

# Economic trends

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## In Brief

### Articles

This month we feature two articles.

Tim Andrews of the ONS introduces the programme of new investment in economic statistics. This work is an important step towards the strategic goal of the Economic Statistics Directorate, i.e. to paint a comprehensive, coherent and timely picture of the UK economy. The projects listed have many interactions between them, e.g. service sector prices improvements feed into the new Index of Services. Work on many projects started from April 1999. A package of further improvements to economic statistics will be funded using funds from the ONS efficiency review and announced in a further article (page 41).

Jim O'Donoghue of the ONS summarises recent and planned methodological improvements in the broader measure of inflation called the Final Expenditure Price Index (FEPI), that is currently produced on an experimental basis. The article provides the background to the construction of the FEPI and describes a method to base the government component on output prices, making it consistent with other components of the FEPI. The convergence of the ICP and HICP is also discussed (page 51).

### Recent economic publications

#### Annual

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

*Financial Statistics Explanatory Handbook 2000*. The Stationery Office, ISBN 0 11 621252 7. Price £39.50.

#### 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)*: November 1999. The Stationery Office, ISBN 0 11 537343 8. Price £185 p.a.

*Financial Statistics*: January 2000. The Stationery Office, ISBN 0 11 621184 9. Price £23.50.

*Monthly Review of External Trade Statistics (MM24)*: October 1999. The Stationery Office, ISBN 0 11 537240 7. 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 – FEBRUARY 2000

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## Overview

Provisional data for the fourth quarter shows that the economy continued to grow robustly. In the manufacturing sector growth remains concentrated in the high-tech industries, with other industries weaker. 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, a pick up in global demand has led to very strong increases in exports to both EU and non-EU countries in the third quarter, but modest evidence of some fall back into the end of the year. 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 in November remained just below five per cent, as it has for the whole of 1999. 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.

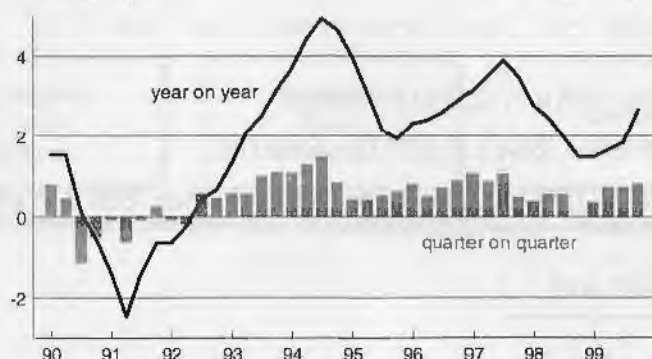
## GDP Activity

The preliminary estimate of GDP shows the economy grew by 0.8 per cent into the fourth quarter, compared with growth of 0.8 per cent into the third. Annual growth increased sharply to 2.7 per cent, comparing GDP in quarter four with the same quarter a year ago (chart 1).

**Chart 1**  
GDP

seasonally adjusted

percentage change



## Output breakdown

Following the third quarter when manufacturing growth outpaced growth in the service sector, services output quarterly growth increased to 0.9 per cent from 0.6 per cent. The main driver of this increase was very strong activity in the communications industries. Provisional data also shows growth in the distribution and catering industries with moderate quarterly growth of 0.6 per cent, slightly down on the previous quarter. The early estimate for business services is also of modest growth, but with some weakness in computer services.

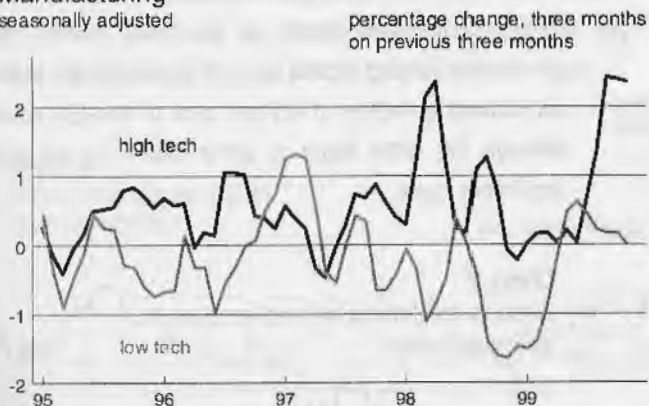
While an estimate for fourth quarter manufacturing output has not yet been published, monthly data continues to show ongoing strength. Growth in the three months to November was 1.1 per cent, which was down slightly from 1.2 per cent in the three months to October; this slowdown reflected more subdued figures from the middle of the year falling out of the comparison. Nevertheless the strength of manufacturing output remains concentrated in certain sectors of the economy. Chart 2 shows a



breakdown into high- tech industries (loosely defined here as engineering and allied and chemicals industries) and low-tech industries (the other components of the IOM). We see that the strength of output over the last six months has continued to be concentrated in the high-tech sectors of the economy, with the latest data recording little growth for other areas of the economy.

**Chart 2**

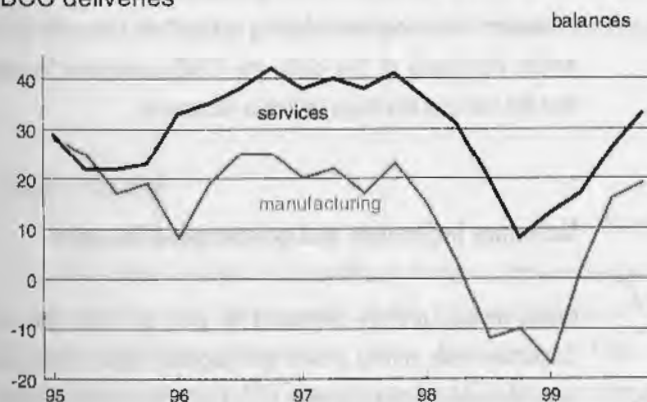
Manufacturing  
seasonally adjusted



External data largely echoes the story told by ONS data. The British Chamber of Commerce quarterly survey shows both manufacturing and service industries deliveries increasing into the fourth quarter (chart 3). However the same survey figures for the slightly more forward looking orders series, shows a slight increase for the manufacturing sector, but a modest decrease in the service sector.

**Chart 3**

BCC deliveries



## Domestic demand

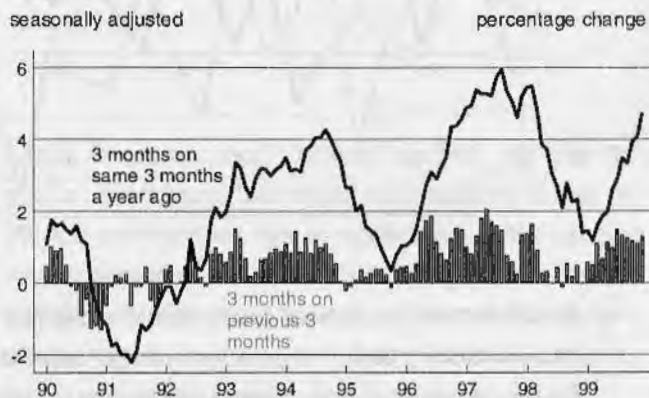
Annual growth in household final consumption expenditure in the third quarter is now estimated as 3.5 per cent, below previous estimates of 4.3 per cent. While the rate remains strong there is modest evidence of a slowdown in quarterly growth throughout the year to the third quarter. This was broadly echoed in the

retail sales data, where there was also a modest decline in the quarterly rate (chart 4). In the three months to December this decline reversed, with growth of 1.3 per cent in retail sales, compared to growth of 1.1 per cent in the three months to November. At an annual rate retail sales growth in the three months to December compared with the same period last year was 4.7 per cent, thus still echoing perceptions of strong consumer demand. It however remains noteworthy that growth in the volume of retail sales continues to outstrip growth in value. The latest data shows comparable annual growth in value terms at 3.8 per cent, up strongly from 3.2 per cent in November, but a way below the equivalent volume data.

**Chart 4**

Retail sales

seasonally adjusted



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. However the latest data from GfK showed a very strong increase into January, moving from +1 to +8, a figure last seen in 1997. Although one ought to interpret all figures around the millennium with some caution, due to the potentially exceptional consumption and retailing patterns.

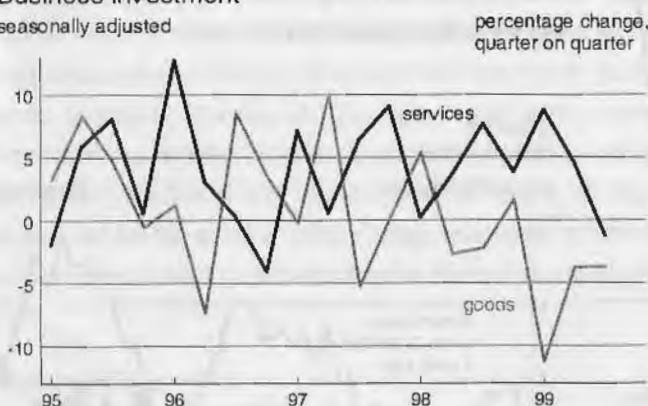
Investment demand has remained subdued over the last three quarters. Overall investment was estimated as up by 0.1 per cent in the third quarter, with an increase in dwellings investment partially offset by a fall in business investment. This follows growth of 0.3 per cent into quarter one and 0.6 per 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. Within business investment, manufacturing data (chart 5) shows falls over the previous two years, with latest data still reflecting a decline of -3.8 per cent compared with the previous quarter. Service sector investment

has remained more buoyant, with quarterly increases across most of the last three years. The latest two periods however seem to suggest a slowdown in activity on this side of the economy as well. As with consumption, investment data 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.

**Chart 5**

Business investment

seasonally adjusted

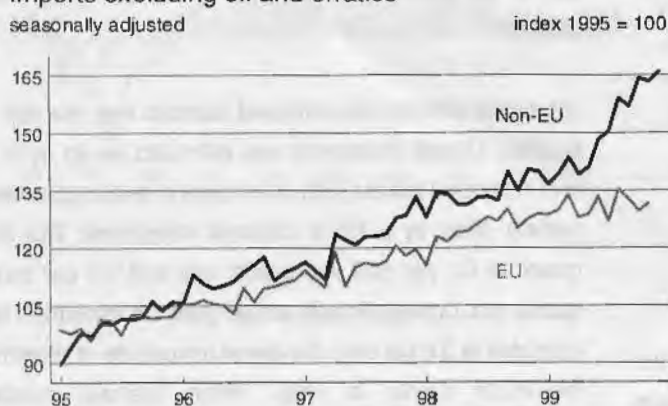


On UK demand for overseas goods, chart 6 shows how there was substantial growth of imports from non-EU countries from the second quarter of 1999, whereas imports from EU countries have remained much more subdued. Looking at annual rates excluding oil and erratic items, growth in the three months to December was 18.9 per cent for non-EU countries and a much more moderate annual growth in the three months to November of 3.0 per cent from EU economies. The differences between the two regions may be accounted for by the impact of price cutting in South East Asian economies.

**Chart 6**

Imports excluding oil and erratics

seasonally adjusted



## Overseas demand and balance of payments

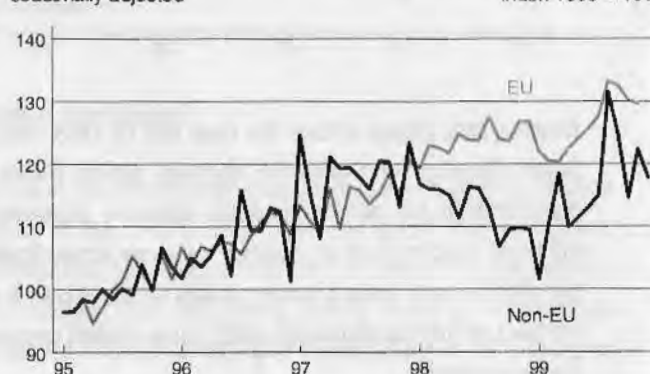
Following the sharp slowdown in 1998, reflecting the South East Asian crises, export growth picked up again in 1999. Chart 7 showing underlying data excluding oil and erratics, grew at an increasing pace throughout the year up until the third quarter (where National Accounts data showed a fairly unprecedented growth of 6.0 per cent). The latest observations into the last months of 1999 provide some evidence of a fallback from the heights of the third quarter. In the latest months, quarterly growth of underlying exports was 1.6 per cent to EU economies, but showed a decline of 4.5 per cent to non-EU economies, although this latter figure is partly driven by the very high September figure.

**Chart 7**

Exports excluding oil and erratics

seasonally adjusted

index 1995 = 100



The relative strength of both exports and imports are such that the balance of trade deficit widened again to 1.5 billion in November following the widening in October. However given the earlier narrowing of this data, the ONS continues to estimate that the trend in the trade deficit is narrowing.

## Monetary indicators and government finances

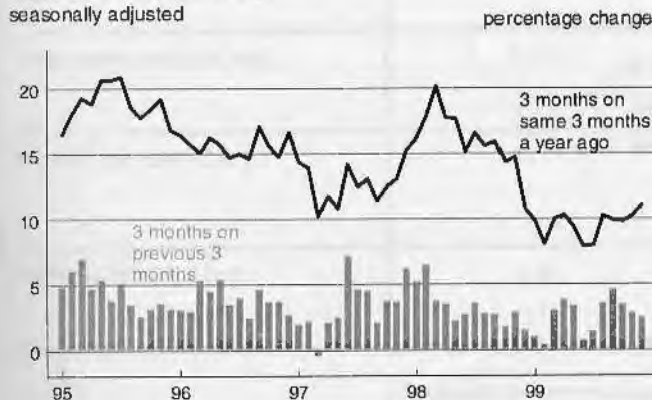
Broad money growth continued to pick up very gradually in December with annual growth provisionally estimated at 3.6 per cent, following annual growth of 3.4 per cent in November. The very low overall rate continues to be strongly influenced by the substantial decline in the rate of growth of other financial corporations' holdings of M4 assets. Growth in narrow money has surged over the last three months. Estimates show annual growth in January 12.7 per cent, following December at 11.7 per

cent. This growth has been driven by a massive increase in notes and coin reflecting a substantial injection of liquidity into the economy over the Christmas and new year period to cover for any unprecedented demand as a result of the millennium.

Data for consumer credit provides information on the strength of consumer demand. Chart 8 shows that in recent months the quarterly rate of increase has been more substantial than at the start of the year, but is declining a little over recent months. The annual rate has picked up very modestly, but remains a way below figures during 1998, as well as 1995 and most of 1996.

**Chart 8**

Gross consumer credit  
seasonally adjusted



Public sector net borrowing for the financial year 1999-2000 continues at considerably lower levels than in 1998-99. The outturn data to December shows a net repayment of £0.3 billion compared with borrowing of £2.7 billion in the same period of 1998-99. This reduction in borrowing, despite higher levels of expenditure, is largely being achieved by increased Inland Revenue tax receipts.

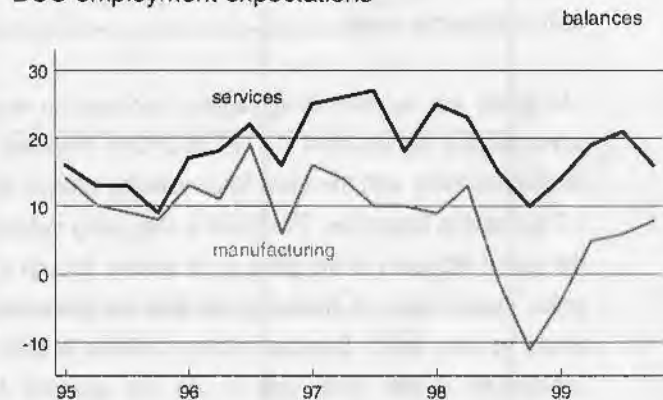
## Labour Market

The latest labour market data continues to show improvements to employment, but levelling off of the ILO unemployment. Between September–November and June–August 1999 employment grew by 60,000 according to the LFS. This increase reflected growth of 0.2 per cent, down on the growth of 0.4 per cent between June–August and Mar–May. Employer survey data for the third quarter however showed a reduction in employment of 51,000; a quarterly fall of 0.2 per cent. Looking ahead, the BCC survey asks firms about their employment intentions, this

data (chart 9) shows manufacturing expectations picking up steadily since the end of 1998. The service picture is more difficult to interpret, with positive balances, but a slight decline into the latest period.

**Chart 9**

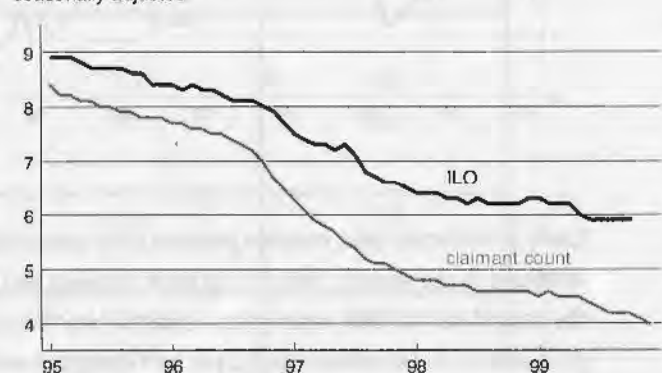
BCC employment expectations



Turning to unemployment, following resumed falls over the summer, recent figures have shown some tendency to level off. The ILO unemployment rate remained stable at 5.9 per cent between September–November and June–August 1999. Similarly the rate of improvement of the claimant count seemed to level off over August – September, at 4.2 per cent, but has fallen by 0.2 per cent over the latest two months (chart 10).

**Chart 10**

Unemployment rates  
seasonally adjusted



The headline rate of average earnings remained at 4.9 per cent in November; a slight fall in service sector earnings was offset by an increase to manufacturing earnings. The strength of manufacturing earnings, at an annual growth of 4.5 per cent is seen in industries across the board, but particularly relates to overtime payments.

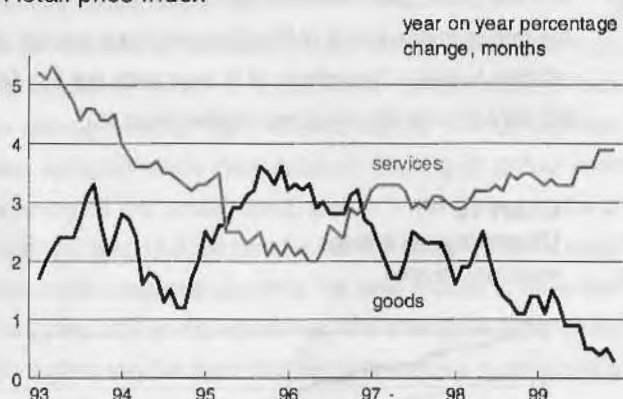


## Prices

In the twelve months to December the all items RPI increased to 1.8 per cent from 1.4 per cent in November. The increase largely reflected increases to housing costs, following recent base rate increases. Excluding these effects, the governments target measure (RPIX) showed prices growth of 2.2 per cent, the same as in the previous month.

The goods and services dis-aggregation continues to reveal a rather different picture (chart 11). Goods inflation continues on a downwards trend, with the latest figure showing inflation of only 0.3 per cent in December. This figure is also being distorted by the recent increases in the price of oil feeding through to the prices of petrol and oil. Excluding this data the goods inflation would be even lower. Services inflation however is both at a substantially higher level and is on an upwards trend. Nevertheless a large part of this recent increase reflects recent price increases in the insurance industry.

**Chart 11**  
Retail price index



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 December was 2.3 per cent compared with 2.1 per cent in November. The underlying measure excluding food, beverage, tobacco and petroleum products showed an annual increase for the third time in a row, with growth of 0.5 per cent in the year to November. Headline input prices also continued to increase very strongly; with annual growth of 12.1 per cent in December, reflecting the ongoing impact of the increase in oil prices. Without the effects of oil, the increase to the underlying measure has picked up recently but only very modestly contrasted with the headline rate. The latest December data shows an annual increase of 0.5 per cent.



# Forecasts for the UK Economy

## A comparison of independent forecasts, January 2000

The tables below are extracted from HM Treasury's "FORECASTS FOR THE UK ECONOMY" and summarise the average and range of independent forecasts for 2000 and 2001, updated monthly.

	Independent Forecasts for 2000		
	Average	Lowest	Highest
GDP growth (per cent)	3.0	2.0	4.0
Inflation rate (Q4: per cent)			
- RPI	2.9	1.8	4.2
- RPI excl MIPs	2.2	1.6	3.0
Unemployment (Q4, mn)	1.11	0.98	1.35
Current Account (£ bn)	-14.0	-27.2	-8.3
PSNB *(2000-01, £ bn)	-5.8	-20.1	0.0

	Independent Forecasts for 2001		
	Average	Lowest	Highest
GDP growth (per cent)	2.6	1.6	4.0
Inflation rate (Q4: per cent)			
- RPI	2.3	1.2	3.0
- RPI excl MIPs	2.4	1.5	2.8
Unemployment (Q4, mn)	1.07	0.80	1.35
Current Account (£ bn)	-14.9	-33.4	-5.0
PSNB* (2001-02, £ bn)	-5.2	-17.6	0.0

NOTE: "FORECASTS FOR THE UK ECONOMY" gives more detailed forecasts, covering 27 variables and is published monthly by HM Treasury, available on annual subscription, price £75. Subscription enquiries should be addressed to Miss C T Coast-Smith, Public Enquiry Unit, HM Treasury, Room 110/2, Parliament Street, London SW1P 3AG (Tel: 0171-270 4558). It is also available at the Treasury's internet site: <http://www.hm-treasury.gov.uk>.

\* PSNB: Public Sector Net Borrowing.

# International Economic Indicators – February 2000

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## Overview

The EU, the US and Japan increased their exports substantially in the third quarter of 1999 as global demand improved. However, this did not prevent the US trade deficit from widening still further. There is evidence of inflation rates being on a modest upward trend in the EU, a clear upward trend in the US, but no upward trend in Japan. The data provides more evidence of recovery in the EU and Japan.

## EU15

The EU economies collectively recovered in the second quarter of 1999 from a slowdown in growth in the previous two quarters. The main driver of this pattern was external demand.

Eurostat have published GDP figures for 1999 quarter three. These show the EU economies expanding by 1.0 per cent, a rise from 0.6 per cent in the previous quarter. Private consumption, government spending and investment all made significantly stronger contributions to GDP growth in quarter three than in the previous quarter. Exports grew very strongly, though these were partially offset by strong import growth. A depreciating euro seems to have helped to provide considerable scope for domestic demand to improve before the risk of a worrying trade deficit would emerge.

Strong GDP growth in quarter three was broadly spread among the individual countries for whom quarterly data was published. These nine countries, covering the largest economies, ranged from 0.7 per cent for Finland and Germany to 1.1 per cent for Spain and the Netherlands.

Returning to the OECD data, industrial production grew by 1.3 per cent in the third quarter of 1999. Production growth has strengthened in each quarter since the final quarter of 1998 when it declined by 0.8 per cent. These improvements are in line with recovering external demand.

Retail sales grew by 0.4 per cent in quarter three. This growth rate could be expected to have been higher in the light of strong private consumption and high levels of consumer confidence in the quarter. In this context, it should be noted that retail sales tend to be more volatile than private consumption as a whole.

Annual consumer prices rose by 1.5 per cent in November 1999. Disaggregating the index, energy prices rose by 5.8 per cent while food prices increased by just 0.1 per cent. Within food, the prices of many products have fallen with a depressing effect on agricultural incomes.

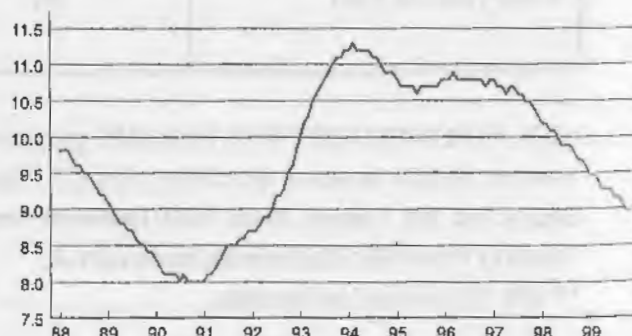
Producer prices rose by 2.1 per cent in the year to November 1999. This represents a sharp turnaround from the previous February when annual producer prices declined by 2.1 per cent. Oil is the single most significant contributory factor.

Earnings grew by 2.7 per cent in the year to the third quarter. It remains to be seen if higher rates of consumer price inflation will transmit to wage inflation. Pay settlements, for example, tend to be determined early in the year.

The rate of unemployment in the EU remained at 9.0 per cent in November 1999. However, the trend remains downward since the rate peaked at 10.9 per cent in March 1996. France and the UK have contributed most strongly to this trend. The rate is at its lowest since June 1992 (chart 1).

Chart 1

EU15 - unemployment rate



## Germany

German economic growth recovered from just 0.1 per cent in quarter two to 0.7 per cent in quarter three. Excluding stockbuilding, the increase in domestic demand in quarter three fully offset the decline in quarter two. Trade made a significant positive contribution to GDP growth in the third quarter also, with exports growing strongly for the second consecutive quarter. The average monthly trade surplus was 5.4 billion euro's in the third quarter.

Industrial production grew by 0.2 per cent in the third quarter, having grown by 0.8 per cent in the previous quarter. At the same time, business confidence was close to its long run trend. Manufacturing orders were up considerably between the second and third quarters. They have remained strong in October and November.

On the other hand, retail sales volumes declined by 0.7 per cent in the third quarter of 1999. Retail sales are not in line with the performance of private consumption in quarter three though consumer confidence did dip. It is notable that German retail sales data fluctuates widely from month to month and that quarter three includes two steep monthly falls.

Annual consumer prices rose by 0.2 percentage points in November and December 1999 to a rate of 1.2 per cent. On a common EU measure of consumer price inflation (HICP), the German annual rate was the fourth lowest in the EU for November 1999.

Annual producer prices inflated by 0.7 per cent in November 1999, having deflated from June 1998 to September 1999. The index rose for the sixth consecutive month in November 1999.

Annual earnings grew by 2.7 per cent in the third quarter. The transmission of recent trends in inflation to wage growth would be expected to impact after a lag.

The rate of unemployment was 9.1 per cent in November 1999. The rate had been creeping slowly upwards in the first nine months of 1999, in contrast with the downward trend in the EU as a whole. However, the numbers of unemployed fell in each of the latest two months. As with other German economic data, labour market indicators have recently been cautiously, but not unambiguously, pointing to German economic recovery.

## France

The French economy expanded vigorously in the third quarter of 1999, by 1.0 per cent. This continues a run of impressive growth since the start of 1997. Growth in 1999 quarter three was particularly buoyant, given that stocks declined in actual terms and made a significant negative contribution to GDP. Both domestic and external demand made strong contributions to GDP growth. Cars and pharmaceuticals have generally been the most dynamic components of private consumption since the start of 1998.

Export growth in the third quarter allowed the average monthly French trade surplus to almost double between quarter two and quarter three, despite strong domestic demand. The surplus rose from a monthly average of 1.2 billion euro's in the second quarter to an average of 2.2 billion euro's in the third quarter. In quarter three, exports of cars and capital goods were particularly strong. At the same time, exports rose to all broad geographical areas. Within the EU, exports to the UK and Spain were particularly strong in the quarter.

Industrial production grew by 2.1 per cent in the third quarter of 1999. Growth in the production of cars was 3.3 per cent. The surge in production suggests an intensification of resource usage. This is supported by a rise in capacity utilisation in the quarter. The rate of capacity utilisation ended the quarter significantly above its long run average.

Retail sales volumes increased by 0.9 per cent in the third quarter of 1999. The following two months also show positive growth. The INSEE measure of consumer confidence increased in each of the four months to November 1999, to its most optimistic balance since the survey began in 1987.

Annual consumer price inflation increased by 0.4 percentage points in December 1999, to 1.3 per cent. This reflects a rise of 0.5 per cent in the index in December 1999. Annual producer price inflation rose by 0.8 per cent in November 1999, having fallen by 3.1 per cent in the previous March. This reflects a rise in producer prices of 1.7 per cent since a trough in March and April 1999.

Employment growth in the year to the third quarter of 1999 was 1.7 per cent, coinciding with GDP growth of 3.0 per cent. Economic growth over this period has been employment-



intensive and the unemployment rate consequently fell to 10.9 per cent in 1999 quarter three from 11.7 per cent in the same period of 1998. Further monthly reductions saw the rate decline to 10.5 per cent in November 1999. However, the rate remains high; within the euro-zone, only Italy and Spain have a higher rate of unemployment.

## Italy

Italian economic growth from the start of 1998 to the second quarter of 1999 has significantly underperformed that of the EU15. Though domestic demand has been quite weak, the primary cause of poor growth over this period has been exports. These fell in five of the six quarters to 1999 quarter two. As elsewhere, Italian exporters have had to cope initially with a fall in global demand, followed by strong price competition from discounted South East Asian products. However, these factors may have been exacerbated in Italy. Italy tends to export more to emerging economies than other EU countries and it tends to specialise in sectors particularly exposed to price discounting from emerging economies. On the other hand, Italian exporters would be expected to gain from the depreciating euro and the strength of global demand in quarter three.

Echoing this, Eurostat figures for 1999 quarter three show that Italian exports recovered strongly. With imports declining, trade made a substantial positive contribution to GDP growth of 0.9 per cent. The improvement in domestic demand was much less marked. Within this, investment showed the largest increase in growth.

Industrial production grew by 1.7 per cent in quarter three, boosted by the recovery in external demand. This followed a decline of 2.7 per cent over the previous six quarters. Echoing this improvement, business sentiment improved consistently in the five months to October.

Annual consumer price inflation crept up further to 2.1 per cent in December 1999. The annual rate of producer price inflation increased sharply for the second consecutive month to reach 2.2 per cent in November 1999. These trends are roughly in line with the EU as a whole. A concern though is the fact that inflation rates slightly exceed those of the EU15 even though Italian economic growth has been relatively modest since the start of 1998.

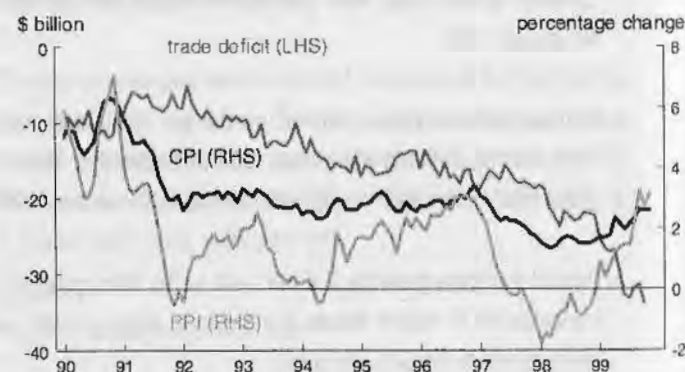
The Italian rate of unemployment declined to 11.1 per cent in October 1999. The rate declined by 0.7 percentage points from October 1998, the month in which a clear downward trend began. This followed four years in which the rate remained within a range of 11.4 to 11.9 per cent.

## USA

The US economy has expanded strongly since the start of 1992. Domestic, rather than external, demand has provided most of the basis for this growth, especially private consumption. Thus, a key feature of this phase of growth has been the continuous widening of the trade deficit as import growth exceeds that of exports. This has been particularly true in the six quarters to 1999 quarter two. Over this period, private consumption strengthened further while global demand suffered a setback and many currencies depreciated against the dollar. While the trade deficit has probably acted as a powerful check on inflation by relieving pressure on domestic sources to meet domestic demand, it has become a matter of concern as it sets new records quarter after quarter. In particular, if a large deficit is combined with serious inflationary concerns, interest rate rises could act to make the deficit worse by strengthening the US dollar. Symmetrically, a depreciation of the dollar to ease the trade deficit would be inflationary.

**Chart 2**

USA trade deficit, CPI and PPI annual inflation rates



Figures released by Eurostat show that the US economy grew by 1.4 per cent in the third quarter of 1999. This followed growth of just 0.4 per cent in quarter two as domestic demand temporarily slowed. The increased pace of quarterly growth was attributable to marked improvements in both domestic and external demand.



Domestic demand resumed its strong growth after a one quarter slowdown. Exports increased significantly, in line with strong global demand and world trade in quarter three. However, import growth maintained its strength seen in the previous two quarters to outweigh export growth and widen the trade balance further. In October 1999, the trade deficit was US\$33.7 billion.

Industrial production grew by 1.2 per cent in the third quarter of 1999, mirroring growth of 1.2 per cent in the previous quarter. Monthly growth has been positive in every month of 1999 to November.

Retail sales volumes grew by 2.3 per cent in 1999 quarter three, and by 10.0 per cent in the year to that quarter. Retail sales have been strong since 1992, particularly so in 1998 and 1999. This is in line with private consumption. Consumer confidence has been steady at a high level throughout 1999. Commercial bank loans surged further in November 1999. Many analysts had already been worried about high levels of consumer credit.

Annual consumer prices remained at 2.6 per cent for the third successive month in November 1999. However, annual producer prices rose to 3.1 per cent. The divergence between annual consumer and producer price growth may be depressing profit margins. However, this effect on overall profits would be alleviated by buoyant sales. Earnings grew by 3.6 per cent in the year to quarter four. This is a significant increase from 2.1 per cent growth in the year to 1998 quarter four.

Employment grew by 1.5 per cent in the year to 1999 quarter four. The rate of unemployment declined to 4.1 per cent in the fourth quarter, from 4.2 per cent in the previous quarter. This is the lowest rate of unemployment since January 1970.

## Japan

The Japanese economy contracted by 1.0 per cent in the third quarter of 1999, following strong expansion in the previous two quarters, of 1.0 per cent in quarter two and 1.5 per cent in quarter one. Trade made a positive contribution to GDP growth in the third quarter as export growth outweighed that of imports as Japan shared in benefiting from the strength of global demand in quarter three.

However, domestic demand contracted sharply, primarily due to a large decline in investment. Private consumption also declined but much less severely. It is likely that a fiscal expansion that was undertaken by the Japanese government in the first half of

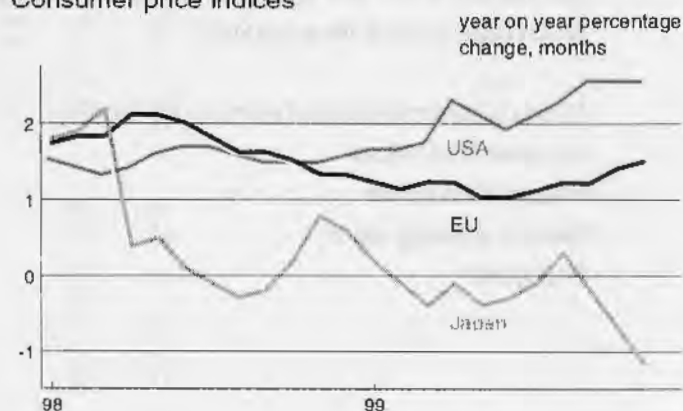
1999, to end five consecutive quarters of decline up to the end of 1998, was wound down by the third quarter. This fiscal expansion largely took the form of public investment projects. However, the high level of Japanese public debt meant it could only be a temporary measure. Nevertheless, the value of the Japanese stockmarket has increased substantially throughout 1999 and most analysts are predicting positive GDP growth in 2000.

Industrial production recovered very strongly in the third quarter of 1999, growing by 3.8 per cent. This followed a decline of 0.9 per cent in the year to 1999 quarter two and a decline of 8.0 per cent in the year to 1998 quarter two. Business sentiment improved in each of the three quarters to 1999 quarter four.

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 an annual rate of 1.2 per cent in November 1999. Annual producer prices declined by 0.5 per cent for the same month. In contrast to the EU and the US, the trends in the price indices have not been unambiguously upwards since early 1999 as oil prices impacted. The prices of many products are still falling, even excluding food. The Tokyo annual consumer price inflation rate for December 1999 was a decline of 1.5 per cent.

**Chart 3**  
Consumer price indices



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.

The labour market is recovering from a recession in which employment declined and unemployment rose to reach a record post-war high. Employment growth was also flat in quarter three, though it rose by 2.2 per cent in quarter two. In the year to November 1999, employment growth was flat. The unemployment rate reached 4.9 per cent in April and July 1999, a post-war high. However, in the four months to November 1999, the rate has declined to 4.5 per cent. The labour market provides some evidence for Japanese economic recovery.

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## 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 <sup>1</sup>	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl	Unempl
<b>Percentage change on a year earlier</b>														
	ILGB	HUDS	HUDT	HUDU	HUDV	HUDW	HUDX	ILGV	ILHP	HYAB	ILAI	ILAR	ILIJ	GADR
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	-3.5	-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	4.9	-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	0.3	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	2.8	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	1.4	9.9
1999	..	..	..	..	..	..	..	..	..	..	..	..	..	..
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	4.8	3.0	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	5.6	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	5.5	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	1.2	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	1.2	3.2	1.3	-1.8	1.8	1.5	9.7
1999 Q1	1.7	1.7	0.3	0.9	-0.1	0.2	1.3	0.3	2.5	1.1	-2.0	2.8	1.5	9.5
Q2	1.7	1.5	0.3	1.3	-0.4	0.4	1.4	0.3	3.1	1.1	-1.2	2.8	1.6	9.3
Q3	..	..	..	..	..	..	..	1.1	2.8	1.1	0.2	2.7	..	9.2
Q4	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1998 Dec	..	..	..	..	..	..	..	0.1	2.9	1.3	-1.9	..	..	9.6
1999 Jan	..	..	..	..	..	..	..	1.0	1.9	1.2	-2.0	..	..	9.5
Feb	..	..	..	..	..	..	..	-0.2	1.9	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	..	..	..	..	..	..	..	0.3	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	..	..	..	..	..	..	..	1.7	2.8	1.2	0.2	..	..	9.2
Sep	..	..	..	..	..	..	..	1.6	2.8	1.2	0.8	..	..	9.1
Oct	..	..	..	..	..	..	..	2.0	..	1.4	1.4	..	..	9.0
Nov	..	..	..	..	..	..	..	..	..	1.5	2.1	..	..	9.0
Dec	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	ILGL	HUDY	HUDZ	HUEA	HUEB	HUEC	HUED	ILHF	ILHZ					ILIT
1997 Q1	0.3	0.3	-0.2	-0.1	0.2	0.5	0.4	1.2	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	1.0	2.2					-0.6
Q2	0.6	0.5	-	-0.1	0.2	0.3	0.4	0.6	-0.3					1.0
Q3	0.6	0.4	-	0.5	-0.2	0.3	0.4	0.5	0.7					0.9
Q4	0.2	0.4	-	0.2	0.2	-0.4	0.2	-0.8	0.6					0.2
1999 Q1	0.4	0.4	0.2	0.4	-0.4	0.1	0.4	0.1	1.6					-0.6
Q2	0.6	0.3	0.1	0.2	-	0.5	0.4	0.6	0.3					1.1
Q3	..	..	..	..	..	..	..	1.3	0.4					..
Q4	..	..	..	..	..	..	..	..	..					..
<b>Percentage change on previous month</b>														
								ILKF	ILKP					
1998 Dec								-0.8	-0.9					
1999 Jan								0.8	0.9					
Feb								-0.5	-					
Mar								0.6	2.8					
Apr								-	-2.7					
May								0.3	0.9					
Jun								0.5	1.8					
Jul								0.6	-0.9					
Aug								0.5	-					
Sep								-0.3	-0.9					
Oct								0.6	..					
Nov								..	..					
Dec								..	..					

GDP = Gross Domestic Product at constant market prices  
PFC = Private Final Consumption at constant market prices  
GFC = Government Final Consumption at constant market prices  
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CPI = Consumer Prices, measurement not uniform among countries  
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Earnings = Average Wage Earnings (manufacturing), definitions of coverage and treatment vary among countries  
Empl = Total Employment not seasonally adjusted  
Unempl = Standardised Unemployment rates: percentage of total labour force

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	Imports	IoP	Sales	CPI	PPI	Earnings	Empl <sup>1</sup>	Unempl
Percentage change on a year earlier														
	ILFY	HUBW	HUBX	HUBY	HUBZ	HUCA	HUCB	ILGS	ILHM	HVLL	ILAF	ILAO	ILIG	GABD
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	1.3	1.0	-0.4	1.8	0.4	9.4
1999	..	..	..	..	..	..	..	..	..	0.6	..	..	..	..
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	3.2	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	-2.7	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	2.3	0.7	-0.6	2.1	0.7	9.3
Q4	1.2	1.4	-	-	1.1	0.2	1.4	1.5	2.3	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	0.3	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	2.5	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	-0.3	0.7	-0.7	2.7	..	9.2
Q4	..	..	..	..	..	..	..	..	..	1.0	..	..	..	..
1998 Dec	..	..	..	..	..	..	..	0.7	2.8	0.4	-1.9	..	..	9.3
1999 Jan	..	..	..	..	..	..	..	0.7	1.0	0.2	-2.3	..	..	9.0
Feb	..	..	..	..	..	..	..	-0.9	-0.5	0.2	-2.4	..	..	9.0
Mar	..	..	..	..	..	..	..	-1.9	0.5	0.4	-2.3	..	..	9.1
Apr	..	..	..	..	..	..	..	-0.3	1.8	0.7	-1.7	..	..	9.1
May	..	..	..	..	..	..	..	-0.2	0.1	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	1.2	0.7	-0.7	..	..	9.2
Sep	..	..	..	..	..	..	..	0.7	-1.7	0.7	-0.5	..	..	9.2
Oct	..	..	..	..	..	..	..	1.9	2.3	0.8	0.2	..	..	9.1
Nov	..	..	..	..	..	..	..	..	..	1.0	0.7	..	..	9.1
Dec	..	..	..	..	..	..	..	..	..	1.2	..	..	..	..
Percentage change on previous quarter														
	ILGI	HUCC	HUCD	HUCE	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	2.6				-1.7	
Q2	-	-	-0.1	-0.6	0.7	0.5	0.4	-	-2.8				1.2	
Q3	0.3	0.4	-0.1	0.5	-	-0.3	0.1	0.9	2.1				0.9	
Q4	-0.2	0.3	-0.2	-0.2	0.6	-0.7	-	-1.7	0.4				0.3	
1999 Q1	0.6	0.5	0.6	0.6	-1.1	0.2	0.2	0.2	0.6				..	
Q2	0.1	-0.2	-0.3	-0.2	0.7	0.9	0.8	0.8	-0.6				..	
Q3	0.7	0.4	0.1	0.2	-0.3	0.8	0.5	0.2	-0.7				..	
Q4	..	..	..	..	..	..	..	..	..				..	
Percentage change on previous month														
								ILKC	ILKM					
1998 Dec								0.7	-2.0					
1999 Jan								1.1	-0.5					
Feb								-1.3	-0.3					
Mar								0.1	5.2					
Apr								0.9	-5.7					
May								0.4	1.5					
Jun								0.2	2.9					
Jul								-0.5	-2.7					
Aug								1.2	1.6					
Sep								-0.9	-3.9					
Oct								1.7	3.9					
Nov								..	..					
Dec								..	..					

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



## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	Imports	IoP	Sales	CPI	PPI <sup>1</sup>	Earnings	Empl <sup>2</sup>	Unempl
Percentage change on a year earlier														
	ILFZ	HUBK	HUBL	HUBM	HUBN	HUBO	HUBP	ILGT	ILHN	HXAA	ILAG	ILAP	ILIH	GABC
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
1999	-	-	-	-	-	-	-	-	-	0.5	-	-	-	-
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	7.2	2.2	0.9	0.6	2.4	1.4	11.9
Q2	3.7	2.3	0.3	1.0	0.6	2.1	2.6	5.4	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	3.2	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	1.7	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	1.6	11.4
Q2	2.4	1.0	0.4	1.3	-0.2	0.5	0.5	0.5	1.9	0.4	-2.5	2.0	1.7	11.2
Q3	3.0	1.2	0.4	1.4	-0.5	1.5	1.0	2.9	2.3	0.5	-1.3	2.7	1.7	10.9
Q4	-	-	-	-	-	-	-	-	-	1.0	-	-	-	-
1998 Dec	-	-	-	-	-	-	-	0.9	1.6	0.3	-2.5	-	-	11.5
1999 Jan	-	-	-	-	-	-	-	1.8	0.2	0.2	-2.7	-	-	11.5
Feb	-	-	-	-	-	-	-	0.7	3.6	0.2	-3.0	-	-	11.4
Mar	-	-	-	-	-	-	-	0.5	6.5	0.4	-3.1	-	-	11.4
Apr	-	-	-	-	-	-	-	0.3	2.3	0.4	-2.8	-	-	11.3
May	-	-	-	-	-	-	-	0.4	0.9	0.4	-2.5	-	-	11.2
Jun	-	-	-	-	-	-	-	1.1	2.5	0.3	-2.2	-	-	11.2
Jul	-	-	-	-	-	-	-	2.9	4.5	0.4	-1.8	-	-	11.0
Aug	-	-	-	-	-	-	-	2.9	-0.4	0.5	-1.4	-	-	11.0
Sep	-	-	-	-	-	-	-	3.0	2.7	0.7	-0.7	-	-	10.8
Oct	-	-	-	-	-	-	-	3.4	0.5	0.8	0.3	-	-	10.6
Nov	-	-	-	-	-	-	-	-	4.0	0.9	0.8	-	-	10.5
Dec	-	-	-	-	-	-	-	-	-	1.3	-	-	-	-
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	0.8	-0.2				0.5	
Q2	0.8	0.7	0.1	0.3	-0.2	0.2	0.3	1.4	1.0				0.4	
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	0.2	1.5				0.3	
1999 Q1	0.4	0.1	0.1	0.4	-0.2	-0.2	-0.2	-0.4	0.4				0.4	
Q2	0.8	0.3	0.1	0.3	-0.1	0.7	0.5	1.0	-0.5				0.5	
Q3	1.0	0.5	0.1	0.4	-0.5	1.1	0.5	2.1	0.9				0.5	
Q4	-	-	-	-	-	-	-	-	-				-	
Percentage change on previous month														
								ILKD	ILKN					
1998 Dec								-0.7	-0.3					
1999 Jan								-0.1	0.5					
Feb								-0.4	-0.2					
Mar								1.0	1.1					
Apr								-0.2	-0.4					
May								0.5	-2.6					
Jun								1.0	2.9					
Jul								1.4	2.8					
Aug								-	-5.6					
Sep								-0.2	2.5					
Oct								0.8	0.5					
Nov								-	2.9					
Dec								-	-					

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Exports = Exports of goods and services  
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Sales = Retail Sales volume  
CPI = Consumer Prices, measurement not uniform among countries  
PPI = Producer Prices (manufacturing)  
Earnings = Average 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  
ILKD = Imports of goods and services  
ILKN = Exports of goods and services

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	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
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	8.6
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	11.8
1999	..	..	..	..	..	..	..	..	..	1.7	..	..	..	..
1997 Q1	-0.5	1.2	-	-0.3	-1.2	-0.1	-	-1.8	1.6	2.5	0.9	3.8	-	11.7
Q2	1.8	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	11.4
Q3	..	..	..	..	..	..	..	-0.2	..	1.7	-	..	..	11.2
Q4	..	..	..	..	..	..	..	..	..	2.1	..	..	..	..
1998 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	..	..	..	..	..	..	..	-2.8	..	1.5	-1.4	2.1	..	11.4
Jun	..	..	..	..	..	..	..	-1.2	..	1.4	-1.4	1.9	..	11.4
Jul	..	..	..	..	..	..	..	-1.9	..	1.7	-0.6	2.6	..	11.3
Aug	..	..	..	..	..	..	..	2.2	..	1.7	-	2.1	..	11.2
Sep	..	..	..	..	..	..	..	-0.6	..	1.8	0.8	..	..	11.1
Oct	..	..	..	..	..	..	..	0.9	..	2.0	1.6	..	..	11.1
Nov	..	..	..	..	..	..	..	..	..	2.0	2.2	..	..	..
Dec	..	..	..	..	..	..	..	..	..	2.1	..	..	..	..
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	..				..	
Q4	..	..	..	..	..	..	..	..	..				..	
Percentage change on previous month														
								ILKE	ILKO					
1998 Dec								-3.1	-2.7					
1999 Jan								2.2	..					
Feb								-0.9	..					
Mar								1.5	..					
Apr								-1.5	..					
May								-0.4	..					
Jun								1.4	..					
Jul								0.5	..					
Aug								0.9	..					
Sep								-0.5	..					
Oct								0.4	..					
Nov								..	..					
Dec								..	..					

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Empl = Total Employment not seasonally adjusted  
Unempl = Standardised Unemployment not seasonally adjusted

## Contribution to change in GDP

	GDP	PFC	GFC	GFCF	ChgStk	Exports	less Imports	IoP	Sales	CPI	PPI	Earnings	Empl <sup>1</sup>	Unempl
Percentage change on a year earlier														
	ILGC	HUDG	HUDH	HUDI	HUDJ	HUDK	HUDL	ILGW	ILHQ	ILAA	ILAJ	ILAS	ILIK	GADO
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
1999	..	..	..	..	..	..	..	..	..	..	..	3.0	1.5	4.2
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	5.3
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	4.8
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	4.7
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	..	..	..	..	..	..	..	3.7	10.0	2.4	2.3	3.9	1.4	4.2
Q4	..	..	..	..	..	..	..	..	..	..	..	3.6	1.5	4.1
1998 Dec	..	..	..	..	..	..	..	2.5	8.3	1.6	..	1.8	1.5	4.4
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	1.6	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	..	..	..	..	..	..	..	3.1	10.8	2.3	2.3	3.7	1.6	4.2
Sep	..	..	..	..	..	..	..	3.3	10.1	2.6	3.2	3.6	1.2	4.2
Oct	..	..	..	..	..	..	..	3.8	9.1	2.6	2.7	3.6	1.5	4.1
Nov	..	..	..	..	..	..	..	4.4	..	2.6	3.1	3.6	1.5	4.1
Dec	..	..	..	..	..	..	..	..	..	..	..	3.6	1.4	4.1
Percentage change on previous quarter														
	ILGM	HUDM	HUDN	HUDO	HUDP	HUDQ	HUDR	ILHG	ILJA				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	..	..	..	..	..	..	..	1.2	2.3				0.6	
Q4	..	..	..	..	..	..	..	..	..				0.3	
Percentage change on previous month														
								ILKG	ILKQ				ILLA	
1998 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								0.2	—				-0.6	
Oct								0.8	0.3				0.7	
Nov								0.3	..				0.1	
Dec								..	..				0.1	

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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 <sup>1</sup>	Sales	CPI	PPI	Earnings <sup>2</sup>	Empl	Unempl
<b>Percentage change on a year earlier</b>														
	ILGD	HUCU	HUCV	HUCW	HUCX	HUCY	HUCZ	ILGX	ILHR	ILAB	ILAK	ILAT	ILIL	GADP
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
1999	..	..	..	..	..	..	..	..	..	..	..	..	..	..
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
Q4	..	..	..	..	..	..	..	..	..	..	..	..	..	..
1998 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	..	..	..	..	..	..	..	1.2	1.1	-0.7	-0.8	1.1	-0.4	4.6
Nov	..	..	..	..	..	..	..	5.7	-2.2	-1.2	-0.5	-1.6	-	4.5
Dec	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Percentage change on previous quarter</b>														
	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				-	
Q4	..	..	..	..	..	..	..	..	..				..	
<b>Percentage change on previous month</b>														
								ILKH	ILKR				ILLB	
1998 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								-2.9	1.1				-0.2	
Nov								3.5	-2.2				-0.3	
Dec								..	..				..	

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



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

	Export of manufactures			Import of manufactures			Export of goods			Import of goods			Total trade	
	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	Total	OECD	Other	manufactures	goods
<b>Percentage change on a year earlier</b>														
	ILIZ	ILJA	ILJB	ILJC	ILJD	ILJE	ILJF	ILJG	ILJH	ILJI	ILJJ	ILJK	ILJL	ILJM
1991	3.5	2.4	8.9	5.5	4.0	10.5	3.8	3.4	4.9	4.5	3.5	7.5	4.5	4.1
1992	4.3	3.4	8.4	5.1	4.1	7.9	4.2	3.7	5.7	5.0	4.2	7.5	4.7	4.6
1993	4.2	1.5	15.3	3.5	0.3	12.5	3.9	2.1	9.1	3.3	0.9	10.3	3.8	3.6
1994	12.2	10.0	20.1	12.2	12.6	11.1	10.5	9.1	14.1	10.8	10.7	10.8	12.2	10.6
1995	9.9	10.2	8.6	10.7	10.1	12.4	8.7	9.0	7.8	9.4	8.4	12.2	10.3	9.0
1996	7.5	7.4	7.8	7.5	7.9	6.5	7.1	6.9	7.6	6.4	7.2	4.3	7.5	6.8
1997	11.7	12.4	9.6	10.9	11.6	9.0	10.4	11.1	8.5	9.5	9.8	8.8	11.3	10.0
1998	..	5.6	..	..	8.3	..	5.0	5.3	4.2	5.3	7.4	-0.2	..	5.2
1995 Q1	13.3	13.4	12.6	13.5	13.8	12.8	11.6	12.1	10.1	11.9	11.6	12.8	13.4	11.8
Q2	10.4	10.8	8.9	11.9	11.1	13.8	9.2	9.7	7.9	10.7	9.6	13.7	11.1	9.9
Q3	8.9	9.5	6.9	10.3	9.2	12.9	7.9	8.3	6.7	9.1	7.7	12.7	9.6	8.5
Q4	7.1	7.3	6.4	7.7	6.7	10.3	6.4	6.3	6.6	6.2	4.9	9.8	7.4	6.3
1996 Q1	6.2	6.1	6.7	7.8	7.7	8.0	5.8	5.5	6.8	6.3	6.5	6.0	7.0	6.1
Q2	6.2	6.0	7.1	6.3	6.4	5.9	6.0	5.5	7.2	5.1	5.9	3.2	6.2	5.6
Q3	7.9	7.8	8.0	7.7	8.6	5.5	7.5	7.4	7.8	6.5	7.8	3.2	7.8	7.0
Q4	9.5	9.6	9.2	8.1	8.6	6.9	9.0	9.2	8.7	7.5	8.5	5.0	8.8	8.3
1997 Q1	8.9	8.7	9.7	8.0	8.0	7.9	8.3	8.0	9.1	7.4	7.4	7.4	8.5	7.8
Q2	12.8	13.6	10.0	11.9	13.0	9.1	11.6	12.6	9.2	10.5	10.9	9.3	12.3	11.0
Q3	13.5	14.6	9.7	11.9	12.8	9.5	11.6	12.8	8.3	10.2	10.6	9.4	12.7	10.9
Q4	11.7	12.5	9.0	11.5	12.4	9.5	10.0	11.0	7.5	10.0	10.4	9.1	11.6	10.0
1998 Q1	10.4	11.4	6.8	10.0	12.0	4.6	9.2	10.7	5.3	8.9	10.6	4.4	10.2	9.0
Q2	5.9	5.8	6.3	6.6	8.4	1.8	5.3	5.4	5.1	5.9	7.4	1.8	6.3	5.6
Q3	3.5	3.3	4.5	4.1	6.6	-2.2	3.0	2.8	3.8	3.7	5.7	-1.8	3.8	3.3
Q4	..	2.4	..	..	6.6	..	2.9	2.9	2.9	3.0	6.0	-4.8	..	3.0
1999 Q1	..	..	..	..	..	..	..	2.1	..	..	5.4	..	..	..
<b>Percentage change on previous quarter</b>														
	ILJN	ILJO	ILJP	ILJQ	ILJR	ILJS	ILJT	ILJU	ILJV	ILJW	ILJX	ILJY	ILJZ	ILKA
1995 Q1	3.2	3.6	1.8	2.1	1.6	3.4	2.6	2.9	1.7	1.7	1.0	3.3	2.6	2.1
Q2	1.3	1.2	1.7	2.2	1.7	3.2	1.1	0.9	1.6	2.1	1.7	3.2	1.7	1.6
Q3	0.9	0.7	1.5	1.2	0.8	2.2	1.1	0.9	1.6	1.1	0.8	2.0	1.1	1.1
Q4	1.6	1.7	1.3	2.0	2.4	1.1	1.5	1.5	1.6	1.2	1.3	0.8	1.8	1.3
1996 Q1	2.3	2.4	2.0	2.2	2.6	1.3	2.0	2.1	1.8	1.8	2.5	-0.2	2.3	1.9
Q2	1.3	1.1	2.0	0.7	0.5	1.2	1.2	0.9	2.0	1.0	1.2	0.5	1.0	1.1
Q3	2.5	2.5	2.3	2.6	2.9	1.8	2.6	2.7	2.2	2.4	2.6	2.0	2.5	2.5
Q4	3.2	3.3	2.5	2.4	2.4	2.4	2.9	3.1	2.4	2.1	2.0	2.5	2.8	2.5
1997 Q1	1.7	1.6	2.4	2.1	2.1	2.2	1.4	1.0	2.3	1.6	1.4	2.1	1.9	1.5
Q2	4.9	5.6	2.4	4.4	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	2.2	2.1	2.8	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	1.9	1.2	1.7	-0.4	0.6	0.2	1.8	1.1	1.5	-0.3	0.9	0.8
Q3	0.7	0.9	0.2	0.2	1.0	-1.8	0.3	0.3	0.1	0.1	0.6	-1.6	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	..	..	..	..	..	..	..	..	..	..	1.1	..	..	..

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

Source: OECD - SNA68

# REGIONAL ECONOMIC INDICATORS - FEBRUARY 2000

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## Overview

ILO unemployment rates declined in most, but not all, regions in 1999 quarter three. Employee jobs grew in all regions, the largest quarterly increases were seen in the South West and Wales.

Scotland's product output increased by 0.6 per cent in quarter three and Northern Ireland's by 1.1 per cent over the same period.

CBI/BSL balances provided evidence of increased optimism across most, but not all regions in the latest surveys.

UK house prices continued to rise in all regions except Wales in 1999 quarter three, though the growth rates vary widely across the regions. London and the East Midlands show the largest rates of growth, while the lowest rate of growth was seen in the East.

## The Labour Market

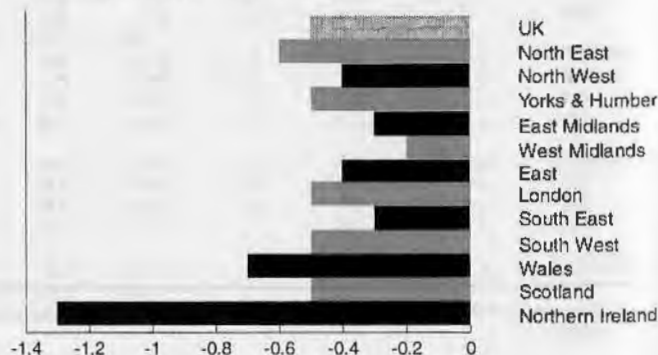
Tables 5 to 11 concern the labour market. Tables 6, 8 and 9 are seasonally adjusted. Tables 5, 7, 10 and 11 are not.

**Employee jobs**, in table 11 (from Employer Surveys), continued to grow in all regions in 1999 quarter three. The largest quarterly increases were in the South West and Wales, which grew by 1.0 per cent and 1.4 per cent respectively. All regions except the North East and the East Midlands showed annual growth in employee jobs. The North East declined by 1.4 per cent and the East Midlands recorded flat growth in the year to the latest quarter. The largest annual increases were in Wales of 2.5 per cent and in the East and the South West, which both grew by 2.0 per cent.

The **total in employment** (from the Labour Force Survey), table 9, continued to grow into quarter three of 1999, increasing by 0.4 per cent. The only two regions which showed quarterly declines in employment were in London, of 0.3 per cent, and in the South West, of 0.7 per cent. Strong quarterly growth was seen in the North East of 1.8 per cent, in Wales of 1.5 per cent and in Northern Ireland of 1.8 per cent. National year-on-year growth to 1999 quarter three was 1.2 per cent. The only region to show a decline in annual employment to quarter three was in the West Midlands, which declined by 0.2 per cent. On the other hand, employment increased over the same period by 1.9 per cent in Wales and by 3.0 per cent in Northern Ireland.

The downward trend in the UK **claimant count rate**, table 8, continued throughout 1999. Between November 1998 and November 1999, the national rate has fallen by 0.5 percentage points to 4.1 per cent, the lowest level since February 1980. The largest decrease in the claimant count rate from November 1998 to November 1999 was in Northern Ireland, which has seen a drop of 1.3 percentage points from 7.2 per cent to 5.9 per cent (chart 1).

**Chart 1**  
Changes in claimant count rates  
November 1998 - November 1999

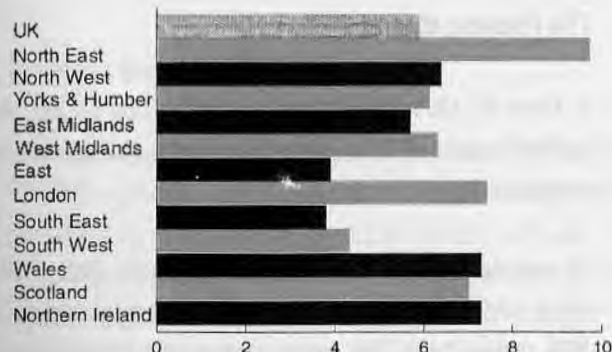


In Table 6, the rate of **ILO unemployment**, now seasonally adjusted and showing quarterly data, declined by 0.1 percentage points in 1999 quarter three but with some variation across the government office regions. The rate of unemployment actually rose in the East Midlands, by 0.4 percentage points and in both

the North West and London, by 0.1 percentage points. The rise in the East Midlands in 1999 quarter three was the third consecutive sharp rise in its unemployment rate. On the other hand, the rate fell sharply over the same period in the West Midlands, by 0.7 percentage points, and in the East by 0.4 percentage points. Scotland has seen three consecutive quarterly falls in unemployment. (chart 2). (It should be noted that the data for Northern Ireland is not seasonally adjusted.)

**Chart 2**

ILO unemployment rates, 1999 Q3



**Long-term claimant count rates as a percentage of the unemployed**, in table 7, now showing monthly data, shows a decline in all regions from January to November 1999 except in the East Midlands, the West Midlands and Scotland, which increased by 1.6, 0.2 and 0.9 percentage points respectively. For the UK as a whole, the rate declined by 0.6 percentage points. The most significant rate decline was seen in Northern Ireland, which has declined by 6.8 percentage points since the start of 1999. At the same time, the rate in London declined by 2.1 percentage points. However, it is difficult to interpret the significance of these figures, as a decline in these rates can be attributable either to a reduction in the number of long-term unemployed or a rise in the number of short-term unemployed.

Table 10 shows **redundancy rates** in the government office regions, with some variation evident. The most significant rise in Summer 1999 was in the East Midlands, reaching its highest rate since Spring 1998. On the other hand the rate in the West Midlands fell significantly, fully offsetting the increase in Spring 1999.

## Industrial Production and Construction

**UK industrial production** output increased by 1.3 per cent in 1999 quarter three, continuing the positive growth seen in quarter two. Manufacturing output, which accounts for most of production, increased by 1.2 per cent in the third quarter. Over the year to quarter three, UK production output increased by 0.7 per cent.

**UK construction output** in 1999 quarter three grew by 0.6 per cent for the second consecutive quarter. At annual rates, output grew by 1.4 per cent in the third quarter of 1999, following growth of 0.7 per cent in the second quarter.

The latest production and construction data for Scotland and Northern Ireland is for the second quarter of 1999.

**Scotland's industrial production** increased by 0.6 per cent in the second quarter, reversing the previous quarter's decline of 0.1 per cent. Year-on-year growth increased to 2.1 per cent, the highest annual rate since 1998 quarter one.

**Scotland's construction quarterly** output is rather erratic, increasing by 5.2 per cent in 1999 quarter two following the decline of 6.1 per cent in 1999 quarter one. However, annual growth increased by 2.6 per cent in the second quarter of 1999.

**Northern Ireland's industrial production** slowed to 1.1 per cent into the second quarter, having increased by 2.7 per cent in the previous quarter. The growth since 1996 quarter three has been strong, probably reflecting the impact of political developments on the economic situation. Annual growth was 3.7 per cent in the second quarter of 1999.

**Northern Ireland's construction** output in quarter two was very low relative to recent figures. Quarterly output declined by 9.9 per cent in 1999 quarter two following an increase of 2.4 per cent in quarter one. Annual growth declined by 14.5 per cent the biggest annual decline since 1996 quarter one, when the series began. However a similar decline was seen in 1997 quarter three, and the data recovered strongly in the following quarter.



## Manufacturing

(Almost all CBI data is presented on the basis of government office regions. However, London and the South East are combined in the same manner as the standard statistical region of the South East.)

Tables 14 to 18 show that CBI/BSL balances provided evidence of increased optimism across most, but not all regions in the October surveys.

Table 14 shows that businesses in most regions were more **optimistic about the business situation** in October than in July, but with some exceptions. Balances in Yorkshire and the Humber and the East Midlands decreased substantially. The recovery in balances was strongest in the North East, Wales and Northern Ireland

UK manufacturing output, as measured by CBI/BSL balances for **volume of output** in table 15, improved in most regions in the October survey. Improvements were most marked in the North West and Northern Ireland. Balances declined slightly in Yorkshire and the Humber, the South West and Scotland. Improvements in business optimism are also reflected in the expectation balances for the next four months in virtually all regions.

The overall CBI/BSL balance for **volume of new orders**, table 16, shows a considerable improvement. Two regions, the North East and the North West, showing a positive balance for the first time since the series began in October 1997. The regions showing the most significant improvements are the North East, the North West and Wales, although the balance is still negative. However, Northern Ireland declined substantially to reverse its previous quarter's positive balance to show a negative balance, which is the lowest since October 1998.

**Volume of new export orders**, table 17, improved in most regions. The recovery in balances was the strongest in the North East, Wales and the North West, but it worsened considerably in the East Midlands, reversing the previous quarter's positive balance. Balances also declined slightly in Scotland and Northern Ireland. Export order balances were largely in line with those of new orders, apart from the East Midlands where the balance for new orders improved as the balance for new export orders worsened.

The percentages of **firms working below capacity**, table 18, improved across slightly more regions, than it declined; however, the UK as a whole saw a slight deterioration. Significant improvements can be seen in Yorkshire and the Humber, the West Midlands and Northern Ireland. However, the North East and Northern Ireland are the only regions to record a third successive improvement. On the other hand, percentages deteriorated in the South West and Scotland. Yorkshire and the Humber are at its lowest rate of capacity under-utilisation since April 1998, according to the CBI/BSL survey.

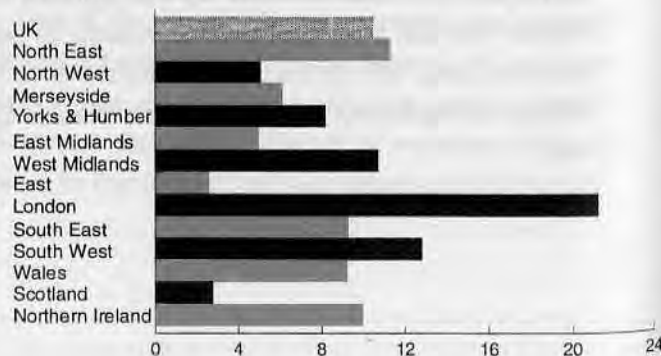
## The Housing Market

In Table 20, UK **house prices** rose strongly by 5.9 per cent in the third quarter of 1999, having increased by 4.2 per cent in the previous quarter.

All regions showed positive quarterly growth except Wales, which declined by 1.1 per cent, its first quarterly decline since 1996 quarter three. The region showing the strongest quarterly growth was in London where house prices grew by 9.1 per cent in 1999 quarter three. Growth in London house prices has been showing consistently strong increases over the last three years. Strong growth was also seen in the West Midlands and the South West showing growth of 8.4 per cent and 8.5 per cent respectively and both were the highest since the series started in 1992 quarter three.

Year-on-year growth to 1999 quarter three in the UK increased to 10.5 per cent, from 8.9 per cent in quarter two. Annual growth was highest in London, at 21.2 per cent, an increase from 18.6 per cent in the previous quarter. The lowest rate of annual growth in quarter three was recorded in the East, of 2.6 per cent (chart 3).

**Chart 3**  
House price annual percentage change  
1999 Q3 on 1998 Q3





In Table 19, the number of **permanent dwellings started**, fluctuates quite widely from quarter to quarter with a significant seasonal factor involved. The latest data for 1999 quarter three showed quarterly decreases in all regions except the North East, Yorkshire and the Humber and the South West. In the year to 1999 quarter three strong positive growth of 12.7 per cent was recorded for the North West, and 6.9 per cent for Wales. Negative annual growth exceeding 10.0 per cent occurred in the East Midlands and the East. The data for 1999 quarter's two and three is provisional.

## Business Start-Ups

Echoing perceptions of strong economic growth in 1998, table 21, **VAT registrations and deregistrations**, shows registrations outnumbering deregistrations by 30,300 for the calendar year 1998. The net change was positive for every government office region except Wales, where there was a net loss of 100 businesses. The largest net gains were in London, of 11,300 businesses, and in the South East of 6,900 businesses. Most newly registered companies in London are small local businesses, so this high rate can not be fully explained by the concentration of head offices in London. The North East, Yorkshire and the Humber and the West Midlands saw a small rise in the stock of VAT registered businesses for the first time in recent years.

# 1 Gross domestic product<sup>1</sup> at factor cost: current prices

Government Office Regions

£ million and percentages

Percentage of the UK <sup>2</sup>														
	United Kingdom <sup>2</sup> (£m)	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Wales	Scotland	Northern Ireland
	DCIX	LRBU	LRBV	DCJD	DCJC	DCJB	LRBW	LRAD	LRBX	DCJA	LRES	DCJG	DCJH	DCJI
1989	439 644	3.8	11.0	7.8	6.7	8.4	9.3	15.7	15.2	7.6	85.4	4.2	8.2	2.1
1993	547 524	3.8	10.8	7.6	6.7	8.4	9.1	15.6	15.3	7.7	85.1	4.1	8.6	2.3
1994	578 647	3.7	10.8	7.6	6.6	8.4	9.1	15.6	15.5	7.7	85.0	4.1	8.6	2.3
1995	606 878	3.7	10.6	7.6	6.6	8.4	9.1	15.5	15.5	7.8	84.9	4.1	8.7	2.3
1996	641 105	3.6	10.5	7.7	6.8	8.4	9.2	15.3	15.8	7.9	85.2	4.1	8.4	2.3
1997	677 914	3.6	10.6	7.6	6.7	8.4	9.2	15.1	15.9	8.1	85.3	4.1	8.3	2.3

1 Based on the European System of Accounts 1995 (ESA95).

Source: Office for National Statistics

2 UK less Extra-Region and statistical discrepancy.

## 2 Gross domestic product<sup>1</sup> at factor cost: £ per head

Government Office Regions

£

	United Kingdom <sup>2</sup>	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Wales	Scotland	Northern Ireland
		LRBY	LRBZ	DCJP	DCJO	DCJN	LRCA	LRAF	LRCB	DCJM	LRET	DCJS	DCJT	DCJU
1989	7 665	6 406	7 049	6 889	7 395	7 013	8 041	10 171	8 761	7 182	7 857	6 508	7 072	5 858
1993	9 409	7 967	8 534	8 347	8 942	8 693	9 574	12 351	10 862	8 880	9 597	7 712	9 156	7 622
1994	9 909	8 248	9 018	8 706	9 373	9 173	10 130	12 967	11 526	9 277	10 102	8 137	9 701	7 993
1995	10 355	8 536	9 351	9 215	9 783	9 611	10 558	13 393	11 959	9 866	10 537	8 598	10 243	8 434
1996	10 903	8 907	9 809	9 797	10 499	10 093	11 140	13 894	12 811	10 439	11 126	8 988	10 558	8 745
1997	11 488	9 473	10 481	10 244	11 002	10 669	11 739	14 411	13 549	11 213	11 740	9 442	10 975	9 235

1 Based on the European System of Accounts 1995 (ESA95).

Source: Office for National Statistics

2 UK less Extra-Region and statistical discrepancy.

## 3 Household disposable income<sup>1</sup>: £ per head

Government Office Regions

£

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Wales	Scotland	Northern Ireland
		LRCG	LRCB	DEQB	DEQC	DEQH	LRCI	DEQE	LRCJ	DEQG	LREV	DEQJ	DEQK	DEQL
1989	5 553	4 613	5 114	5 011	5 305	5 059	6 128	6 922	6 245	5 643	5 683	4 712	5 090	4 639
1993	7 769	6 898	7 251	7 174	7 293	7 260	8 215	9 305	8 515	7 719	7 872	6 798	7 646	6 826
1994	8 020	6 941	7 439	7 387	7 541	7 502	8 539	9 667	8 904	7 923	8 140	7 018	7 741	7 125
1995	8 443	7 147	7 783	7 808	7 931	7 828	9 090	10 147	9 397	8 446	8 572	7 441	8 078	7 554
1996	8 870	7 523	8 157	8 140	8 195	8 240	9 740	10 776	9 980	8 704	9 027	7 702	8 332	7 947
1997	9 405	8 080	8 703	8 676	8 926	8 640	10 371	11 084	10 559	9 543	9 585	8 217	8 661	8 464

1 Based on the European System of Accounts 1995 (ESA95).

Source: Office for National Statistics

## 4 Individual consumption expenditure<sup>1</sup>: £ per head

Government Office Regions

£

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Wales	Scotland	Northern Ireland
		TLZJ	TLZK	TLZL	TLZM	TLZN	TLZO	TLZP	TLZQ	TLZR	TLZS	TLZT	TLZU	THZZ
1990	6 033	..	..	5 324	5 857	5 637	..	7 394	..	6 126	6 147	5 409	5 663	4 891
1991	6 383	..	..	5 813	6 089	5 927	..	7 702	..	6 326	6 501	5 788	5 956	5 250
1992	6 687	..	..	6 175	6 310	6 069	..	8 010	..	6 632	6 805	6 076	6 279	5 562
1993	7 097	..	..	6 733	6 711	6 369	..	8 564	..	6 839	7 210	6 312	6 828	5 963
1994	7 441	6 601	7 101	7 076	7 202	6 940	7 508	8 793	8 388	7 066	7 550	6 481	7 235	6 551
1995	7 763	6 947	7 346	7 335	7 603	7 336	8 013	9 015	8 683	7 437	7 878	6 913	7 428	6 910
1996	8 269	7 406	7 819	7 803	7 975	7 679	8 593	9 435	9 321	8 081	8 376	7 652	7 903	7 308
1997	8 777	7 796	8 457	8 186	8 532	8 117	8 921	9 955	9 916	8 679	8 887	8 186	8 431	7 625

1 Based on the European System of Accounts 1995 (ESA95).

Source: Office for National Statistics

# Total average gross weekly pay<sup>1</sup>

## Government Office Regions

£

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
	DEOG	LRGO	LSHZ	DCOI	DCQH	DCQG	LRCQ	DCPI	LRCR	DCQF	DCQL	DCQM	DCQN
1993 Apr	316.0	286.2	299.1	287.6	285.5	292.7	312.2	408.8	328.9	298.8	281.5	297.6	282.4
1994 Apr	324.7	294.6	307.7	297.0	292.6	300.1	322.9	420.6	339.4	306.9	290.5	301.9	286.5
1995 Apr	335.3	299.2	317.7	306.0	306.4	311.3	331.5	441.5	348.1	313.9	302.0	313.5	300.2
1996 Apr	350.2	314.1	329.6	316.4	317.9	324.3	345.7	454.3	367.4	326.5	313.1	324.9	306.2
1997 Apr	366.3	327.6	345.8	330.5	332.9	337.8	362.4	480.1	382.5	342.7	330.1	336.8	319.7
1998 Apr	383.1	339.2	361.6	344.9	350.4	358.8	378.6	500.9	405.5	354.0	343.9	350.3	332.6

<sup>1</sup> Average gross weekly earnings of full-time employees on adult rates whose pay for the survey pay-period was not affected by absence.

Sources: New Earnings Survey, Office for National Statistics; Department of Economic Development, Northern Ireland

# ILO unemployment rates as a percentage of the economically active, seasonally adjusted

## Government Office Regions

Percentages

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Wales	Scotland	Northern Ireland <sup>1</sup>
	MGSX	YCNC	YCND	YCNE	YCNF	YCNH	YCNH	YCNH	YCNJ	YCNK	YCNL	YCNM	YCNN	MGXW
1997 Q1	7.4	9.9	7.1	8.1	6.1	7.3	6.2	10.3	5.2	5.8	7.2	8.0	8.6	8.7
Q2	7.2	9.9	7.2	7.6	5.9	6.8	6.4	9.2	5.3	5.8	7.0	8.5	8.6	8.0
Q3	6.8	8.8	7.4	7.4	5.2	7.2	5.5	9.1	4.7	5.1	6.6	7.6	8.2	8.8
Q4	6.6	8.4	7.0	7.2	5.2	6.5	5.4	9.0	4.5	5.1	6.4	7.0	7.4	8.8
1998 Q1	6.4	8.5	6.8	7.3	5.2	6.4	5.4	8.2	4.4	4.7	6.2	7.2	7.7	8.6
Q2	6.3	8.6	6.9	7.4	4.9	6.0	5.0	8.4	4.4	4.8	6.1	7.0	7.4	6.9
Q3	6.2	8.5	6.8	7.1	5.6	6.0	4.4	7.8	4.4	4.8	6.0	7.5	7.6	8.2
Q4	6.2	9.5	7.1	7.1	4.8	6.7	4.4	7.5	4.0	4.5	6.0	7.3	7.7	6.8
1999 Q1	6.2	9.7	6.9	6.9	5.1	7.1	4.3	7.8	3.9	4.9	6.0	7.3	7.4	7.2
Q2	6.0	9.8	6.3	6.4	5.3	7.0	4.3	7.3	3.9	4.5	5.8	7.5	7.2	7.6
Q3	5.9	9.7	6.4	6.1	5.7	6.3	3.9	7.4	3.8	4.3	5.7	7.3	7.0	7.3

<sup>1</sup> Estimates for Northern Ireland are not seasonally adjusted. The quarterly series starting in 1995 provides insufficient data to do this reliably.

Source: Labour Force Survey, Office for National Statistics

# Long-term claimant count as a percentage of the unemployed<sup>1</sup> (those out of work for 12 months or more)

## Government Office Regions

Percentages

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
	LRFN	LRFO	LSIA	LRFR	LRFS	LRFT	LRFU	LRFV	LRFW	LRFX	LRFY	LRFZ	LRGA
1999 Jan	24.9	25.6	22.5	23.1	20.8	26.5	22.6	31.7	21.6	20.4	22.0	21.3	43.6
Feb	24.7	25.1	22.1	22.8	20.6	26.2	22.1	31.5	21.5	20.1	21.8	21.3	43.2
Mar	24.9	25.1	22.2	23.1	21.1	26.1	22.4	31.5	22.0	20.7	21.9	21.7	43.1
Apr	25.1	24.8	22.3	23.2	21.8	26.1	22.8	31.6	22.5	21.5	22.1	22.0	42.2
May	25.5	25.3	22.5	23.7	22.4	26.4	23.1	31.4	22.9	22.0	22.6	22.4	42.6
Jun	25.6	25.7	22.7	23.9	22.9	26.5	23.6	31.4	23.3	22.4	22.7	22.4	41.8
Jul	24.8	25.1	21.9	23.2	22.3	25.8	22.8	30.7	22.6	21.4	22.1	21.4	38.5
Aug	24.1	24.9	21.3	22.6	21.7	25.1	22.1	29.7	21.8	20.6	21.6	21.1	37.0
Sep	24.3	25.2	21.5	22.7	22.0	25.4	22.4	29.5	21.8	20.4	22.0	22.1	37.4
Oct	24.7	25.8	21.9	22.8	22.7	26.5	22.6	29.6	21.9	20.2	22.3	22.4	37.6
Nov	24.3	25.2	21.8	22.3	22.4	26.7	22.4	29.6	21.5	19.5	21.7	22.2	36.8

<sup>1</sup> Computerised claims only.

Source: Office for National Statistics

## 8

## Claimant count rates as a percentage of total workforce

Government Office Regions

Seasonally adjusted

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
	BCJE	DPDM	IBWC	DPBI	DPBJ	DPBN	DPDP	DPDQ	DPDR	DPBM	DPBP	DPBQ	DPBR
1995	8.0	11.3	8.5	8.6	7.4	8.1	6.6	9.4	5.9	6.8	8.5	7.9	11.2
1996	7.3	10.3	7.8	7.9	6.7	7.2	5.9	8.6	5.1	6.1	8.0	7.7	10.8
1997	5.5	8.4	6.1	6.3	4.9	5.5	4.1	6.4	3.4	4.3	6.4	6.4	8.1
1998	4.7	7.5	5.3	5.5	4.0	4.7	3.3	5.3	2.7	3.5	5.6	5.7	7.4
1998 Nov	4.6	7.4	5.2	5.4	4.0	4.7	3.3	5.1	2.6	3.4	5.6	5.6	7.2
Dec	4.6	7.4	5.1	5.4	4.0	4.7	3.2	5.1	2.6	3.3	5.5	5.5	7.2
1999 Jan	4.5	7.5	5.1	5.4	4.0	4.7	3.1	5.1	2.5	3.3	5.5	5.6	7.2
Feb	4.6	7.5	5.1	5.4	4.0	4.8	3.2	5.0	2.6	3.3	5.5	5.6	7.2
Mar	4.5	7.5	5.1	5.4	4.0	4.8	3.2	5.0	2.5	3.3	5.5	5.6	7.2
Apr	4.5	7.5	5.1	5.3	3.9	4.8	3.1	4.9	2.5	3.3	5.5	5.5	7.1
May	4.5	7.5	5.1	5.2	3.9	4.8	3.1	4.9	2.5	3.3	5.4	5.5	6.9
Jun	4.4	7.4	5.0	5.2	3.9	4.7	3.1	4.8	2.5	3.2	5.3	5.5	6.7
Jul	4.3	7.2	4.9	5.0	3.8	4.6	3.0	4.7	2.4	3.1	5.1	5.2	6.4
Aug	4.2	7.1	4.8	4.9	3.8	4.6	2.9	4.6	2.3	3.0	5.0	5.2	6.2
Sep	4.2	7.1	4.8	4.9	3.7	4.6	2.9	4.6	2.3	3.0	5.0	5.2	6.1
Oct	4.2	6.9	4.8	4.9	3.7	4.5	2.9	4.6	2.3	3.0	5.0	5.2	6.0
Nov <sup>1</sup>	4.1	6.8	4.8	4.9	3.7	4.5	2.9	4.6	2.3	2.9	4.9	5.1	5.9

1 Provisional.

Source: Office for National Statistics

## 9

Total in employment<sup>1</sup>, seasonally adjusted

Government Office Regions

Thousands

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Wales	Scotland	Northern Ireland <sup>2</sup>
	MGRZ	YCJP	YCJQ	YCJR	YCJS	YCJT	YCJU	YCJV	YCJW	YCJX	YCJY	YCJZ	YCKA	YCPT
1997 Q1	26 709	1 074	3 020	2 227	1 975	2 410	2 550	3 178	3 823	2 285	22 542	1 225	2 274	667
Q2	26 836	1 073	3 010	2 244	1 973	2 434	2 560	3 234	3 822	2 298	22 648	1 223	2 285	677
Q3	26 918	1 079	2 990	2 255	1 979	2 419	2 588	3 213	3 861	2 329	22 714	1 214	2 302	687
Q4	26 976	1 075	3 008	2 249	1 992	2 452	2 611	3 196	3 860	2 322	22 765	1 211	2 317	686
1998 Q1	27 024	1 073	3 001	2 255	1 994	2 452	2 607	3 220	3 880	2 339	22 820	1 214	2 314	675
Q2	27 047	1 064	2 987	2 256	2 012	2 468	2 608	3 219	3 907	2 340	22 860	1 202	2 304	678
Q3	27 175	1 062	3 036	2 271	1 998	2 479	2 617	3 250	3 941	2 345	22 999	1 217	2 284	673
Q4	27 289	1 061	3 029	2 286	2 005	2 456	2 620	3 304	3 964	2 346	23 071	1 233	2 301	688
1999 Q1	27 351	1 057	3 021	2 288	2 021	2 446	2 627	3 316	3 980	2 378	23 134	1 234	2 301	682
Q2	27 394	1 054	3 064	2 291	2 006	2 458	2 633	3 318	3 975	2 383	23 183	1 222	2 304	681
Q3	27 504	1 073	3 083	2 313	2 015	2 473	2 644	3 307	3 976	2 366	23 250	1 240	2 321	693

1 Includes employees, the self-employed, participants on Government-supported employment and training schemes and unpaid family-workers.

2 Estimates for Northern Ireland are not seasonally adjusted. The quarterly series starting in 1995 provides insufficient data to do this reliably.

Source: Labour Force Survey, Office for National Statistics

## 10

## Redundancies

Government Office Regions

Rates<sup>1</sup>

	Great Britain	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland
	DCXD	LRDH	LRDI	DCXF	DCXG	DCXL	LRDJ	DCXI	LRDK	DCXK	DCXN	DCXO
Spring 1996	9	— <sup>2</sup>	11	8	8	11	11	8	8	10	11	11
Summer 1996	9	12	10	10	10	9	10	6	8	9	13	11
Autumn 1996	8	— <sup>2</sup>	8	11	9	7	6	8	9	8	— <sup>2</sup>	11
Winter 1996	8	— <sup>2</sup>	10	7	10	9	10	6	8	6	— <sup>2</sup>	11
Spring 1997	9	13	11	11	10	9	8	8	9	7	11	9
Summer 1997	8	— <sup>2</sup>	9	8	9	10	9	7	7	7	— <sup>2</sup>	9
Autumn 1997	7	— <sup>2</sup>	9	8	7	7	7	6	7	7	— <sup>2</sup>	9
Winter 1997	8	12	9	6	10	8	7	8	7	9	— <sup>2</sup>	11
Spring 1998	9	— <sup>2</sup>	7	9	12	9	8	8	9	8	— <sup>2</sup>	13
Summer 1998	8	— <sup>2</sup>	9	11	10	10	7	6	7	6	— <sup>2</sup>	10
Autumn 1998	9	13	8	9	9	10	10	7	10	9	— <sup>2</sup>	7
Winter 1998	11	19	11	8	9	10	8	11	10	9	14	13
Spring 1999	9	— <sup>2</sup>	10	10	8	13	10	8	8	8	11	11
Summer 1999	9	— <sup>2</sup>	11	11	11	10	9	6	7	9	10	10

1 Redundancies per 1,000 employees.

2 Sample size too small to provide a reliable estimate.

Source: Labour Force Survey, Office for National Statistics



# 11 Employee jobs (all industries)

Government Office Regions

June 1996 = 100

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
	YEKA	YKKB	YEKJ	YEKC	YEKD	YEKI	YEKE	YEKF	YKKG	YKHH	YEKK	YEKL	YEKM
1998	105.1	101.2	102.5	103.8	104.6	103.9	103.8	108.8	109.7	106.3	102.9	100.6	105.5
1998 Jun	104.6	101.4	102.1	103.7	104.3	103.6	106.7	107.8	107.1	106.4	101.8	99.4	105.0
Sep	105.5	101.6	102.8	103.8	104.8	104.0	101.1	109.6	112.3	106.5	103.9	101.6	105.4
Dec	106.1	101.3	103.3	104.5	104.8	104.9	101.9	110.7	113.0	107.4	104.4	101.7	106.7
1999 Mar	105.2	100.3	102.1	103.7	104.3	103.6	101.4	109.9	111.8	106.6	103.9	100.7	106.1
Jun	105.8	99.9	102.6	104.3	104.5	103.6	102.5	110.1	112.8	108.1	104.5	100.9	106.2
Sep	106.5	100.2	103.4	104.6	104.8	104.3	103.1	110.7	113.5	109.2	106.0	101.8	106.9

Source: Office for National Statistics

# 12 Index of industrial production<sup>1</sup>

Seasonally adjusted 1995 = 100

	United Kingdom	Scotland	Northern Ireland
	CKYW	LRFK	LRFL
1996	101.1	103.0	102.3
1997	102.1	108.6	107.5
1998	102.7	111.4	110.3
1996 Q4	101.5	104.9	103.9
1997 Q1	102.0	105.6	105.4
Q2	101.9	108.9	106.8
Q3	102.6	109.1	108.0
Q4	102.0	110.6	109.9
1998 Q1	102.1	111.0	108.8
Q2	103.2	110.8	110.8
Q3	103.2	111.3	111.0
Q4	102.4	112.5	110.6
1999 Q1	101.9	112.4	113.6
Q2	102.6	113.1	114.9
Q3	103.9	..	..

<sup>1</sup> The index of industrial production has been rebased from 1990=100 to 1995=100. Figures for Wales are not yet available. Figures on the 1990=100 base are not being continued.

Sources: Office for National Statistics; Scottish Executive; Department of Economic Development, Northern Ireland

# 13 Index of construction<sup>1</sup>

Seasonally adjusted 1995 = 100

	United Kingdom	Scotland	Northern Ireland <sup>2</sup>
	GDQB	LRZR	LRFM
1996	101.5	100.4	106.2
1997	104.7	101.1	110.3
1998	106.0	98.3	116.9
1996 Q4	103.2	101.7	113.4
1997 Q1	103.5	104.7	110.0
Q2	104.7	103.2	110.8
Q3	104.4	99.0	102.2
Q4	106.3	97.6	118.0
1998 Q1	109.0	96.5	118.1
Q2	105.3	96.0	119.8
Q3	105.1	100.8	118.7
Q4	104.9	99.7	110.9
1999 Q1	105.4	93.6	113.6
Q2	106.0	98.5	102.4
Q3	106.6	..	..

<sup>1</sup> The Index of construction has been rebased from 1990=100 to 1995=100. Figures for Wales are not yet available. Figures on the 1990=100 base are not being continued.  
<sup>2</sup> Provisional.

Sources: Office for National Statistics; Scottish Executive; Department of the Environment, Northern Ireland

# 14 Manufacturing industry: optimism about business situation

Government Office Regions (London and the South East is still on an SSR basis)

Balance<sup>1</sup>

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London and the South East	South West	Wales	Scotland	Northern Ireland
	DCMO	LRYS	LYRT	DCMU	DCMT	DCMS	LRYU	DCMP	DCMR	DCMX	DCMY	DCMZ
1999 Jan	-40	-37	-43	-44	-43	-50	-21	-32	-43	-61	-25	3
Apr	-6	-22	-12	-10	-16	-16	2	2	-9	-29	-1	20
Jul	5	8	-	19	11	3	-11	-1	-5	-3	-3	-6
Oct	13	46	13	-4	-2	10	13	17	15	23	-2	24

<sup>1</sup> Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

# 15 Manufacturing industry: volume of output

Government Office Regions (London and the South East is still on an SSR basis)

Balance<sup>1</sup>

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London and the South East	South West	Wales	Scotland	Northern Ireland
Past 4 months	DCLQ	LRVY	LRVW	DCLW	DCLV	DCLU	LRVX	DCLR	DCLT	DCLZ	DCMA	DCMB
1999 Jan	-27	-37	-34	-46	-29	-48	-18	-13	-40	-35	-31	-13
Apr	-25	-52	-30	-5	-39	-28	-6	-6	-22	-9	-62	-15
Jul	-14	12	-17	-24	-3	-32	-15	-13	-17	-6	-1	-20
Oct	-1	28	15	-25	5	-17	8	8	-18	9	-6	7
Next 4 months	DCMC	LRYY	LRYZ	DCMI	DCMH	DCME	LRZA	DCMD	DCMF	DCML	DCMM	DCMN
1999 Oct	12	22	12	6	1	-1	15	14	5	20	14	29

<sup>1</sup> Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

# 16 Manufacturing industry: volume of new orders

Government Office Regions (London and the South East is still on an SSR basis)

Balance<sup>1</sup>

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London and the South East	South West	Wales	Scotland	Northern Ireland
Past 4 months	DCNA	LRZB	LRZC	DCNG	DCNF	DCNE	LRZD	DCNB	DCND	DCNJ	DCNK	DCNL
1999 Jan	-35	-56	-50	-39	-38	-52	-17	-19	-26	-34	-44	-14
Apr	-23	-36	-30	-12	-32	-26	-3	-7	-32	-24	-51	-11
Jul	-19	-12	-31	-25	-11	-28	-13	-12	-25	-41	-14	12
Oct	-5	22	16	-19	-1	-19	-10	-1	-21	-2	-13	-20
Next 4 months	DCNM	LRZE	LRZF	DCNS	DCNR	DCNQ	LRZG	DCNN	DCNP	DCNV	DCNW	DCNX
1999 Oct	4	23	17	7	-1	-3	4	7	-7	27	12	11

<sup>1</sup> Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

# 17 Manufacturing industry: volume of new export orders

Government Office Regions (London and the South East is still on an SSR basis)

Balance<sup>1</sup>

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London and the South East	South West	Wales	Scotland	Northern Ireland
Past 4 months	DCNY	LRZH	LRZI	DCOE	DCOD	DCOC	LRZJ	DCNZ	DCOB	DCOH	DCOI	DCOJ
1999 Jan	-36	-28	-57	-40	-30	-50	-24	-16	-36	-20	-37	-17
Apr	-33	-22	-43	-18	-50	-29	-21	-20	-28	-42	-49	-18
Jul	-24	-7	-25	-33	16	-36	-33	-31	-29	-25	-8	8
Oct	-14	38	1	-17	-11	-18	-9	-9	-24	4	-13	3
Next 4 months	DCOK	LRZK	LRZL	DCOQ	DCOP	DCOO	LRZM	DCOL	DCON	DCOT	DCOU	DCOV
1999 Oct	-4	30	-2	-	-5	-8	-7	-	-17	7	-7	-1

<sup>1</sup> Balance in percentage of firms reporting rises less those reporting falls.

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

# 18 Manufacturing industry: firms working below capacity

Government Office Regions (London and the South East is still on an SSR basis)

Percentages

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London and the South East	South West	Wales	Scotland	Northern Ireland
	DCOW	LRZN	LRZO	DCPC	DCPB	DCPA	LRZP	DCOX	DCOZ	DCPF	DCPG	DCPH
1999 Jan	63	89	78	75	67	72	62	67	71	49	53	82
Apr	66	86	69	75	74	74	70	59	80	58	59	63
Jul	58	66	65	69	49	78	67	62	59	61	48	57
Oct	60	61	70	54	50	56	61	61	68	64	54	45

Source: CBI/BSL Regional Trends Survey ISSN:0960 7781

# 19 Permanent dwellings started

Government Office Regions

Numbers

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland <sup>1</sup>	Northern Ireland
	DEOI	LRDP	LRZQ	DCRX	DCRW	DCRV	LRDR	DCRR	LRDS	DCRU	BLIA	BLFA	BLGA
1997	199 856	8 011	19 353	16 762	15 191	14 330	21 108	14 932	27 133	20 216	9 076	22 718	11 026
1998	187 716	7 347	19 321	14 916	15 957	14 699	20 065	13 460	24 341	18 497	8 482	20 172	10 459
1998 Q1	50 967	2 175	5 118	4 334	4 130	3 674	5 607	3 287	5 866	5 685	2 329	5 759	3 003
Q2	49 734	1 917	5 407	3 614	4 090	4 162	5 454	3 478	6 944	4 907	2 241	4 489	3 031
Q3	48 188	1 837	4 439	3 901	4 266	4 039	5 136	3 216	6 588	4 542	2 220	5 451	2 553
Q4	38 827	1 418	4 357	3 067	3 471	2 824	3 868	3 479	4 943	3 363	1 692	4 473	1 872
1999 Q1	..	1 874	4 336	3 676	3 799	4 070	4 724	4 196	6 422	3 968	2 255	..	3 233
Q2 <sup>2</sup>	..	1 761	5 032	4 087	4 271	4 147	5 090	3 268	6 866	4 461	2 722	..	2 584
Q3 <sup>2</sup>	..	1 878	5 002	4 096	3 813	3 701	4 591	3 082	6 552	4 480	2 374	..	..

1 Includes estimates for outstanding returns for private sector.  
2 Quarters 2 and 3 of 1999 for the English regions are provisional.

Sources: Department of the Environment, Transport and the Regions;  
National Assembly for Wales; Scottish Executive;  
Department of the Environment, Northern Ireland

# 20 House prices<sup>1</sup>

Government Office Regions

1993 = 100

	United Kingdom	North East	North West <sup>2</sup>	Mersey-side	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
	LRBH	LRDX	LRDY	LREN	LRBJ	LRBK	LRBP	LRDZ	LRBM	LREA	LRBO	LRBR	LRBS	LRBT
1997	116.9	109.0	109.4	111.1	107.0	112.7	112.5	119.4	125.5	121.8	117.3	109.8	111.4	140.0
1998	129.7	112.9	116.0	110.2	110.6	122.9	121.1	135.6	144.0	141.1	130.3	115.0	117.7	154.9
1998 Q1	122.1	113.1	110.5	116.2	109.0	120.1	117.4	125.6	130.0	130.6	123.9	113.0	111.6	144.1
Q2	128.6	116.0	113.3	104.7	108.1	122.5	121.0	135.9	143.4	141.2	127.5	114.5	115.7	153.0
Q3	134.2	116.3	120.9	108.6	110.9	123.8	121.9	141.0	153.0	146.5	134.1	114.9	121.4	155.6
Q4	133.6	108.0	117.7	111.7	113.1	124.3	123.5	139.7	152.9	145.9	134.2	117.6	116.7	161.1
1999 Q1	134.4	117.1	118.5	114.5	112.4	120.5	122.8	139.8	155.5	148.6	135.9	118.7	112.4	167.7
Q2	140.1	119.6	120.9	110.3	114.8	128.0	124.5	143.1	170.1	151.0	139.5	126.9	118.4	163.8
Q3	148.3	129.5	127.1	115.3	120.0	130.0	135.0	144.7	185.5	160.1	151.3	125.5	124.8	171.1

1 These indices adjust for the mix of dwellings (by size and type, whether new or second-hand) and exclude those bought at non-market prices and are based on a sample of mortgage completions by all lenders.  
2 Excludes Merseyside.

Source: Department of the Environment, Transport and the Regions

# 21 VAT registrations and deregistrations<sup>1</sup>: net change<sup>2</sup>

Government Office Regions

Thousands

	United Kingdom	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland
	DCYQ	LRER	LRZS	DCYT	DCYU	DCYY	LRER	DEON	LRER	DCYX	DCZA	DCZB	DCZC
1995	-9.3	-1.0	-2.5	-2.1	-0.8	-1.4	-0.5	3.6	-0.6	-2.5	-1.1	-0.8	0.5
1996	11.2	-0.2	0.3	-0.2	-0.3	-	1.1	7.4	2.3	0.1	-0.4	0.3	0.8
1997	18.1	-0.2	1.0	-0.4	0.5	-0.3	2.5	8.9	4.3	0.9	-0.1	0.7	0.2
1998	30.3	0.2	2.5	0.5	1.2	1.7	2.7	11.3	6.9	1.7	-0.1	0.9	0.9

1 Registrations and deregistrations of VAT-based enterprises. Not wholly comparable with figures for earlier years which counted VAT reporting units.  
2 Registrations less deregistrations.

Source: Department of Trade and Industry

# Final Expenditure Prices Index (Experimental) – December 1999

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

## Summary

The rate of inflation, as measured by the Final Expenditure Prices Index (FEPI) for December 1999, was 1.9 per cent, up from 1.8 per cent in November. Consumer price inflation, as measured by the Index of Consumer Prices (ICP), was 1.5 per cent, the same as in November. Investment price inflation, as measured by the Index of Investment Prices (IIP) was 2.3 per cent, up from 2.0 per cent in November, while inflation as measured by the Index of Government Prices (IGP) was unchanged at 2.7 per cent in December.

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	July	121.4	1.8	114.6r	1.7r	121.3	3.7	120.0r	2.3r
	Aug	121.7	1.8	114.6r	1.7r	121.0	3.3	120.0	2.0
	Sept	122.1	1.7	114.5	1.8	121.1	3.6	120.3	2.1
	Oct	121.9	1.5	114.5r	1.7r	121.1	3.1	120.2	1.9
	Nov	122.1	1.5	115.0r	2.0r	121.2r	2.7r	120.4	1.8
	Dec	122.4	1.5	115.3	2.3	121.5	2.7	120.7	1.9

## The Index of Consumer Prices (ICP)

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

Downward pressure came from:

- Tobacco, whose 12 month rate fell from 13.1 per cent to 9.8 per cent. Increases associated with the March 1998 budget, which raised duties from December 1998, dropped out of the 12-month comparison.
- Food, whose 12-month rate fell from -0.4 per cent to -1.0 per cent. Last year's floods and frosts, which limited the harvest of vegetables and caused price increases, were not repeated this year.

Upward pressure came from:

- Fuel and power, whose 12-month rate rose from 0.7 per cent to 1.5 per cent, due to increases in crude oil prices.

- Transport and communication, whose 12 month rate rose from 1.8 per cent to 2.6 per cent following the rising cost of petrol and oil reflecting the rises in crude oil.

The ICP annual percentage change





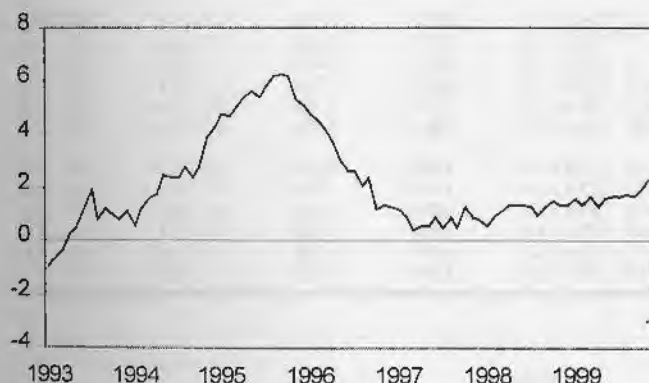
### The Index of Investment Prices (IIP)

Investment price inflation, as measured by the IIP, increased from 2.0 per cent to 2.3 per cent over the 12 months to December.

Upward pressure on the 12-month rate came from:

- Transfer costs of land and buildings, where the 12-month rate rose from 16.3 per cent in November to 17.4 per cent in December.
- Plant and machinery, whose 12-month rate rose from -3.9 per cent in November to -3.2 per cent in December.

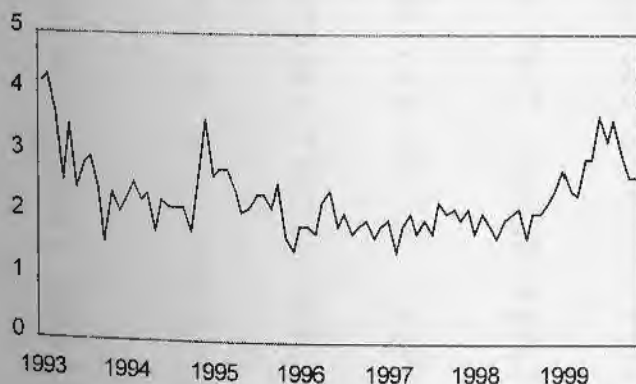
### The IIP annual percentage change



### The Index of Government Prices (IGP)

The IGP inflation rate was 2.7 per cent, the same as 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	Jul	2.3	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
	Dec	1.9	2.2	1.2	2.3

### NOTES

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

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

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

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

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

5. The IGP measures inflation affecting government. It covers expenditure by central and local government on pay and on procurement. The price indicators used are mainly Average Earnings Indices (to reflect labour costs), PPIs and RPIs (to reflect the cost of goods consumed by Government).

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

7. An article describing the development and composition of the FEPI is included in *Economic Trends*, No 526, November 1997. Longer runs of the FEPI back to January 1992, are available in computer readable form from the ONS Sales Office (telephone 020-7533 5670) or on paper from Jim O'Donoghue.

# 1 Final Expenditure Prices Index (Experimental)

	Index of Consumer Prices ICP	Index of Investment Prices IIP	Index of Government Prices IGP	Final Expenditure Prices Index FEPI	Annual percentage changes			
					ICP	IIP	IGP	FEPI
January 1992=100								
Weights								
1997	605	165	230	1000				
1998	605	169	226	1000				
1999	609	182	209	1000				
	CUSE	CUSK	CUSO	CUSP	CGAZ	CGBF	CGBJ	CGBK
1997 Dec	118.1	111.1	115.6	116.1	2.2	0.9	2.0	1.9
1998 Jan	117.6	111.3	116.2	116.0	2.0	0.8	2.2	1.8
Feb	118.3	111.3	115.9	116.3	2.2	0.6	1.8	1.8
Mar	118.7	111.7	116.3	116.7	2.3	1.0	2.1	2.0
Apr	119.3	111.9	116.3	117.2	2.3	1.1	1.9	2.1
May	120.0	112.4	116.7	117.7	2.6	1.4	1.7	2.2
Jun	119.8	112.4	117.1	117.7	2.2	1.4	2.0	2.1
Jul	119.2	112.7	117.0	117.3	2.1	1.4	2.1	1.9
Aug	119.6	112.7	117.1	117.6	1.8	1.3	2.2	1.8
Sep	120.1	112.5	116.9	117.8	1.9	1.0	1.7	1.6
Oct	120.1	112.6	117.5	118.0	1.8	1.3	2.1	1.8
Nov	120.3	112.8	118.0	118.3	2.0	1.5	2.1	2.0
Dec	120.6	112.7	118.3	118.5	2.1	1.4	2.3	2.1
1999 Jan	120.0	112.9	119.1	118.3	2.0	1.4	2.5	2.0
Feb	120.4	113.1	119.2	118.6	1.8	1.6	2.8	2.0
Mar	121.1	113.3	119.2	119.1	2.0	1.4	2.5	2.1
Apr	121.7	113.8	119.1	119.5	2.0	1.7	2.4	2.0
May	122.0	113.9	120.2	120.0	1.7	1.3	3.0	2.0
Jun	122.0	114.2	120.6	120.1	1.8	1.6	3.0	2.0
Jul	121.4	114.6 <sup>†</sup>	121.3	120.0 <sup>†</sup>	1.8	1.7 <sup>†</sup>	3.7	2.3 <sup>†</sup>
Aug	121.7	114.6	121.0	120.0	1.8	1.7	3.3	2.0
Sep	122.1	114.5	121.1	120.3	1.7	1.8	3.6	2.1
Oct	121.9	114.5	121.1	120.2	1.5	1.7	3.1	1.9
Nov	122.1	115.0	121.2 <sup>†</sup>	120.4	1.5	2.0	2.7 <sup>†</sup>	1.8
Dec	122.4	115.3	121.5	120.7	1.5	2.3	2.7	1.9

<sup>†</sup> Indicates earliest revision.



	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 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
Dec	113.5	127.5	184.7	101.2	135.3	98.7	116.5	123.6	110.7	134.1	122.4
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 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
Dec	-1.0	1.9	9.8	-3.3	3.0	1.5	0.7	2.6	-0.3	2.7	1.5

† indicates earliest revision.

# 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 1982=100						
<b>Weights</b>						
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 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	122.6	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	97.9 <sup>†</sup>	123.4	119.9	188.2 <sup>†</sup>	128.9 <sup>†</sup>	114.6 <sup>†</sup>
Aug	97.0	123.2 <sup>†</sup>	120.1	189.7	130.9	114.6
Sep	96.5	123.2	120.4	190.2	131.7	114.5
Oct	95.8	123.0	120.7	194.3	132.1	114.5
Nov	96.4	124.9	121.1 <sup>†</sup>	192.6	132.1	115.0
Dec	96.6	125.7	121.5	193.5	132.7	115.3

## Annual Percentage Changes

	Plant and Machinery	Vehicles, etc	New Buildings and Works	Transfer Costs of Land and Buildings	New Dwellings	Index of Investment Prices IIP
	CGBB	CGBC	CGBA	CGBD	CGBE	CGBF
1997 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	-4.2 <sup>†</sup>	2.5	3.5	13.8 <sup>†</sup>	8.4 <sup>†</sup>	1.7 <sup>†</sup>
Aug	-4.4	1.7	3.4	14.9	9.5	1.7
Sep	-4.0	1.9 <sup>†</sup>	3.3	14.6	9.7	1.8
Oct	-4.5	1.4	3.1	17.0	9.9	1.7
Nov	-3.9	2.0	2.9 <sup>†</sup>	16.3	10.4	2.0
Dec	-3.2	2.2	2.8	17.4	11.4	2.3

<sup>†</sup> Indicates earliest revision.



# 4 FEPI - Index of Government Prices (Experimental)

					Annual percentage changes			
	Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP	Local Government Total	Central Government Total	Education Grants	Index of Government Prices IGP
January 1992=100								
Weights								
1997	347	589	64	1000				
1998	342	591	67	1000				
1999	350	567	83	1000				
	CUSL	CUSM	CUSN	CUSO	CGBG	CGBH	CGBI	CGBJ
1997 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	123.8	119.1	125.3	121.1	3.0	3.1	3.5	3.1
Nov	124.0	119.0	125.4 <sup>†</sup>	121.2 <sup>†</sup>	2.4	2.7	3.5 <sup>†</sup>	2.7 <sup>†</sup>
Dec	124.3	119.4	125.4	121.5	3.2	2.3	3.5	2.7

<sup>†</sup> indicates earliest revision.

# Index of Distribution (Prototype) – October 1999

Contact: Trevor Fenton

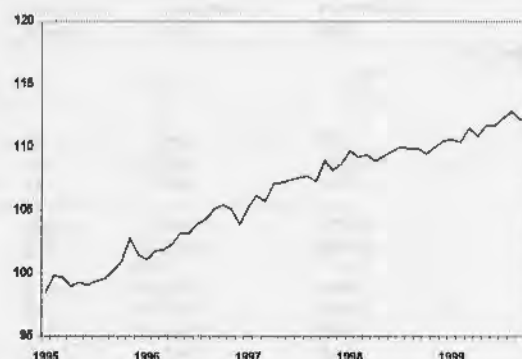
Tel: 01633 812806; e-mail: trevor.fenton@ons.gov.uk

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 October, the prototype IoD was at 112.2. Distribution industries' gross value added in the latest three months rose by 2.4 per cent compared with the same three months in 1998. This rise was driven mainly by the increase in the component series for the retail trade.

## Prototype Index of Distribution

seasonally adjusted: 1995=100



**Table A**

**Prototype IoD and components (1995=100 and 3 month-on-3 month annual percentage change<sup>1</sup>)**

*seasonally adjusted*

		Index of Distribution		Motor trades		Wholesale		Retail	
		Index	Latest 3 mth on same 3 mth a year ago: % change	Index	Latest 3 mth on same 3 mth a year ago: % change	Index	Latest 3 mth on same 3 mth a year ago: % change	Index	Latest 3 mth on same 3 mth a year ago: % change
1999	Jan	110.6r	1.4	114.1r	2.0	104.3r	0.0	114.9r	2.4
	Feb	110.4	1.2	113.0	2.3	104.3	-0.6	114.9	2.3
	Mar	111.5	1.3	113.9	1.4	105.3	-0.7	116.1	3.0
	Apr	110.9	1.6	114.3	3.0	104.3	-0.8	115.4	3.1
	May	111.7	2.0	114.9	3.7	104.5	0.0	116.8	2.9
	June	111.7	1.9	114.8	3.4	104.5	0.1	116.8	2.9
	July	112.3	2.0	115.2	2.6	105.7	0.7	116.9	2.9
	Aug	112.8	2.2	114.4	1.8	106.8	1.0	117.6	3.3
	Sept	112.2	2.3	114.0	1.7	105.6	1.2	117.5	3.4
	Oct	112.2	2.4	114.0	1.0	104.7	1.3	118.3	4.0

The symbol 'r' indicates that the data have been revised since the previous month's release. The values marked are the earliest shown in this table to have been revised.

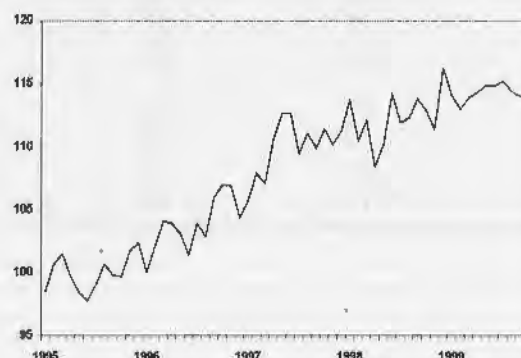
Tables following this note show data back to January '95.

## Motor trades (SIC92 division 50)

In October, the prototype seasonally adjusted index of gross value added in the motor trades was at 114.0 at 1995 prices. In the latest three months, the index rose by 1.0 per cent compared with the same three months in the previous year. Data for 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



<sup>1</sup> In response to feedback from the last release, annual changes are now shown (on a 3 month-on-3 month basis). Values for the latest 3 months on the previous 3 months continue to appear in the tables that follow this note.

Seasonal adjustment of the motor trades series has, therefore, been reassessed since the last IoD release. Until a consistent seasonal pattern emerges, the seasonally adjusted series will be derived by extending the underlying trend of the series from quarter 4 1998, taking into account movements in the basic unadjusted series. This is in line with the general ONS policy and is the main reason for the flatter profile of the 1999 data.

### Wholesale (SIC92 division 51)

The prototype seasonally adjusted index of gross value added in the wholesale trades was at 104.7, at 1995 prices, in October. In the latest three months, the index rose by 1.3 per cent compared with the same three months in the previous year. The pattern within wholesaling continued to be mixed.

### Retail (SIC92 division 52)

In October, the prototype seasonally adjusted index of gross value added in the retail trades was at 118.3, at 1995 prices. In the latest three months, the index rose by 4.0 per cent compared with the same three months in the previous year, driven predominantly by growth in retail sales through non-food stores.

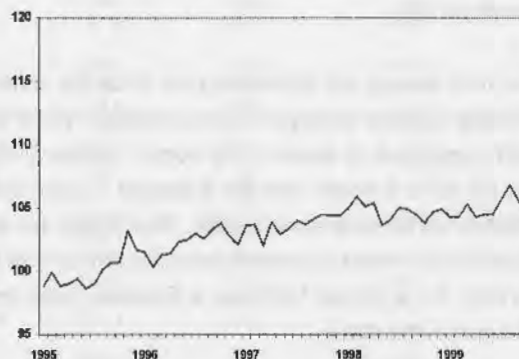
### Consistency with quarterly estimates of GDP(O)

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.

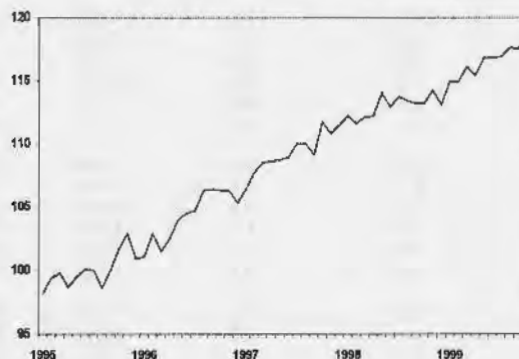
### Revisions to the back data

The quarterly GDP(O) estimates published on 22 December were open to revisions back to January 1998.

**Prototype component series for wholesale**  
*seasonally adjusted: 1995=100*



**Prototype component series for retail**  
*seasonally adjusted: 1995=100*



These revisions are reflected in the figures shown in this release. For September, the growth in the IoD for the latest 3 months compared with the same period a year ago has been revised upwards, from 1.9 per cent to 2.3 per cent, due to upward revisions in the wholesale and retail components. The main cause of revisions to these series was new information (e.g. from late survey returns).

### 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.



Index of Distribution (Prototype)		Index of Distribution (Prototype)	
Year	Index	Year	Index
1995	100	1998	112
1996	105	1999	115
1997	110		
1998	112		
1999	115		

The Index of Distribution (Prototype) is a monthly indicator of changes in gross value added across the whole services sector. It is calculated as the ratio of the retailing gross value added to the total gross value added in the services sector. The index is calculated using the following formula:

$$\text{Index of Distribution (Prototype)} = \frac{\text{Retailing Gross Value Added}}{\text{Total Gross Value Added in Services Sector}} \times 100$$

The index is calculated using the following data sources:

- Retailing Gross Value Added: Data from the Quarterly National Accounts (QNA) series.
- Total Gross Value Added in Services Sector: Data from the Quarterly National Accounts (QNA) series.

The index is calculated using the following methodology:

- The index is calculated using the ratio of the retailing gross value added to the total gross value added in the services sector.
- The index is calculated using the following formula:

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The index is calculated using the following methodology:

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- The index is calculated using the following formula:



## IOD: Index of Distribution (PROTOTYPE)

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

1995=100, seasonally adjusted

SIC Section G: IoD <sup>4</sup>					Component series				
percentage change					SIC50: Motor trades <sup>4</sup>				
	Index	month on month	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago		Index	month on month	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago
	FVVR	FVVK	FVVL	FVVM		FVVO	FVVB	FVVC	FVVD
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	2.2		104.1	2.0	0.8	1.9
Apr	102.3	0.5	0.2	2.5		103.9	-0.2	2.0	2.7
May	103.2	0.8	1.0	3.1		103.1	-0.8	2.2	3.9
Jun	103.2	-	1.3	3.8		101.4	-1.7	0.7	4.3
Jul	103.9	0.7	1.4	4.2		103.9	2.4	-0.5	4.5
Aug	104.3	0.3	1.3	4.4		102.9	-0.9	-0.9	3.6
Sep	105.1	0.8	1.5	4.7		106.0	2.9	1.4	4.4
Oct	105.4	0.3	1.5	4.7		107.0	1.0	2.4	5.2
Nov	105.1	-0.3	1.4	3.8		106.9	-0.1	3.8	6.2
Dec	103.9	-1.1	0.4	3.0		104.4	-2.3	1.8	4.8
1997 Jan	105.2	1.2	-0.2	2.9		105.7	1.2	0.3	4.3
Feb	106.2	0.9	-0.1	3.6		107.9	2.1	-0.6	4.5
Mar	105.7	-0.4	0.9	4.1		107.1	-0.8	0.7	4.7
Apr	107.1	1.3	1.5	4.3		110.6	3.2	2.7	4.9
May	107.2	-	1.5	4.1		112.7	1.9	3.8	6.1
Jun	107.4	0.3	1.5	4.2		112.7	-	4.7	8.9
Jul	107.6	0.1	1.0	3.8		109.5	-2.8	2.8	8.5
Aug	107.7	0.1	0.9	3.7		111.1	1.4	0.9	8.1
Sep	107.3	-0.4	0.3	3.0		109.9	-1.1	-1.6	5.6
Oct	108.9	1.4	0.5	2.9		111.4	1.4	-0.7	5.2
Nov	108.2	-0.6	0.5	2.8		110.2	-1.1	-0.5	3.6
Dec	108.7	0.4	1.0	3.6		111.3	1.0	0.7	4.6
1998 Jan	109.7	0.9	0.8	3.9		113.7 <sup>†</sup>	2.1 <sup>†</sup>	0.8 <sup>†</sup>	5.7 <sup>†</sup>
Feb	109.2 <sup>†</sup>	-0.4 <sup>†</sup>	1.0 <sup>†</sup>	3.9 <sup>†</sup>		110.5	-2.8	1.2	5.5
Mar	109.4	0.2	0.8	3.5		112.1	1.4	1.0	4.8
Apr	108.9	-0.5	0.3	2.7		108.4	-3.2	-1.2	1.7
May	109.3	0.4	-	2.4		110.2	1.6	-1.4	0.1
Jun	109.7	0.4	-0.1	1.9		114.2	3.6	-1.0	-0.9
Jul	110.0	0.3	0.5	2.1		111.9	-2.0	1.6	0.4
Aug	109.9	-0.1	0.6	2.1		112.3	0.4	2.3	1.5
Sep	109.9	-	0.6	2.2		113.8	1.3	1.5	2.3
Oct	109.5	-0.4	0.1	1.7		112.9	-0.7	0.8	2.0
Nov	110.0	0.5	-0.1	1.6		111.4	-1.4	-0.1	2.0
Dec	110.5	0.4	0.1	1.3		116.2	4.4	0.8	2.3
1999 Jan	110.6	0.1	0.6	1.4		114.1	-1.9	0.8	2.0
Feb	110.4	-0.2	0.6	1.2		113.0	-0.9	1.6	2.3
Mar	111.5	1.0	0.8	1.3		113.9	0.7	0.1	1.4
Apr	110.9	-0.5	0.5	1.6		114.3	0.4	-0.2	3.0
May	111.7	0.7	0.8	2.0		114.9	0.6	-0.1	3.7
Jun	111.7	-	0.5	1.9		114.8	-0.1	0.9	3.4
Jul	112.3	0.5	0.8	2.0		115.2	0.4	1.1	2.6
Aug	112.8	0.5	0.8	2.2		114.4	-0.7	0.4	1.8
Sep	112.2	-0.5	0.9	2.3		114.0	-0.3	-0.1	1.7
Oct	112.2	-	0.5	2.4		114.0	-	-0.7	1.0

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 contact the Office for National Statistics.

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 <sup>4</sup>					SIC52: Retail <sup>4</sup>				
percentage change					percentage change				
	Index	month on month	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago		Index	month on month	latest 3 months on previous 3 months	latest 3 months on same 3 months a year ago
	FVVP	FVVE	FVVF	FVVG		FVVQ	FVVH	FVVI	FVVJ
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	1.9		101.5	-1.4	-	2.7
Apr	101.4	0.1	-1.1	1.7		102.5	1.1	0.6	3.0
May	102.3	0.9	0.5	2.6		104.0	1.4	1.0	3.3
Jun	102.5	0.2	1.0	3.1		104.5	0.4	1.8	4.2
Jul	103.0	0.5	1.6	3.6		104.7	0.2	2.1	4.5
Aug	102.6	-0.4	1.0	3.5		106.3	1.5	2.4	5.6
Sep	103.3	0.7	0.9	3.0		106.4	0.1	2.1	6.3
Oct	103.8	0.5	0.6	2.7		106.3	-0.2	1.9	6.2
Nov	102.8	-0.9	0.6	1.7		106.3	0.1	1.1	4.7
Dec	102.1	-0.7	-	1.0		105.3	-0.9	0.1	4.0
1997 Jan	103.6	1.5	-0.3	0.7		106.4	1.0	-0.3	4.3
Feb	103.7	0.1	-0.1	1.9		107.7	1.2	0.1	4.8
Mar	102.0	-1.6	0.2	2.1		108.5	0.7	1.5	5.6
Apr	103.9	1.8	0.4	2.2		108.6	0.1	2.1	5.8
May	102.9	-1.0	-0.2	1.3		108.7	0.1	2.0	5.8
Jun	103.4	0.5	0.3	1.3		108.9	0.2	1.1	4.9
Jul	104.0	0.6	0.2	0.8		110.0	0.9	0.9	4.6
Aug	103.7	-0.4	0.7	1.0		110.0	-	1.0	4.2
Sep	104.2	0.5	0.5	1.0		109.1	-0.8	0.9	3.7
Oct	104.5	0.3	0.7	0.9		111.7	2.4	1.0	3.7
Nov	104.4	-0.1	0.7	1.1		110.8	-0.8	0.8	3.9
Dec	104.4	-0.1	0.5	1.5		111.5	0.6	1.5	5.0
1998 Jan	105.0 <sup>†</sup>	0.6 <sup>†</sup>	0.5	1.7		112.2 <sup>†</sup>	0.6 <sup>†</sup>	1.1 <sup>†</sup>	5.1 <sup>†</sup>
Feb	105.9	0.9	0.7 <sup>†</sup>	1.9 <sup>†</sup>		111.6	-0.5	1.1	4.9
Mar	105.1	-0.8	0.9	2.2		112.1	0.5	0.6	4.1
Apr	105.4	0.3	0.8	2.2		112.2	0.1	0.5	3.5
May	103.6	-1.7	-0.4	1.7		114.0	1.6	0.9	3.9
Jun	104.1	0.5	-1.0	0.9		112.9	-1.0	1.0	4.0
Jul	105.0	0.9	-1.2	0.8		113.7	0.8	1.4	4.0
Aug	104.9	-0.1	-	0.9		113.4	-0.3	0.5	3.4
Sep	104.5	-0.4	0.4	0.8		113.2	-0.2	0.3	3.4
Oct	103.8	-0.6	0.1	0.2		113.2	-	-0.3	2.7
Nov	104.7	0.8	-0.3	-0.1		114.2	0.9	0.2	2.7
Dec	104.9	0.2	-0.3	-		113.1	-1.0	0.1	2.0
1999 Jan	104.3	-0.6	0.2	-		114.9	1.6	0.7	2.4
Feb	104.3	-	0.2	-0.6		114.9	-0.1	0.7	2.3
Mar	105.3	1.0	0.2	-0.7		116.1	1.1	1.6	3.0
Apr	104.3	-0.9	-	-0.8		115.4	-0.6	1.2	3.1
May	104.5	0.2	0.2	-		116.8	1.2	1.6	2.9
Jun	104.5	-	-0.2	0.1		116.8	-	0.9	2.9
Jul	105.7	1.2	0.3	0.7		116.9	0.1	1.2	2.9
Aug	106.8	1.0	0.9	1.0		117.6	0.6	0.9	3.3
Sep	105.6	-1.1	1.5	1.2		117.5	-0.1	0.9	3.4
Oct	104.7	-0.9	0.7	1.3		118.3	0.7	0.8	4.0

For footnotes see table 1 of this article.

Sources: Office for National Statistics;  
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 telephone 01633 812806;  
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# Improvements to Economic Statistics

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## Introduction

Towards the end of 1998 the Office for National Statistics agreed a programme of new investment in economic statistics. Additional funding was made available for these improvements as part of the ONS Comprehensive Spending Review.

This package of work is an important step towards achieving the strategic goal of the Economic Statistics Directorate (ESD). This is to paint a comprehensive, coherent and timely picture of the UK economy. These projects will create some new outputs, improve the quality and coherence of existing outputs and strengthen the statistical infrastructure underpinning data collection. Although the projects are presented



as a serial list, there are in fact many interactions between them; for instance, improvements to service sector prices are outputs in their own right but are also important inputs to the new Index of Services.

In the main, work on these projects commenced at the start of the current financial year, that is April 1999. It is expected that a further package of improvements to economic statistics will be possible using funds from the ONS Efficiency Review in the forthcoming financial year. Once plans for these have been finalised a further article will appear in *Economic Trends* announcing them.

Funding for certain projects has been provided in part by Eurostat, the Statistical Office of the European Community, for which ONS is grateful.

A number of articles have already appeared in *Economic Trends* describing individual projects. Where this is the case the relevant article is cross-referenced. The aim of this article is to give a comprehensive overview of all the work currently in train in ESD.

### **Annual purchases inquiry**

Details of materials and fuels purchased by manufacturing industries have been collected as part of the annual business survey from 1994. Around one fifth of the industries were included each year so that all manufacturing industries were covered over a five-year period. From 1999, annual surveys will cover all of manufacturing and about one third of the remaining industries (construction, distribution and services) will be added over the next three years so that almost full coverage will be achieved by 2001.

This enhanced survey will improve the coherence and consistency of the National Accounts and lead to lower annual revisions in the ONS *Blue Book*. Annual detailed purchase data allow reliable Input-Output (I-O) and supply-use tables to be produced. I-O tables increasingly underpin the coherence of annual GDP estimates. Purchases data are also essential for the PPI measure of inflation in producers' input costs. The current Purchases Inquiry is inadequate and the 1995 = 100 PPI input indices had to be reduced from 240 to 80 indices.

A small pilot study was carried out into service sector industries during 1998 and a further pilot carried out in 1999 to establish which industries should be included in the main study collecting 1999 information. The pilots also helped develop the questions to be asked. Forms for the 1999 Annual Business Inquiry will be despatched during January and February 2000 and will contain the detailed purchases questions in all production industries and around one third of the remaining industries. Further piloting will be carried out to establish

the wording for questions to be included in the 2000 and 2001 inquiries.

### **Quarterly inventories and capital expenditure inquiries**

Both of these measures are very volatile and it was proposed to increase the sample size for each to help reduce the standard error of the estimates. This will in turn improve the precision of the quarterly estimate of GDP. Two other small surveys were also proposed which would provide better information for constructing the deflators for these inquiries.

The capital expenditure sample was doubled to 32,000 from quarter one 1999. The increase was spread throughout the industries already surveyed and enabled the sample to be more representative of all size groups of businesses. Funding was also made available so that extra work could be undertaken to ensure that new capital expenditure, particularly from private finance initiatives, was identified more quickly and included in the quarterly estimates.

The introduction of ESA95 brought into scope a significant amount of inventories held by some of the service industries (for example, work in progress by architects). The expansion of the sample from 16,000 to 21,500 from quarter one 2000 will allow these service industries to be covered as well as enhancing the sample to the existing industries and thereby improving their coverage and ensuring they are more representative.

An annual survey to establish business spending patterns has been introduced from 1999. This survey collects details of the capital items that businesses have bought during the previous year. The information from the survey is used to weight together the deflators for the various commodities to provide industry specific deflators. These deflators are used in the capital expenditure estimates for GDP and also by the Final Expenditure Price Index (FEPI). The inquiry will also provide information to construct one of the input-output tables.

Another small survey will be conducted in time for the next rebasing (to 2000 = 100) and every five years thereafter. This will collect information on the average length of time that inventories are held so that the deflators can take account of the age of the inventories held.

### **Direct collection of Capital stock**

The Capital Stocks Survey began collecting details of fixed assets held by UK businesses from April 1999 following an earlier feasibility study. The ONS is collecting these data directly from companies in the form of electronic asset register reports which is the first time



that capital stock data have been collected in this manner by any statistical agency world-wide.

This survey will supplement the current perpetual inventory model (PIM) method of calculating the value of UK fixed assets, which the National Accounts require.

The current PIM calculates capital stock from accumulated capital expenditure less retirements. Assets are given life spans and are retired from accumulated capital expenditure at the end of that life span. Direct estimation will prove or disprove assumptions regarding asset life spans.

This will allow the government to improve its forecast of the behaviour of industry sectors and help measure the contribution of capital to production and growth. By completing the survey, the contributors will be helping to improve the accuracy of important economic data and in particular, improve the quality of the National Accounts.

### **Structural Business Regulation**

Information is required on several new variables to be provided to Eurostat in order to comply with the Structural Business Regulation. It is necessary for some of these variables to be collected within the Annual Business Inquiry (for example the collection of stocks of goods for resale separately from other stocks) but others can be provided from existing sources.

Some work has been carried out to ensure that all the variables will be available when required. Other work is required to set up the calculations to estimate variables not directly collected in ABI, such as asset breakdowns of capital expenditure which are collected in a quarterly inquiry. The extra resources available will mainly be used to process the extra variables that are collected. This will involve checking and vetting the returned data plus the analyses involved in compiling the UK estimates.

### **Inquiries covering financial institutions**

For some areas of the financial services industry (SICs 65, 66 and 67) some key economic indicators such as turnover, value added, capital expenditure and overseas trade in services were not being surveyed.

The most significant gap was in the data available for the financial auxiliary sector (SIC 67). After exploring the needs of customers for these data, the following actions have been implemented:

- The quarterly capital expenditure inquiry has been extended to cover financial auxiliaries;
- The annual business inquiry has been extended to cover the insurance and financial auxiliaries sectors;
- Plans have been 'drawn up' to extend the overseas trade in services inquiries to cover financial auxiliaries.

Another related project to review the classification of businesses to the financial services sector on the IDBR has resulted in major improvements in terms of coverage and the classification of units in this sector on the IDBR. A set of rules has been established for the ongoing maintenance of the classification of businesses to this sector.

### **Survey of non-households**

At present, household expenditure data in the national accounts are largely confined to goods and services purchased by those living in individual households. They do not have comprehensive coverage of spending by or on behalf of those living in communal establishments. In particular, living costs and incidental expenditure of those in residential or nursing homes are not well covered. A survey on behalf of customers in ONS and DfEE is being planned, preceded by a pilot next year by ONS Social Survey Division, to fill this gap. It will also include other types of communal establishment, e.g. hostels, defence establishments and prisons, and cover a range of social topics as well as economic ones.

### **New data source for companies dividends**

Following the abolition of Advance Corporation Tax (ACT) in April 1999, the ONS no longer has a good quality source of data for Dividends paid out by companies. The value of Dividends paid in 1998 was about £75 billion and formed a significant part of the National Accounts. Dividends data affect the Income and Capital Account, the Income measure of GDP, Balance of Payments, the Household Savings Ratio and several other parts of the National Accounts.

The loss of these data has therefore had a serious detrimental effect on the quality of the National Accounts. The purpose of the Dividends Project is to find alternative sources of good quality, timely dividends data. Published sources are being purchased and used for Dividends paid by quoted companies, and other limited information is available from some existing ONS surveys. ONS is planning a new survey to unquoted private non-financial corporations to complete the picture.

## **Improvement in quality of the IDBR**

The Inter Departmental Business Register (IDBR) provides the sampling frame for all ONS business inquiries. It is thus the foundation stone upon which much statistical work rests. ONS Business Registers Unit is in the process of undertaking a three-fold project to address quality improvements to the IDBR. The work is partly funded by Eurostat. The sub-projects are:

### **Quality improvements on the register in terms of coverage and industrial classification**

The register consists of two main administrative inputs - Value Added Tax (VAT) data from Customs and Excise and Pay As You Earn (PAYE) information from Inland Revenue. In receiving these data, the register attempts to match them via the name and address variables, as no unique identifying reference exists. This is not always possible for small businesses and there is the possibility of duplicate units on the register. This project is investigating the issue, with the intention of improving firstly the industrial classification for small units based solely on administrative data, and secondly the coverage for the survey populations.

### **Improvements to the use of administrative data on the business register**

This project is examining new procedures for incorporating administrative data into the production of statistics on employment, turnover and other key economic variables. The three main strands to this are:

- To examine the effects on using different auxiliary variables on estimates of changes in employment;
- To develop and test methodology for using staggered quarterly VAT turnover data in producing estimates for turnover and related variables;
- To determine the extent to which data from these administrative sources could improve quality and/or reduce compliance costs.

### **Treatment of small enterprises and complex enterprises on the business register in relation to sample selection and estimation of survey results**

The objective of this project is to detail best practice for treatment of enterprises on the business register and in business surveys. Data for some small enterprises are available from surveys as well as from the business register. The work will involve comparisons of these data and be used in calculating population estimates and variances for a range of strategies. Benefits expected are more accurate survey results and more efficient sample designs.

These three sub-projects are progressing at different rates, but with an overall target of completing all work by end March 2000. The second sub-project overlaps with work that is being done for the Index of Services.

## **Average earnings**

Following the reviews of the Average Earnings Index (AEI)<sup>1,2</sup> earlier in the year, a project was established to implement the recommendations of the review team, and to bring about further improvements in the quality of the index.

The first major component of this project was to introduce an entirely new sample of firms used in the calculation of the index. This involved a complete redesign of the sample, and required a five-month parallel run alongside the previous sample, during which time the quality of the new results was evaluated. Results based on the new sample were published for the first time in October 1999.

In this development the ONS worked closely with a team of experts (acting in their individual capacities) drawn from HM Treasury, the Bank of England, the DTI, DfEE as well as Professor Ray Chambers and Dr Dave Holmes of the University of Southampton and Mr Martin Weale of the NIESR.

The key benefits of the new sample are:

- A significant improvement in the precision of the estimates of growth;
- A more stable index than previously;
- More representative of the structure of the economy;
- Many more firms in the service sector and more large firms;
- The introduction of up-to-date weights;
- Better consistency between the sample and the weights;
- The use of rotation of the smaller firms into and out of the survey to prevent the sample becoming stagnant.

The introduction of the new sample of firms is part of a wider project to improve the quality of the AEI. The Turnbull-King review made a number of other recommendations for improvements that are being taken forward by the ONS. An outline of the timetable for these was given in an article in the September edition of *Labour Market Trends*. In addition to these developments the ONS will be setting out a timetable for updating the weights on an annual basis. This will involve an assessment of the best month for deriving stable, but up-to-date employment estimates from the IDBR. Also noted in the Turnbull-King review is an assessment of the variance of the annual growth rates produced by the new sample. These will be instructive in re-assessing the sample allocation and considering whether estimates of earnings growth including the effects of bonuses for

detailed industrial sectors should be re-issued. However, the assessment of these variance estimates from the new sample will not be possible until we have at least 12 estimates of the headline rate of growth in average earnings from the new sample. That will not be until the end of 2001.

Users of the AEI will be kept informed of developments through regular features appearing in *Labour Market Trends*.

### Developments in productivity measures

The article "Developments in Productivity Statistics" in the April 1999 issue of *Labour Market Trends* outlined long-term plans for the development of productivity statistics. Since then a project has been set up to take this work forward with two main objectives: to improve the consistency of productivity measures; and to develop new measures.

Current published measures of productivity are derived by dividing measures of output by the number of filled jobs. While output and employment are collected on the same form the productivity measure uses 'enterprise-based' output but 'local unit' employment, see the above mentioned article for details. The first step in improving productivity estimates is to remove this inconsistency by using 'enterprise based' series in both the numerator and denominator. Other changes to the compilation of an 'enterprise based' employment series are being made to improve the consistency between the numerator and denominator.

One of the criticisms levelled at the current productivity measure is that, by measuring 'output per filled job', it does not accurately reflect the changing nature of the workforce. To resolve this a new productivity measure is being developed using a 'total hours worked' denominator. Other developments are also being considered in the area of public sector productivity. With the development of the new Index of Services within ONS it is planned to build on this and to develop productivity measures that cover the services sector in more detail than currently. Finally, annual measures of regional productivity are being developed, using GDP and 'total hours worked' for each Government Statistical Region. The possibility of doing further work on regional productivity to produce a more consistent measure is also being looked at in the long-term.

### Methodological development of RPI

This work is described in two previous *Economic Trends* articles, "Implications of the US Boskin report for the UK Retail Prices Index" by Michael Baxter (*Economic Trends*, No. 527, October 1997) and "Three Year Research Programme on RPI Methodology" by Michael

Baxter and Dawn Camus (*Economic Trends* No. 543, February 1999). Further reports will follow later this year.

A three-year research programme is in progress. Its aim is to evaluate current methodology against recent thinking and where appropriate to introduce methodological improvements to ensure that the ONS maintains its position with other leaders in the field. Whilst some of the planned tasks are there to determine whether there is bias in the RPI, the programme covers a wide range of aspects of RPI methodology and is not restricted to the measurement of potential bias.

### HICP project

The rules that govern compilation of the Harmonised Index of Consumer Prices (HICP) are laid out in EU Regulations, agreed between Member States and Eurostat. There are three major EU Regulations that have to be implemented with the January 2000 index, to be published in February 2000.

The first Regulation involves the adoption of the final version of the COICOP / HICP classification system. When the HICP was launched in 1997, the COICOP (Classification of Individual Consumption by Purpose) classification system had not been finalised and the provisional version, which existed at that time, was used for the HICP. The HICP will now be recalculated back to 1996 classified according to the final version.

The second Regulation harmonises the population covered by the weights so that it includes expenditure by foreign visitors and institutional households, as well as private households. The UK HICP currently includes only the latter.

The third Regulation extends the coverage of goods and services to include all education and insurance services, together with most remaining health and social protection goods and services. The inclusion of retirement homes and in-patient hospital services will not take place until the January 2001 index.

An *Economic Trends* article is to appear soon that will provide more detail about these developments and their effect on the HICP.

### FEPI

The Final Expenditure Prices Index (FEPI) was launched in September 1997 as a broad measure of UK inflation, covering the economy more widely than existing indices such as the Retail Prices Index and Producer Prices Index. It is currently an experimental index pending the successful development of methodologies in some areas. The aim of the project is to complete the development of the



FEPI and to launch it as a mainstream economic indicator. Further details of planned developments for the FEPI are given in the "Development Plans for the Final Expenditure Prices Index" article in this issue of *Economic Trends*.

### PPP projects

This project will develop a more rigorous method for selecting locations and outlets for the PPP consumer price surveys. The current selection methods are purposive in approach. The results of the project are due to be implemented in the first PPP survey of 2000 in the Spring.

The PPP consumer price surveys are conducted in London but the calculation of national PPPs requires national average prices. A further project will derive up-to-date coefficients to convert London prices on to national averages.

### Corporate services prices indices

Development of service sector price indices began in the UK in the early 1990s as a simple extension to the familiar Producer Price Indices (PPI) system for measuring prices in the production sector. From the outset the price movements sought were those for services provided by businesses to other businesses and intermediate users rather than to final consumers. Initially price collection activity was confined to a small number of relatively "simple" industries where the price collection methodology used was very much the same as that employed for the PPI.

ONS began a more serious investment in service sector price measurement in 1995 by deploying a professional economist and other resources to expand the range of industries being tackled. The industrial range covered has expanded considerably and with it the range of price collection mechanisms being employed to cope with the problems of price definition in the more difficult industries, including many of those providing professional services.

Additional resources are being made available to enable a more ambitious expansion of what are now labelled Corporate Services Price Indices (CSPIs). This is also to ensure that the quality and coverage of the indices is sufficient for their intended purposes as indicators of inflation and as deflators for the National Accounts and the Index of Services. Price indices for a dozen industries are published routinely in the PPI publication MM22 and there are plans to make further data available via regular articles and tables in *Economic Trends* later in 2000.

### PPI New Sample and Estimator

A project to improve the quality of the Producer Price Index (PPI) has been underway since 1996 and forms the most significant update of PPI methodology since the 1950s. Working in consultation with Southampton University and Social and Community Planning Research (SCPR) the project covers five main areas of development (as described in the article "Improving the Quality of the Producer Price Index", *Economic Trends* No. 541, December 1998):

- *New Sample* - Selection of a new random sample drawn from Prodcum to replace the current panel based design;
- *New Estimator* - Introduction of a new unbiased estimator which better represents price movements of small companies, taking into account the likelihood of selection in the sample of each contributor, as well as the level of sales;
- *Optimal Allocation* - Sample selection using a method of optimal allocation. Retaining the same number of overall price quotes (9,000) whilst minimising the sampling error of the all manufacturing index and providing highest quality 4-digit indices, which are important for IoP and national accounts deflation;
- *Sampling Errors* - Introduction of a random sample will enable sampling errors to be calculated and published for the first time, giving users a better understanding of the quality of indices;
- *Rotation* - The sample will be updated on an annual basis to systematically pick up new products and spread the burden on smaller companies across a wider number of firms.

Much of the progress to date has concentrated on the introduction of the new sample. Use of the optimal allocation method has resulted in significant changes to the PPI sample with the recruitment of 7,000 new price quotes and only 2,000 of the existing price quotes being retained. For operational reasons the recruitment of the new price quotes has been split into four phases, the first of which was linked into the PPI for May 1999, following a parallel run of the old and new samples between February and April. A similar parallel run has recently been carried out for the second phase of the sample, which was incorporated into the PPI in October.

Recruitment of the new sample will continue until June 2000 after which time it will be possible to trial the new method of estimation. The proposed new estimator introduces unbiased estimates, taking into account both the likelihood of a company's selection for the sample and the value of product sales. Since the two methods of estimation could potentially produce different sets of results a lengthy parallel run of the new and existing estimators is planned. This will begin in June 2000 and is likely to continue until June 2001.



## Import prices

This project extends the range of import price indices for use in the deflation of trade, fixed capital formation and inventories estimates, but also has potential applications within PPI. The project is starting with capital goods indices and will eventually cover intermediate and consumer goods. A project board has been established to set priorities and advise on technical issues. Currently the computer system is being developed to enable more efficient contributor recruitment and processing. The project will last until 2001 with the first phase results expected to become available in early 2000, for Motor Vehicles. Beyond this, work is already underway on Computers and Specialised Machinery.

## GDP at Constant Prices

With the publication of the 1998 *Blue Book* and *Pink Book*, ONS made extensive changes to the production and presentation of the national accounts. The most important of these changes was to implement the European System of Accounts 1995 (ESA95), which brought the UK accounts onto a common European standard. The changes are described in an article "Forthcoming Changes to the National Accounts." *Economic Trends* No. 537, August 1998.

However the harmonisation of the EU Member States' national accounting practices is not yet complete. The developments implemented to date concern for the most part data at current prices. An important part of the ongoing work relates to the harmonisation of constant price data.

ONS has thus embarked on a programme to harmonise constant price estimation. There are two elements to the programme; introducing annual chain linking of GDP and its components and harmonising deflation methodology (volume estimation) through removing unacceptable practices (rather than requiring each member state to pursue identical methods). Annual chain-linking will provide better estimates of growth in GDP, reducing the revisions that occur with less frequent rebasing and improve international comparability.

Initial experimental results will be published in 2001. An article entitled "The Development of Chain-Linked and Harmonised Estimates of GDP at Constant Prices." in *Economic Trends* No. 552, November 1999 gives details.

## Constant Price Input-Output Supply-Use Balances

Constant price input-output supply-use tables are increasingly receiving international recognition as the best way in which to balance the constant price national accounts and produce constant price

GDP. They will provide the framework for the changes to deflation methods described above.

Work on constant price input-output commenced towards the end of 1996. An article "Experimental Constant Price Input-Output Supply-Use Balances" was published in *Economic Trends* No. 548, July 1999. The introduction of constant price supply-use tables is an ESA95 requirement but ONS also regards it as offering considerable quality benefits in its own right.

The constant price input-output framework offers a much greater level of consistency between the constant price estimates, and associated deflators, for the expenditure and output approaches of GDP at the detailed level, than the current process allows.

In addition, constant price input-output will involve the introduction of double deflation methods for all sectors of the economy plus a number of parallel improvements to basic data sources. For example, constant price input-output tables will be used to ensure consistency between the output estimates used in the IoP and those used in current price supply-use balances.

## Public finances first releases

Further and significant improvements have been made to the monthly Public Sector Finances First Release with effect from November 1999. For the first time there are monthly figures for the public sector surplus on current budget and a summary of monthly central government receipts and expenditure on a national accounts basis, as defined by ESA95.

The new summary shows the transactions that determine the current surplus and net borrowing. These are: taxes on production, taxes on income, other taxes, interest and dividend receipts, social contributions, the total of other receipts, interest payments, net social benefits paid, the total of other current expenditure, gross investment, and depreciation.

This enables users to see the components of central government net borrowing more clearly than is possible from the previous analysis of cash flows and financial transactions, and so help in understanding trends better.

The new First Release includes up to date monthly figures for the government's two fiscal rules and the overall fiscal stance:

- Surplus on current budget for the Golden Rule;
- Net debt for the Sustainable Investment Rule;
- Net borrowing for the overall fiscal stance.

The release now also shows monthly general government net borrowing - the measure of government deficit reported to the European Commission under the Maastricht Treaty.

The public sector net cash requirement (previously known as the public sector borrowing requirement), and the net cash requirement of each sector will continue to be shown in the first release. In particular tables will show the central government net cash requirement, which has a key role in planning the management of government debt, and they will show the cash flows that determine it.

These changes were announced in the July 1998 edition of *Economic Trends* following the Chancellor's Economic and Fiscal Strategy Report.

### **Constant Price Expenditure and Output of Central and Local Government**

These have traditionally been measured by inputs - staff numbers and deflated intermediate consumption. However, this approach does not allow for changes in efficiency and productivity. It is not recommended in ESA95, and will eventually not be permitted for European statistics. The best procedure is direct measurement of output. Since 1998, this has been done for three areas of Government - education, health and social security (see the article "Measuring the Output of Non-market Services", *Economic Trends* No. 539, October 1998). Work is proceeding on producing output measures for other areas, and some of these will be used in the published figures from 2000.

### **Monthly Index of Services**

In response to demand from users such as HM Treasury and the Bank of England, the ONS has started work to develop a monthly Index of Services (IoS). This will mirror the established Index of Production by indicating the movements in gross value added in the service sector. Release of a prototype IoS is targeted for December 2000. A prototype monthly Index of Distribution (covering wholesale, retail and motor trades) has been produced as a first step. Regular monthly release of that started in an article in the December 1999 issue of *Economic Trends*.

A background article about the IoS development project, "Plans for the Development of a Monthly Index of Services", by Ian Cope and Hugh Skipper appeared in the October 1999 issue of *Economic Trends*.

### **Non-financial balance sheets**

Towards the end of 1998 two factors combined to provide the impetus for improvements to the non-financial balance sheets in the UK National Accounts. The first of these was the introduction of the new ESA95 as the accounting standard in the UK. The other was the introduction of new fiscal policy initiatives, particularly the *golden rule* and the *sustainable investment rule* (an article in the November 1998 *Economic Trends* by Andrew Holder of HM Treasury explains the fiscal policy context).

The first phase of the project, which has been completed, was to update the balance sheets on an ESA95 basis but using existing methods and sources. The main thrust of the project though is to replace, wherever possible, the existing model based estimates with estimates based on direct observation of the relevant assets. Such estimates may be obtained either from new administrative data for the government sector or from specific surveys of capital stock for industry. Articles in November 1998 and March 1999 *Economic Trends* provide the detail.

A further article in November 1999 *Economic Trends* reports on progress to date. The introduction of Resource and Accounting and Budgeting (RAB) within central government has provided, for the first time, live data with which to replace the old model based estimates. Provisional results have been produced and published. These will be improved further as RAB is fully implemented and audited. Analogous improvements have been made for the local government sector and public corporations. Significant changes have also been made to the private sector balance sheets in respect of the housing stock, civil engineering assets and plant and machinery.

For the future a number of further improvements are planned including development of quarterly capital stock figures, more detailed analysis of capital stock, a rolling programme of direct collection of capital stock data and updating of the industry breakdown to SIC92.

### **Experimental monthly balance of payments**

Monthly balance of payments statistics are required by the European Central Bank (ECB) for the purposes of monetary policy and foreign exchange operations within the Euro area. Whilst not a member, the UK has decided to provide balance of payments Monthly Key Items (MKIs) to the ECB as part of the Government's wider preparations agenda, as set out in the Chancellor's statement on UK policy towards membership of the single currency in October 1997.

<sup>1</sup> *Review of the Revisions to the Average Earnings Index: Report submitted by Sir Andrew Turnbull and Mervyn King to the Chancellor of the Exchequer, March 1999.*



# Development Plans for the Final Expenditure Prices Index (FEPI)

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## Summary

This article paper provides a summary of recent and planned methodological improvements in the broader measure of inflation called the Final Expenditure Prices Index (FEPI) which is currently produced on an experimental basis. The FEPI measures the change in prices paid by UK consumers, business and government for final purchases of goods and services.

Amongst other things, this article describes in detail a method that would enable the government expenditure component of the FEPI to be based on output prices, thereby reflecting changes in productivity and making it consistent with the other components of the FEPI. The proposed methodology involves the estimation of implied output prices and the use of these prices in the calculation of the FEPI instead of the input prices currently included. Productivity change would be implicitly reflected in the imputed output prices. The new methodology will be introduced into a variant of the FEPI, to be published alongside the existing measure, for a trial period starting in March 2000.

The proposed methodology for government output prices is being introduced following initial consultation with users. Further comments on the proposed approach would be welcomed.

## Background to the construction of the FEPI

The Final Expenditure Prices Index (FEPI) was constructed in response to user requests for a broad measure of UK inflation that covered the economy more widely than existing indices such as the Retail Prices Index and the Producer Prices Index. It is published monthly.

- The index covers final domestic purchases at market prices only. It is based on the national accounts aggregate known as Total

Domestic Expenditure, but excludes changes in inventories, capital consumption and other components that are not based on actual transactions (e.g. imputed rent for owner-occupiers).

- Essentially the FEPI is a measure of the change in prices paid by UK consumers, business and government for *final* purchases of goods and services. Intermediate purchases by business are excluded.
- The index series has been calculated from January 1992. The index was first published, with an accompanying background article, in the September 1997 issue of *Economic Trends*. The index was, and still is, published on an experimental basis, pending the successful introduction and testing of consistent methodology for the government component.
- The FEPI consists of three components each covering a different category of expenditure: consumers' expenditure (ICP), investment expenditure (IIP) and government expenditure (IGP).
- The FEPI weights are derived from the latest current expenditure as estimated for the national accounts.
- The FEPI is a Laspeyres-type price index with the weights revised every January. The weights are not subsequently revised even when the underlying national accounts figures are revised.
- The price indicators that feed into the FEPI are predominantly components of the Retail Prices Index (RPI), the Producer Price Index (PPI), the Average Earnings Index (AEI) and various construction output price indices (from the Department of the Environment, Transport and the Regions).

A more detailed account of the development of the FEPI may be found in the following article:



## Why the need to change?

At present there is an inconsistency in the way the FEPI is calculated. The output prices that are used in calculating the ICP and IIP components are those charged by the private sector. Any productivity change within the private sector will therefore be implicitly reflected in these output prices - and therefore in the ICP and IIP components of the FEPI. But government output is not sold, so there are no explicit output prices.

The traditional approach to valuing government economic activity for national accounts has been to base it on *input* prices, covering pay and procurement. However, unlike output prices for the private sector, these input prices will not *fully* reflect changes in public sector productivity. The proposed way to get round this inconsistency is to impute output prices for government and to use these instead of input prices in calculating the IGP, thereby bringing the IGP into line with the ICP and IIP.

## Introducing implied output prices into the IGP

New output figures for education, health and social security (developed for National Accounts) have been used as a basis for estimating a single aggregate "price" for each of these departments.

An aggregate price may be derived from the relationship:

$$\text{Price} = \frac{\text{Value}}{\text{Volume}}$$

For instance, in the specific case of health:

$$\text{Price} = \frac{\text{total final consumption expenditure on health (at current prices)}}{\text{health output}}$$

The single implied "output" price calculated in the above manner can then be used to replace the range of input prices currently used in calculating the health component of the IGP. Any productivity change within government will then be implicitly reflected in the output price - in the same way that output prices for the private sector implicitly reflect productivity change in the private sector.

The other advantage of this approach is that the use of past or present capital investment will also be implicitly reflected in the implied output price. This is because total final consumption expenditure includes

non-market capital consumption. The identifiers for the published series which could be used to generate these implied output prices are given in the following table.

	Total final consumption expenditure	Output
Education	QYSE	EMOB
Health	QYOT	EMOA

Current plans would see implied output prices used in the IGP calculation but only for those departments for which output figures are available. Currently, these represent about half of total government expenditure. For departments where output measures have not yet been developed, their contribution to the IGP will continue to be based on input prices. In other words, for these departments the implied productivity adjustment will continue to be zero.

## Timing

Like other inflation measures published by the ONS, the FEPI is published in a timely manner. For instance, the July 1999 FEPI was calculated during August and appeared in the September 1999 issue of *Economic Trends*. This is possible because all the price indicators that are used in calculating the FEPI are themselves published during the month following the reference month.

The problem with the proposed output price approach is that the data are derived from quarterly series that are compiled according to the national accounts timetable. Consequently they are only quarterly figures and are not as timely as the other monthly elements that feed into the FEPI. Moreover, some of the quarterly figures used in the national accounts are imputations or extrapolations based on annual series. The implied output prices are, therefore, likely to be subject to considerable revision.

The problem of timeliness may be illustrated as follows:

Publication month:	FEPI index month:	Expenditure and Output estimates available for:
Feb 1999	Jan 1999	1998 Q4 second estimate
Mar 1999	Feb 1999	1998 Q4 third estimate
April 1999	March 1999	1999 Q1 first estimate

A further issue is that only *quarterly* output prices can be derived from existing sources whereas the FEPI is a monthly series. Use of a quarterly price series in the FEPI would mean output prices staying constant for three months at a time. This would introduce a step change in prices four times a year whilst other elements of the FEPI were changing monthly. It is therefore proposed that a *monthly* output price series will be imputed from quarterly data.

## Revisions

The implied output prices series will be revised as new data become available. Significant revisions can be expected, over a timeframe of 18 months, and possibly longer. Consequently the current FEPI policy of limiting revisions to just six months will need to be reviewed and discussed with users.

## Development of additional government output measures

In addition to the new output measures for education, health and social security (covering 50 per cent of government), further measures continue to be developed for other government departments. The eventual target is for 75 per cent of government output to be covered but this is unlikely to be achieved until well into 2000.

In addition to the development of new indicators, discussions are still ongoing regarding the quality-adjustment of existing output indicators.

## Publishing a variation of the FEPI including implied Government output prices

The revisions performance of a monthly government output series would have to be analysed before it can be safely incorporated into the FEPI on a permanent basis. Indeed, it is possible that this approach will lead to so many revisions that it has to be abandoned. If so, an alternative approach may be to publish *two* FEPI series, which differed only in the version of the IGP which was used in its construction - the traditional input price based IGP, or an IGP incorporating implied output prices. The two series would be:

- A continuation of the existing FEPI i.e. using *input prices only* for the whole of the IGP. This is equivalent to an implicit zero change in public sector productivity.
- An historic series "FEPI productivity adjusted" (FEPIP) that would always reflect the new hybrid IGP based on output prices for most of government but input prices for the rest. However such an index would not be timely - and could still be subject to significant revision. There is a parallel for this approach, namely the historic Cost of Living Index (COLI) published in the US.

The benefit to users of publishing FEPIP will be tested by publishing it alongside the FEPI, while the revisions performance of the monthly output series is being monitored, starting in March 2000.

## Construction output indicators

Another area for development identified when the FEPI was launched as an experimental index was the need to develop zero-time lag construction output indices. In the current arrangement there is a three-month lag in the availability of the construction indices supplied by DETR. Since 1997, DETR have successfully developed a series of "zero time-lag" indices that would be consistent with the other inputs into the FEPI. Analysis is now required to assess the reliability of this new series, particularly in respect of the size of the revisions that the first estimates subsequently undergo. This will be carried out during 2000 with a view to incorporating them into the index in March 2001.

## Consistency with National Accounts

The structure and coverage of the National Accounts changed in 1998 with the adoption of the new European System of Accounts 1995 (ESA95). Although the FEPI is based on the National Accounts, many of the changes which came in with ESA95 have yet to be reflected in the FEPI. The main changes impacting on the FEPI are as follows:

- The inclusion of intangibles, such as development of computer software, within investment expenditure.
- Classification of household expenditure according to COICOP (*Classification of Individual Consumption by Purpose*).

The FEPI will be amended, and revised back to January 1992, to take account of ESA95 changes, during 2000 and 2001 (see timetable below).

## Convergence of the ICP and HICP

The underlying structure and coverage of the ICP and HICP are very similar, with both being based on *all* consumers' expenditure (unlike the RPI, which covers only index households). Moreover, from 2000, the HICP weights will be derived from national accounts data, in a similar way to the FEPI; and, by early 2001, the FEPI will be classified according to COICOP, as the HICP is currently.

Nevertheless some differences exist. One is the treatment of owner-occupier housing costs, which is not represented in the HICP currently. The acquisition of private dwellings is covered in the FEPI

under the Index of Investment Prices (IIP) and not the ICP. This is consistent with its treatment by National Accounts as part of investment expenditure. Whilst an agreed approach to the coverage of owner-occupied housing costs in the HICP has yet to be reached, if it were to be based on acquisition of dwellings, this would *not* be consistent with the ICP.

The formula issue also separates the two. The ICP currently uses components of the RPI - and is therefore not consistent with the underlying formula for determining elementary aggregates used for the HICP.

The treatment of health and education will also need to be closely compared. The FEPI covers *all* expenditure on health and education - either within the ICP (consumers' expenditure) or within the IGP (government expenditure). The treatment of health and education in the HICP is consistent with the ICP component of FEPI in that it covers actual expenditure by consumers regardless of whether the good/service they are buying is subsidised or not. But it does not cover expenditure by government on the provision of a free/subsidised health or education service (which is covered by the FEPI/IGP).

### **Proposed timetable**

The proposed timetable for the future development of the FEPI is as follows.

#### **March 2000 (for Feb 2000 FEPI):**

- Introduce ESA95-based structure back to Jan 92 for IIP and IGP
- Publish two FEPI series alongside each other: the traditional FEPI, and a historic revisable FEPI which includes implied government output prices (FEPIP)

#### **March 2001 (for Feb 2001 FEPI)**

- Introduce backdated output price-based IGP into the FEPI (subject to satisfactory performance of FEPIP)
- Revise ICP series back to Jan 92 based on COICOP.
- Introduce zero time-lag construction output indices into the IIP (depending on satisfactory outcome of feasibility study).

#### **March 2002 (for Feb 2002 FEPI)**

- Re-launch FEPI as mainstream indicator (end of experimental period).

### **User Comments**

Comments are invited on the development plans for the FEPI over the next two years, particularly the proposed approach for government output prices. Comments should be addressed to Jim O'Donoghue. Contact details are given at the head of the article.