



European Union Relationship & Industrial Strategy

# BREXIT WATCH

Issue 18

October 2018

## Brexit Watch - 2018 Issue 18

The Brexit Watch report monitors the short-term UK macro economic indicators to assess the impact of UK decision to leave European Union on UK economy. The report also monitors indicators in six EURIS industries (EURIS6), namely, Plastic (SIC 22), Fabricated Metals (SIC 25), Electronic (SIC 26), Electrical (SIC 27), Mechanical (SIC 28) and Repairs & Installation (SIC 33).

The emphasis of this report is to monitor what has happened as opposed to what will happen. All the data with exception to exchange rates and OECD Composite indicator come from the Office for National Statistics (ONS).

A vertical purple line on the charts marks 23rd of June 2016, the date of the referendum.

The main points at the end of week 42 in 2018 are as follows:

- ★ **Sterling** rate in October 2018 improved slightly against **US Dollar** from September 2018 but remained 0.5% below October 2017 rate.
- ★ The second estimate of **GDP** growth, for 2018 Q2 remained unrevised at 0.4%, equivalent to £506 billion and a growth of 1.2% compared to 2017 Q2.
- ★ **Unemployment** rate remained at 4.0% in the three months to August 2018 as the number employed increased by 289 thousand and the number unemployed fell by 79 thousand compared to a year earlier.
- ★ **Input prices** rose by 10.3% in the twelve months to September 2018, driven by petroleum products.
- ★ **Consumer price index** including owner occupier's cost rose by 2.2% in the twelve months to September 2018, driven by transport and utility prices.
- ★ **Index of production** in July 2018 grew by 1.0% on June 2018 and also grew by 1.6% compared to twelve months earlier.
- ★ **Construction** output in August 2018 fell by 0.7% to £13.7 billion on previous month but rose by 0.3% compared to twelve months earlier.
- ★ **Retail sales volume** fell by 0.8% in September 2018 but rose by 3.0% compared to twelve months earlier.
- ★ **Exports** in August 2018 rose by 6.2% to £55.1 billion compared to twelve months earlier and **imports** also rose by 3.4% to £56.3 billion in the same period.
- ★ The moving annual **Turnover** for the EURIS6 group reached £153.1 billion in August 2018, representing a growth of 6.0% compared to August 2017. The group **exported** £53.3 billion in the twelve months to August 2018, a growth of 5.2% and the **workforce** now stands at 1,089 thousand.

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## Glossary

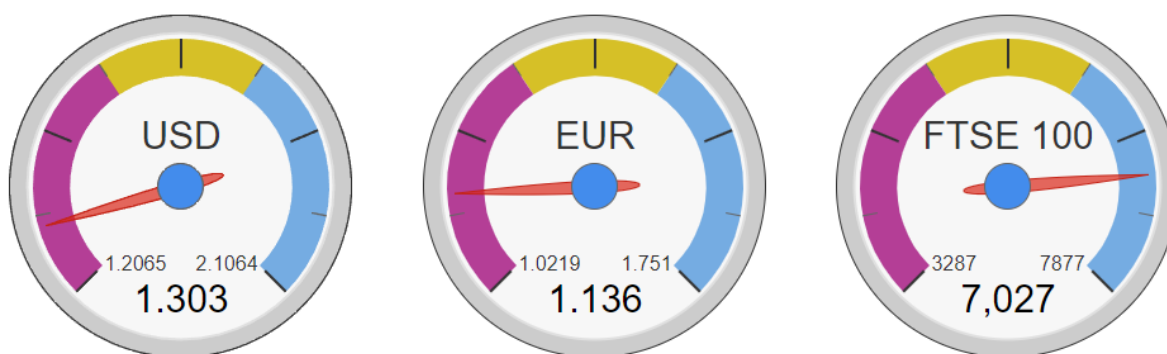
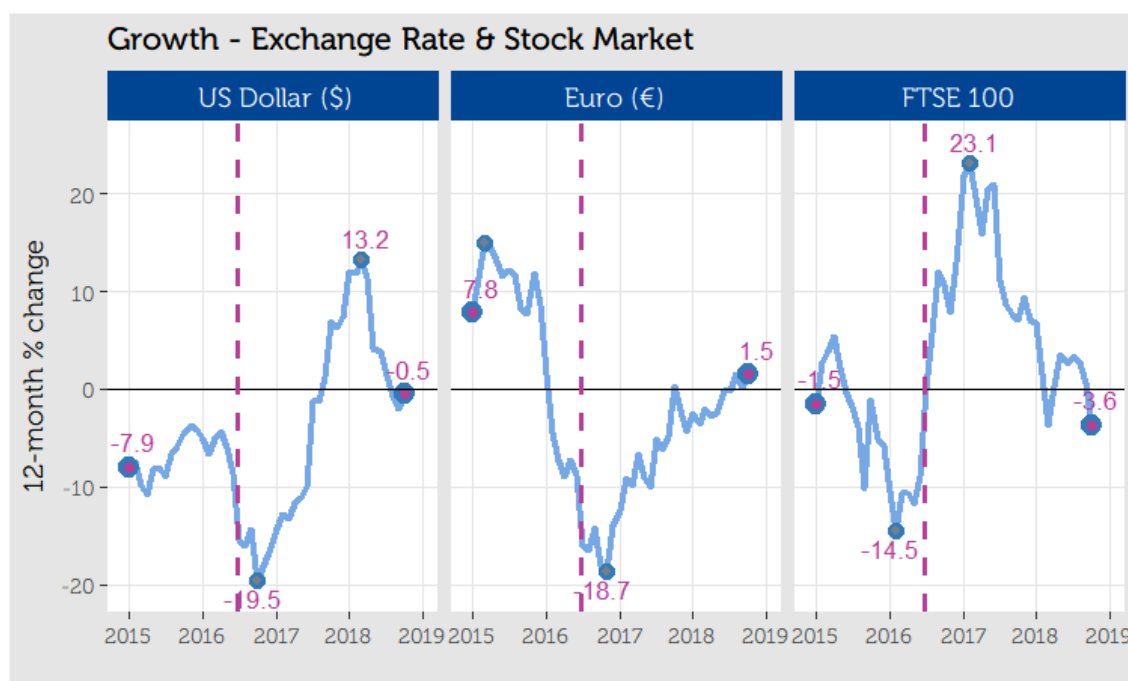
<b>BCA</b>	British Cables Association	<b>GDP</b>	Gross Domestic Product
<b>BCAS</b>	British Compressed Air Society	<b>HMRC</b>	HM Revenue & Customs
<b>BEAMA</b>	British Electrical & Allied Manufacturers Association	<b>IOM</b>	Index of Manufacturing
<b>BFPA</b>	British Fluid Power Association	<b>IOP</b>	Index of Production
<b>BPF</b>	British Plastics Federation	<b>IOS</b>	Index of Services
<b>BPMA</b>	British Pump Manufacturers Association	<b>LIA</b>	Lighting Industry Association
<b>CESA</b>	Catering Equipment Suppliers Association	<b>MAA</b>	Moving Annual Average
<b>CNY</b>	Chinese Yuan	<b>MAT</b>	Moving Annual Total
<b>CPI</b>	Consumer Price Index	<b>MTA</b>	The Manufacturing Technologies Association
<b>CPIH</b>	Consumer Prices Index including owner occupiers' housing costs	<b>MTD</b>	Month to date
<b>EAMA</b>	Engineering and Machinery Alliance	<b>NI</b>	Northern Ireland
<b>ECB</b>	European Central Bank	<b>NMI</b>	UK Electronic Systems & Technology Industry
<b>EUR</b>	Euro	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>FEEM</b>	Group of 4 engineering industries representing SIC codes 25 (Fabricated Metals), 26 (Electronics), 27 (Electrical) and 28 (Mechanical)	<b>ONS</b>	Office for National Statistics
<b>FETA</b>	Federation of Environmental Trade Association	<b>PPI</b>	Producer Price Index
<b>FTSE 100</b>	Index composed of the 100 largest companies listed on the London Stock Exchange	<b>REA</b>	The Renewable Energy Association
<b>G7</b>	Group of seven countries consisting of Canada, France, Germany, Italy, Japan, UK & US	<b>RMI</b>	Repairs, Maintenance & Infrastructure
<b>GAMBICA</b>	Trade Association for Instrumentation, Control, Automation and Laboratory Technology	<b>ROW</b>	Rest of the World
		<b>RPI</b>	Retail Price Index
		<b>SIC</b>	Standard Industry Classification
		<b>SITC</b>	Standard International Trade Classification
		<b>USD</b>	US Dollar
		<b>YOY%</b>	Year on Year or Annual Percentage change
		<b>YTD</b>	Year to date

# 1 Exchange Rates & Stock Market

Sterling average rate against **US Dollar** in October 2018 improved over September 2018, but remained below the same period a year earlier. The month-to-date rate was 0.5% above September 2018, 0.5% below October 2017 and 9.7% below May 2016 (pre-brexit vote).

Sterling continue to improve against the **Euro**, finishing at 1.1361/GBP at the end of week 42. The month-to-date rate was 1.7% above September 2018, 1.5% above October 2017 but 11.4% lower than May 2016 rate.

**FTSE 100** slumped by 518 points in the first three weeks October 2018 to finish at 7027. The month-to-date average was 2.0% below September 2018, 3.6% below October 2017 but 17.3% above May 2016.

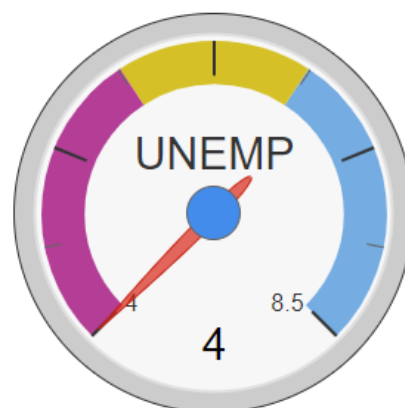
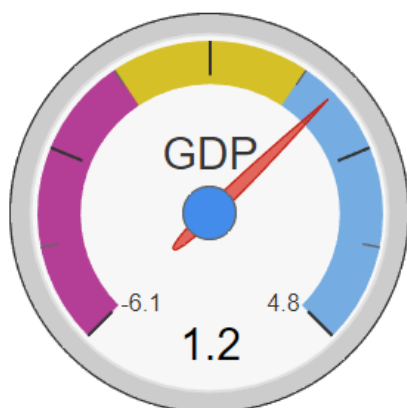
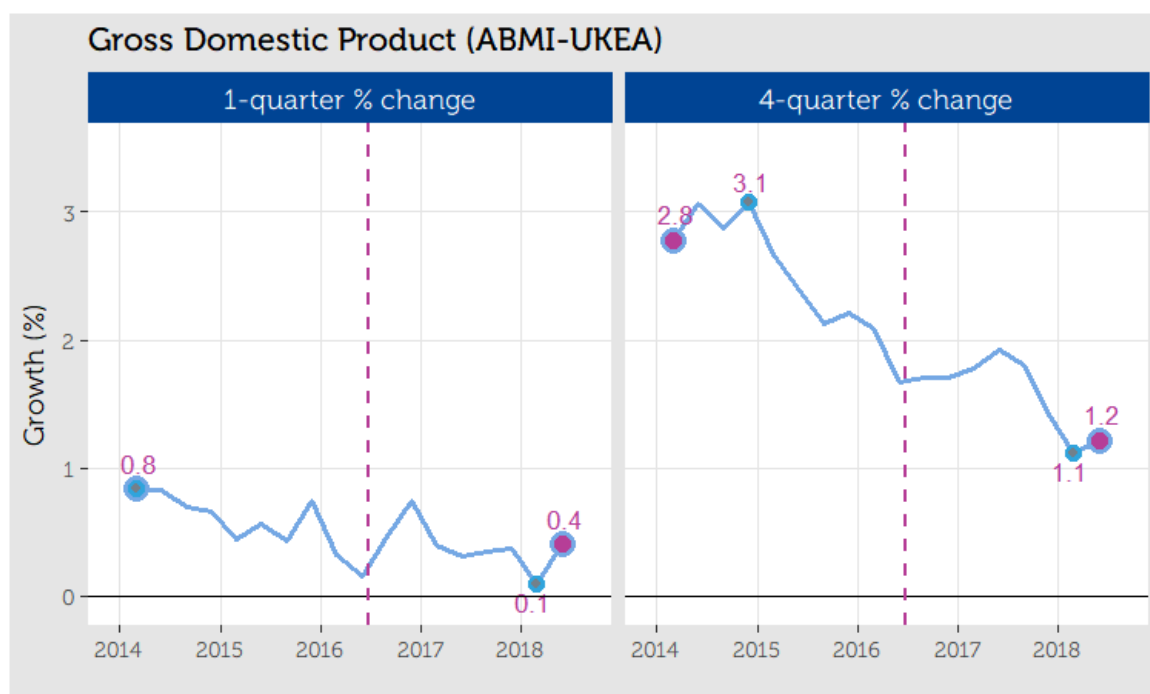


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

## 2 GDP & Unemployment

The second estimate of **GDP** growth for 2018 Q2 was unrevised at 0.4%, equivalent to £506 billion and a growth of 1.2% compared to 2017 Q2. Services rose by 0.6%, construction rose by 0.8% but production fell by 0.8% on previous quarter. GDP has grown by 3.2% since 2016 Q2.

The number of people in work increased by 289 thousand to 32.39 million in the three months to August 2018 compared to a year earlier. The number of people unemployed fell by 79 thousand to 1.36 million in the same period. **Unemployment** rate remained 45-year low at 4.0%.

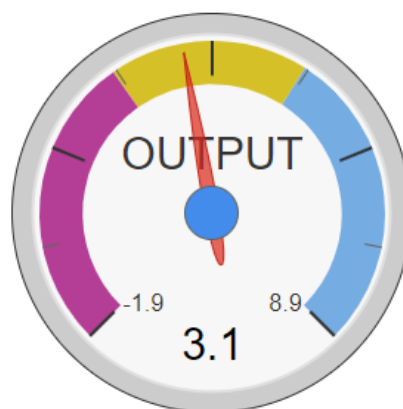
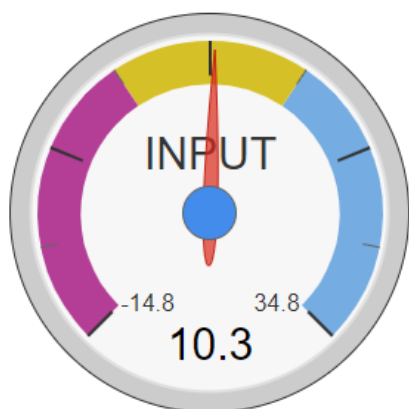
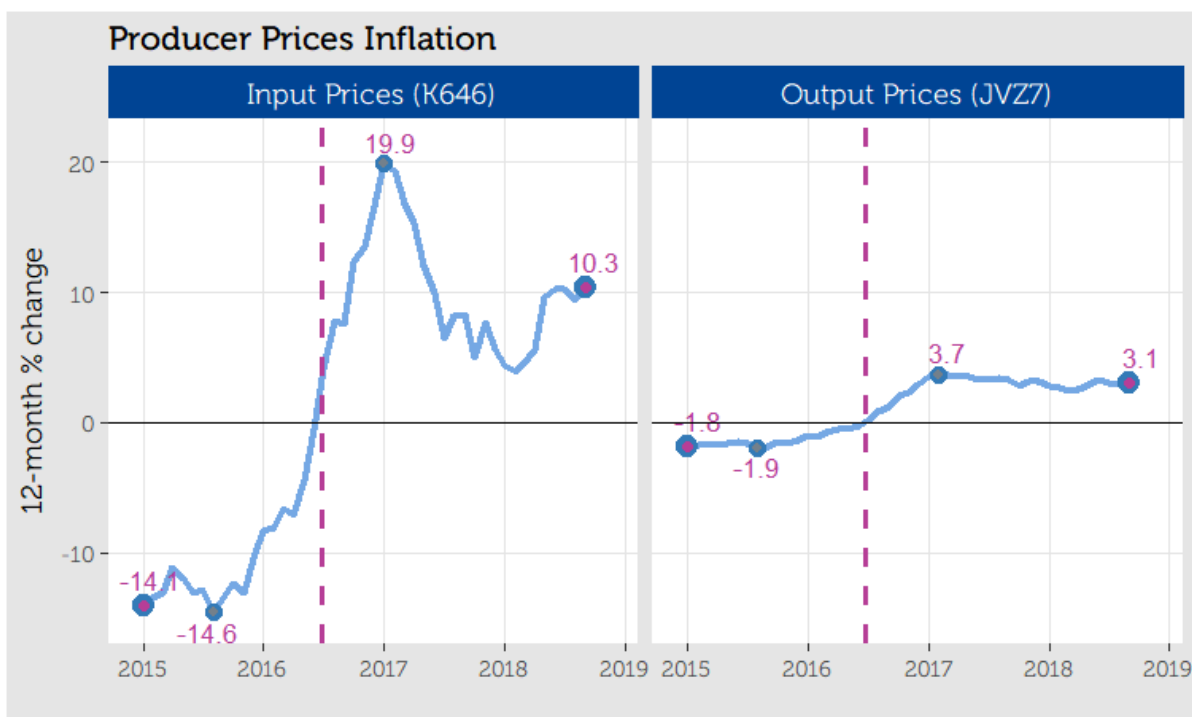


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000 ]

### 3 Producer Prices

The 12-month growth for **input prices** index for all manufacturing rose by 10.3% in September 2018. The main drivers for the increase were petroleum products. Input prices index has increased by 26.3% since May 2016.

**Factory gate** (Output) prices for all manufacturing in September 2018 rose by 0.4% from August 2018 and also rose by 3.1% compared to September 2017. The index has grown by 7.5% since May 2016.



[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUTPUT=Factory gate prices ]

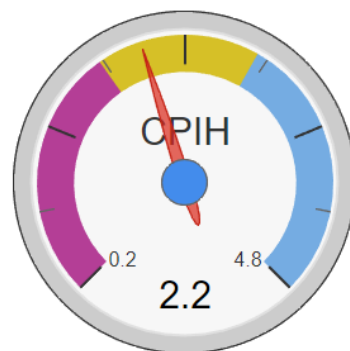
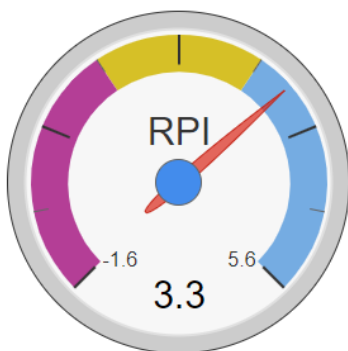
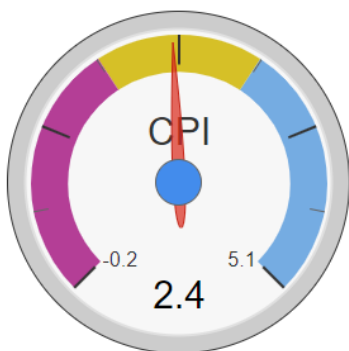
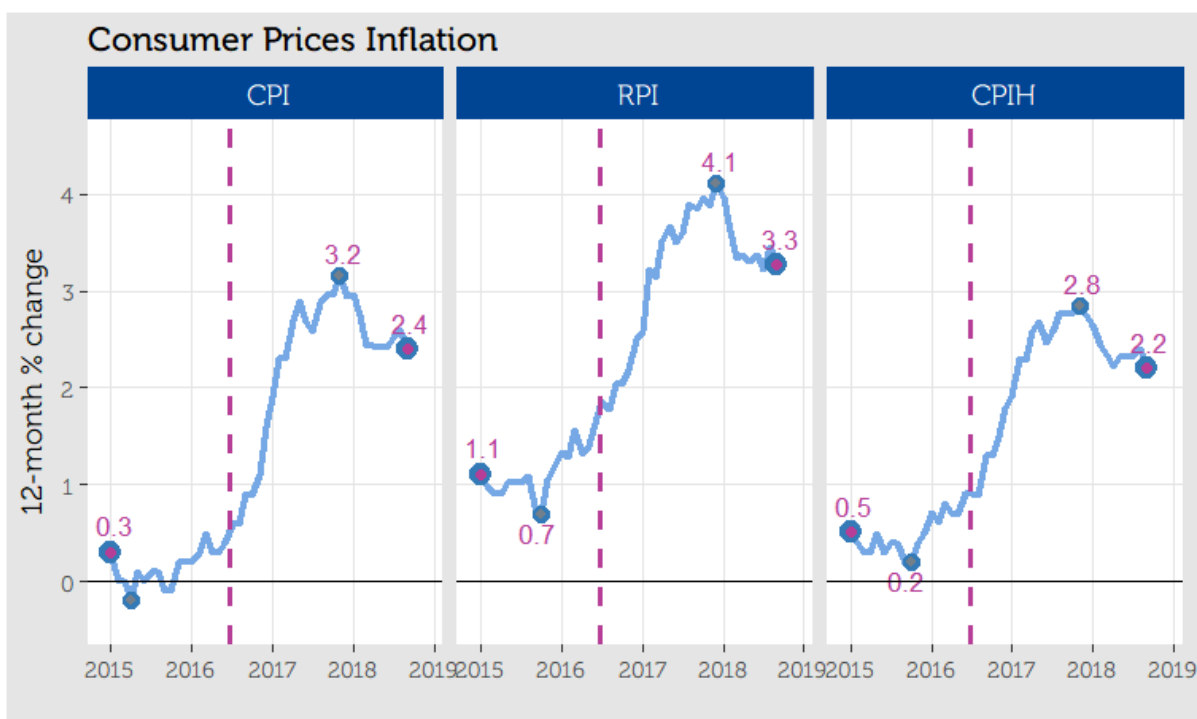


## 4 Consumer Prices

**Consumer price index (CPI)** rose by 0.1% between August and September 2018 and also rose by 2.4% compared to a year earlier. Drivers for the 12-month growth were transport and utility prices. CPI has grown by 6.2% since May 2016.

The **retail price index (RPI)** rose by 3.3% in the twelve months to September 2018, unchanged from previous month. RPI has grown by 8.4% since May 2016.

**CPI including owner occupier's cost (CPIH)** rose by 2.2% in the twelve months to September 2018, a drop from 2.4% from August 2018. CPIH has grown by 5.8% since May 2016.



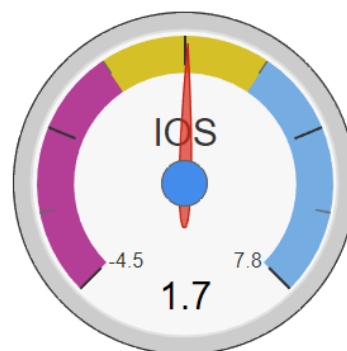
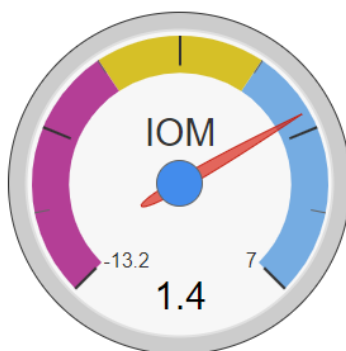
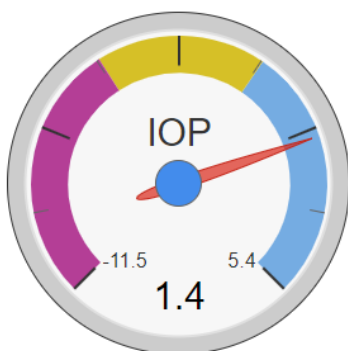
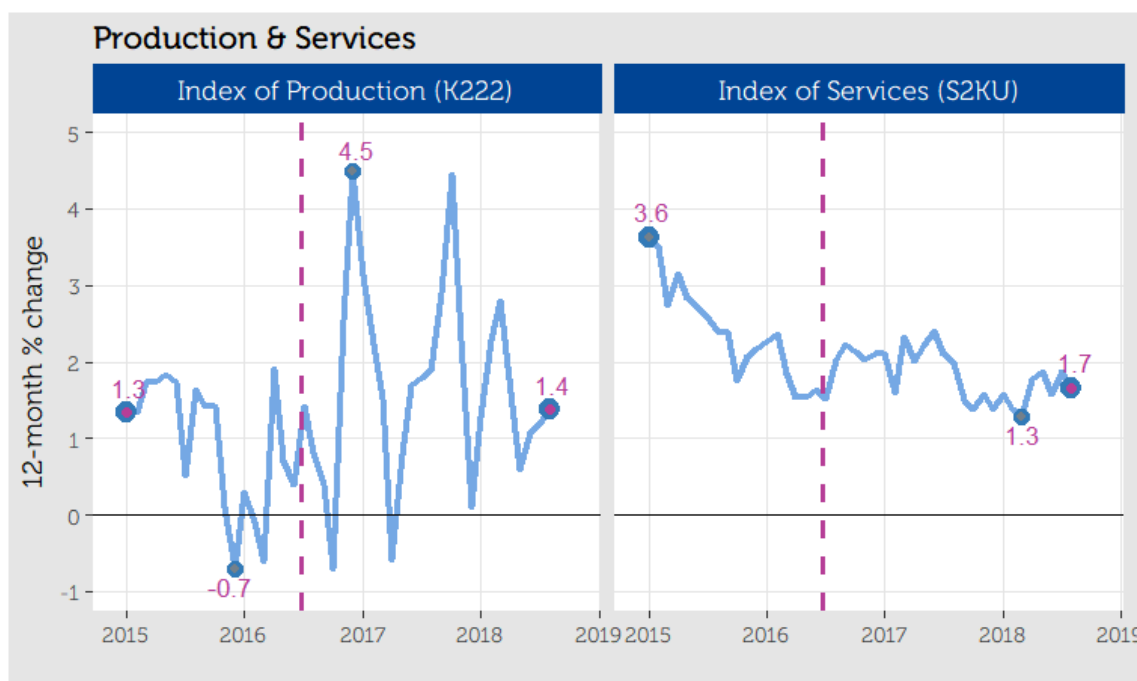
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

## 5 Production & Services

**Index of production (IOP)** in August 2018 rose by 0.3% from previous month and also rose by 1.4% compared to twelve months earlier. The 12-month growth was driven by water supply and mining sector but the 1-month growth was driven by electricity and gas supply.

**Index of manufacturing (IOM)** fell by 0.2% in August 2018 but rose by 1.4% compared to twelve months earlier. IOM has grown by 2.7% since May 2016.

**Index of services (IOS)** rose by 0.1% in August 2018 and also grew by 1.7% compared to a 12 months earlier. The 12-month growth was driven by Business Services and Transport & Storage. IOS has grown by 4.5% since May 2016.

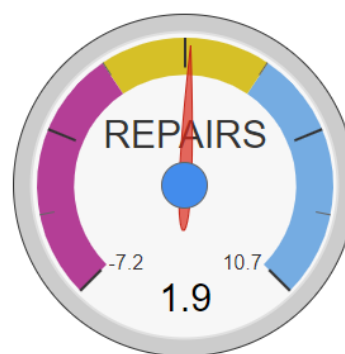
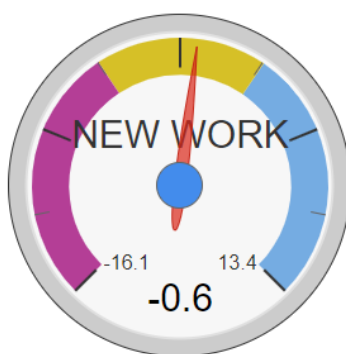
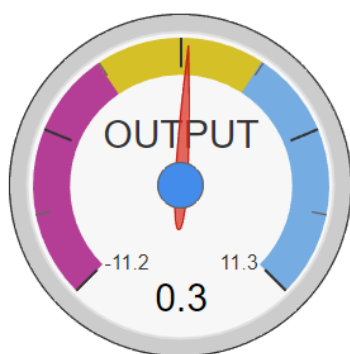
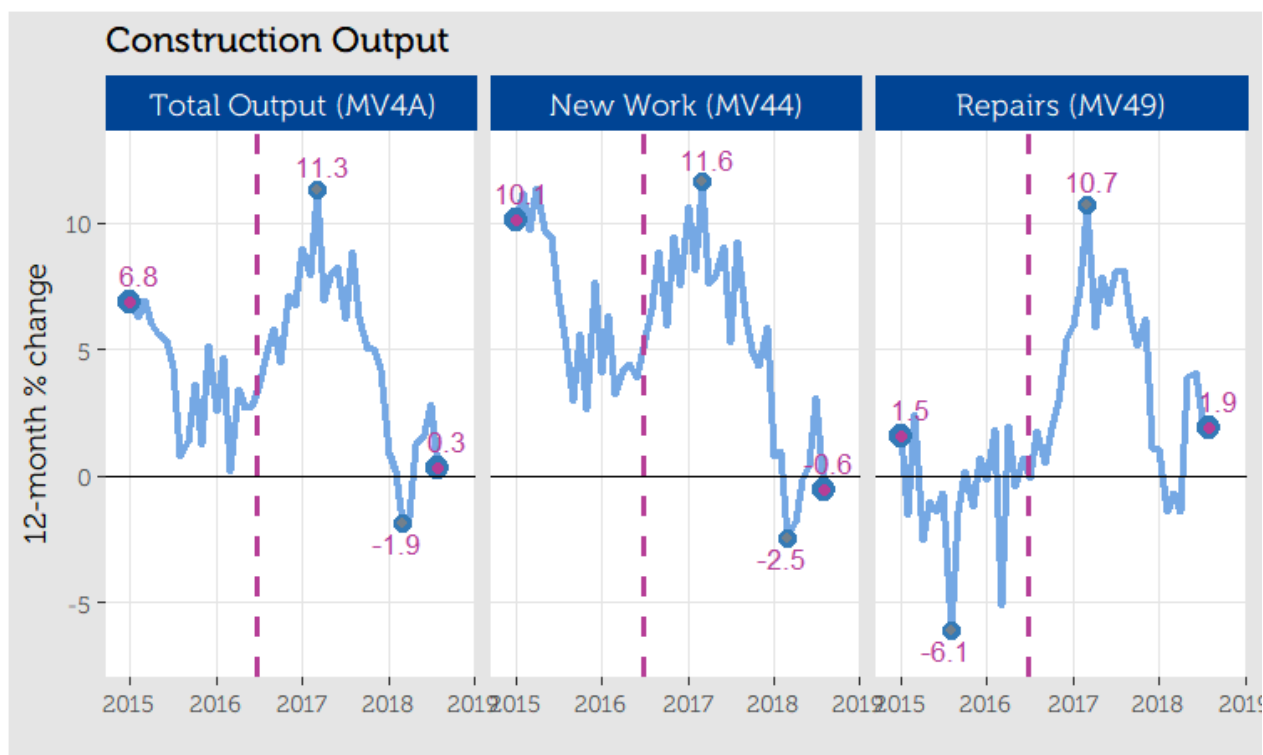


[Gauge Charts: 12-month % change since Jan 2000]

## 6 Construction

Total **construction output**, at constant prices, fell by 0.7% in August 2018 to £13.7 billion but rose by 0.3% compared to twelve months earlier. Construction output has grown by 10.0% since May 2016.

**New construction** work fell by 0.6% to £9.0 billion in the twelve months August 2018 but **construction repairs** rose by 1.9% to £4.8 billion in the same period.

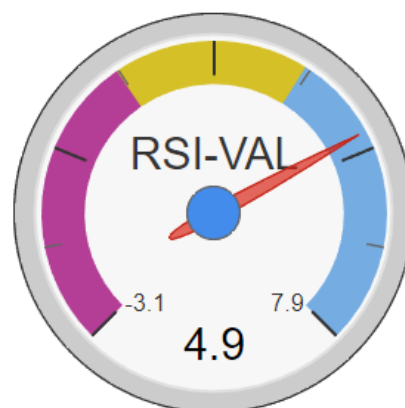
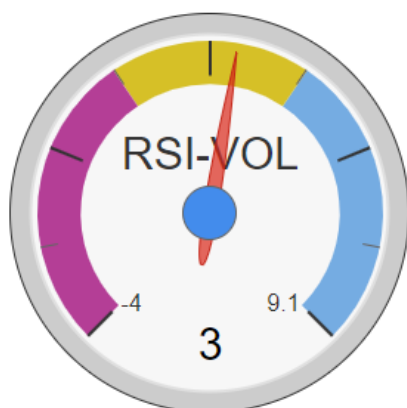
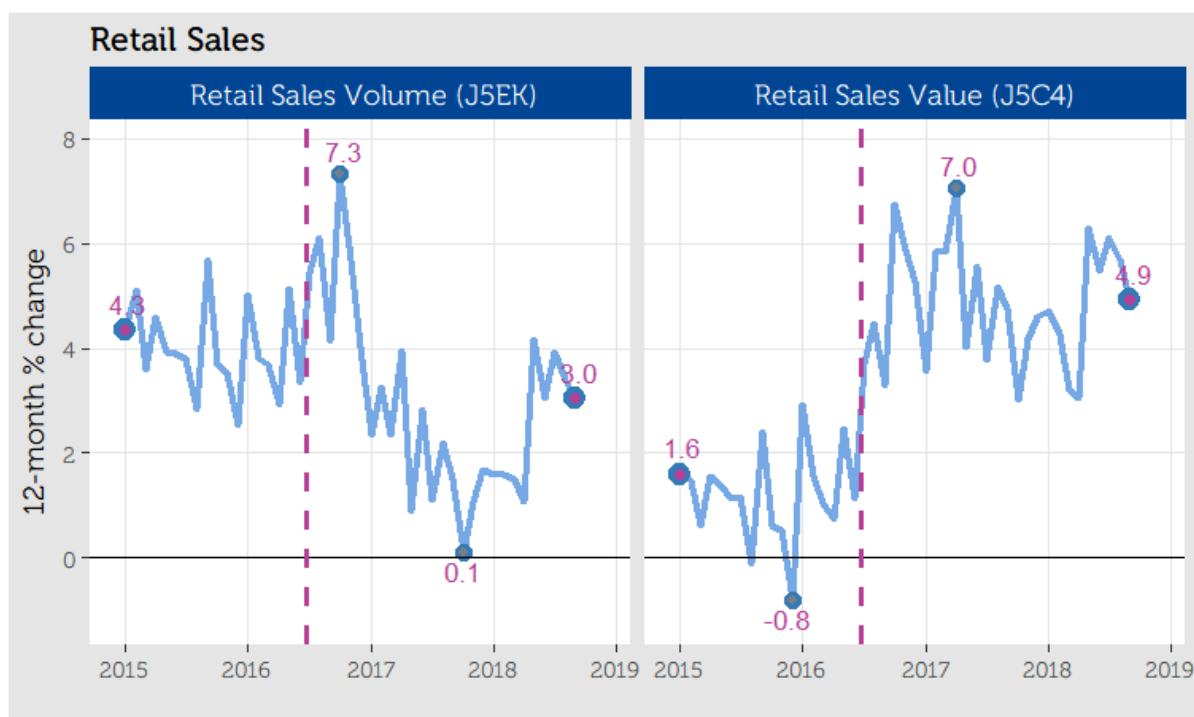


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

## 7 Retail Sales

The **volume of retail sales** (including fuel) fell by 0.8% in September 2018 but rose by 3.0% compared to twelve months earlier. The main driver for the 1-month decline was decline of sales in food stores. Proportion of online sales declined slightly to 17.8% in September 2018 from 18.0% the previous month.

The **value of retail sales** (including fuel) fell by 0.8% in September 2018 but rose by 4.9% compared to 12 months earlier. Retail sales value has grown by 11.6% since May 2016.

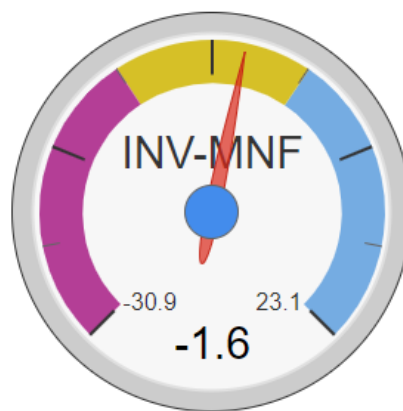
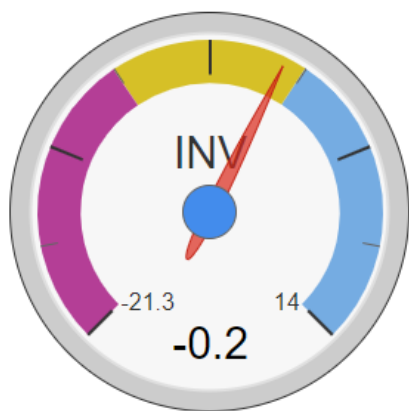
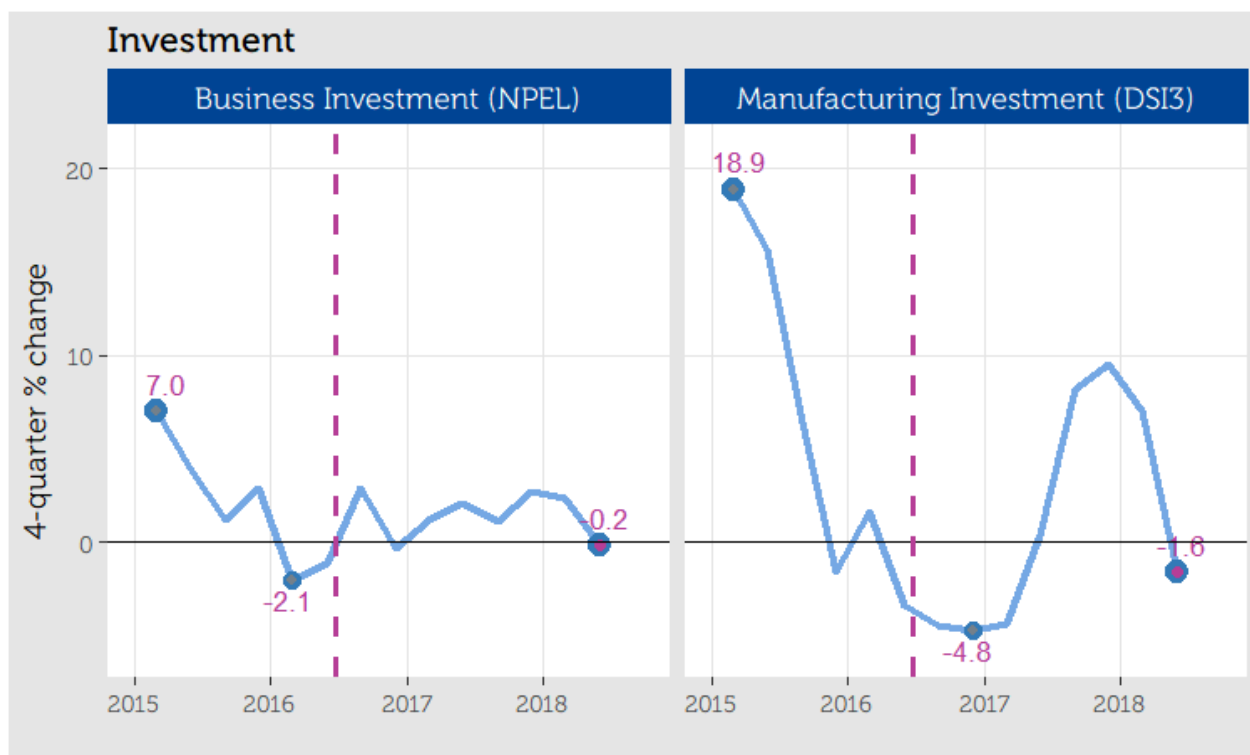


[Gauge Charts: 12-month % change since Jan 2000]

## 8 Business Investment

**Business investment** growth for all industries (INV), in volume terms, declined by 0.7% in 2018 Q2 and also declined by 0.2% compared to a year earlier. It is the lowest 4-quarter growth since 2016 Q4 and has grown only by 1.9% since 2016 Q2.

Investment in **manufacturing industries** (INV-MNF), in volume terms, fell by 0.7% in 2018 Q2 but grew by 1.4% compared to 2017 Q2. It is the lowest 4-quarter growth since 2016 Q3 but has grown by 9.4% since 2016 Q2.



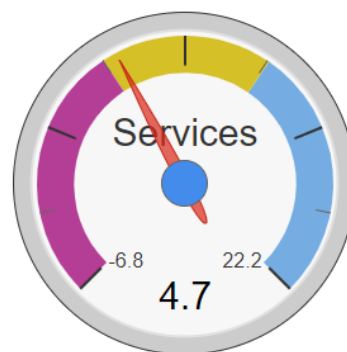
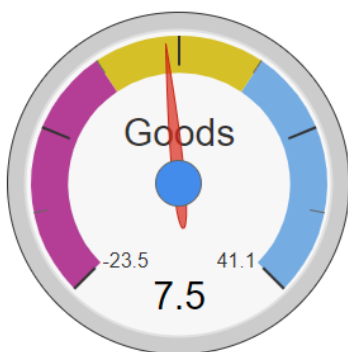
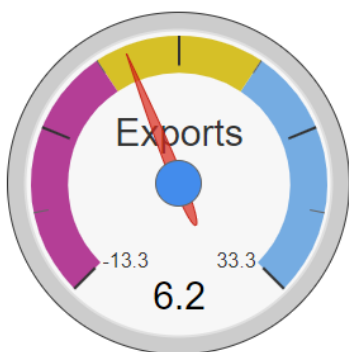
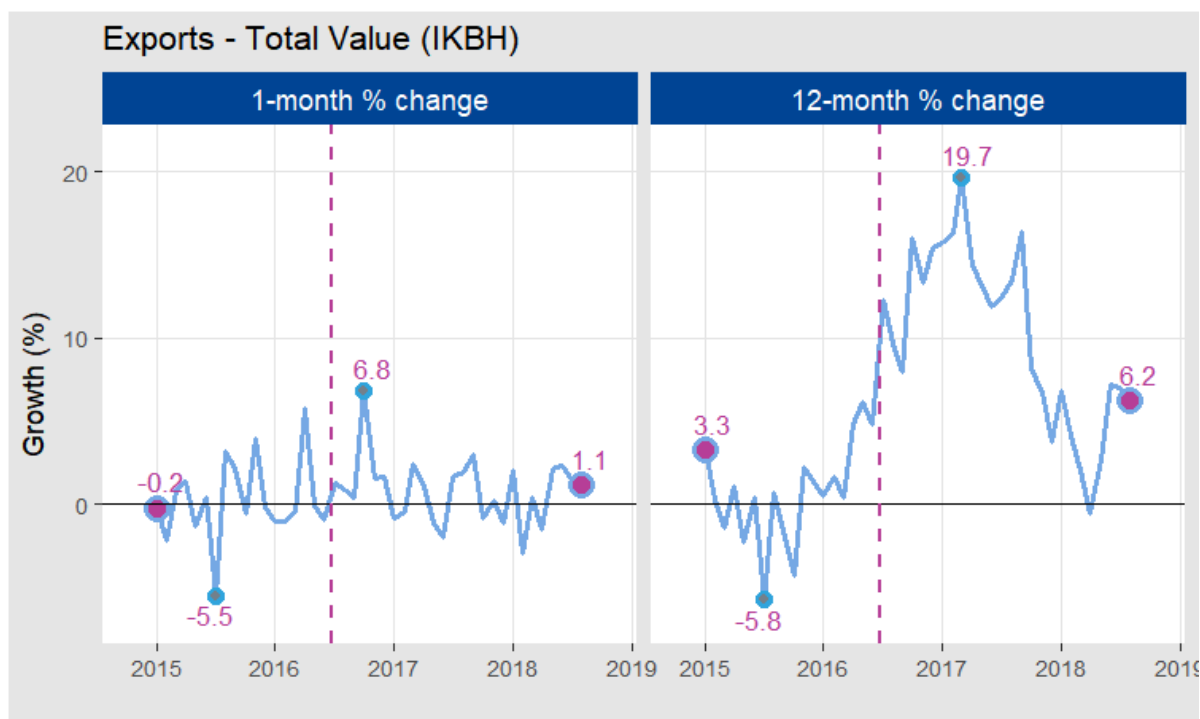
[Gauge Charts: 4-quarter % change since 2007 ]

## 9 UK Trade

### 9.1 Exports

The **value** of UK **exports** rose by 1.1% in August 2018 on July 2018 and also rose by 6.2% compared to August 2017. Exports of **goods** rose by 7.5% to £ 30.6 billion and exports of **services** also increased by 4.7% to £ 24.5 billion in August 2018 compared to twelve months earlier.

The moving annual total of UK exports reached £637 billion, a growth of 5.8% compared to the same period previous year and the total for the first eight months of 2018 was £425 billion, a growth of 4.4 on previous year.

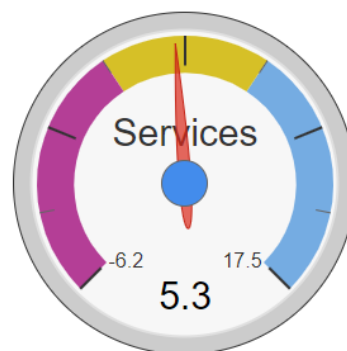
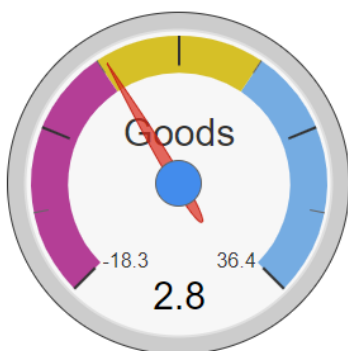
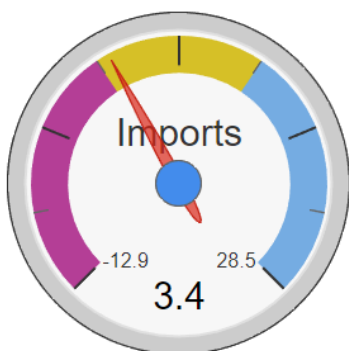
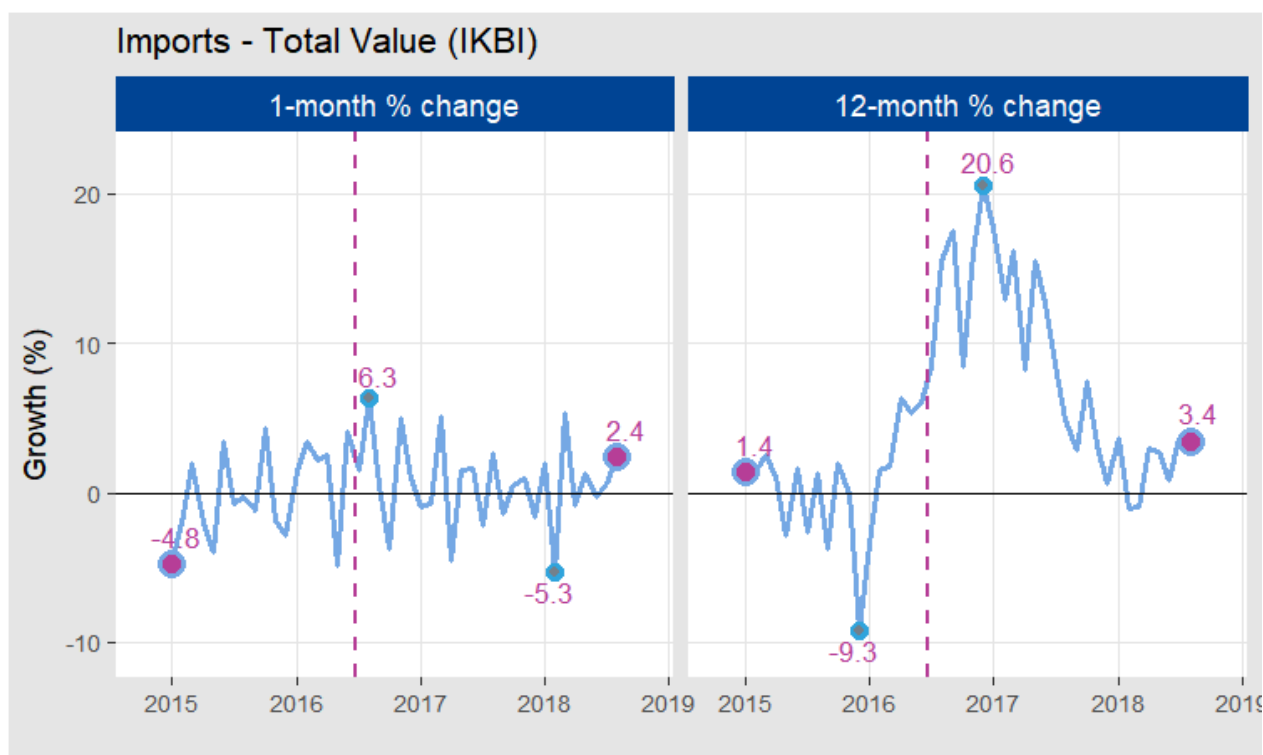


[Gauge Charts: 12-month % change since Jan 2000]

## 9.2 Imports

The **value** of UK **imports** rose by 2.4% in August 2018 on July 2018 and also grew by 3.4% compared to 12 months earlier. Imports of goods in August 2018 increased by 2.8% compared to twelve months earlier to 41.8 billion and imports of services also increased by 5.3% to £14.6 billion in the same period.

The moving annual total of UK imports reached £652 billion, a growth of 2.4% compared to the same period previous year and the total for the first eight months of 2018 was £437 billion, a growth of 1.9 on previous year.



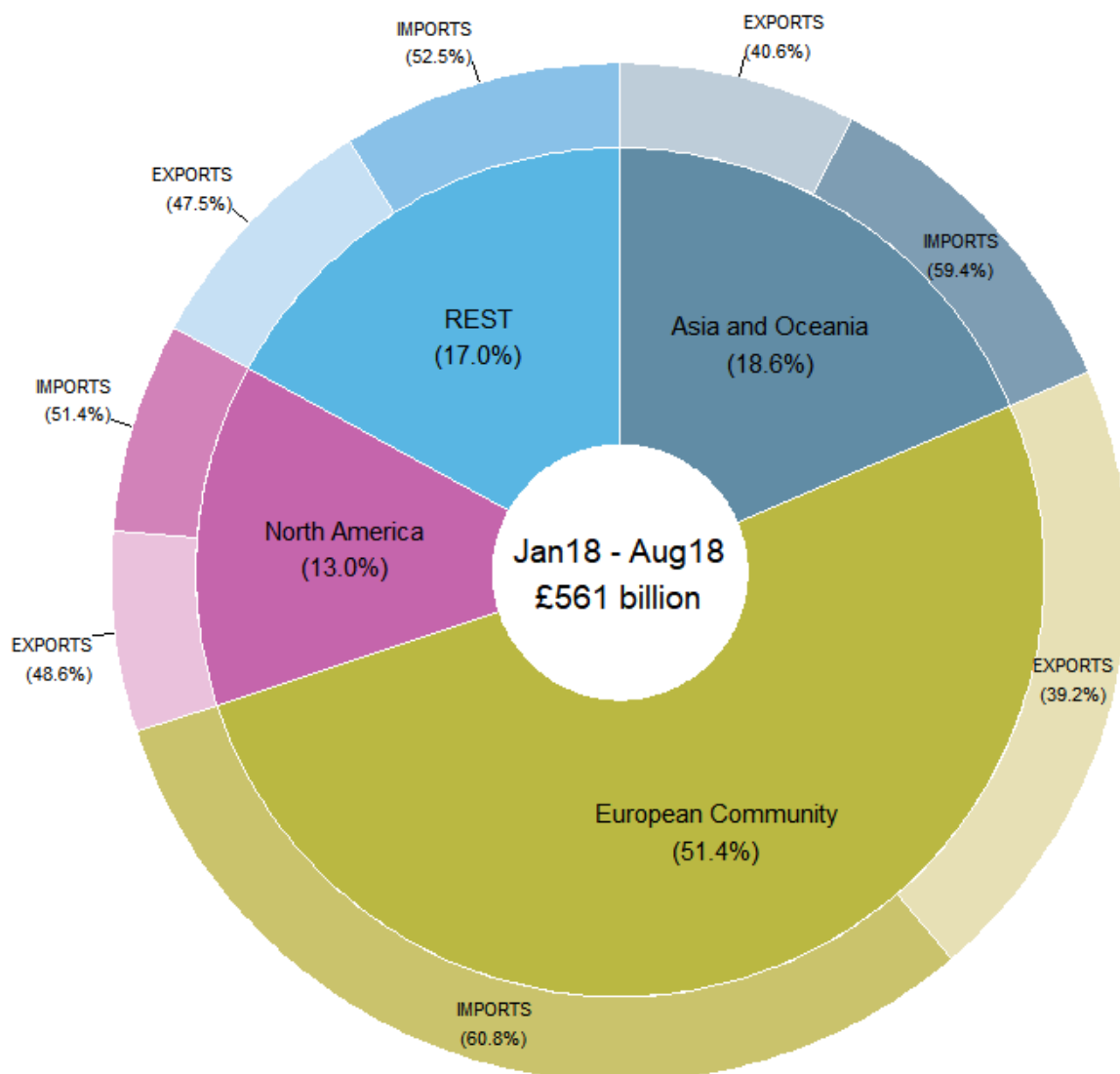
[Gauge Charts: 12-month % change since Jan 2000]

### 9.3 Goods Trade: Distribution

The **total trade of goods** in the first eight months of 2018 was £ 561 billion, 3.3% higher than the same period a year earlier. Exports of goods accounted for 42.1% of the total, slightly higher than 41.0% recorded at the same period a year before.

The year-to-date value of goods trade with **EU** countries in 2018 was £288 billion, 3.9% higher than 2017. The year-to-date share of EU increased to 51.4% in 2018 from 51.1% in 2017. For every £1.00 of goods exported to EU in 2018, UK imported an equivalent of £1.55 value of goods, down from £1.59 recorded in 2017.

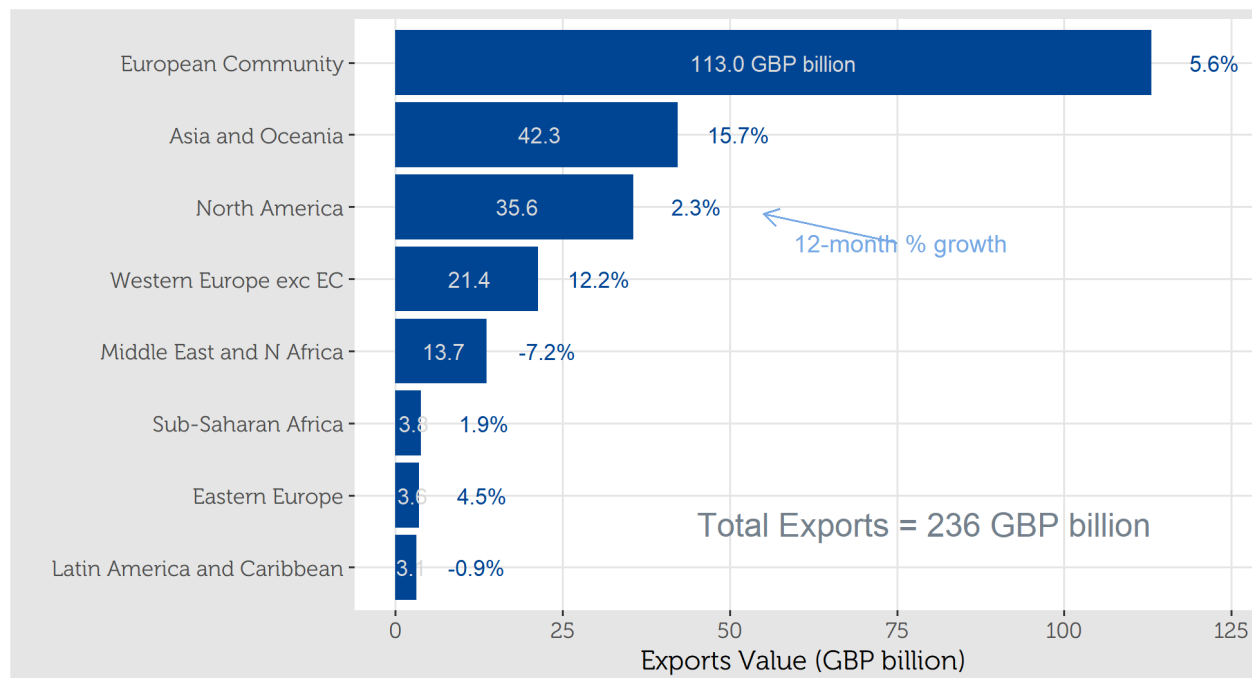
**Non-EU** countries accounted £273 billion of trade between January and August 2018; 2.7% higher than previous year. For every £1.00 of goods exported to Non-EU in 2018, UK imported an equivalent of £1.20 value of goods, slightly down from £1.30 recorded in 2017.



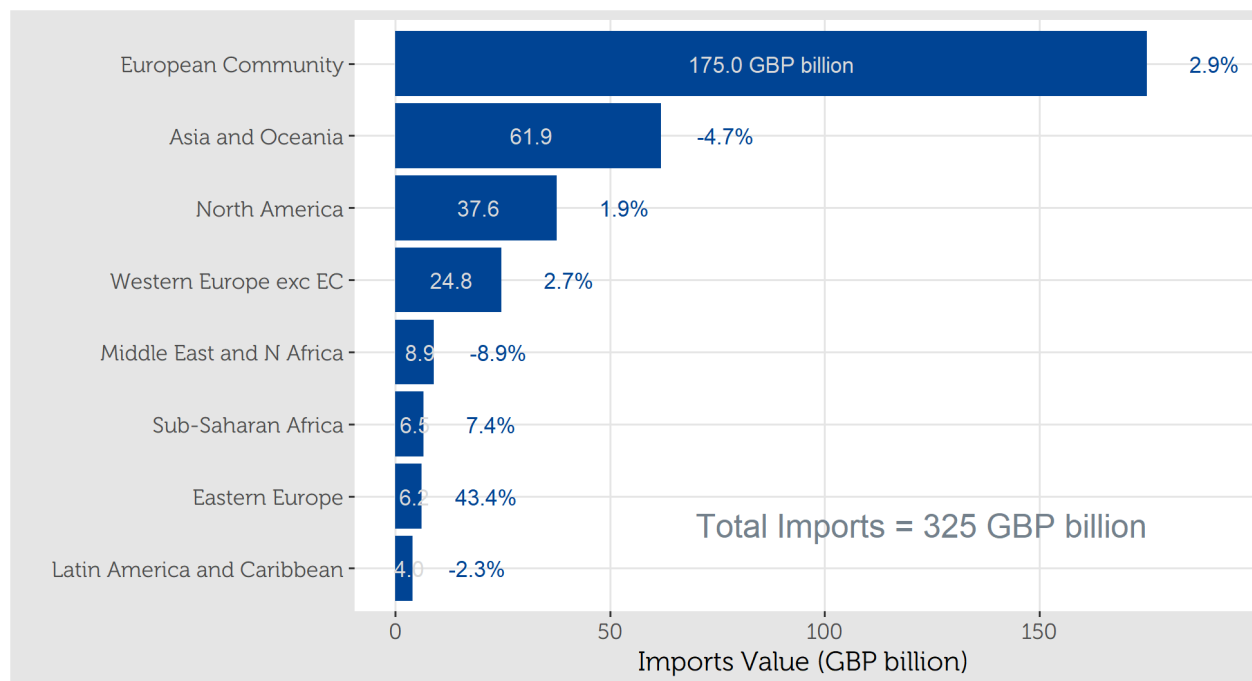


## 9.4 Goods Trade: Ranking by Region

### 9.4.1 Exports - 2018 Jan - Aug

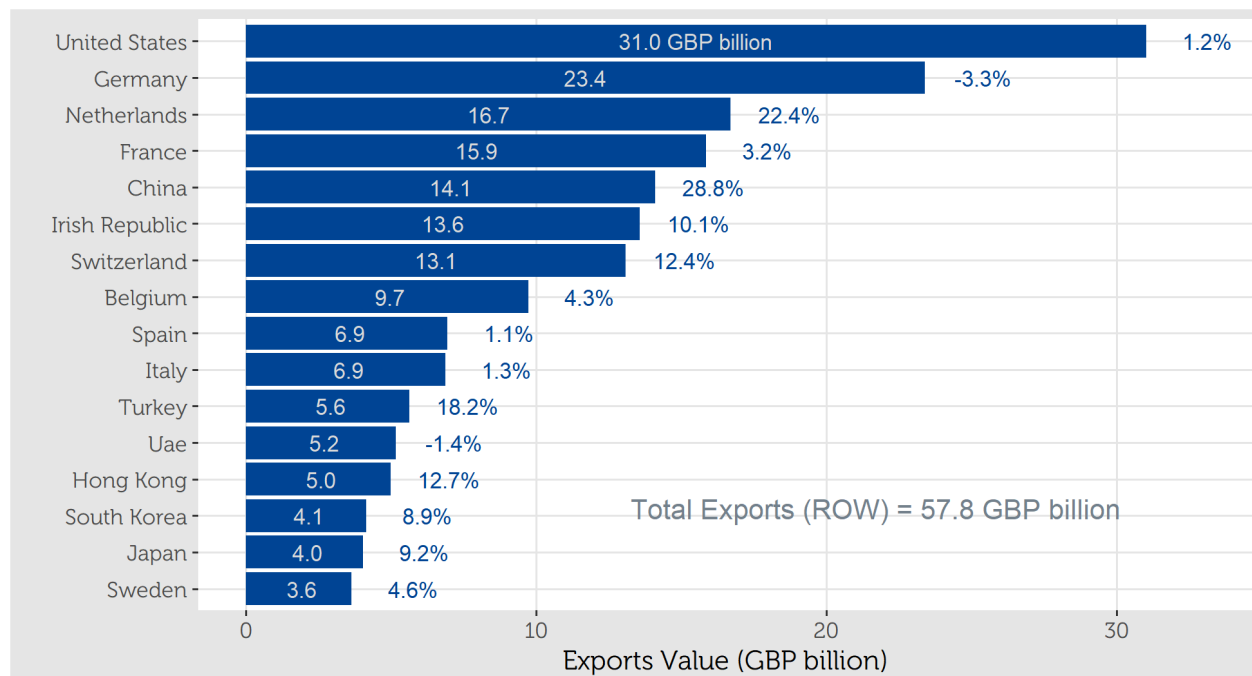


### 9.4.2 Imports - 2018 Jan - Aug

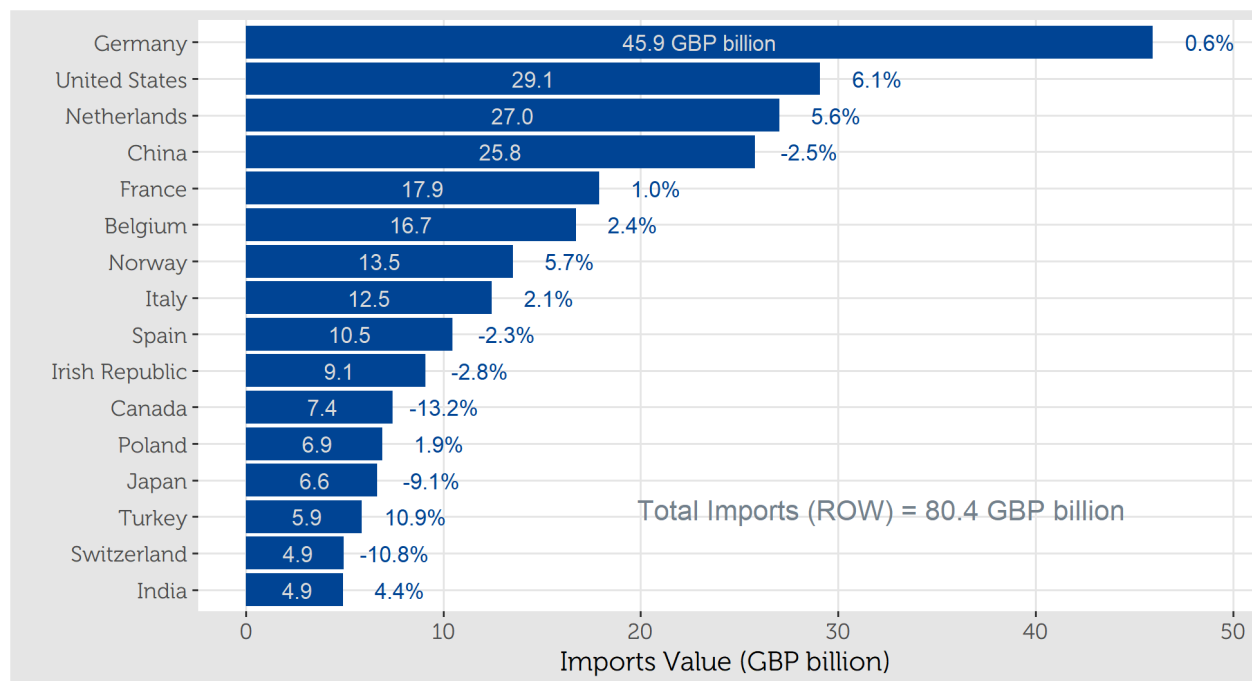


## 9.5 Goods Trade: Ranking by Country - Top 16

### 9.5.1 Exports - 2018 Jan - Aug

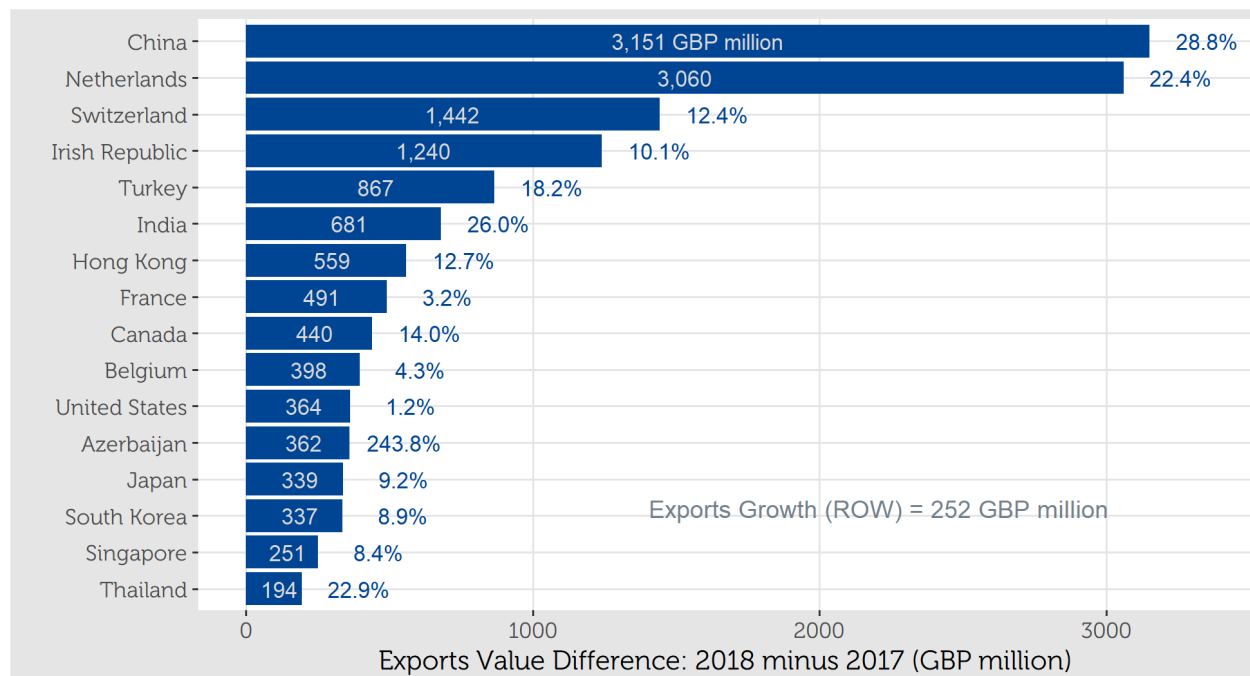


### 9.5.2 Imports - 2018 Jan - Aug

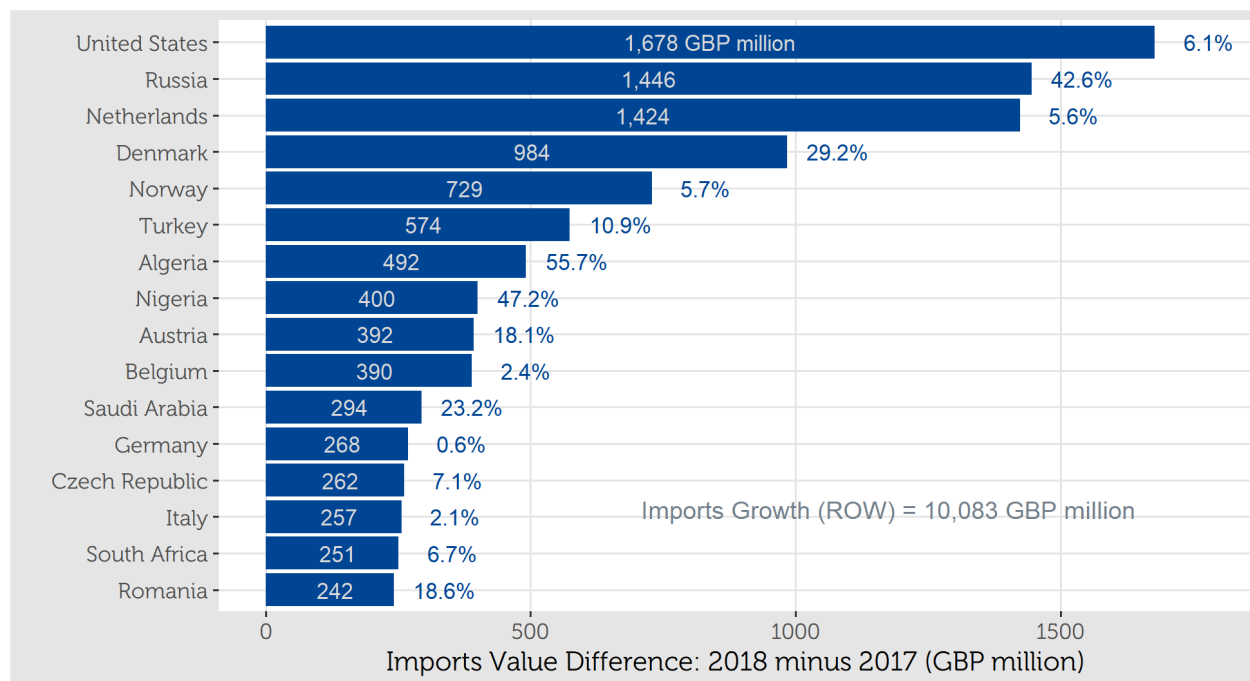


## 9.6 Goods Trade: Growth Ranking by Country - Top 16

### 9.6.1 Exports Value Growth - 2018 Jan - Aug

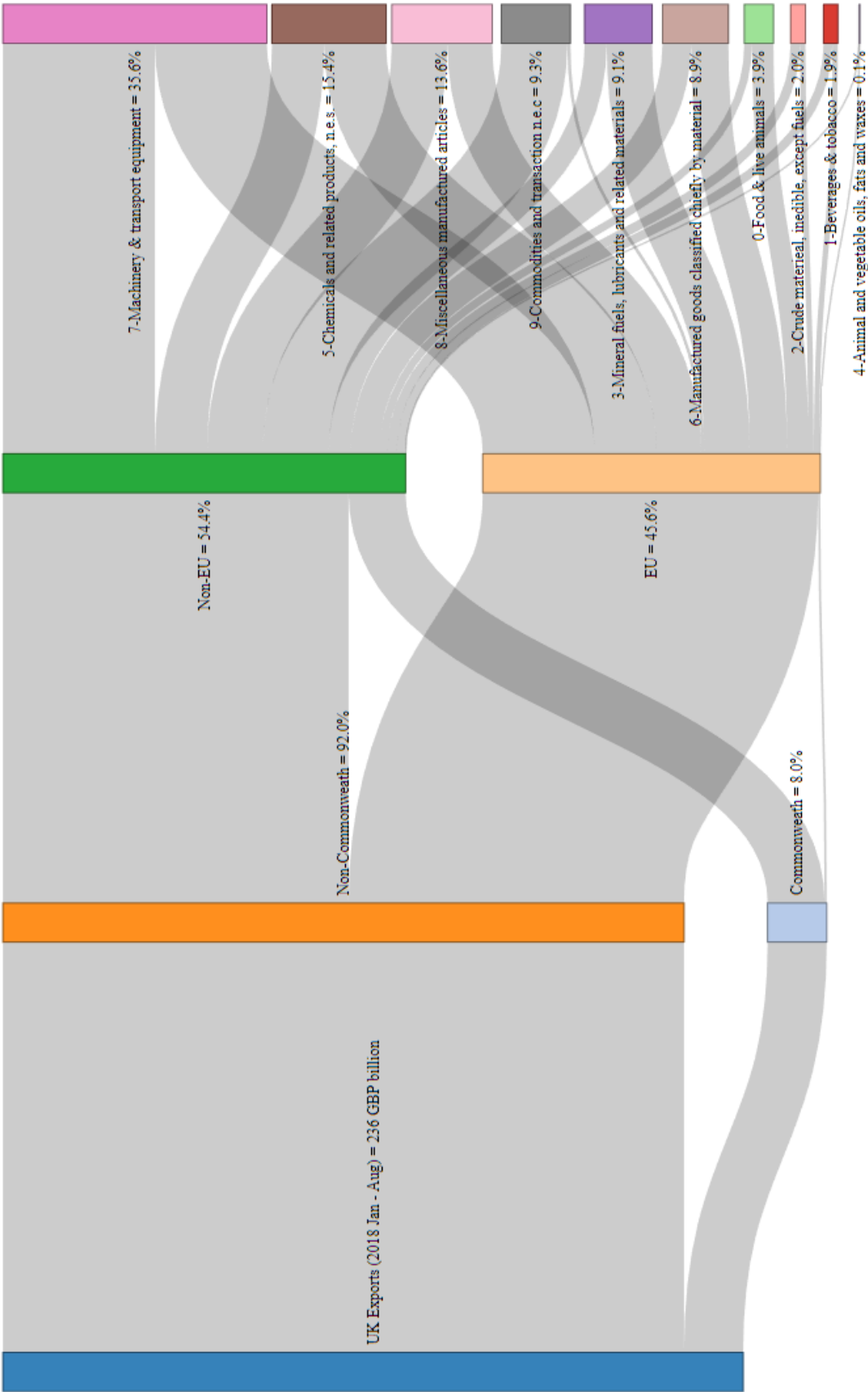


### 9.6.2 Imports Value Growth - 2018 Jan - Aug

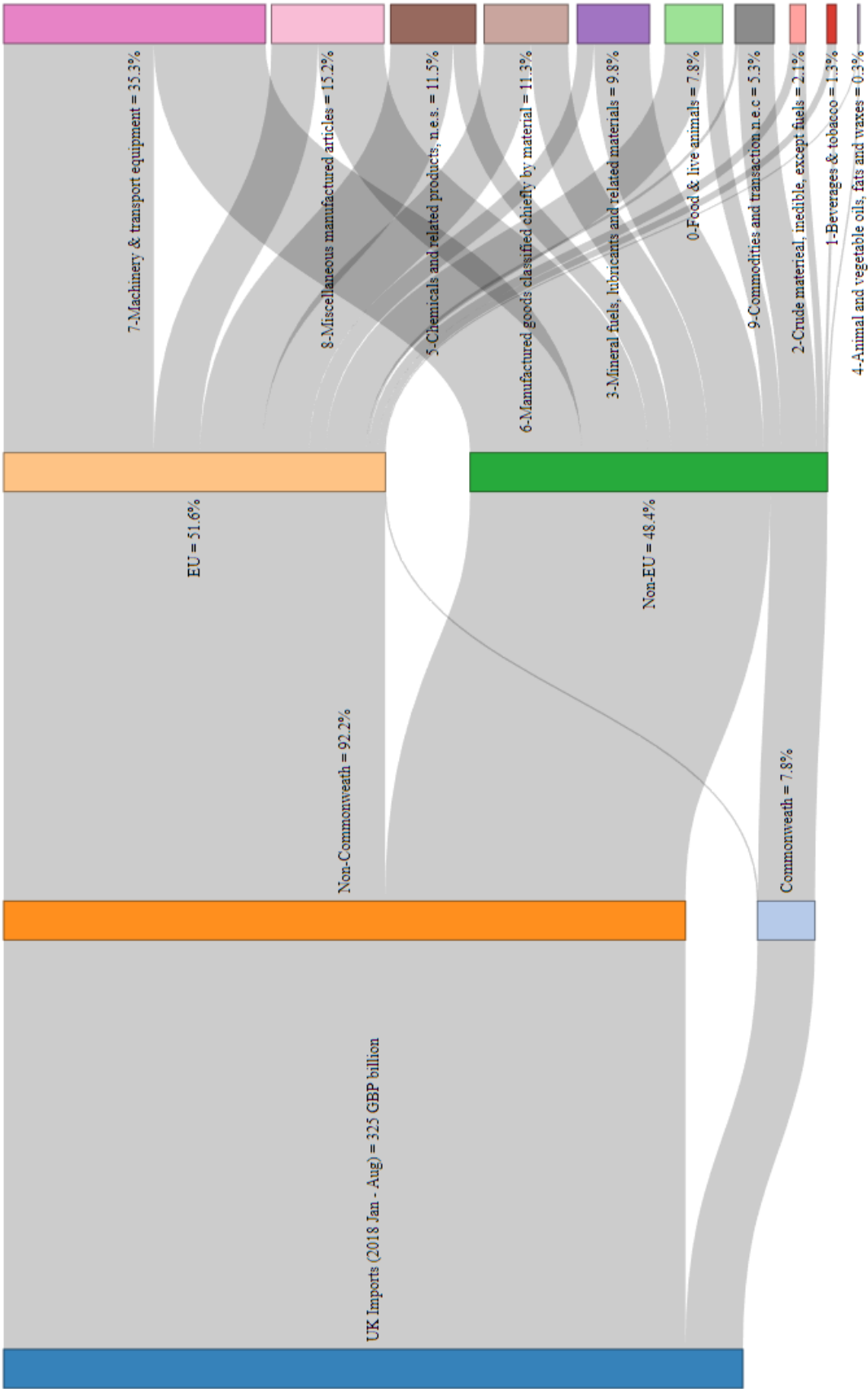


9.7 Goods Trade: EU & Commonwealth by SITC

9.7.1 Exports - 2018 Jan - Aug

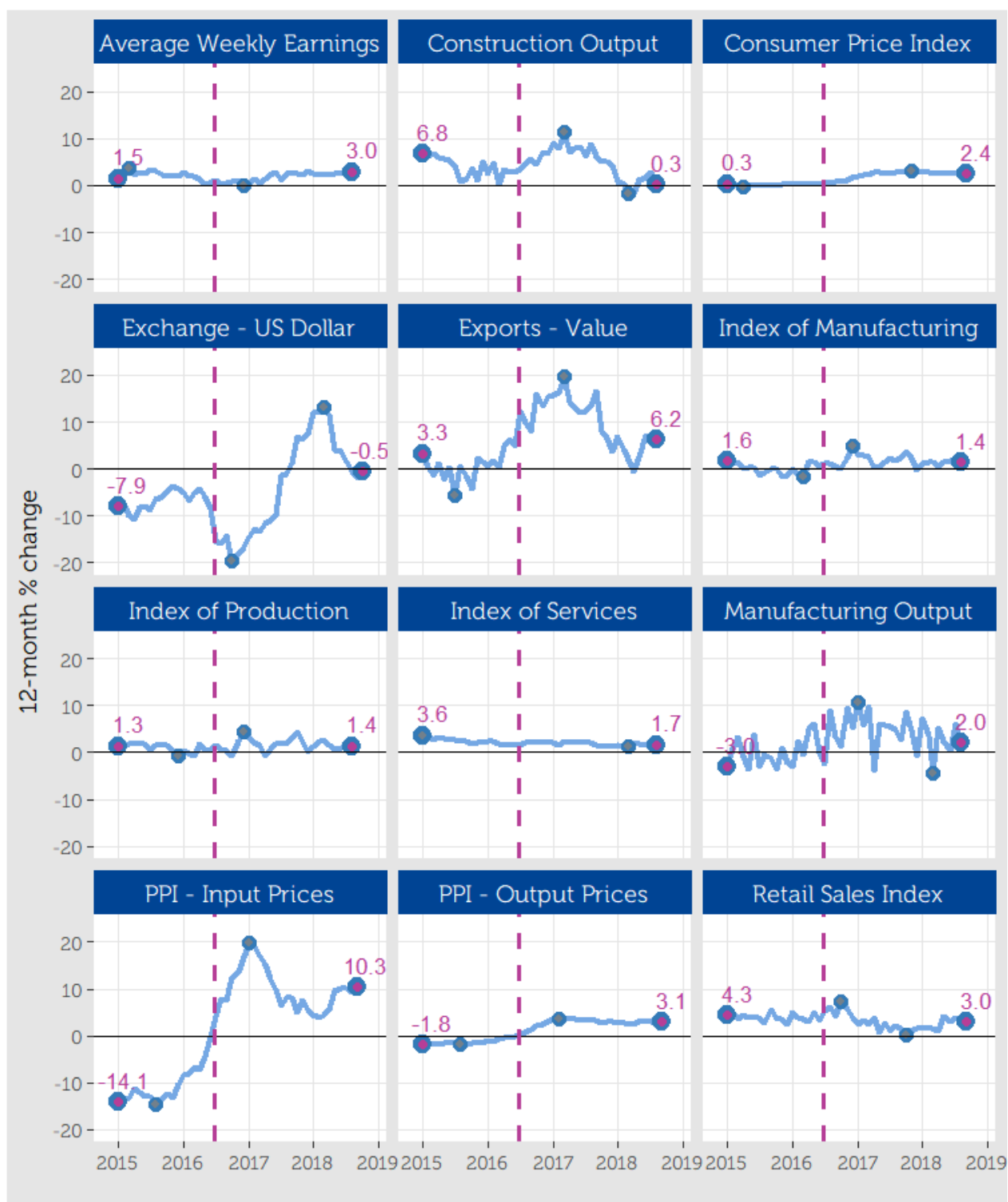


9.7.2 Imports - 2018 Jan - Aug

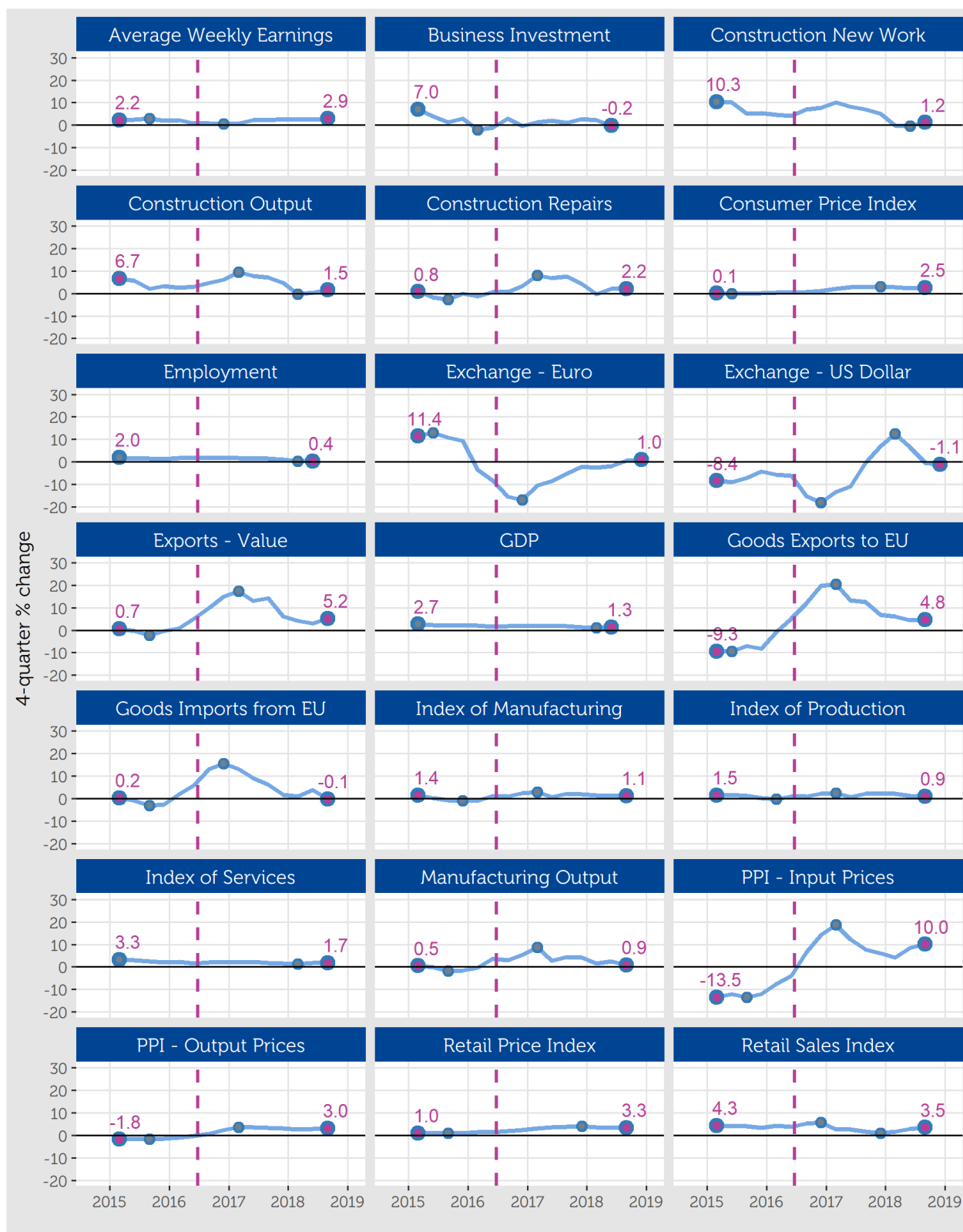


## 10 Economy At a Glance

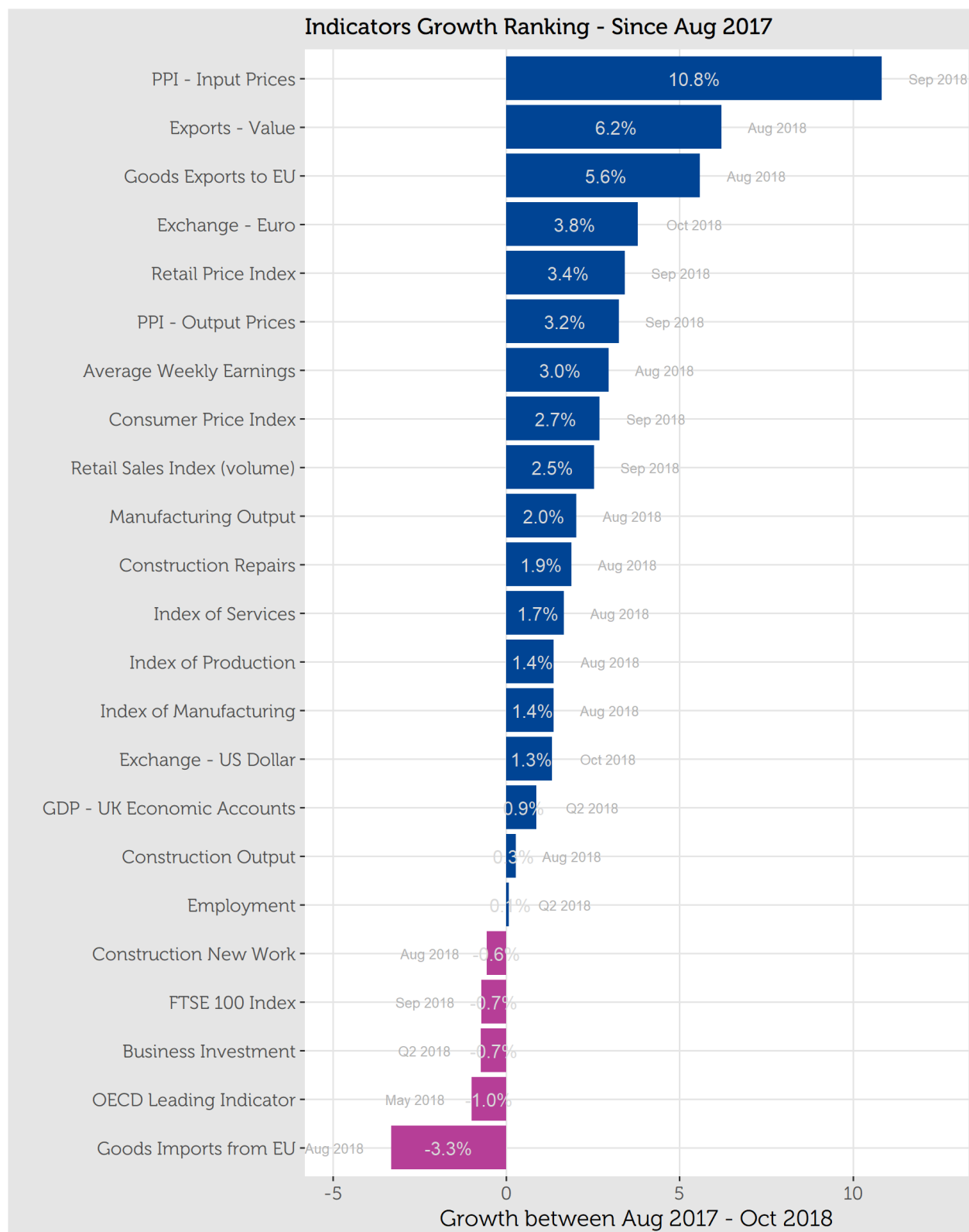
### 10.1 Growth: 12-month % growth



## 10.2 Growth: 4-quarter % growth

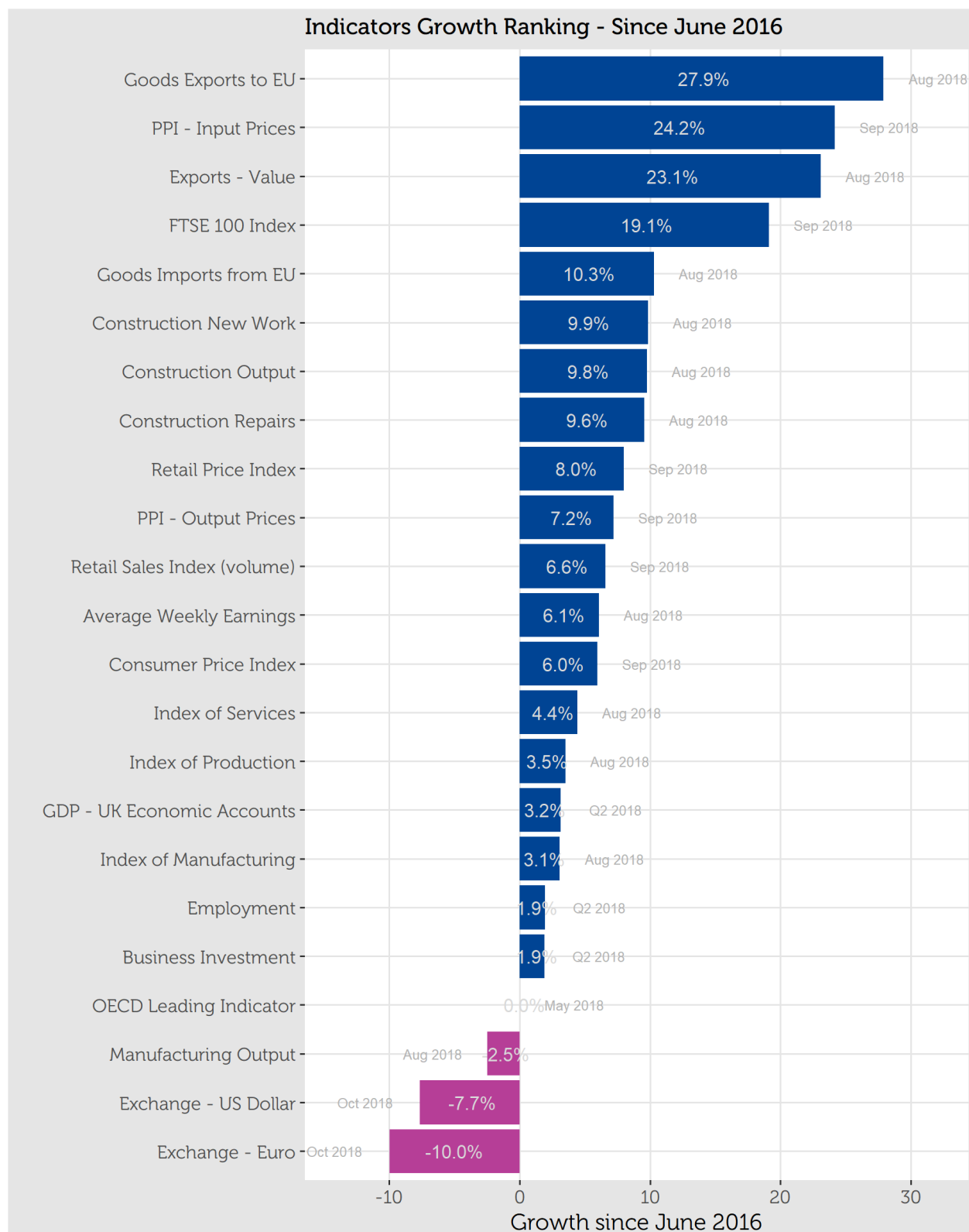


### 10.3 Growth Ranking: Since August 2017



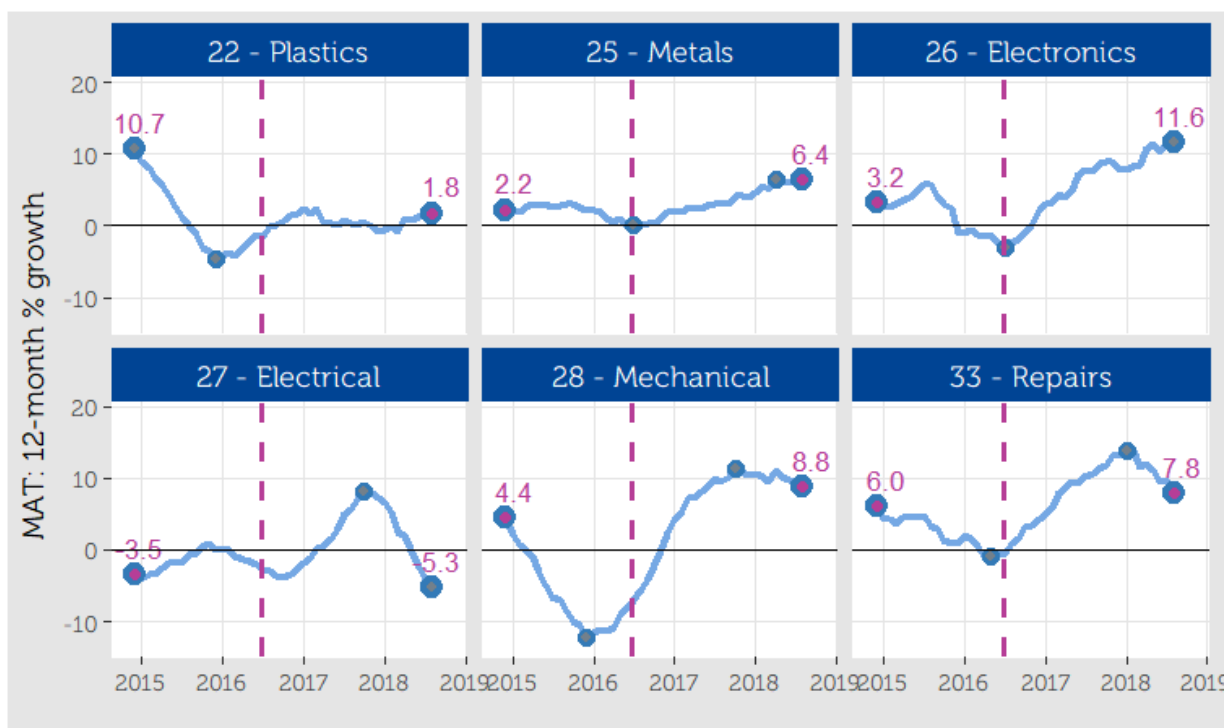
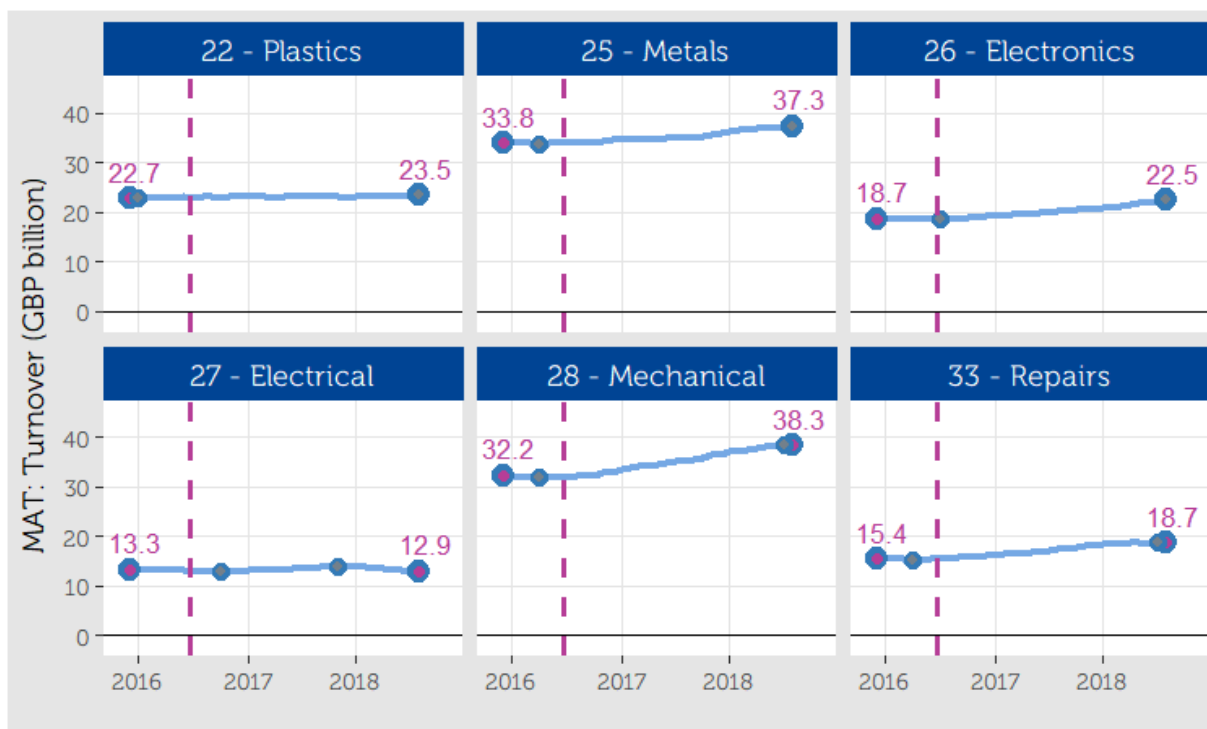


## 10.4 Growth Ranking: Since Referendum Vote

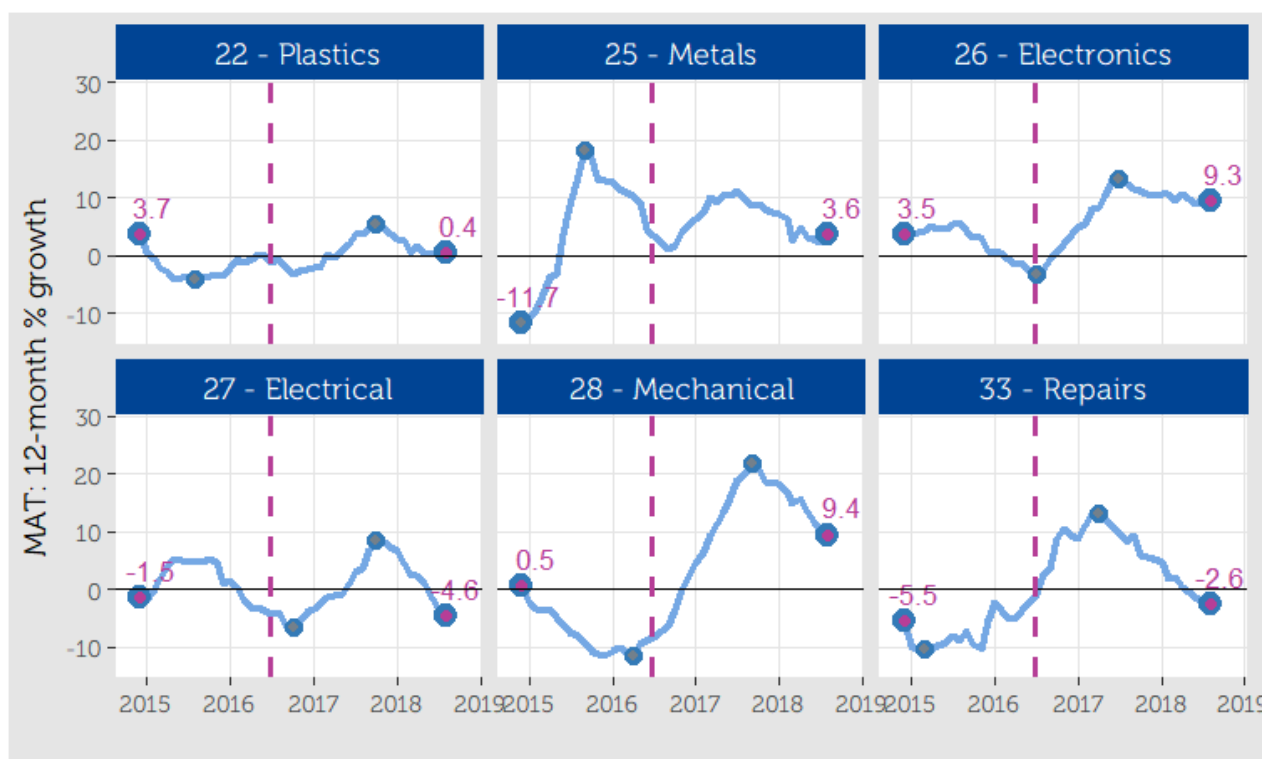
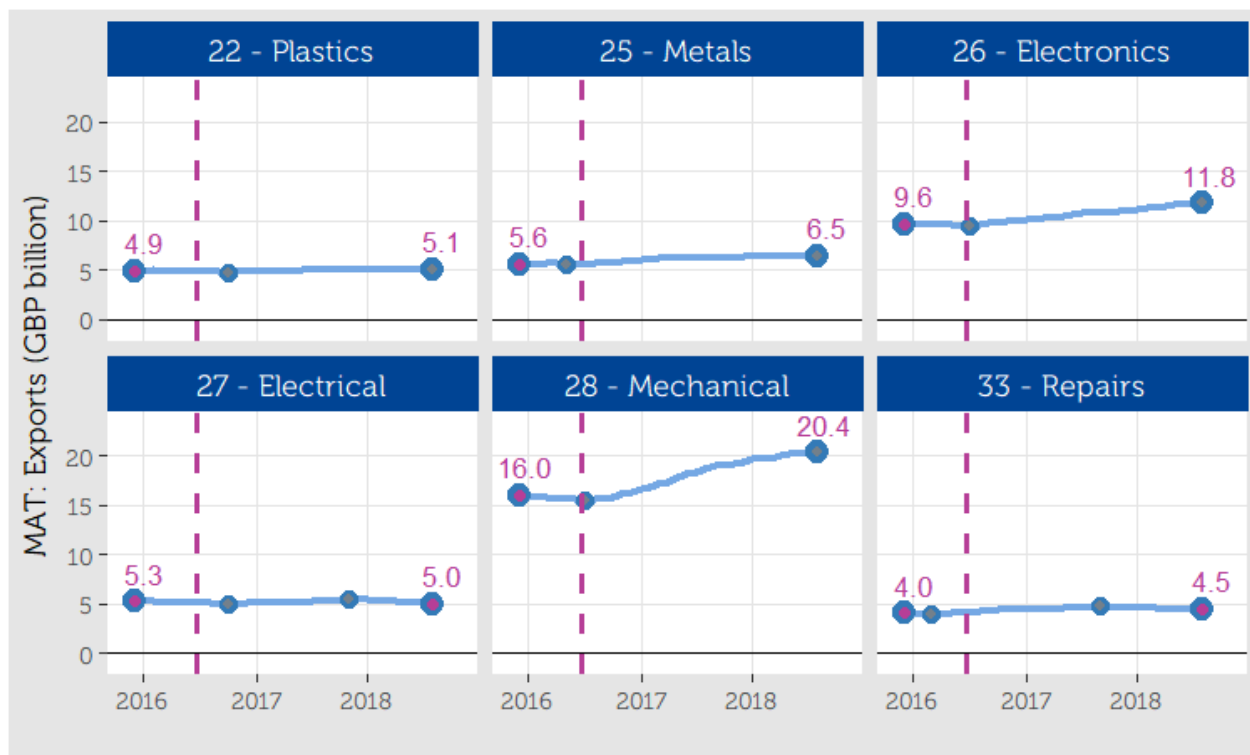


## 11 Industry Level Indicators

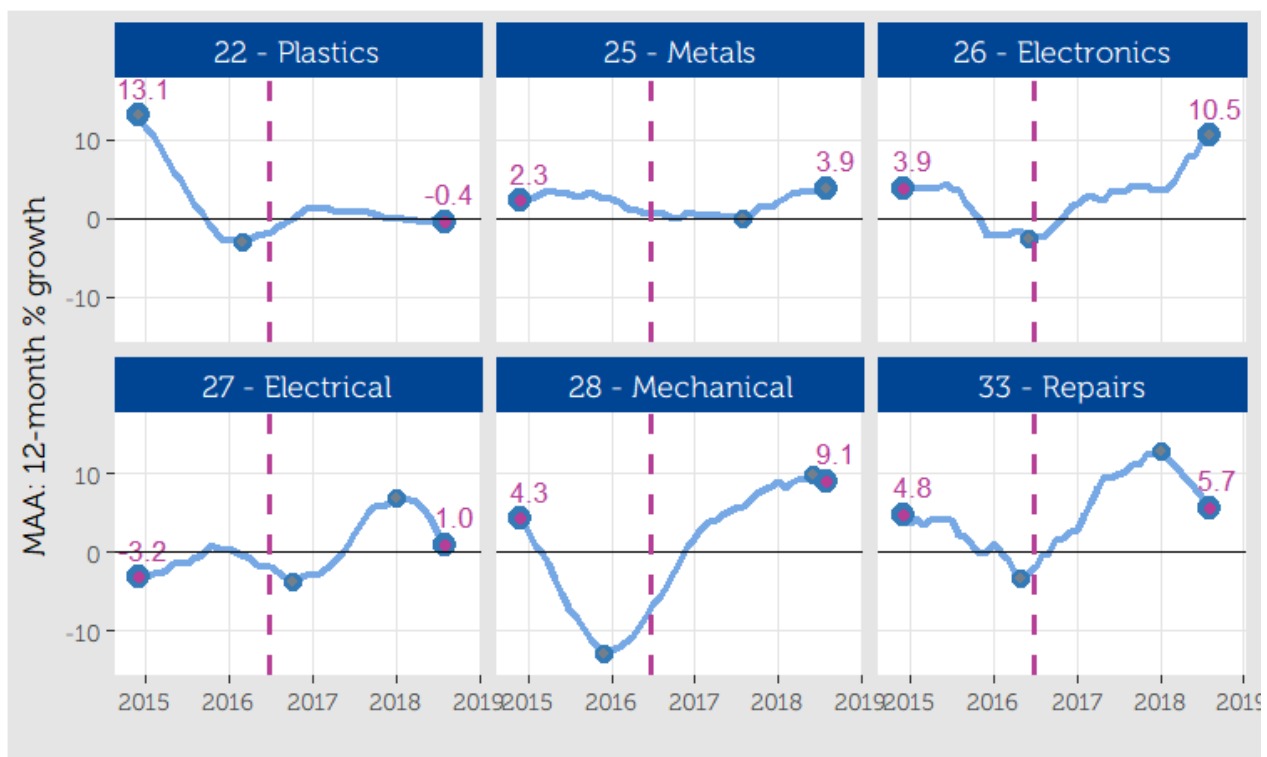
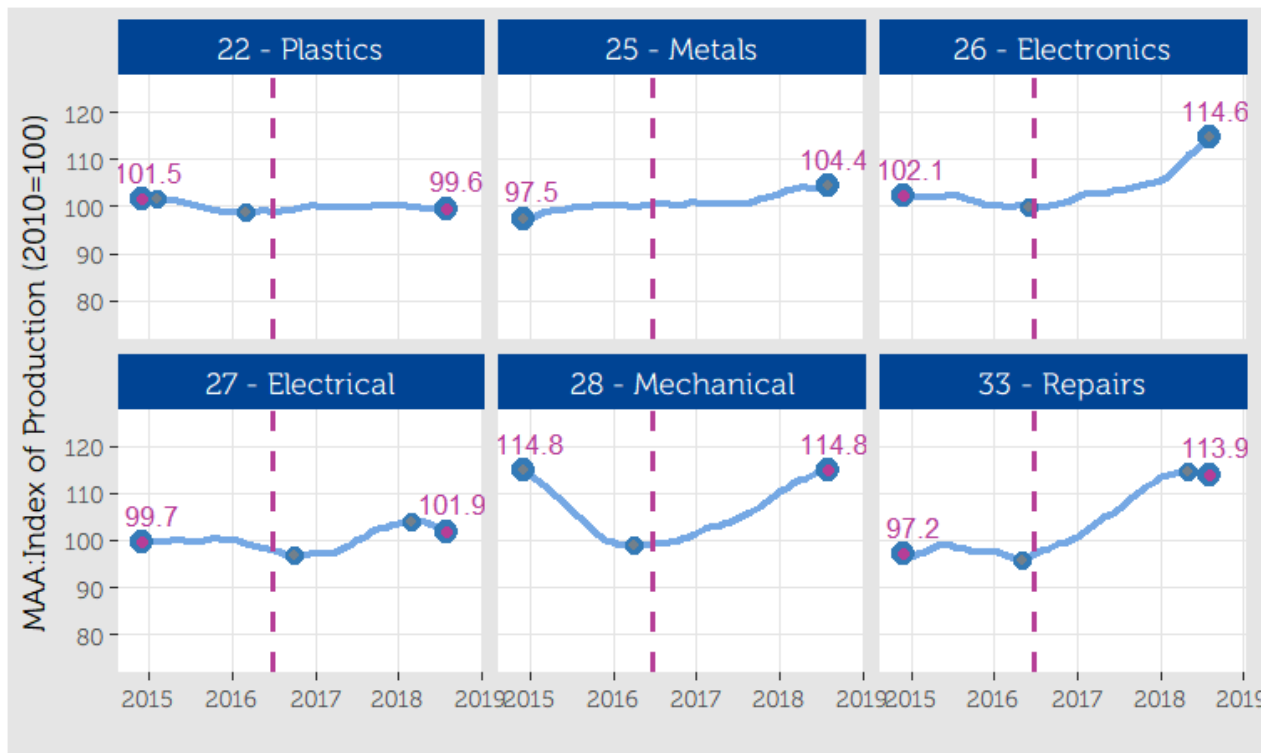
### 11.1 Turnover - (August 2018)



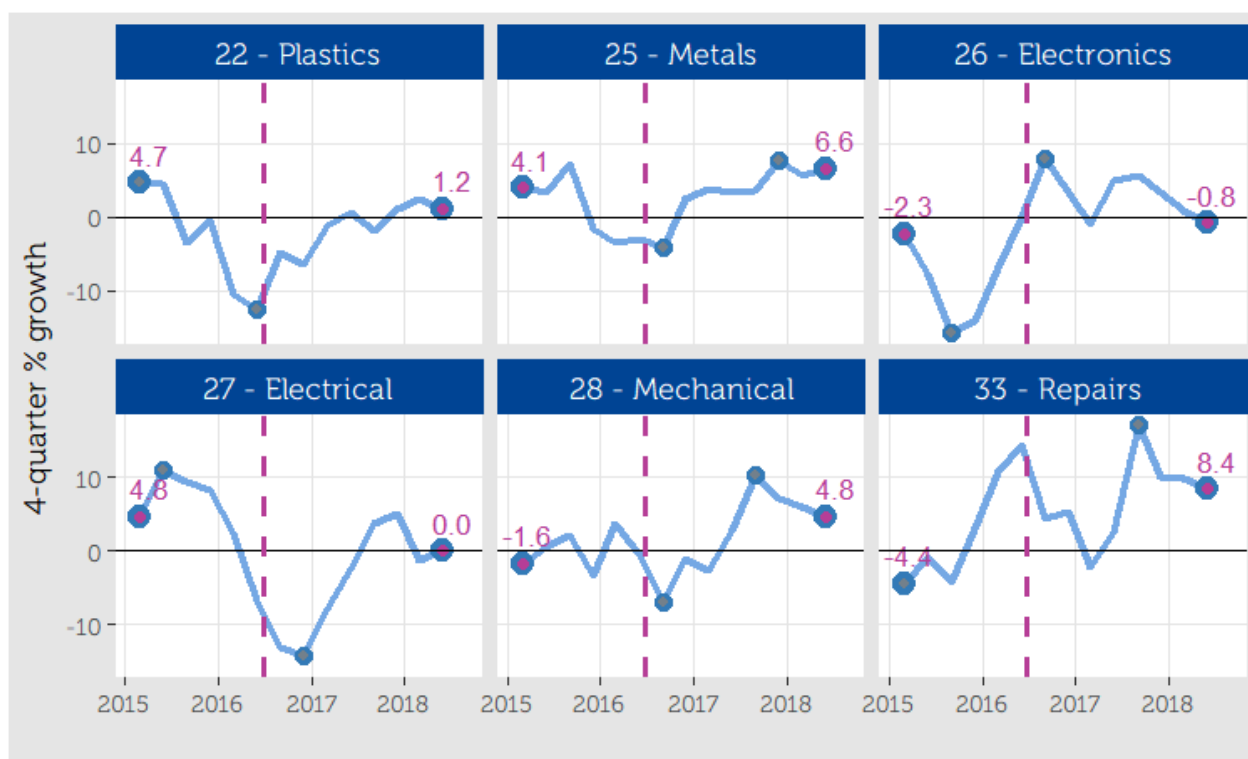
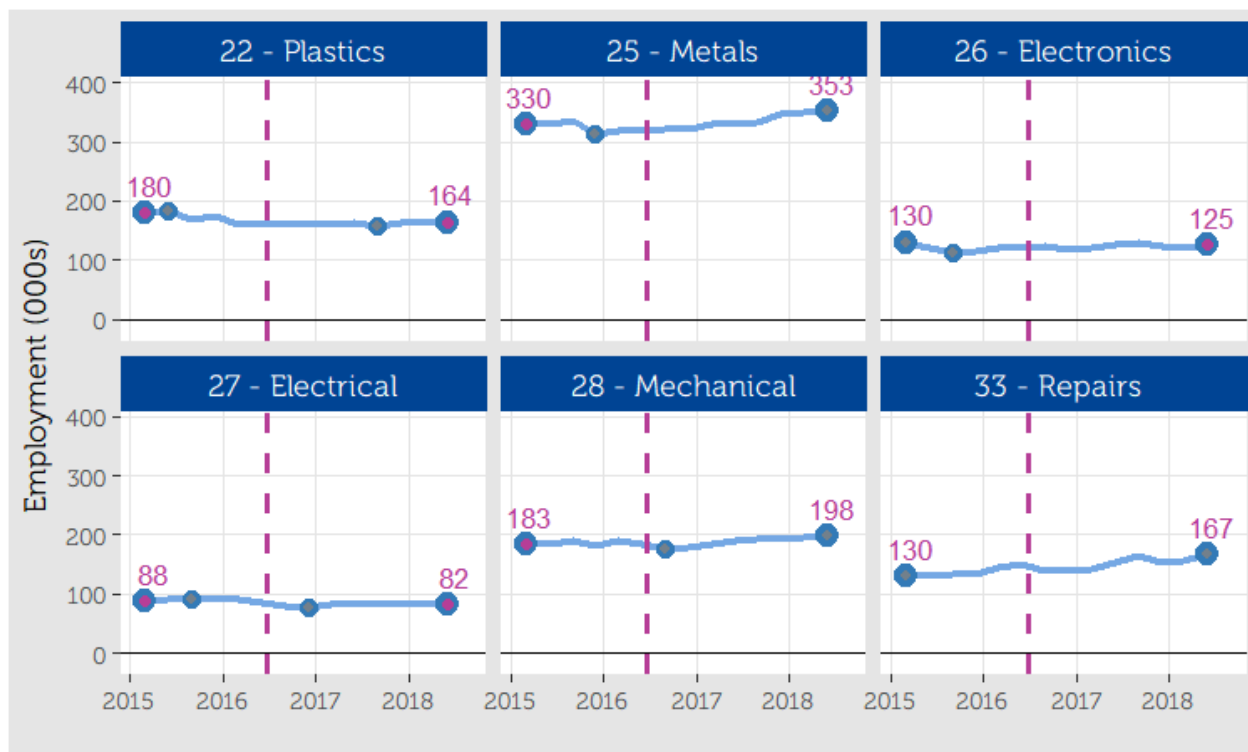
## 11.2 Exports - (August 2018)



### 11.3 Index of Production - (August 2018)



## 11.4 Employment - (June 2018)

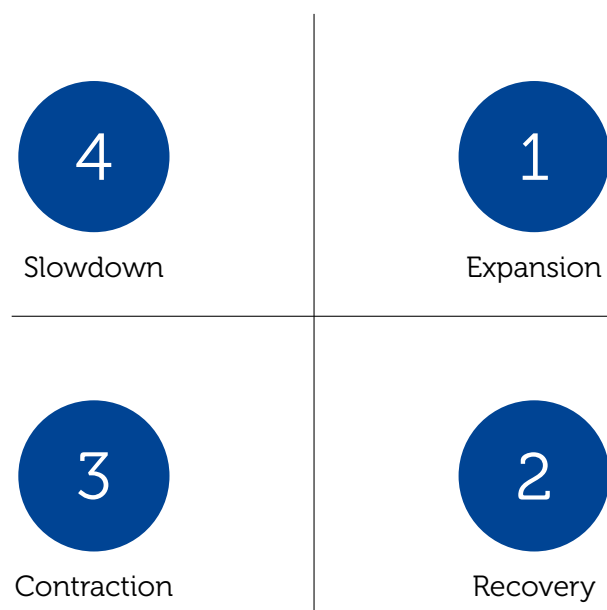


## 12 Growth Cycles

### 12.1 About Growth Cycles

Growth cycle, plots the annual growth of an indicator against the 1-month ( or 1-quarter) growth. This put the indicator in one of 4 main quadrants:

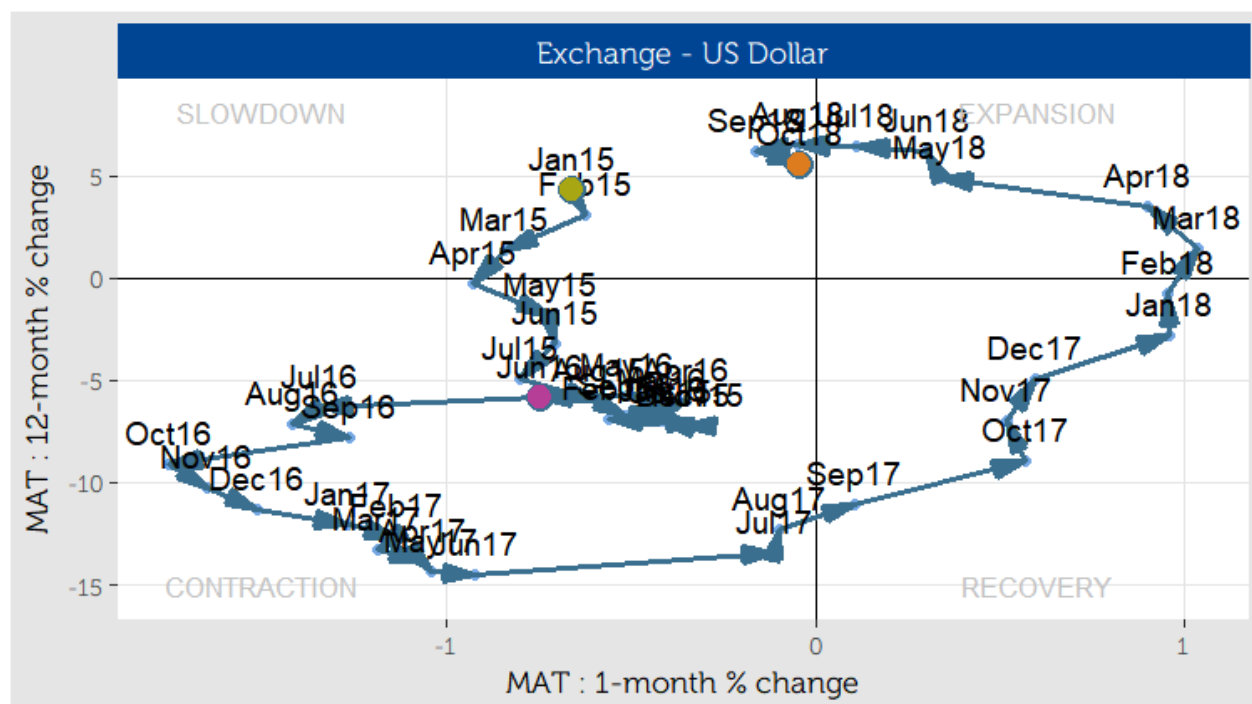
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter) and also decreased compared to previous year - **contraction**
- Quadrant 4: decreased compared to previous month (or quarter) but increased compared previous year - **slowdown**



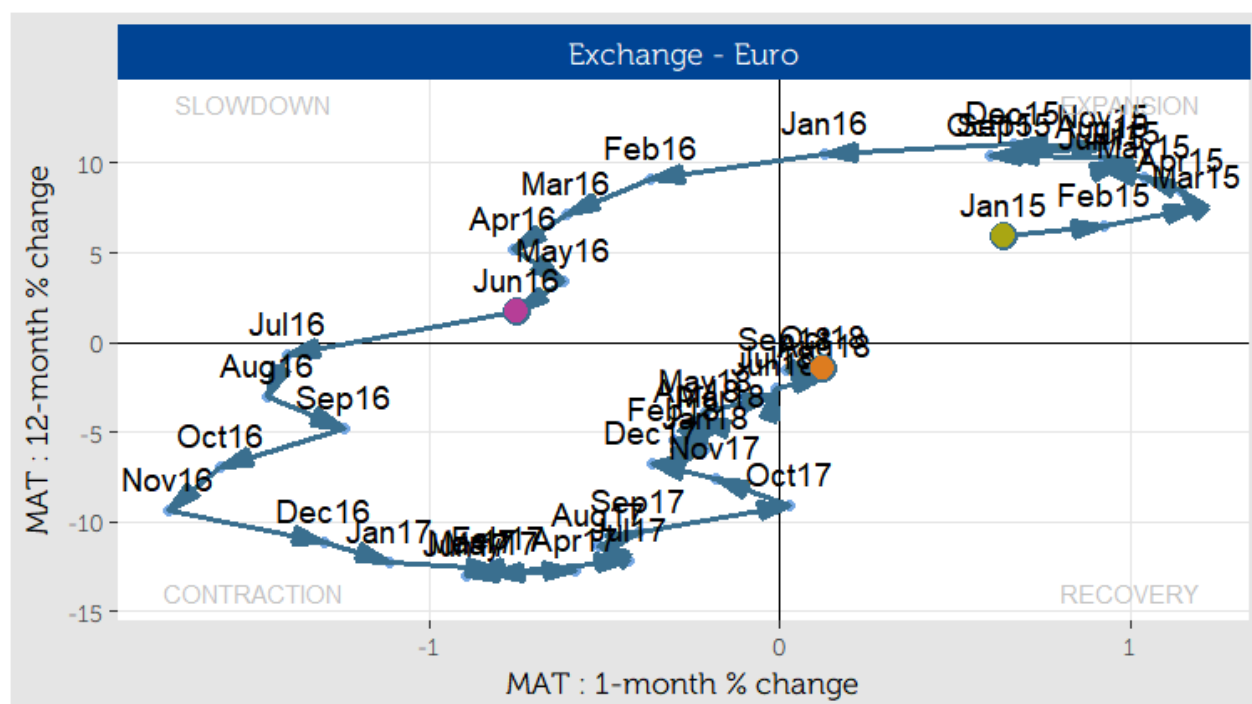
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been used instead of the actual indicator, the axis label is preceded by the 'MAT'.

This section shows growth cycle plots of 11 selected indicators. The starting points are marked with green circle (●); purple circle (●) for referendum date and orange circle (●) for the current state.

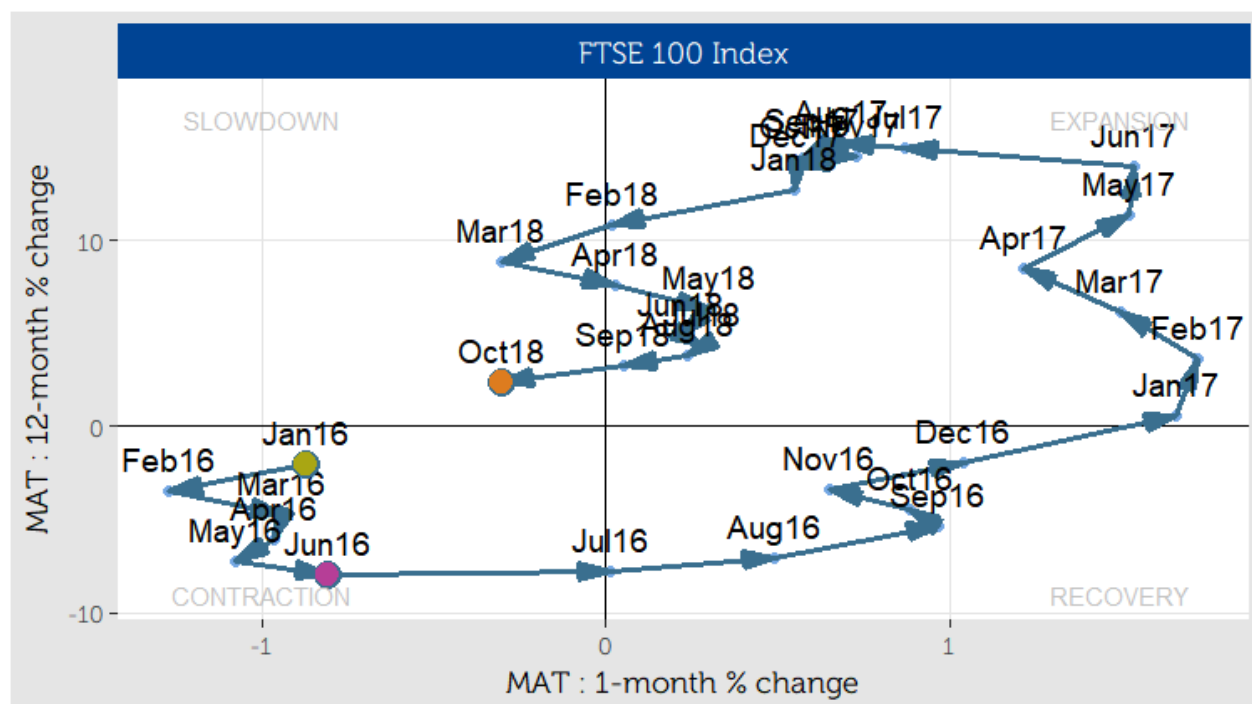
## 12.2 Exchange Rate (USD)



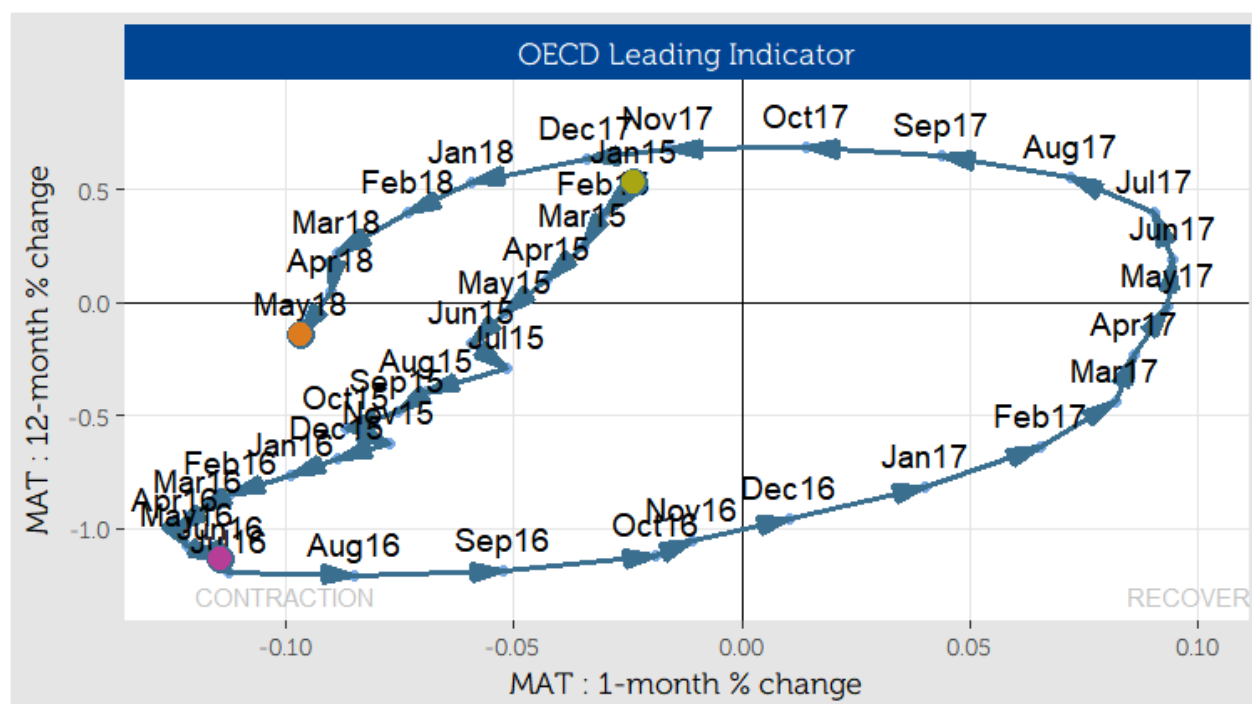
## 12.3 Exchange Rate (Euro)



## 12.4 FTSE 100 Index

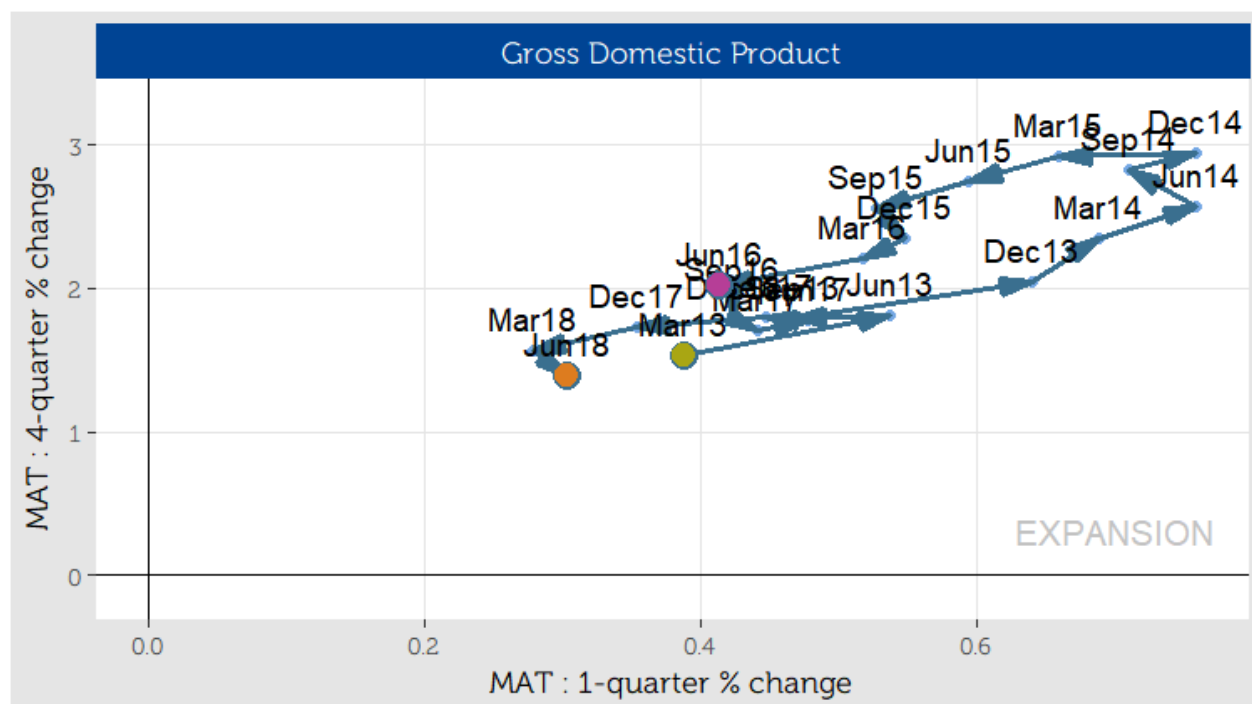


## 12.5 OECD Composite Leading Indicator - UK

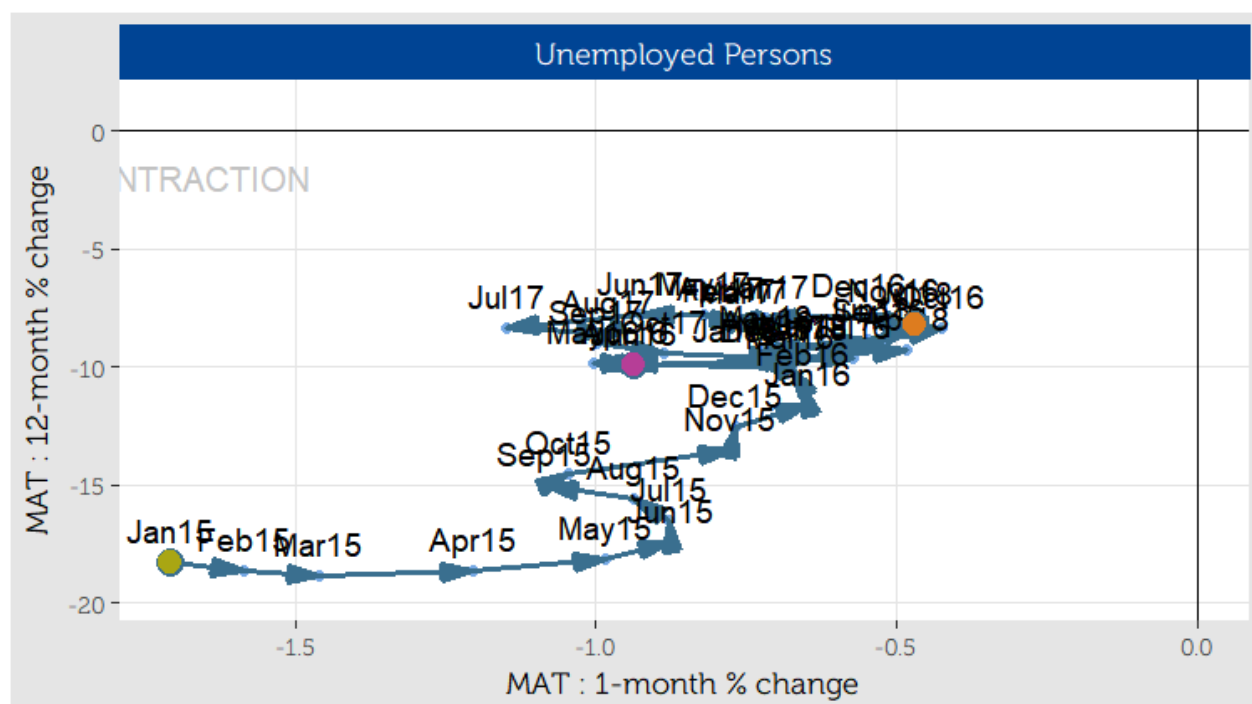




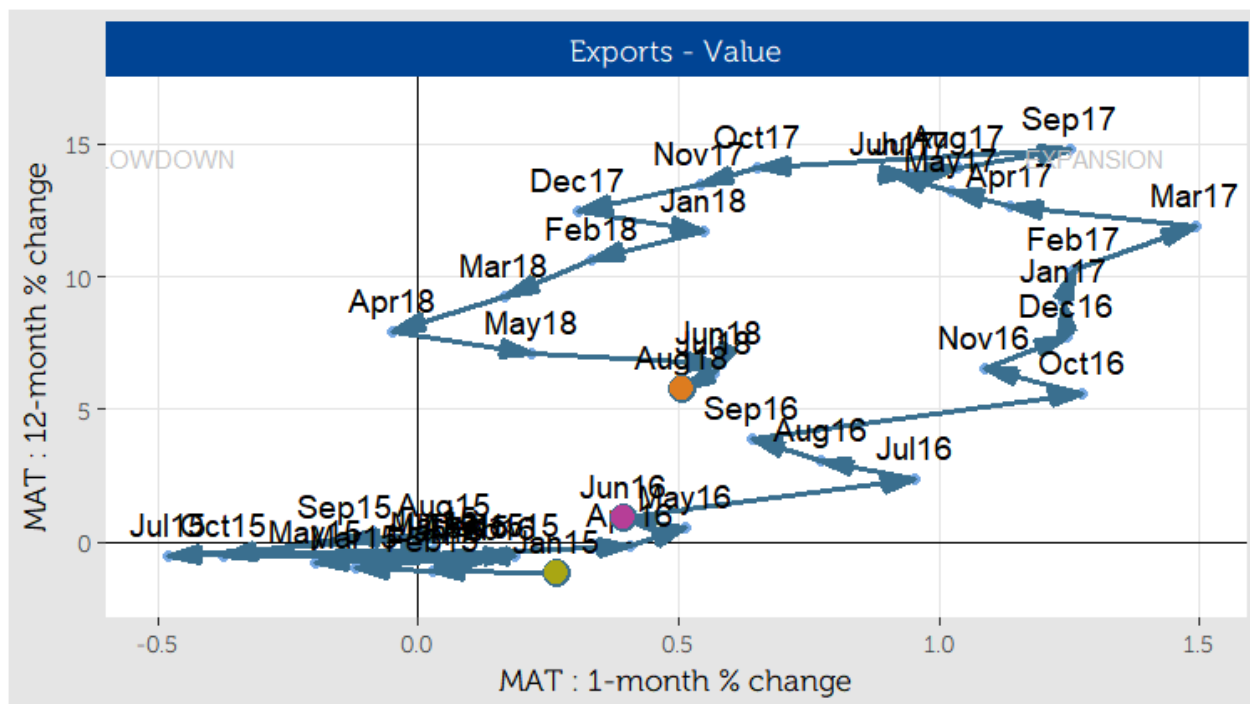
## 12.6 Gross Domestic Product - GDP (ABMI-UKEA)



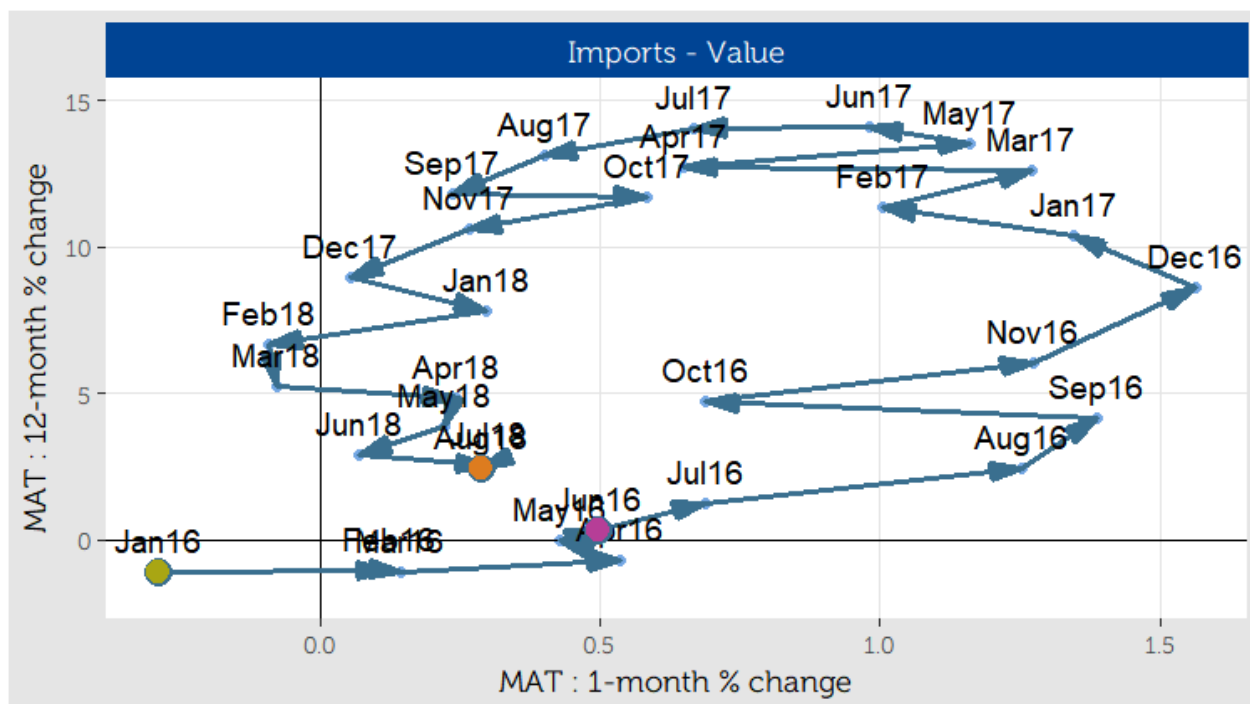
## 12.7 Unemployed Persons (MGSC)



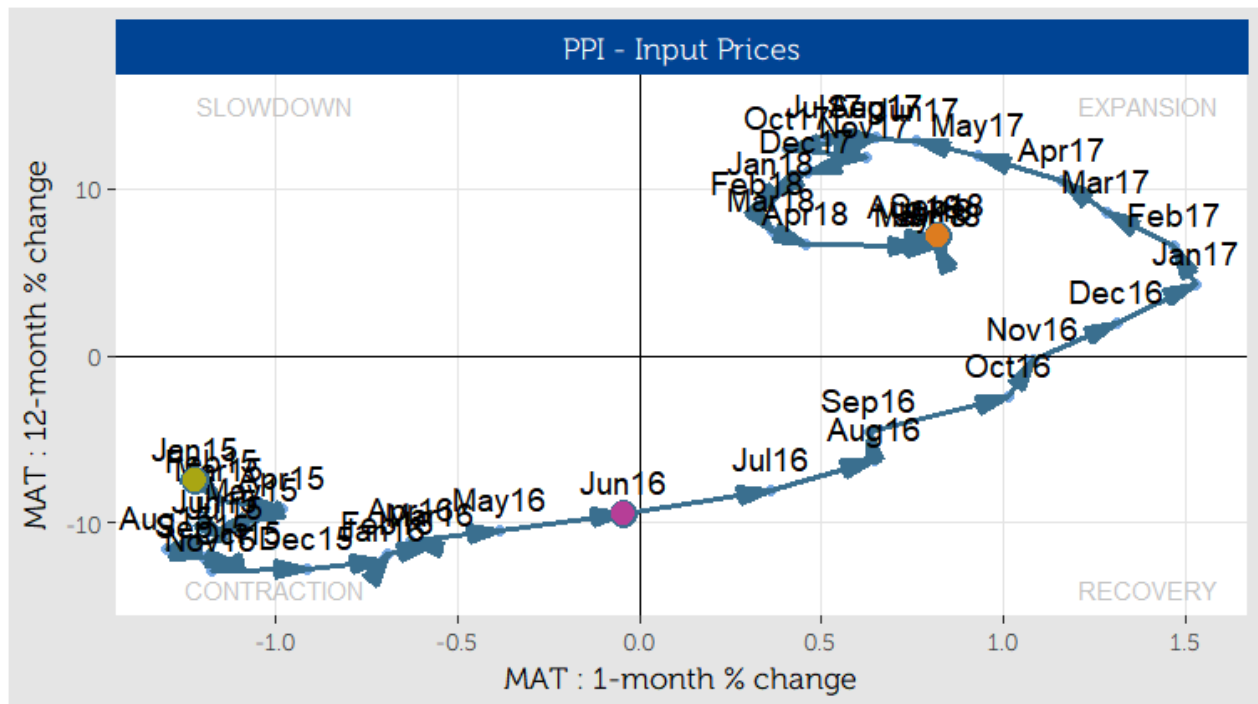
## 12.8 Exports - Value (IKBH)



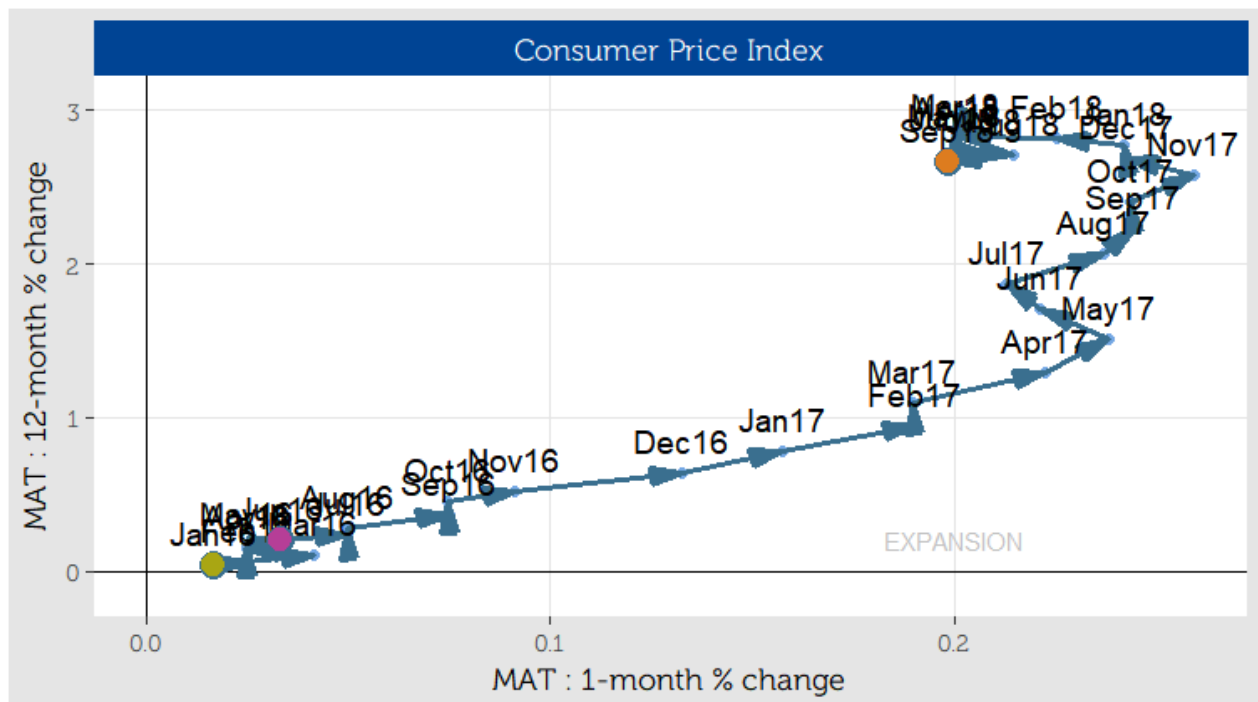
## 12.9 Imports - Value (IKBI)



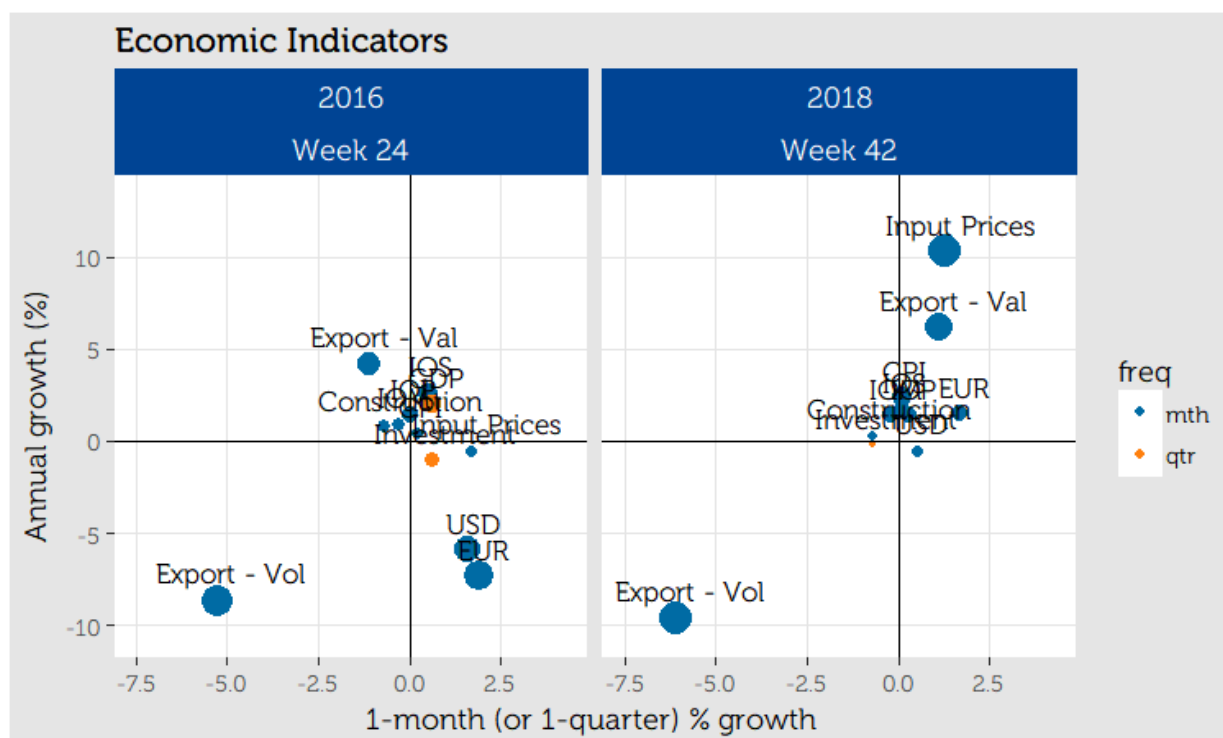
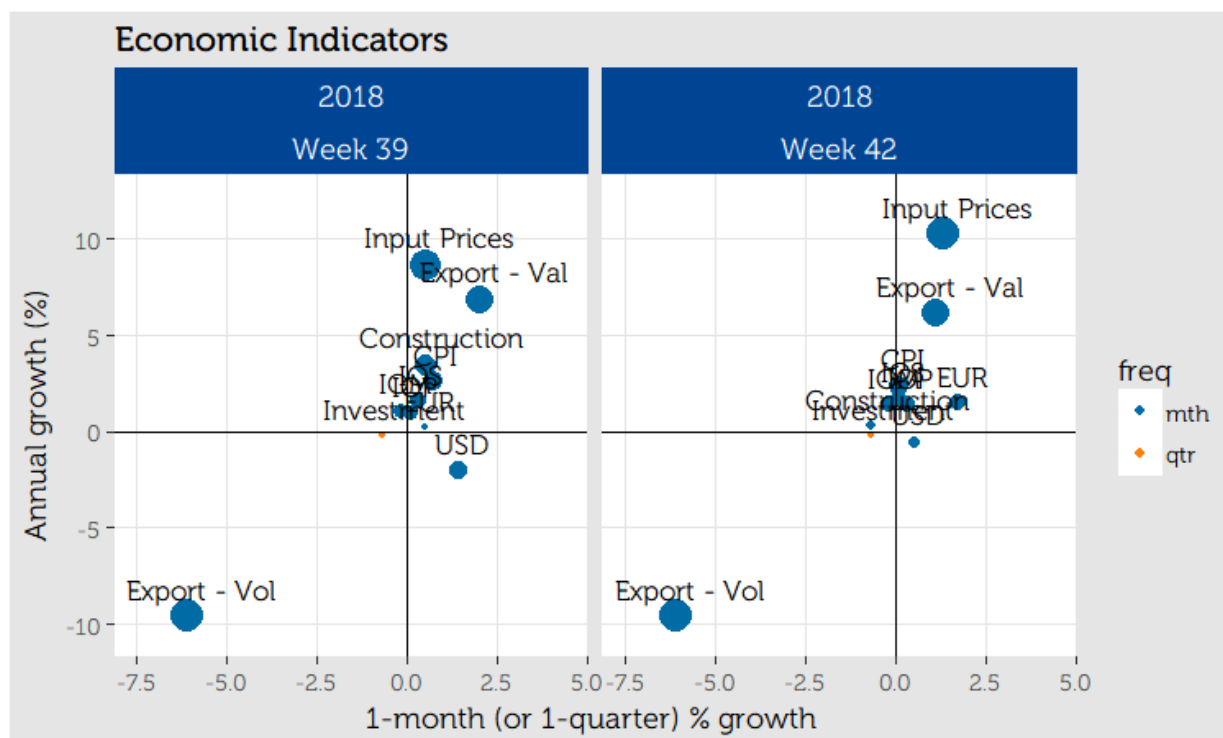
## 12.10 Input Prices (K646)



## 12.11 Consumer Price Index (D7BT)



## 12.12 Current State

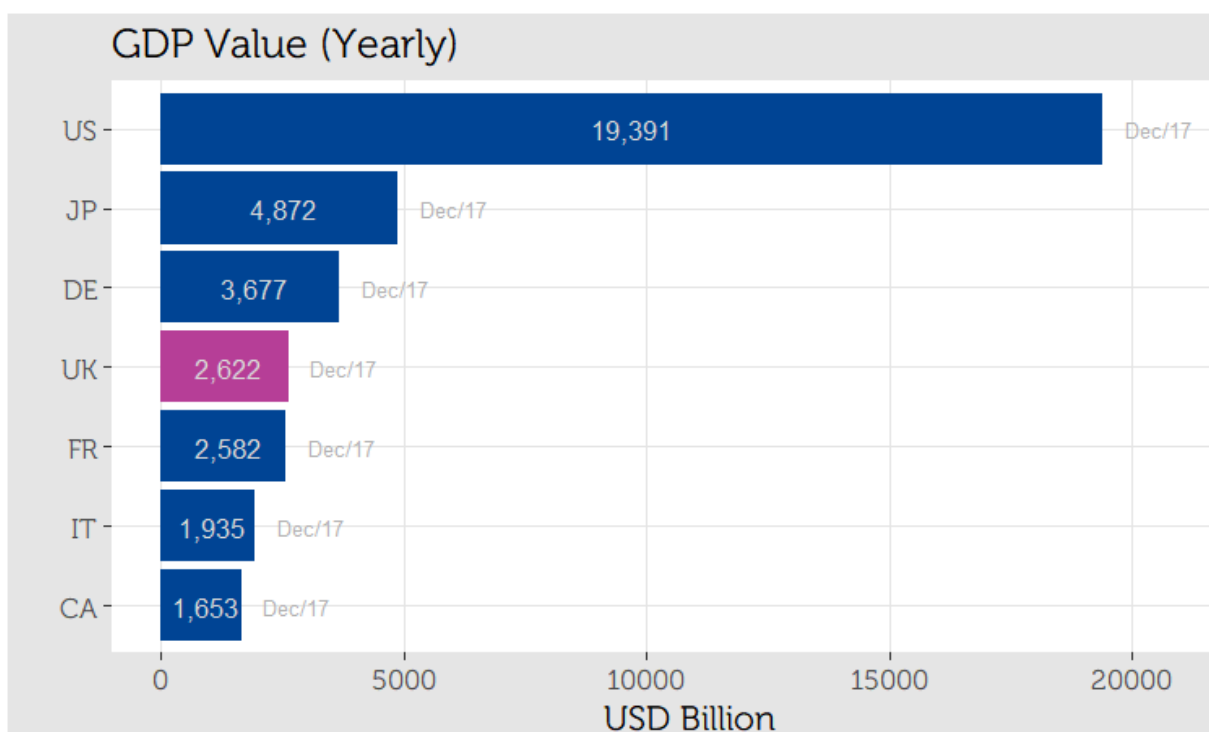
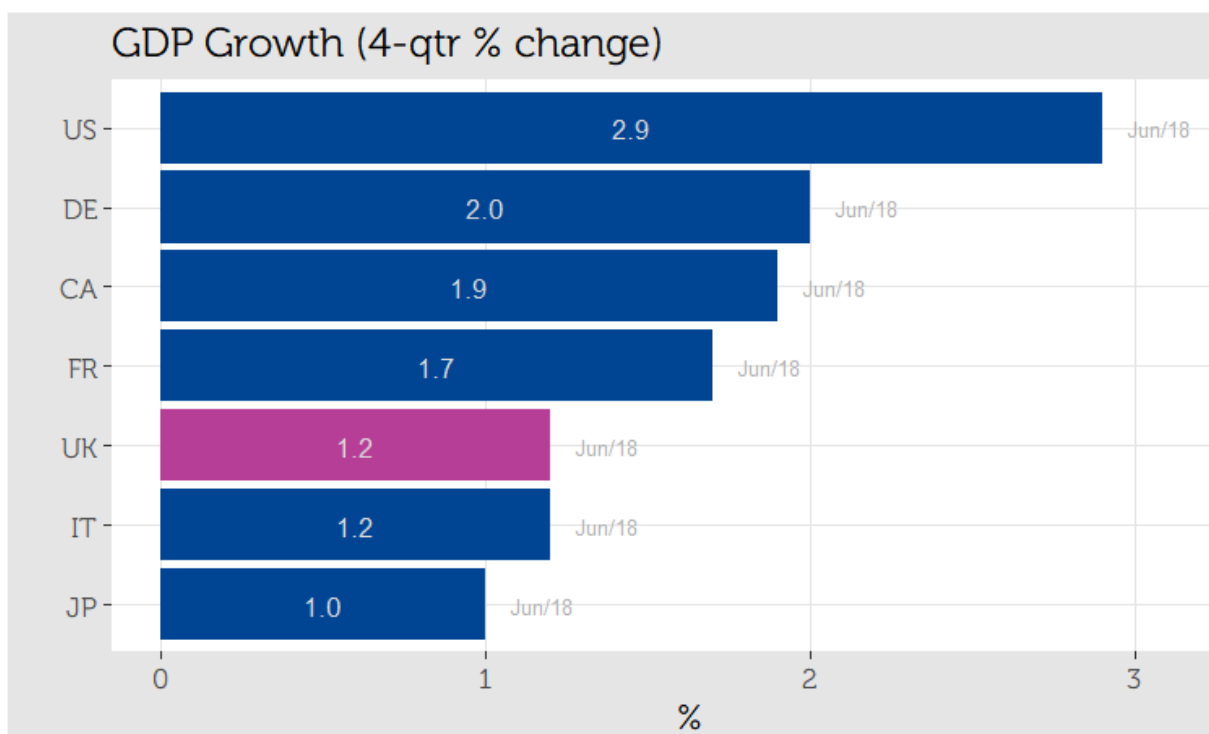


**Top:** Indicators growth - Current week versus previous week.

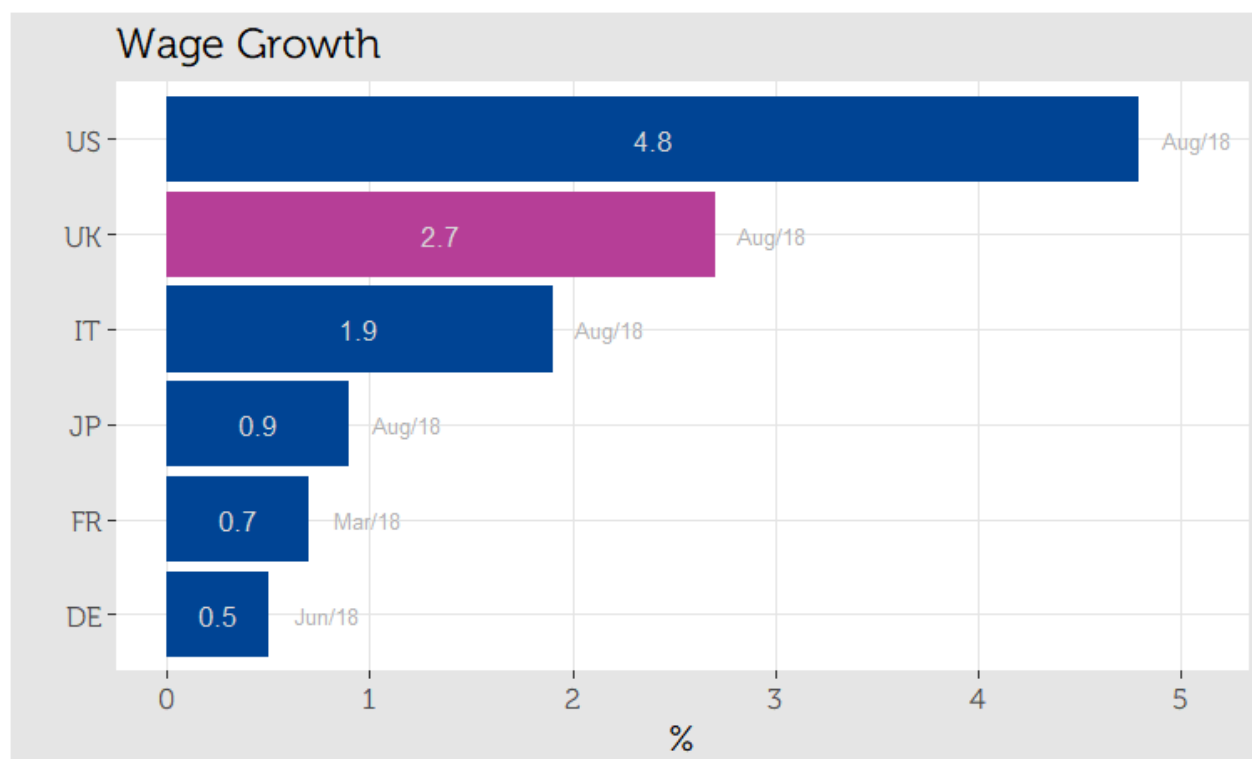
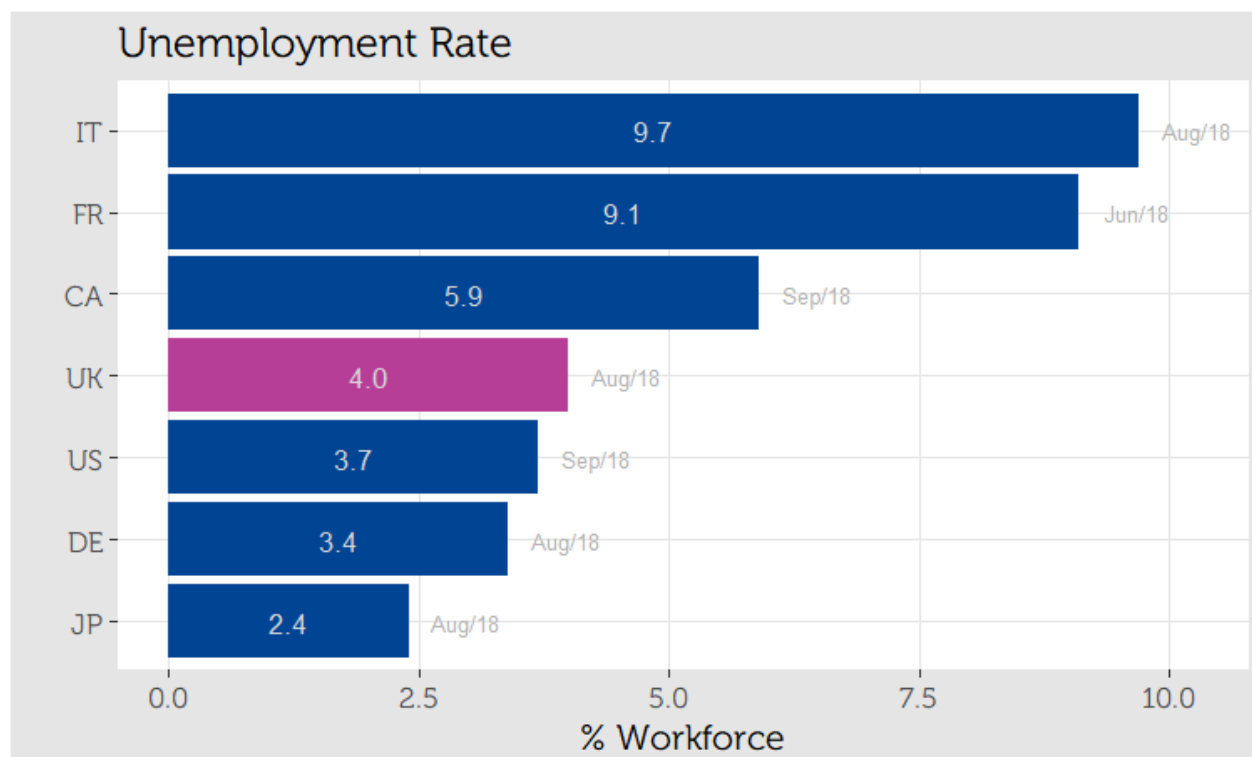
**Bottom:** Indicators Growth - Before Referendum vote versus current week

## 13 G7 Indicators (Latest)

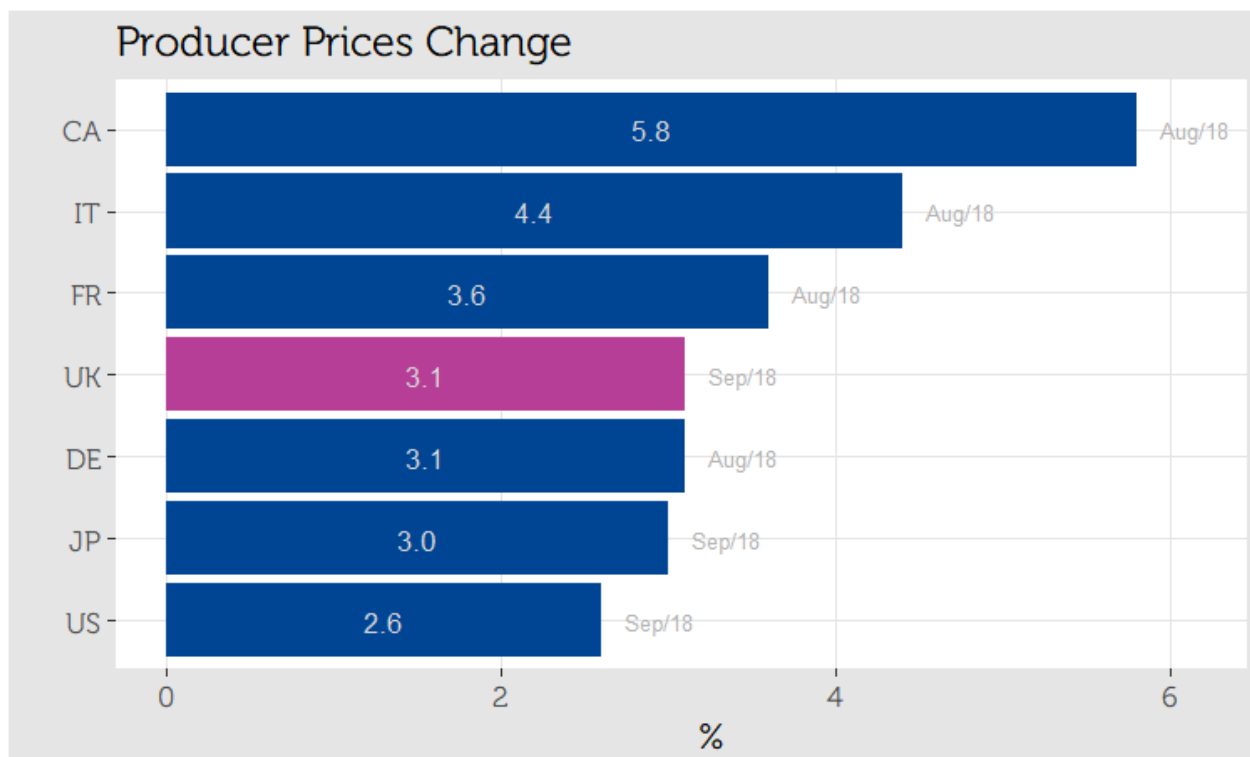
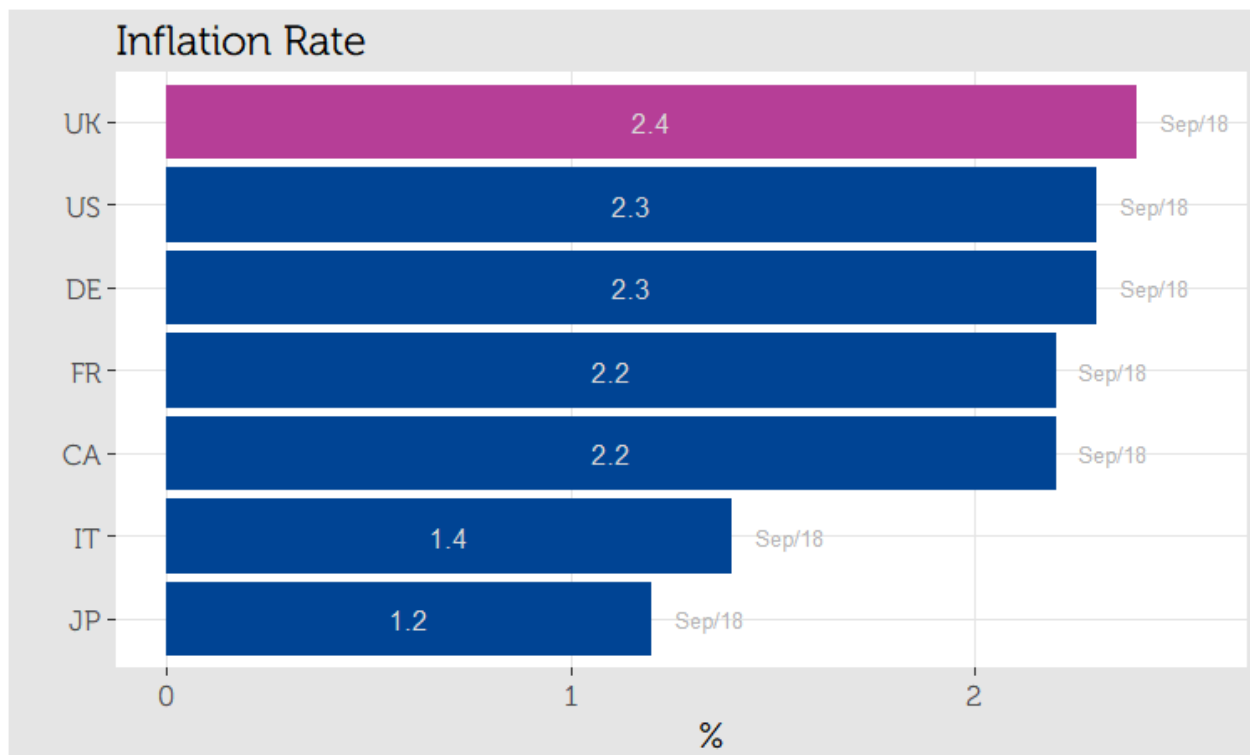
### 13.1 Gross Domestic Product (GDP)



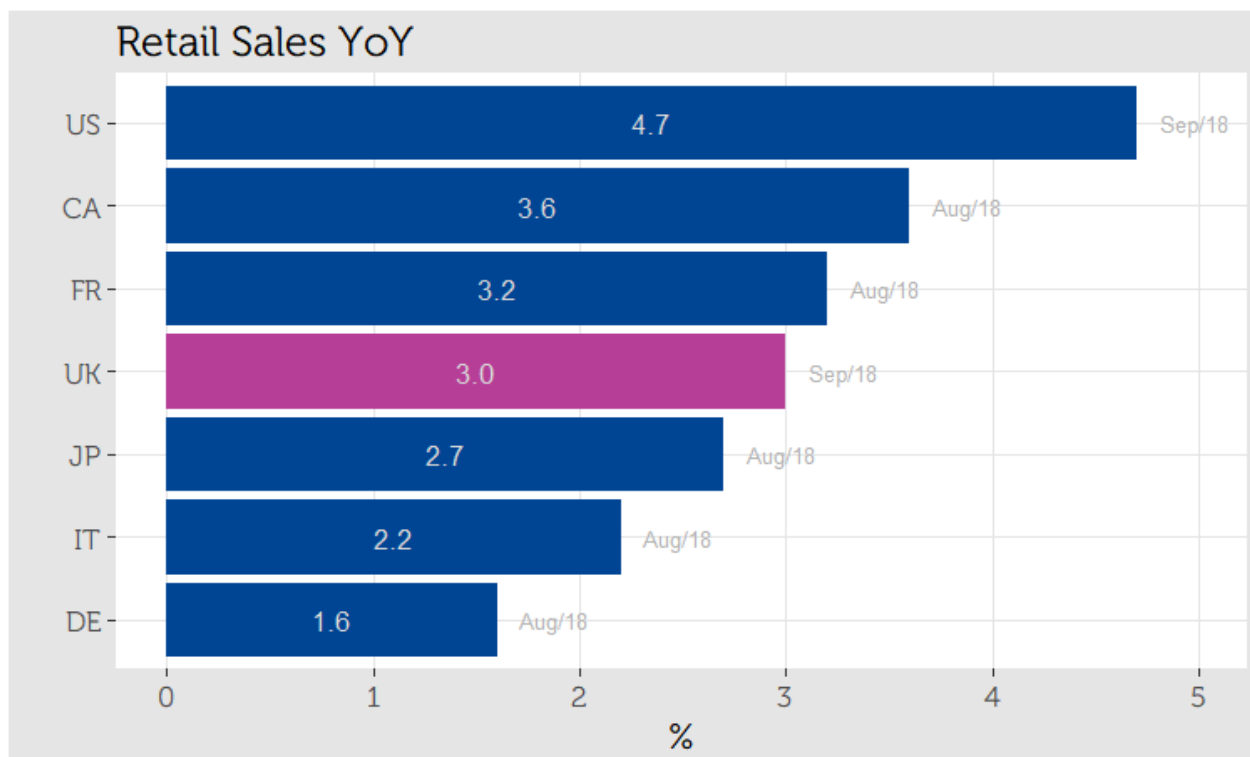
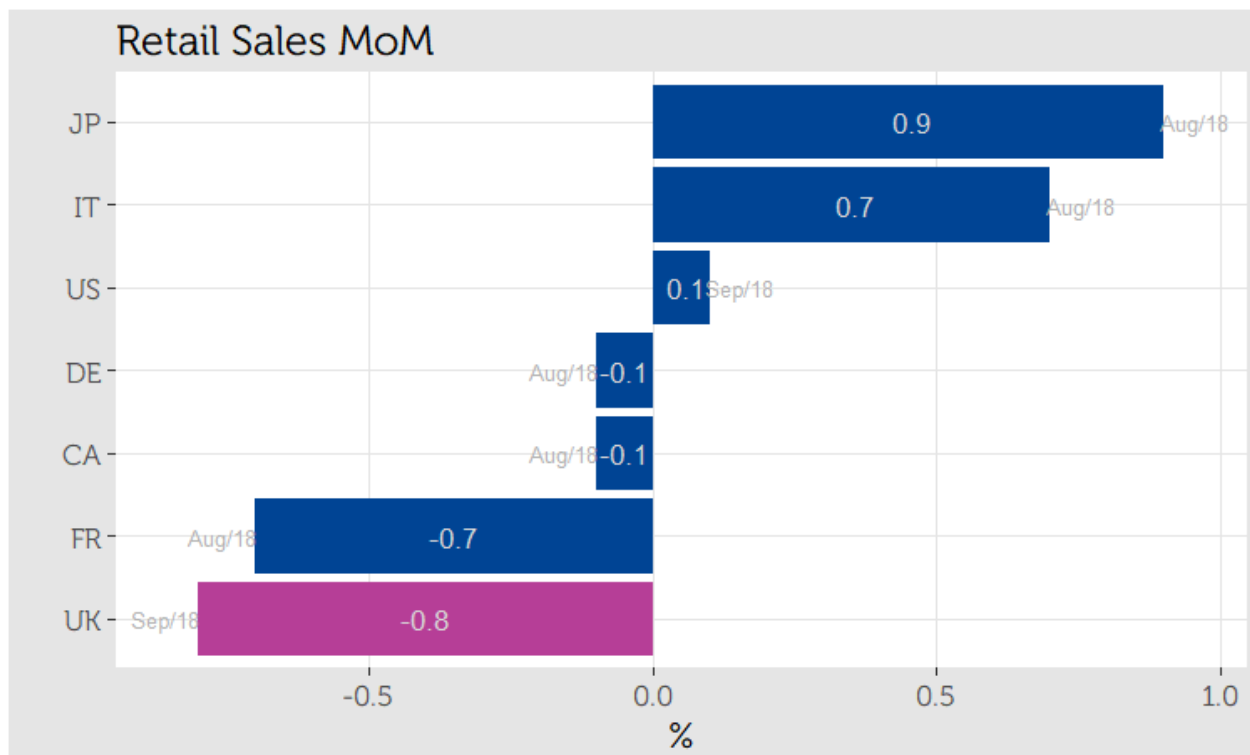
## 13.2 Unemployment & Wage Growth



### 13.3 Inflation & Producer Prices

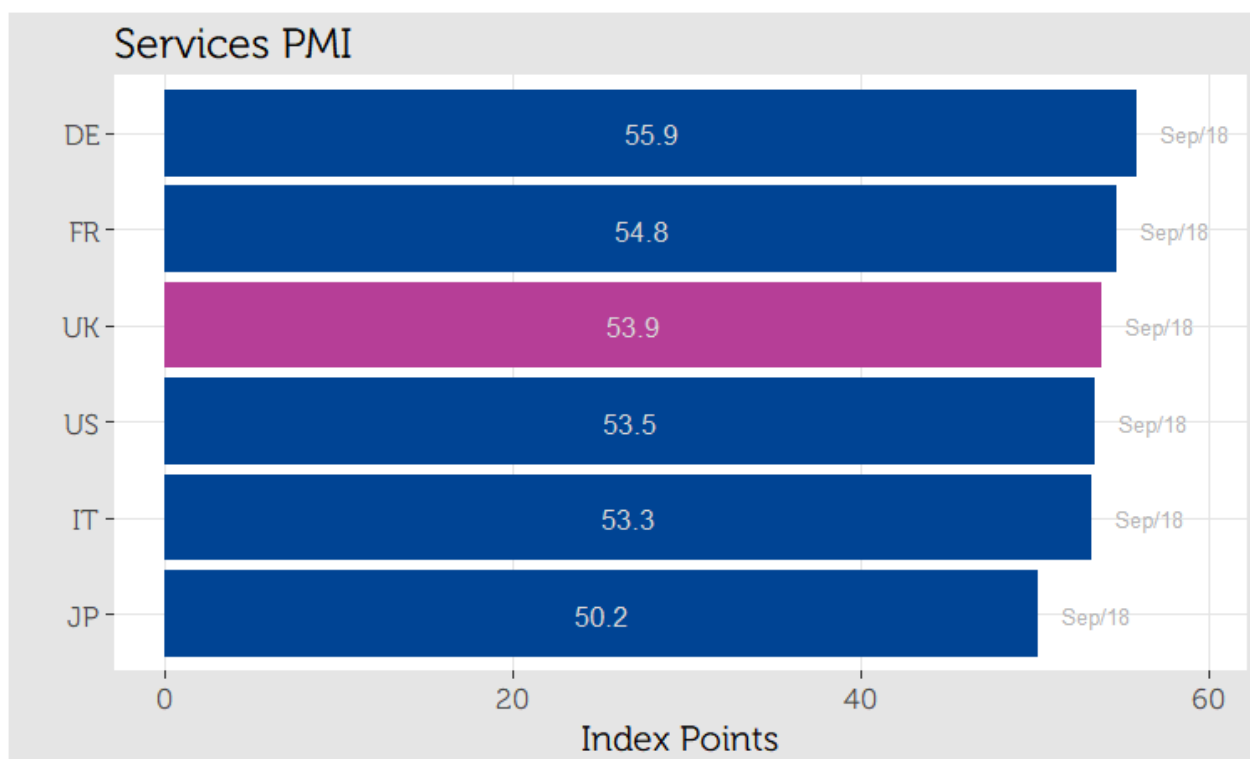
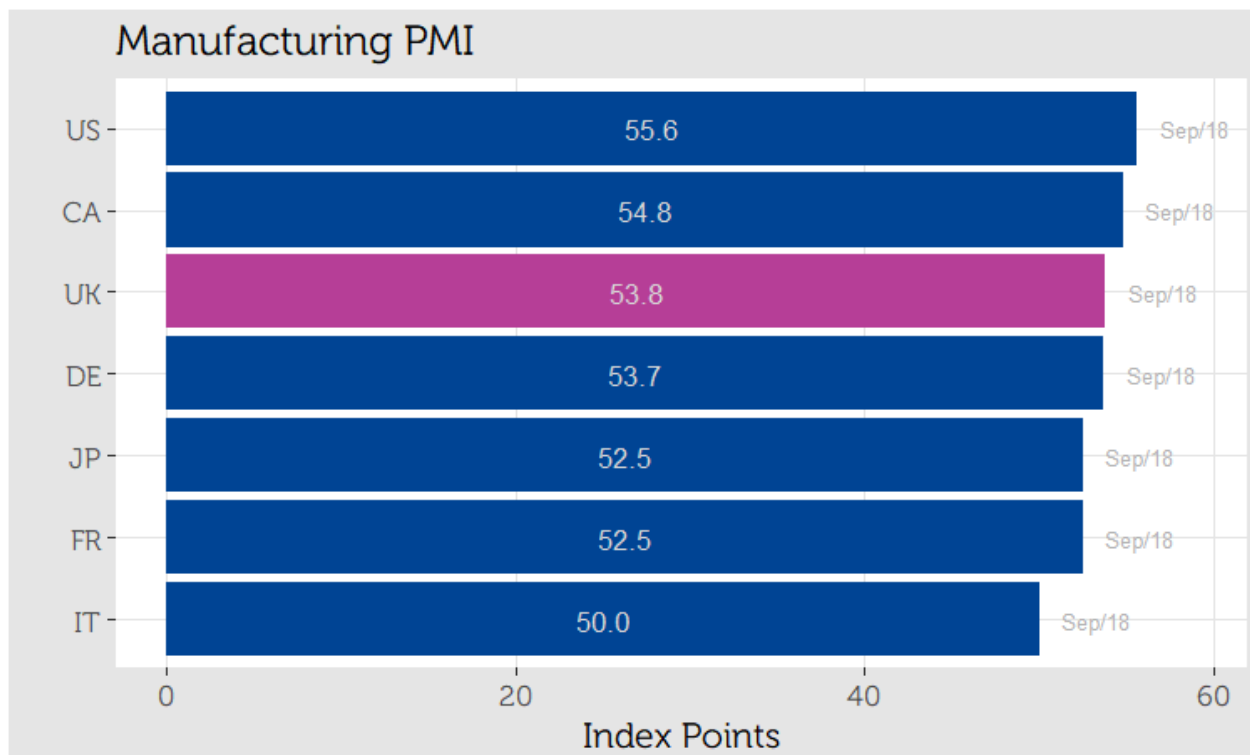


## 13.4 Retail Sales

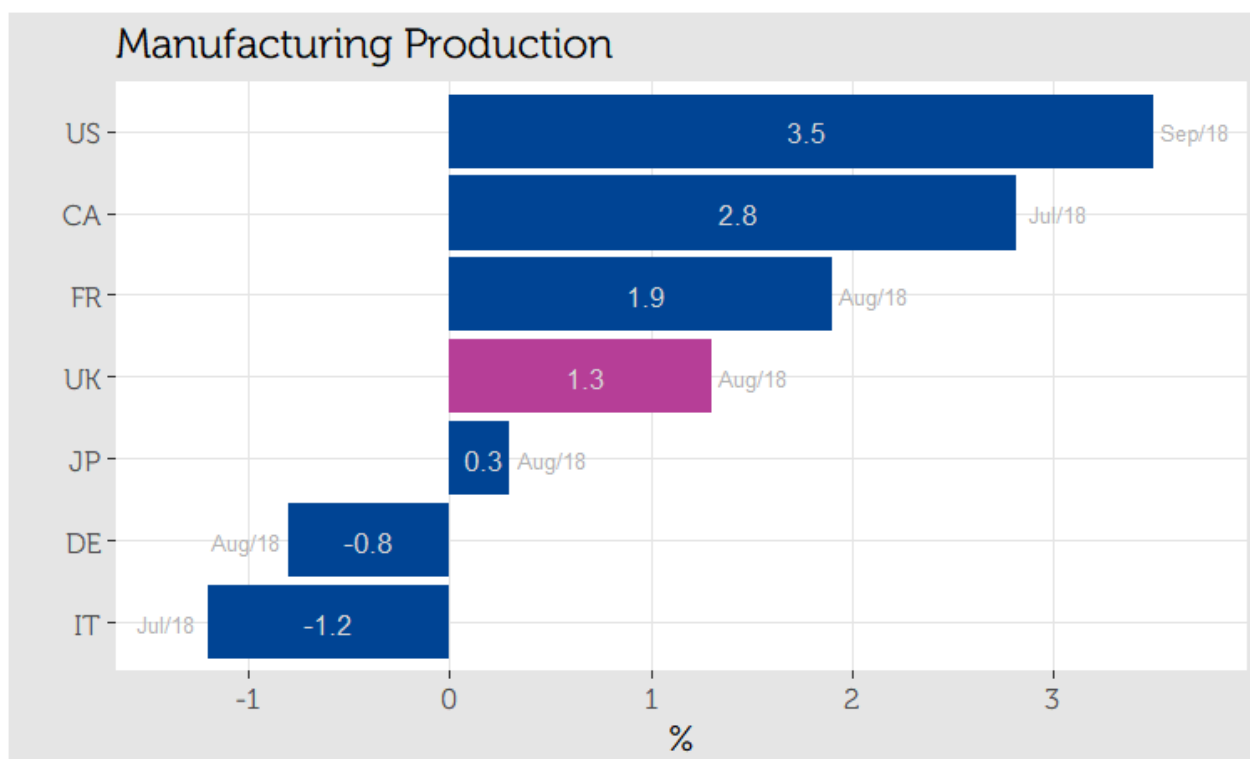
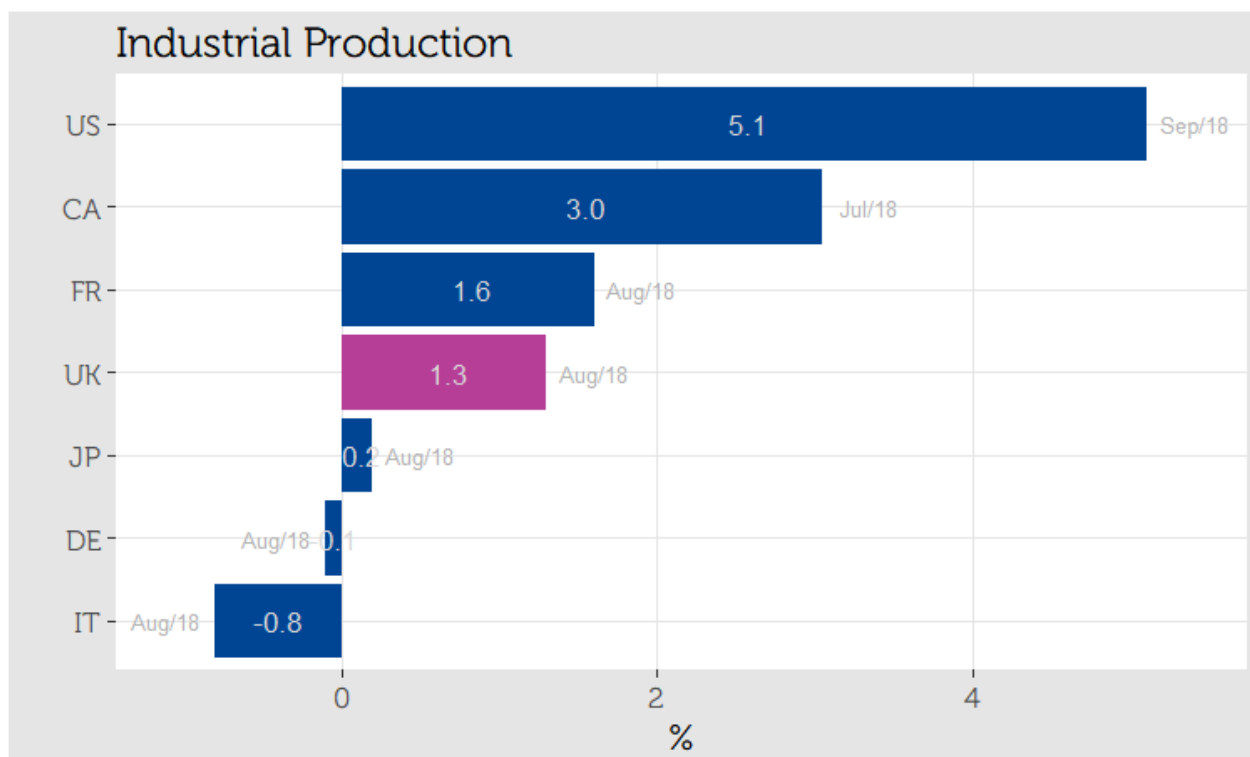




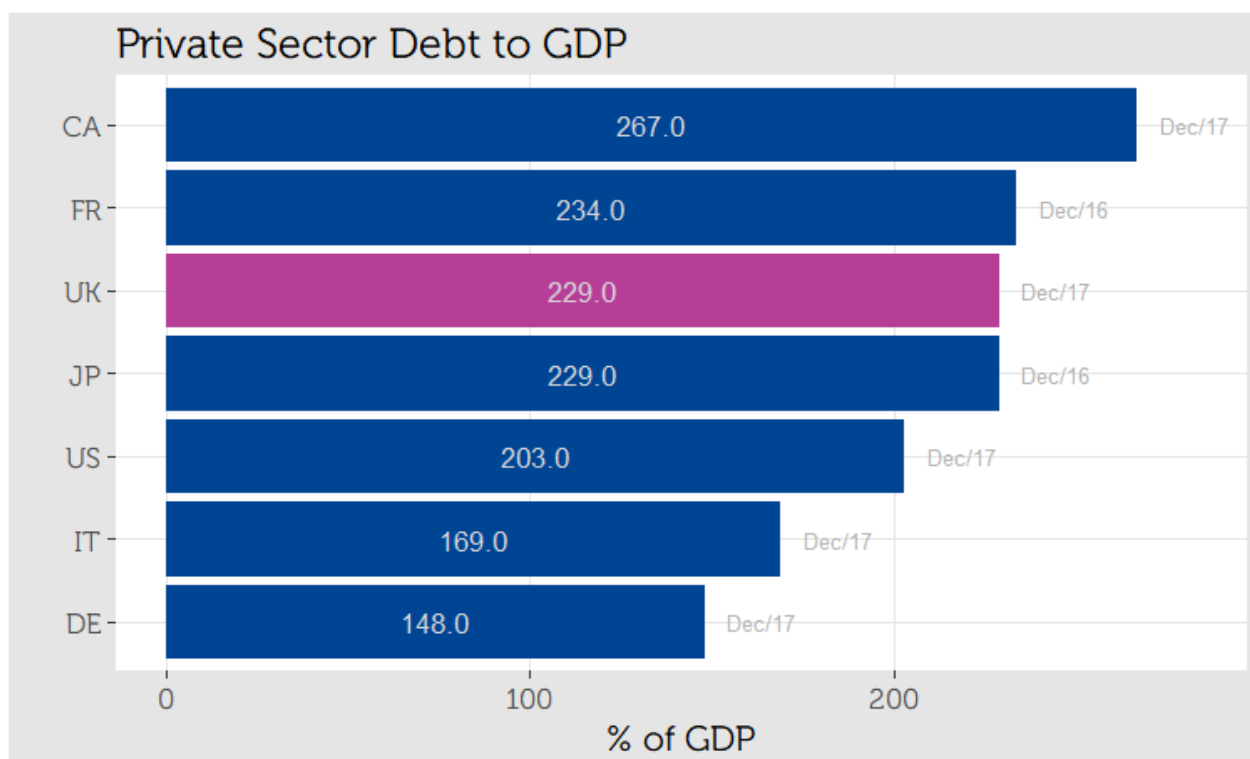
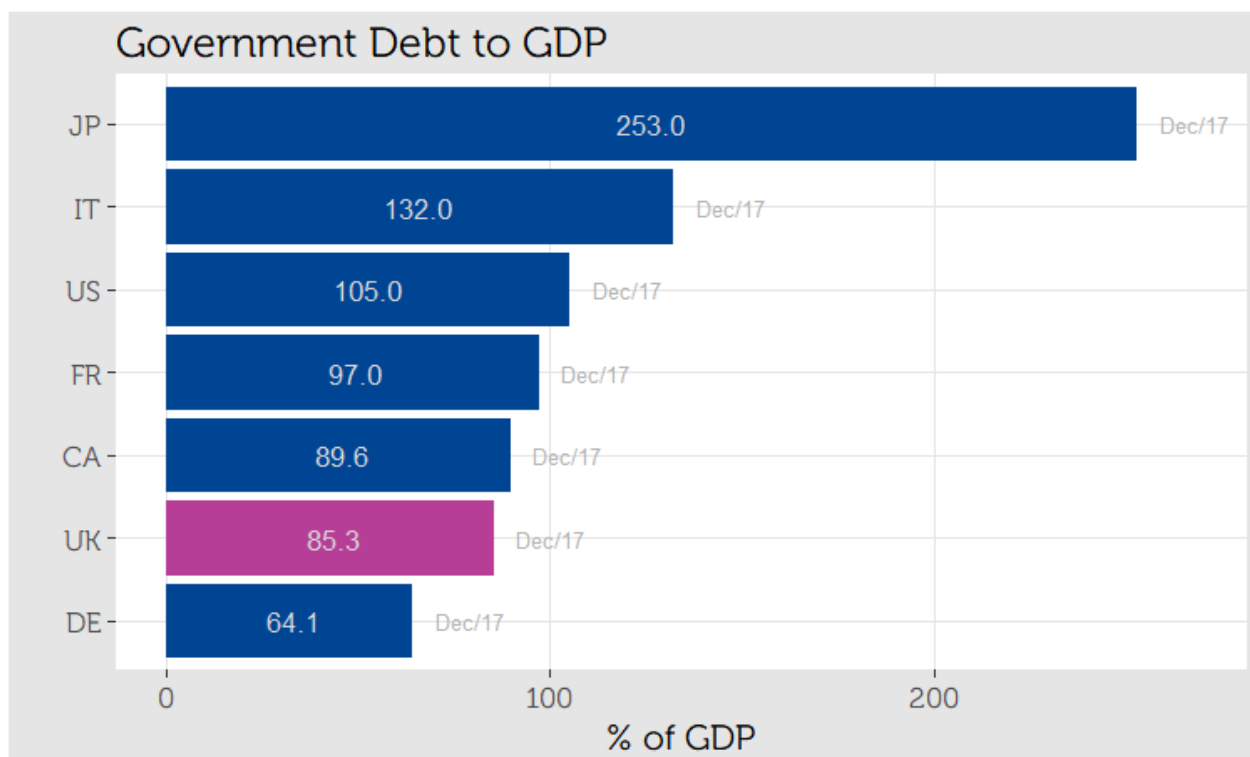
### 13.5 Purchasers Managers Index - Manufacturing & Services



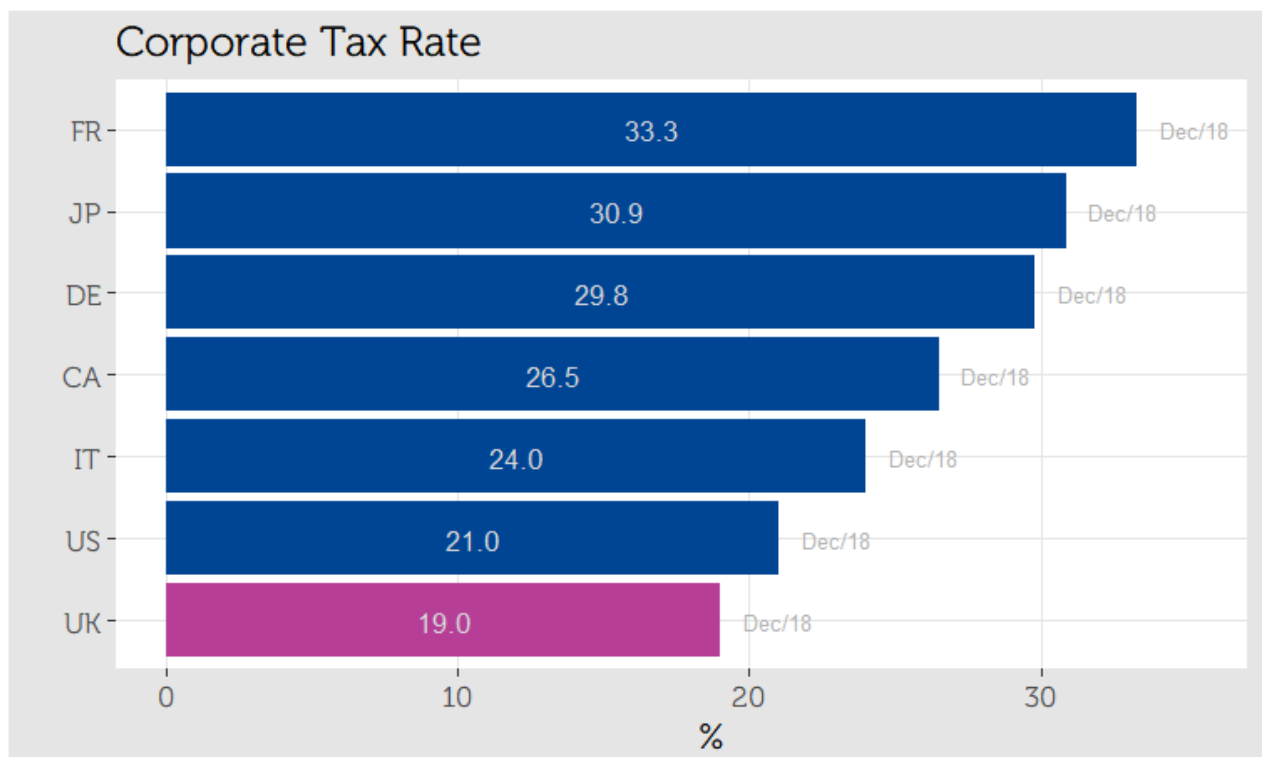
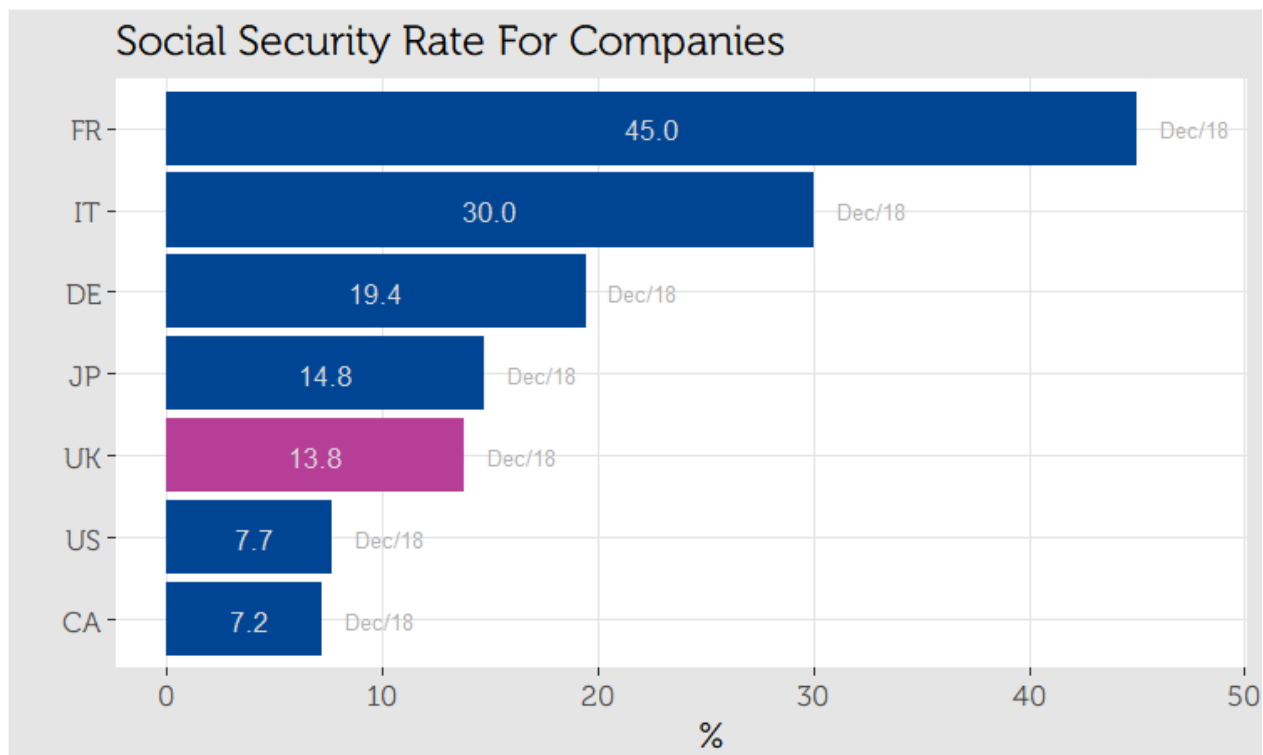
## 13.6 Industrial Production & Manufacturing



## 13.7 Debt



### 13.8 Employer Social Security Rate & Corporate Tax



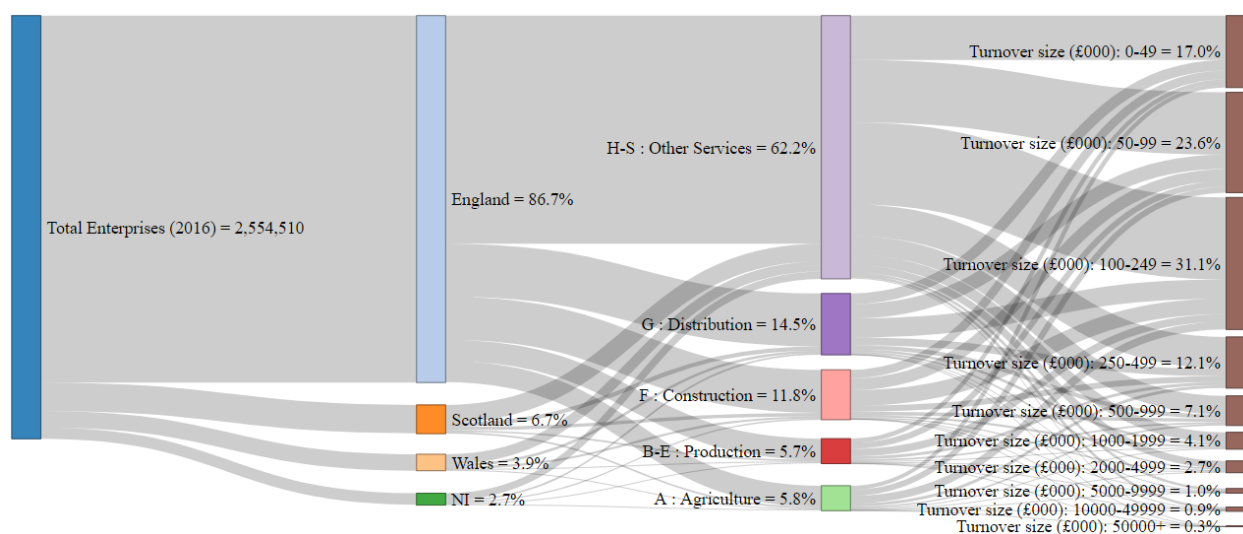
# Appendices

## A UK Businesses: Activity, Size & Location

### A.1 Enterprises by Employment Size Band

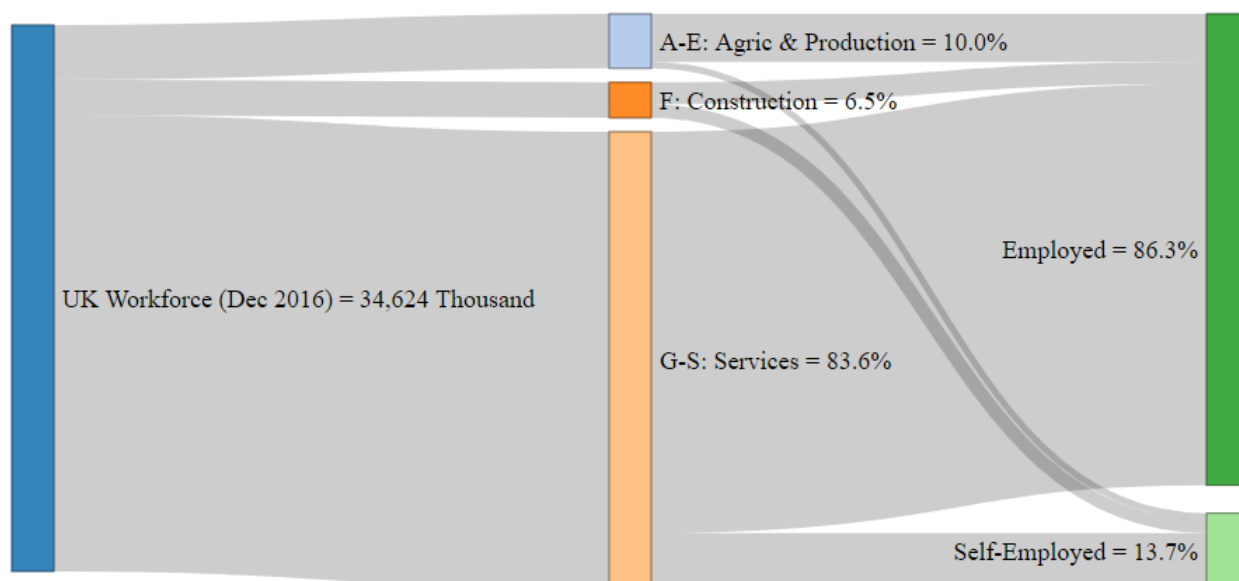


### A.2 Enterprises by Turnover Size Band

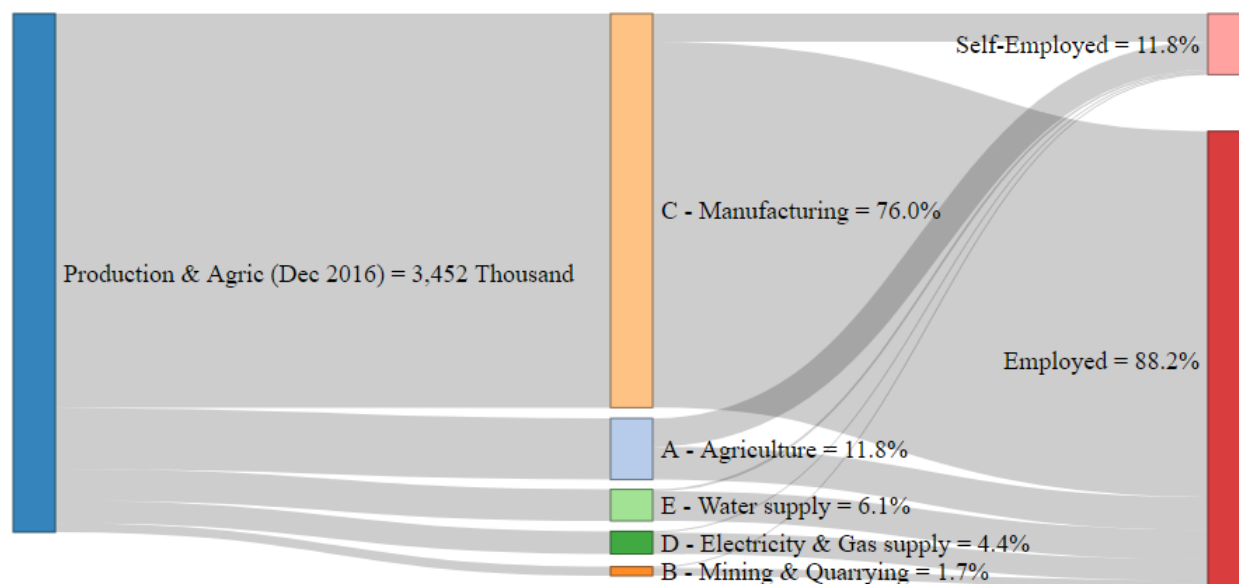


## B UK Employment Structure

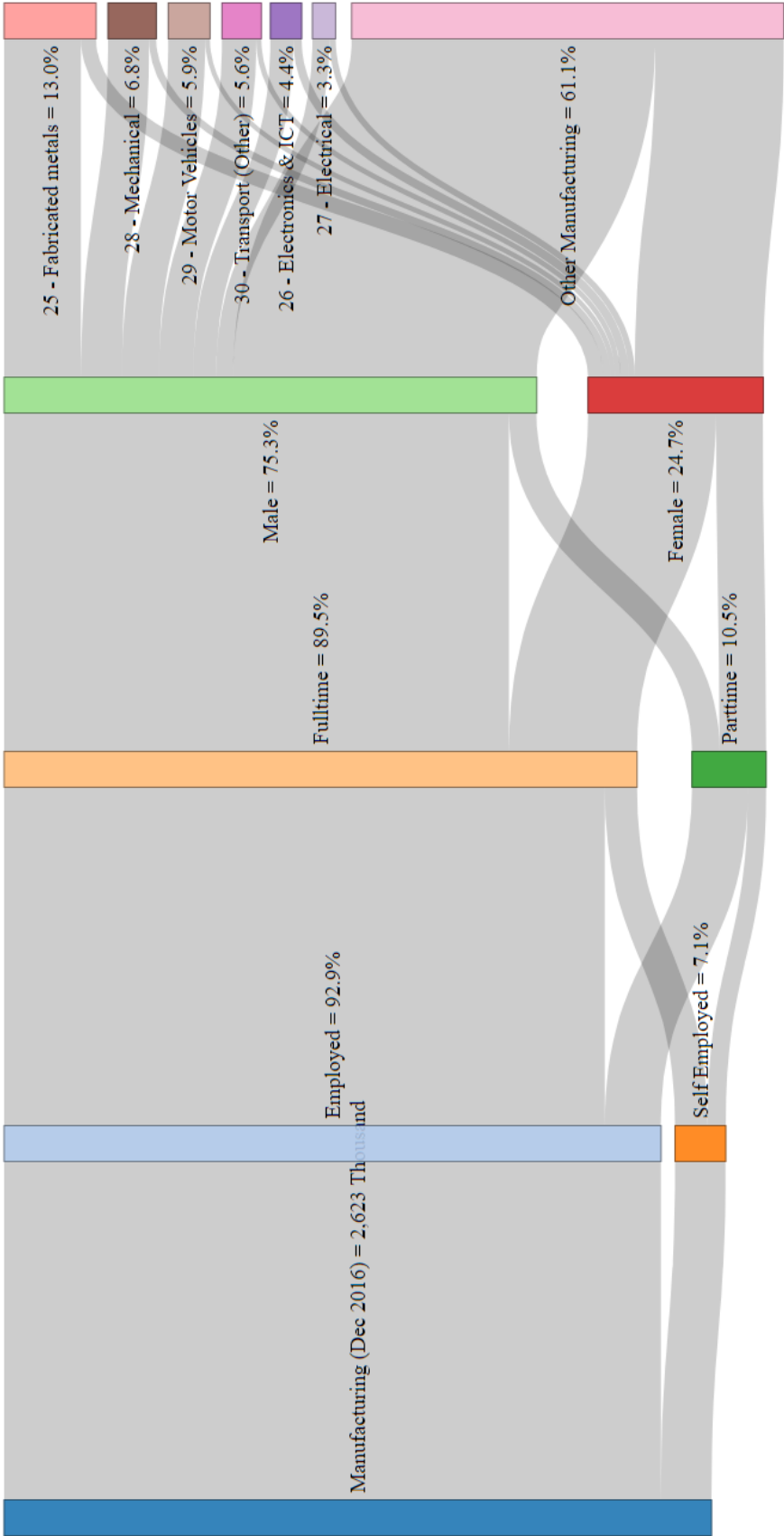
### B.1 UK Workforce



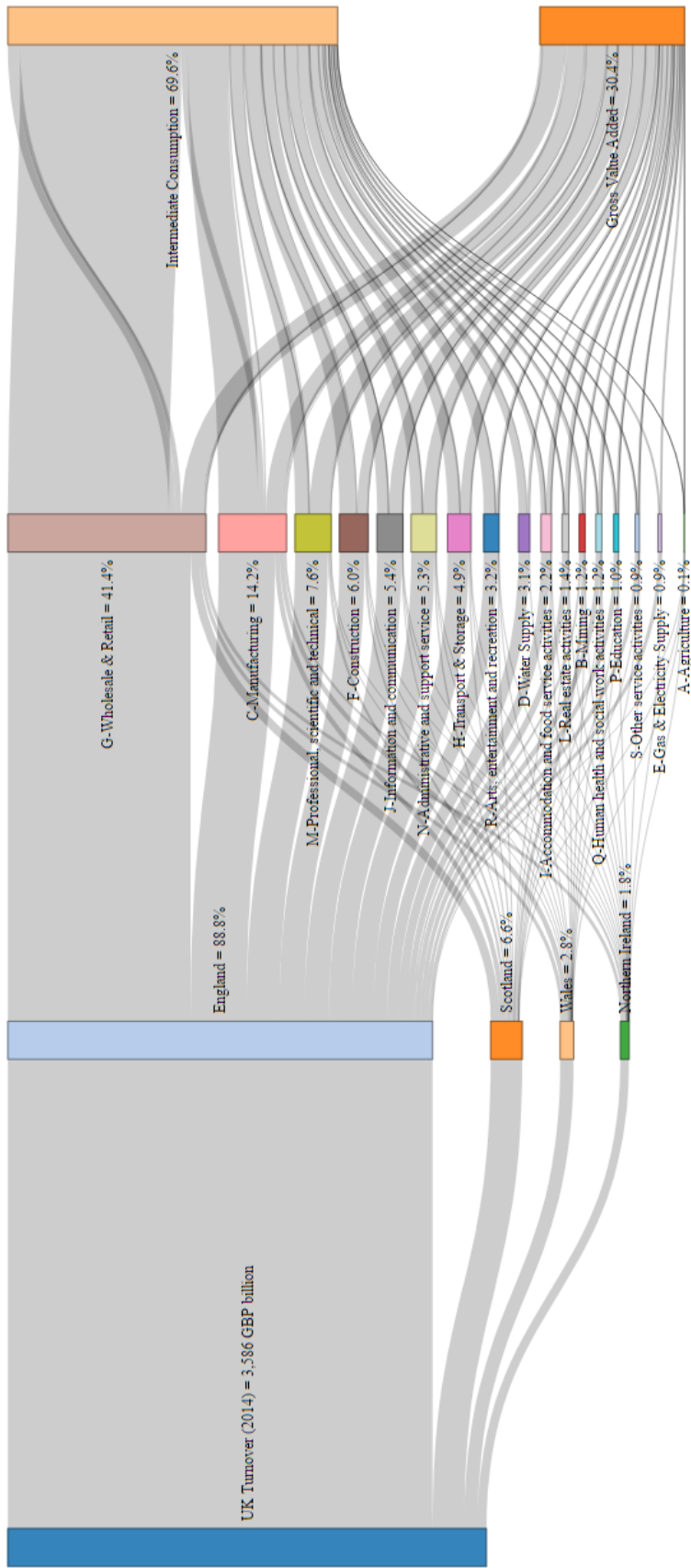
### B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



# C UK Industrial Output by Region



Excludes **K** (Financial & Insurance Activities) and **O** (Public Administration & Defence)



D UK Budget 2018/19



## E Data sources

- ONS
  - Producer Prices : <http://www.ons.gov.uk/economy/inflationandpriceindices>
  - Consumer Prices: <http://www.ons.gov.uk/economy/inflationandpriceindices>
  - GDP: <http://www.ons.gov.uk/economy/grossdomesticproductgdp>
  - Retail Sales: <http://www.ons.gov.uk/businessindustryandtrade/retailindustry>
  - Business Investment: <http://www.ons.gov.uk/economy/grossdomesticproductgdp>
  - Employment : <http://www.ons.gov.uk/employmentandlabourmarket>
  - Production : <http://www.ons.gov.uk/economy>
  - Exports : <http://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments>
  - Turnover: <http://www.ons.gov.uk/businessindustryandtrade>
  - Annual Business Survey : <https://www.ons.gov.uk/businessindustryandtrade>
  - Construction: <https://www.ons.gov.uk/businessindustryandtrade>
- HMRC
  - UK Trade: <https://www.uktradeinfo.com/Statistics/BuildYourOwnTables>
- HM Treasury
  - Budget: <https://www.gov.uk/government/publications/autumn-budget-2017-documents>
- ECB, OECD & Others
  - Exchange rate: <https://www.ecb.europa.eu/stats/exchange/eurofxref>
  - UK composite indicator: <http://stats.oecd.org/Index.aspx>
  - G7 Indicators : <https://tradingeconomics.com/>
  - FTSE 100: [https://uk.webfg.com/index/FTSE\\_100/prices/](https://uk.webfg.com/index/FTSE_100/prices/)

## F Information about EURIS

**EURIS** is an advisory body for the potential impacts of the changing relationship between the UK and EU for the UK Government, manufacturers and media. EURIS members are industry trade associations covering companies across the manufacture of electrical, electronics, plastics, fabricated metals, renewables and mechanical engineering products. It has a focus on product manufacturers covered by the Single Market and the supporting regulations and standards.

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### Standard Industry Classification Codes Representation

Plastics, Metals, Electronics, Electrical, Mechanical, Repairs & Installation

22, 25, 26, 27, 28, 33

Turnover 2017	Exports 2017	Employment 2017
£148	£52	1.1
billion	billion	million

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