



Economic Indicators – May 2006

Economic Growth

Gross Domestic Product (GDP) grew by 0.6% in the 1st quarter of 2006 and by 2.2% compared with the same quarter in 2005.

The volume of output in production industries grew faster than the services sector for the first time in almost 7 years during the first quarter of 2006. Manufacturing growth rose 0.5% in the 1st quarter of 2006 compared with a reduction of 1.1% in the previous quarter.

For an explanation of GDP click [here](#).

Investment

Total manufacturing investment increased by 0.2% in the 4th quarter of 2005 compared with the previous quarter.

Productivity

Productivity growth for the whole economy (measured as output per head) has averaged 1.5% per annum over the last 8 quarters.

Labour Market

The number of people in employment for the three months ending in February 2006 was 28.84 million. This is the highest figure since comparable records began in 1971. Employment increased by 76,000 over the quarter and by 147,000 over the year. The quarterly increase in employment was mainly due to more women employees.

The unemployment rate was 5.1 per cent, up 0.1 over the quarter and up 0.4 over the year. The number of unemployed people increased by 30,000 over the quarter and by 120,000 over the year, to reach 1.56 million.

The claimant count was 937,600 in March 2006, up 12,600 on the previous month and up 106,200 on the year.

The average number of job vacancies for the three months to March 2006 was 593,200. This was down 3,300 on the previous quarter and down 43,300 over the year.

The redundancy rate for the three months to February 2006 was 5.7 per 1,000 employees, up 0.1 from the previous quarter.

For an explanation of the importance of employment in manufacturing click [here](#).

Average Earnings

The headline rate of growth in average earnings for the whole economy in February 2006 was 4.2%, up from 3.6% in the previous month.

Earnings continue to grow at a slower rate than a year ago (the headline rate in February 2005 was 4.7%).

Company Acquisitions

Expenditure on acquisitions in the UK by foreign companies increased from £15.5 billion in the 4th quarter of 2005 to £19.4 billion in the first quarter of 2006. A total of 34 UK companies have been acquired in the 1st quarter compared with a total of 242 in 2005 and 178 in 2004.

Interest Rate

At their May meeting the members of the Monetary Policy Committee (MPC) voted to maintain the base rate at 4.5%.

Some economists are predicting an increase of 0.25% by the end of the year, citing evidence of an upturn in manufacturing, high street sales and mortgage lending.

For detailed information on the implications of an interest rate cut click [here](#).

Next Update – July 2006