



RESEARCH PAPER 04/30  
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# Economic Indicators

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 an article on a topical issue.

This month's article:

## **The Lyons Review**

Alex Adcock (editor)

ECONOMIC POLICY AND STATISTICS SECTION

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## I Contacts for further information

Members and their staff requiring further information are encouraged to talk to the researchers specialising in the relevant area.

*Economic Indicators* papers are generally published on the first working day of the month in sitting time. Individual indicator pages are available on the Library intranet site, under the relevant subject page heading, as standard notes. In months where *Economic Indicators* is not published in hard copy, individual indicators will be updated and made available through the intranet subject pages.

Researchers are not available to discuss pages with members of the public. Members and their staff are free to contact the named contact on each page for updates during usual hours.<sup>1</sup> However, for enquiries in these subject areas please contact the following researchers:

<b>Subject</b>	<b>Statistician</b>	<b>tel. extn.</b>
Balance of payments	Patsy Richards	4904
EC finance	Ed Potton	2883
GDP	Dominic Webb	4324
Employment	Dominic Webb	2464
Financial services	Ed Potton	2883
Housing	Gavin Berman	3851
Incomes	Ian Townsend	3977
Industries	Edward Potton	2883
National accounts	Dominic Webb	4324
Overseas aid	Patsy Richards	4904
Prices & interest rates	Dominic Webb	4324
Public expenditure	Dominic Webb	4324
Taxation	Ian Townsend	3977
Trade	Patsy Richards	4904
Transport	Ross Young	4313
Unemployment	Dominic Webb	2464
Wages & earnings	Dominic Webb	2464

A comprehensive guide to the subject coverage of specialists in the Library's Research Service is available in the publication, *Who Does What in Research*, available on the Library's intranet pages (via 'Contact us' link).

<sup>1</sup> After 6pm there is a statistician on duty until the rise of the House who can be contacted via the Oriel Room of the Main Library (extn. 3666).

## II The Lyons Review

### Background

There are currently around half a million civil servants in the UK. More are based in London than any other region, although there are significant concentrations in Birmingham, Bristol, Leeds, Liverpool and Newcastle. The percentage of civil servants in both London and the South East has fallen since 1997. The North East and Eastern regions have seen the largest increases.

#### Civil servants by region

	1997	2002	Change (% points)
London	18.2%	17.7%	-0.5
South East	13.1%	11.7%	-1.4
South West	10.7%	9.8%	-0.9
West Midlands	6.5%	6.5%	0.0
North West	8.8%	8.2%	-0.6
North East	5.2%	6.1%	0.9
Merseyside	2.8%	3.5%	0.7
Yorkshire and Humberside	6.8%	7.1%	0.3
East Midlands	4.3%	4.2%	-0.1
Eastern	5.1%	5.9%	0.8
Wales	5.6%	6.1%	0.5
Scotland	9.6%	9.4%	-0.2
Northern Ireland	1.0%	1.1%	0.1

Source: *Mandate and Departmental Returns*  
(*Civil Service Statistics 2002 Chart 9*)

Note: *permanent civil servants, full-time equivalents*

This overall picture masks some significant variations both by civil service grade and by department. The proportion of senior civil servants based in London is much higher than for the civil service as a whole. Excluding those working for the devolved administrations, nearly 75% of the Senior Civil Service are based in London as are nearly half of the Grade 6 and 7 higher management grade. By contrast, only 13% of administrative staff are based in London.<sup>2</sup> There is also significant variation by “departmental group”.<sup>3</sup> Some departments are highly centralised. All Treasury staff are based in London as are over 75% of Cabinet Office staff, while only around 10% of Inland Revenue staff and 11% of the Work and Pensions Group are based in London.

The Chancellor announced a new review of Civil Service dispersals during his 2003 Budget statement.<sup>4</sup> He suggested that public sector jobs transferred from London and the South East

<sup>2</sup> Source: Corporate Development Group, Cabinet Office, correct as at April 2003. See Lyons Review Table 5.1.

<sup>3</sup> “Departmental group” refers to government departments plus agencies and sponsored bodies.

<sup>4</sup> Earlier reviews include Sir Gilbert Flemming’s relocation review in 1963 and the Hardman Review in 1973 (see *The Dispersal of Government Work from London*, Cmnd 5322, June 1973).

could exceed 20,000 and asked Sir Michael Lyons of Birmingham University to advise on possible locations by the next spending review.<sup>5</sup> The 20,000 estimate was repeated in the Pre-Budget statement on 10 December 2003.<sup>6</sup> On 18 December 2003 a *Comparative Assessment of Locations Review* was published, undertaken by the relocation experts King Sturge for the Lyons Review.<sup>7</sup> It analysed 102 towns and cities in terms of unemployment, average earnings, catchment population and office stock.<sup>8</sup> The report had been commissioned to assess the relative business benefits of locations across the UK.

### **The Lyons Review proposals**

The Lyons report was published on 15 March 2004.<sup>9</sup> Its main conclusions were as follows:

If the Government wishes to make a significant impact on the pattern of its locations it will need to take firm action. I have proposed ten recommendations as follows:

1. Departments have identified more than 27,000 jobs that could be taken out of London and the South East, including up to 20,000 jobs for dispersal as a first tranche. Plans for these dispersals should be taken forward urgently as part of Government's forthcoming spending review.
2. Major dispersals are unlikely to offer a quick payback and they incur considerable costs up front. The Government must be prepared to make the necessary investment. Equally, there is a strong case for sharper incentives to encourage departments to seek the benefits of locations out of London and to keep their presence in the capital to a necessary minimum.
3. Departments should implement their relocation plans alongside efforts to align their pay with local labour market conditions. My review has demonstrated that failure to make progress on locally flexible pay will limit the efficiency gains from dispersal, and could undermine the economic benefits for receiving locations.
4. Whitehall headquarters should be radically slimmed down, reflecting a clearer understanding of what is really needed in London, and of the distinction between policy and delivery.
5. There should be a strongly enforced presumption against London and South East locations for new government bodies and activities; for functions such as back office work and call centres which do not need to be in London; and for bodies and functions whose effectiveness or authority would stand to be enhanced by a location outside London.

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<sup>5</sup> HC Deb 9 April 2003 c280

<sup>6</sup> HC Deb 10 December 2003 c1066

<sup>7</sup> <http://www.hm-treasury.gov.uk/media/069B9/KingSturgeFinalRpt.pdf>

<sup>8</sup> "Towns snubbed over top jobs" *Northern Echo* 31 January 2004

<sup>9</sup> *Well Placed to Deliver? Shaping the Pattern of Government Service: Independent Review of Public Sector Relocation* March 2004. Available on the Treasury website at: [http://www.hm-treasury.gov.uk/consultations\\_and\\_legislation/lyons/consult\\_lyons\\_index.cfm](http://www.hm-treasury.gov.uk/consultations_and_legislation/lyons/consult_lyons_index.cfm)

6. Cabinet needs to give continuing political impetus to the locational agenda. Leadership should be provided by a Cabinet Committee and, in the short term at least, a lead minister. These arrangements should be supported by a small, short life unit at the centre, to act as a ginger group, to monitor and report on progress with dispersals, and to ensure that best practice is disseminated and embedded.

7. Permanent secretaries and other public sector chiefs are responsible for managing their departments' resources, accounting to ministers and to Parliament. Locational considerations must be an integral part of these responsibilities. The aim should be to mainstream the locational aspect of business planning.

8. The Government must take responsibility for the whole pattern of its locations, developing a strategic framework of guidance for departments and ensuring a mechanism for reviewing and where necessary challenging departments' locational preferences.

9. The Government office portfolio must be much more tightly managed. In particular, exits from London should be coordinated to ensure overall value for money and to strengthen individual relocation business cases.

10. The civil service needs a more coordinated approach if it is to minimise the costs and the adverse impacts on staff associated with relocation and redundancy.

These actions will help create a better pattern of government. By setting a good example, the Government may also promote more rigorous thinking about location in the wider economy, in the interests of UK competitiveness.

Departments were invited to identify jobs which could be taken out of London. These include those which could be relocated and those which could go as a result of greater efficiency.

The posts suggested for relocation tended to be support functions such as IT or human resources, or junior grades. Policy posts accounted for less than 3%. Departments tended to prefer locations in which they already had a presence when putting forward alternative locations. Cities mentioned included: Newcastle, Glasgow, York, Leeds, Liverpool, Manchester, Sheffield, Birmingham, Bristol and Cardiff. The breakdown by department is shown in the table below:

**Posts identified for relocation or efficiency improvement by department**

<b>Departmental Group</b>	<b>Dispersal candidates</b>	<b>Efficiency candidates</b>	<b>Baseline complement in London and South East</b>	<b>Dispersal and efficiency candidates as % of baseline complement</b>
Cabinet Office	250	-	1,944	13%
Chancellor's Depts	3,093	-	26,559	12%
Customs and Excise	500	-	9,489	5%
Inland Revenue	1,450	-	14,290	10%
Office for National Statistics	1,125	-	1,628	69%
Treasury	18	-	1,152	2%
Constitutional Affairs	1,625	-	7,650	21%
Culture, Media and Sport	604	-	13,122	5%
Defence	3,887	351	82,840	5%
Environment, Food and Rural Affairs	350	773	10,161	11%
Education and Skills	790	-	4,932	16%
Foreign and Commonwealth Office	456	-	4,392	10%
Health	1,110	700	9,789	18%
Home Office	2,300	200	29,344	9%
International Development	85	-	1,026	8%
Office of the Deputy Prime Minister	237	-	4,410	5%
Trade and Industry	600	450	8,962	12%
Transport	72	-	4,680	2%
Work and Pensions	4,187	5,000	23,108	40%
Smaller Departments	30	-	11,576	0%
<b>Total</b>	<b>19,676</b>	<b>7,474</b>	<b>244,495</b>	<b>11%</b>

Source: Departmental submissions to Lyons Review

**Cost savings**

The Lyons Review contains estimates of the costs and benefits associated with relocating staff away from London.<sup>10</sup> The estimates of the benefits assume 20,000 posts in London and the South East can be relocated but due to efficiency savings only 18,000 people are required to perform the relocated activities. The table below sets out the costs and benefits under two scenarios: a base case and a more optimistic scenario under which a centrally co-ordinated approach to accommodation and property issues yields additional savings.

**Relocation costs and benefits, £m**

	Base case	Increased central coordination
Upfront costs over first 7 years	942	650
Total savings by year 7	213	555
Total savings by year 15	2,300	2,700

Source: Lyons Review Annex C

Note: All costs and savings discounted at 3.5 per cent

The savings come in three main areas: savings in pay, lower property costs and savings arising from improved ways of working.

<sup>10</sup> These are not intended to be a definitive guide but are a fact based illustration of the costs and benefits.

The Lyons Review highlights the problem of recruiting and retaining staff in the public sector. The high cost of housing in London is a particular problem. The London salary premium is 41% in the private sector compared to 26% in the public sector.<sup>11</sup> Other organisations moving out of London have benefited from reductions in staff turnover.

Office accommodation costs are also high in London. Prime rents, service charges and rates are all higher per square metre compared with other cities in the UK. The Lyons Review cites a 2002 survey which reported that the average cost of a workstation was 65% higher in London compared to the average outside London and the South East.<sup>12</sup> Relocation can also be used as a catalyst to improve use of accommodation, reducing the amount of space required for each worker.

While the factors outlined above produce savings, these need to be set against significant upfront costs associated with relocation. These include relocation packages, redundancy costs and costs of recruiting new workers. On the accommodation side, costs include lease exit penalties, removal costs and fitting out costs.

The Lyons Review summarises the savings as follows:

The model suggests that the upfront costs of removing 20,000 posts from London and carrying out the activity elsewhere in the United Kingdom would be approximately £940 million over the seven years. Savings generated by relocation over that period offset these costs to a significant extent and the costs are fully paid back after six years. The permanent annual savings in the longer term would be £377 million. Over a 15 year period cumulative, discounted net savings would be in excess of £2 billion. [...] There has been no attempt to model the additional impact of moving towards more market-sensitive local pay rates, but undoubtedly there would be further savings.<sup>13</sup>

To put these figures in context, total central government current expenditure in 2002-03 was around £300bn and central government expenditure on pay was £28bn.<sup>14</sup>

## **Future developments**

The Government has yet to respond to the Lyons Review. It was referred to, however, in the 2004 Budget:

The Government welcomes Sir Michael's report and confirms that location will be an important theme of the 2004 Spending Review. Departments will be expected to reflect Sir Michael's recommendations in their submissions to the Spending Review,

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<sup>11</sup> Source: National Statistics and University of Warwick Institute for Employment Research (see Lyons Review Table 3.2)

<sup>12</sup> *The Total Office Cost Survey 2002*, City University Business School, Actium Consult and Cushman & Wakefield Healey and Baker 2002

<sup>13</sup> Lyons Review para 3.19

<sup>14</sup> HM Treasury, *Public Expenditure Statistical Analyses 2003*, Cm 5901, Table 4.4

taking account of the read-across to efficiency. Departments will be able to make bids to the new efficiency challenge fund if their dispersal proposals meet strict efficiency criteria. The Government will come forward with detailed proposals for monitoring and implementing dispersal plans as part of the Spending Review.<sup>15</sup>

There is likely to be a period of uncertainty about the extent to which the civil service is to be subject to relocation. There are several difficult issues to resolve:

- The extent to which there will be central direction of relocations. The Lyons Review expressed disappointment that most departments had not submitted more radical plans for reorganisation and relocation.
- Likelihood of regional pay rates for civil servants being introduced. The review saw this as essential in order to make significant savings.
- The choice between promoting employment prospects in particular regions and areas, contrasted with clustering jobs in areas which have suitable labour markets.

Some press reports were sceptical about the extent to which the Government would provide up-front investment to achieve the changes.<sup>16</sup> In contrast to the 2003 Budget, the Chancellor did not lay emphasis on the need to move to a system of regional pay.<sup>17</sup> Civil service union opposition was initially targeted at projected job losses.<sup>18</sup> According to Mark Serwotka of the Public and Commercial Services Union, the Cabinet Office told unions that further details would not emerge until July 2004.<sup>19</sup>

In summary, the Government has indicated a determination to drive forward a reorganisation of the civil service and wider public sector, driven largely by a cost-cutting agenda. As parts of the package develop, it will become easier to monitor the effects on civil service numbers and costs. The expected publication of the Gershon Efficiency Review in late April 2004 will contain proposals for major costs reductions throughout the public sector.<sup>20</sup> This, together with the radical plans for a civil service with a smaller strategic centre expressed by the Prime Minister at a conference on 24 February 2004, means major change ahead.<sup>21 22</sup>

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<sup>15</sup> HM Treasury, *Budget 2004*, HC 301, March 2004, para 6.37

<sup>16</sup> 'Job cuts aimed at freeing £20bn to be spent on public services' *Financial Times* 18 March 2004

<sup>17</sup> 'Regional pay equality plans at impasse' *Financial Times* 22 March 2004

<sup>18</sup> 'Civil service unions angry at cuts' *Financial Times* 18 March 2004

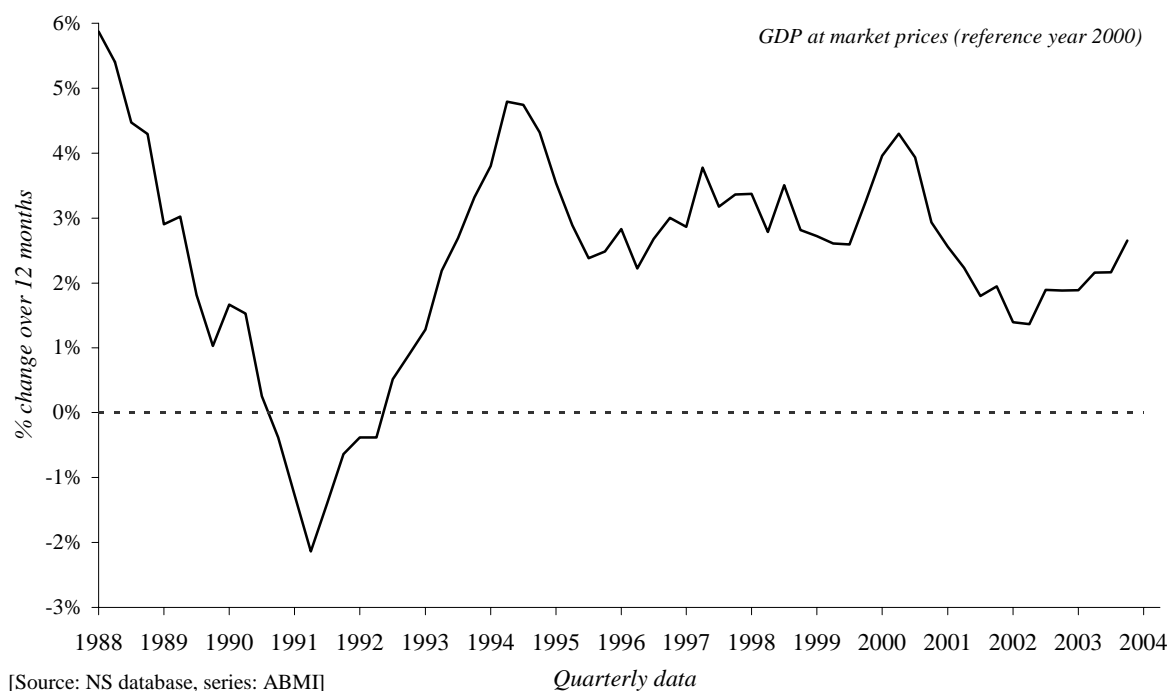
<sup>19</sup> 'Government is prepared to sack civil servants' *Guardian* 19 March 2004

<sup>20</sup> For informed background on the likely recommendations, see "War on waste: can the Government cut spending, set staff free and change the way it treats the public: *Financial Times* 21 February 2004

<sup>21</sup> Speech by the Prime Minister to Civil Service Reform: Delivery and Values Event 24 February 2004

<sup>22</sup> Further detail on civil service reforms is available in Library Standard Note, *The Lyons and Gershon reviews and variations in civil service conditions*, SN/PC/2588, <http://hcl1.hclibrary.parliament.uk/notes/pcc/snpc-02588.pdf>

## A1: Gross Domestic Product



### Gross Domestic Product at market prices

*£ billion & %; seasonally adjusted*

	Current		Reference year 2000
	<i>£ billion</i>	<i>annual % change</i>	<i>annual % change</i>
2000	951.3	5.2	3.8
2001	994.0	4.5	2.1
2002	1,043.3	5.0	1.6
2003	1,099.4	5.4	2.2
2002 Q3	262.8	5.7	1.9
Q4	265.8	5.4	1.9
2003 Q1	269.9	5.4	1.9
Q2	272.3	5.3	2.2
Q3	276.6	5.3	2.2
Q4	280.6	5.6	2.7

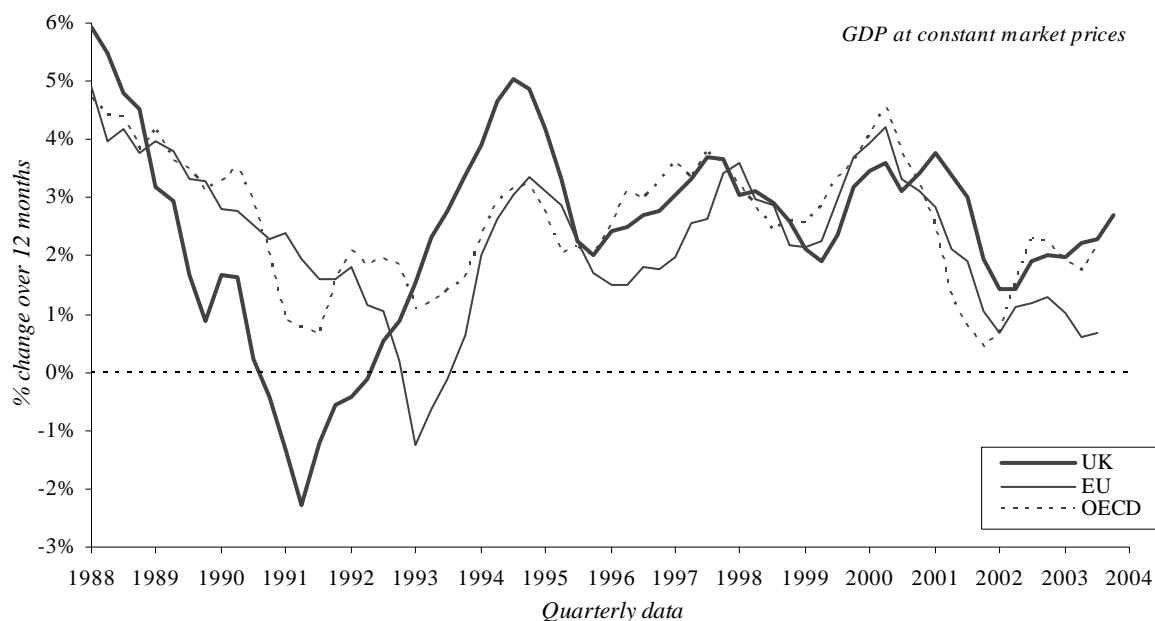
Source: NS database, series: YBHA, ABMI

- Following downward revisions to last month's figures, the economy is now estimated to have grown by 2.2% in 2003 (previous estimate 2.3%), compared to a revised 1.6% for 2002.
- In Q4 2003 the chained volume measure of gross domestic product (GDP) at market prices rose by 0.9% on the previous quarter, and the percentage change on Q4 2002 is now estimated at 2.7%.
- The latest Treasury average of independent economic forecasts is for GDP growth of 3.1% in 2004, and 2.6% in 2005.

**Contact:** Patsy Richards, x4904

**Update:** NS, *UK output, income & expenditure: First Release*, 23 Apr

## A2: GDP: International Comparisons



[Source: OECD, *Main Economic Indicators*, Mar 2004]

### GDP at constant market prices

*% changes*

	% change on year				% change quarter on quarter				
	2000	2001	2002	2003	2002	2003			
					Q4	Q1	Q2	Q3	Q4
USA	3.6	0.5	2.2	3.2	0.8	0.5	0.8	2.0	1.1
Japan	2.9	0.4	-0.3	2.7	-0.2	0.6	0.8	0.6	1.7
Canada	5.2	1.9	3.3	1.7	0.4	0.7	-0.3	0.3	1.0
United Kingdom	3.8	2.1	1.7	2.3	0.6	0.2	0.7	0.8	1.0
Germany	2.8	0.9	0.2	-0.2	-0.1	-0.2	-0.2	0.2	0.2
France	4.1	2.2	1.1	0.2	-0.3	0.0	-0.3	0.4	0.5
Italy	3.2	1.8	0.4	..	0.4	-0.2	-0.2	0.4	0.0
Eurozone	3.6	1.7	0.9	..	0.1	0.0	-0.1	0.4	..
G7	3.6	0.9	1.4	..	0.3	0.3	0.4	1.2	0.9
OECD	3.9	1.0	1.7	..	0.2	0.3	0.5	1.1	..

Source: OECD, *Main Economic Indicators*, March 2004

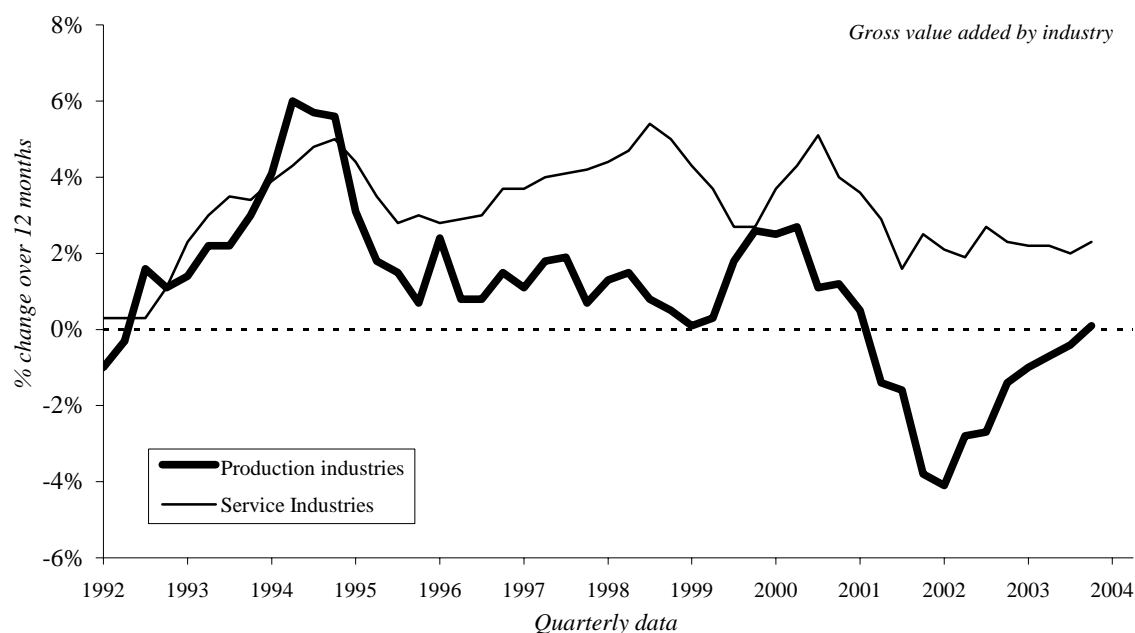
- The latest data shows that the largest economies continued to record positive growth in the last quarter of 2003.
- Recent growth in the euro zone has been weaker than growth in OECD countries and the G7. Growth in the third quarter of 2003 was just 0.4%.
- The OECD are currently forecasting: euro zone growth of 0.5% in 2003, 1.8% in 2004, and 2.5% in 2005; in the US, 2.9% in 2003, 4.2% in 2004, and 3.8% in 2005; and in Japan, 2.7% in 2003, 1.8% in 2004, and 1.8% in 2005. Its latest growth forecast for the UK is 1.9% in 2003, 2.7% in 2004, and 2.9% in 2005.

**Contact:** Ed Potton, x2883

**Update:** OECD, *Main Economic Indicators*, 14 Apr

### 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: NS database, series: ERIE, GDSI]

- Since 1999, output has grown faster in the service sector than in production industries, and is currently growing at an annual rate of 2.3%. Between the third quarter of 2003 and the fourth quarter of 2003 output growth in the service sector increased by 0.3%.

#### Gross value added at 2000 basic prices

*% changes on year; seasonally adjusted*

	Production industries		Services	Agriculture, hunting & fishing	Construction
	Total	Manufacturing			
2000	1.9	2.4	4.3	-0.6	1.3
2001	-1.6	-1.3	2.6	-10.1	3.4
2002	-2.7	-3.6	2.2	12.4	4.8
2003	-0.5	0.2	2.2	-2.6	5.0
2002 Q4	-1.4	-2.2	2.3	10.0	4.5
2003 Q1	-1.0	-1.3	2.2	-3.1	1.6
Q2	-0.7	0.6	2.2	-2.5	5.5
Q3	-0.4	0.0	2.0	-3.3	6.5
Q4	0.1	1.3	2.3	-1.7	6.3

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

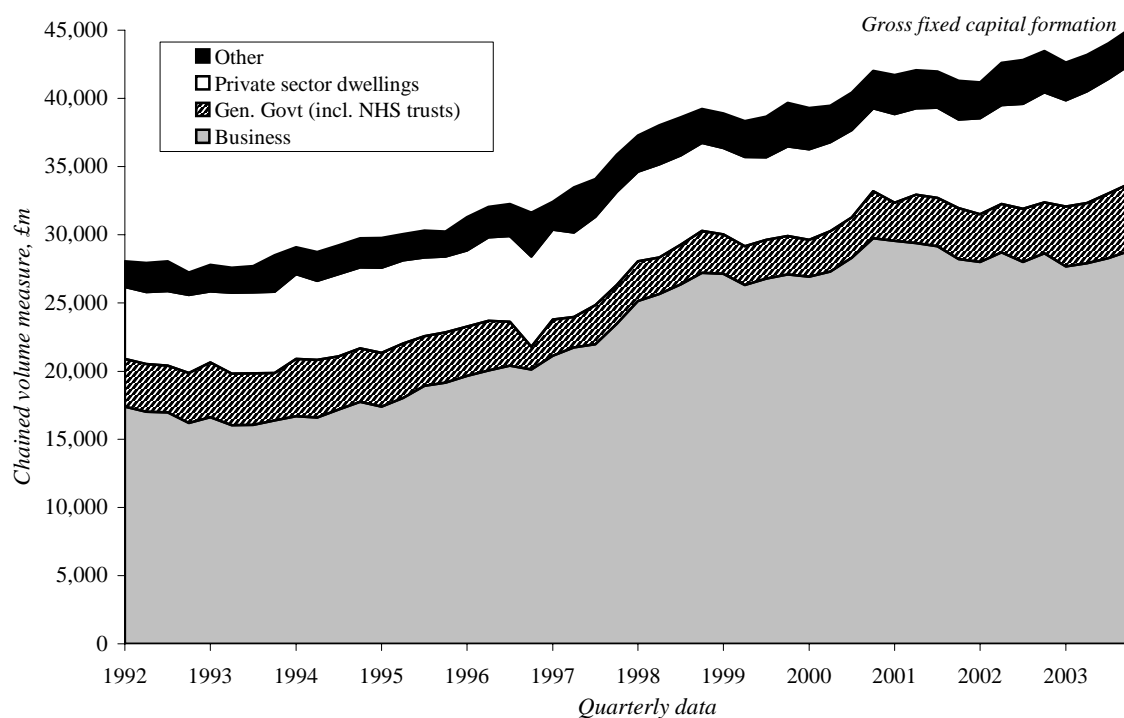
- Manufacturing output increased by 1.3% in the fourth quarter of 2003, and increased by 0.2% overall in 2003.
- In 2002, services accounted for 72% of gross value added, manufacturing for 17%, other production industries (mining & quarrying, and electricity, gas & water supply) for 4%, construction for 6% and agriculture, hunting and fishing for 1%.

**Contact:** Ed Potton, x2883

**Update:** NS, *GDP Preliminary Estimate Q1*, 23 Apr

## 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 (other than NHS trusts) on transport equipment, other machinery and equipment and new dwellings and structures other than dwellings.



[Source: NS database: series DFEA, DFTI, DLWH, DLWI, NPEL]

### Gross fixed capital formation

£ million; Chained volume measures, reference year 2000; seasonally adjusted

	Transport Equipment	Other Machinery & Equipment	Other Buildings & Structures	Dwellings	Intangible Fixed Assets	Total
2000	13,444	62,698	52,708	27,394	4,966	161,210
2001	15,296	65,290	53,524	27,999	4,923	167,032
2002	16,140	61,846	53,858	32,825	5,399	170,068
2003	15,519	59,928	57,187	36,631	5,662	174,927
2002 Q4	4,214	15,157	13,697	8,986	1,427	43,481
2003 Q1	4,045	14,936	13,643	8,603	1,394	42,621
Q2	3,756	14,721	14,245	9,063	1,408	43,193
Q3	3,895	14,922	14,417	9,370	1,424	44,028
Q4	3,823	15,349	14,882	9,595	1,436	45,085

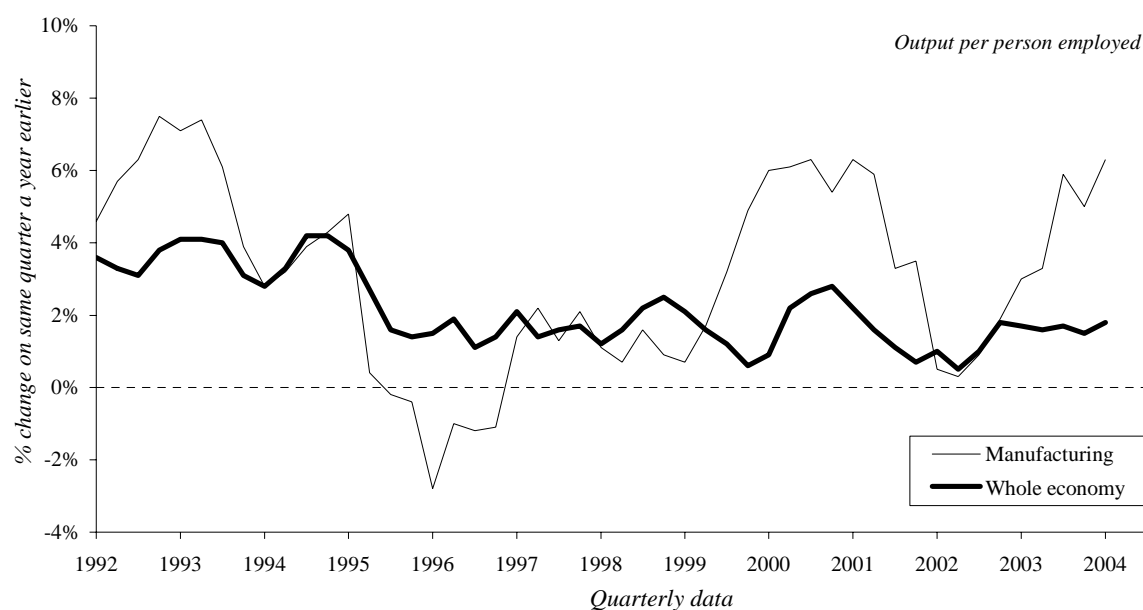
Source: NS database, series: DLWL, DLWO, DLWT, DFEG, EQDO, NPQT

- Total business investment increased by 1.9% in Q4 2003 compared with the previous quarter and by 0.7% compared with Q4 2002.
- Total manufacturing investment increased by 5.5% in Q4 2003 compared with the previous quarter, while private sector service sector investment increased by 2.2%.

**Contact:** Dominic Webb, x4324

**Updates:** NS, *Business Investment*, 25 May

## A5: Productivity



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

### Productivity

*% changes on year; seasonally adjusted*

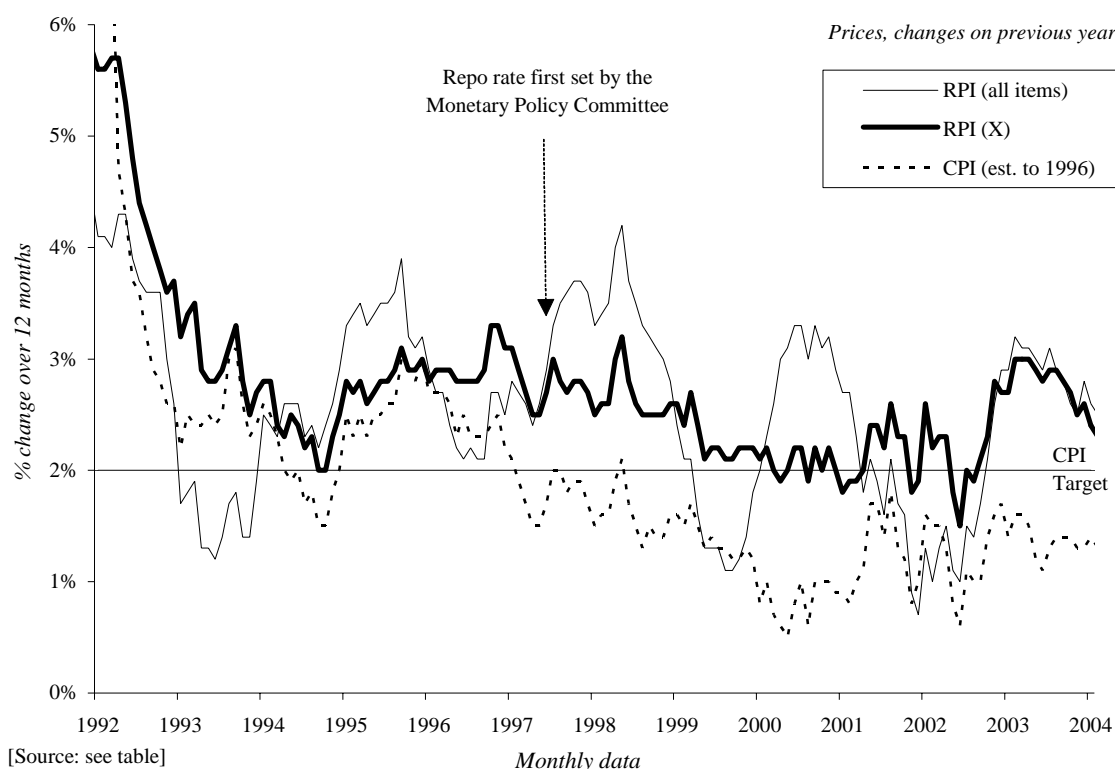
	Manufacturing			Whole Economy		
	Output	Workforce in employment	Output per head	Output	Workforce in employment	Output per head
2000	2.4	-3.4	6.0	3.8	1.4	2.5
2001	-1.3	-4.5	3.3	1.9	0.7	1.1
2002	-3.6	-5.0	1.5	1.2	0.0	1.3
2003	0.2	-4.7	5.2	1.8	0.1	1.7
2002 Q4	-2.2	-5.0	3.0	1.7	-0.1	1.7
2003 Q1	-1.3	-4.4	3.3	1.4	-0.2	1.6
Q2	0.6	-5.0	5.9	1.7	0.1	1.7
Q3	0.0	-4.8	5.0	1.7	0.2	1.5
Q4	1.3	-4.6	6.3	2.0	0.3	1.8

Source: NS database, series: ABMM, ERIT, ERIU, GDPR, LNNM, LNNN, LNNO, LNNP, LNNS, LNNU, LNNX, LNOK

- Productivity across the whole economy, measured by output per head, is estimated to have grown by 1.7% in 2003 compared to 1.3% in 2002 and 1.1% in 2001.
- In 2003, manufacturing output increased by 0.2% and employment in manufacturing fell by 4.7% while manufacturing output per head rose by 5.2%.
- Productivity growth in manufacturing increased from 5.0% per annum in Q3 2003 to 6.3% per annum in Q4 2003 while whole economy productivity growth increased from 1.5% per annum in Q3 2003 to 1.8% per annum in Q4 2003.
- For the economy as a whole, productivity growth has averaged 1.5% per annum over the last eight quarters.

**Contact:** Ed Potton, x2883

**Update:** NS, *Productivity*, 1 Jul

**B1: Prices**

On 10 December 2003 the 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 February 2004 the consumer prices index (CPI) showed inflation at 1.3%, down from 1.4% in January.
- The largest downward effect on the CPI was from clothing and footwear. Further large downward effects came from recreation and culture, and food and non-alcoholic beverages. The largest upward effect was from furniture and furnishings which showed a stronger recovery from the January sales than this time last year.
- The former headline (all items RPI) rate of inflation fell to 2.5% from 2.6% in January. The underlying rate RPI(X) fell to 2.3% from 2.4% the month before.
- The main contributions to the change in the RPI rate were very similar to those affecting the CPI.

**Price Indices**

% change over 12 months

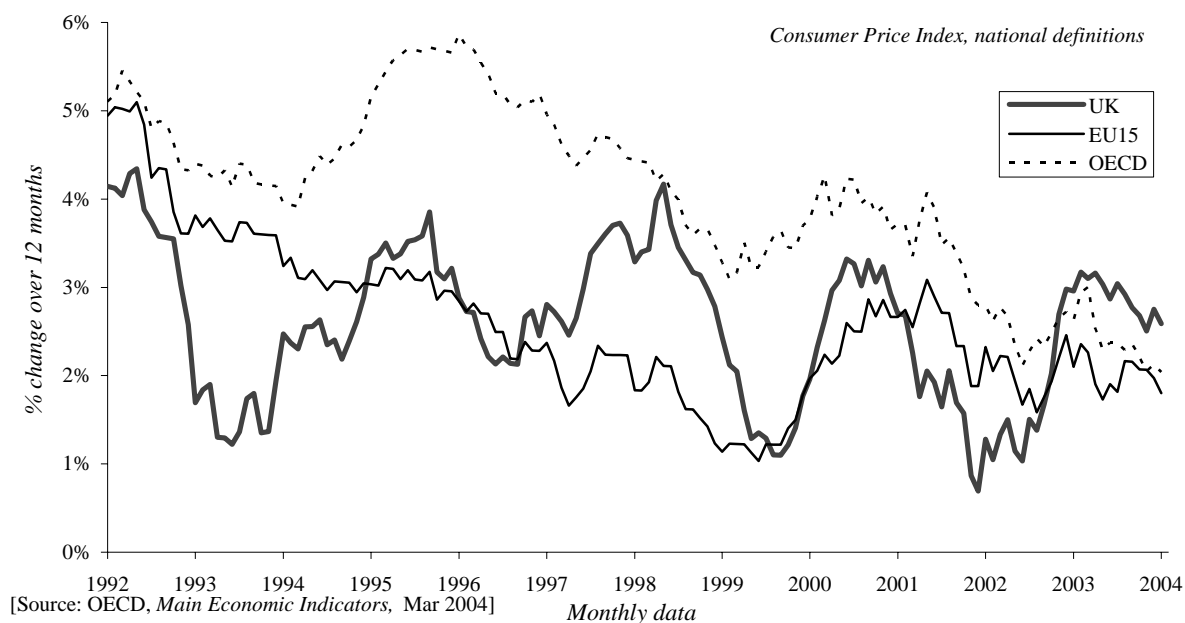
	CPI (was HICP)	RPI (all items)	RPI (X)
2000	0.8	3.0	2.1
2001	1.2	1.8	2.1
2002	1.3	1.7	2.2
2003	1.4	2.9	2.8
2003 Feb	1.6	3.2	3.0
Mar	1.6	3.1	3.0
Apr	1.5	3.1	3.0
May	1.2	3.0	2.9
Jun	1.1	2.9	2.8
Jul	1.3	3.1	2.9
Aug	1.4	2.9	2.9
Sep	1.4	2.8	2.8
Oct	1.4	2.6	2.7
Nov	1.3	2.5	2.5
Dec	1.3	2.8	2.6
2004 Jan	1.4	2.6	2.4
Feb	1.3	2.5	2.3

Source: NS database, series: CZBH, CDKQ, CJYR

**Contact:** Patsy Richards, x4904

**Update:** NS, *Consumer Price Indices: First release*, 20 Apr

## 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 remained at 1.9% in January 2004, the same as in December.
- For all OECD countries the average inflation rate fell to 2.0% in January, from 2.1% the month before.
- By this measure, the EU15 average inflation rate (not shown in the table, but in the chart above) fell to 1.8% in January from 2.0% in December.

### Consumer Price Indices

*national definitions; % change over 12 months*

	USA	Japan	Canada	UK	OECD
2000	3.4	-0.7	2.7	2.9	4.0
2001	2.8	-0.7	2.6	1.8	3.4
2002	1.5	-1.0	2.2	1.6	2.6
2003	2.3	-0.2	2.8	2.9	2.4
2003 Aug	2.1	-0.3	2.0	2.9	2.3
Sep	2.3	-0.2	2.1	2.8	2.4
Oct	2.0	0.0	1.6	2.7	2.2
Nov	1.8	-0.5	1.6	2.5	2.0
Dec	1.9	-0.4	2.0	2.8	2.1
2004 Jan	1.9	-0.3	1.2	2.6	2.0

Source: OECD, *Main Economic Indicators*, Mar 2004

### Eurozone inflation

*harmonised indices (HICPs); % change over 12 months*

	France	Germany	Italy	UK	Eurozone
2000	1.8	1.4	2.6	0.8	2.1
2001	1.8	1.9	2.3	1.2	2.3
2002	1.9	1.3	2.6	1.3	2.3
2003	2.2	1.1	2.8	1.4	2.1
2003 Sep	2.3	1.1	3.0	1.4	2.2
Oct	2.3	1.1	2.8	1.4	2.0
Nov	2.5	1.3	2.8	1.3	2.2
Dec	2.4	1.1	2.5	1.3	2.0
2004 Jan	2.2	1.2	2.2	1.4	1.9
Feb	1.9	0.8	2.4	1.3	1.6

Source: Eurostat, *Euro-Indicators news release*, 17 March 2004

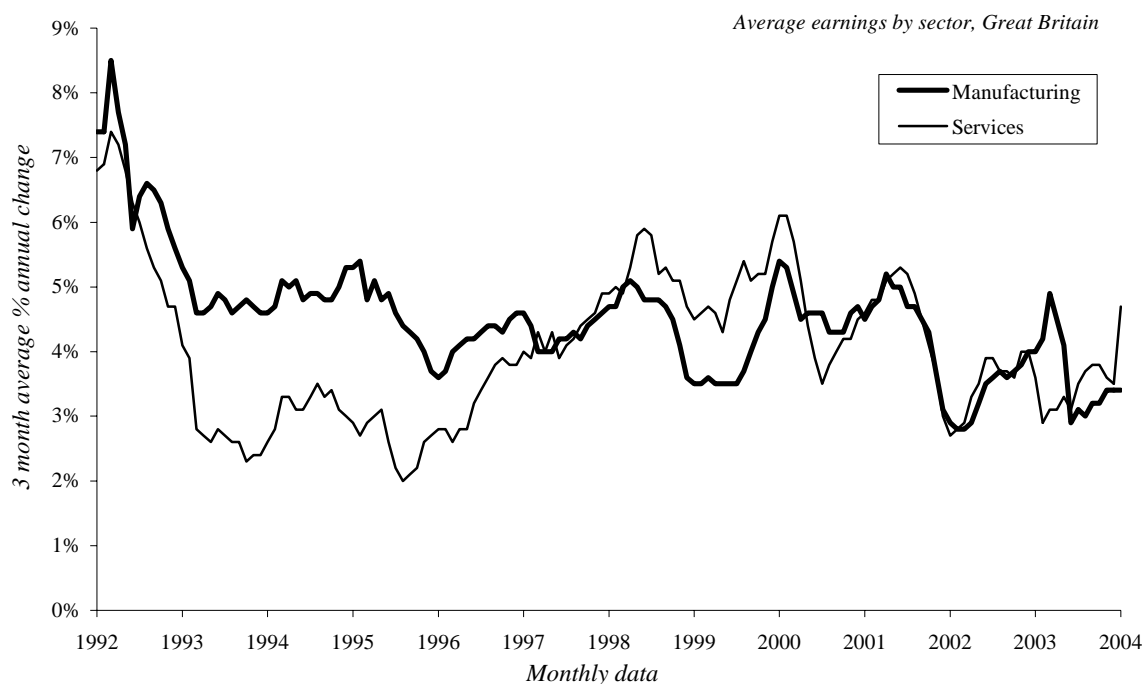
The EU has developed harmonised indices of consumer prices (HICPs) designed for international comparison, to monitor prices within the eurozone:

- Eurozone annual inflation fell from 1.9% in January to a provisional 1.6% in February 2004.
- The HICP inflation rates for the Member States not in the eurozone were Denmark (0.7%), Sweden (0.2%) and the UK (1.3%).
- In February the eurozone countries with the highest HICP annual inflation rates were Greece (2.6%), Italy and Luxembourg (both 2.4%). The lowest rates were in Sweden (0.2%), Finland (0.4%) and Denmark (0.7%).

**Contact:** Patsy Richards, x4904

**Updates:** OECD, *Main Economic Indicators*, Apr  
Eurostat, *Euro-indicators news release*, 16 Apr

### B3: Average Earnings Index



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

- The headline rate of growth in average earnings for the whole economy in January was 4.4%, down from 3.5% in December.
- Headline average earnings growth in manufacturing was 3.4% in January (the same as in December) while earnings growth in the service sector increased to 4.7% compared with 3.5% in December.
- Headline earnings growth in the private sector was 4.5% in January, compared to 4.2% in the public sector.
- Earnings are currently growing more slowly than a year ago (the headline rate in January 2003 was 3.7%).

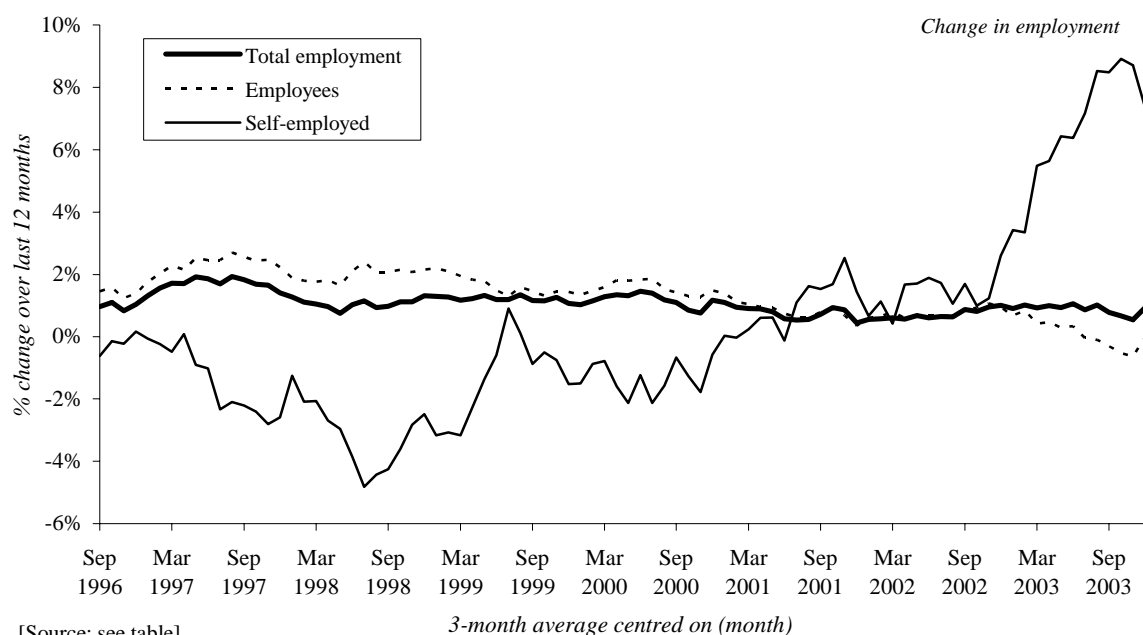
#### Average Earnings, Great Britain

*% change on year, seasonally adjusted*

	Headline rate		
	Whole Economy	Private Sector	Public Sector
2000 Jan	5.8	6.3	4.0
2001 Jan	4.6	4.7	3.8
2002 Jan	2.9	2.5	4.9
2003 Jan	3.7	3.3	5.0
Feb	3.1	2.7	5.1
Mar	3.4	3.0	5.2
Apr	3.3	2.8	5.1
May	3.4	3.0	4.9
Jun	3.0	2.4	5.1
Jul	3.3	2.9	5.1
Aug	3.4	2.9	5.6
Sep	3.6	3.1	5.6
Oct	3.6	3.2	5.4
Nov	3.6	3.2	4.8
Dec	3.5	3.2	4.4
2004 Jan	4.4	4.5	4.2

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

## C1: Employment



[Source: see table]

### 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
1999 Dec	27,285	23,752	3,284	101	148
2000 Dec	27,606	24,107	3,265	98	136
2001 Dec	27,729	24,193	3,312	105	119
2002 Dec	28,010	24,422	3,398	91	99
2003 Mar	28,056	24,394	3,480	91	91
2003 Jun	28,122	24,381	3,551	98	93
2003 Sep	28,151	24,304	3,645	97	105
2003 Dec	28,272	24,415	3,648	99	109

*Changes (%):*

on last 3 months	0.4	0.5	0.1	2.2	3.4
on last year	0.9	0.0	7.4	9.9	9.5

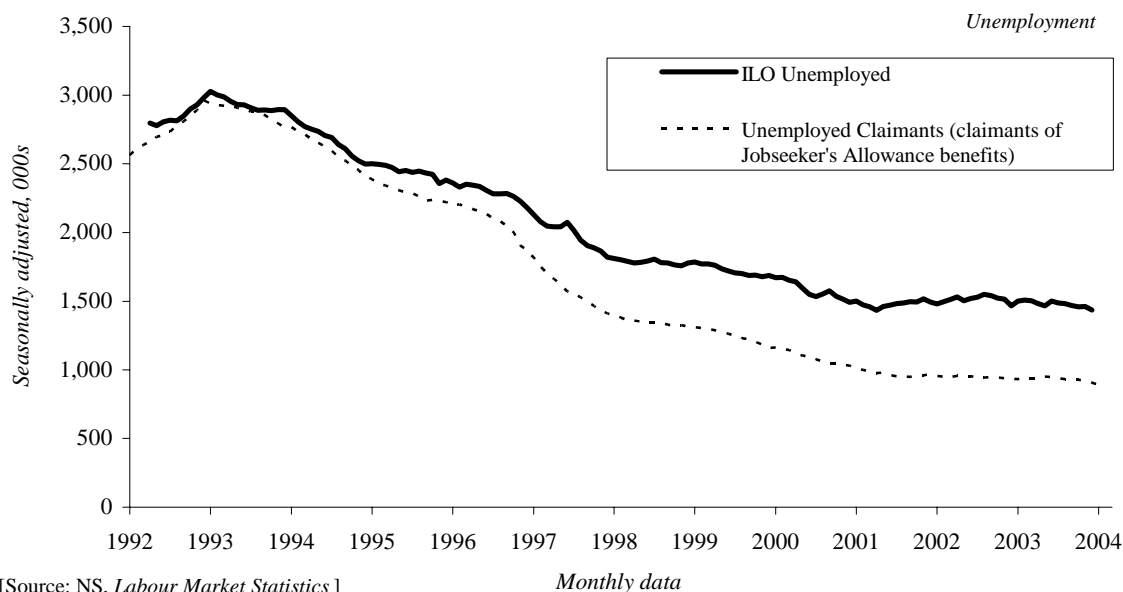
Source: National Statistics, *First Release Labour Market Statistics*, 17 March 2004

- Total employment was 28.3 million in the period November 2003 to January 2004, 0.9% higher than a year previously. The working age employment rate of 74.8% was 0.2% higher than the previous quarter and 0.2% higher than a year earlier.
- The number of workforce jobs increased by 95,000 between September and December 2003 and was 322,000 higher than a year previously. Over the year to December, the number of production industry workforce jobs fell by 90,000. Service sector jobs rose by 273,000.
- 7.4 million people were in part-time employment in the period November 2003 to January 2004, of whom 5.8 million were women. Some 3.6 million people were self-employed.

**Contact:** Alex Adcock, x3793

**Updates:** NS, *Labour Market Statistics*, 16 Apr

## C2: Unemployment: National



Since April 1998, 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 November 2003 to January 2004, the level of ILO unemployment in the UK was 1,436,000. This was a decrease of 33,000 from the period August to October 2003.
- Seasonally adjusted unemployment, as measured by the monthly claimant count, fell by 7,000 between January and February 2004 to 885,000.

The New Deal for the Young Unemployed started in January 1998.

- 1,082,000 people had joined the scheme by the end of December 2003. Of those leaving the scheme 480,000 had moved into jobs up to the end of December, of which 380,000 (79%) were 'sustained', i.e. those who had not returned to claim Jobseekers' Allowance (JSA) within three months of starting employment.

The enhanced New Deal for the Long-Term Unemployed started in April 2001.

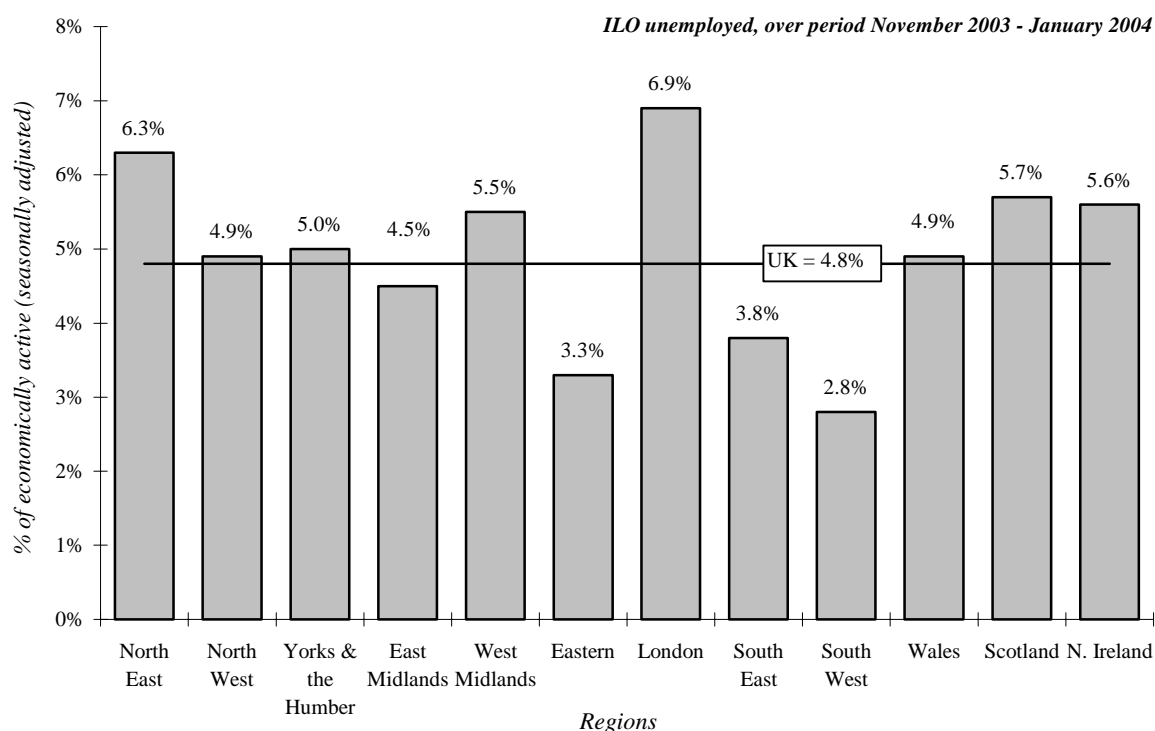
- 360,000 people joined the original (pre-April 2001) scheme. Of these, 77,000 had entered jobs of which 61,000 (80%) were sustained. 314,000 people had started on the enhanced scheme by the end of December 2003. Of these, 97,000 people had entered jobs of which 75,000 (78%) were sustained.

### ILO Unemployment in the UK *seasonally adjusted*

	'000s	rate (%)
1997 Aug - Oct	1,903	6.7
1998 Nov - Jan	1,816	6.4
Feb - Apr	1,792	6.3
May - Jul	1,792	6.3
Aug - Oct	1,776	6.2
1999 Nov - Jan	1,783	6.2
Feb - Apr	1,765	6.1
May - Jul	1,717	6.0
Aug - Oct	1,681	5.8
2000 Nov - Jan	1,695	5.8
Feb - Apr	1,646	5.7
May - Jul	1,544	5.3
Aug - Oct	1,565	5.4
2001 Nov - Jan	1,497	5.1
Feb - Apr	1,453	5.0
May - Jul	1,467	5.0
Aug - Oct	1,482	5.1
2002 Nov - Jan	1,510	5.2
Feb - Apr	1,513	5.2
May - Jul	1,519	5.2
Aug - Oct	1,538	5.2
2003 Nov - Jan	1,469	5.0
Feb - Apr	1,503	5.1
May - Jul	1,499	5.1
Aug - Oct	1,469	5.0
2004 Nov - Jan	1,436	4.8

Source: NS *Labour Market Statistics*

### C3: Unemployment: Regional



[Source: NS, *Labour Market Statistics* ]

Since April 1998, 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 November 2003 to January 2004 London had the highest unemployment rate, 6.9% of the economically active population. The lowest rate over the same period was 2.8% in the South West region.
- A comparison of November 2003 to January 2004 with the same period a year earlier shows that the largest fall (26%) in unemployment occurred in the South West region. Yorkshire & the Humber experienced the largest rise (6%) in unemployment over the same period.

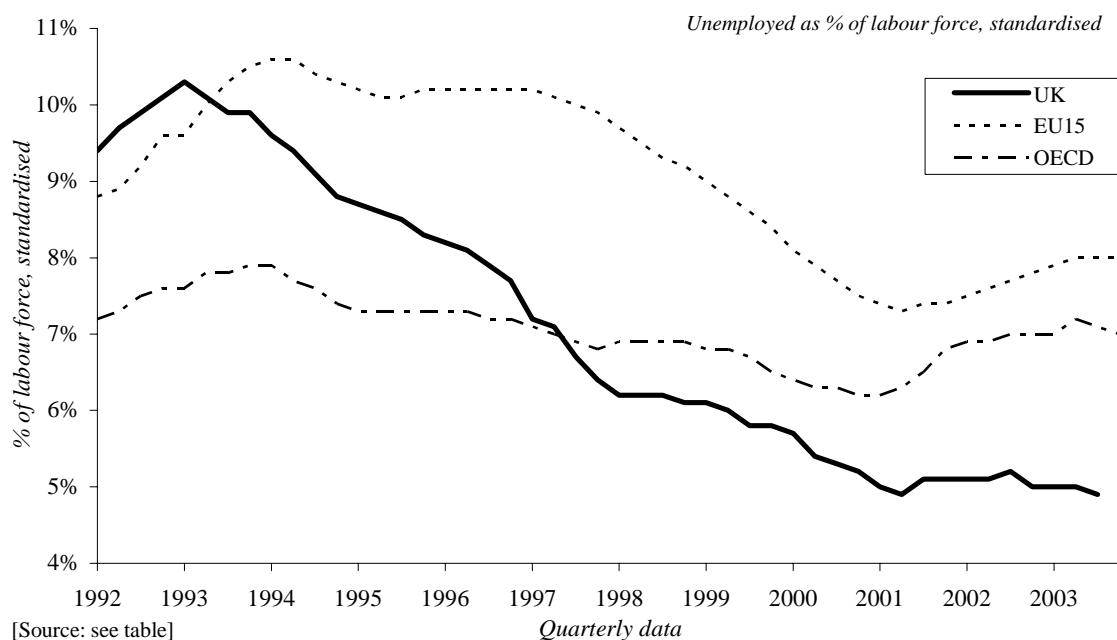
#### **ILO Unemployment, November 2003 - January 2004**

*change on same period in previous year;  
seasonally adjusted; 000s & %*

	'000s	%
North East	-2	-3
North West & Merseyside	7	5
Yorkshire & the Humber	7	6
East Midlands	5	5
West Midlands	-8	-5
Eastern	-23	-20
London	13	5
South East	-6	-4
South West	-25	-26
Wales	3	5
Scotland	-4	-3
Northern Ireland	0	0

Source: NS, *Labour Market Statistics*, 17 Mar 2004

## C4: Unemployment: International Comparisons



### Unemployment

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

	2000	2001	2002	2003	2002				2003			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
USA	4.0	4.7	5.8	6.0	5.7	5.8	5.7	5.9	5.8	6.1	6.1	5.9
Japan	4.7	5.0	5.4	5.3	5.3	5.4	5.4	5.4	5.4	5.4	5.2	5.1
Canada	6.8	7.2	7.7	7.6	7.9	7.6	7.5	7.6	7.5	7.7	7.9	7.5
UK	5.4	5.0	5.1	..	5.1	5.1	5.2	5.0	5.0	5.0	4.9	..
Germany	7.8	7.8	8.6	9.3	8.3	8.5	8.7	8.9	9.2	9.3	9.3	9.2
France	9.3	8.5	8.8	9.4	8.6	8.7	8.9	9.0	9.2	9.3	9.4	9.5
Italy	10.4	9.4	9.0	..	9.1	9.0	9.0	8.9	8.9	8.7	8.5	..
Eurozone	8.5	8.0	8.4	8.8	8.2	8.3	8.5	8.6	8.7	8.8	8.8	8.8
G7	5.6	5.9	6.5	6.6	6.4	6.5	6.5	6.6	6.6	6.7	6.7	6.5
OECD	6.3	6.5	6.9	7.1	6.9	6.9	7.0	7.0	7.0	7.2	7.1	7.0

.. - not available

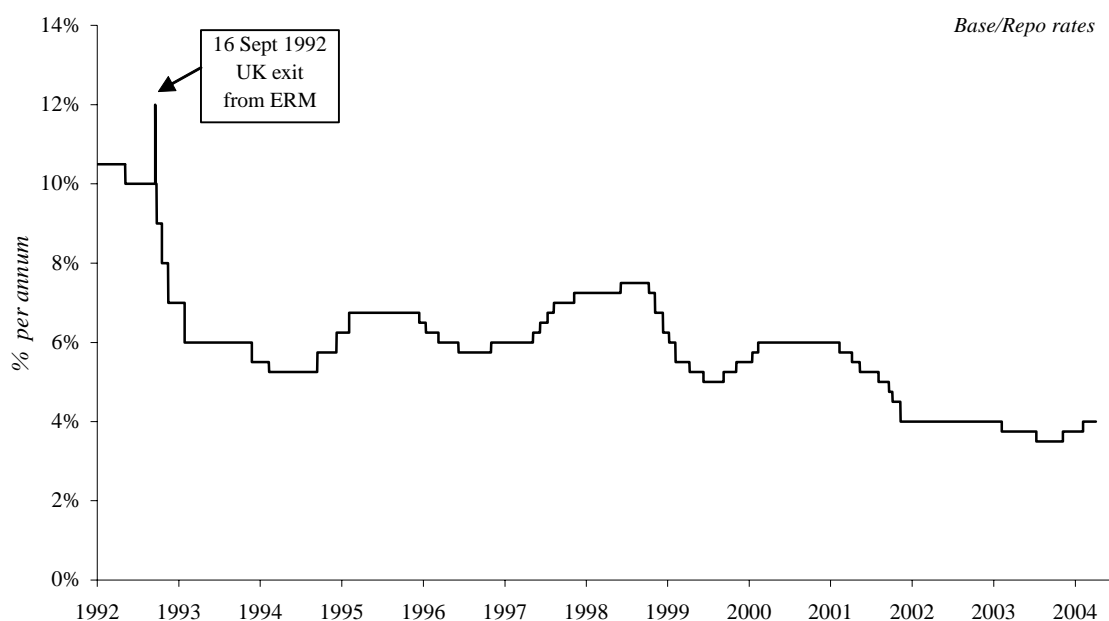
Source: OECD, *Main Economic Indicators*, March 2004

- Using standardised definitions, the UK unemployment rate for 2002 was 5.1%, significantly below the eurozone average (8.4%) and below the G7 and OECD rates (6.5% and 6.9% respectively).
- Between Q2 and Q3 2003 the largest rise in unemployment among G7 countries was in Canada, where it rose by 0.2 of a percentage point. The largest falls (0.2 of a percentage point) were in Italy and Japan. The unemployment rate in all the G7 nations taken together was unchanged.
- The most recent forecasts published by the OECD (*Economic Outlook*, December 2003) suggest the UK unemployment rate will be 5.0% in 2003, 4.9% in 2004 and 4.8% in 2005. The respective forecasts for the Euro zone are 8.8%, 9.0% and 8.7%. For the OECD as a whole the respective forecasts are 7.1%, 7.0% and 6.7%.

**Contact:** Alex Adcock, x3973

**Updates:** OECD, *Main Economic Indicators*, 14 Apr  
OECD, *Economic Outlook*, Jun

## D1: Interest Rates



[Source: Bank of England]

Interest rates were first set by the independent Monetary Policy Committee (MPC) of the Bank of England in June 1997, rather than by the Chancellor.

The Chancellor confirmed on 10 December 2003 the new inflation target of 2% measured by the annual increase in the Consumer Price Index (CPI, formerly HICP). If inflation deviates by more than 1%, an explanatory open letter will be sent to the Chancellor.

- On 5 February 2004, the MPC voted to increase the base rate by 0.25%, following a 0.25% rise in November 2003, which was the first interest rate rise since February 2000. At the March meeting, the interest was left unchanged.
- Minutes of the March meeting of the MPC noted the appreciation of sterling against a range of currencies, the continuing recovery in the US and slower than expected growth in the eurozone. On the domestic front, it noted the continuing growth of net lending to individuals and a lack of inflationary pressures in both labour and goods markets.
- The latest Bank Inflation Report (February 2003) noted the continued global recovery and weakness of the dollar. Although annual inflation (on the new CPI measure) was below the 2% target in December, it is projected to 'move up to the target'.

The MPC next meets on 8 April, with minutes to be published on 21 April. The next quarterly *Inflation Report* will be released on 12 May.

### UK Base/Repo Rates

*% per annum*

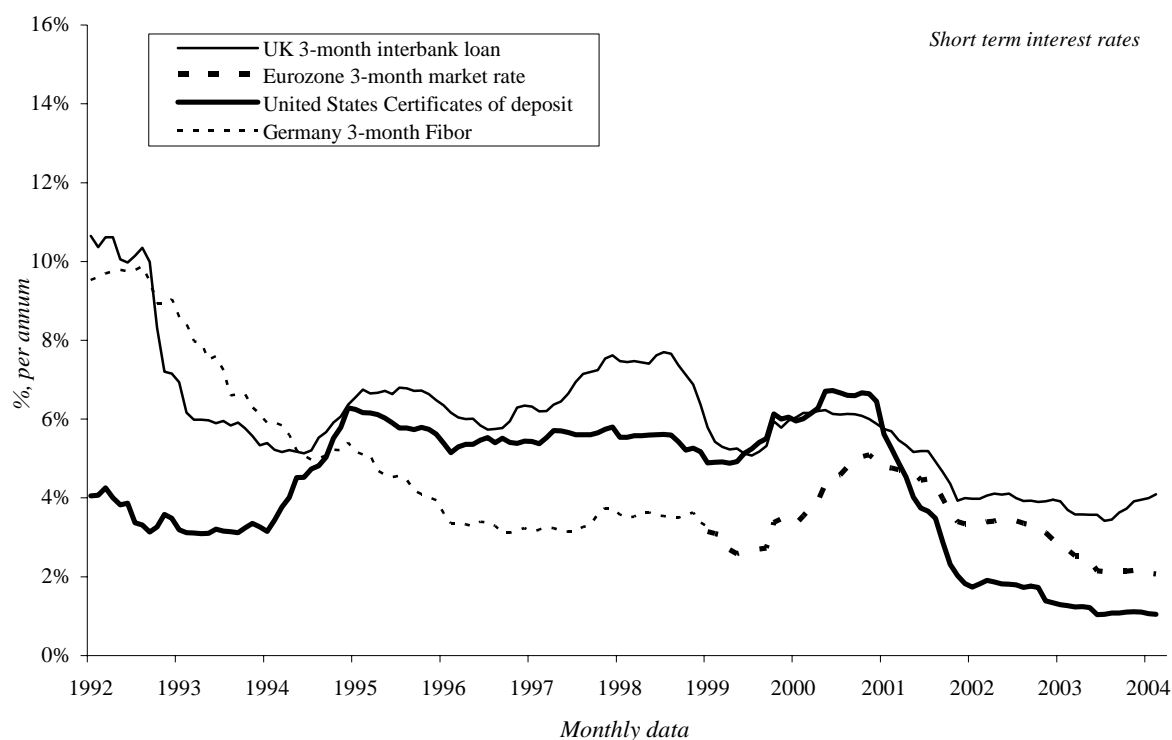
Date of change	New rate
1997 May 6	6.25
Jun 6	6.50
Jul 10	6.75
Aug 7	7.00
Nov 6	7.25
1998 Jun 4	7.50
Oct 8	7.25
Nov 5	6.75
Dec 10	6.25
1999 Jan 7	6.00
Feb 4	5.50
Apr 8	5.25
Jun 10	5.00
Sep 8	5.25
Nov 4	5.50
2000 Jan 13	5.75
Feb 10	6.00
2001 Feb 8	5.75
Apr 5	5.50
May 10	5.25
Aug 2	5.00
Sep 18	4.75
Oct 4	4.50
Nov 8	4.00
2003 Feb 7	3.75
Jul 10	3.50
Nov 6	3.75
2004 Feb 5	4.00

Source: Bank of England

**Contact:** Ian Townsend, x3977

**Update:** MPC decision, 8 Apr; Minutes (Apr), 21 Apr

## D2: Interest Rates: International Comparisons



[Source: OECD, *Main Economic Indicators*, Mar 2004]

The main developments on the international stage have been the action of the main Central Banks in cutting their official rates and the negative effects on economic activity, stemming from the high degree of worldwide uncertainty. The UK was the first to increase base rates:

- The Bank of England's Monetary Policy Committee reduced the UK Repo rate seven times during 2001. A cut of 0.25% on 6 February 2003 was followed by another 0.25% cut on 10 July 2003. This cut was reversed on 6 November 2003, with a 0.25% increase to 3.75%. A further increase of 0.25% was announced on 5 February 2004, but the rate has been left unchanged since.
- The European Central Bank (ECB) reduced the minimum lending rate four times during 2001, by 0.25% in May and August and twice by 0.5% (in September and November). A 0.5% cut on 6 March 2003 was followed by another 0.5% point cut on 5 June 2003. Since then the rate has remained at 2%.
- The US Federal Reserve cut the US Federal Funds Rate by 0.5% eight times during 2001, and again in November 2002, with a further 0.25% cut on 25 June 2003. The Federal Open Market Committee decided to leave the rate at 1% at its latest meeting on 16 March.

### International Interest Rates

*% per annum, as at 27 February 2004*

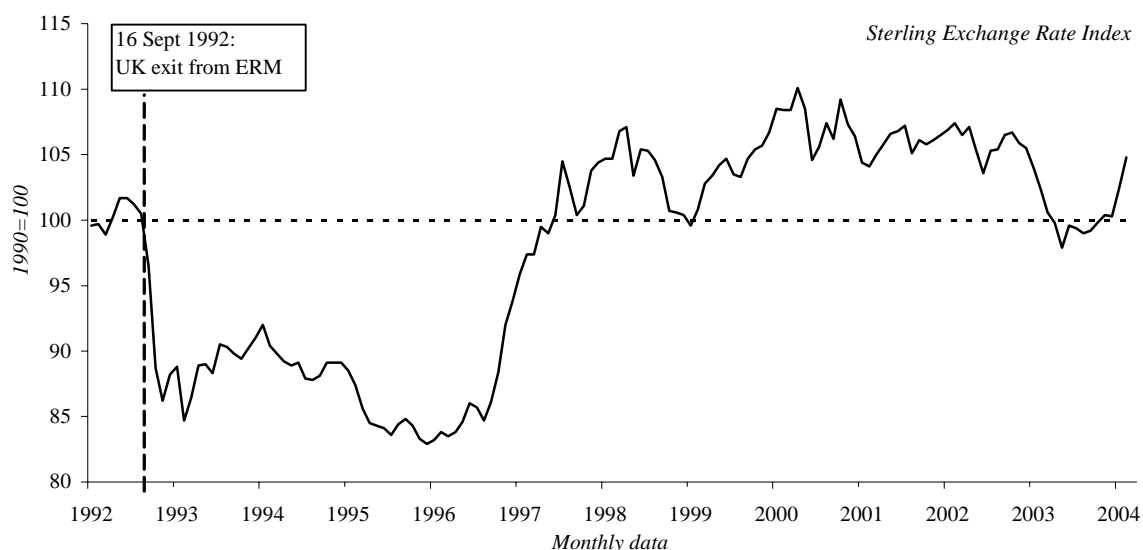
	Official rate	Yield on 10 yr Government bonds	3-month rate market rate
United Kingdom	4.00	4.77	$4 \frac{7}{32} - 4 \frac{1}{8}$
Eurozone	2.00	n/a	$2 \frac{3}{32} - 2$
United States	1.00	3.99	$1 \frac{1}{8} - 1 \frac{1}{32}$
Japan	0.00	1.23	$\frac{1}{32} - \frac{1}{16}$
Switzerland	0.00-0.75	2.55	$\frac{9}{32} - \frac{7}{32}$

Source: *Financial Times*, 1 Mar 2004 (*Companies & Markets*, p33)

**Contact:** Ian Townsend, x3977      **Updates:** *Base rates:* 8 Apr (MPC & ECB), 4 May (US Fed Res)  
*Short-term interest rates:* OECD, *MEI*, 14 Apr

### 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: NS database, series: AGBG]

- 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 2003, the SERI increased by 4.5 points in February 2004, suggesting that the UK was relatively less competitive at the end of February 2004 than at the end of last year.

The table shows sterling exchange rates for three major currencies: the US dollar, Japanese yen and the euro. The pound was worth €1.496 at the London market close on 31 March 2004, compared to a launch rate of €1.4168 on 31 December 1998.

#### Sterling Exchange Rates

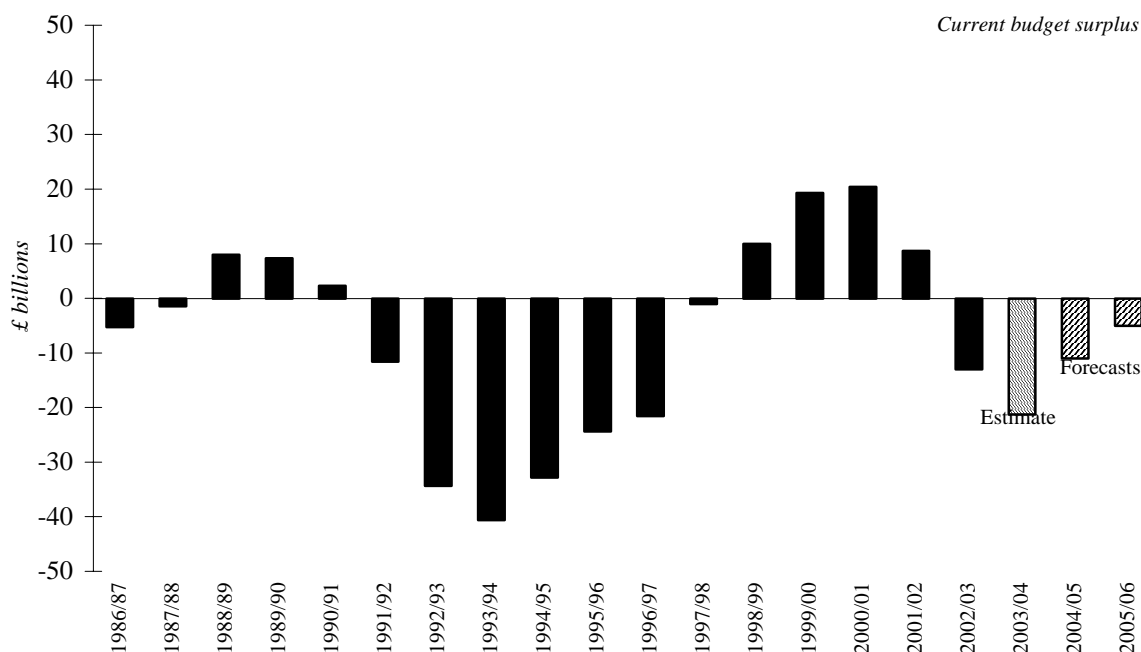
rates and % changes

	US Dollar (\$)		Yen (¥)		Euro (€)	
	Rate	change on yr (%)	Rate	change on yr (%)	Rate	change on yr (%)
2000	1.516	-6.3	163.4	-11.2	1.642	8.1
2001	1.440	-5.0	174.9	7.0	1.609	-2.0
2002	1.503	4.3	187.8	7.4	1.591	-1.1
2003	1.635	8.8	189.3	0.8	1.446	-9.1
2003 Feb	1.605	160.5	192.1	1.1	1.489	-8.9
Mar	1.584	158.4	187.8	0.8	1.465	-9.7
Apr	1.575	157.5	188.8	0.2	1.451	-10.9
May	1.623	162.3	190.4	3.3	1.403	-11.8
Jun	1.661	166.1	196.5	7.3	1.423	-8.3
Jul	1.624	162.4	192.7	5.0	1.428	-8.9
Aug	1.595	159.5	189.4	3.5	1.429	-9.1
Sep	1.613	161.3	185.3	-1.5	1.434	-9.6
Oct	1.679	167.9	183.8	-4.7	1.433	-9.7
Nov	1.690	169.0	184.5	-3.4	1.443	-8.1
Dec	1.751	175.1	188.7	-2.4	1.425	-8.5
2004 Jan	1.823	182.3	193.8	0.9	1.445	-5.1
Feb	1.867	186.7	199.2	3.7	1.477	-0.8

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

**Contact:** Ian Townsend, x3977

**Updates:** SERI, end Apr; Sterling Exchange Rates, daily

**D4: Public Finances**

[Source: NS database, series: ANMU]

The Government's policy is to balance the current budget over the span of the economic cycle, i.e. surpluses to match deficits (the golden rule). The graph shows the last two completed cycles, Q2 1986 to mid 1997, and mid 1997 to mid 1999. Figures from 2003/04 onwards are taken from the 2004 Budget.

- There was a £10.1 billion deficit on the current budget in Q4 2003 compared to a £6.7 billion deficit in the same quarter of 2002.

The Government's policy is to keep public sector net debt below 40% of GDP. Net debt is expressed as a percentage of GDP for the current period and for the preceding four quarters.

- The public sector net cash requirement (PSNCR - the new aggregate replacing the PSBR) was £17.2 billion in Q4 2003 compared with £15.8 billion in the same quarter of 2002. For the full 2002/03 financial year the PSNCR was £22.5 billion, compared with £3.3 billion in 2001/02.

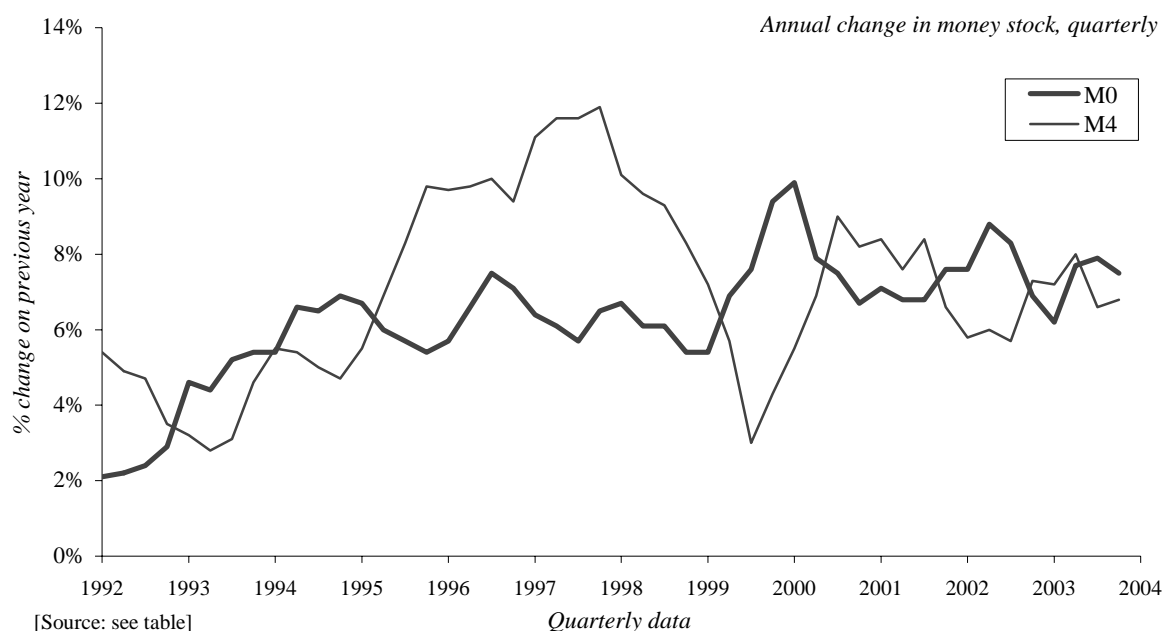
**Public Sector Net Debt**

£ billion & %

	Public Sector Net Debt	
	£ billion	as a % of GDP
1999/00	340.9	36.2
2000/01	306.9	31.2
2001/02	311.2	30.2
2002/03	334.1	30.8
2002 Q4	335.9	31.4
2003 Q1	334.1	30.8
Q2	349.9	31.8
Q3	355.3	31.9
Q4	374.9	33.1

Source: NS database, series: RUTN, RUTO

## D5: Money Supply



### Money stock

*% change, seasonally adjusted*

	M0		M4	
	3 month change (annualised)	12 month change	3 month change (annualised)	12 month change
2003 February	7.8	6.3	5.1	6.7
March	8.1	6.6	4.9	7.4
April	13.4	8.2	10.6	8.3
May	13.4	8.7	10.2	8.5
June	10.4	6.2	10.0	8.2
July	7.1	8.0	5.4	7.4
August	5.2	7.9	3.3	6.5
September	6.6	7.8	3.8	6.7
October	5.4	7.2	5.0	6.4
November	5.8	8.0	9.5	7.0
December	3.8	7.2	9.3	7.0
2004 January	4.8	7.6	12.8	8.4
February	3.2	6.8	9.8	8.2

Source: Bank of England, *Bankstats*, Series: VQMY, VQMX, VQKA, VQJW

M0 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 is a broad measure of money consisting of the private sector's holdings of cash and sterling deposits at banks and building societies.

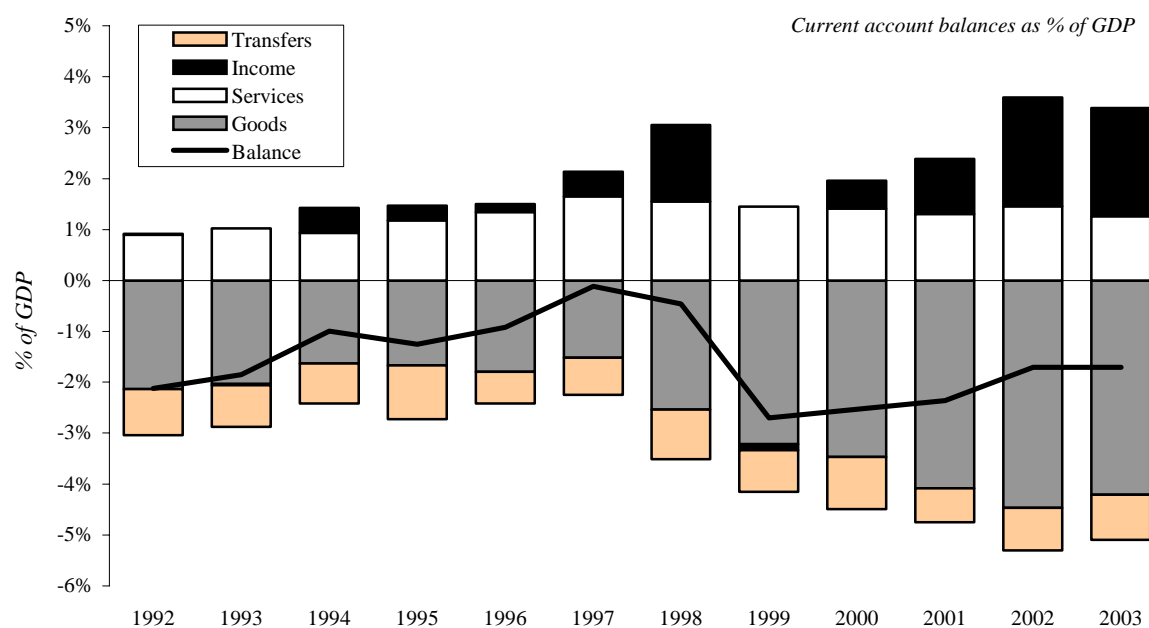
- Seasonally adjusted M4 rose by 8.2% in the 12 months to February. The 12-month seasonally adjusted M0 growth rate was 6.8% in February 2004, compared to 6.3% in February 2003.

There are now no formal targets for money supply growth.

**Contact:** Dominic Webb, x4324

**Update:** Bank of England, *Bankstats*, 4 May

## E1: International Trade



[Source: see table]

### Current Account Balances

£ millions; seasonally adjusted

	Trade in goods & services			Income (total)	Transfers			Current Balance
	Goods	Services	Total		Central Gov.	Other	Total	
2000	-32,976	13,426	-19,550	5,208	-5,550	-4,202	-9,752	-24,094
2001	-40,620	13,000	-27,620	10,723	-2,593	-4,013	-6,606	-23,503
2002	-46,630	15,181	-31,449	22,310	-5,641	-3,033	-8,674	-17,813
2003	-46,249	13,847	-32,402	23,385	-6,769	-2,974	-9,743	-18,760
2002 Q4	-13,277	3,868	-9,409	7,976	-1,889	-605	-2,494	-3,927
2003 Q1	-11,003	3,393	-7,610	8,231	-1,593	-839	-2,432	-1,811
Q2	-10,832	3,431	-7,401	4,740	-1,894	-886	-2,780	-5,441
Q3	-11,824	3,436	-8,388	4,523	-1,682	-733	-2,415	-6,280
Q4	-12,590	3,587	-9,003	5,891	-1,600	-516	-2,116	-5,228

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

- The UK's current account was substantially revised in 2003, largely through the measurement of VAT missing trader intra-Community fraud increasing import figures for trade in goods. The resultant deficit narrowed between 1996 and 1998, but increased in all years from 1999 onwards.
- The annual current account for 2003 was in deficit by £18.8 billion, compared to a revised deficit for 2002 of £17.8 billion.
- The current account was in deficit by £5.2 billion in Q4 2003, compared to a revised deficit of £6.3 billion (previously £8.1 billion) in Q3. The decrease in the deficit was due to a higher surplus on investment income and a lower current transfers deficit more than offsetting the widening trade deficit. The increased investment income surplus was mainly due to higher direct investment earnings from abroad.

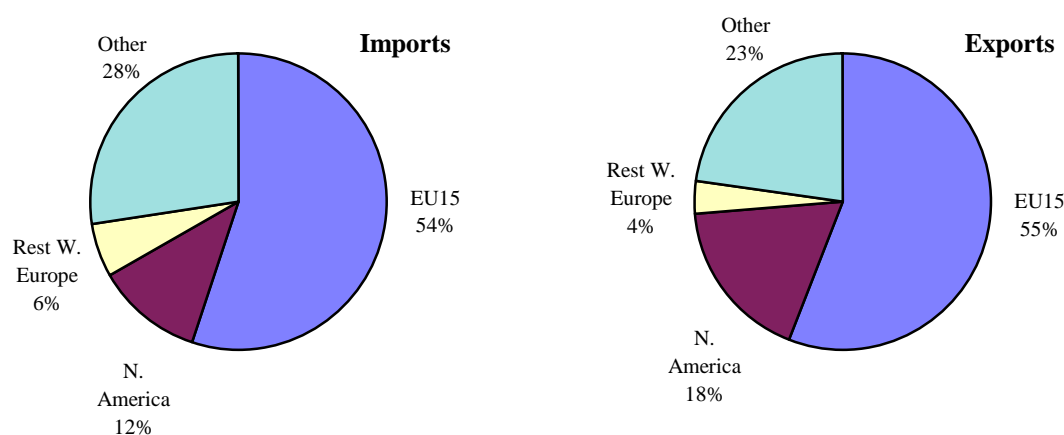
**Contact:** Patsy Richards, x4904

**Updates:** NS, *UK Balance of Payments: First Release*, 30 Jun

## E2: Trade in Goods

### Shares of UK trade in goods by area, 2003

(Balance of Payments basis)



[Source: NS database, series: ENOF, HBZQ, HCJD, HCII, HDII, HCHW, ENOS, HCRB, HBTS, HDJQ, HCPC, HCIF]

### Export & import volume indices & trade in goods balances

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

	Volume index (2000=100)		Trade in goods (£m)		
	Exports	Imports	Exports	Imports	Balance
2000	100.0	100.0	187,936	220,912	-32,976
2001	102.7	105.4	190,050	230,670	-40,620
2002	100.9	109.7	186,517	233,147	-46,630
2003	100.1	110.7	187,703	233,952	-46,249
2002 Q4	96.4	110.1	44,521	57,798	-13,277
2003 Q1	101.8	111.3	47,777	58,780	-11,003
Q2	99.4	108.4	46,500	57,332	-10,832
Q3	98.6	109.7	46,283	58,107	-11,824
Q4	100.6	113.5	47,143	59,733	-12,590

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

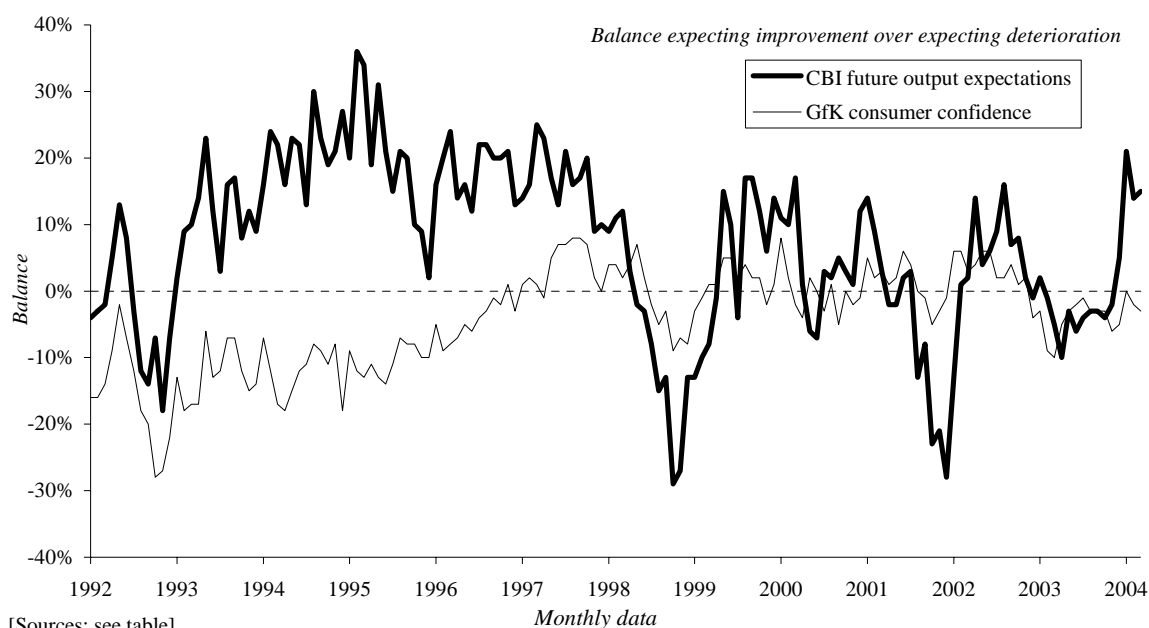
- In January 2004 the balance on trade in goods is provisionally estimated at a record deficit of £5.6 billion compared with a revised deficit of £4.0 billion in December. In January total exports of goods fell 9.0% on the previous month to £14.6 billion, while goods imports rose 1.0% to £20.2 billion.
- The deficit on trade in goods with EU countries for January was £2.1 billion, compared to £2.6 billion for December. The deficit with non-EU countries was a record £3.4 billion in January compared to £1.4 billion in December.
- The latest estimate of the trend suggests that the whole world goods deficit is widening. The trends in the value of trade in goods show exports falling and imports rising.

**Contact:** Patsy Richards, x4904

**Update:** NS, UK Trade: First Release, 8 Apr

## 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*:

- The balance of expectations for future output from the CBI's monthly survey was 15 in March 2004. This was down from February's level, but substantially higher than the same month last year.
- The CBI's quarterly indicator of overall business confidence in manufacturing, looking at current optimism compared with three months previously, rose to 17 in January 2004, up from -7 in October 2003.

Martin Hamblin GfK's *Consumer Confidence Barometer* is a composite measure of a range of consumer attitudes, including: forward expectations of the general economic situation and households' financial positions, perceptions of how these have changed over the last 12 months, and views on making major household purchases.

- March's results show that the overall index fell one point to -3 from its February level of -2.
- Consumers' optimism for the general economic situation over the next twelve months declined slightly. There was also a decline in consumers' opinion regarding the climate for making major purchases but expectations regarding future personal finances improved slightly.

### Output Expectations/Consumer Confidence

*Balance of % expecting improvement over % expecting deterioration*

	Future output expectations (CBI)	Consumer confidence (GfK)
2003 Mar	-5	-10
Apr	-10	-5
May	-3	-3
Jun	-6	-2
Jul	-4	-1
Aug	-3	-3
Sep	-3	-3
Oct	-4	-3
Nov	-2	-6
Dec	5	-5
2004 Jan	21	0
Feb	14	-2
Mar	15	-3

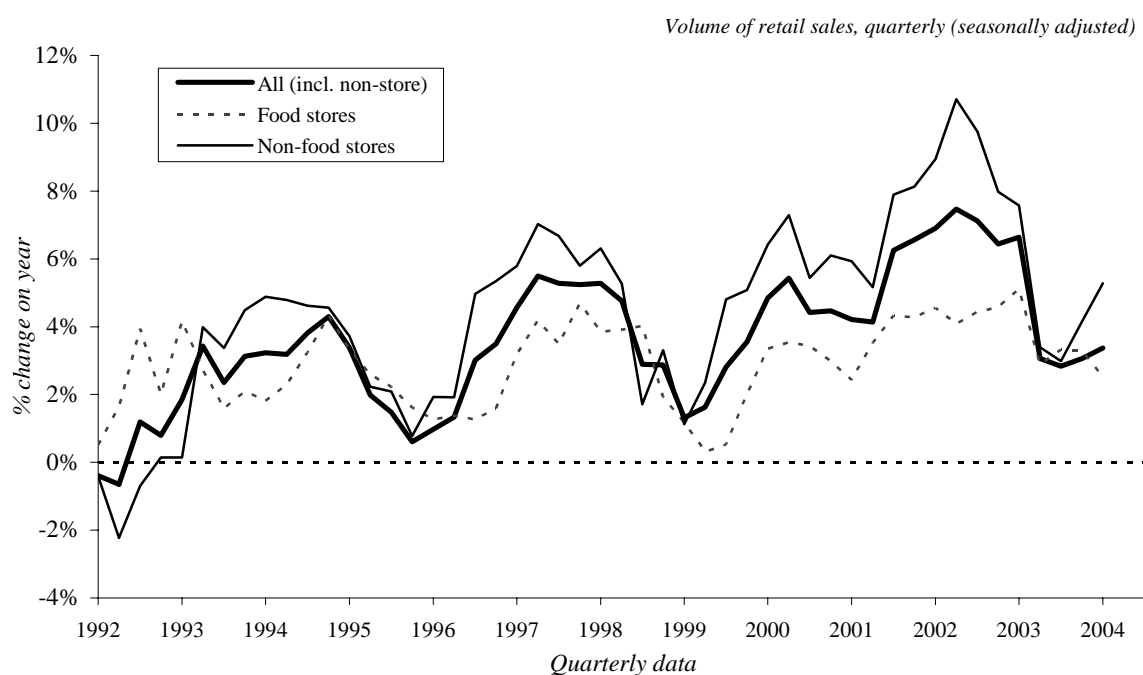
Sources: CBI, *Industrial Trends Survey* (monthly), from NS database, series: ETCU; Martin Hamblin GfK, *Consumer Confidence Survey* on behalf of the European Commission

**Contact:** Ian Townsend, x3977

**Updates:**

CBI, *Industrial Trends* (Monthly), 27 Apr;  
Martin Hamblin GfK, *Consumer Confidence*, 29 Apr

## F2: Retail Sales



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

- The *volume* of retail sales grew by 1.9% in the three months from December to February compared with the previous three month period, and was 5.4% higher than a year previously (seasonally adjusted).
- Retail sales volumes in February 2004 were 6.5% higher than in February 2003 (seasonally adjusted).
- Retail sales volumes in predominantly non-food stores increased by 7.3% in December to February compared to the same quarter a year earlier. In predominantly food stores, sales volumes grew by 3.9% over the same period (seasonally adjusted).

### Value of Retail Sales

*% change on year, non-seasonally adjusted*

	Food, drink & tobacco	Clothing & footwear	Household goods	Other non-food	Total
2000	4.2	4.2	6.4	3.1	3.1
2001	5.0	6.0	6.0	6.0	6.0
2002	3.8	2.8	8.5	6.6	4.7
2003	3.7	2.8	4.3	-0.9	2.7
2002 Q4	1.7	3.1	7.1	6.2	4.0
2003 Q1	1.9	1.1	1.8	0.0	2.0
Q2	3.7	7.0	2.8	-2.8	1.9
Q3	4.7	2.8	3.7	-2.8	2.8
Q4	3.4	1.5	6.7	0.0	3.1

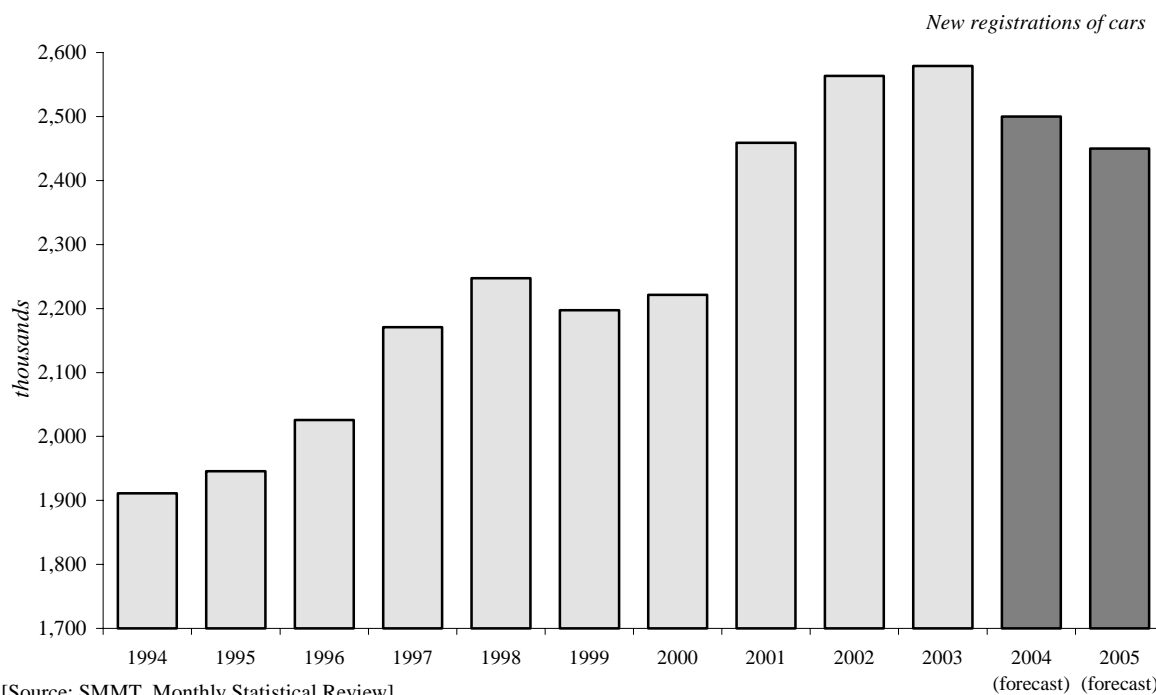
Source: NS database, series: EAWN, EAWO, EAWP, EAWQ, EAWM

- The average weekly *value* of retail sales in February 2004 was £4,320 million, 5.3% higher than in February 2003 (non-seasonally adjusted).

**Contact:** Ed Potton, x2883

**Update:** NS, *Retail Sales: First Release*, 23 Apr

### F3: New Car Registrations



Figures from the Society of Motor Manufacturers & Traders (SMMT) show that new car registrations increased by 3.8% in February 2004, compared with the previous February's figure, to 91,460 units.

- The number of new registrations of cars was around 2.6 million units in 2003, a rise of 0.6% on the previous year and the highest annual total ever.
- New registrations of cars are forecast to fall by 3.1% in 2004, and by 2.0% in 2005.
- There were 15,732 registrations of British-built cars in February, equivalent to 17.2% of the market. The number of British built registrations decreased 7.7% on the previous February's figure. In 2003 as a whole, there were 521,000 registrations of British-built cars, a decrease of 10.6% from the previous year's figure and equivalent to 20.2% of the market.

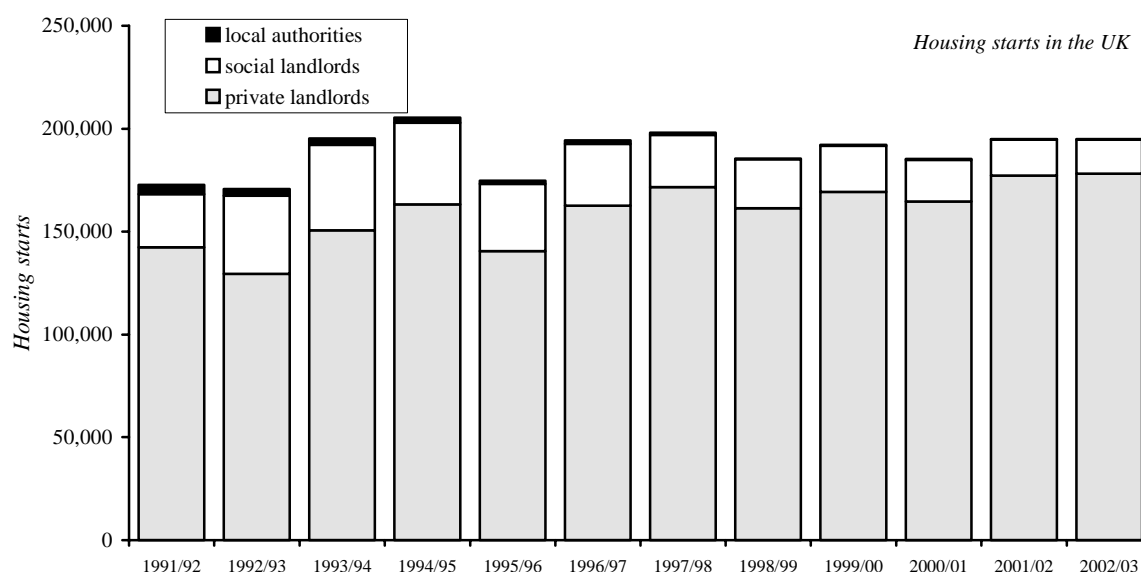
#### New Registrations of Cars

*000s & % change, not seasonally adjusted*

	Number ('000s)	Change over 12 months
2002	2,564	4.3
2003	2,579	0.6
2004 (forecast)	2,500	-3.1
2005 (forecast)	2,450	-2.0
2003 Feb	88	-5.8
Mar	438	3.4
Apr	194	-7.0
May	200	-4.1
Jun	240	15.8
Jul	197	0.6
Aug	89	2.4
Sep	439	1.5
Oct	182	-1.4
Nov	169	-1.5
Dec	155	7.5
2004 Jan	198	5.8
Feb	91	3.8

Source: SMMT, *Monthly Statistical Review*

## F4: House-building & Prices



[Source: ODPM, *Housebuilding*, table 201]

The Office of the Deputy Prime Minister (ODPM) now publishes quarterly housing starts and completions data. This is because of the volatility of monthly data published previously.

- The latest available UK-wide data for housing starts are for Q2 2003, with 54,108 dwellings started in the UK in that quarter, compared with 49,870 in same quarter in 2002. The latest available completion data is for Q1 2003, which saw 42,477 completions, compared with 42,103 in Q1 2001 (non-seasonally adjusted).

The Halifax *House Price Index* shows that:

- UK house prices rose by 1.6% in February 2004, with annual house price inflation running at 17.8%.
- On a quarterly basis, UK house prices rose by 3.9% in Q4 2003 compared with the previous quarter, following an increase of 3.4% in Q3 2003 on Q2 2003 (all seasonally adjusted data).

Halifax data gives a regional breakdown (note: these regions are not aligned with Government Office Regions):

- This puts annual house price inflation in Q4 2003 at its highest in the North (33.7%) and lowest in the South East (5.8%), compared with 15.4% in Q4 2003 for the UK as a whole (all seasonally adjusted data).

### Standardised average house prices

£s & %, non-seasonally adjusted

	All houses	New houses	Existing houses	First time buyers
2002 Q4	121,426	123,039	122,813	84,649
2003 Q1	123,637	126,847	124,405	86,653
Q2	130,545	129,334	131,643	92,528
Q3	135,204	134,419	136,602	95,964
Q4	140,130	141,715	141,390	99,019
<i>% change over same period in previous year</i>				
2002 Q4	26.4	22.9	27.0	23.5
2003 Q1	23.4	22.2	23.3	20.5
Q2	21.9	17.3	22.1	20.3
Q3	18.6	16.7	18.4	19.5
Q4	15.4	15.2	15.1	17.0

Source: HBOS, *Halifax House Price Index* (historical data)

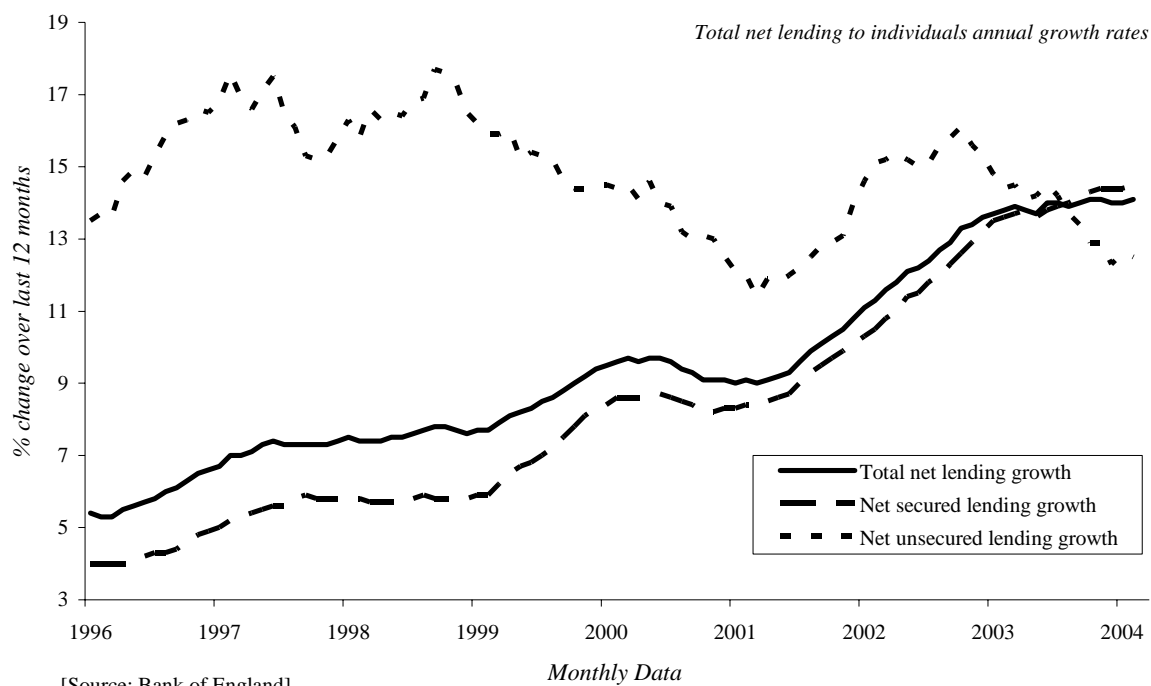
The ODPM now publishes, **currently in experimental form only**, its own house price index based on completions (cf. Halifax index, which is based on mortgage approvals):

- The average UK house price in January 2004 was £163,645, up from in £162,654 in December 2003. Annual house price inflation was 9.7% in January, compared with 8.3% in December. Regionally, annual house price inflation was highest in the North East (26.7%) and lowest in the East of England (4.0%) (these are all non-seasonally adjusted figures).

**Contact:** Ian Townsend, x3977

**Updates:** Halifax, *House Prices*, early Apr; ODPM, *House Prices*, 13 Apr; ODPM, *Housebuilding*, 21 May

## F5: Consumer borrowing



### Net lending to individuals

*£ millions and % changes on year; seasonally adjusted*

	Net Lending Outstanding			Net Lending Growth Rates		
	Secured	Unsecured	Total	Secured	Unsecured	Total
2000 Feb	500,397	117,682	618,079	8.6	14.4	9.6
2001 Feb	542,643	129,006	671,649	8.4	12.0	9.1
2002 Feb	601,147	143,579	744,726	10.5	15.1	11.3
2003 Feb	684,138	158,908	843,046	13.6	14.4	13.8
May	705,719	162,797	868,516	13.6	14.2	13.7
Aug	729,887	166,974	896,860	14.0	13.7	13.9
Nov	757,569	169,613	927,182	14.4	12.9	14.1
2004 Feb	783,882	172,302	956,184	14.5	12.5	14.1

Source: Bank of England, series: VTYI, VTYO, VTYC, VT XK, VTRI, VZXC

- Total net outstanding lending to individuals was £956 billion at the end of February 2004.
- Total net lending to individuals grew by 1.1% in February 2004 compared to the previous month, and grew by 14.1% on an annual basis (all seasonally adjusted). This represents an increase in growth of 0.1% compared to the annualised rates for January 2004.
- Of the £10.7 billion increase in net lending in February 2004, £9.0 billion was mortgage borrowing and £1.7 billion was consumer credit.