



RESEARCH PAPER 09/10
03 FEBRUARY 2009

Economic Indicators, February 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 articles:

- **The UK economy in recession**
- **The current UK labour market situation**

Next publication date: 3 March 2009

Bryn Morgan (editor)

ECONOMIC POLICY AND STATISTICS SECTION

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CONTENTS

I	Introduction to <i>Economic Indicators</i>	i
II	Monthly overview	ii
III	Articles	
	The UK economy in recession	iii
	The current UK labour market situation	vi
IV	Indicator pages:	
A.	Growth & Output	1
	1. GDP	1
	2. GDP: International Comparisons	2
	3. GDP by Industry	3
	4. Investment	4
	5. Productivity	5
B.	Prices & Wages	6
	1. Prices	6
	2. Prices: International Comparisons	7
	3. Average Earnings Index	8
C.	Labour Market	9
	1. Employment	9
	2. Unemployment: National	10
	3. Unemployment: Regional	11
	4. Unemployment: International Comparisons	12
D.	Finance & Government Borrowing	13
	1. Interest Rates	13
	3. Exchange Rates	14
	4. Public Finances	15
	5. Money Supply	16

E.	UK Overseas Trade	17
	1. UK Overseas Trade	17
	2. UK Overseas Trade in Goods	18
F.	Other Indicators	19
	1. Survey Indicators	19
	2. Retail Sales	20
	3. New Registration of Cars	21
	4. House-building & Prices	22
	5. Consumer Borrowing	23
V	Indicator sources	24
VI	Glossary	26

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 A weekly email alert for updated indicators is available on request.

A guide to sources is provided in section V.

Discard previous issues

Upon receipt of each issue users should discard the previous issue as it may contain statistics which are no longer the most current, or which have been revised.

Glossary

Many of the economic terms used in the publication are described in the glossary. Symbols and abbreviations used in the paper are also described here.

Contacts

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

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

³ After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriol Room of the Main Library (extn. 3666).

II Overview

The last month has seen more negative data published on the state of the UK economy.

The Office for National Statistics confirmed that the UK had entered a recession. Output fell by 1.5% in the fourth quarter of 2008, following a 0.6% fall in the third quarter, meeting the technical definition of two successive quarters of negative growth.

The IMF updated its forecasts for 2009 and 2010 and gave a profoundly negative view of prospects for the UK and other developed economies. As recently as November 2008, the IMF had forecast growth of -1.3% for the UK in 2009 and +1.1% in 2010. The latest figures revised these forecasts down to -2.8% and +0.2%. The IMF projects that the UK will see the largest fall in output in 2009 of all G7 countries. The forecasts were changed for other countries as well; forecast growth in Japan was revised downwards by 2.4 percentage points to -2.6%, while for Germany the downward revision was 1.7 points.

On January 27, the Institute for Fiscal Studies launched its 2009 Green Budget, which included a forecast for the UK economy from Morgan Stanley. This was more optimistic than the IMF, with the central forecast showing GDP growth of -1.3% in 2009. The factors behind this “cautious optimism” were the “massive” monetary and fiscal stimuli, a determination by authorities to get credit markets functioning and the depreciation in sterling. However, Morgan Stanley admit that the risks to this forecast are on the downside.

The first article in this month's paper looks at the profile of this recession in the UK and briefly compares it with other periods that have classed as technical recessions.

There were also gloomy statistics in the labour market. The latest figures show that there were 1.9 million people unemployed in the UK in the three months to November 2008, almost 300,000 more than in the same period of 2007. The number of Jobseekers' Allowance claimants increased by 43% between December 2007 and December 2008. This month's second article looks at recent trends in the labour market and includes figures by sector and by constituency.

The downturn is reflected in other economic news. Inflation has fallen significantly since it peaked in the summer of 2008. In the UK, the annual increase in the Consumer Prices Index in December 2008 was 3.1%, compared with 5.0% as recently as September. However, the fall has been even more marked in Europe where eurozone annual inflation fell to 1.6% in December and is projected to be 1.1% in January. In the United States, where inflation had been 5.6% in July 2008, it was just 0.1% in December, bringing the distinct possibility of a falling price level in 2009.

Both the Bank of England's Monetary Policy Committee and the European Central Bank cut interest rates in January, both to all-time lows. Their next decisions, due on 5 February, should give a clue as to how much further central banks think they need to cut rates.

III Articles

A. The UK economy in recession

1 Introduction

The UK economy went into recession in the fourth quarter of 2008. This article looks at recent growth in the economy and compares this with previous recessions. It also considers the economic outlook.

2 The UK economy in recession

A recession is usually defined as two successive quarters of negative GDP growth. On this basis, the UK economy is now in recession with negative growth in the third and fourth quarters of 2008. The economy was last in recession in 1991. The table shows that the economy has been slowing since the middle of 2007.

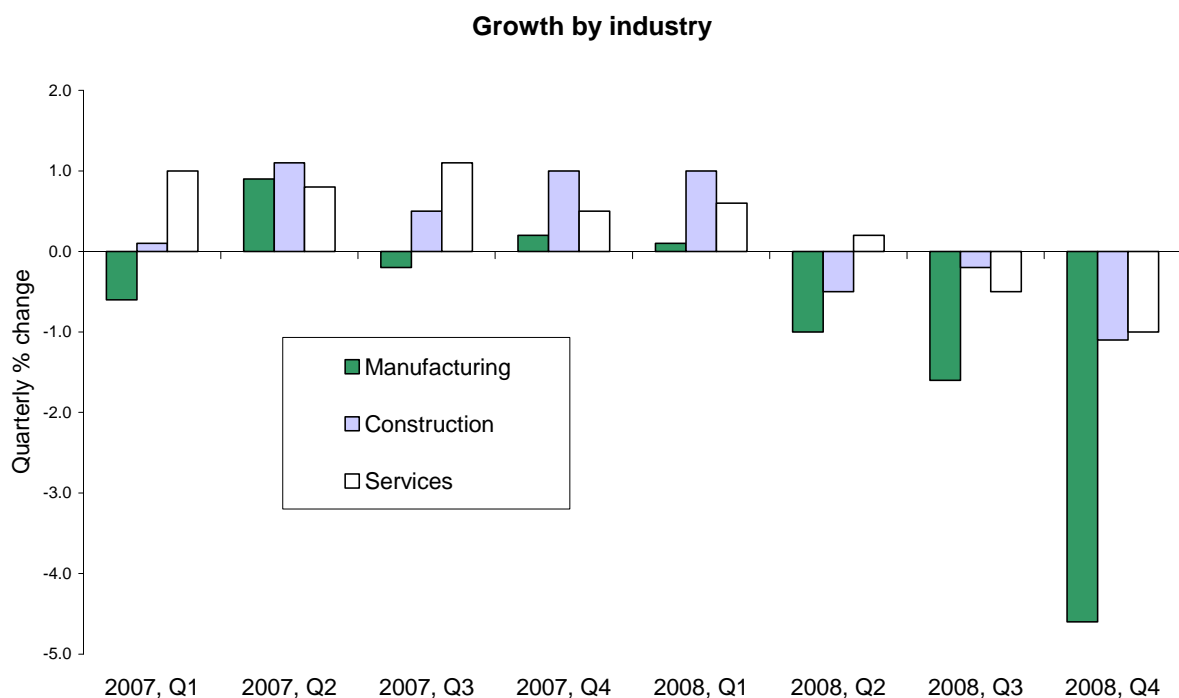
Real GDP growth (%)

Quarter compared with previous quarter

2007 Q1	0.8
2007 Q2	0.9
2007 Q3	0.8
2007 Q4	0.6
2008 Q1	0.4
2008 Q2	0.0
2008 Q3	-0.6
2008 Q4	-1.5

Source: ONS (series IHYQ)

The recession has affected all sectors of the economy, with the exception of agriculture which grew by 0.1% in the fourth quarter of 2008. The chart below shows quarterly growth for manufacturing, construction and the service sector. The chart shows that all three sectors are in recession with manufacturing output falling by 4.6% in the fourth quarter of 2008.



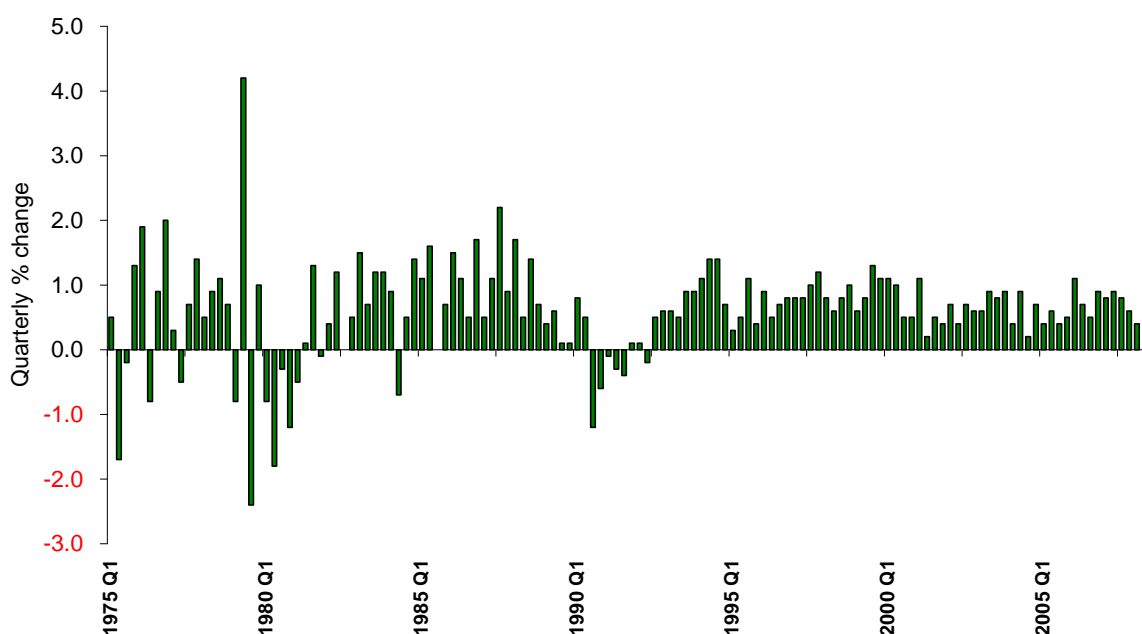
3 Previous recessions

Short and relatively minor downturns as well longer, deeper falls in output can both meet the technical definition of a recession – two consecutive quarters of negative growth. There have been technical recessions in the UK on seven previous occasions since 1955.⁴

- 1956, Q2 and Q3
- 1957, Q2 and Q3
- 1961, Q3 and Q4
- 1973, Q3 to 1974, Q1
- 1975, Q2 and Q3
- 1980, Q1 to 1981, Q1
- 1990, Q3 to 1991, Q3

These recessions have varied markedly in their severity and duration. Output fell in both the third and fourth quarters of 1961 by a total of 0.7% before growth resumed. Output was back to its pre-recession (Q2, 1961) level by Q2, 1962. By contrast, output fell for five consecutive quarters in the early 1980s and fell by 2.4% in the third quarter of 1979. Output did not regain its pre-recession (Q2, 1979) level until 1983 and fell by a total of nearly 6% during this recession. Quarterly real GDP growth since 1975 is shown in the chart below.

Real GDP growth 1975-2008



⁴ The two recessions in the 1950s were separated by only two quarters so might be viewed as single economic event rather than two separate recessions. A similar argument applies to the two recessions of 1970s.

4 The economic outlook

In November's Pre-Budget Report (PBR), the Treasury forecast that the economy would shrink by between $\frac{3}{4}$ and $1\frac{1}{4}$ % this year and would grow by $1\frac{1}{2}$ to 2% in 2010. The PBR said:

The recession is forecast to continue into the first half of 2009, before GDP growth begins to recover in the second half of the year as credit conditions start to ease and the boost to real incomes from lower commodity prices, the stimulus from monetary and fiscal policy, and the effects of sterling's depreciation, take hold.⁵

The Treasury Select Committee has commented that the outlook for growth is highly uncertain and that the balance of risks to the Treasury's forecast are on the downside.⁶

The Treasury forecast is higher than the average independent forecast which is for output to fall by 2.1% in 2009.⁷ There is a range of views among independent forecasters about the outlook for 2009. Morgan Stanley forecast a fall in output of 1.3% - similar to the lower end of the Treasury's forecast range.⁸ The International Monetary Fund, on the other hand, forecast that UK GDP will fall by 2.8% in 2009 and grow by 0.2% in 2010.⁹ This would be the largest fall in output in a calendar year since official records began in the late 1940s.

Dominic Webb

Economic Policy and Statistics Section

⁵ HM Treasury, [2008 Pre-Budget Report](#), paragraph A.65

⁶ Treasury Committee, [Pre-Budget Report 2008](#), Second Report of 2008-09, HC 27, 28 January 2009, paragraph 4

⁷ HM Treasury, [Forecasts for the UK economy: A comparison of independent forecasts](#), January 2009

⁸ Institute for Fiscal Studies, [The IFS Green Budget](#), Chapter 4: The economic outlook (David Miles with Melanie Baker), January 2009, page 52

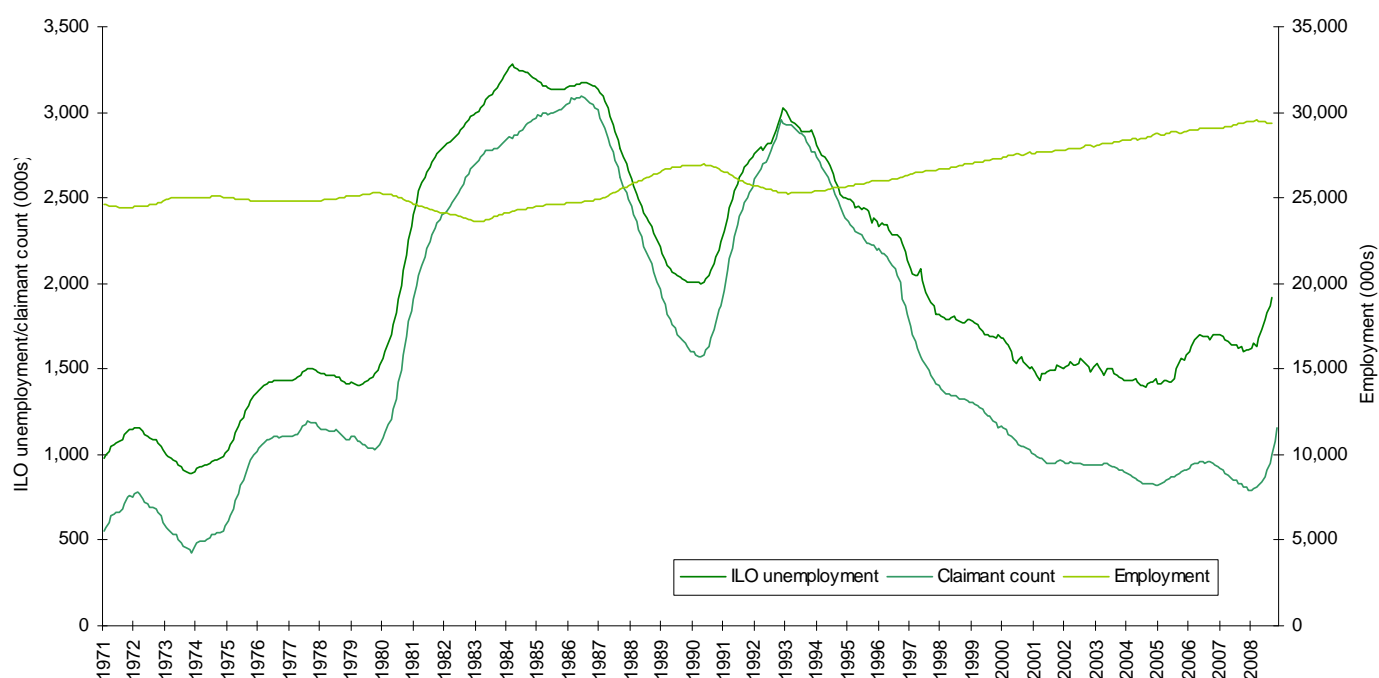
⁹ IMF, [World Economic Outlook Update](#), 28 January 2009

B. The current UK labour market situation

The UK labour market has seen significant changes over the course of the last year. Following over a decade of falling unemployment and high employment, 2008 saw the employment rate fall from 74.9% of the working age population in the three months Dec-Feb 2008 to 74.2% in the latest quarter (Sep-Nov 2008), the lowest rate since the start of 2000. While the employment rate has remained high but relatively stable since the start of this decade (ranging between 74% and 75%), the employment level has risen consistently over this period, reaching an historical peak of 29,541,000 in Mar-May 2008 (the level has since fallen back to 29,393,000 in Sep-Nov 2008).

The unemployment rate has risen from 5.2% of the economically active population at the start of 2008 to 6.1% in Sep-Nov 2008. Furthermore the current unemployment level stands at 1,923,000, the highest it has been since Jul-Sep 1997. Similarly, the number of people claiming Jobseeker's Allowance (JSA) in the UK has risen over the course of 2008; in Jan 2008 the level stood at 794,900 (the lowest since Mar 1972), however this has since risen 45.6% to 1,157,200 in Nov 2008 (the highest since Dec 1999).¹⁰ This article provides a short overview of the UK labour market analysing some of the most recent trends. Chart one below depicts historical employment, unemployment and JSA claimant levels since 1971.

Chart 1 - Numbers of people unemployed, employed and claiming Jobseeker's Allowance, UK



Source: Labour Market Statistics First Release Historical Supplement

¹⁰ Data sourced from ONS's Labour Market Statistics First Release Historical Supplement: http://www.statistics.gov.uk/OnlineProducts/LMS_FR_HS.asp

1. Employment by industry and gender

Table 1 displays the change in workforce jobs by industry in the UK over the period Sep 2007 to Sep 2008. This shows that the largest fall in jobs was seen in the manufacturing industry with a 3.1% reduction. Jobs in the Finance and Business Services industry also fell significantly by 112,000 (1.7%) over this period. The largest increase was seen in Public Administration, Education and Health (+90,000), Construction (+36,000) and Agriculture and Fishing (+22,000). It is worth noting these data do not account for the changes in jobs in a range of industries that have been announced since Sep 2008.

Table 1 - **Workforce jobs by industry, September 2008**

Change on same month in previous year

	Level	%
Agriculture & Fishing	+22,000	4.8%
Energy & Water	+7,000	3.7%
Manufacturing	-100,000	-3.1%
Construction	+36,000	1.6%
Distribution, Hotels & Restaurants	-29,000	-0.4%
Transport & Comms.	+5,000	0.3%
Finance & Business Services	-112,000	-1.7%
Public Admin, Education & Health	+90,000	1.1%
Other Services	+10,000	0.5%
Total Services	-36,000	-0.1%
All Jobs	-71,000	-0.2%

Source: ONS, Labour Market Statistics First Release Historical Supplement

Male employment fell by 28,000 in Sep-Nov 2008 compared with the previous quarter (Jun-Aug 2008), while female employment increased slightly by 2,000. There was a shift to part-time employment for both men and women. Full-time female employment fell by 53,000 (-0.7%) while part-time female employment increased by 55,000 (+1.0%). For men, full-time employment fell over this period by 36,000 (-0.3%) while part-time employment increased by 8,000 (+0.4%). Finally, while male self-employment fell by 16,000 (-0.6%) on the quarter, female self-employment increased by 16,000 (+1.5%).¹¹

2. Unemployment and JSA claimants

In the three months Sep-Nov 2008, unemployment had increased compared with the previous year in all regions and countries of the UK except Northern Ireland. The largest increases in unemployment were seen in the North East (+42%), Wales (+34%), and the South West (+31%). For more information on unemployment by region, see Indicator C3 (page 11) of this research paper.

On a non-seasonally adjusted basis, the number of individuals claiming JSA has increased by 362,000 (46%) over the period Dec 2007 to Dec 2008. Analysing the 'usual occupation' of these claimants (see table 2 below), there have been notable increases in the number of individuals claiming JSA whose usual occupation is Skilled Construction and Building Trades (+117%), Business and Public Service (+110%), and Managers and Senior Officials (+78%). The lowest increases in JSA claimants has been for those who define their usual occupation

¹¹ *ibid.*

as being Sales and Customer Service Occupations (+28%), and Elementary Occupations (+32%).

Table 2 - **Jobseeker's Allowance claimants by declared usual occupations**

Not seasonally adjusted

	Dec 2007	Sep 2008	Oct 2008	Nov 2008	Dec 2008	Change Dec 2007- Dec 2008	
						Level	%
Managers and Senior Officials	28,585	37,890	40,510	45,545	50,785	+22,200	+77.7%
Professional Occupations	21,120	29,985	29,960	31,680	33,535	+12,415	+58.8%
<i>Of which: Business and Public Service</i>	<i>4,545</i>	<i>7,390</i>	<i>7,895</i>	<i>8,780</i>	<i>9,550</i>	<i>+5,005</i>	<i>+110.1%</i>
Associate Professional and Technical Occupations	43,515	58,225	59,830	63,830	68,095	+24,580	+56.5%
<i>Of which: Associate Business and Public Service</i>	<i>11,330</i>	<i>17,300</i>	<i>18,405</i>	<i>20,275</i>	<i>22,335</i>	<i>+11,005</i>	<i>+97.1%</i>
Administrative and Secretarial Occupations	77,500	101,445	102,560	108,560	114,835	+37,335	+48.2%
Skilled Trades Occupations	85,395	104,855	112,510	132,320	153,325	+67,930	+79.5%
<i>Of which: Skilled Construction and Building Trades</i>	<i>35,770</i>	<i>49,650</i>	<i>54,330</i>	<i>65,460</i>	<i>77,770</i>	<i>+42,000</i>	<i>+117.4%</i>
Personal Service Occupations	39,500	47,970	48,420	50,065	52,050	+12,550	+31.8%
Sales and Customer Service Occupations	129,125	150,875	150,720	156,755	165,500	+36,375	+28.2%
Process, Plant and Machine Operatives	82,620	100,500	105,775	122,380	139,510	+56,890	+68.9%
Elementary Occupations	278,020	307,635	314,485	339,330	367,660	+89,640	+32.2%
All	787,425	941,540	967,120	1,052,980	1,149,695	+362,270	+46.0%

Note: All data are rounded to the nearest five.
Source: Nomis

3. Vacancies and redundancies

Table 3 below shows the latest vacancies and redundancies levels by industry in the UK and also percentage changes over the last year. Overall, the number of vacancies in the UK had fallen by 22% to 530,000 in Oct-Dec 2008 compared with the same period a year earlier. The largest falls were seen in manufacturing (41%) and construction (46%). There were 156,000 redundancies in the UK in the period Jul-Sep 2008, up 22% on the same period in 2007. Of these, the largest proportion was in the South East (16% of the total) followed by the North West and East Midlands (both 11% of the total).¹² However, it is worth noting these data do not include redundancies announced by companies since Sep 2008. More recent redundancies data for the UK as a whole only indicates that there were 225,000 redundancies in Sep-Nov 2008, up 81% on a year earlier. Of these redundancies, men accounted for 66% (with an increase in the level of over 100% compared with the same period a year previously) and women accounted for 34% (with an annual increase of 44%).

¹² Regional data available at: <http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=9474>

Table 3 - Vacancies and redundancies by industry
Level (000s) and % change on same period in previous year

	Vacancies (Oct-Dec 2008)		Redundancies (Jul-Sep 2008)	
	Level (000s)	% change on previous year	Level (000s)	% change on previous year
Manufacturing	34	-41.4%	26	-29.7%
Construction	13	-45.8%	31	
Distribution, Hotels & Restaurants	145	-24.5%	30	+11.1%
Transport & Comms.	33	-31.3%	13	+30.0%
Finance & Business Services	114	-33.7%	34	+9.7%
Public Admin, Education & Health	159	+1.9%	12	-14.3%
Total Services	478	-19.8%	94	+14.6%
All	530	-22.3%	156	+21.9%

Source: ONS, Labour Market Statistics First Release Historical Supplement

4. Employment by country of birth

Table 4 below displays data on UK employment by country of birth for the Jul-Sep quarter of each year from 2004 to 2008.¹³

Table 4 - Employment levels in the UK by country of birth (a)
000s; all aged 16+; not seasonally adjusted

	UK-born	EU-14 countries (b)	EU-A8 countries (c)	Other non-UK born (d)	All non-UK born	All
	Jul-Sep 2004	25,852	616	97	2,015	2,728	28,583
Jul-Sep 2005	26,022	629	191	2,115	2,935	28,960
Jul-Sep 2006	25,917	617	304	2,333	3,254	29,176
Jul-Sep 2007	25,814	680	442	2,426	3,548	29,369
Jul-Sep 2008	25,768	662	516	2,545	3,723	29,497
Change 2004-2008:						
Level	-84	+46	+419	+530	+995	+914
%	-0.3%	+7.5%	+432.0%	+26.3%	+36.5%	+3.2%
Change 2007-2008:						
Level	-46	-18	+74	+119	+175	+128
%	-0.2%	-2.6%	+16.7%	+4.9%	+4.9%	+0.4%

Notes: (a) On 21 August 2008 ONS published the 2007 mid-year population estimates for the UK. These population estimates have been incorporated into this table. This means that the total employment figures are consistent with the ONS's monthly Labour Market Statistics First Release.

(b) Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Italy, Luxembourg, Portugal, Republic of Ireland, Spain (including the Canary Islands), Sweden.

(c) Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia.

(d) Includes Malta and Cyprus who are not included in the published EU totals and Romania and Bulgaria who only acceded to the EU in January 2007.

Source: ONS, Labour Force Survey. Accessed via: http://www.statistics.gov.uk/downloads/theme_labour/LFSMigrantWorkerTables.xls

Over the last year the non-UK born employment level has increased by 175,000 (+4.9%) while the UK born employment level has fallen by 46,000 (-0.2%). Overall, over this period the total UK employment level has increased by 128,000 (+0.4%). Furthermore, non-UK born workers accounted for 12.6% of all in employment in Jul-Sep 2008 compared with 12.1% a year earlier, 11.2% in 2006, 10.1% in 2005 and 9.5% in 2004.¹⁴

¹³ Note, Romania and Bulgaria acceded to the EU in January 2007; in order to provide a consistent run of data these countries have been excluded from the EU totals provided in the table above and are only included in the "All non-UK born" column. Similarly, individuals from Cyprus and Malta, who both acceded to the EU in May 2004 are only included in the "All non-UK born" column.

¹⁴ When interpreting the data in the above table there are a range of caveats that should be born in mind. Firstly, these data are derived from Labour Force Survey (LFS) micro-data which are weighted using official ONS mid-2007 population estimates that were published in August 2008; these data are thus consistent with the figures published

5. Unemployment by constituency

While the majority of Westminster parliamentary constituencies have seen falls in the number of resident individuals claiming JSA since 1997¹⁵, over the last year all constituencies in the UK have seen an increase in the count. Table 5 below displays the ten constituencies with the smallest and largest increases in the JSA claimant count over the period Dec 2007-Dec 2008.

Table 5 - **Smallest and largest changes in JSA claimant count Dec 2007-2008**
Rank by % change in UK (1 = smallest rise)

	Party	JSA claimants		Change	
		Dec-07	Dec-08	Number	Percent
1 Tottenham	LAB	4,374	4,516	+142	+3.2%
2 Brent South	LAB	2,694	2,848	+154	+5.7%
3 Hackney North & Stoke Newington	LAB	2,992	3,171	+179	+6.0%
4 Edmonton	LAB	2,423	2,568	+145	+6.0%
5 Brent East	LD	2,494	2,675	+181	+7.3%
6 Cities of London & Westminster	CON	1,599	1,740	+141	+8.8%
7 Islington South & Finsbury	LAB	2,211	2,435	+224	+10.1%
8 Caithness, Sutherland and Easter Ros.	LD	923	1,019	+96	+10.4%
9 Hampstead & Highgate	LAB	1,653	1,835	+182	+11.0%
10 Bethnal Green & Bow	RES	4,337	4,823	+486	+11.2%
:	:	:	:	:	:
637 Mid Sussex	CON	395	833	+438	+110.9%
638 East Surrey	CON	404	863	+459	+113.6%
639 North West Hampshire (a)	CON	413	883	+470	+113.8%
640 Christchurch	CON	346	758	+412	+119.1%
641 Buckingham	CON	291	645	+354	+121.6%
642 North Swindon	LAB	666	1,546	+880	+132.1%
643 Burton	LAB	828	1,935	+1,107	+133.7%
644 Mid Dorset & North Poole	LD	324	781	+457	+141.0%
645 Woodspring	CON	255	626	+371	+145.5%
646 Mid Ulster	SF	662	1,772	+1,110	+167.7%
United Kingdom		790,370	1,153,328	+362,958	+45.9%

Source: ONS, Nomis

Chart 2 on page xi displays the frequency distribution of the percentage change in the JSA claimant count over the last year in UK constituencies by the largest three political parties. The distribution for Conservative constituencies is more skewed to the right compared with the distribution for Labour constituencies, indicating that proportionally more Conservative constituencies have seen a larger percentage increase in the claimant count compared with Labour constituencies. For Liberal Democrat constituencies the distribution has a higher 'peak' compared with Labour and the Conservatives, with over 20% of constituencies held by the party increasing by between 60% and 70%. However, above this the Conservative

in ONS's monthly *Labour Market Statistics First Release*. Additionally these data are based on **country of birth** rather than **nationality**. While non UK-born data will include some UK nationals born outside the UK, ONS has stated that country of birth is the preferred question in the LFS when defining migrant workers. It should also be noted that the LFS:

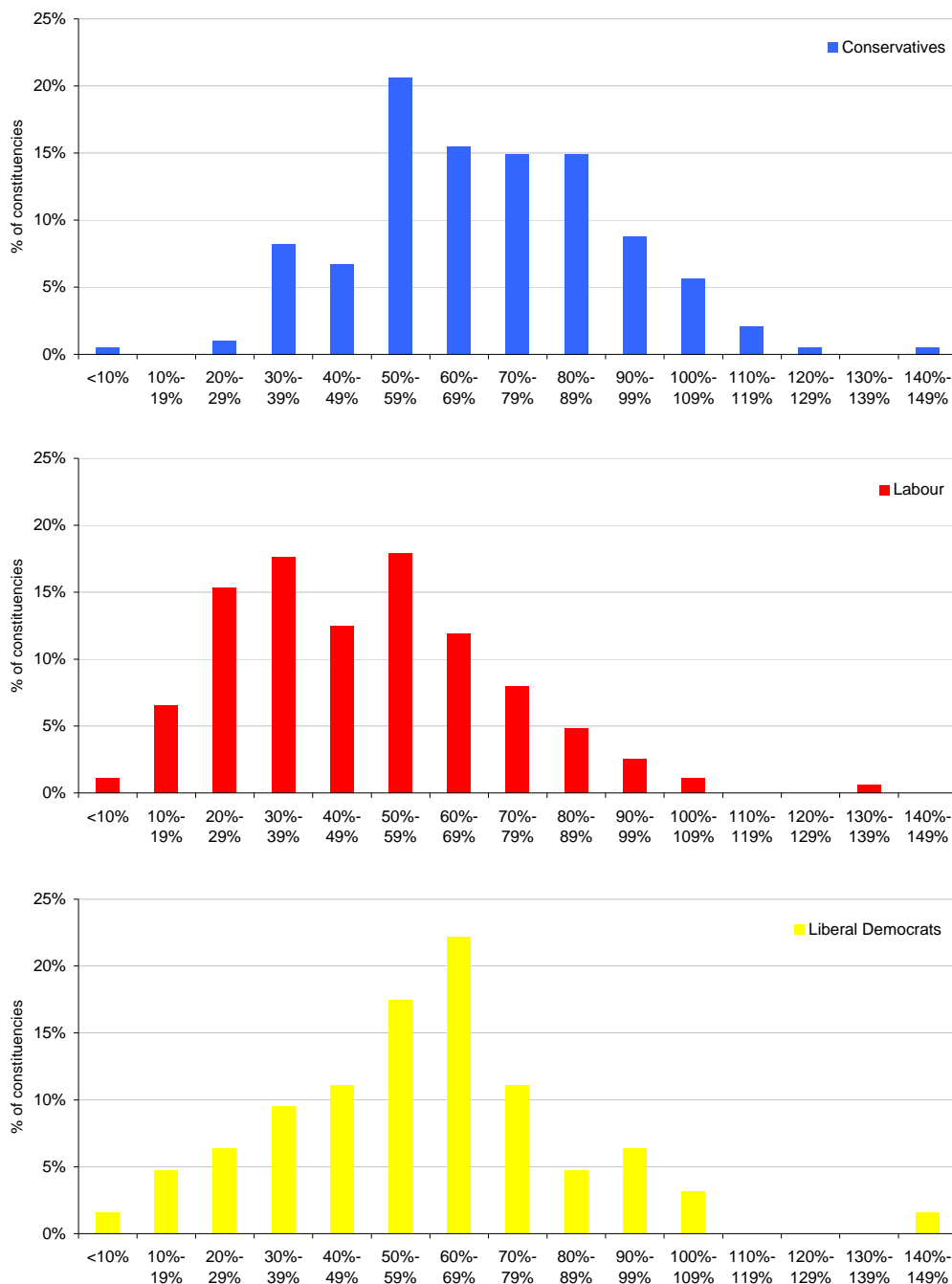
- Excludes students in halls of residence who do not have a UK resident parent.
- Excludes people in most types of communal establishment (eg hotels, boarding houses, hostels, mobile home sites).
- Is grossed to population estimates that only include long-term migrants (staying 12 months or more).
- Prior to December 2007 respondents to the LFS had to be resident in the UK for six months.

¹⁵ Between Dec 1997 and Dec 2008 64% of all constituencies had seen a fall. This figure excludes Scottish Westminster parliamentary constituencies. Data for these constituencies prior to the boundary changes in Scotland that coincided with the 2005 General Election are not available.

have the largest proportion of constituencies exhibiting increases of 70% or more (47% of constituencies compared with 17% for Labour and 27% for the Liberal Democrats). In contrast, 40% of Labour constituencies have seen an increase of less than 40% compared with 22% of Liberal Democrat constituencies and only 10% of Conservative constituencies. Finally, a map is provided on page xii which displays the percentage change in the JSA claimant count over the last year in UK constituencies by quintile groups.

Edward Beale, Economic Policy and Statistics Section

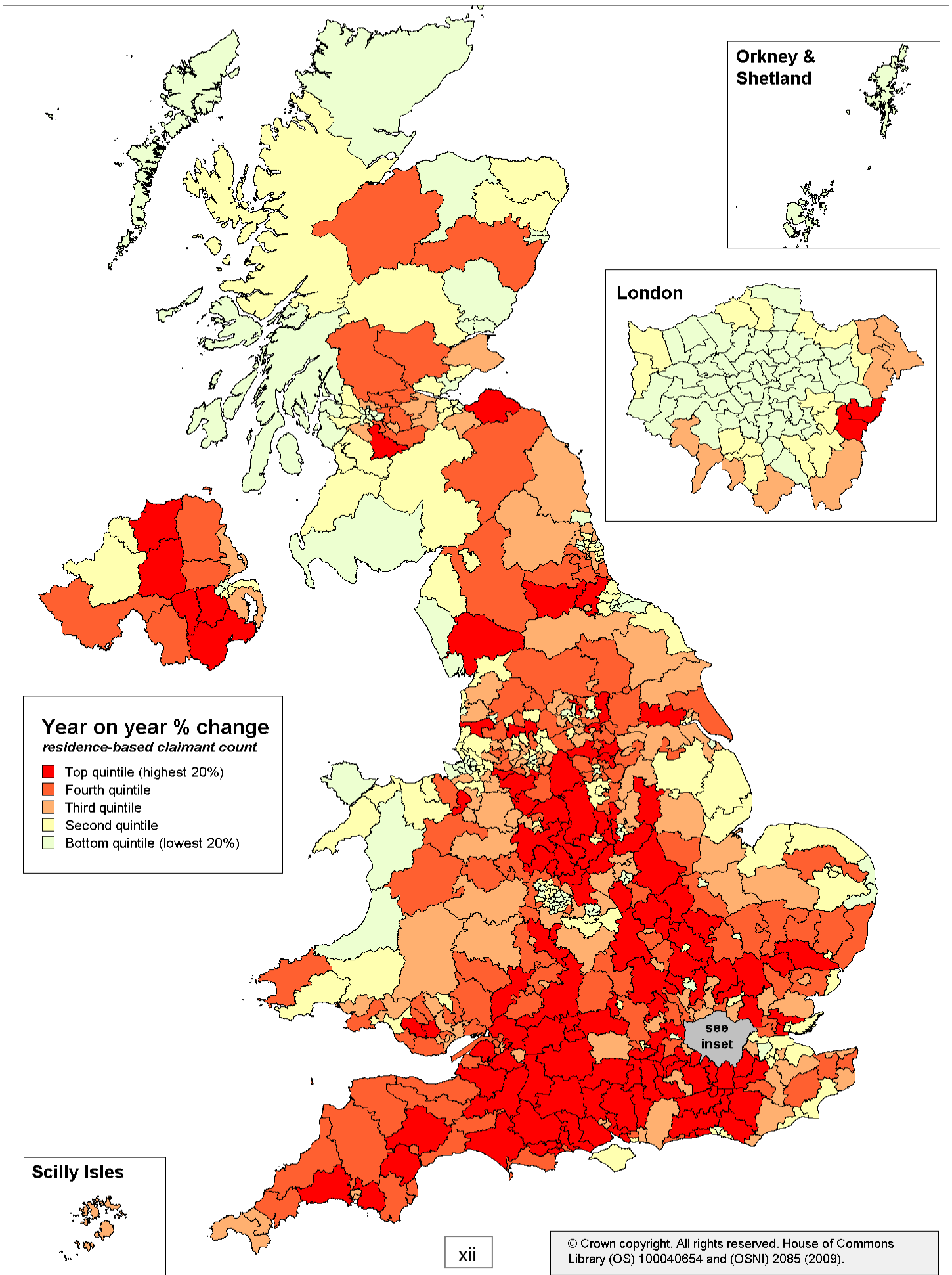
Chart 2 - Distribution of % increase in JSA claimant count in Westminster parliamentary constituencies by main political party, Dec 2007 to Dec 2008



Unemployment by Constituency

Increase in JSA claimant count, December 2007 to December 2008

Percentage change in residence-based claimant count, expressed as quintile groups (20% bands)



A1: Gross Domestic Product



Gross Domestic Product at market prices

£ billion & %; seasonally adjusted

	Current prices		Chained volume (reference year 2003)	
	£ billion	% change	% change	
	On year		On year	Quarter on quarter
2005	1,252.5	4.3	2.1	..
2006	1,321.9	5.5	2.8	..
2007	1,402.2	6.1	3.0	..
2008	..	..	0.7	..
2007 Q4	357.3	5.8	3.0	0.6
2008 Q1	361.9	5.6	2.6	0.4
Q2	362.9	4.1	1.7	0.0
Q3	361.9	2.3	0.3	-0.6
Q4			-1.8	-1.5

Source: ONS database, series: YBHA, IHYQ, IHYR

- The UK economy is now in recession with two successive quarters of negative growth in Q3 and Q4 2008. The economy was last in recession in 1991.
- The economy contracted by 1.5% in Q4 2008 compared with the previous quarter. This is the largest fall in quarterly GDP since Q2 1980.
- In January 2009, HM Treasury's average of independent economic forecasts of GDP growth for 2009 was -2.1%, down from -1.5% in December.

Contact: Dominic Webb, x4324

Updates: HM Treasury, *Forecasts for the UK Economy*, 18 Feb;
ONS, *UK output, income and expenditure*, 25 Feb

A2: GDP: International Comparisons



GDP at constant market prices

% changes

	% change on year				% change quarter on previous quarter						
	2004	2005	2006	2007	2007				2008		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
US	3.6	2.9	2.8	2.0	0.0	1.2	1.2	0.0	0.2	0.7	-0.1
Japan	2.7	1.9	2.0	2.4	1.2	-0.2	0.5	0.5	0.6	-1.0	-0.5
Canada	3.1	2.9	3.1	2.7	1.0	1.0	0.6	0.2	-0.1	0.2	0.3
United Kingdom	2.8	2.1	2.8	3.0	0.8	0.9	0.8	0.6	0.4	0.0	-0.6
Germany	1.2	0.8	3.0	2.5	0.4	0.4	0.6	0.3	1.4	-0.4	-0.5
France	2.5	1.9	2.2	2.2	0.5	0.5	0.7	0.4	0.4	-0.3	0.1
Italy	1.5	0.6	1.8	1.5	0.3	0.1	0.2	-0.4	0.5	-0.4	-0.5
Eurozone	1.9	1.8	3.0	2.6	0.7	0.5	0.6	0.3	0.7	-0.2	-0.2
G7	2.9	2.3	2.6	2.2	0.4	0.7	0.9	0.1	0.4	0.1	-0.2
OECD	3.3	2.7	3.1	2.7	0.6	0.8	0.9	0.4	0.5	0.1	-0.1

Source: OECD, *Main Economic Indicators* (via OECD Stats browser)

- In Q3 2008, contraction was seen in the UK (-0.6%), German, Italian and Japanese economies (all -0.5%), as well as in the US (-0.1%) and Eurozone as a whole (0.2%).
- Annual UK GDP growth in 2007 was 3.0%, 2.0% in the US and 2.6% in the Eurozone. Growth in the Eurozone in 2007 was 2.7%, higher than in the G7 countries (2.2%).
- In November 2008 the OECD revised its growth forecasts for 2009 downwards. It expects negative growth in the UK, the US, Japan, the Eurozone and the whole OECD.
- IMF growth forecasts were updated in January. It now expects negative annual growth in 2009 in all G7 countries, including in the UK (-2.8%), the US (-1.6%), Germany (-2.5%), Italy (-2.1%), France (-1.9%), and Japan (-2.6%).

OECD growth forecasts (% change on year)

	2008	2009	2010
US	1.4	-0.9	1.6
Japan	0.5	-0.1	0.6
United Kingdom	0.8	-1.1	0.9
Eurozone	1.0	-0.6	1.2
OECD	1.4	-0.4	1.5

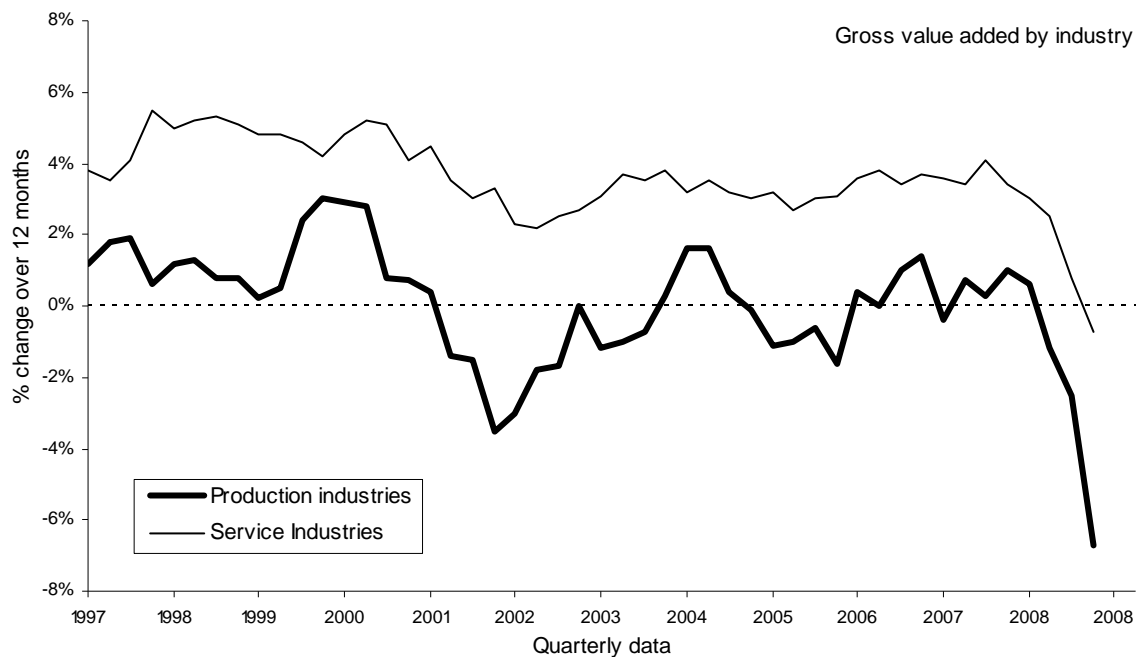
Source: OECD, *Economic Outlook (preliminary)*, Nov 2008, p82

Contact: Ian Townsend, x2042

Update: OECD, *Main Economic Indicators*, 6 Feb

A3: Gross Domestic Product by Industry

GDP by industry is measured by gross value added (GVA). GVA measures the value of output of an industry less the value of intermediate inputs used by that industry.



[Source: ONS database, series: ERIE, GDSI]

- Since 1995, output has grown faster in the service sector than in production industries, but is currently declining at an annual rate of 0.7%. Between the third and fourth quarter of 2008 annual output growth in the service sector decreased by 1.5 percentage points.

Gross value added at current basic prices

% changes on year; seasonally adjusted

	Production industries		Services	Agriculture, hunting & fishing, Construction	
	Total	Manufacturing			
2006	0.7	1.8	3.6	2.7	1.0
2007	0.4	0.6	3.6	-4.3	2.8
2008	-2.5	-2.3	1.4	0.3	1.5
2007 Q4	1.0	0.4	3.4	-3.8	2.7
2008 Q1	0.6	1.0	3.0	-0.8	3.6
Q2	-1.2	-0.9	2.5	0.4	2.0
Q3	-2.5	-2.3	0.8	1.1	1.3
Q4	-6.7	-7.0	-0.7	0.4	-0.8

Source: ONS database, series: ERID, ERIE, ERIT, ERIU, GDQV, GDQW, GDRN, GDRQ, GDRR, GDSI

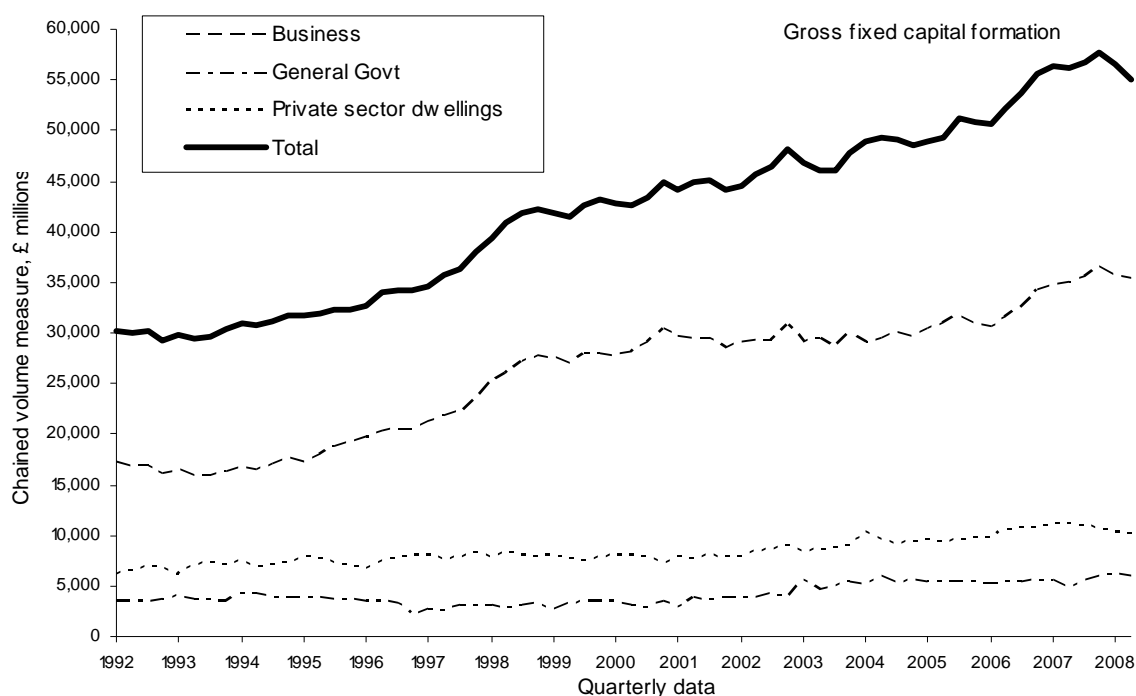
- Manufacturing output decreased by 7.0% in the fourth quarter of 2008 compared with the same quarter in 2007, and manufacturing output decreased by 2.3% overall in 2008.
- In 2006, services accounted for 76% of gross value added, manufacturing for 13%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

Contact: Ed Potton, x2883

Update: ONS, *UK output, income and expenditure—Q4*, 25 Feb

A4: Investment

Gross Fixed Capital Formation (GFCF) is 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. The graph excludes the effect of the exceptional transfer of nuclear reactors as this distorts the figures.



[Source: ONS database: series DFEA, DLWF, NPEL, NPQT]

Gross fixed capital formation

£ million; Chained volume measures, reference year 2003; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
2004	14,092	61,479	64,480	41,598	14,134	195,782
2005	14,675	62,192	67,371	41,872	14,077	200,187
2006	14,799	65,116	71,787	45,466	14,978	212,146
2007	15,228	71,934	78,178	46,945	15,135	227,421
2007 Q3	3,897	17,758	19,933	11,758	3,772	57,118
Q4	3,627	18,646	20,445	11,389	3,789	57,897
2008 Q1	3,703	17,183	20,365	11,072	3,844	56,167
Q2	3,817	17,959	19,326	10,717	3,855	55,674
Q3	3,475	18,098	18,529	10,107	3,880	54,089

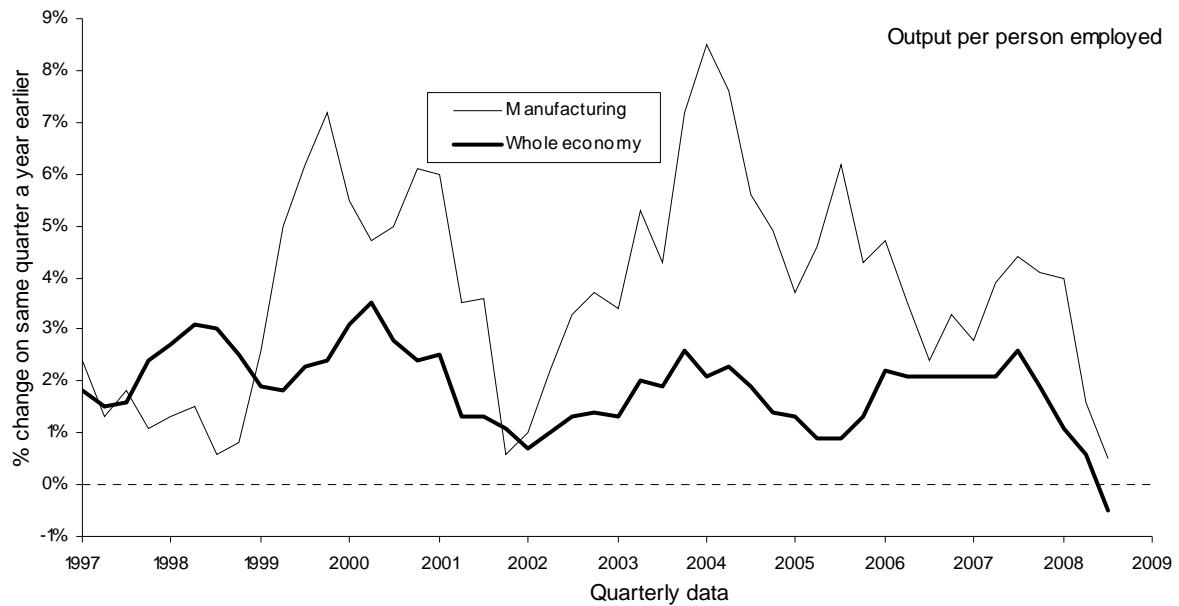
Source: ONS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment decreased by 1.3% in Q3 2008 compared with the previous quarter and by 0.1% compared with Q3 2007 on a seasonally adjusted basis.
- Total manufacturing investment increased by 2.3% in Q3 2008 compared with the previous quarter while investment in private sector services decreased by 1.3% on a seasonally adjusted basis.

Contact: Dominic Webb, x4324

Update: ONS, *Business Investment*, 24 Feb

A5: Productivity



[Source: ONS database, series: LNNN, LNNP, LNNU, LNNX]

Productivity

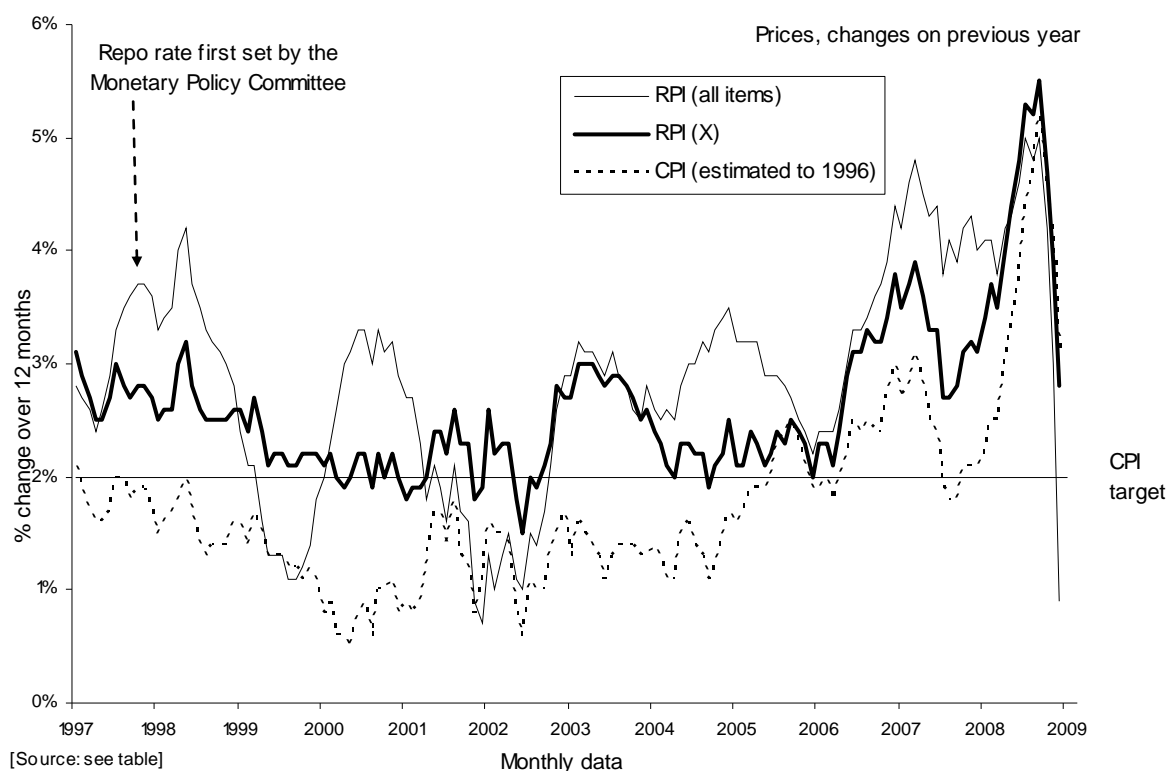
% changes on year; seasonally adjusted

	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2005	-0.2	-4.6	4.7	2.1	1.0	1.1
2006	1.8	-1.6	3.5	2.9	0.8	2.1
2007	0.6	-3.1	3.8	3.0	0.8	2.2
2008	-2.3	..	..	0.7	..	..
2007 Q3	0.2	-4.0	4.4	3.3	0.7	2.6
Q4	0.4	-3.6	4.1	2.9	1.0	1.9
2008 Q1	1.0	-2.9	4.0	2.6	1.4	1.1
Q2	-0.9	-2.5	1.6	1.9	1.3	0.6
Q3	-2.3	-2.8	0.5	0.3	0.8	-0.5
Q4	-7.0	..	..	-1.6	..	..

- Productivity across the whole economy, measured by output per head, is estimated to have grown by 2.2% in 2007 compared with 2.1% in 2006 and 1.1% in 2005.
- In 2007, manufacturing output increased by 0.6% and employment in manufacturing fell by 3.1%, while manufacturing output per head rose by 3.8%.
- Productivity growth in manufacturing was 0.5% per annum in Q3 2008 compared to 1.6% per annum in the previous quarter, while whole economy productivity growth decreased from 0.6% per annum in Q2 2008 to -0.5% per annum in Q3 2008.
- For the economy as a whole, productivity growth has averaged 1.5% per annum over the last eight quarters. Figures on this page are based on output per job.

Contact: Ed Potton, x2883

Update: ONS, *Productivity*, 31 Mar

B1: Prices

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. The previous target was 2.5% measured by RPI(X).

- In the year to December, the consumer prices index (CPI) showed inflation at 3.1%, down from 4.1% in November - the eight month in a row in which the CPI has been more than 1 percentage point greater than the inflation target. However, the rate has fallen for the last three months.
- The largest downward effects on the CPI came from clothing and footwear, and transport costs. There were further downward contributions from: recreation and culture; furniture, household equipment and maintenance; restaurants and hotels; miscellaneous goods and services; housing and household services; and communication. Many of these downward contributions reflected the reduction in the rate of VAT and discounting in sales.
- There was a small upward contribution to the CPI annual rate alcohol and tobacco.
- The former headline (all items RPI) rate of inflation was 0.9% in December, down from 3.0% in November. The underlying RPI(X) also fell to 2.8% in December from 3.9% in November.

Price Indices

% change over 12 months

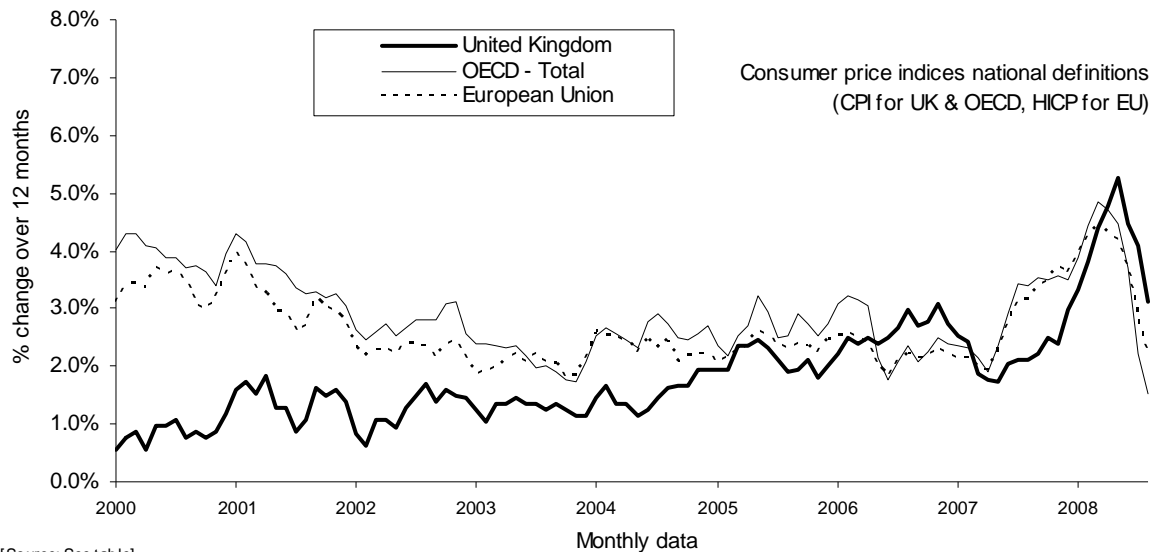
	CPI (was HICP)	RPI (all items)	RPI (X)
2005	2.1	2.8	2.3
2006	2.3	3.2	2.9
2007	2.3	4.3	3.2
2008	3.6	4.0	4.3
2007 Dec	2.1	4.0	3.1
2008 Jan	2.2	4.1	3.4
Feb	2.5	4.1	3.7
Mar	2.5	3.8	3.5
Apr	3.0	4.2	4.0
May	3.3	4.3	4.4
Jun	3.8	4.6	4.8
Jul	4.4	5.0	5.3
Aug	4.7	4.8	5.2
Sep	5.2	5.0	5.5
Oct	4.5	4.2	4.7
Nov	4.1	3.0	3.9
Dec	3.1	0.9	2.8

Source: ONS database, series: D7G7, CDKQ, CJYR

Contact: Edward Beale, x2464

Update: ONS, *Consumer Price Indices: First release*, 17 Feb

B2: Prices: International Comparisons



The OECD compiles inflation rates based on national consumer price measures. While these are not strictly comparable they indicate that:

- Inflation in the United States was 0.1% in December 2008, a decrease of 1.0 percentage points from November and 5.5 percentage points below the July 2008 figure;
- The average annual inflation rate for all OECD countries in December was 1.5%, down from 2.2% in November;
- The EU's average inflation rate, based on harmonised indices of consumer prices (in the chart above, but not in the table), was 2.2% in December.

EU/Eurozone inflation

harmonised indices (HICPs); % change over 12 months

	France	Germany	Italy	UK	Eurozone
2005	1.9	1.9	2.2	2.1	2.2
2006	1.9	1.8	2.2	2.3	2.2
2007	1.6	2.3	2.0	2.3	2.1
2008	3.2	2.8	3.5	3.6	3.3
2008 Jul	4.0	3.5	4.0	4.4	4.0
Aug	3.5	3.3	4.2	4.7	3.8
Sep	3.3	3.0	3.9	5.2	3.6
Oct	3.0	2.5	3.6	4.5	3.2
Nov	1.9	1.4	2.7	4.1	2.1
Dec	1.2	1.1	2.4	3.1	1.6

Source: Eurostat database, Jan 2009

Consumer Price Indices

national definitions; % change over 12 months

	USA	Japan	Canada	UK	OECD
2005	3.4	-0.3	2.2	2.0	2.4
2006	3.2	0.2	2.0	2.3	2.6
2007	2.9	0.1	2.1	2.3	2.7
2008	3.8	1.4	2.4	3.6	3.9
2008 Jul	5.6	3.4	2.3	4.4	4.9
Aug	5.4	3.5	2.1	4.8	4.7
Sep	4.9	3.4	2.1	5.2	4.5
Oct	3.7	2.6	1.7	4.5	3.7
Nov	1.1	2.0	1.0	4.1	2.2
Dec	0.1	1.2	0.4	3.1	1.5

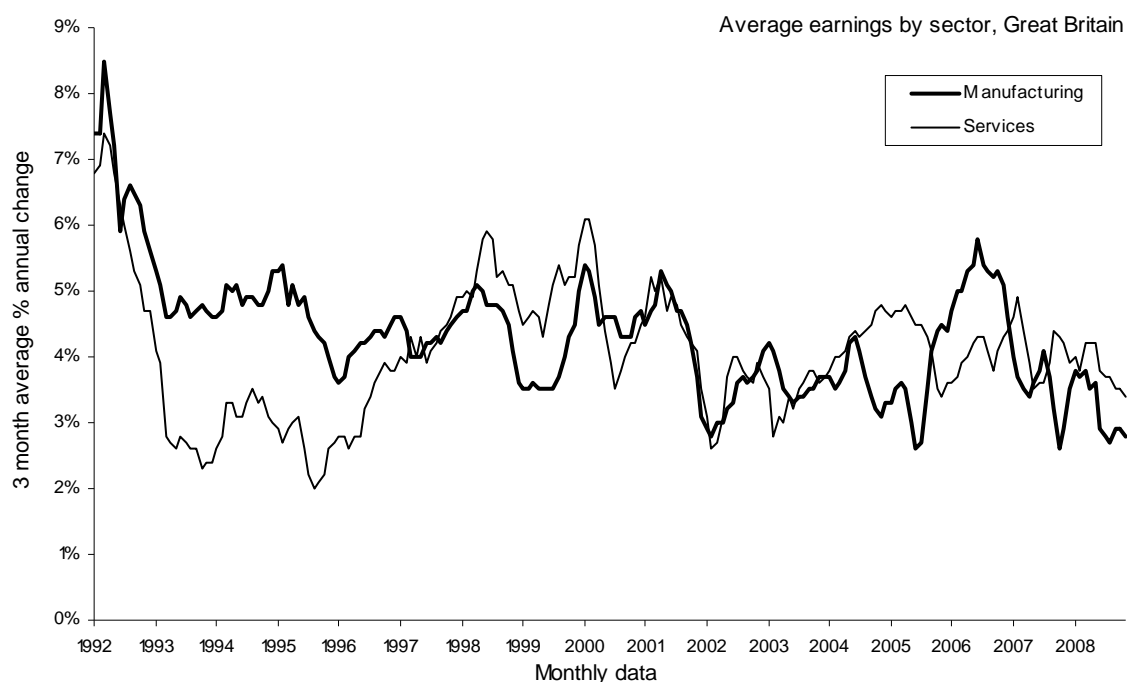
Source: OECD, Consumer Prices Release

The EU produces harmonised indices of consumer prices (HICPs), designed for international comparison, to monitor prices within the eurozone:

- Eurozone annual inflation was 1.6% in December 2008. The "flash" estimate for January 2009 is 1.1%
- The monthly HICP inflation rates in November for the EU15 Member States not in the eurozone were 2.1% in Sweden, 2.4% in Denmark and 3.1% in the UK.
- The eurozone countries with the highest monthly HICP annual inflation rates in November were Malta (5.0%) and Finland (3.4%). The lowest rates were in Luxembourg (0.7%) and Portugal (0.8%).

Contact: Bryn Morgan, x4904

Updates: OECD, *Consumer prices release*, early Mar
Eurostat, *Euro-indicators news release*, 27 Feb

B3: Average Earnings Index

[Source: ONS database, series: LNNG, LNNH]

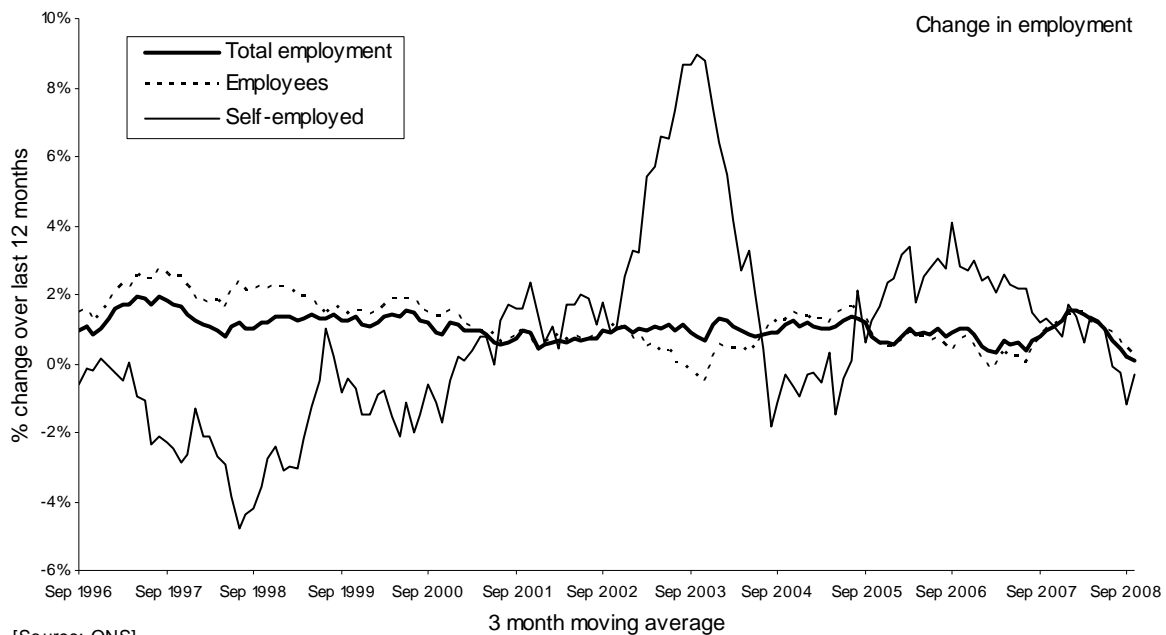
- The headline rate of growth in average earnings for the whole economy in November was 3.1%, down from 3.3% in October.
- Headline average earnings growth in manufacturing was 2.8% in November, compared with 3.4% in the service sector; both were down 0.1 of a percentage point from the previous month.
- Headline earnings growth in the private sector was 2.9% in November, compared with 4.0% in the public sector. Earnings growth in the private sector was down from 3.2% from October, while earnings growth in the public sector was up from 3.8% in October.
- Earnings are currently growing at a slower rate than they were a year ago (the headline rate in November 2007 was 4.0%).
- In the year to November, the consumer price index showed inflation above the rate of earnings growth at 4.1%.

Average Earnings, Great Britain
% change on year; seasonally adjusted

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2004 Nov	4.6	4.7	4.6
2005 Nov	3.6	3.4	4.5
2006 Nov	4.2	4.3	3.2
2007 Nov	4.0	4.2	3.2
Dec	3.8	3.9	3.3
2008 Jan	3.9	4.1	3.4
Feb	3.7	3.7	3.7
Mar	4.0	3.9	3.8
Apr	4.0	3.9	3.9
May	3.9	3.9	3.5
Jun	3.5	3.6	3.2
Jul	3.5	3.5	3.3
Aug	3.4	3.4	3.5
Sep	3.3	3.1	3.9
Oct	3.3	3.2	3.8
Nov	3.1	2.9	4.0

Source: ONS database, series: LNNC, LNND, LNNE

C1: Employment



[Source: ONS]

Employment structure in the UK

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

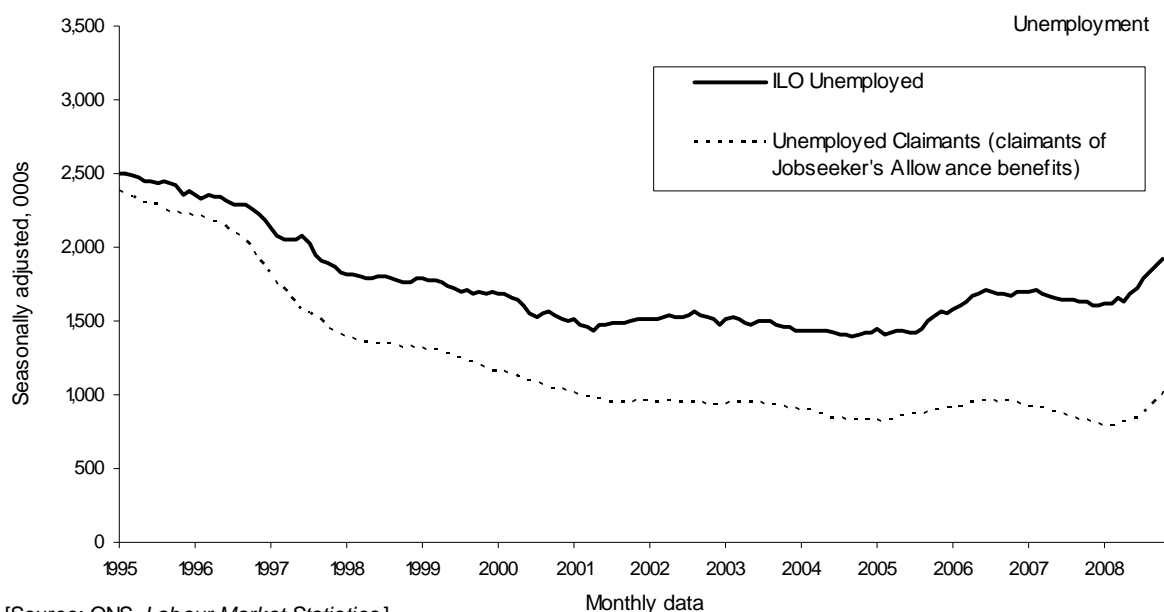
	Total in employment	Employees	Self-employed	Unpaid Family Workers	Government Training
2004 Oct	28,575	24,723	3,625	94	132
2005 Oct	28,796	24,930	3,671	92	103
2006 Oct	29,089	25,099	3,775	100	114
2007 Oct	29,368	25,332	3,825	103	108
2008 Jan	29,494	25,415	3,854	108	118
2008 Apr	29,541	25,463	3,843	116	119
2008 Jul	29,419	25,411	3,812	88	108
2008 Oct	29,393	25,385	3,812	94	102

Changes (%):

on last 3 months	-0.1	-0.1	0.0	6.2	-5.8
on last year	0.1	0.2	-0.3	-9.0	-5.7

Source: ONS

- Total employment in the three months to November 2008 was 25,000 higher than a year earlier but 26,000 lower than the previous quarter.
- Over the year to September, the number of manufacturing industry workforce jobs fell by 100,000. The number of service sector jobs fell by 36,000 over the year.
- 7.6 million people were in part-time employment in the three months to November 2008, of whom 5.7 million were women. 3.8 million people were self-employed.

C2: Unemployment: National

[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). This data has been revised to take account of the 2001 Census results.

- The latest LFS estimates show that over the period September to November 2008, the level of ILO unemployment in the UK was 1,923,000 (seasonally adjusted). This was an increase of 290,000 from the same period a year earlier.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, increased by 77,900 between November and December 2008 to 1,157,200.

The New Deal for Young People started in January 1998.

- By August 2008, there had been 1,887,000 starts under the scheme. By May 2008, 1,769,000 spells had resulted in 821,000 sustained jobs (46%) i.e. where the individual had not returned to claim Jobseeker's Allowance (JSA) within three months of starting employment.

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

- By August 2008, there had been 1,147,000 starts under the scheme. By May 2008, 702,000 spells had resulted in 298,000 sustained jobs (42%).

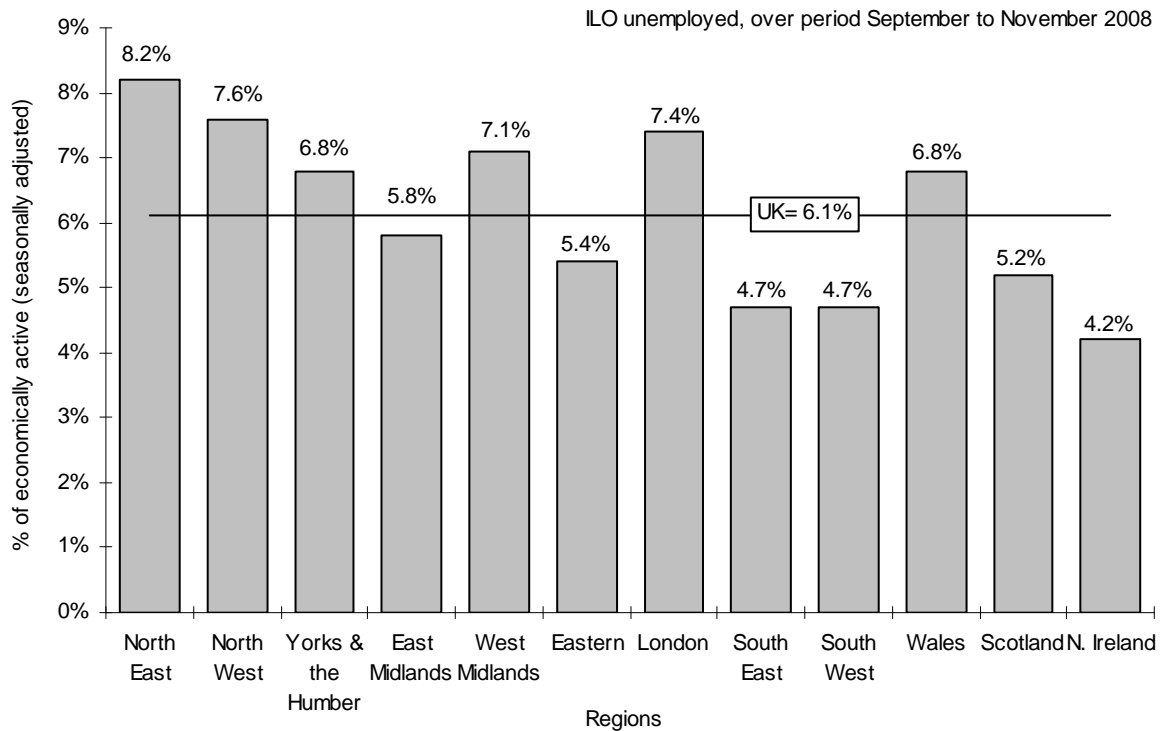
ILO Unemployment in the UK seasonally adjusted

	'000s	rate (%)
Sep-Nov 2002	1,531	5.2
Dec-Feb 2003	1,515	5.1
Mar-May 2003	1,485	5.0
Jun-Aug 2003	1,503	5.1
Sep-Nov 2003	1,462	4.9
Dec-Feb 2004	1,434	4.8
Mar-May 2004	1,435	4.8
Jun-Aug 2004	1,407	4.7
Sep-Nov 2004	1,411	4.7
Dec-Feb 2005	1,444	4.8
Mar-May 2005	1,435	4.8
Jun-Aug 2005	1,426	4.7
Sep-Nov 2005	1,543	5.1
Dec-Feb 2006	1,578	5.2
Mar-May 2006	1,666	5.4
Jun-Aug 2006	1,693	5.5
Sep-Nov 2006	1,675	5.4
Dec-Feb 2007	1,702	5.5
Mar-May 2007	1,673	5.4
Jun-Aug 2007	1,646	5.3
Sep-Nov 2007	1,633	5.3
Dec-Feb 2008	1,614	5.2
Mar-May 2008	1,628	5.2
Jun-Aug 2008	1,792	5.7
Sep-Nov 2008	1,923	6.1

Source: ONS, *Labour Market Statistics*

Contact: Roderick McInnes, x3793 **Updates:** ONS, *Labour Market Statistics*, 11 Feb
DWP, *New Deal*, Feb

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 September to November 2008 the North East had the highest unemployment rate, 8.2% of the economically active population. The lowest rate over the same period was 4.2%, in Northern Ireland.
- A comparison of September to November 2008 with the same period a year earlier shows that the only fall (3%) in regional unemployment occurred in Northern Ireland. The North East showed the largest increase (42%) over the period.

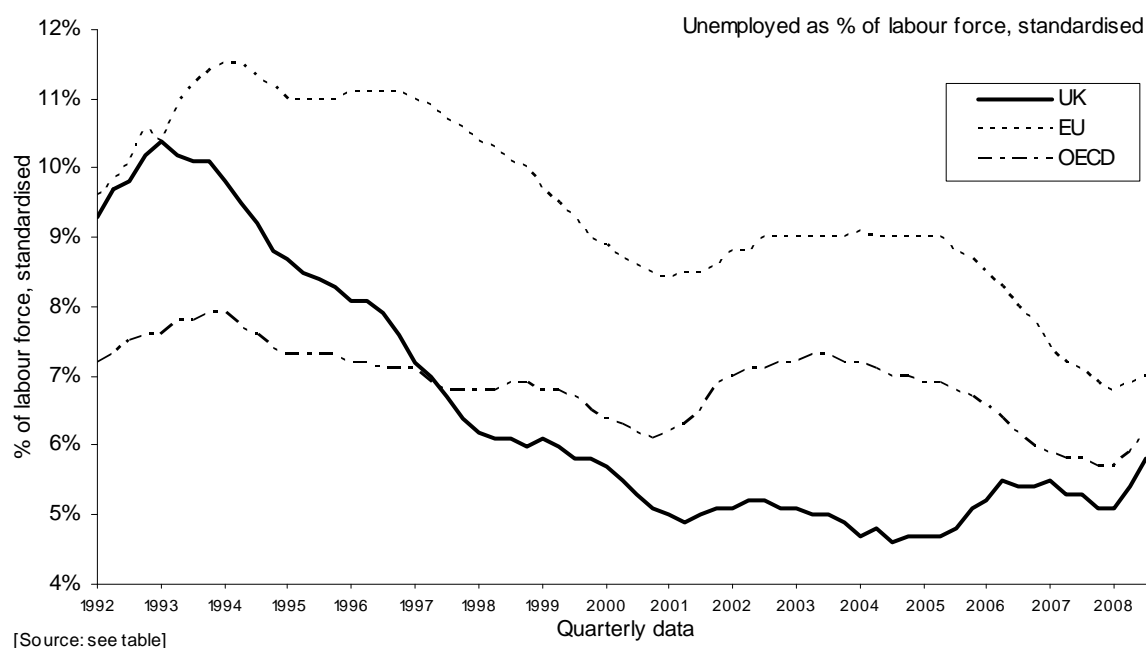
ILO Unemployment, September to November 2008

change on same period in previous year;
seasonally adjusted

	Number (rounded)	%
North East	+31,000	+42
North West & Merseyside	+56,000	+28
Yorkshire & the Humber	+39,000	+28
East Midlands	+14,000	+12
West Midlands	+24,000	+15
Eastern	+27,000	+20
London	+32,000	+12
South East	+6,000	+3
South West	+30,000	+31
Wales	+25,000	+34
Scotland	+6,000	+5
Northern Ireland	-1,000	-3

Source: ONS, *Labour Market Statistics*

C4: Unemployment: International Comparisons



Unemployment

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

	2006	2007	2008	2007				2008			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	6.3	6.0	6.1	6.1	6.1	6.0	5.9	5.9	6.1	6.1	6.4
France	9.2	8.3	..	8.7	8.4	8.2	7.8	7.6	7.7	7.7	..
Germany	9.8	8.4	..	8.7	8.5	8.3	8.0	7.6	7.4	7.2	..
Italy	6.8	6.1	..	6.0	5.9	6.2	6.4	6.7	6.8	6.7	..
Japan	4.1	3.9	..	4.0	3.8	3.8	3.8	3.9	4.0	4.1	..
UK	5.4	5.3	..	5.5	5.3	5.3	5.1	5.1	5.4	5.8	..
USA	4.6	4.6	5.8	4.5	4.5	4.7	4.8	4.9	5.4	6.0	6.9
Eurozone	8.3	7.4	..	7.6	7.4	7.4	7.2	7.2	7.4	7.5	..
G7	5.8	5.4	..	5.5	5.2	5.4	5.4	5.5	5.7	6.0	..
OECD	6.3	5.8	..	5.9	5.8	5.8	5.7	5.7	5.9	6.2	..

Source: OECD, Standardised Unemployment Rates, January 2009

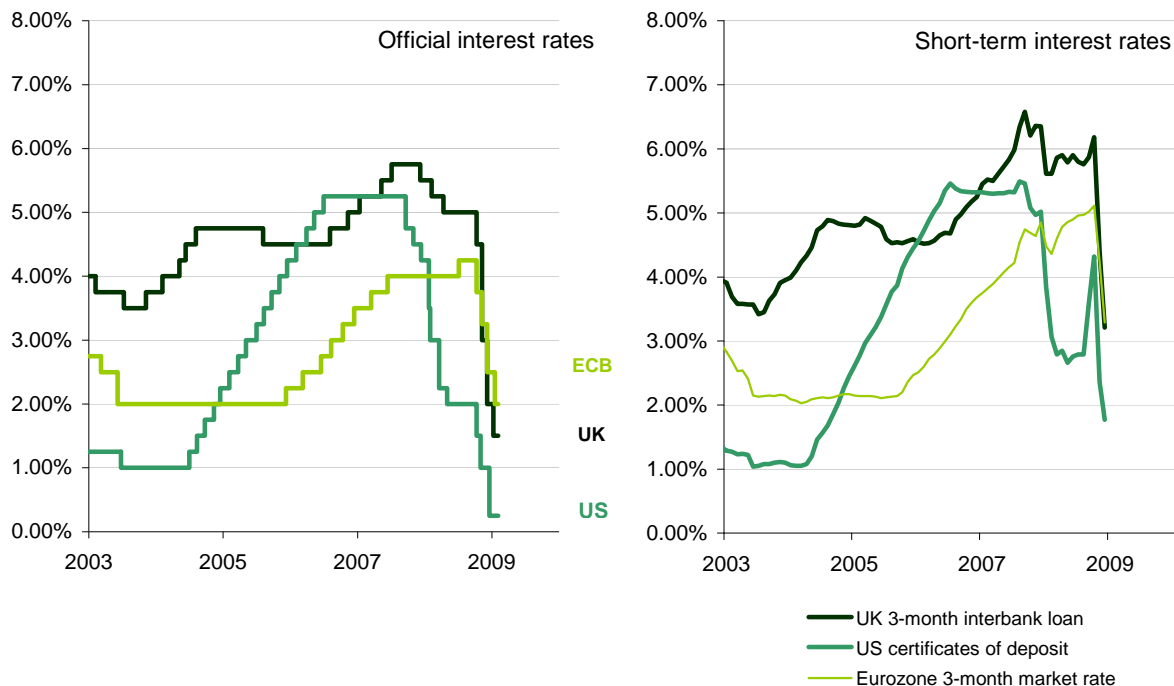
- Using standardised definitions, the UK unemployment rate for 2007 was 5.3%, significantly below the eurozone average (7.4%) and below the G7 and OECD rates (5.4% and 5.8% respectively).
- Between Q3 2007 and Q3 2008 (the latest quarter for which all data are available) Germany had the largest fall in unemployment among G7 countries: 1.1 percentage points.
- The most recent forecasts published by the OECD (*Economic Outlook*, December 2008) suggest the UK unemployment rate will be 5.5% in 2008, 6.8% in 2009 and 8.2% in 2010. The respective forecasts for the eurozone are 7.4%, 8.6% and 9.0% and for the OECD as a whole 5.9%, 6.9% and 7.2%.

Contact: Roderick McInnes, x3793

Updates: OECD, *Standardised Unemployment Rates*, 6 Feb
OECD, *Economic Outlook*, Jun

D1: Interest Rates

- On 8 January, the Bank of England's Monetary Policy Committee cut the official bank rate by 50 basis points to 1.50%. This follows a cut of 100 basis points in December and 150 basis points in November and the rate is now the lowest in the Bank of England's 315-year history.
- The European Central Bank cut its rate for main refinancing operations by 50 basis points to 2.00% on 15 January.
- The Federal Reserve decided, on 16 December 2008, to establish a target range for its federal funds rate of between 0% and 0.25%. IT retained this target at its latest meeting on 27/28 January. Previously, the target had been 1.00%.
- The Bank of Japan cut its rate by 20 basis points on 19 December.
- Previously, the Bank of England (along with the Federal Reserve, European Central Bank, and others) cut rates in a coordinated move on 8 October.



UK Base/Repo rate changes

% per annum

Date	New rate	Date	New rate
2000 Jan 13	5.00	2006 Aug 3	4.75
Feb 10	4.75	Nov 9	5.00
2001 Feb 8	4.50	2007 Jan 11	5.25
Apr 5	4.00	May 10	5.50
May 10	3.75	Jul 5	5.75
Aug 2	3.50	Dec 6	5.50
Sep 18	3.75	2008 Feb 7	5.25
Oct 4	4.00	Apr 10	5.00
Nov 8	4.25	Oct 8	4.50
2003 Feb 6	4.50	Nov 6	3.00
Jul 10	4.75	Dec 4	2.00
Nov 6	4.50	2009 Jan 8	1.50

Source: Bank of England

International interest rates

% per annum, at 2 February 2009

	Official rate	Yield 10yr Govt bonds Since	3-month market rate
United Kingdom	1.50	8/1/09 3.71	2.04 - 1.98
Eurozone	2.00	15/1/09 n/a	2.32 - 1.97
US	0.00 - 0.25	16/12/08 2.84	1.40 - 1.00
Japan	0.10	19/12/08 1.29	0.55 - 0.38
Switzerland	0.00 - 1.00	11/12/08 2.23	1.84 - 0.84

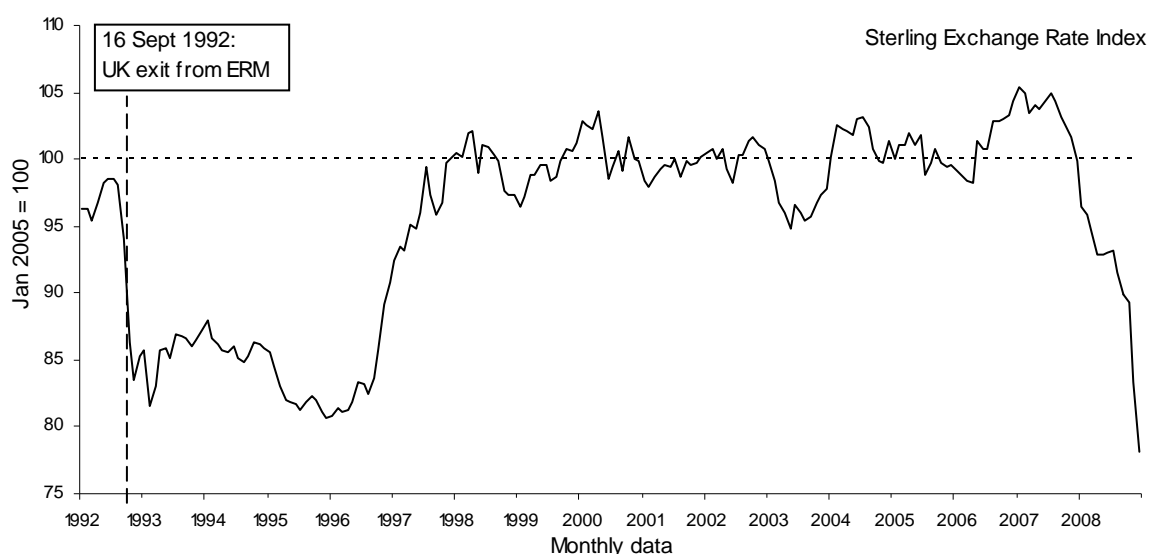
Source: *Financial Times*, 3 February 2009
(*Companies & Markets*, p.31)

Contact: Bryn Morgan, x4904

Updates: Short-term interest rates: OECD, MEI, mid-Feb;
Base rates: 5 Feb (UK MPC), 5 Feb (ECB), 17 Mar (US)

D3: Exchange rates

The *Sterling Exchange Rate Index* (SERI) 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:



[Source: ONS database, series: BK67]

- The large fall in the SERI following the UK exit from the ERM indicated a relative improvement in the competitiveness of the UK. Compared with December 2007, the SERI fell by 21.7 points in December 2008, suggesting that the UK was relatively more competitive at the end of 2008 than at the end of 2007. In December, the SERI was at its lowest monthly level since the current series began in 1980.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.106 at the London market close on 2 February 2009, compared with an all-time low of €1.020 on 30 December 2008 and a launch rate of €1.476 on 31 December 1998. The pound was worth \$1.416 at the market close on 2 February 2009.

Sterling Exchange Rates

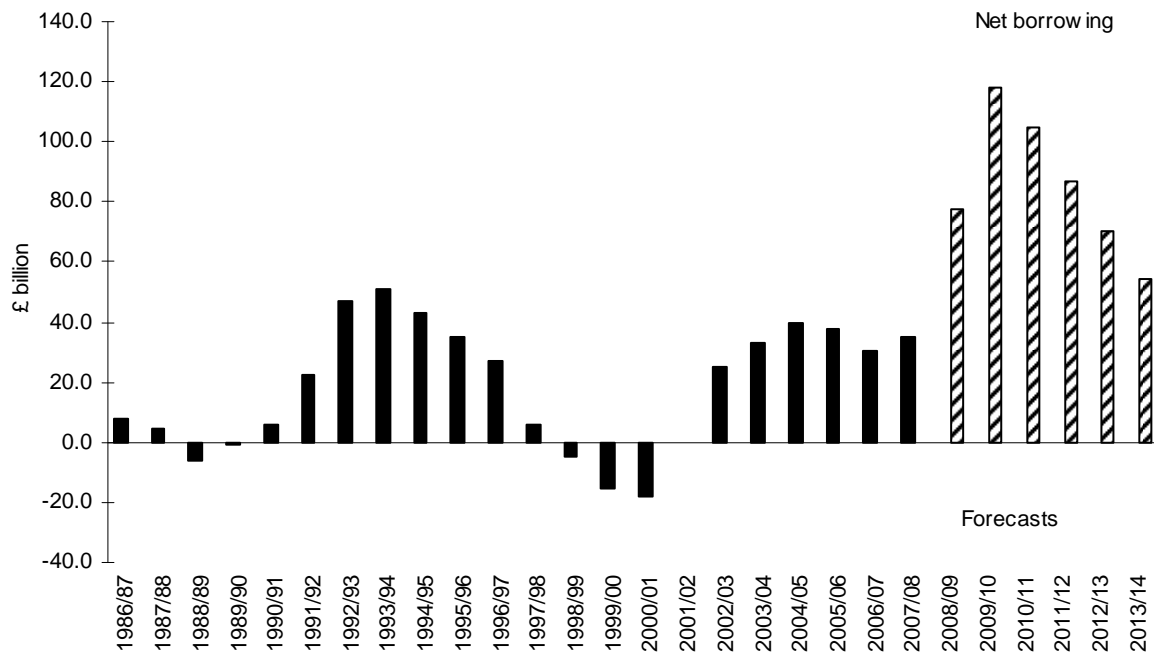
rates and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2005	1.819	-0.7	200.1	1.0	1.463	-0.7
2006	1.843	0.6	214.3	8.2	1.467	-0.5
2007	2.002	10.1	235.6	17.7	1.462	-0.1
2008	1.853	0.5	192.3	-10.3	1.259	-14.2
2007 Dec	2.019	2.8	226.8	-1.4	1.386	-6.7
2008 Jan	1.970	0.6	212.2	-10.1	1.338	-11.2
Feb	1.964	0.3	210.3	-10.8	1.332	-11.0
Mar	2.003	2.9	202.0	-11.6	1.290	-12.3
Apr	1.982	-0.5	203.4	-14.1	1.258	-14.5
May	1.964	-1.0	205.0	-14.5	1.263	-13.9
Jun	1.966	-1.0	210.2	-13.7	1.264	-14.7
Jul	1.988	-2.3	212.4	-14.0	1.262	-14.9
Aug	1.889	-6.1	206.5	-12.0	1.261	-14.6
Sep	1.799	-10.9	191.8	-17.4	1.253	-13.7
Oct	1.690	-17.3	169.3	-28.5	1.272	-11.5
Nov	1.534	-25.9	148.6	-35.3	1.204	-14.6
Dec	1.486	-26.4	135.6	-40.2	1.104	-20.3

Source: ONS database, series: AUSS, AJFO, THAP

Contact: Edward Beale, x2464

Updates: ONS, SERI, mid-Feb; Sterling Exchange Rates, daily

D4: Public Finances

[Source: ONS database, series: -ANNX; HM Treasury]

The chart shows outturns and Treasury forecasts for public sector net borrowing. Net borrowing was £35.2 billion in 2007/08.

The Pre-Budget Report (PBR) forecast net borrowing of £77.6 billion in 2008/09 (up from a 2008 Budget forecast of £42.5 billion). This is equivalent to 5.3% of GDP. For 2009/10, the PBR forecast net borrowing of £118 billion (8.0% of GDP).

Public sector net debt was equivalent to 47.5% of GDP in Q4, 2008. Excluding the effects of the government's interventions in the financial sector, net debt was 40.4% (or £594.3 billion).

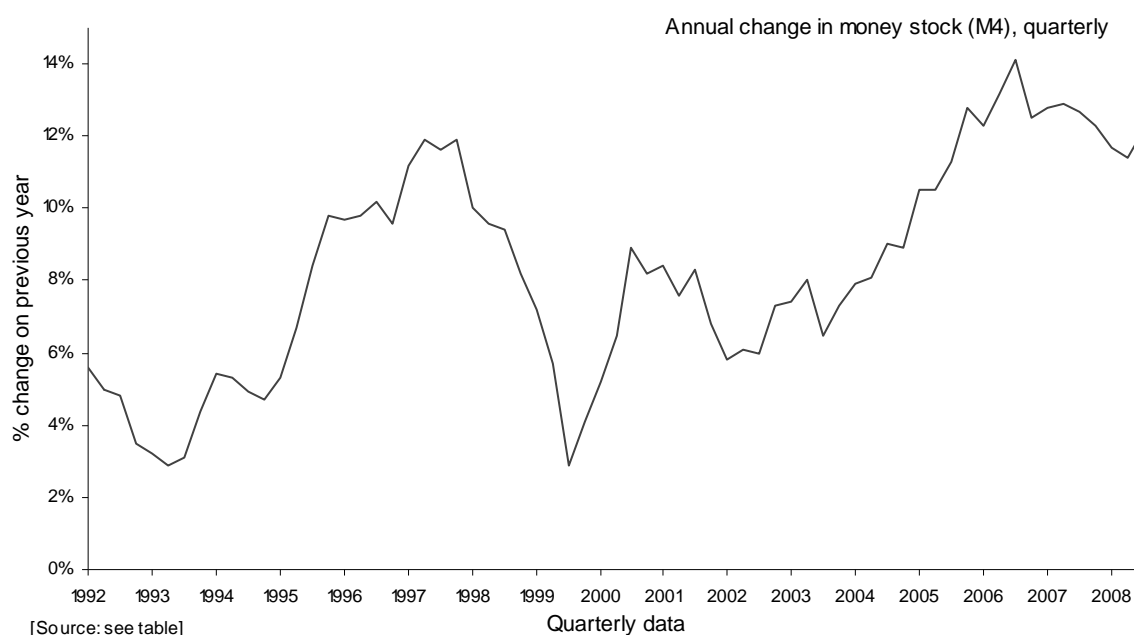
Public Sector Net Debt and Borrowing

£ billion & %

	Net Debt		Net borrowing
	£ billion	% GDP	£ billion
2004/05	422.1	34.1	39.6
2005/06	461.6	35.4	37.8
2006/07	497.9	36.0	30.6
2007/08	621.2	43.0	35.2
2007 Q4	634.0	44.1	16.0
2008 Q1	621.2	43.0	-1.8
Q2	641.4	44.1	22.3
Q3	644.5	44.0	14.8
Q4	697.5	47.5	34.1

Source: ONS database, series: RUTN, RUTO, -ANNX

Note: debt figures include financial sector interventions

D5: Money Supply**Money stock**

% change; seasonally adjusted

	Notes and coin		M4	
	3 month change (annualised)	12 month change	3 month change (annualised)	12 month change
2007 Dec	3.4	5.8	7.8	12.3
2008 Jan	5.5	6.3	14.7	13.0
Feb	7.7	6.6	14.0	12.1
Mar	9.2	6.7	10.8	11.6
Apr	6.5	6.6	6.7	10.9
May	4.8	5.9	8.2	10.0
Jun	3.6	5.7	13.4	11.4
Jul	3.8	5.8	13.6	10.9
Aug	2.4	5.1	18.4	11.3
Sep	4.6	5.1	16.6	12.1
Oct	8.0	5.9	26.9	15.3
Nov	12.5	6.8	25.0	16.2
Dec	11.4	7.1	24.2	16.1

Source: Bank of England, *Monetary and Financial Statistics* 2008, Tables A 1.1.1 and A 2.1.1

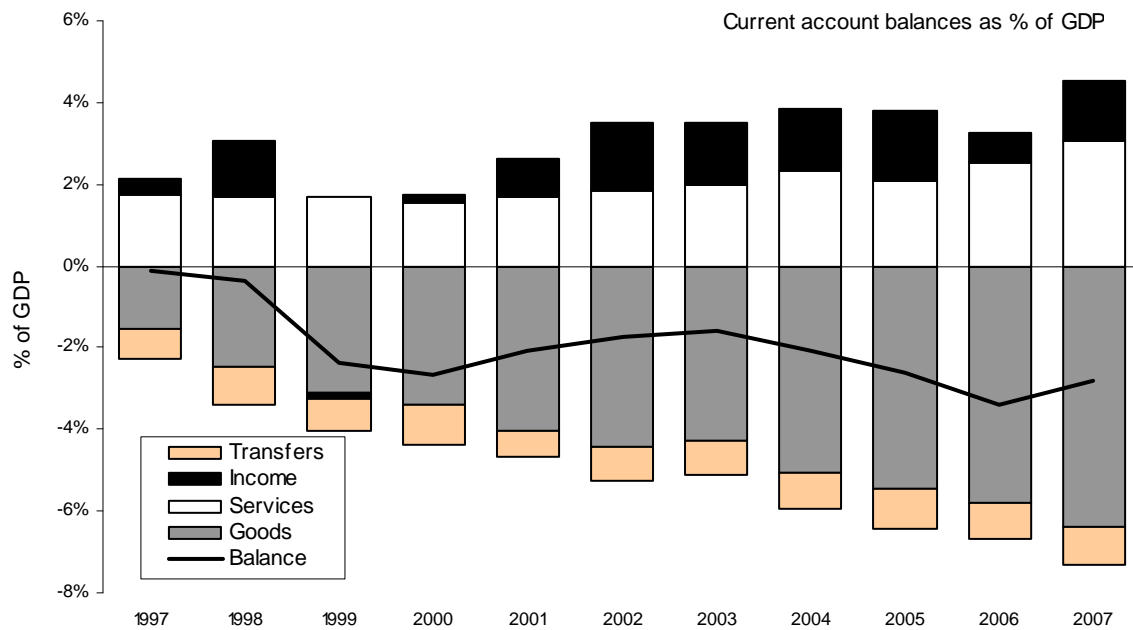
The table above shows sterling notes and coin in circulation outside the Bank of England. The table also shows M4 which is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

- Seasonally adjusted M4 grew by 16.1% in the 12 months to December 2008. The 12-month seasonally adjusted growth rate of notes and coins was 7.1% in December 2008.
- There are now no formal targets for money supply growth.

Contact: Dominic Webb, x4324

Update: Bank of England, *Monetary & Financial Stats*, 2 Mar

E1: UK Overseas Trade



Current Account Balances

£ millions; seasonally adjusted

	Trade in goods/services			Income (total)	Transfers			Current Account Balance
	Goods	Services	Total		Central Gov.	Other	Total	
2004	-60,900	28,146	-32,754	17,830	-8,048	-2,228	-10,276	-25,200
2005	-68,589	25,875	-42,714	21,872	-9,343	-2,506	-11,849	-32,691
2006	-76,312	33,108	-43,204	10,097	-9,502	-2,422	-11,924	-45,031
2007	-89,253	42,625	-46,628	20,646	-9,709	-3,834	-13,543	-39,525
2007 Q3	-23,577	10,550	-13,027	3,116	-2,012	-944	-2,956	-12,867
Q4	-23,914	11,712	-12,202	11,133	-3,380	-983	-4,363	-5,432
2008 Q1	-23,270	11,382	-11,888	12,145	-2,509	-1,405	-3,914	-3,657
Q2	-23,379	12,061	-11,318	8,300	-2,122	-1,284	-3,406	-6,424
Q3	-23,578	11,489	-12,089	7,499	-1,900	-1,233	-3,133	-7,723

Source: ONS database, series: BOKI, FNSV, FNTC, HBOJ, HBOP, IKBD, IKBJ, IKBP

- **Annually**, the current account deficit in 2007 was £39.5 billion, equivalent to -2.8% of GDP. The surplus on income and services widened between 2006 and 2007, as did the deficits on goods trade and transfers.
- On a **quarterly** basis, the current account deficit was estimated at £7.7 billion in Q3 2008, widening from the Q2 2008 deficit of £6.4 billion. Between Q2 2008 and Q3 2008 the surplus on services narrowed while the deficit on goods widened slightly.
- In 2007 the **annual** current account deficit with EU27 countries was £38.6 billion, compared with a deficit with non-EU countries of £0.9 billion. On a **quarterly** basis, the deficit with EU countries was £0.6 billion in Q3 2008 (compared with £4.4 billion in Q2 2008). With non-EU countries, the current account was in deficit by £7.2 billion in Q3 2008 (compared with a deficit of £2.0 billion in Q2 2008).

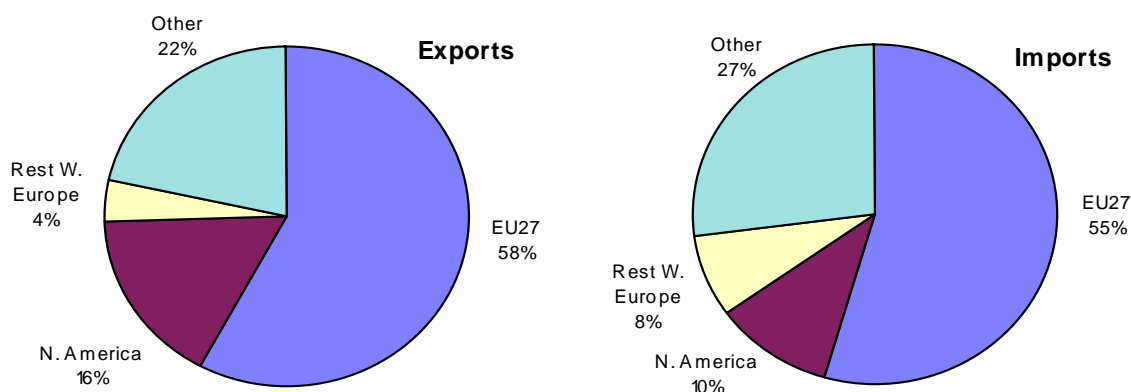
Contact: Grahame Allen, x3977

Updates: NS, *UK Balance of Payments*, 27 Mar; *UK Trade*, 10 Feb

E2: UK Overseas Trade in Goods

Shares of UK trade in goods by area, 2007

Balance of Payments basis



[Source: ONS database, series: LGCK, HBZQ, HCJD, HCII, HDII, HCHW, LGDC, HCRB, HBTS, HDJQ, HCPC, HCIF]

Export & import volume indices & trade in goods balances

Index & £ million; Balance of Payments basis; seasonally adjusted

	Volume index (2003=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2004	101.5	106.9	190,874	251,774	-60,900
2005	111.0	114.6	211,608	280,197	-68,589
2006	125.2	127.5	243,635	319,947	-76,312
2007	110.2	122.1	220,703	309,956	-89,253
2007 Q3	111.7	125.2	55,694	79,271	-23,577
Q4	110.5	124.6	57,103	81,017	-23,914
2008 Q1	111.6	122.5	60,159	83,429	-23,270
Q2	112.0	121.5	63,906	87,285	-23,379
Q3	113.5	122.6	65,838	89,416	-23,578

Source: ONS database, series: BQKU, BQKV, BOKG, BOKH, BOKI

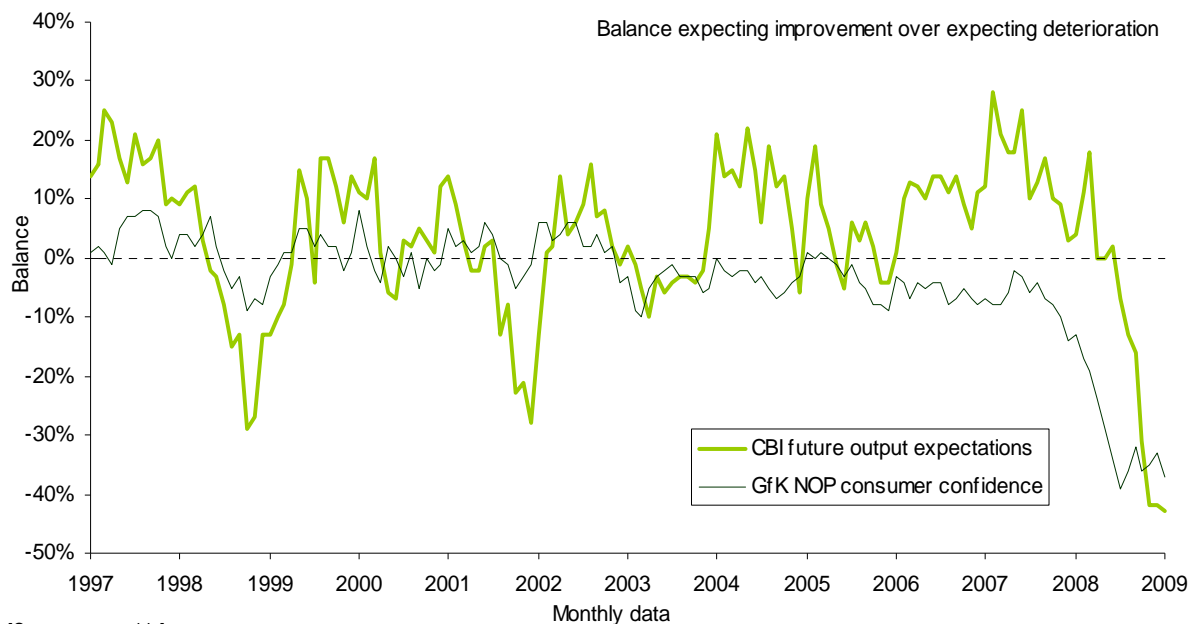
- In November, the provisionally estimated total value of UK goods exports was £19.8 billion and the total value of UK goods imports was £28.2 billion. As a result, the estimated deficit on goods trade was £8.3 billion, higher than the October level of £7.6 billion.
- Geographical breakdowns of UK trade with EU and non-EU countries are affected by VAT Missing Trader Intra-Community (MTIC) – or ‘carousel’ – fraud. These issues make EU/non-EU breakdowns difficult to interpret. However, the latest estimates suggest that the goods deficit with the EU27 was £3.0 billion in November (compared with £3.2 billion in October), while the deficit with non-EU countries was £5.3 billion (compared with £4.4 billion in October).
- The UK’s monthly surplus on trade in **services** was £3.9 billion in November, higher than the October total of £3.8 billion.
- The UK’s overall monthly deficit on **goods and services combined** in November was £4.5 billion, up from £3.9 billion in October.

Contact: Grahame Allen, x3977

Update: ONS, *UK Trade*, 10 Feb

F1: Survey indicators

The survey indicators shown here are expressed in terms of a balance of 'the percentage of respondents expecting the situation to improve' over 'the percentage expecting things to worsen':



The CBI carries out monthly and quarterly *Industrial Trends* Surveys:

- In January, manufacturers' expectations of output over the next three months were the lowest since records began in 1975. A balance of 43% of firms thought output would decrease over the next three months.
- A balance of 43% of firms reported a fall in the volume of new orders compared to the previous quarter, and a balance of 25% reported a fall in export orders over the quarter.
- 70% of firms reported that they were working below capacity, compared to 62% in October. A balance of 27% of firms had excess inventory of goods, the highest since January 1981.

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 fell by two points in January to stand at -37.
- Within this, the "major purchases" measure of confidence improved by two points to -27, but remained 14 points lower than in January 2008.
- Confidence in the general economic situation over the next 12 months fell by seven points to -48.

Output Expectations & Consumer Confidence

Balance of % expecting improvement over % expecting deterioration

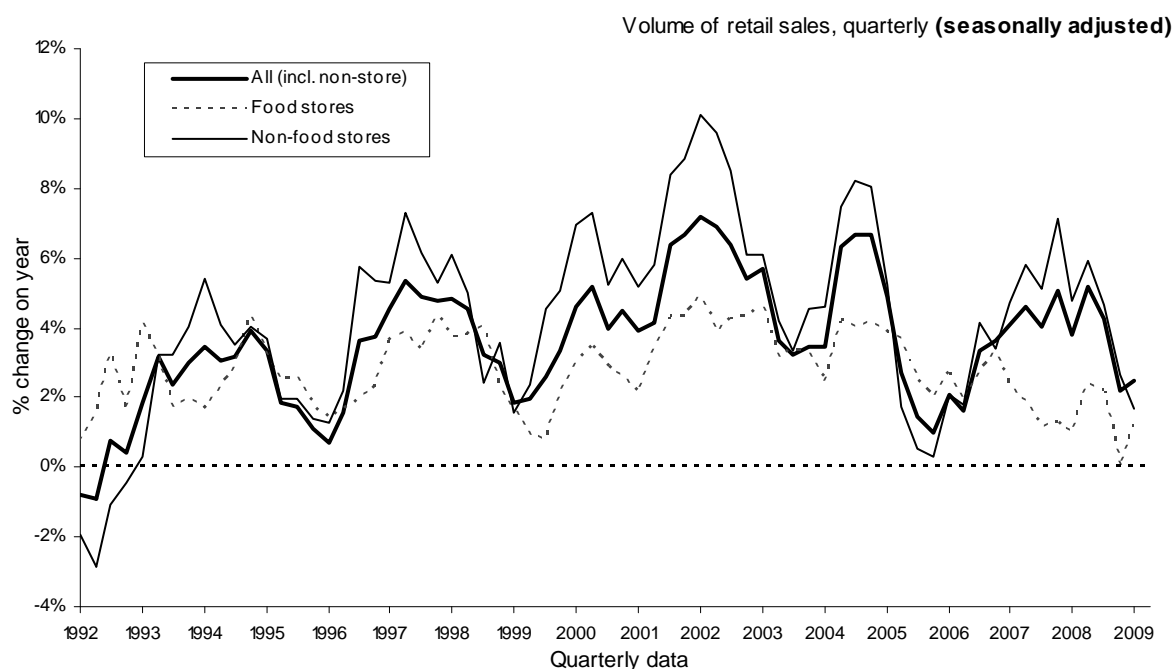
		Future output expectations (CBI)	Consumer confidence (GfK)
2008	Jan	+4	-13
	Feb	+11	-17
	Mar	+18	-19
	Apr	0	-24
	May	0	-29
	Jun	+2	-34
	Jul	-7	-39
	Aug	-13	-36
	Sep	-16	-32
	Oct	-31	-36
	Nov	-42	-35
	Dec	-42	-33
2009	Jan	-43	-37

Sources: CBI, *Industrial Trends Survey* (monthly), from ONS database, series: ETCU; GfK NOP, *Consumer Confidence Survey* on behalf of the European Commission

Contact: Bryn Morgan, x4904

Updates: GfK NOP, *Consumer Confidence*, 27 Feb; CBI, *Industrial Trends* (Monthly), mid Feb

F2: Retail Sales



[Source: ONS database, series: EAPS, EAPT, EAPV]

- The Office of National Statistics have advised against using seasonally adjusted December 2008 data due to “exceptional factors”, including VAT changes, early sales, “vigorous price discounting, and a very late 5-week reporting period.” **Apart from the chart above, this page uses non-seasonally adjusted data.**
- Total weekly retail sales *volumes* in December 2008 were 1.8% higher than in the same month a year previously. The total *volume* of retail sales in the three month period October-December 2008 was 2.1% higher than in the same three-month period in the previous year.
- Retail sales *volumes* in stores selling primarily food increased by 0.1% in the three months October-December compared with the same three months a year earlier. For predominantly non-food retailing stores sales increased by 2.0% over the same period.

Value of Retail Sales

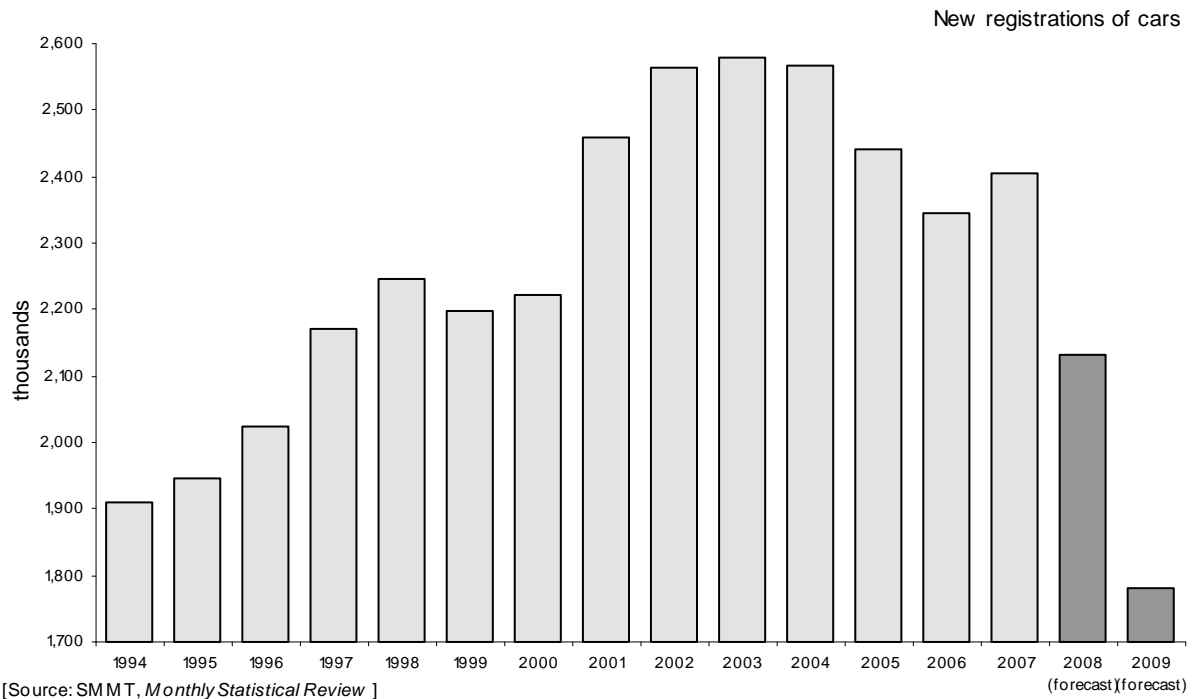
% change on year; non-seasonally adjusted

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
2006	3.5	3.5	2.5	1.3	2.8
2007	2.2	3.9	5.6	4.3	3.6
2008	3.3	0.9	-2.9	10.3	3.1
2007 Q4	0.9	1.0	3.2	5.1	2.3
2008 Q1	2.7	2.6	1.5	15.6	5.0
Q2	3.1	0.2	-2.2	13.5	3.8
Q3	3.8	1.8	-4.6	11.9	3.5
Q4	4.1	0.5	-5.5	3.5	1.2

Source: ONS database, series: EAWN, EA WO, EAWP, EA WQ, EAFY

- NOTE: In the table above, quarterly growth figures for the value of ‘other non-food’ in the table above is partly affected by changes in the categorisation of some products by reporting retailers.
- The total *value* of retail sales in the December 2008 trading period was £33.6 billion, 0.8% down on December 2007.

F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations decreased by 21.2% in December 2008, compared with the previous December's figure, to 108,691 units (excluding taxi registrations).

- The number of new registrations of cars was just over 2.1 million units in 2008.
- New registrations of cars fell by 11.3% in 2008 and are forecast to fall by a further 16.5% in 2009.
- In 2007 as a whole, there were 338,893 registrations of British-built cars, a decrease of 1.2% from the previous year's figure and equivalent to 14.1% of the market.
- In 2007 1,534,567 cars were produced in the UK; 23% or 349,108 of these were for the UK market, while 77% or 1,185,459 were for export.

New Registrations of Cars

000s & % change; not seasonally adjusted

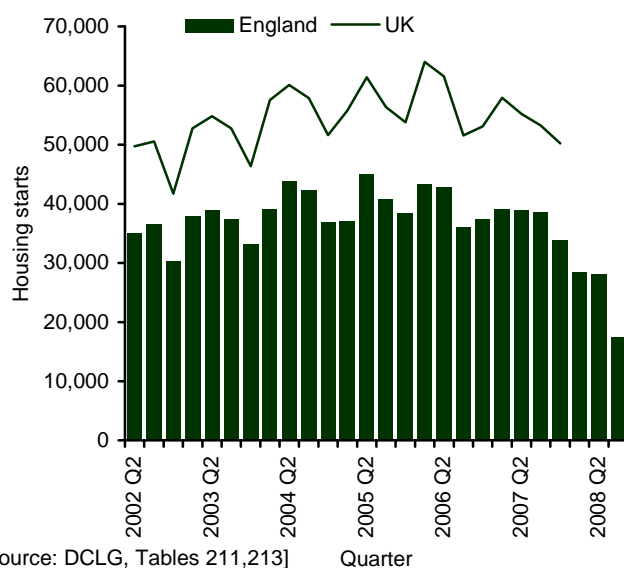
		Number (000s)	Change over 12 months
2008	(a)	2,132	-11.3
2009 (forecast)	(a)	1,780	-16.5
2007 Dec		138	3.2
2008 Jan		166	0.0
Feb		70	-5.4
Mar		452	0.5
Apr		176	3.2
May		179	-3.6
Jun		209	-6.2
Jul		154	-13.0
Aug		63	-18.6
Sep		331	-21.2
Oct		128	-23.1
Nov		100	-36.8
Dec	(a)	109	-21.2

Source: SMMT, *Monthly Statistical Review and website*

Note: (a) data includes registrations of taxis, except for latest month and annual figures.

F4: Housebuilding and prices

Housing starts in the UK



% change on same quarter of previous year

	England	UK
2006 Q1	+17%	+15%
2006 Q2	-5%	+0%
2006 Q3	-12%	-9%
2006 Q4	-3%	-1%
2007 Q1	-10%	-9%
2007 Q2	-9%	-10%
2007 Q3	+7%	+3%
2007 Q4	-9%	-5%
2008 Q1	-27%	..
2008 Q2	-28%	..
2008 Q3	-55%	..

[Source: DCLG, Tables 211,213] Quarter

The Halifax *House Price Index* data shows that (seasonally adjusted data):

- **Monthly** Seasonally adjusted UK house prices fell by 2.2% in December compared with 2.6% in November.
- **Annual** house prices in November were 16.2% lower on an annual basis.
- **Quarterly** house prices were 12.4% lower in quarter 3 of 2008 compared with the same quarter of 2007.
- Regionally, the Halifax data show that in Q3 2008 house prices fell in all regions compared with Q3 2007. The largest falls were in Northern Ireland, where prices fell 23%, and London and Wales where prices fell 17%. (data not seasonally adjusted; regions are not aligned with regions used by the DCLG below – Q4 data not yet available).

Standardised average house prices

£s & %; non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
average house prices, £				
2007 Q3	200,600	187,800	201,900	151,000
Q4	196,000	198,900	195,500	148,000
2008 Q1	191,900	196,000	191,600	147,800
Q2	187,000	198,000	185,500	144,300
Q3	175,800	184,900	174,200	136,700
% change over same period in previous year				
2007 Q3	+10.7	+6.7	+10.7	+11.2
Q4	+5.2	+14.0	+3.9	+4.9
2008 Q1	+1.1	+3.9	+0.4	+4.1
Q2	-6.1	+4.2	-7.4	-5.0
Q3	-12.4	-1.6	-13.7	-9.5

Source: HBOS, *Halifax House Price Index*

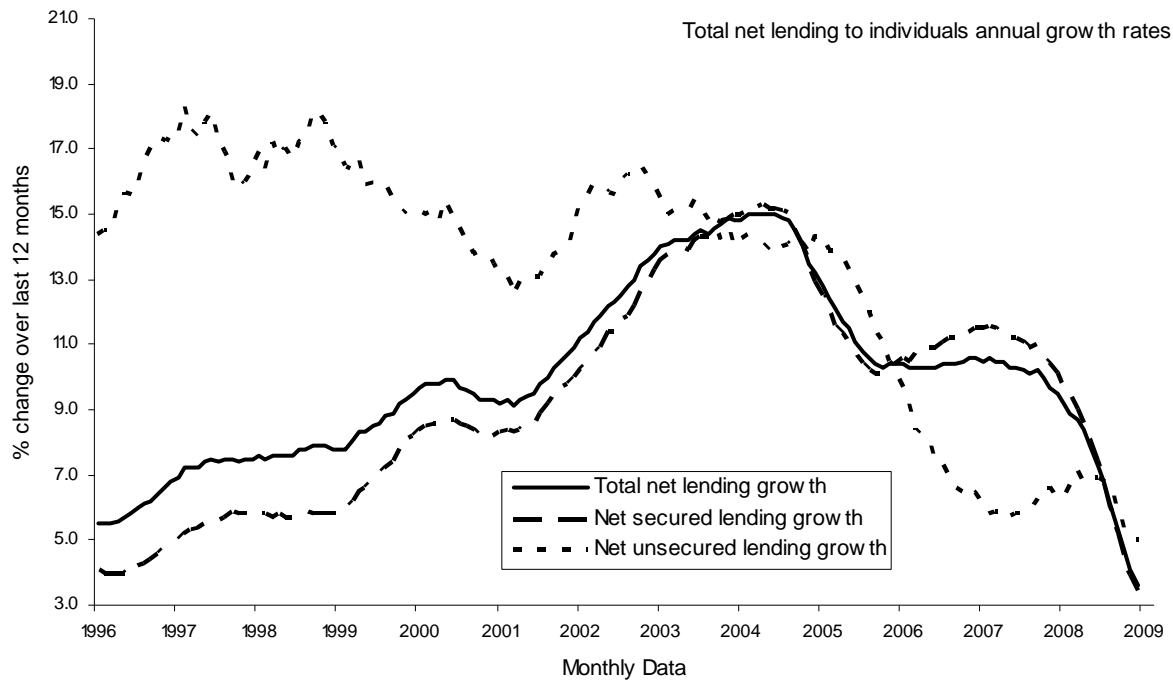
The DCLG's house price index is based on completions (the Halifax index is based on mortgage approvals). All figures are not seasonally adjusted:

- The average house price in the UK in stood at £199,732 in November 2008. Prices were 8.6% lower than in November 2007.
- Regionally, house prices in November 2008 were lower than November 2007 in all regions, with the largest fall of 16.2% in Northern Ireland. In England, the largest fall was in the Eastern region (10.7%).

Contact: Bryn Morgan, x4904

Updates: *Halifax House Prices*, early Feb; DCLG, *House Prices*, 17 Feb 2009; *House-building*, 19 Feb 2009

F5: Consumer borrowing



[Source: Bank of England]

Net lending to individuals

£ millions and % changes on year; seasonally adjusted

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
2004 Dec	875,678	198,463	1,074,141	12.9	14.3	13.2
2005 Dec	965,163	210,749	1,175,912	10.4	10.1	10.4
2006 Dec	1,077,281	212,740	1,290,021	11.5	6.4	10.6
2007 Dec	1,185,872	221,310	1,407,182	10.1	6.3	9.5
2008 Mar	1,199,885	230,253	1,430,138	9.0	7.1	8.7
Jun	1,212,240	230,886	1,443,126	7.4	6.9	7.3
Sep	1,219,832	236,646	1,456,478	5.2	5.9	5.3
Dec	1,223,678	233,046	1,456,724	3.4	5.0	3.6

Source: Bank of England, series: VTYI, VTYO, VTYC, VTXK, VZRI, VZXC

- Total net outstanding lending to individuals was £1,457 billion at the end of December 2008 (seasonally adjusted).
- Total net lending to individuals grew by 0.2% in December 2008 compared with the previous month, and grew by 3.6% on an annual basis (all seasonally adjusted); the annual growth rate is 0.5 percentage points lower than in November 2008.
- Of the £2.2 billion increase in net lending in December 2008, £1.9 billion was mortgage borrowing and £0.3 billion was consumer credit (seasonally adjusted).
- In Q3 2008 there were 27,087 individual insolvencies (bankruptcy orders or IVAs) in England and Wales (seasonally adjusted). This was an 8.8% increase on the last quarter and a 4.6% increase on Q3 2007.

Contact: Ed Potton, x2883

Update: Bank of England, *Lending to Individuals*, 30 Jan
Insolvency Service, *Q4 Insolvency Statistics*, 6 Feb

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 (coloured text is a hyperlink to the source)
A1	Gross Domestic Product	Office for National Statistics (ONS), releases: Preliminary GDP Estimates ; Quarterly National Accounts ; UK output, income & expenditure ; HM Treasury, Forecasts for the UK Economy
A2	GDP: ICs	Gross Domestic Product: Organisation for Economic Co-operation and Development (OECD), Main Economic Indicators ; Growth Forecasts: OECD, Economic Outlook
A3	GDP by Industry	ONS, UK Output, income and expenditure, Quarterly National Accounts/GDP preliminary estimate releases HM Treasury, Forecasts for the UK economy
A4	Investment	ONS Database & ONS, Business Investment release
A5	Productivity	ONS, Productivity release
B1	Prices	ONS, Consumer Price Indices release
B2	Prices: International Comparisons	CPI: OECD, Main Economic Indicators ; EU data: Eurostat news release and database
B3	Average Earnings Index	ONS Database & ONS, Labour Market Statistics release
C1	Employment	ONS Database & 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
D1	Interest Rates	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; Main Economic Indicators ; International interest rates: Financial Times , Companies & Analysis section, "Currencies, Bonds & Interest Rates" page
D3	Exchange Rates	Effective and sterling exchange rates: ONS Database; Euro spot rate: Financial Times

Indicator		Source details (coloured text is a hyperlink to the source)
D4	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.
D5	Money Supply	Bank of England: Bankstats , tables A 1.1 and A 2.2.1; and ONS Database.
E1	International Trade	Data: ONS Database; Commentary: ONS, Balance of Payments
E2	Trade in Goods	Data: ONS Database; Commentary: ONS, UK Trade ;
F1	Survey Indicators	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, <i>Retail Sales</i> release
F3	New Car Registrations	Society of Motor Manufacturers and Traders, <i>Monthly Statistical Review</i> (in Library holdings)
F4	Housing	Department for Communities and Local Government (DCLG, formerly Office of the Deputy Prime Minister) UK Housing Starts: table 201 ; DCLG House building statistics: statistical release ; Halifax House Price data: housing research page ; DCLG Experimental House Prices: statistical release
F5	Consumer Debt	Bank of England Lending to Individuals and database :

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

Definitions¹⁶

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

¹⁶ 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.

