

November 2018 GAD Information Notes

- (1) Each month we update the interest index within the model. The index is based on the guaranteed rate of interest from the 5-year Fixed Interest Savings Certificates (FISC) from National Savings & Investments. This savings product is no longer on general sale, except for customers with maturing 5-year Fixed Interest Savings Certificates (FISC). We have updated this month's model with the latest rate of interest applicable. (see link http://www.nsandi.com/files/published_files/asset/pdf/historical-interest-rates.pdf)
- (2) The settlement model uses an index relating to earnings known as the Average Earning Index (AEI) (LMNQ series). This index tracks movements in earnings for the UK whole economy, including bonuses and is seasonally adjusted. The Office for National Statistics has announced that the AEI has been discontinued as it is no longer the lead measure of short term changes in earnings and has been replaced by the Average Weekly Earnings (AWE) statistic (see <http://www.ons.gov.uk/ons/rel/aei/average-earningsindex/september-2010/withdrawal-of-average-earnings-index.pdf> and <http://www.statistics.gov.uk/CCI/nugget.asp?ID=304&Pos=6&ColRank=2&Rank=800>).

The broadly equivalent AWE statistic is the KAB9 series, which follows changes in earnings for the whole economy, including bonuses, and is seasonally adjusted. The KAB9 statistic will be used in this month's and future months' settlement models.

If you are content with the use of the AWE (KAB9 series) statistic then you do not need to respond to this email. However, please contact us if you need further information or would like us to consider the use of an alternative index so that we can consult with HM Treasury.

Please note that the earnings index underlying the monthly Preston settlement models (and associated models) issued with effect from July 2017 have been amended to allow for the rebased EARN01: KAB9 series statistic (see announcement for more information: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworking/hours/articles/improvementstoearningsestimatesforsmallbusinessesinaverageweeklyearnings/2017>).