



Economic Indicators, November 2010

RESEARCH PAPER 10/68 2 November 2010

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

- The ONS's first estimate of GDP growth for Q3 of 0.8% was higher than most economists had predicted and maintained the momentum of Q2's 1.2% increase.
- Employment in the three months to August 2010 was 178,000 higher than the previous quarter, mainly due to an increase in part-time employment.
- The unemployment rate fell by 0.1 percentage points to 7.7% during the same period.

This month's articles:

- **The outlook for the public finances**
- **Which sectors are driving the economic recovery?**

Daniel Harari (editor)

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Research Paper 10/68

Contributing Authors: Daniel Harari (editor),
Economic Policy and Statistics section

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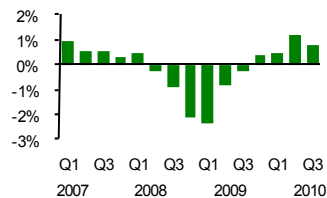
Summary

The ONS's first estimate of GDP growth for Q3 of 0.8% was higher than most economists had predicted and maintained the momentum of Q2's 1.2% increase (see page 1). The economy has now expanded in four consecutive quarters since exiting recession in Q4 2009. Employment in the three months to August 2010 was 178,000 higher than the previous quarter, mainly due to an increase in part-time employment (page 10). The unemployment rate fell by 0.1 percentage points to 7.7% during the same period (page 11).

GDP Growth

page 1

(% change quarter-on-quarter)

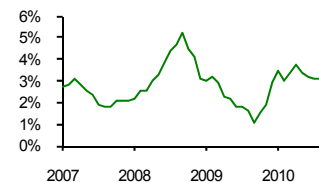


The preliminary estimate of quarterly GDP growth in Q3 2010 was 0.8%. This followed growth of 1.2% in Q2.

Inflation (CPI)

page 7

(% change on year ago)

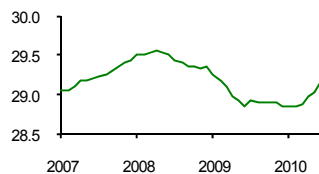


The rate of CPI inflation was 3.1% in the year to September, unchanged from August. Inflation has been at least 3% in every month so far this year.

Employment

page 10

(total, millions)

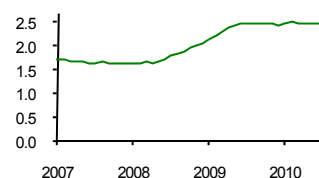


In the three months to August the number of people employed rose by 178,000 to 29.2 million.

Unemployment

page 11

(total, millions, ILO definition)



ILO unemployment has remained steady at around 2.5 million over the past year. The unemployment rate was 7.7% in the three months to August.

Manufacturing Confidence

page 19

(CBI Industrial Trends Survey, % balance expecting improvement/deterioration in future orders)



In October, net +18% of manufacturing firms expected output to rise rather than fall over the next three months – the highest since March 2008

Next issue: 7 December

Editor: Daniel Harari

To receive *Economic Indicators* by e-mail and/or hard copy on a regular basis please visit our page on the parliamentary intranet, where updated data is also available, at: <http://hcl1.hclibrary.parliament.uk/wdw/subject/ei.asp>.

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1 Introduction to *Economic Indicators*

Economic Indicators Research Papers are usually 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

Feedback

If you have any comments or suggestions about *Economic Indicators* please contact the editor, Daniel Harari, on x2464.

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Sources and glossary

A guide to sources is provided in section 5. Economic terms, symbols and abbreviations used in the publication are described in the glossary in section 6.

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:

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¹ <http://hcl1.hclibrary.parliament.uk/wdw/subject/EI.asp>

² <http://intranet.parliament.uk/Documents/intranet/offices-departments/assets/using-the-commons-library.pdf>

2 The outlook for the public finances

2.1 Total public spending

According to George Osborne's Budget in the summer, total current public spending will rise every year for the next five years in cash terms. It's not quite what you hear in the endless debates about "cuts". John Redwood MP, The Times 25 October 2010

Total public spending is forecast to increase in every year of the Spending Review period in nominal terms (before allowing for inflation). It will be over £40 billion higher in 2014/15 than 2010/11. This, however, does not allow for inflation. Once the figures are converted into real terms, public spending falls in each year up to 2014/15.

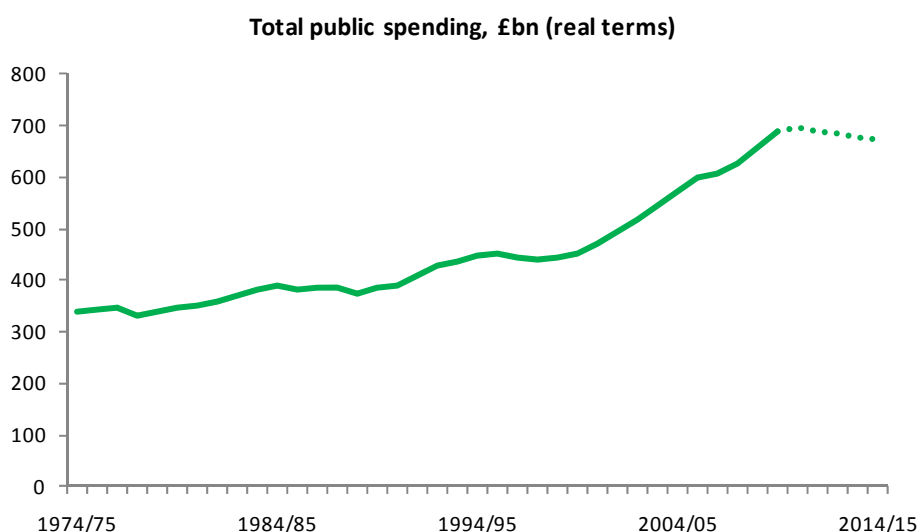
Total public spending (TME)

	£bn, nominal	£bn, real	Annual % change, real	%GDP
2010/11	696.8	696.8	1.1%	47.3
2011/12	701.8	688.7	-1.2%	45.6
2012/13	713.0	684.0	-0.7%	44.0
2013/14	724.2	677.1	-1.0%	42.4
2014/15	739.8	673.5	-0.5%	41.0

Sources: HM Treasury, Library calculations

These four consecutive years of cuts reverse only a small part of the spending growth seen under the Labour Government.³ Public spending grew strongly from 2000/01 onwards and was 46% higher in real terms in 2008/09 compared with 1999/00. This means that the level of public spending forecast for 2014/15 would still be above its 2008/09 level in real terms. As a share of GDP, public spending in 2014/15 would be back to its 2007/08 level.

The chart below shows that the cuts do little to reverse the increases in public spending seen in recent years. It also shows that it is unusual for public spending to fall for such a long period.



³ See Tim Morgan, *A shower, not a hurricane: the modest nature of the proposed cuts*, Centre for Policy Studies Pointmaker, 15 October 2010

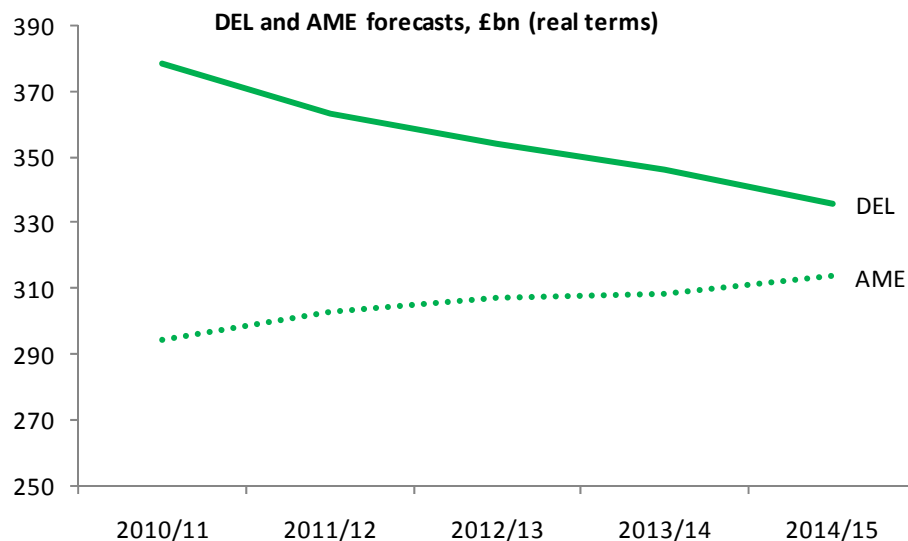
2.2 Departmental spending

The trends in overall spending mask differences between the various types of public spending. Total public spending is divided between:

- Departmental Expenditure Limits (DELs) which essentially cover departmental budgets for public services and administration. Total DEL in 2010/11 is £378.2 billion.
- Annually Managed Expenditure (AME) includes primarily demand-driven areas such as welfare spending and the interest the government pays on its debt. Resource AME is £294.6 billion in 2010/11.⁴

Unlike total spending, DEL falls in nominal terms over the spending review period. Once inflation is taken into account, it falls by over 10% between 2010/11 and 2014/15. As some budgets, such as the NHS, have been protected from cuts, other departments will see much greater reductions in their level of spending.

AME, on the other hand, is forecast to increase in real terms in every year of the spending review and is 6.5% higher in 2014/15 compared with 2010/11. This is after the savings of £18 billion on welfare spending set out in the June Budget and the Spending Review. A significant part of the increase is due to higher interest payments on government debt. These increase from £43.3 billion to £57.4 billion in real terms between 2010/11 and 2014/15.



The balance of public spending is thus set to change with AME becoming more important relative to departmental spending. Looking at current spending only (i.e. excluding capital spending), DEL is nearly £50 billion greater than AME in 2010/11. By 2014/15, the difference is forecast to be less than £4 billion.⁵

Dominic Webb
Economic Policy and Statistics Section

⁴ There is also Capital AME but this is much smaller. All the figures in this article are for Resource AME.

⁵ HM Treasury, *Spending Review 2010*, Table A.1, page 77. Figures are in nominal terms.

3 Which sectors are driving the economic recovery?

GDP growth in Q2 and Q3 has been strong, with the economy expanding by twice that of economists' expectations in Q3. This article examines which sectors have been behind the recovery to date.

3.1 How strong has the recovery been?

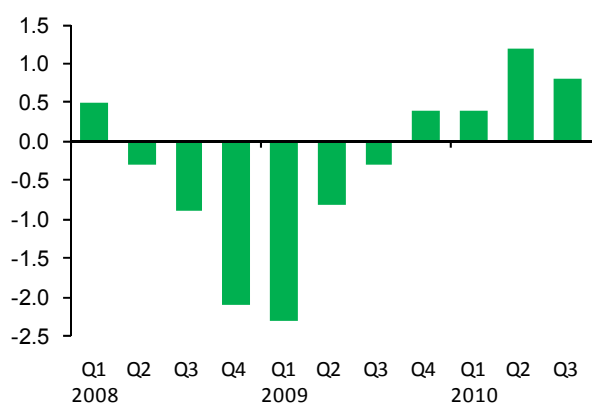
Following six quarters of falling output, the economy exited recession in Q4 2009 with quarter-on-quarter growth of 0.4%. This was followed by another quarterly expansion of 0.4% in early 2010. These fairly tepid figures led some analysts to express concern at the strength of the recovery and warn of the prospects of a double-dip recession.⁶

GDP growth of 1.2% in Q2 2010 - the fastest quarterly expansion since 2001 - and 0.8% in Q3 - twice that expected by economists - have suggested that the recovery is on a firmer foundation. This increase in GDP growth this year has come despite an increase in the VAT rate in January from 15 to 17.5%, the introduction of the new 50p tax rate for high earners and uncertainty in the euro zone.

However, it is worth remembering that the size of the UK economy is still 3.9% below its pre-recession peak in Q1 2008. In addition, the outlook remains uncertain given factors such as the planned real terms reductions in public spending.

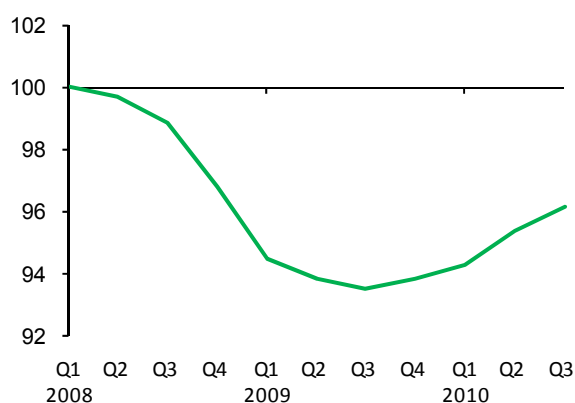
The recovery strengthened in mid-2010...

Real GDP growth, % change on previous quarter



...but economy still 4% smaller than in Q1'08

Real GDP, index where Q1 2008=100



3.2 Construction and manufacturing: the engines of growth?

The UK economy is dominated by the services sector which makes up 77% of UK output. Manufacturing accounts for 12% and construction for 6%.⁷ It is these smaller sectors that have been the impetus behind the relatively strong Q2 and Q3 2010 GDP growth figures.

In Q2 alone, construction output increased by 9.5%, while manufacturing grew by 1.6%. This contributed over half of overall GDP growth of 1.2%, despite the two sectors accounting for under a fifth of the economy.

In Q3, construction increased sharply again, this time by 4.0%, with manufacturing output rising by 1.0% during the period. The two sectors accounted for over a third of the overall GDP growth rate of 0.8%.

⁶ For example, see British Chambers of Commerce, "UK Economic Forecast – June 2010", 30 May 2010

⁷ Other production industries account for 5% and agriculture 1%. Source: ONS data for 2008 (latest available).

The recession saw both the manufacturing and construction sectors suffer steep declines in output, of 14.5% and 14.1% respectively, from their pre-recession levels. The strength of the rebound in output is, at least partly, a reflection of the extra capacity available in these sectors and not unusual following periods of recession.

3.3 The services sector

Over the past few quarters, the services sector has grown at a steadier pace compared with the construction and manufacturing sectors, with growth of 0.6% in both Q2 and Q3. The large size of the sector meant that it contributed around half of overall GDP growth in Q2 and Q3.

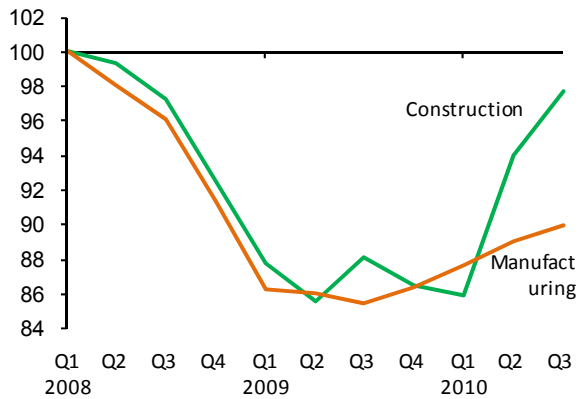
Business services and finance (which make up around 40% of the services sector) have grown consistently over the past year, and contributed around a quarter of overall GDP growth in Q2 and Q3.

Against the backdrop of many debates, discussions and news reports about the need to rebalance the economy, these figures serve as a reminder of just how important the services sector is to the future path of the recovery. Should the recent expansion in manufacturing and, in particular, construction prove to be temporary, it will be left to the services sector to once again drive GDP growth.

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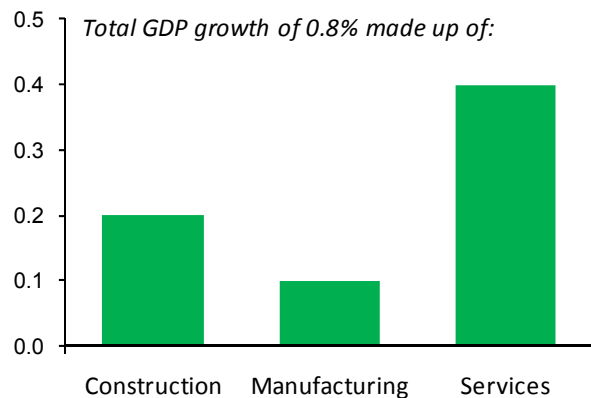
Construction & manufacturing rebounding

Sector output, index where Q1 2008=100



Services sector still critical to economy

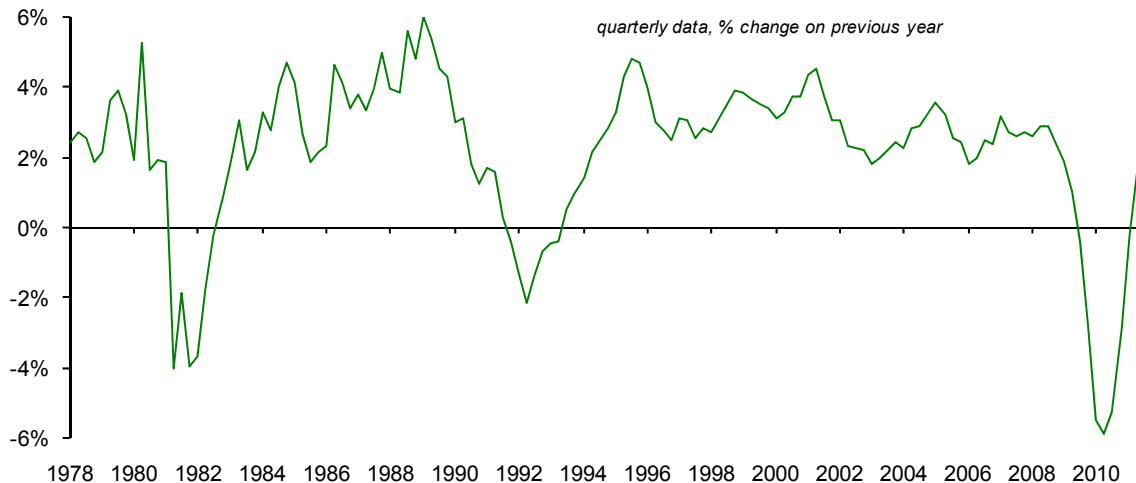
Q3 contributions in %-pts to real GDP growth



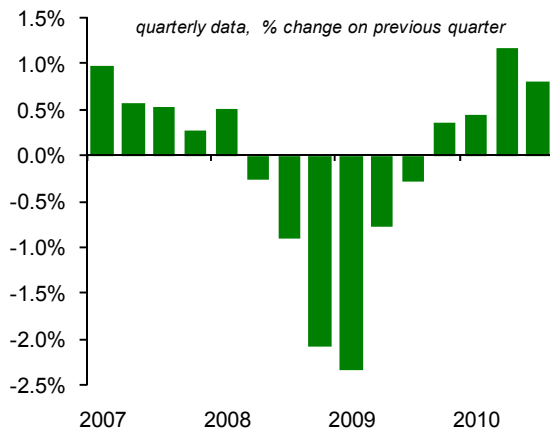
A1: Gross Domestic Product

The economy grew by a provisional estimate of 0.8% in Q3 2010, following growth of 1.2% in Q2 2010. In October 2010, HM Treasury's average of independent economic forecasts of GDP growth for 2010 was 1.6%, and for 2011 was 1.9%. The interim Office for Budget Responsibility's (OBR) central forecasts from the June 2010 Budget are for 1.2% growth in 2010 and 2.6% for 2011.

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	1,405	5.8	...	2.7
2008	1,446	2.9	...	-0.1
2009	1,393	-3.7	...	-5.0
2009 Q3	347.4	-3.9	-0.3	-5.4
Q4	351.4	-2.1	0.4	-3.0
2010 Q1	358.6	2.7	0.4	-0.3
Q2	364.9	5.9	1.2	1.7
Q3	-	-	0.8	2.8

Source: ONS, series: YBHA, ABMI

- The economy grew by a provisional estimate of 0.8% in Q3 of 2010, compared with Q2 of 2010. This compares with growth of 1.2% in Q2 2010 compared with Q1 2010.
- The contraction in the economy of -2.3% between Q4 2008 and Q1 of 2009 was the largest percentage fall in quarterly GDP since Q3 of 1979 (-2.4%).
- In Q3 2010, GDP rose by 2.8% compared with the same period a year ago, compared with a 1.7% in Q2 2010, compared with the same period a year ago.
- Total output of the economy fell by (a revised) 6.5% during the recession.

Contact: Grahame Allen, x3977

Updates: ONS, [UK output, income & expenditure](#), ONS, 24 Nov
HM Treasury, [Forecasts for the UK Economy](#), 17 Nov

A2: GDP: International Comparisons

France, Germany and Japan were the first G7 countries to emerge from recession (in Q2 2009), followed by the US, Canada, Italy and the eurozone in Q3 2009, and the UK in Q4 2009.

The UK economy grew 1.2% in Q2 2010, while initial estimates of 0.6% growth in the US were revised down to 0.4%. Germany grew by 2.2% in the same period, more than three times the growth rate in France (0.7%), while the eurozone as a whole grew 1.0% and Japan's economy by 0.4%. Greece's economy continued to contract (by 1.5% in Q2 2010), while Spain grew by 0.2% (see [Eurostat release](#)).

Real GDP, % changes

	change on prev. year						change on prev. quarter				
	2009	09Q2	09Q3	09Q4	10Q1	10Q2	09Q2	09Q3	09Q4	10Q1	10Q2
US	-2.6	-4.1	-2.7	0.2	2.4	3.0	-0.2	0.4	1.2	0.9	0.4
Japan	-5.2	-5.9	-4.8	-1.4	4.4	2.4	2.3	-0.1	0.9	1.2	0.4
UK	-5.0	-6.0	-5.4	-3.0	-0.3	1.7	-0.8	-0.3	0.4	0.4	1.2
Germany	-4.7	-5.5	-4.4	-2.0	2.0	3.7	0.5	0.7	0.3	0.5	2.2
France	-2.6	-3.1	-2.7	-0.5	1.2	1.7	0.1	0.3	0.6	0.2	0.7
Eurozone	-4.0	-4.9	-4.0	-2.0	0.8	1.9	-0.1	0.4	0.2	0.3	1.0
G7	-3.6	-4.7	-3.6	-0.8	2.2	2.7	0.2	0.3	0.9	0.8	0.7
OECD	-3.4	-5.2	-4.1	-1.7	1.3	2.5	0.0	0.5	0.3	0.4	1.2

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

The latest IMF forecasts ([October 2010](#)) raised their [July forecast](#) for 2010 world growth forecast by 0.2 points to 4.8%, while lowering their 2011 forecast slightly.

Similarly, UK growth in 2010 was revised up $\frac{1}{2}$ a point to 1.7% from 1.2%, with 2011 growth revised down 0.1 of a point. The 2010 forecasts were also raised for France (0.2 points), Germany (1.9 points) and the eurozone (0.7 points), the forecast for the US was revised downwards with 0.7 points to 2.6%. Japan's growth is expected to be 2.8% this year, up 0.4 points.

Among major emerging markets, China's growth forecast was unchanged for both 2010 and 2011 at 10.5% and 9.6% respectively. The forecasts for 2010 growth in were up 0.3 points to 9.7%, for India, and up 0.4 points to 7.5% for Brazil.

The European Commission's [September forecasts](#) revised up their May forecast for UK 2010 growth of 1.2% up to 1.7%, and those for France from 1.3% to 1.6%, and more than doubled their forecast for Germany (1.2% to 3.4%).

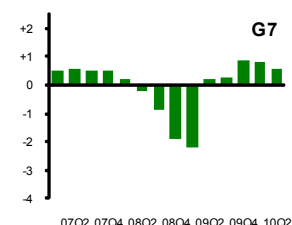
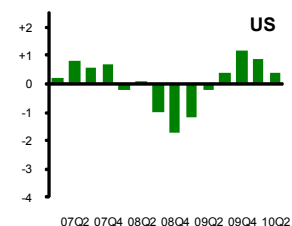
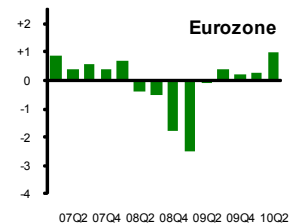
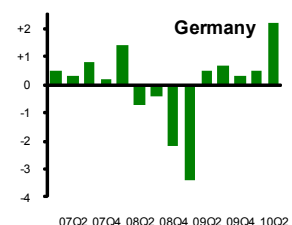
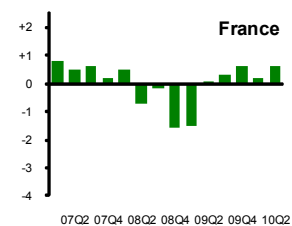
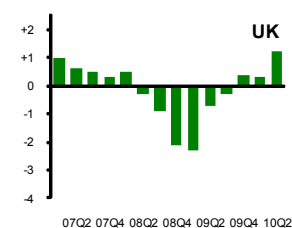
OECD [September interim forecasts](#) for major economies only (not shown below) revised *annualised* G7 growth in the second half of 2010 down to 1.5% (from 2.5% in May). It anticipates 2.7% annualised UK quarter-on-quarter growth in Q3 then 1.5% in Q4 2010, compared with 2.1% and 1.2% in the US, 0.7% and 1.1% in Germany, and 0.7% and 0.3% in France (with relatively large margins of error).

Real growth forecasts (% changes)

	IMF (Oct)		Oct cf. Jul (% pts)		EC (Sep)			OECD (May)	
	2010	2011	2010	2011	2010	2010	2011	2010	2011
UK	1.7	2.0	+0.5	-0.1	1.7	1.2	2.1	1.3	2.5
France	1.6	1.6	+0.2	0.0	1.6	1.3	1.5	1.7	2.1
Germany	3.3	2.0	+1.9	+0.4	3.4	1.2	1.6	1.9	2.1
Eurozone	1.7	1.5	+0.7	+0.2	1.7	0.9	1.5	1.2	1.8
US	2.6	2.3	-0.7	-0.6	..	2.8	2.5	3.2	3.2
Japan	2.8	1.5	+0.4	-0.3	..	2.1	1.5	3.0	2.0
OECD	..	..	..	..	..	..	..	2.7	2.8
China	10.5	9.6	0.0	0.0	..	..	..	11.1	9.7
India	9.7	8.4	+0.3	0.0	..	..	..	8.3	8.5
Brazil	7.5	4.1	+0.4	-0.1	..	..	..	6.5	5.0
World	4.8	4.2	+0.2	-0.1	..	..	..	..	..

Sources: IMF, WEO Oct/Jul; EC, Sep/May; OECD, Economic Outlook 87, May

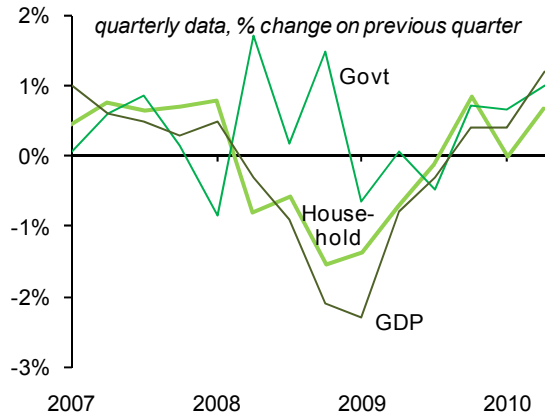
Quarter-on-quarter growth rates



A3: Components of GDP

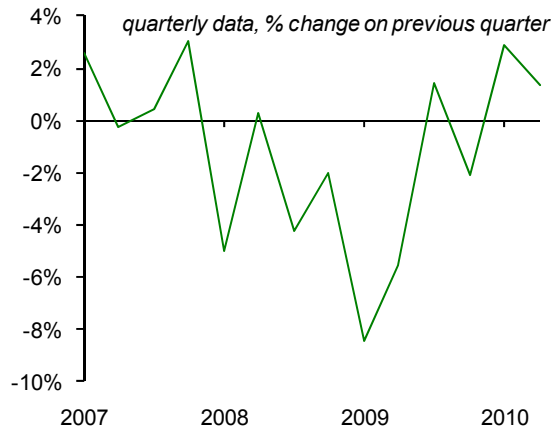
GDP is made up of a number of elements, including household consumption, government spending, investment and net trade (exports less imports). Household consumption is the largest element accounting for 63% of the total in 2009. Government consumption accounted for 24% and gross fixed capital formation for 15%.

Household consumption, government consumption and GDP



- In Q2, 2010, household consumption increased by 0.7%. Government consumption increased by 1.0%.
- Over the past year, government consumption has increased by 1.9% compared with 1.4% for household consumption.
- Inventories (stocks held by companies to meet future demand) play an important role in the economic cycle. Companies increased their holdings of inventories in Q2, 2010 for the first time since Q3, 2008.

Gross fixed capital formation



- Gross fixed capital formation (GFCF) measures investment in buildings and machinery.
- GFCF growth has fluctuated considerably in recent quarters. In Q2, 2010 GFCF grew by 1.4% compared with growth of 2.9% in Q1.

Components of GDP

% change on previous quarter (real terms)

	Household consumption	Government consumption	GFCF (a)	Exports	Imports	GDP
2008 (annual % change)	0.6%	1.6%	-5.0%	1.0%	-1.2%	-0.1%
2009 (annual % change)	-3.4%	1.0%	-15.1%	-11.1%	-12.3%	-5.0%
2009 Q3	-0.1%	-0.5%	1.5%	0.9%	1.2%	-0.3%
2009 Q4	0.8%	0.7%	-2.0%	3.7%	4.5%	0.4%
2010 Q1	0.0%	0.7%	2.9%	-0.7%	2.0%	0.4%
2010 Q2	0.7%	1.0%	1.4%	2.3%	2.4%	1.2%

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](#), 24 Nov

A4: Output and employment by industry

In 2008, services accounted for 77% of UK Gross Value Added (GVA), manufacturing 12%, other production industries (mining & quarrying, and utilities) 5%, construction 6% and agriculture, hunting and fishing 1%. The services sector accounts for 83% of total workforce jobs.

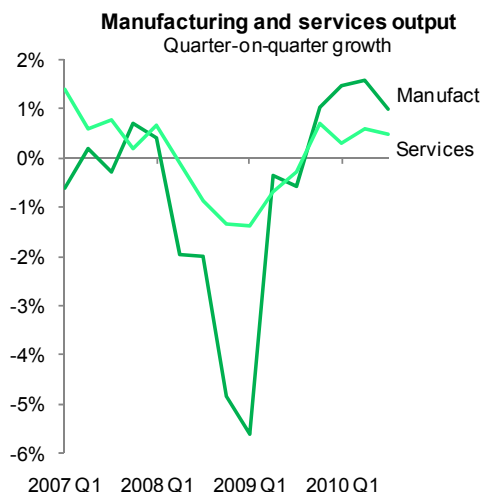
Output

GVA growth by industry

Seasonally adjusted, chained volume measures at basic prices

	Manufacturing	Construction	Services	All industries
<i>Annual % changes</i>				
2008	-2.9%	-0.8%	0.5%	-0.1%
2009	-10.8%	-10.5%	-3.3%	-4.8%
2010 Q1	1.6%	-2.2%	0.0%	-0.1%
2010 Q2	3.6%	9.8%	1.3%	1.7%
2010 Q3	5.2%	10.9%	2.1%	
<i>Quarter-on-quarter</i>				
2010 Q1	1.5%	-0.8%	0.3%	0.3%
2010 Q2	1.6%	9.4%	0.6%	1.1%
2010 Q3	1.0%	4.0%	0.5%	

Source: ONS series CKYY, GDQB, GDQS, CGCE



- Following sharp falls in manufacturing output in 2008 and 2009, it is now growing at a faster rate than services. Construction continued to perform strongly in Q3 2010.
- Manufacturing output rose by 5.2% in the year to Q3 2010. Construction output rose by 10.9%
- Services output rose by 2.1% in the year to Q2 2010, with output in the business services and finance sector growing by 0.5%.

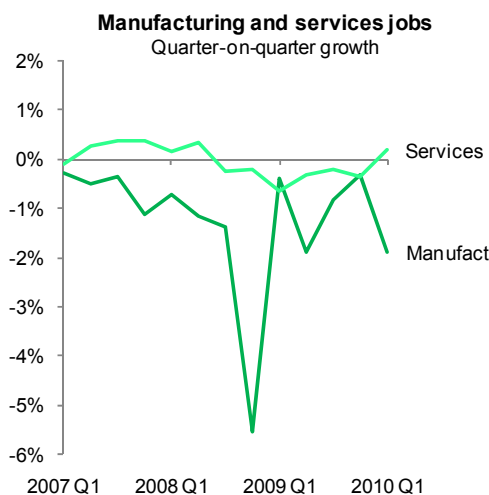
Employment

Workforce jobs by industry

Seasonally adjusted

	Manufacturing	Construction	Services	All industries
<i>Annual % changes</i>				
2008 Q2	-3.3%	-0.9%	1.2%	0.7%
2009 Q2	-8.9%	-5.4%	-1.4%	-2.5%
2010 Q1	-4.8%	-10.0%	-0.7%	-1.7%
2010 Q2	-3.7%	-3.3%	-0.4%	-0.6%
<i>Quarter-on-quarter</i>				
2010 Q1	-1.9%	-2.8%	0.2%	-0.1%
2010 Q2	-0.7%	2.6%	0.0%	0.2%
<i>Thousands</i>				
2010 Q2	2,515	2,103	25,408	30,801

Source: ONS series JWR7, JWS2, JWT8, DYDC



- The employment picture is different, with numbers of manufacturing jobs continuing to fall sharply (3.7% in the year to June 2010). Numbers of service sector jobs have been steadier.
- Numbers of jobs in the construction sector rose in the last quarter but are still down over the year.
- The public administration, health and education workforce rose by 1.6% in the year to June 2010.

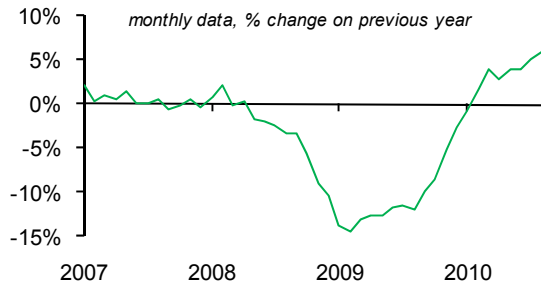
Contact: Adam Mellows-Facer, x4904

Update: [UK output, income & expenditure](#), ONS, 24 Nov

A5: Manufacturing (Including Automotives)

Monthly manufacturing output data from the ONS, as well monthly vehicle production and new car registration data from the Society of Motor Manufacturers and Traders (SMMT), are covered below.

Manufacturing Output

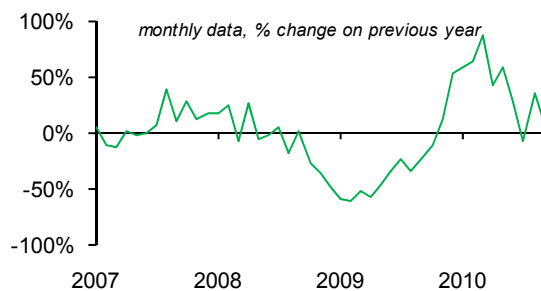


	Index Value (2005=100)	% change over month	% change over 12 months
2008	97.6	...	-2.9
2009	87.1	...	-10.8
2010 May	90.2	+0.3	+4.0
Jun	90.5	+0.3	+4.0
Jul	90.9	+0.4	+5.0
Aug	91.2	+0.3	+6.0

Source: ONS, series CKYY

- Manufacturing output was up by 6.0% in the year to August 2010, the highest annual rate of increase since December 1994. In 2009 output fell by 10.8%.
- Industrial production, which in addition to manufacturing includes mining and quarrying, and electricity, gas and water supply, was up by 4.2% compared with a year ago, up from 2.0% in July.

Vehicle Production

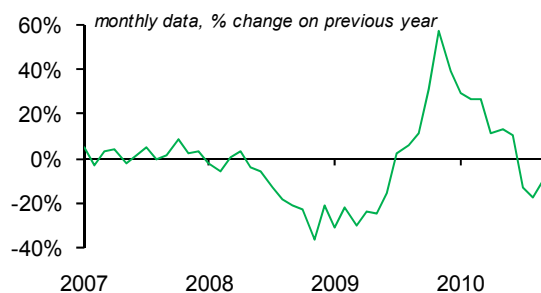


	Number '000s	% change over 12 months
2008	1,650	-5.8
2009	1,090	-33.9
2009 Sep	129	-20.8
2010 Jul	108	-7.3
Aug	84	+36.1
Sep	138	+6.6

Source: SMMT, not seasonally adjusted

- UK vehicle production was 138,000 in September 2010, the highest monthly total since September 2009 and 7% higher than in September 2009. The Government's scrappage scheme ended in April 2010.
- In 2009, 1.09 million vehicles were produced in the UK, down by 33.9% compared with 2008. Out of the total, 261,000 or 24% were for the UK market and 829,000 or 76% were for export.

New Car Registrations



	Number '000s	% change over 12 months
2008	2,132	-11.3
2009	1,994	-6.4
2009 Sep	368	+11.4
2010 Jul	136	-13.2
Aug	55	-17.5
Sep	335	-8.9

Source: SMMT, not seasonally adjusted

- There were 8.9% fewer new registrations of cars in September 2010 than in September 2009. September marked the first month of the new '60' plate cars but new registrations were the second lowest for the month since 1999 when twice yearly registrations were established.
- New car registrations fell by 6.4% in 2009 to 2 million, the lowest level since 1995.

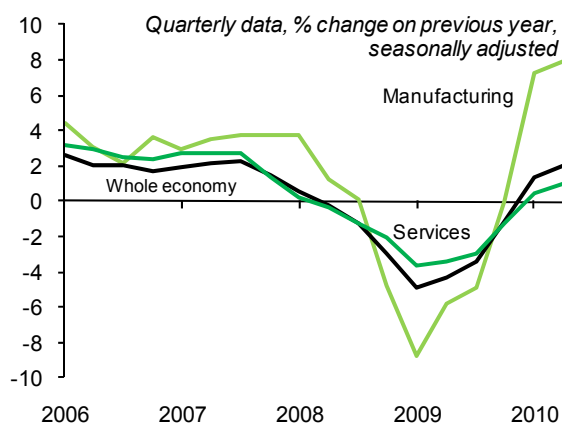
Contact: Adam Mellows-Facer, x4904

Update: ONS, [Index of Production](#), 9 Nov
SMMT, [Vehicle Production](#), late Nov
SMMT, [New Car Registrations](#), 4 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 by sector, output per job



Source: ONS, series: LNNP, LNNU, GG5J

- Productivity across the whole economy, measured by output per worker, is estimated to have fallen by 3.2% in 2009 compared with a fall of 0.8% in 2008.
- Output per worker rose by 1.4% in Q2 2010 compared to the same quarter a year ago.
- Manufacturing output per job grew by 7.9% in Q2 2010 compared to the same quarter a year ago, as output in the sector increased while employment fell. Output per job in the service sector rose by 1.0% over the same period.
- Comparing Q2 2010 with Q1 2010, manufacturing output per job increased by 2.2%, services output per job grew by 0.3% while output per job for the whole economy grew by 0.5%.

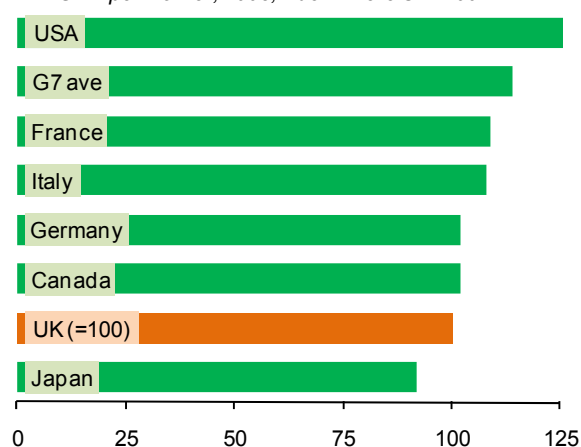
Productivity growth, seasonally adjusted

Annual % change	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
2008	0.1	0.2	..	..	-0.8	-1.0	-0.5
2009	-4.9	-3.4	..	..	-3.2	-3.5	-2.0
2009 Q2	-5.8	-4.1	-3.4	-3.1	-3.9	-4.3	-3.5
Q3	-4.9	-3.8	-3.0	-1.7	-3.4	-3.4	-2.0
Q4	0.0	1.2	-1.3	-0.4	-1.1	-1.1	0.0
2010 Q1	7.3	5.0	0.4	0.1	1.1	1.4	0.9
Q2	7.9	5.7	1.0	0.7	1.4	2.0	1.4
Latest quarterly % change	2.2	2.2	0.3	-0.4	0.5	0.7	0.2

Source: ONS

International comparisons

GDP per worker, 2008, index where UK=100



- International comparisons of productivity are presented as an index where the UK=100.
- 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.
- From 1997 to 2008 UK productivity improved by 20%, a larger improvement compared to all but one G7 country (USA, 21% increase). It increased by 17% for the G7 average, 14% for Japan, 11% for Canada and France, 10% for Germany and no change for Italy.
- Based on GDP per hour, in 2008 the UK had higher levels of productivity than Japan, around the same levels as Italy and Canada, and lower levels than Germany, France, the US and the G7 average.

Contact: Daniel Harari, x2464

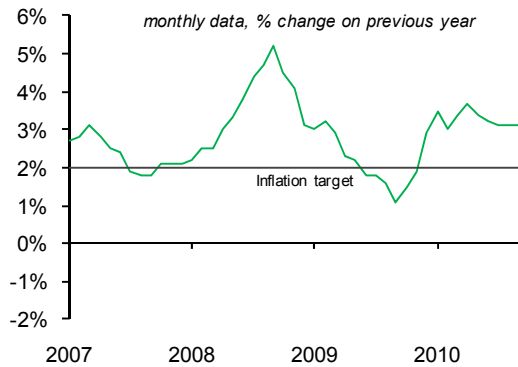
Update: ONS, [Productivity](#), 23 Dec

B1: Inflation

Compared with a year ago, the consumer prices index (CPI) showed inflation at 3.1% in September, the same as in August and still above the Bank of England's 2% target.

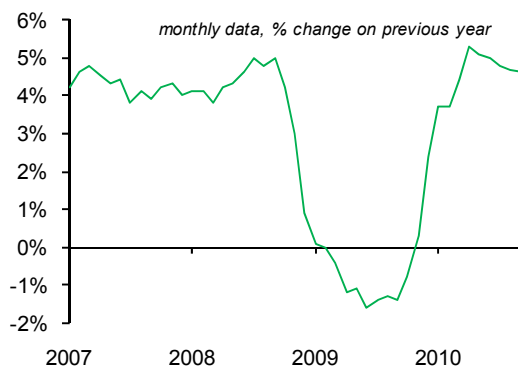
On 10 December 2003 the (then) Chancellor wrote to the Bank of England setting a new UK inflation target of 2.0%, measured by the consumer prices index (CPI). Inflation must remain within 1 percentage point either side.

Consumer Prices Index (CPI)



- The CPI annual inflation rate was unchanged for the third month in succession in September at 3.1%.
- Upward pressure on inflation came from food, and clothing and footwear, while there was downward pressure from transport, in particular fuels and air fares.
- The RPI (all items) measure of inflation fell to 4.6% in September, continuing to fall from its highest level, since July 1991, of 5.3% in April.

Retail Prices Index (RPI)



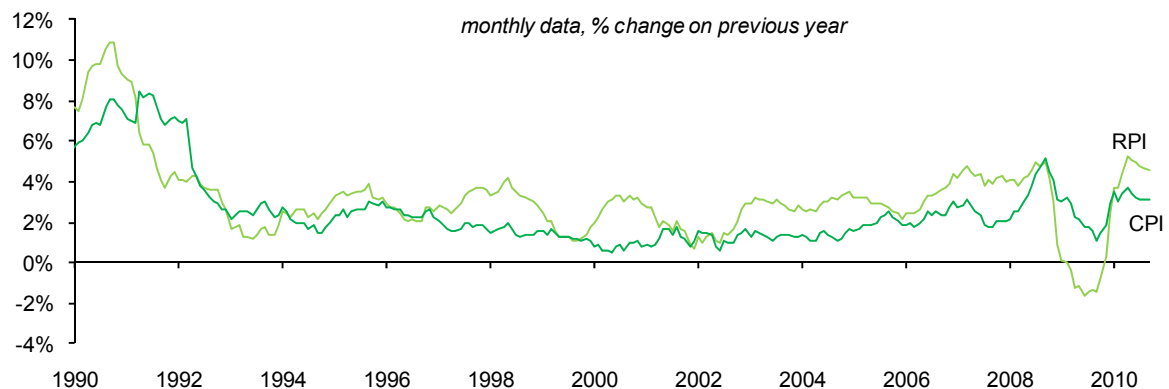
Price Indices

% change on a year ago

		CPI	RPI
2007		2.3	4.3
2008		3.6	4.0
2009		2.2	-0.5
2010	Apr	3.7	5.3
	May	3.4	5.1
	Jun	3.2	5.0
	Jul	3.1	4.8
	Aug	3.1	4.7
	Sep	3.1	4.6

Source: ONS database, series: D7G7, CDKQ

CPI and RPI since 1990



B2: Inflation: International

UK inflation, measured by the Consumer Prices Index (CPI), remained positive throughout the recession. Other major economies, including the US, France and Germany, saw deflation (negative inflation, or falling prices).

Inflation in the EU, some other European countries, and now the US, can be measured using the standard Harmonised Index of Consumer Prices (HICP). This is used for the CPI in the UK. National inflation calculations methods differ from this standard to varying degrees. For example, the US' national measure is based on prices in urban areas only, and unlike the HICP includes costs of owner-occupied housing. Care should therefore be taken when making comparisons between national measures.

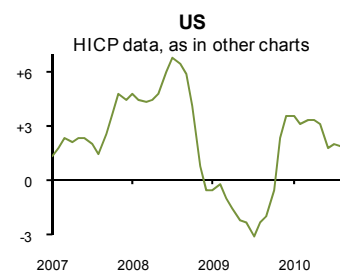
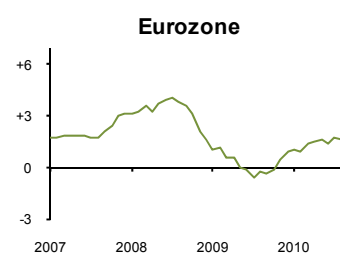
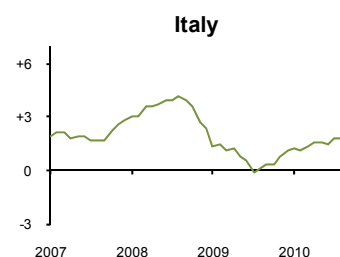
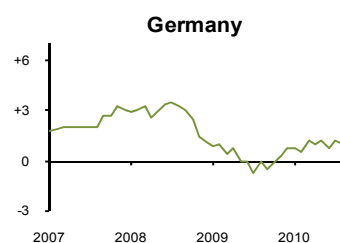
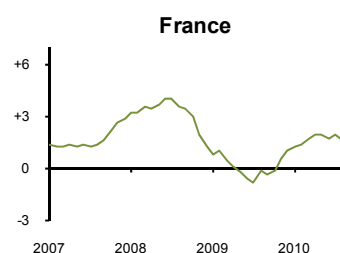
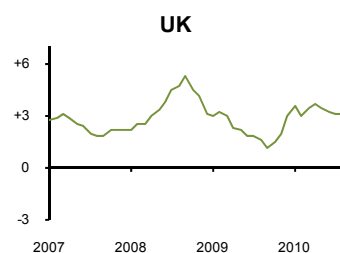
- In the year to September, UK inflation was 3.1%, unchanged from August. The Bank of England's UK inflation target is 2%. This rate was the 7th highest in the EU.
- The euro zone flash estimate of inflation in October was 1.9%, compared with 1.8% in September. The European Central Bank (ECB) aims to keep inflation "below, but close to, 2% over the medium term".
- The highest rate in the EU is 7.7% in Romania. Ireland is the only EU country with lower prices than a year ago (-1.0%).
- HICP annual inflation in the US in August was 1.9%, down from 2.0% in July. Using its national definition, US inflation was lower (1.1% in August, 1.2% in July).

Inflation rates: selected countries

Annual % change in consumer prices

	2008	2009	Jul 10	Aug 10	Sep 10
HICP (Eurostat/ONS)					
UK	3.6	2.2	3.1	3.1	3.1
Eurozone	3.3	0.3	1.7	1.6	1.8
EU	3.7	0.3	2.1	2.0	2.2
France	3.2	0.1	1.9	1.6	1.8
Germany	2.8	0.2	1.2	1.0	1.3
Greece	4.2	1.3	5.5	5.6	5.7
Italy	3.5	0.8	1.8	1.8	1.6
Spain	4.1	-0.2	1.9	1.8	2.1
US	4.4	-0.8	2.0	1.9	..
National definitions (OECD)					
Canada	2.4	0.3	1.8	1.7	..
Japan	1.4	-1.4	-0.9	-0.9	..
US	3.8	-0.4	1.2	1.1	..
G7	3.2	-0.1	1.2	1.1	..
OECD	3.7	0.5	1.6	1.6	..
Brazil	5.7	4.9	4.6	4.5	4.7
China	5.9	-0.7	..	..	..
India	8.3	10.9	11.3	9.9	..
Russia	14.1	11.7	5.5	6.1	..

Source: ONS, Eurostat & stat.OECD database



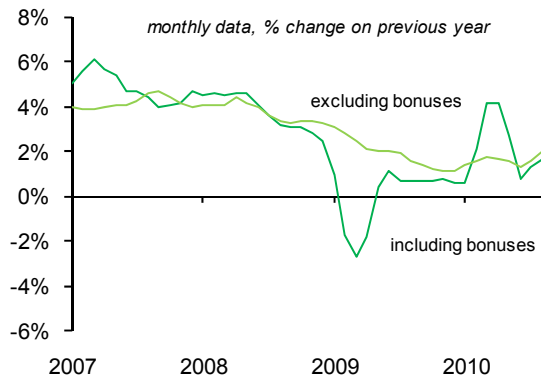
Contact: Gavin Thomson, x2042

Updates: OECD, [Main Economic Indicators](#), 8 Nov
Eurostat, [HICP full release](#), 16 Nov
Eurostat, [Flash estimate \(Nov\)](#), 30 Nov

B3: Average Earnings

Average weekly earnings (three-month average including bonuses) for the whole economy rose by 1.7% in August compared with a year ago. This was higher than the increase of 1.3% in July. Average weekly earnings excluding bonuses were 2.0% higher in the three months to August compared with a year ago, up from a rise of 1.6% in July.

Average Earnings, Whole Economy



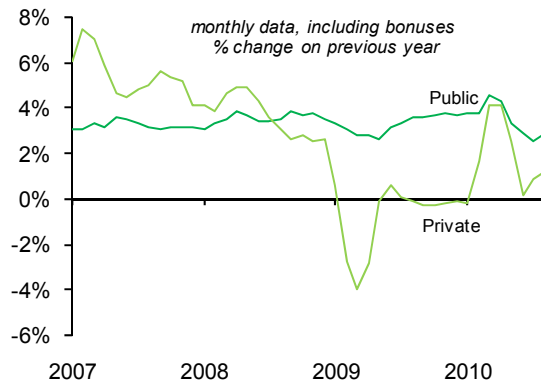
Average Earnings, Including Bonuses

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

	Private	Public	Manuf.	Serv.	Total
2007 Aug	5.0	3.2	4.6	4.5	4.4
2008 Aug	3.1	3.5	3.2	3.3	3.2
2009 Aug	-0.1	3.6	0.6	0.9	0.7
2010 Mar	4.1	4.6	6.2	3.9	4.2
Apr	4.1	4.3	6.2	4.1	4.2
May	2.5	3.3	5.8	2.6	2.7
Jun	0.2	2.9	3.7	0.7	0.8
Jul	0.9	2.5	4.0	1.2	1.3
Aug	1.2	2.9	4.3	1.6	1.7

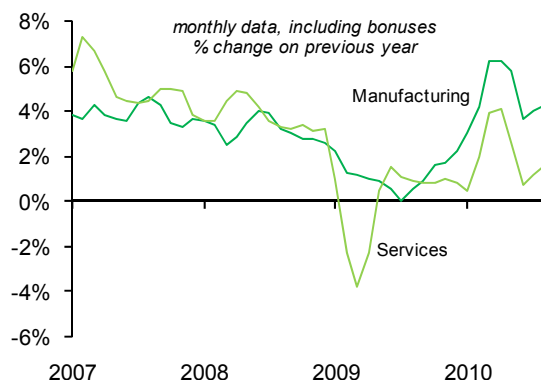
Source: ONS, data shows latest 3-month period

Average Earnings in the Public and Private Sectors



- Average total pay (including bonuses) in the private sector rose by 1.2% in August, compared with an increase of 2.9% in the public sector. Excluding financial services, public sector earnings rose by 1.9%.
- Average weekly earnings (including bonuses) in August in the public sector were £463 compared with £447 in the private sector.
- In 2009, headline (including bonuses) earnings in the public sector averaged an increase of 3.2%, while the private sector averaged a 0.9% decrease.

Average Earnings in Services and Manufacturing

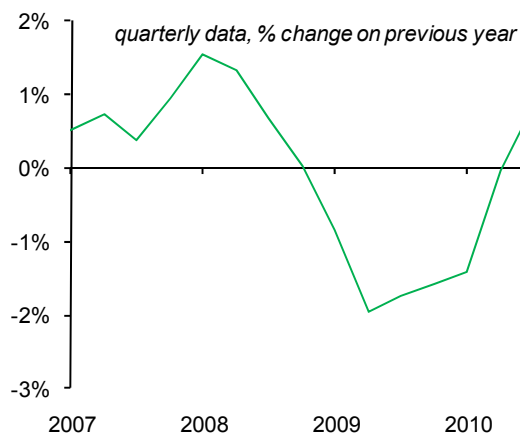


- Average total pay growth (including bonuses) in the manufacturing sector was 4.3% in August, compared with 1.6% in the services sector.
- Average weekly earnings (including bonuses) in August in the manufacturing sector were £529 compared with £437 in the services sector.
- In 2009, headline (including bonuses) earnings in the services sector averaged a decrease of 0.2% compared with a 1.2% increase in the manufacturing sector.

C1: Employment

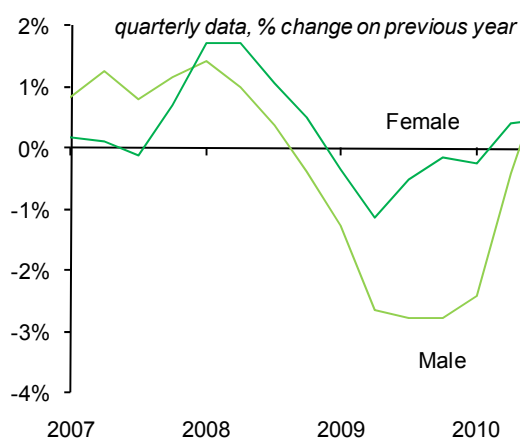
Employment in the three months to August 2010 was 178,000 higher than the previous quarter, mainly due to an increase in part-time employment.

Total employment



- Employment is 1.4% lower than its peak of 29.6 million in April 2008.
- Over the past year, employment among 16-24 year olds has fallen by 0.8%. Employment has increased for all other age groups. (see table below).
- Employment of those aged 65 and over has increased by 11.8% over the last year.

Male and female employment



- Over the past year, male employment has increased by 1.1% while female employment increased by 0.5%.
- Full-time employment has fallen by 0.5% over the past year while part-time employment has increased by 4.7%.
- Over the past quarter, the number of public sector jobs has fallen by 22,000 while the number of private sector jobs has increased by 308,000,

Employment by age

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

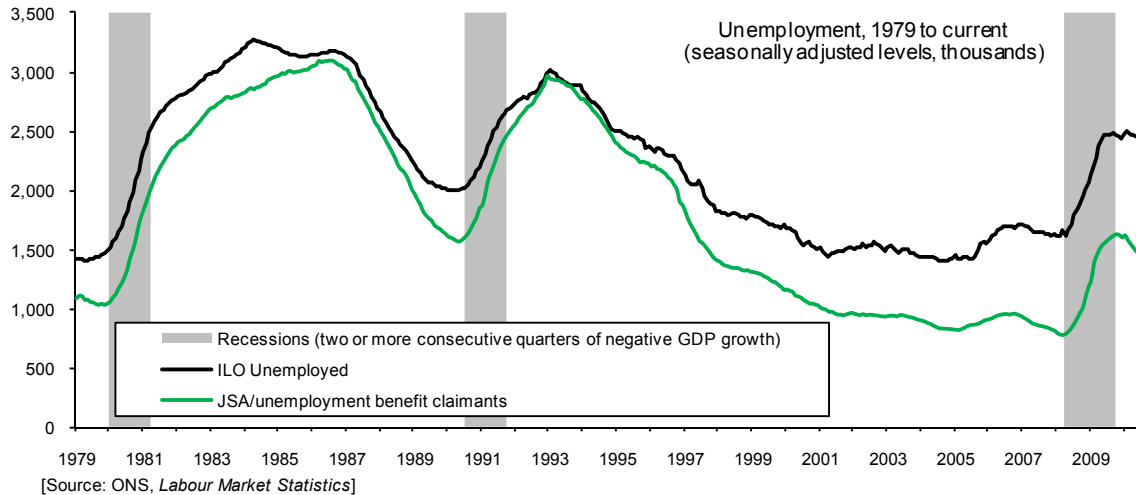
	Total	16-24	25-49	50-64	65+
Jul 2008	29,429	4,168	17,354	7,219	687
Jul 2009	28,917	3,866	17,062	7,234	757
Oct 2009	28,905	3,795	17,135	7,210	764
Jan 2010	28,843	3,756	17,075	7,239	773
Apr 2010	28,980	3,817	17,108	7,253	802
Jul 2010	29,158	3,837	17,184	7,291	846
% change on previous 3 months	+0.6	+0.5	+0.4	+0.5	+5.5
% change on previous year	+0.8	-0.8	+0.7	+0.8	+11.8

Source: ONS

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 2010 was 2,448,000 (7.7% of all economically active) – down by 20,000 from the previous quarter (UK, seasonally adjusted).**

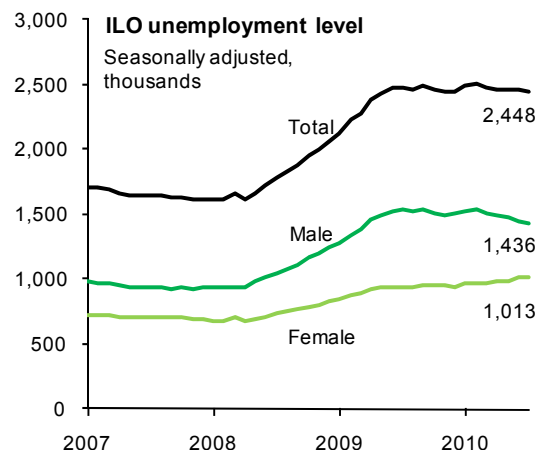


ILO unemployment (period Jun-Aug 2010)

- The number of people unemployed for more than 12 months stood at 821,000, a year-on-year increase of 209,000;
- The unemployment level among 16- to 24-year-olds was 919,000, 19.3% of the economically active population in the age group (see table below).

Jobseeker's Allowance (JSA) claimant count

The seasonally adjusted monthly JSA claimant count increased by 5,300 between August and September 2010 to 1,473,100.



ILO Unemployment in the UK

seasonally adjusted

	Total		16 to 24		25 to 49		50 to 64		65 and over	
	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)	'000s	(%)
Jun-Aug 2005	1,420	4.7	601	12.6	604	3.4	203	2.9	13	2.2
Jun-Aug 2006	1,690	5.5	691	14.1	753	4.2	230	3.2	15	2.4
Jun-Aug 2007	1,642	5.3	712	14.6	689	3.8	228	3.1	14	2.1
Jun-Aug 2008	1,783	5.7	744	15.1	781	4.3	243	3.3	17	2.3
Jun-Aug 2009	2,472	7.9	940	19.6	1,157	6.4	355	4.7	20	2.6
Sep-Nov 2009	2,460	7.8	922	19.5	1,146	6.3	364	4.8	27	3.4
Dec-Feb 2010	2,486	7.9	925	19.8	1,169	6.4	368	4.8	24	3.1
Mar-May 2010	2,469	7.8	923	19.5	1,156	6.3	369	4.8	21	2.6
Jun-Aug 2010	2,448	7.7	919	19.3	1,142	6.2	367	4.8	20	2.3
% change on quarter	-0.9		-0.4		-1.2		-0.5		-4.8	
% change on year	-1.0		-2.2		-1.3		+3.4		+0.0	

Source: ONS, Labour Market Statistics.

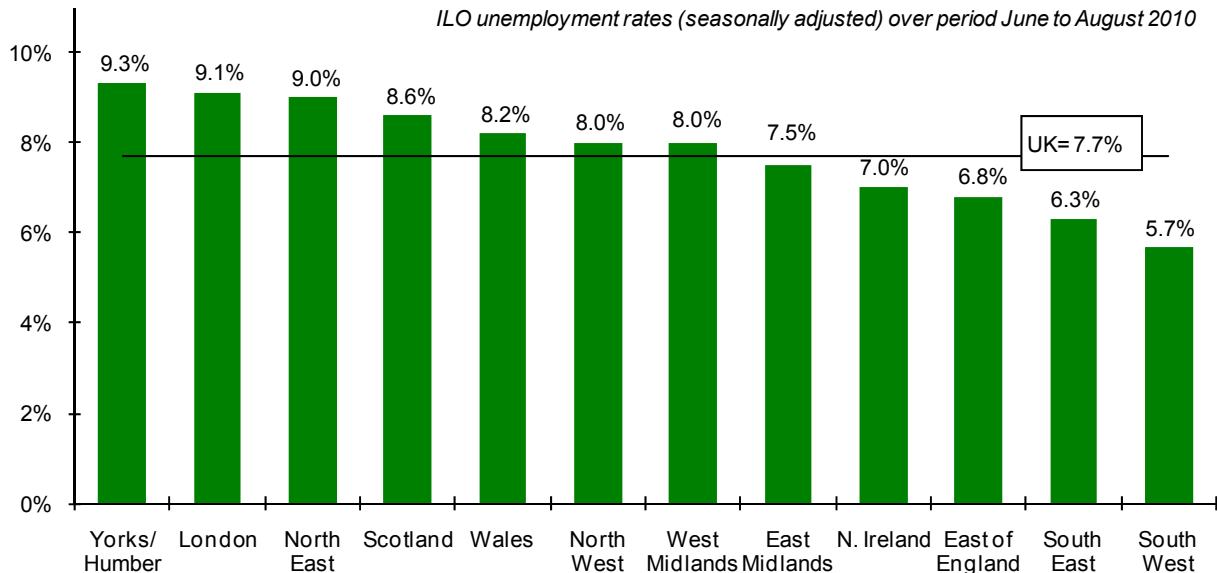
Notes: Rates are percentages of economically active in the relevant age group. Levels might not sum due to rounding.

Contact: Roderick McInnes, x3793 **Updates:** ONS, [Labour Market Statistics](#), 17 Nov

C3: Unemployment: Regional

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).

- Over the period June to August 2010 Yorkshire and the Humber had the highest unemployment rate, 9.3% of the economically active population. The lowest rate over the same period was 5.7%, in the South West.



- Six regions have seen falls in their unemployment level since the previous quarter. The largest falls were in the West Midlands, the South West and Wales (see table below).
- Over the year, five regions have seen a fall in their unemployment level. By far the biggest fall was in the West Midlands (down by 64,000) while the biggest rise was in Scotland (up by 37,000).
- The seasonally adjusted JSA claimant count rose in ten regions in September 2010 compared with the previous month. It fell in the West Midlands and Scotland.

Key regional labour market statistics *seasonally adjusted*

	ILO unemployment				JSA claimant count	
	June - August 2010		Change in level		September 2010	
	Level (000s)	Rate (%) (a)	qtr-on-qtr (000s)	year-on-year (000s)	Level (000s)	change since prev. month (000s)
North East	116	9.0	-5	-3	81.3	+1.0
North West	277	8.0	-8	-19	181.4	+0.6
Yorkshire & Humber	247	9.3	+1	+21	145.7	+1.0
East Midlands	171	7.5	+5	+7	98.9	+0.4
West Midlands	216	8.0	-14	-64	159.1	-0.2
East of England	203	6.8	+4	+6	109.8	+0.7
London	377	9.1	-6	+15	215.0	+0.9
South East	282	6.3	+15	+9	135.3	+0.3
South West	153	5.7	-14	-25	82.0	+1.0
Wales	118	8.2	-12	-11	71.8	+0.2
Scotland	231	8.6	+13	+37	134.5	-1.1
Northern Ireland	58	7.0	0	+2	58.3	+0.5

Source: ONS, *Labour Market Statistics*

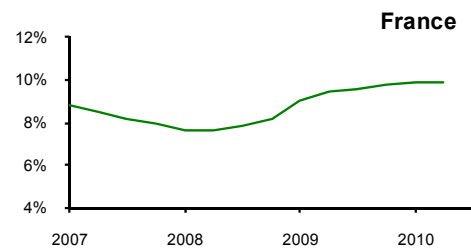
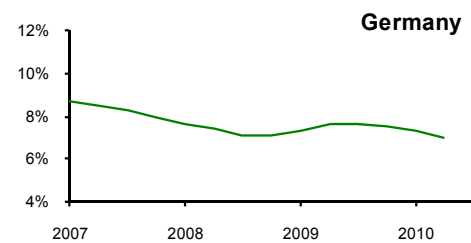
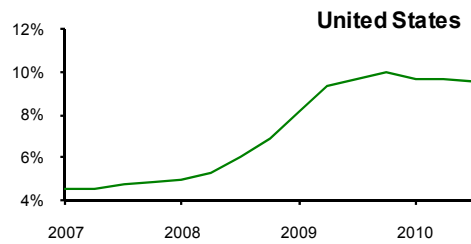
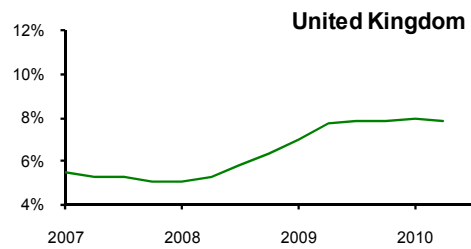
Note: (a) Rates are percentages of economically active population in the region.

Contact: Roderick McInnes, x3793 **Update:** ONS, *Labour Market Statistics*, 17 Nov

C4: Unemployment: International Comparisons

The OECD produces harmonised unemployment rates for OECD members based on the ILO definition of unemployment.

- Using harmonised definitions, the UK unemployment rate in Q2 2010 (the latest quarter for which all data are available) was 7.8%, below the Eurozone rate (10.1%) and below the G7 and OECD rates (8.3% and 8.6% respectively).
- Between Q2 2009 and Q2 2010 Germany saw a 0.6 percentage-point fall in its unemployment rate (from 7.6% to 7.0%); Canada was the other G7 country to see a fall (-0.4 percentage points). The US unemployment rate rose by 0.4 percentage points over the same period.
- Outside the G7, Spain has the highest harmonised unemployment rate among the 31 OECD member states (20.0% in Q2 2010), having risen particularly sharply over the last three years (up from 8.0% in Q2 2007). The Irish Republic has also seen a sharp rise over the same period (up from 4.5% to 13.5%). This compares with a 2.9 percentage point rise in unemployment in the OECD as a whole (from 5.7% to 8.6%) and a 2.6 percentage point rise in the Eurozone (from 7.5% to 10.1%) over the same period.
- The lowest unemployment rates in the OECD in Q2 were in South Korea (3.4%) and in Norway (3.6%).
- The most recent forecasts published by the OECD ([Economic Outlook no. 87, May 2010](#)) suggested the UK unemployment rate would be 8.1% in 2010 and 7.9% in 2011. The respective forecasts for the eurozone were 10.1% and 10.1%, and for the OECD as a whole 8.5% and 8.2%.



Unemployment

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

	2007	2008	2009	2009				2010		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
Canada	6.0	6.1	8.3	7.8	8.4	8.5	8.4	8.2	8.0	8.0
France	8.4	7.8	9.5	9.0	9.4	9.6	9.8	9.9	9.9	..
Germany	8.4	7.3	7.5	7.3	7.6	7.6	7.5	7.3	7.0	..
Italy	6.2	6.8	7.8	7.4	7.6	8.0	8.3	8.4	8.5	..
Japan	3.9	4.0	5.1	4.5	5.1	5.4	5.2	4.9	5.2	..
UK	5.3	5.6	7.6	7.0	7.7	7.8	7.8	7.9	7.8	..
USA	4.6	5.8	9.3	8.2	9.3	9.7	10.0	9.7	9.7	9.6
Eurozone	7.5	7.6	9.4	8.8	9.4	9.7	9.9	9.9	10.1	..
G7	5.4	5.9	8.0	7.3	8.1	8.3	8.5	8.3	8.3	..
OECD	5.8	6.1	8.3	7.6	8.3	8.6	8.7	8.6	8.6	..

Source: OECD, Harmonised Unemployment Rates, October 2010

Contact: Roderick McInnes, x3793

Updates:

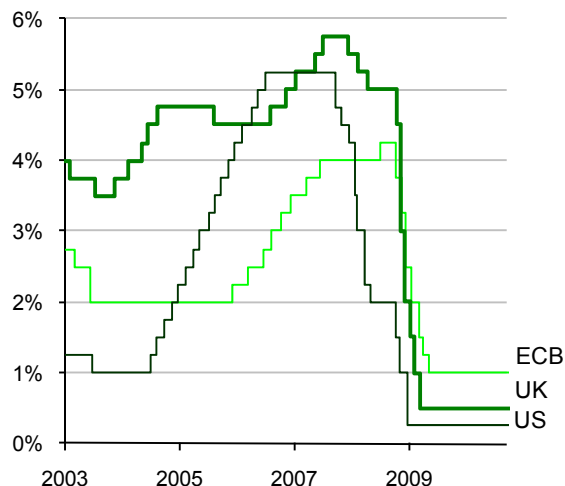
OECD, [Harmonised Unemployment Rates](#), Nov
OECD, [Economic Outlook](#), Dec

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. It has remained at that level since then.

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

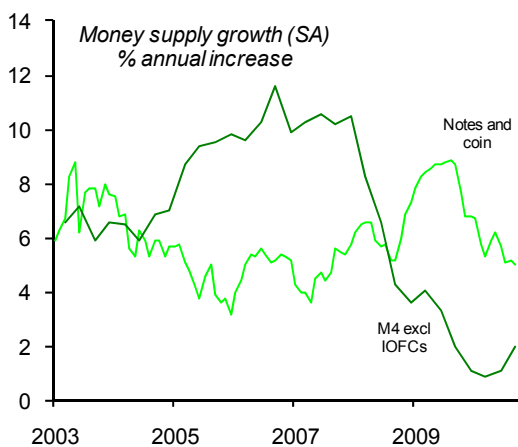
Source: Bank of England

- 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, £175 billion in August 2009 and £200 billion in November 2009.
- The Bank of England has now purchased £200 billion worth of assets using created reserves. 99% of the purchases by value have been gilts (UK Government securities). No further purchases are currently scheduled, although there has been recent speculation that purchases may begin again.

Money supply



- In its May 2010 *Inflation Report*, the Bank of England noted that money supply growth has been weak, but less so than it would have been in the absence of the asset purchase programme.
- Annual growth in M4 excluding intermediate other financial corporations (a measure monitored by the Bank of England Monetary Policy Committee) was 2.0% in Q3 2010, up from the record low of 0.9% in Q1 2010.
- The value of notes and coins in circulation outside the Bank of England rose by 5.0% in the year to September 2010.

Contact: Adam Mellows-Facer, x4904 **Updates:** Monetary policy: 4 Nov (UK); 4 Oct (ECB); 3 Nov (US)
Bank of England, [Monetary & Financial Stats](#), 29 Nov

D2: Public Finances

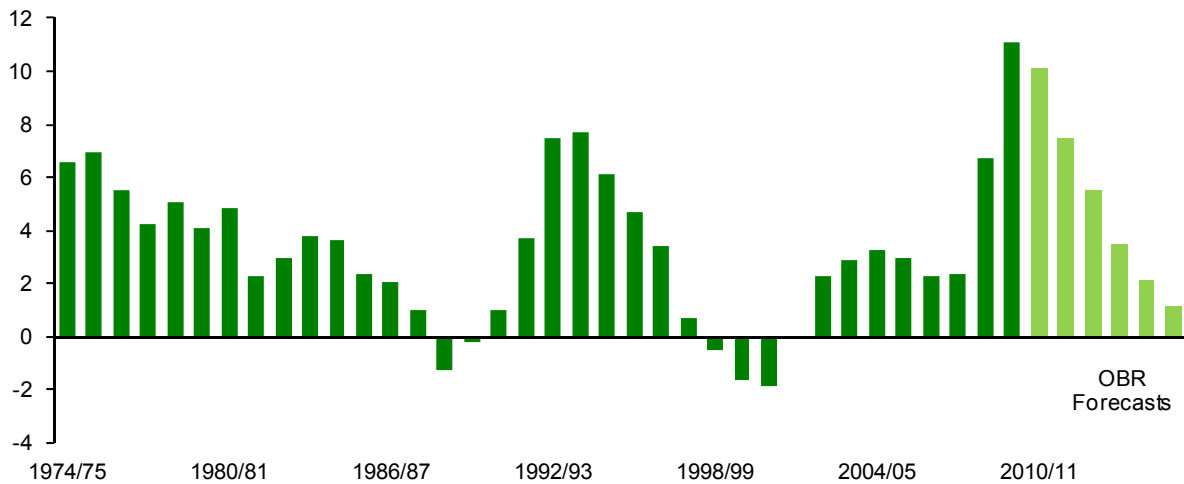
The independent Office for Budget Responsibility (OBR) forecasts that public borrowing will be £149 billion in 2010/11, equivalent to 10.1% of GDP.

- The Government borrowed £156 billion in 2009/10 (11.1% of GDP). Over the first six months of 2010/11, borrowing was £73.5 billion, £3.8 billion (or 4.9%) lower than the same period in 2009/10.
- In the Budget, the OBR forecast that borrowing would fall to 1.1% of GDP by 2015/16.
- These figures exclude the effect of government intervention in the banking industry.

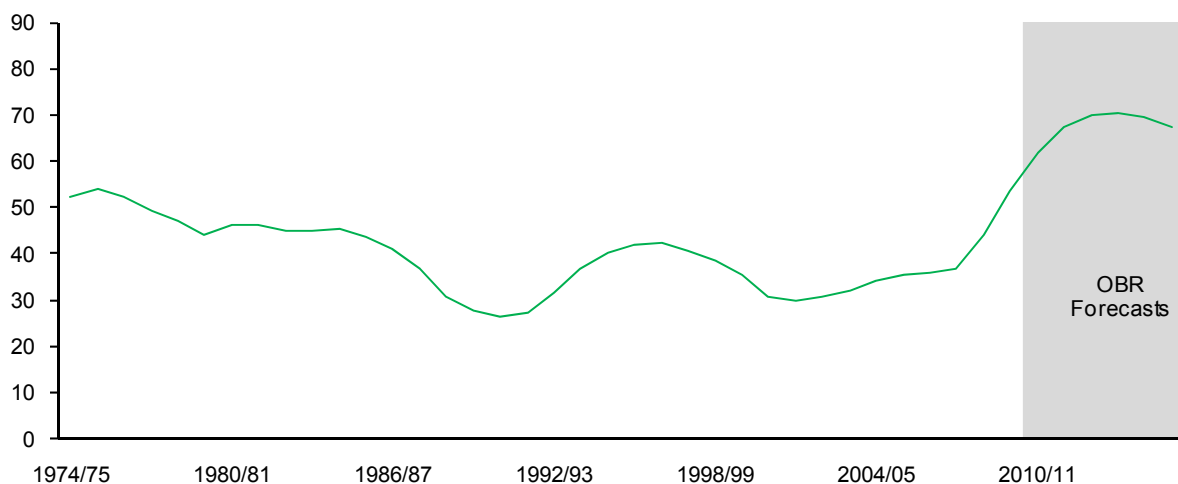
	Net borrowing		Net debt	
	£ billion	% GDP	£ billion	% GDP
2008/09	96	6.7	617	44.1
2009/10	156	11.1	772	53.6
2010/11	149	10.1	932	61.9
2011/12	116	7.5	1,059	67.2
2012/13	89	5.5	1,162	69.8
2013/14	60	3.5	1,235	70.3
2014/15	37	2.1	1,284	69.4
2015/16	20	1.1	1,316	67.4

Source: ONS, OBR

Public sector net borrowing (% of GDP)



Public sector net debt (% of GDP)



Contact: Dominic Webb, x4324

Update: ONS, [Public sector finances](#), 18 Nov

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 6,930 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 \$1,377/ounce.

Data from Friday 29 October 2010

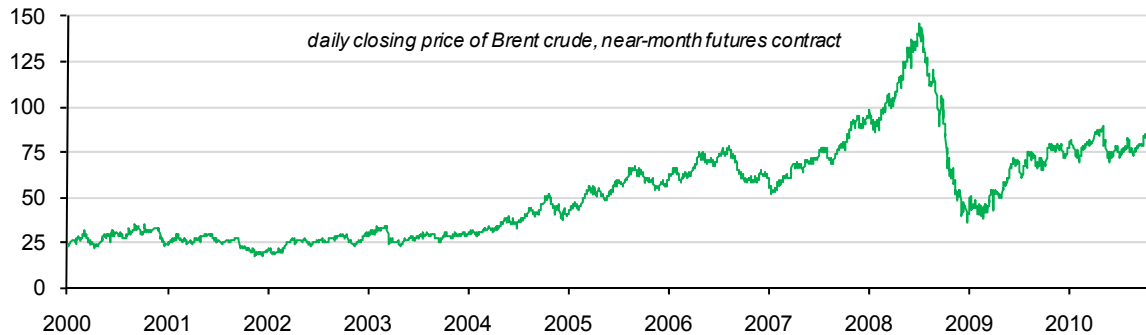
	FTSE-100	Oil (\$/bbl)	Gold (\$/oz)
29 Oct 2010	5,675.2	83.2	1,344.4
%change over:			
1-month	+2%	+3%	+3%
12-months	+10%	+7%	+29%
%change from:			
cyclical peak	-16%	-43%	-2%
date	15 Jun '07	03 Jul '08	15 Oct '10
cyclical trough	+62%	+129%	+89%
date	03 Mar '09	24 Dec '08	24 Oct '08

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

FTSE-100 Index



Oil price (\$ per barrel)



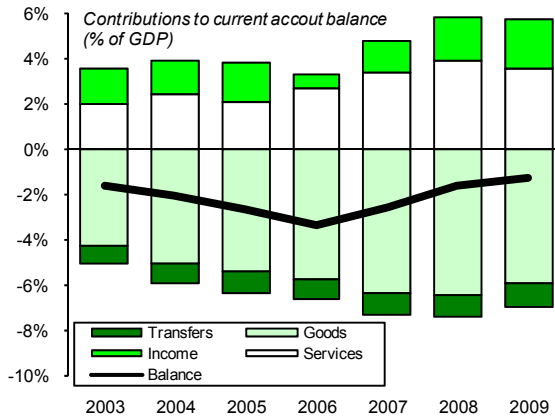
Gold price (\$ per ounce)



E1: UK Balance of Trade

Annually, the current account deficit in 2009 was £17.6 billion, equivalent to -1.3% of GDP. The surplus on income widened between 2008 and 2009 while on services it narrowed. The deficit in goods also narrowed, resulting in the current account deficit narrowing in 2009 compared with 2008.

Current Account



- On a **quarterly** basis, the current account deficit was estimated at £7.4 billion in Q2 2010, widening from a Q1 2010 deficit of £11.3 billion. Between Q1 2010 and Q2 2010 the surplus on services narrowed while the deficit on goods widened.
- The **annual** current account deficit with EU27 countries in 2009 was £15.8 billion, compared with a deficit with non-EU countries of £1.8 billion. On a **quarterly** basis, the deficit with EU27 countries was £9.3 billion in Q2 2010 (£11.2 billion deficit in Q1 2010). With non-EU countries, the current account was in surplus by £2.0 billion in Q2 2010 (£0.1 billion deficit in Q1 2010).

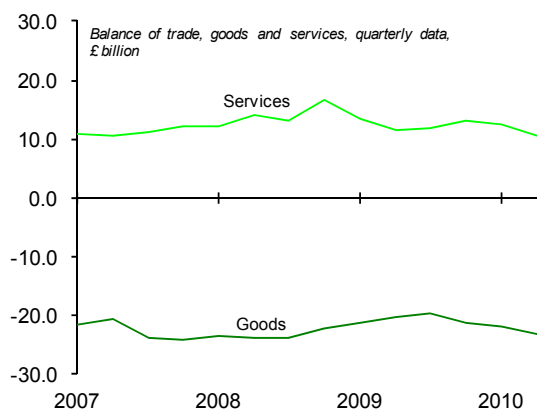
Current Account Balances

£ millions; seasonally adjusted

	Goods			Services	Goods and Services	Income	Transfers	Current Account Balance
	Exports	Imports	Balance	Balance	Balance			
2007	-68,789	24,611	-89,754	46,798	-42,956	20,020	-13,546	-36,482
2008	-77,399	31,005	-93,116	55,356	-37,760	28,035	-14,051	-23,776
2009	-87,425	36,464	-82,353	49,277	-33,076	30,139	-14,673	-17,610
2009 Q2	-20,143	8,559	-20,124	11,606	-8,526	2,651	-4,091	-9,966
Q3	-20,845	8,956	-19,717	12,031	-7,772	8,526	-3,527	-2,773
Q4	-20,094	9,112	-21,332	13,081	-8,500	10,982	-3,280	-798
2010 Q1	-23,187	9,345	-21,975	12,524	-10,005	2,858	-4,151	-11,298
Q2	-23,299	9,051	-23,150	10,521	-12,629	9,326	-4,080	-7,383

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 £8.2 billion, narrower than the July deficit of £8.7 billion.
- The monthly trade surplus on services was an estimated £3.6 billion in August, down slightly from the July surplus of £3.7 billion.
- The overall monthly deficit on goods and services combined in August was £4.6 billion, down from £5.0 billion in July.
- The goods deficit with the EU27 was £3.5 billion in August (compared with £4.0 billion in July), while the deficit with non-EU countries was £4.7 billion (compared with £4.7 billion in July).

Contact: Grahame Allen, x3977

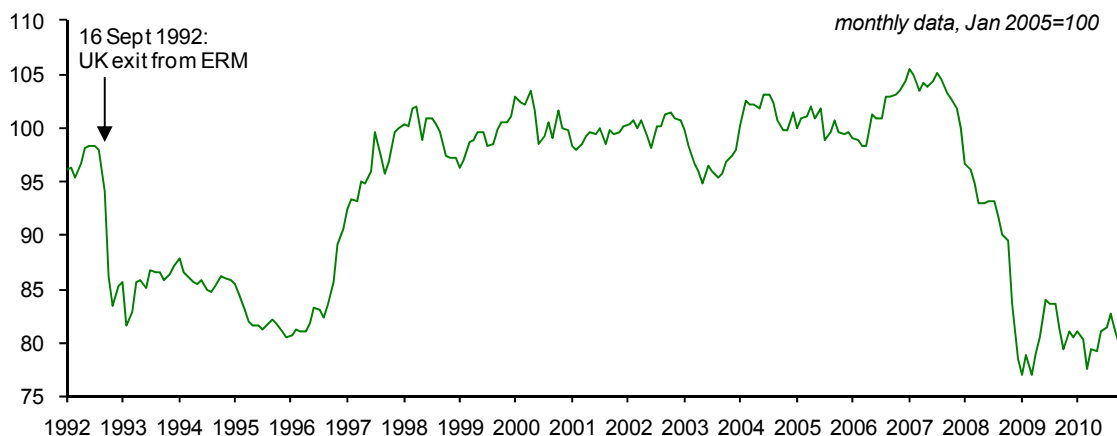
Updates: ONS, [UK Trade](#), 9 Nov;
ONS, [UK Balance of Payments](#), 26 Oct

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).

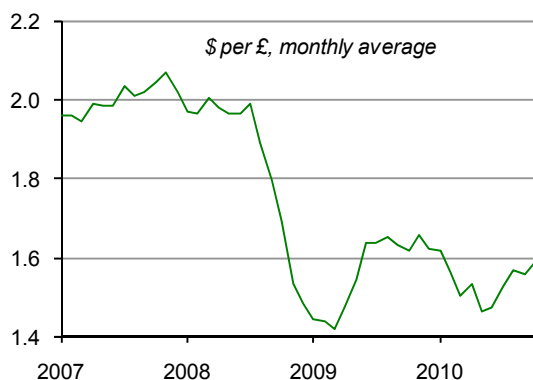
The SERI fell 2.2% in October 2010, the second consecutive monthly fall. Compared with last year, the SERI was unchanged. It is now 3.2% above its March 2009 level – when it was at its lowest point since 1980, when the series began – and was 24.4% down from its July 2007 peak.

Sterling Exchange Rate Index (SERI)



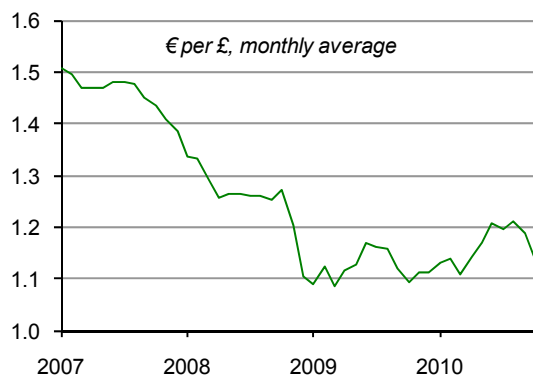
[Source: Bank of England, Bankstats database, XUMABK67]

US\$/£ Exchange Rate



- In October, the pound weakened slightly against the dollar. At the 1 November market close the pound stood at \$1.61 dollars, slightly above the October average.
- Sterling also fell against the euro in October, having risen earlier this year amid concerns over the eurozone economies.
- At the 1 November market close the pound stood at €1.16. This compares with an all-time low of €1.02 (on 30 December 2008), and a launch rate of €1.48 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
2008		1.85	-7.5%	1.26	-13.9%
2009		1.57	-15.5%	1.12	-10.8%
2009	Oct	1.62	-4.1%	1.09	-14.1%
2010	Jul	1.53	-6.5%	1.20	2.9%
	Aug	1.57	-5.3%	1.21	4.6%
	Sep	1.56	-4.6%	1.19	6.1%
	Oct	1.59	-2.1%	1.14	4.4%

Source: Bank of England, Bankstats database

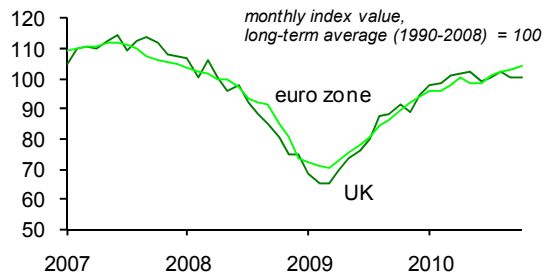
Contact: Grahame Allen, x3977

Updates: Financial Times, [sterling exchange rates](#) (daily)
Bank of England, [SERI & monthly rates](#), 29 Nov

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

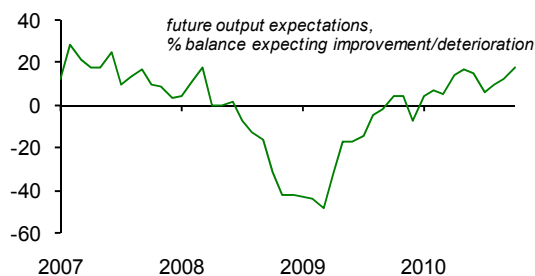


		UK Index	monthly change	change on year ago
2008	Oct	80.9	...	...
2009	Oct	91.3	...	...
2010	Aug	102.3	+1.5	+14.6
	Sep	100.2	-2.1	+12.1
	Oct	100.5	+0.3	+9.2

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 sentiment index rose by 0.3 points in October following a 2.1 point decline in September. By contrast, the euro zone sentiment index rose by 0.9 points for the second consecutive month.

CBI Industrial Trends Survey



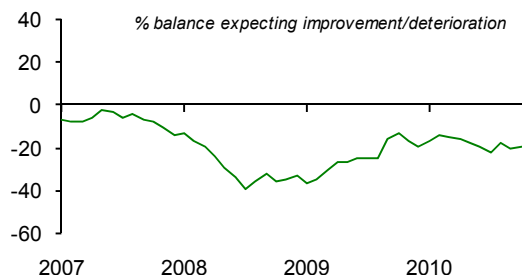
balance (as a %) of those expecting an improvement minus those expecting a deterioration

		Future output expectations	monthly change	change on year ago
2008	Oct	-31	...	...
2009	Oct	+4	...	...
2010	Aug	+10	+4	+15
	Sep	+12	+2	+14
	Oct	+18	+6	+14

Source: CBI, *Industrial Trends Survey*

- The CBI carries out monthly and quarterly *Industrial Trends* surveys.
- Manufacturers' output expectations in October were +18% of firms expecting output to rise rather than fall over the next three months. This was up 6 points on September's +12% and the highest since March 2008.

GfK NOP Consumer Confidence Survey



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

		Consumer Conf. Index	monthly change	change on year ago
2008	Oct	-36	...	...
2009	Oct	-13	...	...
2010	Aug	-18	+4	+7
	Sep	-20	-2	-4
	Oct	-19	+1	-6

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.
- Overall confidence rose 1 point in October, having remained at around the same level for the past six months. Confidence is, however, lower than a year ago (by 6 points).

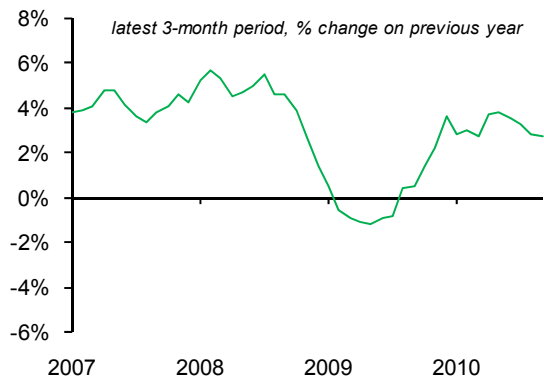
Contact: Daniel Harari, x2464

Update: CBI, [Industrial Trends](#), mid-Nov
EC, [Economic Sentiment Indicator](#), 29 Nov
GfK NOP, [Consumer Confidence](#), 30 Nov

F2: Retail Sales

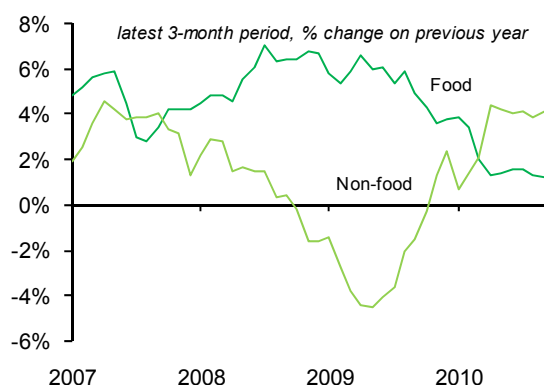
Retail sales are an indicator of household consumption. A number of retail sales surveys are conducted, for instance by the CBI; however, this page only uses data and information from the ONS.

Value of Retail Sales



- The seasonally-adjusted value of retail sales in the three months to September was 2.7%, the fourth consecutive monthly fall.
- The value of retail sales in September alone was up by 0.3% compared with August. That compares with a fall of 0.6% between July and August.
- The estimated total value of sales in September was £30.5 billion (non-seasonally-adjusted)

Value of Food & non-Food Store Sales



- The value of sales in food stores in the three months to September was 1.2% higher than a year ago, the lowest ever recorded in the series, which began in 1989.
- By contrast, the value of sales in non-food stores in the three months to September was 4.1% higher than a year ago
- Sales in household goods stores were 1.6% lower than a year ago.
- Sales in clothing and footwear stores were up by 5.6% in the three months to September.

Value of Retail Sales

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

	Food Stores	Non-Food Stores				Total	All retailing total
		Clothing & Footwear	Household goods	Other			
2008	6.0	0.3	-2.2	6.1	0.9	4.1	
2009	5.2	0.8	-5.1	-3.4	-1.8	0.6	
2010 May	1.4	5.9	3.1	2.0	4.2	3.8	
Jun	1.6	5.6	2.4	1.2	4.0	3.5	
Jul	1.6	4.7	1.9	2.6	4.1	3.3	
Aug	1.3	4.6	0.5	3.3	3.9	2.8	
Sep	1.2	5.6	-1.6	5.1	4.1	2.7	

Source: ONS, series: IEAU, IEBJ, IEBM, IEBA, IEAX, J5BY

Contact: Adam Mellows-Facer, 4904

Update: ONS, [Retail Sales](#), 18 November

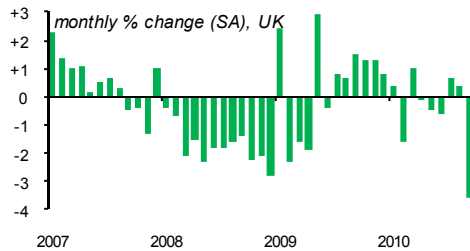
F3: Housing Market

House prices on the Nationwide index fell by 0.7% in October, the third month in the past four that prices have declined. Prices were up by 1.4% compared with a year ago, the lowest annual increase since September 2009. The latest (September) survey from the Halifax index showed a fall in house prices of 3.6%, the largest monthly fall in the index since it began in 1983.

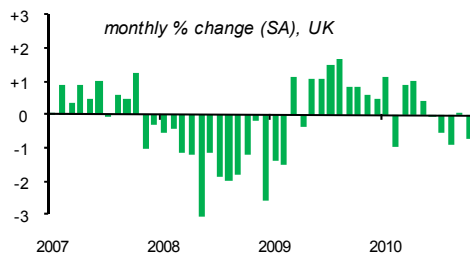
Numbers of mortgage approvals and housing starts have increased since the recession but still remain well below pre-recession levels.

House price indices

Halifax house price index



Nationwide house price index

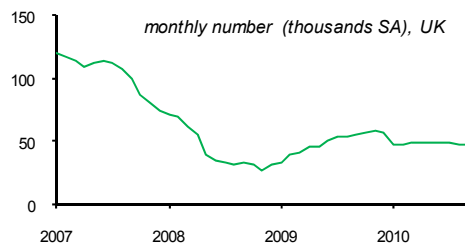


Latest monthly data
UK, seasonally adjusted

	Halifax	Nationwide
Latest data	Sep-10	Oct-10
Change in month	-3.6%	-0.7%
Change in year	-0.7%	+1.4%
Peak date	Aug-07	Jul-07
Change since peak	-18.8%	-9.7%
Trough date	Apr-09	Feb-09
Change since trough	+4.8%	+9.5%

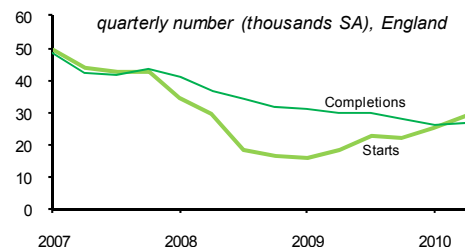
- The recovery in house prices since early 2009 has stalled, with recent data showing year-on-year growth slowing on both the Halifax and Nationwide measures.
- There is considerable regional variation. In Q3 2010 prices fell by 11% in Northern Ireland but rose by 9% in London compared with a year earlier (Nationwide data).

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 47,000 mortgage approvals in September 2010, with numbers remaining flat following a sharp fall in January.

House-building



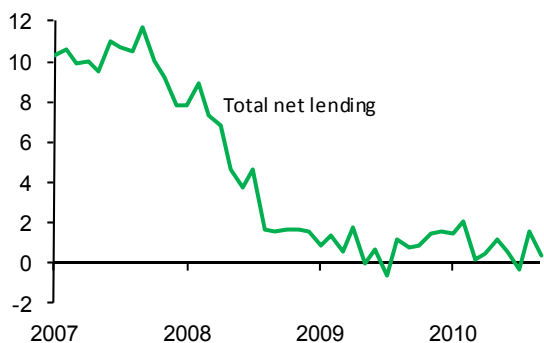
- There were 28,590 house building starts in England in Q2 2010, up from 25,300 in Q1 2010. This is 10,000 higher than the figure for Q2 2009, but still only just over half the 50,000 starts in Q1 2007.
- The number of dwelling completions rose slightly in Q2 2010, after falling in each of the previous nine quarters, but is still almost 40% lower than they were three years ago.

Contact: Daniel Harari, x2464

Updates: Halifax [House Price Index](#), during week ending 5 Nov; Nationwide [House Price Index](#), end Nov; Bank of England, [Lending to Individuals](#), 29 Nov; DCLG, [House-building](#), 18 Nov

F4: Household debt

Monthly net lending, £bn



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

- Total net lending to individuals grew by £0.4 billion in September. This compares with an increase of £1.6 billion in August. Monthly net lending peaked in October 2003 at £12.0 billion.
- Monthly net unsecured lending rose by £0.3 billion in September 2010.
- Monthly net secured lending (mortgages) rose by £0.1 billion in September 2010, compared with a £1.6 billion increase in August.

Net outstanding lending to individuals

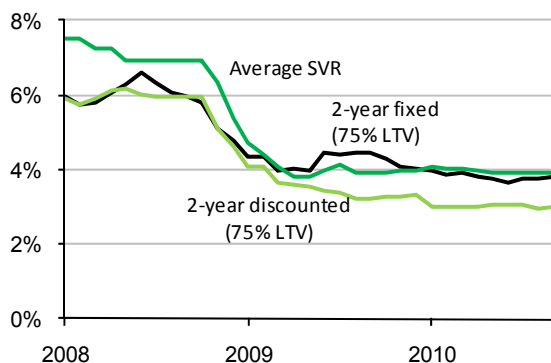
£ billions; seasonally adjusted

	Secured	Unsecured	Total
2006 Sep	1,047	212	1,259
2007 Sep	1,164	218	1,382
2008 Sep	1,221	237	1,458
2009 Sep	1,230	229	1,459
2010 Mar	1,238	222	1,459
Jun	1,239	218	1,457
Sep	1,239	216	1,455

Source: Bank of England, series: LPMVTXK, LPMVZRI, LPMVTXC

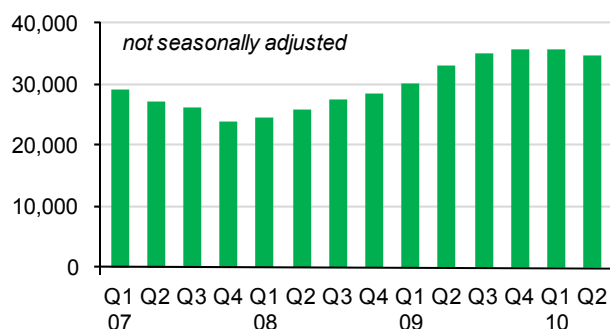
- Total net outstanding lending to individuals was £1,455 billion at the end of September 2010.
- Secured lending (mortgages) is the largest form of lending at £1,239 billion, 85% of total lending outstanding.
- Unsecured lending outstanding (including credit cards) was £216 billion at the end of Sept. 2010.
- Total net outstanding lending was down 0.3% in September compared with a year ago. Secured lending increased by 0.7% in September compared with September 2009, while unsecured lending fell by 5.8%.

Current average mortgage interest rates



- 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 was 3.93%, 3.03 percentage points lower than in September 2008.
- The average fixed and discounted rates offered (75% LTV) in September were 3.80% and 2.98% respectively (2.16 and 2.97 percentage points lower than in September 2008).

Individual insolvencies, England and Wales



- Q2 2010 provisional data indicates there were 34,743 individual insolvencies (bankruptcy orders, Individual Voluntary Arrangements (IVAs) or debt relief orders) in England and Wales (not seasonally adjusted), a 5.0% increase on Q2 2009. This was made up of 14,982 bankruptcies, 13,466 IVAs and 6,295 Debt Relief Orders.
- In Scotland in Q2 2010 there were 5,378 individual insolvencies, a fall of 15% on Q2 2009.
- In Northern Ireland in Q2 2010 there were 636 individual insolvencies, a rise of 13.6% on Q2 2009.

Contact: Daniel Harari, x2464

Update: Bank of England, [Lending to Individuals](#), 29 Nov
Insolvency Service, [Insolvency Statistics](#), 5 Nov

5 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 ; UK output, income & expenditure ; Quarterly national accounts 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 (full document via www.sourceoecd.org); IMF World Economic Outlook database and updates European Commission's growth forecasts
A3 Components of GDP	ONS releases: UK output, income & expenditure ; Quarterly national accounts
A4 Output and Employment by Industry	ONS releases: Preliminary GDP estimates ; UK output, income & expenditure ; Quarterly national accounts
A5 Manufacturing (Including Automotives)	ONS, Index of Production SMMT, Vehicle Production SMMT, New Car Registrations
A6 Productivity	ONS, Productivity
B1 Inflation	ONS, Consumer Price Indices
B2 Inflation: International	CPI: OECD, Main Economic Indicators (link to user defined table); EU data: Eurostat news release and database
B3 Average Earnings Index	ONS, Average Weekly Earnings and Labour Market Statistics
C1 Employment	ONS, Employment and Labour Market Statistics
C2 Unemployment: National	ONS, Labour Market Statistics release and Labour Market Statistics First Release Historical Supplement
C3 Unemployment: Regional	ONS, Labour Market Statistics and Regional Labour Market Statistics
C4 Unemployment: International Comparisons	Data: OECD, Main Economic Indicators Commentary: OECD, Economic Outlook (full document via www.sourceoecd.org)

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 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 ; Forecasts of budget balance: HM Treasury, Pre-Budget Report , table B2 or Budget Red Book , table C2.
D3	Financial Indicators	Financial Times, Markets Data
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
F3	Housing Market	Bank of England: Lending to Individuals ; Department for Communities and Local Government (DCLG) UK Housing Starts: table 201 ; Halifax house price data: housing research page ; Nationwide house price data: data page
F4	Household Debt	Bank of England: Lending to Individuals ; The Insolvency Service: Insolvency Statistics

6 Glossary

Symbols and abbreviations

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

Definitions¹

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 (JSA) 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: 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.

Current/constant prices: 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.

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.

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 do not want a job, those who want a job but have not been seeking work in the last four weeks and those who want a job and are seeking work but not available to start work.

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 – Real GDP: Also known as constant price or chained volume measure, this is a measure used to indicate change in the actual quantity of goods and services produced, by adjusting for inflation.

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.

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

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 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, which enable comparisons to be made across countries. The UK's CPI measure uses HICP methodology.

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

Money supply: The total amount of money in an economy at a given time.

The Public Sector Net Borrowing (PSNB): 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 PSNB. 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 methodology and coverage. For example, the RPI includes housing costs such as mortgage interest payments while the CPI doesn't.

Seasonally adjusted: Estimates in which the element of variability due to seasonal influences, which may distort the data, has been removed.

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 goods and services.

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 [cont]

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 total 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.