



RESEARCH PAPER 99/47
4 MAY 1999

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 Motor Industry

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	Extn
Balance of payments	Tim Edmonds/Bob Twigger	2883/4904
Construction	Eshan Karunatileka/Tim Edmonds	3977/2883
EC finance	Mick Hillyard/Jane Hough	4324/2464
Employment	Eshan Karunatileka/Tim Edmonds	3977/2883
Energy	Patsy Richards	4310
Financial services	Eshan Karunatileka/Jane Hough	3977/2464
Housing	Bryn Morgan	3851
Incomes	Bob Twigger/Tim Edmonds	4904/2883
Industries	Eshan Karunatileka /Tim Edmonds	3977/2883
National accounts-GDP etc	Bob Twigger/Tim Edmonds	4904/2883
Overseas aid	Mick Hillyard/Tim Edmonds	4324/2883
Prices	Bob Twigger/Tim Edmonds	4904/2883
Production	Eshan Karunatileka/Tim Edmonds	3977/2883
Public expenditure	Bob Twigger/Tim Edmonds	4904/2883
Taxation	Bob Twigger/Tim Edmonds	4904/2883
Trade	Mick Hillyard/Tim Edmonds	4324/2883
Transport	Patsy Richards	4310
Unemployment	Jane Hough/Bob Twigger	2464/4904
Wages & earnings	Eshan Karunatileka /Tim Edmonds	3977/2883

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II The Motor Industry

There is a great deal of interest in the automobile industry, which is considered to be of strategic importance both in the United Kingdom and globally. After strong growth in the mid-1990s, the industry's prospects have deteriorated. In 1998, 51.4 million cars and commercial vehicles were produced worldwide, a 6.6% fall from 1997.¹ In anticipation of a more difficult future, the industry has been undergoing a period of restructuring. Examples of recent mergers include:

- The acquisition of a one-third stake in Mazda of Japan by Ford in April 1997
- The merger of Daimler Benz and Chrysler in May 1998
- The takeover of Volvo's car production business by Ford in January 1999
- The acquisition of 35%, and effective control, of Nissan by Renault in March 1999.

Driving these combinations has been overcapacity in the industry - the Economist Intelligence Unit (EIU) has estimated that global production capacity was 71 million vehicles in 1998, whereas sales totalled only 49 million.² This pressure has led to production cuts, short time working and threats of factory closures.

The table below reproduces summary statistics on the UK motor industry,³ including its contribution to the economy (gross value added or GVA), the total value of sales and total employment (the number of employees and owner/proprietors).

	Number of Enterprises	Gross Value Added ^(b) (£ billions)	Industry Sales ^(c) (£ billions)	Total Exports ^(d) (£ billions)	Total Imports ^(d) (£ billions)	Total Employment (000s)
1993	1,607	7.2	26.6	9.4	16.7	222
1994	1,898	7.2	30.8	11.1	16.9	230
1995	4,109	8.3	33.2	13.4	19.2	241
1996	2,500	9.6	36.9	16.2	21.8	245

Notes: (a) Based on division 34 of the 1992 Standard Industrial Classification
 (b) Measured at factor cost up to 1995 and at basic prices from 1996
 (c) Includes the value of goods merchanted and factored
 (d) Valued on an OTS basis

Source: ONS, "Manufacturing: Production and Construction Inquiries - Summary Volume", PA1002, 1996 p. 36 & 70; ONS, "Sector Review: Vehicles and Other Transport", Q4 1997, pp. 20 & 30

¹ Economist Intelligence Unit, *Motor Business International*, 1st Quarter 1999 table 8.4

² See Economist Intelligence Unit, *Motor Business International*, 3rd Quarter 1998 p. 84. Another study, by the European Automotive Practice Group of KPMG, estimated that between 1999 and 2001, car production in Europe would exceed demand by 15 million cars (reported in Michael Harrison, "Rocky Road Ahead for the Car Industry", *The Independent*, 20 October 1998).

³ Under the Standard Industrial Classification (SIC 92), the motor vehicle industry is categorised as division 34 - the manufacture of cars, commercial vehicles, car bodies, engines and components.

In 1996, the industry's sales totalled £37 billion and it employed 245,000 people directly. 1,976,000 vehicles were produced in 1998, an increase of 2.1% from 1997 (the average rate of increase in output during the 1990s has been 2.3% per year).⁴

An issue of particular concern has been Rover, which announced in July 1998 that it was to cut at least 2,500 jobs from across the group. The company made losses of £650 million in 1998, compared to losses of £91 million in 1997.⁵ Doubts have centred on whether its Longbridge factory would remain open, as it is relatively inefficient compared to other European plants.⁶ BMW had plans to invest up to £1.7 billion to modernise it, but in early 1999, it was rumoured to be in competition with locations in Hungary for this investment. After BMW made an application to the UK government for assistance with its investment, the Prime Minister announced on 30 March 1999 that an agreement had been reached between the Government and BMW.⁷ Negotiations are ongoing and details of the aid have not yet been revealed, but press speculation has valued it at £150 million.⁸ As the provision of aid to industry is governed by EU rules on state aid, the European Commission will in any case have to approve the aid package before it can go ahead.

The outlook for the automobile industry in the UK remains mixed. Companies with new and popular products, such as Jaguar, which has had a strong reception for its S2 model, are likely to see robust sales, while companies that operate efficient plants, such as Nissan's at Tyne & Wear, are also likely to succeed. Ford's plant at Dagenham is an example of this mixed picture. It currently produces the Fiesta, for which demand is relatively poor, as it is perceived to be an ageing and undesirable product. Production hours were cut in 1998 and several hundred job losses were announced in April 1999. Concurrently, however, Ford announced a major programme of investment in Dagenham to facilitate production of the replacement Fiesta from 2001 onwards. The EIU figures show Dagenham to be Ford's most efficient plant in Europe, and in three years' time, the plant's capacity will have increased from 272,000 vehicles per year to 450,000 vehicles per year.⁹

For further information contact Eshan Karunatileka on ext. 3977

⁴ ONS, *Motor Vehicle Production and New Registrations*, PM34.10, February 1999 tables 2 & 3

⁵ Michael Harrison, "Longbridge Saved But 2,000 Rover Jobs Axed", *The Independent*, 1 April 1999

⁶ In an annual productivity audit of the world's car plants carried out by the EIU, the most efficient factory in the UK, Nissan's Sunderland plant, produced 98 vehicles per employee per year, whereas Rover's Birmingham plant produced only 33 (see EIU, *Motor Business International*, 4th Quarter 1998, reported in "Rover Stalls at the Crossroads", *Sunday Business*, 25 October 1998).

⁷ HC Deb 31 March 1999 c1080

⁸ The package is said to be composed of Regional Selective Assistance from the Government of £135 million and £18 million from other sources, chiefly £12 million from Birmingham City Council (which is reported to be waiving business rates payable on Longbridge for three years). See Roland Gribben, "BMW Board Accepts Rover Aid Package", *The Daily Telegraph*, 15 April 1999.

⁹ John Griffiths, "Productivity And Over-Capacity Fears Lurk Behind The Celebrations At Ford", *The Financial Times*, 22 April 1999

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

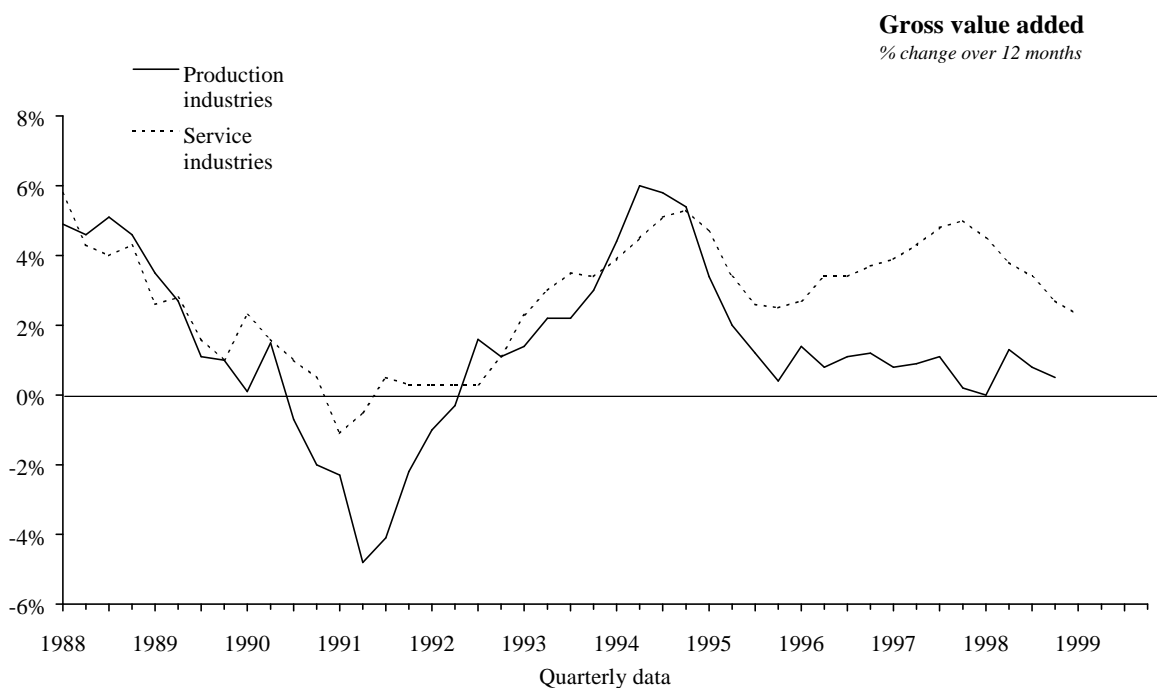
	GDP at current market prices <i>£ billion</i>	GDP at constant market prices <i>12 month change</i>	HH consumption at constant market prices <i>12 month change</i>	Non-Oil GVA at constant basic prices <i>12 month change</i>
1996	754.6	2.6%	3.7%	2.5%
1997	800.9	3.5%	4.1%	3.5%
1998	837.6	2.1%	2.8%	2.7%
1998 Q1	206.7	3.1%	4.0%	3.4%
Q2	208.5	2.3%	2.9%	2.9%
Q3	210.7	1.8%	2.5%	2.6%
Q4	211.7	1.1%	1.7%	1.8%
1999 Q1 (Prov)	n.a	0.7%	n.a	1.3%

Source: ONS Database series YBHA, AMBI, ABRJ & GDPU

- Gross domestic product (GDP) at market prices is provisionally estimated to have grown by 0.1% in the first quarter of 1999 to a level 0.7% higher than in the first quarter of 1998. GDP growth has slowed significantly since the first half of 1997 when quarter-on-quarter growth rates exceeded 1.0%.
- The output measure of GDP has recently been growing more strongly than either the income or expenditure measures. This may indicate that significant revisions will be made to the data when the three measures are eventually reconciled. Gross value added (GVA) at basic prices excluding oil and gas extraction – which reflects the output measure and excludes indirect taxes on products – is estimated to have grown by 0.1% in the first quarter of 1999 to a level 1.3% higher than in the first quarter of 1998.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 0.7% in 1999 and 1.9% in 2000.

Next update: 24 May

A 2. Gross Value Added by Industry



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

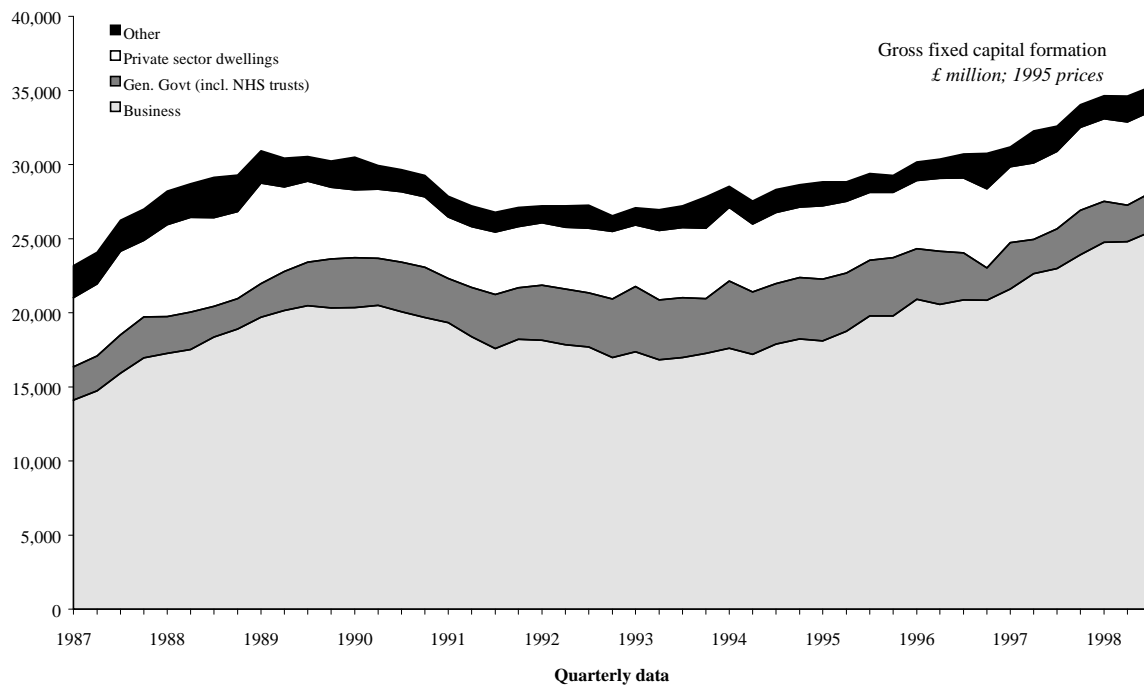
	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufac- turing			
1996	1.1%	0.4%	3.3%	2.0%	1.5%
1997	0.8%	1.0%	4.5%	0.4%	3.2%
1998	0.6%	0.3%	3.6%	-0.4%	1.6%
1997 Q4	0.2%	0.5%	5.0%	1.0%	3.0%
1998 Q1	0.0%	0.2%	4.5%	0.1%	5.5%
Q2	1.3%	1.0%	3.8%	-0.9%	0.9%
Q3	0.8%	0.5%	3.4%	-0.3%	0.8%
Q4	0.5%	-0.5%	2.7%	-0.4%	-0.8%
1999 Q1 (prov)	n.a.	n.a.	2.3%	n.a.	n.a.

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

- 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 2¼%. Provisional data for the first quarter of 1999 suggest that output was 0.4% higher than in the fourth quarter of 1998.
- Preliminary indications suggest that, compared to the previous quarter, manufacturing output fell in the first quarter of 1999 - the second consecutive fall. Output is thought to have fallen in the energy extraction and energy supply industries also but to have risen in construction.
- 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%.

Next updates: 11 & 24 May

A 3. Investment



Gross fixed capital formation
£ million; 1995 prices; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
1996	11,777	49,124	34,825	22,154	4,162	122,042
1997	14,436	52,441	36,390	23,004	4,216	130,487
1998	15,134	59,715	38,983	23,653	3,772	141,257
1997 Q4	3,730	13,876	9,400	6,064	962	34,032
1998 Q1	3,925	14,212	9,705	6,023	916	34,781
Q2	3,610	14,547	9,342	6,107	933	34,539
Q3	3,719	14,993	9,839	5,924	974	35,449
Q4	3,880	15,963	10,097	5,599	949	36,488

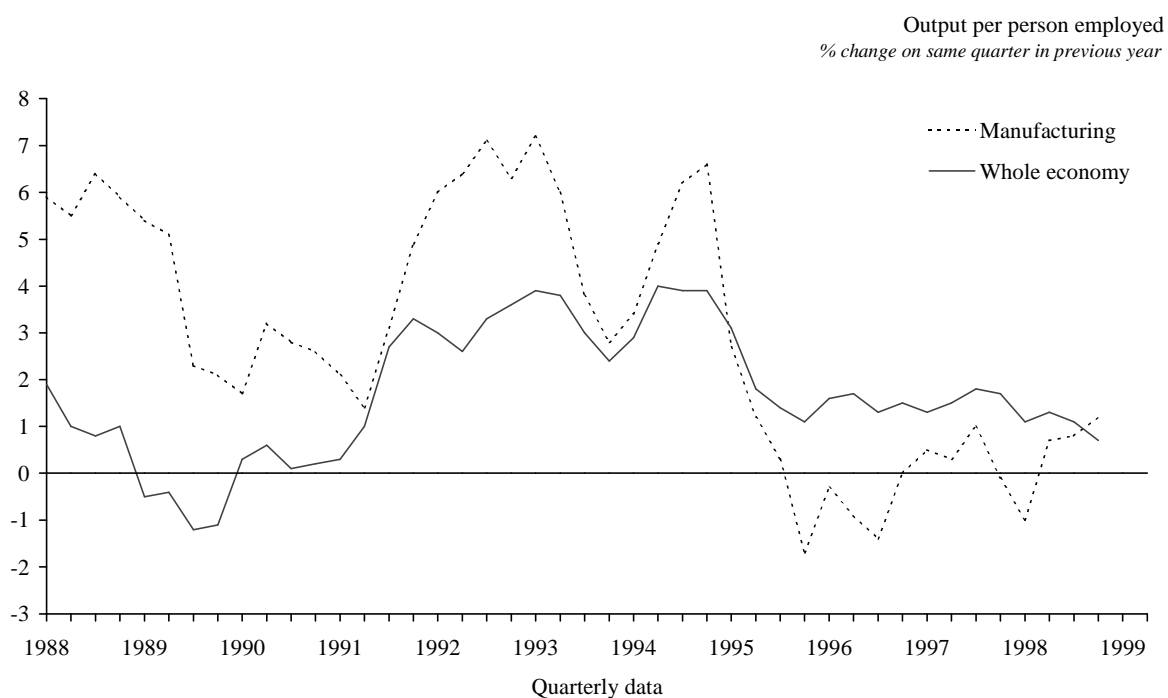
Note: Components may not sum to the total owing to different revision dates.

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.
- Total investment rose nearly 3.2% in real terms in the Q4 of 1998 compared with the previous quarter and 7.2% when compared with the same quarter in the previous year.
- Total GFCF in 1998 (at 1995 prices) is estimated to have risen 8.3% compared with 1997.

Next update: 21 May

4. Productivity



% change on year
seasonally adjusted

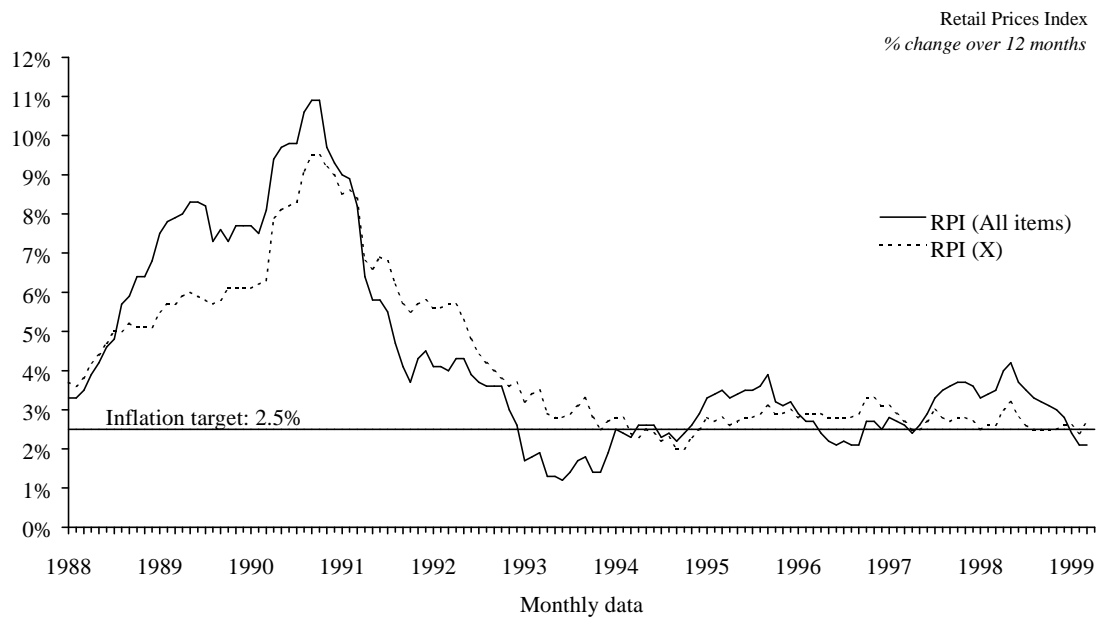
		Manufacturing			Whole Economy		
		Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1996		0.4	1.0	1.5	2.6	-0.7	1.1
1997		1.0	1.8	1.6	3.4	0.5	0.6
1998		0.3	1.2	1.1	2.7	0.4	-0.2
1997	Q4	0.5	0.6	-0.1	3.6	1.8	1.7
1998	Q1	0.2	1.2	-1.0	3.3	1.9	1.1
	Q2	1.0	0.3	0.7	2.9	1.3	1.3
	Q3	0.5	-0.3	0.8	2.6	1.0	1.1
	Q4	-0.5	-1.7	1.2	1.9	0.8	0.7

Source: ONS Database

- In the manufacturing sector, output growth declined in the last quarter of 1998 compared to 1997 Q4. However, the more than proportionate decline in the manufacturing workforce means that the rate of productivity growth is rising.
- Modest downward revisions to GDP growth for 1998, coupled with upward revisions in employment growth, mean that for the economy as a whole output per head is currently growing at an annual rate of less than 1%. Output per head in 1998 as a whole was marginally lower than in 1997.

Next update: 19 May

B 1. Retail Prices



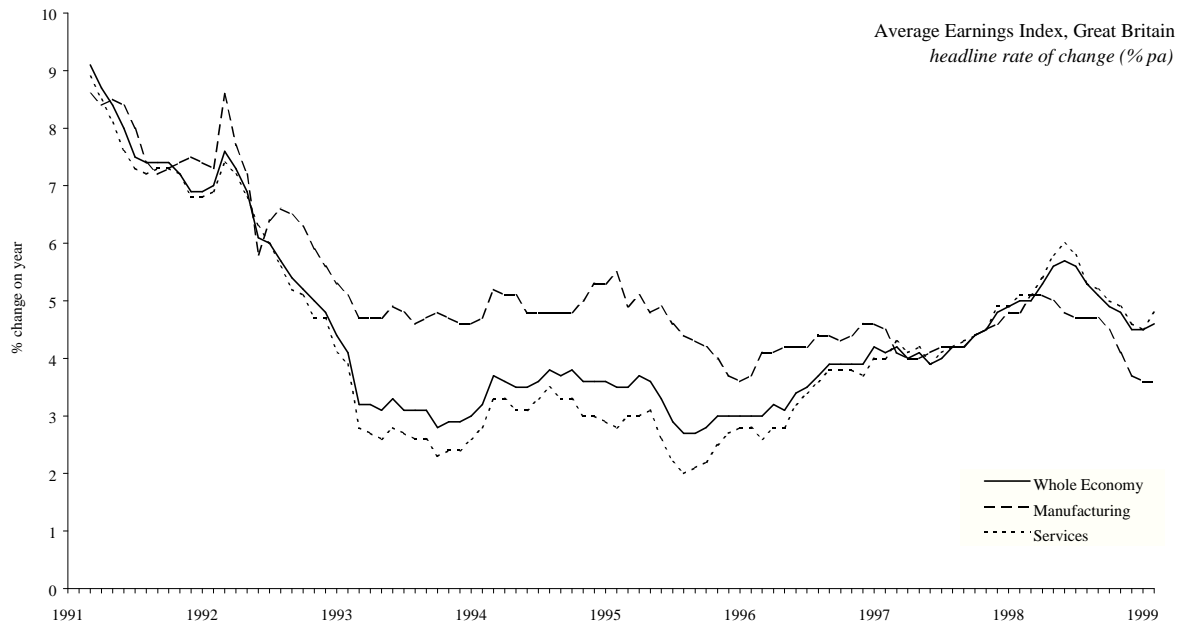
	<i>%change on previous year</i>	
	Retail Prices Index	
	All-items	excl. mortgage interest (RPI(X))
1996	2.4	3.0
1997	3.1	2.8
1998	3.4	2.6
1998 Mar	3.5	2.6
Apr	4.0	3.0
May	4.2	3.2
Jun	3.7	2.8
Jul	3.5	2.6
Aug	3.3	2.5
Sep	3.2	2.5
Oct	3.1	2.5
Nov	3.0	2.5
Dec	2.8	2.6
1999 Jan	2.4	2.6
Feb	2.1	2.4
Mar	2.1	2.7

Source: ONS Database (series CZBH, CDKQ)

- The current inflation target is 2.5%: if RPI(X) diverges from this target by more than 1 percentage point, the Governor of the Bank of England is required to send a letter to the Chancellor explaining the reasons for the divergence.
- In February 1999, RPI(X) fell to 2.4%, the first time that it had fallen below the target rate of inflation since the beginning of 1995. In March 1999, however, it moved back above the inflation target, rising to 2.7%.
- Underlying inflation increased in March 1999 primarily because measures introduced in the budget came into effect. Tobacco prices increased by 11.8% and motoring costs increased by 2.2% compared to a year earlier, following increases in fuel and vehicle excise duties.
- The overall rate of headline inflation, however, remained unchanged in March 1999, at 2.1%. Increases in tobacco and motoring costs were offset by less rapid increases in housing costs. Although they are still increasing year-on-year, housing costs have been growing more slowly since the Bank of England began to cut interest rates, which has led to lower mortgage payments.

Next update: 18 May

B 2. Average Earnings



Average Earnings, Great Britain
seasonally adjusted

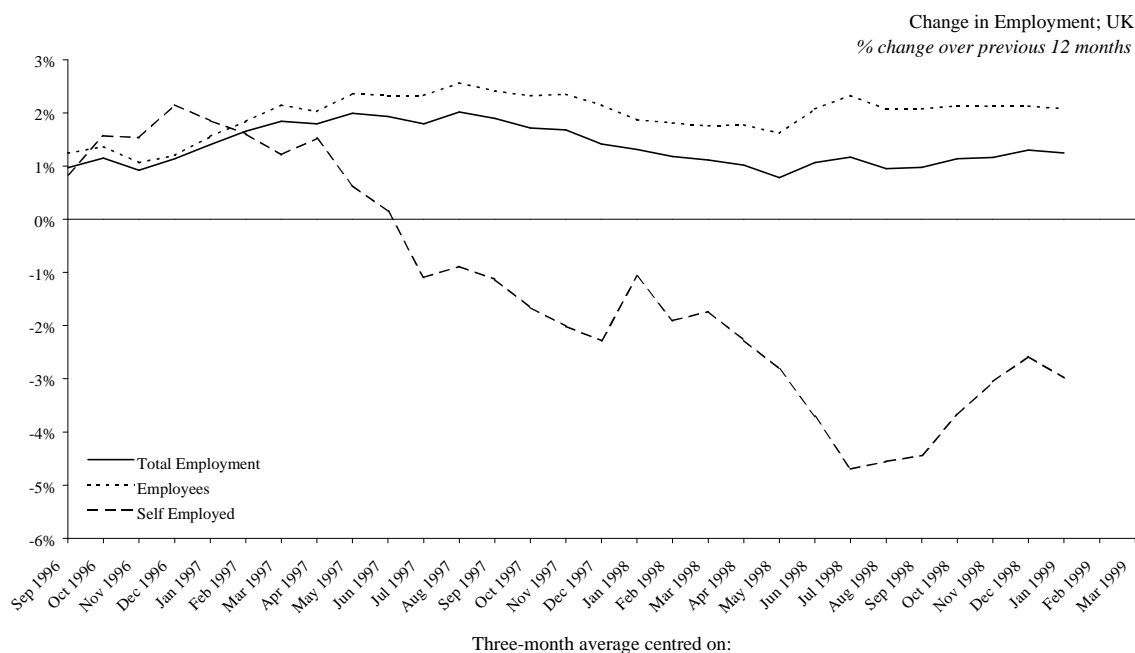
		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1998	Feb	5.0	5.6	2.6
	Mar	5.0	5.6	2.7
	Apr	5.3	6.0	2.5
	May	5.6	6.3	2.7
	Jun	5.7	6.3	3.1
	Jul	5.6	6.1	3.6
	Aug	5.3	5.6	3.9
	Sep	5.1	5.5	3.8
	Oct	4.9	5.2	3.8
	Nov	4.8	5.1	3.7
	Dec	4.5	4.7	3.6
1999	Jan	4.5	4.6	3.6
	Feb	4.6	4.8	3.9

Source: ONS database (Series LNNC, LNND, LNNE)
sector.

- Publication of the Average Earnings Index was suspended in November 1998 because of problems identified with the reliability of the data; it was re-published in March 1999.
- The pattern of recent earnings growth shown by the index has altered. Before it was suspended, the index showed whole-economy average earnings had been on a downward trend in early 1998 but had sharply accelerated after May. The revised index shows the rate of earnings growth was not so volatile, and that average earnings increased more steadily during the first half of 1998 and peaked at 5.7% in June 1998.
- In February 1999, the headline rate of average earnings growth increased slightly from 4.5% to 4.6%. The principle reason was that many bonus payments came into effect in February 1999. In the year to February 1999, the growth rate of bonuses was 1.5% in the private sector and 0.7% in the public sector; in the year to January 1999, they had increased by 0.1% in the private sector and were unchanged in the public sector.

Next update: 19 May

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

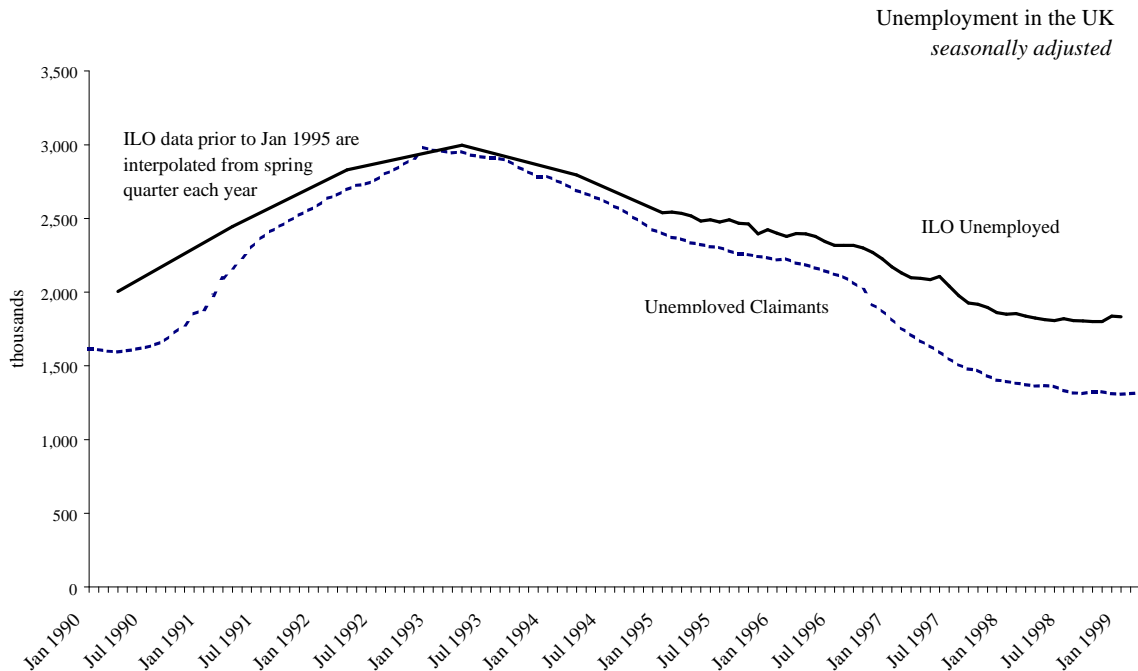
		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1994	Dec-Feb	25,949	22,149	3,369	133	298
1995	Dec-Feb	26,288	22,614	3,292	122	260
1996	Dec-Feb	26,657	22,966	3,353	114	223
1997	Dec-Feb	27,006	23,395	3,317	95	199
1998	Mar-May	27,045	23,500	3,265	101	179
	Jun-Aug	27,168	23,704	3,187	106	170
	Sep-Nov	27,263	23,809	3,194	102	158
	Dec-Feb	27,342	23,881	3,218	98	146
Changes:						
	1997 Dec-Feb to	336	486	-99	3	-53
	1998 Dec-Feb	1.2%	2.1%	-3.0%	3.2%	-26.6%

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 336,000 (1.2%) higher in the December 1998 to February 1999 period. The pace at which employment is increasing remains at an annual rate of about 1%.
- Self-employment was declining at an annual rate of 4.5% during the summer of 1998, but this rate of decline has abated somewhat to 3.0% in the three-month period December 1998 to February 1999.
- In December 1998 to February 1999 there were 1.75 million employees who were working in temporary jobs. Of these, around 35% said that they could not find a permanent job.

Next update: 19 May

C 2. Unemployment: National



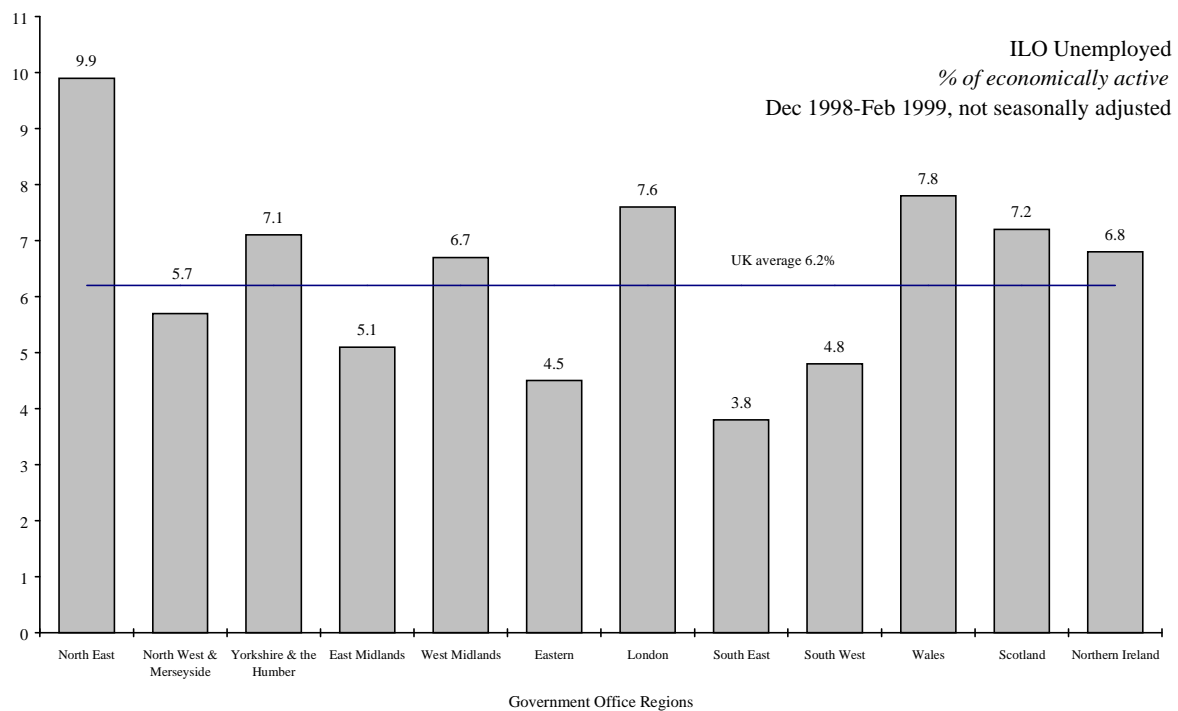
ILO Unemployment in the UK <i>seasonally adjusted</i>		
	thousands	rate (%)
1995 Dec-Feb	2,400	8.4
1996 Mar-May	2,394	8.3
Jun-Aug	2,317	8.1
Sep-Nov	2,299	8.0
Dec-Feb	2,171	7.5
1997 Mar-May	2,093	7.3
Jun-Aug	2,041	7.1
Sep-Nov	1,918	6.6
Dec-Feb	1,850	6.4
1998 Mar-May	1,824	6.3
Jun-Aug	1,820	6.3
Sep-Nov	1,801	6.2
Dec-Feb	1,833	6.3

Source: Labour Force Survey(ONS)

- Since April 1998, the Office for National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).
- The latest LFS estimates show that over the period December 1998 to February 1999, the level of ILO unemployment in the UK was 1,833,000. This was an increase of 31,000 from the September-to-November period. As measured by the monthly claimant count, unemployment increased in March 1999 by 2,000 to stand at 1,314,000.
- Since the New Deal for the Young Unemployed started in January 1998, 249,200 people have joined the scheme. Of those leaving the Gateway, 61,380 had moved into 'sustained jobs' up to the end of February, i.e. excluding those who had returned to claim Jobseekers' Allowance (JSA) within three months of starting employment. 80% of these jobs were unsubsidised. Since the New Deal for the Long-Term Unemployed started in July 1998, 104,800 people have joined the scheme. Up to the end of February, 8,750 people leaving the Advisory Interview Process had entered 'sustained jobs', 6,080 of which were unsubsidised and 2,670 of which were subsidised jobs.

Next update: 19 May

C 3. Unemployment: Regional



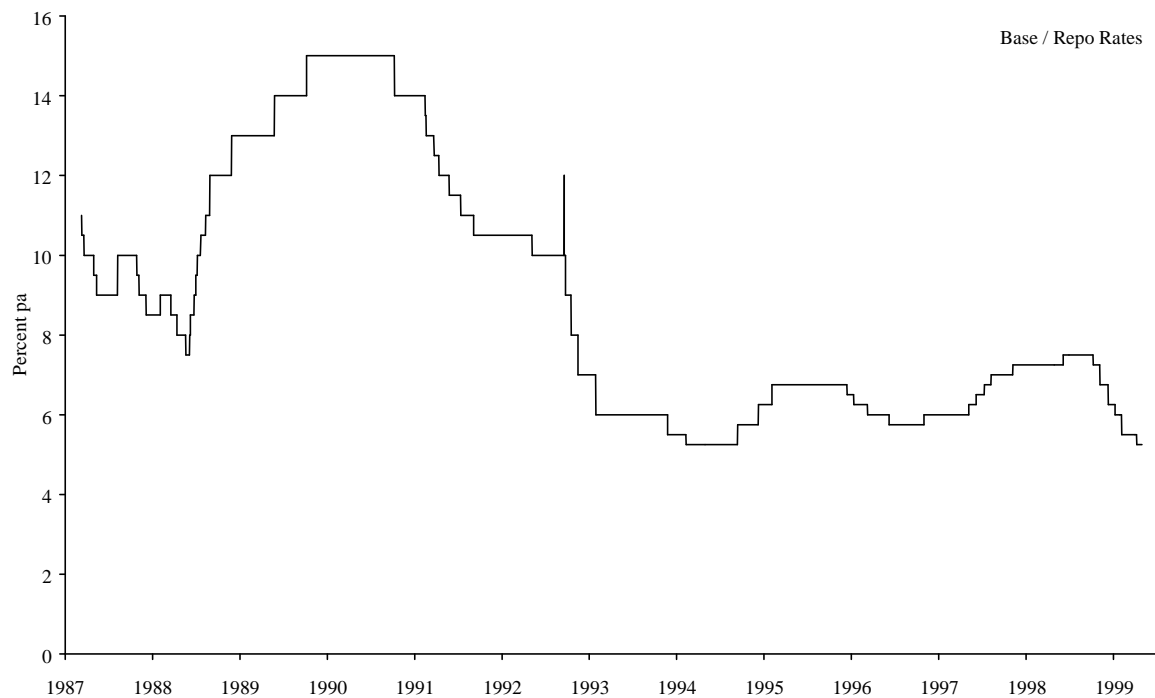
ILO Unemployment, Dec 1998 - Feb 1999
change on same period in previous year
not seasonally adjusted

	thousands	%
North East	14	14%
North West & Merseyside	6	4%
Yorkshire & the Humber	5	3%
East Midlands	4	4%
West Midlands	13	8%
Eastern	-22	-15%
London	-18	-6%
South East	-16	-9%
South West	-4	-3%
Wales	9	9%
Scotland	-5	-3%
Northern Ireland	-11	-18%
UK	-18	-1%

Source: ONS, First Release (99) 146

- Since April 1998, the Office for National Statistics has used the International Labour Organisation (ILO) definition of unemployment as the headline measure of unemployment. In the UK this is obtained from the Labour Force Survey (LFS).
- The trend in unemployment varies between regions. In the period December 1998 to February 1999, unemployment fell in six regions and increased in six regions compared to the December-to-February period a year earlier.
- The most rapid fall in unemployment occurred in Northern Ireland, where it was 18% lower in December-to-February than in the same three-month period a year earlier. The most rapid increase in unemployment occurred in the North East, where it was 14% higher in December-to-February than in the same three-month period a year earlier. The North East also has the highest unemployment rate, at 9.9%.

D 1. Interest Rates

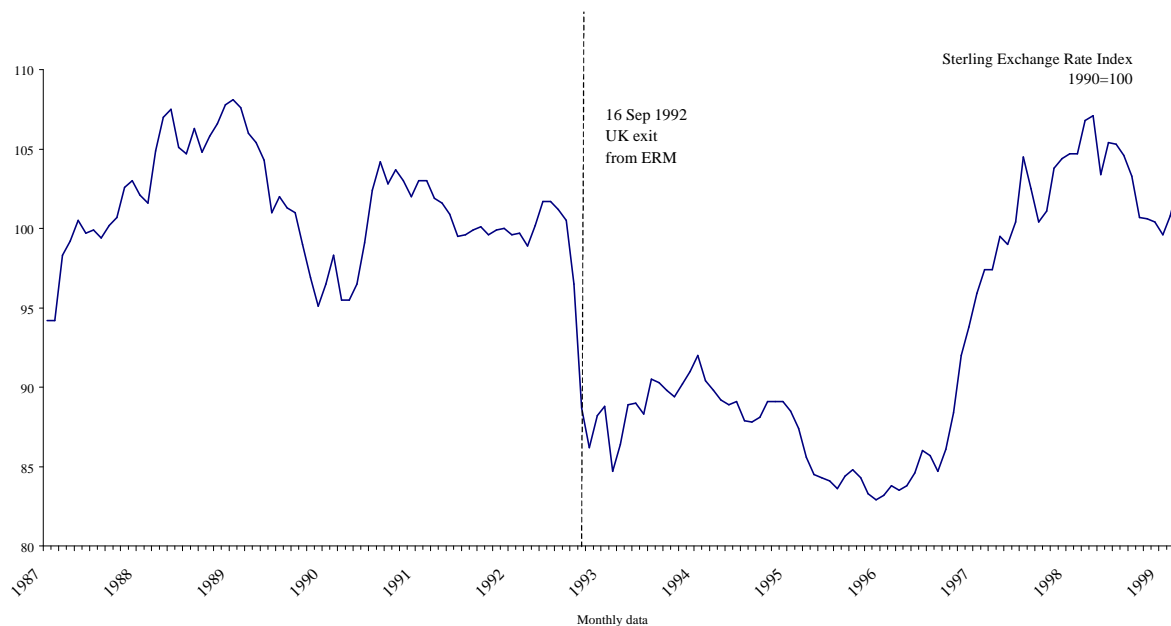


UK Base/Repo Rates *per cent per annum*

Date of change	New rate
1992	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
	Nov 5 6.75
	Dec 10 6.25
1999	Jan 7 6.00
	Feb 4 5.50
	Apr 8 5.25

- The interest rate increase on 6 June 1997 was the first occasion when interest rates were set by the independent Monetary Policy Committee (MPC) of the Bank of England rather than by the Chancellor.
- The MPC next meets on 5-6 of May.
- The ½ percentage point cuts in the repo rate in November and December were the largest change in rates yet made by the MPC.
- According the minutes of the April meeting (following the latest ¼% point cut) the Committee was persuaded to cut rates because of the war in Kosovo, the strength of sterling and a slowdown in pay growth. Eight members voted for a ¼% point cut; one voted for a ½% point reduction.
- 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	% change on year	Rate	% change on year	Rate	% change on year	Rate	% change on year
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%
1999 Jan	2.78	-6.3%	1.65	0.9%	187.07	-11.7%	..	..
1999 Feb	2.84	-4.4%	1.63	-0.8%	189.69	-8.1%	..	..
1999 Mar	2.92	-4.0%	1.62	-2.4%	193.82	-9.7%	..	..

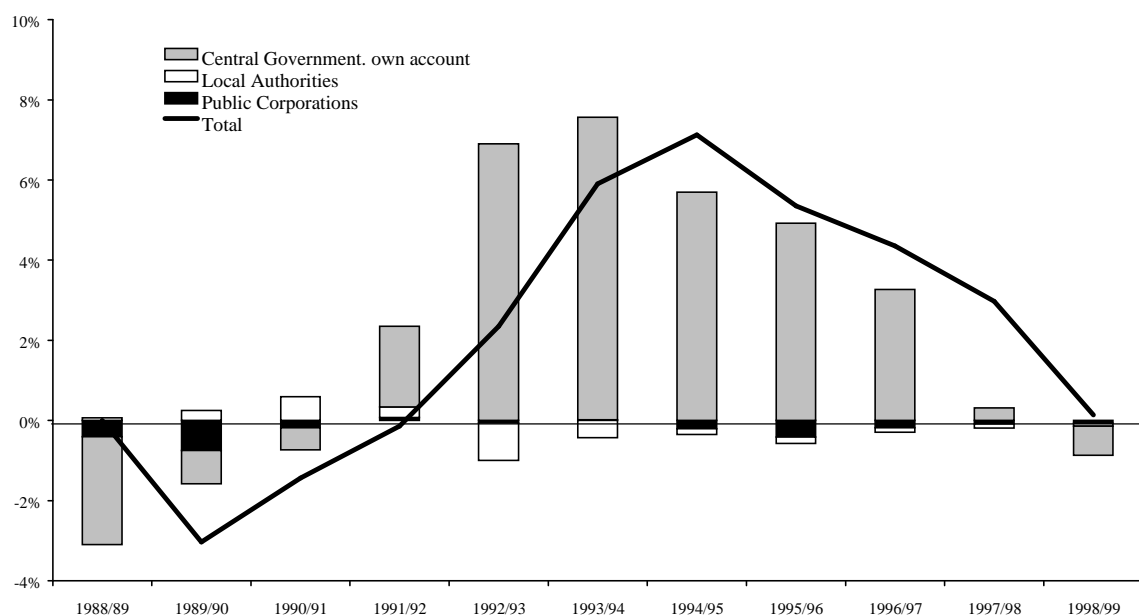
Sources: ONS database (series AJFH, AJFA, AJFO, AJHW)

Recent Developments

- The value of the euro has continued to decline against both sterling and the US dollar. It has now devalued by nearly 7% against sterling and by nearly 10% against the US dollar. In all other respects the performance of the new currency has been technically and operationally successful. The latest decline has been attributed to tensions in Europe over recent armed actions and by comments made by the ECB Chariman that seemed to indicate a policy of 'neglect' towards the euro's external value.
- The pound was worth €1.5214 at the London market close on April 29 1999, compared to a launch rate of €1.4169 on 31 December 1998.

D 3. Public Sector Net Cash Requirement

PSNCR as % of GDP



Public Sector Net Cash Requirement

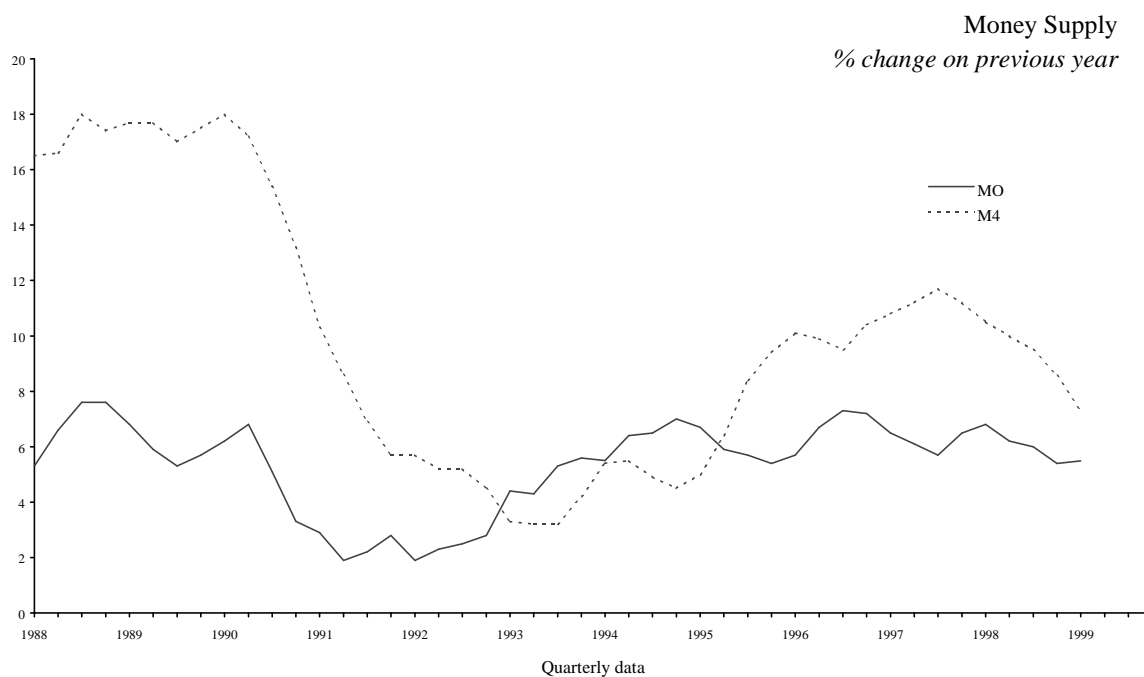
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1996/97	22.7	3.0%	27.2	3.6%
1997/98	1.1	0.1%	2.9	0.4%
1998/99	-7.4	-0.9%	-7.3	-0.9%
1998 Q1	-5.2	-2.5%	-5.2	-2.5%
1998 Q2	5.4	2.6%	5.4	2.6%
1998 Q3	-2.9	-1.4%	-2.9	-1.4%
1998 Q4	-4.0	-1.9%	-4.0	-1.9%
1999 Q1	-5.9	-2.7%	-5.9	-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 1998/99 financial year was minus £7.4 billion compared with £1.1 billion in 1997/98. Excluding privatisation receipts, the PSNCR for 1998/99 was a negative £7.3 billion compared with £2.9 billion in 1997/98.

Next update: 19 May

D 4. Money Supply



Money stock
seasonally adjusted

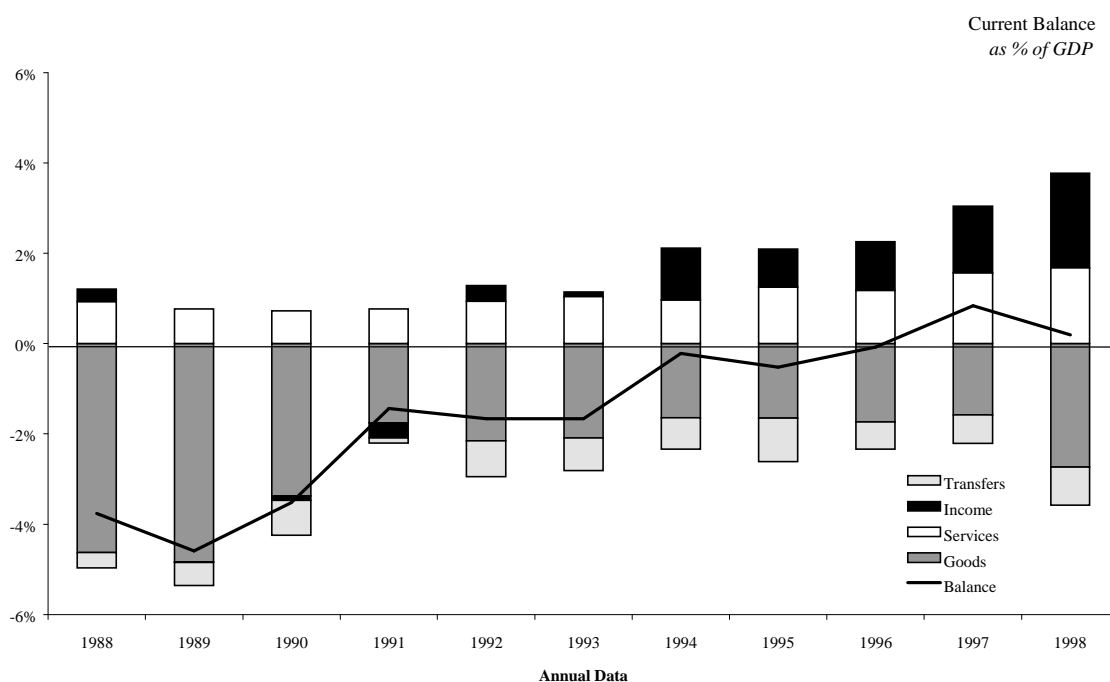
	MO		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1998 Mar	5.6	6.5	8.7	10.0
Apr	5.0	6.8	9.9	10.6
May	4.0	6.3	8.7	9.7
Jun	3.8	5.5	8.8	9.5
Jul	3.7	5.8	10.3	10.2
Aug	5.1	6.2	7.9	9.0
Sep	6.6	5.9	8.7	9.2
Oct	6.6	5.5	5.8	9.1
Nov	5.3	4.8	7.0	8.4
Dec	7.2	5.8	6.4	8.2
1999 Jan	7.1	5.6	4.4	7.6
Feb	6.6	5.2	5.5	7.3
Mar (prov)	5.0	5.6	4.0	7.0

Source: Bank of England press notice dated 22 April 1999

- 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.
- M4 is currently growing at a year-on-year rate of around 7% compared to rates in excess of 11% in 1997.
- There are now no formal targets for money supply growth.

Next updates: 4, 14 & 21 May

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 transfers	Current Balance
1996	-13,086	8,897	-4,189	8,111	1,698	-6,220	-4,522	-600
1997	-11,910	11,842	-68	11,124	925	-5,678	-4,753	6,303
1998	-20,598	12,678	-7,920	15,782	-233	-6,155	-6,388	1,474
1997 Q4	-4,101	3,203	-898	2,292	515	-1,352	-837	557
1998 Q1	-4,253	3,128	-1,125	2,413	-142	-1,821	-1,963	-675
Q2	-4,785	3,161	-1,624	1,169	483	-1,230	-747	-1,202
Q3	-5,267	3,462	-1,805	5,318	-20	-1,096	-1,116	2,397
Q4	-6,293	2,927	-3,366	6,882	-554	-2,008	-2,562	954

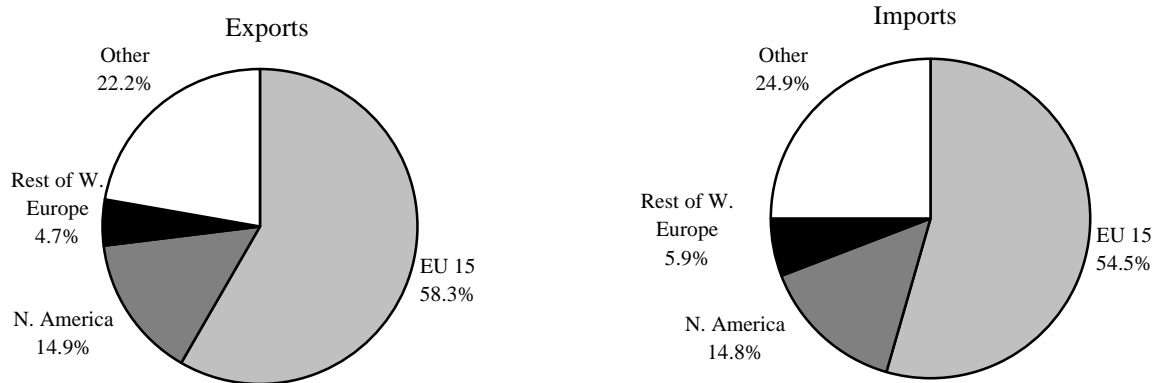
Source: ONS database (Series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP)

- **Trade in Goods:** Successive quarterly figures show large deficits continuing, indicating a very weak UK trading position, with 1998 Q4 being the worst since 1989 Q3.
- **Trade in Services:** In the fourth quarter of 1998 the surplus in services was £3,000 million, £500 million below the figure in the previous quarter. For 1998 as a whole, the surplus in services was £12,700 million, which was £7,900 million short of offsetting the deficit on goods for the year.
- **Current Transfers:** These are composed of central government transfers (e.g. taxes and payments to and receipts from the EU and other international organisations) and other transfers (e.g. gilts in cash or kind received by private individuals from abroad or receipts from the EU where the government acts as an agent).
- **Current Account:** The current account showed an overall surplus of £1,500 million in 1998, compared with a surplus of £6,300 million in 1997.

Next update: 30 July

E 2. Trade in Goods

Shares of visible trade by area: 1998 Balance of Payment Basis



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

	Volume Index 1995=100		Trade in Goods (£m)		
	Exports	Imports	Exports	Imports	Balance
1996	107.7	109.1	167,403	180,489	-13,086
1997	116.5	118.9	171,783	183,693	-11,910
1998	117.7	128.6	163,704	184,302	-20,598
1997 Q4	118.7	124.0	43,085	47,186	-4,101
1998 Q1	117.3	124.6	41,412	45,665	-4,253
1998 Q2	118.2	127.8	41,380	46,165	-4,785
1998 Q3	119.0	130.4	41,143	46,410	-5,267
1998 Q4	116.2	131.4	39,769	46,062	-6,293

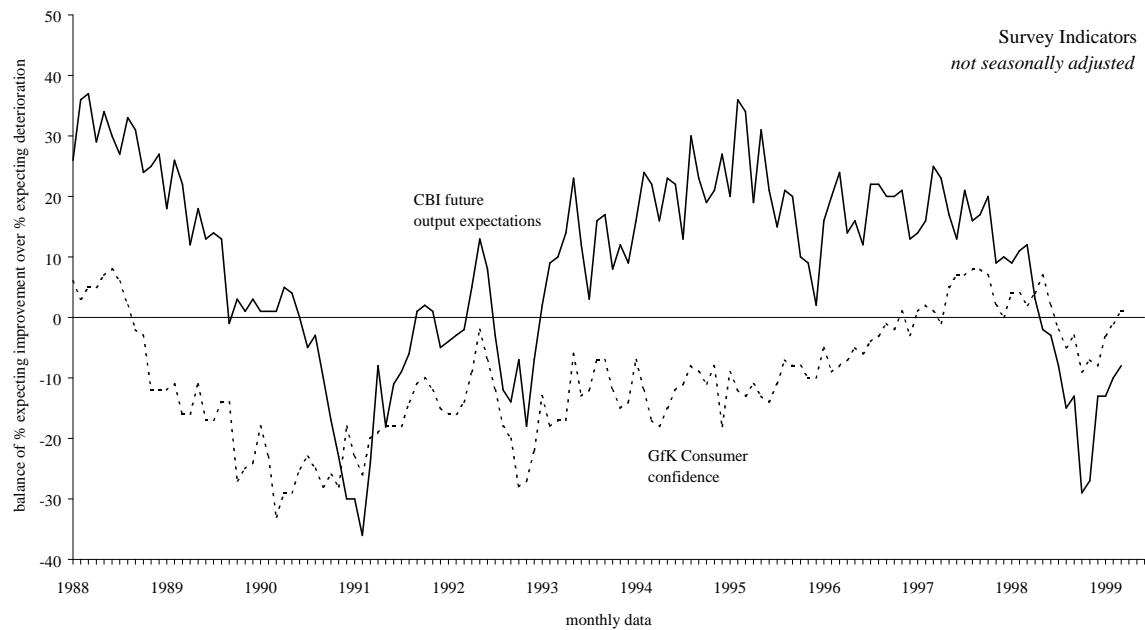
Source: ONS database (Series BQKU, BQKV, BOKG, BOKH, BOKI)

First Release: UK Trade (ONS(99) 153)

- 1998 as a whole:** The deficit in trade in goods is estimated at £20,600 million, the largest annual deficit since 1989. The deficit with EU countries in 1998 increased to £5,300 million from £4,000 million in 1997 whereas the deficit with non-EU countries rose more sharply to £15,300 million in 1998 from £7,900 million in 1997. The worsening UK trade position is, in part, the result of the Asian financial crisis of 1998.
- 1998, fourth quarter:** The deficit in trade in goods in 1998 Q4 was £6,300 million; the largest quarterly deficit since 1989 Q3. In value terms, exports were 7.7% lower compared with the same quarter in 1997 whereas imports were 2.4% lower over the same period. Compared with 1997 Q4, export volumes of goods in 1998 Q4 fell 3.3% whereas import volumes rose 0.8%.
- Recent monthly data:** The UK's balance on trade in goods in February was a deficit of £2,600 million, the second highest monthly trade deficit but £120 million lower than January's figure, the highest recorded monthly deficit. Indeed, three of the largest monthly trade deficits have occurred in the last six months.
- EU and Non-EU trade:** The deficit in trade in goods with non-EU countries for 1998 is provisionally estimated at a record £15,300 million, reflecting in part the slowdown in Asian markets. Exports to non-EU countries in 1998 fell by 10% compared with 1997. Exports to the EU fell slightly by 0.6% over the same period. Imports from non-EU countries were flat whereas imports from the EU rose slightly by 1%.
- Trends:** The latest estimate of volume trends shows the UK trade balance is widening.

Next update: 26 May

F 1. Survey Indicators



Output Expectations and Consumer Confidence

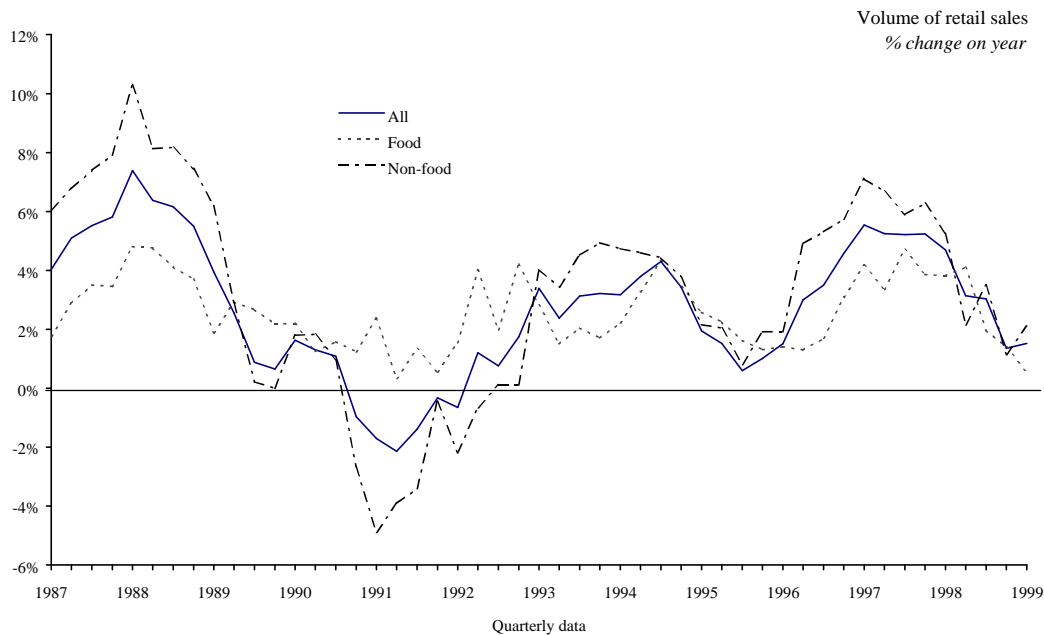
	Balance of % expecting improvement over % expecting deterioration	
	CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK
1998 Apr	3	4
May	-2	7
Jun	-3	2
Jul	-8	-2
Aug	-15	-5
Sep	-13	-3
Oct	-29	-9
Nov	-27	-7
Dec	-13	-8
1999 Jan	-13	-3
Feb	-10	-1
Mar	-8	1
Apr	..	1

Source: ONS Database

- Survey indicators – including those shown here – are often expressed in the form of a balance of the percentage of respondents who expected the situation to improve in the immediate future over the percentage who expected things to worsen.
- The balance of expectations from the CBI Industrial Trends Survey for future output levels in manufacturing fell sharply during 1998, from +12 in March 1998 to –29 in October 1998. It has since picked up somewhat, standing at –8 in March 1999.
- The GfK consumer confidence indicator is a composite measure of forward expectations of the general economic situation and households' financial positions; perceptions of how these have changed over the last 12 months, and also views on major household purchases. Like the CBI indicator, consumer confidence moved from being positive to negative during 1998, and has again improved in recent months, standing at +1 in April 1999.
- The recent upturn on both these measures will, in part, be a reflection of renewed optimism in the light of recent interest rate cuts feeding through to lower mortgage rates for individuals and cheaper borrowing for business. Lower interest rates have not, as yet, fed through to lower exchange rates – this would ease the burden on exporters and boost business confidence.

Next update: late May

F 2. Retail Sales



Value of Sales
not seasonally adjusted; % change on year

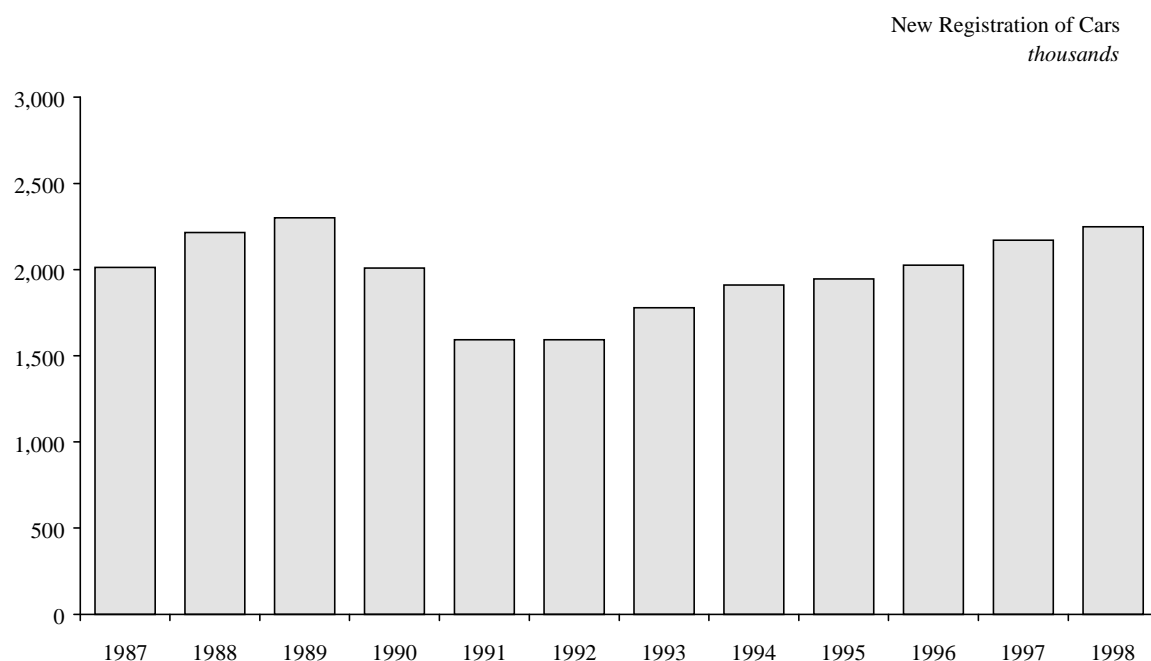
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1996	4.0%	5.0%	9.0%	5.0%
1997	3.8%	7.6%	10.1%	6.7%
1998	3.7%	2.7%	5.8%	3.6%
1998 Q2	4.7%	2.8%	6.4%	4.8%
Q3	1.9%	3.7%	7.1%	4.7%
Q4	4.3%	-1.4%	2.1%	2.2%
1999 Q1	4.7%	3.1%	4.1%	1.9%

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

- The pace of growth of retail sales was steady in the first quarter of 1999. The seasonally adjusted volume of retail sales increased by 1.5% compared to the same period a year earlier; in the fourth quarter of 1998, retail sales volume had increased by 1.4% from a year earlier. Sales by food stores fell sharply, from a seasonally adjusted rate of increase of 1.4% in the fourth quarter of 1998, to a rate of 0.6% in the first quarter of 1999. However, this decline was offset by non-food sales; the volume of sales by non-food stores increased in the first quarter of 1999 by 2.1%, compared to an increase of only 1.1% in the fourth quarter of 1998.
- In March 1999, the seasonally adjusted volume of retail sales increased by 1.9% from a year earlier.
- In value terms, however, non-food sales appear to be weaker than food sales. In March 1999, the non-seasonally adjusted value of food sales increased by 5.9% from a year earlier, whereas non-food sales increased by 2.4%. The average weekly value of retail sales in March was £3,620 million.

Next update: 20 May

F 3. New Registrations of Cars



New Registrations of Cars *not seasonally adjusted*

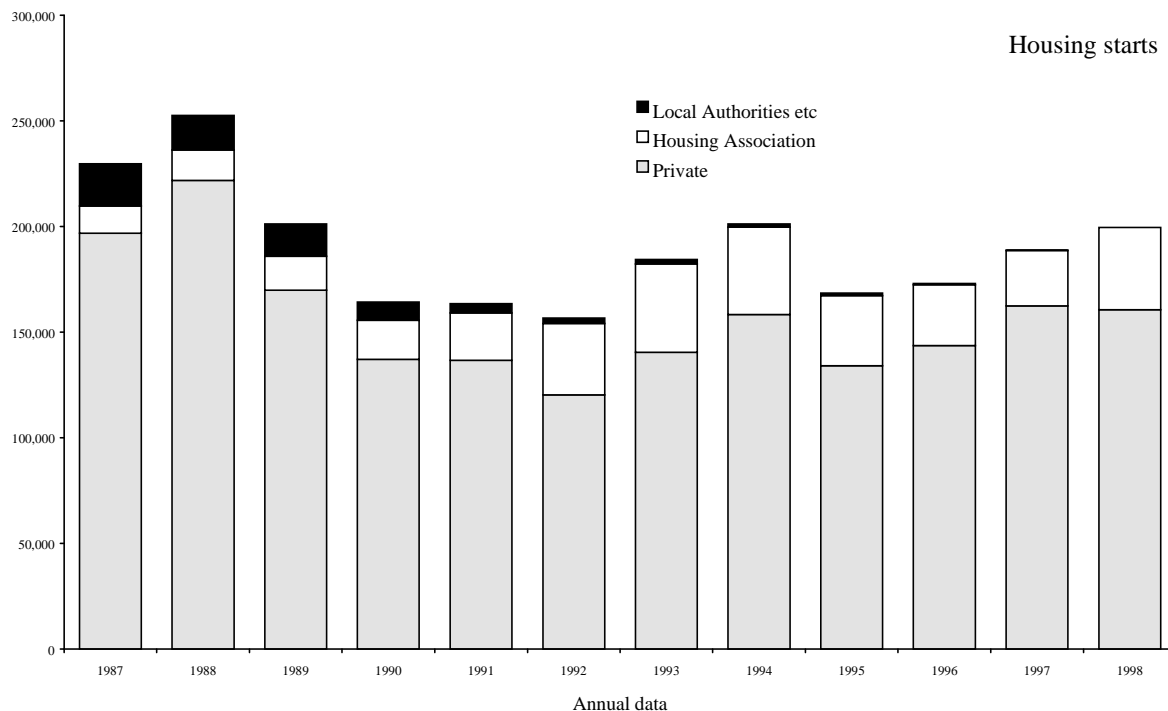
	Numbers thousands	Change over 12 months
1995	1,945	1.8%
1996	2,026	4.1%
1997	2,171	7.2%
1998	2,247	3.5%
1999 (forecast)	2,030	-9.7%
2000 (forecast)	2,000	-1.5%
1998 Dec	96	12.9%
1999 Jan	182	-21.6%
Feb	84	-52.5%
Mar	370	73.7%

Source: SMMT "Monthly Statistical Review", Mar 1999

- Figures from the SMMT show that the number of new registrations of cars exceeded 2 million in 1997 and 1998, representing year on year changes of 7.2% and 3.5% respectively. The figure for 1998 is the second highest annual level since 1989 when new car registrations hit a peak of 2.3 million units.
- The SMMT forecasts a fall in new registrations of 9.7% in 1999 followed by a fall of 1.5% in 2000.
- 370,060 cars were registered in March 1999 which represented an increase of 73.7% over the figure recorded for March 1998. The increase was due to the introduction of the new "T" plate.
- Registrations of British built cars in March were 45% more than the level recorded last year. The share of the UK market taken by imported vehicles stood at 71.6% in March.

Next update: 24 May

F 4. Housing



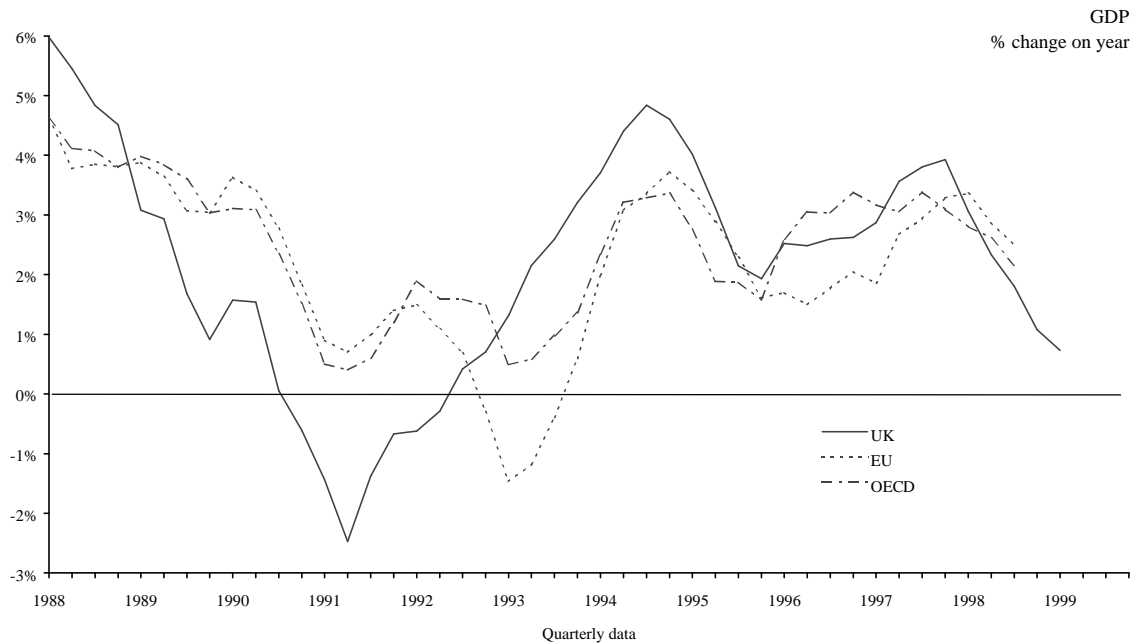
<u>House prices</u>				
	All Houses	New Houses	Existing Houses	First time buyers
Standardised average price (£)				
1997	68,500	71,300	68,300	49,700
1998	72,300	75,900	71,900	52,200
1998 Q3	72,900	75,900	72,800	52,800
1998 Q4	72,900	75,900	72,800	52,800
1999 Q1	72,900	76,200	72,500	53,300
% change over same period last year				
1997	6.2%	2.6%	6.7%	5.5%
1998	5.5%	6.5%	5.3%	5.0%
1998 Q3	5.5%	6.5%	5.7%	5.4%
1998 Q4	5.3%	4.0%	5.5%	5.6%
1999 Q1	4.4%	1.3%	3.9%	6.2%

Source: *Halifax House Price Index: First Quarter 1999*

- Provisional estimates for the three months ending in February 1999 show that the seasonally adjusted total starts rose by 3% when compared with the previous three months. Private enterprise starts also rose by 2% during the same period.
- The Halifax Monthly Index shows that house prices in the United Kingdom rose by 1.2% in March (seasonally adjusted). On an annual basis, house price inflation rose to 4.4% from 3.6% in February and it is forecast to be 4% in the Fourth Quarter of 1999.
- The Halifax Quarterly Index gives information about regional variations in house price inflation. In the first quarter of 1999, the largest increase occurred in Northern Ireland (10.1%) followed by Greater London (9.6%). The West Midlands was the only region with a recorded fall.

Next update: 5 May

G 1. International Comparisons - Growth



GDP at constant market prices
% change on year

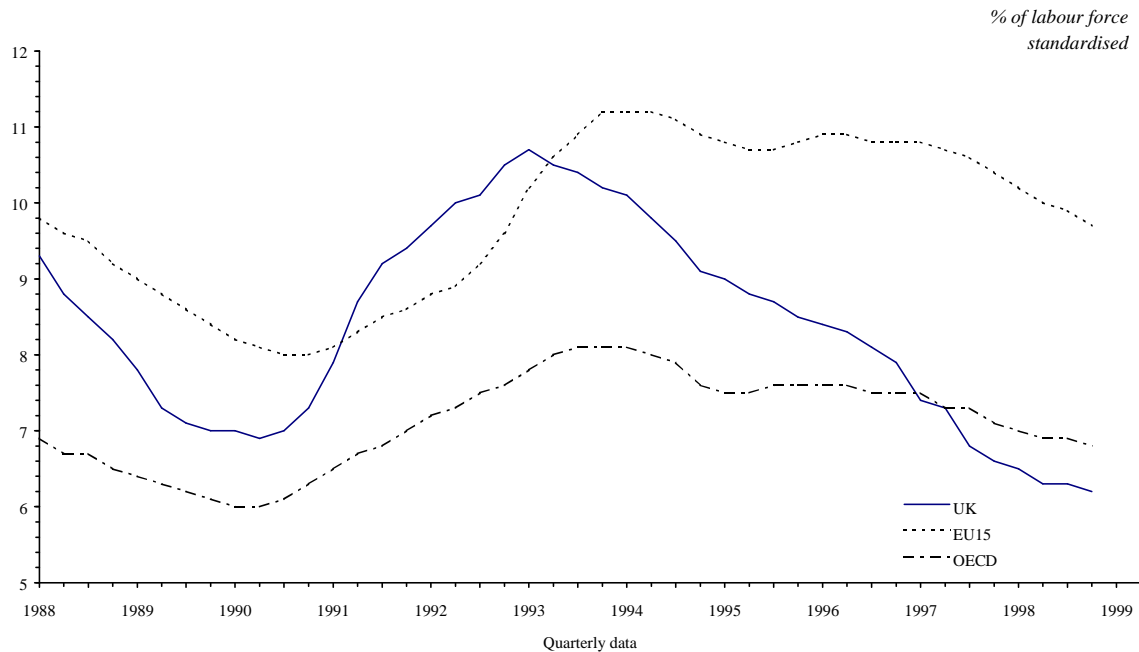
	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1
USA	3.4%	3.9%	3.9%	4.1%	3.6%	3.5%	4.3%	..
Japan	5.0%	1.5%	-2.9%	-3.6%	-1.9%	-3.1%	-3.0%	..
Canada	1.2%	3.8%	3.0%	3.9%	3.0%	2.3%	2.8%	..
United Kingdom	2.6%	3.5%	2.1%	3.1%	2.3%	1.8%	1.1%	0.7%
Germany	1.3%	2.3%	2.5%	3.4%	2.2%	2.8%	1.8%	..
France	1.5%	2.3%	3.2%	3.7%	3.4%	2.9%	2.8%	..
Italy	0.7%	1.5%	..	2.5%	1.2%	1.2%	..	..
EU15	1.7%	2.7%	..	3.4%	2.9%	2.5%	..	..
G7	3.0%	2.9%	2.2%	2.5%	2.3%	1.9%	2.2%	..
OECD	3.0%	3.1%	..	2.8%	2.6%	2.2%	..	..

Source: OECD, *Main Economic Indicators*, April 1999; ONS - CSDB database

- The latest statistics suggest that economic growth is slowing in Europe. The US economy is continuing to grow strongly. The Japanese economy is contracting.
- The UK economy grew faster than the EU average in each calendar year 1993 to 1997. However, the reverse is expected to be the case in 1998 and 1999.
- Japan is experiencing a prolonged period of low or negative growth. Real GDP is expected to be lower in 2000 than in 1996.

Next update: late May

G 2. International Comparisons - Unemployment



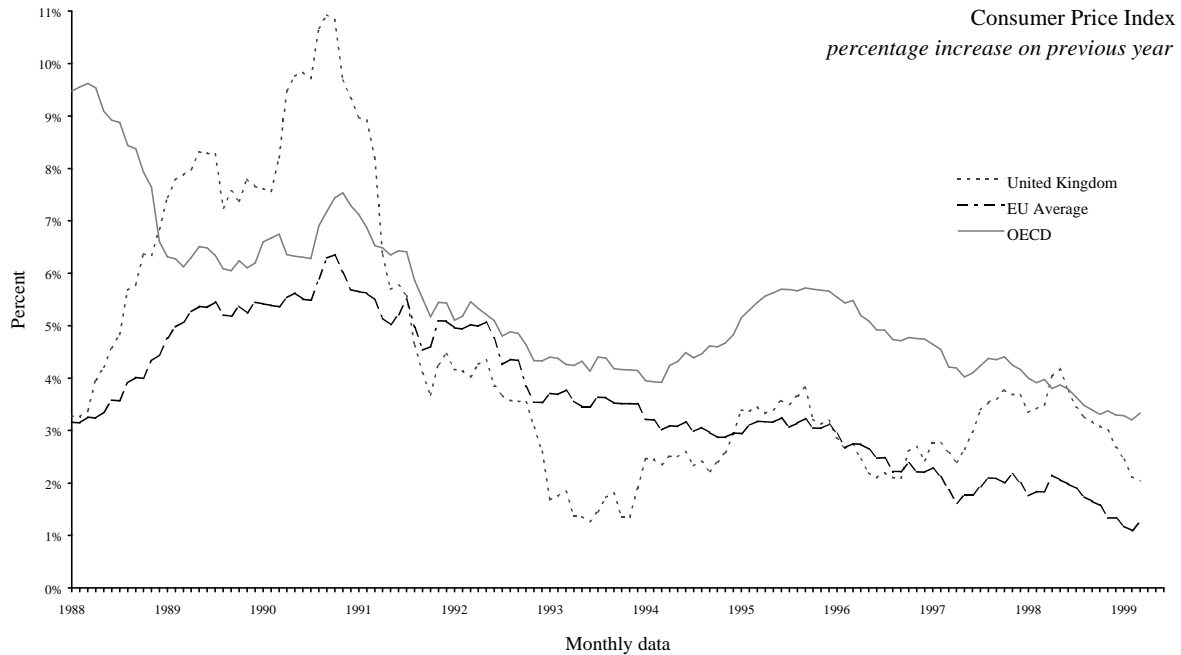
	Unemployed as % of labour force standardised; seasonally adjusted						
	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4
USA	5.4	4.9	4.5	4.4	4.5	4.4	4.3
Japan	3.4	3.4	4.1	3.7	4.1	4.2	4.4
Canada	9.7	9.2	8.3	8.6	8.4	8.3	8.0
United Kingdom	8.2	7.0	6.3	6.5	6.3	6.3	6.2
Germany	8.9	9.9	9.4	9.8	9.5	9.3	9.1
France	12.4	12.4	11.9	11.9	11.7	11.7	11.6
Italy	12.0	12.1	12.2	12.1	12.3	12.3	12.2
EU 15	10.8	10.6	10.0	10.2	10.0	9.9	9.7
G7	6.8	6.6	6.4	6.5	6.4	6.4	6.3
OECD	7.6	7.3	6.9	7.0	6.9	6.9	6.8

Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate was significantly below the EU average in 1998 Q4 and was also marginally lower than the G7 average.
- The unemployment rate in the euro-zone (the eleven Member States participating in the single currency) stood at 10.5% in February 1999 – almost a percentage point higher than the rate of 9.6% for the EU15 as a whole.
- Youth unemployment rates (for those aged under 25) tend to be vary much more widely than the rates for people of all ages. For example, the UK's youth unemployment rate stood at 14.1% in December 1998 on a standardised basis, compared to 6.8% in the Netherlands, 9.7% in Germany, 26.1% in France, 32.9% in Italy and 33.7% in Spain (the highest in the EU).

Next update: early May

G 3. International Comparisons – Prices



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

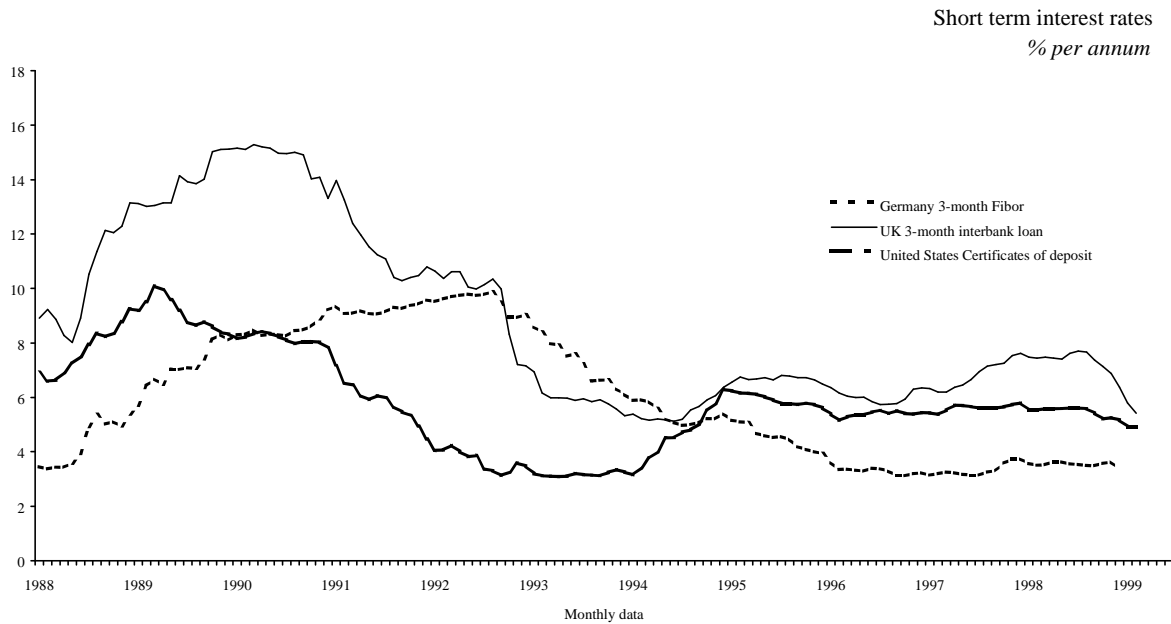
	USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1996	2.9	0.1	1.6	2.5	1.5	2.1	3.8	5.1	2.5
1997	2.4	1.8	1.6	3.1	1.7	1.1	1.8	4.2	2.0
1998	1.5	0.6	1.0	3.4	1.0	0.7	1.7	3.7	1.7
1998 Oct	1.5	0.2	1.0	3.1	0.7	0.4	1.7	3.3	1.6
Nov	1.5	0.7	1.2	3.0	0.5	0.3	1.5	3.4	1.3
Dec	1.5	0.6	1.0	2.7	0.5	0.3	1.5	3.3	1.3
1999 Jan	1.6	0.3	0.7	2.5	0.2	0.4	1.3	3.3	1.2
Feb	1.6	-0.1	0.8	2.1	0.2	0.3	1.2	3.2	1.1
Mar	1.8	..	1.0	2.0	0.4	0.6	1.4	3.3	1.3

Source: OECD Main Economic Indicators

- Under the terms of the Maastricht Treaty, harmonised indices of consumer prices (and not data compiled on national definitions) are used to assess price stability in each Member State. On a harmonised basis the average inflation rate for the eleven EU countries participating in the single currency was 1.0% in March. The UK's inflation rate on this basis stood at 1.7%.
- The inflation rates for the other three Member States not participating in the Single Currency for March 1999 were (on a harmonised basis) Greece: 3.2%, Denmark: 1.7% and Sweden: 0.5%.

Next update: late May

G 4. International Comparisons - Interest Rates



International Interest Rates as at 29 April 1999

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	4.55	$4 \frac{31}{32}$
United States	5.21	$4 \frac{29}{32}$
Switzerland	2.15	$\frac{29}{32}$
Japan	1.32	$\frac{1}{16}$
Euro-zone	..	$2 \frac{17}{32}$

Source: *Financial Times*, 30 April 1999

- The European Central Bank set its first repo rate at 3% in January 1999 when Stage III of EMU started. The current level of 3-month market rates within EMU is shown as the 'euro-zone' rate in the table.

There is, as yet, no equivalent euro-zone government bond rate quoted. In future, a suitable comparator may be the rate on bonds issued by institutions like the European Investment Bank. Further details will be published on this page when they become available.

- Japanese interest rates remain very low in an effort to boost the Japanese economy. The Bank of Japan also wants to manage the Yen's appreciation against the US dollar.
- Short-term interest rates in the UK have fallen by over two full percentage points since summer 1998, moving closer to European rates which have also fallen.