State of the Economy

Office of the Chief Economic Adviser

October 2018

Scottish Government
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This report summarises recent developments in the global, UK and Scottish economies and provides an analysis of the performance of, and outlook for, the Scottish economy. Updates are provided on a periodic basis and the data and analysis in this edition are correct up to and including 18 October 2018.

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Scottish Government

Overview

The Scottish economy has continued to strengthen in the first half of 2018.

In Q2 2018, Scotland's annual GDP growth was the strongest it's been since 2014 and outpaced growth in the UK as a whole. The expansion over the quarter was seen across all sectors with positive growth in services, construction and production.

The stronger growth in recent quarters has been driven by a number of factors. Firstly, exports have grown strongly on the back of the weaker value of Sterling and stronger global growth. Recent HMRC data shows that Scottish exports of goods grew 7% in cash terms over the past year. Whilst this is due in part to the rising value of oil exports, onshore goods exports also grew by 6% over the same period. Secondly, the stronger outlook for the oil and gas sector alongside the notable rise in the oil price has provided a boost to confidence and activity through its supply chain and in the wider economy.

The stronger output performance has also been reflected in Scotland's labour market with the latest data showing that unemployment remains close to record lows coupled with high levels of employment. Collectively, this demonstrates a continued tightness in the labour market which should drive up wage growth as firms compete to retain and recruit staff.

As noted in previous reports, uncertainty relating to the form and timing of agreement for EU exit remains a key concern for many sectors of the economy and goods and services sectors will be impacted in different ways. This report sets out several channels through which uncertainty will impact on the economy. Businesses may delay or defer decisions on new investment and consumers reduce or postpone spending. At the same time, the nature of investment may change as firms' seek to bring forward investment to protect supply chains and identify alternative routes to service customers and key markets.

Combined, the impact is likely to manifest itself in more volatility in economic data. As noted previously, building stock inventories in advance of March 2019 may bring forward economic activity to this side of EU exit. Our new analysis suggests that while this could potentially boost Scottish GDP growth in 2018-19 by up to 0.4 percentage points, this would be more than offset by a slowing of output in subsequent quarters. The overall effect of stockpiling on the economy is negative in the medium term.

At this time, it remains unclear the extent to which any UK agreement, if achieved, will enable an orderly transition. The latter is crucial for expectations, particularly for households and consumer confidence. New analysis in this report shows that overall consumer sentiment has been negative since the EU referendum and remained negative in Q3 2018. Despite sentiment regarding individual household finances strengthening, attitudes to spending remain weak and households' expect the economy to deteriorate over the next year. Therefore a broader Brexit risk remains, which if transmitted into a significant fall in household confidence and consumption, could have a material impact on the economy.

Finally, the Scottish economy has grown consecutively for six quarters, with growth strengthening in 2018. Independent forecasts for the economy are reflecting this improved outlook with Brexit remaining the main risk.

Global Summary

Global growth remains resilient in 2018.

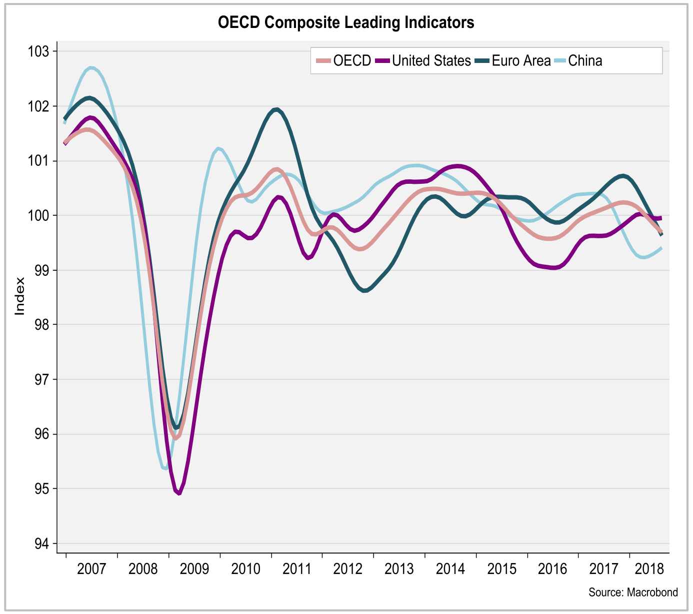
- Following faster grow in 2017, the pace of global growth has stabilised in the first half of 2018.
- The IMF report growth has become less synchronised in 2018 with a more mixed picture across Advanced Economies and Emerging Market and Developing Economies.
- World trade volumes have moderated slightly in 2018 with heightened trade tensions a key factor for the outlook.
- Higher oil prices have supported activity for energy exporters and has contributed to upward pressure on inflation.
- Despite greater imbalances, the IMF forecast growth to remain stable in 2018 and 2019 at 3.7%.

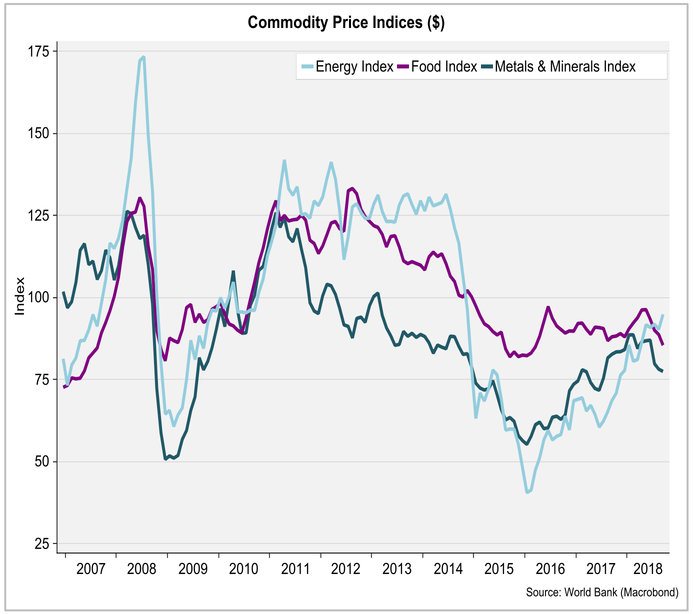
US GDP growth remains solid in 2018.

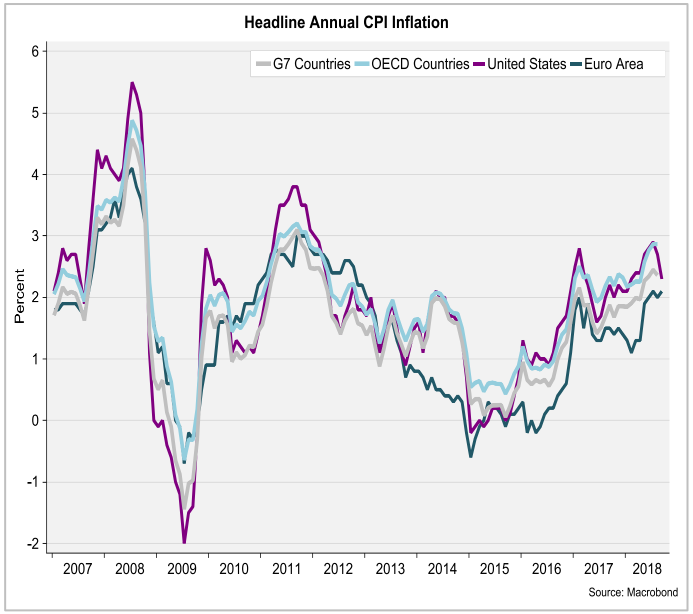
- US GDP growth continued to strengthen in the first half of 2018 growing 2.9% in Q2 (annually), up from 2.6% in Q1.
- The US labour market remains buoyant in the second half of 2018 with unemployment falling to 3.7% in September.
- Average hourly earnings rose 2.8% annually (0.5% in real terms).
- US CPI inflation picked-up to 2.9% in June/July before easing back to 2.3% in September.
- The IMF forecast US GDP growth to accelerate to 2.9% in 2018 before easing slightly to 2.5% in 2019.

Euro Area growth has eased in 2018.

- Euro Area growth has moderated in 2018 growing 2.1% annually in Q2, down from 2.4% previously.
- The Euro Area unemployment rate fell to 8.1% in August, the lowest rate since November 2008.
- Latest data show unemployment rates ranged from 3.4% in Germany to 19.1% in Greece.
- Euro Area CPI inflation rose to 2.1 in September with Food and Drink and Energy driving the increase.
- The IMF forecast Euro Area GDP growth to slow to 2% in 2018 and again in 2019 to 1.9%.







GDP Growth (%)	Outturn	Projections		Revisions from April 2018	
IMF WEO (Oct 2018)	2017	2018	2019	2018	2019
World Output	**3.7**	**3.7**	**3.7**	**-0.2**	**-0.2**
Advanced Economies	**2.3**	**2.4**	**2.1**	**-0.1**	**-0.1**
United States	2.2	2.9	2.5	0.0	-0.2
Euro Area	2.4	2.0	1.9	-0.4	-0.1
United Kingdom	1.7	1.4	1.5	-0.2	0.0
Japan	1.7	1.1	0.9	-0.1	0.0
Emerging Markets and Developing Economies	**4.7**	**4.7**	**4.7**	**-0.2**	**-0.4**
China	6.9	6.6	6.2	0.0	-0.2
India	6.7	7.3	7.4	-0.1	-0.4
Brazil	1.0	1.4	2.4	-0.9	-0.1
Russia	1.5	1.7	1.8	0.0	0.3
South Africa	1.3	0.8	1.4	-0.7	-0.3

United Kingdom Summary

GDP growth rebounded in Q2 2018.

- UK GDP grew 0.4% in the second quarter of 2018, rebounding from 0.1% growth in Q1 2018.
- Service sector growth picked-up in Q2 to 0.6%, supported by faster growth in Distribution, Hotels and Catering and Transport, Storage and Communications.
- The Production sector contracted by 0.8% in Q2 with falling output in Manufacturing and Electricity and Gas Supply.
- Construction sector output rebounded in Q2, growing 0.8% following its contraction at the start of the year.

Unemployment remains low in 2018.

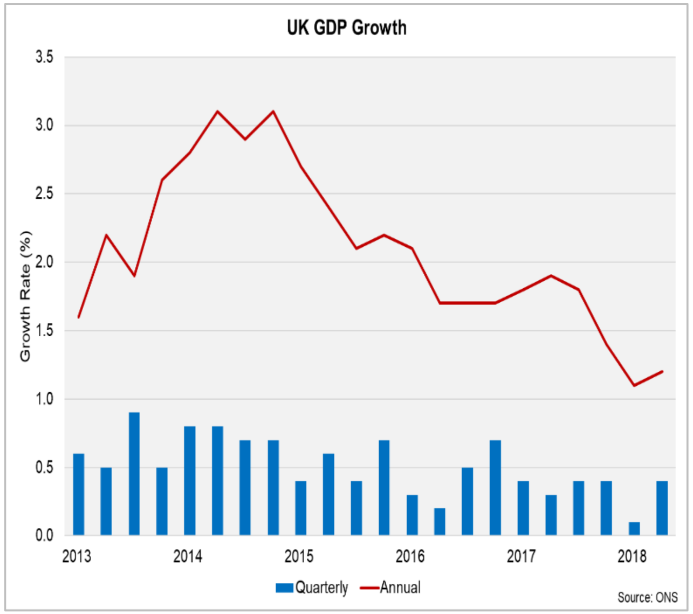
- Latest data for June - August show that the UK unemployment rate fell over the quarter and year to 4.0%.
- The employment rate eased slightly over the quarter but has increased over the year to 75.5%.
- The inactivity rate has fallen slightly over the past year to 21.2%.
- GB nominal and real regular pay growth has strengthened in 2018 growing 3.1% and 0.7% over the year to June-August.
- Labour productivity strengthened in Q2 2018, growing 1.4% over the year, its seventh consecutive quarter of growth.

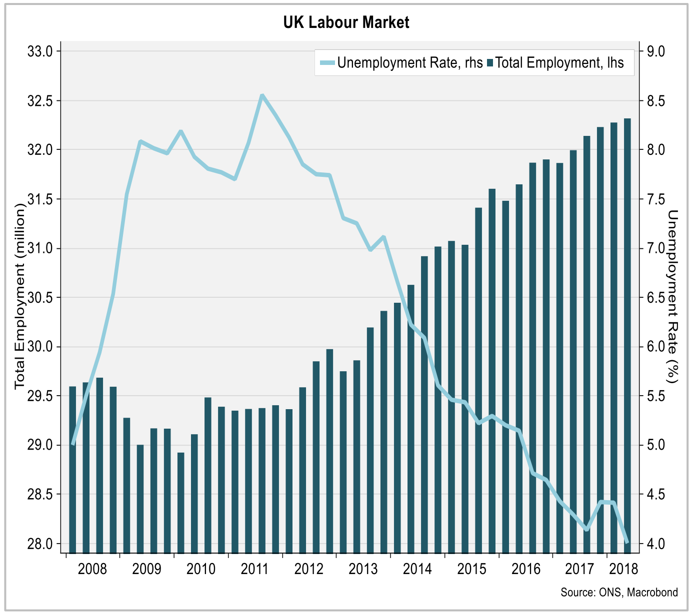
CPI inflation remains above 2% target.

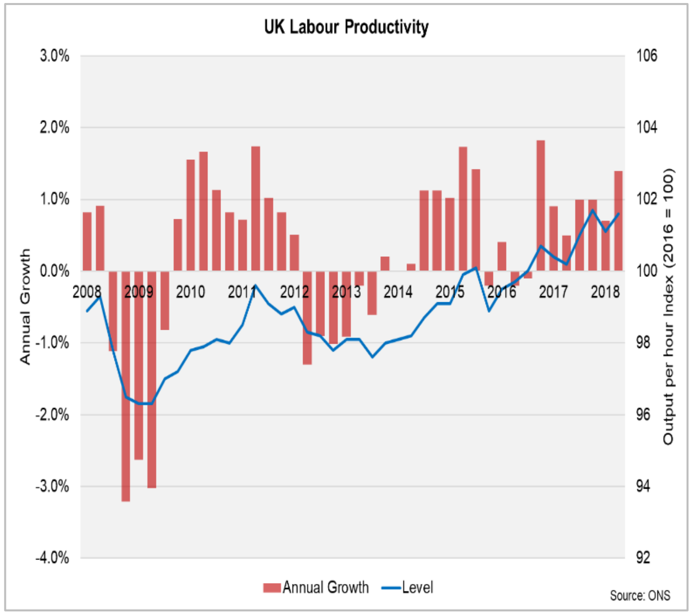
- The CPI inflation rate fell in September to 2.4%, down from 2.7% in August.
- Downward contributions to the rate came from food and drink alongside transport, recreation and culture, and clothing.
- The inflation rate remains below its recent peak of 3.1% in November 2017.

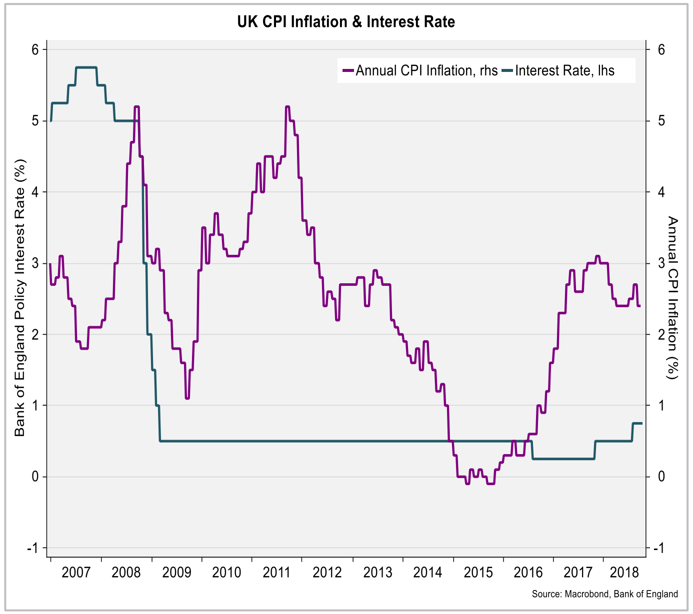
UK growth forecast to slow in 2018.

- Growth is forecast to slow in 2018 with the IMF forecasting growth of 1.4%, picking up to 1.5% in 2019.
- The slower growth outlook reflects weaker output data at the start of 2018 alongside uncertainty over the terms of the EU withdrawal weighing on private sector activity.









Scotland Summary

GDP growth has strengthened in 2018.

- GDP in Scotland grew 0.5% in Q2 2018 compared to growth of 0.4% in the UK as a whole.
- Annual growth in Scotland (1.7%) in Q2 2018 was its highest rate since 2014.
- Growth was broad based with the services, production and construction sectors all growing.
- The service sector grew 0.4% in Q2 2018, production grew 0.6% and construction grew 1.8%.

Labour market continues to perform strongly.

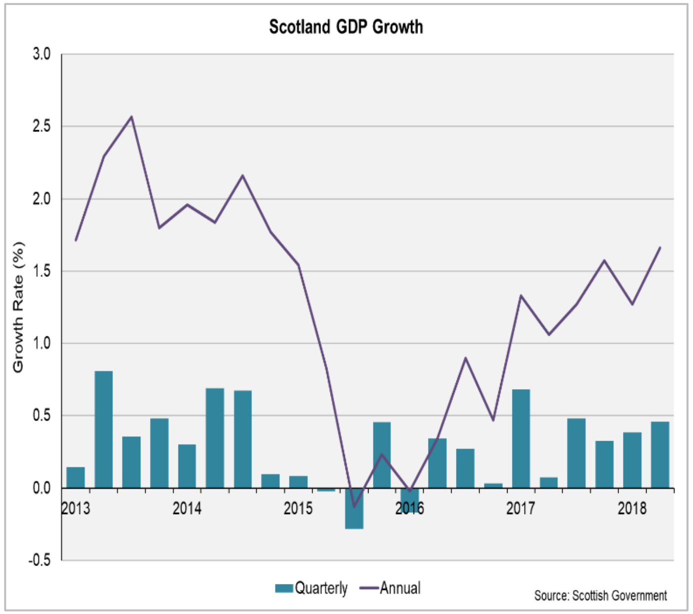
- Over the year to June-August, the unemployment rate fell to 3.9%, remaining close to its record low of 3.8% in 2017.
- The employment rate fell over the quarter and the past year to 74.9%, with 2.64 million people in employment.
- The inactivity rate rose over the quarter and the year to 22.0%.

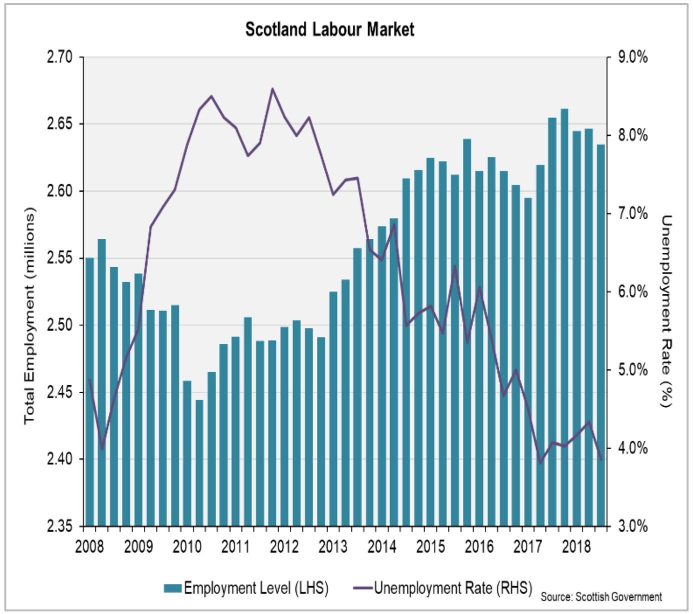
Labour productivity continued to grow in Q1 2018.

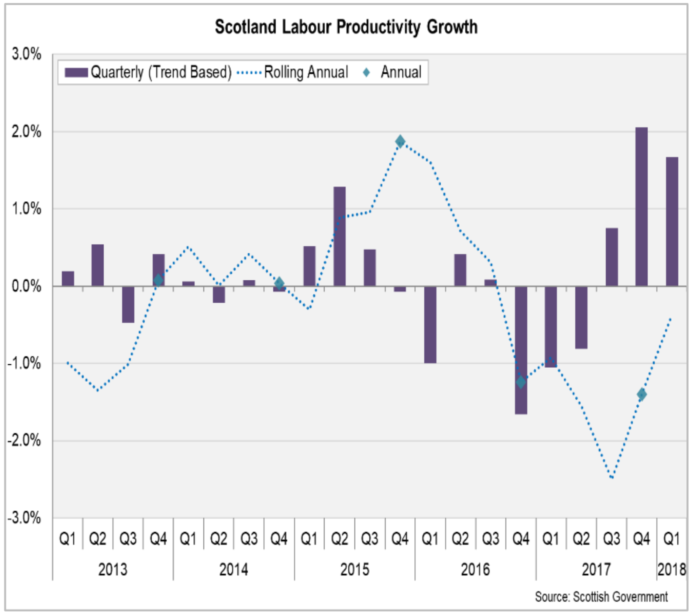
- Trend growth in productivity (output per hour worked) increased by 1.7% in Q1 2018, however fell by 0.4% on a rolling annual basis.
- The fall in productivity over the year reflects that growth in hours worked (1.7%) outpaced GVA growth (1.3%).

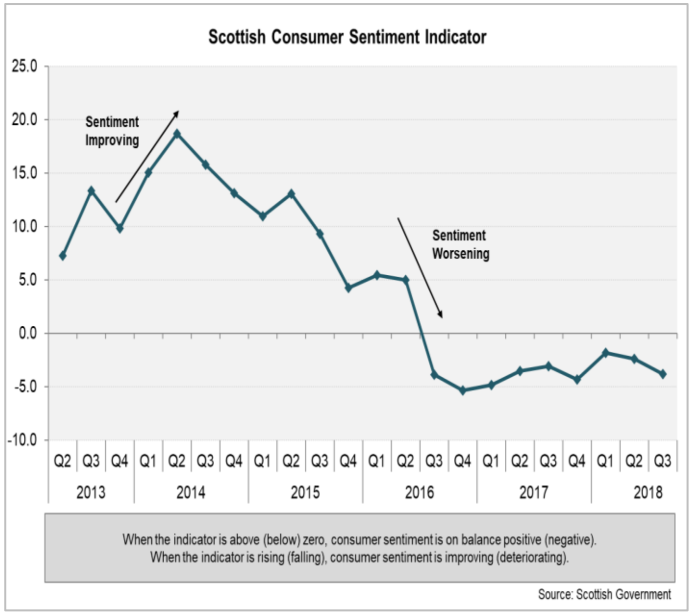
GDP growth forecasts strengthen but remain below trend.

- Business surveys signal that business optimism remains generally positive in the second half of 2018, however has eased from the start of the year.
- Scottish consumer sentiment remained in negative territory in Q3 2018 (-3.8) having weakened from the start of the year.
- Independent GDP growth forecasts for 2018 range between 0.7% and 1.3%, strengthening slightly to between 0.8% and 1.6% for 2019.
- Scotland's GDP grew 0.8% in the first half of 2018, outpacing the SFC forecast for 2018 as a whole (0.7%).



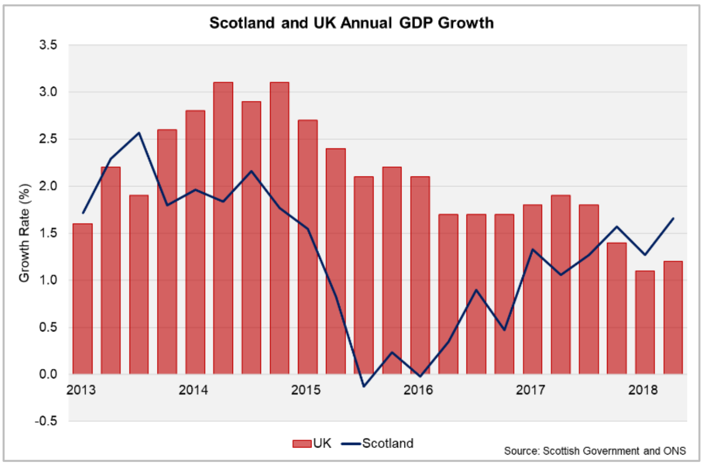






Scottish Economy Update

Gross Domestic Product

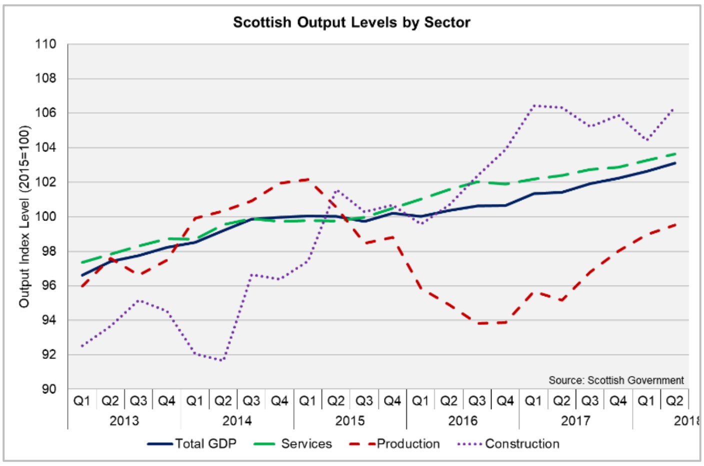


Scotland's economy continued to strengthen in the first half of 2018, building on the rebound in growth in 2017.

Latest data show Scotland's GDP grew 0.5% in the second quarter of 2018 and 1.7% over the year.

This was the highest rate of annual growth in Scotland since 2014 and higher than UK wide growth of 1.2%.

Growth was broad based with the services, production and construction sectors all growing. The services sector grew 0.4% over the quarter, supported by a pick-up in output growth from Retail and Wholesale and Financial and Insurance Activity sectors. The Retail and Wholesale sector in particular contributed most strongly to overall GDP growth, supported by a moderate uplift in retail sales in the first half of 2018, despite the ongoing challenging trading conditions for high street retailers.

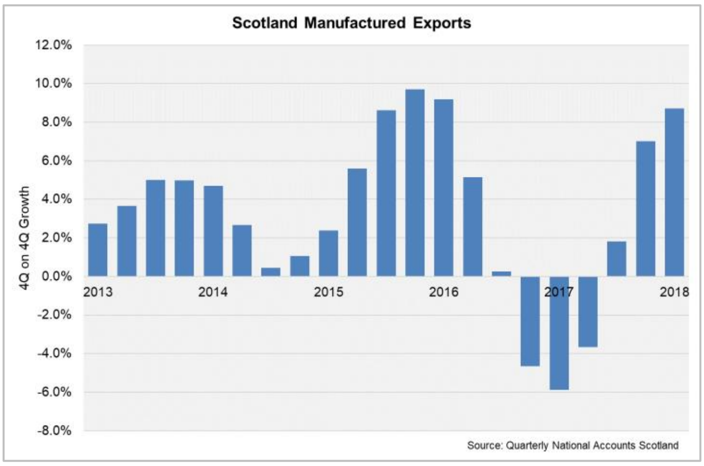


The construction sector returned to positive growth in the second quarter, growing 1.8%, in part rebounding from the weather related temporary disruption to activity at the start of the year. Over the past year as a whole, construction output growth has been broadly flat, easing back from the more rapid growth in 2015-16. Since the last State of the Economy report, there have been revisions to the construction sector data in Scottish GDP statistics, which are detailed in the box below.

Production sector output has continued to expand in 2018 and recover from falling levels of output in 2015 and 2016. The production sector grew 0.6% over the second quarter and 4.6% over the past year, the fastest rate of annual growth in the sector since 2014. Growth in Manufacturing output provided the strongest contribution to production sector growth over the quarter supported by a pick-up in growth in Food and Drink output and Manufacturing sector Repairs and Installations.

The strengthening in production sector output, and across the economy more broadly over the past 18-months, has been underpinned by stronger global growth and the lower value of Sterling supporting export activity.

Manufactured exports - which make up around half of the total value of international exports from Scotland's onshore economy - increased by 3.6% in Q1 2018 and by 8.7% on a rolling annual basis.



The increase in the volume of manufactured exports was relatively broad based with growth across the three largest exporting sectors of food and drink, engineering products and refined petroleum, chemical and pharmaceutical products.

More recent data from HMRC, show that Scotland's international goods exports (including oil and gas) increased in cash terms by 7% (£1.9 billion) to £28.8 billion over the year to June 2018, compared to the previous year. This increase was driven, in part, by a rise in oil and gas exports to the EU, which increased by 29% (£1.6 billion) to £7.0 billion on the back of rising energy prices. However, even when oil and gas exports are excluded, total onshore goods exports also grew by 6% over the same period.

Alongside this, the North Sea oil and gas sector has continued to strengthen. Latest survey data from contractors in the sector report increasing levels of business confidence and activity into 2018, with further increases expected in the year ahead[1]. By supporting activity in the wider supply chain, this increase in activity directly boosts output in the production and manufacturing sectors in Scotland and feeds through to the wider economy.

The rise in the oil price to over $80 in October – representing an almost 30% increase since the start of the year – has further supported confidence and activity in the sector, however conditions throughout the industry supply chain remain challenging[2].

Recent revisions to Construction Sector and impacts on GDP growth.

The Quarterly National Accounts Scotland (QNAS) publication in August 2018 contained revisions to GDP growth in the construction sector that has impacted on the recent GDP growth time series profile.

Previously, the construction sector was estimated to have grown very quickly in 2014 and 2015 before falling in subsequent years. Whilst this trend is still evident in the data, the industry's growth is now estimated to have been less volatile.

		2014	2015	2016	2017
	Previous estimate	3.6%	18.3%	-0.6%	-3.8%

[1] Aberdeen and Grampian Chamber of Commerce, 28th Oil and Gas Survey.
[2] Oil and Gas UK, Economic Report 2018.

Scotland's Construction Sector Output Growth	Updated estimate	0.2%	6.2%	1.6%	4.3%
Scotland's GDP Growth	Previous estimate	2.7%	1.7%	0.2%	0.8%
	Updated estimate	1.9%	0.6%	0.4%	1.3%

The revisions to construction GDP reflect two new developments.

Firstly, new data on the historic output from the construction sector, which were published in July, have been incorporated into the estimates. This provides more detailed and accurate Scottish data for the construction industry, but are only available with a 2-3 year lag.

Secondly, the methodology used to estimate construction output in more recent quarters has been revised to minimise the risk of future revisions. A wider variety of data sources are now being used to produce the short term estimates, rather than relying on a single data source.

Whilst revisions are always made to GDP as new data become available, the recent changes to construction were unusually large.

This is because the previous methodology appears to have under estimated the amount of construction activity in Scotland which was imported (i.e. completed by businesses not based in Scotland) or which was completed by businesses classified into other industries. Both of these factors are particularly important at present given the number of high value energy infrastructure projects, such as onshore and offshore windfarms, where some of the construction activity actually takes place overseas or using foreign contractors.

More information on the revisions made to the construction and GDP series are available in the latest QNAS publication on the Scottish Government website[3].

Labour Market

Scotland's labour market has continued to perform strongly through the first half of 2018.

Latest data for June – August 2018 show the unemployment rate at 3.9%, the employment rate at 74.9% and the inactivity rate at 22.0%.

SCOTLAND LABOUR MARKET STATISTICS (June - August 2018)			
RATES	**Latest (%)**	**Quarterly Change (% p.t.)**	**Annual Change (% p.t.)**
Employment*	74.9	-0.5	-0.3
Unemployment**	3.9	-0.5	-0.2
Economic Inactivity*	22.0	0.9	0.5
LEVELS ('000)	**Latest**	**Quarterly Change**	**Annual Change**
Employment (16+)	2,635	-11	-20
Unemployment (16-64)	106	-14	-7
Economic Inactivity (16-64)	749	30	14
*Denominator = Working age population (16-64)			
**Denominator = Total economically active			

[3] https://www.gov.scot/Topics/Statistics/Browse/Economy/QNAS2018Q1

The unemployment rate in Scotland has fallen over the past year to slightly below the UK rate (4.0%) and remains close to its record low rate of 3.8% in 2017.

There has been a fall in the number of people employed in Scotland and a rise in the number of people inactive over the past year, however the employment rate remains close to its record rate of 75.8% in 2017.

The fall in employment over the year has been in full-time jobs which have fallen by 46,000, while this has been partially offset by a 25,000 rise in part-time employment.

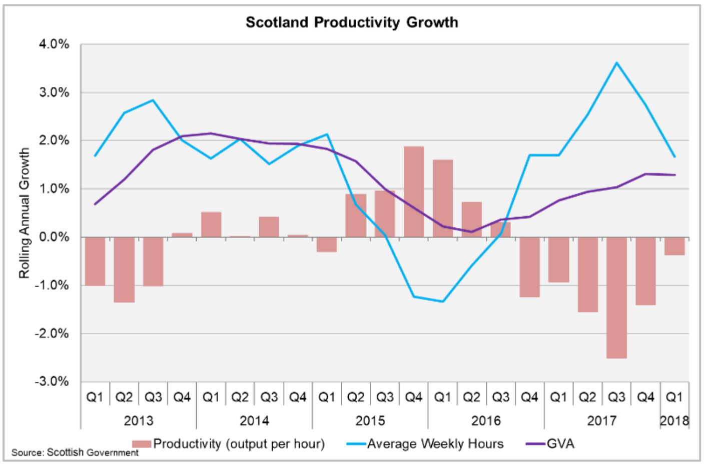
Tightness in the labour market at the aggregate level remains evident in business surveys which continue to signal that recruitment conditions remain challenging for firms. Stronger declines in the number of permanent and temporary staff available in the face of rising job vacancies was accompanied by an increase in temp wages and starting salaries in September 2018[4].

Alongside this, regular earnings growth has strengthened in 2018. In Great Britain as a whole, nominal average weekly regular pay grew by 3.1% over the year to June to August – its highest rate since 2009. This has fed through to a slight pick-up in real average weekly regular pay growth to 0.7%.

Labour Productivity

The stronger pace of output growth over the past year alongside the continued strength in the labour market corresponds to the rebound in labour productivity performance over the period.

In Q1 2018, Scottish labour productivity (output per hour worked) grew by 1.7% over the quarter following growth of 2.1% in the previous quarter.

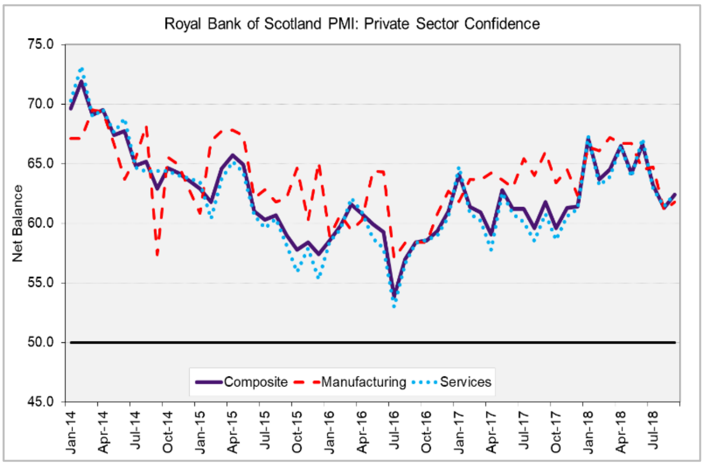


However, despite the stronger quarterly growth profile, on the more stable rolling annual basis (comparing the latest 4 quarters with the previous 4 quarters) labour productivity continues to be slightly weaker, falling 0.4% over the period.

While less negative than previously, it reflects that over the year, the growth in average hours worked continued to outpace growth in GVA (1.7% and 1.3% respectively).

[4] RBS Report on Jobs, October 2018.

Business Sentiment



The latest Scottish business surveys[5] have signalled further growth in private sector business activity in Scotland in the third quarter of the year.

The RBS Purchasing Managers Index during the third quarter has signalled that private sector business activity growth in Scotland reached its highest levels since 2014. This was supported by further growth in demand for new business leading to firms continuing to expand staffing levels.

The key driver of this growth was the services sector, which accounts for 75% of the economy, while the pace of growth in the manufacturing sector has eased back and contracted in September.

This chimes with the signals from the Scottish Engineering Quarterly Review which reported a slowing of growth in output, orders and exports from the engineering manufacturing sector in the third quarter.

Business confidence also remains positive overall, however there are signals that it has softened over the course of the year. This potentially reflects Brexit uncertainty with around six months to go before the UK is scheduled to leave the EU alongside further pressure on profit margins with businesses continuing to report input cost increases from staffing, energy and imports, which are in part being passed on through to output prices.

As a result, business investment remains fragile with the Scottish Chambers of Commerce Quarterly Economic Indicator for Q3 2018 showing that overall business investment growth slowed over the quarter.

Potential Channels Through which Brexit Uncertainty Could Impact the Economy

The slow progress on reaching a Brexit deal has led to heightened economic uncertainty being experienced by firms and households. A ‘disorderly Brexit’ would substantially add to this and create disruption which in turn will impact on the economy.

The channels of impact on the real economy include the following: Businesses may react to the uncertain environment by delaying purchases, investments and hiring decisions, while international investors may view the UK as a less attractive proposition; EU migrants may be discouraged from moving to, or may decide to leave, the UK; Banks may be less willing to lend to EU focused companies if the extent to which future relationship undermines their business model are unknown; and consumers may reduce or defer spending leading to weak consumer sentiment. Ever since the EU referendum,

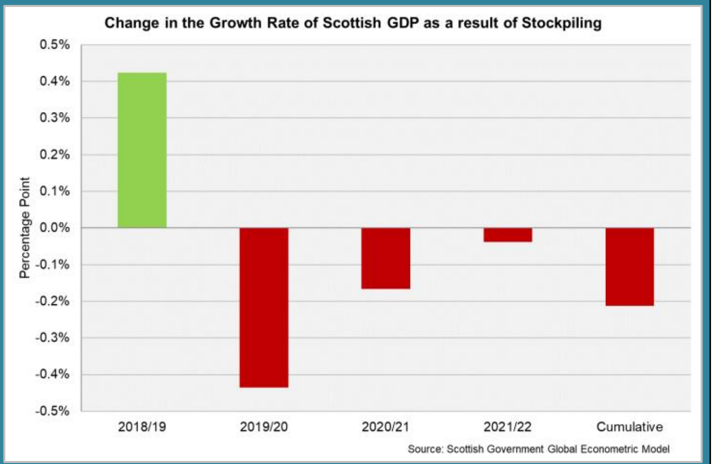
[5] Based on RBS Purchasing Managers Index, Scottish Engineering Quarterly Review and Scottish Chambers of Commerce Quarterly Economic Indicator.

reported consumer sentiment has been negative (see Box on Consumer Sentiment and Household Expectations).

Uncertainty may result in businesses and consumers deciding to stockpile while firms may also build inventories in advance to protect supply chains in case of difficulties in accessing supplies.

Illustrative Impact of Stockpiling on the Scottish economy

The following analysis models one channel of uncertainty – stockpiling by businesses – in order to understand how uncertainty in the pre-Brexit period might influence the Scottish economy in the short and medium term. We use the Scottish Government Global Econometric Model (SGGEM) to model this effect. The assumption is that there will be a bringing forward of inventory accumulation by private sector businesses and we apply a shock to the model to represent this.



The scale of the shock is based on work by the Centre for Economics and Business Research[6]. They predict that companies across the UK could stockpile up to £38 billion worth of goods to cope with the impact of a "no deal" Brexit. This is based on the assumption that companies may want to stock 3-months-worth of raw materials and semi-manufactured goods imported from the EU, alongside an additional month's worth of finished manufacturing goods.

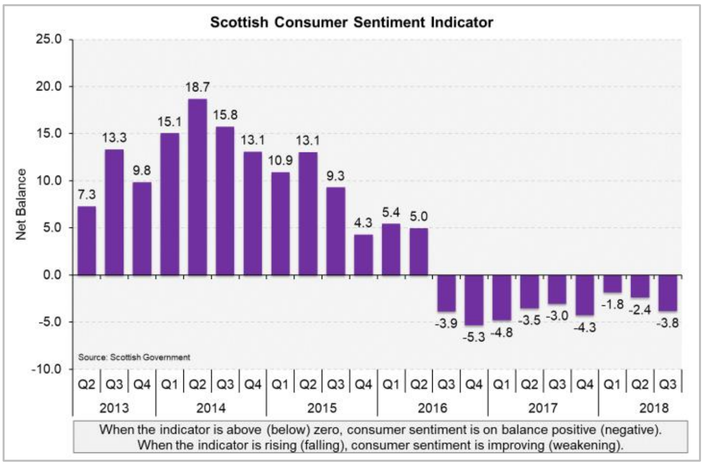
Based on this work, we calibrate a £38 billion shock proportionately split across Scottish and rUK business capital stocks in Q4 2018 and Q1 2019 (the "pre-Brexit" period).

The chart summarises the results. It shows that the additional inventory accumulation in 2018/19 could boost the growth rate of Scottish GDP by up to 0.4 percentage points. However this comes at a cost of growth in 2019/20 as business investment falls as companies allow their inventories to unwind.

There are further smaller negative impacts on GDP in the medium term (in 2020/21 and 2021/22). Cumulatively, across the four years, the impact of stockpiling has a negative impact on Scottish GDP growth and this is likely to manifest itself in more volatility in economic data over the remainder of this financial year.

[6] https://cebr.com/reports/stockpiling-against-brexit-uncertainty-may-well-boost-gdp-by-an-additional-0-5-in-the-second-half-of-2018-but-means-a-post-brexit-mini-recession-is-almost-inevitable/

Consumer Sentiment[7]



Alongside softer business confidence in the third quarter of the year, consumer sentiment in Scotland remained weak over the quarter.

The chart shows that Consumer Sentiment has been negative since the EU referendum and has weakened over the past two quarters compared to the start of the year.

The table below shows the overall indicator score for Q3 2018 and a breakdown of the 5 individual indictors that make up the overall indicator.

Over the quarter, there has been a notable weakening in consumer sentiment regarding expected economic performance over the next 12 months. The indicator for Scotland was -15.2 in Q3 2018 - its lowest level since the series began - implying that the balance of respondents expect economic performance to be weaker in 12 months' time.

Scottish Consumer Sentiment	Latest Score (Q3 2018)	Previous Score (Q2 2018)	Change compared to the previous quarter
Overall Indicator Score	**-3.8**	**-2.4**	**-1.4**
Economy performance - last 12 months	-3.8	-4.0	0.2
Economy performance - next 12 months	-15.2	-10.8	-4.4
Household financial security - last 12 months	-0.3	-1.3	1.0
Household financial security - next 12 months	3.6	6.5	-2.9
Attitude to household spending - current	-3.3	-2.4	-0.9

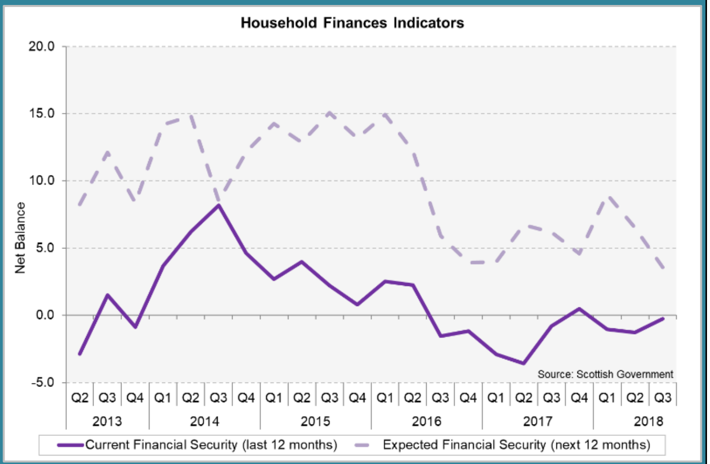
The table also shows household current and future financial security and attitudes to spending. It shows that over the past 12 months, sentiment regarding household financial security has been weak, although expectations are that household financial security will, on balance, improve over the next 12 months (albeit less so than in the previous quarter). This positive sentiment is not reflected in how relaxed households currently are about spending money, which remains negative and has weakened over the quarter.

The Box below provides further analysis on the household financial security aspects of the Scottish Consumer Sentiment results, focusing on the longer trends.

[7] http://www.gov.scot/Topics/Statistics/Browse/Economy/SCSI

Trends in Consumer Sentiment: Household Finances and Spending Indicators

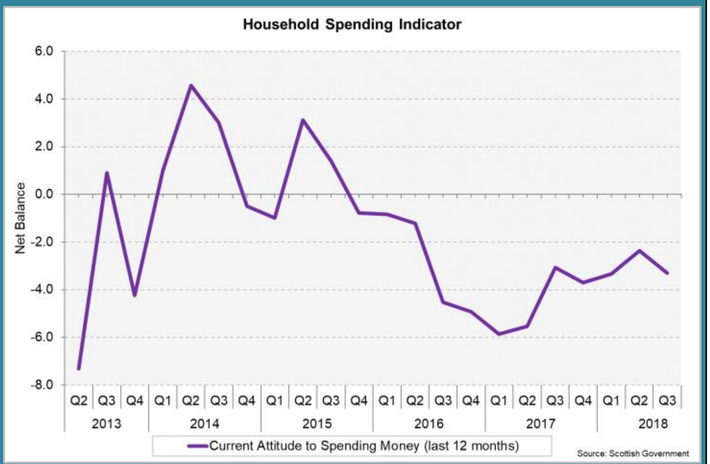
The consumer sentiment indicators on household finances and spending provide some insight into what might happen to household consumption – which accounts for approximately 65% of Scottish GDP. With uncertainty over the economic outlook and with the household savings ratio close to historic lows at 3.1%, a fall in consumption is possible if consumers reduce or defer spending, particularly on luxury and big ticket items.



The adjacent chart shows that in the third quarter of 2018, the indicator on financial security over the last 12 months remained weak and on balance close to zero. The indicator on financial security over the next 12 months fell and is at its lowest level in the time series.

The indicator on current attitudes to spending money remained weak and the long run trend has generally been negative.

While, on balance, respondents feel relatively more positive in their expectations about their household finances than they do regarding the Scottish economy, the scores on both indicators fell to their lowest levels since the series began.



The results only reflect sentiment and don't confirm that households will change their consumption behaviour in practice. However, they do present the risk of weakening expectations about the Scottish economy and household financial security coupled with a weakness in the attitude to spending money.

This can be a rational decision for a given household, however, in aggregate terms it could have a negative impact on aggregate consumption growth with wider knock-on impacts on the labour market and investment decisions.

Scotland's Economic Outlook

Independent forecasts of the Scottish economy suggest output growth in Scotland could strengthen over the next couple of years, however will remain below trend.

The table below sets out a selection of independent forecasts and projections. The Scottish Fiscal Commission (SFC) forecast (from May 2018) is currently notably more cautious than other independent forecasters. However, since May, data revisions have improved Scotland's recent economic performance and as a consequence, Scottish GDP grew 1.3% in 2017, higher than the SFC's forecast of 0.7%. Alongside this, latest GDP data shows Scotland's economy has grown 0.8% in the first half of 2018, higher than the SFC's forecast of 0.7% for the year as a whole.

The SFC are due to update their forecasts for the Scottish budget on 12 December and will consider the latest outturn data as part of that process.

Independent Scottish GDP Growth Forecasts (%)							
	2017 (outturn)	2018	2019	2020	2021	2022	2023
Scottish Fiscal Commission	1.3	0.7	0.8	0.9	0.9	0.9	0.9
Fraser of Allander Institute		1.3	1.4	1.4	-	-	-
EY ITEM Club		1.3	1.6	1.5	1.7	-	-
PWC		1.0	1.2	-	-	-	-

With less than six months to go before the UK leaves the EU, Brexit remains the key downside risk to Scotland's economic outlook.

In this edition of the State of the Economy, we have set out the potential volatility we might see in the economic data over the course of the year as businesses prepare for any potential disruptions to their business operations. In their latest forecast report, the Fraser of Allander Institute highlighted the particular short term risk to the outlook if a 'no deal' scenario occurs on top of the continued pressure that Brexit uncertainty is expected to have on investment activity.

Potential areas for growth continue to be in the production sector as confidence and activity in the North Sea supply chain strengthens, while the relatively low value of Sterling should continue supporting export activity and tourism to Scotland. Alongside this, improvements in earnings growth should better support household spending, however inflationary pressures alongside weak consumer sentiment may continue to present challenges for households and household facing sectors.

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