

Economic Trends

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CORRECTION

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An article in the August 1997 edition of Economic Trends, "Effects on the RPI of changes announced in July 1997 Budget", contained an error.

The "inflation-only rises for alcohol" announced by the Chancellor of the Exchequer in his Budget speech referred strictly to alcohol duties, rather than alcoholic drinks' prices as a whole. Our best estimate of the impact on the RPI of this duty change, were it to be passed on in full, is therefore +0.06 percentage points. All cumulative totals including this estimate should be revised accordingly.

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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 27 August 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, ONS, Zone D4/16, 1 Drummond Gate, London, SW1V 2QQ or e-mail Michael.Byrne@ONS.Gov.UK

Office for National Statistics
September 1997

Articles

This month we feature three articles.

David Wall discusses the development of a Final Expenditure Prices Index (FEPI) (page 30) and includes data up to and including July 1997, together with a brief commentary. Monthly updates will be included from next month's issue. Simon Kyte and Jonathan Bailey summarise further developments in the provision of monthly estimates of Overseas Trade in Services (page 51) and provides the principal sources of data. The Geographical Breakdown of the Current Account of the Balance of Payments is discussed by Richard Clegg (page 17) and tables covering transactions by main continent are included.

The article in the August 1997 edition of *Economic Trends*, "Effects on the RPI of changes announced in July 1997 Budget" contained an error. The "inflation-only rises for alcohol" announced by the Chancellor of the Exchequer in his Budget speech referred strictly to alcohol duties, rather than alcoholic drinks' prices as a whole. Our best estimate of the impact on the RPI of this duty change, were it to be passed on in full, is therefore +0.06 percentage points. All cumulative totals including this estimate should be revised accordingly.

European Data Shop launched

National Statistics has now opened a European Data Shop at its London office, as part of a Eurostat initiative to establish a network of such Data Shops in the member states of the European Union. From this established network, users will be able to obtain Eurostat publications, as well as predefined, standard and fixed output products. The UK Data Shop will provide social, economic and regional data for the countries in the European Union and 300 partner countries. This will allow the comparison of UK data with that of other EU members and any of the 300 partner countries.

Full details are available from the Data Shop, address and telephone as that of the National Statistics Sales Office, below.

Recent National Statistics publications

Economic Trends Annual Supplement 1997. The Stationery Office, ISBN 0 11 620839 2, price £26.95. Contains long runs of data for up to fifty years, plus notes and definitions corresponding to the tables in the monthly *Economic Trends*.

Input-Output Balances for the United Kingdom 1992 1993 1994 1995. National Statistics, ISBN 1 85774 241 9, price £45.00. The revised input-output balances for 1992, 1993 and 1994 plus a provisional balance for 1995, as compiled for the 1997 National Statistics *Blue Book*. The analyses give a picture of the flows of products in the economy for the year.

United Kingdom National Accounts 1997 (The Blue Book). The Stationery Office, ISBN 0 11 620899 6, price £32.50. Detailed estimates of national product, income and expenditure for the United Kingdom.

United Kingdom Balance of Payments 1997 (The Pink Book). The Stationery Office, ISBN 0 11 620898 8, price £32.50. Detailed estimates of the current account, capital account and the International Investment Position for the United Kingdom.

UK Economic Accounts: 1997 quarter 1. The Stationery Office, ISBN 0 11 620856 2, price £22.50.

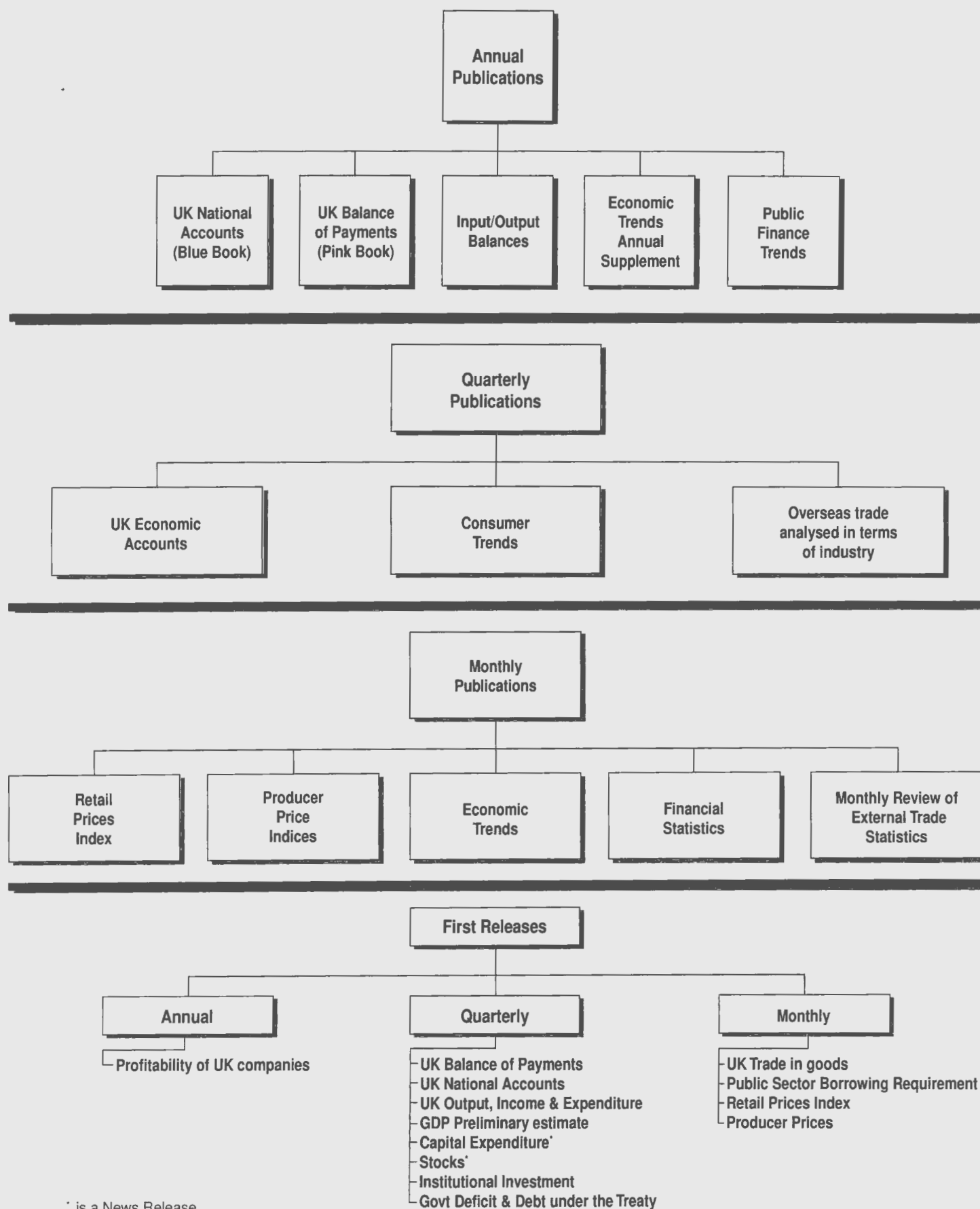
Consumer Trends: 1997 quarter 1. The Stationery Office, ISBN 0 11 620835 X, price £45.

Labour Market Trends, September 1997. The Stationery Office, ISBN 0 11 620890 2, price £6.00.

Financial Statistics, August 1997. The Stationery Office, ISBN 0 11 620877 5, price £22.50.

All of these publications are available from the National Statistics Sales Office, Zone B1/06, 1 Drummond Gate, London, SW1V 2QQ. Telephone 0171-533 5678 or fax 0171-533 5689. Subscriptions are available from The Stationery Office Publications Centre, telephone 0171-873 9090.

United Kingdom Macro-Economic Statistics Publications



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

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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

- 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 & February* Regional Accounts 1995: Part 1.
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.
- June* Regional Accounts 1995: Part 2.
Competitiveness in manufactures.
- August* Research and experimental development (R & D) statistics 1995.
The Budget: 2 July 1997.
The economy: developments and prospects.

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 - September 1997

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Overview

GDP continued to grow strongly in the second quarter of 1997. Latest estimates show GDP growth remained stable in the second quarter, driven by strong growth in consumer demand. The pattern of supply in the second quarter continued to be characterised by strong activity in services and subdued production. Consumers' expenditure accelerated in the second quarter, as retail sales rose strongly, boosted by spending of windfall gains, consumer credit rose sharply, and consumer confidence was at levels comparable with the consumer boom in the late 1980s. The UK's world trade position appears to have deteriorated, as imports of goods grew more strongly than exports, resulting in a widening of the balance of trade in goods deficit, and net trade in goods and services fell further into deficit in the second quarter, dampening GDP growth. However, a more favourable position is shown by underlying trade, as underlying exports of goods grew more strongly than imports and, also by the latest trade data, which showed an improvement in the UK's trade deficit with non-EU countries and underlying non-EU exports growing more strongly than non-EU imports. There is not yet clear evidence that the appreciation in sterling has adversely impacted on export volumes of goods. Despite stable costs in the economy, and a continued fall in trade prices, headline and underlying inflation rose for the third month in succession. However, the overall rise in retail prices is not attributable to increasing demand pressures on goods and services. A combination of a tightening in monetary policy, budget measures feeding directly into prices and irregular seasonal effects, has exerted upward pressure on the retail price index. Labour costs in particular, have remained stable, despite the continued reduction in spare capacity in the labour market as shown by a sharp fall in unemployment during July.

GDP Activity

Latest estimates show growth in GDP at constant factor cost (including and excluding oil and gas extraction) remained stable at 0.9% in the second quarter of 1997, unchanged from the first quarter of 1997. Between 1996 Q2 and 1997 Q2, GDP grew by 3.4%, the highest growth on this basis for 2 years. GDP growth

was boosted by 0.1% in the second quarter from a sharp rise in output of the energy industries, as the colder weather increased demand for energy. The pattern of growth of demand changed from the first quarter, with an acceleration in consumer demand and a significant slowing in investment demand. Growth of supply continued to be driven by strong service sector output, at a time when production output remained subdued.

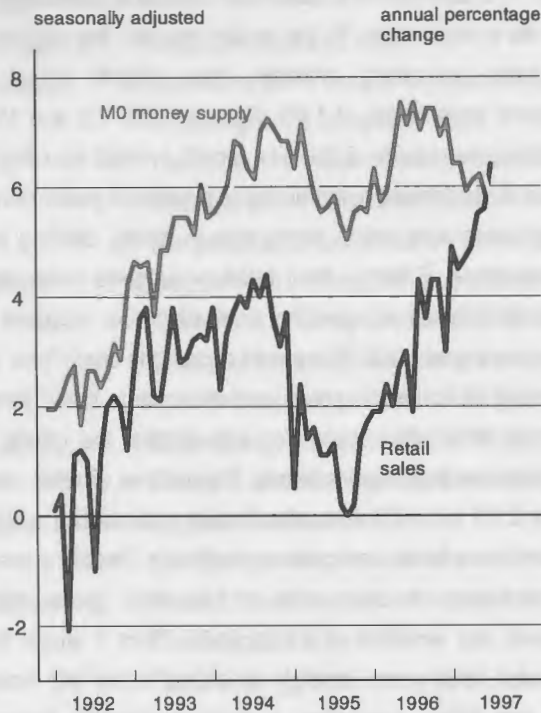
Domestic demand

Domestic demand grew more strongly than GDP in the second quarter, driven by an acceleration in consumer demand. Consumers' expenditure grew by 1.5% between 1997 Q1 and 1997 Q2, following a temporary slowdown in the first quarter. Between 1996 Q2 and 1997 Q2, consumers' expenditure grew by 4.4%, compared with GDP at constant market prices growth of 3.5%. The acceleration in consumer demand is reflected by a sharp rise in retail sales. In the second quarter, the volume of retail sales, seasonally adjusted, grew slightly ahead of consumers' expenditure, at 1.8%. Between 1996 Q2 and 1997 Q2, retail sales grew by 5.3%. The growth in retail spending in the second quarter was concentrated in household goods stores, although there was also a strong rise in textile, clothing and footwear stores. Evidence from retailers suggests sales were boosted from increased spending, originating from recipients of building society windfalls. This would explain the sharp "pick up" in spending on household goods, and other "large ticket" items. The latest retail sales figures for July suggest the growth in consumer spending remains strong. The volume of retail sales grew by 2.1% in the three months to July, representing a slight acceleration on the second quarter growth rate. Despite a rise in total retail sales in July, sales in household goods stores decreased, but remained at a high level. Chart 1 shows that retail sales have grown strongly at a time when M0 money supply has fallen, suggesting a weak relationship between consumer spending and demand for narrow money.

The strength of consumer demand in the second quarter is illustrated by the high level of consumer credit, which was particularly strong in May and June. Net consumer credit (seasonally adjusted) accelerated sharply to £3.5 billion in the

second quarter from £2.9 billion in the first quarter. As shown in chart 2, consumers' expenditure and consumer credit have followed a similar path, particularly in recent quarters. The acceleration in demand for credit may reflect increased confidence from consumers, who anticipate increased wealth, and from lenders, who have improved the availability of credit. Consumer confidence also reflects a perception of increased willingness to spend and borrow by households. The EC/Gfk consumer confidence index rose to a balance of +8 in August, the highest level since June 1988, and just below the record peak of +10 in June 1987. For the last four months, the index has been at similar levels to the height of the "consumer boom" in the late 1980s. Demand for total personal borrowing accelerated in the second quarter of 1997, indicating expectations of increased personal sector wealth. Total net personal borrowing, seasonally adjusted, was £9.6 billion in the second quarter, compared to £8.7 billion in the first quarter, whilst net borrowing secured on dwellings, seasonally adjusted, rose to £6.2 billion from £5.8 billion, suggesting continued demand for housing.

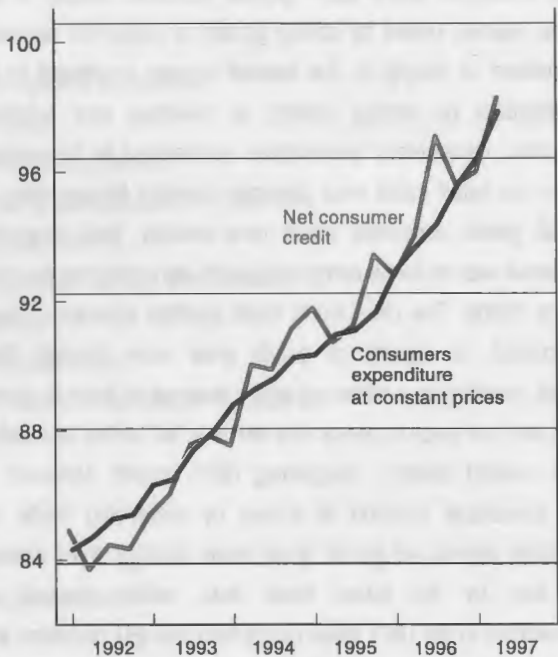
Chart 1
Volume of retail sales and the money supply



Although consumers' expenditure accelerated between 1997 Q1 and 1997 Q2, and GDP grew strongly, investment demand leveled off over the period. This is a significant deceleration from particularly strong growth in 1996 Q4, but less so from continued growth in 1997 Q1, which was boosted by aircraft expenditure. The expenditure measure of GDP growth was further dampened

by a negative contribution from net trade in goods and services. A fall in net trade occurred at a time when on the one hand, sterling appreciated, lowering the price and therefore value of imports, but on the other hand, consumer demand accelerated, with a likely acceleration in demand for imports. However, as shown in the next section on external demand, there is no clear evidence of an exchange rate appreciation effect on volumes.

Chart 2
Consumers expenditure and net consumer credit
seasonally adjusted £ billion

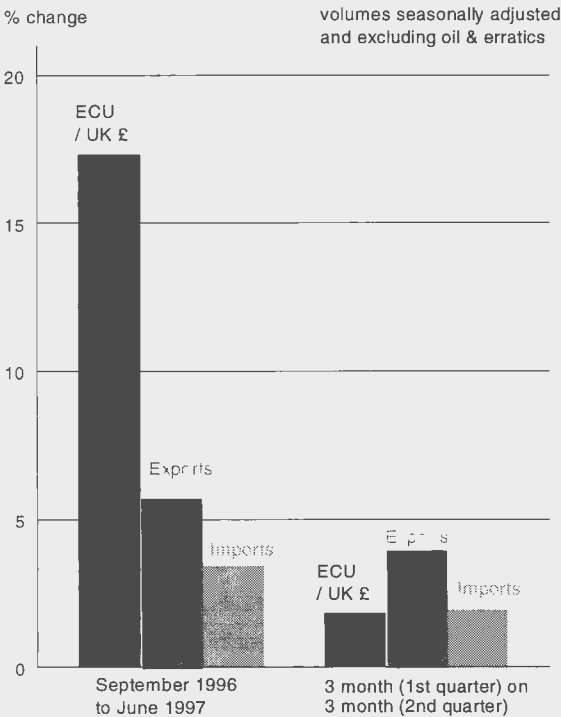


External demand

The UK's world trade position deteriorated during the second quarter as the deficit on the balance of UK trade in goods widened to £2.6 billion from £2.1 billion in first quarter. The UK's trade position deteriorated both with the European Union and non-EU countries. Over this period, the volume of exports of goods (including oil and erratics) to the world from the UK, rose strongly by 3.7%, driven by continued growth of finished manufactures, and boosted by a "pick-up" in exports of food, beverages and tobacco and basic materials. Imports of goods including oil and erratics, rose by 5.3%, boosted by strong growth in finished manufactures and a sharp increase in imports of fuel. The underlying trade position appears more favourable, suggesting the strong appreciation of sterling against European currencies has not yet adversely impacted on export volumes. In the second quarter, the volume of total exports of goods, excluding oil and erratics, rose strongly by 5.0%. On the same basis imports of goods increased by 3.8%. As shown in chart 3, growth in imports of goods have remained strong, but have not

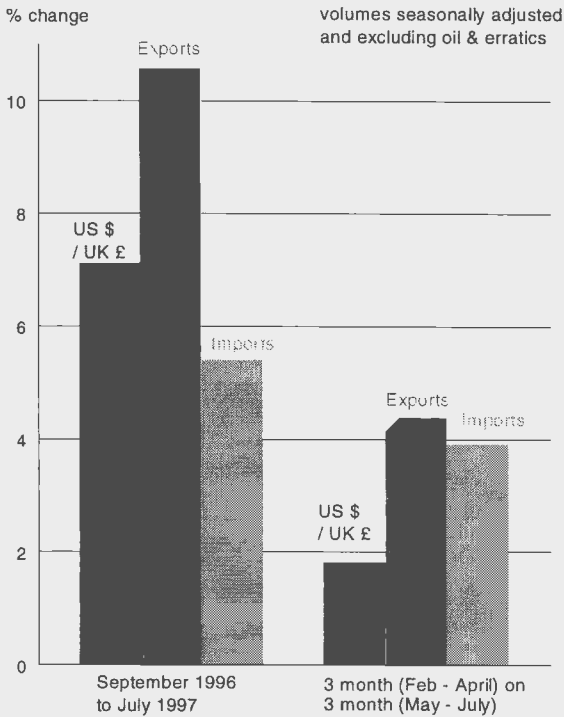
accelerated, at a time when sterling has appreciated sharply against the ECU. Exports of precious stones and silver slowed in the second quarter, dampening strong underlying exports of semi-manufactures, while underlying imports of finished manufactures grew less strongly when aircraft and ship imports were excluded. Imports of aircraft were boosted by increased investment expenditure, although this effect was more significant in the first quarter.

Chart 3
Growth rates for volumes of EU exports and imports & the ECU / UK £ exchange rate



As more timely data on trade with non-EU countries showed, the UK's trade position with non-EU countries improved in the three months to July, with the trade in goods deficit narrowing to £1.4 billion from £1.5 billion in the three months to April 1997. This was due entirely to a minimal deficit in July. Export volume growth was strong over the period, but was boosted by a sharp rise in July, due to the "one-off" export of an oil rig to Norway. In value terms the oil rig accounted for near to £400 million of total exports in July. Import growth grew more strongly than exports with rises in June and July, following a fall in May. The underlying trade position shows exports and imports growing less strongly, but exports rising faster than imports. In the three months to July, export volumes, excluding oil and erratics grew strongly by 4.4% compared with the three months to April. On the same basis import volumes, grew less strongly, by 3.9%. As illustrated in chart 4, the "pick up" in imports from non-EU countries appears to be driven more by strong demand in the UK economy, than the exchange rate.

Chart 4
Growth rates for volumes of non-EU exports and imports & the US \$ / UK £ exchange rate



Trade prices continued to fall in June due to the persistent strength of sterling. The pace of the fall, which had previously stabilised, appears to have gained some momentum. Export and import prices of goods excluding oil and erratics, not seasonally adjusted, fell by 1.7% and 1.2% respectively in the second quarter. Prices of exports continued to fall, but at a faster rate in the second quarter than the first quarter, suggesting exporters are still compensating for the rise in sterling. More timely data shows prices of both non-EU exports and imports falling in the three months to July, confirming that sterling's recent strengthening against the US dollar is impacting on trade prices.

Income

Total domestic income accelerated slightly between 1997 Q1 and 1997 Q2, but at a slower pace than expenditure. Domestic income at current prices increased by 1.3% in the second quarter, compared with domestic expenditure, which grew by 1.6%. Growth in income from employment decelerated from 1.9% in the first quarter to 1.0% in the second quarter, and was below the growth of consumers' expenditure. However, growth in the first half of 1997 was stronger than growth in consumers' expenditure over the same period. A deceleration in employment growth in the second quarter and a significant fall in the size and number of bonuses supplementing earnings compared with the first quarter, explain the fall in income from employment.

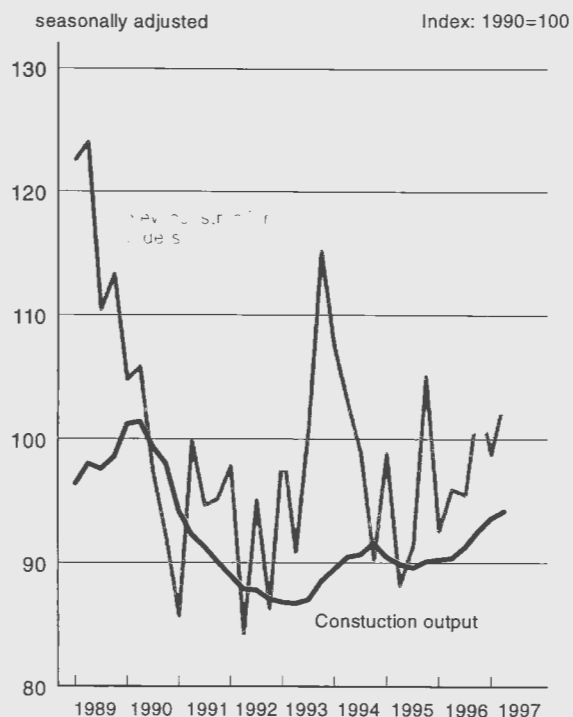
Domestic income was boosted by a recovery in gross trading profits and an acceleration in other income growth.

Output

A strong service sector continued to drive output growth in the second quarter, although growth decelerated slightly from the first quarter. Output of the service industries grew by 1.1%, compared with significantly weaker production, which grew by 0.4% in the second quarter. Growth within services was widespread across most industries, but the pattern of growth changed from the first quarter. Transport, storage and communication showed the strongest growth, with a sharp acceleration from the first quarter. However, business services and finance, which grew strongly in the previous two quarters, slowed significantly in the second quarter, while growth remained robust, but stable, in distribution, hotels and catering. Growth in other output components remained relatively subdued between 1997 Q1 and 1997 Q2, with the exception of energy supply, which rose sharply. Manufacturing output was broadly flat, agricultural output "picked up" slightly, and growth in construction slowed following the recent recovery. However, as shown in chart 5, demand for construction accelerated in the second quarter. The volume of new construction orders in Great Britain, seasonally adjusted, rose by 5% between 1997 Q1 and 1997 Q2, as a sharp rise in demand for infrastructure plus lesser rises for public non-housing and private commercial and industrial orders were stronger than falling public housing and housing association orders and a prolonged fall in demand for private housing.

Overall production grew slightly in the second quarter, boosted by a sharp rise in the output of the electricity, gas and water supply industries. Output of energy recovered from weak supply in the first quarter as a return to normal temperatures in April and May, and colder temperatures in June, increased demand. Discounting energy output, production output remained flat in the second quarter. Sectorally, production of durable goods fell, as output of cars decelerated sharply, more than offsetting a rise in output of other durables. Production of non-durables also fell, with falls across all categories. Output of the investment goods industries rose in the second quarter, but growth slowed compared with the first quarter. Output in the largest production sector - intermediate goods - recovered, driving overall production growth. The recovery in output of intermediate goods was due to a increase in supply of fuels, responding to stronger demand for energy.

Chart 5
Construction output and new orders



Following flat manufacturing output in the second quarter, manufacturers' also appear to be less confident of future growth. The CBI Monthly Trends Enquiry in manufacturing reported the output expectations balance in the next 4 months, not seasonally adjusted, falling from 21% in July to 16% in August. This partly reflects the fears that export orders will fall sharply. The CBI export orders balance, not seasonally adjusted, deteriorated sharply from -29% in July to -36% in August. Expectations of rising prices from manufacturers remained low in August, unchanged from July.

Prices and wages

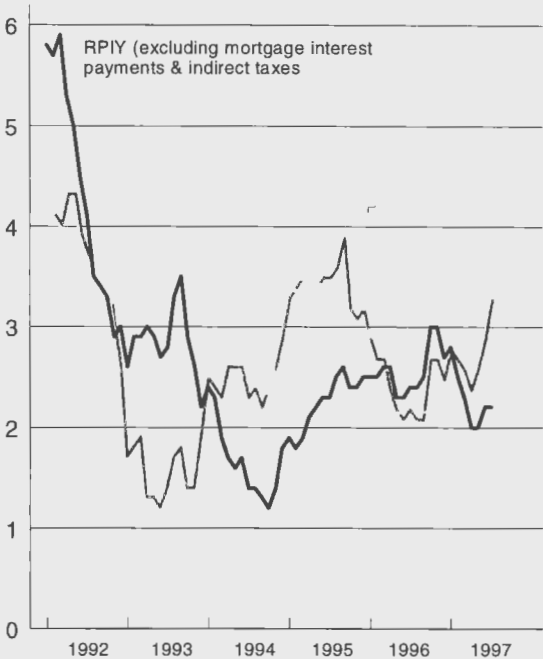
Despite apparent upward pressure on retail prices, the underlying inflation environment appears stable. Costs of supplying goods and services in the economy show no signs of increasing, despite increasing claims on these resources from growing consumer demand. Production costs, as shown by manufacturing input prices, have continued to fall, on a 12-month basis, since June 1996. The rate of the fall in prices reached a trough in April 1997 and have since stabilised. Input prices (all manufacturing), seasonally adjusted, showed further deflation of 8.9% in July, as crude oil prices fell between June and July. Over the year, there have been significant falls across most input price categories - prices of chemicals, crude oil, domestically produced and imported food and other imported materials have fallen most sharply over the year. Lower input

costs to manufacturers have moderated product prices. Output prices for manufactured products (home sales), not seasonally adjusted, over the 12 months July, rose to 1.4%, the rise in the index between June and July due entirely to increased prices for petroleum products, an indirect effect of the petrol duty increase in the July budget. Excluding this effect, output prices (excluding excise duties), and seasonally adjusted, remained stable at 0.4%. The rate of change in output prices has stabilised at historically low levels so far in 1997.

Production and service sector labour costs also currently show little indication of fueling inflation. Underlying whole economy average earnings for Great Britain stabilised at 4¼% in June, with earnings growth stable across the sectors. Although unadjusted earnings in expanding services are growing at high levels, overall service sector earnings growth is only marginally ahead of the national average. Growth has slowed from a peak of 5% in February 1997, to remain stable at 4½% in June. Production and manufacturing earnings are growing in line with the national average. The only signs of upward pressure on costs are shown by growth in unit wage and salary costs. Annual growth of whole economy wages and salaries per unit of output was 2.8% in the first quarter, an acceleration from 1.7% in the fourth quarter of 1996. Following flat manufacturing output in the second quarter, annual growth in manufacturing wages and salaries per unit of output accelerated to 2.8% in the second quarter from 2.6% in the first quarter.

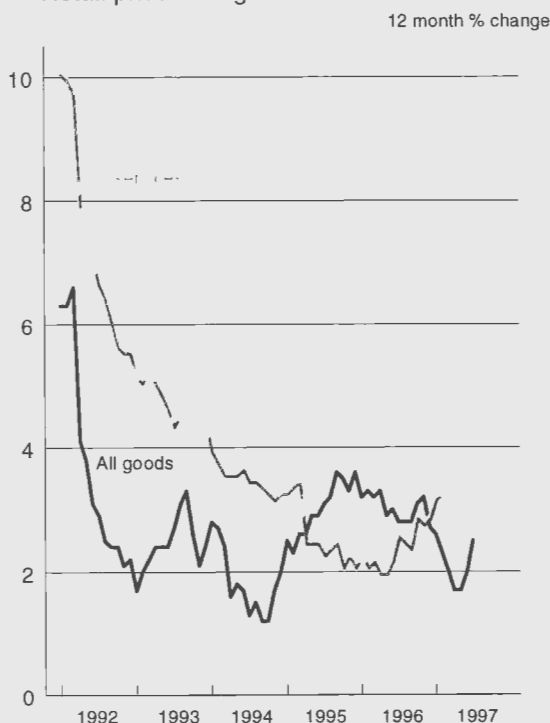
Despite stable costs in the economy, and a continued fall in import prices as sterling remains strong against EU and non-EU currencies, headline and underlying retail price inflation rose for the third month in succession. However, the overall rise in retail prices is not attributable to increasing demand pressures on goods and services. The upward pressure on the index has originated from a combination of a tightening in monetary policy, budget measures feeding through directly into prices and irregular seasonal effects. This is apparent from chart 6, where retail price growth excluding housing costs and indirect taxes, has remained relatively low and stable. The 12-month rate of increase of the retail prices index (RPI) rose to 3.3% in July 1997 - an increase of 0.9 percentage points since April 1997. Excluding mortgage interest payments (RPIX) the 12-month rate rose to 3.0%, edging further from the government's target of 2.5%, and further excluding indirect taxes (RPIY), the rate stabilised at 2.2%.

Chart 6
Measures of price change
seasonally adjusted 12 month % change



The main upward effect to the headline rate in July continued to be caused by rising housing costs compared to stable costs the same time last year. Higher mortgage interest payments, following increased lending rates set in response to June's interest rate rise, were responsible for the relative increase in costs. In response to interest rate changes, mortgage lenders adjust their rates at different times and the effect on the RPI spills over into different months. The upward pressure on the underlying rate came from rising petrol prices compared to a fall last year caused by an increase in petrol duty in the July Budget, and from a lesser fall in seasonal food prices compared with last year, due to a poor crop harvest. These two inflationary effects were equal in magnitude on the index, and combined, accounted for almost all the acceleration in the 12 month underlying rate. As shown in chart 7, the annual growth differential between goods and services narrowed significantly in July, to soften claims that inflationary pressures are increasingly building up in services, where activity is growing strongly. Annual growth in the price of goods rose to 2.5% in July, following the upward effects already mentioned and growth of prices for services fell to 2.9%. Growth in prices for shop and non-shop services dropped sharply in July, although they remain relatively high. Prices for TV rentals, vehicle tax and insurance, and dwelling insurance all fell in July, compared with rises a year ago.

Chart 7
Retail price changes



Labour Market

Latest indicators of labour market activity suggest demand for labour remains strong. Rising employment, concentrated in rapidly expanding services, a prolonged fall in unemployment, and a high level of vacancies, all point towards a marked increase in labour activity. However, there are still no clear signs of capacity constraints due to shortages of labour supply, particularly as average earnings growth has stabilised since the impact of higher and increased bonuses has fallen out of the comparison.

Employment data confirmed a significant acceleration in demand for labour in the second half of 1996. Latest data indicated demand has continued to grow strongly in 1997. Although employment expansion has occurred mainly in services, more timely employment data suggests demand for manufacturing employment has accelerated. Manufacturers in Great Britain increased employment by 14,000 in the second quarter, and by 25,000 over the year. Employment has increased, despite manufacturing output remaining flat in the first half of 1997 and an appreciation in the exchange rate reducing the profitability or competitiveness of exports, depending on how prices change.

The falling trend in unemployment confirms labour demand has been strong for a prolonged period. UK claimant unemployment, seasonally adjusted, fell by 49,800 in July - the seventeenth

consecutive monthly fall. The number of unemployed on the claimant count is now at its lowest level since September 1980 - 1.55 million, or 5.5% of the workforce. Most of the monthly fall can be explained by a large fall in the number of seasonally adjusted inflows. The number of unadjusted inflows in July is usually boosted by an inflow of 18-24 year olds, commonly students completing their education and school leavers. In the three months to July, the rise was only 1,200, compared with a rise of 21,000 in three months to July 1996, therefore, boosting the overall fall in July. Despite difficulties in assessing the falling trend in unemployment due to the impact of the JSA, evidence from the October 1996 to June 1997 shows an acceleration in trend from the rate of 15,000 to 20,000 estimated in October 1996, to 20,000 to 35,000.

The stock of vacancies rose in July to reach a record high, suggesting labour demand has continued to grow. However, the Employment Service has announced that the stock level has been distorted upwards for some time. Unfilled vacancies at jobcentres in the UK, seasonally adjusted, rose by 1,500 in July to reach a total of 284,400. In the three months to July, the average monthly rise was 3,300 compared with 2,500 in the three months to April, suggesting the upward trend has continued. However, the stock has been overestimated by approximately 40,000 following errors found in the new computer system. The incorrect vacancies will be removed from the stocks by overstating the number of outflows over the coming months. The supply of vacancies (or inflows) stabilized in July following a large fall in June. Placements, an indicator of labour turnover, also remain at a low level.

Monetary indicators & Government finances

The annual growth of narrow money (M0), seasonally adjusted, decelerated from 6.2% in June to 5.8% in July 1997. Meanwhile, annual growth of broad money (M4), seasonally adjusted, accelerated from 11.6% in June to 11.8% in July, the highest growth rate since December 1990.

In July 1997, the public sector borrowing requirement (PSBR) was a net repayment of £3.9 billion. For the first four months of the financial year 1997-98, the PSBR was £4.4 billion, significantly lower than the £8.1 billion in the financial year 1996-97. Income tax and VAT were significantly higher than last July, as administrative changes boosted receipts, and corporation tax receipts were higher than usual, due to the impact of budget effects. Excluding privatization proceeds the PSBR was £5.5 billion in the first four months of 1997-98, compared with £10.4 billion in 1996 97.

Forecast for the UK Economy

A comparison of independent forecasts, August 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)	3.4	2.8	4.3
Inflation rate (Q4)			
- RPI	3.1	2.0	4.6
- RPI excl MIPS	2.4	1.9	3.7
Unemployment (Q4,mn)	1.49	1.40	1.70
Current Account (£,bn)	-2.8	-11.8	2.4
PSBR (1997-98,£ ,bn)	12.0	7.0	17.6

	Independent Forecasts for 1998		
	Average	Lowest	Highest
GDP growth (per cent)	2.6	1.7	3.6
Inflation rate (Q4)			
- RPI	3.2	1.7	4.6
- RPI excl MIPS	2.9	2.1	4.0
Unemployment (Q4, mn)	1.36	0.96	1.61
Current Account (£,bn)	-9.4	-20.0	0.2
PSBR (1998-99,£,bn)	6.3	0.7	15.6

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 - September 1997

By Sue Holloway & Simon Gleadall, Economic Assessment - Office for National Statistics

Overview

The UK and US recoveries continued into the second quarter of 1997, but first quarter figures showed Italy still struggling. Industrial output grew in the UK, Germany and the US, and retail sales continued to grow strongly in the UK, but were reduced significantly in Japan as a result of the April sales tax increase. Consumer prices rose in the UK, Japan and Italy, while producer prices continued to fall in France but rose significantly in Japan. In the US labour market, average wage earnings growth slowed and unemployment continued to fall.

Activity

The latest estimates for **gross domestic product** (GDP) at constant market prices show continued strong growth in the US in 1997 Q2, up 0.5% on the previous quarter and 3.1% on the same period in 1996. While private and government consumption remained fairly static, investment in machinery and equipment grew strongly and there were large additions to stocks for the second consecutive quarter. As shown in

Chart 1, the Italian economy, however, still struggled, with lower activity in 1997 Q1 - GDP was 0.2% lower than the previous quarter and 0.4% lower than the same period in 1996. In spite of the depreciation of the Lira, both exports and imports were lower than in the previous quarter, with exports falling more sharply.

Industrial production fell back in Europe and Canada in May. Latest figures for June show a rebound in the UK and Germany, continued growth in the US, but a falling back in Japan. The 1997 Q2 index for Japan showed no change on the previous quarter's record level. In Germany industrial production continued to grow in the second quarter - up 0.5% on the previous quarter and 3% on 1996 Q2. Growth in manufactures was strong in the US, particularly in durables and investment goods.

Demand

More complete **retail sales** data this month shows erratic consumer demand. While 1997 Q1 data shows a strengthening in most European and G7 countries, monthly data for the second quarter varies. Retail sales fell significantly in Germany and France they fell significantly in May and June respectively, following erratic but generally falling sales volumes last year. After the massive fall in April following the pre-sales tax flurry of activity, retail sales in Japan recovered in May but fell back again June, giving a fall of 11.3% in 1997 Q2 on the previous quarter.

Inflation

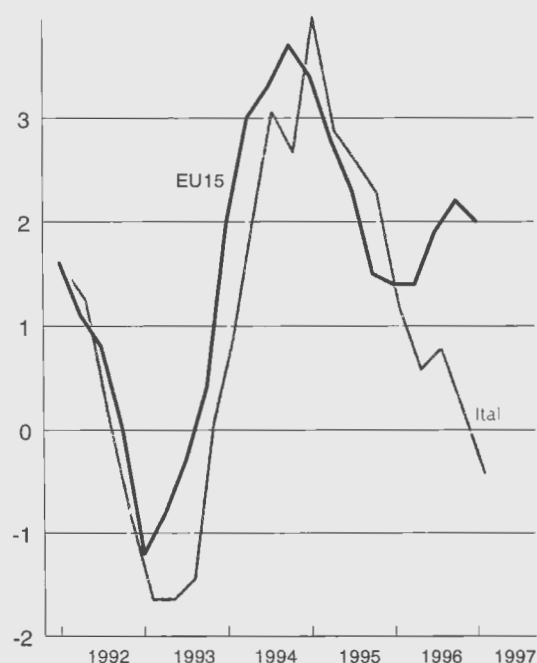
Consumer price inflation continued to rise in July in the UK and Italy. Prices were respectively 3.3% and 1.6% higher than the previous year. Latest Japanese data for June show prices accelerated to 2.2% year on year, and 1997 Q2 prices approximately 2 percentage points higher than a year earlier - the largest increase since 1992.

Producer price growth across the G7 countries remained moderate. Producer prices fell in the US in June, giving a moderate increase for 1997 Q2 overall - up 0.3% on the previous

Chart 1

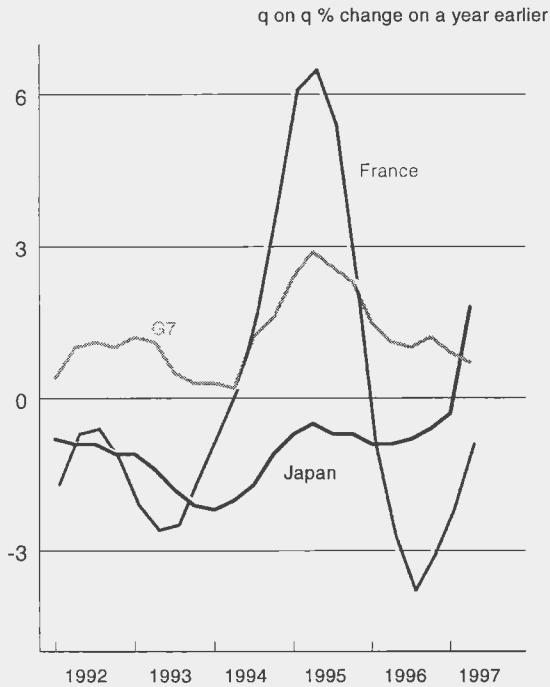
GDP at constant market prices

q on q % change on a year earlier



year. This was influenced by a significant fall in refined petrol prices over the period. Likewise a fall in petrol product prices in France contributed to a fall of 3.1% in manufacturing prices in June, down 0.9 of a percentage point in 1997 Q2 on the previous year, as illustrated in Chart 2. Japanese producer prices were 1.8% higher than a year earlier in the same period - the first significant increase since 1991 Q1.

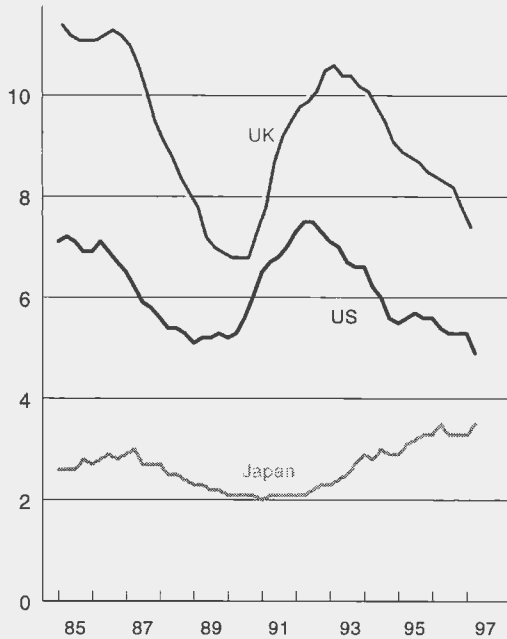
Chart 2
Producer prices (manufacturing)



Labour market

Average wage earnings growth accelerated slightly in Canada in May, while in June it decelerated in Japan and remained constant in the UK. US earnings growth remained constant in July, having fallen between May and June. Quarterly data indicate a deceleration in the three latter countries in 1997 Q2, and Q1 figures point to a rapid deceleration in Germany. Quarterly **employment** figures for the US, Canada and Japan for 1997 Q2 show an increase in employment of between roughly 2% and 4% on the previous quarter. As illustrated in Chart 3, **standardised unemployment** fell slightly in the US to 4.9% in 1997 Q2 - its lowest level since 1973 - with the fall continuing into July. In the same period, it rose slightly in Japan to 3.5%, returning to its 1996 Q2 peak.

Chart 3
Standardised unemployment rates:
% of total labour force
q on q % change on a year earlier



Trade

The **current balance as a percentage of GDP** improved in the UK in 1997 Q1, as the trade deficit improved and net investment increased. In France it doubled to 3% of GDP, where the trade balance, net income and net transfers increased significantly, counteracting a sharp fall in net services.

Notes

The attached tables have been extensively revised from those published previously, due to improvements in the processing links between the ONS and the OECD.

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

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	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	2.2	2.9	1.3	5.1	-0.3	2.4	2.7
1991	-1.9	12.5	0.8	1.1	3.0	-1.0	4.0	-1.8	1.4	1.3
1992	-0.5	1.8	1.1	0.6	0.9	2.7	1.0	0.8	1.7	1.7
1993	2.1	-1.1	-1.3	-1.2	-0.5	2.3	0.3	2.2	1.0	1.1
1994	4.3	2.9	2.8	2.2	3.0	3.5	0.7	4.1	2.8	2.8
1995	2.7	2.0	2.1	2.9	2.5	2.0	1.3	2.3	2.0	1.9
1996	2.3	1.4	1.5	0.7	1.7	2.8	3.7	1.5	2.5	2.6
1996 Q2	2.2	1.1	1.0	0.6	1.4	3.2	3.4	1.2	2.5	2.7
Q3	2.2	1.8	1.6	0.8	1.9	2.7	3.5	1.8	2.5	2.7
Q4	2.8	2.2	2.1	0.2	2.2	3.3	3.0	2.3	2.7	3.0
1997 Q1	3.2	2.8	1.1	-0.4	2.0	4.0	2.6	2.8	3.0	3.0
Q2	3.5	..	..	..	..	3.1	..	..	..	..
Percentage change, latest quarter on previous quarter										
	ILGH	ILGI	ILGJ	ILGK	ILGL	ILGM	ILGN	ILGO	ILGP	ILGQ
1995 Q2	0.5	0.8	0.1	0.2	0.4	0.1	1.0	-0.3	0.3	0.2
Q3	0.5	-	0.2	0.5	0.3	0.8	0.3	0.3	0.5	0.6
Q4	0.5	-0.3	-0.3	0.1	-	0.6	1.3	0.2	0.5	0.5
1996 Q1	0.6	-0.1	1.3	0.4	0.6	0.4	2.0	0.3	0.7	0.9
Q2	0.6	1.5	-0.2	-0.4	0.5	1.5	-0.3	0.4	0.8	0.8
Q3	0.6	0.7	0.8	0.7	0.7	0.3	0.3	0.8	0.4	0.5
Q4	1.1	0.1	0.2	-0.5	0.3	1.1	0.9	0.7	0.8	0.8
1997 Q1	1.0	0.4	0.2	-0.2	0.4	1.2	1.6	0.8	1.0	0.9
Q2	0.9	..	..	..	..	0.5	..	..	..	..

1 Data available for unified Germany since 1991

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	-	2.1	-0.1	4.2	-3.3	1.5	1.7
1991	-3.7	3.6	-1.2	-0.7	-0.1	-2.0	1.9	-4.2	-0.5	-0.4
1992	-0.1	-2.6	-1.2	-0.2	-1.2	3.2	-5.7	1.1	-0.4	-0.3
1993	2.1	-7.2	-3.8	-2.4	-3.1	3.4	-4.3	4.5	-0.6	-0.6
1994	5.0	3.6	3.7	5.2	4.7	5.0	1.2	7.0	4.2	4.4
1995	2.2	2.0	2.1	5.4	3.5	3.3	3.4	3.4	3.1	2.9
1996	1.1	0.5	0.6	-1.7	0.5	2.8	2.7	1.7	1.9	2.1
1997 Q1	1.1	3.5	1.1	-1.3	1.9	4.6	6.1	3.7	3.8	3.8
Q2	1.2	3.0	..	..	..	4.1	6.5	..	..	..
Percentage change, latest quarter on previous quarter										
	ILHB	ILHC	ILHD	ILHE	ILHF	ILHG	ILHH	ILHI	ILHJ	ILHK
1995 Q3	0.8	-0.9	0.4	1.5	0.1	0.8	-1.4	0.3	0.2	0.2
Q4	-0.1	-1.3	-2.0	0.9	-0.3	0.2	2.0	-0.2	0.3	0.4
1996 Q1	0.2	0.6	1.1	-2.3	-0.3	0.4	0.7	0.6	0.3	0.4
Q2	0.3	1.0	0.7	-0.5	0.6	1.5	-0.4	0.2	0.7	0.7
Q3	0.7	1.2	1.0	-0.8	0.8	0.8	1.9	2.1	1.0	1.1
Q4	0.4	-0.3	-0.6	-1.0	-0.1	1.1	2.3	0.5	0.8	0.8
1997 Q1	-0.2	1.5	-	0.9	0.7	1.1	2.3	0.9	1.2	1.1
Q2	0.4	0.5	..	..	..	1.0	-	..	..	..
Percentage change: latest month on previous month										
	ILKB	ILKC	ILKD	ILKE	ILKF	ILKG	ILKH	ILKI	ILKJ	ILKK
1997 Apr	0.9	0.6	3.1	-0.1	2.2	0.4	-0.3	1.5	0.5	1.0
May	-1.0	-1.2	-1.6	-0.5	-1.8	0.2	4.1	-0.1	0.5	0.1
Jun	1.4	1.0	..	..	..	0.3	-2.7	..	..	..

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	8.1	0.8	-1.6	2.5	0.6	5.6	-2.5	1.8	1.5
1991	-1.3	5.7	0.1	-3.0	1.0	-2.5	2.0	-10.4	-1.0	-1.0
1992	0.7	-2.0	0.2	5.2	-	3.2	-1.0	1.3	1.0	1.0
1993	3.0	-4.2	-	-2.9	-1.0	4.5	-3.0	3.0	2.0	2.0
1994	3.7	-1.8	0.5	-6.1	-1.0	6.0	-	8.1	2.9	2.9
1995	1.2	0.5	-0.6	-4.3	-	3.2	1.0	0.4	1.9	1.0
1996	2.9	-0.3	-0.3	..	-1.0	3.9	1.0	0.5	1.9	1.9
1997 Q1	4.8	1.0	-1.3	..	-	4.4	5.0	4.0	2.8	2.8
Q2	5.3	..	1.0	..	..	..	-5.1	..	..	..
Percentage change, latest quarter on previous quarter										
	ILHV	ILHW	ILHX	ILHY	ILHZ	ILIA	ILIB	ILIC	ILID	ILIE
1995 Q3	0.2	-2.0	1.4	1.1	1.0	1.0	1.0	2.0	-	0.9
Q4	0.7	-1.0	-3.1	-8.8	-2.0	0.5	-	-1.0	-	-0.9
1996 Q1	0.4	1.0	2.7	..	1.0	1.8	2.0	-1.0	1.9	1.9
Q2	1.3	2.0	-1.8	..	-	0.7	-2.0	-	-	-
Q3	0.9	-1.0	-0.2	..	-1.0	0.5	-1.0	2.0	-	-
Q4	1.2	-2.0	0.4	..	-1.0	0.7	2.0	1.0	-	-
1997 Q1	1.3	2.1	0.3	..	2.1	2.4	6.0	1.0	2.8	2.8
Q2	1.8	..	0.5	..	..	..	-11.3	..	..	..
Percentage change, latest month on previous month										
	ILKL	ILKM	ILKN	ILKO	ILKP	ILKQ	ILKR	ILKS	ILKT	ILKU
1997 Apr	0.1	7.2	1.5	..	3.1	-0.6	-17.0	1.9	-1.8	-1.8
May	1.1	-6.7	1.7	..	..	..	2.2	-	..	..
Jun	0.6	..	-3.7	..	..	..	-1.1	..	..	..

4 Consumer prices¹

	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	3.4	6.0	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	3.2	5.6	4.3	6.1
1992	3.7	4.0	2.4	5.3	4.5	3.1	1.7	1.5	3.2	5.0
1993	1.6	-1.2	2.1	4.2	3.5	3.0	1.2	1.9	2.7	4.3
1994	2.4	2.7	1.7	3.9	3.0	2.5	0.8	0.2	2.3	4.4
1995	3.5	1.9	1.7	5.4	3.2	2.8	-0.1	2.2	2.4	5.6
1996	2.4	1.4	2.0	3.9	2.5	3.0	0.1	1.5	2.2	5.0
1995 Q3	3.7	1.8	1.8	5.7	3.1	2.6	-	2.4	2.4	5.7
Q4	3.2	1.8	1.9	5.9	3.0	2.6	-0.6	2.0	2.2	5.7
1996 Q1	2.8	1.5	2.1	5.0	2.8	2.8	-0.3	1.4	2.2	5.5
Q2	2.2	1.4	2.4	4.3	2.6	2.8	0.1	1.4	2.3	5.0
Q3	2.1	1.4	1.8	3.5	2.3	3.0	0.2	1.4	2.2	4.8
Q4	2.6	1.4	1.7	2.7	2.3	3.2	0.5	2.0	2.4	4.8
1997 Q1	2.7	1.7	1.5	2.4	2.1	2.9	0.6	2.1	2.2	4.5
Q2	2.7	1.6	0.9	1.6	1.7	2.3	2.0	1.7	2.0	4.2
1997 Jan	2.8	1.8	1.8	2.7	2.3	3.0	0.6	2.2	2.3	4.6
Feb	2.7	1.7	1.6	2.4	2.2	3.0	0.6	2.1	2.3	4.5
Mar	2.6	1.5	1.1	2.2	1.9	2.8	0.5	2.0	2.0	4.3
Apr	2.4	1.4	0.9	1.7	1.6	2.5	1.9	1.7	2.1	4.2
May	2.6	1.7	0.9	1.6	1.8	2.2	2.0	1.5	1.9	4.1
Jun	2.9	1.7	1.0	1.4	1.8	2.3	2.2	1.8	2.1	4.2
Jul	3.3	..	..	1.6	..	..	..	..	..	..

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	EUA	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	1.4	-0.9	4.1	2.5	5.0	1.6	0.3	3.4	4.7
1991	4.8	2.2	-1.2	3.3	2.2	2.2	1.1	-1.0	1.9	3.4
1992	2.3	1.6	-1.1	1.9	1.3	1.3	-0.9	0.5	0.9	2.3
1993	2.6	0.1	-2.2	3.8	1.3	1.3	-1.6	3.3	0.8	2.1
1994	2.3	0.7	1.3	3.7	2.1	0.6	-1.7	5.7	0.8	3.3
1995	4.4	2.2	5.1	7.9	4.5	1.9	-0.6	8.1	2.6	6.1
1996	2.0	0.2	-2.6	1.9	0.7	2.6	-0.8	0.5	1.2	3.9
1995 Q3	5.0	2.4	5.4	9.0	4.8	1.6	-0.7	7.7	2.6	6.1
Q4	4.6	1.6	2.4	7.2	3.6	2.2	-0.7	5.8	2.3	5.8
1996 Q1	3.5	0.7	-0.9	4.9	1.9	2.2	-0.9	1.8	1.5	4.7
Q2	2.3	0.1	-2.7	1.6	0.7	2.4	-0.9	0.4	1.1	3.8
Q3	1.2	-0.2	-3.8	0.4	-0.1	2.9	-0.8	-	1.0	3.6
Q4	0.8	0.1	-3.1	0.8	0.3	3.0	-0.6	-0.2	1.2	3.7
1997 Q1	0.5	0.3	-2.2	0.9	0.3	2.1	-0.3	0.1	0.9	3.2
Q2	..	0.6	-0.9	..	0.7	0.3	1.8	1.1	0.7	2.8
1997 Mar	0.5	0.3	-2.0	0.9	0.2	1.6	-0.2	0.7	0.7	3.0
Apr	0.5	0.4	-1.4	0.7	0.4	0.7	1.8	1.5	0.8	2.8
May	0.6	0.6	-1.0	1.1	0.6	0.3	1.7	0.8	0.6	2.8
Jun	0.6	0.8	-0.4	..	1.0	-0.1	1.8	1.0	0.6	2.8

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 manufacturing¹

	United Kingdom ²	Germany ³	France	Italy	EU	United States	Japan ⁴	Canada	Major 7	OECD
Percentage change on a year earlier	ILAY	ILAO	ILAP	ILAQ	ILAR	ILAS	ILAT	ILAU	ILAV	ILAW
1985	9.25	..	6.1	11.2	7.1	3.8	3.3	3.7	4.5	4.5
1990	9.50	4.2	4.9	7.3	6.9	3.3	5.1	4.8	5.1	5.0
1991	7.75	6.6	4.6	9.8	7.1	3.3	3.6	4.7	4.9	4.9
1992	5.50	7.2	4.1	5.5	5.6	2.4	1.2	3.5	3.2	3.2
1993	4.25	5.4	2.5	3.7	4.5	2.5	0.4	2.1	2.6	2.6
1994	5.00	2.9	1.9	3.4	3.8	2.8	2.1	1.6	3.0	3.0
1995	4.00	3.3	2.4	3.1	3.8	2.5	3.0	1.4	3.0	3.0
1996	4.75	5.2	2.4	1.8	..	3.2	2.6	3.1	..	..
1995 Q2	4.50	2.6	2.4	2.3	3.9	2.4	2.5	0.9	2.7	2.7
Q3	4.00	3.5	2.5	3.6	4.0	2.8	3.3	2.4	3.5	3.5
Q4	4.00	5.2	2.5	3.9	4.2	2.6	2.5	2.1	3.2	3.2
1996 Q1	4.25	7.1	2.3	1.9	..	2.7	1.7	1.7	3.3	3.3
Q2	4.25	6.7	2.3	2.1	..	3.5	1.6	3.0	2.8	3.0
Q3	4.50	4.3	2.6	1.7	..	3.3	4.9	3.8	3.4	3.7
Q4	4.75	2.9	2.6	1.6	..	3.3	2.3	4.0	..	..
1997 Q1	4.50	0.8	3.0	3.9	..	3.5	5.2	3.3	..	..
Q2	4.25	..	2.7	..	..	2.8	2.5	..	..	..
1997 Mar	4.50	..	..	4.0	..	4.5	2.7	3.3	..	..
Apr	4.25	..	2.7	3.9	..	2.9	2.7	3.0	..	..
May	4.25	..	..	..	..	3.1	2.8	3.7	..	..
Jun	4.25	..	..	..	..	2.5	1.9	..	..	..
Jul	..	..	..	..	..	2.5	..	..	..	..

1 Definitions of coverage and treatment vary among countries

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

3 Western Germany (Federal Republic of Germany before unification)

4 Figures for Japan monthly and seasonally adjusted

7 Total employment¹

	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	2.8	0.8	1.5	1.6	0.5	2.0	0.6	1.2	1.2
1991	-2.9	2.0	0.1	1.3	0.1	-0.8	1.9	-1.9	-	-
1992	-2.5	-1.4	-0.6	-1.1	-1.7	0.6	1.0	-0.5	-0.1	-0.3
1993	-1.0	-1.1	-1.2	-4.2	-2.0	1.5	0.2	1.3	0.1	-0.2
1994	0.8	-0.3	0.1	-1.7	-0.2	3.1	0.1	2.1	1.3	1.2
1995	0.9	-0.3	1.0	-0.6	0.5	1.5	-	1.6	0.8	0.9
1996	0.6	-1.2	-0.2	0.4	0.1	1.4	0.5	1.3	0.7	0.8
1996 Q4	0.9	-1.4	-0.4	0.2	0.1	2.1	0.9	1.4	1.0	1.0
1997 Q1	1.3	-1.5	-0.3	-0.1	0.1	2.5	1.7	1.0	1.4	1.3
Q2	..	..	..	0.1	..	2.4	1.4	1.8	..	..
Percentage change, latest quarter on quarter										
	ILIP	ILIQ	ILIR	ILIS	ILIT	ILIU	ILIV	ILIW	ILIX	ILIY
1995 Q3	-	0.4	0.2	1.2	0.4	0.8	0.1	2.1	0.5	0.6
Q4	0.3	0.1	-0.1	-0.7	-	-0.3	-1.2	-2.5	-0.4	-0.4
1996 Q1	0.1	-2.0	-0.1	-1.3	-1.0	-1.2	-1.6	-1.8	-1.4	-1.3
Q2	-0.1	0.5	-0.1	1.2	0.6	2.0	3.2	3.5	1.9	1.8
Q3	0.5	0.2	-0.2	1.2	0.6	1.2	0.5	2.0	0.8	0.8
Q4	0.4	-0.1	-	-0.8	-0.1	0.1	-1.0	-2.3	-0.3	-0.3
1997 Q1	0.3	-2.1	-	-1.6	-1.0	-0.8	-0.9	-2.1	-1.0	-1.0
Q2	..	..	..	1.4	..	1.9	2.9	4.3	..	..
Percentage change, latest month on previous month										
	ILKV	ILKW	ILKX	ILKY	ILKZ	ILLA	ILLB	ILLC	ILLD	ILLE
1997 Apr	..	..	..	..	..	0.4	1.3	0.8	..	..
May	..	..	..	..	..	0.7	0.9	3.1	..	..
Jun	..	..	..	..	..	0.6	0.8	2.4	..	..
Jul	..	..	..	..	..	0.7	..	..	..	..

1 Not seasonally adjusted except for the United Kingdom

2 Data available for Unified Germany from 1991

3 Excludes members of armed forces

8 Standardised unemployment rates: percentage of total labour force¹

	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	3.2	10.5	7.1	2.6	10.5	7.2	7.9
1990	6.9	4.8	8.9	3.4	8.1	5.5	2.1	8.1	5.6	6.1
1991	8.8	4.2	9.5	3.3	8.5	6.8	2.1	10.3	6.4	6.8
1992	10.1	4.6	10.4	3.3	9.3	7.4	2.2	11.3	6.9	7.4
1993	10.4	7.9	11.7	3.4	10.9	6.8	2.5	11.2	7.2	8.0
1994	9.6	8.4	12.3	11.4	11.1	6.1	2.9	10.4	7.1	7.9
1995	8.7	8.2	11.7	11.9	10.8	5.6	3.1	9.5	6.8	7.6
1996	8.2	9.0	12.4	12.0	10.9	5.4	3.3	9.7	6.8	7.6
1995 Q3	8.7	8.3	11.6	12.0	10.8	5.7	3.2	9.4	6.8	7.6
Q4	8.5	8.5	12.0	11.9	10.8	5.6	3.3	9.4	6.8	7.6
1996 Q1	8.4	8.9	12.3	12.0	10.9	5.6	3.3	9.5	6.9	7.6
Q2	8.3	8.9	12.4	12.0	10.9	5.4	3.5	9.6	6.9	7.6
Q3	8.2	9.0	12.5	12.0	10.9	5.3	3.3	9.8	6.8	7.5
Q4	7.8	9.3	12.6	12.0	10.9	5.3	3.3	9.9	6.8	7.5
1997 Q1	7.4	9.6	12.5	12.2	10.8	5.3	3.3	9.6	6.8	7.5
Q2	..	..	..	..	..	4.9	3.5	..	..	..
1997 Mar	7.2	9.7	12.5	12.3	10.8	5.2	3.2	9.3	6.7	7.4
Apr	7.0	9.6	12.5	12.4	10.8	4.9	3.3	9.6	6.6	7.3
May	6.9	9.8	12.6	..	10.8	4.8	3.6	9.5	6.6	7.3
Jun	..	..	..	..	..	5.0	3.5	..	..	..
Jul	..	..	..	..	..	4.8	..	..	..	..

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 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	0.6	–	–0.3	–3.1	3.6	–1.3
1990	–3.4	3.2	–0.8	–1.5	–1.6	1.2	–3.4
1991	–1.4	–1.0	–0.5	–2.1	–0.1	2.1	–3.8
1992	–1.7	–0.9	0.3	–2.4	–1.0	3.0	–3.6
1993	–1.7	–0.8	0.7	1.0	–1.5	3.1	–3.9
1994	–0.4	–1.0	0.6	1.4	–2.1	2.8	–2.7
1995	–0.5	–1.0	0.7	2.5	–1.8	2.1	–0.9
1996	–	–0.6	1.3	3.3	–1.9	1.4	0.5
1994 Q4	–0.2	–1.8	0.5	1.5	–2.4	2.6	–2.1
1995 Q1	0.2	–1.1	1.2	1.7	–1.9	2.2	–0.8
Q2	–0.8	–0.5	0.9	2.9	–2.0	2.3	–2.3
Q3	–0.8	–0.9	0.1	3.1	–1.8	2.2	–1.0
Q4	–0.7	–1.5	0.6	2.2	–1.4	1.9	0.3
1996 Q1	–0.7	–0.7	1.7	2.1	–1.8	1.4	0.2
Q2	0.4	–0.8	0.8	3.6	–1.9	1.4	1.2
Q3	–0.2	–0.4	1.4	4.7	–2.2	1.4	0.8
Q4	0.3	–0.6	1.4	3.0	–1.9	1.5	–0.3
1997 Q1	0.8	–1.1	3.0	3.1	–2.1	1.5	–0.6

1 Balance as percentage of GNP

2 Data available for Unified Germany from July 1990

10 World trade¹

	Export of manufactures			Import of manufactures			Export of goods			Import of goods			Total trade	
	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	manufactures	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	4.8	5.1	4.1	5.7	5.7	6.1	4.6	4.8	4.0	4.5	5.1	2.9	5.3	4.6
1991	3.3	2.5	6.9	5.5	3.8	10.8	3.8	3.3	5.1	4.8	3.4	9.2	4.4	4.3
1992	4.8	3.3	10.4	5.4	4.5	8.2	4.0	3.7	5.0	5.1	4.2	7.6	5.1	4.5
1993	3.8	1.7	11.6	3.8	1.1	11.1	4.6	2.3	10.8	3.9	1.6	10.3	3.8	4.3
1994	10.1	10.2	9.8	10.3	11.9	6.4	8.5	9.1	6.9	8.9	10.0	5.9	10.3	8.7
1995	8.0	8.3	7.2	8.1	8.9	6.2	7.1	7.1	7.0	6.7	6.7	6.6	8.0	6.8
1996 Q1	7.6	5.6	14.6	8.5	6.4	14.2	6.9	5.0	12.1	7.6	5.1	14.3	8.1	7.3
Q2	7.7	5.9	13.8	7.7	5.4	13.8	7.1	5.3	11.7	7.2	4.7	13.8	7.7	7.1
Q3	8.2	7.1	12.0	8.3	6.5	12.9	8.2	6.9	11.3	7.8	5.8	12.9	8.3	8.0
Q4	7.9	6.7	11.8	..	..	..	..	..	..	..	..	..	..	..
Percentage change, latest quarter on previous quarter														
	ILJN	ILJO	ILJP	ILJQ	ILJR	ILJS	ILJT	ILJU	ILJV	ILJW	ILJX	ILJY	ILJZ	ILKA
1995 Q1	1.1	1.6	–0.4	0.7	0.9	0.1	1.2	1.2	1.0	0.6	0.6	0.7	0.9	0.9
Q2	0.9	0.9	0.9	0.9	1.1	0.5	0.6	0.6	0.6	0.9	1.0	0.6	0.9	0.7
Q3	2.4	1.3	6.3	2.3	1.2	5.2	2.1	1.2	4.7	2.0	0.9	4.9	2.3	2.1
Q4	1.1	1.4	0.2	1.0	1.5	–0.2	0.8	1.1	0.1	0.5	0.7	–0.1	1.1	0.6
1996 Q1	3.0	1.8	6.6	4.1	2.5	8.3	3.2	2.0	6.3	4.1	2.5	8.3	3.5	3.7
Q2	1.0	1.3	0.2	0.2	0.2	0.1	0.7	0.9	0.2	0.5	0.6	0.2	0.6	0.6
Q3	2.9	2.4	4.7	2.9	2.3	4.3	3.2	2.7	4.3	2.5	1.9	4.1	2.9	2.9
Q4	0.8	1.1	–	..	..	..	..	..	..	..	..	..	..	..

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

GEOGRAPHICAL BREAKDOWN OF THE BALANCE OF PAYMENTS

CURRENT ACCOUNT

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INTRODUCTION

The tables appearing in this article show a geographical breakdown of the current account. More detailed tables, showing data for 42 countries and international organisations, and methodological notes appear in the 1997 edition of *UK Balance of Payments: The Pink Book*, published by The Stationery Office on 8 August. It should be borne in mind that the geographical current account estimates are less firmly based than the world totals.

TRANSACTIONS WITH THE REST OF THE WORLD

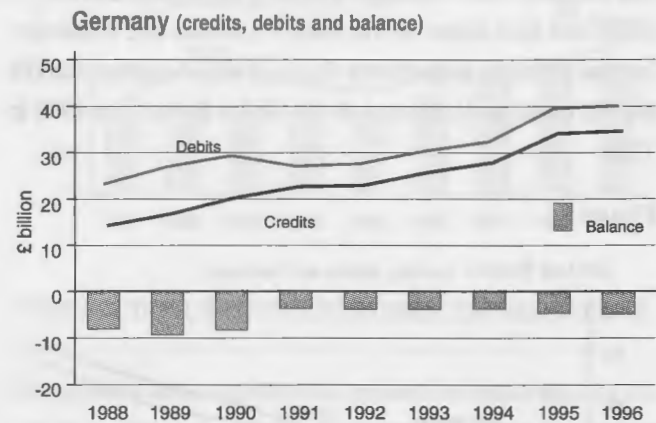
The UK has had current account surpluses with America, Asia, Australasia & Oceania and Africa in every year since 1988. These surpluses have been outweighed by large deficits with Europe and smaller deficits with International Organisations. Transactions with Europe as a proportion of total transactions with the rest of the world have increased for both credits and debits since 1988.

TRANSACTIONS WITH EUROPE

Transactions with Europe accounted for over half of current account credits and debits since 1988 and in 1996 accounted for 56 per cent of world credits and 60 per cent of world debits. The UK has had a balance of payments deficit with Europe for all years since 1988: the lowest recorded deficit was £15.7 billion in 1996 and the highest was £33.2 billion in 1989. Most European transactions have been with countries and institutions of the European Union (EU), accounting for 88 per cent of European credits and 85 per cent of European debits in 1996. Germany has been the UK's major trading partner in Europe for every year since 1988 and, in global terms, it has been second in importance only to the United States of America. Figure 1 shows current account credits, debits and balance with Germany from 1988 to 1996.

The current account deficit with Europe in 1996 was £15.7 billion composed of deficits of £8.4 billion with the EU and £8.3 billion with the European Free Trade Association (EFTA) which outweighed a small surplus of £0.9 billion with other European countries. Within the EU, in 1996 the largest deficits were with Germany (£5.2 billion), EU institutions (£2.8 billion) and France

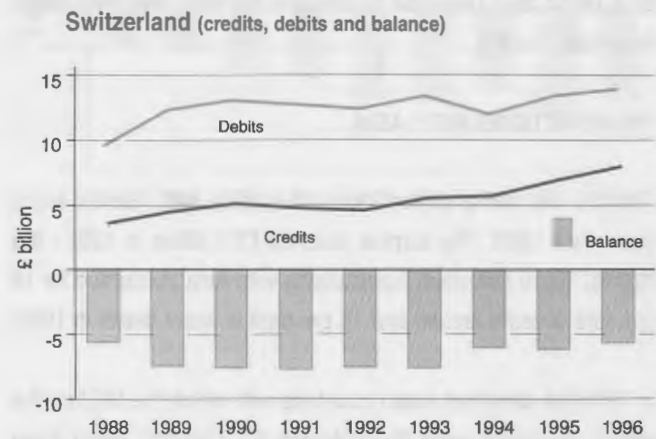
Figure 1



(£2.5 billion); the largest surplus was with Ireland (£2.4 billion), the only identified European country with which the UK had a current account surplus exceeding £1 billion.

Transactions with EFTA were dominated by Norway and Switzerland, with which the UK had deficits of £2.3 billion and £5.8 billion respectively in 1996. The UK has shown a larger current account deficit with Switzerland than with any other identified European country since 1991. Figure 2 shows current account credits, debits and balance with Switzerland from 1988 to 1996.

Figure 2

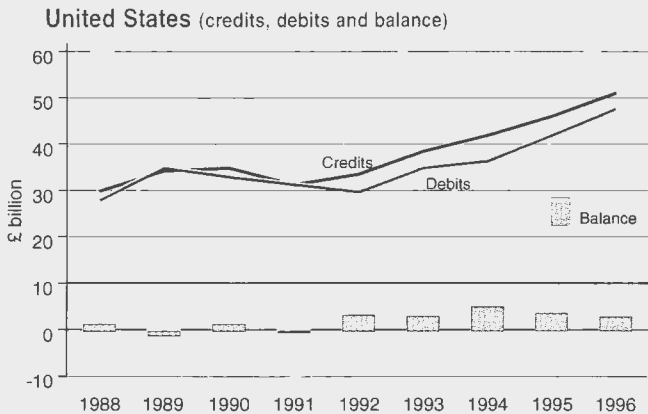


TRANSACTIONS WITH AMERICA

The UK has had a current account surplus with America for every year since 1988. Transactions with America accounted for 21 per

cent of world credits and 19 per cent of world debits in 1996 and was dominated by the United States, the UK's single most important trading partner, which accounted for 77 per cent of American credits and 79 per cent of American debits. In 1996 the surplus with America was £5.5 billion, including a surplus of £3.1 billion with the United States - the largest surplus among all the countries in the world for which data can be identified. In 1996 deficits with the United States on trade in goods of £2.3 billion and transfers of £0.1 billion were outweighed by surpluses of £1.5 billion and £3.9 billion on the trade in services and investment income accounts respectively. Figure 3 shows current account credits, debits and balance with the United States from 1988 to 1996.

Figure 3



The UK recorded surpluses in 1996 with the three other American countries for which current account data can be identified. The UK had small surpluses of £0.3 billion with both Canada and Mexico in 1996, which together with the United States comprise the North American Free Trade Association (NAFTA). A surplus of £0.8 billion was recorded for Brazil - the only identified South American country.

TRANSACTIONS WITH ASIA

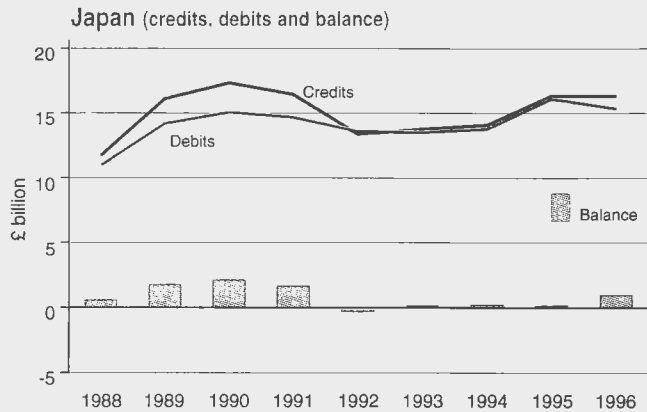
The UK has had a current account surplus with Asia for every year since 1988. The surplus reached £7.2 billion in 1996 - the highest figure recorded. Transactions with Asia accounted for 18 per cent of world credits and 16 per cent of world debits in 1996.

In 1996 the identified Asian countries with which the UK had the largest surpluses were Saudi Arabia (£1.7 billion), Hong Kong (£1.6 billion) and Japan (£1.0 billion).

Japan is by far the largest of the UK's Asian trading partners accounting for 28 per cent of Asian credits and 30 per cent of Asian debits in 1996. The UK has recorded a surplus with Japan

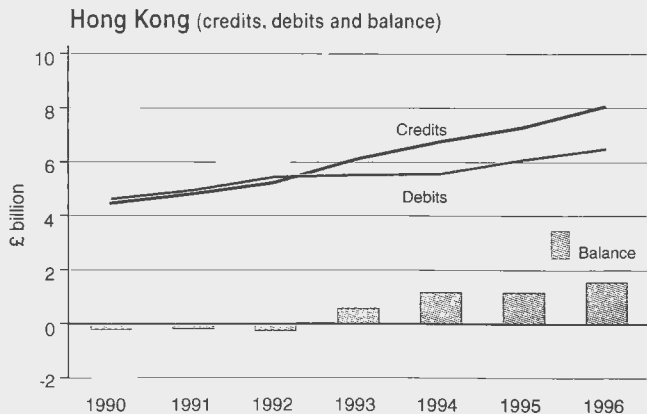
in every year since 1988, except 1992 when a small deficit of £0.3 billion was recorded. The surplus of £1.0 billion recorded for 1996 was the highest since 1991 and compares with a much lower surplus of £0.2 billion recorded for 1995. For each year since 1988 the UK has recorded surpluses with Japan on the trade in services and investment income accounts and deficits on trade in goods with minimal transfers. In 1996 a deficit of £4.3 billion on trade in goods was outweighed by surpluses of £1.1 billion on trade in services and £4.3 billion on investment income. Figure 4 shows current account credits, debits and balance with Japan from 1988 to 1996.

Figure 4



The UK has had a current account surplus with Saudi Arabia for every year since 1988. The surplus increased in each of the last three years reaching a record high of £1.7 billion in 1996, compared with £1.0 billion in 1995. This increase in the surplus between 1995 and 1996 was due to increased exports of goods. For every year since 1990 there have been deficits with Saudi Arabia of over £1 billion on the investment income account which have been outweighed by surpluses on the trade in goods account (with UK exports of goods consistently exceeding imports of Saudi oil) and on the trade in services account.

Figure 5

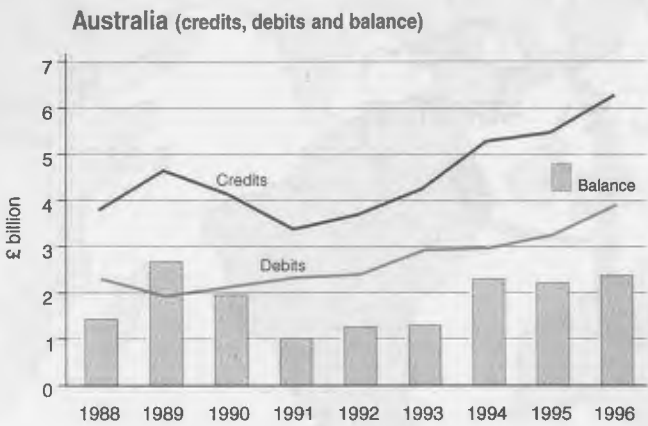


The current account position with Hong Kong has improved from a deficit of £0.2 billion in 1990 to a surplus of £1.6 billion in 1996, largely due to a substantial improvement in the investment income account which has been in surplus for all years. Figure 5 shows current account credits, debits and balance with Hong Kong from 1990.

TRANSACTIONS WITH AUSTRALASIA AND OCEANIA

The UK has recorded a balance of payments surplus with Australasia and Oceania for every year since 1988 with transactions accounting for only 2 per cent of world credits and debits in 1996. Australia was by far the UK's largest trading partner in this region, with New Zealand exceeding the other countries combined. The UK has recorded a current account surplus with Australia in excess of £1 billion for every year since 1988 with surpluses on the trade in goods, trade in services and investment income accounts offsetting deficits on the transfers account. Small surpluses of up to £0.2 billion have been recorded for New Zealand in all years except 1991 and 1992, when very small deficits were recorded. Figure 6 shows current account credits, debits and balance with Australia from 1988 to 1996.

Figure 6

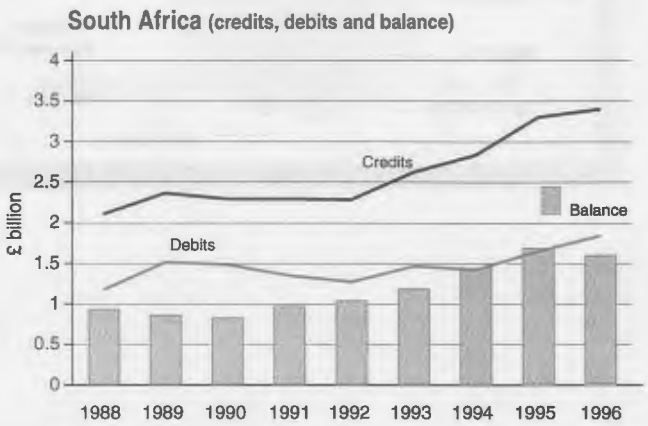


TRANSACTIONS WITH AFRICA

Transactions with Africa accounted for only 3 per cent of world credits and 2 per cent of world debits in 1996. The UK has recorded a balance of payments surplus with Africa for every year since 1988. South Africa is the only African country for which current account data are separately identified. In 1996 transactions with South Africa accounted for 40 per cent of total African credits and 25 per cent of African debits. The current account surplus with South Africa has increased from £0.9 billion in 1988 to £1.6 billion in 1996 whereas the current account position with other African countries has deteriorated from a surplus of £1.6 billion in 1988

to a deficit of £0.3 billion in 1996. Figure 7 shows current account credits, debits and balance with South Africa from 1988 to 1996.

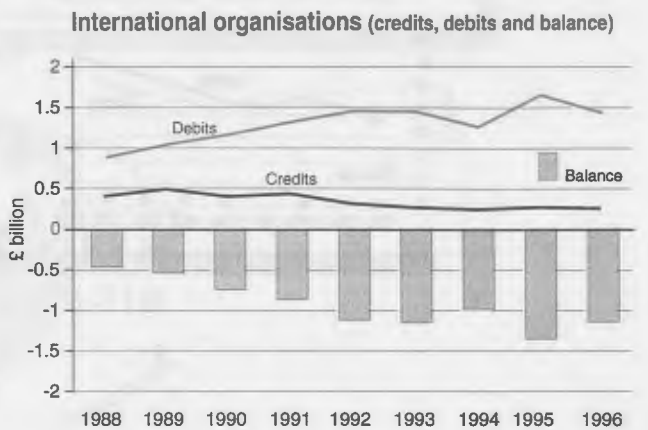
Figure 7



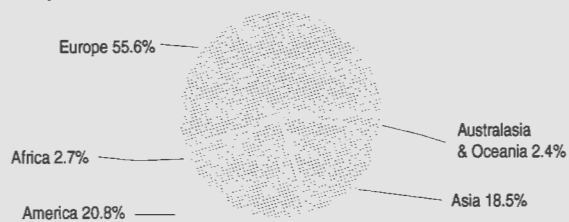
TRANSACTIONS WITH INTERNATIONAL ORGANISATIONS

Transactions with International Organisations (other than the EU, which are included under transactions with Europe) have shown a deficit for all years since 1988. The deficit has increased from £0.5 billion in 1988 to £1.2 billion in 1996. Figure 8 shows current account credits, debits and balance with international organisations (other than the EU) from 1988 to 1996.

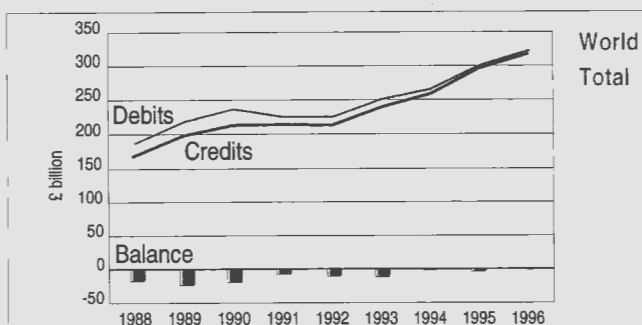
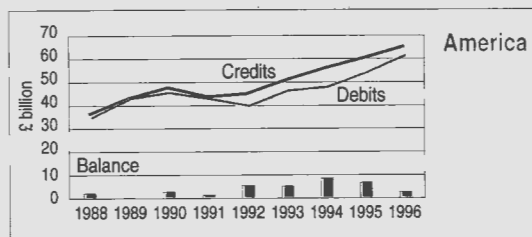
Figure 8



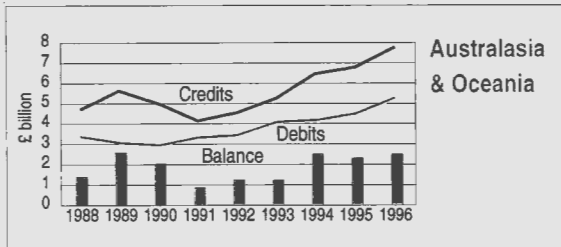
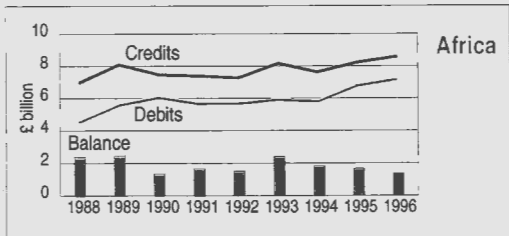
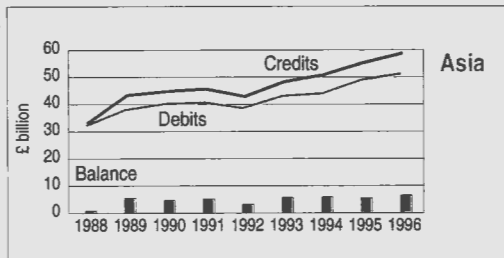
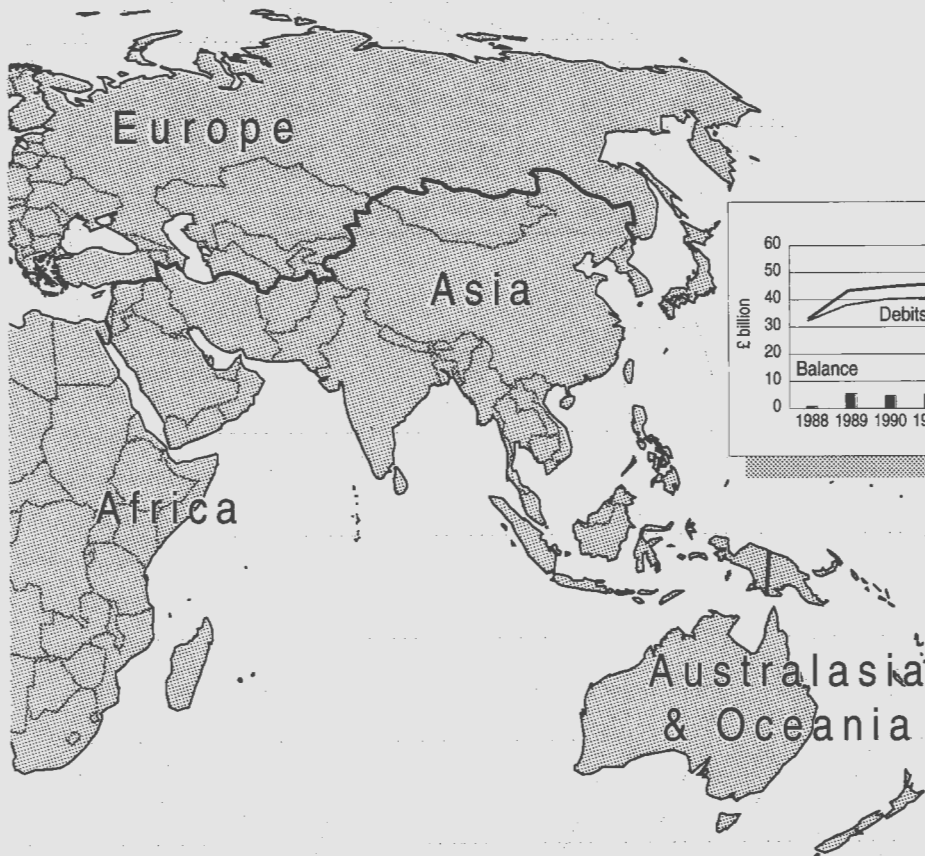
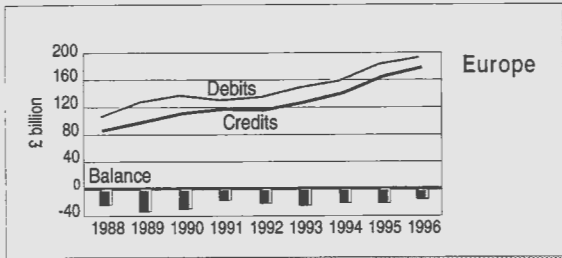
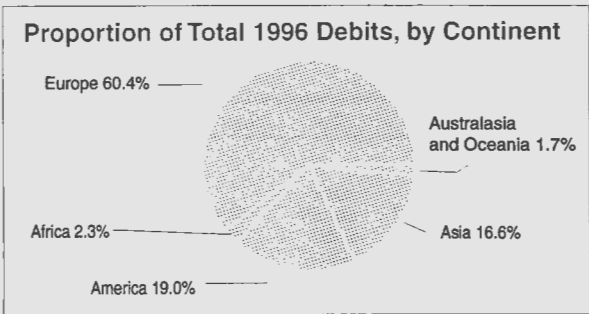
Proportion of Total 1996 Credits, by Continent



BALANCE OF PAYMENTS



CURRENT ACCOUNT



G1 Transactions with the Rest of the World

Balance of payments current account

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Credits										
Europe ¹	EGIK	85 844	98 668	111 487	116 879	115 962	127 224	139 834	165 706	177 838
America	EGHE	36 667	43 011	47 167	43 570	45 284	51 136	55 472	60 722	66 530
Asia	EGHH	33 078	43 481	44 692	45 758	42 667	48 275	50 395	55 390	59 135
Australasia & Oceania	EGHJ	4 709	5 622	4 971	4 130	4 573	5 307	6 542	6 872	7 810
Africa	EGHC	6 950	8 083	7 579	7 279	7 083	8 133	7 535	8 164	8 598
International organisations ¹	EGHM	406	492	404	437	317	270	246	274	257
World total	CGPZ	167 653	199 357	216 303	218 053	215 886	240 345	260 024	297 128	320 168
Debits										
Europe ¹	EGIJ	108 992	131 829	140 280	133 373	135 429	150 585	159 304	184 972	193 586
America	EGFL	34 307	42 625	44 878	42 335	40 340	45 717	47 349	53 858	61 025
Asia	EGFO	32 187	37 740	39 857	40 180	39 632	42 917	43 520	48 975	51 955
Australasia & Oceania	EGFQ	3 318	3 044	2 954	3 274	3 352	4 031	4 122	4 485	5 290
Africa	EGFU	4 444	5 479	5 919	5 530	5 820	5 956	6 136	6 874	7 333
International organisations ¹	EGFT	880	1 038	1 161	1 315	1 446	1 434	1 248	1 636	1 414
World total	CGQB	184 128	221 755	235 049	226 007	226 019	250 640	261 679	300 800	320 603
Balances										
Europe ¹	EGII	-23 148	-33 161	-28 793	-16 494	-19 467	-23 361	-19 470	-19 266	-15 748
America	EGDZ	2 360	386	2 289	1 235	4 944	5 419	8 123	6 864	5 505
Asia	EGEA	891	5 741	4 835	5 578	3 035	5 358	6 875	6 415	7 180
Australasia & Oceania	EGEB	1 391	2 578	2 017	856	1 221	1 276	2 420	2 387	2 520
Africa	EGDX	2 506	2 604	1 660	1 749	1 263	2 177	1 399	1 290	1 265
International organisations ¹	EGEC	-474	-546	-757	-878	-1 129	-1 164	-1 002	-1 362	-1 157
World total	AIMG	-16 475	-22 398	-18 746	-7 954	-10 133	-10 295	-1 655	-3 672	-435

¹ European Union institutions are included in Europe and are excluded from International Organisations.

G2 Transactions with Europe

Balance of payments current account

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Credits										
European Union (EU) ¹										
Exports of goods	ENOF	44 538	51 237	58 723	62 983	64 842	69 043	76 848	89 491	95 193
Exports of services	HRZN	9 451	10 394	10 831	10 915	12 261	13 288	14 335	16 710	18 665
Investment income	CFQM	15 828	21 633	26 617	27 335	23 189	26 433	28 809	36 354	37 253
Transfers	BOFP	2 602	2 642	2 706	3 628	3 435	3 978	4 032	4 406	5 133
Total EU	CGOU	72 419	85 906	98 877	104 861	103 727	112 742	124 024	146 961	156 244
European Free Trade Association (EFTA) ²										
Exports of goods	EPOT	3 035	3 367	3 795	3 536	3 326	3 896	4 598	4 832	5 383
Exports of services	BODN	1 063	1 133	1 260	1 320	1 454	1 776	1 784	2 138	2 772
Investment income	CFQN	1 554	2 275	2 839	2 686	2 641	2 817	2 981	3 514	3 602
Transfers	BOFV	30	30	30	32	34	39	40	42	44
Total EFTA	EGHO	5 682	6 805	7 924	7 574	7 455	8 528	9 403	10 526	11 801
Rest of Europe										
Exports of goods	HIJZ	1 870	2 023	2 205	2 151	2 552	3 644	3 864	5 475	6 733
Exports of services	HIZW	844	929	1 049	1 082	1 115	1 272	1 557	1 767	1 950
Investment income	HIZZ	4 942	2 918	1 340	1 115	1 011	921	865	850	976
Transfers	HJAC	87	87	92	96	102	117	121	127	134
Total Rest of Europe	HBSA	7 743	5 957	4 686	4 444	4 780	5 954	6 407	8 219	9 793
Total Europe										
Exports of goods	EPLM	49 443	56 627	64 723	68 670	70 720	76 583	85 310	99 798	107 309
Exports of services	EOPK	11 358	12 456	13 140	13 317	14 830	16 336	17 676	20 615	23 387
Investment income	CFQG	22 324	26 826	30 796	31 136	26 841	30 171	32 655	40 718	41 831
Transfers	EOSV	2 719	2 759	2 828	3 756	3 571	4 134	4 193	4 575	5 311
Total Europe	EGIK	85 844	98 668	111 487	116 879	115 962	127 224	139 834	165 706	177 838
Debits										
European Union (EU) ¹										
Imports of goods	ENOS	60 247	68 699	70 419	65 341	69 789	74 369	82 385	93 572	99 232
Imports of services	HRZO	11 244	12 256	12 803	12 809	13 909	15 018	16 929	18 374	19 929
Investment income	CFSL	14 317	20 148	27 642	28 159	24 398	30 358	30 000	38 027	38 160
Transfers	EOGJ	4 019	4 937	5 189	3 880	5 422	6 022	6 056	8 283	7 312
Total EU	HCMA	89 827	106 040	116 053	110 189	113 518	125 767	135 370	158 256	164 633
European Free Trade Association (EFTA) ²										
Imports of goods	EPOU	7 138	8 178	8 512	8 000	7 846	8 802	8 560	9 343	10 200
Imports of services	EOEH	742	870	943	1 003	1 037	1 131	1 375	1 574	1 577
Investment income	CFSM	5 492	7 908	8 815	8 949	8 256	8 544	6 807	7 828	8 225
Transfers	EOGP	44	45	46	49	49	50	49	48	49
Total EFTA	EGFV	13 416	17 001	18 316	18 001	17 188	18 527	16 791	18 793	20 051
Rest of Europe										
Imports of goods	HIZU	2 020	2 239	2 235	1 982	2 020	2 766	3 407	4 166	4 825
Imports of services	HIZX	1 505	1 675	1 759	1 641	2 016	2 210	2 479	2 244	2 522
Investment income	HJAA	1 724	4 355	1 382	990	560	1 145	989	1 384	1 435
Transfers	HJAD	500	519	535	570	127	170	268	129	120
Total Rest of Europe	HBSC	5 749	8 788	5 911	5 183	4 723	6 291	7 143	7 923	8 902
Total Europe										
Imports of goods	EPMM	69 405	79 116	81 166	75 323	79 655	85 937	94 352	107 081	114 257
Imports of services	EOQL	13 491	14 801	15 505	15 453	16 962	18 359	20 783	22 192	24 028
Investment income	CFSF	21 533	32 411	37 839	38 098	33 214	40 047	37 796	47 239	47 820
Transfers	EOUA	4 563	5 501	5 770	4 499	5 598	6 242	6 373	8 460	7 481
Total Europe	EGIJ	108 992	131 829	140 280	133 373	135 429	150 585	159 304	184 972	193 586

1 Figures for all years relate to all fourteen EU countries.

2 Comprises Iceland, Liechtenstein, Norway and Switzerland.

G2 Transactions with Europe

Balance of payments current account

continued

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Balances										
European Union (EU) ¹										
Net trade in goods	ENPF	-15 709	-17 462	-11 696	-2 358	-4 947	-5 326	-5 537	-4 081	-4 039
Net trade in services	HCDS	-1 793	-1 862	-1 972	-1 894	-1 648	-1 730	-2 594	-1 664	-1 264
Investment income	HCDT	1 511	1 485	-1 025	-824	-1 209	-3 925	-1 191	-1 673	-907
Transfers	HCDU	-1 417	-2 295	-2 483	-252	-1 987	-2 044	-2 024	-3 877	-2 179
Total EU	HBZG	-17 408	-20 134	-17 176	-5 328	-9 791	-13 025	-11 346	-11 295	-8 389
European Free Trade Association (EFTA) ²										
Net trade in goods	EPOV	-4 103	-4 811	-4 717	-4 464	-4 520	-4 906	-3 962	-4 511	-4 817
Net trade in services	EOFB	321	263	317	317	417	645	409	564	1 195
Investment income	HEBG	-3 938	-5 633	-5 976	-6 263	-5 615	-5 727	-3 826	-4 314	-4 623
Transfers	EOHJ	-14	-15	-16	-17	-15	-11	-9	-6	-5
Total EFTA	HEHU	-7 734	-10 196	-10 392	-10 427	-9 733	-9 999	-7 388	-8 267	-8 250
Rest of Europe										
Net trade in goods	HIZV	-150	-216	-30	169	532	878	457	1 309	1 908
Net trade in services	HIZY	-661	-746	-710	-559	-901	-938	-922	-477	-572
Investment income	HJAB	3 218	-1 437	-42	125	451	-224	-124	-534	-459
Transfers	HJAE	-413	-432	-443	-474	-25	-53	-147	-2	14
Total Rest of Europe	HBSE	1 994	-2 831	-1 225	-739	57	-337	-736	296	891
Total Europe										
Net trade in goods	EPNM	-19 962	-22 489	-16 443	-6 653	-8 935	-9 354	-9 042	-7 283	-6 948
Net trade in services	EORN	-2 133	-2 345	-2 365	-2 136	-2 132	-2 023	-3 107	-1 577	-641
Investment income	HEBA	791	-5 585	-7 043	-6 962	-6 373	-9 876	-5 141	-6 521	-5 989
Transfers	EOVC	-1 844	-2 742	-2 942	-743	-2 027	-2 108	-2 180	-3 885	-2 170
Total Europe	EGII	-23 148	-33 161	-28 793	-16 494	-19 467	-23 361	-19 470	-19 266	-15 748

1 Figures for all years relate to all fourteen EU countries.

2 Comprises Iceland, Liechtenstein, Norway and Switzerland.

G3 Transactions with America

Balance of payments current account

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Credits										
North American Free Trade Association (NAFTA) ¹										
Exports of goods	EPMF	12 934	14 659	15 224	13 406	14 425	17 428	19 247	19 838	21 961
Exports of services	EOPZ	6 977	7 254	7 671	7 557	8 924	9 994	10 613	11 211	11 882
Investment income	CFQP	..	..	16 723	14 774	14 579	15 829	17 008	20 151	22 323
Transfers	EOTL	188	193	198	209	215	251	261	274	288
Total NAFTA	EGHQ	..	..	39 816	35 946	38 143	43 500	47 129	51 474	56 454
Rest of America										
Exports of goods	HHQT	901	989	1 028	1 448	1 602	2 070	2 731	2 967	2 990
Exports of services	HHQX	763	772	869	724	988	1 111	1 196	1 241	1 314
Investment income	HHWP	..	..	5 344	5 340	4 438	4 337	4 296	4 917	5 647
Transfers	HIAE	109	108	110	112	113	118	120	123	125
Total Rest of America	HIJH	..	..	7 351	7 624	7 141	7 636	8 343	9 248	10 076
Total America										
Exports of goods	EPLO	13 835	15 648	16 252	14 854	16 027	19 498	21 978	22 805	24 951
Exports of services	EOPM	7 740	8 026	8 540	8 281	9 912	11 105	11 809	12 452	13 196
Investment income	CFQI	14 795	19 036	22 067	20 114	19 017	20 164	21 304	25 068	27 970
Transfers	EOSX	297	301	308	321	328	369	381	397	413
Total America	EGHE	36 667	43 011	47 167	43 570	45 284	51 136	55 472	60 722	66 530
Debits										
North American Free Trade Association (NAFTA) ¹										
Imports of goods	EPNF	12 633	14 942	16 314	15 213	15 060	17 741	19 174	22 077	24 645
Imports of services	EORB	4 675	5 559	6 219	6 160	6 697	7 638	8 050	9 078	10 088
Investment income	CFSO	..	..	14 658	13 876	11 473	13 102	13 178	15 065	17 522
Transfers	EOUQ	423	450	470	504	497	516	519	531	532
Total NAFTA	EGFX	..	..	37 661	35 753	33 727	38 997	40 921	46 751	52 787
Rest of America										
Imports of goods	HHQU	1 331	1 602	1 595	1 950	2 168	2 437	2 468	2 756	3 111
Imports of services	HHRC	443	522	588	587	695	839	915	922	1 107
Investment income	HHXF	..	..	4 901	3 892	3 572	3 272	2 871	3 259	3 940
Transfers	HIBW	120	127	133	153	178	172	174	170	80
Total Rest of America	HIJI	..	..	7 217	6 582	6 613	6 720	6 428	7 107	8 238
Total America										
Imports of goods	EPMO	13 964	16 544	17 909	17 163	17 228	20 178	21 642	24 833	27 756
Imports of services	EOQN	5 118	6 081	6 807	6 747	7 392	8 477	8 965	10 000	11 195
Investment income	CFSE	14 682	19 423	19 559	17 768	15 045	16 374	16 049	18 324	21 462
Transfers	EOUC	543	577	603	657	675	688	693	701	612
Total America	EGFL	34 307	42 625	44 878	42 335	40 340	45 717	47 349	53 858	61 025
Balances										
North American Free Trade Association (NAFTA) ¹										
Net trade in goods	EPOF	301	-283	-1 090	-1 807	-635	-313	73	-2 239	-2 684
Net trade in services	EOSD	2 302	1 695	1 452	1 397	2 227	2 356	2 563	2 133	1 794
Investment income	HEBI	..	..	2 065	898	3 106	2 725	3 830	5 086	4 801
Transfers	EOVR	-235	-257	-272	-295	-282	-265	-258	-257	-244
Total NAFTA	EGEE	..	..	2 155	193	4 416	4 503	6 208	4 723	3 667
Rest of America										
Net trade in goods	HHQW	-430	-613	-567	-502	-566	-367	263	211	-121
Net trade in services	HHRM	320	250	281	137	293	272	281	319	207
Investment income	HHXL	..	..	443	1 448	866	1 065	1 425	1 658	1 707
Transfers	HIJG	-11	-19	-23	-41	-65	-54	-54	-47	45
Total Rest of America	HIJJ	..	..	134	1 042	528	916	1 915	2 141	1 838
Total America										
Net trade in goods	EPNO	-129	-896	-1 657	-2 309	-1 201	-680	336	-2 028	-2 805
Net trade in services	EORP	2 622	1 945	1 733	1 534	2 520	2 628	2 844	2 452	2 001
Investment income	HEBC	113	-387	2 508	2 346	3 972	3 790	5 255	6 744	6 508
Transfers	EOVE	-246	-276	-295	-336	-347	-319	-312	-304	-199
Total America	EGDZ	2 360	386	2 289	1 235	4 944	5 419	8 123	6 864	5 505

1 Comprises Canada, Mexico and United States of America.

G4 Transactions with Asia

Balance of payments current account

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Credits										
Association of South-East Asian Nations (ASEAN) ¹										
Exports of goods	EPML	1 667	2 177	2 534	2 562	2 962	4 055	5 041	5 336	6 087
Exports of services	EOQE	904	977	1 099	1 082	1 231	1 394	1 549	1 852	2 083
Investment income	CFQU	2 005	2 754	3 503	3 751	3 424	3 908	3 697	3 370	3 599
Transfers	EOTR	53	54	55	60	62	73	76	77	84
Total ASEAN	EGHV	4 629	5 962	7 191	7 455	7 679	9 430	10 363	10 635	11 853
Hong Kong										
Exports of goods	ERDG	990	1 082	1 184	1 338	1 581	2 159	2 339	2 648	2 933
Exports of services	EPUY	609	642	614	657	684	812	866	802	941
Investment income	HEJB	..	..	2 618	2 764	2 934	3 108	3 506	3 780	4 135
Transfers	EPWI	31	32	33	50	37	41	43	45	47
Total Hong Kong	HEML	..	..	4 449	4 809	5 236	6 120	6 754	7 275	8 056
Japan										
Exports of goods	EOBD	1 701	2 220	2 552	2 223	2 152	2 652	3 032	3 790	4 280
Exports of services	EODL	1 202	1 340	1 526	1 369	1 532	1 706	1 945	2 246	2 160
Investment income	CFQD	8 757	12 491	13 205	12 637	9 619	9 334	9 029	10 258	9 860
Transfers	EOFT	39	40	41	226	54	52	54	57	60
Total Japan	EGHI	11 699	16 091	17 324	16 455	13 357	13 744	14 060	16 351	16 360
South Korea										
Exports of goods	ERDM	432	480	593	758	647	807	989	1 151	1 308
Exports of services	EPVE	167	204	219	190	286	310	348	407	444
Investment income	HEJF	..	..	448	533	662	880	820	942	1 083
Transfers	EPWO	4	4	4	22	4	5	5	5	6
Total South Korea	HEMN	..	..	1 264	1 503	1 599	2 002	2 162	2 505	2 841
Rest of Asia										
Exports of goods	HHIF	7 369	8 537	8 300	7 850	8 103	9 689	9 452	10 225	11 466
Exports of services	HHIO	2 547	2 954	3 394	3 204	3 771	4 245	4 329	4 798	4 887
Investment income	HHJF	..	..	2 382	2 510	2 552	2 655	2 902	3 140	3 188
Transfers	HHJJ	329	338	388	1 972	370	390	373	461	484
Total Rest of Asia	HEMZ	..	..	14 464	15 536	14 796	16 979	17 056	18 624	20 025
Total Asia										
Exports of goods	EPLP	12 159	14 496	15 163	14 731	15 445	19 362	20 853	23 150	26 074
Exports of services	EOPN	5 429	6 117	6 852	6 502	7 504	8 467	9 037	10 105	10 515
Investment income	CFQJ	15 034	22 400	22 156	22 195	19 191	19 885	19 954	21 490	21 865
Transfers	EOSY	456	468	521	2 330	527	561	551	645	681
Total Asia	EGHH	33 078	43 481	44 692	45 758	42 667	48 275	50 395	55 390	59 135
Debits										
Association of South-East Asian Nations (ASEAN) ¹										
Imports of goods	EPNL	1 834	2 486	2 722	3 200	3 567	4 864	5 160	5 818	7 901
Imports of services	EORG	548	883	917	875	941	1 086	1 189	1 160	1 226
Investment income	CFST	2 167	1 662	1 927	2 046	1 970	2 035	2 091	2 519	2 510
Transfers	EOUV	89	97	99	113	86	86	98	83	82
Total ASEAN	EGGC	4 638	5 128	5 665	6 234	6 564	8 071	8 538	9 580	11 719
Hong Kong										
Imports of goods	ERDS	1 631	1 905	1 821	1 977	2 224	2 875	2 967	3 340	3 859
Imports of services	EPVK	479	528	535	504	601	641	741	564	642
Investment income	HEJR	..	..	2 193	2 403	2 555	1 922	1 771	2 098	1 896
Transfers	EPWU	98	99	104	105	103	103	102	102	101
Total Hong Kong	HEMX	..	..	4 653	4 989	5 483	5 541	5 581	6 104	6 498
Japan										
Imports of goods	EOBX	6 053	6 685	6 213	6 231	7 014	8 096	8 539	9 226	8 570
Imports of services	EOEF	485	550	592	554	624	712	823	920	1 087
Investment income	CFSC	4 411	6 919	8 220	7 846	5 868	4 628	4 335	5 903	5 595
Transfers	EOGN	99	102	103	106	106	106	105	105	104
Total Japan	EGFP	11 048	14 256	15 128	14 737	13 612	13 542	13 802	16 154	15 356

¹ Comprises Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

G4 Transactions with Asia

Balance of payments current account

continued

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Debits contd										
South Korea										
Imports of goods	ERDY	1 033	1 084	890	852	866	1 032	1 056	1 473	1 931
Imports of services	EPVQ	46	65	64	71	65	81	86	102	113
Investment income	HEJT	..	..	147	136	116	105	110	128	137
Transfers	EPXA	2	2	2	4	6	16	18	20	19
Total South Korea	HEMZ	..	..	1 103	1 063	1 053	1 234	1 270	1 723	2 200
Rest of Asia										
Imports of goods	HEIM	4 535	5 314	5 508	5 350	5 908	7 532	7 407	7 788	8 934
Imports of services	HEJB	1 537	1 641	1 793	1 577	1 959	2 337	2 556	2 488	2 735
Investment income	HEJH	..	..	5 555	5 694	4 301	3 935	3 627	4 366	3 924
Transfers	HEJL	405	440	452	536	752	725	739	772	589
Total Rest of Asia	HEOT	..	..	13 308	13 157	12 920	14 529	14 329	15 414	16 182
Total Asia										
Imports of goods	EPMP	15 086	17 474	17 154	17 610	19 579	24 399	25 129	27 645	31 195
Imports of services	EOQO	3 095	3 667	3 901	3 581	4 190	4 857	5 395	5 234	5 803
Investment income	CFSI	13 313	15 859	18 042	18 125	14 810	12 625	11 934	15 014	14 062
Transfers	EOUD	693	740	760	864	1 053	1 036	1 062	1 082	895
Total Asia	EGFO	32 187	37 740	39 857	40 180	39 632	42 917	43 520	48 975	51 955
Balances										
Association of South-East Asian Nations (ASEAN) ¹										
Net trade in goods	EPOL	-167	-309	-188	-638	-605	-809	-119	-482	-1 814
Net trade in services	EOSI	356	94	182	207	290	308	360	692	857
Investment income	HEBN	-162	1 092	1 576	1 705	1 454	1 873	1 606	851	1 089
Transfers	EOVX	-36	-43	-44	-53	-24	-13	-22	-6	2
Total ASEAN	EGEJ	-9	834	1 526	1 221	1 115	1 359	1 825	1 055	134
Hong Kong										
Net trade in goods	EREE	-641	-823	-637	-639	-643	-716	-628	-692	-926
Net trade in services	EPVW	130	114	79	153	83	171	125	238	299
Investment income	HEKF	..	..	425	361	379	1 186	1 735	1 682	2 239
Transfers	EPXG	-67	-67	-71	-55	-66	-62	-59	-57	-54
Total Hong Kong	HENL	..	..	-204	-180	-247	579	1 173	1 171	1 558
Japan										
Net trade in goods	EOCR	-4 352	-4 465	-3 661	-4 008	-4 862	-5 444	-5 507	-5 436	-4 290
Net trade in services	EOEZ	717	790	934	815	908	994	1 122	1 326	1 073
Investment income	HEAX	4 346	5 572	4 985	4 791	3 751	4 706	4 694	4 355	4 265
Transfers	EOHH	-60	-62	-62	120	-52	-54	-51	-48	-44
Total Japan	HEHY	651	1 835	2 196	1 718	-255	202	258	197	1 004
South Korea										
Net trade in goods	EREK	-601	-604	-297	-94	-219	-225	-67	-322	-623
Net trade in services	EPWC	121	139	155	119	221	229	262	305	331
Investment income	HEKH	..	..	301	397	546	775	710	814	946
Transfers	EPXM	2	2	2	18	-2	-11	-13	-15	-13
Total South Korea	HENN	..	..	161	440	546	768	892	782	641
Rest of Asia										
Net trade in goods	HHIN	2 834	3 223	2 792	2 500	2 195	2 157	2 045	2 437	2 532
Net trade in services	HHJE	1 010	1 313	1 601	1 627	1 812	1 908	1 773	2 310	2 152
Investment income	HEJI	..	..	-3 173	-3 184	-1 749	-1 280	-725	-1 226	-736
Transfers	HHNY	-76	-102	-64	1 436	-382	-335	-366	-311	-105
Total Rest of Asia	HEPL	..	..	1 156	2 379	1 876	2 450	2 727	3 210	3 843
Total Asia										
Net trade in goods	EPNP	-2 927	-2 978	-1 991	-2 879	-4 134	-5 037	-4 276	-4 495	-5 121
Net trade in services	EOBQ	2 334	2 450	2 951	2 921	3 314	3 610	3 642	4 871	4 712
Investment income	HEBD	1 721	6 541	4 114	4 070	4 381	7 260	8 020	6 476	7 803
Transfers	EOVF	-237	-272	-239	1 466	-526	-475	-511	-437	-214
Total Asia	EGEA	891	5 741	4 835	5 578	3 035	5 358	6 875	6 415	7 180

¹ Comprises Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

G5 Transactions with Australasia & Oceania

Balance of payments current account

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Credits										
Australia										
Exports of goods	EPMA	1 347	1 661	1 601	1 333	1 326	1 599	1 947	2 125	2 477
Exports of services	EOPV	762	868	961	872	1 009	1 102	1 176	1 246	1 432
Investment income	CFQE	1 537	1 970	1 418	1 010	1 180	1 349	1 944	1 883	2 137
Transfers	EOTH	145	148	152	160	171	193	201	211	221
Total Australia	EGHK	3 791	4 647	4 132	3 375	3 686	4 243	5 268	5 465	6 267
Rest of Australasia & Oceania										
Exports of goods	HIJK	340	438	478	316	304	389	466	494	531
Exports of services	HIJN	226	230	233	229	222	245	282	303	324
Investment income	HIJQ	284	238	57	134	280	340	432	511	585
Transfers	HIJT	68	69	71	76	81	90	94	99	103
Total Rest of Australasia & Oceania	HIJW	918	975	839	755	887	1 064	1 274	1 407	1 543
Total Australasia & Oceania										
Exports of goods	EPLQ	1 687	2 099	2 079	1 649	1 630	1 988	2 413	2 619	3 008
Exports of services	EOPO	988	1 098	1 194	1 101	1 231	1 347	1 458	1 549	1 756
Investment income	CFQK	1 821	2 208	1 475	1 144	1 460	1 689	2 376	2 394	2 722
Transfers	EOSZ	213	217	223	236	252	283	295	310	324
Total Australasia & Oceania	EGHJ	4 709	5 622	4 971	4 130	4 573	5 307	6 542	6 872	7 810
Debits										
Australia										
Imports of goods	EPNA	687	814	958	801	954	948	1 029	1 063	1 234
Imports of services	EOQX	437	490	546	544	568	622	712	729	886
Investment income	CFSD	786	203	174	480	389	821	669	886	1 193
Transfers	EOUM	417	449	476	521	496	539	557	572	579
Total Australia	EGFR	2 327	1 956	2 154	2 346	2 407	2 930	2 967	3 250	3 892
Rest of Australasia & Oceania										
Imports of goods	HIJL	520	531	548	478	531	615	669	740	806
Imports of services	HIJO	104	116	142	149	153	193	196	224	285
Investment income	HIJR	170	229	-115	50	41	56	28	13	49
Transfers	HIJU	197	212	225	251	220	237	262	258	258
Total Rest of Australasia & Oceania	HIJX	991	1 088	800	928	945	1 101	1 155	1 235	1 398
Total Australasia & Oceania										
Imports of goods	EPNQ	1 207	1 345	1 506	1 279	1 485	1 563	1 698	1 803	2 040
Imports of services	EOQP	541	606	688	693	721	815	908	953	1 171
Investment income	CFSJ	956	432	59	530	430	877	697	899	1 242
Transfers	EOUE	614	661	701	772	716	776	819	830	837
Total Australasia & Oceania	EGFQ	3 318	3 044	2 954	3 274	3 352	4 031	4 122	4 485	5 290
Balances										
Australia										
Net trade in goods	EPOA	660	847	643	532	372	651	918	1 062	1 243
Net trade in services	EORZ	325	378	415	328	441	480	464	517	546
Investment income	HEAY	751	1 767	1 244	530	791	528	1 275	997	944
Transfers	EOVO	-272	-301	-324	-361	-325	-346	-356	-361	-358
Total Australia	HEHZ	1 464	2 691	1 978	1 029	1 279	1 313	2 301	2 215	2 375
Rest of Australasia & Oceania										
Net trade in goods	HIJM	-180	-93	-70	-162	-227	-226	-203	-246	-275
Net trade in services	HIJP	122	114	91	80	69	52	86	79	39
Investment income	HIJS	114	9	172	84	239	284	404	498	536
Transfers	HIJV	-129	-143	-154	-175	-139	-147	-168	-159	-155
Total Rest of Australasia & Oceania	HIJY	-73	-113	39	-173	-58	-37	119	172	145
Total Australasia & Oceania										
Net trade in goods	EPNQ	480	754	573	370	145	425	715	816	968
Net trade in services	EORR	447	492	506	408	510	532	550	596	585
Investment income	HEBE	865	1 776	1 416	614	1 030	812	1 679	1 495	1 480
Transfers	EOVG	-401	-444	-478	-536	-464	-493	-524	-520	-513
Total Australasia & Oceania	EGEB	1 391	2 578	2 017	856	1 221	1 276	2 420	2 387	2 520

G6 Transactions with Africa

Balance of payments current account

£ million

		1988	1989	1990	1991	1992	1993	1994	1995	1996
Credits										
South Africa										
Exports of goods	EPME	1 033	1 011	1 066	989	1 059	1 138	1 441	1 827	1 886
Exports of services	EOPX	425	463	498	492	534	639	733	698	691
Investment income	CFPZ	598	840	679	762	634	780	593	706	750
Transfers	EOTJ	49	50	51	50	58	65	68	71	74
Total South Africa	EGHD	2 105	2 364	2 294	2 293	2 285	2 622	2 835	3 302	3 401
Rest of Africa										
Exports of goods	EGJA	2 189	2 273	2 435	2 520	2 462	2 829	2 669	2 878	3 112
Exports of services	EGJF	861	1 030	1 066	1 014	994	1 054	1 114	1 069	1 153
Investment income	EGJK	1 699	2 318	1 683	1 346	1 233	1 504	787	778	785
Transfers	HAJB	96	98	101	106	109	124	130	137	147
Total Rest of Africa	HBGZ	4 845	5 719	5 285	4 986	4 798	5 511	4 700	4 862	5 197
Total Africa										
Exports of goods	EPLN	3 222	3 284	3 501	3 509	3 521	3 967	4 110	4 705	4 998
Exports of services	EOPL	1 286	1 493	1 564	1 506	1 528	1 693	1 847	1 767	1 844
Investment income	CFQH	2 297	3 158	2 362	2 108	1 867	2 284	1 380	1 484	1 535
Transfers	EOSW	145	148	152	156	167	189	198	208	221
Total Africa	EGHC	6 950	8 083	7 579	7 279	7 083	8 133	7 535	8 164	8 598
Debits										
South Africa										
Imports of goods	EPNE	731	804	996	887	805	958	935	1 050	1 156
Imports of services	EOQZ	166	197	218	209	240	272	260	362	446
Investment income	CFRY	217	445	198	171	146	145	131	149	146
Transfers	EOUO	60	63	65	73	71	77	82	74	73
Total South Africa	EGFK	1 174	1 509	1 477	1 340	1 262	1 452	1 408	1 635	1 821
Rest of Africa										
Imports of goods	HFKG	1 433	1 554	1 796	1 435	1 695	1 823	2 037	2 247	2 534
Imports of services	HFKQ	559	619	639	629	699	770	851	980	1 022
Investment income	HFLA	994	1 471	1 675	1 700	1 428	1 377	1 263	1 385	1 288
Transfers	HFLK	284	326	332	426	736	534	577	627	668
Total Rest of Africa	HFJW	3 270	3 970	4 442	4 190	4 558	4 504	4 728	5 239	5 512
Total Africa										
Imports of goods	EFMN	2 164	2 358	2 792	2 322	2 500	2 781	2 972	3 297	3 690
Imports of services	EQQM	725	816	857	838	939	1 042	1 111	1 342	1 468
Investment income	CFSG	1 211	1 916	1 873	1 871	1 574	1 522	1 394	1 534	1 434
Transfers	EOUB	344	389	397	499	807	611	659	701	741
Total Africa	EGFJ	4 444	5 479	5 919	5 530	5 820	5 956	6 136	6 874	7 333
Balances										
South Africa										
Net trade in goods	EPOE	302	207	70	102	254	180	506	777	730
Net trade in services	EOSB	259	266	280	283	294	367	473	336	245
Investment income	HEAR	381	395	481	591	488	635	462	557	604
Transfers	EOVQ	-11	-13	-14	-23	-13	-12	-14	-3	1
Total South Africa	EGDY	931	855	817	953	1 023	1 170	1 427	1 667	1 580
Rest of Africa										
Net trade in goods	HFKL	756	719	639	1 085	767	1 006	632	631	578
Net trade in services	HFKV	302	411	427	385	295	284	263	89	131
Investment income	HFLF	705	847	8	-354	-195	127	-476	-607	-503
Transfers	HFLP	-188	-228	-231	-320	-627	-410	-447	-490	-521
Total Rest of Africa	HFKB	1 575	1 749	843	796	240	1 007	-28	-377	-315
Total Africa										
Net trade in goods	EPNN	1 058	926	709	1 187	1 021	1 186	1 138	1 408	1 308
Net trade in services	EORO	561	677	707	668	589	651	736	425	376
Investment income	HEBB	1 086	1 242	489	237	293	762	-14	-50	101
Transfers	EOVD	-199	-241	-245	-343	-640	-422	-461	-493	-520
Total Africa	EGDX	2 506	2 604	1 660	1 749	1 263	2 177	1 399	1 290	1 265

Development of a Final Expenditure Prices Index

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Summary

In response to requests for a wider, monthly inflation measure, the Office for National Statistics (ONS) has developed a new price index. This article describes the potential users, the composition and the first provisional results of the Final Expenditure Prices Index (FEPI), which is being published initially on an experimental basis. As it is an experimental index it is not being published as a mainstream statistical series and there will not be a corresponding *First Release* as there is, for instance, for the Retail Prices Index.

The ONS work plan also includes a programme for continuing improvements to the index - covering quality adjustment, direct collection of imported capital goods prices and a productivity adjustment for government prices.

1. Why has the new index been constructed?

The index has been constructed by the ONS in response to user demand. Following consultations with users both within government and in the wider community, the ONS concluded that users were looking for an inflation measure which would:

- cover the economy more widely than existing indices such as the RPI and PPI
- be published monthly and be timely
- be subject to minimal revisions only
- exclude compositional changes
- reflect directly measured prices

The aim was to construct an index that would be used for macro-economic analysis and for developing a greater understanding of the inflation process. The index could be used for a wide range of functions, such as deflating nominal sums and indexation of contract payments. However, ONS advise against using the FEPI for these purposes during its release as an experimental index, ie until further development work has been satisfactorily completed.

The new index is *additional* to existing price indicators such as the Retail Prices Index (RPI) and its variants, and the Producer Price Index (PPI). Users stressed that they value the continuity and consistency of the RPI, and that they would not like to see its prominence diminished. The FEPI and its components are therefore not intended to replace existing price indicators.

2. Structure of New Index based on National Accounts Framework

In constructing the new index, ONS opted for an approach linked,

as far as possible, to the national accounts framework. The correspondence is not perfect because the objectives of national accounts and price indices differ. National accounts are designed primarily to present an overview of economic activity whilst price indices are generally constructed in order to measure the rate of inflation. A full account of the differences between the national accounts and the structure of the FEPI is included in Annex A.

Three main national accounts aggregates were considered as a possible basis for the new index: Total Domestic Expenditure (TDE), Total Final Expenditure (TFE) and Gross Domestic Product (GDP). The relationship between TDE, TFE and GDP may be illustrated as follows:

Total Domestic Expenditure (TDE)

Consumers' Expenditure	Investment Expenditure	Government Expenditure
------------------------	------------------------	------------------------

Total Final Expenditure (TFE)

Consumers' Expenditure	Investment Expenditure	Government Expenditure	Exports
------------------------	------------------------	------------------------	---------

Gross Domestic Product (GDP)

Consumers' Expenditure	Investment Expenditure	Government Expenditure	Exports
------------------------	------------------------	------------------------	---------

imports implicitly included



imports excluded (ie netted off)



Total Domestic Expenditure, TDE, is a measure of the value of final expenditure by UK residents (consumers, business and government) and includes, implicitly, their expenditure on imports and their expenditure on the goods and services produced through domestic economic activity.

Total Final Expenditure, TFE, is equivalent to TDE plus exports and reflects final expenditure by UK residents plus exports. It comprises, implicitly, all imports and the value of all domestic economic activity.

Gross Domestic Product, GDP, reflects the total value of all domestically-generated economic activity and is equivalent to TFE less imports. The value of imports is netted off because GDP reflects domestic activity only.

The alternative approaches for constructing a broader inflation measure were discussed with external experts and an overall economic assessment was undertaken by Rowlatt [ref 1]. This assessment provided support for the ONS view that a Final Expenditure Prices Index based on the components of the national accounts concept of Total Domestic Expenditure (TDE) (excluding changes in stocks) would be the best starting point.

The transactions covered in the index are final purchases by UK residents, namely:

- private consumption (final household demand)
- gross domestic fixed capital formation (acquisition of new machines, new houses etc)
- government expenditure

Recent work by Hill for an OECD Manual on National Accounting [ref 2] endorses this approach. He comments that an index constructed along the lines of TDE captures the effects of imported as well as domestically-generated inflation (see next paragraph), but excludes exports and so is a suitable index for measuring changes in the purchasing power of all residents (not just consumers) within their own country.

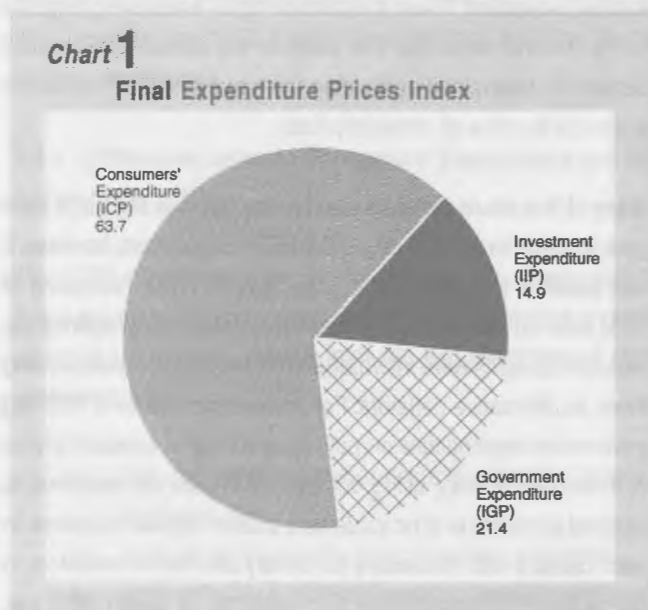
3. Composition of the New Index

3.1 What does it cover?

The new index covers consumers' expenditure, investment expenditure (also known as gross domestic fixed capital formation) and government expenditure; and these categories of expenditure are reflected in the following three sub-indices:

- Index of Consumer Prices, ICP
- Index of Investment Prices, IIP
- Index of Government Prices, IGP

3.2 How is the index constructed?



Having defined the coverage of each sub-index, there are three other key stages in constructing the index:

- defining the smallest units of the index
- deriving weights for each unit
- identifying an appropriate price indicator for each unit

Since the structure of the FEPI is based broadly on a national accounts aggregate measure, it follows naturally that the FEPI weights are derived from the levels of current expenditure as estimated for the national accounts. Moreover, the availability of current expenditure at the lowest level also defines the smallest units within each component index. For instance, current expenditure is available for "cakes and biscuits" but not at any lower level of disaggregation. Consequently "cakes and biscuits" is a single unit within the Index of Consumer Prices. The index weights are revised in January every year, the weights for January in year *t* being based on current expenditure for calendar year *t-2* as first published in the Blue Book for year *t-1*.

Having defined the index units it is necessary to identify a representative price indicator for each unit. First choice for consideration was the price indicator (if any) used to "deflate" the equivalent national accounts component at current prices. Note that the term "deflator" is used in a number of ways:

Actual deflators: These are usually simple price indices which are used to convert low-level expenditure at current prices to expenditure at constant prices.

Imputed (or proxy) deflators: When expenditure at constant prices has been determined independently of the current expenditure estimate (eg using a volume measure), an *imputed* deflator is obtained by dividing expenditure at current prices by expenditure at constant prices.

Implied deflators: These are found at higher levels of aggregation in the national accounts. For instance the overall GDP *implied* deflator is determined by dividing the aggregate GDP at current prices by its value at constant prices.

Many of the actual deflators used in the national accounts were good enough to use directly in the FEPI. Sometimes, however, it was possible to identify better price indices (or combinations of price indices) - in which case those responsible for preparing the national accounts were informed so that they could consider using them as alternative deflators. For some components of TDE (eg government expenditure on pay) expenditure at constant prices is measured directly using volume measures, so reference to national accounts is of no value as a source of price indicators. In such cases it was necessary to identify alternative indicators to use in the FEPI construction. For instance, for government pay, various average earnings indices (or local authority pay indices) were used.

3.3 Main features of the FEPI

Once the three component indices have been determined, they are combined together to form the aggregate FEPI. This is calculated using the following relationship:

$$FEPI = ICP \cdot w_c + IIP \cdot w_i + IGP \cdot w_g$$

where w_c , w_i and w_g are the respective weights for consumers' expenditure, investment expenditure and government expenditure.

The main features of the FEPI are as follows:

- it is calculated monthly
- it is not seasonally-adjusted
- it reflects market prices
- it is base-weighted, with the weights fixed each January
- it is chain-linked

All index calculations are carried out with the indices for the previous January set to 100.0; only for the purposes of dissemination are the indices chain-linked together to produce an index series with January 1992=100.

● revisions

Inasmuch as some of the indices (the PPIs, the earnings indices and the construction price indices) that feed into FEPI are subject to revision, it makes sense for the FEPI to be subject to some revision. If all revisions to the underlying price indicators fed into the FEPI, revisions could be expected for up to 18 months. Whilst this would ensure an accurate historical record of general inflation, such a series might not be of value to users. Therefore, for its initial release as an experimental index the ONS has opted for a compromise approach whereby revisions will be capped at six months. The full extent of revisions over the long term cannot be known in advance, but past experience suggests that capping revisions at six months will not lead to the omission of significant revisions.

ONS invites users to express their preferences on this issue. To help inform the discussion, two parallel FEPI series will be calculated during its experimental period of release: the published FEPI, with a six-month cap on revisions; and a parallel index series (not to be published) which will reflect all revisions to underlying indices feeding into the FEPI.

● origin of weights

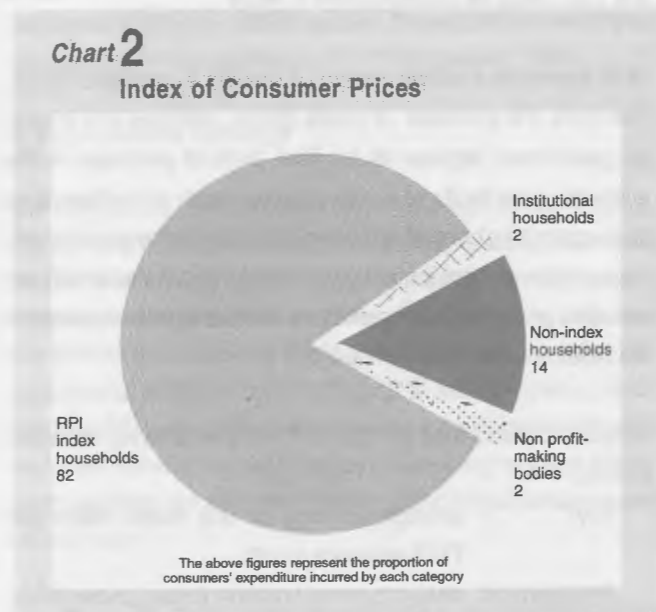
The weights used in the annual re-basing and re-weighting are supplied by national accounts and reflect the most recent annual data at current prices as published in the previous year's Blue Book. For example, the new weights used in the Jan 1997 re-basing were published in mid-1996 and cover the calendar year 1995. Although the 1995 national accounts figures will, in due course, be revised - it is proposed that no retrospective revisions to the FEPI weights will be made. Sensitivity analysis on the impact of revising the weights was carried out, and the effect was small.

● timing

There is inconsistency in the availability of the different indicators that feed into the FEPI. Components of the RPI and PPI series enter the FEPI with no time lag. The earnings indices are subject to a one-month time lag; and the construction price indices are subject to a four-month time lag. This is discussed in more detail in section 3.5.

3.4 The Index of Consumer Prices

The main differences between the existing RPI and the ICP component of FEPI are:



3.4.1 Weights. Since the RPI covers only index households and the ICP covers *all* consumers, the sources of weights for each index also differ. RPI weights are based on the ONS Family Expenditure Survey data. The ICP weights are based on levels of consumers' expenditure as estimated for the national accounts (see 3.4.3). These also depend on data from the Family Expenditure Survey, but also include data from the ONS Retail Sales Inquiry and from other government departments and agencies such as the Ministry of Agriculture, Fisheries and Food (the National Food Survey), H M Customs & Excise (alcohol and tobacco), the Department of Trade & Industry (energy products), the DVLA (motor vehicle licences) and Ofwat (water and sewerage expenditure).

3.4.2 Coverage: The RPI is limited to coverage of "index" households, which means that RPI weights reflect only 82 per cent of all consumers' expenditure. The RPI takes no account of the spending patterns of the top four per cent of households (by income) or of pensioner households who are mostly dependent on state benefits - about ten per cent of households. The reason for excluding higher income households from the RPI is that their expenditure patterns are quite different from households outside this income range and the RPI Advisory Committee decided that a relatively small minority of households should not influence the overall distribution of expenditure reflected in the RPI. Expenditure

by pensioner households mainly dependent on state benefits is also atypical of households in general and, therefore, is also omitted from RPI coverage. The RPI also excludes expenditure by people in institutional accommodation. The ICP covers *all* households and, in addition, expenditure by consumers living in institutions, such as residential and nursing homes. ICP coverage also includes non-profit making organisations such as trades unions, charities etc.

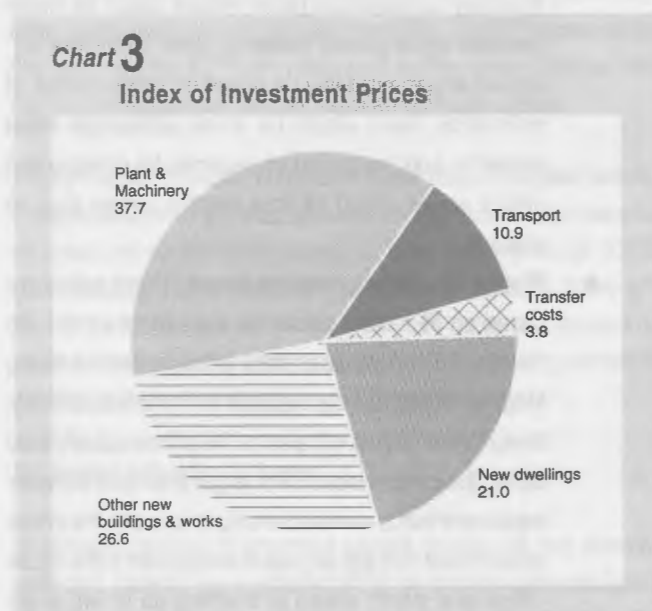
3.4.3 Differences between Consumers' Expenditure and the components of ICP

The FEPI reflects only directly-measured prices. Consequently there are parts of Consumers' Expenditure, reflecting imputed expenditure, that are omitted from the ICP. Examples of such exclusions are:

- imputed rents for owner-occupiers and for tenants paying no rent
- value of company cars used for private purposes
- value of free or subsidised meals provided by employers

The inclusion of prices based only on actual expenditure is consistent with the conventional approach to price index construction. Nevertheless user views are invited if it is felt that imputed expenditure should also be reflected in the index.

3.5 The Index of Investment Prices



This covers the net acquisition of plant & machinery, transport equipment, new dwellings and other new buildings & works. An additional category covers the transfer costs associated with the

buying/selling of buildings, dwellings and land. Indices for these five categories will be published in addition to the overall Index of Investment Prices. However the actual calculation of these indices starts at a much lower level of detail. To construct a price index for capital expenditure, aggregate capital expenditure is divided into expenditure by private individuals and companies, public corporations and general government. Each of these figures is then further split into industry groups and a separate price index for dwellings, plant & machinery and vehicles is constructed for each industry group.

Owner-occupier acquisition costs are reflected in national accounts by a building costs price index for private dwellings. In the Index of Investment Prices a price index for house prices is used instead. This is discussed further in Annex B.

The prices included in the FEPI are the latest available at the time the index is compiled. There are differences, however, in the periods that the prices relate to, as follows:

- **Construction prices:** Most of these are based on output price indices calculated by the Department of the Environment, Transport and the Regions (DETR). In fact DETR calculates only quarterly indices and then interpolates monthly indices specifically for the FEPI. This interpolation process leads to a lag of four months in the indices that are used in the FEPI. For instance, the May FEPI reflects January construction output prices. DETR is investigating mechanisms whereby the quarterly construction price indices could be made available more quickly. However, since "zero time-lag" indices would inevitably be based on some degree of estimation, there would be more substantial initial revisions; and the period of revisions for construction output prices would be four months longer than at present.
- **Plant & Machinery / Vehicle prices:** These prices are based on PPI *order* prices for the current month. So the May FEPI consists of order prices collected during May. For those products available for immediate delivery, these "order" prices will also be the prices actually paid during the current month. For larger and more complex equipment that is manufactured only to order, the prices reflect those that will be paid at some point in the future - from one month ahead to anything up to two years ahead, eg for a ship. Nevertheless the prices in all instances are the latest available and whilst the order prices for some equipment may be for delivery some months ahead they do reflect current market conditions.

Moreover, this approach is consistent with the publication of indicators for the purposes of current cost accounting, which also reflect current order prices from the PPI series.

3.6 The Index of Government Prices

Most government activity does not culminate in marketed output. Therefore, the purchase of inputs (goods, services and labour) by government represents the final point of purchase in the economic cycle for these inputs. In other words, since there is no final expenditure on most of the services provided by government, the purchase of these inputs by government is included in national accounts as part of final expenditure. It is this that is measured in the Index of Government Prices.

Various indicators feed into the IGP with the following reference periods:

- Pay: average earnings for one month *before* the FEPI reference month
- Procurement: retail prices and producer (order) prices for the current month

The small proportion of government output that *is* marketed will be reflected as final expenditure elsewhere. For instance, payment by consumers for driving test fees will be included in Consumers' Expenditure. To avoid double-counting a deduction is made from the weight applying to total government expenditure to reflect those government services that *are* on-sold.

ONS is planning to introduce a "quality adjustment" to the IGP based on changing levels of productivity in the public sector. [see section 5.7] The need to apply a productivity adjustment to public sector expenditure is to bring the measurement of economic activity within the public sector into line with economic activity in the private sector. The value of economic activity in the private sector is reflected in the total value of its output. Thus, any productivity improvements within the private sector are implicitly reflected in output - and therefore in the prices that feed in to the ICP and IIP. There is no parallel situation for the public sector because there are no prices associated with public sector output.

We cannot be precise about the likely level of productivity change in the public sector. The Department of Health has estimated that productivity in the NHS has been growing at about 1½ per cent a year over the last ten years or so (see Department of Health Departmental Report March 1997, page 46). However, this covers only about a fifth of the public expenditure covered by the FEPI. Also, ONS will need to verify the reliability of existing departmental

productivity measures in the context of the national accounts. In the private sector, the long-term growth in labour productivity over recent economic cycles has been about 2 per cent a year.

A working group is urgently looking at this issue, with the express purpose of developing an appropriate adjustment in time for its incorporation into the 1998 Blue Book. The adjustment would thus be available for inclusion in the FEPI from January 1999.

4. Publications Strategy

The FEPI series from January 1992 to July 1997 are at Annex D, together with a brief commentary on the most recent figures. Whilst the FEPI is published as an experimental series, monthly updates will be included as part of *Economic Trends* (starting with next month's issue) and not in a *First Release*. It is anticipated that this experimental period will continue through to January 1999, at which point the FEPI would be re-launched as a mainstream indicator, via a *First Release*. The advantages of launching the index initially as an experimental series and then re-launching as a mainstream indicator are:

- ONS can consider its response to user reaction to the new index
- Users can become acquainted with the new index (eg modelling/forecasting) prior to its launch as a mainstream measure
- Further methodological improvements can be implemented at re-launch, such as reducing the time-lag on construction output prices and introducing a productivity adjustment for the public sector.

5. Future Developments

Included in the ONS work plan are various developments which will lead to improvements in the methodology of the new index. Some of these developments have been added to the agenda specifically to deliver a more reliable index; others were scheduled anyway but will also benefit the new index. Developments include quality adjustment, direct collection of imported capital goods prices and a productivity adjustment for government prices.

5.1 Adjustments to the FEPI structure

Since the structure of the FEPI is based on that of Total Domestic Expenditure, the structure of the FEPI is adjusted, once a year, to reflect any changes that have been made to the structure of consumers' expenditure, investment expenditure or government expenditure. However - the FEPI revisions policy is not to allow extensive revisions to the FEPI series. Therefore, the published FEPI series will be calculated according to the methodology and the classification considered appropriate at the time. If, subsequently, a change in methodology or structure is

implemented, such a change will affect index numbers only from that moment on. Earlier figures will not be re-calculated to reflect the new methodology or structure.

Some significant changes in the structure of the FEPI will be implemented in January 1999 as a result of the re-defining of the national accounts, in 1998, to conform with the new European System of Accounts (ESA95). The largest changes will be for GDFCF where a range of new asset types will be introduced into the accounts. When the new system is implemented, revisions to national accounts for all years will be made. Simultaneously the national accounts will be re-based to 1995. It could be argued that, for consistency, the entire FEPI series from January 1992 should also be re-calculated in line with the new ESA structure. However, the revised national accounts for earlier years will be based on calculations at aggregate levels and will not be calculated from first principles. Consequently, the low-level expenditure figures that are required as a basis for the FEPI weights will not be available for these earlier years. Even if the weights for earlier years could in some way be imputed, the work involved in the retrospective re-calculation of the FEPI for earlier years would be extremely labour intensive.

Although FEPI will not be revised back to reflect the implementation of ESA95, there may be some recalculation of earlier figures to reflect methodological changes associated with the re-launch.

5.2 Chaining the PPIs

The FEPI is a chain-linked index whereby all component indices are re-set to 100.0 each January and the indices for the following 12 months determined by combining together the new (Jan=100) index series using an updated set of weights. The RPI components that feed into the FEPI are calculated on the same basis as the FEPI - so they are fed directly into the FEPI calculation.

The PPI series, however, is calculated with 1990 as its base period. Consequently the PPIs that feed into the FEPI calculation have to be amended so that they appear to have been re-set to 100.0 each January. This process is referred to as "pseudo-chaining". Part of the ONS work plan is for the PPI to move to a system of chain-linking within the next few years, thereby ensuring complete consistency with the underlying FEPI methodology.

5.3 Import adjustment factor

At present, prices of imported capital goods are not directly collected. Instead, the equivalent PPIs for domestically-produced capital goods are monitored and adjusted by applying an "import adjustment factor". This factor is calculated monthly as a ratio of the import price indices for non-capital goods that are directly priced, divided by the domestic PPIs for the same goods. This approach is consistent with the methodology used for the Unit

Value Indices for imports and exports. Direct price collection for imported capital goods is included in the ONS work plan and is scheduled for completion by 2002.

5.4 Earnings indices.

Several average earning indices are included in the FEPI - notably in the construction of the Index of Government Prices. Unlike the RPI and PPI series, the average earnings indices **are** subject to compositional change. This is because each earnings index is derived as the total remuneration paid by employers divided by total number of staff. Consequently, the earnings indices will be subject to movement because of "grade drift" even if there is no change in underlying earnings. ONS is working towards extending the range of earnings indices and improving their reliability.

5.5 Construction price indices

The DETR output prices that are derived from tender prices are more reliable than those based on costs. So the DETR is planning to extend the range of tender prices to include areas not previously covered. This will provide improved deflators for national accounts and more reliable component indices for the FEPI. Further information on construction price indices is at Annex B.

As explained in section 3.5 there is a time lag of four months before construction output prices become available for use in the FEPI. The use of *provisional* construction index figures could reduce this lag; though this would probably be offset by more extensive revisions. DETR and the ONS are undertaking some analysis of the likely effects of this trade-off.

5.6 Weights

The annual re-weighting of the FEPI involves use of the first estimates of annual expenditure as published in the most recent Blue Book. In order to keep FEPI revisions to a minimum these weights are not subsequently revised. Further work is to be carried out to establish whether this is a valid approach.

5.7 Productivity

Measures of productivity change have been developed for some parts of the public sector, such as the NHS, but these indicators need to be independently verified by the ONS before they can be incorporated into a single, overall measure of government-wide productivity change; also similar measures need to be established for other parts of the public sector. A working group has been established to take this work forward.

The series for the Index of Government Prices does not yet reflect any adjustment for productivity change, though it is generally acknowledged that such an adjustment should be included. Figures

from the Department of Health provide a good illustration of the case for such an adjustment. They suggest that the volume of NHS output (as measured by the volume of patient treatment) has been rising by an average of about 1½ per cent a year more than the average annual rise in the volume of public spending on the NHS.

More simplistically, consider a situation whereby the government wage bill this year is 2 per cent higher than last year. If overall productivity in the civil service has increased over the year, then an adjustment needs to be made to the rise in the wage bill to reflect the fact that output for every £102 of this year's wage bill is greater than the output achieved last year for every £100.

It is not necessary to adjust other FEPI components in this way because productivity change in the private sector is implicitly included in the market prices of goods and services that feed into the ICP and IIP.

The firm intention of the working group is that development work will be completed in time for the incorporation of their results into the 1998 Blue Book. The adjustment would thus be available for inclusion in the FEPI from January 1999.

6. Feedback and Contact Names

The full series of the FEPI, as presented in Annex D, will be available on disk (but not on the internet) throughout its period of release as an experimental index. For the first three months (September to November 1997) the disk will be available free of charge, after which an appropriate charge will apply. For further details please contact Yvonne Sylvester at the ONS Sales Office, Tel. 0171 533-5670.

7. Feedback from users

The new index has been developed to meet user requirements and the ONS would greatly appreciate feedback. If you have any views or if you require further information please contact the author.

References:

Note: The earlier working title of the new index was "Whole Economy Price Index"; hence use of this name in the following:

1. Dr Penelope Rowlett - *"A Whole Economy Price Index. A Paper for the Central Statistical Office"* National Economic Research Associates, Unpublished Paper, April 1995.
2. Peter Hill - *"Inflation Accounting: A Manual on National Accounting Under Conditions of High Inflation. Chapter 8: A General Index of Inflation"* OECD, 1996.

ANNEX A

Comparison of the FEPI component indices with the National Accounts deflators

The component indices of the FEPI are not the same as their equivalent national accounts deflators, despite the fact that the construction of the index is based on the structure of national accounts. The main reasons for the differences are as follows:

1. Price change only / price and compositional change

With the exception of the average earnings indices, the FEPI reflects price change only. The national accounts implied deflators reflect both price change and compositional change. So if there is a significant shift in the pattern of expenditure from one quarter to the next, this could lead to a change in the deflator even if underlying prices were to remain unchanged.

2. Inclusion of transactions only

The FEPI reflects the prices of transactions only and excludes "imputations". Examples of "imputations" included in the national accounts but excluded from the FEPI are:

- Changes in stocks and work-in-progress
- Imputed rents for owner-occupiers and for tenants paying no rent
- Value of company cars used for private purposes
- Value of free or subsidised meals provided by employers.

3. Tuition fees for higher education

Also excluded from the ICP, but included in the CE deflator, are tuition fees paid to colleges and universities. In principle these fees go from central government to local authority to student to college. In practice, the student is by-passed and the fees pass straight from central government to local authority to college. National accounts classify tuition fees as expenditure (in kind) by the consumer (ie the student). Since an increase in tuition fees will have no impact on consumers' inflation, such fees are omitted from the ICP. Nevertheless this expenditure is real, having been incurred by government, and changes in the price of tuition fees will affect government expenditure and therefore need to be included in the Index of Government Prices, IGP.

4. Weights used to combine the selected indicators

Comparing the structure of the capital expenditure (CAPEX) deflators with the construction of the IIP, there will be differences in the weights used to combine the PPIs together. The weights used for the 1990 CAPEX deflators come from two sources. One is the Input-Output matrix for 1989 and the other is a 1986 small-scale survey of capital expenditure. The weights used in the Index of Investment Prices (IIP) are derived from the most recent Input-Output tables and are revised each January. A new purchases survey has been proposed which, if initiated, will establish a regular source of information for capital expenditure by type of industry. Meantime, a further one-off survey covering capital expenditure currently is being run to provide more up-to-date information.

5. Expenditure on new, private sector housing

The GDFCF deflator uses the output price index for new private sector housing because this is the most appropriate indicator to deflate the total value of the construction of private dwellings.

However, in the IIP the indicator for private sector housing is derived from house price indices provided by the Department of the Environment, Transport and the Regions and the Halifax. The reason for choosing a different indicator is that the output price index does not include the "margin" that the developer adds on to the building costs and therefore does not reflect the price paid by the final purchaser. In some respects a house price index is not ideal either because reflected in any house price index is the change in the value of the land on which the house stands. But no price index exists for "houses less land", so there is no alternative. Moreover, it can be argued that, for an inflation index, it is appropriate to reflect the combined costs of acquiring both house and land simply because for freehold properties the house cannot be bought without the land.

The weight used in the index is consistent with the national accounts. It reflects the total value of all economic activity that has gone into the construction of new private dwellings during the reference period.

6. Computers

As from January 1996 a new, experimental PC price index has been constructed and calculated each month. Quality

adjustments are then applied to the changes in PC prices to reflect ongoing improvements to PC system specifications.

This new PC index, although only experimental, has been used in all three of the FEPI component indices from January 1996. It is used in the ICP to represent all consumers' expenditure on computers. In the IIP, expenditure on computers (by business and by government) is represented by a combination of the new PC index (representing expenditure on PCs) and the PPI for "Total Computers" (representing expenditure on mainframes). Most capital expenditure by government is covered by the IIP. However, government expenditure on smaller computing equipment is classified as recurrent expenditure, included in the IGP, and represented by the new PC index.

From January 1996 this approach differs from national accounts deflation methodology. However, when national accounts are re-based during 1998, similar changes are likely to be introduced into the deflation process.

7. VAT

Local Authorities (LAs): VAT incurred by LAs is omitted from the FEPI because it is assumed that LAs reclaim VAT on all final consumption. This treatment is different from national accounts where LA expenditure includes VAT, and the VAT refund is treated as a transfer from Central Government.

Central Government: Central Government departments pay non-refundable VAT on all purchases, with the exception of some contracted-out services. This is reflected in current expenditure by the national accounts but in the compilation of the FEPI it is assumed that VAT is paid (and not refunded) on all purchases.

Schools: Local authority schools can reclaim VAT on any purchases they have made via the LA. Grant-Maintained schools cannot reclaim VAT, so instead receive a special grant to compensate, which national accounts treat as a transfer. The compilation of the FEPI makes no distinction between the two types of school: VAT is excluded in both instances.

8. Price indicators for pay

The "price" of employing civil servants is reflected in the Index of Government Prices using a range of earnings indices.

These indices take no account of redundancy payments, employers' national insurance contributions or imputed pension contributions [though for FEPI purposes it would be better if they did]. By contrast, these components of remuneration are all included in current expenditure by General Government. Consequently there is a possibility that the path of the GE deflator and the Index of Government Prices will deviate from time to time.

9. Local Authority Final Consumption

Local authorities provide details of their expenditure to the DETR and to the Scottish and Welsh Offices. This data provides details of total expenditure by the authorities on different services. The split between pay and procurement is not available until nine months after the end of the financial year - which is after the Blue Book is published. The split between pay and procurement used in the IGP is a projection based on the relative proportions in the previous year.

The weights used for Local Authority procurement in the IGP are based on the most recent Input-Output data available and these weights are revised each year. The weights used for Government Expenditure were fixed at the time of the 1990 re-basing and were derived from the most recent data available at that time. The changing structure of LAs and especially the contracting out of services has led to increasing differences between the two sets of weights

10. Volatile IGP and smooth deflator

The IGP reflects the aggregate changes each month in earnings and procurement prices. When the GE deflator is compiled, expenditure by government departments is treated as accruing smoothly across all four quarters of the financial year. Consequently the deflator appears to be very much smoother than the IGP.

ANNEX B

Construction price indices

1. Construction indices used in the FEPI

The price indices used in the calculation of the FEPI are output price indices, as follows:

<i>Public Sector Housing</i>	(incl housing associations)
<i>Public Buildings</i>	(ex housing and infrastructure)
<i>Infrastructure</i>	(covering public and private sectors)
<i>Roads</i>	(part of <i>Infrastructure</i> but also calculated separately)
<i>Private Industrial Buildings</i>	(ex housing and infrastructure)
<i>Private Commercial Buildings</i>	(ex housing and infrastructure)
<i>All New Buildings</i>	(ex housing)
<i>Repairs & Maintenance</i>	

2. Where these indices are used in the FEPI

The above indices are used as price indicators in the Index of Investment Prices as follows:

Industry	Public sector	Private sector
Agriculture, Forestry, Fishing Construction, Retail Trade, Motor Trade Hotels & Restaurants Land transport (ex-rail), Other Transport Services Banking, Financial, Insurance, Business Services Renting of Removeables Real Estate excl. Development Corporations Removeables Public Admin., Education, Health, Other Services	<i>Public Buildings</i>	<i>Private Commercial Buildings</i>
Coal Mining Manufacturing, Metal extraction, Wholesale Trade	<i>Public Buildings</i>	<i>Private Industrial Buildings</i>
Oil & Gas Extraction, Electricity, Gas, Water Rail, Water and Air Transport, Posts & Telecomms Sewage & Refuse Disposal	<i>Infrastructure</i>	<i>Infrastructure</i>
Development Corporations	<i>All new buildings</i>	<i>n/a</i>
Roads	<i>Roads</i>	<i>Roads</i>
New Dwellings	<i>Public housing</i>	<i>DETR and Halifax house price indices</i>

The *Repairs & Maintenance* index is used in the Index of Government Prices

3. The full range of indices calculated by DETR

The Department of the Environment, Transport and the Regions publishes a variety of quarterly construction price indices. Most of them are based on tender prices, which is the preferred approach. However, for types of construction work where tender prices are

not available (Private Sector Housing and Repairs & Maintenance), the price indices are based instead on costs. [Note that the Private Sector Housing index is not used in the FEPI]

There are two broad types of construction prices indices: tender price indices and output price indices.

4. Tender price indices

These are based on tender price information relating to contracts awarded in that quarter. Tender prices include profit margins.

Tender price details are derived from the following sources:

- | | |
|-------------------------------|--|
| Roads: | Department of the Environment,
Transport and the Regions. |
| Public sector housing: | Housing associations and Local
Authorities. |

5. Output price indices

5.1 Output price indices based on tender prices

These are based on:

- a) Tender price information relating to work taking place in that quarter. This information relates to past contracts awarded, but where the work relating to the contract is being carried out in the reference quarter.
- b) Data from a monthly survey of new orders, which supplies the weights used to combine tender prices for the current and previous quarters in the calculation of the output price indices.

Output price indices calculated on the basis of tender prices include profit margins.

5.2 Output price indices based on costs

The second category covers construction work for which tender price information is not available, ie Private Sector Housing and Repairs & Maintenance. These indices are based on:

- cost of materials
(supplied by ONS and based on list prices only - discounts not taken into account)
- wages
(supplied by ONS and based on union agreements - but maybe not entirely representative of wages actually earned in the construction sector)
- house prices, including land values
(used only in the Private Sector Housing Index)

Output prices based on costs do not include profit margins.

5.3 Output index for Infrastructure

One final output index is that for Infrastructure, which is based on:

- a weighted combination of the current and past tender price indices for Roads construction
- costs of labour and materials

6. Further information

The DETR construction indices are available quarterly, on subscription. For further information please contact Mrs M. Douglas, Tel. 0171-890 5594

ANNEX C

Basis of the New Index

1. Objectives

The Final Expenditure Prices Index is a wider measure of inflation that has been constructed in response to users who asked for a monthly measure of inflation, with wider coverage of the economy than existing indices. It reflects the latest available prices of consumer goods and services, investment goods and goods and services purchased by government.

2. Coverage

The FEPI covers the final purchase of goods and services by all consumers (both in households and in institutions) and by central and local government. It also covers capital investment by consumers, business and government.

3. Data Quality

The data that feed into the Final Expenditure Prices Index are largely derived from other established sources. Consequently the quality of the FEPI is a function of both the quality of these sources and the quality and reliability of the processing system. The purpose of this annex is to provide some guidelines as to the quality of these sources and the processing system.

4. Data sources

Price indices that feed into the FEPI are derived from the RPI, the PPI, construction output indices, average earnings indices and other ad hoc enquiries.

Consumer price indices are derived from those calculated each month for the Retail Prices Index. Further information, including details of the study population, may be found in a Brief Guide to the Retail Prices Index. A more detailed description of the RPI will be available during 1997 when The Retail Prices Index: A Technical Manual is published.

A brief guide to the Producer Price Index is also available, prepared in 1996 and entitled Producer Price Indices. This is aimed specifically at data suppliers so that they can better understand what the PPI is used for. A more detailed guide to the methodology is entitled Wholesale Price Index: Principles and Procedures. This was published by HMSO in 1980 as No.32 in the Studies in Official Statistics series. A new methodology manual is scheduled to be published in 1998.

The methodology underlying the construction of the average earnings indices is described in the November 1989 issue of the Employment Gazette.

In addition to the underlying price indices that feed into the FEPI each month, the structure of the FEPI also requires a set of annual weights. These are derived from expenditure data supplied by the following branches of the Macro Economic Statistics and Analysis Group (MESAG) of the ONS:

- NEI1: Consumers' Expenditure Branch
- NEI3: Fixed Capital Formation Branch
- NEI6: Public Sector Accounts Branch
- Input-Output Branch

Capital Expenditure data is also obtained directly from the "CAPEX" Branch (ACESP) within the Business Statistics Group (BSG).

Detailed information on how these branches collect and process their information may be found in Sources and Methods of National Accounts. The way this information is transformed into weights for use in the FEPI is described in internal documentation within CPGI. An abridged version of this documentation will be available in early 1998 as a Technical Guide to the FEPI.

The categories of expenditure covered by each of the main FEPI sub-indices are summarised in the following table:

Type of expenditure:	Incurred by:		
	Consumers	Businesses	Government
Recurrent	ICP	-	IGP
Capital (new dwellings)	IIP	IIP	IIP
Capital (other)	ICP	IIP	IIP

Note: Recurrent expenditure by businesses is not included in TDE (and therefore not in FEPI) because it represents intermediate expenditure and not final expenditure

5. Frame and Sample Design

RPI

The framework for locations is a commercial database (the CCN database) and the framework for outlets is based on the results of an enumeration of outlets within the selected locations. These procedures are described in the RPI Technical Manual to be published during 1997.

PPI

The frame is the Inter-Departmental Business Register, from which

2,500 manufacturers are specifically targeted using “purposive sampling”. About 11,000 price quotes per month are used from these 2,500 suppliers.

Average earnings indices

The sample frame is based on the results of the 1987 Census of Employment and was updated in 1990. The indices are based on information from a monthly sample survey, the Wages and Salaries Survey, which covers about 7,800 companies and organisations in both the private and public sectors. The sample covers about 40 per cent of employees in employment and the index represents 90 per cent of all employees - when the survey is grossed up.

6. Data collection methods

The Final Expenditure Prices Index (FEPI) is largely based on existing sources of data. Very little direct collection of data is needed.

The Index of Consumer Prices (ICP) is essentially a weighted combination of RPI indices. Where an appropriate RPI index does not exist, the most appropriate alternative price index is used. This may be a PPI, a financial market index or a price index calculated internally by FEPI compilers. Non-RPI indices made up less than 2 per cent of the total weight for 1996. The weights are based on Consumers' Expenditure data. These data are collected from a variety of sources, such as the MAFF National Food Survey, the Family Expenditure Survey and HM Customs and Excise.

The Index of Investment Prices (IIP) is essentially a weighted combination of PPIs and construction price indices (obtained from the DETR). A small number of RPI indices and an average earnings index (obtained from Earnings and Employment Division, ONS) are used where appropriate PPIs or construction price indices do not exist. No indices are calculated internally. The weights are derived from GDFCF data and the Input-Output balances.

Prices of imported capital goods are not directly collected. Instead, the equivalent PPIs for domestically products are monitored and adjusted by applying an "import adjustment factor". This factor is calculated monthly as a ratio of the import price indices for those goods that are directly priced divided by the domestic PPIs for the same goods. This approach is consistent with the methodology used for the Unit Value Indices for imports and exports.

The Index of Government Prices (IGP) is a weighted combination of RPIs, PPIs, average earnings indices, local authority pay and prices series (from the DETR), the Higher Education Price Index, the construction output price index for repairs and maintenance and a series for VAT (which is also used in the ICP to adjust PPIs). No indices are calculated internally. The weights are based on

General Government Final Consumption data.

7. Response/Non-response

This problem does not really apply to the FEPI project because almost no direct data collection is involved. However, problems do arise in terms of specific price indices that are not yet available for particular goods and services. In such cases, FEPI compilers have identified the most suitable alternative price indices or combination of price indices. For example, there is no price index available for 'NHS payments' (part of the IGP), so an index combining appropriate RPI indices has been created instead. In a very few other cases it was necessary to construct a price index internally.

8. Data processing methods

The ICP, IIP and IGP are weighted together into the FEPI according to the latest National Accounts expenditure figures. The 1996 FEPI makes use of expenditure figures relating to 1994. The FEPI is a chained Laspeyres index with the weights remaining fixed throughout the year. However, they are changed each January in order to reflect the latest pattern of expenditure. Indices for successive years are chain-linked together so that changes in the weights do not result in discontinuities in the index figures.

9. Comparison with other estimates

The closest equivalent comparisons are as follows:

Index	May be compared with:
FEPI	Deflator for Total Domestic Expenditure excluding changes in stocks
ICP	a) RPIX: The all items Retail Prices Index excluding mortgage interest payments and council tax (see RPI Business Monitor) b) Deflator for Consumers Expenditure
IIP	Deflator for Gross Domestic Fixed Capital Formation
IGP	Deflator for General Government Expenditure

The deflators referred to above are those based on non-seasonally adjusted (NSA) data. The published deflators are based on seasonally-adjusted data, but the NSA deflators are also available from the Central Shared Database at the ONS.

Whilst the above indicators are the closest to the FEPI and its components, there are considerable differences between the structure of the FEPI and of the deflators. (These differences are discussed more fully at Annex A). Consequently the FEPI indices and their equivalent deflators cannot be expected to move perfectly in line with each other.

ANNEX D

Final Expenditure Prices Index (Experimental) - July 1997

Note that further development work, including the adjustment of the Index of Government Prices for productivity change, is ongoing and the FEPI will be available only as an experimental index until this work has been completed.

Summary

The Final Expenditure Prices Index (FEPI) for July shows an annual rate of 2.0 per cent, compared to an annual rate of 1.9 per cent in June. The increase in the annual rate of the FEPI reflects increases in the annual rates of its component indices: the Index of Consumer Prices (ICP), the Index of Investment Prices (IIP) and the Index of Government Prices (IGP).

The FEPI annual percentage change

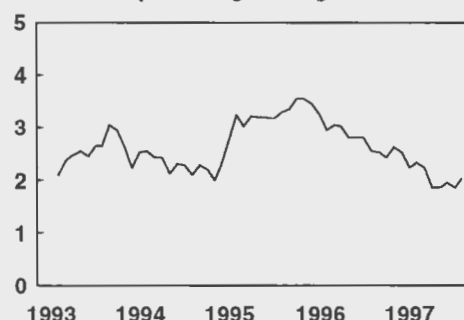


Table A

Final Expenditure Prices Index and components (January 1992=100) and annual percentage change

		Final Expenditure Prices Index (FEPI)		Index of Consumer Prices (ICP)		Index of Investment Prices (IIP)		Index of Government Prices (IGP)	
		Index	Annual percentage change	Index	Annual percentage change	Index	Annual percentage change	Index	Annual percentage change
1997	Feb	114.2	2.2	115.7	2.5	110.6	1.2	113.8	2.0
	Mar	114.4	1.9	116.0	2.3	110.6	0.9	113.9	1.5
	Apr	114.8	1.9	116.6	2.2	110.7	0.4	114.1	1.9
	May	115.2	1.9	117.0	2.3	110.8	0.6	114.7	2.1
	Jun	115.3	1.9	117.2	2.3	110.8	0.6	114.8	1.8
	Jul	115.0	2.0	116.7	2.5	111.2	1.0	114.4	1.9

The Index of Consumer Prices (ICP)

Consumer price inflation, as measured by the ICP, was 2.5 per cent over the 12 months to July, up from 2.3 per cent in June.

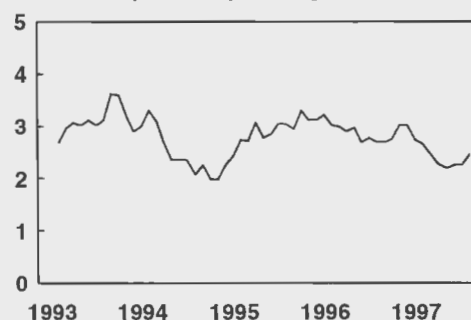
Upward pressure on the 12-month rate came mainly from prices for:

- Food, for which the 12-month rate rose from -0.3 per cent in June to 0.5 per cent in July;
- Transport and communication, for which the 12-month rate rose from 3.6 per cent to 4.5 per cent.

Downward pressure came mainly from:

- Housing costs whose 12-month rate fell from 4.0 per cent in June to 3.5 per cent in July;
- Fuel and power prices, for which the 12-month rate fell from -2.4 per cent to -2.9 per cent.

The ICP annual percentage change



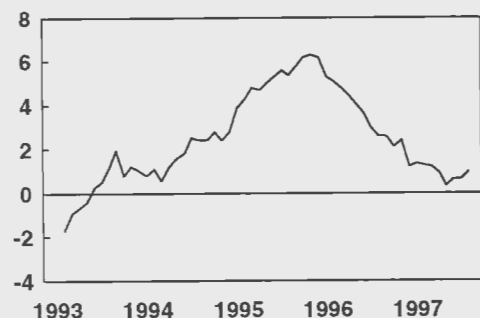
The Index of Investment Prices (IIP)

Investment price inflation, as measured by the IIP, was 1.0 per cent over the 12 months to July, up from 0.6 per cent in June.

This rise is attributable to:

- New buildings and works, whose 12-month rate rose from 3.0 per cent in June to 3.3 per cent in July. This is the first rise in the annual rate for this component since September 1995;
- Plant and machinery whose 12-month rate rose from -5.1 per cent in June to -3.9 per cent in July. Note, the annual rate has been negative since June 1996, reflecting the impact of Sterling's strength on import prices;
- Transfer costs of land and buildings whose 12-month rate rose from 6.9 per cent to 7.5 per cent.

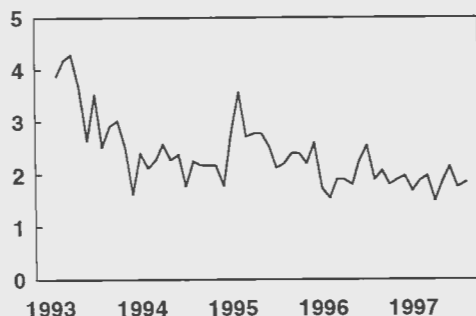
The IIP annual percentage change



The Index of Government Prices (IGP)

Inflation affecting Government expenditure, as measured by the IGP, was 1.9 per cent over the 12 months to July, up from 1.8 per cent in June. This should not be interpreted as being of particular significance - see note 7.

The IGP annual percentage change



Comparison between the FEPI and other inflation measures

Table B

Measures of Inflation (annual percentage changes)

		FEPI	RPIX	PPI
1997	Feb	2.2	2.9	1.2
	Mar	1.9	2.7	1.0
	Apr	1.9	2.5	0.8
	May	1.9	2.5	1.0
	Jun	1.9	2.7	1.1
	Jul	2.0	3.0	1.4

NOTES

1. The headline measure of inflation is the Retail Prices Index (RPI). The RPI should be used as the main indicator of inflation affecting average households.

2. The Final Expenditure Prices Index (FEPI) is a measure of the change in the prices paid by UK consumers, business and Government for final purchases of goods and services. Intermediate purchases by business are excluded. The FEPI is made up of three components:

- The Index of Consumer Prices (ICP)
- The Index of Investment Prices (IIP)
- The Index of Government Prices (IGP).

3. The Index of Consumer Prices (ICP) measures inflation affecting all consumers in the UK. The price indicators used in the ICP are taken mainly from the Retail Prices Index (RPI).

4. The Index of Investment Prices is a measure of the change in the prices paid for capital goods by business and by Government. It also covers new construction projects and dwellings built for consumers, business and government. The price indicators used are mainly Producer Price Indices (PPIs), Construction Output Price Indices and an average house price indicator.

6. The Index of Government Prices measures inflation affecting Government. It covers expenditure by Central and Local Government on pay and on procurement. The price indicators used are mainly Average Earnings Indices (to reflect labour costs), PPIs and RPIs (which together reflect the cost of goods consumed by Government).

7. Care should be taken when trying to interpret monthly movements in the IGP. This index is particularly volatile on a month-to-month basis, so that a fall one month is often offset by a rise the next and vice-versa. The data are of greatest value if trends rather than individual monthly movements are observed.

1 Final Expenditure Prices Index (Experimental)

	Index of Consumer Prices ICP	Index of Investment Prices IIP	Index of Government Prices IGP	Final Expenditure Prices Index FEPI	Annual percentage changes			
					ICP	IIP	IGP	FEPI
January 1992=100								
Weights								
1992	583	206	211	1000				
1993	591	182	227	1000				
1994	595	169	236	1000				
1995	601	162	237	1000				
1996	604	164	232	1000				
1997	605	165	230	1000				
	CUSE	CUSK	CUSO	CUSP				
1992 Jan	100.0	100.0	100.0	100.0	..	..	..	..
Feb	100.5	99.8	100.0	100.3	..	..	..	..
Mar	101.0	99.7	100.1	100.6	..	..	..	..
Apr	102.2	99.7	100.9	101.4	..	..	..	..
May	102.6	98.7	101.9	101.6	..	..	..	..
Jun	102.6	98.2	102.2	101.6	..	..	..	..
Jul	102.2	98.2	102.8	101.5	..	..	..	..
Aug	102.2	97.6	102.4	101.3	..	..	..	..
Sep	102.7	98.2	102.3	101.7	..	..	..	..
Oct	103.0	98.0	103.3	102.1	..	..	..	..
Nov	103.1	98.3	104.5	102.4	..	..	..	..
Dec	103.3	98.4	104.0	102.4	..	..	..	..
1993 Jan	102.7	98.3	103.9	102.1	2.7	-1.7	3.9	2.1
Feb	103.5	98.9	104.2	102.7	3.0	-0.9	4.2	2.4
Mar	104.1	99.0	104.4	103.1	3.1	-0.7	4.3	2.5
Apr	105.3	99.3	104.6	104.0	3.0	-0.4	3.7	2.6
May	105.8	99.0	104.6	104.1	3.1	0.3	2.6	2.5
Jun	105.7	98.7	105.8	104.3	3.0	0.5	3.5	2.7
Jul	105.4	99.4	105.4	104.2	3.1	1.2	2.5	2.7
Aug	105.9	99.5	105.4	104.4	3.6	1.9	2.9	3.1
Sep	106.4	99.0	105.4	104.7	3.6	0.8	3.0	2.9
Oct	106.3	99.2	105.9	104.8	3.2	1.2	2.5	2.6
Nov	106.1	99.3	106.2	104.7	2.9	1.0	1.6	2.2
Dec	106.4	99.2	106.5	105.0	3.0	0.8	2.4	2.5
1994 Jan	106.1	99.4	106.1	104.7	3.3	1.1	2.1	2.5
Feb	106.7	99.5	106.6	105.2	3.1	0.6	2.3	2.4
Mar	106.9	100.2	107.1	105.6	2.7	1.2	2.6	2.4
Apr	107.8	100.9	107.0	106.2	2.4	1.6	2.3	2.1
May	108.3	100.8	107.1	106.5	2.4	1.8	2.4	2.3
Jun	108.2	101.2	107.7	106.7	2.4	2.5	1.8	2.3
Jul	107.6	101.8	107.8	106.4	2.1	2.4	2.3	2.1
Aug	108.3	101.9	107.7	106.8	2.3	2.4	2.2	2.3
Sep	108.5	101.8	107.7	107.0	2.0	2.8	2.2	2.2
Oct	108.4	101.6	108.2	106.9	2.0	2.4	2.2	2.0
Nov	108.5	102.1	108.1	107.1	2.3	2.8	1.8	2.3
Dec	109.0	103.1	109.5	107.9	2.4	3.9	2.8	2.8
1995 Jan	109.0	103.7	109.9	108.1	2.7	4.3	3.6	3.2
Feb	109.6	104.3	109.5	108.4	2.7	4.8	2.7	3.0
Mar	110.2	104.9	110.1	109.0	3.1	4.7	2.8	3.2
Apr	110.8	106.0	110.0	109.6	2.8	5.1	2.8	3.2
May	111.4	106.2	109.8	109.9	2.9	5.4	2.5	3.2
Jun	111.5	106.9	110.0	110.1	3.0	5.6	2.1	3.2
Jul	110.9	107.3	110.2	109.9	3.1	5.4	2.2	3.3
Aug	111.5	107.8	110.3	110.4	3.0	5.8	2.4	3.4
Sep	112.1	108.1	110.3	110.8	3.3	6.2	2.4	3.6
Oct	111.8	108.0	110.6	110.7	3.1	6.3	2.2	3.6
Nov	111.9	108.4	110.9	110.8	3.1	6.2	2.6	3.5
Dec	112.5	108.6	111.4	111.4	3.2	5.3	1.7	3.2
1996 Jan	112.3	109.0	111.6	111.3	3.0	5.1	1.5	3.0
Feb	112.9	109.3	111.6	111.7	3.0	4.8	1.9	3.0
Mar	113.4	109.6	112.2	112.3	2.9	4.5	1.9	3.0
Apr	114.1	110.3	112.0	112.7	3.0	4.1	1.8	2.8
May	114.4	110.1	112.3	113.0	2.7	3.7	2.3	2.8
Jun	114.6	110.1	112.8	113.2	2.8	3.0	2.5	2.8
Jul	113.9	110.1	112.3	112.7	2.7	2.6	1.9	2.5
Aug	114.5	110.6	112.6	113.2	2.7	2.6	2.1	2.5
Sep	115.2	110.4	112.3	113.5	2.8	2.1	1.8	2.4
Oct	115.2	110.6	112.7	113.6	3.0	2.4	1.9	2.6
Nov	115.3	109.7	113.1	113.6	3.0	1.2	2.0	2.5
Dec	115.6	110.1	113.3	113.9	2.8	1.4	1.7	2.2
1997 Jan	115.3	110.4	113.7	113.9	2.7	1.3	1.9	2.3
Feb	115.7	110.6	113.8	114.2	2.5	1.2	2.0	2.2
Mar	116.0	110.6	113.9	114.4	2.3	0.9	1.5	1.9
Apr	116.6	110.7	114.1	114.8	2.2	0.4	1.9	1.9
May	117.0	110.8	114.7	115.2	2.3	0.6	2.1	1.9
Jun	117.2	110.8	114.8	115.3	2.3	0.6	1.8	1.9
Jul	116.7	111.2	114.4	115.0	2.5	1.0	1.9	2.0

2 FEPI - Index of Consumer Prices (Experimental)

	Food	Alcoholic Drink	Tobacco	Clothing and Footwear	Housing	Fuel and Power	Household Goods and Services	Transport and Communication	Recreation, Entertainment and Education	Other Goods and Services	Index of Consumer Prices ICP
January 1992=100											
Weights											
1992	137	69	28	69	82	40	71	192	110	202	1000
1993	139	71	30	67	80	45	71	183	109	205	1000
1994	137	71	31	67	82	43	71	182	110	205	1000
1995	132	69	31	66	84	42	73	185	111	207	1000
1996	128	70	30	67	85	40	72	190	113	205	1000
1997	126	68	30	67	90	39	71	189	119	201	1000
1992											
Jan	CURU	CURV	CURW	CURX	CURY	CURZ	CUSA	CUSB	CUSC	CUSD	CUSE
Feb	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mar	100.6	100.5	100.1	101.2	100.1	100.1	101.0	100.6	100.2	100.5	100.5
Apr	100.8	100.9	100.1	102.8	100.4	100.0	101.9	101.3	100.6	100.9	101.0
May	100.4	102.3	106.0	103.9	103.8	100.1	102.1	102.8	101.5	102.0	102.2
Jun	100.8	102.8	106.4	103.8	104.0	100.5	102.3	103.3	101.7	102.7	102.6
Jul	100.4	103.1	106.3	104.1	103.6	100.6	102.3	103.6	101.7	102.7	102.6
Aug	99.0	103.7	106.2	99.8	104.9	100.7	101.3	103.5	101.5	102.6	102.2
Sep	99.2	104.0	106.1	99.7	105.0	100.2	102.0	103.4	101.5	102.7	102.2
Oct	98.8	104.4	106.1	103.9	104.9	99.9	103.1	103.2	102.2	103.1	102.7
Nov	99.1	104.9	106.2	105.3	105.1	100.0	103.4	103.5	102.1	103.6	103.0
Dec	99.0	104.8	107.1	104.8	105.3	100.0	103.6	103.6	102.2	104.0	103.1
	99.9	104.3	108.8	104.3	105.3	99.6	104.3	103.4	102.2	104.2	103.3
1993											
Jan	100.2	105.0	109.1	99.3	105.2	99.5	102.3	102.7	102.1	104.2	102.7
Feb	101.3	105.4	109.1	101.2	105.5	99.5	103.1	103.6	102.6	104.8	103.5
Mar	102.1	106.0	109.2	103.0	105.6	99.6	104.1	104.4	102.7	105.4	104.1
Apr	101.8	107.3	113.3	104.6	109.0	99.3	104.8	106.4	103.4	106.3	105.3
May	103.0	107.6	114.0	104.9	109.1	98.7	104.9	106.9	103.8	106.7	105.8
Jun	102.3	107.8	114.0	103.9	109.3	98.3	104.4	107.4	103.7	106.9	105.7
Jul	102.3	108.2	114.2	100.3	109.3	98.2	103.0	107.5	103.5	107.0	105.4
Aug	102.5	108.5	115.4	101.7	109.6	98.1	103.9	107.7	104.0	107.6	105.9
Sep	101.9	108.8	116.1	105.8	109.8	98.4	104.7	108.0	104.4	108.0	106.4
Oct	101.2	109.0	116.2	106.1	109.8	98.6	104.5	107.6	104.5	108.2	106.3
Nov	100.5	108.5	116.3	106.2	109.9	98.4	105.0	106.7	104.8	108.4	106.1
Dec	100.8	108.1	118.6	105.9	110.0	98.3	105.5	107.4	104.9	108.7	106.4
1994											
Jan	101.2	109.0	121.2	100.3	109.6	98.2	103.2	107.7	104.6	108.9	106.1
Feb	101.8	109.3	121.6	103.0	109.8	97.8	103.8	108.2	104.9	109.6	106.7
Mar	102.4	109.2	121.6	104.4	109.9	97.5	105.0	108.3	105.0	109.4	106.9
Apr	102.7	109.6	122.0	104.8	113.0	105.2	104.8	108.8	105.3	109.8	107.8
May	103.9	109.7	122.6	104.9	113.1	104.8	105.1	109.2	105.5	110.5	108.3
Jun	103.8	110.2	122.6	104.6	113.2	104.7	105.0	109.3	105.5	110.2	108.2
Jul	103.2	110.6	122.6	100.2	113.3	104.9	103.3	109.1	104.9	110.1	107.6
Aug	103.7	110.8	122.7	102.4	113.4	105.1	104.7	109.5	105.1	111.1	108.3
Sep	102.7	111.0	122.7	105.6	113.6	105.1	105.2	109.4	105.7	111.2	108.5
Oct	102.5	111.1	122.6	105.5	113.7	104.9	105.0	108.7	105.8	111.1	108.4
Nov	102.9	110.8	122.3	106.0	113.9	104.8	105.9	108.4	105.9	111.4	108.5
Dec	103.7	110.4	124.4	106.1	114.2	104.8	106.5	109.3	106.0	112.0	109.0
1995											
Jan	104.7	112.1	127.8	101.0	114.2	105.1	104.2	109.9	106.1	112.1	109.0
Feb	105.3	112.9	129.0	102.3	114.4	105.2	105.7	110.4	106.3	112.5	109.6
Mar	105.9	113.4	129.1	103.7	114.6	105.3	106.9	111.0	106.4	113.1	110.2
Apr	105.9	113.5	130.4	105.2	117.6	105.5	106.8	111.5	106.7	113.8	110.8
May	107.6	114.1	131.0	105.5	117.7	105.2	107.9	111.7	106.9	114.5	111.4
Jun	107.1	114.6	131.1	105.2	117.9	105.2	107.7	112.2	107.1	114.6	111.5
Jul	106.5	115.1	131.1	100.3	117.6	105.3	106.2	111.8	107.0	114.8	110.9
Aug	108.3	115.1	131.1	101.8	118.0	105.3	107.5	111.7	107.2	115.3	111.5
Sep	108.5	115.4	131.0	105.9	118.1	105.5	108.8	111.6	107.9	115.8	112.1
Oct	107.3	116.0	131.0	105.7	118.0	105.4	108.3	110.9	107.9	115.9	111.8
Nov	107.5	115.3	131.0	106.3	118.1	105.4	109.3	110.3	107.9	116.1	111.9
Dec	108.4	114.2	134.2	106.4	118.1	105.5	110.4	111.8	108.3	116.6	112.5
1996											
Jan	109.0	115.2	136.8	100.3	118.5	105.6	107.1	112.8	108.2	116.7	112.3
Feb	110.1	116.0	137.4	101.3	118.6	105.6	108.8	113.0	108.6	117.3	112.9
Mar	111.1	116.3	137.5	102.7	118.7	105.7	110.3	113.2	108.8	117.7	113.4
Apr	111.2	116.8	138.7	104.2	120.8	105.7	109.7	113.9	109.3	118.4	114.1
May	112.1	117.2	139.6	104.4	121.0	105.6	110.5	114.3	109.3	118.7	114.4
Jun	112.1	117.8	139.8	104.3	121.3	105.8	110.6	114.4	109.3	118.9	114.6
Jul	110.7	118.4	139.6	99.2	121.9	105.9	108.8	114.3	108.9	118.9	113.9
Aug	111.8	118.3	139.8	100.5	122.0	105.7	110.1	115.1	109.2	119.4	114.5
Sep	110.8	118.5	140.1	105.4	122.1	105.8	110.8	116.3	109.6	119.9	115.2
Oct	110.1	118.8	140.2	105.5	122.2	105.6	110.4	116.4	109.8	120.3	115.2
Nov	109.7	118.6	140.0	106.6	122.4	105.0	111.4	116.0	110.1	120.4	115.3
Dec	109.7	118.0	142.8	106.6	122.5	104.8	112.3	116.7	110.1	120.7	115.6
1997											
Jan	110.6	118.6	145.6	100.5	123.4	104.2	108.8	117.5	109.9	120.7	115.3
Feb	110.3	119.3	146.2	102.0	123.6	104.3	109.7	118.1	110.1	121.2	115.7
Mar	109.8	119.2	146.6	104.0	123.9	104.4	111.7	118.0	109.9	121.6	116.0
Apr	110.2	119.7	148.3	105.5	125.8	104.2	111.1	118.0	110.3	122.4	116.6
May	110.9	120.4	148.9	106.0	126.0	103.7	111.6	118.1	110.5	123.0	117.0
Jun	111.8	120.6	149.2	105.4	126.2	103.3	111.4	118.5	110.5	123.3	117.2
Jul	111.3	121.1	149.3	100.3	126.2	102.8	109.6	119.4	110.3	123.4	116.7

2 FEPI - Index of Consumer Prices (Experimental)

continued

Annual Percentage Changes											
	Food	Alcoholic Drink	Tobacco	Clothing and Footwear	Housing	Fuel and Power	Household Goods and Services	Transport and Communication	Recreation Entertainment and Education	Other Goods and Services	Index of Consumer Prices ICP
1993 Jan	0.2	5.0	9.1	-0.7	5.2	-0.5	2.3	2.7	2.1	4.2	2.7
Feb	0.7	4.9	9.0	0.0	5.4	-0.6	2.1	3.0	2.4	4.3	3.0
Mar	1.3	5.1	9.1	0.2	5.2	-0.4	2.2	3.1	2.1	4.5	3.1
Apr	1.4	4.9	6.9	0.7	5.0	-0.8	2.6	3.5	1.9	4.2	3.0
May	2.2	4.7	7.1	1.1	4.9	-1.8	2.5	3.5	2.1	3.9	3.1
Jun	1.9	4.6	7.2	-0.2	5.5	-2.3	2.1	3.7	2.0	4.1	3.0
Jul	3.3	4.3	7.5	0.5	4.2	-2.5	1.7	3.9	2.0	4.3	3.1
Aug	3.3	4.3	8.8	2.0	4.4	-2.1	1.9	4.2	2.5	4.8	3.6
Sep	3.1	4.2	9.4	1.8	4.7	-1.5	1.6	4.7	2.2	4.8	3.6
Oct	2.1	3.9	9.4	0.8	4.5	-1.4	1.1	4.0	2.4	4.4	3.2
Nov	1.5	3.5	8.6	1.3	4.4	-1.6	1.4	3.0	2.5	4.2	2.9
Dec	0.9	3.6	9.0	1.5	4.5	-1.3	1.2	3.9	2.6	4.3	3.0
1994 Jan	1.0	3.8	11.1	1.0	4.2	-1.3	0.9	4.9	2.4	4.5	3.3
Feb	0.5	3.7	11.5	1.8	4.1	-1.7	0.7	4.4	2.2	4.6	3.1
Mar	0.3	3.0	11.4	1.4	4.1	-2.1	0.9	3.7	2.2	3.8	2.7
Apr	0.9	2.1	7.7	0.2	3.7	5.9	0.0	2.3	1.8	3.3	2.4
May	0.9	2.0	7.5	0.0	3.7	6.2	0.2	2.2	1.6	3.6	2.4
Jun	1.5	2.2	7.5	0.7	3.6	6.5	0.6	1.8	1.7	3.1	2.4
Jul	0.9	2.2	7.4	-0.1	3.7	6.8	0.3	1.5	1.4	2.9	2.1
Aug	1.2	2.1	6.3	0.7	3.5	7.1	0.8	1.7	1.1	3.3	2.3
Sep	0.8	2.0	5.7	-0.2	3.5	6.8	0.5	1.3	1.2	3.0	2.0
Oct	1.3	1.9	5.5	-0.6	3.6	6.4	0.5	1.0	1.2	2.7	2.0
Nov	2.4	2.1	5.2	-0.2	3.6	6.5	0.9	1.6	1.0	2.8	2.3
Dec	2.9	2.1	4.9	0.2	3.8	6.6	0.9	1.8	1.0	3.0	2.4
1995 Jan	3.5	2.8	5.4	0.7	4.2	7.0	1.0	2.0	1.4	2.9	2.7
Feb	3.4	3.3	6.1	-0.7	4.2	7.6	1.8	2.0	1.3	2.6	2.7
Mar	3.4	3.8	6.2	-0.7	4.3	8.0	1.8	2.5	1.3	3.4	3.1
Apr	3.1	3.6	6.9	0.4	4.1	0.3	1.9	2.5	1.3	3.6	2.8
May	3.6	4.0	6.9	0.6	4.1	0.4	2.7	2.3	1.3	3.6	2.9
Jun	3.2	4.0	6.9	0.6	4.2	0.5	2.6	2.7	1.5	4.0	3.0
Jul	3.2	4.1	6.9	0.1	3.8	0.4	2.8	2.5	2.0	4.3	3.1
Aug	4.4	3.9	6.8	-0.6	4.1	0.2	2.7	2.0	2.0	3.8	3.0
Sep	5.6	4.0	6.8	0.3	4.0	0.4	3.4	2.0	2.1	4.1	3.3
Oct	4.7	4.4	6.9	0.2	3.8	0.5	3.1	2.0	2.0	4.3	3.1
Nov	4.5	4.1	7.1	0.3	3.7	0.6	3.2	1.8	1.9	4.2	3.1
Dec	4.5	3.4	7.9	0.3	3.4	0.7	3.7	2.3	2.2	4.1	3.2
1996 Jan	4.1	2.8	7.0	-0.7	3.8	0.5	2.8	2.6	2.0	4.1	3.0
Feb	4.6	2.7	6.5	-1.0	3.7	0.4	2.9	2.4	2.2	4.3	3.0
Mar	4.9	2.6	6.5	-1.0	3.6	0.4	3.2	2.0	2.3	4.1	2.9
Apr	5.0	2.9	6.4	-1.0	2.7	0.2	2.7	2.2	2.4	4.0	3.0
May	4.2	2.7	6.6	-1.0	2.8	0.4	2.4	2.3	2.2	3.7	2.7
Jun	4.7	2.8	6.6	-0.9	2.9	0.6	2.7	2.0	2.1	3.8	2.8
Jul	3.9	2.9	6.5	-1.1	3.7	0.6	2.4	2.2	1.8	3.6	2.7
Aug	3.2	2.8	6.6	-1.3	3.4	0.4	2.4	3.0	1.9	3.6	2.7
Sep	2.1	2.7	6.9	-0.5	3.4	0.3	1.8	4.2	1.6	3.5	2.8
Oct	2.6	2.4	7.0	-0.2	3.6	0.2	1.9	5.0	1.8	3.8	3.0
Nov	2.0	2.9	6.9	0.3	3.6	-0.4	1.9	5.2	2.0	3.7	3.0
Dec	1.2	3.3	6.4	0.2	3.7	-0.7	1.7	4.4	1.7	3.5	2.8
1997 Jan	1.5	3.0	6.4	0.2	4.1	-1.3	1.6	4.2	1.6	3.4	2.7
Feb	0.2	2.8	6.4	0.7	4.2	-1.2	0.8	4.5	1.4	3.3	2.5
Mar	-1.2	2.5	6.6	1.3	4.4	-1.2	1.3	4.2	1.0	3.3	2.3
Apr	-0.9	2.5	6.9	1.2	4.1	-1.4	1.3	3.6	0.9	3.4	2.2
May	-1.1	2.7	6.7	1.5	4.1	-1.8	1.0	3.3	1.1	3.6	2.3
Jun	-0.3	2.4	6.7	1.1	4.0	-2.4	0.7	3.6	1.1	3.7	2.3
Jul	0.5	2.3	6.9	1.1	3.5	-2.9	0.7	4.5	1.3	3.8	2.5

3 FEPI - Index of Investment Prices (Experimental)

	New Buildings and Works	Plant and Machinery	Vehicles, etc	Transfer Costs of Land and Buildings	New Dwellings	Index of Investment Prices IIP
January 1992=100						
Weights						
1992	324	341	96	40	200	1000
1993	325	355	88	43	189	1000
1994	311	364	95	31	199	1000
1995	276	376	106	37	206	1000
1996	266	378	108	38	209	1000
1997	267	390	103	33	207	1000
	CUSF	CUSG	CUSH	CUSI	CUSJ	CUSK
1992 Jan	100.0	100.0	100.0	100.0	100.0	100.0
Feb	98.9	100.5	101.6	99.8	99.1	99.8
Mar	97.7	101.6	101.6	99.8	98.7	99.7
Apr	96.8	102.6	101.7	100.0	98.5	99.7
May	95.8	100.8	101.0	99.5	98.4	98.7
Jun	94.9	100.3	100.8	99.9	98.6	98.2
Jul	94.1	100.9	101.0	99.6	98.6	98.2
Aug	93.2	100.2	100.9	98.1	98.3	97.6
Sep	92.4	100.0	100.3	128.8	97.2	98.2
Oct	91.7	101.7	100.8	122.5	95.8	98.0
Nov	91.0	103.2	101.0	124.8	95.0	98.3
Dec	90.4	104.6	101.6	123.0	94.7	98.4
1993 Jan	89.7	104.3	103.9	122.5	94.2	98.3
Feb	89.1	106.5	105.3	123.7	93.8	98.9
Mar	88.5	107.0	105.7	125.2	94.1	99.0
Apr	88.1	107.7	105.9	127.8	95.0	99.3
May	87.7	107.1	106.0	125.8	95.6	99.0
Jun	87.3	106.5	105.9	125.8	95.6	98.7
Jul	87.1	108.1	106.7	128.5	96.0	99.4
Aug	86.9	108.2	107.0	129.9	96.3	99.5
Sep	86.7	107.0	107.2	130.4	96.3	99.0
Oct	86.7	107.7	108.0	128.9	96.0	99.2
Nov	86.6	108.2	108.2	128.9	95.7	99.3
Dec	86.6	108.1	108.2	127.2	95.5	99.2
1994 Jan	86.6	109.0	108.9	124.3	95.1	99.4
Feb	86.5	108.8	109.6	126.1	95.6	99.5
Mar	86.5	110.2	110.0	126.9	96.7	100.2
Apr	86.8	111.1	110.8	128.6	97.4	100.9
May	87.1	110.7	110.6	128.7	97.2	100.8
Jun	87.4	111.4	110.6	128.8	97.4	101.2
Jul	88.0	112.0	110.7	129.1	98.2	101.8
Aug	88.5	111.5	111.3	128.8	98.4	101.9
Sep	89.0	111.0	111.5	130.0	97.8	101.8
Oct	89.9	110.1	111.1	126.0	97.4	101.6
Nov	90.7	110.6	111.5	125.5	97.5	102.1
Dec	91.5	112.4	112.4	126.4	97.5	103.1
1995 Jan	92.4	113.7	113.6	125.1	96.8	103.7
Feb	93.2	114.6	114.1	125.2	96.4	104.3
Mar	94.1	114.8	114.0	124.4	97.6	104.9
Apr	95.4	115.7	114.8	128.6	98.6	106.0
May	96.5	115.4	115.3	127.7	98.2	106.2
Jun	97.7	116.1	115.6	128.9	98.3	106.9
Jul	98.7	116.1	115.8	129.9	98.5	107.3
Aug	99.8	116.3	117.0	130.0	98.4	107.8
Sep	100.8	116.5	117.1	130.3	98.1	108.1
Oct	101.6	115.7	117.1	129.7	97.9	108.0
Nov	102.4	116.2	117.3	130.0	97.6	108.4
Dec	103.2	116.2	117.8	128.6	97.4	108.6
1996 Jan	103.7	116.7	118.5	127.1	97.5	109.0
Feb	104.2	116.3	118.7	129.8	98.2	109.3
Mar	104.8	116.0	118.8	130.5	99.3	109.6
Apr	105.2	116.7	119.2	135.7	100.1	110.3
May	105.7	115.4	119.1	135.8	100.5	110.1
Jun	106.1	114.7	118.9	135.5	101.1	110.1
Jul	106.5	113.5	119.0	138.1	102.0	110.1
Aug	106.9	114.0	119.6	139.2	102.7	110.6
Sep	107.3	113.1	119.7	139.3	102.7	110.4
Oct	107.7	113.0	119.2	140.9	102.8	110.6
Nov	108.1	110.6	117.6	140.9	103.0	109.7
Dec	108.5	111.0	117.5	141.0	103.8	110.1
1997 Jan	108.8	111.1	118.2	139.3	104.3	110.4
Feb	109.1	111.2	118.7	141.8	104.4	110.6
Mar	109.4	110.1	118.9	142.2	105.6	110.6
Apr	109.4	109.7	118.5	142.8	107.0	110.7
May	109.3	109.5	118.6	144.8	107.6	110.8
Jun	109.3	108.9	118.4	144.9	108.6	110.8
Jul	110.0	109.1	118.4	148.4	108.8	111.2

3 FEPI - Index of Investment Prices (Experimental)

continued

Annual Percentage Changes						
	New Buildings and Works	Plant and Machinery	Vehicles, etc	Transfer Costs of Land and Buildings	New Dwellings	Index of Investment Prices IIP
1993 Jan	-10.3	4.3	3.9	22.5	-5.8	-1.7
Feb	-9.9	6.0	3.6	23.9	-5.3	-0.9
Mar	-9.4	5.3	4.0	25.5	-4.7	-0.7
Apr	-9.0	5.0	4.1	27.8	-3.6	-0.4
May	-8.5	6.3	5.0	26.4	-2.8	0.3
Jun	-8.0	6.2	5.1	25.9	-3.0	0.5
Jul	-7.4	7.1	5.6	29.0	-2.6	1.2
Aug	-6.8	8.0	6.0	32.4	-2.0	1.9
Sep	-6.2	7.0	6.9	1.2	-0.9	0.8
Oct	-5.5	5.9	7.1	5.2	0.2	1.2
Nov	-4.8	4.8	7.1	3.3	0.7	1.0
Dec	-4.2	3.3	6.5	3.4	0.8	0.8
1994 Jan	-3.5	4.5	4.8	1.5	1.0	1.1
Feb	-2.9	2.2	4.1	1.9	1.9	0.6
Mar	-2.3	3.0	4.1	1.4	2.8	1.2
Apr	-1.5	3.2	4.6	0.6	2.5	1.6
May	-0.7	3.4	4.3	2.3	1.7	1.8
Jun	0.1	4.6	4.4	2.4	1.9	2.5
Jul	1.0	3.6	3.7	0.5	2.3	2.4
Aug	1.8	3.0	4.0	-0.8	2.2	2.4
Sep	2.7	3.7	4.0	-0.3	1.6	2.8
Oct	3.7	2.2	2.9	-2.2	1.5	2.4
Nov	4.7	2.2	3.0	-2.6	1.9	2.8
Dec	5.7	4.0	3.9	-0.6	2.1	3.9
1995 Jan	6.7	4.3	4.3	0.6	1.8	4.3
Feb	7.7	5.3	4.1	-0.7	0.8	4.8
Mar	8.8	4.2	3.6	-2.0	0.9	4.7
Apr	9.9	4.1	3.6	0.0	1.2	5.1
May	10.8	4.2	4.2	-0.8	1.0	5.4
Jun	11.8	4.2	4.5	0.1	0.9	5.6
Jul	12.2	3.7	4.6	0.6	0.3	5.4
Aug	12.8	4.3	5.1	0.9	0.0	5.8
Sep	13.3	5.0	5.0	0.2	0.3	6.2
Oct	13.0	5.1	5.4	2.9	0.5	6.3
Nov	12.9	5.1	5.2	3.6	0.1	6.2
Dec	12.8	3.4	4.8	1.7	-0.1	5.3
1996 Jan	12.2	2.6	4.3	1.6	0.7	5.1
Feb	11.8	1.5	4.0	3.7	1.9	4.8
Mar	11.4	1.0	4.2	4.9	1.7	4.5
Apr	10.3	0.9	3.8	5.5	1.5	4.1
May	9.5	0.0	3.3	6.3	2.3	3.7
Jun	8.6	-1.2	2.9	5.1	2.8	3.0
Jul	7.9	-2.2	2.8	6.3	3.6	2.6
Aug	7.1	-2.0	2.2	7.1	4.4	2.6
Sep	6.4	-2.9	2.2	6.9	4.7	2.1
Oct	6.0	-2.3	1.8	8.6	5.0	2.4
Nov	5.6	-4.8	0.3	8.4	5.5	1.2
Dec	5.1	-4.5	-0.3	9.6	6.6	1.4
1997 Jan	4.9	-4.8	-0.3	9.6	7.0	1.3
Feb	4.7	-4.4	0.0	9.2	6.3	1.2
Mar	4.4	-5.1	0.1	9.0	6.3	0.9
Apr	4.0	-6.0	-0.6	5.2	6.9	0.4
May	3.4	-5.1	-0.4	6.6	7.1	0.6
Jun	3.0	-5.1	-0.4	6.9	7.4	0.6
Jul	3.3	-3.9	-0.5	7.5	6.7	1.0

4 FEPI - Index of Government Prices (Experimental)

	Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP	Annual percentage changes			
					Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP
January 1992=100								
Weights								
1992	369	594	37	1000				
1993	368	593	39	1000				
1994	364	592	44	1000				
1995	347	588	65	1000				
1996	344	597	59	1000				
1997	347	589	64	1000				
	CUSL	CUSM	CUSN	CUSO				
1992 Jan	100.0	100.0	100.0	100.0	..	..	..	..
Feb	100.3	99.9	100.0	100.0	..	..	..	..
Mar	100.4	99.9	100.0	100.1	..	..	..	..
Apr	100.6	101.1	100.0	100.9	..	..	..	..
May	103.5	101.0	100.6	101.9	..	..	..	..
Jun	103.4	101.5	100.6	102.2	..	..	..	..
Jul	103.8	102.2	102.7	102.8	..	..	..	..
Aug	104.0	101.4	102.7	102.4	..	..	..	..
Sep	104.0	101.3	102.7	102.3	..	..	..	..
Oct	104.5	102.7	102.7	103.3	..	..	..	..
Nov	105.8	103.8	102.8	104.5	..	..	..	..
Dec	105.3	103.4	102.8	104.0	..	..	..	..
1993 Jan	105.2	103.1	105.0	103.9	5.2	3.1	5.0	3.9
Feb	105.4	103.4	105.0	104.2	5.1	3.5	5.0	4.2
Mar	105.8	103.6	105.0	104.4	5.4	3.7	5.0	4.3
Apr	105.7	104.0	105.1	104.6	5.1	2.9	5.1	3.7
May	106.2	103.6	105.1	104.6	2.6	2.6	4.5	2.6
Jun	108.7	104.1	105.4	105.8	5.1	2.6	4.8	3.5
Jul	106.7	104.6	106.9	105.4	2.8	2.3	4.1	2.5
Aug	106.5	104.6	106.9	105.4	2.4	3.2	4.1	2.9
Sep	106.4	104.6	106.9	105.4	2.3	3.3	4.1	3.0
Oct	107.0	105.1	106.9	105.9	2.4	2.3	4.1	2.5
Nov	108.4	104.8	107.0	106.2	2.5	1.0	4.1	1.6
Dec	107.8	105.6	107.0	106.5	2.4	2.1	4.1	2.4
1994 Jan	107.5	105.2	107.5	106.1	2.2	2.0	2.4	2.1
Feb	108.0	105.6	107.5	106.6	2.5	2.1	2.4	2.3
Mar	108.6	106.1	107.5	107.1	2.6	2.4	2.4	2.6
Apr	108.1	106.2	107.5	107.0	2.3	2.1	2.3	2.3
May	109.1	105.8	107.7	107.1	2.7	2.1	2.5	2.4
Jun	109.6	106.6	107.7	107.7	0.8	2.4	2.2	1.8
Jul	109.4	106.6	109.4	107.8	2.5	1.9	2.3	2.3
Aug	109.3	106.5	109.4	107.7	2.6	1.8	2.3	2.2
Sep	109.0	106.8	109.4	107.7	2.4	2.1	2.3	2.2
Oct	110.0	107.0	109.4	108.2	2.8	1.8	2.3	2.2
Nov	110.0	106.9	109.4	108.1	1.5	2.0	2.2	1.8
Dec	112.1	107.8	109.4	109.5	4.0	2.1	2.2	2.8
1995 Jan	110.8	109.3	110.1	109.9	3.1	3.9	2.4	3.6
Feb	110.8	108.6	110.1	109.5	2.6	2.8	2.4	2.7
Mar	111.7	109.1	110.1	110.1	2.9	2.8	2.4	2.8
Apr	110.9	109.4	110.1	110.0	2.6	3.0	2.4	2.8
May	111.5	108.6	110.9	109.8	2.2	2.6	3.0	2.5
Jun	111.8	108.9	110.9	110.0	2.0	2.2	3.0	2.1
Jul	112.1	108.8	112.6	110.2	2.5	2.1	2.9	2.2
Aug	112.1	109.0	112.6	110.3	2.6	2.3	2.9	2.4
Sep	111.8	109.1	112.6	110.3	2.6	2.2	2.9	2.4
Oct	112.1	109.6	112.6	110.6	1.9	2.4	2.9	2.2
Nov	112.5	109.7	112.6	110.9	2.3	2.6	2.9	2.6
Dec	112.7	110.5	112.7	111.4	0.5	2.5	3.0	1.7
1996 Jan	112.7	110.8	113.4	111.6	1.7	1.4	3.0	1.5
Feb	112.8	110.8	113.3	111.6	1.8	2.0	2.9	1.9
Mar	113.0	111.6	113.3	112.2	1.2	2.3	2.9	1.9
Apr	112.8	111.4	113.3	112.0	1.7	1.8	2.9	1.8
May	114.3	111.0	114.3	112.3	2.5	2.2	3.1	2.3
Jun	114.8	111.5	114.3	112.8	2.7	2.4	3.1	2.5
Jul	114.3	110.9	114.5	112.3	2.0	1.9	1.7	1.9
Aug	114.1	111.5	114.6	112.6	1.8	2.3	1.8	2.1
Sep	114.1	110.9	114.6	112.3	2.1	1.6	1.8	1.8
Oct	114.5	111.5	114.6	112.7	2.1	1.7	1.8	1.9
Nov	115.2	111.6	114.8	113.1	2.4	1.7	2.0	2.0
Dec	114.9	112.3	114.9	113.3	2.0	1.6	2.0	1.7
1997 Jan	115.4	112.6	115.5	113.7	2.4	1.6	1.9	1.9
Feb	115.5	112.7	115.5	113.8	2.4	1.7	1.9	2.0
Mar	116.0	112.6	115.5	113.9	2.7	0.9	1.9	1.5
Apr	115.7	112.9	115.5	114.1	2.6	1.3	1.9	1.9
May	117.0	113.2	116.5	114.7	2.4	2.0	1.9	2.1
Jun	117.6	112.9	116.5	114.8	2.4	1.3	1.9	1.8
Jul	117.1	112.6	116.5	114.4	2.4	1.5	1.7	1.9

Overseas Trade in Services: publication of monthly estimates

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Overview

An article presenting progress in the development of monthly estimates of overseas trade in services was published in *Economic Trends* last November. It concluded that, whilst progress was encouraging, further investigation of possible improvements to data sources and estimation techniques was required. Once further developments had been made a full assessment of the quality would be conducted. This report presents the results of this work, concluding that the quality is now sufficient to be a reliable indicator of monthly overseas trade in services activity, and presents plans for regular publication.

Background

Detailed information about existing publication arrangements for trade in services statistics, and documentation on the reasons for developing the monthly estimation system were included in the November 1996 article. To summarise, statistics on trade in services, which accounted for £50 billion of the £220 billion current account credits in 1996, are published quarterly in the balance of payments First Release. On the other hand, trade in goods figures are compiled and published every month. This difference in practice between the two components of trade has created a presentational anomaly, which ONS is keen to redress.

The November 1996 article described the system which has been developed, gave details of the methodology being employed to derive monthly estimates and outlined the measurement of quality. At that stage some 25% of credits and 40% of debits were based on readily available monthly data sources. Estimates for most of the remainder relied on recent trends in the quarterly figures.

Analysis of the results produced from the system, for each month from April 1995 to June 1996, showed that some improvement in quality was necessary before we could consider regular publication.

The need for monthly trade in services information

The November article was an opportunity for users to assess the work which had been done, and to give views on whether monthly figures should be published. The feedback received indicated no strong views against publication amongst users; a conclusion confirmed by a number of informal consultations. The general view held is that if the quality is sufficient for the purpose, then publish, but that ONS should be the judge on quality. While users have no immediate policy need for this information, they agree that publication would give a more complete picture of monthly UK trade.

At present the monthly trade in goods first releases only include quarterly trade in services figures, and whilst this continues to be the case the presentational anomaly will remain. The focus of the trade in goods release is on monthly data, so at present, the quarterly trade in services data appears only in the background tables. The ONS consider that it is preferable to present a monthly indicator for UK trade - that is, goods and services combined - in addition to the existing trade in goods figures. Of course, presentation in itself is not justification for publishing statistics; the quality must be commensurate with the purpose. Since the last article was published the feasibility for improving estimates has been thoroughly researched, and improvements incorporated. In addition, results for nine further months have been produced and their quality assessed.

Relevance to Economic and Monetary Union (EMU)

A further relevant factor is the UK's commitment to developing estimates of the monthly balance of payments in preparation for a future single currency. If the United Kingdom were to participate, the European Central Bank (ECB) is likely to require it to deliver monthly balance of payments estimates. Trade in services is a key component of the UK balance of payments dataset.

Improvements to the estimation system

The monthly estimation system produces figures for each of over 70 series (credits and debits) which combine to form the overall services totals. Clearly, the quality of some is better than that of others, and an important first step in improving quality was to target the small number of series which were causing the majority of the error.

Table 1 gives details of the sources and methodologies currently being used to estimate the main components of monthly trade in services, alongside the existing sources of quarterly data.

Table 1 : Principal sources of data used to prepare the monthly estimates

Component (£bn 1996 value)	Source of quarterly and annual data	Source of monthly data
Civil aviation Credits 6.3 Debits 7.0	<ul style="list-style-type: none"> Survey of airlines by the Civil Aviation Authority and ONS Passenger revenue data from International Passenger Survey (IPS) Disbursements at airports from the British Airports Authority and Manchester Airport Freight information from Department of Transport and Customs & Excise Freight rates from British Airways Further information provided by Royal Mail 	<ul style="list-style-type: none"> Proxies based on Civil Aviation Authority monthly statistics on UK and foreign traffic and passengers Estimates based on statistical modelling of recent quarterly trends
Sea transport Credits 4.7 Debits 5.2	<ul style="list-style-type: none"> Survey of UK Ships by Chamber of Shipping Survey of Ships Expenditure in UK by ONS Data from IPS Freight information from Department of Transport and Customs & Excise 	<ul style="list-style-type: none"> Estimates based on statistical modelling of recent quarterly trends
Travel Credits 12.8 Debits 16.7	<ul style="list-style-type: none"> IPS results published monthly 	<ul style="list-style-type: none"> International Passenger Survey results published monthly
Government services Credits 0.4 Debits 2.8	<ul style="list-style-type: none"> Official sources including returns provided by government departments including HM Treasury, Foreign and Commonwealth Office, Ministry of Defence, Department for International Development, and the Department of Social Security 	<ul style="list-style-type: none"> Estimates based on statistical modelling of recent quarterly trends
Financial services Net Credits 6.4	<ul style="list-style-type: none"> ONS inquiries and surveys including: <ul style="list-style-type: none"> Fund Managers' Survey Insurance Companies Inquiry Bank of England surveys and estimates Lloyd's of London underwriting Estimates provided by the Baltic Exchange Surveys by the Securities and Futures Authority Ltd. 	<ul style="list-style-type: none"> Bank of England estimates Lloyd's underwriting Estimates based on statistical modelling of recent quarterly trends
Other business services Credits 20.2 Debits 11.9	<ul style="list-style-type: none"> ONS inquiries and surveys such as the Overseas Trade in Services inquiry Other sources include:- <ul style="list-style-type: none"> the International Road Haulage Survey the Law Society United States military authorities companies classified to the North Sea oil and gas industry British Telecom plc Mercury Communications plc Royal Mail Le Shuttle Higher Education Funding Council 	<ul style="list-style-type: none"> Estimates provided by ONS surveys Estimates based on statistical modelling of recent quarterly trends

Note : "estimates based on statistical modelling of recent quarterly trends" refers to both ARIMA and linear time series estimation. The former is predominant in the civil aviation, sea and government accounts ; the latter in the financial and other business services accounts.

Improvements to the system have varied in nature depending on the characteristics of the information being collected. For civil aviation series (13 per cent of total credits and 16 per cent of total debits) , one of the areas identified as contributing significantly to the overall error, the Civil Aviation Authority have agreed to supply monthly data on the number of flights and passengers arriving at and departing from each UK airport. These figures have proved to be good proxies for the balance of payments expenditure data, and their inclusion means that an additional 11 per cent of total services credits is now estimated using proxies. Analysis shows that the incorporation of these proxies, included in the estimates from November 1996 onwards, improves the overall services estimate.

Despite extensive research, other proxy information has proved to be scarce. By their unpredictable nature, many series remain very difficult to approximate, and monthly information of any kind is difficult to acquire. Earnings from the provision of financial services (approximately 15 per cent of total credits) are very erratic with little discernible pattern from one quarter to the next.

In the absence of proxies, a number of other sources of information have been considered, with more encouraging results. For some series we have approached data suppliers to provide an indication of monthly figures. This has the advantage of using suppliers' expert knowledge in assessing the impact of recent events and anticipating developments which might have an effect on the estimates. We are currently monitoring the quality of these, but there are potential quality improvements of up to ten per cent.

For securities dealers' net service earnings from overseas transactions, a series estimated to be contributing about five per cent of the error in the credits, a new method of modelling has recently been developed. A variation of the ARIMA model (as used to forecast other series such as sea transport) has been developed which gives a very close correlation to the published series. Some fine tuning is still necessary to maximise the potential of this method, but we are confident that the new model will provide more accurate estimates.

Improvements made to the system are summarised in Table 2.

Table 2 : Summary of latest improvements to estimation methodology

Component	Nature of improvement	Potential total error reduction*
Transport services	Use of proxies for some areas	7%
Securities dealers' services	Improved modelling methodology	5%
Business services	Projection, based on expert knowledge, provided by data suppliers	9%
Total		21%

* This has been calculated using the standard errors of each series to form confidence intervals of +/- 2 standard errors either side of the estimates.

Table 3 shows the percentage of credits and debits now derived by data collection, ARIMA and linear time series forecasting and via proxy series. A similar table appeared in the November 1996 article for comparison.

Table 3 : Derivation of monthly estimates

Estimation method	Approximate percentage of total services	
	Credits	Debits
Monthly data collected	26	38
Proxies	20	5
ARIMA forecasting	13	34
Linear forecasting	41	23
Total	100	100

Quality of results

The objective of the monthly estimates is to provide a reliable, timely and frequent indicator of services exports and imports. The measure used is the accuracy to which the monthly estimates predict the first published quarterly results. This is calculated as the difference between the sum of the monthly results for any one quarter compared with the first published figures for that quarter. For credits, or exports, the monthly estimates predicted the quarterly figure to within 2.5 per cent in five out of the eight quarters for which data are available. The mean error over the whole period was 2.2 per cent (£258m), as shown in Table 4. This is an improvement on the results presented in the last article (to June 1996), when the mean error was 3.2 per cent (£352m).

For debits, or imports, monthly estimates have been of higher quality. The error has been within 2.5 per cent in all but one of the eight quarters for which data are available. Over the whole period the average error is 1.8 per cent.

Table 4 : Reliability of monthly results during development stage.

Period	Credits / Exports			Debits / Imports			Balance	
	First published	Variation* from sum of monthly estimates		First published	Variation* from sum of monthly estimates		First published	Variation* from sum of monthly estimates
	total (£m)	£m	%	total (£m)	£m	%	total (£m)	£m
Q2 1995	10,341	186	1.8	9,269	62	0.7	1,072	248
Q3 1995	10,973	510	4.6	9,378	18	0.2	1,595	492
Q4 1995	10,821	239	2.2	9,564	40	0.4	1,257	279
Q1 1996	11,319	390	3.4	10,409	638	6.1	910	248
Q2 1996	12,053	434	3.6	10,195	219	2.1	1,900	653
Q3 1996	12,227	16	0.1	10,409	139	1.3	1,818	155
Q4 1996	12,671	160	1.3	10,736	258	2.4	1,935	98
Q1 1997	13,120	127	1.0	11,081	83	0.7	2,039	44
Mean	11,691	258	2.2	10,130	182	1.8	1,566	277

* ignoring sign

A significant amount of the improvement to credits in the last three quarters has been in the travel component. Despite having monthly data for travel, errors in this component still occur, caused by subsequent revisions to IPS results. In the three quarters up to Q1 1997 these revisions (to credits) were minimal, contrasting with some large changes to the previous two quarters' data.

Feasibility of collecting more monthly data

One of the developments which has been considered is the extension of existing quarterly ONS surveys to monthly collection. This is a realistic option only for the Overseas Trade in Services (OTIS) inquiry and some of the financial services inquiries. The results of these surveys are currently causing up to 40 per cent of total error in monthly estimates. This option has been considered in some detail, and is shown to be expensive both in terms of ONS resources and burden on businesses. Revisions to monthly figures would still occur because businesses would not have finalised their monthly results at the time of the survey. For these reasons the ONS has decided against collecting more monthly data for the time being.

Conclusions

Further refinement to the estimation system is continuing. We are still looking at options for incorporating proxies, and attempts are being made to collect some monthly information from major suppliers. However, it has become clear that any future developments are likely to deliver only small improvements.

ONS has concluded that monthly information on trade in services, derived from the estimation system, constitute a reliable short-term indicator of trade in services activity. The reliability of the estimates means that there is no need to collect additional information from businesses on a monthly basis. Although users have no immediate policy need for these figures, they recognise the presentational advantage of their publication.

Arrangements are currently being made to modify the existing trade in goods First Release to include monthly services information. More details, including publication dates and the new First Release format, will be announced as part of a future trade in goods First Release.

Whilst we believe that we have now arrived at a position where the data is of publishable quality, we always welcome views and comments aimed at improving our methodology. Such comments should be addressed to the authors.