



European Union Relationship & Industrial Strategy

Biweekly **BREXIT WATCH**

Issue 10

May 2018

Brexit Watch - 2018 Issue 10

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 20 in 2018 are as follows:

- ★ **Sterling** remained 4-month low against the **US Dollar** in past 2 weeks but the month-to-date average in May 2018 was 4.8% higher than a year earlier.
- **GDP** growth in 2018 Q1 grounded to a halt as the first estimate was only 0.1% higher than previous quarter. It is the lowest 1-quarter growth since 2012 Q1.
- ★ **Unemployment** rate remained at 4.2%, a 47-year low, in the three months to March 2018 as the number employed increased by 396 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 by 2.4% in the twelve months to March 2018, the lowest since March 2017.
- ★ **Index of production** remained unchanged in March 2018 but grew by 2.9% compared to twelve months earlier. Energy supply was the main driver for the 12-month growth.
- ★ **Construction** sector, hits its lowest 12-month growth since January 2013 as output in March 2018 declined by 2.3% to £12.5 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 March 2018 grew by 3.5% to £52.9 billion compared to twelve months earlier and **imports** also grew by 1.7% to £56.0 billion in the same period.
- ★ The moving annual **Turnover** for the FEEM group reached £108.6 billion in March 2018, representing a growth of 6.9% compared to March 2017. The group **exported** £42.7 billion in the twelve months to March 2018, a growth of 9.8% and the **workforce** now stands at 744 thousand.

May 2018
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Contents

Glossary	5
1 Exchange Rates & Stock Market	6
2 GDP & Unemployment	7
3 Producer Prices	8
4 Consumer Prices	9
5 Production & Services	10
6 Construction	11
7 Retail Sales	12
8 Business Investment	13
9 UK Trade	14
9.1 Exports	14
9.2 Imports	15
9.3 Goods Trade: Ranking by Region	16
9.4 Goods Trade: Ranking by Country - Top 16	17
9.5 Goods Trade: Growth Ranking by Country - Top 16	18
9.6 Goods Trade: EU & Commonwealth by SITC	19
10 Economy At a Glance	21
10.1 Growth: 12-month % growth	21
10.2 Growth: 4-quarter % growth	22
10.3 Growth Ranking: Since February 2017	23
10.4 Growth Ranking: Since Referendum Vote	24
11 Industry Level Indicators	25
11.1 Turnover	25
11.2 Exports	26
11.3 Index of Production	27
11.4 Employment (including Self-Employment)	28
11.5 Turnover per Head	29
12 Growth Cycles	30
12.1 About Growth Cycles	30
12.2 Exchange Rate (USD)	31
12.3 Exchange Rate (Euro)	31
12.4 FTSE 100 Index	32
12.5 OECD Composite Leading Indicator - UK	32
12.6 Gross Domestic Product - GDP (ABMI-PGDP)	33

12.7	Unemployed Persons (MGSC)	33
12.8	Exports - Value (IKBH)	34
12.9	Imports - Value (IKBI)	34
12.10	Input Prices (K646)	35
12.11	Consumer Price Index (D7BT)	35
12.12	Current State	36
13	G7 Indicators (Latest)	37
13.1	Gross Domestic Product (GDP)	37
13.2	Unemployment & Wage Growth	38
13.3	Inflation & Producer Prices	39
13.4	Retail Sales	40
13.5	Purchasers Managers Index - Manufacturing & Services	41
13.6	Industrial Production & Manufacturing	42
13.7	Debt	43
13.8	Employer Social Security Rate & Corporate Tax	44
	Appendices	45
	Appendix A UK Businesses: Activity, Size & Location	45
A.1	Enterprises by Employment Size Band	45
A.2	Enterprises by Turnover Size Band	45
	Appendix B UK Employment Structure	46
B.1	UK Workforce	46
B.2	UK Production & Agriculture Workforce	46
B.3	UK Manufacturing Workforce	47
	Appendix C UK Industrial Output by Region	48
	Appendix D Data sources	49
	Appendix E Information about EURIS	49

Glossary

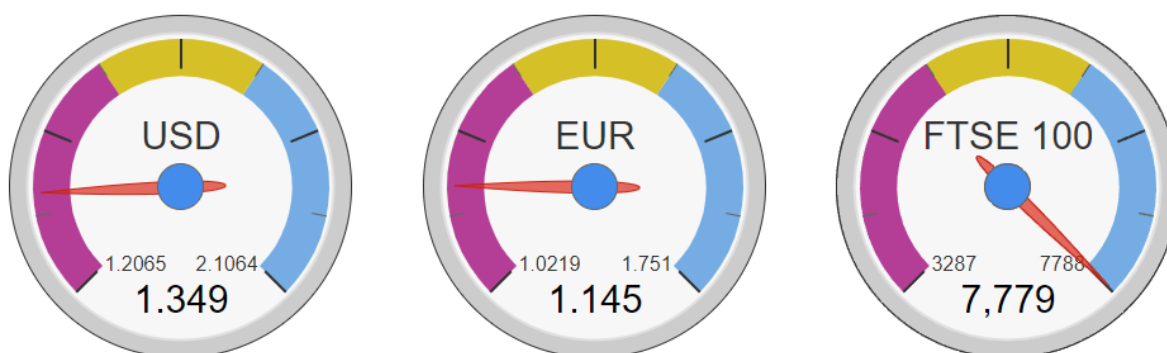
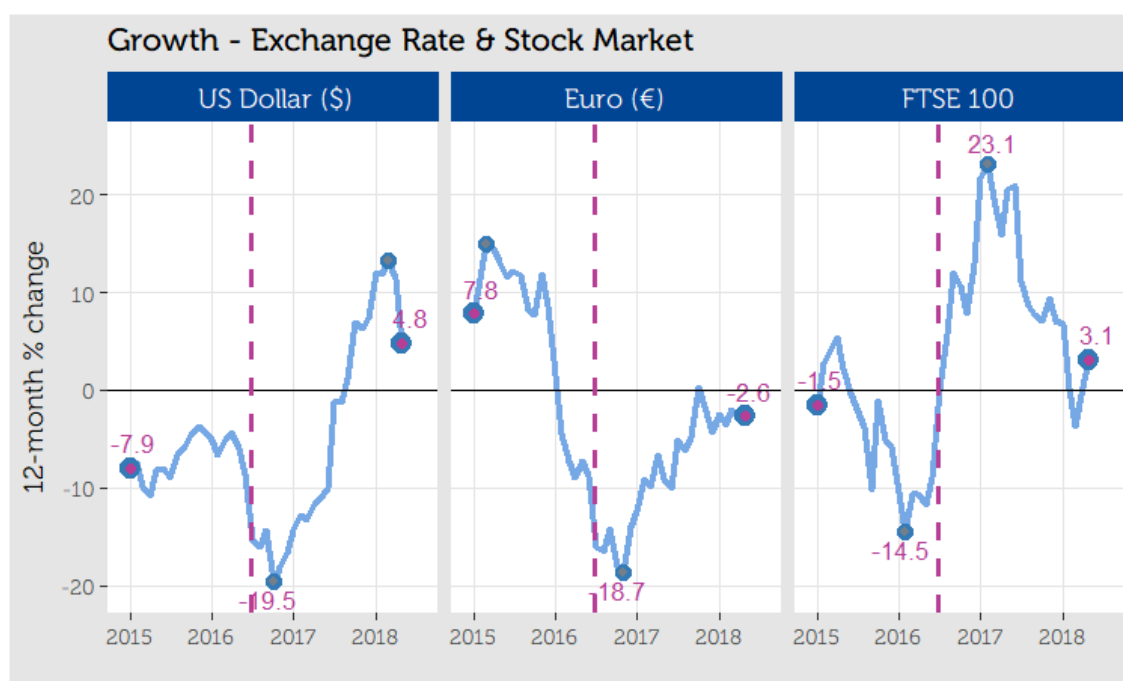
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOP	Index of Production
CESA	Catering Equipment Suppliers Association	IOS	Index of Services
CNY	Chinese Yuan	MAA	Moving Annual Average
CPI	Consumer Price Index	MAT	Moving Annual Total
CPIH	Consumer Prices Index including owner occupiers' 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	ROW	Rest of the World
IOM	Index of Manufacturing	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 remained at 4-month low against the **US Dollar** in the past two weeks to finish at 1.3515/GBP at the end of week 20. The month-to-date rate was 3.8% below April 2018, 4.8% above May 2017 and 6.9% below May 2016 (pre-brexit vote).

Sterling however gained some ground against the **Euro**, finishing at 1.1448/GBP at the end of week 20. The month-to-date rate was 0.7% below April 2018, 2.6% below May 2017 and also 11.5% below May 2016 rate.

FTSE 100 gained 223 points in the past 2 weeks to reach all time high in week 20 but fell slightly to 7779 at the end of the week. The month-to-date average was 5.0% above April 2018, 3.1% above May 2017 and 24.2% higher than May 2016.

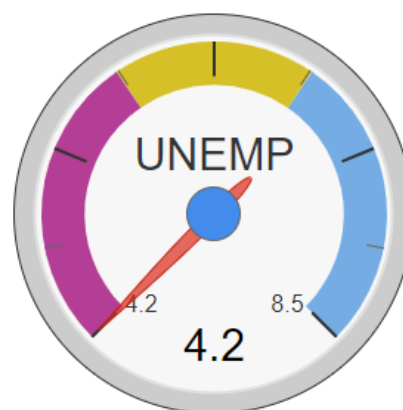
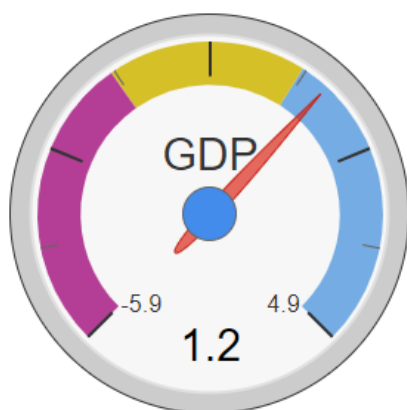
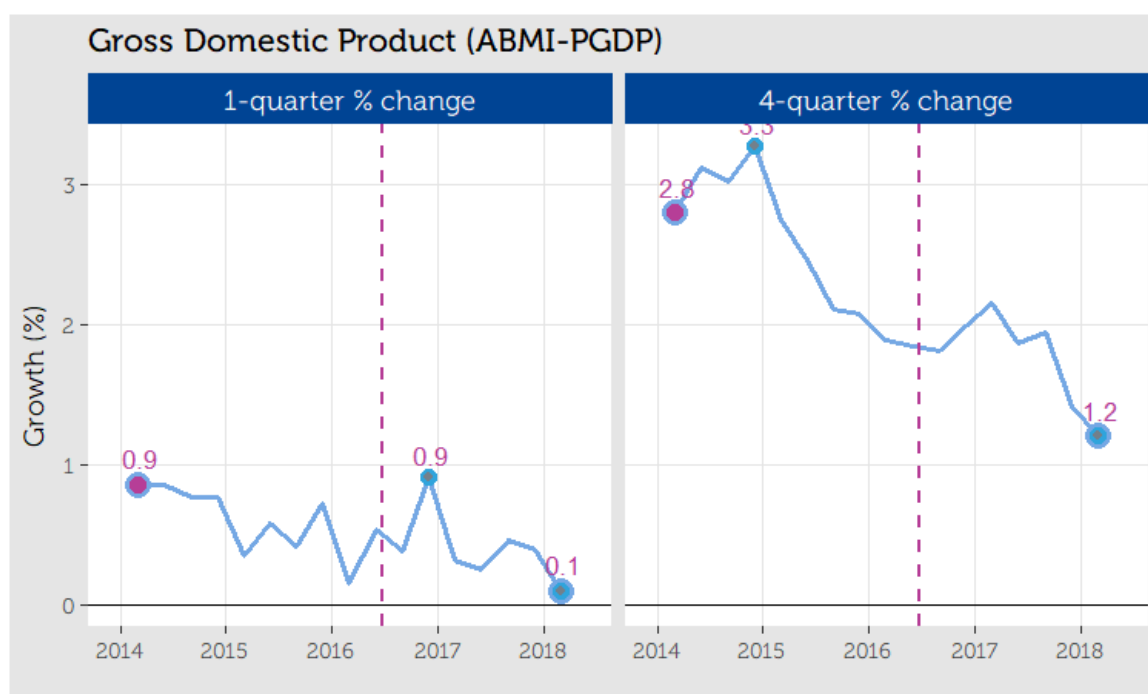


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The first estimate of **GDP** growth, for 2018 Q1 was 0.1%, equivalent to £493 billion and a growth of 1.2% compared to 2017 Q1. It is the lowest 4-quarter growth since 2012 Q2. Services and production grew on previous quarter but construction contracted for a fourth quarter in a row.

The number of people in work increased by 396 thousand to 32.34 million in the three months to March 2018 compared to a year earlier. The number of people unemployed decrease by 116 thousand to 1.42 million in the same period. **Unemployment** rate remained 47-year low at 4.2%.

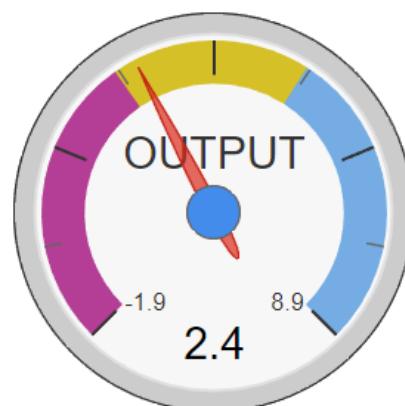
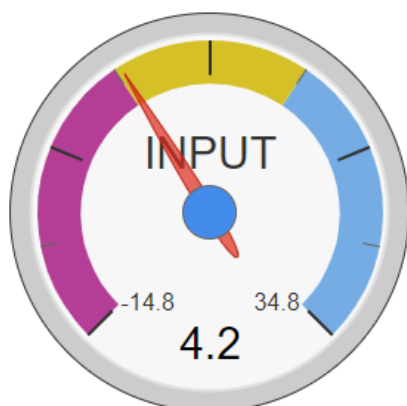
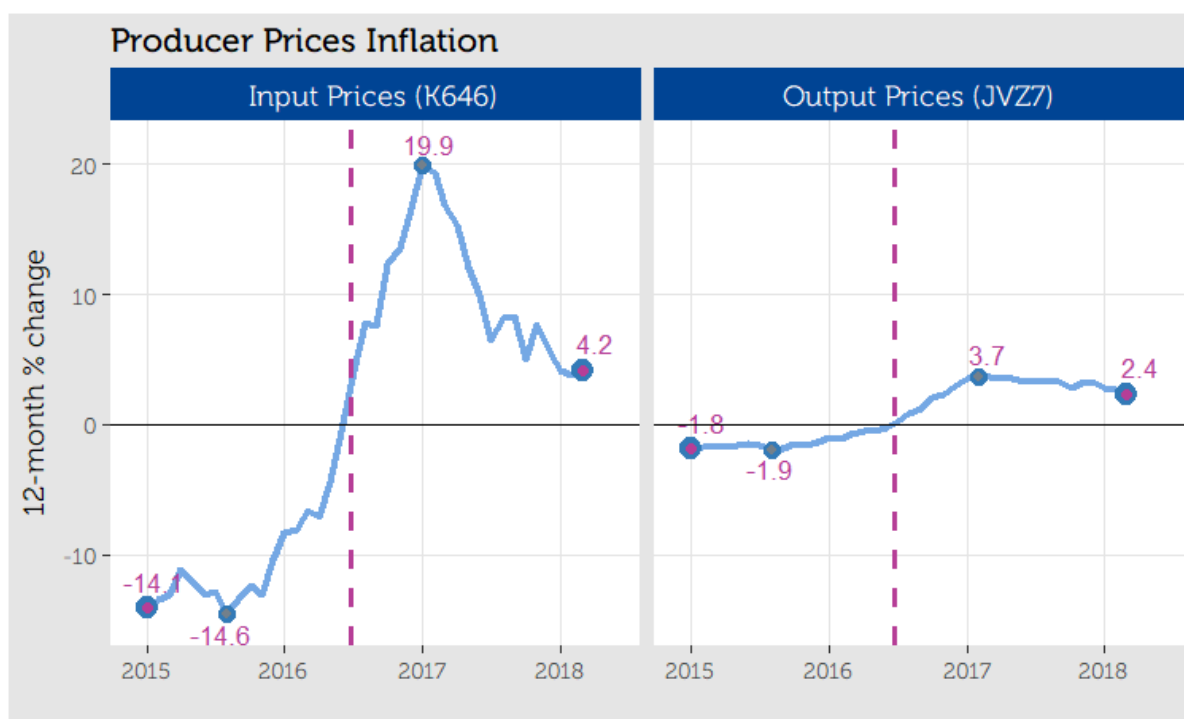


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

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.



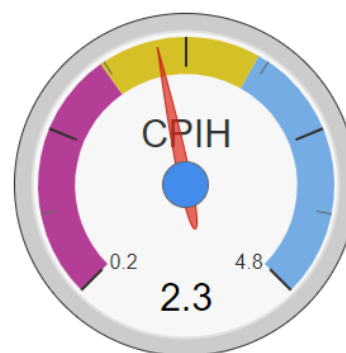
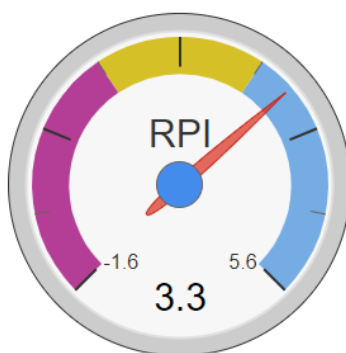
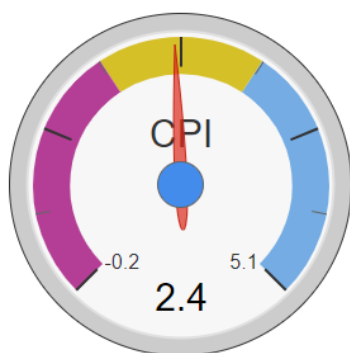
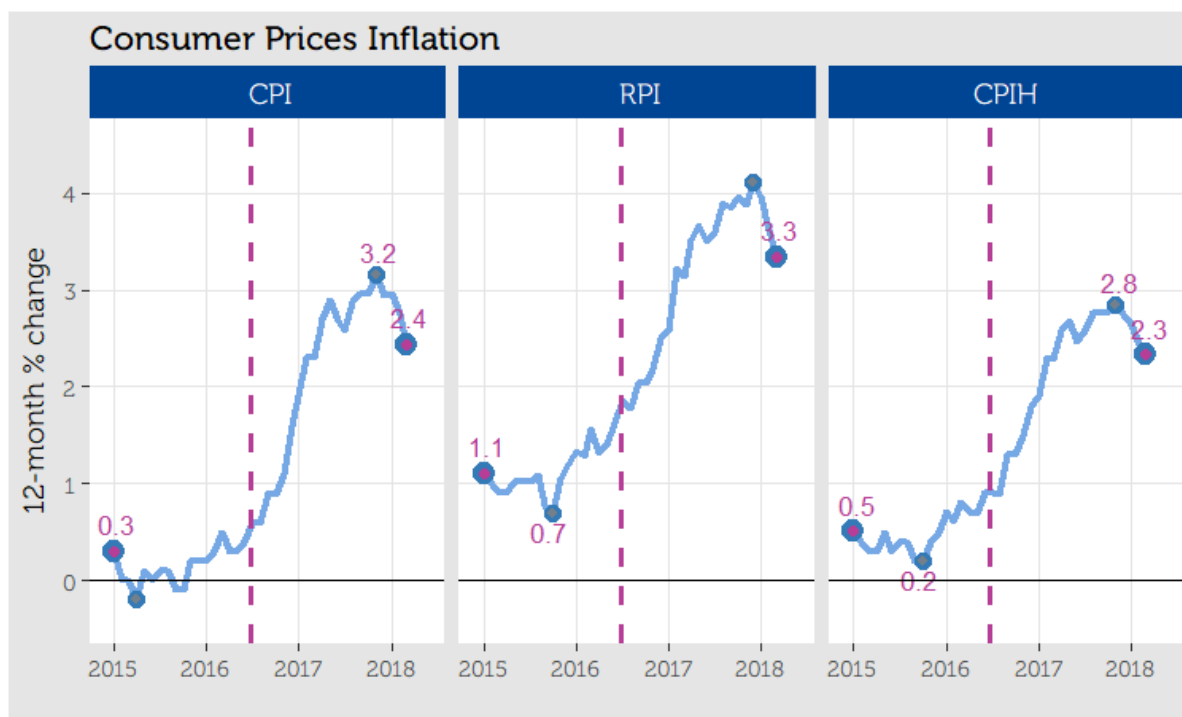
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

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 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.



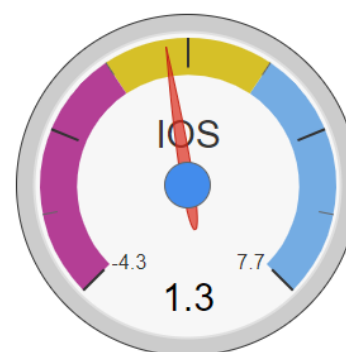
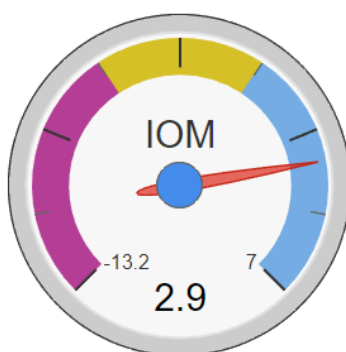
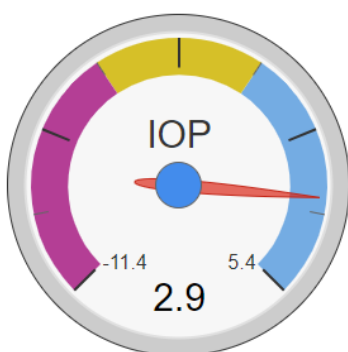
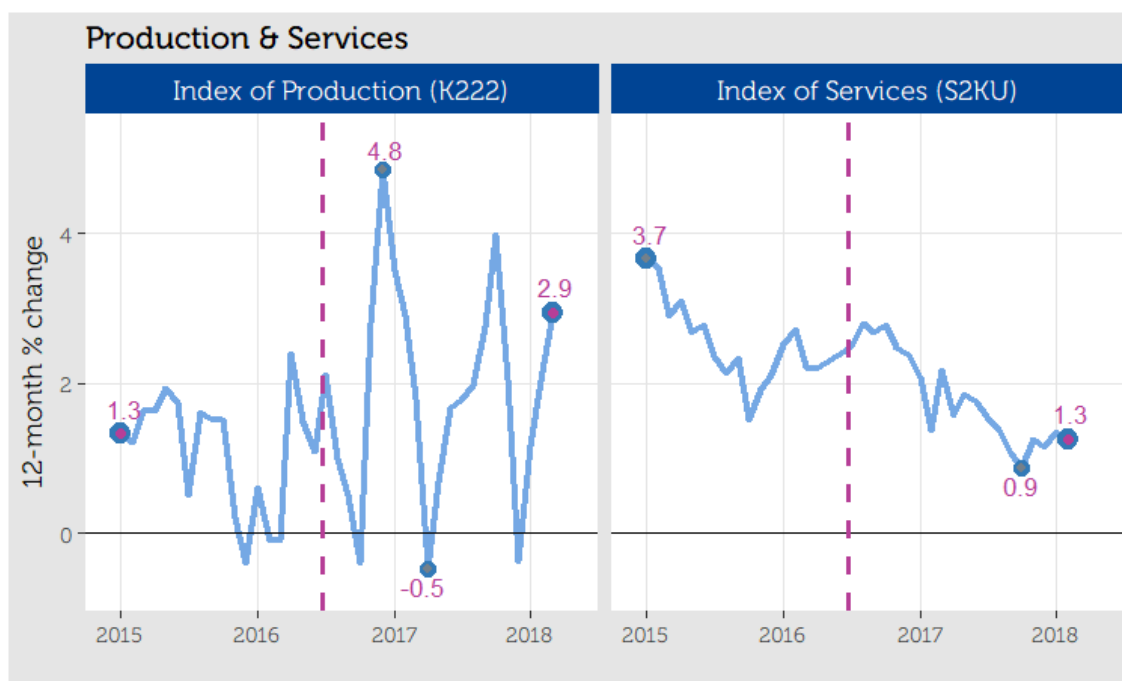
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP) in March 2018 remained unchanged from previous month but grew by 2.9% compared to twelve months earlier. Driver for the growth was energy supply.

Index of manufacturing (IOM) fell by 0.1% in March 2018 but rose by 2.9% compared to twelve months earlier. Drivers for the 12-month growth include manufacture of mechanical equipment and repairs. IOM has grown by 4.0% since May 2016.

Index of services (IOS) fell by 0.3% February 2018 but rose by 1.3% compared to a 12 months earlier. Business services and transport were the main drivers behind the 4-quarter growth. IOS has grown by 2.9% since May 2016.

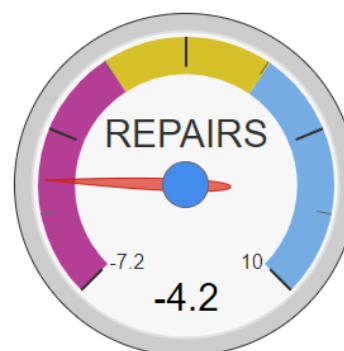
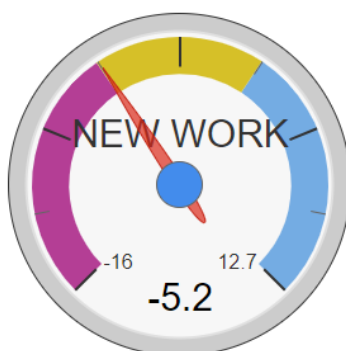
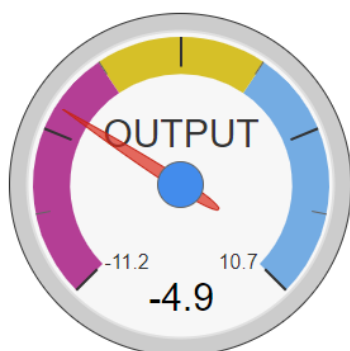
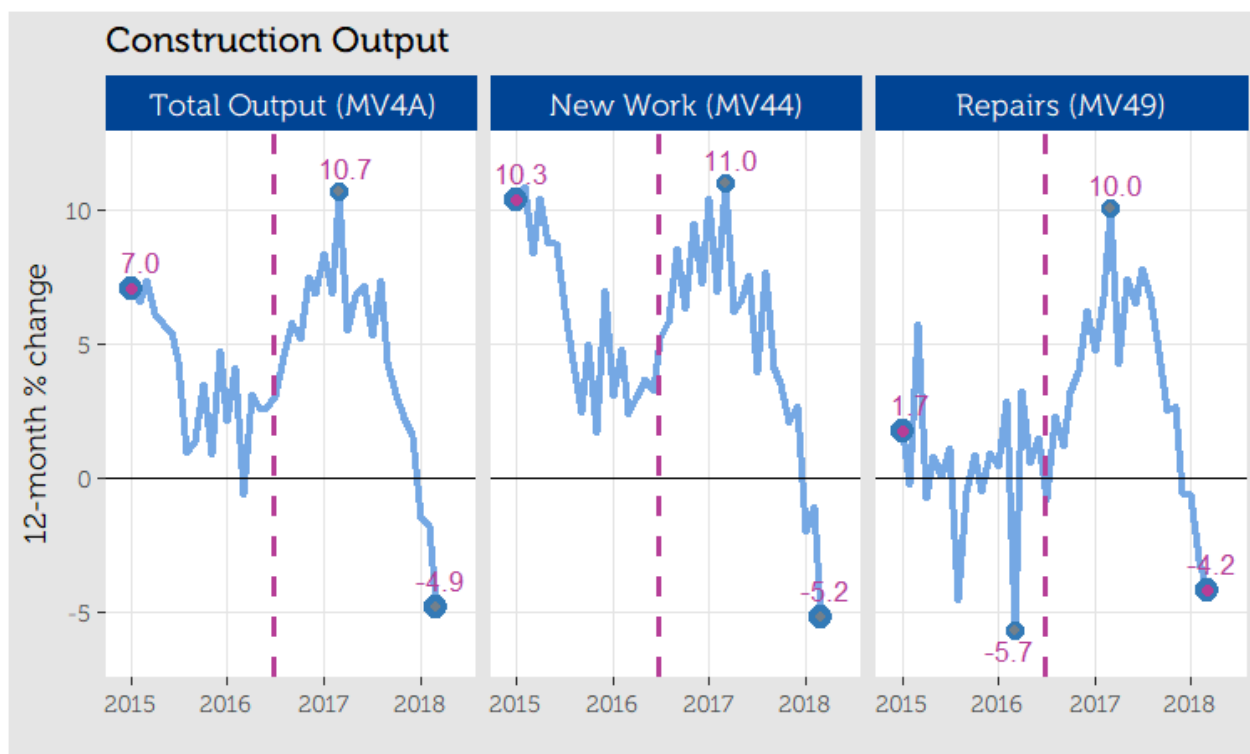


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, fell by 2.3% in March 2018 to £12.5 billion and also fell by 4.9% compared to twelve months earlier. It is the lowest 12-month growth since January 2013. Construction output has grown by 2.4% since May 2016.

New construction work, fell by 2.9% to £8.1 billion in March 2018 and **construction repairs** also fell by 1.3% to £4.4 billion in the same period. Compared to twelve months earlier, new construction work fell by 5.2% and repairs also fell by 4.2%.

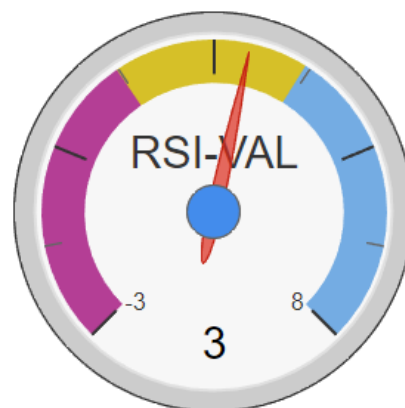
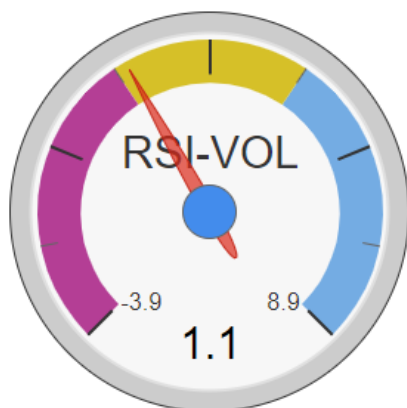
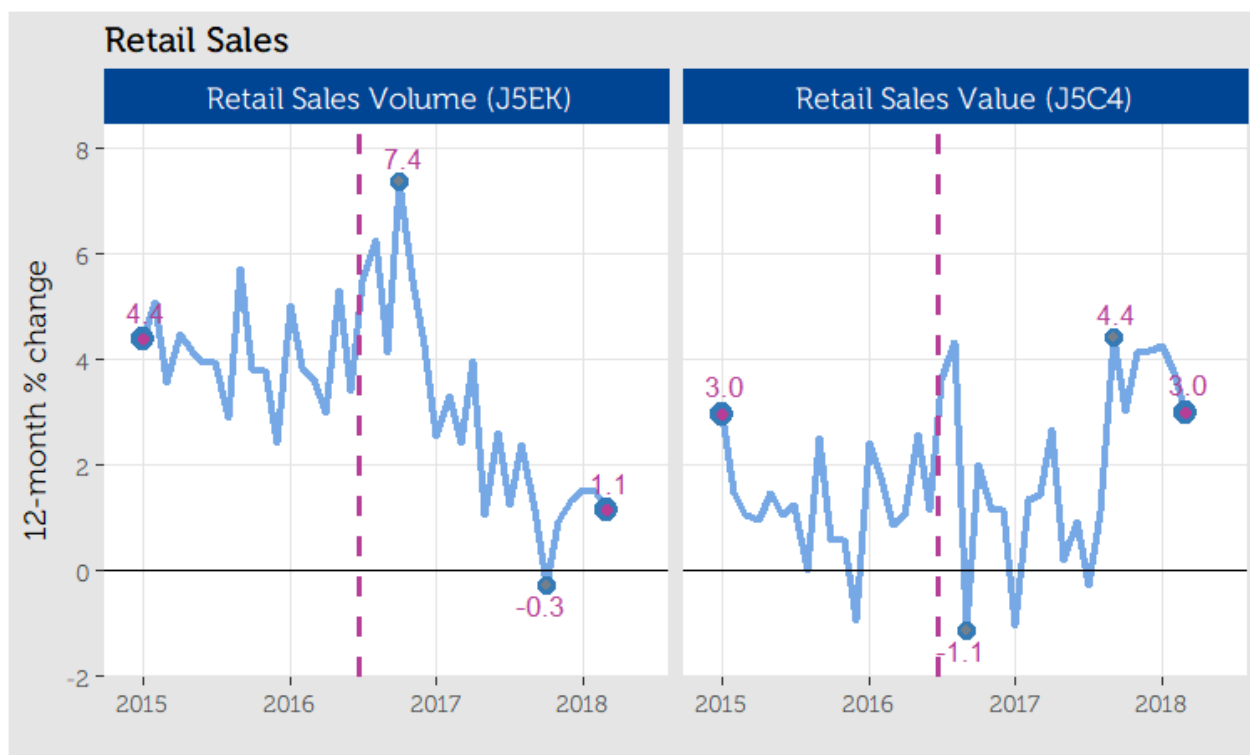


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) 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.

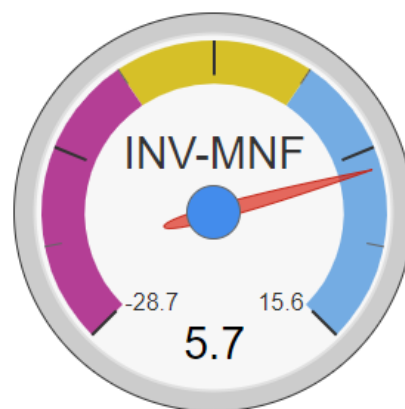
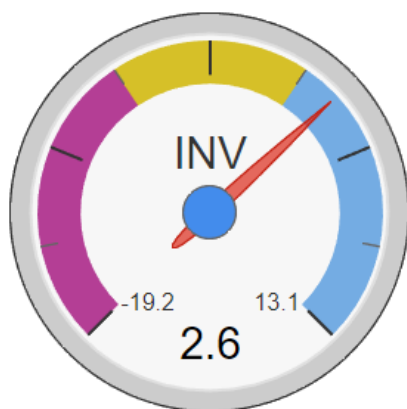
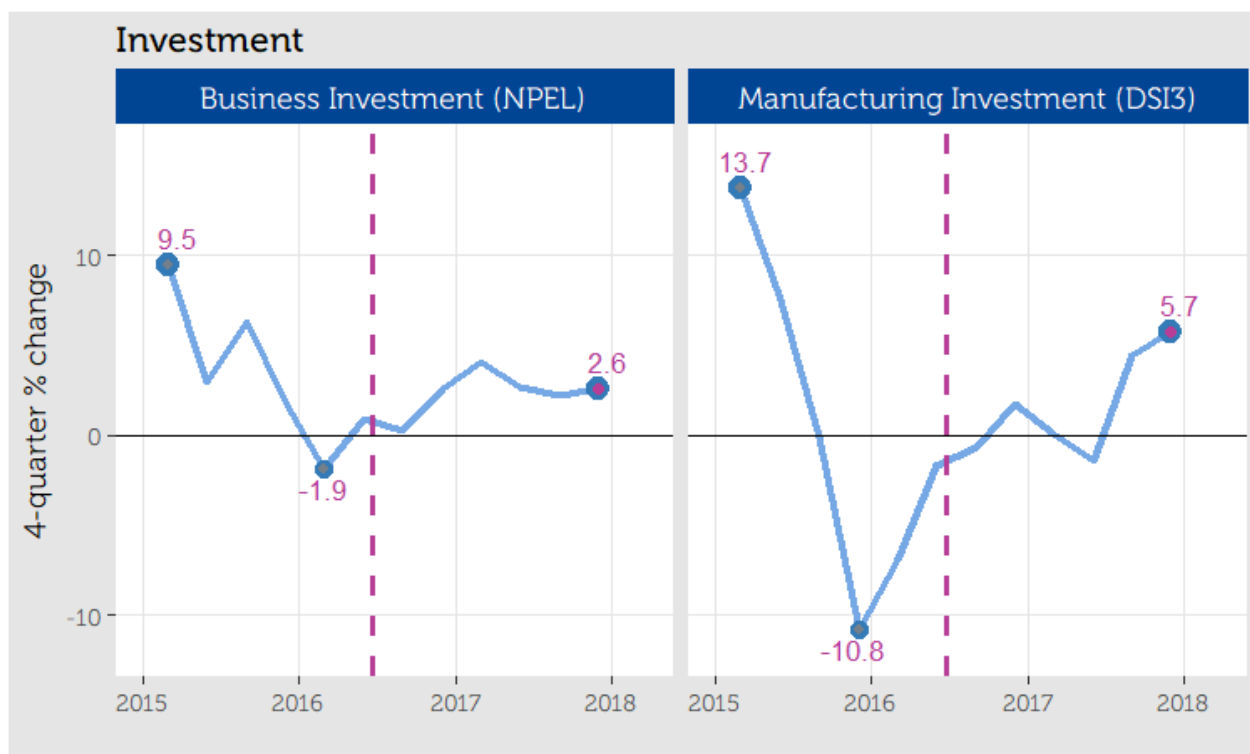


[Gauge Charts: 12-month % change since Jan 2000]

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.



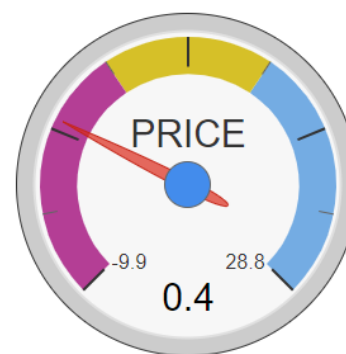
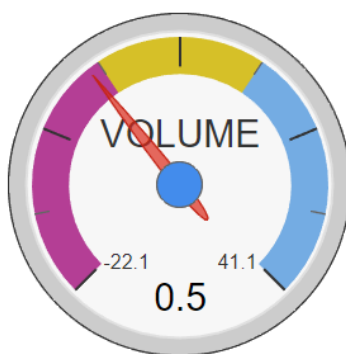
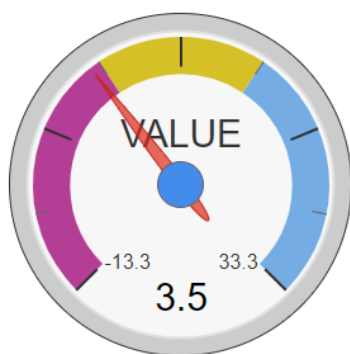
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 2.2% in March 2018 and also grew by 3.5% compared to March 2017. Exports of **goods** increased by 1.3% to £ 28.9 billion and exports of **services** increased by 6.3% to £ 24.0 billion in March 2018 compared to twelve months earlier.

Volume of UK **exports** grew by 4.2% in March 2018 and also grew by 0.5% compared to twelve months earlier.

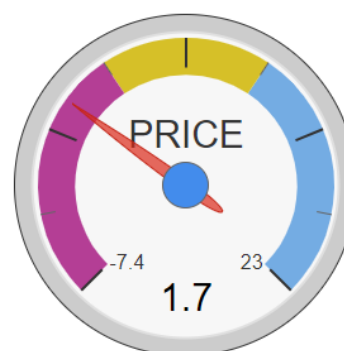
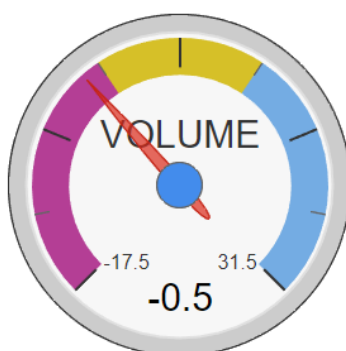
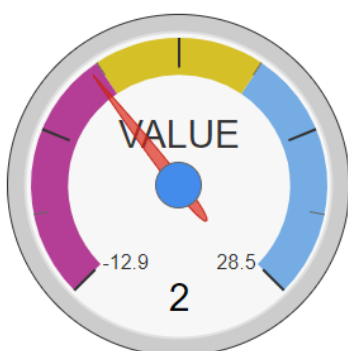
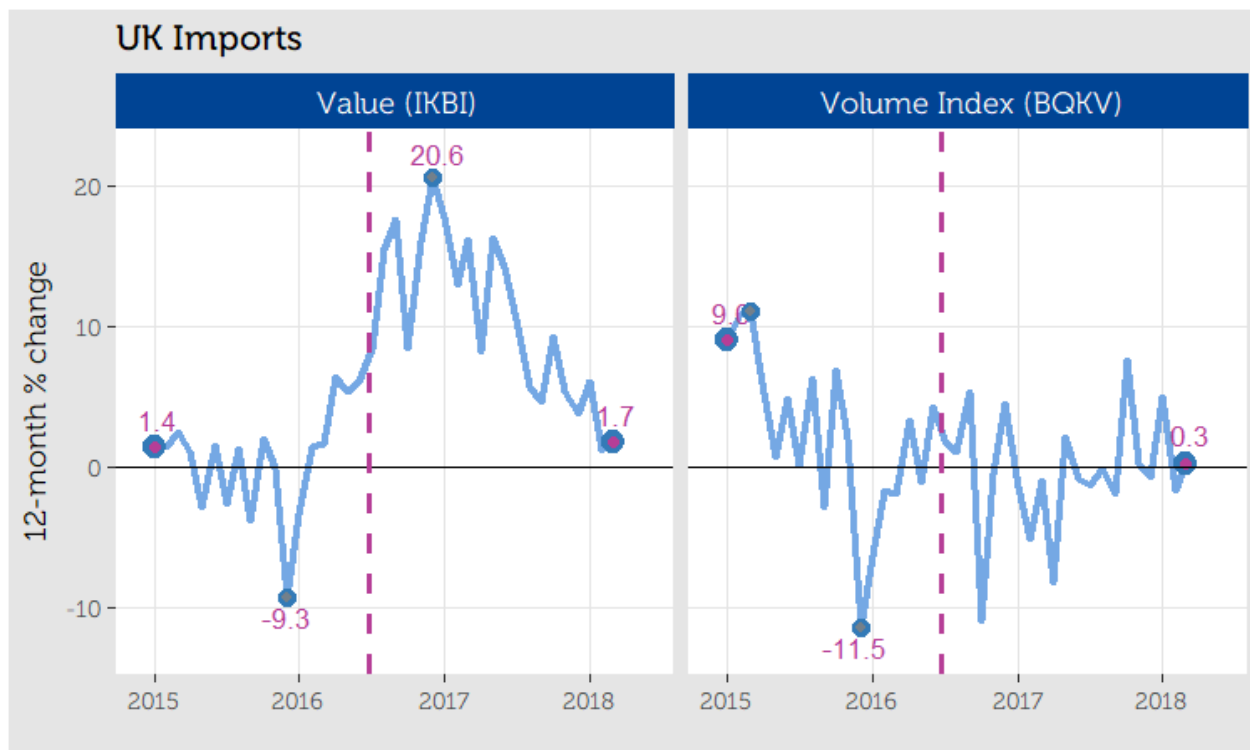


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK **imports** fell by 5.8% in March 2018 and also grew 1.7% compared to 12 months earlier. Imports of goods increased by 1.0% to £ 41.2 billion and imports of services also increased by 3.9% to £14.8 billion in March 2018 compared to twelve months earlier.

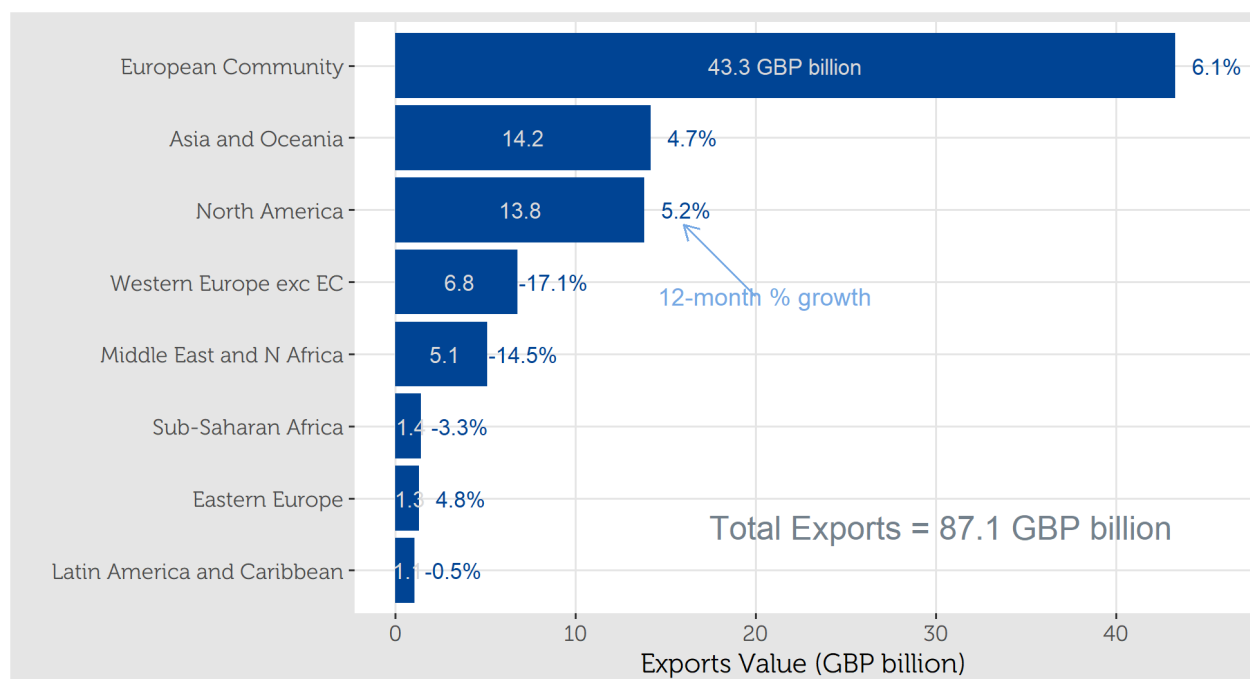
UK **imports** on **volume** basis grew by 8.8% in March 2018 and also grew by 0.3% compared to twelve months earlier.



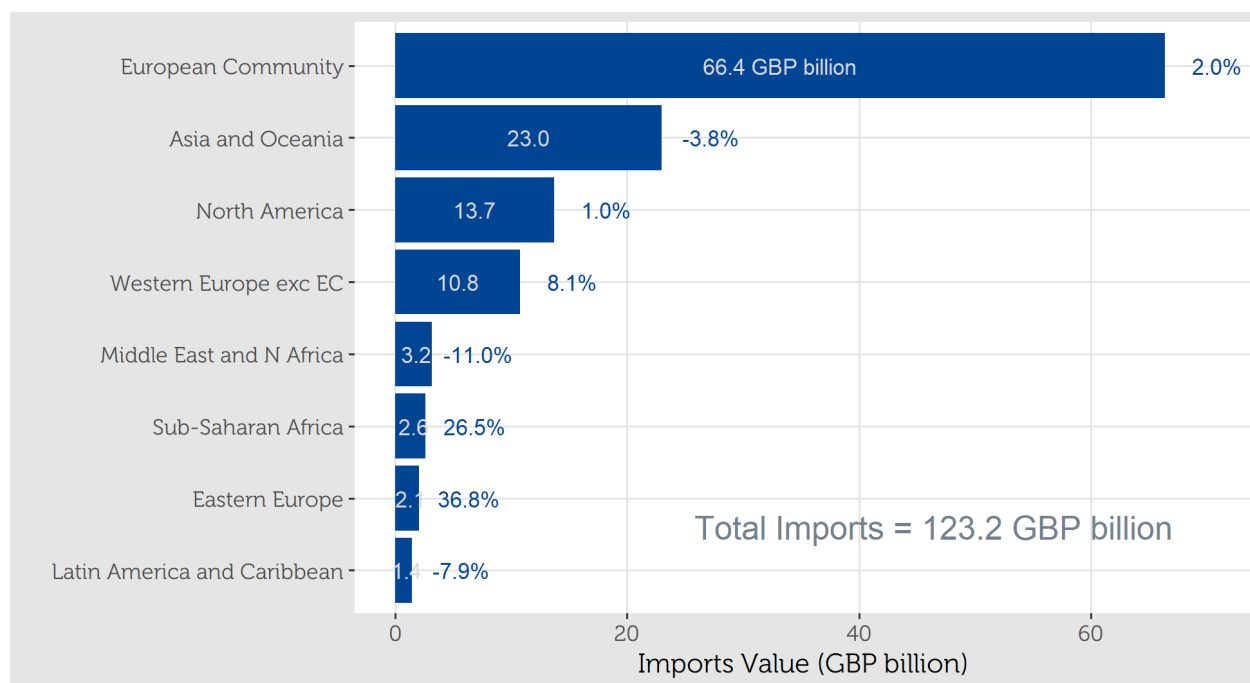
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2018 Jan - Mar

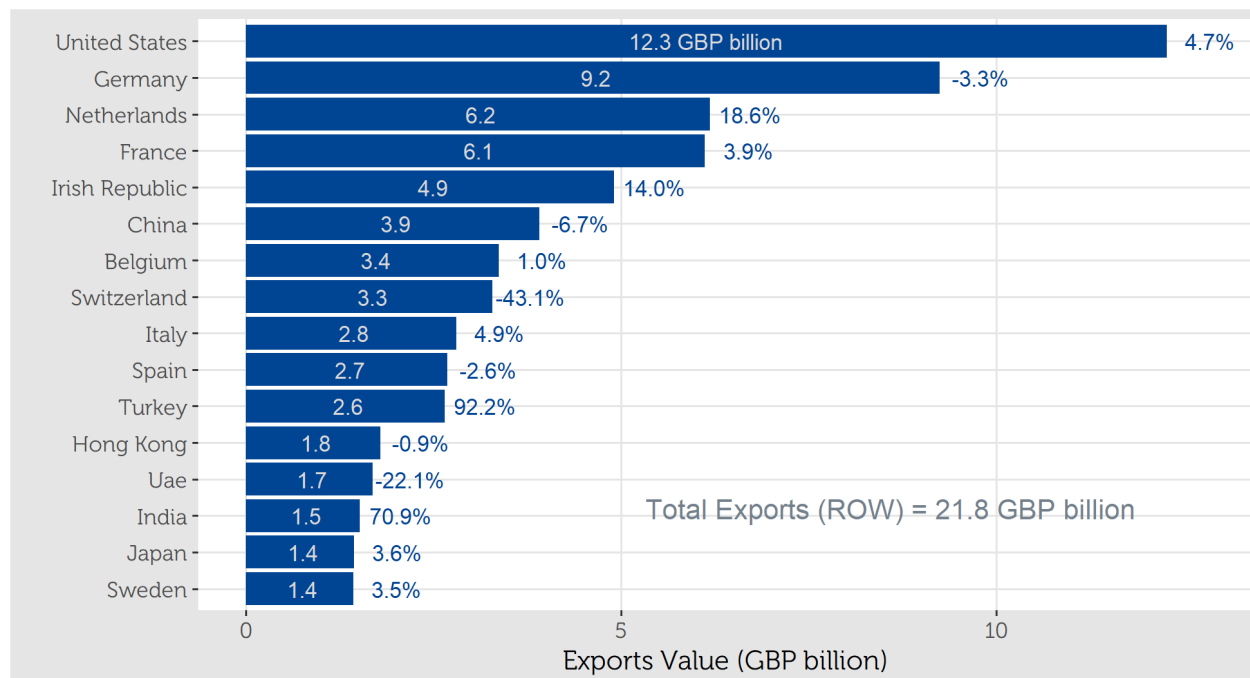


9.3.2 Imports - 2018 Jan - Mar

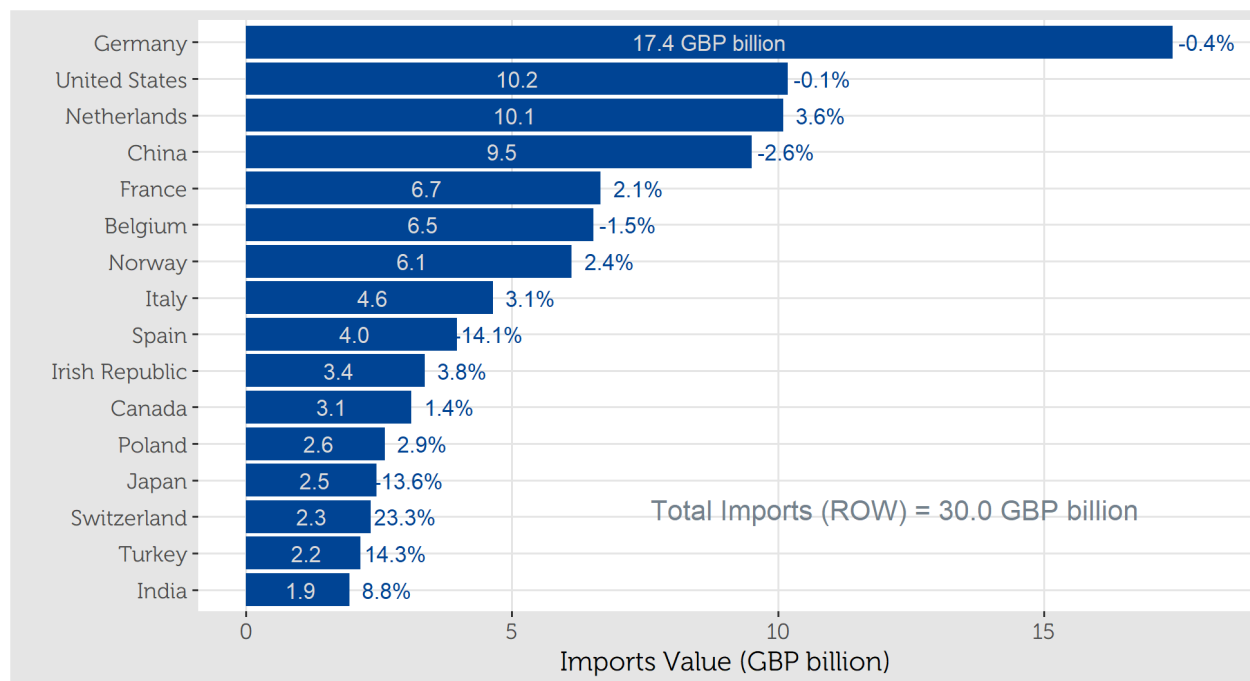


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2018 Jan - Mar

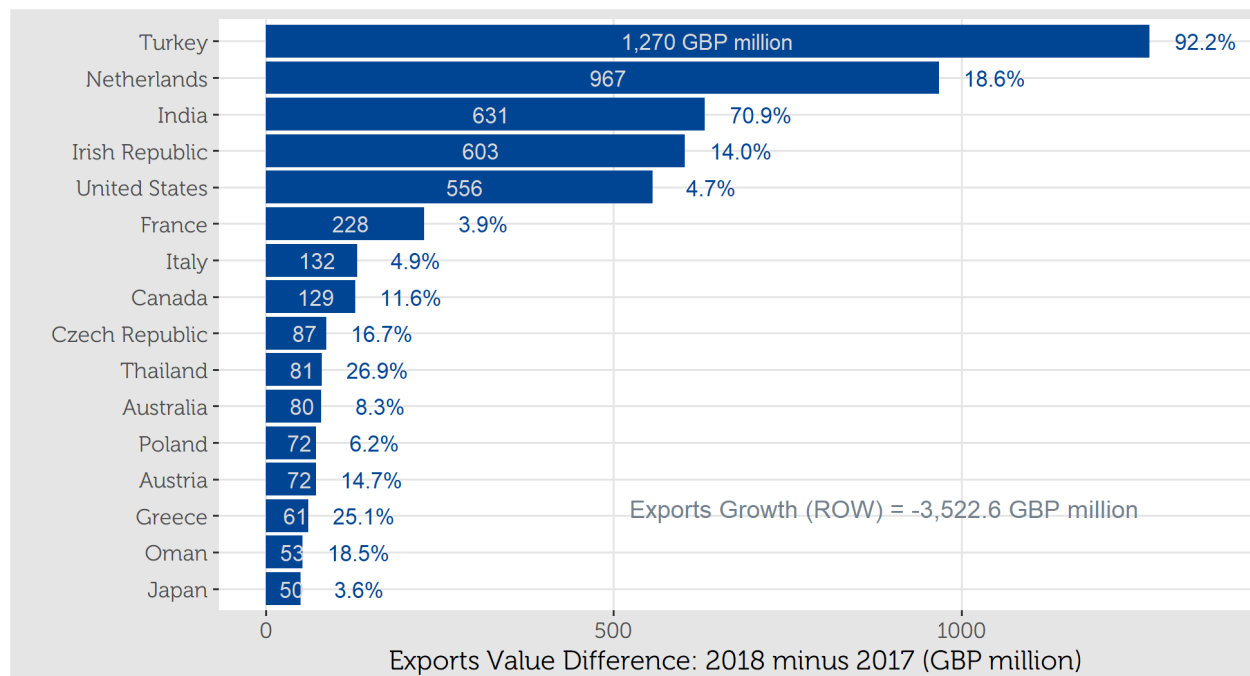


9.4.2 Imports - 2018 Jan - Mar

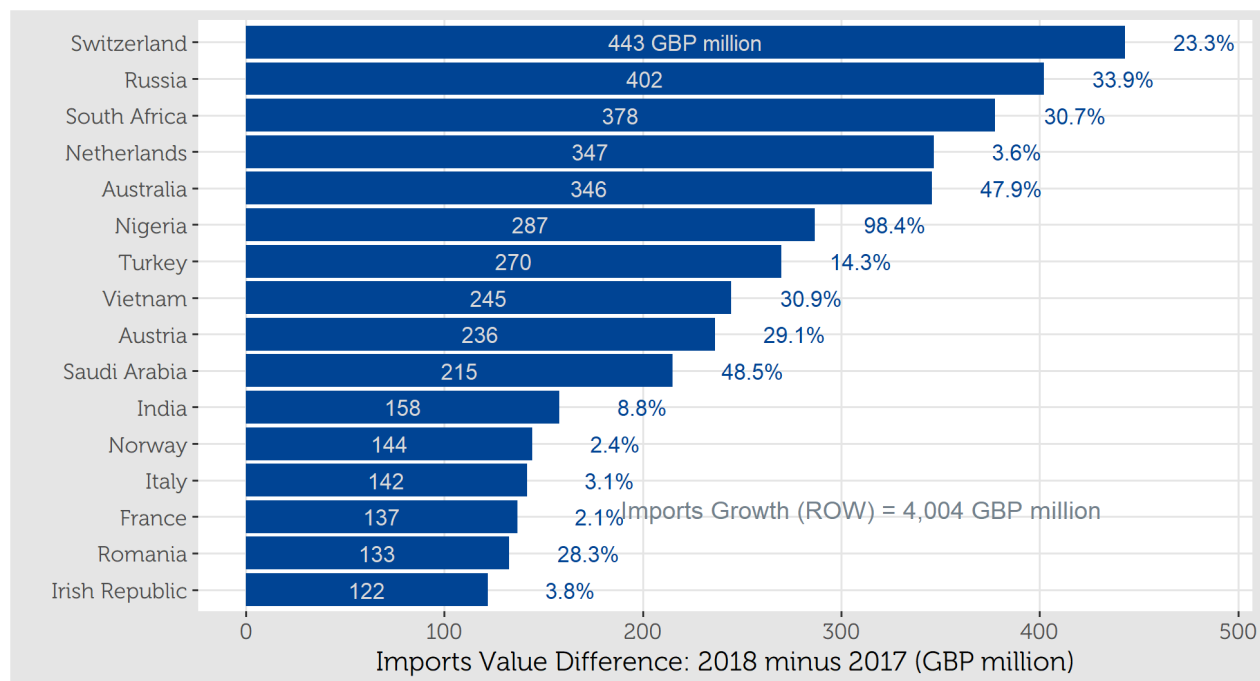


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2018 Jan - Mar

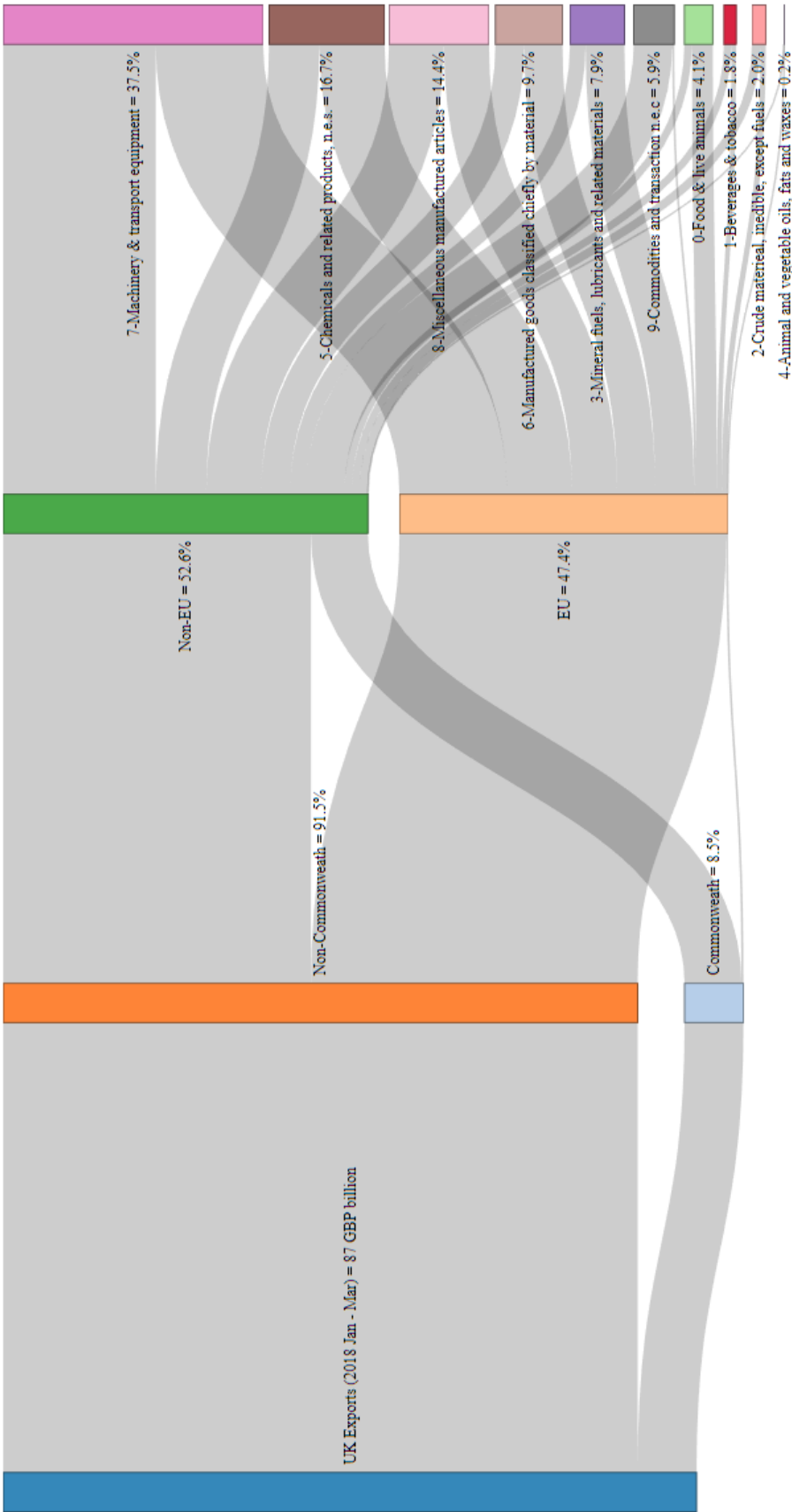


9.5.2 Imports Value Growth - 2018 Jan - Mar

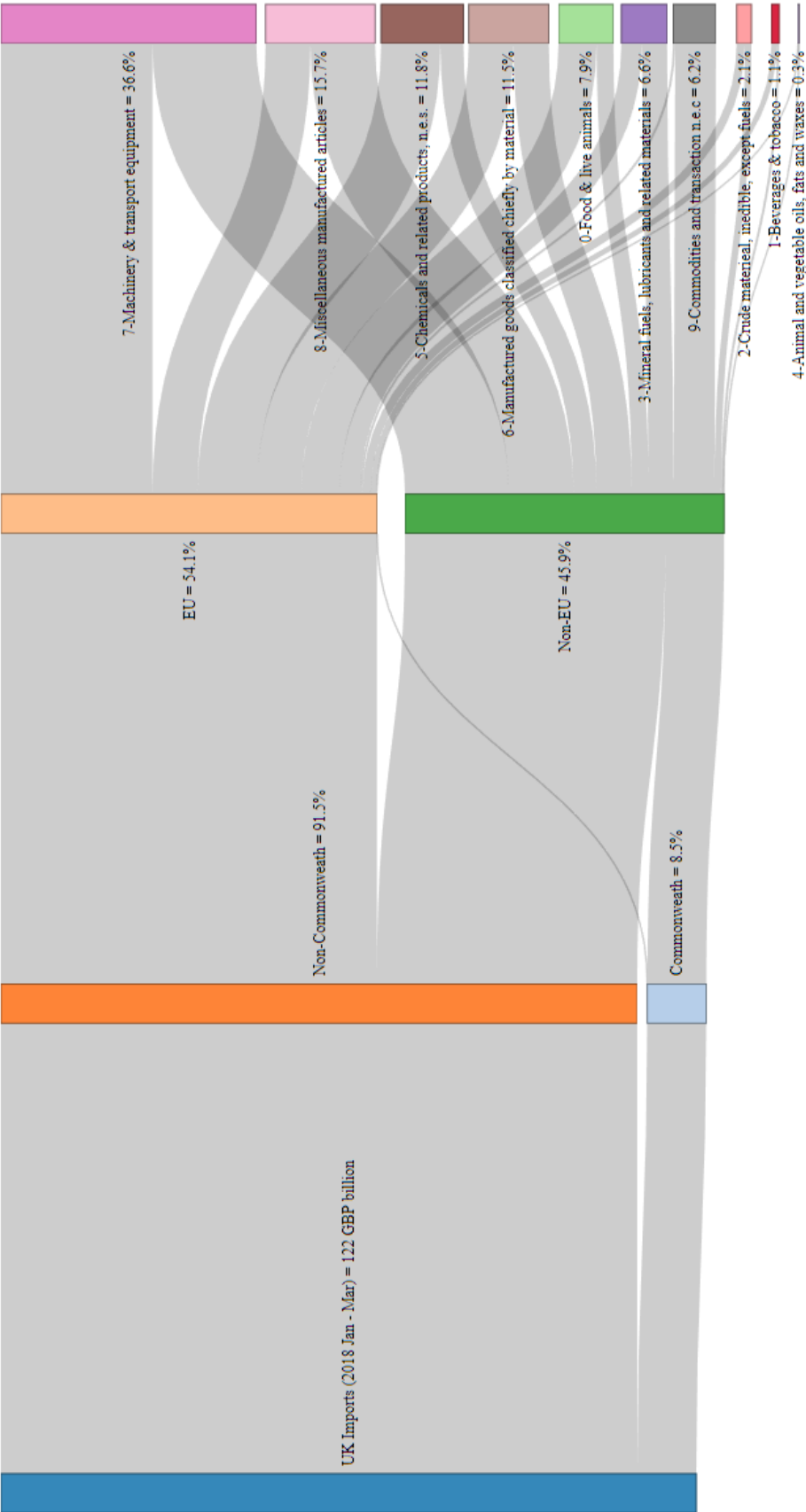


9.6 Goods Trade: EU & Commonwealth by SITC

9.6.1 Exports - 2018 Jan - Mar

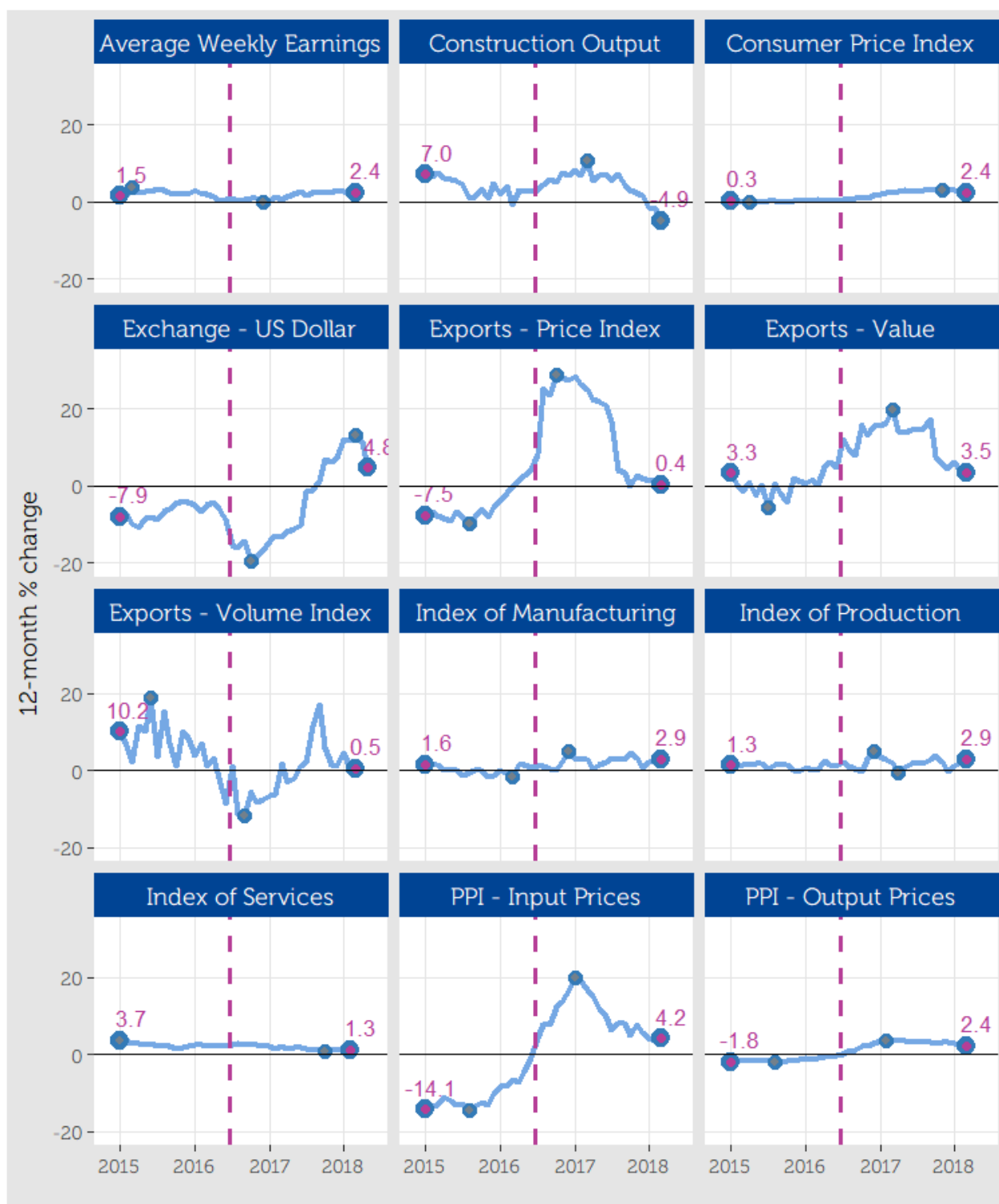


9.6.2 Imports - 2018 Jan - Mar

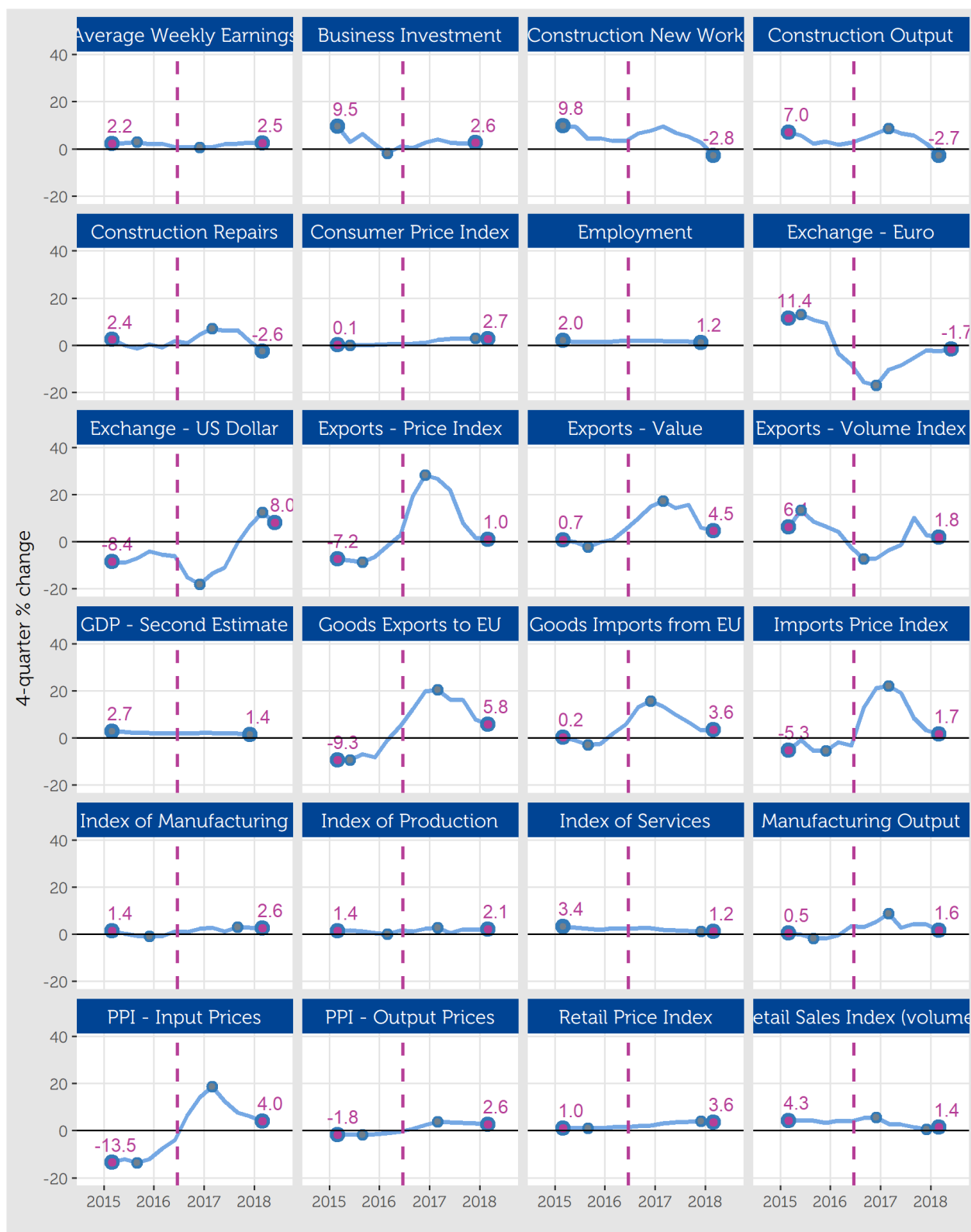


10 Economy At a Glance

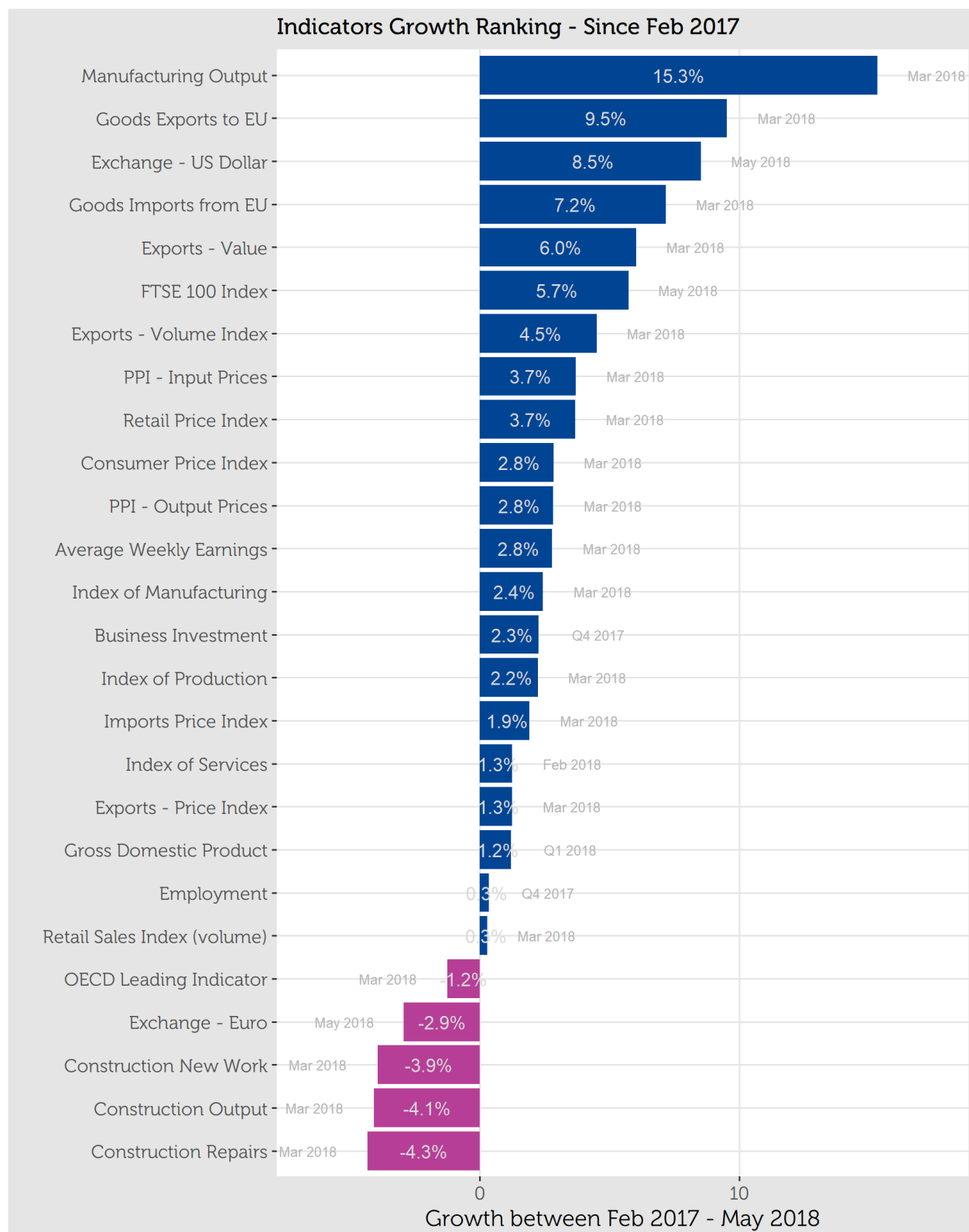
10.1 Growth: 12-month % growth



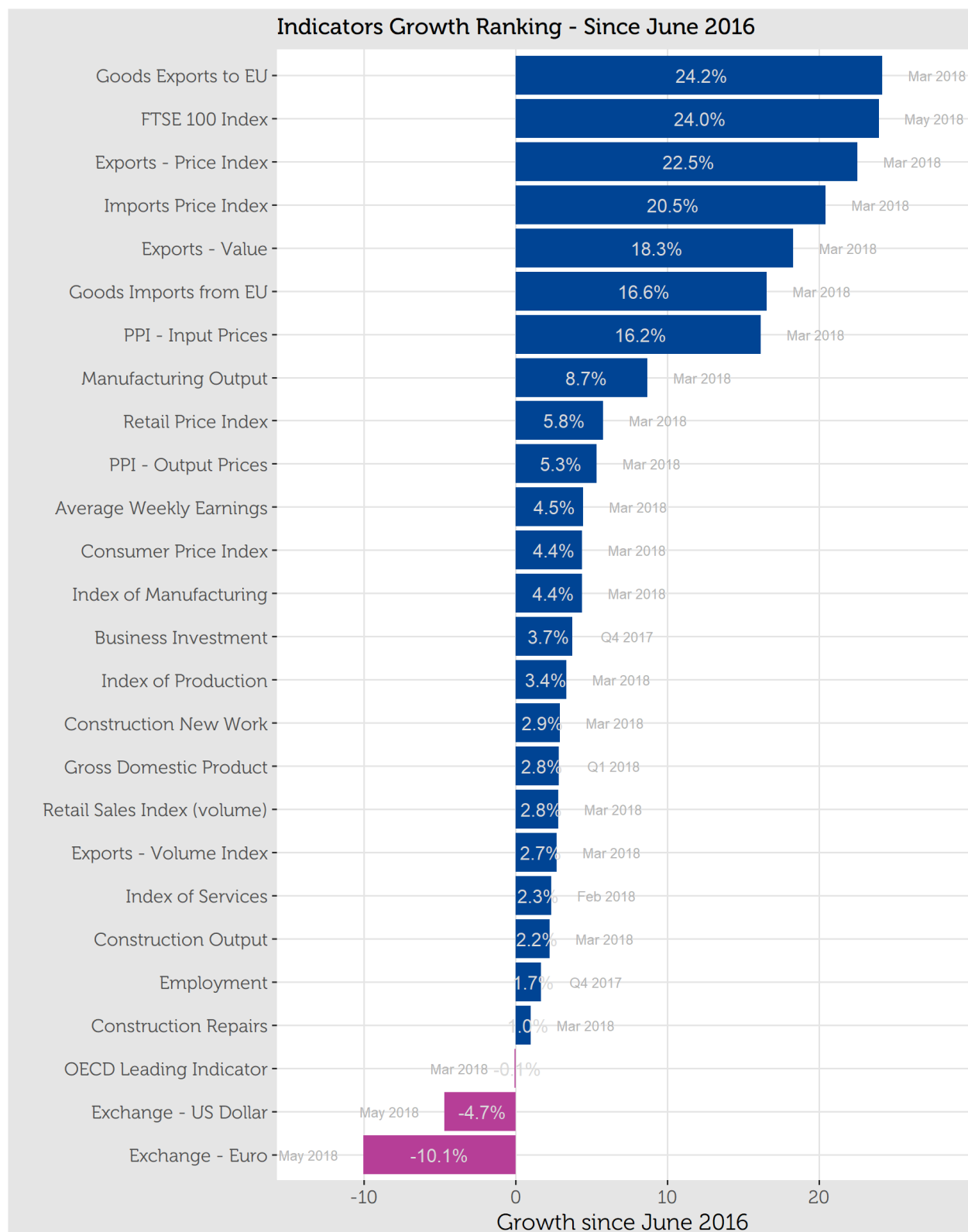
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since February 2017

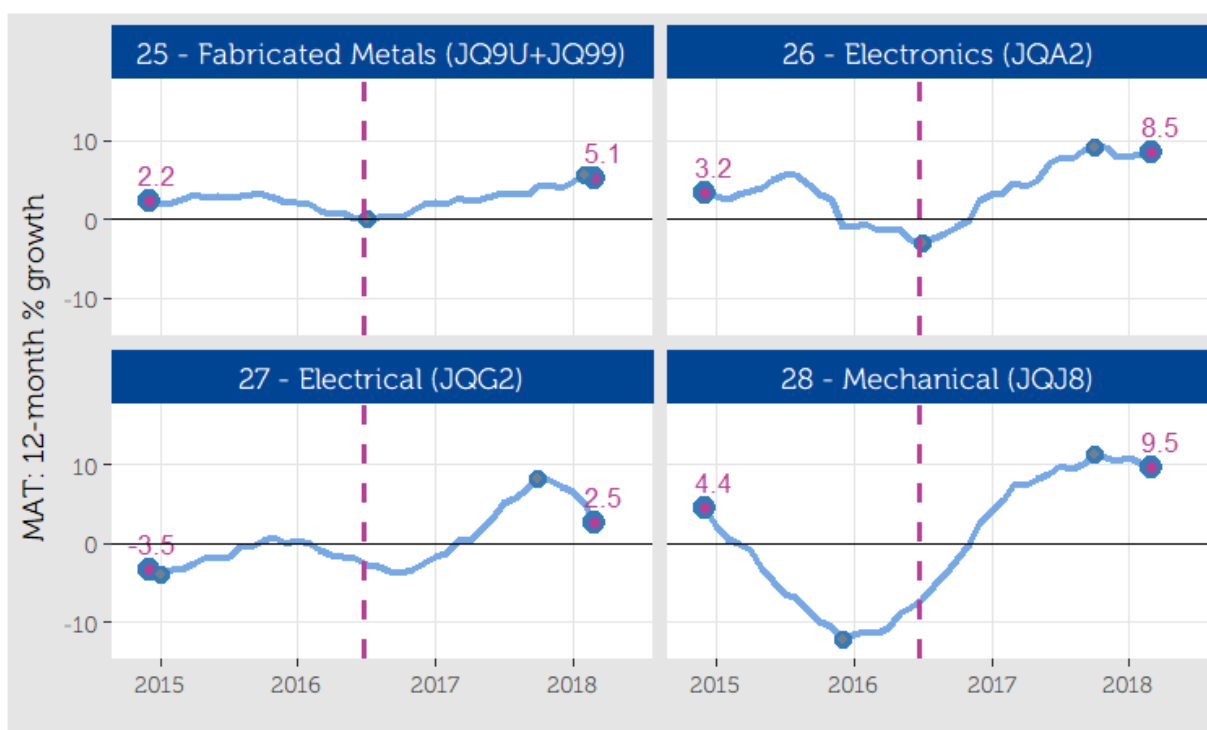
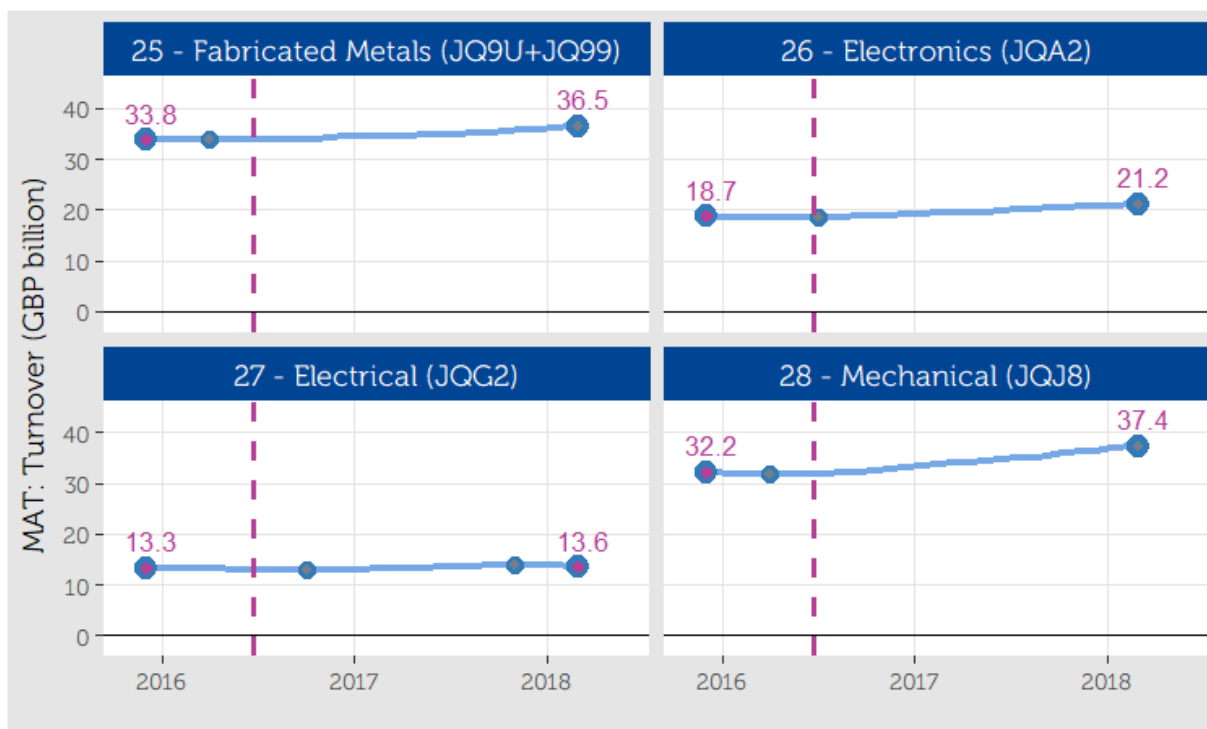


10.4 Growth Ranking: Since Referendum Vote

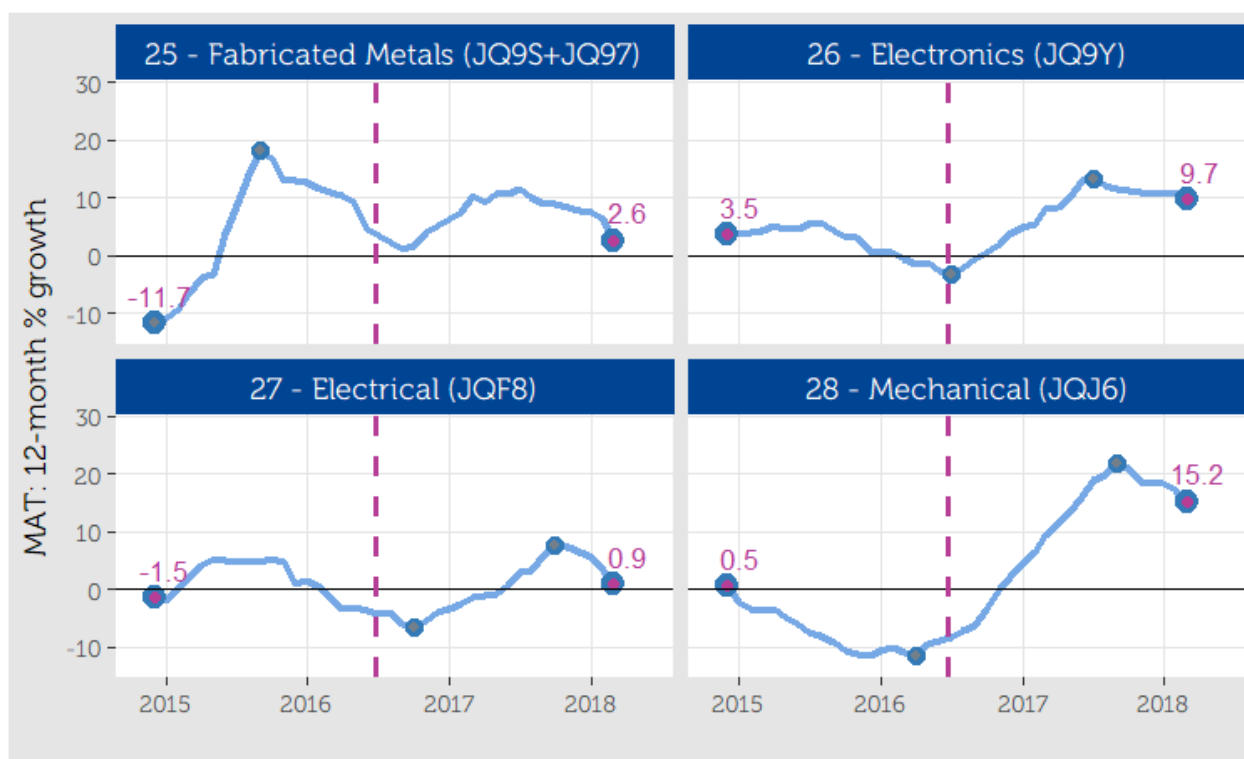
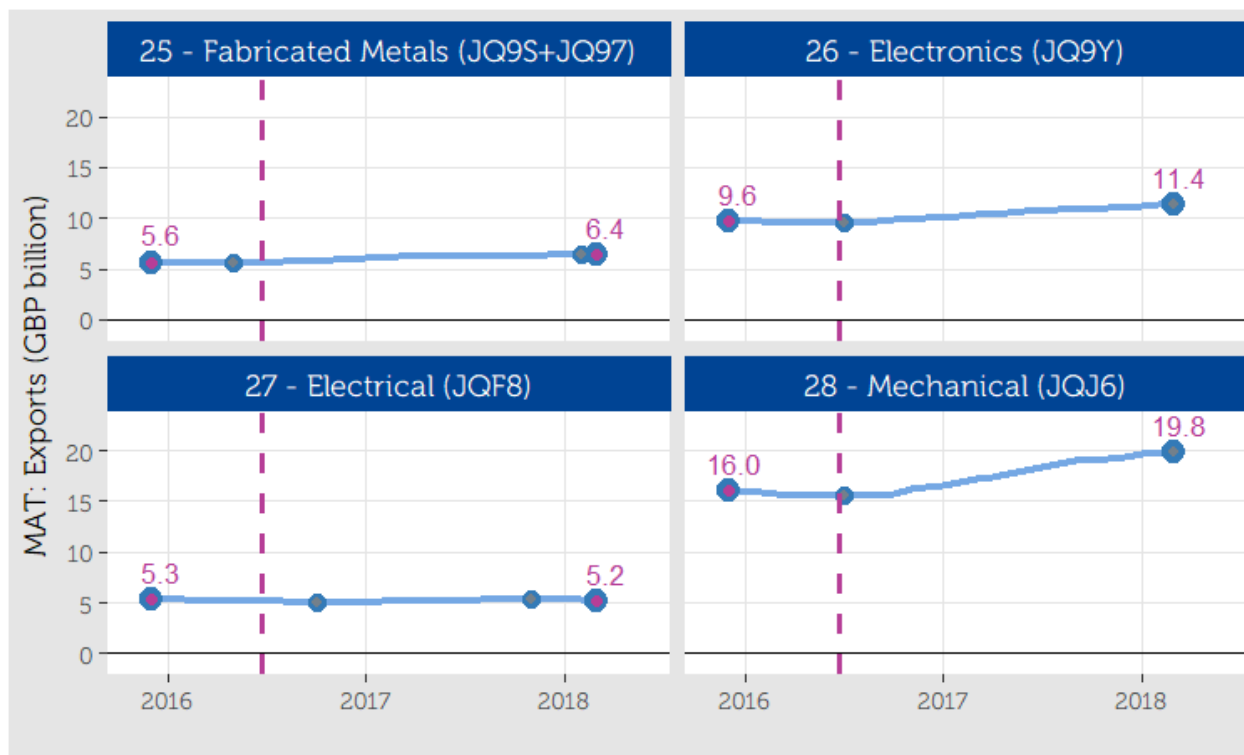


11 Industry Level Indicators

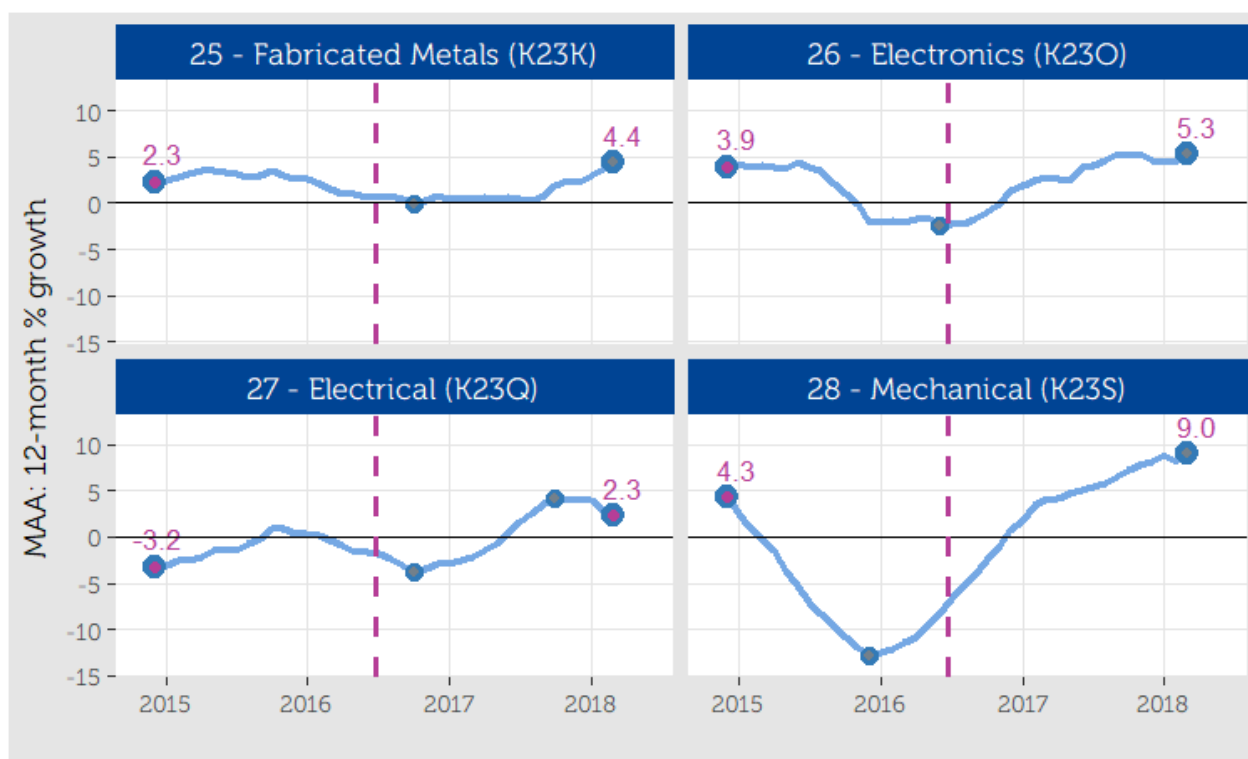
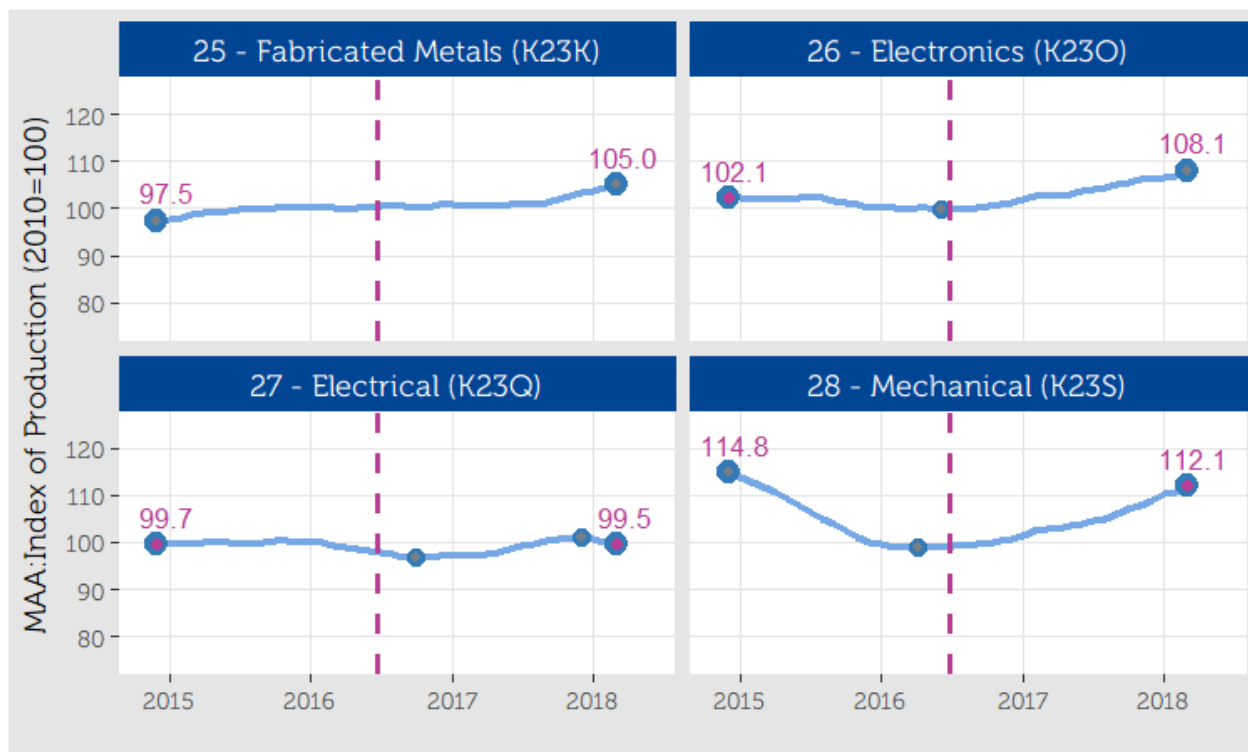
11.1 Turnover



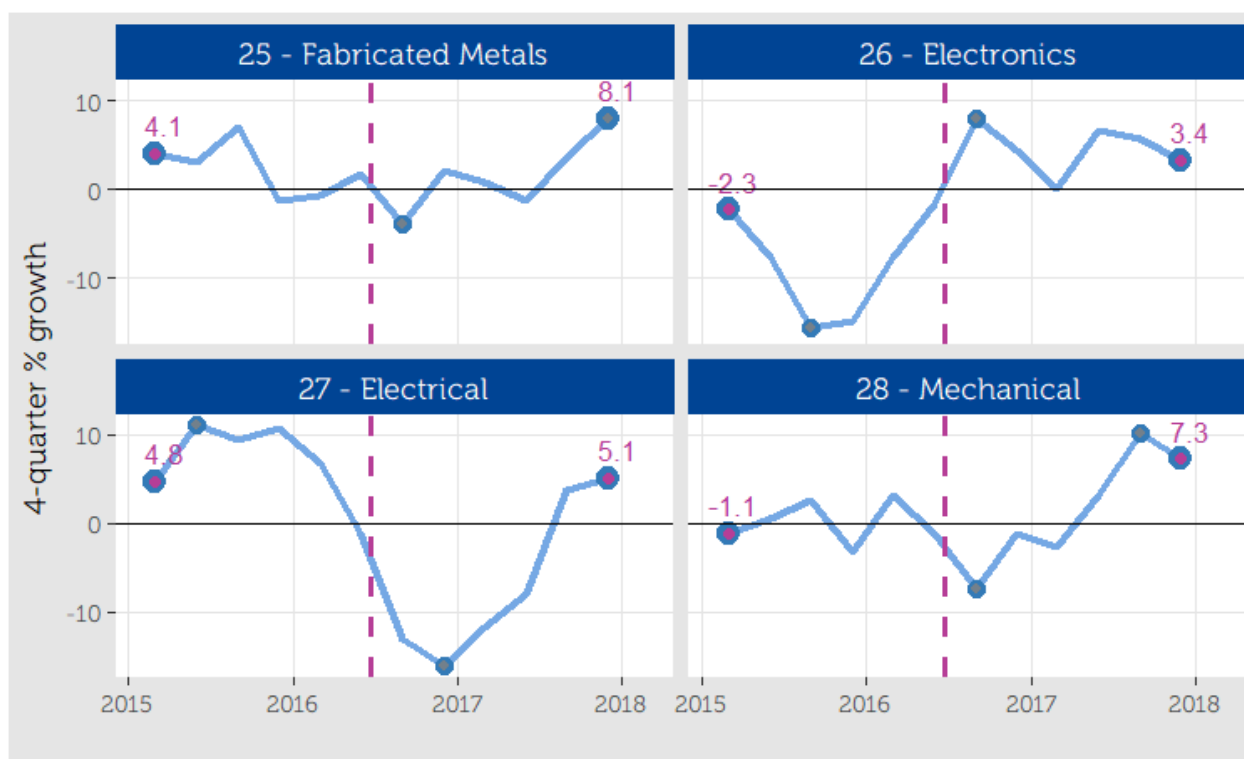
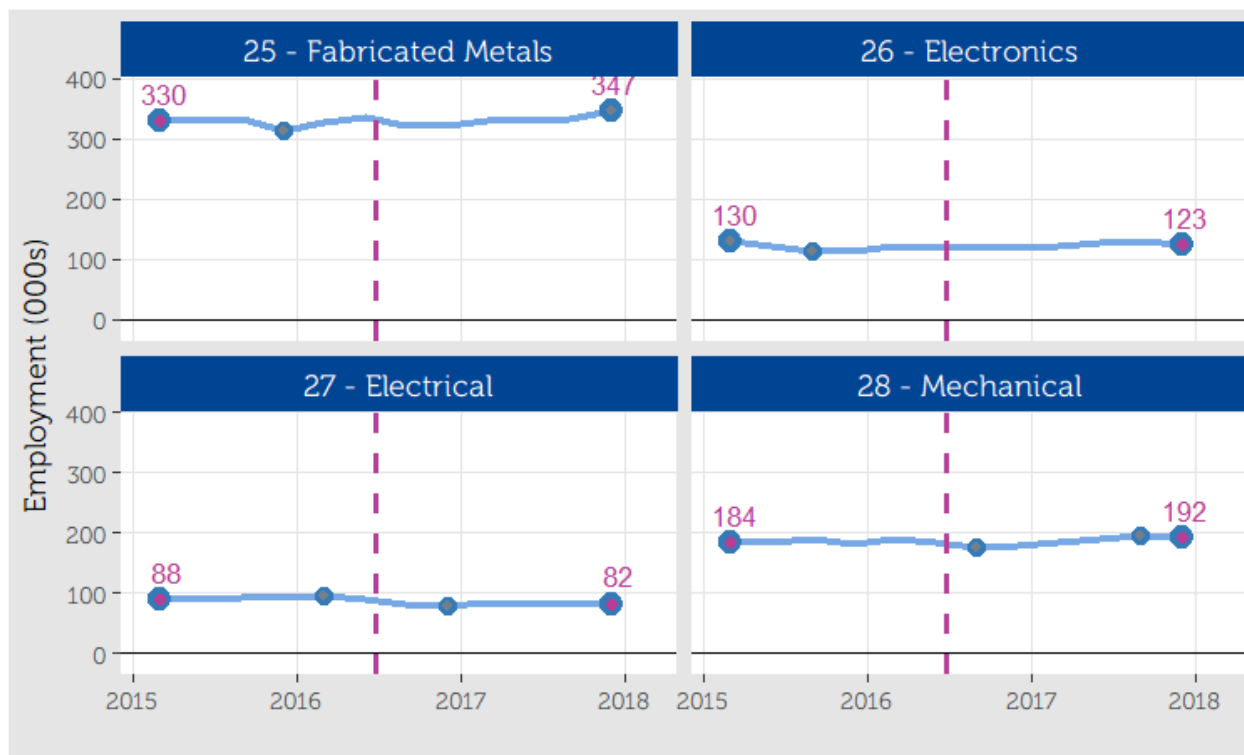
11.2 Exports



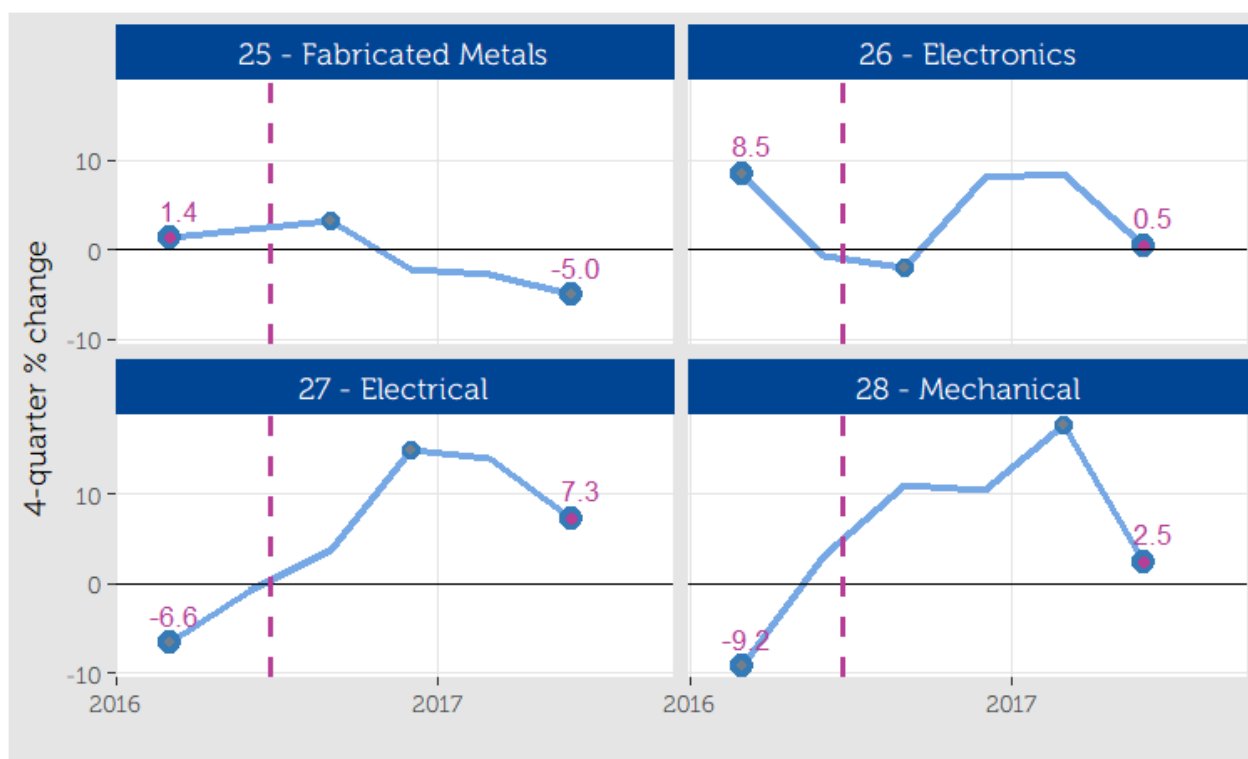
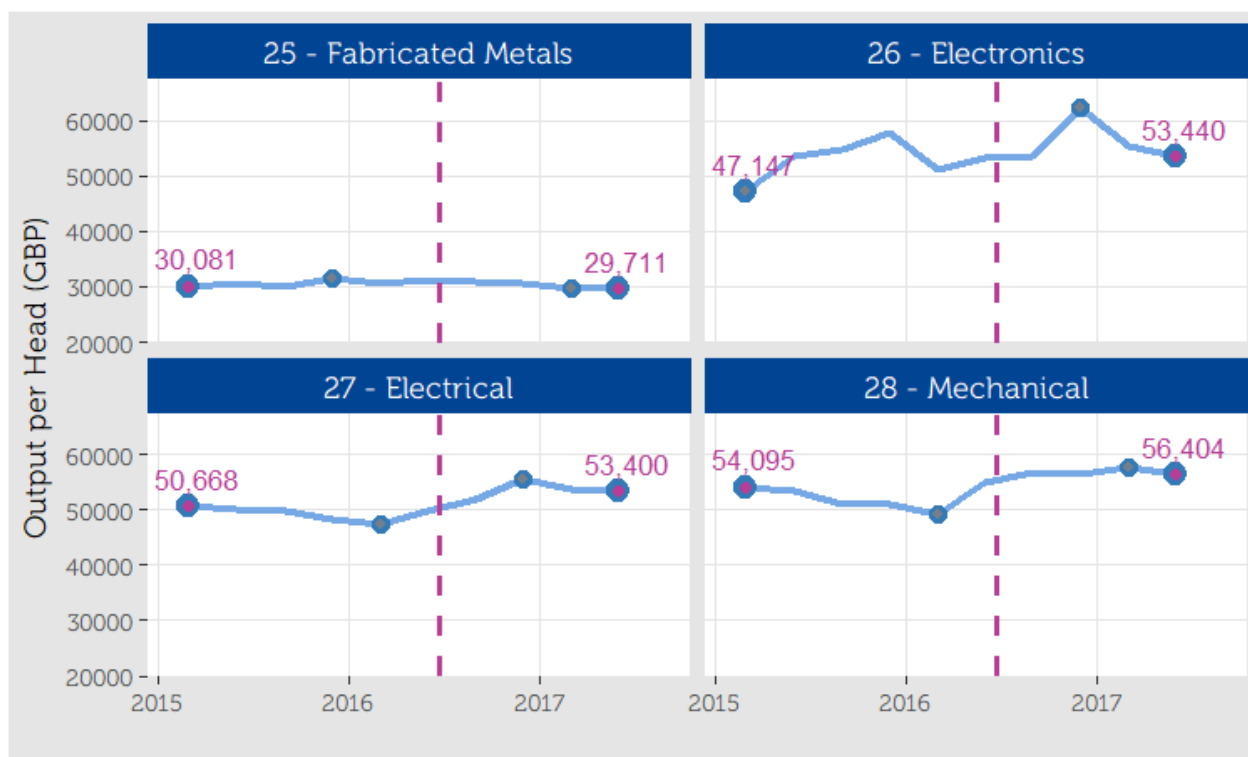
11.3 Index of Production



11.4 Employment (including Self-Employment)



11.5 Turnover per Head

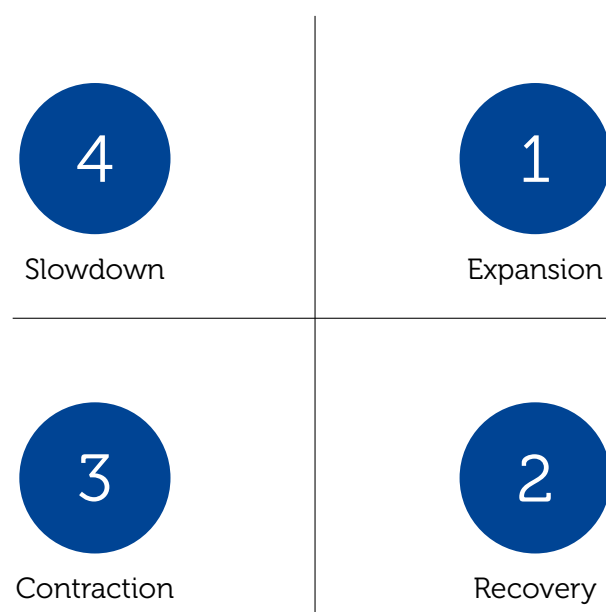


12 Growth Cycles

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:

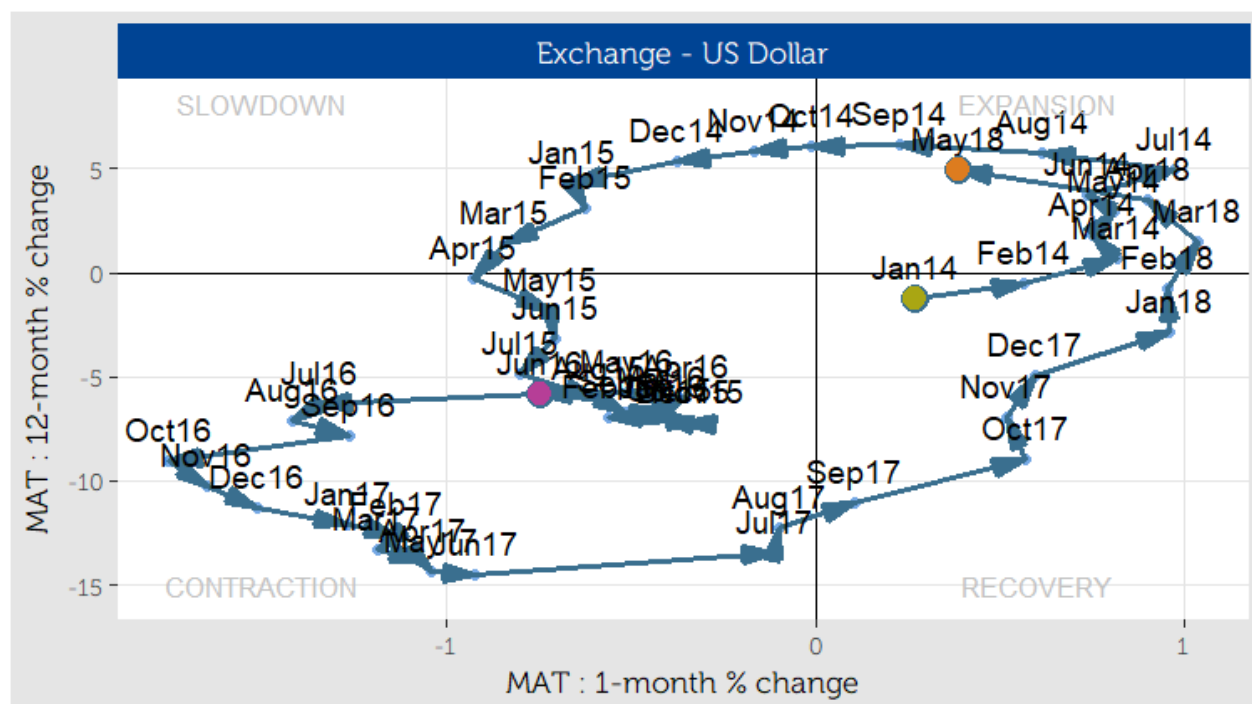
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



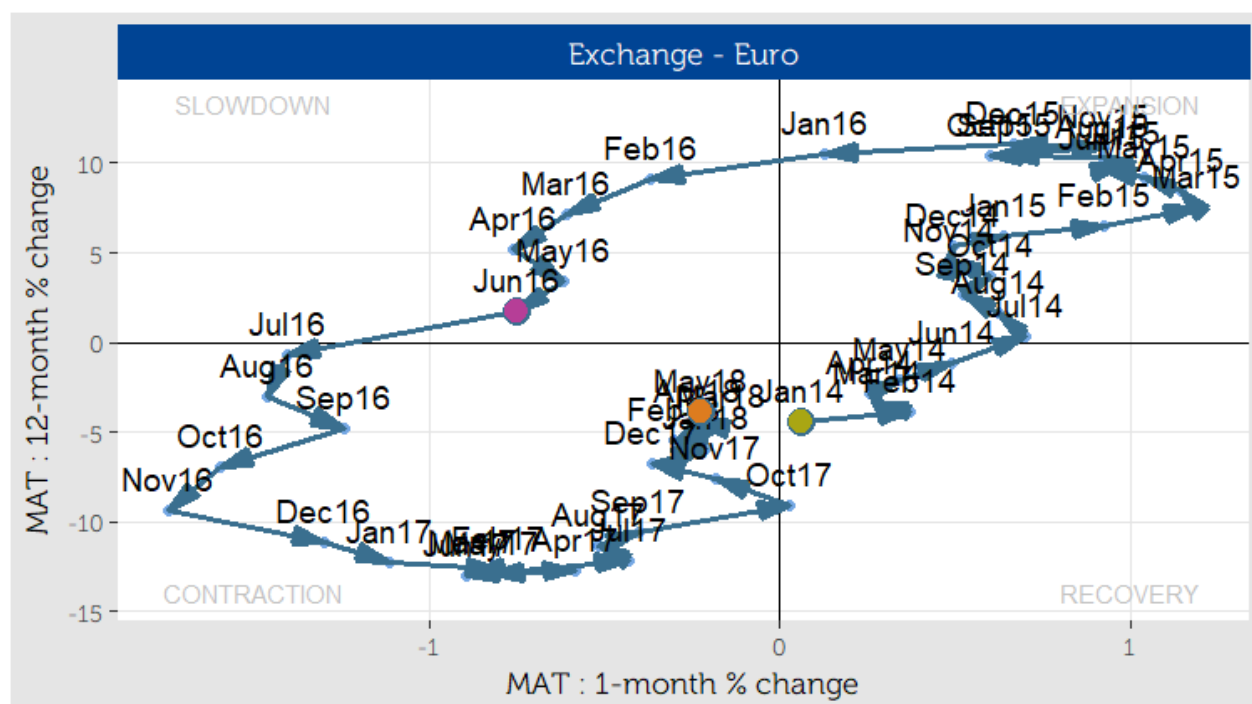
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

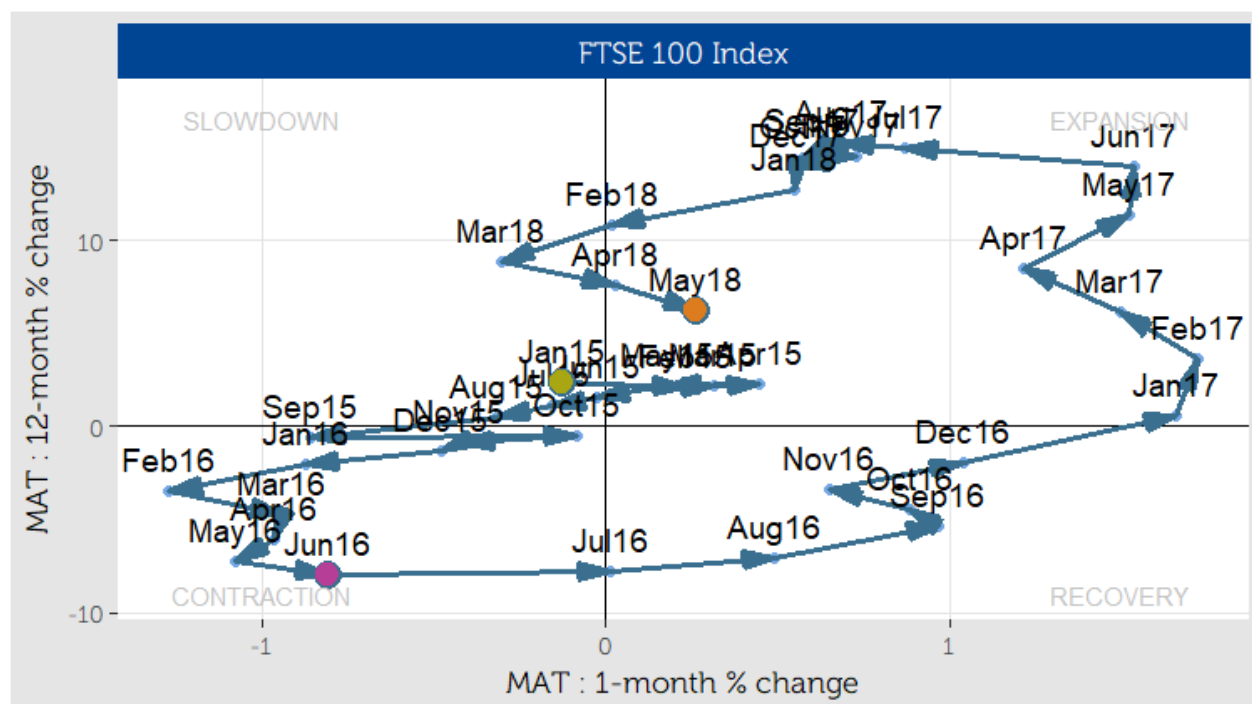
12.2 Exchange Rate (USD)



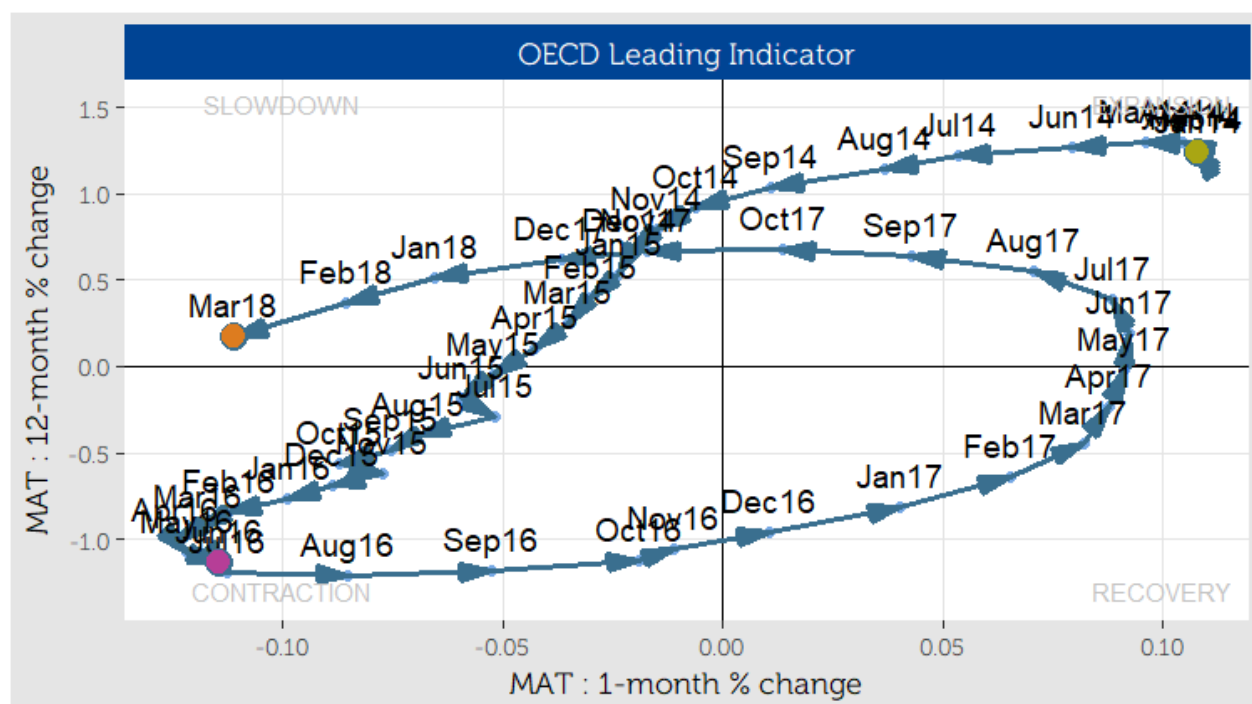
12.3 Exchange Rate (Euro)



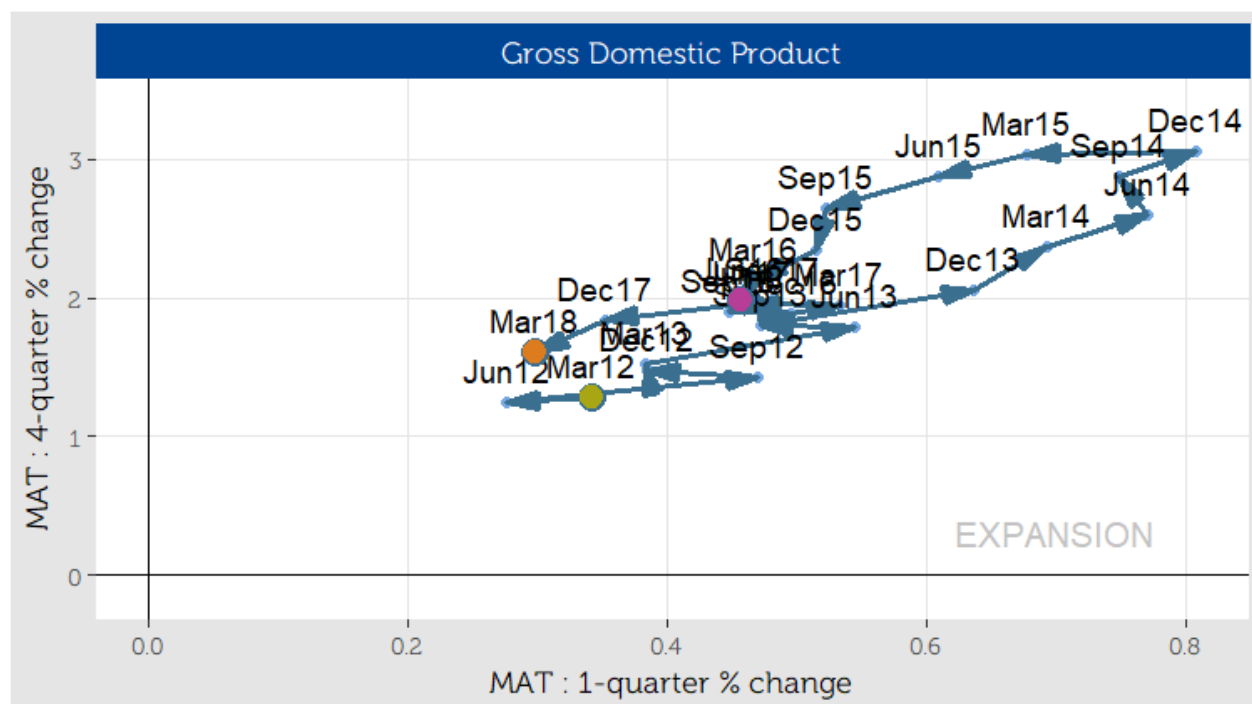
12.4 FTSE 100 Index



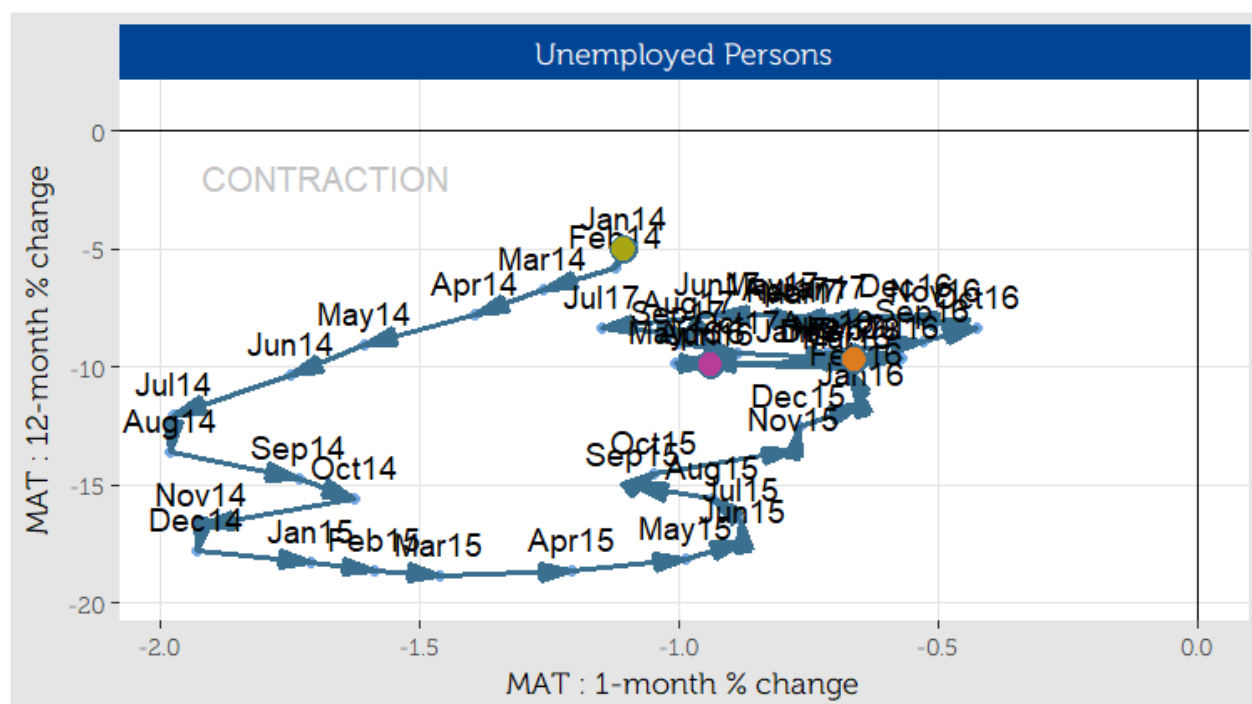
12.5 OECD Composite Leading Indicator - UK



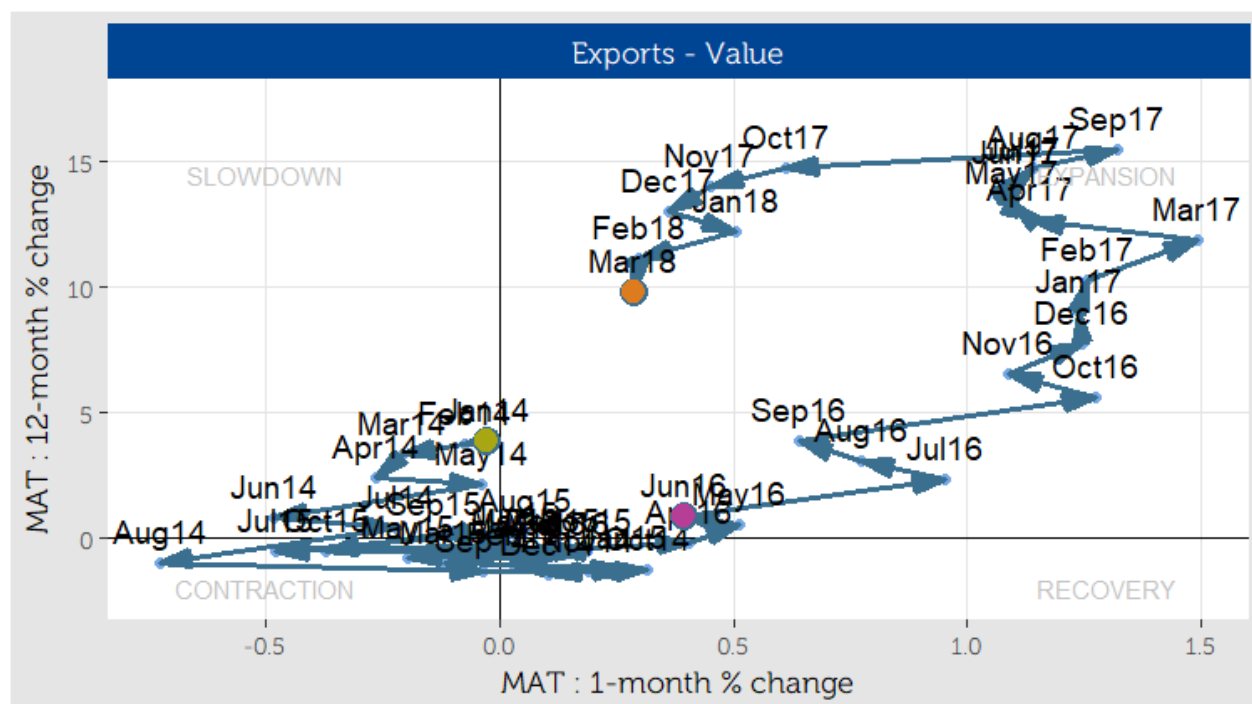
12.6 Gross Domestic Product - GDP (ABMI-PGDP)



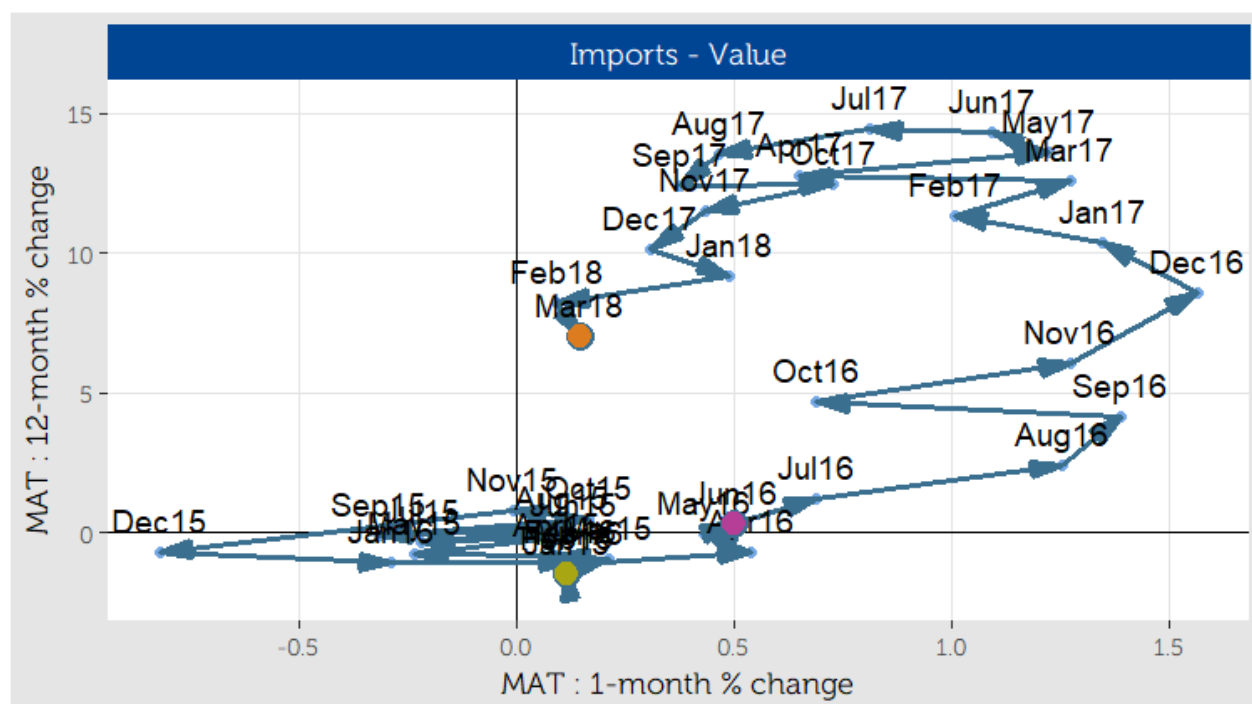
12.7 Unemployed Persons (MGSC)

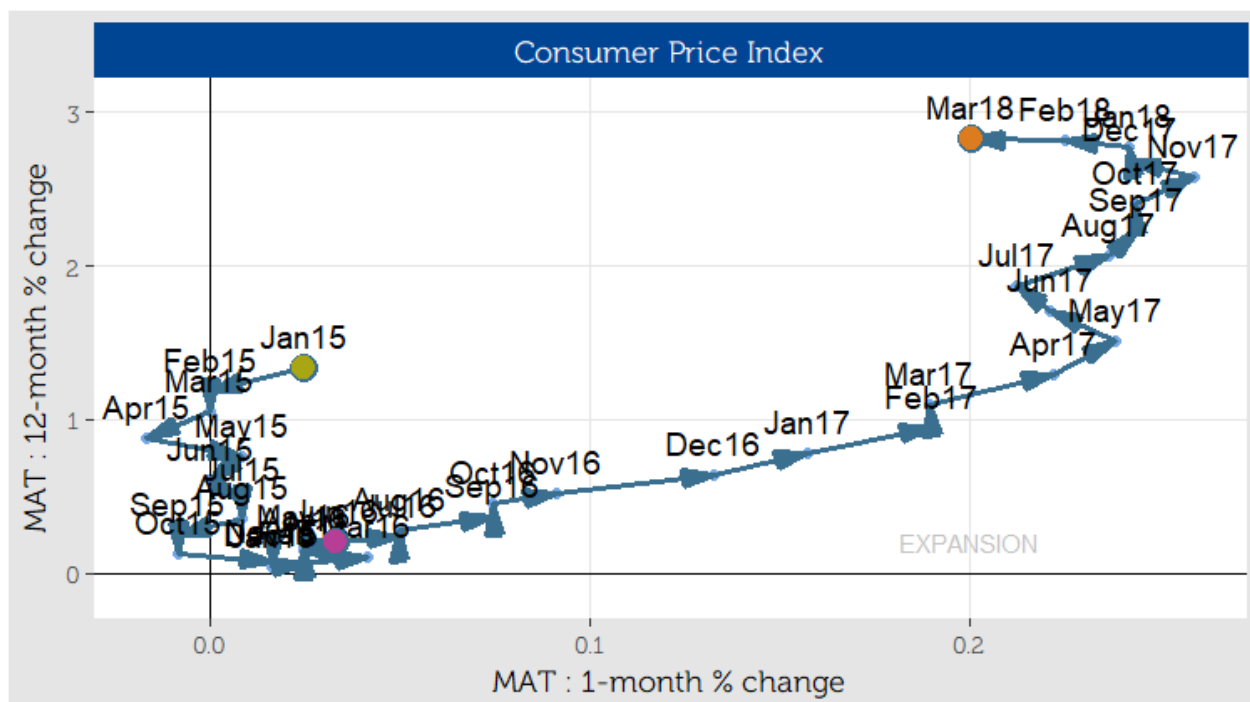
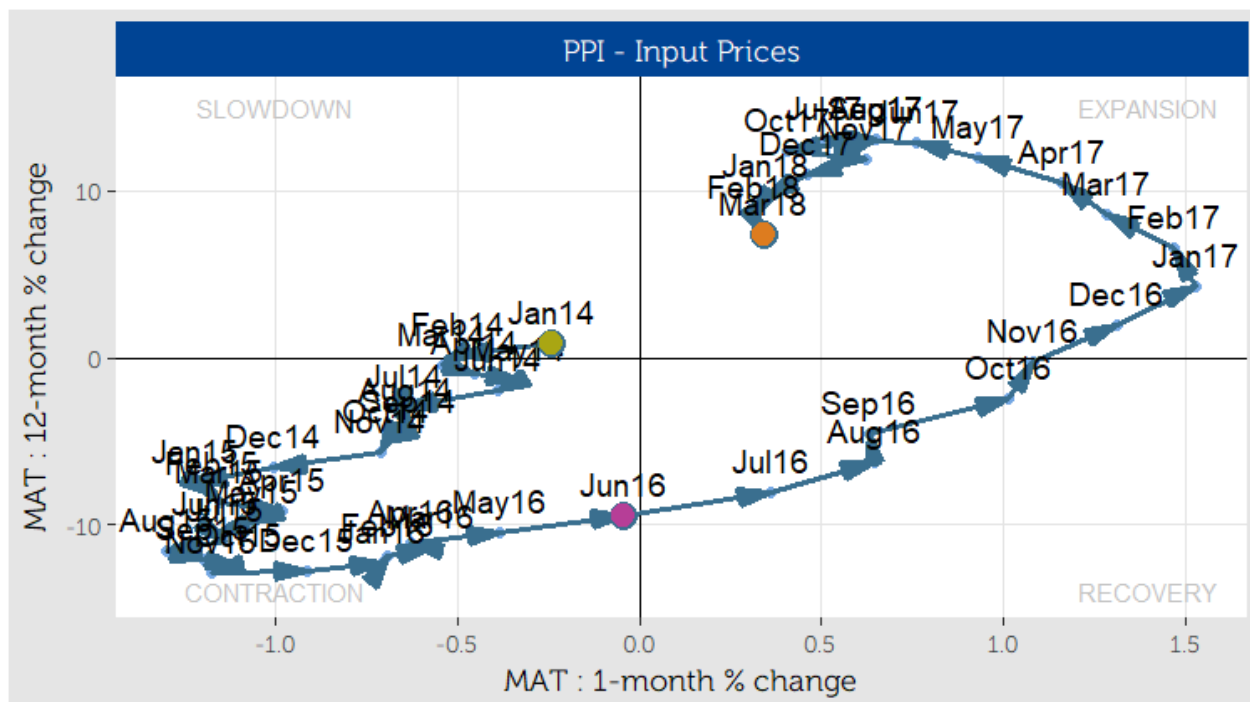


12.8 Exports - Value (IKBH)

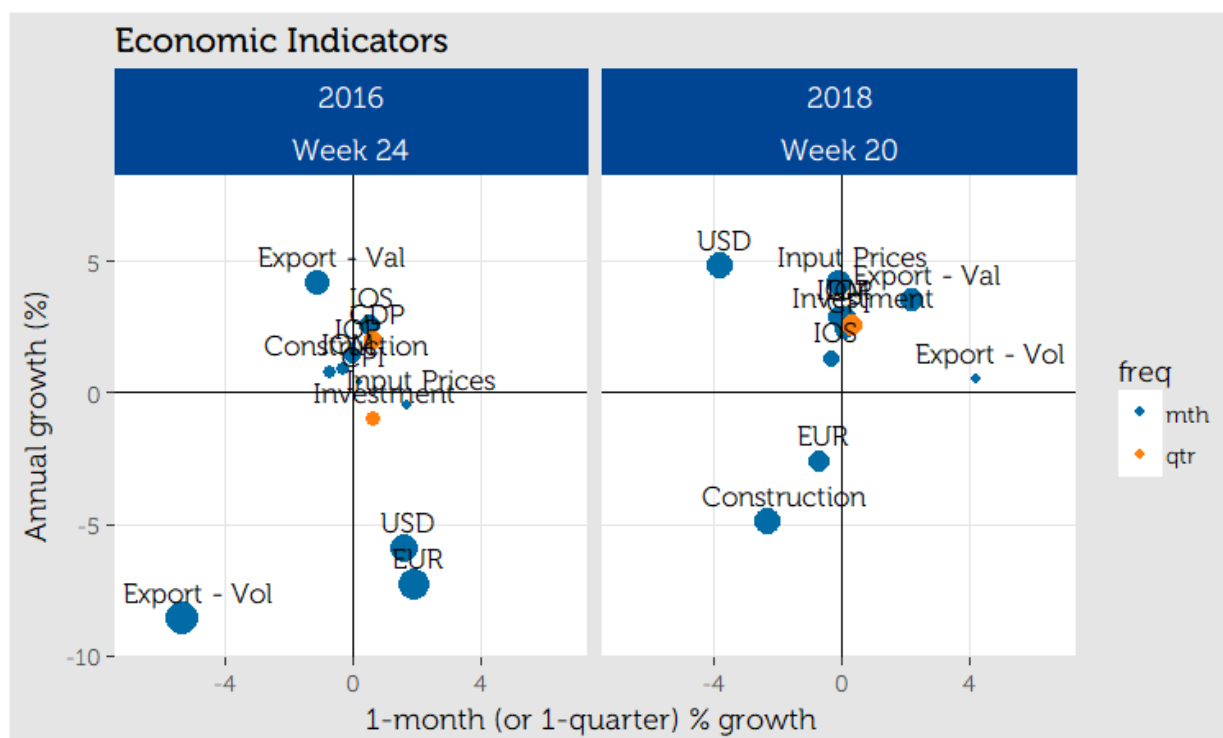
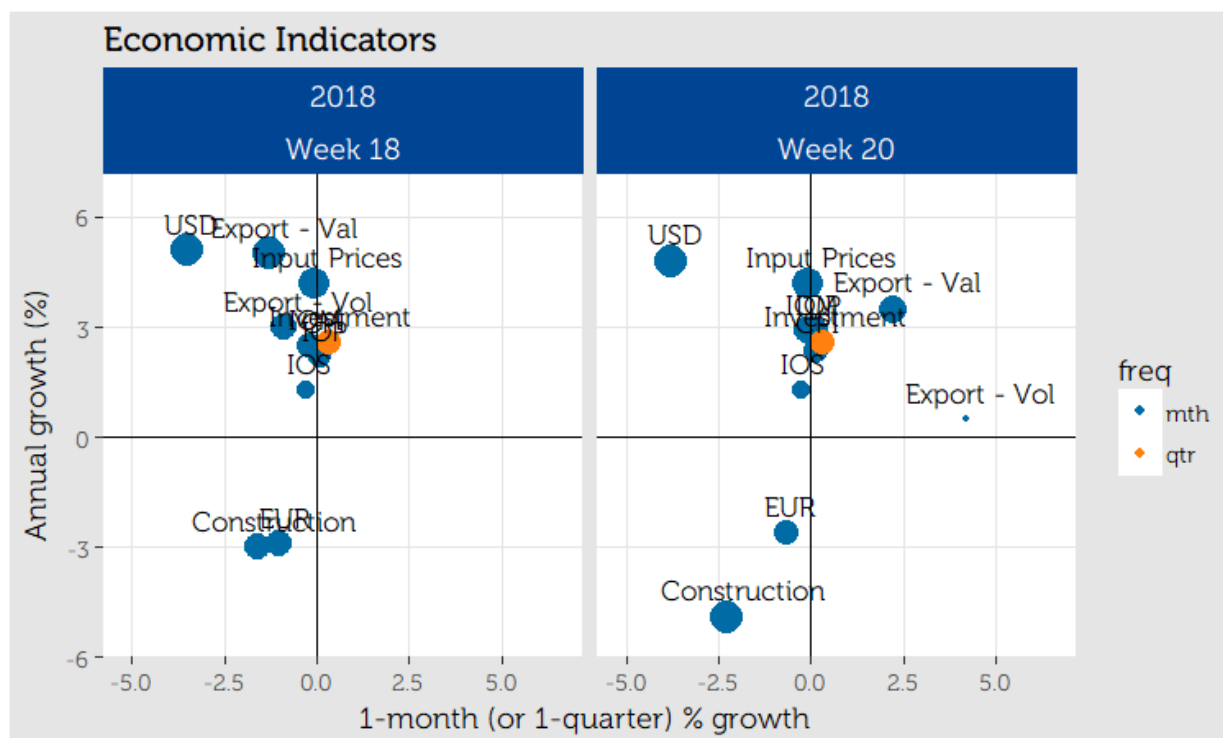


12.9 Imports - Value (IKBI)





12.12 Current State

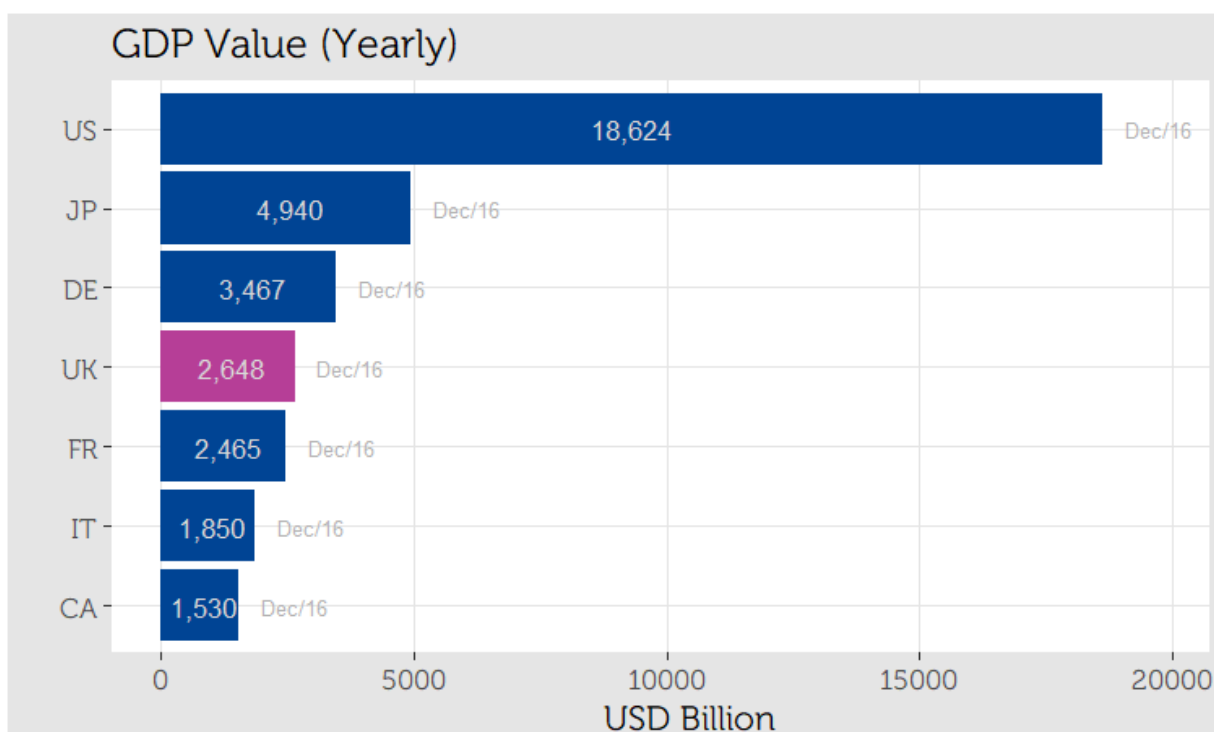
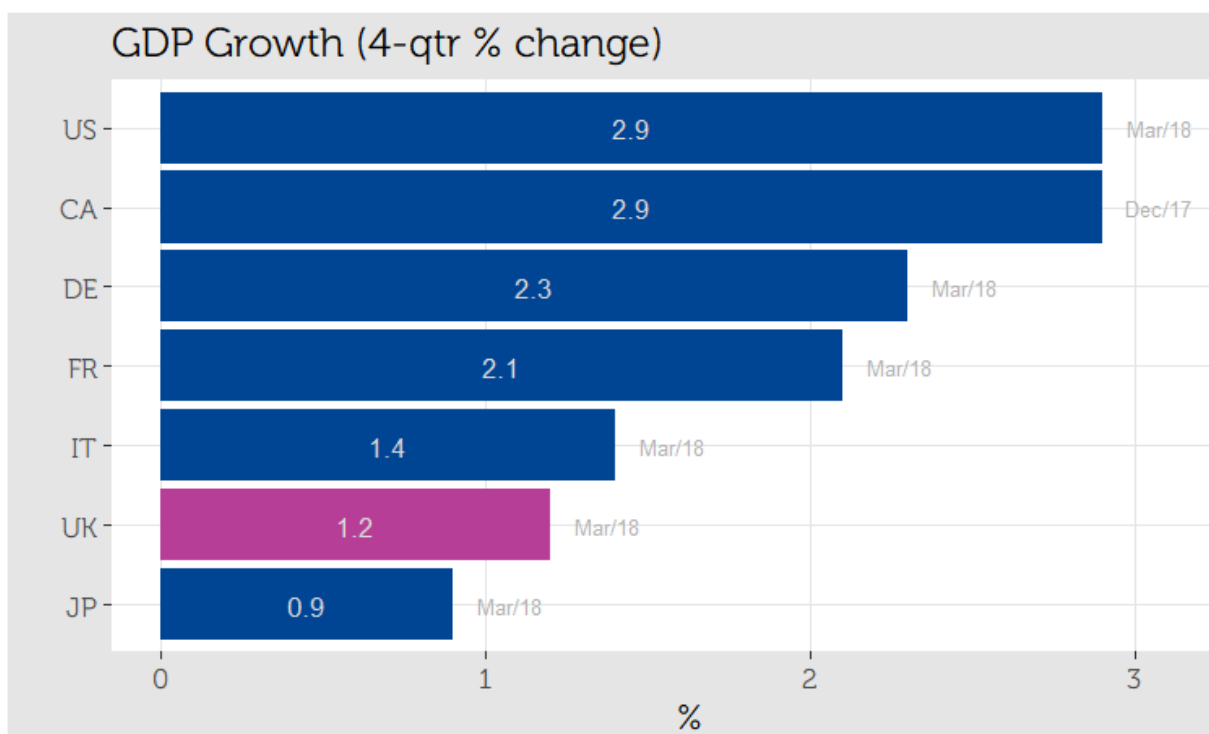


Top: Indicators growth - Current week versus previous week.

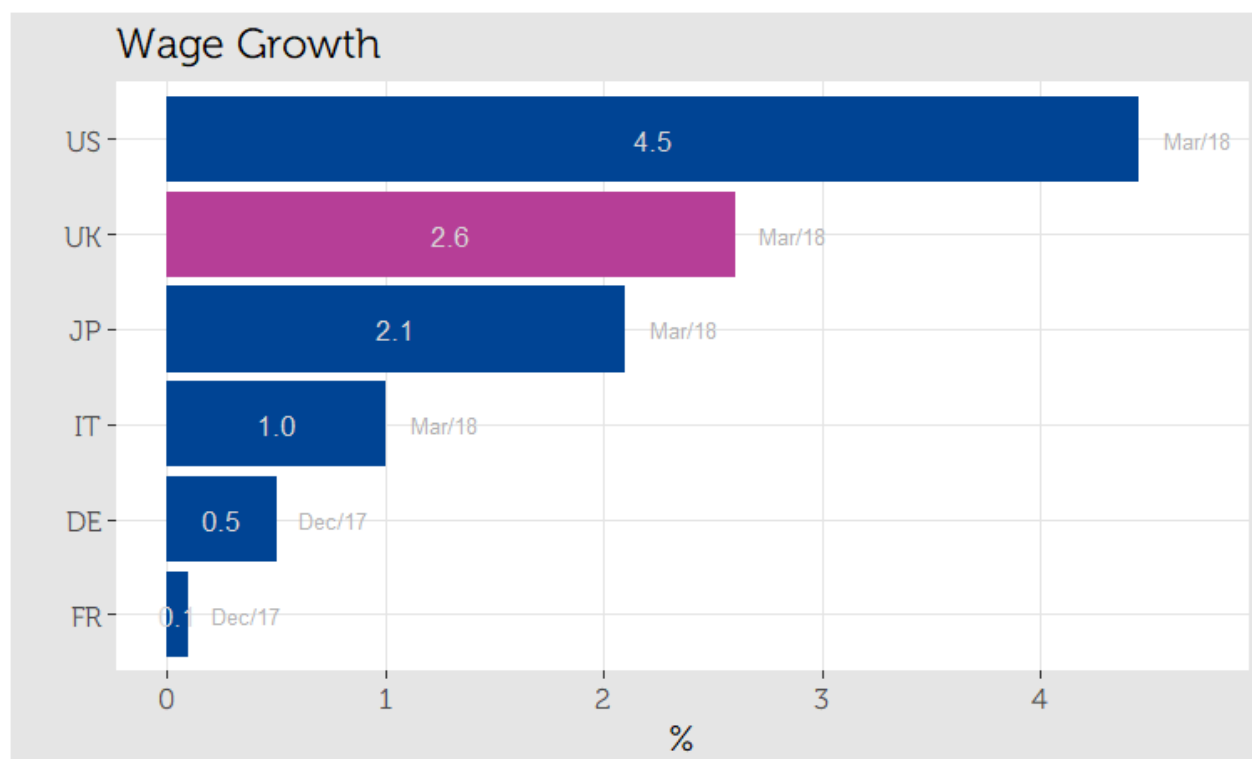
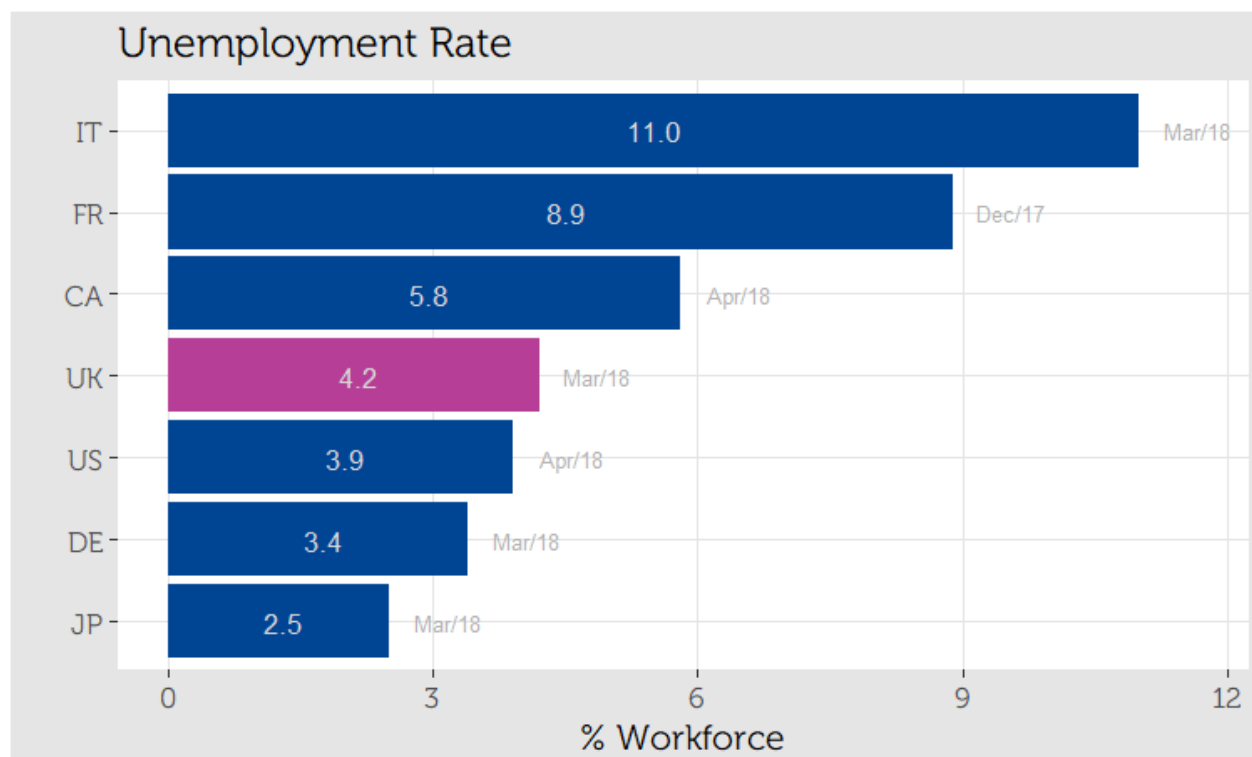
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

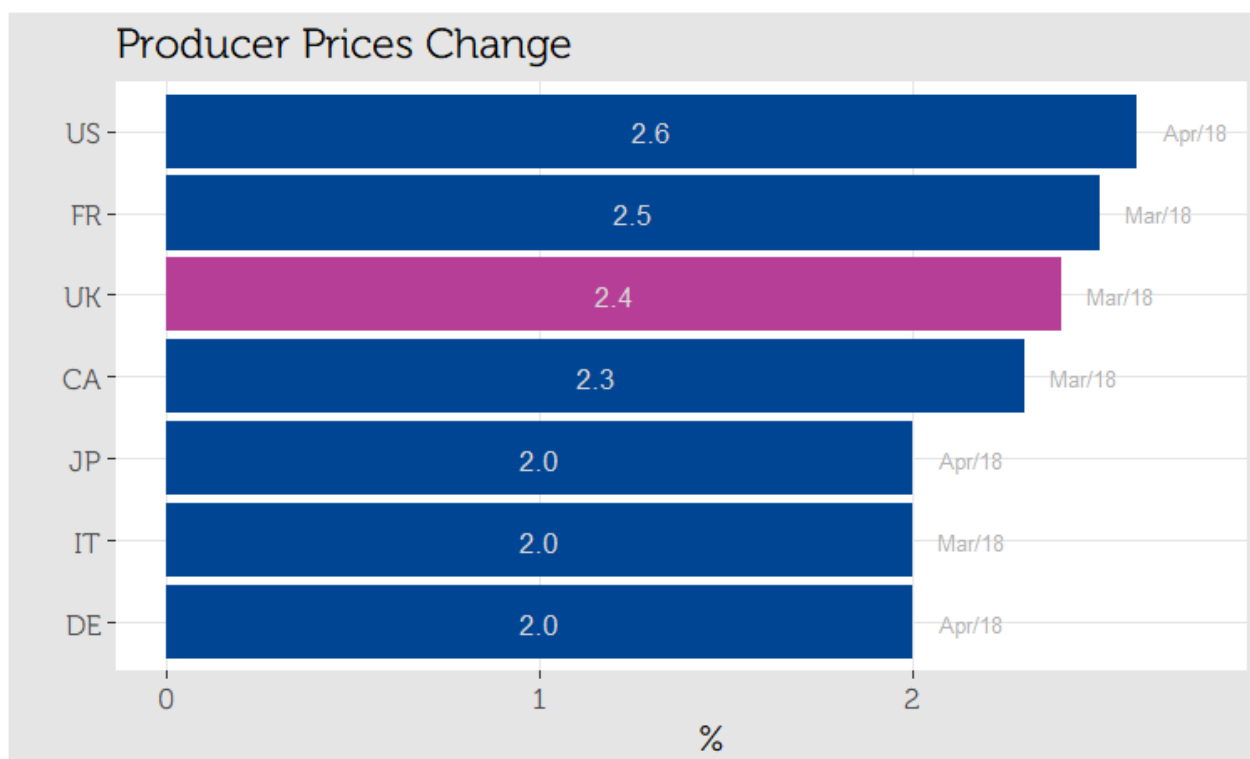
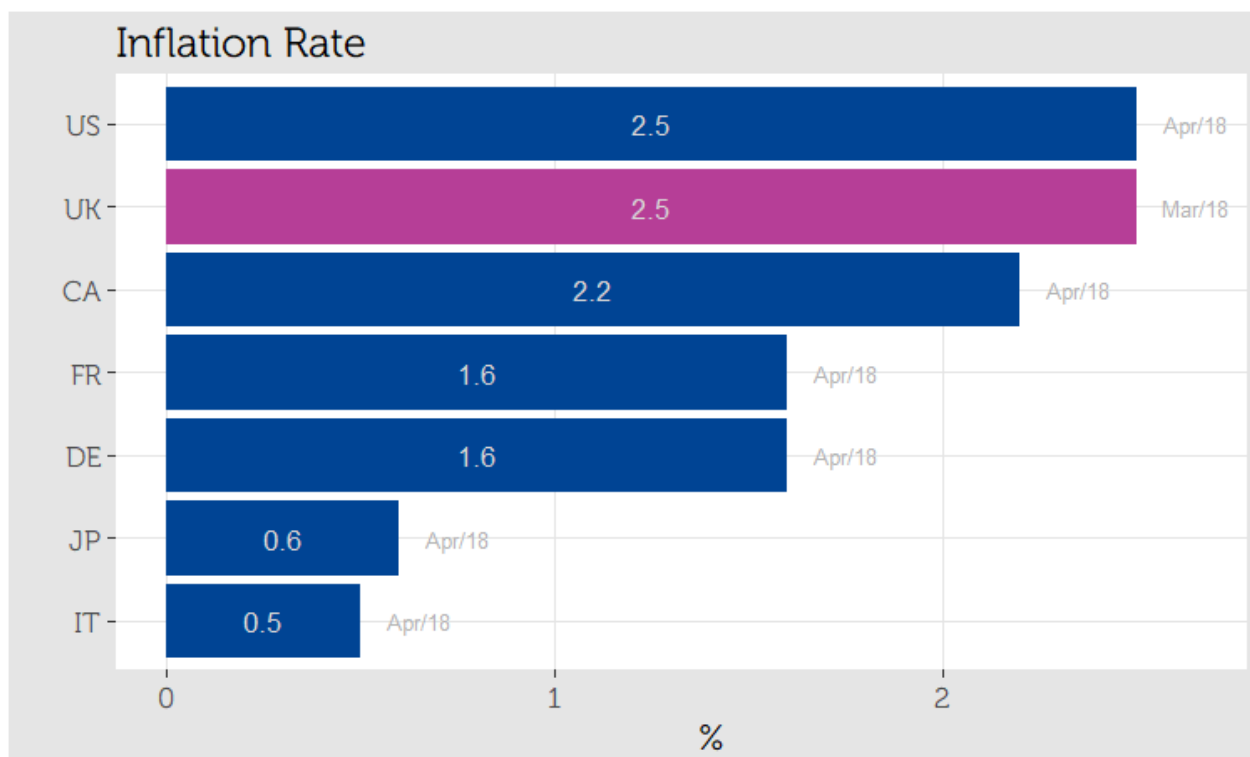
13.1 Gross Domestic Product (GDP)



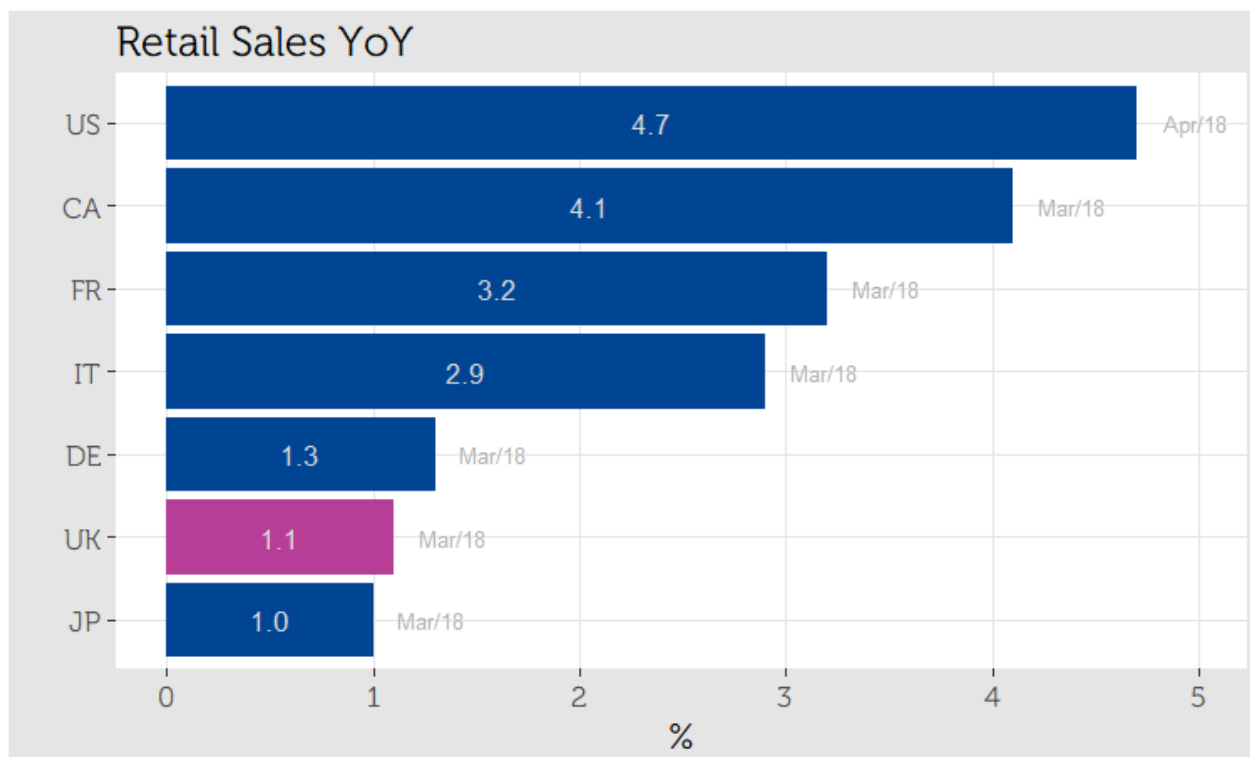
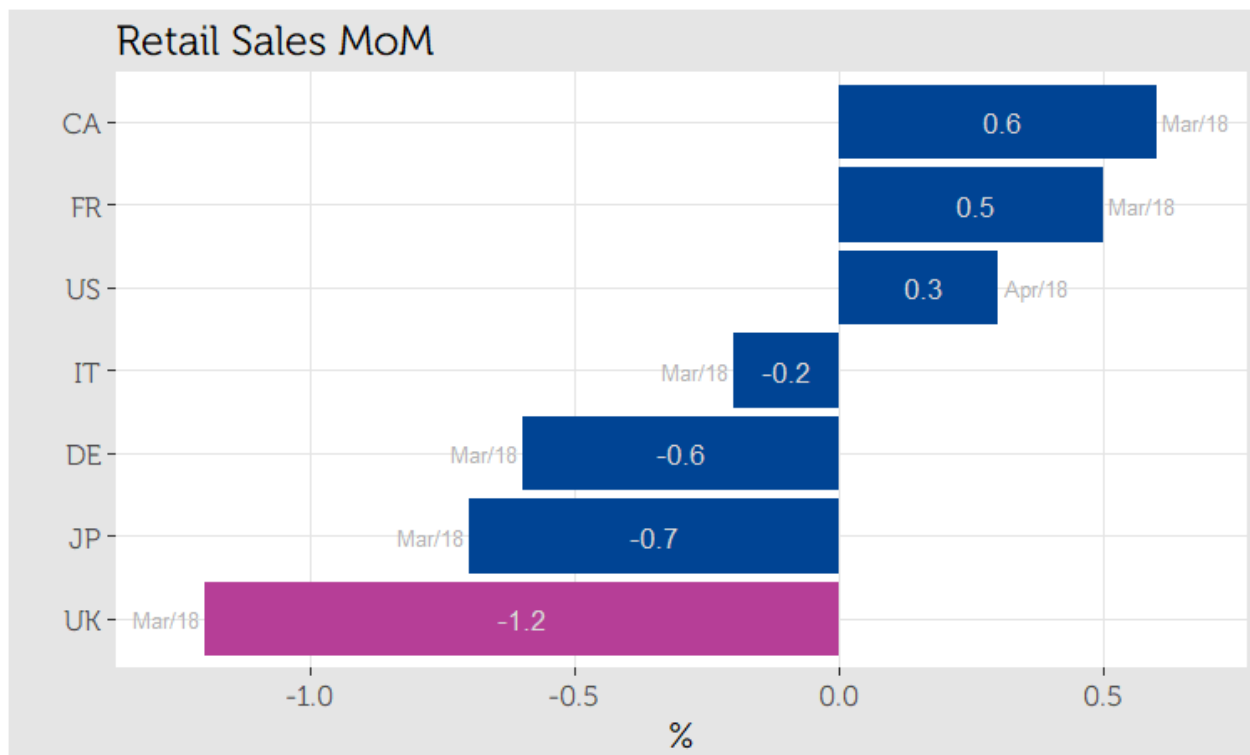
13.2 Unemployment & Wage Growth



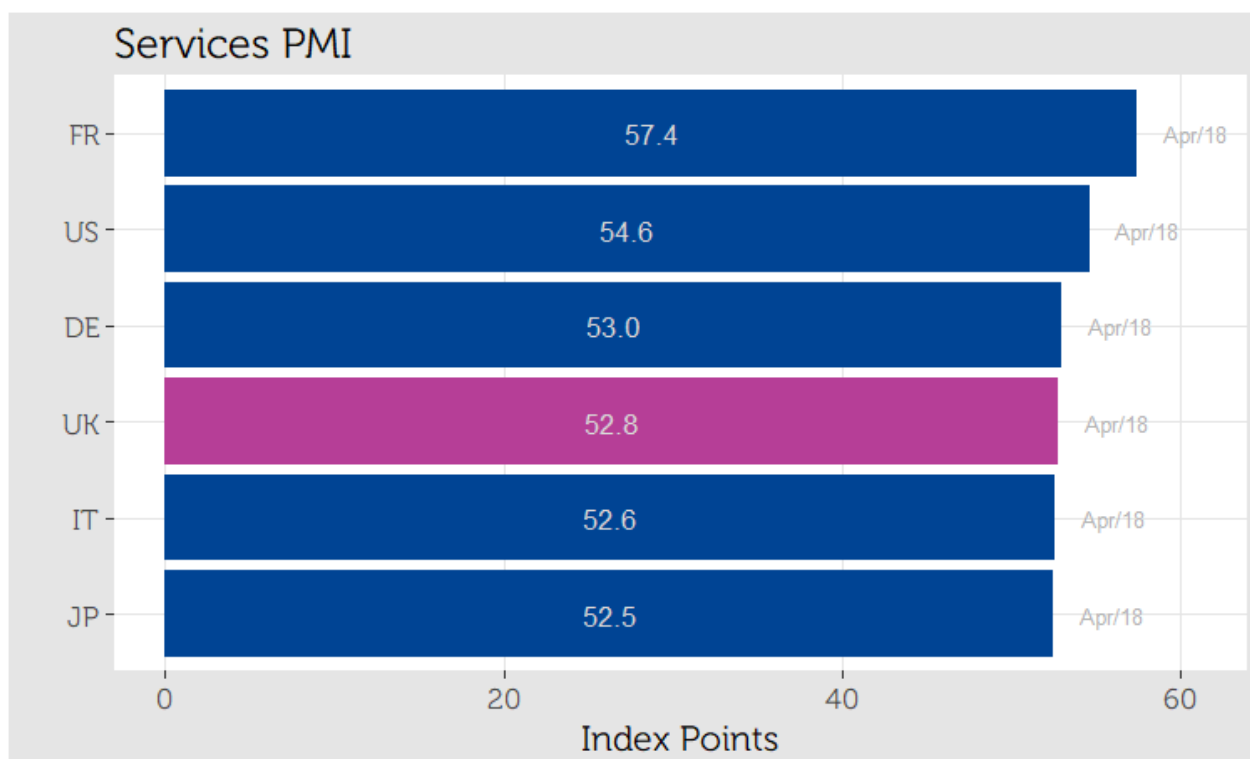
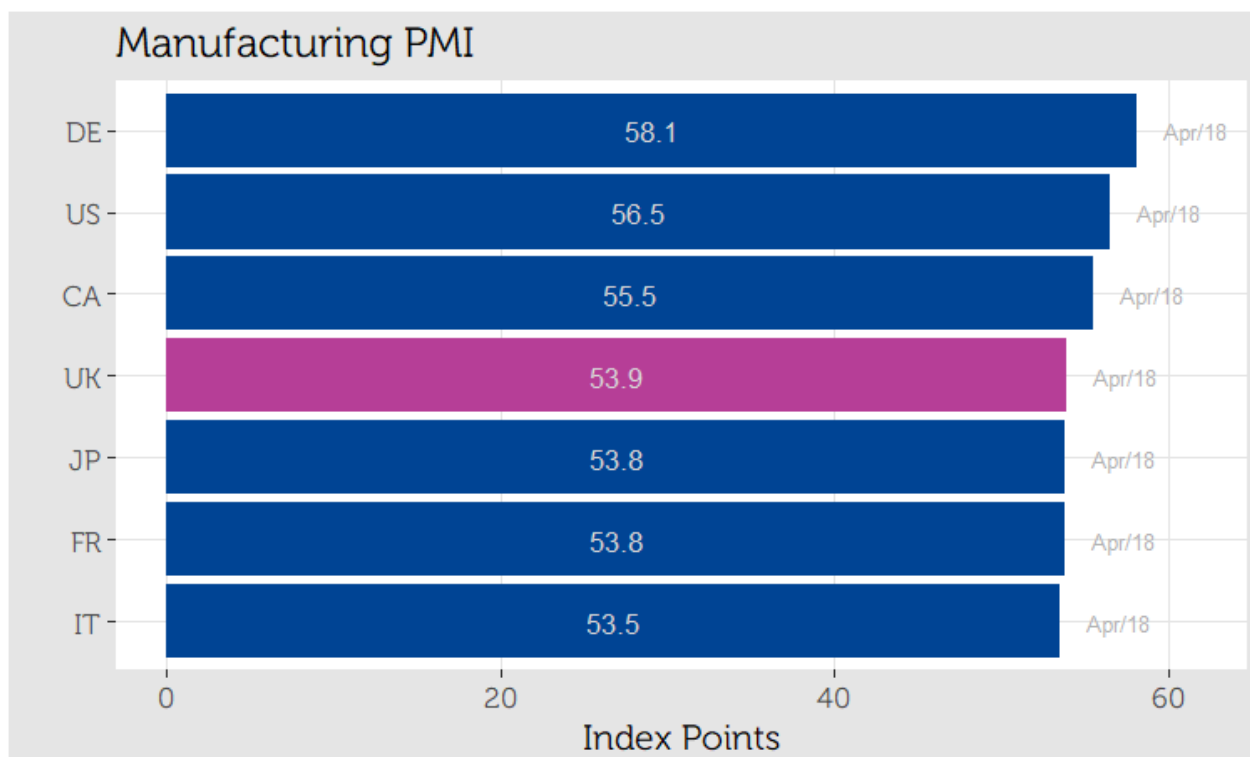
13.3 Inflation & Producer Prices



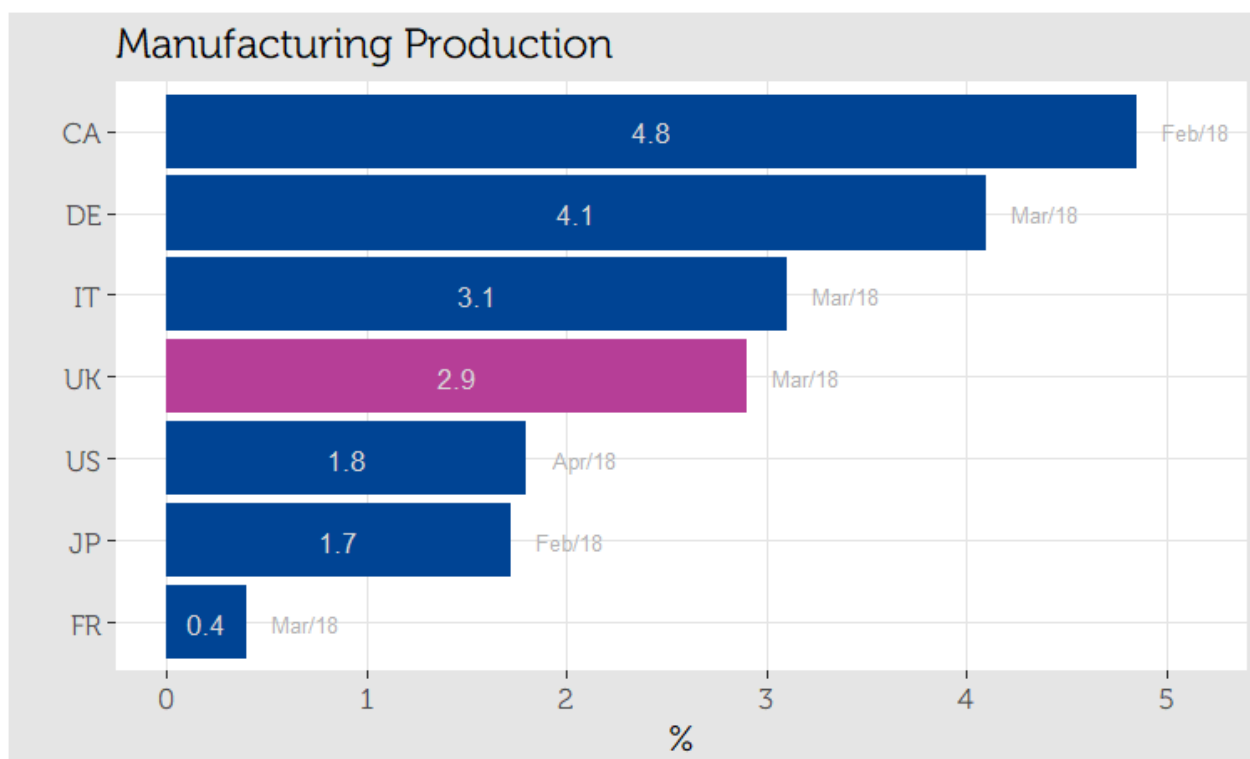
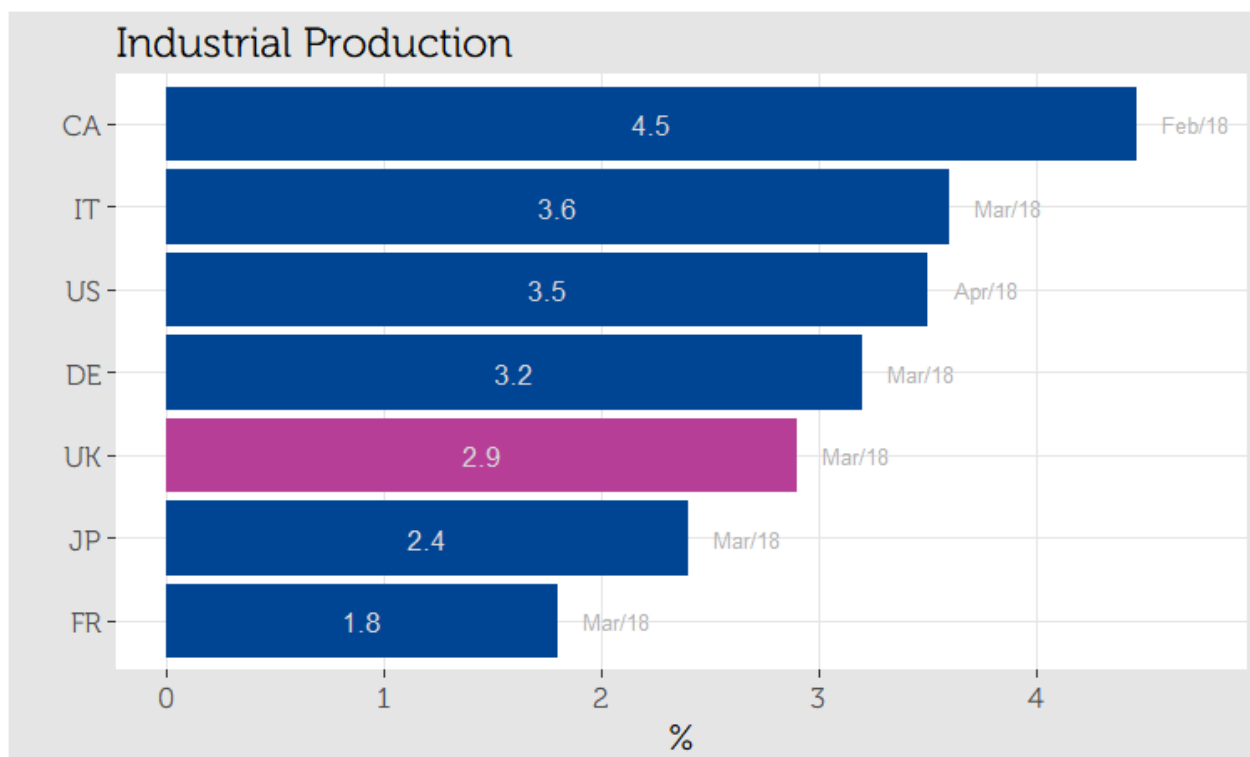
13.4 Retail Sales



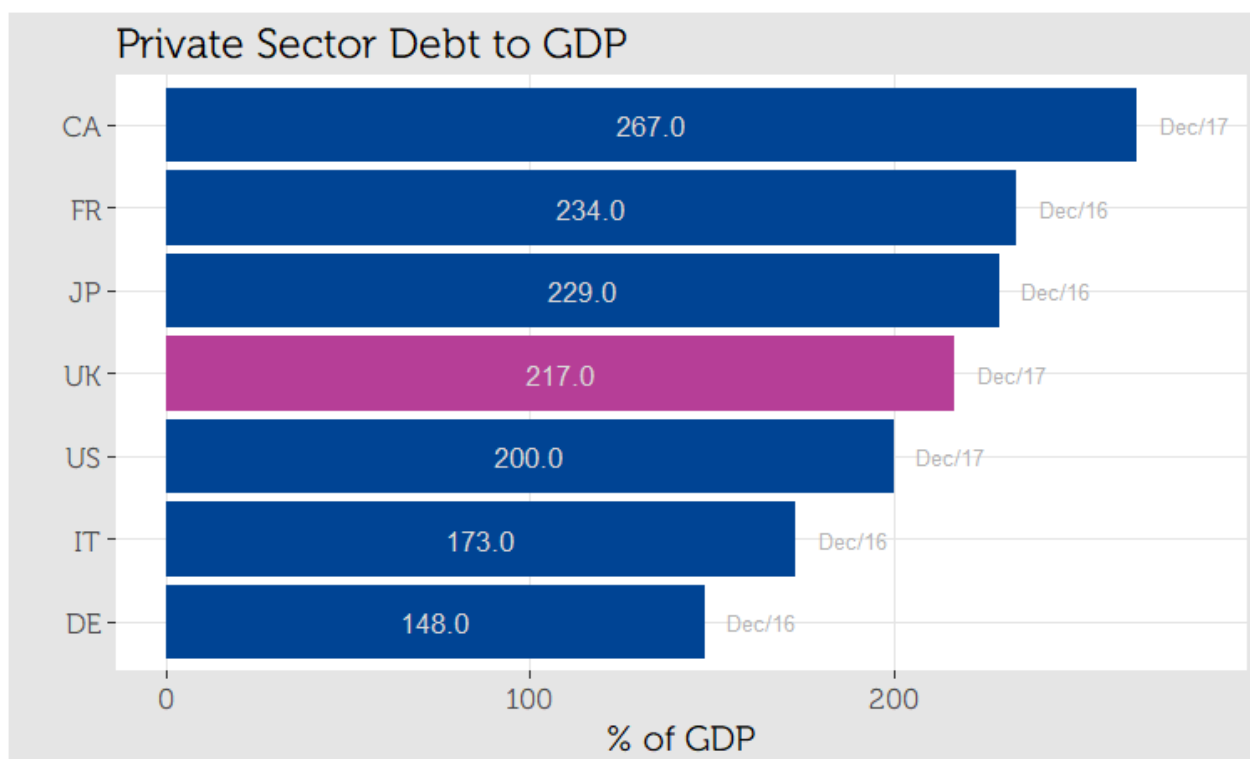
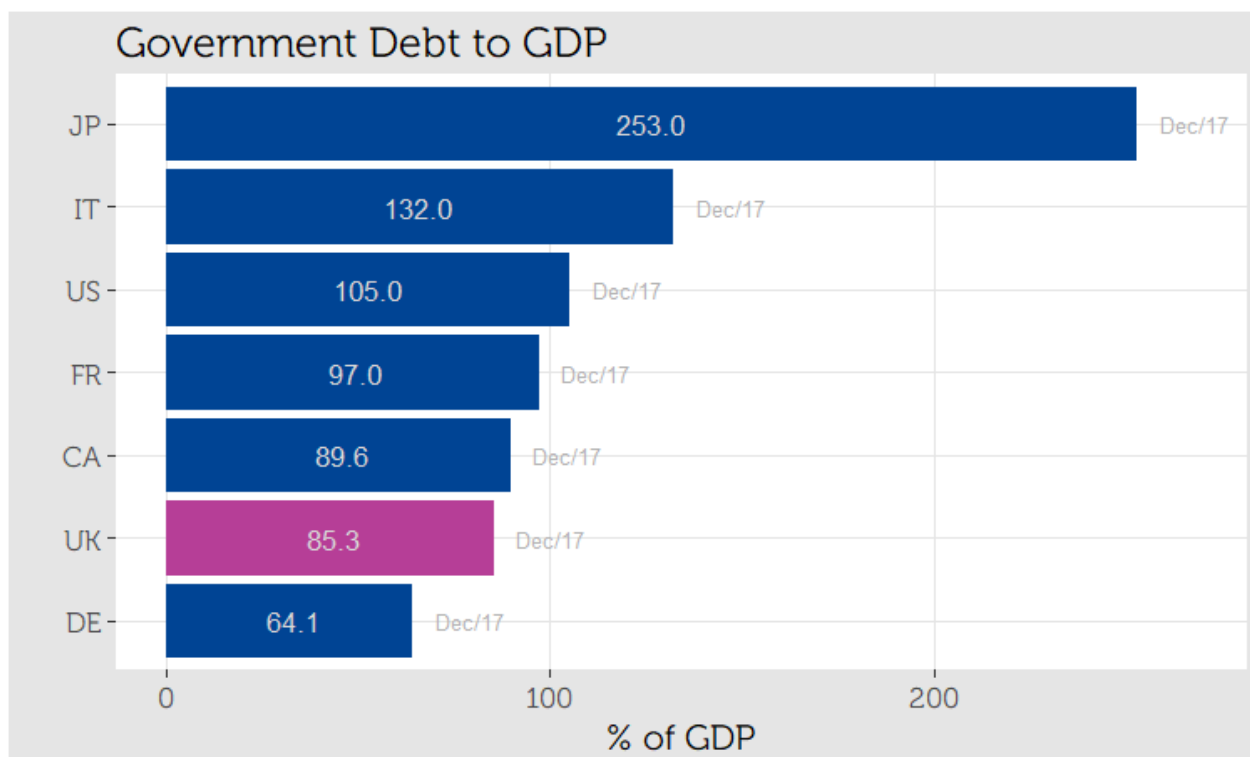
13.5 Purchasers Managers Index - Manufacturing & Services



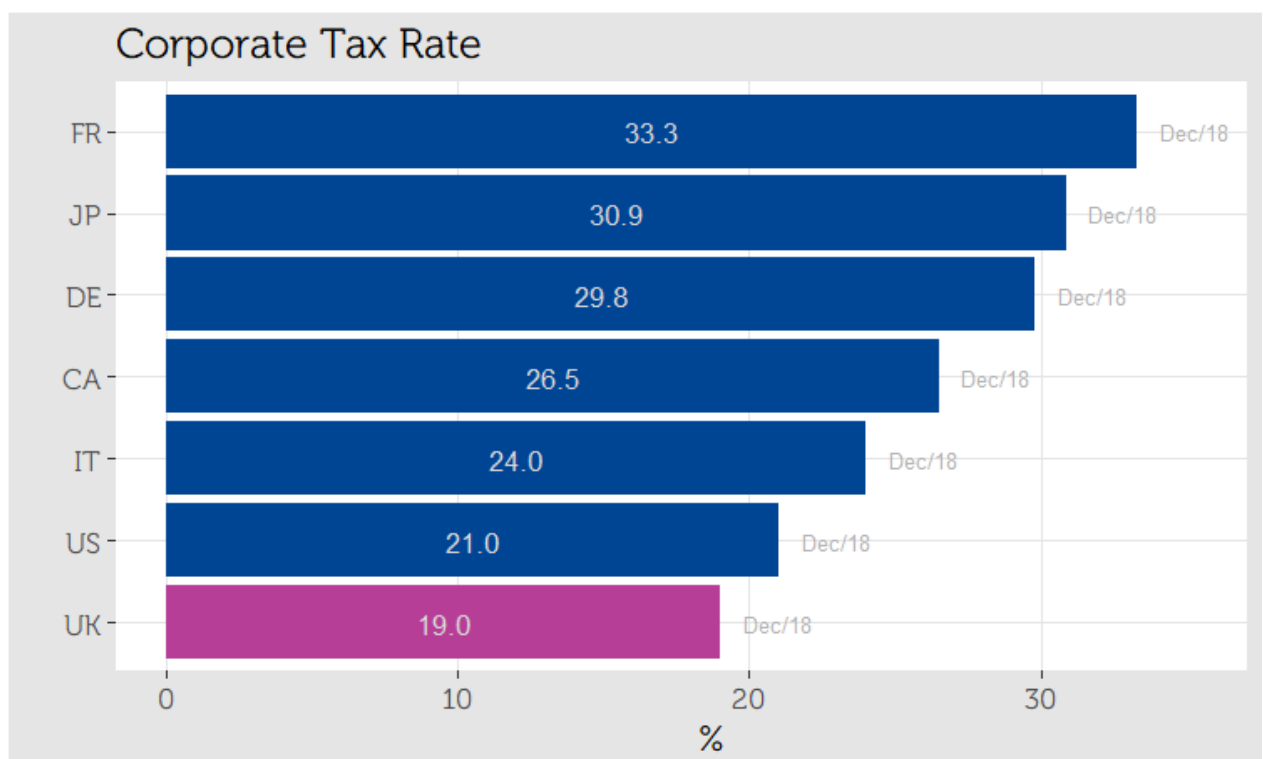
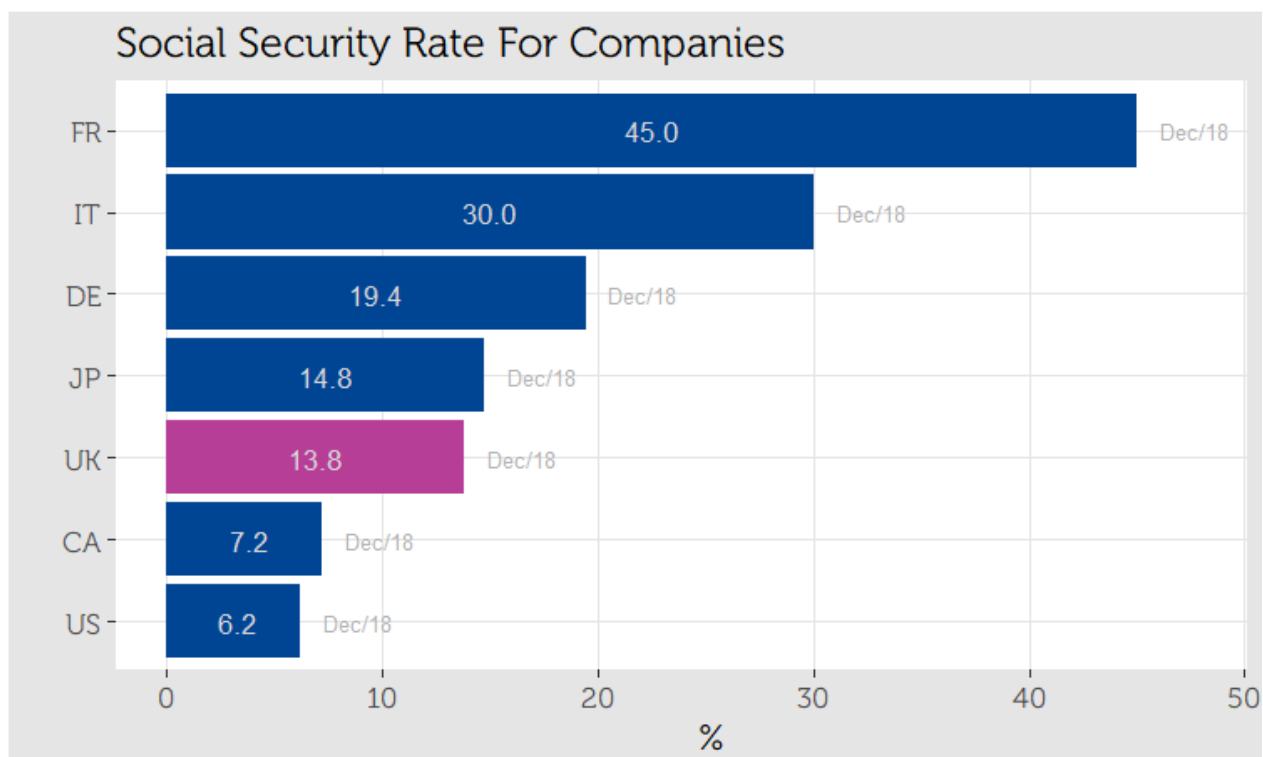
13.6 Industrial Production & Manufacturing



13.7 Debt



13.8 Employer Social Security Rate & Corporate Tax



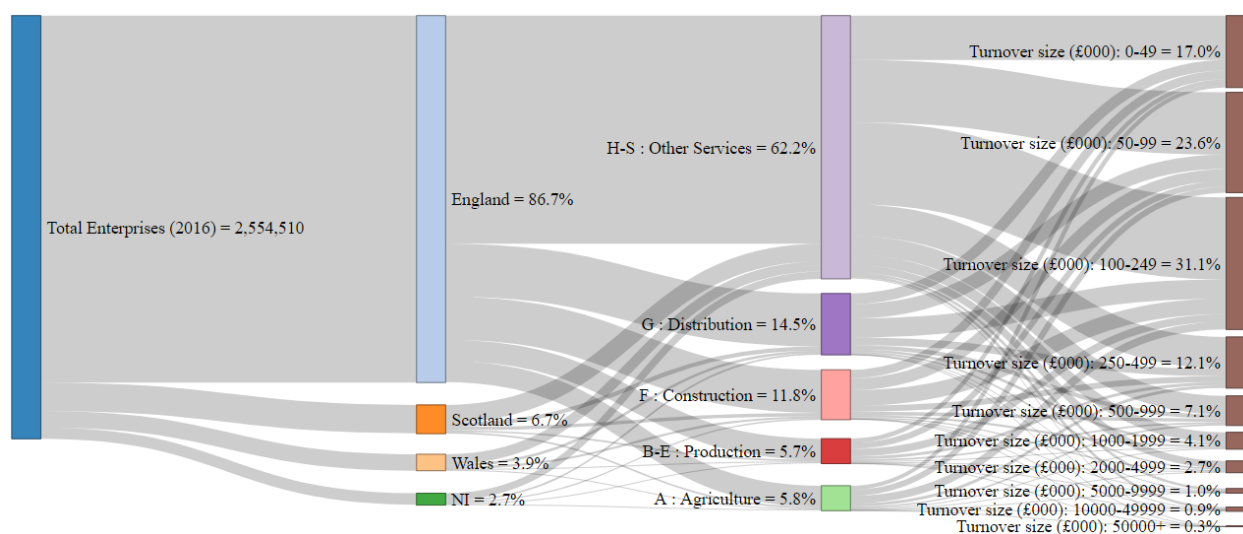
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

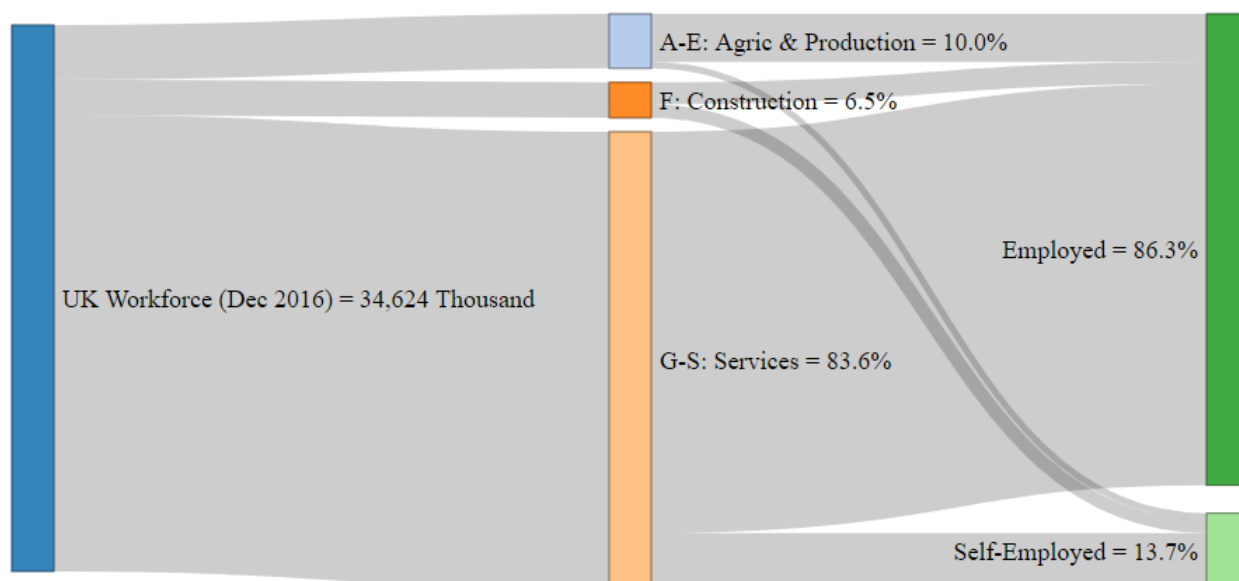


A.2 Enterprises by Turnover Size Band

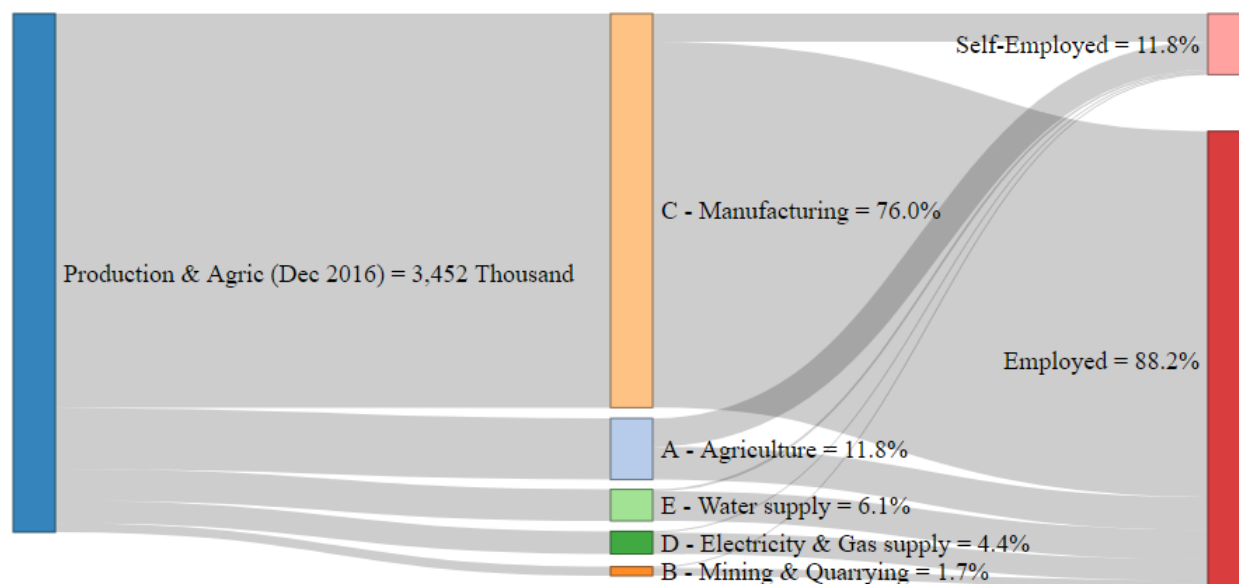


B UK Employment Structure

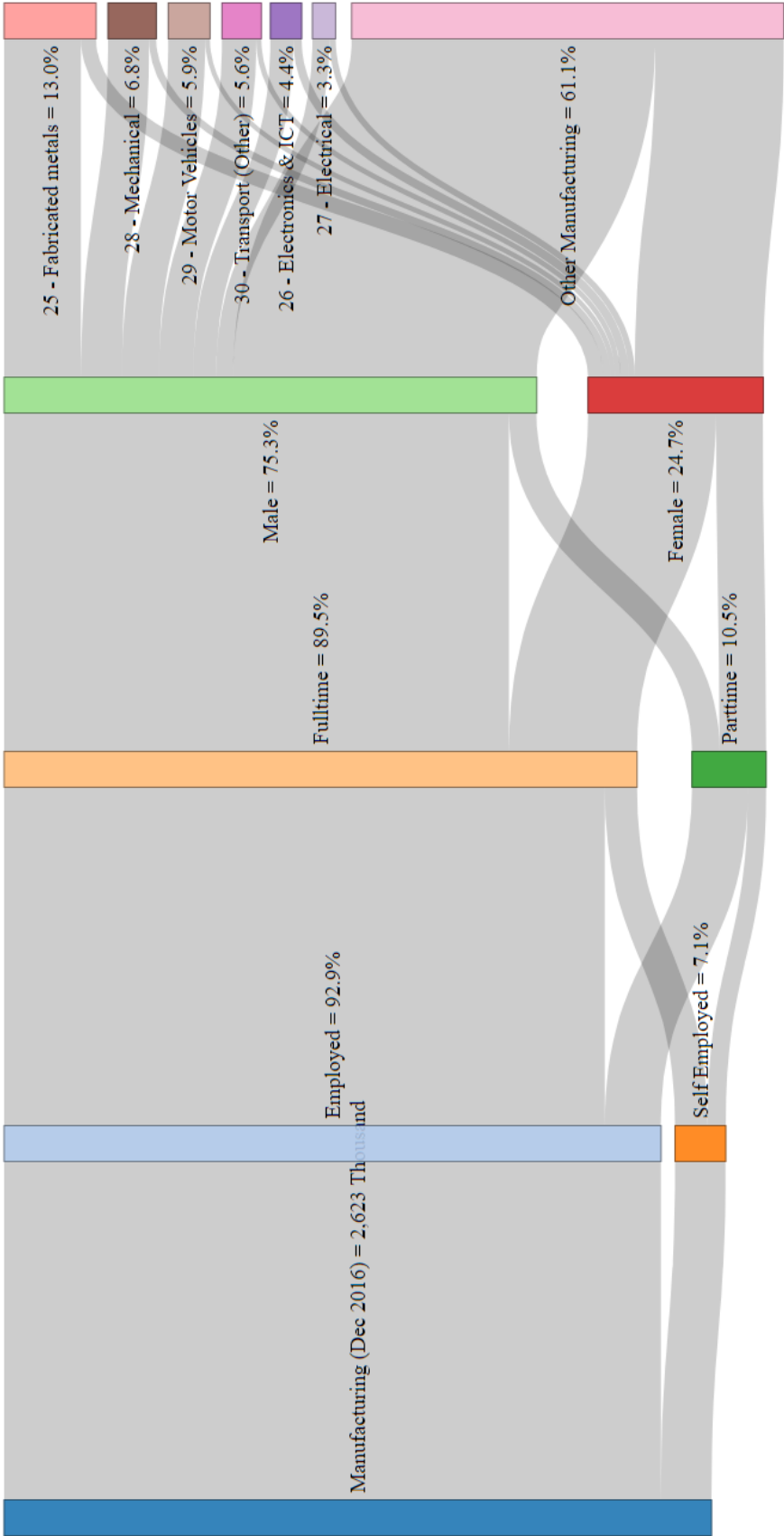
B.1 UK Workforce



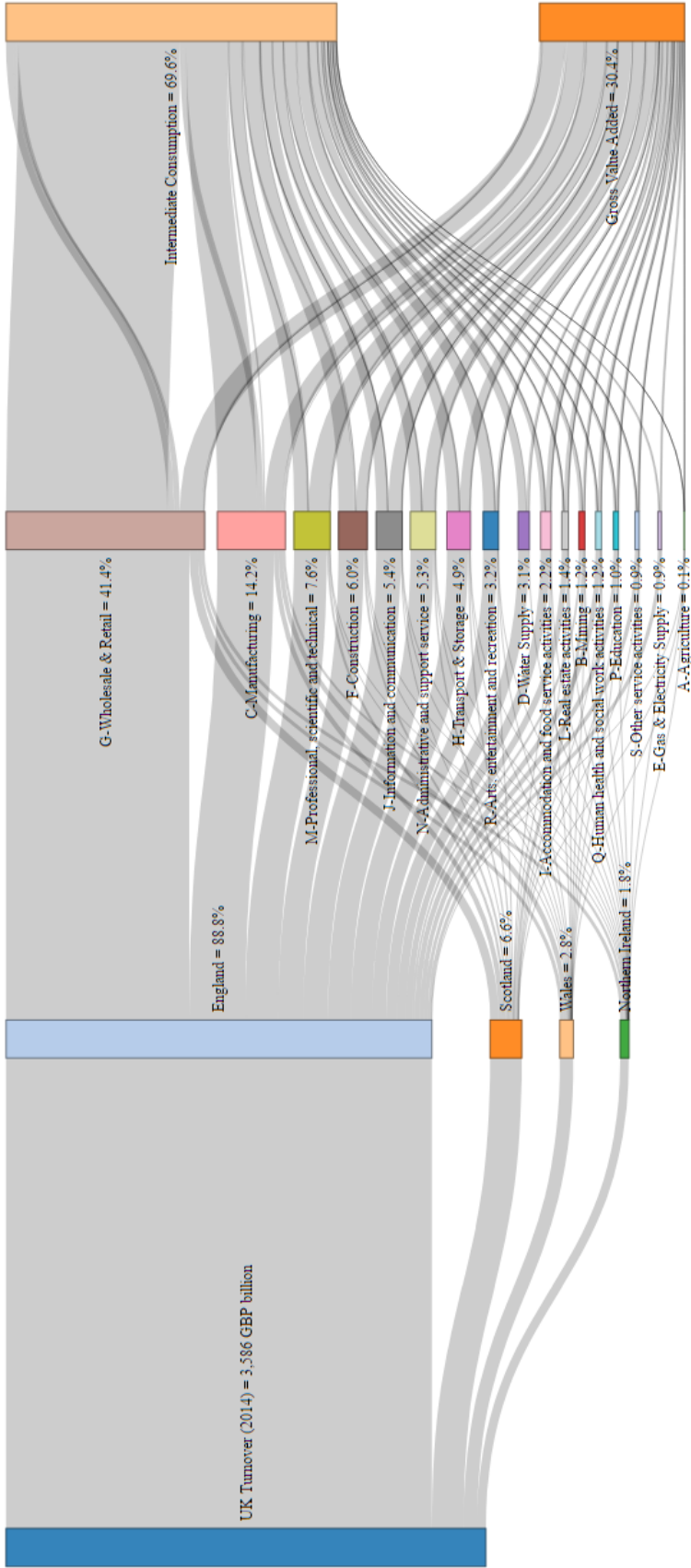
B.2 UK Production & Agriculture Workforce



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/

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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