

Economic trends

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Managing Editor: Adèle Barklem

Editor: Paul Dickman

Production Team: Ayaz Ahmad
Brian Golden

Artwork: DTP, Titchfield

London: The Stationery Office

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In Brief

Index of Distribution (Prototype)

An article in the November edition mentioned the release of a prototype monthly Index of Distribution covering wholesale, retail and motor trades, together with values for the three main components. This is now included for the first time showing data up to September 1999, and will be a regular monthly feature. It includes a brief overview of the methodology.

Articles

This month we feature one article.

Richard Walton of ONS discusses International comparisons of profitability. The article looks at the data on profitability which have been made available from other countries. Profitability is defined as the ratio of profits to capital employed. The methodology, sources and coverage of the data presented are described and the limitations that this places on its interpretation.

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 3. The Stationery Office, ISBN 0 11 621240 3. Price £45.

UK Economic Accounts: 1999 quarter 3. The Stationery Office, ISBN 0 11 621272 1. Price £26.

UK Trade in Goods Analysed in Terms of Industries (MQ10): 1999 quarter 3. The Stationery Office, ISBN 0 11 537993 2. Price £70 p.a.

Monthly

Consumer Price Indices (MM23): October 1999. The Stationery Office, ISBN 0 11 537342 X. Price £185 p.a.

Financial Statistics: December 1999. The Stationery Office, ISBN 0 11 621151 2. Price £23.50.

Monthly Review of External Trade Statistics (MM24): September 1999. The Stationery Office, ISBN 0 11 537239 3. 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 – JANUARY 2000

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

Address: D4/20, 1 Drummond Gate, London, SW1V 2QQ Tel: 020 7533 5919

Email: geoff.tily@ons.gov.uk

Overview

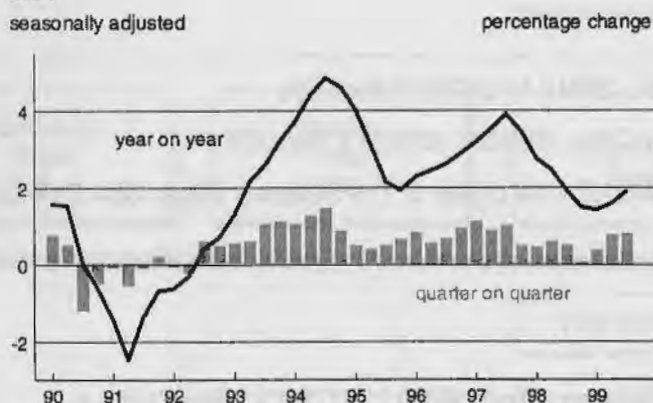
Data for the third quarter shows that the economy continued to grow robustly. Growth in the manufacturing sector, driven by high-tech industries outstripped growth in the service sector for the first time in four years. The services sector continued to grow, but at a rate that remains well below growth seen in 1997. Both domestic and external demand are seen to be driving the economy. From the domestic perspective consumer demand is strong, although the annual growth of consumption has now been revised down, and consumer confidence has levelled off following strong increases into the start of 1999. Externally, the pick up in the global economy has led to very strong increases in exports to both EU and non-EU countries in the third quarter. Investment, however, remains subdued with profits remaining weak after sharp falls into 1999. The latest labour market information shows ongoing increases to employment, but the rate of improvement declining slightly. Similarly, recent decreases to unemployment over the summer appear now to be levelling off. Headline earnings growth picked up modestly in November following a fall back in October. Overall, retail prices growth remains subdued although there is now some evidence of price increases on the production side excluding the effects of recent oil price increases.

GDP Activity

GDP growth continued at a robust rate in the third quarter of 1999, with the latest data showing quarterly growth of 0.8 per cent compared to 0.7 per cent into the second quarter. Annual growth was 1.9 per cent, comparing GDP in quarter three with the same quarter a year ago, up slightly on the same figure for the second quarter (chart 1).

Chart 1
GDP

seasonally adjusted



Output breakdown

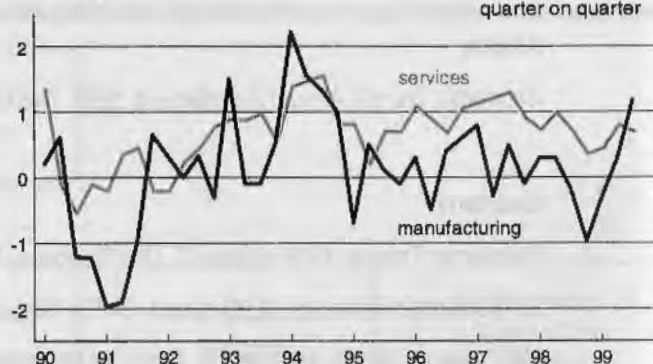
Underpinning the robust growth in the third quarter was particularly strong growth in the manufacturing sector. Quarterly growth of 1.2 per cent in this sector outpaced the service sector growth of 0.7 per cent for the first time since the second quarter

of 1995 (chart 2).

Chart 2
Services and manufacturing

seasonally adjusted

percentage change,
quarter on quarter



This manufacturing growth continues to be driven by the very strong activity in the high tech areas of the economy such as chemicals and electronics industries. Service sector growth is now seen to have fallen back very modestly into the third quarter, following a pick up in the first half of 1999. Nevertheless, overall growth in the service sector remains relatively low compared to the peak rates at the end of 1996 and into 1997. Within the service sector, the growth is continuing to be driven by very strong performance of the transport, storage and communications industry, where annual growth in output is 5.9 per cent, compared to 2.3 per cent in business services and

finance, 1.6 per cent in distribution, hotels and catering, and 1.2 per cent in government and other services.

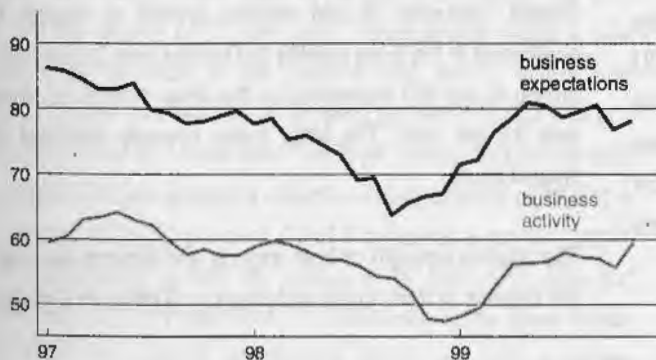
External data largely echoes the story told by ONS data. The Confederation of British Industry monthly report on the manufacturing industry shows ongoing growth in both total and export order books (chart 3). Although the overall balance for total orders in the latest month continues to remain below the position at the start of 1998, whereas the latest ONS manufacturing data constitutes the highest quarterly growth since 1994.

Chart 3
CBI manufacturing
balance



In the service sector, Chartered Institute of Purchasing and Supply data showed a strong recovery at the start of 1999 and a levelling off into the second half of the year. Modest evidence of a slowdown in the rate of growth between August and October now contrasts with the very strong growth of overall business activity seen into November (chart 4). Although this monthly figure should perhaps be treated with caution given the overall level of business expectations did not strongly echo this movement.

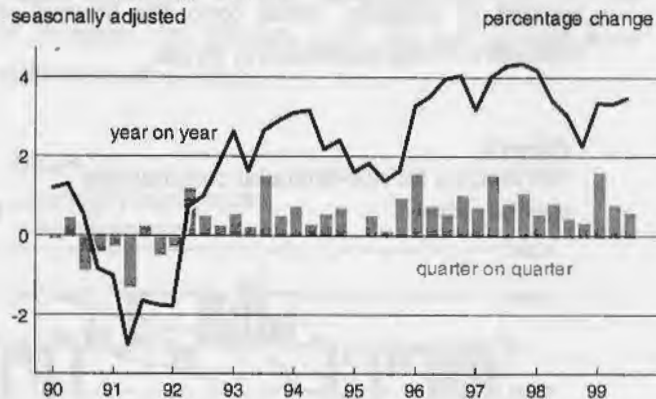
Chart 4
CIPS services indices
seasonally adjusted



Domestic demand

Annual growth in household final consumption expenditure in the third quarter is now estimated as 3.5 per cent, below previous estimates of 4.3 per cent. Quarterly growth is now seen to have been slowing modestly since the first quarter of 1999 (chart 5). The strength of household demand is thus lower than previously thought, and overall remains at a rate somewhat below the recent peak growth seen in 1997. The revision to this data largely stems from ONS having to take a new position on the seasonal adjustment of motor vehicles, following a realisation that the earlier assumption of no change to seasonality following the introduction of the new registration arrangements is no longer realistic.

Chart 5
Consumers' expenditure
seasonally adjusted



Nevertheless strong growth remains, which is echoed by the annual growth of retail sales data, seen to be at 4.1 per cent, comparing the three months to November with the same period in 1998. Although, the quarterly growth of this data is also seen to have slowed modestly, from 1.5 per cent in July to 1.1 per cent in November. It remains noteworthy that growth in the volume of retail sales continues to outstrip growth in value.

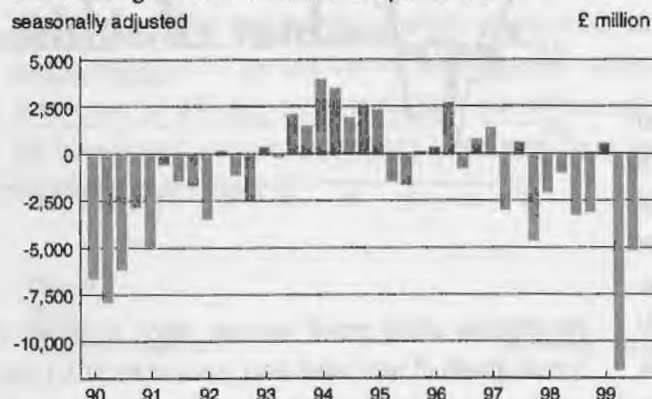
Despite the strength in demand in the official data external surveys of consumer confidence have recently remained more subdued, showing a levelling out of confidence since the very strong recovery at the start of 1999. The GfK series in particular has fallen back from peak confidence in the middle of the year.

Investment demand has remained subdued over the last three quarters. Overall investment was estimated as up by 0.1 per cent in the third quarter, with an increase in dwellings investment

partially offset by a fall in business investment. This follows growth of 0.3 per cent into quarter one and 0.6 per cent into quarter two. Consequentially annual growth in investment is now estimated at 3.0 per cent, the lowest annual rate of growth since the fourth quarter of 1995. The data for investment however continues to remain difficult to interpret as firms may be cutting back in advance of the millennium, having carried out their major programmes at an earlier date.

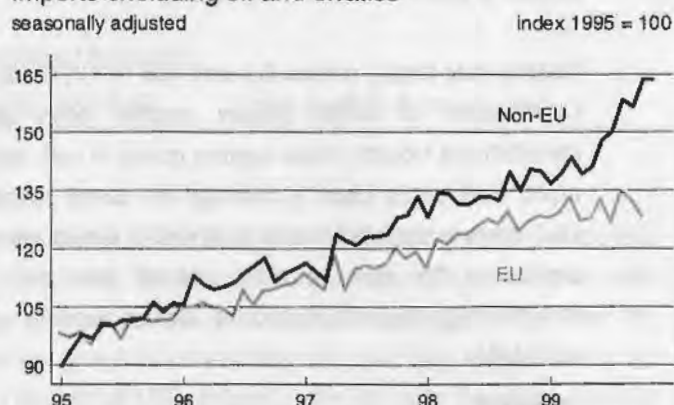
Potentially affecting the investment performance continues to be the rather precarious position of companies' finance. While the latest data now shows some pick up in profits outside the oil producing sector, earlier falls have contributed to private non-financial companies borrowing fairly substantial amounts from other sectors of the economy (chart 6). While a recovery in net borrowing between the second and third quarters on the chart was due to erratic movements related to the changing rules for payment of dividends, overall companies financial position continues to remain substantially in the red.

Chart 6
Net lending for non-financial corporations



On UK demand for overseas goods, National Accounts data shows the slowdown in the annual growth of imports reversing substantially in the third quarter of 1999. Later monthly data continues to show ongoing growth, but with very modest evidence, of a slight slowdown. Chart 7 shows import index numbers excluding oil and erratic items from EU and non-EU countries. The chart shows how the main surge in imports has been from countries outside the European Union. Latest quarterly growth figures show EU imports growing by 2.2 per cent in the three months to October, and non-EU imports growing by 6.0 per cent in the three months to November.

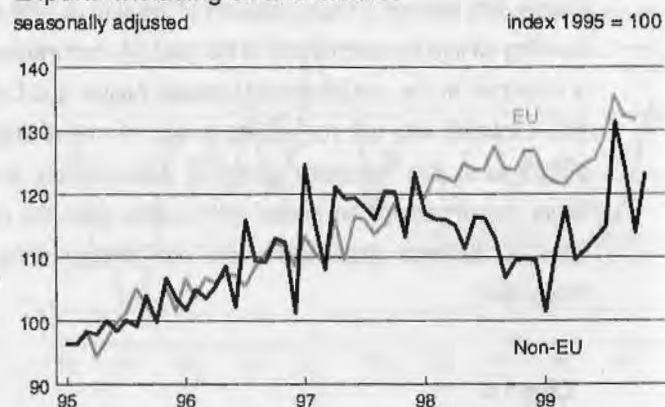
Chart 7
Imports excluding oil and erratics



Overseas demand and balance of payments

Exports continued to recover robustly towards the end of 1999. Very strong growth of 6.0 per cent in the third quarter followed the pick up in the second. Looking at data excluding oil and erratic items, monthly data from both EU and non-EU economies show slight fall backs from the exceptional peak in August, but this figure should perhaps be regarded as exceptional and hence an upward trend still evident (chart 8).

Chart 8
Exports excluding oil and erratics



Overall, excluding oil and erratics, growth of exports to EU economies in the three months to October was 5.4 per cent, and growth to non-EU economies in the three months to November was 0.6 per cent. The latter being severely distorted by the August figure.

The relative strength of both exports and imports are such that the balance of trade deficit widened to 1.3 billion in October,

following a narrowing over the previous three months. Nevertheless the ONS continues to estimate that the trend in the trade deficit is narrowing.

Monetary indicators and government finances

Broad money growth continued to pick up very gradually in November with annual growth provisionally estimated at 3.2 per cent, following annual growth of 3.0 per cent in October. 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 surged in December following a strong November. Provisional estimates show annual growth at 12.4 per cent compared to 8.7 per cent in the previous month and 7.3 per cent in October. This growth has been driven by a massive increase in notes and coin reflecting an injection of liquidity over the Christmas and new year period to cover for any unprecedented demand as a result of the millennium.

Public sector net borrowing for the financial year 1999-2000 continues at considerably lower levels than in 1998-99. The outturn data to November shows a net repayment of £2.3 billion compared with borrowing of £2.7 billion in the same period of 1998-99. To reflect the improvement in public finances the Chancellor has recently 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

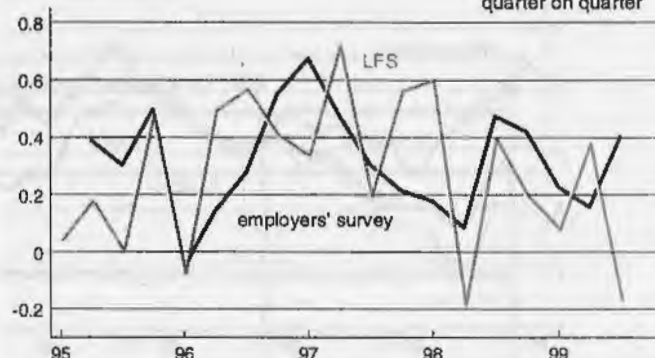
The latest labour market data continues to show improvements to both employment and unemployment, but at a slower rate than in previous months. Between August-October and May-July 1999 employment grew by 66,000 according to the LFS; reflecting growth of 0.2 per cent. These figures reflect a mild downward revision to the position last month, where LFS employment was seen to be growing by over 100,000 and at a quarterly rate of 0.4 per cent. Employer survey data for the third quarter however showed a reduction in employment of 48,000; a quarterly fall of 0.2 per cent. Chart 9 compares a quarterly series of employment growth as measured by both LFS data and employer survey based data. The difference in the latest quarter is clear, but overall employment growth on both measures remains below figures at the end of 1996 and start of 1997.

Chart 9

Employment growth

seasonally adjusted

percentage change,
quarter on quarter

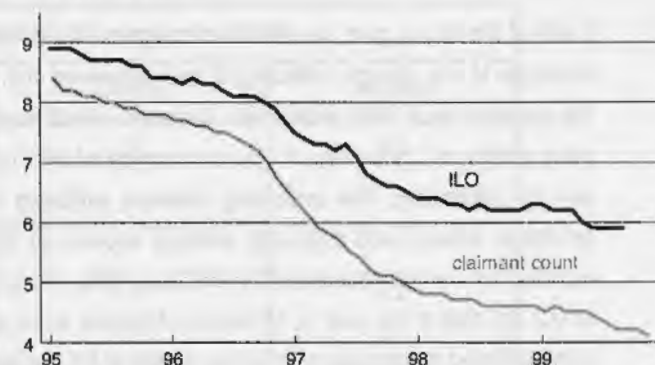


Following resumed falls in unemployment over the summer, recent figures have shown a tendency to level off. The ILO unemployment rate remained stable at 5.9 per cent between August-October and May-July, and despite a fall to 4.1 per cent in November, the claimant count has also showed some stabilisation since August.

Chart 10

Unemployment rates

seasonally adjusted

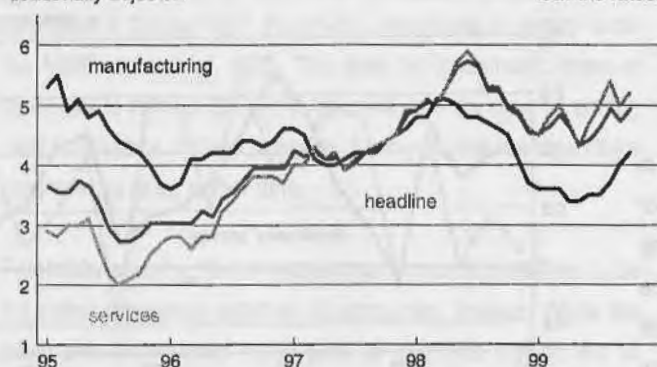


Nevertheless, the unemployment rate according to the claimant count, is the lowest since February 1980.

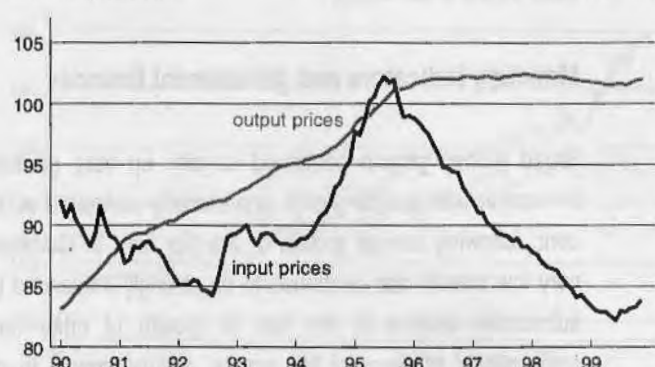
The headline rate of average earnings increased modestly into October following a slowdown into the previous month. Increases in both the manufacturing and service sector were behind the overall increase in the headline rate to 4.9 per cent from 4.7 per cent. Chart 10 shows how both manufacturing and services earnings have increased since the second quarter of 1999, although, overall headline rates continue to remain below rates seen in the middle of 1998. Service sector wage increases come fairly well across the board, but manufacturing increases are being driven by wages in the hi-tech sectors of the economy, other sectors tend to remain more subdued.

Chart 11**Average earnings**

seasonally adjusted headline rates

**Chart 12****Producer prices excluding food, beverages and tobacco**

seasonally adjusted index 1995 = 100

**Prices**

In the twelve months to November the all items RPI increased to 1.4 per cent from 1.2 per cent in October. The increase largely reflected increases to housing costs, following recent base rate increases. Excluding these effects, the government's target measure (RPIX) showed prices growth of 2.2 per cent, the same as in the previous month.

Lastly at the factory gate, headline producer price output inflation continues to rise strongly, reflecting oil price increases and, over the second half of 1999, wider price increases. Headline output price inflation in October was 1.9 per cent compared with 1.7 per cent in September. The underlying measure excluding food, beverage, tobacco and petroleum products showed an annual increase for the first time since the middle of 1998, with growth of 0.2 per cent in the year to November. Headline input prices also continued to increase; with annual growth of 9.1 per cent in November. The underlying measure has picked up recently but continued to fall at an annual rate of 0.5 per cent. Nevertheless, recent movements detract from the longer run story, where underlying output prices remain at the same level as they were in the middle of 1996, and input prices are seen to be 18.0 per cent below their recent peak in the middle of 1995 (chart 12).

Forecasts for the UK Economy

A comparison of independent forecasts, December 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)	1.8	1.4	2.0
Inflation rate (Q4: per cent)			
- RPI	1.4	1.0	1.7
- RPI excl MIPs	2.1	1.7	2.4
Unemployment (Q4, mn)	1.21	1.13	1.34
Current Account (£ bn)	-11.9	-15.5	-4.7
PSNB *(1999-00, £ bn)	-6.0	-12.0	3.0

	Independent Forecasts for 2000		
	Average	Lowest	Highest
GDP growth (per cent)	2.9	1.5	3.8
Inflation rate (Q4: per cent)			
- RPI	2.9	1.8	4.2
- RPI excl MIPs	2.3	1.6	3.1
Unemployment (Q4, mn)	1.15	0.90	1.42
Current Account (£ bn)	-14.2	-27.0	-7.0
PSNB* (2000-01, £ bn)	-3.8	-17.2	10.0

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.

Forecasts for the UK Economy

A comparison of the independent forecasts, December 1999

The table 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.

Variable	Independent forecasts for 1999		
	Average	Lower	Higher
GDP growth (per cent)	0.5	0.0	1.0
Inflation rate (CPI: per cent)	2.5	2.0	3.0
RPI and MIPs	2.5	2.0	3.0
Unemployment (Q4: mn)	1.5	1.3	1.7
Current Account (£ bn)	-17.8	-18.5	-17.0
PSBR* (1999-00: £ bn)	-8.0	-8.5	-7.5

Variable	Independent forecasts for 2000		
	Average	Lower	Higher
GDP growth (per cent)	2.0	1.5	2.5
Inflation rate (CPI: per cent)	2.0	1.5	2.5
RPI and MIPs	2.0	1.5	2.5
Unemployment (Q4: mn)	1.5	1.3	1.7
Current Account (£ bn)	-14.5	-15.0	-14.0
PSBR* (2000-01: £ bn)	-8.0	-8.5	-7.5

NOTE: FORECASTS FOR THE UK ECONOMY gives more detailed forecasts, covering 37 variables and is published monthly by HM Treasury, available on annual subscription, price £75. Subscription enquiries should be addressed to Miss G T Good-Smith, Public Enquiry Unit, HM Treasury, Room 1102, Parliament Street, London SW1P 5AG (Tel: 0171-270 4555). It is also available at the Treasury's internet site: <http://www.hm-treasury.gov.uk>.

*PSBR: Public Sector Net Borrowing.

International Economic Indicators – January 2000

by Brian Golden, Macro-Economic Assessment - Office for National Statistics

Address: D4/20, 1 Drummond Gate, London SW1V 2QQ

Tel: 020 7533 5923

Email: brian.golden@ons.gov.uk

Overview

The German economy recovered strongly to grow by 0.7 per cent in the third quarter of 1999, following growth of just 0.1 per cent in the previous quarter. The French economy increased its impressive rate of expansion from 0.8 per cent in quarter two to 1.0 per cent in quarter three. In sharp contrast, the Japanese economy contracted by 1.0 per cent in quarter three, following very strong growth in the first half of 1999.

EU15

The EU economies collectively grew by 0.6 per cent in the second quarter of 1999, recovering from a slowdown in the previous two quarters. The growth rate of GDP declined in 1998 quarter four largely on the basis of a significant decline in export volumes. This reflected a dip in global demand as emerging economies, particularly in South East Asia, suffered from financial instability. The subsequent improvement in GDP growth correspondingly reflects recovery in external demand. In value terms, for the third quarter, exports grew by 4.7 per cent while imports rose by 4.5 per cent.

Domestic demand remained relatively stable over the same period with steady growth in private consumption. However, excluding stockbuilding, growth in each of the components of domestic demand fell slightly in the second quarter of 1999. It should be noted though that, in Germany, growth was negative in each of these components, which weighed heavily on the EU figures.

Industrial production grew by 1.2 per cent in the third quarter of 1999. Production has recovered strongly from a sharp decline in the final quarter of 1998. The pattern is similar to that of exports. Coupled with the trade figures in value terms, industrial production is strongly suggestive of a substantial positive contribution to GDP from export volumes in quarter three.

Retail sales growth was flat in the second quarter, following strong growth in the previous quarter. Looking at monthly growth rates, retail sales volumes have fallen over the first two months of quarter three. This is somewhat surprising given the high levels of consumer confidence recorded over the year so far.

However, it should be noted that retail sales tend to be a relatively volatile series.

Annual consumer price inflation was 1.4 per cent in October 1999, 0.2 percentage points higher than in the previous month. Energy prices have risen strongly in the year to October with oil prices doubling between January and October 1999. However, this has been offset by food prices remaining largely static in the year to October 1999. Certain foods are in oversupply, including pork and bacon due to an abundance of pigs. Increased competition also seems to be keeping food prices down.

Producer prices rose by 1.4 per cent in the year to September 1999. Prices have been rising strongly since February 1999, by 2.2 per cent, compared with a rise of 1.3 per cent in consumer prices over the same period. This suggests that profit margins are being squeezed. However, this followed a period of significant deflation in producer prices that started in December 1997. In the year to February 1999, producer prices fell by 2.1 per cent while consumer prices rose by 1.1 per cent, probably facilitating an upward creep in profit margins over that period.

The overall EU unemployment rate was 9.1 per cent in October 1999. The trend in the rate of unemployment has been downward since the rate peaked at 10.9 per cent in March 1996. In the year to October 1999, the unemployment rate fell by 0.6 percentage points. However, only 0.2 percentage points of this fall occurred in the latest six months, showing a slowdown in the rate of decline. This may reflect the fact that GDP growth was very employment intensive in the year to 1999 quarter two, with a 1.7 per cent rise in GDP coinciding with a rise of 1.3 per cent

in employment. Thus, productivity fell significantly over the period, suggesting such employment growth could have been unsustainable.

Germany

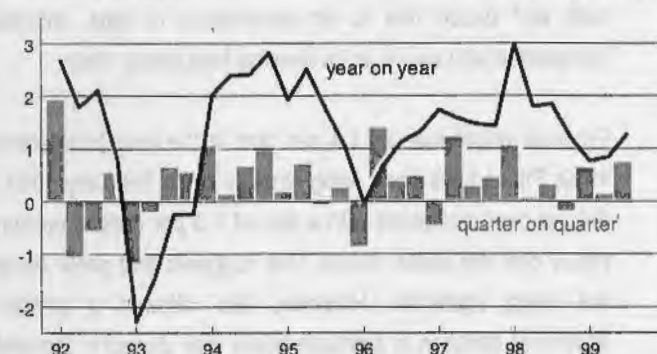
The German economy recovered strongly in the third quarter of 1999, growing by 0.7 per cent. This followed growth of just 0.1 per cent in the previous quarter. Domestic demand, excluding stockbuilding, recovered fully from negative growth in quarter two. At the same time, export volumes grew strongly for the second successive quarter. A slowing in the rate of growth of import volumes in quarter three meant that net trade made a substantial positive contribution. German GDP growth has fluctuated quite considerably from quarter to quarter since the beginning of 1997 (chart 1). Since the beginning of this year, uncertainty about Germany's economic prospects has acted as a significant drag on the value of the euro.

Chart 1

Germany - GDP

seasonally adjusted

percentage change



German industrial production grew by 0.2 per cent in the third quarter of 1999, having risen by 0.8 per cent in the previous quarter. However, looking at monthly growth figures, production rose by 1.7 per cent in October 1999 and by 2.0 per cent in the three months to October 1999. This is more in line with recovering domestic and external demand.

Retail sales volumes declined by 0.7 per cent in the third quarter of 1999, mirroring their decline in the previous quarter. Unlike the second quarter, retail sales are not in line with the performance of private consumption in quarter three. However, consumer

confidence dipped in quarter three from quarter two. Unlike external demand, the strength of the recovery in the German domestic economy is thus not unambiguous.

Annual consumer price inflation rose to 0.8 per cent in October 1999, from 0.7 per cent in the previous month. The trend in annual rates of inflation has been modestly upward since a trough of 0.2 per cent in the first two months of 1999. As in most of Europe, rising energy prices have been somewhat offset by falling food prices in the year to October 1999.

Annual producer prices inflated by 0.2 per cent in October 1999, having deflated at annual rates since June 1998. The producer price index has risen by 1.4 per cent from a trough in February 1999.

Annual earnings grew by 2.7 per cent in the third quarter. The margin above consumer price inflation was 2.0 per cent for the year to quarter three. Real wages have thus risen considerably since the year to the second quarter of 1998 when they stood at 0.4 per cent. GDP will need to grow sturdily to maintain these rises in real wages.

The rate of unemployment fell from 9.2 per cent in September to 9.1 per cent in October 1999, following a slow creep upwards in the first nine months of 1999. Although not yet in the OECD data, the latest unemployment figures for Germany show a significant decline in November 1999. This indicates that the trend may be turning downwards, perhaps on the back of an improving economy.

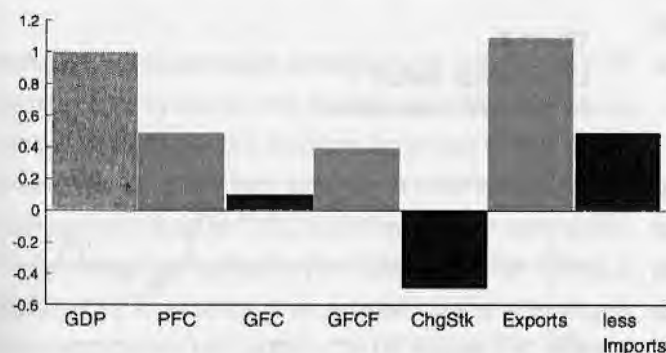
France

French economic expansion has been vigorous since the first quarter of 1999, with growth of 1.0 per cent in quarter three following growth of 0.8 per cent in quarter two. Private consumption and export volumes were the main sources of growth in the third quarter. The trend in private consumption growth has been upward since it grew weakly in 1999 quarter one. However, the recovery in export volume growth has been much more marked over the same period. In the third quarter, the rate of export growth rose significantly while growth in import volumes remained unchanged. This allowed trade to make a

substantial positive contribution to GDP. Stocks fell in the third quarter of 1999, for the first time since the second quarter of 1997 (chart 2).

Chart 2

France - contributions to GDP growth 1999 Q3



Industrial production grew by 2.2 per cent in the third quarter of 1999, following growth of 1.1 per cent in quarter two and a decline of 0.5 per cent in quarter one. The trend in production is similar to that of exports. Unsurprisingly, business confidence has risen strongly since the first quarter of 1999. The production of consumer goods and cars has contributed most strongly to annual growth of 3.1 per cent in the third quarter of 1999.

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; it improved still further in October and November 1999.

Annual consumer price inflation nudged up another 0.1 of a percentage point in October 1999, to a rate of 0.8 per cent. Driving these rises are energy prices, which rose strongly for the fourth successive month.

Producer prices rose by 1.5 per cent in the six months from April to October 1999. This is reflected in annual rates of producer price growth which have recovered from a decline of 3.1 per cent in March to a rise of 0.4 per cent in October 1999. Thus, prices have been rising at annual rates for the first time since March 1998. The producer price index for petroleum has risen by 30.8 per cent in the first ten months of 1999.

The rate of unemployment fell by 0.2 percentage points in September and October 1999 to reach a rate of 10.6 per cent. This is one percentage point below the rate in October 1998, of 11.6 per cent. This decline has accelerated in the latest four months, which account for 0.6 percentage points of the decline in the year. Nevertheless, the French unemployment rate was still high, and was 1.5 percentage points above that of the EU15, in October 1999.

Italy

The Italian economy grew by 0.3 per cent in the second quarter of 1999, and by 0.9 per cent in the year to the second quarter. Italian economic expansion has been the most sluggish of the EU economies in the 1990s. Since 1997 quarter four, trade has made a significant negative contribution to GDP growth in each quarter apart from 1998 quarter two. Italy tends to concentrate its exports more on emerging economies than other EU countries. The Italian economy also tends to specialise more in sectors that are highly exposed to competition from emerging economies. This could explain partly why export volumes have fallen in five of the six quarters to 1999 quarter two. Exporters were hit initially by a fall in external demand and subsequently by strong price competition from discounted South East Asian products.

Domestic demand, excluding stockbuilding, recovered strongly in 1999 quarter one from a poor performance in 1998 quarter four. However, it weakened in the second quarter from the first though this was offset by changes in stock accumulation. Since the start of 1998, growth in domestic demand has been more steady than trade. Private consumption has grown moderately but consistently since the start of 1998, apart from in 1998 quarter four. Government expenditure contributions suggest that fiscal policy may have loosened, following a significant retrenchment to ensure qualification for the euro. Aided by lower interest rates, investment picked up in the first half of 1999 after a poor performance in 1998.

Industrial production grew by 1.7 per cent in the third quarter of 1999, providing an optimistic indicator of GDP for that period. This followed a decline of 2.8 per cent over the previous six quarters. Business sentiment improved considerably in the third

quarter from the second, in line with the production data.

Annual consumer price inflation was 2.0 per cent in October and November 1999, increasing from 1.8 per cent in September. Annual rates of consumer price inflation were stable in the first half of 1999 but have drifted slightly upwards since. Annual producer prices have risen sharply in the four months to October 1999, by 2.3 per cent. Thus, the annual rate has reverted from deflation of 1.4 per cent in June to inflation of 1.6 per cent in October 1999.

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. This might suggest that there is little room for real wages to decline further if consumer price inflation continues to rise. 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.

The rate of unemployment declined to 11.4 per cent in July 1999. The Italian rates of unemployment have been significantly revised since last month. Rates from 1995 on have generally been reduced by about 0.4 percentage points. A downward trend has emerged for 1999 up to July in the new data as the rate declined by 0.3 percentage points.

USA

The booming US economy slowed in the second quarter of 1999, recording GDP growth of 0.4 per cent. However, growth recovered strongly in quarter three, though this is not yet incorporated in the OECD data. Private consumption has been particularly strong since the start of 1998, underpinned by buoyancy in retail sales. Investment has been strong and government spending has grown moderately over the same period.

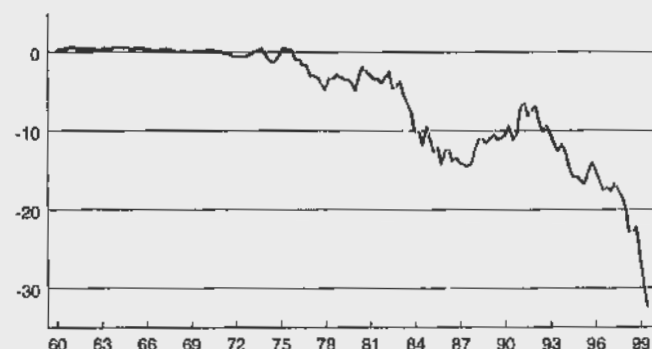
Strong domestic expansion has had a negative impact on the trade position. Trade has made a negative contribution to GDP in every quarter since the start of 1996, bar the final quarters of 1996 and 1998. Demand for imports has been robust to feed strong domestic demand. At the same time, exports have been adversely affected by both a strong US dollar, bolstered by

confidence in the US economy, and a slowdown in external demand caused by financial contagion. Since the start of 1996, the trade deficit has more than doubled to over \$32 billion in 1999 quarter three. Increases in oil prices have contributed to the escalating costs of US imports (chart 3).

Chart 3

USA - trade deficit

current prices - dollars billions



Industrial production grew by 1.0 per cent in the third quarter of 1999, following growth of 1.2 per cent in the previous quarter. US industrial production growth has remained positive in every quarter since the first quarter of 1991. Most of the demand for US produce seems to have come from domestic sources, particularly in recent quarters. Strong growth in new manufacturing orders data in 1999 was particularly prevalent in July and August, falling back slightly in the following two months. This may impact on production data for quarter four.

Retail sales volumes grew by 2.2 per cent in 1999 quarter three, having grown by 1.0 per cent in the previous quarter. This indicates strongly that GDP growth picked up in quarter three on the back of strong private consumption; similarly, consumer sentiment remained strong in the latest quarter. Growth in loans by commercial banks slowed in the second quarter but picked up again in quarter three. At annual rates, retail sales volumes grew by 9.9 per cent in the year to 1999 quarter three, underpinning a very strong contribution from private consumption to GDP growth over the period.

Annual consumer price inflation was 2.6 per cent in October 1999, the same as in the previous month. Annual producer price inflation fell back to 2.7 per cent in October 1999, from 3.2 per

cent in September when it rose by 0.9 percentage points. Producer prices have risen by 4.6 per cent between a trough in February 1999 and the latest month. In the year to October 1999, producer price inflation was marginally higher than consumer price inflation. This strongly suggests that profit margins are under pressure, though strong increases in sales volumes would alleviate the effect on overall profits.

Annual growth in earnings is notably higher in 1999 than in 1998. Earnings grew by 3.9 per cent in the year to 1999 quarter three, compared with growth of 2.5 per cent in the year to 1998 quarter three. This coincides with a rise in annual consumer price inflation from 1.6 per cent to 2.4 per cent over the same period. The transmission of consumer price inflation to wage inflation is facilitated by an absence of an available pool of unemployed. The unemployment rate figures in the US suggest that additional labour supply is becoming increasingly scarce.

Employment grew by 1.4 per cent in the year to the third quarter of 1999. The rate of unemployment fell to 4.1 per cent in October 1999, a rate maintained in November. This followed a period in which the rate steadied between 4.2 and 4.3 per cent. The rate of unemployment is significantly below what many economists had regarded as the natural rate.

Japan

The Japanese economy contracted sharply in the third quarter of 1999, by 1.0 per cent. Revised GDP growth figures show that this followed growth of 1.0 per cent in quarter two and 1.5 per cent in quarter one (chart 4). The primary cause of the contraction was investment, which declined substantially. Private consumption also declined, but much more modestly, in the quarter. The figures are being strongly influenced by fiscal expansion to boost the economy, particularly in the first quarter of 1999. Japan's budgetary position would not perhaps make the sustaining of such an expansion, beyond one or two quarters,

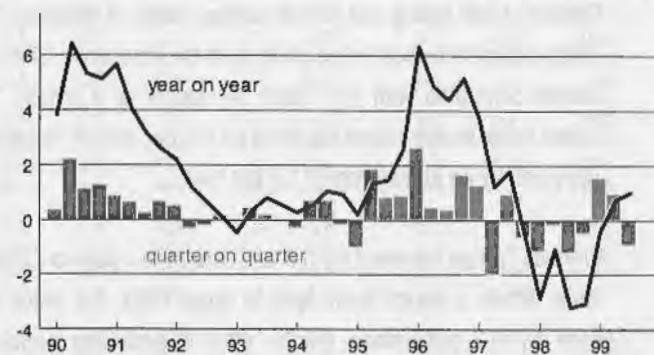
prudent. It is likely that the decline in investment in quarter three, that offsets rises in the previous two quarters, mostly reflects the winding down public investment projects.

Chart 4

Japan - GDP

seasonally adjusted

percentage change



Exports grew by significantly more than imports in the third quarter, resulting in a positive contribution to GDP from trade, despite the trade weighted yen appreciating considerably in 1999. Nevertheless, the appreciation in the yen may be constraining export growth. Trade may not make positive contributions to GDP growth if private consumption recovers, as in the first half of 1999, at current exchange rates. However, consumer and producer prices were falling in Japan at annual rates in October 1999, reducing the price of Japanese goods, which runs counter to the exchange rate effect.

Industrial production rebounded very strongly in the third quarter of 1999, growing by 3.8 per cent. This followed a reduction of 8.8 per cent in the two years to the second quarter of 1999. Business sentiment on the current situation improved in quarters two and three. On prospects, business sentiment improved markedly in quarter two and very slightly in quarter three.

Retail sales volumes declined by 0.8 per cent in the third quarter of 1999, offsetting positive growth in the first half of the year.

Volumes had declined in six of the seven quarters preceding 1999. Retail sales have been following the same broad pattern as private consumption.

Annual consumer prices declined by 0.7 per cent in October 1999, having declined by 0.2 per cent in September and risen by 0.3 per cent in August. This pattern is largely attributable to sizeable increases in consumer prices in September and October 1998 falling out of the annual rates of inflation. The Tokyo consumer price index gives data for November 1999 and closely correlates with the index for Japan as a whole. The Tokyo index shows prices declining by 0.5 per cent in November 1999 and by an annual rate of 1.5 per cent.

Producer prices declined by 0.8 per cent in the year to October 1999. Since a trough from April to June 1999, the index has risen by 0.3 percentage points, after a sustained period of decline in the two years to April 1999.

Earnings declined by 0.4 per cent in the year to the third quarter of 1999. This may reflect a higher tendency in Japan for wages to be linked to profits, relative to the EU and US.

Employment declined by 0.7 per cent in the year to the third quarter of 1999. However, quarterly rates of growth show that employment increased by 2.2 per cent in quarter two and stabilised in quarter three. The rate of unemployment was 4.6 per cent in October 1999. This represents a decline of 0.3 percentage points from August, when the rate equalled a post-war high set in April 1999. Japan's unemployment rate is currently higher than that of the US and a number of EU

countries. Previous to 1999, this had never been the case since the data series started in 1960.

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

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk ¹	Exports	Imports	loP	Sales	CPI	PPI	Earnings	Empl	Unempl
Percentage change on a year earlier														
	ILGB	HUDS	HUDT	HUDU	HUDV	HUDW	HUDX	ILGV	ILHP	HYAB	ILAI	ILAR	ILIJ	GADR
1990	3.1	1.7	0.5	0.9	-0.1	1.6	1.5	2.2	1.2	5.9	2.5	6.3	1.7	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	0.4	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	0.6	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	0.4	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	0.8	10.6
1998	2.7	1.7	0.2	1.0	0.4	1.8	2.5	3.5	3.2	1.7	-0.3	2.5	1.3	9.9
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	10.7
Q2	2.5	1.3	-	0.5	0.4	2.8	2.6	3.7	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	0.8	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	10.4
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	4.3	2.2	2.1	0.3	2.8	1.1	10.0
Q3	2.6	1.9	0.2	1.1	0.4	1.4	2.4	3.1	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	1.8	1.4	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	1.2	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	1.3	9.3
Q3	..	..	..	..	..	..	..	0.9	..	1.1	0.2	..	..	9.2
1998 Nov	..	..	..	..	..	..	..	1.9	4.9	1.3	-1.8	..	..	9.7
Dec	..	..	..	..	..	..	..	0.2	2.9	1.3	-1.9	..	..	9.6
1999 Jan	..	..	..	..	..	..	..	1.1	1.9	1.2	-2.0	..	..	9.5
Feb	..	..	..	..	..	..	..	-0.2	2.8	1.1	-2.1	..	..	9.5
Mar	..	..	..	..	..	..	..	..	3.7	1.2	-1.8	..	..	9.4
Apr	..	..	..	..	..	..	..	-0.1	2.9	1.2	-1.4	..	..	9.3
May	..	..	..	..	..	..	..	0.2	1.9	1.0	-1.2	..	..	9.3
Jun	..	..	..	..	..	..	..	0.6	4.7	1.0	-1.0	..	..	9.3
Jul	..	..	..	..	..	..	..	0.2	2.8	1.1	-0.3	..	..	9.2
Aug	..	..	..	..	..	..	..	1.6	2.8	1.2	0.2	..	..	9.2
Sep	..	..	..	..	..	..	..	0.9	..	1.2	0.8	..	..	9.1
Oct	..	..	..	..	..	..	..	..	..	1.4	1.4	..	..	9.1
Nov	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Percentage change on previous quarter														
	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	1.7	1.7				1.1	
Q3	0.8	0.2	0.1	0.2	-0.1	1.1	0.7	1.6	-0.4				0.7	
Q4	0.8	0.5	-	0.3	0.4	0.5	0.9	1.0	0.7				0.1	
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	0.5	0.7				1.0	
Q4	0.2	0.4	-	0.2	0.2	-0.4	0.2	-0.7	0.6				0.1	
1999 Q1	0.4	0.4	0.2	0.4	-0.4	0.1	0.4	-0.1	1.9				-0.8	
Q2	0.6	0.3	0.1	0.2	..	0.5	0.4	0.6	-				1.0	
Q3	..	..	..	..	..	..	..	1.2	..				..
Percentage change on previous month														
								ILKF	ILKP					
1998 Nov								-0.5	0.9					
Dec								-0.7	-0.9					
1999 Jan								0.7	0.9					
Feb								-0.6	0.9					
Mar								0.7	1.8					
Apr								-	-2.7					
May								0.2	0.9					
Jun								0.6	1.8					
Jul								0.6	-0.9					
Aug								0.5	-					
Sep								-0.7	..					
Oct								..	..			
Nov								..	..			

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
loP = 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	Imports	less	IoP	Sales	CPI	PPI	Earnings	Empl ¹	Unempl
	ILFY	HUBW	HUBX	HUBY	HUBZ	HUCA	HUCB	ILGS	ILHM	HVLL	ILAF	ILAO	ILIG	GABD	
Percentage change on a year earlier															
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	-0.3	1.3	0.8	0.7	-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	2.8	-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	3.4	0.9	1.5	0.7	1.5	-0.5	9.8	
Q3	1.5	0.1	-0.3	-0.1	0.8	3.5	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	4.8	0.1	2.1	1.0	1.6	-0.1	10.1	
1998 Q1	3.0	1.1	0.2	0.8	0.3	3.1	2.5	6.4	3.4	1.2	0.6	1.3	0.1	9.8	
Q2	1.8	0.7	0.1	-0.2	0.9	2.7	2.6	4.8	-2.5	1.4	0.2	1.8	0.4	9.5	
Q3	1.8	1.6	-	0.2	0.7	1.3	1.9	4.4	2.4	0.7	-0.6	2.1	0.7	9.3	
Q4	1.2	1.4	-	-	1.1	0.2	1.4	1.5	2.5	0.4	-1.7	2.2	0.7	9.2	
1999 Q1	0.8	1.2	0.1	0.2	0.2	-0.3	0.8	-0.7	0.2	0.3	-2.4	2.5	..	9.0	
Q2	0.8	1.0	-0.1	0.6	0.2	0.2	1.1	0.1	2.3	0.5	-1.7	2.4	..	9.1	
Q3	1.3	1.0	0.2	0.3	-0.1	1.3	1.5	-0.5	-0.4	0.7	-0.7	2.7	..	9.2	
1998 Nov	..	..	..	..	..	..	..	0.8	5.4	0.5	-1.8	..	..	9.1	
Dec	..	..	..	..	..	..	..	0.7	3.1	0.4	-1.9	..	..	9.3	
1999 Jan	..	..	..	..	..	..	..	0.7	1.0	0.2	-2.3	..	..	9.0	
Feb	..	..	..	..	..	..	..	-0.9	-0.8	0.2	-2.4	..	..	9.0	
Mar	..	..	..	..	..	..	..	-1.9	0.4	0.4	-2.3	..	..	9.1	
Apr	..	..	..	..	..	..	..	-0.3	1.7	0.7	-1.7	..	..	9.1	
May	..	..	..	..	..	..	..	-0.2	-	0.4	-1.7	..	..	9.1	
Jun	..	..	..	..	..	..	..	0.9	5.5	0.4	-1.5	..	..	9.1	
Jul	..	..	..	..	..	..	..	-2.3	-0.3	0.6	-1.0	..	..	9.1	
Aug	..	..	..	..	..	..	..	0.1	1.1	0.7	-0.7	..	..	9.2	
Sep	..	..	..	..	..	..	..	0.7	-2.0	0.7	-0.5	..	..	9.2	
Oct	..	..	..	..	..	..	..	1.9	..	0.8	0.2	..	..	9.1	
Nov	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Percentage change on previous quarter															
	ILGI	HUCC	HUCD	HUGE	HUCF	HUCG	HUCH	ILHC	ILHW				ILIQ		
1997 Q1	-0.5	0.1	-0.3	-0.5	0.4	0.5	0.5	1.0	-0.5				-1.9		
Q2	1.2	0.3	-	0.3	0.1	0.8	0.3	1.5	3.1				0.9		
Q3	0.3	-0.4	-	0.1	0.2	1.1	0.7	1.3	-2.9				0.6		
Q4	0.4	0.4	-0.2	0.1	0.2	0.5	0.5	1.0	0.4				0.3		
1998 Q1	1.0	0.7	0.4	0.3	-0.2	0.6	0.8	2.4	2.8				-1.7		
Q2	-	-	-0.1	-0.6	0.7	0.5	0.4	-	-2.7				1.2		
Q3	0.3	0.4	-0.1	0.5	-	-0.3	0.1	0.8	2.0				0.9		
Q4	-0.2	0.3	-0.2	-0.2	0.6	-0.7	-	-1.7	0.5				0.3		
1999 Q1	0.6	0.5	0.6	0.6	-1.1	0.2	0.2	0.2	0.5				..		
Q2	0.1	-0.2	-0.3	-0.2	0.7	0.9	0.8	0.8	-0.7				..		
Q3	0.7	0.4	0.1	0.2	-0.3	0.8	0.5	0.2	-0.7				..		
Percentage change on previous month															
								ILKC	ILKM						
1998 Nov								-1.7	3.0						
Dec								0.7	-2.0						
1999 Jan								1.1	-0.6						
Feb								-1.3	-0.4						
Mar								0.1	5.2						
Apr								0.9	-5.7						
May								0.4	1.5						
Jun								0.2	3.1						
Jul								-0.5	-2.8						
Aug								1.2	1.5						
Sep								-0.9	-4.1						
Oct								1.7	..						
Nov								..	..				

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 - SNA93

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	Imports	less	loP	Sales	CPI	PPI ¹	Earnings	Empl ²	Unempl
Percentage change on a year earlier															
	ILFZ	HUBK	HUBL	HUBM	HUBN	HUBO	HUBP	ILGT	ILHN	HXAA	ILAG		ILAP	ILIH	GABC
1990	2.5	1.5	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	-0.2	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	0.5	-1.3	1.5	-2.3		2.8	0.1	12.4
Q2	1.7	-	0.4	-	-0.1	2.4	0.9	3.7	0.7	0.9	-0.9		2.7	0.3	12.4
Q3	2.0	-0.3	0.4	0.1	0.8	2.8	1.9	5.0	1.8	1.3	0.3		2.8	0.7	12.3
Q4	3.0	1.2	0.3	0.5	0.1	3.2	2.3	6.3	2.8	1.2	0.7		2.5	1.0	12.2
1998 Q1	3.5	1.6	0.3	1.0	0.5	2.9	2.8	7.1	2.2	0.9	0.6		2.4	1.3	11.9
Q2	3.7	2.3	0.3	1.0	0.6	2.1	2.6	5.3	3.1	1.1	-0.3		2.0	1.6	11.7
Q3	3.3	2.2	0.2	1.2	-	1.5	1.7	3.1	2.3	0.7	-1.3		2.1	1.8	11.7
Q4	3.0	1.8	0.3	1.2	0.5	0.5	1.2	2.2	2.8	0.4	-2.4		2.0	1.6	11.6
1999 Q1	2.5	1.4	0.3	1.3	-0.3	-	0.4	0.9	3.4	0.2	-2.9		2.0	1.7	11.4
Q2	2.4	1.0	0.4	1.3	-0.2	0.5	0.5	0.6	1.9	0.4	-2.5		2.0	1.4	11.2
Q3	3.0	1.2	0.4	1.4	-0.5	1.5	1.0	3.1	2.4	0.5	-1.3		..	..	10.9
1998 Nov	..	..	..	..	..	..	..	4.1	4.5	0.2	-2.4		..	..	11.6
Dec	..	..	..	..	..	..	..	0.8	1.6	0.3	-2.5		..	..	11.5
1999 Jan	..	..	..	..	..	..	..	1.7	0.2	0.2	-2.7		..	..	11.5
Feb	..	..	..	..	..	..	..	0.6	3.6	0.2	-3.0		..	..	11.4
Mar	..	..	..	..	..	..	..	0.5	6.5	0.4	-3.1		..	..	11.4
Apr	..	..	..	..	..	..	..	0.4	2.3	0.4	-2.8		..	..	11.3
May	..	..	..	..	..	..	..	0.3	0.9	0.4	-2.5		..	..	11.2
Jun	..	..	..	..	..	..	..	1.1	2.5	0.3	-2.2		..	..	11.2
Jul	..	..	..	..	..	..	..	3.0	4.5	0.4	-1.8		..	..	11.0
Aug	..	..	..	..	..	..	..	3.0	-0.4	0.5	-1.4		..	..	11.0
Sep	..	..	..	..	..	..	..	3.1	3.0	0.7	-0.7		..	..	10.8
Oct	..	..	..	..	..	..	..	..	0.8	0.8	0.4		..	..	10.6
Nov	..	..	..	..	..	..	..	..	..	..	..		..	..	..
Percentage change on previous quarter															
	ILGJ	HUBQ	HUBR	HUBS	HUBT	HUBU	HUBV	ILHD	ILHX					ILIR	
1997 Q1	0.5	-	0.1	-0.3	0.1	0.6	0.1	-	0.4					0.1	
Q2	0.6	0.1	0.1	0.3	-0.3	0.9	0.5	3.1	0.1					0.2	
Q3	0.8	0.3	0.1	0.1	0.3	0.8	0.9	1.8	1.3					0.3	
Q4	1.1	0.8	-	0.3	-0.1	0.8	0.7	1.2	1.0					0.4	
1998 Q1	0.9	0.4	0.1	0.3	0.6	0.3	0.7	0.7	-0.2					0.4	
Q2	0.8	0.7	0.1	0.3	-0.2	0.2	0.3	1.4	1.0					0.5	
Q3	0.4	0.3	-	0.3	-0.2	0.1	0.1	-0.3	0.5					0.5	
Q4	0.7	0.4	0.1	0.3	0.4	-0.2	0.2	0.3	1.5					0.2	
1999 Q1	0.4	0.1	0.1	0.4	-0.2	-0.2	-0.2	-0.5	0.4					0.5	
Q2	0.8	0.3	0.1	0.3	-0.1	0.7	0.5	1.1	-0.5					0.2	
Q3	1.0	0.5	0.1	0.4	-0.5	1.1	0.5	2.2	1.0					..	
Percentage change on previous month															
								ILKD	ILKN						
1998 Nov								0.2	-0.6						
Dec								-0.7	-0.3						
1999 Jan								-0.1	0.5						
Feb								-0.4	-0.2						
Mar								1.0	1.1						
Apr								-0.1	-0.4						
May								0.4	-2.6						
Jun								1.1	2.9						
Jul								1.4	2.8						
Aug								-	-5.6						
Sep								-0.1	2.8						
Oct								..	0.5						
Nov								..	..				

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

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 workforce
loP = Index of Production

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl	Unempl
Percentage change on a year earlier														
	ILGA	HUCI	HUCJ	HUCK	HUCL	HUCM	HUCN	ILGU	ILHO	HYAA	ILAH	ILAQ	ILII	GABE
1990	2.2	1.4	0.2	0.7	0.1	1.2	1.6	-0.5	-2.0	6.4	4.2	7.3	1.4	9.0
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	8.8
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	11.2
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	11.6
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	11.7
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	-	11.7
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	11.9
1997 Q1	-0.5	1.2	-	-0.3	-1.2	-0.1	-	-1.8	1.6	2.5	0.9	3.8	-	11.8
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	11.7
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	-	11.7
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	-	11.8
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	11.8
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	11.9
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	11.9
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	11.8
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	11.6
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	11.5
Q3	..	..	..	..	..	..	..	-0.2	..	1.7	-	..	..	..
1998 Nov	..	..	..	..	..	..	..	-0.3	7.8	1.7	-1.3	3.0	..	11.8
Dec	..	..	..	..	..	..	..	-4.5	3.8	1.7	-1.4	3.0	..	11.7
1999 Jan	..	..	..	..	..	..	..	-1.0	..	1.5	-1.6	3.4	..	11.7
Feb	..	..	..	..	..	..	..	-2.2	..	1.4	-1.9	3.3	..	11.6
Mar	..	..	..	..	..	..	..	-0.5	..	1.3	-1.8	2.1	..	11.5
Apr	..	..	..	..	..	..	..	-2.9	..	1.5	-1.6	2.2	..	11.5
May	..	..	..	..	..	..	..	-2.9	..	1.5	-1.4	2.1	..	11.4
Jun	..	..	..	..	..	..	..	-1.2	..	1.4	-1.4	1.9	..	11.5
Jul	..	..	..	..	..	..	..	-1.9	..	1.7	-0.6	2.6	..	11.4
Aug	..	..	..	..	..	..	..	2.1	..	1.7	-	2.1	..	..
Sep	..	..	..	..	..	..	..	-0.7	..	1.8	0.8	..	..	..
Oct	..	..	..	..	..	..	..	..	..	2.0	1.6	..	..	..
Nov	..	..	..	..	..	..	..	..	..	2.0	..	..	..	..
Percentage change on previous quarter														
	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	..	..	..	..	..	..	..	1.7	..				..
Percentage change on previous month														
								ILKE	ILKO					
1998 Nov								0.5	2.8					
Dec								-3.1	-2.7					
1999 Jan								2.2	..					
Feb								-0.9	..					
Mar								1.5	..					
Apr								-1.5	..					
May								-0.5	..					
Jun								1.5	..					
Jul								0.5	..					
Aug								0.8	..					
Sep								-0.5	..					
Oct												
Nov												

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

Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	Imports ¹	IoP	Sales	CPI	PPI	Earnings	Empl ¹	Unempl
Percentage change on a year earlier														
	ILGC	HUDG	HUDH	HUDI	HUDJ	HUDK	HUDL	ILGW	ILHQ	ILAA	ILAJ	ILAS	ILIK	GADO
1990	1.2	1.1	0.4	-0.2	-0.4	0.7	0.4	-0.2	0.6	5.5	5.0	3.4	1.3	5.6
1991	-0.9	-0.4	0.2	-1.1	-0.2	0.6	-0.1	-2.0	-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	3.1	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	5.5	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	4.8	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	4.4	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	6.3	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	4.2	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	6.4	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	5.9	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	6.2	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	6.8	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	5.7	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	4.7	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	3.8	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	2.9	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	2.8	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	3.3	7.7	2.2	1.3	2.8	1.4	4.3
Q3	..	..	..	..	..	..	..	3.5	9.9	2.4	2.3	3.9	1.4	4.2
1998 Nov	..	..	..	..	..	..	..	2.7	7.8	1.5	-0.6	1.9	1.1	4.4
Dec	..	..	..	..	..	..	..	2.5	8.3	1.6	-	1.8	1.5	4.3
1999 Jan	..	..	..	..	..	..	..	2.4	8.5	1.7	0.9	1.9	1.9	4.3
Feb	..	..	..	..	..	..	..	2.9	9.4	1.7	0.4	1.9	1.8	4.4
Mar	..	..	..	..	..	..	..	3.1	8.9	1.8	0.8	1.8	1.6	4.2
Apr	..	..	..	..	..	..	..	2.9	7.7	2.3	1.2	2.8	1.3	4.3
May	..	..	..	..	..	..	..	2.9	7.8	2.2	1.4	2.8	1.4	4.2
Jun	..	..	..	..	..	..	..	3.9	7.5	2.0	1.5	2.8	1.6	4.3
Jul	..	..	..	..	..	..	..	4.7	9.0	2.1	1.5	4.6	1.5	4.3
Aug	..	..	..	..	..	..	..	3.0	10.8	2.3	2.3	3.7	1.6	4.2
Sep	..	..	..	..	..	..	..	3.1	10.0	2.6	3.2	3.6	1.2	4.2
Oct	..	..	..	..	..	..	..	3.2	..	2.6	2.7	2.7	1.5	4.1
Nov	..	..	..	..	..	..	..	..	..	..	..	3.6	1.5	4.1
Percentage change on previous quarter														
	ILGM	HUDM	HUDN	HUDO	HUDP	HUDQ	HUDR	ILHG	ILIA				ILIU	
1997 Q1	1.0	0.7	-	0.3	0.3	0.3	0.6	1.6	1.8				-0.8	
Q2	1.0	0.3	0.1	0.4	0.3	0.5	0.6	1.7	-0.2				1.9	
Q3	1.0	1.0	-	0.5	-0.4	0.3	0.5	1.7	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	0.6	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	0.8	0.1				0.6	
Q4	1.5	0.8	0.2	0.5	-0.2	0.6	0.5	0.8	2.6				0.2	
1999 Q1	1.1	1.1	-	0.6	-0.1	-0.2	0.5	0.5	3.8				-0.6	
Q2	0.4	0.8	-	0.3	-0.4	0.2	0.6	1.2	1.0				1.2	
Q3	..	..	..	..	..	..	..	1.0	2.2				0.6	
Percentage change on previous month														
								ILKG	ILKQ				ILLA	
1998 Nov								-0.3	0.8				0.1	
Dec								-	1.0				0.2	
1999 Jan								0.3	1.5				-1.0	
Feb								0.3	2.0				0.2	
Mar								0.4	-				0.5	
Apr								0.3	-0.4				0.2	
May								0.6	1.2				0.7	
Jun								0.3	-				0.7	
Jul								0.6	0.7				0.3	
Aug								0.2	1.8				-0.4	
Sep								-	-0.1				-0.6	
Oct								0.6	..				0.7	
Nov											0.1	

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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

Contribution to change in GDP

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

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

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

7 World trade in goods¹

	Export of manufactures			Import of manufactures			Export of goods			Import of goods			Total trade	
	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	manufactures	goods
Percentage change on a year earlier														
	ILIZ	ILJA	ILJB	ILJC	ILJD	ILJE	ILJF	ILJG	ILJH	ILJI	ILJJ	ILJK	ILJL	ILJM
1990	5.9	5.9	5.5	5.5	5.5	5.4	4.5	5.6	1.6	4.5	5.2	2.8	5.7	4.5
1991	3.8	2.5	9.6	5.2	3.5	10.0	4.0	3.5	5.2	4.5	3.2	8.1	4.5	4.2
1992	4.5	3.7	7.7	5.1	4.5	6.7	4.5	3.8	6.1	5.0	4.3	6.7	4.8	4.7
1993	4.2	1.9	13.1	3.3	1.1	9.3	4.2	2.5	8.5	3.7	1.4	9.6	3.8	3.9
1994	11.2	10.2	14.7	12.3	12.8	11.1	10.1	9.2	12.2	10.6	10.7	10.3	11.7	10.3
1995	9.9	9.8	10.2	9.8	9.3	11.2	8.7	8.7	8.8	8.3	7.3	10.7	9.9	8.5
1996	5.6	6.4	3.0	5.6	7.0	2.2	5.0	6.0	2.7	5.1	6.1	2.6	5.6	5.0
1997	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1995 Q1	13.3	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	8.4	7.7	6.7	10.3	6.4	6.3	6.6	8.2	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	..	..	..
Percentage change on previous quarter														
	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	..	..	..

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

Source: OECD - SNA68

Final Expenditure Prices Index (Experimental) – November 1999

Contact: Jim O'Donoghue

Tel: 020-7533 5818/5825; e-mail: jim.o'donoghue@ons.gov.uk

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 November 1999, was 1.8 per cent, down from 1.9 per cent in October. Consumer price inflation, as measured by the Index of Consumer Prices (ICP), was 1.5 per cent, the same as in October. Investment price inflation, as measured by the Index of Investment Prices (IIP) was 1.8 per cent, up from 1.6 per cent in October, while inflation as measured by the Index of Government Prices (IGP) was down to 2.6 per cent, from 3.1 per cent in October.

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	June	122.0	1.8	114.2	1.6	120.6	3.0	120.1	2.0
	July	121.4	1.8	114.5	1.6	121.3	3.7	119.9	2.2
	Aug	121.7	1.8	114.5	1.6	121.0	3.3	120.0	2.0
	Sept	122.1	1.7	114.5r	1.8r	121.1	3.6	120.3r	2.1r
	Oct	121.9	1.5	114.4r	1.6r	121.1r	3.1r	120.2r	1.9
	Nov	122.1	1.5	114.8	1.8	121.1	2.6	120.4	1.8

The Index of Consumer Prices (ICP)

Consumer price inflation, as measured by the ICP, was unchanged at 1.5 per cent in November.

Downward pressure came from:

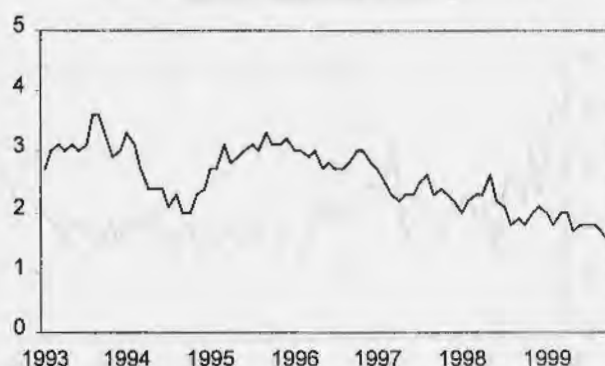
- Clothing and footwear, whose 12 month rate fell from -3.0 per cent to -3.1 per cent. Weak demand for winter clothes following the warm autumn, and fierce competition across the sector, were contributing factors.
- Other goods and services, whose 12-month rate fell from 2.8 per cent to 2.7 per cent.

Upward pressure came from:

- Food, whose 12-month rate rose from -1.0 per cent to -0.4 per cent. Following strong discounting, prices for a wide range of non-seasonal foods were more stable this month, in contrast to price

- The twelve month rate for housing rose from 2.8 per cent to 2.9 per cent following four months when it had remained steady at 2.8 per cent.

The ICP annual percentage change



The Index of Investment Prices (IIP)

Investment price inflation, as measured by the IIP, increased from 1.6 per cent to 1.8 per cent over the 12 months to November.

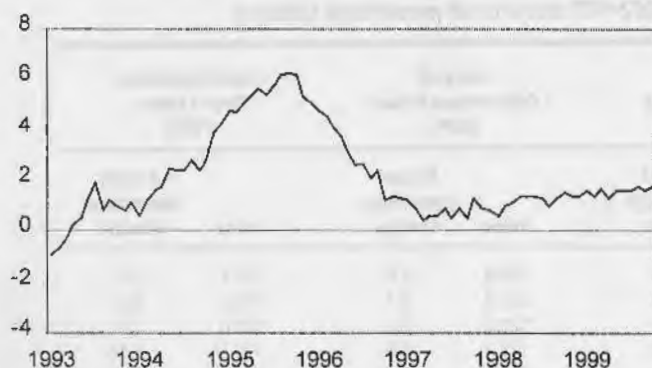
Upward pressure on the 12-month rate came from:

- Vehicles, where the 12-month rate rose from 1.5 per cent in October to 1.8 per cent in November.
- New Dwellings, whose 12-month rate rose from 9.7 per cent in October to 11.6 per cent in November.

Downward pressure came from:

- New buildings and works, where the 12-month rate fell from 3.1 per cent in October to 1.9 per cent in November.

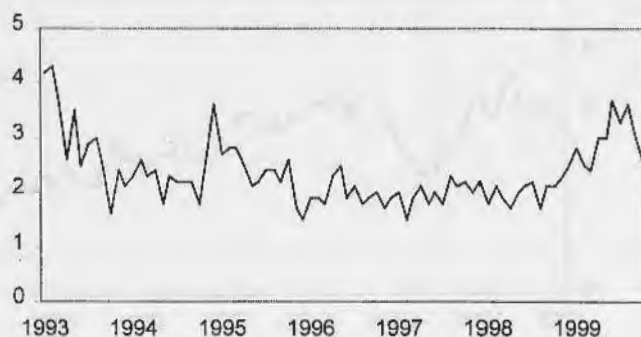
The IIP annual percentage change



The Index of Government Prices (IGP)

The IGP inflation rate fell from 3.1 per cent in October to 2.6 per cent in November.

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	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	2.1	2.1	1.2	1.7
	Oct	1.9	2.2	1.2	1.9
	Nov	1.8	2.2	1.3	2.1

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.

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 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	1.8	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	114.2	120.6	120.1	1.8	1.6	3.0	2.0
Jul	121.4	114.5	121.3	119.9	1.8	1.6	3.7	2.2
Aug	121.7	114.5	121.0	120.0	1.8	1.6	3.3	2.0
Sep	122.1	114.5r	121.1	120.3r	1.7	1.8r	3.6	2.1r
Oct	121.9	114.4r	121.1r	120.2r	1.5	1.6r	3.1r	1.9
Nov	122.1	114.8	121.1	120.4	1.5	1.8	2.6	1.8

The symbol r denotes revisions to previous months' data.

2 FEPI - Index of Consumer Prices (Experimental)

	Food	Alcoholic Drink	Tobacco	Clothing and Footwear	Housing	Fuel and Power	Household Goods and Services	Transport and Communication	Recreation, Entertainment and Education	Other Goods and Services	Index of Consumer Prices ICP
January 1992=100											
Weights											
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 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
Nov	113.4	127.8	184.8	102.0	135.1	98.1	114.6	123.3	110.8	133.7	122.1
Annual Percentage Changes											
	Food	Alcoholic Drink	Tobacco	Clothing and Footwear	Housing	Fuel and Power	Household Goods and Services	Transport and Communication	Recreation, Entertainment and Education	Other Goods and Services	Index of Consumer Prices ICP
	CGAP	CGAQ	CGAR	CGAS	CGAT	CGAU	CGAV	CGAW	CGAX	CGAY	CGAZ
1997 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
Nov	-0.4	2.1	13.1	-3.1	2.9	0.7	0.9	1.8	-0.4	2.7	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 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	119.5	180.8	124.4	113.9
Jun	98.5	123.9	119.7	182.6	126.4	114.2
Jul	98.0	123.4	119.9	188.1	128.6	114.5
Aug	97.1	123.3	120.1	189.5	130.5	114.5
Sep	96.5	123.3	120.4	190.1r	131.5r	114.5r
Oct	95.8r	123.1r	120.7	194.1r	131.9r	114.4r
Nov	96.1	124.6	119.9	193.3	133.6	114.8
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	CGBD	CGBA	CGBD	CGBE	CGBF
1997 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	3.9	12.8	7.3	1.3
Jun	-4.3	3.2	3.8	13.4	7.4	1.6
Jul	-4.1	2.5	3.5	13.7	8.2	1.6
Aug	-4.3	1.7	3.4	14.8	9.2	1.6
Sep	-4.0	2.0	3.3	14.6r	9.6r	1.8r
Oct	-4.5r	1.5r	3.1	16.9r	9.7r	1.6r
Nov	-4.2	1.8	1.9	16.7	11.6	1.8

The symbol r denotes revisions to previous months' data

4 FEPI - Index of Government Prices (Experimental)

	Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP	Annual percentage changes			
					Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP
January 1992=100								
Weights								
1997	347	589	64	1000				
1998	342	591	67	1000				
1999	350	567	83	1000				
	CUSL	CUSM	CUSN	CUSO	CGBG	CGBH	CGBI	CGBJ
1997 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	125.2	121.3	2.7	4.4	3.4	3.7
Aug	123.4	119.0	125.1	121.0	3.2	3.2	3.3	3.3
Sep	123.6	119.2	125.1	121.1	3.3	3.7	3.3	3.6
Oct	123.8r	119.1r	125.3	121.1r	3.0r	3.1r	3.5	3.1r
Nov	124.0	119.0	125.3	121.1	2.4	2.7	3.4	2.6

The symbol r denotes revisions to previous months' data

Index of Distribution (Prototype) – September 1999

Contact: Trevor Fenton

Tel: 01633 812806; e-mail: trevor.fenton@ons.gov.uk

The prototype monthly Index of Distribution (IoD) shows the movements in volume terms of gross value added in the distribution sector, which consists of motor trades, wholesaling and retailing (SIC92 section G). All values are seasonally adjusted index numbers, based on 1995=100.

In September, the prototype IoD was at 112.0. Distribution industries' gross value added in the latest three months rose by 0.8 per cent compared with the previous three months. This rise was driven mainly by the increases in the component series for wholesale and retail.

Prototype Index of Distribution

seasonally adjusted: 1995=100

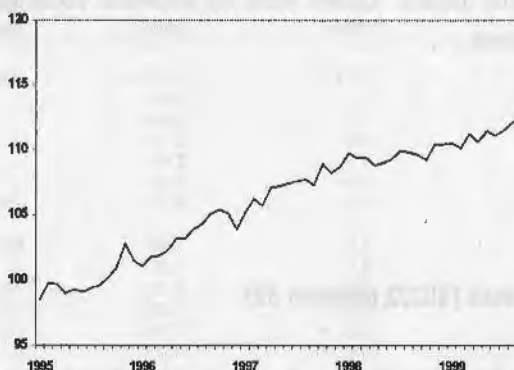


Table A

Prototype Index of Distribution and components (1995=100 and 3 month-on-3 month percentage change)
seasonally adjusted

		Index of Distribution		Motor trades		Wholesale		Retail	
		Index	3 mth-on-3 mth percentage change	Index	3 mth-on-3 mth percentage change	Index	3 mth-on-3 mth percentage change	Index	3 mth-on-3 mth percentage change
1999	Jan	110.5	0.8	114.5	1.9	103.8	0.4	115.0	0.7
	Feb	110.1	0.6	113.2	1.9	103.4	-0.1	115.0	0.5
	Mar	111.2	0.6	114.0	0.3	104.4	-0.4	116.1	1.5
	Apr	110.6	0.2	114.2	-0.6	103.7	-0.5	115.2	1.1
	May	111.4	0.6	115.3	0.0	104.0	0.1	116.4	1.4
	June	111.1	0.3	113.1	0.3	104.2	0.1	116.4	0.5
	July	111.5	0.6	113.2r	0.1	105.1	0.6	116.5r	0.9
	Aug	112.1r	0.5	114.1	-0.9	105.4	0.9	117.3	0.7
	Sept	112.0	0.8	116.1	0.2	104.3	0.9	117.3	0.9

The symbol 'r' indicates that the data has been revised since the previous month's release; the period marked is the earliest in the table to have been revised.

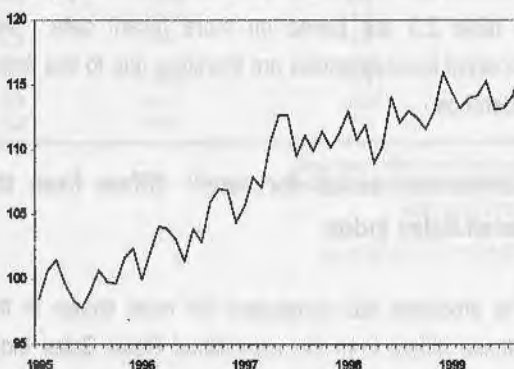
Tables following this note show data back to January '95.

Motor trades (SIC92 division 50)

In September, the prototype seasonally adjusted index of gross value added in the motor trades was at 116.1 at 1995 prices. In the latest three months, the index rose by 0.2 per cent compared with the previous three months. Movements in the index during 1999 should be treated with caution, however. The new seasonal pattern, following the change in the vehicle registration system, has not yet settled down.

Prototype component series for motor trades

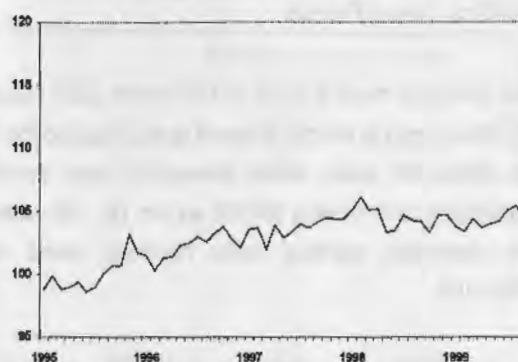
seasonally adjusted: 1995=100



Wholesale (SIC92 division 51)

The prototype seasonally adjusted index of gross value added in the wholesale trades was at 104.3, at 1995 prices, in September. In the latest three months, the index rose by 0.9 per cent compared with the previous three months. Growth within the wholesale trades was mixed.

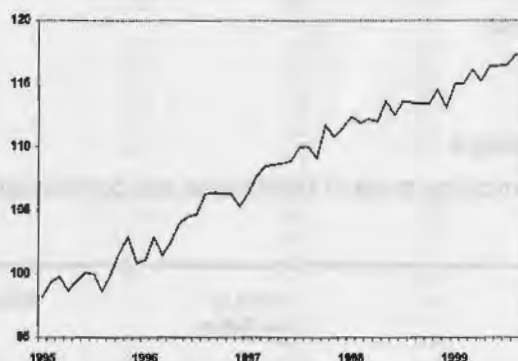
Prototype component series for wholesale
seasonally adjusted: 1995=100



Retail (SIC92 division 52)

In September, the prototype seasonally adjusted index of gross value added in the retail trades was at 117.3 at 1995 prices. In the latest three months, the index rose by 0.9 per cent compared with the previous three months, driven predominantly by growth in retail sales through stores.

Prototype component series for retail
seasonally adjusted: 1995=100



IoD methodology: brief overview

Consistency with quarterly estimates of GDP(O)

The monthly figures for the prototype IoD and its three component series are consistent with the corresponding quarterly series for the same industries contained in the quarterly estimates of GDP by the output measure (GDP(O)). The GDP(O) quarterly index for the distribution sector is shown in table 2.9 of this publication. However, the prototype IoD values presented here match the quarterly GDP(O) estimates released on 23 November, whereas the GDP(O) series in table 2.9 are based on more recent data. Any apparent inconsistencies are therefore due to this timing difference.

Component series for retail: differs from the Retail Sales Index

The prototype IoD component for retail shown in this release differs from the established Retail Sales Index (RSI) in that the IoD retail series is designed to indicate

movements in retailing gross value added, whereas the RSI is an index of sales. The two series may therefore follow slightly different paths, although the broad trends in each are very similar.

Notes

Further details of the data sources and methods used in this prototype index are given in the article, 'Release of a prototype monthly Index of Distribution', by Hugh Skipper and Ian Cope, which appeared in the December 1999 issue of *Economic Trends* (no. 553).

The data sources and methodology on which the current prototype IoD series are based are to be reviewed as part of the ONS's programme to develop a full Index of Services (IOS). The IoS will be a monthly indicator of changes in gross value added across the whole services sector. Hugh Skipper and Ian Cope's article, 'Plans for the development of a monthly Index of Services', in the October 1999 issue of *Economic Trends* (no. 551) gives further details.

ONS identifiers for the equivalents to the prototype IoD series contained within quarterly GDP(O) are given in the footnotes to the tables that follow.

SIC Section G: IoD ⁴				Component series		
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
	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	113.2 [†]	0.1	0.1
Aug	112.1 [†]	0.6	0.5	114.1	0.8 [†]	-0.9
Sep	112.0	-0.1	0.8	116.1	1.8	0.2

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), EWA (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

Component series						
SIC51: Wholesale ⁴				SIC52: Retail ⁴		
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		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	118.5 [†]	0.1 [†]	0.9
Aug	105.4	0.3	0.9 [†]	117.3	0.6	0.7 [†]
Sep	104.3	-1.1	0.9	117.3	-	0.9

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

International comparisons of profitability



Richard Walton
National Expenditure and Income Division
Office for National Statistics
Zone D3/03
1 Drummond Gate
London SW1V 2QQ
Tel: 020 7533 6012
E-mail: richard.walton@ons.gov.uk

Overview

The ONS First Release, 'Profitability of UK Companies' in November 1999 provided estimates of the profitability of the UK corporate sector. This article looks at the data on profitability which have been made available from other countries. Some of the data are presented here for the first time. The methodology, sources and coverage of the data presented are described and the limitations that this places on its interpretation. The author would like to thank the staff of the statistical offices in those countries who have contributed to this review.

The ONS has collected together estimates of profitability provided by the statistical offices of a number of countries. We have not sought to impose a common detailed definition or to check any of the data provided. For this purpose, profitability is defined as the ratio of profits to capital employed. Profits are defined fairly precisely in international manuals and it is likely that they will be measured reasonably consistently. On the other hand, capital employed is not defined so precisely and there is more scope for variations in the detail of its definition and the methods used to estimate it.

It follows that distinctions between countries can reflect a mixture of real differences in profitability and the results of variations in the calculations. In virtually every case, countries will, however, have estimated profitability consistently over time, so rises and falls will reflect real changes in their economies. The statistics presented here have to be interpreted accordingly.

It is not possible, at the present time, to use the data to make detailed comparisons of competitiveness between countries. This requires a review of all factor inputs, in, for example, a multi factor productivity analysis. But, what the article is able to do is to look at trends in the

strength of other countries' companies as measured by profitability and to compare those trends with the peaks and troughs in the fortunes of UK companies. Some references are also included to a world competitiveness 'scoreboard' which assesses how a country's economic environment sustains companies' competitiveness.

The analysis of profitability in particular key industrial sectors has been started in this review. Manufacturing, service companies and the exploration of oil and gas are sectors presented here for the first time in an international context.

The article sets the scene for a further review of the data, as other countries develop the key components of profitability, in line with internationally agreed guidelines. A future update will publish a wider coverage of countries and a timely and improved assessment of international profitability.

The structure of the article is as follows:

- International rates of return;
- Country coverage;
- The calculation of profitability;
- How profits are calculated;
- How capital is calculated;
- International trends in profitability of companies;
- Analysis of profitability of manufacturing and service companies and of UK and Norwegian Continental Shelf companies, in an international context;
- World competitiveness;
- Conclusions.

International rates of return

Table 1 International comparison of net rates of return of non-financial corporations

	UK	Norway	Japan	Germany	US	Spain	Belgium	Canada	Finland	Netherlands
										<i>per cent</i>
1991	10.0	12.8	13.3	3.2	7.5	8.7	10.3		4.1	
1992	9.5	12.0	11.8	3.0	7.3	6.5	9.4		5.3	
1993	10.1	12.0	11.4	2.7	7.7	4.3	8.8		7.5	
1994	11.6	12.1	9.7	3.1	8.9	7.6	10.5	8.1	10.2	
1995	12.1	12.9	9.8	3.3	9.3	8.0	11.1	8.1	12.6	4.2
1996	12.9	14.8	10.2	3.2	9.8	8.6	10.7	8.5	12.3	4.2
1997	12.9	14.8	9.3	3.4	9.9	9.0	12.1	8.4	14.8	4.4
1998	12.2			3.7	9.6	9.0		8.4	16.1	4.5

The methodology used in calculating international rates of return (Table 1) is well accepted. Data used are generally based on national accounts' data. Annual rates of return are calculated as the ratio of the operating surplus to capital employed.

In international comparisons, there is always the problem of how to handle different national currencies. The author has shown in Tables 2 and 3, the data for capital and profits denominated in sterling. Thus, yearly changes include not just national changes in profits and capital, but also the effect of different exchange rates. In other international comparisons (for example, by the US Bureau of Labour Statistics), these are shown in both the national currency and a comparable currency. This kind of presentation will be developed, in the next update.

In *Germany*, the calculation is the ratio of the net operating surplus of non-financial corporations to the capital of **all** sectors of the economy. This accounts for the very low profitability for non-financial corporations in Germany.

Profits are the main source of the operating surplus and capital the main source of capital employed.

The trend in profitability in the 1990s is generally one of strength. The net rate of return by UK private non-financial corporations in 1998 was 12.2 per cent. This compares to 12.9 per cent in 1997 and in 1996 which was the highest peak in profitability since 1989. Norway and Finland both reported higher net rates of return in 1997, at 14.8 per cent. Finland's profitability estimates for 1998 stands at 16.1 per cent, the highest recorded internationally in the 1990s.

Coverage

The following countries have contributed profitability data in this research:

Belgium, Canada, Finland, Germany, Ireland, Japan, Netherlands, Norway, Spain, United Kingdom and United States.

Austria was not able to provide comparable data on company profitability. The main reason is that institutional sector accounts are not yet available.

Australia used to publish gross and net rates of return for non-financial corporations, by industry. However, as a consequence of introducing annual benchmarks derived from the annual supply and uses tables for the *UN System of National Accounts* (SNA93), Australia had to suspend publication of gross operating surplus by institutional sector, by industry. Publication should resume in the next year or two. In addition, the capital stock system in Australia has been overhauled to meet SNA93 and many significant improvements are being introduced. Because of the large number of privatisations of public financial and non-financial corporations in Australia over recent years, the private/public split for these two corporate sectors has not been retained in the Perpetual Inventory Method (a model-based approach to calculating capital stock estimates) for the capital stock calculations.

In *Denmark*, time series for operating surplus and capital are available for the years 1966 to 1992 only, but they are based on the old system of national accounts, ESA79. Even then, some further work would be needed to separate out private non-financial corporations and data on inventories are not available. National accounts in Denmark since 1993 are based on the new *European System of Accounts* (ESA95), but data for capital and capital consumption have not yet been compiled according to the new methodology. These changes are important for gross capital formation and will revise significantly the capital data. There are two other problems preventing the calculation of profitability data in Denmark, at the present time. The first is that there is no formal separation of private non-financial corporations from publicly-owned corporations and households. This applies to both the operating surplus and capital. The second is the calculation of inventories, by industry. Calculation of inventories for manufacturing might be possible, but the coverage of service industries would be incomplete.

France is in the process of calculating profitability data consistent with ESA95. They will be published by the end of April 2000. Previous estimates of capital did not include either computer software or mineral exploration costs. The new data will also provide profitability estimates for the service and manufacturing companies.

Ireland calculates operating surplus in the framework of National Accounts, but it does not compile capital and, thus, cannot estimate rates of return. Ireland has, however, provided internationally comparable data for the net operating surplus of all non-financial companies, for manufacturing companies and for service companies. Data were provided for 1990 to 1998. 1998 data are only estimates; source data are not yet available. Net operating surplus is based on Ireland's National Income and Expenditure, June 1999. Alternative sources of profitability for this article have been considered. For example, those published by the United States Bureau of Economic Analysis, in articles in the *Survey of Current Business* on the operations of US companies' abroad. This source has consistently shown high rates of return in Ireland, but these figures should not be taken as representative of all companies in Ireland.

Netherlands supplied data on profitability for 1995 to 1998. In the summer of 2000, historic data from 1987 will be available for most of the data on profitability described in this article.

Sweden's continuing work in adjusting their national accounts to SNA93 principles means that data for the main institutional sectors are not yet ready. Sweden has only information for the total non-financial corporations' sector.

Switzerland is not able, for the time being, to supply data on profitability. The Office Federal de la Statistique is about to finish a comprehensive review of statistical surveys. This review includes the data required to calculate profitability ratios.

Italy has not been able to provide data on profitability.

How profits are calculated

In the *United Kingdom*, gross trading profits include only that part of a company's income which arises from trading activities. It does not include income from investments. Nor does it include earnings from subsidiaries or branches located outside the United Kingdom. Gross trading profits are calculated before payments of dividends, interest and tax. Any changes in the book value of inventories are subtracted from profits. Revaluations are not considered to be part of economic activity, as defined for National Accounts' purposes.

In the estimates of net rates of return, data for net operating surplus are net of depreciation.

The main difference between UK commercial accounting and national accounting is in the treatment of net interest. Commercial accounting shows net interest received as profit. National accounts treat interest flows as property income.

Other countries follow the international guidelines outlined above. There are differences of detail, but they are not significant in terms of the impact on the data.

Table 2 presents the net operating surplus in eight of the eleven countries.

Table 2 International comparison of net operating surplus

£ billion

	UK	Norway	Japan	Germany	US	Belgium	Ireland	Netherlands
1991	67.1	13.1	307.7	107.4	228.1	8.2	4.8	
1992	63.7	13.3	301.2	109.4	226.3	8.5	5.1	
1993	68.6	14.7	399.1	112.7	293.7	9.0	5.8	
1994	83.2	15.1	365.1	132.6	348.0	11.3	6.3	
1995	92.5	18.2	392.4	158.6	374.8	13.6	8.4	32.2
1996	106.5	21.9	367.2	152.1	416.0	12.7	9.5	32.4
1997	114.3	20.2	303.4	137.9	421.9	12.4	10.3	29.5
1998	114.2			149.5	418.8		11.5	30.5

per cent of GDP

1991	10	20	16	11	7	7	16	
1997	15	22	12	11	9	8	23	13
1998	15			12	8		25	13

Table 2 also presents net operating surplus as a proportion of GDP. Clearly, Ireland's net operating surplus, for example, will be much smaller than the UK's, because GDP is so much smaller. The same point applies to the capital data in **Table 3**.

Net operating surplus as a proportion of GDP has increased, between 1991 and 1997/1998 in all countries, except Japan.

The measure of profits in *Belgium* is calculated indirectly from the value added, less compensation of employees and other operating expenses. It is equivalent to earnings before taxes, depreciation and amortisation.

In *Canada*, the profitability calculations are not yet based on international guidelines under SNA93. The data reproduced in this article are the median return on capital for corporations with more than C\$5 million in annual revenues. The source of the data is *Volume 1, Financial Indicators for Canadian Business*, released by Statistics Canada.

Statistics Finland do not currently publish data on net rates of return, but have produced provisional data for this article and will be considering their future publication. The data are provisional only for 1990-1998, because revised data back to 1975 on the ESA95 basis are not yet available.

Ireland has deducted stock appreciation from gross operating surplus to be consistent with the ESA95 definition of net operating surplus. This ensures that the effects of price changes on the level of stocks are eliminated.

The *Netherlands* break down operating surplus into public (i.e. owned/controlled by government) and private corporations (i.e. including non-public, non-profit institutions with market production and foreign-controlled, non-financial corporations), separately. But, the breakdown by manufacturing and services is for private and public corporations, together. Separate information for operations on the Continental Shelf are not available; data on mining and quarrying as a total only are available.

Norway includes the income of self-employed income which in the UK is included in the household sector, rather than the corporate sector. Net operating surplus is calculated residually, from supply and uses tables, rather than from surveys or tax return information as in the United Kingdom. Net operating surplus is published.

The data for profits of non-financial firms in *Spain* are collected by the Banco de Espana and collated on an annual database. 5,700 firms reported in 1998. These firms represent more than 35 per cent of the total activity in the non-financial sector, as measured by the gross value added at factor cost. Profitability is measured indirectly as the return before taxes on net assets (total assets, net of non-financial liabilities).

The *United States* calculate net operating surplus as 'property income'. Corporate profits before taxes are the main component, with adjustments for the appreciation of inventories and capital consumption, plus net interest.

How capital employed is calculated

Estimates of capital in **Table 3** are the measure of fixed assets and the value of inventories. This includes the value at replacement cost of all fixed assets at the end of a calendar year. The coverage is all tangible assets and intangible assets which have been produced and are themselves repeatedly or continuously used in the processes of production for more than a year.

Tangible assets include buildings, plant and machinery. Intangible assets include computer software and mineral exploration costs. For UK Continental Shelf companies, capital assets include mineral exploration costs and oil rigs. But not the oil and gas reserves which are classified as non-produced assets.

Inventories include raw materials and fuel which are used up in production. Levels are calculated at book values.

Capital consumption is derived from capital and covers the depreciation of fixed assets over their service lives. Estimates of net capital are net of accumulated capital consumption; i.e. they are a measure of the written down replacement costs of fixed assets.

Most of the data on capital in **Table 3** are compiled using the Perpetual Inventory Method. The principles behind the methodology in this model-based approach can be summarised as accumulating capital expenditures year by year and deducting assets when they are deemed to have completed their expected lives. The variables used for service lives by capital type will vary country by country. They will be influenced by the business cycle and by technological change.

Table 3 International comparison of capital

£ billion

	UK	Norway	Japan	Germany	US	Belgium	Netherlands
1991	672.3	102.8	2316.3	3348.1	3075.7	80.1	
1992	673.0	111.5	2559.2	3677.6	3099.2	89.9	
1993	682.4	122.2	3505.5	4205.9	3892.9	102.3	
1994	714.9	124.9	3760.0	4315.8	4030.7	107.3	
1995	764.5	141.1	4014.4	4858.4	4122.0	122.0	765.2
1996	824.9	147.4	3603.9	4779.9	4349.0	118.0	771.3
1997	882.4	136.0	3257.3	4038.2	4347.9	102.2	664.0
1998	938.7			4016.3	4457.0		677.9

Capital in *Belgium* is the acquisition value of fixed tangible and intangible assets, before amortisation and an estimate of inventories of raw materials and merchandise. Fixed assets include plant, machinery and equipment, furniture and vehicles, leased goods and grounds and real estate. Intangible assets include computer software and research and development costs, patents and licenses, but not goodwill. Net capital is the net book value (i.e. without the amortisation in the current and previous year) of tangible and intangible assets.

Finland has used the Perpetual Inventory Method for compiling capital and straight-line depreciation.

In *Germany*, net capital is derived from net investment in buildings and machinery. Net capital is derived from the accumulation of investments, after allowing for the cumulated consumption of fixed capital. Please note that the capital of **all** sectors of the economy has been used in the calculation of profitability of non-financial corporations. This accounts for the low profitability ratios in Germany.

In *Japan*, the value of net fixed capital and inventories are recorded at replacement cost. Capital consumption is valued at book value. Capital does not presently include intangible assets such as software. This will be included later in 2000, when Japan intends to implement the SNA93 guidelines. Capital and capital consumption are not available by industrial breakdown.

The *Netherlands* does have data on capital for non-financial corporations, but the data have not been sub-divided by the institutional sectors of private non-financial and public corporations. The main difficulties in classification are in transport and in other services. Data for net operating surplus and net capital of manufacturing and service companies are calculated for all public and private corporations in these sectors

In *Norway*, capital includes only fixed assets. The value of inventories has not yet been estimated. Service lives are assumed to be 50-60 years for buildings and 15-25 years for machinery and equipment. Net capital stocks are published.

In the *United States*, capital is the current cost value for non-financial corporations of the net stock of structures and equipment, plus the replacement cost value of inventories. The denominator in the US calculation of profitability is called 'reproducible tangible wealth'.

Trends in international company profitability

The peaks and troughs in profitability for the United Kingdom and United States are reasonably consistent in the last three decades (Chart 1).

The four peaks in the *United Kingdom* and the *United States* were in 1972, 1984/85, 1988/89 and 1996/97. In *Japan*, the two peaks which stand out were in 1970 and 1986.

In 1989, the *United Kingdom* recorded the highest peak at 13.4 per cent. 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. In the *United States*, the highest peak was in 1997, after pre-tax profits had increased, on average, by 12 per cent in the five years to 1997. This was driven by the strength in profitability of the manufacturing industries. Although the rate of return of 9.6 per cent in 1998 was lower than in 1997 and in 1996, it was higher than in any other year since 1969. The average rate of return in the 1990s to 1998 was 8.7 per cent which compares with 7.5 per cent in the 1980s and 8.0 per cent in the 1970s.

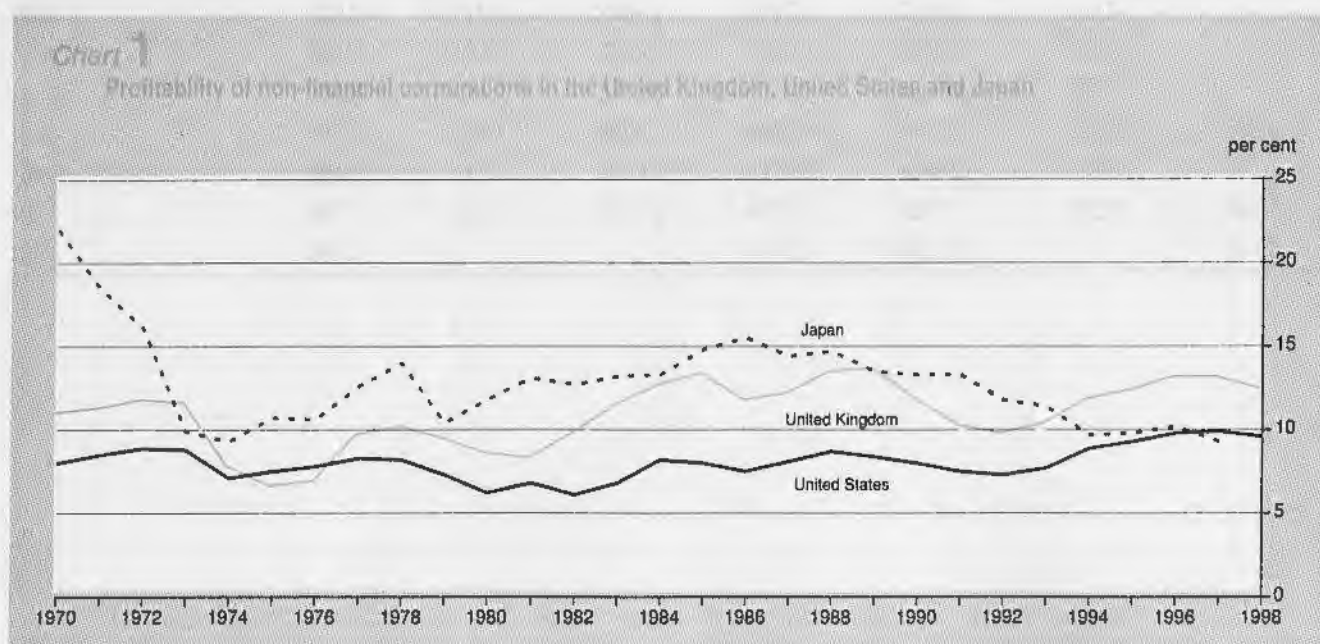
In *Japan*, in the early 1970s rates of return of between 16 per cent and 22 per cent were recorded by non-financial corporations. But, companies in Japan could not maintain their profitability ratios in the

second half of the 1970s. There was an expansion in activity in the 1980s. The peak in profitability, at 15.5 per cent in 1986 has not been repeated since. Profitability fell in virtually every year since 1986 and in 1997 stood at 9.3 per cent, the lowest recorded since 1974.

The main reason has been the increase in capital since 1986. Capital of non-financial companies has increased, on average, by 5 per cent a year, since 1987. The net operating surplus of these companies rose between 1986 and 1997 by only 5 per cent in current prices.

In *Belgium*, like the UK, the highest peak was in the 1988/89 boom and was driven by growth in profits of both the manufacturing and service companies. Thereafter, profitability declined until 1993. This was largely due to the manufacturing sector. At 8.8 per cent in 1993, the net rate of return for all companies was 5.4 percentage points below the level recorded in 1988. The manufacturing and service sectors have driven the recovery in profitability in the second half of the 1990s, to a rate of return of 12.1 per cent in 1997.

The return on capital by companies in *Canada* was in a very narrow range of 8.1 per cent to 8.5 per cent in 1994 to 1998. This narrow range is not dissimilar to companies operating in the United States. And, a recent peak (similar to the United States) in 1996 was also a peak in the profitability of companies in the manufacturing industry.



Finland has a very similar profile of profitability to the UK in the 1990s. There was a trough in 1991/92 of between 4.1 per cent to 5.3 per cent. And, a steady improvement was recorded, to 16.1 per cent in 1998. In 1998, the manufacturing and service sectors recorded similar returns on capital.

For Germany, the peak in profitability in the 1990s was in 1998, when a rate of return of 3.7 per cent was earned. Germany's rates of return have, in the 1990s, been in a narrow range of 2.7 per cent to 3.7 per cent.

The peak in profitability between 1995 and 1998 in the *Netherlands* was in 1998. The range is narrow, from 4.2 per cent to 4.5 per cent.

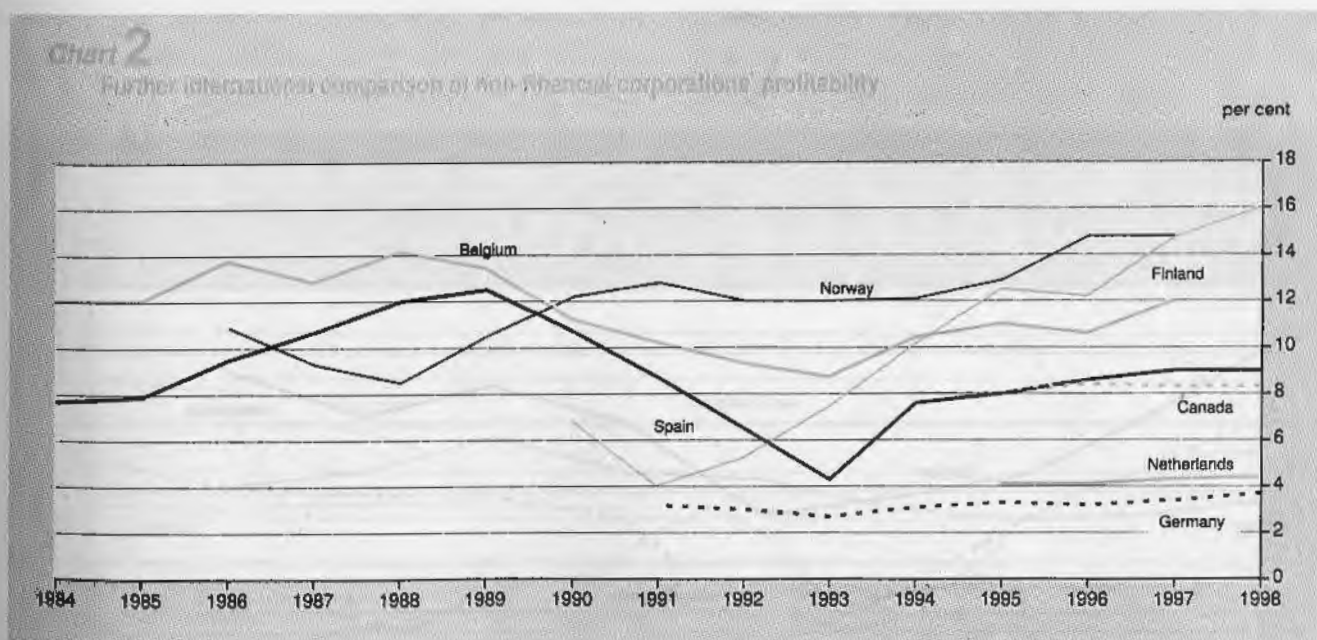
For Norway, the highest peak was in 1996/97, at 14.8 per cent. This resulted from average growth of profits of 14 per cent in these two years and average growth in net capital of only 6 per cent.

Results of non-financial firms in *Spain* confirm the highest peak occurred in 1989 (similar to the United Kingdom) and a recent trough in 1993 (one year later than in the United Kingdom). Since 1993,

profitability has recovered and in 1998 the return on net assets was 9.0 per cent, 4.7 percentage points higher than in 1993. In the third quarter of 1999 (using data from a higher population of companies-7,500-in a quarterly database), the ratio had risen further, to 10.3 per cent.

For Belgium, Finland, Germany, Norway, Spain, the United Kingdom and the United States, the most recent trough in profitability came at the end of the 1990/92 recession. For Japan, there has been a steady decline in rates of return in the 1990s.

In the 1990/92 recession, the net rate of return on capital was 9.5 per cent in the *United Kingdom* and 12 per cent in *Norway*, 3.4 percentage points and 2.8 percentage points, respectively, below the peaks in 1996/97. In the *United States*, the net rate of return was 7.3 per cent in 1992, 2.6 percentage points below the peak in 1996/97. In *Germany* and *Belgium*, the net rate of return was 2.7 per cent and 8.8 per cent, respectively in 1993, 1 percentage point and 3.3 percentage points, respectively below the recent peaks. For *Finland*, the net rate of return was 4.1 per cent in 1991, 12.0 percentage points below the peak in 1998.



Analysis of manufacturing companies' profitability in the international context

Chart 3 set out a comparison of manufacturing companies' profitability in Belgium, Canada, Finland, Netherlands, Norway and Spain. **Chart 4** compares manufacturing companies' profitability in the United Kingdom and the United States.

In *Norway*, and in the *United Kingdom*, manufacturing companies' rates of return has improved since 1991. This improvement has been supported by the modest growth in net capital stock. Net rates of return were between 10.5 per cent to 11 per cent in 1997. This was in line with the return of 10.3 per cent recorded by manufacturing companies in *Spain*. Manufacturing companies in *Belgium*, *Finland* and the *Netherlands*, and the *United States*, all recorded higher rates in this year.

In *Belgium*, the improvement in profitability in the 1990s was from a trough in 1993. The recovery in 1994 was dramatic; an increase of over 75 per cent in the net operating surplus of manufacturing companies. At 18.8 per cent in 1997, it was over 10 percentage points higher than in 1993. But, as a percentage share of corporate profits, the manufacturing companies' contribution fell to one-third in 1997, from 43 per cent in 1984.

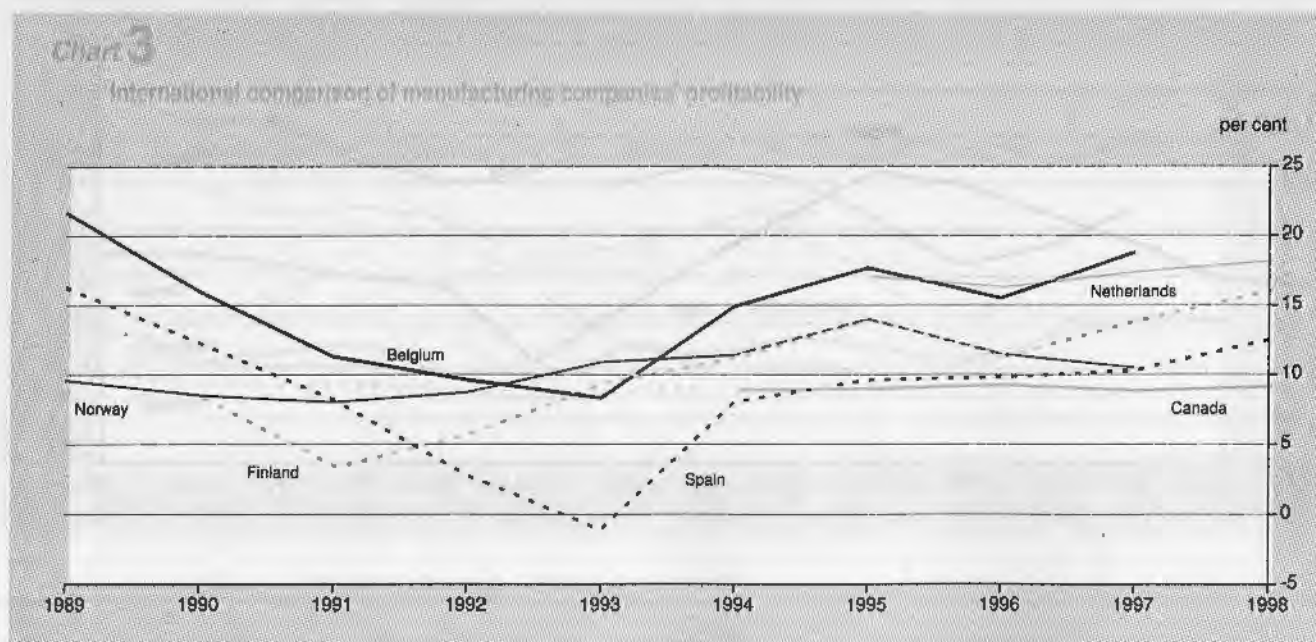
In *Canada*, profitability of the manufacturing sector is generally higher than the service companies. But, the range of return on capital is also narrower, at 9.0 per cent to 9.4 per cent, between 1994 to 1998.

In *Finland*, the improvement in manufacturing profitability was also from 1991. The return on capital in that year was 3.4 per cent. In 1998, it was 16.2 per cent.

Although, as stated earlier, *Ireland* does not produce rates of return, it has been able to produce the net operating surplus for manufacturing and service companies. It is interesting to note the strength in profits of the manufacturing industry in Ireland. The average annual rate of growth in the net operating surplus of manufacturing companies was 15 per cent between 1991 to 1998. Also, manufacturing companies' share of net operating surplus of all non-financial companies rose in this period, from 63 per cent to 71 per cent. In the *United Kingdom*, manufacturing companies did increase their share of net operating surplus in this period. But, it was at a lower level, 25 per cent in 1998 from 15 per cent in 1991.

Manufacturing companies' share of the gross operating surplus in *Netherlands* has been stable between 1995 and 1998. Profitability has been strong. The net rate of return rose from 17.1 per cent in 1995 to 18.3 per cent in 1998. Returns were amongst the highest recorded, internationally.

In *Spain*, manufacturing companies' profitability rose to a peak (16.3 per cent) in 1989. The low point came in 1993 when a negative return on net assets of 1.1 per cent was recorded. The recovery in 1994 was strong and has been steady since. In 1998, the return on net assets was 12.5 per cent. A further rise to 12.9 per cent has been recorded in the third quarter of 1999.



Profitability of manufacturing companies in the *United States* is calculated on a different basis. The Bureau of Census publishes the *Quarterly Financial Report for Manufacturing, Trade and Mining Corporations*. This report provide income statement and balance sheet data, based on financial statement accounting data for manufacturing corporations with assets over \$250,000. The data are used by the Bureau of Economic Analysis to extrapolate tax-return based estimates that are available with a two-year lag. Rates of return are calculated and published either as cents per dollar of sales or as a percentage of equity. The data shown in **Chart 4** are the annual rate of profit after taxes on equity for the final quarter of each year shown. Data are published as quarterly series. Annual data are not, however, calculated. There is little difference between averaging the four quarters' data or taking one plot of the annualised data at one specific quarter. The annual rate at the fourth quarter has, therefore, been plotted. Breaks in series have occurred. These were in 1981, 1986 when a re-definition of manufacturing took place, and in 1995 when there was a change in the sample survey of manufacturing companies.

There are similarities between manufacturing companies in the *United States* and the *United Kingdom* (**Chart 4**). First, there is the comparability in profitability in the troughs of economic activity in 1979/82 and 1990/92. Second, similar peaks are recorded in 1988/89. But, one difference is the current strength in manufacturing in the two countries. In the United Kingdom, the manufacturing companies' rate of return has improved steadily in each year since 1991. In the United States, the recovery is a little stronger. But, whereas in 1998 profitability remained strong in the United Kingdom, in the United States, manufacturing companies reported a lower growth rate in the fourth quarter of 1998. The latest published data for the second quarter of 1999 shows, however, a rate of return earned by manufacturing companies in the United States of 17.5 per cent. This compares with 16.0 per cent in the first quarter and 14.9 per cent in the second quarter of 1998.

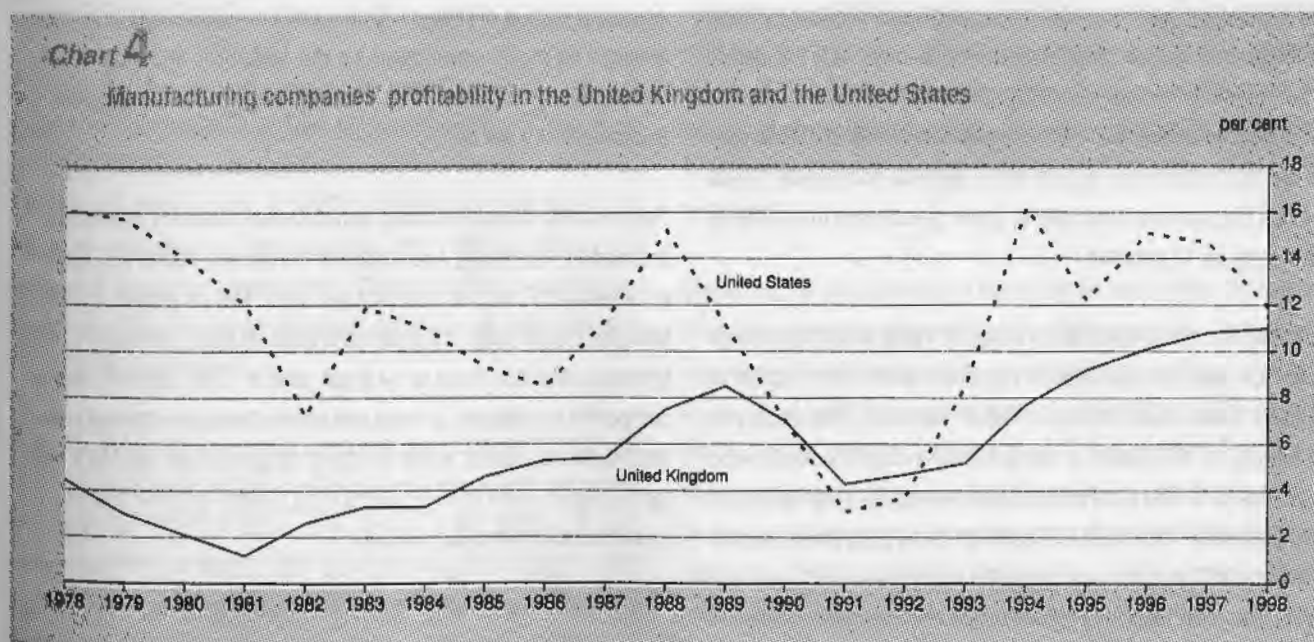
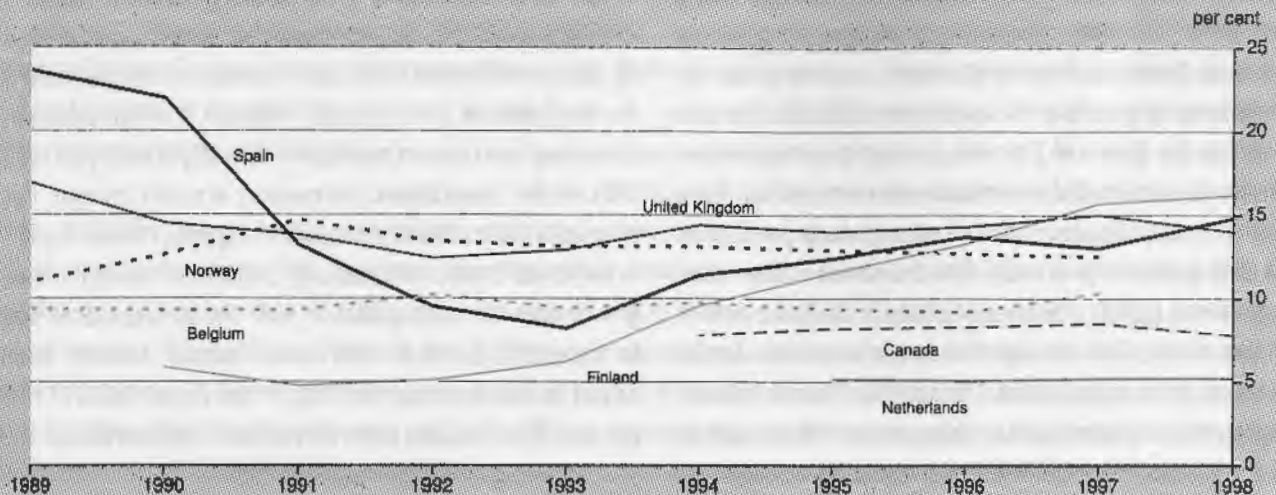


Chart 5

International comparison of service companies' profitability



Analysis of services companies' profitability in the international context

Chart 5 compares profitability in the service companies in the United Kingdom, Belgium, Canada, Finland, Netherlands, Norway, and Spain.

Service companies' profitability in the 1990s for the *United Kingdom* and *Norway* has remained in a narrow range of rates of return of 12.5 per cent to 15 per cent. This reflected stable profitability gains. In both countries, capital intensity in service companies was probably quicker than in manufacturing companies. Net capital increased at current prices by over 50 per cent since 1990. This was also the case in *Belgium*, but net capital increased at current prices by close to 100 per cent and the range of returns was lower, at 9 per cent to 10 per cent. And, this was despite the growth in the service companies' contribution to non-financial companies' profits to one-fifth in 1997, from 7 per cent in 1984. Service companies' profits growth in Belgium has been stable, growing each year in the 1990s, on average, by 12 per cent.

In *Canada*, the net rates of return shown in **Table 5** are the average of the four main service sectors (transport and communications, wholesale trade, retail trade and 'other' services). The decline in profitability in 1998 was in all sectors, except transport and communications. The most profitable service sector is transport and communications. The return on capital for these companies was 8.8 per cent in 1998, but this was below the recent peak of 9.5 per cent in 1996. The retail trade has reported falls in the return on capital in each year since 1995.

In *Finland*, the depth of the 1991/92 recession was not as severe as in the manufacturing sector. The rate of return for service companies was 4.7 per cent in 1991, and has risen steadily to 16.0 per cent in 1998.

Service sector companies in *Ireland* had a difficult period in 1991/1992. In subsequent years, profits have been more volatile than in the manufacturing sector. In three of the four years, 1995 to 1998 (but not 1997), the growth in net operating surplus exceeded 20 per cent.

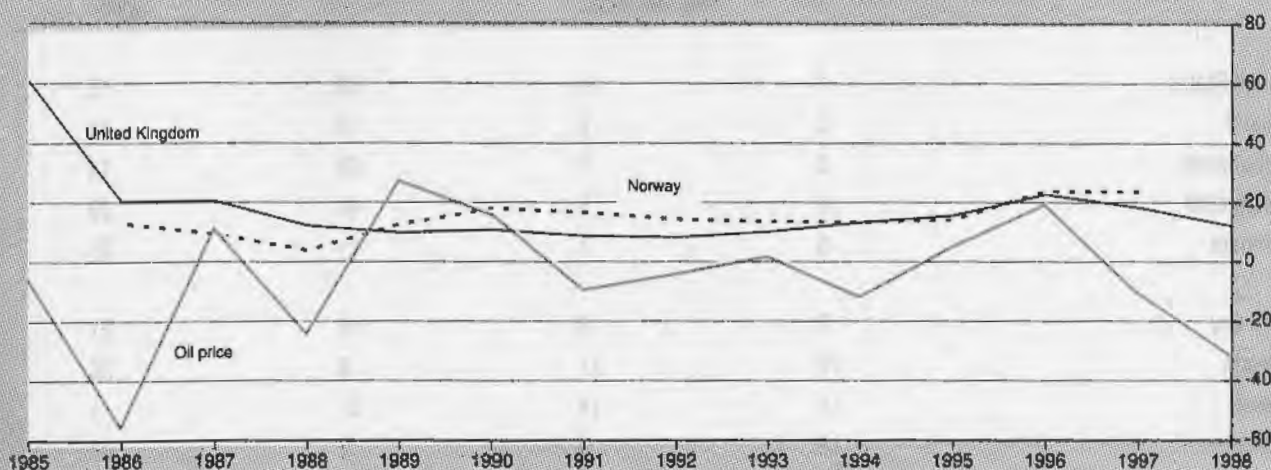
In the *Netherlands*, service companies (trade, hotels, transport and real estate) maintained between 1995 to 1998 a share of total gross operating surplus of close to 40 per cent. This was largely due to the strength in profits generated by the transport and real estate companies in 1997 and 1998. The net rate of return was stable in this period, at 5 per cent.

Returns on net assets recorded by distributive trades in *Spain* (shown in **Chart 5**) was strong and volatile in the second half of the 1980s, at between 17 per cent and 43 per cent. The recession of 1993 brought returns down to 8.2 per cent. Subsequently, profitability has improved and had risen to 14.8 per cent in 1998. Service sector companies in transport, storage and communications reported lower returns on net assets, within a narrow range of 5 per cent to 8 per cent between 1983 to 1998. In the third quarter of 1999, the return on net assets rose to 8.3 per cent.

Chart 6

International comparison of UK and Norwegian companies operating in oil and gas extraction

per cent



The Internal Revenue Service of the Department of the United States Treasury presents *United States* corporate profits based on tax accounting standards, but the balance sheets are based on financial accounting standards. Data are available by industries including manufacturing and services (the latest data are for 1996), but rates of return are not calculated. Data are also available for the corporate profits of transportation and public utilities and the wholesale and retail trades. These data are produced in the context of US national accounts. There was greater volatility in profits in the 1990s generated by these service companies, than in the profitability measures (discussed earlier) for manufacturing companies.

Analysis of oil and gas exploration profitability in the international context

For UK and Norwegian companies operating in oil and gas exploration, profitability has been largely determined by oil prices (Chart 6). The major collapses in the oil prices were in 1986, 1988, 1991/92 and more recently in 1997/98. 1996 was a peak year in the 1990s for companies in both countries, when rates of return of 23 per cent to 24 per cent were earned. Chart 6 shows the percentage change in oil prices and the net rates of return of companies operating in oil and gas exploration.

In the United Kingdom, the fall in the net rate of return in 1997 and 1998 reflected both the fall in oil prices and the rise in net capital employed. In 1999, oil prices rose, linked to the production cuts agreed by OPEC in March 1999 and improving prospects for world demand. As a consequence, profits rose in the second and third quarters of 1999.

World competitiveness

This article has concentrated on rates of return on capital as a relevant economic indicator of competitiveness in its own right. Competitiveness is very difficult to measure. The IMD management school in Lausanne has published the *The World Competitiveness Yearbook* for the past ten years. The 1999 Yearbook includes some indicators which are traditionally used in assessing competitiveness. Specific indicators are listed in the 'scorecard' shown in Table 4. For the 18 countries under review in this article, GDP per capita, output per person and companies' financial health are ranked.

IMD ranks the United Kingdom as 45th in the world in terms of output per person and 23rd in terms of GDP per capita. For a separate indicator, the financial health of companies the United Kingdom is ranked 25th. Overall, taking into account more qualitative economic measures of competitiveness, the United Kingdom is ranked at 15th. And, the World Economic Forum ranked the United Kingdom as 8th in the world.

Looking at the data provided in this article on profitability, the United Kingdom compares favourably with other countries. Companies operating in the United Kingdom are efficient in generating a relatively high level of profit from a given level of capital. This contrasts with the productivity measures used by the IMD. But, productivity indexes can be misleading indicators. Rapid productivity growth may simply be due to starting from a very low level of productivity and then catching up. For example, US productivity growth has tended to be relatively low, but the level of productivity is still high.

Table 4 World competitiveness 'scorecard': 1999

	Global rank	Companies' financial health	Productivity*	GDP per capita+
United States	1	18	46	16
Finland	3	2	12	10
Netherlands	5	3	29	14
Switzerland	6	6	41	29
Denmark	8	7	11	25
Germany	9	8	14	21
Canada	10	17	6	26
Ireland	11	14	21	1
Australia	12	9	2	17
Norway	13	13	31	30
Sweden	14	1	40	20
United Kingdom	15	25	45	23
Japan	16	36	24	39
Austria	19	19	3	24
France	21	16	13	13
Belgium	22	11	4	19
Spain	23	10	39	11
Italy	30	23	23	31

* Percentage change of real GDP per person employed. + Real GDP per capita, computed on a local currency and constant prices basis.

Conclusions

In the international context, there is evidence that profitability of the non-financial company sector in the 1990s has strengthened. It is too early to say whether recent peaks in profitability of the corporate sector, in 1998 for Germany, Netherlands, Spain and Finland and in 1997 for the United States, Belgium, Norway and the United Kingdom will be emulated in 1999. Or, whether Japan's profitability will recover from a low point in 1997.

The growth in capital in most countries has not been as strong in the 1990s, as it was in the 1980s. With profits continuing to be generated, this could indicate that companies are able to generate greater profitability from a given level of capital, than previously.

It is perhaps surprising that manufacturing industry has survived the 1990s with strength in their profitability. And most countries reported

higher rates of return in manufacturing than in service companies. These trends were supported by strong growth in manufacturing companies using new IT and communications techniques to develop existing and new business. Where service company profitability was higher, in the United Kingdom, Spain and in Norway, the differential with manufacturing companies in rates of return on capital has narrowed since 1990.

Finally, companies in the United Kingdom and Norway operating in the North Sea show remarkably similar patterns in profitability. This is, in large part, determined by swings in the oil price.

A future update of this article will expand the number of countries, provide more insight into international trends and report further on the moves to internationally agreed measures of capital.