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Economic Trends

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Contents

	Page
Introduction	iv
Symbols and definitions used	iv
Articles	
Economic Update	2
International economic indicators	5
Regional economic indicators	12
Recent trends in overseas direct investment	19
Tables and charts	
1. Summary	
1.1 Selected monthly indicators	T1
2. UK Economic Accounts	
2.1 National accounts aggregates	T2
2.2 Gross domestic product: by category of expenditure	T4
2.3 Gross domestic product and shares of income and expenditure	T6
2.4 Income, product and spending per head	T6
2.5 Personal disposable income and consumption	T8
2.6 Real consumers' expenditure - component categories	T8
2.7 Gross domestic fixed capital formation	T10
2.8 Index numbers: gross domestic product: at constant factor cost	T12
2.9 Summary capital accounts and financial surplus or deficit	T14
2.10 Appropriation account of industrial and commercial companies	T16
2.11 Capital account and financial surplus/deficit of industrial and commercial companies	T18
2.12 Financial transactions including net borrowing requirement of industrial and commercial companies	T18
2.13 Balance of payments: current account	T20
2.14 Visible trade (on a balance of payments basis)	T22
2.15 Measures of UK competitiveness in trade in manufactures	T24
3. Prices	
3.1 Prices	T26
4. Labour market	
4.1 Average earnings	T28
4.2 National employment and unemployment	T30
4.3 Regional unemployment rates	T32
4.4 Labour force survey: economic activity seasonally adjusted	T34
4.5 Labour force survey: economic activity not seasonally adjusted	T36
4.6 Labour force survey: economic activity by age	T40
4.7 Output per person employed	T42
5. Selected output and demand indicators	
5.1 Index of output of production industries	T44
5.2 Engineering and construction: output and orders	T46
5.3 Motor vehicle production and steel production and consumption	T48
5.4 Indicators of fixed investment by manufacturing industry	T50
5.5 Indicators of fixed investment in dwellings	T52
5.6 Number of property transactions in England and Wales	T54
5.7 Stock changes	T56
5.8 Stock ratios	T56
5.9 Retail sales, new registrations of cars and credit business (Great Britain)	T58
5.10 Inland energy consumption	T60
6. Selected financial statistics	
6.1 Sterling exchange rates and UK official reserves	T62
6.2 Monetary aggregates	T64
6.3 Counterparts to changes in M4	T66
6.4 General government receipts and expenditure	T68
6.5 Financial transactions of the public sector	T68
6.6 UK banks' lending to UK residents	T70
6.7 UK banks' loans, advances and acceptances to UK residents	T70
6.8 Interest rates, security prices and yields	T72
6.9 A selection of asset prices	T74
Cyclical indicators for the UK economy	T75
Measures of variability of selected economic series	T87
Index of sources	T88
Release dates of economic statistics as at 30 September 1994	T94
Other	

ECONOMIC UPDATE - SEPTEMBER 1994

(includes data up to 23 September 1994)

Summary

- GDP at constant factor cost rose by 1.1 per cent between 1994 Q1 and 1994 Q2.

- UK claimant unemployment, seasonally adjusted, fell by 34,200 in August.

- The 12-month rate of increase of the RPI rose slightly to 2.4 per cent in August.

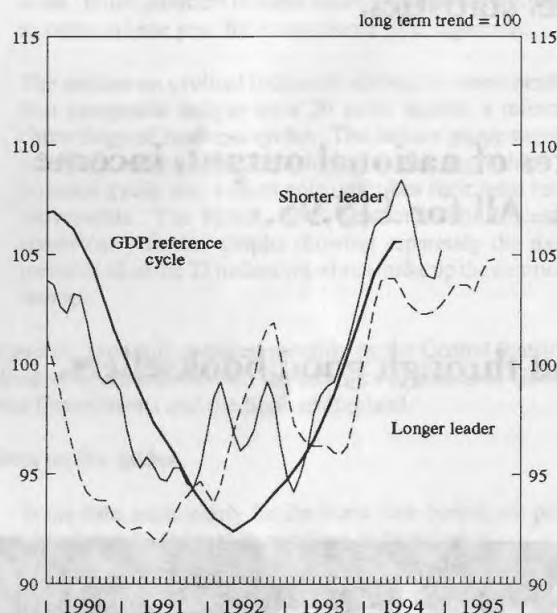
- The trade deficit with non-EC countries narrowed to £1.1 billion in the three months to August.

Activity

Gross domestic product (GDP), at constant factor cost rose by 1.1 per cent between 1994 Q1 and 1994 Q2. Excluding oil and gas extraction, GDP rose by 1.0 per cent.

2. The CSO's coincident cyclical indicator continued to rise in July 1994. Partial information suggest that the shorter leading index and the longer leading index also rose. Chart 1 shows the latest movements in the leading indicators and the reference cycle.

Chart 1
Leading cyclical indicators



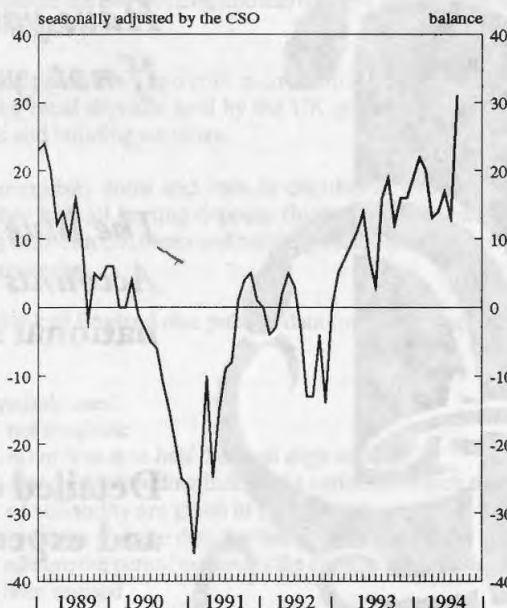
Output and expectations

3. Output increased in all sectors between 1994 Q1 and 1994 Q2. There was a rise of 2.1 per cent in output from the

production industries, including a rise of 1.5 per cent in manufacturing output over this period. Latest estimates of trends in production and manufacturing output are 5 per cent and 5½ per cent per annum respectively. Services output rose by 0.7 per cent, while output of the construction industries rose by 0.9 per cent between 1994 Q1 and 1994 Q2.

4. The CBI Monthly Trends Enquiry in manufacturing revealed that the balance for output expectations in the next 4 months, seasonally adjusted, rose sharply from 13 per cent in July to 31 per cent in August. The growth in manufacturing output expectations is shown in chart 2.

Chart 2
CBI output expectations



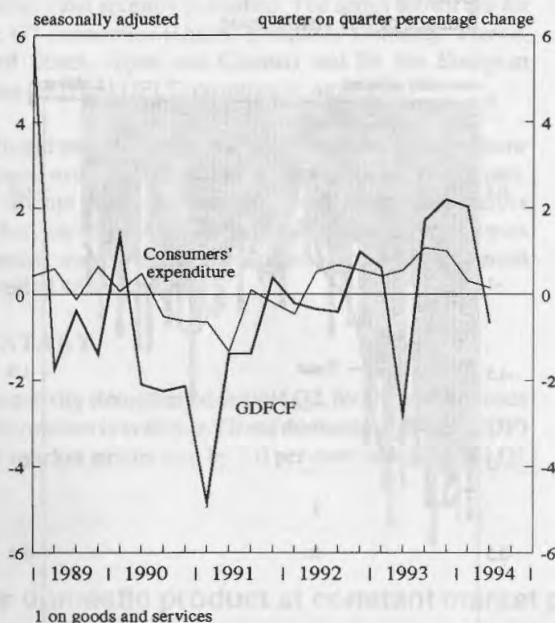
Indicators of domestic demand

5. Total domestic expenditure, in constant 1990 prices, rose by 0.4 per cent between 1994 Q1 and 1994 Q2. Within this consumers' expenditure rose by 0.2 per cent. More timely figures on the volume of retail sales show that there was an increase of 0.6 per cent in the three months to August compared with the previous three months and a rise of 3.3 per cent on a year earlier.

6. Net lending to consumers, on the narrower coverage and seasonally adjusted, fell from £1,281 million in the three months to April to £1,187 million in the three months to July.

7. **Gross domestic fixed capital formation**, at constant 1990 prices, fell by 0.7 per cent between 1994 Q1 and 1994 Q2. The growth rates of gross domestic fixed capital formation and consumers expenditure are shown in chart 3.

Chart 3
Consumers' expenditure¹ and gross domestic capital formation (GDFCF)



Prices and wages

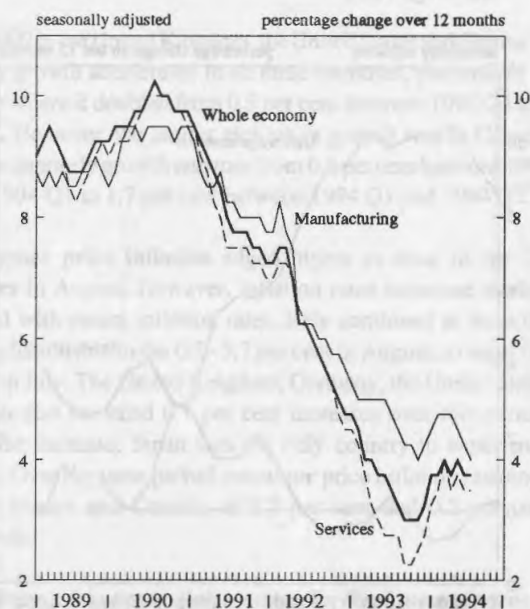
8. The 12-month rate of increase of the **retail prices index (RPI)** edged higher. It rose from 2.3 per cent in July to 2.4 per cent in August. **Excluding mortgage interest payments**, the 12-month rate also rose slightly - from 2.2 per cent in July to 2.3 per cent in August. This rate continues to remain well within the government's target range of 1-4 per cent.

9. The annual rise in the **output price index for manufactured products** (home sales), seasonally adjusted and excluding food, beverages, tobacco and petroleum, rose from 1.9 per cent in July to 2.1 per cent in August. Over the same period the annual change in **input prices** (all manufacturing), seasonally adjusted, rose from 3.2 per cent in July to 3.4 in August. Over the past year, prices of most categories of imported materials have risen.

10. **Expectations of price increases** rose strongly in August. The CBI Monthly Trends Enquiry for manufacturing showed a balance of 20 per cent, seasonally adjusted by the CSO, expecting to raise prices in the next four months

11. The annual rise in underlying **whole economy average earnings** for Great Britain, shown in chart 4, remained at 3½ per cent in July - the same as in June. Within this, underlying earnings growth in manufacturing fell from 4¼ per cent in June to 4 per cent in July. Over the same period underlying average earnings growth in services remained at 3½ per cent.

Chart 4
Whole economy underlying earnings in GB



Labour market and productivity

12. **UK claimant unemployment**, seasonally adjusted, fell in August by 34,200 to 2.596 million, or 9.2 per cent of the workforce. In the three months to August the average monthly fall was 21,700 compared with an average fall of 30,600 in the three months to May.

13. The **UK workforce in employment**, seasonally adjusted, is estimated to have fallen by 34,00 between 1994 Q1 and 1994 Q2 to 25.232 million. This measure of jobs differs from the count of people in employment in Great Britain available from the quarterly Labour Force Survey which shows a rise of 80,000, seasonally adjusted, between the Winter 1993/94 and Spring 1994 to 24.986 million.

14. In the three months to July, **productivity in manufacturing** was 4.8 per cent up on the three months to July 1993. **Unit wage costs in manufacturing** fell by 0.5 per cent over the same period. **Whole economy productivity** rose by 3.8 per cent between 1993 Q2 and 1994 Q2. **Unit wage costs** fell by 0.3 per cent over the same period. Chart 5 shows the continued improvement in productivity and fall in unit wage costs.

Monetary indicators

15. The annual growth of **narrow money (M0)**, seasonally adjusted, fell from 6.5 per cent in July to 6.3 per cent in August, outside the Government's monitoring range of 0-4 per cent. Annual growth of **broad money (M4)**, seasonally adjusted, provisionally also fell - from 4.8 per cent in July to 4.7 per cent in August. It remains well within the monitoring range of 3-9 per cent. The reduced growth of monetary aggregates in recent months is shown in chart 6.

Chart 5

Whole economy - productivity and unit wage costs

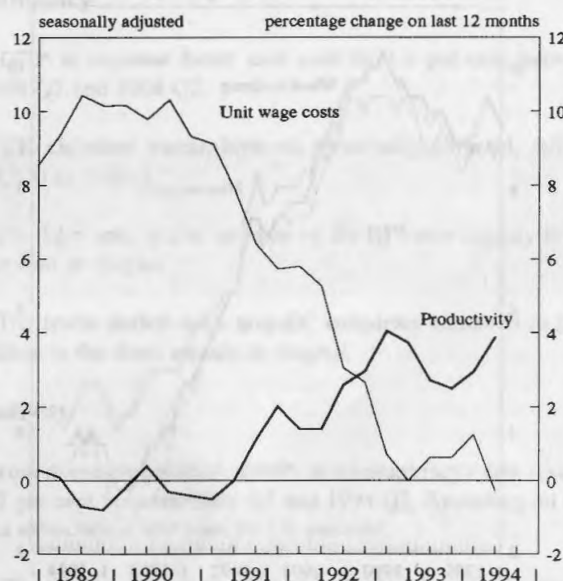
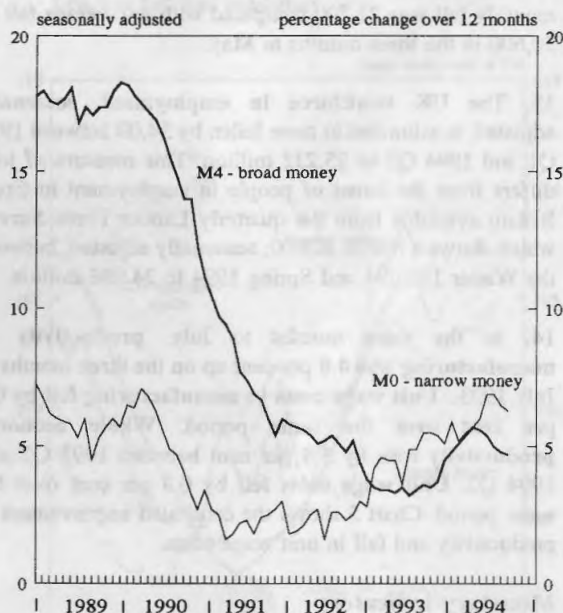


Chart 6

Annual growth of monetary aggregates



Government finances

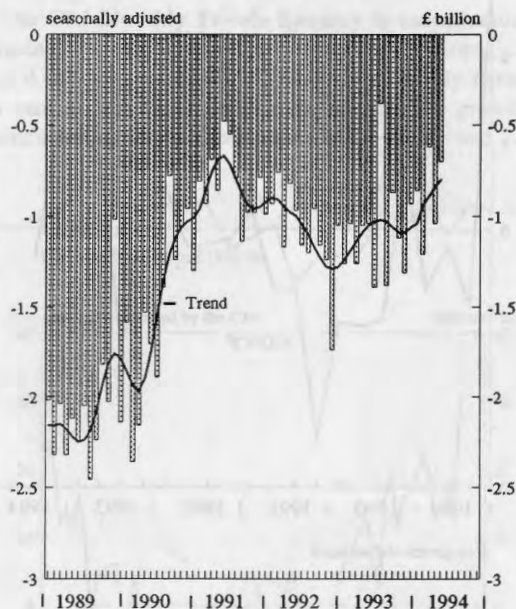
16. The **public sector borrowing requirement (PSBR)** was £15.5 billion in the first five months of 1994/95 - £2.6 billion below that recorded in the first five months of 1993/94. **Excluding privatisation proceeds**, borrowing was £17.7 billion - £3.9 billion below the level in 1993/94.

Balance of payments

17. The deficit on the **balance of UK visible trade**, shown in chart 7, fell from £2.9 billion in the three months to March to £2.4 billion in the three months to June. Over this period the **volume of total exports, excluding oil and erratics**, rose by 2½ per cent. On the same basis **imports** remained broadly unchanged.

Chart 7

Balance of UK visible trade



18. More timely data on **trade with non-EC countries** shows that the deficit narrowed from £1.8 billion in the three months to May to £1.1 billion in the three months to August. The trend in visible trade continues to show a reduction in the deficit. In the three months to August, **export volumes, excluding oil and erratics** rose by 3½ per cent compared with the previous three months. On the same basis **imports** fell by 4½ per cent. Over this period, the **terms of trade, excluding oil**, fell by 2½ per cent.

INTERNATIONAL ECONOMIC INDICATORS

(includes data up to 20 September 1994)

INTRODUCTION

The series presented here are taken from the Organisation of Economic Co-operation and Development's (OECD) Main Economic Indicators, except for the United Kingdom where several of the series are those most recently published. The series shown are for each of the G7 economies (United Kingdom, Germany, France, Italy, United States, Japan and Canada) and for the European Communities (EC) and OECD countries in aggregate.

2. The length and periodicity of the series have been chosen to show their movement over a number of years as well as the recent past. There is no attempt here to make cross country comparisons across cycles. Further, because the length and timing of these cycles varies across countries, comparisons of indicators over the same period should be treated with caution.

COMMENTARY

3. Growth in activity strengthened in 1994 Q2, for all the economies on which information is available. **Gross domestic product (GDP) at constant market prices** rose by 1.0 per cent between 1994 Q1

and 1994 Q2 in the United Kingdom, the United States and Germany. Quarterly growth accelerated in all three countries, particularly in Germany where it doubled from 0.5 per cent between 1993 Q4 and 1994 Q1. However, the largest pick up in growth was in Canada, where the quarterly growth rate rose from 0.6 per cent between 1993 Q4 and 1994 Q1 to 1.7 per cent between 1994 Q1 and 1994 Q2.

4. **Consumer price inflation** edged higher in most of the G7 economies in August. However, inflation rates remained modest compared with recent inflation rates. Italy continued to have the highest inflation rate in the G7 - 3.7 per cent in August, a rise of 0.1 per cent on July. The United Kingdom, Germany, the United States and Japan also recorded 0.1 per cent increases over this period. Despite the increase, Japan was the only country to experience deflation. Over the same period, consumer price inflation remained stable in France and Canada, at 1.7 per cent and 0.2 per cent respectively.

5. No additional data was available on **standardised unemployment** rates by 20 September 1994.

1 Gross domestic product at constant market prices: index numbers

1985 = 100

	United Kingdom ¹	Germany ²	France	Italy	EC	United States	Japan ³	Canada	Major 7	OECD
	FNAO	GABI	GABH	GABJ	GAEK	GAEH	GAEL	GAEG	GAEO	GAEL
1980	90.5	94.3	92.7	93.3	92.9	88.2	82.9	87.2	88.7	89.0
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	104.4	102.3	102.5	102.9	102.9	102.9	102.7	103.1	102.9	103.0
1987	109.3	103.7	104.8	106.1	105.9	106.1	107.1	107.6	106.3	106.3
1988	114.8	107.5	109.5	110.5	110.4	110.3	113.8	112.9	111.0	110.9
1989	117.3	111.4	114.2	113.7	114.2	113.0	119.3	115.4	114.5	114.5
1990	117.8	118.0	117.1	116.1	117.6	114.4	125.1	114.8	117.1	117.5
1991	115.4	124.0	118.0	117.5	119.3	113.7	130.3	113.1	118.1	118.4
1992	114.8	125.7	119.4	118.4	120.4	116.3	132.2	113.4	120.0	120.2
1993	117.2	123.6	118.2	117.6	119.9	120.0	132.2	116.1	121.6	122.0
1991 Q2	115.4	124.6	117.6	117.2	119.2	113.7	129.8	113.4	118.0	118.3
Q3	115.1	123.7	118.4	117.7	119.5	114.0	131.0	113.2	118.4	118.7
Q4	115.3	124.3	118.8	118.5	119.9	114.0	131.8	113.6	118.7	119.0
1992 Q1	114.5	126.4	119.7	119.0	120.8	114.9	132.6	113.2	119.4	119.9
Q2	114.6	126.1	119.4	119.0	120.6	115.6	132.2	113.4	119.6	120.1
Q3	115.1	125.7	119.4	117.9	120.1	116.6	132.1	113.7	120.0	120.3
Q4	115.3	124.7	119.1	117.8	119.8	118.2	131.9	113.5	120.7	120.9
1993 Q1	116.3	122.7	117.9	117.5	119.3	118.6	133.0	114.8	120.8	121.1
Q2	116.7	123.1	118.1	117.8	119.7	119.3	132.1	115.9	121.2	121.6
Q3	117.6	124.4	118.5	117.0	120.2	120.1	132.3	116.2	121.7	122.2
Q4	118.4	124.1	118.5	118.2	120.5	121.9	131.6	117.6	122.6	123.0
1994 Q1	119.4	124.7	119.2	118.2	..	122.9	132.6	118.3	123.5	..
Q2	120.7	125.9	..	..	..	124.1	..	120.3	..	..
Percentage change, latest quarter on corresponding quarter of previous year										
1994 Q1	2.7	1.6	1.1	0.6	..	3.6	-0.3	3.0	2.2	..
Q2	3.4	2.3	..	..	..	4.0	..	3.8	..	..
Percentage change, latest quarter on previous quarter										
1994 Q1	0.9	0.5	0.6	0.0	..	0.8	0.8	0.6	0.7	..
Q2	1.0	1.0	..	..	..	1.0	..	1.7	..	..

1 Estimates due to rebasing to 1990

2 Western Germany (Federal Republic of Germany before unification)

3 GNP

2 Consumer prices¹ Percentage change on year earlier

	United Kingdom	Germany ²	France	Italy	EC	United States	Japan	Canada	Major 7	OECD
1980	18.0	5.4	13.5	21.1	13.7	13.5	7.6	10.2	12.7	13.5
1985	6.1	2.1	5.8	8.6	6.2	3.5	2.2	4.0	4.0	4.9
1986	3.4	-0.1	2.5	6.1	3.7	1.9	0.8	4.2	2.1	3.0
1987	4.2	0.2	3.3	4.6	3.4	3.7	0.4	4.4	2.9	3.6
1988	4.9	1.3	2.7	5.0	3.6	4.1	1.0	4.0	3.3	4.3
1989	7.8	2.8	3.5	6.6	5.2	4.8	2.7	4.9	4.6	5.4
1990	9.5	2.7	3.4	6.1	5.6	5.4	3.1	4.8	5.0	5.8
1991	5.9	3.5	3.2	6.5	5.1	4.2	3.3	5.6	4.3	5.2
1992	3.7	4.0	2.4	5.3	4.2	3.0	2.9	1.5	3.1	4.0
1993	1.6	4.1	2.1	4.2	3.3	3.0	1.2	1.8	2.7	3.6
1993 Q2	1.3	4.2	2.0	4.1	3.3	3.1	1.0	1.7	2.7	3.6
Q3	1.7	4.2	2.2	4.3	3.5	2.7	1.6	1.7	2.7	3.7
Q4	1.6	3.7	2.1	4.1	3.2	2.7	1.2	1.9	2.5	3.5
1994 Q1	2.4	3.3	1.7	4.2	3.3	2.5	1.4	0.6	2.4	3.5
Q2	2.6	3.0	1.7	4.0	3.2	2.4	0.6	0.1	2.2	4.1
1993 Aug	1.7	4.2	2.2	4.5	3.5	2.8	1.8	1.7	2.7	3.7
Sep	1.8	4.0	2.3	4.2	3.3	2.7	1.3	1.9	2.6	3.5
Oct	1.4	3.9	2.2	4.2	3.2	2.8	1.3	1.9	2.6	3.6
Nov	1.4	3.6	2.2	4.1	3.1	2.7	0.9	1.9	2.4	3.4
Dec	1.9	3.7	2.1	4.0	3.3	2.7	1.3	1.7	2.6	3.6
1994 Jan	2.5	3.5	1.9	4.2	3.3	2.5	1.4	1.3	2.5	3.5
Feb	2.4	3.4	1.8	4.2	3.3	2.5	1.4	0.2	2.4	3.5
Mar	2.3	3.2	1.5	4.2	3.2	2.5	1.3	0.1	2.4	3.5
Apr	2.6	3.1	1.7	4.1	3.2	2.4	0.8	0.2	2.2	3.9
May	2.6	3.0	1.7	4.1	3.2	2.3	0.6	-0.1	2.2	4.2
Jun	2.6	3.0	1.8	3.7	3.1	2.5	0.5	0.0	2.2	4.3
Jul	2.3	2.9	1.7	3.6	..	2.8	-0.3	0.2	..	..
Aug	2.4	3.0	1.7	3.7	..	2.9	-0.2	0.2	..	..

1 Components and coverage not uniform across countries

2 Western Germany (Federal Republic of Germany before unification)

3 Standardised unemployment rates: percentage of total labour force¹

	United Kingdom	Germany ²	France	Italy	EC ³	United States	Japan	Canada	Major 7	OECD
	GABF	GABD	GABC	GABE	GADR	GADO	GADP	GADN	GAEO	GADQ
1980	6.4	3.1	6.3	7.5	6.4	7.1	2.0	7.4	5.5	5.8
1985	11.2	7.1	10.3	9.6	10.9	7.1	2.6	10.4	7.2	7.8
1986	11.2	6.4	10.4	10.4	10.8	6.9	2.8	9.5	7.1	7.7
1987	10.3	6.2	10.5	10.9	10.6	6.1	2.8	8.8	6.7	7.3
1988	8.6	6.2	10.0	10.9	9.9	5.4	2.5	7.7	6.1	6.7
1989	7.2	5.6	9.4	10.9	9.0	5.2	2.2	7.5	5.7	6.2
1990	6.8	4.8	8.9	10.3	8.4	5.4	2.1	8.0	5.6	6.1
1991	8.8	4.2	9.4	9.8	8.7	6.6	2.1	10.2	6.3	6.8
1992	10.0	4.6	10.4	9.8	9.5	7.3	2.1	11.2	6.8	7.4
1993	10.3	5.8	11.7	10.2	10.7	6.7	2.5	11.1	6.9	7.8
1994 Q1	9.9	6.5	12.5	10.8	11.3	6.5	2.8	11.0	7.0	8.0
Q2	9.5	6.6	12.6	..	11.3	6.1	2.8	10.6	6.8	7.8
1993 Jun	10.3	5.7	11.7	..	10.7	6.8	2.5	11.2	7.0	7.9
Jul	10.4	5.8	11.8	10.3	10.8	6.7	2.5	11.4	7.0	7.9
Aug	10.4	5.9	11.9	..	10.9	6.7	2.5	11.2	7.0	7.9
Sep	10.3	6.0	12.1	..	11.0	6.6	2.6	11.1	7.0	7.9
Oct	10.2	6.2	12.2	10.7	11.1	6.6	2.7	11.1	7.0	8.0
Nov	10.1	6.3	12.4	..	11.1	6.4	2.7	10.9	6.9	7.9
Dec	9.9	6.3	12.4	..	11.2	6.3	2.8	11.1	6.9	7.9
1994 Jan	10.0	6.4	12.5	10.8	11.3	6.6	2.7	11.3	7.0	8.0
Feb	9.9	6.5	12.5	..	11.3	6.4	2.9	11.0	7.0	8.0
Mar	9.7	6.5	12.6	10.8	11.3	6.5	2.8	10.5	7.0	8.0
Apr	9.6	6.6	12.6	..	11.3	6.4	2.8	10.9	6.9	7.9
May	9.5	6.6	12.7	..	11.3	6.0	2.8	10.7	6.8	7.8
Jun	9.5	6.6	12.6	..	11.3	5.9	2.8	10.3	6.7	7.8

1 Uses an ILO based measure of those without work, currently available for work, actively seeking work or waiting to start a job already obtained

2 Western Germany (Federal Republic of Germany before unification)

3 Excludes Denmark, Greece and Luxembourg

4 Balance of payments current account as percentage of GDP

	United Kingdom	Germany ^{1,2}	France	Italy	United States ¹	Japan ¹	Canada
1980	1.2	-1.7	-0.6	-2.6	0.1	-1.1	-0.6
1985	0.6	2.7	-0.1	-1.0	-3.1	3.7	-1.3
1986	-0.2	4.5	0.3	-0.2	-3.5	4.3	-2.8
1987	-1.2	4.1	-0.5	-0.3	-3.7	3.6	-2.8
1988	-3.5	4.2	-0.4	-1.1	-2.6	2.7	-3.5
1989	-4.4	4.8	-0.4	-2.2	-2.0	2.0	-4.1
1990	-3.5	3.1	-0.8	-2.1	-1.7	1.2	-3.8
1991	-1.4	-1.2	-0.5	-1.9	-0.1	2.3	-4.1
1992	-1.6	-1.2	0.3	-2.2	-1.1	3.2	-3.8
1993	-1.6	-1.3	0.8	-0.7	-1.6	3.1	-4.3
1993 Q4	-1.3	-2.2	1.3	1.9	-1.9	2.8	-4.5
1994 Q1	-0.6	-1.6	0.8	..	-2.0	3.3	-4.1
Q2	..	..	..	..	-2.2	0.2	-4.1

1 Balance as percentage of GNP

2 Western Germany (Federal Republic of Germany before unification)

5 Total industrial production: index numbers

1985 = 100

	United Kingdom ¹	Germany ²	France	Italy	EC	United States	Japan ³	Canada ⁴	Major 7	OECD ⁵
	DVZI	HFGA	HFFZ	HFGB	GACY	HFGD	HFGC	HFFY	GAES	GACX
1980	92.6	97.3	99.4	103.6	97.2	89.1	84.4	86.2	91.0	91.3
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.4	102.3	101.1	103.6	102.3	100.9	99.8	99.3	101.1	101.2
1987	106.5	102.7	103.1	107.6	104.8	105.9	103.3	104.1	104.9	104.9
1988	111.6	106.3	107.3	114.1	109.4	110.6	113.7	109.6	110.8	110.5
1989	114.0	111.4	111.3	117.6	113.5	112.3	120.3	109.4	114.1	114.1
1990	113.6	117.2	112.9	117.6	115.7	112.3	125.4	106.0	115.7	115.8
1991	109.2	120.7	113.2	116.8	115.8	110.2	127.8	102.2	115.1	115.2
1992	109.0	118.4	113.1	116.6	114.7	112.8	120.5	102.6	114.5	114.6
1993	111.3	109.7	109.9	113.8	111.1	117.5	115.3	107.4	114.5	114.5
1993 Q2	110.3	109.4	108.5	112.8	110.5	116.9	116.2	106.7	114.2	114.0
Q3	111.7	110.0	109.1	114.0	111.5	117.7	114.9	107.8	114.6	114.7
Q4	113.3	109.7	107.8	113.3	111.4	119.6	112.5	109.0	115.0	115.1
1994 Q1	114.4	109.5	110.3	113.2	112.1	122.0	114.4	109.3	116.5	116.6
Q2	116.8	112.8	..	..	..	123.3	..	..	..	..
1993 Jul	111.7	108.7	110.4	114.2	111.1	117.5	114.8	106.9	114.4	114.5
Aug	111.8	110.7	110.4	116.2	112.2	117.7	114.7	107.7	114.8	114.9
Sep	111.7	110.6	110.0	111.6	111.3	117.9	115.1	108.7	114.7	114.8
Oct	113.3	110.0	109.3	113.8	111.3	118.5	111.7	108.7	114.4	114.5
Nov	113.6	109.3	110.2	113.9	111.5	119.5	113.3	109.4	115.2	115.3
Dec	113.1	109.9	109.1	112.2	111.3	120.8	112.6	109.0	115.4	115.5
1994 Jan	114.1	107.9	110.4	111.9	111.0	121.4	113.1	109.3	115.7	115.7
Feb	114.8	110.1	110.1	114.1	112.6	121.8	112.6	108.8	116.2	116.4
Mar	114.2	110.6	110.9	113.5	112.7	122.8	117.5	109.9	117.7	117.6
Apr	116.4	112.5	113.2	118.2	114.8	123.0	114.8	111.3	118.1	118.1
May	116.9	112.4	113.5	118.1	..	123.2	113.7	..	118.0	118.1
Jun	117.0	113.5	..	..	..	123.7	..	..	..	..
Jul	117.0	..	..	..	..	..	..	..	..	..

Percentage change: average of latest three months on that of corresponding period of previous year

1994 Jun	5.8	3.1	..	..	..	5.5	..	..	..	..
Jul	5.4	..	..	..	..	..	..	..	..	..

Percentage change: average of latest three months on previous three months

1994 Jun	2.1	3.0	..	..	..	1.1	..	..	..	..
Jul	1.6	..	..	..	..	..	..	..	..	..

1 Estimates due to rebasing to 1990

2 Western Germany (Federal Republic of Germany before unification)

3 Not adjusted for unequal number of working days in a month

4 GDP in industry at factor cost and 1986 prices

5 Some countries excluded from area total

6 Producer prices (manufacturing) Percentage change on a year earlier

	United Kingdom	Germany ¹	France ²	Italy	EC	United States	Japan	Canada	Major 7	OECD
1980	15.9	6.8	9.2	..	11.3	13.5	14.8	13.3	13.2	13.2
1985	6.2	2.1	4.4	7.7	4.9	0.9	-0.8	2.8	1.9	3.0
1986	1.4	-2.4	-2.8	0.2	-0.8	-1.4	-4.7	0.9	-1.5	-1.1
1987	3.4	-0.6	0.6	3.0	1.3	2.1	-2.9	2.8	1.1	1.5
1988	3.7	1.6	5.2	3.6	3.4	2.5	-0.2	4.4	2.4	3.5
1989	4.8	3.4	5.4	5.9	5.0	5.1	2.1	1.9	4.4	5.3
1990	6.2	1.5	-1.2	4.1	2.4	5.0	1.6	0.3	3.4	3.9
1991	5.4	2.2	-1.3	3.3	2.1	2.1	1.0	-1.1	1.8	2.6
1992	3.1	1.6	-1.6	1.9	1.3	1.2	-0.8	0.5	0.9	1.6
1993	3.9	0.0	-2.8	3.8	1.0	1.3	-1.7	3.3	0.7	1.9
1993 Q4	3.9	-0.3	-2.2	3.9	1.3	0.3	-2.1	3.0	0.3	1.7
1994 Q1	3.1	0.0	-1.5	3.4	1.5	0.3	-2.1	3.3	0.3	2.1
Q2	2.2	0.3	..	..	..	-0.2	-2.0	4.9	..	..
1993 Jul	4.0	-0.3	..	4.2	1.0	1.3	-1.7	2.8	0.8	1.9
Aug	3.9	-0.2	..	4.4	1.2	0.5	-1.8	3.4	0.4	1.8
Sep	4.0	-0.4	..	4.3	1.1	0.4	-2.0	3.0	0.3	1.6
Oct	4.0	-0.4	..	4.1	1.3	0.3	-2.1	2.9	0.2	1.6
Nov	3.6	-0.4	..	3.8	1.3	0.4	-2.1	3.0	0.3	1.8
Dec	3.9	-0.2	..	3.7	1.3	0.3	-2.2	3.1	0.3	1.8
1994 Jan	3.5	-0.1	..	3.6	1.5	0.3	-2.1	2.6	0.3	1.8
Feb	3.2	0.1	..	3.6	1.6	0.2	-2.2	3.4	0.3	2.1
Mar	2.9	0.1	..	3.2	1.4	0.3	-2.3	3.8	0.3	2.3
Apr	2.3	0.3	..	3.0	1.5	-0.4	-2.2	4.2	0.0	3.5
May	2.2	0.4	..	3.2	1.5	-0.4	-2.0	4.9	0.1	3.9
Jun	2.1	0.5	..	..	..	0.0	-1.9	5.5	..	..
Jul	1.8	..	..	..	..	..	..	..	..	..

1 Western Germany (Federal Republic of Germany before unification).

2 Producer prices in intermediate goods

7 Total employment: index numbers¹

1985 = 100

	United Kingdom ²	Germany ^{3,4}	France ⁴	Italy	EC	United States ⁴	Japan	Canada ⁴	Major 7	OECD
	DMBC	GAAR	GAAU	GAAS	GADW	GADT	GADU	GADS	GAEU	GADV
1980	103.4	102	101.1	100	100	93	95	95	..	..
1985	100.0	100	100.0	100	100	100	100	100	100	100
1986	100.1	101	100.5	101	101	102	101	103	101	102
1987	102.1	102	100.9	100	102	105	102	106	103	103
1988	105.4	103	102.0	102	104	107	103	109	105	105
1989	108.1	104	103.5	101	106	110	106	111	107	107
1990	108.8	107	104.6	103	107	110	108	112	108	109
1991	105.9	109	104.6	104	108	109	110	110	108	108
1992	103.2	110	103.8	103	106	110	111	109	108	108
1993	102.0	108	102.5	99	104	111	111	110	108	108
1992 Q4	102.1	110	102.9	102	105	110	111	109	109	108
1993 Q1	101.7	108	102.5	100	104	109	109	107	107	106
Q2	101.7	108	102.8	98	104	111	112	111	109	108
Q3	102.2	108	102.7	99	104	113	112	113	109	109
Q4	102.2	107	101.8	97	104	113	111	110	109	108
1994 Q1	101.8	106	102.0	96	103	112	109	108	108	107
Q2	101.7	..	..	96	..	115	113	113	110	109
1994 Jun	..	..	..	96	..	116	113	116	110	109
Jul	..	..	..	..	..	116	112	117	110	..
Aug	..	..	..	..	..	116	..	..	..	..
Percentage change, latest quarter on that of corresponding period of previous year										
1994 Q1	0.1	-1.9	-0.5	-4.0	-1.0	2.8	0.0	0.9	0.9	0.9
Q2	0.0	..	..	-2.0	..	3.6	0.9	1.8	0.9	0.9
Percentage change latest quarter on previous quarter										
1994 Q1	-0.4	-0.9	0.2	-1.0	-1.0	-0.9	-1.8	-1.8	-0.9	-0.9
Q2	-0.1	..	..	0.0	..	2.7	3.7	4.6	1.9	1.9

1 Not seasonally adjusted except for the United Kingdom

2 Estimates due to rebasing to 1990

3 Western Germany (Federal Republic of Germany before unification)

8 Average wage earnings in manufacturing¹ Percentage change on a year earlier

	United Kingdom ²	Germany ³	France	Italy	EC	United States	Japan	Canada	Major 7	OECD
1980	17.8	6.5	15.2	18.7	10.3	8.6	7.5	10.9	9.0	10.9
1985	9.1	4.2	5.7	11.2	7.5	4.2	3.1	4.2	5.3	5.3
1986	7.7	4.0	3.9	4.8	5.0	2.0	1.4	3.0	3.0	4.0
1987	8.0	3.8	3.2	6.5	5.7	2.0	1.7	2.9	2.9	2.9
1988	8.5	4.6	3.1	6.1	5.4	2.9	4.6	3.8	4.7	4.7
1989	8.8	3.5	3.8	6.1	6.0	2.8	5.8	5.5	4.5	5.4
1990	9.3	5.1	4.5	7.2	7.3	3.6	5.4	5.2	5.2	5.9
1991	8.2	5.7	4.3	9.8	7.5	2.6	3.5	4.9	4.9	4.8
1992	6.6	6.2	3.6	5.4	5.6	2.6	1.0	3.1	3.1	3.8
1993	4.5	..	2.6	3.4	4.6	2.5	0.2	2.3	3.0	2.9
1993 Q3	4.4	..	2.3	4.1	4.6	2.5	0.4	1.5	3.0	2.9
Q4	4.0	..	2.2	3.8	4.5	3.3	-0.1	1.5	2.8	3.5
1994 Q1	4.8	..	2.0	4.3	5.2	3.3	2.9	2.2	3.9	3.8
Q2	..	..	2.3	4.1	..	2.4	..	..	..	..
1993 Jul	5.0	..	2.3	4.1	4.6	2.5	-1.2	2.3	2.0	2.7
Aug	3.6	..	..	4.1	4.6	2.5	2.3	2.3	3.1	3.0
Sep	4.5	..	..	4.2	4.6	2.5	1.5	1.5	3.2	3.1
Oct	3.8	..	2.2	3.9	4.5	3.3	0.6	1.5	3.2	3.8
Nov	4.0	..	..	3.9	4.5	2.5	1.7	1.5	3.1	3.8
Dec	4.0	..	..	3.6	4.5	3.3	-1.1	1.5	1.8	2.4
1994 Jan	4.8	..	2.0	4.0	4.5	2.5	4.5	1.5	3.9	3.8
Feb	4.4	..	..	4.3	4.5	3.3	1.7	1.5	3.1	3.0
Mar	5.3	..	..	4.5	5.2	3.3	2.4	1.5	3.1	3.8
Apr	4.7	..	2.3	4.6	5.2	2.4	1.9	1.5	3.1	3.8
May	4.0	..	..	4.6	4.5	2.4	0.6	2.2	3.1	3.8
Jun	..	..	..	3.0	..	2.4	..	..	..	..

1 Definitions of coverage and treatment vary among countries

2 Figures for Great Britain refer to weekly earnings; others are hourly

3 Western Germany (Federal Republic of Germany before unification)

9 Retail Sales (volume): index numbers

1985 = 100

	United Kingdom ²	Germany ¹	France	Italy	EC	United States	Japan	Canada	Major 7	OECD
	FAAM	GADD	GADC	GADE	GADH	GADA	GADB	GACZ	GAEW	GADG
1980	86.4	103.3	101.0	83.1	94.5	84.0	103.2	83.6	89.9	90.7
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	105.3	103.4	102.4	106.8	104.5	105.5	101.5	104.6	104.5	104.4
1987	110.6	107.5	104.5	112.0	108.8	108.4	107.1	110.3	108.3	108.1
1988	117.5	111.1	107.9	109.5	111.8	112.6	111.4	114.6	112.0	111.8
1989	119.9	114.1	109.5	117.1	116.1	115.6	115.8	114.5	115.4	115.3
1990	120.8	123.7	110.3	114.4	119.2	116.4	121.7	112.0	117.3	117.4
1991	119.4	130.7	110.3	111.3	120.0	114.0	124.2	100.4	116.3	116.6
1992	120.2	128.2	110.5	117.0	120.4	117.6	120.8	101.6	117.8	117.8
1993	124.4	122.8	110.7	113.3	118.1	123.8	114.9	104.7	119.8	118.9
1994 Q1	127.3	123.2	112.5	..	117.9	129.4	114.2	110.6	122.6	121.6
Q2	128.4	..	109.9	..	..	..	..	..	..	..
1993 Nov	126.1	122.0	109.1	114.2	117.7	127.4	113.6	105.8	121.5	120.3
Dec	126.1	121.3	110.1	105.2	116.2	129.0	112.4	106.5	121.5	120.3
1994 Jan	127.3	121.8	112.9	114.5	118.9	127.3	115.7	107.4	122.2	121.0
Feb	126.8	122.9	110.7	..	116.5	129.4	113.0	110.9	122.0	120.9
Mar	127.7	124.8	113.9	..	118.4	131.6	113.9	113.5	123.7	122.8
Apr	128.3	114.4	108.6	..	114.6	130.0	111.1	111.5	121.5	120.2
May	128.3	121.4	110.6	..	..	129.5	..	113.1	121.6	..
Jun	128.5	..	110.7	..	..	..	..	..	..	..
Jul	129.2	..	..	..	..	..	..	..	..	..
Aug	128.7	..	..	..	..	..	..	..	..	..

Percentage change average of latest three months on that of corresponding period of previous year

1994 Jul	3.6	..	..	..	..	..	..	..	..	..
Aug	3.3	..	..	..	..	..	..	..	..	..

Percentage change average of latest three months on previous three months

1994 Jul	0.8	..	..	..	..	..	..	..	..	..
Aug	0.6	..	..	..	..	..	..	..	..	..

1 Western Germany (Federal Republic of Germany before unification)

2 Estimates due to rebasing to 1990

Chart I: Gross domestic product

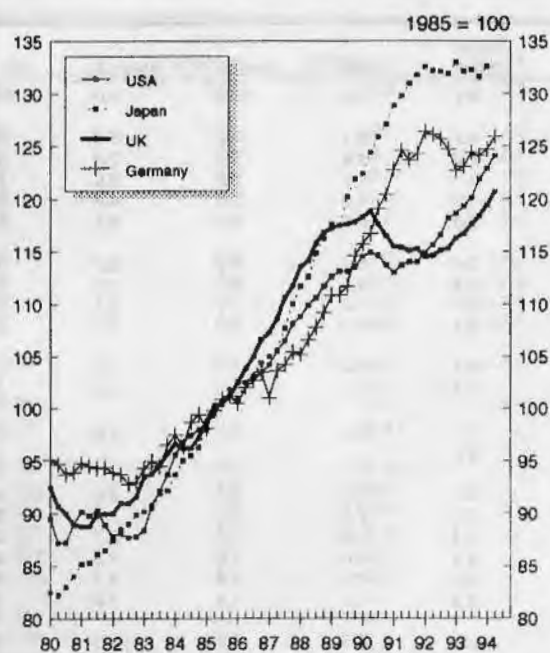


Chart II: Consumer price index

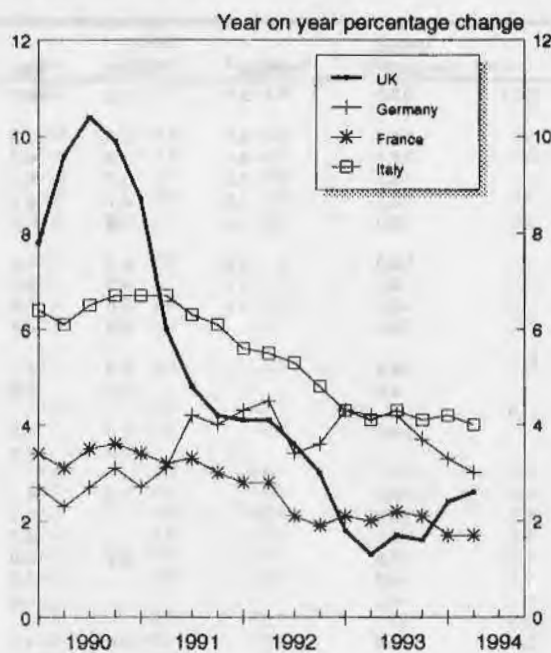


Chart III: Standardised unemployment

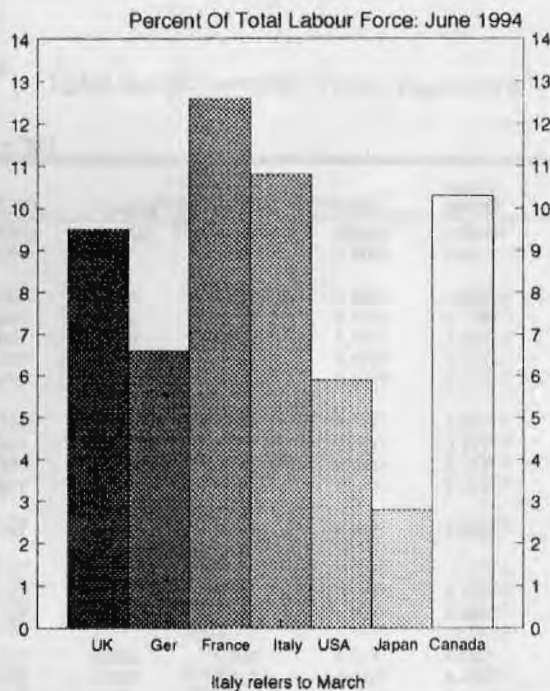


Chart IV: Current account balance - percentage of GDP at market prices

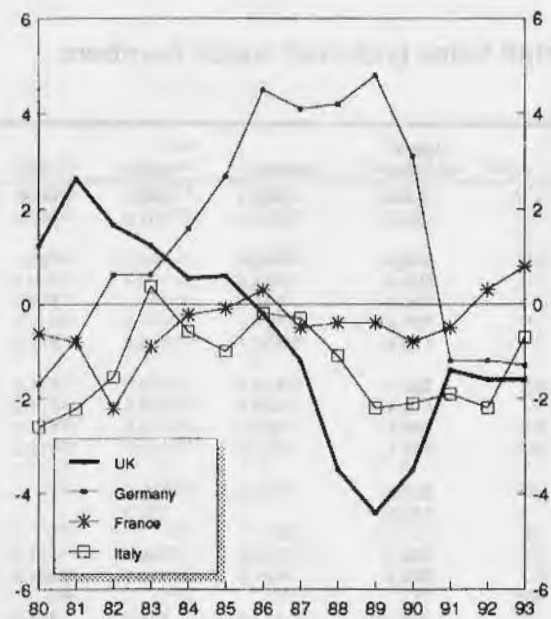


Chart V: Industrial production

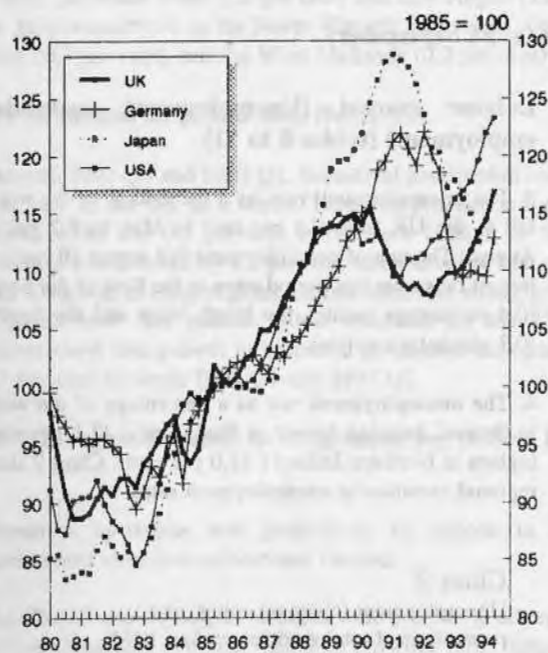


Chart VI: Producer price inflation

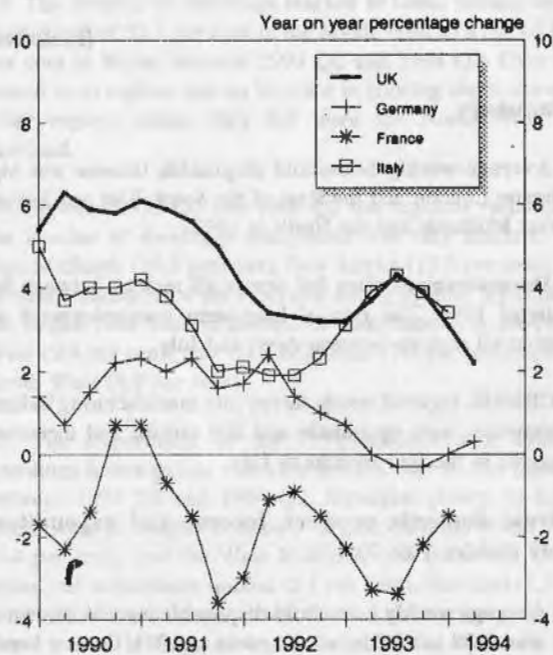


Chart VII: Employment

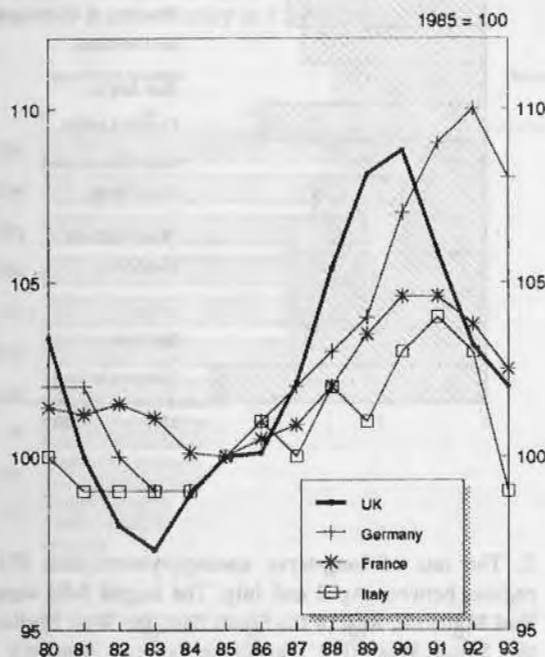
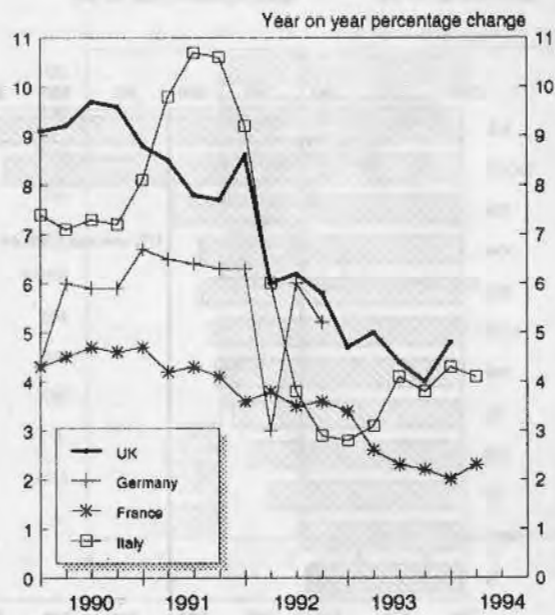


Chart VIII: Wage earnings (manufacturing)



REGIONAL ECONOMIC INDICATORS

(includes data up to 21 September)

Summary

- Average weekly household disposable income was highest in Greater London and the Rest of the South East and lowest in the West Midlands and the North in 1993.

- Unemployment rates fell across all regions between May and August 1994. The rate of long-term unemployment also fell across all regions between April and July.

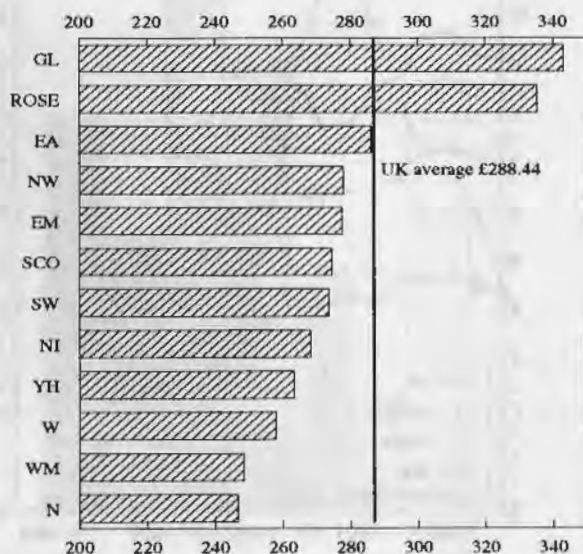
- CBI/BSL regional trends survey into manufacturing indicated that businesses were optimistic and that output had increased in all regions in the four months to July.

Gross domestic product, income and expenditure and pay (tables 1 to 7)

1. Average weekly household disposable income, shown in Chart 1, was £288 in the United Kingdom in 1993. Greater London and the Rest of the South East were the only regions with above the United Kingdom average disposable income, at £343 and £335 a week respectively. The West Midlands and the North had the lowest average disposable incomes at just under £250 a week.

Chart 1

Average weekly household disposable income in 1993



2. Average weekly disposable expenditure was £277 in the United Kingdom in 1993. Once again Greater London and the Rest of the South East, with spending over £320 a week, were the only regions with expenditure above the United Kingdom average. The West Midlands, the North and Wales all had average weekly expenditures below £250.

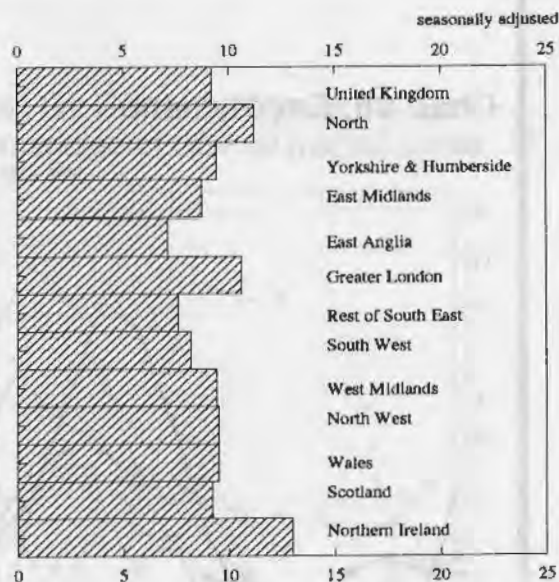
Labour market (Unemployment, redundancies, employment) (tables 8 to 11)

3. The unemployment rate, as a percentage of the workforce, fell in the UK from 9.4 per cent in May to 9.2 per cent in August. The rate of unemployment fell across all regions. The largest falls over this period were in the Rest of the South East (0.4 percentage points), the North West and the South West (0.3 percentage points).

4. The unemployment rate as a percentage of the workforce in August, remains lowest in East Anglia (7.1 per cent) and highest in Northern Ireland (13.0 per cent). Chart 2 shows the regional variation in unemployment rates.

Chart 2

Unemployment (claimant count) as a percentage of total workforce: Aug 1994



5. The rate of long-term unemployment also fell in all regions between April and July. The largest falls were in the East Midlands, Rest of the South East, the West Midlands and the South West (0.2 percentage points). Northern Ireland continues to have by far the largest rate of long-term unemployment (7.3 per cent).

6. The Spring 1994 Labour Force Survey showed that, in comparison with the winter 1993/94 LFS (for all the regions where figures were available), the rate of redundancies fell in all regions except the Rest of the South East, the North and the West Midlands. Redundancy rates fell most significantly in the South West and the North West.

7. **Employees in employment** rose in the UK by 0.4 per cent between March and June. Employment grew fastest in Wales, (1.6 per cent), the South West (1.5 per cent) and East Anglia (1.0 per cent). Employment fell in the North West (0.5 per cent), Greater London (0.3 per cent) and the West Midlands (0.2 per cent).

Index of industrial production (table 12)

8. Between 1993 Q4 and 1994 Q1, **industrial production** rose by 1.0 per cent in the UK as a whole. Industrial production rose by 0.5 in Scotland and 0.1 per cent in Northern Ireland. In Wales industrial production fell by 2.2 per cent. Growth below that of the United Kingdom in these regions implies relatively strong growth in England over this period. Latest estimates for the United Kingdom show that growth in industrial production strengthened to 2.1 per cent between 1994 Q1 and 1994 Q2.

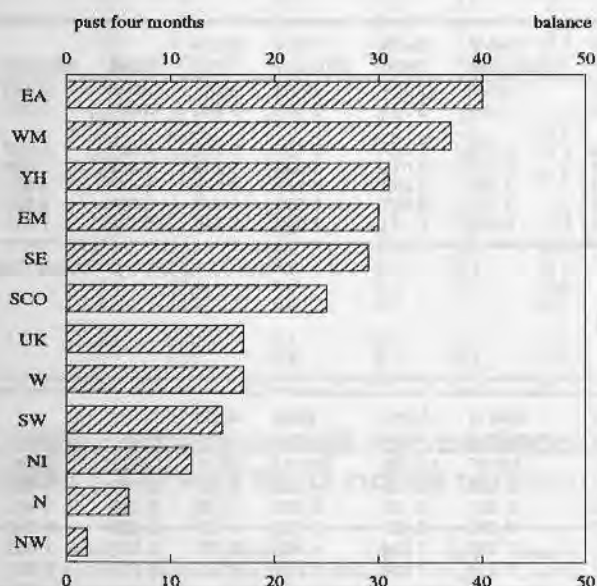
CBI/BSL regional trends in manufacturing (tables 13 to 17)

9. **Business optimism** was positive in all regions in July. Optimism was strongest in Northern Ireland.

10. As Chart 3 shows, **output** balances were positive in all regions (firms reporting rises in output less those reporting falls) indicating expanding output in the four months to July. Output growth was strongest in East Anglia, the West Midlands and Yorkshire and Humberside.

Chart 3

Volume of output: CBI/BSL
Regional Trends Survey in July 1994



11. **Output expectations** for the four months from July, were strongest in Wales and the South East. The only region expecting output to fall is Northern Ireland.

12. The balance reporting increased **volumes of new export orders** (next 4 months from July) was positive across all regions except Scotland, indicating continued growth in new export orders.

Dwellings (tables 18 to 20)

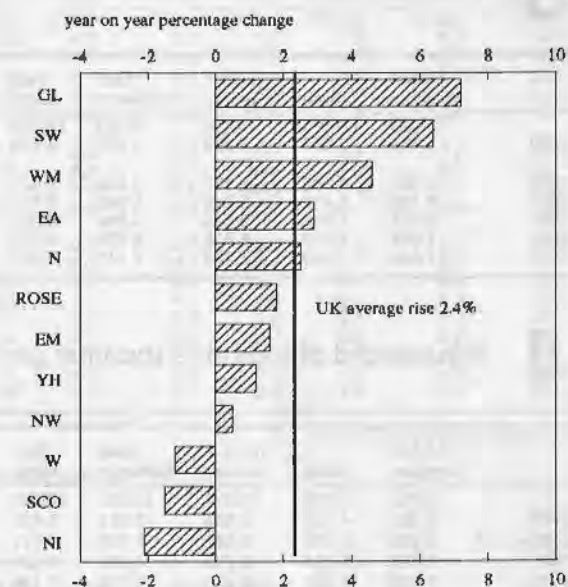
13. The number of **dwellings started** in Great Britain varied from a rise of 32.7 per cent in the South West to a fall of 15.6 per cent in Wales between 1993 Q2 and 1994 Q2. Over this period most regions saw an increase in housing starts; the only other regions where they fell were the North West and Scotland.

14. Between 1993 Q2 and 1994 Q2 the regional variation in the number of **dwellings completed** was very marked. The East Midlands (26.3 per cent), East Anglia (13.5 per cent) and Greater London (10.4 per cent) saw strong growth. By contrast the largest falls were in number of completions in the North West (9.9 per cent), the West Midlands (7.0 per cent) and the South West (5.9 per cent).

15. The Department of the Environment's mix adjusted dwellings **house prices index** for the UK rose by 2.4 per cent between 1993 Q2 and 1994 Q2. Strongest growth in house prices were in Greater London (7.2 per cent), the South West (6.4 per cent), and the West Midlands (4.5 per cent). House prices fell in Northern Ireland (2.1 per cent), Scotland (1.5 per cent) and Wales (1.2 per cent). Chart 4 shows the growth in house prices in England and falls in Wales, Scotland and Northern Ireland.

Chart 4

House prices - percentage change
1993 Q2 to 1994 Q2



VAT registrations and deregistrations (table 21)

16. The only region to show a net increase in VAT registrations in 1993 was Northern Ireland. This was the same in 1992. All regions except the North West and Scotland showed a reduction in the net number of VAT deregistrations.

1 Gross domestic product at factor cost: current prices

£ million and percentages

	United Kingdom ¹ (£m)	Percentage of the UK ¹											
		North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCIX	DCJF	DCJD	DCJC	DCIZ	DCPK	DCWH	DCJA	DCJB	DCJE	DCJG	DCJH	DCJI
1982	224 386	5.2	8.2	6.7	3.3	14.9	19.7	7.4	8.3	10.9	4.3	9.0	2.2
1983	245 668	5.1	8.1	6.6	3.3	14.9	20.1	7.4	8.3	10.7	4.2	8.9	2.2
1984	260 475	5.0	8.0	6.7	3.5	14.7	20.3	7.5	8.4	10.7	4.2	8.8	2.2
1985	289 515	5.0	8.1	6.7	3.5	14.8	20.3	7.5	8.5	10.5	4.1	8.7	2.2
1986	320 374	4.9	8.1	6.7	3.5	15.0	20.5	7.6	8.4	10.4	4.2	8.5	2.2
1987	351 254	4.9	8.0	6.7	3.5	15.1	20.6	7.6	8.4	10.3	4.2	8.5	2.1
1988	394 623	4.8	7.9	6.7	3.6	15.0	21.0	7.7	8.5	10.3	4.3	8.3	2.1
1989	434 974	4.8	7.9	6.7	3.6	15.0	21.1	7.7	8.4	10.2	4.3	8.3	2.1
1990	472 102	4.7	7.8	6.7	3.6	15.0	21.1	7.7	8.4	10.1	4.3	8.4	2.1
1991	488 971	4.8	7.9	6.8	3.6	14.8	20.9	7.7	8.4	10.0	4.3	8.5	2.2
1992	508 436	4.9	8.0	6.7	3.7	14.7	20.7	7.7	8.4	10.0	4.3	8.7	2.3

1 UK less continental shelf and statistical discrepancy.

Source: Central Statistical Office

2 Gross domestic product at factor cost: per head

£

	United Kingdom ¹	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCJJ	DCJR	DCJP	DCJO	DCJL	DCWS	DCJK	DCJM	DCJN	DCJQ	DCJS	DCJT	DCJU
1982	3 985	3 757	3 746	3 902	3 917	4 952	4 308	3 781	3 591	3 788	3 420	3 894	3 173
1988	6 915	6 145	6 312	6 650	6 901	8 772	7 820	6 538	6 413	6 366	5 955	6 419	5 299
1989	7 600	6 799	6 925	7 339	7 666	9 641	8 641	7 165	7 003	6 950	6 459	7 054	5 809
1990	8 223	7 266	7 480	7 893	8 326	10 407	9 339	7 783	7 643	7 460	6 968	7 752	6 328
1991	8 481	7 675	7 777	8 239	8 511	10 656	9 501	7 999	7 837	7 664	7 218	8 123	6 882
1992	8 766	7 994	8 105	8 370	8 959	10 819	9 736	8 300	8 137	7 932	7 545	8 616	7 185

1 UK less continental shelf and statistical discrepancy.

Source: Central Statistical Office

3 Total personal disposable income: per head

£

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCSD	DCSM	DCSK	DCSJ	DCSG	DCSF	DCWI	DCSH	DCSI	DCSL	DCSN	DCSO	DCSP
1982	3 392	3 252	3 222	3 272	3 194	4 235	3 548	3 351	3 103	3 230	3 064	3 252	2 844
1988	5 566	4 982	5 157	5 269	5 473	6 868	6 218	5 487	5 155	5 155	4 807	5 187	4 758
1989	6 166	5 412	5 749	5 966	6 149	7 697	6 847	6 071	5 699	5 716	5 237	5 659	5 294
1990	6 621	5 904	6 146	6 294	6 532	8 418	7 236	6 402	6 163	6 178	5 419	6 351	5 581
1991	7 044	6 480	6 635	6 730	6 956	8 858	7 463	6 767	6 559	6 670	5 899	6 904	6 173
1992	7 543	7 040	7 150	7 112	7 577	9 133	8 030	7 171	7 040	7 146	6 442	7 617	6 755

Source: Central Statistical Office

4 Household disposable income: per head

£

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DEPZ	DEQA	DEQB	DEQC	DEQD	DEQE	DEQF	DEQG	DEQH	DEQI	DEQJ	DEQK	DEQL
1988	5 306	4 817	4 934	5 011	5 420	6 301	5 838	5 466	4 852	4 897	4 737	5 089	4 589
1989	5 950	5 363	5 542	5 735	6 111	6 981	6 627	6 169	5 465	5 473	5 153	5 645	5 073
1990	6 663	6 024	6 245	6 368	6 828	7 747	7 273	6 807	6 183	6 167	6 020	6 558	5 669
1991	7 083	6 567	6 674	6 759	7 184	8 212	7 575	7 234	6 620	6 578	6 457	7 033	6 278
1992	7 503	7 060	7 136	7 096	7 712	8 582	7 914	7 616	6 998	6 988	6 978	7 640	6 748

Source: Central Statistical Office

5 Consumers' expenditure: per head

£

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCVD	DCVM	DCVK	DCVJ	DCVG	DCVE	DCWD	DCVH	DCVI	DCVL	DCVN	DCVO	DCVP
1982	3 008	2 740	2 664	2 828	2 894	3 780	3 235	3 021	2 821	2 889	2 731	2 856	2 440
1988	5 247	4 527	4 664	4 708	5 201	6 710	5 867	5 375	4 779	4 988	4 539	4 847	4 271
1989	5 720	4 932	5 090	5 309	5 707	7 246	6 375	5 806	5 303	5 430	5 001	5 177	4 680
1990	6 053	5 203	5 303	5 760	6 037	7 547	6 715	6 215	5 611	5 731	5 417	5 542	5 050
1991	6 333	5 548	5 632	5 968	6 343	7 769	7 021	6 485	5 832	6 028	5 760	5 789	5 352
1992	6 598	5 825	5 980	6 159	6 771	7 980	7 393	6 754	6 020	6 222	6 009	5 967	5 636

Source: Central Statistical Office

6 Average weekly household disposable income and expenditure

£

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
Average weekly disposable household income													
	DCXQ	DCXR	DCXS	DCXT	DCXU	DCXV	DCXW	DCXX	DCXY	DCXZ	DCYA	DCYB	DCYC
1993	288.44	246.67	263.31	277.52	286.01	343.15	335.40	273.51	248.47	277.82	257.85	274.52	268.24
Average weekly household expenditure													
	DCYD	DCYE	DCYF	DCYG	DCYH	DCYI	DCYJ	DCYK	DCYL	DCYM	DCYN	DCYO	DCYP
1993	276.68	245.94	263.06	262.15	260.46	321.95	320.64	268.14	238.19	261.81	249.45	264.84	255.32

Source: Family Expenditure Survey, Central Statistical Office

7 Total average gross weekly pay¹

£

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DEOG	DCQK	DCQI	DCQH	DCQE	DCPI	DEOH	DCQF	DCQG	DCQJ	DCQL	DCQM	DCQN
1991 Apr	283.80	258.00	257.90	261.30	268.90	361.10	295.30	265.60	261.10	267.10	252.20	265.30	245.90
1992 Apr	303.80	282.30	277.30	276.10	288.40	385.30	315.60	283.10	279.90	285.50	270.90	286.70	269.60
1993 Apr	316.00	288.60	287.40	285.70	292.20	408.00	328.70	298.40	291.90	296.80	281.20	296.80	282.40

¹ Average gross weekly earnings of full-time employees on adult rates whose pay for the survey pay-period was not affected by absence.

Sources: New Earnings Survey, Employment Department; Department of Economic Development, Northern Ireland

8 Unemployment (claimant count) as a percentage of total workforce

Seasonally adjusted

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCKH	DCKP	DCKN	DCKM	DCKJ	DCRA	DEOB	DCKK	DCKL	DCKO	DCKQ	DCKR	DCPL
1989	6.3	9.9	7.4	5.4	3.5	5.1	2.9	4.5	6.5	8.5	7.3	9.3	14.3
1990	5.8	8.7	6.7	5.1	3.7	5.0	3.1	4.4	5.8	7.7	6.7	8.1	13.0
1991	8.1	10.3	8.7	7.3	5.9	8.1	6.0	7.1	8.5	9.4	8.9	8.6	13.3
1992	9.8	11.3	10.0	9.1	7.8	10.6	8.3	9.4	10.6	10.8	10.0	9.4	14.0
1993	10.3	12.1	10.3	9.5	8.4	11.5	9.0	9.8	11.0	10.8	10.3	9.6	13.8
1993 Sep	10.3	12.1	10.3	9.5	8.1	11.7	9.1	9.4	10.9	10.7	10.4	9.7	13.9
Oct	10.1	11.9	10.1	9.3	7.9	11.5	8.9	9.2	10.7	10.4	10.2	9.6	13.7
Nov	10.0	11.8	10.0	9.2	7.8	11.4	8.7	9.1	10.5	10.3	10.1	9.5	13.6
Dec	9.8	11.7	9.9	9.1	7.6	11.2	8.5	8.9	10.3	10.2	10.0	9.4	13.4
1994 Jan	9.9	11.8	10.0	9.2	7.8	11.3	8.6	9.0	10.3	10.3	10.1	9.5	13.3
Feb	9.8	11.6	9.9	9.1	7.6	11.2	8.4	8.8	10.1	10.1	10.0	9.5	13.3
Mar	9.7	11.5	9.8	9.0	7.5	11.1	8.2	8.7	9.9	10.0	9.9	9.4	13.3
Apr	9.5	11.4	9.7	8.9	7.3	10.9	8.0	8.5	9.8	9.9	9.8	9.3	13.3
May	9.4	11.3	9.6	8.8	7.3	10.8	8.0	8.5	9.6	9.8	9.7	9.3	13.1
Jun	9.4	11.3	9.6	8.8	7.2	10.8	7.9	8.5	9.6	9.7	9.6	9.2	13.2
Jul	9.3	11.3	9.5	8.8	7.2	10.7	7.8	8.4	9.5	9.6	9.6	9.3	13.1
Aug	9.2	11.2	9.4	8.7	7.1	10.6	7.6	8.2	9.4	9.5	9.5	9.2	13.0

Source: Employment Department

9 Long-term unemployed as a percentage of total workforce (those out of work for 12 months or more)

Percentages

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCKS	DCLA	DCKY	DCKX	DCKU	DCRB	DCKT	DCKV	DCKW	DCKZ	DCLB	DCLC	DCLD
1993 Oct	3.8	4.4	3.7	3.4	2.5	4.6	3.0	3.2	4.4	4.0	3.7	3.3	7.6
1994 Jan	3.8	4.5	3.8	3.5	2.6	4.6	3.1	3.2	4.4	4.0	3.7	3.4	7.6
Apr	3.7	4.4	3.6	3.4	2.5	4.5	3.0	3.1	4.2	3.8	3.6	3.3	7.4
Jul	3.6	4.3	3.5	3.2	2.4	4.4	2.8	2.9	4.0	3.7	3.5	3.2	7.3

Source: Employment Department

10 Redundancies

Rates¹

	Great Britain	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland
	DCXD	DCXE	DCXF	DCXG	DCXH	DCXI	DCXJ	DCXK	DCXL	DCXM	DCXN	DCXO
Autumn 1992	14.4	17.9	14.2	11.9	14.8	14.3	14.6	13.4	15.2	12.1	15.2	17.0
Winter 1992	16.1	18.1	14.2	16.6	12.1	17.0	14.9	16.5	17.4	18.9	19.7	13.0
Spring 1993	12.4	16.5	13.0	13.9	- ²	11.4	11.2	12.5	13.9	12.3	11.4	11.5
Summer 1993	11.2	14.1	12.2	11.8	- ²	12.6	10.2	10.9	11.2	10.6	15.8	8.4
Autumn 1993	9.6	13.7	9.1	8.2	- ²	11.2	9.5	7.0	10.3	7.3	12.0	10.8
Winter 1993	10.6	12.7	11.4	10.9	14.2	10.2	8.2	11.5	10.4	11.0	11.8	10.7
Spring 1994	9.7	13.0	10.8	10.0	- ²	9.3	9.3	8.7	10.5	8.7	10.6	9.4

1 Redundancies per 1,000 employees.

2 Sample size too small to provide a reliable estimate.

Source: Labour Force Survey, Employment Department

11 Employees in employment (all industries)

June 1990 = 100

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCLF	DCLM	DCLK	DCLJ	DCLG	DCRC	DCLF	DCLH	DCLI	DCLL	DCLN	DCLO	DCLP
1992	94.8	98.0	95.8	96.0	96.3	90.3	92.9	94.6	94.0	95.6	95.8	100.5	101.0
1993	94.4	97.3	95.4	95.8	97.3	89.0	92.0	95.4	93.2	95.3	97.0	101.2	101.6
1993 Sep	94.7	98.0	95.8	96.2	97.2	88.9	92.3	96.5	93.3	95.8	97.2	102.3	101.7
Dec	94.7	97.8	95.3	96.4	97.8	89.5	92.4	95.4	93.4	95.3	97.1	101.6	102.6
1994 Mar	93.8	96.9	94.7	95.4	97.3	89.4	91.5	94.6	92.3	94.3	96.0	100.3	102.1
Jun	94.2	97.5	95.0	96.0	98.3	89.1	91.7	96.0	92.1	93.8	97.5	101.2	102.5

Source: Employment Department

12 Index of industrial production

Seasonally adjusted 1990 = 100

	United Kingdom	Wales	Scotland	Northern Ireland
	DVZI	DEOL	DEOM	DEPY
1981	78.9	..	84.7	87.6
1986	90.1	93.1	89.1	88.5
1987	93.7	100.2	89.3	88.6
1988	98.2	103.9	94.6	90.8
1989	100.3	102.3	97.6	97.4
1990	100.0	100.0	100.0	100.0
1991	96.1	96.9	98.6	99.6
1992	95.9	100.1	98.2	101.0
1993	97.9	101.2	100.9	104.2
1993 Q2	97.1	99.4	99.4	104.4
Q3	98.3	100.8	102.0	104.1
Q4	99.7	105.1	103.1	105.8
1994 Q1	100.7	102.8	103.6	105.9
Q2	102.8	..	..	..

Sources: Central Statistical Office; Welsh Office; The Scottish Office; Northern Ireland Office

13 Manufacturing industry: optimism about business situation

Balance¹

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCMO	DCMW	DCMU	DCMT	DCMQ	DCMP	DCMR	DCMS	DCMV	DCMX	DCMY	DCMZ
1993 Oct	1	-19	1	-2	10	3	-3	14	8	9	21	17
1994 Jan	27	15	26	12	40	32	34	37	24	33	11	24
Apr	13	-2	3	23	21	16	1	32	27	36	3	-12
Jul	11	1	8	14	27	25	8	23	3	25	5	30

¹ Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

14 Manufacturing industry: volume of output

Balance¹

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
Past 4 months	DCLQ	DCLY	DCLW	DCLV	DCLS	DCLR	DCLT	DCLU	DCLX	DCLZ	DCMA	DCMB
1993 Oct	-	-4	8	4	14	3	-2	32	8	22	7	-22
1994 Jan	9	-4	21	14	3	13	-1	15	14	30	28	-18
Apr	12	7	10	36	12	25	17	29	8	35	27	-14
Jul	17	6	31	30	40	29	15	37	2	17	25	12
Next 4 months	DCMC	DCMK	DCMI	DCMH	DCME	DCMD	DCMF	DCMG	DCMJ	DCML	DCMM	DCMN
1994 Jul	13	6	11	27	12	31	1	23	7	34	23	-8

¹ Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

15 Manufacturing industry: volume of new orders

Balance¹

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
Past 4 months	DCNA	DCNI	DCNG	DCNF	DCNC	DCNB	DCND	DCNE	DCNH	DCNJ	DCNK	DCNL
1993 Oct	-	8	-	-4	-7	1	-15	26	4	7	10	-21
1994 Jan	11	7	24	11	10	22	4	13	9	19	22	-11
Apr	16	4	4	21	5	31	25	29	1	31	30	8
Jul	18	19	19	30	35	27	12	28	3	25	10	15
Next 4 months	DCNM	DCNU	DCNS	DCNR	DCNO	DCNN	DCNP	DCNQ	DCNT	DCNV	DCNW	DCNX
1994 Jul	16	1	15	23	10	39	13	21	22	33	-1	11

¹ Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

16 Manufacturing industry: volume of new export orders

Balance¹

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
Past 4 months	DCNY	DCOG	DCOE	DCOD	DCOA	DCNZ	DCOB	DCOC	DCOF	DCOH	DCOI	DCOJ
1993 Oct	-8	-14	-15	-9	-13	-2	-27	-6	-2	1	10	-32
1994 Jan	8	11	-	-1	-5	8	-18	3	1	2	29	-29
Apr	10	12	-5	13	8	19	3	14	3	13	38	20
Jul	14	13	12	28	39	20	-10	28	14	3	31	12
Next 4 months	DCOK	DCOS	DCOQ	DCOP	DCOM	DCOL	DCON	DCOO	DCOR	DCOT	DCOU	DCOV
1994 Jul	19	5	3	18	15	32	5	25	28	18	21	6

¹ Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

17 Manufacturing industry: firms working below capacity

Percentages

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCOW	DCPE	DCPC	DCPB	DCOY	DCOX	DCOZ	DCPA	DCPD	DCPF	DCPG	DCPH
1993 Oct	60	57	62	59	56	58	51	67	55	54	36	69
1994 Jan	57	54	59	64	74	61	45	70	63	59	43	55
Apr	59	62	56	57	64	55	63	63	46	66	52	68
Jul	54	68	58	50	65	55	50	54	66	62	54	64

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

18 Permanent dwellings started

Numbers

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DEOI	DCRZ	DCRX	DCRW	DCRT	DCRR	DCWL	DCRU	DCRV	DCRY	BLIA	BLFA	BLGA
1992	164 427	7 708	12 680	12 817	7 866	11 966	31 980	13 835	14 428	16 018	8 915	18 544	7 670
1993	193 302	7 752	14 531	16 147	9 814	14 755	37 451	15 507	15 189	19 968	10 583	22 914	8 691
1993 Q2	..	2 376	3 738	4 181	2 835	4 042	9 856	4 070	3 850	5 896	2 977	5 945	..
Q3	..	1 984	3 801	4 435	2 647	3 415	9 315	3 913	3 857	5 000	2 430	5 082	..
Q4	..	1 524	3 278	3 675	1 857	3 517	8 718	3 575	3 261	3 619	2 075	5 355	..
1994 Q1	..	2 466	4 016	4 010	2 393	4 051	10 062	4 283	4 787	5 353	2 533	5 904	..
Q2	..	2 621	4 662	4 639	2 909	4 996	11 207	5 399	5 017	5 712	2 514	5 904 ¹	..

1 Estimated.

Sources: Department of the Environment;
Department of the Environment, Northern Ireland

19 Permanent dwellings completed

Numbers

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DEOJ	DCVZ	DCVX	DCVW	DCVT	DCVR	DCWM	DCVU	DCVV	DCVY	BLII	BLFI	BLGI
1992	178 760	7 964	13 196	14 256	9 545	15 556	35 228	15 703	15 019	17 364	9 644	17 570	7 715
1993	182 253	7 304	14 377	14 644	9 622	13 518	36 307	15 061	15 940	18 673	9 287	20 322	7 198
1993 Q2	..	1 976	3 417	3 001	2 042	3 611	8 926	3 761	3 543	4 957	2 077	4 522	..
Q3	..	1 802	3 526	3 653	2 630	2 953	8 752	3 788	3 812	4 149	2 345	4 772	..
Q4	..	1 921	4 150	4 354	2 624	3 439	9 799	4 082	3 711	5 127	2 795	6 356	..
1994 Q1	..	1 494	3 128	4 069	2 545	4 091	9 003	3 360	3 146	4 548	2 353	4 707	..
Q2	..	2 109	3 365	3 791	2 318	3 987	8 634	3 540	3 296	4 467	2 205	4 707 ¹	..

1 Estimated.

Sources: Department of the Environment;
Department of the Environment, Northern Ireland

20 House prices¹

1990 = 100

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	Greater London	Rest of South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCPQ	DCPY	DCPW	DCPV	DCPS	DCPJ	DCPR	DCPT	DCPU	DCPX	DCPZ	DCQA	DCQB
1992	94.9	104.9	102.3	95.5	92.0	86.2	88.0	91.4	97.2	102.7	97.5	113.1	109.1
1993	92.5	107.1	103.3	92.8	87.5	84.8	84.4	87.7	95.8	98.7	98.5	117.3	113.5
1993 Q2	91.5	105.3	98.3	91.7	86.5	85.0	84.5	84.4	92.4	97.6	101.1	118.9	111.7
Q3	94.3	111.0	106.1	94.3	89.6	87.3	86.0	90.0	97.9	98.5	96.1	118.8	120.6
Q4	92.3	109.1	102.5	92.9	87.0	81.6	84.0	90.3	98.1	98.6	99.0	115.4	113.6
1994 Q1	92.5	108.8	101.7	91.7	86.8	84.2	86.0	85.9	98.5	100.7	96.0	114.1	118.3
Q2	93.7	107.9	99.5	93.2	89.0	91.1	86.0	89.8	96.6	98.1	99.9	117.1	109.4

1 These indices adjust for the mix of dwellings (by size and type, whether new or second-hand) and exclude those bought at non-market prices.

Source: Department of the Environment

21 VAT registrations and deregistrations: net change¹

Thousands

	United Kingdom	North	Yorks & Humber	East Midlands	East Anglia	South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	DCYQ	DCYS	DCYT	DCYU	DCYV	DERD	DCYX	DCYY	DCYZ	DCZA	DCZB	DCZC
1990 ²	55.0	1.6	3.3	3.1	1.4	24.0	3.7	4.2	6.1	2.1	4.2	1.3
1991 ²	3.0	0.1	0.6	0.2	-	0.8	-1.4	-	1.5	-0.4	0.9	0.6
1992	-42.0	-1.4	-2.8	-2.1	-1.9	-18.9	-5.9	-3.3	-3.6	-2.3	-0.4	0.5
1993 ³	-28.0	-0.8	-1.6	-1.5	-1.2	-9.6	-3.8	-3.0	-4.4	-1.8	-1.1	0.7

1 Registrations less deregistrations.

2 Includes adjustments to allow for the effects of changes introduced in the 1990 and 1991 budgets.

3 Includes adjustments to allow for the effects of changes introduced in the November 1993 budget.

Source: Department of Trade and Industry

RECENT TRENDS IN OVERSEAS DIRECT INVESTMENT

by Robert Hay, Central Statistical Office

Summary

Key points :

- Between 1984 and 1990 the net contribution of earnings on overseas direct investment to UK gross national product rose from 0.5% to 1.7%, although it has subsequently fallen back somewhat (1.1% in 1993).
- Earnings on UK direct investments abroad rose more rapidly up to 1989, and fell less rapidly between 1989 and 1991, than the corresponding earnings on overseas direct investment in the UK. However, the latter recovered significantly in 1993, in both absolute and relative terms.
- The rate of return on outward direct investment has remained relatively stable around 11% over the last decade, whilst the rate of return on inward direct investment has fallen from 17% in 1984 to 8% in 1993.
- The percentage of outward investment in developing countries (excluding offshore centres) has increased from 9% in 1984 to 24% in 1992.
- The US remains the most popular location for UK direct investment with 37% of the level of outward direct investment assets at the end of 1992, whilst the level of outward investment in developing countries (excluding offshore centres) amounted to 8%.

Introduction

This article takes a closer look at the contribution of overseas direct investment to the UK's economy and the trends in direct investment over the past ten years. The analysis is based on the results of the CSO's annual and quarterly inquiries into overseas direct investment. It draws upon the figures derived from these inquiries and published most recently in detail up to 1992 in CSO Business Monitor MA4 1992 Overseas Direct Investment. The data for 1993 are currently available in less detail and are provisional.

Definition of overseas direct investment

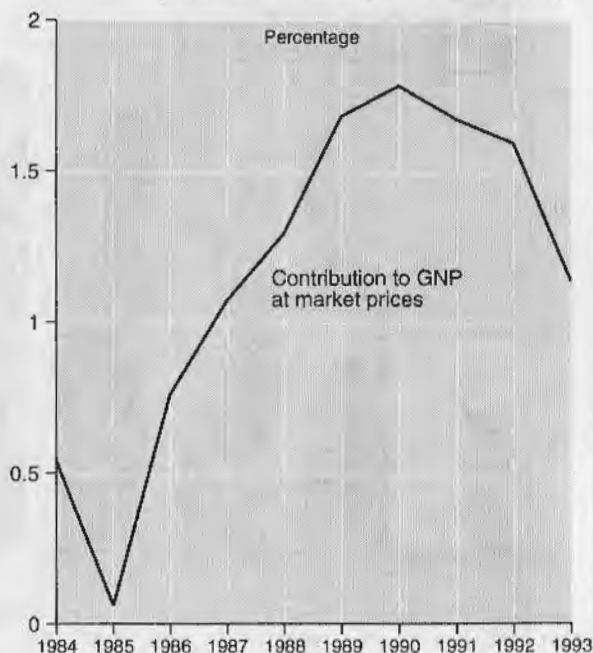
Overseas direct investment relates to investment in a company in another economy with a view to having a significant influence in the management of that company. For the purposes of the UK National Accounts, a holding of 20% or more of the voting shares in a company constitutes a direct investment. A large part of overseas direct investment measured in this way is therefore investment by companies in their overseas subsidiaries. The inquiries conducted by the CSO collect information on direct investment flows both into the UK by overseas companies and by UK companies investing overseas. The inquiries also record the levels of investment held and the earnings accruing from these investments. In the balance of payments accounts, earnings attributable to a direct investor are covered in the current account, whether or not they are remitted in the form of dividends, ie. earnings include reinvested earnings. Direct investment relates only to those cross-border earnings, flows and levels which are attributable to the direct investors; it does not include for example where an overseas-owned company raises money in the UK to fund its own activity in the UK. Direct investment assets are recorded at book values, which tend to be below market values depending on their age structure, etc.

The importance of overseas direct investment

Net direct investment earnings (i.e. earnings overseas attributable to UK companies less earnings in the UK attributable to overseas companies) is an important component of net property income from

abroad (NPI) which also includes income from portfolio investment, ie. purchases and sales of securities not involving management influence, and interest on other forms of borrowing and lending. NPI is added to the UK's gross domestic product ie. the income arising from the output of the economy, to produce the gross national product (GNP) ie. the income attributable to residents of an economy from both domestic and overseas activity.

Chart A Net contribution of overseas direct investment earnings¹ to gross national product (GNP)



Note: 1 Overseas earnings due to UK less UK earnings due abroad

Chart A shows that in recent years the contribution of direct investment earnings to the UK's GNP has risen significantly from 0.5% (£1.5bn) in 1984 to 1.7% (£8.5bn) in 1990. More recently the contribution has fallen back. Preliminary information for 1993 indicates a contribution of £6bn, equivalent to 1.1% of GNP.

Direct investment flows

The fact that the contribution of direct investment earnings to the UK's national output increased in the 1980s is not surprising. The increased liberalisation of markets within the developed world, notably within the European Union, and the opening up of major markets in the developing and eastern block countries has led to increased flows of direct investment. As the level of investment increases, so the earnings capacity should increase (subject to favourable economic conditions) leading to higher earnings attributable to the UK parent company. Direct investment activity also increases as more companies plan in global terms with a multinational presence and shifts in new investment and funding to take advantage of financial developments in profitability, exchange rates and tax regimes. The growth of multi-national companies also increases the complexity of direct investment relationships eg. some own subsidiaries in offshore tax havens such as Bermuda and the Cayman Islands for raising and holding funds which may be redistributed to a wider range of overseas countries.

The increased activity is illustrated by Chart B, which shows the flows of outward and inward direct investment over the last ten years. Both inward and outward investment rose substantially during the late 1980s, coinciding with favourable economic conditions both in the UK and in the major developed countries and, as already mentioned, the emergence of the European Single Market. With the economic downturn in the early 1990s in most economies, investment overseas tended to decline, although not simultaneously in all cases.

The downturn in inward investment coincided with lower levels of profitability in the UK, especially in sectors where overseas companies had a strong presence. The indications are that in the latest year, 1993, outward investment is picking up again as UK companies have more money to invest, especially as overseas profits rise. Inward investment has remained relatively low, although previous evidence suggests that inward investment tends to lag outward investment in the previous upturns and downturns, so one might anticipate that a rise in inward investment will follow.

Rates of return

The fact that outward investment has outstripped inward investment in all but one of the last ten years goes some way to explaining the increased contribution to GNP. However, as the level of inward investment has like outward investment, also increased substantially particularly in 1989 and 1990, one might expect the contribution to GNP to be offset to a certain extent by increased earnings due abroad. Chart C shows the earnings of outward and inward direct investment for the past 10 years. It shows that between 1985 and 1992 the net earnings (outward less inward) increased, but in the latest year, 1993 the gap has narrowed. The picture in terms of rates of return on direct investment is shown in Chart D. These rates of return are the earnings, after tax and depreciation, attributable to the overseas investors as a percentage of the book value of attributable direct investment assets. The chart shows that the rate of return on outward investment has remained relatively constant at around 11%, whilst the rate of return on inward investment has fallen quite significantly from 17% in 1985 to 4% in 1991, rising again to 8% in 1993.

The book value of direct investment assets is based on the value of assets recorded in companies' accounts. It could be argued that calculating the rate of return based on the market value of direct

Chart B Flows of overseas direct investment

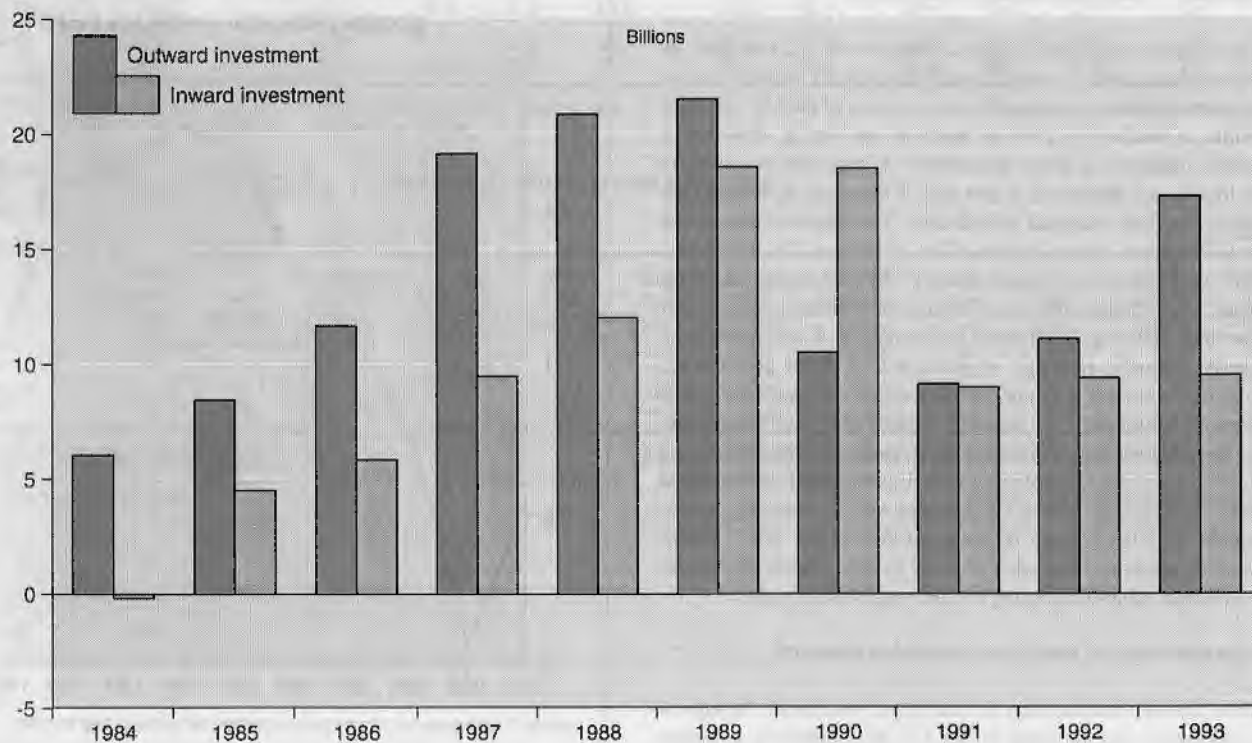
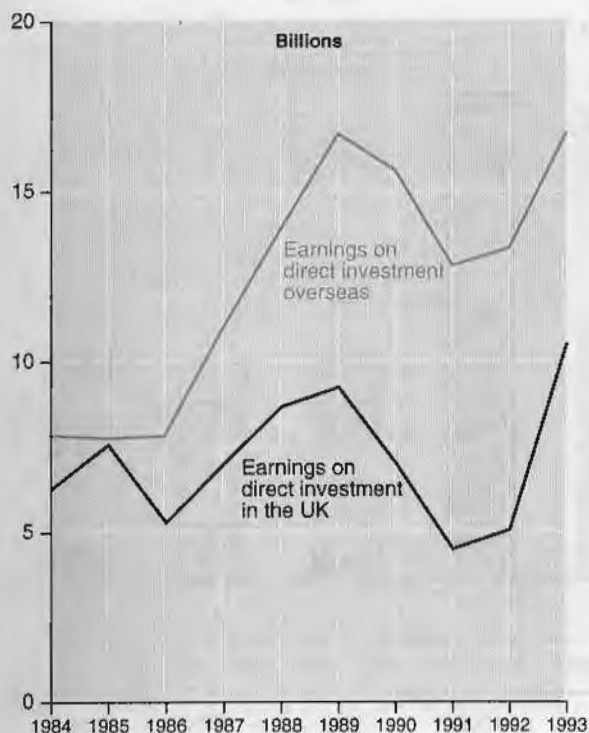


Chart C Earnings on overseas direct investment

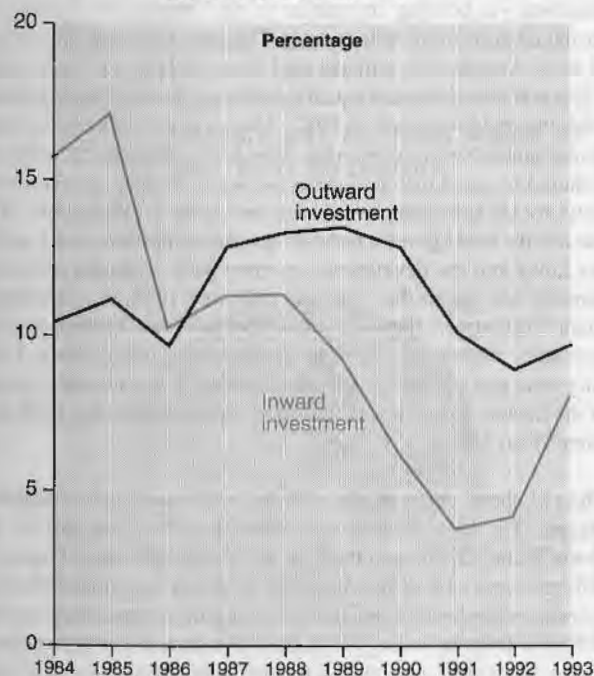


investment assets would be more meaningful given that earnings are recorded at market prices. However no estimates are currently produced for direct investment at market prices because of the difficulties in producing consistent and robust estimates on that basis. It is generally accepted that market values tend to be higher than book value estimates for individual companies and therefore the rates of return used in the analysis are higher than if they were based solely on market prices.

Factors affecting inward investment

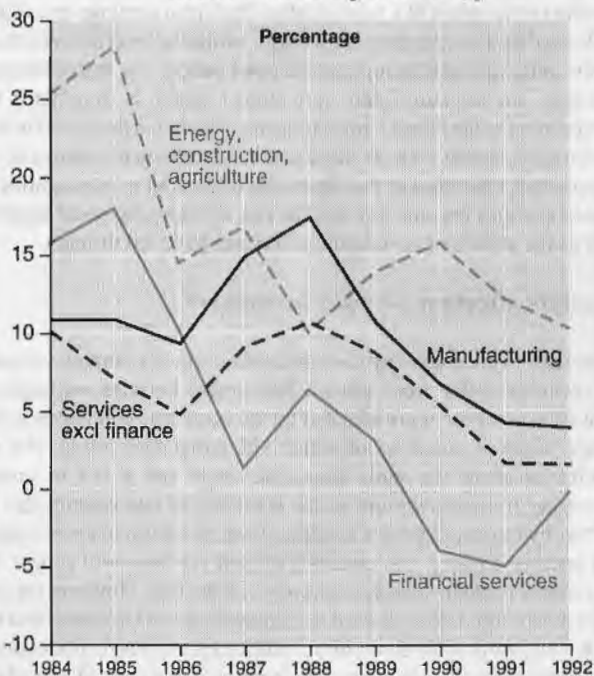
In considering why the different patterns for rates of return have occurred, account needs to be taken of the different factors influencing inward and outward investment. Investment in the UK will be affected to a large extent by the economic conditions prevailing in the UK, as well as the policy of the overseas parent company. At a time of strong economic growth in the UK, one would expect inward investors to be attracted to the opportunities available in the UK, whereas in periods of recession overseas companies will be looking possibly for opportunities elsewhere. The fact that the rate of return on inward investment has continued to decline both through the period of economic growth during the late eighties and the economic recessions in the early nineties suggests that other factors are also involved. To understand what these factors are it is helpful to break down the rates of return of direct investment by industry. Chart E displays a breakdown of the inward rate of return by major industry groupings. Two of the groupings, manufacturing and services (excluding finance) show a rise during the time of good economic conditions in the late eighties and then a gradual decline as we entered the nineties. This is due in part to the fact that those sectors with a strong overseas presence, eg. the motor and computer industries and property, have shown particularly pronounced fluctuations in profits. That combined with the extensive restructuring by some of these companies has had a major effect on the overall level of

Chart D Rate of return¹ on overseas direct investment



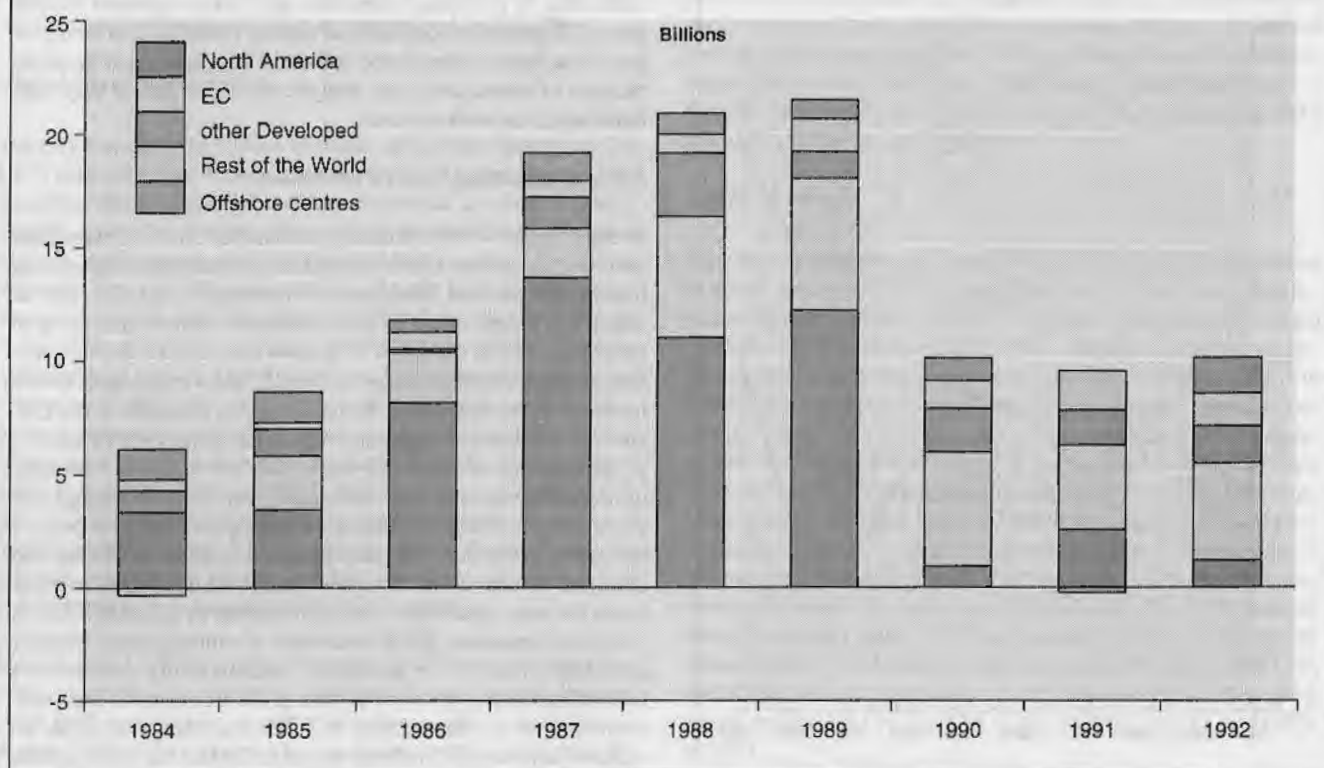
Note: 1 Rate of return defined as earnings after tax as a % of book value of direct investment assets.

Chart E Rate of return¹ on inward investment by industry



Note: 1 Rate of return defined as earnings after tax as a % of book value of direct investment assets.

Chart F Outward Investment: Regional analysis



earnings from inward investment. The other two sectors financial services and miscellaneous industries (energy, construction and agriculture) show much steeper declines over the last eight years and account for the general decline in rates of return in the late eighties. The decline in the rate of return in the financial sector (particularly banks where provisions for bad debts affect the timing of recorded profits) is the result of a more gradual decline in earnings up to 1989 followed by a steeper drop in earnings, whilst the level of investment grew quite strongly throughout the same period. The miscellaneous (energy, construction, and agriculture) sector is dominated by investment in the North Sea oil industry. The fall in the rate of return there is consistent with the more general decline in the returns of oil companies operating in the North Sea in the mid to late eighties as profit margins became tighter. The rate of return has since levelled off as the affects of cost cutting exercises have fed through.

Factors affecting outward investment

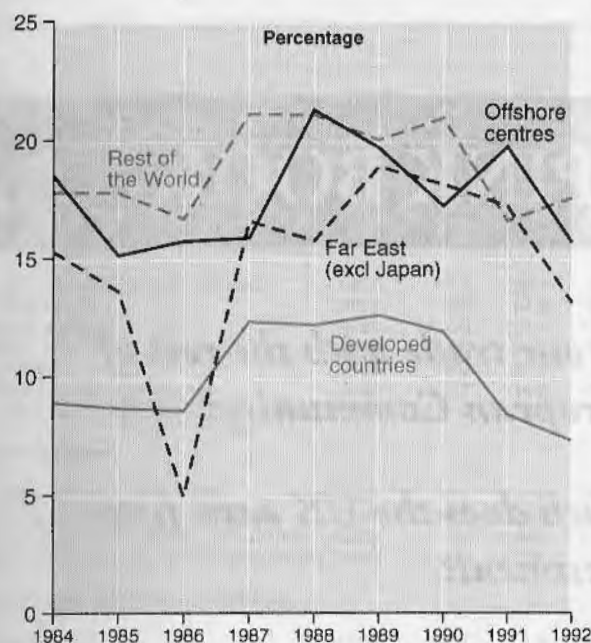
The factors underpinning the more stable rate of return on outward investment differ from inward investment because earnings on outward investment are affected by the economic conditions in the wide range of countries in which UK companies invest. Not all countries share the same economic cycle and a fall in profits resulting from a downturn in the economy of one country can be offset by improved profits resulting from an upturn in the economy of another country. In contrast, inward earnings will reflect the economic cycle in a single economy, viz. the UK. However the fact that 40% of the UK's outward investment is in the US means that the UK's exposure to the economic conditions prevailing in that country is greater than elsewhere and any increase in the coincidence of the economic cycle in different economies will affect UK outward earnings. Thus, unlike inward earnings, an analysis of outward investment by industry is likely to be less illuminating than an

analysis of the different countries in which UK companies invest.

Chart F shows the distribution of outward investment among the major countries. The allocation of direct investment to individual countries is primarily based on the immediate country in which the investment is made. Subsequent flows of investment into third countries via holding companies in the immediate country are attributed to the immediate country. The chart shows the dominance of North America (in particular the US) as the favoured location for UK investment in the mid to late eighties, accounting for 70% of the total outward investment in 1987. However, in more recent years investment in North America has fallen back substantially, although it should be noted that the figures are net of substantial investment flows by US subsidiary companies back to their UK parents. The fact that the total figure for outward investment has decreased, whilst the flows into the developing countries have remained relatively constant has meant that between 1984 and 1992, the percentage share of investment flows accounted for by the developing countries (primarily Middle and Far East countries excluding Japan, Latin American and Caribbean countries, and the newly emerging states of the Eastern Block, but excluding offshore centres) has increased from 9% to 24%.

Chart G shows the rate of return on investments in the different regions. The rates of return are prepared on the same basis as for charts D and E. Although the general levels in the rates of return in different areas have differed, there has not been a pronounced cycle. Investments in the developing countries and in particular the countries of the Far East (excluding Japan) have demonstrated a higher rate of return, fluctuating around 17% to 18%, whilst developed countries have maintained a relatively stable rate of return on investment at about 10%. These countries which are offshore tax havens such as Bermuda and the Cayman Islands are separately identified.

Chart G Outward investment rate of return¹ by region



Note: 1 Rate of return defined as earnings after tax as a % of book value of direct investment assets.

UK direct investments overseas. Obviously in determining which countries to invest in, UK companies take account of a wide variety of factors other than simply the rate of return. The language and cultural similarities, historical background and the economic stability of the host country are some of the relevant factors which explain why North America and more particularly the US, proves such a popular destination for UK companies, accounting for 41% of the stock of investment. Another popular destination (second only to the US) accounting for nearly a third of the 26% share of UK investment in the EC is the Netherlands. Here again historical and cultural links are relevant and in particular the existence of some large Dutch-Anglo companies, such as Shell and Unilever. However, another reason is that many UK companies use the Netherlands to locate intermediate holding companies through which they conduct their operations in other parts of the world. The importance of Offshore centres such as Bermuda and the Cayman Islands is reinforced by the fact that these locations account for 11% of the total direct investment, slightly less than the rest of the developed World excluding North America and the EC.

References

- (1) CSO Business Monitor MA4 1992 Overseas direct investment, HMSO.
- (2) The Pink Book 1994, United Kingdom Balance of Payments, HMSO.

Levels of outward investment

Although there has been some relative increase in the proportion of UK direct investment in the developing countries, when one considers the total stock of direct investment assets in the various regions at the end of 1992 as shown in chart H, the developing countries still only account for 8% of the overall stock of

Chart H Stock of outward direct investment at book value at end 1992 by region

