

28 March 2011

## Variables used in cyclical indicator estimates of the output gap<sup>1</sup>

### Variables used in aggregate composite indicator<sup>2</sup>

Variable	Source
Percentage of services firms experiencing recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms experiencing recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of services firms operating at full capacity	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms operating at full capacity	British Chambers of Commerce Quarterly Economic Survey
Percentage of firms experiencing skilled labour recruitment difficulties	Confederation of British Industry Industrial Trends Survey
Percentage of firms experiencing other labour recruitment difficulties	Confederation of British Industry Industrial Trends Survey
Percentage of firms operating at full capacity	Confederation of British Industry Industrial Trends Survey
Recruitment difficulties	Bank of England Agents' Summary of Business Conditions
Capacity Utilisation: Services	Bank of England Agents' Summary of Business Conditions
Capacity Utilisation: Manufacturing	Bank of England Agents' Summary of Business Conditions

<sup>1</sup> This note sets out the cyclical indicators used to produce the “aggregate composite” and “principal components analysis” estimates of the output gap set out in Chart 3.2 of the March 2011 Economic and Fiscal Outlook.

<sup>2</sup> These indicators are weighted together using estimates of the labour and profit share and sector shares. The labour share is defined as total compensation of employees divided by Gross Value Added (GVA), and the profit share is equal to 1 minus the labour share. The manufacturing and service sector share are defined as the share of manufacturing and services output in GVA. The normalised output is scaled to the mean and standard deviation of the OECD’s historical output gap series.

Variables used in principal components analysis indicator<sup>3</sup>

<u>Variable</u>	<u>Source</u>
Average Weekly Earnings growth: total pay, private sector	ONS, OBR
Average Weekly Earnings growth: total pay, services	ONS, OBR
Average Weekly Earnings growth: total pay, manufacturing	ONS, OBR
Total compensation of employees divided by Gross Value Added (GVA)	ONS
Total wages and salaries divided by GVA	ONS
Unit wage costs, per cent change on a year earlier	ONS
Real unit wage costs (unit wage costs deflated by RPIX), per cent change on a year earlier	OBR, ONS
Deviation of unemployment from OECD estimate of the NAIRU	ONS, OECD
Percentage of services firms experiencing recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms experiencing recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of services firms experiencing clerical labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms experiencing clerical labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of services firms experiencing skilled manual labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms experiencing skilled manual labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of services firms experiencing semi/unskilled labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms experiencing semi/unskilled labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey

<sup>3</sup> The normalised output is scaled to the mean and standard deviation of the OECD's historical output gap series.

Percentage of manufacturing firms experiencing professional/managerial labour recruitment difficulties	British Chambers of Commerce Quarterly Economic Survey
Percentage of services firms operating at full capacity	British Chambers of Commerce Quarterly Economic Survey
Percentage of manufacturing firms operating at full capacity	British Chambers of Commerce Quarterly Economic Survey
Percentage of firms experiencing skilled labour recruitment difficulties	Confederation of British Industry Industrial Trends Survey
Percentage of firms experiencing other labour recruitment difficulties	Confederation of British Industry Industrial Trends Survey
Percentage of firms operating at full capacity	Confederation of British Industry Industrial Trends Survey
Percentage balance of financial services firms with levels of business above normal	Confederation of British Industry/PricewaterhouseCoopers Financial Services Survey