

The UK Economy

Latest update: 23 August 2012

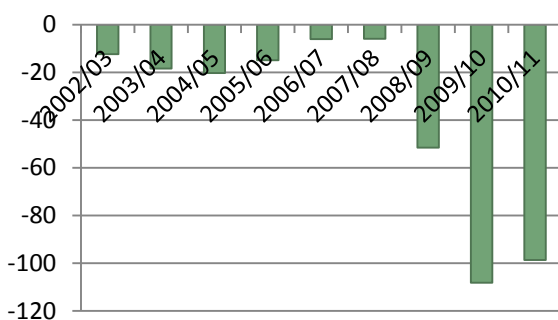
The status of the economy is measured and reported using a variety of statistical indicators which taken together can provide a representative picture of the current condition of the UK economy.

Fiscal Surplus/Deficit

This illustrates the balance between the government's income and expenses. Fiscal deficit occurs when the government's expenses exceed its income; fiscal surplus exists when the government's income exceeds its expenses. When income is equal to expenditure, the budget is balanced.

	Surplus/Deficit	Size (£billion)
Latest July 2012	Surplus	1.2
<i>1 month before June 2012</i>	Deficit	-13
<i>6 months before Jan 2012</i>	Surplus	11.8
<i>1 year before July 2011</i>	Surplus	4.2

Annual Budget Deficit (£billion)



Figures from ONS, Public Sector Finance:
<http://www.statistics.gov.uk/hub/economy/government-receipts-and-expenditure/public-sector-finance>

National Debt

National debt indicates the debt owed by the government as a result of earlier borrowing to try and remedy budget deficits. Borrowing usually takes place in the form of issuing securities and government bonds.

	Size of Debt (£billion)	% GDP
Current July 2012	£1,032.4	65.7

Figures from ONS, Public Sector Finance:
<http://www.statistics.gov.uk/hub/economy/government-receipts-and-expenditure/public-sector-finance>

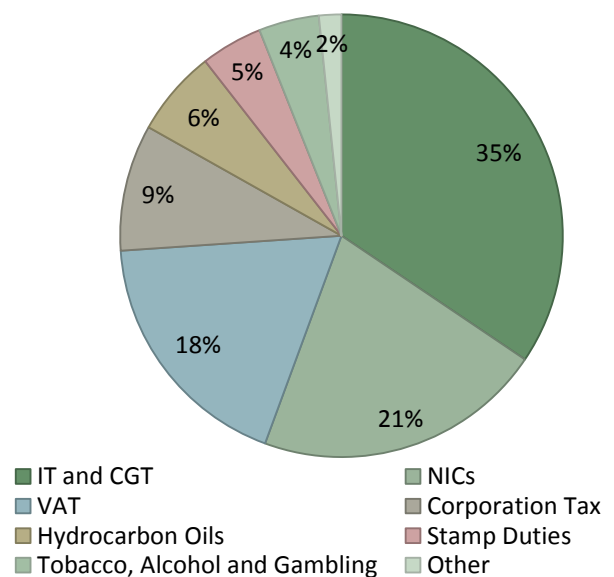
Tax Revenue

This is the amount of income the Government receives as a result of taxing the people.

In the tax year 2010-11, HM Revenue and Customs collected **£447 billion** in taxes from the British people.

The Government collects its taxes from a variety of sources, and the volume of revenue can be broken down by its sources, as a percentage of the total:

Tax revenues by source, tax year 2010-11



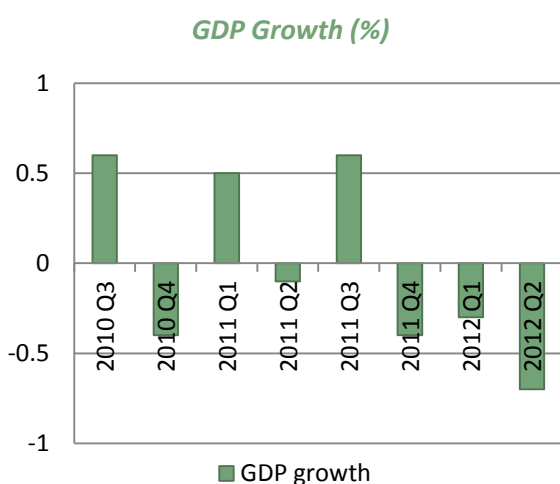
Figures from HMRC, Tax and NIC Receipts:
http://www.hmrc.gov.uk/stats/tax_receipts/menu.htm

Gross Domestic Product

A key indicator of economic growth or shrinkage, Gross Domestic Product (GDP) indicates the total value of a country's domestic output of goods and services.

In 2011, the UK's GDP was just under **£1.44 trillion**.

In Q2 2012, the UK's GDP shrank by **0.7%** (est.), compared with a 0.3% fall in Q1 2012.



2011 Annual GDP Figure from ONS Blue Book 2012; GDP Quarterly figures from: <http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product-preliminary-estimate/q2-2012/stb-gdp-prelim-ests-q2-2012.html>

The Balance of Payments

The balance of payments summarises the country's transactions with other countries, over the course of a year. Theoretically the balance of payments should sum to zero. It covers the UK's imports and exports of goods, services, financial capital, and financial transfers.

The balance of payments has three main components: the current account, the capital account and the financial account. The capital account is concerned with the net change in the national ownership of assets, the financial account relates to the UK's investments abroad and foreign investments in the UK, and the current account indicates whether the country's income is greater than its expenditure.

	<i>Current</i> 2011 (£billion)	<i>Previous</i> 2010 (£billion)
<i>Current account</i>	-29	-37.3
<i>Capital account</i>	3.5	3.7
<i>Financial account</i>	15.9	28.3
<i>Balancing item</i>	9.6	5.3

The current account includes the balance of trade, which indicates the difference between the amount of goods and services that the UK imports and exports. A trade deficit occurs where the value of imports is greater than the value of exports, and a trade surplus occurs where the value of exports is greater than the value of imports.

In Q2 2012, the UK reported a trade deficit in goods and services of **£11.2 billion (est.)**, compared to a **£7.8 billion deficit in Q1 2012**.

Figures from ONS, Pink Book 2012, and Balance of Payments: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Balance+of+Payments>

See also: **Balance of Payments**

www.civitas.org.uk/economy/Balanceofpaymentsfactsheet.pdf

The Labour Force

The percentage of the population of working age that is employed or actively seeking employment is known as the Labour Force Participation Rate, or the economic activity rate. It is effectively the size of the available workforce, and does not include some students, retired people, stay at home parents, those in prison, or other people who are not available to work.

In July 2012, the UK's Labour Force Participation Rate was **77.1%**.

The percentage of the labour force (the population of working age: 16-64 years) that is

involuntarily out of work and has not had a job in four weeks is the unemployment rate.

In July 2012, the UK's unemployment rate was 8.1%, amounting to 2.58 million people without a job.

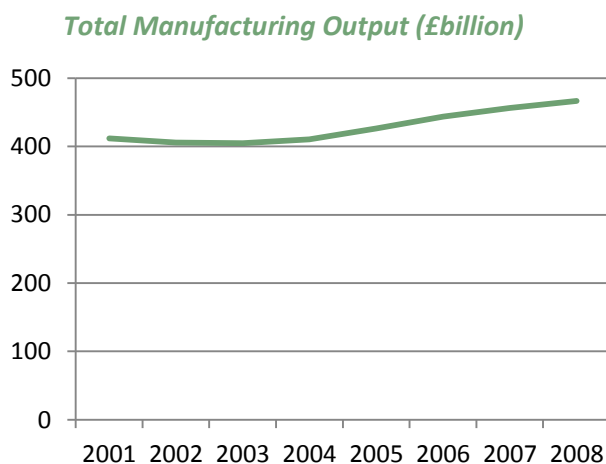
Figures from ONS, Labour Market Statistics:
<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/july-2012/index.html>

See also: Labour Market
(www.civitas.org.uk/economy/Labourmarketfactsheet.pdf)

Manufacturing Output

Total manufacturing output is measured annually as the total value of the outputs of the manufacturing sector in the UK.

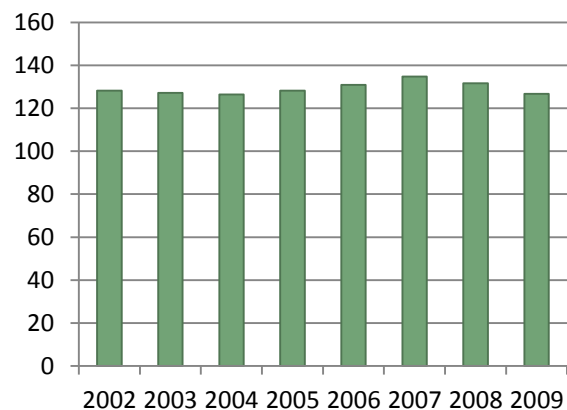
Total output of the UK manufacturing sector in 2008 was £466.4 billion.



The total value of the goods and services produced by the manufacturing sector is calculated using the Gross Value Added (GVA) measure. This represents the total manufacturing output, minus intermediate consumption. GVA is equal to the value of the net output of the manufacturing sector, and thus shows the new value of the new products created.

In 2009, GVA output of the manufacturing sector in the UK was £126.7 billion.

GVA Manufacturing Output (£billion)



Figures from ONS, Blue Book 2011

See also: Manufacturing
(www.civitas.org.uk/economy/Manufacturingfactsheet.pdf)

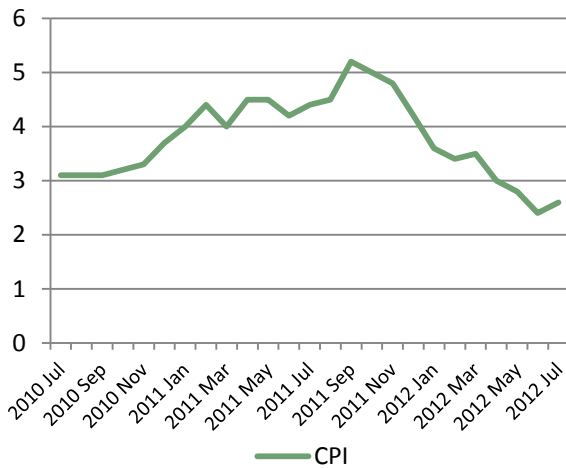
Consumer Price Index

The CPI shows changes to the cost of living in the UK. It reflects the increase or decrease in the prices of goods and services frequently used by the average person, e.g. food, housing, heating, petrol, public transport, household goods etc. Items that people spend the most on, e.g. food and rent, are given a higher weighting in the calculations than those that are deemed less important, such as tobacco. The CPI includes taxes, so for example an increase in VAT will be reflected in its value.

The CPI is used to identify inflation of consumer prices in the UK. Inflation is important as unless the rise in prices is matched with a rise in wages, inflation means that people's purchasing power is reduced. The Bank of England expresses its targets for inflation in terms of the CPI.

In July 2012, CPI annual inflation was 2.6%, up from 2.4% in June 2012.

CPI Inflation annual percentage change



Figures from ONS, CPI:
<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Consumer+Price+Indices>

Foreign Exchange Rates

This denotes the rate at which one currency, in this case £ sterling, can be exchanged for another currency, or the value of the £ in terms of another currency. It is expressed in terms of how many units of the exchange currency are equal in value to £1. Changes in the exchange rate have implications for inflation, imports and exports, and GDP.

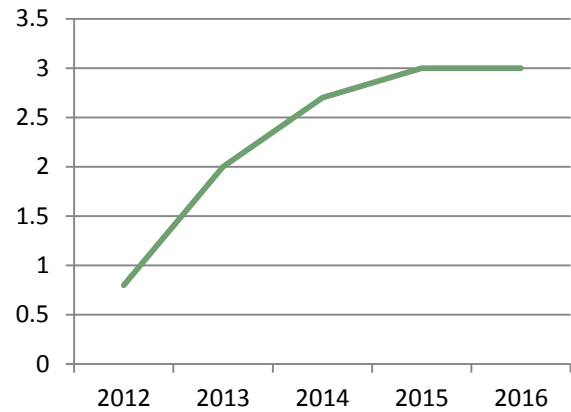
Foreign Exchange Rates		
	US\$/£	€Eur/£
Dec 2011	1.60	1.20
Dec 2011	1.60	1.20
Mar 2011	1.55	1.18
Dec 2010	1.54	1.17
Mar 2010	1.60	1.13
Dec 2009	1.56	1.12
Mar 2009	1.71	1.20
Dec 2008	1.85	1.26
Mar 2008	2.01	1.42
Dec 2007	2.00	1.46
Mar 2007	1.90	1.48

Figures from HMRC, Foreign Exchange Rates:
<http://www.hmrc.gov.uk/exrate/>

Economic Forecasts

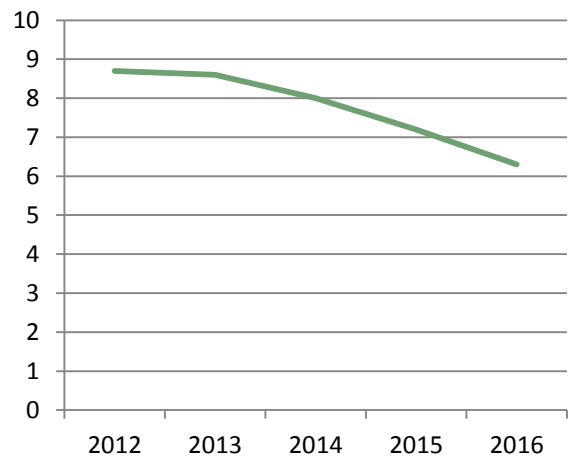
The Office of Budget Responsibility (OBR) provides forecasts for the UK economy every six months. The OBR makes predictions about the future values of economic indicators including GDP growth, CPI, unemployment rate, and fiscal surplus/deficit as a percentage of GDP.

GDP Growth Forecast, 2012-2016



CPI Inflation Forecast (%)				
2012	2013	2014	2015	2016
2.8	1.9	1.9	2.0	2.0

Forecast Unemployment Rate, 2012-2016



Figures from OBR, Economic and Fiscal Outlook:
<http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2012/>