

National Institute Economic Review

Journal of the National Institute of Economic and Social Research

No. 220 April 2012

ECONOMIC PROSPECTS

UK household rebalancing by Angus Armstrong

The world economy edited by Dawn Holland

Reassessing productive capacity in the United States by Dawn Holland

The UK economy edited by Simon Kirby

Why are UK pump prices so high? by Aurélie Delannoy

MEASURING PERFORMANCE IN EU SERVICE SECTORS

Service sector performance: an introduction to the INDICSER and SERVICEGAP projects
by Mary O'Mahony

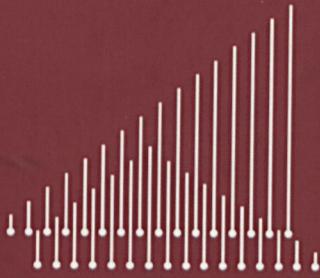
Recent development in selected education indicators and relation to Europe 2020 targets
by Mikkel Barslund

New measures of workforce skills in the EU
by Lili Kang, Mary O'Mahony and Fei Peng

The impact of the financial crisis on financial integration, growth and investment
by Robert Inklaar, Juan Fernández de Guevara and Joaquín Maudos

Export performance and increased services content in manufacturing
by Yvonne Wolfmayr

ISSN 0027-9501



www.niesr.ac.uk

Forthcoming issues

In addition to the regular forecasts, articles on the following themes will be the subject of forthcoming issues:

- | | | |
|------|-----------------|--|
| 2012 | No. 221 July | <i>Financial structure: lessons from the crisis</i> |
| | No. 222 October | <i>From cradle to career: evidence from the British Birth Cohort Studies on education and employment</i> |
| 2013 | No. 223 January | <i>The Chinese economy</i> |
| | No. 224 April | <i>Economic growth</i> |

Discussion Papers

All National Institute discussion papers are now available on our website www.niesr.ac.uk

- No. 387. Well-being, health and work
by A. Bryson, E. Green, S. Bridges and R. Craig
- No. 388. Why are migrants paid more?
by A. Bryson, R. Simmons and G. Rossi
- No. 389. Who posts performance bonds and why?
by A. Bryson, J. Forth and M. Zhou
- No. 390. Human capital, matching and job satisfaction
by A. Bryson, T. Barnaby and B. Eberth
- No. 391. The CEO labour market in China's public listed companies
by A. Bryson, J. Forth and M. Zhou
- No. 392. Do temporary agency workers affect workplace performance?
by A. Bryson

NIESR's Monthly Email Newsletter

A free monthly email newsletter service from the National Institute of Economic and Social Research. Included every month are:

- * Summaries of recent research from NIESR
- * E-newsletter articles on topical economics subjects

National Institute Economic Review

Editorial Board

A. Armstrong
A. Bryson
G.S. Clisham
D. Holland
S. Kirby
G. Mason
H. Metcalf
J. Portes (Director)
R. Riley

Council of Management

Sir Nicholas Monck (President)
Professor Timothy Besley (Chairman)
Nicholas Barber
Kate Barker
Professor Charles Bean
Bronwyn Curtis
Professor John Ermisch
Professor John Hills
Professor Heather Joshi
John Llewellyn
Lord Oakeshott of Seagrove Bay
Jonathan Portes (Director)
Dr Sushil Wadhvani

National Institute Economic Review (ISSN:0027-9501 print, 1741-3036 online) is published quarterly in March, June, September and December by SAGE (Los Angeles, London, New Delhi, Singapore and Washington DC). Annual subscription including postage: institutional rate (combined print and electronic) £353/US\$653; individual rate (print only) £118/US\$218. Electronic only and print only subscriptions are available for institutions at a discounted rate. Note VAT is applicable at the appropriate local rate. Visit <http://ner.sagepub.com> for more details. To activate your subscription (institutions only) visit <http://online.sagepub.com>. Abstracts, tables of contents and contents alerts are available online free of charge for all. Student discounts, single issue rates and advertising details are available from SAGE Publications Ltd, 1 Oliver's Yard, 55 City Road, London EC1Y 1SP, UK, tel. +44 (0)20 7324 8500, fax +44 (0)20 7324 8600 and in North America, SAGE Publications Inc, PO Box 5096, Thousand Oaks, CA 91359, USA. Periodicals postage paid at Rahway, NJ. POSTMASTER, send address corrections to National Institute Economic Review, c/o Mercury Airfreight International Ltd, 365 Blair Road, Avenel, NJ 07001, USA.

Aims and Scope

The *Review* is the quarterly publication of the National Institute of Economic and Social Research. The Institute's objective is to promote a deeper understanding of the interaction of economic and social forces that affect people's lives so that they may be improved. It has no political affiliation, and receives no core funding from government. Its research programme is organised under the headings of Economic Modelling and Analysis; Productivity; Education and Training and the International Economy.

Copyright © National Institute of Economic and Social Research, 2012. Apart from fair dealing for the purposes of research or private study, or criticism or review, and only as permitted under the Copyright, Designs and Patent Act 1988, this publication may only be produced, stored or transmitted, in any form or by any means, with the prior permission in writing of the Publishers, or in the case of reprographic reproduction, in accordance with the terms of licences issued by the Copyright Licensing Agency. US: Authorization to photocopy journal material may be obtained directly from SAGE or through a licence from the Copyright Clearance Center, Inc. (www.copyright.com). Enquiries concerning reproduction outside those terms should be sent to SAGE Publications.

The *Review* welcomes articles relating to the themes listed on the back cover, with publication dates in January, April, July and October respectively. Articles should normally comprise 4–10,000 words. All articles are refereed. Full notes for contributors are available from Fran Robinson (f.robinson@niesr.ac.uk). Articles intended for publication should be sent to National Institute Economic Review, 2 Dean Trench Street, London SW1P 3HE, or by e-mail to Fran Robinson (as above).

Abstracting and indexing

Please visit <http://ner.sagepub.com> and click on the Abstracting/Indexing link on the left hand side to view a full list of databases in which this journal is indexed.

Disclaimer: The authors, editors, and publisher will not accept any legal responsibility for any errors or omissions that may be made in this publication. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Printed by Rapidity Limited, London.

National Institute Economic Review No. 220 April 2012

	Page
ECONOMIC OVERVIEW	F2
COMMENTARY	
UK household rebalancing Angus Armstrong	F4
THE WORLD ECONOMY	
World overview	F10
Prospects for individual economies	F14
Appendix A: Key forecast assumptions	F26
Appendix B: Forecast detail	F31
Dawn Holland, with Aurélie Delannoy, Tatiana Fic, Ian Hurst, Iana Liadze, Ali Orazgani and Paweł Paluchowski	
Reassessing productive capacity in the United States by Dawn Holland	F38
THE UK ECONOMY	
Prospects for the UK economy Simon Kirby with Katerina Lisenkova	F45
Why are UK pump prices so high? Aurélie Delannoy	F67
RESEARCH ARTICLES	
Service sector performance: an introduction to the INDICSER and SERVICEGAP projects Mary O'Mahony	R1
Recent development in selected education indicators and relation to Europe 2020 targets Mikkel Barslund	R6
New measures of workforce skills in the EU Lili Kang, Mary O'Mahony and Fei Peng	R17
The impact of the financial crisis on financial integration, growth and investment Robert Inklaar, Juan Fernández de Guevara and Joaquín Maudos	R29
Export performance and increased services content in manufacturing Yvonne Wolfmayr	R36

Further detail underlying the forecast figures is available on subscription from NiGEMWEB (<http://nimodel.niesr.ac.uk/nigemweb/nigemweb.php>).