



RESEARCH PAPER 98/71
1 JULY 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: The Introduction of the 1995 European System of National Accounts (ESA 95).

As a consequence of the Summer Recess, the next edition of *Economic Indicators* will be available on 1 November 1998. In the meantime, Members interested in a particular series can contact the specialist listed on page 5.

Jane Hough (Editor)

ECONOMIC POLICY & STATISTICS SECTION

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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 Hough	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 Hough/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 ESA 95

In September 1998 the Office for National Statistics (ONS) will publish major revisions to the national accounts for the United Kingdom. The changes are:

- constant price series will be published on a 1995 price base rather than a 1990 price base. In isolation, the effect of the rebasing is to reduce the estimated rate of economic growth in the period 1994 to 1997.¹ Other changes may revise the growth rate for this period in the opposite direction.
- data will be revised to take account of information from surveys based on the new Inter-Departmental Business Register (IDBR).²
- for the first time the accounts will comply with the 1995 European System of Accounts (ESA95).

In addition, presentation of the balance of payments statistics will change in order to maintain consistency with the national accounts and to comply with the fifth edition of the IMF *Balance of Payments Manual* (BPM5).³

ESA 95 is an EU regulation that gives legal force to the internationally agreed 1993 *System of National Accounts* (SNA93).⁴ The UK will be required to make returns to Eurostat (the Statistical Office of the European Communities) on an ESA95 basis from April 1999 and it has been decided to use the same data for national purposes. The changes should improve international comparability of UK statistics and make the presentation of the national accounts more coherent. The ONS has consulted users about the impact of the changes including the publication, in November 1997, of a series of five publications explaining the changes and seeking comment on drafts of the new tables. It is intended to publish historical series on the new basis where possible. The main changes that will result from the introduction of ESA95 are as follows:

1. Nomenclature

The most obvious changes will be to the names of several widely quoted measures. Gross national product (GNP) will become gross national income (GNI), stocks will become inventories, gross domestic fixed capital formation (GDFCF) will become gross fixed capital formation (GFCF) and the general government financial deficit (GGFD) will become general government net borrowing.

2. Presentation

ESA95 prescribes the format of various core tables in the national accounts. As a result many tables in the 1998 national accounts 'blue book' will look very different from those in previous editions. Following consultation with users, ONS have decided to incorporate a number of tables in the blue book, not required under ESA95, that will provide information that would

¹ For further information see "Rebasing the National Accounts", *Economic Trends*, June 1998 pp57-62

² For further information see "Improvements to business inquiries through the introduction of the new Inter-Departmental Business Register", *Economic Trends*, February 1998 pp22-27

³ The main change to the balance of payments is that capital transfers – previously included in the current account – will be moved to a new capital account and the old capital account will be renamed the financial account.

⁴ Reg(EC)2223/96 as amended.

otherwise no longer be published. More prominence will be given to series measured net of the depreciation of fixed assets.

3. Valuation

At present gross domestic product (GDP) is valued at either market prices or factor cost, the difference being indirect taxes less subsidies. GDP at factor cost will disappear and be replaced by a measure known as gross value added (GVA) at basic prices. Basic prices include indirect taxes levied on producers (eg business rates and vehicle excise duty) but exclude taxes and subsidies related to products. Under ESA95 'purchasers' prices' is the preferred term for 'market prices' but ONS will continue to use the term GDP at market prices. In line with practice in most other countries, the principal measure of economic growth will in future be changes in GDP at constant market prices.

4. Structure

At present the national accounts have four sub-accounts for each sector (operating, current, capital and financial). Under ESA95 this is being expanded to separate transactions in primary income (wages, profits, etc) from transactions in secondary income (taxes, benefits, etc) and to incorporate balance sheet information.

There will also be changes to the definition of sectors. The old personal sector will disappear to be replaced by a sector covering households and non-profit institutions serving households (NPISH). Life assurance and pension funds (previously in the personal sector) will become a sub-sector within financial corporations and public corporations will become a sub-sector of non-financial corporations. Although the public sector is not an ESA95 concept, ONS will continue to publish data on this basis.

5. Capital expenditure

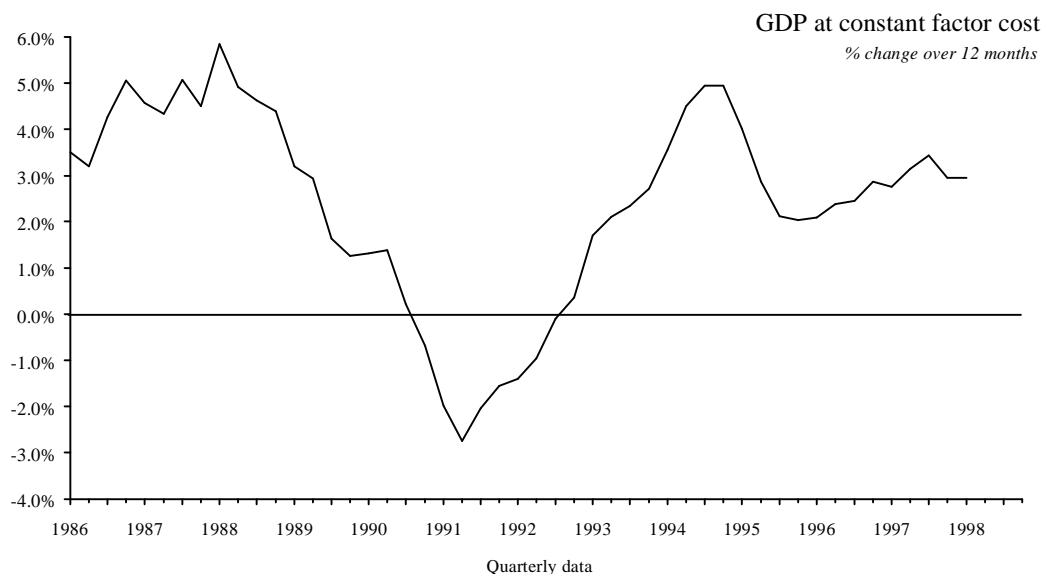
The concept of capital expenditure is being widened. A broad term 'gross capital formation' will include gross fixed capital formation, changes in inventories and acquisitions less disposals of valuables. Computer software, dual use military equipment, cultivated assets (eg dairy herds) and literary & artistic originals will be treated as gross fixed capital formation rather than current expenditure.

The changes to national accounts will also have consequences for public sector accounts and public expenditure aggregates. The PSBR, already renamed the public sector net cash requirement, will be broadly similar but a few transactions that are currently treated as determining the PSBR, become financing items.⁵ Although general government expenditure (GGE) will continue, the exact level will be different mainly because of changed treatment of transactions with the EU. The distinction between taxes and fees charged for licences and certificates is being clarified

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

⁵ For further information see HM Treasury, *FSBR March 1998*, HC 620 1997-98 p.137

A 1. Gross Domestic Product

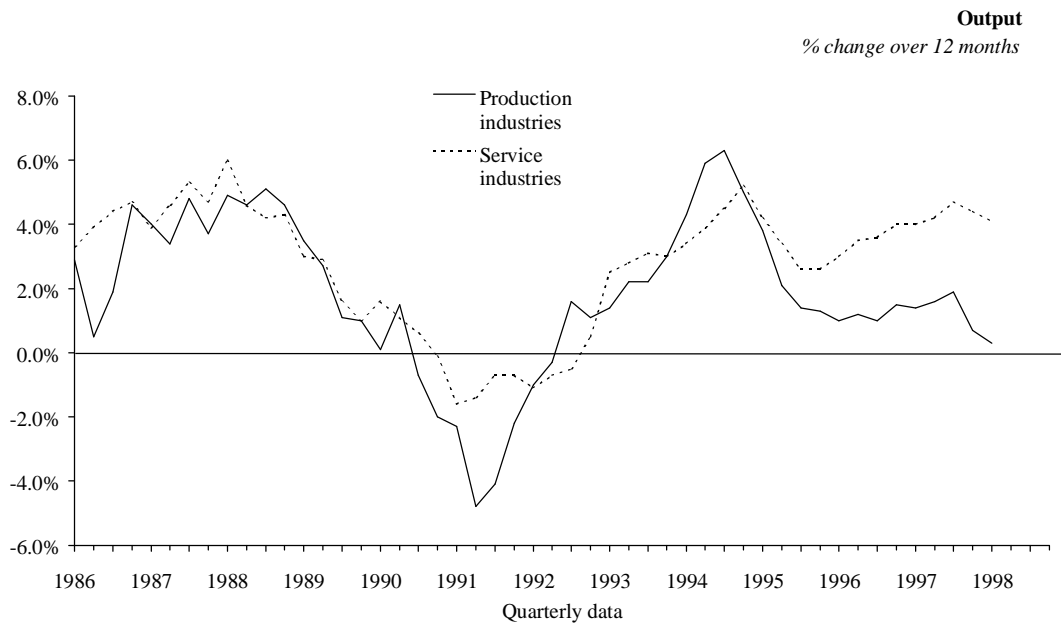


	Gross Domestic Product <i>seasonally adjusted</i>			
	GDP at constant factor cost <i>12 month change</i>	Non-Oil GDP at constant factor cost <i>12 month change</i>	GDP at current market prices <i>£ billion</i>	GDP at current factor cost <i>£ billion</i>
1995	2.8%	2.7%	704.2	608.1
1996	2.5%	2.4%	742.1	642.9
1997	3.1%	3.1%	786.6	677.4
1996 Q4	2.9%	2.8%	190.3	164.7
1997 Q1	2.8%	2.8%	192.4	166.2
Q2	3.1%	3.3%	195.7	168.4
Q3	3.4%	3.5%	198.0	170.4
Q4	2.9%	3.0%	200.5	172.4
1998 Q1	3.0%	3.0%	202.5	173.9

Source: ONS Database; ONS first release (98)192

- In the first quarter of 1998 gross domestic product (GDP) grew by 0.5% to a level 3.0% higher than in the first quarter of 1997. GDP growth has slowed since the second and third quarters of 1997 when quarter-on-quarter growth rates were 0.9%. The slow down largely reflects a deteriorating trade position and higher indirect taxes. In the latest quarter, domestic expenditure at market prices added 1.3% to GDP at factor cost, the deterioration in net exports reduced GDP by 0.7% and higher indirect taxes (less subsidies) reduced GDP by 0.3%.
- Output excluding oil and gas extraction is estimated to have grown by 0.6% in the first quarter of 1998 to a level 3.0% higher than in the first quarter of 1997.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will slow to 2.2% 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	Manufac- turing			
1995	2.1%	1.7%	3.2%	-1.4%	-0.6%
1996	1.1%	0.3%	3.5%	-1.6%	1.3%
1997	1.4%	1.5%	4.3%	-2.4%	2.3%
1996 Q4	1.5%	0.7%	4.0%	-2.4%	2.9%
1997 Q1	1.4%	1.4%	4.0%	-5.6%	2.3%
Q2	1.6%	2.0%	4.2%	0.3%	3.2%
Q3	1.9%	1.5%	4.7%	-2.6%	2.0%
Q4	0.7%	0.9%	4.4%	-1.4%	1.8%
1998 Q1	0.3%	0.2%	4.1%	-0.8%	4.2%

Sources: ONS database (DUEK, DUEQ, CKJA, CKIW, DVUO, DUEL, DUER, DSXG, CKHD & CKHJ)

- Since 1995, output has grown faster in the service sector than in other parts of the economy and is currently growing at an annual rate of around 4%. Growth of industrial production fell to around ¼% in the first quarter of 1998. This partly reflected falling output in the electricity, gas & water sector which, in turn, reflected reduced energy consumption as a result of mild weather. Manufacturing output fell by 0.6% between the third and fourth quarters of 1997 and by 0.1% between the fourth quarter of 1997 and the first quarter of 1998 highlighting concerns about the impact on the sector of the appreciation of Sterling.
- Monthly data for industrial production show output recovering somewhat in April 1998. In the three months to April, manufacturing output was 0.3% higher than in the previous three months but just 0.1% higher than in the three months to April 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%.

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	11,360	38,404	38,562	20,825	109,151
1997 Q1	3,026	9,185	9,396	4,960	26,523
Q2	2,783	9,714	9,639	5,159	27,203
Q3	2,704	9,786	9,734	5,274	27,342
Q4	2,847	9,719	9,793	5,432	27,625
1998 Q1	3,196	9,963	10,130	5,570	28,859

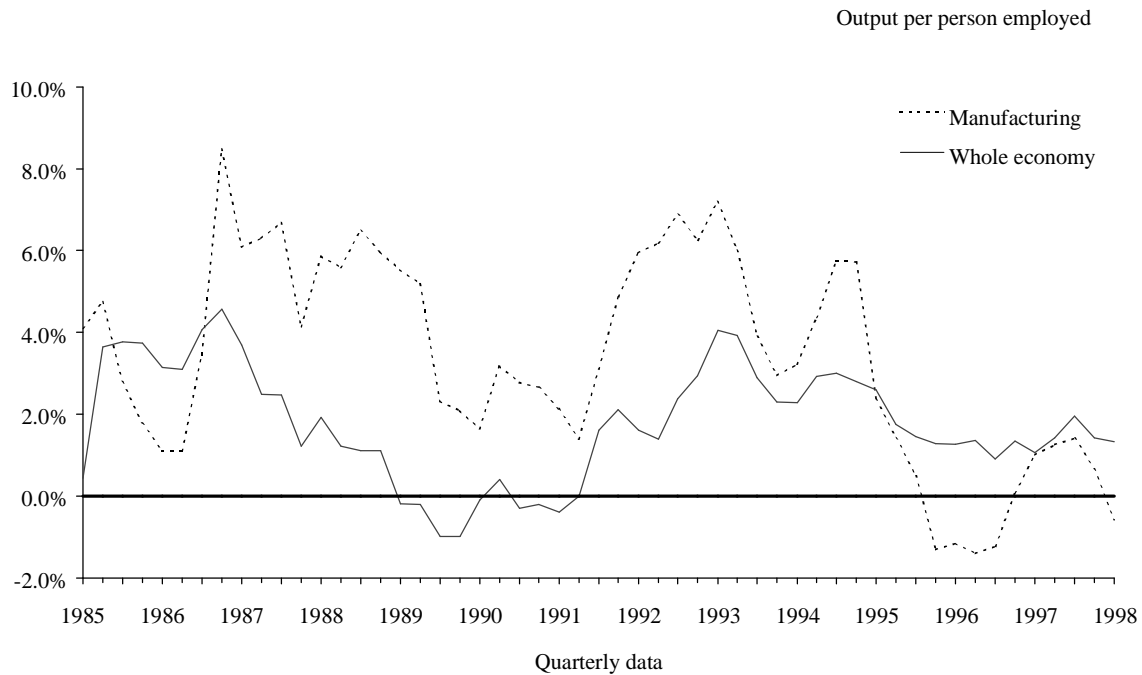
Notes: (1) including transfer of costs of land and buildings

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 5.2% compared with 1996, which in turn was 1.5% higher than the level in 1995. However, GDFCF in 1997 was still 2.1% below the peak (£111.5 billion) reached in 1989.
- Revised figures show that business investment in the first quarter of 1998 increased 5.8% compared with the previous quarter and 10% compared with the first quarter of 1997. Manufacturing investment in the first quarter of 1998 fell by 1.1% compared with the previous quarter, but was still 4.7% higher than in the first quarter of 1997.

Next update: 24 July

A 4. Productivity



% change on year
seasonally adjusted

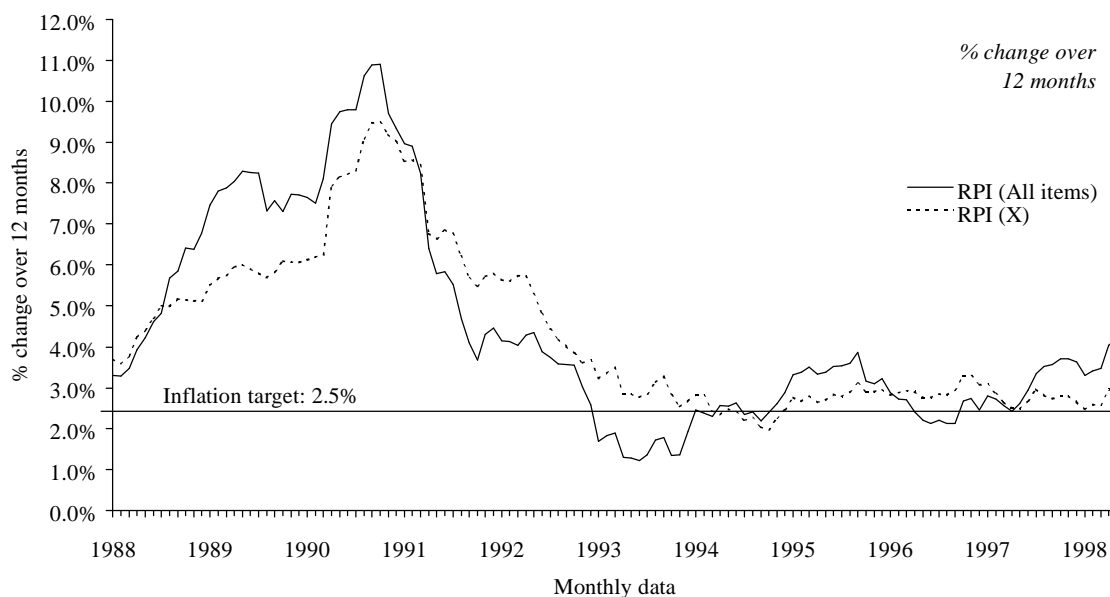
		Manufacturing			Whole Economy		
		Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1995		1.7%	1.0%	0.7%	2.8%	1.1%	1.8%
1996		0.3%	1.2%	-0.9%	2.5%	1.1%	1.2%
1997		1.5%	0.4%	1.1%	3.1%	1.6%	1.5%
1997	Q1	1.5%	0.4%	1.0%	2.8%	1.7%	1.1%
	Q2	2.0%	0.8%	1.3%	3.1%	1.6%	1.4%
	Q3	1.6%	0.1%	1.4%	3.4%	1.4%	2.0%
	Q4	0.9%	0.1%	0.7%	2.9%	1.5%	1.4%
1998	Q1	0.2%	0.8%	-0.6%	3.0%	1.5%	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.
- Latest quarterly figures show that productivity in the manufacturing sector is now falling. This is a reflection of the fact that employment in manufacturing is still growing at an annual rate of nearly one per cent, whilst output growth in the sector is virtually stagnant. Productivity in the economy as a whole is still growing, though the annual rate of growth is slowing down.

Next update: 15 July

B 1. Retail Prices

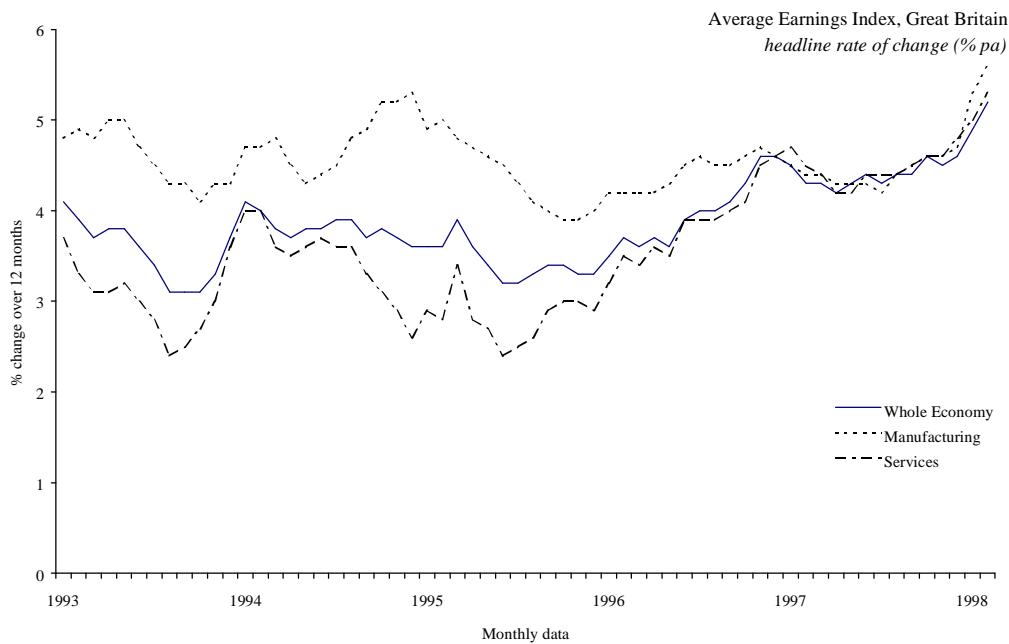


	<i>% change on previous year</i>	
	Retail Prices Index	
	All-items	excl. mortgage interest (RPI(X))
1995	3.5%	2.9%
1996	2.4%	3.0%
1997	3.1%	2.8%
1997 May	2.6%	2.5%
Jun	2.9%	2.7%
Jul	3.3%	3.0%
Aug	3.5%	2.8%
Sep	3.6%	2.7%
Oct	3.7%	2.8%
Nov	3.7%	2.8%
Dec	3.6%	2.7%
1998 Jan	3.3%	2.5%
Feb	3.4%	2.6%
Mar	3.5%	2.6%
Apr	4.0%	3.0%
May	4.2%	3.2%

Source: ONS Database (series CHAW, CHMK) 1998.

- 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 of 2.5% since the beginning of 1995, but it has increased particularly sharply in April, and currently stands at 3.2% in May.
- In both April and May, there were large increases in housing costs, which contributed to the higher headline rate of inflation. In April housing costs were 10.7% higher compared to a year earlier, in May they were 10.9% higher than a year earlier.
- Some of these housing-related costs in April were one-off effects. In particular, there was an increase in mortgage interest payments, as a result of the reduction in MIRAS tax relief from 15% to 10%, which was enacted in the budget in July 1997 and which came into effect in April

B 2. Average Earnings



Average earnings, Great Britain

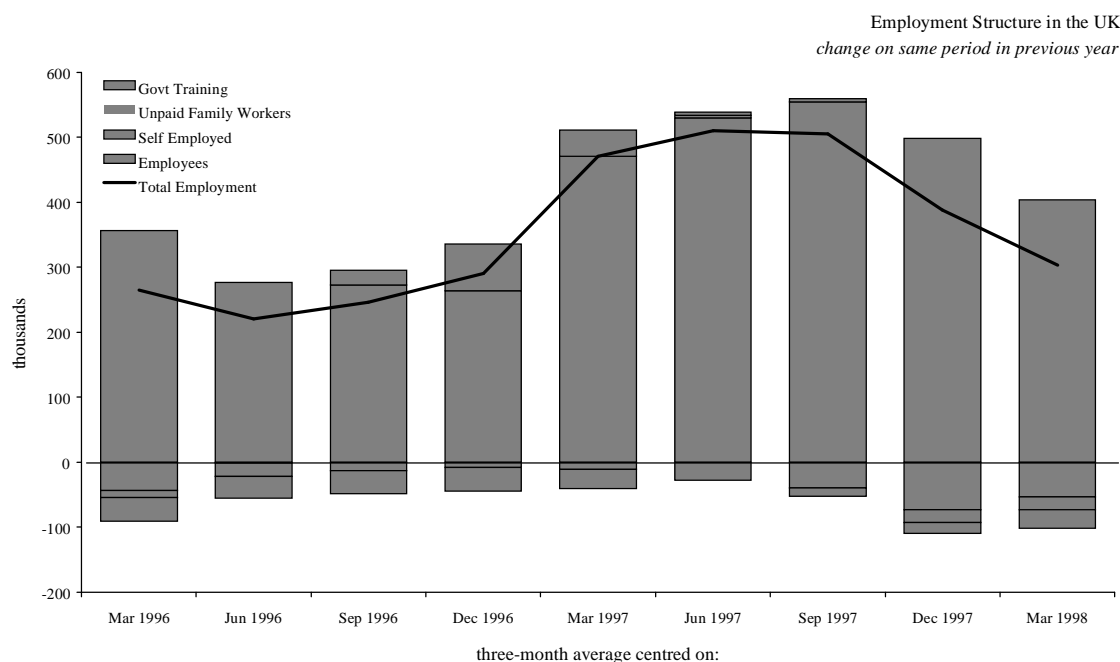
	headline rate (% change on year)		
	Whole Economy	Private Sector	Public Sector
1997 Mar	4.3	4.8	2.4
Apr	4.3	4.8	2.3
May	4.2	4.6	2.5
Jun	4.3	4.7	2.9
Jul	4.4	4.7	3.1
Aug	4.3	4.7	3.0
Sep	4.4	4.8	2.6
Oct	4.4	5.0	2.6
Nov	4.6	5.1	2.7
Dec	4.5	5.1	2.6
Jan	4.6	5.2	2.6
1998 Feb	4.9	5.6	2.5
Mar	5.2	5.9	2.5

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

- Seasonally adjusted average earnings growth increased sharply for a second month in a row in March, to stand 5.2% higher than a year previously. Earnings growth continues to be led by the private sector, where earnings were 5.9% higher than a year previously.
- Independent forecasts collated by the Treasury suggest that average earnings growth will be 4.8% in 1998 and will slow only slightly to 4.5% in 1999.
- It is notable that while there have been pointed remarks within the manufacturing sector about the problems caused by the current strength of sterling, average earnings in the manufacturing sector in March were 5.6% higher than a year before. This compares with the increase in the service sector in March of 5.3%.

Next update: 15 July

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

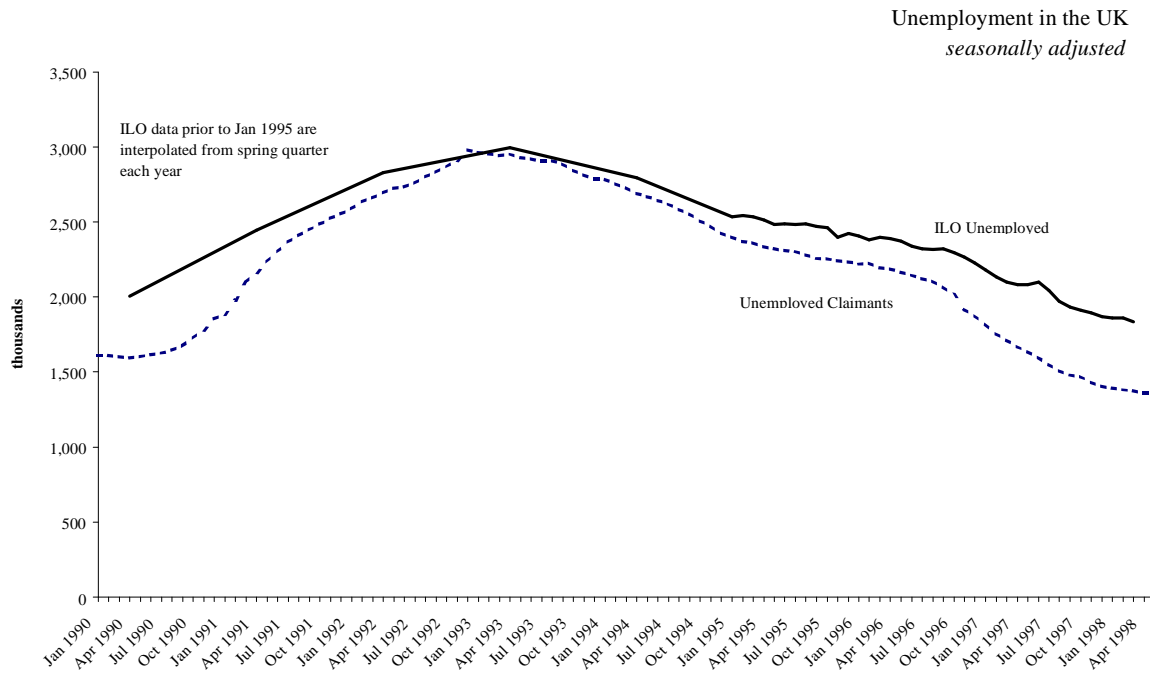
	Employees	Self Employed	Unpaid Family Workers	Govt Training	Total in Employment
1995 Feb-Apr	22,231	3,353	140	288	26,012
1996 Feb-Apr	22,587	3,309	129	252	26,277
1997 Feb-Apr	23,058	3,349	118	222	26,747
May-Jul	23,154	3,339	121	219	26,833
Aug-Oct	23,273	3,324	125	220	26,941
Nov-Jan	23,381	3,304	96	208	26,989
1998 Feb-Apr	23,462	3,295	99	193	27,050
Changes:					
1997 Feb-Apr -	404	-54	-19	-29	303
1998 Feb-Apr	1.8%	-1.6%	-16.1%	-13.1%	1.1%

Source: Labour Force Survey (ONS)

- Total employment has continued to increase in the latest, rolling three-month period; compared to a year previously, employment was 303,000 higher in the February-April 1998 period. However, the pace at which employment is increasing has slowed (previously it increased by 1.5% in the year to November to January 1998).
- Overall, the level of male employment has decreased slightly over the last twelve months: the number of male employees has risen, but this has been more than offset by falls in self employment and the number of participants on Government-supported training schemes.

Next update: 15 July

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

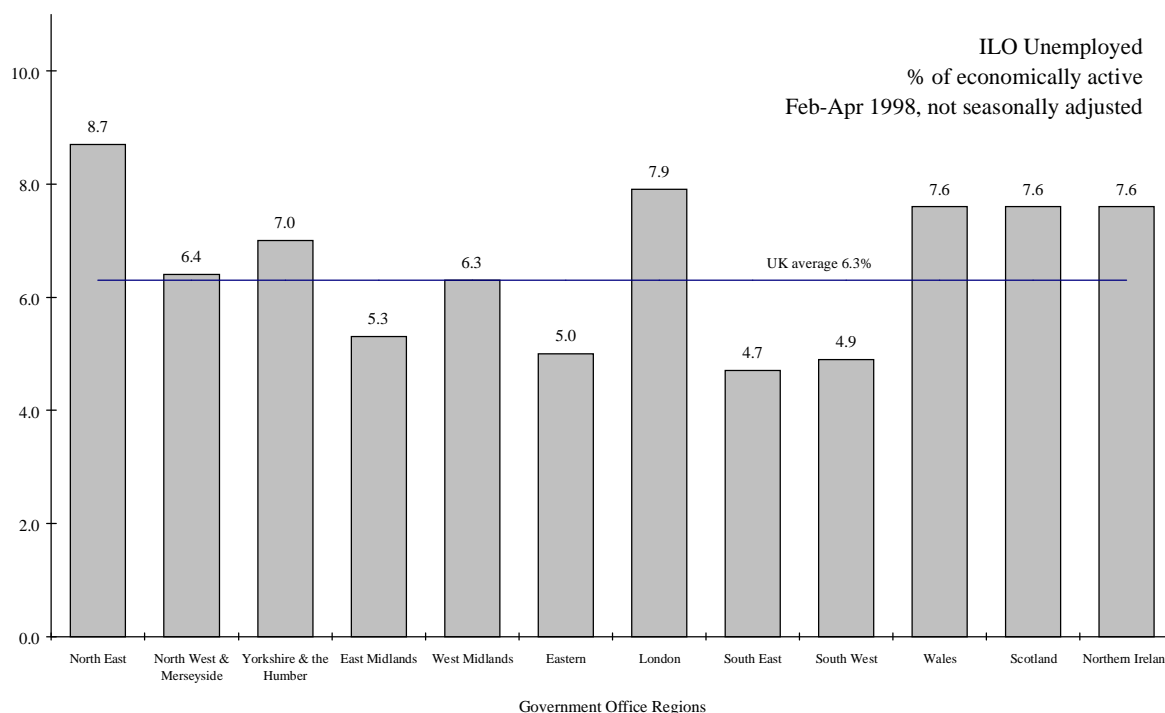
	thousands	rate (%)
1995 Feb-Apr	2,533	8.9
May-Jul	2,486	8.7
Aug-Oct	2,468	8.6
Nov-Jan	2,424	8.4
1996 Feb-Apr	2,399	8.4
May-Jul	2,336	8.2
Aug-Oct	2,319	8.1
Nov-Jan	2,229	7.7
1997 Feb-Apr	2,099	7.3
May-Jul	2,099	7.3
Aug-Oct	1,930	6.7
Nov-Jan	1,870	6.5
1998 Feb-Apr	1,835	6.4

- From April 1998 the Office for National Statistics has used 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 February to April 1998 the level of ILO unemployment in the UK was 1,835,000 or 6.4% of the economically active population.
- The separate rate for men was 7.0% and for women 5.5%. The rate for those people aged 18 to 24 was 11.9%.
- The number of people unemployed according to the claimant count definition in May 1998 was 1,364,300 or 4.8% of the workforce.

Source: Labour Force Survey(ONS)

Next update: 15 July

C 3. Unemployment: Regional



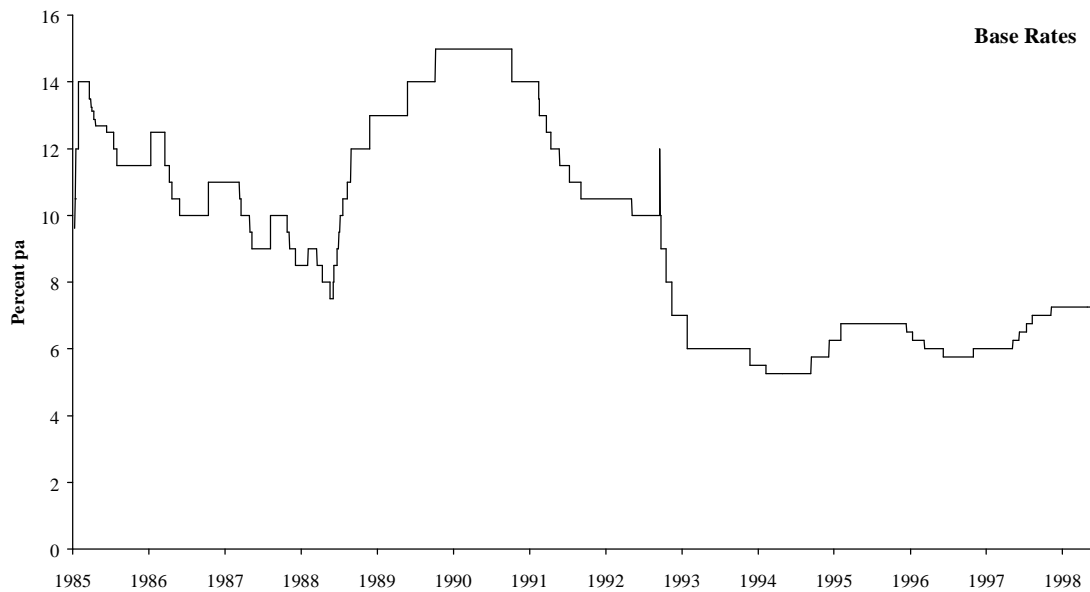
ILO Unemployment, Feb - Apr 1998
change on same period in previous year

	thousands	%
North East	-23	-18%
North West & Merseyside	-27	-12%
Yorkshire & the Humber	-22	-11%
East Midlands	-18	-14%
West Midlands	-16	-9%
Eastern	-25	-16%
London	-61	-18%
South East	-23	-11%
South West	-16	-12%
Wales	-13	-12%
Scotland	-20	-9%
Northern Ireland	-4	-7%
UK	-267	-13%

Source: ONS First Release (98) 178

- From April 1998 the Office for National Statistics has used 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 nearly a fifth in the past year - in the North East and London. It has fallen much more slowly in the West Midlands, Scotland and Northern Ireland (by only 9% in the case of the first two, and by 7% for Northern Ireland).
- Unemployment rates on the claimant count definition for May 1998 (seasonally adjusted) ranged from 2.7% in the South East to 7.6% in Northern Ireland. The UK average was 4.8%.

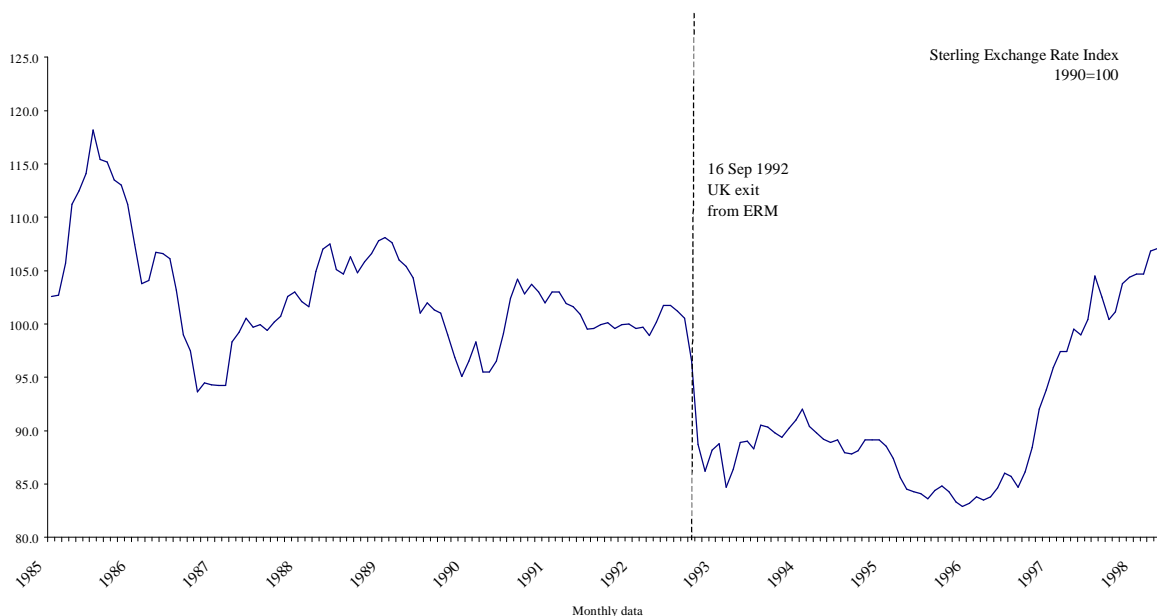
D 1. Interest Rates



<i>per cent per annum</i>		
Date of change		New rate
1991	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
1998	Jun 4	7.50

- 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 July.
- A six month period of interest rate stability ended with a ¼ per cent point rise in base rates (now termed the Bank’s repo rate): the sixth since the General Election in May 1997.
- According to the accompanying announcement, the Committee were persuaded to raise rates because: “evidence has emerged over the past month that the cumulative tightening of the labour market has resulted in a rate of private sector earnings growth that jeopardises achievement of the inflation target over the medium run.”
- A rate of 15.0% p.a. was announced on 16 September 1992 but was cancelled before becoming effective.

D 2. Exchange Rates



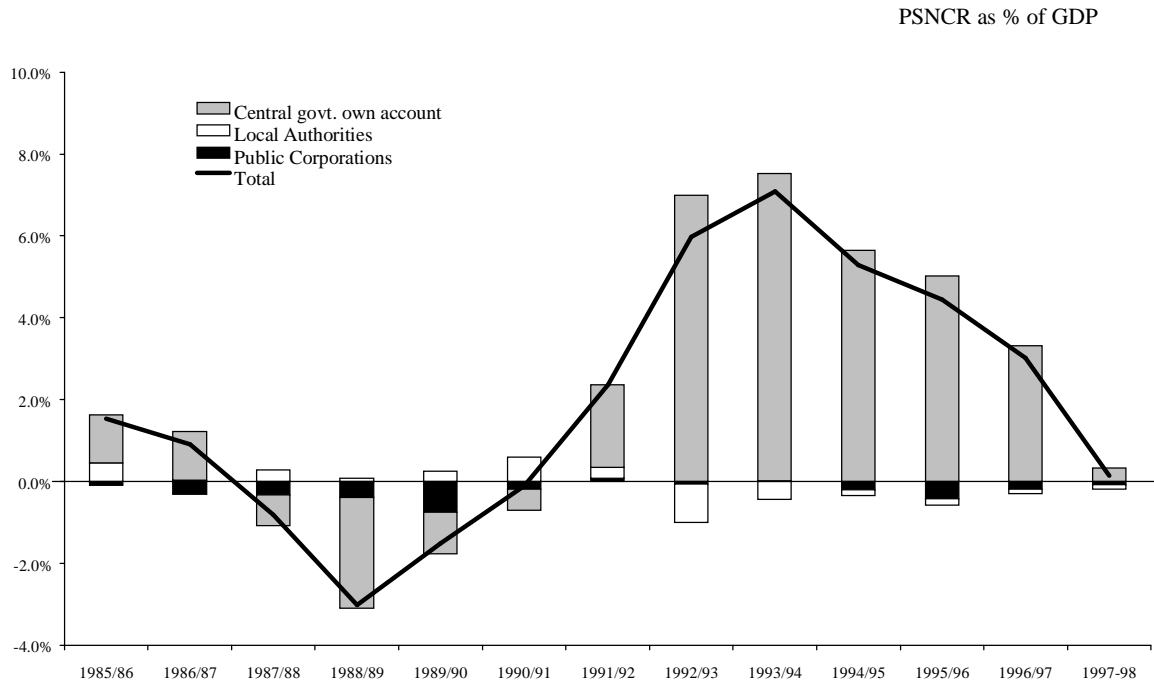
	Exchange Rates							
	DM		US\$		Yen		ECU	
	Rate	% year on change	Rate	% year on change	Rate	% year on change	Rate	% year on change
1992	2.75	-5.9%	1.77	-0.1%	223.72	-5.8%	1.36	-4.6%
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%	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 Mar	3.04	11.4%	1.66	3.5%	214.57	9.0%	1.53	9.1%
1998 Apr	3.03	8.8%	1.67	2.7%	220.74	7.8%	1.53	7.0%
1998 May	2.90	4.4%	1.64	0.2%	220.84	13.8%	1.47	3.3%

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

Recent Developments

- Events this month have had a big impact on the foreign exchange standing of Sterling. The decision by the Monetary Policy Committee at its June meeting to raise interest rates came as a surprise to the market and has more than reversed the mild decline in the value of Sterling seen in early Spring against, especially, other European currencies.
- Outside Europe, June saw a fresh round of currency collapses in Asia, which has contributed to a rise in the trade weighted value of sterling. The markets' expectation of interest rate rises in the US has risen appreciably following continued evidence of strong domestic growth, even in the face of the significant impact that 'Asia' has had on the US economy, and this has supported the value of the dollar.

D 3. Public Sector Net Cash Requirement

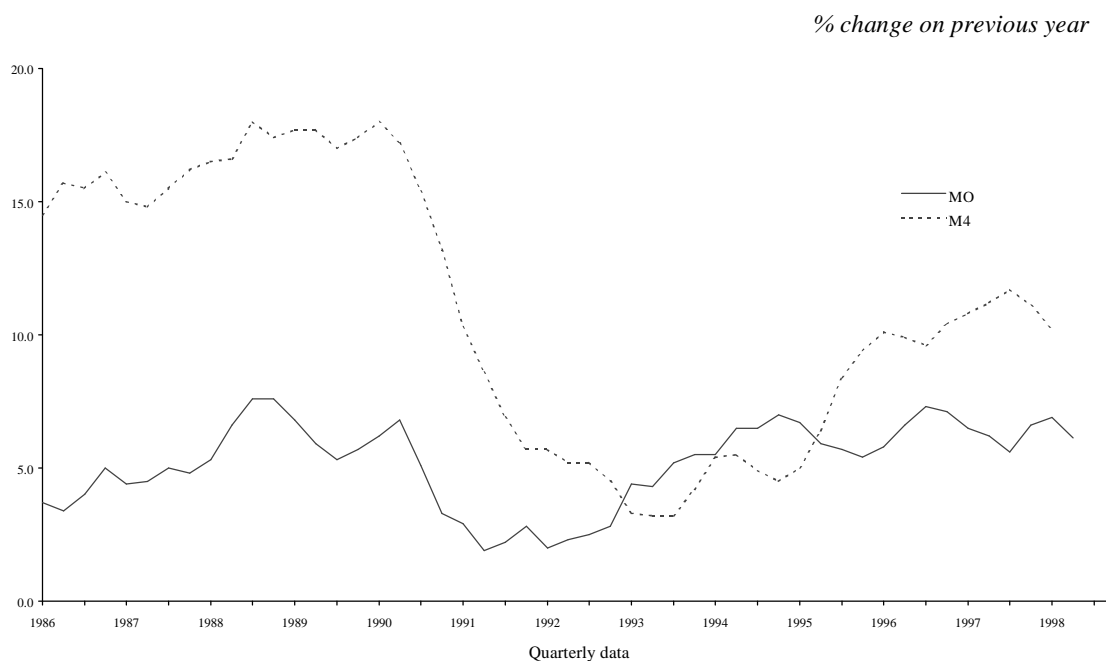


	Public Sector Net Cash Requirement			
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1995/96	31.7	4.4%	34.1	4.8%
1996/97	22.7	3.0%	27.1	3.6%
1997/98	1.1	0.1%	2.9	0.4%
1997 Q1	6.3	3.3%	6.5	3.4%
1997 Q2	8.2	4.2%	9.3	6.2%
1997 Q3	0.0	0.0%	0.7	4.4%
1997 Q4	-2.0	-1.0%	-2.0	0.6%
1998 Q1	-5.0	-2.5%	-5.0	3.4%

Source: ONS Database Series ABEN, ABII, CAOB

- The public sector net cash requirement was previously known as the public sector borrowing requirement (PSBR)
- The PSNCR (including privatisation receipts) for the 1997/98 financial year was £1.1 billion compared with £22.7 billion over the same period in 1996/97. Excluding privatisation receipts, the PSBR for 1997/98 was £2.8 billion compared with £27.1 billion in the same period of 1996/97.
- In the first two months of 1998/99 the PSNCR was £4.1 billion or £3.9 billion if privatisation proceeds are excluded compared to a surplus of £3.2 billion and £3.7 billion respectively in 1997/98.
- Privatisation proceeds worth £1.8 million were received in May 1998.

D 4. Money Supply



Money stock
seasonally adjusted

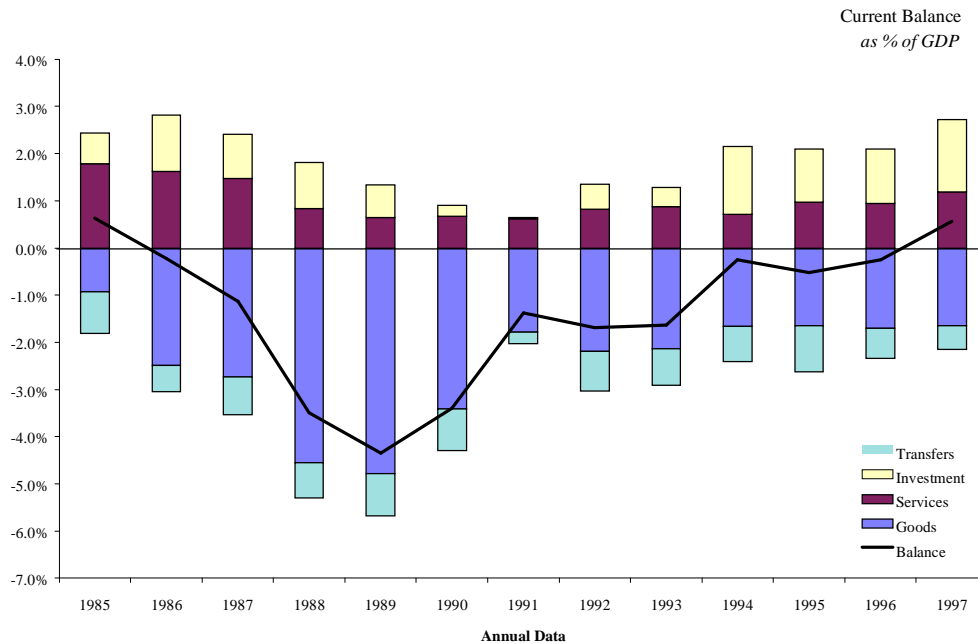
	MO (a)		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1997 Jun	7.9	6.4	11.1	11.7
Jul	6.7	5.8	13.3	11.9
Aug	4.6	5.0	10.3	11.6
Sep	3.7	5.8	10.3	11.6
Oct	7.3	6.1	9.0	10.9
Nov	10.6	6.4	9.0	10.6
Dec	8.8	6.4	9.7	11.7
1998 Jan	7.9	6.7	9.1	10.6
Feb	5.9	6.9	9.9	10.3
Mar	5.9	6.6	7.5	9.6
Apr	4.6	6.6	9.4	10.2
May	4.0	6.2	7.5	9.2
Jun (prov)	3.2	5.4	n.a.	n.a.

Note: (a) Excluding the effects of introducing the new 50p & £2 coins

- 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: 20 July

E 1. International Trade



Current Account Balances
seasonally adjusted; £ million

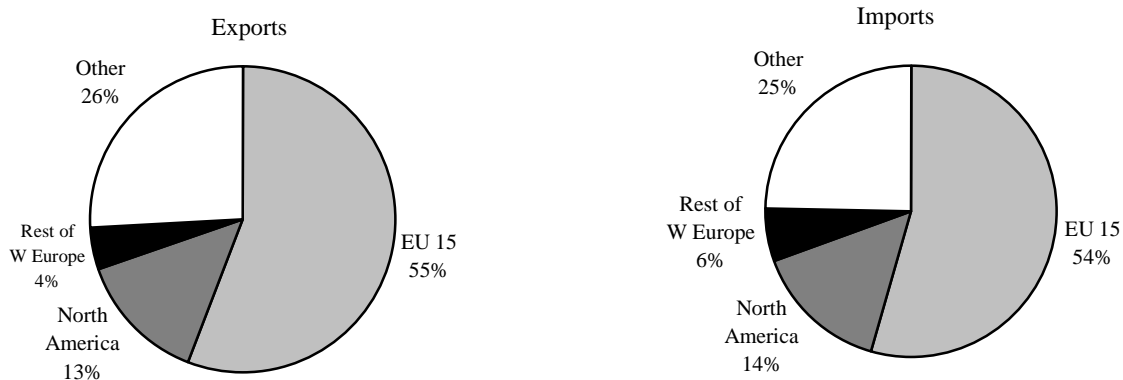
	Trade in Goods	Trade in services	Investment Income	Transfers	Current Balance
1995	-11,582	6,877	7,920	-6,887	-3,672
1996	-12,657	6,970	8,582	-4,725	-1,830
1997	-12,979	9,284	12,137	-3,968	4,474
1997 Q1	-2,787	2,269	3,060	-1,177	1,365
Q2	-3,126	2,508	3,289	-983	1,688
Q3	-2,844	2,342	3,148	-1,271	1,375
Q4	-4,222	2,165	2,640	-537	46
1998 Q1	-4,690	1,615	1,934	-2,080	-3,221

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.
- **Trade in Goods:** The last two quarters (1998Q1 and 1997Q4) produced the two largest quarterly deficits in trade in goods since the second quarter of 1990, reflecting a worsening UK trading position.
- **Trade in Goods and Services:** In the first quarter of 1998 the deficit in goods and services increased to £3,075 million from £2,057 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.
- **Current Account:** The current account as a whole was in deficit by £3,221 million in the first quarter of 1998, compared with a surplus of £46 million in the previous quarter and a surplus of £1,365 million in the first quarter of 1997. In addition to the deteriorating trade position, the large current account deficit was also caused by the especially large payments made to the EC budget.

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
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
1998 Q1	146.4	137.9	40,473	45,163	-4,690

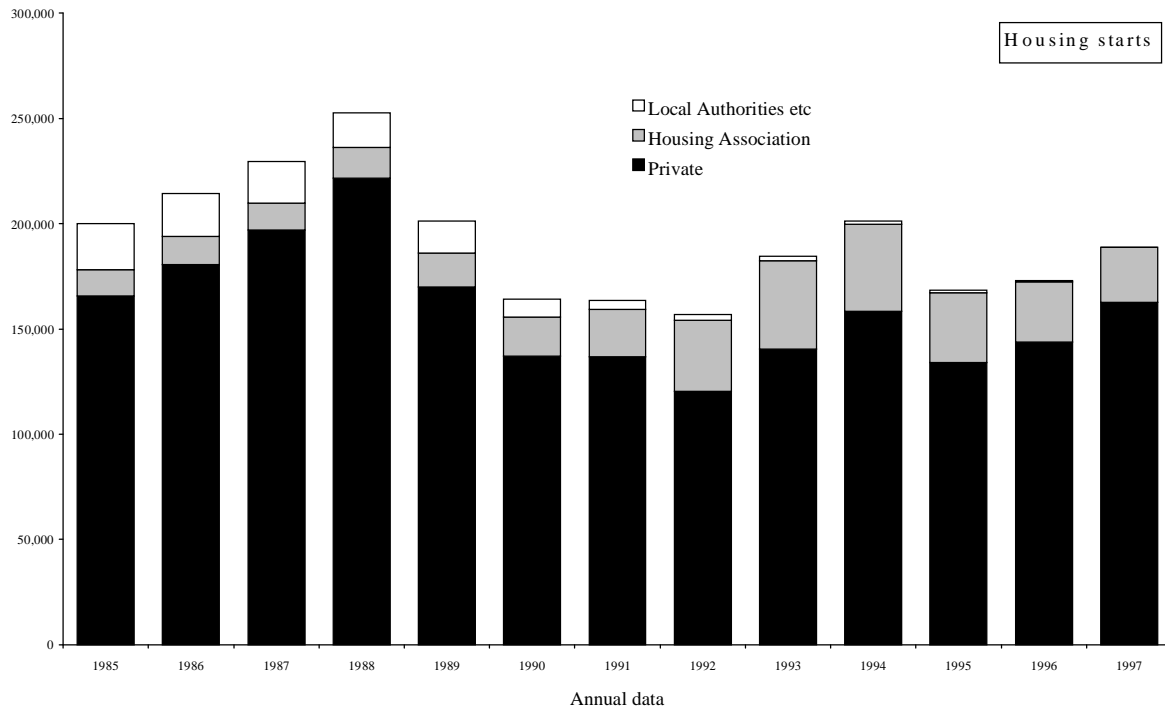
Source: ONS database (Series: CGTR, CGTS, CGKG, CGHK, AIMA)

First Release: UK Trade (ONS(98) 196)

- **1997 as a whole:** The deficit in 1997 is 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.
- **1998, First Quarter:** Export volumes in the first quarter have fallen 2.1% on the previous quarter whereas import volumes fell by 1.5% over the same period.
- **Recent Monthly Data:** The UK's balance on trade in goods in April is provisionally estimated as a deficit of £1,390 million, compared with a £1,538 million deficit in March. The deficit of £2,122 million in February was the largest monthly deficit since March 1990.
- The deficit in trade in goods with non-EU countries in May is provisionally estimated at £1,603 million, whereas the latest figures for trade with EU countries show a deficit in April of £621 million.
- The latest estimate of trend suggests that the trade in goods deficit is widening.

Next update: 23 July

F 1. Housing



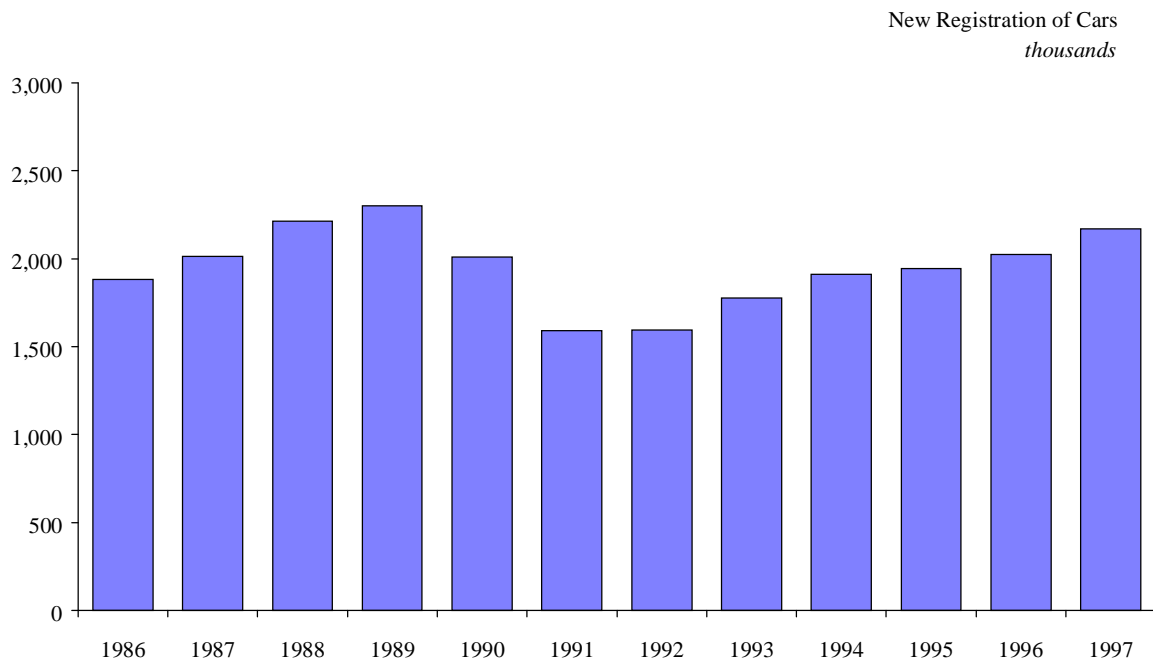
House prices				
	All Houses	New Houses	Existing Houses	First time buyers
Standardised average price (£)				
1996	43,600	49,500	64,000	47,100
1997	46,300	50,800	68,300	49,700
1997 Q3	46,700	50,800	68,900	50,100
1997 Q4	46,800	52,000	69,000	50,000
1998 Q1	47,200	53,600	69,800	50,200
% change over same 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 April 1998 show that the seasonally adjusted total starts were 4% lower when compared with the previous three months. Similarly, private enterprise starts fell by 5% 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: starts: 2 July

F 2. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

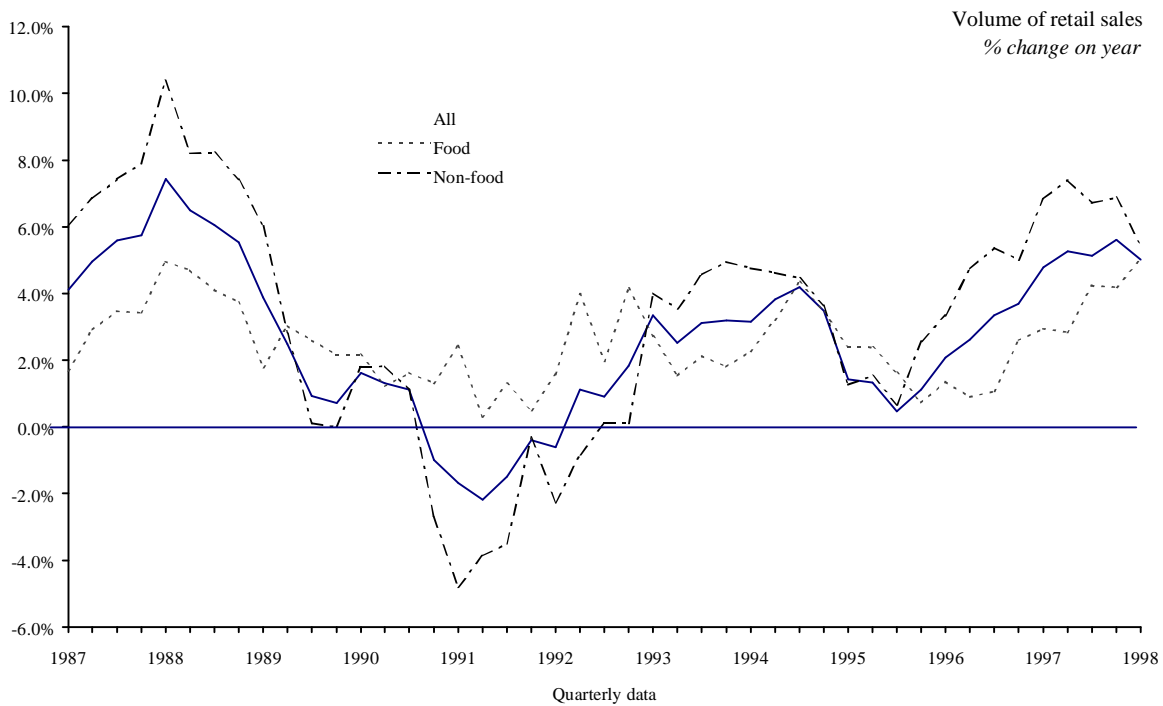
	Numbers thousands	Change over 12 months
1993	1,778	11.6%
1994	1,911	7.5%
1995	1,945	1.8%
1996	2,026	4.1%
1997 (provisional)	2,171	7.2%
1998 (forecast)	2,150	-1.0%
1999 (forecast)	2,000	-7.0%
1998 Feb	177	8.6%
Mar	213	18.3%
Apr	172	-6.0%
May	173	18.6%

Source: SMMT "Monthly Statistical Review", May 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.
- 172,851 cars were registered in May 1998. This was the largest May outturn since 1989 and represented an 18.6% increase on the figure for May 1997.
- Registrations of imported vehicles increased their market share to 66.5% in March.

Next update: 27 July

F 3. Retail Sales



Value of Sales
not seasonally adjusted; % change on year

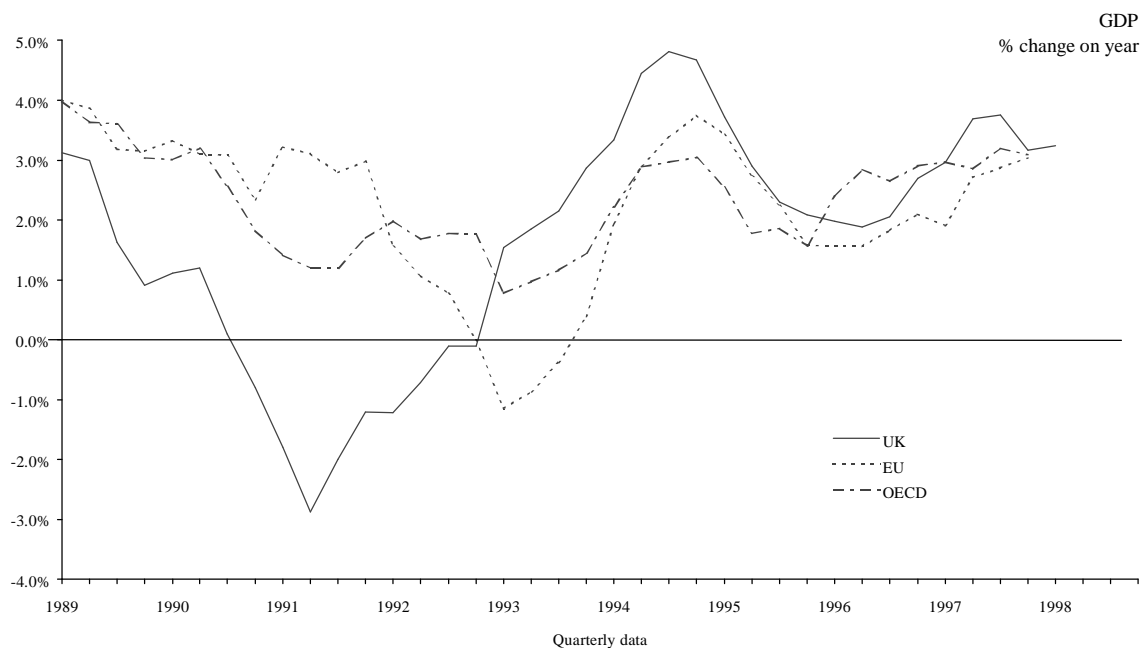
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1995	5%	3%	3%	3%
1996	5%	4%	8%	5%
1997	4%	9%	11%	6%
1997 Q1	4%	6%	9%	8%
Q2	2%	8%	13%	5%
Q3	4%	6%	10%	7%
Q4	5%	9%	9%	5%
1998 Q1	4%	6%	10%	4%

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

- Retail sales continue to show strong growth. In volume terms, seasonally adjusted sales in May increased by 4.6% from a year earlier. For the latest three-month period of March to May inclusive, sales by volume were 4.3% higher than the same period a year earlier.
- The growth in the non-seasonally adjusted *value* of retail sales is accelerating. The growth in the year to May 1998 was 6.4% compared 5.7% in the year to April. The average weekly value of retail sales in Britain in May was £3,430 million.

Next update: 22 July

G 1. International Comparisons - Growth



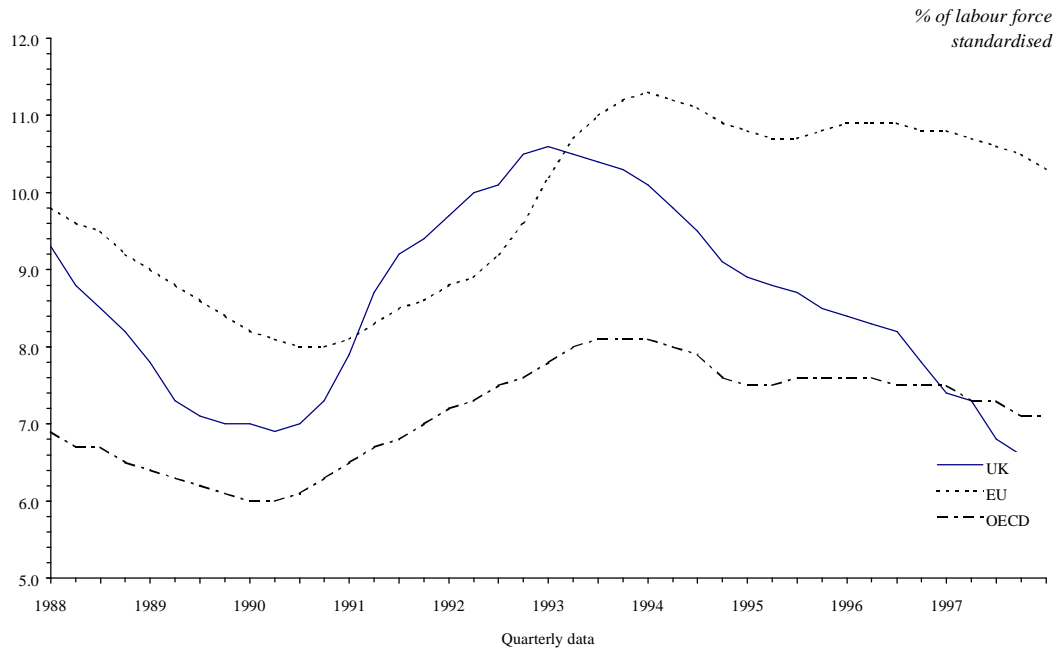
	GDP at constant market prices % change on year						
	1995	1996	1997	1997 Q2	1997 Q3	1997 Q4	1998 Q1
USA	2.0%	2.7%	3.8%	3.4%	3.9%	3.7%	3.7%
Japan	1.4%	3.9%	0.9%	-0.2%	1.1%	-0.2%	n.a.
Canada	2.2%	1.2%	3.7%	3.8%	3.8%	4.0%	3.8%
United Kingdom	2.8%	2.2%	3.4%	3.7%	3.8%	3.2%	3.2%
Germany	1.8%	1.4%	2.2%	2.1%	2.3%	2.3%	2.9%
France	2.1%	1.5%	2.3%	2.5%	2.5%	3.2%	3.4%
Italy	2.9%	0.7%	1.5%	1.9%	2.2%	2.7%	n.a.
EU15	2.5%	1.7%	2.6%	2.7%	2.9%	3.0%	n.a.
G7	2.1%	2.5%	2.8%	2.5%	3.0%	2.7%	n.a.
OECD	2.0%	2.7%	3.1%	2.9%	3.2%	3.1%	n.a.

Source: OECD Main Economic Indicators, June 1998; ONS - CSDB database

- The latest growth rates suggest accelerating economic growth in Europe and continued strong growth in North America. The Japanese economy is contracting.
- The UK economy grew faster than the EU average in each calendar year 1993 to 1997. This partly reflects that recession and recovery occurred earlier in the UK.
- Forecasts in the June 1998 edition of the OECD's *Economic Outlook* suggest that growth in the UK will be 1.7% in 1998 compared to averages of 2.1% for the G7, 2.7% for the EU 15 and 2.4% for the OECD as a whole.

Next update: late July

G 2. International Comparisons - Unemployment



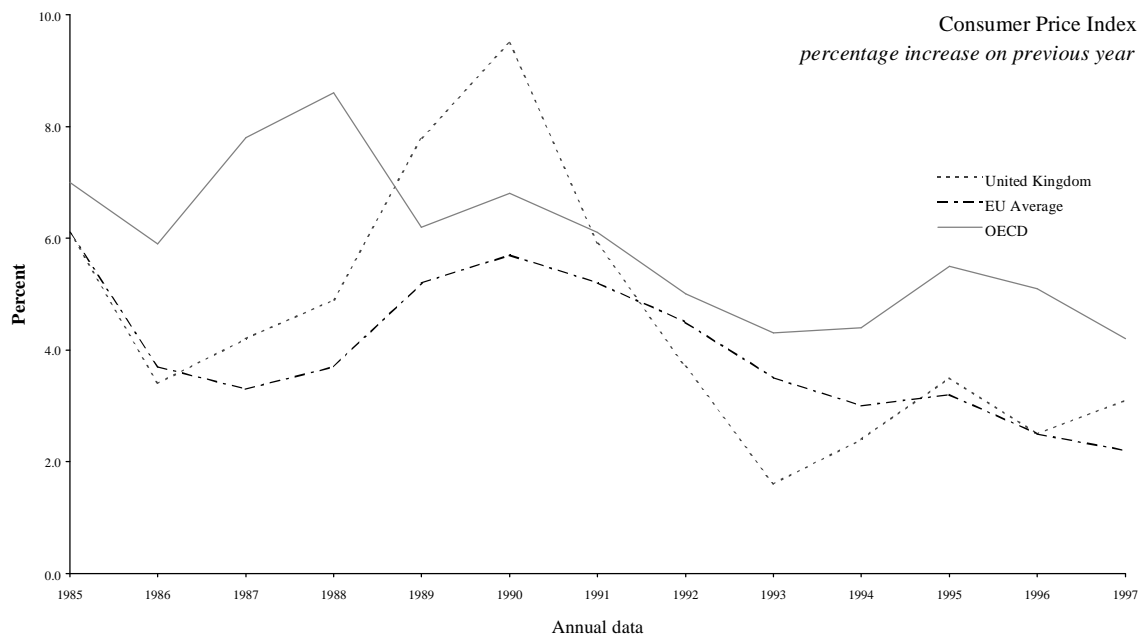
	Unemployed as % of labour force <i>standardised; seasonally adjusted</i>						
	1995	1996	1997	1997 Q2	1997 Q3	1997 Q4	1998 Q1
USA	5.6	5.4	4.9	4.9	4.9	4.7	4.7
Japan	3.1	3.4	3.4	3.4	3.4	3.5	3.6
Canada	9.5	9.7	9.2	9.4	9.0	8.9	8.6
United Kingdom	8.7	8.2	7.0	7.3	6.8	6.6	..
Germany	8.2	8.9	10.0	9.9	10.1	10.3	10.0
France	11.7	12.4	12.4	12.4	12.4	12.3	12.0
Italy	11.9	12.0	12.1	12.1	12.1	12.1	12.1
EU 15	10.7	10.8	10.7	10.8	10.7	10.5	10.3
G7	6.8	6.8	6.6	6.7	6.6	6.5	6.5
OECD	7.5	7.6	7.3	7.4	7.3	7.1	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 (5.0%), Luxembourg (2.3%), Norway (3.8%) and the Netherlands (4.6%). Portugal's standardised unemployment currently equals that of the UK.

Next update: mid July

G 3. International Comparisons – Prices



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

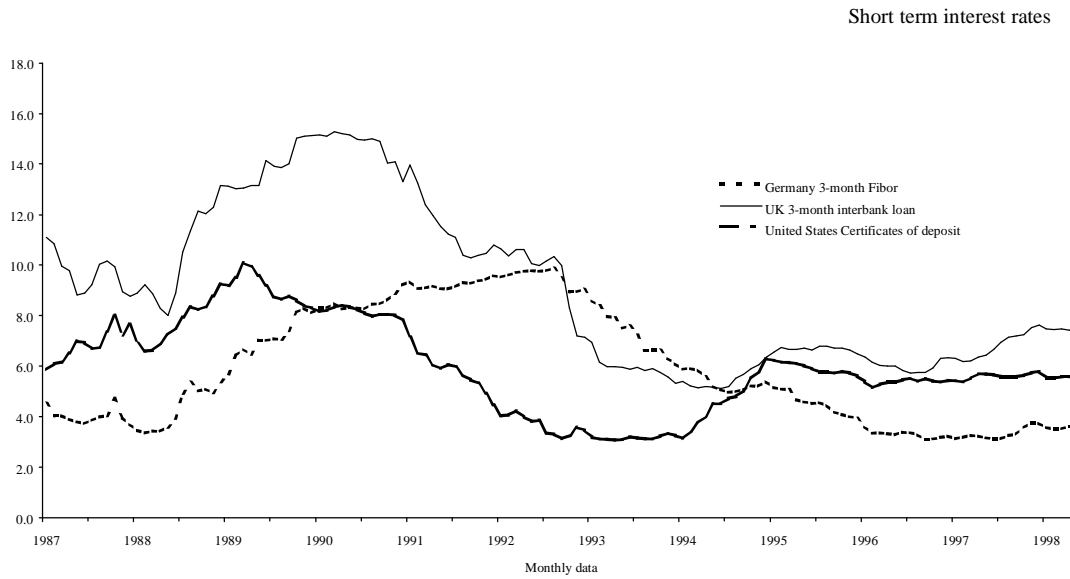
	1996	1997	Feb 1998	Mar 1998	Apr 1998
United States	2.9%	2.4%	1.4%	1.3%	1.5%
Japan	0.1%	1.8%	1.9%	2.2%	0.5%
Canada	1.6%	1.6%	1.0%	0.9%	0.8%
UK	2.5%	3.1%	3.4%	3.5%	3.4%
Germany	1.5%	1.7%	1.1%	1.1%	1.3%
France	2.0%	1.2%	0.7%	0.8%	1.0%
Italy	3.8%	1.8%	1.8%	1.7%	1.8%
OECD	5.1%	4.2%	3.8%	3.8%	3.7%
EU 15	2.5%	2.2%	2.4%	2.5%	..

Source: OECD Main Economic Indicators / Hot File

- 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, standing at 1.6% in March 1998. The UK's inflation rate on this basis stood at 1.7%.
- Using the harmonised index, all but four EU Member States have seen their annual inflation rates fall over the last year (the exceptions being the Netherlands, Sweden, Finland and Luxembourg).

Next update: mid July (OECD data)
24 July (harmonised EU data)

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.

Short-Term Interest Rates as at 29 June 1998

	3-month rate (% pa)
London	$7 \frac{15}{32}$
New York	$5 \frac{5}{8}$
Frankfurt	$3 \frac{9}{16}$
Tokyo	$\frac{15}{16}$
Paris	$3 \frac{17}{32}$
Milan	5
Brussels	$3 \frac{11}{16}$

Source: *Financial Times*, 30 June 1998

- 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.