



European Union Relationship & Industrial Strategy

BREXIT WATCH

Issue 17

September 2018

Brexit Watch - 2018 Issue 17

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

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

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

The main points at the end of week 37 in 2018 are as follows:

- ★ **Sterling** continued to slide against the **US Dollar** as the month to date average fell 3.2% below September 2017 average.
- ★ The first estimate of **GDP** growth, for 2018 Q2 was 0.4%, equivalent to £506 billion and a growth of 1.3% compared to 2017 Q2.
- ★ **Unemployment** rate fell to 4.0%, in the three months to July 2018 as the number employed increased by 261 thousand compared to a year earlier.
- **Input prices** rose by 10.9% in the twelve months to July 2018, driven by petroleum products.
- **Consumer price index** rose by 2.5% in the twelve months to July 2018, driven by transport.
- ★ **Index of production** in July 2018 grew by 1.0% on June 2018 and also grew by 1.6% compared to twelve months earlier.
- ★ **Construction** output in July 2018 grew by 0.5% to £13.9 billion on previous month and also grew by 3.5% compared to twelve months earlier.
- **Retail sales volume** rose by 3.5% in the twelve months to July 2018 and online spending accounted for 18.2% of total spending.
- ★ **Exports** in July 2018 rose by 6.9% to £54.4 billion compared to twelve months earlier and **imports** also rose by 2.7% to £54.5 billion in the same period.
- ★ The moving annual **Turnover** for the EURIS6 group reached £152.9 billion in July 2018, representing a growth of 6.5% compared to July 2017. The group **exported** £53.1 billion in the twelve months to July 2018, a growth of 5.6% and the **workforce** now stands at 1,089 thousand.

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Glossary

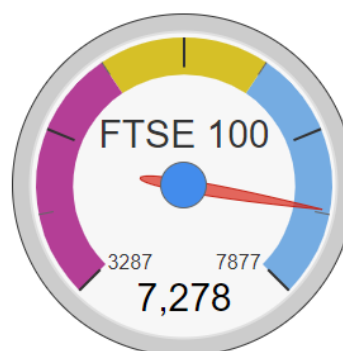
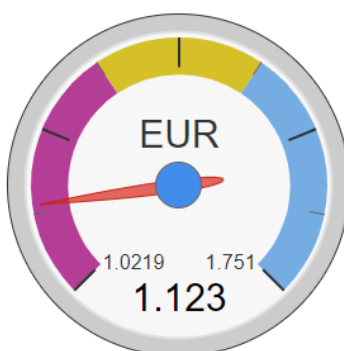
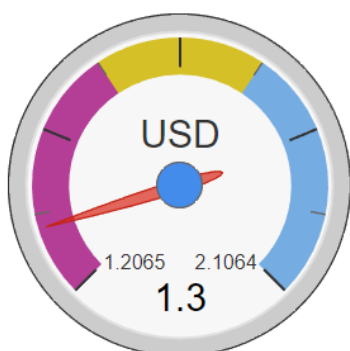
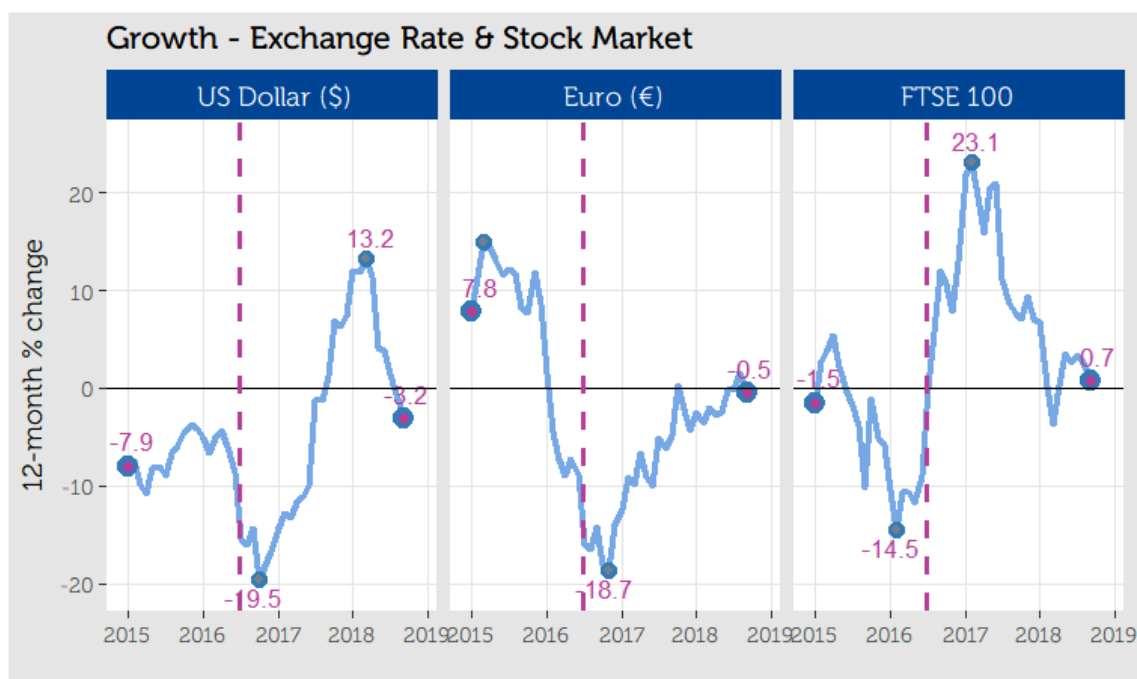
BCA	British Cables Association	GDP	Gross Domestic Product
BCAS	British Compressed Air Society	HMRC	HM Revenue & Customs
BEAMA	British Electrical & Allied Manufacturers Association	IOM	Index of Manufacturing
BFPA	British Fluid Power Association	IOP	Index of Production
BPF	British Plastics Federation	IOS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

1 Exchange Rates & Stock Market

Sterling was trading below 1.3 against **US Dollar** at the end of week 37. The month-to-date rate was 0.2% above August 2018, 3.2% below September 2017 and 11.3% below May 2016 (pre-brexit vote).

Sterling gained slightly against the **Euro** to finish at 1.1227/GBP at the end of week 37. The month-to-date rate was 0.3% below August 2018 and also 0.5% lower than September 2017.

FTSE 100 lost 389 points in the past 4 weeks to finish at 7278 at the end of the week 37. The month-to-date average was 2.9% below August 2018, 0.7% above September 2017 and 19.8% above May 2016.

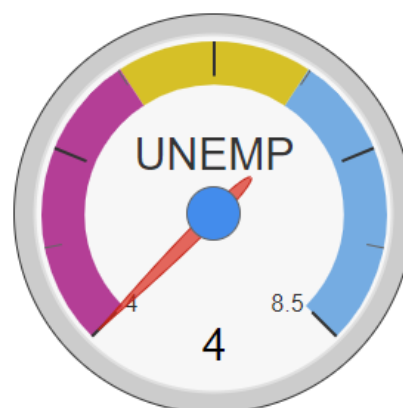
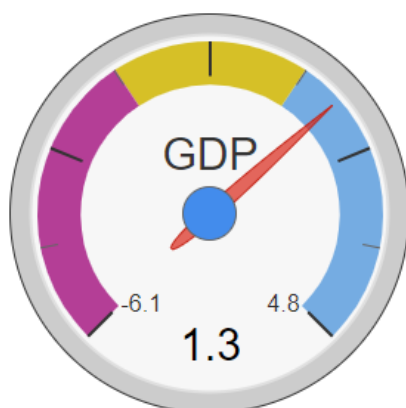
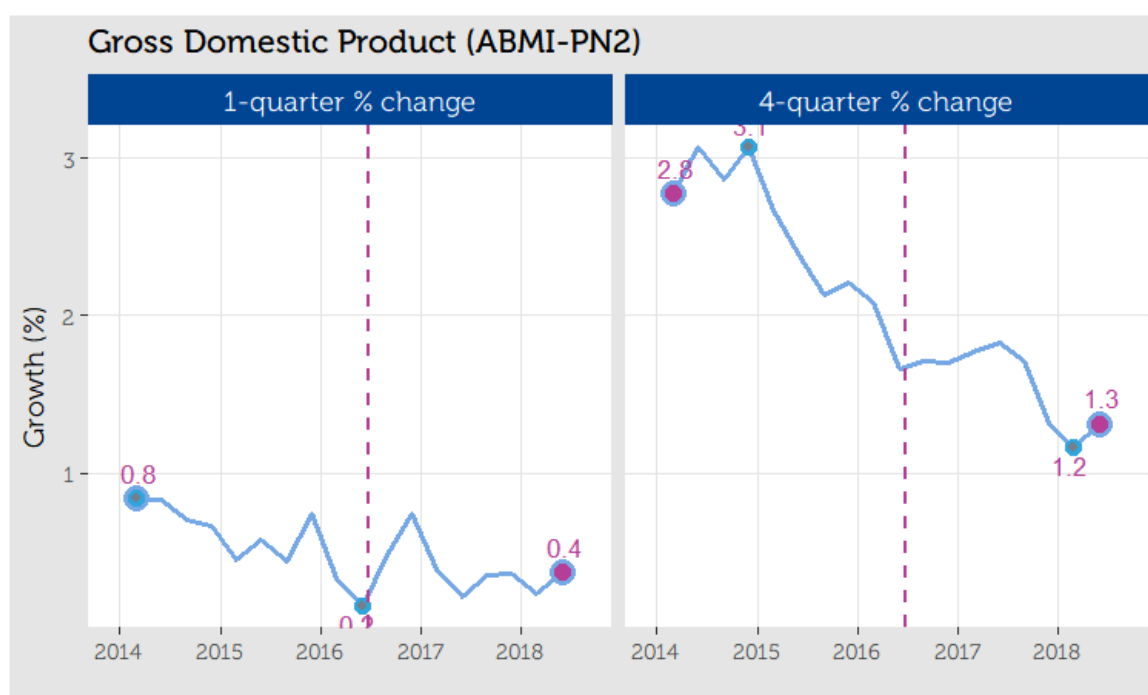


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The first estimate of **GDP** growth, for 2018 Q2 was 0.4%, equivalent to £506 billion and a growth of 1.3% compared to 2017 Q2. Services increased by 0.5%, construction increased by 0.9% but production fell by 0.8% on previous quarter. GDP has grown by 3.2% since 2016 Q2.

The number of people in work increased by 261 thousand to 32.40 million in the three months to July 2018 compared to a year earlier. The number of people unemployed decrease by 55 thousand to 1.36 million in the same period. **Unemployment** rate fell 45-year low to 4.0%.

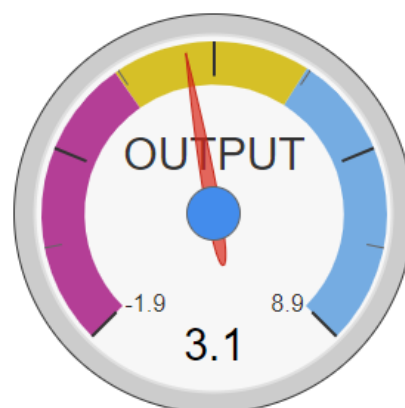
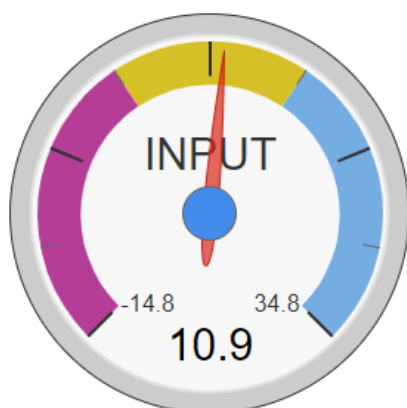
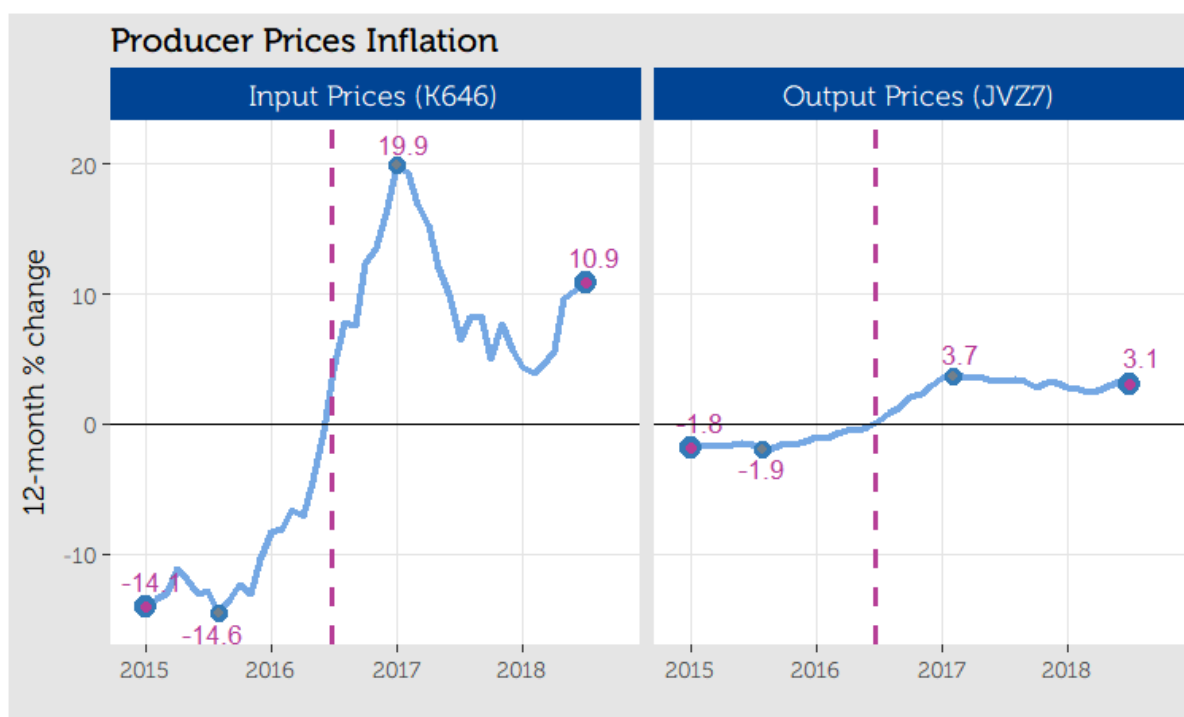


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

3 Producer Prices

The **input prices** index for all manufacturing reached 14-month high at 10.9% compare to twelve months earlier. The main drivers for the increase were petroleum products. Input prices index has increased by 23.8% since May 2016.

Factory gate (Output) prices for all manufacturing in July 2018 was unchanged from June 2018 but rose by by 3.1% compared to July 2017. The index has grown by 6.9% since May 2016.



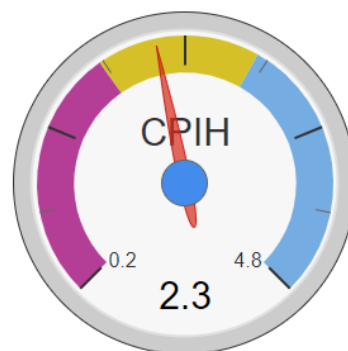
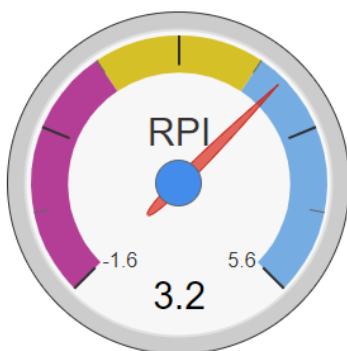
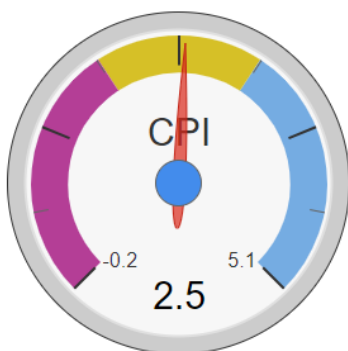
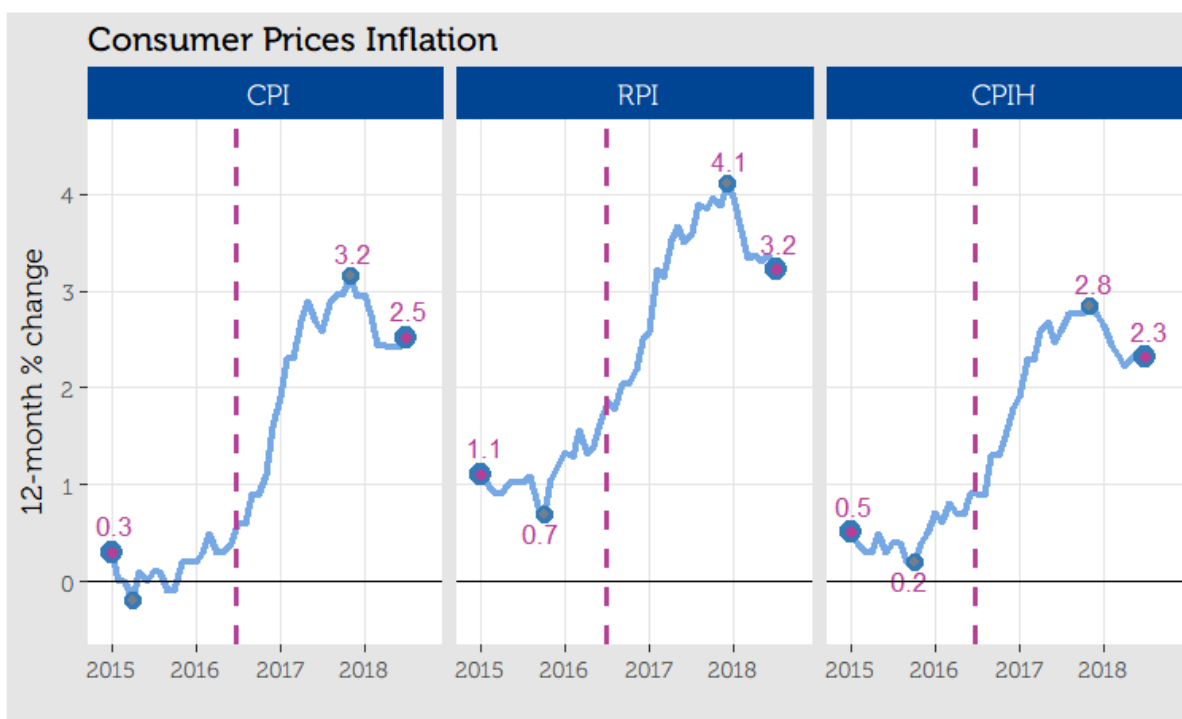
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

4 Consumer Prices

Consumer price index (CPI) was unchanged between in June and July 2018 but grew by 2.5% compared to a year earlier. Drivers for the 12-month growth were transport and alcoholic beverages & tobacco. CPI has grown by 5.4% since May 2016.

The **retail price index (RPI)** rose by 3.2% in the twelve months to July 2018, down from 3.4 in the previous month. RPI has grown by 7.5% since May 2016.

CPI including owner's occupying (CPIH) rose by 2.3% in the twelve months to July 2018, unchanged from previous month. CPIH has grown by 5.1% since May 2016.



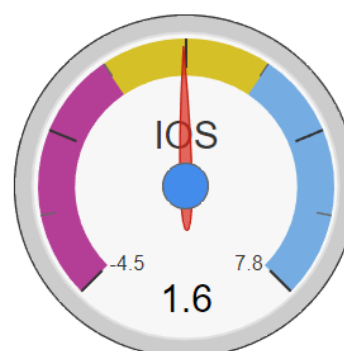
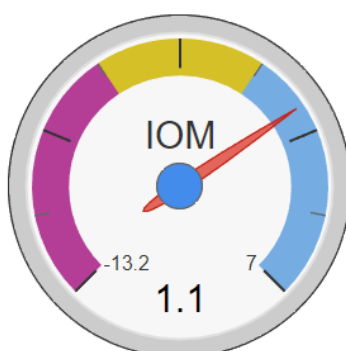
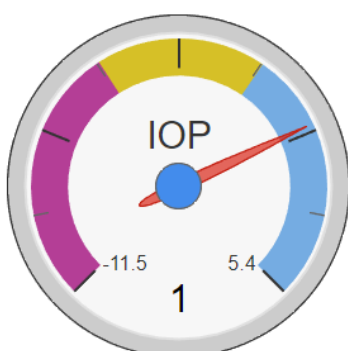
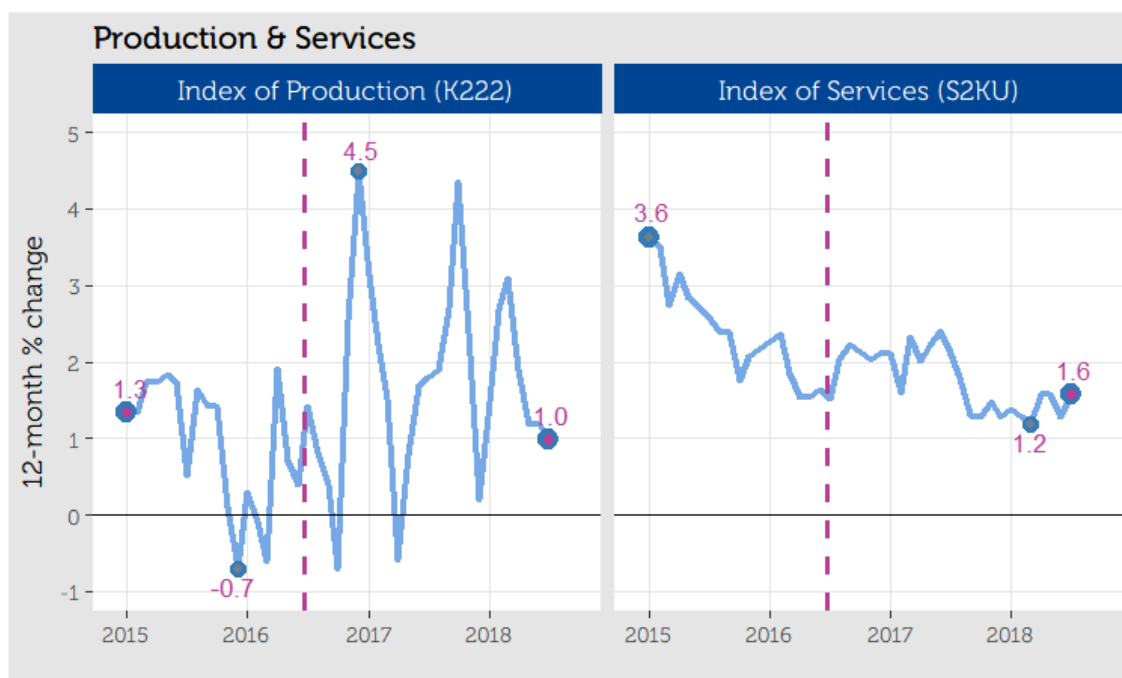
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP) in July 2018 grew by 0.1% from previous month and also grew by 1.0% compared to twelve months earlier. Manufacturing and energy supply grew but water supply and mining fell in the twelve months to July 2018.

Index of manufacturing (IOM) fell by 0.2% in July 2018 but rose by 1.1% compared to twelve months earlier. IOM has grown by 2.5% since May 2016.

Index of services (IOS) rose by 0.3% in July 2018 and also grew by 1.6% compared to a 12 months earlier. IOS has grown by 4.1% since May 2016.

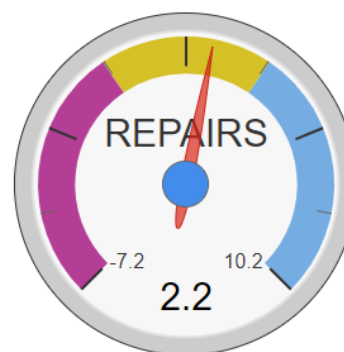
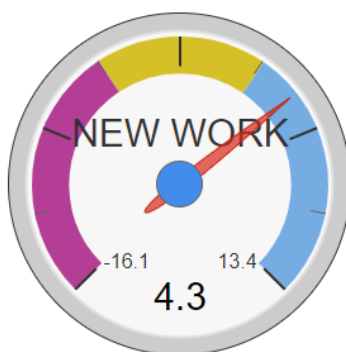
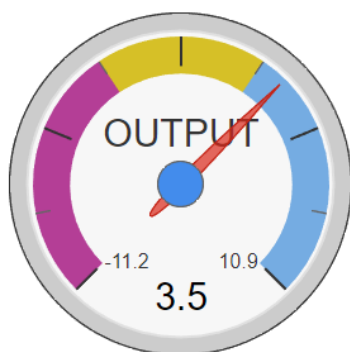
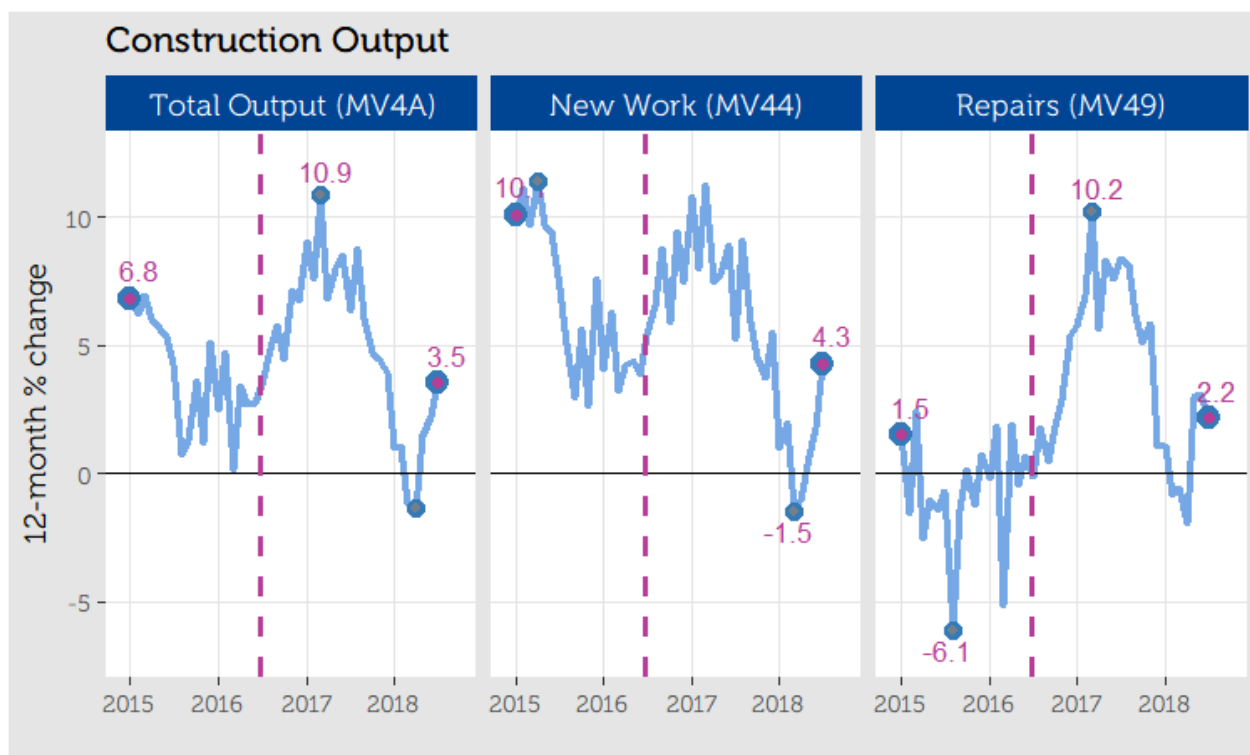


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, rose by 0.5% in July 2018 to £13.9 billion and also 3.5% up compared to twelve months earlier. Construction output has grown by 11.7% since May 2016.

New construction work, rose by 3.5% to £9.1 billion in the twelve months July 2018 and **construction repairs** also rose by 2.2% to £4.8 billion in the same period.

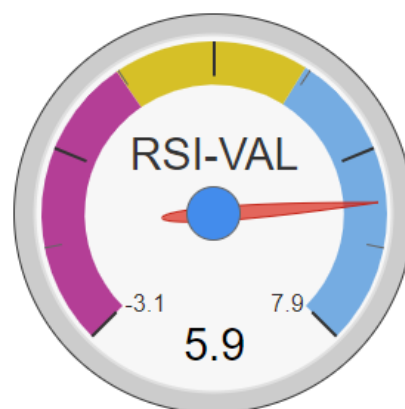
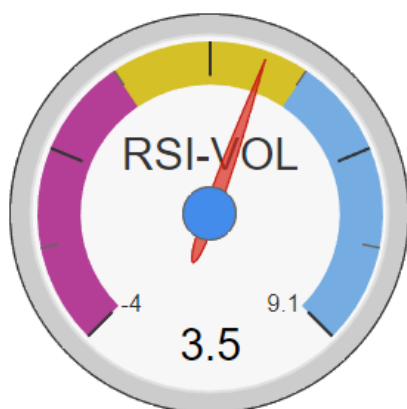
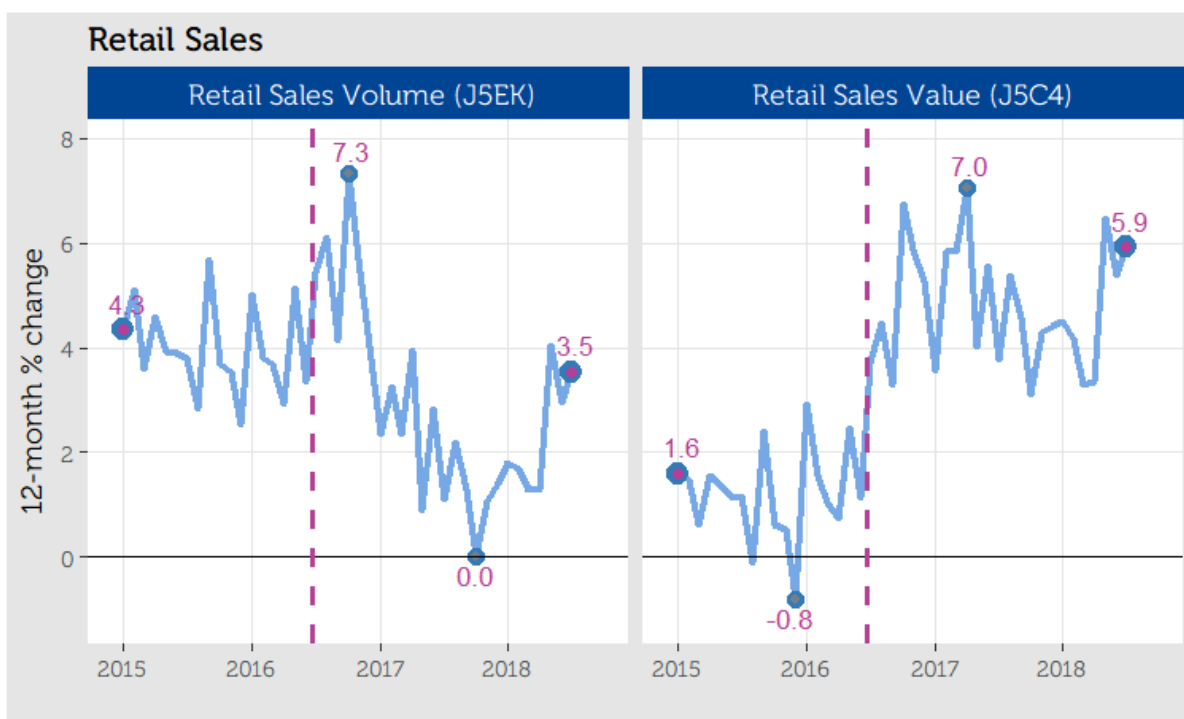


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) rose by 0.7% in July 2018 and also grew by 3.5% compared to twelve months earlier. Spending online increased to 18.2% in July 2018 at the expense of high street shops spending. Retail volume has grown by 5.2% since May 2016.

The **value of retail sales** (including fuel) rose by 0.8% in July 2018 and also grew by 5.9% compared to 12 months earlier. Retail sales value has grown by 11.3% since May 2016.

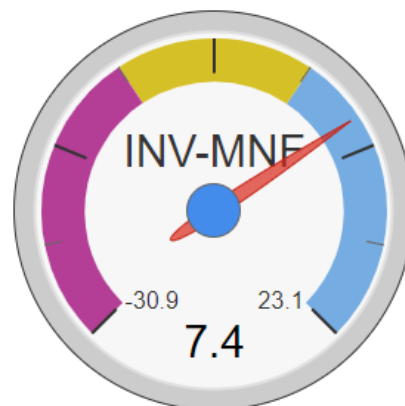
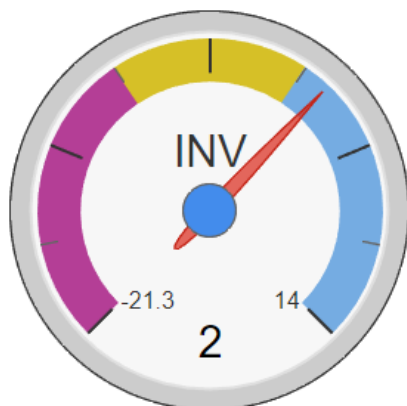
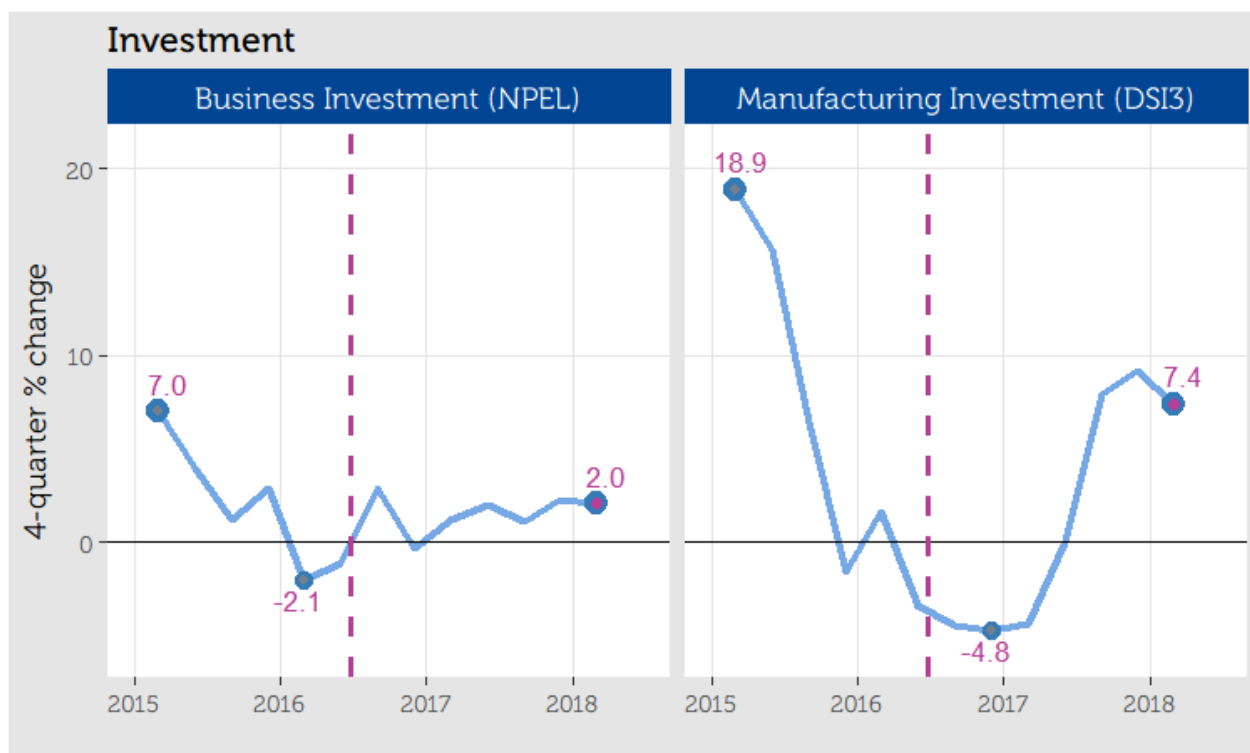


[Gauge Charts: 12-month % change since Jan 2000]

8 Business Investment

Business investment growth for all industries (INV), in volume terms, declined by 0.4% in 2018 Q1 but rose by 2.0% compare to a year earlier. It is the lowest 1-quarter growth since 2016 Q1 but has grown by 3.5% since 2016 Q3.

Investment in **manufacturing industries** (INV-MNF), in volume terms, fell by 1.2% in 2018 Q1 but grew by 7.4% compared to 2017 Q1. It is the lowest 1-quarter growth since 2016 Q3 and has grown by 3.5% since 2016 Q2



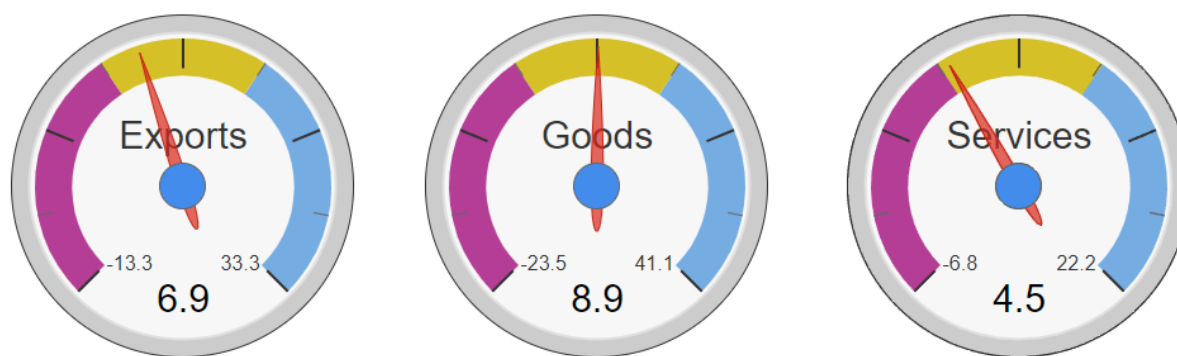
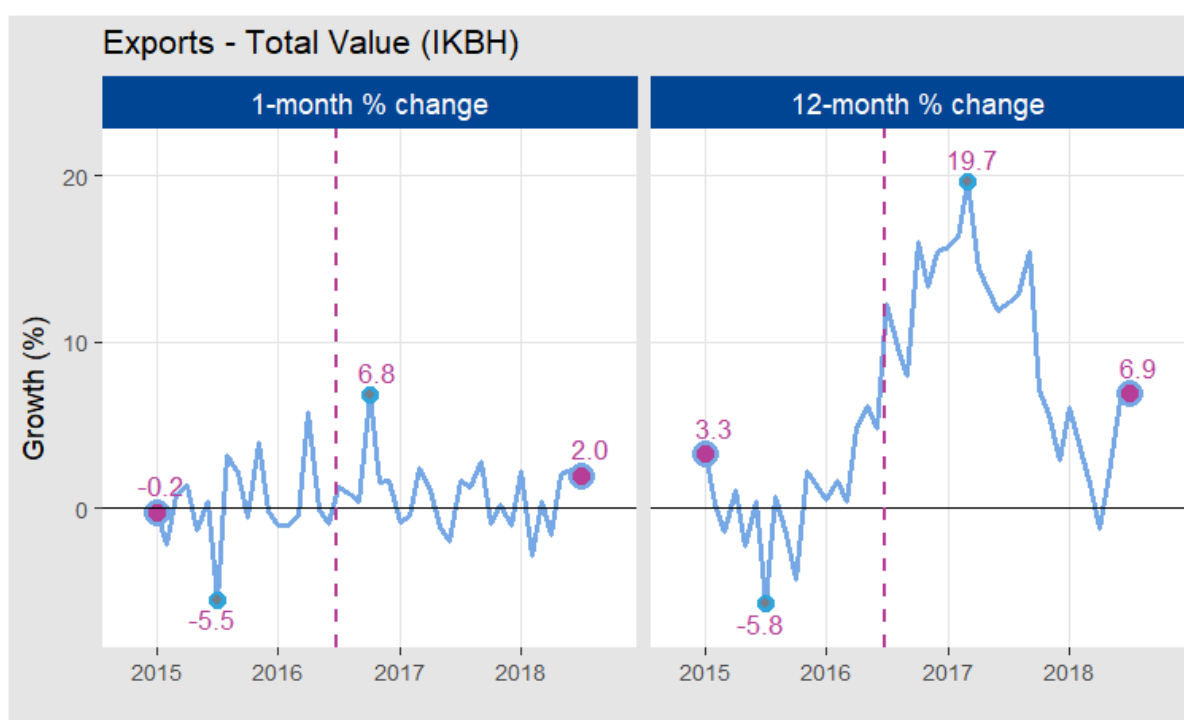
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** rose by 2.0% in July 2018 on June 2018 and also rose by 6.9% compared to July 2017. Exports of **goods** rose by 8.9% to £ 30.5 billion and exports of **ser-vices** also increased by 4.5% to £ 23.9 billion in July 2018 compared to twelve months earlier.

The moving annual total of UK exports reached £629 billion, a growth of 1.2% compared to the same period last year and the total for the first seven months of 2018 was £368 billion, a growth of 3.6 on previous year.

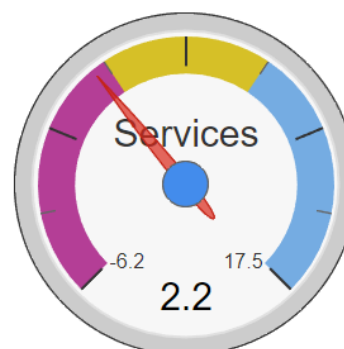
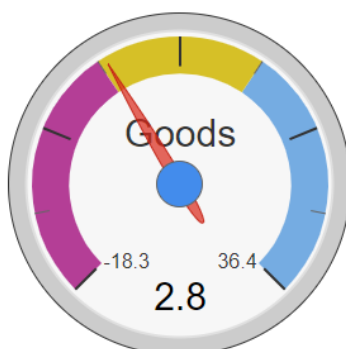
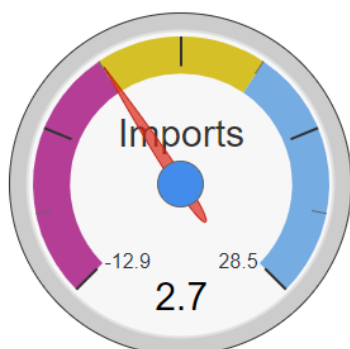
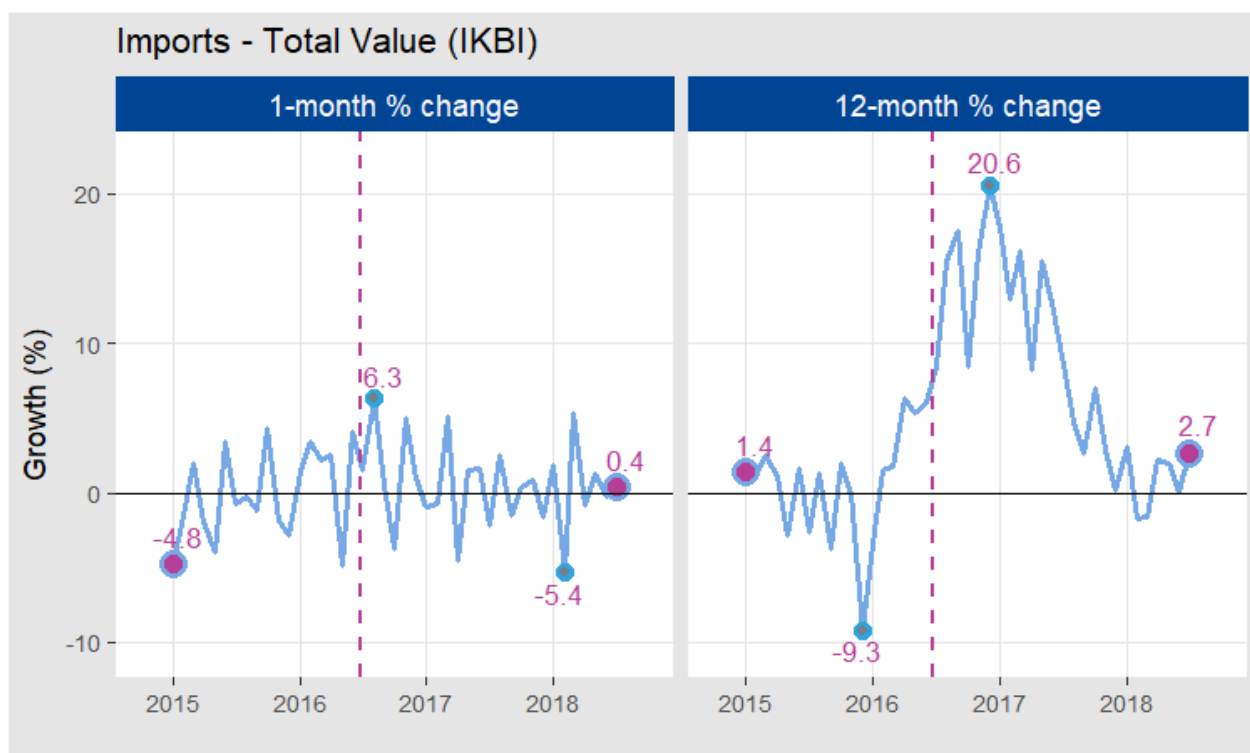


[Gauge Charts: 12-month % change since Jan 2000]

9.2 Imports

The **value** of UK **imports** rose by 0.4% in July 2018 on June 2018 and also grew by 2.7% compared to 12 months earlier. Imports of goods in July 2018 increased by 2.8% compared to twelve months earlier to 40.4 billion and imports of services also increased by 2.2% to £14.1 billion in the same period.

The moving annual total of UK imports reached £646 billion, a growth of 2.0% compared to the same period last year and the total for the first seven months of 2018 was £377 billion, a growth of 0.9 on previous year.



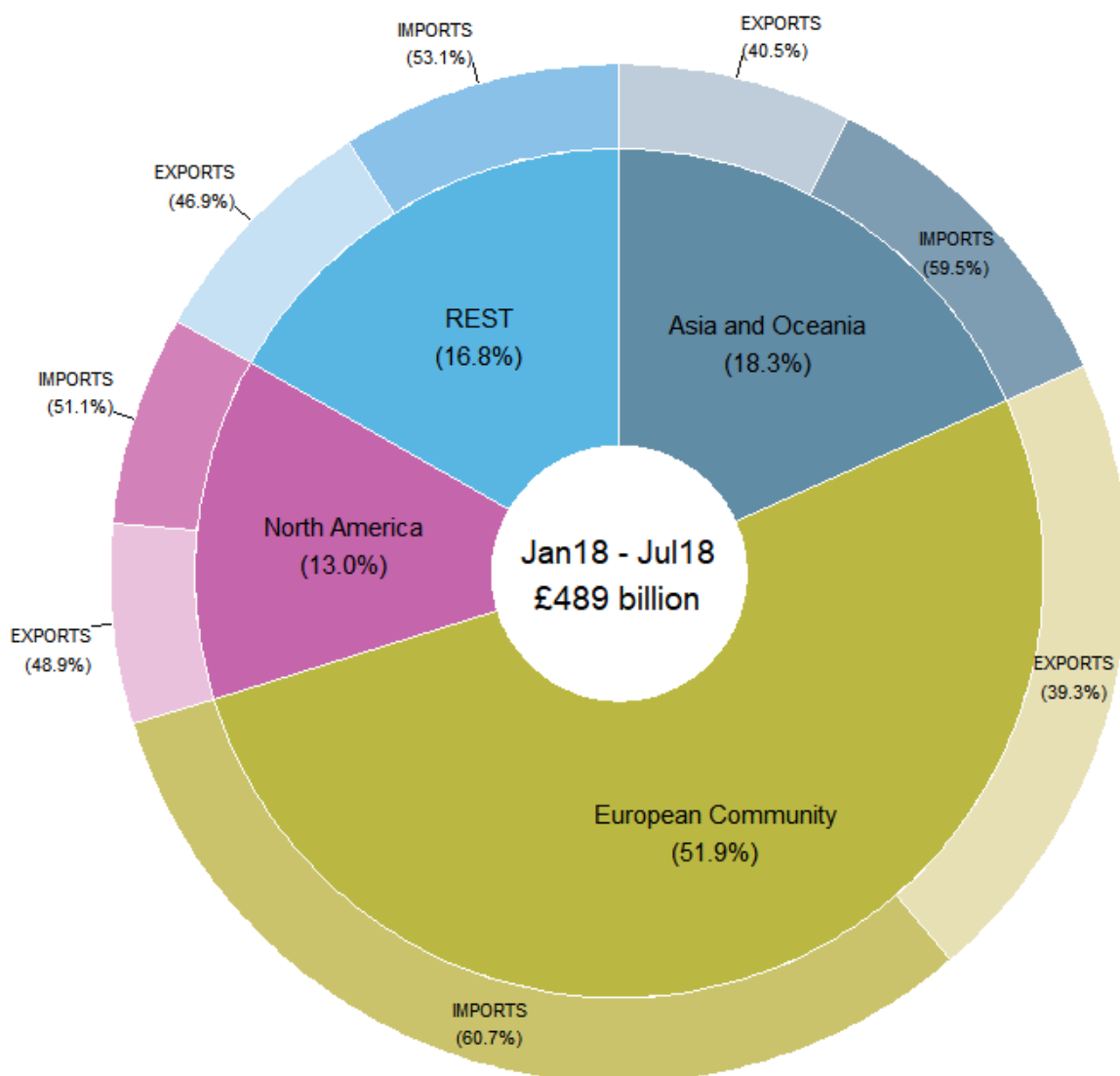
[Gauge Charts: 12-month % change since Jan 2000]

9.3 Goods Trade: Distribution

The **total trade of goods** in the first seven months of 2018 was £ 498 billion, 4.6% higher than the same period a year earlier. Exports of goods accounted for 42.0% of the total, slightly higher than 41.3% recorded at the same period a year before.

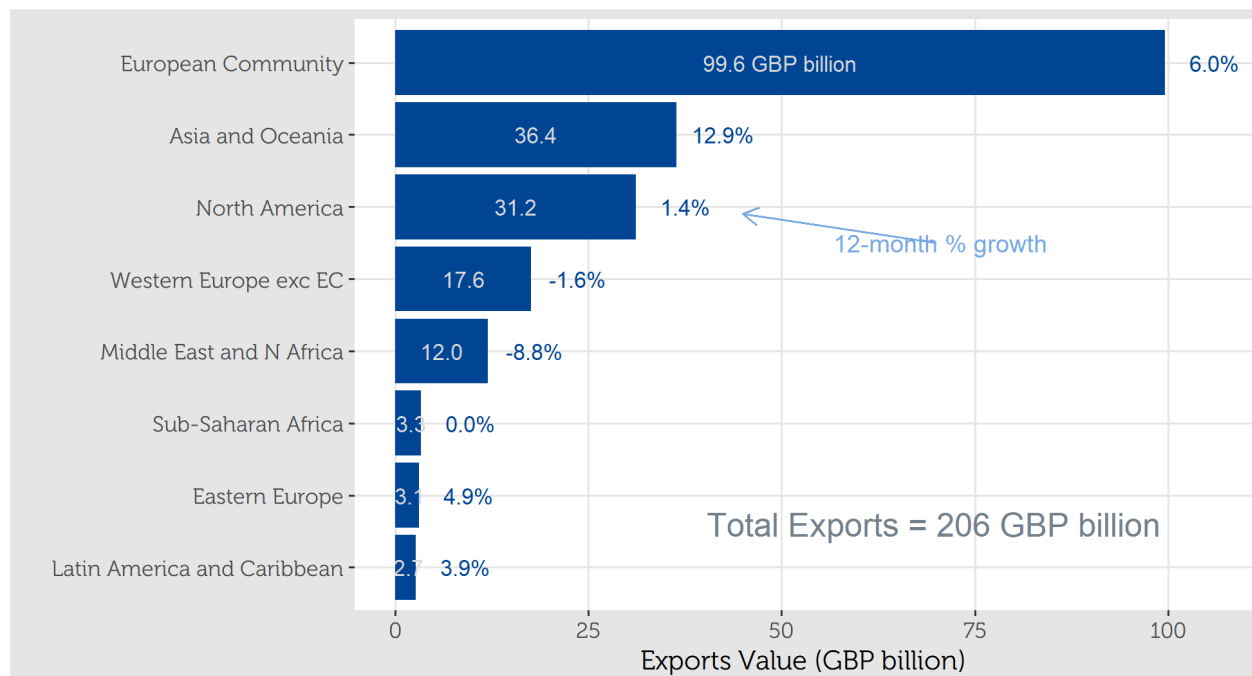
The year-to-date value of goods trade with **EU** countries in 2018 was £253.6 billion, 4.4% higher than 2017. The year-to-date share of EU increased to 51.9% in 2018 from 51.0% in 2017. For every £1.00 of goods exported to EU in 2018, UK imported an equivalent of £1.54 value of goods, down from £1.58 recorded in 2017.

Non-EU countries accounted £235.2 billion of trade between January and July 2018; 0.9% higher than previous year. For every £1.00 of goods exported to Non-EU in 2018, UK imported an equivalent of £1.23 value of goods, slightly down from £1.26 recorded in 2017.

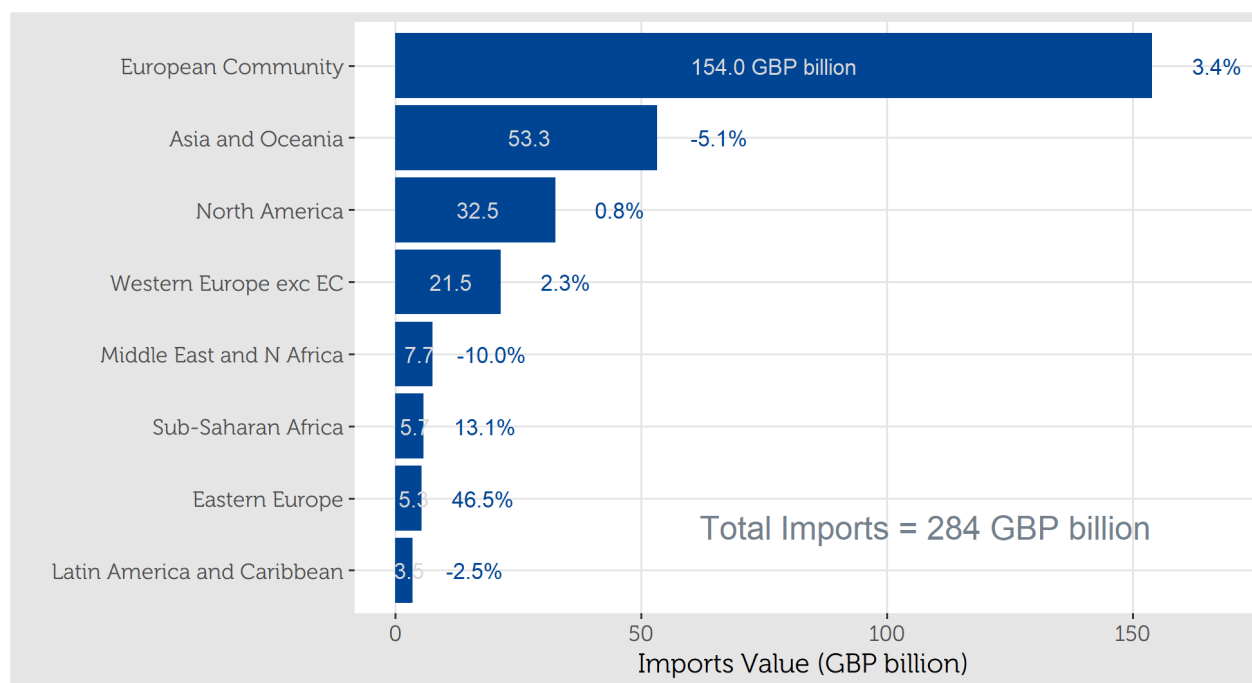


9.4 Goods Trade: Ranking by Region

9.4.1 Exports - 2018 Jan - Jul

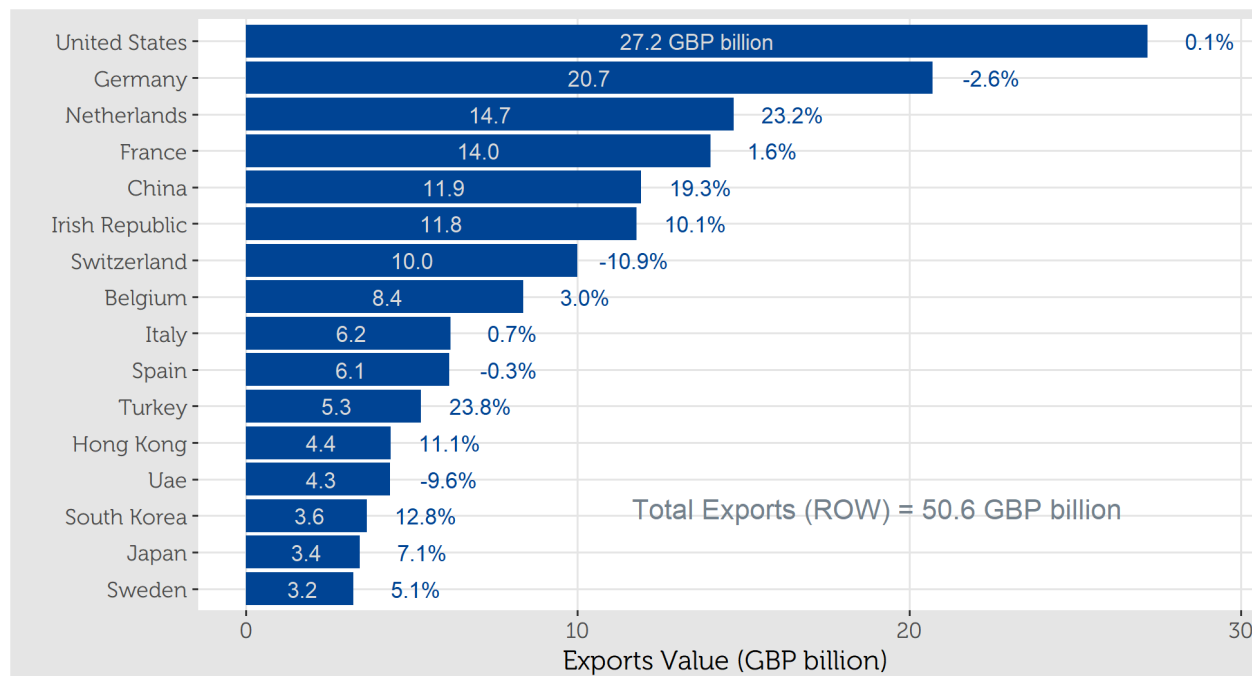


9.4.2 Imports - 2018 Jan - Jul

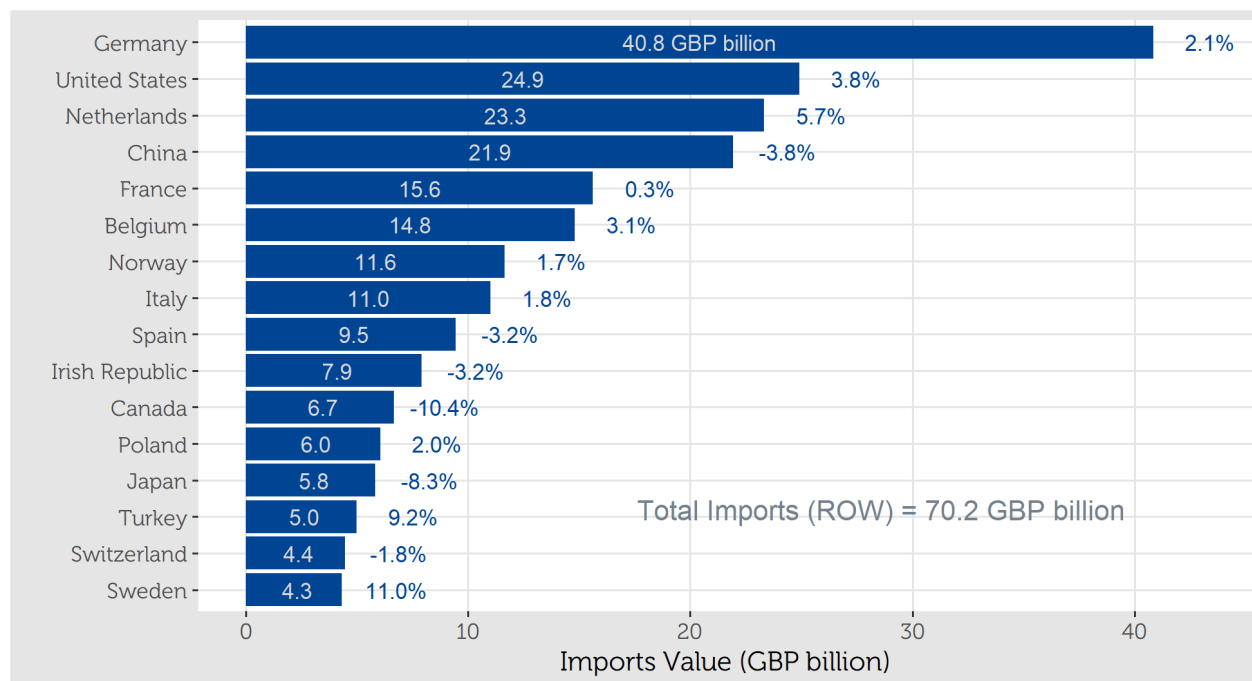


9.5 Goods Trade: Ranking by Country - Top 16

9.5.1 Exports - 2018 Jan - Jul

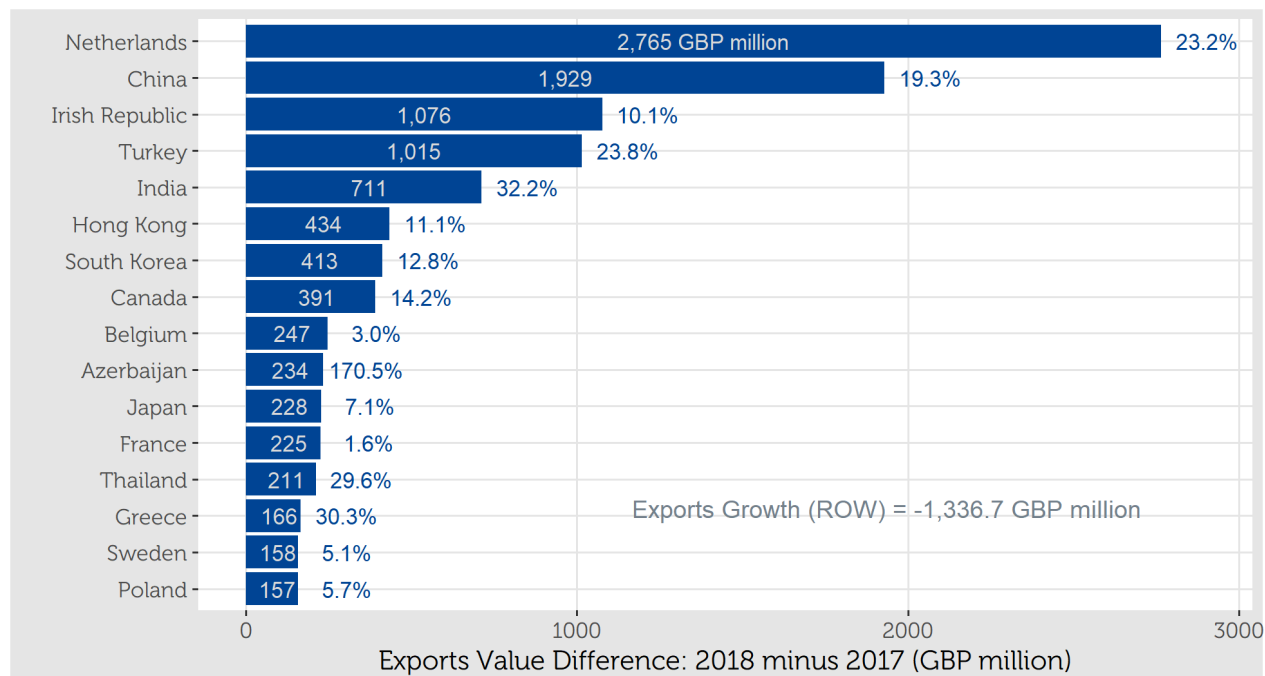


9.5.2 Imports - 2018 Jan - Jul

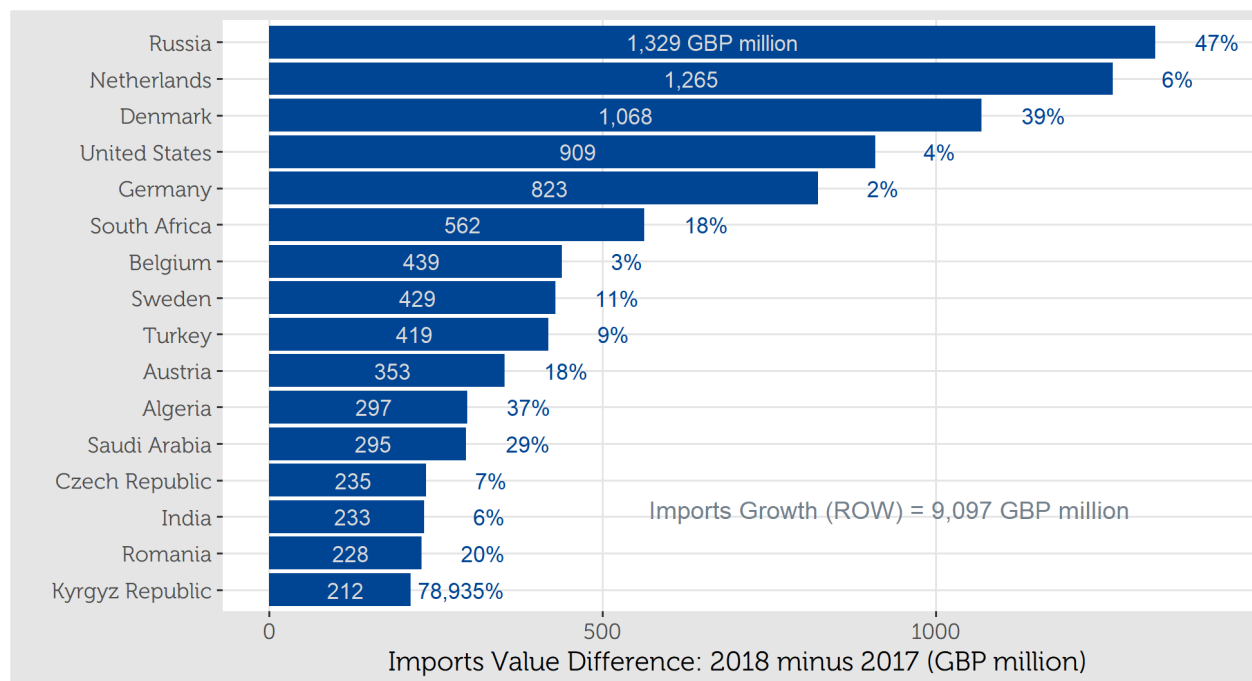


9.6 Goods Trade: Growth Ranking by Country - Top 16

9.6.1 Exports Value Growth - 2018 Jan - Jul

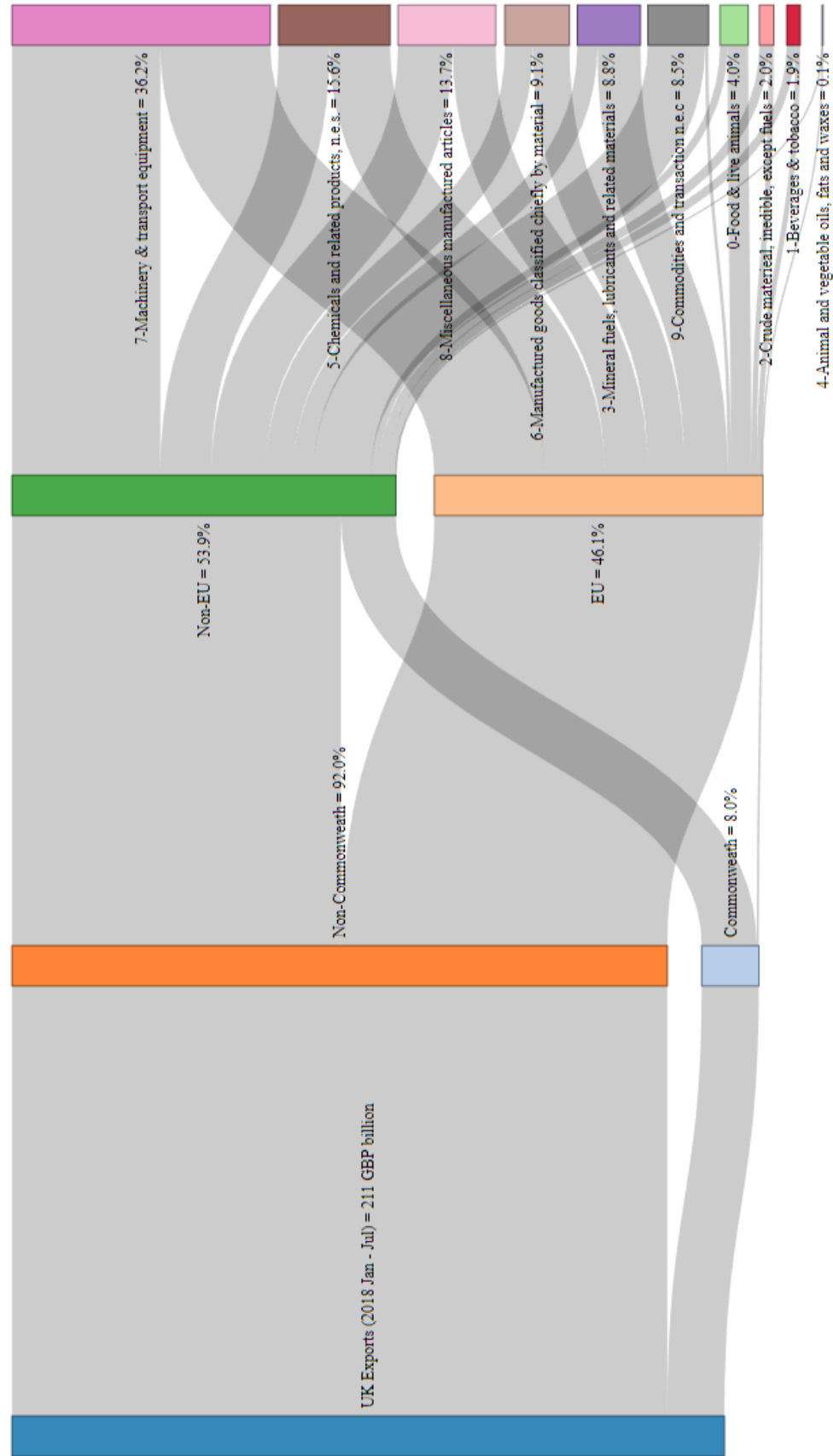


9.6.2 Imports Value Growth - 2018 Jan - Jul

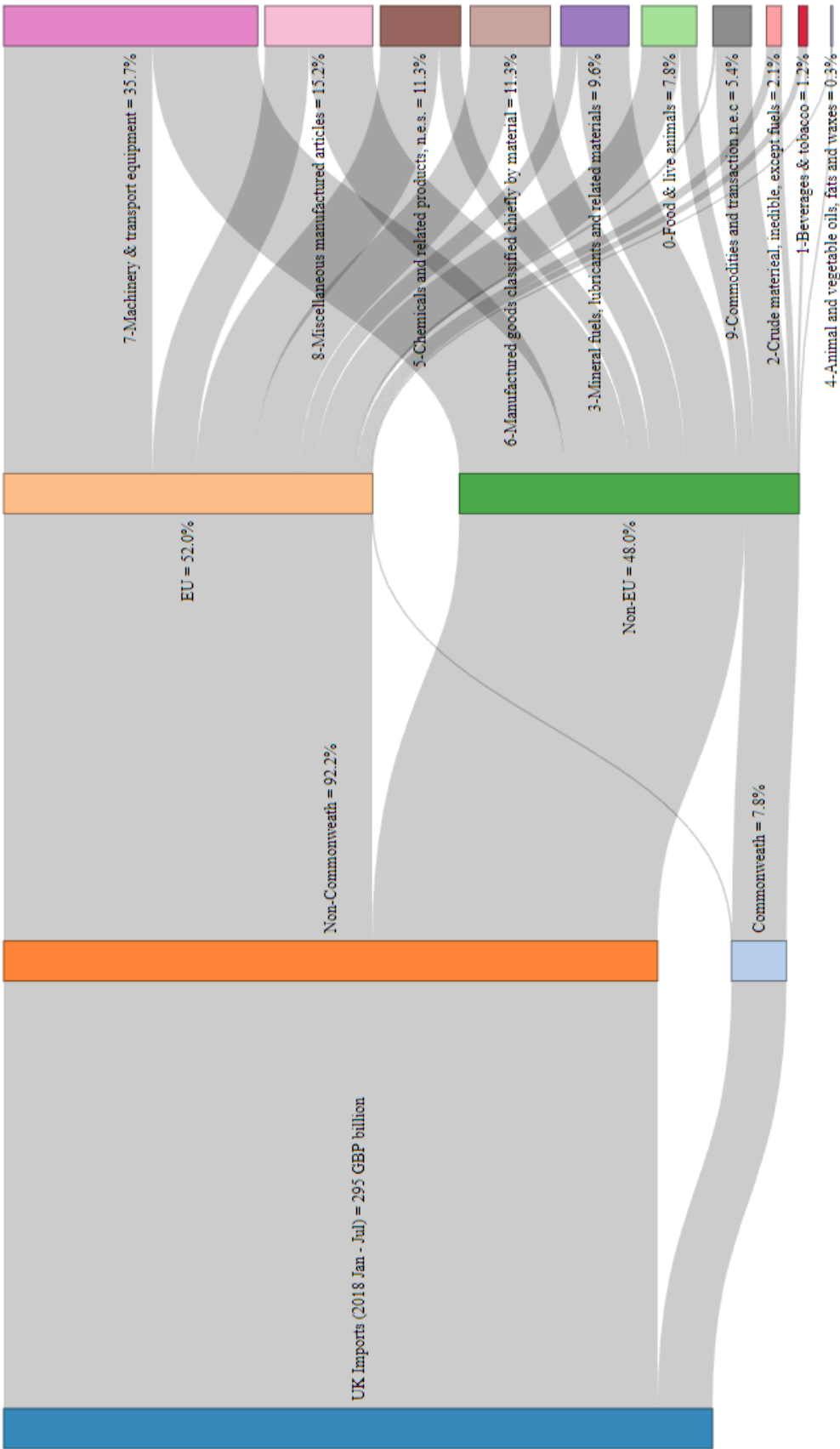


9.7 Goods Trade: EU & Commonwealth by SITC

9.7.1 Exports - 2018 Jan - Jul

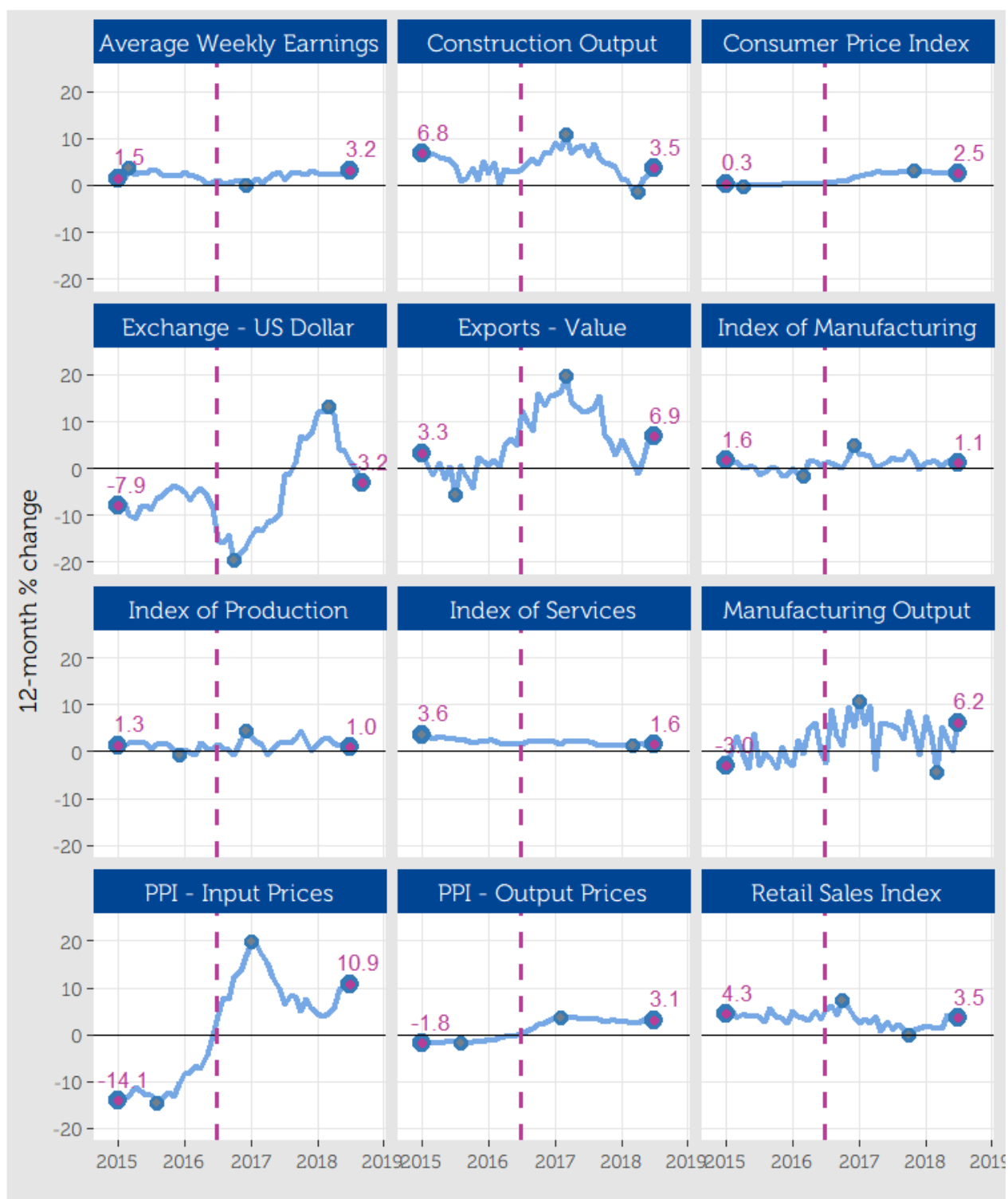


9.7.2 Imports - 2018 Jan - Jul

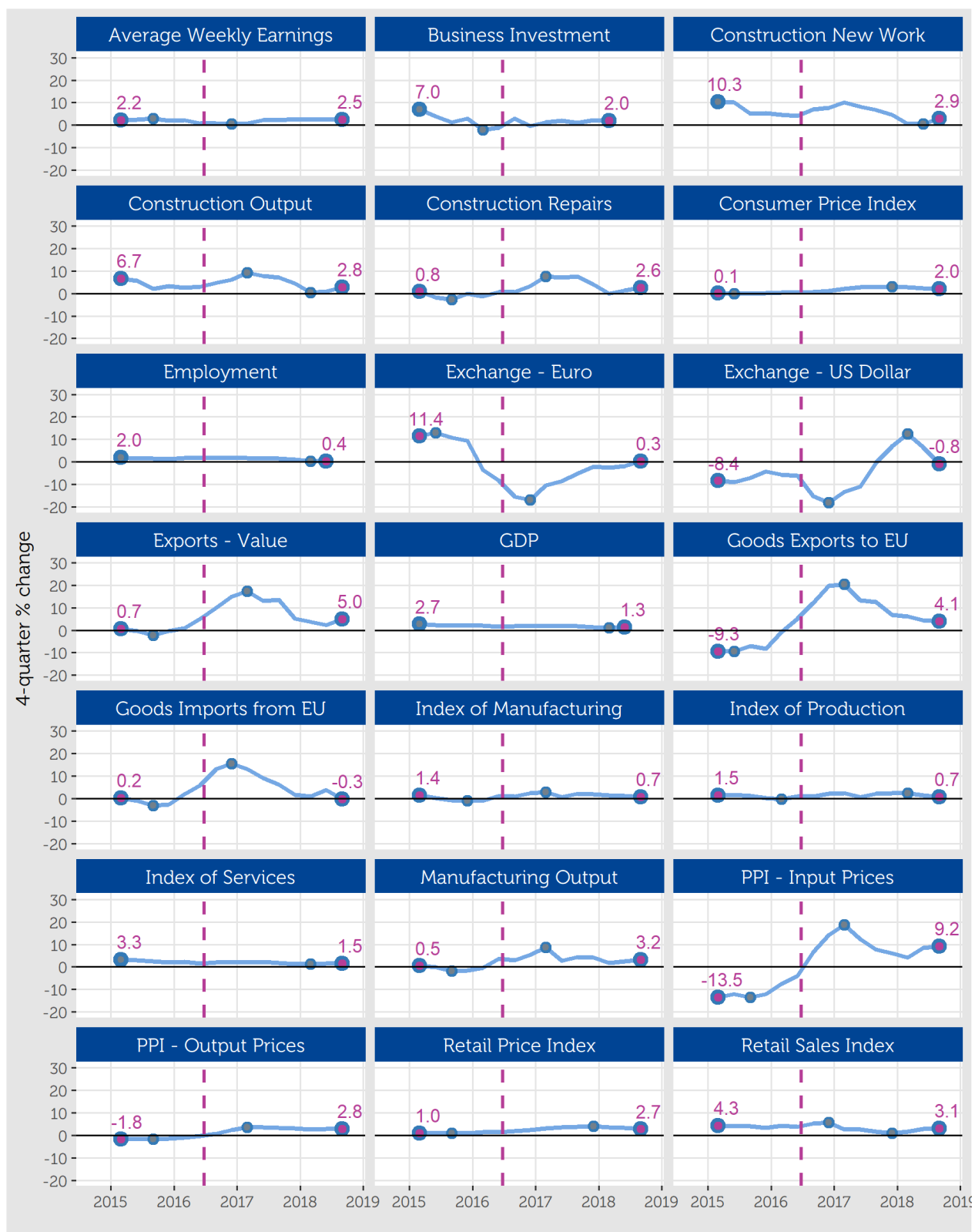


10 Economy At a Glance

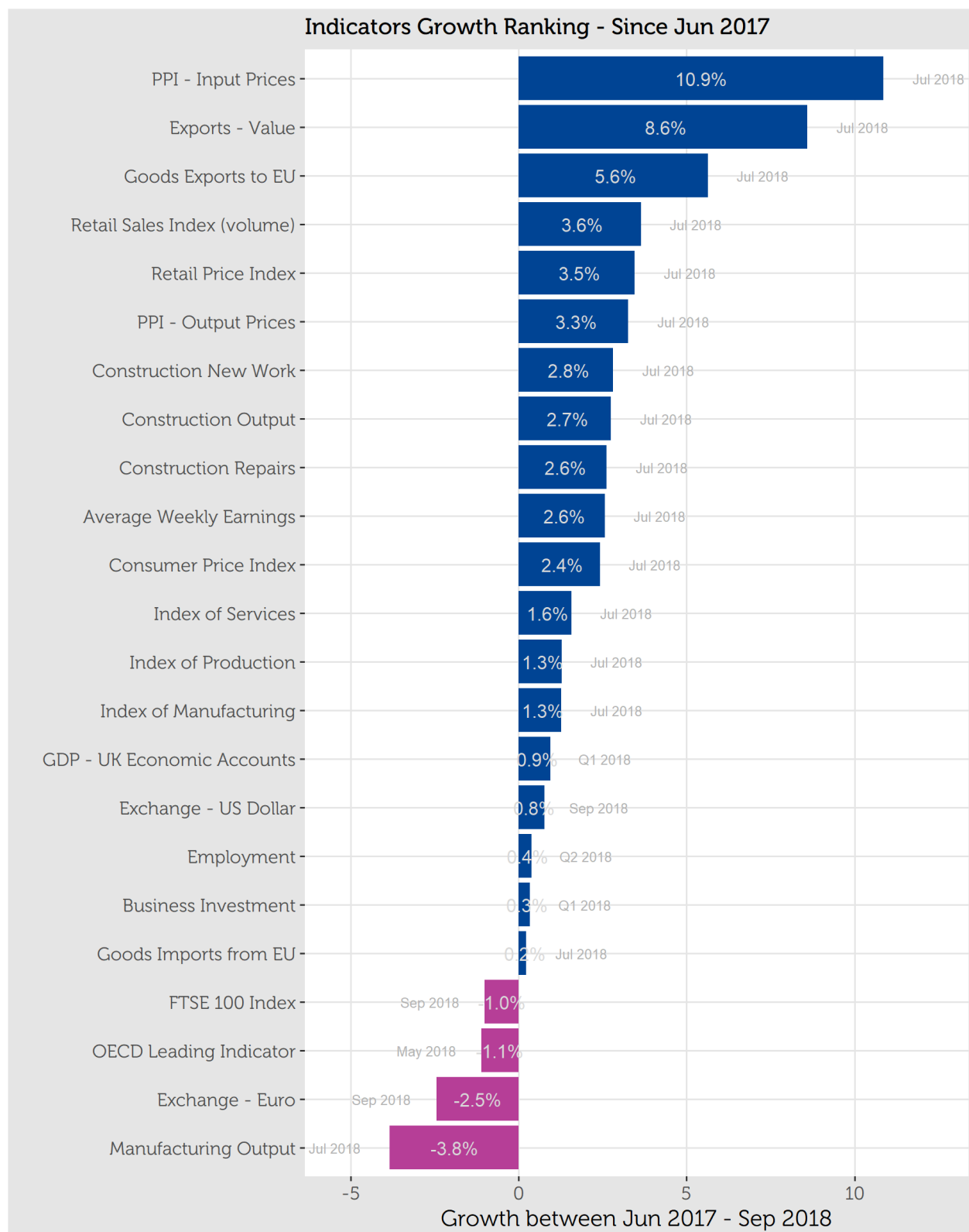
10.1 Growth: 12-month % growth



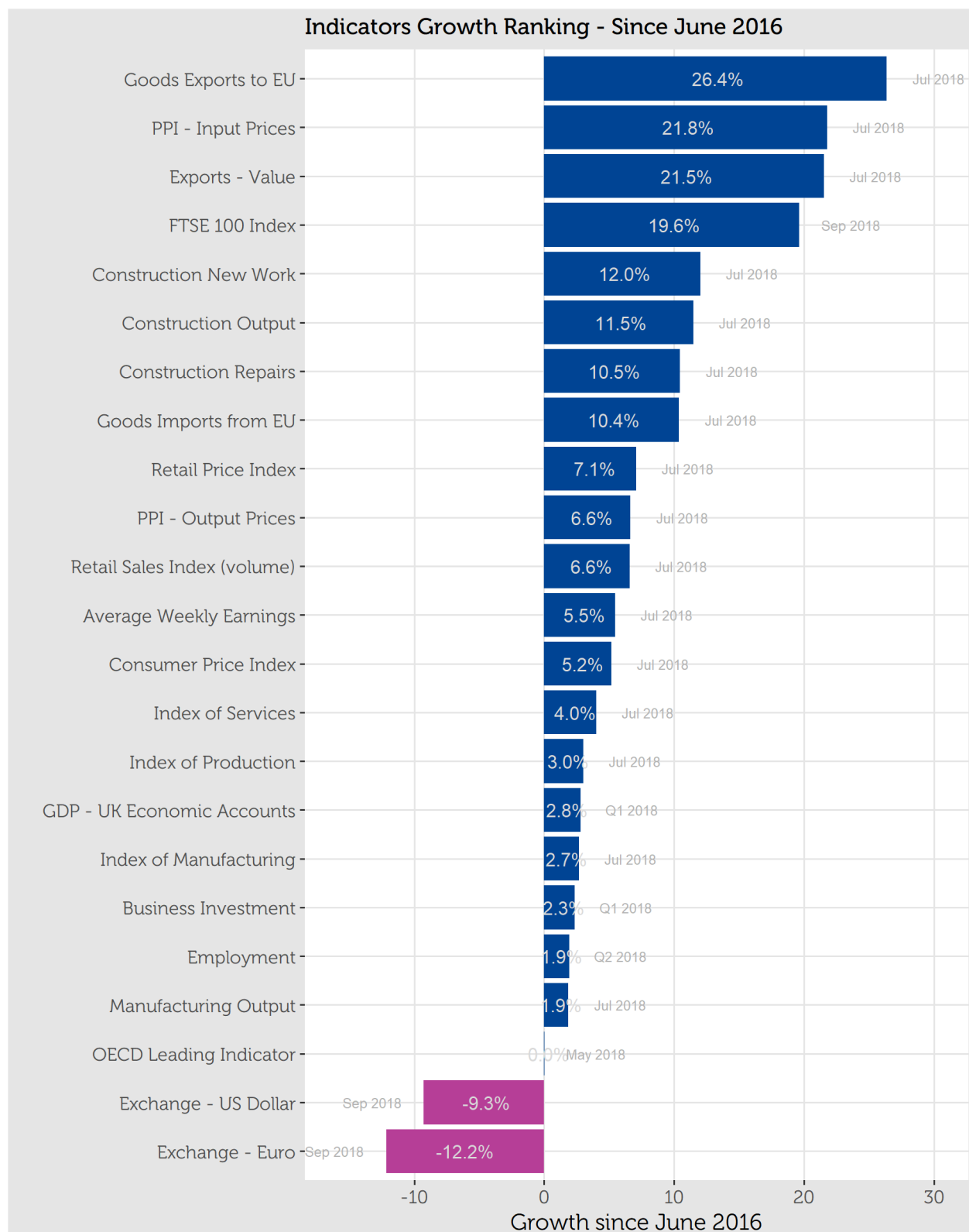
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since June 2017

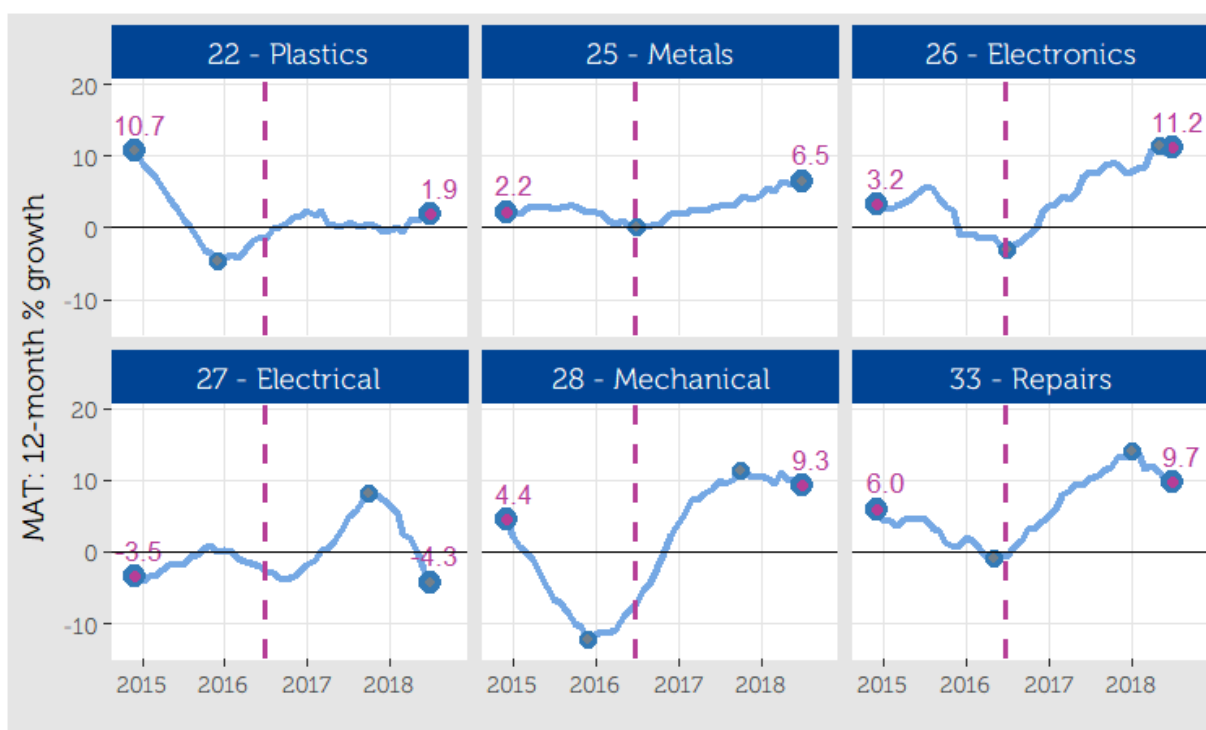
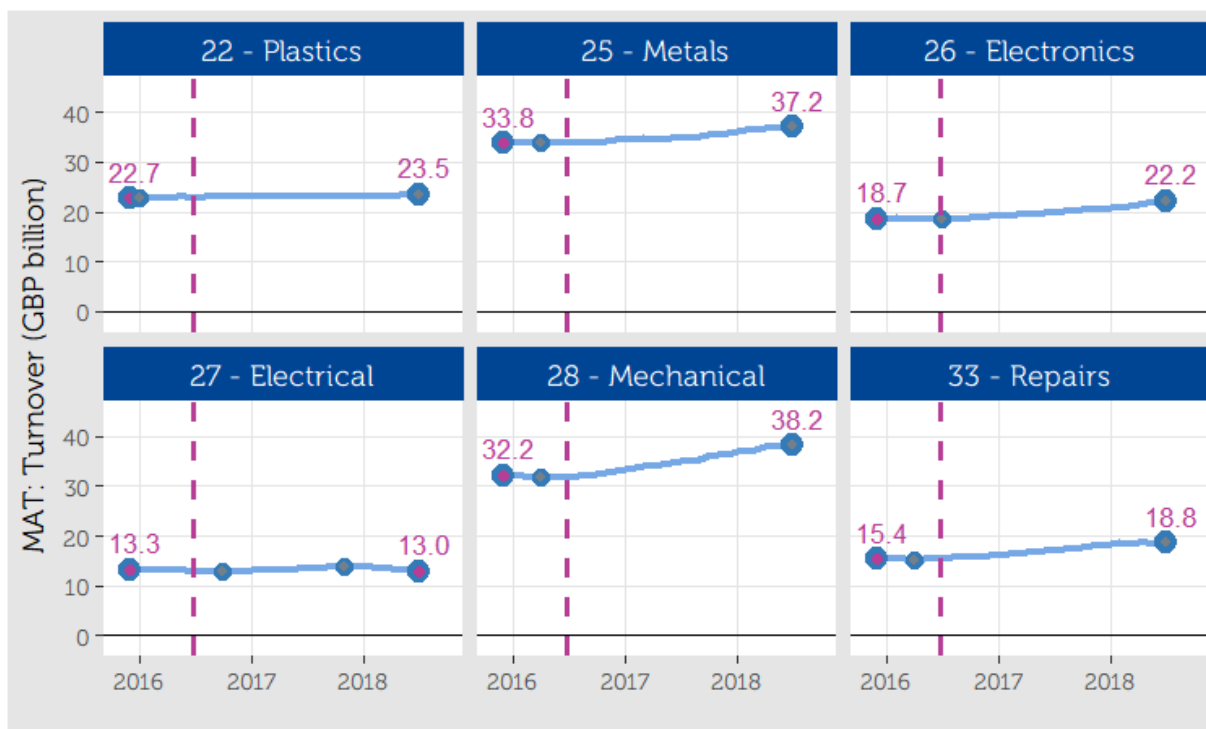


10.4 Growth Ranking: Since Referendum Vote

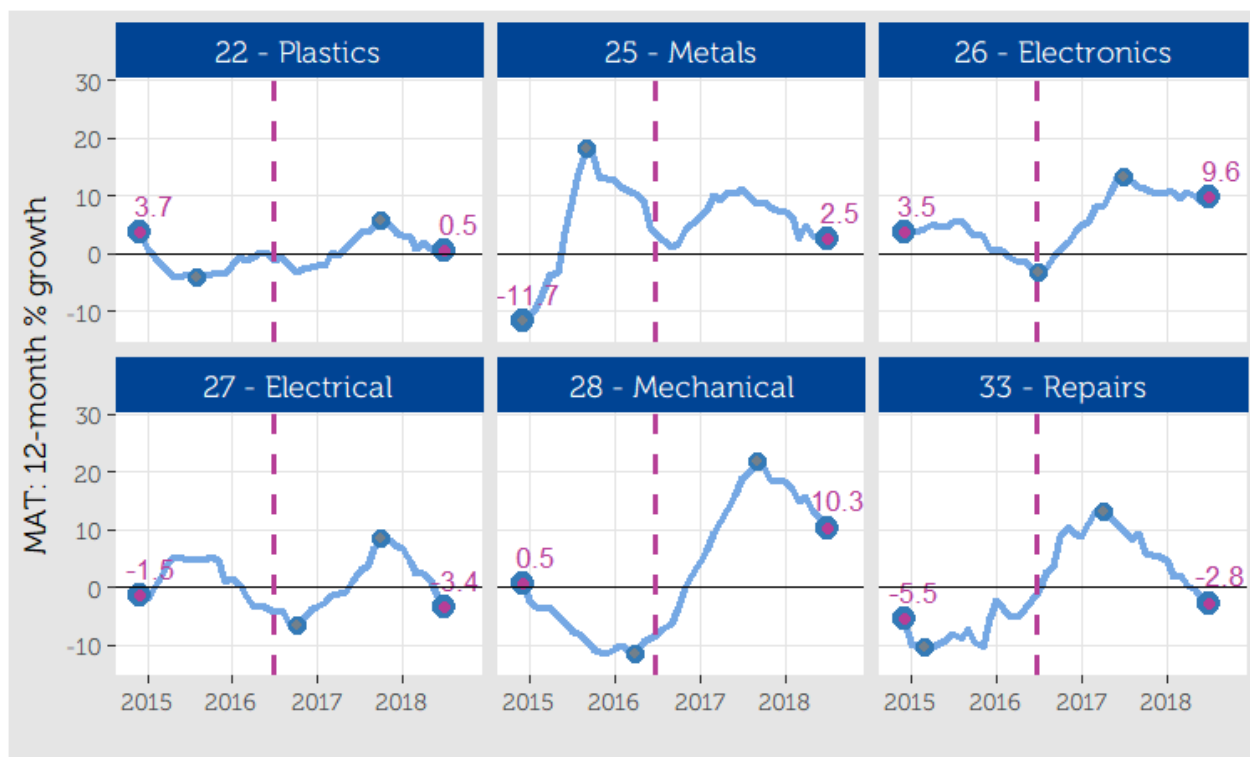
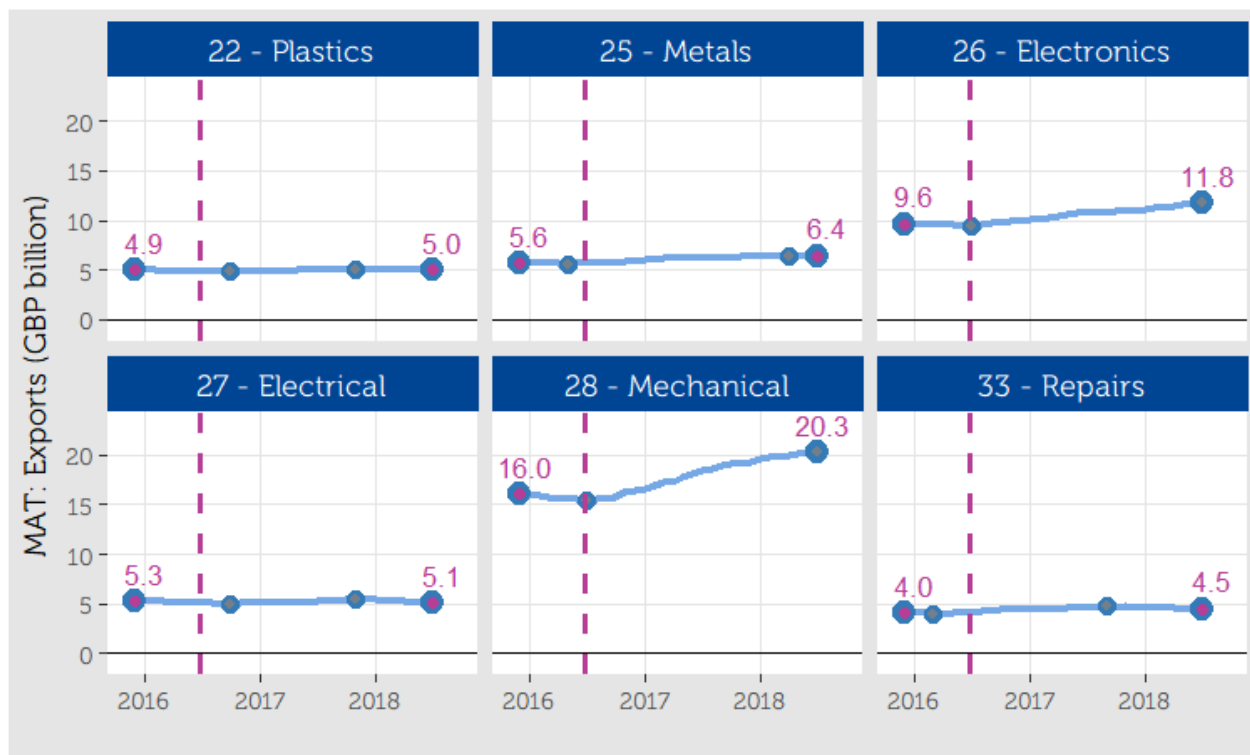


11 Industry Level Indicators

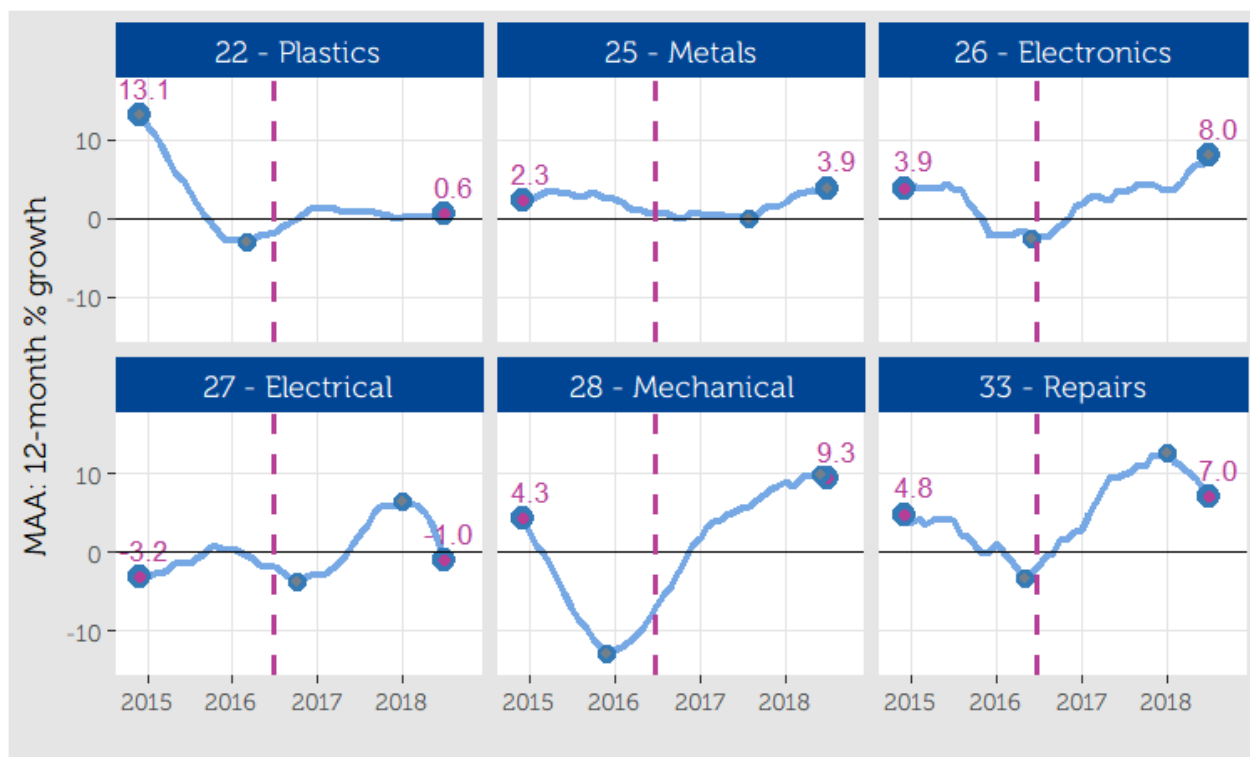
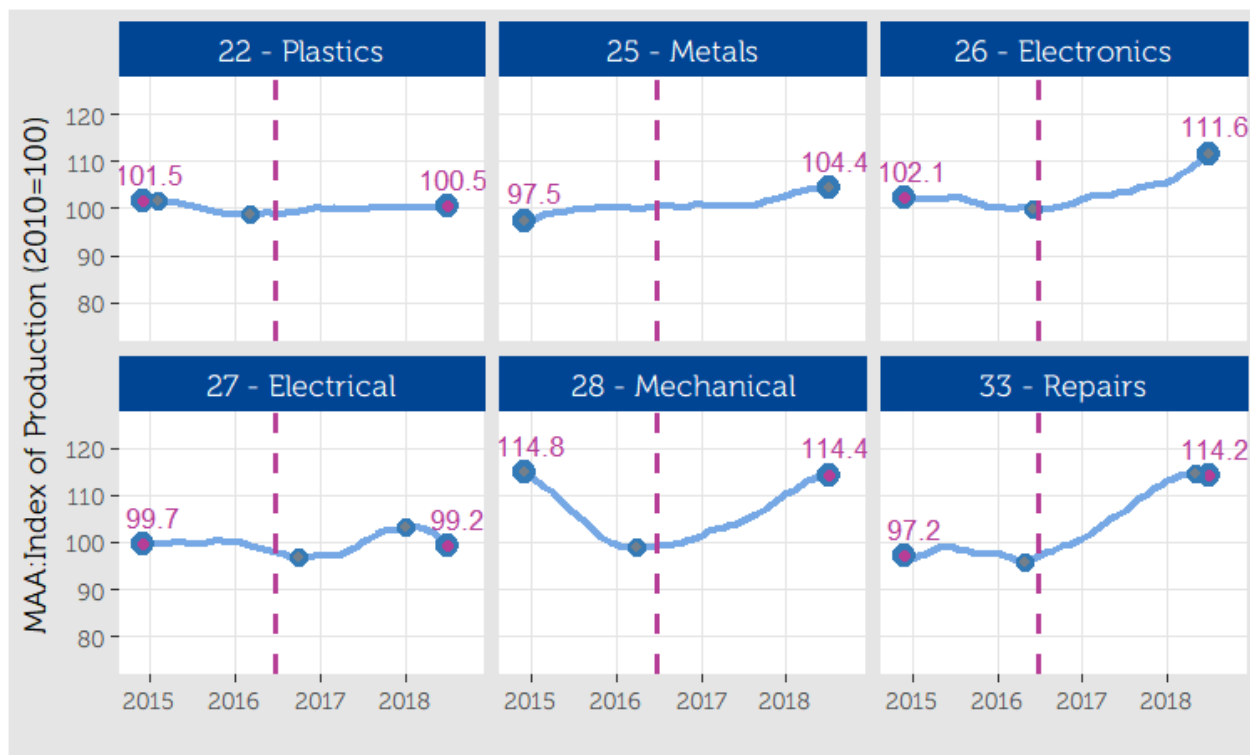
11.1 Turnover



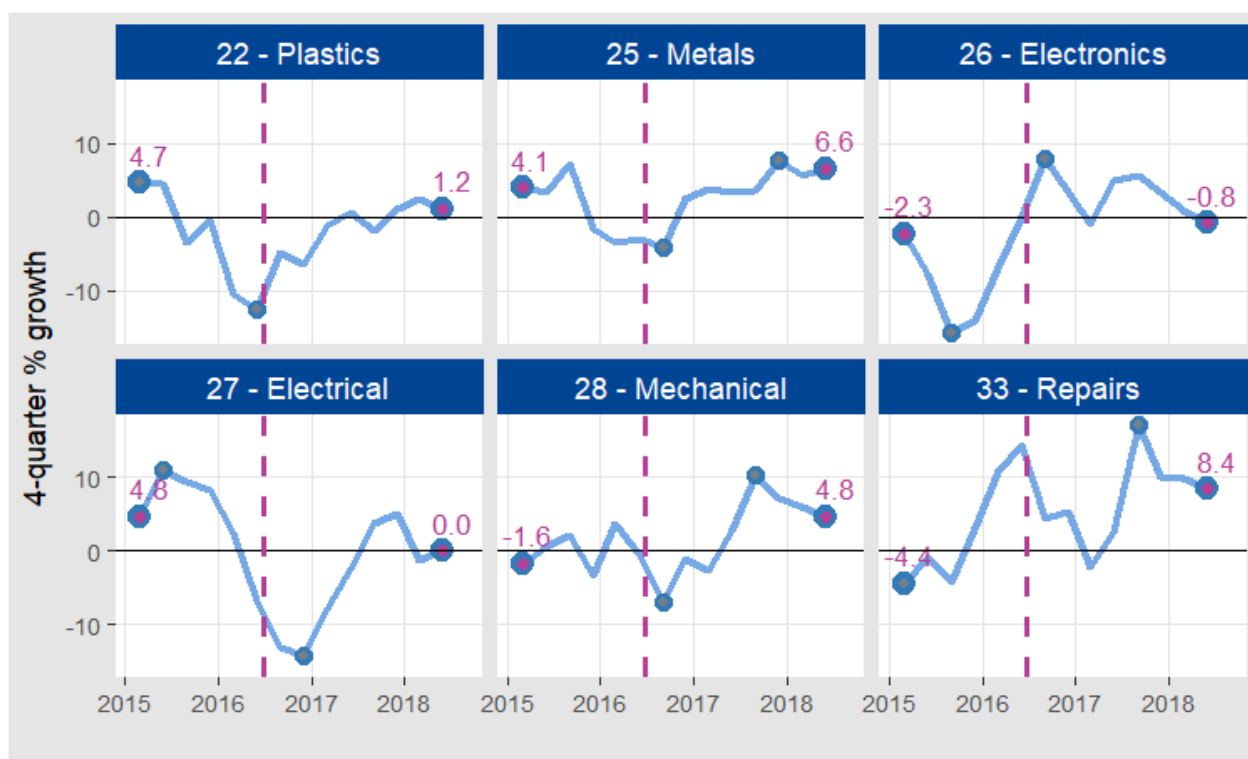
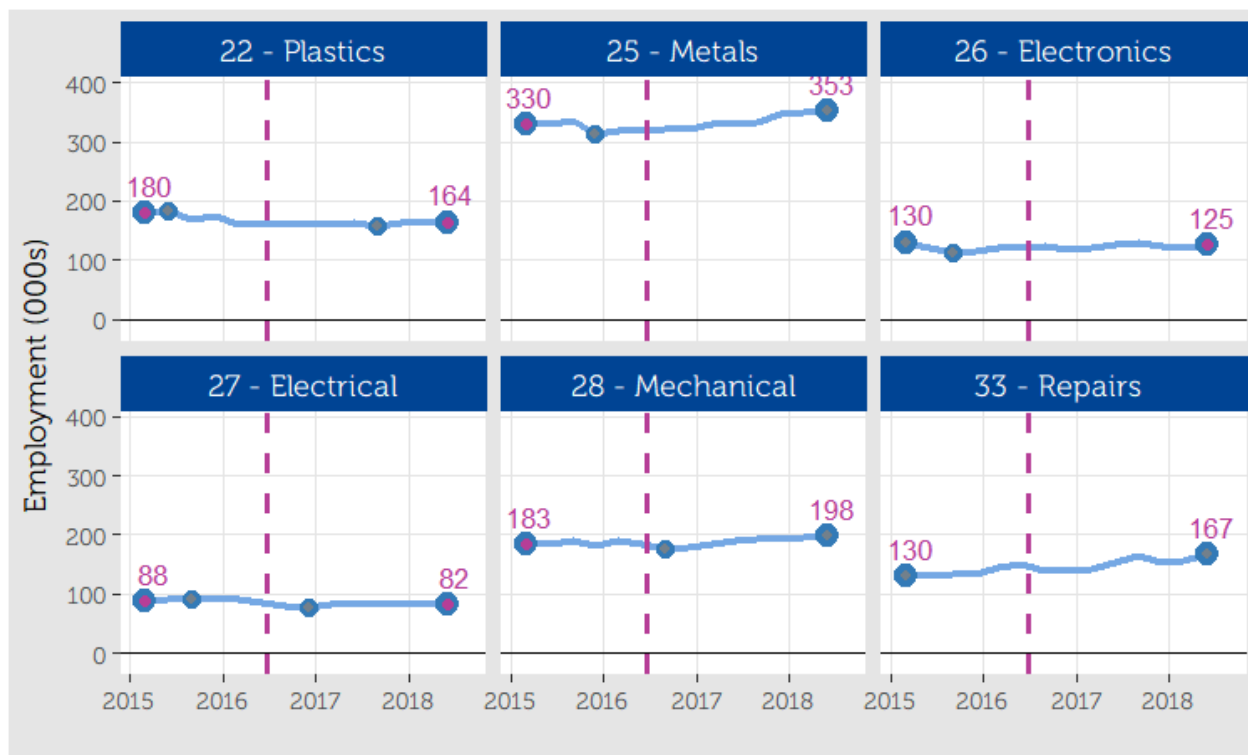
11.2 Exports



11.3 Index of Production



11.4 Employment (including Self-Employment)

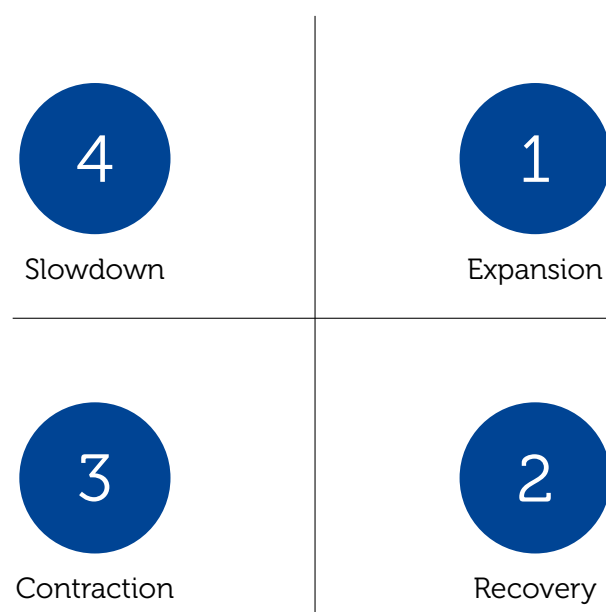


12 Growth Cycles

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:

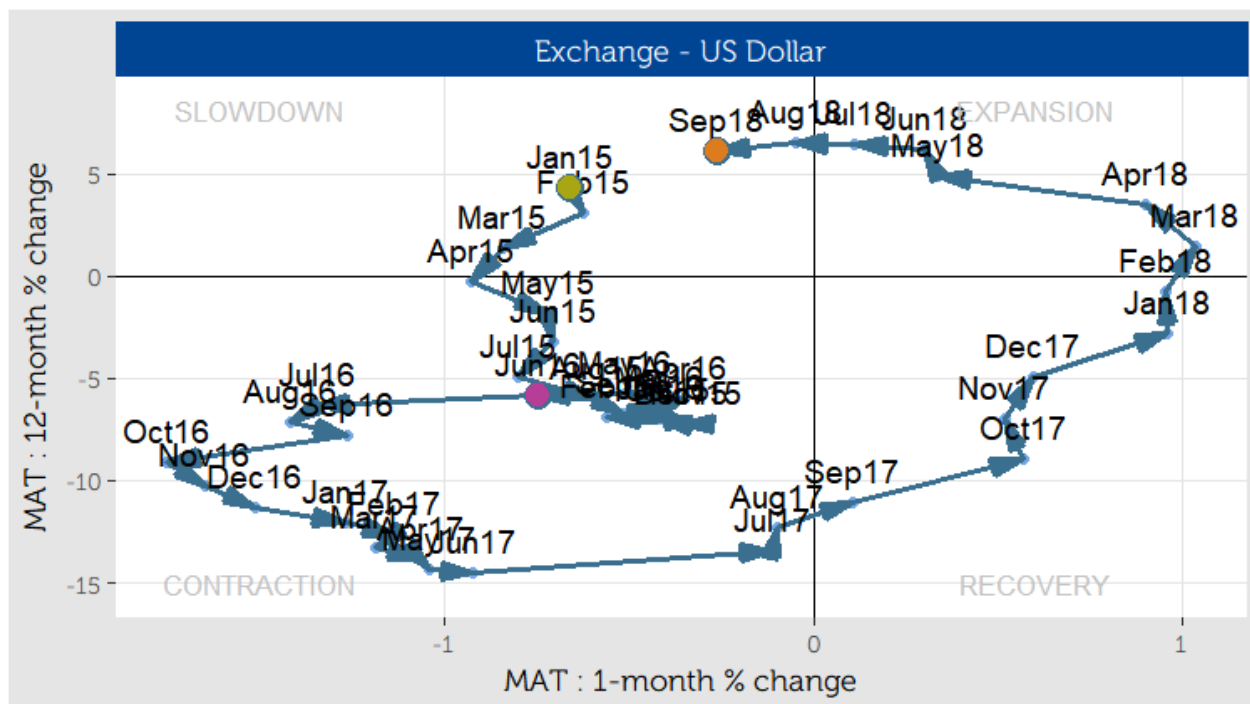
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



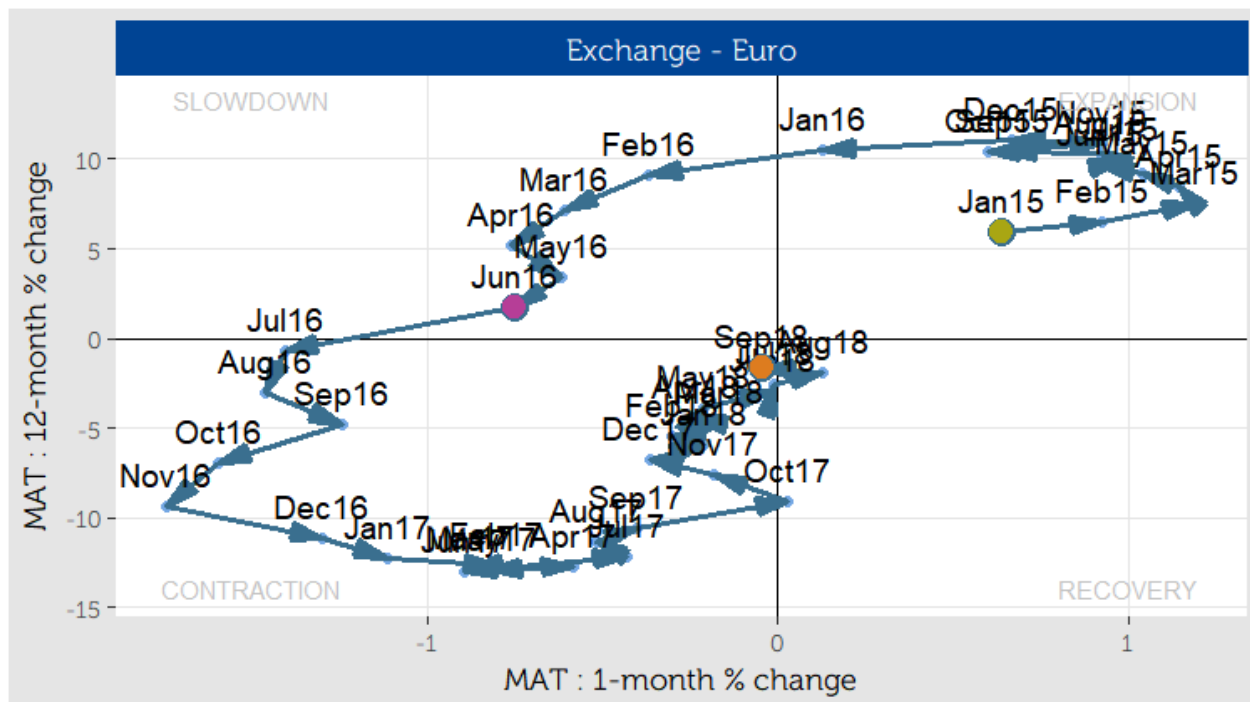
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

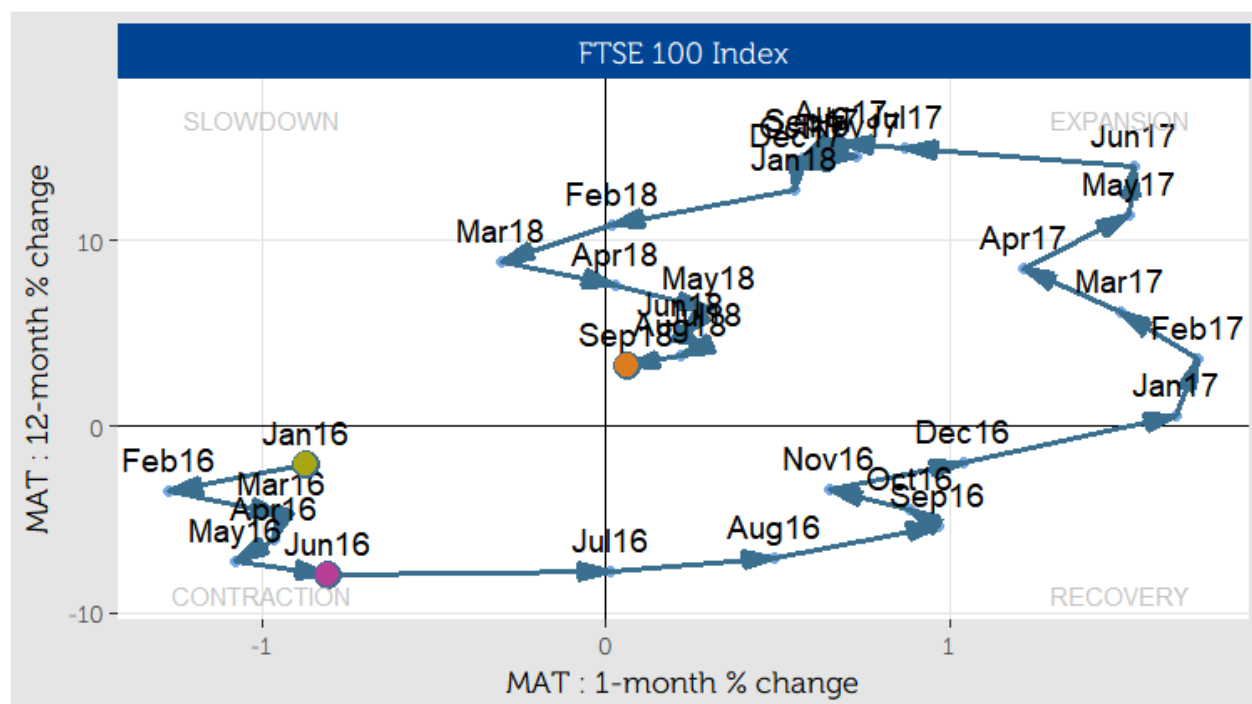
12.2 Exchange Rate (USD)



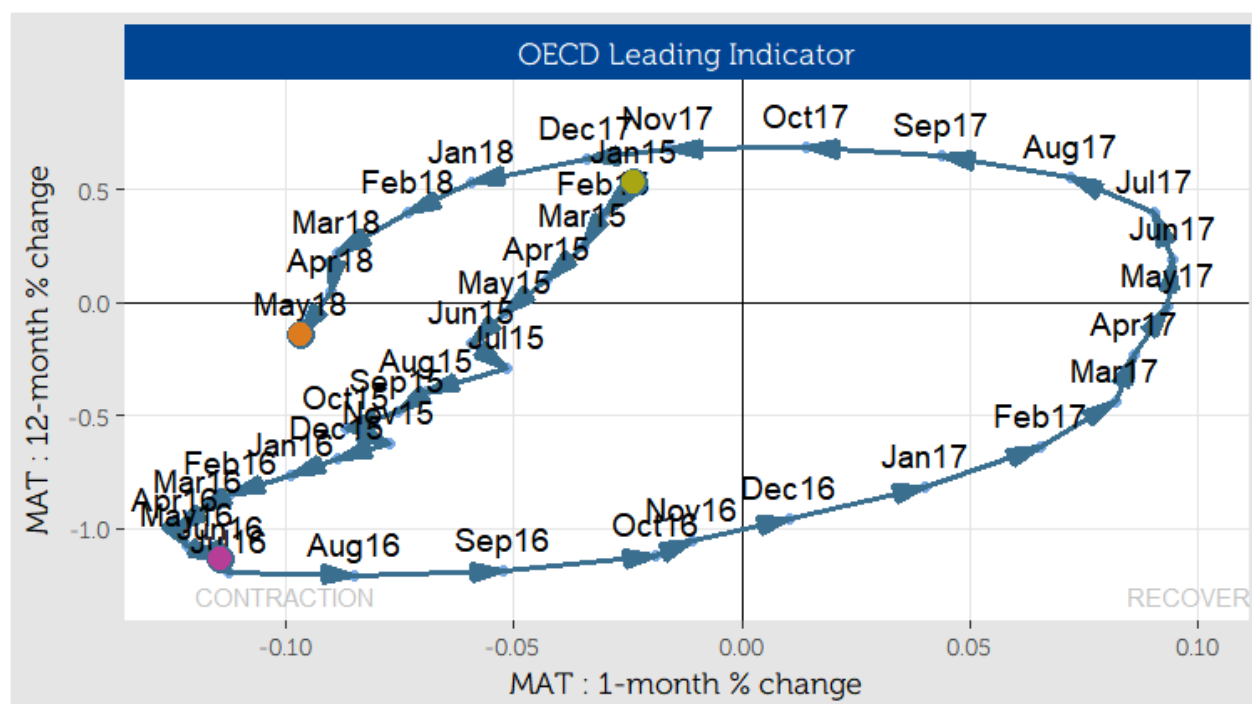
12.3 Exchange Rate (Euro)



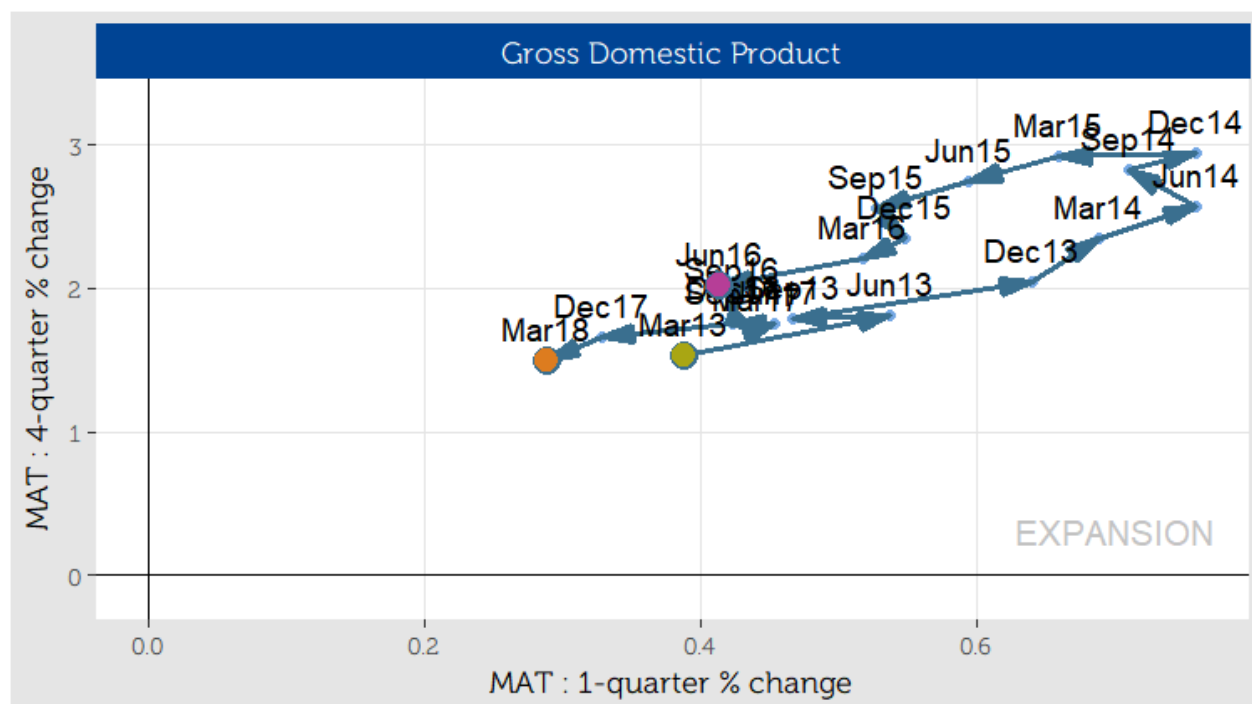
12.4 FTSE 100 Index



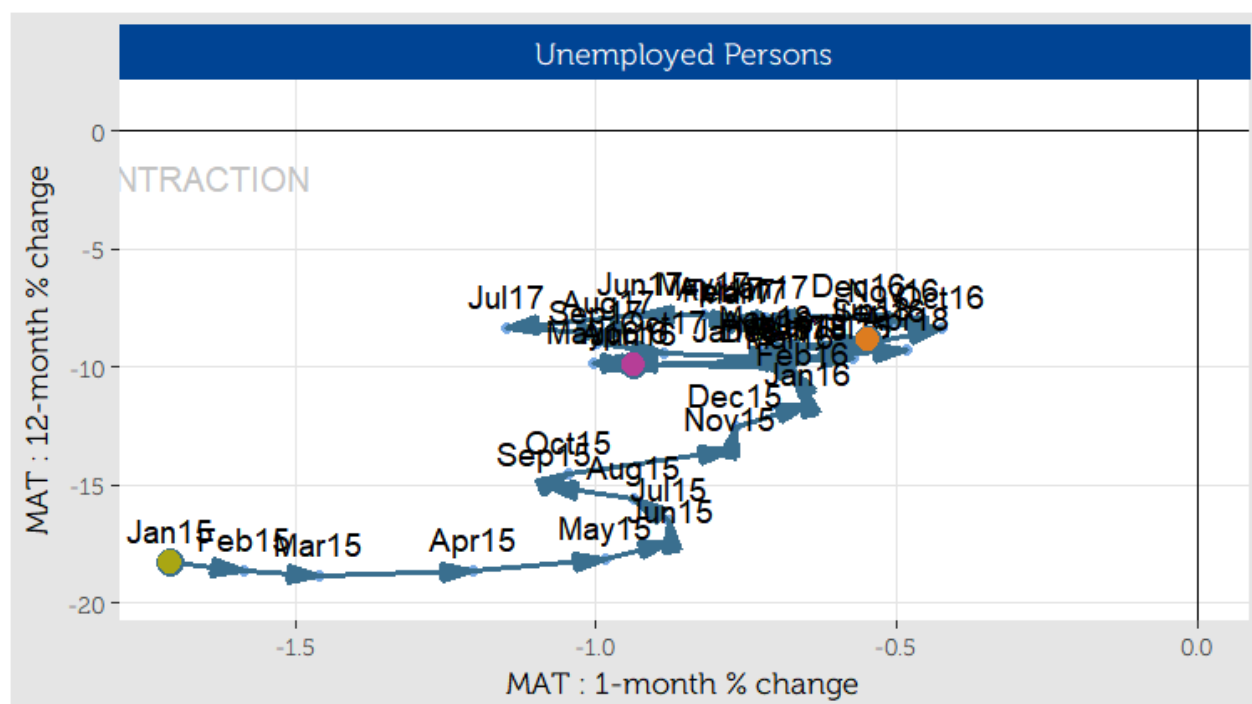
12.5 OECD Composite Leading Indicator - UK



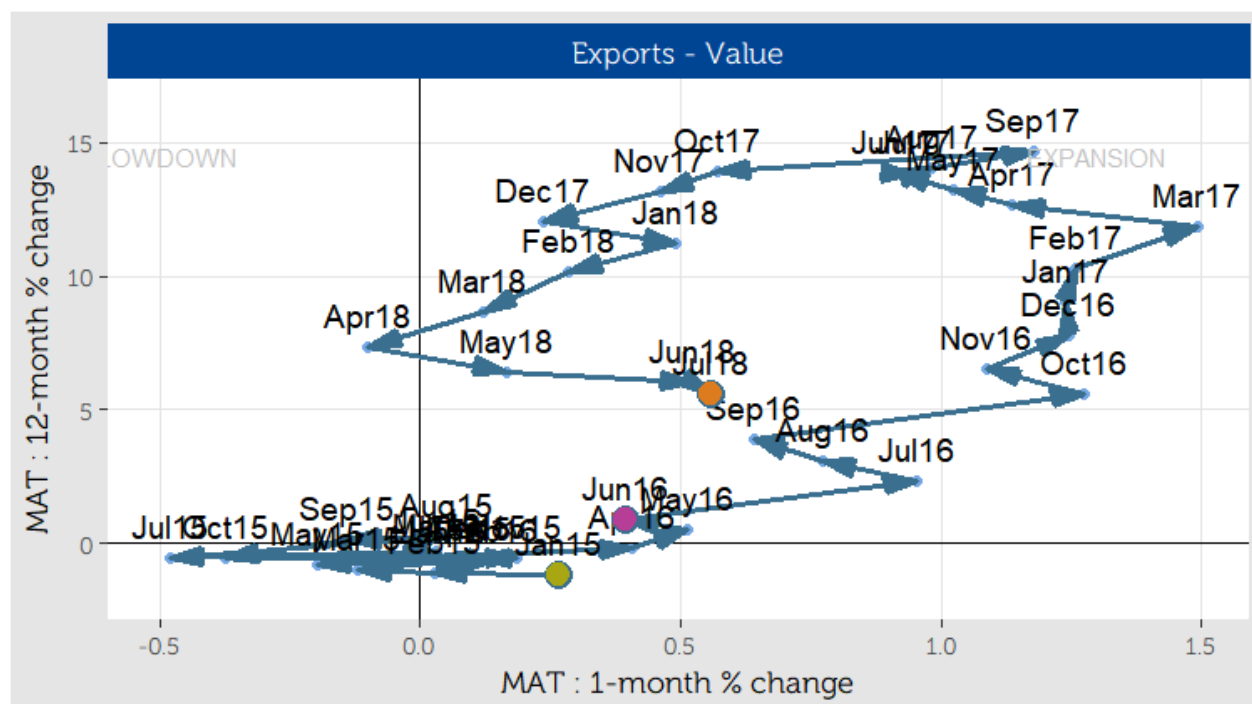
12.6 Gross Domestic Product - GDP (ABMI-UKEA)



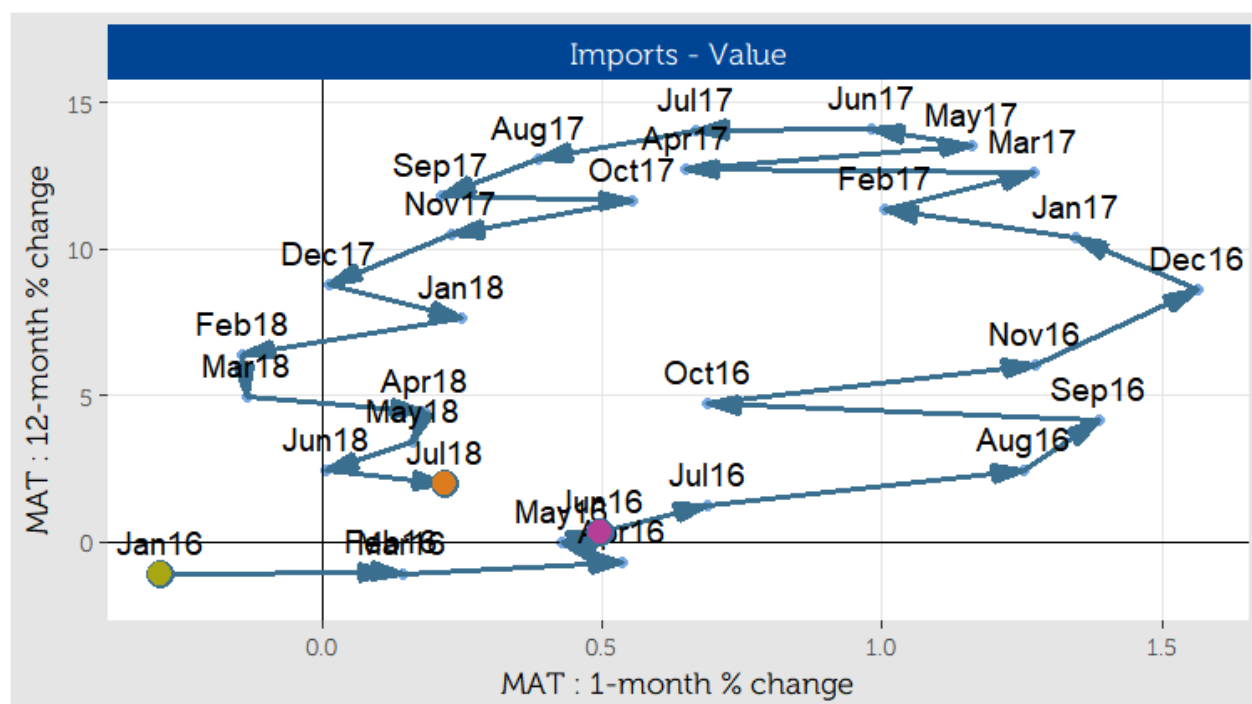
12.7 Unemployed Persons (MGSC)



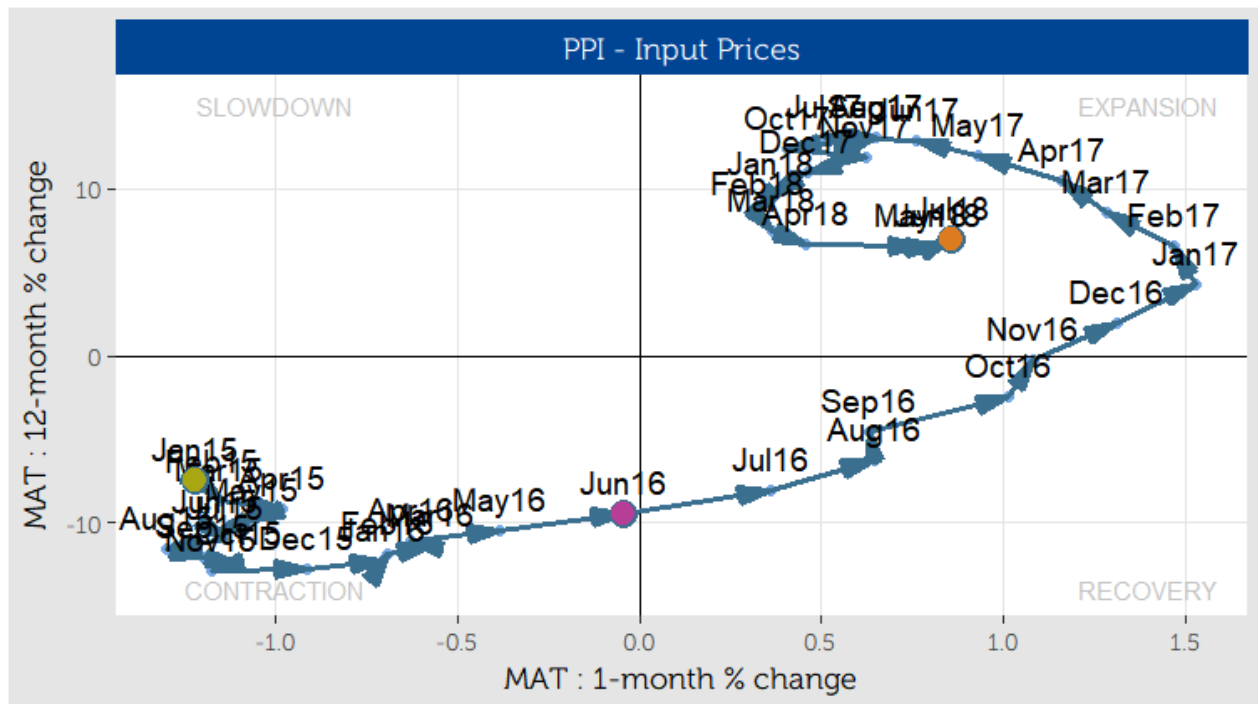
12.8 Exports - Value (IKBH)



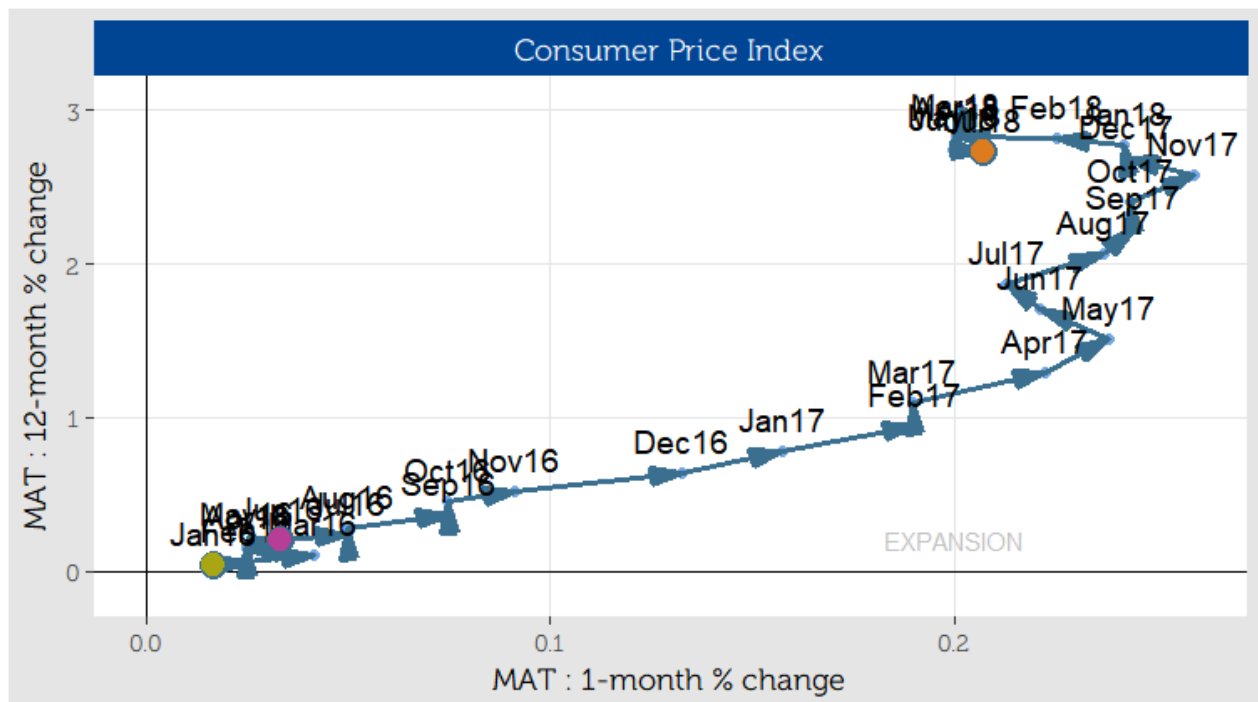
12.9 Imports - Value (IKBI)



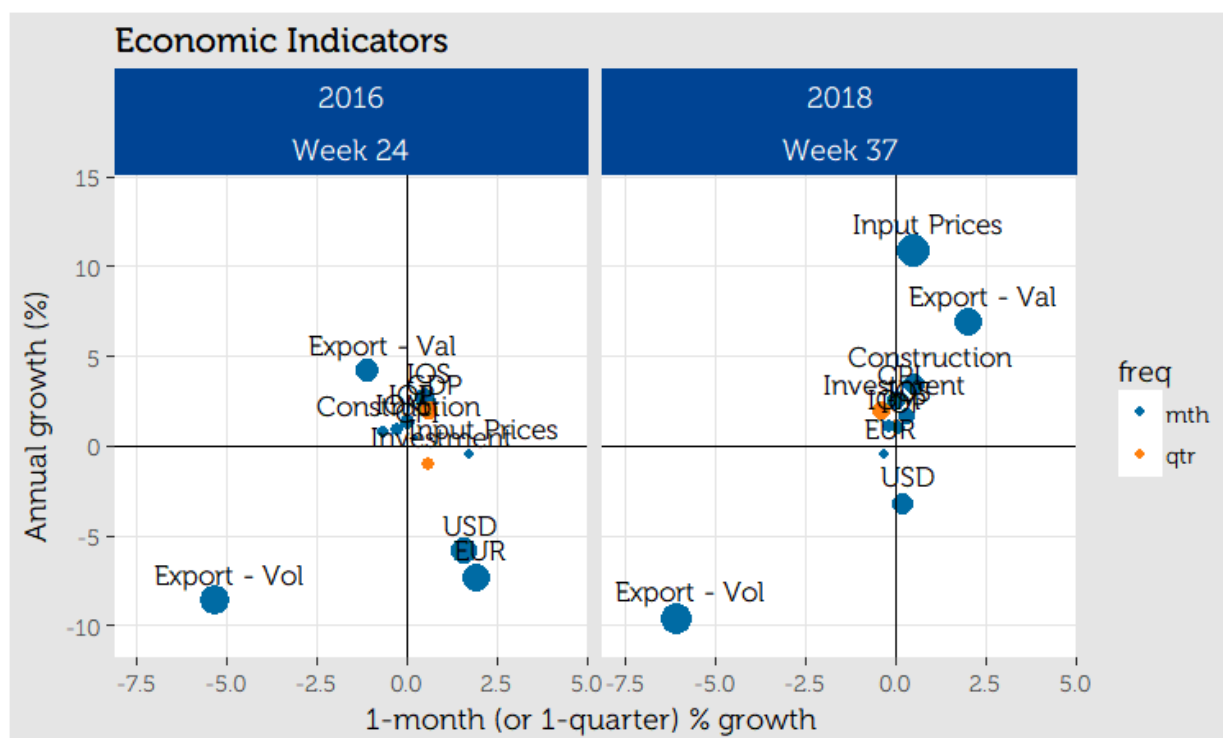
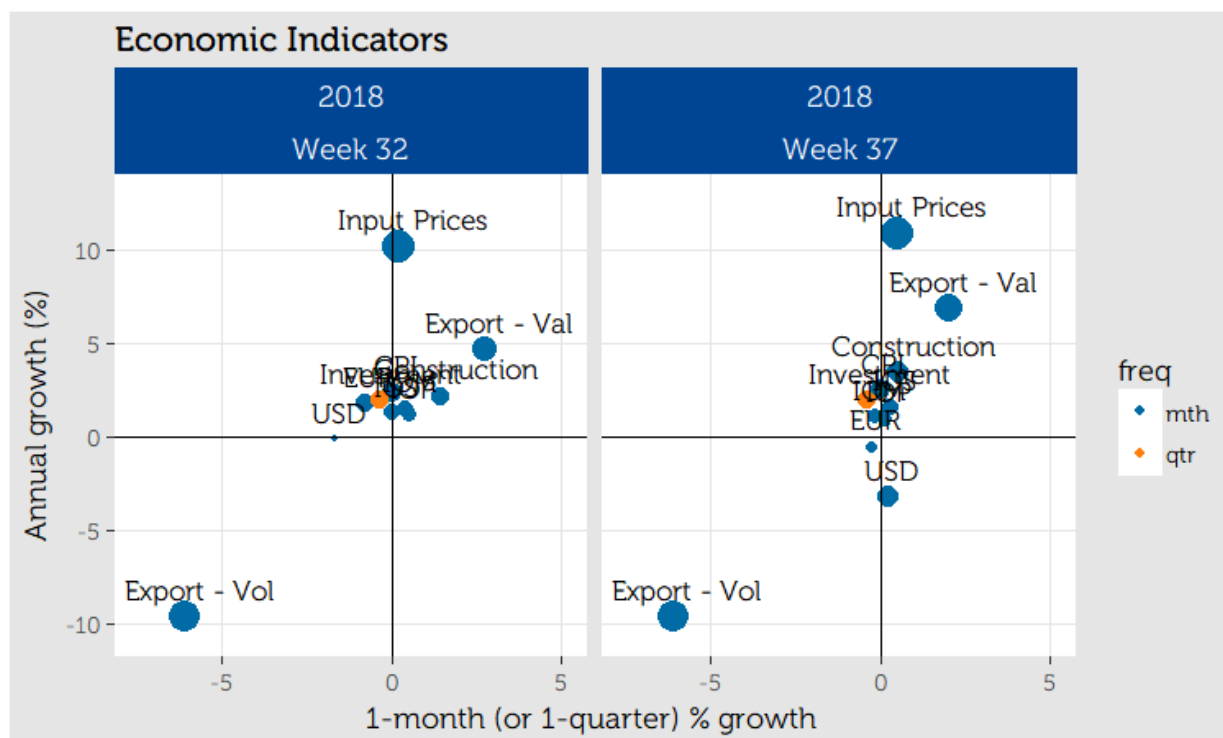
12.10 Input Prices (K646)



12.11 Consumer Price Index (D7BT)



12.12 Current State

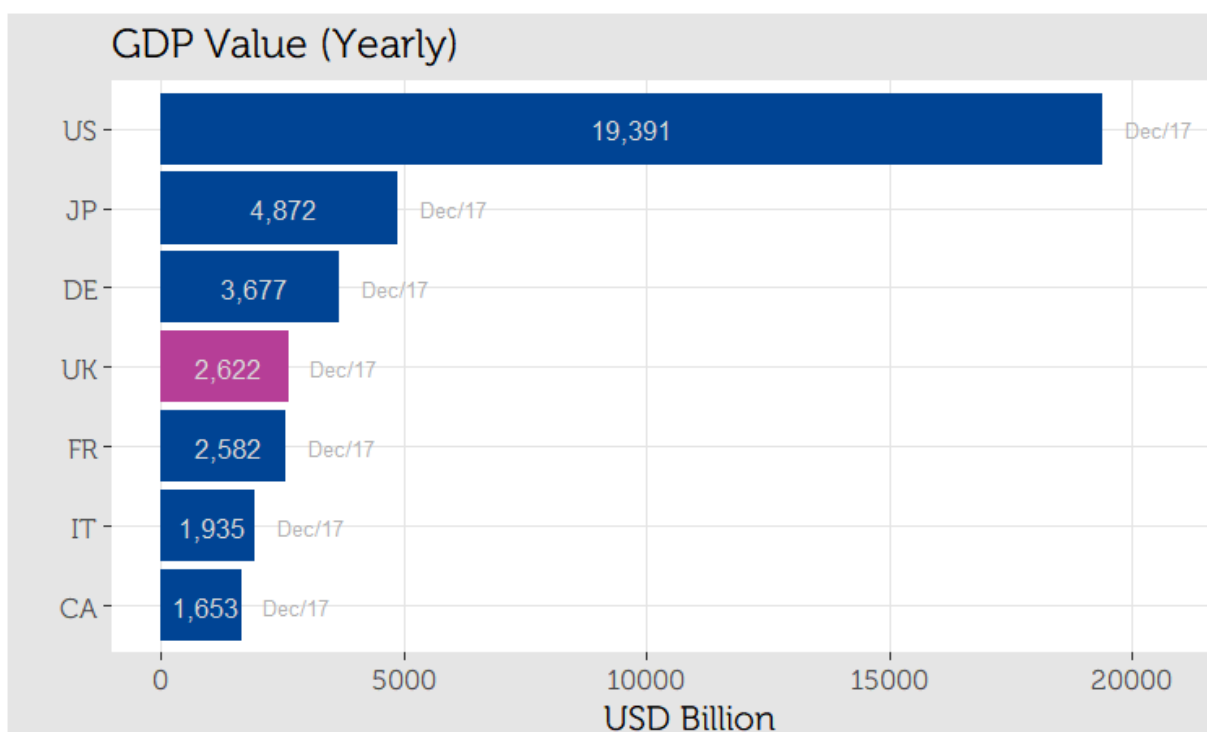
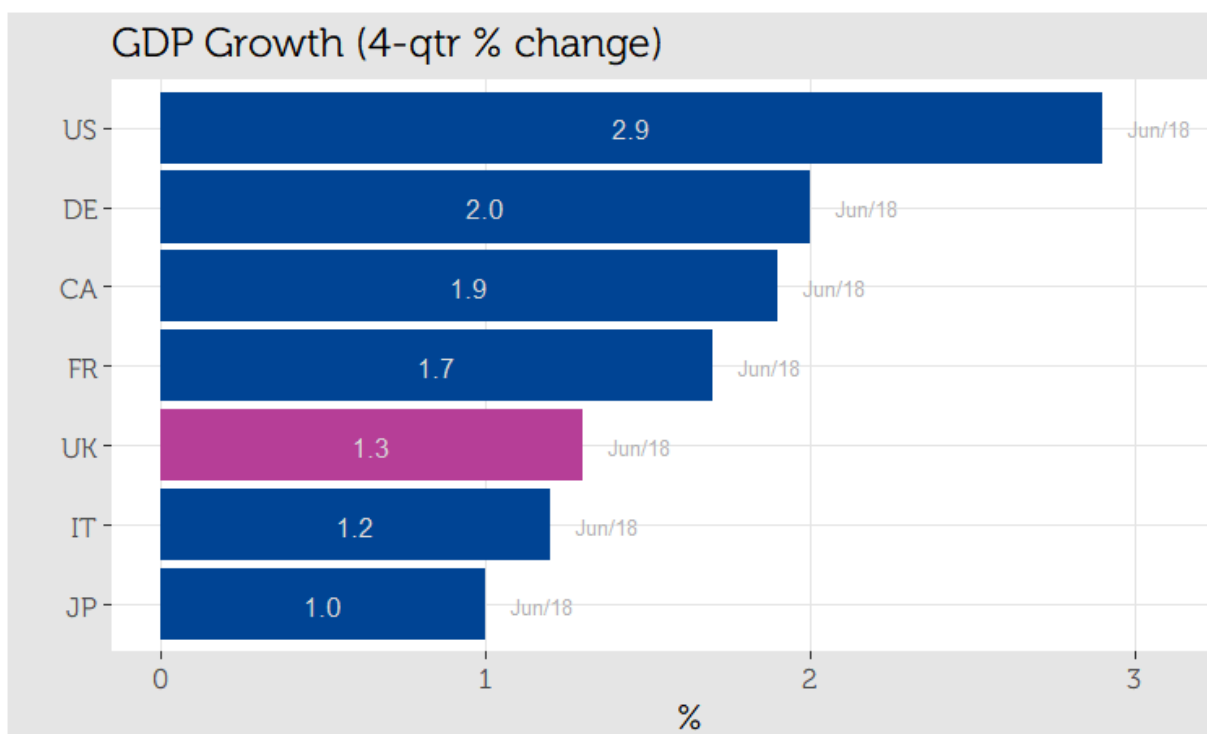


Top: Indicators growth - Current week versus previous week.

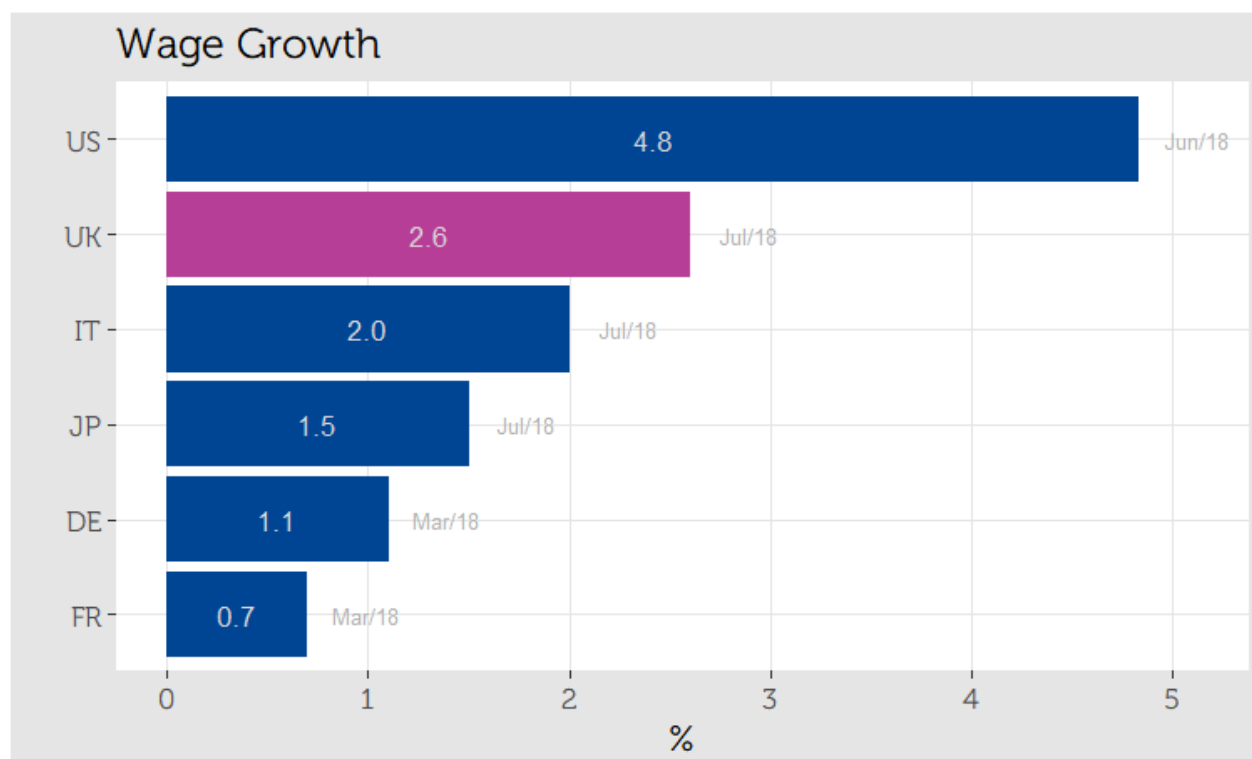
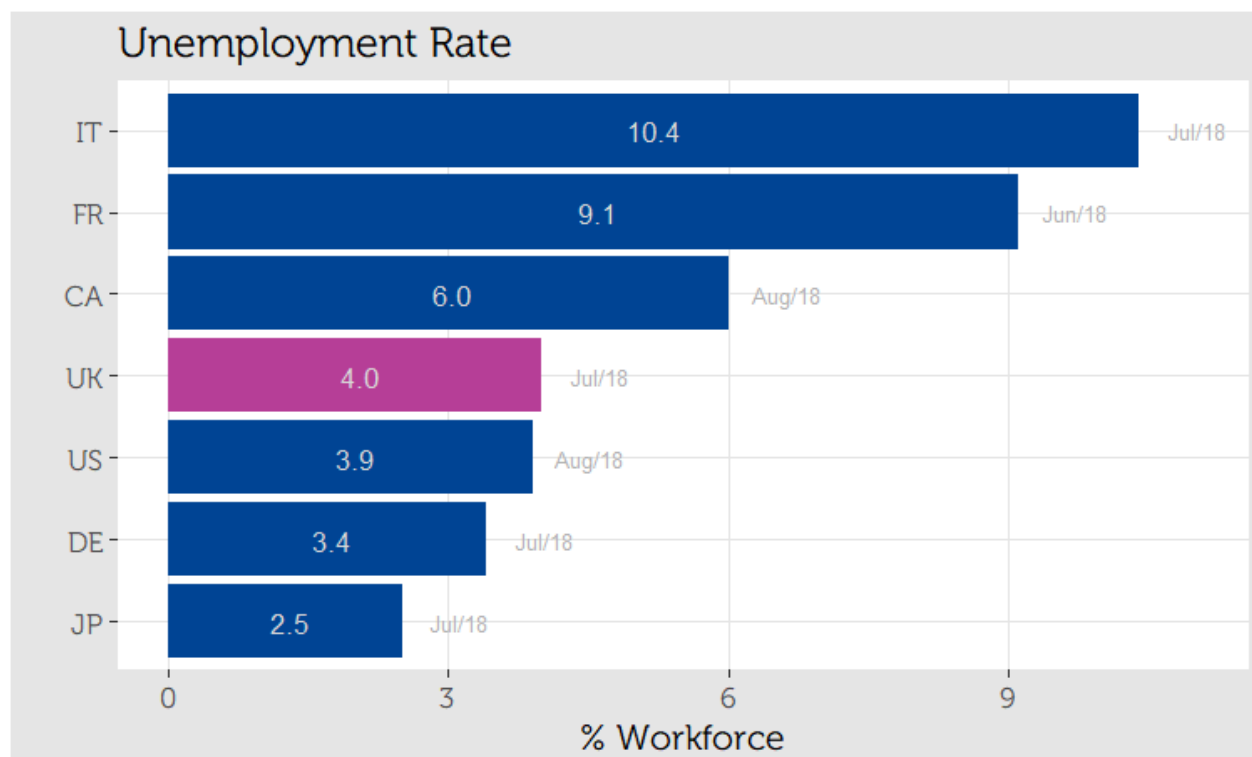
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

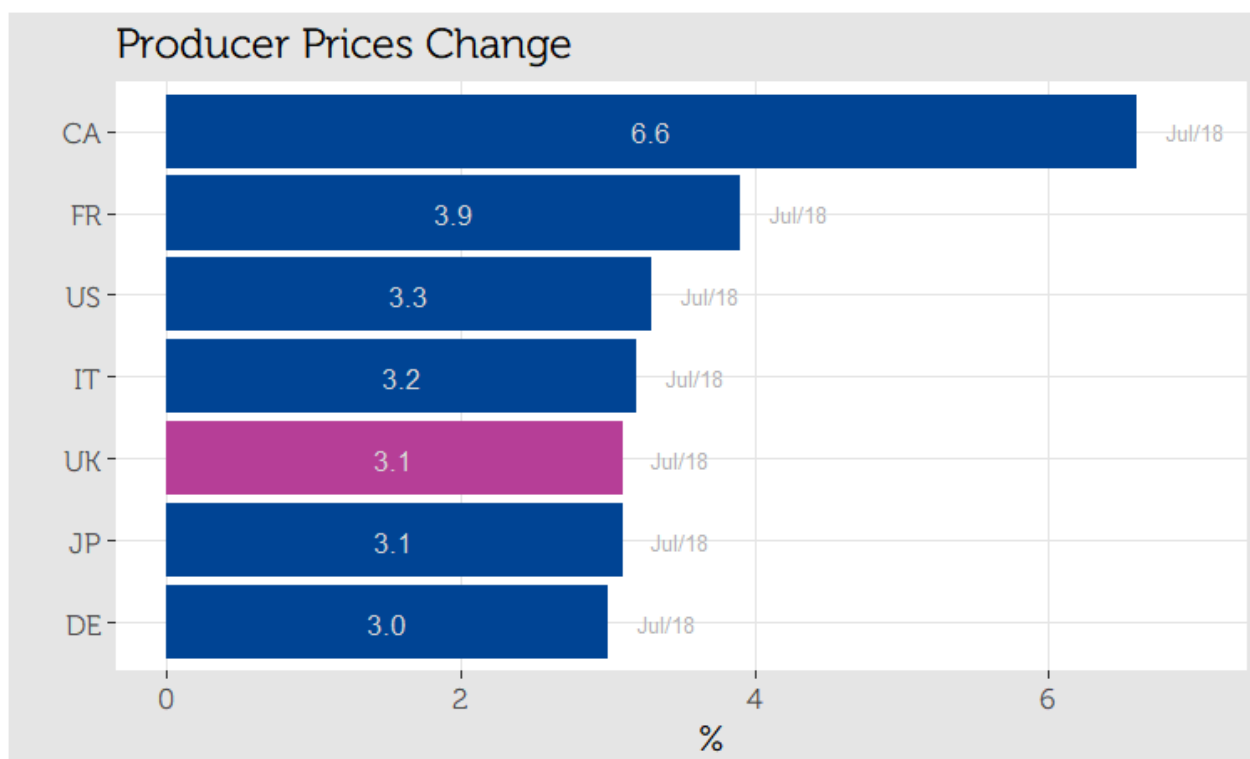
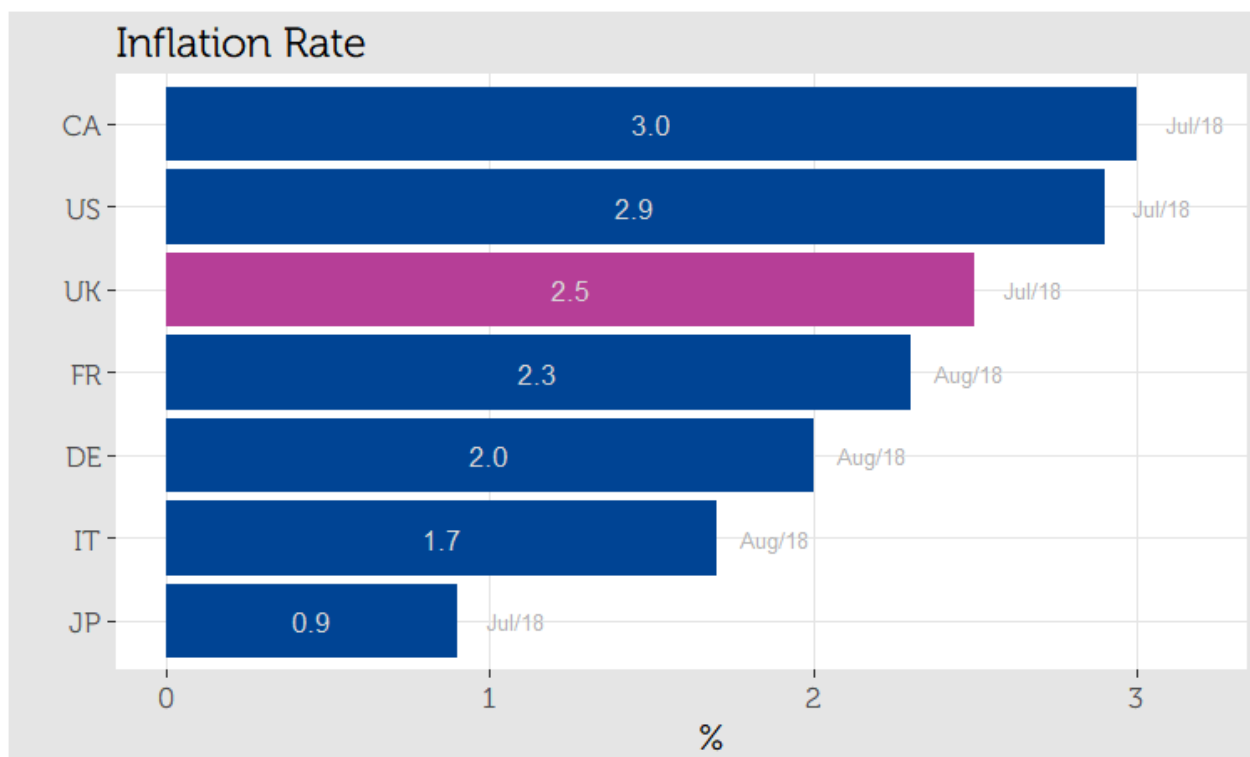
13.1 Gross Domestic Product (GDP)



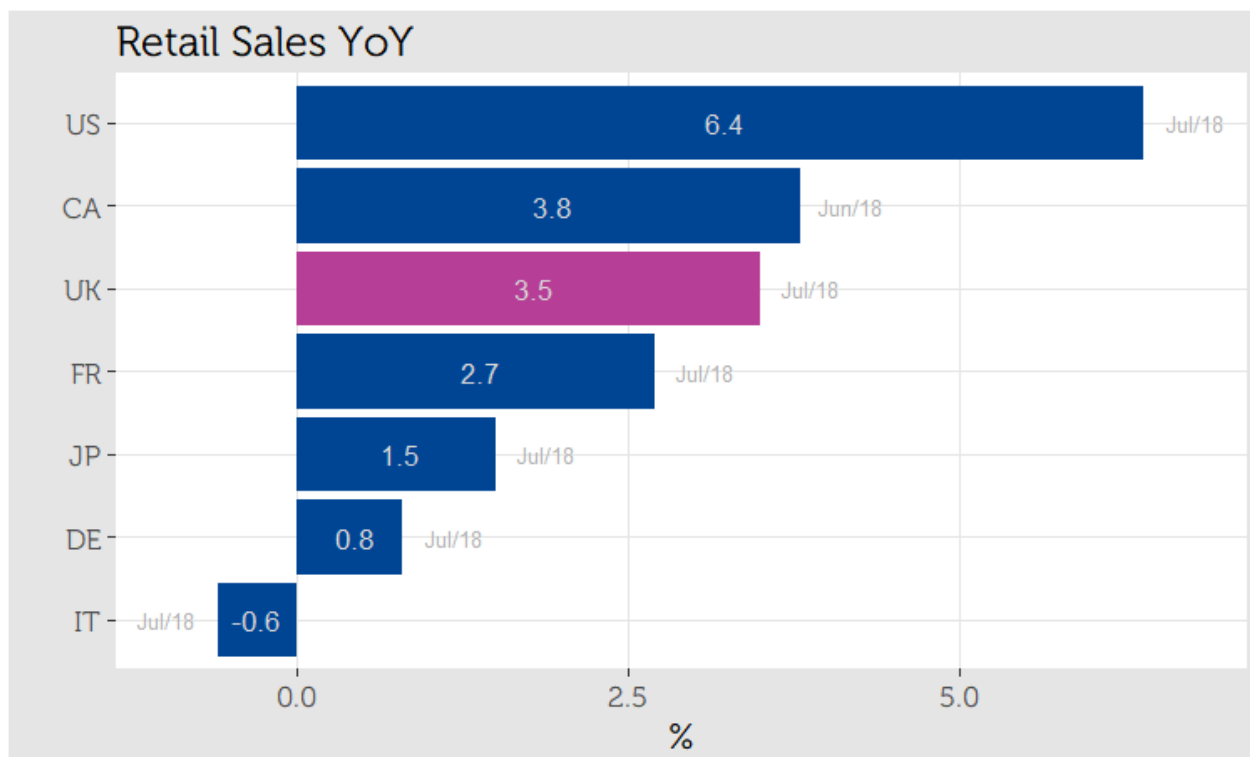
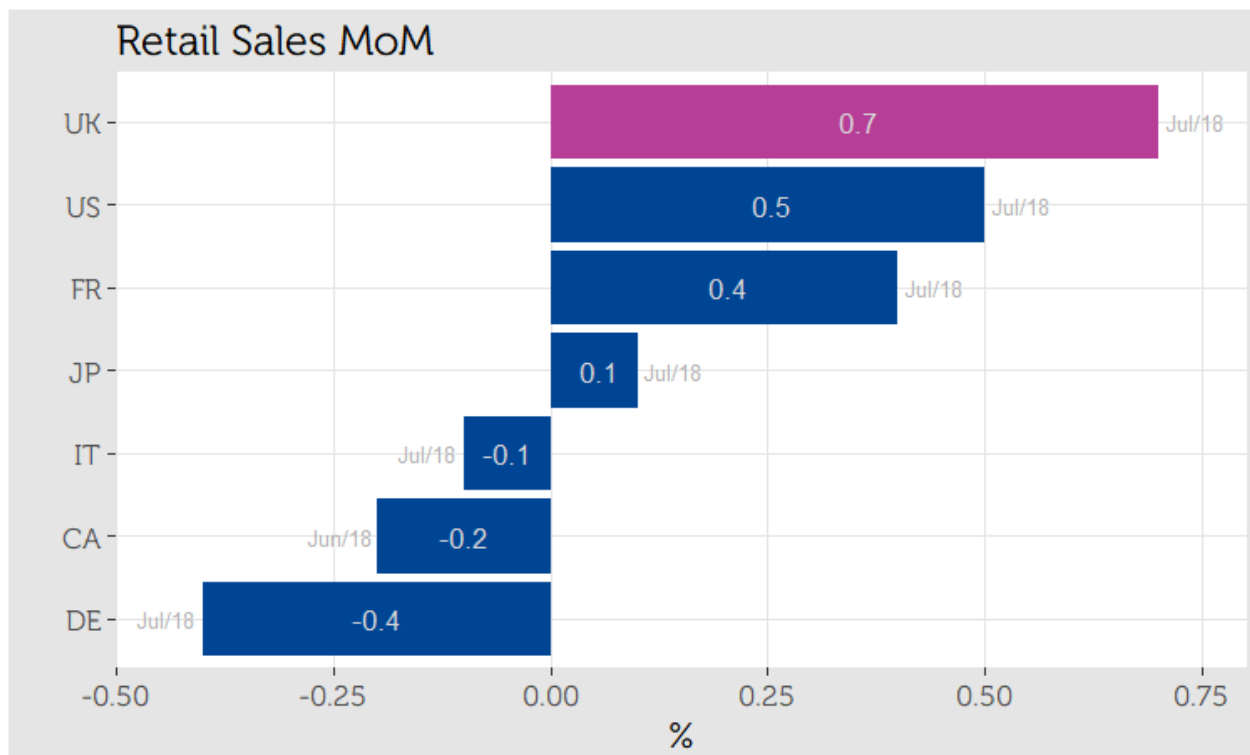
13.2 Unemployment & Wage Growth



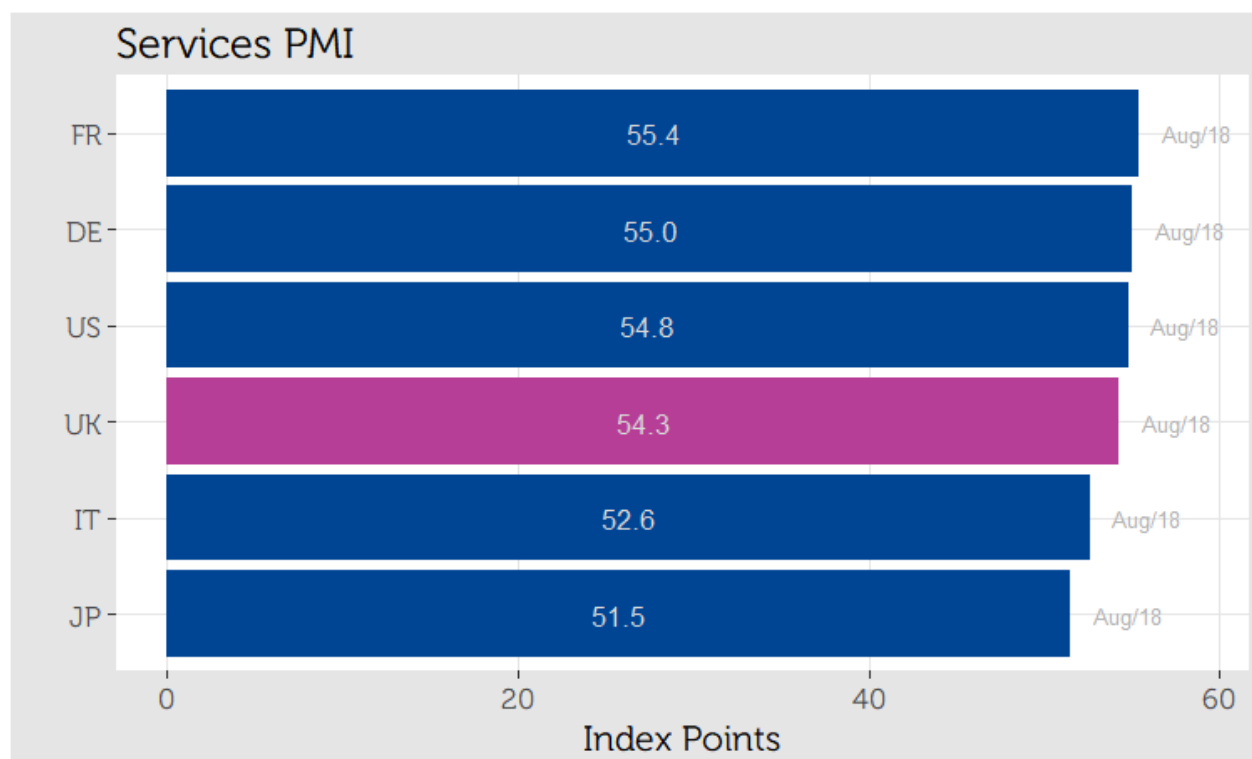
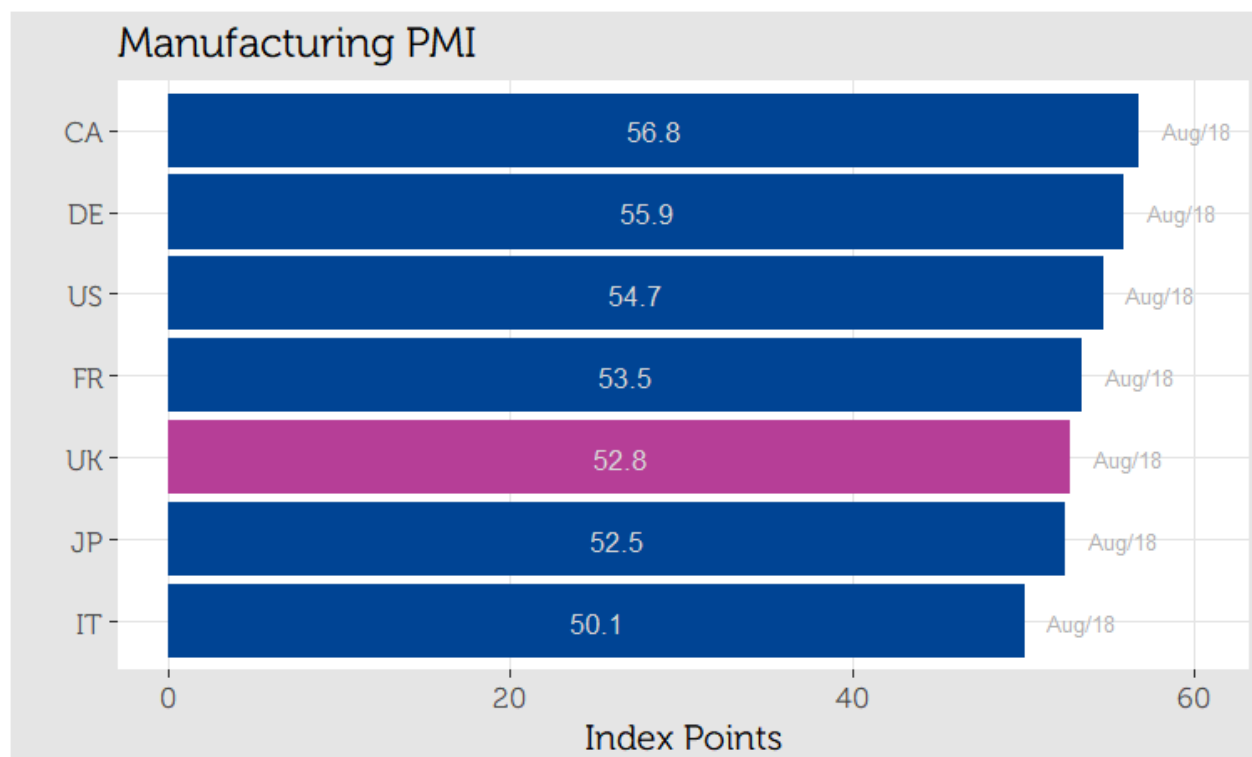
13.3 Inflation & Producer Prices



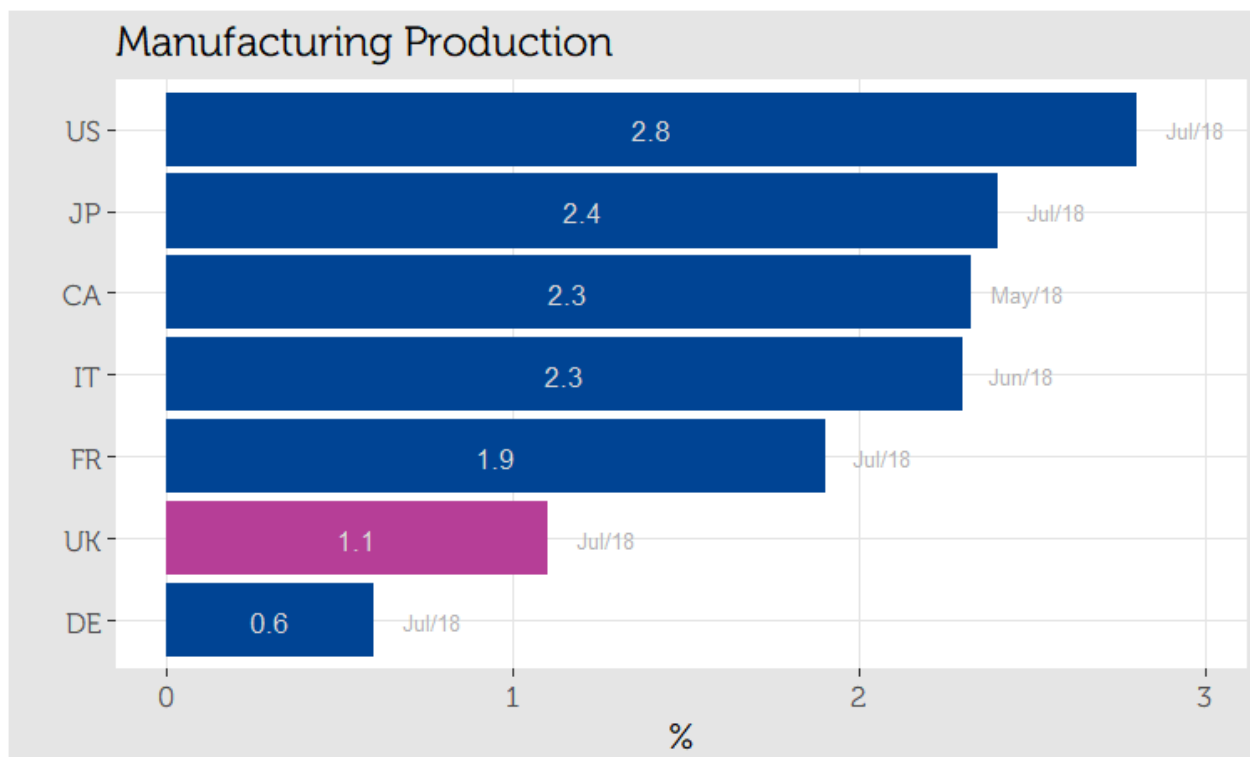
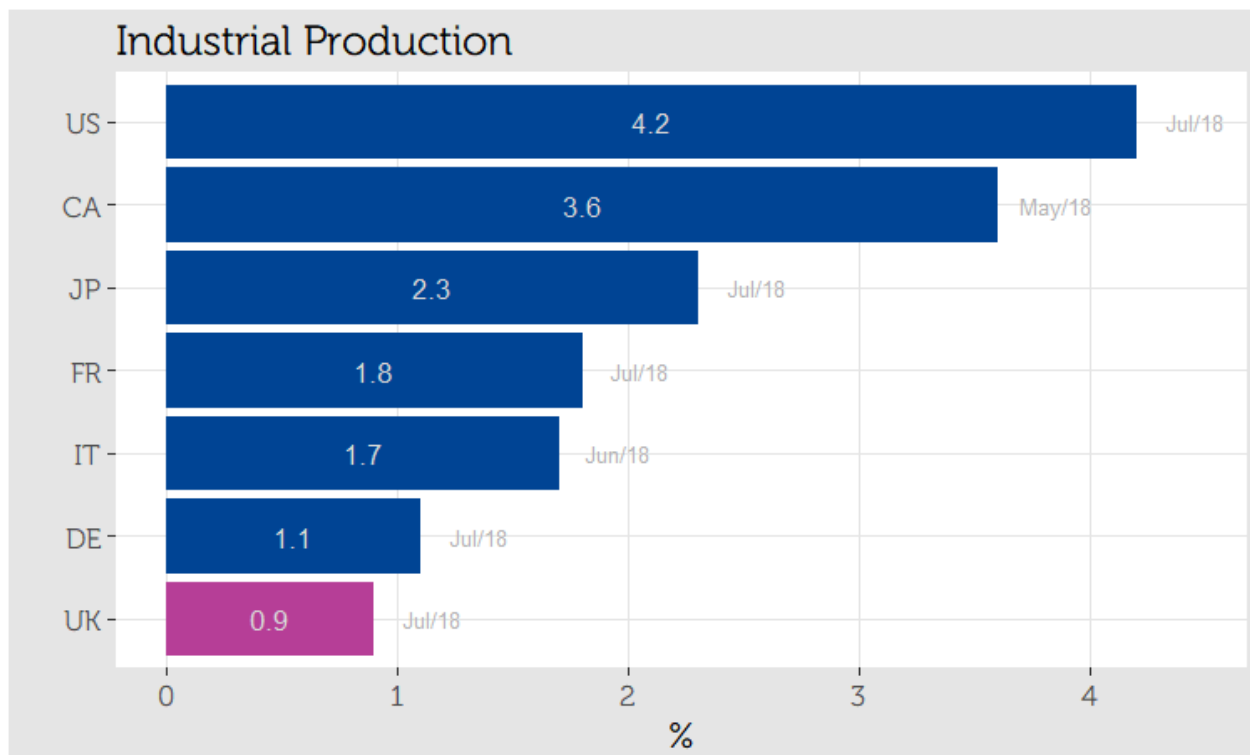
13.4 Retail Sales



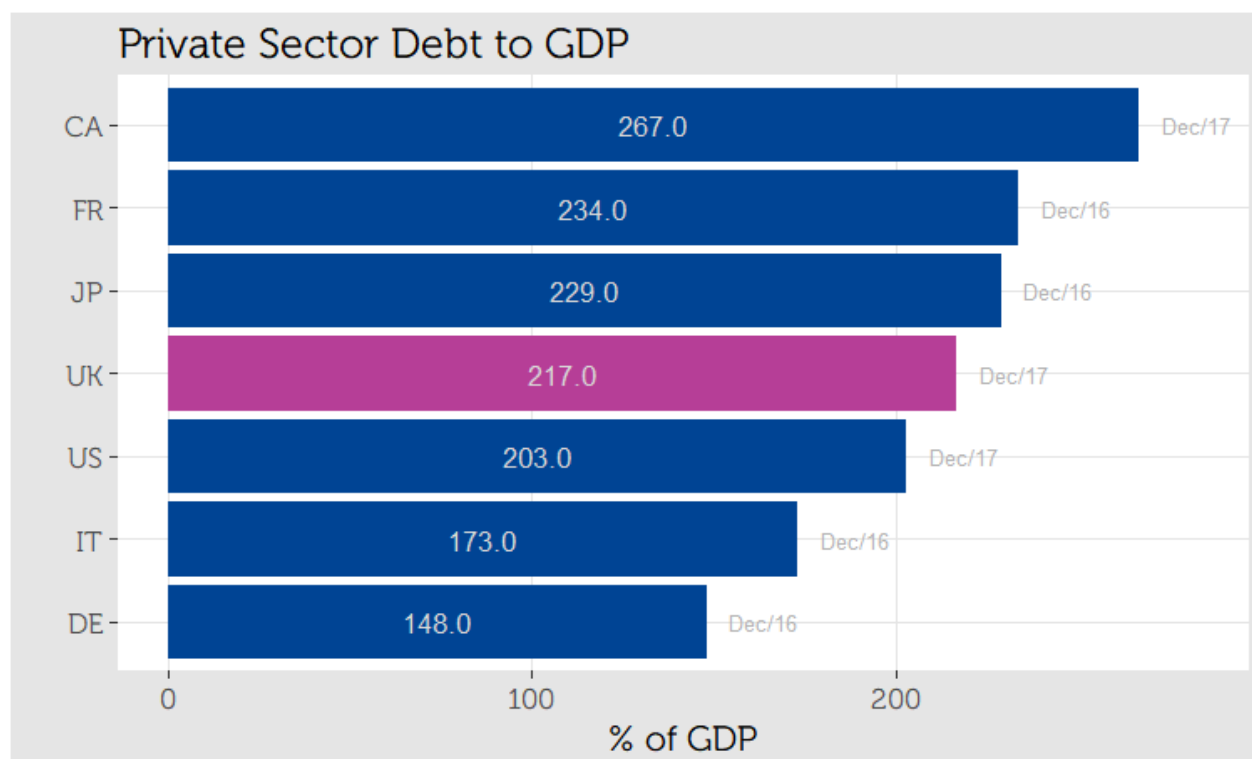
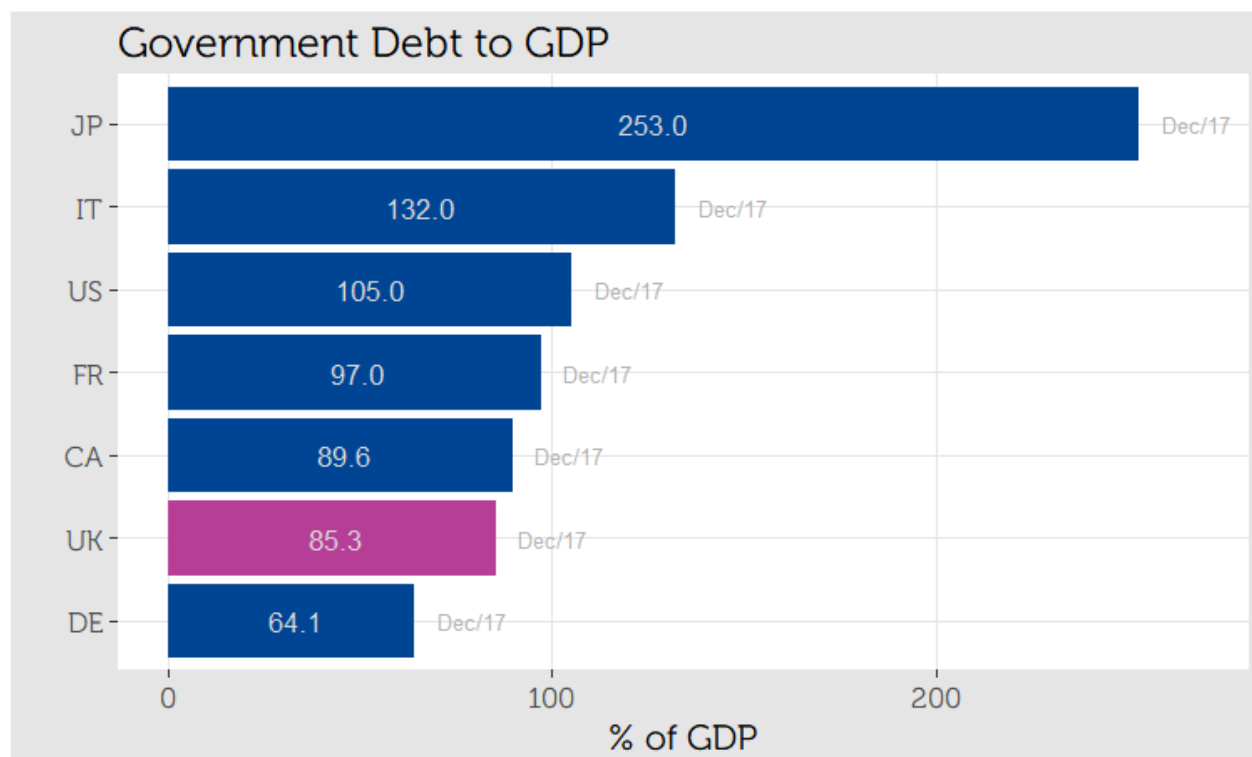
13.5 Purchasers Managers Index - Manufacturing & Services



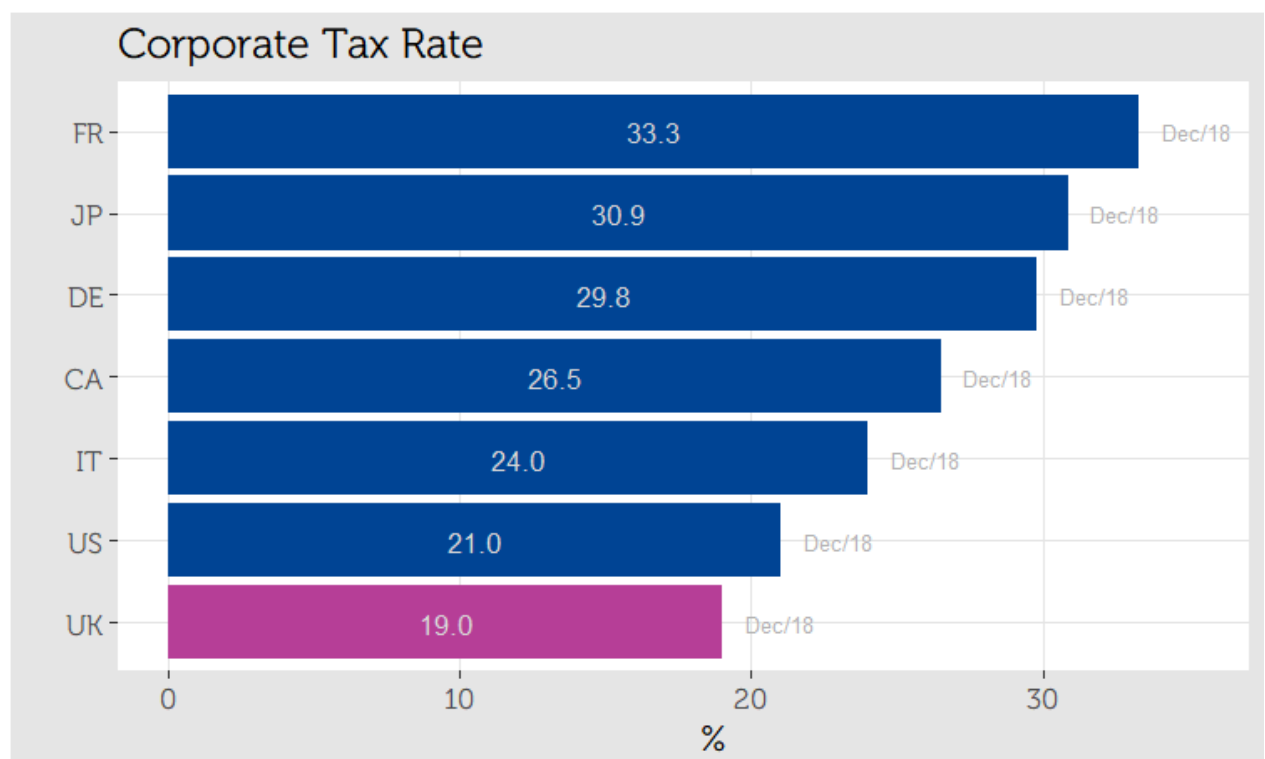
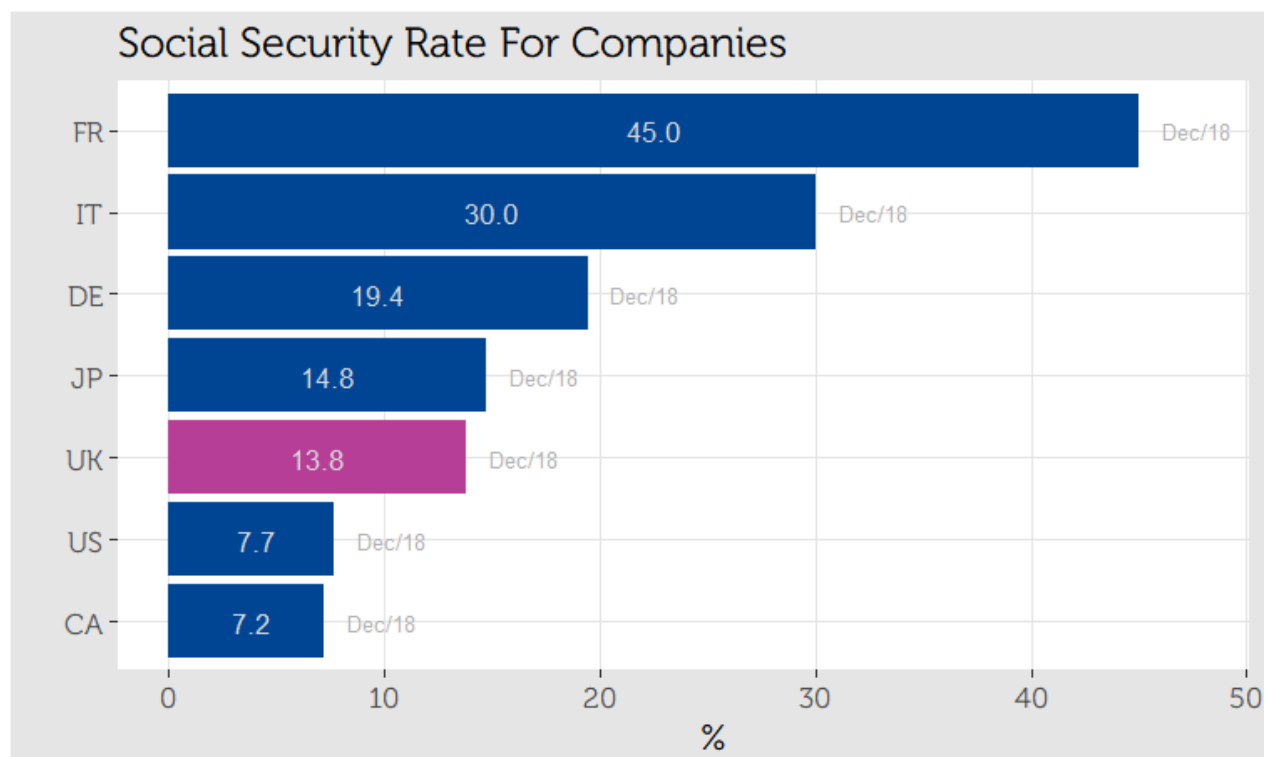
13.6 Industrial Production & Manufacturing



13.7 Debt



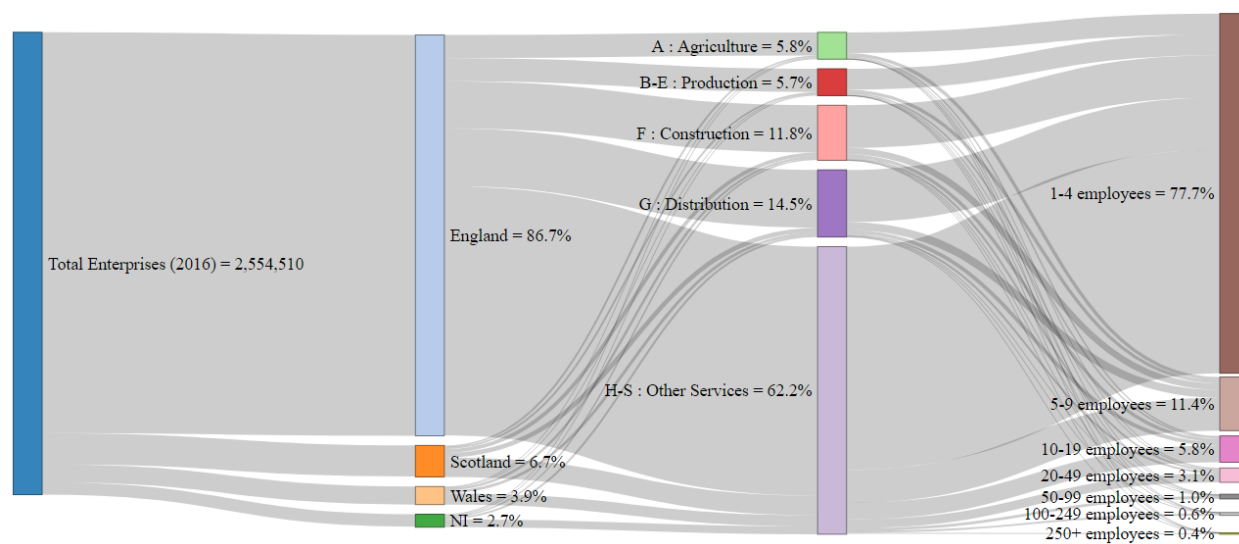
13.8 Employer Social Security Rate & Corporate Tax



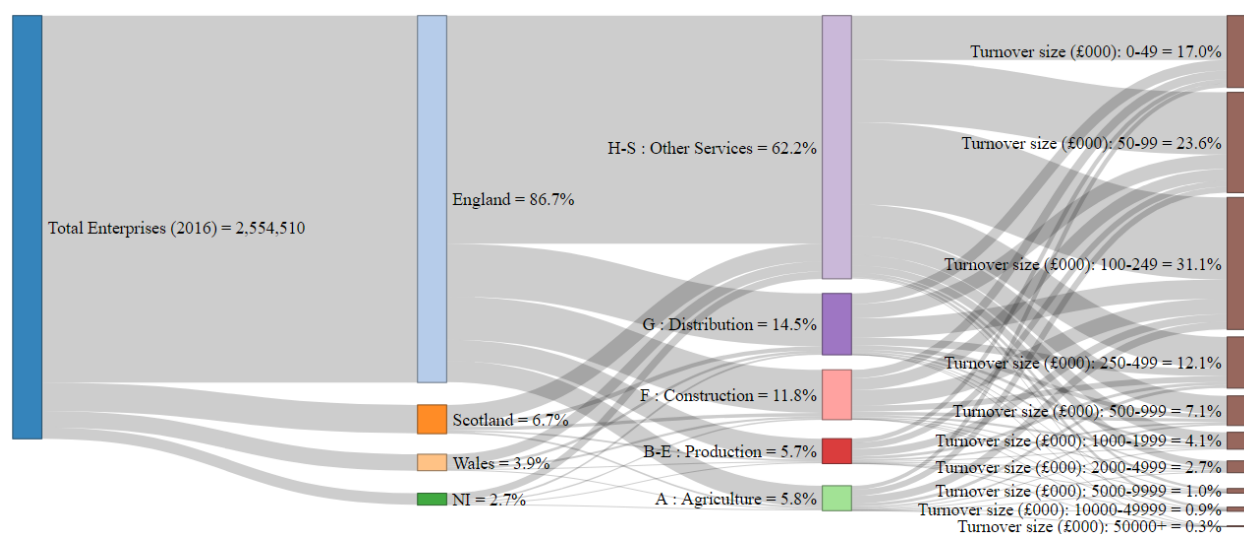
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

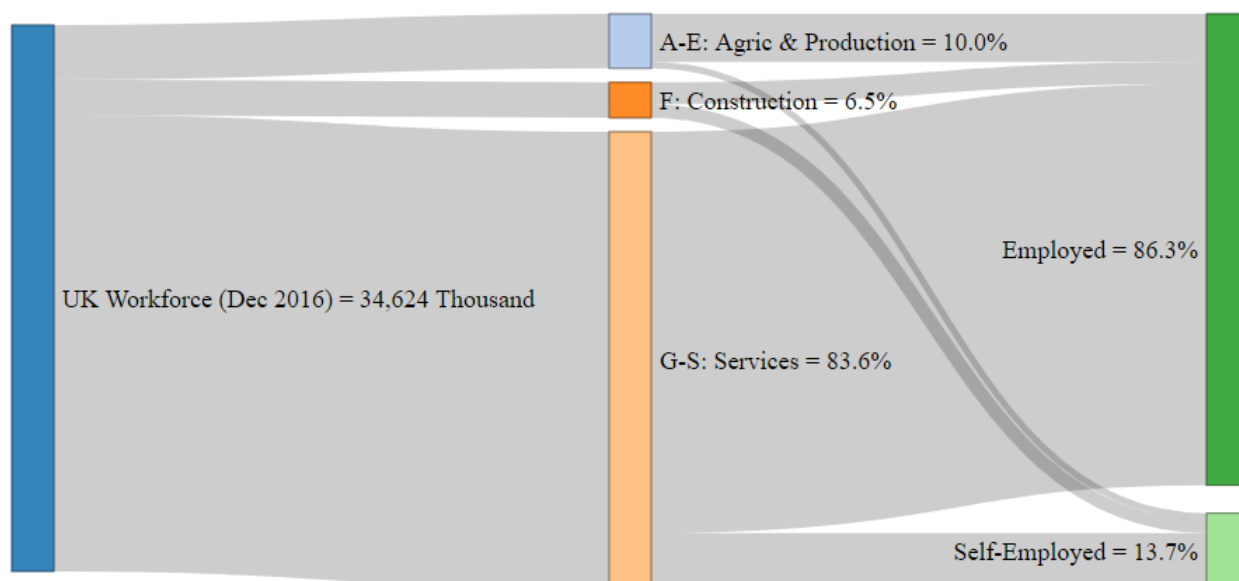


A.2 Enterprises by Turnover Size Band

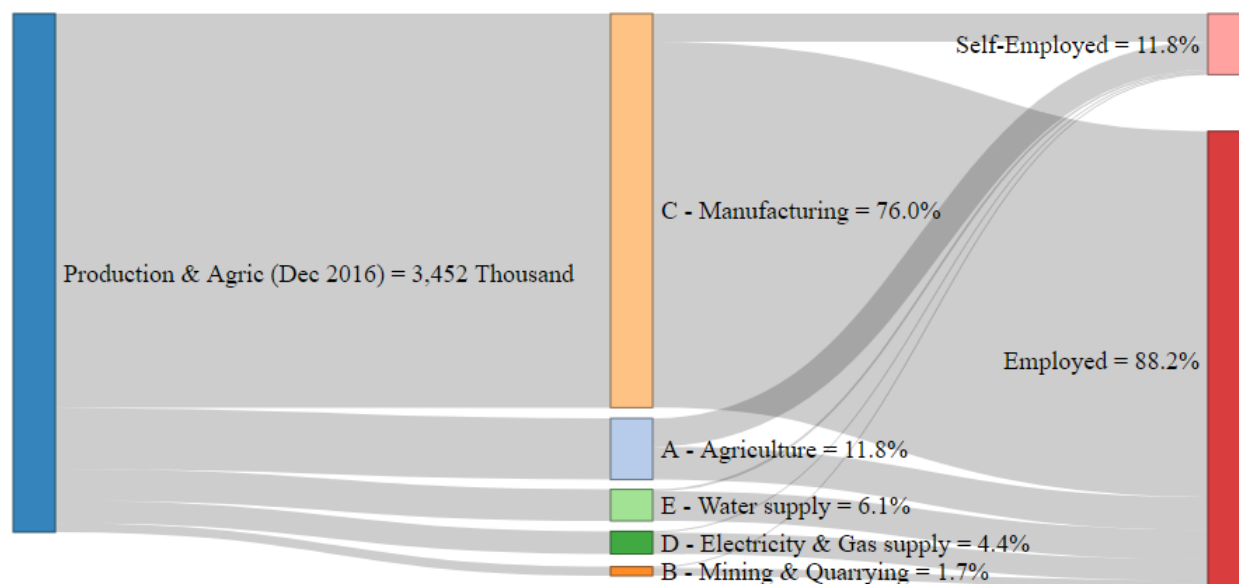


B UK Employment Structure

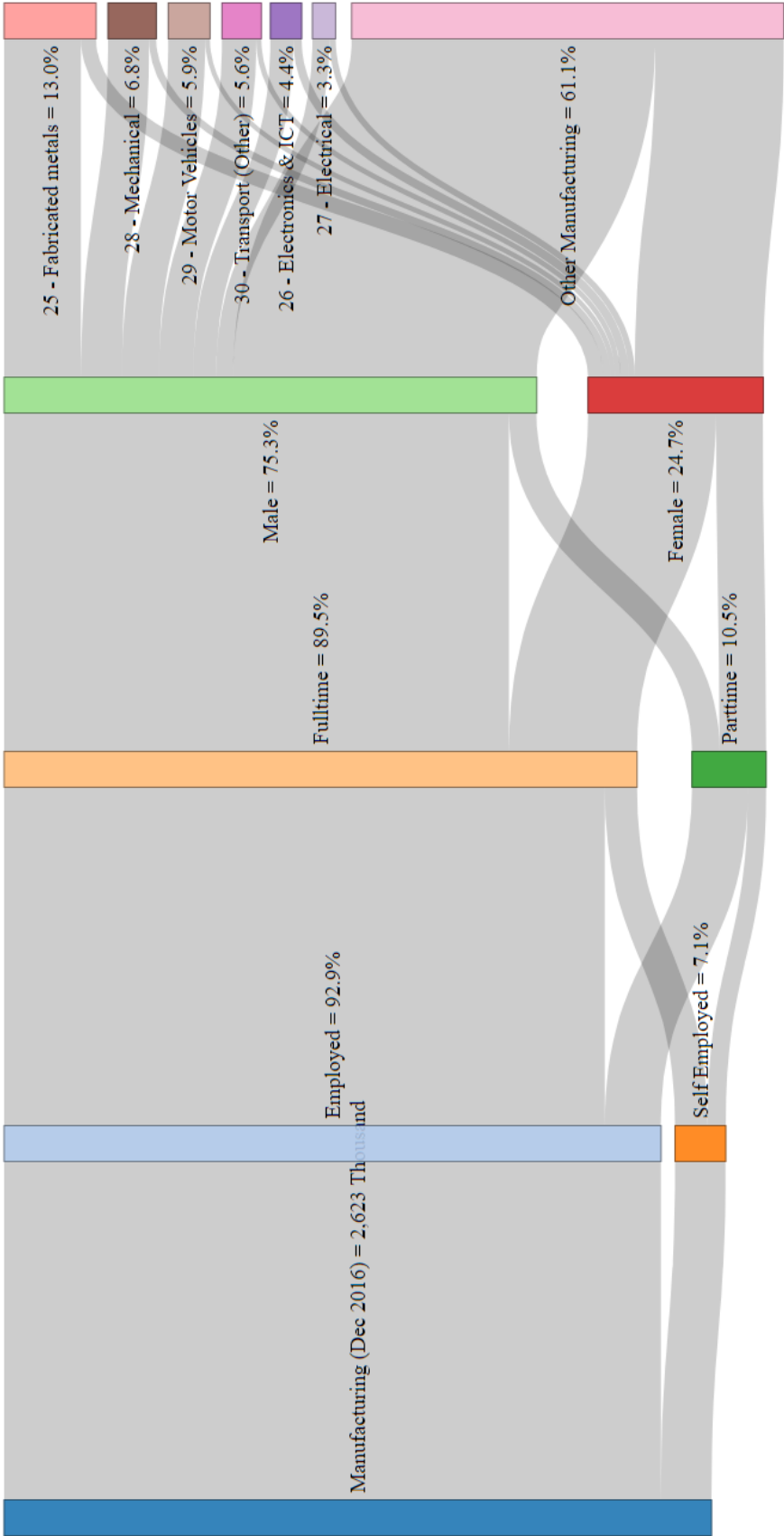
B.1 UK Workforce



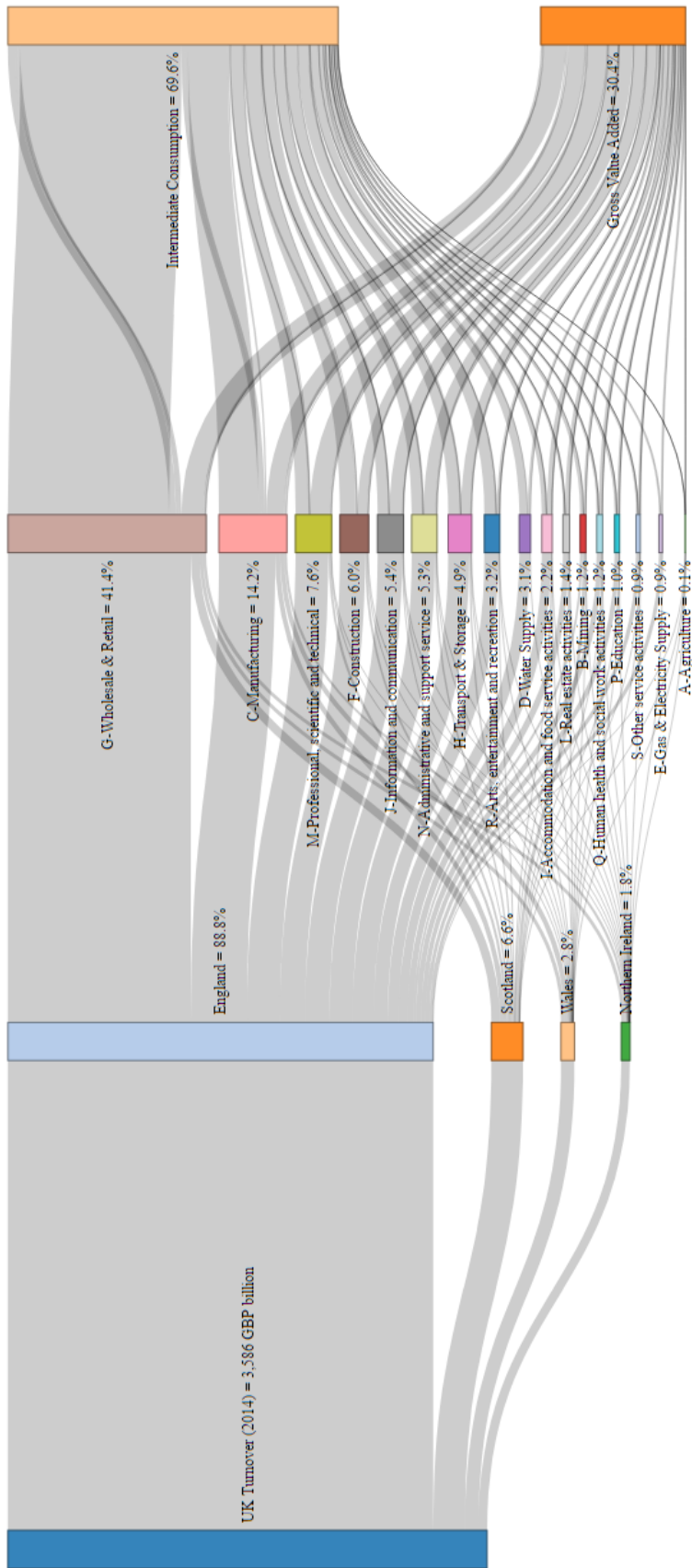
B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



C UK Industrial Output by Region



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

D UK Budget 2018/19



E Data sources

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

F Information about EURIS

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

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Standard Industry Classification Codes Representation

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

22, 25, 26, 27, 28, 33

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

G Contact

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