



European Union Relationship & Industrial Strategy

Weekly

BREXIT WATCH

Week 36

September 2017

Brexit Watch - Week 36

The weekly Brexit Watch report monitors the short-term UK macro economic indicators to assess the impact of the referendum vote and the subsequent triggering of Article 50 on UK economy. The report also monitors indicators in 4 manufacturing industries, namely, Electrical (SIC 27), Electronic (SIC 26), Mechanical (SIC 28) and Fabricated Metals (SIC 25).

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).

To make it easy to differentiate between trends before and after the referendum vote, each chart has a vertical purple line which marks 23rd of June 2016, the date of the referendum.

The main points at the end of week 36 in 2017 are as follows:

- **Sterling** average rate with **US Dollar** in the first 8 days of September 2017 increased by 0.6% compared to August average, but fell by 0.6% against the **Euro** in the same period.
- **Input prices** increased by 6.5% in July 2017 compared to a year earlier; a drop from 9.9% recorded in June 2017.
- **Consumer price index** grew by 2.6% in the twelve months to July 2017, unchanged from previous month.
- **Index of production** grew by 0.4% in the twelve months to July 2016.
- The first estimate of UK **GDP** growth in the second quarter of 2017 was 0.3%; equivalent to £472.9 billion and a growth of 1.7% compared to 2016 Q2.
- **Unemployment** rate decreased to 4.4% in the three months to June 2017; the lowest rate since May 1975.
- **Retail sales volume** grew by 1.3% in the twelve months to July 2017.
- **Business investment** for all industries unchanged in 2017 Q2 compared to a year earlier.
- **Exports** trade in **value** grew by 9.6% in July 2017 to £49.6 billion compared to twelve months earlier and **imports** also grew by 7.4% to £52.5 billion in the same period.
- The **construction output**, at constant prices, fell by 0.4% to £11.4 billion in July 2017 compared twelve months earlier.
- **Index of production** in July 2017, increased by 7.9% for **Electrical** Equipment, 5.6% for **Mechanical** Equipment, and 3.3% for **Electronics**, compared to twelve months earlier. Production in **Fabricated Metals** however declined by 3.6% over the same period.

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Glossary

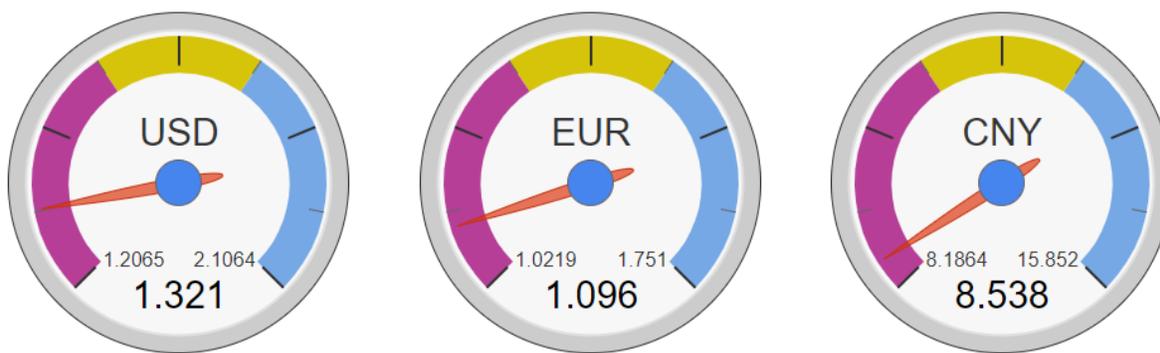
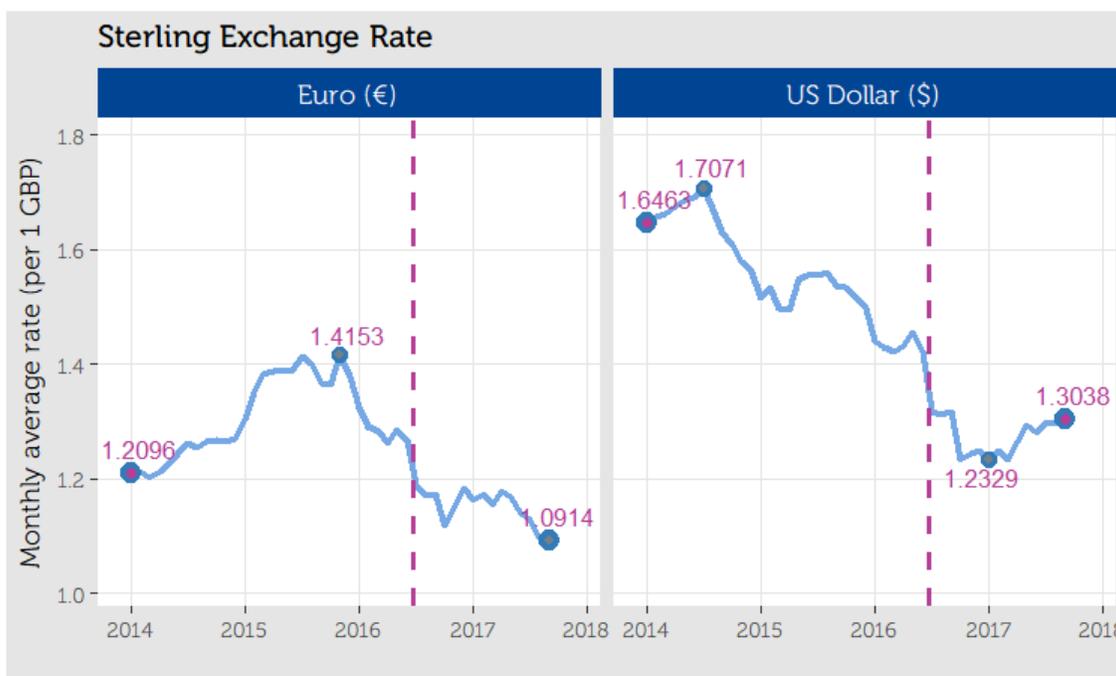
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOP	Index of Production
CESA	Catering Equipment Suppliers Association	IOS	Index of Services
CNY	Chinese Yuan	MAA	Moving Annual Average
CPI	Consumer Price Index	MAT	Moving Annual Total
CPIH	Consumer Prices Index including owner occupiers' housing costs	MTA	The Manufacturing Technologies Association
EAMA	Engineering and Machinery Alliance	NI	Northern Ireland
ECB	European Central Bank	NMI	UK Electronic Systems & Technology Industry
EUR	Euro	OECD	Organisation for Economic Co-operation and Development
G7	Group of seven countries consisting of Canada, France, Germany, Italy, Japan, UK & US	ONS	Office for National Statistics
GAMBICA	Trade Association for Instrumentation, Control, Automation and Laboratory Technology	PPI	Producer Price Index
GDP	Gross Domestic Product	REA	The Renewable Energy Association
HMRC	HM Revenue & Customs	RPI	Retail Price Index
IOM	Index of Manufacturing	SIC	Standard Industry Classification
		USD	US Dollar
		YOY%	Year on Year or Annual Percentage change

1 Exchange Rates

The average Sterling exchange rate with **US Dollar** in the first 8 days of September 2017 increased by 0.6% from August 2017 average to 1.3038. Compared to twelve months earlier, the September 2017 average was 0.9% lower, but compared to May 2016 (pre-brexit vote) the rate was 10.4% lower.

The average exchange rate for the **Euro** in September 2017 fell by 0.6% from August 2017 average to 1.0914. Compare to twelve months earlier the average rate was 7.0% lower, and 15.1% lower compared to May 2016.

At the end of 2017 week 36, the **US Dollar** was trading at \$ 1.3214/GBP, **Euro** at € 1.0957/GBP and the **Chinese Yuan** at ¥8.5382/GBP.

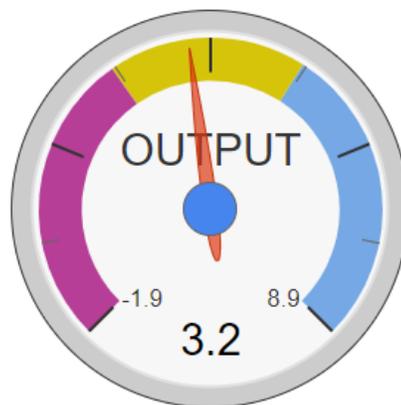
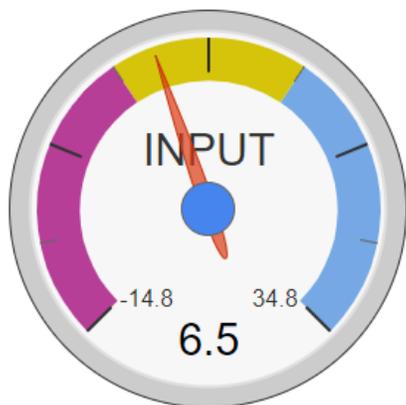
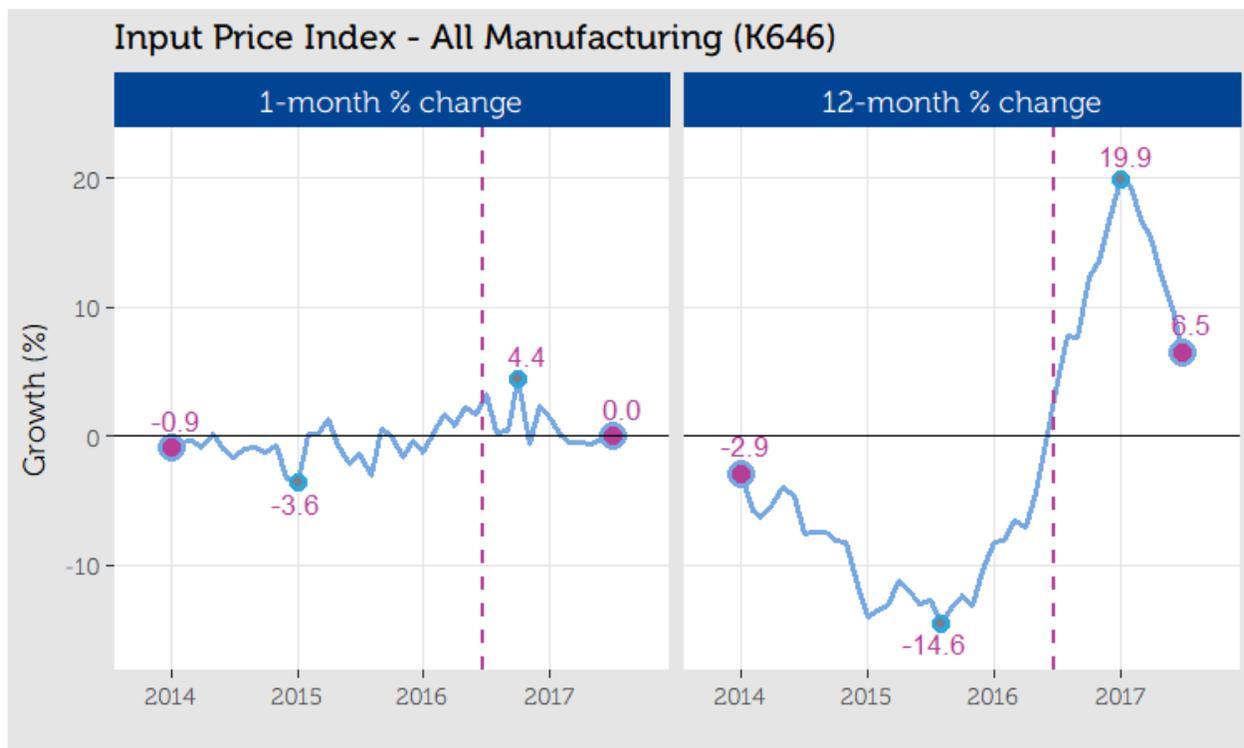


[Gauge charts: Daily exchange rates since January 1999]

2 Producer Prices

The **input price** index for all manufacturing remained unchanged between June and July 2017 but grew by 6.5% compared to July 2016. The main contributors were imported metals and home-produce food. It is the 13th successive year on year growth but the lowest 12-month growth since July 2016.

Factory gate (Output) prices for all manufacturing rose by 0.1% between June and July 2017 and by 3.2% compared to July 2016.

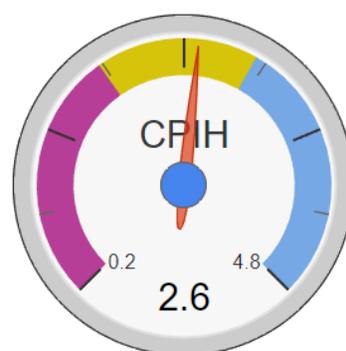
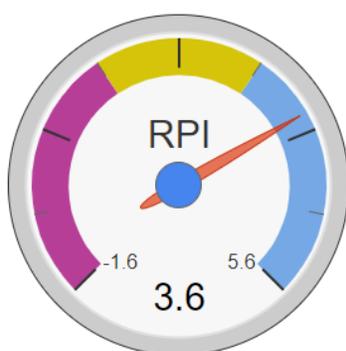
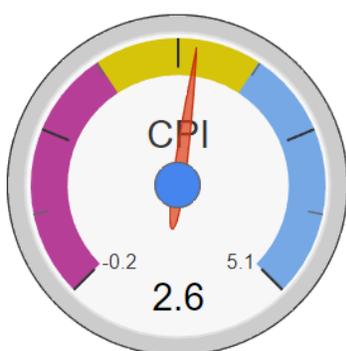
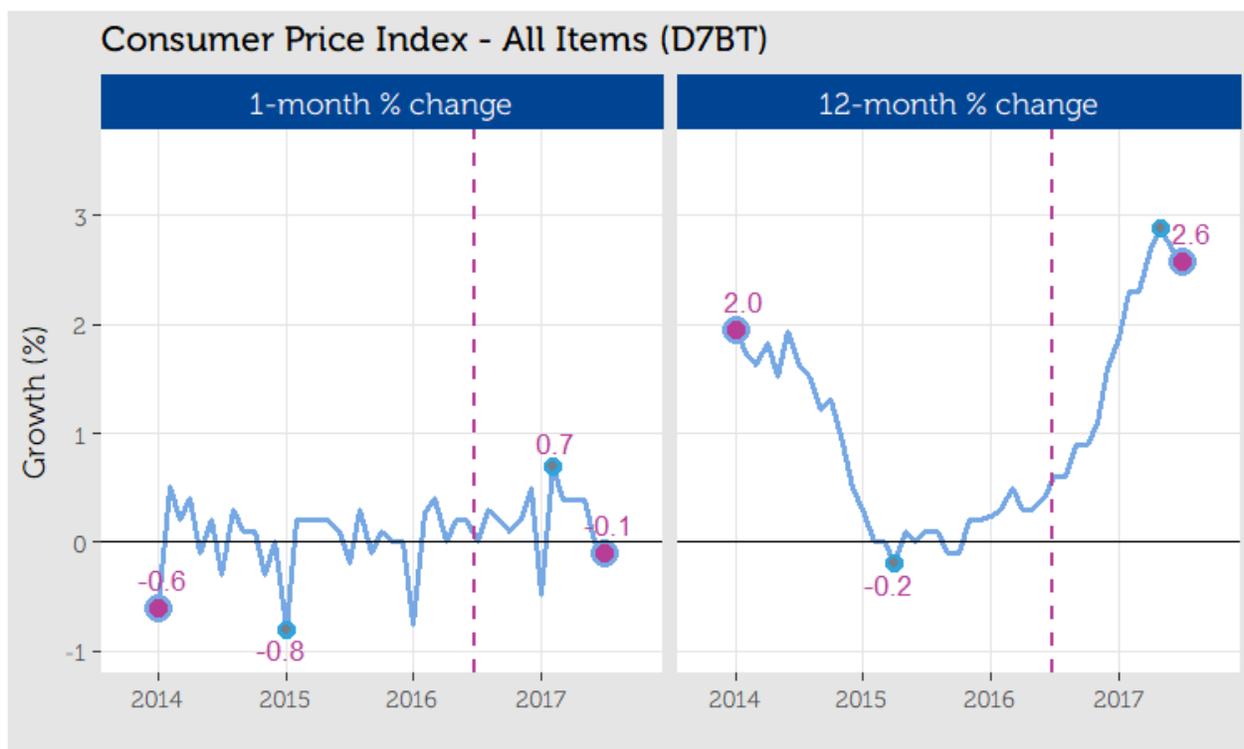


[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

3 Consumer Prices

Consumer price index fell by 0.1% between June and July 2017, but the 12-month growth remained unchanged at 2.6% from previous month. Falling prices for motor fuels and were offset by range of goods and services including clothing, gas and electricity, food and household goods. It is the 21st successive year on year growth.

The **retail price index** grew by 0.2% between June and July 2017, and by 3.6% compare to a year earlier. It is the 93rd successive year on year growth.



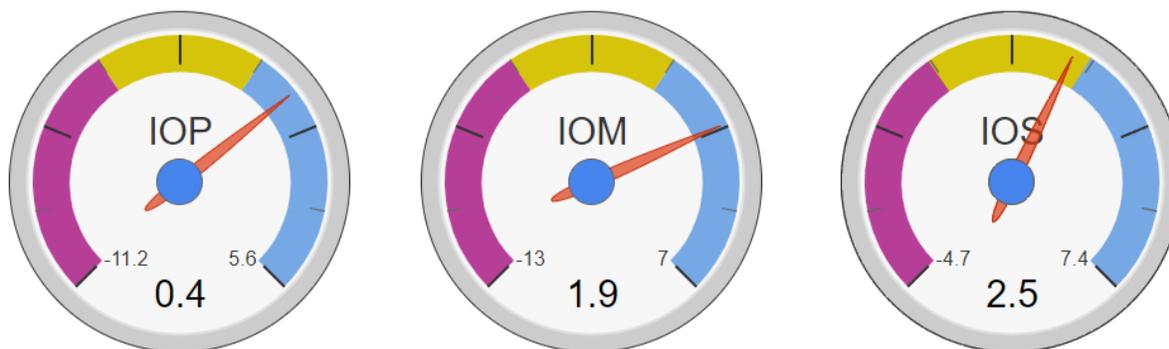
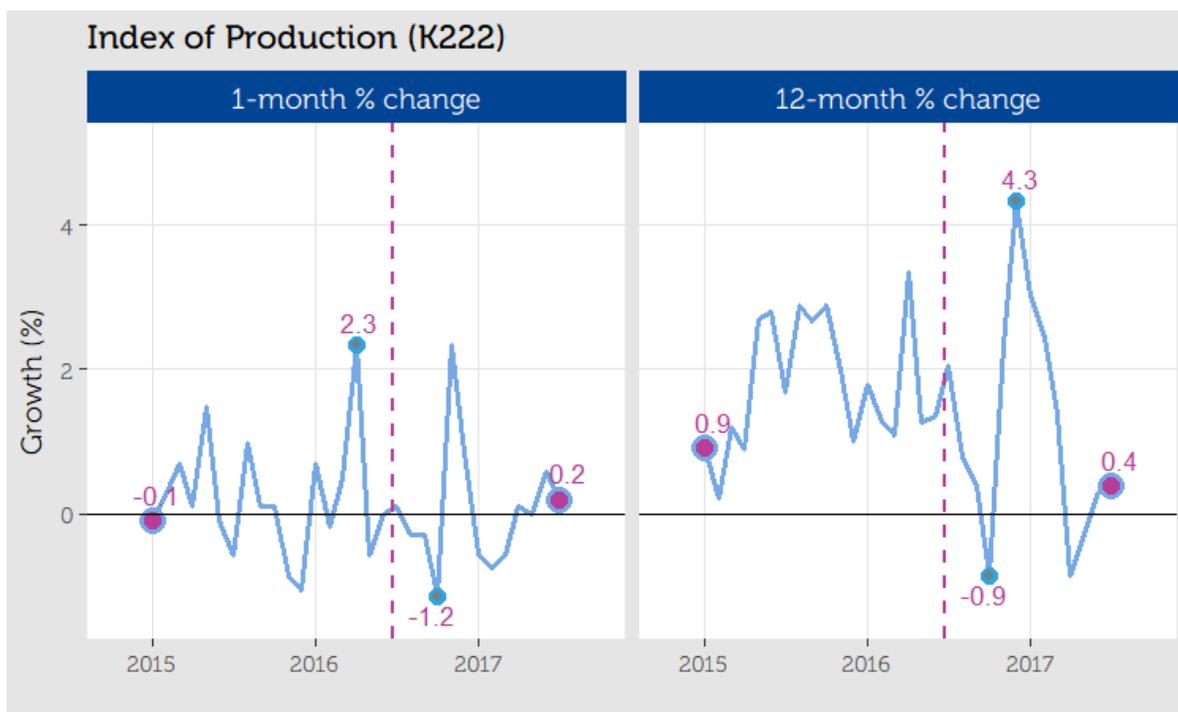
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

4 Production

Index of production (IOP), the production output at constant prices, grew by 0.2% in July 2017 compared to June 2017. Compared to July 2016, production also grew by 0.4%. It is the second successive year on year growth.

Index of manufacturing (IOM) grew by 0.6% in July 2017, the fastest 1-month growth since December 2016. Manufacturing also grew by 1.9% compared to twelve months earlier.

Index of services (IOS) grew by 0.5% between May and June 2017 and also grew by 2.5% compared to June 2016. It is the 89th consecutive annual growth.

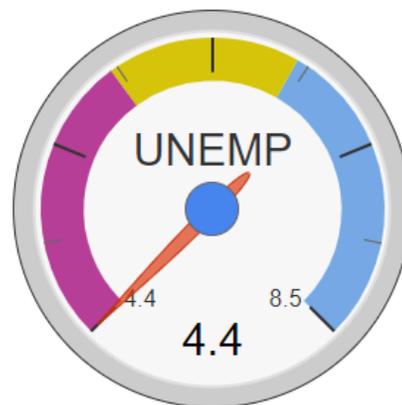
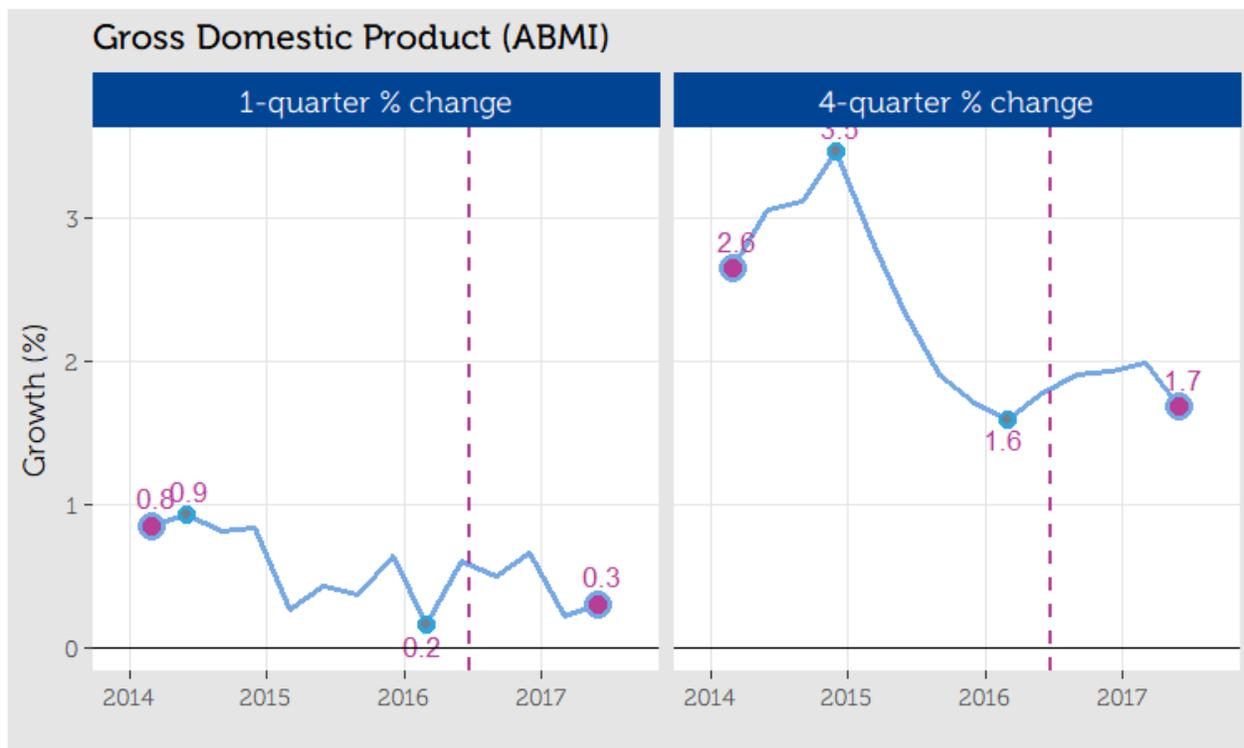


[Gauge Charts: 12-month % change since Jan 2000]

5 GDP & Unemployment

The preliminary estimate of UK **gross domestic product** (GDP) growth, for 2017 Q2, was 0.3%. It was equivalent to £472,939 million and a growth of 1.7% compared to 2016 Q2. The service sector grew, but both production and construction sectors declined. The main contributors in the service sector were retail trade, distribution and film production.

The number of people in work increased by 125,000 in the three months to June 2017 to 32.07 million. **Unemployment** rate dropped to 4.4%, the lowest since May 1975.

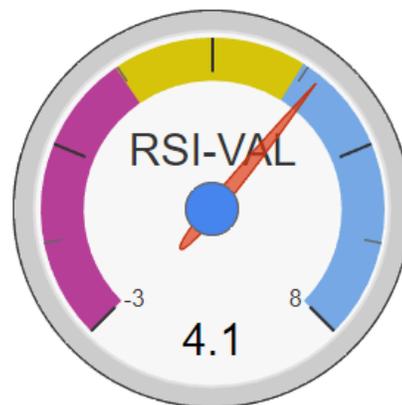
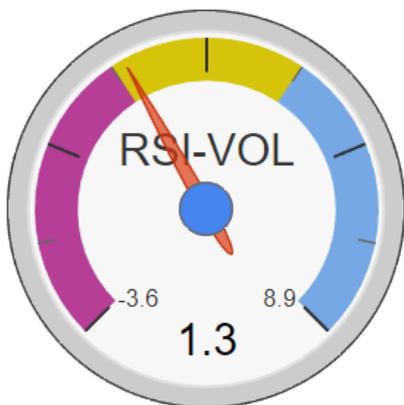
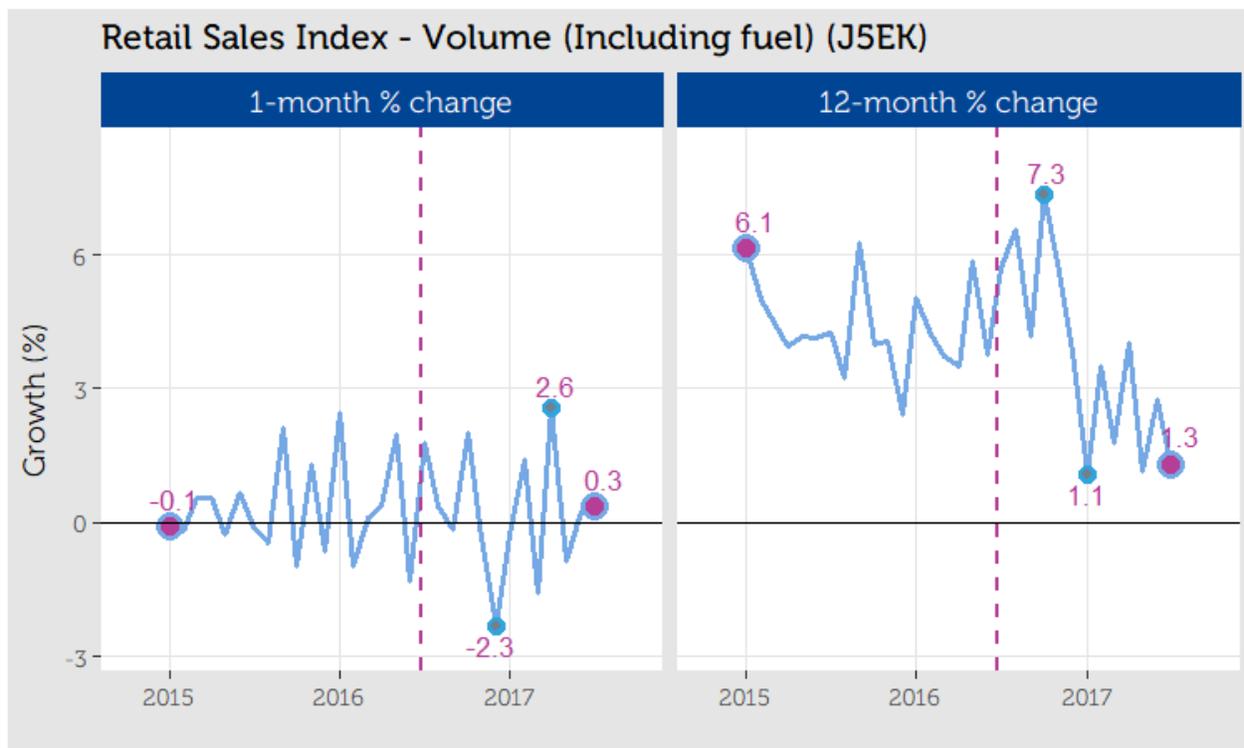


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

6 Retail Sales

The **volume of retail sales** (including fuel) grew by 0.3% between June and July 2017, and also grew by 1.3% compared to twelve months earlier. It is the 51st successive year on year growth.

The **value of retail sales** (including fuel) grew by 0.7% between June and July 2017. Compare to a year earlier, retail sales value grew by 4.1%. It is the 19th successive year on year growth.

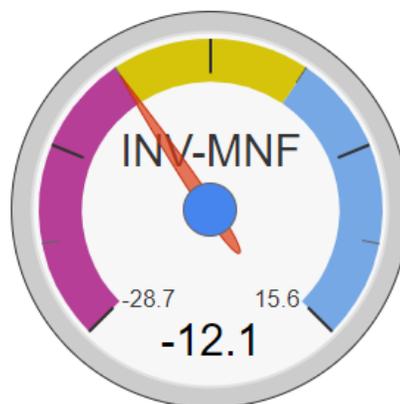
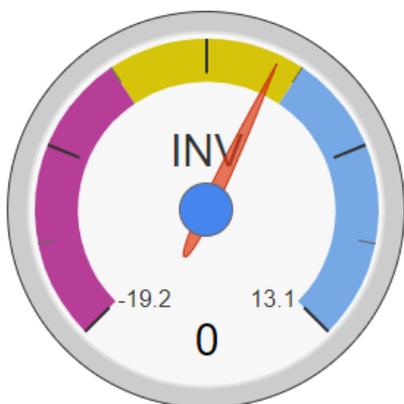
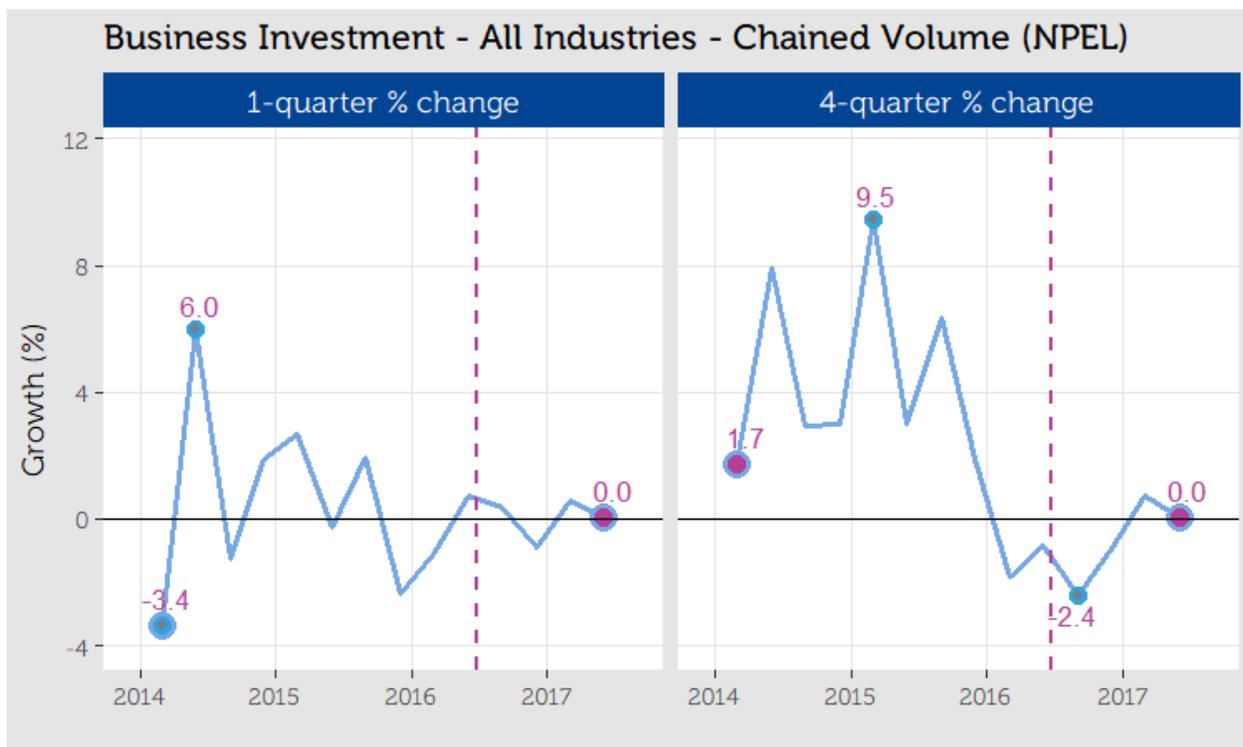


[Gauge Charts: 12-month % change since Jan 2000]

7 Business Investment

Business investment for all industries (INV), in volume terms, grounded to halt in 2017 Q2, with no growth on the previous quarter and also compared to a year earlier.

Investment in **manufacturing industries** (INV-MNF), in volume terms, decreased by 1.8% in 2017 Q2 and also fell by 12.1% compared to 2016 Q2. It is the highest 1-year (or 4-quarter) fall since 2009 Q4 and the 8th successive year on year decline.

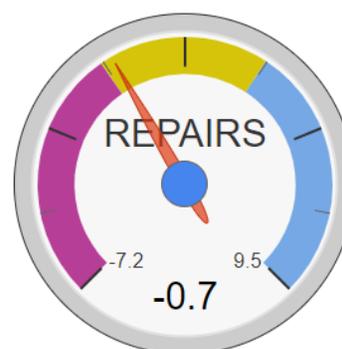
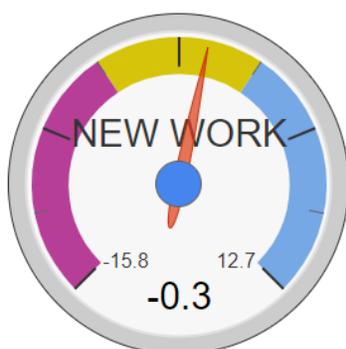
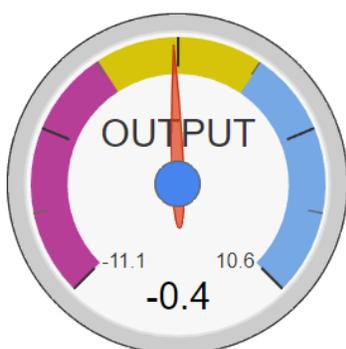
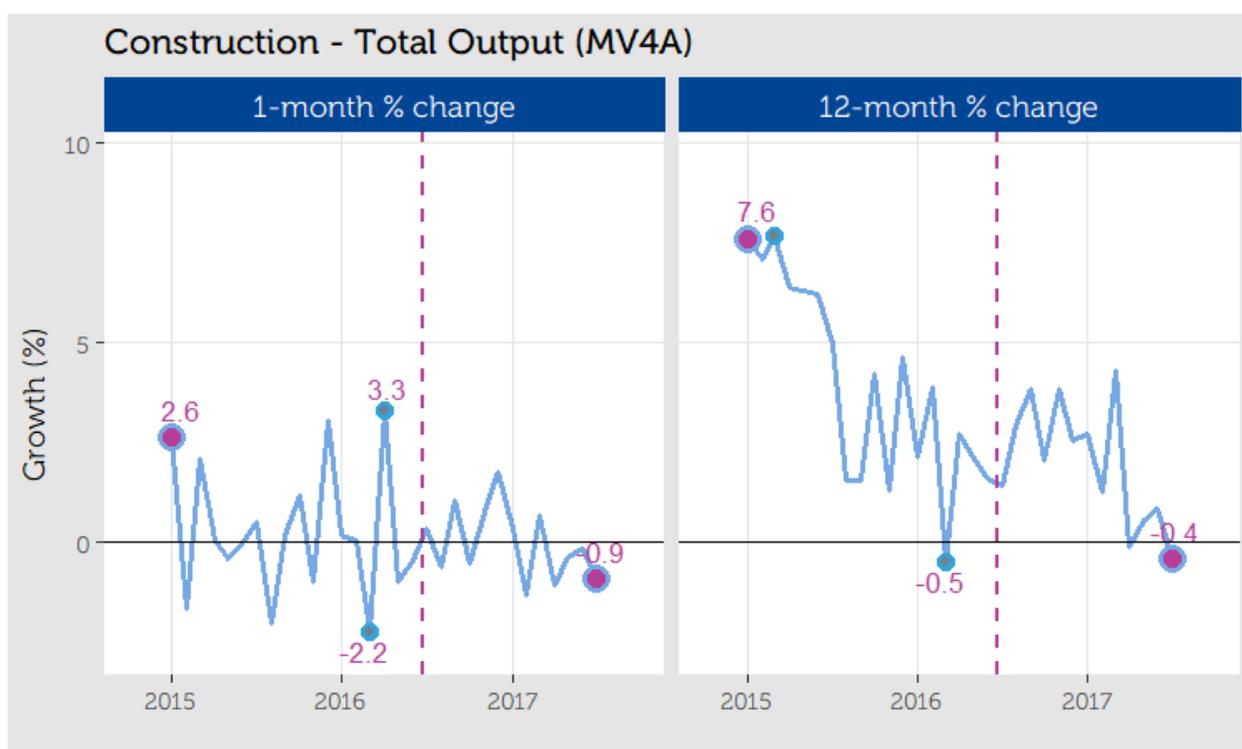


[Gauge Charts: 4-quarter % change since 2007]

8 Construction

Total **construction output**, at constant prices, fell by 0.9% in July 2017 to £11.4 billion, compared to June 2017. Compared to twelve months earlier, output in July 2017 also fell by 0.4%; the highest 12-month fall since March 2016.

New construction work, fell by 1.4% to £7.4 billion in the month of July 2017 but **construction repairs** improved slightly by 0.1% to £4.0 billion in the same period. Compared to twelve months earlier, new construction work in July 2017 fell by 0.3% and repairs also fell by 0.7%.



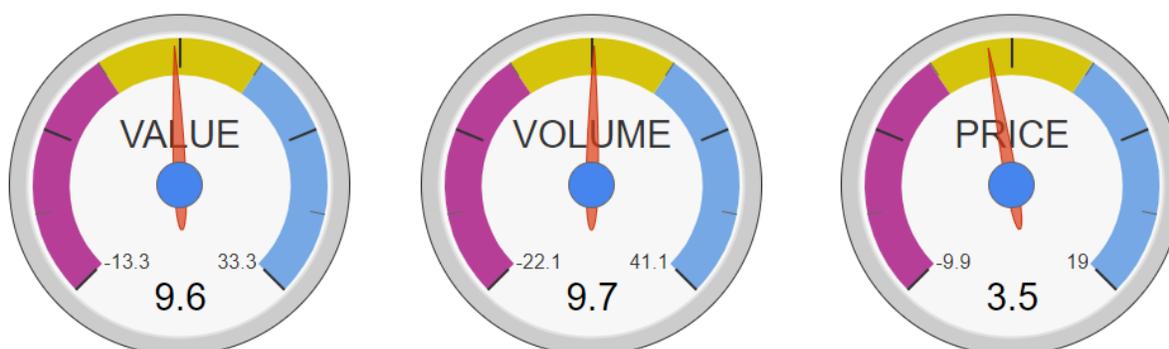
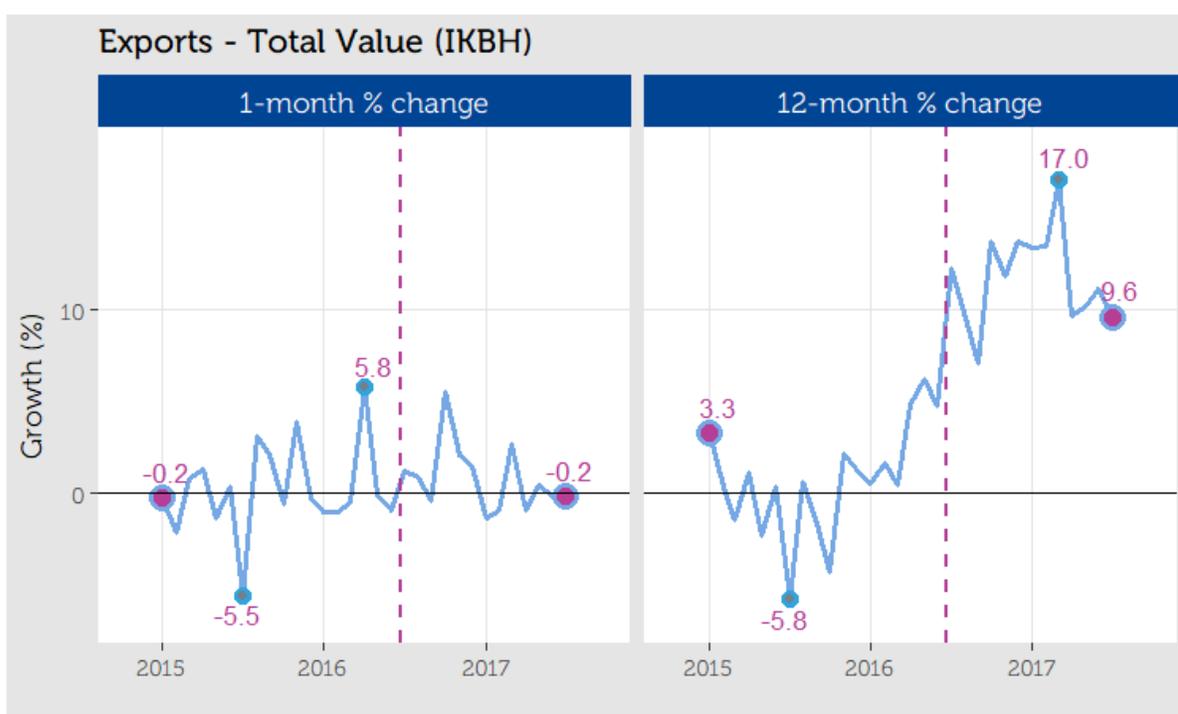
[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

9 UK Trade

9.1 Exports

The **value** of UK **exports** fell by 0.2% between June and July 2017 but grew by 9.6% compared to July 2016. Exports of **goods** increased by 12.8% to £ 28.0 billion and exports of **services** increased by 5.7% to £ 21.6 billion in July 2017 compared to twelve months earlier.

Volume of UK **exports** increased by 1.4% in July 2017 compared a month earlier and also increased by 9.7% compared to twelve months earlier. It is the 9th successive year on year growth.

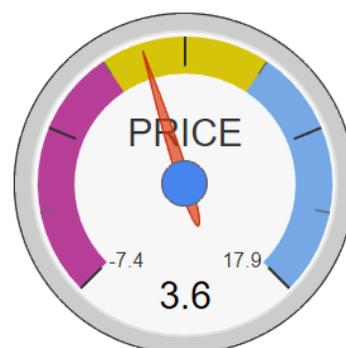
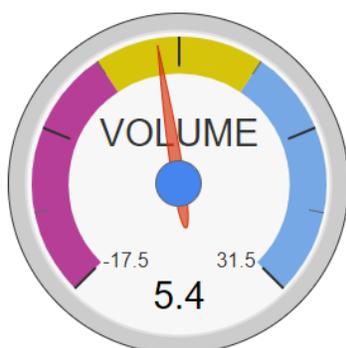
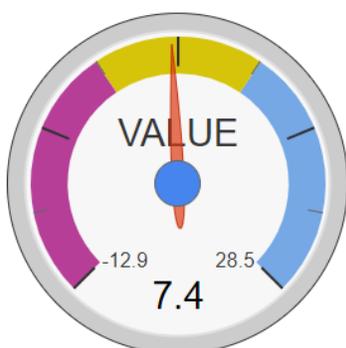
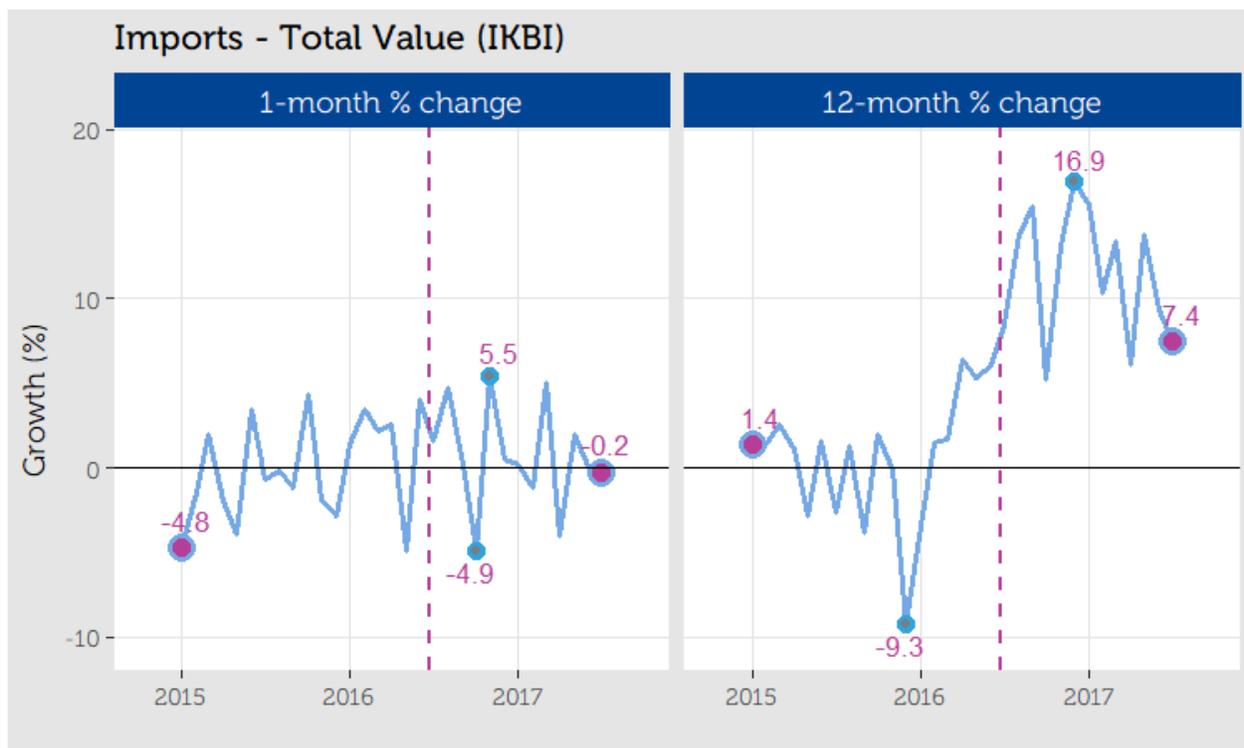


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK imports fell by 0.2% between June and July 2017. The value of imports in June 2017 was equivalent to £52.5 billion and a growth of by 7.4% compared twelve months earlier. It is the 18th successive annual growth.

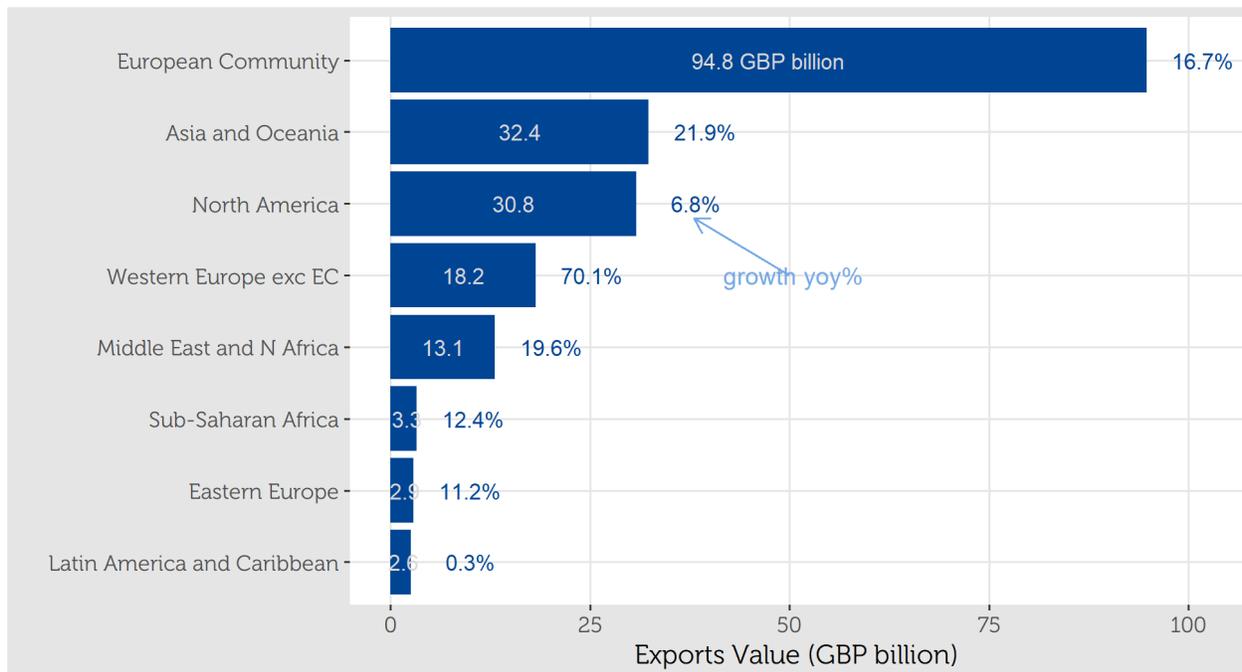
UK imports on **volume** basis fell by 0.2% in July compared with June 2017 but grew by 5.4% compared to twelve months earlier. It is the 3rd successive year on year growth.



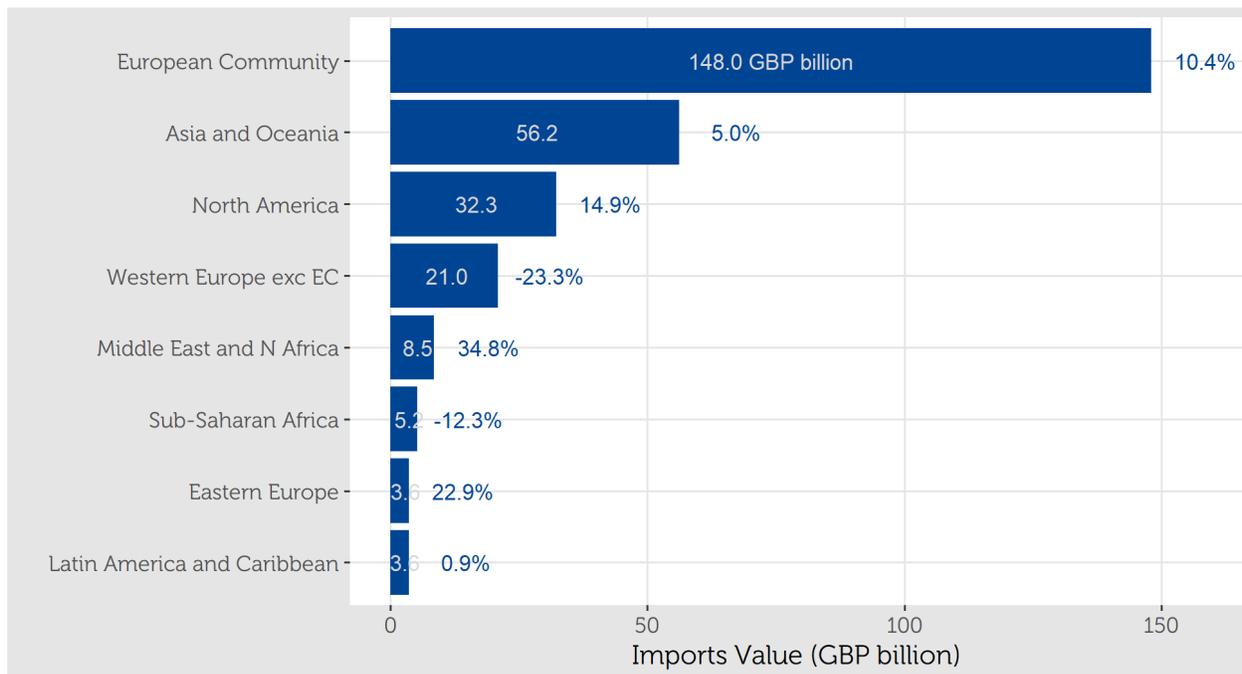
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2017 (Jan - Jul)

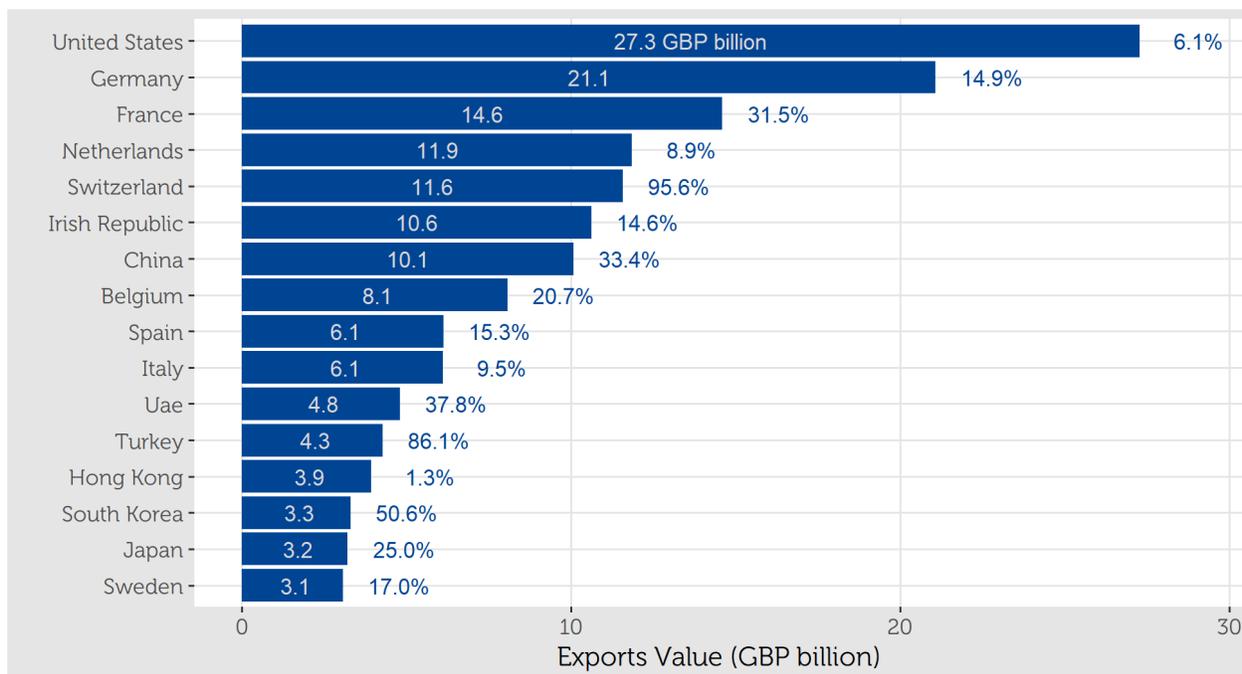


9.3.2 Imports - 2017 (Jan - Jul)

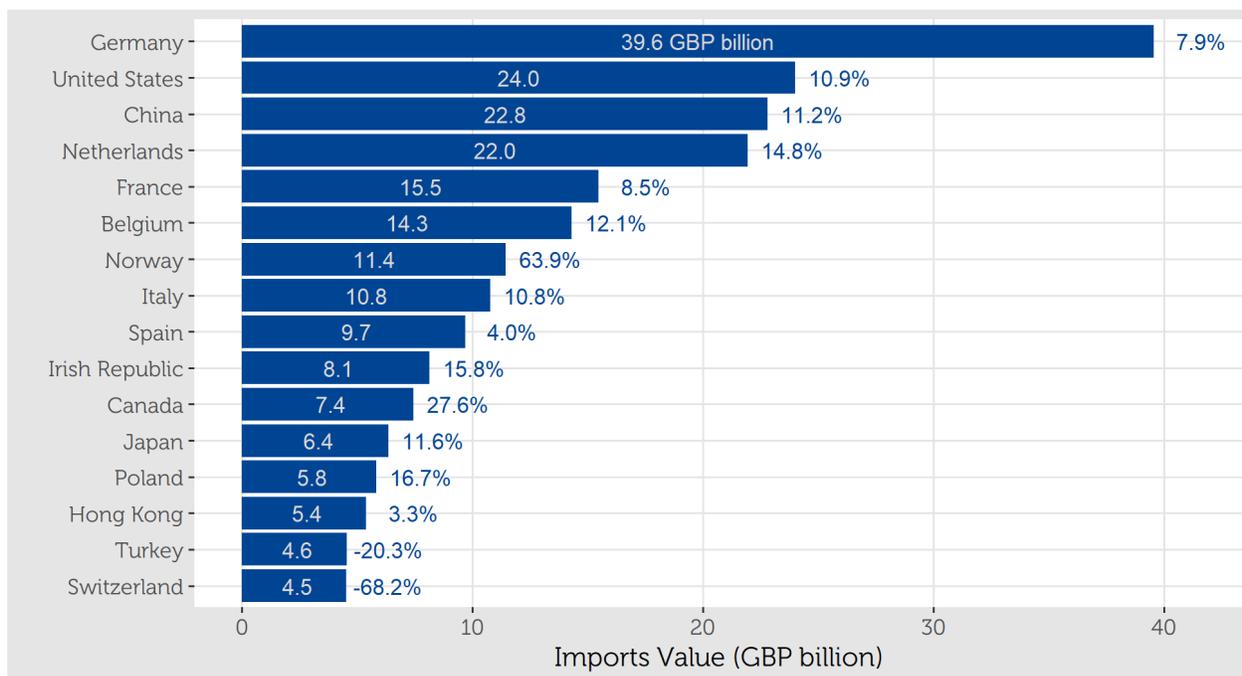


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2017 (Jan - Jul)

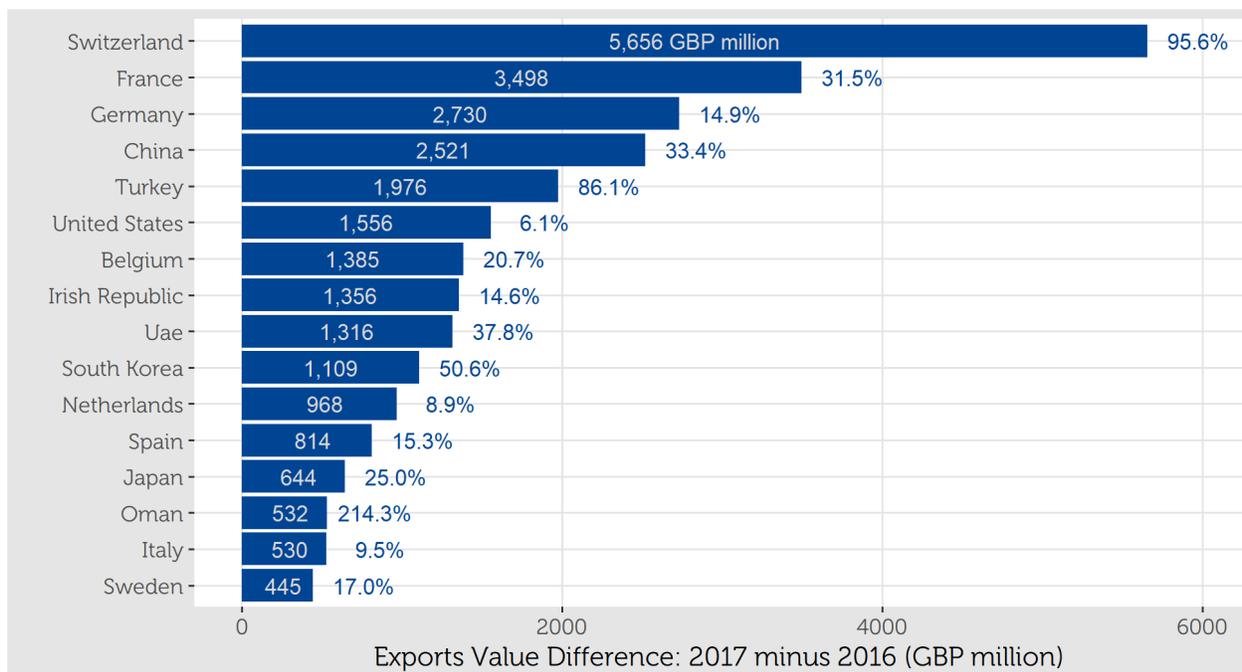


9.4.2 Imports - 2017 (Jan - Jul)

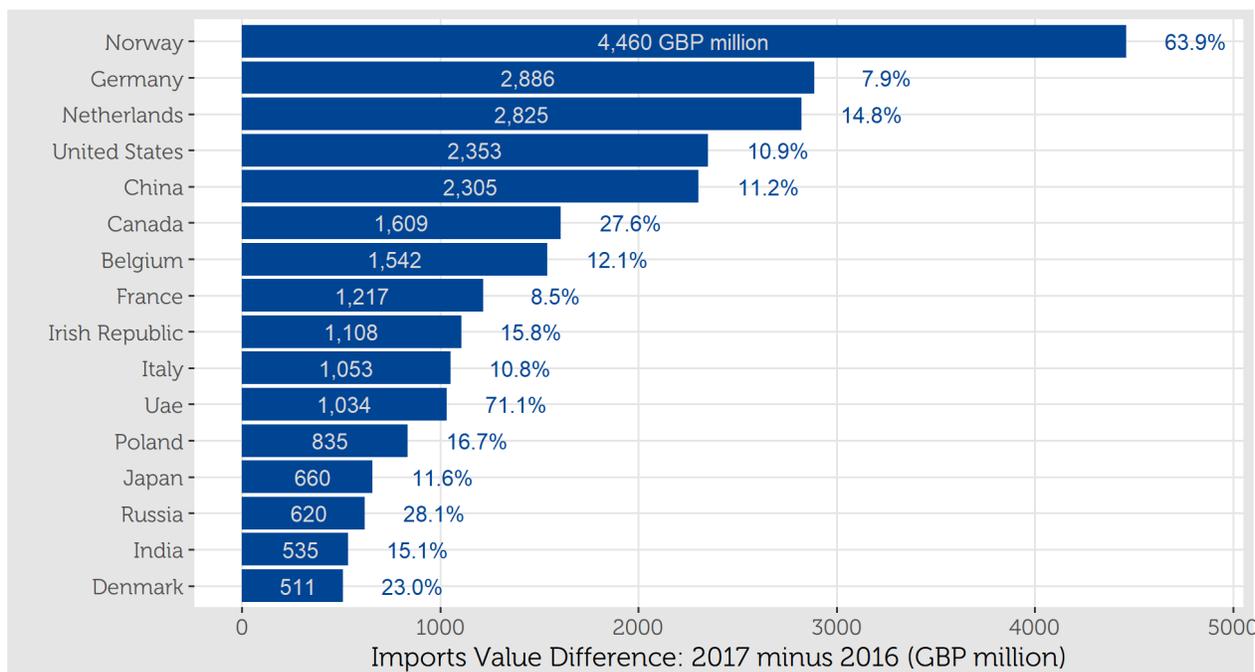


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2017 (Jan - Jul)

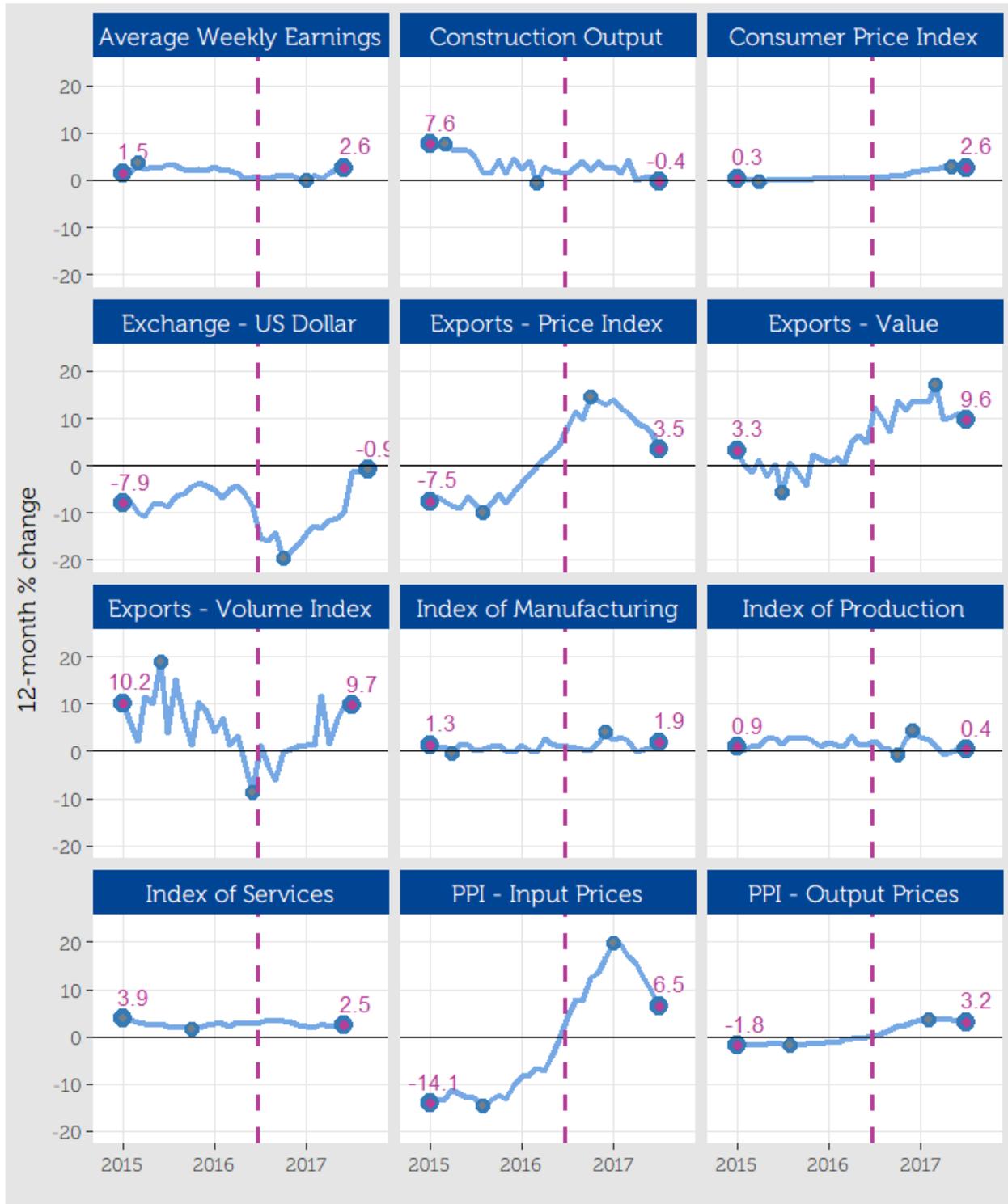


9.5.2 Imports Value Growth - 2017 (Jan - Jul)

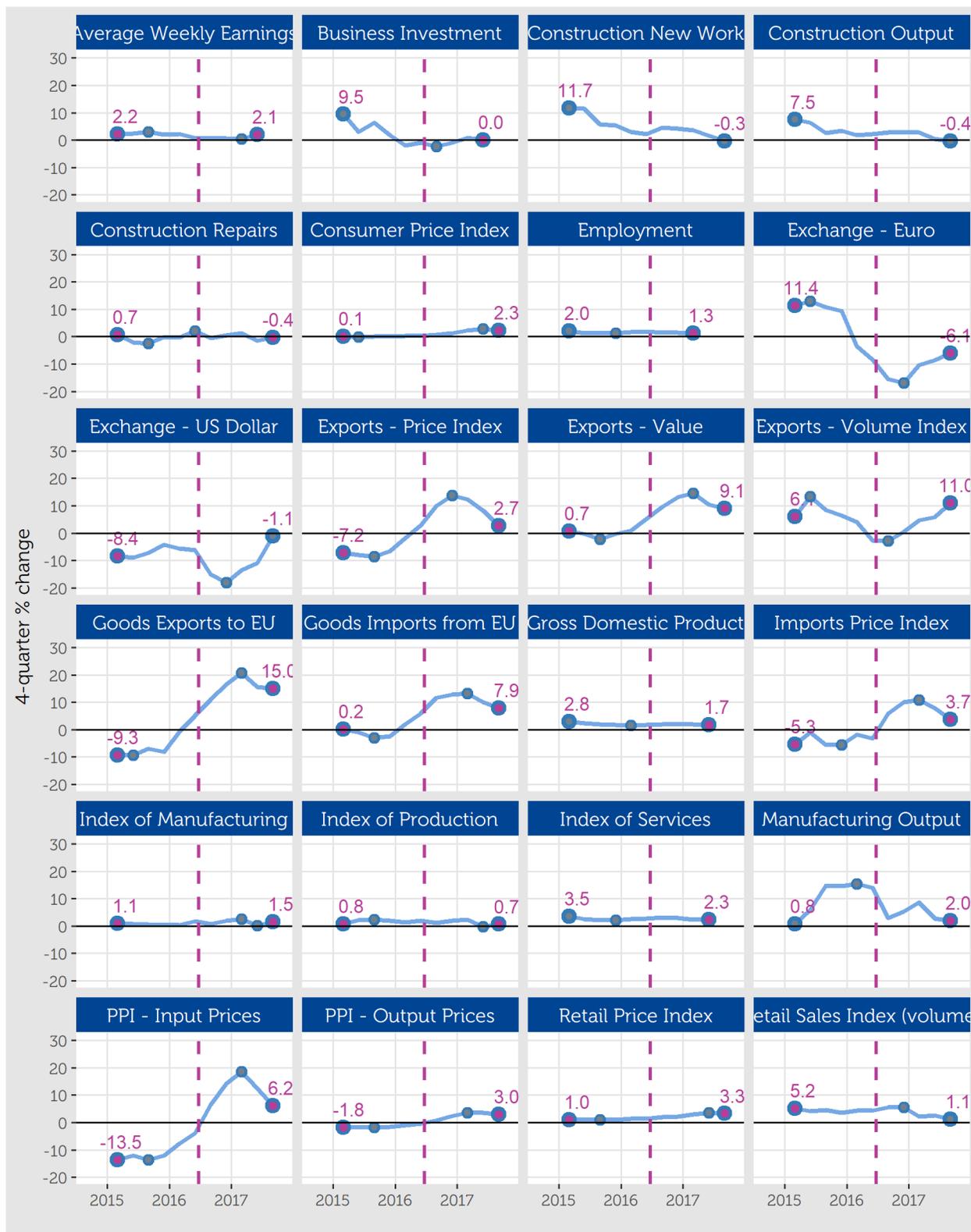


10 Economy At a Glance

10.1 Growth: 12-month % growth

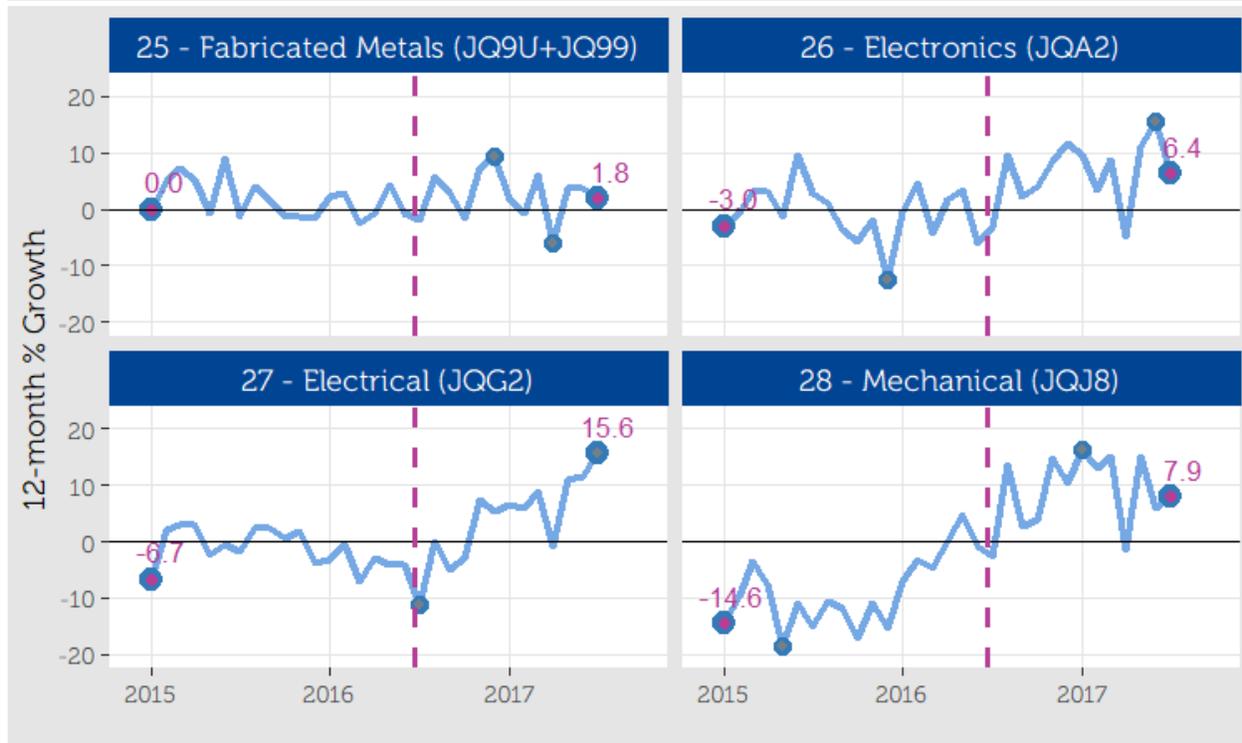
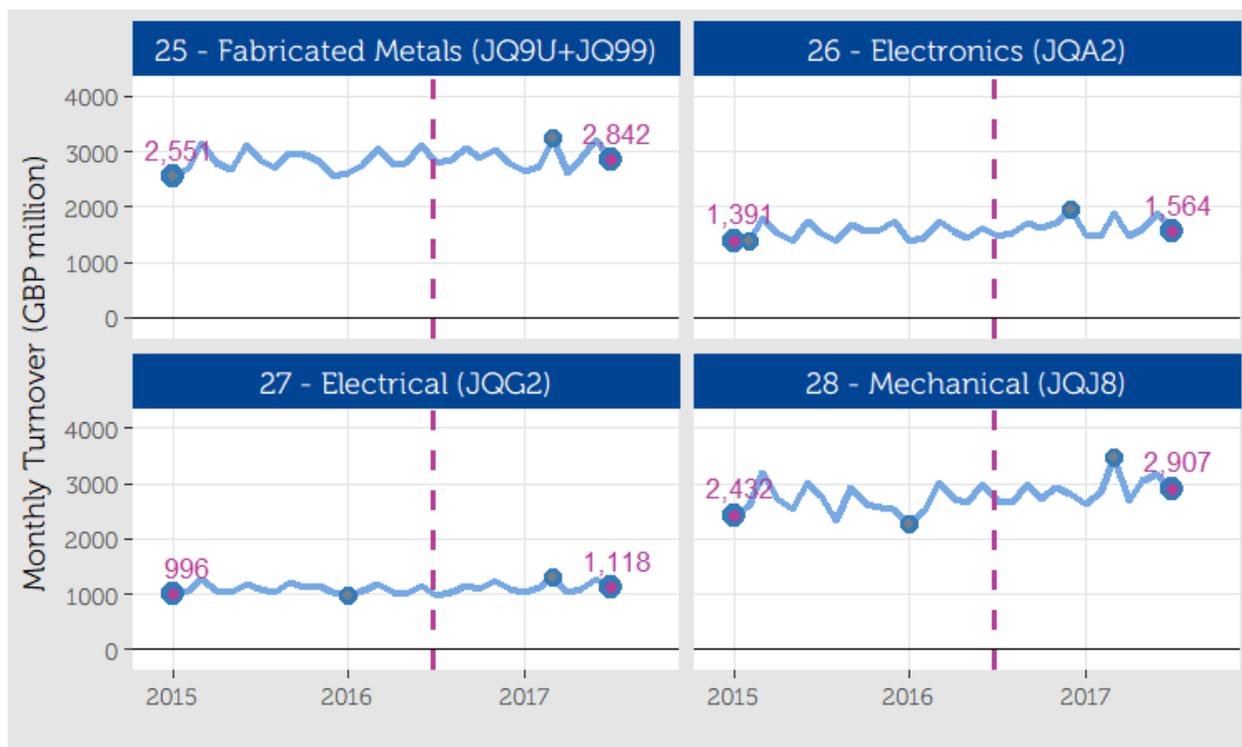


10.2 Growth: 4-quarter % growth

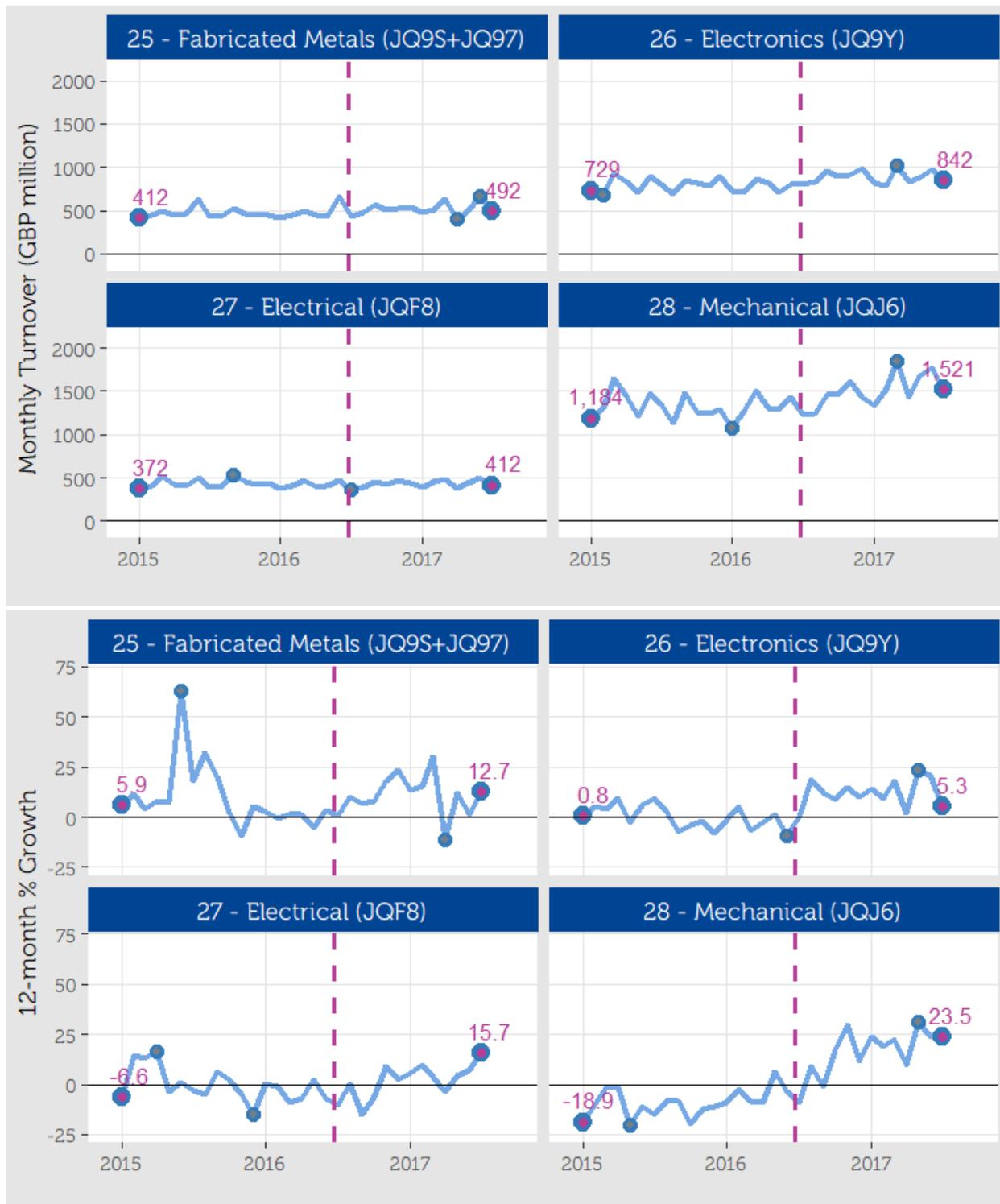


11 Industry Level Indicators

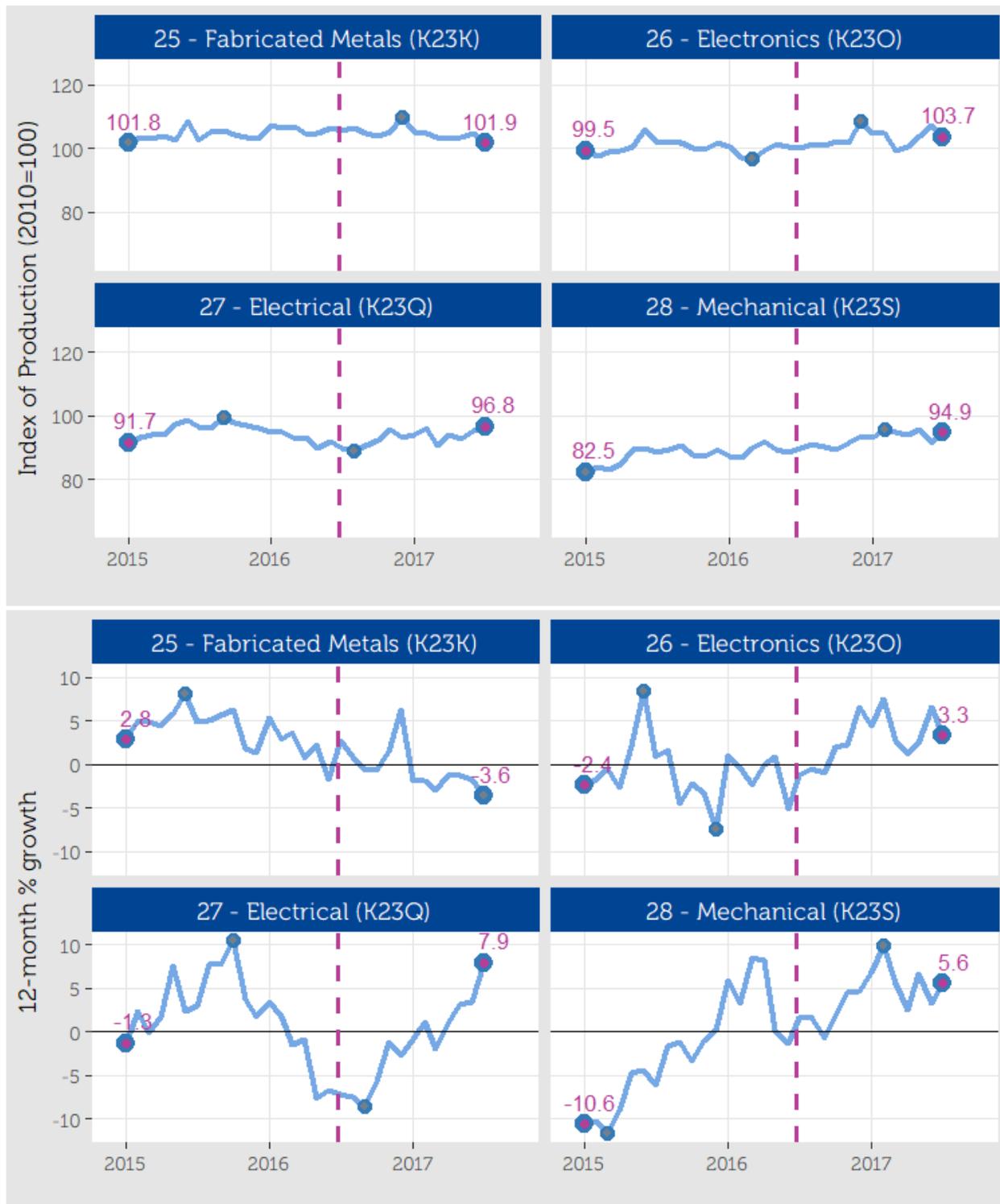
11.1 Turnover



11.2 Exports



11.3 Index of Production



11.4 Employment (excluding Self-Employment)



12 Growth Cycles

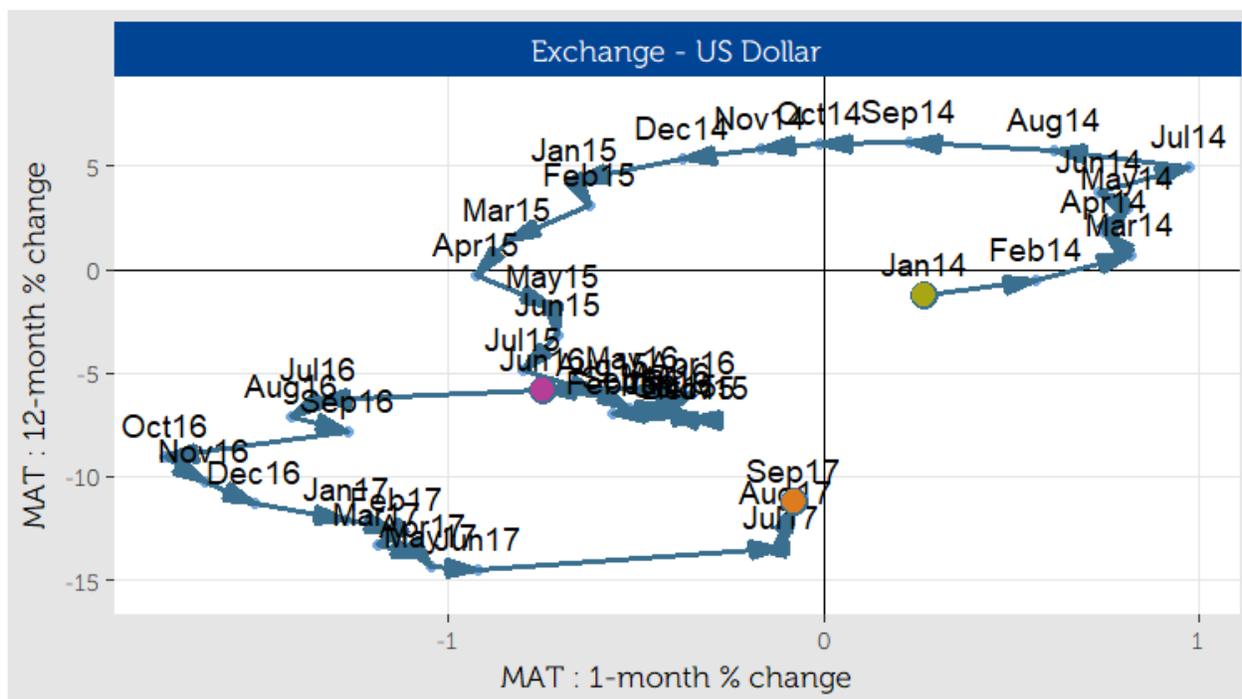
12.1 About Growth Cycles

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:

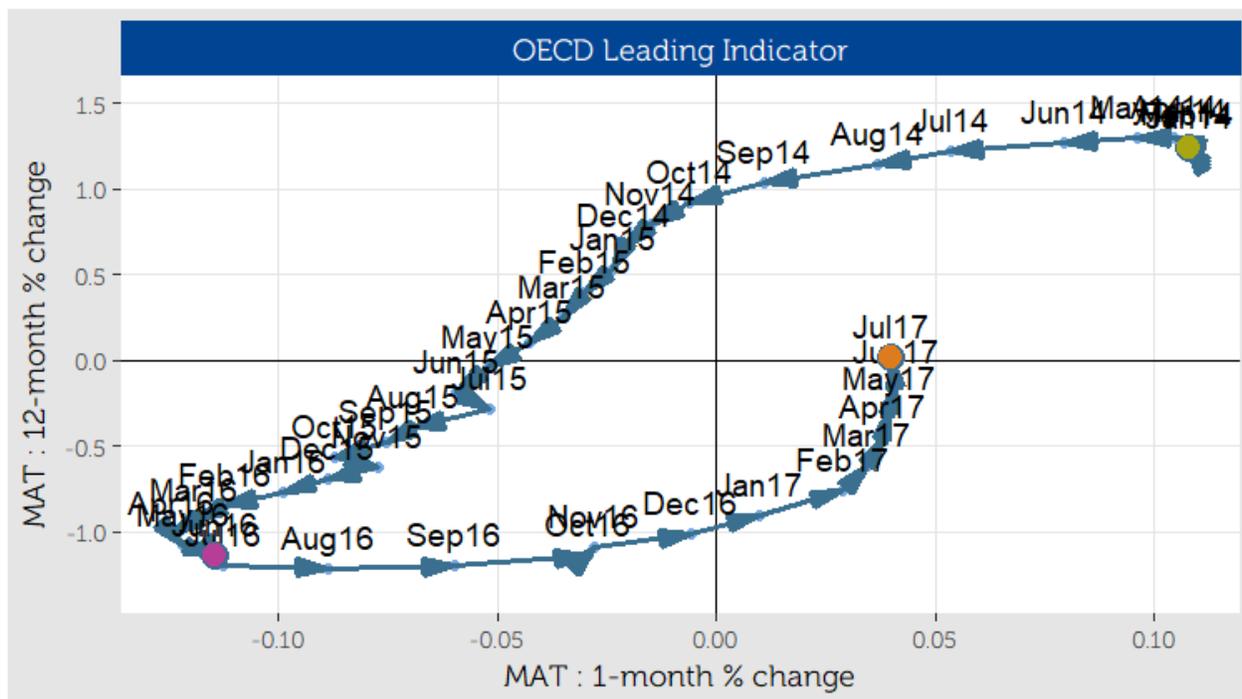
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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

Where an indicator is heading to is found by connecting indicator's position over a period of time. Using Moving Annual Total (MAT) helps to remove seasonal effect inherent in most indicators. This section show Growth Cycle plots of 6 selected indicators. The starting point is marked with green circle (●); purple circle (●) for referendum date and orange circle (●) for the current state.

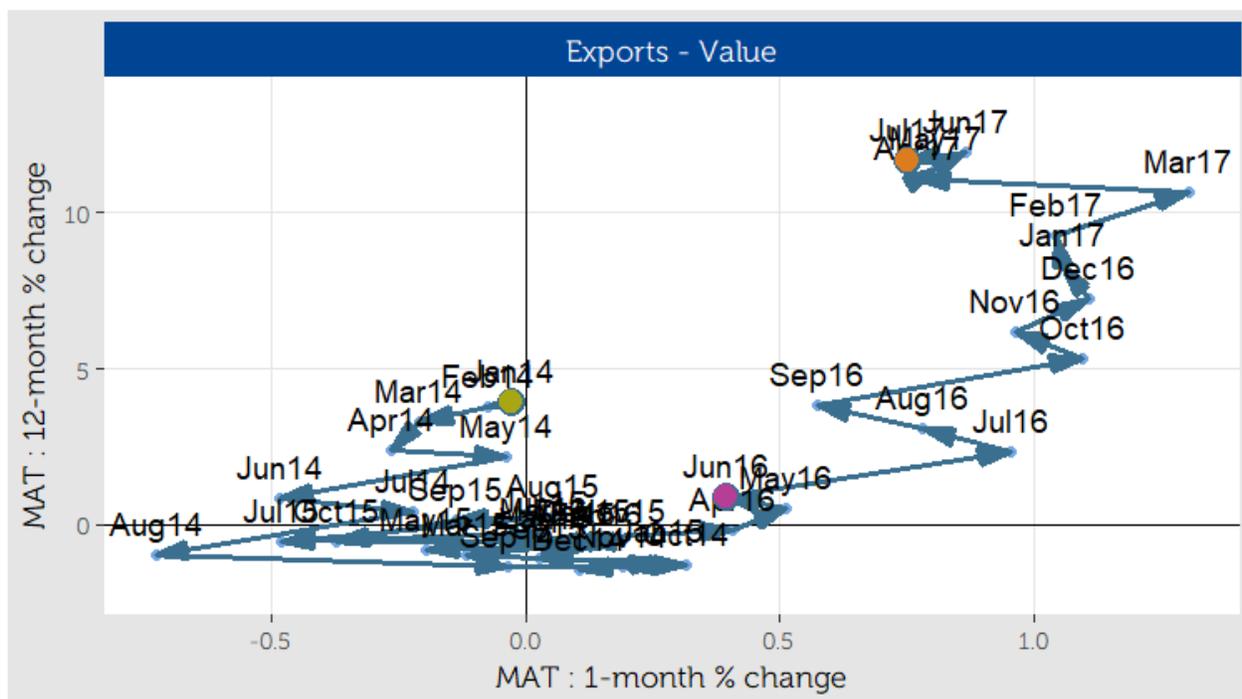
12.2 Exchange Rate (USD)



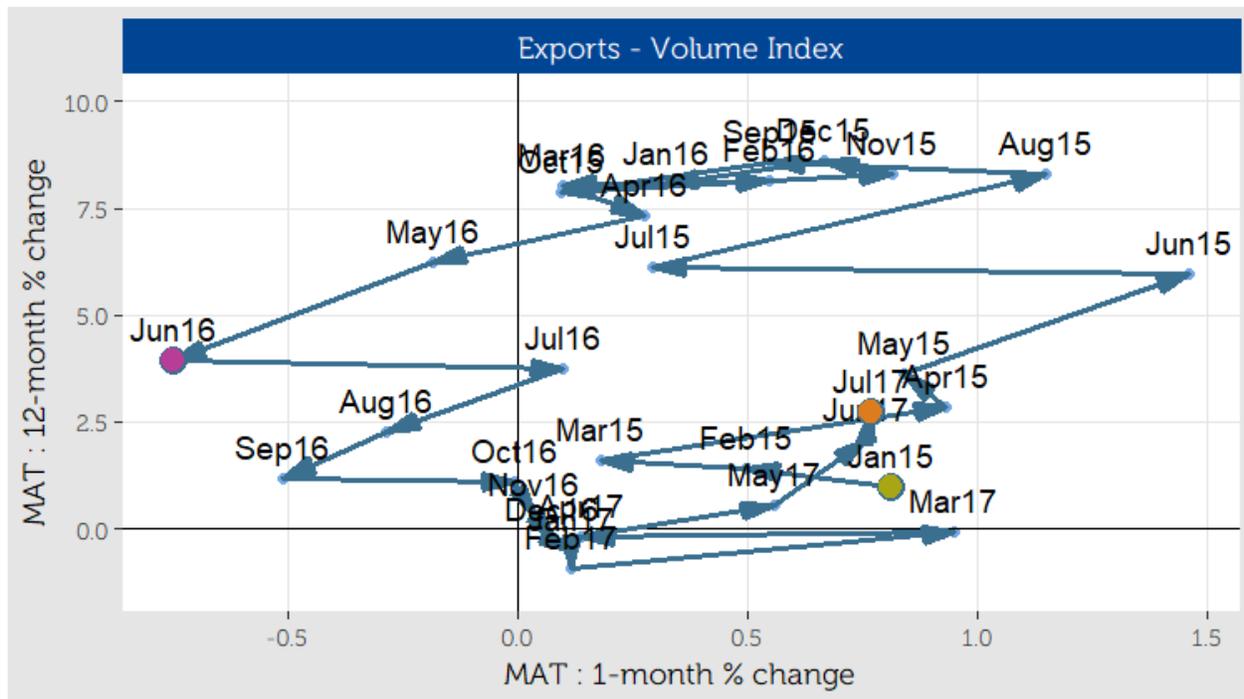
12.3 OECD Composite Leading Indicator - UK



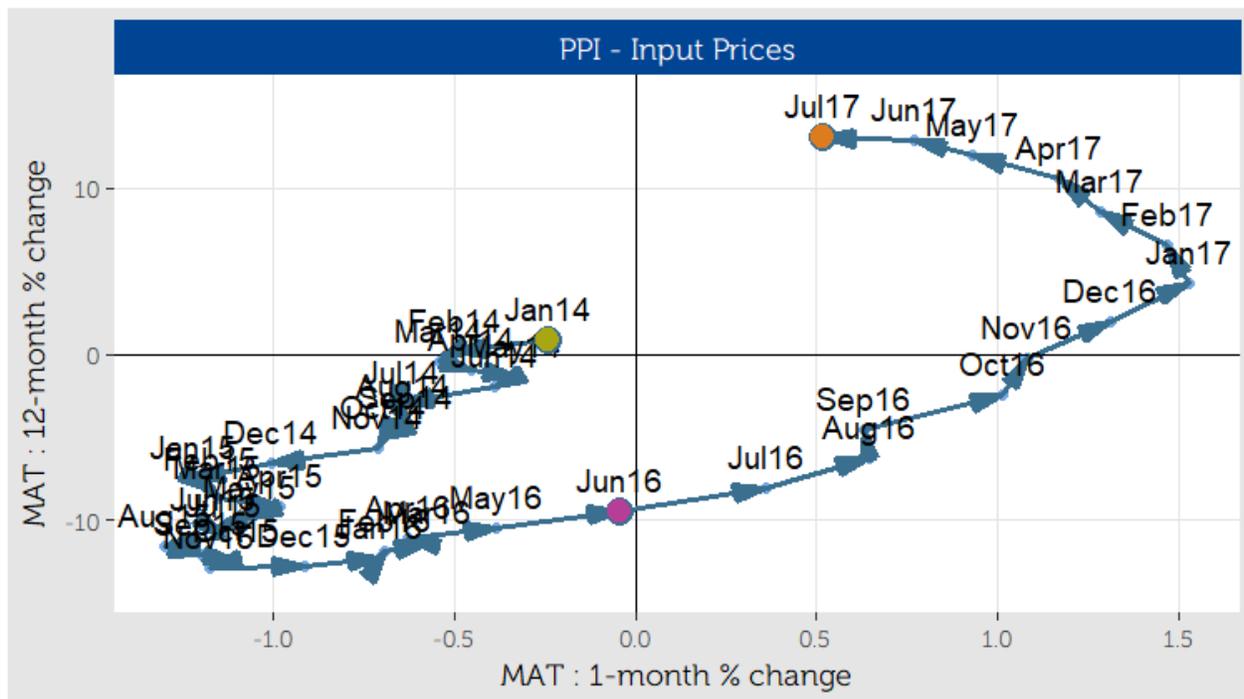
12.4 Exports - Value (IKBH)



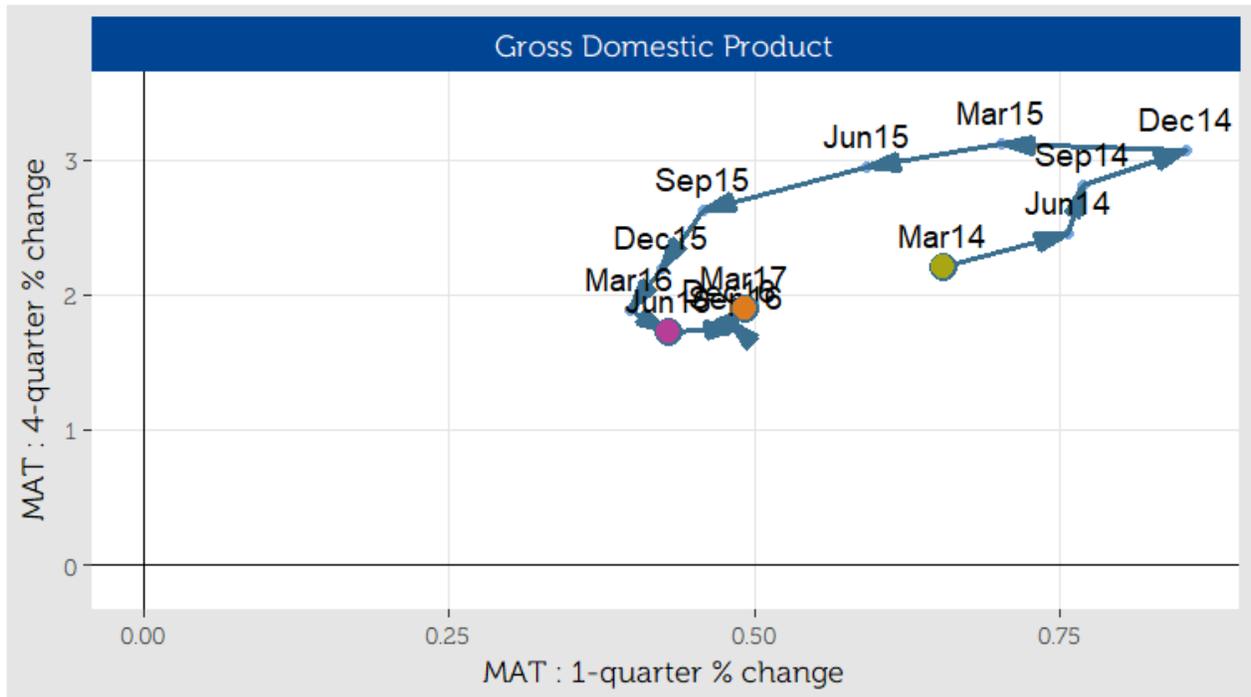
12.5 Exports - Volume Index (BQKU)



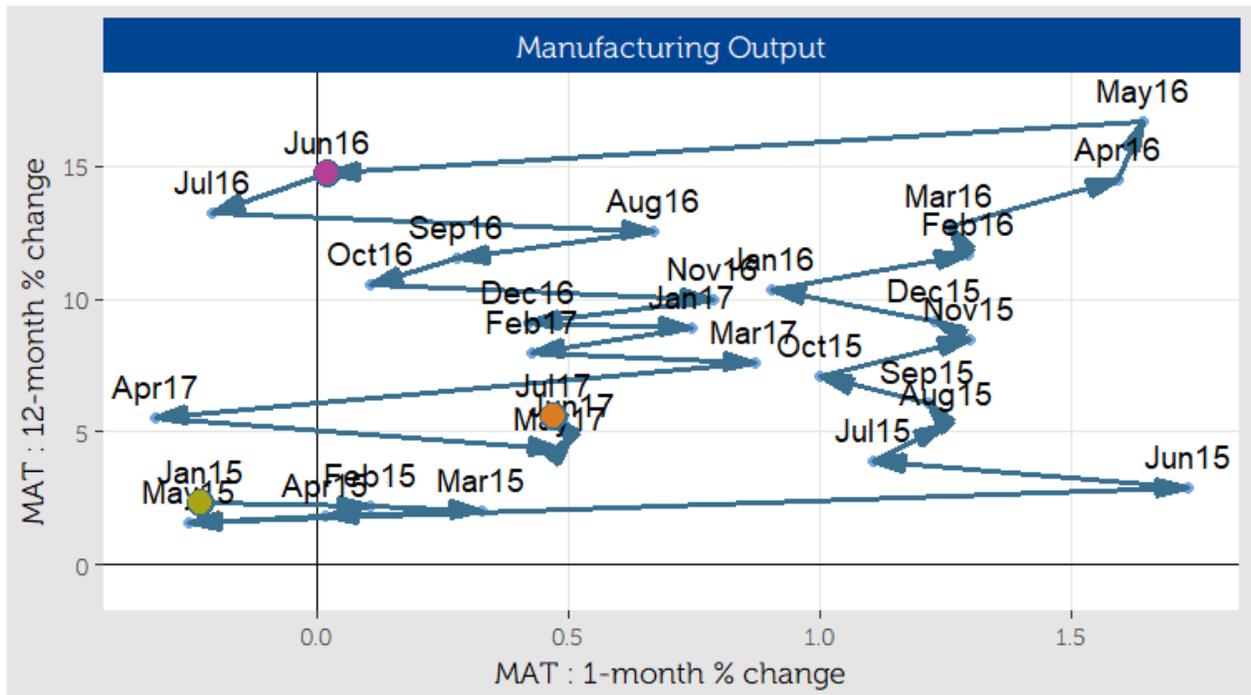
12.6 Input Prices (K646)



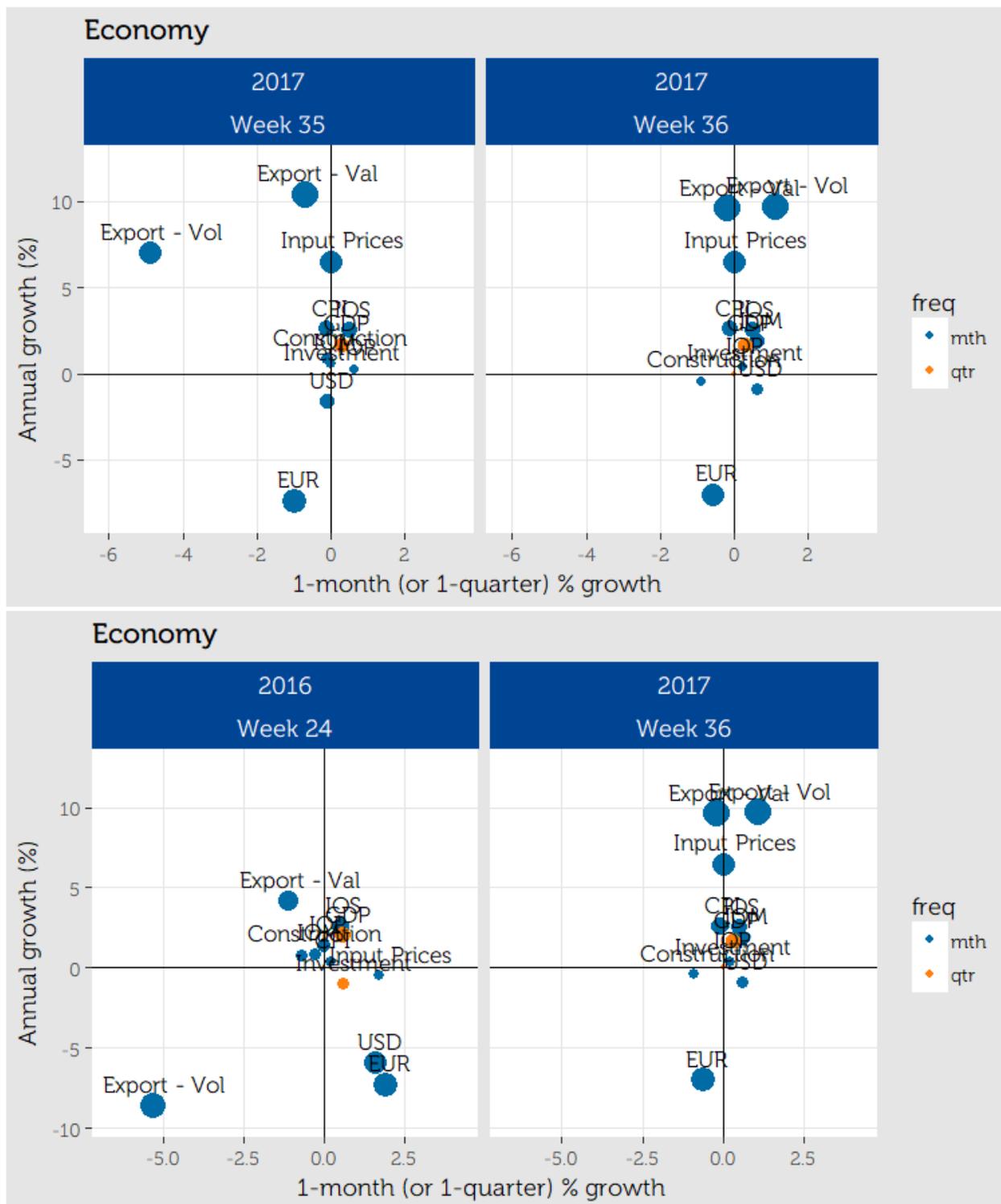
12.7 Gross Domestic Product - GDP (ABMI-UKEA)



12.8 Manufacturing Output (JT27)



12.9 Current State

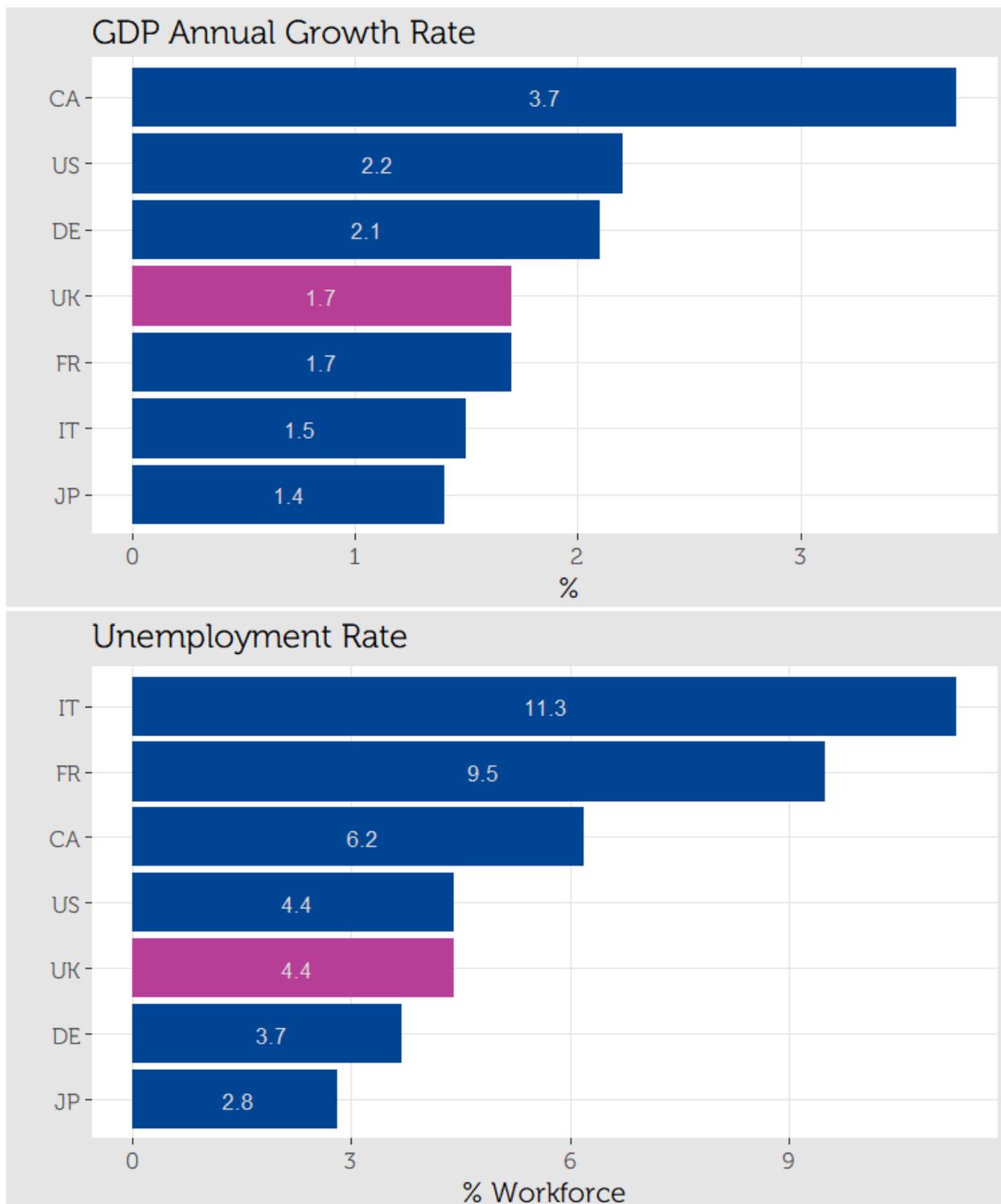


Top: Indicators growth - Current week versus previous week.

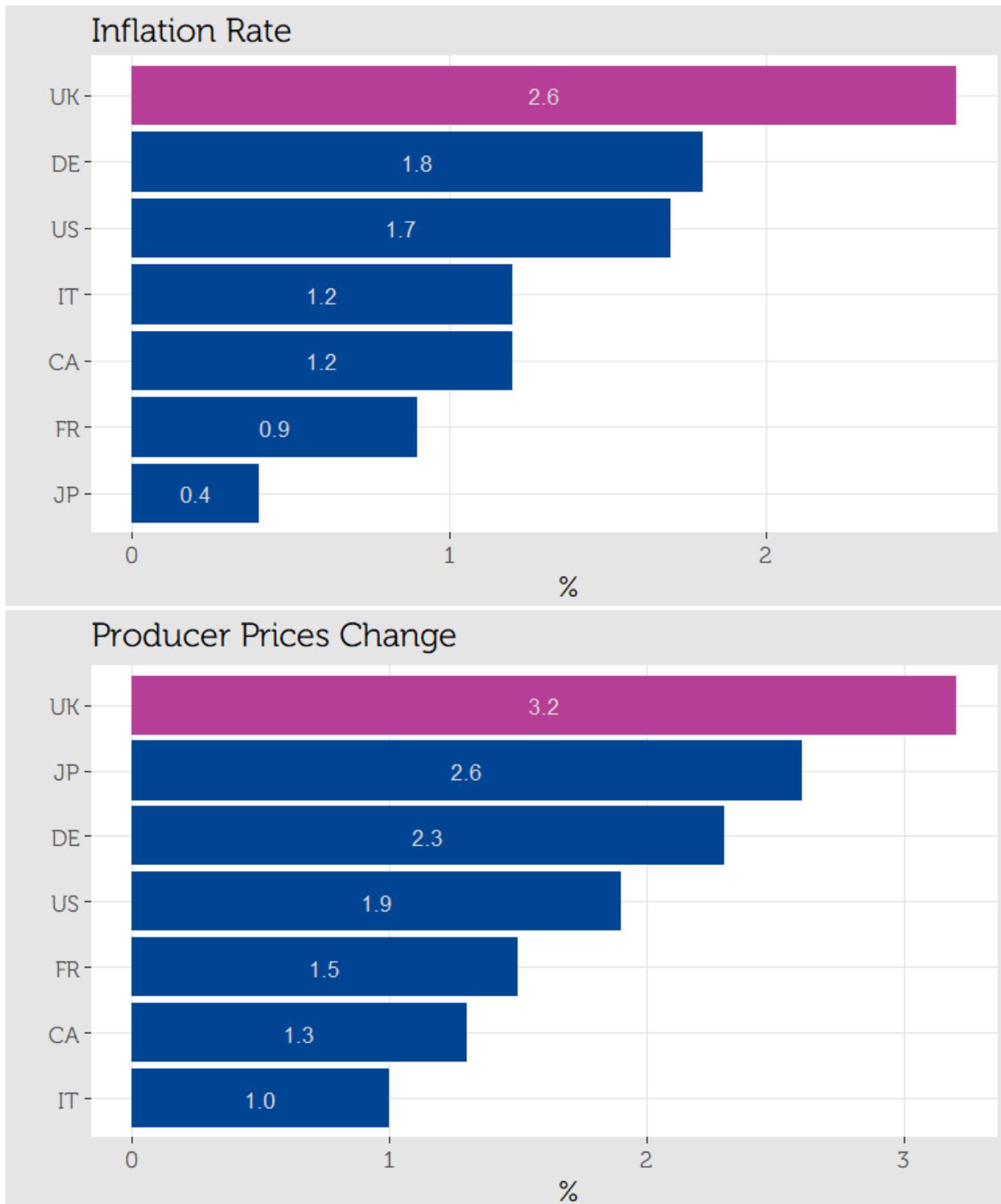
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

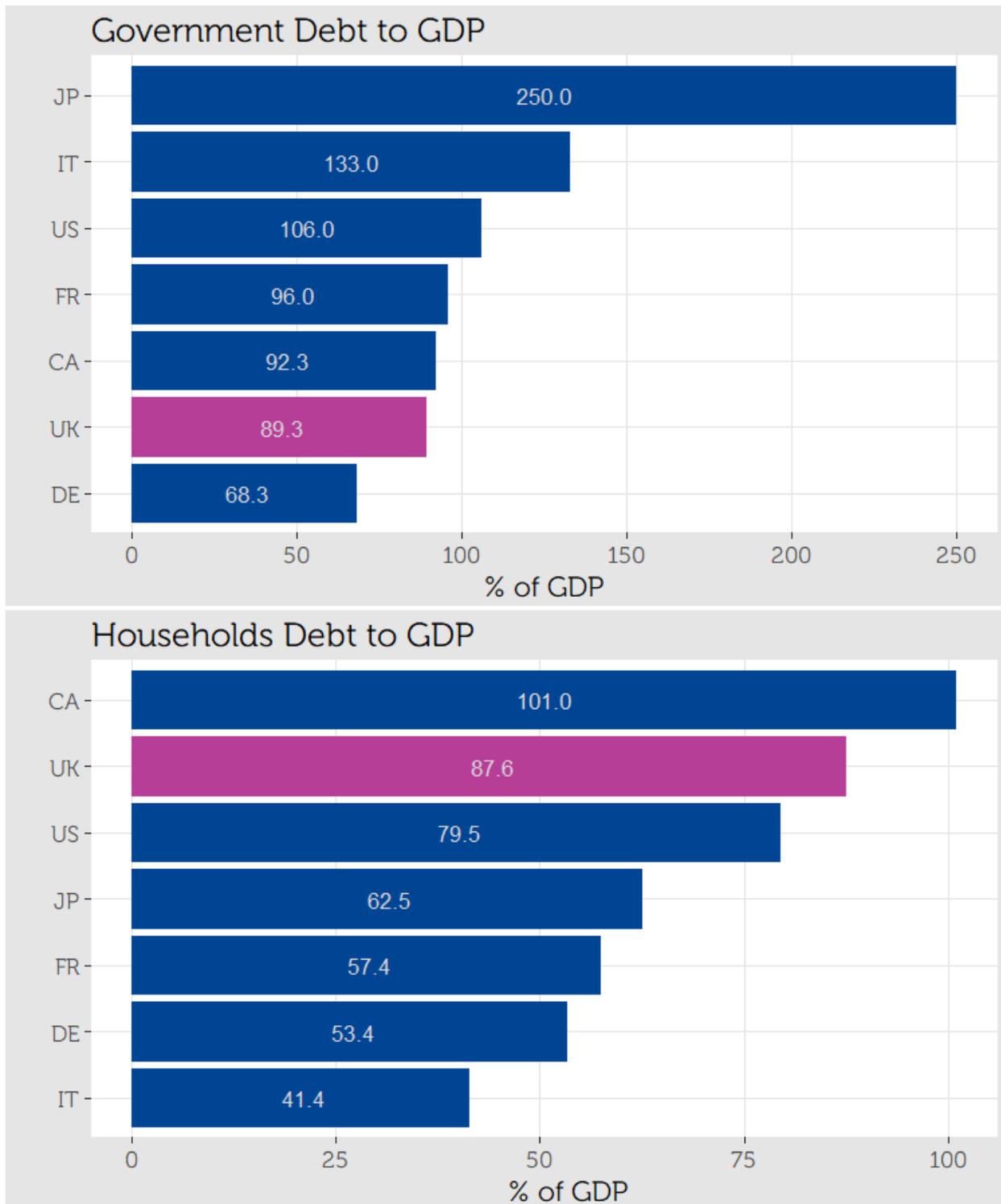
13.1 GDP & Unemployment



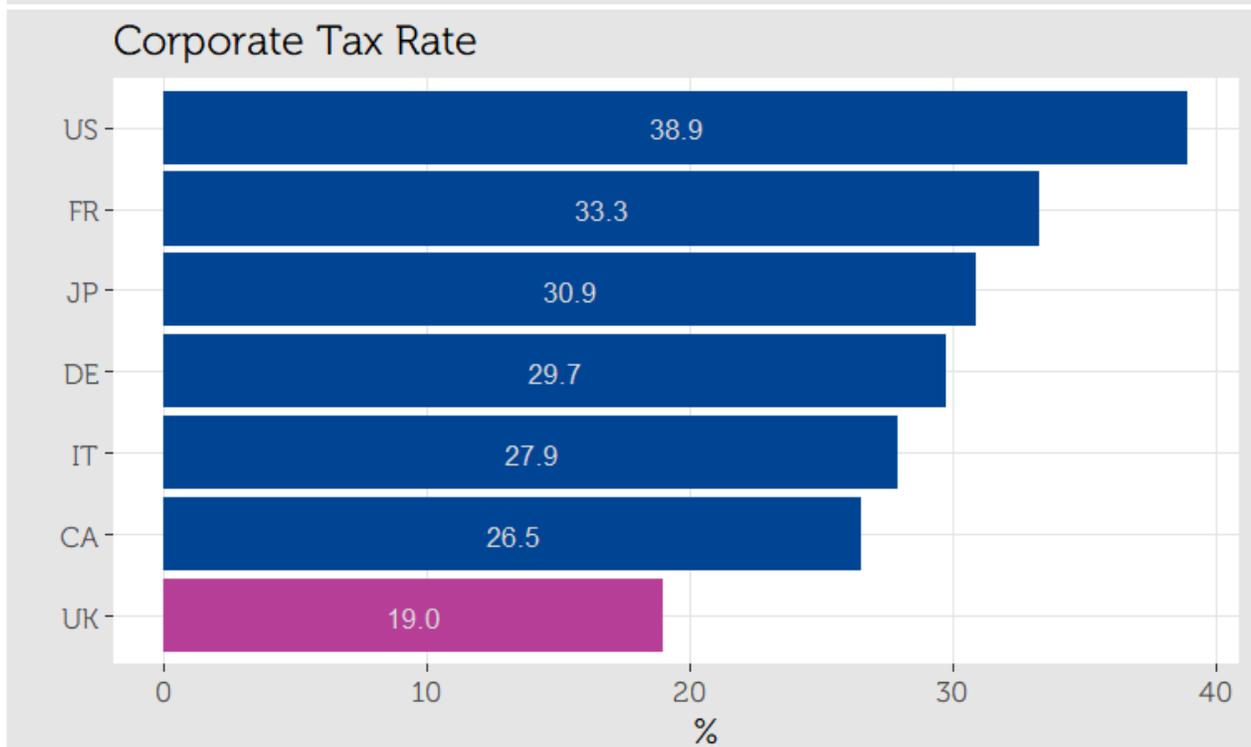
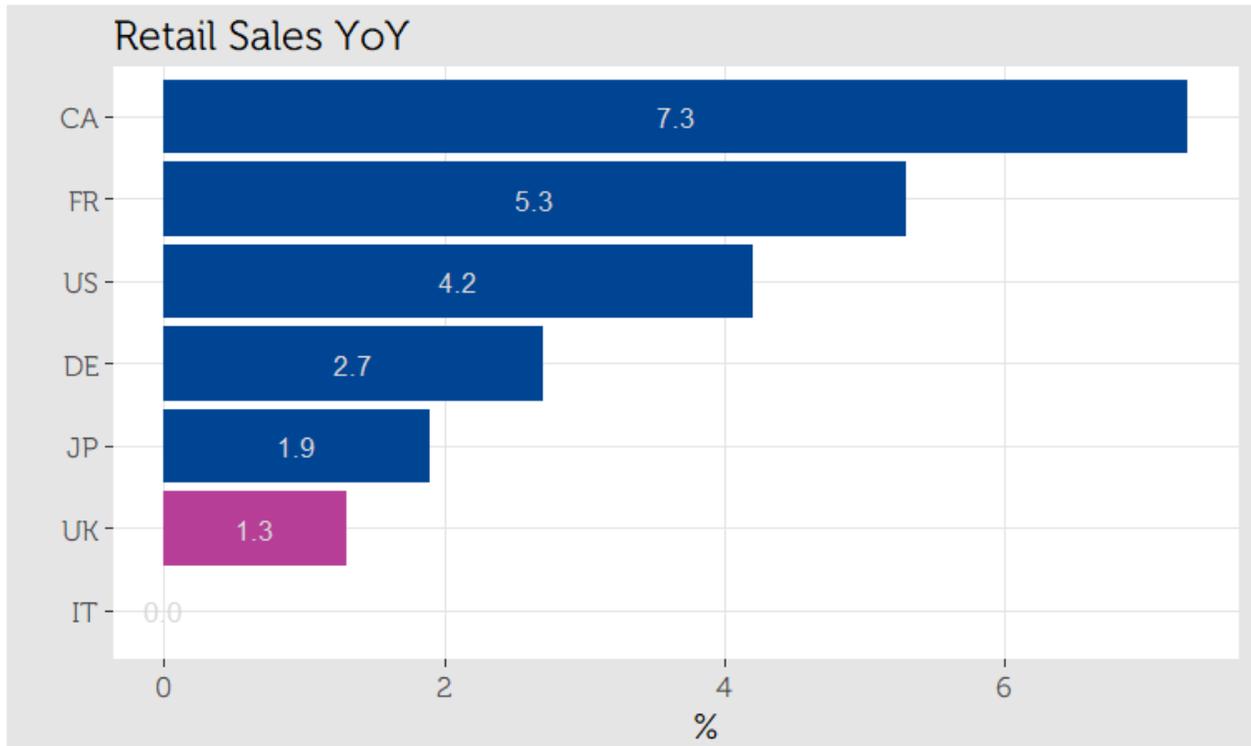
13.2 Inflation & Producer Prices



13.3 Debt



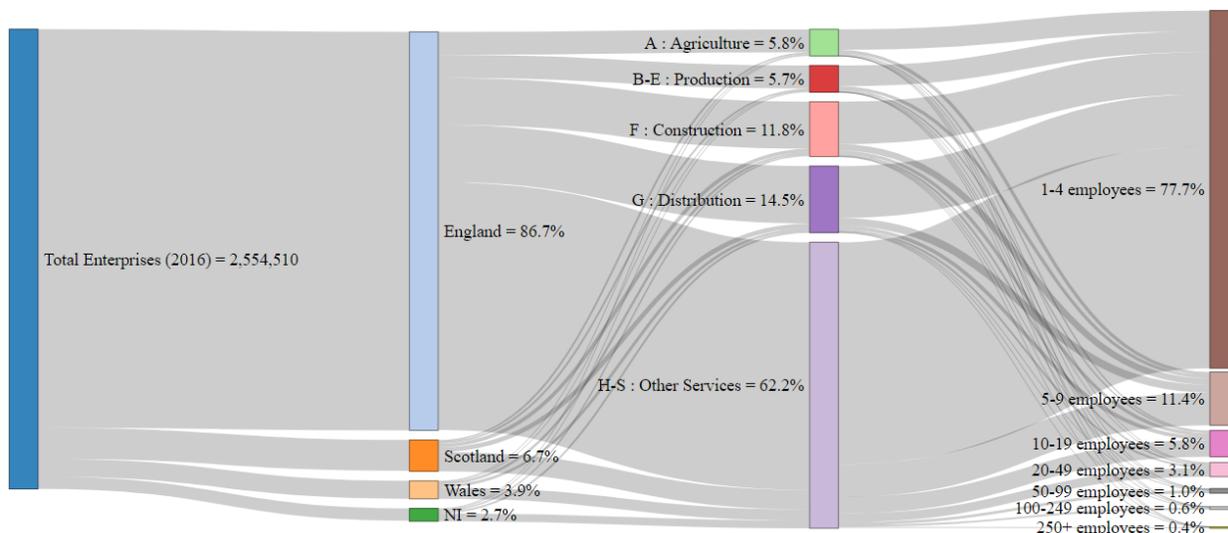
13.4 Retail Sales & Corporate Tax



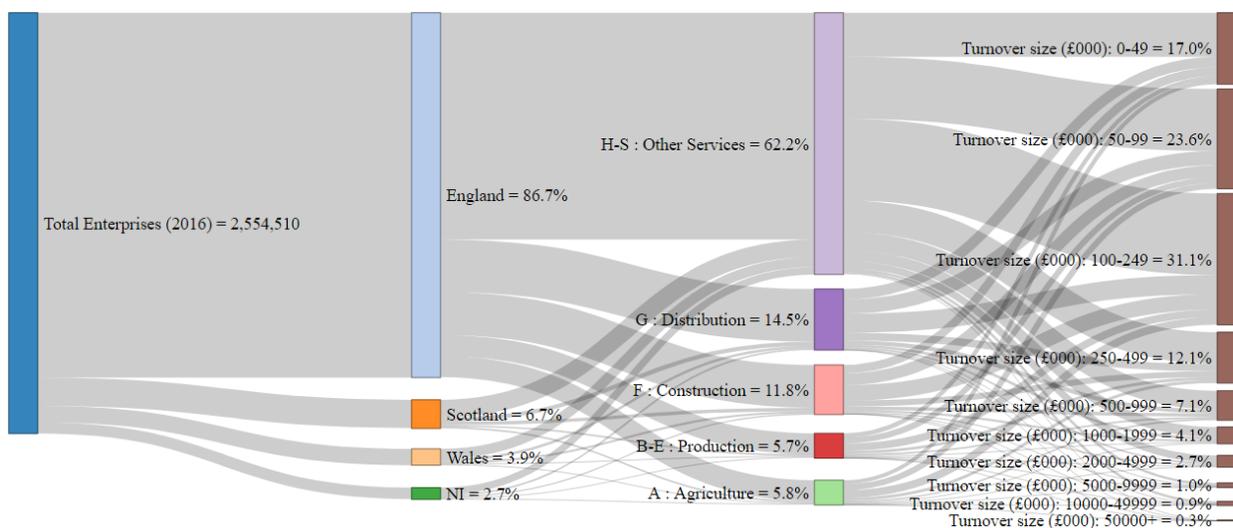
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

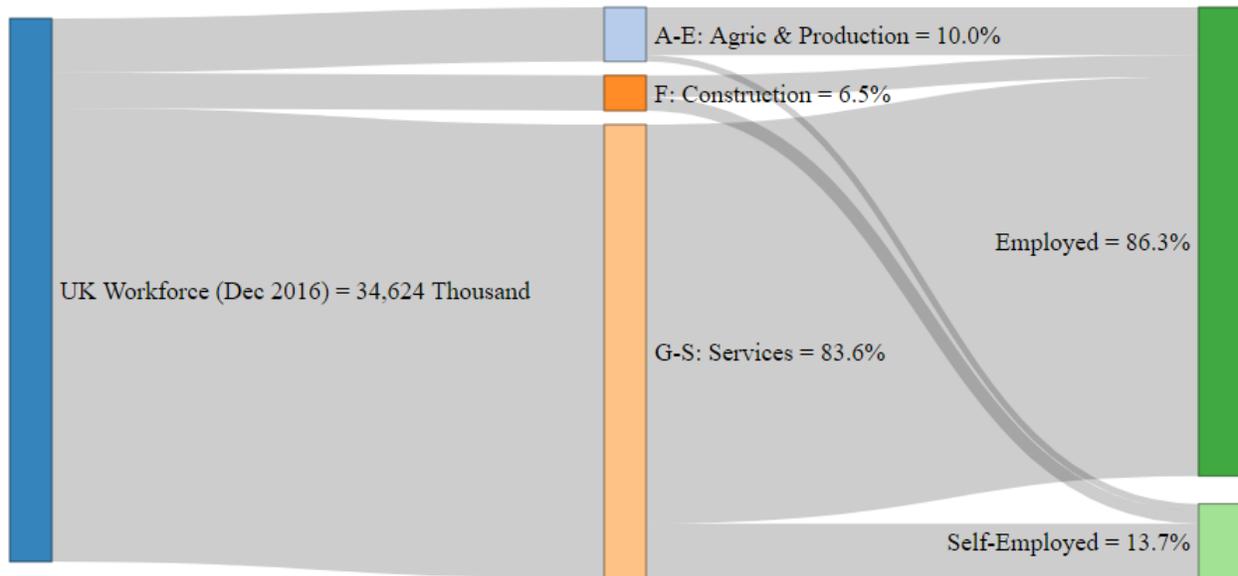


A.2 Enterprises by Turnover Size Band

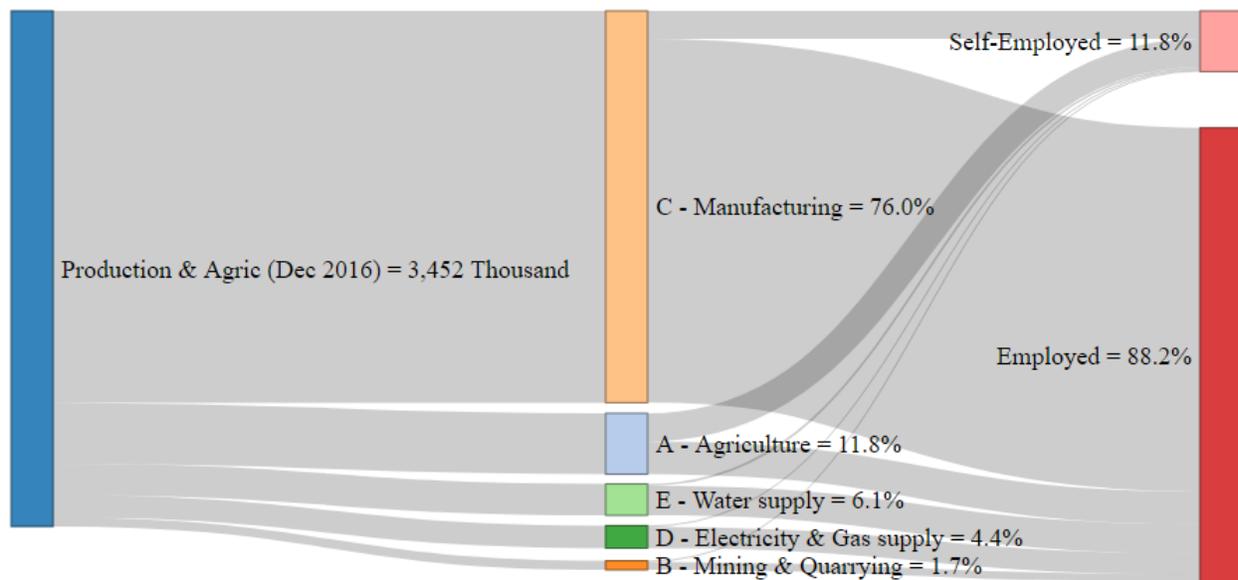


B UK Employment Structure

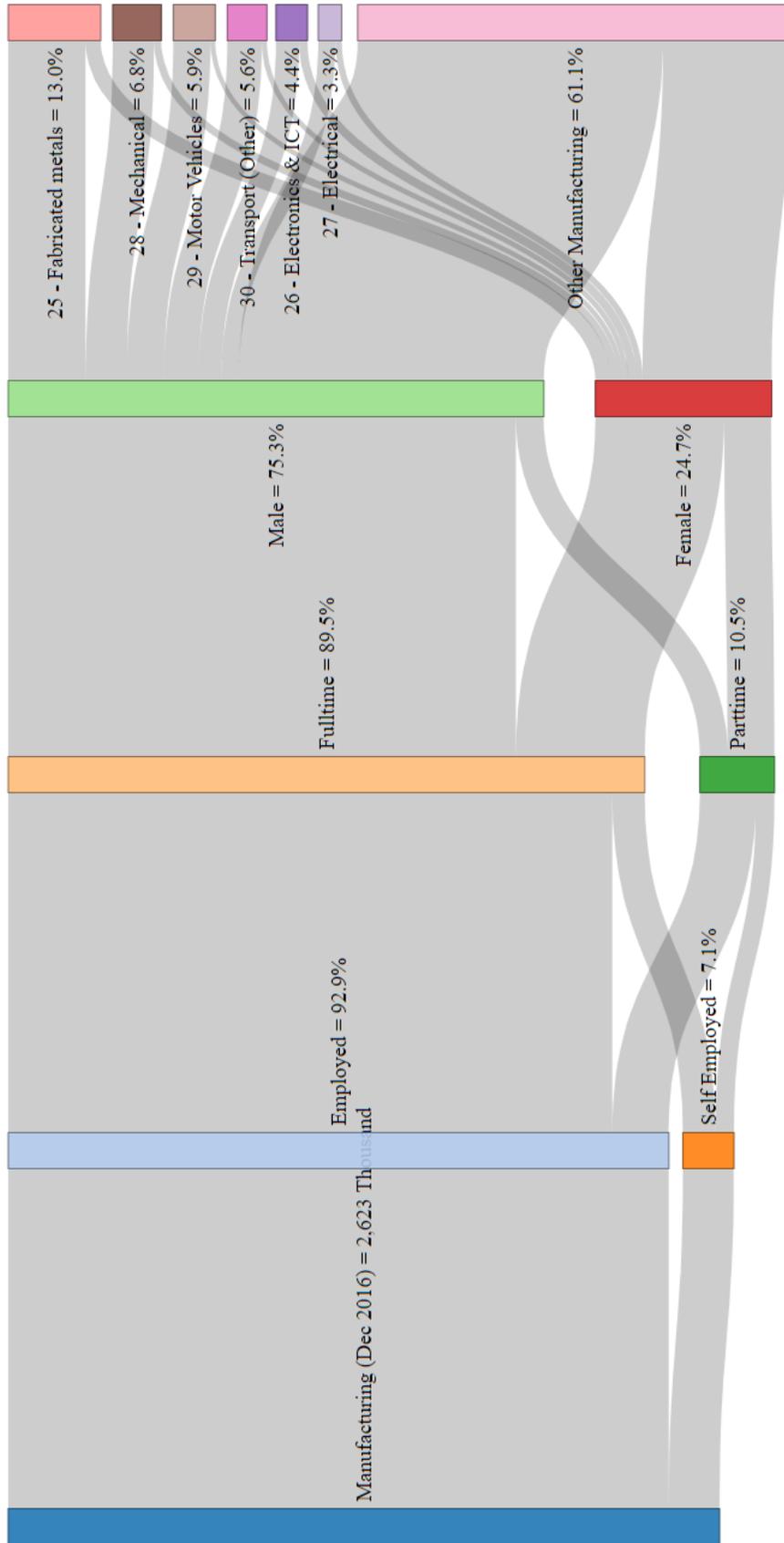
B.1 UK Workforce



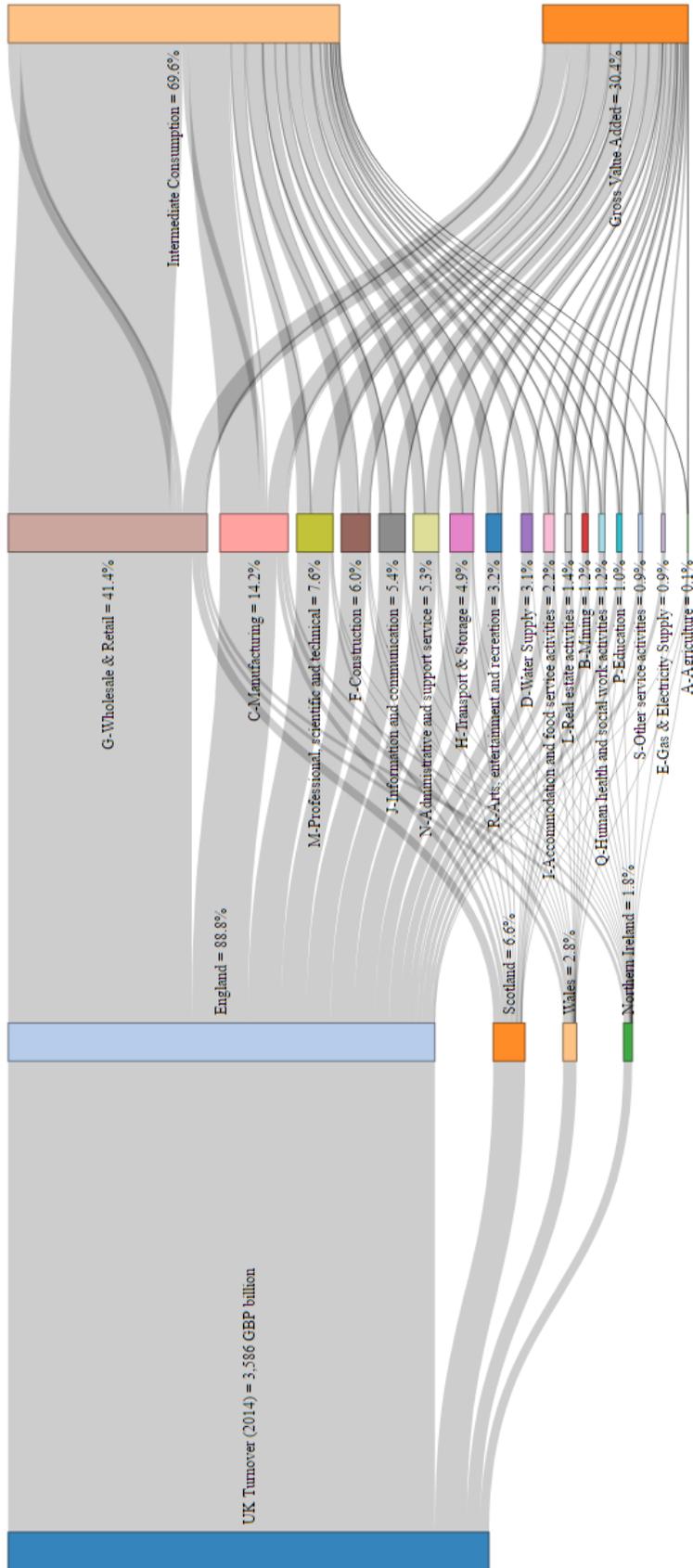
B.2 UK Production & Agriculture Workforce



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
 - Exchange rate: <https://www.ecb.europa.eu/stats/exchange/eurofxref>
- OECD & Trading Economics
 - UK composite indicator <http://stats.oecd.org/Index.aspx>
 - G7 Indicators : <https://tradingeconomics.com/>

E Information about EURIS

EURIS (European Union Relationship and Industrial Strategy) represents the combined industrial membership of BEAMA and GAMBICA, with additional representation from other aligned Trade Associations. (EAMA, CESA, NMI, REA). The 2000+ companies in the combined membership are represented by a Task Force of 13 companies, plus the executives from the member associations.

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