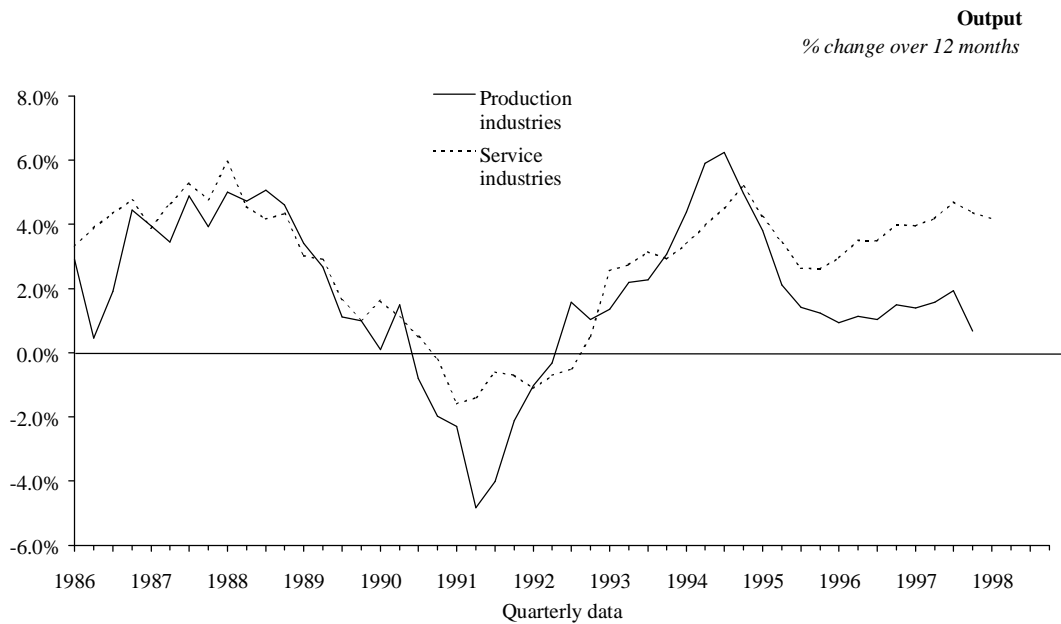


	Gross Domestic Product <i>seasonally adjusted</i>			
	GDP at constant factor cost <i>12 month change</i>	Non-Oil GDP at constant factor cost <i>12 month change</i>	GDP at current market prices <i>£ billion</i>	GDP at current factor cost <i>£ billion</i>
1995	2.8%	2.7%	704.2	608.1
1996	2.5%	2.4%	742.1	642.9
1997	3.1%	3.1%	786.3	675.8
1996 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
1998 Q1 (prov)	2.8%	2.9%	n.a.	n.a.

Source: ONS Database; ONS first release (98)117

- Preliminary estimates for the first quarter of 1998 suggest that gross domestic product (GDP) grew by 0.4% to a level 2.8% higher than in the first quarter of 1997. If confirmed, this would be the lowest quarter-on-quarter growth rate since the second quarter of 1995.
- Output excluding oil and gas extraction is provisionally estimated to have grown by 0.5% in the first quarter of 1998 to a level 2.9% higher than in the first quarter of 1997. On this basis, the economy has grown by 17.3% since the bottom of the recession in the first quarter of 1992 at an average annual rate of 2.7%.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will slow to 2.3% in 1998 and 1.9% in 1999.

A 2. GDP by Industry



Gross domestic product
% changes on year; seasonally adjusted

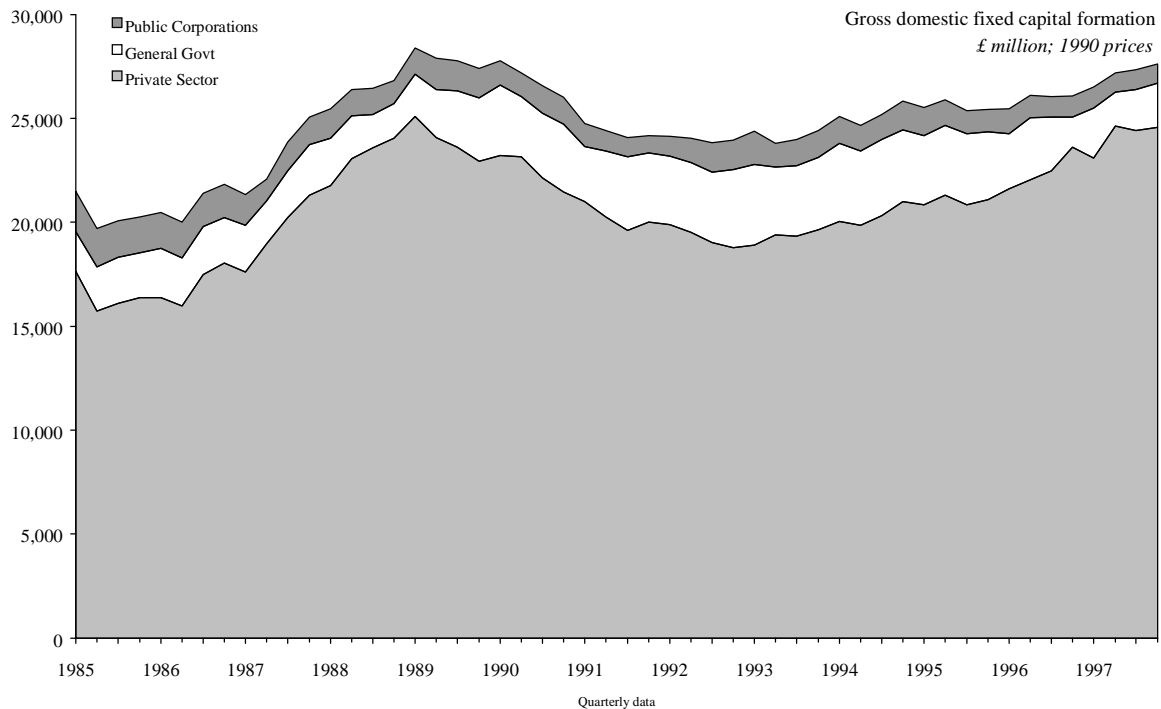
	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
1995	2.2%	1.7%	3.1%	-1.4%	-0.7%
1996	1.1%	0.3%	3.6%	-1.6%	1.3%
1997	1.4%	1.5%	4.3%	-2.3%	2.3%
1996 Q4	1.5%	0.7%	4.0%	-2.3%	2.9%
1997 Q1	1.4%	1.5%	4.0%	-5.5%	2.3%
Q2	1.6%	2.0%	4.2%	0.3%	3.2%
Q3	1.9%	1.6%	4.7%	-2.6%	2.0%
Q4	0.7%	0.9%	4.3%	-1.4%	1.8%
1998 Q1 (prov)	n.a.	n.a.	4.2%	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 4¼%. 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 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 continuing to fall in January and February 1998. In the three months to February 1998 manufacturing output was 0.5% lower than in the previous three months and just 0.3% higher than in the three months to February 1997.
- 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: 11 May

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	9,732	37,012	37,182	19,816	103,742
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

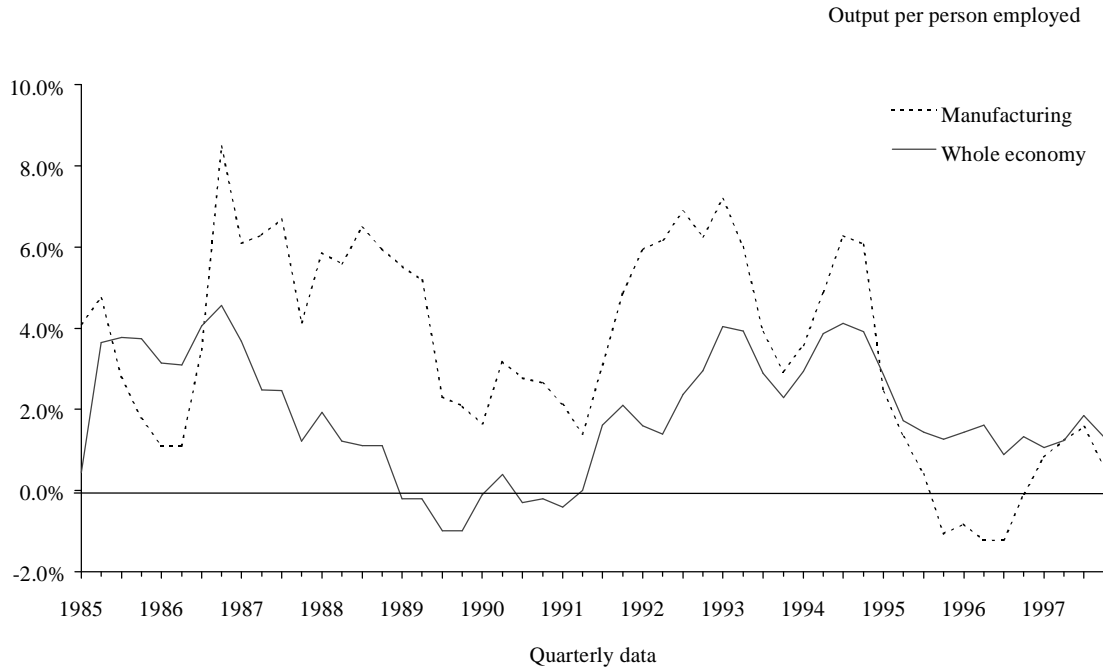
Notes: (1) including transfer of costs of land and buildings

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 4.8% compared with 1996, which in turn was 1.5% 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 3.6% 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

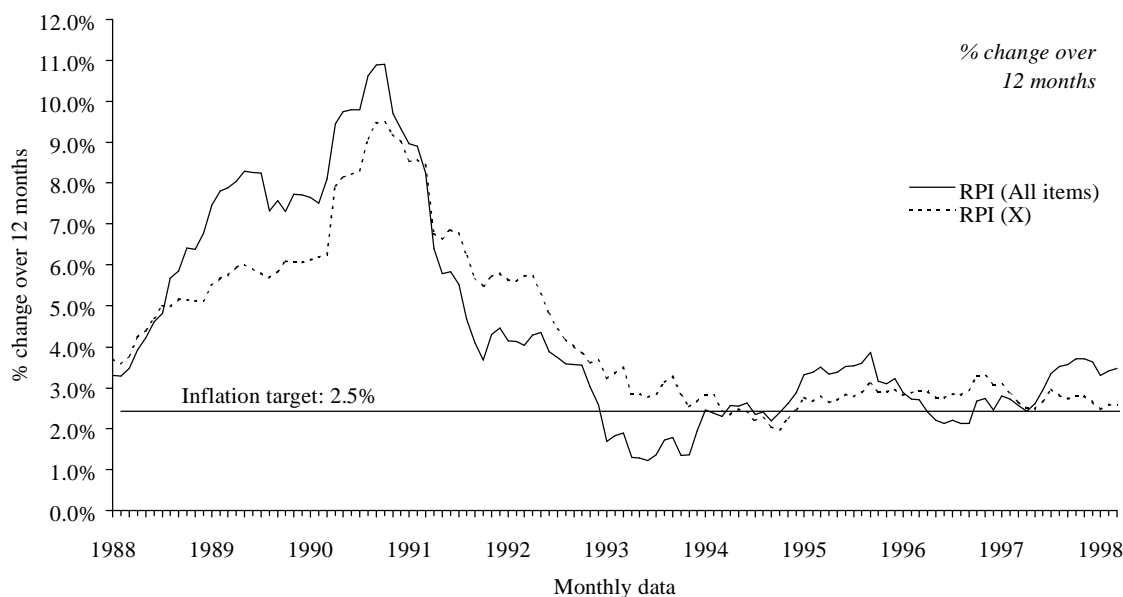
	Manufacturing			Whole Economy		
	Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1995	1.7%	1.0%	0.8%	2.8%	0.8%	1.9%
1996	0.3%	1.1%	-0.9%	2.5%	1.2%	1.2%
1997	1.5%	0.5%	1.1%	3.1%	1.7%	1.4%
1996 Q4	0.7%	0.7%	-0.1%	2.9%	1.6%	1.3%
1997 Q1	1.5%	0.6%	0.8%	2.8%	1.8%	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: 13 May

B 1. Retail Prices



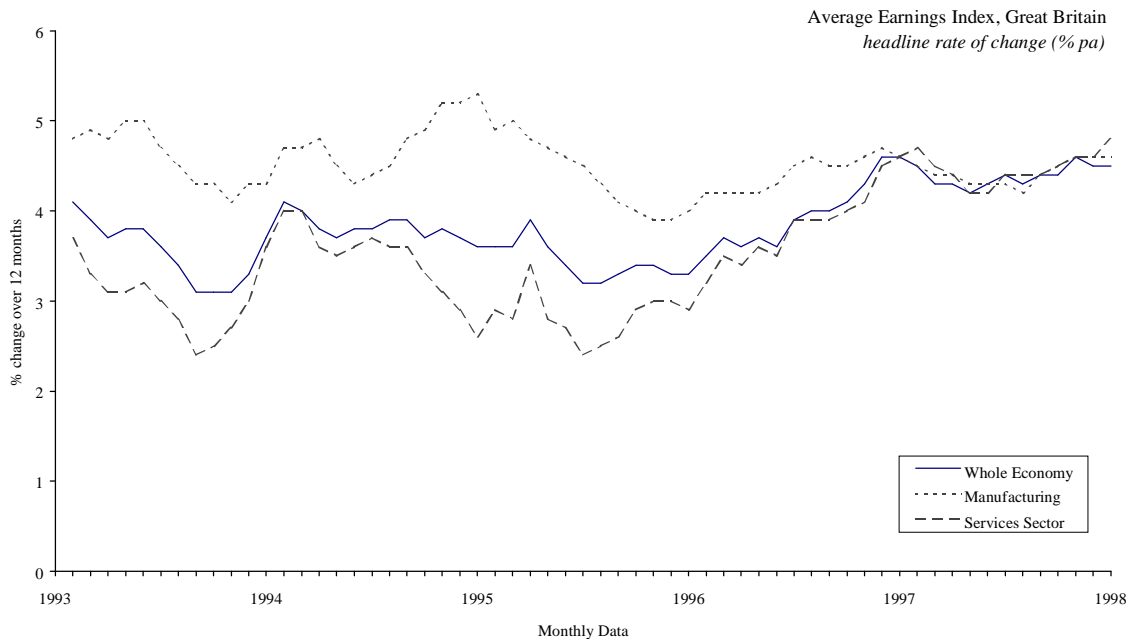
<i>% change on previous year</i>		
Retail Prices Index		
	All-items	excl. mortgage interest (RPI(X))
1995	3.5%	2.9%
1996	2.4%	3.0%
1997	3.1%	2.8%
1997 Mar	2.6%	2.7%
Apr	2.4%	2.5%
May	2.6%	2.5%
Jun	2.9%	2.7%
Jul	3.3%	3.0%
Aug	3.5%	2.8%
Sep	3.6%	2.7%
Oct	3.7%	2.8%
Nov	3.7%	2.8%
Dec	3.6%	2.7%
1998 Jan	3.3%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

Source: ONS Database (series CHAW, CHMK)

than the falls that occurred in March last year.

- 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 collated by the Treasury suggest that RPI(X) will be rising at 2.7% in the fourth quarter of this year and will decline only slightly to a rate of 2.6% by the fourth quarter of 1999.
- As measured by the all items RPI, inflation in March 1998 rose from 3.4% to 3.5%. The slight increase was primarily attributable to seasonal food prices, particularly vegetables, falling less sharply

B 2. Average Earnings



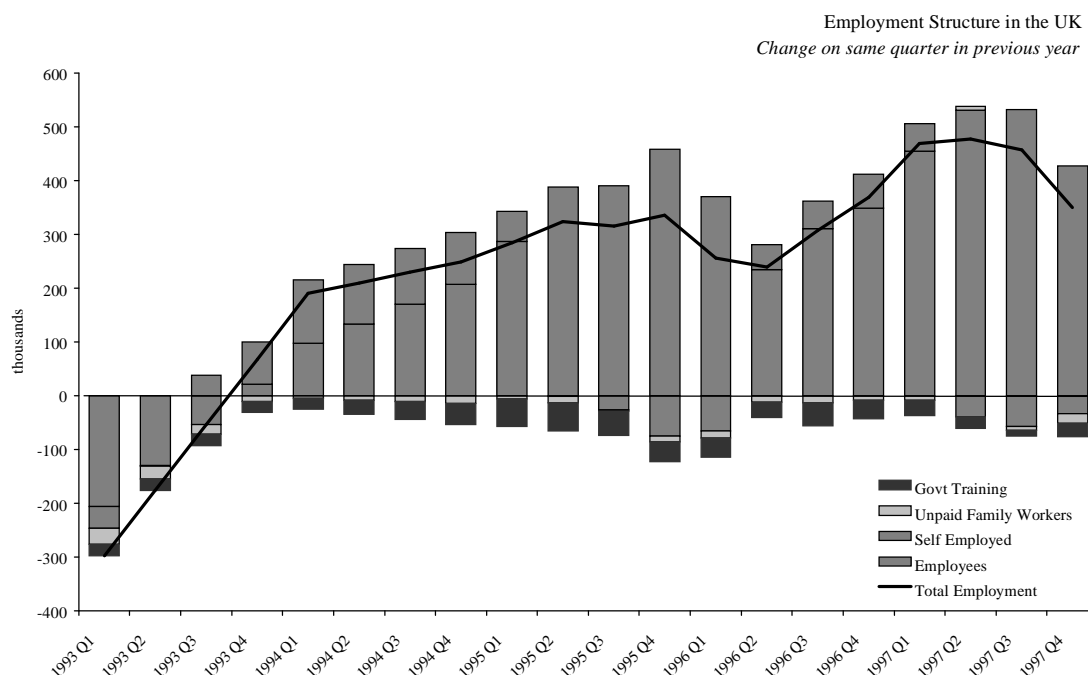
Average earnings, Great Britain

	headline rate (% change on year)		
	Whole Economy	Private Sector	Public Sector
1997 Jan	4.6	5.1	3.0
Feb	4.5	5.1	2.6
Mar	4.3	4.8	2.4
Apr	4.3	4.8	2.3
May	4.2	4.6	2.5
Jun	4.3	4.7	2.9
Jul	4.4	4.7	3.1
Aug	4.3	4.7	3.0
Sep	4.4	4.8	2.6
Oct	4.4	5.0	2.5
Nov	4.6	5.1	2.5
Dec	4.5	5.1	2.4
1998 Jan	4.5	5.2	2.4

Source: ONS database (Series LMBO, LMBP, LMBQ)

- Seasonally adjusted average earnings growth was unchanged in January 1998 at 4.5%. There was, however, a notable increase in the rate of earnings growth in the service sector, from 4.6% in December to 4.8% in January.
- Independent forecasts collated by the Treasury suggest that average earnings growth will be 4.8% in 1998 and will slow only slightly to 4.6% in 1999.
- In its February 1998 *Inflation Report*, the Bank of England reiterated the point that 'nominal earnings growth higher than 4¹/₂% a year and unit labour costs rising more quickly than 2¹/₂% could not be sustained in the long run, unless domestically generated inflation were higher than 2¹/₂%'. In the fourth quarter of 1997, unit labour costs rose by 3.6%.

C 1. Employment



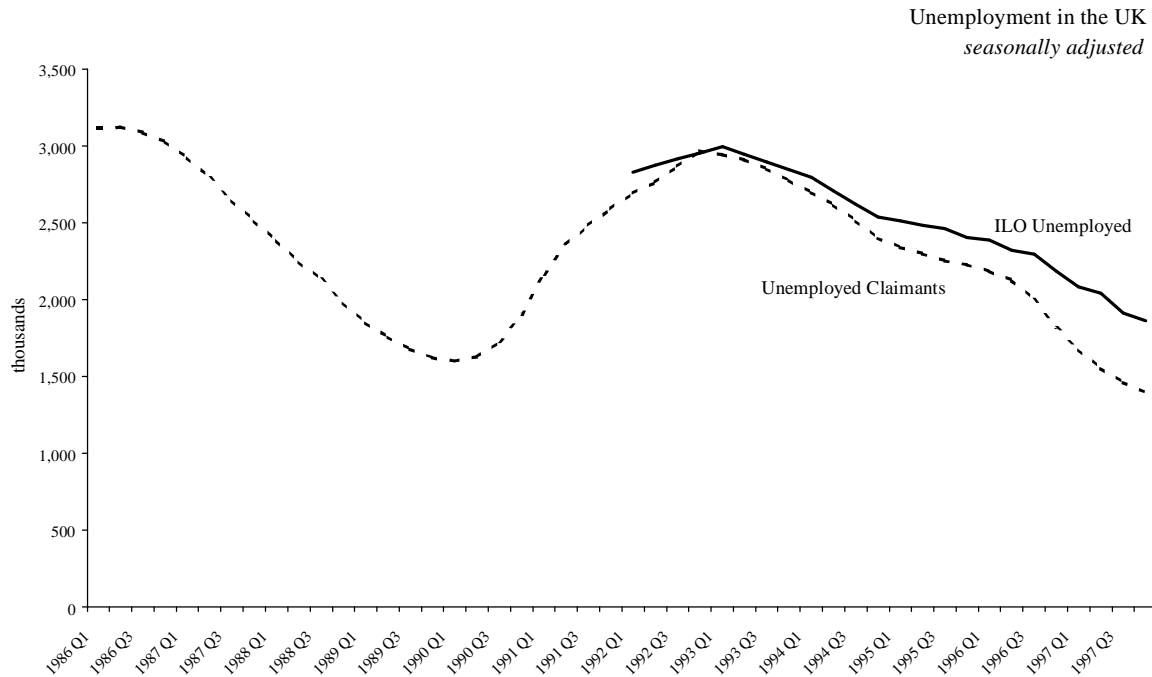
Employment Structure in the UK
thousands; seasonally adjusted

	Employees	Self Employed	Unpaid Family Workers	Govt Training	Total in Employment
1994 Mar-May	21,967	3,304	146	336	25,753
1995 Mar-May	22,253	3,360	140	285	26,037
1996 Mar-May	22,623	3,294	127	249	26,292
1996 Dec-Feb	22,956	3,358	114	229	26,657
1997 Mar-May	23,077	3,346	118	221	26,761
Jun-Aug	23,181	3,332	124	222	26,859
Sep-Nov	23,320	3,317	115	214	26,966
Dec-Feb	23,383	3,325	95	205	27,007
Changes:					
1996 Dec-Feb -	427	-33	-19	-24	350
1997 Dec-Feb	1.9%	-1.0%	-16.7%	-10.5%	1.3%

- The total in employment has continued to increase in the latest, rolling three-month period compared to its level a year previously. Indeed, the rate of increase of employment up to February 1998, at 1.3%, was greater than the rate of increase of the economically active population of 0.1%.
- Within the total in employment, employment amongst men has increased more quickly than amongst women. In the latest, rolling three-month period, male employment had increased 1.8% compared to a year previously, whereas female employment had increased 0.7% compared to a year previously.

Next update: 13 May

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

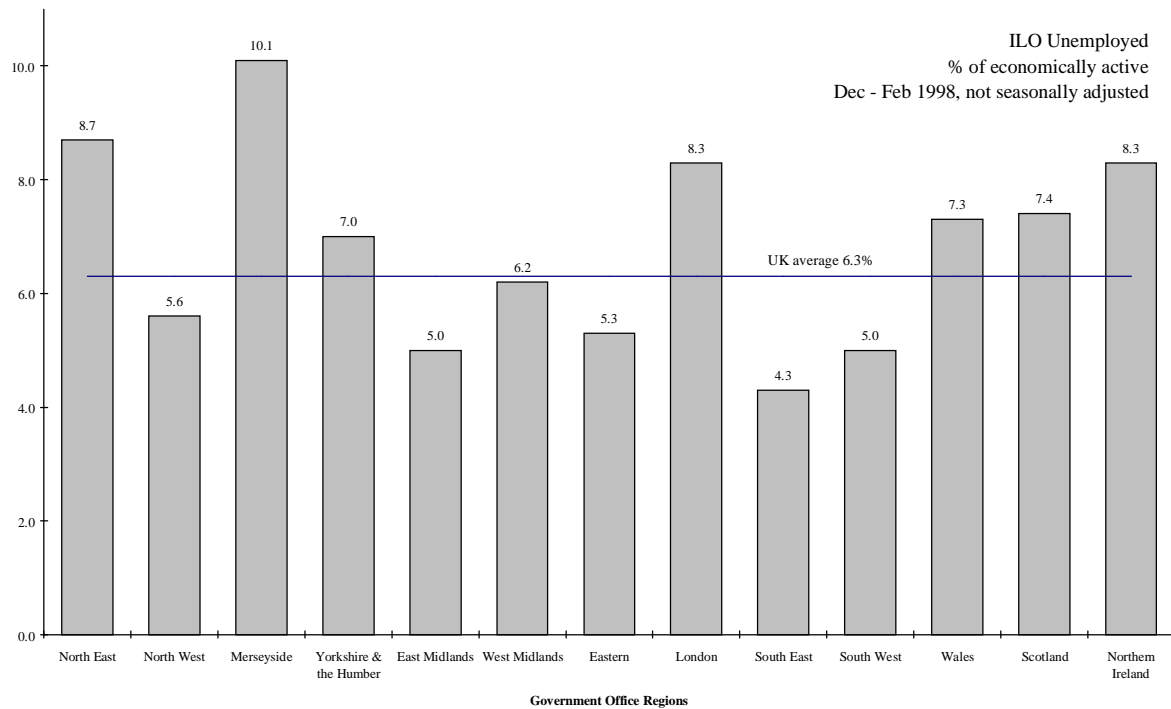
	thousands	rate (%)
1992 Mar-May	2,830	9.9
1993 Mar-May	2,996	10.5
1994 Mar-May	2,796	9.8
Dec-Feb	2,535	8.9
1995 Mar-May	2,512	8.8
Jun-Aug	2,481	8.7
Sep-Nov	2,462	8.6
Dec-Feb	2,404	8.4
1996 Mar-May	2,388	8.3
Jun-Aug	2,319	8.1
Sep-Nov	2,295	8.0
Dec-Feb	2,180	7.6
1997 Mar-May	2,083	7.2
Jun-Aug	2,042	7.1
Sep-Nov	1,913	6.6
Dec-Feb	1,861	6.4

- From April 1998 the Office for National Statistics will use the International Labour Organisation (ILO) definition of unemployment as the headline measure. In the UK this is obtained from the Labour Force Survey.
- Latest estimates show that over the period December 1997 to February 1998 the level of ILO unemployment in the UK was 1,861,000 or 6.4% of the economically active population.
- The separate rate for men was 7.1% and for women 5.6%. The rate for those people aged 18 to 24 was 12.0%
- The number of people unemployed according to the claimant count definition in March 1998 was 1,375,700 or 4.9% of the workforce.

Source: Labour Force Survey(ONS)

Next update: 13 May

C 3. Unemployment: Regional



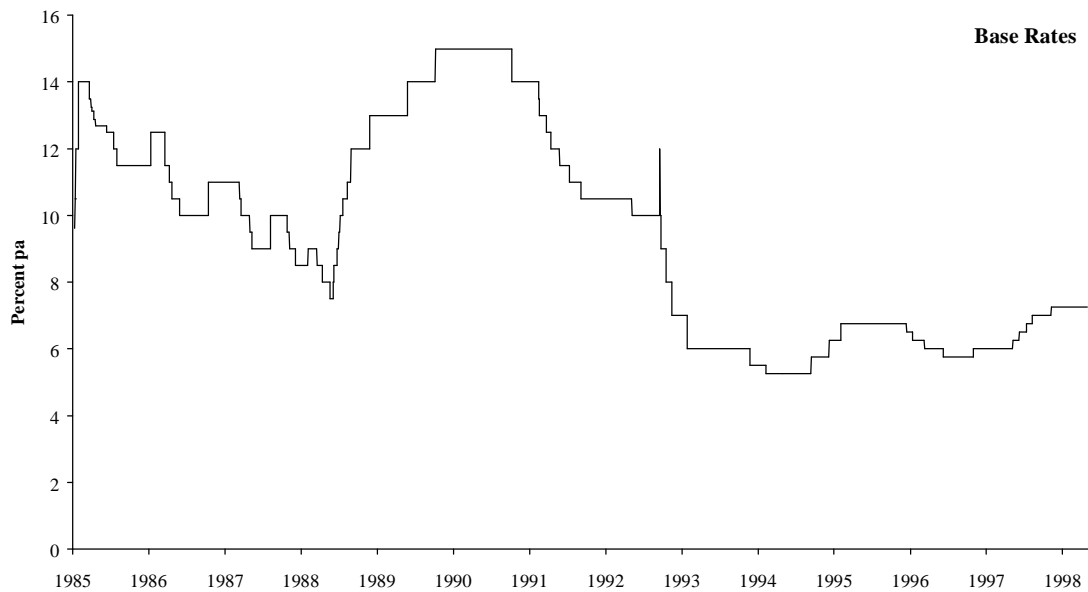
ILO Unemployment, Dec - Feb 1998
change on same period in previous year

	thousands	%
North East	-14	-12%
North West & Merseyside	-29	-12%
Yorkshire & the Humber	-30	-15%
East Midlands	-24	-19%
West Midlands	-21	-12%
Eastern	-27	-16%
London	-66	-19%
South East	-32	-16%
South West	-25	-17%
Wales	-18	-16%
Scotland	-31	-14%
Northern Ireland	-6	-9%
UK	-323	-15%

Source: ONS First Release (98) 100

- From April 1998 the Office for National Statistics will use the International Labour Organisation (ILO) definition of unemployment as the headline measure. In the UK this is obtained from the Labour Force Survey.
- Unemployment has fallen fastest - by around a fifth in the past year - in the East Midlands and London. It has fallen much more slowly in the North East and Northern Ireland (by only 9%).
- Unemployment rates on the claimant count definition for March 1998 (seasonally adjusted) ranged from 3.0% in the South East to 7.7% in the North East and Northern Ireland. The UK average was 4.9%.

D 1. Interest Rates

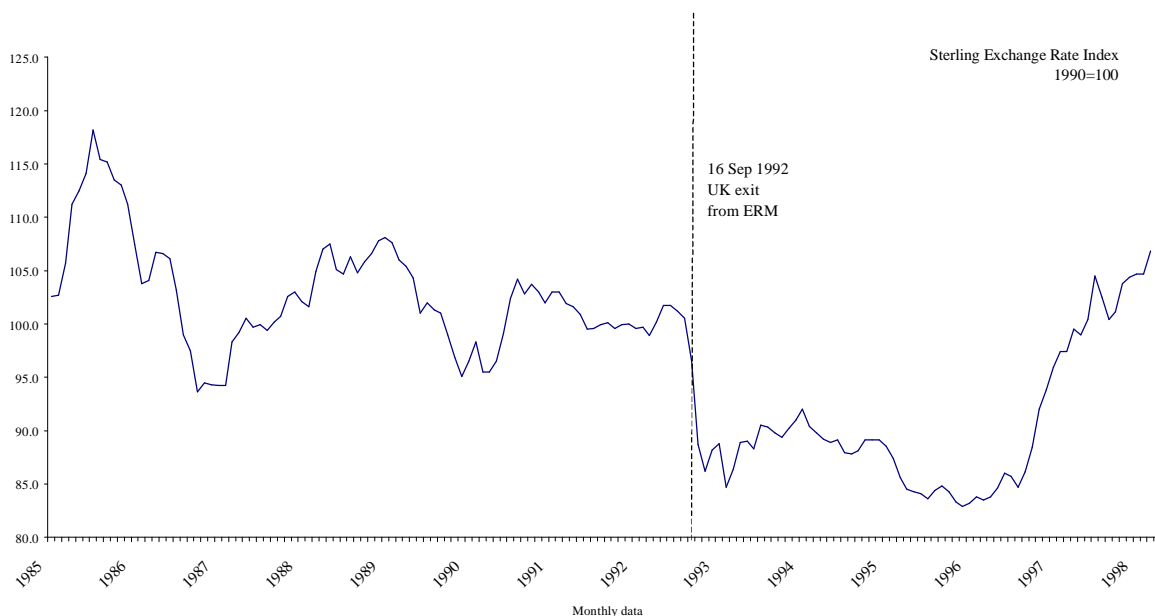


per cent per annum

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
	Nov 13	7.00
1993	Jan 26	6.00
	Nov 23	5.50
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 6-7 of May.
- A sequence of five ¼ per cent point rises in base rates (now termed the Bank's repo rate) since the General Election ended in November.
- 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 both the February and March meetings 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



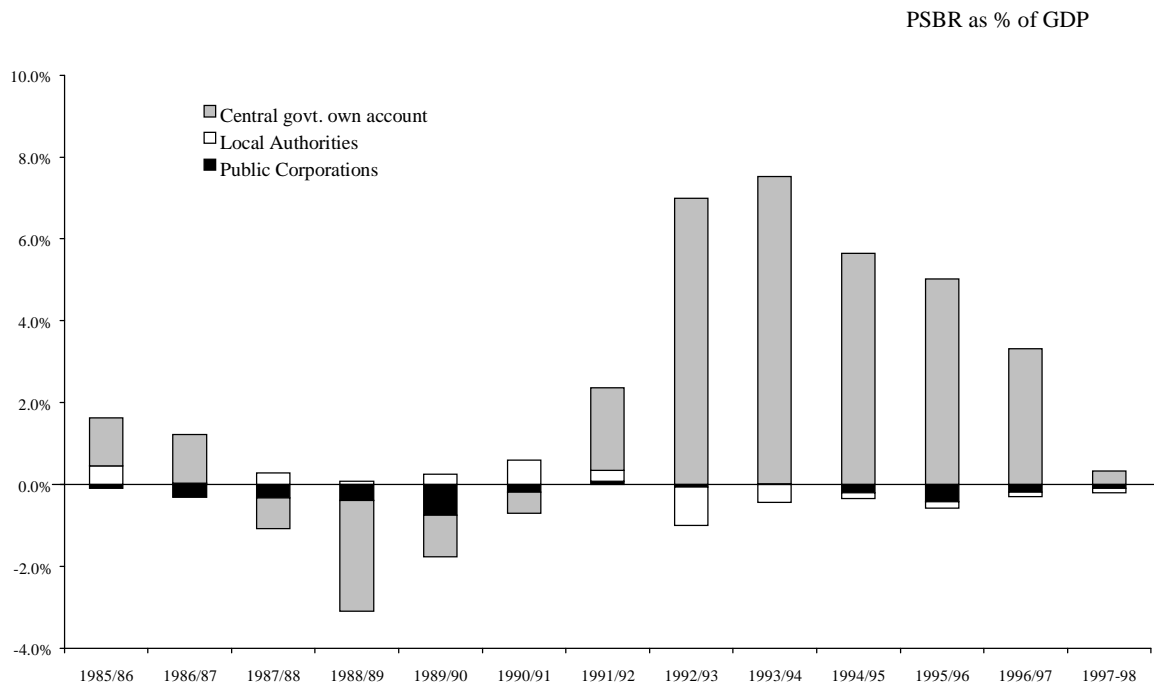
	Exchange Rates							
	DM		US\$		Yen		ECU	
	Rate	% year on change	Rate	% year on change	Rate	% year on change	Rate	% year on change
1992	2.75	-5.9%	1.77	-0.1%	223.72	-5.8%	1.36	-4.6%
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%	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%
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%
Mar	3.04	11.4%	1.66	3.5%	214.57	9.0%	1.53	9.1%

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. In the very recent past sterling has lost some value since the markets' belief that there may yet be one more interest rate rise to come has weakened. 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



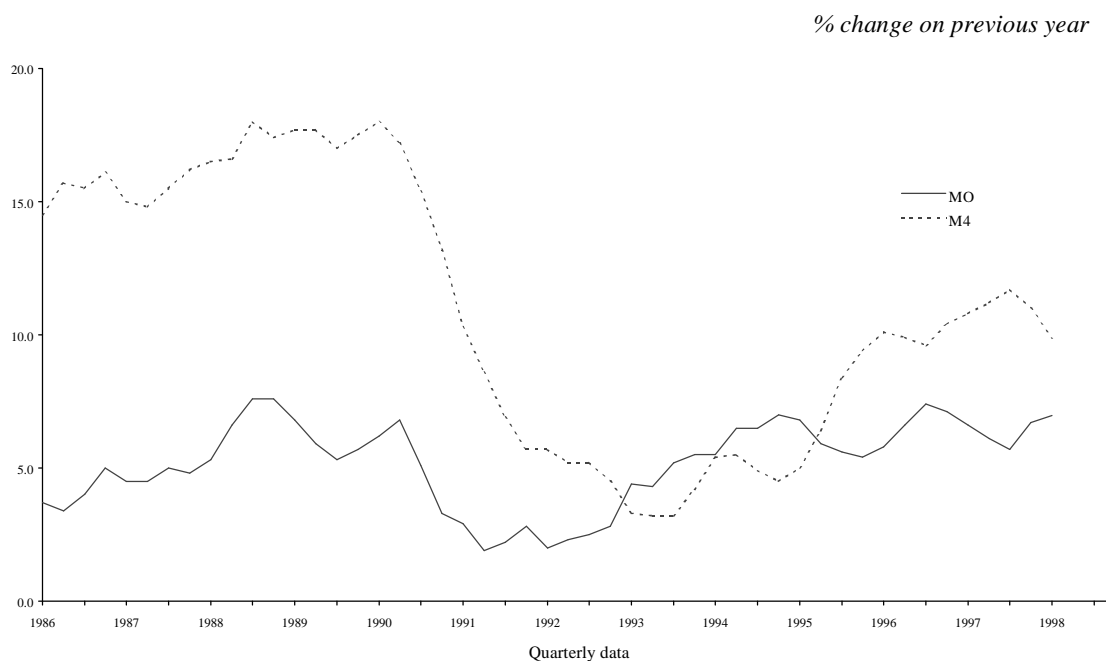
	Public Sector Borrowing Requirement			
	PSBR		PSBR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1995/96	31.7	4.4%	34.1	4.8%
1996/97	22.7	3.0%	27.1	3.6%
1997/98	0.9	0.1%	2.7	0.3%
1996 Q4	8.7	4.8%	10.5	5.8%
1997 Q1	9.9	5.4%	11.3	6.2%
1997 Q2	5.8	3.1%	8.1	4.4%
1997 Q3	0.6	0.3%	1.1	0.6%
1997 Q4	6.3	3.3%	6.5	3.4%

Source: ONS Database Series ABEN, ABII, CAOB

- The PSBR (including privatisation receipts) for the 1997/98 financial year was £0.9 billion compared with £22.7 billion over the same period in 1996/97. Excluding privatisation receipts, the PSBR for 1997/98 was £2.7 billion compared with £27.1 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 predicted a PSBR of £8.4 billion for 1997/98.
- Privatisation proceeds worth £1.8 billion were received in March 1998.

Next update: 19 May

D 4. Money Supply



Money stock
seasonally adjusted

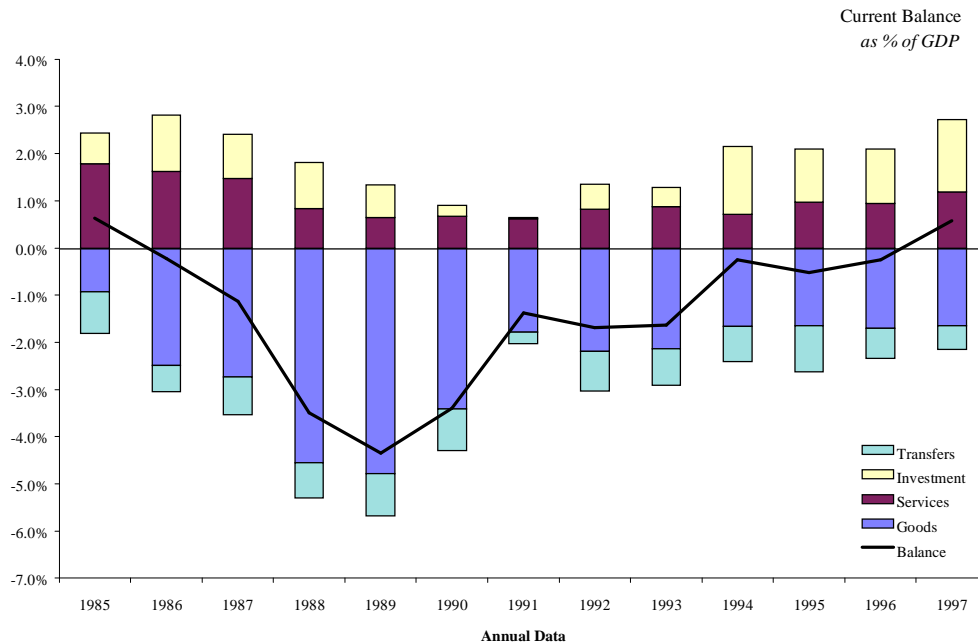
	MO		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1997 Mar	5.7	6.4	16.2	11.1
Apr	5.0	6.0	11.1	10.5
May	5.8	6.1	11.4	11.4
Jun	6.8	6.3	10.6	11.6
Jul	6.5	5.8	12.7	11.9
Aug	5.6	5.0	10.0	11.5
Sep	5.8	6.2	10.1	11.5
Oct	8.5	6.5	9.0	10.8
Nov	11.6	6.9	9.0	10.5
Dec	8.7	6.7	9.6	11.6
1998 Jan	8.1	7.0	8.5	10.3
Feb	5.8	7.2	9.1	9.9
Mar (prov)	5.8	6.8	7.6	9.5

Sources: ONS database; Bank of England press notice dated 22 April 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: 1 May

E 1. International Trade



Current Account Balances
seasonally adjusted; £ million

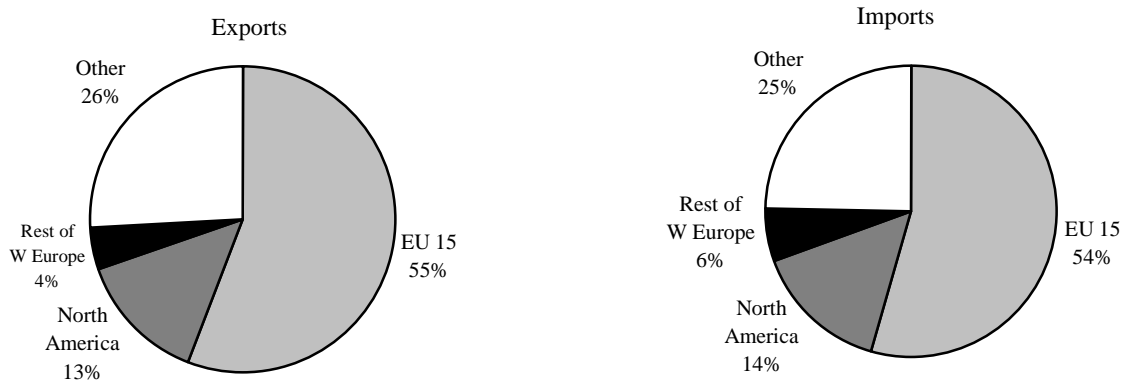
	Trade in Goods	Trade in services	Investment Income	Transfers	Current Balance
1995	-11,582	6,877	7,920	-6,887	-3,672
1996	-12,657	6,970	8,582	-4,725	-1,830
1997	-12,979	9,284	12,166	-3,968	4,503
1996 Q4	-2,604	1,988	2,116	-1,135	365
1997 Q1	-2,787	2,269	3,018	-1,177	1,323
Q2	-3,126	2,508	3,303	-983	1,702
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 trade in goods in the fourth quarter of 1997 (£4,222 million) was the largest quarterly deficit since the second quarter of 1990.

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 (£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	142.7	129.1	42,026	44,813	-2,787
1997 Q2	147.9	136.2	42,450	45,576	-3,126
1997 Q3	150.5	137.1	43,010	45,854	-2,844
1997 Q4	149.6	140.0	42,659	46,881	-4,222

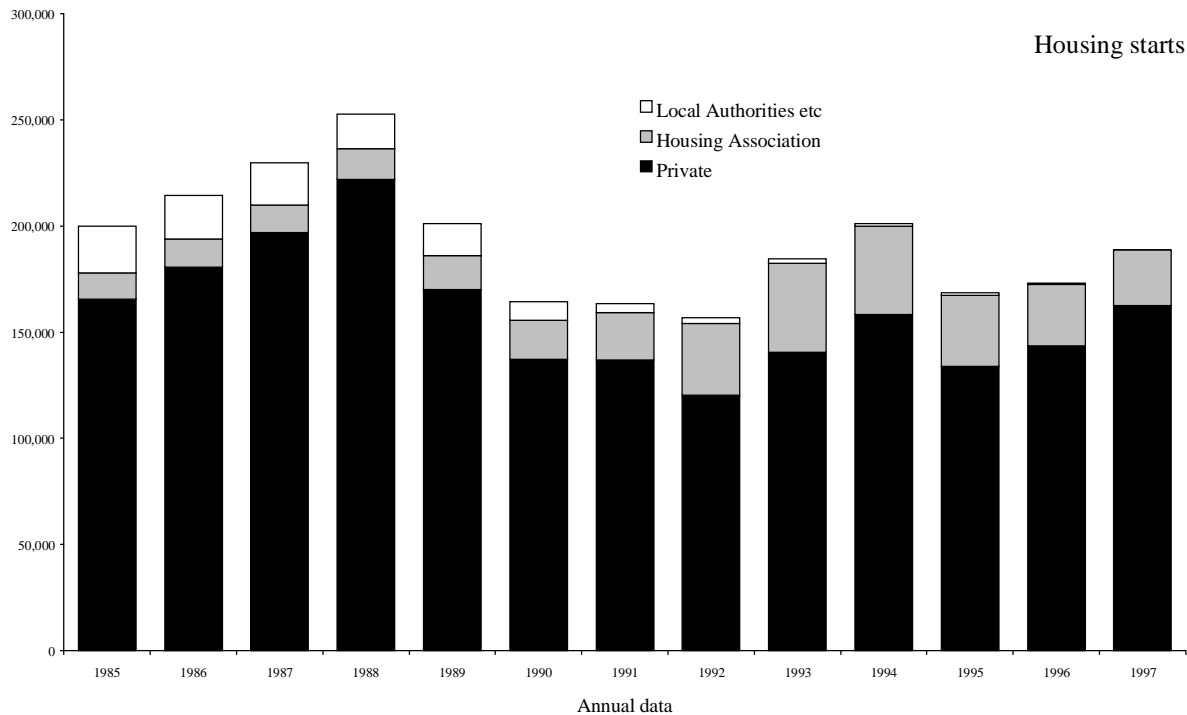
Source: ONS database (Series: CGTR, CGTS, CGKG, CGHK, AIMA)

First Release: UK Trade (ONS(98) 120)

- **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:** Revisions now show that export volumes in the fourth quarter have fallen 0.6% on the previous quarter, which is twice the rate of decline that was recorded before the revisions. Import volumes have increased in the fourth quarter over the third quarter by 2.1%.
- **Recent Monthly Data:** The UK's balance on trade in goods in February is provisionally estimated as a deficit of £2,200 million, compared with a £1,100 million deficit in January. The February deficit is the largest monthly deficit since March 1990.
- The deficit in trade in goods with non-EU Members in March is provisionally estimated at £1,100 million, which although smaller than the previous month's deficit is still comparatively large.
- The latest estimate of trend suggests that the trade in goods deficit is widening.

Next update: 29 May

F 1. Housing



House prices

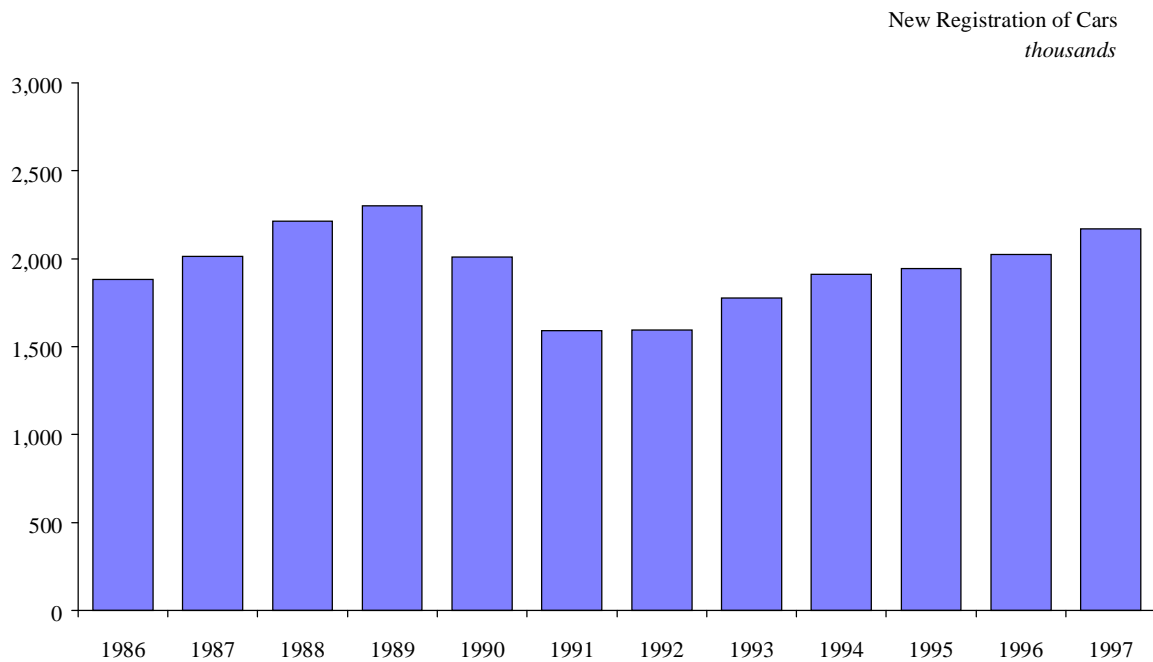
	All Houses	New Houses	Existing Houses	First time buyers
Standardised average price (£)				
1996	43,600	49,500	64,000	47,100
1997	46,300	50,800	68,300	49,700
1997 Q3	46,700	50,800	68,900	50,100
1997 Q4	46,800	52,000	69,000	50,000
1998 Q1	47,200	53,600	69,800	50,200
% change over same period last year				
1996	4.6%	1.9%	4.7%	4.0%
1997	6.2%	2.6%	6.7%	5.5%
1997 Q3	6.6%	2.4%	6.8%	5.7%
1997 Q4	5.4%	6.1%	5.7%	3.7%
1998 Q1	4.9%	6.8%	5.3%	3.9%

Source: Halifax House Price Index: First Quarter 1998

- Provisional estimates for the quarter ending in February 1998 show that the seasonally adjusted total starts were 1% lower when compared with the previous three months. In contrast, private enterprise starts rose by 1% over the same period.
- Using the Halifax Quarterly Index, house prices in the United Kingdom increased by 5.0% in the year to the first quarter in 1998 which compared with a rise of 5.4% in the year to the fourth quarter in 1997. The largest increases of 12.4% occurred in Greater London and in the South East whilst two regions recorded slight falls: Scotland had a fall in prices of 0.8% and Yorkshire & Humberside a fall of 1.0%.
- The Halifax Monthly Index also shows that house prices in the UK as a whole rose by 0.6% between February and March on a seasonally adjusted basis.

Next update: 7 May

F 2. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

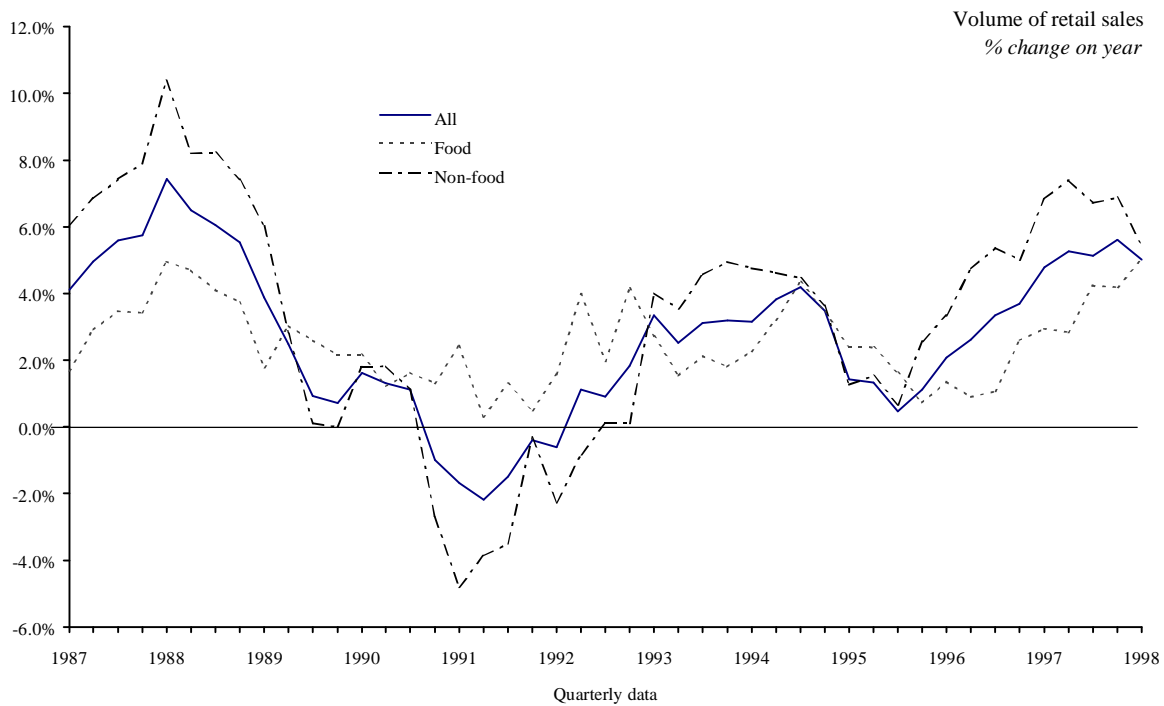
	Numbers thousands	Change over 12 months
1993	1,778	11.6%
1994	1,911	7.5%
1995	1,945	1.8%
1996	2,026	4.1%
1997 (provisional)	2,171	7.2%
1998 (forecast)	2,150	-1.0%
1999 (forecast)	2,000	-7.0%
1997 Dec	85	9.0%
1998 Jan	232	12.1%
Feb	177	8.6%
Mar	213	18.6%

Source: SMMT "Monthly Statistical Review", Mar 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.
- 213,374 cars were registered in March 1998. This was the largest March outturn since 1989 and represented a 18.6% increase on the figure for March 1997.
- Registrations of imported vehicles increased their market share to 66.1% in March.

Next update: 25 May

F 3. Retail Sales



Value of Sales
not seasonally adjusted; % change on year

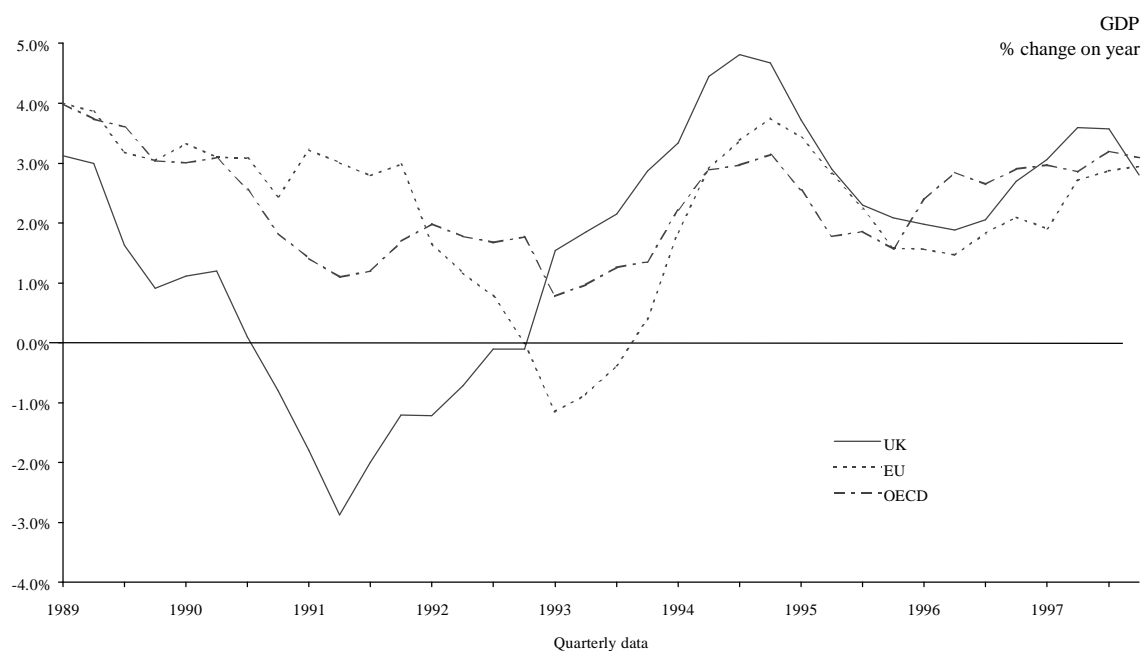
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1995	5%	3%	3%	3%
1996	5%	4%	8%	5%
1997	4%	9%	11%	6%
1997 Q1	4%	6%	9%	8%
Q2	2%	8%	13%	5%
Q3	4%	6%	10%	7%
Q4	5%	9%	9%	5%
1998 Q1	4%	6%	10%	4%

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

- Retail sales continue to show strong growth. In volume terms, sales in the first quarter of 1998 were 5.0 per cent higher than in the same period of 1997.
- The volume of sales from predominantly non-food stores has seen a sharp down-turn in growth in the most recent quarter, with the annual rate of growth falling from 6.9% to 5.4%.
- Unadjusted data on the value of sales shows that the growth in sales of household goods is still strong, holding at 10% pa, though somewhat down on the levels experienced in the middle of last year.

Next update: 21 May

G 1. International Comparisons - Growth

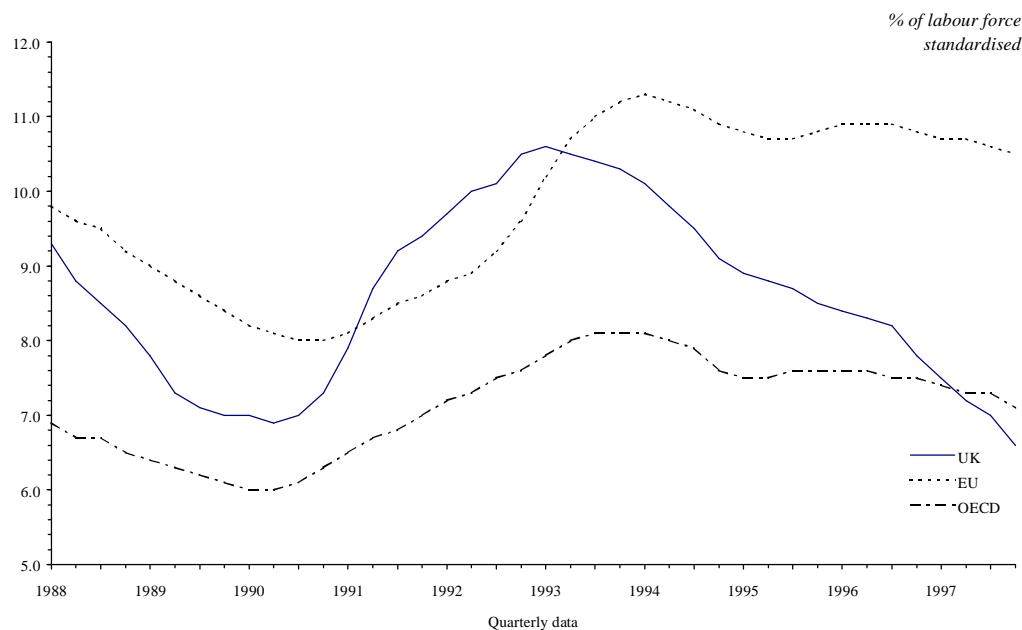


	GDP at constant market prices % change on year						
	1995	1996	1997	1997 Q1	1997 Q2	1997 Q3	1997 Q4
USA	2.0%	2.7%	3.8%	4.0%	3.4%	3.9%	3.7%
Japan	1.4%	3.9%	0.9%	2.8%	-0.2%	1.1%	-0.2%
Canada	2.2%	1.2%	3.8%	3.0%	4.1%	4.0%	4.2%
United Kingdom	2.8%	2.2%	3.3%	3.1%	3.6%	3.6%	2.8%
Germany	1.8%	1.4%	2.2%	2.5%	2.1%	2.3%	2.3%
France	2.1%	1.5%	2.4%	1.3%	2.5%	2.6%	3.2%
Italy	2.9%	0.7%	1.5%	-0.9%	1.9%	2.2%	2.7%
EU15	2.5%	1.7%	2.8%	1.9%	2.7%	2.9%	2.9%
G7	2.1%	2.5%	2.8%	3.0%	2.5%	3.0%	2.7%
OECD	2.0%	2.7%	3.1%	3.0%	2.9%	3.2%	3.1%

Source: OECD Main Economic Indicators, April 1998

- In the year to the fourth quarter of 1997 the UK economy grew by 2.8%. This was below the rate experienced in Canada, the USA and France, but above that in Germany, Italy and, in particular, Japan. Growth in the UK was below the average for the EU15 and the OECD as a whole but above the average for the G7.
- The fourth quarter of 1997 was the first quarter since the fourth quarter of 1992 in which UK growth was below the average for the EU 15.
- Forecasts in the December 1997 edition of the OECD's *Economic Outlook* suggest that growth in the UK will be 2.2% in 1998 compared to averages of 2.5% for the G7, 2.8% for the EU 15 and 2.9% for the OECD as a whole.

G 2. International Comparisons - Unemployment



Unemployed as % of labour force
standardised; seasonally adjusted

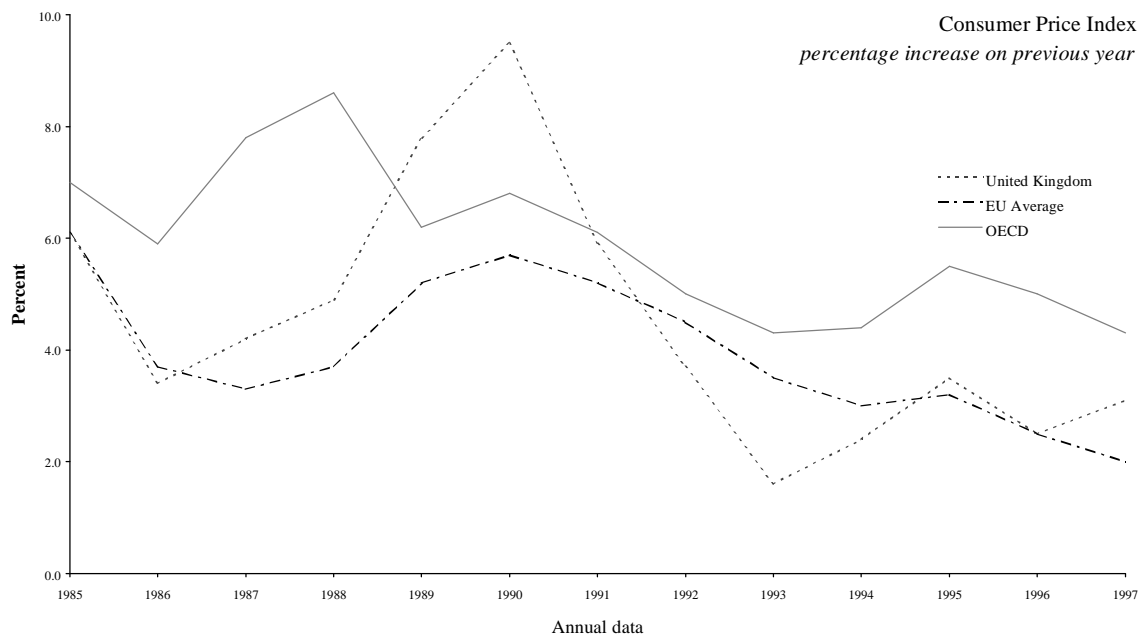
	1995	1996	1997	1997 Q1	1997 Q2	1997 Q3	1997 Q4
USA	5.6	5.4	4.9	5.3	4.9	4.9	4.7
Japan	3.1	3.4	3.4	3.3	3.4	3.4	3.5
Canada	9.5	9.7	9.2	9.6	9.4	9.0	8.9
United Kingdom	8.8	8.2	7.1	7.5	7.2	7.0	6.6
Germany	8.2	8.9	9.7	9.4	9.6	9.9	10.0
France	11.7	12.4	12.4	12.4	12.4	12.4	12.3
Italy	11.9	12.0	12.1	12.2	12.1	12.1	12.1
EU 15	10.8	10.9	10.6	10.7	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 in 1997 Q4 were: Austria (4.4%), Denmark (5.7%), Luxembourg (3.6%), Norway (3.8%) and the Netherlands (4.6%). Portugal's standardised unemployment currently equals that of the UK.

Next update: mid May

G 3. International Comparisons – Prices



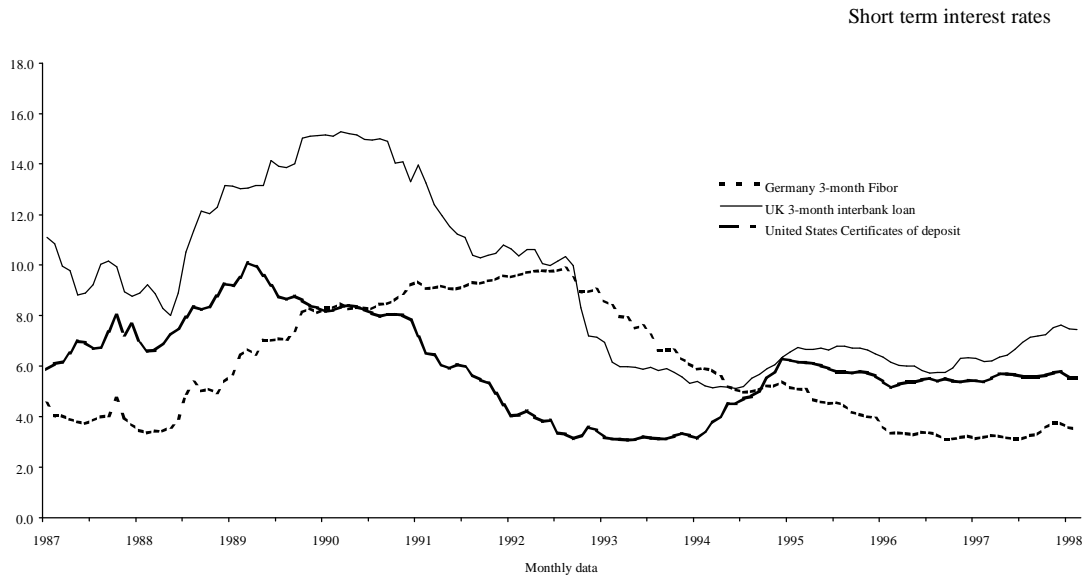
Consumer Price Index (national definitions)
% change over 12 months

	1996	1997	Jan 1998	Feb 1998	Mar 1998
United States	2.9%	2.4%	1.6%	1.4%	1.3%
Japan	0.1%	1.8%	1.8%	1.9%	..
Canada	1.5%	1.6%	1.0%	1.0%	0.9%
UK	2.5%	3.1%	3.3%	3.4%	3.5%
Germany	1.5%	1.7%	1.2%	1.1%	1.1%
France	2.0%	1.2%	0.5%	0.7%	0.8%
Italy	3.8%	1.8%	1.6%	1.8%	1.7%
OECD	5.0%	4.3%	4.2%	4.2%	4.3%
EU 15	2.5%	2.0%	1.7%	1.8%	1.8%

- 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 declined somewhat during the latter part of 1997, but has now risen slightly, standing at 1.4% in February 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 the Netherlands).

Next update: mid May (OECD data)
29 May (harmonised EU data)

G 4. International Comparisons - Interest Rates



Short-Term Interest Rates as at 29 April 1998

	3-month rate (% pa)
London	$7 \frac{3}{16}$
New York	$5 \frac{5}{8}$
Frankfurt	$3 \frac{19}{32}$
Tokyo	$\frac{15}{32}$
Paris	$3 \frac{19}{32}$
Milan	$4 \frac{15}{16}$
Brussels	$3 \frac{29}{32}$

Source: *Financial Times*, 30 April 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, and comments by the Bundesbank, 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 rise in rates in the United States have revived following strong economic data.
- Japanese interest rates are for all practical purposes at their lowest level. The government has just introduced 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.