

Economic Trends

No 451
May 1991

Contents

	Page
Introduction	3
Symbols and definitions used	3
Latest developments in the economy	5
Table and charts	
Selected monthly indicators	7
National accounts aggregates	8
Gross domestic product: by category of expenditure	10
Personal disposable income and consumption	12
Real consumers' expenditure - component categories	12
Retail sales, new registrations of cars and credit business	14
Gross domestic product and shares of income and expenditure	16
Income, product and spending per head	16
Gross domestic fixed capital formation	18
Indicators of fixed investment by manufacturing industry	20
CSO inquiry into investment intentions: manufacturing industry	20
Indicators of fixed investment in dwellings	22
Stock changes	24
Stock ratios	24
Inland energy consumption	26
Index of output of the production industries	28
Index numbers of output at constant factor cost	30
Engineering and construction: output and orders	32
Motor vehicle production and steel production and consumption	34
Output per person employed	36
National employment and unemployment	38
Regional unemployment rates	40
Average earnings	42
Prices	44
Visible trade	46
Measures of UK competitiveness in trade in manufactures	48
Balance of payments: current account	50
Sterling exchange rates and UK official reserves	52
Monetary aggregates	54
Counterparts to changes in M4	56
General government receipts and expenditure	58
Financial transactions of the public sector	58
Summary capital accounts and financial surplus or deficit	60
Appropriation account of industrial and commercial companies	62
Capital account and financial surplus/deficit of industrial and commercial companies	64
Financial transactions including net borrowing requirement of industrial and commercial companies	64
UK banks' lending to UK residents	66
UK banks' loans, advances and acceptances to UK residents	66
Interest rates, security prices and yields	68
A selection of asset prices	70
Cyclical indicators for the UK economy	71
Measures of variability of selected economic series	83
Index of sources	84
Other	
Release dates of economic statistics to be published next month	inside front cover
Articles published in recent <i>Economic Trends</i>	last page of book

Latest developments in the economy

Data available at 5 June 1991

DATA PUBLISHED BY CSO

Gross domestic product

Preliminary estimates suggest that in the first quarter of 1991 the output of the whole economy was $\frac{1}{2}$ per cent lower than in the previous quarter. The preliminary output based estimate of gross domestic product in the first quarter is 113.1 (seasonally adjusted at 1985 prices with 1985=100), $2\frac{1}{2}$ per cent lower than a year earlier.

Compared with the previous quarter, the output of the service sector is estimated to have fallen $\frac{1}{2}$ per cent. Within the service sector, the output of distribution, hotels and catering fell by less than 1 per cent. The output of the production industries was little changed from the previous quarter. Manufacturing output was 1 per cent lower, while the output of the energy sector in the first quarter rose by 3 per cent.

Output

In the three months to March, the output of the production industries is provisionally estimated to have changed little compared with the previous quarter, and fallen by 3.1 per cent compared with the same period a year earlier. The provisional index of production figure for March is 107.1 (1985=100). The index covers the manufacturing and energy industries, and all figures are seasonally adjusted.

Manufacturing output fell by 1.1 per cent in the three months to March compared with the previous three months, and by 5.1 per cent on the same period a year earlier. Within manufacturing, between the latest three month periods, the output of the metals industry fell by 5.5 per cent, chemicals rose by 0.1 per cent, engineering and allied industries fell by 0.3 per cent, "other manufacturing" fell by 1.9 per cent, "other minerals" fell by 3.7 per cent, textiles and clothing fell by 1.4 per cent, and food, drink and tobacco fell by 1.4 per cent.

The output of the energy sector was 2.9 per cent higher than in the preceding three months, and 2.8 per cent up on the same period a year earlier.

By market sector, between the latest three month periods, the output of the investment goods industries rose by 1.7 per cent, the output of the consumer goods industries fell by 2.3 per cent, and the output of the intermediate goods industries rose by 0.3 per cent.

Producer prices

The input price index for materials and fuel purchased by manufacturing industry fell by 1.4 per cent in the twelve months to April, following a fall of 2.5 per cent in the twelve months to March. From March to April, the index rose by 0.7 per cent, reflecting rises in the prices of metals and home-produced food manufacturing materials. The seasonally adjusted index also rose by 0.7 per cent between March and April.

The increase over twelve months in the output price index for home sales of manufactured products was 6.4 per cent in April, compared with an increase of 6.2 per cent in March. The index rose by 1.2 per cent between March and April, of which 0.7 per cent was accounted for by changes in excise duty announced in the Budget.

Retail prices

The general index of retail prices for 16 April was 133.1 (January 1987=100), which was an increase of 1.3 per cent on March and of 6.4 per cent since April 1990. The latter compared with an annualised figure of 8.2 per cent in March, and was the lowest annual rate since November 1988.

Between March and April the Budget increases in excise duties and VAT were offset by the sharp reduction in Community Charges. There were however some additional price rises for food, alcoholic drinks, catering, motoring costs and leisure services as well as increases in rents and charges for utilities and insurance. Mortgage interest rates fell.

The tax and price index for April was 125.4 (January 1987=100), representing an increase of 6.1 per cent over the previous twelve months.

Retail sales

The provisional, seasonally adjusted estimate of retail sales volume in April was 118.5 (1985=100). In February to April sales were 1.1 per cent up on the previous three months, but 0.7 per cent down on the same period a year earlier. Separate indices for broad kinds of business are not published at the provisional stage, but it appears that sales by all sectors were lower than in March, with sales by household goods retailers particularly so.

Based on non-seasonally adjusted data, the provisional estimate of retail sales value in current prices in April was 5 per cent higher than in April 1990.

Balance of payments

In April the current account deficit was £0.3 billion, little changed from March. In the three months to March there was a deficit of £0.9 billion, compared with £1.2 billion in the previous three months.

The visible deficit in April was £0.8 billion, close to the figure for March. In the three months to April the visible deficit was £2.4 billion, compared with £3.1 billion in the preceding three months.

In April the value of exports was £8.5 billion, little changed from March. In the three months to April, the value of exports was 1 per cent lower than in the previous three months and $\frac{1}{2}$ per cent lower than a year earlier. On a volume basis, excluding oil and the erratic items, exports in the three months to April were $1\frac{1}{2}$ per cent higher than in the previous three months, and $3\frac{1}{2}$ per cent higher than a year earlier.

Imports in April were valued at £9.3 billion, little changed from March. In the three months to April, the value of imports was $3\frac{1}{2}$ per cent lower than in the previous three months, and 12 per cent lower than a year earlier. Excluding oil and erratics, import volume in the three months to April was little changed from the previous three months, but 4 per cent lower than a year earlier.

Invisibles are projected to be in surplus by £0.5 billion in April, with a surplus on transactions by the private sector partly offset by a deficit on government transactions. Revisions to projections can be substantial.

Public sector borrowing requirement

Provisional estimates put the public sector borrowing requirement at £2.1 billion in April. Privatisation proceeds were £1.1 billion. The PSBR excluding privatisation proceeds was £3.2 billion in April.

DATA PUBLISHED BY OTHER DEPARTMENTS

Official reserves

The overall level of the UK's official reserves rose by \$120 million in May, bringing the end of May reserves to \$43,711 million (£25,667 million), compared with \$43,591 million (£25,336 million) at the end of April.

The underlying change in the reserves during May was an increase of \$135 million.

The underlying change excludes a number of factors that are included in the total change. Proceeds from the month's tender of UK ECU Treasury Bills amounted to \$1,169 million. The underlying change also excludes maturing UK ECU Treasury Bills of \$1,167 million and repayments of borrowing under the exchange cover scheme of \$17 million.

Exchange rate

The sterling exchange rate index (1985=100) was 91.7 in May, compared with 92.3 in April.

Unemployment and vacancies

In April, the seasonally adjusted level of unemployment in the UK increased by 84,100 to 2,175 million, 7.6 per cent of the workforce. Over the past six months, unemployment has risen by 78,400 per month on average.

The stock of unfilled vacancies at jobcentres decreased by 18,400 to a seasonally adjusted 125,100 in the month to April. Over the three months to April, vacancies have decreased on average by 6,200 a month.

Employment

The number of employees in employment in manufacturing industries in Great Britain stood at 4,872,000 in March, the lowest figure in the present statistical series. There has been a drop of 97,000 over the last three months. Manufacturing employment fell by 209,000 in the latest year, compared with a fall of 33,000 in the previous 12 months.

The UK workforce in employment (employees in employment, the self-employed, HM Forces and participants in work related government training programmes) stood at 26,667,000 in December, representing a fall of 142,000 in the quarter. Employment over the year to December 1990 fell by 177,000.

Earnings

The underlying increase in average weekly earnings in the year to March was about 9 per cent. This was a fall of $\frac{1}{2}$ per cent from the increase in the year to February. The actual increase in the year to March, at 8.7 per cent, was below the underlying increase as arrears of pay were higher a year ago and timing adjustments were made in respect of bonuses paid in March 1990 but in different months in 1991.

In the production industries, the underlying increase in average weekly earnings in the year to March was about $8\frac{1}{2}$ per cent, a fall of $\frac{1}{2}$ per cent on the increase in the year to February, which has been revised down from $9\frac{1}{2}$ per cent. Within this sector, the underlying increase in manufacturing industries in the year to March was about $8\frac{1}{2}$ per cent. This was a fall of about $\frac{1}{2}$ per cent on the increase in the year to February, which has been revised down from $8\frac{1}{2}$ per cent. The actual increases for production and manufacturing in the year to March, were 8.7 and 8.1 per cent respectively.

In the service industries, the underlying increase in average weekly earnings in the year to March was about $9\frac{1}{2}$ per cent, the same as the increase in the year to February. The actual increase in the service industries was 8.8 per cent.

Productivity

Manufacturing output per head in the three months to March was about 0.5 per cent higher than in the three months ending December but 1.9 per cent lower than in the same period a year earlier. Output per head in the whole economy was about 0.4 per cent lower in the fourth quarter than in the previous quarter, and about 0.8 per cent lower than in the corresponding quarter a year earlier.

Unit wage and salary costs

In the three months to March, wages and salaries per unit of output in manufacturing were 11.0 per cent above the corresponding period a year earlier. This increase exceeded the rise in average earnings in manufacturing because of the fall in productivity of 1.9 per cent over this period. In the fourth quarter of 1990, wages and salaries per unit of output in the whole economy were 11.3 per cent above the corresponding period a year earlier. Once again, this increase exceeded the rise in average earnings because of the fall of about 0.8 per cent in productivity.

Monetary aggregates

Provisional information suggests that in the 12 months to April, and before seasonal adjustment, M0 increased by 0.5 per cent, and M4 by 9.9 per cent. In April, again before seasonal adjustment, M0 increased by 1.1 per cent, and M4 increased by 0.5 per cent. After seasonal adjustment, M0 rose by 0.5 per cent, and M4 rose by 1.3 per cent.