



RESEARCH PAPER 99/69
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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 Geographical Breakdown of the Current Account

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	Tim Edmonds	2883
EC finance	Mick Hillyard/Jane Hough	4324/2464
Employment	Tim Edmonds	2883
Energy	Patsy Richards	4310
Financial services	Jane Hough	2464
Housing	Bryn Morgan	3851
Incomes	Bob Twigger/Tim Edmonds	4904/2883
Industries	Tim Edmonds	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	Tim Edmonds	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	Tim Edmonds	2883

A comprehensive guide to the subject coverage of specialists in the Research Service is available from the Library - *Who Does What in Research*.

II The Geographical Breakdown of the Current Account

This article seeks to set out some main features of the geographical breakdown of the UK's current account of the balance of payments and to identify some of the available statistical sources.

The balance of payments account records the credit and debit transactions of the residents of one country with those of another country or with international institutions. The balance of payments account is divided into three accounts: current, capital and financial. The two main accounts are the current and financial accounts. The current account records the exports/credits and imports/debits relating to trade in goods, services, investment income and transfers. The financial account records credits and debits relating to investment and other capital flows. The capital account records transactions involved in transfers of ownership of fixed assets and are quite small compared with the current and financial account transactions. As the balance of payments is an accounting identity, it always balances.

The size of the current account balance has often been used as a guide to the competitiveness of an economy. However, interest has been increasingly drawn towards considering the geographical breakdown of the current account as well as its overall composition.

A. Main features

The UK has a relatively open economy with exports of goods and services representing 28% of its gross domestic product. A breakdown of UK trade in goods by broad geographical areas, and even countries, is relatively straightforward. However, providing a geographical breakdown of trade in services, investment income and transfers is more difficult.

The impetus for producing a geographical breakdown of the balance of payments has traditionally been the needs of UK government policy-making. More recently, however, the statistical requirements of the European Commission (Eurostat) as well as the European Central Bank (ECB) have also exerted an influence. In response to these requirements the Office for National Statistics (ONS) now produces a geographical analysis of the current account and will, in future, be producing more geographical detail on the financial account and the international investment position of the UK.

The more detailed geographical breakdown of the current account provides a comprehensive picture of the UK's pattern of trade. For example, the UK's deficit in trade in goods with Japan often attracts a great deal of attention whereas the surplus that the UK has with Japan on the current account as a whole is, by comparison, often neglected. Table 1 provides a geographical breakdown of the main components of the current account by continent and selected countries for 1997. This shows, for example, that the UK had a deficit of

£4,800 million in trade in goods with Japan as well as a current account surplus of £1,700 million.

Table 1

UK Current Account Balances: Continents and Selected Countries, 1997*£ million*

	Trade in goods	Trade in services	Income	Current Transfers	Current account
Total Europe (a)	-6,149	294	-2,471	-1,819	-10,145
of which: EU	-4,087	-1,301	1,135	-1,818	-6,071
EFTA	-3,833	1,972	-5,135	55	-6,941
Total America (b)	-3,047	4,487	3,672	598	5,710
of which: US	-3,336	3,797	1,766	1,342	3,569
Canada	-329	340	643	-412	242
Total Asia	-4,709	5,376	9,720	-488	9,899
of which: Japan	-4,825	1,316	5,166	21	1,678
Australasia & Oceania	921	160	1,755	-416	2,420
Total Africa	1,192	779	-220	-556	1,195
of which: South Africa	311	225	606	-190	952
International Organisations (a)	-	64	-288	-849	-1,073
World Total	-11,792	11,160	12,168	-3,530	8,006

Notes: (a) EU institutions are included in EU and excluded from international organisations

(b) Includes South and Central America

Source: Office for National Statistics, *Economic Trends*, December 1998

B. EU and non-EU breakdown of the UK's current account

An EU and non-EU split in UK trade and other balance of payments transactions is now published on a quarterly basis. Table 2 sets out the latest detailed figures for the current account broken down by the EU and non-EU split of countries for 1998. The main features are:

- the EU took 58.2% of UK's total exports of goods and supplied 54.4% of the UK's imports.
- the EU took 32.8% of UK's exports of services and supplied 46.0% of the UK's imports of services.
- the EU took 51.0% of UK's exports of goods and services and supplied 52.8% of the UK's imports of goods and services.
- the EU provided 39.5% of the UK's investment income and supplied 33.2% of the UK's investment income.

- the EU provided 58.8% of the UK's transfers and took 59.9% of the UK's (debit) transfers.

Table 2

UK Balance of Payments Current Account, 1998

	EU £ billion	Non- EU £ billion	World £ billion	EU % of world	Non- EU % of world
Exports/Credits					
Trade in goods	95.4	68.4	163.8	58.2%	41.8%
Trade in services	20.3	41.5	61.8	32.8%	67.2%
Trade in goods and services	115.7	109.9	225.6	51.3%	48.7%
Investment income	45.0	69.0	114.0	39.5%	60.5%
Transfers	9.0	6.3	15.3	58.8%	41.2%
Current account	169.7	185.2	354.9	47.8%	52.2%
<i>Total invisibles</i>	<i>74.3</i>	<i>116.8</i>	<i>191.1</i>	<i>38.9%</i>	<i>61.1%</i>
Imports/Debits					
Trade in goods	100.7	83.6	184.3	54.6%	45.4%
Trade in services	22.6	26.5	49.1	46.0%	54.0%
Trade in goods and services	123.3	110.1	233.4	52.8%	47.2%
Investment income	32.6	65.7	98.3	33.2%	66.8%
Transfers	13.0	8.7	21.7	59.9%	40.1%
Current account	168.9	184.5	353.4	47.8%	52.2%
<i>Total invisibles</i>	<i>68.2</i>	<i>100.9</i>	<i>169.1</i>	<i>40.3%</i>	<i>59.7%</i>
Balances					
Trade in goods	-5.3	-15.2	-20.5	n.app.	n.app.
Trade in services	-2.3	15.0	12.7	n.app.	n.app.
Trade in goods and services	-7.6	-0.2	-7.8	n.app.	n.app.
Investment income	12.4	3.3	15.7	n.app.	n.app.
Transfers	-4.0	-2.4	-6.4	n.app.	n.app.
Current account	0.8	0.7	1.5	n.app.	n.app.
<i>Total invisibles</i>	<i>6.1</i>	<i>15.9</i>	<i>22.0</i>	<i>n.app.</i>	<i>n.app.</i>

Source: ONS first release (99) 114 dated 22 March 1999

C. Statistical sources

Although some UK statistical sources identify individual countries, the UK balance of payments account is still primarily gathered on a global basis. Where individual country sources are not identified, estimates are made. Periodically, ONS produces a geographical

breakdown of the Balance of Payments Current Account for the UK's main trading partners.¹ Estimates for 1999 will be published shortly in the 1999 edition of *UK Balance of Payments (The Pink Book)*. In the January 1998 edition of *Economic Trends* an article was published that presented data on trade in services for the top 13 countries by 11 key product components. A new annual business monitor *UK Trade in Services* was launched in early 1999.

In terms of European Commission sources, Eurostat has recently published its 1999 edition of the *Geographical Breakdown of the Current Account*, which presents 1996 data for EU members.

For further information on this subject contact: Mick Hillyard (ext. 4324)

¹ For a description of the methodology see *Economic Trends* December 1998 and successive editions of the *Pink Book*.

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

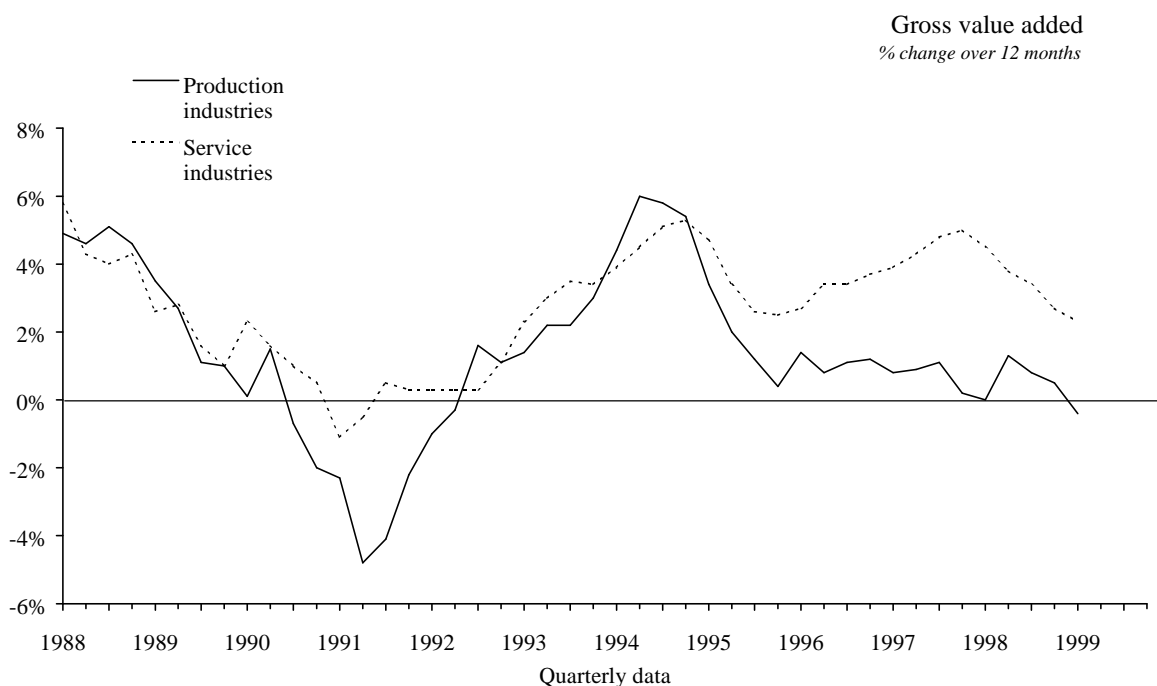
	GDP at current market prices <i>£ billion</i>	GDP at constant market prices <i>12 month change</i>	HH consumption at constant market prices <i>12 month change</i>	Non-Oil GVA at constant basic prices <i>12 month change</i>
1996	754.6	2.6%	3.7%	2.5%
1997	800.9	3.5%	4.1%	3.5%
1998	837.6	2.1%	2.8%	2.7%
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	212.6	0.7%	2.5%	1.2%

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

- Gross domestic product (GDP) at 1995 market prices is estimated to have been broadly unchanged between the fourth quarter of 1998 and the first quarter of 1999. In the first quarter of 1999 it was at 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%.
- Net trade is currently exerting a significant negative impact on GDP growth, as the volume of imports is growing rapidly and the volume of exports is falling. The year-on-year growth rate of 0.7% represents a positive contribution of 2.7 percentage points from the growth of domestic expenditure offset by a negative contribution of 2.3 percentage points from the net trade effect. The balance (0.3 percentage points) represents an increase in the statistical discrepancy.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 0.8% in 1999 and 2.1% in 2000.

Next update: 29 July

A 2. Gross Value Added by Industry



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

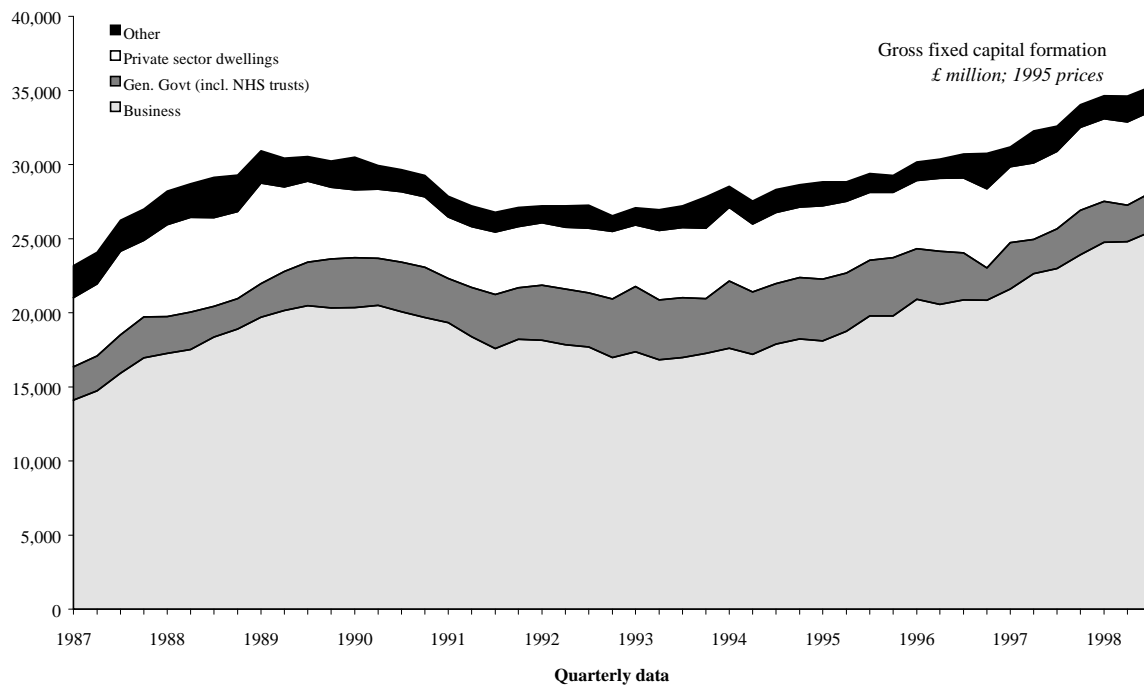
	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufac- turing			
1996	1.1%	0.4%	3.3%	2.0%	1.5%
1997	0.8%	1.0%	4.5%	0.4%	3.2%
1998	0.6%	0.3%	3.6%	-0.4%	1.6%
1997 Q4	0.2%	0.5%	5.0%	1.0%	3.0%
1998 Q1	0.0%	0.2%	4.5%	0.1%	5.5%
Q2	1.3%	1.0%	3.8%	-0.9%	0.9%
Q3	0.8%	0.5%	3.4%	-0.3%	0.8%
Q4	0.5%	-0.5%	2.7%	-0.4%	-0.8%
1999 Q1	-0.4%	-1.2%	2.3%	-0.6%	-3.0%

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%. Data for the first quarter of 1999 suggest that output was 0.4% higher than in the fourth quarter of 1998.
- Compared to the previous quarter, manufacturing output fell in the first quarter of 1999 - the third consecutive fall - and output was 1.2% lower than a year previously. In the first quarter of 1999 output also fell in the agriculture, energy extraction and energy supply sectors but rose 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: 6 & 29 July

A 3. Investment



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

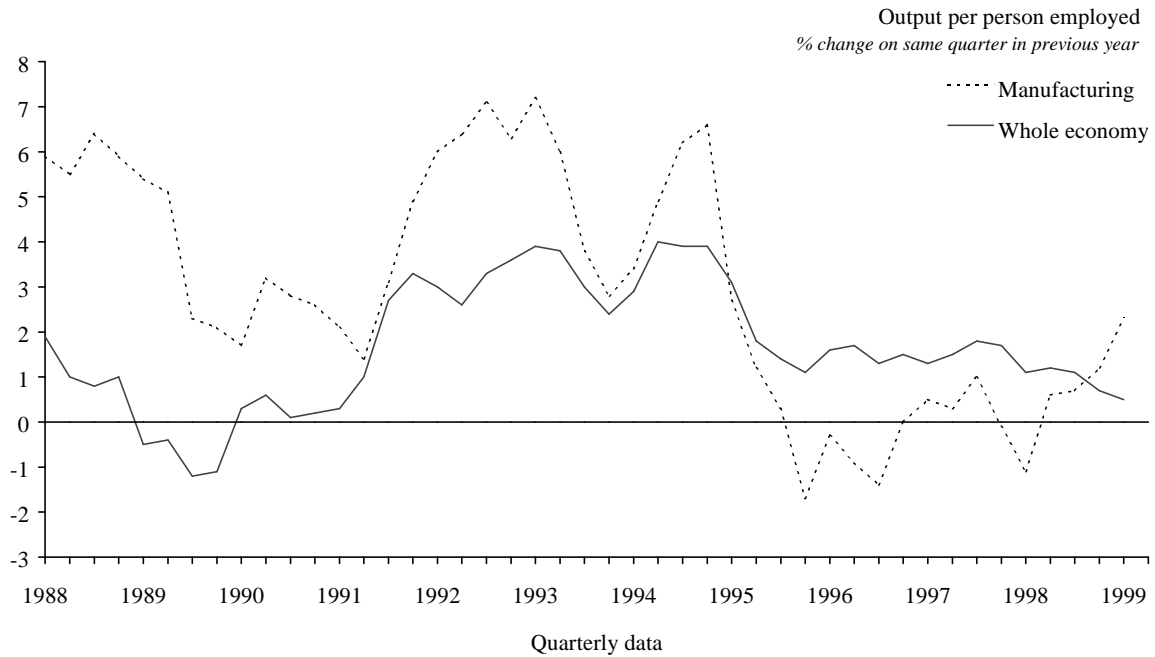
	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
1996	11,777	49,124	34,825	22,154	4,162	122,042
1997	14,436	52,441	36,390	23,004	4,216	130,487
1998	15,134	59,715	38,983	23,653	3,772	141,257
1998 Q1	3,925	14,212	9,705	6,023	916	34,781
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
1999 Q1	3,636	16,450	9,989	5,449	954	36,478

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 5% in real terms in the 1999 Q1 compared with the same quarter in 1998 but was flat compared with the previous quarter.
- Total GFCF in 1998 (at 1995 prices) is estimated to have risen 8.3% compared with 1997.

Next update: 29 July

A 4. Productivity



% change on year
seasonally adjusted

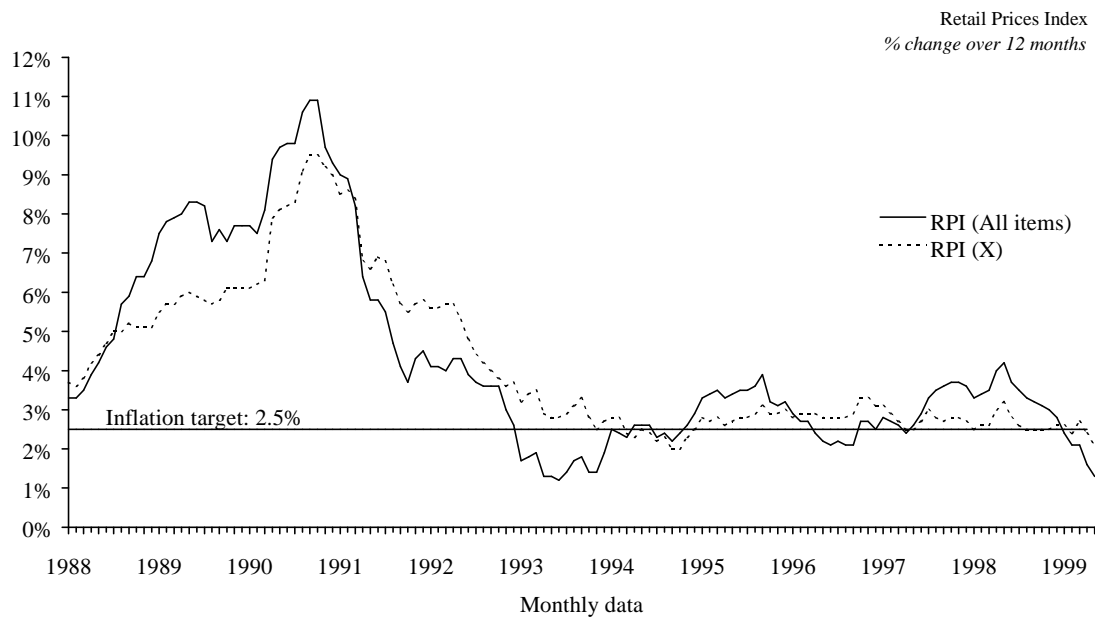
		Manufacturing			Whole Economy		
		Output	W'force in employment	Output per head	Output	W'force in employment	Output per head
1996		0.4	1.0	1.5	2.6	-0.7	1.1
1997		1.0	1.8	1.6	3.4	0.5	0.6
1998		0.3	1.3	1.1	2.7	0.3	-0.1
1998	Q1	0.2	1.2	-1.1	3.3	1.9	1.1
	Q2	1.0	0.4	0.6	2.9	1.3	1.2
	Q3	0.5	-0.2	0.7	2.6	1.0	1.1
	Q4	-0.5	-1.7	1.2	1.9	0.8	0.7
	Q1	-1.2	-3.4	2.3	1.3	0.4	0.5

Source: ONS Database

- In the manufacturing sector, output growth continued to decline in the first quarter of 1999. However, the sharp decline in the manufacturing workforce means that productivity growth is growing strongly, at an annual rate of over 2 per cent.
- Output per head in 1998 as a whole was marginally lower than in 1997.
- Despite a fall in the rate of GDP growth in 1999 Q1, overall productivity growth remains positive (0.5% per annum) due to a slowdown in the rate of employment growth.

Next update: 14 July

B 1. Retail Prices



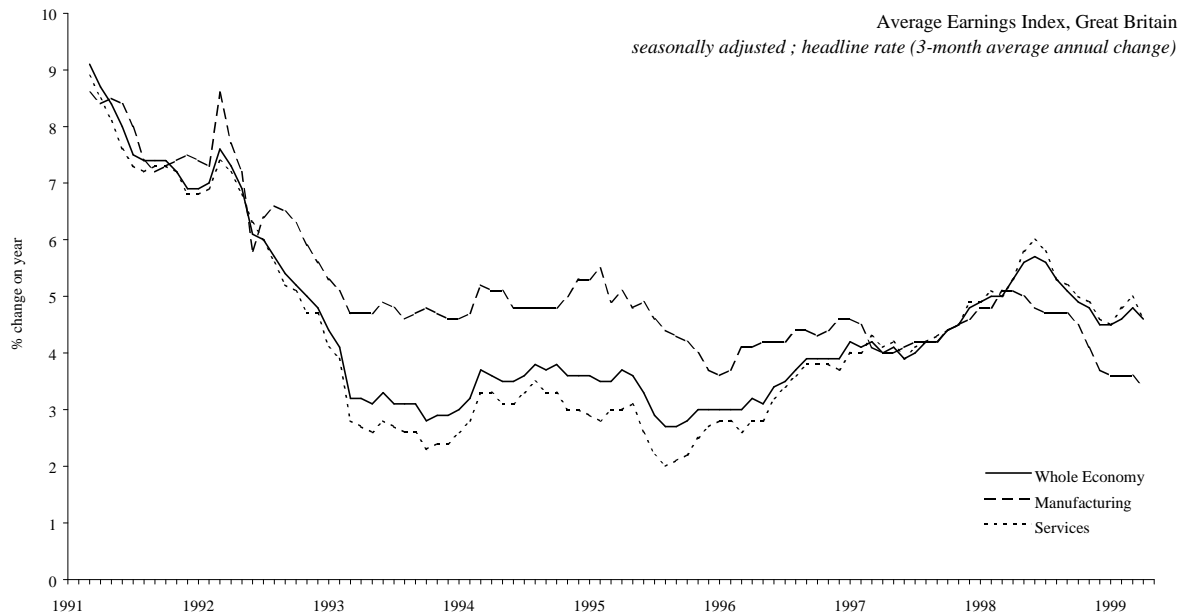
	<i>% change on previous year</i>	
	Retail Prices Index	
	All-items	excl. mortgage interest (RPI(X))
1996	2.4	3.0
1997	3.1	2.8
1998	3.4	2.6
1998 May	4.2	3.2
Jun	3.7	2.8
Jul	3.5	2.6
Aug	3.3	2.5
Sep	3.2	2.5
Oct	3.1	2.5
Nov	3.0	2.5
Dec	2.8	2.6
1999 Jan	2.4	2.6
Feb	2.1	2.4
Mar	2.1	2.7
Apr	1.6	2.4
May	1.3	2.1

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.
- The headline rate of inflation is now at its lowest level since November 1993.
- The main downward effect on inflation in May 1999 came from price changes for food. Both seasonal and non-seasonal food prices exerted a strong downward pressure on the index. On the seasonal food side, supplies were more normal this year after adverse weather conditions last year contributed to shortages, which caused price increases.
- A further downward effect came from housing costs, mainly as a result of continued cuts in mortgage rates being passed on (at least in part) to homeowners.
- Other items contributing downward pressure on the index included household electrical appliances, audio-visual equipment and clothing.

Next update: 13 July

B 2. Average Earnings



Average Earnings, Great Britain
seasonally adjusted

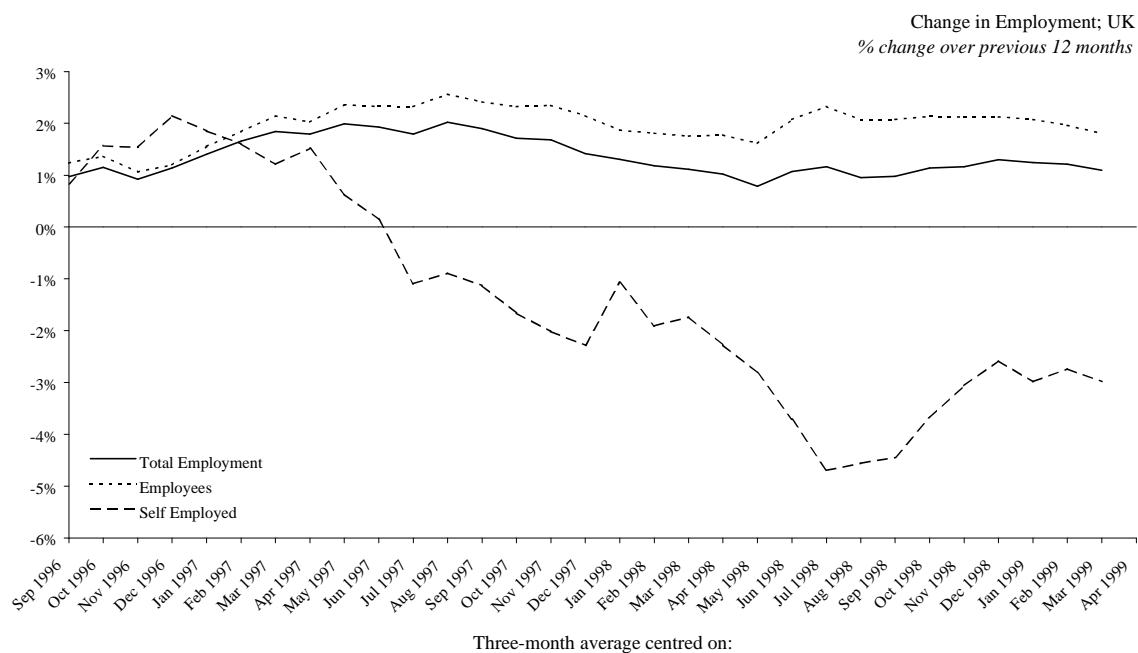
		headline rate (% change on year)			
		Whole Economy	Private Sector	Public Sector	
1998	Apr	5.3	6.0	2.5	
	May	5.6	6.3	2.7	
	Jun	5.7	6.4	3.1	
	Jul	5.6	6.1	3.6	
	Aug	5.3	5.6	3.9	
	Sep	5.1	5.5	3.8	
	Oct	4.9	5.2	3.8	
	Nov	4.8	5.1	3.7	
	Dec	4.5	4.7	3.6	
	1999	Jan	4.5	4.6	3.6
		Feb	4.6	4.8	3.8
		Mar	4.8	5.0	4.1
Apr		4.6	4.6	4.2	

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

- 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. Work to improve the quality of the data is continuing.
- The acceleration in the growth of average earnings that occurred in the first half of 1998 has now abated, with earnings growth now running at 4.6% per annum.
- The temporary increase in March 1999 was due mainly to the effect of bonuses being paid at the end of the financial year.
- The bonus effect on the non-seasonally adjusted index for the whole economy contributed 1.5 percentage points to the 3.5 per cent increase in the year to March 1999.

Next update: 14 July

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

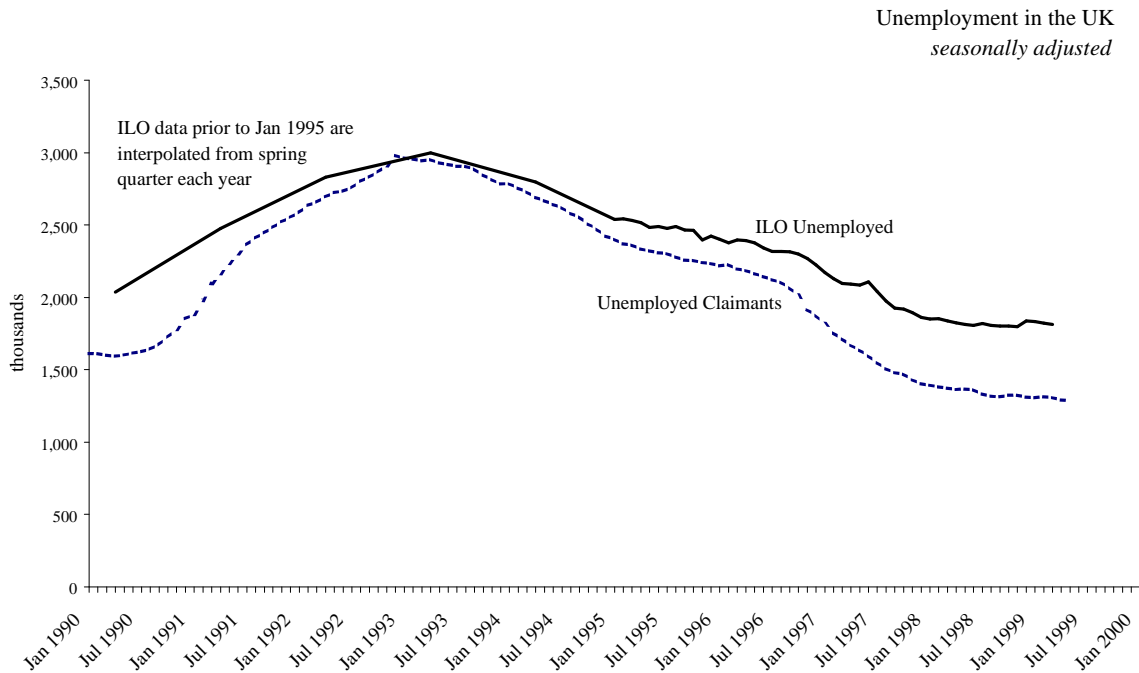
		Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1995	Feb-Apr	26,017	22,241	3,349	140	287
1996	Feb-Apr	26,280	22,597	3,304	129	250
1997	Feb-Apr	26,764	23,082	3,344	118	220
1998	Feb-Apr	27,062	23,487	3,286	99	189
	May-Jul	27,121	23,627	3,220	107	167
	Aug-Oct	27,207	23,753	3,183	103	168
	Nov-Jan	27,313	23,858	3,211	101	143
1999	Feb-Apr	27,358	23,910	3,188	102	159
Changes:						
1998 Feb-Apr to		296	423	-98	3	-30
1999 Feb-Apr		1.1%	1.8%	-3.0%	3.0%	-15.9%

Source: Labour Force Survey (ONS)

- Employment has continued to increase over the latest rolling three-month period, and now stands at 27.4 million – the highest level ever recorded.
- Compared to a year previously, employment was 296,000 (1.1%) higher in the February-April 1999 period. The pace at which employment is increasing, however, shows signs of slowing down.
- The growth in self-employment has been negative for nearly two years, and currently stands at an annual rate of -3.0%.

Next update: 14 July

C 2. Unemployment: National



ILO Unemployment in the UK
seasonally adjusted

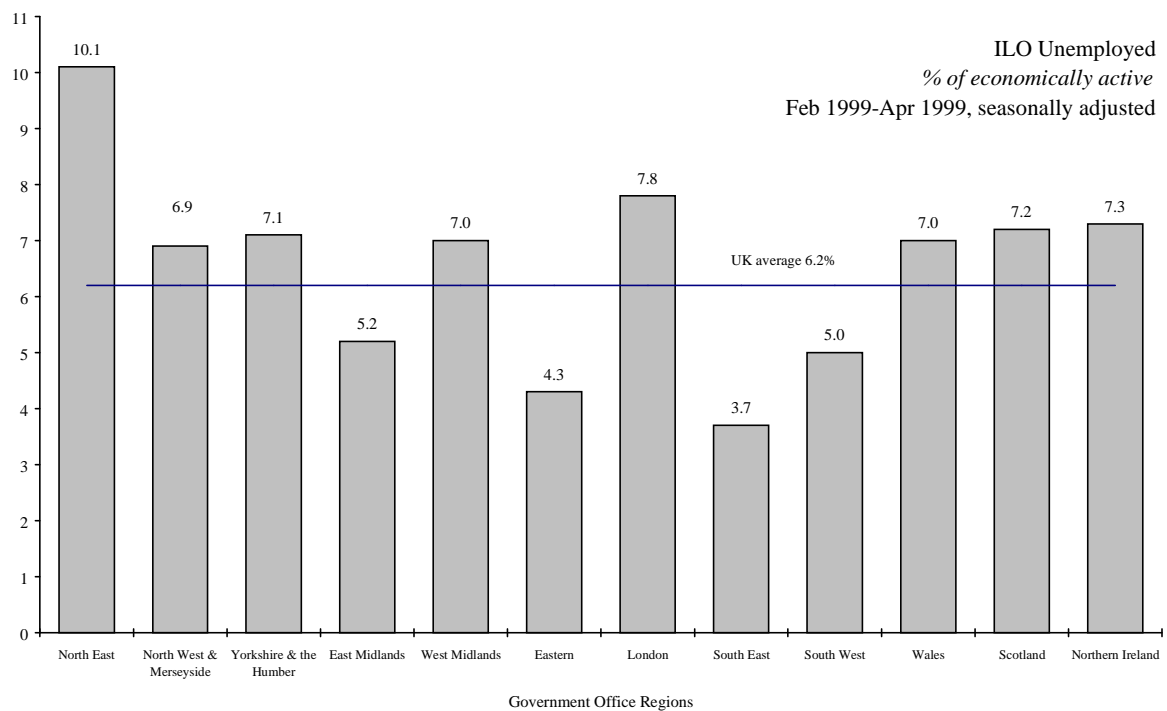
	thousands	rate (%)
1996 Feb-Apr	2,397	8.4
May-Jul	2,342	8.2
Aug-Oct	2,316	8.1
Nov-Jan	2,225	7.7
1997 Feb-Apr	2,097	7.3
May-Jul	2,106	7.3
Aug-Oct	1,926	6.7
Nov-Jan	1,860	6.5
1998 Feb-Apr	1,837	6.4
May-Jul	1,807	6.2
Aug-Oct	1,803	6.2
Nov-Jan	1,837	6.3
1999 Feb-Apr	1,814	6.2

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 February 1999 to April 1999, the level of ILO unemployment in the UK was 1,814,000. This was a decrease of 23,000 from the November-to-January period. As measured by the monthly claimant count, unemployment fell in May 1999 by 6,500 to stand at 1,285,000.
- Since the New Deal for the Young Unemployed started in January 1998, 284,300 people have joined the scheme. Of those leaving the Gateway, 77,170 had moved into 'sustained jobs' up to the end of April, ie excluding those who had returned to claim Jobseekers' Allowance (JSA) within three months of starting employment. 82% of these jobs were unsubsidised. Since the New Deal for the Long-Term Unemployed started in July 1998, 128,300 people have joined the scheme. Up to the end of April, 12,520 people leaving the Advisory Interview Process had entered 'sustained jobs', 9,440 of which were unsubsidised and 3,090 of which were subsidised jobs.

Next update: 14 July

C 3. Unemployment: Regional



ILO Unemployment, Feb-Apr 1999
change on same period in previous year
seasonally adjusted

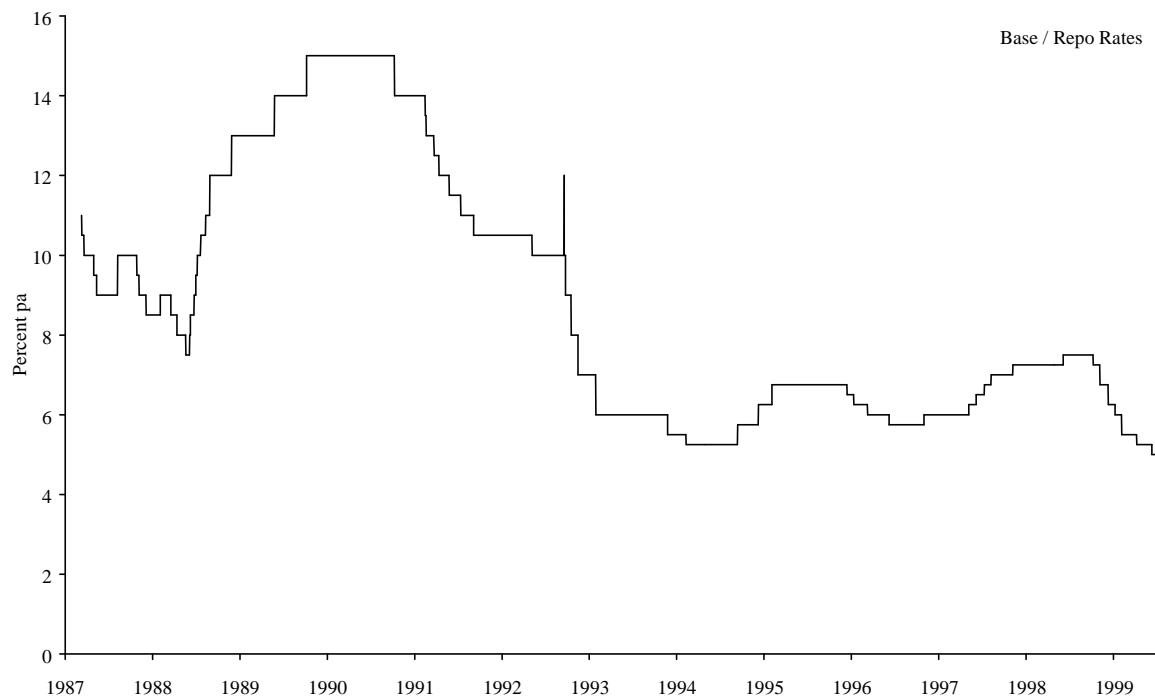
	thousands	%
North East	18	18%
North West & Merseyside	13	6%
Yorkshire & the Humber	1	1%
East Midlands	3	3%
West Midlands	20	12%
Eastern	-23	-16%
London	-6	-2%
South East	-33	-18%
South West	7	6%
Wales	-4	-4%
Scotland	-12	-6%
Northern Ireland	-7	-11%
UK	-23	-1%

Source: ONS, First Release (99) 199

- 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).
- At present the trend in unemployment is varying considerably between regions. Comparing the period February 1999 to April 1999 with the same period a year earlier, unemployment fell in six regions and increased in six.
- The most rapid fall in unemployment occurred in the South East Government Office Region, where it was 18% lower in February to April 1999 than in the same period a year earlier. The most rapid increase in unemployment occurred in the North East, where it was 18% higher in February to April 1999 than in the same period a year earlier. The North East also has the highest unemployment rate, at 10.1% of the economically active population. The lowest unemployment rate was 3.7% in the East of England.

Next update: 14 July

D 1. Interest Rates



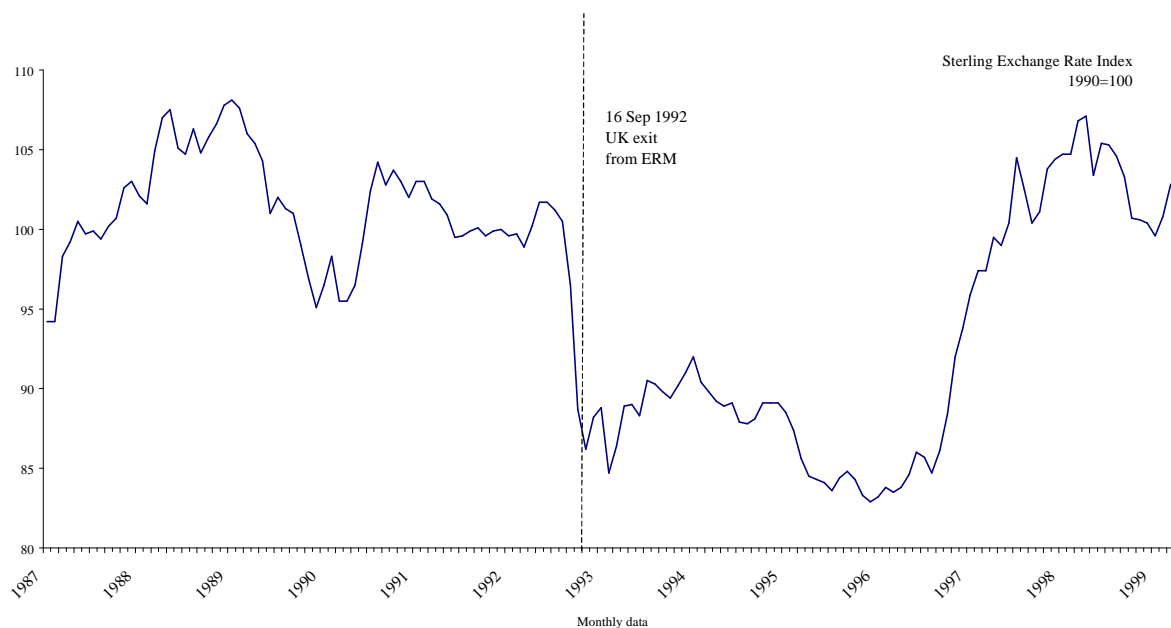
UK Base/Repo Rates *per cent per annum*

Date of change	New rate	
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
	June 10	5.00

Source: Bank of England

- 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 7-8 of July.
- 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 to the minutes of the May meeting the economic arguments were 'finely balanced between no change [in rates] and a small reduction'. Five members voted for no change in rates, four voted for a ¼% 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



Sterling Exchange Rates

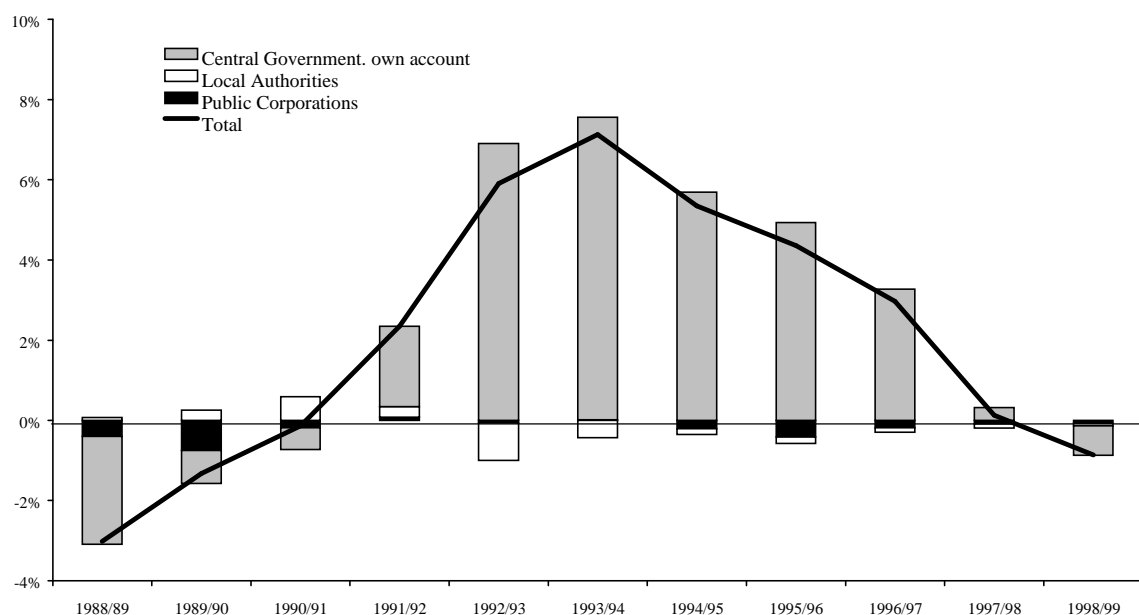
	DM		US\$		Yen		ECU/Euro	
	Rate	% change on year	Rate	% change on year	Rate	% change on year	Rate	% change on year
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%	1.58	3.0%	148.37	-5.1%	1.22	-5.5%
1996	2.35	4.0%	1.56	-1.1%	170.00	14.6%	1.25	2.1%
1997	2.84	20.9%	1.64	4.9%	198.12	16.5%	1.45	16.3%
1998	2.91	2.6%	1.66	1.2%	216.75	9.4%	1.48	1.9%
1999 Mar	..	..	1.62	-2.4%	193.82	-9.7%	1.49	..
1999 Apr	..	..	1.61	-3.6%	192.61	-12.7%	1.51	..
1999 May	..	..	1.62	-1.5%	197.22	-10.7%	1.52	..

Source: ONS database (series AJFH, AJFA, AJFO, AJHW, THAP)

- The value of the euro has continued to decline against both sterling and the US dollar. It has now devalued by more than 7% against sterling and by 12% 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 President designate of the EC Commission – Romano Prodi – to the effect that Italy might be forced to leave EMU. The dollar has performed very strongly in recent days following indications that official interest rates in the United States might rise.
- The pound was worth €1.5798 at the London market close on June 29 1999, compared to a launch rate of €1.4169 on 31 December 1998.
- Series for the ECU and the participating currencies in EMU are no longer officially published.

D 3. Public Sector Net Cash Requirement

PSNCR as % of GDP



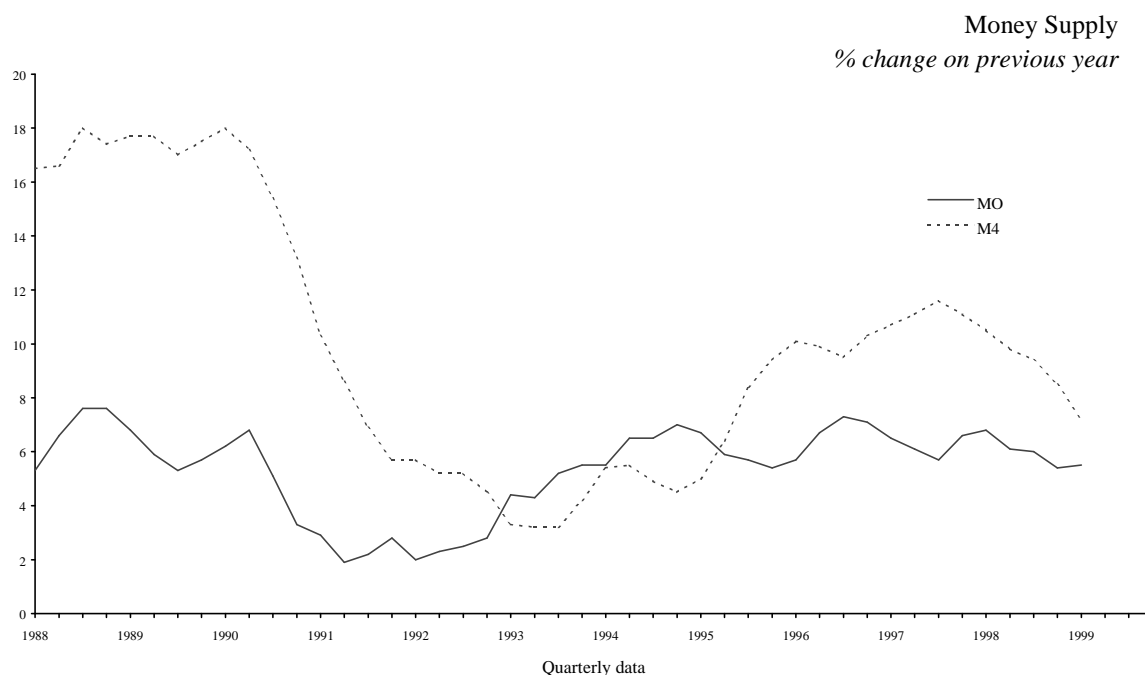
	Public Sector Net Cash Requirement			
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1996/97	22.7	3.0%	27.2	3.6%
1997/98	1.1	0.1%	2.9	0.4%
1998/99	-7.4	-0.9%	-7.3	-0.9%
1998 Q1	-5.2	-2.5%	-5.2	-2.5%
1998 Q2	5.4	2.6%	5.6	2.7%
1998 Q3	-2.9	-1.4%	-2.9	-1.4%
1998 Q4	-3.8	-1.8%	-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 -£7.4 billion compared with +£1.1 billion in 1997/98. Excluding privatisation receipts, the PSNCR for 1998/99 was -£7.3 billion compared with +£2.9 billion in 1997/98.
- The PSNCR for the first two months of the 1999/00 financial year was -£0.5 billion, exactly the same as in 1998/99.

Next update: 16 July

D 4. Money Supply



Money stock
seasonally adjusted

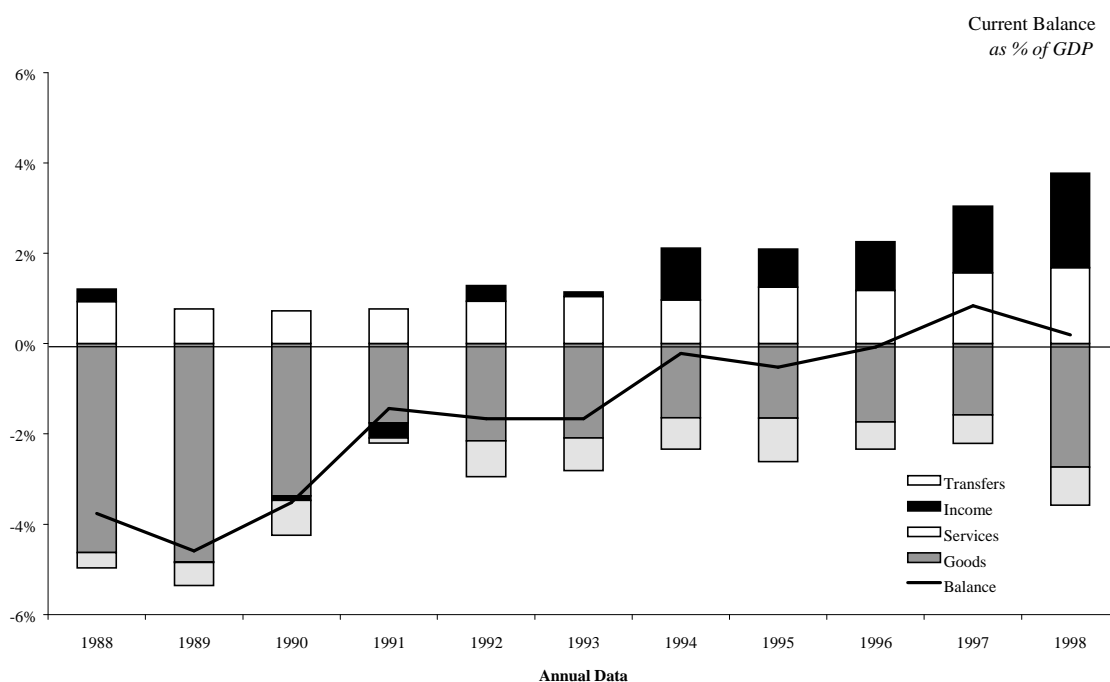
	MO		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1998 May	2.5	6.1	8.3	9.6
Jun	3.6	5.5	8.4	9.4
Jul	4.7	5.8	11.0	10.1
Aug	6.4	6.2	8.0	9.0
Sep	6.6	6.0	8.8	9.1
Oct	6.5	5.5	5.8	9.1
Nov	5.5	4.8	7.0	8.3
Dec	7.6	5.9	6.3	8.1
1999 Jan	7.5	5.7	4.4	7.5
Feb	6.8	5.3	5.3	7.1
Mar	4.8	5.6	3.9	6.8
Apr	4.8	5.9	8.1	7.3
May	8.0	6.6	7.9	7.0

Source: Bank of England press notice dated 29 June 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: 5, 20 & 29 July

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
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
1999 Q1	-6,788	2,547	-4,241	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>

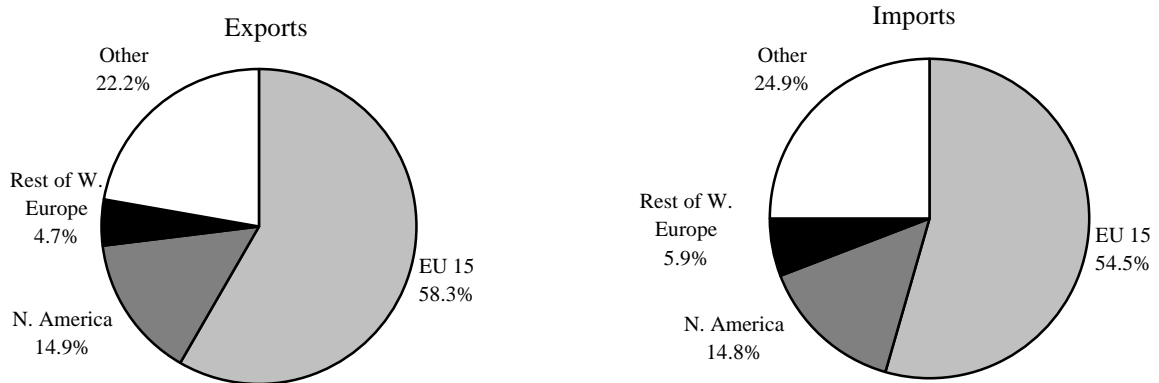
Source: ONS database (Series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP)

- **Trade in Goods:** Successive quarterly figures show large deficits continuing, indicating a very weak UK trading position, with 1999 Q1 being the worst on record.
- **Trade in Services:** In the first quarter of 1999 the surplus in services was £2,500 million. 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 trade in goods 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
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
1999 Q1	114.5	132.0	38,693	45,481	-6,788

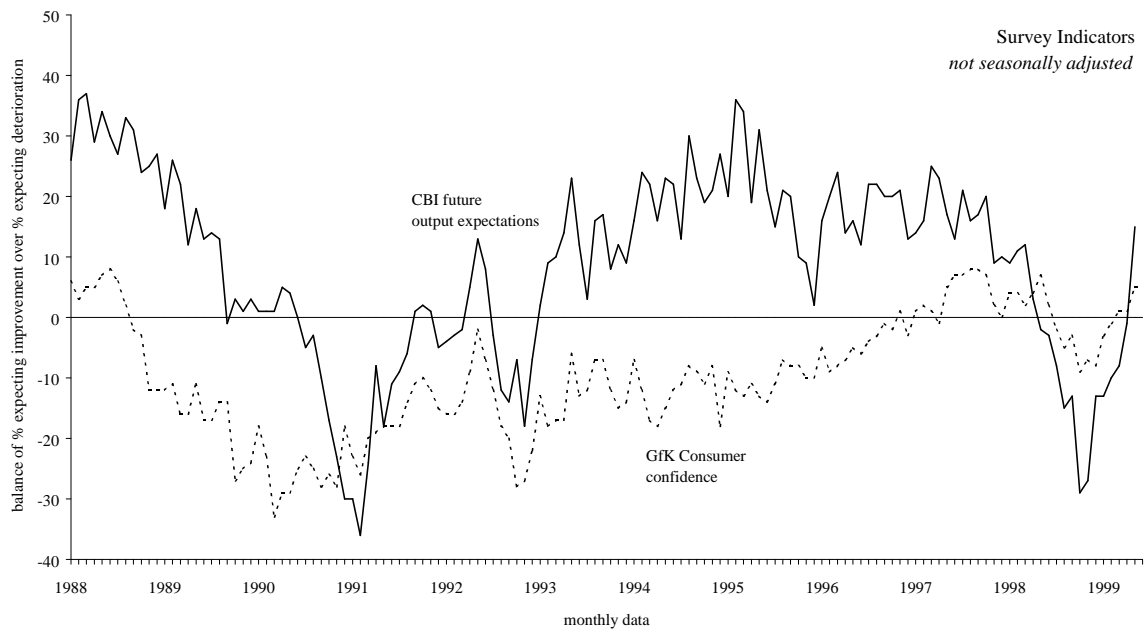
Source: ONS database (Series BQKU, BQKV, BOKG, BOKH, BOKI)

First Release: UK Trade (ONS(99) 218)

- **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.
- **1999:** The deficit in trade in goods for 1999 Q1 was £6,800 million, the largest quarterly deficit on record. The deficit for the three months ended April was £4,700 million. During this latest three-month period exports fell by 5.9% in value terms and imports fell by 1.8% compared with the same quarter in 1998. In volume terms, exports have fallen by 2.5% and imports risen by 3.8% in the latest three months compared with the same three months in 1998.
- **Recent monthly data:** The UK's deficit on trade in goods in April is provisionally estimated at £2,200 million. The highest monthly trade deficit of £2,700 million was recorded in January 1999.
- **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. In volume terms, exports to non-EU countries have fallen 3.6% compared with the same three months in 1998 but risen by 5% when compared with the previous three-month period. Exports to non-EU countries seem to be recovering. In the three months to April, exports to the EU have fallen by 1.8% compared with the same period and 3% compared with the previous three-month period.
- **Trends:** The latest estimate of volume trends shows the UK trade deficit is widening.

Next update: 23 July

F 1. Survey Indicators



Output Expectations and Consumer Confidence

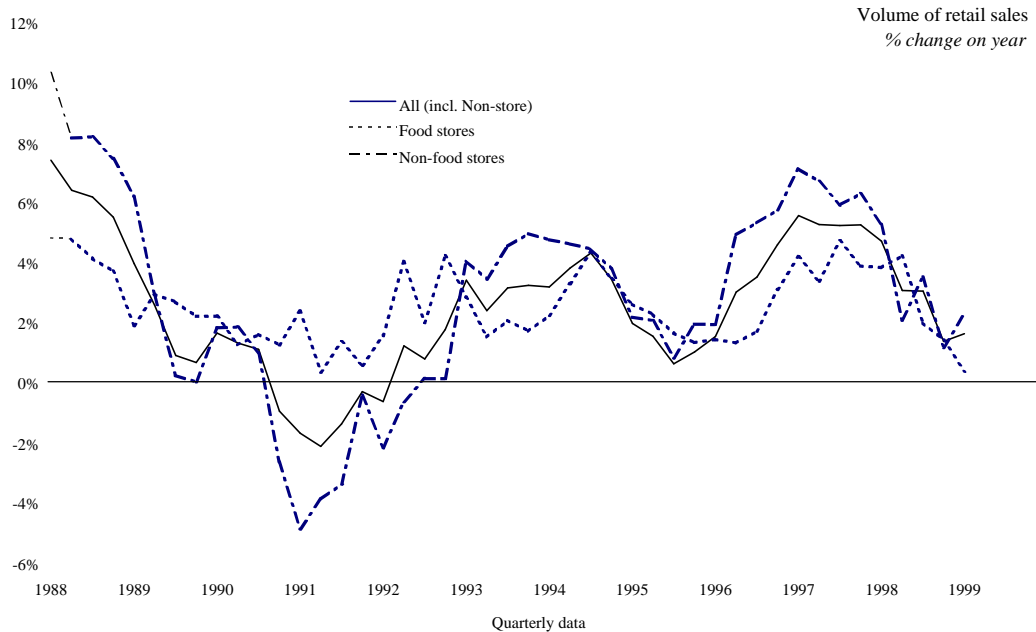
	Balance of % expecting improvement over % expecting deterioration	
	CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK
1998 Jun	-3	2
Jul	-8	-2
Aug	-15	-5
Sep	-13	-3
Oct	-29	-9
Nov	-27	-7
Dec	-13	-8
1999 Jan	-13	-3
Feb	-10	-1
Mar	-8	1
Apr	-1	1
May	15	5
Jun	..	5

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 has improved rapidly over the last seven months, having risen from -29 in October 1998 to +15 in May 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 has improved since the beginning of the year, now standing at +5 in June 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, helped to reduce exchange rates – this would ease the burden on exporters and improve business confidence further.

Next update: late July

F 2. Retail Sales



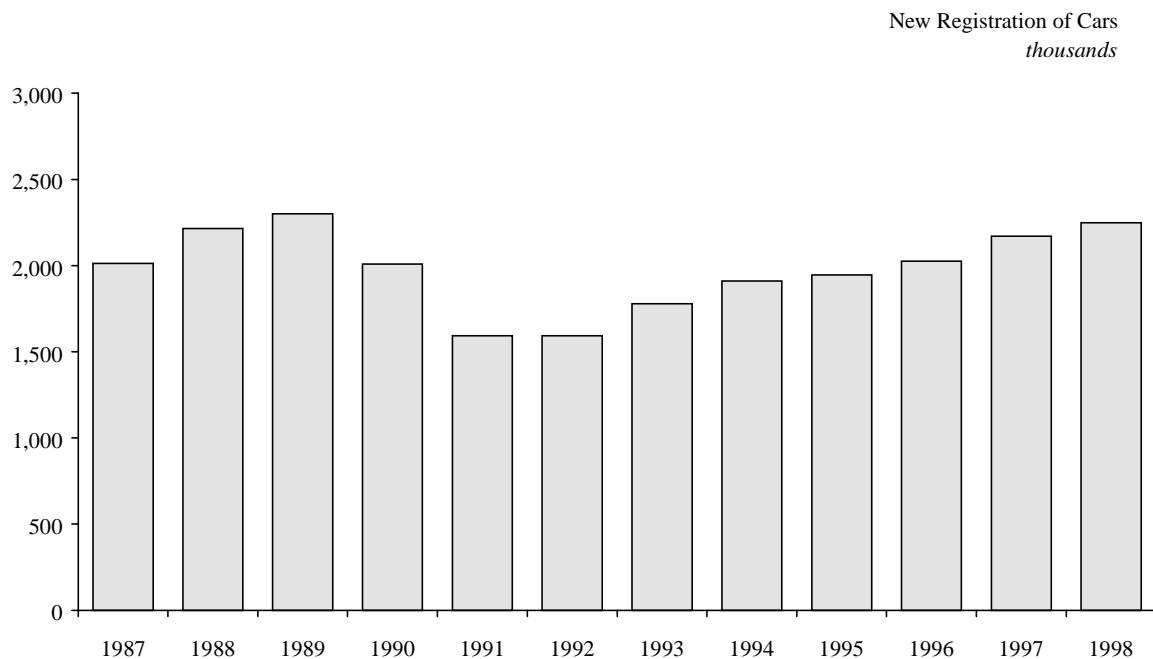
Value of Sales
not seasonally adjusted; % change on year

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1996	4%	5%	9%	5%
1997	4%	8%	10%	7%
1998	4%	3%	6%	4%
1998 Q1	3%	5%	9%	4%
Q2	5%	3%	6%	5%
Q3	2%	4%	7%	5%
Q4	4%	-1%	2%	2%
1999 Q1	5%	3%	5%	3%

- In the three months March to May 1999, the volume of retail sales grew by 1.1% compared to the period December to February to reach a level 1.9% higher than a year previously. Sales in the single month of May were 1.0% higher than in April but comparisons may have been affected by the timing of Easter.
- In the three months March to May 1999, the volume of sales in predominately food stores grew by 0.2% compared to the period December to February to reach a level 0.3% higher than a year previously. The volume of sales in other stores grew by 1.7% compared to the period December to February to reach a level 2.7% higher than a year previously. Sales are growing particularly strongly in household goods stores.
- In May 1999, the non-seasonally adjusted value of retail sales was 3% higher than a year earlier. The average weekly value of retail sales in May was £3,710 million. Household goods (+6%) showed the strongest growth over this period and clothing & footwear (no change) the weakest.

Next update: 21 July

F 3. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

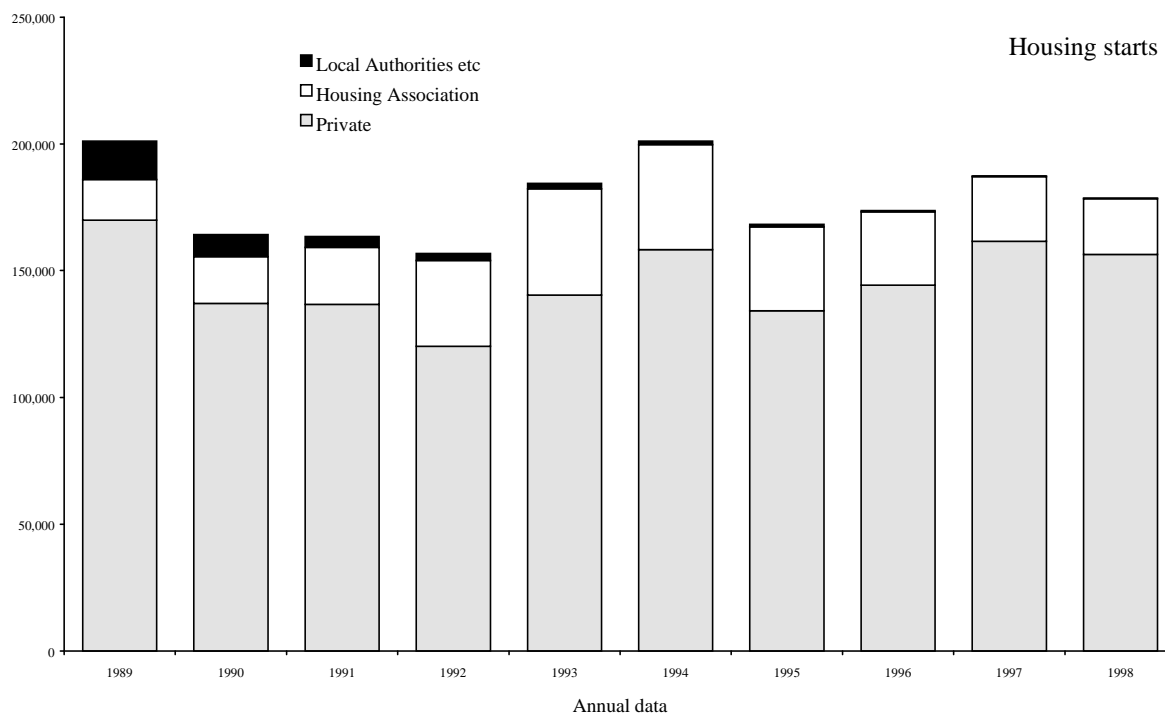
	Numbers thousands	Change over 12 months
1995	1,945	1.8%
1996	2,026	4.1%
1997	2,171	7.2%
1998	2,247	3.5%
1999 (forecast)	2,100	-6.6%
2000 (forecast)	2,090	-0.5%
1999 Jan	182	-21.6%
Feb	84	-52.5%
Mar	370	73.7%
April	183	6.4%
May	176	1.7%

Source: SMMT "Monthly Statistical Review", May 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 6.6% in 1999 followed by a fall of 0.5% in 2000.
- 175,898 cars were registered in May 1999 which represented an increase of 1.7% over the figure recorded for May 1998. Registrations over the first five months of the year rose 2.9 per cent to 994,887 units.
- Registrations of British built cars fell 15.9 per cent in May 1999 compared with May 1998, cutting their market share to 27.7 per cent.

Next update: late July

F 4. Housing



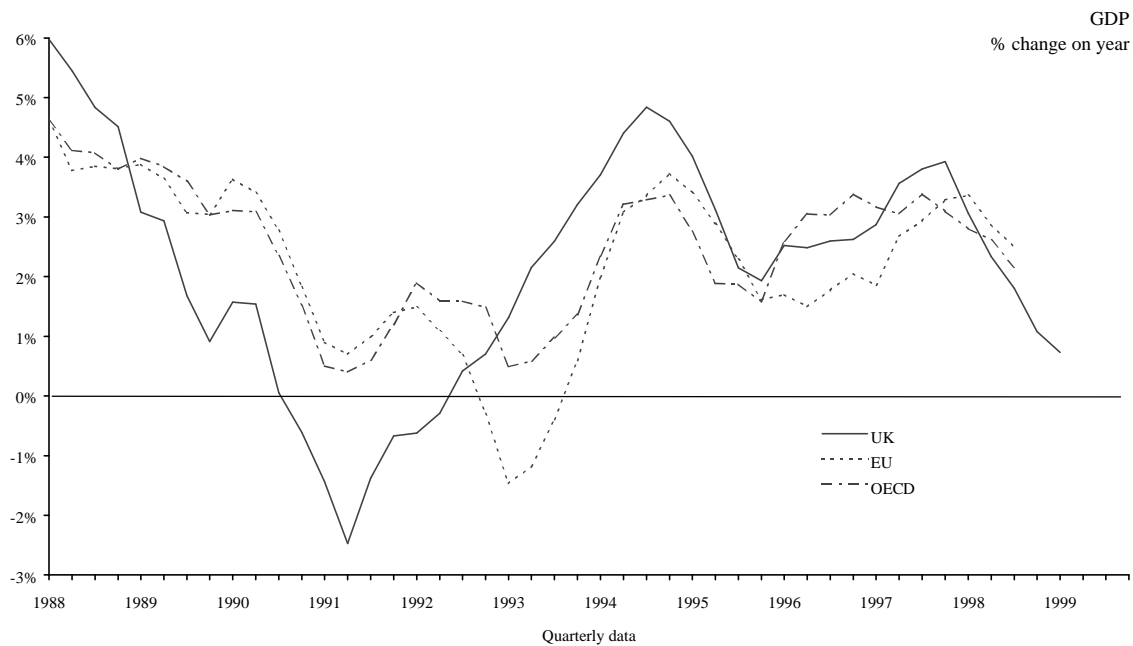
<u>House prices</u>				
	All Houses	New Houses	Existing Houses	First time buyers
<u>Standardised average price (£)</u>				
1997	68,500	71,300	68,300	49,700
1998	72,300	75,900	71,900	52,200
1998 Q3	72,900	75,900	72,800	52,800
1998 Q4	72,900	75,900	72,800	52,800
1999 Q1	72,900	76,200	72,500	53,300
<u>% change over same period last year</u>				
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*

- According to the latest DETR press release, in the three months February to April total starts rose by 4 per cent and total completions were unchanged compared with the previous three months. Private enterprise starts rose by 3% while completions fell by 1 per cent.
- The Halifax Monthly Index shows that house prices in the United Kingdom rose by 2.1% in May (seasonally adjusted). On an annual basis, house price inflation rose to 5.7% from 3.7% in April and it is now forecast to be 6% 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 annual 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: 2 July

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: mid-December

G 2. International Comparisons - Unemployment



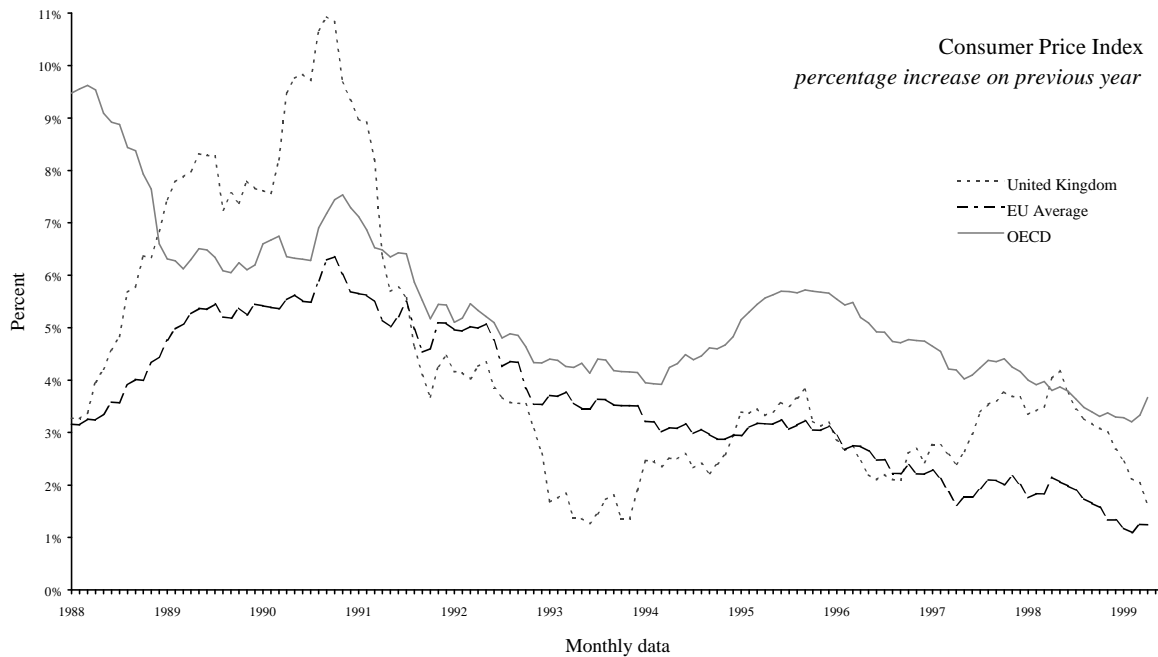
	Unemployed as % of labour force standardised; seasonally adjusted						
	1996	1997	1998	1998 Q2	1998 Q3	1998 Q4	1999 Q1
USA	5.4	4.9	4.5	4.4	4.5	4.4	4.3
Japan	3.4	3.4	4.1	4.1	4.2	4.4	4.6
Canada	9.7	9.2	8.3	8.4	8.3	8.0	7.8
United Kingdom	8.2	7.0	6.3	6.3	6.3	6.3	6.3
Germany	8.9	9.9	9.4	9.5	9.3	9.1	9.0
France	12.4	12.3	11.7	11.7	11.7	11.6	11.4
Italy	12.0	12.1	12.3	12.3	12.3	12.2	..
EU 15	10.8	10.7	10.0	10.1	9.9	9.8	9.6
G7	6.8	6.6	6.4	6.4	6.4	6.4	6.3
OECD	7.7	7.4	7.1	7.1	7.1	7.0	7.0

Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate was significantly below the EU average in 1999 Q1 and was identical to the G7 average.
- The unemployment rate in the euro-zone (the eleven Member States participating in the single currency) stood at 10.4% in April 1999 – nearly 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 13.7% in February 1999 on a standardised basis, compared to 6.0% in Austria, 8.7% in Germany, 26.0% in France, 31.8% in Italy and 32.1% in Spain (the highest in the EU).

Next update: early July

G 3. International Comparisons – Prices



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

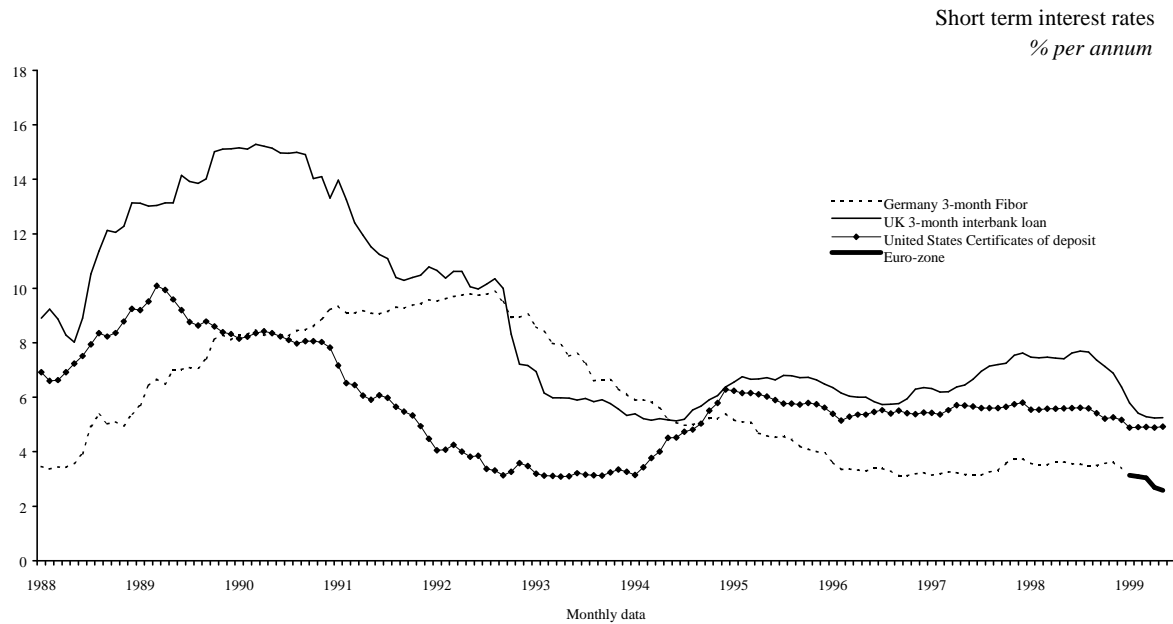
	USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1996	2.9	0.1	1.6	2.5	1.5	2.1	3.8	5.1	2.5
1997	2.4	1.8	1.6	3.1	1.7	1.1	1.8	4.2	2.0
1998	1.5	0.6	1.0	3.4	1.0	0.7	1.7	3.7	1.7
1998 Nov	1.5	0.7	1.2	3.0	0.5	0.3	1.5	3.4	1.3
Dec	1.5	0.6	1.0	2.7	0.5	0.3	1.5	3.3	1.3
1999 Jan	1.6	0.3	0.7	2.5	0.2	0.4	1.3	3.3	1.2
Feb	1.6	-0.1	0.8	2.1	0.2	0.3	1.2	3.2	1.1
Mar	1.8	-0.5	1.0	2.0	0.4	0.6	1.4	3.3	1.3
Apr	2.3	-0.1	1.6	1.6	0.6	0.5	1.6	3.7	1.2

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 May 1999. The UK's inflation rate on this basis stood at 1.3%.
- The inflation rates for the other three Member States not participating in the Single Currency for May 1999 were (on a harmonised basis) Greece: 2.2%, Denmark: 1.6% and Sweden: 0.3%.
- Harmonised inflation rates in the EU in May ranged from 2.3% in Ireland to just 0.2% in Sweden.

Next update: late July

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	5.10	$4 \frac{26}{32}$
United States	5.93	$5 \frac{9}{32}$
Switzerland	2.86	$1 \frac{1}{8}$
Japan	1.76	$\frac{1}{16}$
Euro-zone	..	$2 \frac{21}{32}$

Source: *Financial Times*, 30 June 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. It is anticipated that US interest rates will be raised at the next Federal Reserve meeting, the first increase since autumn 1998.
- 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.