

Economic trends

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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.

Articles on international economic indicators and the final expenditure prices index appear 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 October 1998.

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 most widely used aggregates are:

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 Uzair Rizki, ONS, Zone D4/19, 1 Drummond Gate, London, SW1V 2QQ or e-mail uzair.rizki@ons.gov.uk

Office for National Statistics
November 1998

Articles published in *Economic trends*

Regular articles

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

Final expenditure prices index. Commentary and figures 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

1997

December How should economic statistics respond to information technology?

1998

January Regional accounts 1996: part 1.
Geographical breakdown of exports and imports of UK trade in services by component.
International comparisons of productivity and wages.

February Improvements to business inquiries through the new IDBR.
Measuring public sector output.

March Employment in the public and private sectors.
Harmonised indices of consumer prices.

April Effects of taxes and benefits on household income 1996-97.

May The Budget: 17 March 1998.
The economy; an overview.

June Regional accounts 1996: part 2.
Rebasing the national accounts.

July Developing a methodology for measuring illegal activity for the UK National Accounts.
New format for public finances.

August PPI/RPI comparisons.
Forthcoming changes to the national accounts.
Research and experimental development (R & D) statistics 1996.

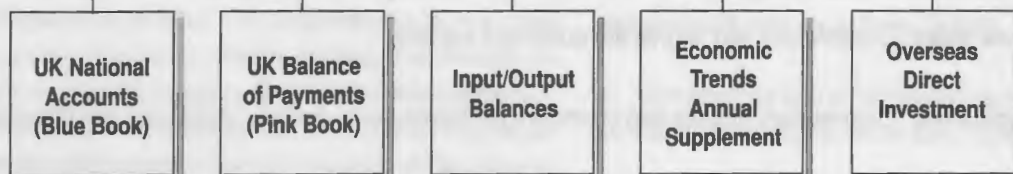
September Development of the corporate services price index: a review of progress.
Estimating and presenting short-term trends.

October Environmental taxes in the United Kingdom.
Measuring the output of non-market services.
UK results from the Community Innovation Survey.

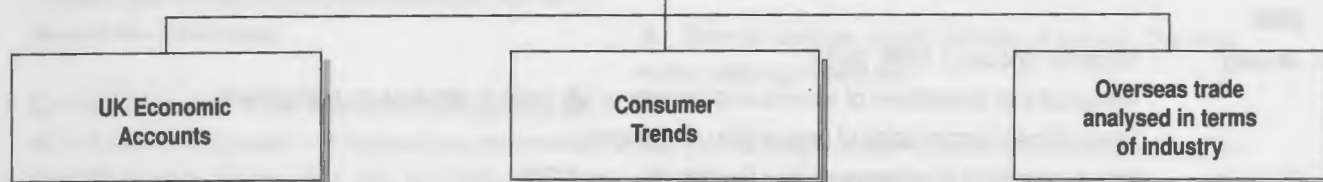
For articles published in earlier issues see the list in issue 509 (March 1996) of *Economic trends*. Copies of articles may be obtained from the National Statistics Library, Room 1.001, Government Buildings, Cardiff Road, Newport, NP9 1XG, telephone 01633 812973. The cost is £5.00 per copy inclusive of postage and handling. A cheque for the appropriate remittance should accompany each order, made payable to 'Office for National Statistics'. Credit card transactions can be made by phone; invoices cannot be issued.

United Kingdom Macro-Economic Statistics Publications

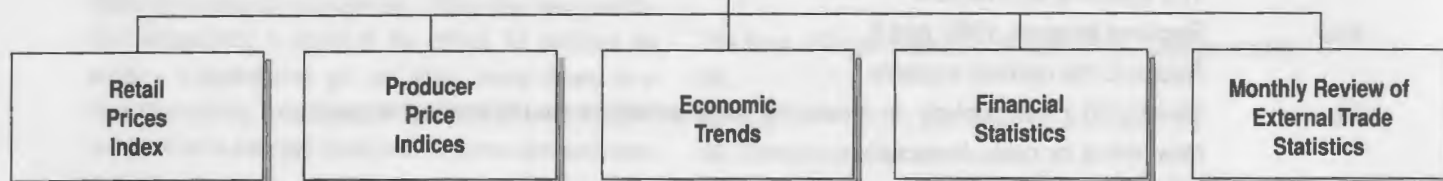
Annual Publications



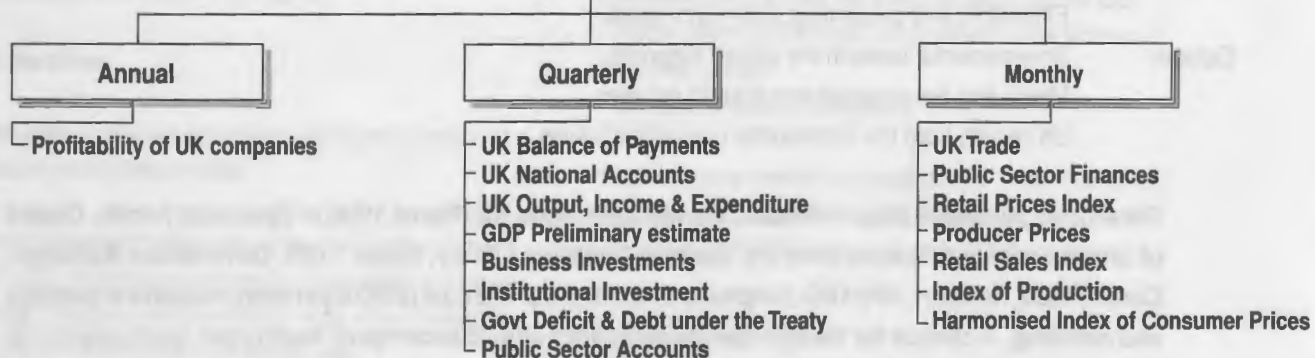
Quarterly Publications



Monthly Publications



First Releases



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

In brief

Articles

This month we feature two articles.

Paul West of National Statistics re-examines the methodology used in compiling the Non-financial balance sheets. The article incorporates the results of this preliminary research and updates and revises the estimates for the non-financial balance sheets published in the 1997 *Blue Book*. It also describes the basis of these figures and the current project to carry the work forward (page 23).

Andrew Holder of H.M. Treasury discusses developments in the Public Sector balance sheet. Firstly the balance sheet data presently available and recent trends in public sector assets and liabilities are described. Next, the article outlines the Government's fiscal policy framework and discusses the role of balance sheets within it. Finally, it examines developments in the balance sheet to meet more fully the requirements of fiscal policy makers (page 31).

Recent National Statistics economic publications

Economic trends: Digest of Articles. National Statistics, ISBN 1 85774 271 0, price £19.95.

Available from ONS Direct on 01633 812078.

ESA95 titles

United Kingdom National Accounts: the Blue Book 1998. The Stationery Office, ISBN 0 11 621059 1, price £39.50.

United Kingdom Balance of Payments: the Pink Book 1998. The Stationery Office, ISBN 0 11 621060 5, price £39.50.

United Kingdom Annual Input-Output Supply and Use Balances 1992-96. The Stationery Office, ISBN 0 11 621057 5, £39.50.

National Accounts Concepts, Sources and Methods. The Stationery Office, ISBN 0 11 621062 1, price £75.

Introducing the European System of Accounts 1995 in the United Kingdom. The Stationery Office, ISBN 0 11 621061 3, £25.

Sector Classification for the National Accounts. The Stationery Office, ISBN 0 11 621058 3, price £25.

The complete package of six publications is available plus a free CD-ROM: *United Kingdom National Accounts 1998* for £243.50.

Regular titles

Annual

Financial Statistics Explanatory Handbook 1999. The Stationery Office, ISBN 0 11 621063 X, price £39.50.

Quarterly

Consumer Trends: 1998 quarter 2. The Stationery Office, ISBN 0 11 621071 0, price £45.

UK Economic Accounts: 1998 quarter 2. The Stationery Office, ISBN 0 11 621019 2, price £25.

Monthly

Financial Statistics, October 1998. The Stationery Office, ISBN 0 11 621013 3, price £22.50.

Monthly Review of External Trade Statistics (Business Monitor MM24), July 1998. The Stationery Office, ISBN 0 11 537917 7, price £180 p.a.

Retail Price Indices (Business Monitor MM23), August 1998. The Stationery Office, ISBN 0 11 537916 9, price £180 p.a.

All of these publications are available from The Stationery Office Publications Centre, telephone 0171 873 9090 (orders), 0171 873 8499 (subscriptions) or fax 0171 873 8200.

ECONOMIC UPDATE - NOVEMBER 1998

By Geoff Tily, Macro-Economic Analysis - Office for National Statistics

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Overview

The preliminary estimate of GDP in the third quarter rose by 0.5 per cent compared with the previous quarter, with the annual rate of growth below its peak in the fourth quarter of 1997. On the demand side, retail sales are also slowing, but remain at an annual rate of about 3 per cent. External indicators show a fall in business and consumer confidence. Money supply growth may also have recently peaked. The labour market continues to tighten, with a strong increase in employment in the three months to August. Inflation however remains subdued, with underlying inflation hitting the Government's target in both August and September.

Indicators included	
Gross domestic product, preliminary estimate – Q3	UK external trade – August/September
Quarterly national accounts – Q2	Money supply – September
Industrial Production – August	Public sector net borrowing – September
British Chambers of Commerce – Q3	Labour market statistics – June-September
Retail sales – September	Retail prices – August
New car registrations – September	Producer prices – August
EC/GFK index of consumer confidence – October	Harmonised index of consumer prices – August

GDP Activity

The preliminary estimate of gross domestic product (GDP) in the third quarter of 1998 shows a rise of 0.5 per cent compared with the previous quarter, the same as the rise between the first and second quarters.

Chart 1

GDP

seasonally adjusted

year on year change

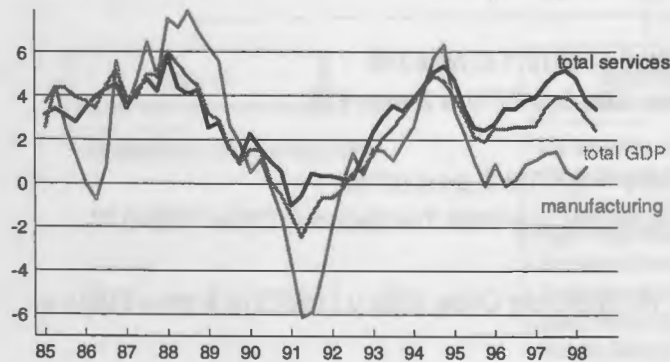


Chart 1 shows that annual rates of growth appear to be past their peak, with GDP growth falling from 3.0 per cent to 2.5 per cent between the second and third quarters.

Output breakdown

Figures for production output have now been re-based with new figures reflecting the weights, or relative importance, of industrial sectors in 1995. As a consequence quarter on quarter growth rates for manufacturing output have been revised up slightly for 1997 Q4, 1998 Q1 and 1998 Q2. Annual growth for manufacturing has been revised up in 1998 Q2.

The most recently published figures show growth between the three months to May and the three months to August of 0.8 per cent in the production industries and 0.3 per cent in the manufacturing industry. A market sector breakdown reveals non-durable goods, investment goods and intermediate goods all showing signs of slowing when looking at trends in annual rates, but the figure for durables was boosted by strong car production in August.

In the service sector, the preliminary estimate of growth between the second and third quarters is 0.6 per cent, the same as the growth recorded between the first and second quarters. Chart 1 shows annual growth in the service sector below its peak of 5.2 per cent in the last quarter of 1997, with the latest figures for the third quarter at 3.4 per cent.

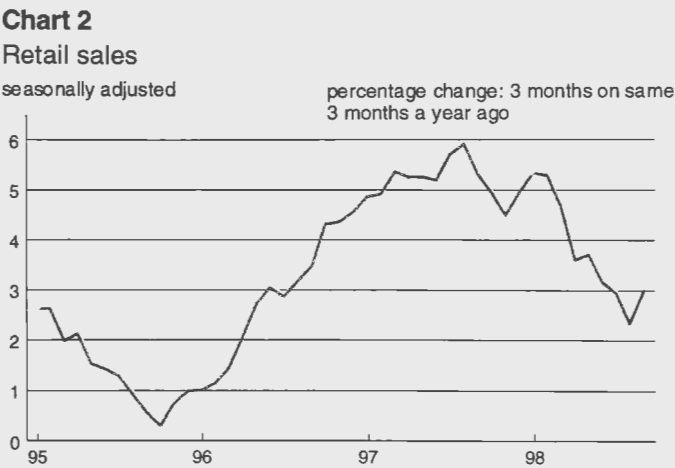
The British Chambers of Commerce Quarterly Economic Survey for the third quarter of 1998 showed a deterioration in trading conditions for both manufacturing and service sector firms. Over the quarter their headline indicator of domestic manufacturing home sales has fallen from +3% to -12%, indicating that more firms are losing sales than gaining them. In the service sector the balance of business reporting sales improvements has fallen from +31% to +20% - this is the sharpest fall since 1989.

Domestic demand

Retail sales volumes in September grew at an annual rate of 3.7 per cent, up from an annual rate of 2.7 per cent in both August and July. The figures remain difficult to interpret precisely because the comparison is distorted by events in 1997. In the months of May, June and July 1997 sales were high due to spending of building society windfall payments and conversely sales in September 1997 were low due to the death of the Princess of Wales. Chart 2 looks at annual rates of growth comparing three monthly moving averages with the same three months a year ago. Here we see a clear decline of these annual growth rates from peak figures of between 5 and 6 per cent in 1997 down to the latest figure of 3.1 per cent in the three months to August.

The annual rate of growth of new car registrations slowed from 7.5 per cent in the three months to August to 5.1 per cent in the three months to September. The latest figures are significantly lower than annual growth figures of over 10 per cent seen at the end of 1997 and into 1998.

The EC/GFK measure of consumer confidence for October 1998 shows a balance of -9% down from -3% in September. The attitude to major purchases fell sharply to -3% from +9% in September. Although one should bear in mind that a balance of +5% of respondents to this survey see their own households financial position improving over the next twelve months.



External demand and supply

At £0.2bn the UK's trade balance with the rest of the world in August was the same as in July, with a surplus in services of £1.0 billion broadly offsetting a deficit on goods of -£1.2 billion.

Charts 3 and 4 show annual rates of growth (comparing three monthly moving averages) of volume indices of imports and exports excluding oil and erratic items with EU and non-EU countries respectively. These are considered the best guide to trends in the figures. EU import and export growth are below peak rates seen in 1994 and 1995 but remain robust at over 6 per cent. Non-EU imports remain strong but exports have experienced a significant decline, reflecting global economic developments.

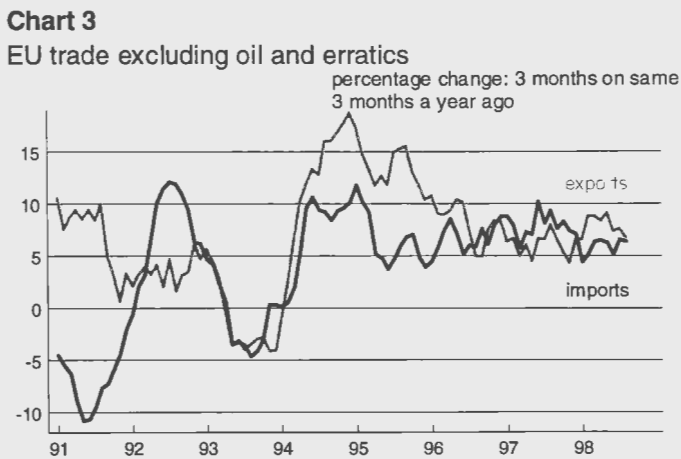
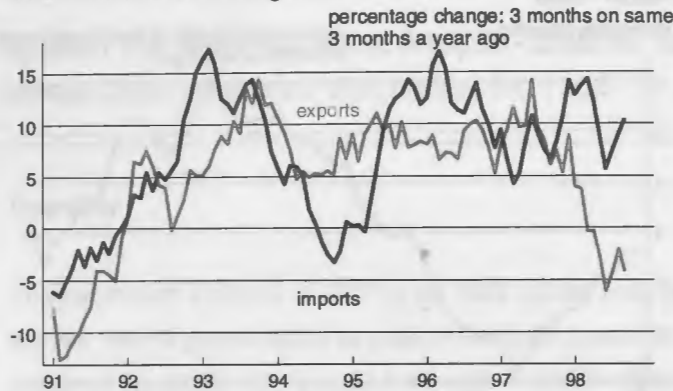


Chart 4

Non EU trade excluding oil and erratics

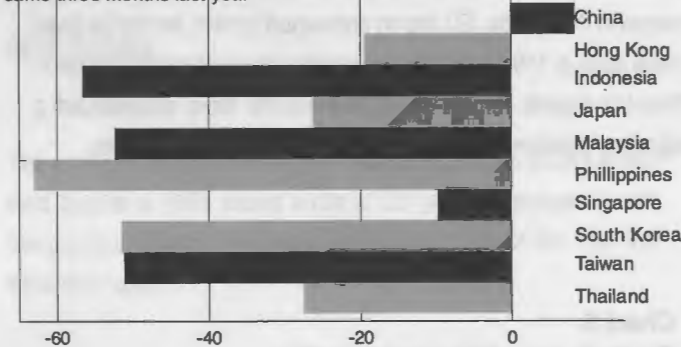


The ONS also publishes a detailed breakdown of trade by country in its Monthly Review of External Trade Statistics (MM24). Chart 5 shows declines in exports to countries in South East Asia, by comparing the value of exports in the three months to September 1998 compared with the same period a year ago. Exports to those countries on the chart accounted for about 9 per cent of the UK's total exports in 1997.

Chart 5

South east asia exports

percentage change three months to September compared with same three months last year

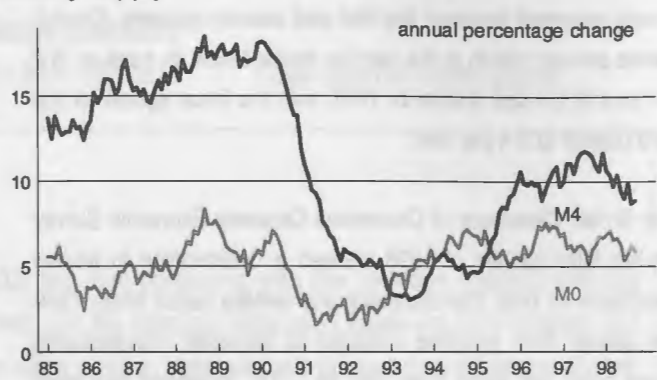


Monetary indicators and government finances

Chart 6 shows annual rates of growth of monetary aggregates slowing with the most recent figures for September 1998 at 5.9 per cent for narrow money (M0) and 8.9 per cent for broad money (M4). The recent peak growth of M4 at 11.8 per cent was in July 1997. M0 has been more erratic and in fact peaked as far back as October 1996 at 7.4 per cent, but has not fallen significantly below this level.

Chart 6

Money supply



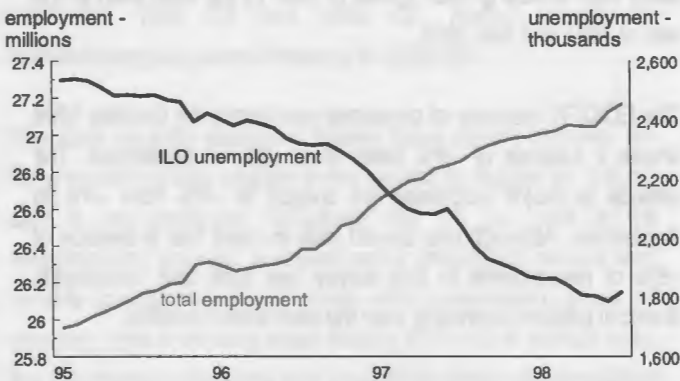
Public sector borrowing in the current financial year, 1998-99 continues to be substantially below 1997-98 levels. Between April and September cumulative net borrowing was £5.1 billion compared with £15.2 billion in the same period last year. The improvement over financial years is mainly due to high income and corporation tax receipts accompanied by only modest increases to expenditure.

Labour Market

As chart 7 illustrates, despite slower growth for most of 1998, the labour market has tightened further. The most recent data shows a strong increase to employment of 122,000 on the three months to August compared with the three months to May. This was driven by an increase in employees of 222,000 offset by a decrease in the self employed of 94,000.

Chart 7

Employment and unemployment (3 monthly average)
seasonally adjusted



The ILO unemployment rate was unchanged at 6.3% in the three months to August 1998 when compared with the previous three months. A small rise of 9,000 in the level of ILO unemployment across the same period is well within the sampling error of the series and at this stage cannot be considered to be an indication of a change in trend.

The level of vacancies notified to Jobcentres was up by 4,000 in September 1998 to 221,600, with the recent trend flat at a historically high level since spring 1998 - supporting evidence that demand for labour remains robust.

Prices

The underlying rate of inflation as measured by the annual growth of the Retail prices index excluding mortgage interest payments (RPIX) hit the governments target of 2.5 per cent in September 1998, as it did in August. According to the harmonised index of consumer prices which is intended for European comparisons, the UK's inflation rate of 1.3 per cent in August was the same as the average for all 15 EU member states.

Inflation remains subdued across the board, with published broad product groups showing annual increases of 1.4 per cent for food, -2.6 per cent for fuel and light, 1.2 per cent for household goods, -0.4 per cent for clothing and footwear and 2.3 per cent for motoring expenditure.

At the factory gate producer prices continue to show little sign of inflationary pressure. Input prices fell in the year to September by -9.7 per cent and continue a downward trend since June 1996, output prices were virtually unchanged since last year.

Forecasts for the UK Economy

A comparison of independent forecasts, October 1998

The tables below are extracted from HM Treasury's "FORECASTS FOR THE UK ECONOMY" and summarise the average and range of independent forecasts for 1998 and 1999, updated monthly.

	Independent Forecasts for 1998		
	Average	Lowest	Highest
GDP growth (per cent)	2.4	2.0	2.7
Inflation rate (Q4: per cent)			
- RPI	3.1	2.7	3.6
- RPI excl MIPs	2.6	2.3	3.2
Unemployment (Q4, mn)	1.36	1.23	1.50
Current Account (£ bn)	-5.6	-13.8	0.8
PSNCR *(1998-99, £ bn)	0.0	-10.8	6.0

	Independent Forecasts for 1999		
	Average	Lowest	Highest
GDP growth (per cent)	1.1	0.0	2.5
Inflation rate (Q4: per cent)			
- RPI	2.0	1.4	3.6
- RPI excl MIPs	2.5	2.0	3.5
Unemployment (Q4, mn)	1.55	1.10	1.80
Current Account (£ bn)	-8.7	-26.5	-0.5
PSNCR* (1999-00, £ bn)	1.5	-20.0	12.0

NOTE: "FORECASTS FOR THE UK ECONOMY" gives more detailed forecasts, covering 24 variables and is published monthly by HM Treasury, available on annual subscription, price £75. Subscription enquiries should be addressed to Miss C T Coast-Smith, Public Enquiry Unit, HM Treasury, Room 110/2, Parliament Street, London SW1P 3AG (Tel: 0171-270 4558). It is also available at the Treasury's internet site: <http://www.hm-treasury.gov.uk>.

* PSNCR: Public Sector Net Cash Requirement, was previously called PSBR.

International Economic Indicators - November 1998

by Dermot Rhatigan, Macro-Economic Assessment - Office for National Statistics

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Overview

Japan's GDP fell for the third consecutive quarter in the second quarter of 1998, as all the elements of domestic demand weakened. European GDP growth was steady between the latest quarters, despite an increased drag from net trade. US industrial production recovered in August after the of the strike at General Motors.

EU15

After slowing quarterly growth in the latter half of 1997, European GDP growth steadied, at 0.6 per cent, between the final quarter of 1997 and the first quarter of 1998. The contribution of net trade reduced growth for the second quarter in succession, as the EU's trade surplus contracted. The lower contribution of net trade was counteracted by higher investment spending and steady growth in private final consumption – leaving the aggregate growth rate unchanged.

Revised estimates of European industrial production for the first and second quarters of 1998 show steady growth for the third successive quarter – despite a sharp deceleration in Germany's industrial output in the second quarter.

Annual consumer price inflation fell by 0.1 percentage point, to 1.7 per cent, between July and August. As Chart 1 shows, the 1990s can be characterised as a decade of falling inflation in Europe. A downward trend in producer prices inflation, particularly commodities prices, has supported the fall – the EU being a net importer of commodities.

Chart 1

EU15 - consumer price inflation



The EU15 unemployment rate edged lower in quarter two, but was still above 10 per cent in July. The rate has declined fairly steadily from the peak, of 11.3 per cent, recorded in the first half of 1994.

Germany

Following exceptional growth in quarter one, German GDP levelled off in the second quarter of 1998, as domestic demand decelerated sharply. A combination of lower capital formation and private consumption slowed domestic demand in the second quarter – only a surge in stockbuilding prevented a fall. External demand had little bearing on the quarter's change in GDP – exports and imports expanded at similar rates, leaving Germany's trade surplus intact.

The trend in investment expenditure is difficult to discern, as movements in the latest two quarters have been erratic – up 3.2 per cent in Q1 and down 4.4 per cent in Q2.

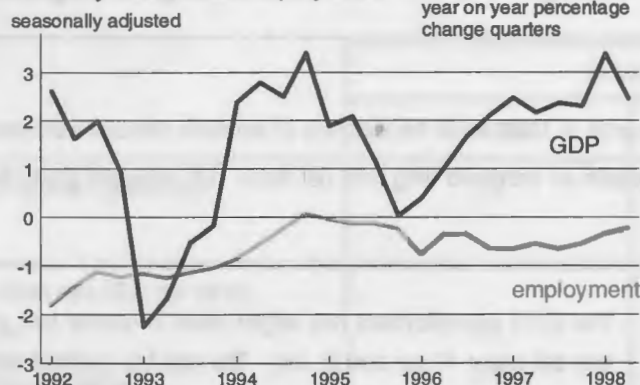
Consumption spending fell between the first and second quarters and posted only a modest increase on the year before. Although the pattern of consumption is often volatile between consecutive quarters, movements in the latest two quarters were exaggerated by tax changes in quarter one and two; particularly, April's VAT increase, which boosted sales in quarter one at the expense of those in the second quarter.

The expansion in the German economy since the beginning of 1996 (GDP has risen in each quarter since Q1 1996) has been slow to translate into increased employment. As Graph 2 shows, while year on year growth in GDP has averaged 2.0 per cent since 1994, employment has continued to fall. The fact that the unemployment rate began to turn downwards in the third quarter of 1997, and fell below 10 per cent in April 1998,

suggests that workers are not moving from unemployment into employment but from unemployment into inactivity.

Chart 2

Germany - GDP and employment



Slack in the labour market and the emergence, in August, of year on year producer price deflation have helped to lower the annual rate of consumer price inflation below 1.0 per cent. The rate fell by 0.2 percentage points between July and August, to 0.8 per cent, where it remained in September. This compares favourably with EU15 inflation rate of 1.7 per cent in August.

France

Boosted by a 1 per cent increase in domestic demand, French GDP increased by 0.7 per cent between the first and second quarters of 1998. Private consumption was the largest contributor to second quarter growth while changes in net trade reduced growth, although the drag was less than in quarter one – as imports growth slowed.

France's staging of the World Cup in June and July may have strengthened demand in the domestic economy and could explain the rebound in retail sales in June and July. Retail sales volumes fell between July and August but still recorded growth of 1.9 per cent compared with the same month the year before.

Having increased to 1 per cent in the second quarter, annual consumer price inflation edged lower in the first two months of quarter three. Since 1996, the downward trend in consumer prices inflation has been supported by modest growth in earnings and producer prices deflation.

The rate of unemployment in France remained above the EU15 average in July but, unlike the situation in Germany, employment is growing.

Italy

Higher export volumes in the second quarter of 1998 helped reverse the slight fall in Italy's GDP recorded in the first quarter of 1998. The increase in external demand boosted Italy's trade surplus and helped mask weakness in the home market as domestic demand growth fell for the second quarter in succession.

Italy's economic recovery has yet to gather much momentum; following strong growth in 1995, growth in 1996, 1997 and the first half of 1998 was modest – GDP expanded by only 2.1 per cent in the ten quarters to quarter two 1998.

Industrial production fell in quarter two - this may be evidence that the rapid increase in stocks, which began in the first quarter of 1997, is beginning to unwind and affect current production.

The annual rate of inflation moved from 1.9 per cent to 1.8 per cent between August and September - close to the average in the European Union. Unemployment, however, increased for the third month in succession in April – settling over two percent above April's EU15 average.

USA

Driven by a large decrease in stockbuilding, US GDP growth decelerated in the second quarter of 1998. Consumption spending continued to expand rapidly, up 1.0 per cent in quarter two and up 5.2 per cent on the same quarter of 1997, and gross capital formation, up 2.4 per cent in quarter two, also remained strong.

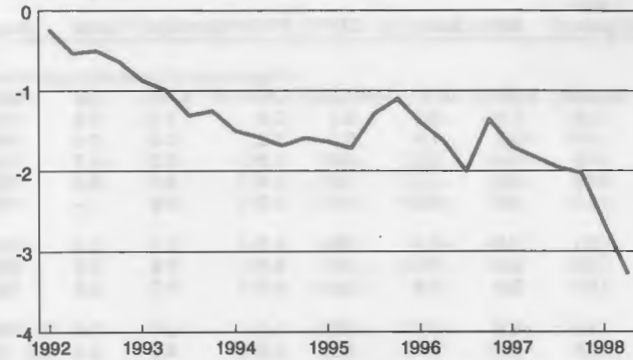
The growth in domestic demand is associated with a steep deterioration in the balance of US trade, as growth of imports has outpaced that of exports for most of the 1990s. Chart 3 shows the US trade deficit as a percentage of GDP – the sharp deterioration in the last two quarters is due to falling exports rather than higher imports growth.

Industrial production, which was dented in June and July by strike action at General Motors, rebounded sharply in August - recovering all the lost ground of the previous two months.

Chart 3

USA - trade deficit as a percentage of GDP

seasonally adjusted



US inflation edged lower, to 1.6 per cent, in August. Producer price deflation, the dollar's high exchange value and modest earnings growth may have the tempered upward pressure on prices created by strong growth in demand and tightness in the labour market.

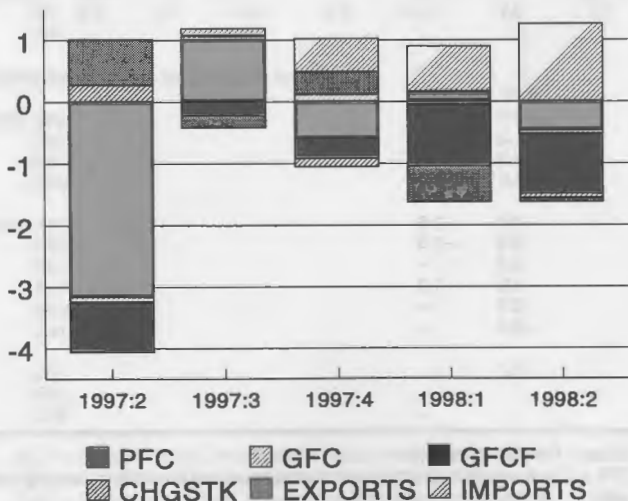
Japan

Japan's economy contracted for the third quarter in succession in quarter two 1998. Due to a combination of weakening demand in home and overseas markets, GDP ended the second quarter 4.5 per cent below its recent peak in the first quarter of 1997. As Chart 4 shows, all of the components of domestic demand contributed to the latest quarter's fall in GDP, with investment expenditure being the most significant factor.

Chart 4

Japan - contribution to GDP growth

contribution to quarter on quarter percentage change



Exports fell for the second quarter in succession in quarter two, although the trade surplus increased, due to the even faster drop

in imports. Imports fell by 6.8 per cent in the latest quarter and fell by 10 per cent in the year to quarter two.

The weakness in retail activity, which has characterised the period since 1992, worsened in the eighteen months to August. Attempts by Japan's monetary authorities to arrest the decline - interest rate cuts and announcements of tax rebates - appear to have had little effect. The Bank of Japan has slashed interest rates to extremely low levels (in the range 0.5 to 1.1 per cent between Oct 1995 and Aug 1998); however, this has not led to higher consumption.

Notes

The series presented here are taken from the OECD's Main Economic Indicators and are shown for each of the G7 (except the UK) economies and for the European Union (EU15) countries in aggregate.

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

1 European Union 15

Contribution to change in GDP														
	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl	Unempl
Percentage change on a year earlier														
	ILGB	HUDS	HUDT	HUDU	HUDV	HUDW	HUDX	ILGV	ILHP	HYAB	ILAI	ILAR	ILIJ	GADR
1990	3.0	1.7	0.4	0.8	-0.1	1.8	1.6	1.9	2.2	5.7	2.5	7.0	1.6	8.1
1991	3.0	2.7	1.0	0.7	-0.3	-	1.0	-0.2	1.6	5.2	2.2	6.8	0.1	8.4
1992	0.9	0.9	0.4	-0.2	-0.1	0.9	1.0	-1.4	0.1	4.4	1.3	5.8	-1.7	9.1
1993	-0.5	-0.1	0.2	-1.3	-0.5	0.4	-0.8	-3.2	-1.4	3.6	1.4	4.7	-2.0	10.8
1994	3.0	1.1	0.2	0.5	0.8	2.5	2.2	4.9	-0.5	3.0	2.2	3.8	-	11.1
1995	2.5	1.1	0.2	0.7	0.2	2.4	2.1	3.6	-0.1	3.2	4.5	3.7	0.5	10.7
1996	1.8	1.2	0.3	0.2	-0.3	1.6	1.3	0.2	0.4	2.5	0.7	3.9	0.5	10.8
1997	2.7	1.3	-	0.5	0.4	3.0	2.6	3.8	2.8	2.0	0.9	3.2	0.6	10.7
1996 Q1	1.6	1.4	0.3	-	0.2	1.3	1.6	-0.2	-0.3	2.8	1.9	4.0	0.4	10.9
Q2	1.5	0.9	0.3	0.2	-0.2	1.1	0.8	-0.1	0.4	2.6	0.6	4.0	0.4	10.9
Q3	1.8	1.2	0.3	0.3	-0.7	1.8	1.0	0.2	-	2.3	-0.1	3.9	0.6	10.8
Q4	2.1	1.3	0.2	0.4	-0.4	2.2	1.6	0.8	1.3	2.3	0.2	3.8	0.5	10.8
1997 Q1	1.8	0.9	0.1	0.5	-0.1	1.8	1.4	2.3	1.7	2.1	0.3	3.8	0.5	10.8
Q2	2.8	1.5	0.1	0.5	0.5	3.1	2.8	3.4	2.6	1.7	0.7	3.1	0.6	10.7
Q3	2.9	1.2	-	0.5	0.6	3.7	3.1	4.5	3.0	2.0	1.4	3.0	0.6	10.6
Q4	3.1	1.6	-	0.7	0.6	3.4	3.1	5.1	4.0	2.1	1.3	3.0	0.7	10.5
1998 Q1	3.3	1.6	0.1	1.2	0.7	3.2	3.5	4.9	3.6	1.8	1.0	..	1.1	10.3
Q2	..	..	..	..	..	..	..	4.0	..	2.0	0.4	..	1.1	10.2
Q3	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1997 Sep	..	..	..	..	..	..	..	3.7	3.0	2.1	1.3	..	..	10.6
Oct	..	..	..	..	..	..	..	5.5	5.1	2.0	1.3	..	..	10.6
Nov	..	..	..	..	..	..	..	4.4	2.0	2.2	1.3	..	..	10.5
Dec	..	..	..	..	..	..	..	5.3	5.1	2.0	1.2	..	..	10.4
1998 Jan	..	..	..	..	..	..	..	5.4	4.0	1.7	1.1	..	..	10.3
Feb	..	..	..	..	..	..	..	5.1	3.0	1.8	1.0	..	..	10.3
Mar	..	..	..	..	..	..	..	4.5	4.0	1.8	1.0	..	..	10.3
Apr	..	..	..	..	..	..	..	3.8	1.9	2.0	0.7	..	..	10.2
May	..	..	..	..	..	..	..	5.1	4.0	2.0	0.4	..	..	10.2
Jun	..	..	..	..	..	..	..	3.3	..	1.9	0.2	..	..	10.1
Jul	..	..	..	..	..	..	..	3.1	..	1.8	-	..	..	10.1
Aug	..	..	..	..	..	..	..	..	..	1.7	-0.4	..	..	..
Sep	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Percentage change on previous quarter														
	ILGL	HUDY	HUDZ	HUEA	HUEB	HUEC	HUED	ILHF	ILHZ				ILIT	
1996 Q1	0.7	0.7	-	-0.2	-0.2	0.8	0.6	-0.8	1.3				-0.9	
Q2	0.3	-	0.1	0.4	-0.4	0.1	-0.1	0.6	0.7				0.8	
Q3	0.7	0.4	0.1	0.1	-0.2	0.7	0.5	0.7	-0.4				0.7	
Q4	0.4	0.1	-	-	0.4	0.7	0.7	0.3	-0.3				-0.1	
1997 Q1	0.5	0.3	-	-	0.1	0.4	0.3	0.8	1.7				-0.9	
Q2	1.2	0.6	-	0.3	0.2	1.4	1.3	1.6	1.6				0.9	
Q3	0.8	0.2	0.1	0.2	-0.1	1.3	0.8	1.8	-				0.7	
Q4	0.6	0.4	-0.1	0.2	0.4	0.4	0.7	0.8	0.7				-	
1998 Q1	0.6	0.4	0.1	0.5	0.2	0.1	0.7	0.6	1.3				-0.5	
Q2	..	..	..	..	..	..	..	0.7	..				0.9	
Q3	..	..	..	..	..	..	..	..	..				..
Percentage change on previous month														
								ILKF	ILKP					
1997 Sep								-0.4	-					
Oct								1.2	2.0					
Nov								-0.3	-1.9					
Dec								1.0	1.0					
1998 Jan								-0.2	1.9					
Feb								0.3	-1.0					
Mar								0.4	-					
Apr								0.2	1.0					
May								0.5	-					
Jun								-0.4	..					
Jul								1.7	..					
Aug								..	..			
Sep								..	..			

GDP = Gross Domestic Product at constant market prices
PFC = Private Final Consumption at constant market prices
GFC = Government Final Consumption at constant market prices
GFCF = Gross Fixed Capital Formation at constant market prices
ChgStk = Change in Stocks at constant market prices
Exports = Exports of goods and services
Imports = Imports of goods and services
IoP = Industrial Production

Sales = Retail Sales volume
CPI = Consumer Prices, components and coverage not uniform among countries
PPI = Producer Prices (manufacturing)
Earnings = Average Wage Earnings (manufacturing), definitions of coverage and treatment vary among countries
Empl = Total Employment not seasonally adjusted
Unempl = Standardised Unemployment rates: percentage of total labour force

Source: OECD

2 Germany

Contribution to change in GDP														
	GDP ¹	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP ¹	Sales	CPI ¹	PPI ¹	Earnings ²	Empl ^{1,3}	Unempl ⁴
Percentage change on a year earlier														
	ILFY	HUBW	HUBX	HUBY	HUBZ	HUCA	HUCB	ILGS	ILHM	HVLL	ILAF	ILAO	ILIG	GABD
1990	..	..	..	..	..	..	..	5.3	8.0	2.7	1.4	4.2	2.8	-
1991	..	..	..	..	..	..	..	3.2	5.8	3.7	2.2	6.6	2.0	-
1992	1.8	1.4	0.8	0.6	-0.4	-0.4	0.3	-2.6	-2.3	5.0	1.6	7.1	-1.4	-
1993	-1.2	0.2	-0.1	-1.3	-0.2	-1.2	-1.5	-7.6	-4.2	4.4	0.1	5.4	-1.1	7.9
1994	2.8	0.7	0.4	0.8	0.8	1.9	1.9	3.6	-1.3	2.7	0.8	2.9	-0.4	8.4
1995	1.3	1.1	0.4	-	-0.1	1.7	1.9	1.0	1.1	1.9	2.1	3.3	-0.1	8.2
1996	1.3	0.8	0.5	-0.2	-0.4	1.4	0.8	0.4	-0.2	1.5	0.2	5.2	-0.4	8.9
1997	2.3	0.3	-0.1	-	1.3	3.1	2.3	3.6	-0.4	1.7	0.7	..	-0.6	10.0
1996 Q1	0.4	1.2	0.7	-1.5	0.1	1.2	1.2	-1.0	-1.4	1.5	0.8	7.1	-0.7	8.7
Q2	1.0	0.4	0.7	-0.1	-0.4	0.6	0.1	-0.8	-0.3	1.5	0.1	6.7	-0.3	8.8
Q3	1.7	1.0	0.7	0.2	-1.1	1.6	0.6	1.0	1.0	1.5	-0.2	4.3	-0.3	8.9
Q4	2.1	0.8	0.2	0.5	-0.2	2.2	1.4	2.6	-0.3	1.4	0.2	2.9	-0.6	9.2
1997 Q1	2.5	0.1	0.2	0.9	1.0	2.2	2.0	2.7	-0.6	1.7	0.3	0.8	-0.6	9.6
Q2	2.2	0.7	0.1	-0.3	0.6	3.1	2.1	3.2	0.3	1.6	0.7	1.5	-0.5	9.9
Q3	2.4	-0.2	-0.3	-0.2	1.9	3.9	2.7	4.0	-1.3	1.9	1.0	1.6	-0.6	10.1
Q4	2.3	0.6	-0.6	-0.2	1.7	3.1	2.3	4.6	0.3	1.8	0.9	..	-0.5	10.3
1998 Q1	3.4	1.1	-	0.9	0.5	2.5	1.7	6.4	2.7	1.1	0.6	..	-0.3	10.0
Q2	2.5	0.1	0.1	-0.1	2.2	2.3	2.3	5.0	-1.6	1.3	0.2	..	-0.2	9.8
Q3	..	..	..	..	..	..	..	..	..	0.8	..	..	..	..
1997 Sep	..	..	..	..	..	..	..	2.3	-1.0	1.9	1.0	..	..	10.2
Oct	..	..	..	..	..	..	..	4.8	2.0	1.8	0.9	..	..	10.3
Nov	..	..	..	..	..	..	..	3.9	-1.0	1.9	1.0	..	..	10.3
Dec	..	..	..	..	..	..	..	4.9	-	1.7	0.8	..	..	10.3
1998 Jan	..	..	..	..	..	..	..	7.0	-1.0	1.2	0.6	..	..	10.1
Feb	..	..	..	..	..	..	..	6.0	-	1.1	0.6	..	..	10.0
Mar	..	..	..	..	..	..	..	6.2	9.5	1.1	0.6	..	..	10.0
Apr	..	..	..	..	..	..	..	4.8	-4.8	1.3	0.4	..	..	10.0
May	..	..	..	..	..	..	..	6.8	2.1	1.3	0.3	..	..	9.8
Jun	..	..	..	..	..	..	..	3.2	-2.0	1.2	-	..	..	9.7
Jul	..	..	..	..	..	..	..	4.1	1.0	1.0	-	..	..	9.6
Aug	..	..	..	..	..	..	..	..	..	0.8	-0.5	..	..	..
Sep	..	..	..	..	..	..	..	..	..	0.8	..	..	..	..
Percentage change on previous quarter														
	ILGI	HUCC	HUCD	HUCE	HUCF	HUCG	HUCH	ILHC	ILHW				ILIQ	
1996 Q1	-	0.6	0.1	-0.9	-0.3	0.7	0.3	0.5	1.0				-1.9	
Q2	1.3	-	0.2	1.3	-0.1	0.1	0.1	1.0	1.7				0.8	
Q3	0.4	0.6	0.2	0.1	-1.1	0.8	0.2	0.9	-0.7				0.5	
Q4	0.4	-0.4	-0.3	-	1.2	0.7	0.8	0.1	-2.3				-	
1997 Q1	0.4	-	0.1	-0.4	0.9	0.6	0.9	0.6	0.7				-1.9	
Q2	1.0	0.5	0.1	0.1	-0.5	1.0	0.2	1.5	2.7				0.9	
Q3	0.6	-0.3	-0.3	0.2	0.2	1.6	0.8	1.7	-2.3				0.4	
Q4	0.3	0.3	-0.6	-	1.0	-0.1	0.4	0.7	-0.7				0.1	
1998 Q1	1.4	0.5	0.7	0.7	-0.2	0.1	0.3	2.3	3.1				-1.7	
Q2	0.1	-0.4	0.2	-0.9	1.2	0.7	0.7	0.2	-1.6				1.0	
Q3	..	..	..	..	..	..	..	..	..				..
Percentage change on previous month														
								ILKC	ILKM					
1997 Sep								-0.3	2.1					
Oct								1.7	2.0					
Nov								-	-3.0					
Dec								1.1	-2.1					
1998 Jan								1.3	3.2					
Feb								-0.1	1.0					
Mar								1.3	5.1					
Apr								-1.0	-4.8					
May								1.0	-1.0					
Jun								-1.0	1.0					
Jul								3.6	2.0					
Aug												
Sep												

GDP = Gross Domestic Product at constant market prices
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Sales = Retail Sales volume
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PPI = Producer Prices (manufacturing)
Earnings = Average Earnings (manufacturing), definitions of coverage and treatment vary among countries
Empl = Total Employment not seasonally adjusted
Unempl = Standardised Unemployment rates: percentage of total workforce
Source: OECD

- 1 Data available for unified Germany from 1991
- 2 Western Germany (Federal Republic of Germany before unification)
- 3 Excludes members of armed forces
- 4 Data available for unified Germany from January 1993

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI ¹	Earnings	Empl ²	Unempl
Percentage change on a year earlier														
	ILFZ	HUBK	HUBL	HUBM	HUBN	HUBO	HUBP	ILGT	ILHN	HXAA	ILAG	ILAP	ILIH	GABC
1990	2.5	1.6	0.4	0.6	0.2	1.3	1.6	1.5	0.7	3.5	-0.9	4.9	0.8	9.0
1991	0.8	0.8	0.5	-	-0.7	1.0	0.8	-1.2	-0.2	3.2	-1.2	4.7	0.1	9.5
1992	1.2	0.8	0.6	-0.6	-0.6	1.3	0.3	-1.2	0.3	2.4	-1.1	4.0	-0.6	10.4
1993	-1.3	0.1	0.6	-1.4	-1.5	-0.1	-1.0	-3.8	0.2	2.1	-2.1	2.5	-1.3	11.7
1994	2.8	0.8	0.2	0.3	1.7	1.6	1.8	3.9	-0.1	1.7	1.2	1.9	0.1	12.3
1995	2.1	1.0	-	0.5	0.3	1.8	1.4	2.0	-	1.7	5.2	2.4	0.9	11.7
1996	1.6	1.2	0.5	-0.1	-0.7	1.5	0.9	0.3	-0.4	2.1	-2.7	2.4	0.1	12.4
1997	2.3	0.5	0.2	-	-	3.8	2.3	3.9	1.1	1.1	-0.5	2.8	0.5	12.4
1996 Q1	1.3	2.1	0.4	-0.3	-1.0	0.8	0.7	-1.2	0.7	2.1	-0.8	2.3	0.4	12.3
Q2	1.0	0.5	0.5	-	-0.1	0.2	0.2	-0.3	-0.8	2.4	-2.7	2.3	0.2	12.3
Q3	1.5	1.1	0.6	-0.1	-1.4	2.0	0.7	0.4	-2.3	1.8	-3.8	2.6	-0.1	12.4
Q4	2.4	1.1	0.5	-	-0.3	3.0	1.8	2.0	1.1	1.7	-3.1	2.6	-0.1	12.5
1997 Q1	1.2	-0.3	0.3	-0.2	0.3	2.0	0.9	0.7	-1.4	1.5	-2.3	3.0	-	12.4
Q2	2.5	0.4	0.2	-	-0.1	4.5	2.5	3.6	0.8	0.9	-0.9	2.7	0.4	12.4
Q3	2.6	0.6	0.2	0.1	0.3	4.5	3.0	5.1	1.7	1.3	0.3	2.8	0.7	12.4
Q4	3.0	1.5	0.2	0.2	-0.3	4.1	2.7	6.4	3.0	1.1	0.7	2.8	0.9	12.3
1998 Q1	3.5	1.9	0.2	0.8	0.5	3.6	3.5	7.2	2.3	0.6	0.6	2.6	1.2	12.1
Q2	3.0	2.5	0.3	0.7	0.3	1.7	2.4	5.0	3.4	1.0	-0.3	2.4	1.3	11.9
Q3	..	..	..	..	..	..	..	..	..	..	..	2.0	..	..
1997 Sep	..	..	..	..	..	..	..	4.6	3.5	1.3	0.5	..	..	12.4
Oct	..	..	..	..	..	..	..	6.8	4.4	1.0	0.7	2.8	..	12.4
Nov	..	..	..	..	..	..	..	5.1	-0.5	1.3	0.7	..	..	12.4
Dec	..	..	..	..	..	..	..	7.3	5.3	1.1	0.7	..	..	12.2
1998 Jan	..	..	..	..	..	..	..	6.6	5.8	0.5	0.6	2.6	..	12.1
Feb	..	..	..	..	..	..	..	6.7	2.0	0.7	0.5	..	..	12.1
Mar	..	..	..	..	..	..	..	8.5	-0.8	0.8	0.6	..	..	12.0
Apr	..	..	..	..	..	..	..	4.0	4.0	1.0	-	2.4	..	11.9
May	..	..	..	..	..	..	..	5.8	1.2	1.0	-0.3	..	..	11.9
Jun	..	..	..	..	..	..	..	5.3	4.9	1.0	-0.7	..	..	11.8
Jul	..	..	..	..	..	..	..	..	2.9	0.8	-1.0	2.0	..	11.8
Aug	..	..	..	..	..	..	..	..	1.9	0.7	-1.2	..	..	..
Sep	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Percentage change on previous quarter														
	ILGJ	HUBQ	HUBR	HUBS	HUBT	HUBU	HUBV	ILHD	ILHX				ILIR	
1996 Q1	1.4	1.5	0.2	-	-0.9	1.6	0.9	1.3	2.5				0.1	
Q2	-0.1	-0.7	0.1	-	0.6	-0.6	-0.3	0.2	-1.7				-0.2	
Q3	0.8	0.6	0.1	-	-0.5	1.1	0.5	0.7	0.1				-0.1	
Q4	0.3	-0.4	0.1	-	0.6	0.9	0.8	-0.2	0.2				0.1	
1997 Q1	0.2	0.1	-	-0.2	-0.4	0.6	-0.1	-	-				0.2	
Q2	1.1	-	-	0.2	0.2	1.9	1.3	3.1	0.5				0.2	
Q3	0.9	0.8	-	0.1	-0.1	1.1	1.0	2.1	1.0				0.2	
Q4	0.8	0.6	0.1	-	-	0.5	0.4	1.0	1.5				0.3	
1998 Q1	0.6	0.4	0.1	0.4	0.4	-	0.7	0.8	-0.7				0.5	
Q2	0.7	0.6	0.1	0.2	-	-	0.2	1.0	1.6				0.3	
Q3	..	..	..	..	..	..	..	..	..				..
Percentage change on previous month														
								ILKD	ILKN					
1997 Sep								-0.6	-0.6					
Oct								1.9	3.6					
Nov								-1.7	-3.5					
Dec								1.9	2.8					
1998 Jan								-0.8	2.8					
Feb								0.8	-4.8					
Mar								1.4	-2.7					
Apr								-0.6	5.9					
May								0.7	-1.6					
Jun								-0.3	1.2					
Jul								..	1.1					
Aug								..	-1.7					
Sep												

GDP = Gross Domestic Product at constant market prices
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GFC = Government Final Consumption at constant market prices
GFCF = Gross Fixed Capital Formation at constant market prices
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PPI = Producer Prices (manufacturing)
Earnings = Average Wage Earnings (manufacturing), definitions of coverage and treatment vary among countries
Empl = Total Employment not seasonally adjusted
Unempl = Standardised Unemployment rates: percentage of total workforce

Source: OECD

1 Producer prices in intermediate goods
2 Excludes members of armed forces

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl	Unempl
Percentage change on a year earlier														
	ILGA	HUCI	HUCJ	HUCK	HUCL	HUCM	HUCN	ILGU	ILHO	HYAA	ILAH	ILAQ	ILII	GABE
1990	2.2	1.5	0.2	0.7	0.1	1.2	1.6	-0.5	-2.2	6.0	4.2	7.3	1.4	9.1
1991	1.1	1.6	0.3	0.2	-0.3	-0.1	0.5	-0.9	0.3	6.5	3.3	9.8	1.3	8.8
1992	0.6	0.7	0.2	-0.4	0.1	1.1	1.1	-1.3	1.8	5.3	1.9	5.4	-1.1	9.0
1993	-1.2	-1.5	0.1	-2.5	-0.6	1.7	-1.7	-2.1	-3.0	4.2	3.7	3.7	-4.2	10.3
1994	2.2	0.9	-0.1	0.1	0.6	2.2	1.6	6.3	-5.9	3.9	3.8	3.3	-1.6	11.4
1995	2.9	1.2	-0.2	1.2	-	2.7	1.9	6.1	-5.1	5.4	7.9	3.1	-0.6	11.9
1996	0.7	0.5	-	0.1	-0.3	-0.1	-0.4	-2.9	-2.4	3.8	1.9	1.8	0.4	12.0
1997	1.5	1.4	-0.1	0.1	1.0	1.6	2.5	2.8	6.9	1.8	1.3	3.7	-	12.1
1996 Q1	1.7	0.8	0.1	0.7	0.8	-0.1	0.5	-	-3.9	5.0	4.8	1.9	0.8	12.0
Q2	0.7	0.4	0.1	0.3	-0.2	-1.2	-1.2	-1.2	-3.4	4.2	1.6	2.1	0.3	12.0
Q3	0.5	0.2	0.1	-0.2	-0.9	0.1	-1.1	-4.6	-4.9	3.5	0.4	1.7	0.3	12.0
Q4	-0.2	0.6	-0.1	-0.5	-1.1	0.9	0.1	-5.5	3.3	2.7	0.8	1.6	0.2	12.0
1997 Q1	-0.8	1.2	-0.2	-0.3	-1.4	-0.7	-0.6	0.1	3.8	2.4	0.9	4.0	-0.1	12.2
Q2	2.0	1.6	-0.2	-	2.2	1.7	3.3	2.4	6.6	1.6	1.2	3.8	0.1	12.1
Q3	2.1	1.7	-0.1	0.2	1.2	3.1	4.0	3.2	9.0	1.5	1.7	3.4	-	12.1
Q4	2.8	1.3	-	0.5	1.9	2.2	3.1	5.3	8.2	1.6	1.5	3.3	-	12.1
1998 Q1	2.5	0.7	0.2	0.6	2.6	2.9	4.5	3.3	..	1.7	1.1	2.0	0.6	12.1
Q2	1.2	0.5	0.2	0.4	0.6	1.7	2.3	1.3	..	1.8	0.6	..	0.1	..
Q3	..	..	..	..	..	..	..	..	..	1.8	..	..	..	..
1997 Sep	..	..	..	..	..	..	..	2.8	9.3	1.4	1.6	3.4	..	12.1
Oct	..	..	..	..	..	..	..	4.8	8.2	1.6	1.5	3.4	..	12.1
Nov	..	..	..	..	..	..	..	4.7	8.2	1.6	1.6	3.4	..	12.1
Dec	..	..	..	..	..	..	..	6.5	8.2	1.6	1.4	3.2	..	12.0
1998 Jan	..	..	..	..	..	..	..	6.5	..	1.6	1.3	1.6	..	12.0
Feb	..	..	..	..	..	..	..	2.4	..	1.8	1.3	1.7	..	12.1
Mar	..	..	..	..	..	..	..	1.3	..	1.7	0.9	2.8	..	12.2
Apr	..	..	..	..	..	..	..	0.7	..	1.8	0.9	3.1	..	12.4
May	..	..	..	..	..	..	..	2.9	..	1.7	0.6	3.0	..	..
Jun	..	..	..	..	..	..	..	0.3	..	1.9	0.4	..	..	..
Jul	..	..	..	..	..	..	..	1.6	..	1.9	0.2	..	..	..
Aug	..	..	..	..	..	..	..	..	..	1.9	-0.2	..	..	..
Sep	..	..	..	..	..	..	..	..	..	1.8	..	..	..	..
Percentage change on previous quarter														
	ILGK	HUCO	HUCP	HUCQ	HUCR	HUCS	HUCT	ILHE	ILHY				ILIS	
1996 Q1	0.8	0.1	-	-0.2	0.2	0.6	-0.1	-3.7	6.6				-1.3	
Q2	-1.0	-	-	-0.1	-1.8	-0.5	-1.4	-0.5	-1.9				1.2	
Q3	0.4	0.1	-	-0.1	0.3	0.4	0.3	-0.3	-0.8				1.2	
Q4	-0.4	0.4	-0.1	-0.1	0.3	0.4	1.3	-1.0	-0.4				-0.8	
1997 Q1	0.2	0.7	-0.1	-	-0.2	-1.1	-0.8	1.9	7.1				-1.6	
Q2	1.8	0.4	-	0.2	1.8	1.9	2.6	1.8	0.8				1.4	
Q3	0.6	0.2	-	0.1	-0.6	1.8	1.0	0.6	1.4				1.1	
Q4	0.3	-	-	0.2	0.9	-0.4	0.4	0.9	-1.1				-0.8	
1998 Q1	-0.1	0.1	0.1	0.1	0.5	-0.4	0.5	-	..				-1.0	
Q2	0.4	0.2	0.1	-	-0.1	0.6	0.4	-0.2	..				0.9	
Q3	..	..	..	..	..	..	..	..	..				..
Percentage change on previous month														
								ILKE	ILKO					
1997 Sep								-1.5	1.1					
Oct								1.2	-2.1					
Nov								0.4	-					
Dec								-0.1	-					
1998 Jan								0.9	..					
Feb								-1.0	..					
Mar								-0.9	..					
Apr								-0.2	..					
May								2.5	..					
Jun								-2.2	..					
Jul								0.9	..					
Aug												
Sep												

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Earnings = Average Wage Earnings (manufacturing), definitions of coverage and treatment vary among countries
Empl = Total Employment not seasonally adjusted
Unempl = Standardised Unemployment not seasonally adjusted

Source: OECD

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	Imports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl ¹	Unempl
Percentage change on a year earlier															
	ILGC	HUDG	HUDH	HUDI	HUDJ	HUDK	HUDL	ILGW	ILHQ	ILAA	ILAJ	ILAS	ILIK	GADO	
1990	1.2	1.1	0.4	-0.2	-0.4	0.7	0.4	-0.2	0.6	5.4	4.9	3.2	0.5	5.6	
1991	-0.9	-0.4	0.2	-1.1	-0.2	0.6	-0.1	-2.0	-2.5	4.2	2.1	3.3	-0.9	6.9	
1992	2.7	1.9	-	0.8	0.2	0.6	0.8	3.2	3.2	3.1	1.3	2.4	0.6	7.5	
1993	2.3	2.0	-	0.8	0.2	0.3	1.0	3.6	4.5	3.0	1.3	2.4	1.5	6.9	
1994	3.5	2.2	0.1	1.1	0.6	0.8	1.4	5.3	5.7	2.5	0.6	2.8	3.2	6.1	
1995	2.3	1.8	-0.1	0.8	-0.5	1.2	1.1	5.0	3.1	2.8	2.0	2.7	1.4	5.6	
1996	3.4	2.2	0.1	1.4	-	1.0	1.2	3.5	4.5	3.0	2.6	3.1	1.5	5.4	
1997	3.9	2.3	0.2	1.3	0.5	1.6	1.9	5.0	4.2	2.3	0.4	3.1	2.2	5.0	
1996 Q1	2.4	2.0	-0.1	0.9	-0.6	1.0	0.8	2.3	4.4	2.8	2.2	2.9	0.6	5.6	
Q2	3.9	2.3	0.1	1.4	0.1	1.1	1.0	3.7	5.0	2.8	2.4	3.2	1.3	5.4	
Q3	3.5	2.1	0.1	1.6	0.5	0.6	1.4	3.4	4.3	3.0	2.8	3.1	1.7	5.3	
Q4	3.9	2.2	0.3	1.5	0.2	1.2	1.6	4.2	4.4	3.1	3.1	3.5	2.1	5.3	
1997 Q1	4.1	2.3	0.3	1.3	0.6	1.4	1.8	5.1	4.8	2.9	2.0	3.4	2.5	5.3	
Q2	3.6	1.8	0.2	1.2	0.7	1.7	2.0	4.3	3.0	2.3	0.4	2.8	2.4	4.9	
Q3	4.1	2.5	0.2	1.4	-	2.0	2.0	5.0	4.8	2.2	-0.1	2.5	2.1	4.9	
Q4	3.8	2.5	0.2	1.3	0.5	1.2	2.0	5.8	4.0	1.9	-0.8	3.4	2.0	4.7	
1998 Q1	4.2	2.8	0.1	1.8	0.5	0.9	1.9	4.7	5.1	1.4	-1.5	3.1	1.9	4.7	
Q2	3.6	3.6	0.2	1.9	-0.5	0.1	1.7	4.0	7.6	1.6	-0.8	2.5	1.5	4.4	
Q3	..	..	..	..	..	..	..	..	..	..	..	2.2	1.2	4.5	
1997 Sep	..	..	..	..	..	..	..	5.0	4.2	2.2	-	2.5	1.8	4.9	
Oct	..	..	..	..	..	..	..	5.8	3.4	2.1	-0.4	4.2	1.7	4.8	
Nov	..	..	..	..	..	..	..	5.7	4.2	1.8	-0.7	3.4	2.2	4.6	
Dec	..	..	..	..	..	..	..	5.8	4.6	1.7	-1.3	2.5	2.2	4.7	
1998 Jan	..	..	..	..	..	..	..	5.4	4.9	1.6	-1.8	3.3	2.0	4.7	
Feb	..	..	..	..	..	..	..	4.3	4.9	1.4	-1.4	3.3	2.0	4.6	
Mar	..	..	..	..	..	..	..	4.4	5.5	1.3	-1.5	2.5	1.6	4.7	
Apr	..	..	..	..	..	..	..	4.3	7.0	1.5	-0.9	2.5	1.6	4.3	
May	..	..	..	..	..	..	..	4.5	8.2	1.7	-0.9	2.5	1.5	4.3	
Jun	..	..	..	..	..	..	..	3.1	7.5	1.7	-0.7	2.5	1.4	4.5	
Jul	..	..	..	..	..	..	..	1.9	..	1.7	-0.4	1.7	1.1	4.5	
Aug	..	..	..	..	..	..	..	3.1	..	1.6	-0.8	2.5	1.0	4.5	
Sep	..	..	..	..	..	..	..	..	..	..	..	2.5	1.5	4.6	
Percentage change on previous quarter															
	ILGM	HUDM	HUDN	HUDO	HUDP	HUDQ	HUDR	ILHG	ILIA					ILIU	
1996 Q1	0.8	0.6	0.1	0.5	-0.1	0.1	0.4	0.4	1.4					-1.2	
Q2	1.5	0.8	0.3	0.5	0.2	0.2	0.4	1.9	1.5					2.0	
Q3	0.5	0.3	-	0.3	0.3	0.1	0.4	0.8	0.4					1.2	
Q4	1.0	0.5	-	0.2	-0.2	0.9	0.2	1.0	1.1					0.1	
1997 Q1	1.0	0.7	-	0.3	0.3	0.3	0.6	1.3	1.8					-0.8	
Q2	1.0	0.3	0.1	0.4	0.3	0.5	0.6	1.1	-0.2					1.9	
Q3	1.0	1.0	-	0.5	-0.4	0.3	0.5	1.5	2.1					0.9	
Q4	0.7	0.5	-	0.1	0.2	0.1	0.2	1.7	0.4					-	
1998 Q1	1.4	1.0	-0.1	0.8	0.3	-0.1	0.6	0.3	2.8					-1.0	
Q2	0.5	1.0	0.2	0.5	-0.7	-0.3	0.4	0.4	2.2					1.5	
Q3	..	..	..	..	..	..	..	..	..					0.6	
Percentage change on previous month															
								ILKG	ILKQ					ILLA	
1997 Sep								0.2	-0.4					-0.7	
Oct								0.8	-0.1					0.5	
Nov								0.8	0.5					0.3	
Dec								0.3	0.6					-0.2	
1998 Jan								-0.1	1.3					-1.4	
Feb								-0.4	1.1					0.5	
Mar								0.5	0.4					0.5	
Apr								0.4	0.6					0.5	
May								0.3	1.1					0.5	
Jun								-1.1	0.3					0.6	
Jul								-0.4	..					0.4	
Aug								1.7	..					-0.4	
Sep												-0.3	

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PPI = Producer Prices (manufacturing)
Earnings = Average Earnings (manufacturing), definitions of coverage and treatment vary among countries
Empl = Total Employment not seasonally adjusted
Unempl = Standardised Unemployment rates: percentage of total workforce

Source: OECD

1 Excludes members of armed forces

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP ¹	Sales	CPI	PPI	Earnings ²	Empl	Unempl
Percentage change on a year earlier														
	ILGD	HUCU	HUCV	HUCW	HUCX	HUCY	HUCZ	ILGX	ILHR	ILAB	ILAK	ILAT	ILIL	GADP
1990	5.1	2.6	0.1	2.7	-0.2	0.7	0.8	4.3	5.3	3.1	1.6	5.1	1.9	2.1
1991	3.8	1.5	0.2	1.1	0.2	0.6	-0.3	1.9	2.1	3.2	1.1	3.5	1.9	2.1
1992	1.0	1.2	0.2	-0.5	-0.5	0.5	-0.1	-5.7	-1.1	1.7	-0.9	1.3	1.1	2.2
1993	0.3	0.7	0.2	-0.6	-0.1	0.2	-	-4.3	-3.2	1.2	-1.7	0.4	0.2	2.5
1994	0.7	1.1	0.2	-0.2	-0.2	0.5	0.8	1.2	0.3	0.8	-1.7	2.2	-	2.9
1995	1.4	1.2	0.3	0.4	0.2	0.6	1.4	3.3	-	-0.1	-0.7	3.0	0.1	3.1
1996	4.1	1.7	0.1	3.0	0.1	0.4	1.3	2.4	0.7	0.1	-1.8	2.6	0.5	3.3
1997	0.8	0.6	-	-1.2	-	1.3	-	3.5	-2.3	1.8	0.7	2.9	1.1	3.4
1996 Q1	5.7	3.0	0.2	3.5	0.3	0.3	1.7	1.6	2.3	-0.4	-1.7	1.7	0.1	3.3
Q2	4.2	1.5	0.1	4.0	0.2	-	1.5	0.4	0.3	0.1	-1.9	1.7	0.3	3.5
Q3	3.1	1.0	0.1	2.7	-	0.4	1.1	3.6	-0.6	0.2	-1.7	4.9	0.7	3.3
Q4	3.4	1.5	0.2	1.8	-0.2	1.0	0.8	3.9	1.0	0.5	-1.6	2.3	0.9	3.3
1997 Q1	2.8	2.7	-	-	-0.4	1.1	0.6	5.2	3.4	0.6	-0.9	5.1	1.6	3.3
Q2	-0.2	-0.2	-0.1	-1.7	-	1.8	-	5.8	-4.7	2.1	1.3	2.6	1.4	3.5
Q3	1.0	0.7	-	-1.2	0.2	1.3	-0.1	4.0	-3.5	2.1	1.3	2.6	0.7	3.4
Q4	-0.4	-0.5	-	-1.7	0.2	1.1	-0.5	-0.7	-4.7	2.1	1.1	1.6	0.7	3.4
1998 Q1	-3.7	-2.6	-	-2.3	0.2	0.3	-0.7	-3.5	-9.6	2.0	0.4	-0.2	-	3.6
Q2	-1.8	0.1	0.1	-2.5	-0.2	-0.5	-1.3	-8.0	-2.6	0.4	-1.9	-0.2	-0.8	4.2
Q3	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1997 Sep	..	..	..	..	..	..	..	4.4	-4.1	2.4	1.4	1.5	0.4	3.4
Oct	..	..	..	..	..	..	..	1.4	-3.1	2.5	1.3	1.5	0.9	3.4
Nov	..	..	..	..	..	..	..	-2.5	-6.0	2.1	1.1	1.8	0.5	3.5
Dec	..	..	..	..	..	..	..	-0.9	-5.1	1.8	0.9	1.5	0.8	3.4
1998 Jan	..	..	..	..	..	..	..	-2.3	-5.0	1.8	0.9	-0.5	0.6	3.5
Feb	..	..	..	..	..	..	..	-3.7	-7.9	1.9	0.4	0.2	-0.1	3.6
Mar	..	..	..	..	..	..	..	-4.7	-15.6	2.2	0.1	-0.2	-0.3	3.8
Apr	..	..	..	..	..	..	..	-6.2	-	0.5	-2.0	-0.3	-0.7	4.1
May	..	..	..	..	..	..	..	-10.5	-3.2	0.5	-1.9	-0.1	-0.5	4.3
Jun	..	..	..	..	..	..	..	-7.1	-4.3	0.1	-1.9	-0.3	-1.1	4.3
Jul	..	..	..	..	..	..	..	-8.5	-3.2	-0.1	-1.9	-2.3	-1.1	4.1
Aug	..	..	..	..	..	..	..	-7.8	-4.2	-0.3	-1.9	-5.7	-0.7	..
Sep	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Percentage change on previous quarter														
	ILGN	HUDA	HUDB	HUDC	HUDD	HUDE	HUDF	ILHH	ILIB				ILIV	
1996 Q1	2.7	1.1	0.1	1.5	0.2	-	0.3	0.5	2.3				-1.6	
Q2	0.1	-0.4	-	0.8	-0.1	-	0.3	-0.6	-2.0				3.1	
Q3	-0.4	0.1	-	-0.7	-0.1	0.3	-	1.8	-0.6				0.5	
Q4	1.1	0.6	0.1	0.2	-0.1	0.6	0.2	2.2	1.3				-1.0	
1997 Q1	2.0	2.3	-0.1	-0.3	-	0.2	0.1	1.8	4.7				-0.9	
Q2	-2.8	-3.2	-0.1	-0.8	0.3	0.7	-0.3	-0.1	-9.6				2.9	
Q3	0.8	1.0	0.1	-0.2	-	-0.2	-0.1	-	0.6				-0.3	
Q4	-0.4	-0.6	0.1	-0.3	-0.1	0.4	-0.2	-2.3	-				-1.0	
1998 Q1	-1.3	0.2	-0.1	-1.0	-	-0.6	-0.2	-1.1	-0.6				-1.5	
Q2	-0.8	-0.5	-0.1	-1.0	-0.1	-0.1	-0.8	-4.7	-2.6				2.1	
Q3	..	..	..	..	..	..	..	..	..				..
Percentage change on previous month														
								ILKH	ILKR				ILLB	
1997 Sep								1.9	-1.1				0.1	
Oct								-0.9	1.1				0.1	
Nov								-4.3	-1.1				-1.0	
Dec								1.9	-				-0.4	
1998 Jan								2.2	2.1				-0.8	
Feb								-3.5	-3.1				-0.7	
Mar								-2.2	-1.1				0.9	
Apr								-1.5	-				1.0	
May								-1.7	-				1.1	
Jun								1.6	-2.2				0.1	
Jul								-0.7	1.1				-0.5	
Aug								-0.6	-				-0.5	
Sep								

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Empl = Total Employment not seasonally adjusted
Unempl = Standardised Unemployment rates: percentage of total workforce
Source: OECD

1 Not adjusted for unequal number of working days in a month
2 Figures monthly and seasonally adjusted

7 World trade in goods¹

	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
1990	5.9	5.9	5.5	5.5	5.5	5.4	4.5	5.6	1.6	4.5	5.2	2.8	5.7	4.5
1991	3.8	2.5	9.6	5.2	3.5	10.0	4.0	3.5	5.2	4.5	3.2	8.1	4.5	4.2
1992	4.5	3.7	7.7	5.1	4.5	6.7	4.5	3.8	6.1	5.0	4.3	6.7	4.8	4.7
1993	4.2	1.9	13.1	3.3	1.1	9.3	4.2	2.5	8.5	3.7	1.4	9.6	3.8	3.9
1994	11.2	10.2	14.7	12.3	12.8	11.1	10.1	9.2	12.2	10.6	10.7	10.3	11.7	10.3
1995	9.9	9.8	10.2	9.8	9.3	11.2	8.7	8.7	8.8	8.3	7.3	10.7	9.9	8.5
1996	5.6	6.4	3.0	5.6	7.0	2.2	5.0	6.0	2.7	5.1	6.1	2.6	5.6	5.0
1997	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1995 Q1	13.2	13.4	12.6	13.1	13.5	12.0	11.7	12.1	10.9	11.0	11.0	11.0	13.1	11.3
Q2	10.3	10.0	11.3	11.0	10.3	12.7	9.2	8.9	9.8	9.6	8.4	12.3	10.7	9.4
Q3	9.2	9.0	9.8	9.1	8.1	11.6	7.9	7.7	8.4	7.8	6.5	11.2	9.2	7.9
Q4	7.1	7.2	6.8	6.4	5.6	8.4	6.0	5.9	6.1	5.1	3.8	8.3	6.7	5.6
1996 Q1	5.7	6.1	4.5	6.3	7.4	3.6	4.8	5.2	3.7	5.5	5.9	4.4	6.0	5.1
Q2	5.4	6.4	2.4	4.8	6.7	0.4	4.6	5.7	2.1	4.5	5.9	1.1	5.1	4.6
Q3	6.4	7.9	1.7	7.0	8.7	2.7	5.8	7.4	2.0	6.1	7.5	2.7	6.7	5.9
Q4	7.2	8.3	3.4	6.5	8.2	2.3	6.5	8.0	3.0	6.4	8.2	2.3	6.8	6.4
1997 Q1	7.2	7.9	4.9	7.3	7.6	6.7	6.6	7.1	5.5	6.7	6.7	6.7	7.2	6.7
Q2	10.6	12.1	5.9	10.3	11.6	7.0	9.7	11.3	5.9	8.8	9.8	6.4	10.5	9.3
Q3	12.3	13.1	9.5	10.7	12.4	6.4	10.5	11.5	8.0	9.3	10.4	6.8	11.5	9.9
Q4	9.0	10.2	5.0	..	..	..	..	..	..	..	..	..	..	..
1998 Q1	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Percentage change on previous quarter														
	ILJN	ILJO	ILJP	ILJQ	ILJR	ILJS	ILJT	ILJU	ILJV	ILJW	ILJX	ILJY	ILJZ	ILKA
1995 Q1	3.1	3.4	2.2	1.4	0.9	2.8	2.5	2.7	2.1	1.0	0.5	2.3	2.3	1.7
Q2	1.1	0.8	2.1	1.9	1.4	3.0	0.8	0.5	1.7	1.9	1.3	3.3	1.5	1.4
Q3	1.2	0.9	1.9	1.1	0.8	1.9	1.2	0.9	1.7	1.1	0.8	2.0	1.2	1.1
Q4	1.5	1.9	0.5	1.8	2.4	0.5	1.4	1.8	0.5	1.1	1.2	0.6	1.7	1.2
1996 Q1	1.8	2.3	-0.1	1.3	2.6	-1.8	1.3	2.0	-0.3	1.3	2.5	-1.4	1.6	1.3
Q2	0.8	1.1	-	0.5	0.8	-0.2	0.7	0.9	0.1	0.9	1.3	-	0.7	0.8
Q3	2.1	2.4	1.2	3.2	2.8	4.3	2.3	2.5	1.6	2.6	2.2	3.6	2.6	2.4
Q4	2.3	2.3	2.3	1.3	1.8	-	2.1	2.3	1.4	1.4	1.9	0.1	1.8	1.7
1997 Q1	1.8	1.9	1.4	2.1	2.0	2.5	1.5	1.2	2.2	1.6	1.1	2.8	2.0	1.5
Q2	4.1	5.0	0.9	3.3	4.5	0.1	3.6	4.8	0.5	2.9	4.2	-0.2	3.7	3.3
Q3	3.6	3.3	4.7	3.6	3.6	3.7	3.0	2.8	3.7	3.1	2.8	4.0	3.6	3.1
Q4	-0.7	-0.4	-1.9	..	..	..	..	..	..	..	..	..	..	..
1998 Q1	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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

Source: OECD

Final Expenditure Prices Index (Experimental) - September 1998

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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 September 1998 shows an annual rate of 1.6 per cent, down from 1.8 per cent in August. The annual rate of the FEPI reflects decreases in the annual rates of the Index of Investment Prices (IIP) and the Index of Government Prices (IGP) and an increase in the annual rate of the Index of Consumer Prices (ICP).

The FEPI annual percentage change

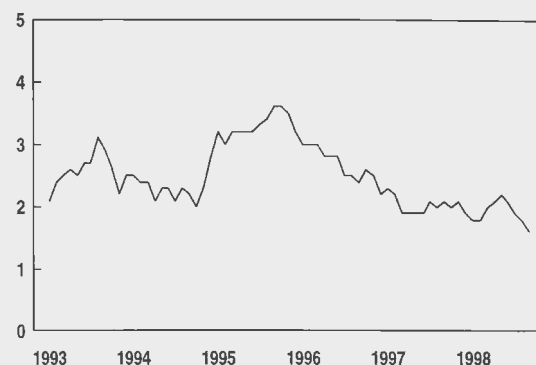


Table A

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

		Index of Consumer Prices (ICP)		Index of Investment Prices (IIP)		Index of Government Prices (IGP)		Final Expenditure Prices Index (FEPI)	
		Index	Annual percentage change	Index	Annual percentage change	Index	Annual percentage change	Index	Annual percentage change
1998	Apr	119.3	2.3	111.9r	1.1r	116.3	1.9	117.2	2.1
	May	120.0	2.6	112.4	1.4	116.7	1.7	117.7	2.2
	Jun	119.8	2.2	112.4	1.4	117.1	2.0	117.7	2.1
	Jul	119.2	2.1	112.5r	1.3r	117.0	2.1	117.3	1.9
	Aug	119.6	1.8	112.6r	1.3r	117.1r	2.2r	117.6r	1.8r
	Sep	120.1	1.9	112.2	0.7	117.2	2.0	117.8	1.6

The Index of Consumer Prices (ICP)

Consumer price inflation, as measured by the ICP, was 1.9 per cent over the 12 months to September, up from 1.8 per cent in August.

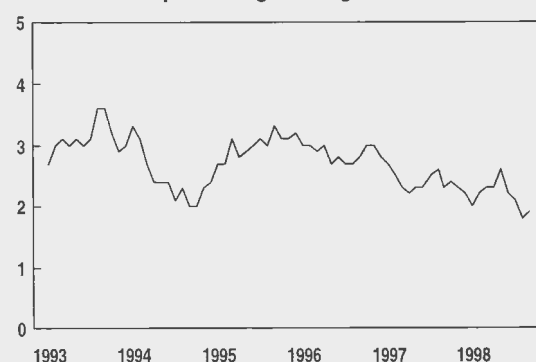
Upward pressure came mainly from prices for:

- Clothing and footwear, whose 12-month rate rose from -1.1 per cent to -0.5 per cent in September, as prices for women's clothing recovered steeply following record sales.
- Fuel and power, whose 12-month rate rose from -5.4 per cent to -2.7 per cent in September, as the effect of last year's reduction in VAT on household fuel bills dropped out of the 12-month comparison.

Some downward pressure came from:

- Transport and Communication, whose 12-month rate fell from 1.6 per cent to 1.2 per cent, as petrol prices fell in contrast to strong rises over the same period last year.

The ICP annual percentage change



The Index of Investment Prices (IIP)

Investment price inflation, as measured by the IIP, was 0.7 per cent over the 12 months to September, down from 1.3 per cent in August.

Downward pressure on the 12-month rate came mainly from:

- New dwellings, whose 12-month rate fell from 7.9 per cent to 7.7 per cent in September.
- Plant and Machinery, whose 12-month rate fell from -5.1 per cent in August to -6.1 per cent in September. Note, the annual rate has been negative since June 1996, reflecting the impact of sterling's strength on import prices.
- Vehicles, whose 12-month rate fell from 2.5 per cent in August to 2.1 per cent in September.

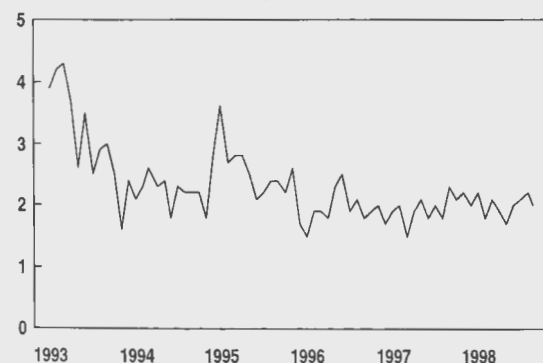
The IIP annual percentage change



The Index of Government Prices (IGP)

Inflation affecting Government expenditure, as measured by the IGP, was 2.0 per cent over the 12 months to September, down from 2.2 per cent in August. See note 6.

The IGP annual percentage change



Comparison between the FEPI and other inflation measures

Table B

Measures of Inflation (annual percentage changes)

		FEPI	RPIX	HICP	PPI
1998	Apr	2.1	3.0	1.9	1.0
	May	2.2	3.2	2.0	1.0
	Jun	2.1	2.8	1.7	1.1
	Jul	1.9	2.6	1.5	0.8
	Aug	1.8	2.5	1.3	0.5
	Sep	1.6	2.5	1.5	0.3

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 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 IIP 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.
5. The IGP 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 (to reflect the cost of goods consumed by Government).
6. Care should be taken when interpreting monthly movements in the IGP. This index is particularly volatile on a month-to-month basis, so 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.
7. An article describing the development and composition of the FEPI is included in *Economic Trends*, No 526, September 1997. Longer runs of the FEPI back to January 1992, are available in computer readable form from the ONS Sales Office (telephone 0171 533 5670) or on paper from David Wall.

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								
1996	604	164	232	1000				
1997	605	165	230	1000				
1998	605	169	226	1000				
	CUSE	CUSK	CUSO	CUSP	CGAZ	CGBF	CGBJ	CGBK
1996 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	111.1	114.6	115.1	2.5	0.9	2.0	2.1
Aug	117.5	111.2	114.6	115.5	2.6	0.5	1.8	2.0
Sep	117.9	111.4	114.9	115.9	2.3	0.9	2.3	2.1
Oct	118.0	111.2	115.1	115.9	2.4	0.5	2.1	2.0
Nov	117.9	111.1	115.6	116.0	2.3	1.3	2.2	2.1
Dec	118.1	111.1	115.6	116.1	2.2	0.9	2.0	1.9
1998 Jan	117.6	111.3	116.2	116.0	2.0	0.8	2.2	1.8
Feb	118.3	111.3	115.9	116.3	2.2	0.6	1.8	1.8
Mar	118.7	111.7	116.3	116.7	2.3	1.0	2.1	2.0
Apr	119.3	111.9r	116.3	117.2	2.3	1.1r	1.9	2.1
May	120.0	112.4	116.7	117.7	2.6	1.4	1.7	2.2
Jun	119.8	112.4	117.1	117.7	2.2	1.4	2.0	2.1
Jul	119.2	112.5r	117.0	117.3	2.1	1.3r	2.1	1.9
Aug	119.6	112.6r	117.1r	117.6r	1.8	1.3r	2.2r	1.8r
Sep	120.1	112.2	117.2	117.8	1.9	0.7	2.0	1.6

The symbol r denotes revisions to previous months' data

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											
1996	128	70	30	67	85	40	72	190	113	205	1000
1997	126	68	30	67	90	39	71	189	119	201	1000
1998	127	68	29	67	87	39	71	188	118	205	1000
	CURU	CURV	CURW	CURX	CURY	CURZ	CUSA	CUSB	CUSC	CUSD	CUSE
1996 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
Aug	112.6	121.3	151.2	102.3	126.4	102.8	110.8	120.0	110.2	124.0	117.5
Sep	112.2	121.4	151.5	106.3	126.6	100.0	111.6	120.4	110.7	124.4	117.9
Oct	112.2	121.7	151.7	106.0	126.8	100.0	111.4	120.3	110.8	124.8	118.0
Nov	111.6	121.1	151.8	107.2	126.9	99.6	112.3	120.0	110.7	124.8	117.9
Dec	111.7	120.6	155.1	106.7	127.0	99.1	113.2	120.0	110.7	125.2	118.1
1998 Jan	111.7	122.1	159.3	99.7	127.3	98.4	109.8	120.6	110.3	125.4	117.6
Feb	111.7	123.1	159.5	102.0	127.4	98.7	111.5	120.8	110.5	126.4	118.3
Mar	111.5	123.5	159.5	104.1	127.6	98.9	113.1	120.8	110.4	126.9	118.7
Apr	111.8	123.6	162.1	105.0	129.9	98.9	112.1	122.1	110.8	127.6	119.3
May	113.5	124.5	162.6	106.0	130.1	98.3	113.3	122.3	111.1	128.1	120.0
Jun	113.1	124.4	162.8	105.7	130.2	97.6	112.7	122.2	110.7	128.4	119.8
Jul	112.8	124.9	163.0	99.3	130.4	97.3	111.4	122.0	110.4	128.6	119.2
Aug	114.1	125.2	163.1	101.2	130.6	97.2	112.2	121.9	110.4	128.8	119.6
Sep	113.7	125.3	163.2	105.8	130.8	97.3	112.9	121.9	111.0	128.7	120.1
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
	CGAP	CGAQ	CGAR	CGAS	CGAT	CGAU	CGAV	CGAW	CGAX	CGAY	CGAZ
1996 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
Aug	0.7	2.5	8.2	1.8	3.6	-2.7	0.6	4.3	0.9	3.9	2.6
Sep	1.3	2.4	8.1	0.9	3.7	-5.5	0.7	3.5	1.0	3.8	2.3
Oct	1.9	2.4	8.2	0.5	3.8	-5.3	0.9	3.4	0.9	3.7	2.4
Nov	1.7	2.1	8.4	0.6	3.7	-5.1	0.8	3.4	0.5	3.7	2.3
Dec	1.8	2.2	8.6	0.1	3.7	-5.4	0.8	2.8	0.5	3.7	2.2
1998 Jan	1.0	3.0	9.4	-0.8	3.2	-5.6	0.9	2.6	0.4	3.9	2.0
Feb	1.3	3.2	9.1	-	3.1	-5.4	1.6	2.3	0.4	4.3	2.2
Mar	1.5	3.6	8.8	0.1	3.0	-5.3	1.3	2.4	0.5	4.4	2.3
Apr	1.5	3.3	9.3	-0.5	3.3	-5.1	0.9	3.5	0.5	4.2	2.3
May	2.3	3.4	9.2	-	3.3	-5.2	1.5	3.6	0.5	4.1	2.6
Jun	1.2	3.2	9.1	0.3	3.2	-5.5	1.2	3.1	0.2	4.1	2.2
Jul	1.3	3.1	9.2	-1.0	3.3	-5.4	1.6	2.2	0.1	4.2	2.1
Aug	1.3	3.2	7.9	-1.1	3.3	-5.4	1.3	1.6	0.2	3.9	1.8
Sep	1.3	3.2	7.7	-0.5	3.3	-2.7	1.2	1.2	0.3	3.5	1.9

The symbol r denotes revisions to previous months' data

3 FEPI - Index of Investment Prices (Experimental)

	Plant and Machinery	Vehicles, etc	New Buildings and Works	Transfer Costs of Land and Buildings	New Dwellings	Index of Investment Prices IIP
January 1992=100						
Weights						
1996	378	108	266	38	209	1000
1997	390	103	267	33	207	1000
1998	387	103	277	37	196	1000
	CUSG	CUSH	CUSF	CUSI	CUSJ	CUSK
1996 Sep	113.1	119.7	107.3	139.3	102.7	110.4
Oct	113.0	119.2	107.7	140.9	102.8	110.6
Nov	110.6	117.6	108.1	140.9	103.0	109.7
Dec	111.0	117.5	108.5	141.0	103.8	110.1
1997 Jan	111.1	118.2	108.8	139.3	104.3	110.4
Feb	111.2	118.7	109.1	141.8	104.4	110.6
Mar	110.1	118.9	109.4	142.2	105.6	110.6
Apr	109.8	118.5	109.5	142.8	106.9	110.7
May	109.4	118.5	109.4	144.8	107.6	110.8
Jun	108.8	118.3	109.4	144.9	108.6	110.8
Jul	108.0	118.1	110.2	150.8	109.8	111.1
Aug	107.2	118.4	111.1	151.9	110.5	111.2
Sep	107.1	118.6	111.5	153.4	110.6	111.4
Oct	106.6	118.4	112.0	152.2	110.4	111.2
Nov	105.9	118.1	112.4	153.1	110.5	111.1
Dec	105.8	118.5	112.8	152.2	110.5	111.1
1998 Jan	105.6	119.1	113.3	151.7	110.6	111.3
Feb	105.0	118.8	113.8	153.6	111.2	111.3
Mar	104.5	119.5	114.3	154.9	113.1	111.7
Apr	103.7r	119.3r	114.6	159.6	115.0	111.9r
May	103.8r	120.4r	114.9	160.3	115.9	112.4
Jun	102.9	120.1	115.2	160.6	117.4	112.4
Jul	102.2r	120.4r	115.6	162.9	118.6r	112.5r
Aug	101.7r	121.4r	115.9	162.6r	119.2r	112.6r
Sep	100.6	121.1	116.3	163.2	119.1	112.2

Annual Percentage Changes

	Plant and Machinery	Vehicles, etc	New Buildings and Works	Transfer Costs of Land and Buildings	New Dwellings	Index of Investment Prices IIP
	CGBB	CGBC	CGBA	CGBD	CGBE	CGBF
1996 Sep	-2.9	2.2	6.4	6.9	4.7	2.1
Oct	-2.3	1.8	6.0	8.6	5.0	2.4
Nov	-4.8	0.3	5.6	8.4	5.5	1.2
Dec	-4.5	-0.3	5.1	9.6	6.6	1.4
1997 Jan	-4.8	-0.3	4.9	9.6	7.0	1.3
Feb	-4.4	-	4.7	9.2	6.3	1.2
Mar	-5.1	0.1	4.4	9.0	6.3	0.9
Apr	-5.9	-0.6	4.1	5.2	6.8	0.4
May	-5.2	-0.5	3.5	6.6	7.1	0.6
Jun	-5.1	-0.5	3.1	6.9	7.4	0.6
Jul	-4.8	-0.8	3.5	9.2	7.6	0.9
Aug	-6.0	-1.0	3.9	9.1	7.6	0.5
Sep	-5.3	-0.9	3.9	10.1	7.7	0.9
Oct	-5.7	-0.7	4.0	8.0	7.4	0.5
Nov	-4.2	0.4	4.0	8.7	7.3	1.3
Dec	-4.7	0.9	4.0	7.9	6.5	0.9
1998 Jan	-5.0	0.8	4.1	8.9	6.0	0.8
Feb	-5.6	0.1	4.3	8.3	6.5	0.6
Mar	-5.1	0.5	4.5	8.9	7.1	1.0
Apr	-5.6r	0.7r	4.7	11.8	7.6	1.1r
May	-5.1r	1.6r	5.0	10.7	7.7	1.4
Jun	-5.4	1.5	5.3	10.8	8.1	1.4
Jul	-5.4r	1.9r	4.9	8.0	8.0r	1.3r
Aug	-5.1r	2.5r	4.3	7.0r	7.9r	1.3r
Sep	-6.1	2.1	4.3	6.4	7.7	0.7

The symbol r denotes revisions to previous months' data

4 FEPI - Index of Government Prices (Experimental)

	Annual percentage changes							
	Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP	Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP
January 1992=100								
Weights								
1996	344	597	59	1000				
1997	347	589	64	1000				
1998	342	591	67	1000				
	CUSL	CUSM	CUSN	CUSO	CGBG	CGBH	CGBI	CGBJ
1996 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	117.0	112.7	118.5	114.6	2.4	1.6	3.5	2.0
Aug	117.2	112.7	118.5	114.6	2.7	1.1	3.4	1.8
Sep	117.2	113.2	118.6	114.9	2.7	2.1	3.5	2.3
Oct	117.5	113.4	118.6	115.1	2.6	1.7	3.5	2.1
Nov	118.4	113.6	118.6	115.6	2.8	1.8	3.3	2.2
Dec	117.8	113.9	118.7	115.6	2.5	1.4	3.3	2.0
1998 Jan	118.3	114.6	119.8	116.2	2.5	1.8	3.7	2.2
Feb	118.2	114.1	119.8	115.9	2.3	1.2	3.7	1.8
Mar	118.9	114.4	119.7	116.3	2.5	1.6	3.6	2.1
Apr	118.6	114.7	119.8	116.3	2.5	1.6	3.7	1.9
May	120.1	114.3	120.7	116.7	2.6	1.0	3.6	1.7
Jun	120.7	114.7	120.6	117.1	2.6	1.6	3.5	2.0
Jul	120.4	114.6	120.6	117.0	2.9	1.7	1.8	2.1
Aug	119.6	115.2r	120.6	117.1r	2.0	2.2r	1.8	2.2r
Sep	119.7	115.4	120.6	117.2	2.1	1.9	1.7	2.0

The symbol r denotes revisions to previous months' data

Improving the Non-financial Balance Sheets



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Introduction

The Office for National Statistics (ONS) is committed to improve the quality and relevance of its statistics. As part of this commitment a project team¹ has been set up to re-examine the methodology and data sources used in preparing estimates of non-financial balance sheets.

Non-financial balance sheets were not published in the 1998 edition of the *UK National Accounts* (the *Blue Book*). This provided the project team with the opportunity to make a preliminary examination of the methodology. This article incorporates the results of this preliminary research; it updates and revises the estimates for the non-financial balance sheets published in the 1997 *Blue Book*. It also describes the basis of these figures, and the current project to carry this work forward.

All references to balance sheets in this article should be taken as referring to non-financial balance sheets only.

Background to the project

Comprehensive balance sheets for the UK were first published, together with details of the sources and methods used in 1987². Since then there has been little change in the methodology, data sources and assumptions employed. Recent fiscal policy initiatives have resulted in increased emphasis on the balance sheets in the National Accounts. Improved and comprehensive balance sheets are a requirement of the European System of Accounts 1995 (ESA95)³, but the work was brought forward to meet these new fiscal policy requirements; it is essential that the data produced by ONS should be relevant to the needs of Government and other users. An article by Andrew Holder⁴ in this issue of *Economic Trends* gives further background to the change in fiscal policy.

The work will also satisfy the requirements of ESA95. Production of the estimates on this basis makes international comparison of UK data much more straightforward. As well as being of interest

to UK users, the production of balance sheets is part of the UK's international statistical commitment. The UK contributes to the work of two international groups discussing balance sheet estimates, the International Association for Research on Income and Wealth (IARIW) and the Canberra Group on Capital Stock.

Timing of the project

The planned timetable and outputs of the project are:

- The production by November 1998 of public and private sector balance sheets up to 1997 on an ESA95 basis, using existing methods and data sources;
- The production of public sector balance sheets up to 1998 based on new and improved data sources and methods by November 1999;
- The publication, also by November 1999, of an article explaining the new system for the public sector in detail;
- Publication in *Blue Book* 2000 of private sector balance sheets based on new and improved methodology;
- Regular publication of balance sheets for all sectors on the new basis from *Blue Book* 2000 onwards.

Details of the Project

The first objective of the project is met by the publication of the tables accompanying this article. Although the estimates are provisional, and will be revised next year, they do represent an improvement. The later than usual publication of the estimates this year has meant that we have been able to obtain data for 1997 which would not normally have been available in time to meet the *Blue Book* publication timetable. We have also been able to revise a number of assumptions which were originally sound, but have ceased to be valid over time.

Looking to the future, the project will also enable the ONS to improve methodology and data sources (including, where appropriate, data from resource accounting and budgeting (RAB) as discussed in Andrew Holder's article). This will lead to the production of higher quality public sector balance sheets for publication in November 1999. As part of this work, the ONS is currently investigating the possibility of increased use of data obtained directly from local authority balance sheets. In addition the ONS will also be seeking improved methods for estimating balance sheets for other sectors.

The data feeding into the plant and machinery component of the balance sheets are derived from estimates of Capital Stock, (most recently published in tables 14.7 to 14.9 of *Blue Book 1997*.) Capital stock figures are valued on a current replacement cost basis as opposed to the market value basis used in the balance sheets. The present estimates are based on the Perpetual Inventory Method (PIM). Full details of this method can be found in earlier articles in *Economic Trends*⁵. Because of the need to rebase capital stock estimates onto a 1995 basis, and because of other changes needed to bring the methodology up to date, it was not possible to publish figures in the 1998 *Blue Book*. However future plans include the publication in *Blue Book 1999* of improved estimates based on new assumptions of the length of service lives of assets. Subject to the availability of resources, the ONS is also planning from next year to make some direct collection of data from industry with a view to supplementing the estimates obtained from the PIM model. This will be done with the minimum possible inconvenience to industry.

The Tables

The figures in the attached tables include no major changes to methodology but have been brought on to an ESA95 basis, consistent with the rest of the UK National Accounts. For convenience we are also showing net financial assets/liabilities and total net worth. This new system of national accounts is based on the System of National Accounts 1993 (SNA93), sponsored by all the major international economic organisations, which is being adopted world-wide. They include some new data, some revisions (mainly following revisions in the main *Blue Book* accounts), and some correction of past errors. We are also including figures of net financial wealth, and total net wealth for each sector.

The main changes as a result of this reclassification are as follows:-

1. **Sectorisation changes**⁶ - The new sectors under ESA95 are:

- Non-financial Corporations (including Public Non-financial Corporations);
- Financial Corporations (including Monetary Financial Institutions (MFIs); Other Financial Intermediaries and Financial Auxiliaries; and Insurance Corporations and Pension Funds);
- Public Sector (comprised of Central Government, Local Government and Public Non-financial Corporations);
- Households and Non-profit Institutions Serving Households (Personal sector);
- Rest of the World (Overseas sector - not applicable to non-financial balance sheets);
- Quasi-corporations are a new sub-sector. They consist of partnerships. Previously partnerships were included in the Personal Sector, but under ESA95 they are a component of Private Non-financial Corporations.

2. New Classes of Tangible Produced assets:-

- **Agriculture** - Dairy cattle and breeding stock of pigs and cattle are included as fixed assets for the first time;
- **Dual military use** - Military equipment with a dual (civilian) use, e.g. hospitals, docks, emergency vehicles, are included as fixed assets for the first time.

3. New Classes of Intangible Produced Assets:-

Non-marketable tenancy rights of households were the only intangible assets previously included in the accounts. The new ESA95 introduces *other intangible assets*, which include:-

- **Computer software** - Major items of computer software, whether bought in or produced on own account;
- **Artistic originals** - Scope is limited to assets held by media, film, publishing and recording industries;
- **Mineral exploration**- This covers the cost of exploring for potential mineral assets.

Although included in ESA95, the UK balance sheets currently exclude the following assets:-

1. **Sub-soil assets** - e.g. oil, natural gas, minerals and water.
2. **Valuables** - The ESA95 describes valuables as "produced assets ... held *primarily* as stores of value"⁷. This definition raises certain conceptual issues which need to be resolved.

One of the major considerations is whether to value the contents of museums, national art galleries etc. in terms of a store of value, rather than as a store of culture.

3. **Historic monuments** - These are not currently included as they are very difficult to value. It is intended that estimates for historic monuments will be included in future balance sheets, when valuations are available.

Users of these tables should note that the CDIDs for all balance sheet figures have changed as a result of the re-classification to ESA95.

Tables are not given for *all* sectors outlined under ESA95. *Monetary Financial Institutions, Other Financial Intermediaries, and Insurance Companies and Pension Funds* have been aggregated under the wider heading of *Financial Corporations*. Although part of *Non-financial Corporations, Public Non-financial Corporations* are shown in a table on their own as they also form part of the *Public Sector*. Data for *Households and Non-profit Institutions Serving Households (NPISHs)* are shown together, although it is intended that they will be shown separately in the future. A table showing the total non-financial balance sheet by sector has also been included.

Tables cover the time period 1987 to 1997. As yet ESA95, classification, and other changes have not been taken back for balance sheets before 1987. It is intended that full back data on an ESA95 basis will be produced in the future, when the methodological improvements are incorporated fully.

The Changes

The table below shows the revisions to these estimates for 1996 from their last publication in BB97. One of the more significant changes in the "other assets" category is an increase of £87.2 b in the estimate for residential buildings for 1996.

Analysis of Changes to 1996 Data from Figures Published in BB97

All Sectors	£b		
	Old BB97	New	Change
Tangible Assets ESA95 Changes	Not included	67.3	67.3
Intangible Assets ESA95 Changes	Not Included	38.3	38.3
Other Assets	2793.6	2908.8	115.2
Total	2793.6	3014.4	220.8

Further information on balance sheet and other National Accounts data can be found on the ONS web site at: <http://www.ons.gov.uk>.

Footnotes

- 1 *In addition to the author, the other members of the project team are Alex Clifton-Fearnside and Paul McLaughlin. I am grateful for their assistance in preparing this article.*
- 2 *National and Sector Balance Sheets by CGE Bryant, Economic Trends No. 403, May 1987*
- 3 *European System of Accounts 1995 [Office for the official publications of the European Communities]*
- 4 *Developing the Public Sector Balance Sheet by Andrew Holder, Economic Trends, No. 540, November 1998*
- 5 *Revised Estimates of the Consumption and Stock of Fixed Capital by Tom Griffin, Economic Trends No. 264, October 1975; and The Stock of Fixed Assets in the UK: How to make the best use of the statistics by Tom Griffin, Economic Trends No. 276, October 1976*
- 6 *A full description of the new sectors, and their sub-sectors, can be found in UK Concepts, Sources and Methods 1998, Chapter 1, and in Financial Statistics Explanatory Handbook 1999, section C.*
- 7 *ESA95, Annex 7.1*

1 National balance sheet Sector totals: summary of net worth¹

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Households & NPISHs ²	CGRC	1 606.9	1 989.3	2 240.9	2 209.3	2 321.4	2 373.8	2 687.4	2 591.7	2 814.6	3 077.2	3 579.7
Financial Corporations	CGRU	31.1	43.3	34.3	36.1	39.1	33.7	-9.1	-2.1	-44.1	-62.1	-212.2
Non-financial corporations ³	CGRV	271.3	333.8	291.0	244.9	148.0	91.0	-20.2	27.6	-86.9	-147.6	-333.9
Public non-financial corporations	CGRW	101.8	106.7	80.9	49.2	42.5	46.6	49.2	50.1	57.7	50.7	51.9
General government ⁴	CGRX	203.2	268.3	303.6	294.1	276.8	205.2	135.0	126.0	88.1	89.7	69.8
Central government	CGRY	39.5	69.9	95.1	98.2	88.7	29.3	-45.7	-51.8	-94.0	-112.8	-140.3
Local government	CGRZ	163.7	198.3	208.6	195.9	188.1	175.9	180.7	177.9	182.0	202.4	210.0
Public sector ⁵	CGTY	305.0	375.0	384.6	343.3	319.2	251.8	184.3	176.1	145.8	140.4	121.6
UK total economy	CGDA	2 112.6	2 634.6	2 869.9	2 784.3	2 785.2	2 703.7	2 793.1	2 743.3	2 771.6	2 957.3	3 103.3

2 National balance sheet Asset totals

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGLK	895.1	1 202.5	1 291.1	1 270.6	1 267.2	1 195.7	1 214.9	1 200.8	1 219.4	1 332.3	1 451.3
Agricultural assets	CGMP	41.5	47.5	54.1	47.8	46.6	44.6	49.4	51.4	59.6	62.6	57.6
Commercial, industrial and other buildings	CGMU	364.7	484.7	557.3	525.0	501.4	465.0	481.4	463.4	438.4	459.3	482.4
Civil engineering works	CGQZ	187.6	215.7	230.2	223.9	224.0	217.0	218.6	226.8	244.6	265.4	282.0
Plant and machinery	CGRA	278.0	295.9	323.5	349.5	366.3	388.4	398.8	402.9	421.4	434.0	445.3
Vehicles, including ships, aircraft, etc	CGRB	38.1	45.1	49.5	49.6	48.1	47.9	50.4	55.6	56.7	58.3	61.8
Stocks and work in progress	CGRD	99.0	110.2	120.0	119.1	116.3	116.3	119.1	126.7	136.4	140.4	143.9
Total tangible assets	CGRE	1 903.9	2 401.6	2 625.7	2 585.6	2 570.0	2 474.9	2 532.6	2 527.6	2 576.5	2 752.2	2 924.5
Intangible assets:												
Non-marketable tenancy rights	CGRF	138.0	159.4	167.5	177.8	179.4	171.4	188.4	157.3	150.6	168.7	173.8
Other intangible assets	CGRG	20.3	22.7	25.6	29.2	32.7	34.8	35.7	36.2	37.0	38.3	38.7
Total intangible assets	CGRH	158.3	182.1	193.1	207.0	212.1	206.2	224.1	193.4	187.5	206.9	212.6
Total non-financial assets	CGJB	2 062.3	2 583.6	2 818.8	2 792.6	2 782.1	2 681.1	2 756.7	2 721.0	2 764.0	2 959.1	3 137.1
Total net financial assets/liabilities	NQFT	50.3	51.0	51.0	-8.2	3.1	22.5	36.4	22.2	7.6	-1.9	-33.7
Total net worth¹	CGDA	2 112.6	2 634.6	2 869.9	2 784.3	2 785.2	2 703.7	2 793.1	2 743.3	2 771.6	2 957.3	3 103.3

1 Net worth was previously defined as *net wealth*.

2 Non-profit institutions serving households.

3 Including public non-financial corporations, and quasi-corporations.

4 Central government plus local government.

5 General government plus public non-financial corporations.

3 Households & non-profit institutions serving households (NPISHs)

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGRI	796.4	1 084.6	1 172.5	1 158.7	1 157.5	1 091.3	1 115.9	1 113.1	1 129.8	1 232.9	1 354.3
Agricultural assets	CGRJ	32.1	37.0	42.8	37.4	35.5	32.7	37.1	39.3	45.7	47.3	45.8
Commercial, industrial and other buildings	CGRK	35.3	40.9	42.8	41.9	38.8	36.7	36.1	36.2	34.2	34.5	35.7
Civil engineering works	CGRL	1.3	1.7	1.7	1.9	1.7	1.4	1.5	1.4	1.6	1.6	1.6
Plant and machinery	CGRM	13.1	14.2	15.8	17.2	18.4	19.9	21.6	22.9	24.5	26.0	25.7
Vehicles, including ships, aircraft, etc	CGRN	4.0	5.1	5.4	5.4	5.2	5.0	4.8	4.8	4.5	4.9	4.4
Stocks and work in progress	CGRO	9.7	11.1	12.3	12.0	12.0	12.0	12.5	13.6	14.4	14.5	15.0
Total tangible assets	CGRP	891.9	1 194.6	1 293.2	1 274.4	1 269.0	1 199.1	1 229.5	1 231.2	1 254.8	1 361.6	1 482.5
Intangible non-financial assets												
Non-marketable tenancy rights	CGRQ	138.0	159.4	167.5	177.8	179.4	171.4	188.4	157.3	150.6	168.7	173.8
Other intangible assets	CGRS	0.3	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Total intangible assets	CGRT	138.3	159.7	167.9	178.2	179.9	172.0	189.0	157.9	151.2	169.3	174.5
Total non-financial assets	CGCZ	1 030.2	1 354.3	1 461.1	1 452.7	1 449.0	1 371.1	1 418.5	1 389.1	1 405.9	1 530.9	1 656.9
Total net financial assets/liabilities	NZEA	576.8	635.1	779.9	756.6	872.4	1 002.7	1 269.0	1 202.6	1 408.6	1 546.3	1 922.7
Total net worth⁶	CGRC	1 606.9	1 989.3	2 240.9	2 209.3	2 321.4	2 373.8	2 687.4	2 591.7	2 814.6	3 077.2	3 579.7

4 Financial corporations

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGUD	1.2	1.0	1.2	3.6	6.6	6.1	4.0	1.9	1.8	1.1	1.1
Agricultural assets	CGUE	0.6	0.6	0.7	0.6	0.6	0.5	0.6	0.7	0.8	0.8	0.8
Commercial, industrial and other buildings	CGUF	57.4	72.6	83.4	80.6	75.2	68.4	73.8	78.5	73.3	74.2	88.7
Civil engineering works	CGUG	—	—	—	—	—	—	—	—	—	—	—
Plant and machinery	CGUH	8.4	9.3	10.7	12.0	15.4	16.4	17.1	18.4	20.1	21.7	22.6
Vehicles, including ships, aircraft, etc	CGUI	4.9	6.4	7.2	5.8	5.8	5.5	4.5	3.5	3.1	2.5	2.2
Stocks and work in progress	CGUO	—	—	—	—	—	—	—	—	—	—	—
Total tangible assets	CGUP	72.5	89.9	103.3	102.6	103.6	97.0	100.0	102.9	99.1	100.4	115.4
Intangible non-financial assets												
Non-marketable tenancy rights	CGUQ	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGUR	0.9	1.1	1.3	1.6	1.9	2.1	2.1	2.1	2.0	2.1	1.1
Total intangible assets	CGUS	0.9	1.1	1.3	1.6	1.9	2.1	2.1	2.1	2.0	2.1	1.1
Total non-financial assets	CGDB	73.4	91.0	104.6	104.2	105.5	99.1	102.1	105.0	101.2	102.5	116.5
Total financial assets/liabilities	NYOE	-42.3	-47.7	-70.3	-68.1	-66.4	-65.4	-111.3	-107.1	-145.3	-164.6	-328.8
Total net worth⁶	CGRU	31.1	43.3	34.3	36.1	39.1	33.7	-9.1	-2.1	-44.1	-62.1	-212.2

⁶ Net worth was previously defined as *net wealth*.

5 Non-financial corporations⁷

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGUT	18.5	24.6	23.4	21.1	20.5	19.8	17.4	16.2	16.3	17.7	19.4
Agricultural assets	CGUU	6.7	7.3	7.8	7.4	8.3	9.4	9.4	9.0	10.5	11.8	8.3
Commercial, industrial and other buildings	CGUV	172.2	256.5	309.9	282.4	272.3	257.9	279.8	258.6	240.2	253.5	256.2
Civil engineering works	CGUW	80.4	86.9	94.3	90.0	92.5	97.8	93.4	89.4	93.8	98.1	102.8
Plant and machinery	CGUX	242.6	257.0	279.8	301.3	312.6	331.1	337.8	338.6	355.3	366.3	377.2
Vehicles, including ships, aircraft, etc	CGUY	17.8	20.5	22.1	23.0	22.5	23.5	27.3	32.6	33.2	33.9	38.2
Stocks and work in progress	CGUZ	88.5	98.6	107.4	106.7	103.8	103.8	106.1	112.9	121.8	125.7	128.5
Total tangible assets	CGVA	626.7	751.5	844.5	831.9	832.5	843.3	871.2	857.2	871.2	907.0	930.6
Intangible non-financial assets												
Non-marketable tenancy rights	CGVB	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGVC	18.6	20.7	23.3	26.4	29.3	31.0	31.8	32.3	33.2	34.3	35.6
Total intangible assets	CGVE	18.6	20.7	23.3	26.4	29.3	31.0	31.8	32.3	33.2	34.3	35.6
Total non-financial assets	CGES	645.3	772.2	867.8	858.2	861.8	874.3	903.0	889.5	904.4	941.3	966.2
Total net financial assets/liabilities	NYOM	-374.0	-438.5	-576.9	-613.3	-713.8	-783.3	-923.2	-861.9	-991.3	-1 088.8	-1 300.1
Total net worth⁸	CGRV	271.3	333.8	291.0	244.9	148.0	91.0	-20.2	27.6	-86.9	-147.6	-333.9

6 Public non-financial corporations

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGVF	4.9	6.0	6.1	5.7	5.2	4.7	4.8	4.9	5.1	5.3	5.5
Agricultural assets	CGVG	0.5	0.6	0.7	0.6	0.5	0.5	0.6	0.6	1.1	1.3	1.3
Commercial, industrial and other buildings	CGVE	10.4	10.6	12.0	10.2	13.0	18.4	24.7	29.2	31.3	32.3	34.1
Civil engineering works	CGVI	49.2	52.4	24.0	12.6	12.1	12.2	10.7	8.2	7.5	7.6	8.0
Plant and machinery	CGVJ	50.9	52.2	53.8	32.5	24.1	23.6	22.8	21.7	23.2	14.0	11.3
Vehicles, including ships, aircraft, etc	CGVK	3.4	3.2	3.3	3.4	3.5	3.7	4.0	4.5	4.6	0.4	0.4
Stocks and work in progress	CGVL	5.2	5.4	4.7	2.1	2.2	2.2	2.0	1.7	1.5	1.4	1.4
Total tangible assets	CGVM	124.5	130.5	104.7	67.0	60.7	65.4	69.7	70.8	74.4	62.3	61.9
Intangible non-financial assets												
Non-marketable tenancy rights	CGVN	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGVO	0.9	0.9	1.0	1.2	1.3	1.5	1.8	2.2	2.7	3.3	3.8
Total intangible assets	CGVP	0.9	0.9	1.0	1.2	1.3	1.5	1.8	2.2	2.7	3.3	3.8
Total non-financial assets	CGGN	125.4	131.5	105.7	68.2	62.1	66.9	71.5	73.0	77.1	65.6	65.7
Total net financial assets/liabilities	NYOP	-23.6	-24.7	-24.7	-19.0	-19.6	-20.3	-22.2	-22.9	-19.3	-14.9	-13.9
Total net worth⁸	CGRW	101.8	106.7	80.9	49.2	42.5	46.6	49.2	50.1	57.7	50.7	51.9

⁷ Including public non-financial corporations, and quasi-corporations.

⁸ Net worth was previously defined as *net wealth*.

7 General government⁹

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGVQ	79.0	92.3	94.0	87.2	82.6	78.4	77.6	69.6	71.5	80.5	76.6
Agricultural assets	CGVR	2.2	2.6	2.8	2.4	2.2	1.9	2.3	2.5	2.6	2.6	2.7
Commercial, industrial and other buildings	CGVS	99.7	114.7	121.2	120.2	115.2	102.0	91.7	90.1	90.6	97.0	101.8
Civil engineering works	CGVT	105.9	127.1	134.3	132.1	129.8	117.8	123.7	136.0	149.2	165.7	177.6
Plant and machinery	CGVU	13.9	15.4	17.3	19.0	19.9	21.0	22.3	23.0	21.4	20.1	19.9
Vehicles, including ships, aircraft, etc	CGVV	11.3	13.1	14.8	15.3	14.6	13.8	13.8	14.7	15.8	16.9	17.1
Stocks and work in progress	CGVW	0.8	0.4	0.3	0.4	0.6	0.6	0.5	0.3	0.1	0.3	0.4
Total tangible assets	CGVX	312.9	365.5	384.6	376.6	364.8	335.5	331.9	336.2	351.4	383.2	396.1
Intangible non-financial assets												
Non-marketable tenancy rights	CGVY	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGVZ	0.5	0.6	0.7	0.9	1.1	1.2	1.2	1.2	1.2	1.2	1.3
Total intangible assets	CGWA	0.5	0.6	0.7	0.9	1.1	1.2	1.2	1.2	1.2	1.2	1.3
Total non-financial assets	CGIX	313.4	366.2	385.3	377.5	365.9	336.7	333.2	337.4	352.5	384.4	397.4
Total net financial assets/liabilities	NYOG	-110.2	-97.9	-81.7	-83.4	-89.1	-131.5	-198.1	-211.4	-264.5	-294.7	-327.6
Total net worth¹⁰	CGRX	203.2	268.3	303.6	294.1	276.8	205.2	135.0	126.0	88.1	89.7	69.8

8 Central government

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGWB	2.5	3.0	3.1	2.8	2.5	2.3	2.4	2.5	2.5	2.5	1.1
Agricultural assets	CGWC	1.1	1.2	1.2	1.0	0.9	0.8	0.9	1.1	0.9	1.0	1.0
Commercial, industrial and other buildings	CGWD	46.5	54.3	55.6	55.6	53.1	45.4	36.3	35.4	37.4	41.3	43.3
Civil engineering works	CGWE	33.5	38.7	42.3	43.4	42.0	39.8	40.6	46.2	53.5	60.4	65.9
Plant and machinery	CGWF	9.8	10.9	12.3	13.6	14.4	15.4	16.5	17.1	15.6	15.9	15.9
Vehicles, including ships, aircraft, etc	CGWG	10.6	12.2	13.9	14.4	13.7	13.0	13.0	13.9	15.1	16.2	16.5
Stocks and work in progress	CGWH	0.8	0.4	0.3	0.4	0.6	0.6	0.5	0.3	0.1	0.3	0.4
Total tangible assets	CGWI	104.7	120.7	128.7	131.3	127.2	117.1	110.3	116.5	125.2	137.6	144.0
Intangible non-financial assets												
Non-marketable tenancy rights	CGWJ	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGWK	0.3	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Total intangible assets	CGWL	0.3	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Total non-financial assets	CGIY	105.0	121.0	129.0	131.8	127.8	117.7	110.9	117.1	125.8	138.2	144.7
Total net financial assets/liabilities	NZDZ	-65.4	-51.1	-34.0	-33.6	-39.1	-88.4	-156.6	-168.9	-219.7	-251.0	-284.9
Total net worth¹⁰	CGRY	39.5	69.9	95.1	98.2	88.7	29.3	-45.7	-51.8	-94.0	-112.8	-140.3

⁹ Central government plus local government.

¹⁰ Net worth was previously defined as *net wealth*.

9 Local government

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGWM	76.5	89.3	90.9	84.4	80.1	76.1	75.2	67.1	69.0	78.0	75.5
Agricultural assets	CGWN	1.1	1.3	1.6	1.4	1.3	1.1	1.3	1.4	1.6	1.7	1.7
Commercial, industrial and other buildings	CGWO	53.3	60.5	65.6	64.6	62.1	56.6	55.4	54.7	53.2	55.7	58.5
Civil engineering works	CGWP	72.4	88.4	92.0	88.7	87.8	78.0	83.1	89.8	95.7	105.3	111.7
Plant and machinery	CGWQ	4.1	4.4	5.0	5.4	5.4	5.6	5.9	5.9	5.9	4.1	4.0
Vehicles, including ships, aircraft, etc	CGWR	0.8	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.6
Stocks and work in progress	CGWS	—	—	—	—	—	—	—	—	—	—	—
Total tangible assets	CGWT	208.2	244.8	255.9	245.3	237.6	218.3	221.7	219.8	226.2	245.5	252.0
Intangible non-financial assets												
Non-marketable tenancy rights	CGWU	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGWV	0.3	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Total intangible assets	CGWW	0.3	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Total non-financial assets	CGIZ	208.4	245.2	256.3	245.8	238.1	218.9	222.3	220.4	226.8	246.1	252.7
Total net financial assets/liabilities	NYOJ	-44.8	-46.8	-47.7	-49.8	-50.0	-43.1	-41.6	-42.5	-44.8	-43.7	-42.7
Total net worth¹¹	CGRZ	163.7	198.3	208.6	195.9	188.1	175.9	180.7	177.9	182.0	202.4	210.0

10 Public sector¹²

£ billion at end year

		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-financial assets												
Tangible assets:												
Residential buildings	CGWX	83.9	98.3	100.1	92.9	87.8	83.1	82.4	74.5	76.6	85.8	82.0
Agricultural assets	CGWY	2.7	3.1	3.5	3.0	2.8	2.4	2.8	3.1	3.7	3.9	4.0
Commercial, industrial and other buildings	CGWZ	110.1	125.3	133.2	130.4	128.2	120.4	116.5	119.3	122.0	129.3	135.9
Civil engineering works	CGXA	155.1	179.5	158.3	144.7	141.9	130.0	134.5	144.2	156.8	173.4	185.6
Plant and machinery	CGXB	64.9	67.6	71.1	51.5	44.0	44.6	45.1	44.7	44.6	34.1	31.2
Vehicles, including ships, aircraft, etc	CGXC	14.8	16.3	18.1	18.7	18.1	17.6	17.8	19.2	20.4	17.3	17.5
Stocks and work in progress	CGXD	6.0	5.8	5.0	2.5	2.7	2.8	2.5	2.0	1.7	1.7	1.8
Total tangible assets	CGXE	437.4	496.1	489.3	443.7	425.6	400.8	401.6	407.0	425.8	445.5	457.9
Intangible non-financial assets												
Non-marketable tenancy rights	CGXF	—	—	—	—	—	—	—	—	—	—	—
Other intangible assets	CGXG	1.4	1.5	1.7	2.0	2.4	2.7	3.0	3.4	3.8	4.5	5.2
Total intangible assets	CGXH	1.4	1.5	1.7	2.0	2.4	2.7	3.0	3.4	3.8	4.5	5.2
Total non-financial assets	CGJA	438.8	497.6	491.0	445.7	428.0	403.5	404.6	410.4	429.6	450.0	463.1
Total net financial assets/liabilities	CGSA	-133.8	-122.6	-106.4	-102.4	-108.7	-151.8	-220.3	-234.3	-283.8	-309.6	-341.5
Total net worth¹¹	CGTY	305.0	375.0	384.6	343.3	319.2	251.8	184.3	176.1	145.8	140.4	121.6

¹¹ Net worth was previously defined as *net wealth*.

¹² General government plus public non-financial corporations.

Developing the Public Sector Balance Sheet



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Introduction

The Government's adoption of the golden rule has increased the importance of distinguishing between current and capital spending, and the Government has signalled its interest in looking at the public sector balance sheet. This article discusses the public sector balance sheet and how it could fit into the Government's fiscal policy framework:

- section 1 describes the balance sheet data presently available and recent trends in public sector assets and liabilities;
- section 2 outlines the Government's fiscal policy framework and discusses how the balance sheet might fit into that framework, which raises issues of how the balance sheet is measured and what should be included;
- finally, section 3 concludes with a look at how the balance sheet is being developed to meet more fully the requirements of fiscal policymakers.

Section 1 - The public sector balance sheet

National and sectoral balance sheets for the UK are published by the ONS, usually in the *Blue Book*¹. They were first produced for 1975, although it was only relatively recently that they were produced on an annual basis.

As well as showing the balance between assets and liabilities, the public sector balance sheet also provides useful information on how those assets and liabilities are distributed. Most of the public sector's holdings of non-financial assets is accounted for by buildings and civil engineering works, which includes roads. Government securities (gilts) account for over half of public sector financial liabilities², which is not surprising as these are the main

way in which the Government borrows, with National Savings being the second largest single liability.

Table 1 shows the public sector balance sheet for the end of 1997, when the public sector was estimated to hold non-financial assets of £463 billion and net financial liabilities of £341 billion. The balance between these, public sector net worth, was £122 billion. The net financial liability of the public sector is reasonably close to the figures for net public sector debt that are usually shown in Budget documents.

Recent trends in the public sector balance sheet

Chart 1 below shows recent trends in public sector non-financial assets, net financial assets and total net worth. From 1988, public sector net worth fell consistently relative to national income, reflecting two main developments:

- increasing net financial liabilities due to the deterioration in the public finances as the economy went into recession, which was reflected in a worsening of the net financial position in the early 1990s; and
- a fall in total non-financial assets, reflecting both falling land prices and the effect of privatisation whereby public corporations' non-financial assets were transferred to the private sector.

Some of these factors also show up in the division of public sector net worth between central government, local government and public non-financial corporations:

- central government net worth fell sharply as borrowing increased in the early 1990s - the effects on net worth of high government borrowing in earlier years are likely to have been offset to some degree by inflation eroding the real value of government debt;

Table 1 Public sector balance sheet - December 1997

	£ billion		£ billion
Tangible Assets		Financial liabilities	
Residential buildings	82	Gilts	319
Other buildings	136	National savings	63
Civil engineering works	186	Other securities	18
Plant and machinery	31	Loans	87
Other assets	22	Other liabilities	37
	458		524
Intangible Non-financial Assets	5		
Total Non-financial Assets	463		
Financial Assets			
Currency and deposits	32		
Securities other than shares	19		
Loans	77		
Shares and other equity	8		
Other financial assets	47		
	183	Public sector net worth	122
	646		646

Source: ONS

- local government net worth rose during the late 1980s and fell during the early 1990s, which largely reflects the effects of movements in the prices of land and buildings - including both roads and council housing; and
- public non-financial corporations' net worth fell through much of the 1980s, reflecting the effect of privatisation in transferring assets to the private sector.

Looking at the composition of tangible assets owned by the public sector also picks up similar influences:

- there has been a reasonably steady decline in the public sector's holdings of both commercial industrial and other buildings and plant and machinery, reflecting the effects of privatisation and the reduced involvement of the state in activities requiring these sorts of assets;
- movements in residential buildings seem mainly to follow significant trends in house prices; and

- civil engineering works showed a sharp drop at the end of the 1980s, due largely to the effects of falling land prices and the privatisation of the water utilities.

National and public sector balance sheets

Public sector net worth only accounts for a relatively small proportion of national net worth.

Table 2 National balance sheet - December 1997

Net worth by sector	£ billion
Public sector	122
o/w Central government	-140
Local government	210
Public non-financial corporations	52
Households and non-profit institutions serving households	3580
Private non-financial corporations	-386
Financial corporations	-212
National net worth	3103

Source: ONS

Chart 1
Public sector net worth

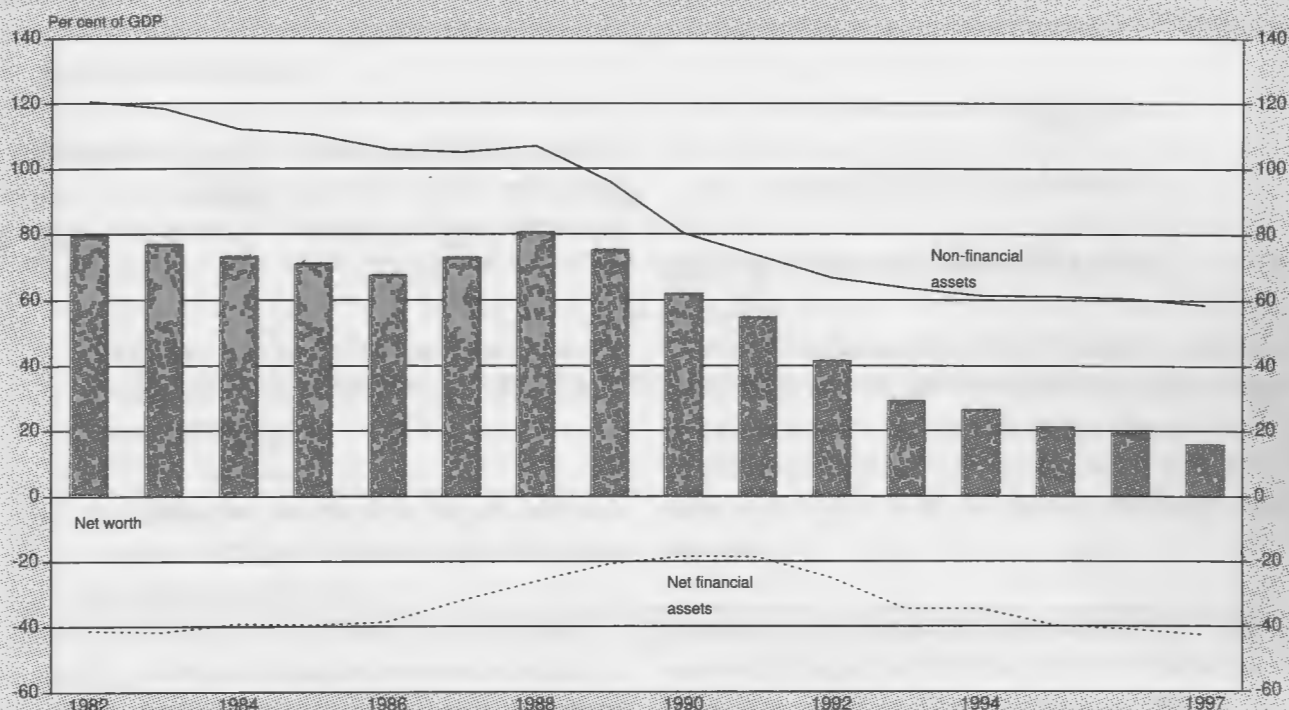


Table 2 summarises the composition of national net worth, the difference between assets and liabilities, by sector.

The sectoral breakdown shows very large personal sector net worth, and net liabilities for the company sector and for central government. This pattern reflects a number of factors:

- the personal sector, including the value of life assurance and pension funds, holds most debt issued by UK companies and the UK government; and
- almost all public borrowing is undertaken by central government, so appearing as a liability on the central government balance sheet even when it was supporting spending by public non-financial corporations or by local government.

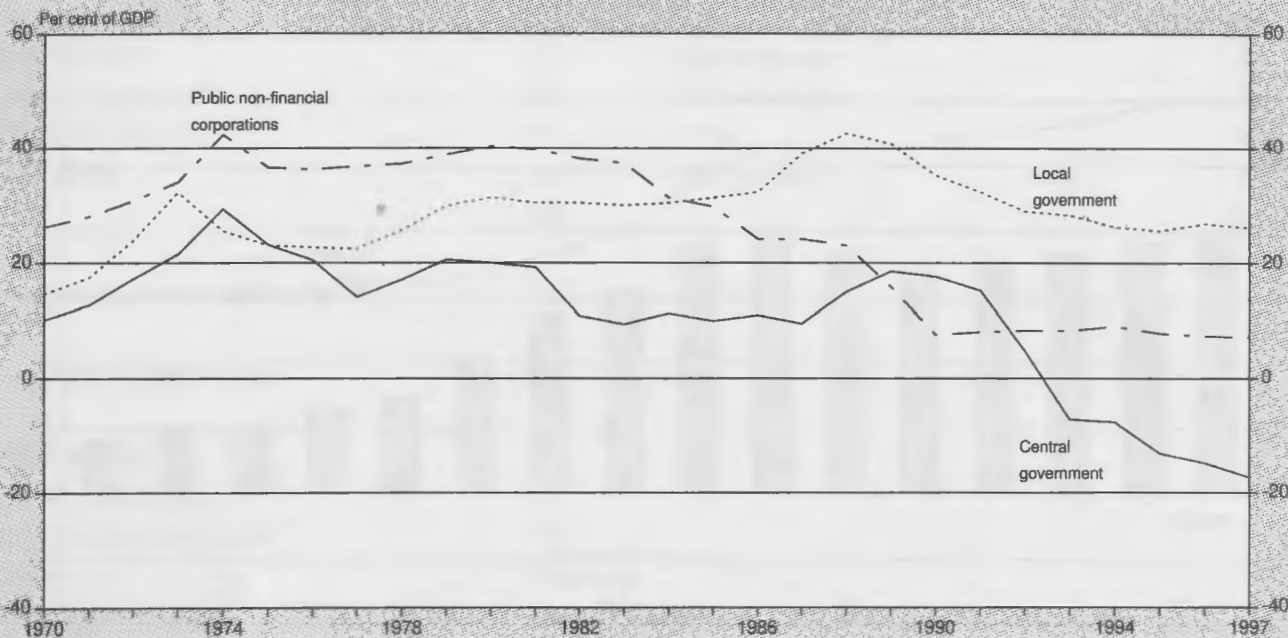
These items, however, are netted out when looking at the national picture, and do not show up in assets and liabilities that make up the national balance sheet, shown in Table 3.

Table 3 National balance sheet - December 1997

	£ billion	£ billion
Residential buildings	1451	
Commercial, industrial and other buildings	482	
Civil engineering works	282	
Plant and machinery	445	
Stocks and work in progress	144	
Other tangible assets	119	
Tangible assets		2924
Intangible non-financial assets		213
Currency and deposits	854	
Securities other than shares	360	
Loans	276	
Shares and other equity	472	
Other assets	23	
Assets with rest of the world		1985
Currency and deposits	955	
Securities other than shares	295	
Loans	404	
Shares and other equity	353	
Other liabilities	15	
Liabilities with rest of the world		2022
Total net worth of the UK		3103

Source: ONS

Chart 2
Total net worth



With external financial assets and liabilities virtually in balance, national net worth is very close to the sum of tangible and intangible non-financial assets.

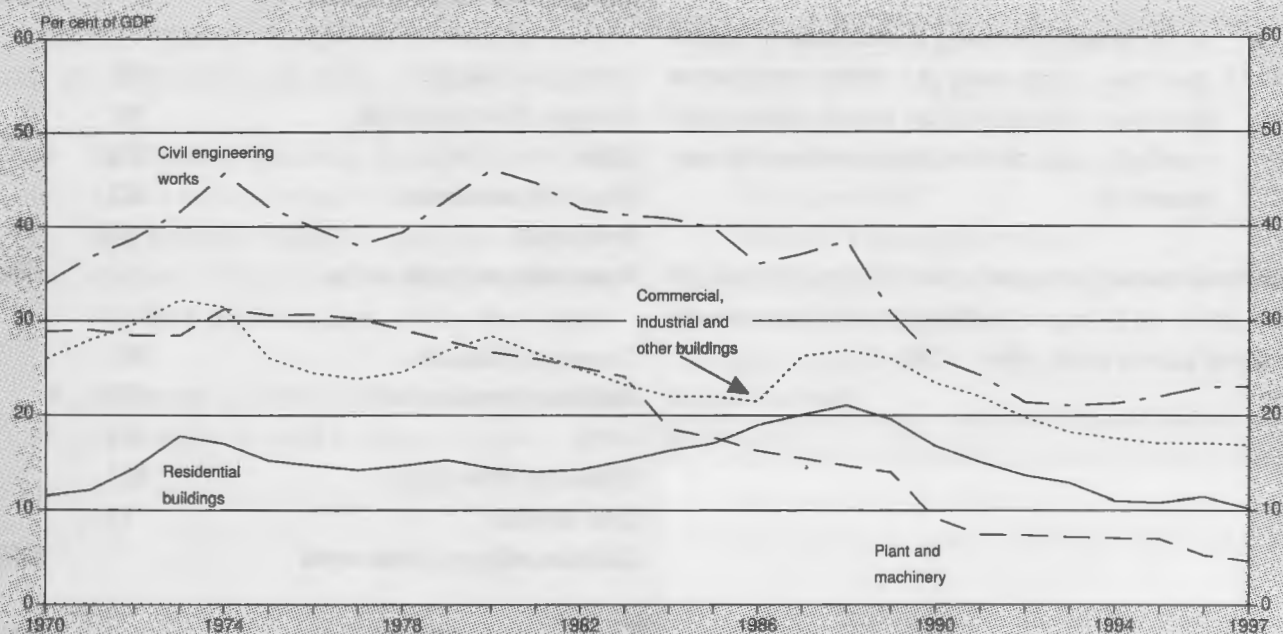
Section 2 - Balance sheets and fiscal policy

The Government's central economic objective is high and stable levels of growth and employment. In the *Economic and Fiscal Strategy Report*, published in June 1998, the Government

indicated that "economic stability - based on low inflation and sound public finances - is a key platform of the Government's economic policy". It also noted that "part of the UK's relatively poor growth performance can be attributed to macroeconomic instability".

A central theme of the Government's approach to macroeconomic policy is to promote greater transparency and openness. The Government has made major changes to both the monetary policy framework - giving the Bank of England's Monetary Policy

Chart 3
Public Sector tangible assets



Committee operational responsibility for setting interest rates - and the fiscal policy framework, including setting strict fiscal rules and the introduction of the Code for Fiscal Stability.

The fiscal policy framework

An important feature of the Government's approach to fiscal policy is making a clear distinction between current and capital spending^{3,4}. This distinction is recognised in the two rules that govern fiscal policy:

- the **golden rule**: over the economic cycle, the Government will only borrow to invest and not to fund current expenditure; and
- the **sustainable investment rule**: net public debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level.

Both of the fiscal rules are to be applied over the economic cycle, in recognition of the significant effect of cyclical fluctuations on the public finances⁵. They focus on the whole of the public sector, because the debts of any part of the public sector could ultimately fall on the taxpayer.

The golden rule recognises that worthwhile capital spending by government provides benefits for both current and future generations. It aims to match more closely over time the costs and benefits of public spending, so that taxpayers bear the cost of the public services they consume. It also aims to end the bias against investment that had been a feature of the previous framework, with investment being cut back because that offered an easier target for spending cuts than reducing current spending.

The sustainable investment rule recognises that borrowing for public investment must be constrained by the need to ensure that debt remains at prudent levels. The *Economic and Fiscal Strategy Report* noted that the Government believes that, other things being equal, it is desirable that net public sector debt should be reduced to below 40 per cent of GDP over the economic cycle.

The Code for Fiscal Stability has established the framework within which fiscal policy (including debt management policy) will operate. The Code was introduced to improve the conduct of fiscal policy and the management of the public finances, building on the openness, transparency and accountability that already characterises the framework for monetary policy. It was published in March 1998⁶, and was given the force of law in the subsequent

Finance Bill. In particular, the Code requires the Government to commit to:

- a set of commonsense principles of fiscal management;
- more transparent fiscal reporting; and
- use of best practice accounting methods.

How balance sheets can help fiscal policy

For many years, fiscal policy in the UK focused on questions of sustainability, with the primary indicators being public sector borrowing and debt. This approach concentrates on only one of the many different facets of fiscal policy, which acts upon the economy through both macroeconomic and microeconomic channels.

Even in the purely macroeconomic context, there is no single ideal measure of the fiscal stance which can capture all the mechanisms in play. At various times, we might look for indicators of:

- fiscal sustainability: would present tax and spending policies mean that public borrowing remains under control?
- the impact on the economy: changes in both the balance between tax and spending and the disposition of public sector assets and liabilities will have effects on the wider economy; and
- the intergenerational impact of fiscal policy: how will the net burden of tax and transfers borne by the current generation compare with that borne by future generations?

Balance sheet data provide useful information about the form in which the public sector holds its assets⁷ and liabilities. Over time, we can look at not only the balance between assets and liabilities, but which particular assets and liabilities are changing.

Even when looking only at sustainability, balance sheets can provide a richer indicator than the more usual borrowing and debt figures, because they take account of changes in government assets as well as liabilities. For instance, the decline in the net public debt ratio for much of the 1980s was more than matched by a decline in the measured ratio of public sector assets to GDP, so that it was only in 1987 and 1988 that public sector net worth (including tangible assets) rose relative to GDP.

There is a close link between net worth and the golden rule. If a government borrows only to finance investment, then any new debt will be matched by an increase in government assets, leaving net worth broadly unchanged (as long as both net worth and the current balance are measured using reasonably consistent definitions of capital spending and depreciation).

Meeting the golden rule should therefore prevent large further falls in the level of public sector net worth (although not necessarily preventing a fall in the ratio of net worth to GDP). The sustainable investment rule places a constraint on the amount of investment that may be financed by borrowing, preventing an escalation of public debt that might cause difficulties (even if it was backed by a similar build up of public sector assets).

Some other countries already make use of balance sheet data more formally in their fiscal policy. For instance, New Zealand's Fiscal Responsibility Act includes an objective for net worth. To date, balance sheets have not played a large part in the UK fiscal policy framework. There are issues to be resolved concerning the measurement of assets and liabilities in the balance sheet; which items should be included in the balance sheet; and how to interpret the data. However, the UK Government has signalled its interest in looking at both sides of the public sector balance sheet⁸, rather than just public sector debt.

In the meantime, the Government is looking at ways of developing the usefulness of the public sector balance sheet. The advent of Resource Accounting and Budgeting presents a major opportunity in this respect, with the first resource accounts being published for the financial year 1999-2000. The Treasury is working with the Office for National Statistics on how best to use the information from RAB, and whole of government accounts, to improve the quality of data for public sector and national balance sheets.

Should other things be included?

The balance sheet data published in the *Blue Book* cover existing assets and liabilities. So, for instance, the balance sheet does

not take account of future liabilities faced by the Government, such as the effect of unfunded pension schemes. There is also a related question of how to deal with contingent liabilities and government guarantees, if at all, and how they might be valued.

Some have taken this argument to the full extent of wanting to include the discounted value of every future cash flow faced by the Government as a result of its current policies, even if many of the items on the balance sheet are quite uncertain⁹. Such a measure would include the existing measure of net worth as an "opening balance", but would also need to take into account future flows generated by present tax and spending policies.

Although the UK faces much less of a potential pension problem than other G7 countries, there is still a relevant argument that omitting this sort of information means that the balance sheet can only give a partial view of net worth. In principle, unfunded pensions could potentially impose a large burden on future generations, particularly in some developed countries¹⁰. It seems likely that the combined effect of unfunded public service pensions together with state pension schemes could still look large in relation to the present level of net worth and the annual balance on the current budget.

An attempt made by some to bridge the gap between the available data and more comprehensive measures is to include only estimates of "lumpy" items, where a significant stock of assets or liabilities is increasing or decreasing over time (North Sea oil revenues is a favourite example from the literature, although unfunded pension liabilities might be a more contemporary one). This would go some way towards improving the usefulness of reported net worth for fiscal policy purposes, but it is very much a compromise solution with its own problems. For instance, such a balance sheet might not properly reflect the effects of a policy change that happened to have offsetting effects on a lumpy, on-balance sheet item and a non-lumpy, off-balance sheet item - if, say, there were offsetting changes in (on balance sheet) pension provision and (off balance sheet) future tax liabilities.

Table 4 Public sector net worth and the current balance

£ billion	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Change in PSNW	5	48	70	10	-41	-24	-67	-67	-8	-30	-5	-19
Current balance	-4	-2	8	11	8	-4	-26	-37	-35	-28	-25	-8
Other	9	50	63	-1	-49	-20	-41	-30	-27	-3	20	-11

Source: ONS

At present, there is perhaps a greater argument for including unfunded pensions on a “past service” basis¹¹ in the balance sheet than for a fully comprehensive measure which includes all future payments and contributions. Unfunded pension liabilities on this basis share some characteristics with financial liabilities which are included in the balance sheet, such as government securities, insofar as there is a promise to meet pension rights that have already been earned.

The close link between the public sector balance sheet and the current balance means that the same definition should in principle be used for both the stock and the flow. The same conceptual problems affect both, and the difficulty of deciding what to include in the balance sheet is not avoided by focusing only on the current balance. So although the discussion here is framed in terms of balance sheets, the implication of choosing a very wide measure of net worth would be that the current balance should also include changes in discounted future spending and receipts. The present definition of the current budget for the purposes of the golden rule corresponds very closely to that set out in the national accounts¹², with the added advantage of making comparisons of international positions easier.

Measurement and valuation issues

The present balance sheet data are not particularly robust, especially those for tangible assets. Movements in net worth do not always correspond closely to the sort of policy influences that we would want a fiscal indicator to show.

In principle, the main influence on public sector net worth should be the balance on the public sector’s current budget - the difference between current receipts and expenditure. A surplus on current budget means that a government is financing current spending from current receipts and is adding to net worth, rather than by borrowing which would increase government liabilities and reduce net worth. The current budget is not affected by government borrowing to finance investment and there should be little or no effect on net worth, as the addition to the stock of public sector assets offsets the extra liability.

However, it does not take a very close look at the data (especially that for public sector tangible assets) to realise that there have been very large movements since the mid 1980s. Some of these, but by no means all, reflect specific policies which affect the composition of the balance sheet:

- privatisation reduces the stock of tangible assets, with in principle an offsetting reduction in the stock of financial liabilities;
- council house sales reduce the stock of residential buildings, and again in theory this should be offset by an improved net financial position.

Nevertheless, other changes in public sector balance sheets, and net worth in particular, correspond less closely to any change in fiscal policy. Table 4 compares the changes in public sector net worth over the last 10 years with the public sector current balance, which measures the extent to which the public sector borrows to finance current spending. We would expect the current balance to account for a significant part of changes in net worth, if both were measured consistently.

Some other possible influences on net worth include:

- the stock of gilts is recorded at market value, so that a fall in long-term interest rates has the effect of increasing government liabilities and reducing public sector net worth;
- asset valuation is not always straightforward where there is no market price: for example, a major component of the value of roads is the market value of the land on which they are built, which can introduce some quite strong relative price movements into the asset data;
- asset revaluations in line with inflation will affect net worth, but are not picked up in the current balance as presently defined; and
- privatisations may have had an effect on net worth insofar as the balance sheet valuation of the underlying assets was different from the privatisation proceeds that the government received.

Much of the non-financial asset data is constructed using the perpetual inventory method, which requires assumptions about the average life of each class of asset, or by using capitalised rateable values which rely on very infrequent valuations with interpolation between benchmarks using representative price indices. Neither method is likely to provide a particularly reliable

guide to the current asset position of the public sector - Bryant (1987) suggested estimates for the reliability of balance sheet data as plus or minus 10-20 per cent for central government and public non-financial corporations; and plus or minus 20 per cent for local government¹³. In some cases, these sorts of differences may reflect inappropriate rates of asset depreciation over the past. At other times, however, the differences reflect the underlying basis of valuation used in the balance sheet, relative to what might be consistent with other fiscal indicators.

In short, there is a need to refine the public sector balance sheet data before it becomes robust enough to play a more significant role in the fiscal policy framework. The ONS agrees that there is a need for a fundamental re-examination of both the methodology and the data used to compile not only public sector but also private sector non-financial balance sheets. The method of compilation described in Bryant (1987) made adequate use of the data then available, and produced estimates whose precision met the needs of the time. Since then, however, some benchmarks have become outdated, some assumptions have ceased to be applicable, and some data sources have become unavailable or less timely. The ONS has therefore started a project to produce non-financial balance sheets which are sufficiently robust to play a significant role in the fiscal policy framework.

Section 3 - Meeting the needs of fiscal policy

The principal requirement for fiscal policy purposes is a measure of the balance sheet that provides a reliable guide to the balance between public sector assets and liabilities; that relates well and in a systematic way to the other fiscal indicators; and that moves in line with known influences on the public finances. The concept of public sector net worth relates very closely to the golden rule and the public sector's surplus on current budget, so it is desirable that the current budget and the balance sheet should be measured in as consistent a way as possible.

The discussion above highlights how some of the influences on the balance sheet differ from those that affect the current budget. Some of these reflect the different bases for the two, and in particular the backward-looking nature of conventional balance sheets. Others, however, reflect aspects of the balance sheet valuation that would not be desirable in a fiscal policy indicator - for instance, we would not expect to make policy changes as a result of significant changes in public sector net worth due to changes in long-term interest rates.

This does not mean to say that the balance sheet must be measured in such a way that it only changes in line with the public sector's surplus on current account. Looking at the balance sheet requires policymakers to address questions such as what should be the ultimate aim of fiscal policy and how to take account of changes in relative asset prices in setting fiscal policy.

Publishing and monitoring balance sheet data are only the first stages of bringing balance sheets into the fiscal framework. Over the next few years, there will be the chance of significant improvements in the data quality - although it seems likely that there will still remain quite a long lag before data become available.

Resource accounting and budgeting¹⁴ will meet some of the short-term need for more robust data for central government departments. The Chartered Institute of Public Finance and Accountancy (CIPFA) now also produce analyses of local government balance sheets which seem likely to provide a valuable short-term improvement in the data for local authorities. Some work remains to be done before it is quite settled how all of this data is brought together into a form covering the whole of the public sector¹⁵. However, this offers scope for a significant improvement in the balance sheet data and how they relate to the main fiscal indicators.

In the meantime the Office for National Statistics' project to improve non-financial balance sheets is well under way, and over the next 18 months to two years, will be concentrating on:

- a complete overhaul of the system for both public and private sectors. This will involve substitution of data for estimation techniques, updating of benchmarks and discussions with data suppliers to try and acquire more timely data;
- improving data from central government stemming from the move to resource accounting and budgeting;
- improving data for local government assets, with the help of DETR and CIPFA; and
- incorporating new asset classes, as set down in the European System of Accounts, into the balance sheets. For public sector, the main implications concern the addition of computer software, and dual-use military assets.

The aim will be to produce greatly improved estimates by the middle of 1999, and to move towards quarterly as well as annual results. Interim results will be produced in *Economic Trends* this year based on an improved version of the old methodology. ONS will be producing articles in *Economic Trends* explaining in detail the new methodology adopted.

As well as pursuing these improvements, the next stage will be to consider how balance sheets might best fit into the fiscal framework in the next century. What changes to the present definitions could provide more appropriate fiscal indicators? How far could, or should, we make progress towards the forward-looking, comprehensive net worth measures? What can be said about the desirable, or prudent, or optimal levels of public sector net worth? These are issues that will need to be addressed as balance sheets start to move into the fiscal policy framework. The Treasury would welcome views on these issues.

Footnotes

- 1 *The compilation of the non-financial balance sheet data is described in Bryant (1987). The latest financial balance sheet data were published in ONS (1998).*
- 2 *The way in which the public sector balance sheet is built up from separate balance sheets for central government, local government and public non-financial corporations means that central government's holdings of local government and public non-financial corporation debt appears as an asset in the balance sheet, cancelling out much of the LG and Public NFC debt shown on the liability side.*
- 3 *For example, see HM Treasury (1998b).*
- 4 *Capital spending is measured according to definitions that correspond very closely to those of the System of National Accounts (SNA93), and the European System of Accounts (ESA95).*
- 5 *Treasury estimates of the effect of the cycle were set out in Virley and Hurst (1995), which suggests that a 1 per cent increase in output relative to trend would reduce government borrowing by around $\frac{3}{4}$ per cent of GDP by the second year.*
- 6 *HM Treasury (1998a)*
- 7 *Under ESA95, the definition of non-financial assets has been widened a little to include some additional tangible assets, such as dual-use military assets (eg military hospitals) and some intangible assets such as computer software and artistic originals.*
- 8 *The July 1997 Financial Statement and Budget Report included for the first time information on public sector net worth; and a Treasury discussion paper (HM Treasury (1997)) was published last year looking at the issues in more detail.*
- 9 *See Buiter (1985) for instance.*
- 10 *The IMF and the OECD have been amongst those drawing attention to the potential problems: see IMF(1996) and OECD (1995).*
- 11 *A measure that reflects years of service and contributions already provided. This would typically be seen as an entitlement already earned, although the actual liability will depend on factors such as length of employment, final salary and life expectancy. However, there are reputable actuarial techniques for valuing the extent of such pension liabilities in this way.*
- 12 *The surplus on current budget is equivalent to the corresponding national accounts concept except that all capital taxes are counted as current receipts. See HM Treasury (1998b) for further discussion.*
- 13 *There are also some potential further issues raised by the new category of "valuables" recognised under ESA95, which could be very relevant to the public sector because of museums and galleries.*
- 14 *Resource accounting and budgeting (see HM Treasury (1994) and (1995)) will move central government departmental accounts onto an accruals basis in line with the reporting practices of the private sector and much of the rest of the public sector. Resource accounting should also deliver better quality estimates of central government assets and depreciation over time.*
- 15 *A scoping study on producing whole of government accounts, HM Treasury (1998c), recommended that the Government should proceed with work on the development of whole of government accounts, with the ultimate aim of a full set of audited accounts based on UK GAAP for the whole public sector alongside improved but unaudited national accounts based on statistical principles.*

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