



European Union Relationship & Industrial Strategy

Biweekly

BREXIT WATCH

2018 Issue 4

End-February

Brexit Watch - 2018 Issue 4

The biweekly 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 4 manufacturing industries (FEEM), namely, Fabricated Metals (SIC 25), Electronic (SIC 26), Electrical (SIC 27) and Mechanical (SIC 28).

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 8 in 2018 are as follows:

- ★ **Sterling** recovered some of its early February losses to the **US Dollar** in week 8. The month-to-date average in February 2018 was 12.0% higher than a year earlier.
- ★ The second estimate of **GDP** growth in 2017 Q4 was revised down by 0.1% to 0.4%; equivalent to £492 billion and a growth of 1.4% compared to 2016 Q4.
- ★ **Unemployment** rate rose to 4.4% in the three months to December 2017 as the number unemployed increased by 46,000.
- ★ **Input prices** eased to 4.7% in the twelve months to January 2018 from 4.9% in the previous month.
- ★ **Consumer price index** grew 3.0% in the twelve months to January 2018, unchanged from previous month.
- **Index of production** stalled in the 12 months to December 2017, mainly driven by decline in mining & quarrying from the shutdown of Forties oil pipeline for repairs.
- The **construction output**, at constant prices, grew by 1.6% to £13.1 billion in December 2017 but fell by 0.2% compared to 12 months earlier. Main drivers for the annual fall were decline in repairs, maintenance & infrastructure (RMI).
- ★ **Retail sales value** rose by 1.6% in the twelve months to January 2018, driving by growth in all stores except food stores.
- **Exports** trade in **value** grew by 3.0% in December 2017 to £52.1 billion compared to twelve months earlier and **imports** also grew by 7.0% to £57.0 billion in the same period.
- **Turnover** for the FEEM group reached £106.7 billion in 2017, representing a growth of 7.2% on 2016. The group **exported** £42.1 billion in 2017, a growth of 12.8% on 2016 and the **workforce** now stands at 740 thousand.

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Glossary

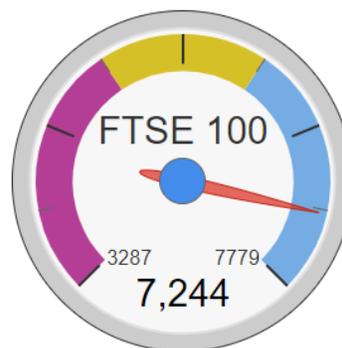
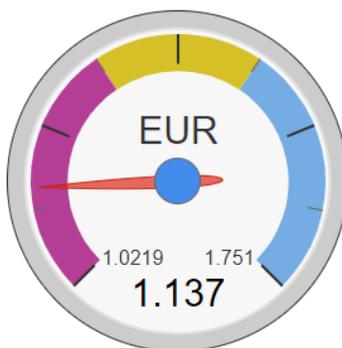
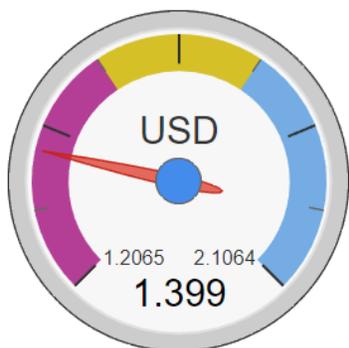
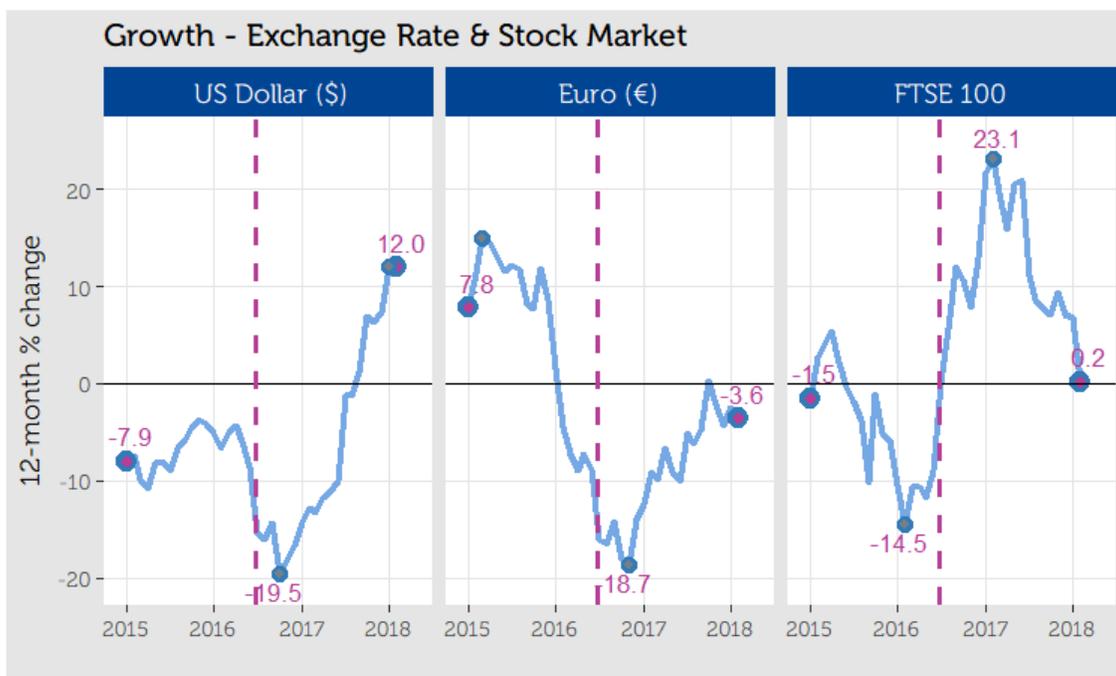
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOP	Index of Production
CESA	Catering Equipment Suppliers Association	IOS	Index of Services
CNY	Chinese Yuan	MAA	Moving Annual Average
CPI	Consumer Price Index	MAT	Moving Annual Total
CPIH	Consumer Prices Index including owner occupiers' housing costs	MTA	The Manufacturing Technologies Association
EAMA	Engineering and Machinery Alliance	MTD	Month to date
ECB	European Central Bank	NI	Northern Ireland
EUR	Euro	NMI	UK Electronic Systems & Technology Industry
FEEM	Group of 4 engineering industries representing SIC codes 25 (Fabricated Metals), 26 (Electronics), 27 (Electrical) and 28 (Mechanical)	OECD	Organisation for Economic Co-operation and Development
FTSE 100	Index composed of the 100 largest companies listed on the London Stock Exchange	ONS	Office for National Statistics
G7	Group of seven countries consisting of Canada, France, Germany, Italy, Japan, UK & US	PPI	Producer Price Index
GAMBICA	Trade Association for Instrumentation, Control, Automation and Laboratory Technology	REA	The Renewable Energy Association
GDP	Gross Domestic Product	RMI	Repairs, Maintenance & Infrastructure
HMRC	HM Revenue & Customs	RPI	Retail Price Index
IOM	Index of Manufacturing	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's rate with **US Dollar** showed some sign of recovery in week 8, after a poor start in February, finishing at 1.3986/GBP. The month-to-date rate was 1.2% above January 2018, 12.0% above February 2017 but 3.9% below May 2016 (pre-brexit vote).

Sterling also recovered some of its initial February 2018 losses against the **Euro** in week 8, closing at 1.1371/GBP. The month-to-date rate was 0.1% below January 2018, 3.6% below February 2017 and also 12.1% below May 2016 rate.

FTSE 100 begins to recover some of its heavy losses suffered in the first two weeks of February, closing at 7244 point at the end of week 8. The month-to-date average was 5.7% below January 2018, 0.2% above February 2017 and 177% higher than May 2016.

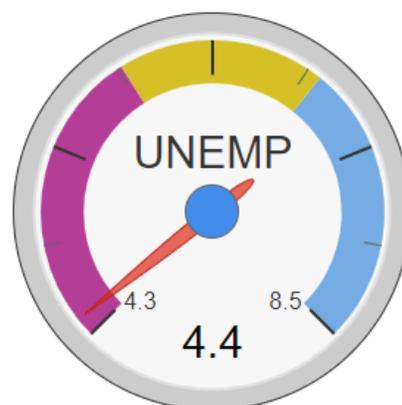
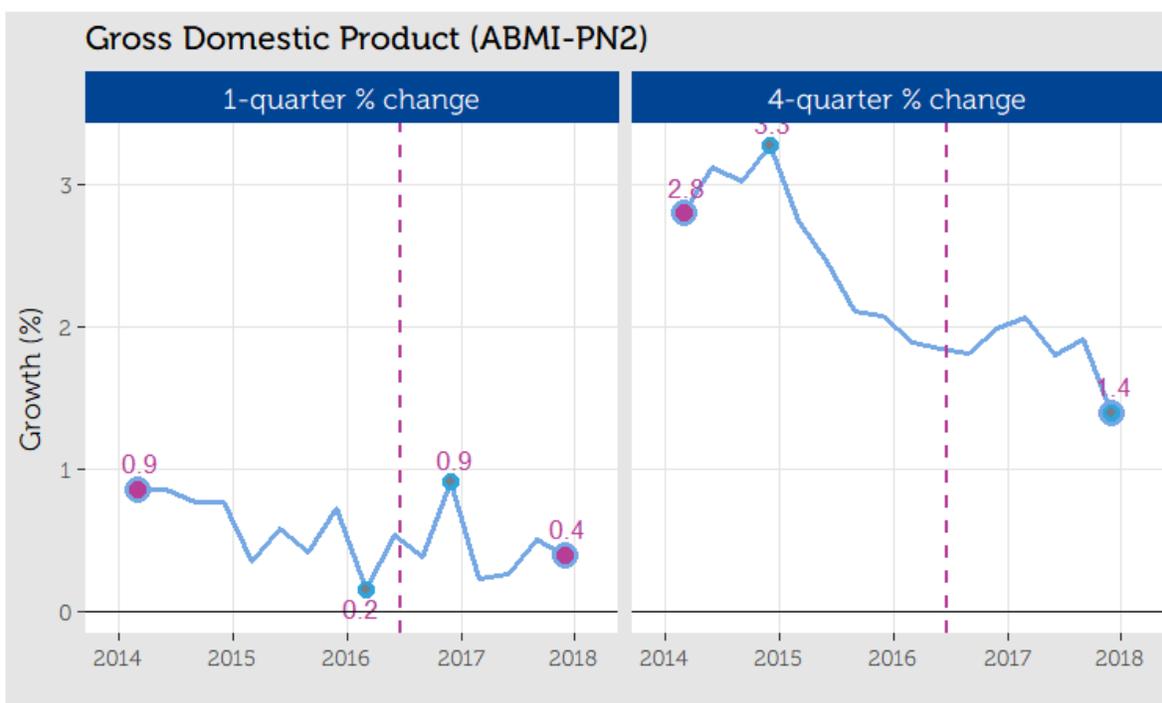


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The second estimate of **GDP** growth, for 2017 Q4, was revised down to 0.4% from preliminary estimate of 0.5%. The Q4 gdp was equivalent to £492 billion and a growth of 1.4% compared to 2016 Q4, the lowest 4-quarter growth since 2012 Q2. Services and production grew on previous quarter but construction contracted for a third quarter in a row.

The number of people in work increased by 88,000 in Q4 to 32.15 million compared to 2017 Q3. There were 1.47 million unemployed in Q4, 46 thousand more than 2017 Q3 but 123 thousand less than 2016 Q4. **Unemployment** rate rose to 4.4%, from a 42-year low 4.3%.

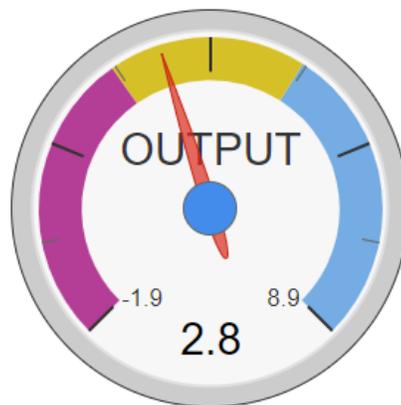
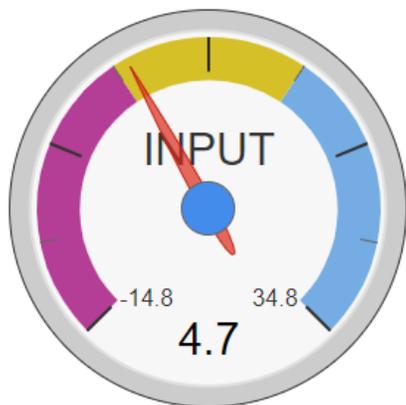
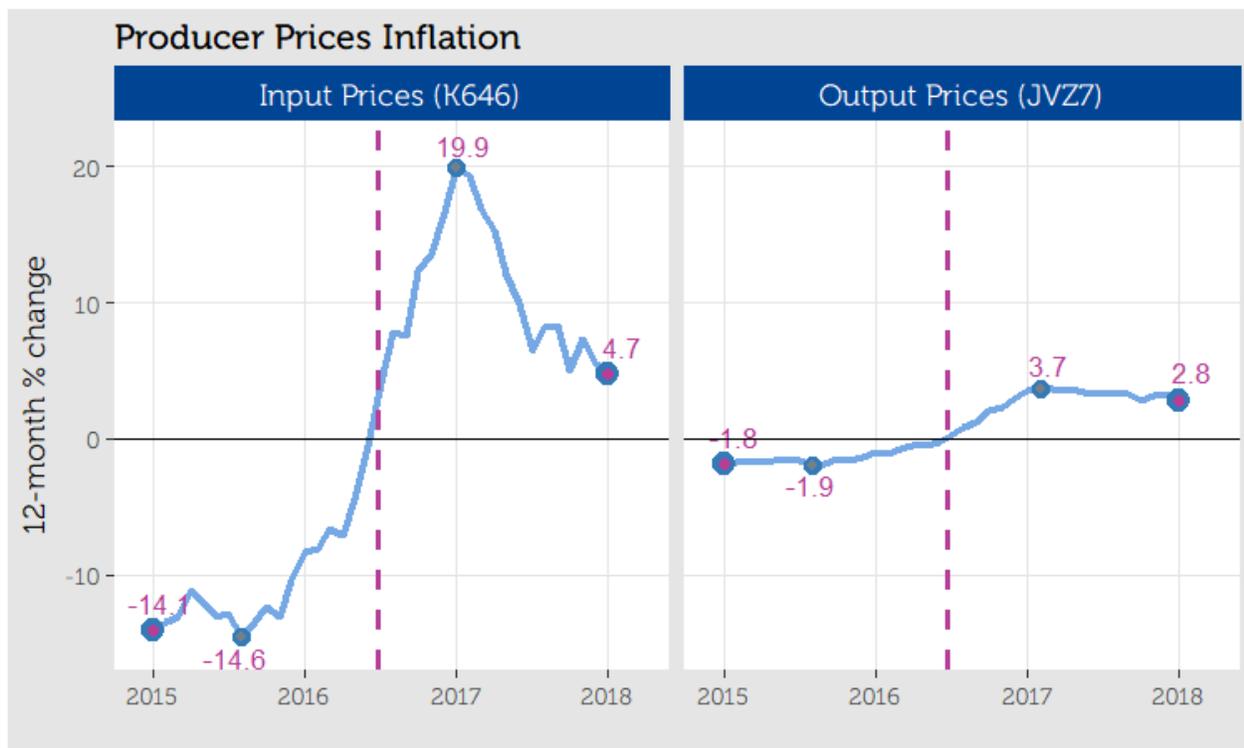


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

3 Producer Prices

The **input prices** index for all manufacturing grew by 0.7% in January 2018 and also grew by 4.7% compare to twelve months earlier. The main drivers for the increase were crude oil and imported metals. It is the lowest 12-month growth since 2016 July but compared to May 2016, it was 19.3% up.

Factory gate (Output) prices for all manufacturing rose by 0.1% between January 2018 and also grew by 2.8% compared to January 2017. It has grown by 5.4% since May 2016.



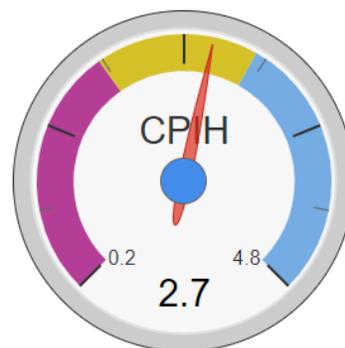
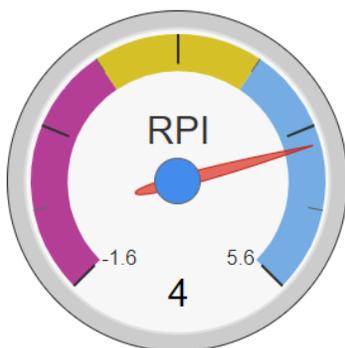
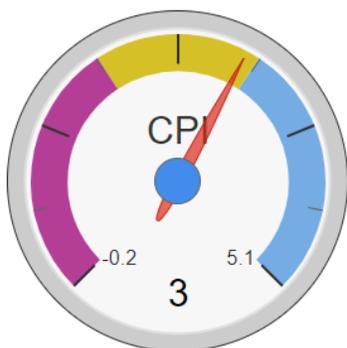
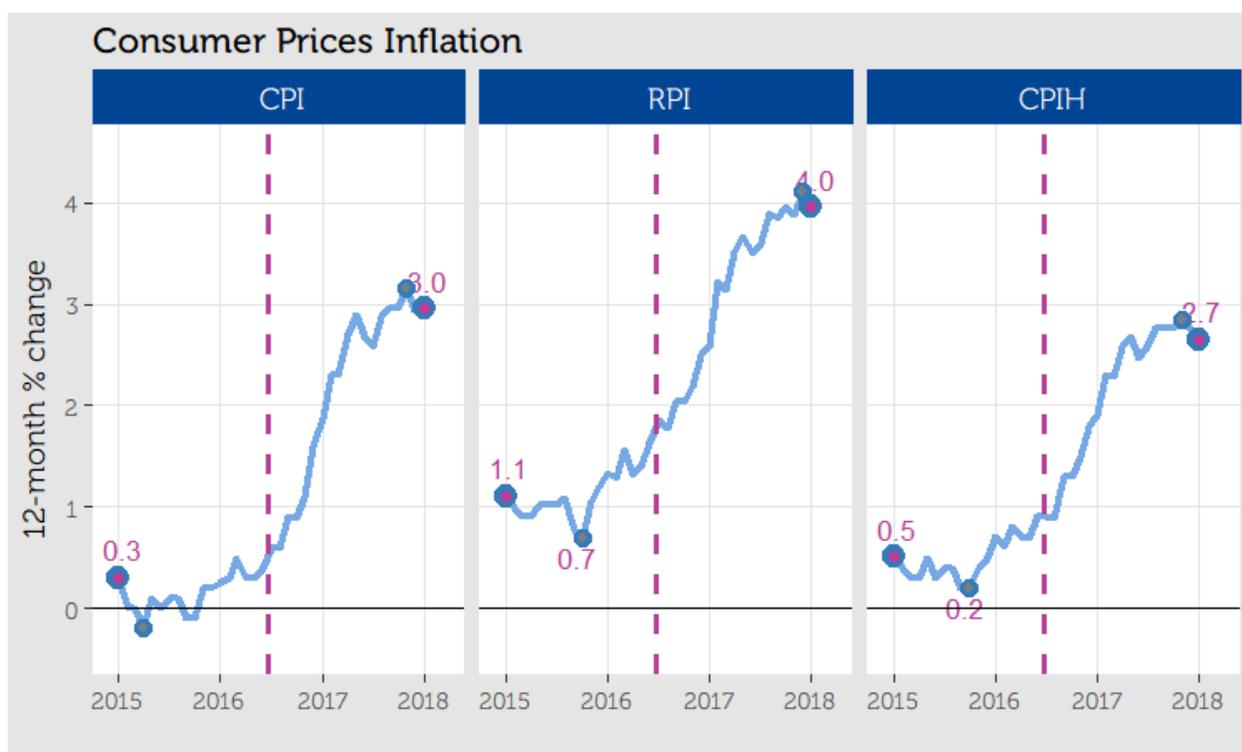
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

4 Consumer Prices

Consumer price index (CPI) fell by 0.5% in January 2018 but the 12-month remained unchanged at 3.0% from December 2017; and 4.0% up since May 2016. Price increases in recreational and cultural goods were partly offset by price decreases in motor fuels.

The **retail price index (RPI)** eased slightly to 4.0% in the twelve months to January 2018, from 4.1 in the previous month. RPI has grown by 5.3% since May 2016.

CPI including owner's occupying (CPIH) fell by 0.5% in January 2018 but 12-month growth remained unchanged at 2.7%. CPIH has grown by 3.7% since May 2016.



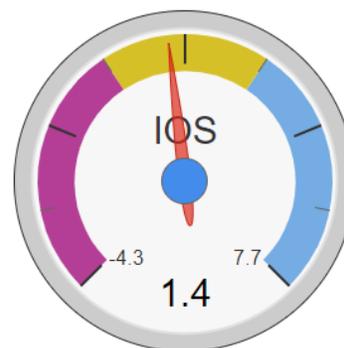
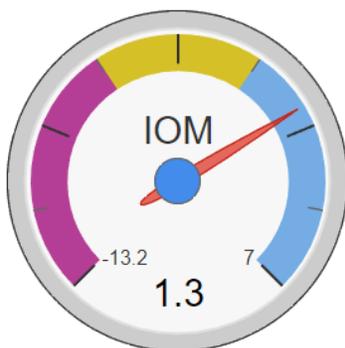
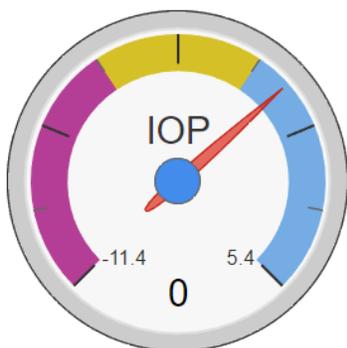
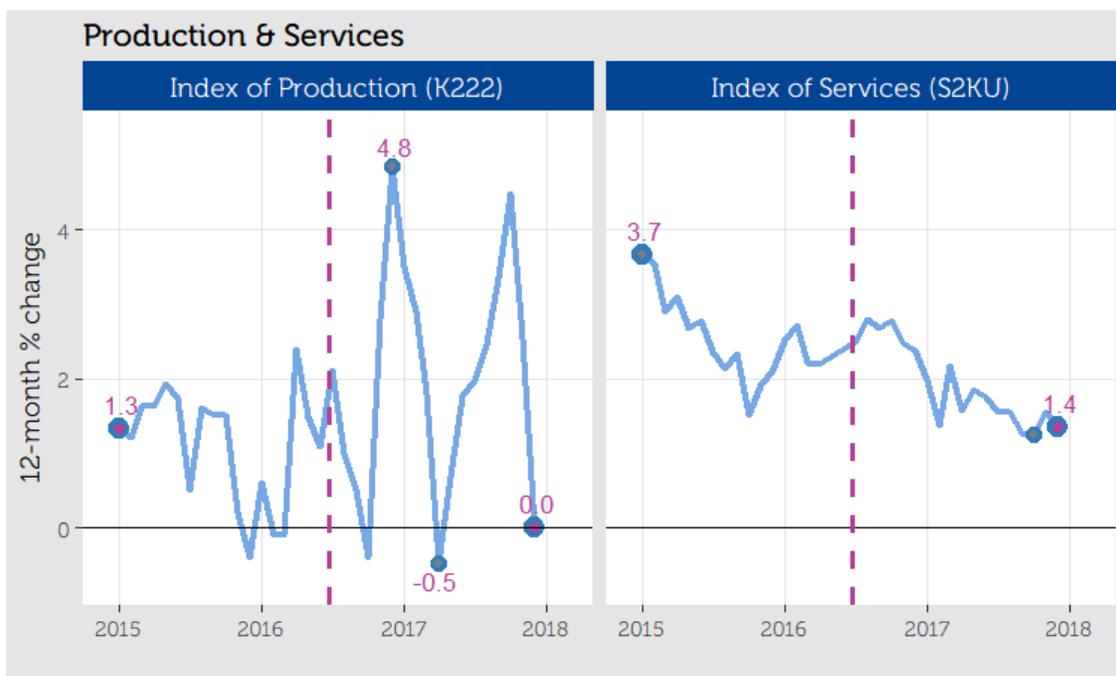
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP) decreased by 1.3% in December 2017 and there was no growth compared to twelve months earlier. Drivers for the decline were mining and quarrying sectors as a result of shut-down of the Forties oil pipeline for large part of December 2017.

Index of manufacturing (IOM) grew by 0.3% in December 2017 and also grew by 1.3% compared to twelve months earlier. Drivers for the growth include manufacture of machinery and transport equipment. IOM has grown by 4.6% since May 2016.

Index of services (IOS) increased by 0.4% in November 2017 and also grew by 1.5% compared to a year earlier, mainly driven by business and financial services. It is the 94th successive year on year growth. IOS has grown by 2.9% since May 2016.

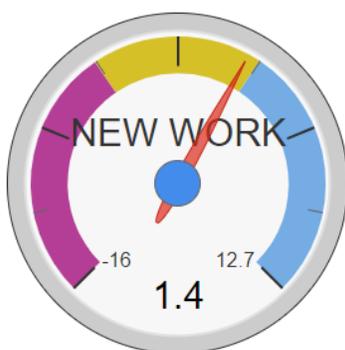
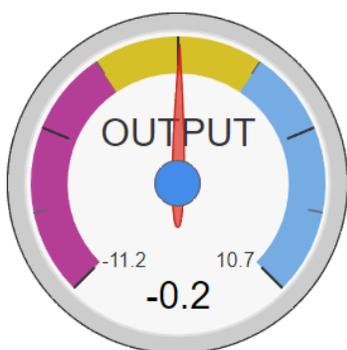
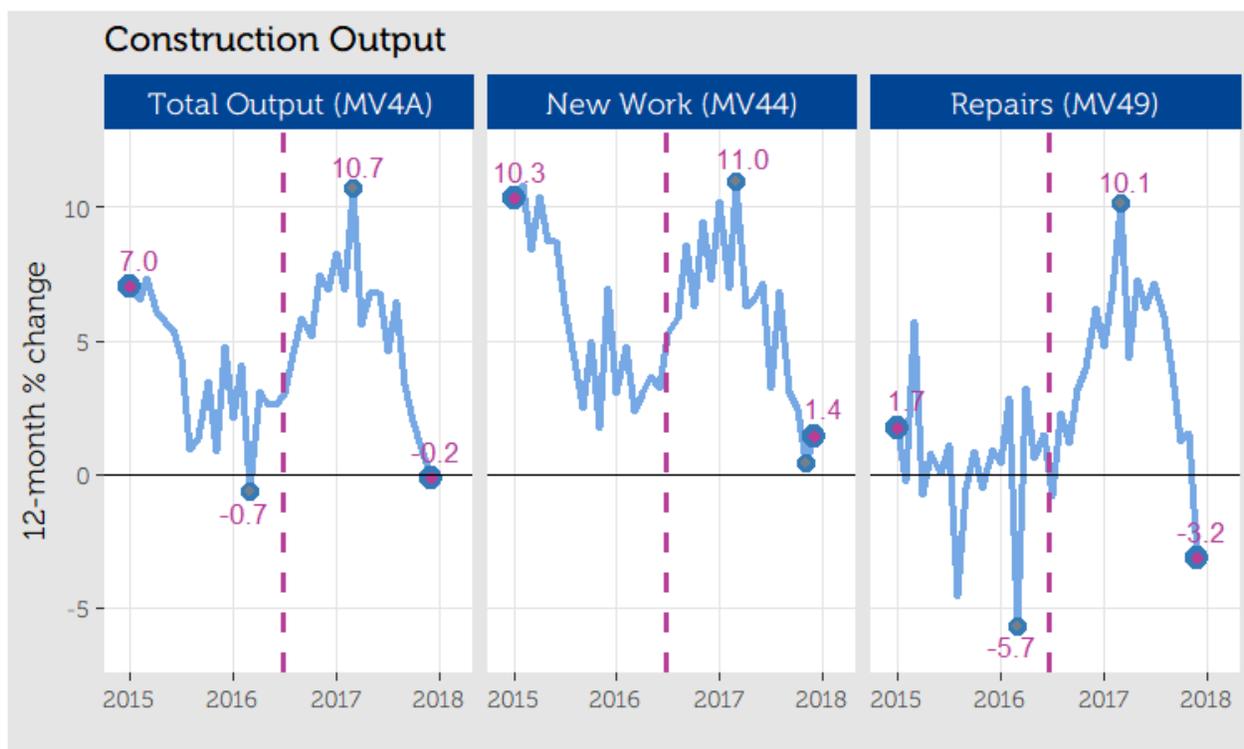


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, increased by 1.6% in December 2017 to £13.1 billion but compared to twelve months earlier, output in December 2017 fell by 0.2%. Construction output has grown by 6.8% since May 2016.

New construction work, grew by 4.0% to £8.6 billion in December 2017 but **construction repairs** fell by 2.9% to £4.5 billion in the same period. Compared to twelve months earlier, new construction work rose by 1.4% but repairs fell by 3.2%.

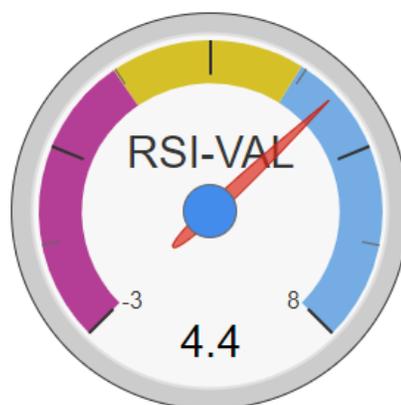
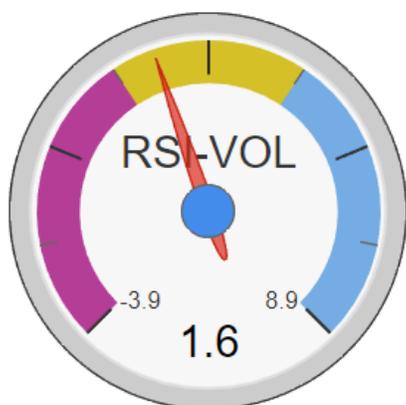
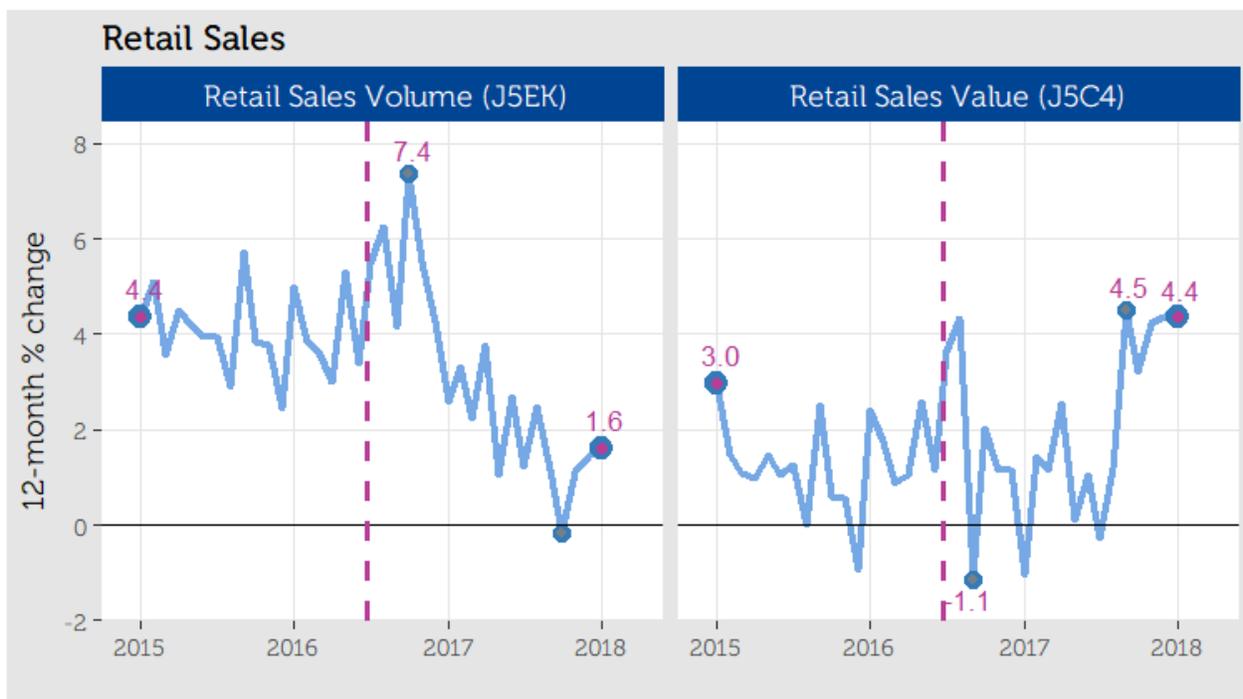


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) increased by 0.1% in January 2018, and also grew by 1.6% compared to twelve months earlier. Growth declined across all main sectors except non-food stores. Retail volume has grown by 1.8% since May 2016.

The **value of retail sales** (including fuel) fell by 0.1% January 2018 but grew by 4.4% compared to 12 months earlier. The January 2018 retail value was higher than May 2016 value by 2.3%

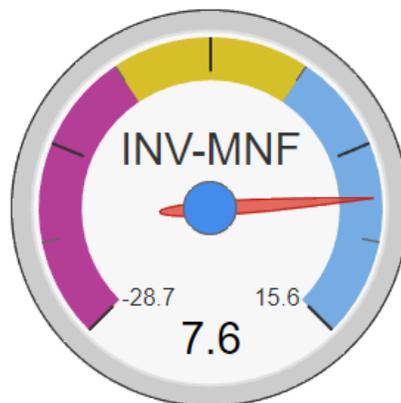
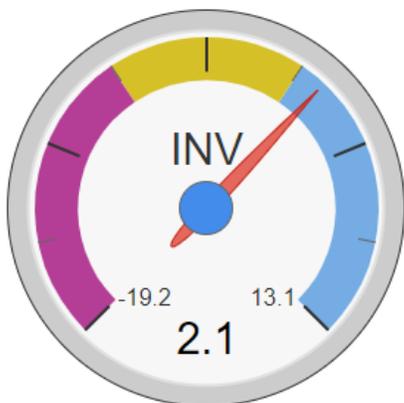


[Guage Charts: 12-month % change since Jan 2000]

8 Business Investment

Business investment for all industries (INV), in volume terms, remained unchanged in Q4 from 2017 Q3 but grew by 2.1% compare to a year earlier. Compared with 2016 Q3, business investment has grown by 3.2%.

Investment in **manufacturing industries** (INV-MNF), in volume terms, increased by 1.3% in 2017 Q3 and grew by 7.6% compared to 2016 Q3.



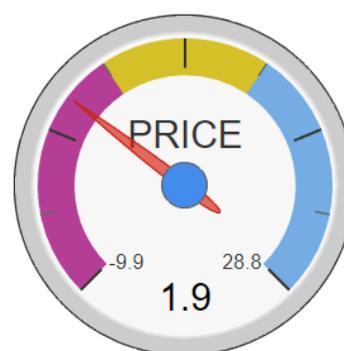
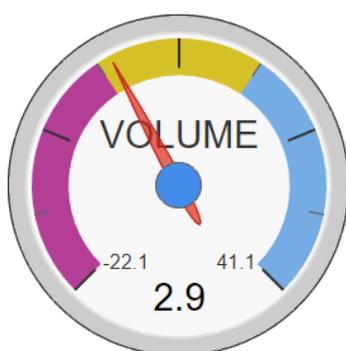
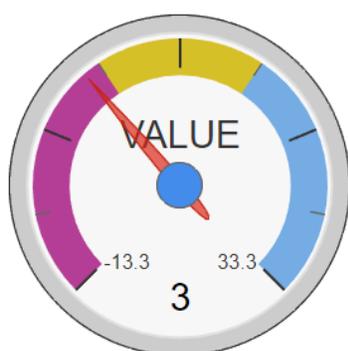
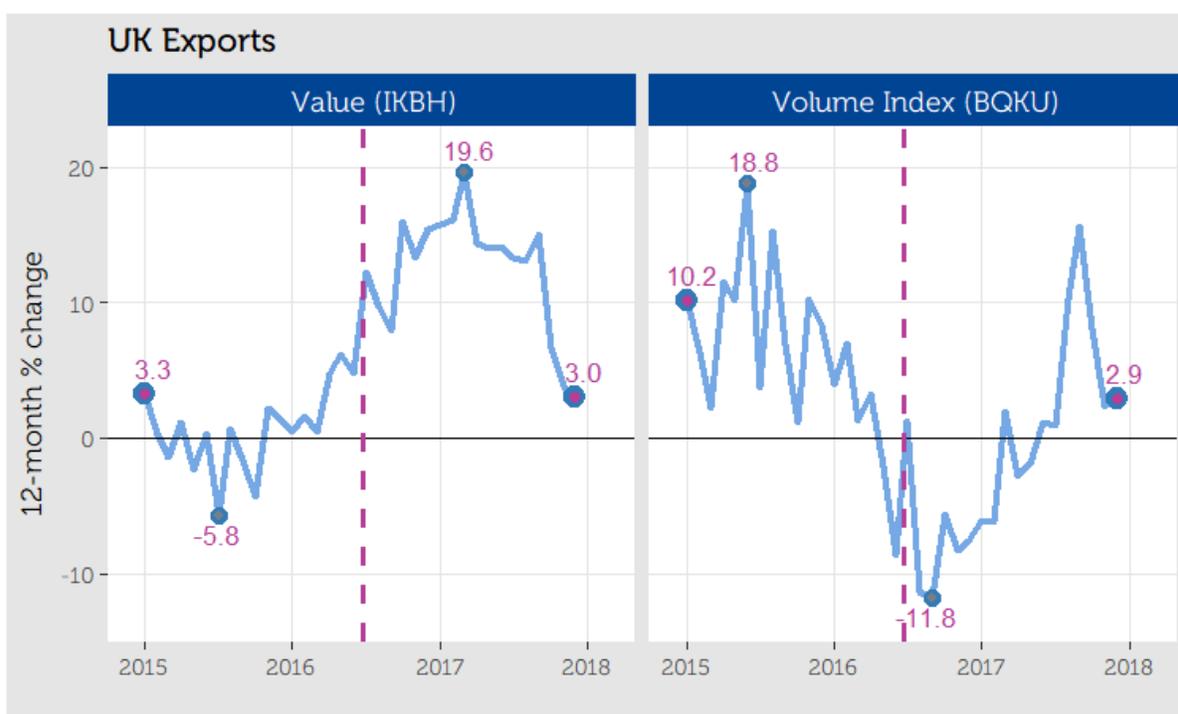
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 0.8% in December 2017 and also grew by 3.0% compared to December 2016. Exports of **goods** increased by 4.0% to £ 29.0 billion and exports of **services** increased by 1.9% to £ 23.1 billion in December 2017 compared to twelve months earlier.

Volume of UK **exports** grew by 2.2% in December 2017 and also by 2.9% compared to twelve months earlier.

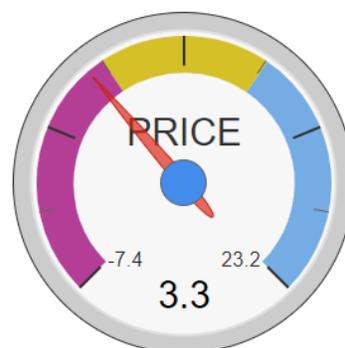
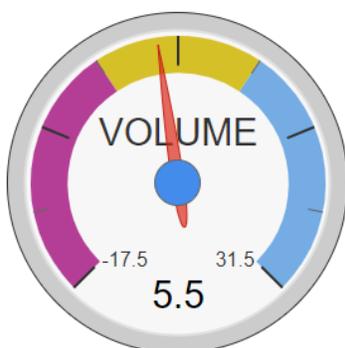
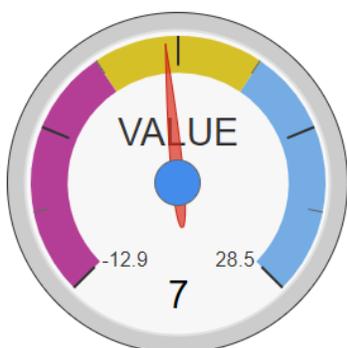
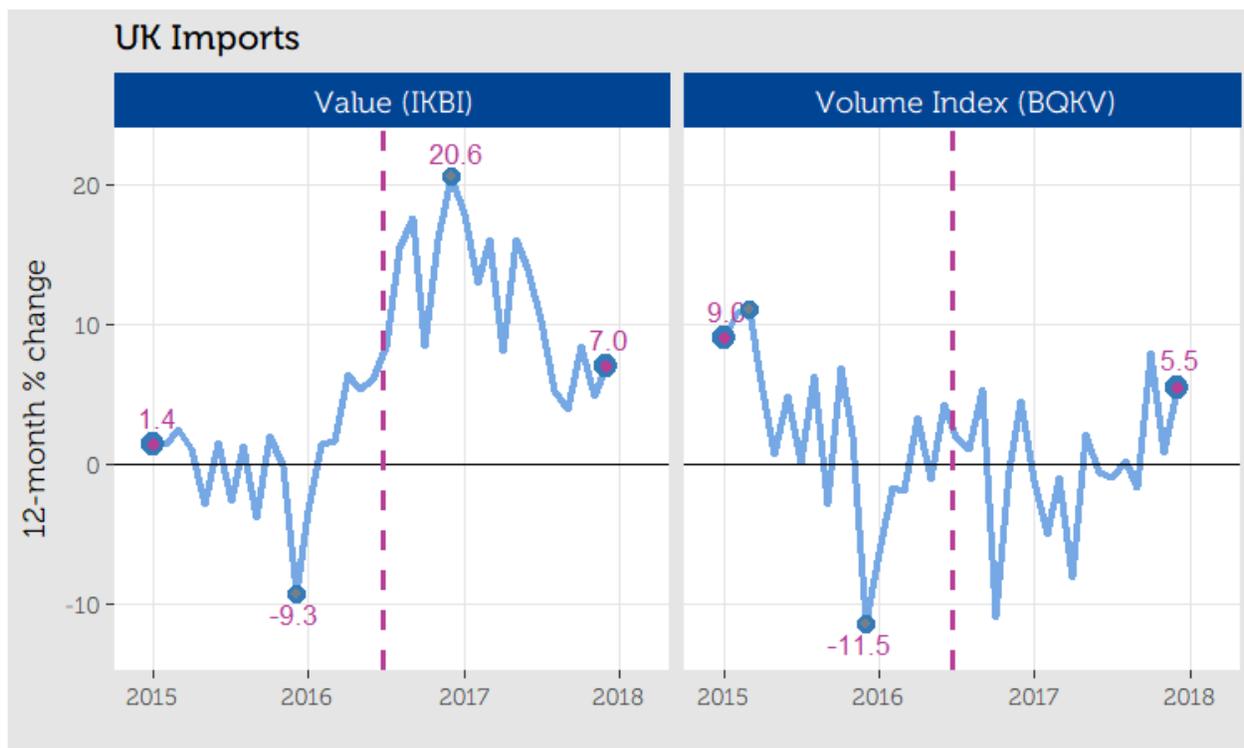


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK **imports** rose by 3.0% in December 2017 and also grew 7.0% compared to 12 months earlier. Imports of goods increased by 7.2% to £ 42.6 billion and imports of services also increased by 4.5% to £14.4 billion in December 2017 compared to twelve months earlier.

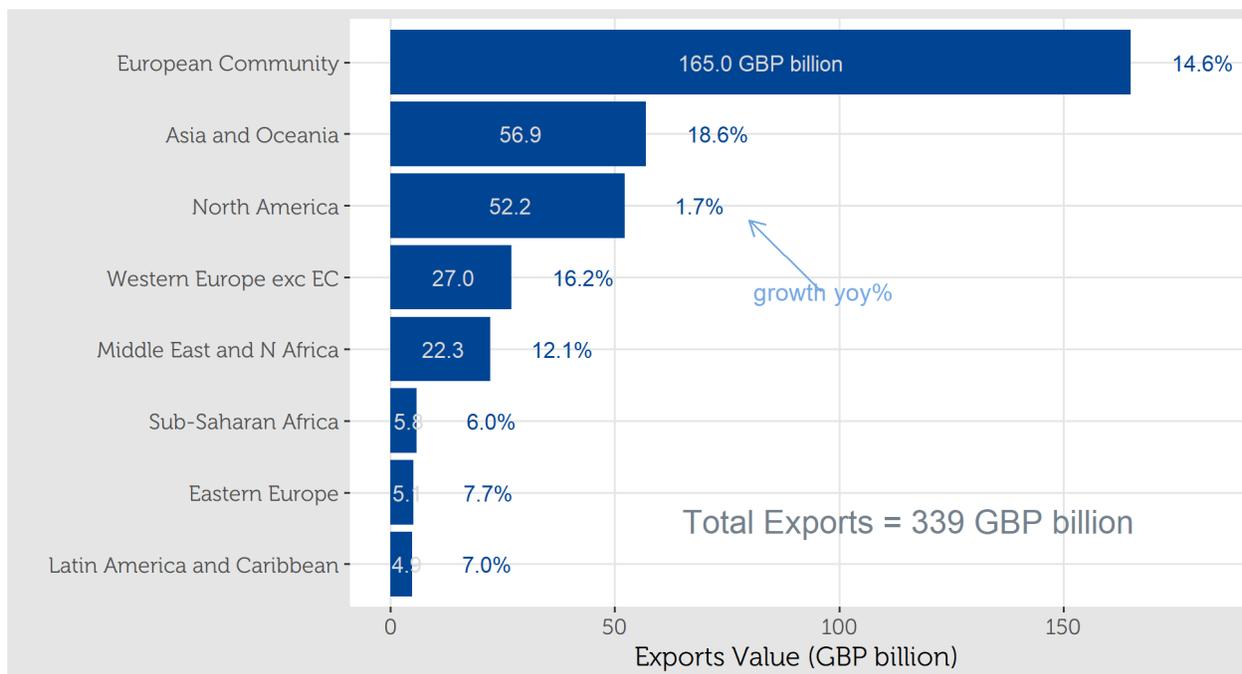
UK **imports** on **volume** basis rose by 4.9% in December 2017 and also grew by 5.5% compared to twelve months earlier. It is the third successive month on month growth.



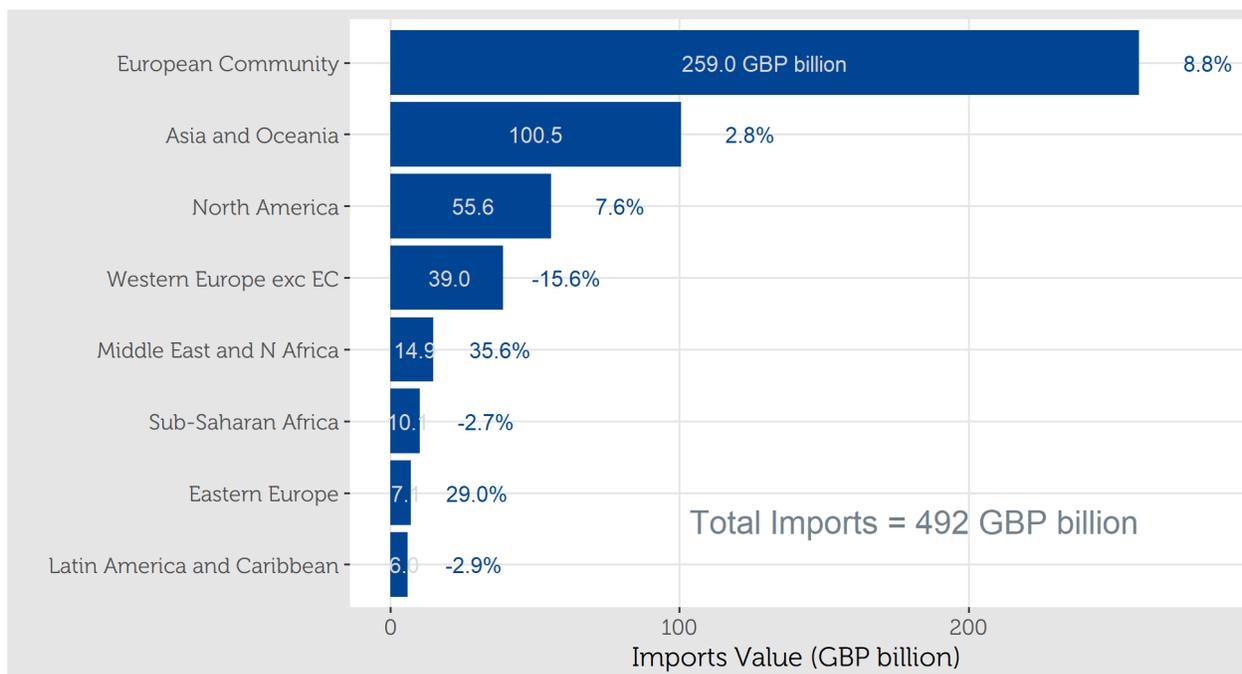
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2017 (Jan - Dec)

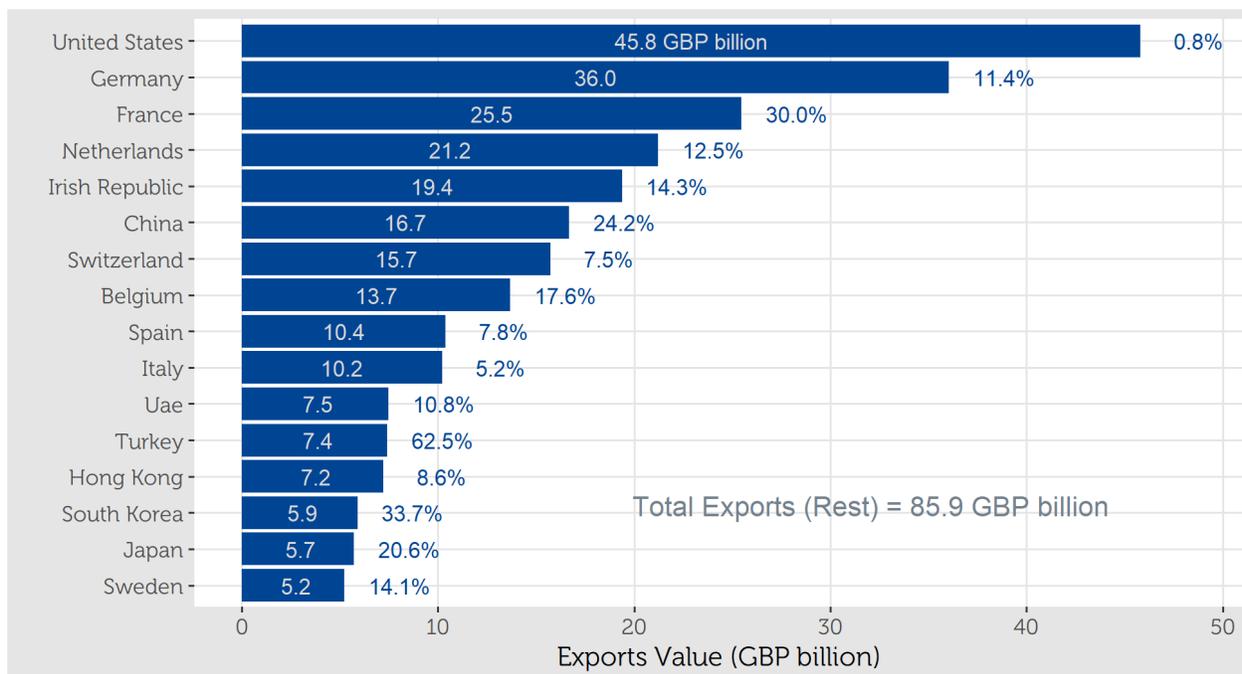


9.3.2 Imports - 2017 (Jan - Dec)

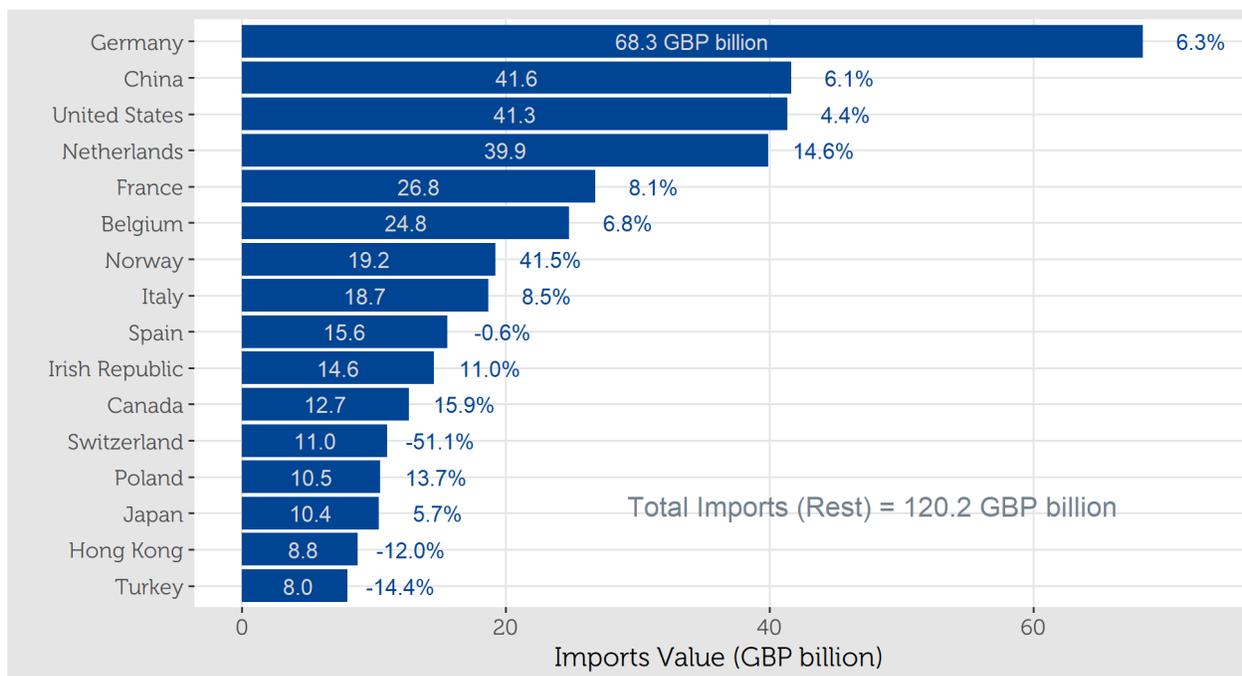


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2017 (Jan - Dec)

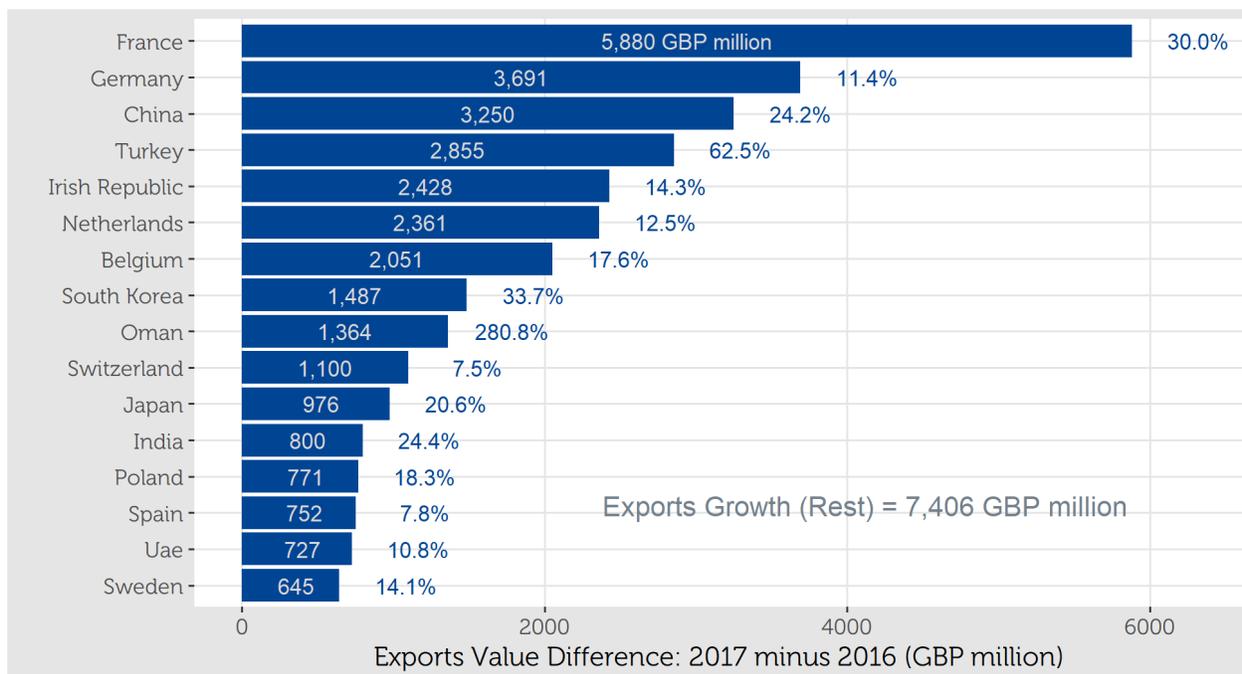


9.4.2 Imports - 2017 (Jan - Dec)

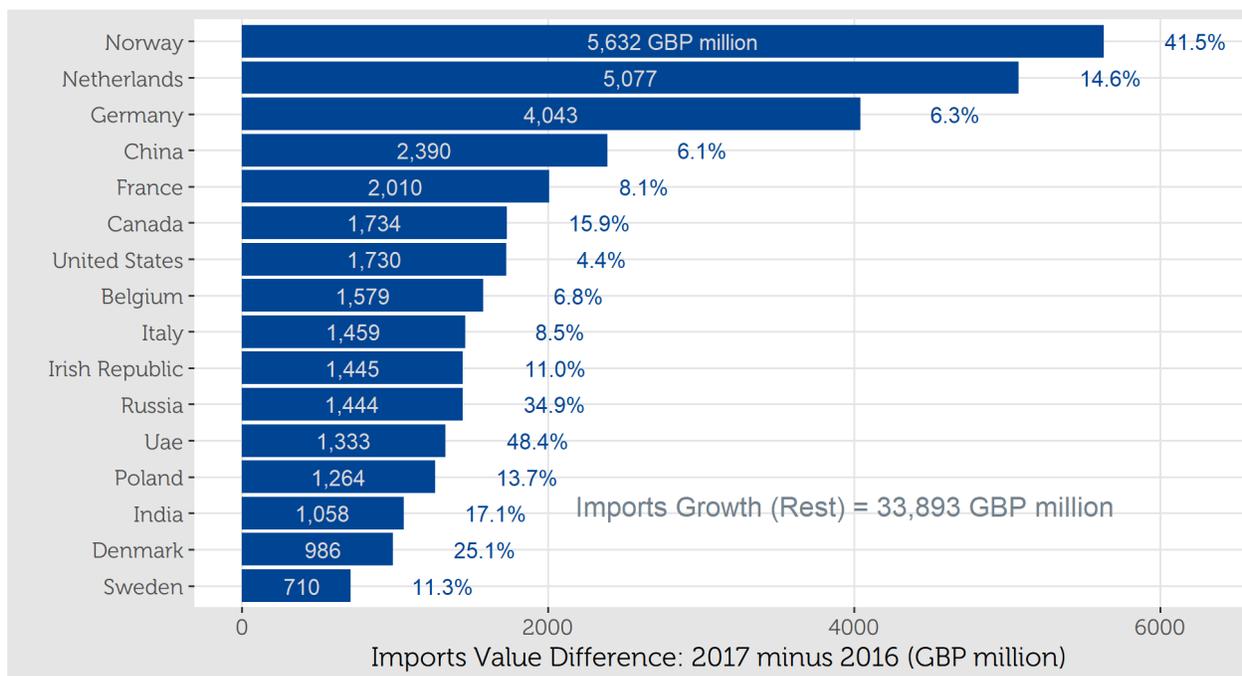


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2017 (Jan - Dec)

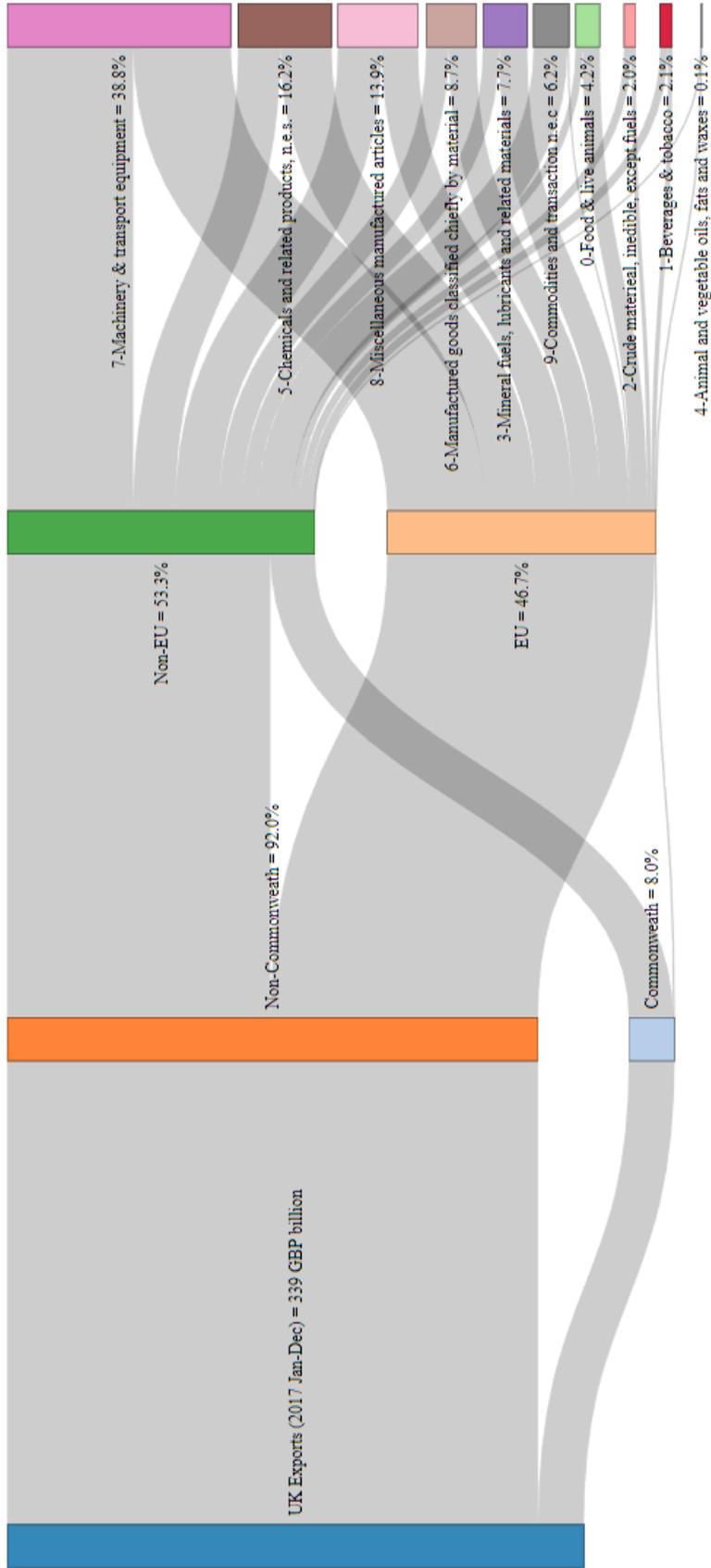


9.5.2 Imports Value Growth - 2017 (Jan - Dec)

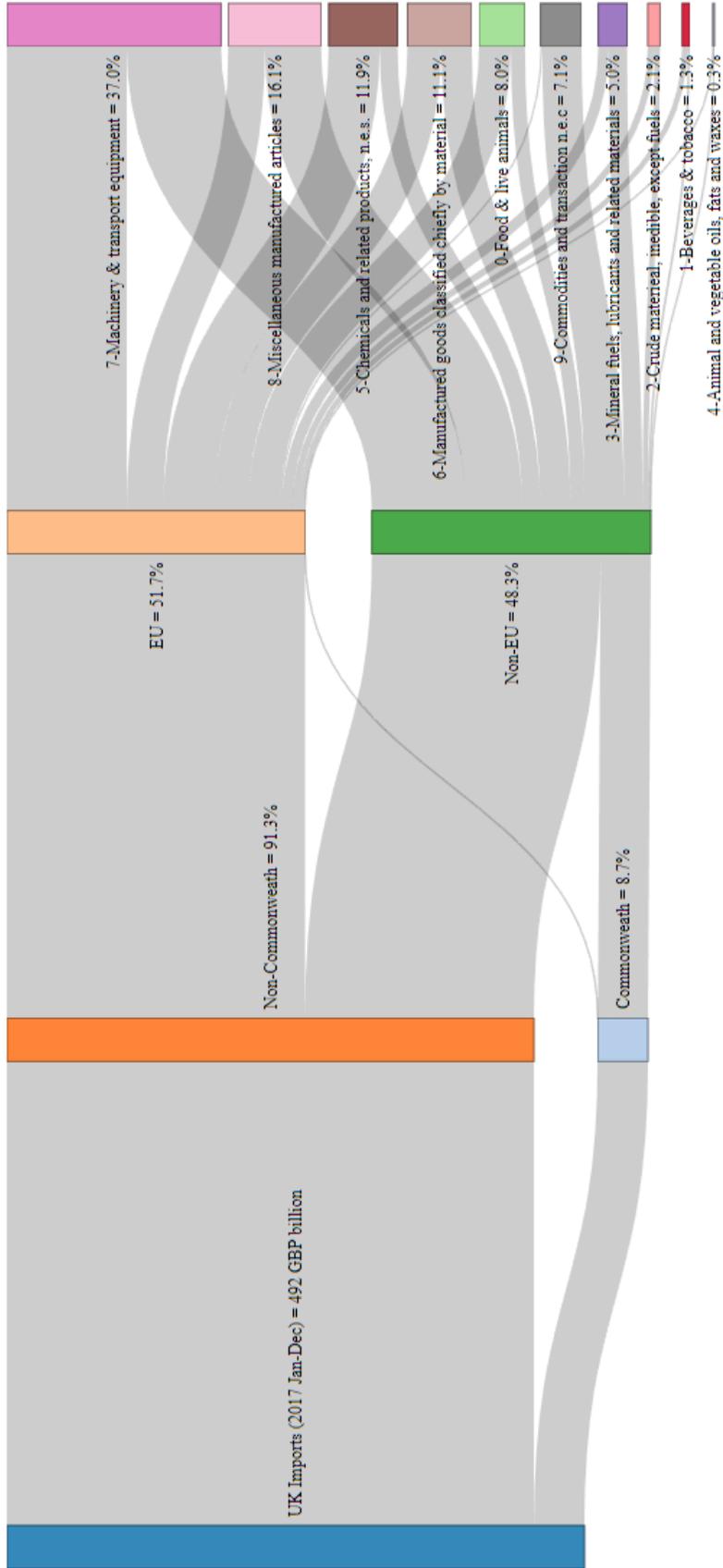


9.6 Goods Trade: EU & Commonwealth by SITC

9.6.1 Exports - 2017 (Jan - Dec)

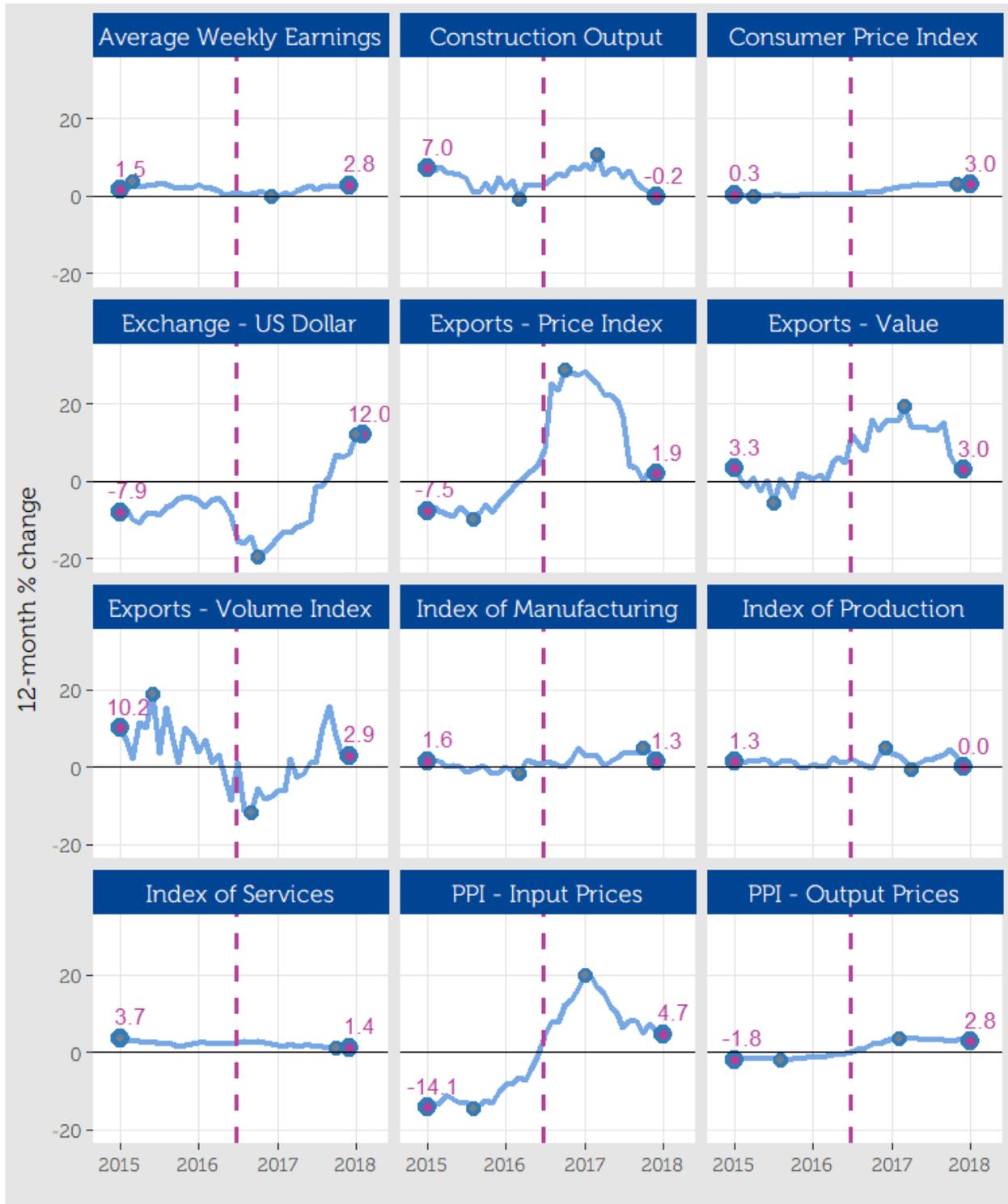


9.6.2 Imports - 2017 (Jan - Dec)

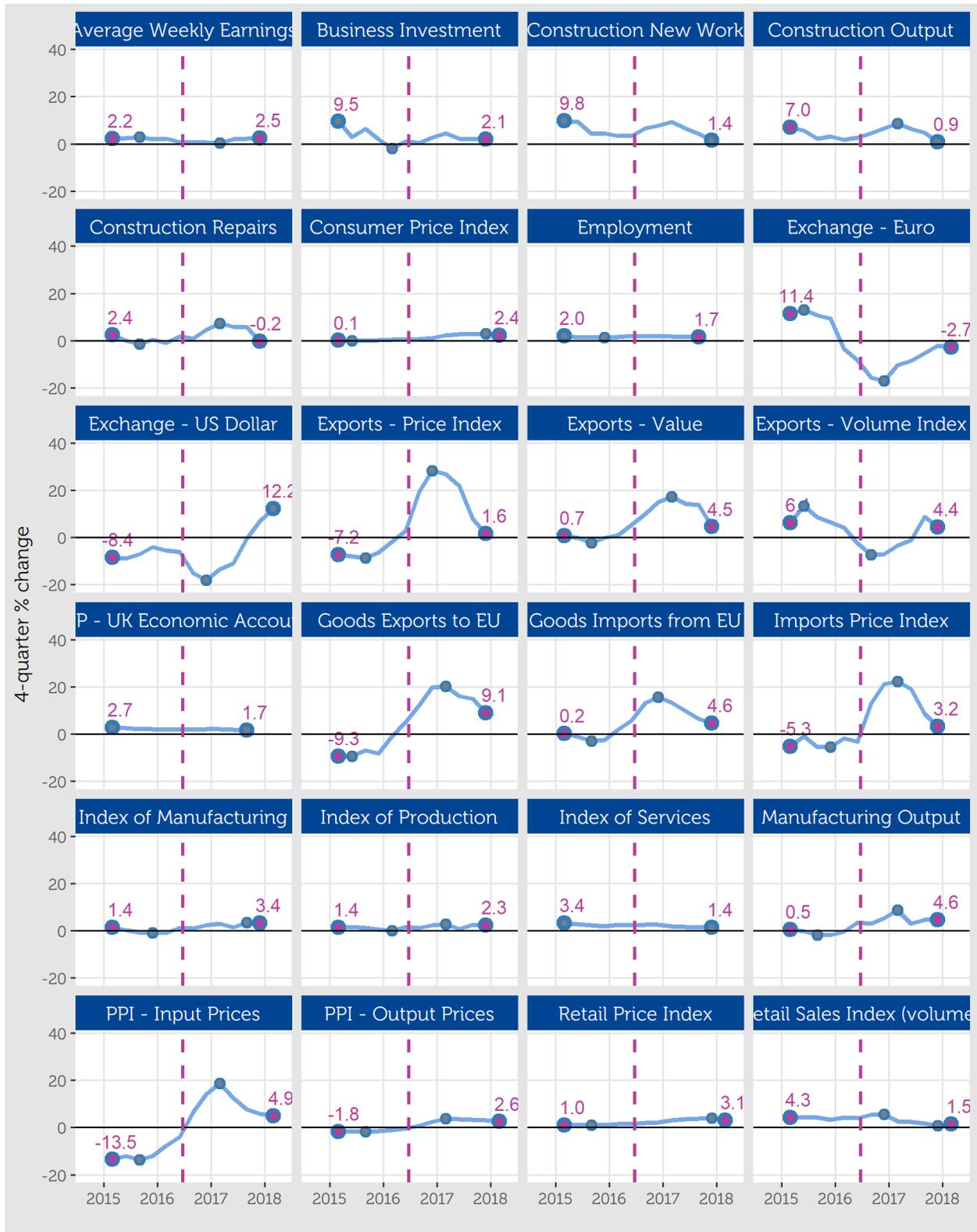


10 Economy At a Glance

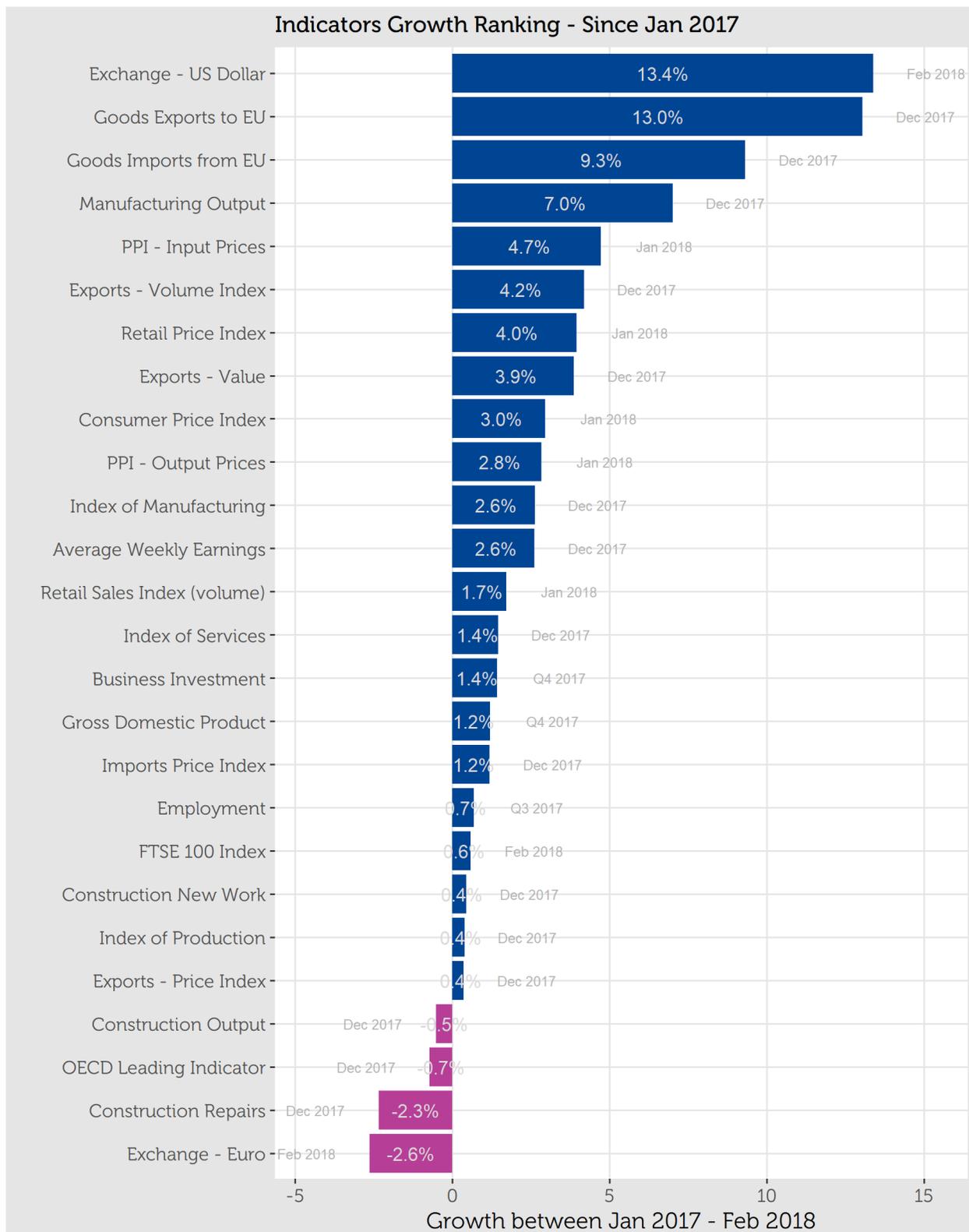
10.1 Growth: 12-month % growth



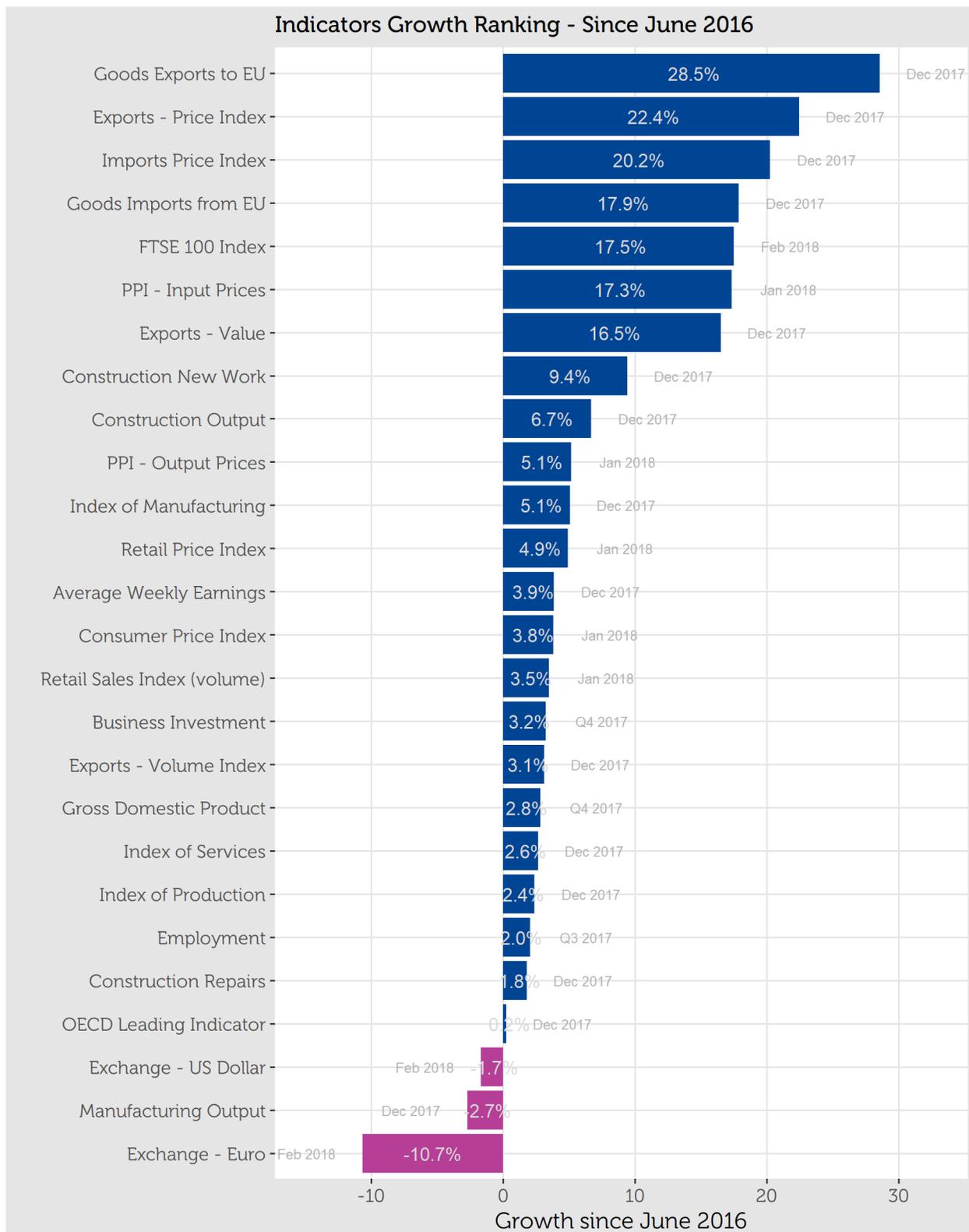
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since January 2017

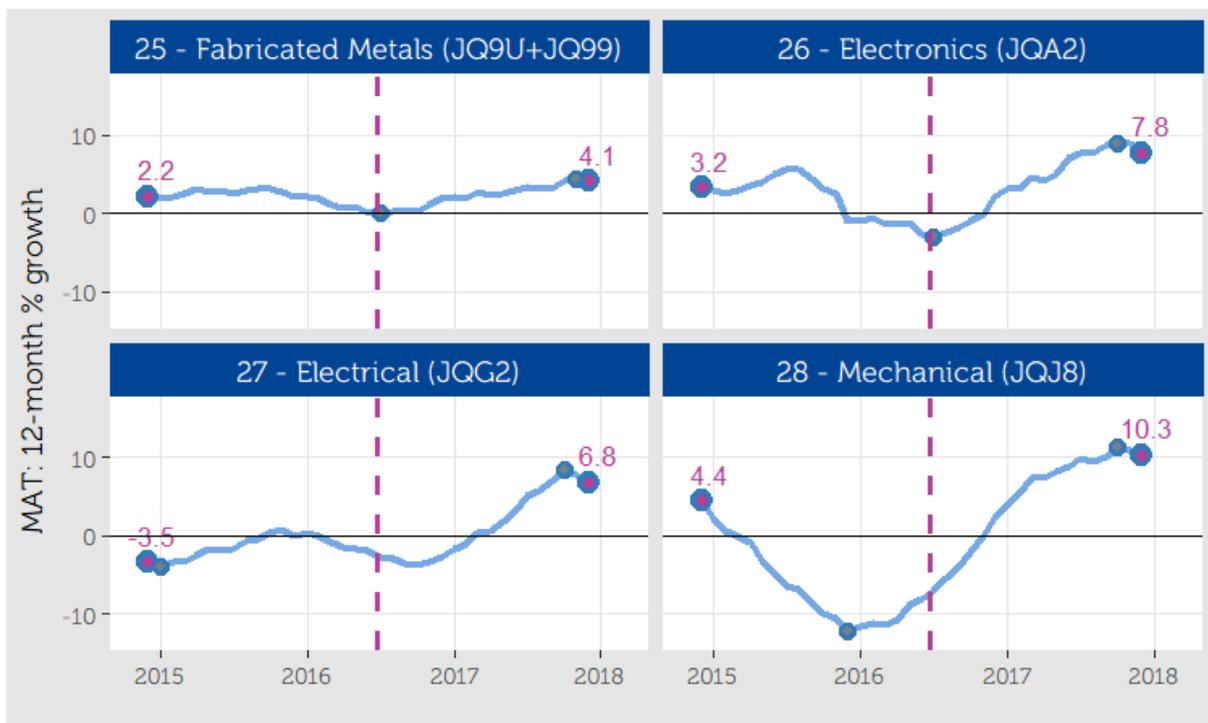
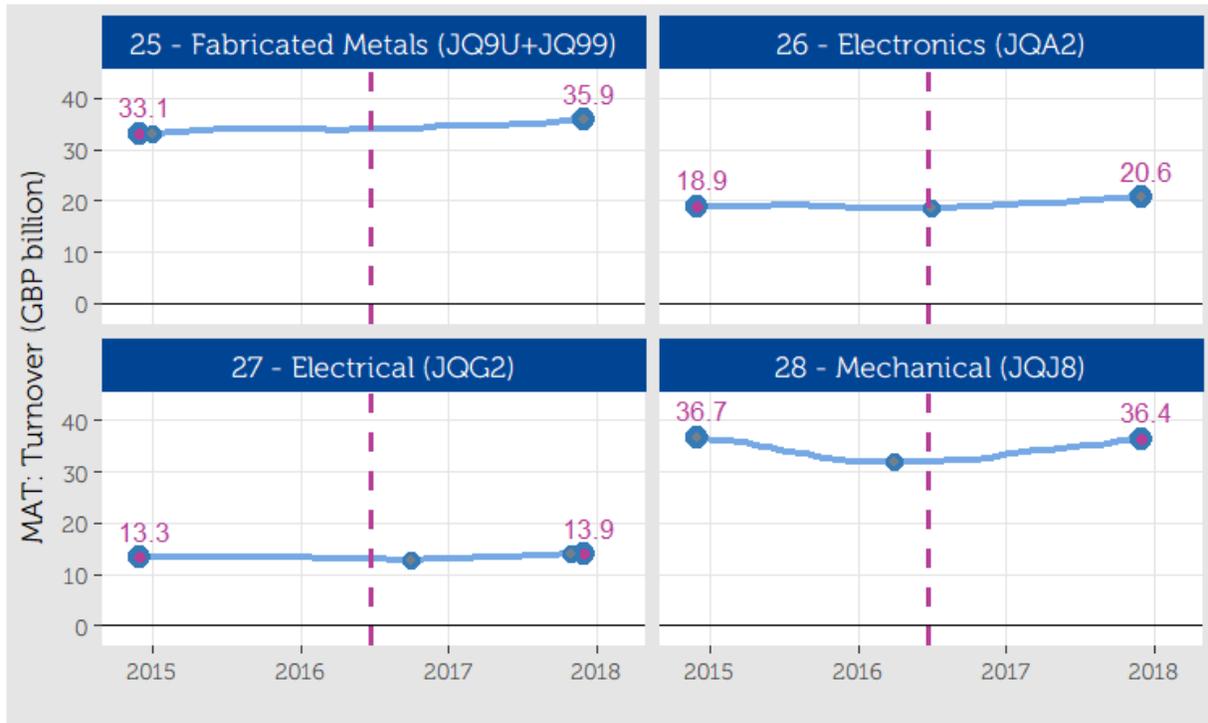


10.4 Growth Ranking: Since Referendum Vote

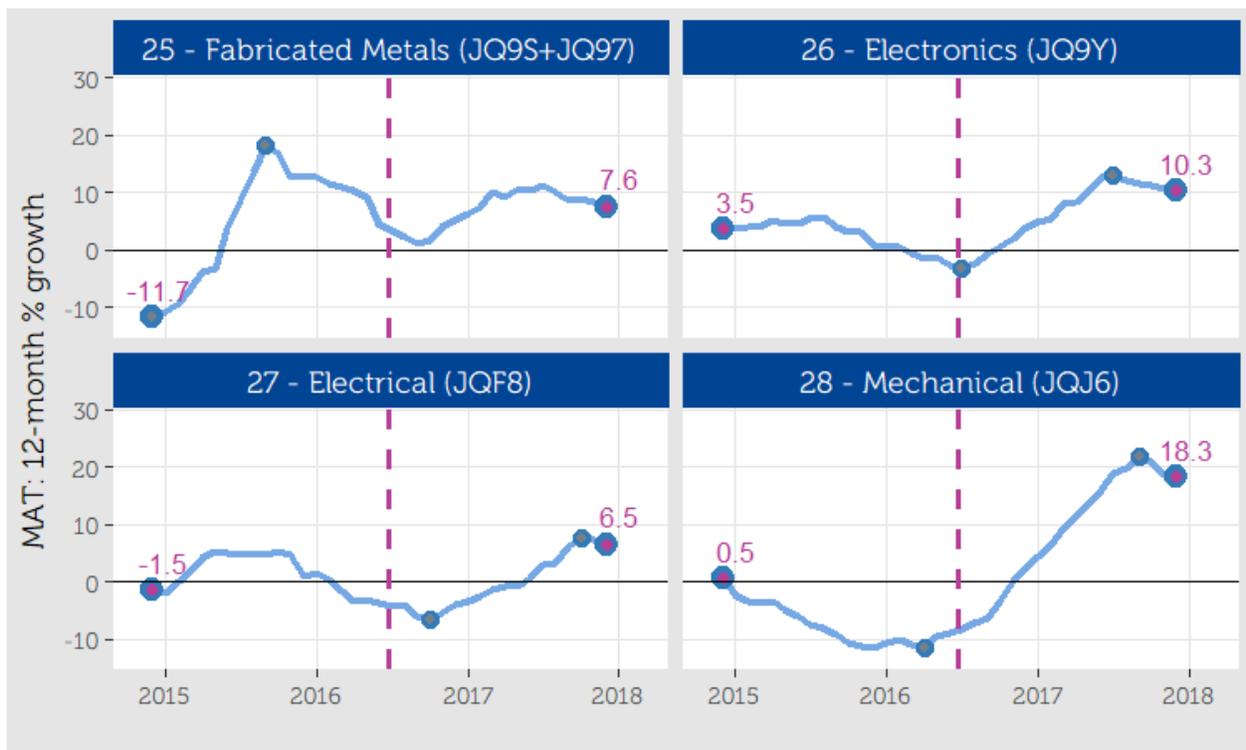
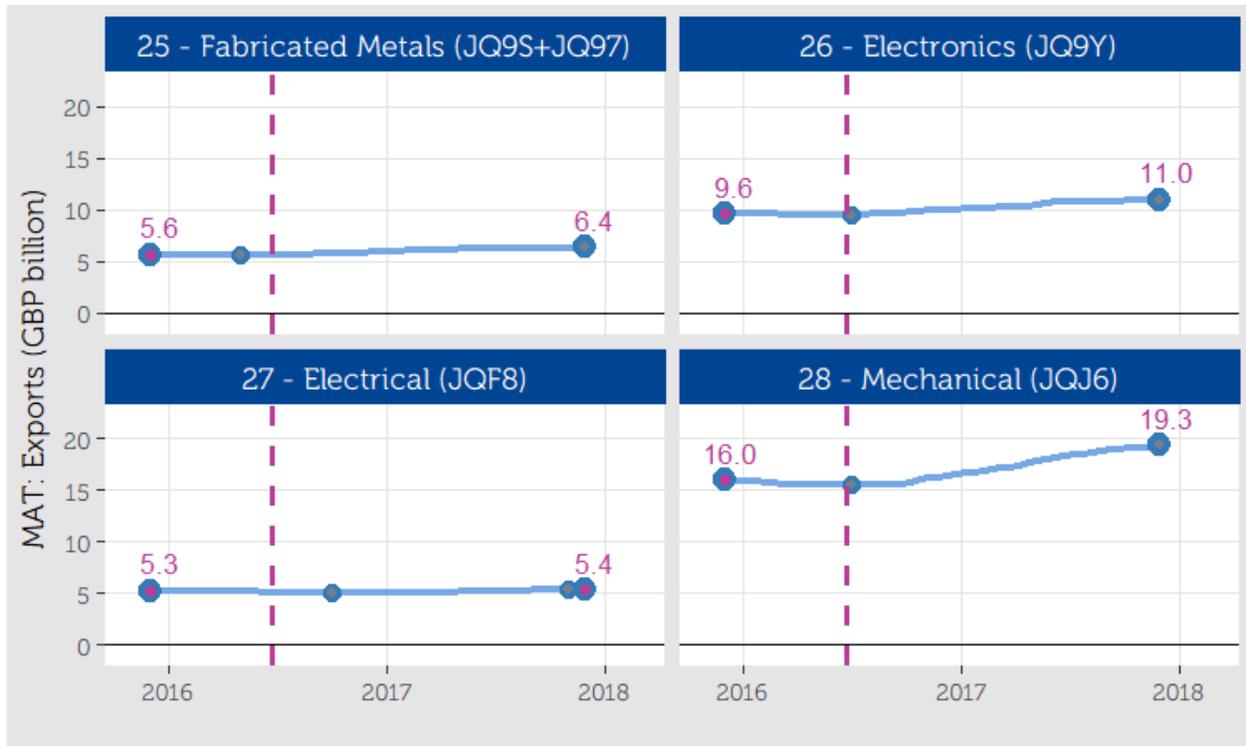


11 Industry Level Indicators

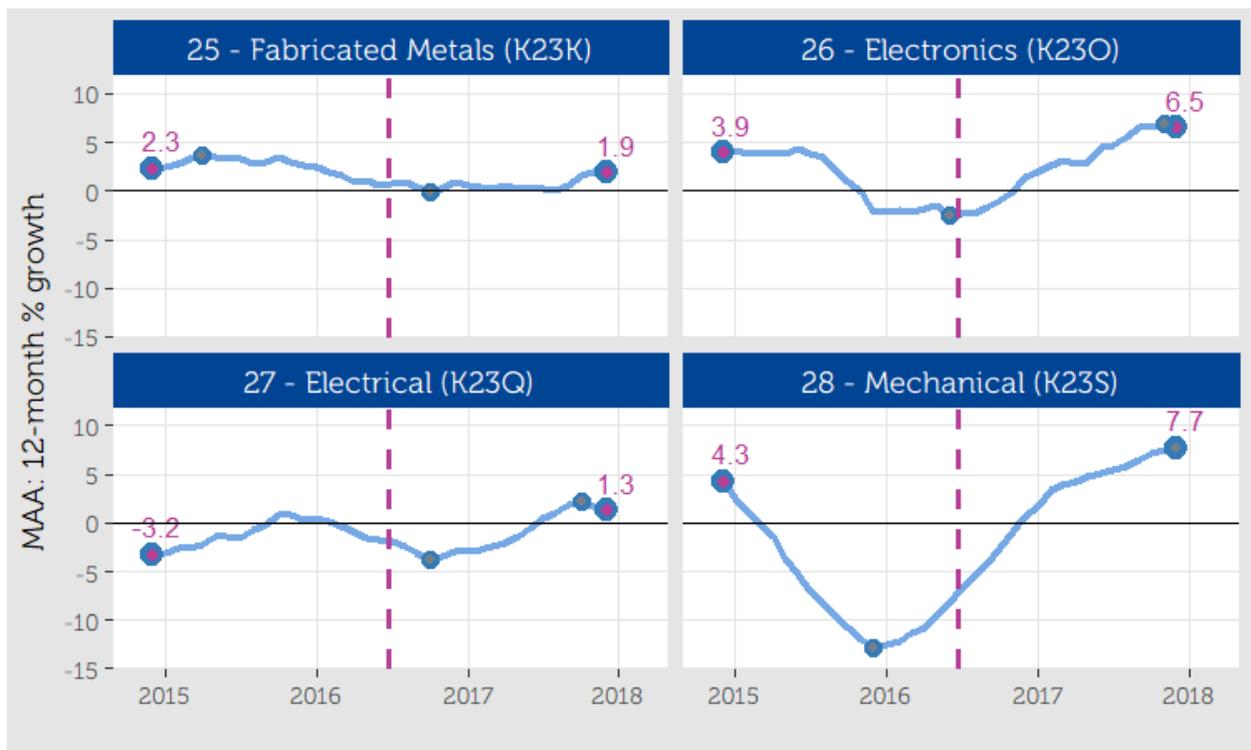
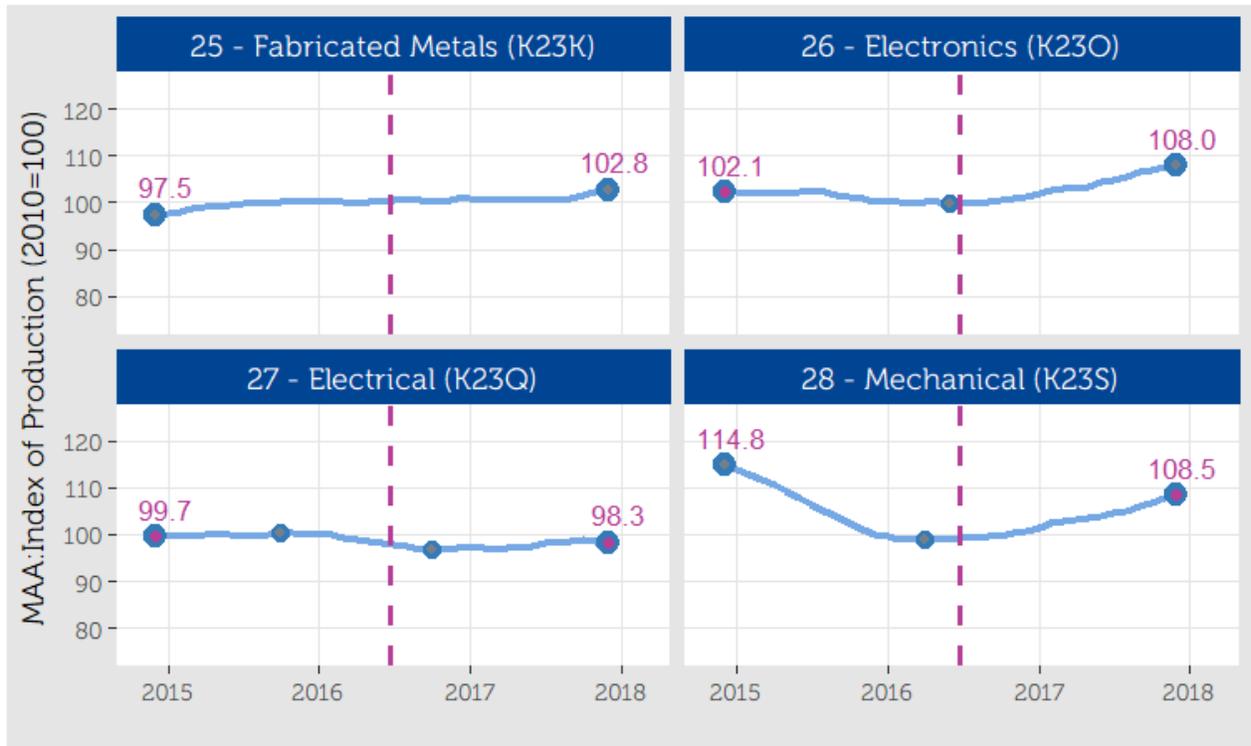
11.1 Turnover



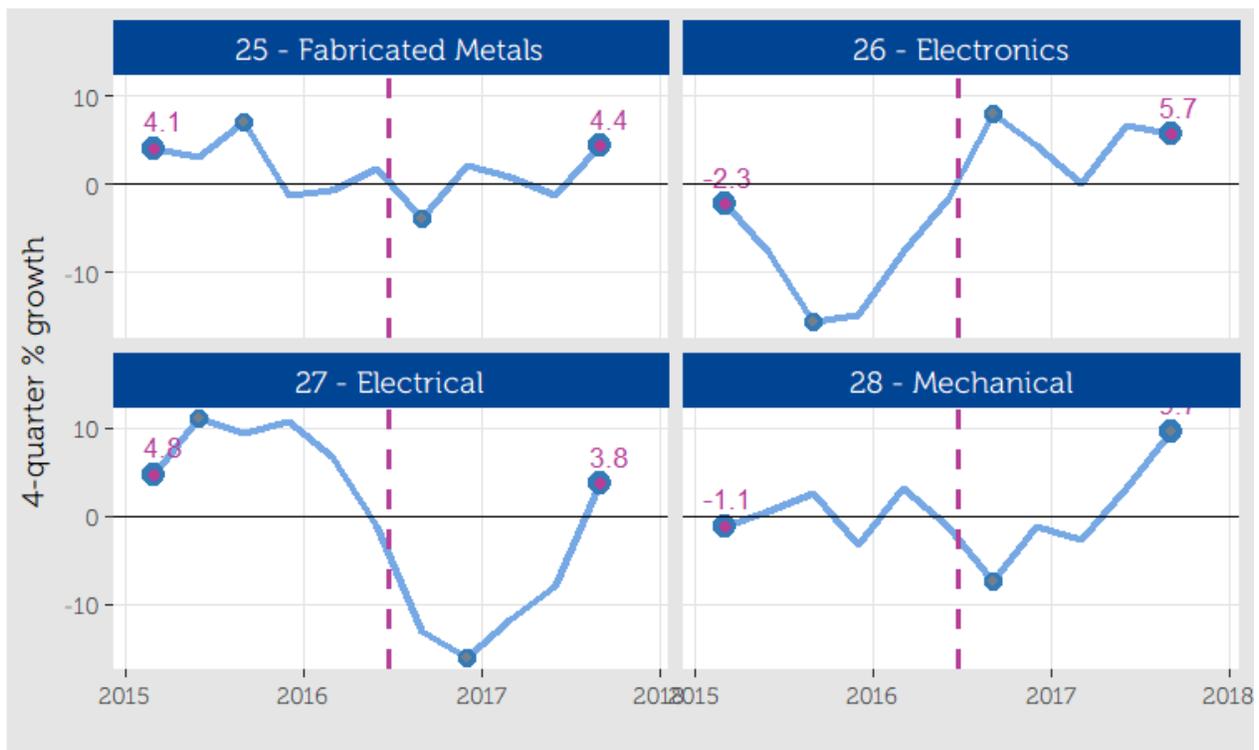
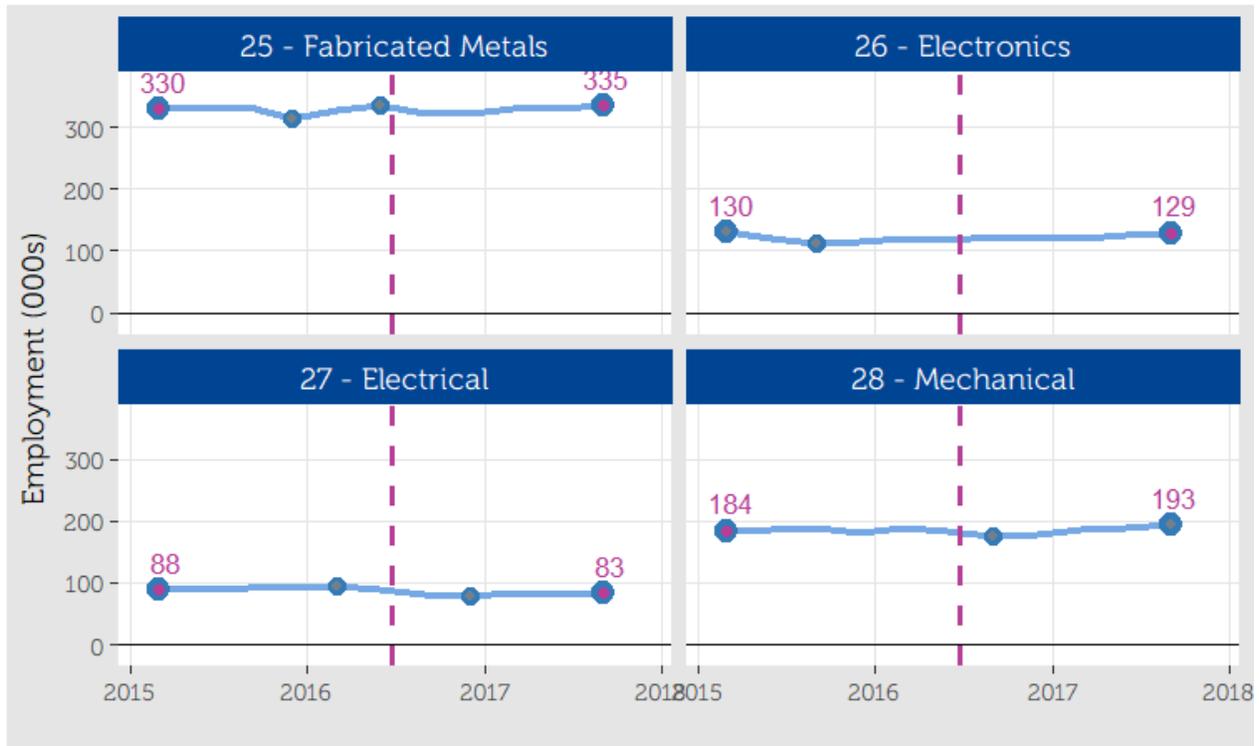
11.2 Exports



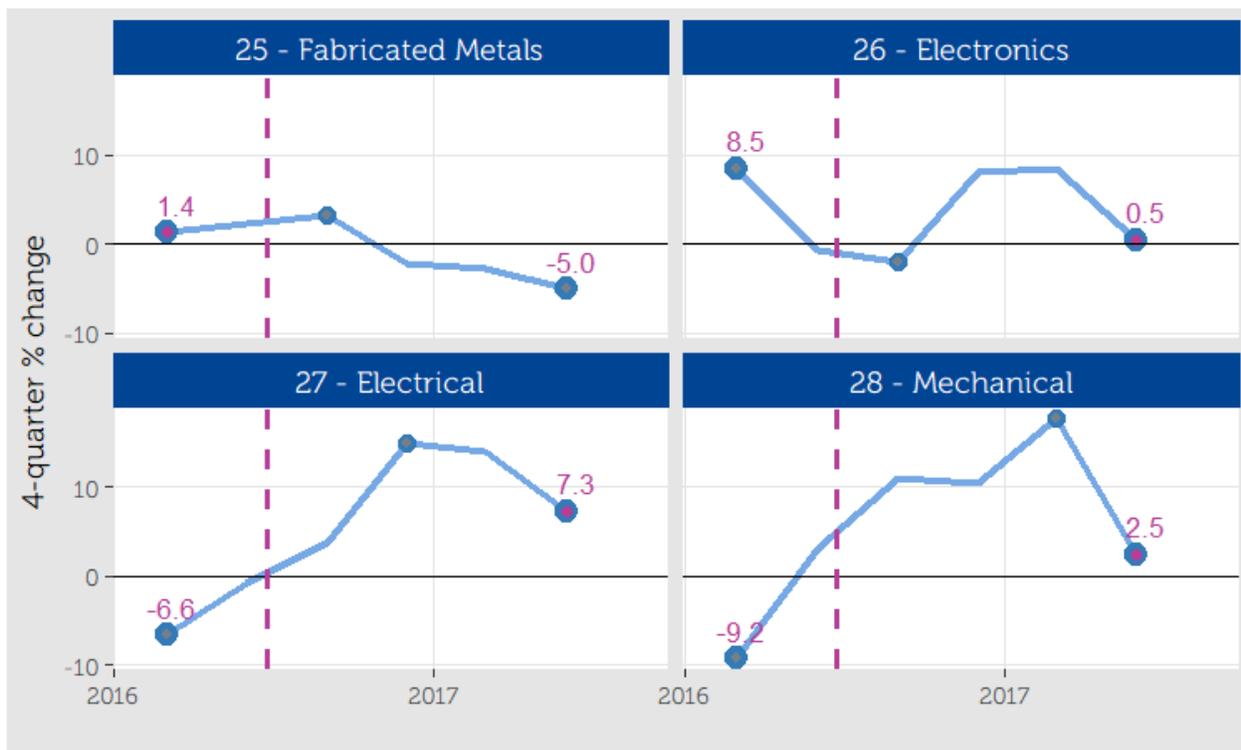
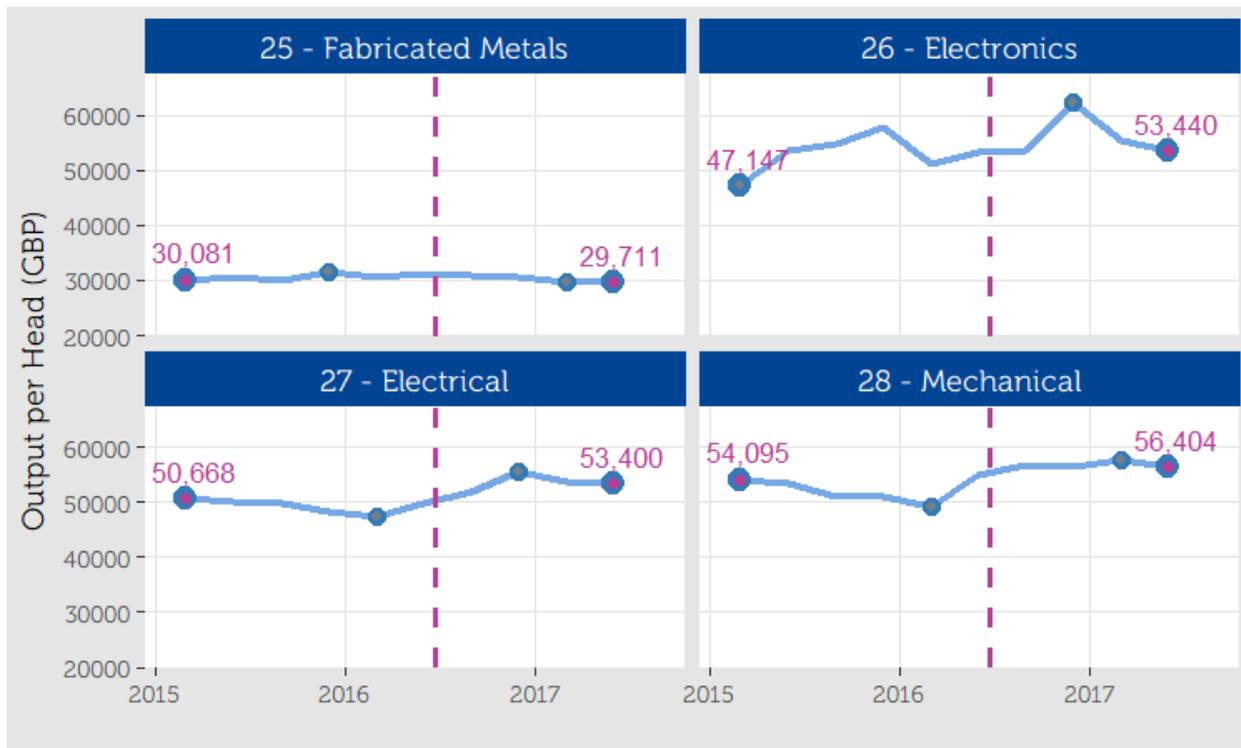
11.3 Index of Production



11.4 Employment (including Self-Employment)



11.5 Turnover per Head

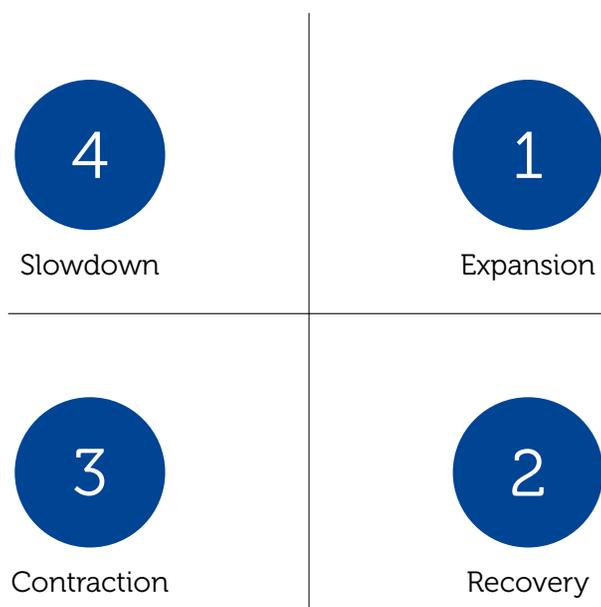


12 Growth Cycles

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:

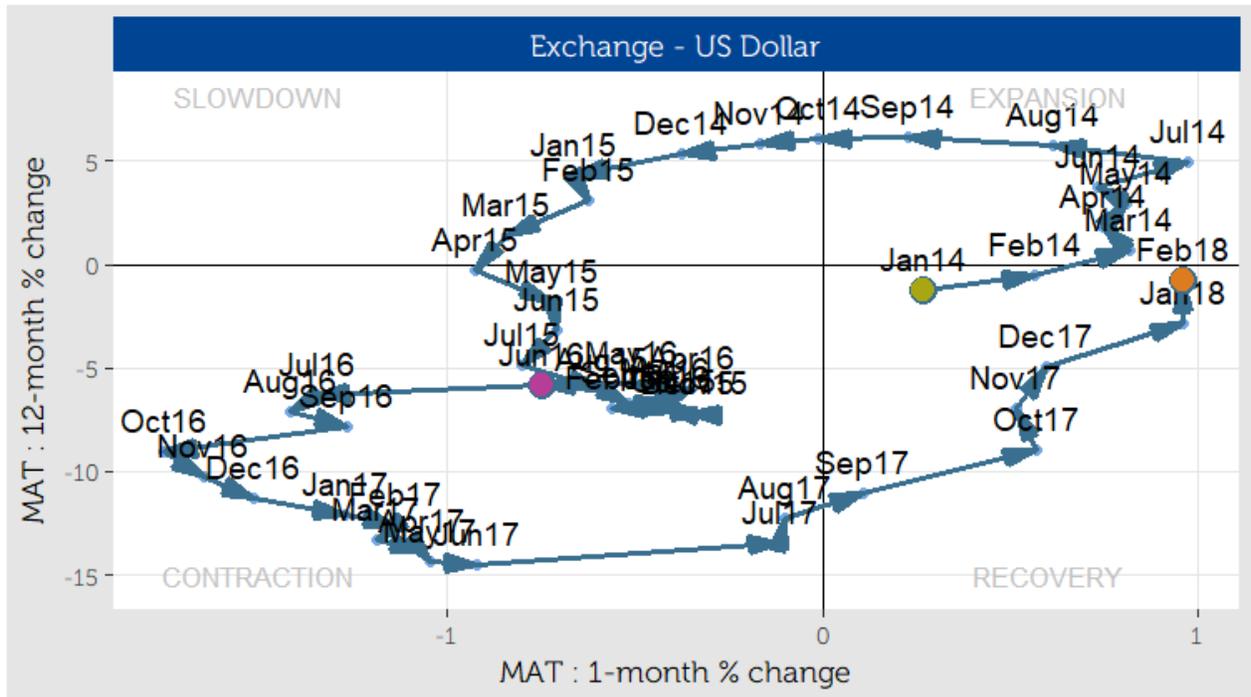
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



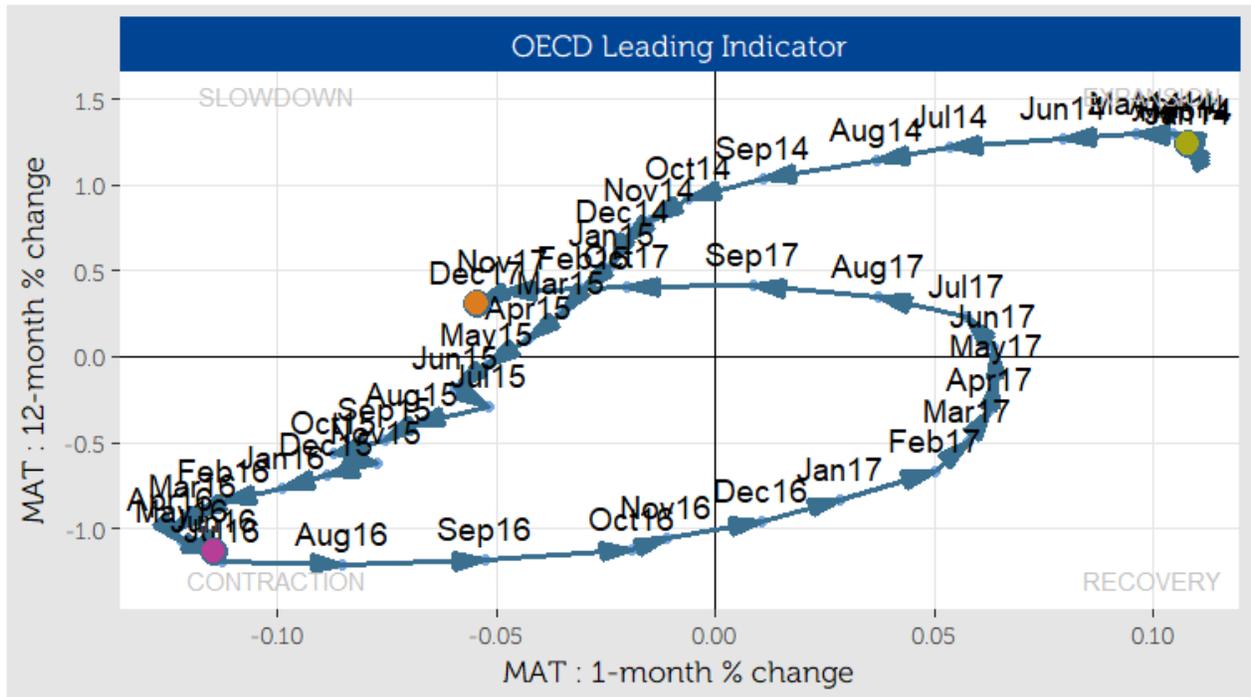
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

This section shows growth cycle plots of 8 selected indicators. The starting points are marked with green circle (●); purple circle (●) for referendum date and orange circle (●) for the current state.

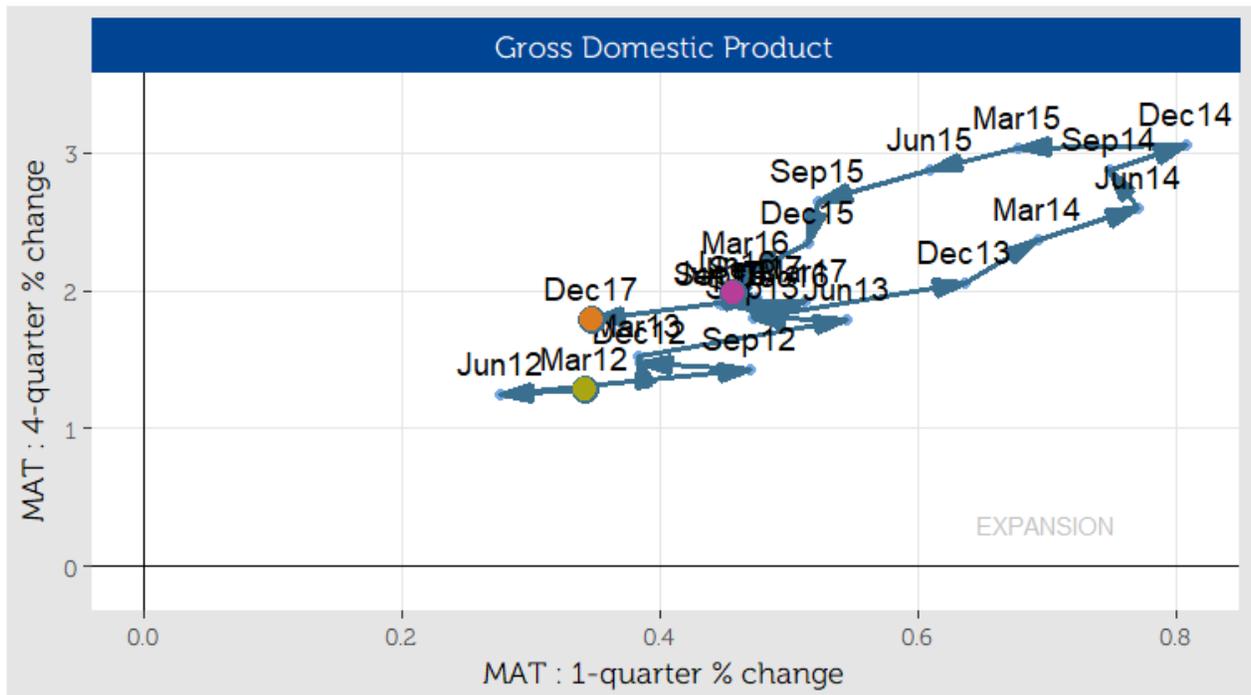
12.2 Exchange Rate (USD)



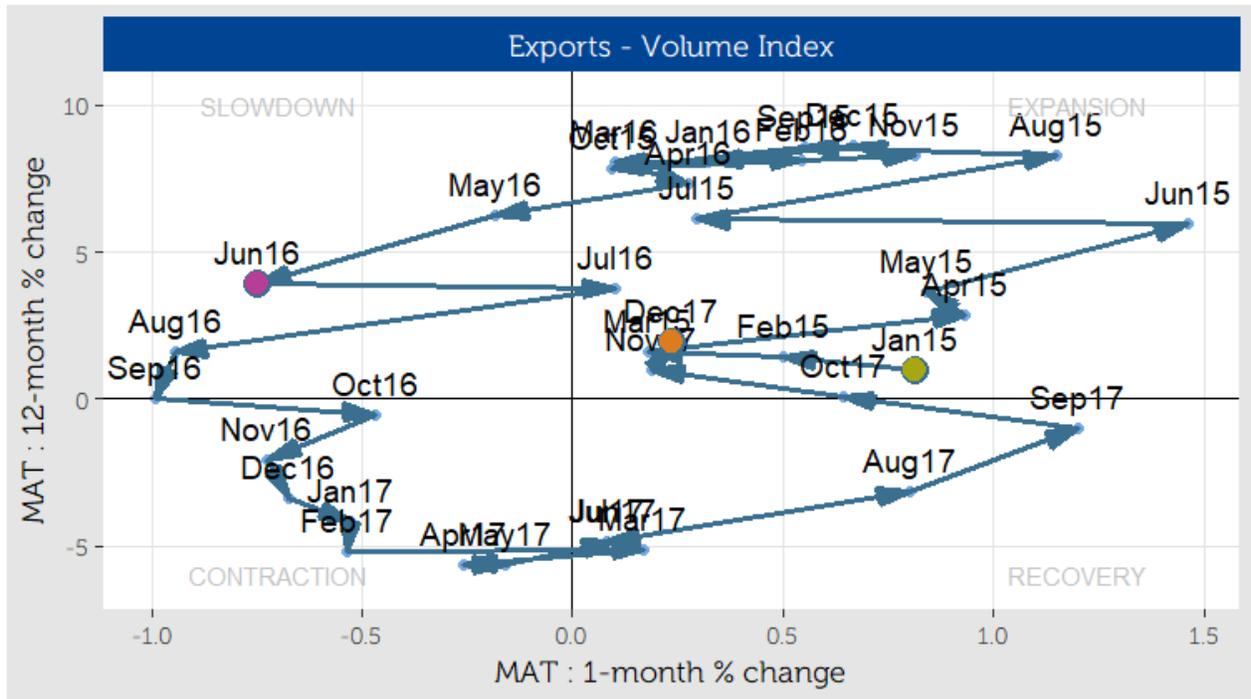
12.4 OECD Composite Leading Indicator - UK



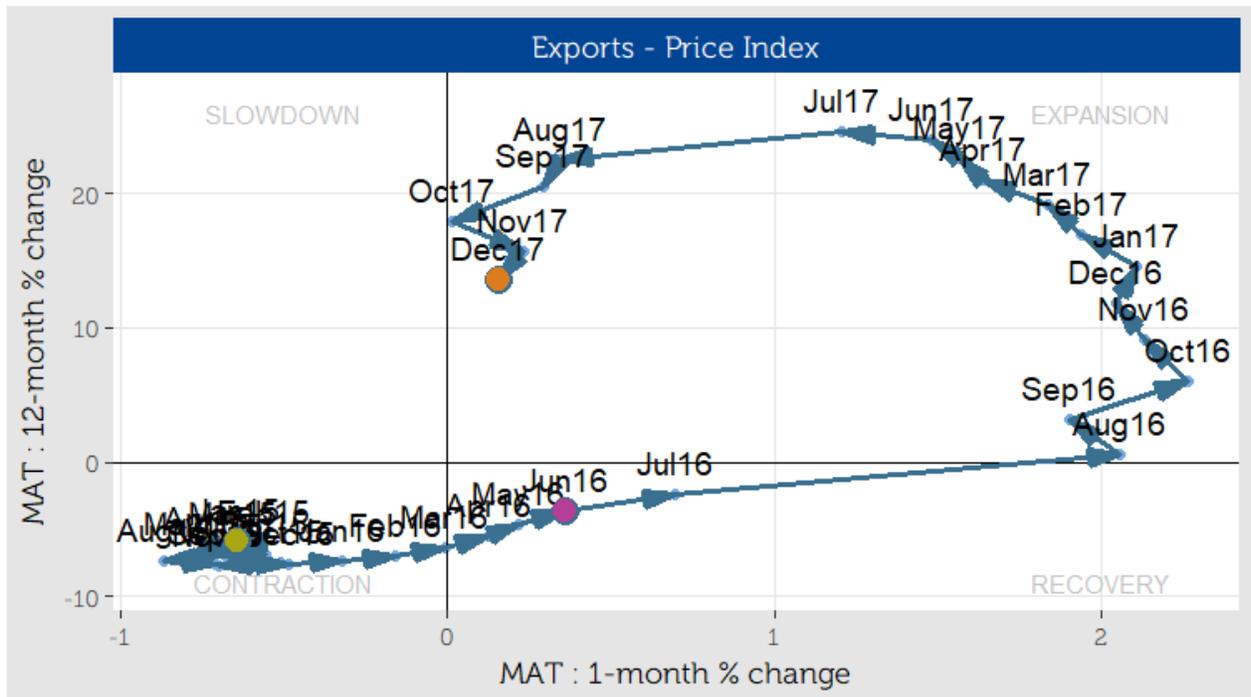
12.5 Gross Domestic Product - GDP (ABMI-PN2)



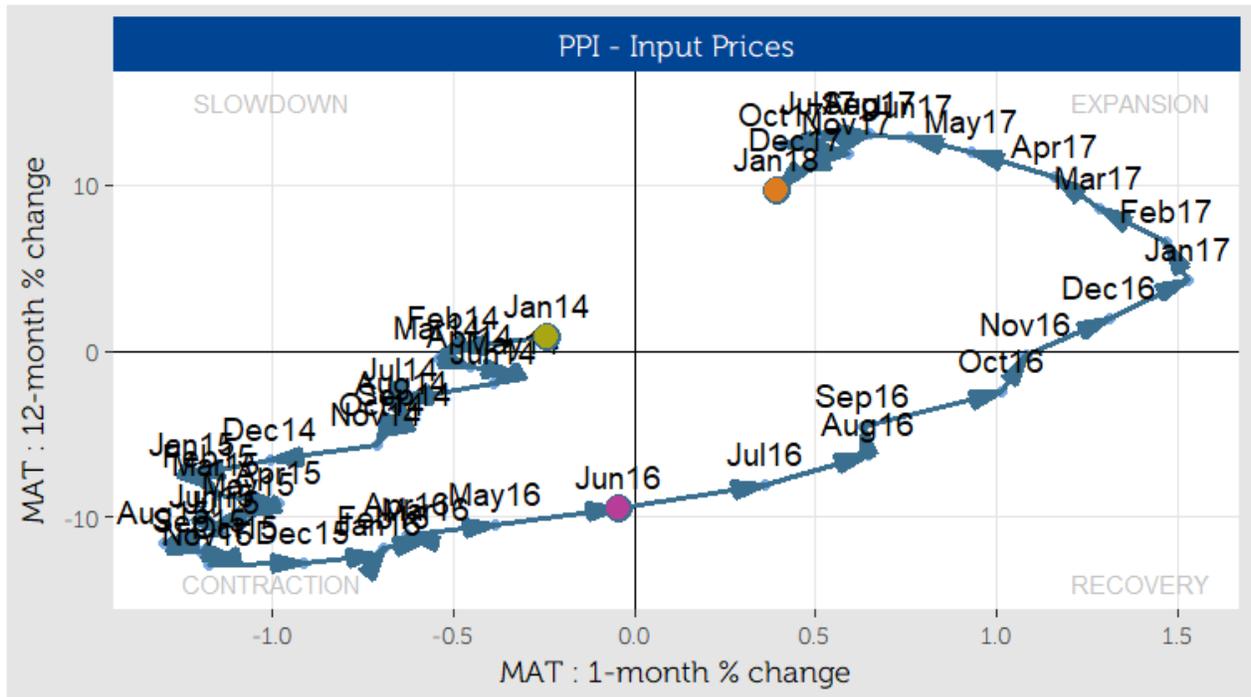
12.6 Exports - Volume Index (BQKU)



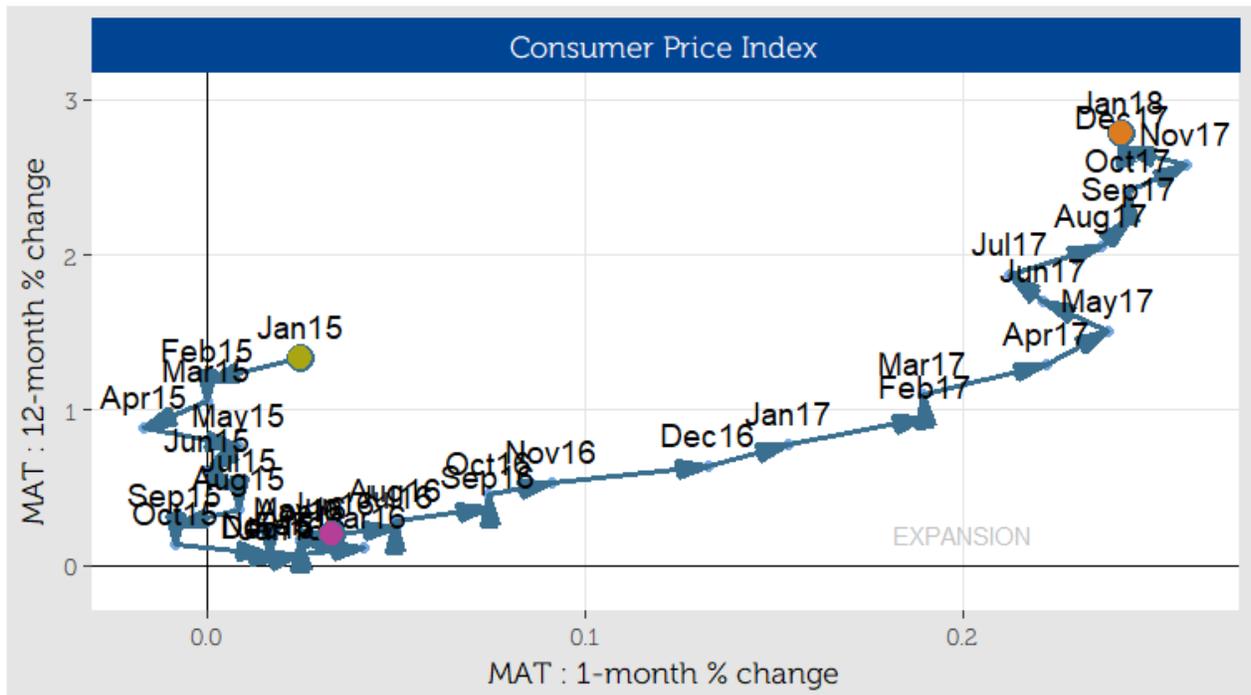
12.7 Exports - Price Index (BQKR)



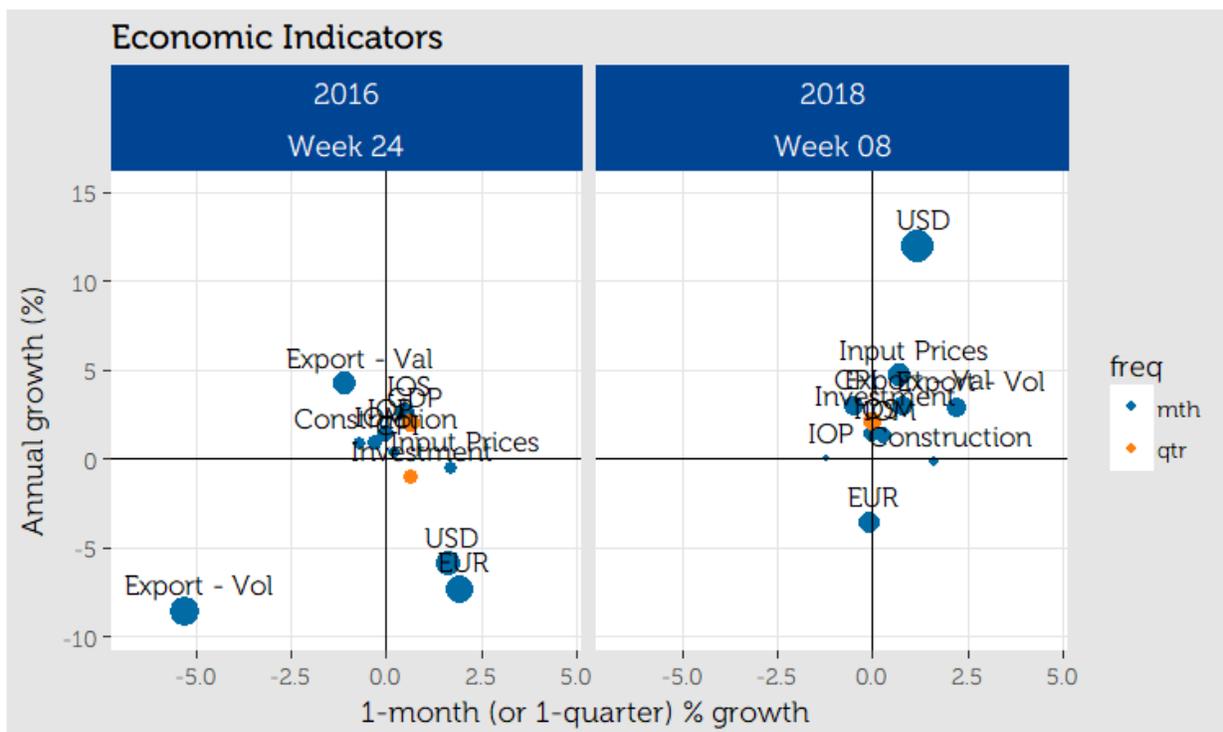
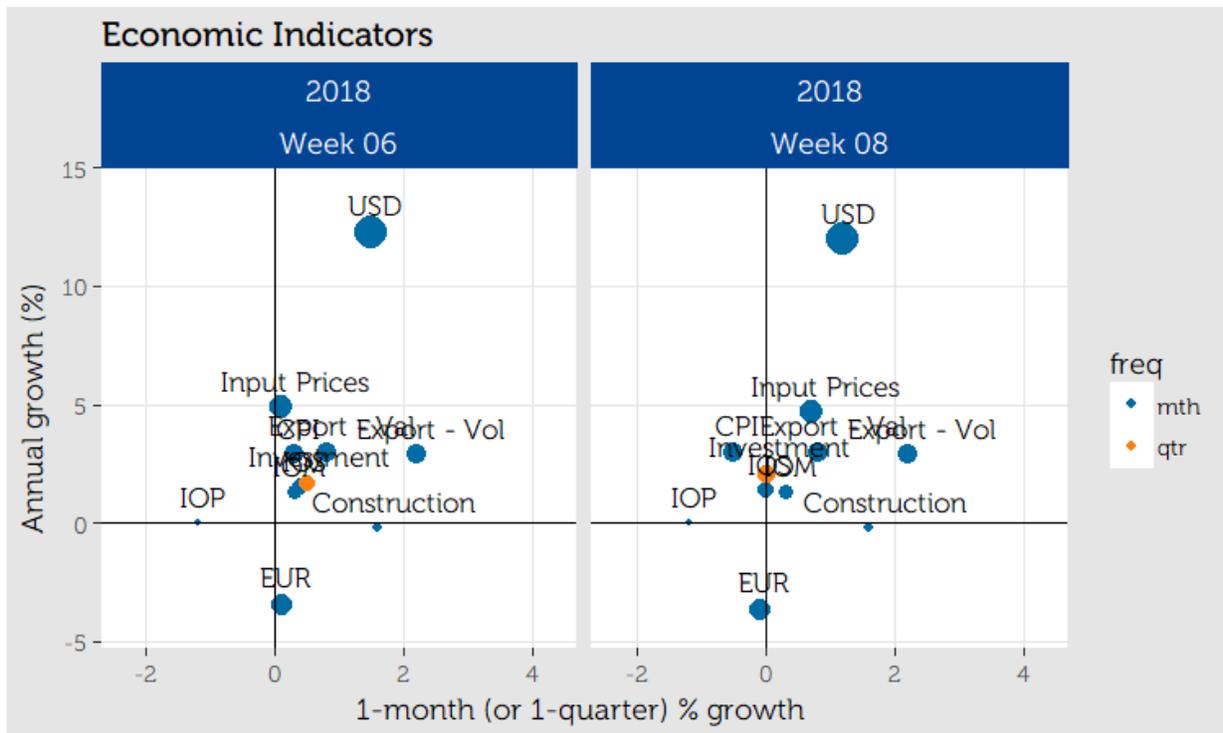
12.8 Input Prices (K646)



12.9 Consumer Price Index (D7BT)



12.10 Current State

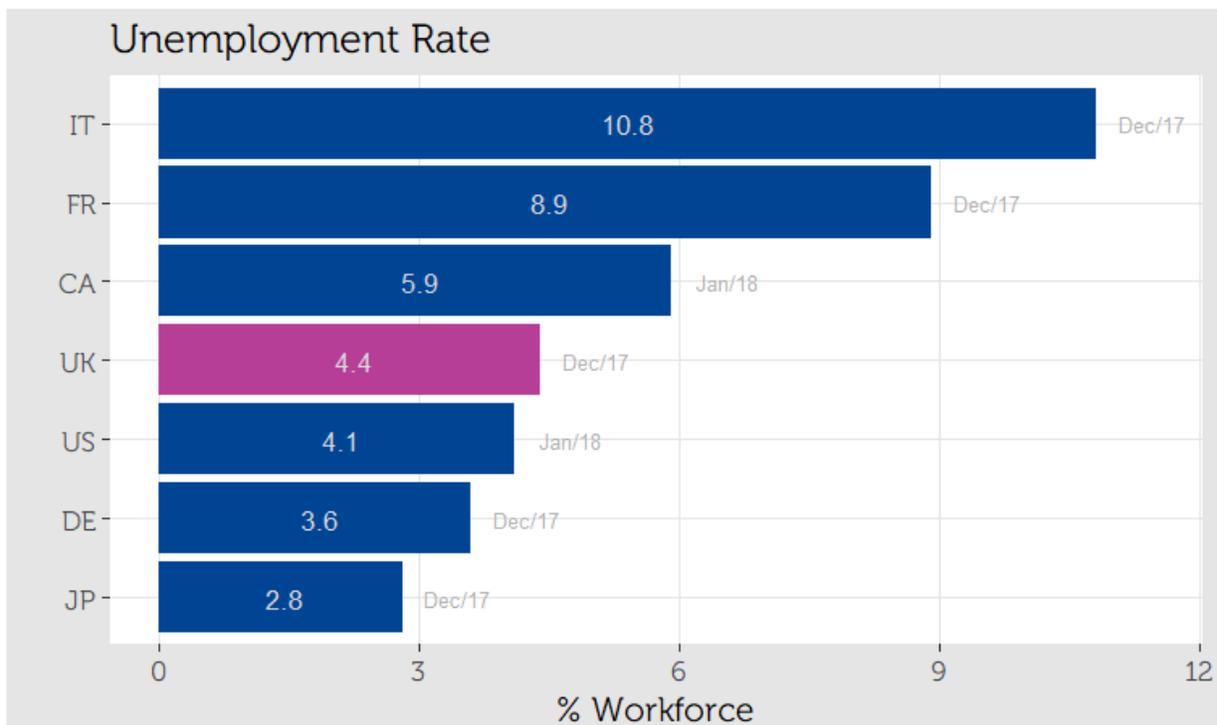
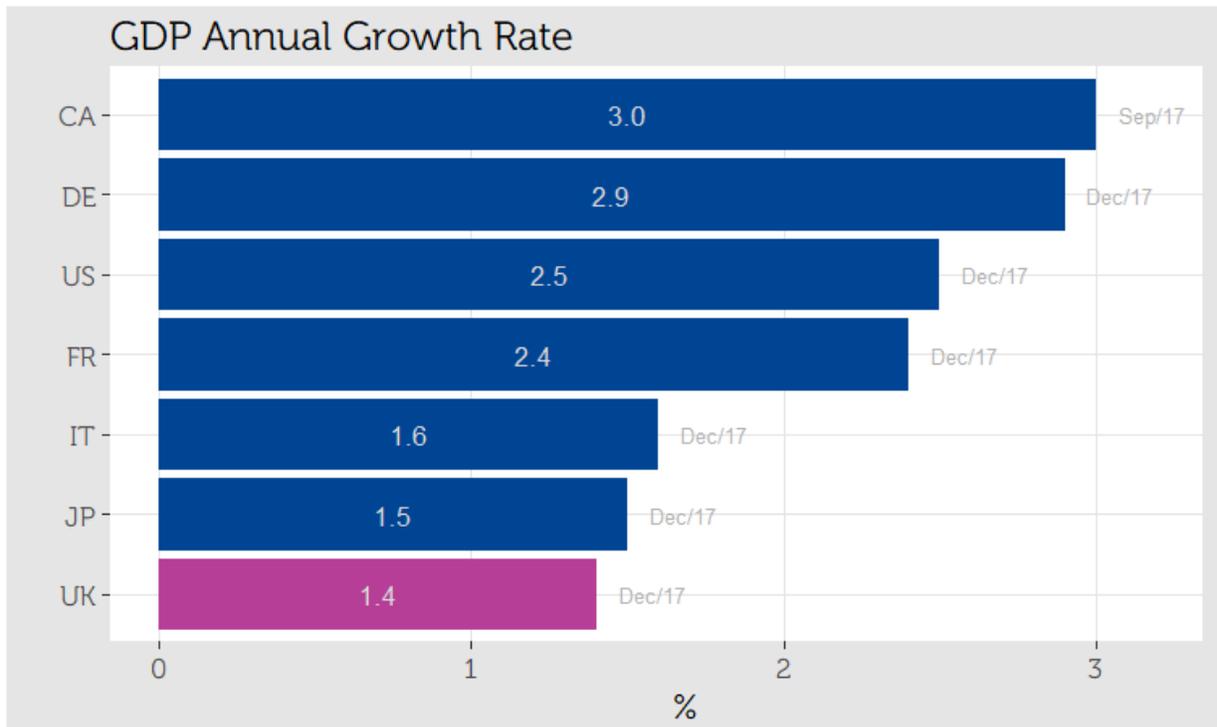


Top: Indicators growth - Current week versus previous week.

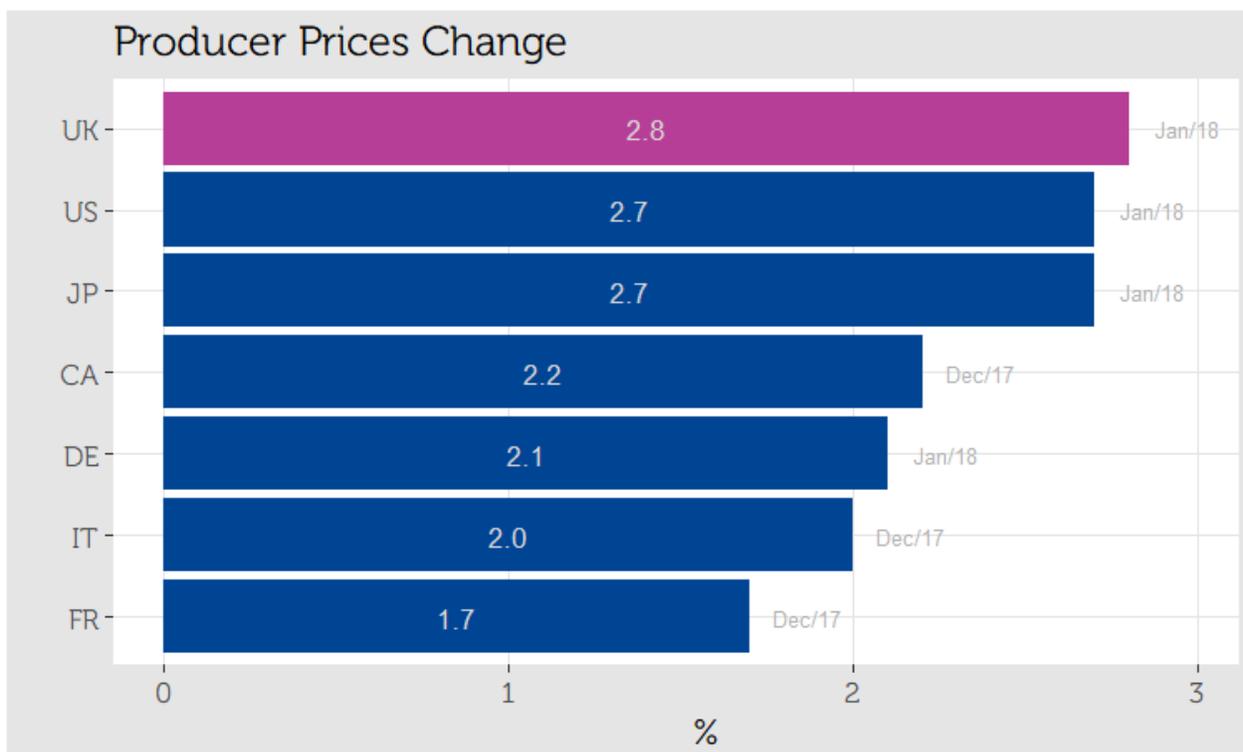
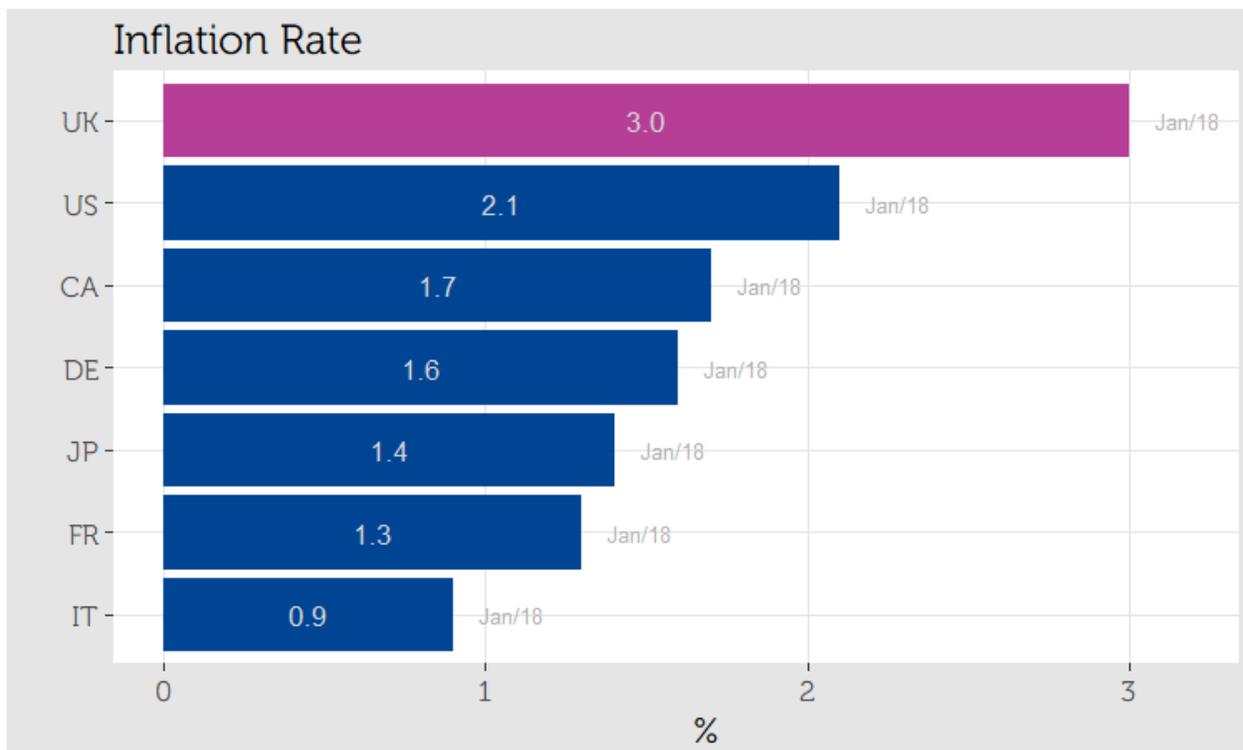
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

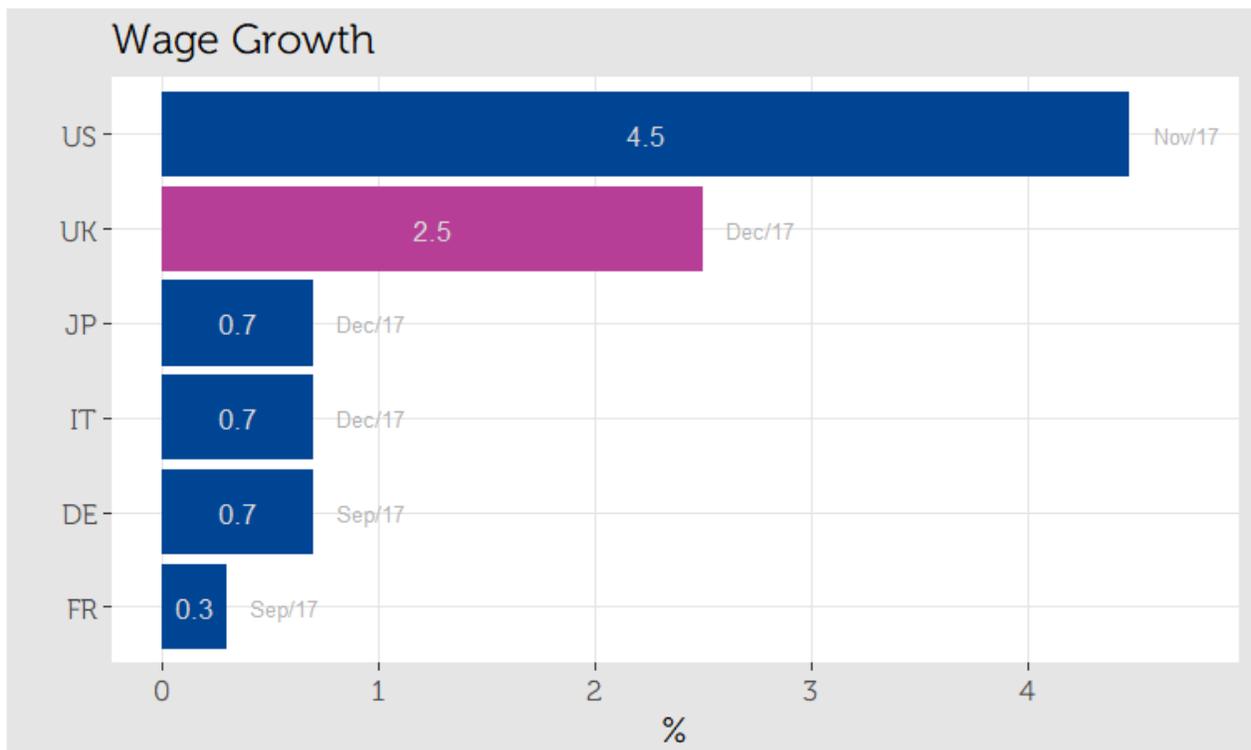
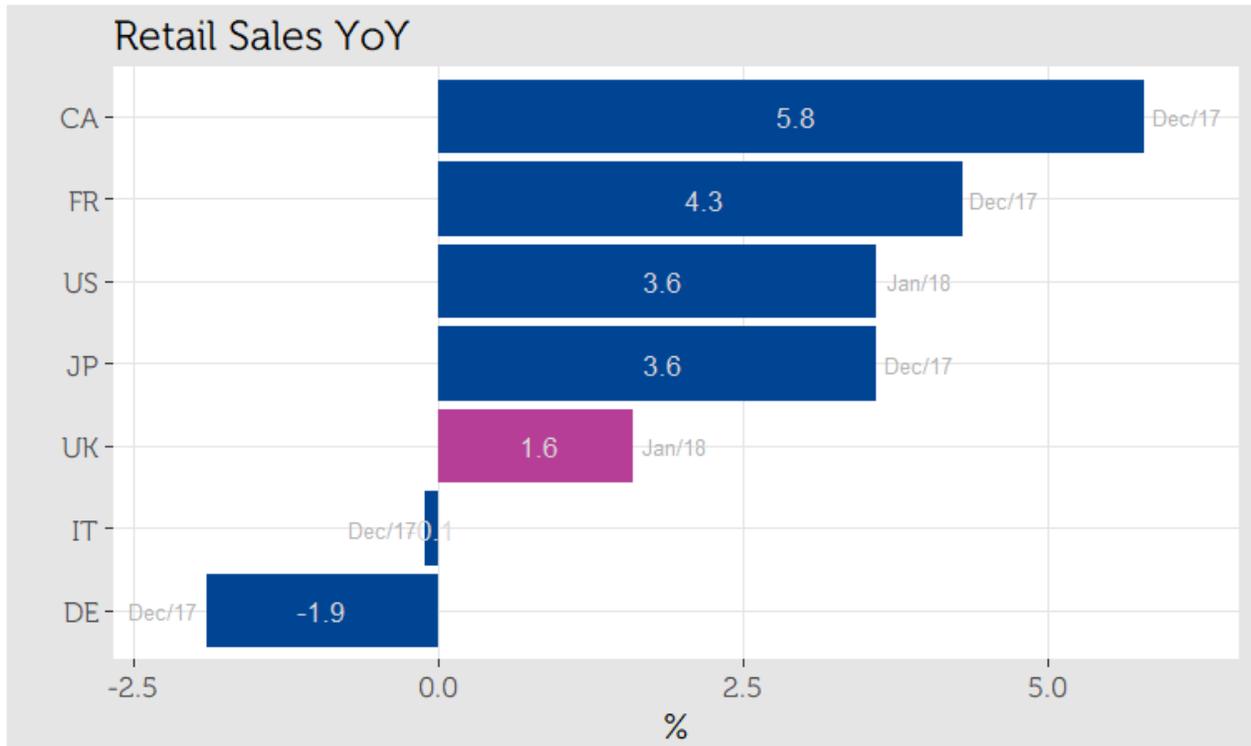
13.1 GDP & Unemployment



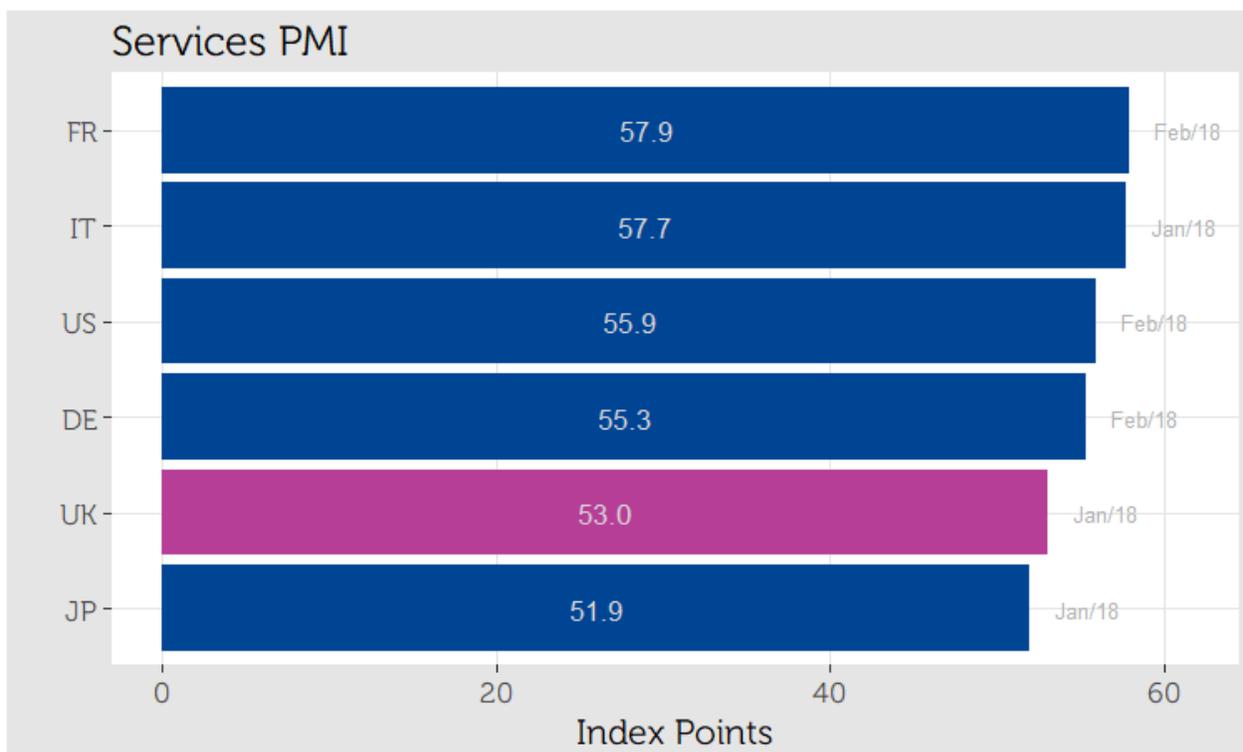
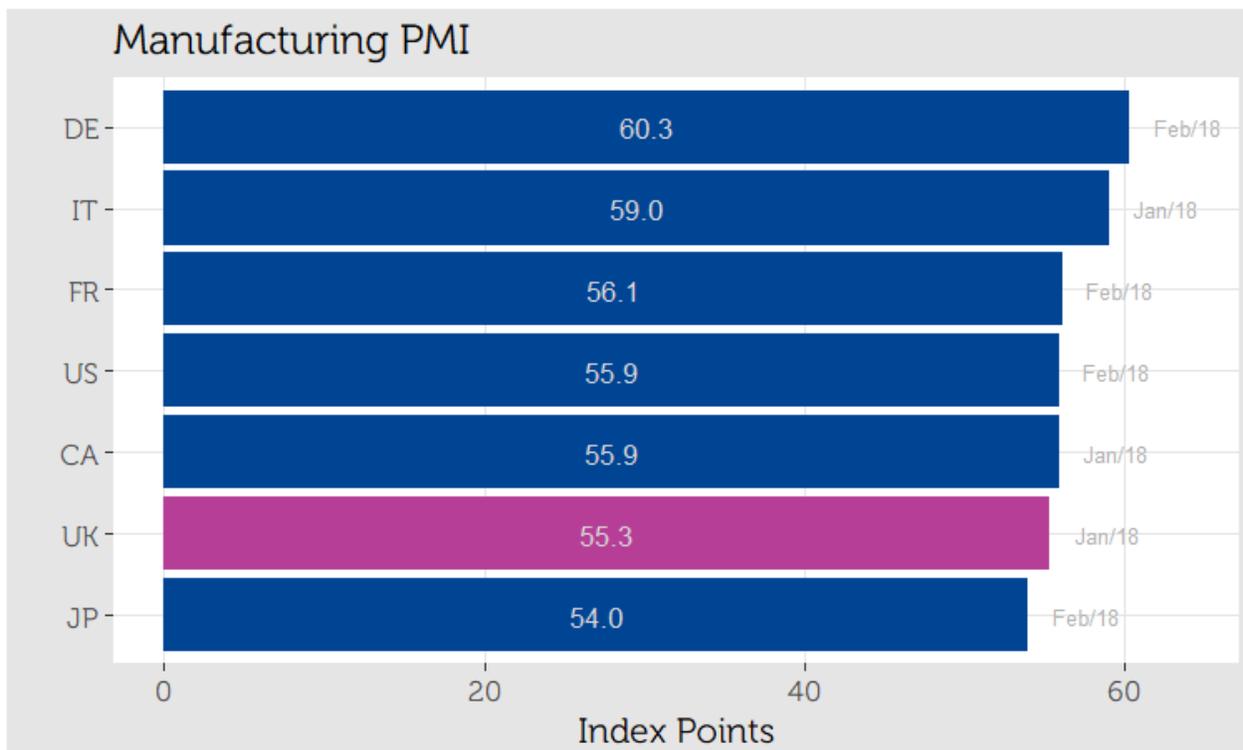
13.2 Inflation & Producer Prices



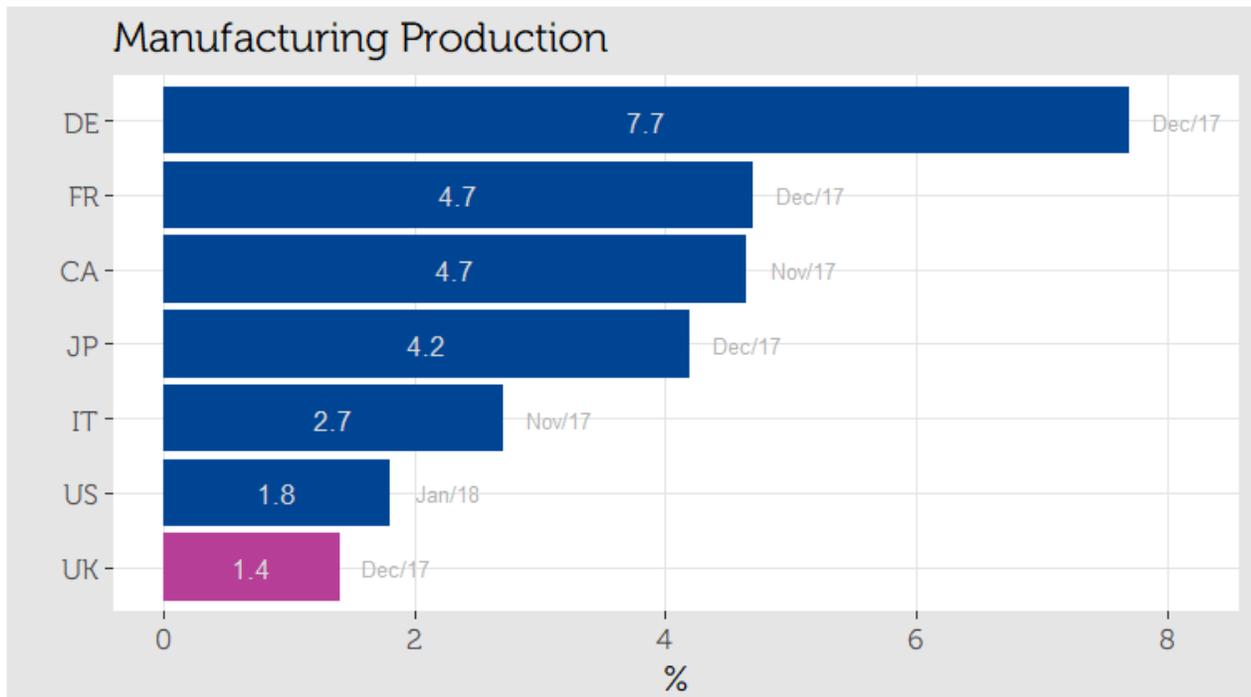
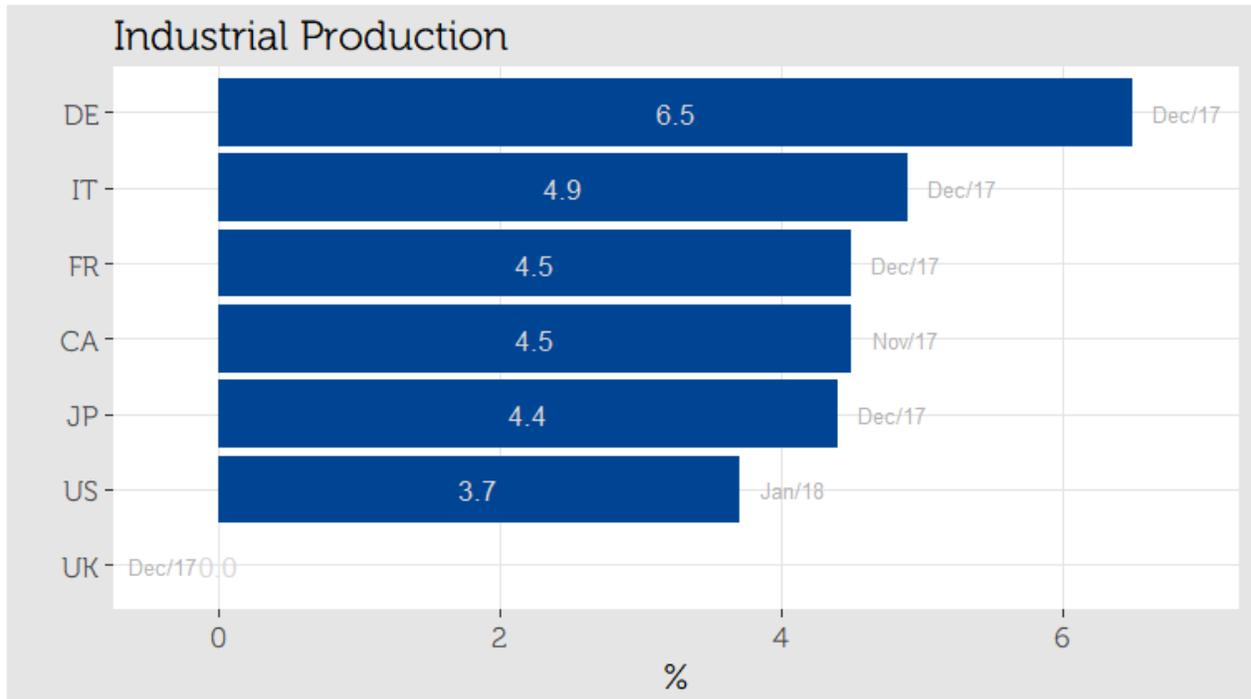
13.3 Retail Sales & Wage Growth



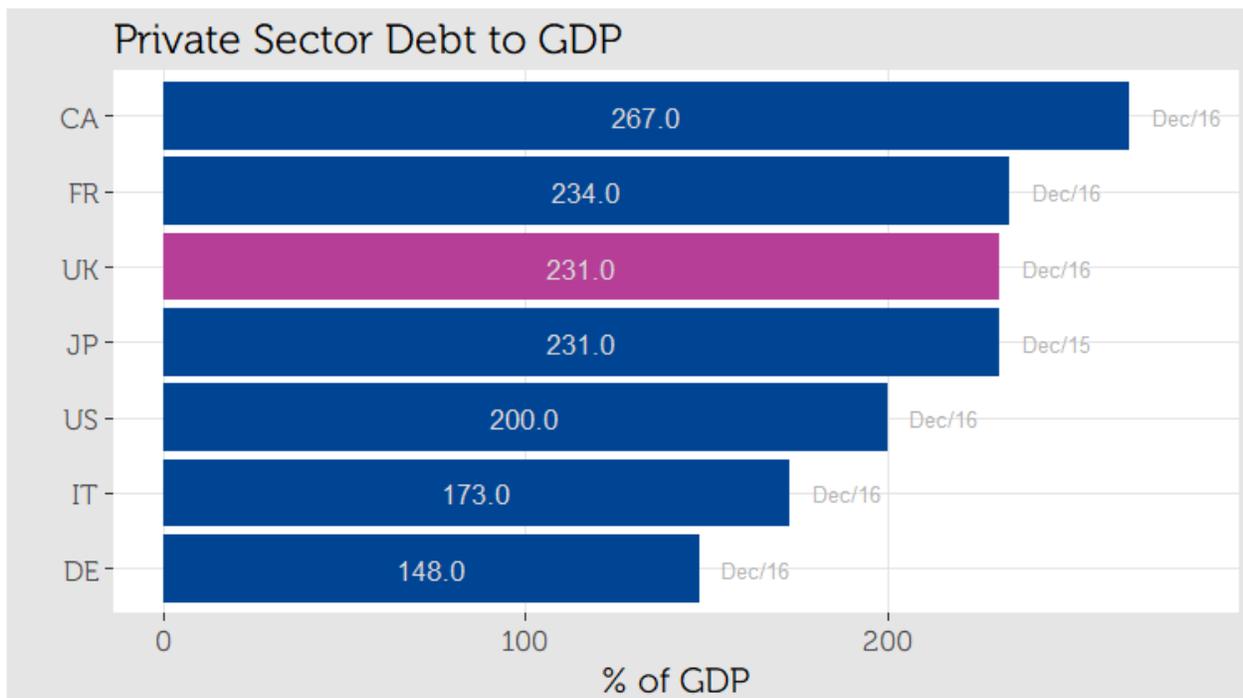
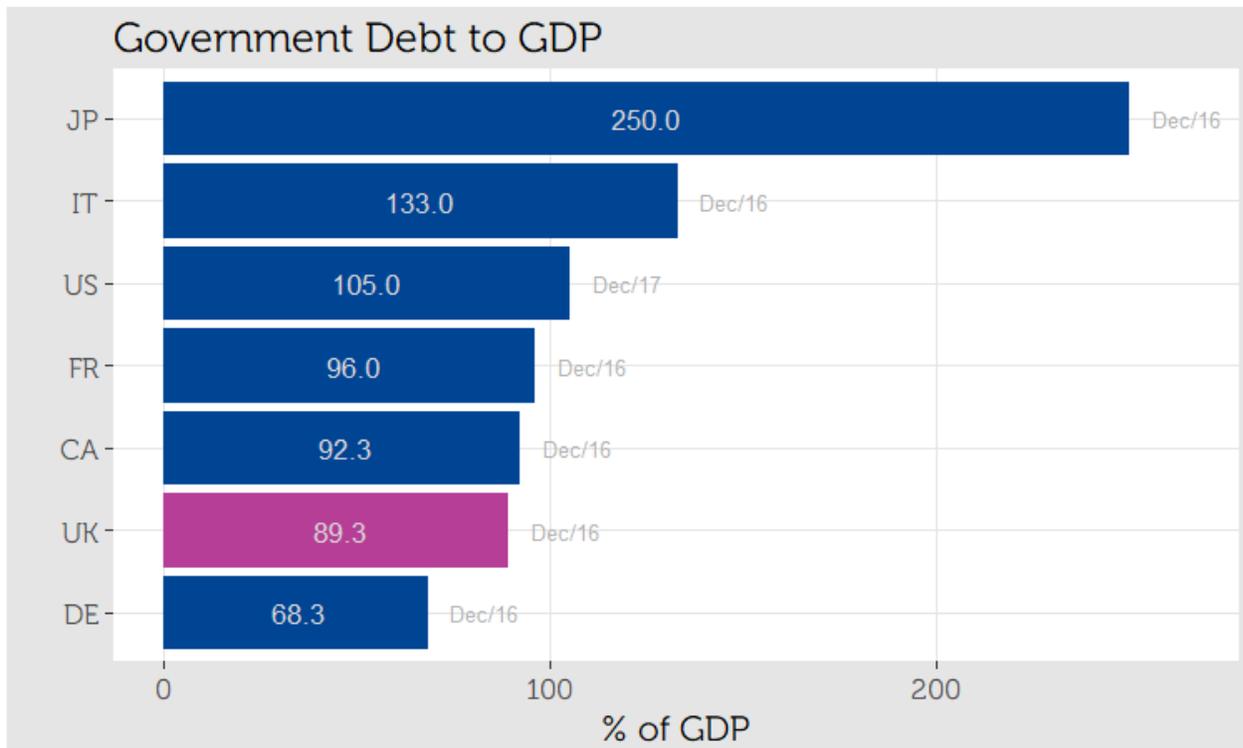
13.4 Purchasers Managers Index - Manufacturing & Services



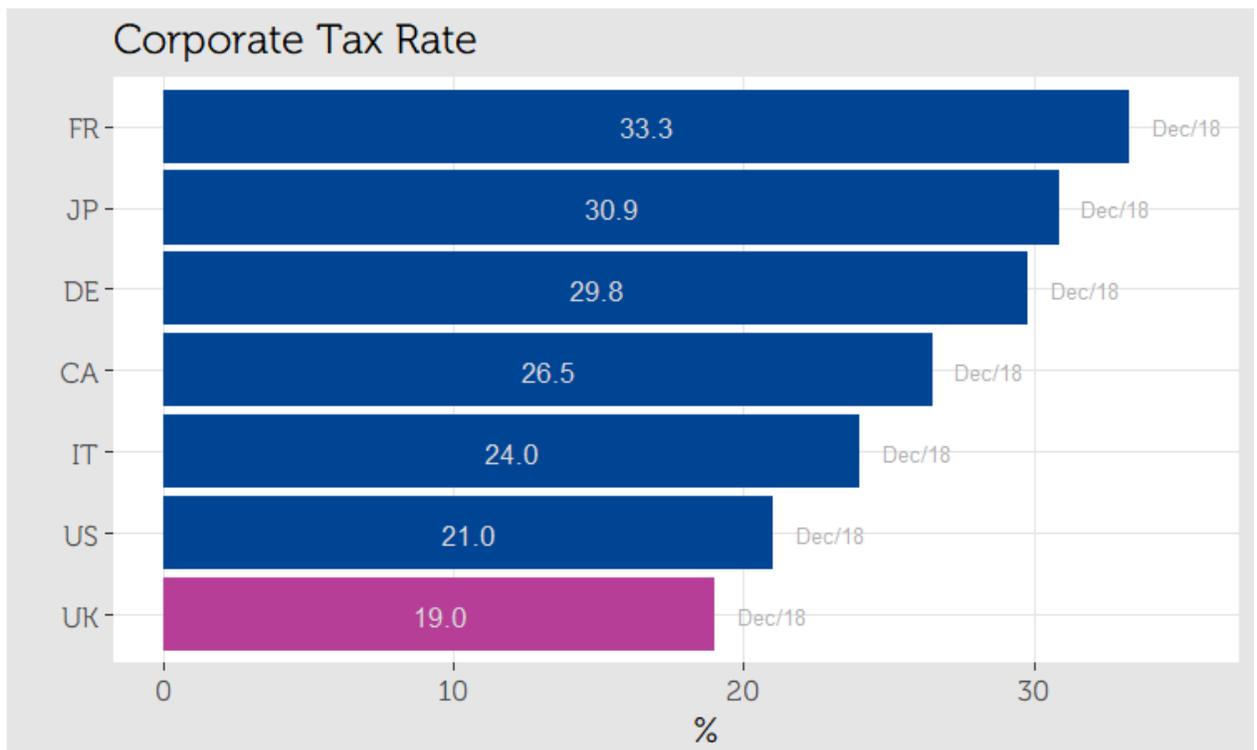
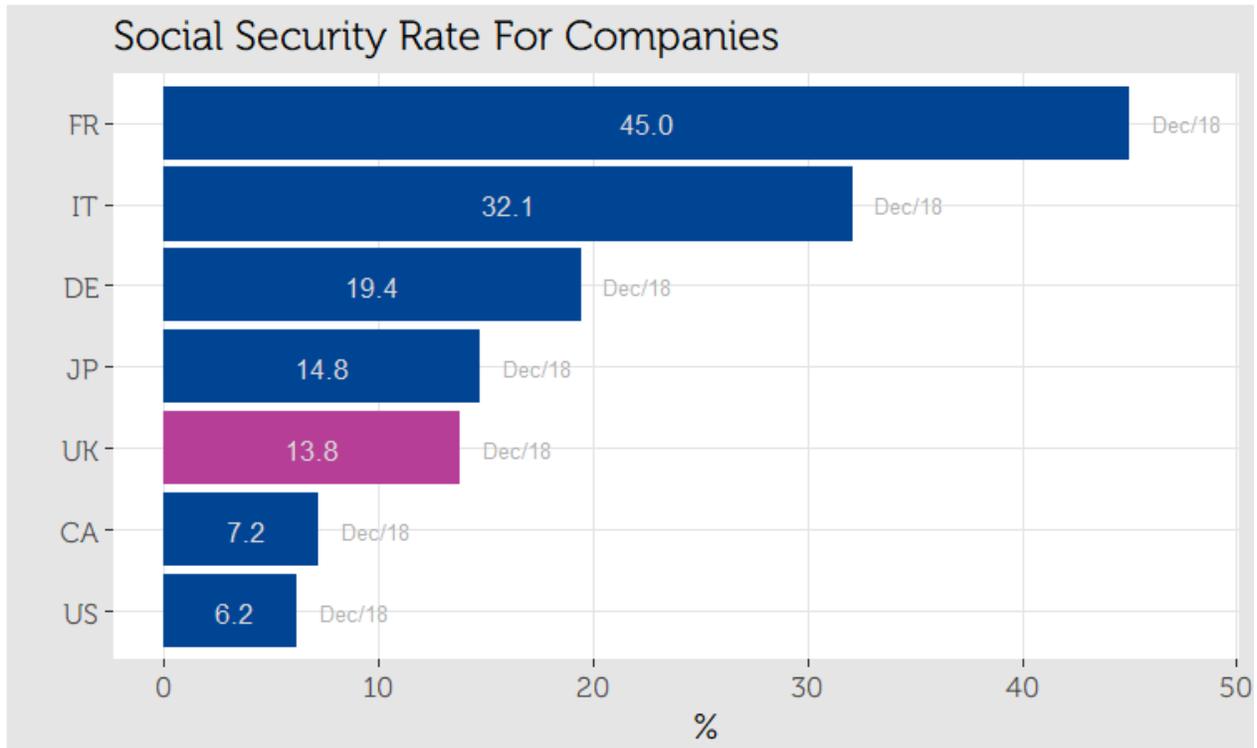
13.5 Industrial Production & Manufacturing



13.6 Debt



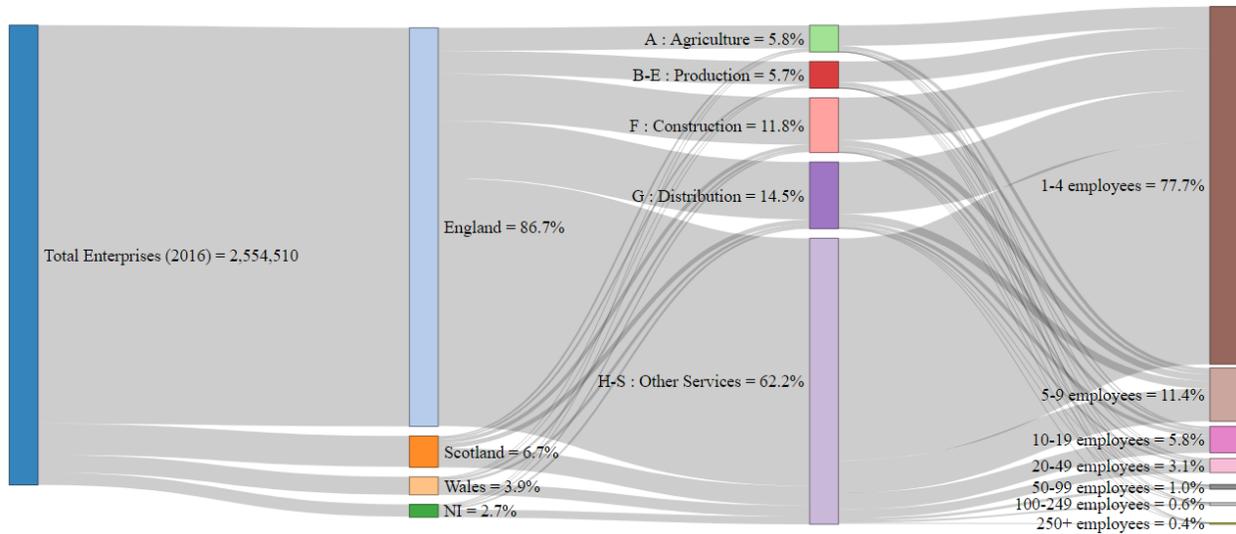
13.7 Employer Social Security Rate & Corporate Tax



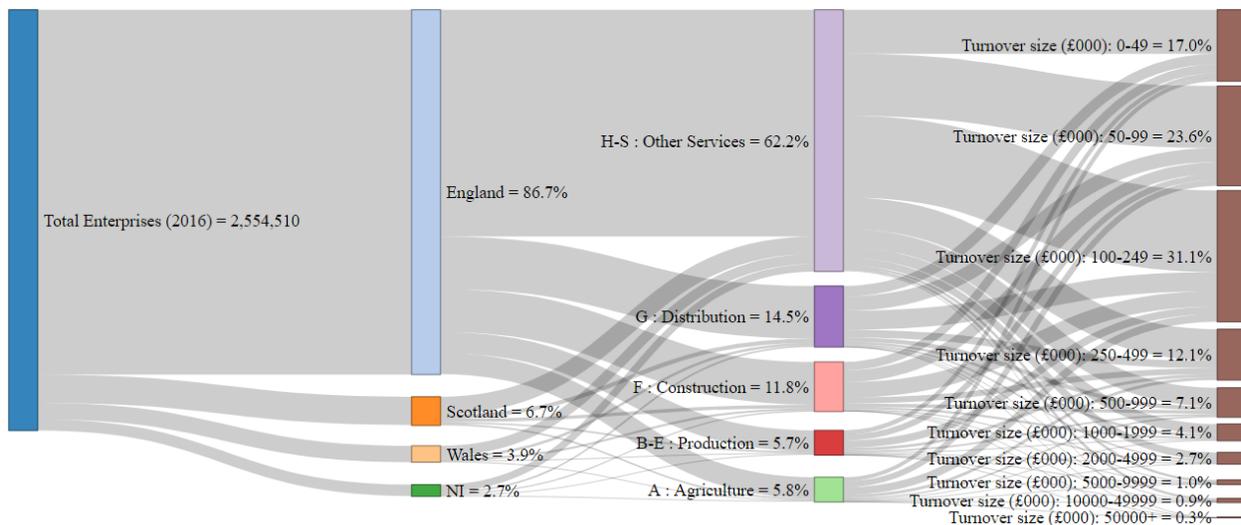
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

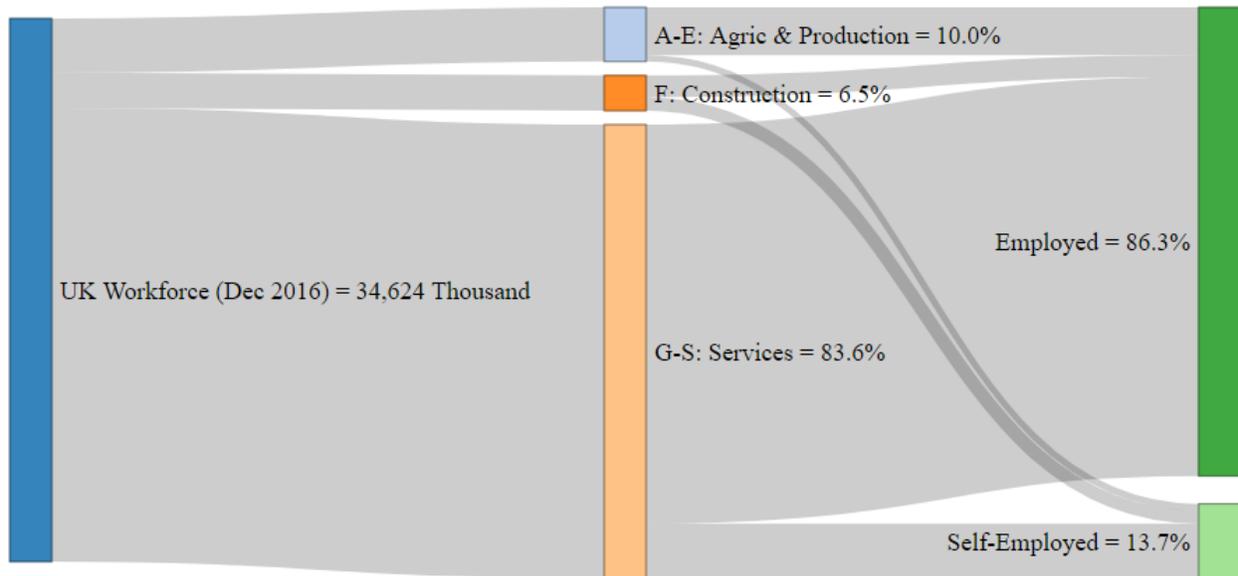


A.2 Enterprises by Turnover Size Band

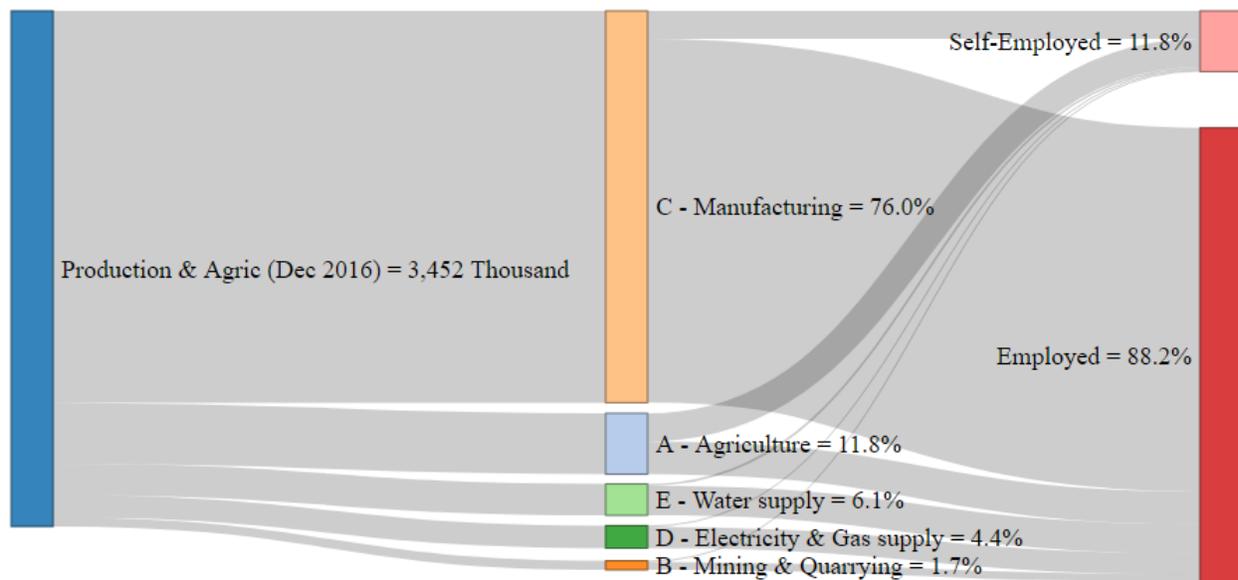


B UK Employment Structure

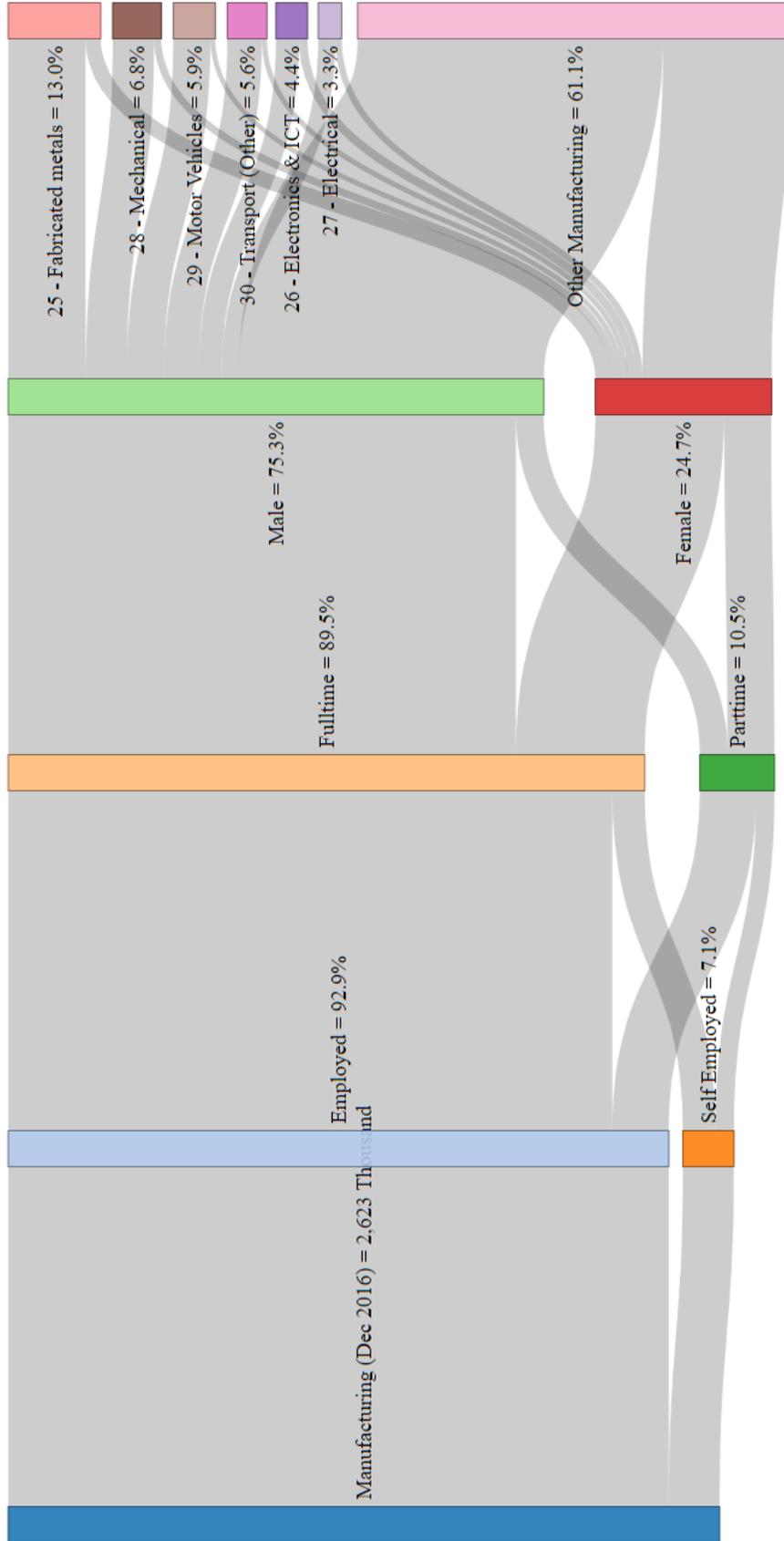
B.1 UK Workforce



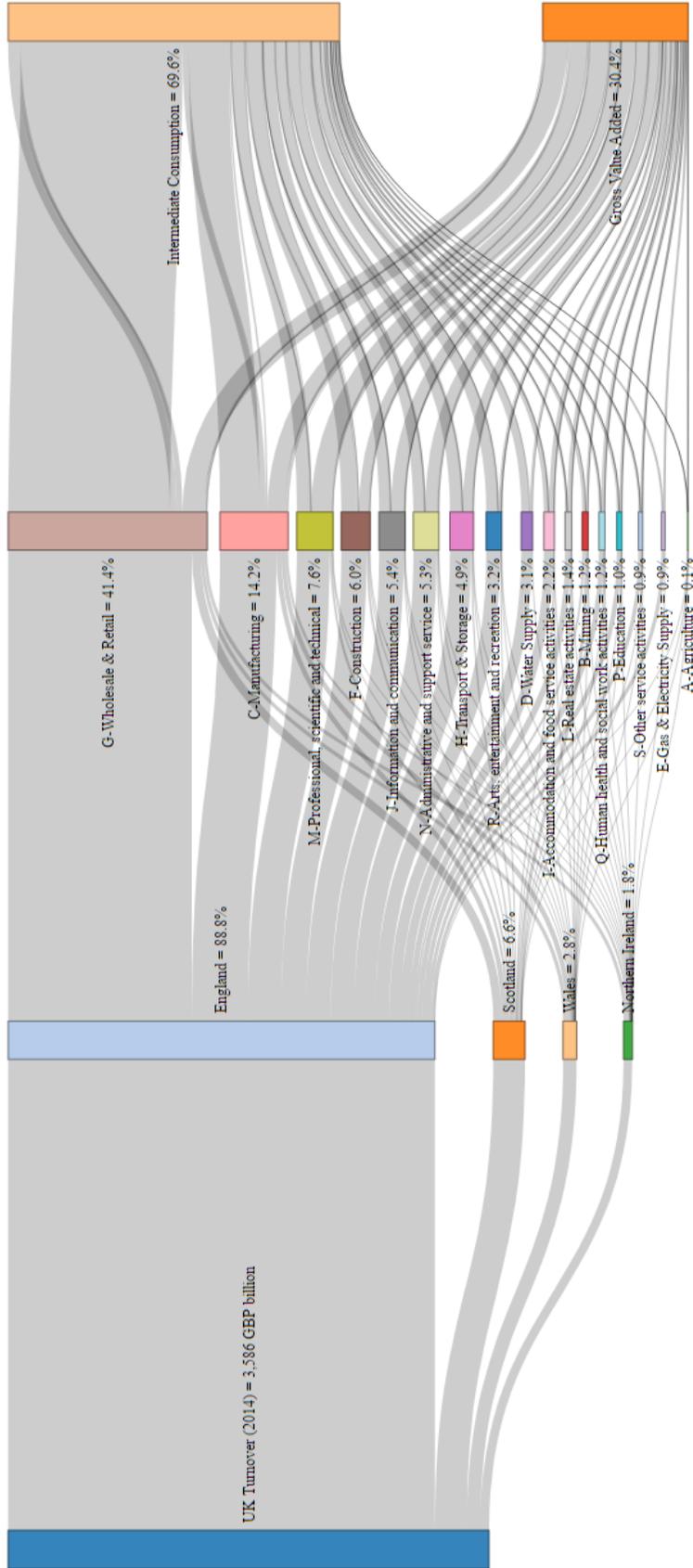
B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



C UK Industrial Output by Region



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

D 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>
- 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/

E 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 BEAMA, GAMBICA, EAMA, REA, CESA, FETA and TechWorks, covering some 3500 companies across electrotechnical, electronics, renewables and mechanical engineering products. It has a focus on product manufacturers covered by the Single Market and the supporting regulations and standards. For more information on EURIS, please visit <http://www.euristaskforce.org>.

For further information on this report please contact:

Emmanuel Amoakohene (stats@beama.org.uk)

BEAMA, Rotherwick House, 3 Thomas More St, London, E1W 1YZ, Tel: 020 7793 3000