



RESEARCH PAPER 98/96
2 NOVEMBER 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 The Global Background

The pages accompanying this note contain a wide of economic statistics covering the UK and abroad. This note looks at the wider influences on the UK economy and how these may develop in the coming months. The first question to ask, therefore, is what will the major influences on the UK economy be over the next six months? As a relatively open economy the UK is fundamentally dependent upon global factors. In the absence of a surprise fiscal package from the Chancellor, and, given the delay between the implementation of interest rate changes and the impact they have on the real economy, there is little that the UK government or the Monetary Policy Committee (MPC), can do to directly affect economic performance over the next few months. Global factors are far more important. Of these financial problems are the most significant. These include the failure of large credit institutions in Asia and Russia, falls in asset prices worldwide and the potential for both of these to reduce capital availability: a credit crunch.

The path of the global economy depends largely on the performance of the United States and Europe, regions that collectively account for about 40% of world GDP. Previous global recession years of 1975, 1982, and 1991 were accompanied by outright contractions in the US and European economies. By contrast, the current global weakening has been largely due to problems in developing Asian countries – the ‘tigers’- and Japan, the effects of which have been tempered by ongoing resilience in the United States and Europe. The main threat then to the global economy is if that resilience fades. If it did, economists at Morgan Stanley claim that:

the result would be a full-blown, synchronous recession in the global economy that, in our view, would be sufficient to take world GDP growth for 1999 down to just +0.5%. That would be the weakest such outcome for the world economy of any year in the entire post-World War II period.¹

There are signs that the United States economy is slowing. GDP growth more than halved in the second quarter of the year, as did personal expenditure on durable goods. Furthermore the early signs of a credit crunch are becoming visible as gross domestic investment actually declined in the second quarter of the year by 6.3%.² It is the possibility of a credit squeeze, caused by a weakness in domestic financial markets, large losses caused by exposure to failed Asian and Russian financial and industrial institutions, and the ensuing loss of investor that is most disconcerting for the global community. The UK is vulnerable to investment cut backs or closures if, for example, the US parents of UK subsidiaries had their investment funds restricted. However, the surprising interest rate cut of 15 October by the Federal Reserve suggests that the ‘Fed’ is determined to deal with financial market distress and a possible credit crunch, thus reducing the likelihood that it happens.

In Europe the big story is the impending birth of ‘euroland’ when Stage III of Economic and Monetary Union finally starts on 1 January 1999. On or before this date the European Central Bank will announce the interest rate that will pertain throughout the euro zone. Prior market knowledge of this fact has already helped the interest rates of the euro participants to

¹ Morgan Stanley Dean Witter Global Economic Forum

² Source: US Survey of Current Business September 1998

converge. However, the expected euro-rate of 3.3% implies that interest rates in a number of euro-countries must fall.³ The overall impact of this is that pan-European interest rates will fall by about ½ of one per cent. This move has within it the potential to act as a significant boost to the whole European economy; a boost that benefits the UK too.

The final global influence is the position in Asia, from where most of today's problems started. The evidence suggests that the worst is now over. Two of the most destabilising influences have been the volatility of the currencies of the Far East and the need to curb huge current account imbalances. On both counts the evidence suggests that the position is improving. Morgan Stanley again:

Our Asian economists estimate that current accounts in the crisis economies (Thailand, Korea, Indonesia, and Malaysia) are swinging from average deficits of - 5.2% of GDP in 1996 to estimated surpluses of +7.1% in 1998; this must qualify as one of the largest balance-of-payments adjustments on record. Moreover, drawing support from a surprising appreciation in the yen and related easings from the US Federal Reserve, Asian currencies are actually on the rise - especially the rupiah, the Sing-dollar, the baht, and the won.

If the short run performance of the UK economy is primarily dependent upon global factors the comments above suggest that the worse case scenarios look somewhat far-fetched. The Fed has acted quickly and is ahead of the game. Europe is set for an ECB boost and Asia is improving. Yet, headlines in the financial market press continue to sound the alarm. For example, the last two editions of Goldman Sach's UK Weekly Analyst state, 'Rising Risk of Recession' and 'Collapsing Business Confidence'. Which is right?

Clearly, the UK economy is slowing. But since this has been an aim of the MPC such a slowdown should be neither a surprise nor a disappointment. What commentators are looking at now, and over which they disagree, is whether the economy will overshoot and move into recession, or whether the MPC has, by cutting rates in October (and may do more at its November 5th meeting), done enough to engineer a 'soft landing'. Evidence for both views can be found in this Paper. Pessimists focus upon data on manufacturing industry, whereas the optimists take comfort from more general data on the economy that appears to be incompatible with an imminent recession.

³ Notably Ireland, Spain and Portugal

A 1. Gross Domestic Product



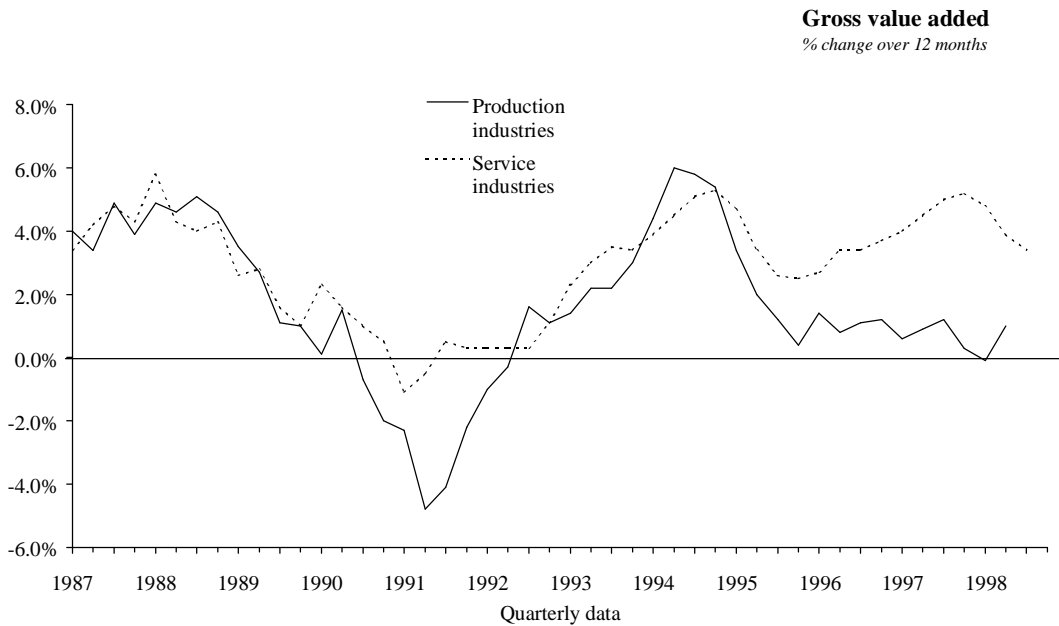
Gross Domestic Product <i>seasonally adjusted</i>				
	GDP at current market prices £ billion	GDP at constant market prices 12 month change	HH consumption at constant market prices 12 month change	Non-Oil GVA at constant basic prices 12 month change
1995	712.5	2.8%	1.6%	2.6%
1996	754.6	2.6%	3.7%	2.5%
1997	802.0	3.5%	4.4%	3.6%
1997 Q2	198.5	3.5%	4.6%	3.5%
Q3	203.2	3.9%	4.4%	3.8%
Q4	205.0	4.0%	4.9%	3.9%
1998 Q1	206.9	3.7%	4.2%	3.6%
Q2	209.3	3.0%	2.8%	2.9%
Q3 (prov)	n.a.	2.5%	n.a.	2.5%

Source: ONS Database series YBHA, AMBI, ABJR & GDPS; ONS first release (98)354

- Gross domestic product (GDP) is provisionally estimated to have grown by 0.5% in the third quarter of 1998 to a level 2.5% higher than in the third quarter of 1997. GDP growth has slowed since the first three quarters of 1997 when quarter-on-quarter growth rates were 1.0% or above. The lower growth in the year to the second quarter of 1998 reflected moderating growth of household spending and a negative contribution from net exports.
- Gross value added (GVA) excluding oil and gas extraction is estimated to have grown by 0.6% in the third quarter of 1998 to a level 2.5% higher than in the third quarter of 1997.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will slow to 2.5% in 1998 and 1.1% in 1999.

Next update: 20 November

A 2. Gross Value Added by Industry



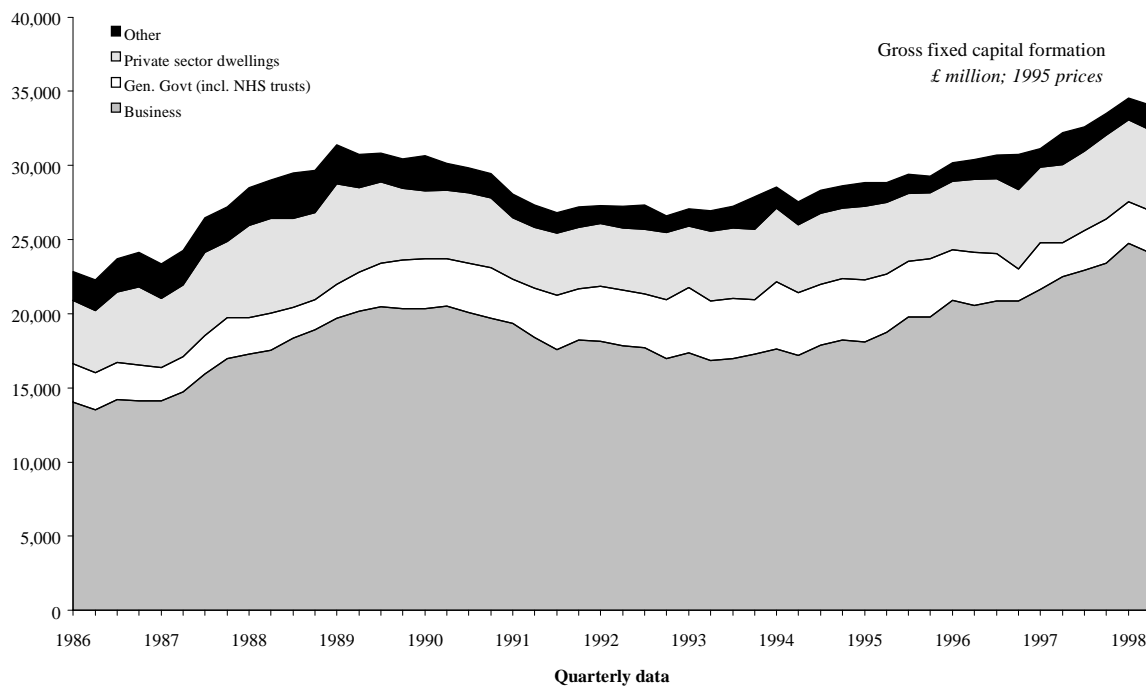
Gross value added at 1995 basic prices
% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufac- turing			
1995	1.7%	1.5%	3.3%	0.0%	-0.8%
1996	1.1%	0.4%	3.3%	2.0%	1.5%
1997	0.7%	1.0%	4.7%	0.7%	2.3%
1997 Q2	0.9%	1.3%	4.5%	3.6%	3.1%
Q3	1.2%	1.3%	5.0%	0.6%	1.8%
Q4	0.3%	0.6%	5.2%	1.5%	2.0%
1998 Q1	-0.1%	0.2%	4.8%	1.4%	4.4%
Q2	1.0%	0.7%	3.9%	0.2%	0.4%
Q3 (prov)	n.a.	n.a.	3.4%	n.a.	n.a.

Sources: ONS database (ERID, ERIT, GDRN, GDQV, GDQW, ERIE, ERIU, GDRQ, GDRR & GDSI)

- 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 3½%. Industrial production rose by 1% in the year to 1998 quarter 2 having fallen slightly in the year to 1998 quarter 1. This pattern partly reflects the erratic path of output in the mining & quarrying (including extraction of oil and gas) and electricity, gas & water sectors.
- Data for industrial production in July and August suggest continuing slow growth of industrial output in the third quarter. In the three months to August industrial production was 0.8% higher than in the previous three months and 0.6% higher than in the three months to August 1997. In the same period manufacturing output was 0.3% higher than in the three months to May 1998 and 0.6% higher than in the three months to August 1997.
- In 1997 manufacturing accounted for 21% of GVA, other production industries (mining & quarrying and electricity gas & water supply) for 5%, agriculture, etc. for 2%, construction for 5% and services for 68%.

A 3. Investment



£ million; 1995 prices; seasonally adjusted

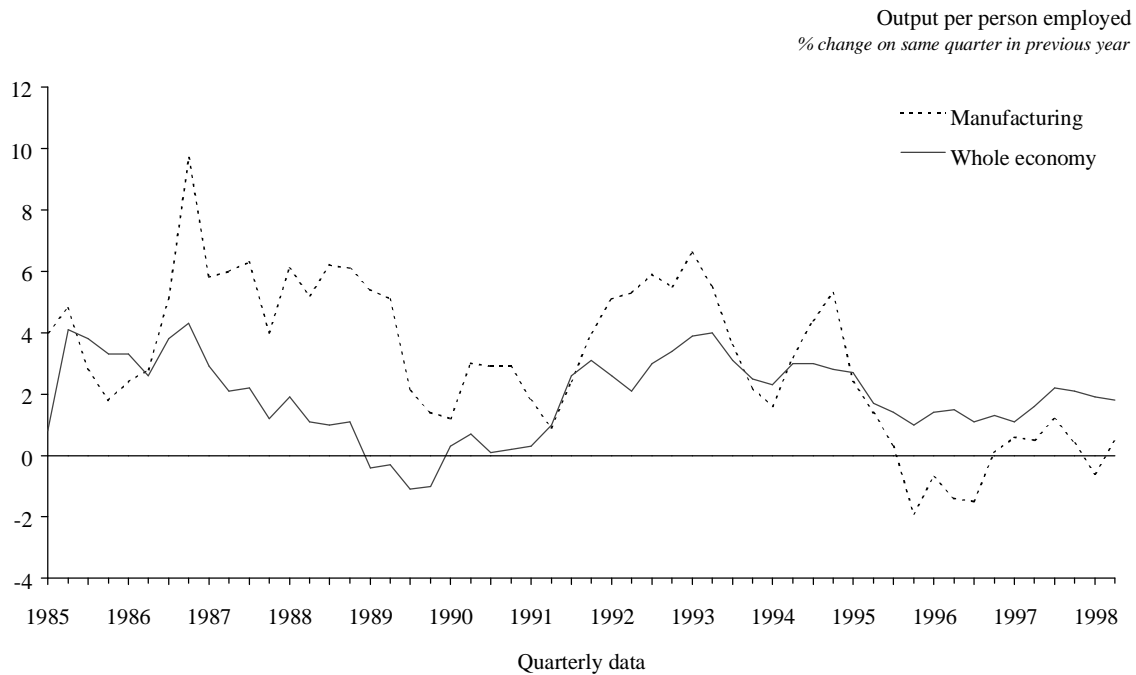
	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
1995	11,055	44,464	35,314	21,588	3,939	116,360
1996	11,777	49,124	34,825	22,154	4,162	122,042
1997	13,938	52,080	35,961	23,254	4,232	129,465
1997 Q2	3,386	12,950	8,990	5,750	1,139	32,215
Q3	3,412	13,196	9,147	5,831	1,042	32,628
Q4	3,302	13,891	9,243	6,107	963	33,506
1998 Q1	3,904	14,121	9,600	5,985	928	34,538
Q2	3,349	14,197	9,471	6,070	965	34,052

Source: ONS database (Series DLWJ, DLWO, DLWT, DFDV, EQDO, NPQT, DLWL)

- Gross Fixed Capital Formation (GFCF) 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 GFCF (at 1995 prices) is estimated to have risen by 6% compared with 1996, which in turn was 5% higher than the level recorded in 1995. However, GFCF in 1997 was still 6% below the peak (£122,158 million) reached in 1989.
- Total investment fell 1.4% in the second quarter of 1998 compared with the previous quarter but was 5.7% higher than the same quarter in the previous year.

Next update: 20 November

A 4. Productivity



% change on year
seasonally adjusted

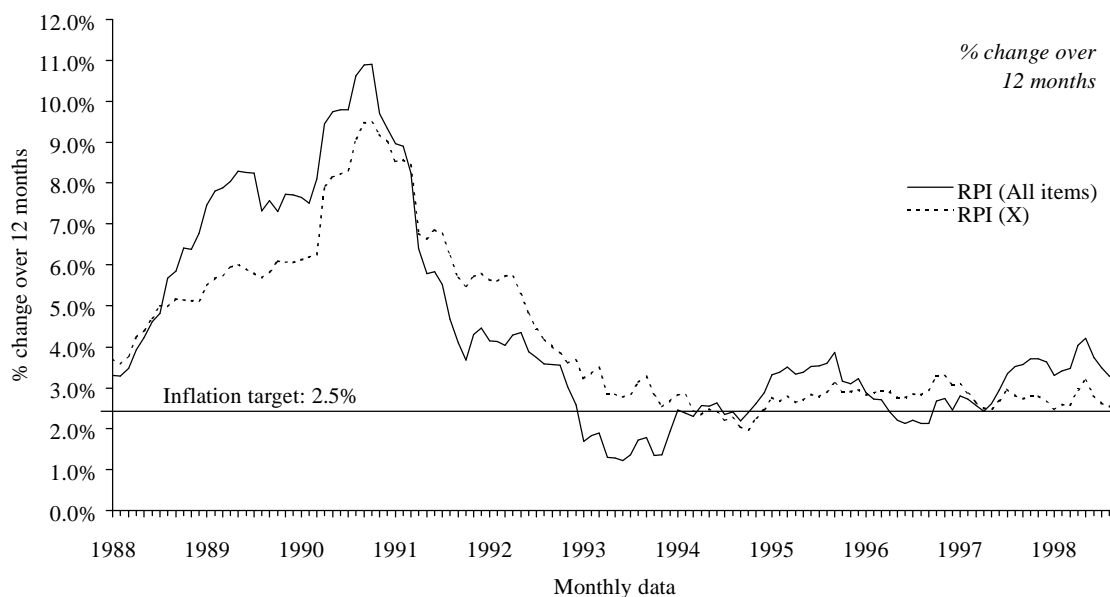
	Manufacturing			Whole Economy		
	Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1995	1.5	1.0	1.7	2.7	0.5	0.9
1996	0.4	1.2	1.3	2.5	-0.8	1.2
1997	1.0	1.6	1.8	3.4	0.6	0.4
1997 Q2	1.3	0.7	0.5	3.4	1.7	1.6
Q3	1.3	0.1	1.2	3.7	1.5	2.2
Q4	0.6	0.2	0.4	3.6	1.5	2.1
1998 Q1	0.2	0.8	-0.6	3.5	1.6	1.9
Q2	0.7	0.2	0.5	3.0	1.2	1.8

Source: ONS database

- Productivity in the economy as a whole is still growing, though the annual rate of growth is slowing down.
- Latest quarterly figures show that productivity in the manufacturing sector is now rising, after the fall shown in the first quarter of 1998. This is a reflection of the fact that employment growth in manufacturing has now slowed, while output has picked up slightly in the second quarter.

Next update: 15 July

B 1. Retail Prices



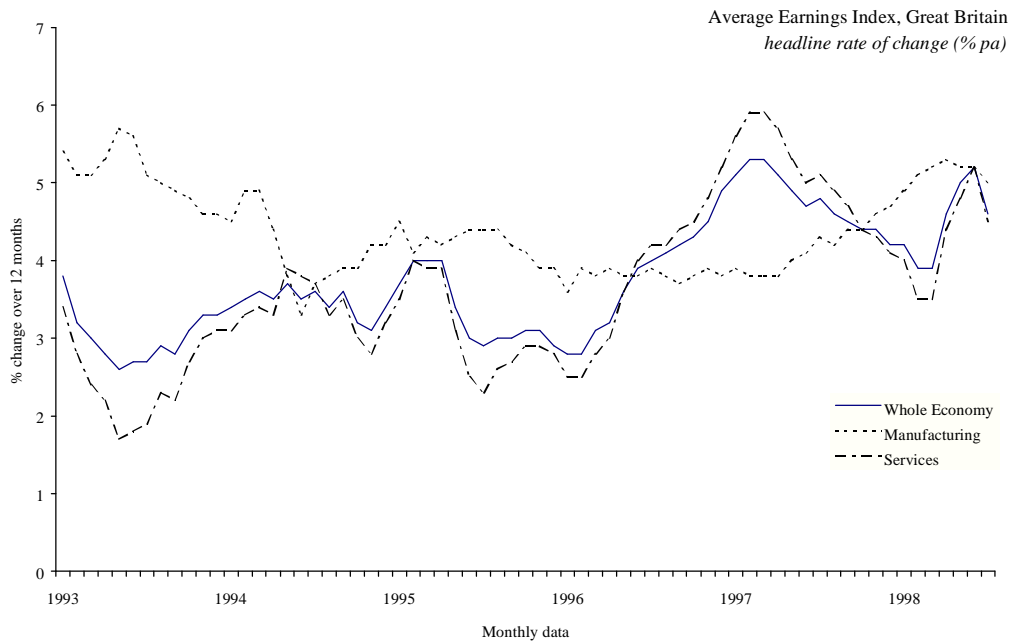
	<i>% change on previous year</i>	
	Retail Prices Index	
	All-items	excl. mortgage interest (RPI(X))
1995	3.5%	2.9%
1996	2.4%	3.0%
1997	3.1%	2.8%
Sep	3.6%	2.7%
Oct	3.7%	2.8%
Nov	3.7%	2.8%
Dec	3.6%	2.7%
1998 Jan	3.3%	2.5%
Feb	3.4%	2.6%
Mar	3.5%	2.6%
Apr	4.0%	3.0%
May	4.2%	3.2%
Jun	3.7%	2.8%
Jul	3.5%	2.6%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

Source: ONS Database (series CHAW, CHMK)

- The current target for RPI(X) is 2.5%; if inflation diverges from this target by more than 1 percentage point, the Governor of the Bank of England is required to send a written account to the Chancellor.
- Inflation has been at or above the target level of 2.5% since the beginning of 1995. However, after increasing during the first half of 1998, RPI(X) has been on a downward trends since May. It has been at the target level for the last two months.
- Although housing costs have provided a large part of the upward pressure within the RPI during the last twelve months, the rate of increase of housing costs actually eased between August and September. Housing costs in September 1998 were 8.4% higher than a year previously.
- Although the rate of increase of housing costs has been slowing, part of the lower rate of increase in housing costs this month was because increases in mortgage payments in August 1997 ceased to be reflected in the year on year comparison.

Next update: 17 November

B 2. Average Earnings



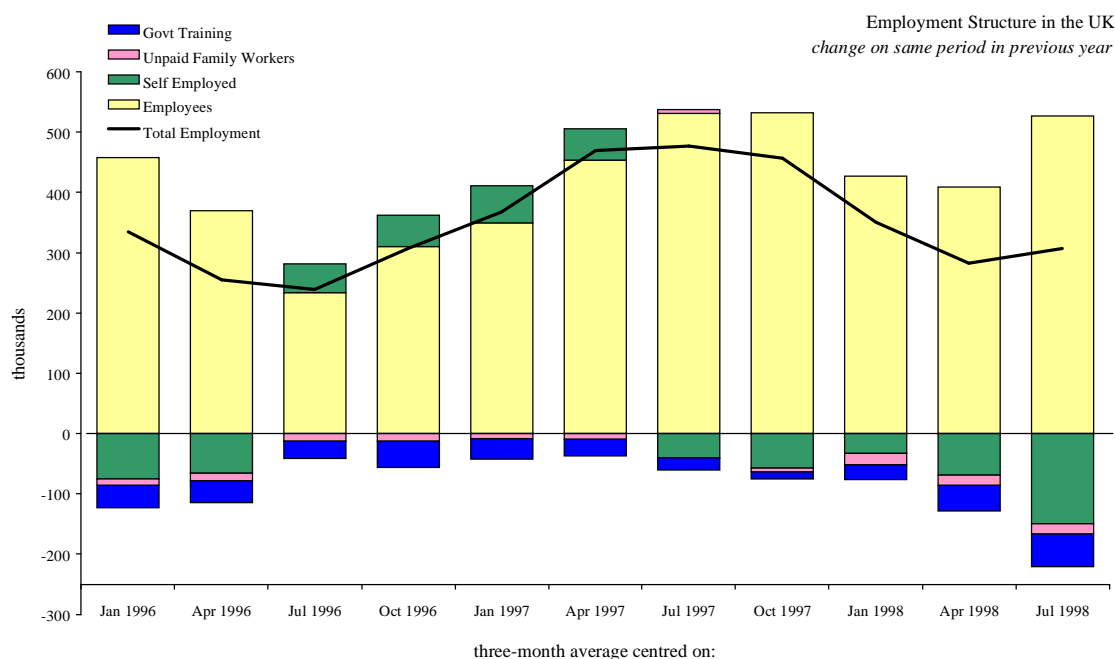
Average earnings, Great Britain
seasonally adjusted

	headline rate (% change on year)		
	Whole Economy	Private Sector	Public Sector
1997 Jul	4.8	5.3	2.5
Aug	4.6	5.0	2.7
Sep	4.5	5.0	2.9
Oct	4.4	4.8	3.2
Nov	4.4	4.6	3.3
Dec	4.2	4.4	3.4
1998 Jan	4.2	4.4	3.3
Feb	3.9	4.0	3.5
Mar	3.9	4.0	3.5
Apr	4.6	4.8	3.8
May	5.0	5.2	4.2
Jun	5.2	5.4	4.5
Jul	4.6	4.7	4.6

Source: ONS database (Series LNNC, LNNI, LNNE)

- Average earnings growth for the whole economy has returned to a rate of increase below 5.0% in July. In May and June, the rate of increase had accelerated, to 5.0% and 5.2% respectively. The figure for June has twice been revised significantly higher; from an initial rate of increase of 4.7% to 5.0% and finally to 5.2%.
- Extensive downward revisions to data for the early part of 1998 now show the trend in earnings growth this year has not been as sharply upwards as previously was thought. Despite the acceleration in the rate of earnings in May and June, the Monetary Policy Committee of the Bank of England reduced interest rates on 8 October, from 7¹/₂% to 7¹/₄%. It noted that there was considerable uncertainty over the reliability of the data.
- Given the extensive revisions to these data covering the last few years, two reviews of the compilation of the average earnings index have been initiated.

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

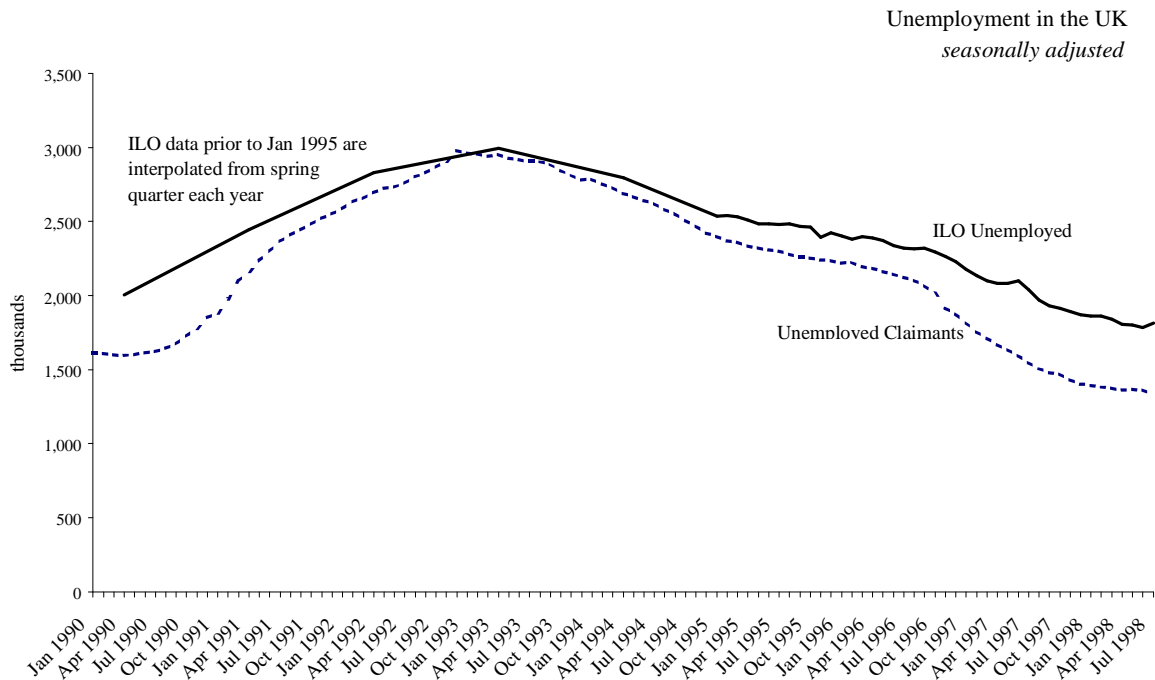
		Employees	Self Employed	Unpaid Family Workers	Govt Training	Total in Employment
1995	Jun-Aug	26,143	22,416	3,325	130	272
1996	Jun-Aug	26,382	22,650	3,372	118	243
1997	Jun-Aug	26,859	23,181	3,332	124	222
	Sep-Nove	26,966	23,320	3,317	115	214
	Dec-Feb	27,007	23,383	3,325	95	205
	Mar-May	27,044	23,486	3,277	101	179
1998	Jun-Aug	27,166	23,708	3,183	106	168
Changes:						
	1997 Feb-Apr -	307	527	-149	-18	-54
	1998 Feb-Apr	1.1%	2.3%	-4.5%	-14.5%	-24.3%

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 307,000 higher in the June-August 1998 period. However, the pace at which employment is increasing has slowed (previously it increased by 1.8% in the year to June-August 1997).
- The number of people in temporary jobs has fallen slightly over the last year, down to 1.75 million (down from 7.7% of all employees to 7.4%). The proportion of temporary employees who said that they could not find a permanent job has also fallen over the year to June-August 1998: from 37.5% to 34.6%.
- The number of part-time employees has increased over the past year, although the proportion who said they could not find full-time work has fallen, from 12.3% of all part-timers to 11.3%.

Next update: 11 November

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

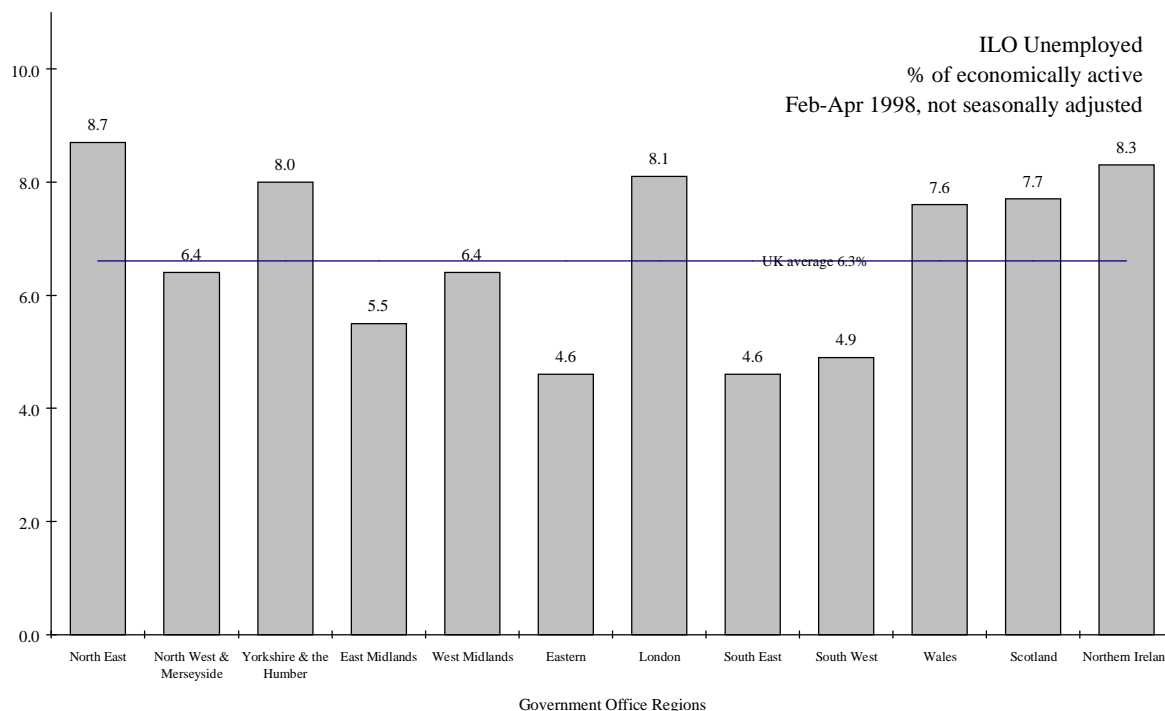
	thousands	rate (%)
1995 Jun-Aug	2,481	8.7
Sep-Nov	2,462	8.6
Dec-Feb	2,404	8.4
1996 Mar-May	2,388	8.3
Jun-Aug	2,319	8.1
Sep-Nov	2,295	8.0
Dec-Feb	2,180	7.6
1997 Mar-May	2,083	7.2
Jun-Aug	2,042	7.1
Sep-Nov	1,913	6.6
Dec-Feb	1,861	6.4
1998 Mar-May	1,807	6.3
Jun-Aug	1,816	6.3

Source: Labour Force Survey(ONS)

- 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.
- The latest LFS estimates show that over the period June to August 1998, the level of ILO unemployment in the UK was 1,816,000. This is a slight increase of 9,000 from the previous three-month period, although the unemployment rate of 6.3% is unchanged from the previous three-month period. As measured by the monthly claimant count, unemployment fell in September by 12,000 to stand at 1,305,000.
- Since the beginning of the New Deal for the Young Unemployed in January, approximately 116,000 people have joined the scheme. Up to the end of August, 23,740 of those on the scheme had moved into employment. Approximately one-third of these jobs are subsidised jobs.

Next update: 11 November

C 3. Unemployment: Regional



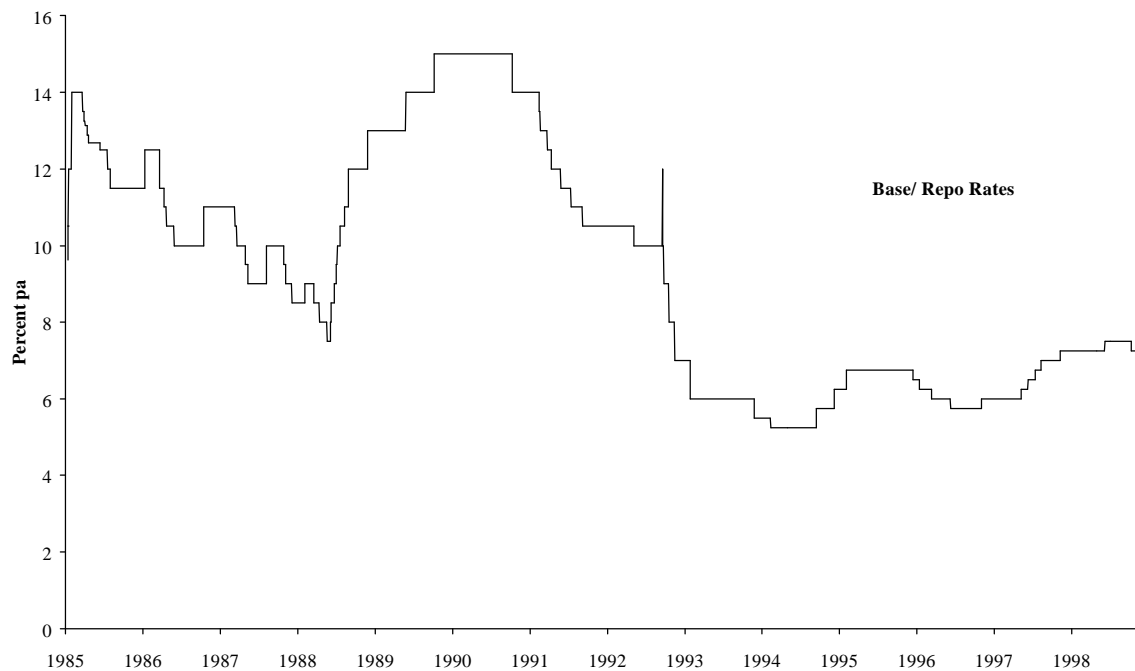
ILO Unemployment, Jun - Aug 1998
change on same period in previous year

	thousands	%
North East	-13	-11%
North West & Merseyside	-16	-9%
Yorkshire & the Humber	14	8%
East Midlands	-2	-2%
West Midlands	-28	-14%
Eastern	-49	-28%
London	-56	-16%
South East	-18	-9%
South West	-21	-15%
Wales	0	0%
Scotland	-26	-12%
Northern Ireland	-2	-3%
UK	-218	-10%

Source: ONS First Release (98) 340

- 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.
- The rate at which regional unemployment has declined in the latest three-month period (compared to the same period a year ago) is slower. Indeed, in the most recent period, unemployment in Yorkshire and the Humber has increased compared to a year ago.
- However, unemployment rates for September based on the claimant count definition were lower in all regions. In Yorkshire and the Humber, the rate was 5.6% compared to 6.2% a year previously.

D 1. Interest Rates

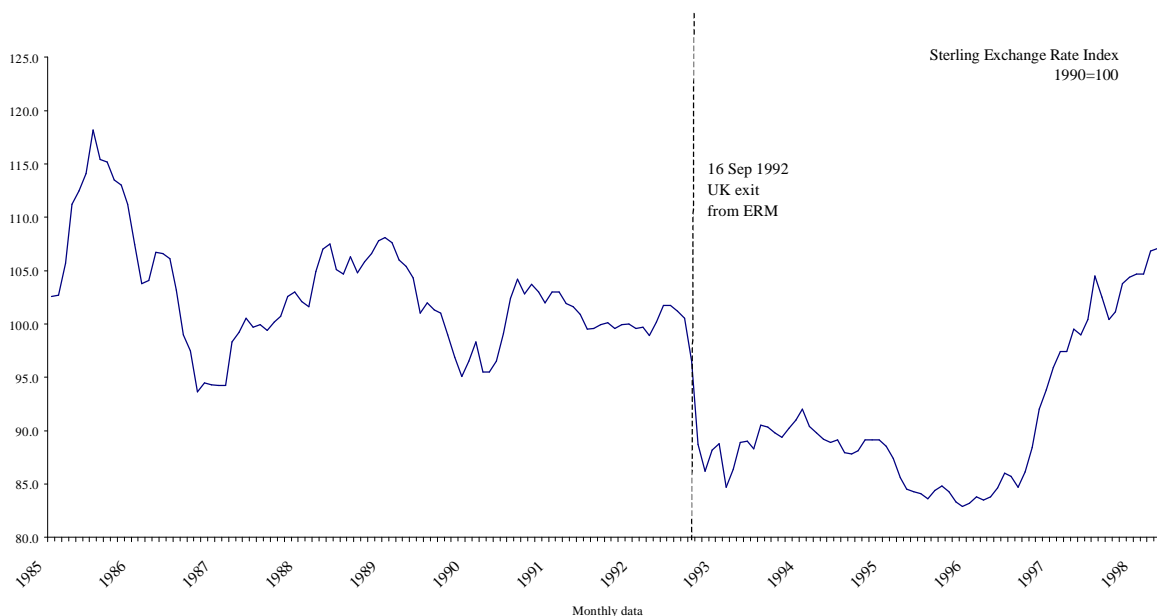


UK Base/ Repo Rates *per cent per annum*

Date of change	New rate
1991	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
	Oct 8 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 4-5 of November.
- The ¼ percentage point cut in the repo rate (previously called the Bank's base rate) ended a sequence of six increases since the General Election in May 1997.
- According to the accompanying announcement, the Committee were persuaded to cut rates because of a deterioration in the global economy; the possibility of a credit crunch and worsening UK survey evidence. Five members voted for a ¼ % cut, two voted for a ½% cut.
- A rate of 15.0% p.a. was announced on 16 September 1992 but was cancelled before becoming effective.

D 2. Exchange Rates



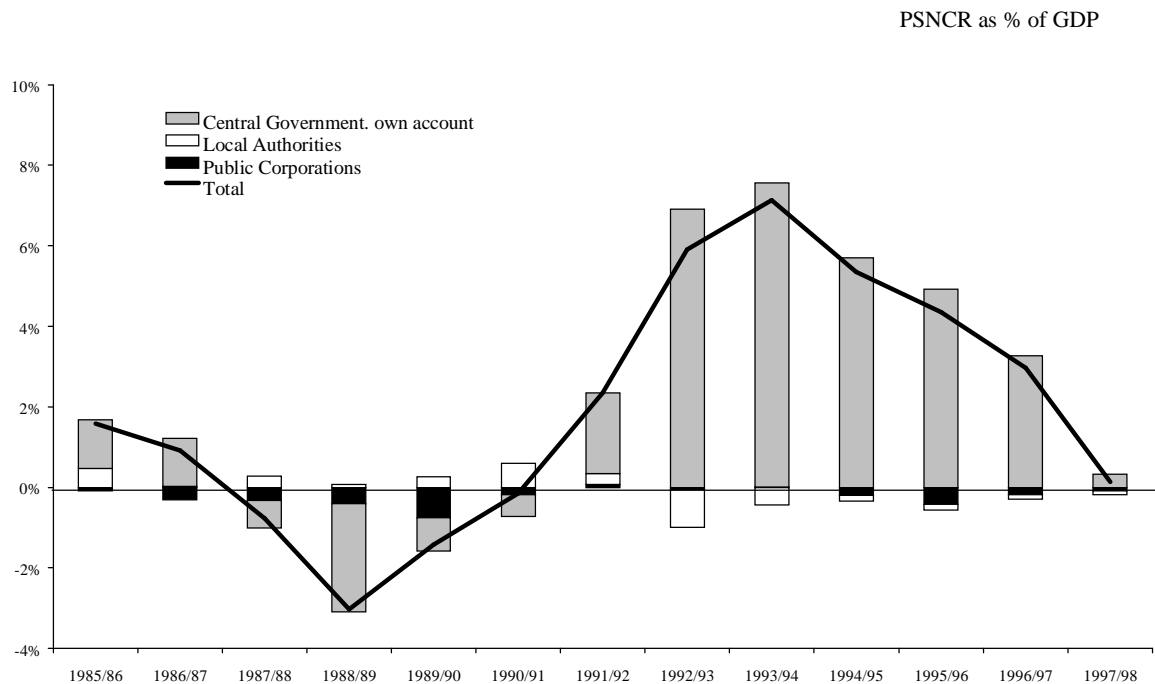
	Exchange Rates							
	DM		US\$		Yen		ECU	
	Rate	% year on change	Rate	% year on change	Rate	% year on change	Rate	% year on change
1992	2.75	-5.9%	1.77	-0.1%	223.72	-5.8%	1.36	-4.6%
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%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

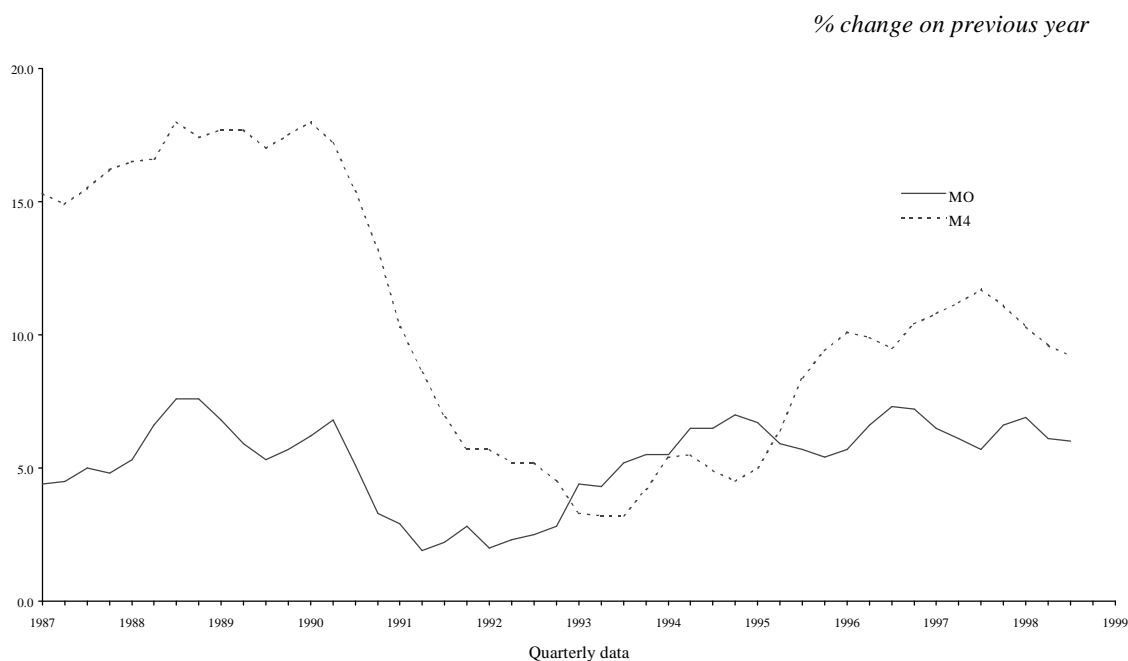


Public Sector Net Cash Requirement					
	PSNCR		PSNCR excl privatisation receipts		
	£ billion	As a % of GDP	£ billion	As a % of GDP	
1995/96	31.5	8.7%	33.9	9.4%	
1996/97	22.7	5.8%	27.2	7.0%	
1997/98	1.1	0.3%	2.9	0.7%	
1997 Q2	8.1	4.1%	9.2	4.6%	
1997 Q3	0.6	0.3%	1.3	0.6%	
1997 Q4	-2.4	-1.2%	-2.4	-1.2%	
1998 Q1	-5.2	-2.5%	-5.2	-2.5%	
1998 Q2	5.6	2.7%	5.6	2.7%	

Source: ONS Database Series RURQ, RURS, YBHA

- 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 in 1996/97. Excluding privatisation receipts, the PSNCR for 1997/98 was £2.9 billion compared with £27.2 billion in 1996/97.
- In the first six months of 1998/99 the PSNCR was £2.7 billion. Privatisation proceeds during the period were £70 million. This can be compared to a PSNCR of £8.8 billion for the same period in 1997/98, £10.5 billion if privatisation proceeds are excluded.
- No privatisation proceeds were received in September 1998.

D 4. Money Supply



Money stock
seasonally adjusted

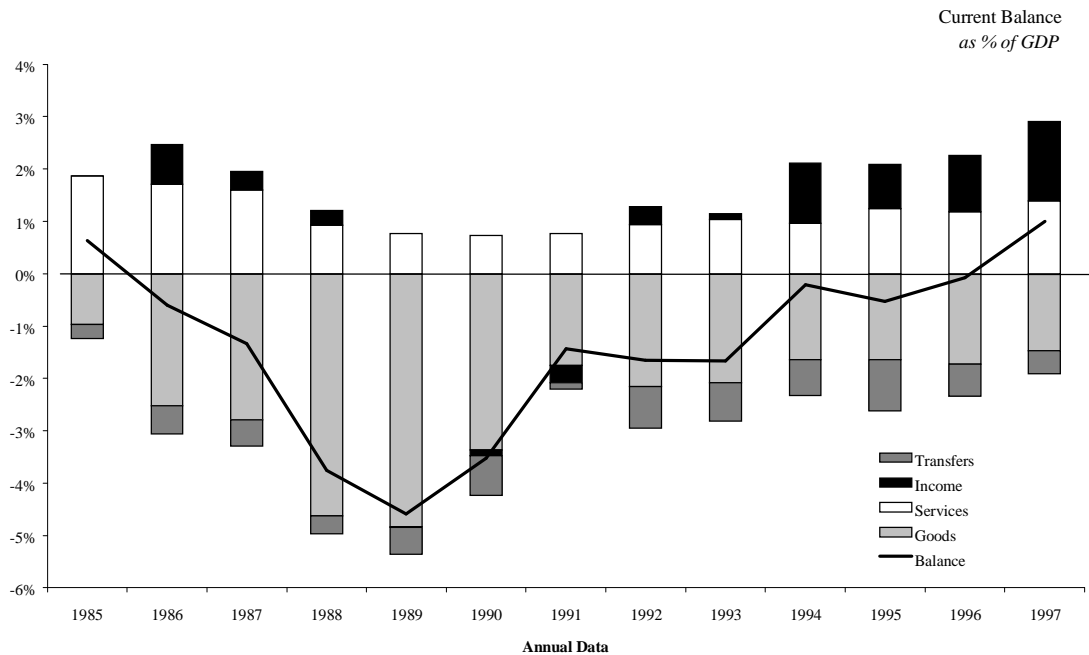
	M0		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1997 Sep	4.9	6.0	9.9	11.5
Oct	7.6	6.3	9.9	10.9
Nov	11.1	6.8	8.6	10.6
Dec	9.3	6.7	10.0	11.7
1998 Jan	7.7	6.9	9.4	10.7
Feb	5.1	7.1	10.3	10.4
Mar	4.6	6.6	7.9	9.7
Apr	3.8	6.7	9.8	10.4
May	3.3	6.3	7.9	9.3
Jun	2.9	5.4	8.5	9.0
Jul	4.1	5.8	10.3	9.9
Aug	5.4	6.2	8.2	8.7
Sep	7.0	5.9	9.5	9.0

Source: Bank of England, *Monetary Statistics*, October 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 updates: 2, 19 & 30 November

E 1. International Trade



Current Account Balances
seasonally adjusted; £ million

	Trade in Goods	Trade in services	Total Trade	Total income	Central Gov transfers	Other transfers	Current Balance
1995	-11,724	8,915	-2,809	5,976	50	-6,962	-3,745
1996	-13,086	8,897	-4,189	8,111	1,698	-6,220	-600
1997	-11,792	11,160	-632	12,168	1,287	-4,817	8,006
1997 Q2	-3,049	2,804	-245	3,062	4	-765	2,056
Q3	-2,670	2,881	211	3,027	134	-1,298	2,074
Q4	-3,995	2,940	-1,055	3,228	788	-979	1,982
1998 Q1	-4,485	3,119	-1,366	2,813	-201	-1,743	-497
Q2	-4,284	3,259	-1,025	2,483	243	-1,101	600

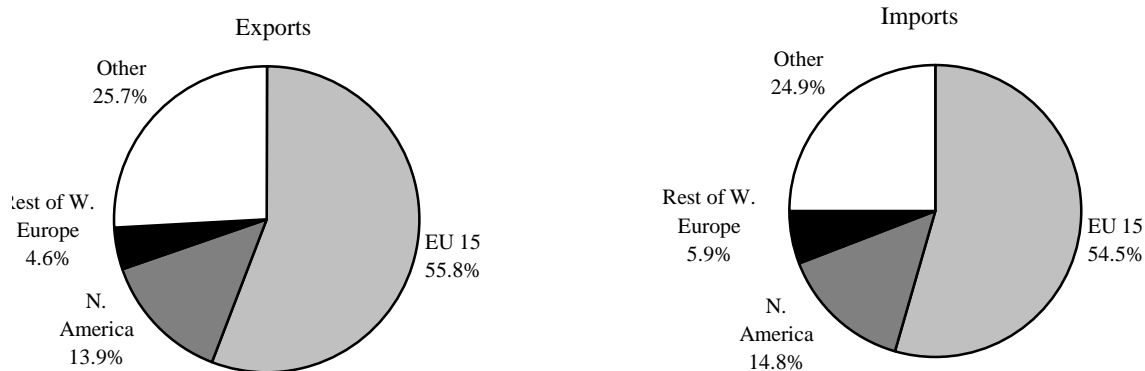
Source: ONS database (Series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP)

- **Trade in Goods:** The last three quarters (1997 Q4 to 1998 Q2) produced the three largest quarterly deficits in trade in goods since the second quarter of 1990, reflecting a weak UK trading position.
- **Trade Services:** In the first quarter of 1998 the surplus in services increased to £3,259 million from £3,119 million in the previous quarter. For 1997 as a whole, the surplus in services was £11,160 million and £630 million lower than the deficit on goods for the year.
- **Central Government Transfers:** These include taxes and social security contributions received by non-resident workers, businesses and transfers with international organisations, including the EU. In the first two quarters of 1998 the balance has switched from a deficit of £200 million to a surplus of £243 million.
- **Current Account:** The current account as a whole recorded a surplus of £600 million in the second quarter of 1998, compared with a deficit of nearly £500 million in the previous quarter.

Next update: 21 December

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 1995=100		Trade in Goods (£m)		
	Exports	Imports	Exports	Imports	Balance
1995	100.0	100.0	153,725	165,449	-11,724
1996	107.7	109.1	167,403	180,489	-13,086
1997	116.5	119.0	171,798	183,590	-11,792
1997 Q2	116.2	119.3	42,950	45,999	-3,049
1997 Q3	118.2	119.7	43,245	45,915	-2,670
1997 Q4	118.6	123.6	43,035	47,030	-3,995
1998 Q1	116.6	123.3	40,896	45,381	-4,485
1998 Q2	118.3	125.3	41,107	45,391	-4,284

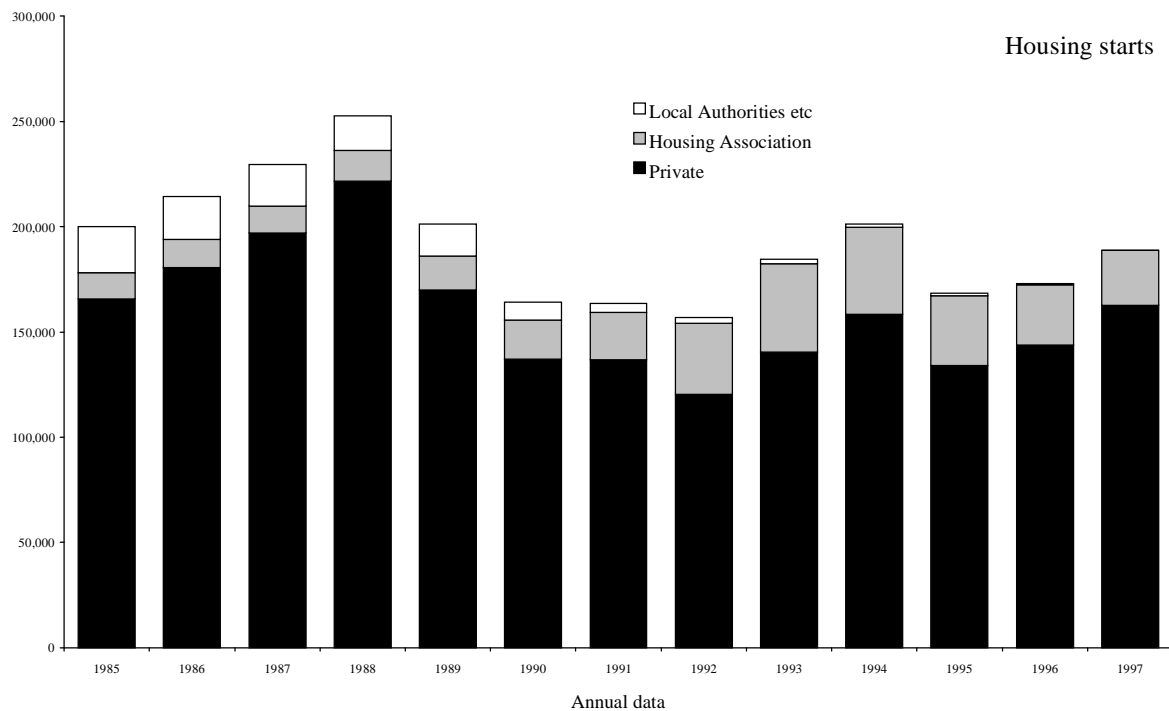
Source: ONS database (Series: BQKU, BQKV, BOKG, BOKH, BOKI)

First Release: UK Trade (ONS(98) 357)

- **1997 as a whole:** The deficit in Trade in Goods is estimated at £11,800 million. The deficit with EU countries in 1997 fell to £4,000 million from £4,200 million in the previous year. The deficit with non-EU countries fell to £7,700 million in 1997 from £8,900 million in 1996. In 1997 the other members of the European Union (EU 15) received 55.8% of UK exports and supplied 54.5% of all UK imports.
- **1998, Second Quarter:** Export volumes in the second quarter rose 1.5% on the previous quarter whereas import volumes rose by 1.6% over the same period.
- **Recent Monthly Data:** The UK's balance on trade in goods in August is provisionally estimated as a deficit of £1,250 million. This compares with a £1,390 million deficit in July.
- The deficit in trade in goods with non-EU countries in August is provisionally estimated at £1,180 million whereas the latest figures for trade with EU countries show a deficit in August of £68 million.
- The latest estimate of volume trends shows exports flat and import rising.

Next update: 25 November

F 1. Housing



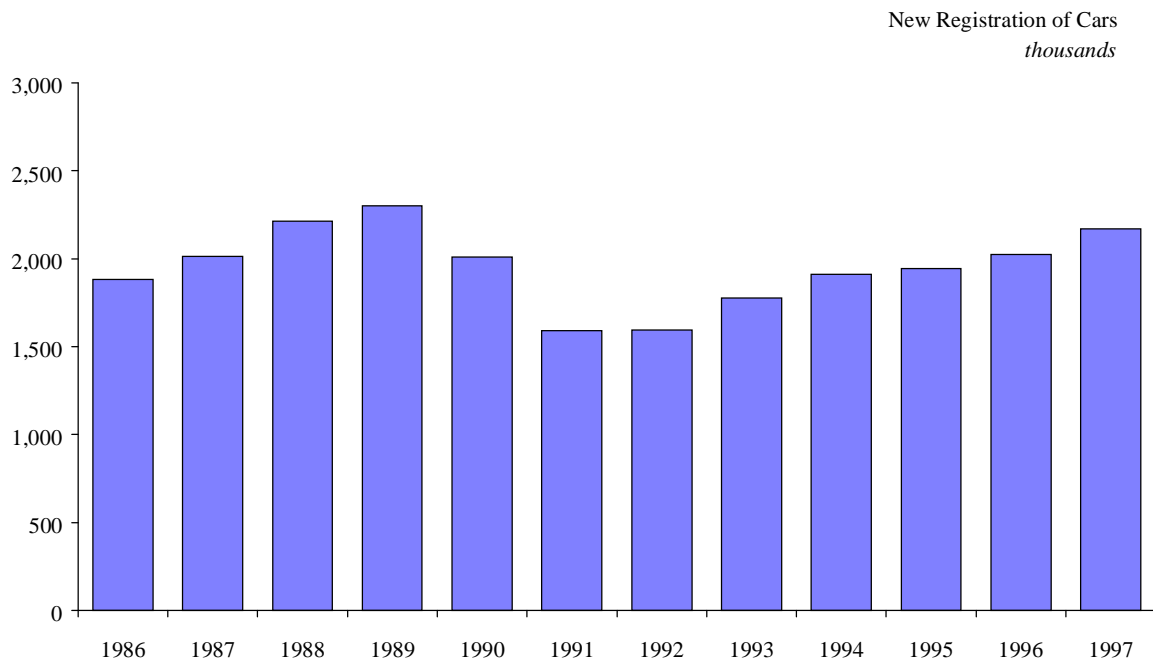
House prices				
	All Houses	New Houses	Existing Houses	First time buyers
Standardised average price (£)				
1996	43,600	49,500	64,000	47,100
1997	46,300	50,800	68,300	49,700
1998 Q1	47,200	53,600	69,800	50,200
1998 Q2	49,100	54,800	72,500	52,400
1998 Q3	49,300	54,100	72,800	52,800
% change over same period last year				
1996	4.6%	1.9%	4.7%	4.0%
1997	6.2%	2.6%	6.7%	5.5%
1998 Q1	4.9%	6.8%	5.3%	3.9%
1998 Q2	5.6%	9.4%	5.5%	4.8%
1998 Q3	5.6%	6.5%	5.7%	5.4%

Source: Halifax House Price Index: Third Quarter 1998

- Provisional estimates for the three months ending in August 1998 show that the seasonally adjusted total starts were 5% lower when compared with the previous three months. Similarly, private enterprise starts also fell by 5% over the same period.
- The Halifax Quarterly Index shows that house prices in the United Kingdom increased by 5.4% in the year to the third quarter in 1998 which compared with an annual increase of 4.8% to the second quarter in 1998. The largest increase of 16.2% occurred in Northern Ireland followed by Greater London and the South East which recorded respective increases of 9.9% and 9.4%. No regions recorded falls.
- The Halifax Monthly Index also shows that house prices in the UK as a whole rose by 0.3% between August and September on a seasonally adjusted basis.

Next update: 5 November

F 2. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

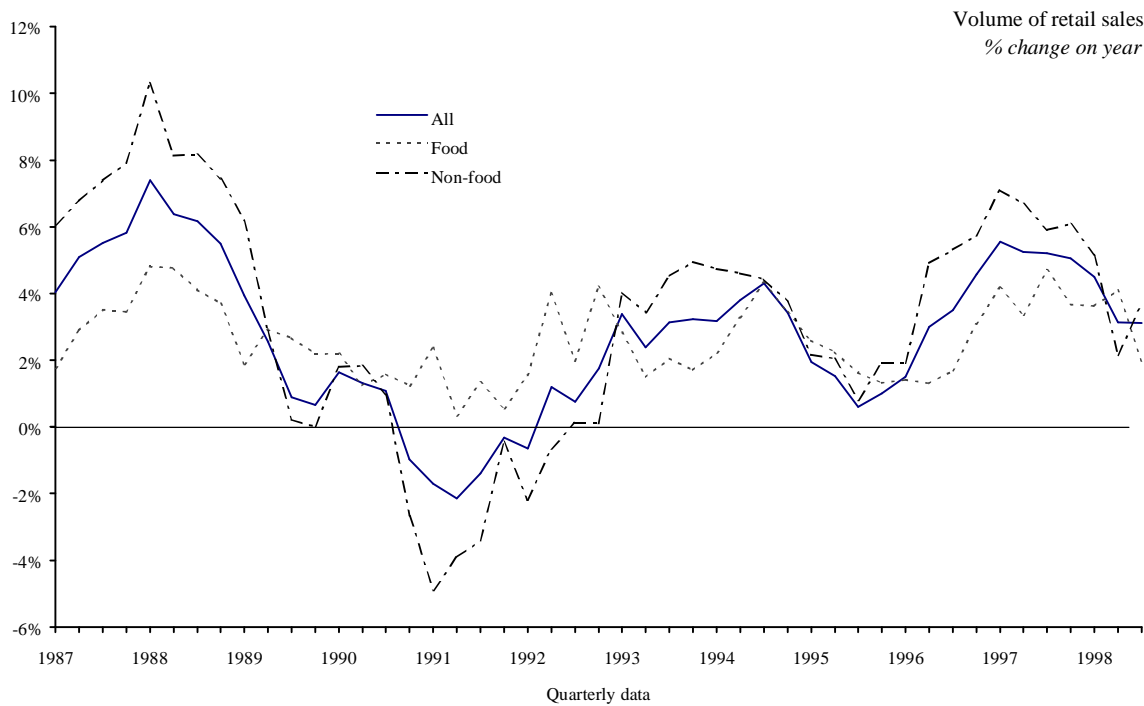
	Numbers thousands	Change over 12 months
1993	1,778	11.6%
1994	1,911	7.5%
1995	1,945	1.8%
1996	2,026	4.1%
1997 (provisional)	2,171	7.2%
1998 (forecast)	2,200	1.3%
1999 (forecast)	2,100	-4.5%
1998 May	173	1.8%
Jun	170	11.8%
Jul	38	5.6%
Aug	505	-4.0%

Source: SMMT "Monthly Statistical Review", Sep 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 when new car registrations hit a peak of 2.3 million units.
- The SMMT is forecasting a rise in new registrations for 1998 of 1.3% followed by a decline in 1999 of 4.5%.
- 505,312 cars were registered in August 1998, which represented a 4.0% decrease on the figure for August 1997.
- Registrations of imported vehicles increased their market share to 61.7% in August.

Next update: 30 November

F 3. Retail Sales



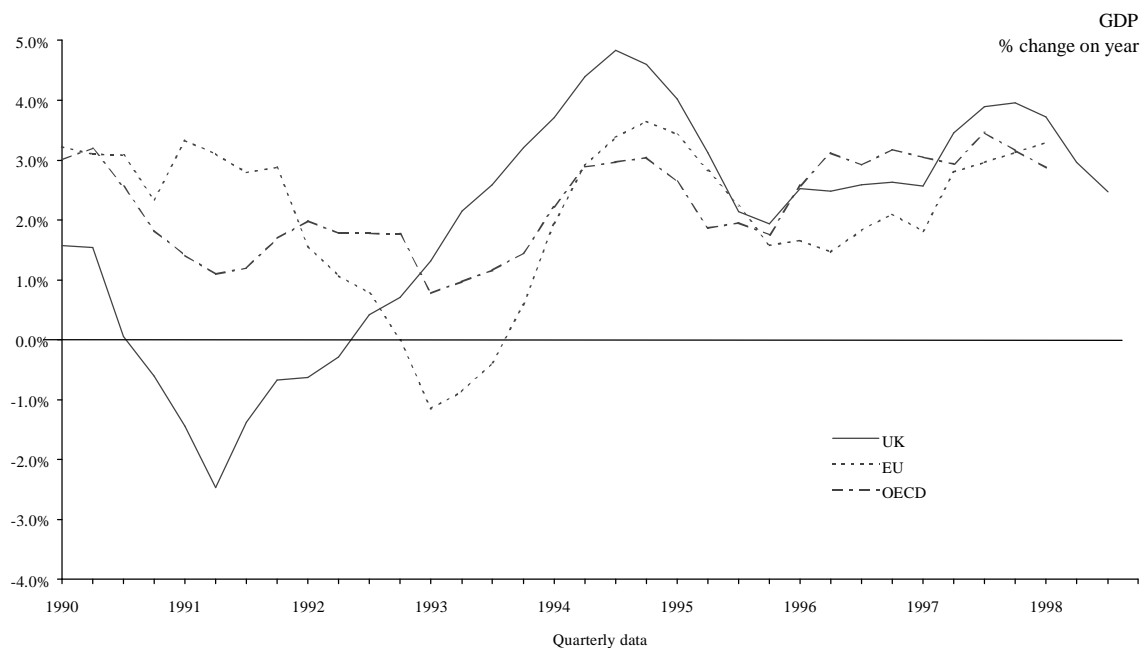
Value of Sales
not seasonally adjusted; % change on year

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

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

- The pace of growth of retail sales has slowed since 1997, but the slowdown has not been sharp. In volume terms, seasonally adjusted sales in September increased by 3.7% from a year earlier. For the latest three-month period of July to September inclusive, sales by volume were 3.1% higher than the same period a year earlier. Sales from non-food stores are more buoyant than sales of from food stores.
- The growth in the non-seasonally adjusted *value* of retail sales has not decelerated perceptibly during 1998, although the value of retail sales is volatile. Retail sales in September 1998 were 3.5% higher than a year previously; in the three-month period up to September 1998, they were 3.9% higher than the corresponding period a year previously. The average weekly value of sales in Britain in September was £3,550 million.

G 1. International Comparisons - Growth



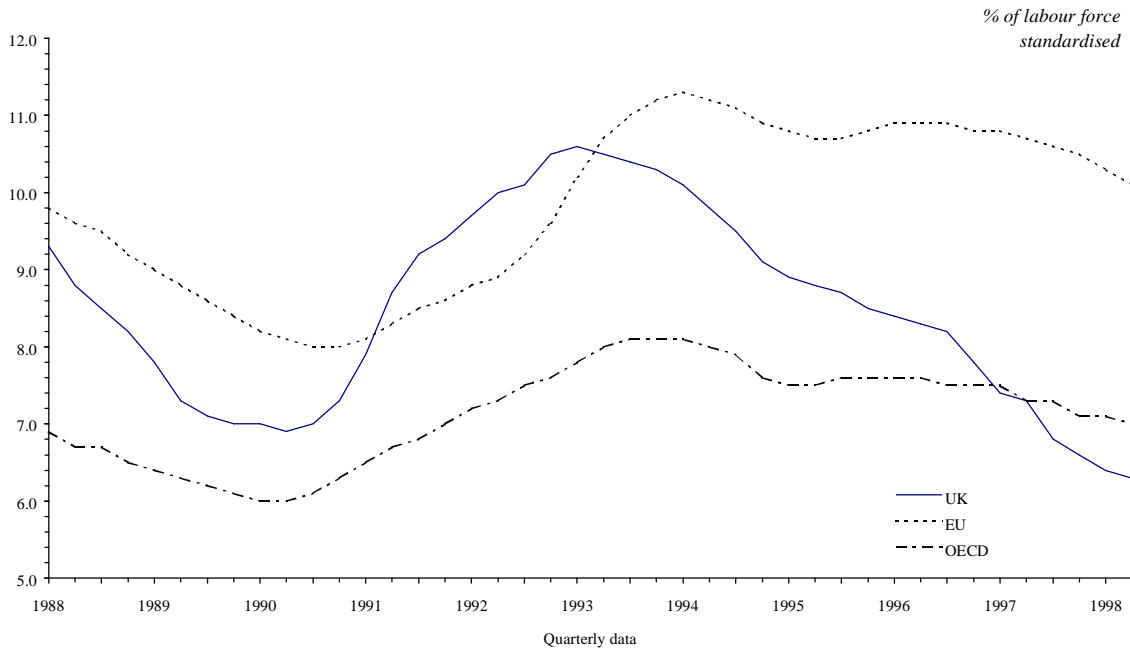
	GDP at constant market prices % change on year						
	1995	1996	1997	1997 Q4	1998 Q1	1998 Q2	1998 Q3
USA	2.3%	3.4%	3.9%	3.8%	4.1%	3.6%	n.a.
Japan	1.4%	3.9%	0.9%	-0.4%	-3.7%	-1.7%	n.a.
Canada	2.2%	1.2%	3.7%	4.0%	3.7%	3.1%	n.a.
United Kingdom	2.8%	2.6%	3.5%	4.0%	3.7%	3.0%	2.5%
Germany	1.2%	1.4%	2.3%	2.3%	3.4%	2.5%	n.a.
France	2.1%	1.5%	2.3%	3.1%	3.4%	3.0%	n.a.
Italy	2.9%	0.7%	1.5%	2.7%	2.5%	1.2%	n.a.
EU15	2.5%	1.7%	2.7%	3.1%	3.3%	n.a.	n.a.
G7	2.1%	2.7%	2.9%	2.7%	2.4%	2.3%	n.a.
OECD	2.1%	3.0%	3.1%	3.2%	2.9%	n.a.	n.a.

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

- The latest statistics suggest that economic growth is slowing in both Europe and North America. The Japanese economy is contracting.
- The European Commission's Autumn 1998 Forecast suggests that growth in the EU 15 will be 2.9% in 1998 and 2.4% in 1999. While the UK grew faster than the EU average in each calendar year 1993 to 1997, the reverse is expected to be true in 1998 and 1999, when the UK is forecast to grow by 2.5% and 1.3% (the lowest in the EU) respectively. The fastest growing EU economy is expected to be Ireland, which is forecast to grow by 11.4% in 1998 and 8.2% in 1999. The USA is forecast to grow by 3.3% in 1998 and by 2.1% in 1999. The Japanese economy is expected to contract by 2.5% in 1998 and grow by just 0.6% in 1999.

Next update: late November

G 2. International Comparisons - Unemployment



Unemployed as % of labour force
standardised; seasonally adjusted

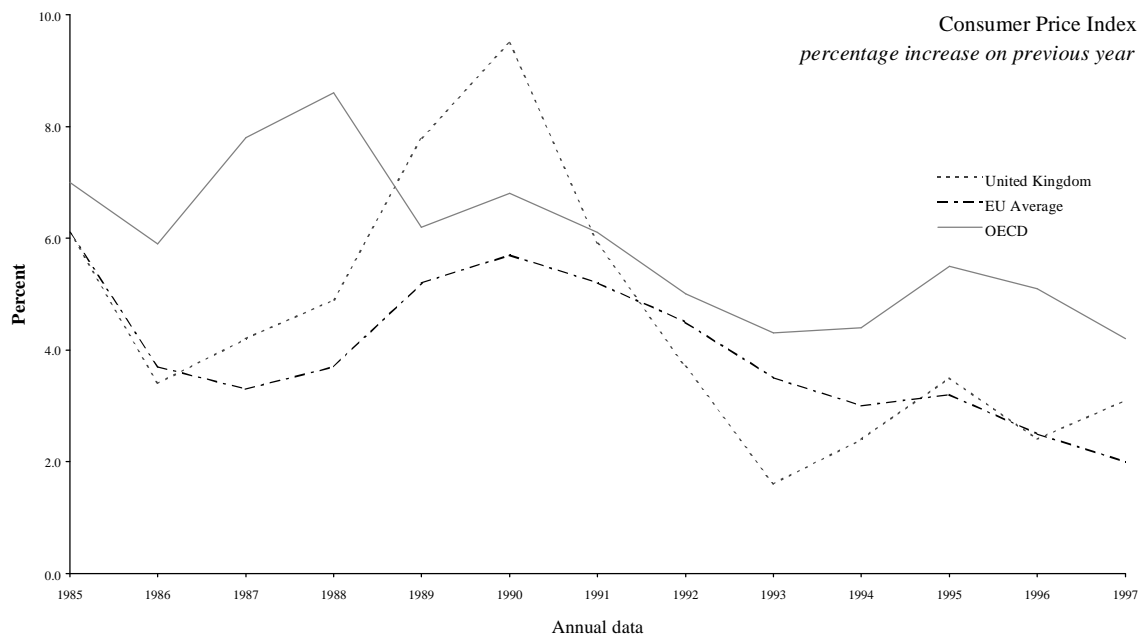
	1995	1996	1997	1997 Q3	1997 Q4	1998 Q1	1998 Q2
USA	5.6	5.4	4.9	4.9	4.7	4.7	4.4
Japan	3.1	3.4	3.4	3.4	3.5	3.6	4.2
Canada	9.5	9.7	9.2	9.0	8.9	8.6	8.4
United Kingdom	8.7	8.2	7.0	6.8	6.6	6	6.3
Germany	8.2	8.9	10.0	10.1	10.3	10.0	9.8
France	11.7	12.4	12.4	12.4	12.3	12.1	11.9
Italy	11.9	12.0	12.1	12.1	12.1	12.1	12.3
EU 15	10.7	10.9	10.7	10.6	10.5	10.3	10.1
G7	6.8	6.8	6.6	6.6	6.5	6.5	6.4
OECD	7.5	7.6	7.3	7.3	7.1	7.1	7.0

Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate was significantly below the EU average and is now 0.1 of a percentage point lower than the G7 average.
- Other countries with unemployment rates below that of the UK in 1998 Q2 were: Austria (4.5%), Denmark (4.6%), Luxembourg (2.2%), Norway (3.5%) and the Netherlands (4.0%).

Next update: mid Nov

G 3. International Comparisons – Prices



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

	1996	1997	Jul 1998	Aug 1998	Sep 1998
United States	2.9%	2.4%	1.7%	1.6%	1.5%
Japan	0.1%	1.8%	-0.1%	-0.3%	..
Canada	1.6%	1.6%	1.0%	0.9%	0.7%
UK	2.5%	3.1%	3.4%	3.3%	3.2%
Germany	1.5%	1.7%	1.0%	0.8%	0.8%
France	2.0%	1.2%	0.8%	0.7%	0.6%
Italy	3.8%	1.8%	1.9%	1.9%	1.8%
OECD	5.1%	4.2%	3.5%	3.3%	3.2%
EU 15	2.5%	2.0%	1.8%	1.7%	1.6%

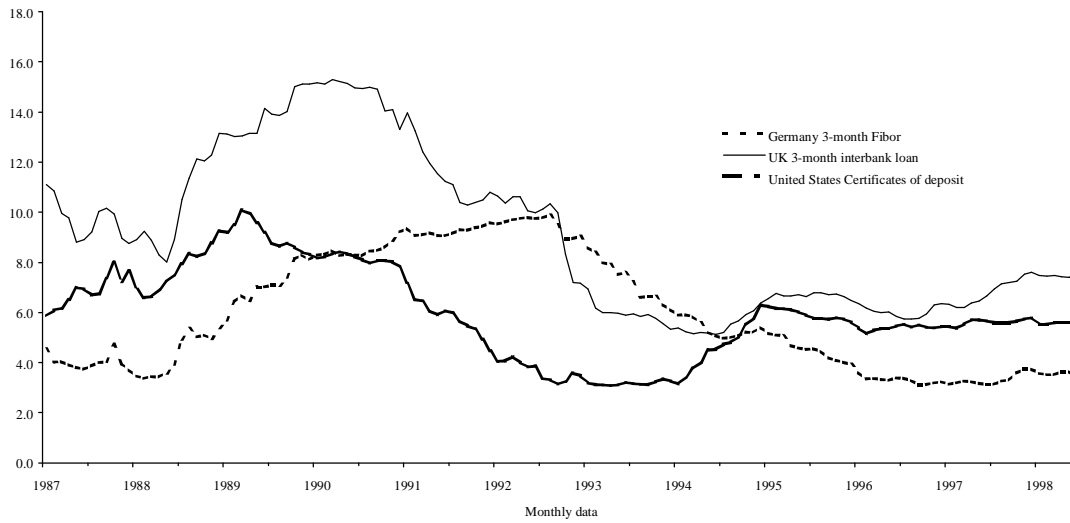
Source: OECD Main Economic Indicators / Hot File

- 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 average inflation rate for the eleven EU countries participating in the Single Currency was 1.0% in September. The UK's inflation rate on this basis stood at 1.5%.
- The inflation rates for the other three Member States not participating in the Single Currency in September were Greece: 5.0%, Denmark: 1.1% and Sweden: 0.1%.

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

G 4. International Comparisons - Interest Rates

Short term interest rates



International Interest Rates as at 29 October 1998

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	5.03	6 ⁷ / ₈
United States	4.52	5 ⁵ / ₃₂
Germany	4.13	3 ⁹ / ₁₆
Japan	0.91	¹ / ₁₆
France	4.24	3 ¹ / ₂
Italy	4.45	4 ⁷ / ₃₂

Source: *Financial Times*, 29 October 1998

- UK interest rates remain above key European rates reflecting the movement of continental rates towards the rate expected to be announced by the European Central Bank in January 1999 when Stage III of EMU starts.
- The Federal Reserve reduced rates in the United States on 15 October by a quarter of a percentage point.
- Japanese interest rates have fallen even further in an effort to boost the Japanese economy. The Bank of Japan also wants to manage the Yen's appreciation against the dollar. In view of this, Japanese interest rates are likely to remain at this level for some time, unless the economy recovers strongly from recession.