



RESEARCH PAPER 99/86
1 NOVEMBER 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: Official Statistics: *Building Trust in Statistics*

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

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

II Official Statistics: *Building Trust in Statistics*

On 18 October the Government published its long-awaited White Paper on official statistics. This aimed to address concerns about the quality and integrity of official statistics. The White Paper¹ proposes:

- The appointment of an independent Statistics Commission;
- An enhanced role for the head of the Government Statistical Service – to be known as the National Statistician;
- Greater Parliamentary scrutiny.

A. Background

The 1980s had seen growing concern about the integrity of official statistics, both generally and in specific areas - for example unemployment and crime statistics, hospital waiting lists and measures of inflation. In its 1997 election manifesto Labour pledged itself to “a Freedom of Information Act, leading to more open government, and an independent National Statistics Service”.

A Consultation Paper *Statistics: A Matter of Trust*², was published in February 1998. This set out four models (not necessarily mutually exclusive) whose aim was to enhance the integrity of National Statistics. The options were as follows:

- Strengthen the existing arrangements
- Establish a governing body with a non-executive chair
- Establish an independent Statistical Commission
- Direct accountability to Parliament via a body analogous to the National Audit Office.

The first three of these could be achieved within the current legislative framework. The fourth would probably require legislation and would involve significant public expenditure costs.

The consultation period ended on 31 May 1998.

In May 1998 the Treasury Committee announced that it had established a Sub-committee to ensure that all the departments and agencies for which the Chancellor is responsible are subject to systematic parliamentary scrutiny. In the light of the Green Paper on official

¹ Cm 4412 *Building Trust in Statistics*.

² Cm 3882

statistics, the Committee decided that the first enquiry should be an examination of the performance of the Office for National Statistics under the existing arrangements and that it should assess the likely impact of the Green Paper proposals.

The Committee reported on 15 December 1998³. The Committee's report identified a number of areas where the work of ONS and the Government Statistical Service as a whole could be improved. The Committee had considered in some detail the problems that had occurred in the Average Earnings series in Autumn 1998. The Committee's recommendations included: the endorsement of the vision of "National Statistics" to include a wide range of official data, not just those produced by ONS; improvements to accessibility, timeliness and transparency of official statistics; and for any new framework to be underpinned by legislation.

B. Statistics White Paper and parliamentary debate

The Government published its plans for the future of official statistics in a white paper, *Building Trust in Statistics*, on 18 October⁴. The new Economic Secretary to the Treasury, Melanie Johnson, said that the White Paper 'marks a new era for official statistics. We are determined to address the long-standing concerns about the quality and integrity of official statistics and have today set out details of a new, transparent framework which will address these concerns'

The main proposals in the White Paper are to:

- Establish an independent Statistics Commission of seven members;
- Consider and comment to ministers on the programme for what are to be called National Statistics;
- Examine quality assurance processes and otherwise audit National Statistics;
- Comment on the application of the statistics code of practice, and lay before Parliament an annual report on National Statistics.

The White Paper envisages a greater degree of scrutiny of official statistics by Parliament, though it will be for Parliament itself to decide how this should be achieved.

The role of Director of ONS will be expanded to that of Head of National Statistics (also known as the National Statistician), who will have overall professional responsibility for the outputs comprising National Statistics. The National Statistician will be responsible for the setting of professional standards, the overall National Statistics work programme, and the preparation of an annual report to Ministers on the performance of National Statistics.

³ HC 43-I of 1998/9 Treasury Committee First Report *Office for National Statistics*

⁴ Cm 4412 – available on ONS' website www.ons.gov.uk, which also contains a summary of responses to the Green Paper

Advertisements for this post, in succession to Dr. Tim Holt, appeared in the press at the end of October.

Finally, the government intends to publish, as soon as possible, a new Framework for National Statistics that will set out the roles and responsibilities of the key players in the new set-up.

The scope of National Statistics is central to the new arrangements. The White Paper says that all current ONS publications and public access databases should be included ‘and that with the agreement of Ministers other statistics currently published by departments should also be included as appropriate.’ The government would ask the Statistics Commission to keep under review the scope of National Statistics and make periodic recommendations to ministers.

The Government rejected statistics legislation for the time being ‘in order to secure the benefits as soon as possible’, given the pressures on legislative time. It intends to ask the Commission to review the need for legislation after its first two years.

The White Paper was the subject of much comment in the House of Commons debate on official statistics that took place the day after its publication, 19 October. During a debate on ONS and the Treasury Committee’s report on it of last December, several of the speakers in the debate focused on the White Paper. Although the White Paper was welcomed, its release just a day before the debate was criticised and contributors to the debate expressed some concerns about the Government’s proposal.

These concerns centred around the lack of legislation to underpin the administrative changes and the narrow interpretation of “official statistics” as only relating to the outputs of the Office for National Statistics, for the outset at least. As a result much statistical information produced by the Department of Health, the DSS, DETR and other departments could be outside the scope of “national statistics”.

Melanie Johnson, making her first speech from the despatch box as a minister, was not enthusiastic about further consultation, saying that this would delay progress.

C. Reaction

The Royal Statistical Society (RSS) expressed its ‘extreme disappointment’ at the limited scope of the government’s proposals. Commenting on the White Paper, the current RSS president, Denise Lievesley, said that it ‘is good as far as it goes, but there are two gaping holes.’ The lack of legislation was one of the ‘two gaping holes’ referred to by Denise Lievesley who said that ‘it will be open to the present or any future government to alter the arrangements should statistical integrity become inconvenient.’ The other hole was the omission of many government statistics – all those which are not produced by ONS – from automatic inclusion in the scope of National Statistics. The effect of this will be to exclude

any important data series, including hospital waiting lists, school league tables and crime statistics, unless the relevant minister decides otherwise.⁵

The RSS also pointed to the danger of there being less accountability and coherence in official statistics even than now, since the National Statistician and Statistics Commission have not been assigned authority for statistics falling outside the scope of National Statistics, whereas the Director of ONS under present arrangements has a role in relation to the broader government statistical service. The society welcomed the formation of the new Commission but had concerns that it would not have enough teeth.

Writing in the *Financial Times*, Simon Briscoe commented on the White Paper proposals⁶:

At the outset, only ONS figures will be included. After that ministers will decide which of their statistics are included. Many statistics that have caused public concern, such as hospital waiting lists, could remain outside the arrangements.

There will be no Statistics Act and the national statistician will report to the Treasury. This has raised concerns about bias towards economic rather than social statistics. The white paper does not stop ministers seeing numbers before publication - a source of criticism under the present regime.

A framework for national statistics, to be published this year, will set out the "roles and responsibilities of all the key positions under the new arrangements". Critics said only when this was published, and appointments made, would the strength of the structure become clearer. "If the commission is weak, we will not notice any difference under the new system," one observer warned yesterday.

For further information on this subject contact: Richard Cracknell (ext. 4632)

⁵ Royal Statistical Society Press Notice 19 October 1999

⁶ *Financial Times* 19 October 1999, "Body to boost quality of data to be created"

A 1. Gross Domestic Product



Gross Domestic Product
seasonally adjusted

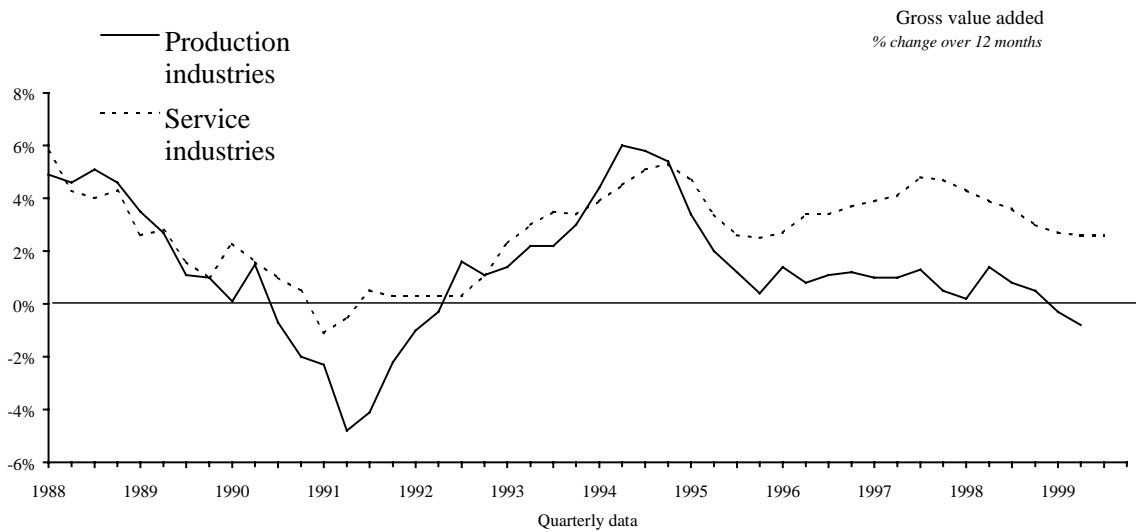
	GDP at current market prices <i>£ billion</i>	GDP at constant market prices <i>12 month change</i>	HH consumption at constant market prices <i>12 month change</i>	Non-Oil GVA at constant basic prices <i>12 month change</i>
1996	754.6	2.6%	3.7%	2.5%
1997	803.9	3.5%	4.0%	3.5%
1998	843.7	2.2%	3.3%	2.7%
1998 Q3	212.6	2.0%	2.8%	2.6%
Q4	213.4	1.6%	2.8%	2.0%
1999 Q1	214.5	1.3%	3.6%	1.5%
Q2	217.0	1.4%	4.0%	1.5%
Q3 (prov)	n.a.	1.8%	n.a.	1.8%

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

- Gross domestic product (GDP) at 1995 market prices is provisionally estimated to have risen by 0.9% in the third quarter of 1999 to a level 1.8% above the same quarter in 1998. This is the fastest quarter-on-quarter growth rate since the third quarter of 1997. The quarterly rate of GDP growth has increased sharply since the fourth quarter of 1998, when the economy was stagnant.
- In the year to the second quarter net trade exerted a significant negative impact on GDP growth as the volume of imports grew rapidly and the volume of exports fell. The year-on-year growth rate of 1.4% represented a positive contribution of 3.2 percentage points from the growth of domestic expenditure offset by a negative contribution of 1.7 percentage points from the net trade effect. The balance (0.1 percentage points) represented a decrease in the statistical discrepancy.
- The latest Treasury average of independent economic forecasts suggests that GDP growth will be 1.6% in 1999 and 2.6% in 2000.

Next update: 23 November

A 2. Gross Value Added by Industry



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

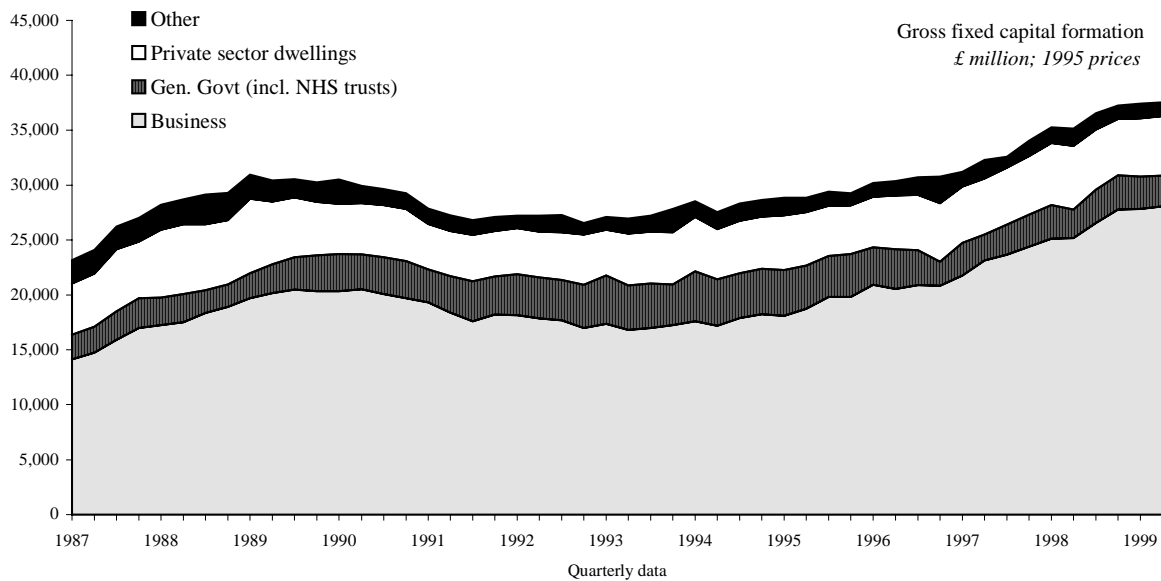
	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufac- turing			
1996	1.1%	0.4%	3.3%	2.0%	1.5%
1997	1.0%	1.3%	4.4%	1.5%	3.2%
1998	0.7%	0.4%	3.7%	-0.9%	1.3%
1998 Q2	1.4%	1.2%	3.9%	-1.3%	0.6%
Q3	0.8%	0.6%	3.6%	-1.0%	0.6%
Q4	0.5%	-0.5%	3.0%	-1.2%	-1.3%
1999 Q1	-0.3%	-1.3%	2.7%	0.5%	-3.3%
Q2	-0.8%	-1.3%	2.6%	-0.4%	0.7%
Q3 (prov)	n.a.	n.a.	2.6%	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 2½%. Provisional data for the third quarter of 1999 suggest that output was 1.0% higher than in the second quarter.
- Compared to the previous quarter, manufacturing output fell in the third and fourth quarters of 1998 and the first quarter of 1999. Output rose by some 0.3% in the second quarter, but to a level 1.3% lower than a year previously, and is likely to rise again in the third quarter. In the second quarter of 1999 output fell in the agriculture sector but rose in the energy extraction, energy supply and construction sectors.
- In 1998 manufacturing accounted for 20% of GVA, other production industries (mining & quarrying and electricity gas & water supply) for 4%, agriculture, etc. for 1%, construction for 5% and services for 70%.

Next updates: 5 & 23 November

A 3. Investment



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

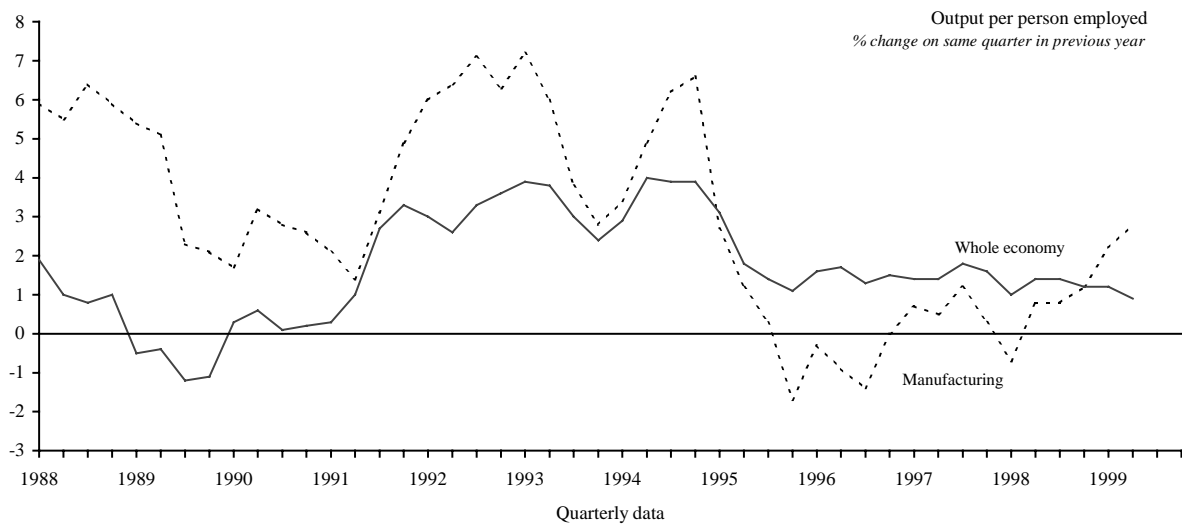
	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
1996	11,777	49,124	34,825	22,154	4,162	122,042
1997	12,982	54,241	37,251	22,669	4,103	131,246
1998	14,266	61,616	39,929	23,798	4,575	144,184
1998 Q2	3,505	14,998	9,238	6,259	1,139	35,139
Q3	3,531	15,496	10,373	5,933	1,212	36,545
Q4	3,649	16,274	10,628	5,533	1,171	37,255
1999 Q1	3,812	16,228	10,531	5,695	1,153	37,419
Q2	3,816	16,332	10,662	5,804	917	37,531

Source: ONS database (series DLWL, DLWO, DLWT, DFEG, EQDO, NPQT)

- 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 6.8% in real terms in the 1999 Q2 compared with the same quarter in 1998 but was only slightly higher compared with the previous quarter.
- Total GFCF in 1998 (at 1995 prices) is estimated to have risen 9.9% compared with 1997.

Next update: 23 November

A 4. Productivity



% change on year
seasonally adjusted

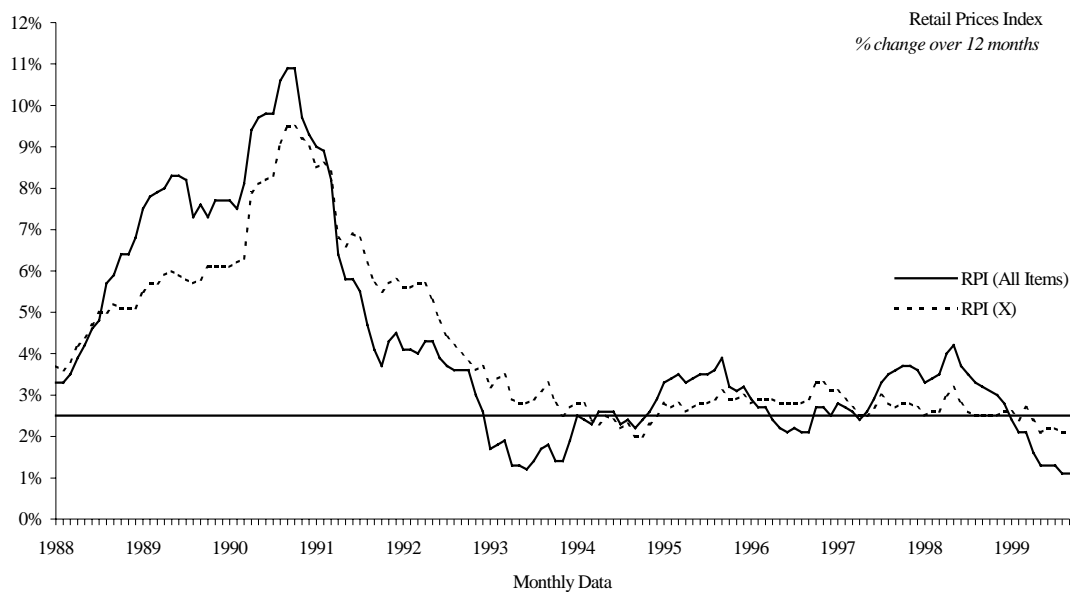
		Manufacturing			Whole Economy		
		Output	Wforce in employment	Output per head	Output	Wforce in employment	Output per head
1996		0.4	1.0	1.5	2.6	-0.7	1.1
1997		1.3	1.8	1.6	3.4	0.7	0.6
1998		0.4	1.3	1.3	2.7	0.5	-0.1
1998	Q2	1.2	0.4	0.8	3.0	1.3	1.4
	Q3	0.6	-0.2	0.8	2.6	1.0	1.4
	Q4	-0.5	-1.7	1.2	2.1	0.7	1.2
1999	Q1	-1.3	-3.4	2.2	1.6	0.3	1.2
	Q2	-1.3	-4.0	2.8	1.6	0.6	0.9

Source: ONS Database

- In the manufacturing sector, the rate of output growth has been negative for the last three quarters. However, the continued decline in the manufacturing workforce means that productivity growth is rising, and stands at an annual rate of nearly 3 per cent.
- Output per head in 1998 as a whole was marginally lower than in 1997.
- The rise in the rate of employment growth in 1999 Q2 for the economy as a whole means that productivity growth has slipped below 1%.

Next update: 17 November

B 1. Retail Prices



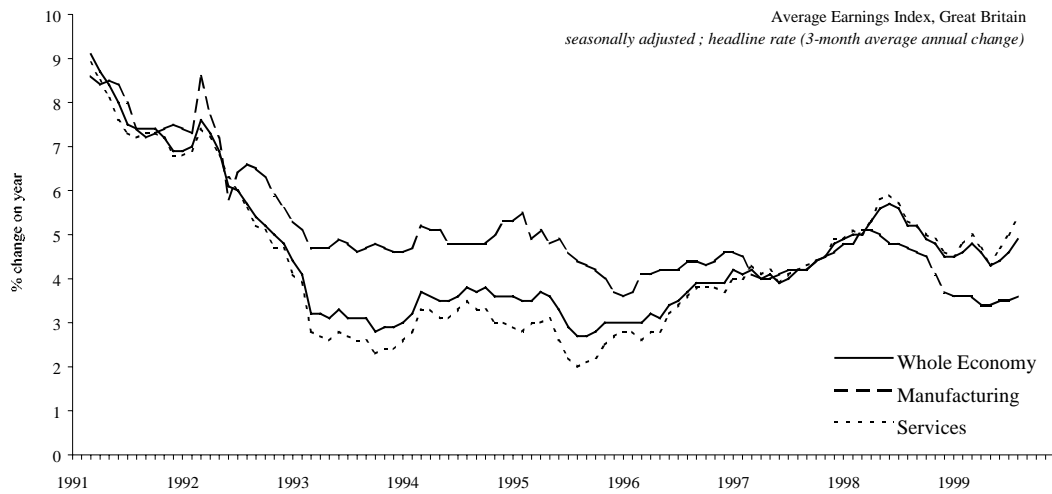
	% change on previous year	
	Retail Prices Index	
	All-items	excl. mortgage interest (RPI(X))
1996	2.4	3.0
1997	3.1	2.8
1998	3.4	2.6
1998 Sep	3.2	2.5
Oct	3.1	2.5
Nov	3.0	2.5
Dec	2.8	2.6
1999 Jan	2.4	2.6
Feb	2.1	2.4
Mar	2.1	2.7
Apr	1.6	2.4
May	1.3	2.1
Jun	1.3	2.2
Jul	1.3	2.2
Aug	1.1	2.1
Sep	1.1	2.1

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 July 1963.
- The main downward effect on inflation in September 1999 came from price changes for non-seasonal food. September saw retailers offering a wide range of special offers and price reductions in response to strong competition in the sector.
- Clothing and footwear, particularly women's clothes, also contributed to downward pressure on inflation. The recovery in prices following the summer sales was less than last year. Price increases associated with new season's stock were also more modest than last year.
- Seasonal food, however, exerted some upward pressure on inflation. Prices for items such as lettuces, tomatoes and grapes increased as a result of reduced supplies from Southern Europe, caused by poor weather conditions there.

Next update: 16 November

B 2. Average Earnings



Average Earnings, Great Britain
seasonally adjusted

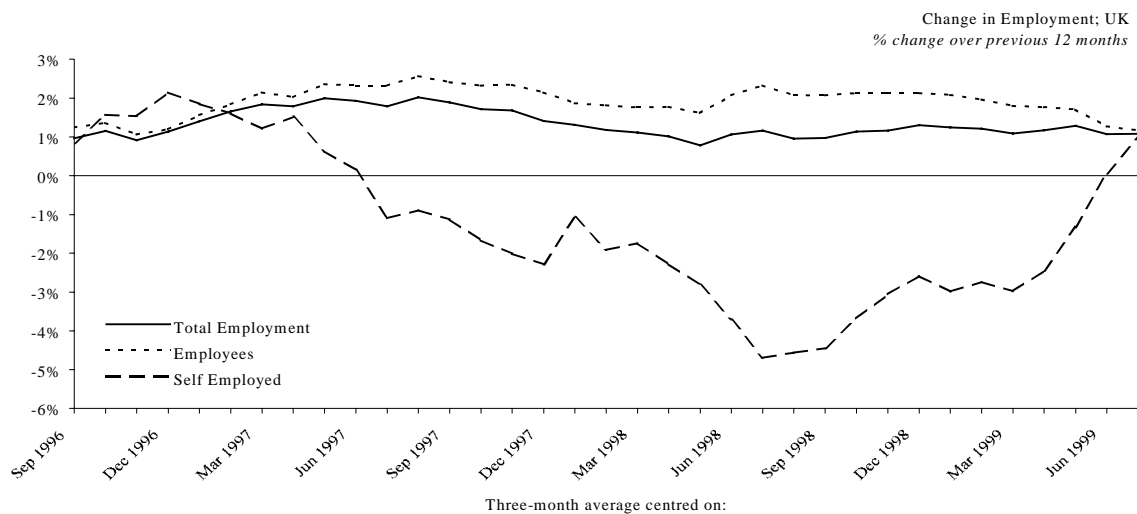
		headline rate (% change on year)		
		Whole Economy	Private Sector	Public Sector
1998	Aug	5.2	5.6	3.9
	Sep	5.2	5.5	3.8
	Oct	4.9	5.2	3.8
	Nov	4.8	5.1	3.7
	Dec	4.5	4.7	3.6
1999	Jan	4.5	4.6	3.6
	Feb	4.6	4.8	3.8
	Mar	4.8	5.0	4.1
	Apr	4.6	4.7	4.3
	May	4.3	4.2	4.5
	Jun	4.4	4.3	4.8
	Jul	4.6	4.6	4.6
	Aug	4.9	5.0	4.3

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 growth of average earnings has picked up somewhat in the last few months, having been more muted in the earlier part of the year.
- Commenting on the latest earnings data the new Employment Minister, Tessa Jowell, said “responsibility in wage bargaining across the public and private sectors is essential for stability and steady growth”.
- The headline rate of earnings growth is now above 4½%, the level which many economists regard as the maximum consistent with meeting the inflation target of 2½%. This could provide pressure for the Bank of England to increase interest rates later in the year.

Next update: 17 November

C 1. Employment



Employment Structure in the UK
thousands; seasonally adjusted

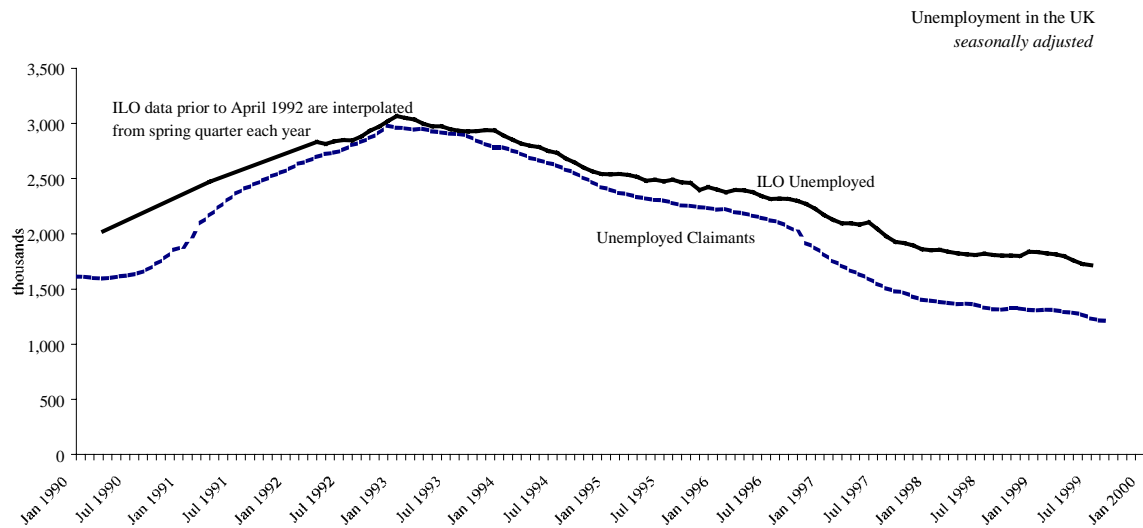
	Total in Employment	Employees	Self Employed	Unpaid Family Workers	Govt Training
1995 Jun-Aug	26,147	22,411	3,333	130	273
1996 Jun-Aug	26,382	22,639	3,381	118	244
1997 Jun-Aug	26,855	23,165	3,344	124	222
1998 Jun-Aug	27,168	23,704	3,187	106	170
Sep-Nov	27,263	23,809	3,194	102	158
Dec-Feb	27,342	23,881	3,218	98	146
Mar-May	27,362	23,916	3,185	100	161
1999 Jun-Aug	27,462	23,980	3,218	96	167
Changes:					
1998 Jun-Aug to	294	276	31	-10	-3
1999 Jun-Aug	1.1%	1.2%	1.0%	-9.4%	-1.8%

Source: Labour Force Survey (ONS)

- Employment has continued to increase over the latest rolling three-month period, and now stands at 27.5 million – the highest level ever recorded.
- Compared to a year previously, employment was 294,000 (1.1%) higher in the June-August 1999 period. The pace at which employment is increasing has remained constant over the last year, at around 1% per annum.
- Self-employment is now growing, after two years of modest decline. It now stands at a level 1% higher than a year previously.

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C 2. Unemployment: National



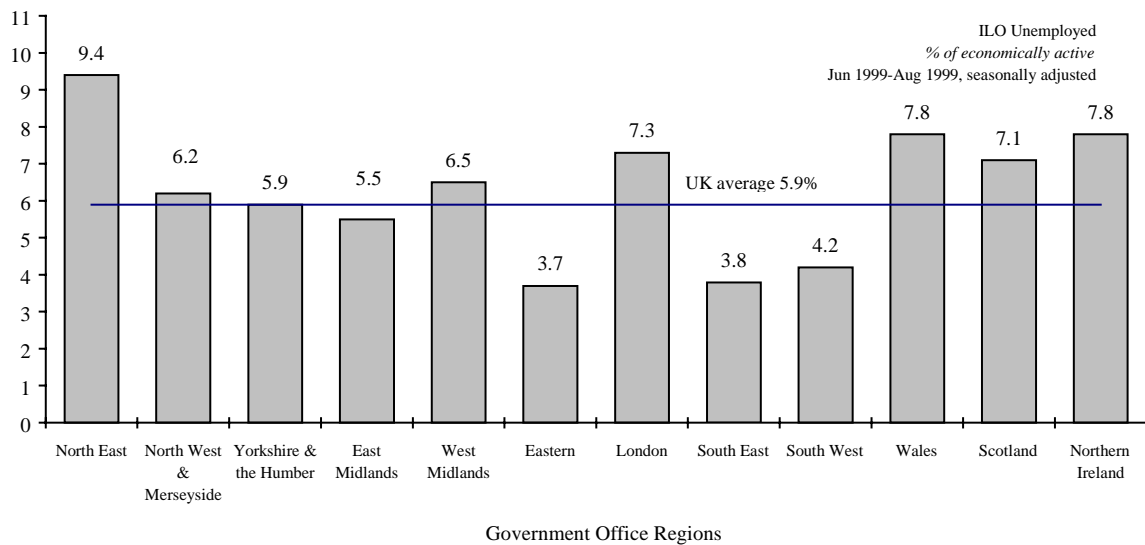
ILO Unemployment in the UK seasonally adjusted		
	thousands	rate (%)
1996 Jun-Aug	2,317	8.1
Sep-Nov	2,299	8.0
1997 Dec-Feb	2,171	7.5
Mar-May	2,093	7.3
Jun-Aug	2,041	7.1
Sep-Nov	1,918	6.6
1998 Dec-Feb	1,850	6.4
Mar-May	1,824	6.3
Jun-Aug	1,820	6.3
Sep-Nov	1,801	6.2
1999 Dec-Feb	1,833	6.3
Mar-May	1,797	6.2
Jun-Aug	1,714	5.9

Source: Labour Force Survey(ONS)
which were subsidised jobs.

- 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 June to August 1999, the level of ILO unemployment in the UK was 1,714,000. This was a decrease of 84,000 from the March-to-May period. As measured by the monthly claimant count, unemployment fell in September 1999 by 5,400 to stand at 1,209,600.
- Since the New Deal for the Young Unemployed started in January 1998, 348,900 people have joined the scheme. Of those leaving the scheme, 106,870 had moved into 'sustained jobs' up to the end of August, ie excluding those who had returned to claim Jobseekers' Allowance (JSA) within three months of starting employment. 84% of these jobs were unsubsidised. Since the New Deal for the Long-Term Unemployed started in July 1998, 172,400 people have joined the scheme. Up to the end of August, 20,600 people leaving the scheme had entered 'sustained jobs', 16,000 of which were unsubsidised and 4,600 of

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C 3. Unemployment: Regional



ILO Unemployment, Jun-Aug 1999
change on same period in previous year
seasonally adjusted

	thousands	%
North East	13	13%
North West & Merseyside	-23	-10%
Yorkshire & the Humber	-41	-22%
East Midlands	4	4%
West Midlands	12	8%
East	-15	-13%
London	-11	-4%
South East	-24	-13%
South West	-13	-11%
Wales	5	5%
Scotland	-10	-5%
Northern Ireland	-3	-5%
UK	-106	-6%

Source: ONS, First Release (99) 348

- 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 June to August 1999 with the same period a year earlier, unemployment fell in eight regions and increased in four.
- The most rapid fall in unemployment occurred in Yorkshire, where it was 22% lower in June to July 1999 than in the same period a year earlier. The most rapid increase in unemployment occurred in the North East, where it was 13% higher in June to August 1999 than in the same period a year earlier. The North East also has the highest unemployment rate, at 9.4% of the economically active population. The lowest unemployment rate was 3.7% in the East of England.

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D 1. Interest Rates



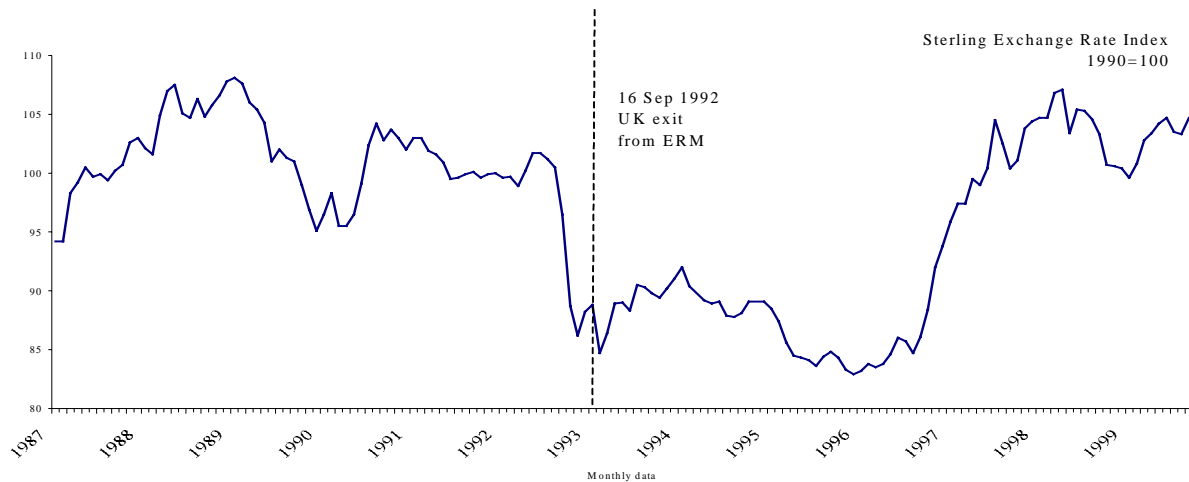
UK Base/Repo Rates *per cent per annum*

Date of change	New rate
1993 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
Sep 8	5.25

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 3-4 of November.
- The ½ percentage point cuts in the repo rate in November and December were the largest change in rates yet made by the MPC.
- Some commentators expected a further rise in interest rates in October. Continuing evidence of economic recovery has again raised expectations of further increases.

D 2. Exchange Rates



Sterling Exchange Rates

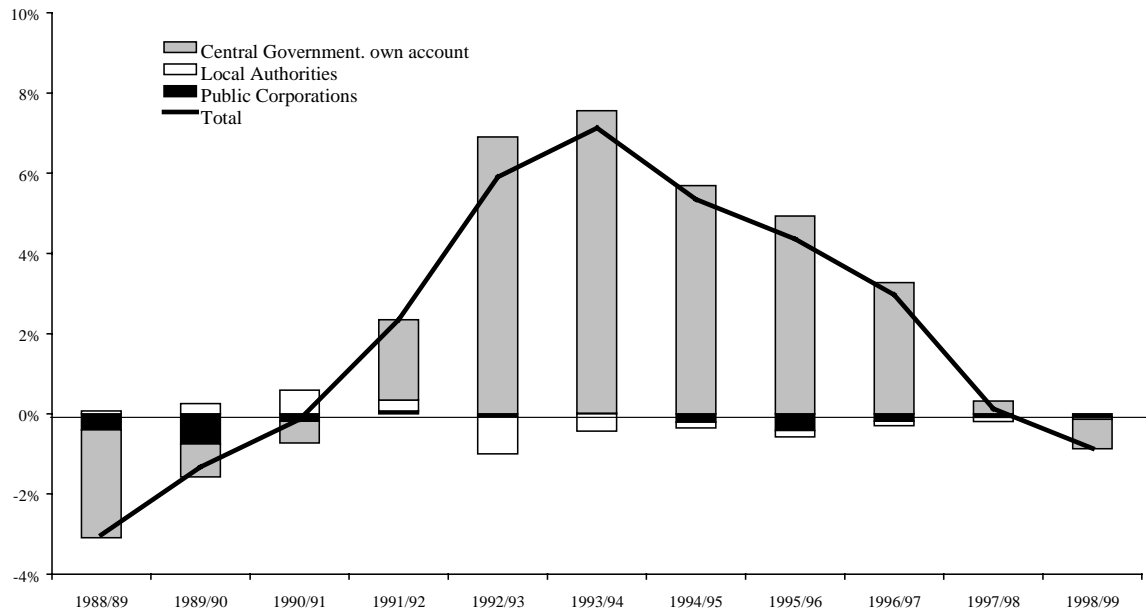
	DM		US\$		Yen		ECU/Euro	
	Rate	% change on year	Rate	% change on year	Rate	% change on year	Rate	% change on year
1993	2.48	-9.7%	1.50	-15.0%	166.73	-25.5%	1.28	-5.7%
1994	2.48	-0.1%	1.53	2.1%	156.40	-6.2%	1.29	0.6%
1995	2.26	-8.9%	1.58	3.0%	148.37	-5.1%	1.22	-5.5%
1996	2.35	4.0%	1.56	-1.1%	170.00	14.6%	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 Jul	..	..	1.57	-4.0%	188.11	-18.7%	1.52	..
1999 Aug	..	..	1.61	-1.4%	182.19	-22.9%	1.51	..
1999 Sep	..	..	1.62	-3.3%	173.74	-23.2%	1.55	..

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

- Changing sentiment towards interest rates world-wide has been the main cause for exchange rate movements in recent months. The US dollar has gained strength following expectations that the Federal Reserve is likely to raise rates. Similar views have helped push up sterling against European currencies. The Japanese Yen has appreciated strongly, partly due to restructuring measures taken in the domestic economy. The value of the euro has recovered somewhat from its lowest values against sterling and the US dollar. However, it is still more than 9% down against sterling and over 10% down against the US dollar since its launch.
- The pound was worth €1.561 at the London market close on October 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



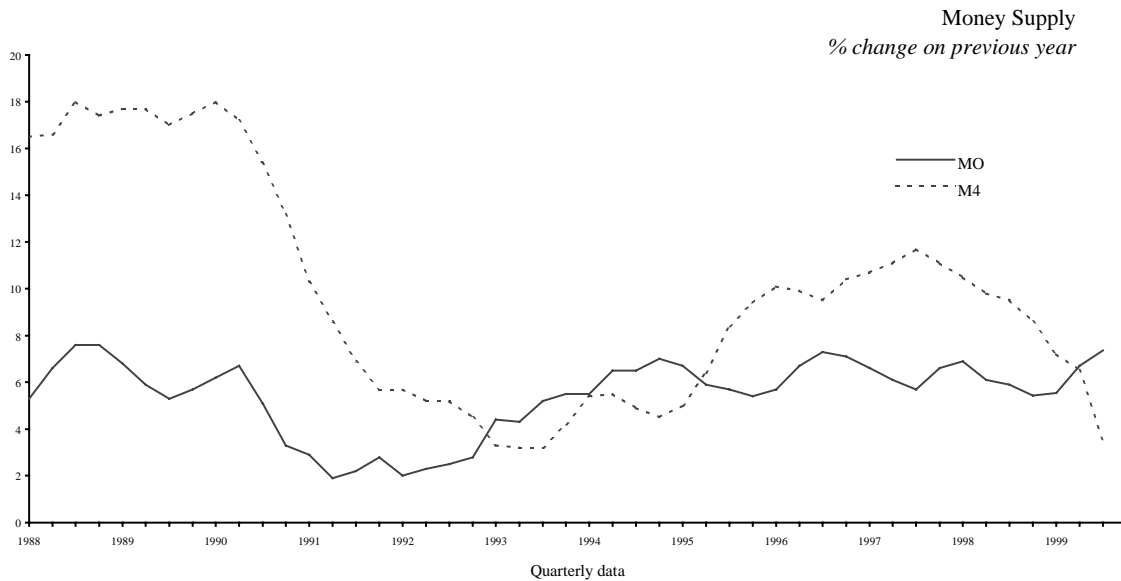
	Public Sector Net Cash Requirement			
	PSNCR		PSNCR excl privatisation receipts	
	£ billion	As a % of GDP	£ billion	As a % of GDP
1996/97	22.7	3.0%	27.2	3.6%
1997/98	1.1	0.1%	2.9	0.4%
1998/99	-7.4	-0.9%	-7.3	-0.9%
1998 Q2	5.4	2.6%	5.6	2.7%
1998 Q3	-2.8	-1.3%	-2.9	-1.4%
1998 Q4	-3.7	-1.8%	-3.9	-1.8%
1999 Q1	-5.9	-2.7%	-5.9	-2.7%
1999 Q2	5.4	2.5%	5.8	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 six months of the 1999/00 financial year was £2.2 billion, £0.4 billion less than over the same period of 1998/99.

Next update: 18 November

D 4. Money Supply



Money stock
seasonally adjusted

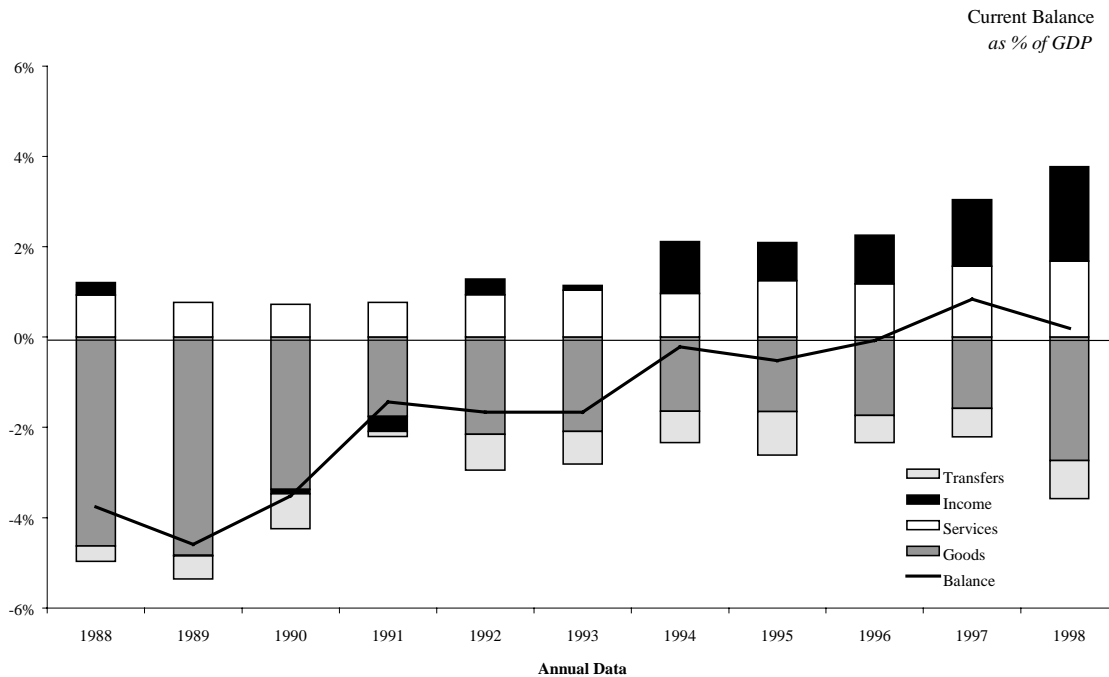
	M0		M4	
	3 month change annualised (%)	12 month change (%)	3 month change annualised (%)	12 month change (%)
1998 Oct	7.2	5.4	5.7	9.2
Nov	6.6	4.9	7.5	8.4
Dec	7.7	6.0	6.2	8.2
1999 Jan	7.6	5.6	4.2	7.6
Feb	6.9	5.3	5.0	7.2
Mar	4.9	5.7	3.5	6.9
Apr	5.8	5.9	7.3	7.3
May	8.5	6.8	6.8	6.9
Jun	8.6	7.3	2.6	5.4
Jul	9.4	7.5	-3.0	3.5
Aug	8.4	7.6	-2.0	4.2
Sep	6.9	7.0	-0.9	2.8
Oct (prov)	6.4	7.3	n.a.	n.a.

Source: Bank of England press notice dated 29 October & 1 November 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 3% compared to rates in excess of 11% in 1997.
- There are now no formal targets for money supply growth.

Next updates: 11, 18 & 29 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 transfers	Current Balance
1996	-13,086	8,897	-4,189	8,111	1,698	-6,220	-4,522	-600
1997	-11,910	12,414	504	11,170	892	-5,943	-5,051	6,623
1998	-20,765	12,253	-8,512	15,174	-118	-6,408	-6,526	136
1998 Q2	-4,874	3,360	-1,514	2,186	479	-1,291	-812	-140
Q3	-5,292	3,197	-2,095	4,590	-13	-1,199	-1,212	1,283
Q4	-6,134	2,611	-3,523	4,829	-513	-2,032	-2,545	-1,239
1999 Q1	-7,403	2,404	-4,999	2,747	698	-2,008	-1,310	-3,562
Q2	-6,763	3,045	-3,718	1,123	359	-1,501	-1,142	-3,737

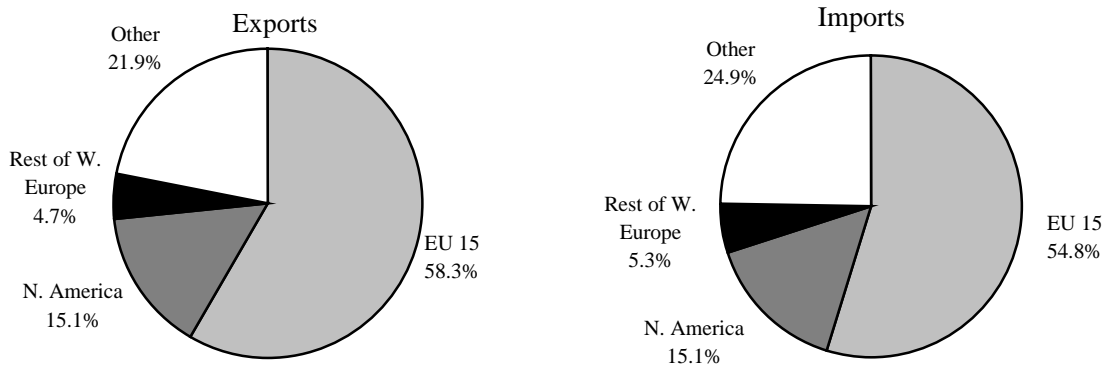
Source: ONS database (Series BOKI, IKBJ, IKBD, HBOJ, FNSV, FNTC, HBOP)

- **Trade in Goods:** Successive quarterly figures continue to show large deficits, indicating a very weak UK trading position, with 1999 Q1 being the worst on record.
- **Trade in Services:** In the second quarter of 1999 the surplus in services was £3,000 million. For 1998 as a whole, the surplus in services was £12,300 million, which was £8,500 million short of offsetting the deficit on trade in 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 a small overall surplus of £140 million in 1998, compared with a surplus of £6,600 million in 1997.

Next update: 22 December

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	119.0	171,783	183,693	-11,910
1998	118.0	129.1	164,132	184,897	-20,765
1998 Q2	118.4	128.6	41,535	46,409	-4,874
Q3	119.2	131.1	41,257	46,549	-5,292
Q4	116.7	131.3	39,845	45,979	-6,134
1999 Q1	114.1	132.5	38,631	46,034	-7,403
Q2	116.1	133.3	39,529	46,292	-6,763

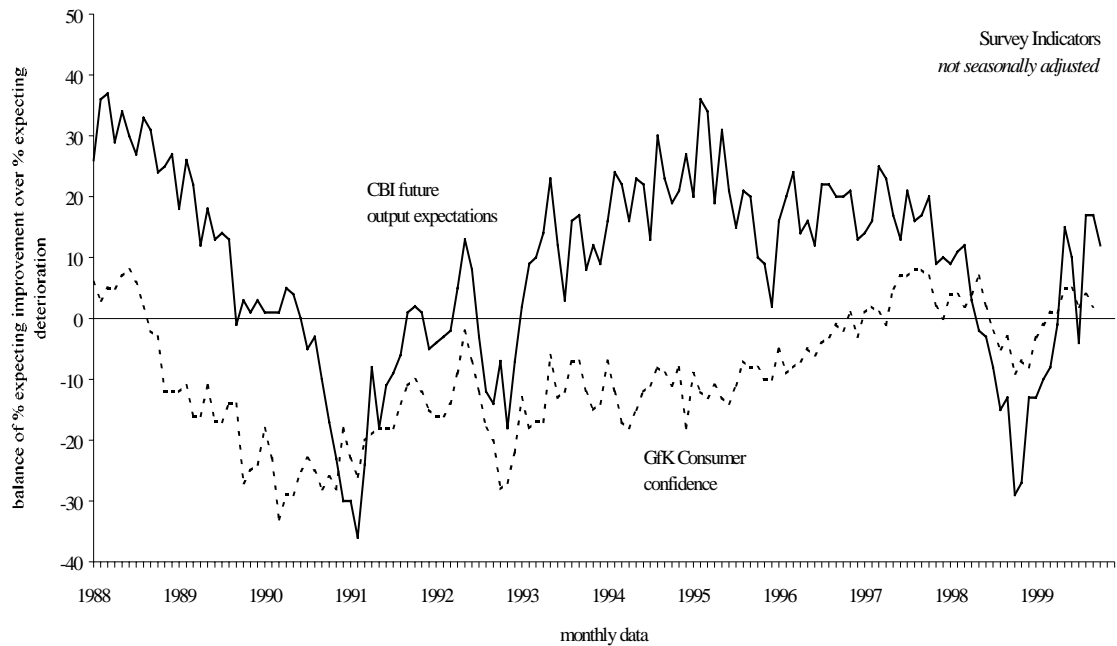
Source: ONS database (Series BOKU, BOKV, BOKG, BOKH, BOKI)

First Release: UK Trade (ONS(99) 370)

- **Overall:** The three largest deficits in trade in goods were recorded in the three most recent quarters, producing a cumulative deficit for the three quarters of £20,300 million. The deficit for 1998 as a whole is estimated at £20,800 million, the largest annual deficit since 1989.
- **1999:** In the three months ending August, the deficit was £6,600 million. During this latest three-month period exports fell by 1.9% in value terms and imports rose by 1.8% compared with the same quarter in 1998. In volume terms, exports rose 2% and imports by 7.4% 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 August is provisionally estimated at £1,900 million.
- **EU and Non-EU trade:** The deficit in trade in goods with non-EU countries for 1998 is provisionally estimated at a record £15,200 million, reflecting in part the slowdown in Asian markets. In volume terms, exports to non-EU countries during the 3 months to September rose 9.6% compared with the same three months in 1998 whereas imports rose 12.7% over the same period. In the three months to August, exports to the EU rose 0.7% compared with the same period and 5.3% compared with the previous three-month period.
- **Trends:** The latest estimate of volume trends shows the UK trade deficit is narrowing.

Next update: 23 November

F 1. Survey Indicators



Output Expectations and Consumer Confidence

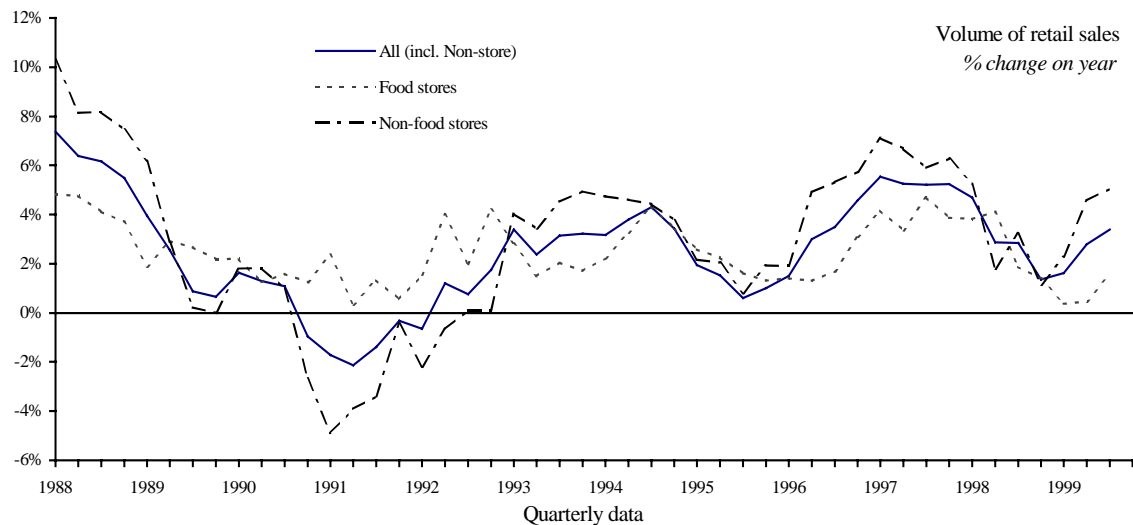
	Balance of % expecting improvement over % expecting deterioration	
	CBI Industrial Trends Survey: future output expectations	Consumer confidence GfK
1998 Oct	-29	-9
Nov	-27	-7
Dec	-13	-8
1999 Jan	-13	-3
Feb	-10	-1
Mar	-8	1
Apr	-1	1
May	15	5
Jun	10	5
Jul	-4	2
Aug	17	4
Sep	17	2
Oct	12	..

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 monthly Industrial Trends Survey for future output levels in manufacturing remains positive. Firms reported strong competition in the domestic market on prices, resulting in profits being squeezed.
- 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.
- Consumer confidence also shows a positive balance, though the low numbers would indicate that this is still relatively fragile.
- Any rise in interest rates over the next few months could dent the figures. In the case of manufacturers, higher interest rates could put pressure on the value of sterling, creating difficult conditions for exporters.

Next update: late November

F 2. Retail Sales



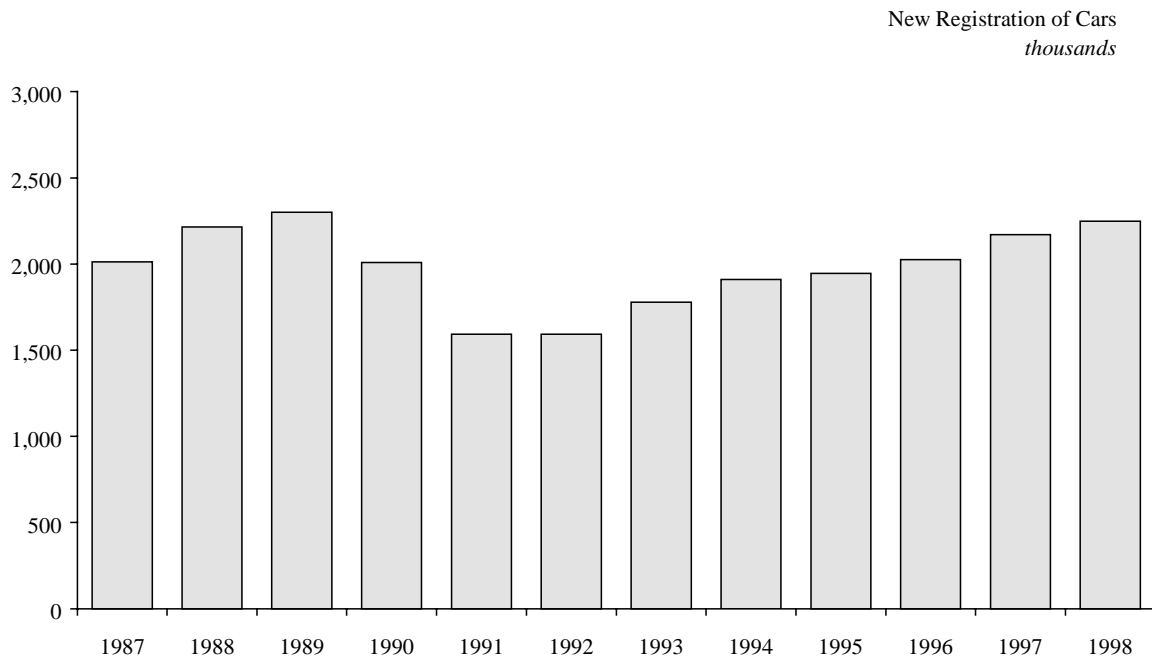
	Value of Sales <i>not seasonally adjusted; % change on year</i>			
	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food
1996	4%	5%	9%	5%
1997	4%	8%	10%	7%
1998	4%	3%	6%	4%
1998 Q3	2%	4%	7%	5%
Q4	4%	-1%	2%	2%
1999 Q1	5%	3%	5%	3%
Q2	0%	3%	3%	4%
Q3	3%	4%	6%	3%

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

- In the three months July to September 1999, the volume of retail sales grew by 1.0% over the previous three-month period, reaching a level 3.4% higher than a year previously. Sales in the single month of September were 3.7% higher than a year ago.
- Growth in retail sales volumes were much stronger in predominantly non-food stores (5.1% in the year to September 1999) than in food stores (2.2%). Sales volumes are growing particularly strongly in household goods stores (7.9% over the year to September 1999).
- In September 1999, the non-seasonally adjusted value of retail sales was 3% higher than a year earlier. The average weekly value of retail sales in September was £3,205 million. For the third quarter of 1999 the growth in the value of retail sales was strongest in the household goods sector (6% higher than 1998 Q3). In both the food, drink & tobacco sector and the clothing & footwear sector, growth in the value of retail sales was 2% growth over the same period.

Next update: 18 November

F 3. New Registrations of Cars



New Registrations of Cars
not seasonally adjusted

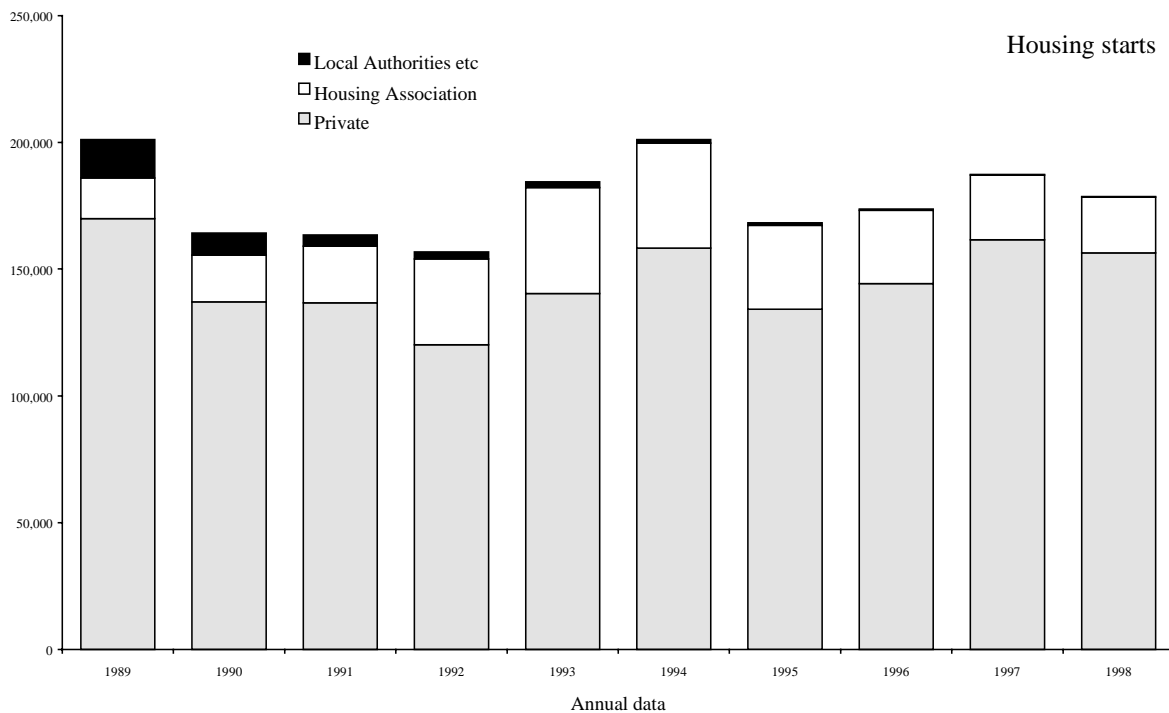
	Numbers thousands	Change over 12 months
1995	1,945	1.8%
1996	2,026	4.1%
1997	2,171	7.2%
1998	2,247	3.5%
1999 (forecast)	2,200	-2.1%
2000 (forecast)	2,200	0.0%
2001 (forecast)	2,250	2.3%
<hr/>		
1999 May	176	1.8%
June	196	15.7%
July	167	341.5%
August	74	-85.3%
September	387	136.9%

Source: SMMT "Monthly Statistical Review", Sep 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 2.1% in 1999 followed by no significant change in 2000 and an increase of 2.3% in 2001.
- Registrations in September 1999 were 136.9% higher than in the same month last year. This reflects the move introduction of twice-yearly plates in March and September 1999, compared to just annually in August as in previous years. Registrations over the first nine months of the year fell 1.3% to 1,820,096.
- The market share of British built cars fell from 32.3% to 28.4% over the first nine months of 1999 following a 13.2% fall in registrations.

Next update: 22 November

F 4. Housing



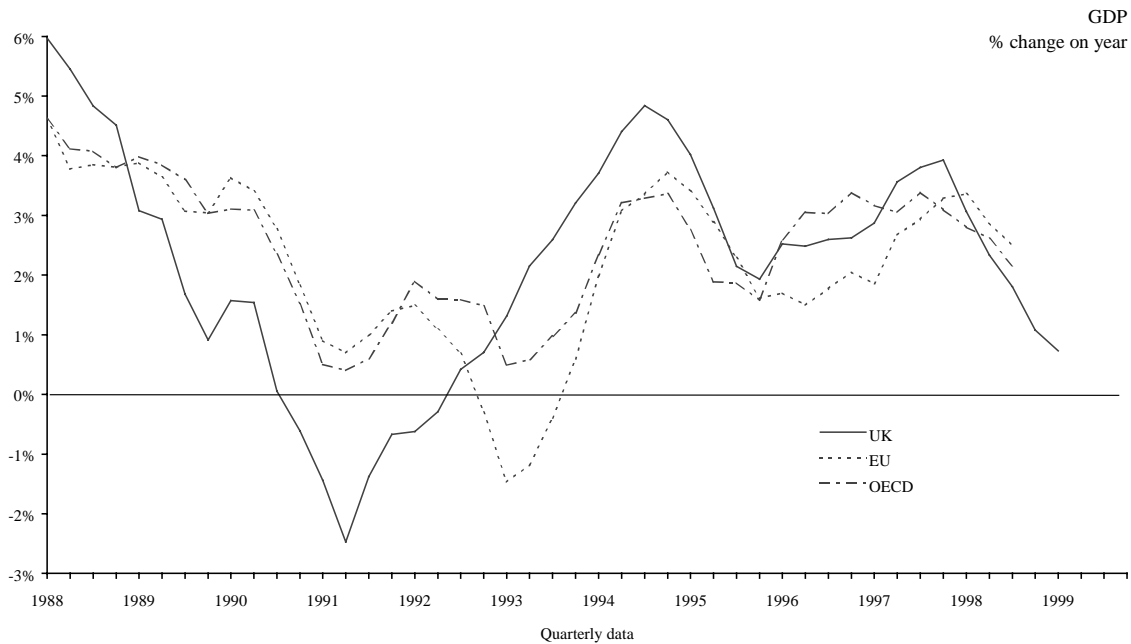
<u>House prices</u>				
	All Houses	New Houses	Existing Houses	First time buyers
Standardised average price (£)				
1998 Q3	72,900	75,900	72,800	52,800
1998 Q4	72,900	75,900	72,800	52,800
1999 Q1	72,900	76,200	72,500	53,300
1999 Q2	76,500	77,500	76,600	54,900
1999 Q3	79,300	81,600	79,400	57,400
% change over same period last year				
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%
1999 Q2	5.4%	0.8%	5.7%	4.8%
1999 Q3	8.8%	7.5%	9.1%	8.7%

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

- According to the latest DETR press release, in the three months June to August total starts fell by 2 per cent and total completions rose by 8 per cent compared with the previous three months. Private enterprise starts fell by 1% while completions also rose by 8 per cent.
- The Halifax Monthly Index shows that house prices in the United Kingdom rose by 2.8% in October (seasonally adjusted). On an annual basis, house price inflation rose to 10.8% from 8.8% in September.
- The Halifax Quarterly Index gives information about regional variations in house price inflation. In the third quarter of 1999, the largest annual increase occurred in Greater London (20.6%) followed by the South East (13.3%). Scotland was the only region with a recorded fall.

*Next update: 2 December &
January 14*

G 1. International Comparisons - Growth



GDP at constant market prices
% change on year

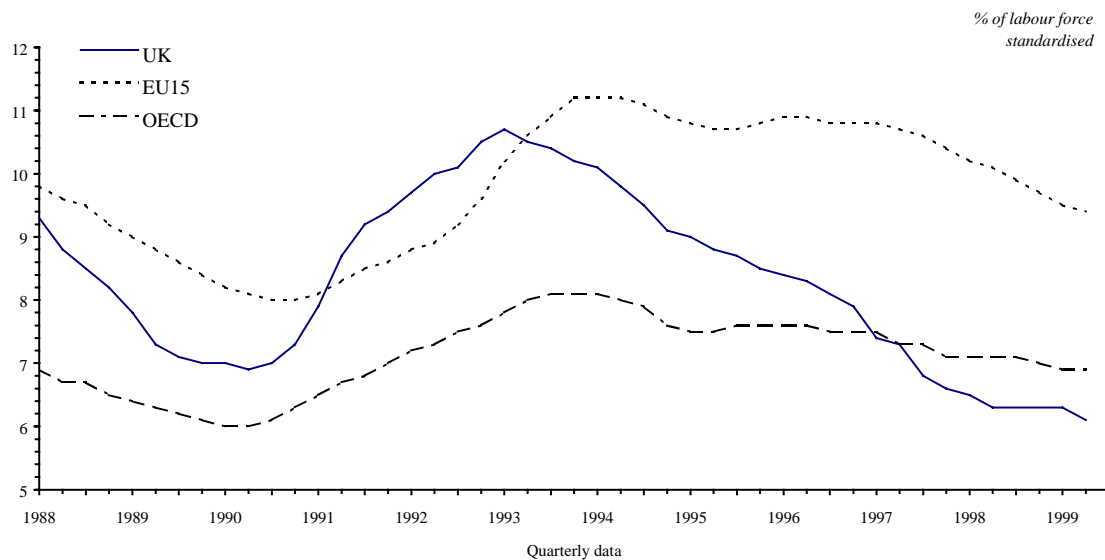
	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1
USA	3.4%	3.9%	3.9%	4.1%	3.6%	3.5%	4.3%	..
Japan	5.0%	1.5%	-2.9%	-3.6%	-1.9%	-3.1%	-3.0%	..
Canada	1.2%	3.8%	3.0%	3.9%	3.0%	2.3%	2.8%	..
United Kingdom	2.6%	3.5%	2.1%	3.1%	2.3%	1.8%	1.1%	0.7%
Germany	1.3%	2.3%	2.5%	3.4%	2.2%	2.8%	1.8%	..
France	1.5%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



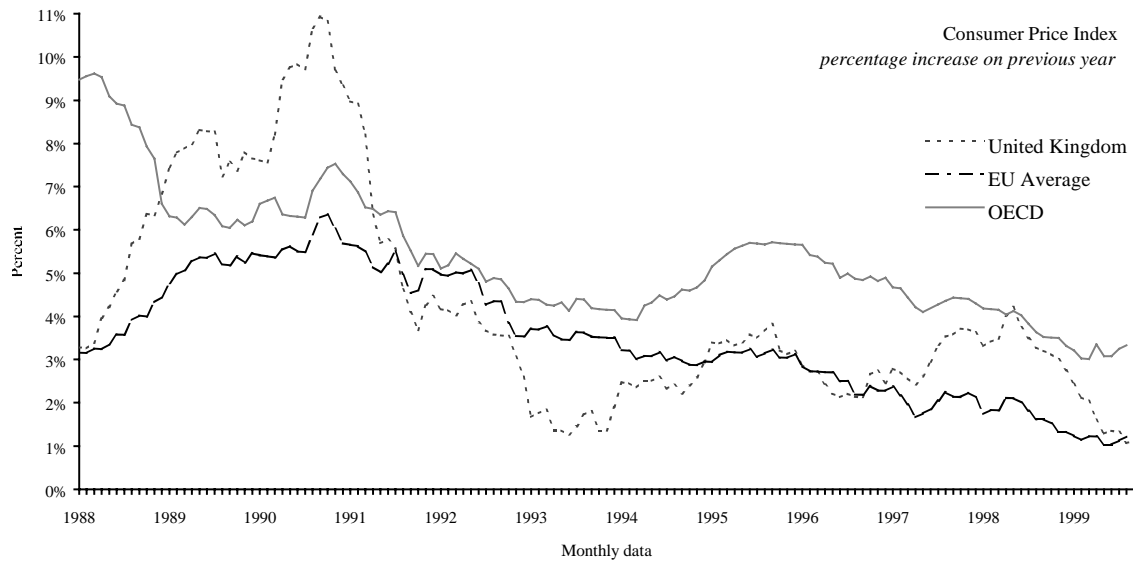
	Unemployed as % of labour force <i>standardised; seasonally adjusted</i>						
	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2
USA	5.4	4.9	4.5	4.5	4.4	4.3	4.3
Japan	3.4	3.4	4.1	4.2	4.4	4.6	4.8
Canada	9.7	9.2	8.3	8.3	8.0	7.8	8.0
United Kingdom	8.2	7.0	6.3	6.3	6.3	6.3	6.1
Germany	8.9	9.9	9.4	9.3	9.2	9.0	9.1
France	12.4	12.3	11.7	11.7	11.6	11.4	11.2
Italy	12.0	12.1	12.3	12.3	12.2	12.0	..
EU 15	10.8	10.7	10.0	9.9	9.7	9.5	9.4
G7	6.8	6.6	6.4	6.4	6.4	6.3	6.3
OECD	7.7	7.4	7.1	7.1	7.0	6.9	6.9

Source: OECD Main Economic Indicators

- Using standardised definitions, the UK unemployment rate was significantly below the EU average in 1999 Q2 and marginally below both the OECD and G7 average.
- The unemployment rate in the euro-zone (the eleven Member States participating in the single currency) stood at 10.2% in August 1999 – nearly a percentage point higher than the rate of 9.3% 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 12.9% in June 1999 on a standardised basis, compared to 5.7% in Austria, 8.6% in Germany, 25.6% in France and 29.6% in Spain (the highest in the EU).

Next update: mid November

G 3. International Comparisons – Prices



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

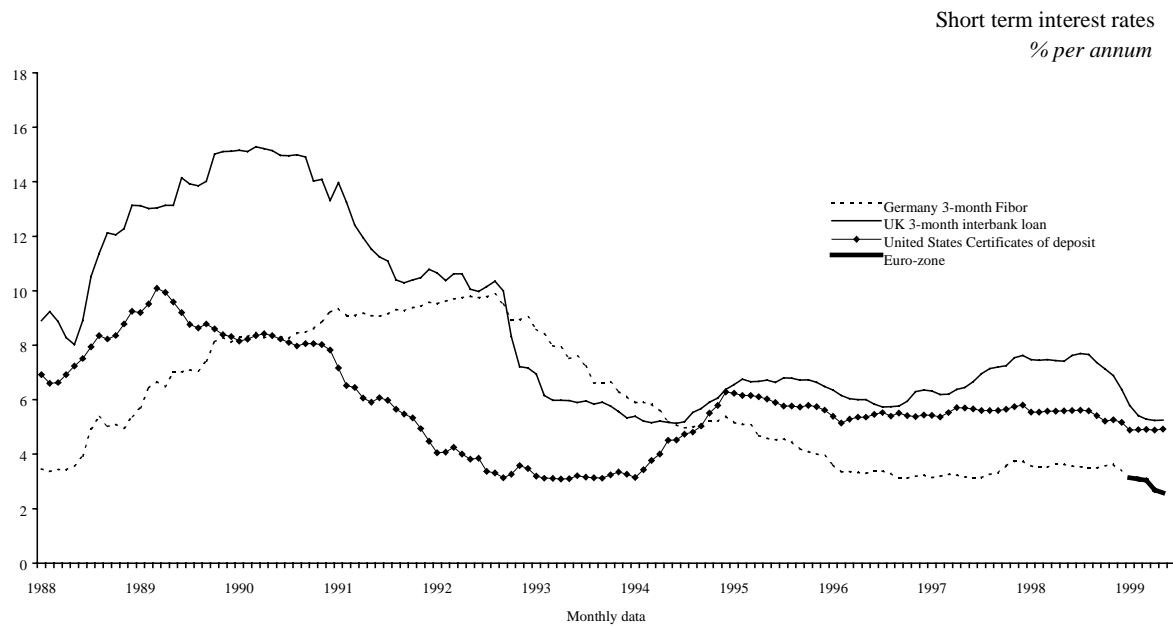
	USA	Japan	Canada	UK	Germany	France	Italy	OECD	EU15
1996	2.9	0.1	1.6	2.5	1.5	2.1	3.8	5.1	2.5
1997	2.4	1.8	1.6	3.1	1.7	1.1	1.8	4.2	2.0
1998	1.5	0.6	1.0	3.4	1.0	0.7	1.7	3.7	1.7
1999 Mar	1.8	-0.4	1.1	2.0	0.4	0.4	1.3	3.0	1.1
Apr	2.3	-0.1	1.7	1.6	0.7	0.4	1.5	3.4	1.6
May	2.2	-0.4	1.5	1.3	0.4	0.4	1.5	3.1	1.3
Jun	2.0	-0.3	1.5	1.4	0.4	0.3	1.4	3.1	1.3
Jul	2.1	-0.1	1.8	1.3	0.6	0.4	1.7	3.2	1.4
Aug	2.3	0.3	2.1	1.1	0.7	0.5	1.7	3.3	1.6

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 1.2% in September 1999. The UK's inflation rate on this basis was also 1.2%.
- The inflation rates for the other three Member States not participating in the Single Currency for September 1999 were (on a harmonised basis) Greece: 1.5%, Denmark: 2.4% and Sweden: 1.1%.
- Harmonised inflation rates in the EU in September ranged from 2.6% in Ireland to just 0.6% in France and in Austria.

Next update: late November

G 4. International Comparisons - Interest Rates



International Interest Rates as at 1 November 1999

	Yield on 10 yr Government bonds (% pa)	3-month rate (% pa)
United Kingdom	5.37	$5 \frac{4}{32}$
United States	6.10	$6 \frac{1}{8}$
Switzerland	3.38	$1 \frac{13}{16}$
Japan	1.69	$\frac{7}{32}$
Euro-zone	..	$3 \frac{7}{16}$

Source: *Financial Times*, 2 November 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. There is a general expectation that rates in the US, the UK and in the euro zone will rise in the forthcoming months as economic activity picks up.