



European Union Relationship & Industrial Strategy

Biweekly

**BREXIT WATCH**

2018 Issue 8

End-April

## Brexit Watch - 2018 Issue 8

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 four 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 16 in 2018 are as follows:

- ★ **Sterling** held on its gains against **US Dollar** in past 2 weeks. The month-to-date average in April 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 fell to 4.2%, a 47-year low, in the three months to February 2018 as the number employed increased by 427 thousand compared to a year earlier.
- ★ **Output prices** eased further to 2.4% in the twelve months to March 2018, the lowest 12-month growth since November 2016.
- ★ **Consumer price index** grew 2.4% in the twelve months to March 2018, the lowest since March 2017.
- ★ **Index of production** rose by 2.2% in the twelve months to February 2018, driven by growth in energy and water supply.
- **Construction** sector, hits its lowest 12-month growth since March 2013 as output in January 2018 declined by 3.9% to £12.6 billion. Both new construction work and repairs declined.
- **Business Investment** growth in volume terms, was revised up to 0.3% in 2017 Q4; equivalent to £46.2 billion and a growth of 2.6% compared to 2016 Q4.
- ★ **Exports** in February 2018 grew by 5.0% to £52.4 billion compared to twelve months earlier and **imports** also grew by 2.0% to £53.4 billion in the same period.
- ★ The moving annual **Turnover** for the FEEM group reached £108.3 billion in February 2018, representing a growth of 7.6% compared February 2017. The group **exported** £42.7 billion in the twelve months to February 2018, a growth of 11.7% and the **work-force** now stands at 744 thousand.

April 2018  
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# Glossary

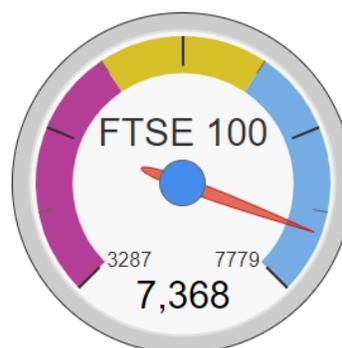
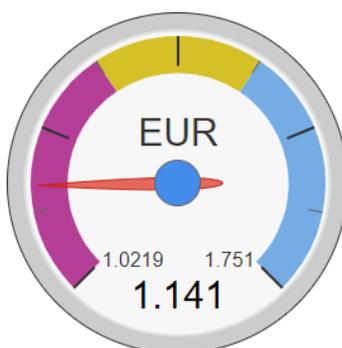
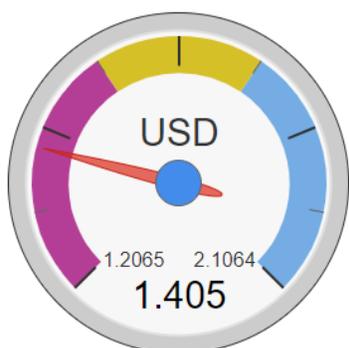
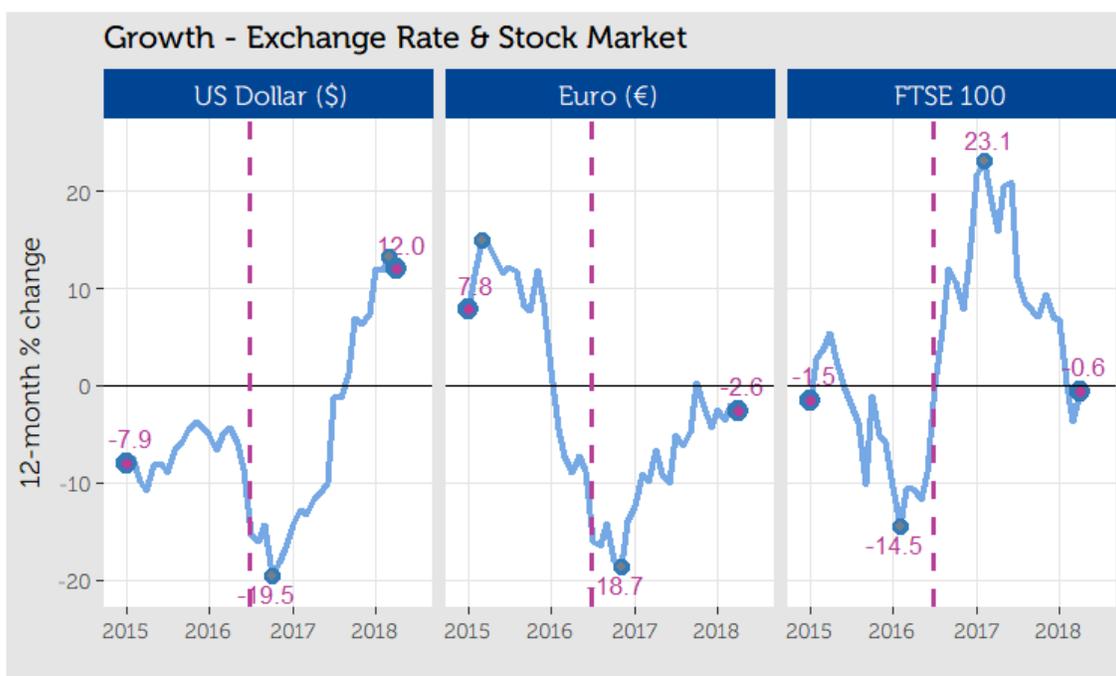
<b>BEAMA</b>	British Electrotechnical & Allied Manufacturers Association	<b>IOP</b>	Index of Production
<b>CESA</b>	Catering Equipment Suppliers Association	<b>IOS</b>	Index of Services
<b>CNY</b>	Chinese Yuan	<b>MAA</b>	Moving Annual Average
<b>CPI</b>	Consumer Price Index	<b>MAT</b>	Moving Annual Total
<b>CPIH</b>	Consumer Prices Index including owner occupiers' housing costs	<b>MTA</b>	The Manufacturing Technologies Association
<b>EAMA</b>	Engineering and Machinery Alliance	<b>MTD</b>	Month to date
<b>ECB</b>	European Central Bank	<b>NI</b>	Northern Ireland
<b>EUR</b>	Euro	<b>NMI</b>	UK Electronic Systems & Technology Industry
<b>FEEM</b>	Group of 4 engineering industries representing SIC codes 25 (Fabricated Metals), 26 (Electronics), 27 (Electrical) and 28 (Mechanical)	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>FTSE 100</b>	Index composed of the 100 largest companies listed on the London Stock Exchange	<b>ONS</b>	Office for National Statistics
<b>G7</b>	Group of seven countries consisting of Canada, France, Germany, Italy, Japan, UK & US	<b>PPI</b>	Producer Price Index
<b>GAMBICA</b>	Trade Association for Instrumentation, Control, Automation and Laboratory Technology	<b>REA</b>	The Renewable Energy Association
<b>GDP</b>	Gross Domestic Product	<b>RMI</b>	Repairs, Maintenance & Infrastructure
<b>HMRC</b>	HM Revenue & Customs	<b>ROW</b>	Rest of the World
<b>IOM</b>	Index of Manufacturing	<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 held its gains against the **US Dollar** in the past two weeks to finish at 1.4050/GBP at the end of week 16. The month-to-date rate was 1.3% above March 2018, 12.0% above April 2017 but 2.7% below May 2016 (pre-brexit vote).

Sterling also continued to strengthen against the **Euro**, finishing at 1.1414/GBP at the end of week 16. The month-to-date rate was 1.4% above March 2018, 2.0% below April 2017 and also 10.7% below May 2016 rate.

**FTSE 100** recovery continues as the index reached 7368 at the end of week 16. The month-to-date average was 1.9% above March 2018, 0.6% below April 2017 but 17.2% higher than May 2016.

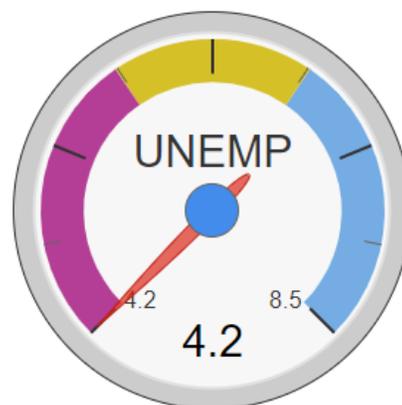
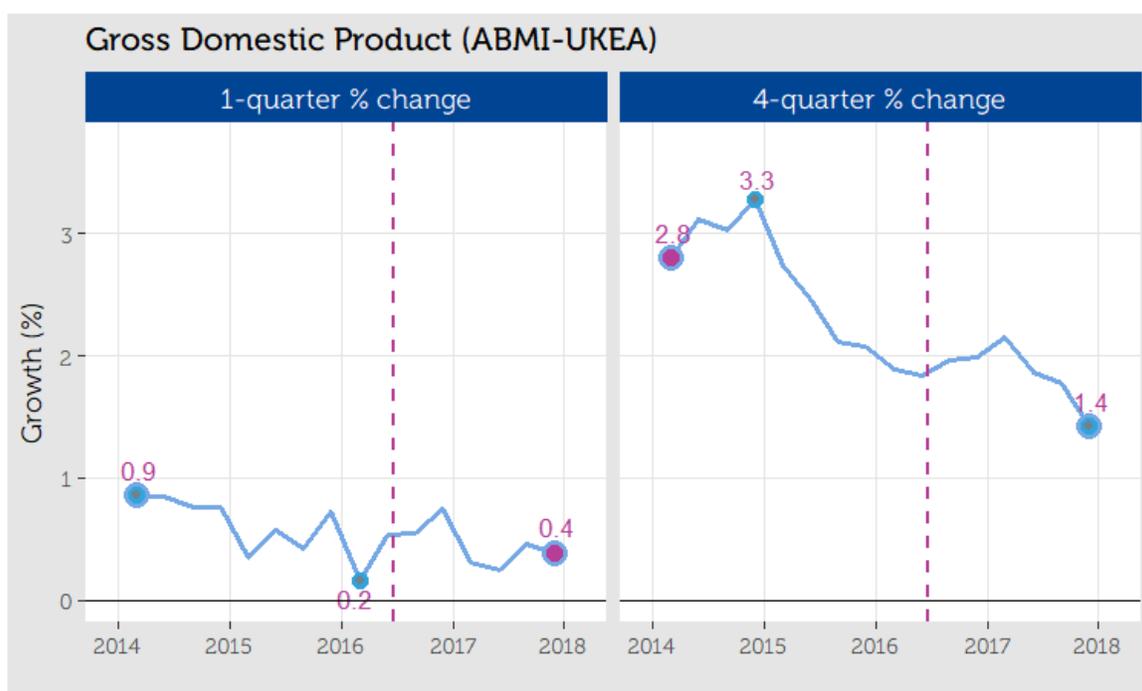


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

## 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 427 thousand to 32.26 million in the three months to February 2018 compared to a year earlier. The number of people unemployed decrease by 136 thousand to 1.42 million in the same period. **Unemployment** rate fell to a 47-year low 4.2%.

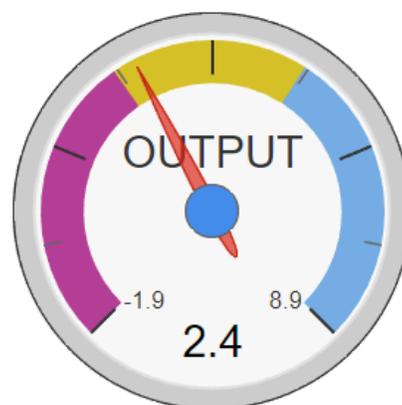
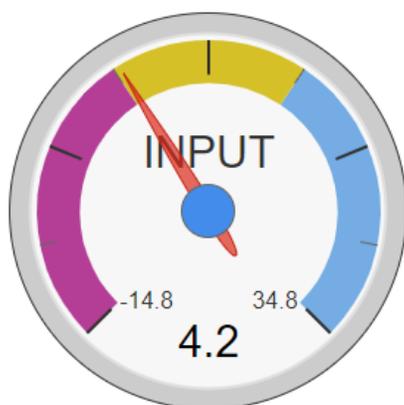
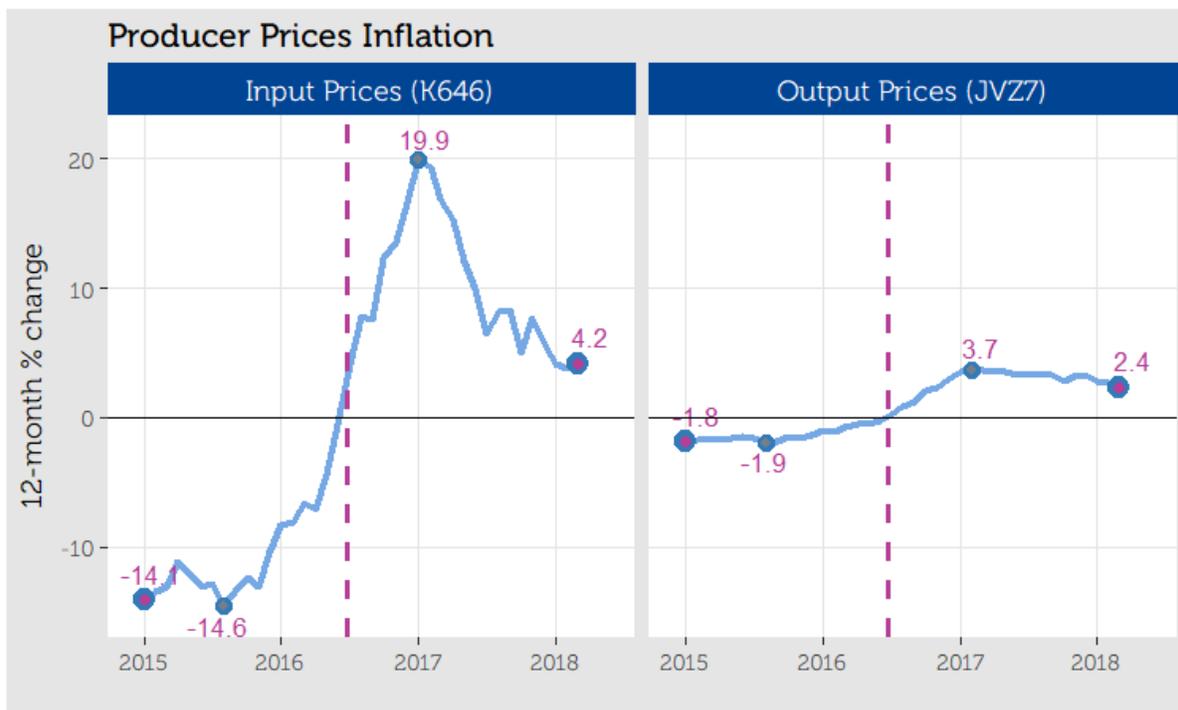


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000 ]

### 3 Producer Prices

The **input prices** index for all manufacturing fell by 0.1% in March 2018 but grew by 4.2% compare to twelve months earlier. The main drivers for the increase were food products. It is the 3rd successive month on month decline but 21st successive year on year growth.

**Factory gate** (Output) prices for all manufacturing rose by 0.2% in March 2018 and also grew by 2.4% compared to March 2017. It is the lowest 12-month growth since November 2016 but has grown by 5.6% since May 2016.



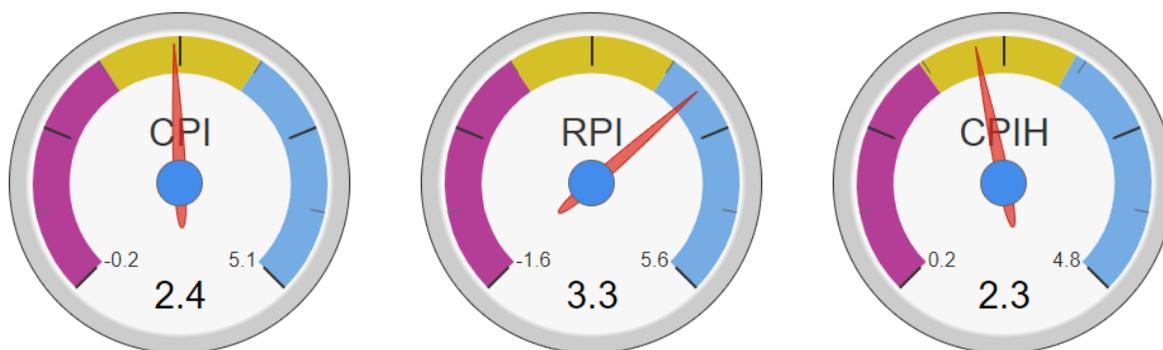
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices ]

## 4 Consumer Prices

**Consumer price index (CPI)** rose by 0.1% in March 2018 and also grew by 2.4% compared to a year earlier. It is the lowest 12-month growth since March 2017 but has grown by 4.6% since May 2016. Price increases in food, recreational & cultural goods were were main drivers.

The **retail price index (RPI)** eased further to 3.3% in the twelve months to March 2018, from 3.6 in the previous month. RPI has grown by 6.2% since May 2016.

**CPI including owner’s occupying (CPIH)** hits 14-month low as the index grew by 2.3% in March 2018 compared to twelve months earlier. CPIH has grown by 4.3% since May 2016.



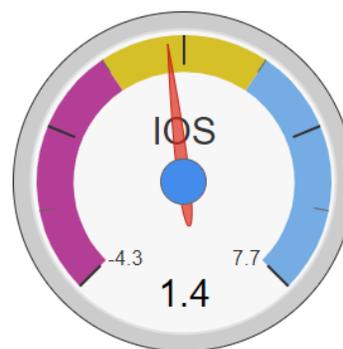
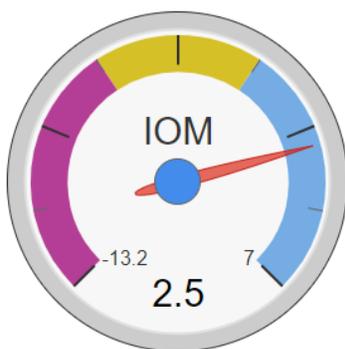
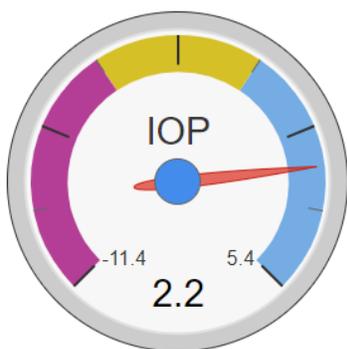
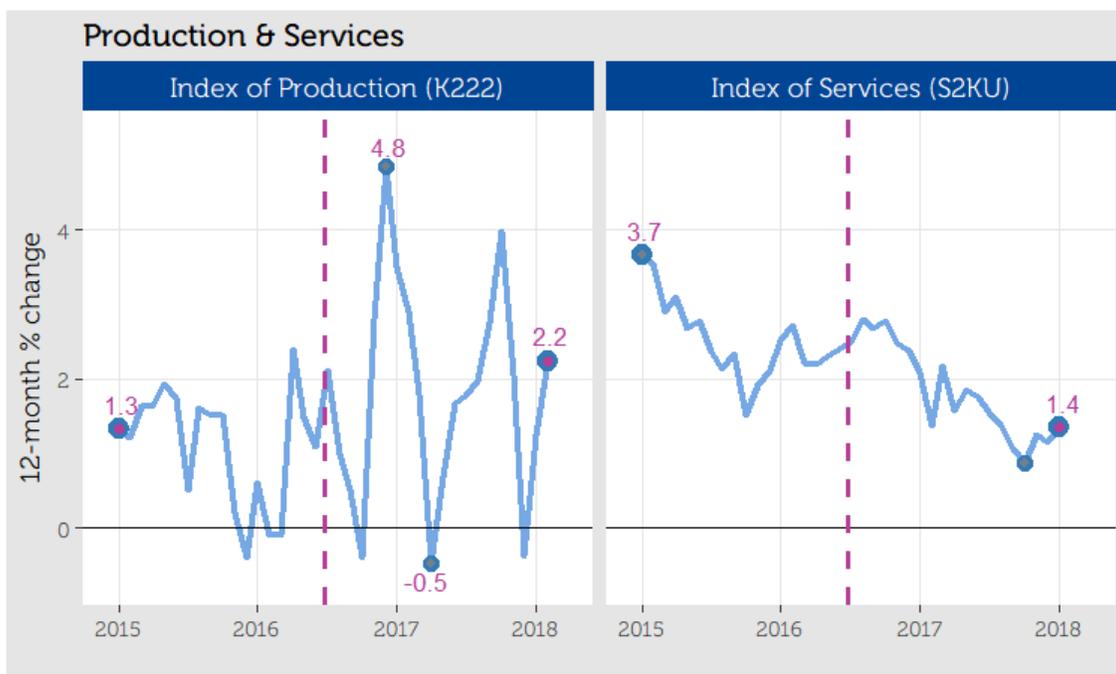
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005 ]

## 5 Production & Services

**Index of production (IOP)** increased by 0.1% in February 2018 and also grew by 2.2% compared to twelve months earlier. Drivers for the growth were energy and water supply.

**Index of manufacturing (IOM)** fell by 0.2% in February 2018 but rose by 2.5% compared to twelve months earlier. Drivers for the 12-month growth include manufacture of other transport equipment and repairs. IOM has grown by 4.1% since May 2016.

**Index of services (IOS)** rose by 0.2% January 2018 and also rose by 1.4% compared to a 12 months earlier. Drivers for the growth were business services & finance and transport & storage. IOS has grown by 2.9% since May 2016.

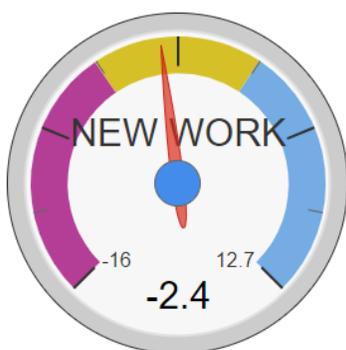
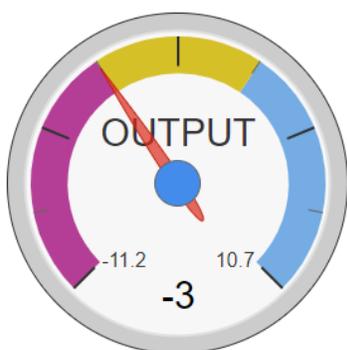
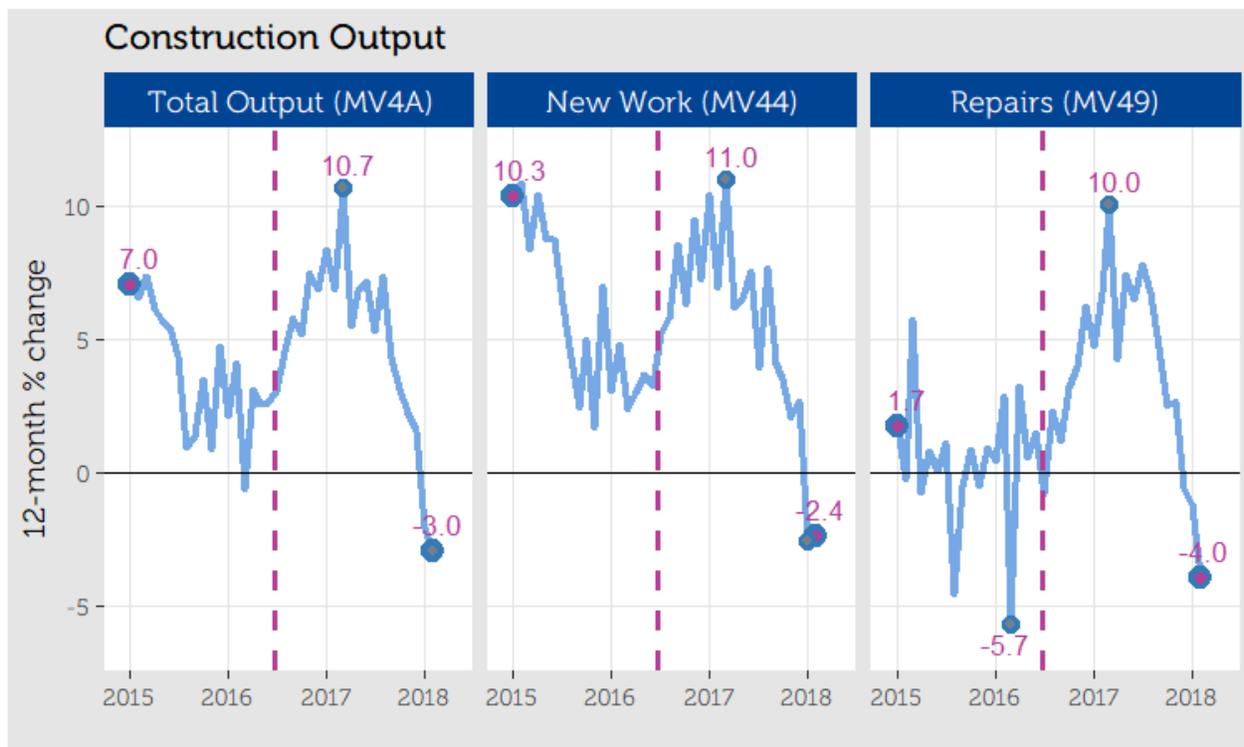


[Gauge Charts: 12-month % change since Jan 2000 ]

## 6 Construction

Total **construction output**, at constant prices, fell by 1.6% in February 2018 to £12.7 billion and also fell by 3.0% compared to twelve months earlier. It is the lowest 12-month growth since March 2013.

**New construction** work, fell by 1.7% to £8.2 billion in February 2018 and **construction repairs** also fell by 1.5% to £4.4 billion in the same period. Compared to twelve months earlier, new construction work fell by 2.4% and repairs also fell by 4.0%.

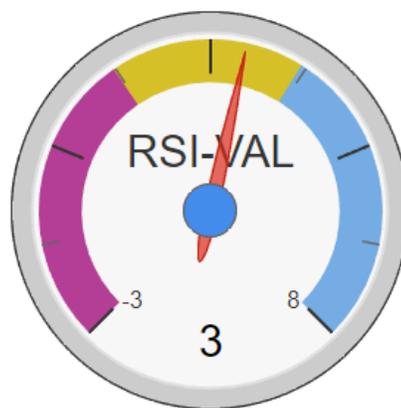
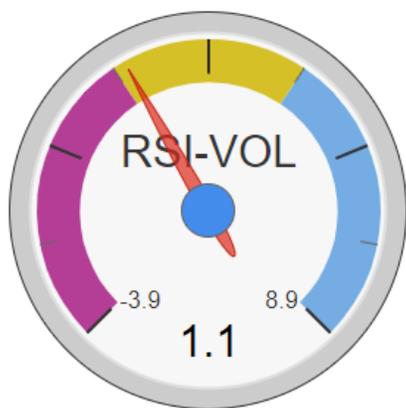
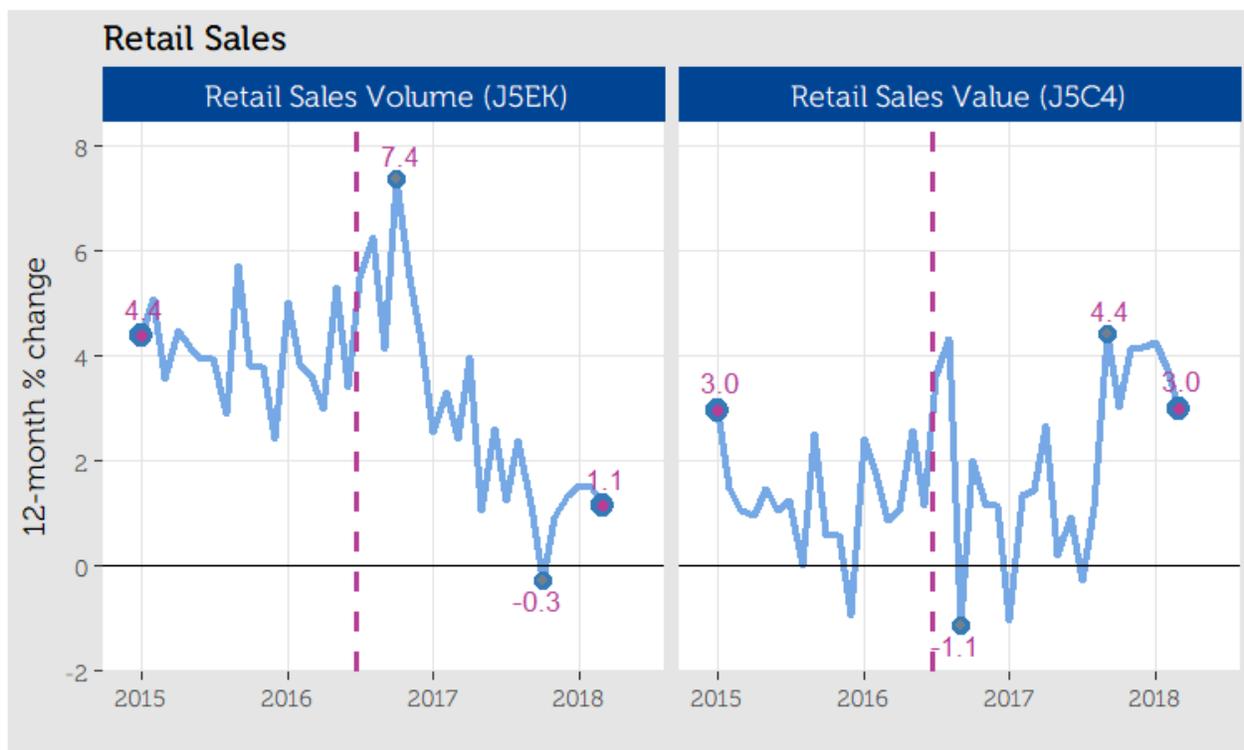


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

## 7 Retail Sales

The **volume of retail sales** (including fuel) fell by 1.2% in March 2018, but grew by 1.1% compared to twelve months earlier. The main driver for the 1-month decline was large fall in petrol sales as adverse weather conditions in March impacted travel. Retail volume has grown by 1.1% since May 2016.

The **value of retail sales** (including fuel) fell by 0.9% in March 2018 but grew by 3.0% compared to 12 months earlier. The March 2018 retail value was 2.0% higher than May 2016.

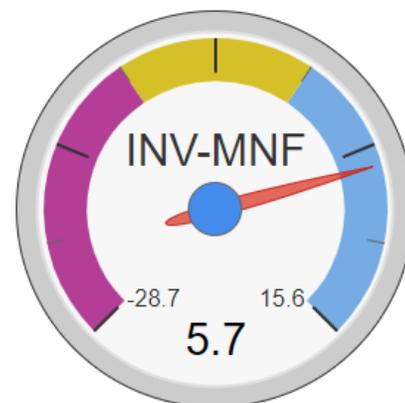
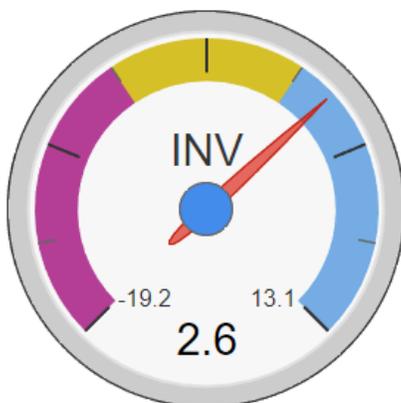
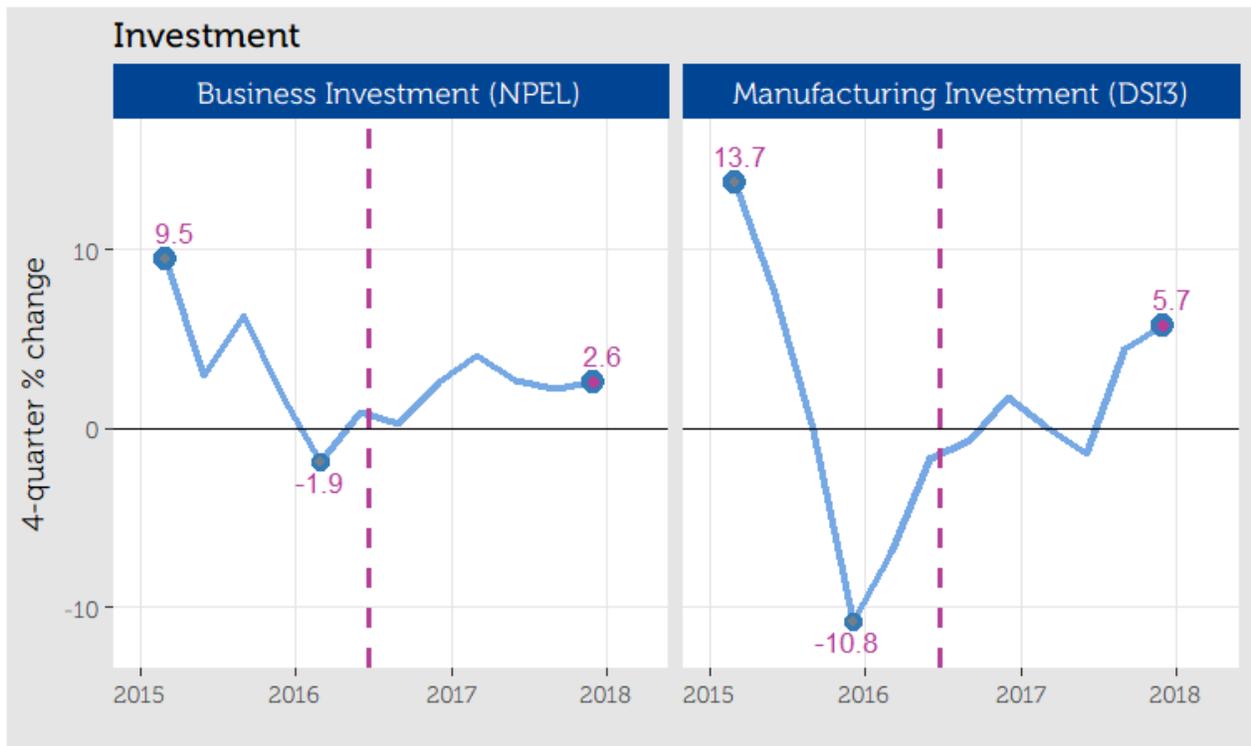


[Gauge Charts: 12-month % change since Jan 2000]

## 8 Business Investment

**Business investment** growth for all industries (INV), in volume terms, revised up to 0.3% in 2017 Q4. Investment also grew by 2.6% compare to a year earlier and by 3.7% since referendum vote. It is the 7th successive year on year growth.

Investment in **manufacturing industries** (INV-MNF), in volume terms, fell by 0.9% in 2017 Q4 but grew by 5.7% compared to 2016 Q4.



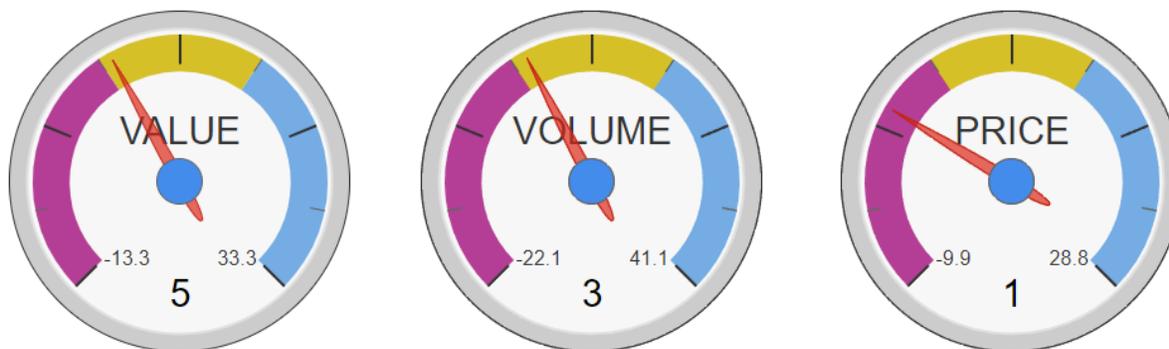
[Gauge Charts: 4-quarter % change since 2007 ]

## 9 UK Trade

### 9.1 Exports

The **value** of UK **exports** fell by 1.3% in February 2018 but grew by 5.0% compared to February 2017. Exports of **goods** increased by 3.8% to £ 28.3 billion and exports of **services** increased by 6.5% to £ 24.1 billion in February 2018 compared to twelve months earlier.

**Volume** of UK **exports** fell by 0.9% in February 2018 but grew by 3.0% compared to twelve months earlier.

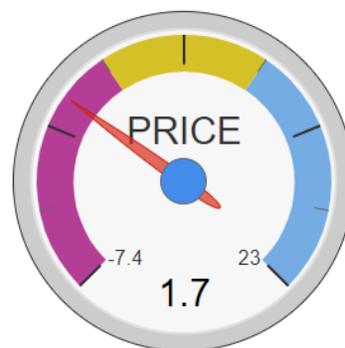
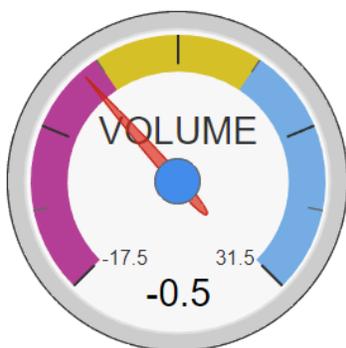
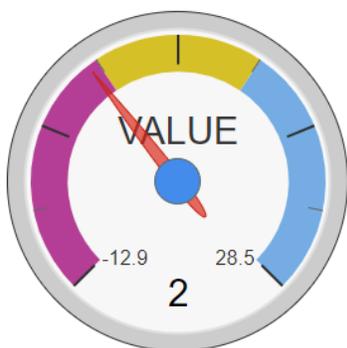
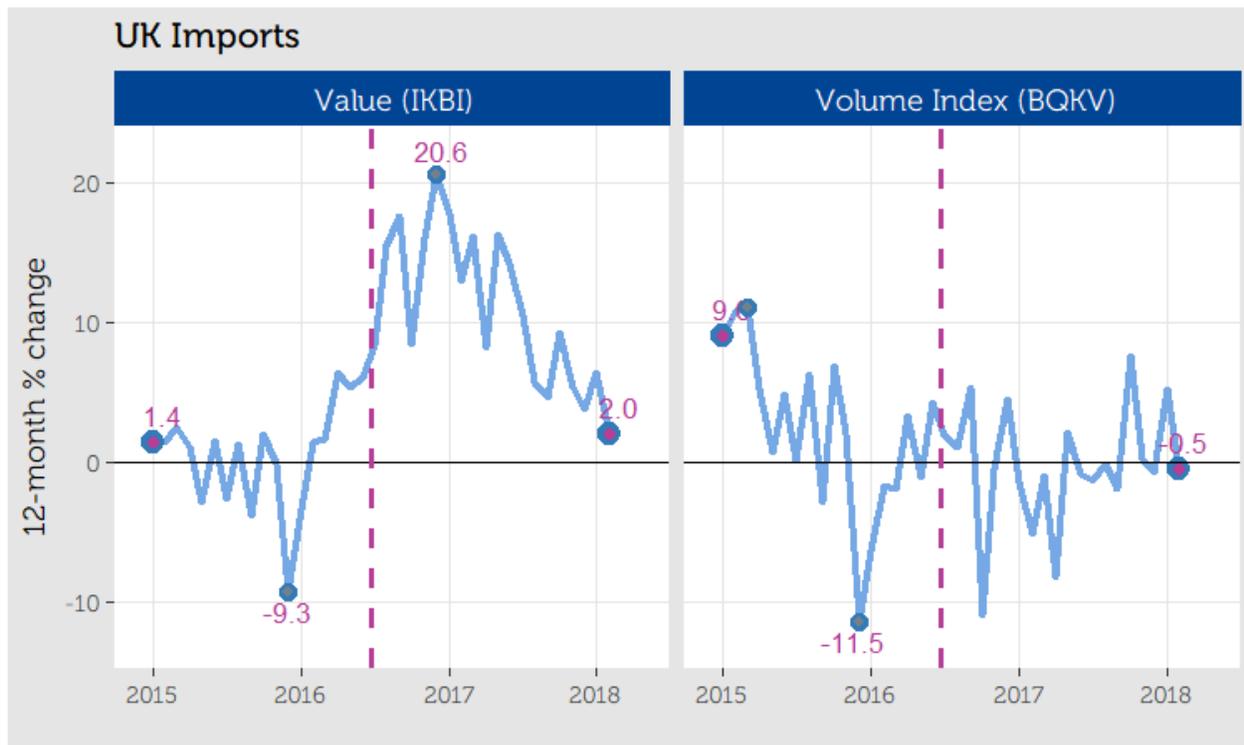


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

## 9.2 Imports

The **value** of UK imports fell by 4.8% in February 2018 but grew 2.0% compared to 12 months earlier. Imports of goods increased by 0.8% to £ 38.6 billion and imports of services also increased by 5.1% to £14.9 billion in February 2018 compared to twelve months earlier.

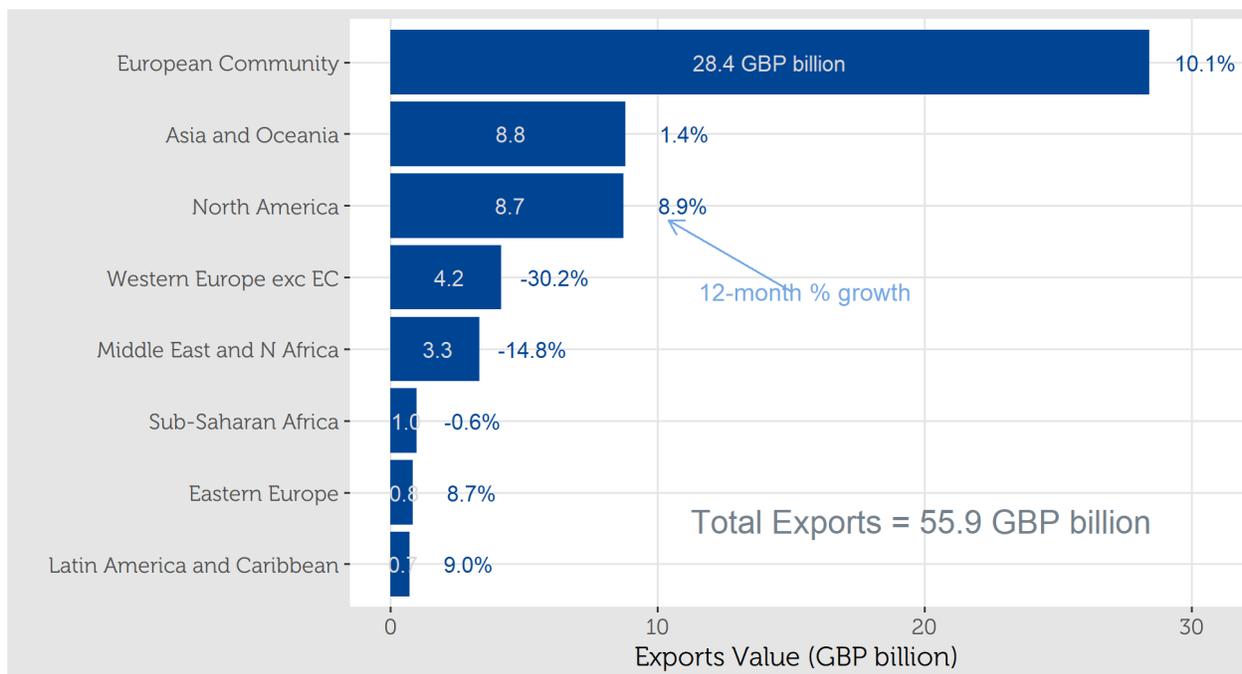
UK imports on **volume** basis fell by 6.2% in February 2018 and also fell by 0.5% compared to twelve months earlier.



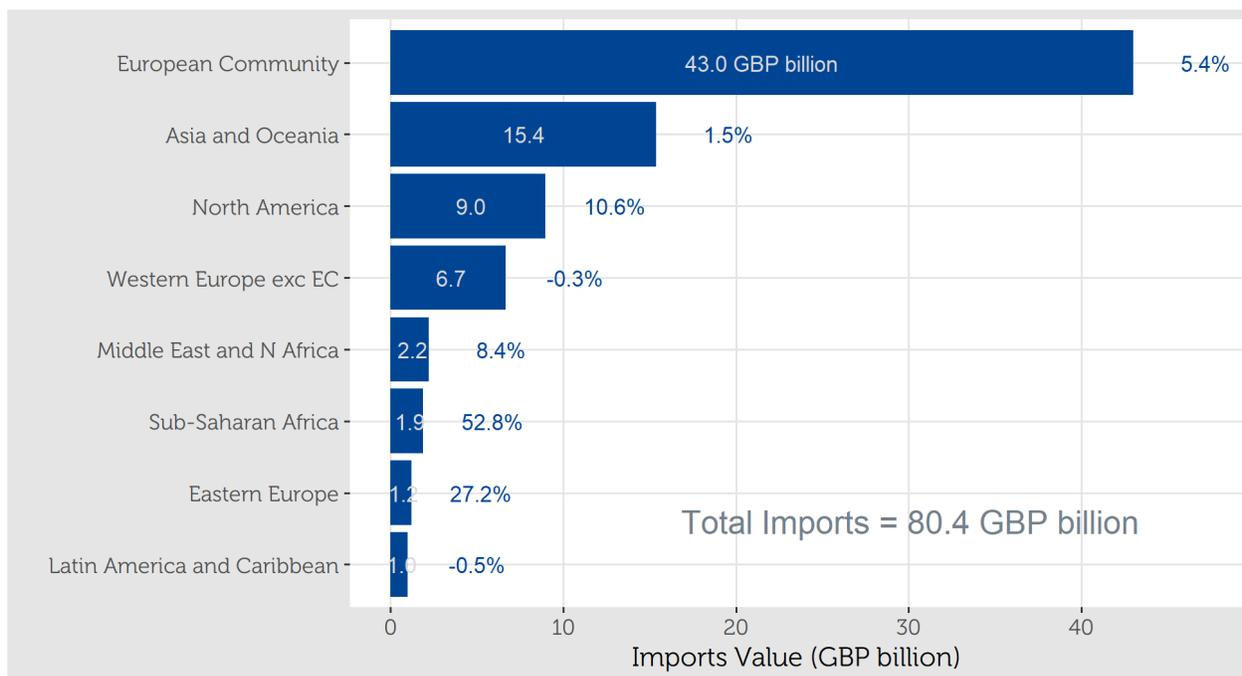
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

### 9.3 Goods Trade: Ranking by Region

#### 9.3.1 Exports - 2018 Jan - Feb

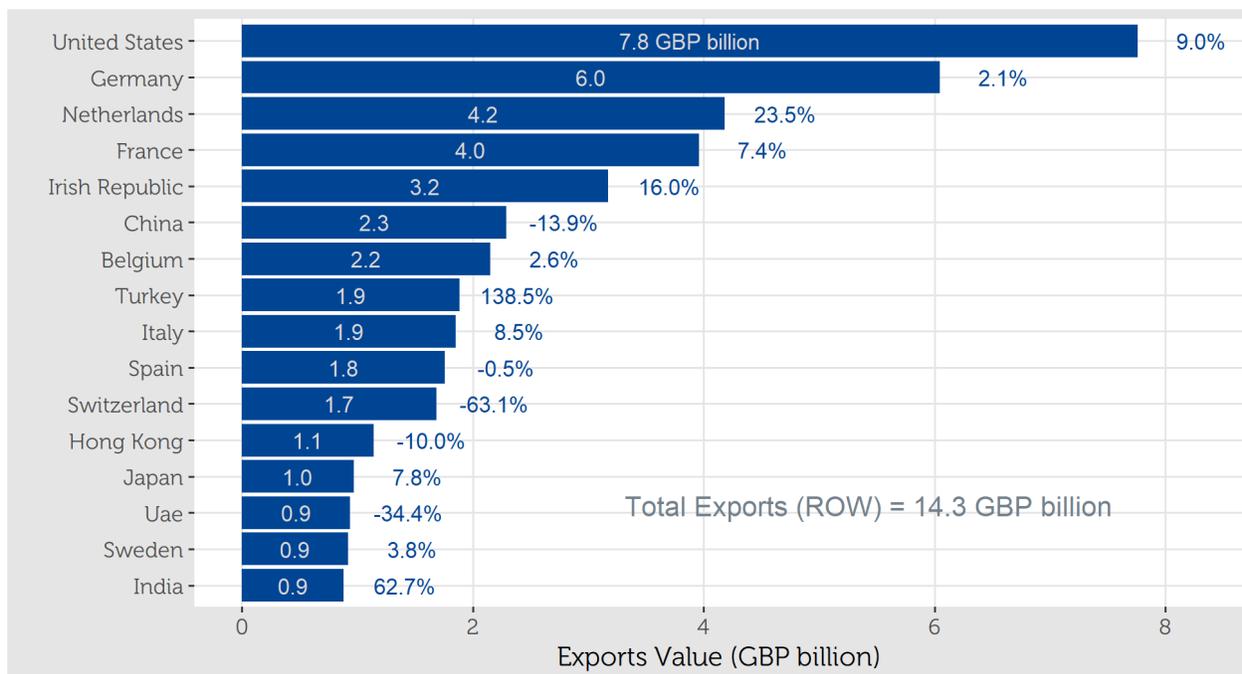


#### 9.3.2 Imports - 2018 Jan - Feb

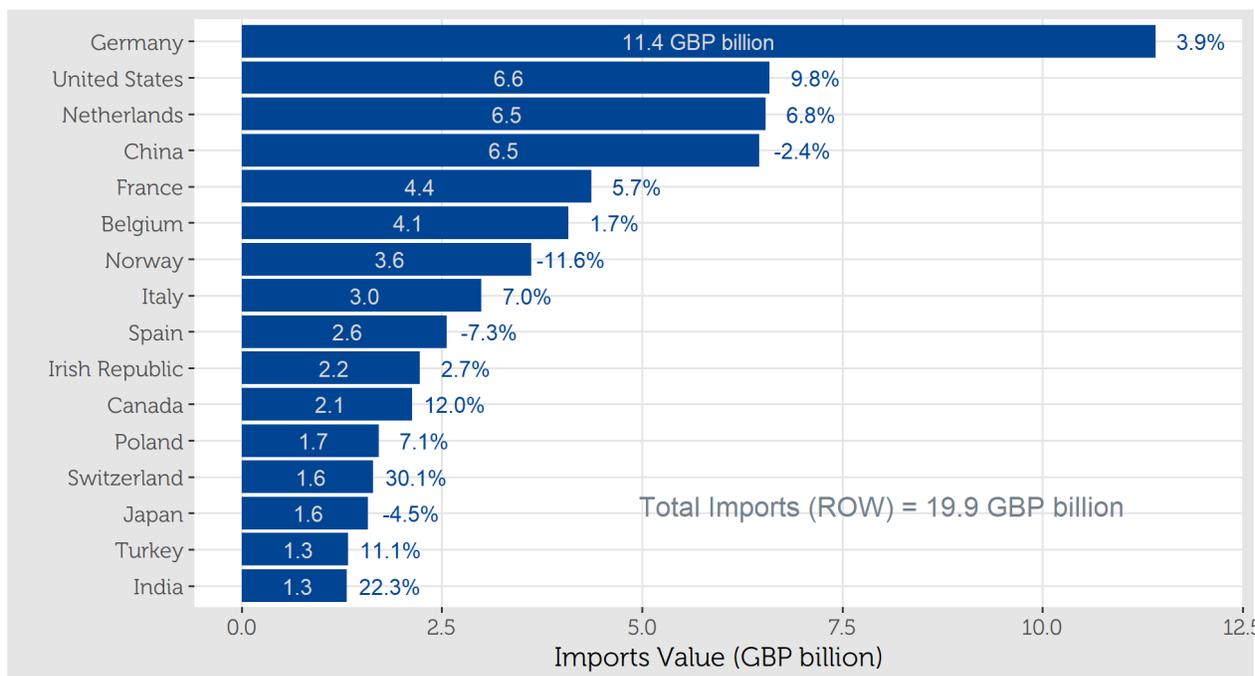


## 9.4 Goods Trade: Ranking by Country - Top 16

### 9.4.1 Exports - 2018 Jan - Feb

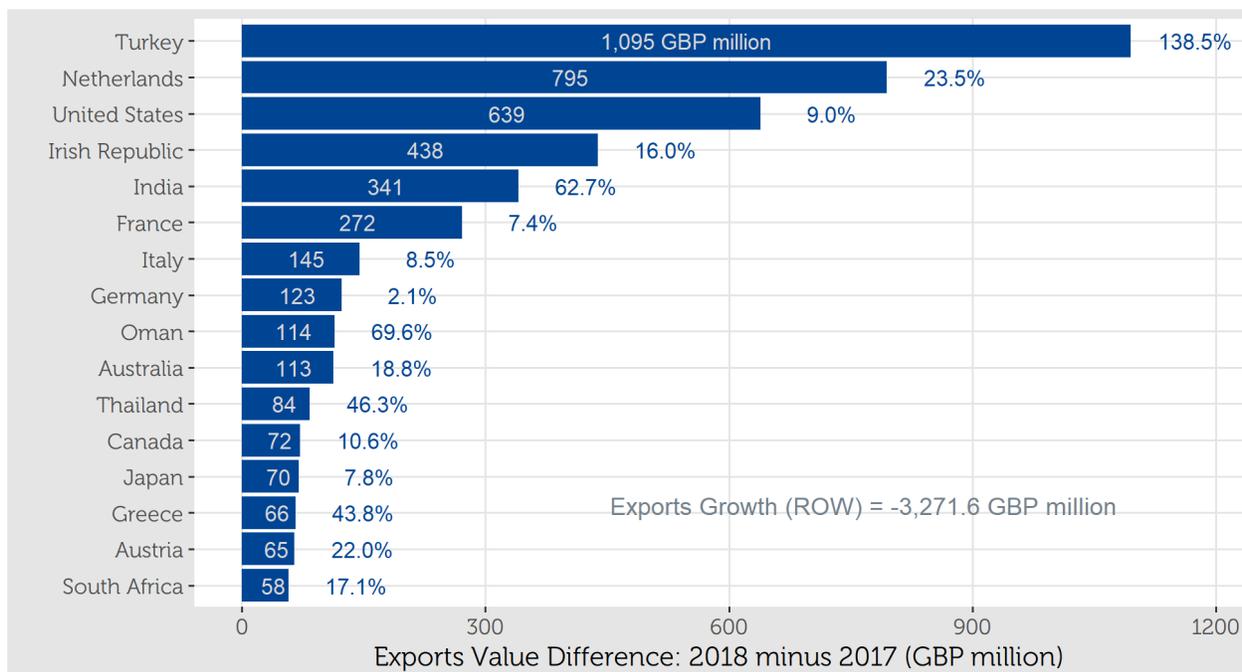


### 9.4.2 Imports - 2018 Jan - Feb

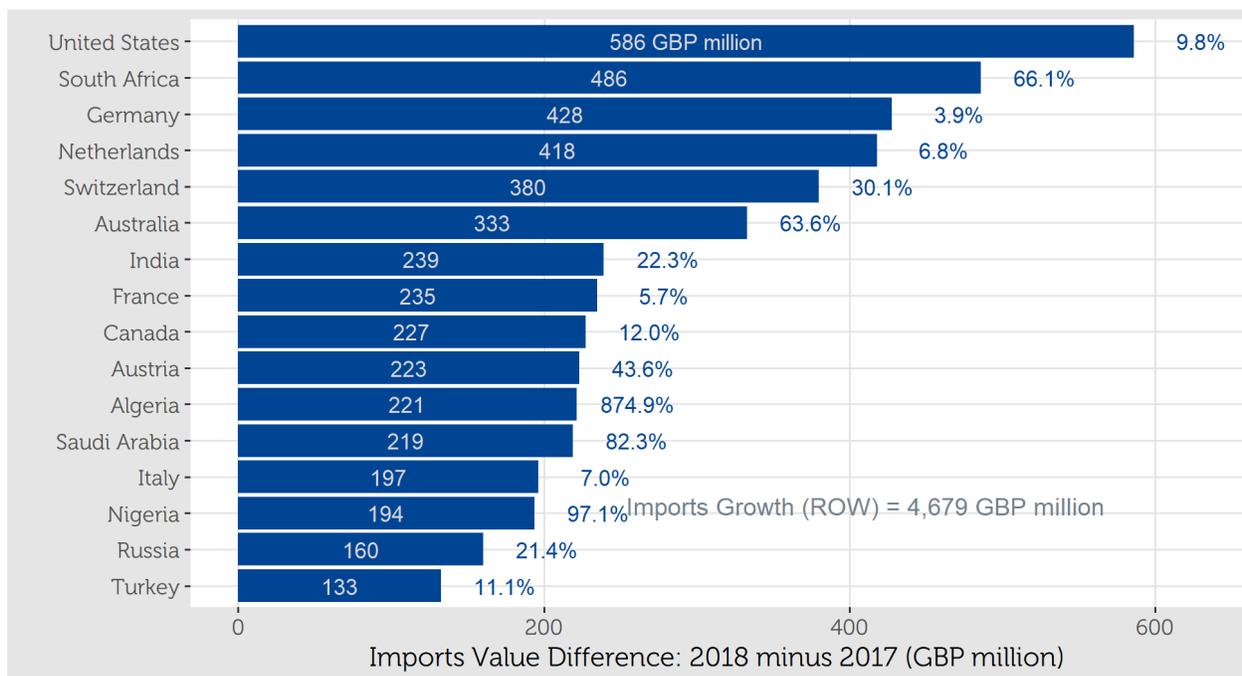


## 9.5 Goods Trade: Growth Ranking by Country - Top 16

### 9.5.1 Exports Value Growth - 2018 Jan - Feb



### 9.5.2 Imports Value Growth - 2018 Jan - Feb



## 9.6 Goods Trade: EU & Commonwealth by SITC

### 9.6.1 Exports - 2018 Jan - Feb

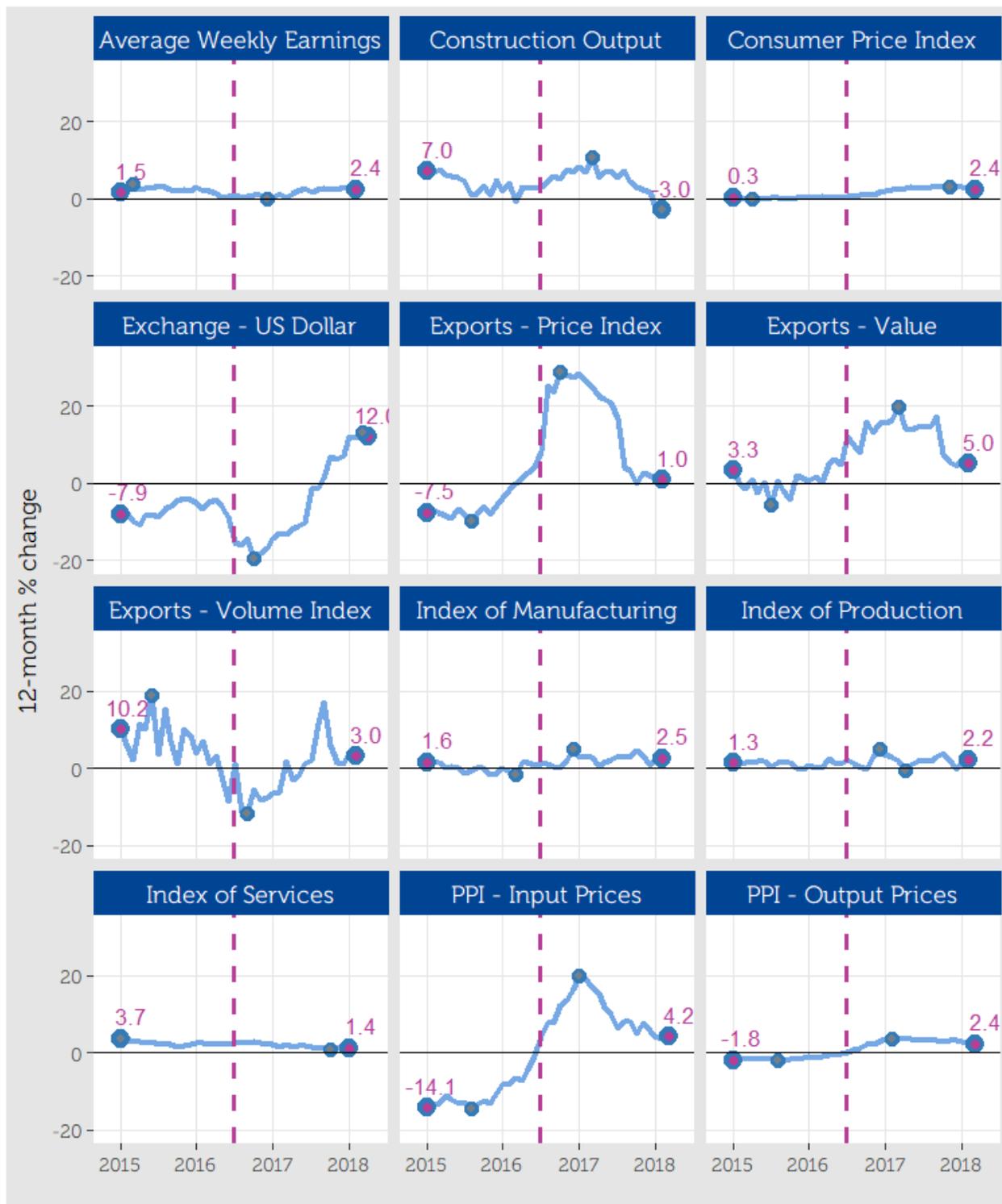


9.6.2 Imports - 2018 Jan - Feb

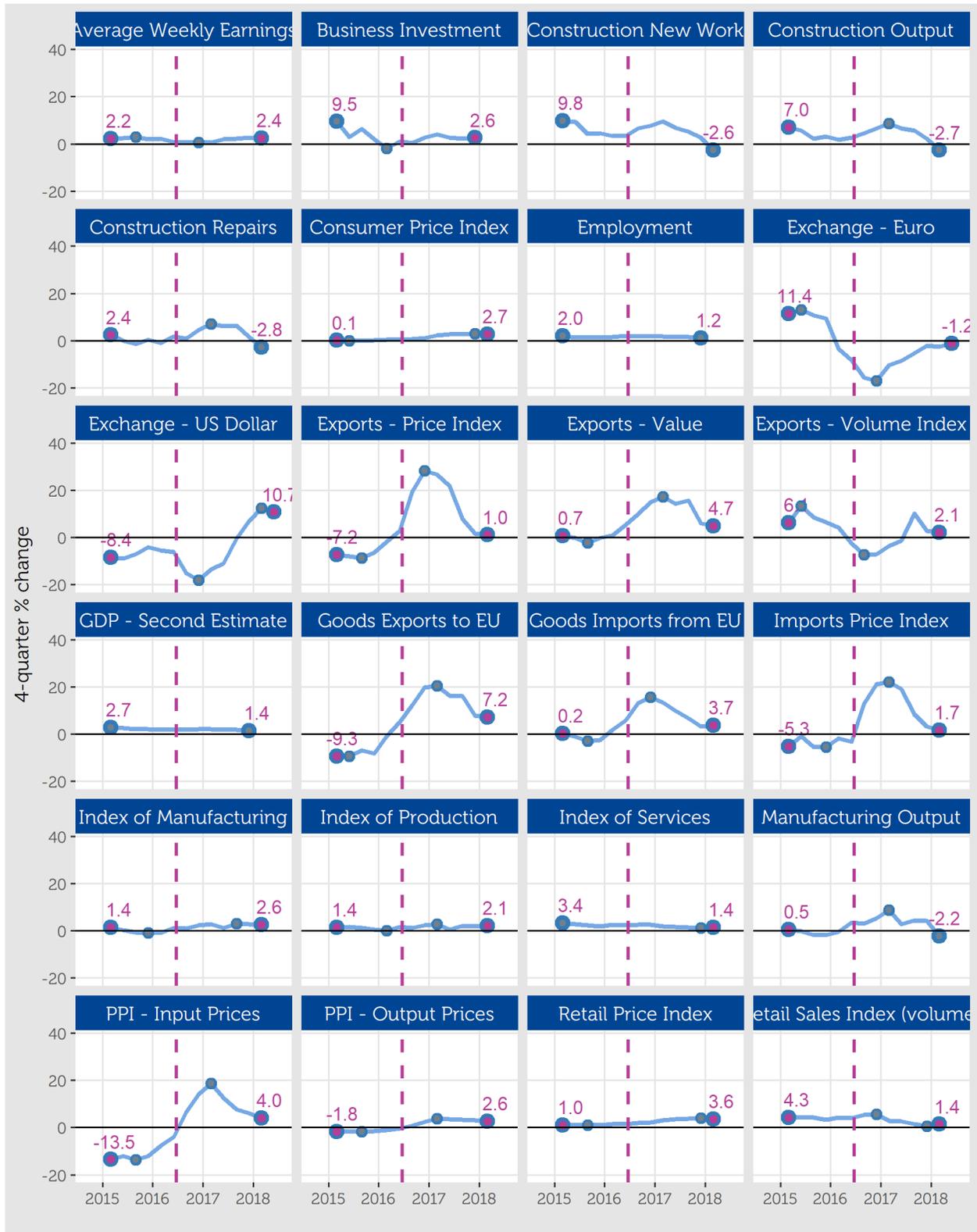


## 10 Economy At a Glance

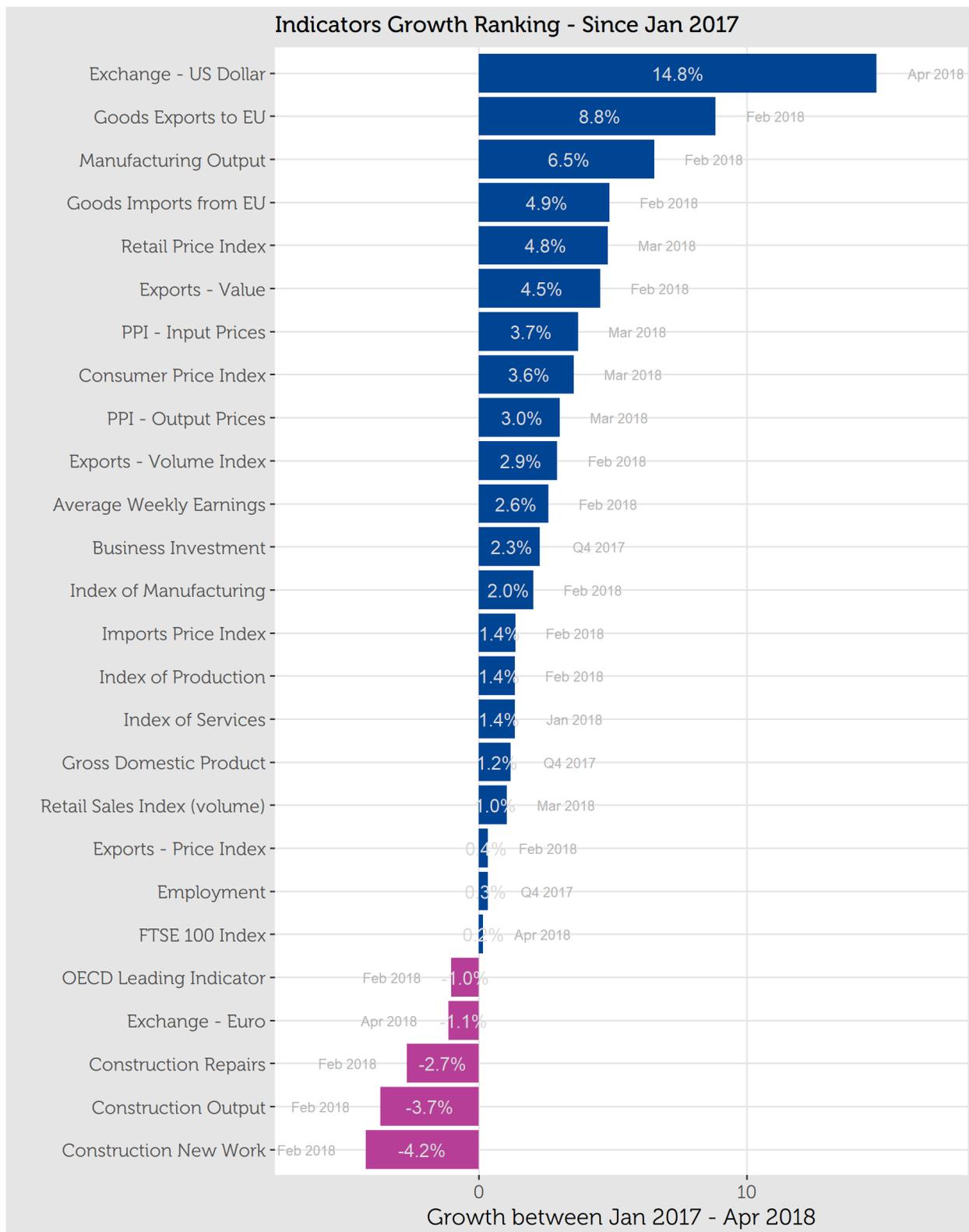
### 10.1 Growth: 12-month % growth



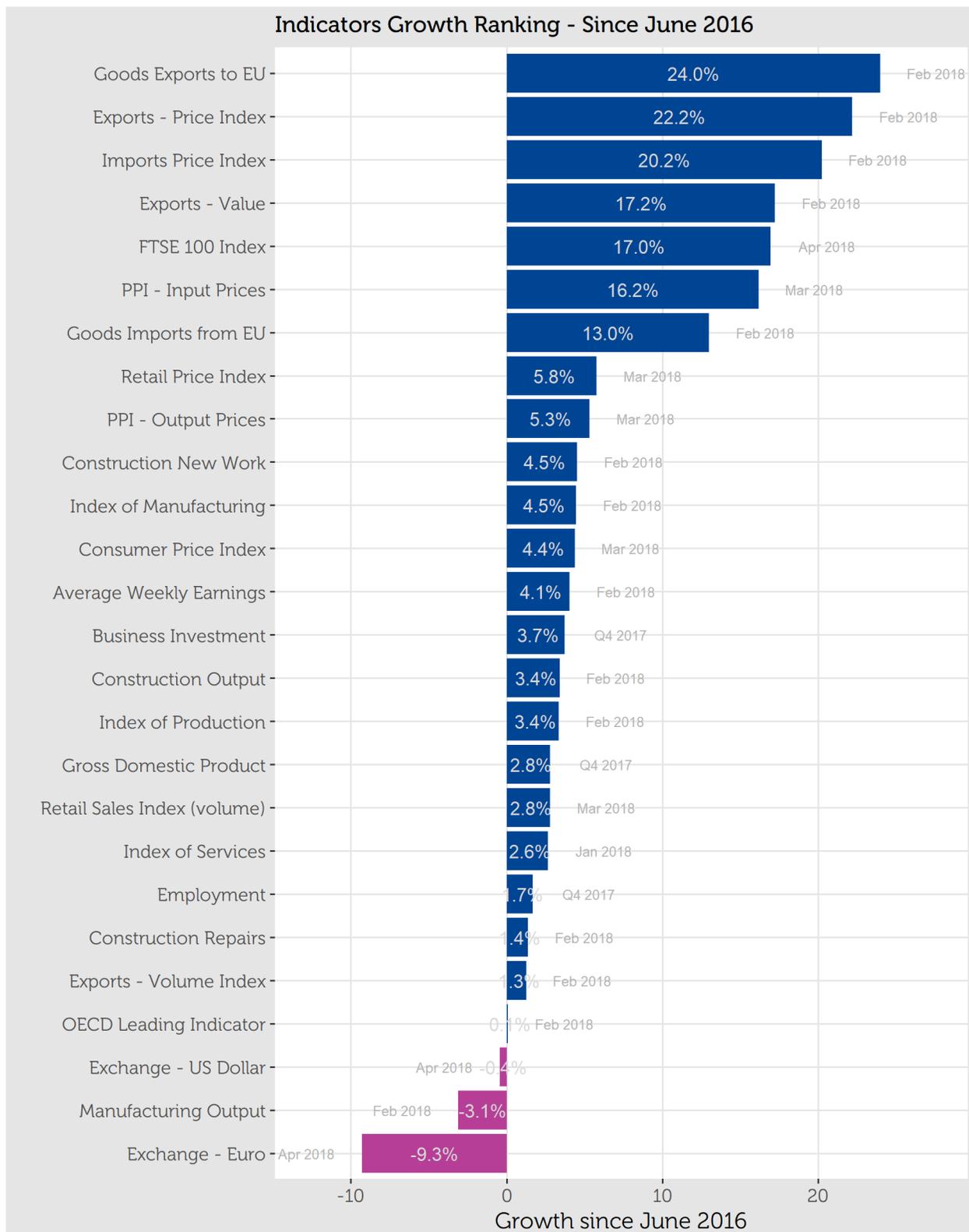
## 10.2 Growth: 4-quarter % growth



### 10.3 Growth Ranking: Since January 2017

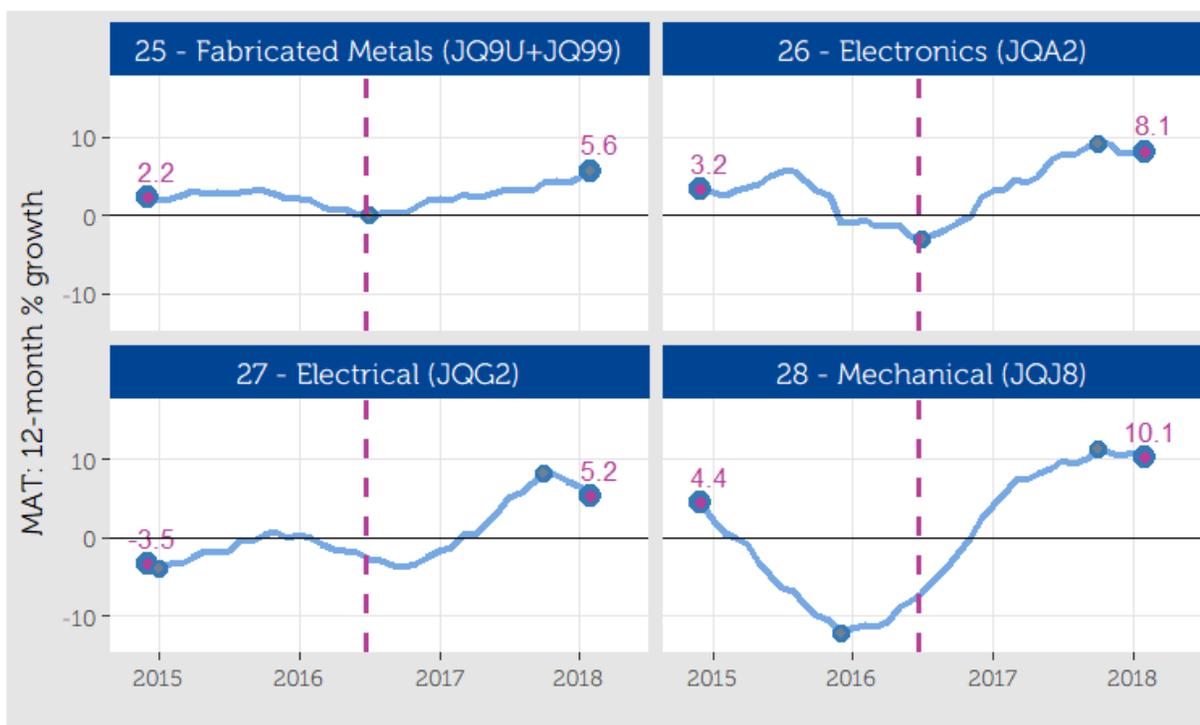
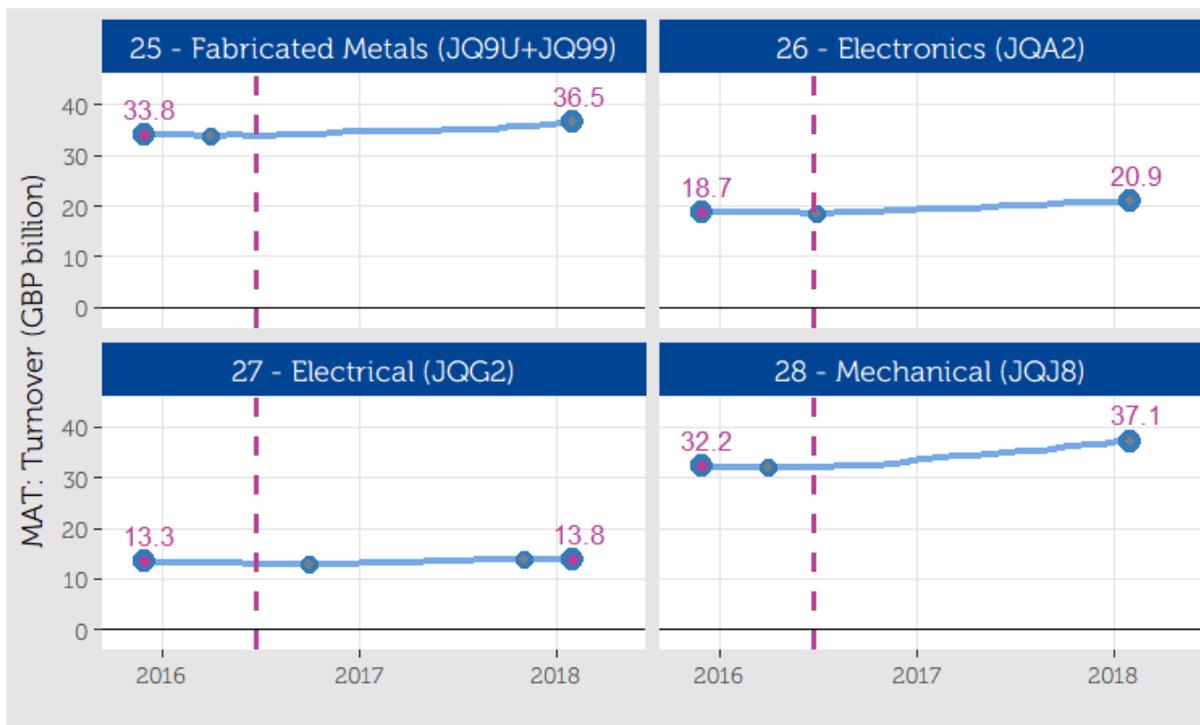


### 10.4 Growth Ranking: Since Referendum Vote

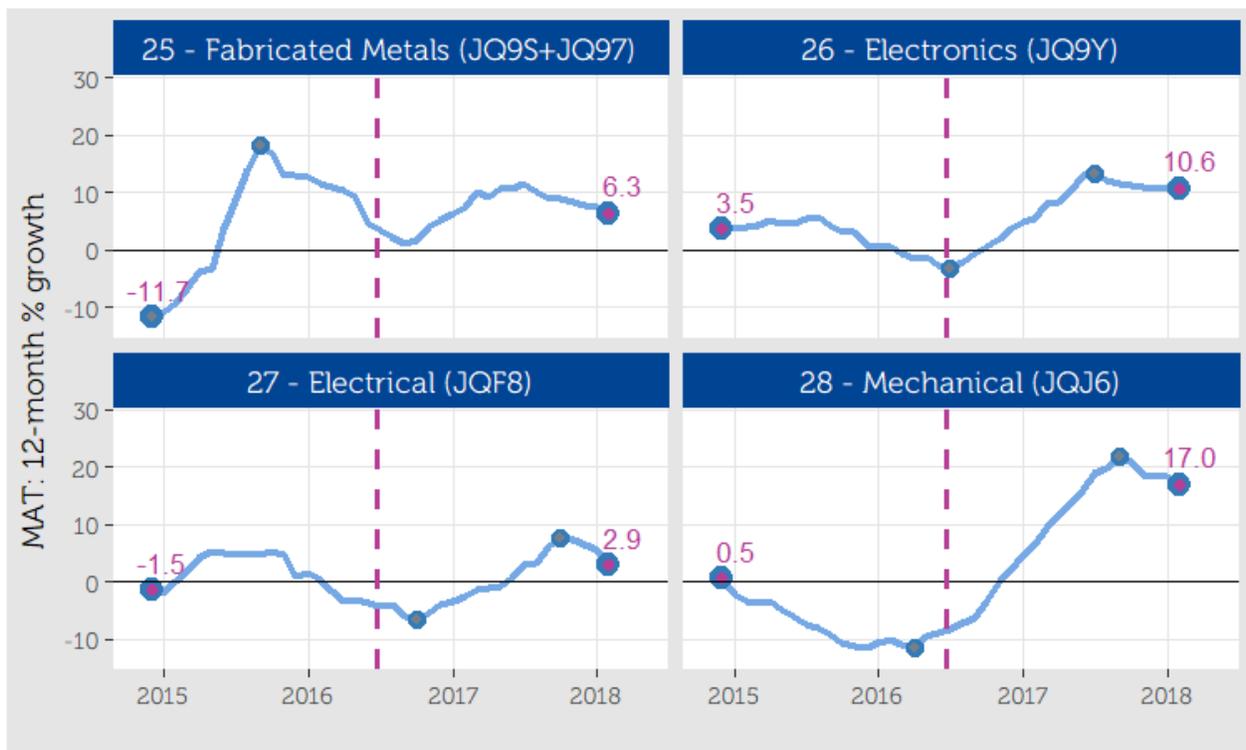
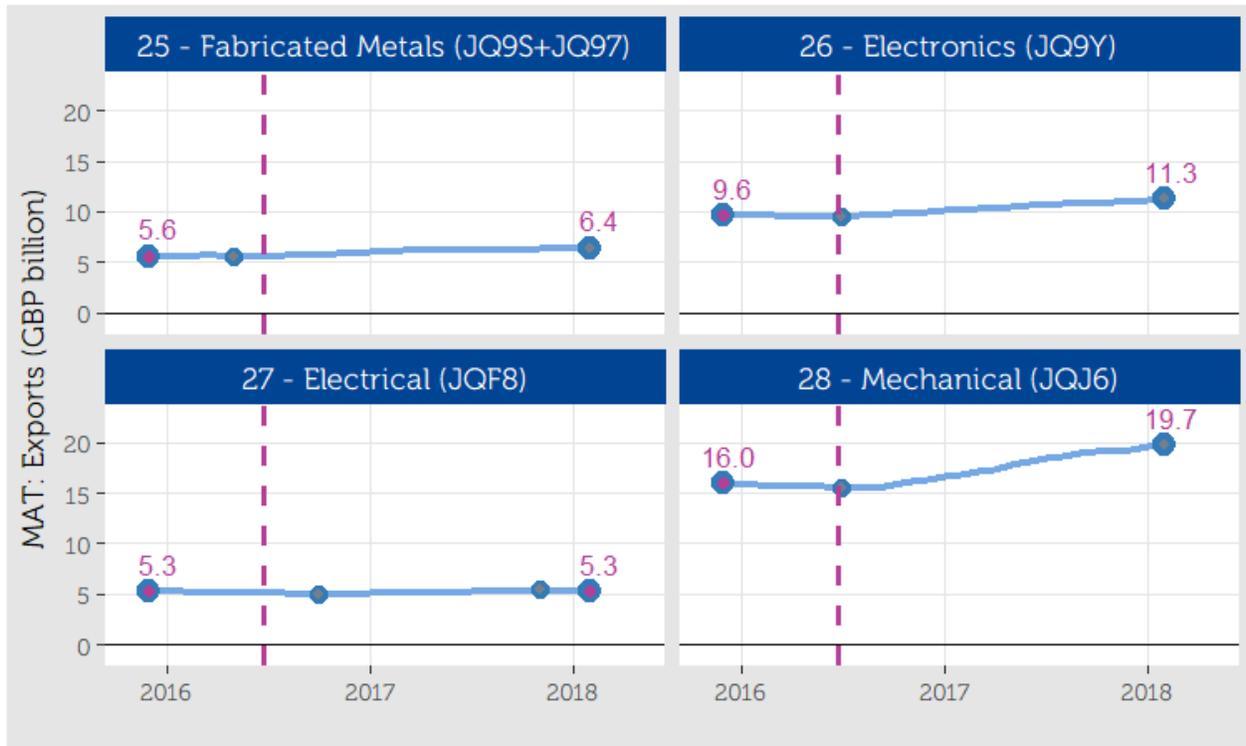


# 11 Industry Level Indicators

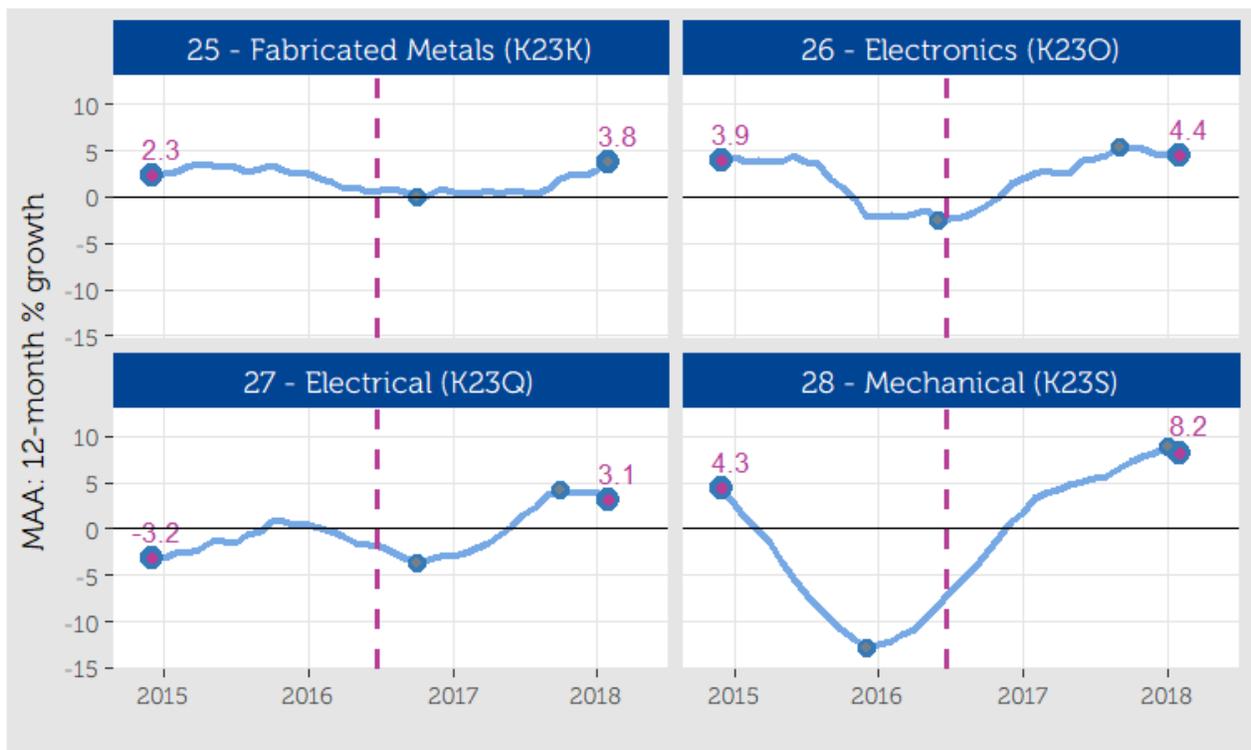
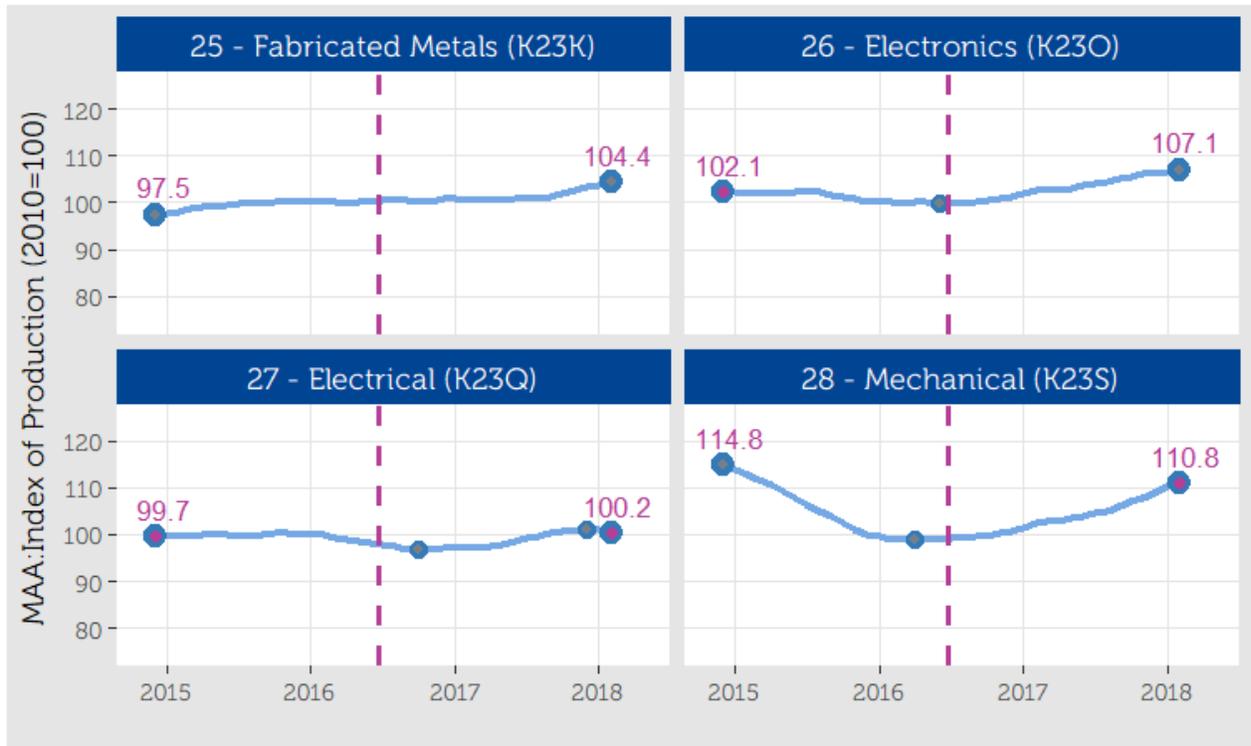
## 11.1 Turnover



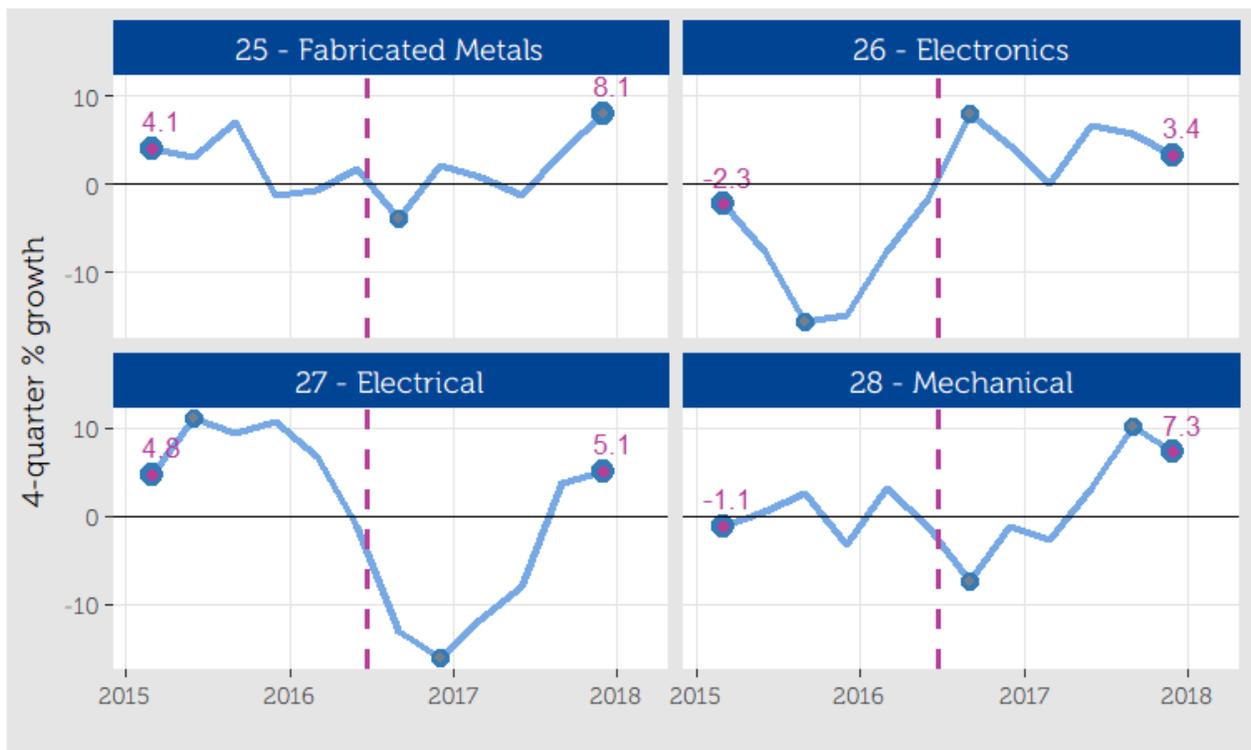
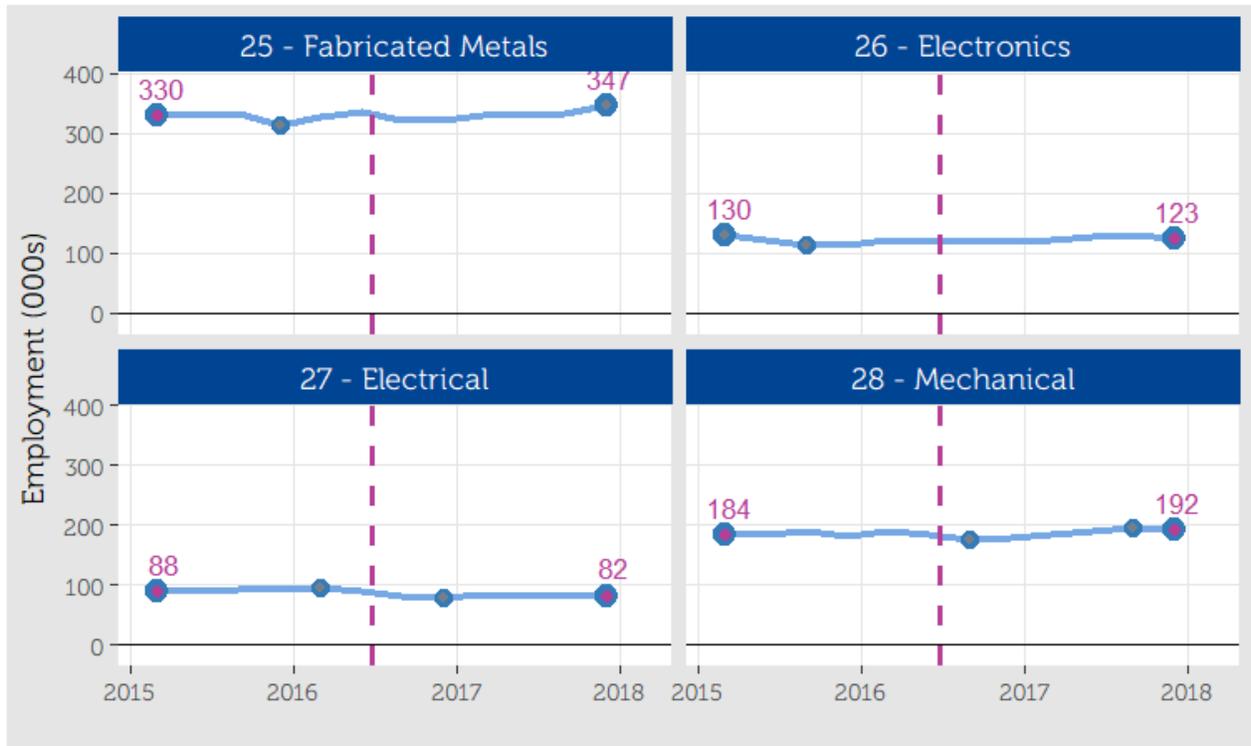
## 11.2 Exports



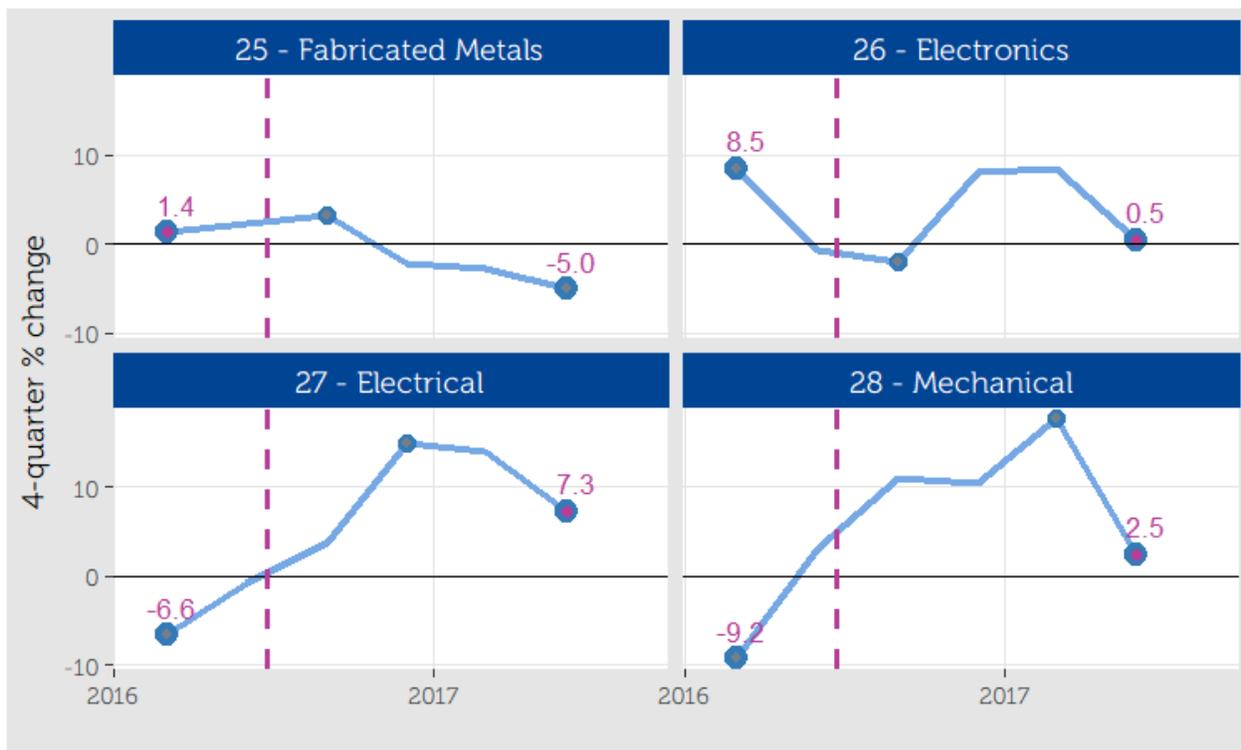
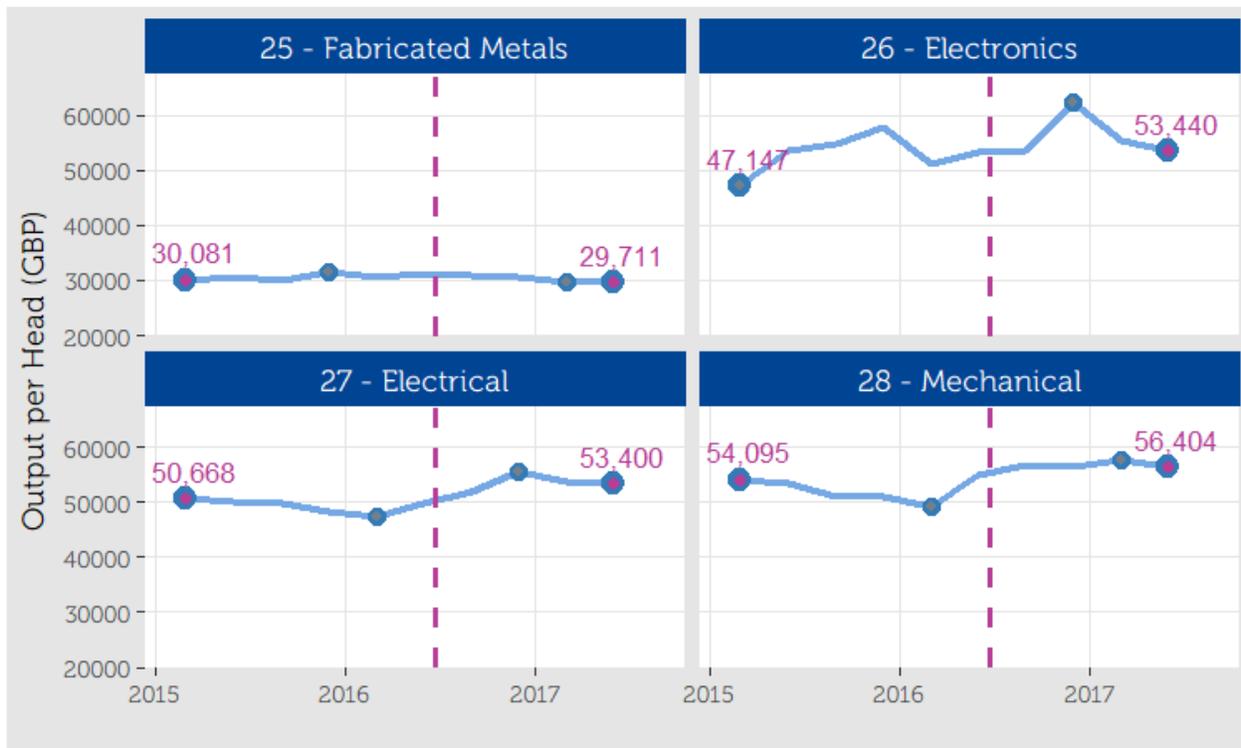
### 11.3 Index of Production



### 11.4 Employment (including Self-Employment)



### 11.5 Turnover per Head

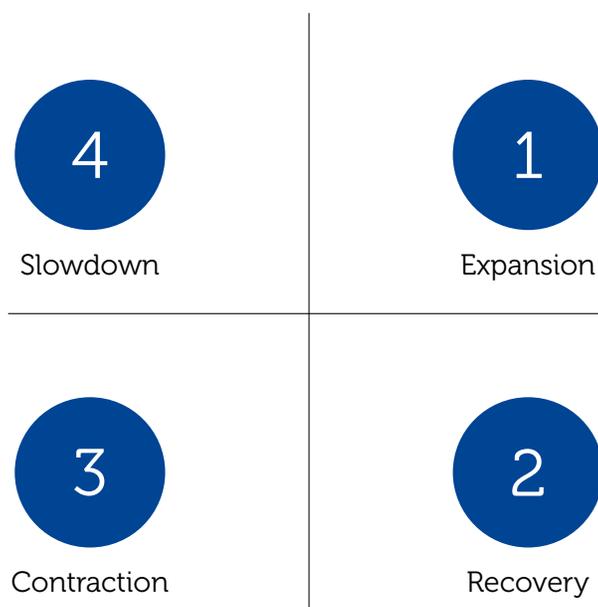


## 12 Growth Cycles

### 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:

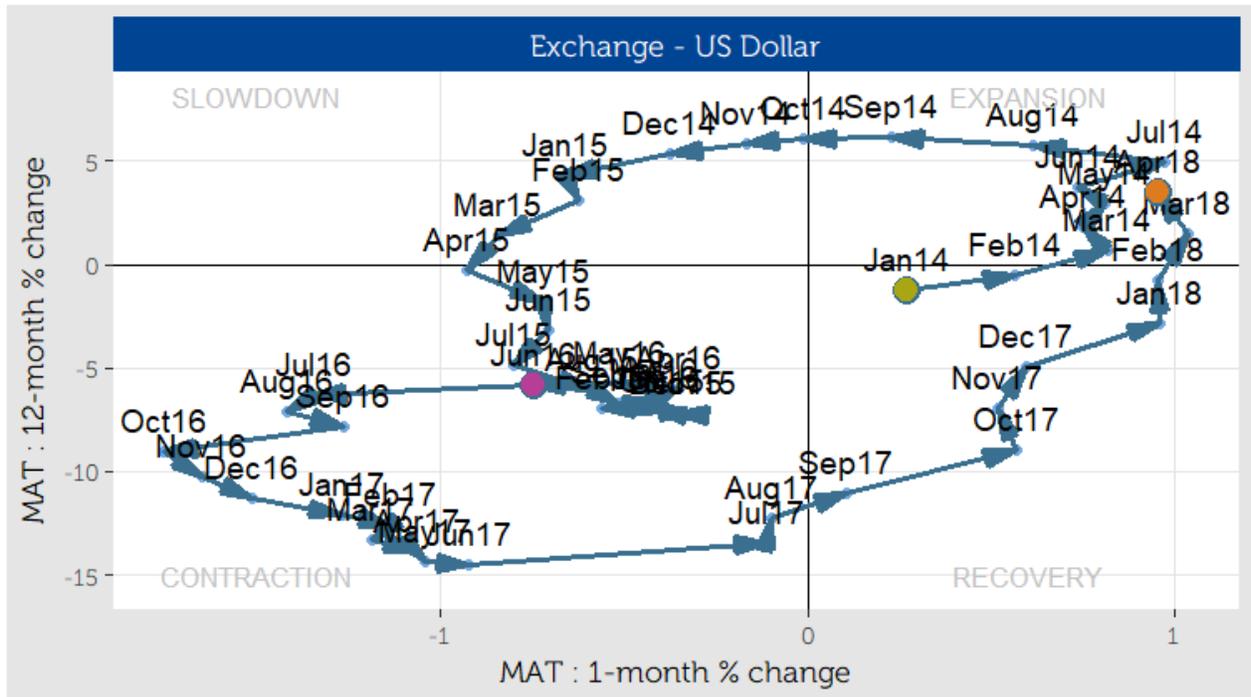
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



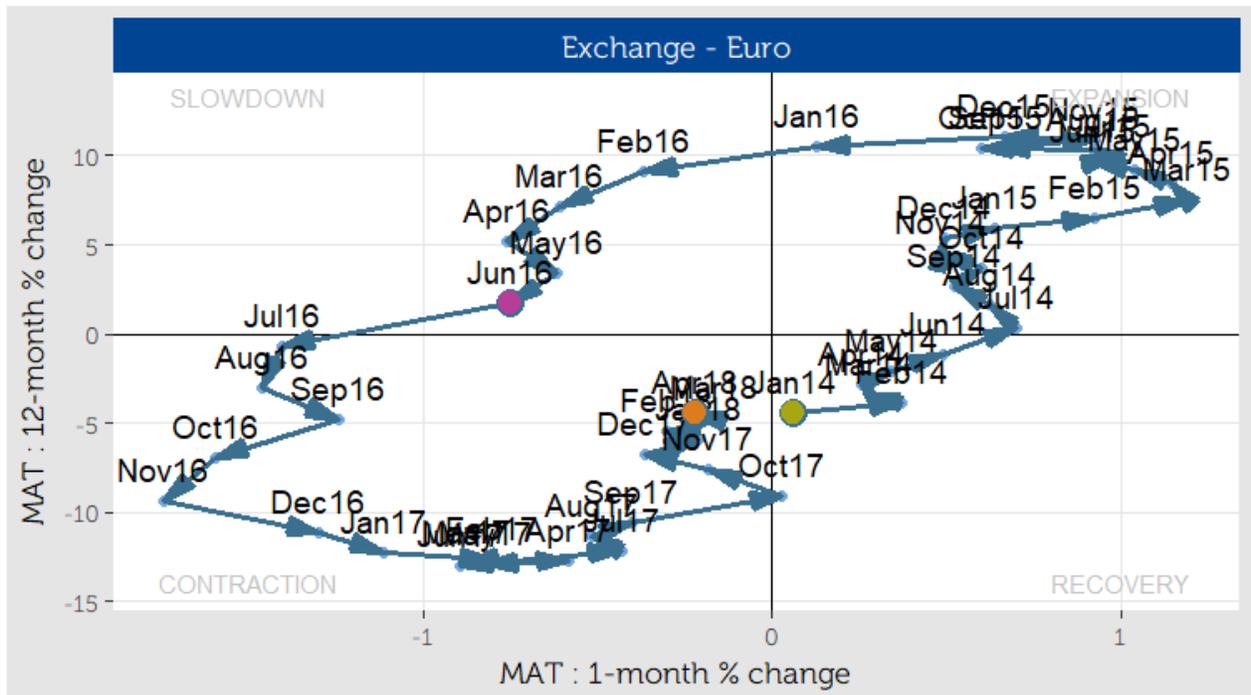
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

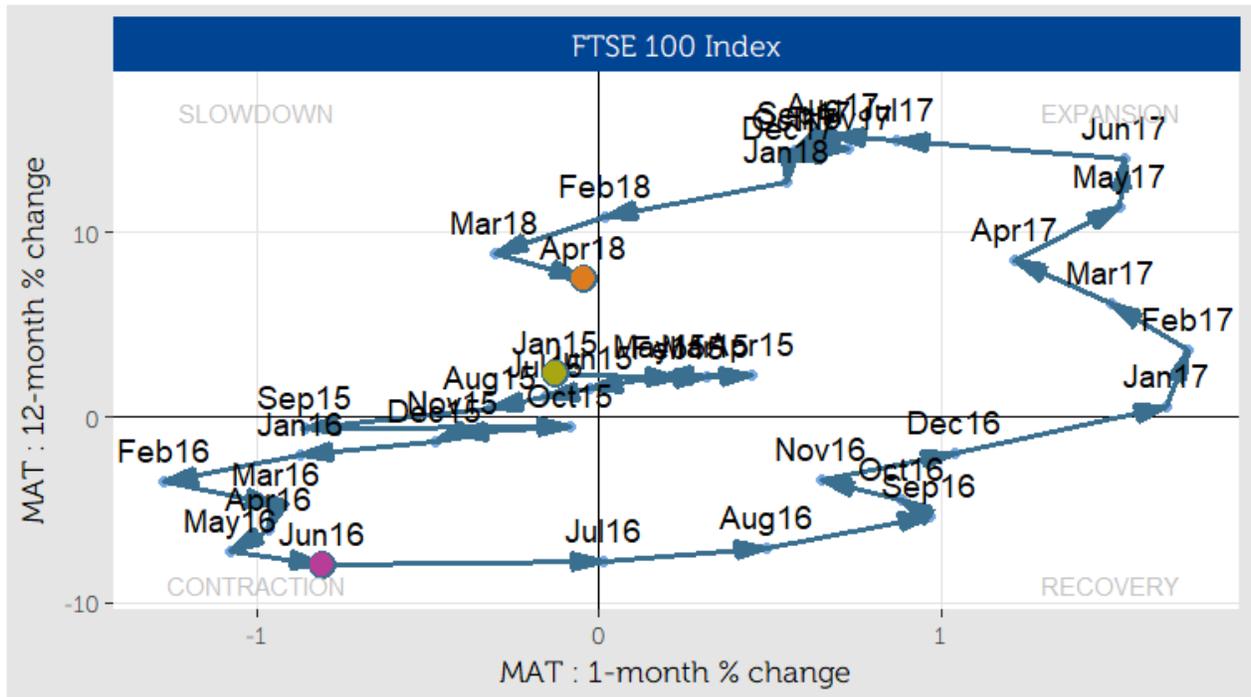
## 12.2 Exchange Rate (USD)



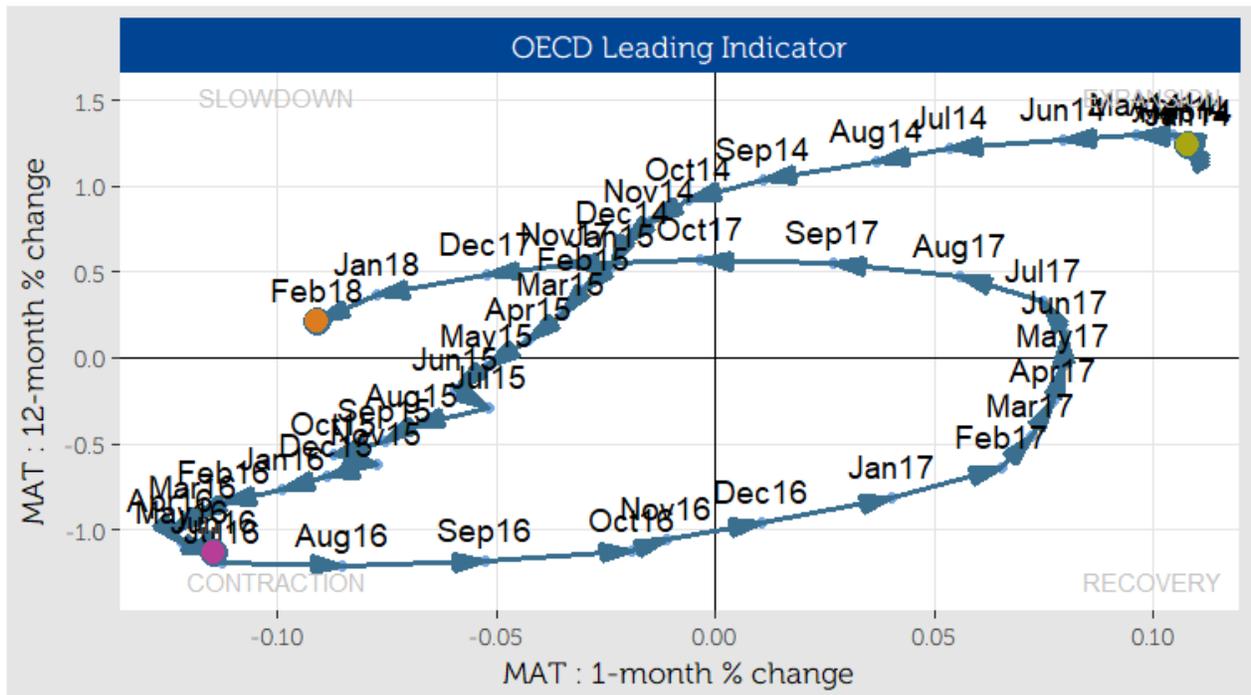
## 12.3 Exchange Rate (Euro)



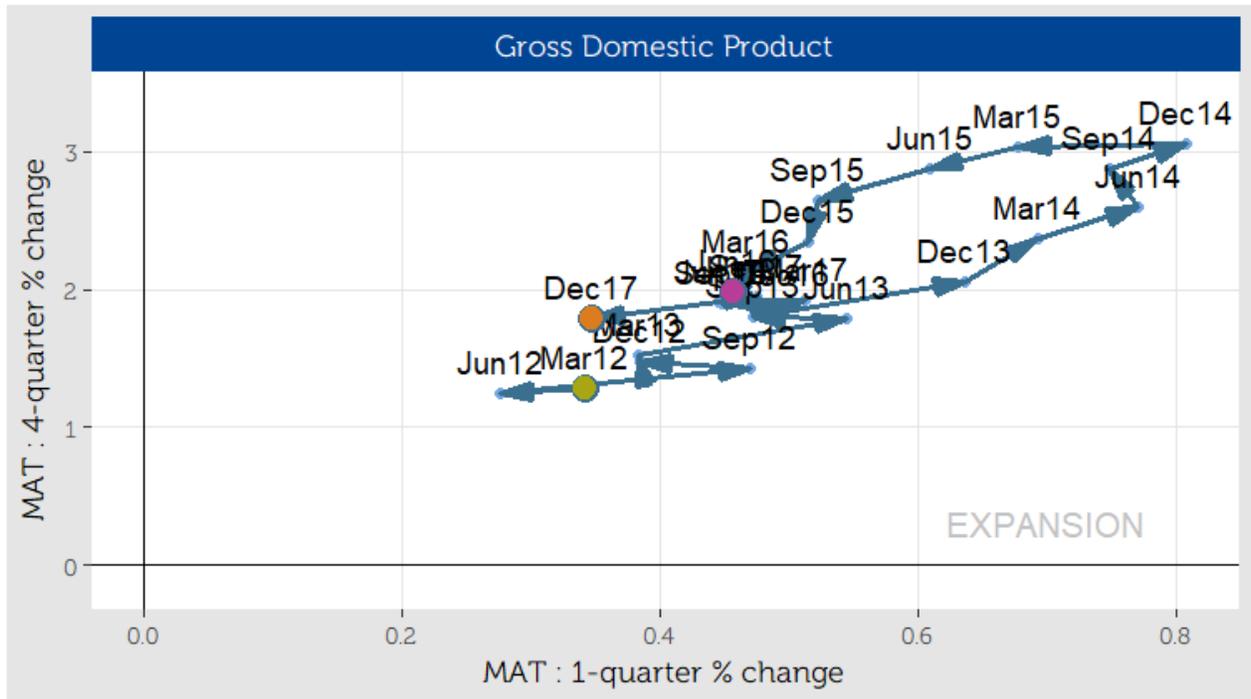
## 12.4 FTSE 100 Index



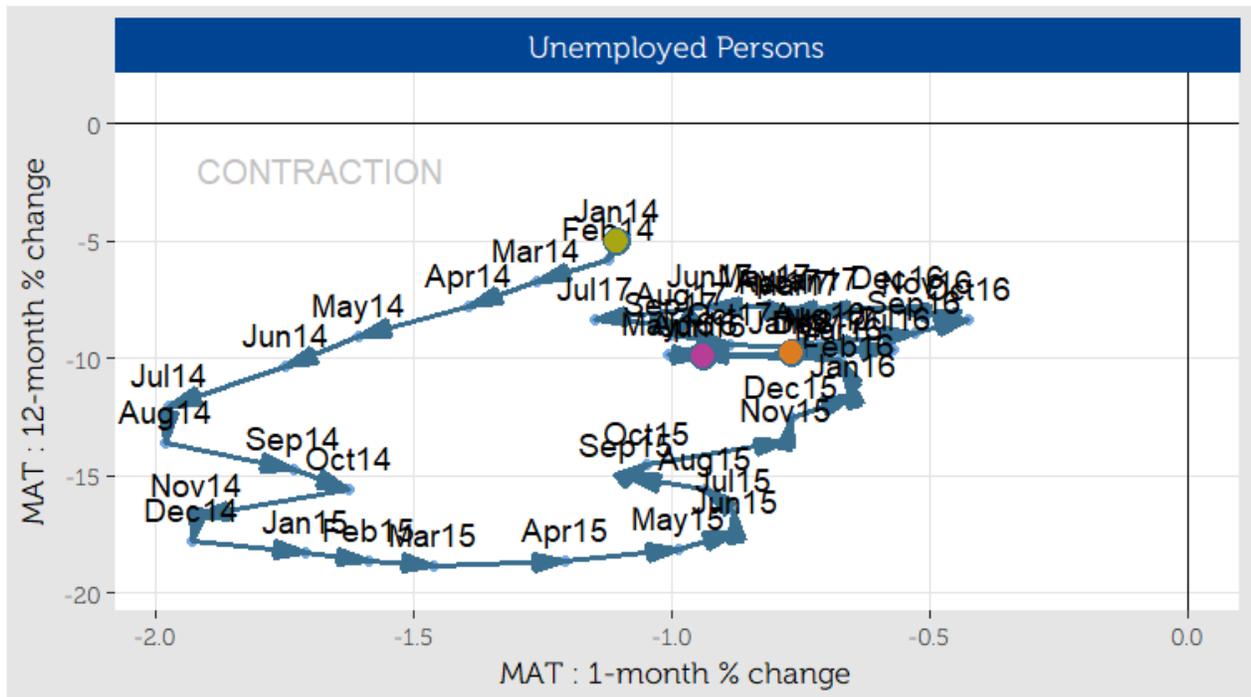
## 12.5 OECD Composite Leading Indicator - UK



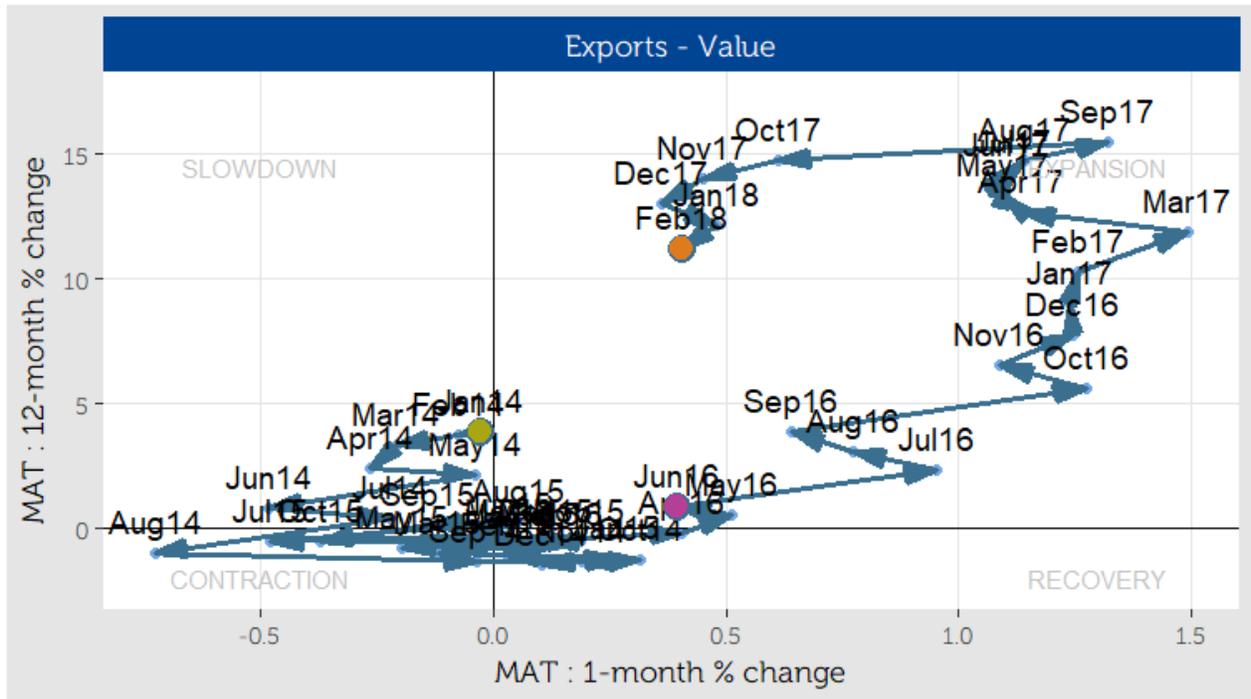
### 12.6 Gross Domestic Product - GDP (ABMI-PN2)



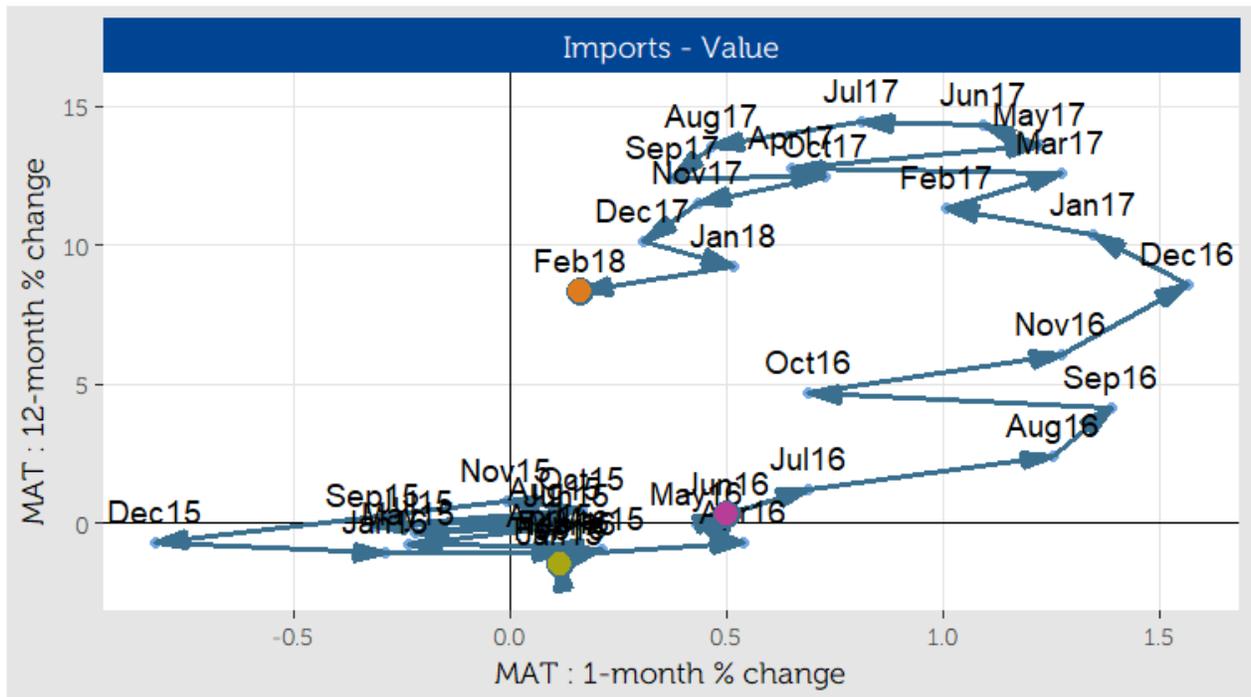
### 12.7 Unemployed Persons (MGSC)



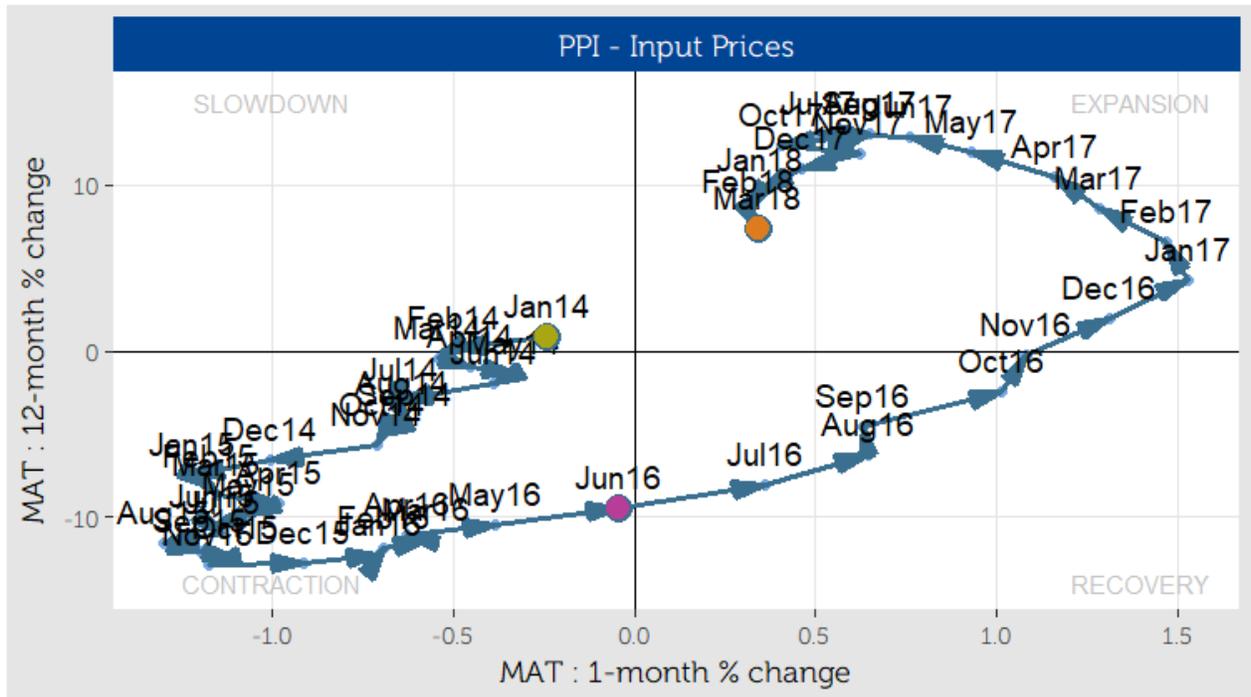
### 12.8 Exports - Value (IKBH)



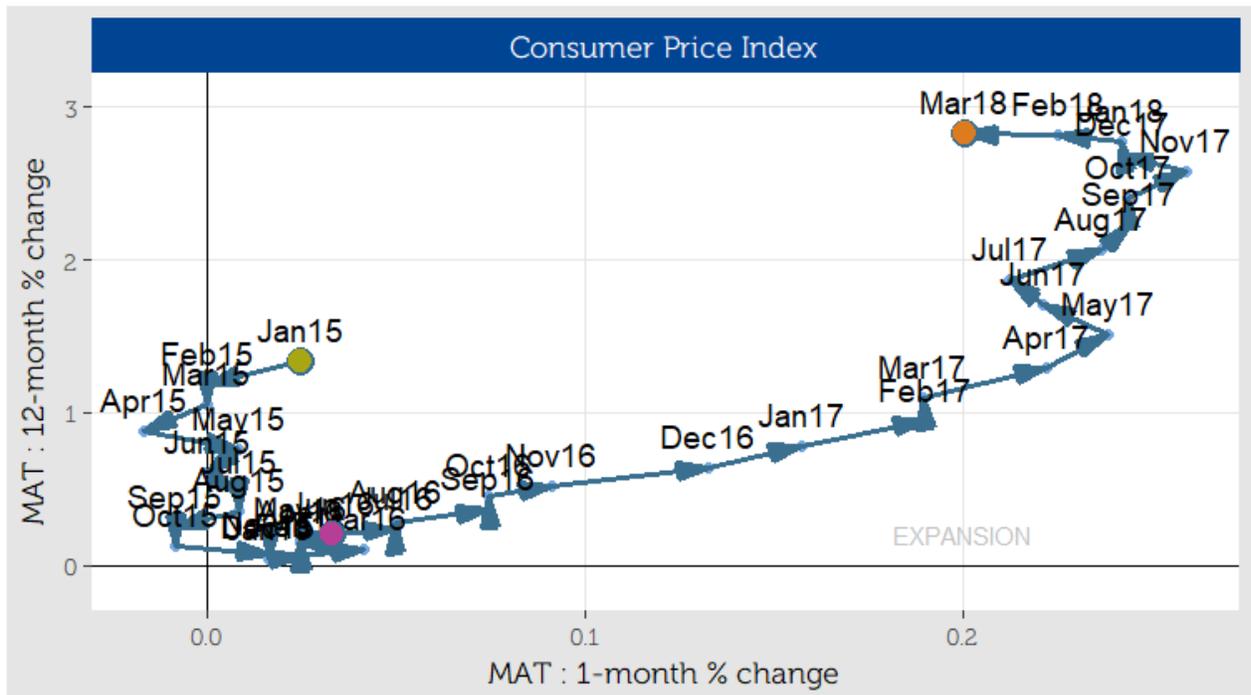
### 12.9 Imports - Value (IKBI)



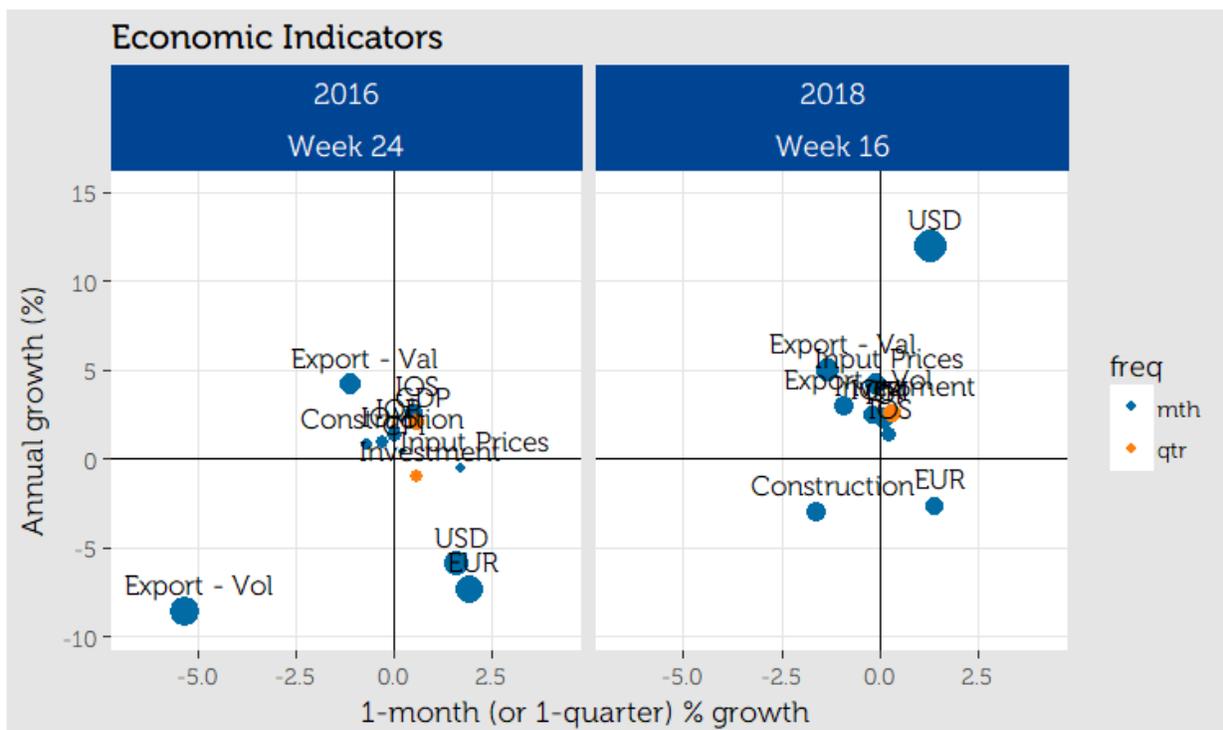
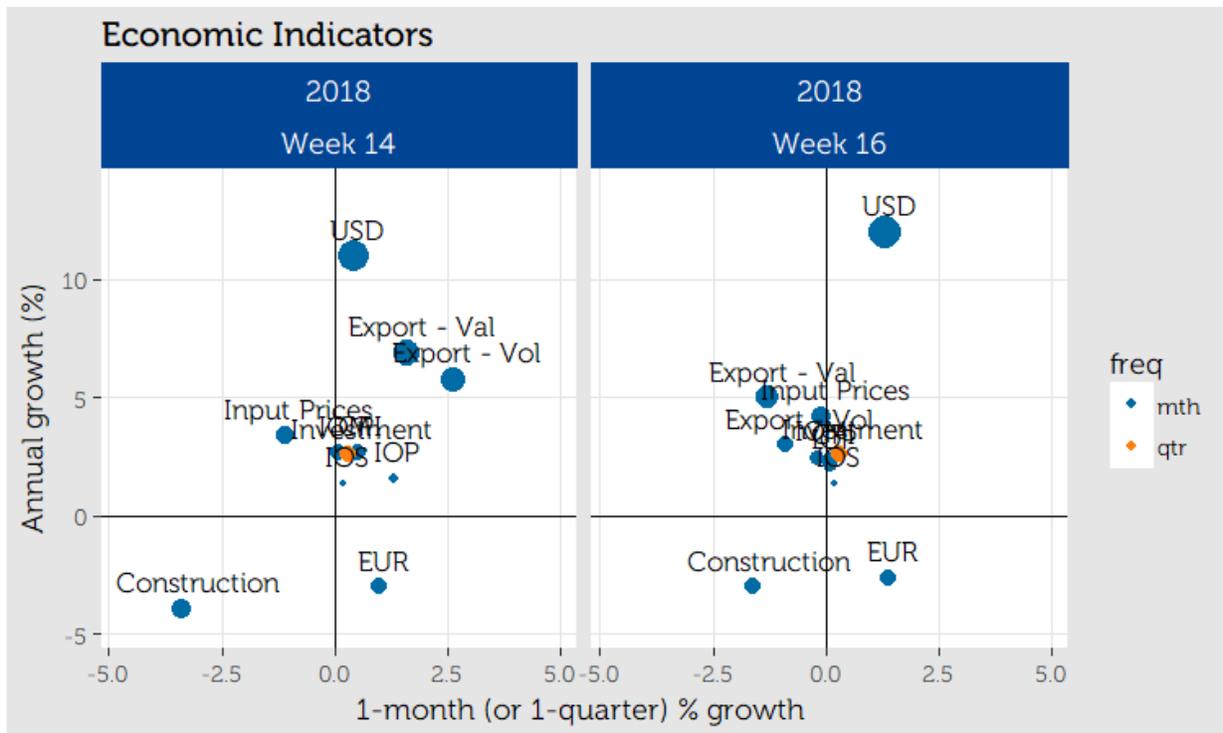
### 12.10 Input Prices (K646)



### 12.11 Consumer Price Index (D7BT)



### 12.12 Current State

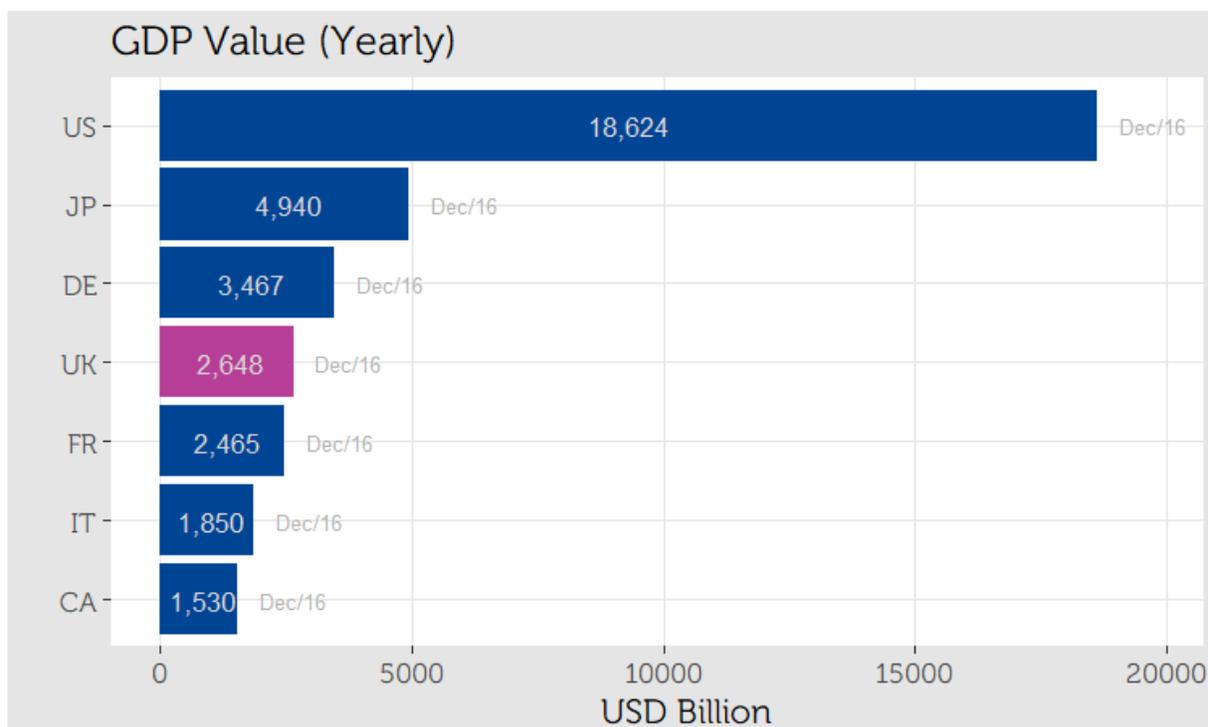
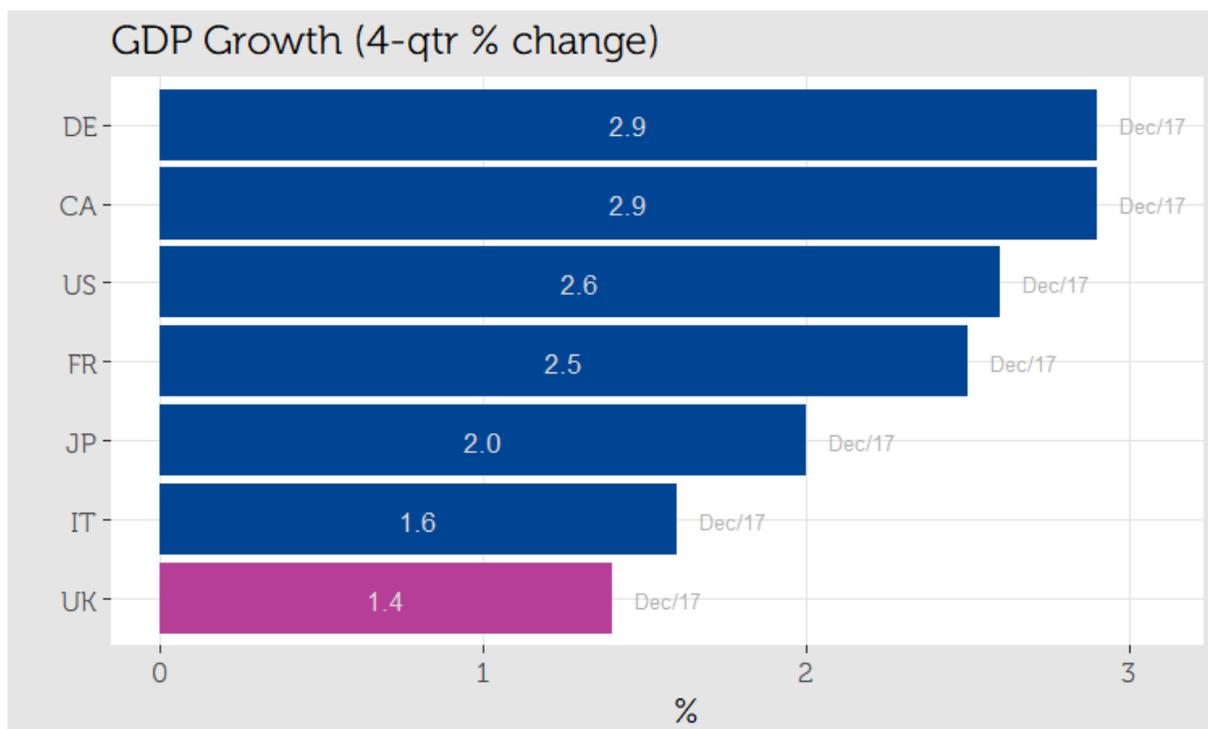


**Top:** Indicators growth - Current week versus previous week.

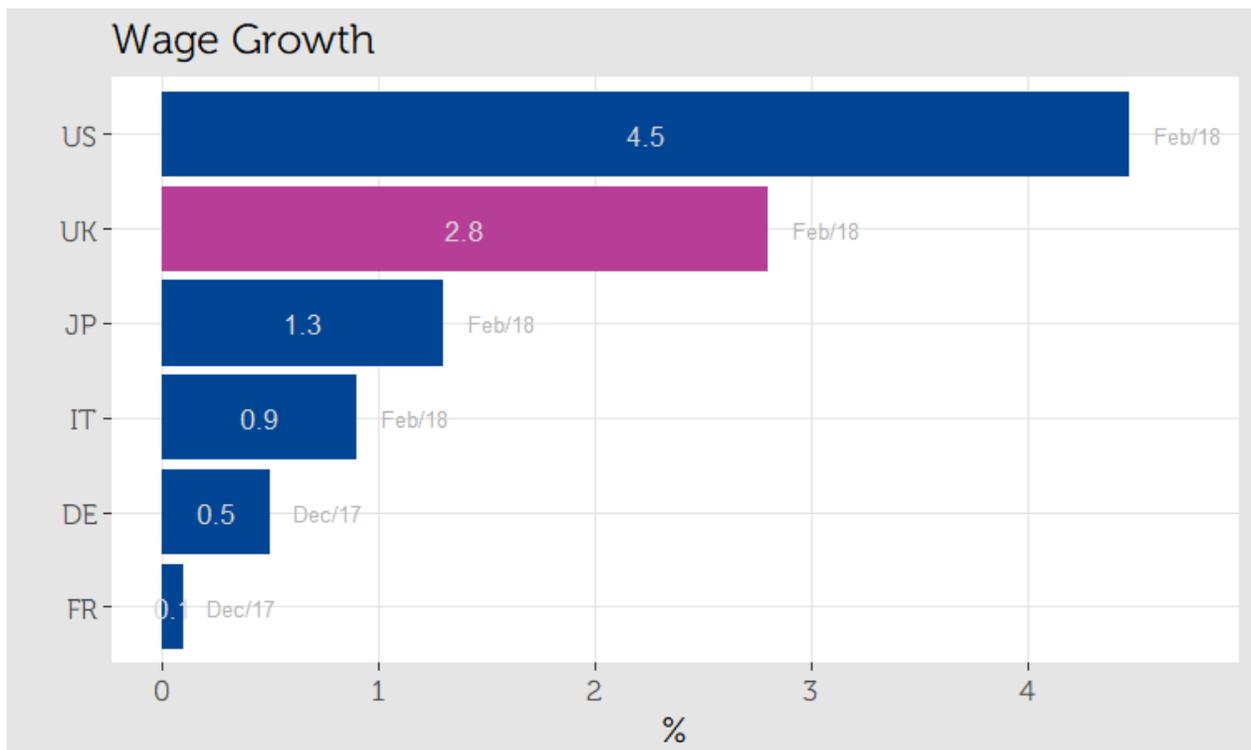
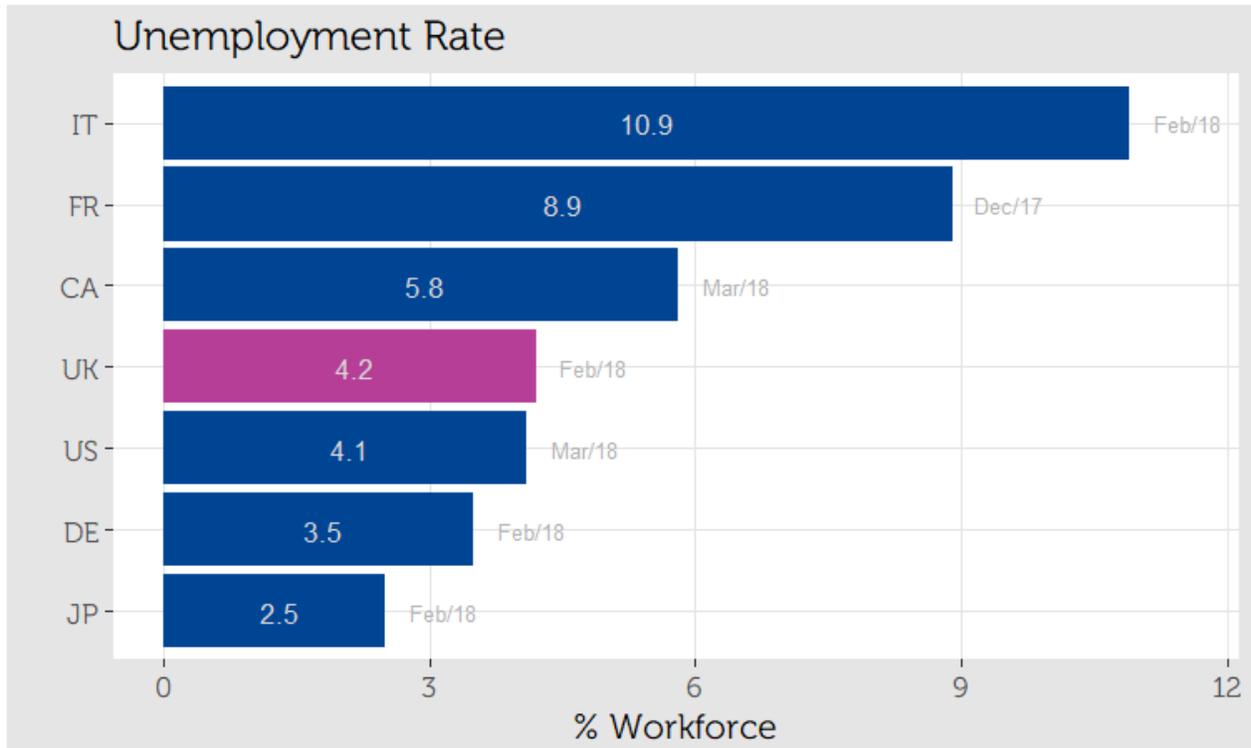
**Bottom:** Indicators Growth - Before Referendum vote versus current week

## 13 G7 Indicators (Latest)

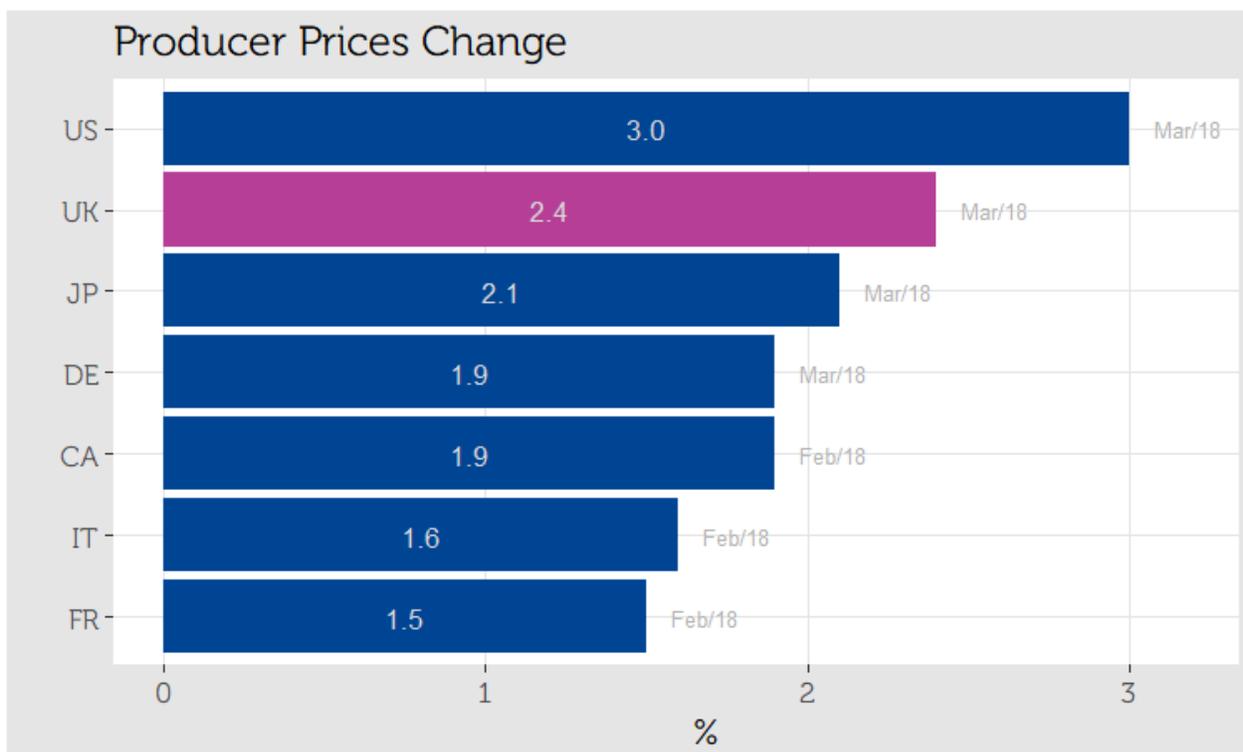
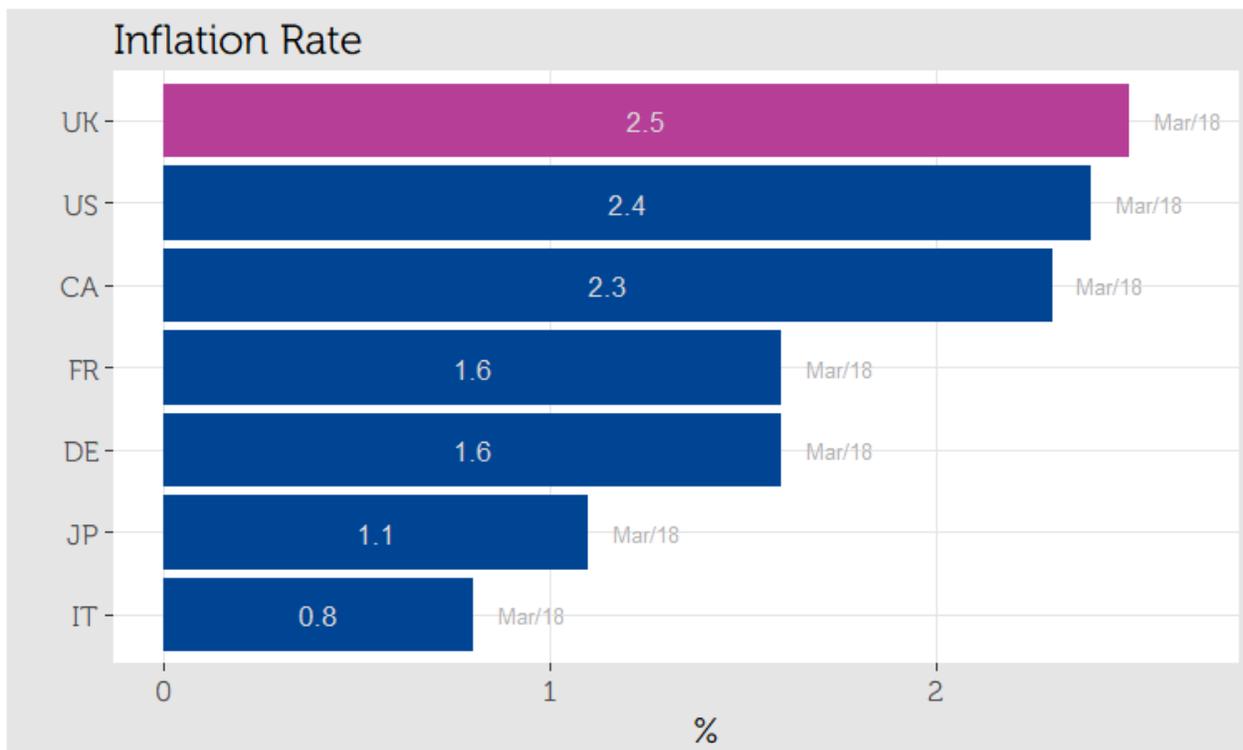
### 13.1 Gross Domestic Product (GDP)



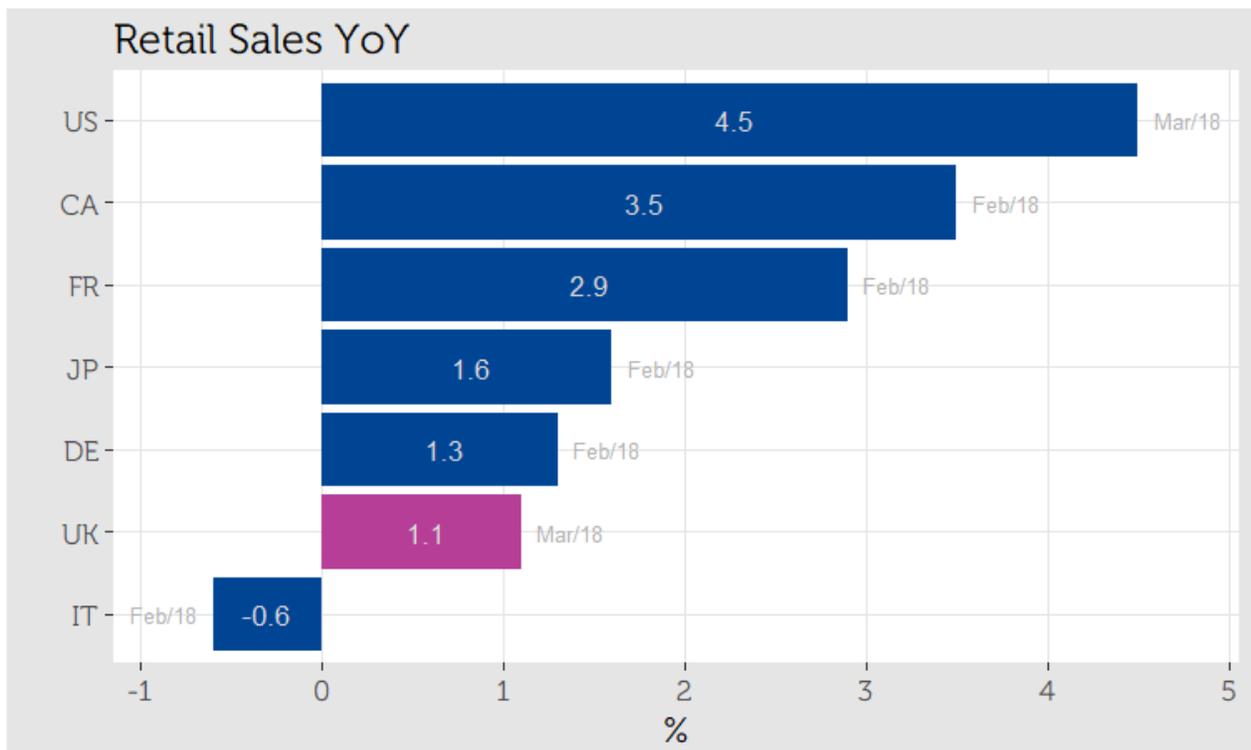
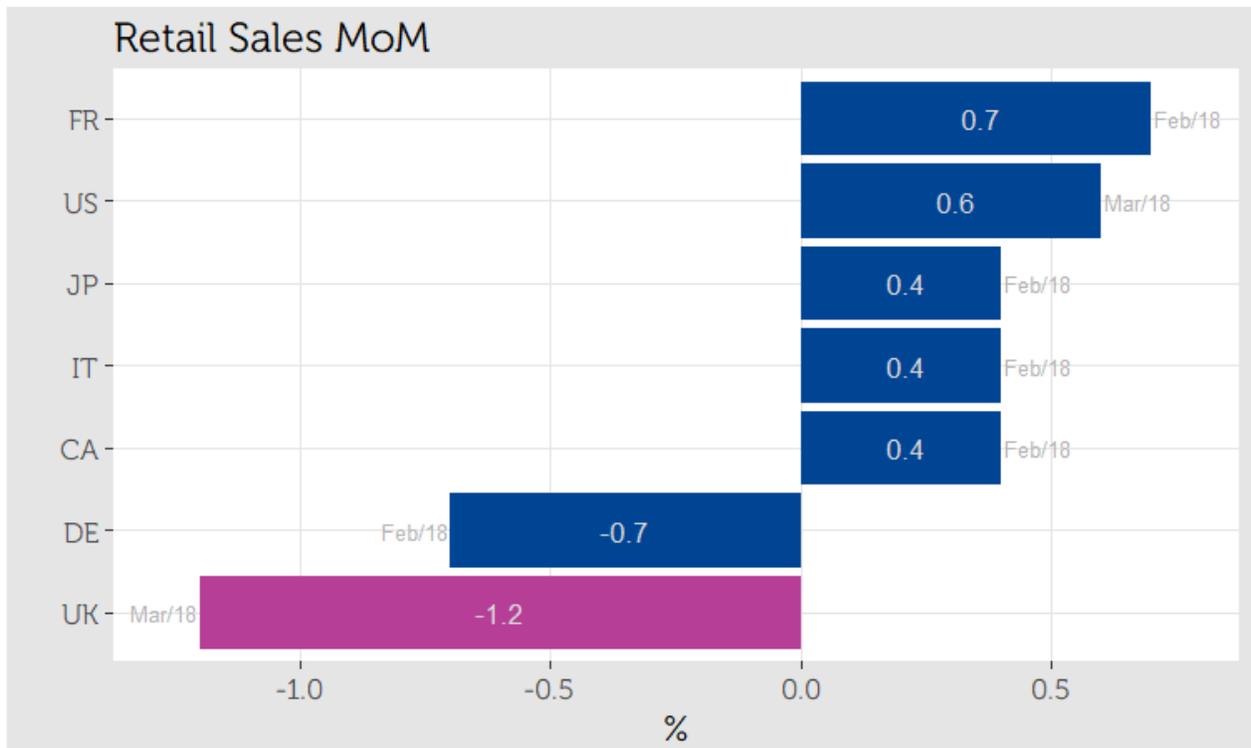
### 13.2 Unemployment & Wage Growth



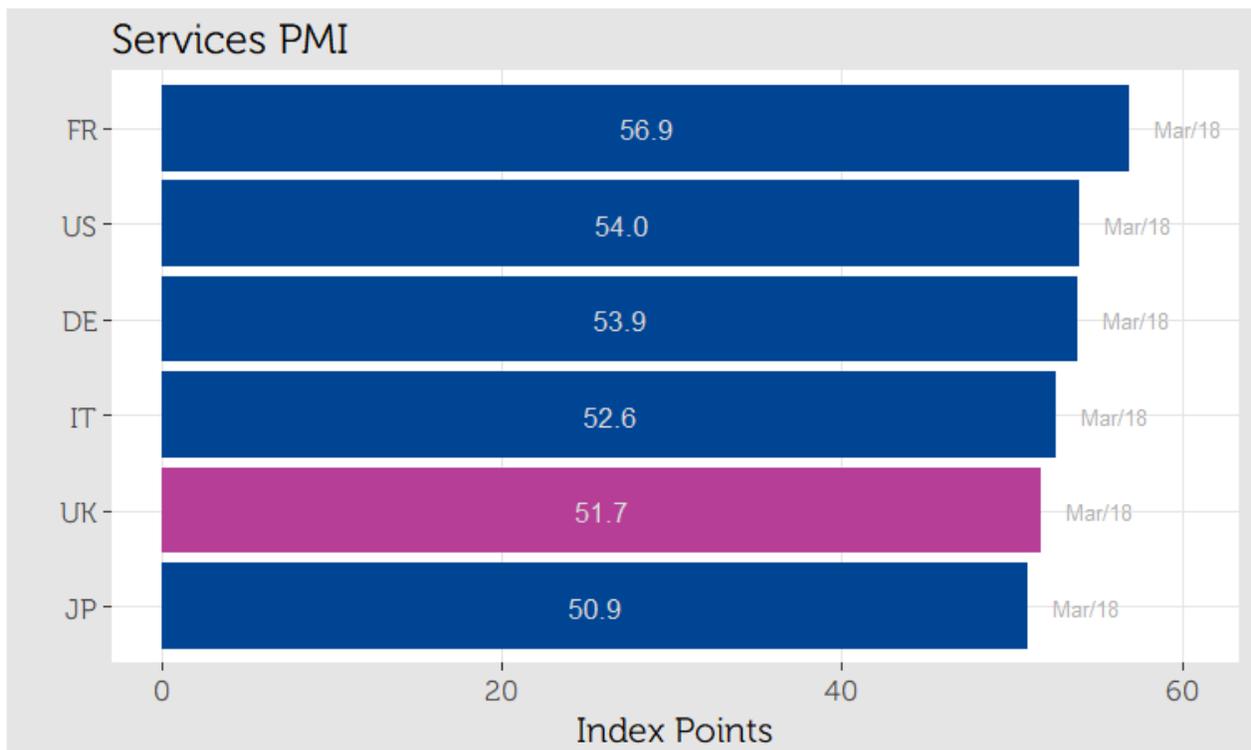
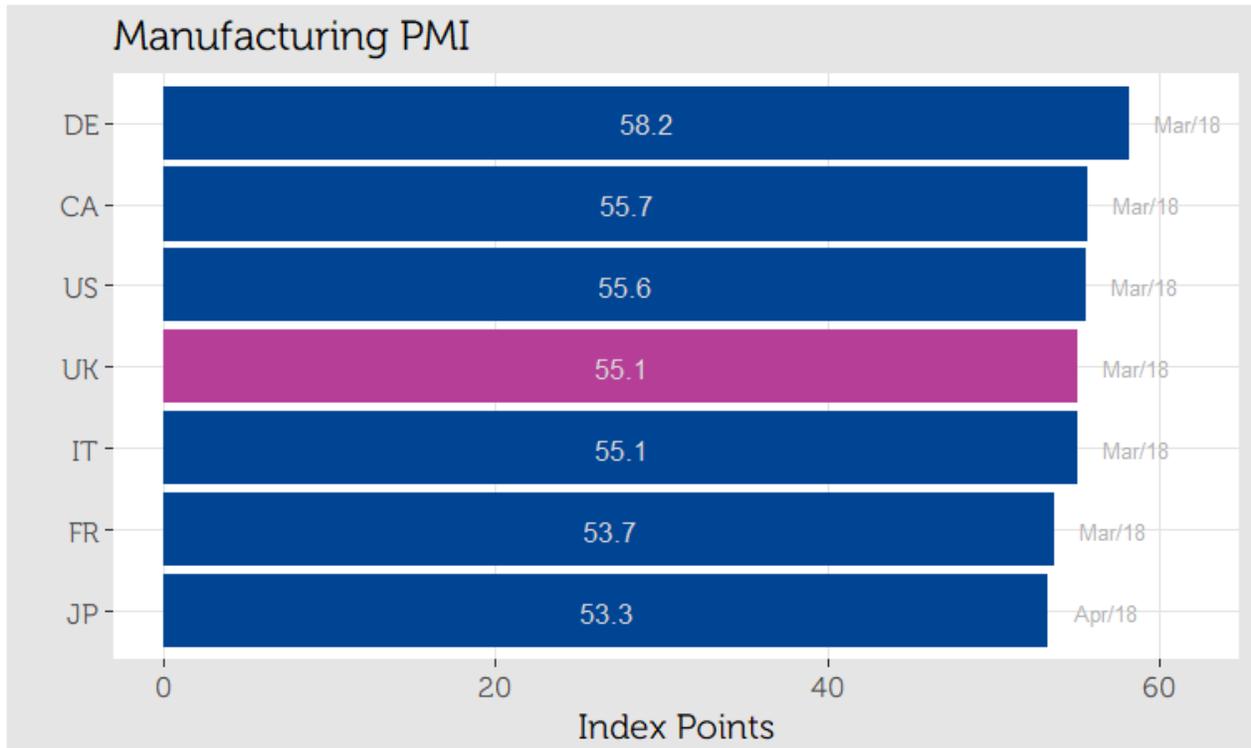
### 13.3 Inflation & Producer Prices



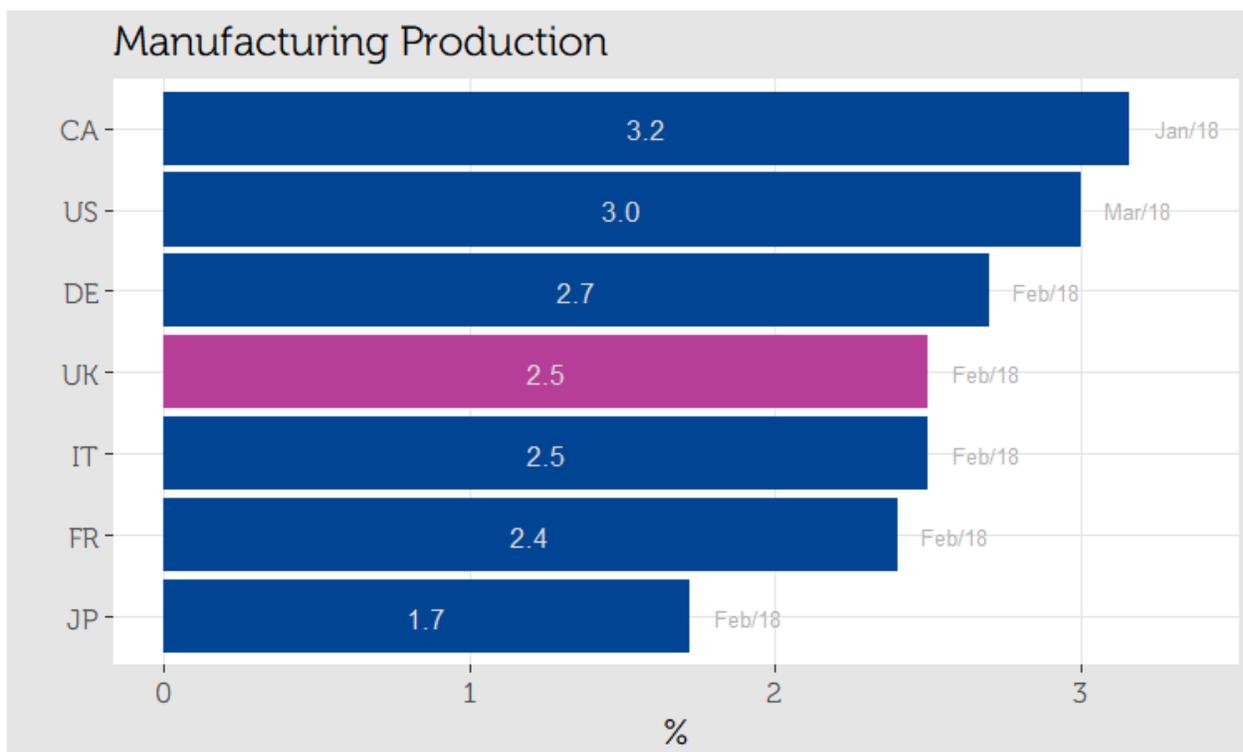
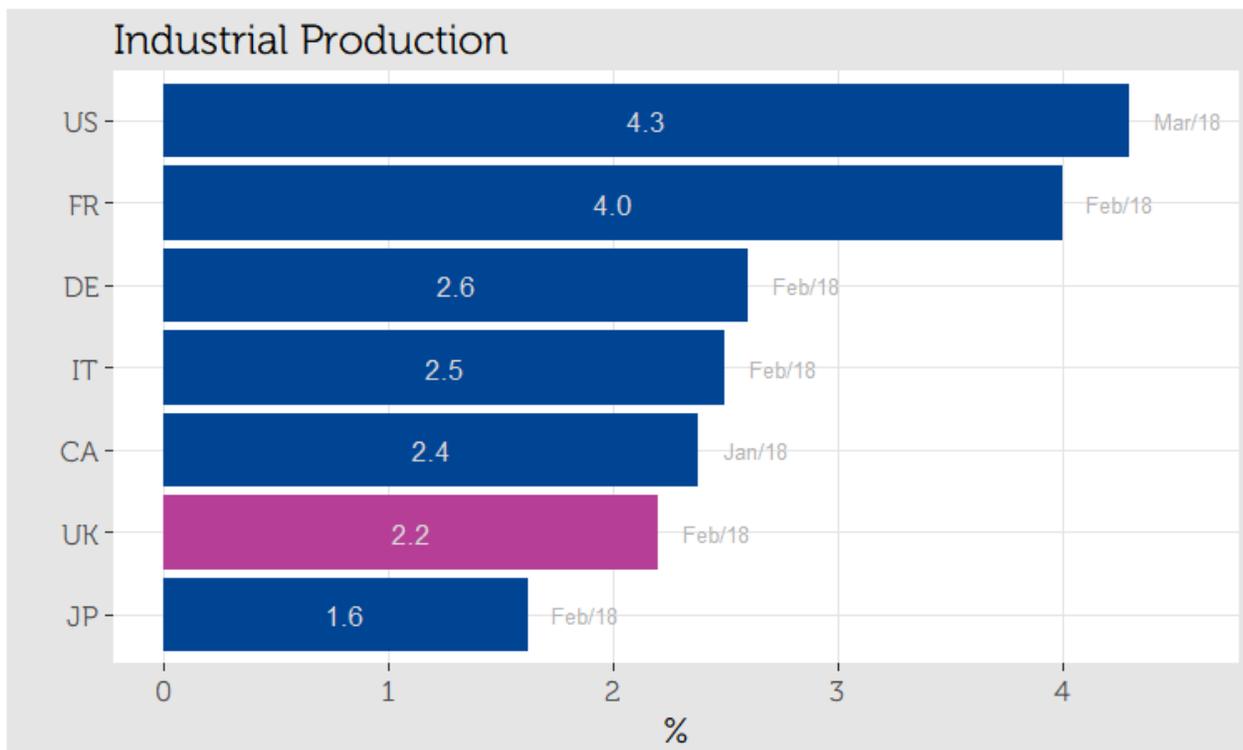
### 13.4 Retail Sales



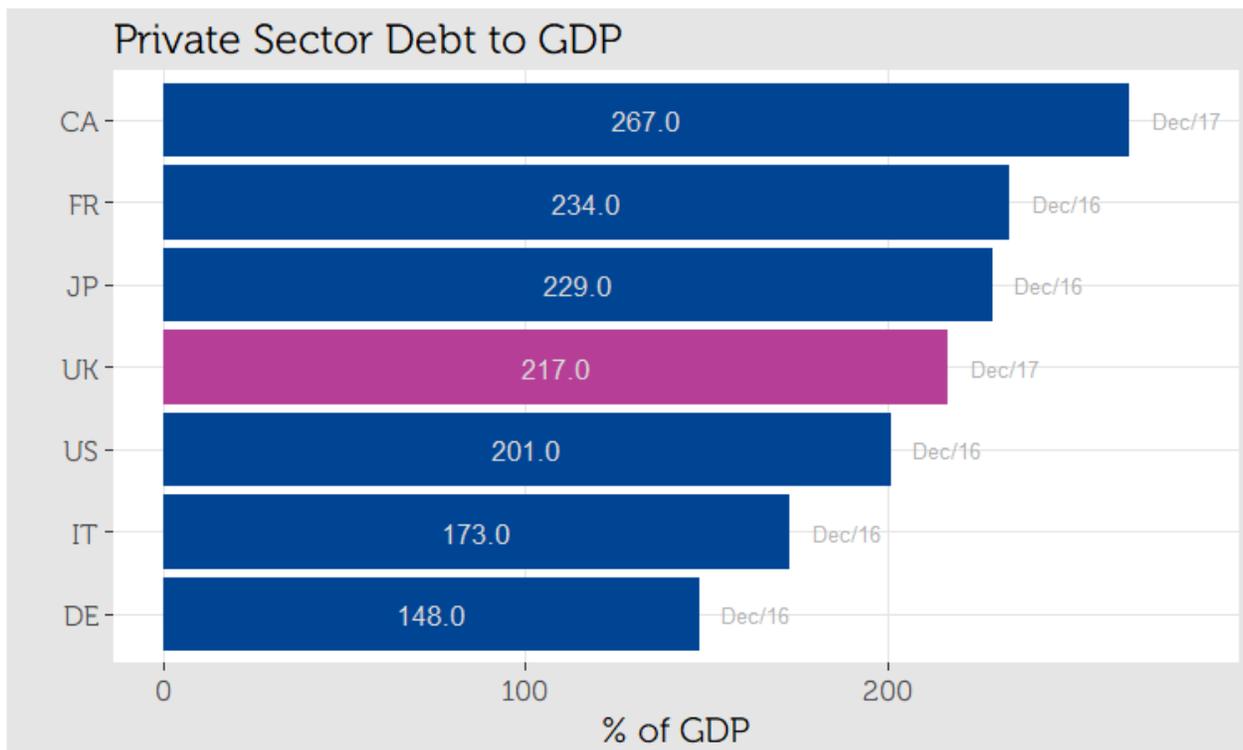
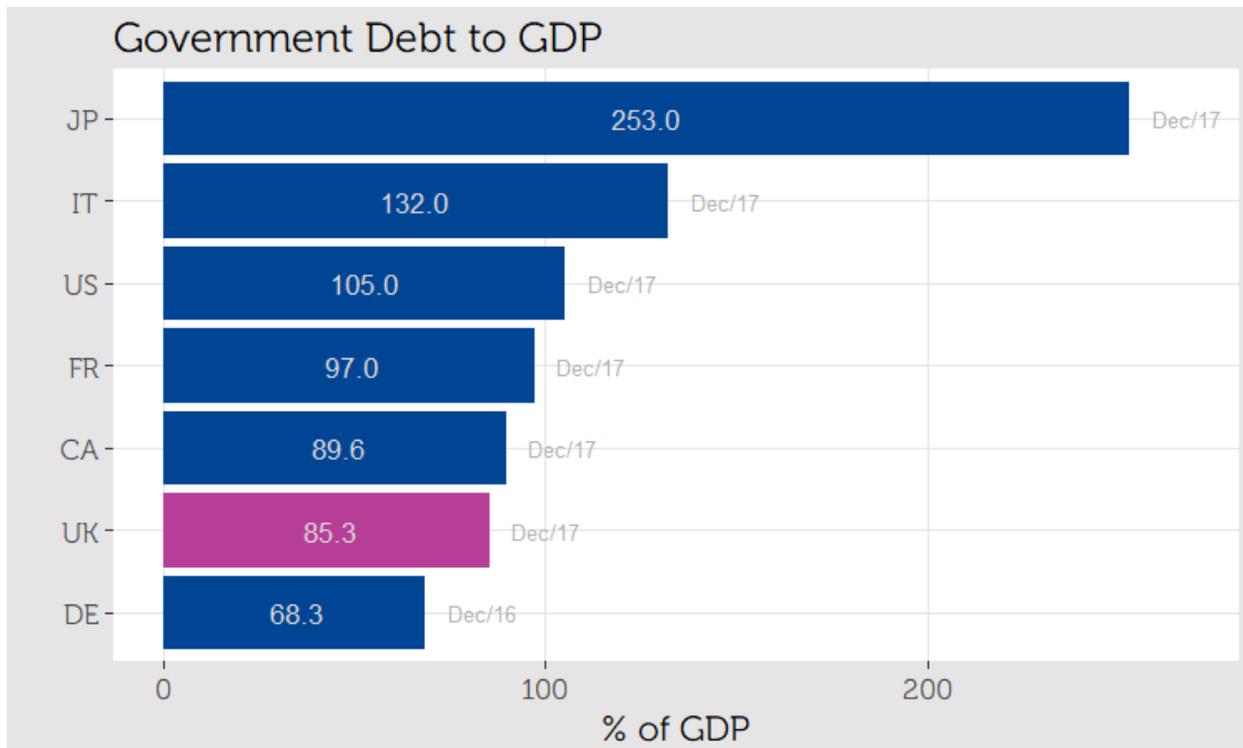
### 13.5 Purchasers Managers Index - Manufacturing & Services



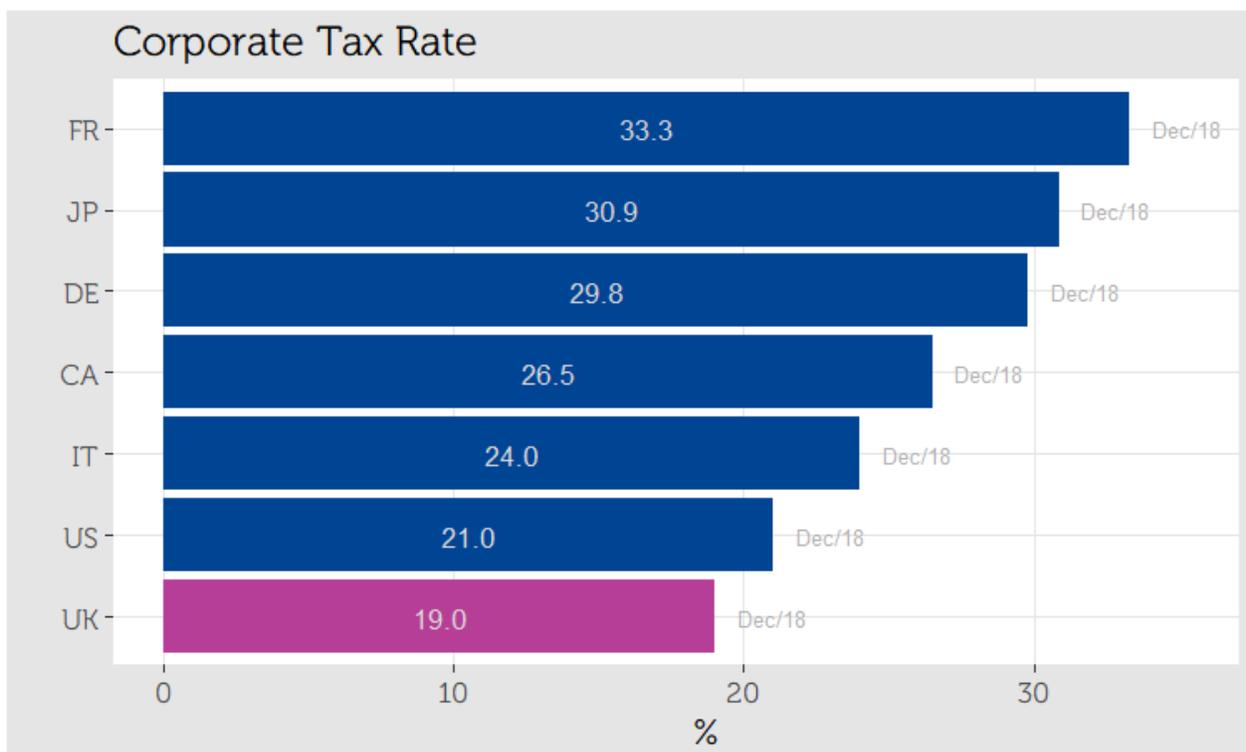
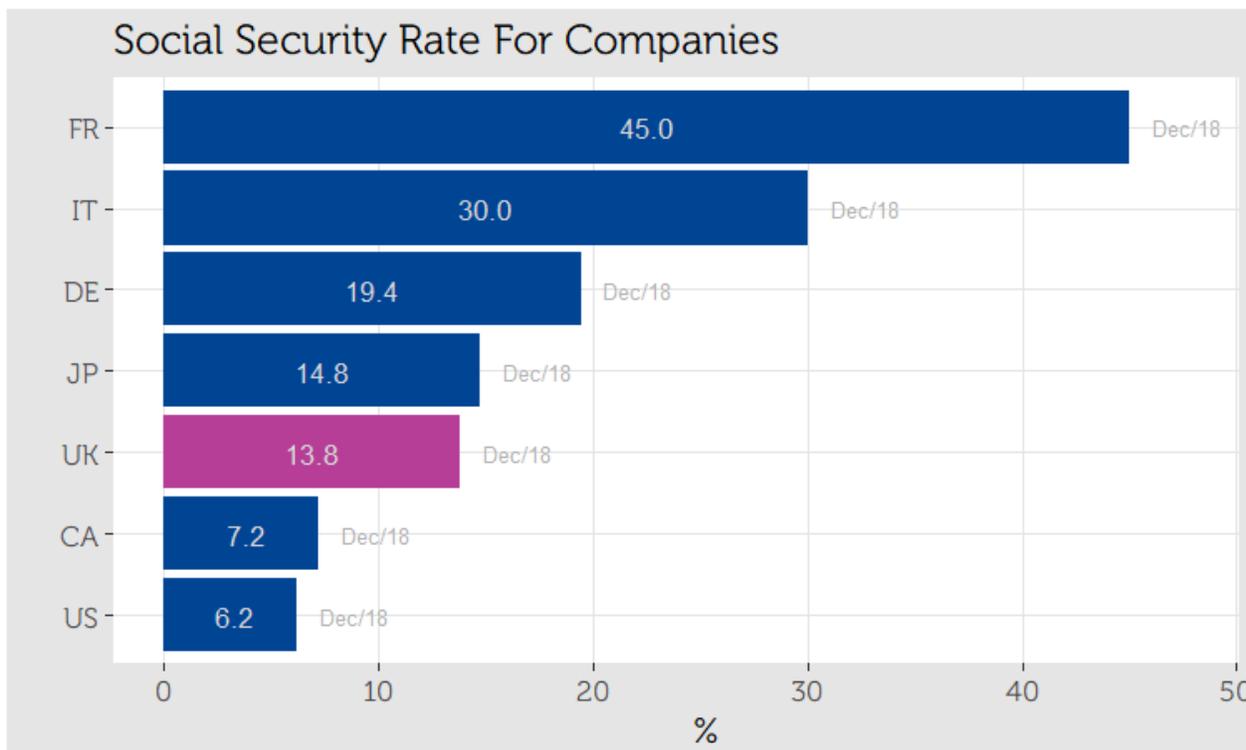
### 13.6 Industrial Production & Manufacturing



### 13.7 Debt



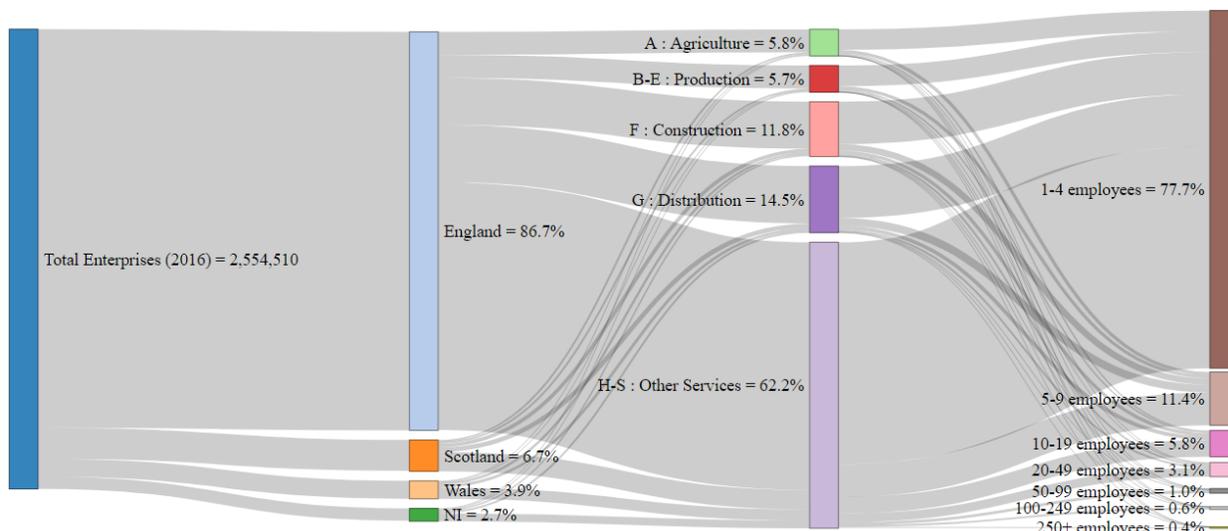
### 13.8 Employer Social Security Rate & Corporate Tax



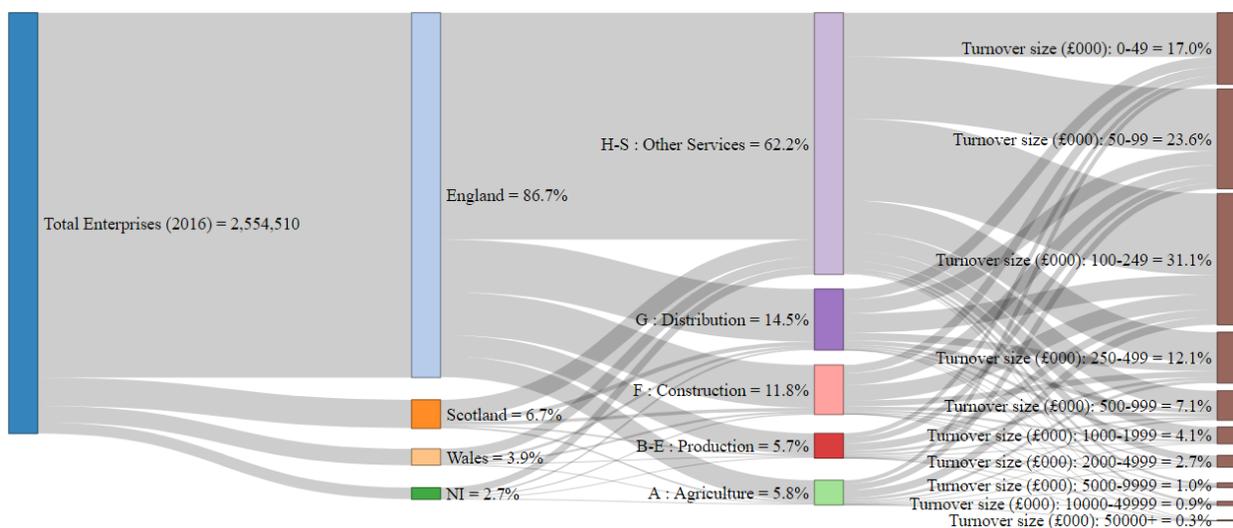
# Appendices

## A UK Businesses: Activity, Size & Location

### A.1 Enterprises by Employment Size Band

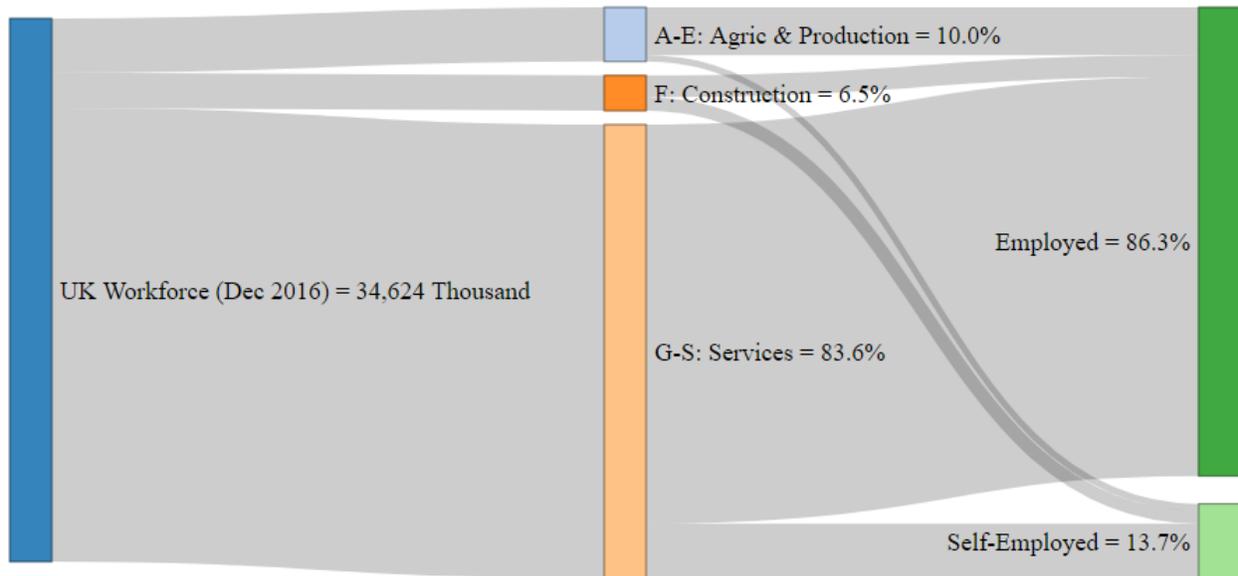


### A.2 Enterprises by Turnover Size Band

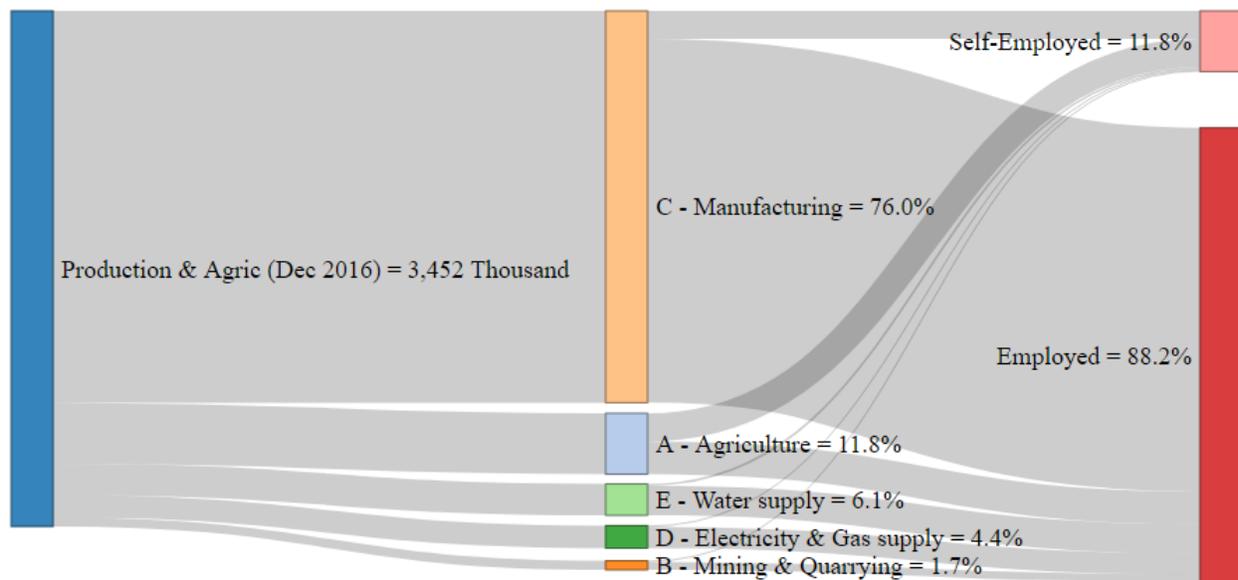


## B UK Employment Structure

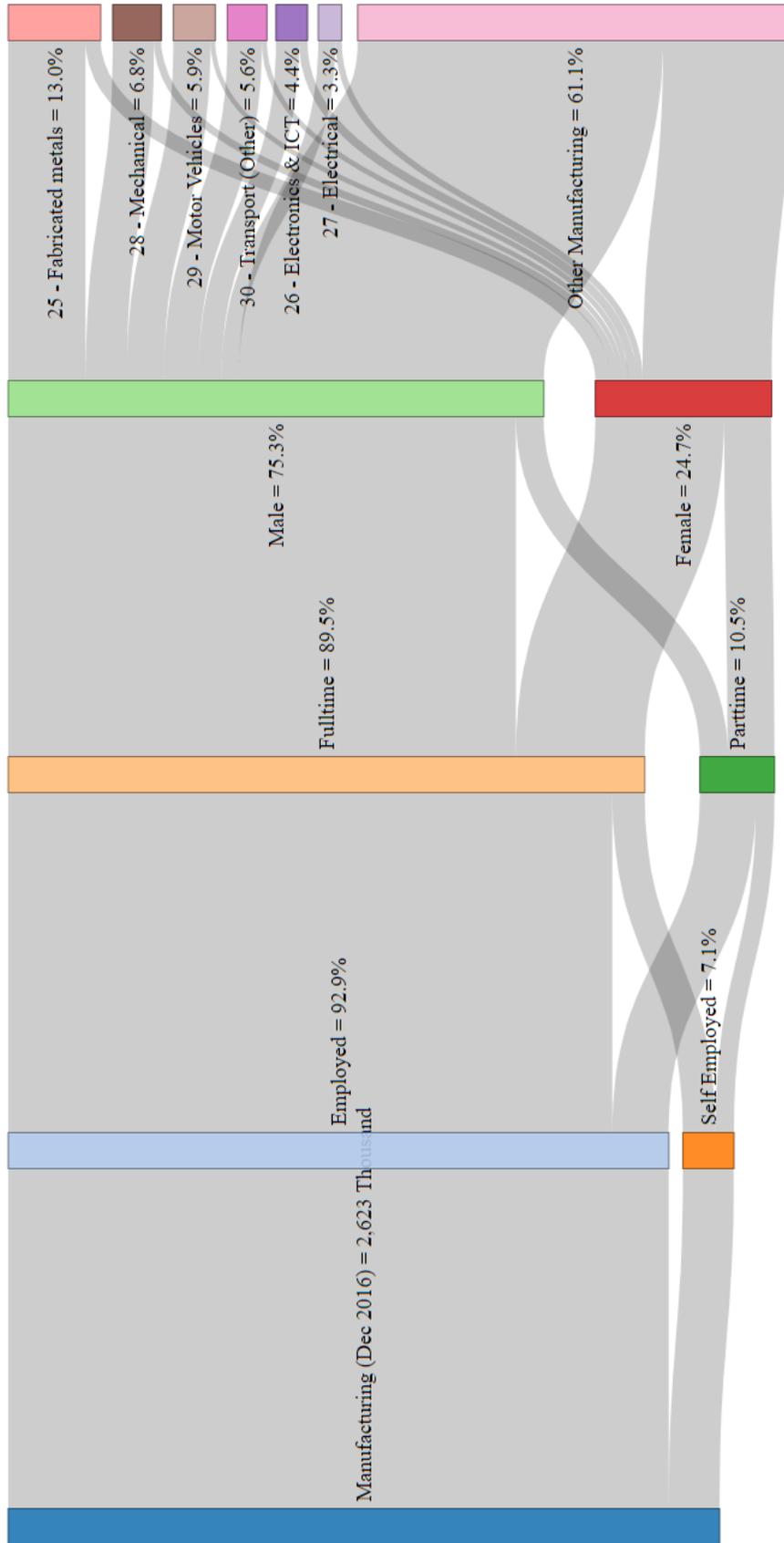
### B.1 UK Workforce



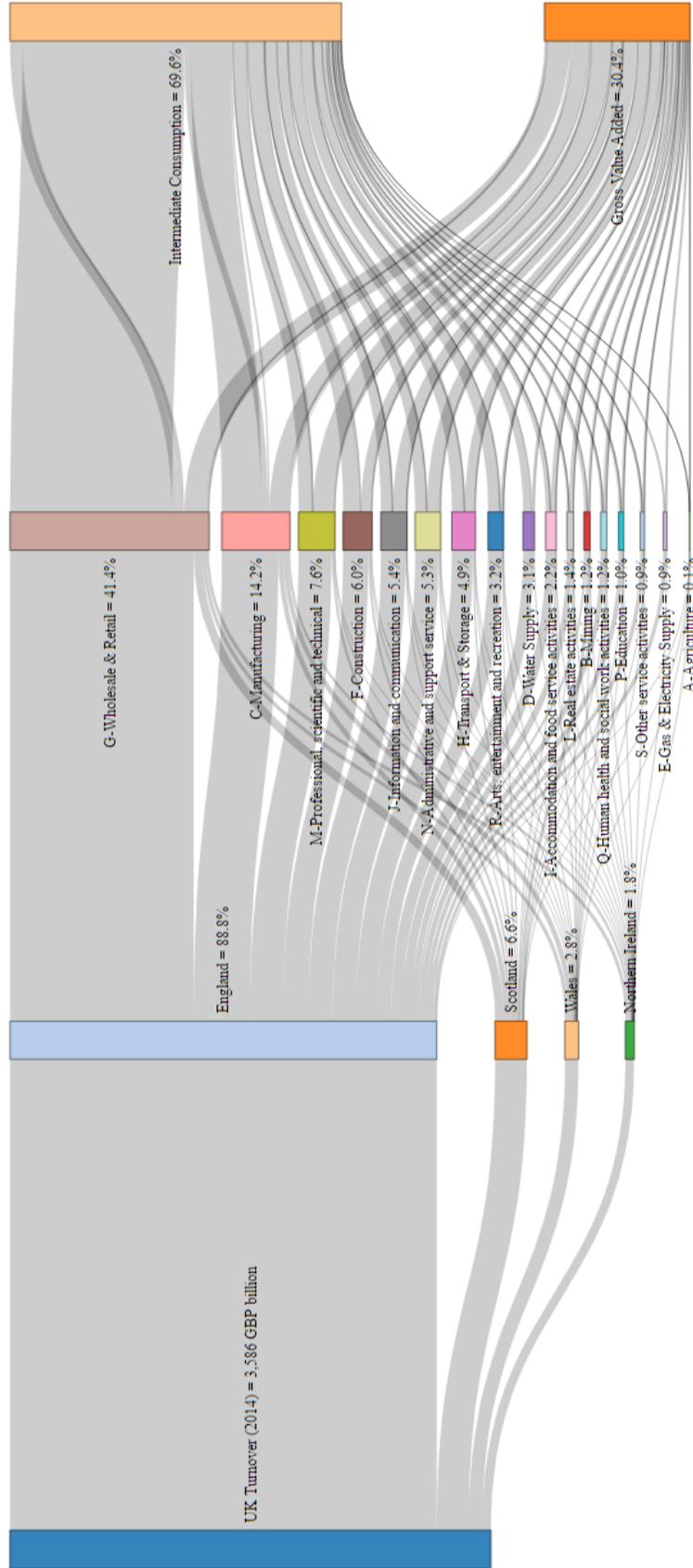
### B.2 UK Production & Agriculture Workforce



### B.3 UK Manufacturing Workforce



# C UK Industrial Output by Region



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

## D 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/](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>.

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