ARBUTHNOT BANKING GROUP PLC

PERSPECTIVES

By Ruth Lea, Economic Adviser to the Arbuthnot Banking Group

Ruth Lea
Economic Adviser
Arbuthnot Banking Group
ruthlea@arbuthnot.co.uk
07800 608 674

CPI annual inflation rate was a less-than-expected 2.0% in July: but expect it to rise in coming months

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Introduction

There was a bumper crop of data releases last week, which shed some light on the economy's progress as pandemic restrictions are further relaxed (see annex table 1, data tracker). Perhaps top of the list, given the concerns over inflationary pressures and the implications for monetary policy, were July's CPI data. Whilst they came in below expectations, inflation can be expected to pick up in coming months. And a pick-up in producer prices inflation suggests some pressures in the pipeline. House prices boomed in June 2021, ahead of the tapering of the stamp duty holiday. Meanwhile the labour market continues to recover, with record vacancies and a significant pick-up in earnings inflation (though the latter data are distorted by base effects). Retail sales fell in July, but they were impacted by several special factors, whilst public sector borrowing continues to undershoot the OBR's March 2021 forecasts.

CPI inflation falls in July…

The Consumer Prices Index (CPI) YOY rate eased to 2.0% in July (around 2.3% had been expected) compared with June's 2.5%.[1] And the CPIH inflation rate eased to 2.1% (YOY) in July, compared with June's 2.4% (YOY). Even though July's rates were lower than expected, it is almost certain that inflation will pick up as the year proceeds, not least because of higher household energy bills and the reduced 5% VAT rate for hospitality is due to rise to 12.5% at end-September. But the Bank's projection of around 4% by 2021Q4 (made in August) now seems on the high side. The YOY inflation rates for goods and services in July were 2.5% (2.9% in June) and 1.8% (2.1% in June) respectively, whilst the core rate inflation (excluding energy, food, alcoholic beverages & tobacco) fell to 1.9% (2.3% in June), see chart 1a. The largest upward contribution to the CPIH 12-month inflation rate came from transport (including fuels, which rose 17.7% (YOY)).

The CPI was unchanged (MOM) in July 2021, compared with a rise of 0.4% (MOM) in July 2020 (charts 1b and 1c). Clothing and footwear prices fell more in July 2021 (prices fell as usual during the summer sales season) than in July 2020, and the prices of a variety of recreational goods and services fell in July 2021, having risen in July 2020. Even fuel prices rose less in 2021 than in 2020. But second-hand car prices rose

7.0% (MOM) in July 2021, having fallen 1.2% (MOM) in July 2020. The ONS estimated that around 0.2 percentage points of the easing in the CPI rate between June and July 2021 came from base effects, specifically from items that became available again in July 2020 (with higher prices) at the end of the first coronavirus lockdown.

Chart 1a CPI inflation (YOY, %) and selected components, April 2020-July 2021

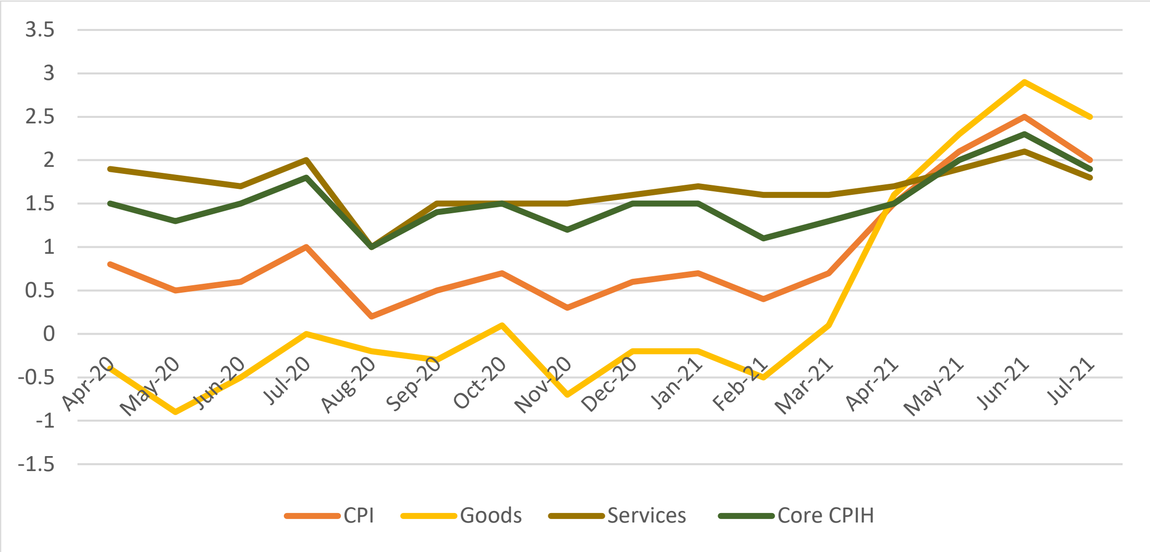
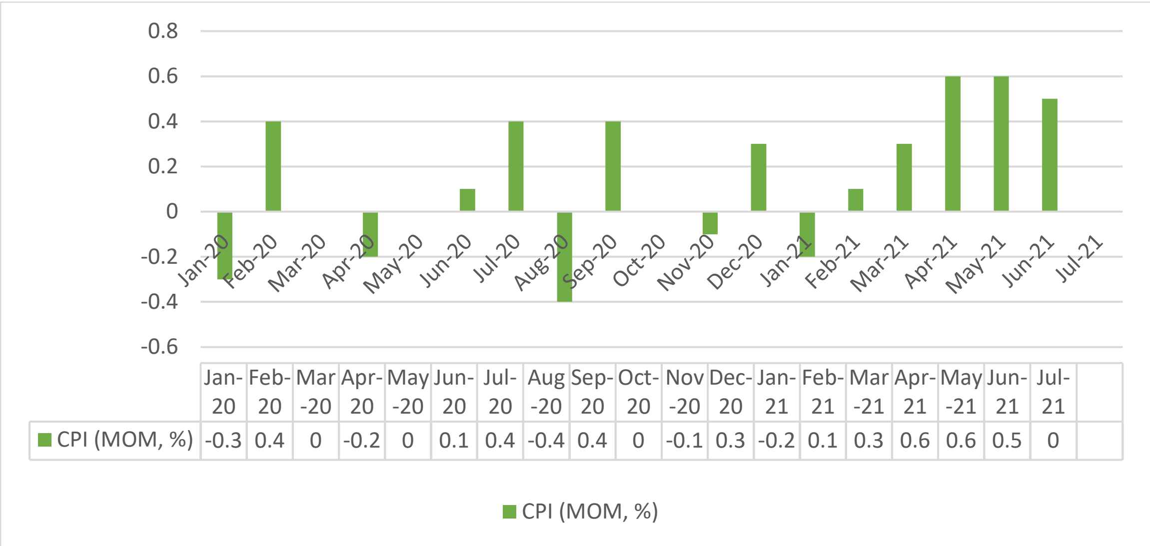
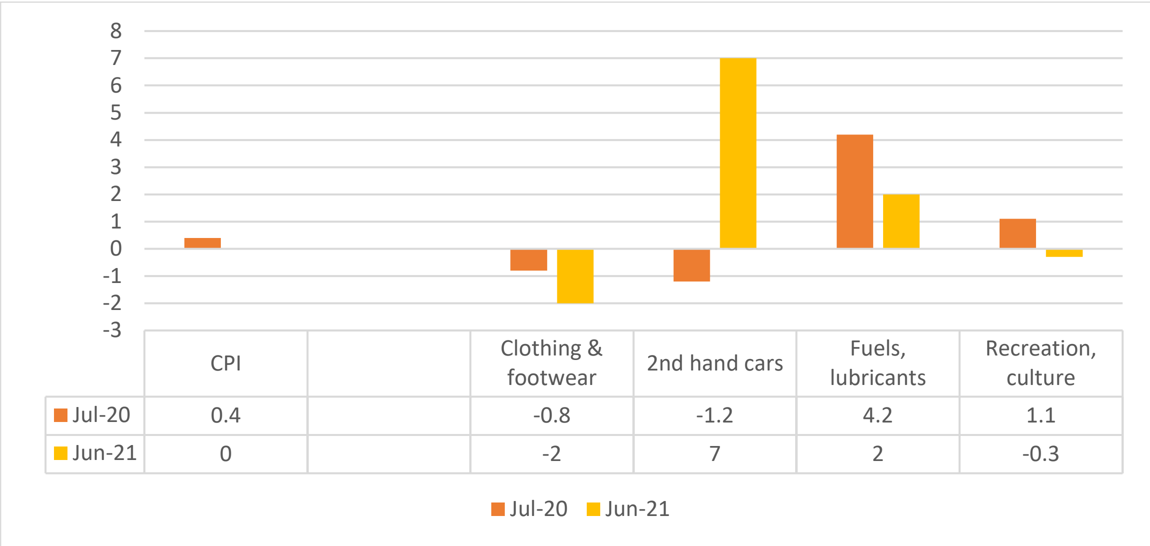


Chart 1b CPI, January 2020-July 2021 (MOM, %)



	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	
CPI (MOM, %)	-0.3	0.4	0	-0.2	0	0.1	0.4	-0.4	0.4	0	-0.1	0.3	-0.2	0.1	0.3	0.6	0.6	0.5	0	

Chart 1c CPI and selected components, July 2020 (MOM, %) and July 2021 (MOM, %)



Source: *ONS*, "Consumer price inflation, UK: July 2021", 18 August 2021, tables 1 & 4 (CPI).

In comparison, CPI annual inflation in the Eurozone rose to 2.2% in July, after June's 1.9%, pushed up by a 14.1% increase in energy prices.[2] But, by and large, the UK and Eurozone have seen similar movements in the 12-month growth of the CPI inflation since the start of the pandemic.[3] The US has seen a sharper increase in CPI inflation, reaching 5.4% in July (though unchanged from June) driven by annual price increases of over 40% for motor fuels (which are much less heavily taxed than in the UK, so less "dampened") and for second hand cars.[4]

…but PPI inflation picks up

Both output and input producer prices inflation rose in July, suggesting some inflationary pressures in the pipeline.[5] Specifically, the inflation rate for the output PPI (goods leaving the factory gate) increased to 4.9% (YOY) in July, from 4.5% (YOY) in June, with transport equipment providing the largest upward contribution. The ONS noted that "…petroleum products had the highest annual growth rate of any component of output prices in July 2021, at 46.6%, but had a downward contribution to the change [between June and July] in the annual rate as it fell from 54.3% in June. This was mainly driven by a base effect as there was only a relatively small price movement of 3.6% on the month".

The inflation rate for the input PPI (materials and fuels used in the manufacturing process) increased to 9.9% (YOY) in July, from 9.7% (YOY) in June, with metals and non-metallic minerals providing the largest upward contribution. The ONS noted that "…crude oil had the highest annual growth rate of any component of input prices in July 2021, at 52.7%, but had a downward contribution to the change [between June and July] in the annual rate as it fell from 60.0% in June. This was [also] mainly driven by a base effect as there was only a relatively small price movement of 3.1% on the month". Crude oil prices rose 3.1% (MOM) in July, to be 52.7% higher YOY.

ONS: house prices rose strongly in June

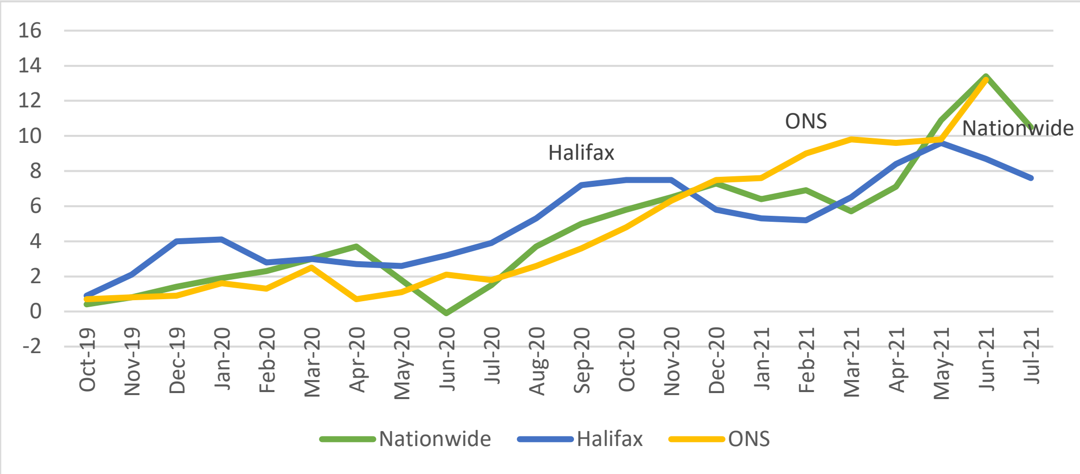
According to official data, UK average house prices rose by 13.2% (YOY) in June 2021, ahead of the tapering in the stamp duty holiday, up from 9.8% in May (chart 2).[6] This was the highest annual growth rate the UK had seen since November 2004. Note that the Stamp Duty Land Tax (SDLT) nil rate threshold (for England and Northern Ireland) was reduced from £500,000 to £250,000 on 1 July (and will revert to £125,000 on 1 October), whilst the tax holiday ended on 31 March 2021 in Scotland and on 30 June 2021 in Wales. The ONS said that house prices rose by 4.5% (MOM) on a non-seasonally adjusted basis in June and by 4.2%

(MOM) on a seasonally adjusted basis. The UK House Price Index (HPI) is based on completed housing transactions and, typically, a house purchase can take six to eight weeks to reach completion.

The inflation rates for the UK's four countries in June were: England (13.3% YOY), Wales (16.7% YOY), Scotland (12.0% YOY), and Northern Ireland (9.0% (2021Q2, YOY)). In England, there was, as always, a significant range across the nine regions, with London the region with the lowest annual growth for the 7th consecutive month. The complete regional list of annual price changes was: North West (18.6%), Yorkshire & Humberside (15.8%), North East (15.3%), West Midlands (15.0%), East Midlands (14.3%), South West (13.7%), East (12.1), South East (10.5%), and London (6.3%).

Recent data from the Nationwide and the Halifax have been mixed. The Nationwide reported that house prices rose 0.7% (MOM) in June to be 13.4% higher YOY (before falling back by 0.5% (MOM) in July, with the YOY increase dropping to 10.5%), broadly in line with the ONS's findings.[7] But the Halifax had suggested, in contrast, that prices had actually dipped in June by 0.6% (MOM), to be 8.7% higher YOY (before firming 0.4% (MOM) in July, to be 7.6% higher YOY, which was affected by base effects as the housing market began to recover in July 2020).[8] The Halifax monthly data for June do seem out of line.

Chart 2 House prices, annual inflation rate (%), October 2019-July 2021



Sources: *(i) Nationwide*, "Annual house price growth cooled in July, but remained in double digits", 28 July 2021; (ii) *Halifax*, "House prices rose again in July – though slower annual growth points to a cooling market", 6 August 2021; (iii) *ONS*, "UK house prices index: June 2021", 18 August 2021.

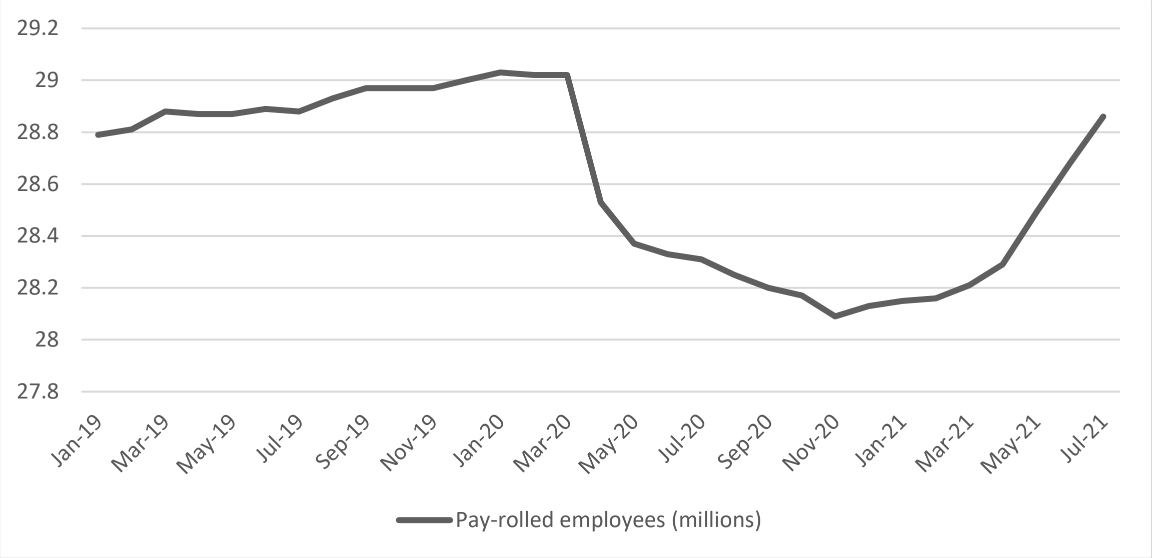
Further signs of recovery in the labour market…

The latest data suggest that the labour market is continuing to recover. The market is, of course, still significantly supported by the furlough scheme (ending end-September) and the "true" demand for labour can only be judged when the scheme ends. The latest official (HMRC) data for the number on furlough related to the end of June, and it can be assumed they have fallen significantly since then. But, for the record, around 1.9mn employments (sic) were on furlough on 30 June, compared with 2.4mn on 31 May.[9-10] The number had peaked at nearly 9mn in early May 2020. Employees continue to receive 80% of their current salary for hours not worked on the scheme, whilst the employer contribution towards the cost of unworked hours was 10% in July, rising to 20% in August and September.

Early estimates from Pay As You Earn Real Time Information (PAYE RTI, HMRC data) show the number of payroll employees increased by 182,000 in July to 28.86mn, though it remained 201,000 below pre-coronavirus pandemic levels (there were over 29mn employees in February 2020), chart 3.[11-12] Three of the sectors that have had the greatest decreases have all continued to see monthly increases in pay-rolled employees. Between June and July 2021, accommodation and food service activities increased by 32,000 employees, arts and entertainment by 13,000, and wholesale and retail by 7,000. The data for the North

East, North West, East Midlands and Northern Ireland were above pre-coronavirus (February 2020) levels in July.

Chart 3 Pay-rolled employees (millions), January 2019-July 2021



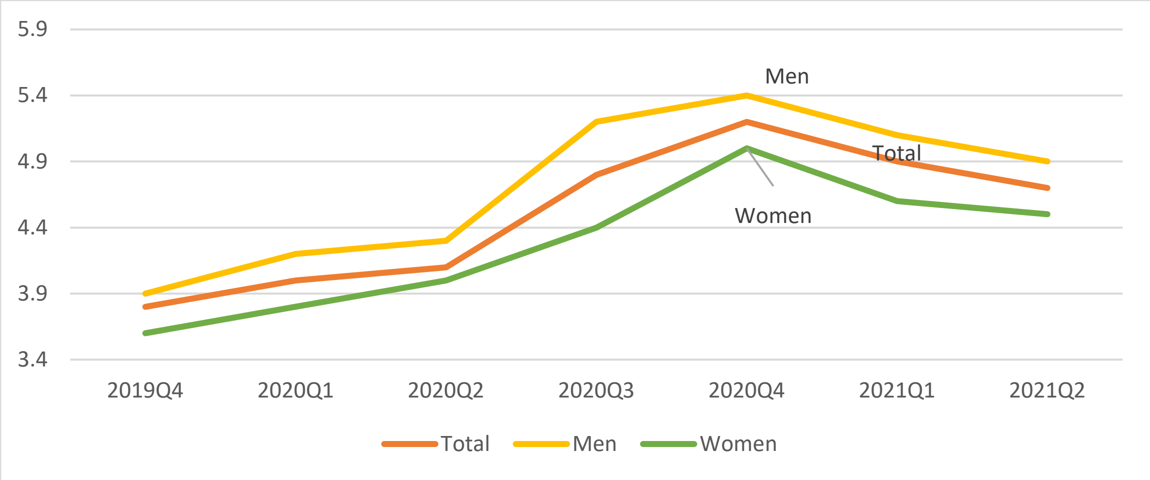
Source: *ONS and HMRC*, "Earnings and employment from Pay As You Earn real time information: UK, August 2021", 17 August 2021.

Turning to the Labour Force Survey (LFS) data for the three months to June, employment increased in the quarter, whilst the unemployment rate eased.[13]

Employment rose by 95,000 (QOQ) to 32.28mn but was still 329,000 lower YOY, whilst the employment rate (the proportion of people aged 16-64 who were in work) was 75.1%, 0.3 percentage points higher QOQ but still a significant 0.7 percentage points lower YOY. Turning to the related statistic of hours worked, total actual hours worked increased by 50.9mn hours in the quarter to 1,000mn (1bn) with the relaxation of coronavirus restrictions. However, this was still 50.8mn hours (4.8%) below pre-pandemic levels (the three months to February 2020).

Unemployment fell by 53,000 (QOQ) in the three months to June, to 1.6mn, but was still 193,000 higher YOY.[14] And the unemployment rate (the proportion of the labour force that were unemployed, aged 16+) slipped to 4.7%, 0.2 percentage points lower QOQ, but 0.6 percentage points up YOY, chart 4. Related statistics include the inactivity rate and redundancies. The inactivity rate (the proportion of people aged 16-64 who were economically inactive) was 21.1%, 0.2 percentage points lower QOQ but still 0.2 percentage points higher YOY. And the number of redundancies fell by 52,000 (QOQ) to 99,000 and was 35,000 down (YOY). The redundancy rate was similar to pre-pandemic levels.

Chart 4 Unemployment rate (%), quarterly data



Source: *ONS*, "Labour market overview: August 2021", 17 August 2021, table AO2.
Rolling quarterly data, 2021Q1=3 months to March 2021; 2021Q2=3 months to June 2021).

…whilst vacancies are at record levels

The latest vacancies data were encouraging. They rose by 290k (QOQ) in the three months to July to 953k, a record high (records began in 2001) and 168k higher than pre-pandemic 2020Q1 (sic).[15] They were 578k higher (YOY). The ONS noted that all industries grew on the quarter. In addition, both the experimental monthly vacancies data and the Adzuna online job adverts data for the month of July 2021 continued to surpass pre-pandemic levels, with the single-month vacancy estimates exceeding 1,000,000 for the first time.

The existence of increasing vacancies, and various indicators of recruitment difficulties, points to labour market mismatches as the economy recovers. As the minutes of the MPC's August meeting noted "…there appear to have been difficulties in matching available jobs and workers. These frictions are for a period reducing effective supply in the economy. Overall, the MPC judges that spare capacity has been eroded over the past couple of quarters, as demand has outstripped growth in effective supply. Frictions in the labour market are [however] judged likely to dissipate over the forecast period, boosting growth in effective supply capacity".[16-17] They also warned of the "…uncertainty around these judgements, including how the economy will adjust to the end of the furlough scheme."

Annual average earnings growth has picked up further in 2021Q2…

Annual average growth in employee earnings picked up further in the three months to June.[18] However, the ONS pointed out that annual growth in average employee pay was being affected by temporary factors that had inflated the increase in the headline growth rate. These are compositional effects where there has been a fall in the number and proportion of lower-paid employee jobs so increasing average earnings and "base" effects where the latest months are now compared with low base periods when earnings were first affected by the pandemic.

The recorded data showed that annual growth in average total pay (including bonuses) was 8.8% and regular pay (excluding bonuses) was 7.4% among employees for the three months to June 2021 (table 1). In real terms (adjusted for inflation), total and regular pay are now growing at a faster rate than inflation, at positive 6.6% for total pay and 5.2% for regular pay. Average real pay growth rates are, of course, also affected by the compositional and base effects in the same way as nominal pay and "should be interpreted with caution". The ONS commented "…we estimate that the base effect will reduce the regular earnings growth rate by between 2.4 and 3.8 percentage points. In addition, we estimate the compositional effect at 0.1 percentage points above pre-pandemic levels [this is diminishing], so we also subtract that. This would give an underlying regular earnings growth rate of between 3.5% and 4.9% (table 1). Given the uncertainty around this range, interpretation should be treated with caution."

Average total pay growth for the private sector was 10.1% in the three months to June 2021, while for the public sector it was 2.8%. Until recently (prior to April 2021) the public sector had showed stronger earnings growth, but the YOY comparison with a low base period means the private sector now shows stronger growth. All sectors saw positive growth, including all the industry groups within each sector. This included the accommodation and food service activities industry (13.2%), which had seen positive growth over the past two months.

Table 1 Growth in employee earnings (YOY, %), 3 months to June 2021

	Nominal	Real
Actual:		
• Total pay (including bonuses)	8.8%	6.6%
• Regular pay (excluding bonuses)	7.4%	5.2%
Underlying:		
• Total pay (including bonuses)	[4.9-6.3%]	…
• Regular pay (excluding bonuses)	3.5-4.9%	…

Sources: (i) *ONS*, "Labour market overview: August 2021", 17 August 2021; (ii) *ONS*, "Average weekly earnings in GB: August 2021", 17 August 2021.

…whilst productivity (output per hour) slipped in 2021Q2

The ONS has released its flash productivity estimates for 2021Q2, which suggested that output per hour (the main measure of labour productivity, "productivity hours") fell by 0.5% (QOQ) in 2021Q2, as total hours worked rose more than gross value added (GVA), table 2.[19] Total hours worked increased by a significant 5.4% (QOQ) whilst GVA rose by 4.8% (QOQ) in 2021Q2, as lockdown restrictions were eased. The YOY rise in output per hour was 3.1%, as hours worked increased 18.6% whilst GVA increased by 22.2%, but the ONS commented "…this comparison is with the low-point of productivity during the initial effects that the coronavirus pandemic had on the economy". Output per hour was 0.6% above the level of pre-pandemic 2019 (average), with most broadly defined industry sections experiencing output per hour growth compared with pre-pandemic levels.

The data for output per worker show a different pattern but note these data have been distorted by the existence of furloughed workers, who have retained employment status even though they have worked zero or reduced hours. Output per worker rose by 4.5% (QOQ) in 2021Q2, as employment (workers) picked up by a modest 0.3%, whilst GVA rose by 4.8%. The YOY rise was 23.4%, reflecting a 1.0% <u>fall</u> in employment whilst GVA increased by 22.2%. Output per worker was 2.7% below the level of pre-pandemic 2019 (average).

Table 2 Productivity measures, growth, 2021Q2

	QOQ	YOY
Output per hour	-0.5%	3.1%
Output per worker	4.5%	23.4%
Constituent data:		
Hours worked (total)	5.4%	18.6%
Employment (workers)	0.3%	-1.0%
GVA	4.8%	22.2%

Source: *ONS*, "UK productivity flash estimate: 2021Q2", 17 August 2021.

Retail sales slipped in July

Retail sales volumes, unexpectedly, fell by 2.5% (MOM) in July, but they were still 5.8% higher than in pre-pandemic February 2020 and 2.4% higher YOY.[20]

There were several factors impacting on sales in July. Firstly, food store sales volumes fell by 1.5% (MOM) in July 2021, following an increase in the previous month when sales were positively boosted by the start of the Euro 2020 football championship. They may also have been negatively affected by the (reported) increase in social spending (such as eating out and takeaways), which may be linked to the further lifting of hospitality restrictions in July. Secondly, non-food stores reported a fall of 4.4% (MOM), driven by falls in other stores (negative 10.1%), such as second-hand goods stores and computer and telecoms equipment stores. The ONS commented that "…the Bank of England Agents' summary of business conditions for 2021Q2 had noted that transportation delays had resulted in shortages of some items, such as electrical goods". Thirdly, automotive fuel sales volumes fell by 2.9% (MOM), the first monthly fall since February 2021, with heavy rainfall in early July impacting road traffic volumes. The proportion of retail sales online rose modestly in July to 27.9%, compared with 27.1% in June, remaining substantially higher than before the pandemic. The proportion in February 2020 was 19.8%.

In the three months to July retail sales increased by 5.2% (QOQ), to be 11.1% higher (YOY). However, the ONS warned that the percentage change over the past year should be interpreted with caution because of base effects. There were lower than normal retail sales in mid-2020, impacted by store closures, social distancing and other covid restrictions.

Public sector borrowing in July, the second highest on record…

The ONS estimated that public sector net borrowing (PSNB-ex, excluding public sector banks) in July 2021 was £10.4bn, compared with £20.4bn in July 2020.[21] It was, however, still the second highest July borrowing figure since monthly records began in 1993.

Table 3 shows the major changes in the PSNB between July 2020 and July 2021. Public borrowing is overwhelmingly driven by central government net borrowing (CGNB) and the other components of the PSNB (net borrowing by local authorities, public corporations, public sector pensions and the Bank of England) are relatively modest and are omitted from table 3.

The CGNB was £9.8bn in July 2021, compared with £22.2bn in July 2020, as receipts rose and spending eased (table 3):

- CG receipts were estimated to have been £70.0bn, a £9.5bn (or 15.6%) increase compared with July 2020. Of these receipts, tax revenue increased by £7.7bn to £51.7bn, within which Self-assessed Income Tax receipts were £8.5bn in July 2021, £3.7bn more than in July 2020.
- CG bodies spent £79.8bn in July 2021, £2.9bn less than in July 2020. This reduction in expenditure largely reflected the falling cost of the job furlough schemes, which are due to close in September 2021. Net investment was £4.0bn in July 2021, compared with £3.3bn in July 2020.

Table 3 PSNB and main components, July 2020 and July 2021 (£bn)

	July 2020	July 2021	Change
PSNB, of which:	20.4	10.4	-10.1
CGNB	22.2	9.9	-12.3
CG receipts, of which:	60.6	70.0	9.5
Tax receipts, of which (selected):	44.1	51.7	7.7
VAT	11.3	12.5	1.2
Fuel duty	1.8	2.3	0.4

Stamp duty	0.7	1.4	0.7
PAYE income tax	13.8	14.6	0.8
Self-assessed income tax	4.8	8.5	3.7
Corporation tax	4.1	4.0	-0.1
Other receipts+	16.5	18.3	1.8
CG spending, of which:	82.7	79.8	-2.9
Current expenditure, of which (selected):	76.9	73.1	-3.9
Debt interest	2.3	3.4	1.1
Social assistance	10.5	10.1	-0.4
Procurement	16.4	16.9	0.5
Pay	12.8	13.3	0.5
Transfers to local government	12.8	11.1	-0.9
Contributions to EU	0.7	0	-0.7
Subsidies (including CJRS, SEISS, other)	8.7	4.3	-4.4
Depreciation	2.6	2.8	0.2
Net investment	3.3	4.0	0.7

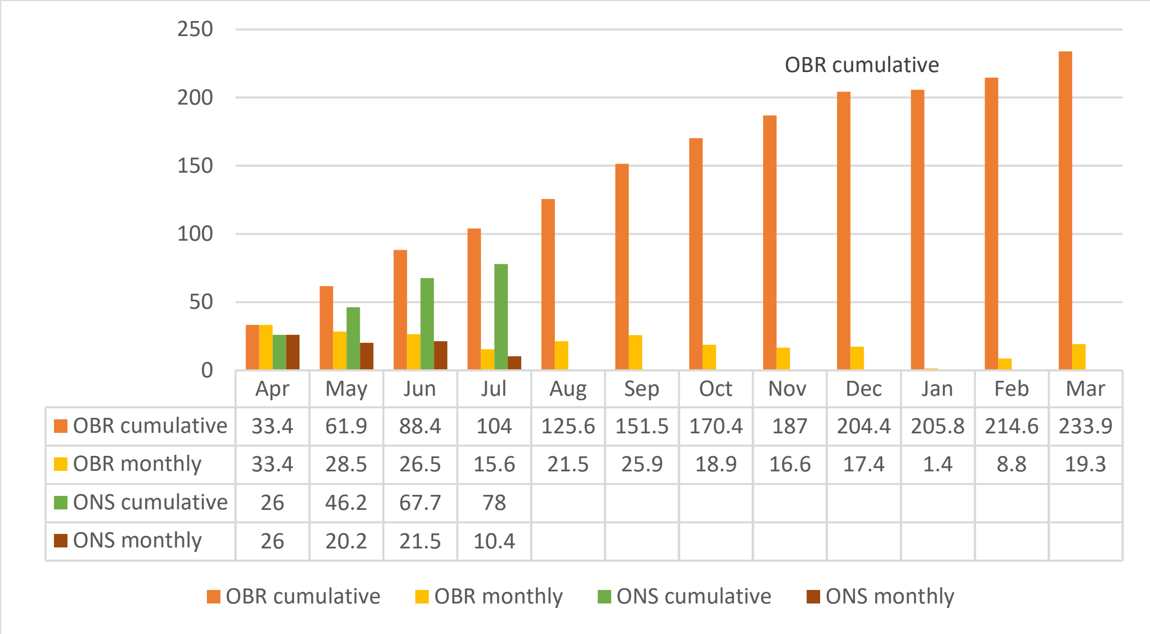
Source: *ONS*, "Public sector finances: July 2021", 20 August 2021. There are rounding errors in the table.
+Other receipts = compulsory social contributions + interest & dividends and "other".

…though borrowing undershoots the OBR's projections…

The PSNB for the first four months of FY2021 totalled £78.0bn, £61.6bn less than the equivalent period in FY2020. It was, however, still the second-highest financial year-to-July borrowing since monthly records began in 1993. Interestingly, the ONS estimate for April-July 2021 undershot the OBR's implied trajectory (of March 2021) quite considerably (by around 25%). The projections based on the OBR's forecasts implied borrowing of £104.0bn for April-July 2021 (chart 5). Moreover, the OBR forecast of £233.9bn of borrowing for full-year FY2021 looks as though it will be undershot – by a considerable margin.

The OBR also over-estimated total borrowing for FY2020 in March 2021. The PSNB in FY2020 is now estimated to be £298.0bn (marginally revised higher), some £29.4bn (10%) less than the £327.4bn expected by the OBR in their March 2021 *Economic and fiscal outlook* on a "like for like basis". But, at £298.0bn, it was the highest borrowing since financial year records began in FYE March 1946 (FY1945). And the PSNB/GDP ratio was 14.2% in FY2020, the highest such ratio since the end of World War Two, when it was 15.2% in FYE March 1946 (FY1945).

Chart 5 Public sector net borrowing (£bn), ONS actuals & OBR forecast, FY2021



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
OBR cumulative	33.4	61.9	88.4	104	125.6	151.5	170.4	187	204.4	205.8	214.6	233.9
OBR monthly	33.4	28.5	26.5	15.6	21.5	25.9	18.9	16.6	17.4	1.4	8.8	19.3
ONS cumulative	26	46.2	67.7	78								
ONS monthly	26	20.2	21.5	10.4								

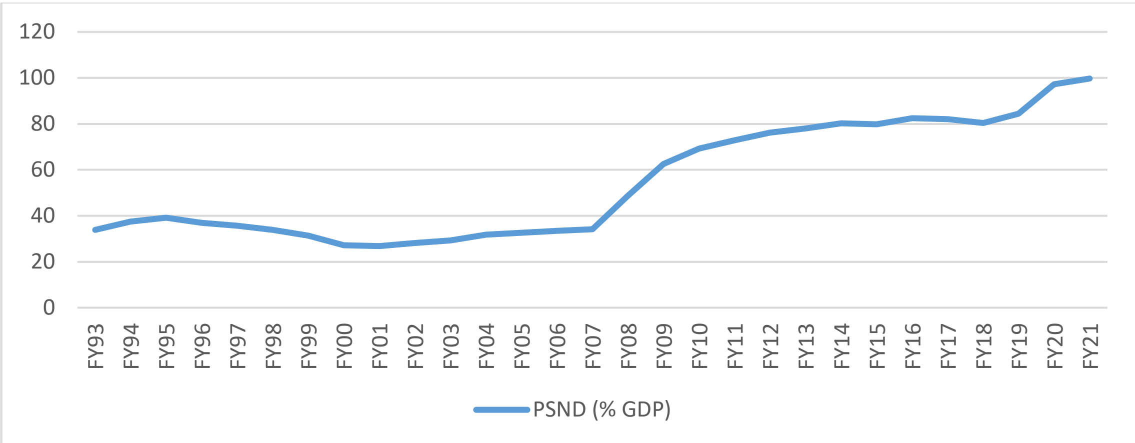
Sources: (i) *ONS*, "Public sector finances: July 2021", 20 August 2021; (ii) OBR, *Economic and fiscal outlook*, March 2021.

…and the public sector net debt/GDP ratio continues to rise

Monthly updates are available for two other key public finances metrics: the PSND/GDP ratio and the ratio of debt interest to revenues:

- Firstly, concerning PSND/GDP, the ONS publishes the PSND (excluding public sector banks, but including the Bank of England) to GDP ratio as a matter of course.[22-23] At end-July PSND (excluding public sector banks, PSND ex) was £2,216.0bn and 98.8% of GDP, the highest ratio since the 99.5% recorded in March 1962. At end-July 2020 the PSND was £1,993.7bn (94.6%). Suffice to say, the debt/GDP ratio is still rising (chart 6).
- Secondly, concerning the DIR rule, the debt-interest-to-revenue ratio was 2.9% in the rolling 12-months to July 2021, compared with 2.6% a year earlier, but it was still well below the 6.0% target level.

Chart 6 PSND/GDP (%) for FY1993-FY2021, for FY1997-FY2020 & July 2021 (FY2021)



Source: *ONS*, "Public sector finances: July 2021", 20 August 2021, table PSA1. FY1993/FY1997-FY2020 to end-March; FY2021 to end-July 2021.

References

1. *ONS*, "Consumer price inflation, UK: July 2021", 18 August 2021. CPIH is the Consumer Prices Index including owner-occupiers' housing costs and is the ONS's preferred measure of consumer prices inflation.
2. *Eurostat*, "Euro area annual inflation up to 2.2%, flash estimate, July 2021", 30 July 2021.
3. *ONS, "*International comparisons of consumer prices: August 2021", 18 August 2021, compares the UK, the EU and the US.
4. *US Bureau of Labor Statistics*, "Consumer Price Index summary, July 2021", 11 August 2021.
5. *ONS*, "Producer price inflation, UK: July 2021", 18 August 2021.
6. *ONS*, "UK house prices index: June 2021", 18 August 2021.
7. *Nationwide*, "Annual house price growth cooled in July, but remained in double digits", 28 July 2021.
8. *Halifax*, "House prices rose again in July – though slower annual growth points to a cooling market", 6 August 2021.
9. *HM Government*, "Coronavirus Job Retention Scheme (CJRS) statistics", 29 July 2021", HMRC data.
10. Ruth Lea, "MPC August meeting: focus on the inflation forecasts", *Arbuthnot Banking Group*, 2 August 2021, discussed the HMRC data.
11. *ONS*, "Labour market overview: August 2021", 17 August 2021.
12. *ONS*, "Earnings and employment from Pay As You Earn Real Time Information, UK: August 2021", 17 August 2021.
13. *ONS*, "Employment in the UK: August 2021", 17 August 2021
14. Unemployment measures people without a job who have been actively seeking work within the last four weeks and are available to start work within the next two weeks. The unemployment rate can also be defined as the proportion of the economically active population (those in work plus those seeking and available to work) who are unemployed.
15. *ONS*, "Vacancies and jobs in the UK: August 2021", 17 August 2021.
16. *Bank of England*, "Monetary policy summary and minutes of the MPC meeting ending 4 August 2021", 5 August 2021.
17. Ruth Lea, MPC August meeting: above-target inflation still expected to be "transitory", *Arbuthnot Banking Group*, 9 August 2021, discussed the August MPC meeting.
18. *ONS*, "Average weekly earnings in GB: August 2021", 17 August 2021.
19. *ONS*, "UK productivity flash estimate: 2021Q2", 17 August 2021.
20. *ONS*, "Retail sales, July 2021", 20 August 2021.
21. *ONS*, "Public sector finances: July 2021", 20 August 2021.
22. Note that the Bank of England's (BoE's) contribution to debt is largely a result of its quantitative easing activities via the Bank of England Asset Purchase Facility Fund (APF) and Term Funding Scheme (TFS).
23. Note that the ONS has warned that their monthly GDP estimates for recent periods are based on official (OBR) projections and are subject to revision. The GDP denominator for each observation of the debt ratio represents 12 months (6 months before the said end-month and 6 months after the said end-month). For example, GDP for 2020Q1-2020Q4 was the denominator for the PSND at end-June 2020 (end-2020Q2).

Annex

Table 1 UK economic data tracker

Date	Release	Source	Quarter, year	Outcome
23 Jul	Flash composite output index (July)	Markit-CIPS	2021Q3	Index: 57.7 (July), 62.2 (June). COI comprises services business activity index & manufacturing output index
29 Jul	Unsecured credit (Jun)	BoE	2021Q2	Growth rate (YOY): -2.2% (June), -2.9% (May)
29 Jul	Net mortgage borrowing (Jun)	BoE	2021Q2	Monthly change: £17.9bn (June)
29 Jul	Mortgage approvals for house purchase (Jun)	BoE	2021Q2	81,300 (June), 86,900 (May)
29 Jul	Net bank lending to non-financial businesses, including public sector (Jun), of which:	BoE	2021Q2	
29 Jul	• SMEs	BoE	2021Q2	Growth rate (YOY): 6.3% (June), 12.7% (May)
29 Jul	• Large businesses	BoE	2021Q2	Growth rate (YOY): -8.8% (June), -11.8% (May)
29 Jul	Sterling money (M4ex) (Jun)	BoE	2021Q2	Growth rate (YOY): 8.8% (June), 8.7% (May)
2 Aug	Manufacturing PMI (Jul)	Markit	2021Q3	Index: 60.4 (Jul), 63.9 (Jun)
4 Aug	Services PMI (Jul)	Markit	2021Q3	Index: 59.6 (Jul), 62.4 (Jun)
4 Aug	Composite PMI (Jul)	Markit	2021Q3	Index: 59.2 (Jul), 62.2 (Jun). Weighted average of services PMI & manufacturing output index.
5 Aug	Construction PMI (Jul)	Markit	2021Q3	Index: 58.7 (Jul), 66.3 (Jun).
12 Aug	GDP (2021Q2)	ONS	2021Q2	GDP: 4.8% (QOQ)
12 Aug	GDP, industrial breakdown (2021Q2):	ONS	2021Q2	
12 Aug	• Services	ONS	2021Q2	5.7% (QOQ)
12 Aug	• Production	ONS	2021Q2	0.5% (QOQ); manufacturing: 1.8% (QOQ)
12 Aug	• Construction	ONS	2021Q2	3.3% (QOQ)
12 Aug	GDP, expenditure breakdown (2021Q2):	ONS	2021Q2	
12 Aug	• Household consumption	ONS	2021Q1	7.3% (QOQ)
12 Aug	• Govt consumption	ONS	2021Q1	6.1% (QOQ)
12 Aug	• GFCF	ONS	2021Q1	-0.5% (QOQ); business investment: 2.4% (QOQ)
12 Aug	• External trade, volume data.	ONS	2021Q1	Exports: 3.0% (QOQ), imports 6.5%(QOQ), negative external trade contribution.
12 Aug	GDP, monthly (Jun)	ONS	2021Q2	GDP: 1.0% (MOM)
12 Aug	GDP, industrial breakdown (Jun):	ONS	2021Q2	
12 Aug	• Services	ONS	2021Q2	1.5% (MOM)
12 Aug	• Production	ONS	2021Q2	-0.7% (MOM); manufacturing: 0.2% (MOM)
12 Aug	• Construction	ONS	2021Q2	-1.3% (MOM)

12 Aug	Total trade in goods & services (2021Q2):	ONS	2021Q2	
12 Aug	• Goods	ONS	2021Q2	Deficit: £32.8bn (2021Q2), £29.9bn (2021Q1)
12 Aug	• Services	ONS	2021Q2	Surplus: £28.3bn (2021Q2), £28.2bn (2021Q1)
12 Aug	• Goods & services	ONS	2021Q2	Deficit: £4.4bn (2021Q2), £1.8bn (2021Q1)
12 Aug	Underlying trade (excluding precious metals) (2021Q2):	ONS	2021Q2	
12 Aug	• Underlying trade in goods	ONS	2021Q2	Deficit: £33.5bn (2021Q2), £29.8bn (2021Q1)
12 Aug	• Underlying trade in goods & services	ONS	2021Q2	Deficit: £5.2bn (2021Q2), £1.7bn (2021Q1)
12 Aug	Memo item: trade in precious metals (2021Q2)	ONS	2021Q2	Balance: +£0.8bn (2021Q2), -£0.1bn (2021Q1)
12 Aug	Total trade in goods & services (Jun):	ONS	2021Q2	
12 Aug	• Goods	ONS	2021Q2	Deficit: £12.0bn (Jun), £9.6bn (May)
12 Aug	• Services	ONS	2021Q2	Surplus: £9.5bn (Jun), £9.4bn (May)
12 Aug	• Goods & services	ONS	2021Q2	Deficit: £2.5bn (Jun), £0.2bn (May)
12 Aug	Underlying trade (excluding precious metals) (Jun):	ONS	2021Q2	
12 Aug	• Underlying trade in goods	ONS	2021Q2	Deficit: £11.6bn (Jun), £10.0bn (May)
12 Aug	• Underlying trade in goods & services	ONS	2021Q2	Deficit: £2.1bn (Jun), £0.6bn (May)
12 Aug	Memo item: trade in precious metals (Jun)	ONS	2021Q2	Balance: -£0.4bn (Jun), +£0.4bn (May)
17 Aug	PAYE payroll employees (July)	ONS	2021Q3	+182,000 (MOM, Jul) to 28.9mn
17 Aug	Employment (3 months to Jun)	ONS	2021Q2	+95k (QOQ, -329k (YOY)
17 Aug	Employment rate (3 months to Jun)	ONS	2021Q2	75.1%, +0.3pp (QOQ), -0.7pp (YOY)
17 Aug	Total weekly hours worked (3 months to Jun)	ONS	2021Q2	1bn, +50.9mn (QOQ), +50.8mn (YOY)
17 Aug	Unemployment (3 months to Jun)	ONS	2021Q2	-53k (QOQ), +193k (YOY)
17 Aug	Unemployment rate (3 months to Jun)	ONS	2021Q2	4.7%, -0.2pp (QOQ), +0.6pp (YOY)
17 Aug	Redundancies (3 months to Jun)	ONS	2021Q2	99k, -52k (QOQ), -35k (YOY)
17 Aug	Vacancies (3 months to Jul)	ONS	2021Q3	Total vacancies: 953k, +290k (QOQ), +578k (YOY)
17 Aug	Pay (3 months to Jun):	ONS	2021Q2	
17 Aug	• Total pay (including bonuses)	ONS	2021Q2	Nominal: 8.8% (YOY); Real: 6.6% (YOY)
17 Aug	• Regular pay (excluding bonuses)	ONS	2021Q2	Nominal: 7.4% (YOY); Real: 5.2% (YOY)
17 Aug	Productivity (output per hour), 2021Q2	ONS	2021Q2	-0.5% (QOQ), +3.1% (YOY)

17 Aug	Productivity (output per worker), 2021Q2	ONS	2021Q2	4.5% (QOQ), 23.4% (YOY)
18 Aug	CPI (Jul)	ONS	2021Q3	YOY inflation: 2.0% (July), 2.5% (June)
18 Aug	CPIH (Jul)	ONS	2021Q3	YOY inflation: 2.1% (July), 2.4% (June)
18 Aug	PPI (output) (Jul)	ONS	2021Q3	YOY inflation: 4.9% (July), 4.5% (June)
18 Aug	PPI (input) (Jul)	ONS	2021Q3	YOY inflation: 9.9% (July), 9.7% (June)
18 Aug	Sterling effective exchange rate index (EERI) (Jul)	ONS	2021Q3	-0.1% (MOM), +6.5% (YOY)
18 Aug	Crude oil prices (Jul)	ONS	2021Q3	+3.1% (MOM), +52.7% (YOY)
18 Aug	House prices (Jun, official)	ONS	2021Q2	YOY growth: 13.2% (June), 9.8% (May), 9.6% (Apr)
18 Aug	House prices (Jun, official)	ONS	2021Q2	+4.5% (MOM, non-seasonally adjusted), +4.2% (MOM, seasonally adjusted)
20 Aug	Public Sector Net Borrowing (PSNB) (Jul)	ONS	2021Q3	£10.4bn (July 2021), compared with £20.4bn (July 2020)
20 Aug	Public Sector Net Borrowing (PSNB), FY cumulative (4 months to Jul)	ONS	2021Q3	£78.0bn (FY2021), compared with £139.7bn (FY2020)
20 Aug	Public sector finances, public sector net debt (PSND) (end-July)	ONS	2021Q3	£2,216.0bn (end-July 2021, 98.8% of GDP), compared with £1,993.7bn (end-July 2020, 94.6% of GDP)
20 Aug	Public sector debt interest/revenue ratio (DIR), 12-months to July	ONS	2021Q3	2.9% (12-months to July 2021)
20 Aug	Retail sales (July)	ONS	2021Q3	Volume: -2.5% (MOM), 2.4% (YOY)
20 Aug	Retail sales (3 months to July)	ONS	2021Q3	Volume: +5.2% (QOQ), +11.1% (YOY)
20 Aug	Retail sales, online sales proportion (July)	ONS	2021Q3	Online sales/total: 27.9% (July), 27.1% (June)