

BREXIT WATCH

Issue 21

February 2019

Brexit Watch - 2019 Issue 21

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 7 in 2019 are as follows:

- ★ **Sterling** average rate in February 2019 improved slightly against the **US Dollar** from January 2019 but remained 7.3% below February 2018 rate.
- ★ The first estimate UK **GDP** growth for Q4 2018 was 0.2%, equivalent to £511 billion and a growth of 1.3% compared to Q4 2017.
- **Unemployment** rate remained at 4.0% in the three months to November 2018 as the number employed increased by 328 thousand and the number unemployed fell by 68 thousand compared to a year earlier.
- ★ **Input prices** slowed down to 2.9% in the twelve months to January 2019, driven by slow down in crude oil prices.
- ★ **Consumer price Index** including owner occupiers's cost rose by 1.8% in December 2018, the lowest 12-month growth since December 2016.
- ★ **Index of production** fell by 0.8% in December 2018 on yearly basis, as all sub-sectors of production with exception of mining and quarrying declined.
- ★ **Construction output** fell by 2.8% in December 2018 compared to a year earlier, as both new work and repairs dived.
- ★ **Business Investment** growth in Q4 2018 hits 9-year low at -3.7%, the lowest 4-quarter growth since 2010 Q1.
- ★ **Exports** in 2018 rose by 1.9% to £629 billion and **imports** also rose by 2.8% to £662 billion compared to 2017.
- ★ The moving annual **turnover** for the EURIS6 group reached £153.7 billion in December 2018, representing a growth of 3.9% compared to December 2017. The group **exported** £53.5 billion in the twelve months to December 2018, a growth of 3.1% and the **workforce** now stands at 1,112 thousand.

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Glossary

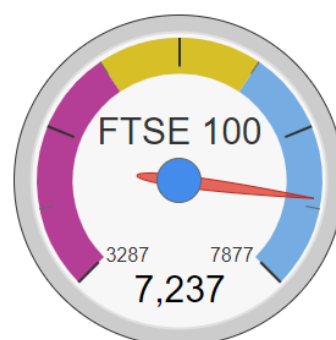
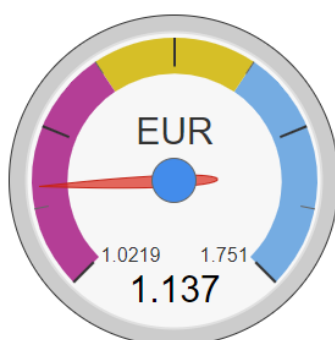
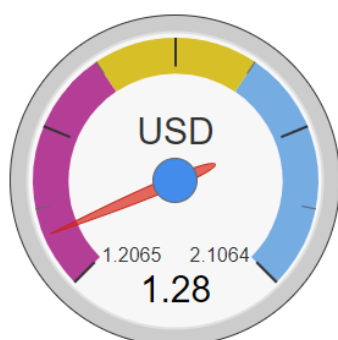
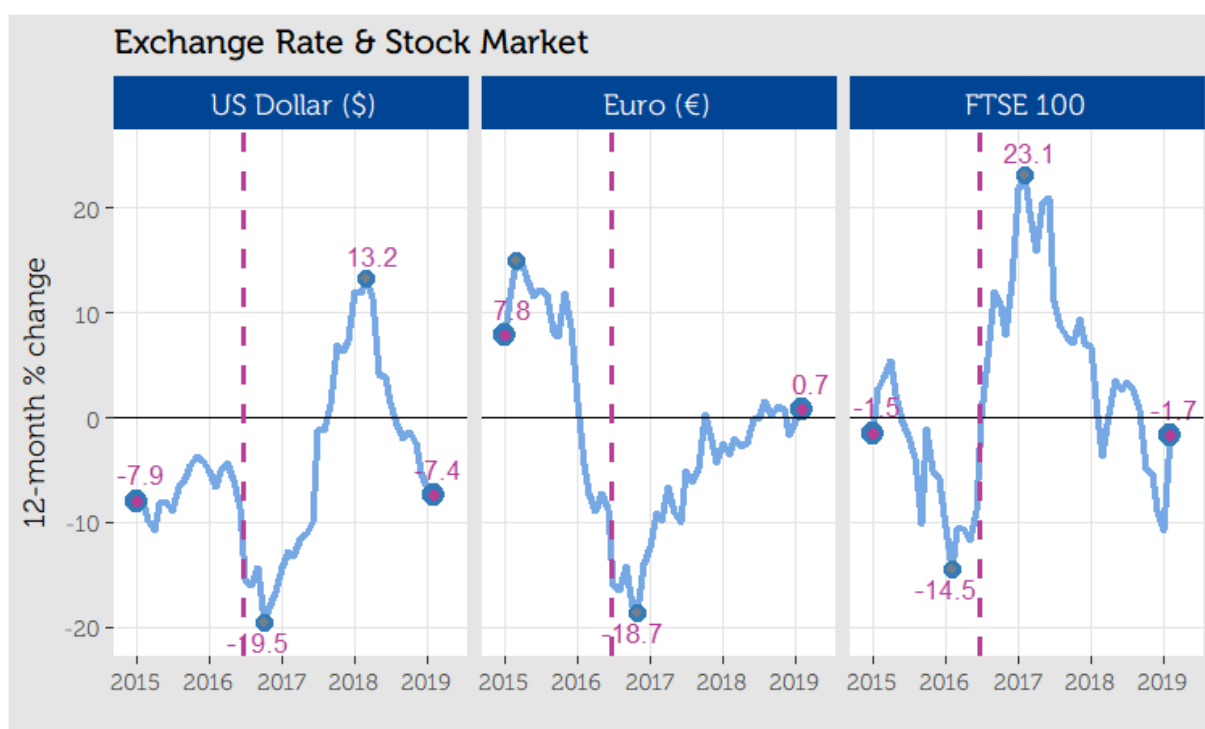
BCA	British Cables Association	GDP	Gross Domestic Product
BCAS	British Compressed Air Society	HMRC	HM Revenue & Customs
BEAMA	British Electrical & Allied Manufacturers Association	IOM	Index of Manufacturing
BFPA	British Fluid Power Association	IOP	Index of Production
BPF	British Plastics Federation	IOS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

1 Exchange Rates & Stock Market

Sterling average rate against **US Dollar** in February 2019 improved slightly over January 2019, but remained below the same period a year earlier. The month-to-date rate was 0.4% above January 2019, 7.4% below February 2019 and 11.1% below May 2016 (pre-brexit vote).

Sterling also gained on **Euro** from previous month and also slightly up a year earlier. The month-to-date rate was 1.0% above January 2019, 0.7% above February 2018 but 11.4% lower than May 2016 rate.

FTSE 100 has recovered 268 points so far in the month February 2019 to finish at 7237 at the end of week 7. The month-to-date average was 3.6% above January 2019, 1.7% below February 2018 and 15.7% above May 2016.

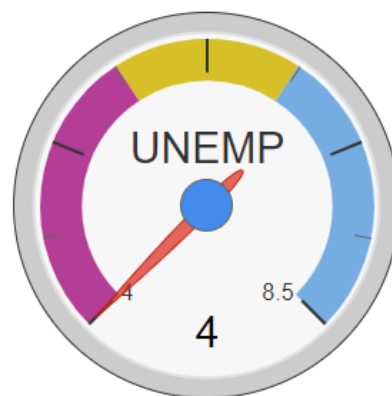
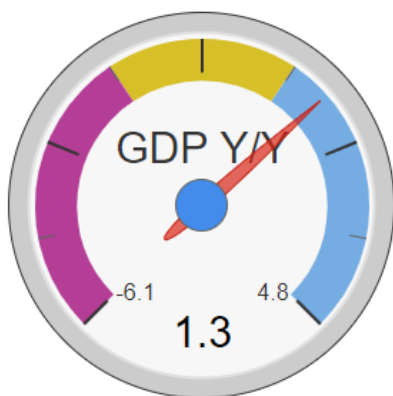
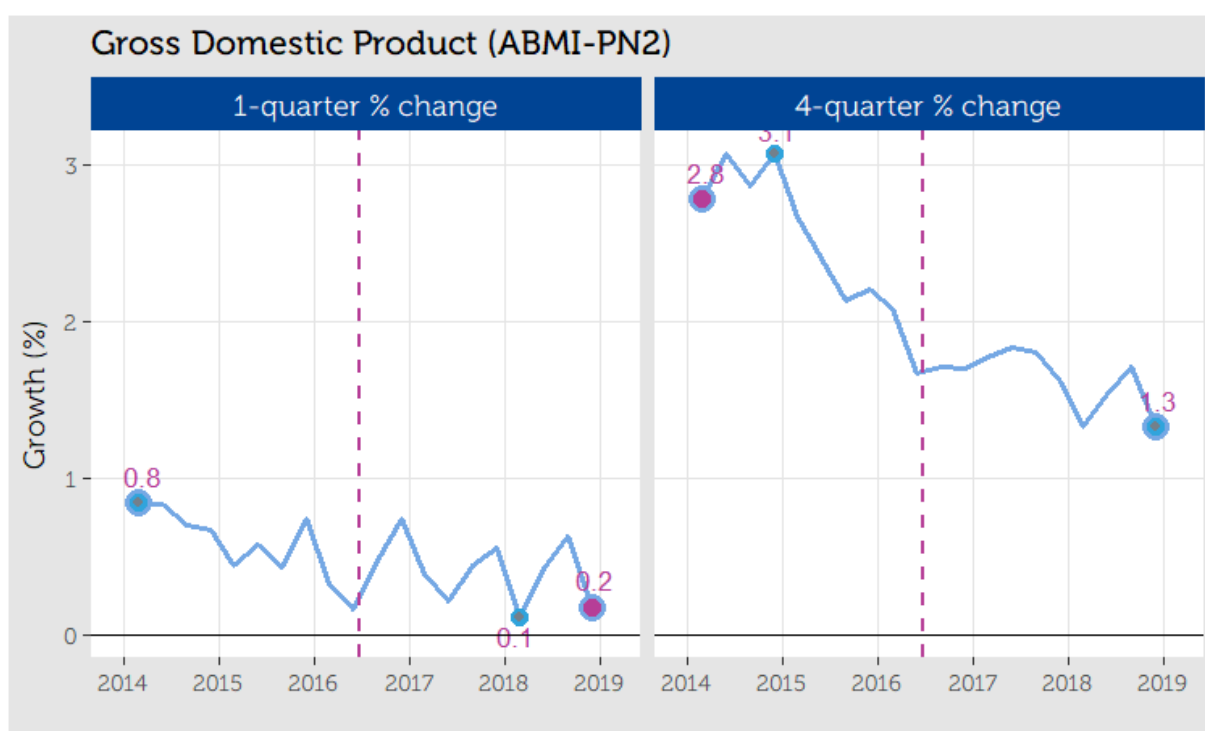


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The first estimate of the **gross domestic product** growth for Q4 2018 was 0.2%; equivalent to £511 billion and a growth of 1.3% compared to Q4 2017. Services rose by 1.9%, construction rose by 0.9% but production fell by 1.0% in Q4 2018 compared to Q4 2017. GDP has grown by 4.2% since Q2 2016.

The number of people in work increased by 328 thousand to 32.53 million in the three months to November 2018 compared to a year earlier. The number of people unemployed fell by 68 thousand to 1.37 million in the same period. **Unemployment** rate remained 45-year low at 4.0%.

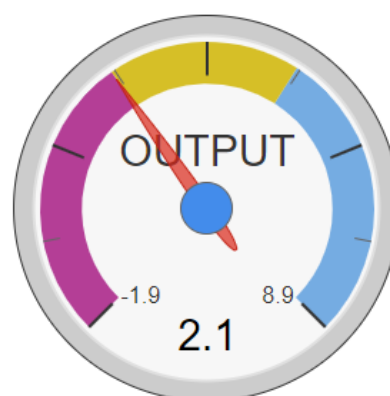
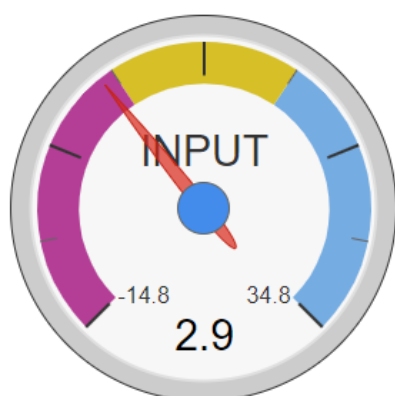


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

3 Producer Prices

The slowdown in **input prices** for all manufacturing continued in January 2019 as the 12-month growth hits 31-month low at 2.9%. The main drivers for the slowdown were crude oil prices. Notwithstanding, input prices has increased by 22.4% since May 2016.

Factory gate (Output) prices for all manufacturing was flat in January 2019 compared to previous month but rose by 2.1% compared to January 2018. The prices of all the main components rose on previous year with exception of petroleum products. Chemical and pharmaceutical products rose the fastest with 4.8%. The index has grown by 7.7% since May 2016.



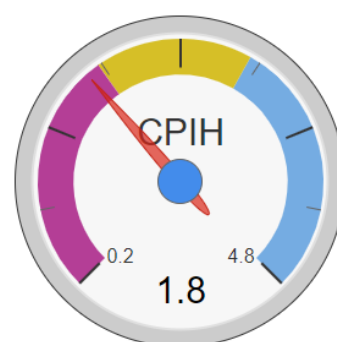
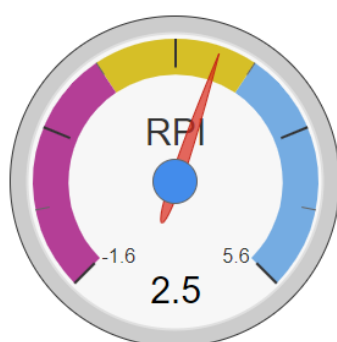
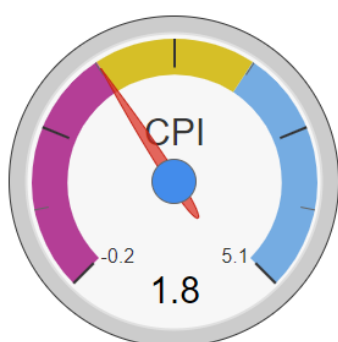
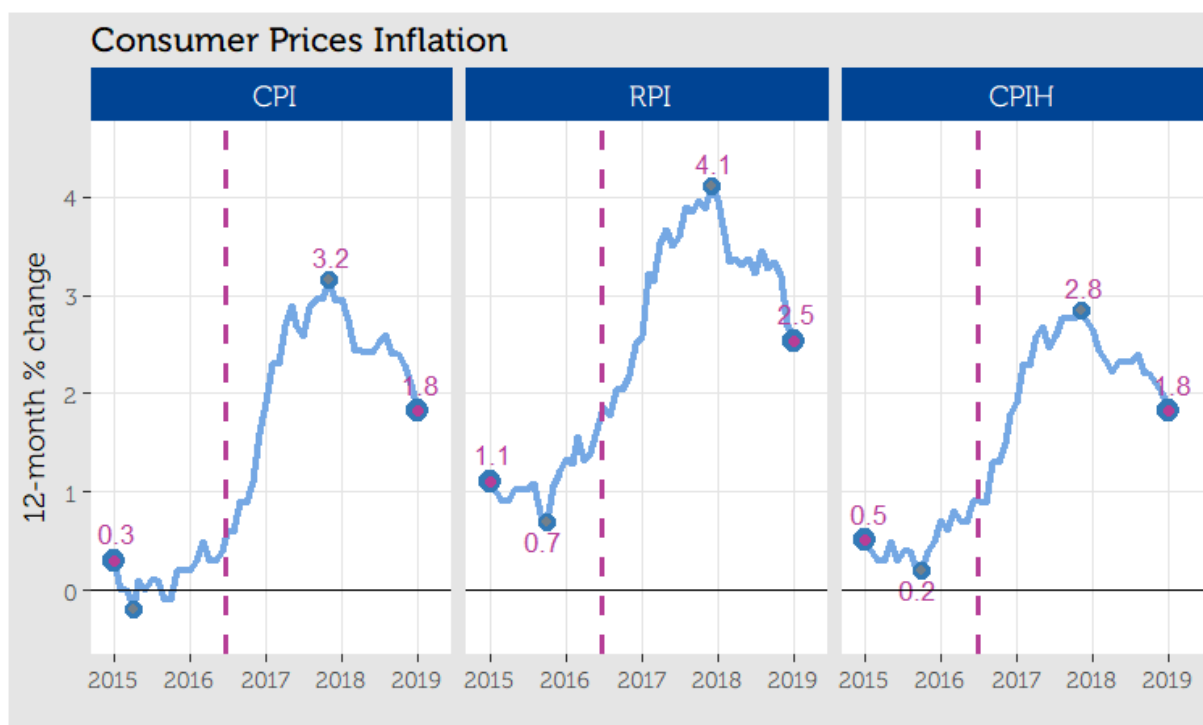
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

4 Consumer Prices

Consumer price index (CPI) growth hits 25-month low as the annual growth fell 1.8% January 2019. Slowdown in prices of transport and utilities between December 2018 and January 2019 were the main drivers for the low growth. CPI has grown by 5.9% since May 2016.

The **retail price index (RPI)** growth hits 2.5% in the twelve months to January 2019; the lowest growth since December 2016. RPI has grown by 8.0% since May 2016.

CPI including owner occupier's cost (CPIH) rose by 1.8% in the twelve months to January 2019, a drop from 2.0% recorded in December 2018. CPIH has grown by 6.2% since May 2016.



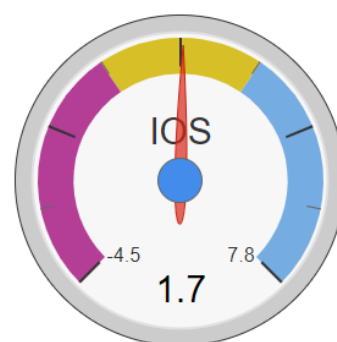
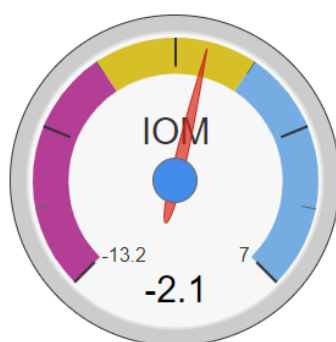
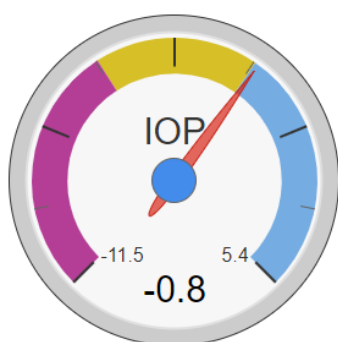
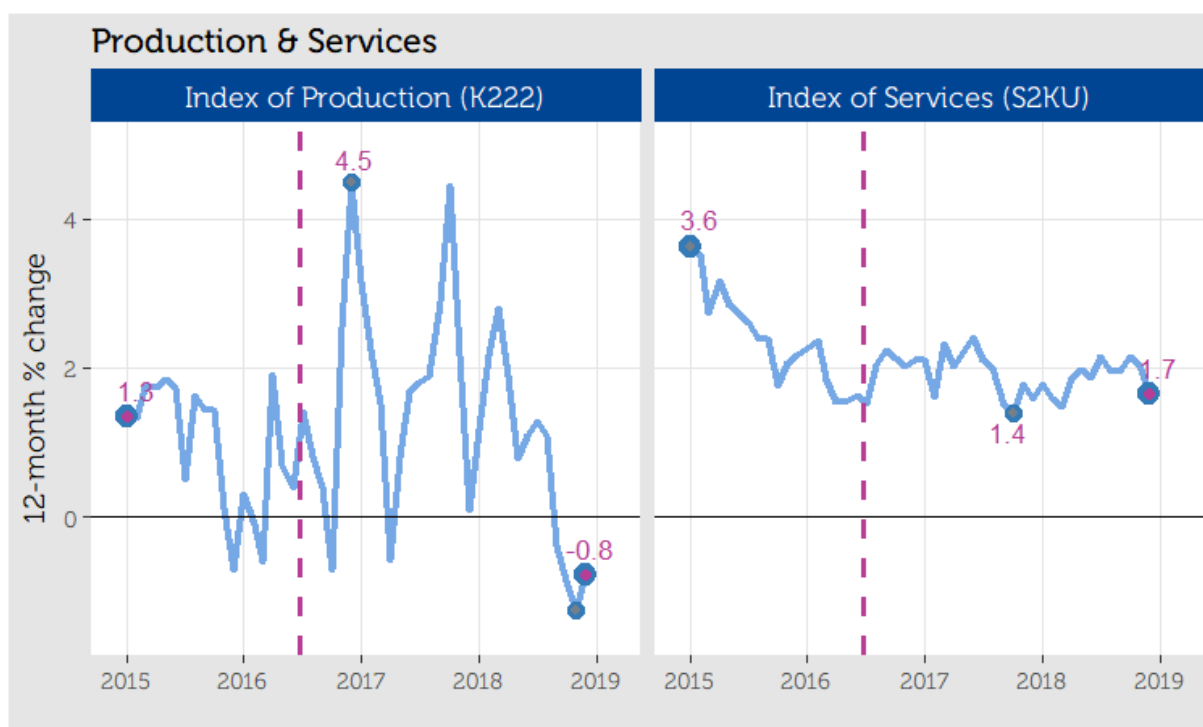
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

The 12-month growth of **index of production** (IOP) in December 2018 fell by 0.8%; the fourth successive year on year decline. The decline was widespread across all sectors with exception of mining and quarrying which rose on yearly basis. IOP has grown by 1.2% since May 2016.

Index of manufacturing (IOM) fell by 0.7% in December 2018 and also fell by 2.1% compared to twelve months earlier. It is the lowest 12-month growth since May 2013. 13 sectors out of the 24 declined in December 2018. IOM has grown by 1.1% since May 2016.

Index of services (IOS) fell by 0.2% in December 2018 but also rose by 1.7% compared to a 12 months earlier. All sectors grew in the year to December 2018. IOS has grown by 5.2% since May 2016.

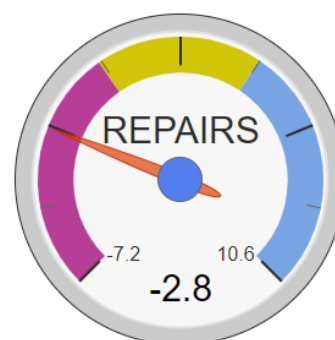
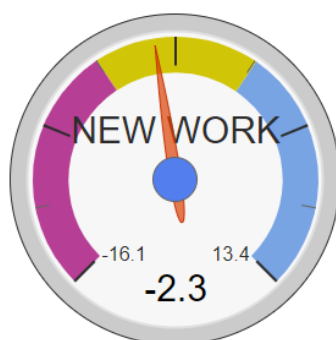
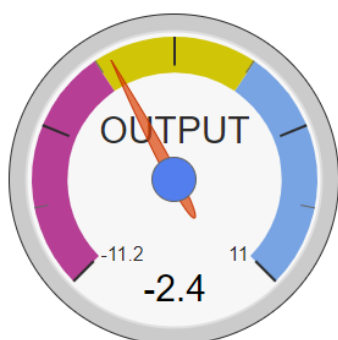
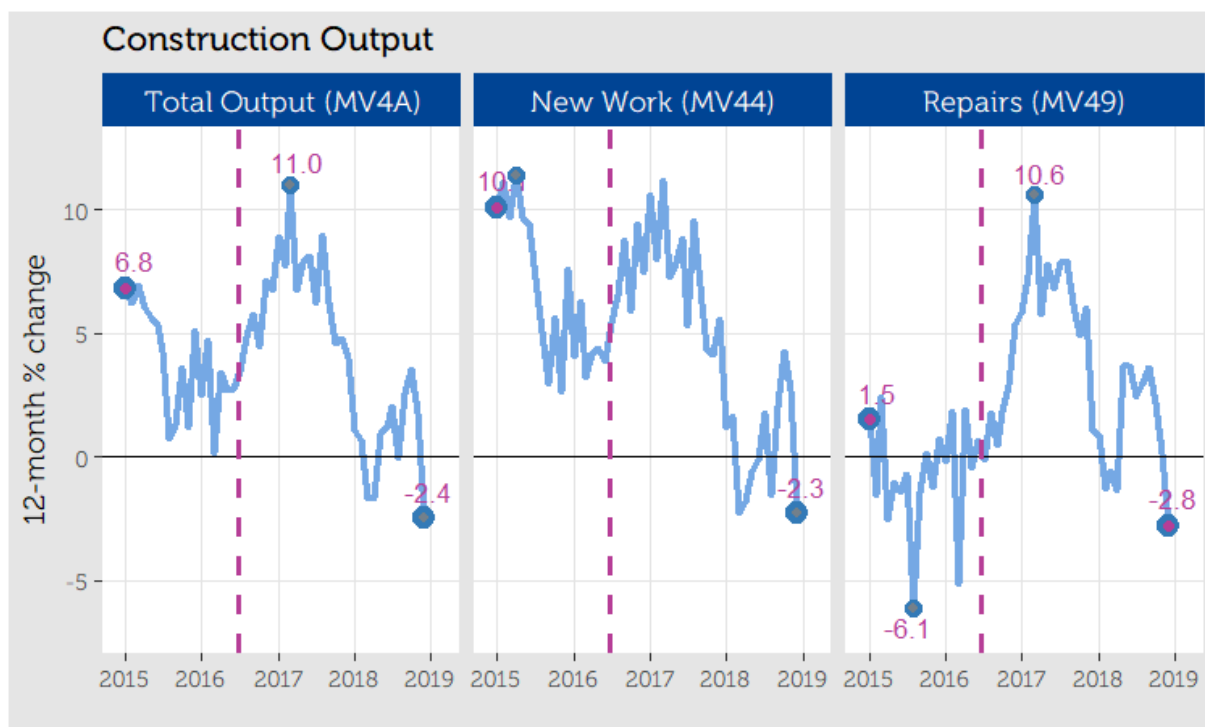


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Construction output in December 2018 fell by 2.8% on previous month to £13.5 billion. It was the lowest 1-month growth since June 2012. Compared to December 2017 output also fell by 2.4%; the lowest 12-month growth since March 2013. On quarterly basis, construction output was up by 0.9% in 2018 Q4 compared to 2017 Q4, driven by new infrastructure and new private commercial work.

New construction work fell to £9.0 billion in December 2018; equivalent to 2.3% decline compared to December 2017 and **construction repairs** also fell to £4.5 billion; a decline of 2.8% in the same period. On quarterly basis, new work was up by 1.5% in 2018 Q4 but repairs was 0.1% down compared to 2017 Q4. Construction output on quarterly basis has grown by 9.7% since 2016 Q2.



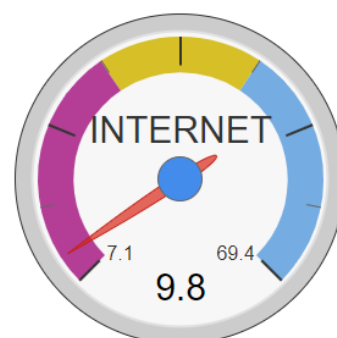
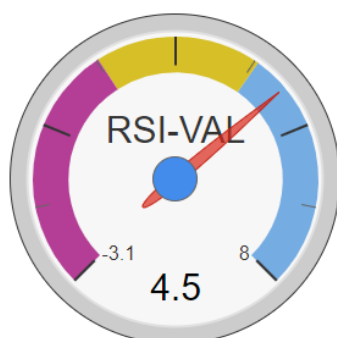
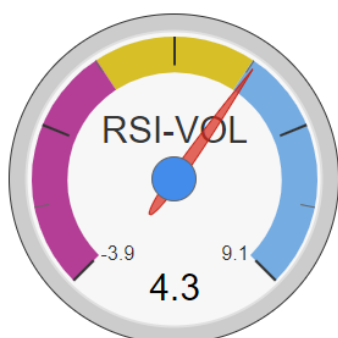
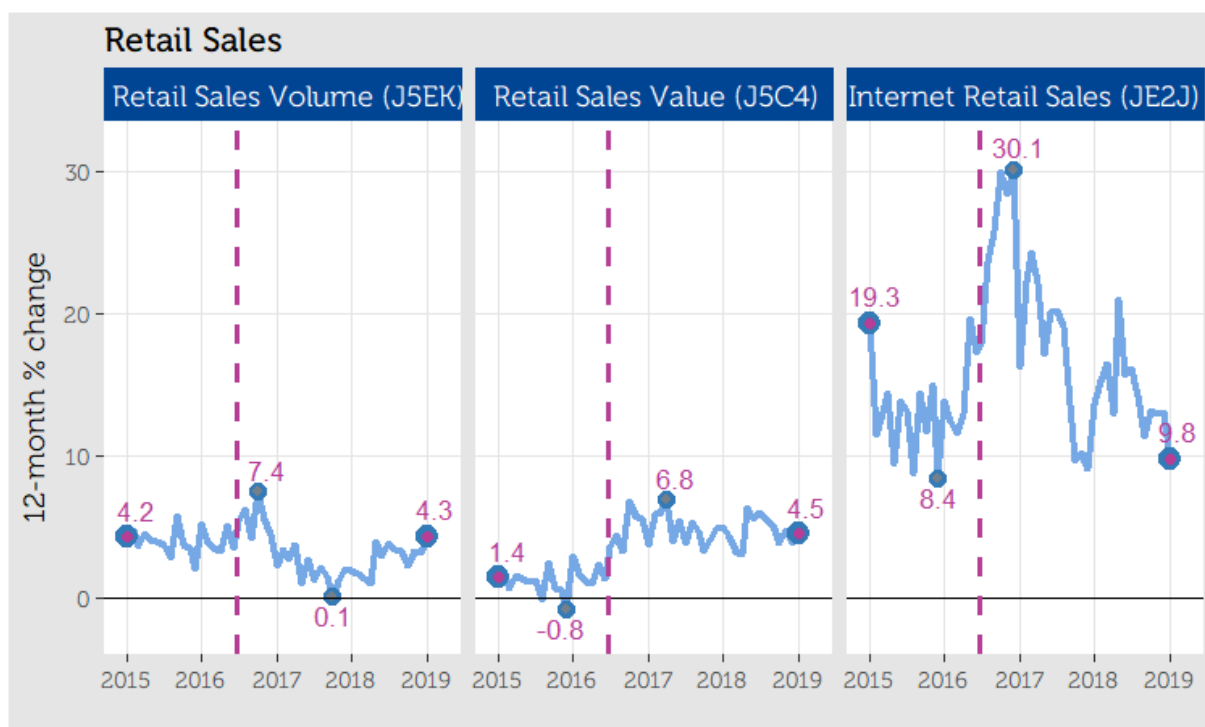
[Gauge Charts: 4-quarter % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) hits 25-month high at 4.3% in January 2019 as prices slowed down. It is the highest 12-month growth since December 2016. Clothing, textile and footwear stores rose the fastest as shoppers took advantage of January sales. Volume of retail sales has grown by 6.7% and May 2016.

The **value of retail sales** (including fuel) rose by 0.9% in January 2019 on previous month and also rose by 4.5% compared to 12 months earlier. Retail sales value has grown by 12.8% since May 2016.

Internet retail sales accounted for 18.8% of all retail sales in January 2019; a growth of 9.8% compared to 12 months earlier.

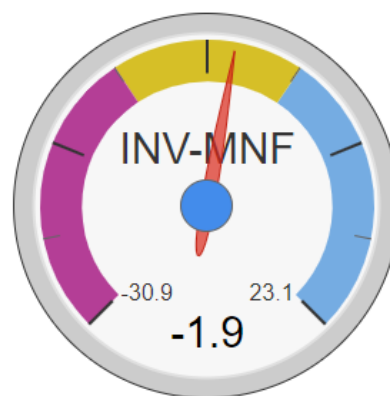
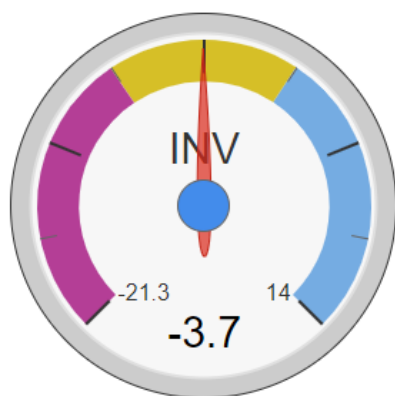
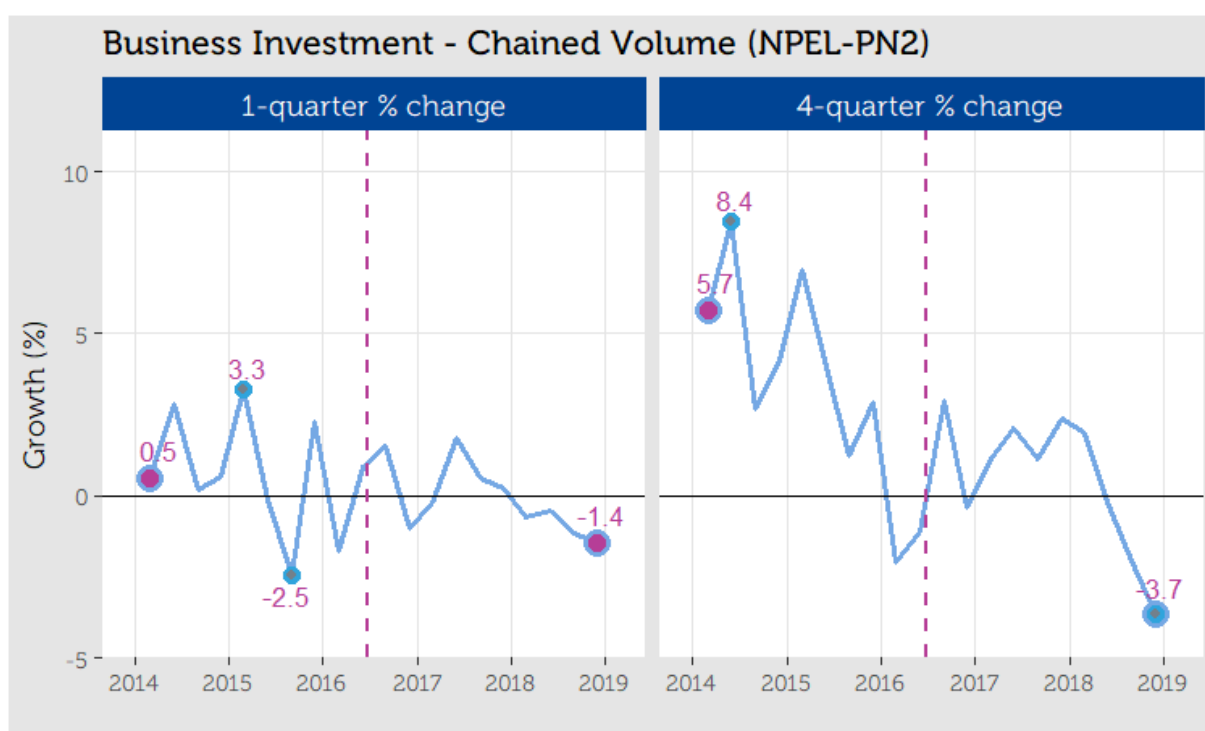


[Gauge Charts: 12-month % change since Jan 2000; Internet sales data starts from Jan 2007]

8 Business Investment

Business investment growth for all industries (INV), in volume terms, hits 9-year low as investments declined by 3.7% in Q4 2018 compared to a year earlier. The investment volume in Q4 was equivalent to £46.2 billion, a decline by 1.4% compared to previous quarter. It was the lowest 4-quarter growth since Q1 2010 and investment has declined by 0.9% since Q2 2016.

Investment in **manufacturing industries** (INV-MNF), in volume terms, rose by 4.5% in Q3 2018 but fell by 1.9% compared to Q3 2017. It is the first quarter on quarter growth after two successive declines and has grown by 2.0% since Q2 2016.



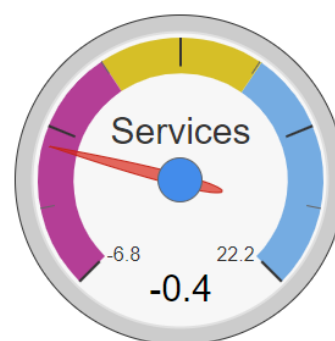
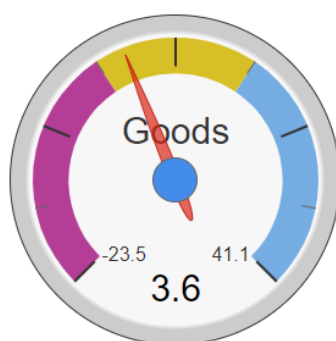
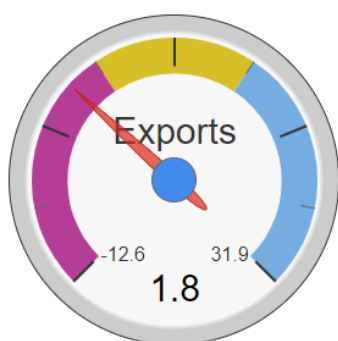
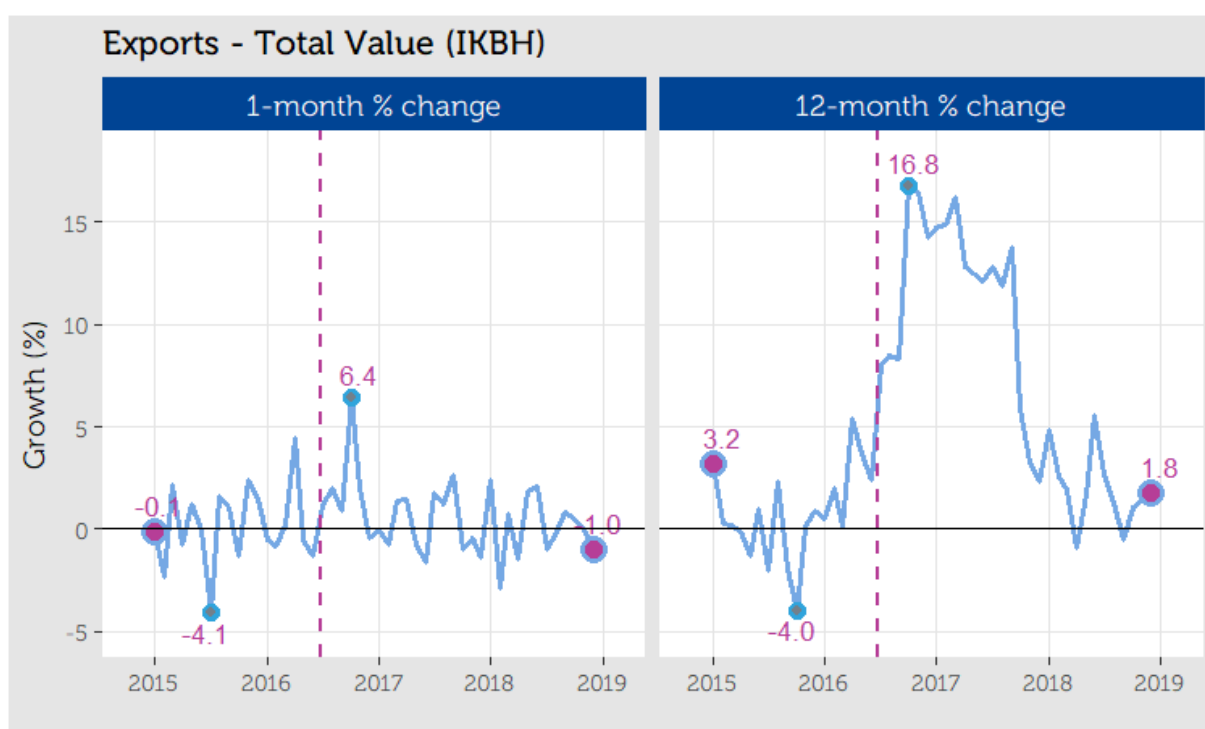
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** fell by 1.0% in December 2018 on previous month but rose by 1.8% compared to December 2017. Exports of **goods** rose by 3.6% to £ 29.1 billion but exports of **services** fell by 0.4% to £ 23.5 billion in December 2018 compared to twelve months earlier.

The moving annual total of UK exports dropped slightly to £629 billion in December 2018, a growth of 1.9% compared to the same period previous year. The total exports for 2018 was £629 billion, a growth of 1.9% on 2017.

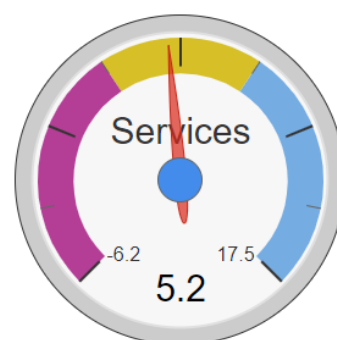
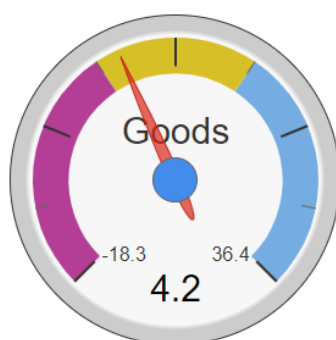
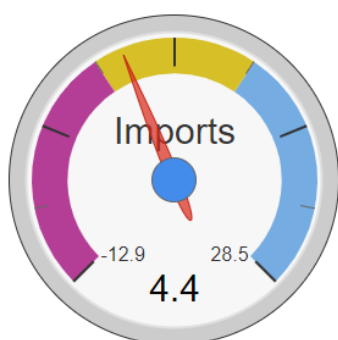
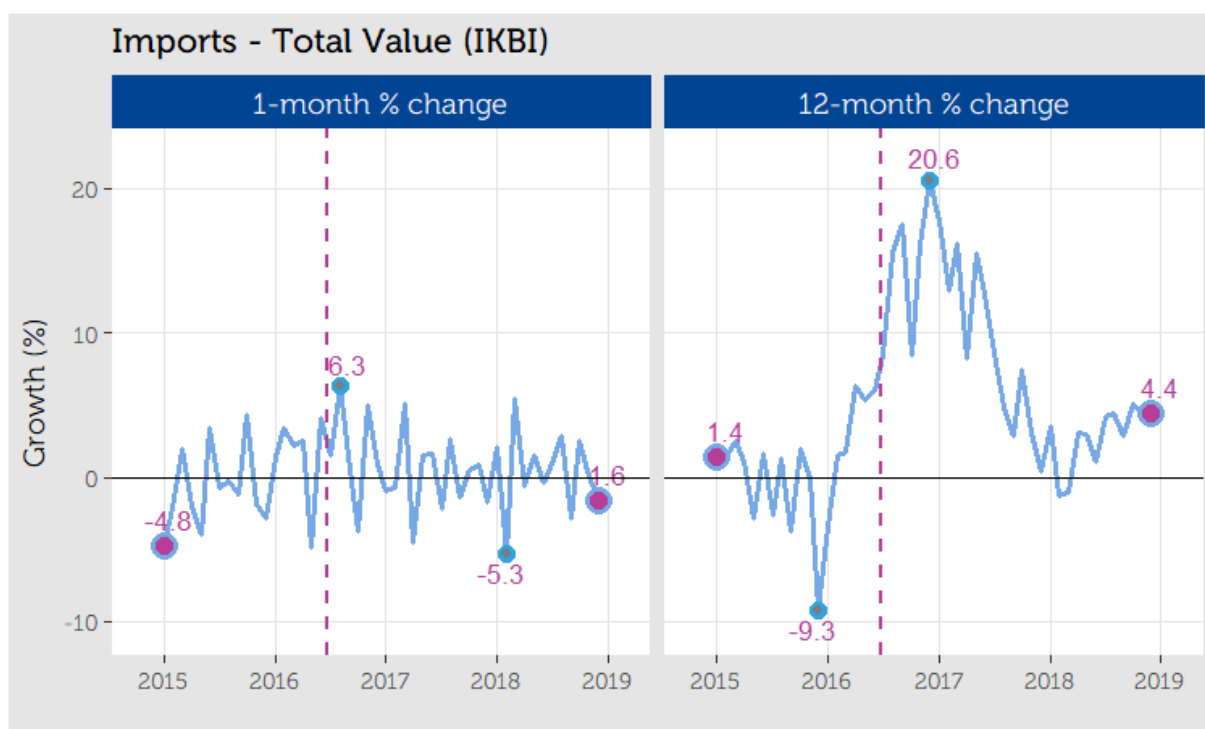


[Gauge Charts: 12-month % change since Jan 2000]

9.2 Imports

The **value** of UK **imports** dropped by 1.6% in December 2018 from previous month but rose by 4.4% compared to December 2017. Imports of **goods** in December 2018 rose by 4.2% to 41.2 billion and imports of **services** also rose by 5.2% to £14.7 billion compared to twelve months earlier.

The moving annual total of UK imports reached £662 billion, a growth of 2.8% compared to the same period previous year. The total imports in 2018 was £662 billion, a growth of 2.8 on 2017.



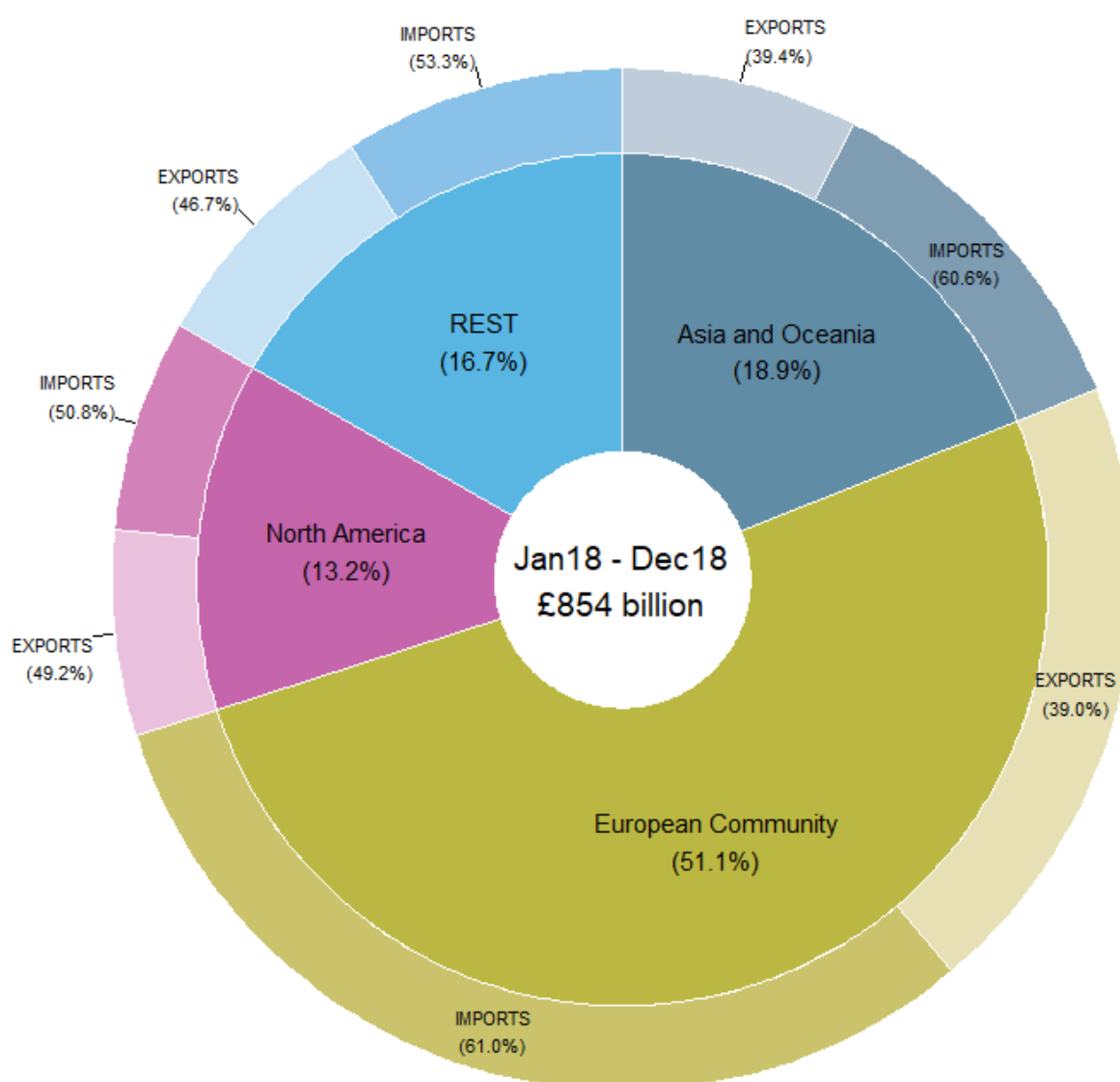
[Gauge Charts: 12-month % change since Jan 2000]

9.3 Goods Trade: Distribution

The **total trade of goods** in 2018 was £ 854 billion, 0.6% lower than the same period a year earlier. Exports of goods accounted for 41.7% of the total, slightly higher than 40.6% recorded in 2017.

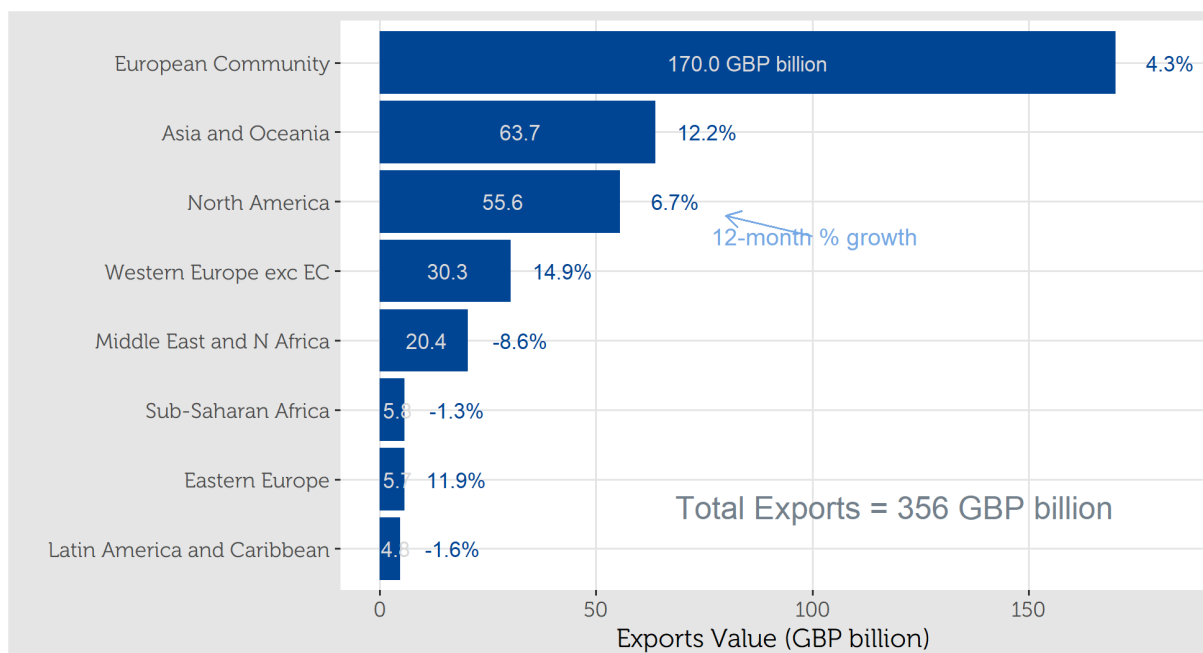
The total goods trade with **EU** countries in 2018 was £436 billion, 3.2% higher than 2017. EU share of the total goods trade in 2018 was unchanged at 51.0% from 2017. For every £1.00 of goods exported to EU in 2018, UK imported an equivalent of £1.57 value of goods, down from £1.59 recorded in 2017.

Non-EU countries accounted £418 billion of trade in 2018; 3.1% higher than 2017. For every £1.00 of goods exported to Non-EU in 2018, UK imported an equivalent of £1.24 value of goods, slightly lower than £1.34 recorded in same period in 2017.

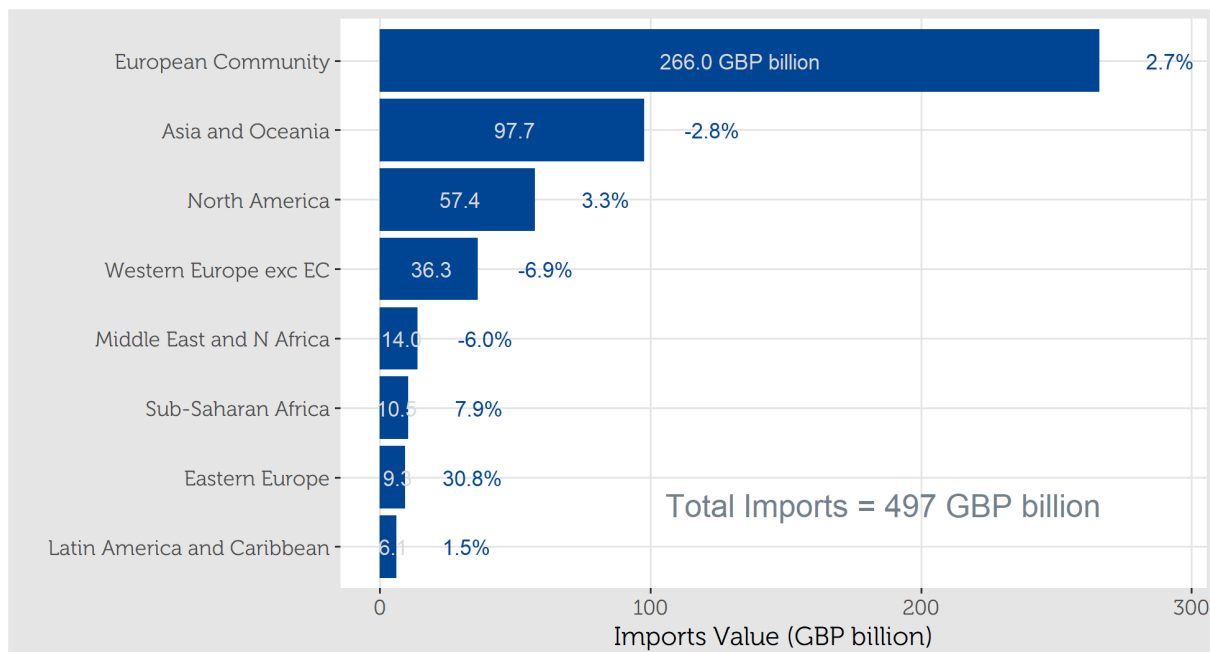


9.4 Goods Trade: Ranking by Region

9.4.1 Exports - 2018 Jan - Dec

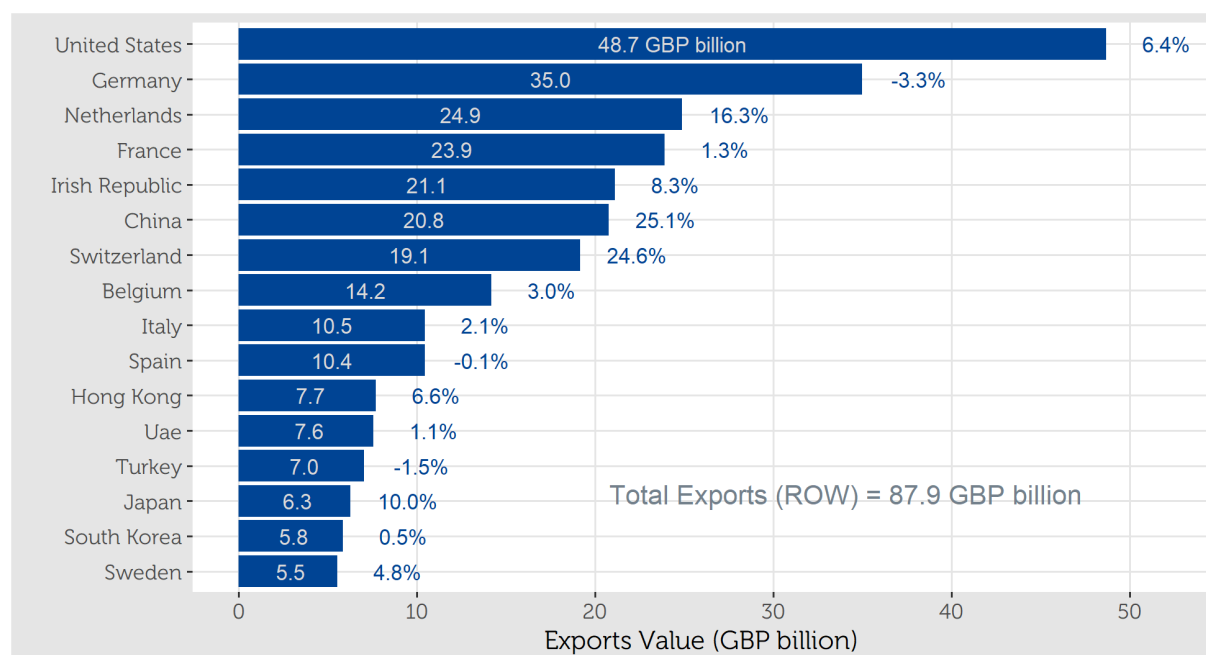


9.4.2 Imports - 2018 Jan - Dec

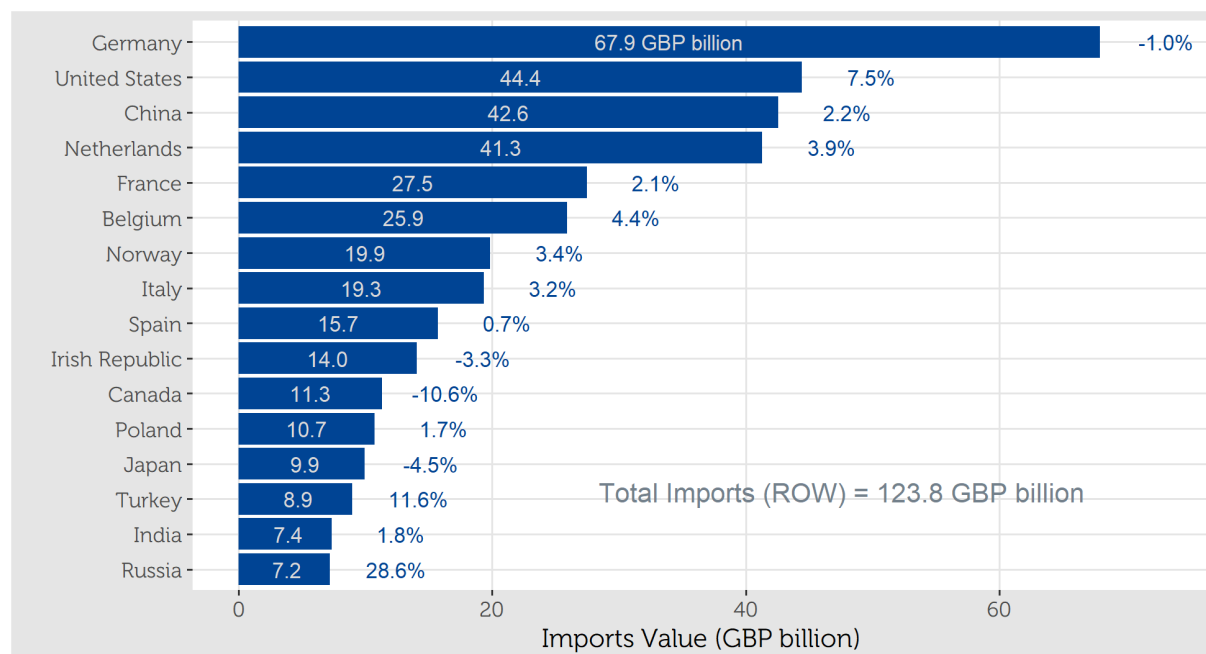


9.5 Goods Trade: Ranking by Country - Top 16

9.5.1 Exports - 2018 Jan - Dec

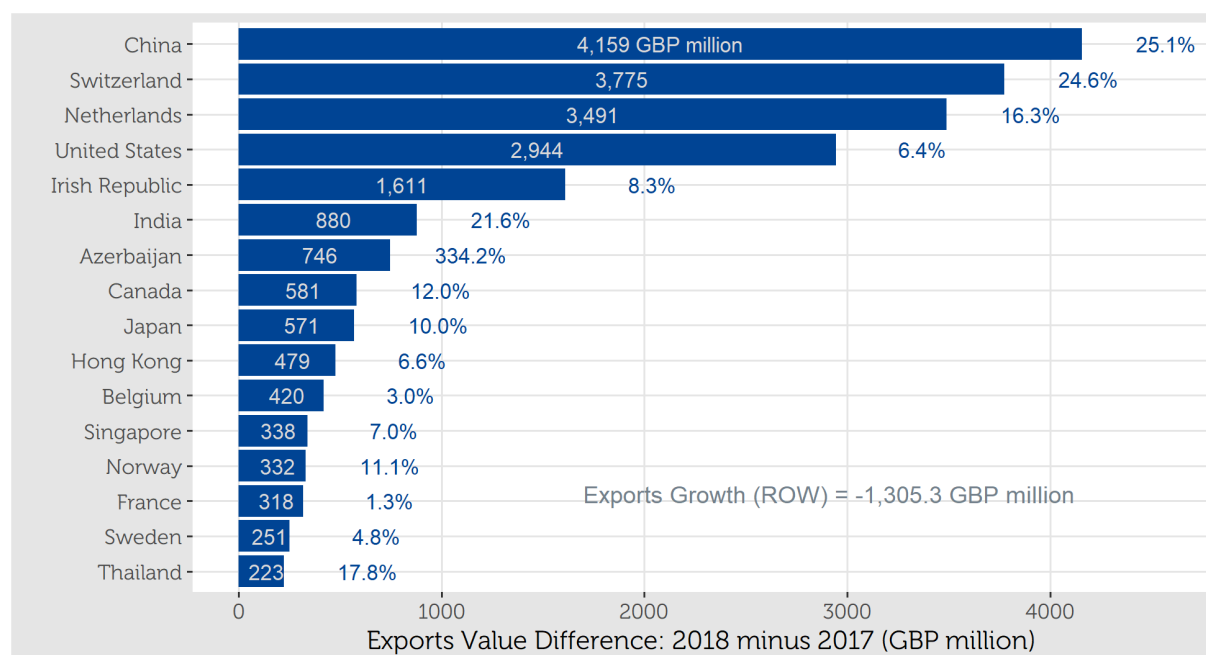


9.5.2 Imports - 2018 Jan - Dec

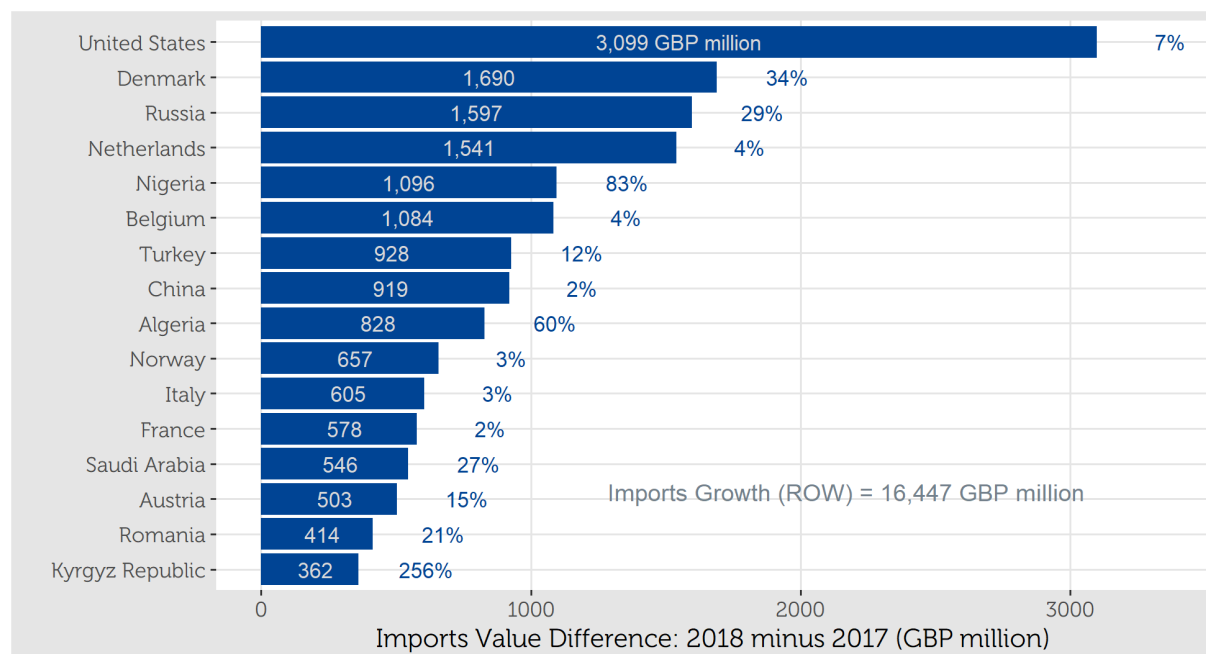


9.6 Goods Trade: Growth Ranking by Country - Top 16

9.6.1 Exports Value Growth - 2018 Jan - Dec

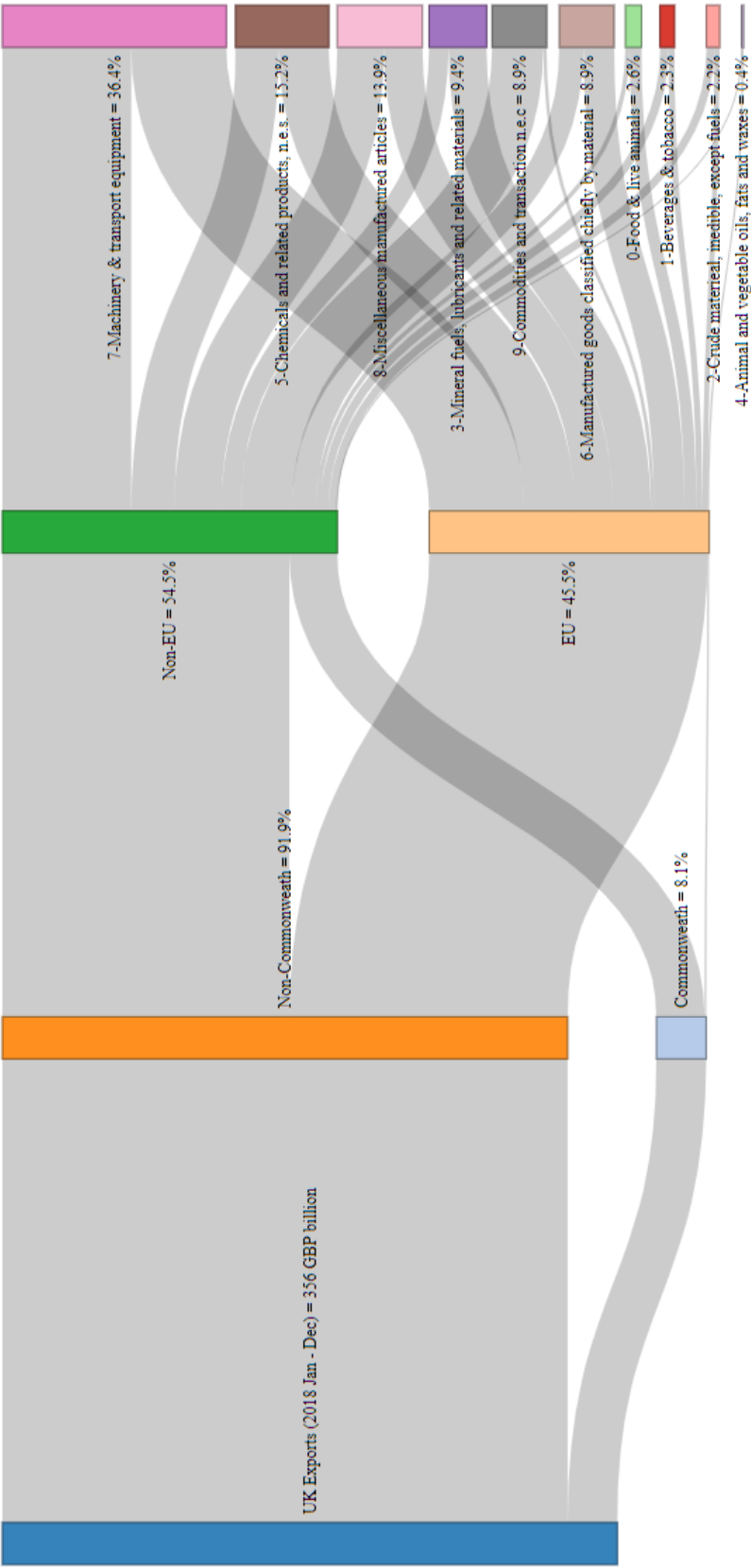


9.6.2 Imports Value Growth - 2018 Jan - Dec

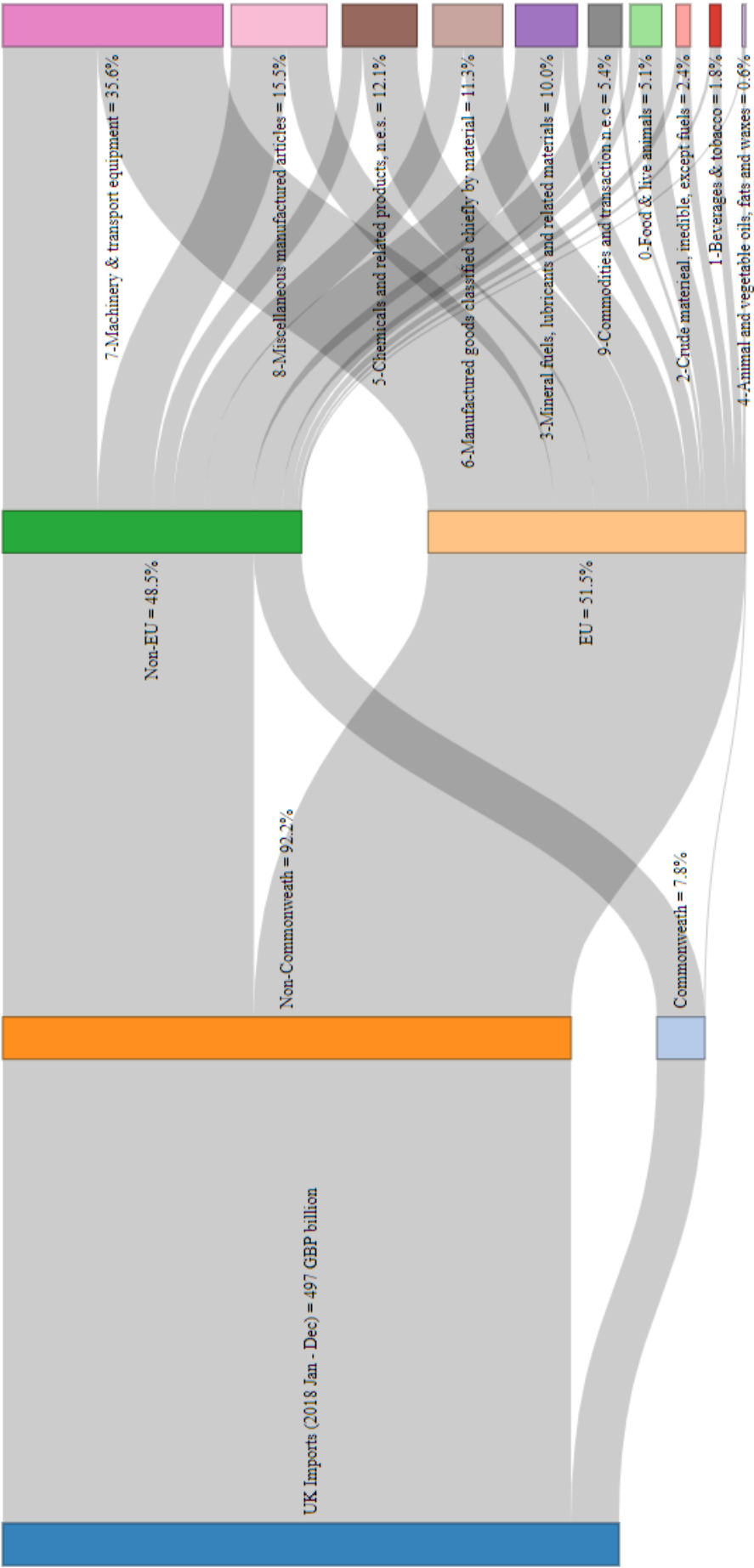


9.7 Goods Trade: EU & Commonwealth by SITC

9.7.1 Exports - 2018 Jan - Dec

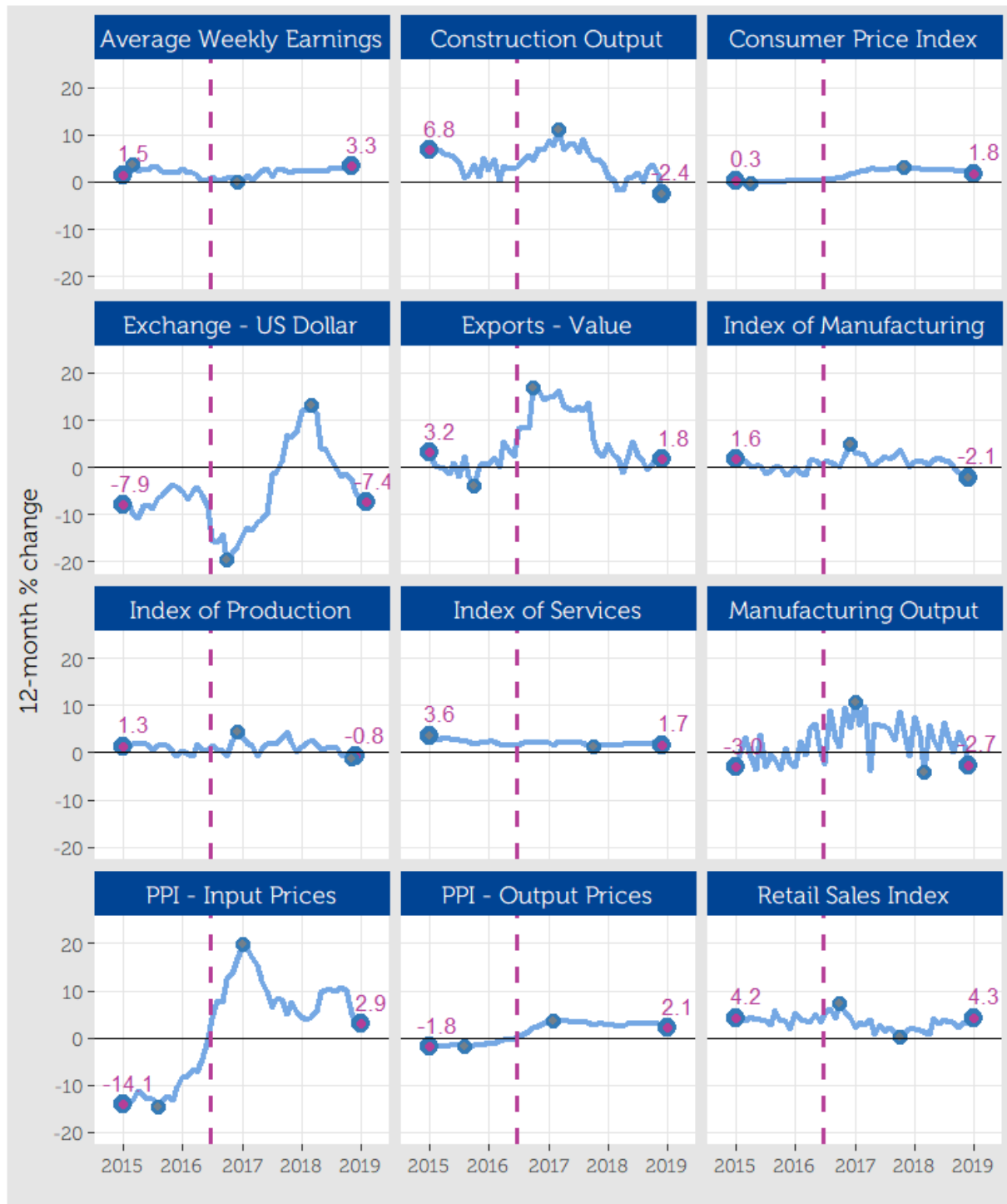


9.7.2 Imports - 2018 Jan - Dec

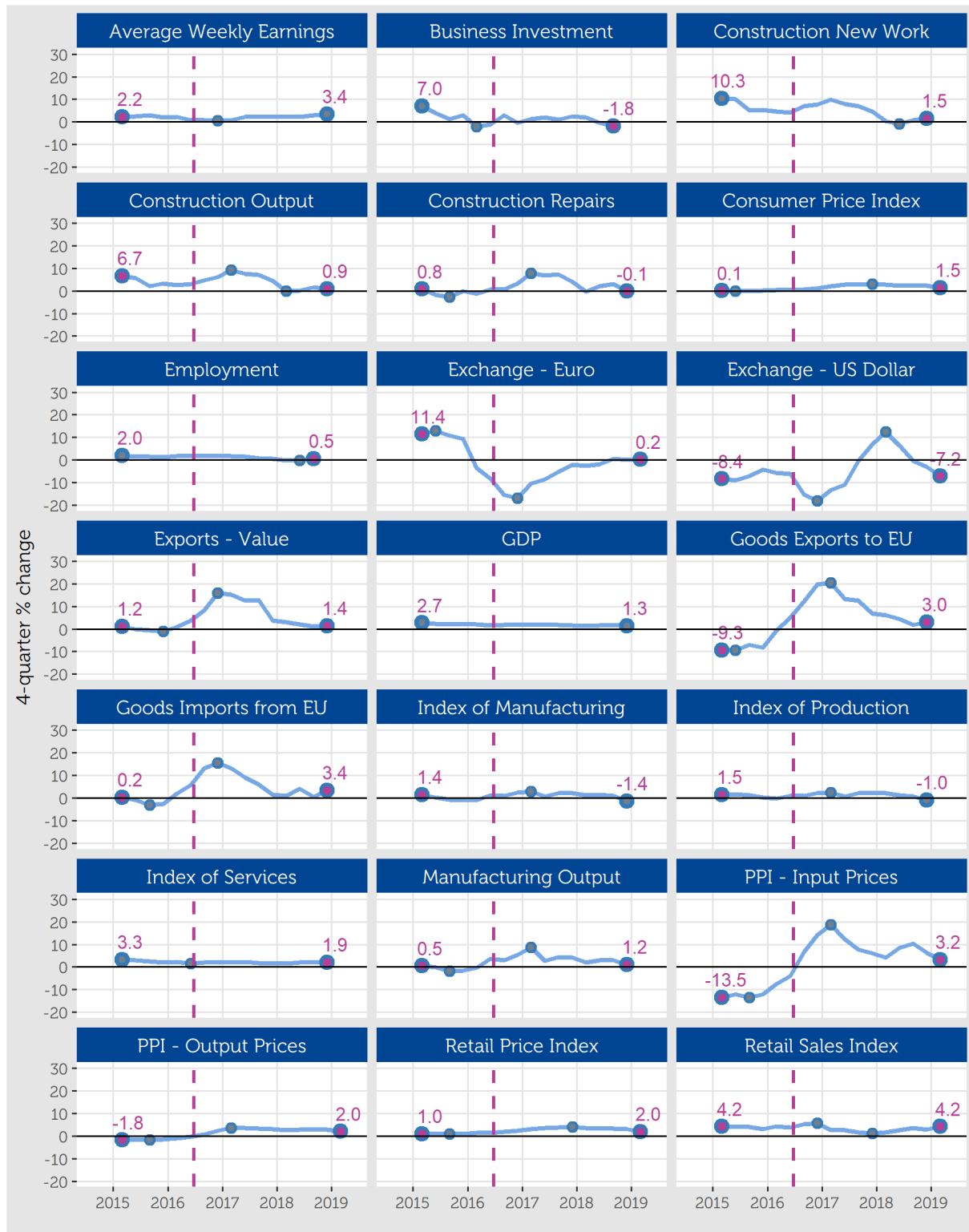


10 Economy At a Glance

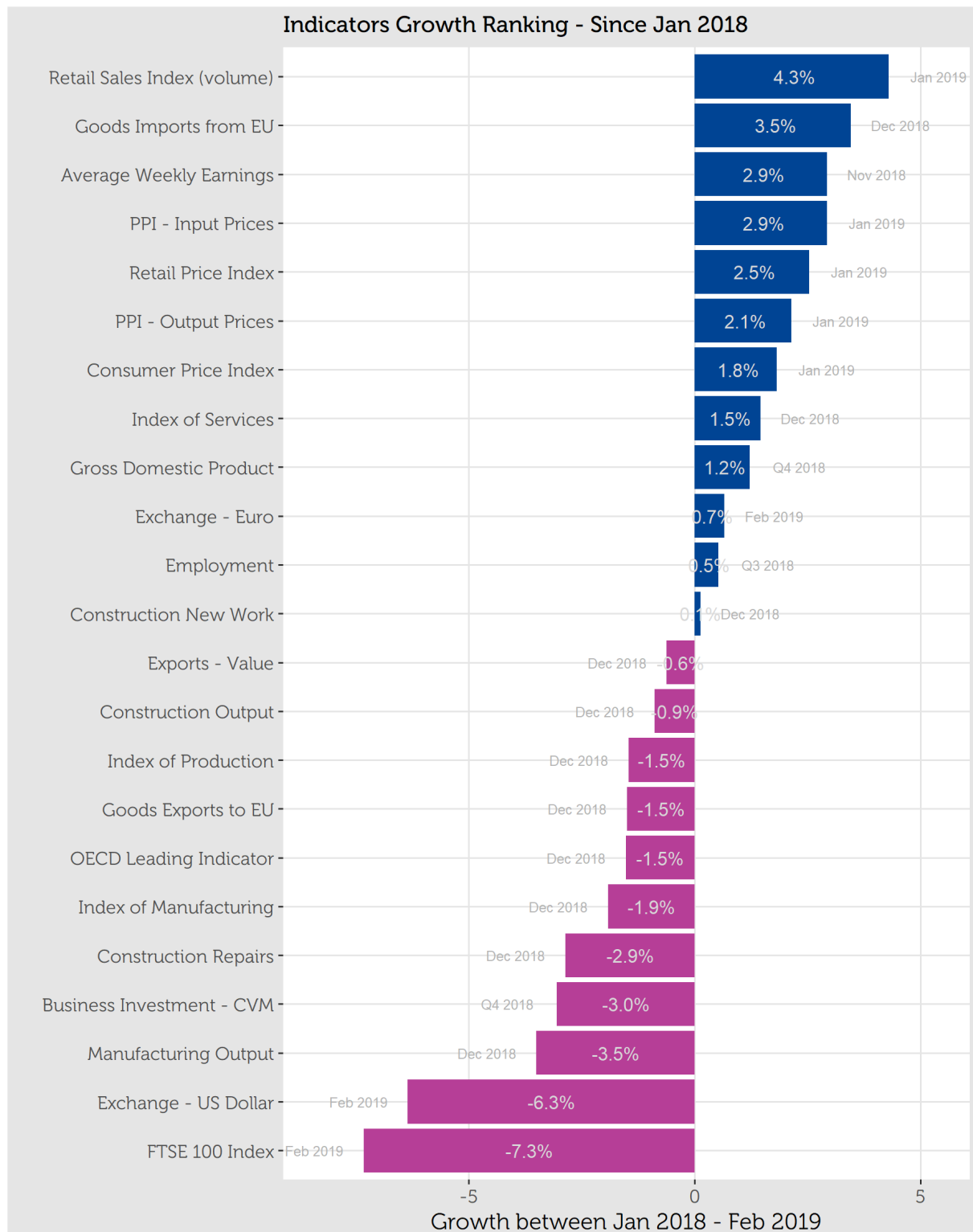
10.1 Growth: 12-month % growth



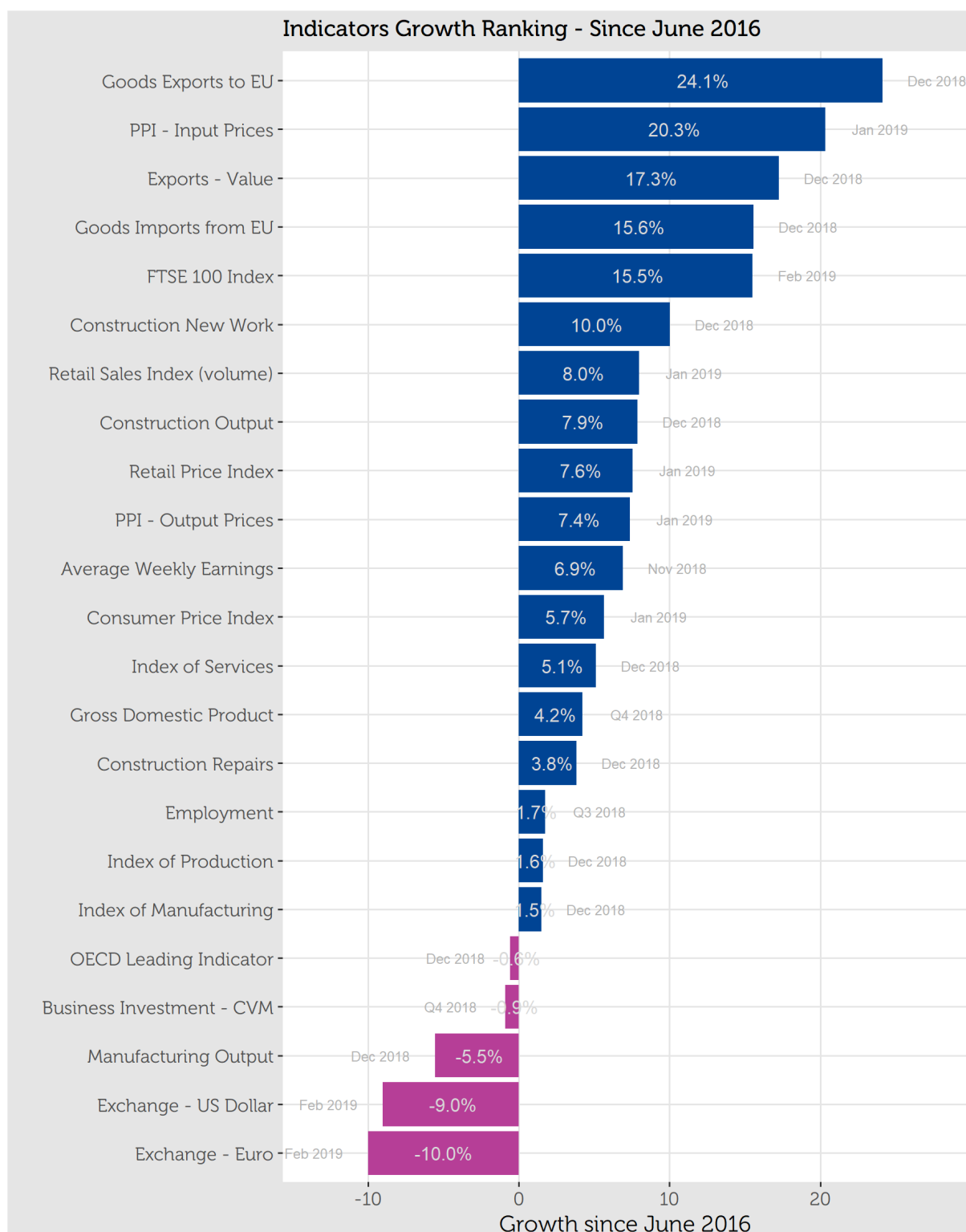
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since January 2018

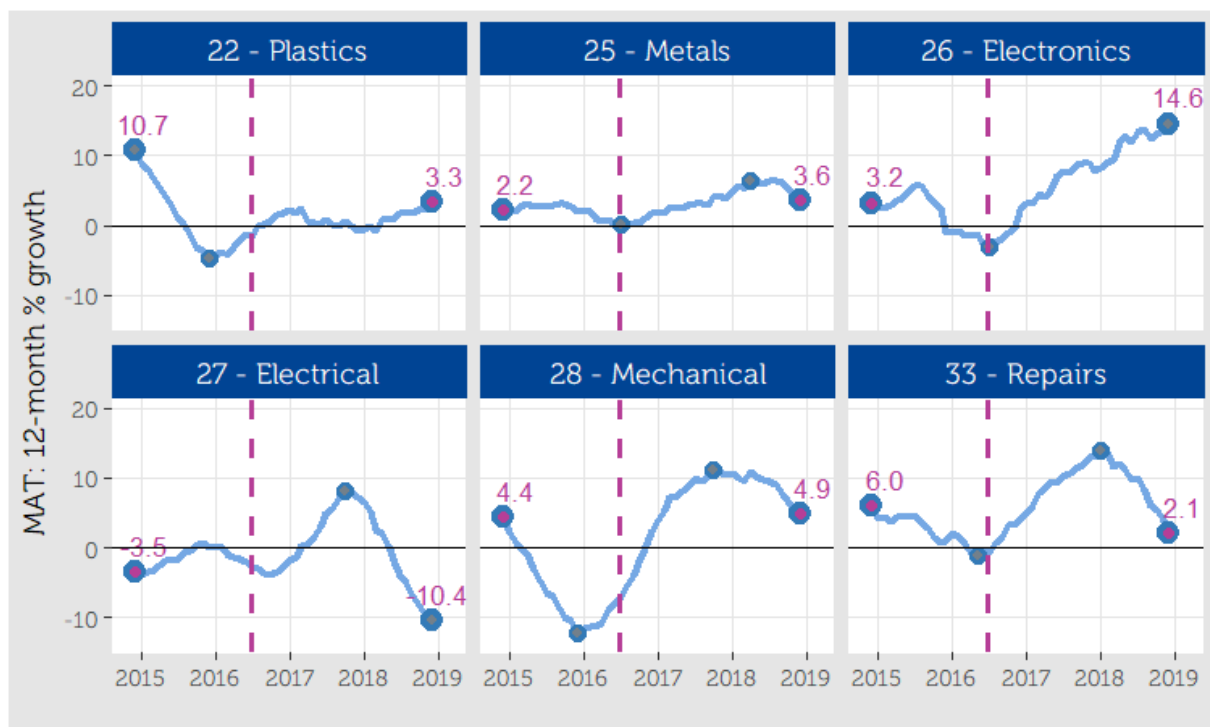
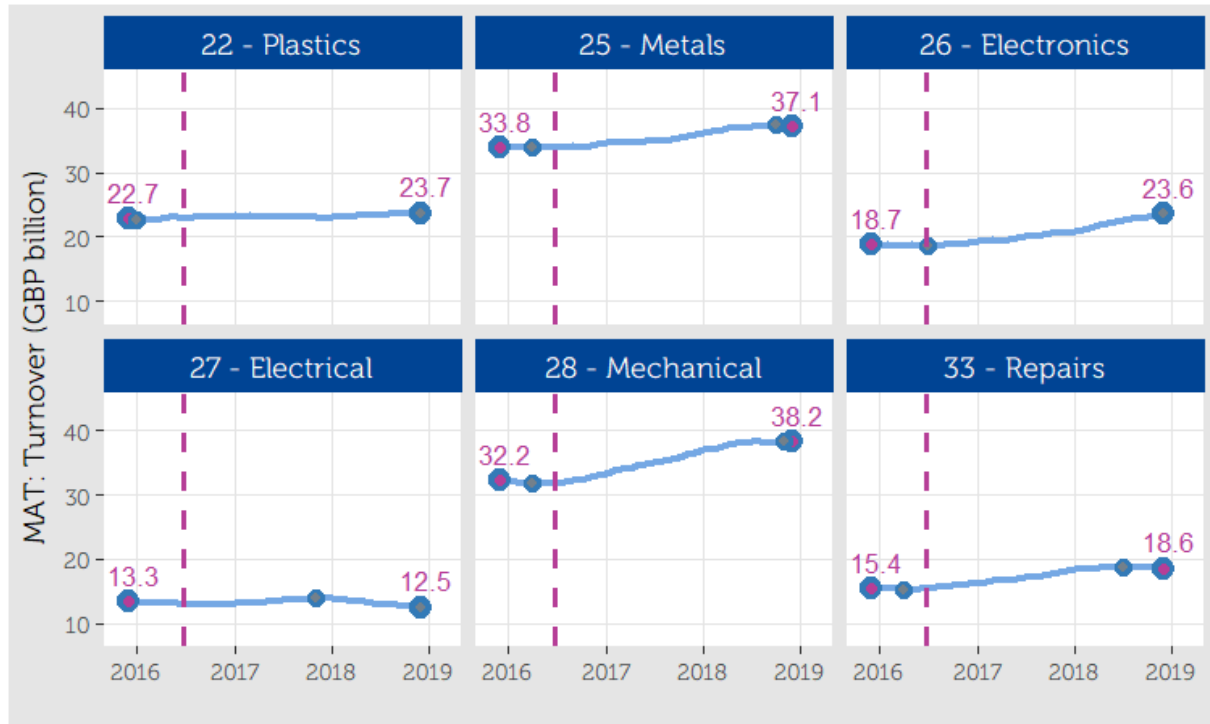


10.4 Growth Ranking: Since Referendum Vote

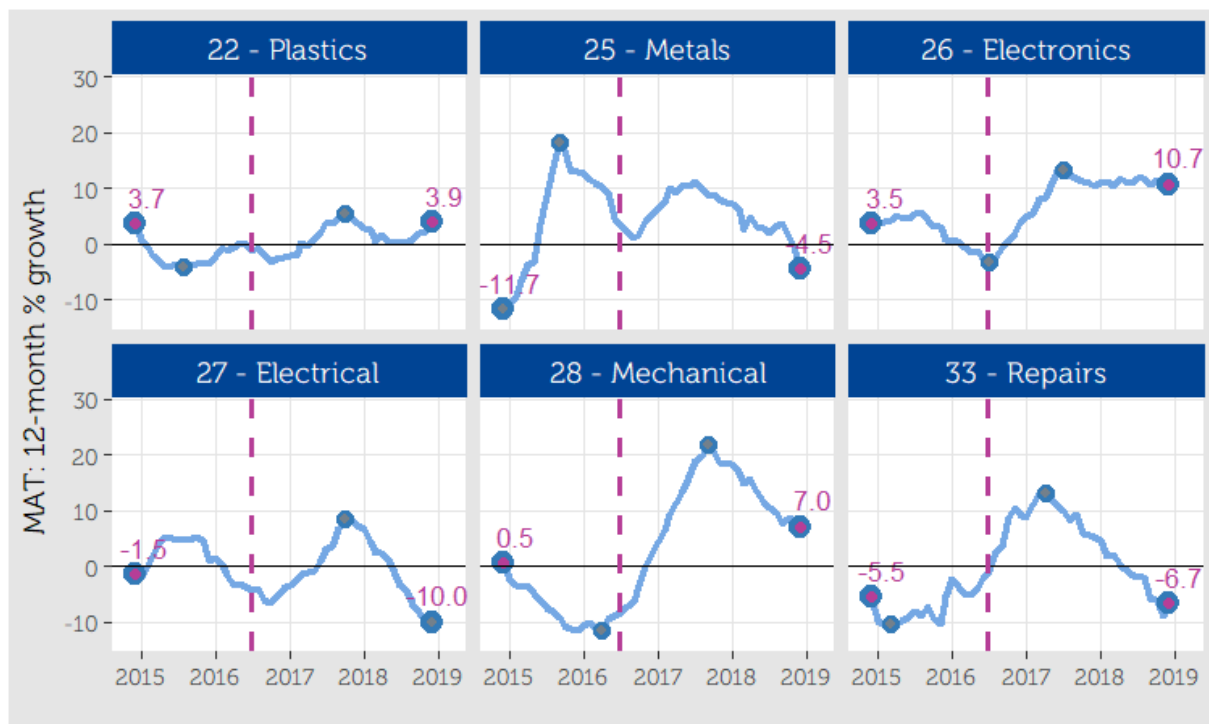
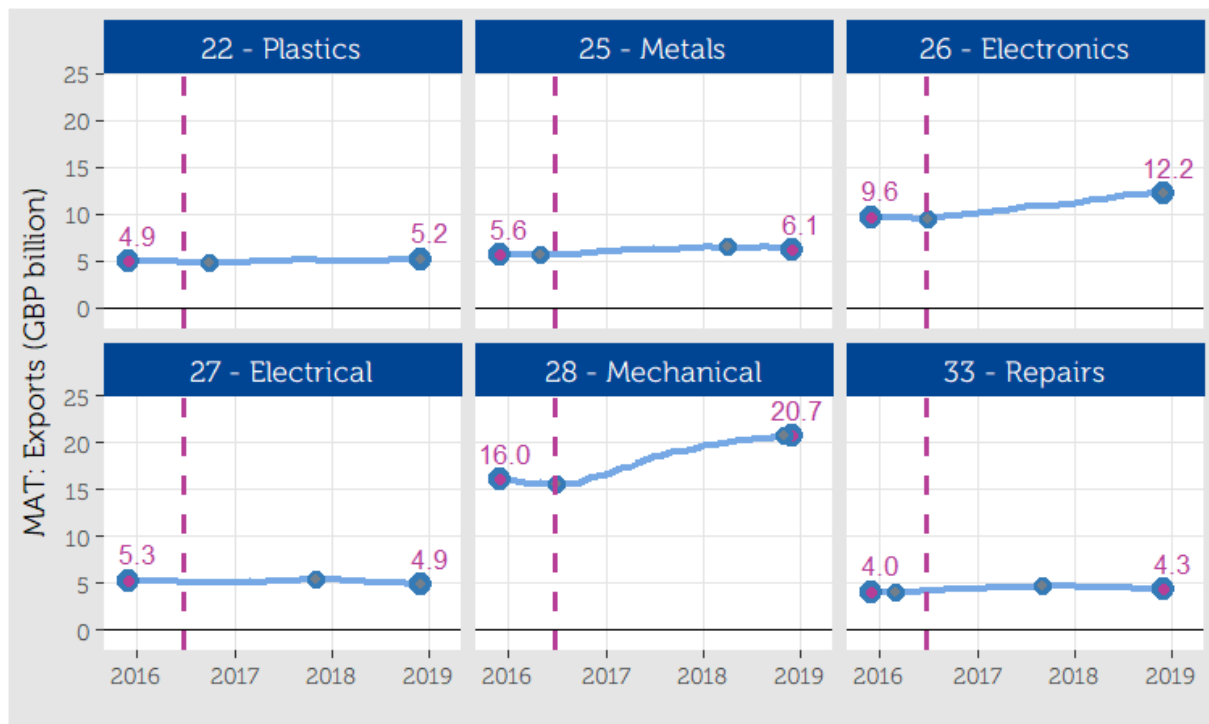


11 Industry Level Indicators

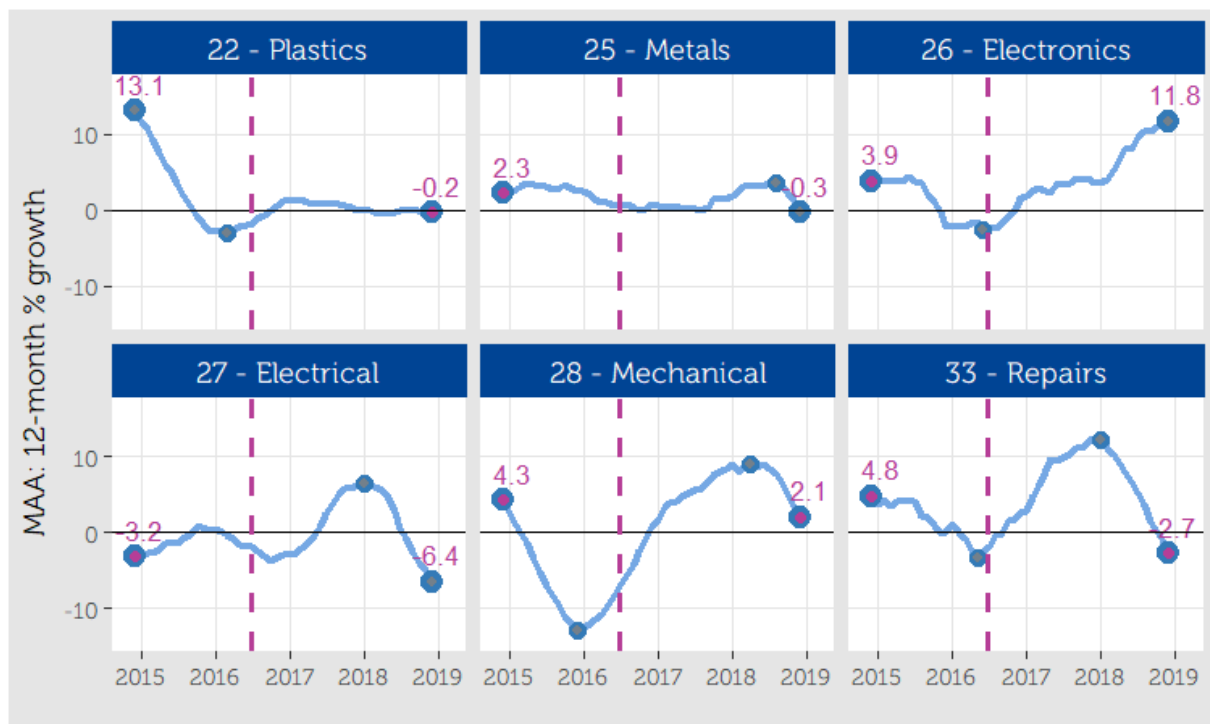
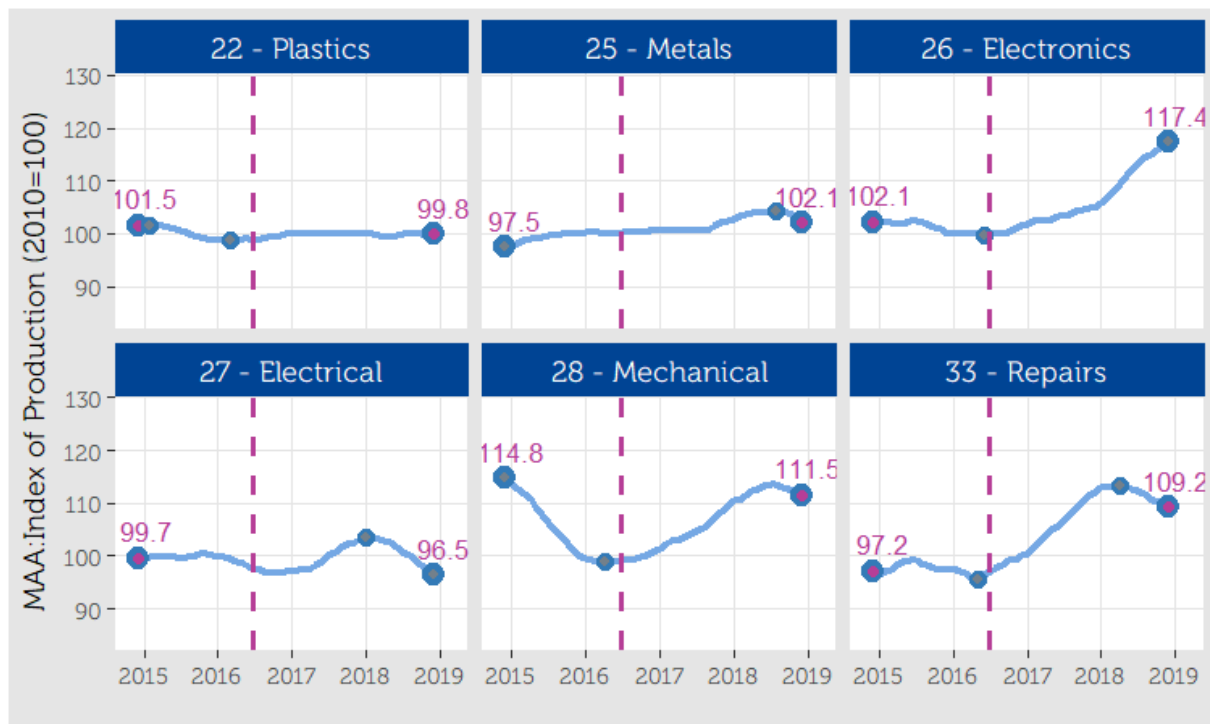
11.1 Turnover - (December 2018)



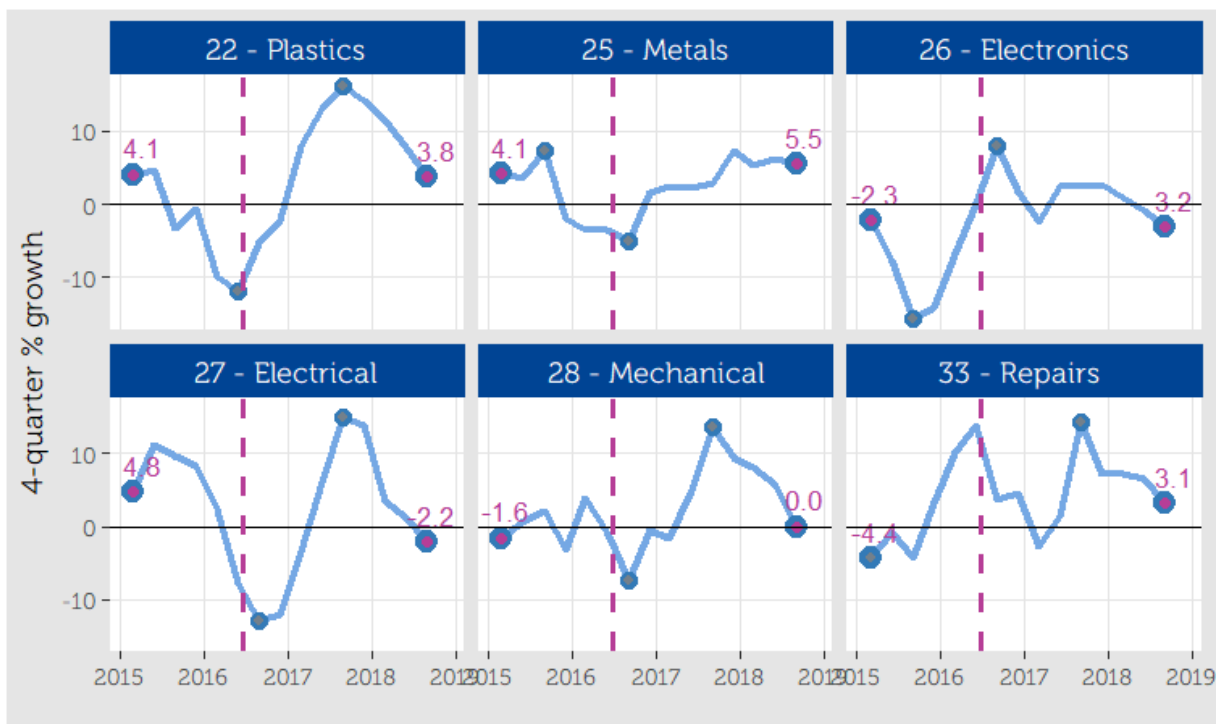
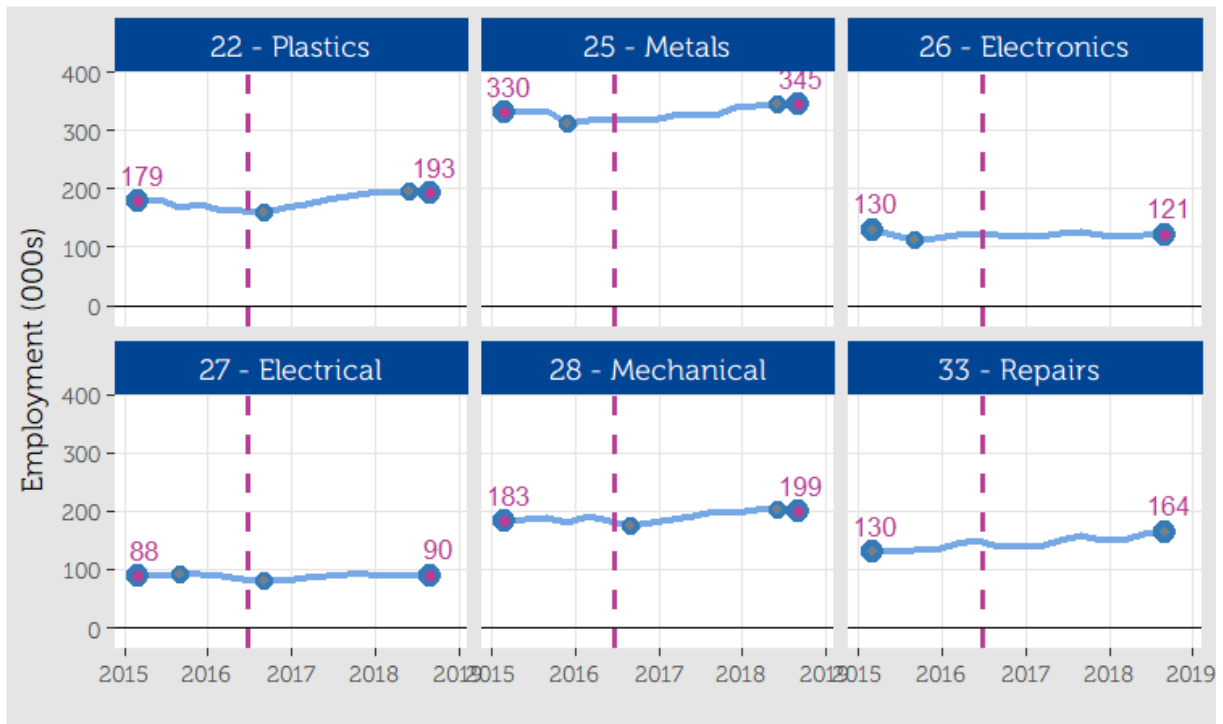
11.2 Exports - (December 2018)



11.3 Index of Production - (December 2018)



11.4 Employment - (September 2018)

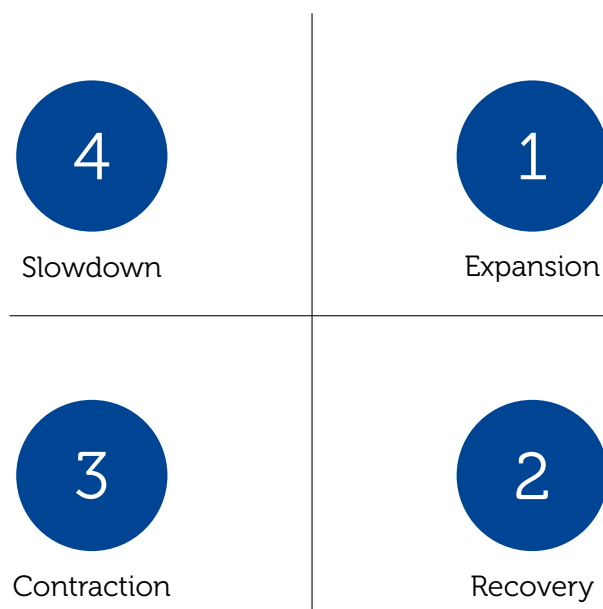


12 Growth Cycles

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:

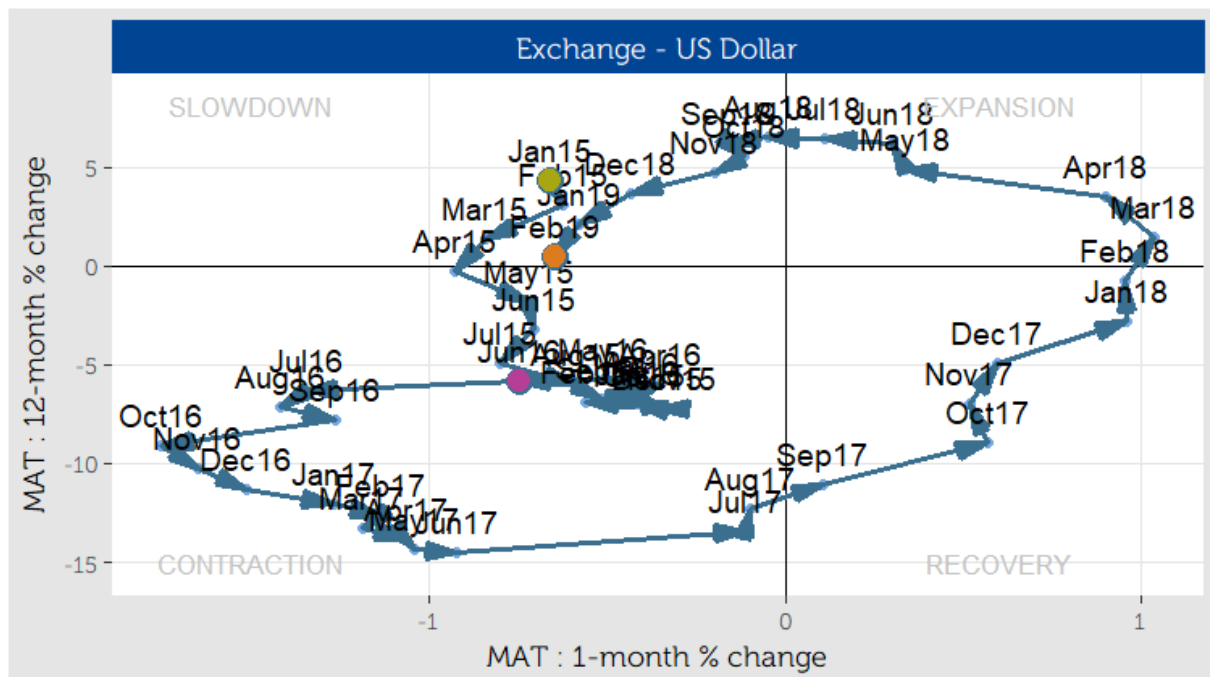
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



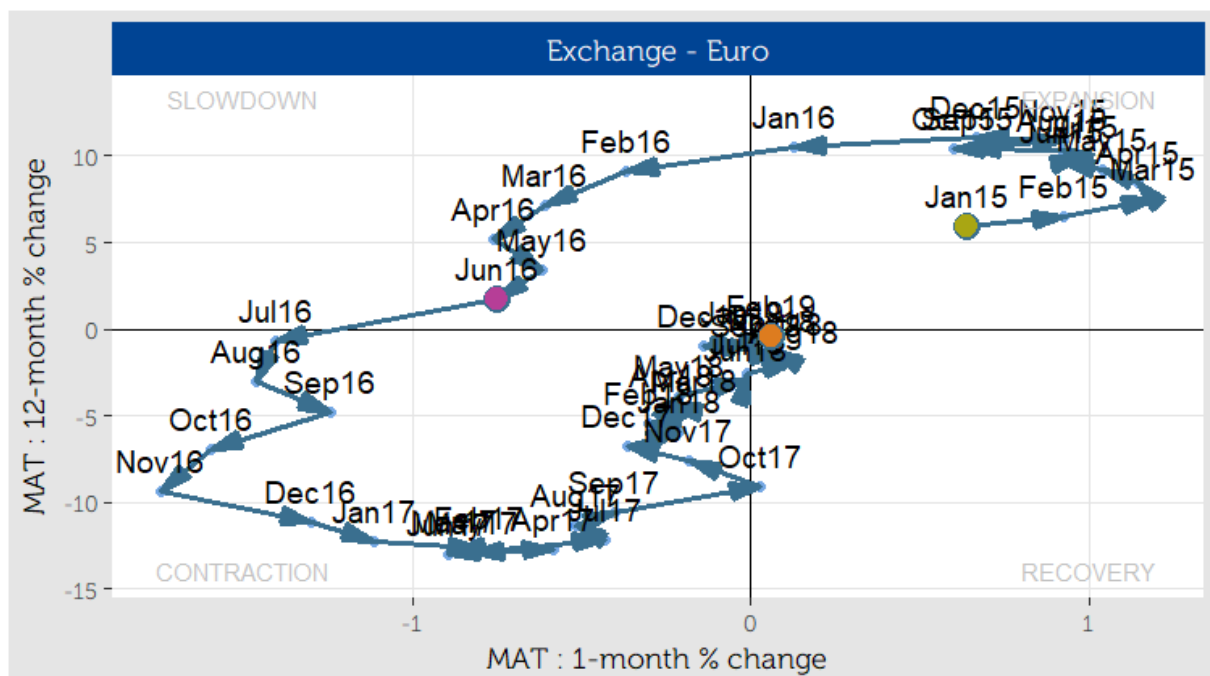
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

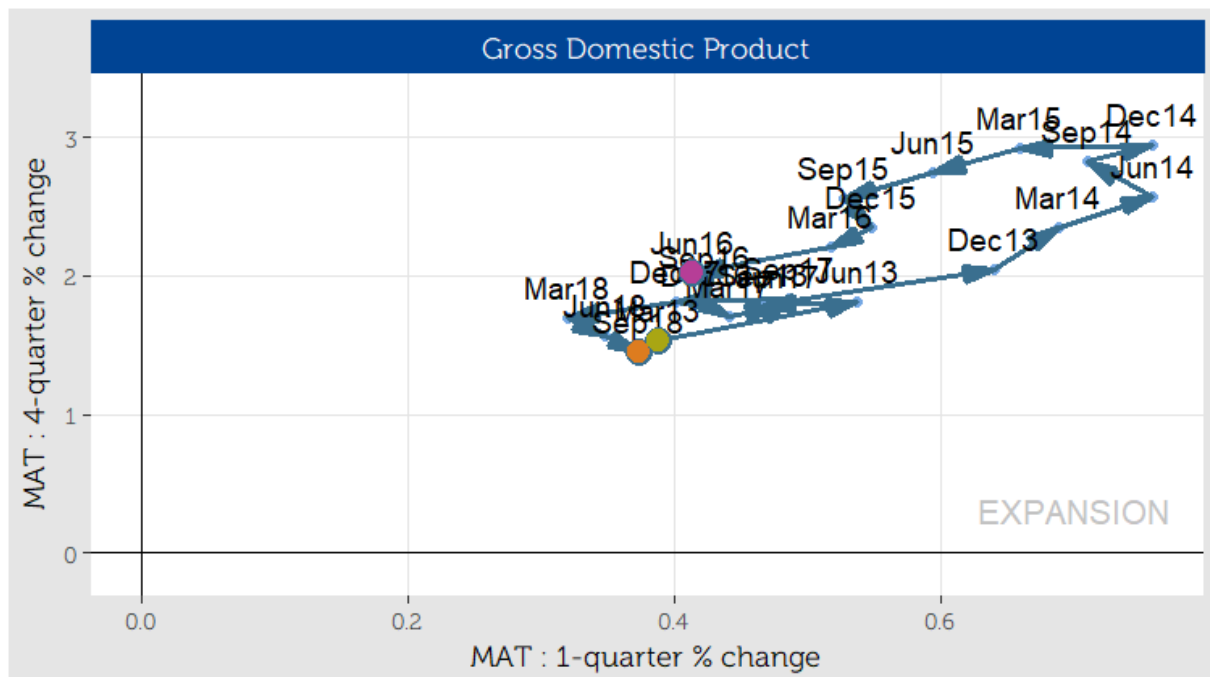
12.2 Exchange Rate (USD)



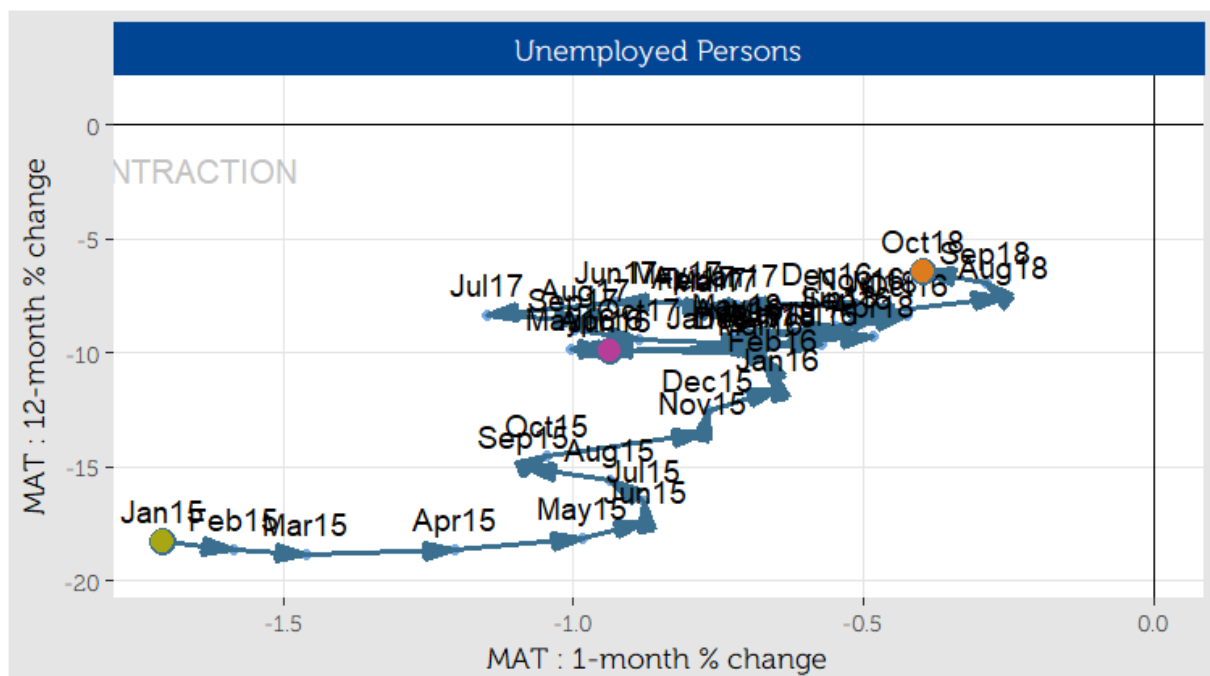
12.3 Exchange Rate (Euro)



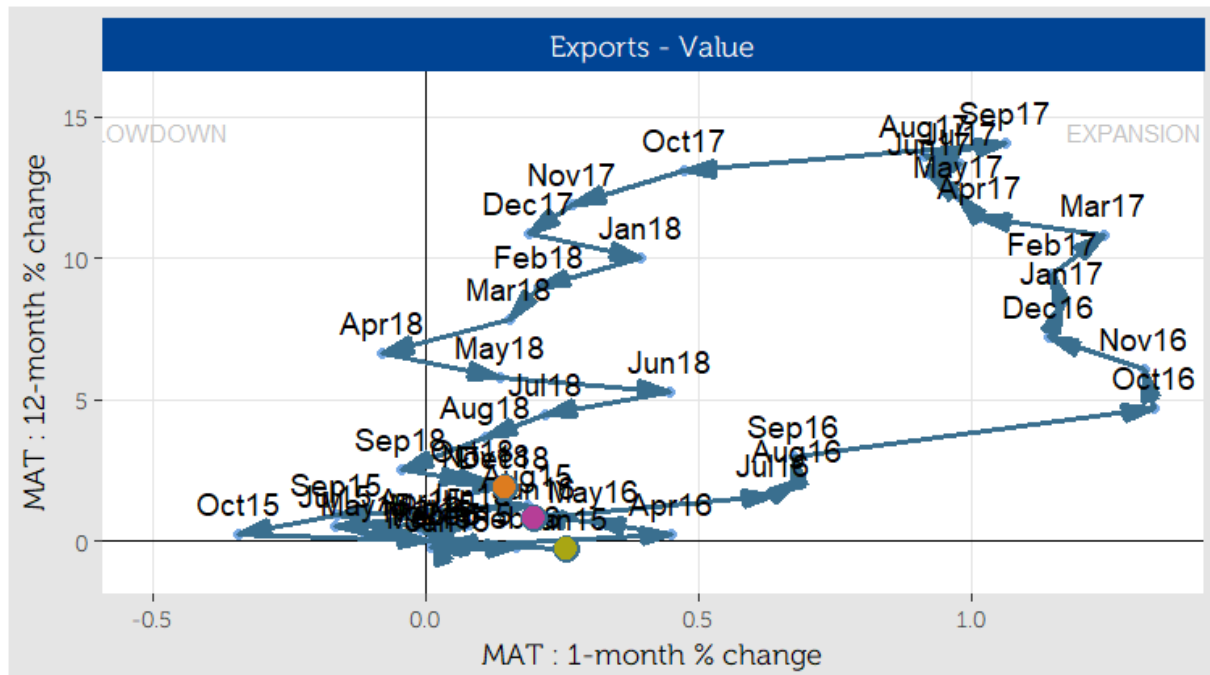
12.6 Gross Domestic Product - GDP (ABMI-UKEA)



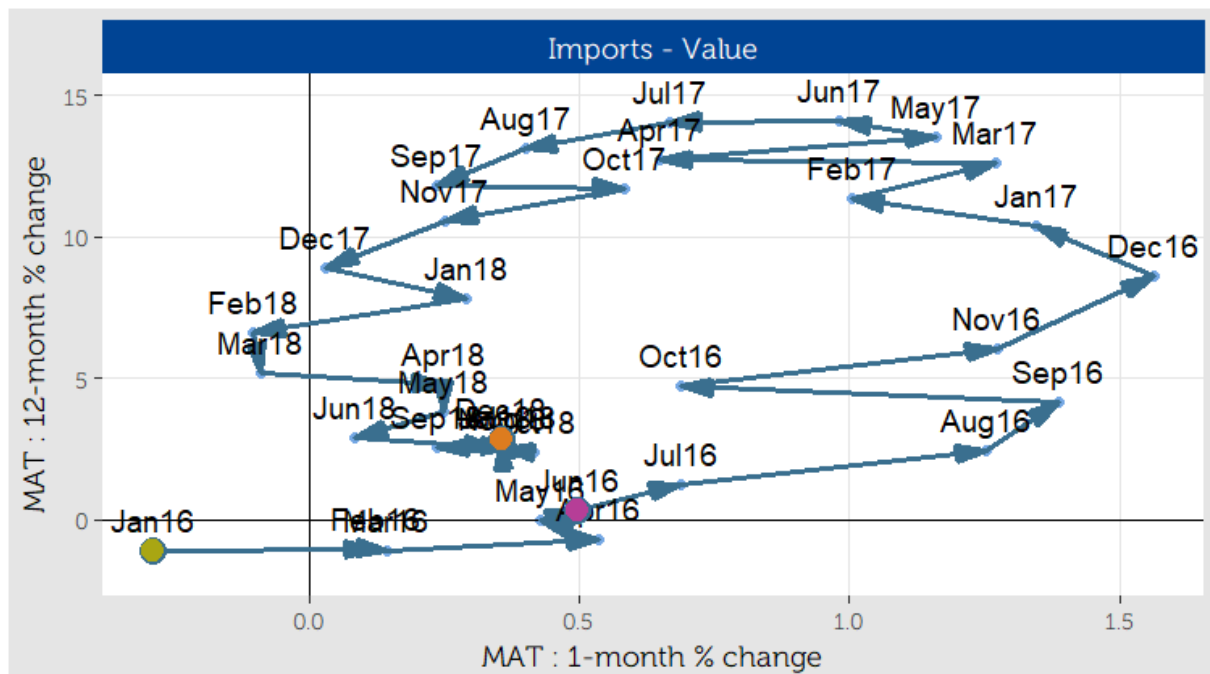
12.7 Unemployed Persons (MGSC)



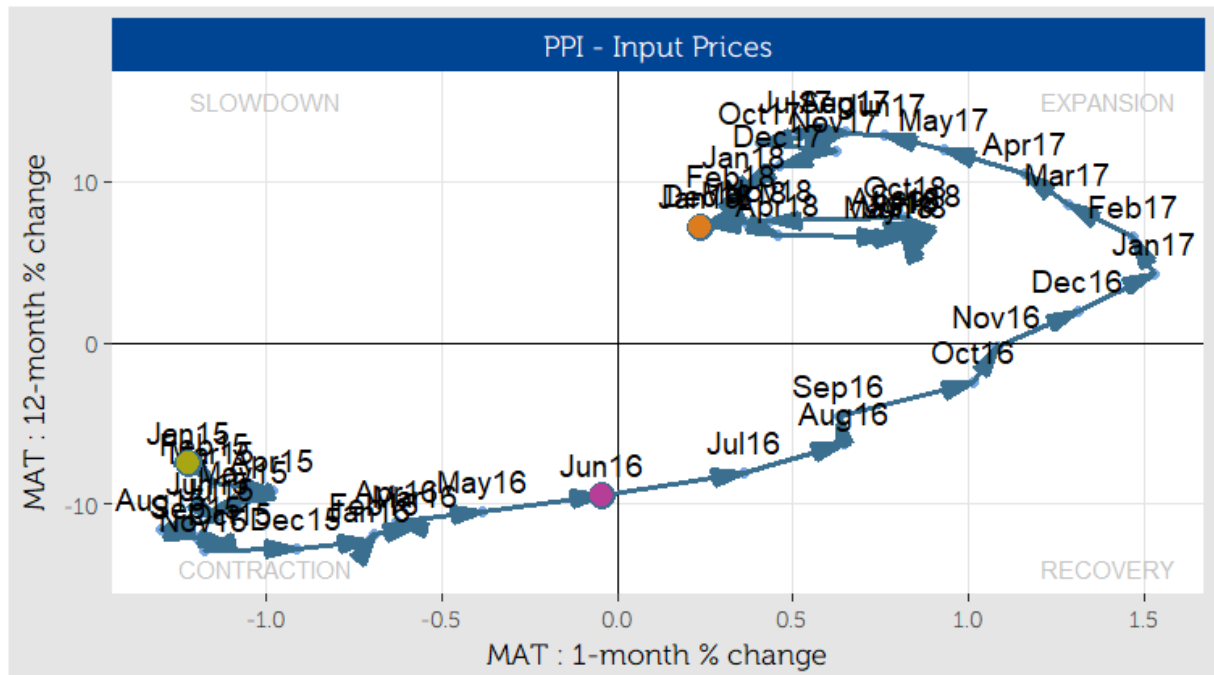
12.8 Exports - Value (IKBH)



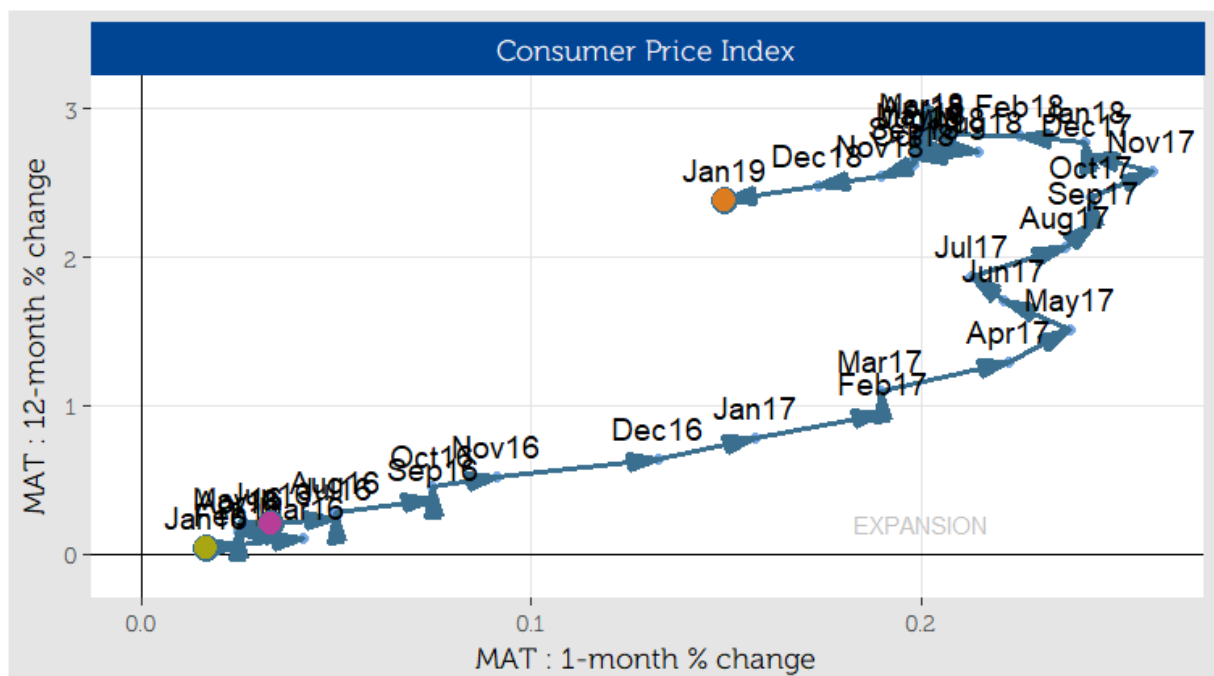
12.9 Imports - Value (IKBI)



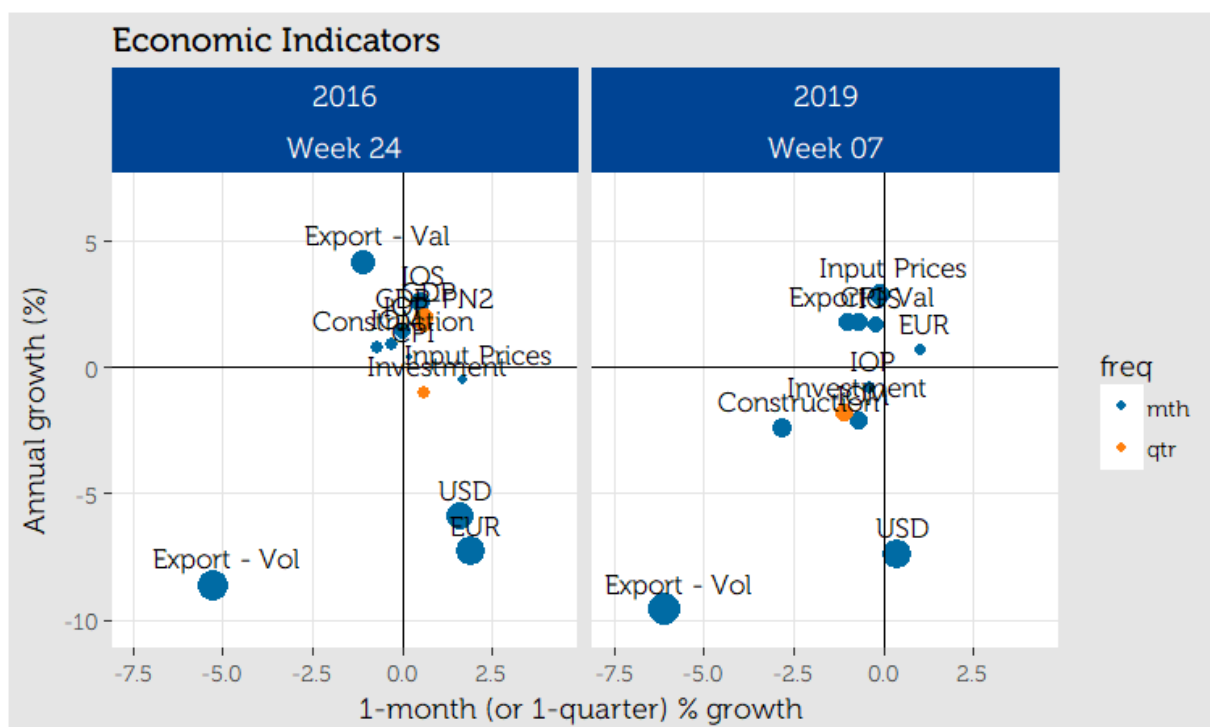
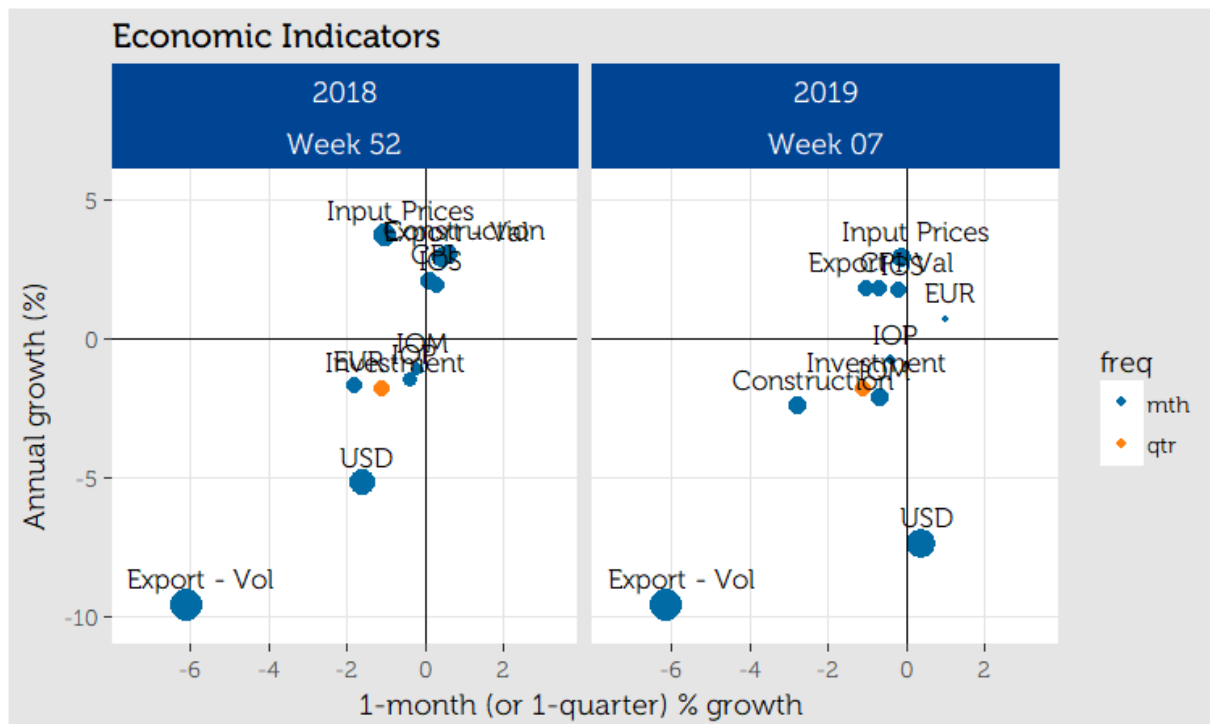
12.10 Input Prices (K646)



12.11 Consumer Price Index (D7BT)



12.12 Current State

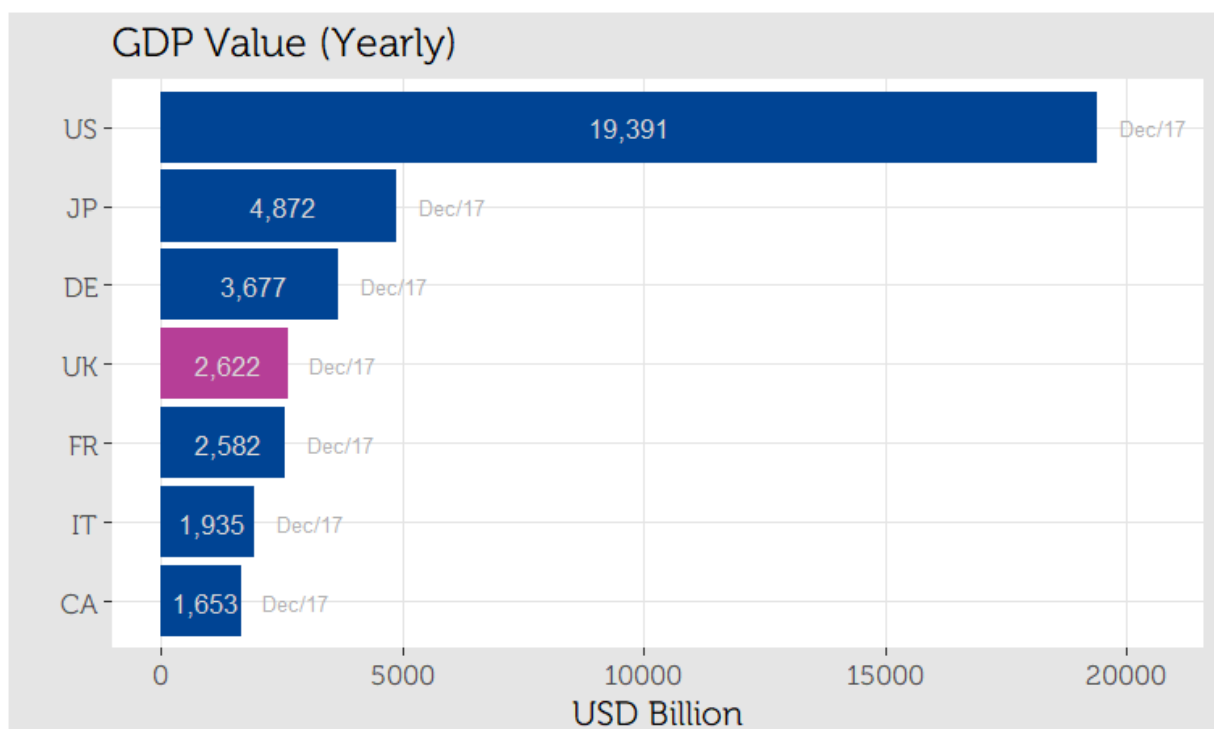
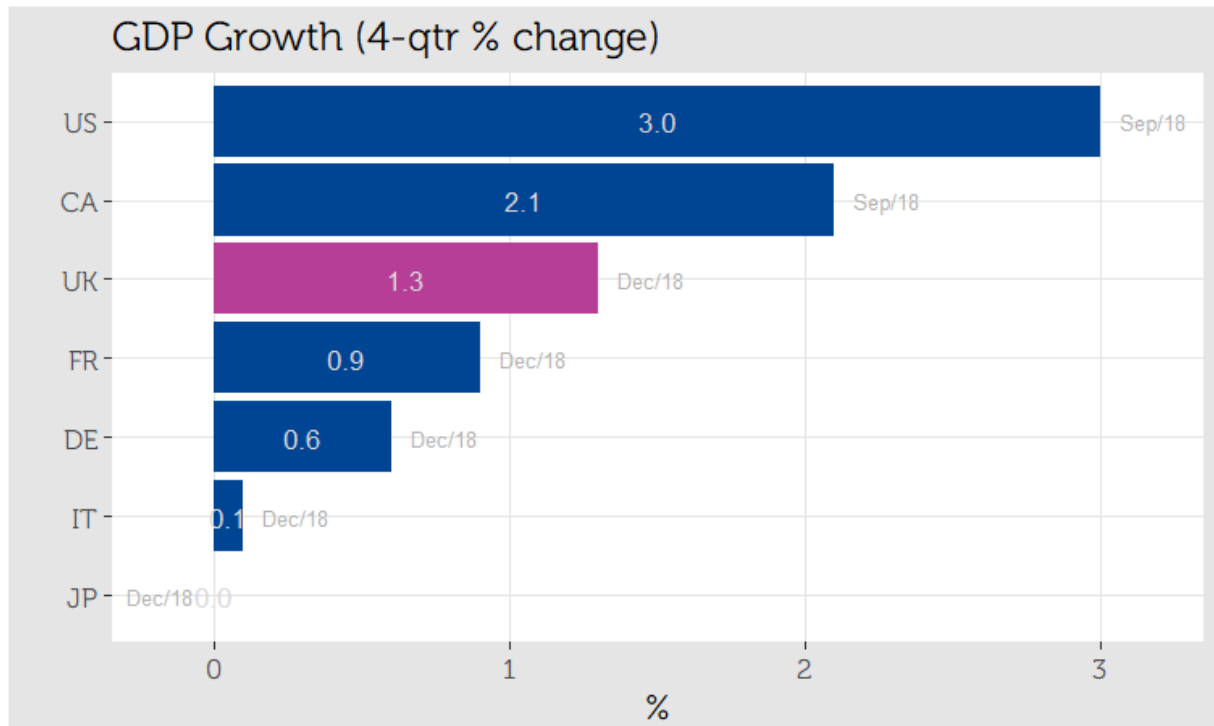


Top: Indicators growth - Current week versus previous week.

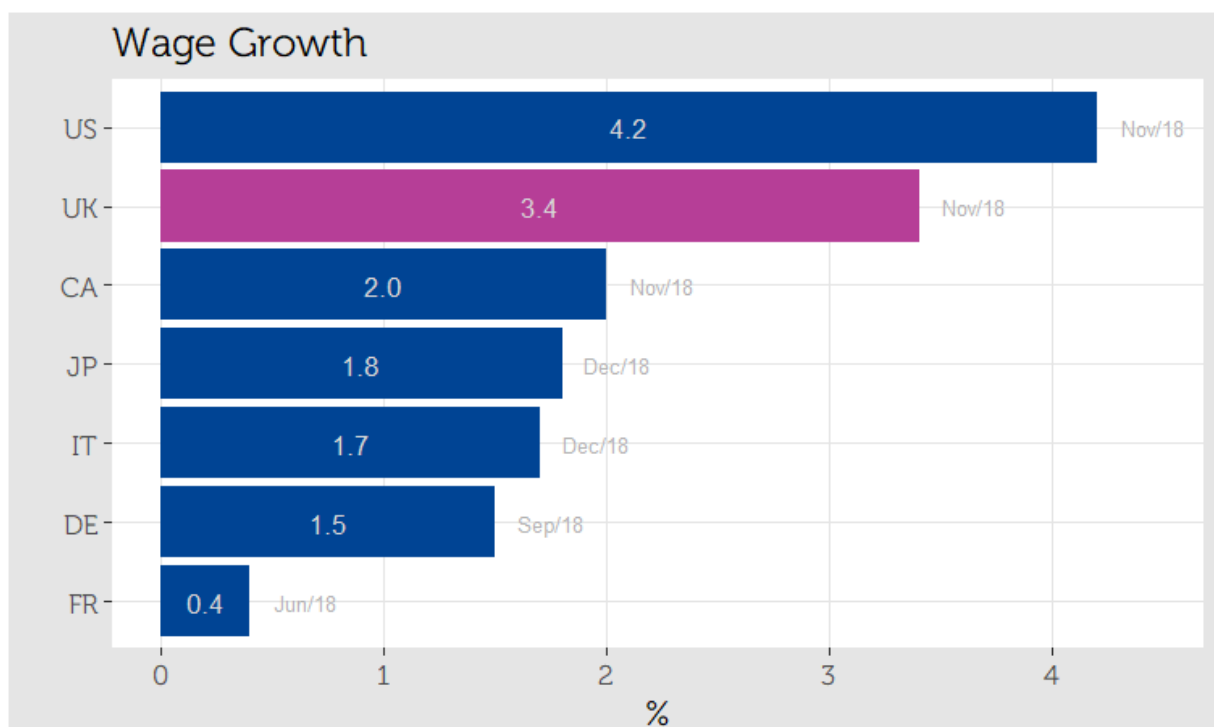
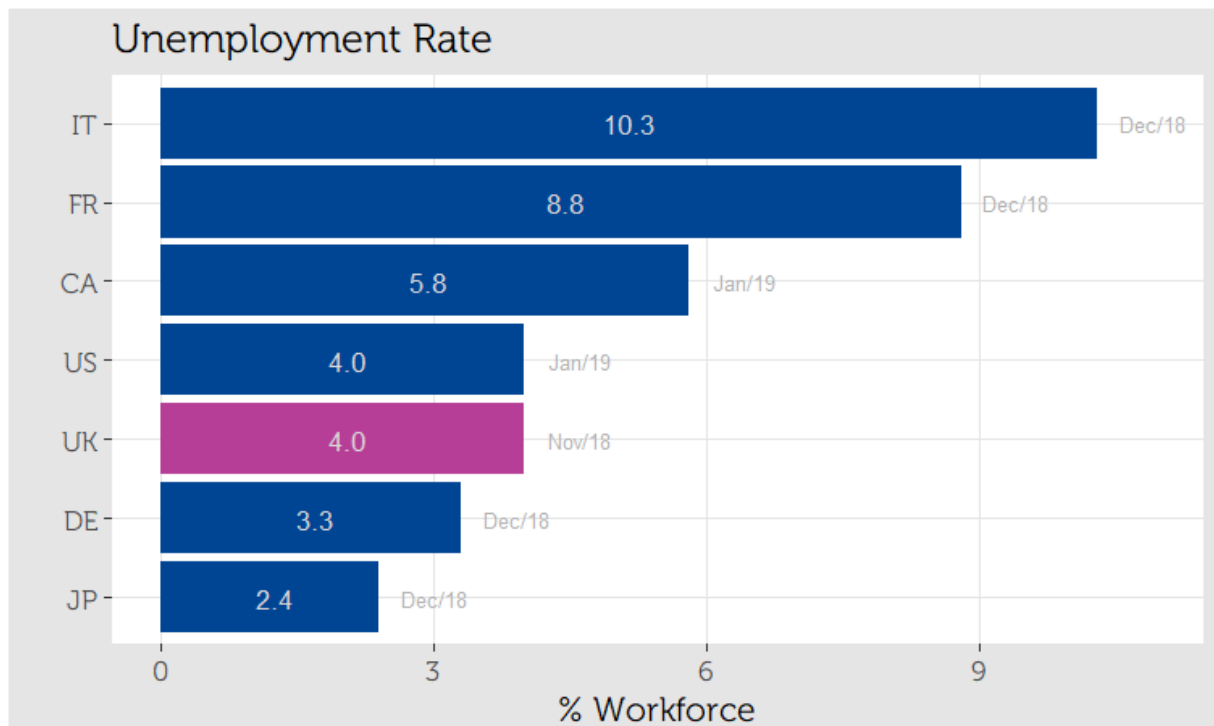
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

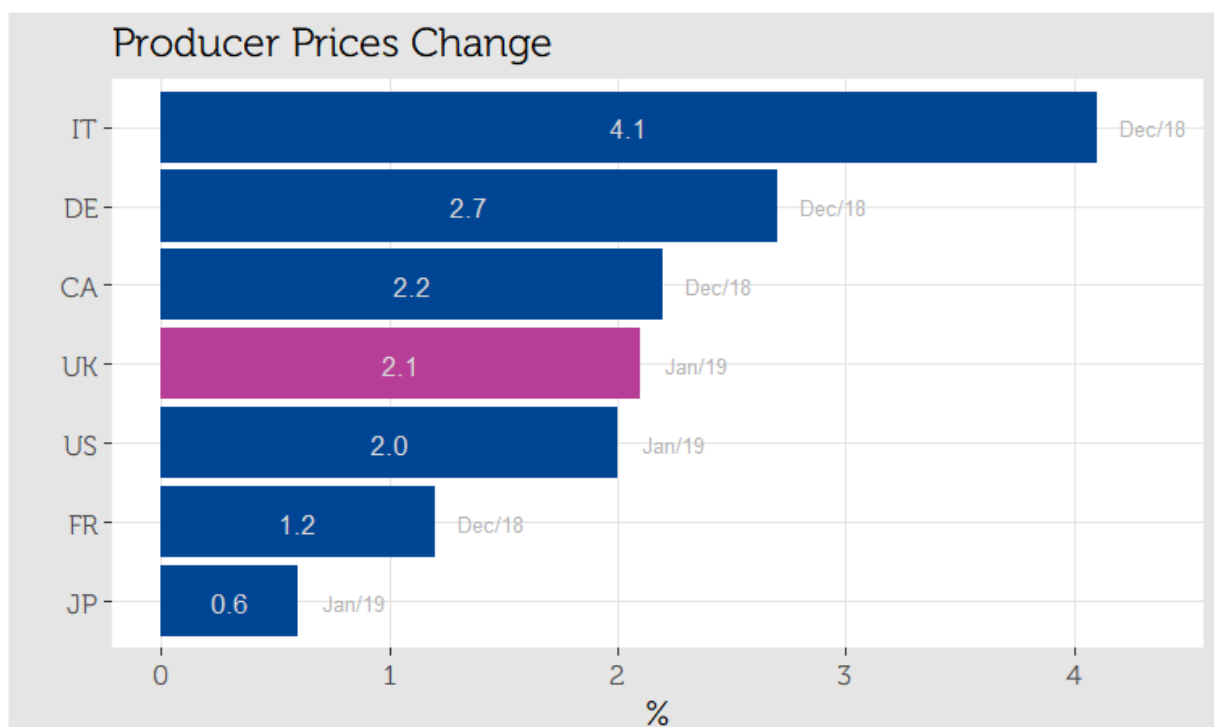
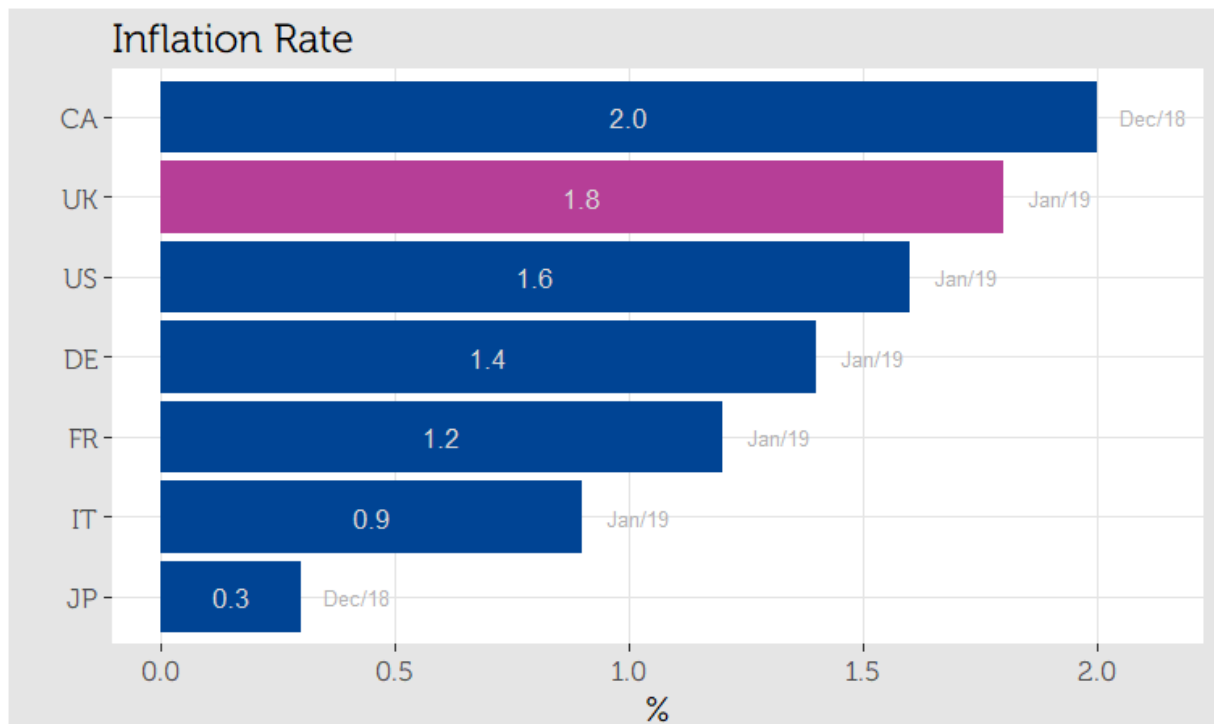
13.1 Gross Domestic Product (GDP)



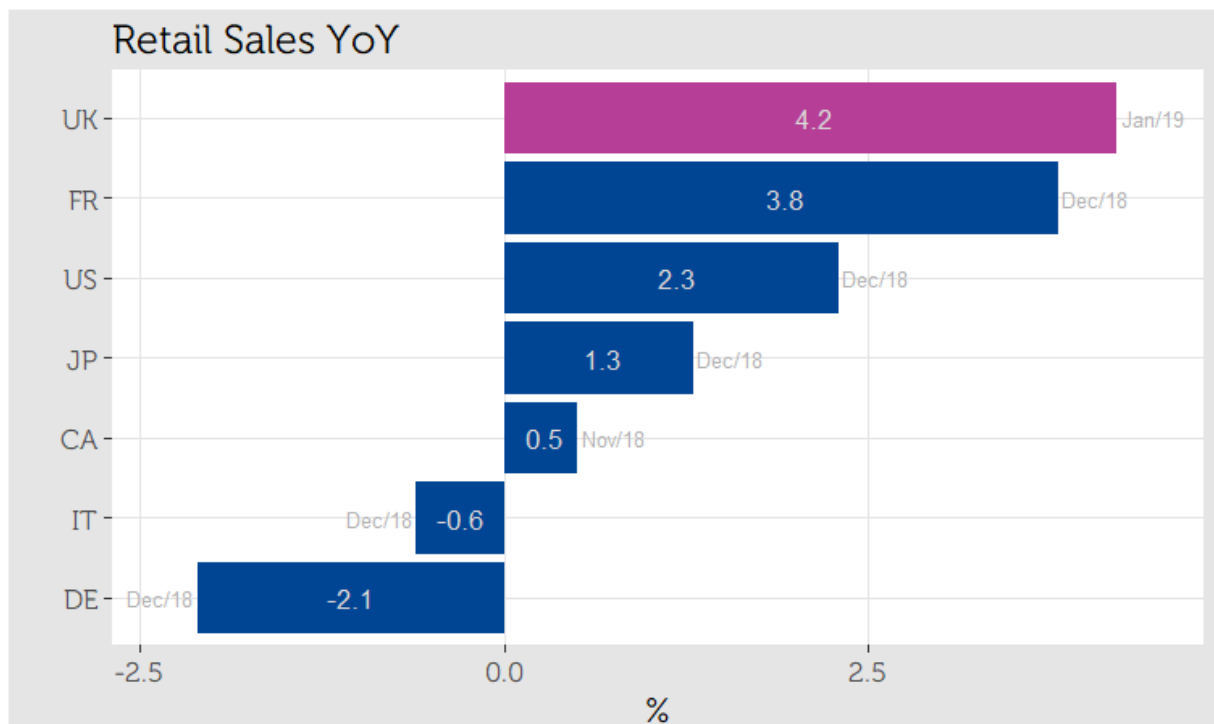
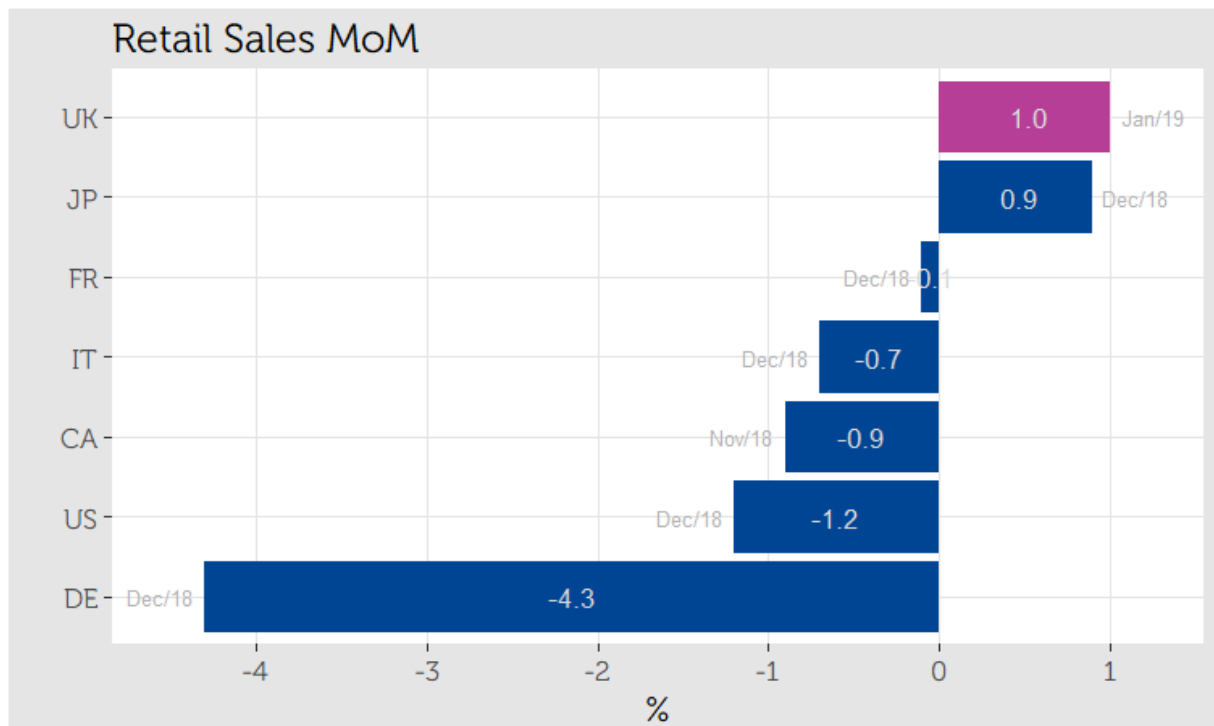
13.2 Unemployment & Wage Growth



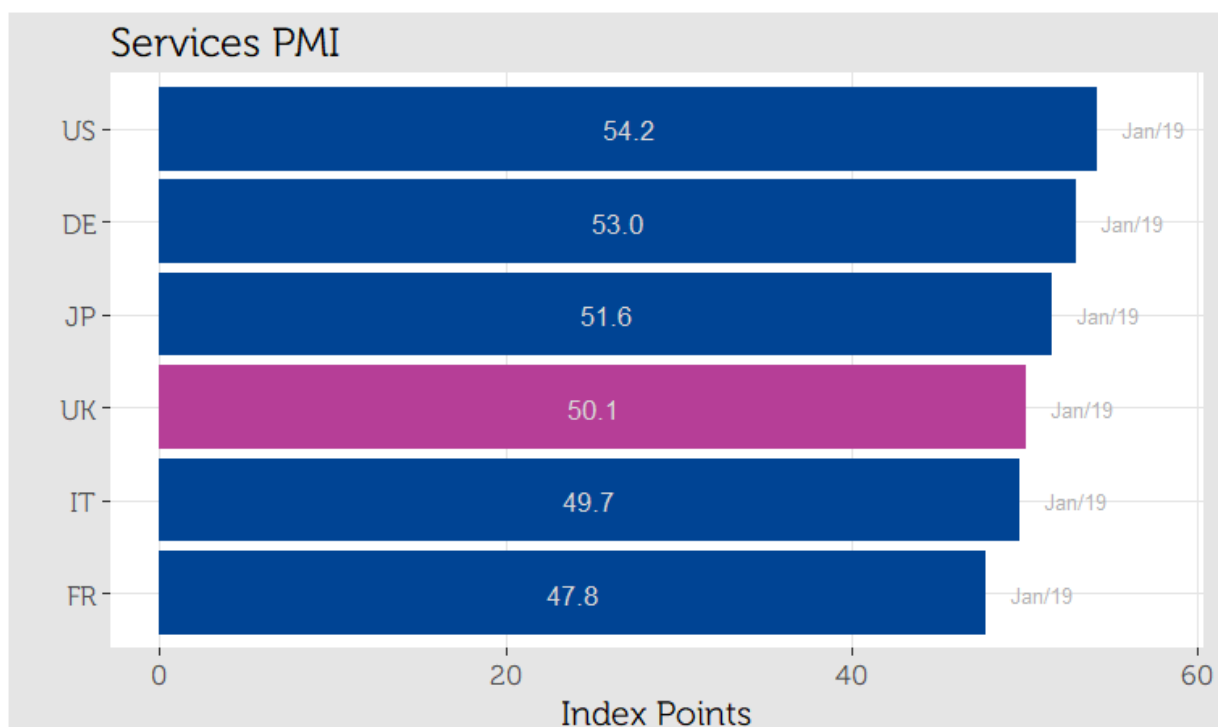
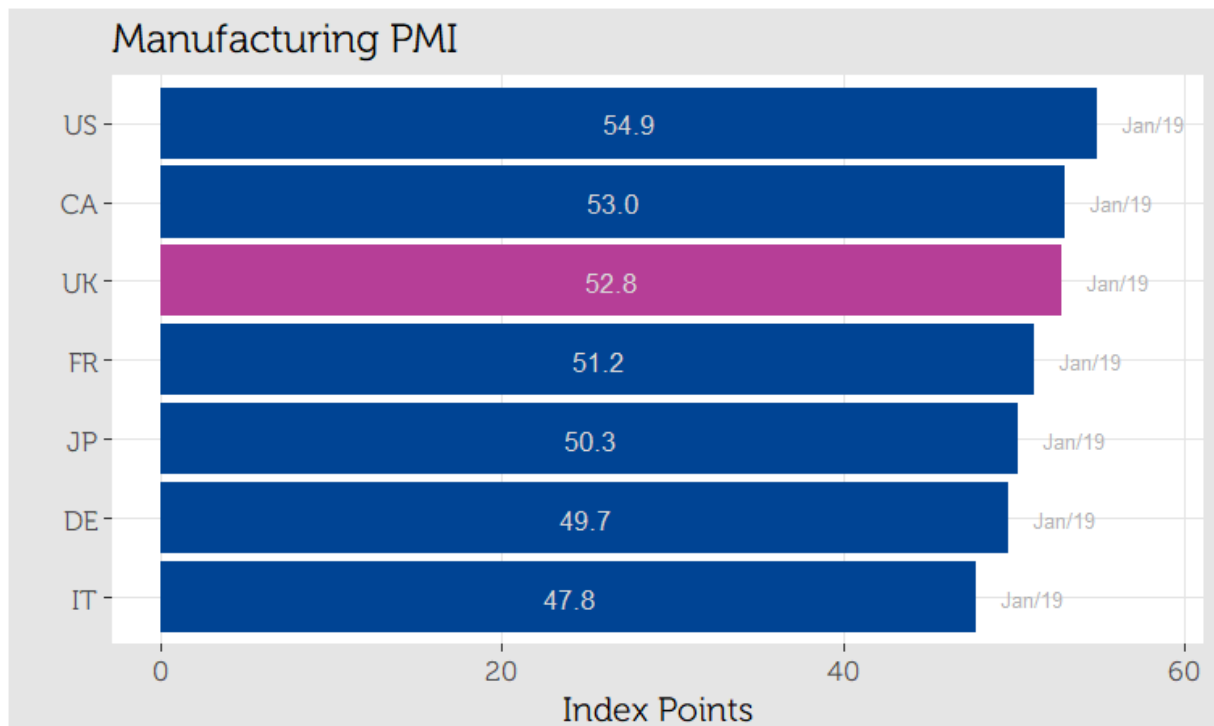
13.3 Inflation & Producer Prices



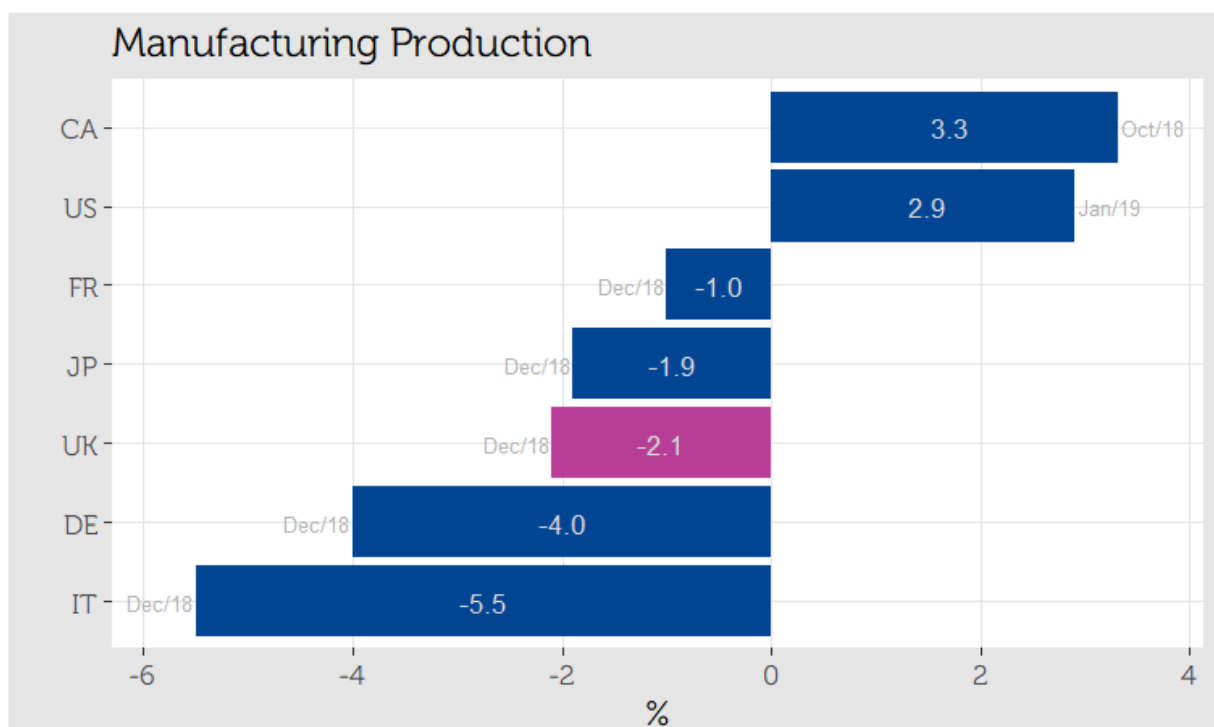
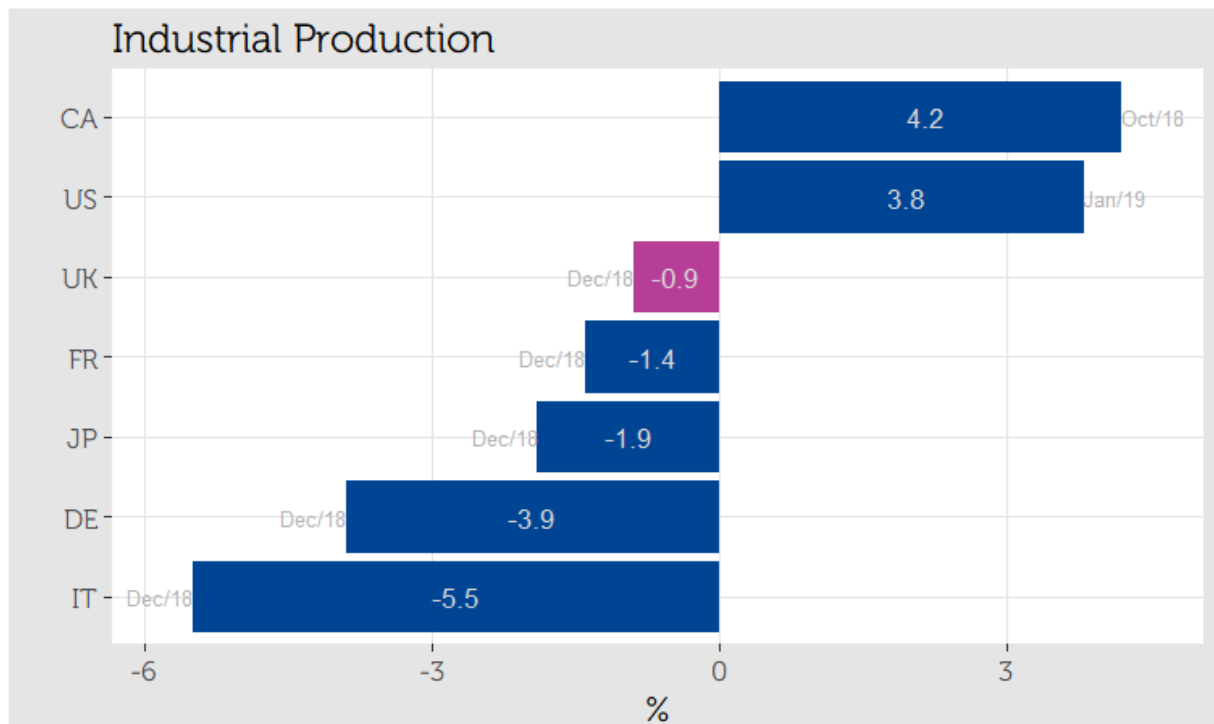
13.4 Retail Sales



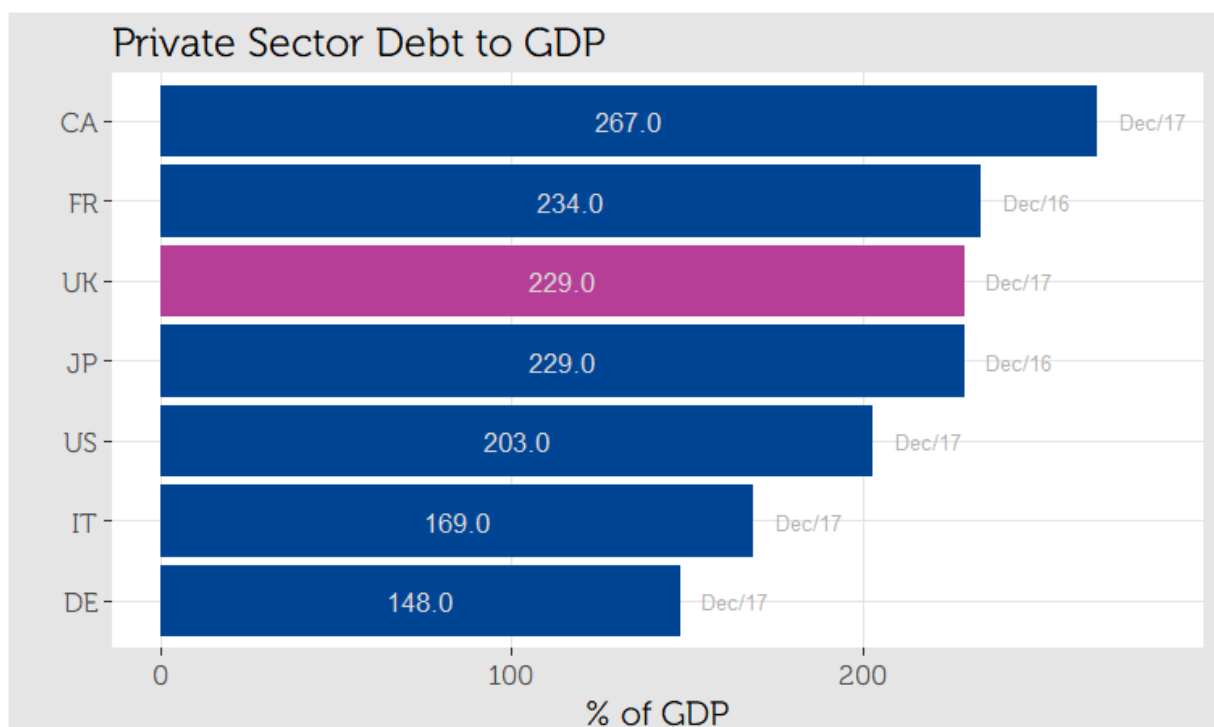
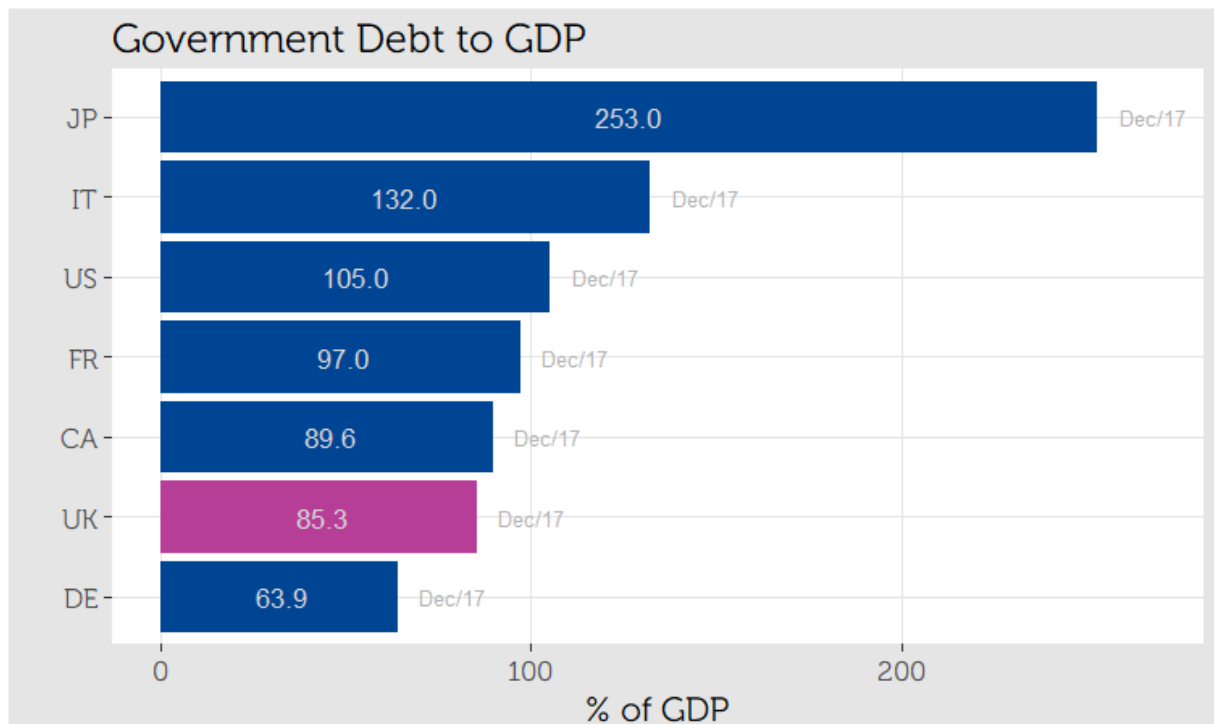
13.5 Purchasers Managers Index - Manufacturing & Services



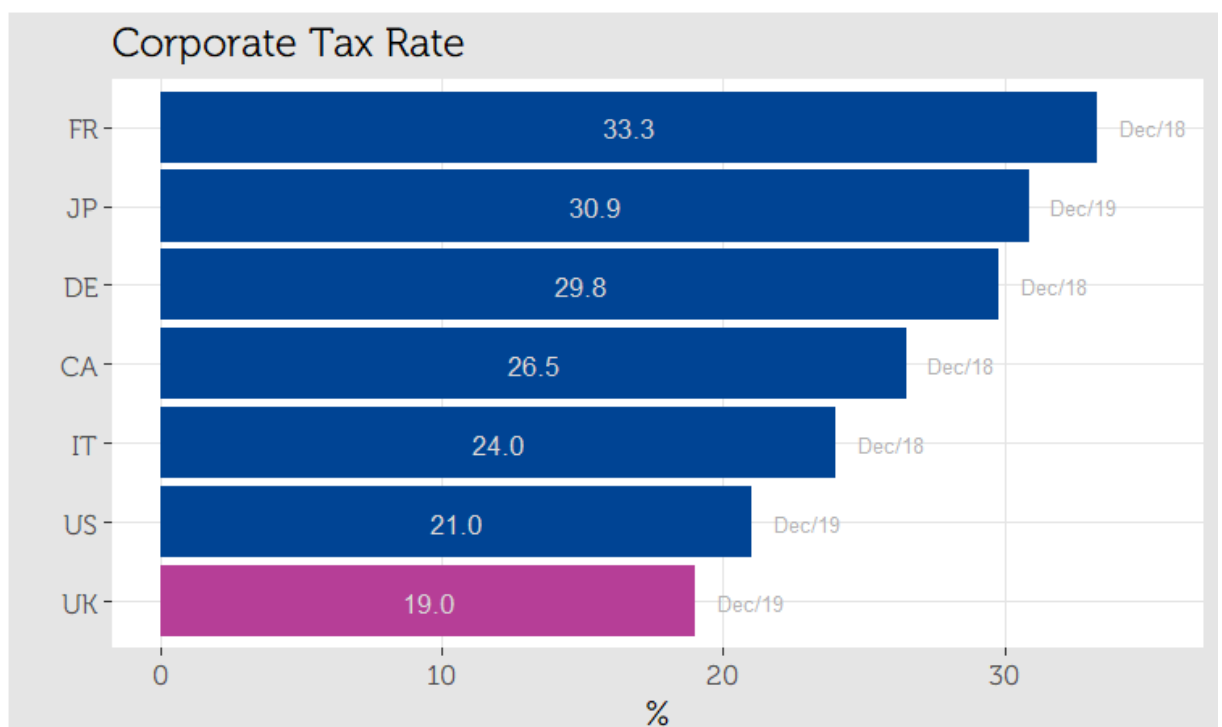
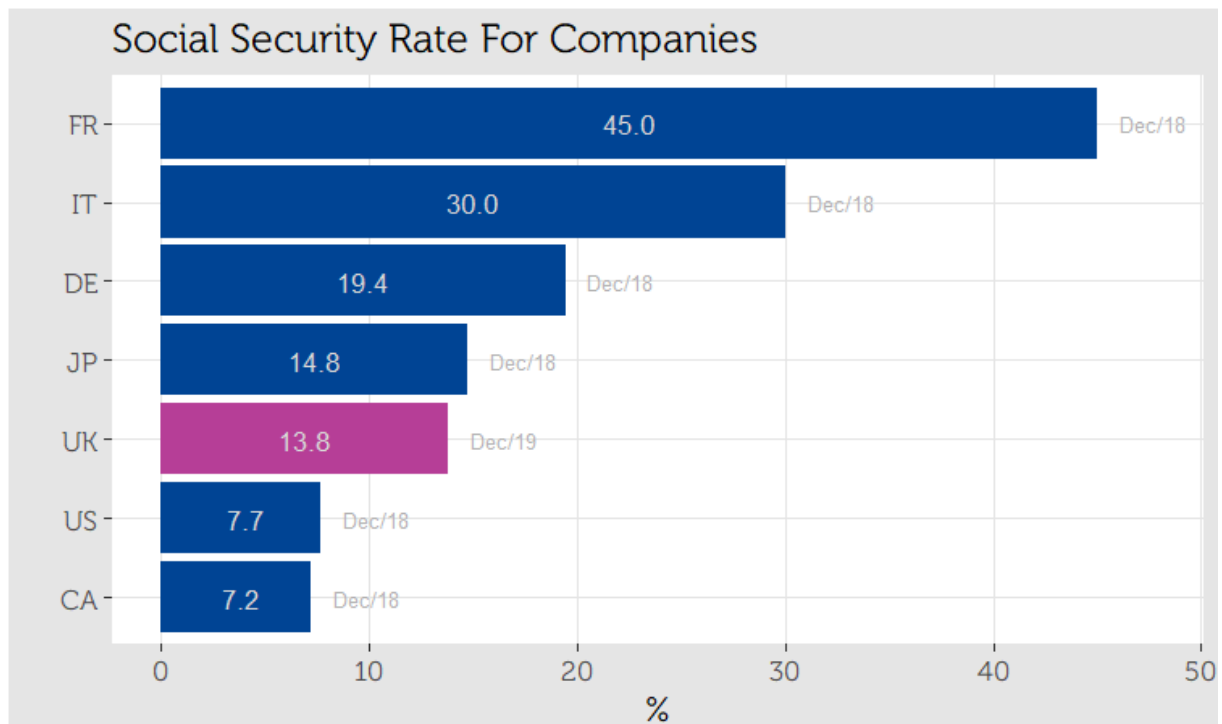
13.6 Industrial Production & Manufacturing



13.7 Debt



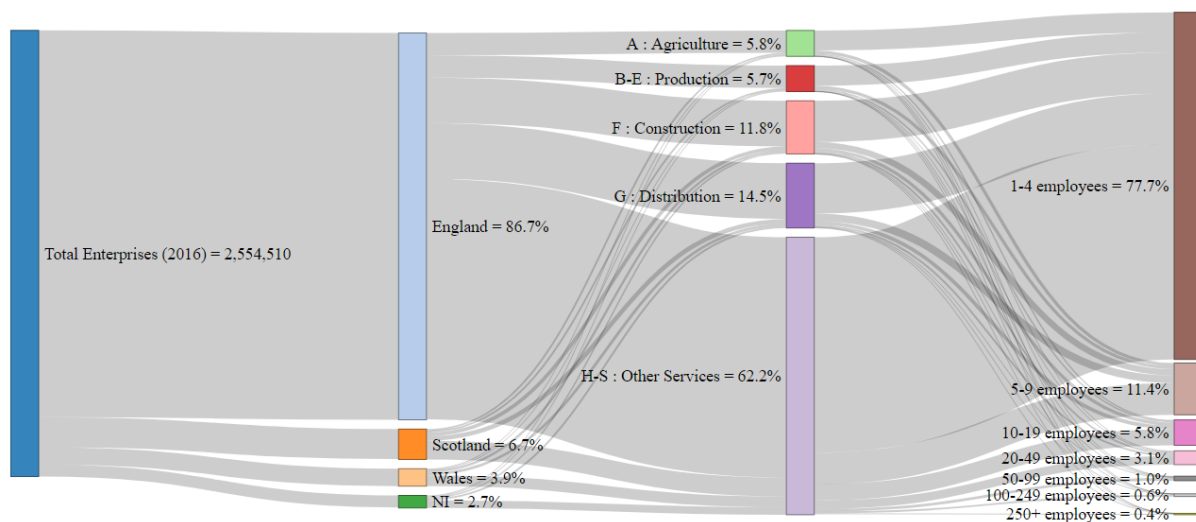
13.8 Employer Social Security Rate & Corporate Tax



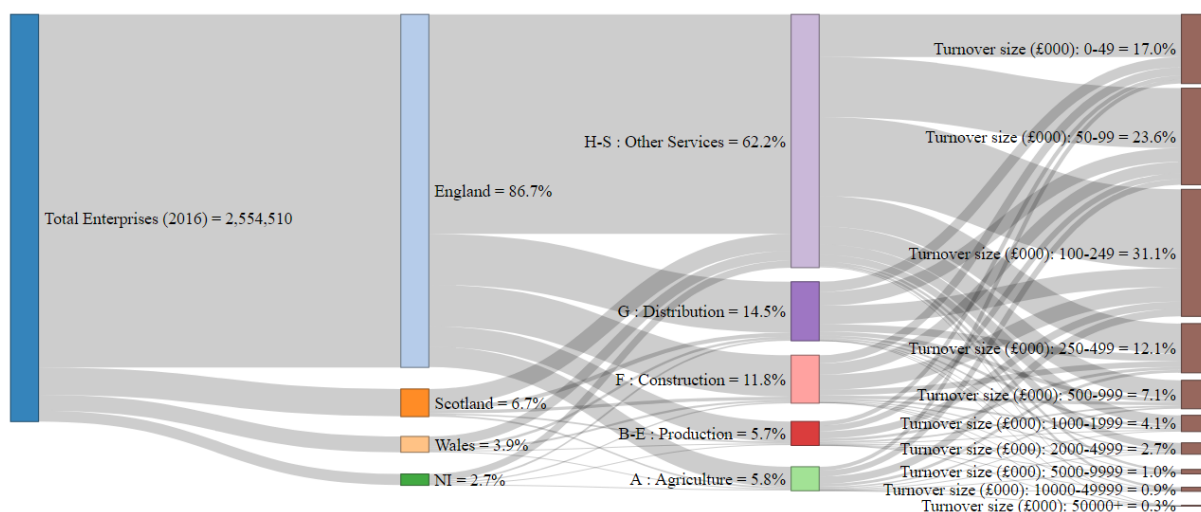
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

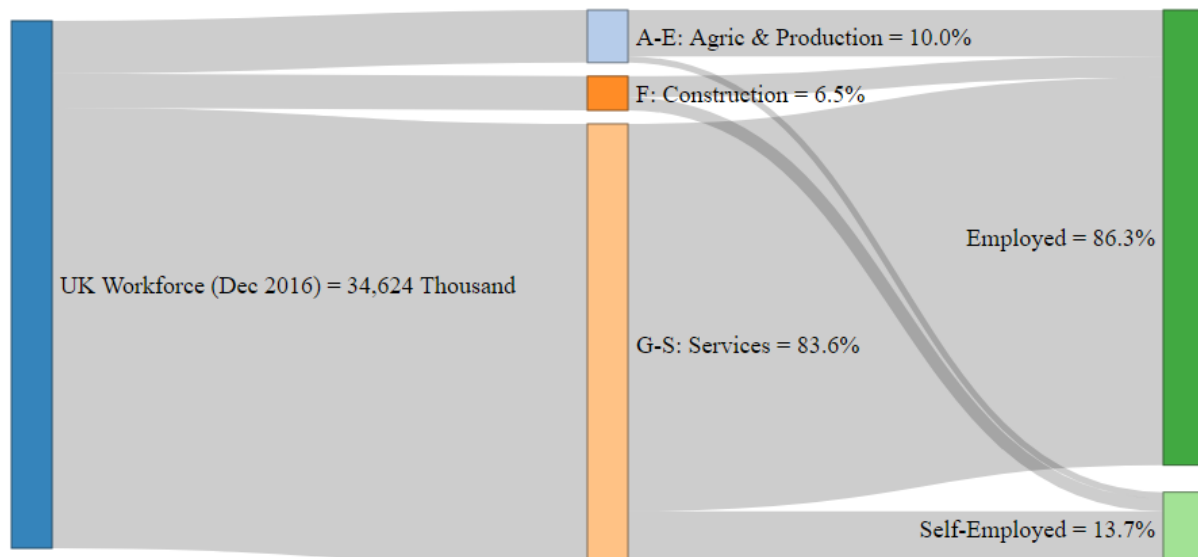


A.2 Enterprises by Turnover Size Band

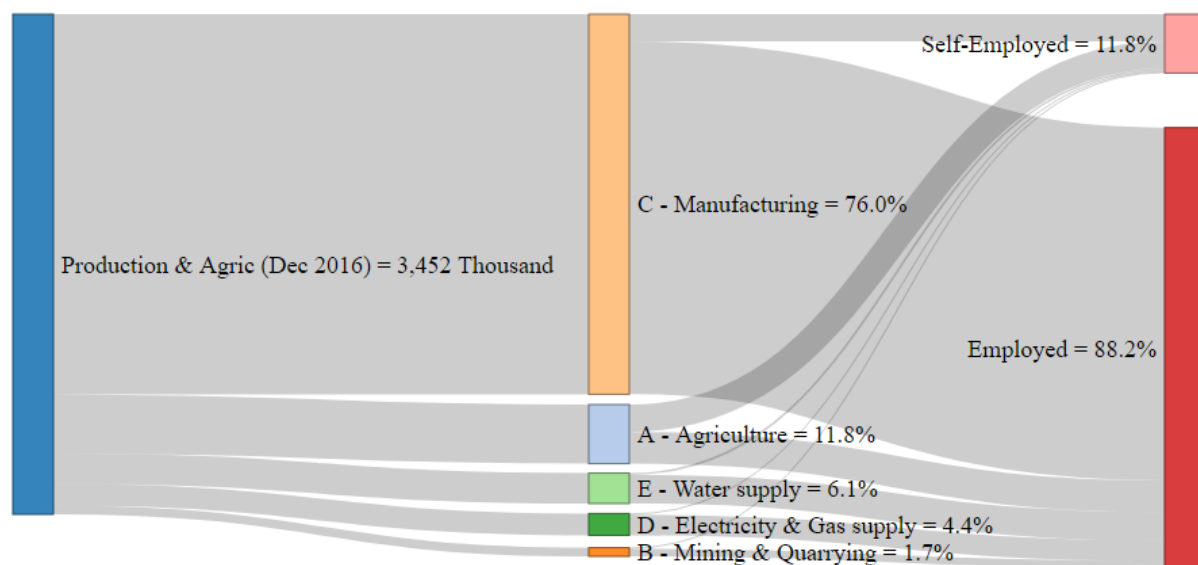


B UK Employment Structure

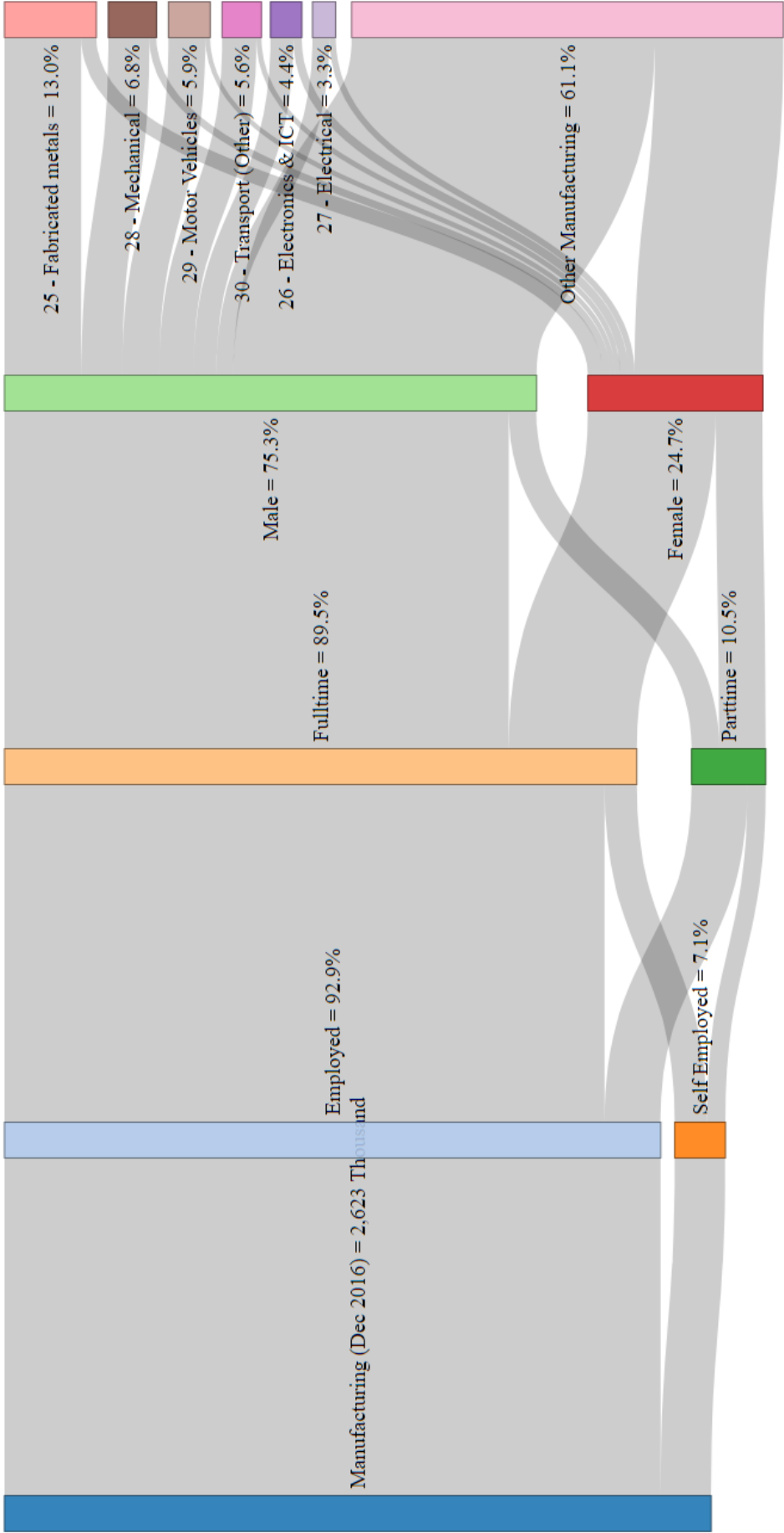
B.1 UK Workforce



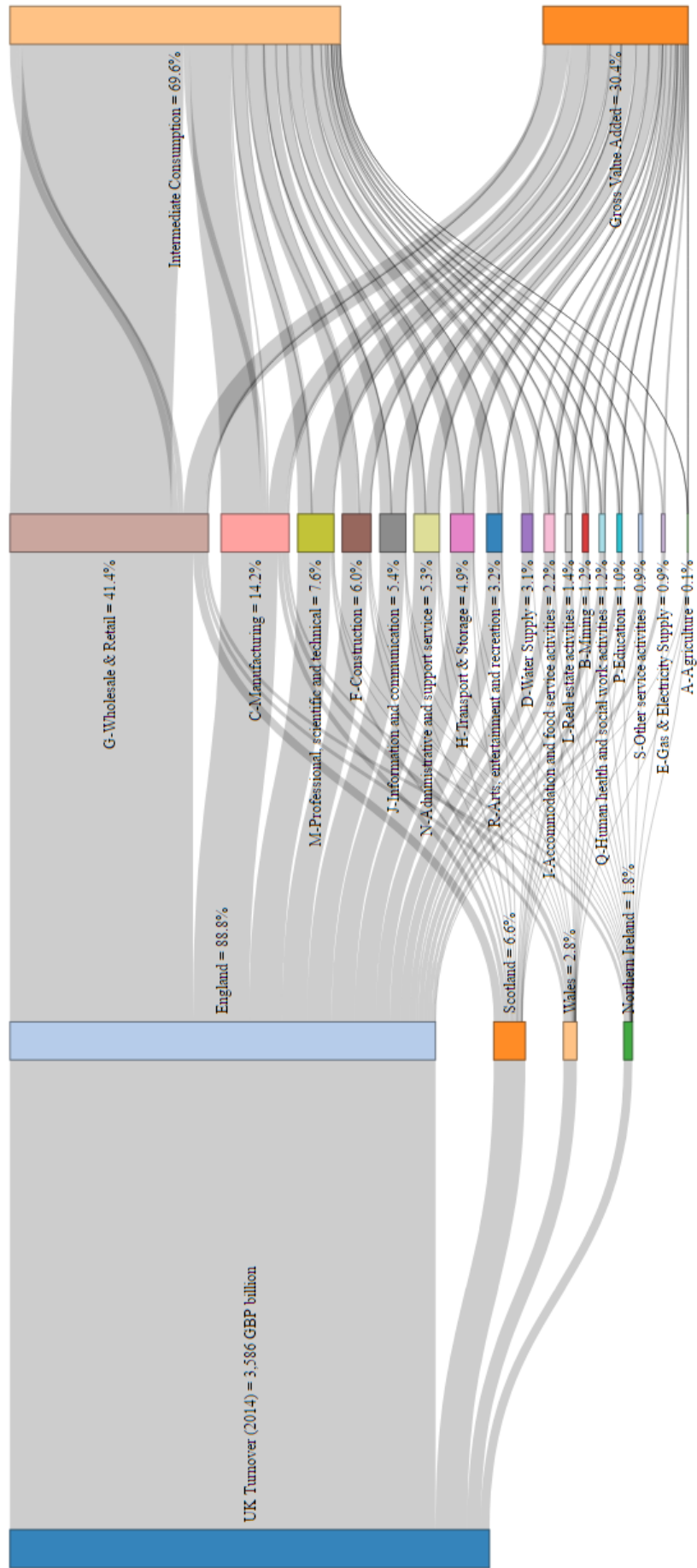
B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



C UK Industrial Output by Region



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

D UK Budget 2019/20



(X%) = Proportion expressed as a percentage of **Expenditure**, (+Y%) = Growth compared to **previous year** budget

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/

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, Electrical, Mechanical, Repairs & Installation

22, 25, 26, 27, 28, 33

Turnover₂₀₁₈

Exports₂₀₁₈

Employment₂₀₁₈

£153_{bil}

£54_{bil}

1.1_{mil}

G Contact

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