

# 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 February, May, August and November. 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 24 November 1999.
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 T79
  - † 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 Adele Barklem, ONS, Zone D4/19, 1 Drummond Gate, London, SW1V 2QQ or e-mail [adele.barklem@ons.gov.uk](mailto:adele.barklem@ons.gov.uk)

Office for National Statistics  
December 1999

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## Articles published in *Economic trends*

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### *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 February, May, August and November.

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

### *Other Articles*

#### **1998**

*December*      Geographical breakdown of the balance of payments current account.  
Harmonised index of consumer prices: historical estimates.  
The development of a Land Registry-based national house price index.  
Improving the quality of the producer price index.

#### **1999**

*February*      Three year programme on RPI methodology.  
Ownership of United Kingdom quoted companies at the end of 1997.

*March*          Regional Accounts 1997: Part 1.  
The capital stock of the United Kingdom - some new developments in coverage and methodology.  
An international comparison of taxes and social security contributions 1986-1996.  
Productivity measurement in the United Kingdom.

*April*          The effects of taxes and benefits in household income 1997-98

*May*            The seasonal adjustment of RPIY.

*June*           Employment in the public and private sectors.

*July*            ONS plans for the 1999 and 2000 Blue and Pink Books.  
Experimental constant price input-output supply-use balances.  
Financial market data for international financial stability.

*August*        Research and experimental development (R&D) Statistics 1997

*September*   New estimates of dividend payments.

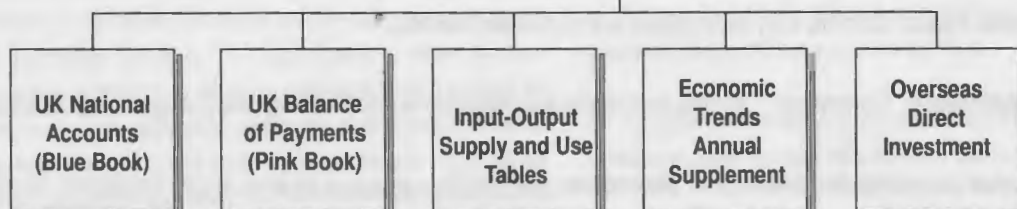
*October*       Annual coherence adjustments in the national accounts.  
Plans for the development of a monthly index of services.  
Regional Accounts 1997: Part 2.

*November*    The development of chain-linked and harmonised estimates of GDP at constant prices.  
Geographical breakdown of income in the balance of payments.  
Improving the non-financial balance sheet and capital stocks estimates.  
Publishing sampling errors for business surveys.

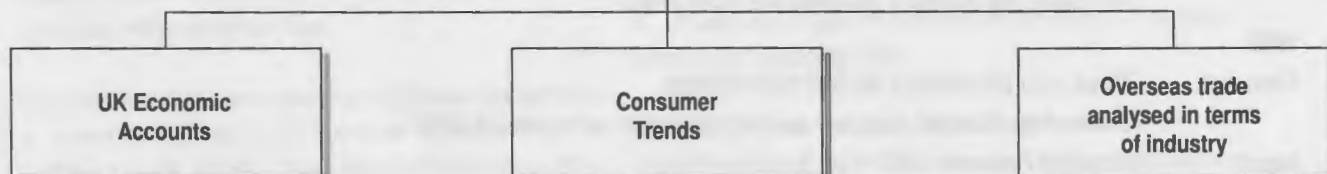
**For articles published in earlier issues see the list in issue 509 (March 1996) of *Economic trends*. Copies of articles may be obtained from the National Statistics Library, Room 1.001, Government Buildings, Cardiff Road, Newport, NP10 8XG, telephone 01633 812973. The cost is £5.00 per copy inclusive 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

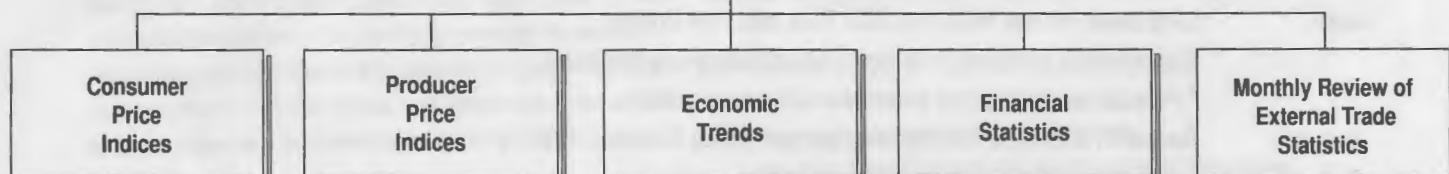
## Annual Publications



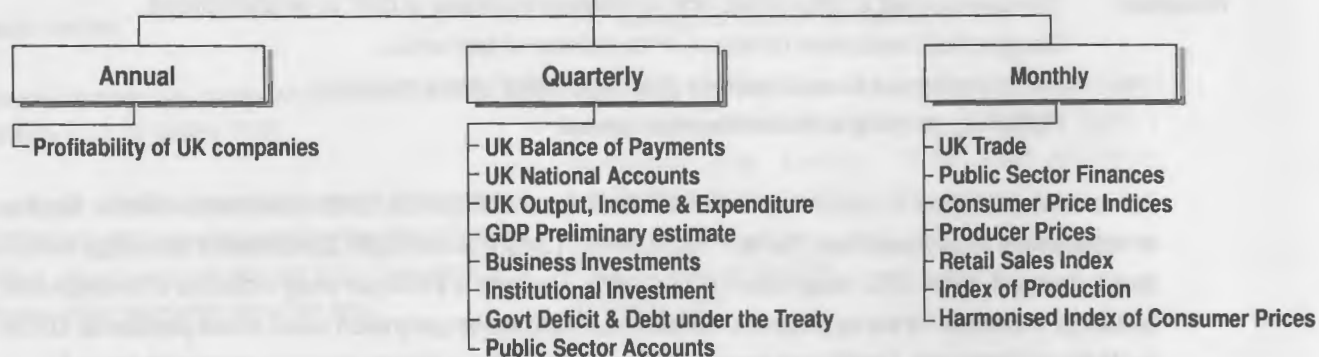
## Quarterly Publications



## Monthly Publications



## First Releases



**Other publications:** - Retail Prices 1914-1990 - Labour Market Trends - National Accounts Concepts, Sources and Methods - Sector Classification Guide for the National Accounts - Share Ownership - Financial Statistics Explanatory Handbook

# In Brief

## Articles

This month we feature three articles.

Claire Kennard of ONS outlines the Experimental Monthly Balance of Payments. Monthly balance of payments statistics are required by the European Central bank (ECB) for the purposes of monetary policy and foreign exchange operations within the euro area. The UK has accepted the need to provide monthly balance of payments MKIs to the ECB as part of its preparations for possible membership of the single currency. If the UK were to join third stage Economic and Monetary Union (EMU), legal responsibility to provide the ECB with MKIs would rest with the Bank of England, but the ONS is responsible for producing MKI estimates and for managing the formal Monthly Balance of Payments programme (*page 29*).

Richard Walton of ONS discusses Company profitability and Finance. This article analyses the results of the First Release 'Profitability of UK Companies' published in November. This release measures the profitability of the corporate sector using rates of return on capital employed including for the first time service companies' profitability. Other main points include the record net borrowing of the corporate sector in the second quarter of 1999, what caused it and how it was financed (*page 35*).

Hugh Skipper and Ian Cope of ONS introduce the release of the Prototype Monthly Index of Distribution. The article presents the first data from January 1995 for the prototype monthly Index of Distribution covering wholesale, retail and motor trades as a first step towards the full Index of Services. It will now be released each month together with values for the three main components. Construction and coverage of the index is described. The prototype IoD uses the same source data and methodology as the existing series for distribution contained within the ONS's quarterly estimate of GDP output measure (*page 47*).

## Recent economic publications

### Annual

*Economic Trends Annual Supplement 1999*. The Stationery Office, ISBN 0 11 621135 0. Price £28.50.

### Quarterly

*Consumer Trends*: 1999 quarter 2. The Stationery Office, ISBN 0 11 621239 X. Price £45.

*UK Economic Accounts*: 1999 quarter 2. The Stationery Office, ISBN 0 11 621139 3. Price £26.

*UK Trade in Goods Analysed in Terms of Industries (MQ10)*: 1999 quarter 2. The Stationery Office, ISBN 0 11 537992 4. Price £70 p.a.

### Monthly

*Consumer Price Indices (MM23)*: September 1999. The Stationery Office, ISBN 0 11 537341 1. Price £185 p.a.

*Financial Statistics*: November 1999. The Stationery Office, ISBN 0 11 621150 4. Price £23.50.

*Monthly Review of External Trade Statistics (MM24)*: August 1999. The Stationery Office, ISBN 0 11 537238 5. Price £185 p.a.

All of these publications are available from The Stationery Office Publications Centre, telephone 0870 600 5522 or fax 0870 600 5533, or The Stationery Office bookshops; details on the inside back cover.

# ECONOMIC UPDATE – DECEMBER 1999

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

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## Overview

Data for the third quarter shows that the economy continues to grow at an increasing pace. Growth in the service sector has regained some momentum, while the manufacturing sector has recovered from its earlier decline, and now shows increasing growth, particularly in a number of hi-tech areas. External indices of output echo this story. Both domestic and external demand is seen to be driving recovery. From the domestic perspective consumer demand is strong, although confidence has levelled off since the start of the year. Externally, the pick up in the global economy has led to a strong increase in exports to both EU and non-EU countries. Investment however remains more subdued with profits continuing to fall. The latest labour market information shows ongoing improvements to both employment and unemployment on top of the lowest claimant count rate for 20 years. Headline earnings growth fell back slightly in the service sector. Overall retail prices growth remains subdued but sectoral differences persist. Producer prices continue to show modest signs of increases outside oil effects.

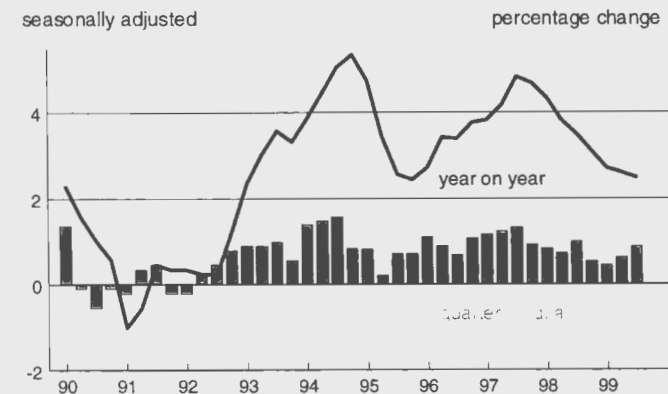
## GDP Activity

The latest data shows GDP grew by 0.9 per cent into the third quarter compared with growth of 0.6 per cent into the second quarter. Annual growth was 1.8 per cent, comparing GDP in quarter three with the same quarter a year ago.

## Output breakdown

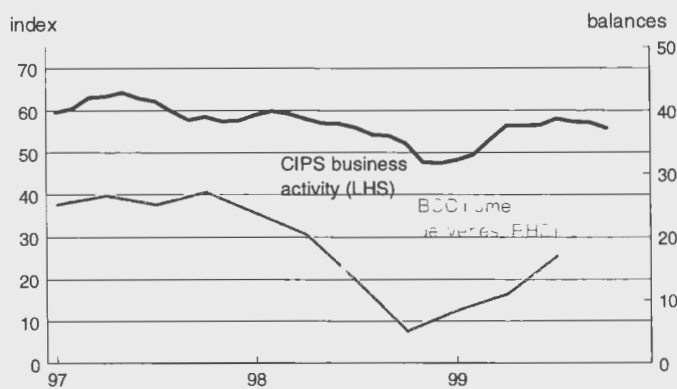
Service sector growth is now seen to have picked up for the second consecutive quarter, with quarterly growth of 0.9 per cent compared to growth of 0.6 per cent into quarter two. Comparing the latest quarter with the same quarter a year ago annual growth was 2.4 per cent, slightly below annual growth of 2.6 per cent into the second quarter (chart 1). Underpinning the quarterly growth was higher growth in retail and catering activities, continuing strong growth in the communications industries and a return to stronger growth in computing and business services.

Chart 1  
Services



This growth in the service sector is largely echoed by external information. The British Chambers of Commerce data shows a strong recovery in service sector deliveries in the third quarter continuing the recovery in growth, which started in the first quarter. However, the most recent CIPS data shows a more moderate increase between the second and third quarters, with the latest information for October showing a further modest slowing in activity.

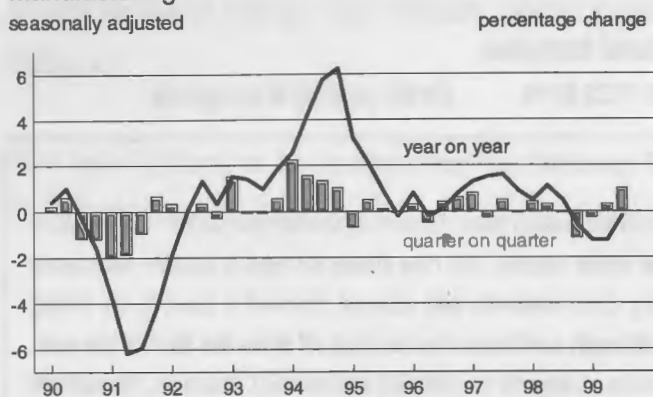
Chart 2  
Services: external surveys



Manufacturing output also grew strongly into the third quarter; with quarterly growth of 1.0 per cent up on growth of 0.3 per cent in quarter two. Annual growth continues to remain negative at 0.2 per cent (chart 3).

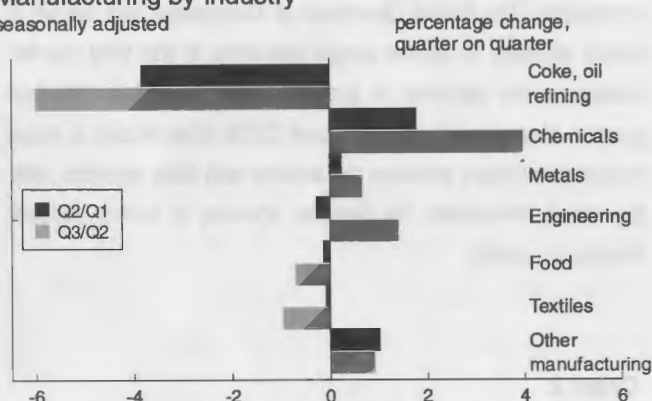


**Chart 3**  
Manufacturing  
seasonally adjusted



Growth in the sector continues to be driven by "high-tech" products in the chemicals and electronic sectors. Chart 4 compares growth into quarter three with growth into quarter two for the main published industries; other sectors continue to remain more subdued.

**Chart 4**  
Manufacturing by industry  
seasonally adjusted



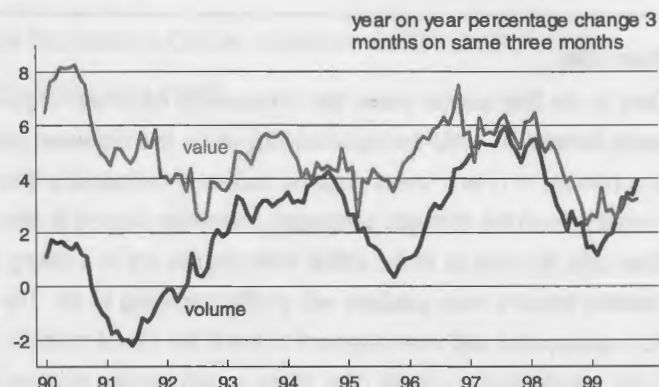
## Domestic demand

Continued strong demand growth is seen in the household sector. Although household final consumption expenditure growth fell back to 0.5 per cent in the third quarter compared with 1.1 per cent in the second quarter, the movement is partially distorted by the newly emerging seasonal pattern of vehicle sales. This follows from the introduction of the new registration system in the UK. Annual growth remains strong at 4.3 per cent.

Retail sales data also continues to reflect strength in consumer demand, with the annual rate in the three months to October at 4.0 per cent, up from 3.4 per cent in the three months to September (chart 5). The Retail sales data also reflects strong price competition with the difference between volume and value

growth suggesting falling prices. Value data now shows annual growth in the three months to October of 3.2 per cent.

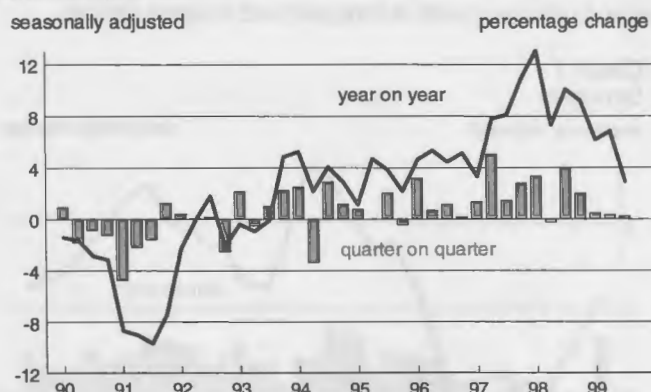
**Chart 5**  
Retail sales



Despite the strength in demand in the official data external surveys of consumer confidence remain slightly more subdued, showing a levelling out of confidence since the very strong recovery at the start of the year; although the series remain above long term averages.

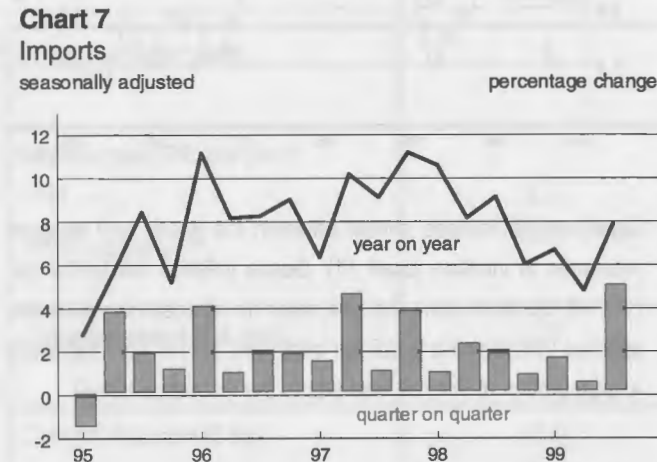
Data for investment shows demand more subdued in this area. Overall investment was estimated as up by 0.2 per cent in the third quarter, with an increase in dwellings investment partially offset by a fall in business investment. Annual growth in investment is now estimated at 2.9 per cent, the lowest annual rate of growth since the fourth quarter of 1995 (chart 6). The data for investment however continues to remain difficult to interpret as firm may be cutting back in advance of the millennium, having carried out their major programmes at an earlier date.

**Chart 6**  
Investment

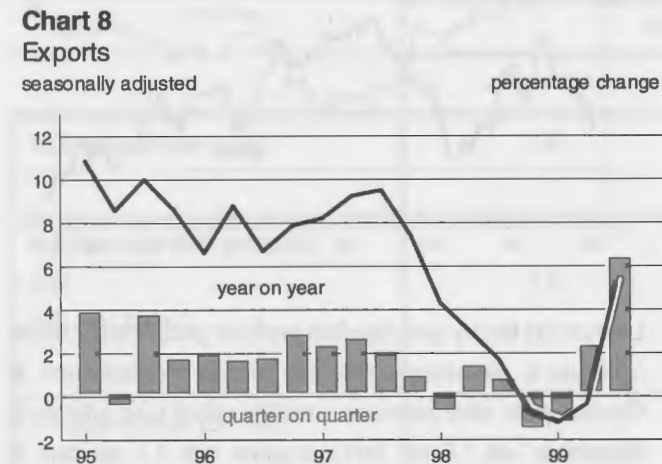


On UK demand for overseas goods, National Accounts data shows the slowdown in the annual growth of imports reversing in

the third quarter of 1999. Overall imports were seen to grow strongly, by 4.9 per cent in the third quarter (chart 7), with the data excluding oil and erratics showing growth of 5.2 per cent. This growth is seen in both EU and non-EU data, although flows from non-EU countries, at 8.0 per cent into the latest three months, remain substantially stronger than imports from EU countries at 3.0 per cent.



## Overseas demand and balance of payments



Exports showed a continued recovery, with very strong growth in the third quarter following the pick up in the second. Overall exports were seen to grow by a very robust 6.2 per cent into the third quarter, compared with 2.1 per cent in the second quarter (chart 8). Excluding oil and erratic items the growth is actually stronger with quarterly growth of 8.2 per cent and annual growth of 5.9 per cent into the third quarter.

Overall the relative strength of both exports and imports are such that the balance of payments deficit continues to narrow. With the September balance of -£0.8 billion an improvement on -£1.2 billion in August. The ONS continues to estimate that the trend in the trade deficit is narrowing.

## Monetary indicators and government finances

Broad money growth picked up very slightly in October, following the very sharp slowdown seen over the past year. Provisional data for October shows annual growth at 3.0 per cent compared with 2.8 per cent in September. The very low overall rate continues to be strongly influenced by the substantial decline in the rate of growth of other financial corporations' holdings of M4 assets. Annual growth in narrow money increased slightly into October, to 7.3 per cent from 7.0 per cent in September. While broad money growth is considerably below rates of growth seen at the end of 1997, narrow money growth continues at similar rates, following an earlier slowdown.

Public sector net borrowing for the financial year 1999-2000 continues at considerably lower levels than in 1998-99. The outturn data to October shows a net repayment of £4.1 billion compared with borrowing of £0.7 billion in the same period of 1998-99. To reflect the improvement in public finances the Chancellor has revised his 1999-00 net borrowing forecast to a repayment of £2.1bn. This reduction in borrowing, despite higher levels of expenditure, is largely being achieved by increased Inland Revenue tax receipts.

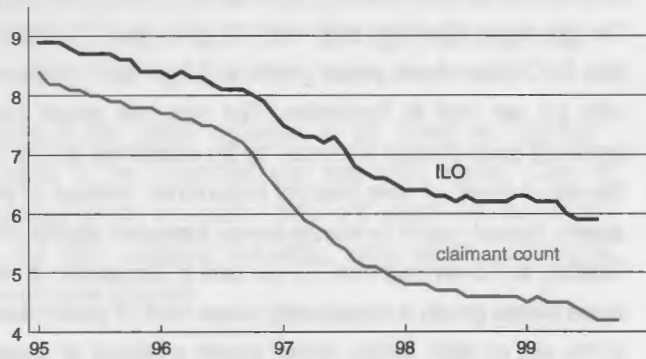
## Labour Market

The latest labour market data continues to show improvements to both employment and unemployment. Between July–September 1999 and April–June 1999 employed grew by 110,000 according to the LFS, with the employment rate improving by 0.3 per cent to 74.2 per cent. These figures are strong improvements over the increases between the first and second quarters, where LFS data showed numbers increasing by 43,000 and the employment rate as unchanged.

The ILO unemployment rate fell by 0.1 per cent to 5.9 per cent between July–September 1999 and April–June 1999. Measuring

unemployment according to the claimant count saw the unemployment rate at 4.2 per cent in October, the third month in a row at this rate (chart 9). The total number of people unemployed according to the claimant count is the lowest since March 1980, although the rate of decline of both of these series has slowed slightly into the latest months.

**Chart 9**  
Unemployment rates  
seasonally adjusted

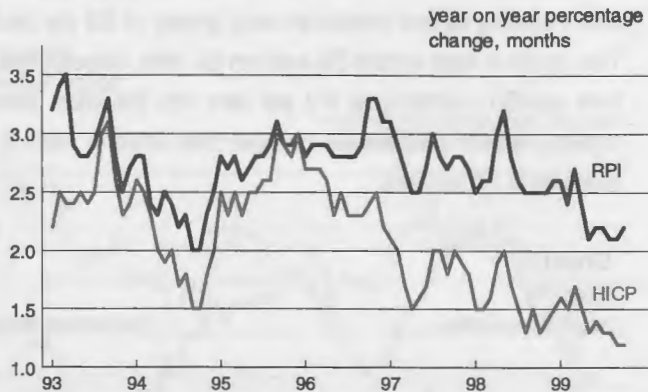


The latest data now shows a modest fallback in the headline rate of average earnings, with growth of 4.9 per cent in August falling back to 4.7 per cent in September. This slowdown reflects a slowdown in services sector earnings growth to 5.0 per cent, the manufacturing growth actually saw a modest rise to 4.0 per cent.

**Prices**

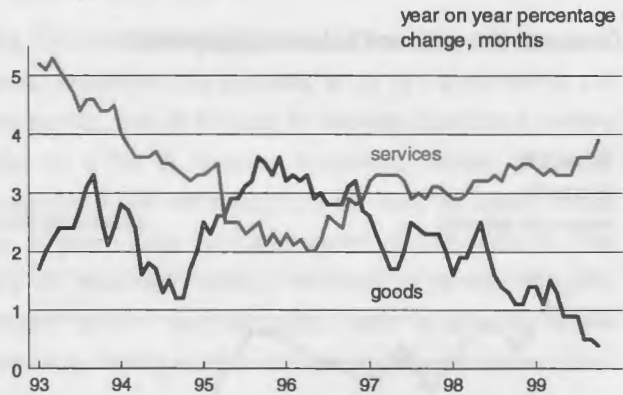
In the twelve months to September the all items RPI increased slightly to 1.2 per cent from 1.1 per cent in August. The increase largely reflected an increase to vehicle insurance costs contrasted with a fall last October. The government's target measure (RPIX) also rose to 2.2 per cent. The harmonised index of consumer prices was unchanged at 1.2 per cent between October and September, largely due to the different treatment of insurance in this measure, which is intended for international comparisons (chart 10).

**Chart 10**  
Price indices



Significant differences remain between the goods and services measures of inflation (chart 11). Goods inflation fell to 0.4 per cent in October from 0.5 per cent in September, whereas services inflation rose to 3.9 per cent from 3.6 per cent (although a large portion of this rise was due to the insurance effect).

**Chart 11**  
Retail price index



Lastly at the factory gate, headline producer price output inflation continues to rise strongly, reflecting oil price increases and, in October, wider price increases. Headline output price inflation in September was 1.9 per cent compared with 1.7 per cent in August. The underlying measure excluding food, beverage, tobacco and petroleum products picked up, with the annual rate of decline falling to 0.1 per cent from 0.4 per cent in September.

# Forecasts for the UK Economy

## A comparison of independent forecasts, November 1999

The tables below are extracted from HM Treasury's "FORECASTS FOR THE UK ECONOMY" and summarise the average and range of independent forecasts for 1999 and 2000, updated monthly.

	Independent Forecasts for 1999		
	Average	Lowest	Highest
GDP growth (per cent)	1.6	0.7	2.0
Inflation rate (Q4: per cent)			
- RPI	1.3	1.0	1.7
- RPI excl MIPs	2.1	1.5	2.4
Unemployment (Q4, mn)	1.21	1.10	1.34
Current Account (£ bn)	-11.9	-17.4	-4.7
PSNB *(1999-00, £ bn)	-4.6	-11.7	3.7

	Independent Forecasts for 2000		
	Average	Lowest	Highest
GDP growth (per cent)	2.8	1.6	3.8
Inflation rate (Q4: per cent)			
- RPI	2.9	1.7	4.2
- RPI excl MIPs	2.4	1.6	3.1
Unemployment (Q4, mn)	1.17	0.90	1.45
Current Account (£ bn)	-14.0	-27.0	-5.0
PSNB* (2000-01, £ bn)	-2.3	-9.9	8.0

NOTE: "FORECASTS FOR THE UK ECONOMY" gives more detailed forecasts, covering 27 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>.

\* PSNB: Public Sector Net Borrowing.

# International Economic Indicators – December 1999

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## Overview

EU economic growth picked up to 0.6 per cent in the second quarter of 1999. Within this, France continues to outperform Germany and Italy. The strength of the US economy is being maintained, with modest increases in consumer price and larger increases in producer price inflation rates. Japan's growth slowed in the second quarter, though production grew strongly in quarter three.

## EU15

The economies of the EU15 recovered from a slowdown in the previous two quarters to record 0.6 per cent growth in the second quarter of 1999. This dip in quarterly GDP growth and subsequent recovery coincides strongly with the pattern of external demand. Export volumes contributed strongly to GDP growth in the second quarter of 1999, following weak growth in the previous quarter and a substantial negative contribution in 1998 quarter four. This pattern in exports is in line with recovery in demand in South East Asia, continued strength in the US and improvement in Eastern Europe. Import volumes maintained steady growth but net trade made its first positive contribution since 1997 quarter three.

However, within domestic demand, excluding stocks, growth in all components fell in the second quarter. Stock accumulated at much the same rate as in the previous quarter. It should be noted that the significance of the pattern of domestic demand should not be overemphasised as German domestic demand movements heavily influenced those of the EU.

Industrial production grew by 0.6 per cent in the second quarter. This follows a slight decline in quarter one and a sharp decline in 1998 quarter four. Looking further ahead, production growth has been strong in the four months to August 1999, growing by 1.7 per cent. This coincides with improving business sentiment and external demand.

Retail sales growth was flat in the second quarter, following strong growth in quarter one. Consumer confidence dipped

slightly in the second quarter though it continues to remain high relative to its longer-term trend.

Annual consumer price inflation was 1.2 per cent in September 1999. The rate has been flat since the start of 1999, following a substantial decline in the second half of 1998. This coincides with the pattern of prices of oil and some commodities. Rising energy prices have been offset by static food prices in the year to September 1999.

Producer prices rose by 0.7 per cent in the year to September 1999. The index itself has risen by 1.9 per cent since February 1999, when the annual rate showed deflation of 2.1 per cent. The main reasons for these rises are prices increases in oil and commodities, which feed more directly into producer prices than consumer prices.

Earnings growth continues to be moderate, growing by 2.8 per cent in the year to the second quarter of 1999. Over the same period, consumer prices rose by 1.1 per cent to give a real wage increase of 1.7 per cent. This would not be too far away from expectations of productivity growth.

The EU unemployment rate was 9.3 per cent in August 1999, the fourth successive month at this rate. Up to May 1999, the trend in unemployment was firmly downward, with the rate having peaked at 10.9 per cent in September 1996. Employment creation was strong in the year to the second quarter, with employment rising by 1.5 per cent at the same time as GDP grew by 1.7 per cent.

## Germany

Weak domestic demand resulted in flat growth in the second quarter. This followed growth of 0.4 per cent in the previous quarter, on the back of strong domestic demand contributions. Consumption, government spending and investment all made negative contributions, which were offset by an increase in the rate of stock accumulation.

Both import and export volumes increased by the same amount in quarter two, just as they did in the previous quarter. Therefore, net trade again made a neutral contribution. However, the contribution of net trade was strongly negative in the final quarter of 1998. The sharp fall in exports in that quarter contributes strongly to the weakness of GDP growth in the year to the second quarter of 1999, of just 0.6 per cent. Germany's trade surplus, though, remains substantial.

Industrial production grew by 0.9 per cent in the second quarter, a significant revision from a decline of 0.5 per cent in the data previously. In the six months from February to August 1999, production has increased by 2.1 per cent, having declined by the same amount in the previous six months. Business sentiment improved in July and August, though it remained static in September. Notably, in September, business sentiment fell in Eastern Germany, illustrating in part its continued economic divergence from Western Germany.

Retail sales growth was sluggish in the first half of 1999, with 0.9 per cent growth in quarter one mostly offset by a decline in quarter two. This is in line with the pattern of private consumption. Monthly growth rates suggest that growth in quarter three is likely to be negative also.

Annual consumer price inflation was 0.7 per cent in September 1999, the same as in the previous month. It remains one of the lowest rates in the EU. However, the rate has risen significantly from the first two months of 1999 when consumer price inflation stood at just 0.2 per cent. In the year to September, strong energy price inflation was offset by falling food prices.

Producer prices declined by 0.5 per cent in the year to September 1999, although this actually reflects price increases since February 1999 when prices were deflating at an annual rate of 2.4 per cent.

Earnings grew by 2.4 per cent in the year to the second quarter. This was 1.9 per cent above consumer price inflation for the

same period. Though this gap is not alarmingly high, it is considerably larger than in the year to the second quarter of 1998. Then, earnings rose by 1.8 per cent, the consumer price index by 1.4 per cent, so real wages rose by just 0.4 per cent.

The rate of unemployment was 9.2 per cent in August 1999. Steady job creation in 1998 led to a significant decline in the unemployment rate. However, since the start of 1999, the unemployment rate has been on a slightly upward trend. This is in contrast to the pattern of EU unemployment which has continued downward from 1998 into 1999.

## France

The French economy grew by 0.6 per cent in the second quarter, continuing a period of steady economic expansion since the start of 1997. Nevertheless, growth has slowed somewhat since the middle of 1998. Private consumption has not been strong over this period but investment has grown evenly for the last seven quarters. Exports recovered strongly in the second quarter, having fallen in the previous two quarters. However, growth in import volumes has been weak over the year to quarter two, only growing strongly in the latest quarter. Trade only made a substantially negative contribution to GDP growth in 1998 quarter four, which was offset by stock accumulation. Therefore, French GDP growth did not slow as obviously as that of Germany, Italy or the UK at the end of 1998.

The recovery in export volumes was stronger than that of imports in the second quarter and trade made a small positive net contribution of 0.1 per cent. However, in value terms, the story was very different. Exports and imports fell in the second quarter. Moreover, the trade surplus declined, for the third successive quarter.

Industrial production grew by 0.7 per cent in the second quarter, fully offsetting a decline in the previous quarter. In the six months to August 1999, production rose by 3.7 per cent. Production of intermediate goods, consumer goods and energy grew most strongly over this period. The recovery in production coincides with a recovery in external demand. Business confidence also improved in the second quarter from the first, and improved further in the third quarter.

Retail sales volumes increased by 1.0 per cent in the third quarter of 1999, and by 2.4 per cent in the year to this quarter. This followed a decline in the second quarter. Consumer

confidence also improved in the third quarter, reaching its most optimistic balance since the INSEE measure started in 1987.

The French savings ratio is high relative to its EU partners. In this context, it is notable that the government cut the interest rates of administered savings schemes, with effect from August 1<sup>st</sup>. These are tax-free schemes, monopolised by the Caisses d'Epargne (Savings Banks) and the Post Office. The main commercial banks subsequently made cuts in the rates of their taxed savings schemes, and in their base lending rate. This might be expected to have increased retail sales, and consumption, in the third quarter.

Annual consumer price inflation rose to 0.7 per cent in September 1999, a rise of 0.2 percentage points from the previous month. This rise in September was attributable to fresh food, textiles, footwear and energy. Energy prices rose for the third consecutive month.

Producer prices declined at an annual rate of 0.7 per cent in September 1999, compared with a decline of 1.4 per cent in the year to August. The actual index rose by 0.4 per cent in September. At the same time, the producer price index for petroleum rose by 3.4 per cent, for metals rose by 1.4 per cent, and for agriculture rose by 0.9 per cent, exerting upwards pressure.

Earnings grew by 2.0 per cent in the year to the second quarter, giving a rise of 1.6 per cent accounting for CPI inflation. Real wages have hovered close to this level of increase through most of the decade as consumer price inflation has fallen. Thus, inflationary expectations seem to be adapting consistently to declining rates of price inflation.

Employment grew by 1.4 per cent in the year to the second quarter, continuing a phase of employment growth since the middle of 1997 that has been the strongest this decade. Meanwhile, the rate of unemployment has fallen from 12.5 per cent in June 1997 to 11.0 per cent in August 1999.

## Italy

Trade has had a substantial negative effect on Italian GDP growth from 1998 quarter four to 1999 quarter two. This has resulted in slow quarterly growth, of 0.3 per cent in quarter two, of 0.2 per cent in quarter one and negative growth in 1998 quarter four. In the second quarter, export volumes fell slightly while import volumes rose, resulting in 0.4 percentage points being shaved of growth for the quarter. The trade surplus has halved in the year to 1999 quarter two.

Italian exports have not experienced the recovery in quarter two that the EU has generally felt as external demand improved. This may be due to a tendency for Italy to specialise more than other EU countries in areas, such as clothing, footwear and textiles, that are exposed to competition from Asian producers. There is some evidence from EU countries that imports from Asia are rising and have been significantly price discounted. The trade performance may add to external speculation that Italy locked into the euro at too high an exchange rate.

Domestic demand, excluding stockbuilding, weakened in the second quarter from the first. The performance of domestic demand has been poor for much of the decade as the Italian economy sought to qualify for the European single currency. More recently, falls in interest rates do not seem to have translated into higher domestic demand. This may be due to the tendency for the Italian consumer to have high savings and low debts, resulting in a significant negative income effect from lower interest rates.

Industrial production declined by 0.6 per cent in the second quarter, and by 2.3 per cent in the year to the second quarter. The negative performance of production correlates with that of exports. However, in the latest three months of production data, from June to August 1999, the index of production has risen by 2.9 per cent. Business confidence has improved markedly between June and September 1999.



Retail sales volumes grew by 0.6 per cent in the final quarter of 1998. This coincided with signs of optimism in consumer confidence in that quarter. This confidence was maintained in the first quarter of 1999 but fell back in the second before recovering somewhat in quarter three. It rose significantly in October.

Annual consumer price inflation increased to 1.8 per cent in September 1999, an increase of 0.4 percentage points from 1.4 per cent in June 1999. Consumer price inflation has declined markedly since the start of the decade. It stood at 6.6 per cent in January 1990. However, despite slower growth, it was higher in September 1999 than the rates in Germany, France, the UK and the average of the EU15.

Producer prices have been a source of significant inflationary pressure on consumer prices. They increased by 0.8 per cent in the year to September 1999, despite declining at an annual rate of 1.9 per cent in February 1999. The producer price index has increased by 1.9 per cent in the six months to September 1999. Intermediate goods can account for most of this increase. The producer price indices for consumer and investment goods increased at a much slower rate.

Earnings grew by 2.1 per cent in the year to August 1999. Most of this increase simply compensated for an increase of 1.7 per cent in the consumer price index over the same period. Over the decade, earnings growth slowed earlier than consumer price inflation. At many times, the real wage was negative. However, calculating the real wage for Italy, by subtracting annual consumer price inflation from annual earnings growth, yields negative growth for most of the last 38 years.

In the year to the second quarter, employment grew by 1.4 per cent while GDP grew by just 0.9 per cent. Unemployment does not seem to have responded strongly to employment growth. The rate of unemployment rose to 12.0 per cent in April 1999, having declined in each of the first three months of the year. Although this is the first monthly rise since July 1998, the rate

has remained within 0.3 percentage points of 12.0 per cent since October 1994.

## USA

Strong economic expansion slowed in the second quarter, with quarterly growth of 0.4 per cent. However, the rate of growth increased substantially in the third quarter, though this is not yet included in OECD data. Trade and destocking were the main sources of the deceleration in quarter two. Export growth was positive, as the global economy, and South East Asia in particular, improved. However, this was considerably outweighed by continued buoyancy in imports. The trade deficit set a new record.

All components of domestic demand slowed in the second quarter, although consumption growth continued to be considerable. Investment growth was moderate overall. This balanced strong growth in machinery and equipment investment with a slight decline in construction. Government spending remained unchanged, for the second successive quarter. A significant negative contribution to GDP growth came from changes in stocks. Stocks accumulated at a slower rate than in any quarter since 1992 quarter four. This may be as a result of strong stockbuilding in 1997 and 1998.

Industrial production rose by 0.9 per cent in the third quarter, as it did in quarter two. There are signs that growth in quarter three reflects a further improvement in external demand and continued buoyancy in domestic demand. Disaggregating the index for quarter three, growth was strong in the production of durable goods, raw materials and investment goods (which includes defence). On the other hand, the production of non-durable goods and intermediate goods declined.

Orders data would be expected to act as a leading indicator of production. In this context, production slowed in 1999 quarter one and growth in orders was largely static in 1998 quarter four. Since the start of 1999, orders have grown robustly. They grew



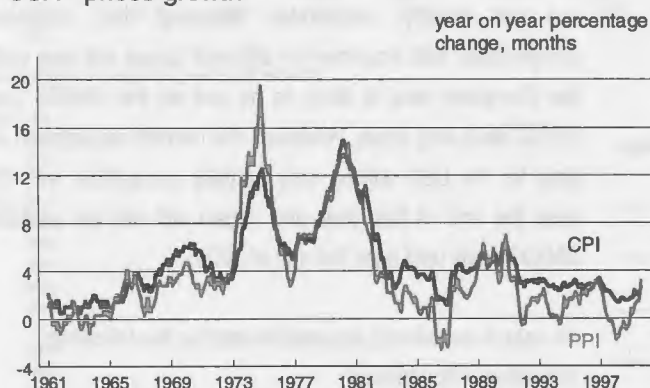
particularly strongly in July and August 1999. This may impact on quarter four.

Retail sales volumes grew by 9.0 per cent in the year to July 1999. This is very strong, but annual retail sales growth rates have been even higher on a number of other occasions since the series began in 1960. Nevertheless, the latest data represents a continuation of the most sustained period of expansion in retail sales in the data. Unsurprisingly, consumer confidence has been strong in the first ten months of 1999. On the other hand, consumer credit growth decelerated in the first three quarters of 1999 from 1998. It still set a new record in September.

Annual consumer price inflation jumped to 2.6 per cent in September 1999, from 2.3 per cent in the previous month. Rises were particularly strong in the month in the indices for tobacco and beverages, and for electricity and fuel. The Federal Reserve raised interest rates by 0.25 per cent in August and November 1999, at least partly out of concern for inflationary pressures.

Inflationary pressure is also seen in the annual rate of producer price inflation, which increased considerably in September 1999, to 3.2 per cent. It rose by 0.9 percentage points in September, having risen by 0.8 percentage points in August. Rises in September were most marked in the producer price indices for raw materials and petroleum products. Movements in producer prices tend to be reflected to a significant degree in consumer prices. The producer price index has risen by 4.7 per cent since a trough in February 1999.

**Chart 1**  
USA - prices growth



Earnings growth has also risen as the year progressed. Pressure for higher wages is most probably being exerted by higher consumer prices. The transmission of consumer price inflation to wage inflation is made easier by increasing signs of labour market tightness, reflected in an unemployment rate that is struggling to decrease any further.

Employment growth was 1.4 per cent in the year to the third quarter of 1999. The rate of unemployment has been steady at 4.2 or 4.3 per cent for 1999 so far. Low unemployment and a pick-up in wages and prices suggests some labour market tightness.

## Japan

The Japanese economy maintained positive economic growth in the second quarter, of 0.2 per cent. This followed a strong recovery of growth in quarter one, of 2.0 per cent after five successive quarters of contraction. Private consumption maintained steady growth from 1999 quarter one to quarter two. However, investment declined in the second quarter. This may reflect a strong injection of public investment in the first quarter. Most growth forecasts for the Japanese economy have been revised upward dramatically on the strength of growth in the first half of 1999. Echoing this, the Japanese stock market has improved markedly.

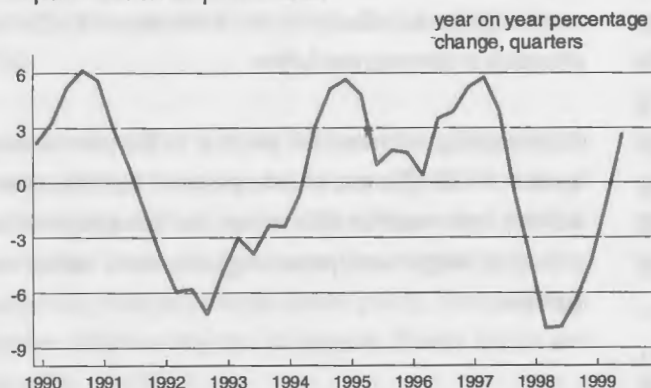
Both import and export volumes grew slightly in quarter two. Imports grew more strongly in quarter one, recording positive growth for the first quarter since 1997 quarter one. Positive import growth in 1999 reflects positive domestic demand growth and may be aided by a strengthening yen. The trade-weighted yen has been significantly higher so far in 1999 than in the second half of 1998. This might also have dampened a recovery in exports in the first half of 1999. The trade-weighted yen appreciated markedly from quarter two to quarter three.

Industrial production recovered very strongly in the third quarter, increasing by 3.7 per cent. This followed two miserable years for Japanese production, which declined by 8.8 per cent from 1997 quarter two to 1999 quarter two. The production of investment goods increased by 6.0 per cent in the latest quarter, having

declined by 18.9 per cent in the two years to 1999 quarter two. Business confidence improved markedly in quarter two.

**Chart 2**

Japan - index of production

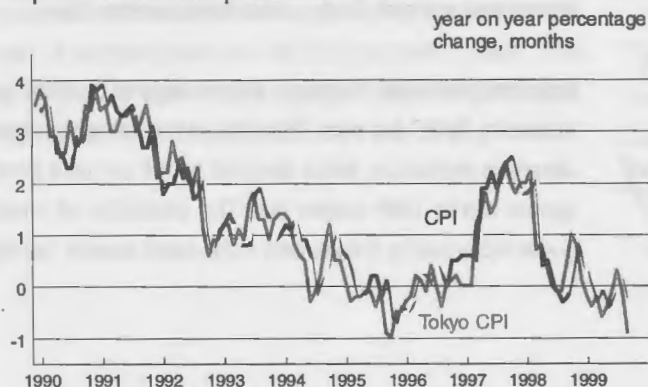


Retail sales volumes declined by 0.8 per cent in the third quarter, offsetting positive growth in the previous two quarters. The performance of retail sales so far in 1999 is still an improvement on 1998, when they fell by 5.5 per cent. Consumer confidence reflects this.

Consumer prices declined by 0.2 per cent in the year to September 1999, compared with an increase of 0.3 per cent in the year to August. The index increased in September 1999. However, a large rise in consumer prices in September 1998 dropped out of the annual rate. The consumer price index for Tokyo, which correlates strongly with that of the whole of Japan, was unchanged in October 1999. At annual rates, the index for Tokyo declined by 0.9 per cent in October 1999, reflecting another large increase in consumer prices, in October 1998, dropping out of the index. The index for all of Japan also rose strongly in October 1998.

**Chart 3**

Japan - consumer price indices



Producer prices declined by 1.1 per cent in the year to September 1999. Since a trough from April to June 1999, the index has risen by 0.2 percentage points, after a sustained period of decline in the two years to April 1999. This contrasts with significant rises in producer prices in the US and the EU in the six months to September 1999.

Earnings rose by 1.2 per cent in the year to September 1999. The turnaround in annual growth rates from a decline of 4.4 per cent in June 1999 reflects a strong recovery in earnings in August and September, which offset sharp declines in April and May.

Employment fell by 0.2 per cent in the year to September 1999. The rate of unemployment was 4.7 per cent in August 1999, reflecting some stabilisation since April 1999, having increased steadily up to then. The rate of unemployment was just 2.1 per cent in the first three years of the decade.

## 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. The definitions and methodologies used conform to SNA 68 and SNA 93.

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

Data for France and Germany has been updated to SNA93 basis. All other tables are on the SNA68 basis. The two bases are not directly comparable meaning that cross-country comparisons with countries on different bases are less valid. All the European data is likely to be put on the SNA93 basis in OECD data very soon. However, the current expectation is that data for the USA will be only partially compatible with SNA93 near the end of this year and Japan will not be available on SNA93 basis until near the end of 2000.

All data is *seasonally adjusted* except for the following:

- Consumer Price Indices
- Producer Price Indices
- Earnings (excluding Japan)
- Employment

# 1 European Union 15

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk <sup>1</sup>	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl	Unempl
<b>Percentage change on a year earlier</b>														
	ILGB	HUDS	HUDT	HUDU	HUDV	HUDW	HUDX	ILGV	ILHP	HYAB	ILAI	ILAR	ILIJ	GADR
1990	3.1	1.7	0.5	0.9	-0.1	1.6	1.5	2.2	1.2	5.9	2.5	6.3	1.6	8.1
1991	1.5	1.4	0.5	0.2	-0.2	0.4	0.8	-0.3	1.8	5.2	2.2	6.7	0.1	8.4
1992	1.1	0.9	0.5	-0.1	-0.2	0.8	0.9	-1.3	0.2	4.4	1.3	5.6	-1.7	9.1
1993	-0.4	-0.2	0.2	-1.2	-0.4	0.4	-0.8	-3.6	-1.2	3.6	1.4	4.3	-2.1	10.7
1994	2.8	1.0	0.2	0.5	0.7	2.4	2.0	5.0	-0.5	3.1	2.1	4.0	-0.2	11.1
1995	2.5	1.1	0.1	0.6	0.2	2.3	1.9	3.5	-0.3	3.1	4.5	3.4	0.7	10.7
1996	1.6	1.0	0.4	0.4	-0.4	1.4	1.1	0.5	0.4	2.5	0.6	3.7	0.6	10.8
1997	2.5	1.2	-	0.6	0.4	2.8	2.5	4.0	2.7	2.0	0.9	3.2	0.7	10.7
1998	2.7	1.7	0.2	1.0	0.4	1.8	2.5	3.5	3.2	1.7	-0.3	2.8	1.4	10.0
1997 Q1	1.8	0.9	0.1	0.5	-0.1	1.9	1.4	1.9	1.0	2.2	0.3	2.9	0.5	10.8
Q2	2.5	1.3	-	0.5	0.4	2.8	2.6	3.6	3.0	1.8	0.6	2.9	0.7	10.7
Q3	2.7	1.1	-	0.6	0.4	3.4	2.8	4.7	2.6	2.1	1.4	2.9	0.7	10.6
Q4	3.1	1.5	-0.1	0.9	0.7	3.2	3.1	5.5	4.0	2.2	1.3	3.8	1.0	10.5
1998 Q1	3.4	1.6	0.3	1.4	0.6	3.0	3.4	5.4	4.2	1.8	0.8	2.9	1.3	10.2
Q2	2.8	1.7	0.3	0.8	0.5	2.3	2.7	4.4	2.2	2.1	0.3	2.8	1.2	10.1
Q3	2.6	1.9	0.2	1.1	0.4	1.4	2.4	3.2	3.3	1.7	-0.7	2.8	1.4	9.9
Q4	1.9	1.8	0.2	0.9	0.3	0.4	1.6	1.3	3.2	1.3	-1.8	2.8	1.3	9.7
1999 Q1	1.7	1.7	0.3	0.9	-0.1	0.2	1.3	0.3	2.8	1.1	-2.0	2.8	1.3	9.5
Q2	1.7	1.5	0.3	1.3	-0.4	0.4	1.4	0.2	3.1	1.1	-1.2	2.8	1.5	9.3
Q3	..	..	..	..	..	..	..	..	..	1.1	0.2	..	..	..
1998 Oct	..	..	..	..	..	..	..	1.9	1.9	1.5	-1.5	..	..	9.8
Nov	..	..	..	..	..	..	..	1.9	4.9	1.3	-1.8	..	..	9.7
Dec	..	..	..	..	..	..	..	0.2	2.9	1.3	-1.9	..	..	9.7
1999 Jan	..	..	..	..	..	..	..	0.9	1.9	1.2	-2.0	..	..	9.6
Feb	..	..	..	..	..	..	..	-0.2	2.8	1.1	-2.1	..	..	9.5
Mar	..	..	..	..	..	..	..	-0.1	3.7	1.2	-1.8	..	..	9.4
Apr	..	..	..	..	..	..	..	-0.2	2.9	1.2	-1.4	..	..	9.4
May	..	..	..	..	..	..	..	0.1	1.9	1.0	-1.2	..	..	9.3
Jun	..	..	..	..	..	..	..	0.6	4.7	1.0	-1.0	..	..	9.3
Jul	..	..	..	..	..	..	..	-0.1	2.8	1.1	-0.3	..	..	9.3
Aug	..	..	..	..	..	..	..	1.2	..	1.2	0.1	..	..	9.3
Sep	..	..	..	..	..	..	..	..	..	1.2	0.7	..	..	..
Oct	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	ILGL	HUDY	HUDZ	HUEA	HUEB	HUEC	HUED	ILHF	ILHZ					ILIT
1997 Q1	0.3	0.3	-0.2	-0.1	0.2	0.5	0.4	1.1	2.0					-0.9
Q2	1.2	0.4	-	0.5	0.3	1.0	1.0	1.6	1.7					1.0
Q3	0.8	0.2	0.1	0.2	-0.1	1.1	0.7	1.7	-0.4					0.7
Q4	0.8	0.5	-	0.3	0.4	0.5	0.9	1.0	0.7					0.2
1998 Q1	0.6	0.5	0.2	0.4	-	0.3	0.7	0.9	2.2					-0.6
Q2	0.6	0.5	-	-0.1	0.2	0.3	0.4	0.7	-0.3					0.9
Q3	0.6	0.4	-	0.5	-0.2	0.3	0.4	0.6	0.7					0.9
Q4	0.2	0.4	-	0.2	0.2	-0.4	0.2	-0.8	0.6					0.1
1999 Q1	0.4	0.4	0.2	0.4	-0.4	0.1	0.4	-0.1	1.9					-0.6
Q2	0.6	0.3	0.1	0.2	-	0.5	0.4	0.6	-					1.1
Q3	..	..	..	..	..	..	..	..	..					..
<b>Percentage change on previous month</b>														
								ILKF	ILKP					
1998 Oct								0.2	0.9					
Nov								-0.5	0.9					
Dec								-0.7	-0.9					
1999 Jan								0.7	0.9					
Feb								-0.5	0.9					
Mar								0.6	1.8					
Apr								-	-2.7					
May								0.3	0.9					
Jun								0.5	1.8					
Jul								0.6	-0.9					
Aug								0.4	..					
Sep								..	..					
Oct								..	..					

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, measurement 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 - SNA68

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl <sup>1</sup>	Unempl
<b>Percentage change on a year earlier</b>														
	ILFY	HUBW	HUBX	HUBY	HUBZ	HUCA	HUCB	ILGS	ILHM	HVLL	ILAF	ILAO	ILIG	GABD
1990	..	..	..	..	..	..	..	5.3	8.2	2.7	1.4	4.9	2.7	4.8
1991	..	..	..	..	..	..	..	3.2	5.6	4.1	2.1	6.1	2.0	4.2
1992	1.8	1.3	1.0	0.8	-0.7	-0.4	0.1	-2.5	-2.1	5.0	1.7	5.4	-1.4	4.5
1993	-1.1	0.2	-	-1.1	-0.1	-1.3	-1.2	-7.5	-4.3	4.5	0.1	5.1	-1.1	7.9
1994	2.4	0.6	0.5	0.9	0.3	1.7	1.6	3.5	0.7	2.7	0.7	3.7	-0.4	8.4
1995	1.8	1.3	0.3	-0.1	0.3	1.4	1.3	1.0	1.3	1.7	2.1	4.0	-0.1	8.2
1996	0.8	0.4	0.4	-0.2	-0.4	1.3	0.8	0.8	-0.2	1.4	0.2	3.5	-0.4	8.9
1997	1.5	0.5	-0.2	0.1	0.4	2.8	2.0	3.7	-0.5	1.9	0.7	1.5	-0.4	9.9
1998	1.9	1.2	0.1	0.2	0.7	1.8	2.1	4.2	1.4	1.0	-0.4	1.8	0.4	9.4
1997 Q1	1.7	0.6	0.1	0.9	-0.4	2.1	1.5	2.7	-1.3	1.8	0.3	1.6	-0.6	9.7
Q2	1.6	0.8	-0.1	-0.3	0.4	2.8	2.0	3.5	0.9	1.5	0.7	1.5	-0.5	9.8
Q3	1.5	0.1	-0.3	-0.1	0.7	3.6	2.5	3.6	-1.8	2.3	1.1	1.4	-0.4	10.1
Q4	1.4	0.4	-0.5	-	0.8	2.8	2.1	4.9	0.1	2.1	1.0	1.6	-0.1	10.1
1998 Q1	3.0	1.1	0.2	0.8	0.3	3.0	2.5	6.3	3.3	1.2	0.6	1.3	0.1	9.8
Q2	1.8	0.7	0.1	-0.2	1.0	2.7	2.6	4.7	-2.5	1.4	0.2	1.8	0.4	9.5
Q3	1.8	1.6	-	0.2	0.6	1.4	1.9	4.5	2.4	0.7	-0.6	2.1	0.7	9.3
Q4	1.2	1.4	-	-	1.1	0.2	1.4	1.4	2.4	0.4	-1.7	2.2	0.7	9.2
1999 Q1	0.6	1.1	-	0.3	0.2	-0.2	0.9	-0.6	0.6	0.3	-2.4	2.5	..	9.0
Q2	0.6	0.9	0.1	0.9	-0.1	-	1.0	0.2	2.6	0.5	-1.7	2.4	..	9.1
Q3	..	..	..	..	..	..	..	..	..	0.7	-0.7	..	..	..
1998 Oct	..	..	..	..	..	..	..	2.9	-0.8	0.5	-1.4	..	..	9.1
Nov	..	..	..	..	..	..	..	0.8	5.3	0.5	-1.8	..	..	9.1
Dec	..	..	..	..	..	..	..	0.7	3.0	0.4	-1.9	..	..	9.3
1999 Jan	..	..	..	..	..	..	..	0.7	1.1	0.2	-2.3	..	..	9.0
Feb	..	..	..	..	..	..	..	-0.9	-0.4	0.2	-2.4	..	..	9.0
Mar	..	..	..	..	..	..	..	-1.9	0.9	0.4	-2.3	..	..	9.0
Apr	..	..	..	..	..	..	..	-0.2	1.9	0.7	-1.7	..	..	9.1
May	..	..	..	..	..	..	..	-0.2	0.2	0.4	-1.7	..	..	9.1
Jun	..	..	..	..	..	..	..	0.9	5.8	0.4	-1.5	..	..	9.1
Jul	..	..	..	..	..	..	..	-2.2	-0.2	0.6	-1.0	..	..	9.1
Aug	..	..	..	..	..	..	..	-	1.0	0.7	-0.7	..	..	9.2
Sep	..	..	..	..	..	..	..	..	..	0.7	-0.5	..	..	..
Oct	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	ILGI	HUCC	HUCD	HUCE	HUCF	HUCG	HUCH	ILHC	ILHW				ILIQ	
1997 Q1	-0.5	0.1	-0.3	-0.5	0.3	0.4	0.5	1.0	-0.5				-1.9	
Q2	1.2	0.3	-0.1	0.3	0.2	0.8	0.3	1.6	3.1				0.9	
Q3	0.4	-0.3	-	0.2	-	1.3	0.8	1.1	-2.9				0.6	
Q4	0.4	0.4	-0.2	-	0.4	0.3	0.5	1.2	0.4				0.3	
1998 Q1	1.1	0.8	0.4	0.3	-0.3	0.6	0.8	2.3	2.7				-1.7	
Q2	-	-	-0.1	-0.7	0.9	0.5	0.4	0.1	-2.6				1.2	
Q3	0.4	0.5	-0.1	0.6	-0.4	-	0.2	0.8	2.0				0.9	
Q4	-0.3	0.2	-0.3	-0.2	0.9	-0.9	-	-1.7	0.4				0.3	
1999 Q1	0.4	0.4	0.5	0.7	-1.1	0.3	0.3	0.2	0.9				..	
Q2	-	-0.3	-0.1	-0.1	0.5	0.6	0.6	0.9	-0.7				..	
Q3	..	..	..	..	..	..	..	..	..				..	
<b>Percentage change on previous month</b>														
								ILKC	ILKM					
1998 Oct								0.6	-0.2					
Nov								-1.7	3.0					
Dec								0.7	-2.0					
1999 Jan								1.0	-0.4					
Feb								-1.2	-0.2					
Mar								0.1	5.4					
Apr								0.9	-5.9					
May								0.5	1.5					
Jun								0.1	3.2					
Jul								-0.5	-3.0					
Aug								1.0	1.2					
Sep								..	..					
Oct								..	..					

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IoP = Industrial Production

Sales = Retail Sales volume  
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Earnings = Average Earnings (manufacturing), definitions of coverage and treatment vary among countries  
Empl = Total Employment not seasonally adjusted  
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Source: OECD - SNA93

1 Excludes members of armed forces

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI <sup>1</sup>	Earnings	Empl <sup>2</sup>	Unempl
<b>Percentage change on a year earlier</b>														
	ILFZ	HUBK	HUBL	HUBM	HUBN	HUBO	HUBP	ILGT	ILHN	HXAA	ILAG	ILAP	ILIH	GABC
1990	2.6	1.5	0.6	0.7	-0.1	0.8	1.0	1.5	1.9	3.6	-0.8	4.9	0.9	8.9
1991	1.1	0.4	0.6	-0.3	-0.1	1.0	0.5	-1.2	-0.2	3.2	-1.2	4.7	0.1	9.5
1992	1.4	0.5	0.8	-0.3	-0.2	1.0	0.3	-1.2	0.3	2.3	-1.1	4.0	-0.6	10.4
1993	-1.0	-0.2	1.0	-1.3	-1.2	-	-0.7	-3.8	0.2	2.2	-2.2	3.0	-1.3	11.7
1994	1.8	0.4	0.1	0.3	1.0	1.6	1.6	3.9	-0.1	1.7	1.2	2.0	0.1	12.3
1995	1.8	0.8	-	0.4	0.5	1.7	1.6	2.0	-	1.7	5.2	2.4	0.9	11.7
1996	1.2	0.8	0.5	-	-0.6	0.7	0.3	0.2	-0.3	2.0	-2.6	2.6	0.2	12.4
1997	2.0	0.1	0.4	0.1	0.3	2.4	1.4	3.9	1.0	1.2	-0.5	2.6	0.5	12.3
1998	3.4	2.0	0.3	1.1	0.4	1.7	2.1	4.4	2.6	0.8	-0.9	2.2	1.6	11.7
1997 Q1	1.2	-0.5	0.4	-0.2	0.5	1.3	0.3	0.6	-1.3	1.5	-2.3	2.8	0.1	12.4
Q2	1.7	-	0.4	-	-0.1	2.4	0.9	3.4	0.7	0.9	-0.9	2.7	0.3	12.4
Q3	2.0	-0.2	0.4	0.1	0.8	2.9	1.9	5.2	1.8	1.3	0.3	2.8	0.7	12.3
Q4	3.0	1.3	0.3	0.5	0.1	3.2	2.3	6.2	2.8	1.2	0.7	2.5	1.0	12.2
1998 Q1	3.5	1.6	0.3	1.0	0.5	2.8	2.8	7.2	2.2	0.9	0.6	2.4	1.3	11.9
Q2	3.7	2.2	0.3	1.0	0.6	2.1	2.6	5.6	3.1	1.1	-0.3	2.0	1.6	11.7
Q3	3.4	2.2	0.2	1.2	-	1.6	1.8	3.1	2.3	0.7	-1.3	2.1	1.8	11.7
Q4	2.9	1.8	0.2	1.2	0.6	0.5	1.3	2.2	2.8	0.4	-2.4	2.0	1.6	11.6
1999 Q1	2.4	1.5	0.2	1.3	-0.2	-	0.4	0.7	3.4	0.2	-2.9	2.0	1.7	11.4
Q2	2.1	1.0	0.2	1.2	-0.3	0.5	0.6	-	1.9	0.4	-2.5	2.0	1.4	11.2
Q3	..	..	..	..	..	..	..	..	2.4	0.5	-1.3	..	..	..
1998 Oct	..	..	..	..	..	..	..	1.6	2.4	0.5	-2.2	..	..	11.6
Nov	..	..	..	..	..	..	..	4.0	4.5	0.2	-2.4	..	..	11.6
Dec	..	..	..	..	..	..	..	0.9	1.6	0.3	-2.5	..	..	11.5
1999 Jan	..	..	..	..	..	..	..	1.3	0.2	0.2	-2.7	..	..	11.4
Feb	..	..	..	..	..	..	..	0.4	3.6	0.2	-3.0	..	..	11.4
Mar	..	..	..	..	..	..	..	0.3	6.5	0.4	-3.1	..	..	11.4
Apr	..	..	..	..	..	..	..	-0.2	2.3	0.4	-2.8	..	..	11.3
May	..	..	..	..	..	..	..	-0.2	0.9	0.4	-2.5	..	..	11.2
Jun	..	..	..	..	..	..	..	0.5	2.5	0.3	-2.2	..	..	11.2
Jul	..	..	..	..	..	..	..	2.3	4.5	0.4	-1.8	..	..	11.0
Aug	..	..	..	..	..	..	..	2.3	-0.4	0.5	-1.4	..	..	11.0
Sep	..	..	..	..	..	..	..	..	3.0	0.7	-0.7	..	..	..
Oct	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	ILGJ	HUBQ	HUBR	HUBS	HUBT	HUBU	HUBV	ILHD	ILHX				ILIR	
1997 Q1	0.4	-	0.1	-0.3	0.1	0.6	0.1	-0.2	0.4				0.1	
Q2	0.7	0.1	0.1	0.3	-0.2	0.9	0.5	2.9	0.1				0.2	
Q3	0.8	0.3	0.1	0.1	0.2	0.9	0.9	2.4	1.3				0.3	
Q4	1.1	0.8	-	0.3	-0.1	0.8	0.7	0.9	1.0				0.4	
1998 Q1	0.9	0.4	0.1	0.3	0.6	0.2	0.6	0.7	-0.2				0.4	
Q2	0.9	0.7	0.1	0.3	-0.1	0.2	0.3	1.4	1.0				0.5	
Q3	0.5	0.3	-	0.3	-0.4	0.4	0.1	-	0.5				0.5	
Q4	0.6	0.3	-	0.3	0.5	-0.3	0.2	-	1.5				0.2	
1999 Q1	0.4	0.1	0.1	0.4	-0.2	-0.2	-0.2	-0.7	0.4				0.5	
Q2	0.6	0.3	0.1	0.3	-0.2	0.7	0.5	0.7	-0.5				0.2	
Q3	..	..	..	..	..	..	..	..	1.0				..	
<b>Percentage change on previous month</b>														
								ILKD	ILKN					
1998 Oct								0.6	2.7					
Nov								0.1	-0.6					
Dec								-0.7	-0.3					
1999 Jan								-0.3	0.5					
Feb								-0.5	-0.2					
Mar								1.0	1.1					
Apr								-0.5	-0.4					
May								0.5	-2.6					
Jun								1.1	2.9					
Jul								1.5	2.8					
Aug								-	-5.6					
Sep								..	2.8					
Oct								..	..					

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Empl = Total Employment not seasonally adjusted  
Unempl = Standardised Unemployment rates: percentage of total workforce  
IoP = Index of Production

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

Source: OECD - SNA93

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	Imports	less	IoP	Sales	CPI	PPI	Earnings	Empl	Unempl
<b>Percentage change on a year earlier</b>															
	ILGA	HUCI	HUCJ	HUCK	HUCL	HUCM	HUCN	ILGU	ILHO	HYAA	ILAH	ILAQ	ILII	GABE	
1990	2.2	1.4	0.2	0.7	0.1	1.2	1.6	-0.5	-2.0	6.4	4.2	7.3	1.4	9.1	
1991	1.1	1.6	0.3	0.2	-0.2	-0.1	0.5	-1.8	3.2	6.3	3.3	9.7	1.3	8.8	
1992	0.6	0.6	0.2	-0.4	-	1.1	1.1	-1.0	1.9	5.3	2.0	5.4	-1.1	9.0	
1993	-1.2	-1.5	0.1	-2.6	-0.4	1.7	-1.7	-2.3	-3.0	4.6	3.7	3.6	-4.1	10.3	
1994	2.2	0.9	-0.1	0.1	0.5	2.2	1.6	5.8	-6.1	4.1	3.7	3.4	-1.7	11.4	
1995	2.9	1.1	-0.2	1.2	0.6	2.7	2.0	5.8	-5.1	5.3	7.9	3.1	-0.6	11.9	
1996	0.9	0.3	0.3	0.4	-0.8	0.4	-0.3	-1.5	-1.7	4.0	1.8	3.1	0.4	12.0	
1997	1.5	1.5	-0.1	0.2	0.8	1.2	2.2	3.8	7.0	2.0	1.3	3.6	-	12.1	
1998	1.3	1.0	0.2	0.6	0.6	0.3	1.4	1.5	3.2	2.0	0.1	2.8	0.5	12.3	
1997 Q1	-0.5	1.2	-	-0.3	-1.2	-0.1	-	-1.8	1.6	2.5	0.9	3.8	-	12.2	
Q2	1.6	1.8	-0.1	-	1.7	1.3	3.0	4.1	8.0	1.9	1.2	3.8	0.1	12.1	
Q3	1.9	1.7	-0.2	0.3	0.7	2.0	2.7	5.4	7.9	1.8	1.6	3.5	-	12.1	
Q4	2.9	1.4	-0.1	0.7	2.0	1.8	2.9	7.6	10.6	2.0	1.6	3.5	-	12.1	
1998 Q1	2.7	1.2	-	1.0	1.8	2.0	3.3	5.2	3.8	2.0	1.2	2.2	0.6	12.1	
Q2	1.3	1.0	0.2	0.7	0.1	0.9	1.6	2.6	0.9	2.1	0.6	3.1	0.1	12.3	
Q3	1.1	1.1	0.3	0.7	0.2	-0.3	0.8	0.6	3.4	2.1	-0.1	2.8	0.6	12.3	
Q4	0.3	0.9	0.4	0.2	0.1	-1.3	-	-2.2	4.8	1.7	-1.2	3.0	0.9	12.3	
1999 Q1	0.9	1.0	0.6	0.2	0.1	-0.8	0.2	-1.3	..	1.4	-1.8	3.0	1.0	12.0	
Q2	0.9	0.8	0.5	0.5	0.4	-0.7	0.7	-2.3	..	1.4	-1.4	2.1	1.4	..	
Q3	..	..	..	..	..	..	..	..	..	1.7	-	..	..	..	
1998 Oct	..	..	..	..	..	..	..	-1.9	2.9	1.9	-0.9	3.0	..	12.3	
Nov	..	..	..	..	..	..	..	-0.3	7.8	1.7	-1.3	3.0	..	12.3	
Dec	..	..	..	..	..	..	..	-4.5	3.8	1.7	-1.4	3.0	..	12.2	
1999 Jan	..	..	..	..	..	..	..	-1.0	..	1.5	-1.6	3.4	..	12.1	
Feb	..	..	..	..	..	..	..	-2.2	..	1.4	-1.9	3.3	..	12.0	
Mar	..	..	..	..	..	..	..	-0.5	..	1.3	-1.8	2.1	..	11.9	
Apr	..	..	..	..	..	..	..	-2.9	..	1.5	-1.6	2.2	..	12.0	
May	..	..	..	..	..	..	..	-2.8	..	1.5	-1.4	2.1	..	..	
Jun	..	..	..	..	..	..	..	-1.2	..	1.4	-1.4	1.9	..	..	
Jul	..	..	..	..	..	..	..	-1.9	..	1.7	-0.6	2.6	..	..	
Aug	..	..	..	..	..	..	..	2.3	..	1.7	-	2.1	..	..	
Sep	..	..	..	..	..	..	..	..	..	1.8	0.8	..	..	..	
Oct	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
<b>Percentage change on previous quarter</b>															
	ILGK	HUCO	HUCP	HUCQ	HUCR	HUCS	HUCT	ILHE	ILHY					ILIS	
1997 Q1	-0.2	0.5	-0.1	-	-	-0.4	0.1	1.4	12.4					-1.5	
Q2	1.7	0.6	-	0.2	1.6	0.8	1.5	3.0	2.5					1.3	
Q3	0.8	0.2	-	0.1	-0.2	1.1	0.4	1.5	-3.3					1.1	
Q4	0.7	0.1	-	0.4	0.6	0.3	0.8	1.5	-0.7					-0.9	
1998 Q1	-0.4	0.3	0.1	0.3	-0.2	-0.2	0.6	-0.9	5.5					-0.9	
Q2	0.3	0.4	0.1	-0.1	-	-0.2	-0.2	0.5	-0.4					0.8	
Q3	0.6	0.3	0.1	0.1	-0.1	-0.1	-0.3	-0.5	-0.9					1.6	
Q4	-0.2	-0.1	0.2	-0.1	0.5	-0.8	-	-1.3	0.6					-0.6	
1999 Q1	0.2	0.4	0.2	0.3	-0.3	0.3	0.7	0.1	..					-0.8	
Q2	0.3	0.2	-	0.2	0.3	-0.1	0.3	-0.6	..					1.2	
Q3	..	..	..	..	..	..	..	..	..					..	
<b>Percentage change on previous month</b>															
								ILKE	ILKO						
1998 Oct								-1.1	0.9						
Nov								0.5	2.8						
Dec								-3.1	-2.7						
1999 Jan								2.2	..						
Feb								-0.9	..						
Mar								1.5	..						
Apr								-1.5	..						
May								-0.4	..						
Jun								1.4	..						
Jul								0.5	..						
Aug								1.0	..						
Sep								..	..						
Oct								..	..						

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Source: OECD - SNA68

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl <sup>1</sup>	Unempl
<b>Percentage change on a year earlier</b>														
	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	-0.1	0.6	5.5	5.0	3.4	1.3	5.6
1991	-0.9	-0.4	0.2	-1.1	-0.2	0.6	-0.1	-2.1	-2.5	4.2	2.0	3.2	-0.8	6.8
1992	2.7	1.9	-	0.8	0.2	0.6	0.8	3.2	3.2	3.0	1.3	2.7	0.6	7.5
1993	2.3	2.0	-	0.8	0.2	0.3	1.0	3.4	4.5	2.9	1.2	2.6	1.5	6.9
1994	3.5	2.2	0.1	1.1	0.6	0.8	1.4	5.4	5.7	2.6	0.6	2.4	2.3	6.1
1995	2.3	1.8	-0.1	0.8	-0.5	1.2	1.1	4.9	3.1	2.8	1.9	2.6	1.5	5.6
1996	3.4	2.2	0.1	1.4	-	1.0	1.2	4.5	4.6	2.9	2.6	3.3	1.4	5.4
1997	3.9	2.3	0.2	1.3	0.5	1.6	1.9	6.0	4.2	2.3	0.4	3.1	2.3	4.9
1998	3.9	3.3	0.2	1.8	-0.1	0.2	1.6	3.6	6.5	1.6	-0.9	2.6	1.5	4.5
1997 Q1	4.1	2.3	0.3	1.3	0.6	1.4	1.8	6.3	4.8	2.9	2.1	3.5	2.4	5.2
Q2	3.6	1.8	0.2	1.2	0.7	1.7	2.0	5.4	3.1	2.3	0.4	2.9	2.4	5.0
Q3	4.1	2.5	0.2	1.4	-	2.0	2.0	5.9	4.8	2.1	-0.2	2.9	2.1	4.9
Q4	3.8	2.5	0.2	1.3	0.5	1.2	2.0	6.7	4.0	1.9	-0.8	3.2	2.0	4.7
1998 Q1	4.2	2.8	0.1	1.8	0.5	0.9	1.9	5.3	5.1	1.4	-1.5	2.8	1.9	4.6
Q2	3.6	3.6	0.2	1.9	-0.5	0.1	1.7	4.6	7.6	1.6	-0.8	2.8	1.5	4.4
Q3	3.5	3.2	0.1	1.5	0.1	-0.3	1.3	3.0	5.6	1.6	-0.6	2.5	1.1	4.5
Q4	4.3	3.6	0.3	1.9	-0.3	0.1	1.5	1.9	7.9	1.5	-0.4	2.1	1.3	4.4
1999 Q1	4.0	3.7	0.4	1.8	-0.7	0.1	1.5	1.8	8.9	1.7	0.7	1.8	1.7	4.3
Q2	3.9	3.5	0.1	1.6	-0.4	0.5	1.7	2.1	7.7	2.2	1.3	2.8	1.4	4.3
Q3	..	..	..	..	..	..	..	2.7	..	2.4	2.3	3.9	1.4	4.2
1998 Oct	..	..	..	..	..	..	..	2.4	7.5	1.5	-0.7	2.8	1.3	4.5
Nov	..	..	..	..	..	..	..	1.8	7.8	1.5	-0.6	1.9	1.1	4.4
Dec	..	..	..	..	..	..	..	1.5	8.3	1.6	-	1.8	1.5	4.3
1999 Jan	..	..	..	..	..	..	..	1.6	8.5	1.7	0.9	1.9	1.9	4.3
Feb	..	..	..	..	..	..	..	1.8	9.4	1.7	0.4	1.9	1.6	4.4
Mar	..	..	..	..	..	..	..	2.0	8.9	1.8	0.8	1.8	1.6	4.2
Apr	..	..	..	..	..	..	..	1.7	7.7	2.3	1.2	2.8	1.3	4.3
May	..	..	..	..	..	..	..	1.6	7.8	2.2	1.4	2.8	1.4	4.2
Jun	..	..	..	..	..	..	..	2.7	7.5	2.0	1.5	2.8	1.6	4.3
Jul	..	..	..	..	..	..	..	3.5	9.0	2.1	1.5	4.6	1.5	4.3
Aug	..	..	..	..	..	..	..	2.3	..	2.3	2.3	3.7	1.6	4.2
Sep	..	..	..	..	..	..	..	2.4	..	2.6	3.2	3.6	1.2	4.2
Oct	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	ILGM	HUDM	HUDN	HUDO	HUDP	HUDQ	HUDR	ILHG	ILIA				ILIU	
1997 Q1	1.0	0.7	-	0.3	0.3	0.3	0.6	1.7	1.8				-0.8	
Q2	1.0	0.3	0.1	0.4	0.3	0.5	0.6	1.4	-0.2				1.9	
Q3	1.0	1.0	-	0.5	-0.4	0.3	0.5	1.8	2.1				1.0	
Q4	0.7	0.5	-	0.1	0.2	0.1	0.2	1.6	0.4				-	
1998 Q1	1.4	1.0	-0.1	0.8	0.3	-0.1	0.6	0.4	2.8				-1.0	
Q2	0.5	1.0	0.2	0.5	-0.7	-0.3	0.4	0.7	2.2				1.5	
Q3	0.9	0.7	-	0.2	0.2	-0.1	0.1	0.3	0.1				0.6	
Q4	1.5	0.8	0.2	0.5	-0.2	0.6	0.5	0.5	2.6				0.2	
1999 Q1	1.1	1.1	-	0.6	-0.1	-0.2	0.5	0.3	3.8				-0.6	
Q2	0.4	0.8	-	0.3	-0.4	0.2	0.6	0.9	1.0				1.2	
Q3	..	..	..	..	..	..	..	0.9	..				0.6	
<b>Percentage change on previous month</b>														
								ILKG	ILKQ				ILLA	
1998 Oct								0.4	1.2				0.4	
Nov								-0.2	0.8				0.1	
Dec								0.1	1.0				0.2	
1999 Jan								-	1.5				-1.0	
Feb								0.2	2.0				0.2	
Mar								0.6	-				0.5	
Apr								0.3	-0.4				0.2	
May								0.3	1.2				0.7	
Jun								0.2	-				0.7	
Jul								0.6	0.7				0.3	
Aug								0.3	..				-0.4	
Sep								-0.3	..				-0.6	
Oct								..	..				..	

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, measurement not uniform among countries  
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 - SNA68

1 Excludes members of armed forces

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP <sup>1</sup>	Sales	CPI	PPI	Earnings <sup>2</sup>	Empl	Unempl
<b>Percentage change on a year earlier</b>														
	ILGD	HUCU	HUCV	HUCW	HUCX	HUCY	HUCZ	ILGX	ILHR	ILAB	ILAK	ILAT	ILIL	GADP
1990	5.2	2.6	0.1	2.6	-0.2	0.7	0.8	4.2	5.2	3.1	1.6	5.0	2.0	2.1
1991	3.8	1.5	0.2	1.1	0.3	0.6	-0.3	1.9	2.5	3.2	1.2	3.5	1.9	2.1
1992	1.0	1.2	0.2	-0.5	-0.4	0.5	-	-5.7	-0.2	1.8	-1.0	1.3	1.1	2.1
1993	0.3	0.7	0.2	-0.6	-0.2	0.2	-	-3.6	-2.8	1.2	-1.6	0.4	0.2	2.5
1994	0.7	1.1	0.2	-0.2	-0.2	0.5	0.8	1.3	0.3	0.7	-1.8	2.1	0.1	2.9
1995	1.4	1.2	0.3	0.4	0.2	0.7	1.4	3.3	0.1	-0.1	-0.7	3.0	-	3.1
1996	5.2	1.7	0.2	3.4	0.4	0.8	1.3	2.4	0.7	0.1	-1.8	2.5	0.5	3.4
1997	1.4	0.6	0.1	-0.7	-0.1	1.4	0.1	3.5	-1.9	1.7	0.7	3.0	1.0	3.4
1998	-2.9	-0.7	0.1	-2.7	-0.1	-0.3	-0.9	-6.6	-5.5	0.7	-1.3	-0.7	-0.6	4.1
1997 Q1	3.8	2.7	-	0.6	-0.4	1.5	0.6	5.2	5.6	0.6	-0.9	5.0	1.6	3.3
Q2	0.9	-0.2	0.2	-1.0	-	2.0	0.1	5.8	-4.7	2.0	1.3	2.6	1.3	3.4
Q3	1.7	0.6	0.4	-0.8	0.1	1.4	-	4.0	-3.6	2.1	1.2	2.7	0.7	3.4
Q4	-0.8	-0.6	-0.1	-1.5	-	1.0	-0.4	-0.7	-4.9	2.2	1.0	1.6	0.7	3.5
1998 Q1	-3.6	-2.4	0.2	-2.4	0.2	0.3	-0.6	-4.1	-10.0	2.0	0.4	-0.1	-	3.7
Q2	-1.8	0.5	-	-2.7	-0.1	-0.5	-1.0	-8.0	-2.4	0.4	-1.9	-0.3	-0.7	4.1
Q3	-3.1	-0.5	-	-3.0	-0.3	-0.2	-1.0	-7.9	-3.8	-0.2	-1.8	-1.7	-0.9	4.2
Q4	-3.0	-0.1	0.1	-2.8	-0.3	-0.8	-0.9	-6.3	-5.2	0.5	-2.0	-0.6	-1.0	4.4
1999 Q1	0.1	0.5	0.1	-0.3	-0.2	-0.5	-0.5	-4.2	-4.5	-0.1	-2.1	-0.3	-1.2	4.6
Q2	1.0	1.1	0.1	0.3	-	-0.1	0.3	-0.9	-1.8	-0.3	-1.8	-1.0	-1.1	4.8
Q3	..	..	..	..	..	..	..	2.6	-1.8	-	-1.4	-0.5	-0.7	..
1998 Oct	..	..	..	..	..	..	..	-8.0	-7.1	0.2	-1.9	0.5	-1.1	4.3
Nov	..	..	..	..	..	..	..	-4.6	-3.2	0.8	-2.1	1.8	-0.7	4.5
Dec	..	..	..	..	..	..	..	-6.4	-5.2	0.6	-2.0	-4.0	-1.0	4.4
1999 Jan	..	..	..	..	..	..	..	-8.0	-5.2	0.2	-2.2	-2.3	-1.2	4.5
Feb	..	..	..	..	..	..	..	-3.8	-4.2	-0.1	-2.1	0.5	-1.2	4.6
Mar	..	..	..	..	..	..	..	-0.6	-4.2	-0.4	-2.0	0.9	-1.3	4.7
Apr	..	..	..	..	..	..	..	-2.2	-2.1	-0.1	-1.9	1.1	-1.0	4.9
May	..	..	..	..	..	..	..	-0.6	-2.1	-0.4	-1.8	0.1	-1.0	4.6
Jun	..	..	..	..	..	..	..	-	-1.1	-0.3	-1.7	-4.4	-1.3	4.8
Jul	..	..	..	..	..	..	..	0.1	-2.1	-0.1	-1.5	-2.9	-1.3	4.9
Aug	..	..	..	..	..	..	..	5.0	-2.2	0.3	-1.4	0.3	-0.6	4.7
Sep	..	..	..	..	..	..	..	2.8	-1.1	-0.2	-1.1	1.2	-0.2	..
Oct	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	ILGN	HUDA	HUDB	HUDC	HUDD	HUDE	HUDD	ILHH	ILIB				ILIV	
1997 Q1	1.6	2.1	-0.2	-0.2	-0.2	0.3	0.1	1.8	5.3				-0.9	
Q2	-2.5	-3.0	0.2	-0.7	0.3	0.5	-0.2	-0.1	-10.0				2.8	
Q3	1.0	0.9	0.1	-0.1	0.1	-	-0.1	-	0.7				-0.2	
Q4	-0.9	-0.5	-0.2	-0.5	-0.1	0.2	-0.2	-2.3	-0.4				-1.0	
1998 Q1	-1.2	0.2	0.1	-1.1	-0.1	-0.4	-0.1	-1.7	-0.3				-1.6	
Q2	-0.7	-0.1	-	-1.0	-0.1	-0.3	-0.7	-4.1	-2.4				2.1	
Q3	-0.3	-0.1	0.1	-0.4	-0.1	0.3	-	0.1	-0.7				-0.4	
Q4	-0.8	-0.1	-0.1	-0.3	-	-0.4	-0.1	-0.7	-1.8				-1.1	
1999 Q1	2.0	0.7	0.1	1.5	-	-	0.3	0.5	0.4				-1.8	
Q2	0.2	0.5	-	-0.4	0.2	0.1	0.1	-0.8	0.3				2.2	
Q3	..	..	..	..	..	..	..	3.7	-0.8				-	
<b>Percentage change on previous month</b>														
								ILKH	ILKR				ILLB	
1998 Oct	..	..	..	..	..	..	..	-1.2	-1.1				-	
Nov	..	..	..	..	..	..	..	-0.8	1.1				-0.7	
Dec	..	..	..	..	..	..	..	-	-1.1				-0.6	
1999 Jan	..	..	..	..	..	..	..	-0.6	1.1				-1.0	
Feb	..	..	..	..	..	..	..	0.8	-				-0.7	
Mar	..	..	..	..	..	..	..	2.6	-1.1				0.8	
Apr	..	..	..	..	..	..	..	-3.1	1.1				1.3	
May	..	..	..	..	..	..	..	-1.0	-				1.0	
Jun	..	..	..	..	..	..	..	3.3	-				-0.2	
Jul	..	..	..	..	..	..	..	-1.0	-				-0.4	
Aug	..	..	..	..	..	..	..	4.5	-1.1				0.2	
Sep	..	..	..	..	..	..	..	-0.4	-				0.1	
Oct	..	..	..	..	..	..	..	..	..				..	

GDP = Gross Domestic Product at constant market prices  
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GFCF = Gross Fixed Capital Formation at constant market prices  
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Exports = Exports of goods and services  
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Sales = Retail Sales volume  
CPI = Consumer Prices, measurement not uniform among countries  
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  
IoP=Index of Production

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

Source: OECD - SNA68



# 7 World trade in goods<sup>1</sup>

	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
<b>Percentage change on a year earlier</b>														
	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	13.3	13.4	12.6	13.5	13.8	12.8	11.6	12.1	10.1	11.9	11.6	12.8	13.4	11.8
Q2	10.4	10.8	8.9	11.9	11.1	13.8	9.2	9.7	7.9	10.7	9.6	13.7	11.1	9.9
Q3	8.9	9.5	6.9	10.3	9.2	12.9	7.9	8.3	6.7	9.1	7.7	12.7	9.6	8.5
Q4	7.1	7.3	6.4	7.7	6.7	10.3	6.4	6.3	6.6	6.2	4.9	9.8	7.4	6.3
1996 Q1	6.2	6.1	6.7	7.8	7.7	8.0	5.8	5.5	6.8	6.3	6.5	6.0	7.0	6.1
Q2	6.2	6.0	7.1	6.3	6.4	5.9	6.0	5.5	7.2	5.1	5.9	3.2	6.2	5.6
Q3	7.9	7.8	8.0	7.7	8.6	5.5	7.5	7.4	7.8	6.5	7.8	3.2	7.8	7.0
Q4	9.5	9.6	9.2	8.1	8.6	6.9	9.0	9.2	8.7	7.5	8.5	5.0	8.8	8.3
1997 Q1	8.9	8.7	9.7	8.0	8.0	7.9	8.3	8.0	9.1	7.4	7.4	7.4	8.5	7.8
Q2	12.8	13.6	10.0	11.9	13.0	9.1	11.6	12.6	9.2	10.5	10.9	9.3	12.3	11.0
Q3	13.5	14.6	9.7	11.9	12.8	9.5	11.6	12.8	8.3	10.2	10.6	9.4	12.7	10.9
Q4	11.7	12.5	9.0	11.5	12.4	9.5	10.0	11.0	7.5	10.0	10.4	9.1	11.6	10.0
1998 Q1	10.4	11.4	6.8	10.0	12.0	4.6	9.2	10.7	5.3	8.9	10.6	4.4	10.2	9.0
Q2	5.9	5.8	6.3	6.6	8.4	1.8	5.3	5.4	5.1	5.9	7.4	1.8	6.3	5.6
Q3	3.5	3.3	4.5	4.1	6.6	-2.2	3.0	2.8	3.8	3.7	5.7	-1.8	3.8	3.3
Q4	..	2.4	..	..	6.6	..	2.9	2.9	2.9	3.0	6.0	-4.8	..	3.0
1999 Q1	..	..	..	..	..	..	..	2.1	..	..	5.4	..	..	..
<b>Percentage change on previous quarter</b>														
	ILJN	ILJO	ILJP	ILJQ	ILJR	ILJS	ILJT	ILJU	ILJV	ILJW	ILJX	ILJY	ILJZ	ILKA
1995 Q1	3.2	3.6	1.8	2.1	1.6	3.4	2.6	2.9	1.7	1.7	1.0	3.3	2.6	2.1
Q2	1.3	1.2	1.7	2.2	1.7	3.2	1.1	0.9	1.6	2.1	1.7	3.2	1.7	1.6
Q3	0.9	0.7	1.5	1.2	0.8	2.2	1.1	0.9	1.6	1.1	0.8	2.0	1.1	1.1
Q4	1.6	1.7	1.3	2.0	2.4	1.1	1.5	1.5	1.6	1.2	1.3	0.8	1.8	1.3
1996 Q1	2.3	2.4	2.0	2.2	2.6	1.3	2.0	2.1	1.8	1.8	2.5	-0.2	2.3	1.9
Q2	1.3	1.1	2.0	0.7	0.5	1.2	1.2	0.9	2.0	1.0	1.2	0.5	1.0	1.1
Q3	2.5	2.5	2.3	2.6	2.9	1.8	2.6	2.7	2.2	2.4	2.6	2.0	2.5	2.5
Q4	3.2	3.3	2.5	2.4	2.4	2.4	2.9	3.1	2.4	2.1	2.0	2.5	2.8	2.5
1997 Q1	1.7	1.6	2.4	2.1	2.1	2.2	1.4	1.0	2.3	1.6	1.4	2.1	1.9	1.5
Q2	4.9	5.6	2.4	4.3	5.1	2.3	4.3	5.2	2.0	3.9	4.5	2.3	4.6	4.1
Q3	3.1	3.4	2.0	2.6	2.7	2.2	2.5	2.9	1.4	2.2	2.3	2.1	2.9	2.4
Q4	1.5	1.4	1.9	2.1	1.9	2.4	1.5	1.5	1.6	2.0	1.8	2.3	1.8	1.7
1998 Q1	0.6	0.6	0.3	0.6	1.8	-2.4	0.6	0.7	0.1	0.5	1.6	-2.3	0.6	0.6
Q2	0.7	0.3	2.0	1.1	1.7	-0.4	0.6	0.2	1.8	1.0	1.5	-0.3	0.9	0.8
Q3	0.8	0.9	0.2	0.2	1.0	-1.8	0.3	0.3	0.1	0.1	0.7	-1.5	0.5	0.2
Q4	..	0.5	..	..	2.0	..	1.4	1.6	0.8	1.3	2.0	-0.7	..	1.4
1999 Q1	..	..	..	..	..	..	..	-0.1	..	..	1.0	..	..	..

<sup>1</sup> Data used in the World and OECD aggregates refer to Germany after unification

Source: OECD - SNA68

# Final Expenditure Prices Index (Experimental) – October 1999

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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 rate of inflation, as measured by the Final Expenditure Prices Index (FEPI) for October 1999, was 1.9 per cent. Consumer price inflation, as measured by the Index of Consumer Prices (ICP), was down to 1.5 per cent, from 1.7 per cent in September. Investment price inflation, as measured by the Index of Investment Prices (IIP) was down to 1.8 per cent, from 1.9 per cent in September, while inflation as measured by the Index of Government Prices (IGP) was down to 3.4 per cent, from 3.6 per cent in September.

## The FEPI annual percentage change

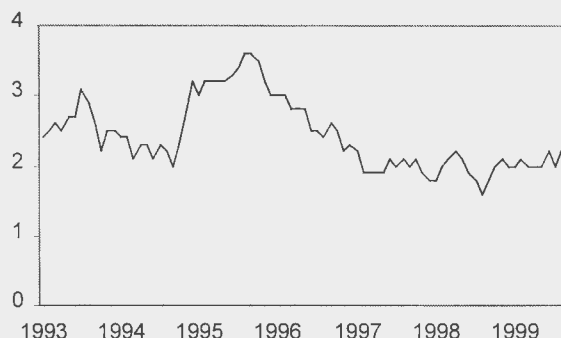


Table A

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
1999	May	122.0	1.7	113.9	1.3	120.2	3.0	120.0	2.0
	June	122.0	1.8	114.2r	1.6r	120.6	3.0	120.1	2.0
	July	121.4	1.8	114.5r	1.6r	121.3	3.7	119.9	2.2
	Aug	121.7	1.8	114.5r	1.6r	121.0r	3.3r	120.0	2.0
	Sept	122.1	1.7	114.6r	1.9r	121.1r	3.6r	120.4r	2.2r
	Oct	121.9	1.5	114.6	1.8	121.5	3.4	120.3	1.9

## The Index of Consumer Prices (ICP)

Consumer price inflation, as measured by the ICP, was down to 1.5 per cent in October.

Downward pressure came from:

- Food, whose 12-month rate fell from -0.7 per cent to -1.0 per cent. This year, the strong competition in the retail sector resulted in special offers across a wide range of products.
- Household goods and services, whose 12-month rate fell from 1.1 per cent to 0.9 per cent. Strong competition resulted in lower prices for personal goods and services, predominantly supermarket-sold pharmaceutical products, and household goods such as electrical appliances and household consumables.
- Other goods and services, whose 12-month rate fell from 4.0 per cent to 2.8 per cent. University fees and accommodation contributed to this decrease.

Upward pressure came from:

- Transport and communication, whose 12-month rate rose from 1.6 per cent to 1.8 per cent. Vehicle insurance rose significantly in contrast to last October

## The ICP annual percentage change



## The Index of Investment Prices (IIP)

Investment price inflation, as measured by the IIP, fell from 1.9 per cent to 1.8 per cent over the 12 months to October.

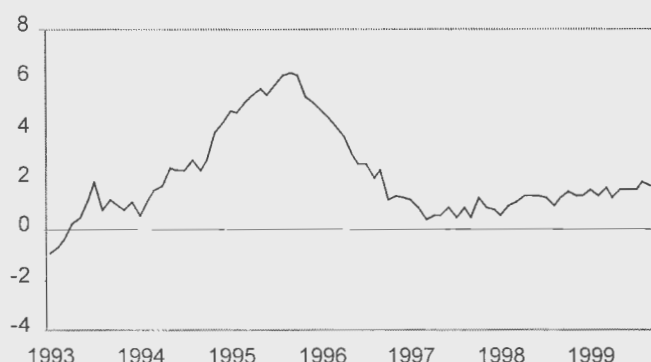
Upward pressure on the 12-month rate came from:

- Transfer costs of land and buildings, where the 12-month rate rose from 14.8 per cent in September to 17.5 per cent in October, mainly due to increased estate agents fees.
- New Dwellings, whose 12-month rate rose from 10.1 per cent in September to 11.3 per cent in October.

Downward pressure came from:

- Plant and machinery, where the 12-month rate fell from -4.0 per cent in September to -4.7 per cent in October.

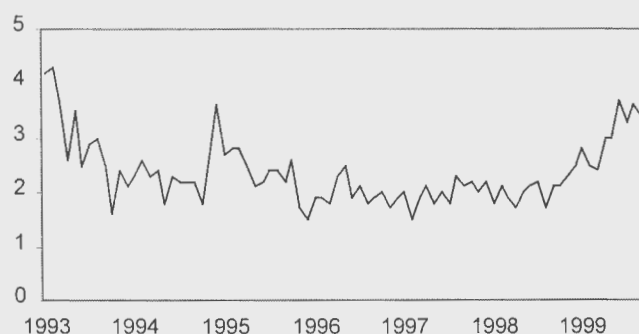
### The IIP annual percentage change



## The Index of Government Prices (IGP)

The IGP inflation rate fell from 3.6 per cent in September to 3.4 per cent in October.

### 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
1999	May	2.0	2.1	1.3	1.0
	Jun	2.0	2.2	1.4	1.0
	Jul	2.2	2.2	1.3	1.1
	Aug	2.0	2.1	1.3	1.3
	Sept	2.2	2.1	1.2	1.7
	Oct	1.9	2.2	1.2	1.9

## 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, October 1997. Longer runs of the FEPI back to January 1992, are available in computer readable form from the ONS Sales Office (telephone 020-7533 5670) or on paper from Jim O'Donoghue.

# 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								
1997	605	165	230	1000				
1998	605	169	226	1000				
1999	609	182	209	1000				
	CUSE	CUSK	CUSO	CUSP	CGAZ	CGBF	CGBJ	CGBK
1997 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	111.9	116.3	117.2	2.3	1.1	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	112.7	117.0	117.3	2.1	1.4	2.1	1.9
Aug	119.6	112.7	117.1	117.6	1.8	1.3	2.2	1.8
Sep	120.1	112.5	116.9	117.8	1.9	1.0	1.7	1.6
Oct	120.1	112.6	117.5	118.0	1.8	1.3	2.1	1.8
Nov	120.3	112.8	118.0	118.3	2.0	1.5	2.1	2.0
Dec	120.6	112.7	118.3	118.5	2.1	1.4	2.3	2.1
1999 Jan	120.0	112.9	119.1	118.3	2.0	1.4	2.5	2.0
Feb	120.4	113.1	119.2	118.6	1.8	1.6	2.8	2.0
Mar	121.1	113.3	119.2	119.1	2.0	1.4	2.5	2.1
Apr	121.7	113.8	119.1	119.5	2.0	1.7	2.4	2.0
May	122.0	113.9	120.2	120.0	1.7	1.3	3.0	2.0
Jun	122.0	114.2r	120.6	120.1	1.8	1.6r	3.0	2.0
Jul	121.4	114.5r	121.3	119.9	1.8	1.6r	3.7	2.2
Aug	121.7	114.5r	121.0r	120.0	1.8	1.6r	3.3r	2.0
Sep	122.1	114.6r	121.1r	120.4r	1.7	1.9r	3.6r	2.2r
Oct	121.9	114.6	121.5	120.3	1.5	1.8	3.4	1.9

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
<b>January 1992=100</b>											
<b>Weights</b>											
1997	126	68	30	67	90	39	71	189	119	201	1000
1998	127	68	29	67	87	39	71	188	118	205	1000
1999	119	66	27	70	85	34	75	192	114	218	1000
	CURU	CURV	CURW	CURX	CURY	CURZ	CUSA	CUSB	CUSC	CUSD	CUSE
1997 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
Oct	113.9	125.6	163.4	104.7	131.1	97.5	112.4	121.5	111.2	129.5	120.1
Nov	113.8	125.2	163.4	105.3	131.3	97.4	113.6	121.1	111.2	130.2	120.3
Dec	114.7	125.1	168.2	104.7	131.4	97.2	115.7	120.5	111.0	130.6	120.6
1999 Jan	115.1	126.5	172.0	97.6	131.5	97.3	111.3	121.2	110.7	130.6	120.0
Feb	115.4	126.8	172.1	100.0	131.5	97.2	112.8	121.2	110.6	131.0	120.4
Mar	114.7	126.8	178.2	101.6	131.4	97.5	114.5	122.6	110.7	131.3	121.1
Apr	114.1	127.0	180.7	102.0	133.5	97.3	113.2	124.1	111.1	132.3	121.7
May	114.7	127.6	180.7	102.5	133.6	97.1	114.6	124.1	111.2	132.5	122.0
Jun	114.2	128.2	181.2	102.3	133.7	97.1	114.0	123.8	111.0	132.9	122.0
Jul	113.5	127.9	184.3	97.4	134.0	97.4	112.0	123.8	110.3	133.6	121.4
Aug	113.0	128.1	184.7	98.8	134.3	97.4	113.1	124.2	110.1	133.7	121.7
Sep	112.9	128.1	184.8	102.6	134.4	97.7	114.1	123.9	110.6	133.9	122.1
Oct	112.8	128.2	184.7	101.6	134.8	97.9	113.4	123.7	110.9	133.1	121.9
<b>Annual Percentage Changes</b>											
	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
1997 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
Oct	1.5	3.2	7.7	-1.2	3.4	-2.5	0.9	1.0	0.4	3.8	1.8
Nov	2.0	3.4	7.6	-1.8	3.5	-2.2	1.2	0.9	0.5	4.3	2.0
Dec	2.7	3.7	8.4	-1.9	3.5	-1.9	2.2	0.4	0.3	4.3	2.1
1999 Jan	3.0	3.6	8.0	-2.1	3.3	-1.1	1.4	0.5	0.4	4.1	2.0
Feb	3.3	3.0	7.9	-2.0	3.2	-1.5	1.2	0.3	0.1	3.6	1.8
Mar	2.9	2.7	11.7	-2.4	3.0	-1.4	1.2	1.5	0.3	3.5	2.0
Apr	2.1	2.8	11.5	-2.9	2.8	-1.6	1.0	1.6	0.3	3.7	2.0
May	1.1	2.5	11.1	-3.3	2.7	-1.2	1.1	1.5	0.1	3.4	1.7
Jun	1.0	3.1	11.3	-3.2	2.7	-0.5	1.2	1.3	0.3	3.5	1.8
Jul	0.6	2.4	13.1	-1.9	2.8	0.1	0.5	1.5	-0.1	3.9	1.8
Aug	-1.0	2.3	13.2	-2.4	2.8	0.2	0.8	1.9	-0.3	3.8	1.8
Sep	-0.7	2.2	13.2	-3.0	2.8	0.4	1.1	1.6	-0.4	4.0	1.7
Oct	-1.0	2.1	13.0	-3.0	2.8	0.4	0.9	1.8	-0.3	2.8	1.5

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						
1997	390	103	267	33	207	1000
1998	387	103	277	37	196	1000
1999	413	106	256	40	185	1000
	CUSG	CUSH	CUSF	CUSI	CUSJ	CUSK
1997 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	103.7	119.3	114.6	159.6	115.0	111.9
May	103.8	120.4	115.0	160.3	115.9	112.4
Jun	102.9	120.1	115.3	161.0	117.7	112.4
Jul	102.2	120.4	115.8	165.4	118.9	112.7
Aug	101.5	121.2	116.1	165.1	119.5	112.7
Sep	100.5	120.9	116.5	165.9	120.0	112.5
Oct	100.3	121.3	117.1	166.1	120.2	112.6
Nov	100.3	122.4	117.7	165.6	119.7	112.8
Dec	99.8	123.0	118.2	164.8	119.1	112.7
1999 Jan	100.2	122.8	118.5	167.4	118.8	112.9
Feb	100.1	123.4	118.8	168.7	119.0	113.1
Mar	99.7	123.4	119.1	171.3	120.7	113.3
Apr	99.4	123.5	119.3	178.8	122.8	113.8
May	98.9	123.6	119.5r	180.8	124.4	113.9
Jun	98.5	123.9r	119.7	182.6	126.4	114.2r
Jul	98.0r	123.4	119.9	188.1r	128.6	114.5r
Aug	97.1r	123.3	120.1r	189.5r	130.5r	114.5r
Sep	96.5r	123.3r	120.4	190.4r	132.1r	114.6r
Oct	95.6	122.7	120.7	195.1	133.8	114.6
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
1997 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	-5.6	0.7	4.7	11.8	7.6	1.1
May	-5.1	1.6	5.1	10.7	7.7	1.4
Jun	-5.4	1.5	5.4	11.1	8.4	1.4
Jul	-5.4	1.9	5.1	9.7	8.3	1.4
Aug	-5.3	2.4	4.5	8.7	8.1	1.3
Sep	-6.2	1.9	4.5	8.1	8.5	1.0
Oct	-5.9	2.4	4.6	9.1	8.9	1.3
Nov	-5.3	3.6	4.7	8.2	8.3	1.5
Dec	-5.7	3.8	4.8	8.3	7.8	1.4
1999 Jan	-5.1	3.1	4.6	10.3	7.4	1.4
Feb	-4.7	3.9	4.4	9.8	7.0	1.6
Mar	-4.6	3.3	4.2	10.6	6.7	1.4
Apr	-4.1	3.5	4.1	12.0	6.8	1.7
May	-4.7	2.7	3.9r	12.8	7.3	1.3
Jun	-4.3	3.2	3.8	13.4	7.4	1.6r
Jul	-4.1r	2.5	3.5	13.7r	8.2	1.6r
Aug	-4.3r	1.7	3.4r	14.8r	9.2r	1.6r
Sep	-4.0r	2.0r	3.3	14.8r	10.1r	1.9r
Oct	-4.7	1.2	3.1	17.5	11.3	1.8

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								
1997	347	589	64	1000				
1998	342	591	67	1000				
1999	350	567	83	1000				
	CUSL	CUSM	CUSN	CUSO	CGBG	CGBH	CGBI	CGBJ
1997 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	121.1	117.0	2.9	1.7	2.2	2.1
Aug	119.6	115.3	121.1	117.1	2.0	2.3	2.2	2.2
Sep	119.6	114.9	121.1	116.9	2.0	1.5	2.1	1.7
Oct	120.2	115.5	121.1	117.5	2.3	1.9	2.1	2.1
Nov	121.1	115.9	121.2	118.0	2.3	2.0	2.2	2.1
Dec	120.5	116.7	121.2	118.3	2.3	2.5	2.1	2.3
1999 Jan	121.0	117.5	122.9	119.1	2.3	2.5	2.6	2.5
Feb	120.9	117.8	122.9	119.2	2.3	3.2	2.6	2.8
Mar	121.1	117.7	122.9	119.2	1.9	2.9	2.7	2.5
Apr	121.1	117.6	122.9	119.1	2.1	2.5	2.6	2.4
May	122.6	118.3	124.2	120.2	2.1	3.5	2.9	3.0
Jun	122.7	119.0	124.2	120.6	1.7	3.7	3.0	3.0
Jul	123.6	119.6	125.2r	121.3	2.7	4.4	3.4r	3.7
Aug	123.4	119.0	125.1r	121.0r	3.2	3.2	3.3r	3.3r
Sep	123.6	119.2	125.1r	121.1r	3.3	3.7	3.3r	3.6r
Oct	123.5	119.8	125.3	121.5	2.7	3.7	3.5	3.4

The symbol r denotes revisions to previous months' data

# Experimental monthly balance of payments



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## Summary

Monthly balance of payments statistics are required by the European Central Bank (ECB) for the purposes of monetary policy and foreign exchange operations within the euro area. The aim of the monthly balance of payments statistics is to form a good picture of developments in the most important and variable items (Monthly Key Items (MKIs)) and quickly enough to be of use for the analysis of flows affecting monetary and foreign exchange conditions of the euro area.

Whilst not a member, the UK has decided to provide balance of payments MKIs to the ECB as part of the Government's wider preparations agenda, as set out in the Chancellor's statement on UK policy towards membership of the single currency in October 1997. Under the terms of the Treaty and related instruments adopted by the ECB, if the UK were to join the third stage of Economic and Monetary Union (EMU), legal responsibility to provide the ECB with MKIs would rest with the Bank of England. However, it is the ONS, as the competent authority to produce official balance of payments statistics, that is responsible for production of the MKI estimates and for managing the formal Monthly Balance of Payments Programme. The MKI estimates are being produced on a best endeavour basis within existing data resources.

By releasing details of the Monthly Balance of Payments Programme and experimental MKI data into the public domain, the ONS is able to commence delivery to the ECB. In doing so the ONS can broaden the scope of consultation with the ECB to focus on methodology and, in particular, the quality assessment of the MKIs.

## Background

In July 1996 the European Monetary Institute (EMI, the forerunner to the ECB) published the booklet *Statistical Requirements for Stage Three of Monetary Union (the Implementation Package)*. One of the sections in the *Implementation Package* is balance of payments statistics required at three different frequencies: monthly, quarterly and annually.

A key objective of the ONS in compiling economic statistics is to ensure coherence across all of the accounts – especially balance of payments and national accounts. UK balance of payments statistics are compiled mainly from a survey-based system that focuses on

quarterly and annual data and, in particular, they are entirely integrated with the sector and financial accounts compiled on a quarterly basis.

Following the Chancellor's statement on UK policy towards membership of the single currency in October 1997, the ONS has taken the opportunity to review the programme structure in place to derive and deliver the monthly balance of payments estimates. Progress reports were submitted to the ECB in November 1998 on the approach the ONS was intending adopting to derive MKIs, as well as a critique of the value of monthly balance of payments based on the experience of the UK monetary policy analysts at the Bank of England.



As a result of that programme review, resources dedicated to fulfilling the statistical requirements for monthly balance of payments have been enhanced, including the adoption of additional programme management structures. The Balance of Payments and Financial Sector Division of the ONS now manages a formal programme of projects (the Monthly Balance of Payments Programme). The Programme is sponsored by the Head of the EMU Policy Team at HM Treasury and the Head of the Monetary and Financial Statistics Division at the Bank of England.

The ONS has already commenced delivery of the UK's quarterly and annual data, consistent with those published domestically. The ONS has developed a system for delivery of monthly data that does not require any additional data collection which would impose significant extra costs in terms of compliance and production. It is based on a combination of monthly data, and monthly estimates derived from quarterly data.

MKIs have been required at six-weeks after the end of the month being reported. The first data were due in March 1999, reporting MKIs for January 1999. However, the ONS informally agreed with the ECB to delay the commencement of supplying these data, on the basis that non-participating Member States would deliver what they consider most appropriate within their resources during the preparation period for EMU. The ONS intends to commence delivery of experimental MKIs to the ECB Directorate Statistics on 16 December 1999. Thereafter, the ONS intends to supply the ECB with experimental MKIs on a monthly basis to the ECB-prescribed delivery timetable, i.e. by close of business on the 30th working day following the end of the month to which the data relate, including back data from January 1997.

## Future Developments

The programme of work will continue, consistent with the Government's commitment to make proper preparations. Whilst much of the exploratory and experimental work has been positive, it is too early to say how well the methods for deriving MKIs will perform over a period of time.

In order to begin data supply to the ECB, the ONS is releasing details of the Monthly Balance of Payments Programme and experimental MKI data into the public domain. In doing so, the ONS can broaden the scope of consultation with the ECB to focus on methodology and, in particular, the quality assessment of the MKIs. The ONS does not intend to publish MKIs on a regular, monthly basis. Experimental data submitted to the ECB are available on request

each month from the author of this article. All users will have access to the data at the same time (as per the ECB's delivery timetable – also available from the author).

Development work is not complete and so the ONS plans to publish methodological updates in the form of *Economic Trends* articles at appropriate stages throughout the course of the Programme. Most of the work so far has concentrated on the current account. The ONS continues to explore potential data sources and methodologies to their fullest degree, and to improve the estimates without resorting to additional data collection. The ONS will carry out a conceptually rigorous audit of methods applied as part of the monthly balance of payments technical strategy, and will consult regularly with the ECB as customer of the MKIs. As part of the quality assurance of the technical work programme, the ONS intends to employ an independent consultant to carry out an external review of the methodology adopted to derive monthly estimates.

The ONS welcomes comments or suggestions on the approach and methods adopted. Such comments should be sent to the author of this article (contact details given at the beginning of this article).

## ECB Requirements

The following table gives details of the MKIs (national aggregates) requested by the ECB for Member States that are not part of the single currency area. Monetary Union Member States (MUMS) are required to supply a MUMS/non-MUMS split of the same items. The ECB will need to receive the MKIs by close of business on the 30th working day following the end of the month to which they relate.

## Monthly key items (MKIs) for balance of payments

(All data are required not seasonally adjusted at six-weeks after the relevant period)

(Non-participating Member States – national data)

Note: Further development is ongoing and the MKIs will be available only as experimental data.

✓ Required by the ECB			£ million
	Credits	Debits	Net flows
<b>I Current Account</b>	✓	✓	✓
A. goods	✓	✓	✓
B. services	✓	✓	✓
C. income	✓	✓	✓
D. current transfers	✓	✓	✓
<b>II Capital Account</b>	✓	✓	✓
<b>III Financial Account</b>			✓
1. direct investment			✓
- abroad			✓
- in the reporting country			✓
2. portfolio investment	✓	✓	✓
2.1 equity securities	✓	✓	
2.2 debt securities	✓	✓	
2.2.1 bonds and notes	✓	✓	
2.2.2 money market instruments	✓	✓	
3. financial derivatives <sup>1</sup>			N/A
4. other investment	✓	✓	✓
4.1 monetary authorities <sup>2</sup>	N/A	N/A	
4.2 general government	✓	✓	
4.3 Monetary Financial Institutions <sup>2</sup>	✓	✓	
- long-term	N/A	N/A	
- short-term	N/A	N/A	
4.4 other sectors	✓	✓	
5 reserve assets			✓
<b>IV Net errors and omissions</b>			✓

<sup>1</sup> Estimates for financial derivatives are not published for the UK except for interest rate swaps flows which currently appear under earnings on portfolio investment within investment income.

<sup>2</sup> The UK does not currently compile estimates for monetary authorities separately: the issue and banking departments of the Bank of England are included within Monetary Financial Institutions.

## Methodology

### Summary

Since the UK compiles its balance of payments estimates primarily from a quarterly survey-based collection system, the monthly data have been derived in a number of ways. In general, estimates are produced at a lower level of disaggregation than the MKI requirements. For components where monthly data are available these have been incorporated directly. For other components where monthly data bearing a close relationship to the quarterly series have been collected, these have been used to approximate the actual monthly data. However, for the majority of components there are no monthly data or proxies yet identified, and estimates have been derived using univariate statistical modelling techniques.

### 1 Current account

#### A. Trade in goods

The basic sources of data on trade in goods are customs declarations (SADs i.e. Single Administrative Documents) for trade with non-EU countries and INTRASTAT forms (Supplementary Declarations) for trade with EU countries. The time series for trade with the rest of the world are available on a BPM5<sup>\*</sup> basis monthly from 1980, with a split of the monthly data between EU and non-EU countries on a BPM5 basis available from 1988.

Monthly data on a BPM5 basis are published about four weeks after the end of the month, for trade with non-EU countries, and about eight weeks after the end of the month, for trade with EU countries. The best method found for estimating figures for total trade with the EU is by using Auto Regressive Integrated Moving Average (ARIMA) models on the monthly time series to project the required month. The world figures are an aggregation of non-EU published data and EU estimates. Estimates will be replaced with published data with the following delivery of data to the ECB.

#### B. Trade in services

The approach used and much of the data is the same as that used for the seasonally adjusted monthly estimates published alongside trade in goods in the UK Trade First Release. An article describing in detail the methods of deriving monthly trade in services estimates was published in *Economic Trends*, No 528, September 1997.

Monthly estimates are produced at a high level of disaggregation, largely using models to produce estimates at the six-week stage. These modelled estimates are overwritten as real or proxy data become available at the eight-week stage (when published) and beyond.

Components for which monthly data are available comprise some 25 per cent of trade in services credits and 40 per cent of debits. The majority of these estimates are travel data, collected via the International Passenger Survey, as well as some insurance and financial services data. For the remainder, other monthly data sources have been examined to see if they provide a good correlation with existing quarterly series and can therefore be used as proxies. For example, monthly data on UK airline traffic and passengers on overseas aircraft. Where no monthly data or proxies are available, ARIMA models are used to generate quarter ahead projections. A cubic spline is then applied to interpolate monthly paths from the quarterly series.

#### C. Income

Monthly estimates have been produced using a combination of monthly data as proxies, statistical models (usually ARIMA) and indicators based on rates of return. Both total credits and debits are broken down to a level of aggregation that allows monthly data and estimates from the Bank of England to be incorporated.

ARIMA models have been used where they provide a better projection than repeating the previous quarter: a quarterly estimate is extrapolated and then a cubic spline provides the monthly path. The models are reviewed regularly, as the behaviour of certain series

<sup>\*</sup> Balance of Payments Manual (fifth edition 1993), International Monetary Fund.

might change significantly over time. Identification of ARIMA models and compilation of monthly estimates has been carried out using SAS (Statistical Analysis Software). In general, estimates of income from direct investment, portfolio investment and other investment are derived using extrapolation and interpolation techniques.

#### **D. Current transfers**

Components for which monthly data are available (mostly payments and receipts from EU institutions) comprise around 40 per cent of total current transfer credits and debits. For the remainder, other monthly data sources have been examined to see whether they provide a good correlation with the existing quarterly series (such as monthly insurance premiums data from Lloyds of London). For those series with no monthly data or acceptable proxies, statistical modelling has been used to extrapolate a quarterly estimate and interpolate a monthly path. As most of the volatility in the current transfers data is driven by those series that are available on a monthly basis, this methodology should provide a realistic monthly profile and a good prediction of the quarterly outcome.

### **II Capital account**

Components for which monthly data are available comprise up to around 80 per cent of total capital account credits (receipts from EU institutions). For the remainder, other monthly data sources have been examined to see whether they provide a good correlation with the existing quarterly series. For those series with no monthly data or acceptable proxies, statistical modelling is used to extrapolate a quarterly estimate and interpolate a monthly path.

### **III Financial account**

#### **1. Direct investment**

The ONS maintains a continuous database of reported cross-border acquisition and merger deals, the results of which are used as proxies for that part of quarterly direct investment (around 85 per cent of the total in 1998). The residual part of the investment series is modelled using ARIMA methodology.

#### **2. Portfolio investment**

Monthly portfolio investment data are not available from ONS or Bank of England surveys. Extrapolation and interpolation techniques are being used as the basis to derive monthly estimates.

#### **3. Financial derivatives**

Estimates for financial derivatives are not published for the UK except for interest rate swaps flows which currently appear under earnings on portfolio investment within investment income. Monthly data are entirely consistent with published quarterly estimates and, therefore, the MKIs supplied to the ECB will not include financial derivatives as a separate financial account category in the near future. Production of monthly estimates will commence once the consistency and quality of the quarterly data have been confirmed.

#### **4. Other investment**

The Bank of England produces monthly financial account other investment transactions for banks using monthly balance sheet levels of loans and deposits. These are used as proxy data, in conjunction with ARIMA and Winters' additive modelling for the residual.

#### **5. Reserve assets**

The Bank of England compiles monthly data from administrative sources.

# Company Profitability and Finance



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## Overview

The ONS resumed publication of the First Release, 'Profitability of UK Companies' in November. This release measures the profitability of the corporate sector using rates of return on capital employed. For the first time, service companies' profitability is calculated.

The results are analysed in this article which looks also at the financial position of non-financial companies in 1998 and in the first two quarters of 1999. Four peaks in company profitability are shown. The latest, 1996/97, is just below the highest in 1989. There are three troughs. Companies' profitability was not hit as severely in the 1990/92 recession as in the previous two recessions.

In 1998, there was a decline in the net rate of return earned by all non-financial companies. There are mixed trends in profitability for manufacturing and service companies. Manufacturing companies have improved their profitability in the 1990s. Perhaps surprisingly, this continued in 1998 when manufacturing companies maintained their net rate of return at 11.0 per cent. Service companies' profitability has been stable. In 1998, the profitability of service companies fell to a net rate of return of 14 per cent, from a recent high of 15 per cent in 1997.

Other main points from this review include the record net borrowing of the corporate sector in the second quarter of 1999, what caused it and how it was financed.

The structure of the article is as follows:

- The approach to calculating profitability and data sources;
- Profitability of the corporate sector;
- Manufacturing and service companies;
- Manufacturing companies' profitability and productivity;
- Service companies' profitability;
- UK Continental Shelf companies' profitability;
- Key income and capital account movements of the corporate sector;

- Company insolvencies, the financial account and acquisitions and mergers in the corporate sector;
- Conclusions.

## Background

The ONS has been estimating companies' rates of return over a period of thirty years. The methodology and sources of data are largely unchanged. This measure is based on National Accounts data. A Press Release on *Profitability of UK Companies* is issued by the ONS. The latest, on 10th November 1999, included profits data for service companies. Annual rates of return on capital are calculated as the ratio of profits to capital employed. The annual profits data are collected from companies in their tax returns to the Inland Revenue. They have been supplemented in 1998 by data which the ONS receive from ONS quarterly inquiries. 1,600 non-financial companies complete these quarterly inquiries.

Capital stock and capital consumption data are published by the ONS and the latest estimates for 1998 were included in an article in the November 1999 issue of *Economic Trends*. The ONS estimates capital stock and capital consumption using the Perpetual Inventory Method. The accuracy of these estimates is kept under review. A direct survey of businesses began in 1999, to collect details of capital held. This will provide a more reliable basis for calculating the value of fixed assets.

Total **company profits** are an important component of the quarterly income measure of Gross Domestic Product. As the principal contributor to the **income and capital accounts of companies**, profits influence the use of funds and the extent to which companies need to borrow in the financial markets. As an economic indicator, profits provide an interesting insight into the behaviour of the corporate sector.

The capital account of the corporate sector includes **net lending/borrowing**. This is equivalent to their financial surplus or deficit and

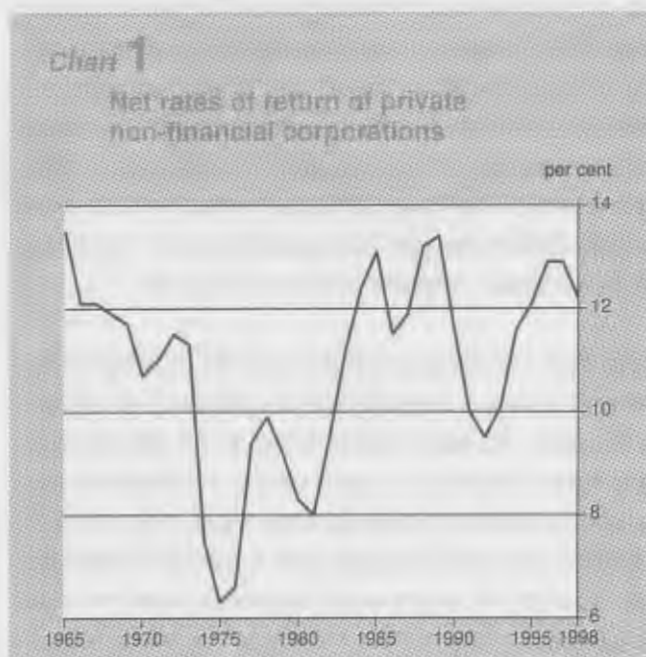


represents the amount companies have to invest in financial assets or to borrow through financial liabilities. As such, it has been used as a measure of private non-financial corporations' financial health. Finally, the **financial account** of the private non-financial corporations' sector explains how the borrowing requirement is funded.

Further details of the income, capital and financial accounts and financial balance sheet of UK non-financial companies are available in the ONS quarterly publication, *UK Economic Accounts*. Tables A20, A21, A22, A46 and A57 provide detailed data.

## Profits and profitability

The four peaks in profitability for private non-financial companies in the last three decades shown in Chart 1 have been in 1972, 1985, 1989 and 1996/97. The net rate of return of 12.9 per cent in 1996/97 was below the highest peak (13.4 per cent) in 1989. One reason for this was the slower growth in capital in the 1980s, than in the 1990s. This raised the calculated level of profitability to a higher peak in the 1980s.

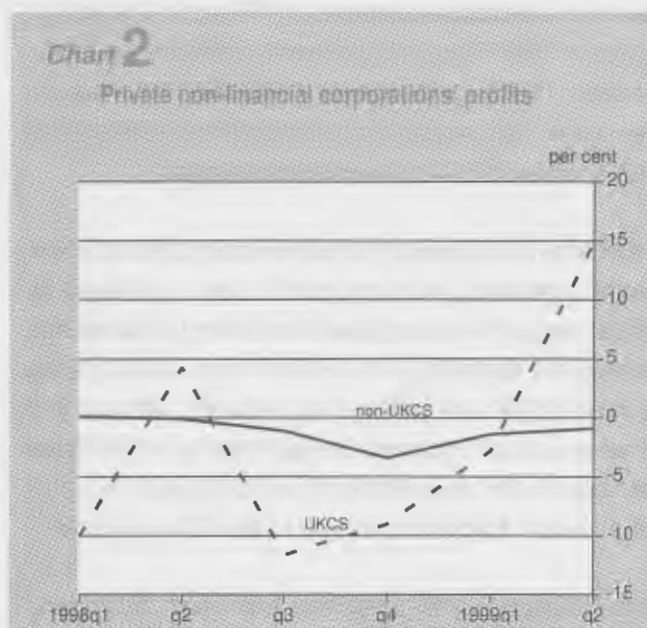


The three troughs in profitability were in 1975, 1981 and 1992. The most recent trough in profitability came at the end of the 1990/92 recession. The net rate of return on capital employed was 9.5 per cent in 1992, 3.9 percentage points lower than in 1989, but higher than in the two previous recessions. Both manufacturing and service companies' profits were depressed in this period. For manufacturing companies, 1991 was a particularly difficult year, with profits down by some 20 per cent. For service companies, the impact of the recession on profits was at its worst in 1992. Profits fell by 8 per cent in this year, the only fall recorded in the 1990s.

A recovery in profitability by the corporate sector was maintained in each year to 1996 and was sustained at the same level in 1997.

Looking at the most recent data on profits in more detail, Chart 2 compares growth in profits earned by UK non-financial companies other than those involved in exploration activity on the UK Continental Shelf (UKCS). Profits of companies producing oil and gas from the UKCS are also shown. The profitability of private non-financial corporations (PNFCs) fell back in 1998, with the net rate of return on capital employed in 1998 at 12.2 per cent, compared with 12.9 per cent in 1996 and 1997. Underlying these data, profits grew by only 0.4 per cent in 1998, compared with growth of 6.7 per cent in 1997 and 8.7 per cent in 1996.

In the first two quarters of 1999, profit growth remained subdued. Profits of companies (other than UK Continental Shelf companies) continued to fall, making five consecutive quarters of negative growth rates. Profits of UK Continental Shelf (UKCS) companies rose in the second quarter of 1999, the first rise for three quarters.



## Manufacturing and service private non-financial companies

Improved data sources have made it possible to estimate for the first time the profitability of services sector, as well as manufacturing companies.

**Service companies** (excluding public administration, national defence and social security) account for:

- 60 per cent of UK output (this includes supplying intermediate outputs to manufacturing industry).

- 20.9 million employees or 75 per cent of workforce jobs.
- 71 per cent of business investment.
- 55 per cent of profits reported by private non-financial companies.

#### Manufacturing companies account for:

- 22 per cent of UK output.
- 4.3 million employees or 15 per cent of workforce jobs.
- 16 per cent of business investment.
- 30 per cent of profits reported by private non-financial companies.

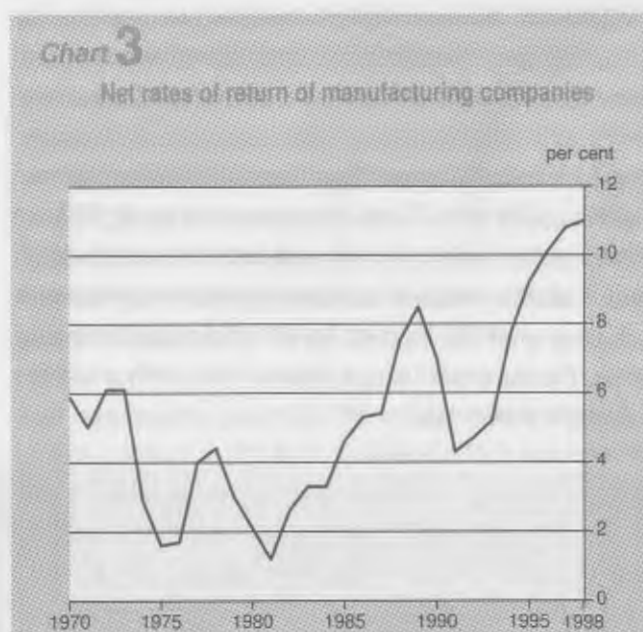
**Service private non-financial companies** comprise three main categories. The first covers the wholesale and retail trade, hotels and restaurants, tourism, leisure, and personal services such as hairdressers and dry cleaning. This category accounts for 19 per cent of UK output. Many of the companies in this category are small firms who sell services to final consumers. The second category covers the activities of real estate, renting of cars and other machinery and equipment, computer consultancy and supply of computer systems, research and development, legal services, accountancy, advertising and cleaning. Companies in this sector vary in size and provide most of their services to other companies, rather than households. This category accounts for 18 per cent of UK output. Finally, there is transport and communications which accounts for 8 per cent of UK output. This covers passenger and freight transport, postal activities and telecommunications, including mobile phone networks. Companies providing these services include for recent years some large, capital intensive firms which used to be public corporations prior to their privatisation.

The three main contributors to profits in the **manufacturing sector** are the manufacturers of food products, alcoholic and soft drinks and tobacco (3 per cent of UK output); the manufacturers of chemicals and chemical products including paint, man-made fibres and pharmaceuticals (2 per cent of output); and the manufacturers of electrical and optical equipment which includes much of the hardware used in telecommunications, including computers, faxes, conventional and mobile telephones and videos (3 per cent of output). Other strong contributors to profits in the manufacturing sector include textiles; paper and printing; plastics and rubber products; metals and cutlery; the manufacture of machinery including machine tools; the manufacture of transport equipment including cars; and other manufacturing which includes furniture, toys and games. In the national accounts, the manufacturing sector is defined to *exclude* the water, gas and electricity industries, mining and quarrying industries (including North Sea oil and gas extraction), as well as construction companies.

On the calculations in this article, the rates of return on capital employed are generally higher for services than for manufacturing. This may reflect the way that companies are able to deliver their outputs more than real differences that investors can get by investing money in companies. For example, service companies are generally less capital intensive than manufacturing companies and may rent a larger proportion of their property. Thus, their capital employed would be lower for a given level of profit, raising the calculated level of profitability. Also, some service industries (e.g., consultants, accountants and lawyers) need trained and highly paid staff, but this human capital is not reflected in the calculations. For example, by using profits as a percentage of total output, the comparison of the two sectors is closer. Service companies' profits/output ratio is 12.5 per cent and manufacturing companies 11 per cent.

**Readers should, therefore, be wary of drawing conclusions based of differences between the service and manufacturing rates of return. Changes in the relationship over time may be more relevant than the absolute levels of the differences.**

#### Manufacturing companies' profitability



The period covered by chart 3 above illustrates the depths in profitability during three recessions. The figure of 4.3 per cent is the trough of the 1990/92 recession. This was not as low as the troughs of the 1979/82 recession (1.2 per cent) and the 1973/75 recession (1.6 per cent). Since the 1990/92 recession, manufacturing companies' rate of return on capital has improved in each year and in 1998 reached 11.0 per cent. The figure of 11.0 per cent is higher than the two previous peaks, in 1989 (8.5 per cent) and 1972/73 (6.1 per cent). A slowdown in profits growth in 1998, as a result of rising wage and raw material costs and the strength in sterling, and a rise of only 3 per cent in capital, produced the highest rate of return on capital recorded.

Manufacturing companies' profitability has shown a more rapid improvement than in service companies and the differential in rates of return has narrowed to within three percentage points compared with 9.5 percentage points in 1991.

In 1997 and 1998, the net rate of return on capital employed was 11 per cent, more than double the rate of return in 1991. In 1997 and 1998, strong profits were recorded by those companies producing electrical and optical equipment. Profits would have benefited from improvements in communications technology. In 1998, companies in the chemicals industry reported improved profits, after two years of little real growth. Companies in the manufacture of food and drink products reported little real growth in profits in 1997 and 1998, after a strong year in 1996.

1998 does, however, represent a period in which the underlying level of manufacturing profits was constrained. The gross operating surplus of manufacturing companies grew by only 2.3 per cent in 1998, compared with 7.1 per cent in 1997. There may, however, be evidence of a pick-up in profits in 1999, beginning in the second quarter.

Profitability of manufacturing industries has been sustained by productivity gains. Chart 4 shows how productivity measured by unit labour costs has improved relative to all companies in the economy.

Output in manufacturing has fallen in five of the ten quarters between the first quarter of 1997 and the second quarter of 1999, but employment has been cut and unit wage costs have recently started to fall. Productivity has been facilitated by investment in information technology which has improved the control of output, design and stocks. This has enabled firms to respond more quickly to changes in customer preferences.

In 1998 and in the first six months of 1999, the annual rate of growth in manufacturing output prices for home sales rose by no more than 1 per cent. Input prices for materials and fuel purchased by manufacturing industry have, however, risen. Input prices were driven up by the increase in crude oil prices. The gap between output prices for manufacturing products and input prices has, therefore, narrowed (Chart 5). The lack of 'pass-through' from input to output prices could reflect the difficulty that manufacturers have in passing on price increases to consumers.

As would be expected, the strength of sterling in 1996-98 appears to have affected manufacturing companies more adversely than service companies. Manufacturing companies export a larger proportion of their output than service companies. In 1999, companies are reported to have accepted losses on export orders to retain contracts and avoid the heavier costs of trying to re-enter certain markets.

Exchange rate movements have been attributed as a constraint on exports to world markets and put downward pressure on export prices. Increased import competition, particularly in lower-value or commodity-type consumer items and crude oil, steel, textiles and plastics may have reduced import prices and squeezed profit margins on home sales. Exporters are reported to have focused on cost reductions to maintain competitiveness and to retain overseas markets.

Export prices of manufacturing goods have fallen consistently over the last two and a half years. In Europe, the strength of sterling against the Euro and the slowdown in domestic demand in the larger EU economies has been a constraint on the profitability of UK manufacturers.

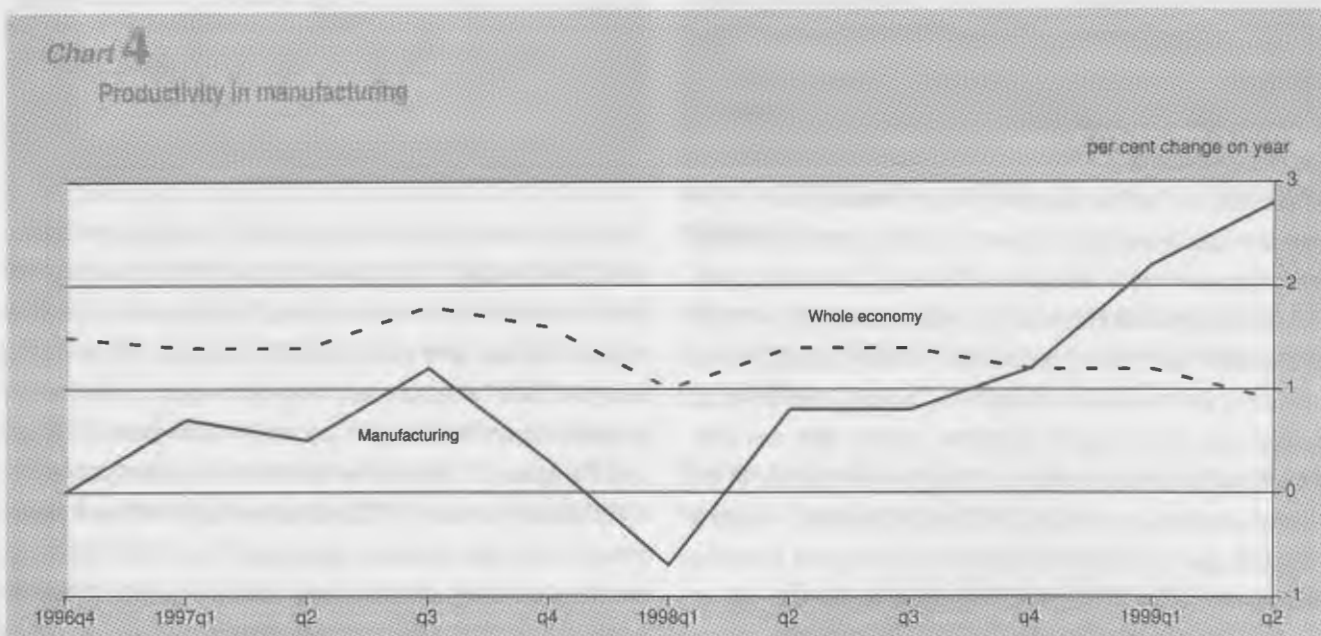
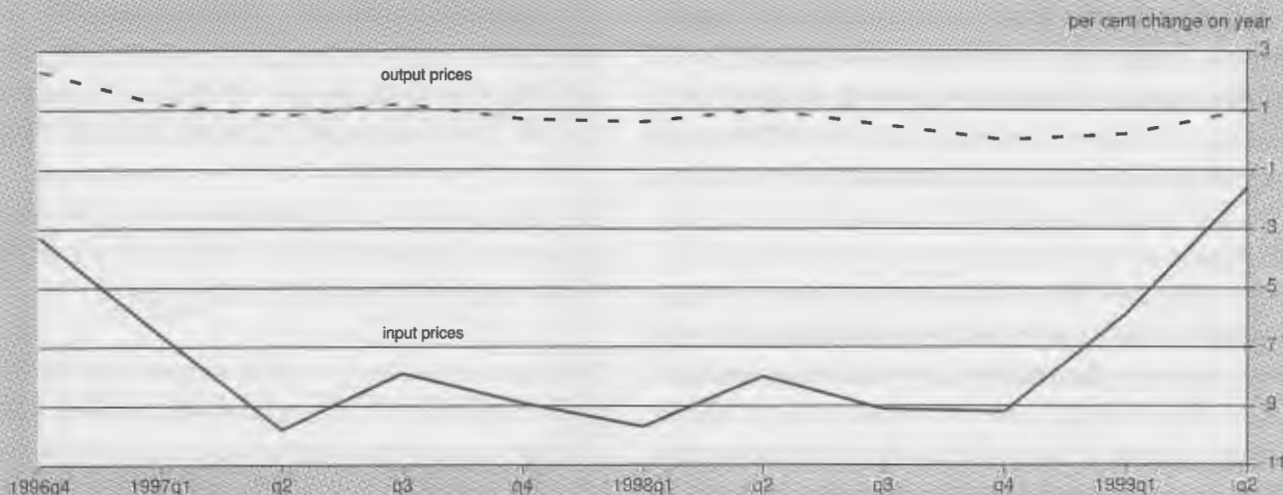




Chart 5

Costs and prices in manufacturing



### Service companies' profitability

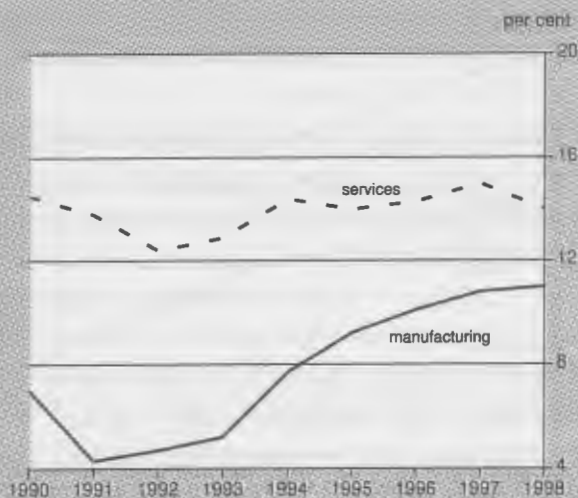
Profits data for service companies in the 1990s has been developed. Chart 6 indicates that service companies' profitability has remained in the narrow range of rates of return of between 12.4 per cent in 1992 to 15.0 per cent in 1997. This reflected stable profitability gains.

In 1998, the improvement in profitability was not, however, sustained. The gross operating surplus of service companies grew by 3.2 per cent in 1998, compared with 13.5 per cent in 1997. Growth in profits fell back to 2 per cent in 1998, from growth in earnings in 1996 and 1997 of 11 per cent and 14 per cent, respectively.

Growth in profits in 1996 and 1997 was led by companies in the wholesale and retail sectors and by companies in transport and communications. In the communications sector, profits were influenced by the privatisation of British Telecom, increased competition and regulatory pricing formula used by Oftel and by the rapid growth in demand for communications services. This growth was not sustained in 1998. The category of services which includes companies involved in real estate, renting and consultancy, showed strong growth (20-30 per cent) in earnings in 1996 and 1997. Growth in earnings was, however, closer to 5 per cent in 1998. Companies in the leisure industry were the only companies to develop significantly their earnings profile in 1998. Growth in profits of 30 per cent in 1998 repeated similar gains made in 1997.

Chart 6

Net rates of return of manufacturing and service companies



Like manufacturing companies, the underlying level of profits for service companies in 1998 and in the first half of 1999 was depressed. But, the factors influencing the level of profits in 1999 were weighted less towards the exchange rate and more towards new and international competition and pricing strategies in which discounting is becoming an integral part. Competition has been intensified by the use of information technology, including the Internet, and by a greater price transparency.

Profitability of service companies in the first half of 1999 may have been constrained by increasingly competitive pricing conditions. This was reported in areas like food and clothing retailing and in telecommunications and transport, including road haulage. IT hardware and accountancy services and business consultancy services were other industries in which there were new low-cost competitors and deep price discounting.

Some service companies have expanded their cost base, through increases in floor space and in opening hours. The greater costs, in time, distribution, marketing and space have not been recovered in higher prices charged. There has emerged a growing consumer resistance to price rises. In some areas, including catering, hospital services, management services and cleaning, a number of which depend on public service contracts, margins are low. This squeeze on profits also applied to service companies supplying manufacturers.

## Earnings

Profitability in both sectors has been affected adversely by the average earnings growth, the largest single cost for most companies.

Unit labour costs are the dominant element of both manufacturing and service companies' costs. Raw material costs typically account for around one-third of manufacturers' total costs. For manufacturers, wage-cost pressure has been diminishing and pay growth has eased back, helping to keep total costs under control. In June 1997, manufacturing companies' earnings exceeded service sector companies' earnings, by 0.2 percentage points (Chart 7).

Service companies' earnings have, however, been growing more strongly than manufacturing earnings, since early 1998. The strength at the start of 1999 is partly due to bonus payments, perhaps some paid in respect of Euro preparation work. The differential between services and manufacturing sector pay settlements has increased. In June 1999, headline earnings were 3.5 per cent higher than a year earlier in manufacturing and 4.7 per cent higher than a year earlier in services. Between June 1998 and June 1999, the differential in service

companies' earnings over manufacturing companies' earnings increased to 1.2 percentage points from 1.1 percentage points.

There has been an expansion in service companies' employment, offsetting declines in manufacturing. This has added to services sector costs. Manufacturing industries shed 183,000 jobs in the year to end-June 1999. The service industries, by contrast, added 454,000 jobs.

Part of the growth in jobs classified as services reflects the outsourcing of activities carried out in manufacturing firms, where the same people which were 'lost' have been 'gained'.

Companies may have been reluctant to part with employees during this part of the economic cycle, retaining skilled staff and avoiding redundancy costs in the expectation that any downturn will be temporary. Companies, particularly in the services sector, had scope to do this because they entered the slowdown with much stronger balance sheets than in the recessions of the early 1980s and early 1990s. Productivity can rise as output increases, if companies are able to step up production by deploying staff more efficiently. Companies may in some circumstances also view cuts in investment as preferable to shedding labour, both in terms of speed of adjustment and the level of disruption caused. There was evidence of investment being held back in the first and second quarters of 1999, after investment had risen strongly in the past six years.

## Gross fixed capital formation

Profits of companies are closely linked to investment through retained earnings. Private non-financial corporations' investment was

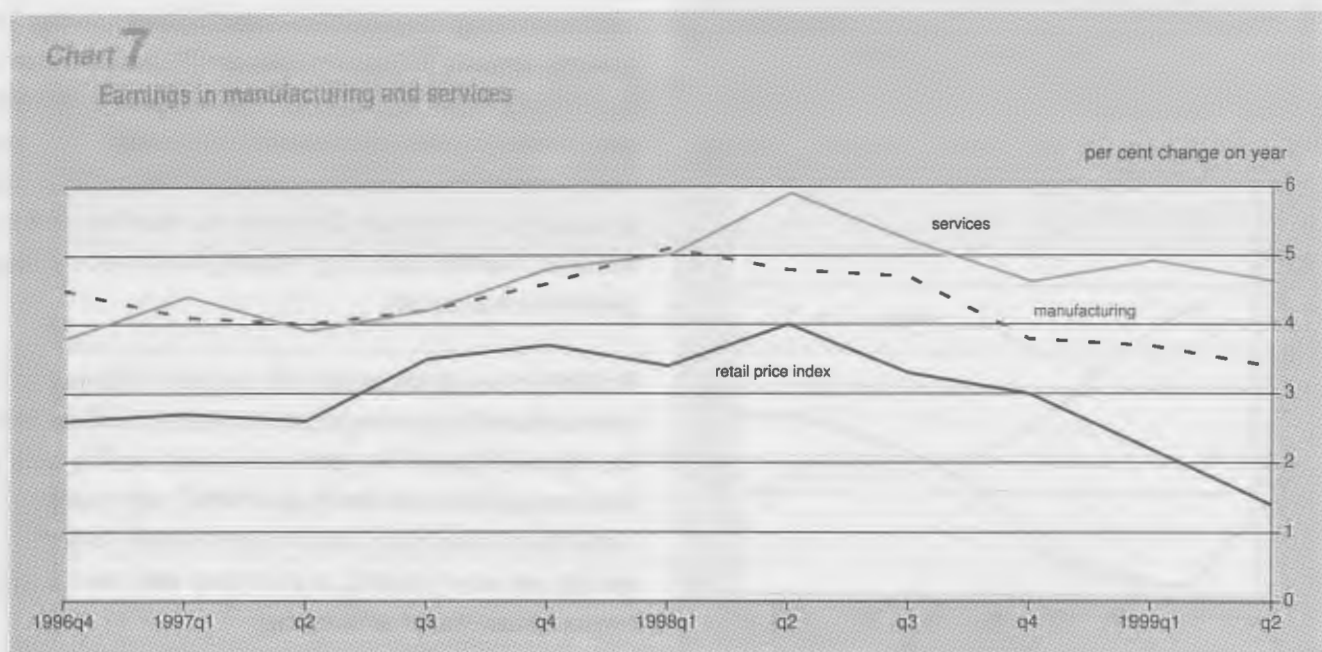
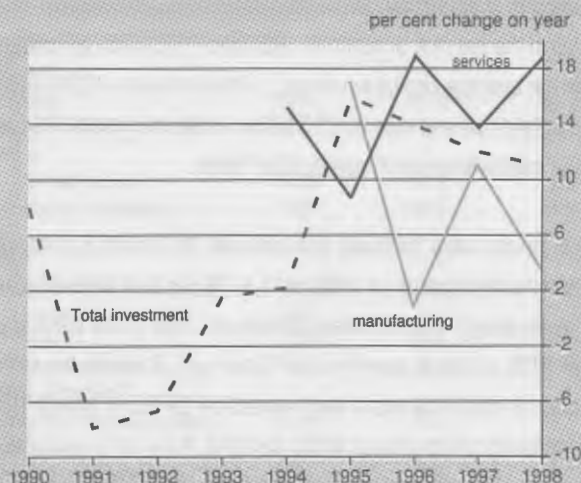


Chart 8

## Business investment



£90.6 billion in 1998, a rise over 1997 of 11 per cent. Investment has risen strongly in each of the past six years, encouraged by the rise in share prices and profit expectations. The last fall in investment levels was in the recession years of 1991 and 1992 (Chart 8).

Service companies have become more capital intensive since 1990. This may be a factor in the pattern of service sector profitability. One example is the building of cable television and mobile phone infrastructures. There has also been investment in new technology and in capital where the cost has fallen. These assets would include computer-controlled equipment and computer software. As a result, estimates of capital consumption have risen.

Service industries have invested on a larger scale than manufacturing companies in the same period, with investment in sectors such as retail, telecommunications, catering, transport, recreation and rental. Net average capital employed increased by 64 per cent (£187 billion, at current prices) between 1990 and 1998.

Services sector investment has made an increasing contribution to overall business investment. This has been, in part, due to one-off gains made by companies joining this sector following privatisation.

Service companies accounted for:

- 70 per cent of total business investment in the second quarter of 1999, up from less than 50 per cent in 1993.
- Average annual growth in private services sector investment in the five years 1994 to 1998 of 15 per cent.
- Growth in investment in the wholesale and retail sectors of the economy of close to 15 per cent in 1998 and over

20 per cent in 1997. This growth was led by increases in floor space in existing retail outlets and the construction of out-of-town shopping parks.

- Growth in investment in 'other' service companies in 1998 double the investment in 1993 and average annual growth rates of 15 per cent in the five years up to and including 1998.

'Other' service companies comprise large companies, previously privatised, in which changes in technology have been intense. The expansion in investment was led by the telecommunications industry where developments have included transmissions via cable and satellite television, mobile phones, Internet, fibre optic and digital networks. The privatisation of British Rail in stages between 1994 to 1997, investment in the Channel Tunnel rail link and the Jubilee Line extension led to an expansion in investment in the transport services sector. This included new railway lines, the replacement of rolling stock and maintenance. There were the investments by computer hardware and software consultants and suppliers, and by rental companies, call centres and hotels, restaurants and leisure companies. It also includes private sector investment in health and education.

In the second quarter of 1999, services sector investment rose by only 2 per cent, after three consecutive quarters of average growth of 7 per cent.

Capital investment in manufacturing has been constrained by competitive trading conditions, by the costs of capital and by the modest growth in profits earned and expected. The net average capital employed has increased by 16 per cent (£36 billion, at current prices) since 1990. Investment by manufacturing companies has grown at an average rate of growth of 8 per cent in the four years to 1998. Consequently, modest growth in profits earned in these years was sufficient to boost net returns on capital.

In the first half of 1999, manufacturing investment levels fell from a recent high in the fourth quarter of 1998. Reports indicated that investment had been targeted at productivity improvements.

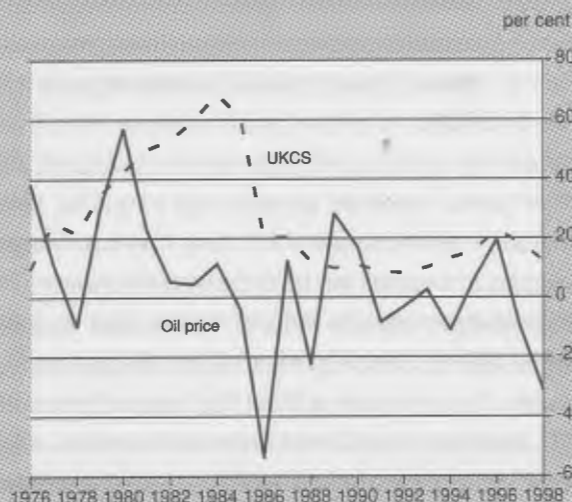
The relative weakness of investment growth in both sectors of the economy could be related to the decline in profits earned by companies since the third quarter of 1998 and to the substantial net borrowing of the corporate sector.

## UK Continental Shelf companies

Chart 9 shows that the peak in profitability for UK Continental Shelf companies was reached in 1984/85 when the rates of return were in excess of 60 per cent.

**Chart 9**

Net rates of return of UK Continental Shelf companies



The volatility in the oil price dominates recent trends in profitability, particularly the major collapses in oil prices in 1978, 1986, 1988, 1991/92 and more recently in 1997/98. Chart 9 shows the percentage change in oil prices and the net rates of return of UK Continental Shelf companies.

The dramatic reduction in profitability in 1986 was due to the reduction in oil prices following the breakdown of price setting by OPEC at the end of 1985. Oil prices fell by more than one-half from 1985 levels. Since 1992, the net rate of return for UK Continental Shelf companies has recovered, from 8.2 per cent in 1992 to 22.7 per cent in 1996. This has occurred despite the fall in oil prices in 1994. And, the recovery followed increases in oil and gas production, as new fields came on stream and safety programmes after the Piper Alpha tragedy were completed.

In 1996, the UK's balance of trade in oil was £4.8 billion. This was the highest net balance since the first half of the 1980s, when net exports of oil peaked at £8 billion in 1985. The sharp increase of 7.1 percentage points in the net rate of return for 1996 was due to the growth in profits, as new fields came on stream and the oil price rose by 20 per cent and operating costs per barrel fell.

Gross trading profits of United Kingdom Continental Shelf companies fell by 11.3 per cent in 1997 and by 18.7 per cent in 1998. As a result, the net rate of return fell to 18.3 per cent in 1997 and to 12.2 per cent in 1998. The main reasons were the fall in crude oil prices of 10 per cent and 30 per cent, respectively, in those years, due in part to the contraction of world demand and high world oil stocks. Adding to these factors was a rise in the cost base of activity on the UK Continental Shelf and consequent rise in operating costs.

Brent oil prices fell back from a peak of \$24 per barrel in January 1997 to a trough of just below \$10 in December 1998. UK's net exports of oil fell from £4.5 billion in 1997 to £3.1 billion in 1998. The fall in the net rate of return in 1997 and 1998 also reflected the rise in net average capital employed. In the four years 1990 to 1994, net capital employed rose by £3.3 billion. In the four years 1994 to 1998, net capital employed rose by £6.6 billion.

Oil prices were relatively low between the fourth quarter of 1998 and the first quarter of 1999, at 11 to 18 per cent below the average levels seen in the first three quarters of 1998. In the second quarter of 1999, oil prices rose by over 30 per cent, linked to the production cuts (2 million barrels a day) agreed by OPEC in March 1999 and improving prospects for world demand. As a consequence, profits rose by 14.9 per cent in the second quarter of 1999, the first rise for three quarters.

The UK is a small net exporter of oil, and the higher value of sales of crude oil fed through to increased profits in the second quarter. The value of exports of crude oil rose by 40 per cent in the second quarter, compared with the first quarter of 1999, as values per tonne increased by one-fifth. In the second quarter, operating profits in exploration and production began to benefit from the rise in oil prices and rise in offshore oil and gas production. UK Continental Shelf companies were active in cost efficiencies, by cutting jobs and overheads and containing capital expenditure, reducing costs per barrel of oil.

## Income and capital accounts

Gross trading profits are the largest component of private non financial companies' resources, accounting for around 70 per cent in 1998 (see Table 1). Growth of 1.2 per cent in companies' resources in 1998 was constrained by the fall of 18.7 per cent in profits of UK Continental Shelf companies. For the following components, of dividends, tax and interest, a manufacturing and services sector split is not possible.

## Dividends

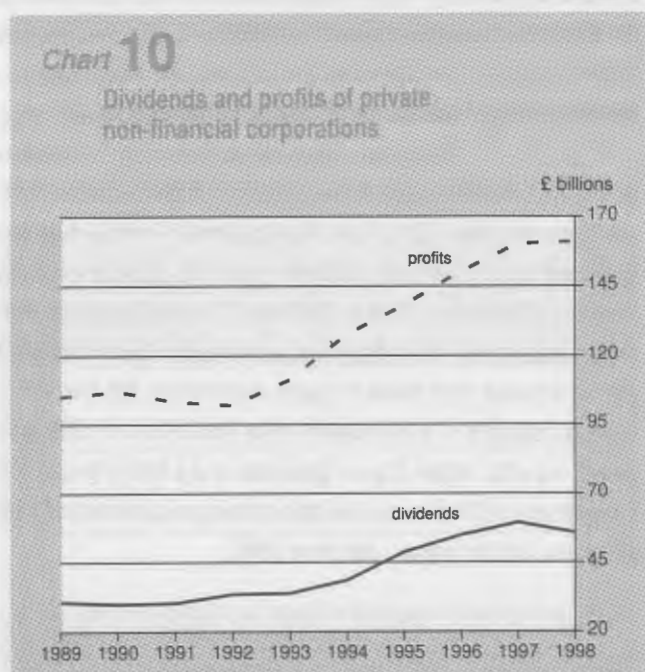
Following the decline in profits made by the corporate sector in 1991 and 1992, dividends paid by private non-financial companies in 1993 remained at the same level as in 1992 (Chart 10). The higher level of dividend payments in 1992 (£33.4 billion), compared with levels of £30 billion in each of the years between 1989 to 1991 was due to dividend payments which were made for the first time by the regional water and electricity companies and by the power generators, following privatisation. Coming out of the 1990/92 recession, dividend



**Table 1 Private non-financial companies' income and capital accounts**

£ billions, seasonally adjusted

	1997	1998	1998Q1	1998Q2	1998Q3	1998Q4	1999Q1	1999Q2
<b>INCOME ACCOUNT</b>								
<b>Resources</b>	221.1	223.8	57.3	56.1	56.7	53.7	51.0	56.8
Of which:								
Profits								
Oil companies	13.8	11.2	2.9	3.1	2.7	2.5	2.4	2.8
Non-oil companies	146.6	149.8	38.0	38.0	37.5	36.2	35.7	35.4
<b>Uses</b>								
Of which:								
Dividends	59.3	55.6	16.8	15.1	13.4	10.3	8.3	23.8
Interest	26.0	31.7	7.6	7.8	8.3	7.9	7.5	7.3
Taxes	27.7	25.6	5.2	5.8	6.3	8.4	4.2	5.9
Gross saving	79.8	80.2	20.0	19.3	21.1	19.8	25.8	11.8
<b>CAPITAL ACCOUNT</b>								
Gross fixed capital formation	81.6	90.6	21.7	21.9	23.2	23.8	24.0	24.1
Inventories	3.7	3.2	-0.3	1.2	1.7	0.6	0.1	-1.0
Net lending/borrowing(-)	-5.5	-13.6	-1.6	-3.8	-3.7	-4.6	1.7	-11.5



payments recovered and recorded a growth rate of 14.3 per cent in 1994 and 12.6 per cent in 1996. 1995 was a peak year for the growth in dividends paid which rose by a record 26.3 per cent. With corporate profitability coming under pressure from the third quarter of 1998, dividends fell by 6.1 per cent in 1998; reversing the growth in 1997 and providing the first fall since 1990. More companies were reported as investing retained earnings back into business, for example, in research and development, rather than returning cash to investors.

Private non-financial corporations' dividend payments in the last quarter of 1998 and first quarter of 1999 were subdued by pre-announced income and corporation tax changes taking effect from 6 April 1999.

The first change was the abolition of advance corporation tax (ACT) on dividends which for some companies meant there was a financial benefit in their deferring their dividends until after 5 April. The second change was the halving of the rate of tax credit on dividends. The prospect of lower payments of tax credit under the UK's double taxation treaties prompted some UK subsidiaries of overseas companies to bring forward their dividends to before 6 April. On balance, the impact of the first change more than outweighed the impact of the second, thereby reducing dividends in the latter half of 1998/99.

Private non-financial corporations' dividend payments subsequently rebounded to £23.8 billion in the second quarter of 1999. This compares with dividend payments of £8.3 billion in the first quarter of 1999 and £15.1 billion in the second quarter of 1998.

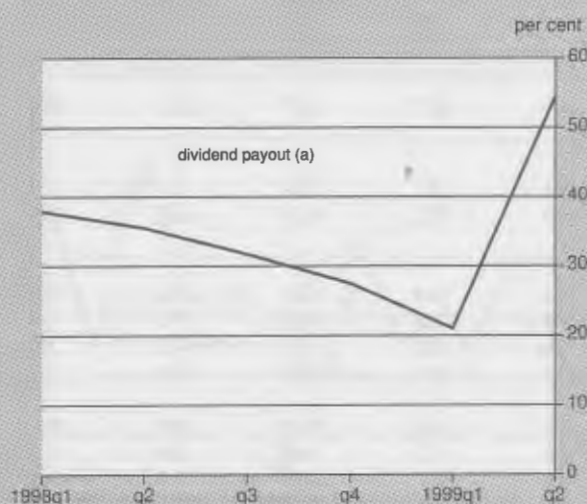
The contributions to the increase of £8.7 billion in dividends in the second quarter of 1999 over the second quarter of 1998 have been estimated as follows:

- Net deferrals of dividends £3.5 billion (which includes an element of compensation for delayed payment).
- Higher yields on ordinary dividends £2.2 billion.
- Special dividends £3.0 billion.

The number of companies paying dividends in the second quarter rose, by almost 50 per cent compared with the second quarter of 1998. There were a number of large ordinary dividends in the quarter. Four of the top 40 companies by market capitalisation paid dividends of £3 billion, in total. There were also a number of high value special dividends paid, including the UK part of the £4 billion paid jointly by the UK and Dutch parents of Unilever, in addition to the normal part of their final dividend for 1998.

Chart 11

Private non-financial corporations' dividend payout



(a) dividends as a percentage of post-tax income, less interest paid

Dividend payments accounted for 55 per cent of the remaining income (i.e., total income less interest payments and tax) of private non-financial corporations in the second quarter of 1999 (Chart 11). This weight compares with 21 per cent in the previous quarter and the average of one-third for 1998. The dividend payout ratio for the first and second quarters of 1999 were, however, distorted by the ACT changes.

### Interest payments

Interest payments by private non-financial corporations rose by £5.7 billion in 1998. The rise in interest payments in 1998 was despite the fall in base rates and reflected the increase in net bank borrowing from UK monetary financial institutions. In the first half of 1999, interest payments fell as the Bank of England's repo rate was reduced from 6.25 to 5.00 per cent and companies made net repayments of bank lending.

### Tax payments

There have been a number of changes in the company tax regime over the past five years affecting the rates of tax and timing of payments. This section picks out some of the main movements.

Private non-financial corporations' tax payments fell by 8 per cent in 1998. This was due to two factors. The first was the fall of £1.2 billion in payments of ACT, as discussed above. The second was the fall of £0.8 billion in Petroleum Revenue Tax payments. This reflected the fall in profits earned by UK Continental Shelf companies, as a result of the 30 per cent fall in oil prices.

In both 1997 and 1998, tax payments included the instalments of the windfall tax on utilities (£2.6 billion in each year).

Mainstream corporation tax payments increased by 11 per cent in 1998. But, in the second quarter of 1999 mainstream corporation tax payments were £2.1 billion, compared with £3.7 billion in the first quarter.

Advance Corporation Tax payments of £2.1 billion were recorded in the second quarter of 1999, compared with £3.7 billion in the first quarter and £2.4 billion in the second quarter of 1998.

### Gross disposable income

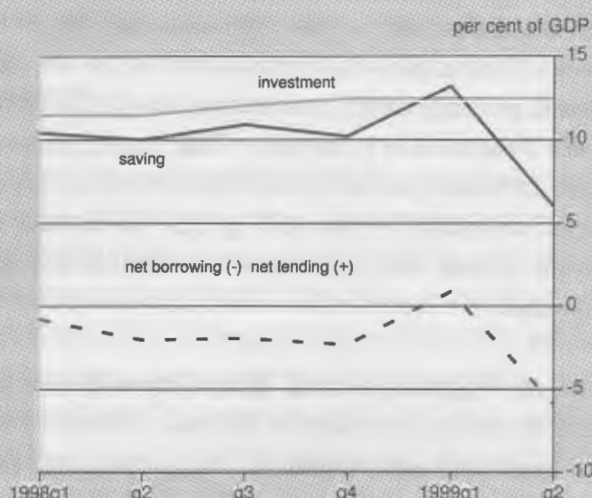
Gross disposable income (also known as gross saving) was virtually unchanged in 1998 from 1997. As a result of the large increase in dividend payments, gross disposable income fell by £14 billion to £11.8 billion in the second quarter of 1999.

### Net borrowing of private non-financial corporations

During the 1990-92 recession, the private non-financial corporations' net borrowing was £23 billion. Corporations' financial position improved since 1990 and reached a financial surplus (i.e., net lending) of £12 billion in 1994. In 1997 and 1998, the financial position deteriorated. In 1997, higher dividend payments and taxes, combined with an increase of £9 billion in capital expenditure, led companies to net borrowing (i.e., a financial deficit) of £5.5 billion. In 1998, little growth in profits, higher interest payments and a further expansion in investment of £9 billion pushed the borrowing requirement to £13.6 billion, the highest annual total since 1990.

Chart 12

Private non-financial corporations' financial balance

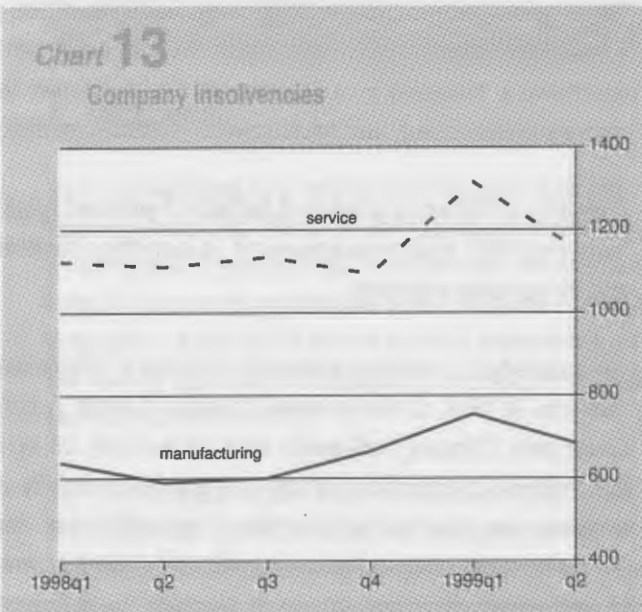


The most recent quarterly data (Chart 12) shows a worsening in the corporate sector's financial health. With a weak profits' profile and strong dividend payments, combined with capital expenditure still at a high level, there was record net borrowing (i.e., a financial deficit) of private non-financial corporations in the second quarter of 1999 of £11.5 billion. This compares with net lending of £1.7 billion in the first quarter of 1999 and five previous quarters of net borrowing.

Company insolvencies

The number of insolvencies in the services sector has fallen, by some 1,600 over the four years to 1998. Similarly, the number of insolvencies in manufacturing has been reduced, by one-third, a higher percentage fall than in the services sector.

Of the 3,590 company insolvencies in the second quarter of 1999, one-fifth was in the manufacturing sector and one-third in the services sector (Chart 13). Over the year to the second quarter, the proportion of insolvencies in the manufacturing sector had risen by one percentage point. The proportion of insolvencies in service companies declined, however, in this period, by two percentage points.



Financial account

Companies have borrowed less from monetary financial institutions to finance their investment. Over the past decade, companies have reduced the proportion of their financial liabilities provided by monetary financial institutions from 21 per cent to 12 per cent. In this period, equity finance raised rose from 53 per cent of financial liabilities to 70 per cent. To finance the borrowing requirements in 1997 and 1998, companies have also developed their borrowing in the bond and securities markets.

The total net borrowing from the capital account in 1997 was funded by issuing bonds, borrowing from monetary financial institutions in the rest of the world and by equity finance (issuance of quoted and unquoted shares). Finance raised was, in part, due to the increase in the value of mergers and acquisitions (see below). In particular, the purchase by Guinness of Grand Metropolitan for £12.5 billion. The creation of the new company, Diageo, was financed by the issue of new shares in Diageo in exchange for Grand Metropolitan shares.

In 1998, net borrowing was funded by companies issuing over £16 billion in bonds and by borrowing in sterling (£9.4 billion) and in foreign currencies (£8.2 billion) from monetary financial institutions in the United Kingdom. Finance received from banks in the rest of the world fell back from the high levels seen in 1997, in part due to the run-down in foreign currency business of monetary financial institutions, ahead of Euro-conversion at the end of 1998. Equity finance (issuance of quoted and unquoted shares) rose from £30 billion in 1997 to £56 billion in 1998 and this included the issuance by British Petroleum to Amoco shareholders of £32 billion in value of BP Amoco shares. The take-over by British Petroleum of Amoco (USA) was the largest take-over by a UK company and BP Amoco is now the largest company on the UK stock market.

In the first and second quarters of 1999, expectations that interest rates may rise over the next 18 months and greater mergers and acquisitions activity may have encouraged firms to bring forward funding programmes. Private non-financial corporations' total borrowing including funds raised on the capital and equity markets and borrowing from monetary financial institutions was close to £100 billion in the second quarter.

Issues of quoted shares were £69 billion in the second quarter. This included the issue of shares by Vodafone and Zeneca in take-over deals. As most of the new issues were in exchange for overseas shares, the money raised did not go towards financing the borrowing requirement.

Private non-financial corporations' securities issuance was also a principal source of the funds required. In the first quarter of 1999, companies raised £9.3 billion by issuing bonds. This included the launch of £2.65 billion Government-guaranteed bonds issued by London & Continental Railways to finance the Channel Tunnel Rail Link. In the second quarter, companies raised a record £11.2 billion by issuing bonds. The increase in bond issues found a ready response from institutional investors. This was because of a shortage of long dated gilt-edged securities and the increased demand by institutional investors, particularly UK Pension Funds and Life Insurers, due to minimum funding requirements. Net investment in

UK company securities by insurance companies, pension funds and trusts was £7.8 billion in the second quarter, the second highest figure on record after the £9.1 billion raised in the first quarter.

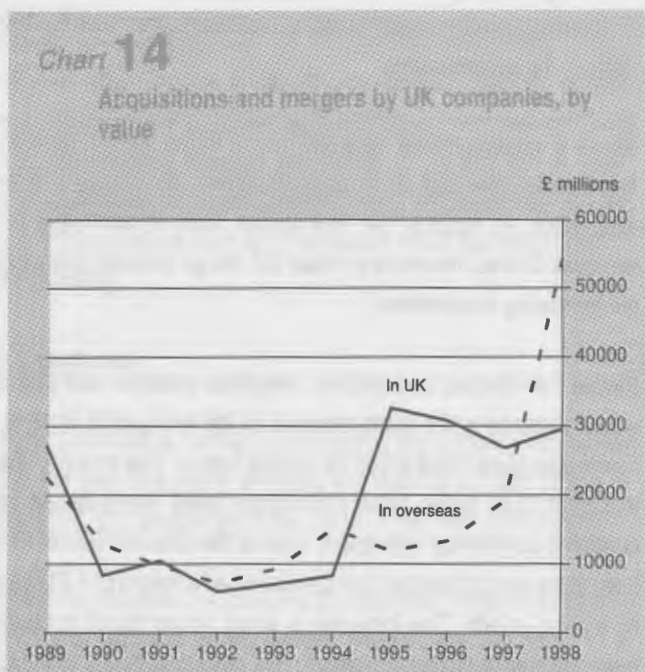
Net sterling capital issues of private non-financial corporations for the first six months of 1999 was £9.7 billion, £4.9 billion higher than the previous six months.

Private non-financial companies' financing from UK monetary financial institutions increased strongly in the first six months of 1999. Borrowing from UK monetary financial institutions raised £15.0 billion.

### Acquisitions and mergers

In value terms, the recent peaks for merger activity involving UK companies in the UK and cross border were 1989 and 1998 (Chart 14). The peak in mergers in 1989 was caused by UK companies achieving economies of scale. Acquisitions in the US by UK firms accounted for 80 per cent of the value of mergers in that year. Between 1995 and 1997, the focus of merger activity was in the United Kingdom.

In the fourth quarter of 1998 and in the first six months of 1999, the focus of merger activity was overseas. This wave of acquisitive activity could realise UK companies economies of scale and international networks. This would maintain the corporate sector's competitiveness, by consolidating market share in product markets.



In 1998, the value of acquisitions overseas by UK companies was £25 billion higher than acquisitions in the United Kingdom, largely as a result of the purchase of Amoco by British Petroleum.

A survey by KPMG Corporate Finance found that in 1999, UK companies had been the world's busiest in international mergers and acquisitions.

In 1999, UK companies' acquisitions overseas increased from £3.7 billion in quarter one to £79.2 billion in the second quarter. This was largely accounted for by the Vodafone take-over of Airtouch Communications Inc (US) for approximately £38.5 billion and by the acquisition of Astra AB by Zeneca Plc for a reported £21 billion. The Zeneca deal was an all-share deal, with Astra shareholders issued with new Zeneca shares. The third largest transaction was British American Tobacco Plc acquiring Rothmans International BV for £5.3 billion in an all-share deal. These three deals were reflected in liabilities of private non-financial corporations (quoted shares) and in assets (rest of the world shares).

### Conclusions

The corporate sector data suggest that companies entered 1999 in a less healthy state than in 1998 and that 1997 may have been a recent peak in profitability. For UK Continental Shelf companies, the recovery in the oil price in 1999 would, however, enhance profitability.

Profitability in 1998 was at a high level, but had not expanded beyond the levels of 1997. Margins were squeezed, as competition intensified and pricing power weakened.

The bounce-back in dividends in the second quarter of 1999 drained resources. In 1999, companies were continuing to invest, but at a slower pace. Company insolvencies were not declining. On top of this, there was a huge amount of corporate acquisitions activity, as companies sought to maintain international competitiveness. And, companies were running a massive financial deficit. Record issuance of bonds, share issues and high levels of capital issues financed this borrowing.

Forward looking indicators could, however, suggest that cost containment, enhanced service and quality, the rationalisation of product lines, and the further development of new technologies and processes might lead to an improvement in profits for private non-financial companies in the second half of 1999.



# Release of a Prototype Monthly Index of Distribution



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- This article marks the release of the prototype monthly Index of Distribution, which is the first step towards the development of a full monthly index of Services.
- The prototype monthly Index of Distribution will, for now, be published in *Economic Trends*. The use of additional publication media is to be reviewed after 3-4 months.
- The data and methodology underlying the prototype Index of Distribution will be reviewed as part of the Index of Services development programme. This may lead to revisions to the current prototype series.
- Comments on the data shown in this article or the presentation format would be particularly welcome.

## 1 Introduction

1.1 As explained in an article in the October 1999 issue of *Economic Trends*, the ONS is now starting a major project to develop a monthly Index of Services (IoS). The IoS will mirror the established Index of Production by indicating the gross value added (net output) in the service sector and is seen as a priority requirement by both HM Treasury and the Bank of England. Release of a prototype IoS is planned for December 2000.

1.2 A prototype monthly Index of Distribution (IoD), covering wholesale, retail and motor trades, has been produced as a first step towards the full IoS and this will now be released each month, together with values for the three main components. This article presents the first data, with back series to January 1995, and describes the construction and coverage of the index.

1.3 The prototype IoD uses the same source data and methodology as the existing series for distribution contained within the ONS's quarterly estimates of GDP by the output measure (GDP (O)). Nevertheless, the prototype status of the current monthly IoD

needs to be emphasised. As this article explains, the indicators on which it is based will be reviewed as part of the IoS and GDP(O) joint development programme.

1.4 One of the objectives in publishing the IoD in prototype form is to generate feedback. Comments, either about the data or the way that they are presented, would therefore be very welcome.

## 2 Prototype IoD: coverage

2.1 The IoD covers section G of the Standard Industrial Classification (SIC92), which is 'Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods'. In 1995 these accounted for around 12 per cent of total UK gross value added. To set that in context, the service sector as a whole (including government) accounted for around 70 per cent of total UK gross value added.

2.2 **Table 1** below shows the three components of the distribution sector. Data series for these components and details of their construction are given later in the article.

**Table 1: Components of the prototype IoD**

SIC	1995 weight in total UK gross value added (parts in 1,000)	Industry	Description
50	20.9	Motor trades	'Sale, maintenance and repair of motor vehicles and motor cycles; retail sale of automotive fuel'
51	45.4	Wholesale	'Wholesale and commission trade, except of motor vehicles and motor cycles'
52	50.6	Retail	'Retail trade, except of motor vehicles and motor cycles; repair of personal and household goods'

### 3 Prototype IoD: methodology and relationship with quarterly GDP(O)

3.1 Nearly all of the source data used to construct the series for the distribution sector in the quarterly estimates of GDP(O) are also available monthly. The only exception is 'Wholesaling on a fee or contract basis' (SIC 51.1), which accounts for under 2 per cent of total distribution. In addition, potential users have stated that, for the monthly data to be of maximum value, the IoS and its components, including the IoD, should be consistent with GDP(O) in being a measure of changes in gross value added. The prototype monthly IoD has therefore been constructed using the same source data and weighting patterns as the distribution components of quarterly GDP(O)<sup>2</sup>.

#### The IoD indicates movements in gross value added

3.2 The prototype IoD aims to indicate movements in constant price gross value added.

For distributors (and for other units trading goods and services):

Gross value added = Output **less** inputs  
= Sales **less** purchases of goods for resale, **less** purchases for intermediate consumption, **plus** changes in inventories, **plus** own-account capital formation

#### Notes:

- Intermediate consumption consists of the goods and services consumed as inputs in a process of production (e.g. accountancy services, renting of property) but excluding employed labour and fixed assets. Note also that goods

purchased for resale are treated separately, they are **not** included in intermediate consumption.

- In the case of distribution, total inventories consist largely of inventories of goods purchased for resale.
- For distribution activity, the difference between the selling price and purchase price of goods purchased for resale is known as the trade margin.

The European System of National and Regional Accounts (ESA 95) and the UN System of National Accounts 1993 (SNA 93) both give further guidance on these concepts.

3.3 As the section above indicates, monthly gross value added would ideally be measured using data on the components of both outputs and inputs. However, in practice, it can be difficult to collect such information on a monthly (or quarterly) basis and to ensure that it is reliable. For example, companies' internal accounting systems may not hold all the necessary data.

3.4 Instead, it is normal to use proxy indicators in the short-term measurement of gross value added. In line with the recent European Commission Decision on the harmonisation of prices and volume measurement<sup>3</sup>, the ONS's general preference is to use deflated turnover as the proxy indicator for market sector activities. This approach relies on the assumption that the ratio of turnover to gross value added remains relatively stable (at constant prices). At least over the short term, that assumption is normally considered reasonable. It may not always hold, however. The ratio of value added to turnover might change if wholesalers shift towards selling goods that command a higher margin, for example.

3.5 Deflated turnover indicators are used extensively in the prototype IoD. In addition, use is also made of quantity or volume measures of output (as in the case of sales of motor vehicles) and

indirect proxies. The latter include Retail Sales Indices and Indices of Production, both of which serve as indicators of wholesaling output.

### Index formula

3.6 As with quarterly GDP(O), IoD data are presented as constant price base-weighted (Laspeyres) index numbers, with 1995 being the current base year. In order to reflect movements in gross value added as accurately as possible, component series are aggregated using gross value added weights for the base year at all but the lowest levels of the index structure. The weighting patterns for the IoD are the same as those used in quarterly GDP(O).

### Coherence with quarterly GDP(O)

3.7 In addition to the requirement to use a methodology that is consistent with the measurement of GDP, potential users have stressed the importance of ensuring that the monthly IoD, and in due course the IoS, show the same quarterly path as the equivalent series in GDP(O). The prototype IoD is therefore constrained to the path of the latest available GDP(O) estimate, using an ONS standard benchmarking function. This adjusts the monthly IoD data to fit the quarterly path of the GDP(O) series.

3.8 Even though the prototype IoD is based on the same source data as the corresponding series in GDP(O), constraining the IoD has certain implications. In particular, GDP(O) is subject to adjustments as part of the process of balancing the quarterly output, income and expenditure measures of GDP. The prototype IoD, by following the same quarterly path as GDP(O), thus incorporates all of the relevant national accounts balancing adjustments.

### Revisions policy linked to the national accounts

3.9 Ensuring consistency with GDP(O) also implies sharing the same national accounts revisions policy. The national accounts revisions policy is designed to balance the need to take on revisions to the source data with the goal of maintaining consistency between the various components of the national accounts<sup>4</sup>. It therefore imposes some constraints in terms of the timings of any revisions and the length of back data that is open for revision.

3.10 Three estimates of GDP(O) are produced for each quarter. These are released 3½ weeks, 7 weeks and 11 weeks after the quarter end and it is usually only in the 11-week estimate that there is scope for revisions to previous quarters. The length of the period that is open for revision varies between quarters.

## 4 Timeliness

The latest prototype IoD values shown in this article are for August 1999 and are consistent with the 3½-week GDP(O) estimate for quarter 3 (released on 22 October). The lag of around three months between the relevant month end and publication is partly because the prototype IoD is a new product and partly a function of publishing via Economic Trends. A consequence of this lag is that the prototype IoD may not be consistent with the latest published version of GDP(O). Within 3-4 months, the aim is to reduce the publication delay by about a month, however.

## 5 Component series of the prototype Index of Distribution

5.1 This section gives details of the construction of the three main component series of the prototype IoD. The corresponding GDP(O) series identifiers are given in footnotes to the index tables at the end of this article. As already stated, data go back to January 1995 in all cases.

### Division 50, motor trades

5.2 The prototype index for motor trades as in **Chart 1** is a weighted sum of the series for the SIC92 classes shown in **Table 2**.

5.3 The ONS produces the following monthly indicators for the motor trades:

- Monthly indicators of sales of **new cars** and **other new vehicles** (including motor cycles). These two series are constructed by valuing vehicle registrations at constant prices, with an adjustment for changes in vehicle quality over time.
- An indicator for sales of **used cars**, derived from registrations of new cars in the same month in the previous year<sup>5</sup>.
- A volume indicator of **sales of automotive fuel**, produced using data collected by the DTI on deliveries of petrol and oil to retailers.

5.4 Proxy measures for each of the 4-digit classifications set out in **Table 2** are then constructed by weighting together combinations of the indicators shown above. There are no specific data on vehicle maintenance and repair or parts and accessories so values for these are estimated from the other indicators (chiefly fuel).

Division 50, motor trades

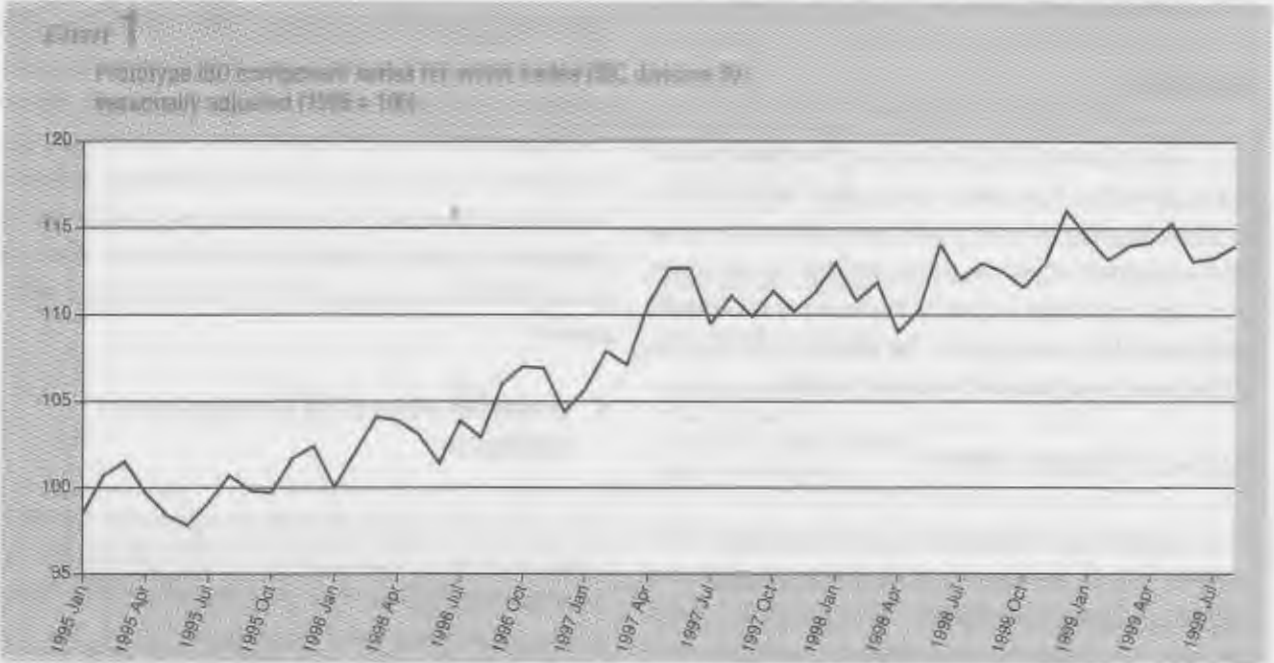
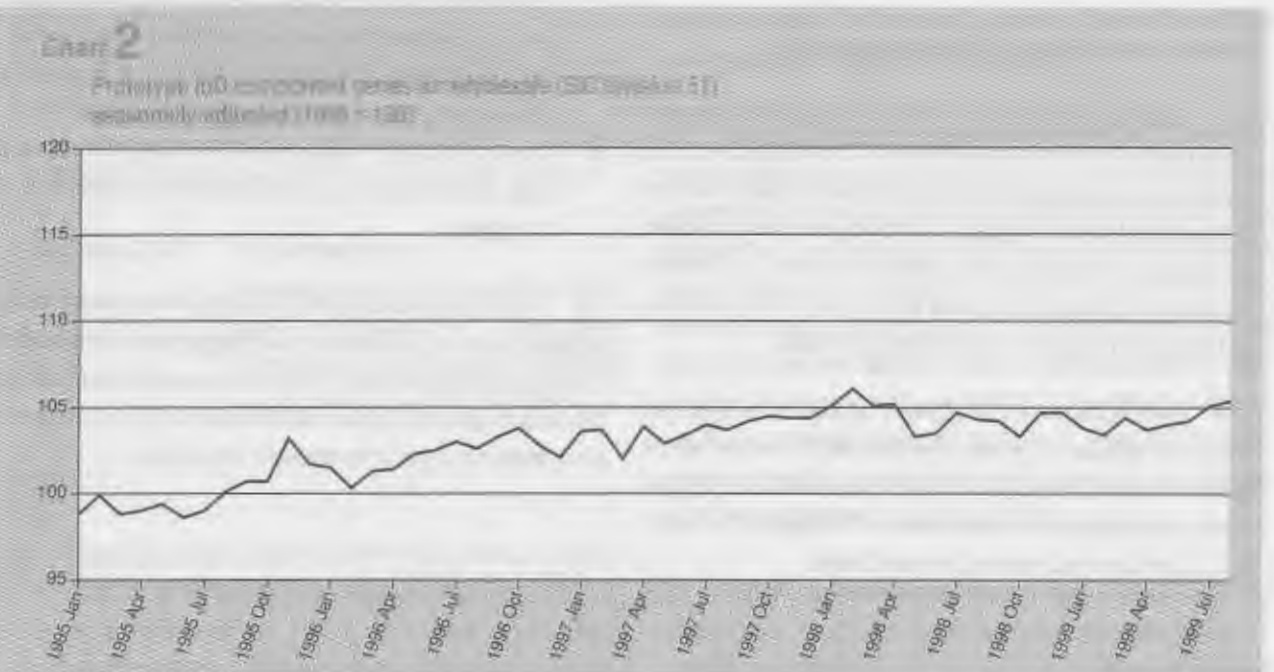


Table 2: Components of the motor trades series in the prototype IoD

SIC	1995 weight in total UK gross value added (parts in 1,000)	Description
50.10	11.6	Sale of motor vehicles (including both new and used vehicles)
50.20	4.2	Maintenance and repair of motor vehicles
50.30	3.0	Sale of motor vehicle parts and accessories
50.40	0.3	Sale, maintenance and repair of motor cycles & related parts and accessories
50.50	1.8	Retail sale of automotive fuel

Division 51, wholesale



**Table 3: Components of the wholesale series in the prototype IoD**

SIC	1995 weight in total UK gross value added (parts in 1,000)	Description	Indicator type
51.1	2.0	Wholesale on a fee or contract basis	Deflated turnover
51.2	0.6	Agricultural raw materials and live animals	Deflated turnover
51.3, 51.4	19.0	Food, beverages and tobacco and household goods	Proxies based on RSIs
51.51/1	1.3	Petroleum and petroleum products	Deflated turnover
51.51/9	0.3	Other fuels and related products	Deflated turnover
51.52	0.7	Metals and metal ores	Deflated turnover
51.53	2.7	Wood, construction materials and sanitary equipment	Deflated turnover
51.54	1.2	Hardware, plumbing and heating equipment and supplies	Deflated turnover
51.55	1.1	Chemical products	Deflated turnover
51.56, 51.6, 51.7	16.1	Other intermediate products, machinery, equipment, supplies and other wholesale	IoPs used as proxies
51.57	0.4	Waste and scrap	Deflated turnover

5.5 **Table 3** summarises the weightings of the sub-components of the prototype IoD wholesale series, together with the indicators used to proxy gross value added.

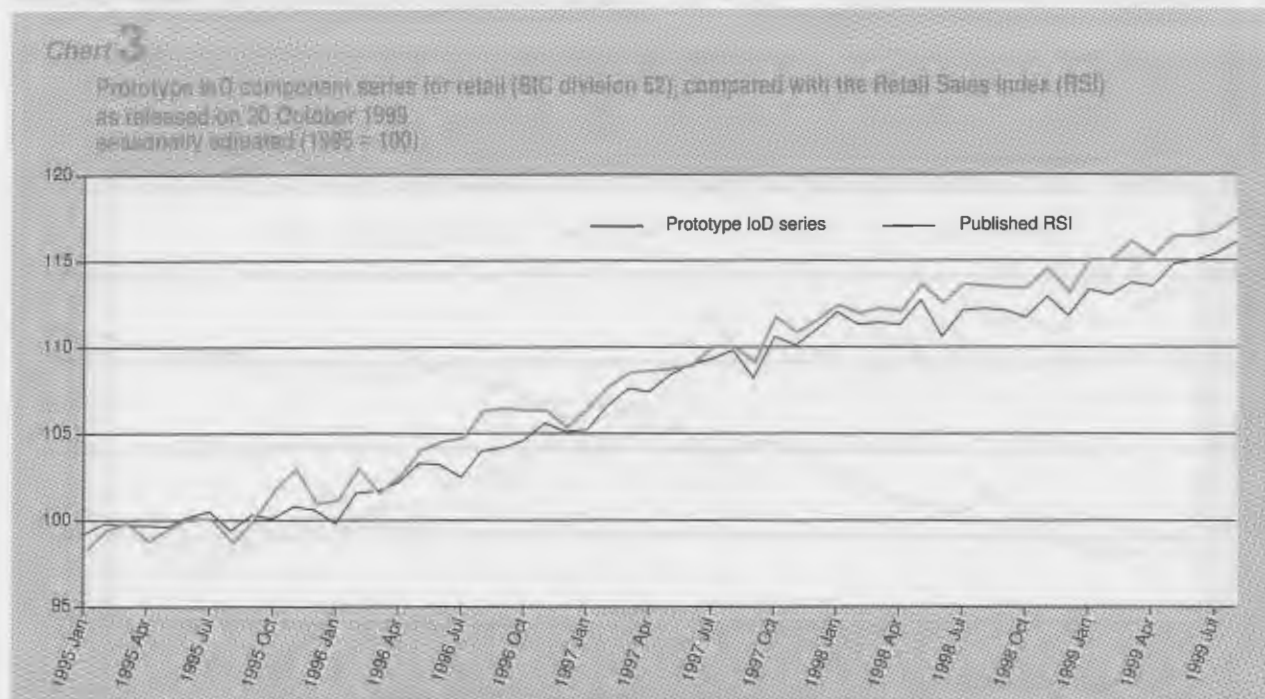
5.6 As the table shows, three types of indicator are used:

- Proxy indicators based on Retail Sales Indices (RSIs).
- Proxy indicators based on Indices of Production (IoPs).
- Deflated turnover.

Where deflated turnover is used, deflation is carried out using wholesale stocks deflators, which are constructed from Producer Price Indices for manufactured products.

5.7 SIC 51.1 is the only industry in the IoD for which monthly data are not currently available. A monthly path has been interpolated from quarterly deflated turnover data, using a standard ONS function to fit a 'best' monthly path through the quarterly data points. In the other wholesaling industries in which deflated turnover indicators are used, monthly turnover data only became available from mid-1995. Monthly values before then have also been interpolated from quarterly data.

#### Division 52, retail



5.8 **Table 4** shows the sub-components of the retail series in the prototype IoD.

**Table 4: Components of the retail series in the prototype IoD**

SIC	1995 weight in total UK gross value added (parts in 1,000)	Description
52.11, 52.2	20.9	Retail sales in predominantly food stores
52.12, 52.3, 52.4, 52.50	22.1	Retail sales in predominantly non-food stores
52.6, 52.7	7.6	Retail sales not in stores and repair of personal and household good (predominantly retailing by mail-order)

5.9 The indicators used in the prototype IoD series for retail are similar to those used in the published monthly Retail Sales Index (RSI). Like the RSI, the IoD series is based on estimates of retail turnover and deflated using detailed components of the Retail Price Index. However, there are differences in the construction of the RSI and prototype IoD retail series. As **Chart 3** shows, these differences can cause the two series to diverge.

- **Weighting patterns.** The series used in the prototype IoD are weighted according to gross value added, whilst the RSI is weighted on turnover. This is because the two series are intended to perform different functions. The IoD series is designed to indicate the retail sector's contribution to GDP, whereas the published RSI shows the trend in retail spending by consumers.
- **Benchmarking.** The series in the prototype IoD are benchmarked (onto the Annual Retailing Inquiry) more frequently than the published monthly RSI. The IoD series is

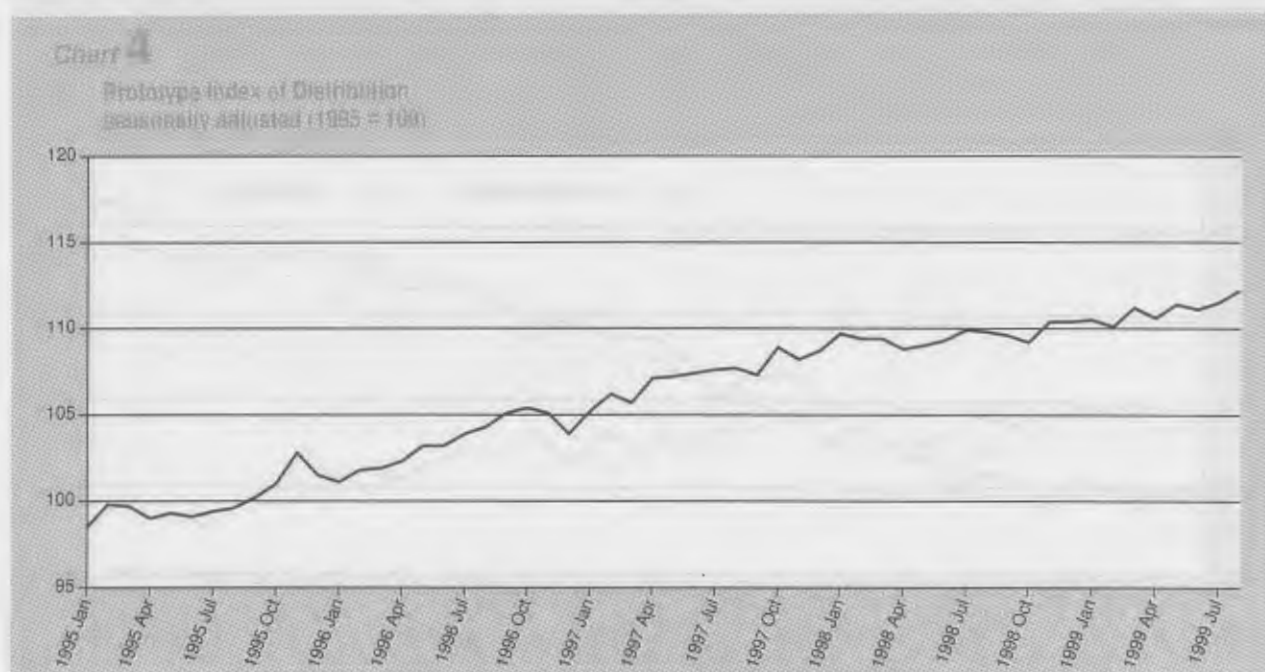
benchmarked onto data for 1997, whilst 1995 is the latest benchmark for the published RSI.

## 6 Prototype headline IoD

**Chart 4** below shows the prototype headline IoD, produced by weighting together the component series as shown in **Table 1**.

## 7 Future development of the IoD

7.1 As explained in the October 1999 *Economic Trends* article about the development of the Index of Services, a programme to review the data and methods used in measuring gross value added across the whole service sector is planned. This will encompass a review of the IoD and a particular aim here will be to improve the appropriateness and/or quality of the existing monthly indicators where this is possible. Where improvements are made, these will be implemented jointly in both the IoD and GDP(O). Although there may be revisions to the back data as a result, these will be carried





out within the existing national accounts revisions policy. Specific aspects of the IoD review process are outlined in the section below.

### Greater use of deflated turnover indicators

7.2 As part of the wider development plans for the full IoS, the ONS is expanding and improving the monthly turnover data it collects via the Monthly Inquiries into the Distribution and Services Sector.

- Work to review the methodology for producing industry turnover estimates from these inquiries has already begun and is set to be complete by the second half of 2000. In particular, it is focusing on the estimation procedures.
- From April 2000, conversion of quarterly inquiries to monthly will make monthly turnover data available for the whole of the distribution sector.
- Survey teams will be working to achieve a quicker response to monthly turnover surveys.

When these developments have been implemented, it should be possible to make greater use of deflated turnover series in the construction of the prototype IoD.

### Deflation methodology

7.3 There are some areas in which particular attention will be paid to the deflation methodology. These will include the series for motor trades (if there is a move towards the use of deflated turnover indicators) and wholesale. The possible need to collect additional

price data will also be assessed.

### Seasonal adjustment: motor trades and retail

#### Motor trades

7.4 The change in the vehicle registration system during 1999 (which means that prefix letters now change in March and September instead of in August) has caused a break in the seasonal pattern of vehicle sales. The approach in the IoD has been consistent with that in other ONS series, such as the Index of Production and the Household Final Consumption Expenditure estimates, but seasonal adjustment of the 1999 data is difficult. As further monthly data become available it will, however, be possible progressively to improve the existing seasonal adjustment.

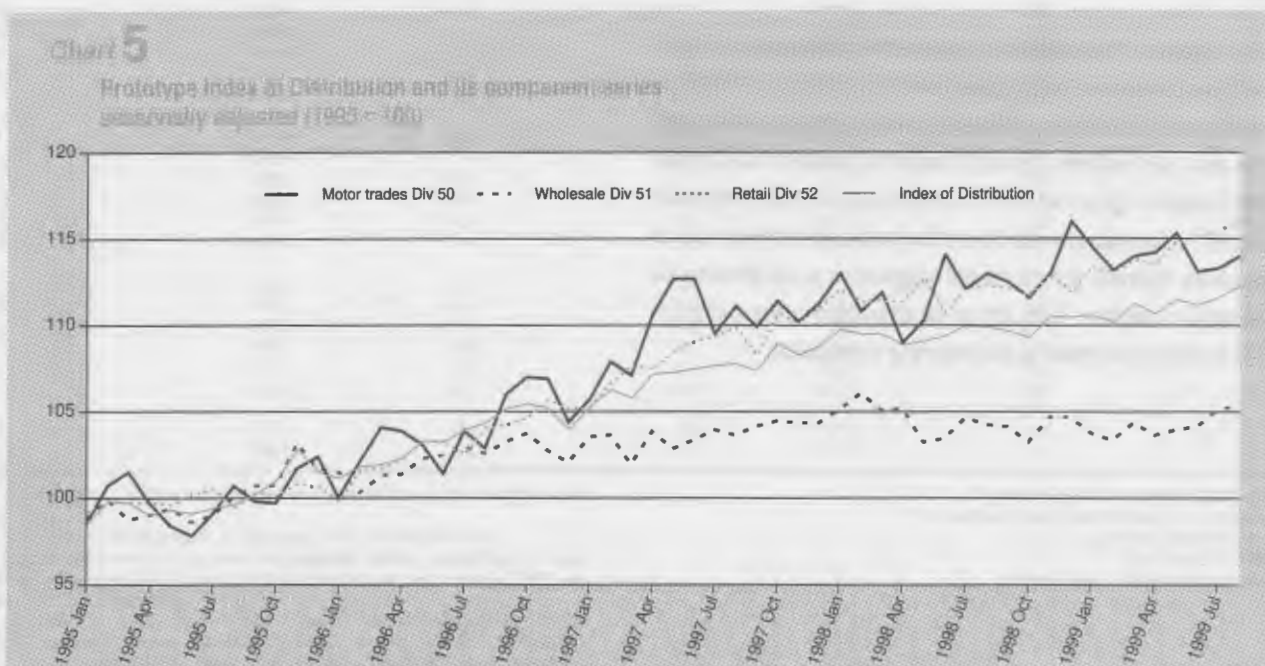
#### Retail

7.5 The seasonal adjustment of the retail series in the IoD is consistent with the RSI. The ONS has recently started a project to update the seasonal adjustment of the RSI; the retail series in the prototype IoD will be considered as part of this project.

## 8 Values for the prototype IoD

8.1 The tables at the end of this article show values for the prototype headline IoD and its three main sub-components. These are presented in the form of:

- Tables of index levels, going back to January 1995.
- Tables showing the month-on-month percentage changes.
- Tables showing the percentage changes for the latest three months compared with the previous three months.



All series are seasonally adjusted.

8.2 As part of the planned development of the IoD during the year 2000, the ONS will also assess whether and how it should present trend estimates alongside the index series<sup>6</sup>.

8.3 Interpreting the data

Chart 5 above shows the relationship between the top level IoD and its three component series. In interpreting this chart and the tables at the end of the article, it is important that the prototype nature of the series is recognised. In particular, individual month-on-month movements should be treated with caution. Some other points are:

- As can be seen, the top level IoD tends to follow the movements in the wholesale and/or retail series. Although the series for motor trades is the most volatile, the impact on the IoD is limited by its relatively small weight.
- The growth in the wholesale series has been slower than in motor trades or retail. This is mainly caused by the relatively slow growth in 'Other intermediate products, machinery, equipment, supplies and other wholesale', which accounts for just over 35 per cent of wholesaling.
- As the comparison of the IoD retail series with the RSI in Chart 3 shows, although there are some differences in levels due to the different weighting patterns and benchmarking procedures, the two series generally follow very similar paths.

9 Conclusion

The purpose of this article is to introduce this new prototype index. It will now be released on a regular basis, but remain as a prototype until it becomes more established and work has been done to review the data and methods. As explained in the article in the October 1999 issue of *Economic Trends*, the prototype Index of Distribution marks the first step towards the production of a full monthly Index of Services. Readers' comments and suggestions would therefore be especially welcome. They should be addressed to the authors at the contact point shown at the beginning of the article.

Footnotes

- 1 'Plans for the Development of a Monthly Index of Services', by Hugh Skipper and Ian Cope, *Economic Trends* no. 551, October 1999.
- 2 A summary of the GDP(O) methodology, showing the weights, indicators and deflators used is given in 'Gross Domestic Product: Output approach (Gross Value Added)', by Peter Sharp, GSS Methodology Series no. 15.
- 3 Commission Decision 98/715/EC of 30 November 1998 'clarifying...the European System of National and Regional Accounts in the Community as concerns the principles for measuring prices and volumes'.
- 4 The principles underlying the national accounts revisions policy are outlined in the article in the October 1993 edition of *Economic Trends* (no. 480), 'Handling revisions in the national accounts', by David Wroe. The timings/revisions periods quoted should not be seen as up-to-date, however.
- 5 This procedure will not be used for 1999, as the change in seasonality due to the introduction of the new vehicle registration numbering system would cause a distortion.
- 6 Assessment of the use of trend estimates will follow the principles set out in the article in the April 1998 issue of *Economic Trends* (no. 533) 'Estimating and Presenting Short-Term Trends', by Simon Compton.



# 1 IOD: Index of Distribution (PROTOTYPE)

Index numbers of gross value added at basic prices<sup>1,2,3</sup>

1995=100, seasonally adjusted

SIC Section G: IoD <sup>4</sup>				Component series		
percentage change				SIC50: Motor trades <sup>4</sup>		
Index	month on month	latest 3 months on previous 3 months		Index	month on month	latest 3 months on previous 3 months
	FVVR	FVVK	FVVL	FVVO	FVVB	FVVC
1995 Jan	98.5	..	..	98.5	..	..
Feb	99.8	1.4	..	100.7	2.2	..
Mar	99.7	-0.1	..	101.5	0.8	..
Apr	99.0	-0.7	..	99.7	-1.8	..
May	99.3	0.3	..	98.4	-1.3	..
Jun	99.1	-0.2	-0.2	97.8	-0.6	-1.6
Jul	99.4	0.3	-0.3	99.1	1.4	-2.2
Aug	99.6	0.1	-	100.7	1.6	-0.7
Sep	100.2	0.7	0.6	99.8	-0.8	1.2
Oct	101.0	0.8	1.0	99.7	-0.1	1.7
Nov	102.8	1.8	2.0	101.7	2.0	1.3
Dec	101.5	-1.3	2.0	102.4	0.6	1.4
1996 Jan	101.1	-0.4	1.5	100.0	-2.3	1.3
Feb	101.8	0.7	0.1	102.1	2.1	1.1
Mar	101.9	0.1	-0.2	104.1	2.0	0.8
Apr	102.3	0.5	0.2	103.9	-0.2	2.0
May	103.2	0.8	1.0	103.1	-0.8	2.2
Jun	103.2	-	1.3	101.4	-1.7	0.7
Jul	103.9	0.7	1.4	103.9	2.4	-0.5
Aug	104.3	0.3	1.3	102.9	-0.9	-0.9
Sep	105.1	0.8	1.5	106.0	2.9	1.4
Oct	105.4	0.3	1.5	107.0	1.0	2.4
Nov	105.1	-0.3	1.4	106.9	-0.1	3.8
Dec	103.9	-1.1	0.4	104.4	-2.3	1.8
1997 Jan	105.2	1.2	-0.2	105.7	1.2	0.3
Feb	106.2	0.9	-0.1	107.9	2.1	-0.6
Mar	105.7	-0.4	0.9	107.1	-0.8	0.7
Apr	107.1	1.3	1.5	110.6	3.2	2.7
May	107.2	-	1.5	112.7	1.9	3.8
Jun	107.4	0.3	1.5	112.7	-	4.7
Jul	107.6	0.1	1.0	109.5	-2.8	2.8
Aug	107.7	0.1	0.9	111.1	1.4	0.9
Sep	107.3	-0.4	0.3	109.9	-1.1	-1.6
Oct	108.9	1.4	0.5	111.4	1.4	-0.7
Nov	108.2	-0.6	0.5	110.2	-1.1	-0.5
Dec	108.7	0.4	1.0	111.3	1.0	0.7
1998 Jan	109.7	0.9	0.8	113.0	1.5	0.6
Feb	109.4	-0.2	1.1	110.8	-1.9	1.1
Mar	109.4	-	0.9	111.9	1.0	0.8
Apr	108.8	-0.5	0.3	109.0	-2.5	-0.8
May	109.0	0.2	-0.2	110.3	1.2	-1.2
Jun	109.3	0.2	-0.4	114.1	3.4	-0.7
Jul	109.9	0.5	0.2	112.1	-1.8	1.4
Aug	109.8	-	0.5	113.0	0.8	2.4
Sep	109.6	-0.2	0.7	112.5	-0.5	1.2
Oct	109.2	-0.4	0.1	111.6	-0.8	0.2
Nov	110.4	1.1	0.1	113.0	1.3	-0.6
Dec	110.4	-	0.2	116.0	2.6	0.9
1999 Jan	110.5	0.2	0.8	114.5	-1.3	1.9
Feb	110.1	-0.4	0.6	113.2	-1.2	1.9
Mar	111.2	1.0	0.6	114.0	0.7	0.3
Apr	110.6	-0.6	0.2	114.2	0.2	-0.6
May	111.4	0.7	0.6	115.3	1.0	-
Jun	111.1	-0.3	0.3	113.1	-1.9	0.3
Jul	111.5	0.4	0.6	113.3	0.1	0.1
Aug	112.2	0.6	0.5	114.0	0.6	-0.9

1 Indices are valued at basic prices, which exclude taxes and subsidies on production.

2 Estimates cannot be regarded as accurate to the last digit shown.

3 Any apparent differences between the quarterly values implied by these indices and the equivalent quarterly series released as part of the GDP(O) estimates are due to rounding.

4 The equivalent quarterly index series, released electronically as part of the GDP(O) estimates, have identifiers EWAD (motor), EWAE (wholesale), EWAf (retail) and GDQC (IoD). For further information about obtaining these series please telephone 0207 533 5675, fax 0207 533 5688, or email bill.roberts@ons.gov.

Sources: Office for National Statistics;  
For further information on these data please;  
telephone 01633 812806;  
fax 01633 813491;  
or email trevor.fenton@ons.gov.uk

# 2 IOD: Index of Distribution (PROTOTYPE) continued

Index numbers of gross value added at basic prices<sup>1,2,3</sup>

1995=100, seasonally adjusted

Component series						
SIC51: Wholesale <sup>4</sup>				SIC52: Retail <sup>4</sup>		
percentage change				percentage change		
Index	month on month	latest 3 months on previous 3 months		Index	month on month	latest 3 months on previous 3 months
	FVVP	FVVE	FVVF	FVVQ	FVVH	FVVI
1995 Jan	98.8	..	..	98.2	..	..
Feb	99.9	1.2	..	99.4	1.2	..
Mar	98.8	-1.1	..	99.8	0.4	..
Apr	99.0	0.2	..	98.7	-1.1	..
May	99.4	0.4	..	99.5	0.8	..
Jun	98.6	-0.8	-0.2	100.1	0.6	0.3
Jul	99.0	0.4	-0.3	100.0	-0.1	0.6
Aug	100.1	1.1	0.1	98.6	-1.3	0.2
Sep	100.7	0.6	0.9	100.0	1.4	0.1
Oct	100.7	-	1.5	101.7	1.8	0.2
Nov	103.2	2.4	2.3	102.9	1.2	2.0
Dec	101.7	-1.5	1.9	100.9	-1.9	2.3
1996 Jan	101.5	-0.1	1.6	101.1	0.2	1.5
Feb	100.3	-1.2	-0.4	102.9	1.8	0.1
Mar	101.3	1.0	-0.8	101.5	-1.4	-
Apr	101.4	0.1	-1.1	102.5	1.1	0.6
May	102.3	0.9	0.5	104.0	1.4	1.0
Jun	102.5	0.2	1.0	104.5	0.4	1.8
Jul	103.0	0.5	1.6	104.7	0.2	2.1
Aug	102.6	-0.4	1.0	106.3	1.5	2.4
Sep	103.3	0.7	0.9	106.4	0.1	2.1
Oct	103.8	0.5	0.6	106.3	-0.2	1.9
Nov	102.8	-0.9	0.6	106.3	0.1	1.1
Dec	102.1	-0.7	-	105.3	-0.9	0.1
1997 Jan	103.6	1.5	-0.3	106.4	1.0	-0.3
Feb	103.7	0.1	-0.1	107.7	1.2	0.1
Mar	102.0	-1.6	0.2	108.5	0.7	1.5
Apr	103.9	1.8	0.4	108.6	0.1	2.1
May	102.9	-1.0	-0.2	108.7	0.1	2.0
Jun	103.4	0.5	0.3	108.9	0.2	1.1
Jul	104.0	0.6	0.2	110.0	0.9	0.9
Aug	103.7	-0.4	0.7	110.0	-	1.0
Sep	104.2	0.5	0.5	109.1	-0.8	0.9
Oct	104.5	0.3	0.7	111.7	2.4	1.0
Nov	104.4	-0.1	0.7	110.8	-0.8	0.8
Dec	104.4	-0.1	0.5	111.5	0.6	1.5
1998 Jan	105.1	0.7	0.5	112.4	0.8	1.2
Feb	106.1	0.9	0.8	111.9	-0.5	1.3
Mar	105.1	-0.9	1.0	112.2	0.3	0.8
Apr	105.2	-	0.8	112.0	-0.2	0.5
May	103.3	-1.7	-0.6	113.6	1.4	0.7
Jun	103.5	0.1	-1.4	112.5	-1.0	0.5
Jul	104.7	1.2	-1.5	113.6	1.0	1.1
Aug	104.3	-0.3	-0.3	113.5	-0.1	0.5
Sep	104.2	-0.2	0.4	113.4	-0.1	0.7
Oct	103.3	-0.8	0.1	113.4	-	0.1
Nov	104.7	1.3	-0.1	114.5	0.9	0.5
Dec	104.7	0.1	-0.1	113.1	-1.2	0.2
1999 Jan	103.8	-0.9	0.4	115.0	1.7	0.7
Feb	103.4	-0.4	-0.1	115.0	-	0.5
Mar	104.4	1.0	-0.4	116.1	1.0	1.5
Apr	103.7	-0.6	-0.5	115.2	-0.8	1.1
May	104.0	0.2	0.1	116.4	1.0	1.4
Jun	104.2	0.3	0.1	116.4	-	0.5
Jul	105.1	0.8	0.6	116.6	0.2	0.9
Aug	105.4	0.3	0.8	117.5	0.8	0.8

For footnotes see table 1 of this article.

Sources: Office for National Statistics;  
For further information on these data please;  
telephone 01633 812806;  
fax 01633 813491;  
or email [trevor.fenton@ons.gov.uk](mailto:trevor.fenton@ons.gov.uk)