



Economic Indicators, November 2009

RESEARCH PAPER 09/81 3 November 2009

This Research Paper series summarises the main economic indicators currently available for the UK, along with comparisons with other major OECD countries for selected indicators.

The series also includes articles on topical issues.

This month's article: **Comparing recessions**

Daniel Harari (editor)

Recent Research Papers

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Research Paper 09/81

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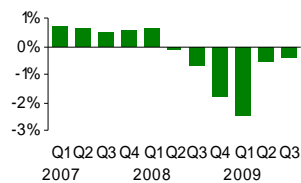
Summary

Preliminary GDP data from Q3 showed the economy contracted by 0.4% (see [page 1](#)). Economists had been expecting an expansion in output given the improvements in business and consumer confidence surveys taken at the time ([page 19](#)). A recovering housing market ([page 21](#)), falling inflation ([page 7](#)) and a slowing rate of increase in unemployment ([page 11](#)) have also supported expectations of a more upbeat economic outlook.

GDP Growth

[page 1](#)

(% change quarter-on-quarter)

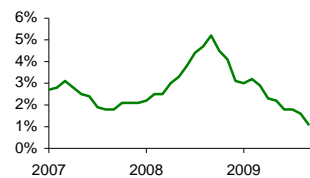


GDP contracted by 0.4% in Q3 2009 compared with Q2 2009. This was the sixth consecutive quarter of negative growth. Growth in the year to Q3 2009 was -5.2%, compared with -5.5% in the year to Q2 2009.

Inflation (CPI)

[page 7](#)

(% change on year ago)

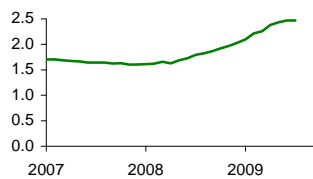


In the year to September, CPI inflation slowed to 1.1%, from 1.6% in August, the lowest it's been since September 2004.

Unemployment

[page 11](#)

(total, millions, ILO definition)

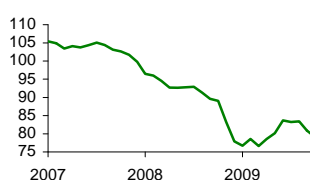


ILO unemployment rose to 2.47 million in the period June-August 2009, a rise of 0.68 million compared to the same period a year ago.

Exchange rates

[page 18](#)

(Sterling Exchange Rate Index, Jan 2005=100)

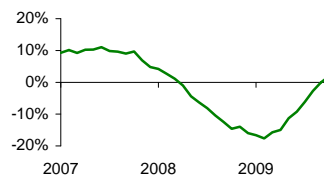


The pound depreciated by 2.2% in October according to the Sterling Exchange Rate Index, which measures sterling against a trade-weighted group of currencies.

House prices

[page 21](#)

(Nationwide, % change on a year ago)



The Nationwide survey showed house prices rising by 2.0% in October compared with a year ago. This was the first year-on-year increase recorded since March 2008.

Next issue: 1 December

Editor: Daniel Harari

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis, please contact us. *Economic Indicators*, with updated data, can also be found on the parliamentary intranet: <http://hcl1.hclibrary.parliament.uk/wdw/subject/ei.asp>.

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I Introduction to *Economic Indicators*

Economic Indicators Research Papers are published on the **first Tuesday** of the month. Individual indicators are updated and made available through the Library's intranet both under the relevant [subject page headings](#), and collectively on the [Economic Indicators](#) subject page.¹

Changes to *Economic Indicators*

Economic Indicators has undergone a redesign with some new pages added and the layout of some existing pages changed. We hope you will find the new-look publication an improvement. If you have any feedback on the changes please call the editor, Daniel Harari, on x2464.

Weekly email alert

A weekly email alert with updated indicators is available on request. Please call Rod McInnes on x3793.

Sources and glossary

A guide to sources is provided in [Section IV](#). Economic terms, symbols and abbreviations used in the publication are described in the glossary in [Section V](#).

Contacts

Members and their staff are encouraged to talk to Library subject specialists. A comprehensive guide is available in *Using the Library*.² Researchers are not able to discuss pages with members of the public. For enquiries in these subject areas please contact the following specialists:

Subject	Statistician	tel. extn.
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EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Ed Potton/Daniel Harari	2883/2464
Financial services	Ed Potton	2883
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Industries	Daniel Harari	2464
National accounts	Dominic Webb	4324
International development	Ian Townsend	2042
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¹ <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

² http://hcl1.hclibrary.parliament.uk/general_pdf/usingthelibrary.pdf

II Article – Comparing recessions

The news from the Office for National Statistics on 23 October that preliminary data show the economy remained in recession during the third quarter of 2009 confounded economists' expectations. This article looks at the current recession and how it compares to the recessions in the early 1980s and early 1990s. It also provides a comparison of the recession in the UK with other countries.

1. Current recession

A recession is normally defined as two successive quarters of negative GDP growth. The UK economy has been contracting since Q2 2008, or the past six quarters, with latest data from the ONS showing GDP declining by 0.4% during Q3 2009. It should be noted that this was the first preliminary release of GDP data, and is subject to revision. Economists had been expecting the economy to expand; a survey of 35 analysts by *Reuters* prior to the data's release predicted a rise of 0.2%, with not a single forecaster expecting a contraction.³

The unemployment rate (ILO definition) has risen from 5.2% during January-March 2008 to 7.9% during July-August 2009, with the number of people unemployed having increased from 1.6 million to 2.5 million during that period. The number of people in employment has fallen from 29.5 million in January-March 2008 to 28.9 million during July-August 2009.

2. Comparisons with the past two UK recessions

The last recession in the UK occurred between Q3 1990 and Q3 1991, with the one prior to that taking place between Q1 1980 and Q1 1981.

2.1 Output

The table below summarises the output data for the past three recessions:

	Recession		
	1980-81	1990-91	2008-09(a)
Length of recession (in quarters)	5	5	6
Total decline in GDP	-4.7%	-2.5%	-5.9%
Return to pre-recession GDP level	Q1 1983	Q3 1993	-
Time taken to return to pre-recession GDP level, in quarters	8	8	-

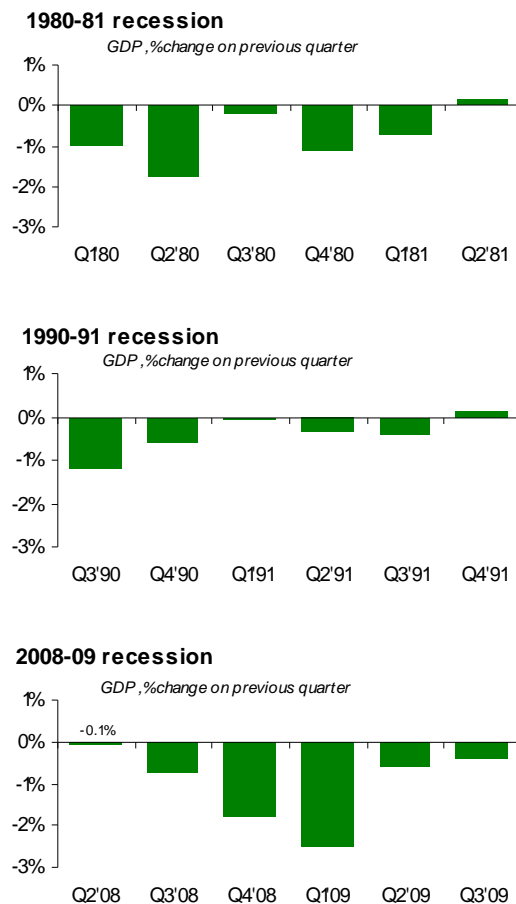
Source: ONS; library calculations

Note: (a) up to Q3 2009

- At present, the current recession has seen GDP fall by 5.9% compared with its pre-recession level in Q1 2008.
- The six consecutive quarters of contracting output from Q2 2008 to Q3 2009 is the longest period of falling output since ONS records began in 1955. The previous two recessions both lasted five quarters.

- Another gauge of the severity of a recession is the decline in output suffered from pre-recession levels. By the end of the 1980-81 recession, GDP had declined by a total of 4.7% and only returned to its pre-recession output level in Q1 1983.⁴ The 1990-91 recession was less severe, with a decline in GDP of 2.5% by the end of the downturn, although it took a further two years (Q3 1993) before GDP reached its pre-recession level.

The charts below compare GDP growth during the past three recessions, with the first column representing the initial quarter of contraction.



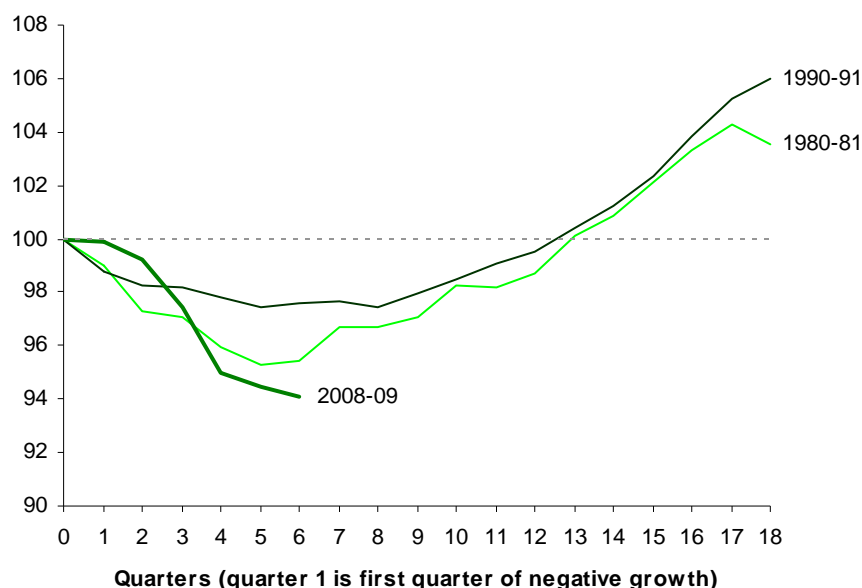
- The 1990-91 recession stands out for the relatively modest falls in quarterly GDP growth compared with the 1980-81 and 2008-09 recessions.
- The 2.5% contraction in GDP recorded in Q1 2009 was the largest quarterly decline since Q2 1958, and equivalent to the entire fall in output during the 1990-91 recession.

The chart below shows an alternative illustration of the relative paths of GDP during the past three recessions. The data are indexed so that GDP in the quarter immediately prior to the first quarter of falling output equals 100 in each case.

³ "UK still in recession after shock Q3 contraction", *Reuters*, 23 Oct 2009

⁴ It can be argued that this recession actually began in Q3 1979 when GDP contracted by 2.4% (q-o-q). In the following quarter GDP rose by 1.0%, before falling again in Q1 1980. If we use Q3 1979 as the starting point of the recession, the decline in GDP totalled 6.0% from its pre-recession level, marginally more than the current recession to date (currently -5.9%).

Path of real GDP: the past three recessions
 Quarter immediately before the first quarter of negative growth = 100



2.2 Unemployment

The table below summarises unemployment data for the past three recessions, using the ILO definition of unemployment:⁵

Recession statistics - unemployment

	Recession		
	1980-81	1990-91	2008-09(a)
Unemployment rate in qtr before recession	5.5%	6.9%	5.2%
Unemployment rate at end of recession	8.9%	9.2%	7.9%(b)
Peak in cyclical unemployment rate	11.9%	10.7%	-
Date of peak in cyclical unemployment rate	Apr 1984	Feb 1993	-

Source: ONS; library calculations

Note: (a) up to Q3 2009 (b) Unemployment rate in the three months to August 2009

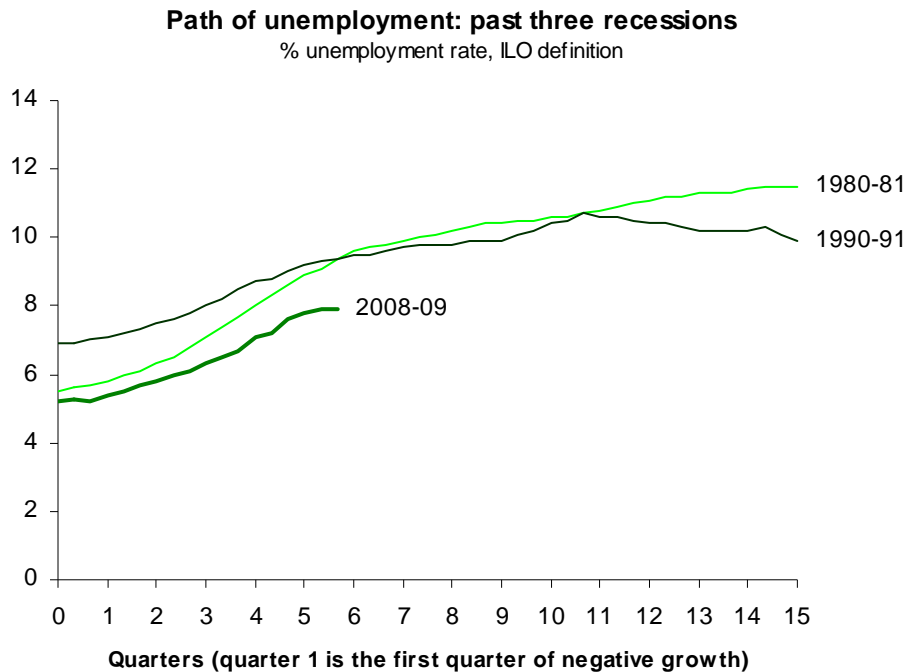
- The 1980-81 recession saw the unemployment rate increase from 5.5% prior to the onset of recession in Q4 1979 to 8.9% in the last quarter of the recession in Q1 1981. Thereafter it continued to increase until Q2 1984, over three years after the technical end to the recession, when it reached 11.9%.
- During the 1990-91 recession the unemployment rate rose from 6.9% in the quarter prior to the beginning of recession (Q2 1990) to 9.2% in the last quarter of recession

⁵ Following the 1980-81 recession, the claimant count measure of unemployment (seasonally adjusted) peaked at 3.09 million, or 10.6%, in July 1986, more than two years later than the peak in ILO unemployment. Following the 1990-91 recession, the claimant count peaked at 2.96 million in December 1992. The rate by this measure was 9.9% from December 1992 to April 1993, matching the February 1993 peak in the ILO unemployment rate. Provisional September 2009 data show a seasonally adjusted claimant count of 1.63 million, 5.0%.

in Q3 1991. It then rose further to a cyclical high of 10.7% in the quarter to February 1993.

- The current recession has seen the unemployment rate increase from 5.2% in the quarter to March 2008 to 7.9% in the quarter to August 2009.

The chart below compares the path of unemployment in the past three recessions:



- The unemployment rate is currently below that seen in the previous two recessions.
- The pattern of growth in unemployment in the current recession has been similar to that in the 1990-91 recession. By contrast, the rate of increase in unemployment was faster in 1980-81, from a similar rate before the economy began contracting.

With unemployment generally tending to lag changes in GDP growth – as borne out in the last two recessions – further increases in unemployment can be expected even when the economy is officially deemed to have exited recession. It has however, been argued that differences in the structure of the current labour market, such as more part-time work, greater wage flexibility and more service sector employment, make it better placed to avoid a long post-recession period of increasing unemployment such as that seen in the early 1980s.⁶

3. International Comparisons

The downturn in global economic activity has been felt across the world, with many countries, including all G7 economies, falling into recession in 2008. A number of countries have since exited recession (at least temporarily).

⁶ These is a discussion of flexible working practices and their impact on the labour market during and following the current recession in the Bank of England, *Inflation Report*, August 2009, page 29

Apart from its length, the severity of the downturn can also be measured by the decline in economic output that occurred during the recession. The table below summarises some features of the recessions in the G7 countries.

G7 recessions

	Recession			
	Entered(a)	Exited(b)	Length, qtrs(b)	decline in GDP(c)
UK	Q2 2008	-	6	5.9%
US	Q3 2008	Q3 2009	4	3.8%
Japan	Q2 2008	Q2 2009	4	8.4%
Germany	Q2 2008	Q2 2009	4	6.7%
France	Q2 2008	Q2 2009	4	3.8%
Italy	Q2 2008	-	5	6.5%
Canada	Q4 2008	-	3	3.3%

Source: National statistics agencies; library calculations

Note: (a) Signifies first quarter of contraction in the recession

(b) Only the UK and US have published Q3 2009 data at the time of writing

(c) From pre-recession levels

The UK has been in recession longer than other G7 economies (assuming Italy's GDP didn't contract in Q3), with output declining for six consecutive quarters. Japan, Germany and France came out of recession in Q2 2009, with the US exiting in Q3.

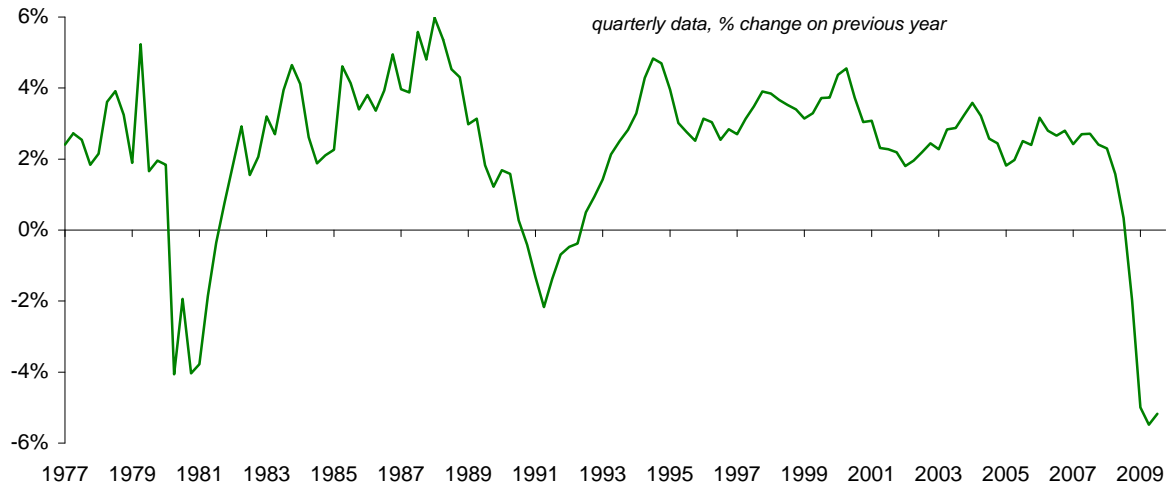
However, by comparing the decline in GDP from pre-recession levels, the UK's 5.9% contraction is less severe than Japan's (-8.4%), Germany's (-6.7%) and Italy's (-6.5%). The US, France and Canada all experienced declines in GDP of less than 4% during their recessions.

Daniel Harari

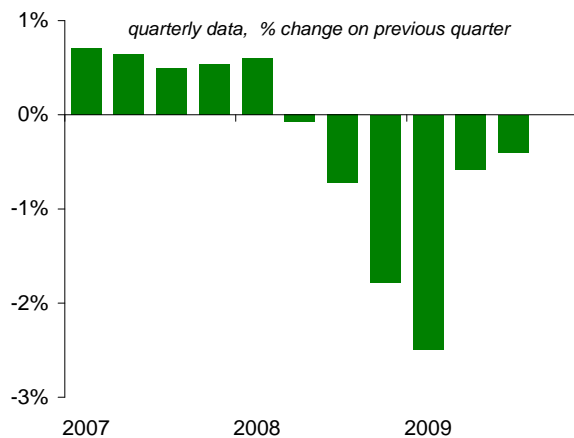
A1: Gross Domestic Product

The economy contracted by 0.4% in Q3 2009. This was the sixth successive quarter of negative growth for the UK economy which entered into recession in Q2 2008. In October 2009, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -4.3%, and for 2010 was 1.2%.

Real GDP Growth since 1977



Real GDP Growth since 2007



Gross Domestic Product

£ billion & %; seasonally adjusted

	Current prices		Real GDP (inflation-adjusted)	
	£ billion	% change on year	% change on quarter	% change on year
2007	1,399	5.5	...	2.6
2008	1,446	3.4	...	0.6
2008 Q3	362.2	3.0	-0.7	0.3
Q4	358.4	1.0	-1.8	-2.0
2009 Q1	347.7	-4.0	-2.5	-5.0
Q2	347.9	-4.3	-0.6	-5.5
Q3	...	...	-0.4	-5.2

Source: ONS, series: YBHA, ABMI

- The economy contracted by 0.4% in Q3 of 2009, compared to Q2 of 2009. That compares with a decline of 0.6% in Q2 2009, compared with Q1 2009.
- The contraction in the economy of -2.5% between Q4 2008 and Q1 of 2009 was the largest percentage fall in quarterly GDP since Q2 of 1958 (-2.6%).
- In Q3 2009, GDP fell by 5.2% compared with the same period a year ago, slightly higher than the 5.5% decline recorded in Q2.
- Total output of the economy has now fallen by 5.9% from its pre-recession level of Q1 2008.

Contact: Grahame Allen, x3977

Updates: HM Treasury, [Forecasts for the UK Economy](#), 19 Nov
ONS, [Quarterly National Accounts](#), 25 Nov

A2: GDP: International Comparisons

France, Germany and Japan emerged from recession with quarter on quarter growth in Q2 2009. The US also emerged from recession in Q3, with 0.9% growth.

The rate of contraction slowed in the UK in Q2 and Q3 (based on preliminary data), the UK remains in recession, having experienced six successive quarters of contraction since Q2 2008.

Compared with the previous year the US economy contracted by 2.3% in Q3, compared with 5.2% for the UK (Q3 data are currently not available for other major economies).

Real GDP, % changes

	2008	change on previous quarter					change on prev. year		
		Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q1 09	Q2 09	Q3 09
US	0.4	-0.7	-1.4	-1.6	-0.2	0.9	-3.3	-3.8	-2.3
Japan	-0.7	-1.3	-3.4	-3.3	0.6	..	-8.4	-7.2	..
UK	0.6	-0.7	-1.8	-2.5	-0.6	-0.4	-5.0	-5.5	-5.2
Germany	1.3	-0.3	-2.4	-3.5	0.3	..	-6.7	-5.9	..
France	0.4	-0.3	-1.4	-1.4	0.3	..	-3.5	-2.8	..
Eurozone	0.6	-0.4	-1.8	-2.5	-0.2	..	-4.9	-4.8	..
G7	0.3	-0.7	-1.8	-2.2	-0.1	..	-4.7	-4.7	..
OECD	0.6	-0.6	-1.9	-2.2	0.0	..	-4.7	-4.6	..

Source: OECD, *Main Economic Indicators* (via OECD.Stat website)

The European Commission's [November 2009 growth forecasts](#) suggest that the UK will contract 4.6% in 2009, compared with contractions of 2.2% in France and 5.0% in Germany (and the fastest contraction of 7.5% in the eurozone in Ireland).

The [IMF's October 2009 forecast](#) is for contraction of the world economy by 1.1% in 2009, down 0.3 percentage points on its [July 2009 forecast](#). Growth of 3.1% is now expected in 2010 (cf. 2.5% expected in July).

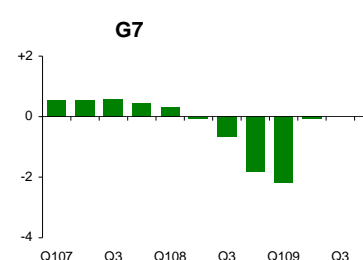
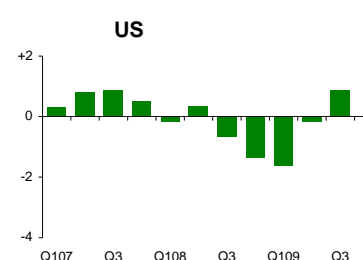
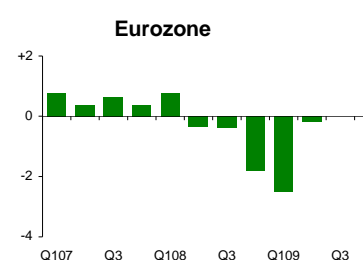
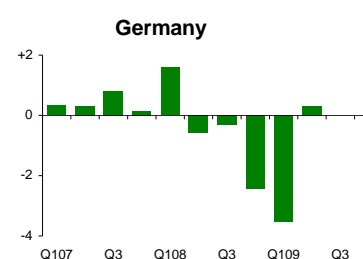
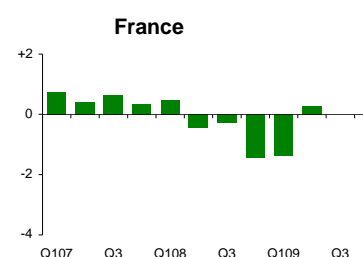
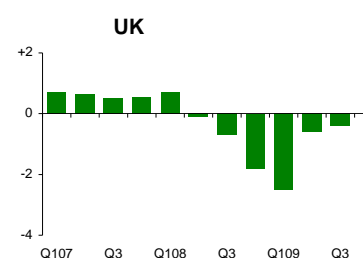
The UK economy is expected to contract 4.4% in 2009 (then expand 0.7% in 2010). Japan is expected to contract by more (5.4%) this year, but then grow faster in 2010 (1.7%). France's economy is expected to contract 2.4% and Germany's 5.3% in 2009. China's growth in 2009 was also revised up.

June 2009's [OECD forecasts](#) suggested a 4.1% contraction in developed economies this year (Ireland contracting most, 9.8%), but were more positive than in [March 2009](#).

Real Growth Forecasts (% change)

	EC (Nov 09)		IMF (Oct 09)		OECD (Jun 09)	
	2009	2010	2009	2010	2009	2010
UK	-4.6	0.9	-4.4	0.7	-4.3	0.0
Eurozone	-4.0	0.7	-4.2	0.3	-4.8	0.0
US	-2.5	2.2	-2.7	1.5	-2.8	0.9
Japan	-5.9	1.1	-5.4	1.7	-6.8	0.7
OECD	..	..	..	..	-4.1	0.7
China	8.7	9.6	8.5	9.0	7.7	9.3
India	..	..	5.4	6.4	5.9	7.2
World	-1.2	3.1	-1.1	3.1	..	..

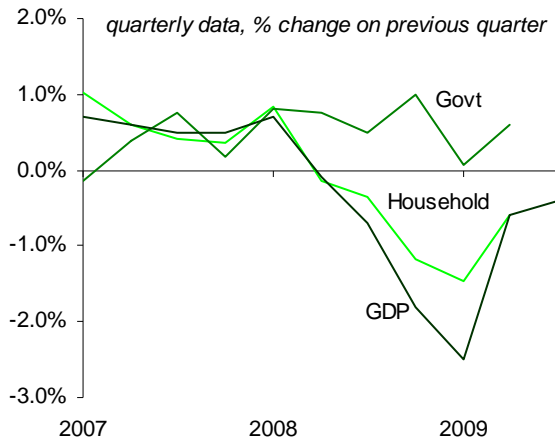
Sources: OECD, *Ec Outlook*, Jun 09; IMF, *WEO*, Oct 09; EC, Nov 09, p6 & Annex 1



A3: Components of GDP

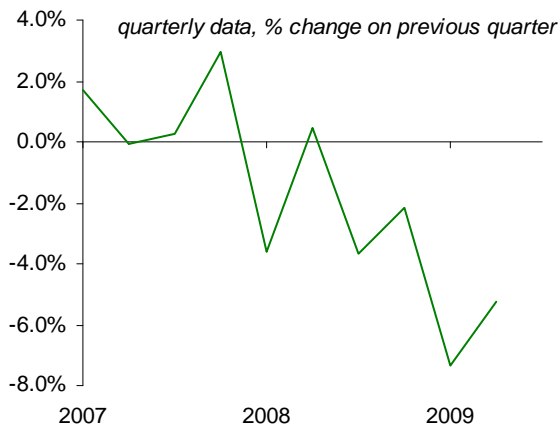
Total GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 62% of the total. Government consumption accounts for 21% of GDP and gross fixed capital formation for 17%.

Household consumption, government consumption and GDP



- Government consumption has been the main element of demand supporting the economy recently. It is 2.2% higher than a year ago, while household consumption is 3.6% lower.
- Household consumption has fallen for five quarters while government consumption has grown in every quarter over this period.
- Inventories (stocks held by companies to meet future demand) play an important role in the economic cycle. The rate at which inventories are being run down slowed in Q2 making a positive contribution to growth.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- GFCF has fallen for the last four quarters. In 2009, Q2 it was 17.2% below its level a year earlier.
- Business investment fell by 10.2% in Q2, 2009 and is 21.8% below its level of a year ago.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2007 (annual % change)	2.5%	1.2%	7.8%	-2.8%	-0.7%	2.6%
2008 (annual % change)	0.9%	2.5%	-3.3%	1.0%	-0.8%	0.6%
2008 Q3	-0.3%	0.5%	-3.6%	-1.0%	-1.3%	-0.7%
2008 Q4	-1.2%	1.0%	-2.2%	-4.0%	-5.5%	-1.8%
2009 Q1	-1.5%	0.1%	-7.3%	-7.1%	-7.0%	-2.5%
2009 Q2	-0.6%	0.6%	-5.2%	-1.4%	-2.2%	-0.6%
2009 Q3	..	..	..	..	..	-0.4%

Source: ONS series ABJR, NMRY, NPQT, IKBK, IKBL and ABMI

Note: (a) gross fixed capital formation

Contact: Dominic Webb, x4324

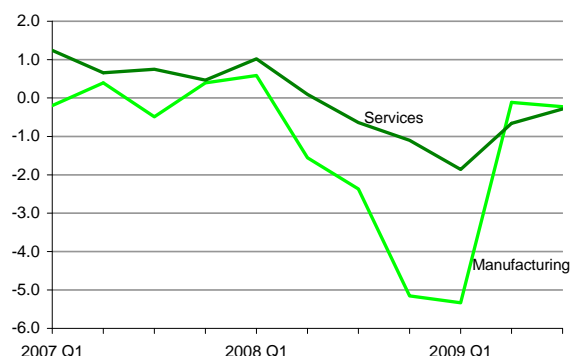
Update: ONS, [UK Output, income and expenditure](#), 25 Nov

A4: Output and Employment by Industry

In Q3 2009 output in the manufacturing industry fell by 0.2% compared to the previous quarter and by 10.5% compared to the same quarter a year ago. Output in the services sector fell by 0.3% compared to the last quarter and by 3.9% compared to the same quarter a year ago.

In the quarter to June 2009, the number of jobs in the manufacturing sector fell by 1.6% compared to the previous quarter and by 8.1% compared to the same quarter a year ago. The number of jobs in the service sector fell by 0.2% over the last quarter and by 1.2% compared to the same quarter a year ago.

Manufacturing and Services, quarter on quarter growth



Source: ONS

Gross value added growth by industry, percentage changes
seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services		
			Total	Wholesale and retail, repairs, hotels and restaurants	Business services and finance
2006	1.6	1.1	3.6	3.4	6.0
2007	0.6	2.7	3.5	3.1	5.5
2008	-2.9	-0.4	1.4	-1.1	2.5
Quarterly change (Q2 2009)	-0.2	-1.2	-0.3	-1.0	-0.1
Annual change (Q3 2008)	-10.5	-13.1	-3.9	-5.3	-4.4

Source: ONS, series CKYY, GDQB, GDQS, GDQE, GDQN

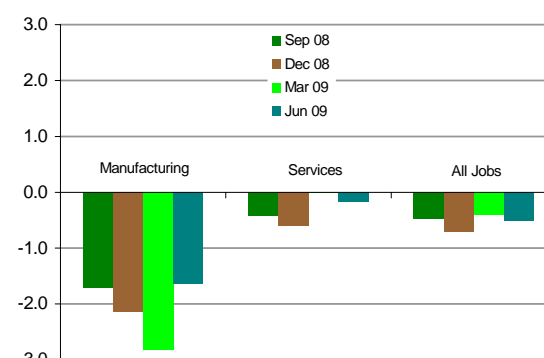
- The output levels of UK industry are measured here by gross value added (GVA).
- Over the last year the manufacturing sector has seen greater falls in growth than the services sector.
- Although on an annual basis the service sector has declined by 3.9% to Q3 2009, the retail, repairs and hotels and restaurants sector as well as the business services and finance sector have fallen by more (5.3% and 4.4% respectively).
- In 2007, services accounted for 76% of gross value added, manufacturing for 12%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.
- The table and chart below show workforce jobs by industry in the UK. Workforce jobs are a measure of jobs not employment and as such people who hold two jobs or more will be counted twice or more.
- On an annual basis, the highest percentage fall in jobs has been in the manufacturing sector (-8.1%).
- Over the last four quarters the number of jobs has fallen in both the manufacturing and services sectors.

Workforce jobs by industry, 2006-2009
seasonally adjusted, SIC 2003

	Manufacturing	Construction	Wholesale and retail, repairs, hotels and restaurants	Business services and finance	Education, health and public admin	All Jobs
June 2007	3,187	2,245	7,009	6,608	7,954	31,471
June 2008	3,138	2,252	7,037	6,668	8,009	31,661
Sept 2008	3,084	2,281	6,973	6,583	8,049	31,510
Dec 2008	3,018	2,278	6,888	6,481	8,066	31,286
Mar 2009	2,933	2,231	6,849	6,476	8,153	31,160
June 2009	2,885	2,170	6,816	6,409	8,193	30,997
Quarterly % change (Q2 2009)	-1.6	-2.7	-0.5	-1.0	0.5	-0.5
Annual % change (Q3 2008)	-8.1	-3.6	-3.1	-3.9	2.3	-2.1

Source: ONS, series LOLO, LOLR, LOLU, LOMA, LOMD, LOMJ, DYDC

Quarterly percentage change in jobs by industry, seasonally adjusted



Source: ONS

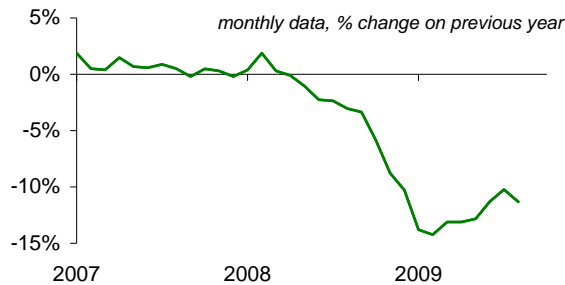
Contact: Ed Potton, x2883

Update: ONS, UK output, income and expenditure– Q3, 25 Nov

A5: Manufacturing (Including Automotives)

Monthly manufacturing output data from the ONS, as well monthly vehicle production and new car registration data from the SMMT, are covered below. Also see page 19 for surveys of manufacturing confidence.

Manufacturing Output

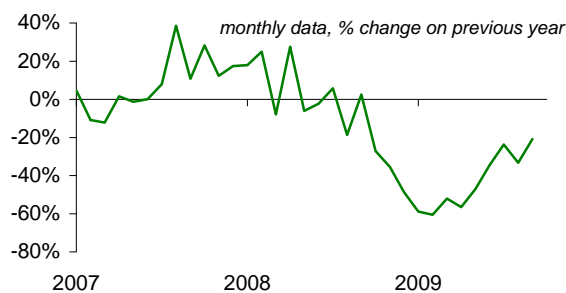


	Index Value (2005=100)	% change over month	% change over 12 months
2007	102.2	...	+0.6
2008	99.2	...	-2.9
2009 May	88.4	-0.5	-12.8
Jun	88.9	+0.6	-11.3
Jul	89.5	+0.7	-10.2
Aug	87.8	-1.9	-11.3

Source: ONS, series CKYY

- Manufacturing output decreased by 1.9% during August, after rising in June and July. Output was down 11.3% compared with a year ago.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, fell by 2.5% during August and was 11.2% lower than a year ago.

Vehicle Production

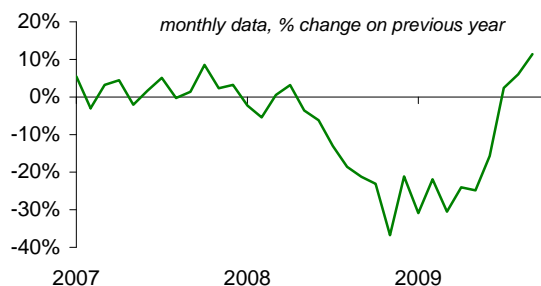


	Number '000s	% change over 12 months
2007	1,750	+6.1
2008	1,650	-5.8
2008 Sep	163	+2.5
2009 Jul	116	-23.7
Aug	62	-33.2
Sep	129	-20.8

Source: SMMT, not seasonally adjusted

- Supported by the scrappage scheme, vehicle (car plus commercial vehicle) production has recovered since early 2009, although it was still down 20.8% in September compared with a year ago.
- In 2008, 1.65 million vehicles were produced in the UK: 400,000 or 24% were for the UK market; 1.25 million or 76% were for export.

New Car Registrations



	Number '000s	% change over 12 months
2007	2,404	+2.5
2008	2,132	-11.3
2008 Sep	331	-21.2
2009 Jul	157	+2.4
Aug	67	+6.0
Sep	368	+11.4

Source: SMMT, not seasonally adjusted

- New registrations of cars rose by 11.4% in the year to September. According to the SMMT, the scrappage scheme has stimulated growth in demand. Up to 25 October 268,641 orders have been placed under the scheme, with funding available for up to 400,000 by the end of February 2010.
- Latest forecasts from the SMMT project new car registrations to fall by 9.6% in 2009 and by 7.8% in 2010.

Contact: Daniel Harari, x2464

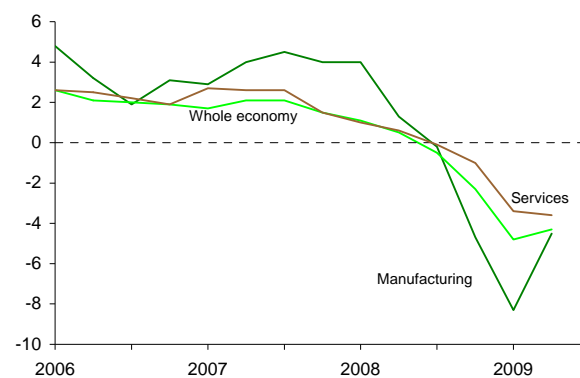
Update: ONS, [Index of Production](#), 5 Nov
SMMT, [Vehicle Production](#), late Nov
SMMT, [New Car Registrations](#), 5 Nov

A6: Productivity

Productivity is a measure of the level of output in an economy and the inputs required to produce it. Three measures are commonly used: output (or GDP) per worker, output per job and output per hour (worked). Data covering the UK economy is published every three months, with international comparisons updated biannually.

- Productivity across the whole economy, measured by output per worker, is estimated to have fallen by 0.3% in 2008 compared with growth of 1.8% in 2007.
- Output per worker fell by 3.9% in Q2 2009 compared to the same quarter a year ago. Output and employment levels have been falling in the economy in the last year.
- Manufacturing output per job fell by 4.5% in Q2 2009 compared to the same quarter a year ago; output per job in the service sector fell by 3.6% over the same period.
- Comparing Q2 2009 with Q1 2009, manufacturing output per job increased by 2.9%, services output per job fell by 0.2% while output per job for the whole economy grew by 0.2%.

Output per job, quarterly data, annual percentage change seasonally adjusted



Source: ONS, series: LNNP, LNNU, GG5J

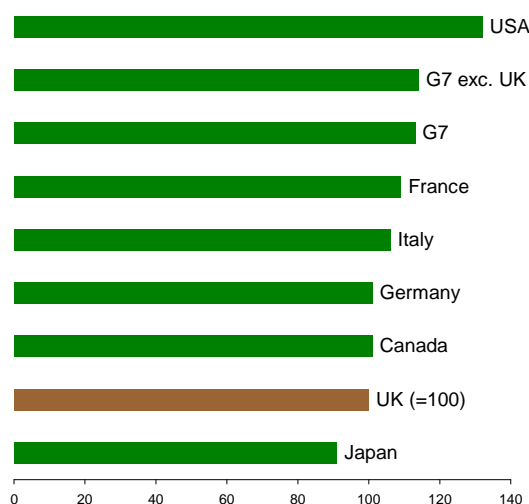
Productivity growth, seasonally adjusted

	Manufacturing		Services		Whole Economy		
	Output per job	Output per hour	Output per job	Output per hour	Output per worker	Output per job	Output per hour
<i>Annual % change</i>							
2007	3.9	3.4	..	..	1.9	1.8	1.8
2008	0.1	0.1	..	..	-0.1	-0.3	0.1
2008 Q2	1.3	0.4	0.6	2.0	0.6	0.5	1.6
Q3	-0.2	0.3	-0.1	0.4	-0.2	-0.5	0.0
Q4	-4.7	-4.2	-1.0	-0.8	-2.0	-2.3	-1.9
2009 Q1	-8.3	-5.5	-3.4	-1.2	-4.4	-4.8	-2.5
Q2	-4.5	-2.7	-3.6	-3.3	-3.9	-4.3	-3.4
<i>Latest quarterly % change</i>	2.9	1.8	-0.2	-0.8	0.3	0.2	-0.2

Source: ONS

- International comparisons of productivity are presented as an index where the UK=100 for each year.
- In 2008, based on GDP per worker, the UK had higher levels of productivity than Japan, around the same levels as Germany and Canada, and lower levels than Italy, France, the US and the G7 average.
- Based on GDP per hour, in 2008 the UK had higher levels of productivity than Japan, Italy and Canada, and lower levels than Germany, France, the US and the G7 average.
- Since 1997 UK productivity has improved compared to all but one G7 country. UK GDP per worker has increased by around 20% between 1997 and 2008, compared to 21% for the US, 16% for the G7 average, 14% for Japan, 11% for Canada and France, 10% for Germany and no change for Italy.

GDP per worker, 2008, index where UK=100



Contact: Ed Potton, x2883

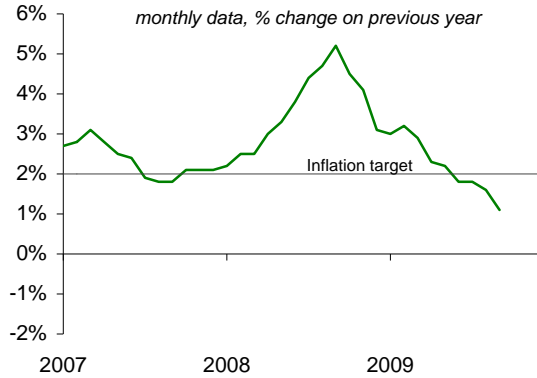
Update: ONS, Productivity, 23 Dec

B1: Inflation

In the year to September, the consumer prices index (CPI) showed inflation at 1.1%, down from 1.6% in August, and below the Bank of England's 2% target.

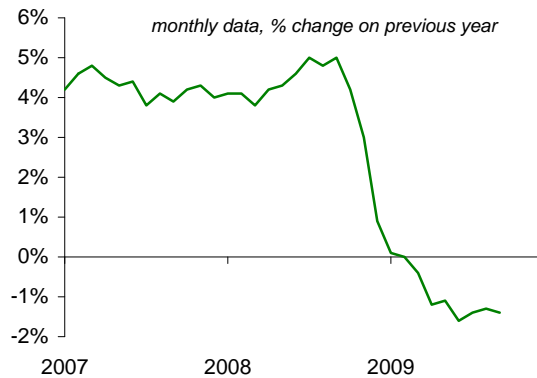
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

Consumer Prices Index (CPI)



- The CPI annual inflation rate (1.1%) in Sep was the lowest recorded since Sep 2004.
- The largest downward pressure on the CPI came from housing and household services, in particular household gas and electricity bills.
- Upward pressure on the CPI came from transport, mainly from the increasing cost of petrol, and from clothing and footwear prices
- RPI (all items) in the year to September was -1.4%, up from -1.3% in August.

Retail Prices Index (RPI)

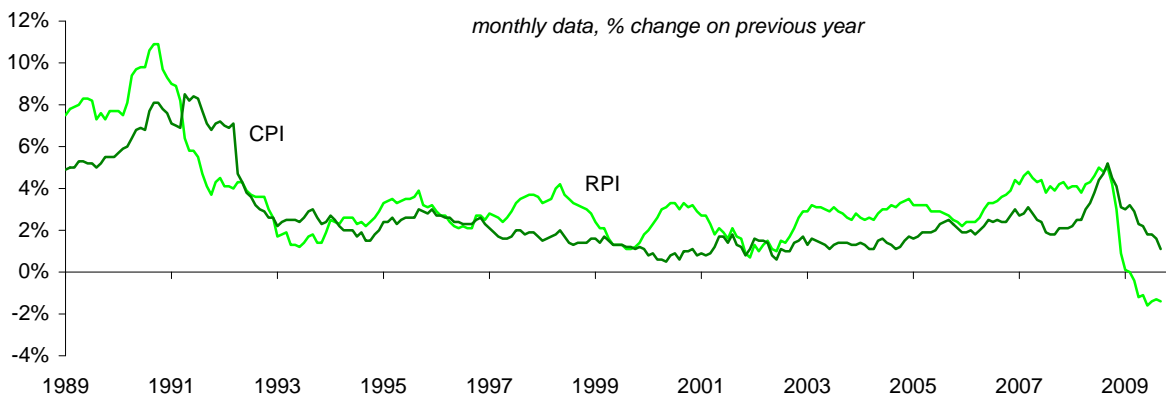


Price Indices

		% change on a year ago	
		CPI	RPI
2006		2.3	3.2
2007		2.3	4.3
2008		3.6	4.0
2009	Apr	2.3	-1.2
	May	2.2	-1.1
	Jun	1.8	-1.6
	Jul	1.8	-1.4
	Aug	1.6	-1.3
	Sep	1.1	-1.4

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1989



B2: Inflation: International

UK inflation, measured by the Consumer Prices Index (CPI), has remained positive throughout the downturn so far. That is in contrast with many other major economies, including the US, France and Germany, which have seen deflation (negative inflation).

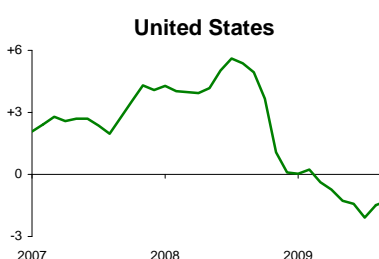
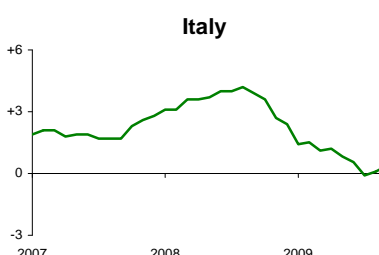
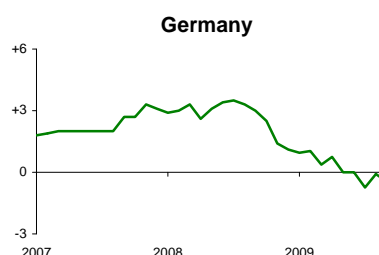
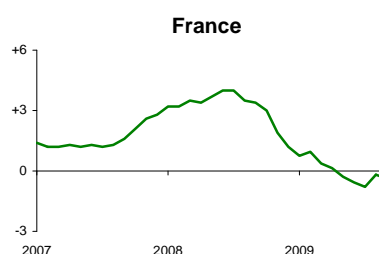
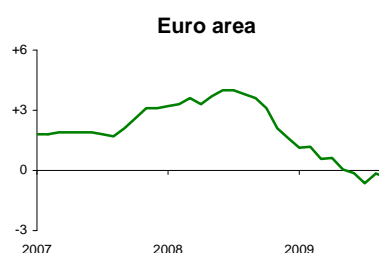
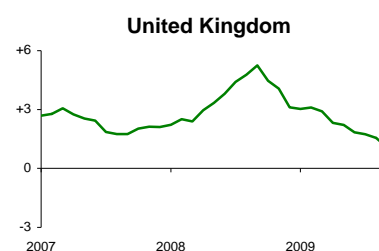
Inflation in the EU (and in some other European countries) is measured by the standard Harmonised Index of Consumer Prices (HICP). Methodologies used for calculating inflation in other countries differ from this standard to a varying degree. For example, the US CPI is based on prices in urban areas only and, unlike the HICP, includes the costs of owner-occupied housing. Care should therefore be taken in making direct comparisons.

- In the year to September 2009, UK inflation (CPI) was 1.1%, the highest in the G7 but below the Bank of England's 2% target. Italy (0.4%, HICP) was the other G7 country to report price rises.
- Euro-area inflation was -0.3% (HICP) in the year to September 2009. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The rate of deflation slowed in the US for the second consecutive month.
- Iceland (15.3%) and Ireland (-3.0%, both HICP) continue to be inflation rate outliers.

Inflation rates: selected countries

Annual % change in consumer prices

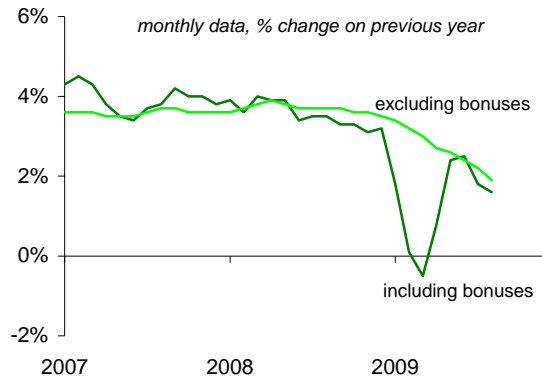
	2007	2008	Jul 09	Aug 09	Sep 09
HICP					
UK	2.3	3.6	1.7	1.5	1.1
Euro area	2.1	3.3	-0.6	-0.2	-0.3
EU	2.4	3.7	0.2	0.6	0.3
France	1.6	3.2	-0.8	-0.2	-0.4
Germany	2.3	2.8	-0.7	-0.1	-0.5
Iceland	3.6	12.8	16.5	16.0	15.3
Ireland	2.9	3.1	-2.6	-2.4	-3.0
Italy	2.0	3.5	-0.1	0.1	0.4
Spain	2.8	4.1	-1.4	-0.8	-1.0
National defs					
Canada	2.1	2.4	-0.9	-0.8	-0.9
Japan	0.1	1.4	-2.2	-2.2	-2.2
United States	2.9	3.8	-2.1	-1.5	-1.3
G7	2.2	3.2	-1.4	-1.0	-1.0
OECD	2.5	3.7	-0.6	-0.3	-0.3
Brazil	3.6	5.7	4.5	4.4	4.3
China	4.8	5.9	-1.8	..	..
India	6.4	8.3	11.9	11.7	11.6
Russia	9.0	14.1	12.0	11.6	10.7



B3: Average Earnings

The headline rate of average earnings (three-month average including bonuses) for the whole economy rose by 1.6% in the year to August, down from 1.8% in July. The less volatile series of average earnings excluding bonuses recorded its ninth successive month of slowing growth. It rose by 1.9% in August, down from 2.2% in July.

Average Earnings, Whole Economy



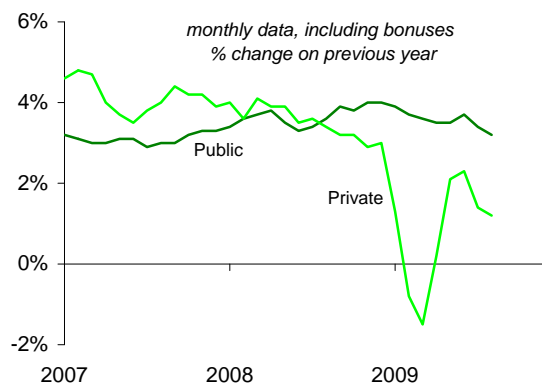
Average Earnings, Including Bonuses

% change on year; seas. adj.; Great Britain

	Private	Public	Manuf.	Serv.	Total
2006 Aug	4.3	3.7	5.3	4.1	4.2
2007 Aug	4.0	3.0	3.7	4.0	3.8
2008 Aug	3.4	3.6	2.7	3.7	3.5
2009 Mar	-1.5	3.6	1.0	-1.0	-0.5
Apr	0.2	3.5	1.2	0.6	0.8
May	2.1	3.5	1.0	2.6	2.4
2009 Jun	2.3	3.7	1.3	2.8	2.5
Jul	1.4	3.4	0.7	2.1	1.8
Aug	1.2	3.2	1.3	1.7	1.6

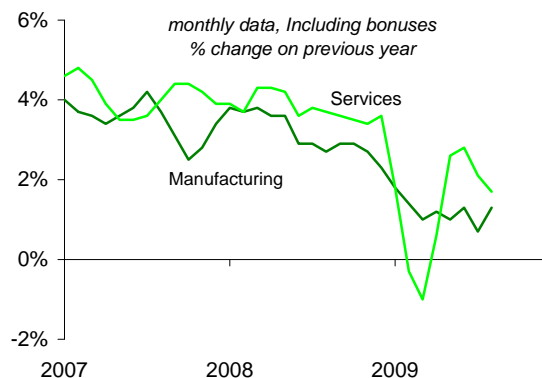
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Headline earnings growth in the public sector rose by 3.2% in August, compared with a 1.2% increase in the private sector.
- In 2008, headline (including bonuses) earnings growth in the public sector averaged an increase of 3.7% compared with a 3.4% rise in the private sector.
- From 1997 to 2008 the public sector has averaged an annual increase in earnings (including bonuses) of 4.2% compared with an average rise of 3.9% in the private sector.

Average Earnings in Services and Manufacturing

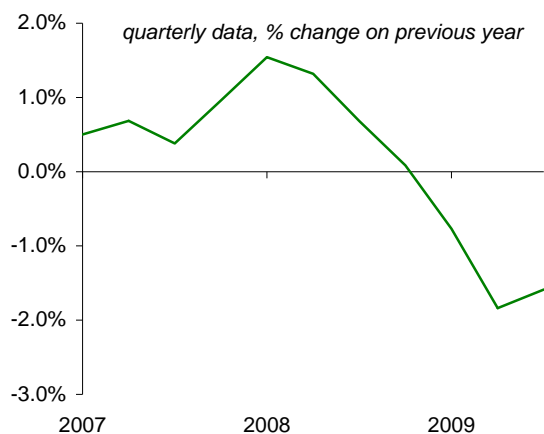


- Headline average earnings growth in manufacturing was 1.3% in August, compared with 1.7% in the services sector.
- In 2008, headline (including bonuses) earnings growth in the services sector averaged an increase of 3.8% compared with a 3.0% rise in the manufacturing sector.
- From 1997 to 2008 the services sector has averaged an annual increase in earnings (including bonuses) of 4.3% compared with an average rise of 4.0% in the manufacturing sector.

C1: Employment

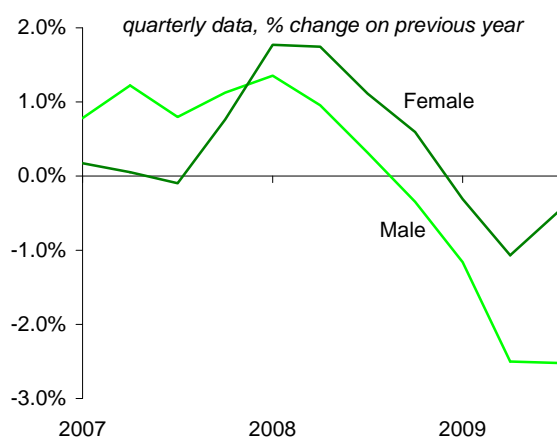
Total employment in the three months to August 2009 was 467,000 (1.6%) lower than a year earlier and 45,000 (0.2%) lower than the previous quarter.

Total employment



- Employment is 2.0% lower than its peak of 29.5 million in April 2008.
- Over the past year, employment among 16-24 year olds has fallen by 7.6%. This is more than any other age group (see table below).
- Employment of women aged 60 and over has increased by 7.5% over the last year.

Male and female employment



- Male employment was 15.5 million in the three months to August 2009, compared with female employment of 13.5 million.
- Over the past year, male employment has fallen by 2.5% while female employment has fallen by 0.5%.
- Full-time employment has fallen by 2.6% over the past year while part-time employment has increased by 1.3%.

Employment by age

3-month average centred on month; '000s & % changes; seasonally adjusted

	Total	16-24	25-49	50-59(f)/ 64(m)	60+(f)/ 65+(m)
Jul-07	29,220	4,182	17,310	6,500	1,227
Jul-08	29,419	4,186	17,336	6,573	1,325
Oct-08	29,393	4,137	17,317	6,597	1,342
Jan-09	29,267	4,046	17,305	6,582	1,334
Apr-09	28,998	3,933	17,118	6,586	1,360
Jul-09	28,952	3,867	17,085	6,598	1,402
% change on previous 3 months	-0.2	-1.7	-0.2	+0.2	+3.1
% change on previous year	-0.2	-1.7	-0.2	+0.2	+3.1

Source: ONS

Note: 60+(f)/65+(m) refers to the state retirement age for females and males, respectively

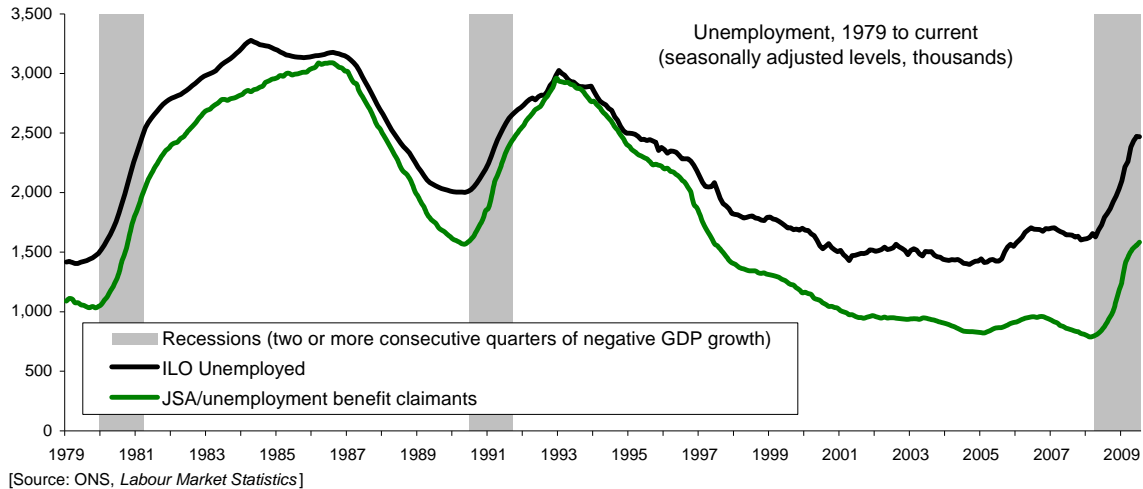
Contact: Dominic Webb, x4324

Update: ONS, [Labour Market Statistics](#), 11 Nov

C2: Unemployment: National

The Office for National Statistics uses 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).

- **ILO unemployment in June to August 2009 was 2,469,000** (UK, seasonally adjusted) – up by 677,000 from the same period a year earlier.



ILO unemployment (survey period Jun-Aug 2009):

- The number of people unemployed for more than 12 months stood at 599,000, a year-on-year increase of 160,000;
- The unemployment level among 16- to 24-year-olds was 946,000, 19.7% of the economically active population in the age group (see table below).

Jobseekers' Allowance (JSA) claimant count

- The seasonally adjusted monthly JSA claimant count increased by 20,800 between August and September 2009 to 1,626,800.

New Deal schemes

New Deal for Young People started in January 1998.

- By May 2009, there had been 2,060,500 starts under the scheme. By February 2009, 1,883,900 spells had resulted in 858,900 sustained jobs (46%) i.e. where the individual had not returned to JSA within three months of starting employment.

New Deal 25 plus started in June 1998 and an enhanced scheme was introduced in April 2001.

- By May 2009, there had been 1,222,900 starts under the scheme. By February 2009, 781,400 spells had resulted in 316,200 sustained jobs (40%).

ILO Unemployment in the UK

seasonally adjusted

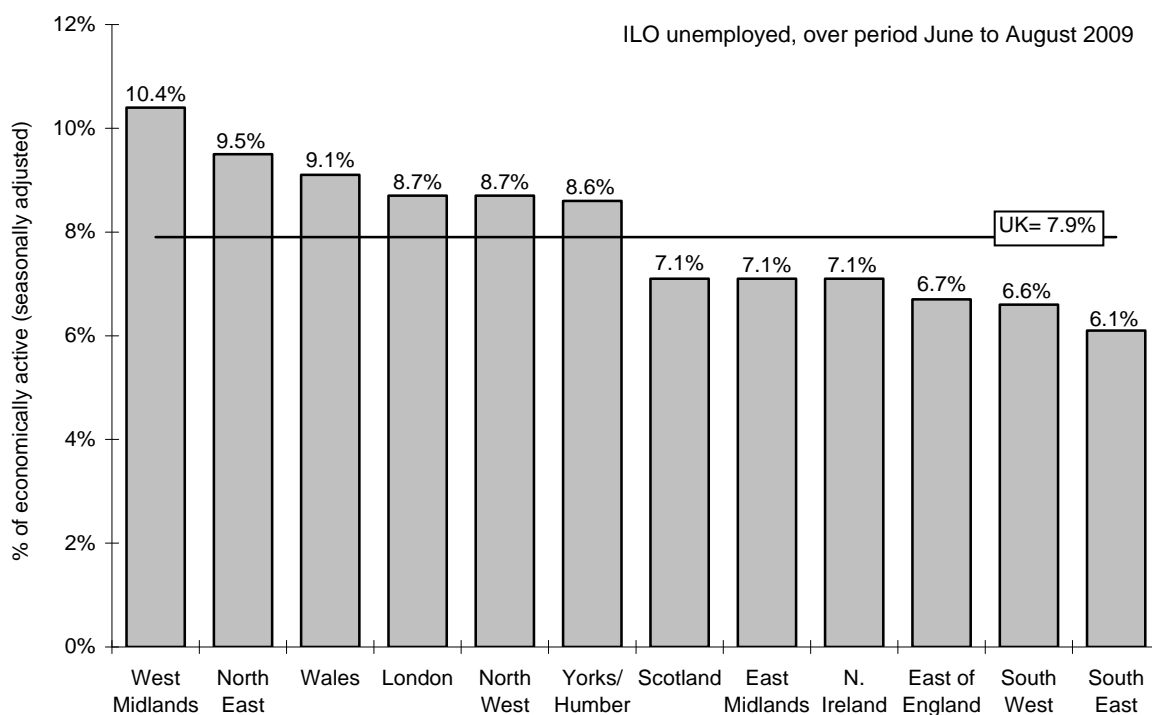
		Total		16 to 24		25 to 49		50 to 59/64		60+/65+	
		'000s	rate (%)	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)	'000s	rate (%)
Jun-Aug	2004	1,407	4.7	582	12.3	626	3.6	180	2.8	18	1.8
Jun-Aug	2005	1,426	4.7	602	12.6	609	3.4	195	3.0	20	1.9
Jun-Aug	2006	1,693	5.5	691	14.1	757	4.2	220	3.3	25	2.1
Jun-Aug	2007	1,646	5.3	710	14.5	694	3.9	217	3.2	24	1.9
Jun-Aug	2008	1,792	5.7	747	15.1	787	4.3	234	3.4	24	1.8
Sep-Nov	2008	1,923	6.1	807	16.3	827	4.6	258	3.8	31	2.3
Dec-Feb	2009	2,100	6.7	819	16.8	949	5.2	297	4.3	34	2.5
Mar-May	2009	2,381	7.6	927	19.1	1,094	6.0	327	4.7	33	2.3
Jun-Aug	2009	2,469	7.9	946	19.7	1,152	6.3	338	4.9	32	2.3
Change on year											
Level		+677		+199		+365		+104		+8	
Percentage		+37.8		+26.6		+46.4		+44.4		+33.3	

Source: ONS, Labour Market Statistics.

Note: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding.

Contact: Roderick McInnes, x3793 **Updates:** ONS, [Labour Market Statistics](#), 11 Nov
DWP, *New Deal*, Nov

C3: Unemployment: Regional



[Source: ONS, *Labour Market Statistics*]

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).

- Over the period June to August 2009 the West Midlands had the highest unemployment rate, 10.4% of the economically active population. The lowest rate over the same period was 6.1%, in the South East.
- A comparison of June to August 2009 with the same period a year earlier shows that the largest percentage rise in regional unemployment level occurred in the West Midlands and the South West (+66%). London and the East Midlands showed the smallest percentage increase (+16%) over the period.

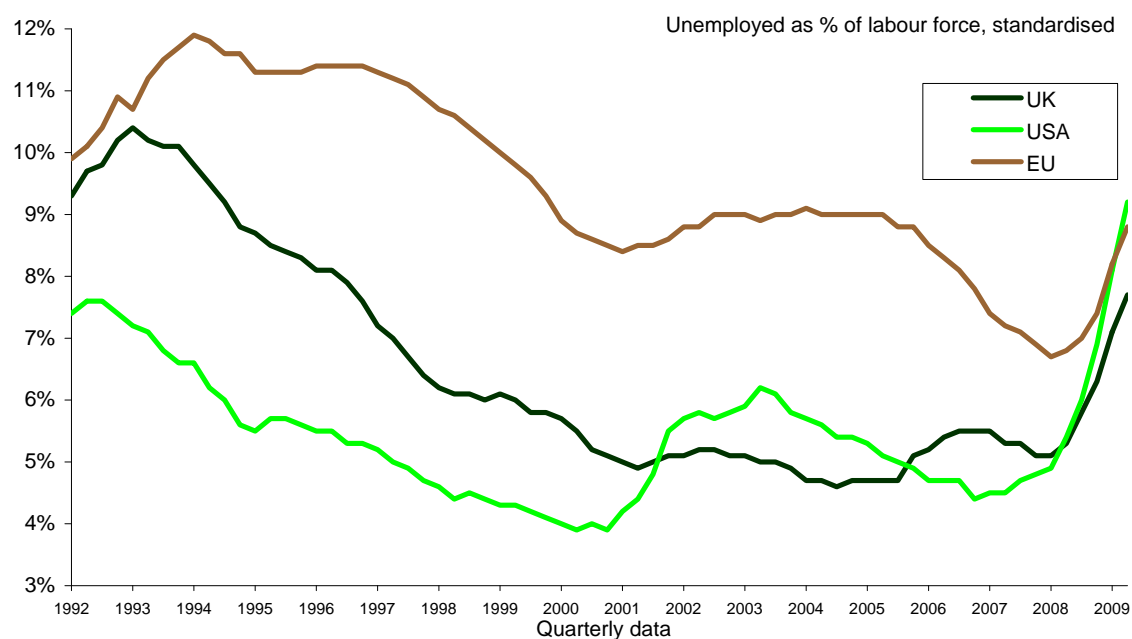
ILO Unemployment, June to August 2009

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	+22,000	+23
North West	+79,000	+36
Yorkshire & the Humber	+64,000	+40
East Midlands	+23,000	+16
West Midlands	+112,000	+66
East of England	+58,000	+41
London	+50,000	+16
South East	+66,000	+33
South West	+71,000	+66
Wales	+45,000	+53
Scotland	+67,000	+54
Northern Ireland	+21,000	+58

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

Unemployed as % of labour force (standardised); seasonally adjusted

			2007				2008				2009		
	2007	2008	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Canada	6.0	6.1	6.2	6.1	6.0	5.9	5.9	6.1	6.1	6.4	7.6	8.4	8.6
France	8.3	7.9	8.8	8.5	8.2	7.9	7.6	7.6	7.9	8.3	8.9	9.4	..
Germany	8.4	7.3	8.8	8.5	8.3	8.0	7.6	7.4	7.2	7.1	7.3	7.6	..
Italy	6.1	6.8	6.0	5.9	6.2	6.4	6.6	6.8	6.8	6.9	7.4	7.4	..
Japan	3.9	4.0	4.0	3.8	3.8	3.8	3.9	4.0	4.0	4.0	4.5	5.2	..
UK	5.3	5.6	5.5	5.3	5.3	5.1	5.1	5.3	5.8	6.3	7.1	7.7	..
USA	4.6	5.8	4.5	4.5	4.7	4.8	4.9	5.4	6.0	6.9	8.1	9.2	9.6
Eurozone	7.5	7.6	7.7	7.5	7.5	7.3	7.2	7.4	7.6	8.0	8.8	9.3	..
G7	5.4	5.9	5.5	5.2	5.4	5.4	5.4	5.7	6.0	6.4	7.2	8.0	..
OECD	5.7	6.1	5.8	5.7	5.7	5.7	5.7	5.9	6.2	6.7	7.6	8.3	..

Source: OECD, Harmonised Unemployment Rates, October 2009

- Using standardised definitions, the UK unemployment rate in Q2 2009 (the latest quarter for which all data are available) was 7.7%, below the eurozone rate (9.3%) and below the G7 and OECD rates (8.0% and 8.3% respectively).
- Between Q2 2008 and Q2 2009 Germany had the smallest rise in unemployment among G7 countries: 0.2 percentage points. The UK and US unemployment rates rose by 2.4 percentage points and 3.8 percentage points respectively over the same period.
- The most recent forecasts published by the OECD (*Economic Outlook no. 85*, June 2009) suggest the UK unemployment rate will be 8.2% in 2009 and 9.7% in 2010. The respective forecasts for the eurozone are 10.0% and 12.0% and for the OECD as a whole 8.5% and 9.8%.

Contact: Roderick McInnes, x3793

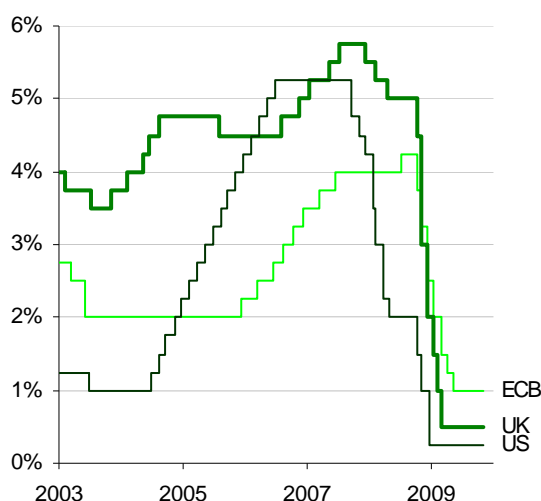
Updates: OECD, *Standardised Unemployment Rates*, 6 Nov
OECD, *Economic Outlook*, Dec

D1: Interest Rates and the Money Supply

In consecutive monthly meetings from October 2008 to March 2009, the Bank of England cut the official Base Rate from 4.50% to 0.50%, the lowest in the Bank's 315-year history.

In March 2009, with little room for further cuts in interest rates, the Bank initiated an asset purchase or 'quantitative easing' (QE) programme. The Bank has created money which it has used to purchase assets in an effort to stimulate demand and meet its 2% inflation target. Money supply growth has, however, remained weak.

Official interest rates



UK Base/Repo rate changes

% per annum

Date	New rate	Date	New rate		
2001 Oct 4	4.50	2007 Jan 11	5.25		
	Nov 8	4.00	May 10	5.50	
2003 Feb 6	3.75		Jul 5	5.75	
	Jul 10	3.50		Dec 6	5.50
	Nov 6	3.75	2008 Feb 7	5.25	
2004 Feb 5	4.00		Apr 10	5.00	
	May 6	4.25		Oct 8	4.50
	Jun 10	4.50		Nov 6	3.00
	Aug 5	4.75		Dec 4	2.00
2005 Aug 4	4.50	2009 Jan 8	1.50		
2006 Aug 3	4.75		Feb 5	1.00	
	Nov 9	5.00		Mar 5	0.50

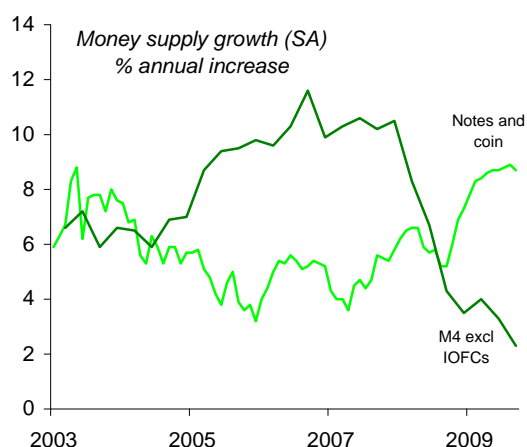
Source: Bank of England

- The European Central Bank's official interest rate has been 1% since 7 May 2009.
- The US Federal Reserve's target range for the federal funds rate has been 0-0.25% since 16 December 2008.

Asset purchase programme (quantitative easing)

- On 5 March 2009, the Bank of England announced that it would undertake a policy of "quantitative easing". The Bank said that it would purchase £75 billion of assets using money which it would create. This total was increased to £125 billion in May 2009 and £175 billion in August 2009.
- As of 29 October 2009, the Bank had purchased £174.8 billion worth of assets using created reserves. 99% of the purchases by value have been gilts (UK Government securities).

Money supply



- In its August 2009 *Inflation Report*, the Bank of England noted that money supply growth has remained weak despite the asset purchase programme. It was suggested that "the extra money had been used by investors to buy securities issued by banks and by businesses to repay bank debt."
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 2.3% in Q3 2009. That is the lowest recorded for this measure (series runs from Q4 1998) and compares with 11.6% in Q3 2006.
- The value of notes and coins in circulation outside the Bank of England rose by 8.7% in the year to September 2009.

Contact: Adam Mellows-Facer, x4904

Updates: Monetary policy: 5 Nov (UK) 5 Nov (ECB), 4 Nov (US);
Bank of England [Monetary & Financial Stats](#), 30 Nov

D2: Public Finances

The Treasury forecasts that public borrowing will be £175 billion in 2009/10, equivalent to 12.4% of GDP. This exceeds the previous peak in borrowing (7.7% of GDP in 1993/94).

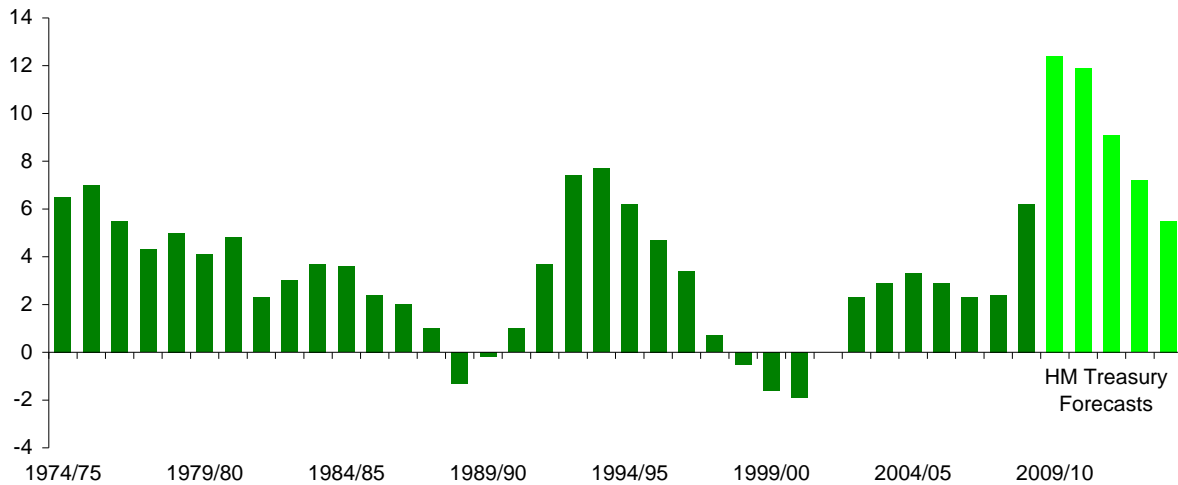
- Over the first six months of 2009/10, government borrowing was £77.3 billion. This is more than twice the level (£33.8 billion) in the same period of 2008/09.
- The Treasury forecasts that government borrowing will fall to 11.9% of GDP in 2010/11 and to 5.5% of GDP by 2013/14.
- Government receipts were 10.3% lower in the first six months of 2009/10, compared with the same period in the previous year.

	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2007/08	34	2.4	527	36.5
2008/09	85	6.2	610	43.2
2009/10	175	12.4	792	55.4
2010/11	173	11.9	977	65.0
2011/12	140	9.1	1,130	70.9
2012/13	118	7.2	1,262	74.5
2013/14	97	5.5	1,370	76.2

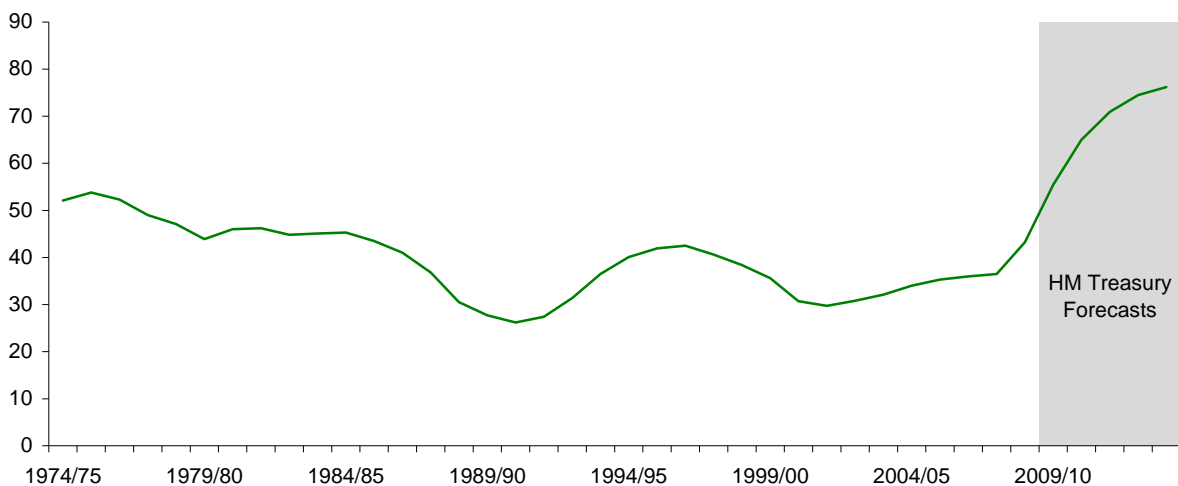
Source: ONS, HM Treasury forecasts

Note: debt figures exclude financial sector interventions

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



D3: Financial Indicators

The leading share index in the UK, the FTSE 100, tracks share-price movements in the country's 100 largest companies (by market capitalisation). It began in 1984 and hit an all-time high of 6930 in December 1999. It approached those highs again in 2007, before falling sharply in 2008 and early 2009.

The price of oil nearly tripled in the 18 months to July 2008, reaching an all time high above \$145/barrel. A steep decline then followed to below \$40 by the end of 2008, before recovering in 2009.

The price of Gold recently hit an all-time high of over \$1050/ounce in October 2009.

Data from Monday 2 November 2009

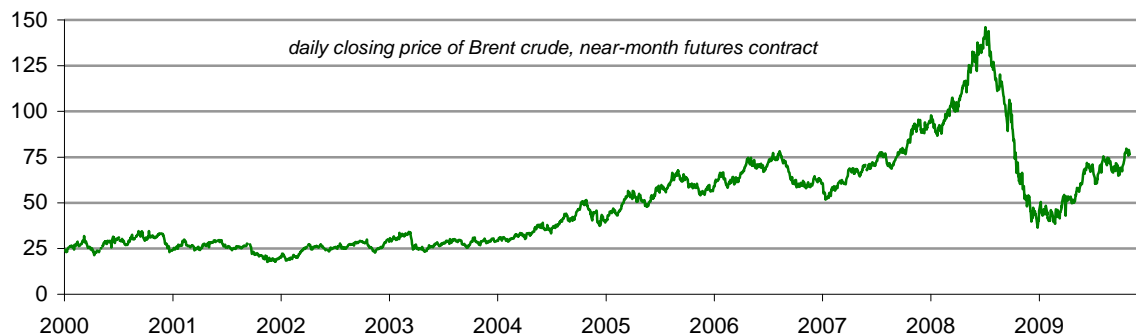
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
02-Nov-2009	5,104.5	76.6	1,044.9
%change over:			
1-month	+2%	+12%	+4%
12-months	+15%	+27%	+44%
%change from:			
cyclical peak	-24%	-48%	-2%
date	15 Jun '07	03 Jul '08	20 Oct '09
cyclical trough	+45%	+110%	+47%
date	03 Mar '09	24 Dec '09	24 Oct '08

Note: Oil is Brent near-month futures price
Source: *Financial Times*

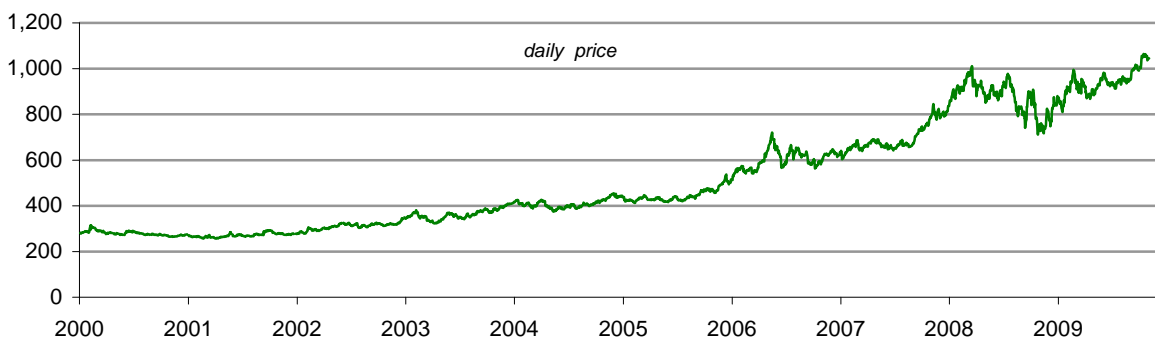
FTSE-100 Index



Oil price (\$ per barrel)



Gold price (\$ per ounce)



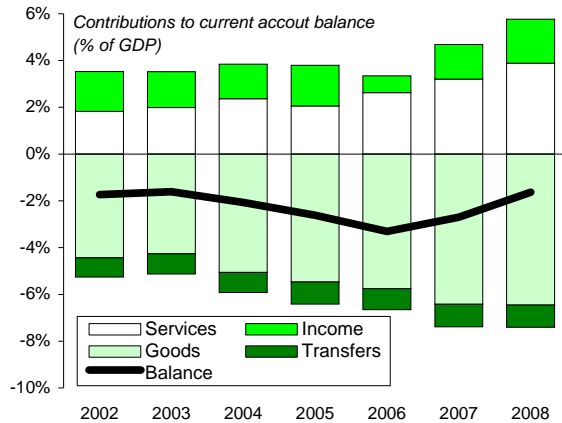
Contact: Daniel Harari, x2464

Update: Page updated on a weekly basis

E1: UK Balance of Trade

Annually, the current account deficit in 2008 was £23.6 billion, equivalent to -1.6% of GDP. The surplus on income and services widened between 2007 and 2008. Data for 2008 shows that the deficit on goods trade widened while the deficit on goods and services trade together narrowed.

Current Account



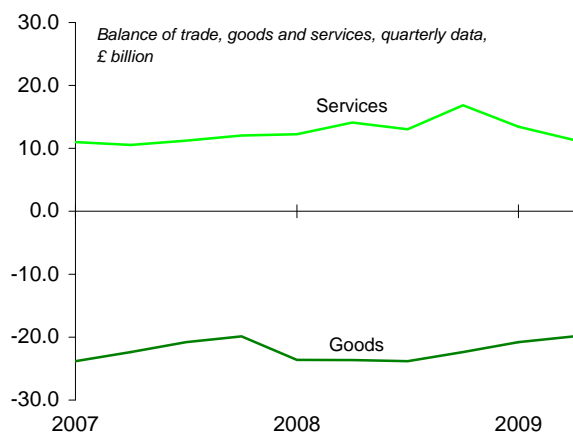
- On a **quarterly** basis, the current account deficit was estimated at £11.4 billion in Q2 2009, widening from a Q1 2009 deficit of £4.1 billion. Between Q1 2009 and Q2 2009 the surplus on services narrowed as did the deficit on goods.
- The **annual** current account deficit with EU27 countries in 2008 was £5.7 billion, compared with a deficit with non-EU countries of £18 billion. On a **quarterly** basis, the deficit with EU27 countries was £5.2 billion in Q2 2009 (£2.8 billion deficit in Q1 2009). With non-EU countries, the current account was in deficit by £6.2 billion in Q2 2009 (£1.3 billion deficit in Q1 2009).

£ millions; seasonally adjusted

	Goods			Services	Goods and Services	Income	Transfers	Current Account Balance
	Exports	Imports	Balance	Balance	Balance			
2006	-68,789	24,611	-76,312	34,782	-41,530	9,573	-11,885	-43,842
2007	-77,399	31,005	-89,754	44,807	-44,947	20,775	-13,538	-37,710
2008	-87,425	36,464	-93,446	56,210	-37,236	27,340	-13,728	-23,624
2008 Q2	-20,143	8,559	-23,644	14,093	-9,551	7,844	-3,436	-5,143
Q3	-20,845	8,956	-23,819	13,026	-10,793	6,671	-3,400	-7,522
Q4	-20,094	9,112	-22,372	16,844	-5,528	365	-2,901	-8,064
2009 Q1	-23,187	9,345	-20,796	13,447	-7,349	6,970	-3,766	-4,145
Q2	-23,299	9,051	-19,886	11,306	-8,580	1,405	-4,249	-11,424

Source: ONS database, series: BQKU, BQKV, BOKG, BOKH, BOKI, FNSV, FNTC, HBOJ, HBOP, IKBD, IKBJ, IKBP

Trade in Goods and Services



- The estimated deficit on goods trade in August was £6.2 billion, slightly lower than the July deficit of £6.4 billion.
- The UK's monthly trade surplus on services was £3.9 billion in August, up slightly from the July surplus of £3.8 billion.
- The UK's overall monthly deficit on goods and services combined in August was £2.3 billion, down from £2.6 billion in July.
- The goods deficit with the EU27 was £3.2 billion in August (compared with £2.5 billion in July), while the deficit with non-EU countries was £3.0 billion (compared with £3.9 billion in July).

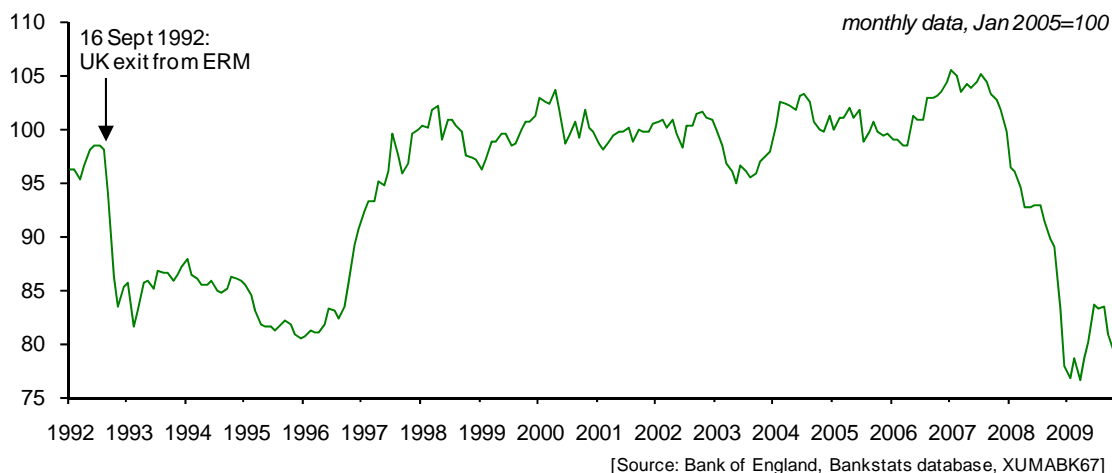
Contact: Grahame Allen, x3977

Updates: ONS, [UK Balance of Payments](#), 22 Dec;
ONS, [UK Trade](#), 10 Nov

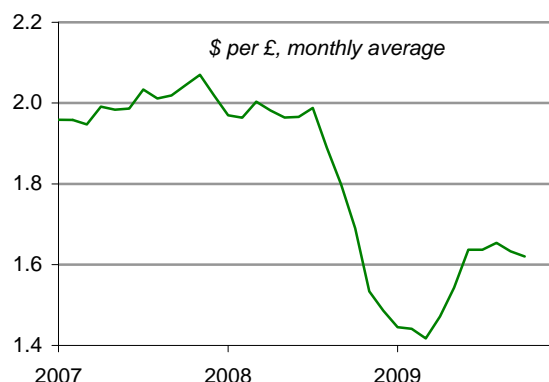
E2: Exchange rates

The *Sterling Exchange Rate Index* (SERI) measures sterling's value against a 'basket' of currencies, 'trade-weighted' (based on currencies' relative importance in UK trade). The SERI fell 2.2% over October 2009, after a 3% fall over September. It is now 3.2% above its lowest point since 1980, when the series began in March 1980, and down almost a fifth from its July 2007 peak. Compared with the previous year, the Index was down by 11.2% in October, after being almost 10% down in September.

Sterling Exchange Rate Index (SERI)

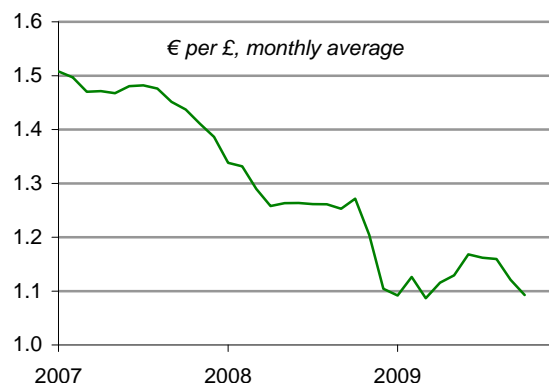


US\$/£ Exchange Rate



- The pound fell against both the dollar and the euro (see table below)
- At the 2 November 2009 London market close, the pound sterling was worth \$1.638. The pound was worth €1.105, which compares with the all time low of €1.020 (30 December 2008), and the launch rate of €1.476 on 31 December 1998.

€£ Exchange Rate



Sterling Exchange Rates

average rates in period and % changes

	US Dollar (\$)		Euro (€)	
	Rate	% change on year	Rate	% change on year
2007	2.00	8.6%	1.46	-0.3%
2008	1.85	-7.5%	1.26	-13.9%
2008 Oct	1.69	-17.3%	1.27	-11.5%
2009 Jul	1.64	-17.7%	1.16	-7.9%
Aug	1.65	-12.4%	1.16	-8.1%
Sep	1.63	-9.2%	1.12	-10.5%
Oct	1.62	-4.1%	1.09	-14.1%

Source: Bank of England, *Bankstats* database

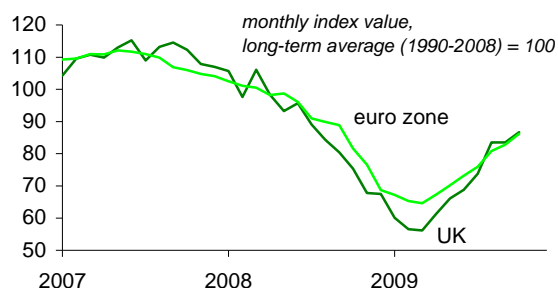
Contact: Ian Townsend, x2042

Updates: Bank of England, [SERI & monthly rates](#), 2 Dec;
Financial Times, [Sterling Exchange Rates](#) (daily)

F1: Business and Consumer Confidence

Confidence surveys, with information generally released ahead of official statistical data, can indicate changes to the economic outlook as well as turning points in the economic cycle.

European Commission Economic Sentiment Indicator

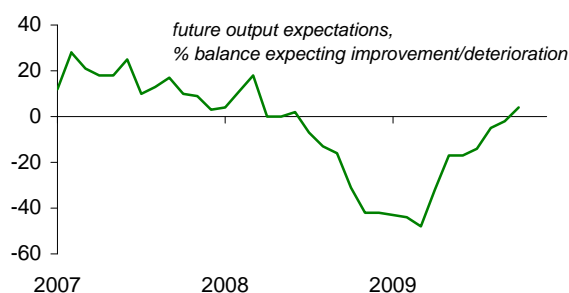


		UK	monthly	change on
		Index	change	year ago
2007	Oct	112.3	...	...
2008	Oct	75.4	...	...
2009	Jul	73.8	+5.0	-15.3
	Aug	83.5	+9.7	-0.8
	Sep	83.5	+0.0	+3.1
	Oct	86.7	+3.2	+11.3

Source: European Commission

- The European Commission conducts regular harmonised surveys for different sectors (manufacturing, services, retail, construction and consumers) of all EU member states' economies.
- The overall UK index has been rising since April and stood at 86.7 in October, 11.3 points higher than in October 2008.

CBI Industrial Trends Survey



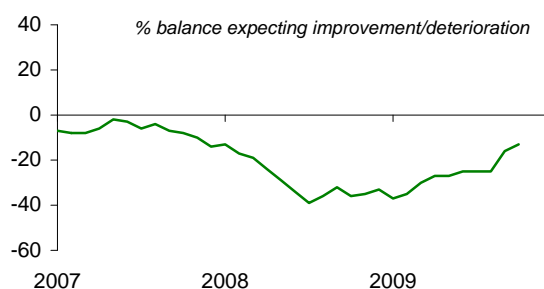
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output	monthly	change on
		expectations	change	year ago
2007	Oct	+10	...	...
2008	Oct	-31	...	...
2009	Aug	-5	+9	+8
	Sep	-2	+3	+14
	Oct	+4	+6	+35

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations for the next three months improved in October from a balance of -2% of firms expecting output to fall rather than rise over the next three months to a balance +4% expecting output to rise – a marked improvement on a year ago when the balance was -31.

GfK NOP Consumer Confidence Survey



balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Consumer	monthly	change on
		Conf. Index	change	year ago
2007	Oct	-8	...	...
2008	Oct	-36	...	...
2009	Aug	-25	0	+11
	Sep	-16	+9	+16
	Oct	-13	+3	+23

Source: GfK NOP, *Consumer Confidence*

- GfK NOP's *Consumer Confidence Barometer* measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions, and views on making major household purchases.
- The overall index stood at -13 in October, the highest it has been since January 2008.

Contact: Ian Townsend, x2042

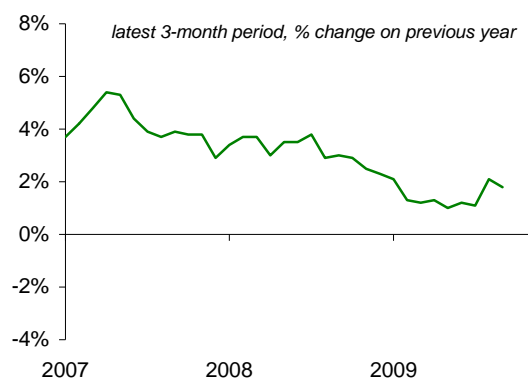
Update: EC, [Economic Sentiment Indicator](#), 27 Nov
CBI, [Industrial Trends](#), mid Nov
GfK NOP, [Consumer Confidence](#), 30 Nov

F2: Retail Sales

Retail sales are an indicator of household consumption. Both the value and volume of retail sales increased in September 2009 compared with the previous year, although both were unchanged on the previous month.

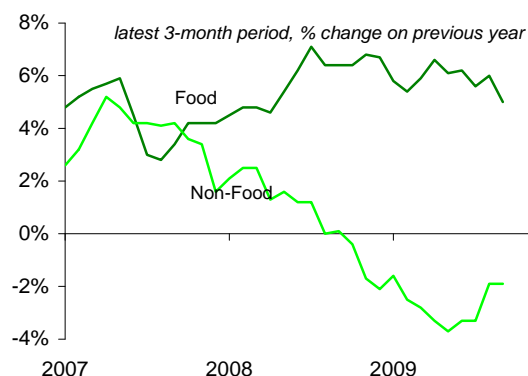
- The total **value** of retail sales in September 2009 was 1.8% up on the same month in the previous year.
- Total sales values were unchanged compared with the previous month.
- The **average weekly value** of retail sales in September 2009 was £5.3 billion, unchanged from the previous month (non-seasonally adjusted).
- For food stores the value of sales was up 4.5%, compared with a decline of 1.6% in non-food stores (with household goods stores down 1.8% and 'other' non-food stores falling 4.5%).

Value of Retail Sales



- Weekly **internet sales** (an experimental ONS series) were valued at £188.5 million in September 2009 was 3.6% of total retail sales (compared with 3.3% in the previous month)
- The total **volume** (which strips out the effects of price changes) of sales in September 2009 was 2.4% up on the same month in the previous year.
- Total sales volumes were unchanged compared with the previous month.
- In the 3 months July-September 2009, volumes were up 2.5% higher on the previous 3 months.

Value of Food & non-Food Store Sales



Value of Retail Sales

annual data and latest 3-month period, % change on previous year; seasonally adjusted

		Food Stores	Non-food Stores				All retailing total
			Clothing & Footwear	Household goods	Other	Total	
2007		4.4	3.1	3.4	3.6	3.5	4.0
2008		6.0	-0.1	-2.6	5.0	0.4	3.1
2009	May	6.1	0.1	-9.9	-4.5	-3.7	1.0
	Jun	6.2	0.4	-9.5	-4.4	-3.3	1.2
	Jul	5.6	-0.5	-8.0	-4.7	-3.3	1.1
	Aug	6.0	1.1	-5.9	-3.7	-1.9	2.1
	Sep	5.0	-0.9	-3.1	-4.4	-1.9	1.8

Source: ONS, series: IEAU, IEBJ, IEBM, IEBA, IEAX, IEBG

Contact: Ian Townsend, x2042

Update: ONS, [Retail Sales Index](#), 19 Nov

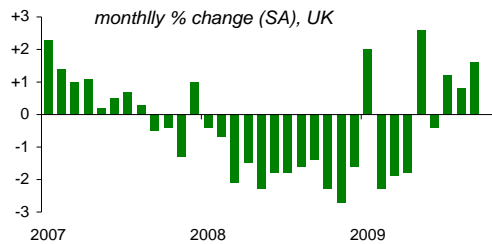
F3: Housing Market

The housing market has shown signs of recovery in recent months. On the Nationwide index, prices in October 2009 were higher than in October 2008. That is the first time monthly data have shown a year-on-year rise since March 2008. However, prices remain well below the peaks seen in mid-2007.

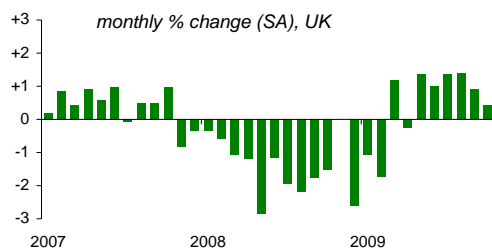
Concern has been expressed that recent increases in prices reflect supply constraints rather than healthy wider conditions. Numbers of mortgage approvals and housing starts remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index



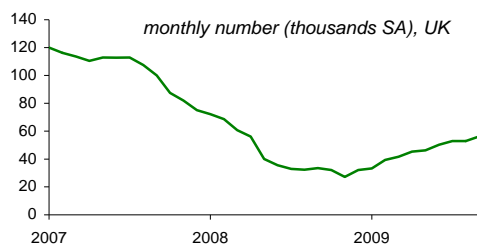
Latest monthly data

UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Sep-09	Oct-09
Change in month	+1.6%	+0.4%
Change in year	-4.8%	+2.0%
Peak date	Aug-07	Jul-07
Change since peak	-18.1%	-11.4%
Trough date	Apr-09	Feb-09
Change since trough	+5.9%	+9.7%

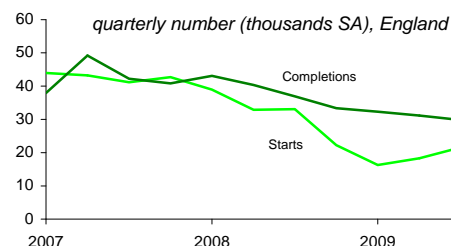
- On the Halifax index, prices are now at a similar level to those in January 2009. According to Nationwide they have recovered to September 2008 levels.
- There is considerable regional variation. Over the year to Q3 2009, prices fell by 8% in Northern Ireland but 1% in Scotland (Nationwide data). Prices fell by less in the south of England than the north over the year.

Mortgage approvals



- Bank of England data on the number of mortgages approved to finance house purchases are a leading indicator of house sales.
- There were over 56,000 mortgage approvals in September 2009, 74% higher than in September 2008 and more than double the number in November 2008 but well below the peak of 130,000 in November 2006.

House-building



- There were nearly 22,000 dwelling starts in England in Q2 2009. This was the second consecutive quarterly increase. However, the total remains well below the typical levels of 40,000 per quarter seen before 2008.
- The number of dwelling completions has fallen in each of the last six quarters for which data are available.

Contact: Adam Mellows-Facer, x4904

Updates: Halifax [House Price Index](#), early Nov;
Nationwide [House Price Index](#), late Nov;
Bank of England, [Lending to Individuals](#), 30 Nov;
DCLG, [House-building](#), 19 Nov

F4: Household debt

Data on lending to individuals is published on a monthly basis and is seasonally adjusted.

- Total net lending to individuals grew by £660 million in September 2009. Monthly net lending peaked in October 2003 at £12.0 billion.
- Monthly net unsecured lending fell by £262 million, and has fallen for the last three months.
- Monthly net secured lending (mortgages) rose by £922 million in September 2009, £251 million lower than the rise in the previous month.
- The annualised three-month growth rate for net lending was 0.3% in September 2009, a rise from 0.2% in August 2009.
- The annualised three-month growth rate for credit card lending was 2.6% in September 2009; the growth rate for other consumer credit was -2.9%.

Net outstanding lending to individuals

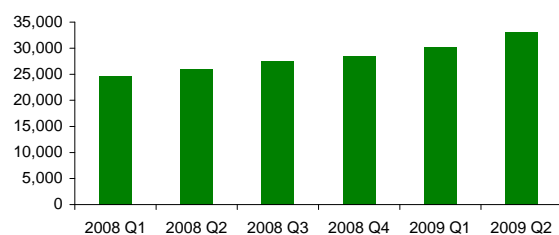
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2005 Sep	940	209	1,149
2006 Sep	1,047	212	1,259
2007 Sep	1,164	218	1,381
2008 Sep	1,221	237	1,457
Dec	1,224	233	1,457
2009 Mar	1,227	232	1,459
Jun	1,228	232	1,460
Sep	1,229	229	1,459

Source: Bank of England, series: VTXK, VZRI, VTXC

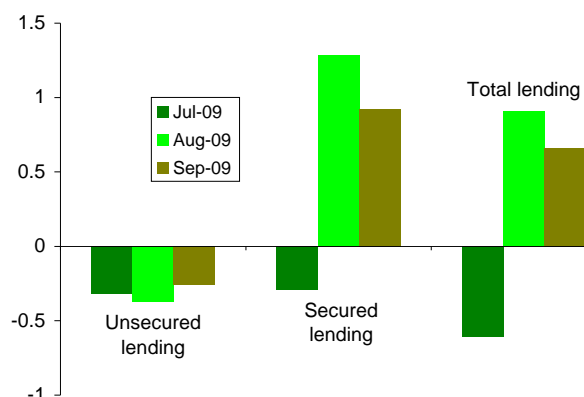
- Average interest rates offered by banks and building societies have fallen sharply since late 2008 (all Bank of England data).
- The average Standard Variable Rate (SVR) in September 2009 was 3.92%, 3.03 percentage points lower than in September 2008.
- The average fixed and discounted rates offered (75% LTV) in September 2009 were 4.47% and 3.24% respectively (1.49 and 2.71 percentage points lower than in September 2008)

Individual Insolvencies, England and Wales, *not seasonally adjusted*



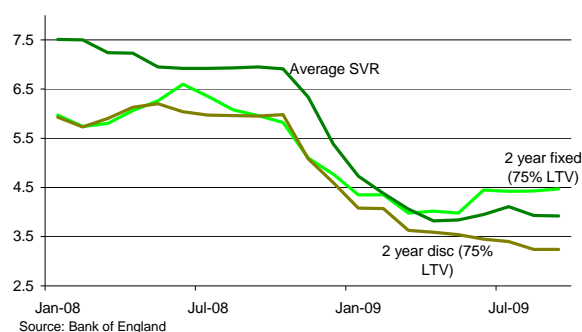
Source: Insolvency Service

Monthly Net Lending, last three months, £ billion



- Total net outstanding lending to individuals was £1,459 billion at the end of September 2009.
- Secured lending (mortgages) is the largest form of lending at £1,229 billion, 84% of total lending outstanding.
- Unsecured lending outstanding (including credit cards) was £229 billion.
- Secured lending outstanding is 31% higher in September 2009 compared to the same month in 2005. Unsecured lending has risen by 9% in the same period.

Current average mortgage interest rates



Source: Bank of England

- In Q2 2009 provisional data indicates there were 33,073 individual insolvencies (bankruptcy orders, IVAs or debt relief orders) in England and Wales (not seasonally adjusted), a 27.4% increase on Q2 2008. This was made up of 18,870 bankruptcies, 12,225 IVAs and 1,978 Debt Relief Orders.
- In Scotland in Q2 2009 there were 6,294 individual insolvencies, a rise of 32.9% on Q2 2008.
- In Northern Ireland in Q2 2009 there were 558 individual insolvencies, a rise of 16.5% on Q2 2008.

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Update: Bank of England, *Lending to Individuals*, 30 Nov
Insolvency Service, *Q3 Insolvency Statistics*, 6 Nov

IV Indicator sources

The table gives details of sources used in this paper. Office for National Statistics (ONS) releases are available from www.statistics.gov.uk/press_release/CurrentReleases.asp.

Indicator		Source details
A1	Gross Domestic Product	ONS releases: Preliminary GDP Estimates ; Quarterly National Accounts ; UK output, income & expenditure ; HM Treasury, Forecasts for the UK Economy
A2	GDP: International Comparisons	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators , via Stat.OECD database (link to user defined table) Growth Forecasts: OECD, Economic Outlook (via www.sourceoecd.org), IMF World Economic Outlook database and updates and/or European Commission's growth forecasts
A3	Components of GDP	ONS releases: Preliminary GDP Estimates ; Quarterly National Accounts ; UK output, income & expenditure ;
A4	Output and Employment by Industry	ONS releases: Preliminary GDP Estimates ; Quarterly National Accounts ; UK output, income & expenditure
A5	Manufacturing (Including Automotives)	ONS, Index of Production SMMT, Vehicle Production SMMT, New Car Registrations
A6	Productivity	ONS, Productivity release
B1	Inflation	ONS, Consumer Price Indices
B2	Inflation: International	CPI: OECD, Main Economic Indicators ; EU data: Eurostat news release and database
B3	Average Earnings	ONS, Labour Market Statistics release
C1	Employment	ONS, Labour Market Statistics release
C2	Unemployment: National	ONS, Labour Market Statistics release and Labour Market Statistics First Release Historical Supplement (via Virtual Bookshelf); Commentary: Department for Work and Pensions (DWP) Quarterly Working Age Statistics for New Deal for Young People & Long-term Unemployed (table 6);
C3	Unemployment: Regional	ONS, Labour Market Statistics release
C4	Unemployment: International Comparisons	Data: OECD, Main Economic Indicators Commentary: OECD, Main Economic Indicators & Economic Outlook

Indicator		Source details
D1	Interest Rates and the Money Supply	UK: Bank of England, Monetary Policy Committee decisions & minutes US: Federal Reserve, Federal Open Market Committee decisions ECB: European Central Bank news releases Short term interest rates (graph): OECD; <i>Main Economic Indicators</i> ; Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database.
D2	Public Finances	Data: ONS, Public Sector Accounts or Public Sector Finances ; ONS database Forecasts of budget surplus: HM Treasury, <i>Pre-Budget Report</i> , table B2 or <i>Budget Red Book</i> , table C2.
D3	Financial Indicators	<i>Financial Times</i>
E1	UK Balance of Trade	ONS, Balance of Payments ONS, UK Trade
E2	Exchange Rates	Sterling effective exchange rates and sterling-dollar/euro rates: Bank of England, Bankstats database (annual and monthly)
F1	Business and Consumer Confidence	European Commission: Economic Sentiment Indicator Future Output Expectations/Quarterly Business Confidence: Confederation of Business Industry (CBI), Economic and Business Outlook and Quarterly Industrial Trends Survey press releases; Consumer Confidence: GfK NOP Consumer Confidence Barometer ;
F2	Retail Sales	ONS, Retail Sales release
F3	Housing Market	Halifax House Price Index ; Nationwide House Price Index ; Bank of England, Lending to Individuals ; DCLG, House-building
F4	Household Debt	Bank of England Lending to Individuals and database Insolvency Service, Q3 Insolvency Statistics ,

V Glossary

Symbols and abbreviations

..	Figure(s) not yet available
CBI	Confederation of British Industry
ILO	International Labour Organisation
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics

Definitions⁷

Average Earnings Index: Measures changes in gross wages and salaries paid to employees, including overtime payments. Excludes employers' insurance contributions, holiday pay, benefits in kind and bonuses which are not part of regular pay.

Balance of payments: A country's financial position, with other countries of the world, comprising two parts:

- **Current account:** the balance of imports and exports of goods and services, income and transfers combined;
- **Capital account:** the difference between a country's capital invested in other countries, and the capital invested by other countries in it.

Technically, the two parts always balance. A Balance of payments deficit normally refers to a **current account deficit**.

Balance of trade: The difference between a country's exports and imports of either goods only or goods and services combined. Trade in financial services account for around a third of UK exports, and thus partially offsets trade in goods deficits.

Basic prices: Prices excluding taxes and subsidies on products.

Claimant count: The number of people claiming Jobseeker's Allowance benefits.

Consumer Prices Index (CPI): This is the headline UK domestic measure of inflation. It measures the average change from month to month in the prices of consumer goods and services purchased in the UK.

Current account balance/deficit: The difference between receipts/payments due to transactions in goods, services, income and transfers between the UK and all other countries. A **current account deficit** means that total payments exceed total receipts; in the reverse case, the current account is in surplus.

Current budget: Measures the balance of public sector current account revenue over public sector current expenditure. It is the measure for assessing progress against **the golden rule**. This states that, on average over the economic cycle, the Government should borrow only to invest and not to fund current expenditure.

HM Treasury has stated that progress against the golden rule will be measured by averaging the

surplus on current budget, when expressed as a percentage of GDP, over each year of the economic cycle. To meet the rule, this average should be positive.

Constant/current prices: Constant prices refer to volume measures whose values are derived by applying to current quantities, prices for a specific base period. They allow figures to be represented so that the effects of inflation are removed. The values for each time period are expressed in terms of the prices in a particular base period.

Current prices are the actual or estimated recorded monetary value over a defined period for a group of industries or products. They show the value for each item expressed in terms of the prices of that period.

Economically active: Those aged 16 and over who are either in employment or unemployed.

Economically inactive: Those aged 16 and over who are neither in employment nor unemployed. This includes those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start work, and those who do not want a job.

Employment: The number of people with jobs as estimated by the Labour Force Survey (LFS). This includes all people aged 16 or over who did paid work, those who had a job that they were temporarily away from, those on government supported training and employment programmes, and those doing unpaid family work during the survey period. The employment rate refers to the number of people employed as a percentage of the working age population as measured by the LFS.

Exchange rate: The rate at which one currency is traded against another.

Gross Domestic Product (GDP): The total market value of goods and services produced after deducting the cost of goods and services used up in the process of production (intermediate consumption) but before deducting consumption of fixed capital (depreciation).

Gross Domestic Product – chained volume measure: Also known as *constant price* or *real GDP*, this is a measure used to indicate change in the actual quantity of goods and services produced.

Gross Fixed Capital Formation (GFCF): Expenditure on fixed assets (buildings, vehicles etc.) either for replacing or adding to the stock of existing assets. Business investment is GFCF by the private sector and public corporations on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.

Gross Value Added (GVA): The difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which

⁷ Sources: ONS, HM Treasury, HM Revenue and Customs, Finance-Glossary.com.

are used up in production. GVA is used to measure the productivity of sectors/industries and economies.

Harmonised Indices of Consumer Prices (HICP): Harmonised indices of consumer prices for Member States of the European Union.

Market prices: The prices actually paid by the purchaser for goods and services, including transport costs, trade margins and taxes. GDP at market prices = GDP at basic prices + transport prices paid separately + non deductible taxes on expenditure - subsidies received.

Money supply: The total amount of money in an economy at a given time. In the UK the main measures of money supply are:

- M0 which comprises notes and coins in circulation outside the Bank of England plus bankers' operational deposits with the Bank and is the UK's main narrow monetary aggregate.
- M4 which is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

New Deal for Young Persons (NDYP): A Government employment programme designed to help the long-term unemployed between the ages of 18-24 back into sustained employment through the provision of training, education, work experience, and job-search support.

New Deal for 25 plus (ND25+): A Government employment programme designed to help the long-term unemployed aged 25 and over back into sustained employment through the provision of training, education, work experience, and job-search support.

The Public Sector Net Cash Requirement (PSNCR): This measures the public sector's accumulation of debt net of liquid financial assets. Its approximate stock equivalent is net public sector debt.

Public Sector Net Debt: This is approximately the stock analogue of the PSNCR. It measures the public sector's financial liabilities to the private sector and abroad, net of short-term financial assets such as bank deposits and foreign exchange reserves.

Retail Prices Index (RPI): A domestic indicator of inflation. It measures the average change from month to month in the prices of goods and services purchased in the UK. It is similar to the CPI, but differs in terms of coverage and methodology. **RPI(X)** excludes mortgage interest payments.

Seasonally adjusted: Estimates in which the element of variability due to seasonal influences has been removed. Seasonal influences are those which recur regularly once or more a year.

Sterling Exchange Rate Index (SERI): This measures the value of sterling against a trade-weighted 'basket' of other currencies. The weights used in this index measure currencies' relative importance to UK trade in manufacturing.

Sustained employment: In terms of the New Deal programmes, sustained employment is classified as a job from which the participant does not return to claim Jobseeker's Allowance (JSA) or transfer to another option within 13 weeks. It includes those who have been in employment for less than 13 weeks but have not yet returned to JSA.

UK Base/Repo rate: The rate at which the Bank of England lends to discount houses by buying their bills. The base rate is usually the minimum rate at which banks are prepared to lend money. The high street bank base rate follows that set by the Bank of England, and it acts as the benchmark for other interest rates, including mortgages and personal loans.

Unemployment: The ILO definition includes all people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or are out of work and have accepted a job that they are waiting to start in the next fortnight.

Unemployment rate: The number of unemployed persons expressed as a percentage of the economically active population.

Volume/value of retail sales: The volume of retail sales is the total takings adjusted for inflation and the value of retail sales is the total actual takings.

Workforce jobs: The sum of employee jobs, self-employment jobs, those in HM Forces and government-supported trainees.