OFFICE FOR NATIONAL STATISTICS

# Economic Trends

No. 522
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Technical Editor: MICHAEL BYRNE
Production Team: PHIL LEWIN
ANDY LEACH

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# Contents

# Introduction

*Economic Trends* brings together all the main economic indicators. It contains three regular sections of tables and charts illustrating trends in the UK economy.

'Economic Update' is a feature giving an overview of the latest economic statistics. The content and presentation will vary from month to month depending on topicality and coverage of the published statistics. The accompanying table on main economic indicators is wider in coverage than the table on selected monthly indicators appearing in previous editions of *Economic Trends*. Data included in this section may not be wholly consistent with other sections which will have gone to press earlier.

An article on international economic indicators appears monthly and an article on regional economic indicators appears every January, April, July and October. Occasional articles comment on and analyse economic statistics and introduce new series, new analyses and new methodology.

Quarterly information on the national accounts and the balance of payments appears in *UK Economic Accounts* which is published every January, April, July and October by The Stationery Office.

The main section is based on information available to the ONS on the date printed in note 1 below and shows the movements of the key economic indicators. The indicators appear in tabular form on left hand pages with corresponding charts on facing right hand pages. Colour has been used to aid interpretation in some of the charts, for example by creating a background grid on those charts drawn to a logarithmic scale. Index numbers in some tables and charts are given on a common base year for convenience of comparison.

*Economic Trends* is prepared monthly by the Office for National Statistics in collaboration with the statistics divisions of Government Departments and the Bank of England.

**Notes on the tables**

1. All data in the tables and accompanying charts is current, as far as possible, to 25 April 1997.

2. The four letter identification code at the top of each column of data (eg, DJDD) is ONS's own reference to this series of data on our database. Please quote the relevant code if you contact us requiring any further information about the data.

3. Some data, particularly for the latest time period, is provisional and may be subject to revisions in later issues.

4. The statistics relate mainly to the United Kingdom; where figures are for Great Britain only, this is shown on the table.

5. Almost all quarterly data are seasonally adjusted; those not seasonally adjusted are indicated by NSA.

6. Rounding may lead to inconsistencies between the sum of constituent parts and the total in some tables.

7. A line drawn across a column between two consecutive figures indicates that the figures above and below the line have been compiled on different bases and are not strictly comparable. In each case a footnote explains the difference.

8. 'Billion' denotes one thousand million.

9. There is no single correct definition of *money*. The Government has set monitoring ranges for two aggregates:

**M0,** the narrowest measure, consists of notes and coin in circulation outside the Bank of England and bankers' operational deposits at the Bank.

**M4** comprises notes and coin in circulation with the public, together with all sterling deposits (including *certificates of deposit*) held with UK banks and building societies by the rest of the private sector.

The Bank of England also publish data for liquid assets outside M4.

10. Symbols used:

.. not available

\- nil or less than half the final digit shown

\+ alongside a heading indicates a series for which measures of variability are given in the table on page T77

† indicates that the data has been revised since the last edition; the period marked is the earliest in the table to have been revised

* average (or total) of five weeks.

If you have any comments or suggestions about *Economic Trends,* please write to Michael Byrne, Technical Editor, Office for National Statistics, Zone D4/16, 1 Drummond Gate, London, SW1V 2QQ or e-mail Michael.Byrne@ONS.Gov.UK

*Office for National Statistics*
*May 1997*

# In brief

## Articles

This month, we feature one article on Competitiveness in Manufactures, which provides background to the data in Table 2.16 (previously 2.15). This discusses the relationship between different indicators, and defines the methodology used to calculate each one, together with any limitations.

## Changes to Tables in *Economic Trends*

This month, a new Table 2.9 is included, which provides more detail on index numbers of output of the service industries. The more broadly based series shown in Table 2.8, are disaggregated to cover in general, one section of the Standard Industrial Classification (SIC)(1992). This data is now included in the Quarterly National Accounts First Release and had previously been available for some time. This wider dissemination reflects the increasing importance of the service sector. More detailed data at SIC (92) Division level is available from the ONS Sales Office on 0171-533 5678.

As a result of the inclusion of the new Table 2.9, the existing Tables 2.9 to 2.15 have been renumbered 2.10 to 2.16 inclusive.

## Recent ONS publications

*Living in Britain: results from the 1995 General Household Survey. ISBN 0 11 691550 1, price £30.* The annual survey of a sample of the general population resident in private households in Great Britain, which provides valuable data about particular social groups and enables analysis of the relationships between the main variables with which social policy is concerned.

*Annual Employment Survey 1995. Volume 1: Results for Great Britain, ISBN 1 85774 227 3. Volume 2: Results for counties and local authority districts, ISBN 1 85774 229 X. Volume 3: Other analyses for government office region, TEC/LEC area and local unit size analysis. ISBN 1 85774 230 3. Price £35.95 per volume.* The main source of information about the numbers employed in local areas by detailed categories throughout Great Britain.

*UK Input-Output Balances Methodological Guide, 1997 edition. ISBN 1 85774 234 6, price £12.* Describes the recent and future development of United Kingdom input-output balances, structure, sources of data used and the annual balancing process. Available in mid-May.

*Sector Classification for the National Accounts; supplement to the 1996 edition. ISBN 1 85774 237 0, price £25.* An update of the 1996 edition of the classification of areas of the economy such as businesses, charities and other organisations, both public and private, to the appropriate sector of the National Accounts.

*UK Economic Accounts: 1996 quarter 4. ISBN 0 11 620855 4, price £22.50.*

*Consumer Trends: 1996 quarter 4. ISBN 0 11 620834 1, price £45.*

*Labour Market Trends, April 1997. ISBN 0 11 620885 6, price £6.00.*

*Financial Statistics, April 1997. ISBN 0 11 620873 2, price £22.50.*

All of these publications are available from the Sales Office, Zone B1/06, Office for National Statistics, 1 Drummond Gate, London, SW1V 2QQ. Telephone 0171-533 5678 or fax 0171-533 5689.

# United Kingdom Macro-Economic Statistics Publications

## Annual Publications

- UK National Accounts (Blue Book)
- UK Balance of Payments (Pink Book)
- Input/Output Balances
- Economic Trends Annual Supplement
- Public Finance Trends

## Quarterly Publications

- UK Economic Accounts
- Consumer Trends
- Overseas trade analysed in terms of industry

## Monthly Publications

- Retail Prices Index
- Producer Price Indices
- Economic Trends
- Financial Statistics
- Monthly Review of External Trade Statistics

## First Releases

### Annual

- Profitability of UK companies

### Quarterly

- UK Balance of Payments
- UK National Accounts
- UK Output, Income & Expenditure
- GDP Preliminary estimate
- Capital Expenditure*
- Stocks*
- Institutional Investment
- Govt Deficit & Debt under the Treaty

### Monthly

- UK Trade in goods
- Public Sector Borrowing Requirement
- Retail Prices Index
- Producer Prices

* is a News Release

***Other publications:* - *Retail Prices 1914-1990* - *Input/Output Tables* - *Labour Market Statistics* - *Family Spending* - *Sector Classification Guide* - *Share Ownership* - *Financial Statistics Explanatory Handbook***

# Articles

**Page**

# Articles published in *Economic Trends*

**International economic indicators.** Commentary, figures and charts are published monthly.

**Regional economic indicators.** Commentary, figures and charts are published every January, April, July and October.

**United Kingdom national accounts** and **balance of payments** quarterly figures are published in *UK Economic Accounts* every January, April, July and October.

*Other Articles*

**1996**

| | |
|---|---|
| *July* | Producer prices for services: development of a new price index. |
| | Time use from a national accounts perspective. |
| *August* | Research and experimental development (R & D) statistics 1994. |
| | The pilot United Kingdom enviromental accounts. |
| | Testing for bias in initial estimates of the components of GDP. |
| *September* | A framework for social accounting matrices. |
| *October* | The use of quarterly current price output data in the national accounts. |
| | Innovation in small and medium sized enterprises 1995. |
| | Geographical analysis of the United Kingdom balance of payments. |
| *November* | An international comparison of taxes and social security contributions 1984-1994. |
| | Overseas trade in services: development of monthly estimates. |
| | Charities' contribution to GDP: the results of the 1996 ONS survey of charities. |
| *December* | Revisions to the United Kingdom Balance of Payments. |
| | Developments in United Kingdom company securities statistics. |
| | How far should economic theory and economic policy affect the design of national accounts? |

**1997**

| | |
|---|---|
| *January &* | Regional Accounts 1995: Part 1. |
| *February* | Balancing GDP: United Kingdom annual input-output balances. |
| | The Budget: 26 November 1996. |
| | The economy: recent developments and prospects. |
| | ONS plans to extend publication of service sector statistics. |
| | The president's task force on service sector statistics. |
| *March* | Employment in the public and private sectors. |
| | The effects of taxes and benefits upon household income 1995-1996. |
| | Quarterly integrated economic accounts: the United Kingdom approach. |
| | International comparisons of GDP per head over time. |
| *April* | Methodology series for United Kingdom national accounts. |
| | Deflation of trade in goods statistics. |

**For articles published in earlier issues see the list in issue 509 (March 1996) of *Economic Trends*. Copies of articles may be obtained from the Publications Unit, Marketing and Customer Service Division, Office for National Statistics, Zone B1/12, 1 Drummond Gate, London SW1V 2QQ, on payment of £2.00 per copy for articles within the last year, and £4.00 per copy for articles prior to this. The appropriate remittance should accompany each order. Cheques, etc, should be made payable to Office for National Statistics.**

# Economic update - May 1997

**By Philip Blackburn and Adrian Richards, Economic Assessment - Office for National Statistics**

Address: D4/19, 1 Drummond Gate, London, SW1V 2QQ Tel: 0171 533 5925 Email: philip.blackburn@ons.gov.uk

### Overview

GDP growth accelerated in the first quarter of 1997 with particular sectors showing rapid growth. Strong growth in retail sales and continued high levels of borrowing show consumer spending has remained strong in the first quarter with little sign of inflationary pressure. Lower prices of materials continue to moderate factory gate prices. Headline inflation fell back in March due to significantly lower food prices as compared with the year earlier, however prices of services have grown strongly over the year. The latest Labour Force Survey (LFS) shows employment has risen strongly with the majority of the rise in elements of the service sector where output has grown rapidly. The LFS also reports unemployment falling significantly, but not as sharply as the claimant count fall, which has been exaggerated by the Job Seekers Allowance. The UK's balance of trade has narrowed, but at a time when exports have been growing less strongly than imports.

### GDP Activity

1. Latest estimates show growth in GDP at factor cost (including and excluding oil and gas extraction) accelerated to 1% in the first quarter of 1997 from 0.8% in the fourth quarter of 1996, with particular sectors showing rapid growth. The pick up in growth seen in the latter half of 1996 seems to have been sustained in the first quarter of 1997. Between the first quarter of 1996 and first quarter of 1997, GDP grew by 3.0%.

### Output

2. Preliminary evidence on the sectoral detail in the fourth quarter shows that the strong growth in construction accelerated further and elements of the service sector are growing rapidly. Distribution, hotels and catering and business and finance services continued to show rapid growth. Manufacturing rebounded from the lower growth seen in the fourth quarter, but was offset by a fall in energy supply as demand was low due to the milder than average winter.

3. Growth in **production** in the three months to February was strong due to significant increases in oil and gas extraction in December and January and increasing manufacturing output over the period. Production output grew by 0.8% in the three months to February compared with the three months to November. Within this, manufacturing output grew by 0.6%, mining and quarrying, including oil & gas extraction increased strongly by 1.8% and output of the energy industries rose by 0.9%, despite falling in January and February as milder than average temperatures led to less demand. Sectorally, production of durable goods increased strongly across vehicles and other durables in the three months to February, and production of investment goods has "picked up" as demand for transport equipment increased. Output of intermediate goods, the largest category, slowed in January and February, but continues its steady growth, which has been driving manufacturing output.

4. Increased orders for construction indicate that recent signs of increased activity are being maintained. The volume of new **construction orders** in Great Britain, seasonally adjusted, rose by 3% in the three months to February compared with the three months to November. Over the period, private sector commercial and industrial orders were significantly stronger than falling infrastructure and public sector orders.

5. Manufacturers' are becoming increasingly more confident of the future. The CBI Monthly Trends Enquiry in **manufacturing** reported the output expectations balance in the next 4 months, seasonally adjusted by the ONS, rebounded from 16% in March to 23% in April. Chart 1 shows the link between the CBI balance and growth in manufacturing output.

### Domestic demand

6. The latest sales figures suggests consumer spending has remained strong. The volume of **retail sales** was 1% higher in the first quarter of 1997 than in fourth quarter of 1996, and 4.0% up on the same period a year ago. Strong sales occurred in household goods and other stores. Chart 2 shows the relationship between retail sales growth and growth in consumer spending.

**Chart 1**
CBI output expectations and manufacturing output

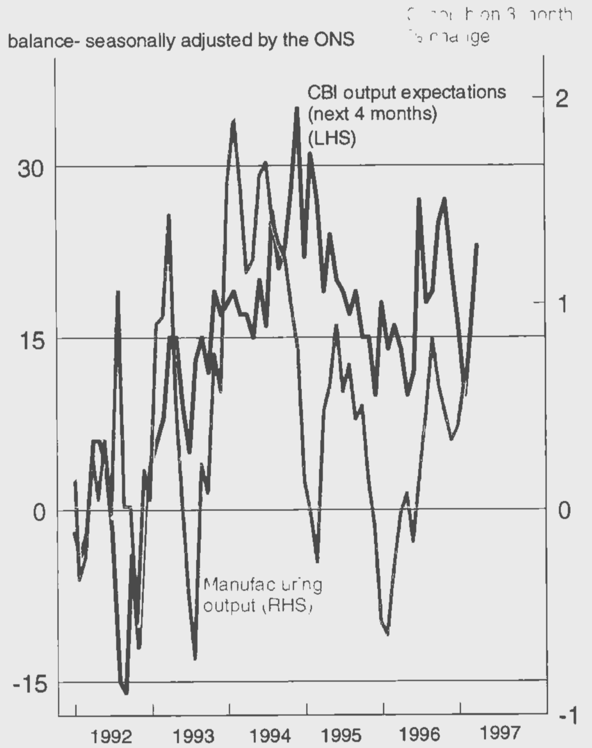
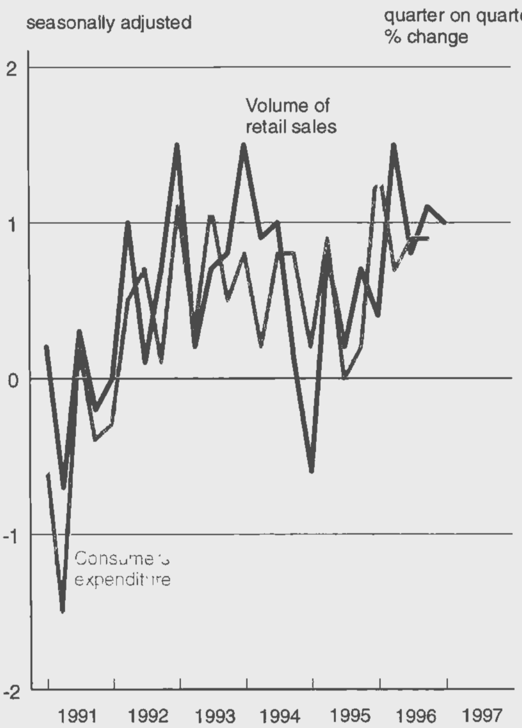



**Chart 2**
Volume of retail sales and consumers expenditure




7. Although stabilizing, demand for personal borrowing remained strong in the three months to February 1997. Total **net personal borrowing**, seasonally adjusted, was £8.4 billion in the three months to February unchanged from the previous three months. **Net borrowing secured on dwellings**, seasonally adjusted, fell slightly from £5.4 billion to £5.3 billion over this period, and **net consumer credit,** seasonally adjusted, edged higher from £3 billion to £3.1 billion. Strong credit growth in February offset lower borrowing in December and January.

## External demand

8. The deficit on **the balance of UK trade in goods** narrowed to £2.1 billion in the three months to February from £2.9 billion in the three months to November. Over this period the **volume of total exports, excluding oil and erratics**, rose by 0.8%. On the same basis **imports** rose strongly by 1.6%. Exports recovered in January and February from consecutive falls in November and December. Including oil and erratics, exports rose strongly by 2.4%, driven by strong growth in exports of finished manufactures (up 3.4%). Within finished manufactures, exports of capital goods have risen strongly over a sustained period. However, as shown in chart 3, recently this export growth has been matched by import growth.

9. Trade **prices** continue to be affected by the recent appreciation of sterling. Export and import prices of goods excluding oil and erratics, not seasonally adjusted, fell by 1.6% and 2.5% respectively in the three months to February, suggesting exporters continue to lower sterling export prices to moderate the impact of sterling's appreciation on prices in foreign currencies.

10. More timely data on **trade with non-EU countries** shows that the deficit narrowed from £1.6 billion in the fourth quarter of 1996 to £1.3 billion in the first quarter of 1997. Over this period, **export volumes, excluding oil and erratics** grew strongly by 5.7% compared with the previous three months. On the same basis **import volumes**, fell by 0.3%. As shown in chart 4, in the three months to March, prices of non-EU exports stabilized and prices of non-EU imports fell slightly, confirming the appreciation of sterling has had a lesser effect on non-EU trade, consistent with the greater stability of sterling against the US dollar.

**Chart 3**
Trade volumes of capital goods

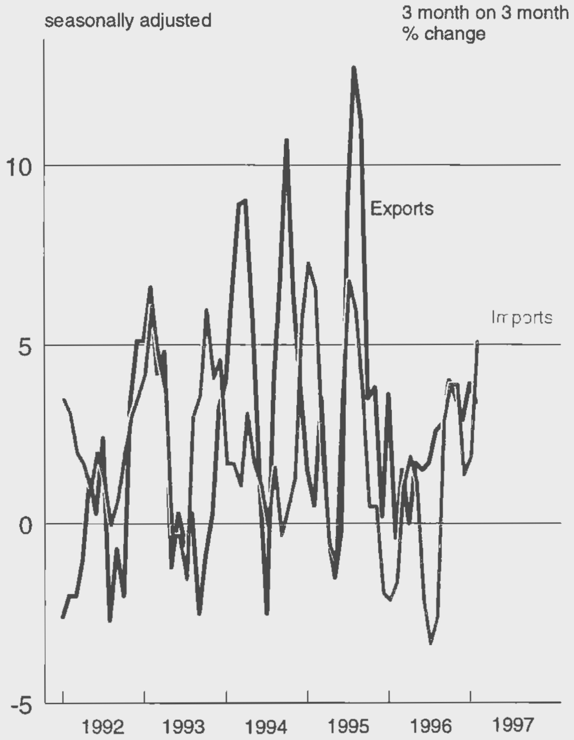
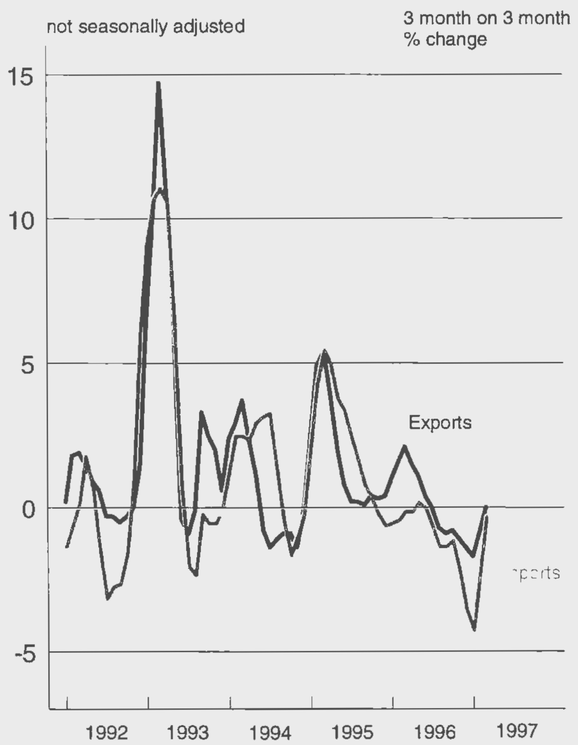



**Chart 4**
Trade prices outside the EU




## Prices and wages

11. Lower prices of materials and fuels continue to moderate factory gate prices. The 12 month rate of change in input prices (all manufacturing) fell to deflation of 7.6% in March, the fifth successive monthly fall. Imports of materials and fuels on the whole have become significantly cheaper following the strong appreciation of sterling. Lower input costs to manufacturers appears to be feeding through to lower growth in product prices. The **output price** index for manufactured products (home sales), not seasonally adjusted, over the same period, fell to 1%, the lowest annual rise since September 1986. A sharper fall is shown by output prices, excluding excise duties, and seasonally adjusted, which increased by only 0.4% over the 12 months to March.

12. **Expectations of rising prices** from manufacturers remained low in April. The CBI Monthly Trends Enquiry for manufacturing showed a balance of 2% (down from 5% in March), seasonally adjusted by the ONS, expecting to raise prices in the next four months.

13. Earnings growth increased in February, following a ¼ percentage point downward revision to January's growth. The annual rise in underlying whole economy **average earnings** for Great Britain in February was 5%, up ¼% from January. Service sector earnings growth increased by ¼% to 5%, boosted by high bonus payments. As illustrated in chart 5, annual earnings in the service sector are high in financial intermediation and other services, which is reflected by strong growth in output of these industries. Production sector growth and manufacturing earnings growth were stable at 4¾% and are no longer above the national average.

14. Headline inflation fell back in March. The 12-month rate of increase of the **retail prices** index **(RPI)** fell to 2.6% in March 1997. Excluding mortgage interest payments (RPIX) the 12-month rate fell to 2.7%, and further excluding indirect taxes, the rate fell to 2.3%. The fall in the headline rate was caused by significantly lower seasonal and non-seasonal food prices as compared with the same time in 1996. Over the 12 months, prices of all goods rose by 2%, compared with 3.2% at the same time last year and prices of all services rose by 3.3%, compared with 2.2% at the same time last year. As shown in chart 5, this illustrates a significant downward trend in prices of goods at a time when prices of services have steadily risen.

**Chart 5**
Service sector earnings in GB in February 1997

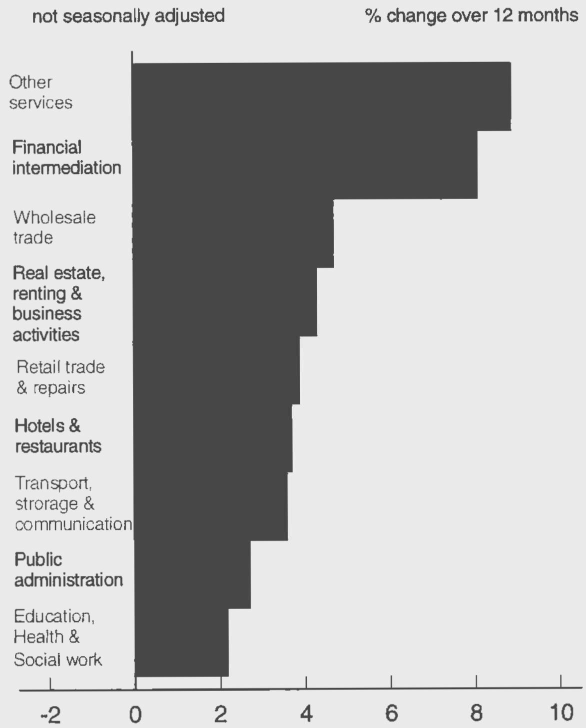
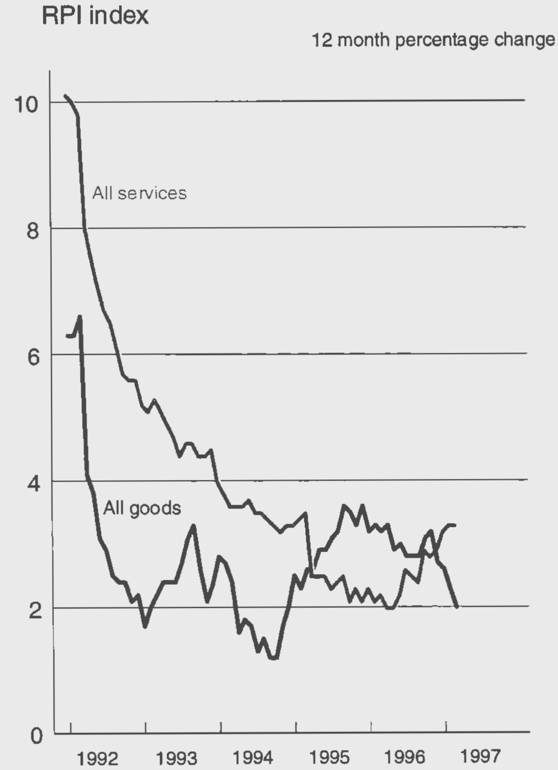



**Chart 6**
RPI index




## Labour Market

15. **Total employment** in Great Britain, seasonally adjusted, increased by 135,000 between Autumn 1996 (September to November) and Winter 1996/97 (December to February) according to the Labour Force Survey (LFS). The number in employment is now 25.985 million. Between Winter 1995/96 and Winter 1996/97, employment, seasonally adjusted, rose by 351,000, with increases in distribution, hotels and restaurants of 177,000 (not seasonally adjusted) and banking finance and insurance of 147,000, (not seasonally adjusted) accounting for the majority of the overall rise. Looking at employment by occupation, the majority of the increase is in associated, professional and technical, and selling occupations. **Workforce in employment**, the other employment measure provided by the ONS, rose by 54,000 in the fourth quarter of 1996 and by 221,000 over the year. LFS employment which is two months ahead, reports stronger growth than the workforce in employment. However, there is a discrepancy between the two employment series, with higher estimates from workforce in employment.

16. With continued strong growth in manufacturing output, manufacturers increased employment by 17,000 in Great Britain in the three months to February and by 2,000 over the year. Employment in the rest of the production industries rose by 1,000 in the three months to February 1997 and fell by 31,000 over the year.

17. **ILO unemployment**, seasonally adjusted, fell by 111,000 between Autumn 1996 and Winter 1996/97 in Great Britain. There are now 2.111 million unemployed or 8.1% of total employment. Changes in behaviour caused by the Job Seekers Allowance may have influenced reponses to the Labour Force Survey, but the effect of the change is difficult to quantify. The fall between Autumn and Winter compares with a fall of 173,900 in the GB claimant unemployment count.

18. **UK claimant unemployment**, seasonally adjusted, fell in March by 41,100 the thirteenth consecutive monthly fall. The fall continues to be exaggerated by the Job Seekers' Allowance (JSA) implementation, which is difficult to quantify. There are now 1.7 million unemployed in the UK using the claimant count or 6.1% of the workforce. Despite difficulties in assessing the trend in unemployment due to the impact of the JSA, evidence from the last six months shows an acceleration in trend from the rate of 15,000 to 20,000 estimated in October 1996.

19. The stock of vacancies increased in March. **Jobcentre vacancies** in the UK rose by 3,500 in March to reach a total of 275,100. Chart 7 shows the percentage of placings to outflows falling in 1997, which suggests a smaller proportion of vacancy turnover are placements by Jobcentres. In the three months to March, the average monthly rise was 2,900 compared with 4,200 in the three months to December. Rises in vacancies in the months prior to December were overestimated following the introduction of a new computing system, which restricted placements.

**Chart 7**
Percentage of vacancy outflows being placed

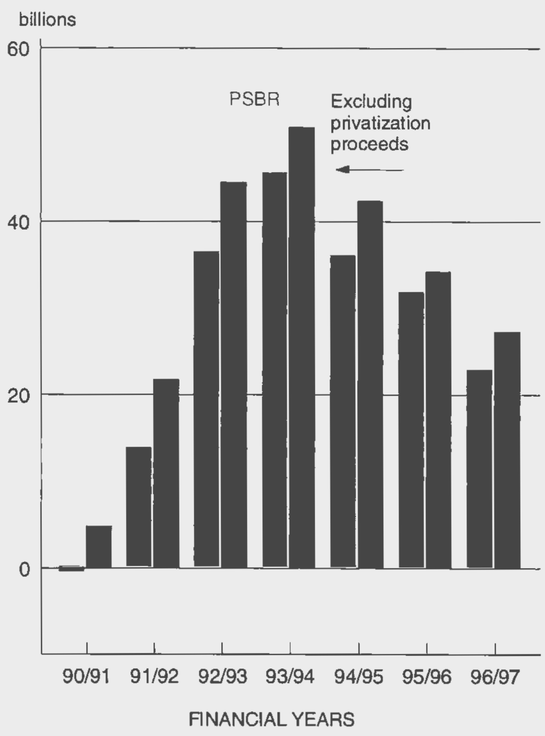

## Monetary indicators

20. The annual growth of **narrow money (M0),** seasonally adjusted, accelerated slightly from 6.3% in February to 6.5% in March 1997. However, annual growth of **broad money (M4),** seasonally adjusted, edged lower from 11.3% in February to 11.2% in March.

## Government finances

21. In March 1997, the **public sector borrowing requirement (PSBR)** was £8.8 billion. For the financial year of 1996-97, the PSBR was £22.8 billion compared with £31.7 billion in the same period last year. The PSBR undershot the Treasury budget forecast by £3.6 billion. **Excluding privatization proceeds** the figures for the financial year were £27.2 billion and £34.1 billion respectively. As shown in chart 8, the PSBR has improved consistently over the last three financial years.

**Chart 8**
Public sector borrowing requirement



# Forecast for the UK Economy

## A comparison of independent forecasts, April 1997.

The tables below are extracted from HM Treasury's "FORECASTS FOR THE UK ECONOMY" and summarise the average and range of independent forecasts for 1997 and 1998, updated monthly.

| | Independent Forecasts for 1997 | | |
|---|---|---|---|
| | Average | Lowest | Highest |
| GDP growth (per cent) | 3.3 | 2.5 | 4.3 |
| Inflation rate (Q4) | | | |
| - RPI | 3.1 | 2.1 | 5.2 |
| - RPI excl MIPS | 2.7 | 2.1 | 4.0 |
| Unemployment (Q4,mn) | 1.58 | 1.10 | 1.74 |
| Current Account (£,bn) | -4.5 | -11.7 | 1.0 |
| PSBR (1997-98,£ ,bn) | 18.8 | 12.0 | 24.0 |

| | Independent Forecasts for 1998 | | |
|---|---|---|---|
| | Average | Lowest | Highest |
| GDP growth (per cent) | 2.7 | 1.5 | 4.2 |
| Inflation rate (Q4) | | | |
| - RPI | 3.3 | 1.8 | 4.8 |
| - RPI excl MIPS | 3.1 | 1.9 | 4.2 |
| Unemployment (Q4, mn) | 1.47 | 1.24 | 1.76 |
| Current Account (£,bn) | -7.9 | -17.0 | -1.0 |
| PSBR (1998-99,£,bn) | 14.4 | 4.0 | 27.0 |

NOTE: "FORECASTS FOR THE UK ECONOMY" gives more detailed forecasts, covering 24 variables and is published monthly by HM Treasury, available on annual subscription, price £75,. Subscription enquiries should be addressed to Miss Jehal, Publishing Unit, Room 53a, HM Treasury, Parliament Street, London SW1P 3AG (0171 270 5607).

# International Economic Indicators

**by Kevin Madden, Economic Assessment - Office for National Statistics**

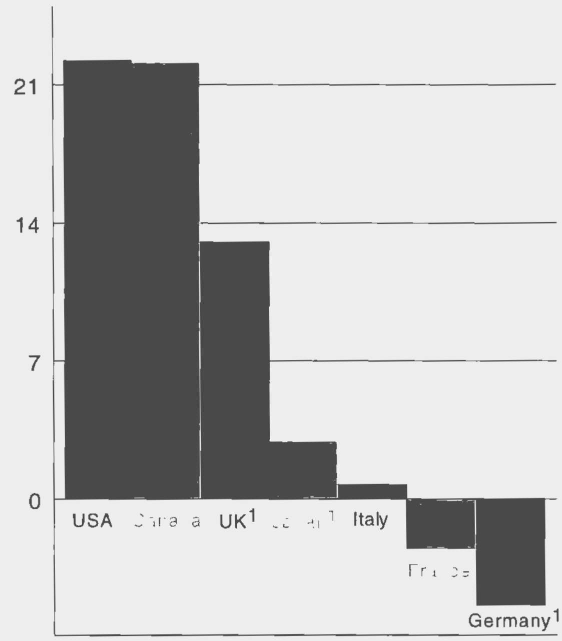
## Overview

From revised estimates the economy in the United Kingdom accelerated in 1996 Q4 with services the main driver. Despite a rise in manufacturing, industrial production fell in February. By contrast the vigour in the American economy has been driven by investment expenditure. Such buoyancy has not been translated into price inflation as industrial production strengthened further in March. Indeed, throughout the G7 indicators of inflation remained low or have tended to fall. However, the tightening labour market in the United States appears to have resulted in an acceleration in earnings growth in March.

**Chart 1**

Growth in industrial production - 1992 to 1997: February[1]

seasonally adjusted




1 Growth for the United States is calculated to March. France, Italy and Canada refer to January.

## Activity

2. Latest estimates of growth in **gross domestic product (GDP) at constant market prices** in the United Kingdom showed that the economy accelerated in the fourth quarter - led mainly by services.

3. The pace of growth in **industrial production** in the United States in March has been accelerating since December. Chart 1 opposite shows that the United States has had the highest growth of the G7 over the last five years. In Japan the considerable increase in January was partially reversed by a fall in February. In the same period output continued to weaken in the United Kingdom although manufacturing output rose. In Germany output growth fell back in February from the strong performance of the previous month.

4. In the United Kingdom **retail sales** continued to grow strongly in the first quarter of 1997.

## Inflation

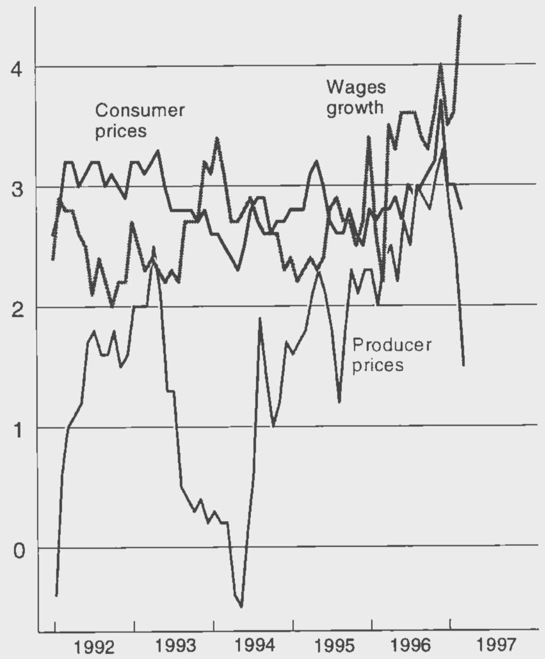
5. **Consumer price inflation** is falling in all the G7 economies, except Germany, where inflation remains low. Chart 2 overleaf highlights how consumer prices have fallen recently in the United States while underlying price pressures have diverged, shown by falling producer prices and rising earnings. French inflation has slowed further with inflation now below that of Germany.

6. There was little sign of sustained price rises at the factory gate in March in either the United Kingdom or the United States. In the United States **producer price** inflation has been falling sharply since December, while in the United Kingdom the rate edged down to 0.5% in this period.

7. **Earnings** growth accelerated in the United States in March increasing to 4.4% its highest rate in over ten years. While in Italy the rate stabilised at 2.5% in February. In France there was a fall of 0.9 percentage points to 2.5% in 1997 Q1, a reversion to rates achieved prior to the fourth quarter.

**Chart 2**
Inflationary measures in the United States

seasonally adjusted Year on year percentage change




## Labour market

8. **Employment** grew in Canada in 1997 Q1 following a contraction in 1996 Q4.

9. **Standardised unemployment rates** stabilised in the G7 in February at 6.8%. Falls were registered in this period in the United Kingdom and the United States, with a further fall in the latter's rate in March. Unemployment within the EU rose in February to 10.9% pushed upwards by the increase in France. In Germany and Japan rates were unchanged at 9.6% and 3.3%, respectively.

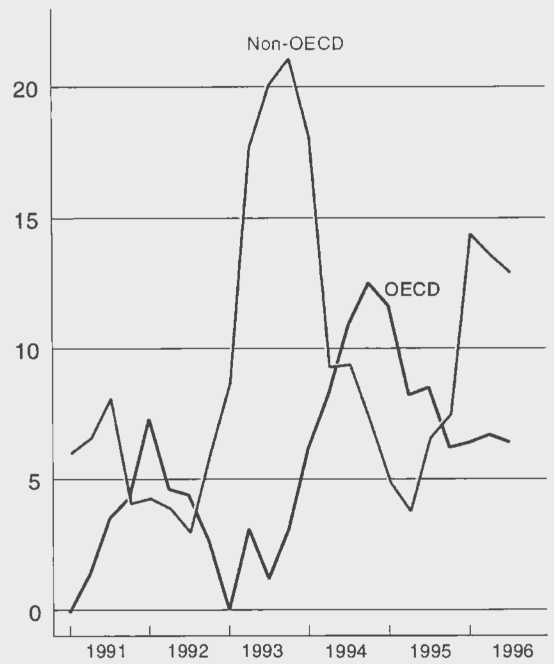
## Trade

10. The **current account** in the United Kingdom moved into surplus in 1996 Q4, as investment income grew strongly. In Germany the current account deficit deteriorated to 0.5% of GDP, despite maintaining a surplus on the trade in goods balance of DM28 billion.

11. Chart 3 shows non-OECD export's of manufactures in 1996 Q3 outpaced OECD exports. However, the size of non-OECD exports is only about a third of the OECD.

**Chart 3**
Exports of manufactures

seasonally adjusted Year on year percentage change




## Notes

12. The series presented here are taken from the OECD's Main Economic Indicators, except for the United Kingdom. The series shown are for each of the G7 economies and for the European Communities (EC) and OECD countries in aggregate. **Data for unified Germany is added to the article as it becomes available.** Footnotes to the tables explain the commencement or otherwise of the data.

13. Comparisons of indicators over the same period should be treated with caution as the length and timing of these cycles varies across countries.

# 1 Gross domestic product at constant market prices

| | United Kingdom | Germany[1] | France | Italy | EU | United States | Japan[2] | Canada | Major 7 | OECD |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | ILFX | ILFY | ILFZ | ILGA | ILGB | ILGC | ILGD | ILGE | ILGF | ILGG |
| 1985 | 3.8 | 2.3 | 1.9 | 2.6 | 2.6 | 3.7 | 4.4 | 4.8 | 3.5 | 3.4 |
| 1990 | 0.4 | 5.9 | 2.5 | 2.1 | 2.9 | 1.3 | 5.1 | –0.3 | 2.4 | 2.7 |
| 1991 | –1.9 | .. | 0.8 | 1.1 | 3.0 | –1.0 | 4.0 | –1.8 | 1.4 | 1.3 |
| 1992 | –0.5 | 1.8 | 1.2 | 0.6 | 0.9 | 2.7 | 1.0 | 0.8 | 1.8 | 1.8 |
| 1993 | 2.0 | –1.1 | –1.4 | –1.1 | –0.6 | 2.3 | 0.1 | 2.2 | 1.0 | 0.9 |
| 1994 | 3.8 | 2.9 | 2.8 | 2.1 | 2.8 | 3.4 | 0.7 | 4.1 | 2.8 | 2.7 |
| 1995 | 2.5 | 2.1 | 2.2 | 2.9 | 2.5 | 2.1 | 1.3 | 2.3 | 2.0 | 2.0 |
| 1996 | 2.1 | .. | 1.3 | .. | .. | 2.5 | .. | 1.5 | .. | .. |
| 1996 Q1 | 2.0 | 0.3 | 1.0 | 1.3 | 1.4 | 1.6 | 4.8 | 0.6 | 2.0 | 2.0 |
| Q2 | 1.9 | 1.1 | 0.7 | 0.8 | 1.5 | 2.7 | 3.5 | 1.3 | 2.3 | 2.6 |
| Q3 | 2.0 | 1.9 | 1.4 | 0.7 | 1.8 | 2.3 | 3.3 | 1.8 | 2.2 | 2.5 |
| Q4 | 2.6 | .. | 2.1 | .. | .. | 3.1 | .. | 2.2 | .. | .. |
| **Percentage change, latest quarter on previous quarter** | | | | | | | | | | |
| | ILGH | ILGI | ILGJ | ILGK | ILGL | ILGM | ILGN | ILGO | ILGP | ILGQ |
| 1995 Q1 | 0.5 | 0.4 | 0.6 | 1.5 | 0.7 | 0.2 | –0.1 | 0.4 | 0.3 | 0.5 |
| Q2 | 0.4 | 0.7 | 0.2 | 0.2 | 0.5 | 0.2 | 1.0 | –0.3 | 0.4 | 0.2 |
| Q3 | 0.4 | – | 0.2 | 0.7 | 0.3 | 0.9 | 0.3 | 0.4 | 0.6 | 0.6 |
| Q4 | 0.6 | 0.1 | –0.5 | 0.1 | 0.2 | 0.1 | 1.4 | 0.2 | 0.3 | 0.4 |
| 1996 Q1 | 0.5 | –0.4 | 1.1 | 0.4 | 0.4 | 0.5 | 2.0 | 0.3 | 0.7 | 0.8 |
| Q2 | 0.4 | 1.4 | –0.2 | –0.4 | 0.5 | 1.2 | –0.3 | 0.5 | 0.6 | 0.6 |
| Q3 | 0.4 | 0.8 | 0.9 | 0.6 | 0.6 | 0.5 | 0.1 | 0.8 | 0.5 | 0.5 |
| Q4 | 1.1 | .. | 0.2 | .. | .. | 0.9 | .. | 0.6 | .. | .. |

1 Data available for unified Germany since 1991
2 GNP

# 2 Total industrial production

| | United Kingdom | Germany[1] | France | Italy | EU | United States | Japan[2] | Canada[3] | Major 7 | OECD[4] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | ILGR | ILGS | ILGT | ILGU | ILGV | ILGW | ILGX | ILGY | ILGZ | ILHA |
| 1985 | 5.6 | 5.0 | 0.7 | 1.2 | 3.3 | 1.6 | 3.6 | 5.6 | 2.8 | 3.0 |
| 1990 | –0.3 | 5.2 | 1.5 | 0.2 | 2.1 | – | 4.3 | –3.3 | 1.5 | 1.7 |
| 1991 | –3.7 | 3.7 | 0.3 | –0.9 | –0.2 | –1.8 | 1.9 | –4.2 | –0.4 | –0.4 |
| 1992 | –0.1 | –2.6 | –0.1 | –0.2 | –1.2 | 3.4 | –5.7 | 1.1 | –0.3 | –0.2 |
| 1993 | 2.1 | –7.2 | –2.7 | –2.4 | –3.2 | 3.5 | –4.3 | 4.5 | –0.5 | –0.5 |
| 1994 | 5.0 | 3.6 | 3.8 | 5.2 | 4.6 | 5.8 | 1.2 | 6.5 | 4.4 | 4.7 |
| 1995 | 2.6 | 1.2 | 1.5 | 5.4 | 3.4 | 3.4 | 3.3 | 4.0 | 3.1 | 3.0 |
| 1996 | 1.1 | 1.0 | –2.9 | –1.6 | 0.7 | 1.6 | 2.7 | 1.8 | 1.4 | 1.6 |
| 1996 Q4 | 1.5 | 1.9 | 1.9 | –4.5 | 0.8 | 3.9 | 4.7 | 3.8 | 2.9 | 3.0 |
| 1997 Q1 | .. | .. | .. | .. | .. | 4.9 | .. | 4.0 | .. | .. |
| **Percentage change, latest quarter on previous quarter** | | | | | | | | | | |
| | ILHB | ILHC | ILHD | ILHE | ILHF | ILHG | ILHH | ILHI | ILHJ | ILHK |
| 1995 Q2 | 0.4 | 1.2 | 0.6 | 1.8 | 0.9 | –0.3 | 0.2 | –0.5 | 0.1 | – |
| Q3 | 0.8 | –0.4 | 0.3 | 1.7 | 0.3 | 0.8 | –1.3 | 0.3 | 0.3 | 0.4 |
| Q4 | – | –1.9 | –3.0 | 1.4 | –0.3 | 0.2 | 2.1 | –0.4 | 0.2 | 0.3 |
| 1996 Q1 | 0.1 | 0.1 | 1.2 | –3.4 | –0.7 | 0.4 | 0.5 | 0.4 | 0.2 | 0.2 |
| Q2 | 0.3 | 1.2 | 0.1 | –0.3 | 0.6 | 1.6 | –0.2 | 0.4 | 0.8 | 0.8 |
| Q3 | 0.5 | 1.1 | 1.4 | –0.2 | 1.1 | 0.8 | 1.3 | 2.1 | 0.9 | 1.2 |
| Q4 | 0.6 | –0.5 | –0.8 | –0.7 | –0.2 | 1.1 | 3.0 | 0.7 | 1.0 | 0.7 |
| 1997 Q1 | .. | .. | .. | .. | .. | 1.4 | .. | .. | .. | .. |
| **Percentage change: latest month on previous month** | | | | | | | | | | |
| | ILKB | ILKC | ILKD | ILKE | ILKF | ILKG | ILKH | ILKI | ILKJ | ILKK |
| 1997 Feb | –0.6 | 0.4 | .. | .. | .. | 0.6 | –3.0 | .. | .. | .. |
| Mar | .. | .. | .. | .. | .. | 0.9 | .. | .. | .. | .. |

1 Data available for Unified Germany from 1991
2 Not adjusted for unequal number of working days in a month
3 GDP in industry at factor cost and 1986 prices
4 Some countries excluded from area total

# 3 Retail Sales (volume)

| | United Kingdom | Germany | France | Italy | EU | United States | Japan | Canada | Major 7 | OECD |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | ILHL | ILHM | ILHN | ILHO | ILHP | ILHQ | ILHR | ILHS | ILHT | ILHU |
| 1985 | .. | 0.6 | 0.9 | 4.3 | 2.3 | 4.4 | 1.5 | 7.5 | 3.4 | 3.3 |
| 1990 | 0.8 | 8.5 | 0.8 | –1.6 | 2.4 | 0.7 | 5.3 | –2.4 | 1.7 | 1.8 |
| 1991 | –1.5 | 5.7 | – | –3.4 | 0.8 | –2.4 | 2.0 | –10.1 | –1.0 | –0.8 |
| 1992 | 0.8 | –2.0 | 0.1 | 5.3 | –0.1 | 3.4 | –3.0 | 1.0 | 1.3 | 1.1 |
| 1993 | 3.0 | –4.2 | 0.4 | –2.3 | –1.8 | 5.3 | –4.8 | 3.0 | 1.8 | 1.0 |
| 1994 | 3.6 | –1.8 | – | –5.8 | –1.0 | 6.2 | –1.3 | 8.2 | 3.0 | 2.7 |
| 1995 | 1.1 | 0.5 | –0.3 | –4.8 | 0.8 | 4.1 | 6.1 | 0.4 | 2.7 | 3.2 |
| 1996 | 3.0 | .. | – | .. | .. | .. | 0.9 | 0.3 | .. | .. |
| 1996 Q4 | 3.8 | –1.0 | 2.5 | .. | .. | .. | 1.5 | 1.8 | .. | .. |
| 1997 Q1 | 4.0 | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| **Percentage change, latest quarter on previous quarter** | | | | | | | | | | |
| | ILHV | ILHW | ILHX | ILHY | ILHZ | ILIA | ILIB | ILIC | ILID | ILIE |
| 1995 Q2 | 0.8 | .. | –0.5 | –2.7 | –0.3 | 0.8 | –1.0 | –0.6 | – | 0.2 |
| Q3 | 0.2 | .. | 1.2 | 2.0 | 0.7 | 1.3 | 1.2 | 0.9 | 1.1 | 1.0 |
| Q4 | 0.7 | .. | –3.8 | –9.9 | –2.7 | 0.6 | –0.6 | –0.8 | –0.8 | –0.7 |
| 1996 Q1 | 0.5 | 1.0 | 4.1 | .. | 1.6 | 0.8 | 2.6 | 0.4 | 1.4 | 1.2 |
| Q2 | 1.4 | 0.7 | –2.2 | .. | 0.4 | –0.6 | –2.1 | –0.6 | –0.3 | –0.6 |
| Q3 | 0.8 | 0.3 | –0.4 | .. | – | 0.6 | –1.3 | 0.7 | – | – |
| Q4 | 1.1 | –3.0 | 1.0 | .. | .. | .. | 2.4 | 1.3 | .. | .. |
| 1997 Q1 | 1.0 | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| **Percentage change, latest month on previous month** | | | | | | | | | | |
| | ILKL | ILKM | ILKN | ILKO | ILKP | ILKQ | ILKR | ILKS | ILKT | ILKU |
| 1997 Feb | 0.5 | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Mar | 0.3 | .. | .. | .. | .. | .. | .. | .. | .. | .. |

# 4 Consumer prices[1]

| | United Kingdom | Germany[2] | France | Italy | EU | United States | Japan | Canada | Major 7 | OECD[3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | FRAN | HVLL | HXAA | HYAA | HYAB | ILAA | ILAB | ILAC | ILAD | ILAE |
| 1985 | 6.1 | 2.2 | 5.8 | 8.6 | 6.1 | 3.5 | 2.0 | 4.0 | 4.0 | 7.0 |
| 1990 | 9.5 | 2.7 | 3.5 | 6.5 | 5.7 | 5.4 | 3.1 | 4.8 | 5.0 | 6.8 |
| 1991 | 5.9 | 3.5 | 3.2 | 6.5 | 5.2 | 4.2 | 3.3 | 5.6 | 4.3 | 6.1 |
| 1992 | 3.7 | 4.0 | 2.4 | 5.3 | 4.5 | 3.0 | 1.6 | 1.5 | 3.1 | 5.0 |
| 1993 | 1.6 | 0.7 | 2.1 | 4.2 | 3.6 | 3.0 | 1.1 | 1.9 | 2.7 | 4.3 |
| 1994 | 2.4 | –2.0 | 1.7 | 3.9 | 3.1 | 2.6 | 0.5 | 0.2 | 2.2 | 4.4 |
| 1995 | 3.5 | 1.2 | 1.8 | 5.3 | 3.1 | 2.8 | –0.3 | 2.2 | 2.4 | 5.5 |
| 1996 | 2.4 | 1.6 | 2.0 | 3.9 | 2.5 | 3.0 | 0.5 | 1.5 | 2.2 | 4.9 |
| 1995 Q2 | 3.5 | 0.8 | 1.6 | 5.5 | 3.2 | 3.1 | –0.1 | 2.7 | 2.6 | 5.6 |
| Q3 | 3.7 | 1.8 | 1.8 | 5.7 | 3.1 | 2.6 | –0.3 | 2.4 | 2.4 | 5.6 |
| Q4 | 3.2 | 1.8 | 1.9 | 5.7 | 3.0 | 2.6 | –0.6 | 2.0 | 2.3 | 5.5 |
| 1996 Q1 | 2.8 | 1.8 | 2.1 | 5.0 | 2.8 | 2.8 | –0.4 | 1.4 | 2.2 | 5.6 |
| Q2 | 2.2 | 1.7 | 2.4 | 4.3 | 2.6 | 2.8 | 0.4 | 1.4 | 2.2 | 5.1 |
| Q3 | 2.1 | 1.5 | 1.8 | 3.5 | 2.4 | 3.0 | 0.8 | 1.4 | 2.2 | 4.6 |
| Q4 | 2.6 | 1.4 | 1.7 | 2.9 | 2.3 | 3.3 | 1.0 | 2.0 | 2.3 | 4.6 |
| 1997 Q1 | 2.7 | 1.5 | 1.5 | 2.4 | .. | 2.9 | .. | .. | .. | .. |
| 1996 Dec | 2.5 | 1.4 | 1.7 | 2.8 | 2.2 | 3.7 | 1.1 | 2.1 | 2.4 | 4.6 |
| 1997 Jan | 2.8 | 1.4 | 1.8 | 2.7 | 2.4 | 3.0 | 1.1 | 2.2 | 2.4 | 4.3 |
| Feb | 2.7 | 1.5 | 1.6 | 2.4 | .. | 3.0 | 0.6 | 2.1 | .. | .. |
| Mar | 2.6 | 1.5 | 1.1 | 2.2 | .. | 2.8 | .. | .. | .. | .. |

1 Components and coverage not uniform across countries
2 Data available for Unified Germany from 1991
3 OECD data includes 'higher inflation' countries (Mexico and Turkey)

# 5 Producer prices (manufacturing)

| | United Kingdom | Germany[1] | France[2] | Italy | EU | United States | Japan | Canada | Major 7 | OECD[3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | EUAA | ILAF | ILAG | ILAH | ILAI | ILAJ | ILAK | ILAL | ILAM | ILAN |
| 1985 | 5.7 | 2.1 | 4.5 | 7.8 | 4.9 | 0.9 | –0.8 | 2.7 | 1.9 | 4.9 |
| 1990 | 5.8 | 1.5 | –1.1 | 4.1 | 2.4 | 5.0 | 1.6 | 0.3 | 3.3 | 4.7 |
| 1991 | 4.8 | 2.2 | –1.2 | 3.3 | 2.2 | 2.2 | 1.1 | –1.0 | 1.9 | 3.3 |
| 1992 | 2.3 | 1.6 | –1.4 | 1.9 | 1.3 | 1.3 | –0.9 | 0.5 | 0.9 | 2.3 |
| 1993 | 2.6 | – | –2.6 | 3.8 | 1.2 | 1.3 | –1.6 | 3.3 | 0.7 | 2.1 |
| 1994 | 2.3 | –2.9 | 1.1 | 3.7 | 2.1 | 0.6 | –1.7 | 5.7 | 0.8 | 3.3 |
| 1995 | 4.4 | 2.2 | 6.4 | 7.9 | 4.7 | 1.9 | –0.6 | 8.1 | 2.6 | 7.1 |
| 1996 | 2.0 | 0.2 | –2.8 | 1.7 | .. | 2.6 | .. | 0.4 | .. | .. |
| 1995 Q1 | 3.7 | 2.3 | 7.5 | 6.5 | 4.8 | 1.7 | –0.7 | 9.9 | 2.5 | 6.7 |
| Q2 | 4.6 | 2.5 | 8.8 | 8.8 | 5.4 | 2.2 | –0.5 | 9.0 | 3.0 | 7.3 |
| Q3 | 5.0 | 2.4 | 6.6 | 9.0 | 5.1 | 1.6 | –0.7 | 7.7 | 2.7 | 7.2 |
| Q4 | 4.6 | 1.8 | 2.7 | 7.2 | 3.6 | 2.2 | –0.7 | 5.8 | 2.4 | 7.2 |
| 1996 Q1 | 3.5 | 0.7 | –1.2 | 4.8 | 1.9 | 2.2 | –0.9 | 1.7 | 1.5 | 6.7 |
| Q2 | 2.3 | 0.1 | –3.2 | 1.4 | 0.7 | 2.5 | –0.9 | 0.5 | 1.2 | 6.8 |
| Q3 | 1.2 | –0.2 | –3.7 | 0.1 | –0.2 | 2.8 | –0.8 | –0.2 | 1.0 | 7.1 |
| Q4 | 0.8 | 0.2 | –3.0 | 0.5 | .. | 3.1 | .. | –0.4 | .. | .. |
| 1996 Dec | 0.8 | 0.2 | –2.8 | 0.5 | .. | 3.3 | .. | –0.5 | .. | .. |
| 1997 Jan | 0.6 | .. | .. | 0.6 | .. | 2.8 | .. | –0.4 | .. | .. |
| Feb | 0.6 | .. | .. | .. | .. | 2.4 | .. | –0.4 | .. | .. |
| Mar | 0.5 | .. | .. | .. | .. | 1.5 | .. | .. | .. | .. |

1 Data available for Unified Germany from 1991
2 Producer prices in intermediate goods
3 OECD includes 'higher inflation' countries (Mexico and Turkey)

# 6 Average wage earnings in manufacturing[1]

| | United Kingdom[2] | Germany[3] | France | Italy | EU | United States | Japan | Canada | Major 7 | OECD |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | ILAY | ILAO | ILAP | ILAQ | ILAR | ILAS | ILAT | ILAU | ILAV | ILAW |
| 1985 | 9.1 | 4.0 | 6.1 | 11.2 | 7.1 | 3.8 | 3.3 | 3.7 | 4.5 | 4.5 |
| 1990 | 9.4 | 5.7 | 4.4 | 7.3 | 6.9 | 3.3 | 5.0 | 4.7 | 5.1 | 5.0 |
| 1991 | 8.3 | 6.2 | 4.3 | 9.8 | 7.1 | 3.3 | 3.5 | 4.7 | 4.9 | 4.9 |
| 1992 | 6.6 | –3.6 | 3.7 | 5.5 | 5.6 | 2.4 | 1.3 | 3.5 | 3.2 | 3.2 |
| 1993 | 4.5 | 3.0 | 2.4 | 3.7 | 4.5 | 2.5 | 0.5 | 2.1 | 2.6 | 2.6 |
| 1994 | 4.8 | 3.4 | 1.8 | 3.4 | 3.8 | 2.8 | 2.3 | 1.6 | 3.0 | 3.0 |
| 1995 | 4.5 | 3.3 | 2.3 | 3.1 | 3.8 | 2.5 | 3.1 | 1.5 | 3.0 | 3.0 |
| 1996 | 4.3 | .. | 2.8 | 2.4 | .. | 3.3 | 2.4 | 2.8 | .. | .. |
| 1995 Q2 | 4.7 | 4.1 | 2.2 | 2.3 | 3.9 | 2.4 | 2.6 | 0.9 | 2.7 | 2.7 |
| Q3 | 4.4 | 3.3 | 2.6 | 3.6 | 4.0 | 2.8 | 3.0 | 2.3 | 3.5 | 3.5 |
| Q4 | 3.9 | 4.1 | 2.6 | 3.9 | 4.2 | 2.6 | 2.6 | 2.1 | 3.2 | 3.2 |
| 1996 Q1 | 4.4 | .. | 2.6 | 3.2 | .. | 2.7 | 1.9 | 1.7 | 3.3 | 3.3 |
| Q2 | 4.1 | .. | 2.5 | 2.5 | .. | 3.5 | 1.3 | 1.6 | 2.8 | 3.0 |
| Q3 | 4.1 | .. | 2.6 | 2.0 | .. | 3.5 | 3.5 | 3.9 | 3.4 | 3.7 |
| Q4 | 4.4 | .. | 3.4 | 1.8 | .. | 3.6 | 2.8 | 3.9 | .. | .. |
| 1997 Q1 | .. | .. | 2.5 | .. | .. | 3.8 | .. | .. | .. | .. |
| 1996 Dec | 4.6 | .. | .. | 1.9 | .. | 4.0 | 2.8 | 3.2 | .. | .. |
| 1997 Jan | .. | .. | .. | 2.5 | .. | 3.5 | .. | 3.4 | .. | .. |
| Feb | .. | .. | .. | 2.5 | .. | 3.6 | .. | .. | .. | .. |
| Mar | .. | .. | .. | .. | .. | 4.4 | .. | .. | .. | .. |

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)

# 7 Total employment [1]

| | United Kingdom | Germany[2,3] | France[3] | Italy | EU | United States[3] | Japan | Canada[3] | Major 7 | OECD |
|---|---|---|---|---|---|---|---|---|---|---|
| **Percentage change on a year earlier** | | | | | | | | | | |
| | ILIF | ILIG | ILIH | ILII | ILIJ | ILIK | ILIL | ILIM | ILIN | ILIO |
| 1985 | 1.1 | 1.0 | –0.1 | 0.5 | 0.5 | 2.0 | 0.7 | 2.9 | 1.3 | 1.3 |
| 1990 | 0.6 | 2.5 | 1.0 | 1.5 | –1.6 | –0.5 | –1.9 | 0.7 | 1.2 | 1.1 |
| 1991 | –2.9 | 1.8 | 0.1 | 1.3 | –0.1 | –0.8 | 1.9 | –1.9 | –0.1 | –0.1 |
| 1992 | –2.6 | 0.4 | –0.6 | –1.1 | –1.2 | 0.6 | 1.1 | –0.5 | 0.2 | –0.2 |
| 1993 | –1.1 | –1.7 | –1.2 | –2.4 | –2.3 | 1.4 | 0.2 | 1.3 | – | –0.2 |
| 1994 | 0.9 | –7.8 | 0.5 | –1.7 | –0.5 | 3.2 | 0.1 | 2.2 | 1.3 | 1.1 |
| 1995 | 0.8 | –0.4 | 0.7 | –0.6 | 0.7 | 1.5 | 0.1 | 1.6 | 0.8 | 1.0 |
| 1996 | .. | .. | .. | 0.4 | .. | 1.4 | 0.5 | 1.3 | .. | .. |
| 1996 Q4 | .. | .. | .. | 0.2 | .. | 2.1 | 0.9 | 1.7 | .. | .. |
| 1997 Q1 | .. | .. | .. | .. | .. | .. | .. | 3.8 | .. | .. |
| **Percentage change,latest quarter on quarter** | | | | | | | | | | |
| | ILIP | ILIQ | ILIR | ILIS | ILIT | ILIU | ILIV | ILIW | ILIX | ILIY |
| 1995 Q2 | – | 0.4 | 0.4 | 1.6 | 0.8 | 1.2 | 2.9 | 3.5 | 1.6 | 1.5 |
| Q3 | – | 0.4 | 0.2 | 1.2 | 0.3 | 0.7 | 0.1 | 2.1 | 0.4 | 0.5 |
| Q4 | 0.3 | – | –0.3 | –0.7 | 0.1 | –0.2 | –1.2 | –2.5 | –0.5 | –0.5 |
| 1996 Q1 | 0.1 | –1.5 | 0.1 | –1.3 | –0.9 | –1.2 | –1.6 | –1.8 | –1.4 | –1.2 |
| Q2 | –0.1 | 0.1 | – | 1.2 | 0.7 | 2.0 | 3.2 | 3.5 | 1.9 | 1.7 |
| Q3 | 0.5 | 0.3 | –0.1 | 1.2 | 0.5 | 1.2 | 0.5 | 2.0 | 0.9 | 0.9 |
| Q4 | .. | .. | .. | –0.8 | .. | 0.1 | –1.0 | –2.0 | .. | .. |
| 1997 Q1 | .. | .. | .. | .. | .. | .. | .. | 0.3 | .. | .. |
| **Percentage change, latest month on previous month** | | | | | | | | | | |
| | ILKV | ILKW | ILKX | ILKY | ILKZ | ILLA | ILLB | ILLC | ILLD | ILLE |
| 1997 Jan | .. | .. | .. | .. | .. | –1.2 | –0.6 | 1.1 | .. | .. |
| Feb | .. | .. | .. | .. | .. | .. | .. | – | .. | .. |
| Mar | .. | .. | .. | .. | .. | .. | .. | 0.5 | .. | .. |

1 Not seasonally adjusted except for the United Kingdom
2 Data available for Unified Gemany from 1991
3 Excludes members of armed forces

# 8 Standardised unemployment rates: percentage of total labour force[1]

| | United Kingdom | Germany[2] | France | Italy | EU | United States | Japan | Canada | Major 7 | OECD |
|---|---|---|---|---|---|---|---|---|---|---|
| | GABF | GABD | GABC | GABE | GADR | GADO | GADP | GADN | GAEQ | GADQ |
| 1985 | 11.2 | 7.1 | 10.3 | 9.6 | 10.5 | 7.1 | 2.6 | 10.5 | 7.2 | 7.9 |
| 1990 | 6.9 | 4.8 | 8.9 | 10.3 | 8.2 | 5.5 | 2.1 | 8.1 | 5.7 | 6.1 |
| 1991 | 8.8 | 4.2 | 9.4 | 9.9 | 8.5 | 6.8 | 2.1 | 10.3 | 6.3 | 6.8 |
| 1992 | 10.1 | 4.6 | 10.4 | 10.5 | 9.3 | 7.4 | 2.2 | 11.3 | 6.9 | 7.4 |
| 1993 | 10.4 | 7.9 | 11.7 | 10.2 | 10.9 | 6.8 | 2.5 | 11.2 | 7.2 | 8.0 |
| 1994 | 9.6 | 8.4 | 12.3 | 11.1 | 11.4 | 6.0 | 2.9 | 10.3 | 7.0 | 7.9 |
| 1995 | 8.7 | 8.2 | 11.7 | 12.2 | 11.0 | 5.6 | 3.1 | 9.5 | 6.8 | 7.5 |
| 1996 | 8.2 | 9.0 | 12.3 | 12.0 | 10.7 | 5.4 | 3.4 | 9.7 | 6.8 | 7.5 |
| 1995 Q2 | 8.8 | 8.1 | 11.7 | 11.9 | 11.0 | 5.6 | 3.1 | 9.5 | 6.8 | 7.6 |
| Q3 | 8.7 | 8.2 | 11.6 | 12.0 | 11.0 | 5.6 | 3.2 | 9.5 | 6.8 | 7.5 |
| Q4 | 8.6 | 8.5 | 11.8 | 11.9 | 10.9 | 5.5 | 3.3 | 9.4 | 6.8 | 7.5 |
| 1996 Q1 | 8.4 | 8.9 | 12.1 | 12.0 | 10.7 | 5.6 | 3.3 | 9.5 | 6.8 | 7.5 |
| Q2 | 8.3 | 8.9 | 12.2 | 12.0 | 10.7 | 5.4 | 3.5 | 9.6 | 6.8 | 7.6 |
| Q3 | 8.2 | 8.9 | 12.4 | 12.0 | 10.7 | 5.2 | 3.3 | 9.7 | 6.8 | 7.5 |
| Q4 | 7.8 | 9.2 | 12.4 | 12.0 | 10.8 | 5.3 | 3.3 | 9.9 | 6.8 | 7.5 |
| 1997 Q1 | .. | .. | .. | .. | .. | 5.3 | .. | .. | .. | .. |
| 1997 Jan | 7.3 | 9.6 | 12.4 | 12.2 | 10.8 | 5.4 | 3.3 | 9.7 | 6.8 | 7.5 |
| Feb | 7.1 | 9.6 | 12.5 | .. | 10.9 | 5.3 | 3.3 | 9.7 | 6.8 | 7.5 |
| Mar | .. | .. | .. | .. | .. | 5.2 | .. | .. | .. | .. |

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 Data available on Unified Germany from January 1993

# 9 Balance of payments current account as percentage of GDP

| | United Kingdom | Germany[1,2] | France | Italy | United States[1] | Japan[1] | Canada |
|---|---|---|---|---|---|---|---|
| | ILAZ | ILBA | ILBB | ILBC | ILBD | ILBE | ILBF |
| 1985 | 0.6 | 2.7 | –0.1 | –0.9 | –3.1 | 3.6 | –1.3 |
| 1990 | –3.4 | 3.1 | –0.8 | –1.3 | –1.7 | 1.2 | –3.8 |
| 1991 | –1.4 | –1.2 | –0.5 | –2.1 | –0.1 | 2.1 | –4.1 |
| 1992 | –1.7 | –1.2 | –0.3 | –2.3 | –1.1 | 3.2 | –3.9 |
| 1993 | –1.7 | –1.1 | 0.7 | 1.1 | –1.6 | 3.1 | –4.3 |
| 1994 | –0.4 | –0.9 | 0.7 | 1.5 | –2.2 | 2.8 | –3.3 |
| 1995 | –0.4 | –0.7 | 1.1 | 2.5 | –2.1 | 2.2 | –1.7 |
| 1996 | – | .. | .. | .. | .. | .. | –0.2 |
| 1994 Q4 | –0.2 | –1.3 | 0.7 | 1.8 | –2.5 | 2.6 | –1.4 |
| 1995 Q1 | 0.2 | – | 1.9 | 1.0 | –2.3 | 2.5 | –3.7 |
| Q2 | –0.8 | –0.1 | 1.3 | 3.0 | –2.5 | 2.2 | –2.6 |
| Q3 | –0.8 | –0.8 | 0.3 | 3.2 | –2.1 | 2.3 | –1.2 |
| Q4 | –0.7 | –1.4 | 0.9 | 2.6 | –1.7 | 1.9 | –0.2 |
| 1996 Q1 | –0.7 | –0.7 | 1.7 | 2.0 | –1.9 | 1.3 | –0.9 |
| Q2 | 0.4 | –1.4 | 0.8 | 3.8 | –2.0 | 1.3 | 0.6 |
| Q3 | –0.2 | –0.4 | 1.3 | 4.6 | –2.5 | 1.6 | 0.3 |
| Q4 | 0.5 | –0.5 | .. | .. | .. | .. | –0.8 |

1 Balance as percentage of GNP
2 Data available for Unified Germany from July 1990

# 10 World trade[1]

| | Export of manufactures | | | Import of manufactures | | | Export of goods | | | Import of goods | | | World trade | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | World | OECD | Other | World | OECD | Other | World | OECD | Other | World | OECD | Other | manufact-ures | goods |
| **Percentage change on a year earlier** | | | | | | | | | | | | | | |
| | ILIZ | ILJA | ILJB | ILJC | ILJD | ILJE | ILJF | ILJG | ILJH | ILJI | ILJJ | ILJK | ILJL | ILJM |
| 1985 | 5.0 | 5.5 | 2.5 | 4.1 | 7.1 | –1.9 | 3.9 | 3.9 | 4.9 | 1.0 | 3.5 | 5.6 | 4.5 | 3.7 |
| 1990 | 5.2 | 5.0 | 6.1 | 4.4 | 5.3 | 2.2 | 5.0 | 5.0 | 4.9 | 5.3 | 5.2 | 4.8 | 4.8 | 5.1 |
| 1991 | 3.1 | 2.3 | 6.2 | 4.2 | 3.4 | 6.3 | 3.6 | 3.6 | 3.2 | 4.3 | 3.8 | 3.1 | 3.6 | 3.7 |
| 1992 | 4.6 | 4.7 | 4.3 | 6.2 | 6.2 | 6.3 | 5.9 | 5.9 | 5.1 | 2.4 | 4.3 | 6.0 | 5.4 | 5.1 |
| 1993 | 0.9 | 1.9 | 2.8 | 1.1 | 12.0 | 16.9 | 13.8 | 14.9 | 4.0 | 5.0 | 6.0 | 4.6 | 4.6 | 5.3 |
| 1994 | 9.9 | 9.5 | 10.8 | 10.5 | 11.5 | 8.0 | 8.3 | 8.3 | 8.7 | 7.5 | 8.8 | 9.9 | 10.0 | 8.6 |
| 1995 | 8.1 | 8.6 | 5.7 | 7.4 | 9.0 | 3.3 | 7.1 | 7.1 | 7.2 | 5.6 | 6.5 | 7.7 | 7.2 | 6.7 |
| 1996 Q1 | 7.9 | 6.4 | 14.4 | 8.2 | 6.6 | 12.3 | 7.0 | 6.7 | 5.5 | 10.4 | 6.9 | 4.5 | 10.4 | 7.0 |
| Q2 | 7.3 | 6.7 | 13.6 | .. | .. | .. | .. | 6.7 | 5.7 | 11.6 | 6.4 | 4.0 | 10.7 | 6.0 |
| Q3 | 7.9 | 6.4 | 12.9 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| **Percentage change, latest quarter on previous quarter** | | | | | | | | | | | | | | |
| | ILJN | ILJO | ILJP | ILJQ | ILJR | ILJS | ILJT | ILJU | ILJV | ILJW | ILJX | ILJY | ILJZ | ILKA |
| 1995 Q1 | 1.2 | 1.6 | 0.1 | 0.5 | 1.1 | –1.1 | 6.8 | 1.3 | 1.3 | 0.9 | 0.8 | 0.6 | 0.8 | 1.0 |
| Q2 | 1.4 | 0.8 | 0.9 | 0.7 | 1.0 | –0.1 | 5.0 | 0.5 | –0.9 | 0.8 | 0.9 | –0.1 | 0.6 | 0.9 |
| Q3 | 2.4 | 2.4 | 6.3 | 1.8 | 1.0 | 4.1 | 3.6 | 1.1 | 4.7 | 1.8 | 0.8 | 2.3 | 1.9 | 1.9 |
| Q4 | 1.1 | 1.3 | 0.2 | 2.0 | 2.7 | – | 5.9 | 1.9 | 0.2 | 0.5 | 0.7 | –0.1 | 1.1 | 0.7 |
| 1996 Q1 | 2.9 | 1.8 | 6.5 | 3.5 | 1.8 | 8.1 | 3.1 | 3.1 | 1.9 | 6.2 | 3.7 | 2.0 | 8.0 | 3.4 |
| Q2 | 0.8 | 1.0 | 0.2 | .. | .. | .. | .. | 0.5 | 0.7 | 0.2 | 0.3 | 0.4 | 0.2 | –0.1 |
| Q3 | 2.9 | 2.1 | 5.6 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |

1 Data used in the World and OECD aggregates refer to Germany after unification

# Competitiveness in Manufactures

**Michael Byrne, Zia Chaudhri & Henry Neuburger**

Contact details: Tel 0171 533 5912; Fax 0171 533 5903; e-mail address; MICHAEL BYRNE@ONS.GOV.UK
ADDRESS - DG4/16, 1 Drummond Gate, London SW1V 2QQ

## Introduction

Indicators of UK competitiveness in manufactures are published in Table 2.15 of Economic Trends each month. Here we describe the method of constructing these indicators and some of their limitations.

A country's international competitiveness can be observed by the relative movements in costs or prices after adjusting for exchange-rate movements. These measures of overall competitiveness are known as "relative" costs or prices expressed in a common currency.

The competitiveness in manufactures series compiled by the ONS in Table 2.15 are indices based on US dollars, with 1990 as the base year. Here the term "manufactures" refers to sections 5-8 of the Standard International Trade Classification Rev 3. Prior to 1988 the classification system is Rev 2. Before proceeding with a description of each series' methodology, each with its particular value and limitations in reflecting competitiveness, there are some general points worth making.

Firstly, any one measure is unlikely to capture all aspects of the concept adequately, the indicators serve rather as important signals of international competitiveness. Definitions of competitiveness vary, two examples are: **World Economic Forum-** *"The ability of a nation's economy to make rapid and sustained gains in living standards"*. **OECD** - *"The degree to which it can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the longer term"*. In the United Kingdom in May 1995 a White Paper on Competitiveness was presented to Parliament which makes use of the OECD definition.

The second point is that underlying influences on indicators need to be considered before drawing conclusions on competitiveness. Measures based on prices may present the consequence rather than the cause of competitiveness. They do not inform us, for example, whether a fall in relative export prices, is due to a fall in costs or a narrowing of profit margins. On the other hand, the alternative cost measures, often favoured because they avoid this criticism, may rise due to higher value-added in the form of non-price factors (delivery time, reliability, design, after sales service etc), not necessarily implying a decline in competitiveness.

Thirdly, there is the issue of whether or not these measures adequately reflect the competitiveness of the broader industry. Competitiveness indicators of prices present the prices at which sales were successfully made. No account is taken of unsuccessful bids or the potential of UK industry to win sales. Drawing conclusions about the state of the broad industry relative to that of other countries may therefore be limited. This arguement gains weight the more highly concentrated the exporting activity in the UK. Temple & Urga argue that import penetration in a particular industry may be at least as important an indicator of competitiveness as export related variables.

## Timeliness, Revisions & Availability

The source data for these indicators is supplied by the International Monetary Fund in the last month of each quarter. In general the January, April, July, and October issues of Economic Trends have updated versions of the table. The nature of international data is such that frequent and sometimes substantial revisions can occur. By way of example, the national data underlying the two labour cost series are calculated by benchmarking the best available quarterly or monthly series on periodically revised annual data. This makes the higher frequency series particularly susceptible to revisions that can extend back several years at a time. Historical data is available in the Economic Trends Annual Supplement published in the Summer of each year and available electronically by contacting the ONS Sales Office (0171 533 5678).

## Relationship between different Indicators of Competitiveness

There is a range of measures of competitiveness depending on whether they refer to markets, (import, export or both) whether they refer to prices, costs or profitability.

This section looks at the relationship between different indicators of competitiveness. It is useful to look at factors which affect the supply and demand for traded goods

Whether you buy a good from one country or another depends on a range of factors. Most of these will be long term factors like quality, reputation and reliability. The most important short term factor will be price. The price at which a product is delivered into a market in a different country will depend on the cost of production in the country of origin, the profitability of the sale and the exchange rate thus:-

$$P = \frac{K(1+\pi)}{r}$$

Where P = price
K = cost of production
$\pi$ = profitability
r = exchange rate

Cost of production consists of estimates of labour costs and import costs

$$K = L + r f$$

Where L = unit labour cost
f = foreign commodity process

So

$$P = (1+\pi)\left(\frac{L}{r} + f\right)$$

This equation shows that the factors driving prices are the exchange rate labour costs and profitability since foreign commodity prices are common to domestic and foreign suppliers.

While the extent to which products demanded are affected by price, the choice of country by suppliers will be based on profitability. While low profitability will lead to low sale prices, producers may not be attracted to a low profit location. Therefore competitiveness in the long run may tend to equalise profitability. Price competitiveness is a useful short term indicator but labour cost competitiveness is a better indicator in the long run, combining supply and demand factors.

## Methodology

The indicators of competitiveness found in Table 2.15 of this publication are:

Relative Export Prices
Relative Wholesale Prices
IMF Index of relative Actual unit labour costs
IMF Index of relative Normalised unit labour costs
Import Price Competitiveness
Relative Profitability of Exports
Export Unit Value Indices (selected countries)
Wholesale Price Indices (selected countries)
Unit labour costs Indices (selected countries)

The first two series in this list are derived in similar fashion. In FIG 1 the weights for the UK's trading partners used to compile these series is plotted, in FIG 2 the two series are plotted over time.

FIG 1

**UK Trading Partners**
**(Weights for relative export prices & relative wholesale prices)**

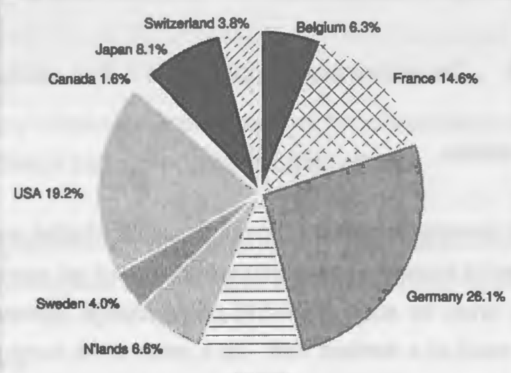
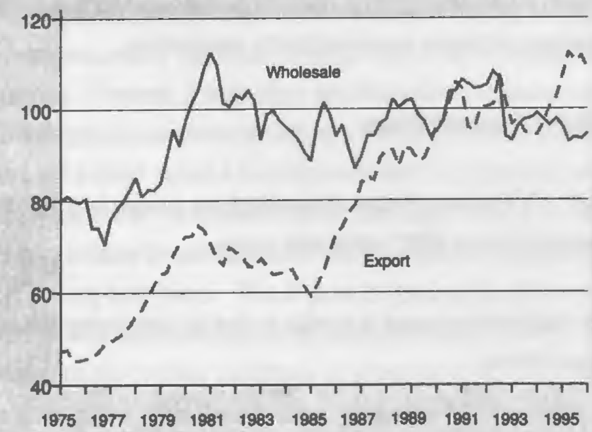



FIG 2

**Relative Prices**



**Relative Export Prices**

*Defn: The export unit value index (UVI) of UK manufactures divided by a weighted average of other main manufacturing countries (MMC's) export unit value indices for manufactures.*

The methodology is :

- UK UVI for period t is converted to $US :

$$\text{UK UVI}_{t,\$US,1990=100} = \text{UK UVI}_{t,£,1990=100} \times \frac{\text{\$/£ Period t exchange rate}}{\text{\$/£ 1990 exchange rate}} \quad [*]$$

- Similarly other MMC's UVI's are converted to the same basis:

$$\text{Other MMC's UVI}_{t,\$US,1990=100} = \text{Other MMC's UVI}_{t,\text{local currency},1990=100} \times \frac{\text{\$/local currency Period t exchange rate}}{\text{\$/local currency 1990 exchange rate}}$$

- Each of these MMC UVI's, now on the same basis, are weighted using the IMF partner-country weights in FIG 1 and summed. [**]

- The relative export prices' series is then calculated by [*]/[**] and 1990 taken as the base year.

Limitations

The coverage is restricted to goods actually traded and ignores potential trade of home produced goods, not yet exported. This may arise, for example, should prices change appropriately as the result of a demand shift. As a result some home produced goods may well find international markets which did not previously exist. This measure cannot take account of unsuccessful quotations and provides no measure of the impact on profitability. Exporters may be forced to absorb exchange rate movements into profit margins as in competitive markets exporters in general are price-takers. As a result, relative export prices may be of most relevance to markets in differentiated products. Finally, the measure does not take account of competition between imports and domestic production in home or overseas markets, a general drawback of prices mentioned in the introduction.

**Relative Wholesale Prices**

*Defn: UK Producer Prices of manufactures divided by a weighted average of other MMC wholesale prices.*

The methodology used is similar to that for calculating Relative Export Prices.

- The UK Producer Price is converted to an index based on 1990=100 and $US [*]

- The Wholesale Prices of Other MMC's is converted to an index based on 1990=100 and $US

- Each of these MMC Wholesale Prices, now on the same basis, are weighted in the same way as in the calculation of relative export prices and summed. [**]

- The relative wholesale price index is calculated by [*]/[**] and 1990 taken as the base year.

**Limitations**

Relative movements in home prices are not necessarily indicative of movements in prices charged to foreign markets. Since this measure uses domestic prices to point to changes in competitiveness the emphasis on domestic markets in this measure is a limitation. This is particularly true of industries where exporting is carried out by a small proportion of the total industry.

**IMF Index of relative unit labour costs & IMF Index of relative normalised unit labour costs**

The method of producing these two relative cost indicators is broadly the same as above, where the UK unit labour costs are divided by an average of selected countries' unit labour costs after

FIG 3

UK Trading Partners
(Weights for unit labour costs)

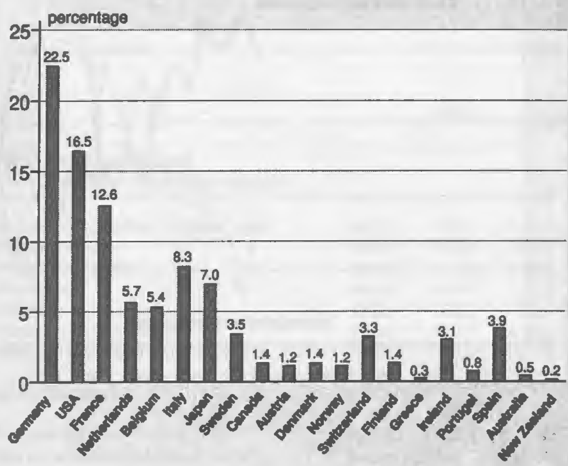
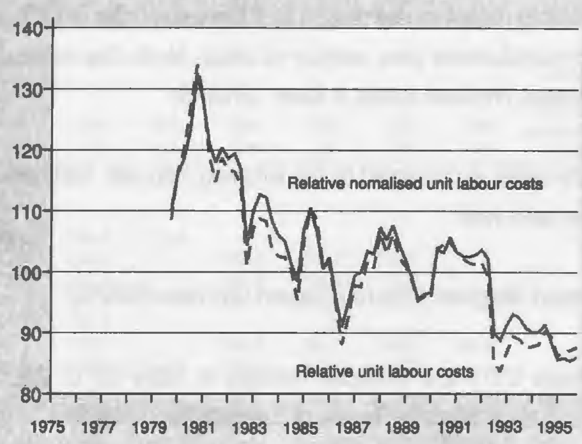



FIG 4

Relative Unit Labour Costs




Unit labour costs in the manufacturing sector are given as: Compensation of employees / Real output (Account is taken of employer-paid social insurance and other employment taxes, as well as wages & salaries. For the most recent quarters however, indices typically refer more narrowly to wages or wages & salaries per unit of total output of manufactured goods.)

adjusting for exchange rate effects. However, these series are provided by the research department of the IMF and the number of comparative countries is extended to Australia, Austria, Denmark, Finland, Greece, Ireland, New Zealand, Norway, Portugal, Spain and Switzerland. In FIG 3 above, the weights used to derive these series are shown and in FIG 4 both series are plotted over time.

The two series published are given by:
Actual unit labour costs = Index of hourly compensation per worker / Index of Output per hour

Normalised unit labour costs = Index of hourly compensation per worker / Normalised index of Output per hour

*Note: Since the UK does not publish "output per hour" this is proxied by "output per employee" The same is done for Denmark, Italy and Portugal as there is no viable alternative.*

The weighting used by IMF in constructing these indices above are built up from aggregate trade flows for manufactured goods averaged over the period 1989-1991. They take into account:

- the relative importance of a country's trading partners in its direct bilateral relations with them, in both the home and foreign markets
- the competitive relations with third countries in particular markets
- the differences among countries in the importance of foreign trade to the manufacturing sector.

The weighted average of selected countries' unit labour costs is a geometric weighted average rather than an arithmetic mean.

**Limitations**

These measures ignore costs other than labour. It can be argued that changes in both raw materials and capital costs will be more similar across countries than wages, given capital mobility and the existence of international commodity markets. Other omitted costs such as taxation or the costs of public regulation may be more significant. Another issue worth highlighting is the true competitiveness of UK goods will not increase because the level of average productivity rises, if this is due only to the elimination of low productivity activities (brought about by recession for example). However, if such rises are the result of improvements in working practises across an industry then declines in unit labour costs will indeed signal a true improvement in competitiveness. In producing the normalised' series the basic indices are first adjusted to allow for estimated short-term variations in productivity from its long-term trend. This is done to remove the differences in the cyclical situation of countries being compared as firms may accommodate cyclical variations in productivity in their profit margins rather than their prices. However, both actual and normalised series are published because of uncertainties about trend rates of productivity growth in different countries.

### Import Price Competitiveness

*Defn: An import weighted UK Producer Prices Index (PPI) of home sales of manufactures divided by a unit value index of UK imports of manufactures (less erratics viz ships, North Sea installations, aircraft, precious stones & silver - SNAPS)*

The series is calculated by the following ratio with 1990 taken as the base year:

Import Weighted PPIx100 / Import UVI (less SNAPS)

These UVI's are available monthly in Table C9 of the ONS publication "Monthly Review of External Trade Statistics".

### Limitations

Here profitability is not taken into account, which is a weakness mentioned in other indicators.

### Relative Profitability of Exports

*Defn: The unit value index of UK exports of manufactures divided by an export weighted index of UK producer prices of home sales of manufactures.*

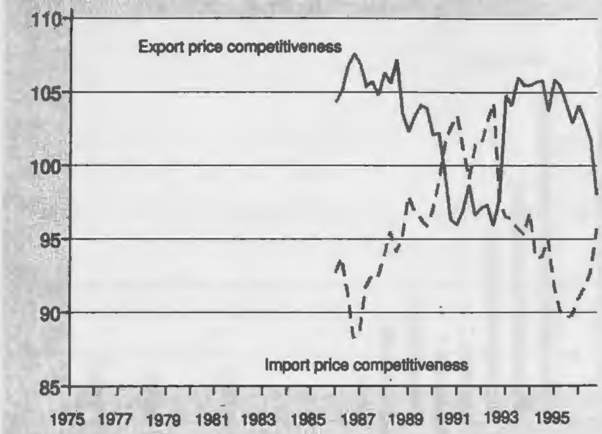
Export UVI (less SNAPS)/ Export Weighted PPI

These Export UVI's are available monthly in Table B9 of the ONS publication "Monthly Review of External Trade Statistics".

### Limitations

Although this measure is not in itself a measure of competitiveness, in that it does not draw comparisions between domestic and foreign manufactures, it is however a useful supplement to relative export prices. In FIG 5, the import price competitiveness and the relative profitability of exports are plotted over time.

FIG 5 Import/Export Price Competitiveness




### Export Unit Value Indices/Wholesale Price Indices/Unit Labour Costs Indices

These series use the same basic methodology. The IMF Export UVI's, Wholesale Prices and Unit Labour Costs are converted from a local currency basis to $US relative to 1990 exchange rates. The indices are then calculated with 1990 as the base year. Note, that the UK series is the producer price index, other countries indices are wholesale price indices.

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