

BREXIT WATCH

Issue 22

March 2019

Brexit Watch - 2019 Issue 22

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 12 in 2019 are as follows:

- ★ **Sterling** rate against the **US Dollar** improved in March 2019 compared to February 2019 but remained 5.7% below March 2018 rate.
- The first estimate UK **GDP** growth for Q4 2018 was 0.2%, equivalent to £511 billion and a growth of 1.3% compared to Q4 2017.
- **Unemployment** fell to 3.9% in the three months to January 2019 as the number employed increased by 473 thousand and the number unemployed fell by 112 thousand compared to a year earlier.
- **Input prices** slowed down to 2.9% in the twelve months to January 2019, driven by slow down in crude oil prices.
- **Consumer price Index** including owner occupiers's cost rose by 1.8% in December 2018, the lowest 12-month growth since December 2016.
- ★ **Index of production** fell by 0.9% in January 2019 on yearly basis, as all sub-sectors of production with exception of water supply and waste management declined.
- ★ **Construction output** picked up in January 2019 as output increased by 2.7% on previous month to £13.9 billion. It is the highest 1-month growth since April 2016.
- **Business Investment** growth in Q4 2018 hits 9-year low at -3.7%, the lowest 4-quarter growth since 2010 Q1.
- ★ **Retail sales volume** rose by 4.3% in January 2019; the highest 12-month growth since December 2016 as prices slowed down.
- ★ **Exports** in January 2019 rose by 3.9% to £54.7 billion and **imports** also rose by 7.9% to £58.5 billion compared to January 2018.
- ★ The moving annual **turnover** for the EURIS6 group reached £153.3 billion in January 2019, representing a growth of 2.6% compared to January 2018. The group **exported** £53.7 billion in the twelve months to January 2019, a growth of 2.7% and the **workforce** now stands at 1,101 thousand.

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Glossary

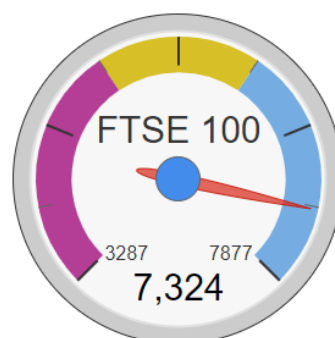
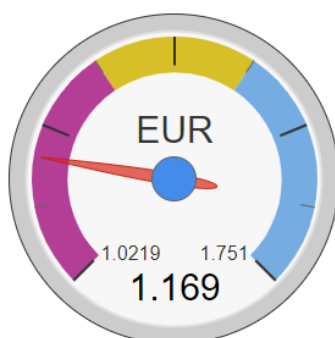
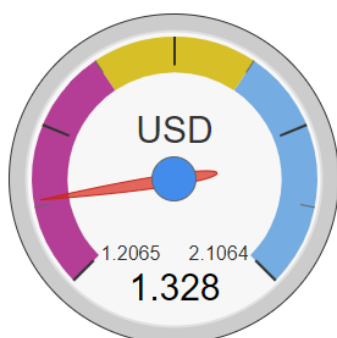
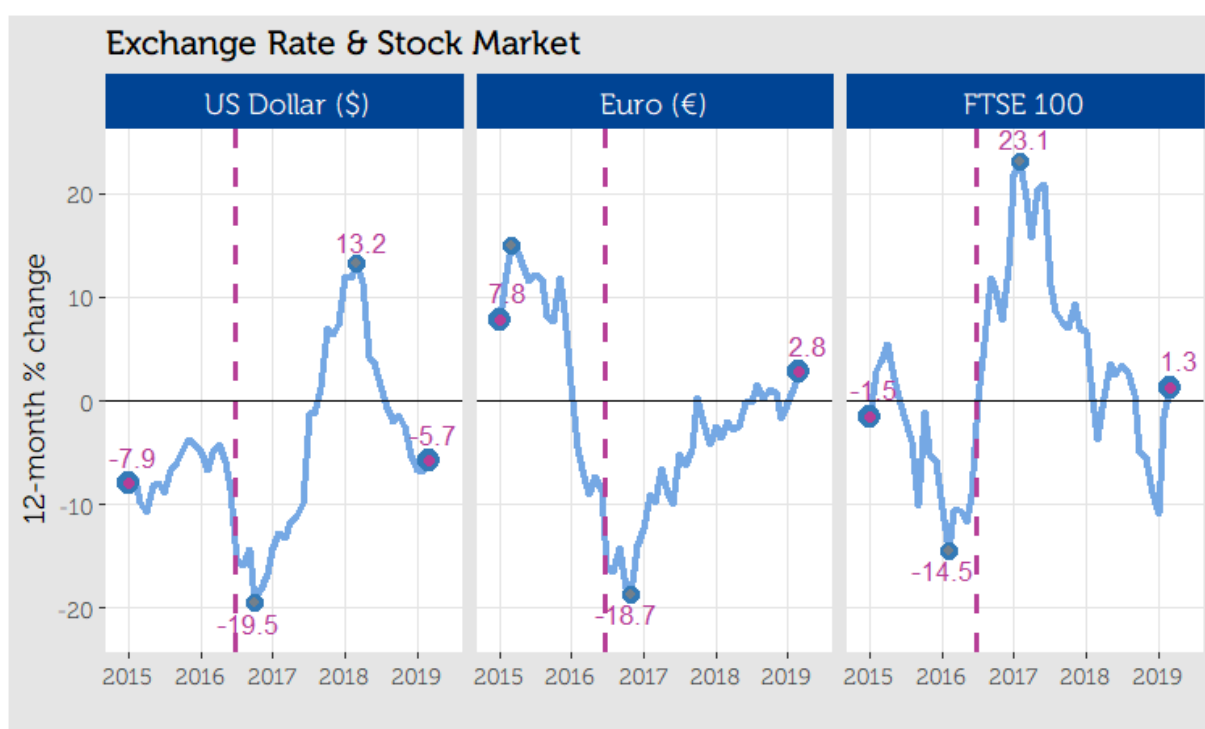
BCA	British Cables Association	GDP	Gross Domestic Product
BCAS	British Compressed Air Society	HMRC	HM Revenue & Customs
BEAMA	British Electrical & Allied Manufacturers Association	IOM	Index of Manufacturing
BFPA	British Fluid Power Association	IOP	Index of Production
BPF	British Plastics Federation	IOS	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 rate against **US Dollar** in March 2019 improved over February 2019, but remained below the same period a year earlier. The month-to-date rate was 1.2% above February 2019, 5.7% below March 2019 and 9.4% below May 2016 (pre-brexit vote).

Sterling also gained on **Euro** from previous month. The month-to-date rate was 1.6% above February 2019, 2.8% above March 2018 but 9.4% lower than May 2016 rate.

FTSE 100 continue to recover in March 2019, gaining 87 points so far to finish at 7324 at the beginning of week 12. The month-to-date average was 0.5% above February 2019, 1.3% above March 2018 and 16.5% above May 2016.

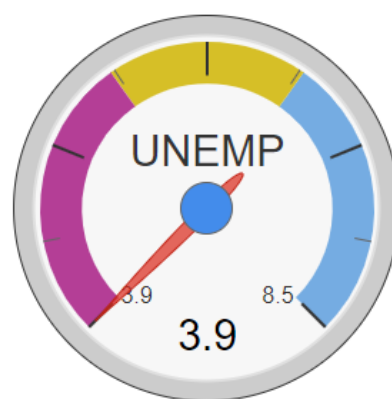
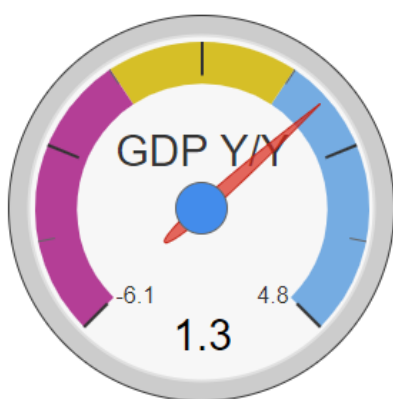
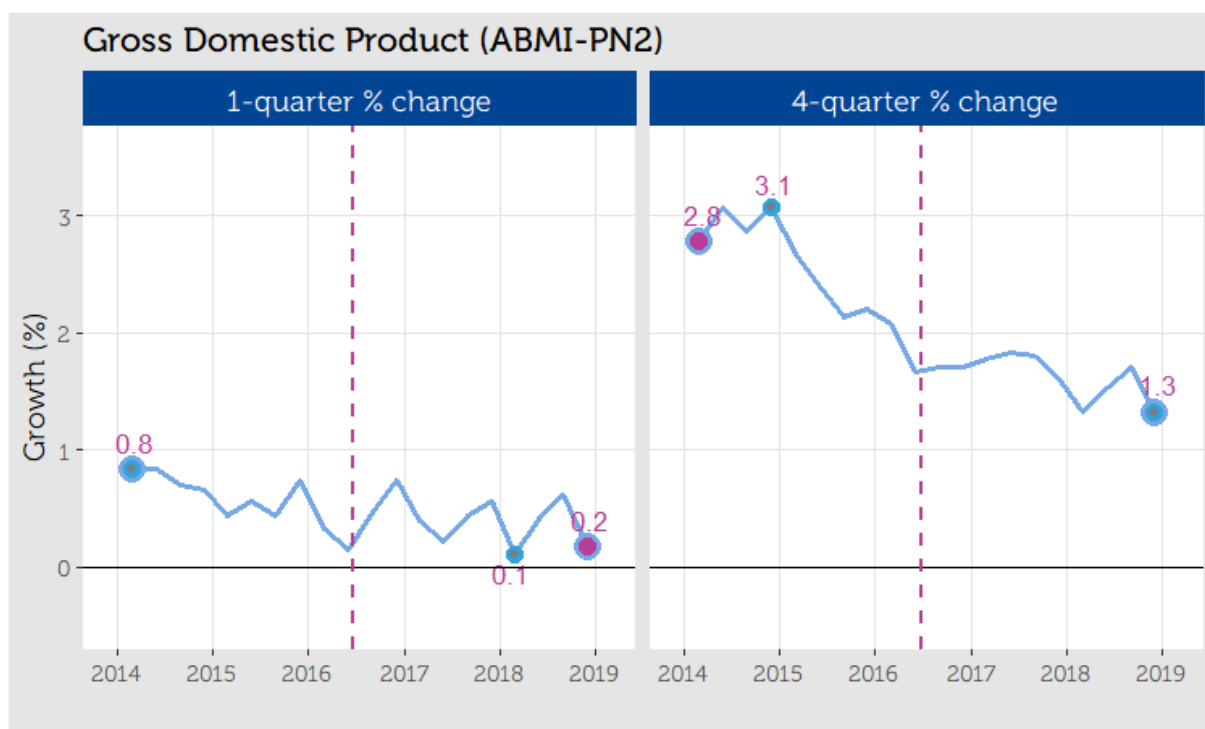


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The first estimate of the **gross domestic product** growth for Q4 2018 was 0.2%; equivalent to £511 billion and a growth of 1.3% compared to Q4 2017. Services rose by 1.9%, construction rose by 0.9% but production fell by 1.0% in Q4 2018 compared to Q4 2017. GDP has grown by 4.2% since Q2 2016.

The number of people in work increased by 473 thousand to 32.71 million in the three months to January 2019 compared to a year earlier. The number of people unemployed fell by 112 thousand to 1.34 million in the same period. **Unemployment** rate dropped to 3.9%, the lowest since January 1975. Employment rate for women also hits the highest on record (71.8%), partially due to the State Pension age changes for women resulting in fewer women retiring.

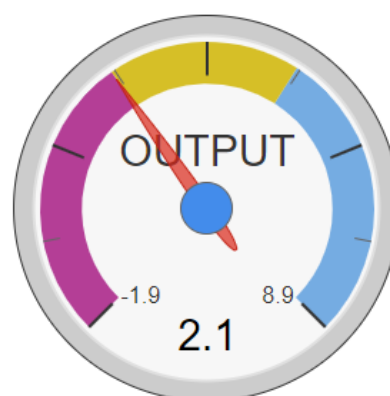
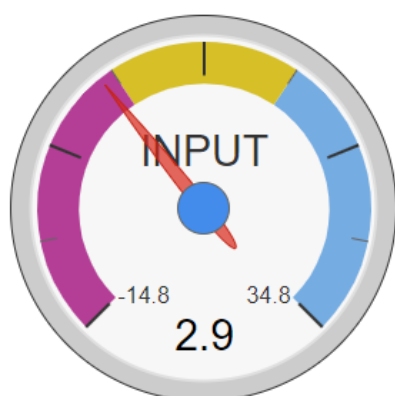


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

3 Producer Prices

The slowdown in **input prices** for all manufacturing continued in January 2019 as the 12-month growth hits 31-month low at 2.9%. The main drivers for the slowdown were crude oil prices. Notwithstanding, input prices has increased by 22.4% since May 2016.

Factory gate (Output) prices for all manufacturing was flat in January 2019 compared to previous month but rose by 2.1% compared to January 2018. The prices of all the main components rose on previous year with exception of petroleum products. Chemical and pharmaceutical products rose the fastest with 4.8%. The index has grown by 7.7% since May 2016.



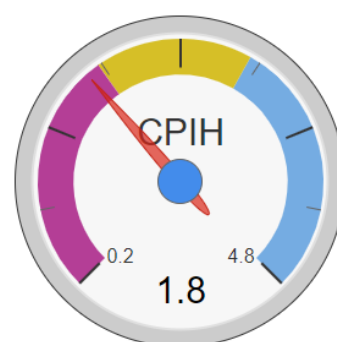
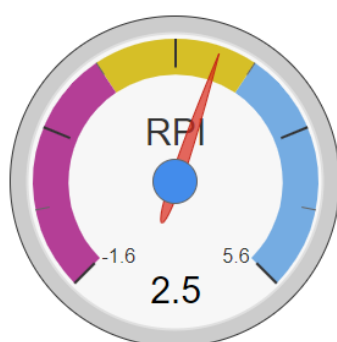
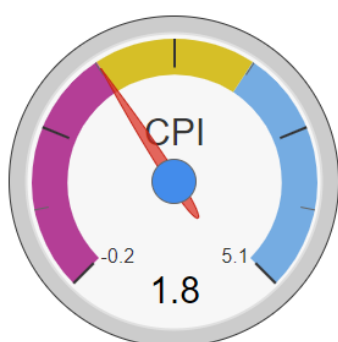
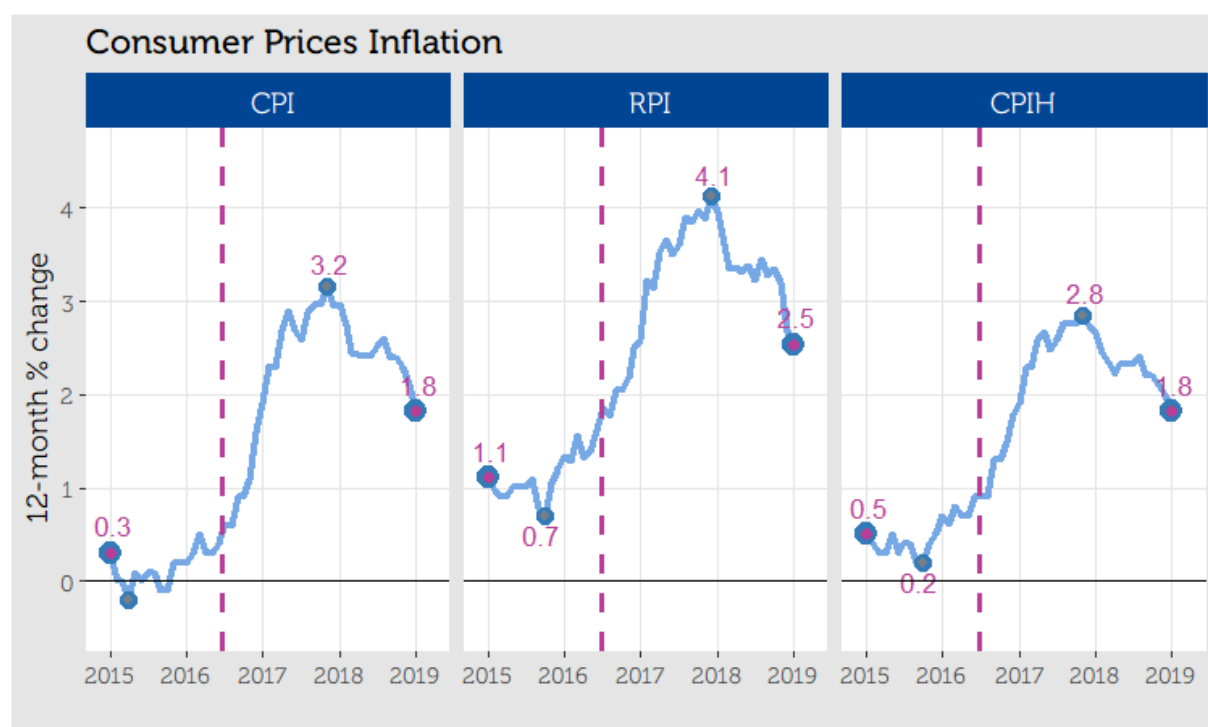
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

4 Consumer Prices

Consumer price index (CPI) growth hits 25-month low as the annual growth fell 1.8% January 2019. Slowdown in prices of transport and utilities between December 2018 and January 2019 were the main drivers for the low growth. CPI has grown by 5.9% since May 2016.

The **retail price index (RPI)** growth hits 2.5% in the twelve months to January 2019; the lowest growth since December 2016. RPI has grown by 8.0% since May 2016.

CPI including owner occupier's cost (CPIH) rose by 1.8% in the twelve months to January 2019, a drop from 2.0% recorded in December 2018. CPIH has grown by 6.2% since May 2016.



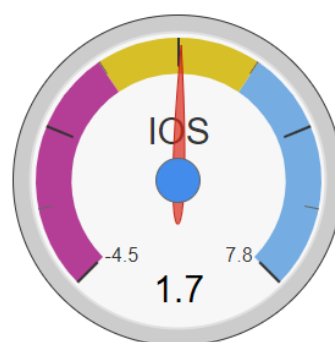
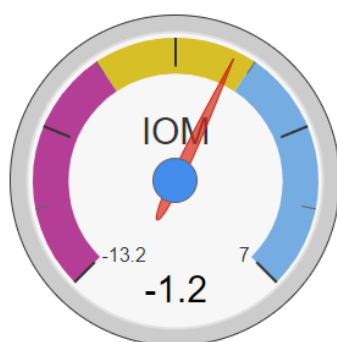
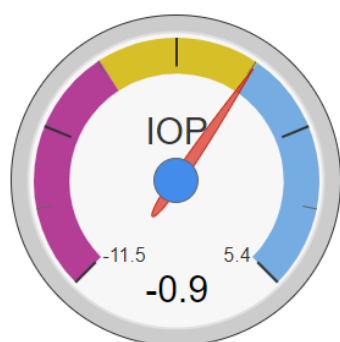
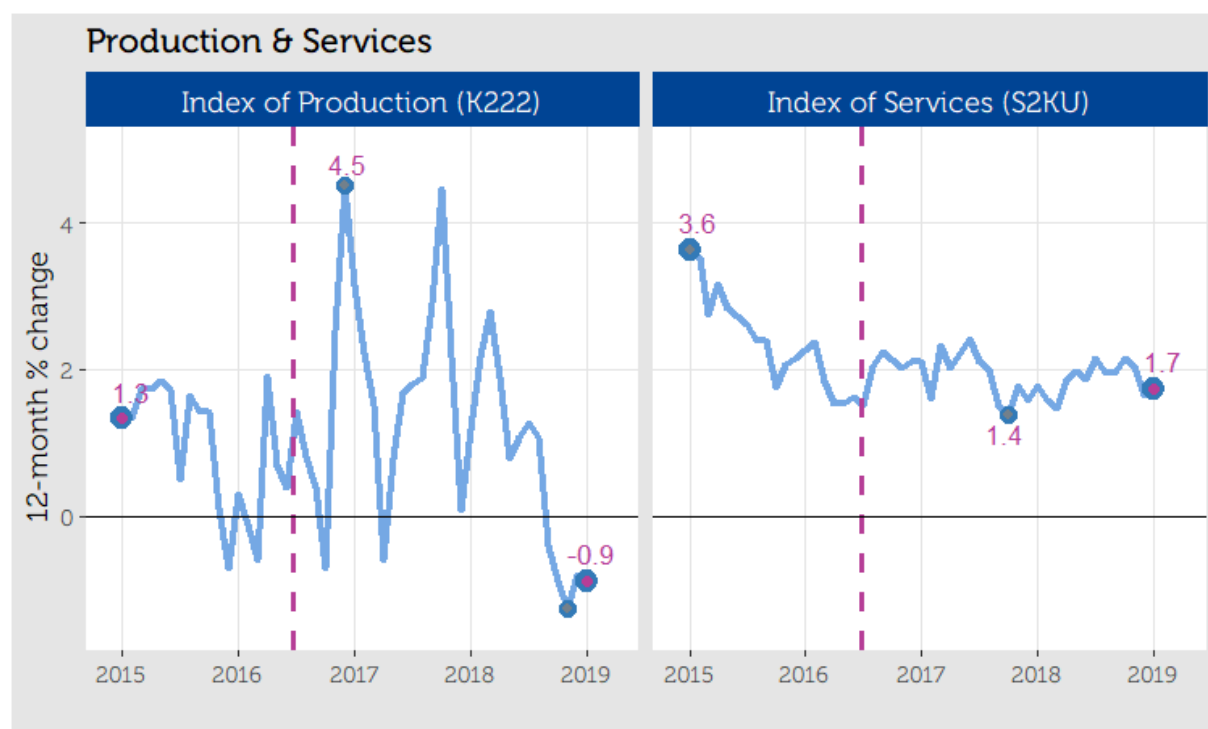
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP) grew by 0.6% in January 2019 but fell by 0.9% compared to a year earlier. It is the first month-on-month growth after 5 successive declines. The decline was widespread across all sectors with exception of water supply and waste management which rose on yearly basis. IOP has grown by 1.8% since May 2016.

Index of manufacturing (IOM) rose by 0.8% in January 2019, the highest in seven months, but fell by 1.2% compared to twelve months earlier. Among the 24 manufacturing industries, 14 grew compared to previous month and 13 grew compared to previous year in January 2019. IOM has grown by 1.9% since May 2016.

Index of services (IOS) rose by 0.3% in January 2019 and also rose by 1.7% compared to a 12 months earlier. All sectors grew in the year to January 2019. IOS has grown by 5.5% since May 2016.



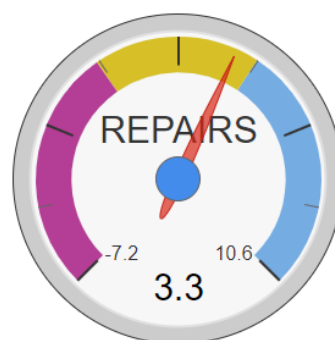
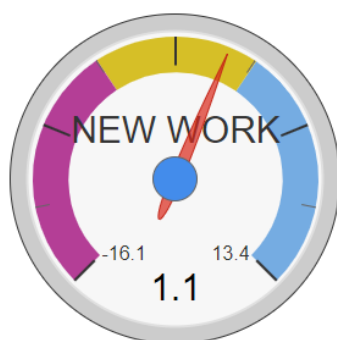
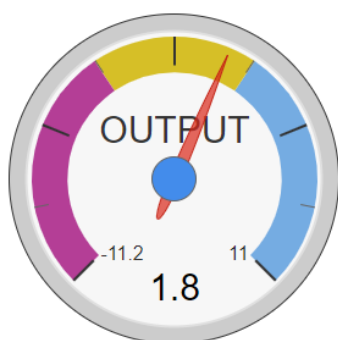
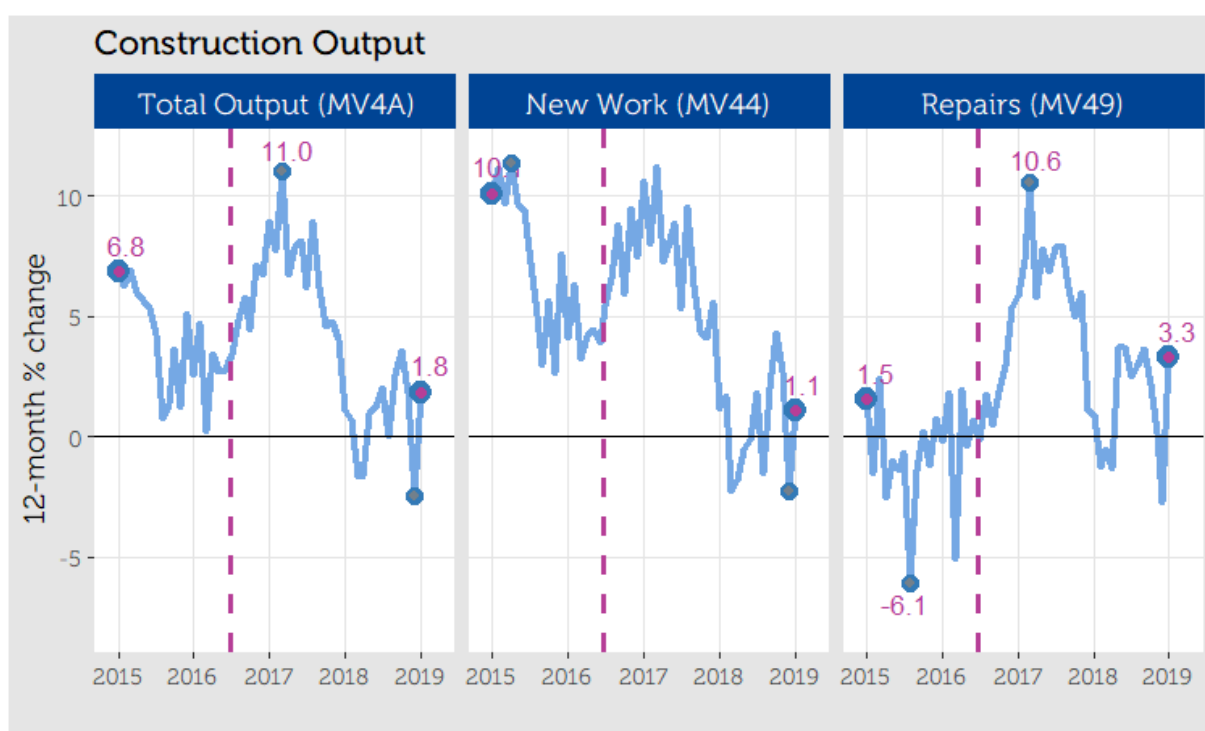
[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Construction output in January 2019 grew by 2.7% on previous month to £13.9 billion. It was the highest 1-month growth since April 2016. Compared to January 2018 output also grew by 1.6%; the highest 12-month growth since November 2018.

New construction work increased to £9.1 billion in January 2019; equivalent to 1.1% increase compared to January 2018. **Construction repairs** also increased to £4.8 billion; a growth of 3.3% in the same period.

Construction output on monthly basis has grown by 11.0% since May 2016.



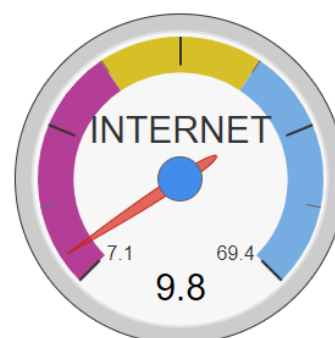
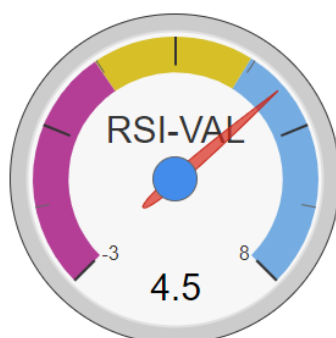
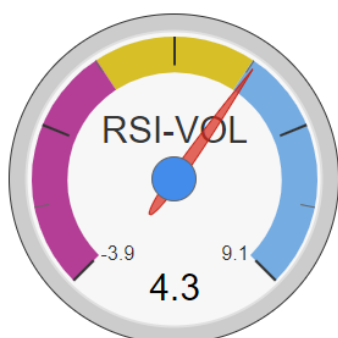
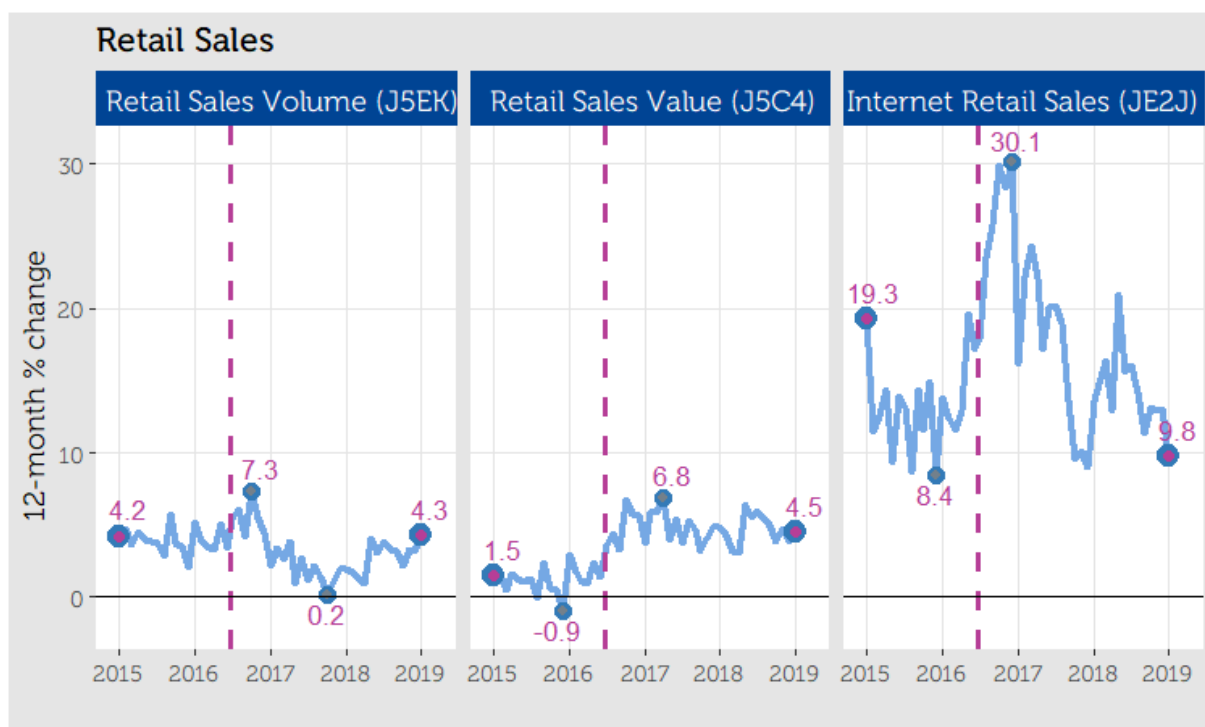
[Gauge Charts: 4-quarter % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) hits 25-month high at 4.3% in January 2019 as prices slowed down. It is the highest 12-month growth since December 2016. Clothing, textile and footwear stores rose the fastest as shoppers took advantage of January sales. Volume of retail sales has grown by 6.7% and May 2016.

The **value of retail sales** (including fuel) rose by 0.9% in January 2019 on previous month and also rose by 4.5% compared to 12 months earlier. Retail sales value has grown by 12.8% since May 2016.

Internet retail sales accounted for 18.8% of all retail sales in January 2019; a growth of 9.8% compared to 12 months earlier.

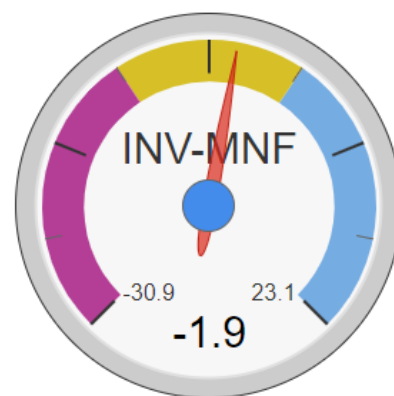
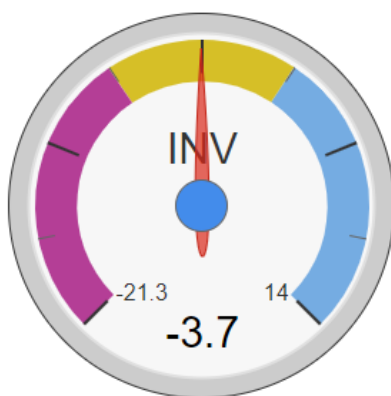
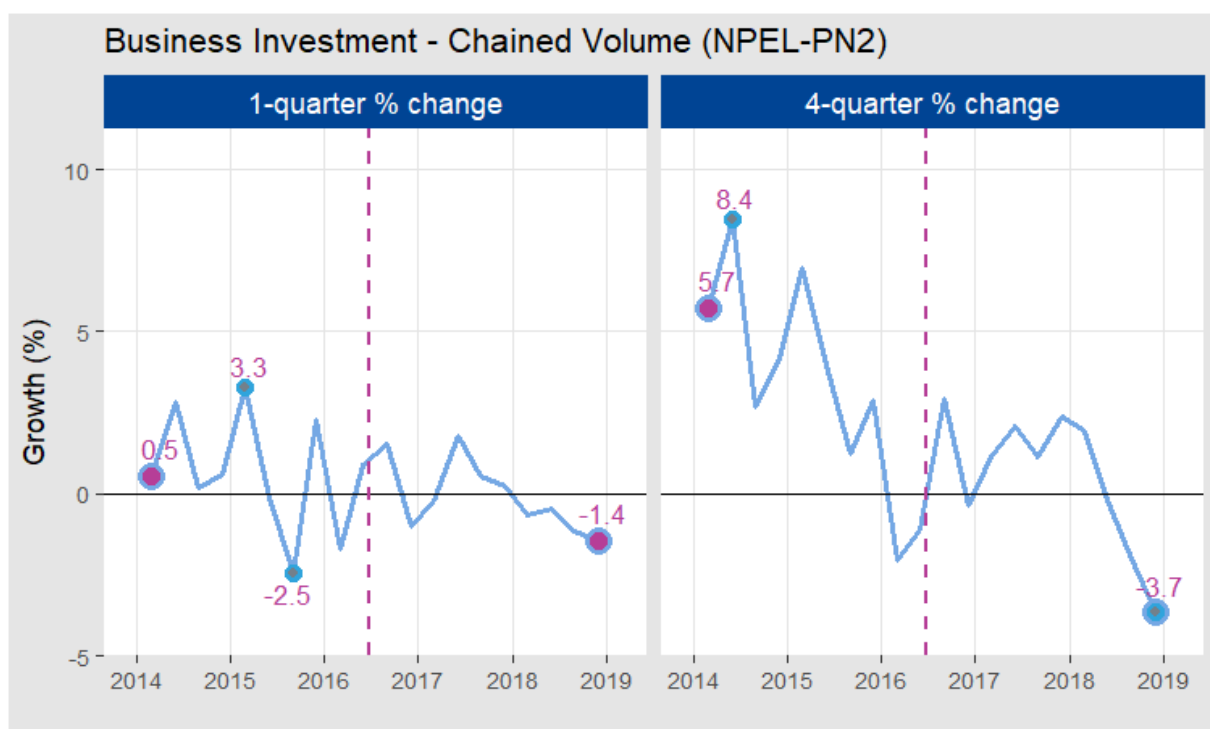


[Gauge Charts: 12-month % change since Jan 2000; Internet sales data starts from Jan 2007]

8 Business Investment

Business investment growth for all industries (INV), in volume terms, hits 9-year low as investments declined by 3.7% in Q4 2018 compared to a year earlier. The investment volume in Q4 was equivalent to £46.2 billion, a decline by 1.4% compared to previous quarter. It was the lowest 4-quarter growth since Q1 2010 and investment has declined by 0.9% since Q2 2016.

Investment in **manufacturing industries** (INV-MNF), in volume terms, rose by 4.5% in Q3 2018 but fell by 1.9% compared to Q3 2017. It is the first quarter on quarter growth after two successive declines and has grown by 2.0% since Q2 2016.



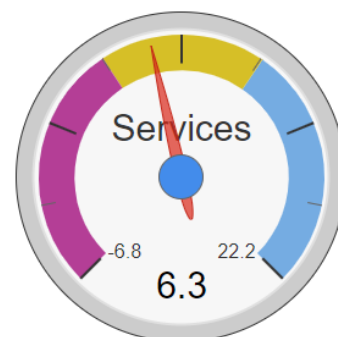
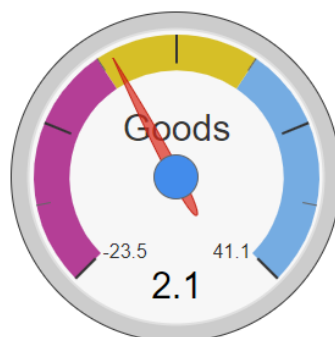
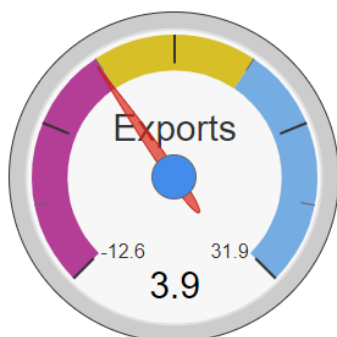
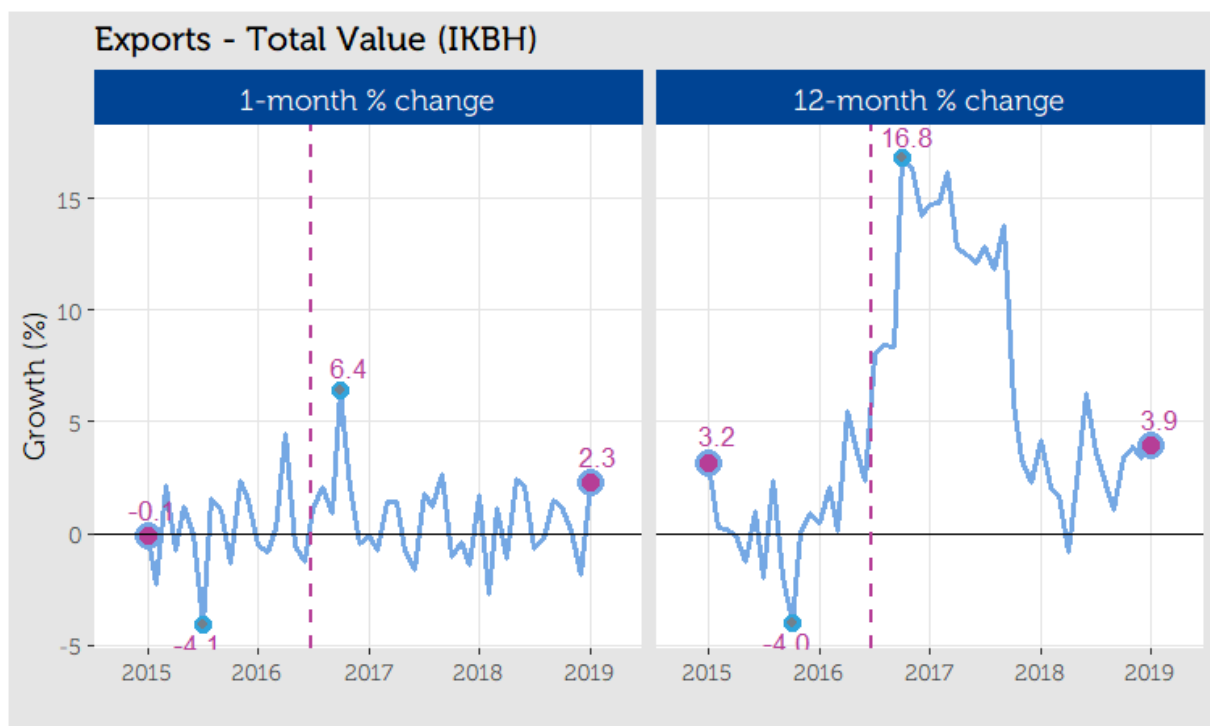
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** rose by 2.3% in January 2019 on previous month and also rose by 3.9% compared to January 2018. Exports of **goods** rose by 2.1% to £ 29.9 billion and exports of **services** also rose by 6.3% to £ 24.7 billion in January 2019 compared to twelve months earlier.

The moving annual total of UK exports increased to £636 billion in January 2019, a growth of 2.8% compared to the same period previous year.

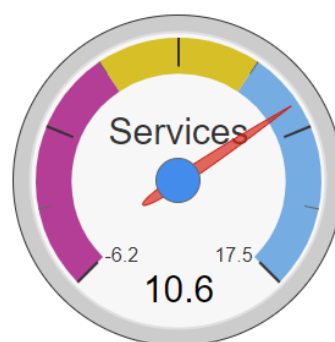
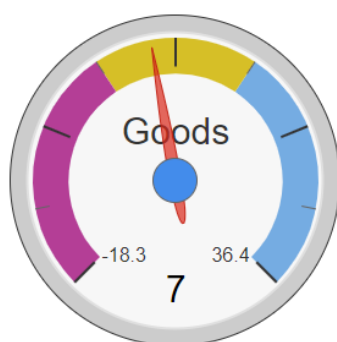
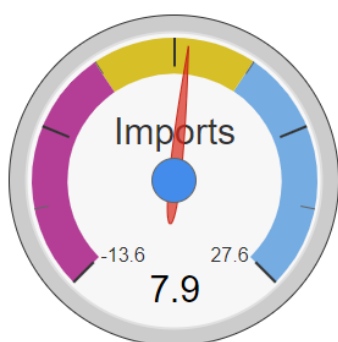
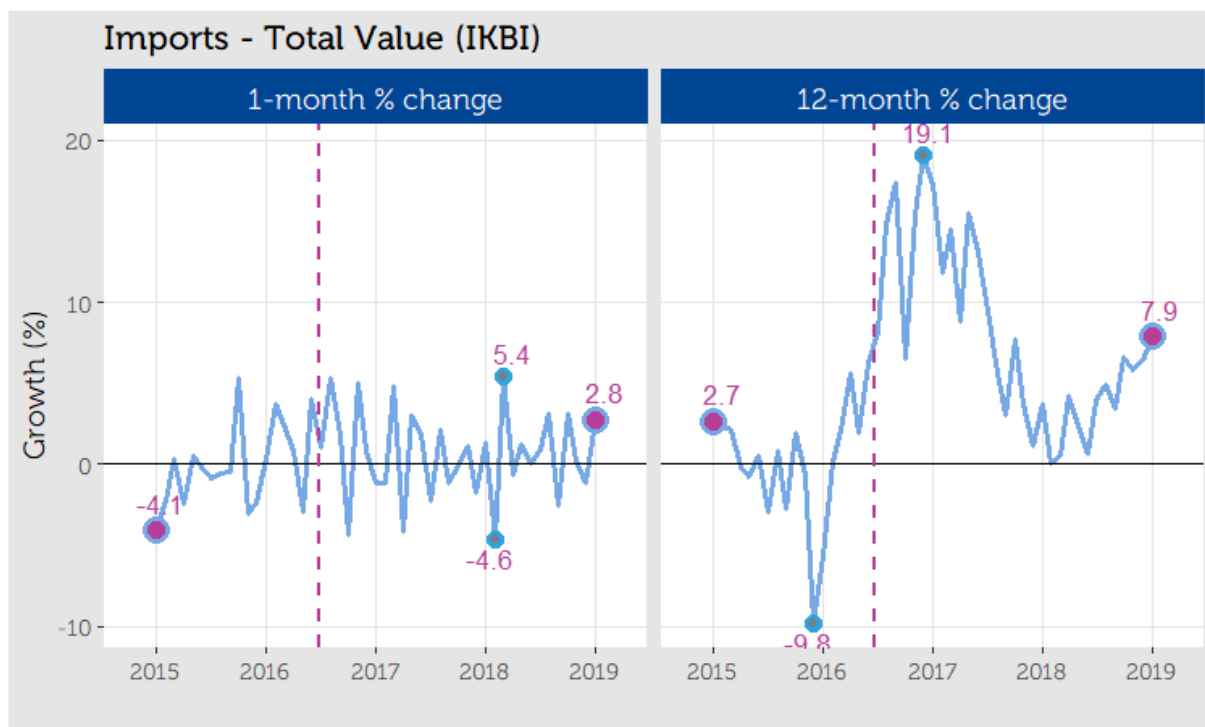


[Gauge Charts: 12-month % change since Jan 2000]

9.2 Imports

The **value** of UK **imports** increased by 2.8% in January 2019 from previous month and also rose by 7.9% compared to January 2018. Imports of **goods** in January 2019 rose by 7.0% to 43.0 billion and imports of **services** also rose by 10.6% to £15.5 billion compared to twelve months earlier.

The moving annual total of UK imports reached £669 billion, a growth of 3.9% compared to the same period previous year.



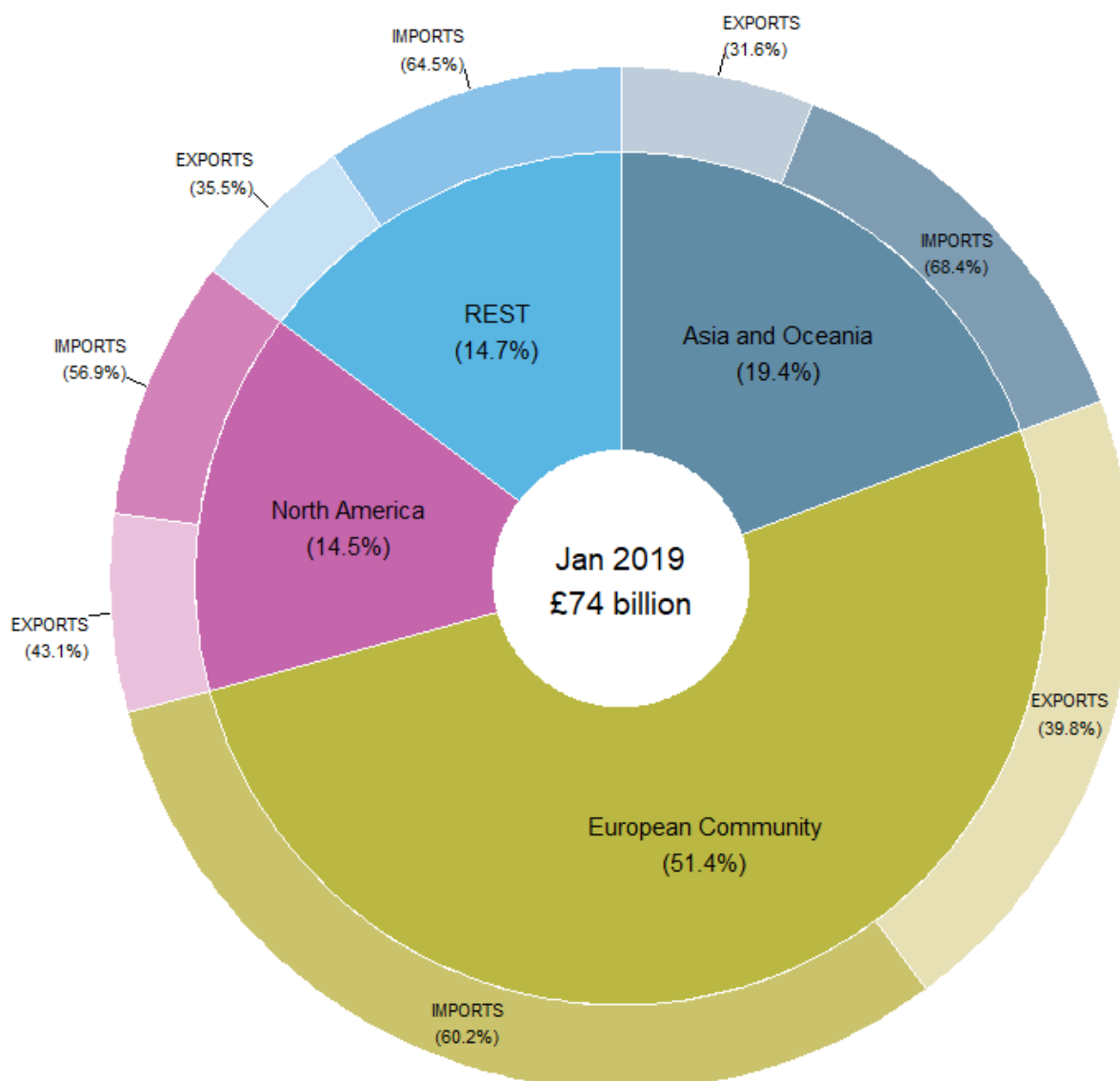
[Gauge Charts: 12-month % change since Jan 2000]

9.3 Goods Trade: Distribution

The **total trade of goods** in January 2019 was £ 74 billion, 2.9% higher than the same period a year earlier. Exports of goods accounted for 38.1% of the total, lower than 40.1% recorded in January 2018.

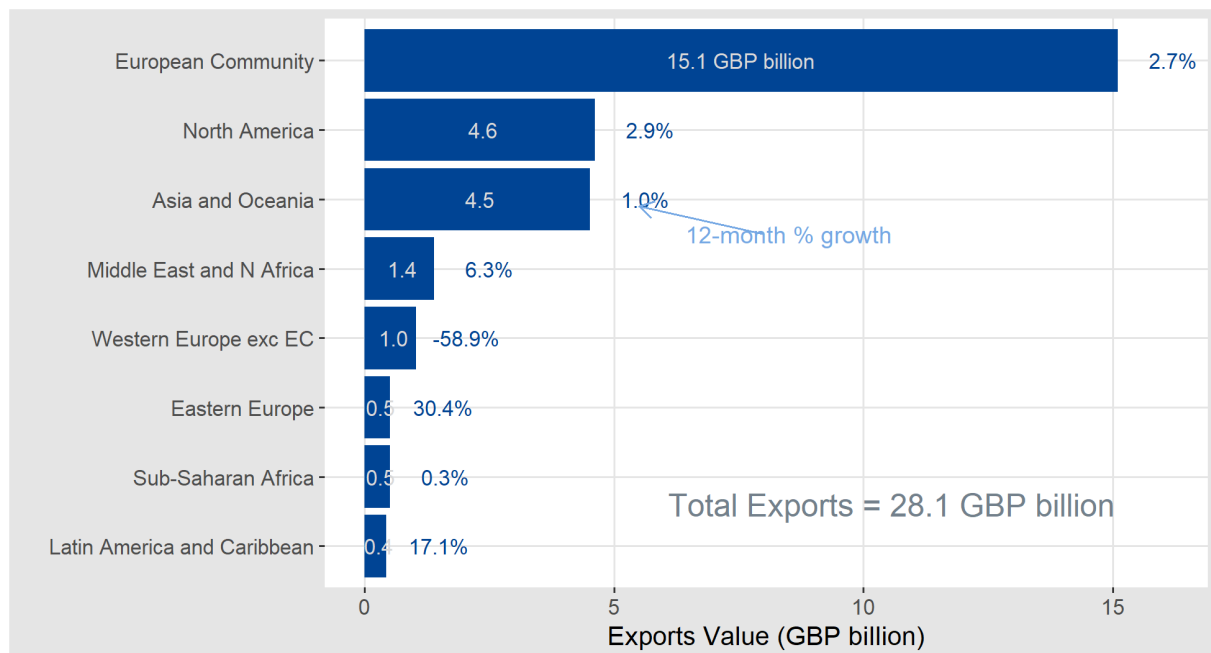
The total goods trade with **EU** countries in January 2019 was £38.1 billion, 4.1% higher than January 2018. EU share of the total goods trade in January was 51.4%, slightly up from 50.8% in January 2019. For every £1.00 of goods exported to EU in January 2019, UK imported an equivalent of £1.52 value of goods, up from £1.49 recorded in January 2018.

Non-EU countries accounted £35.9 billion of trade in January 2019; 1.3% higher than January 2018. For every £1.00 of goods exported to Non-EU in 2018, UK imported an equivalent of £1.78 value of goods, up from £1.51 recorded in January 2018.

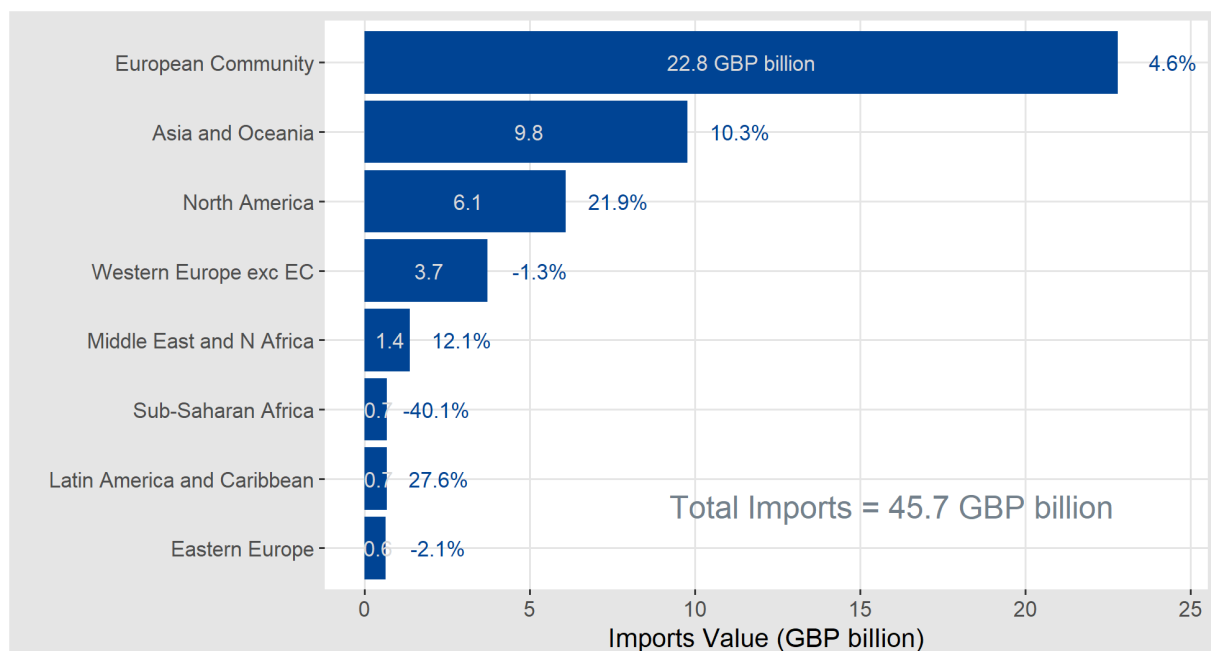


9.4 Goods Trade: Ranking by Region

9.4.1 Exports - 2019 Jan

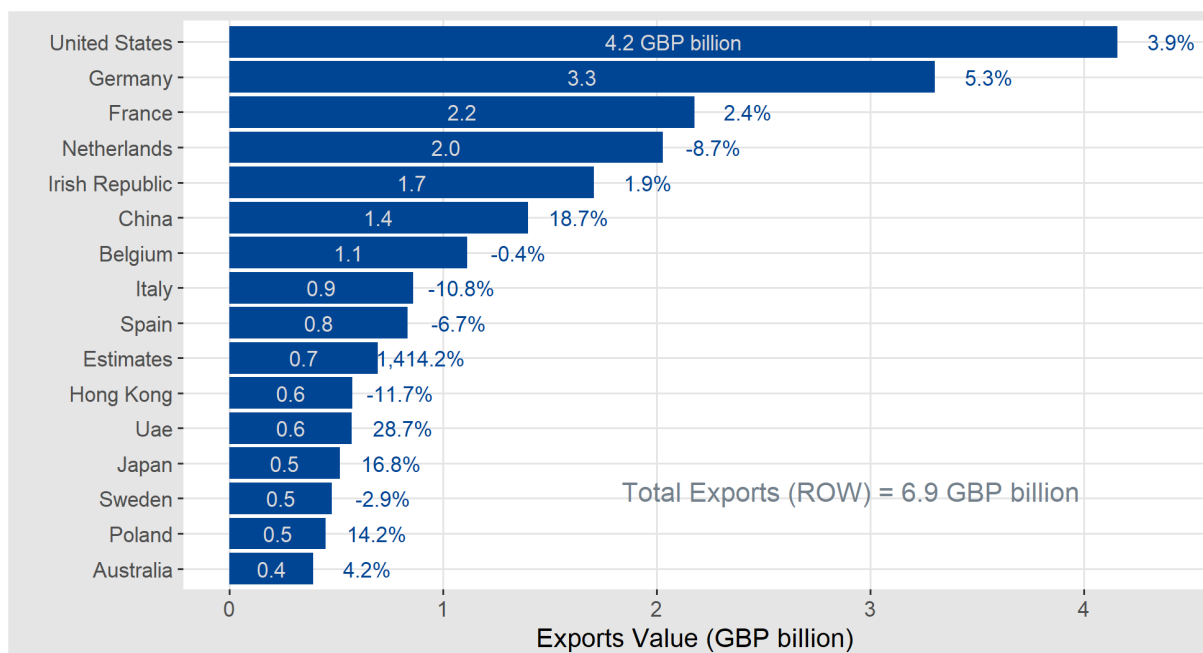


9.4.2 Imports - 2019 Jan

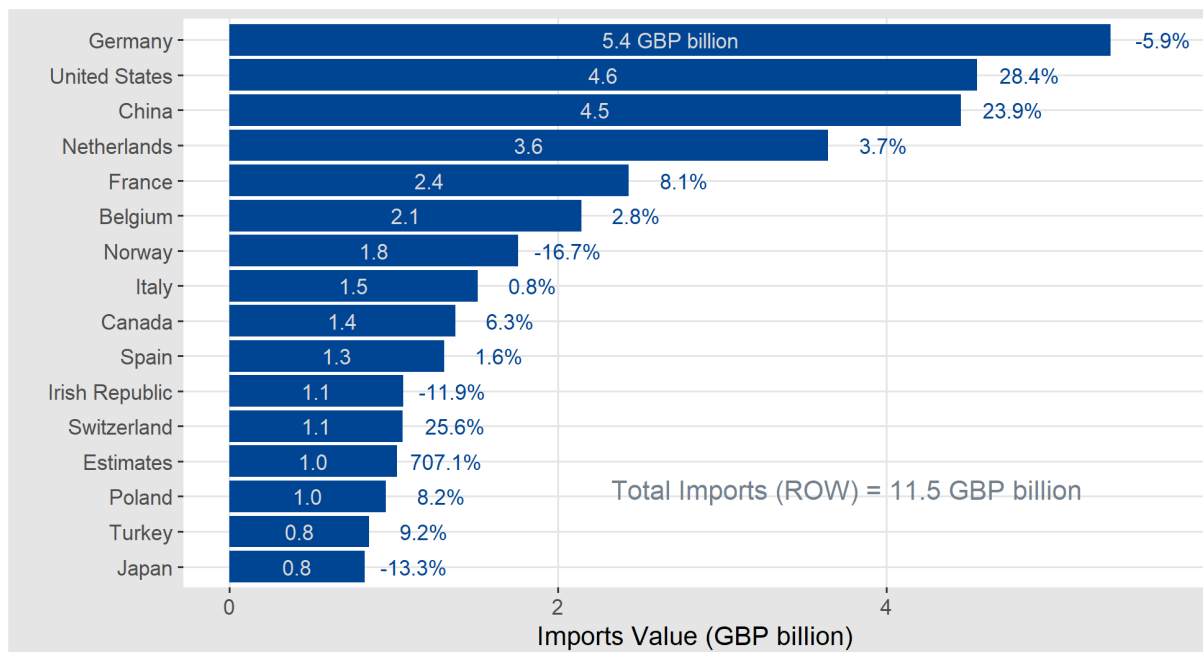


9.5 Goods Trade: Ranking by Country - Top 16

9.5.1 Exports - 2019 Jan

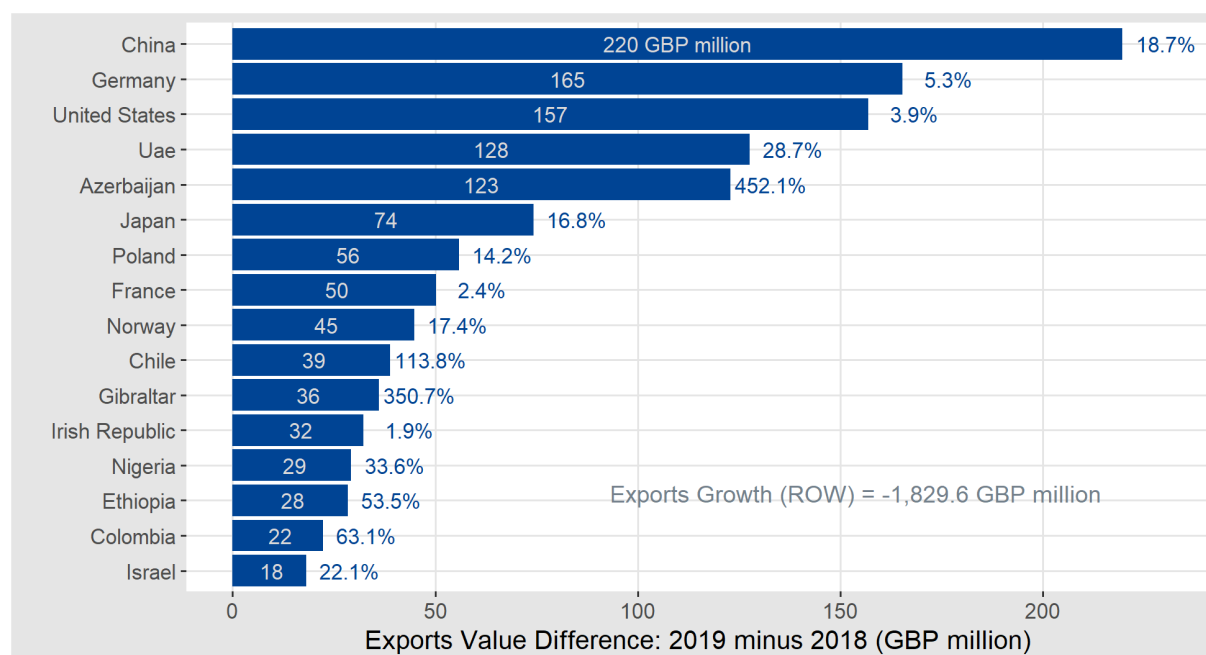


9.5.2 Imports - 2019 Jan

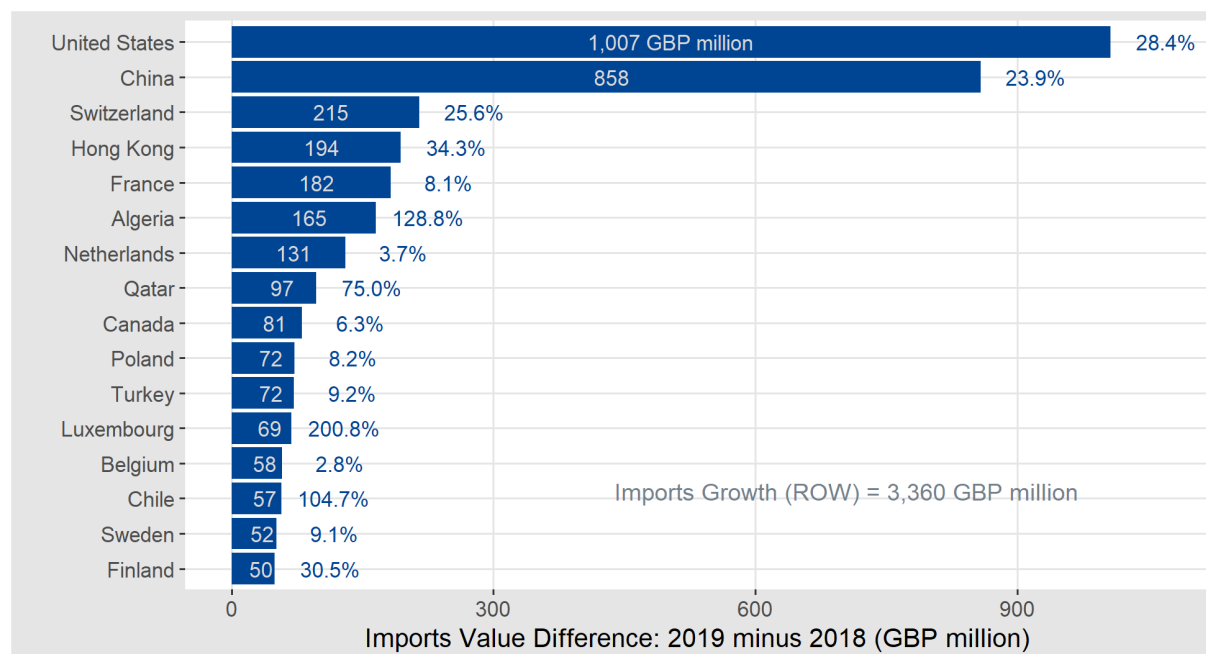


9.6 Goods Trade: Growth Ranking by Country - Top 16

9.6.1 Exports Value Growth - 2019 Jan



9.6.2 Imports Value Growth - 2019 Jan

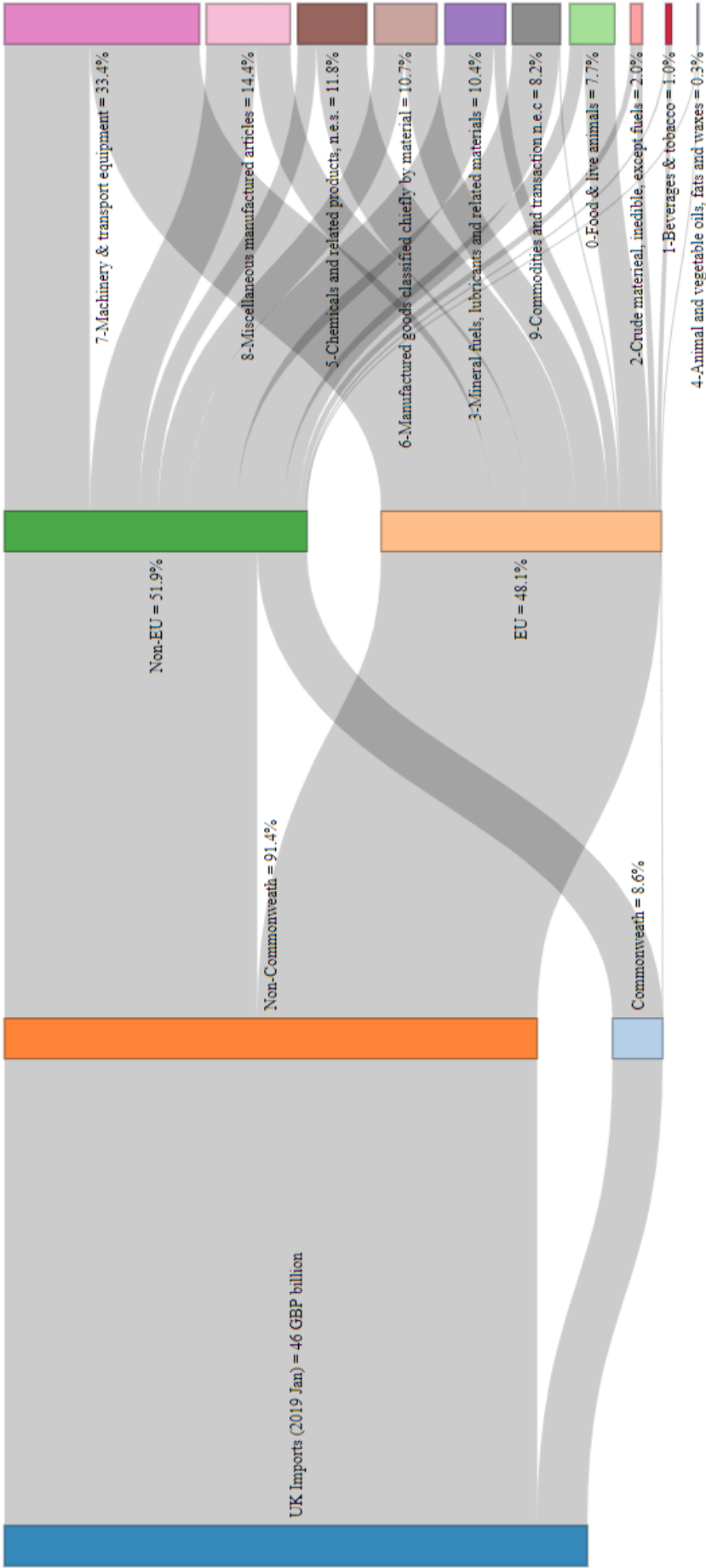


9.7 Goods Trade: EU & Commonwealth by SITC

9.7.1 Exports - 2019 Jan



9.7.2 Imports - 2019 Jan

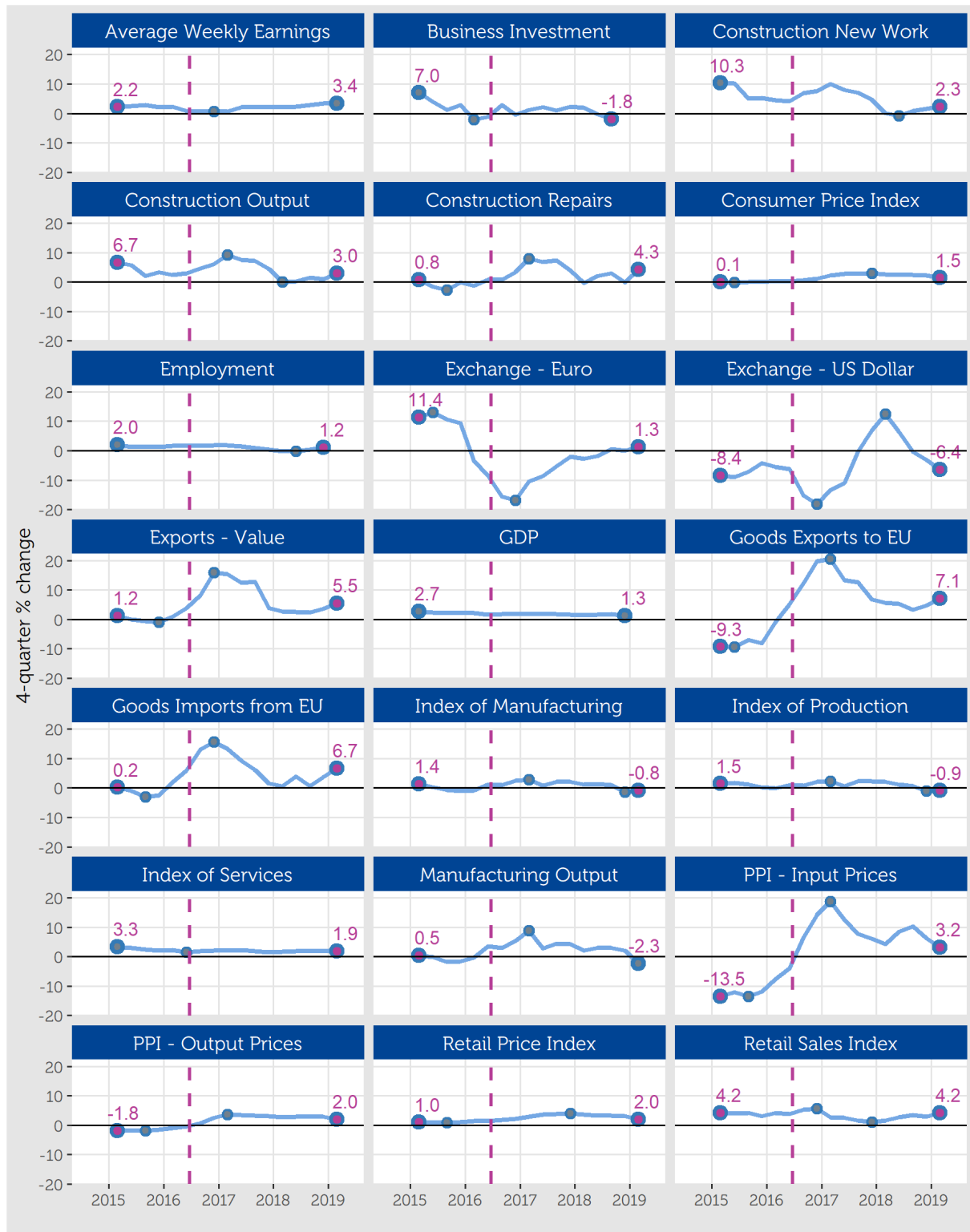


10 Economy At a Glance

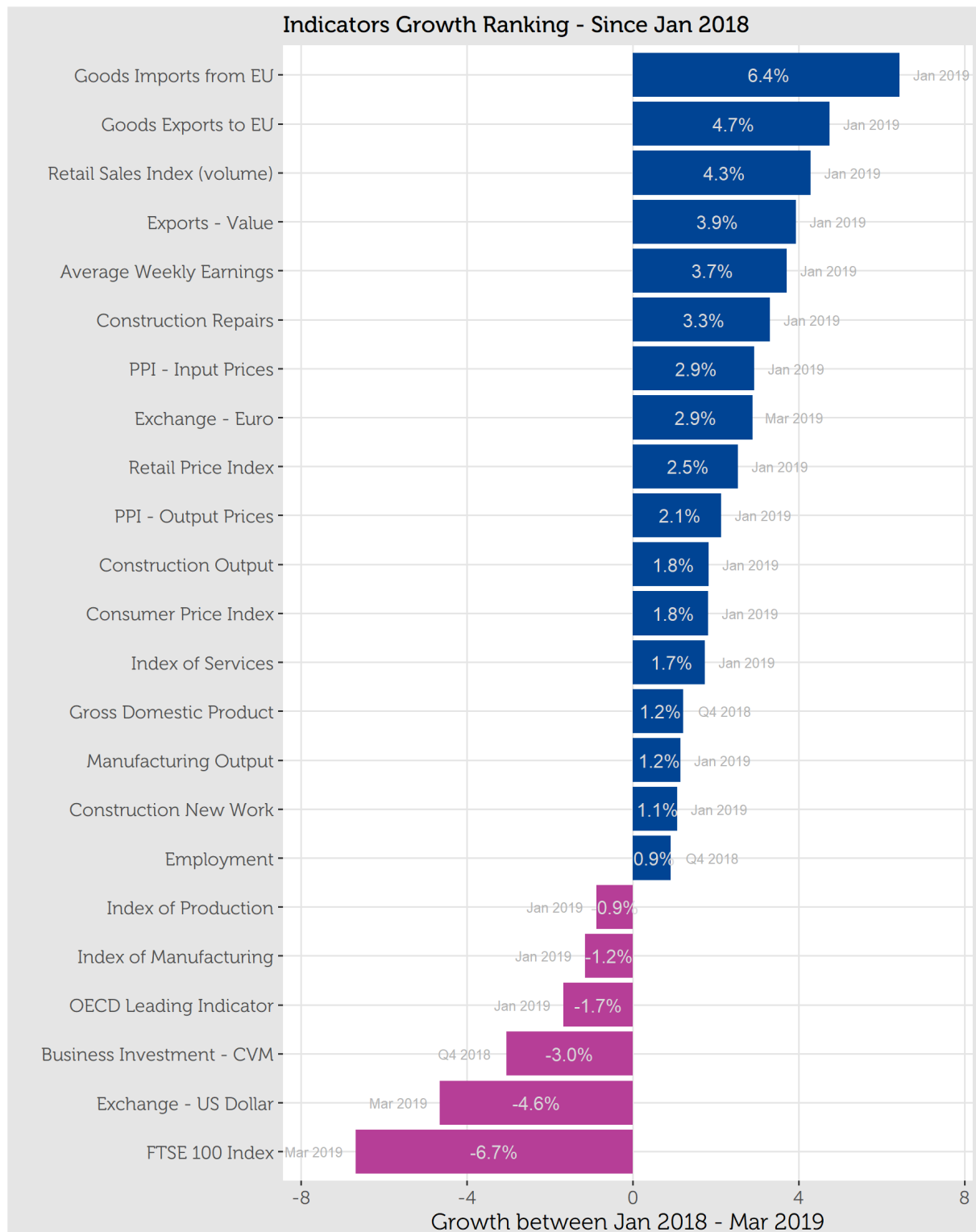
10.1 Growth: 12-month % growth



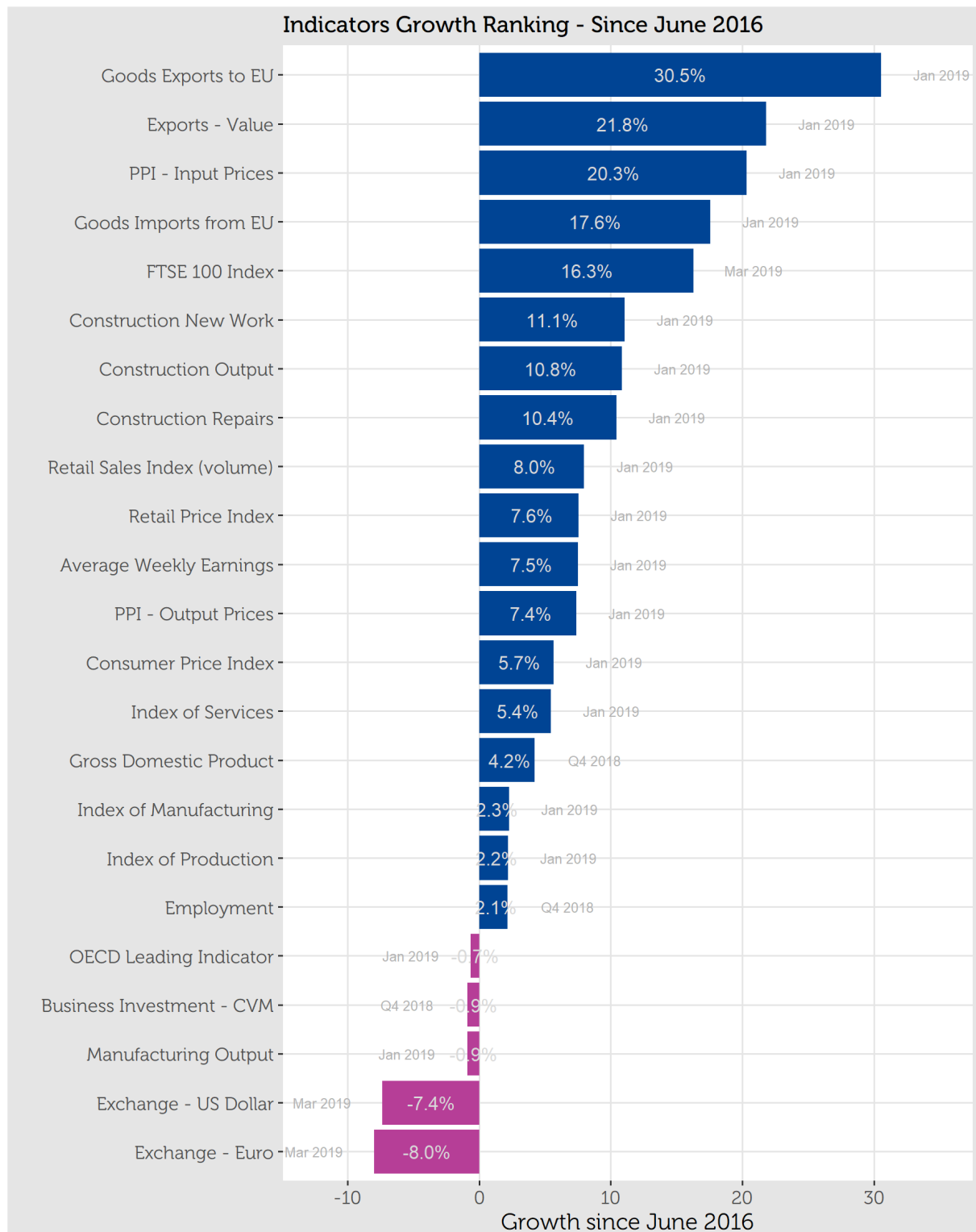
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since January 2018



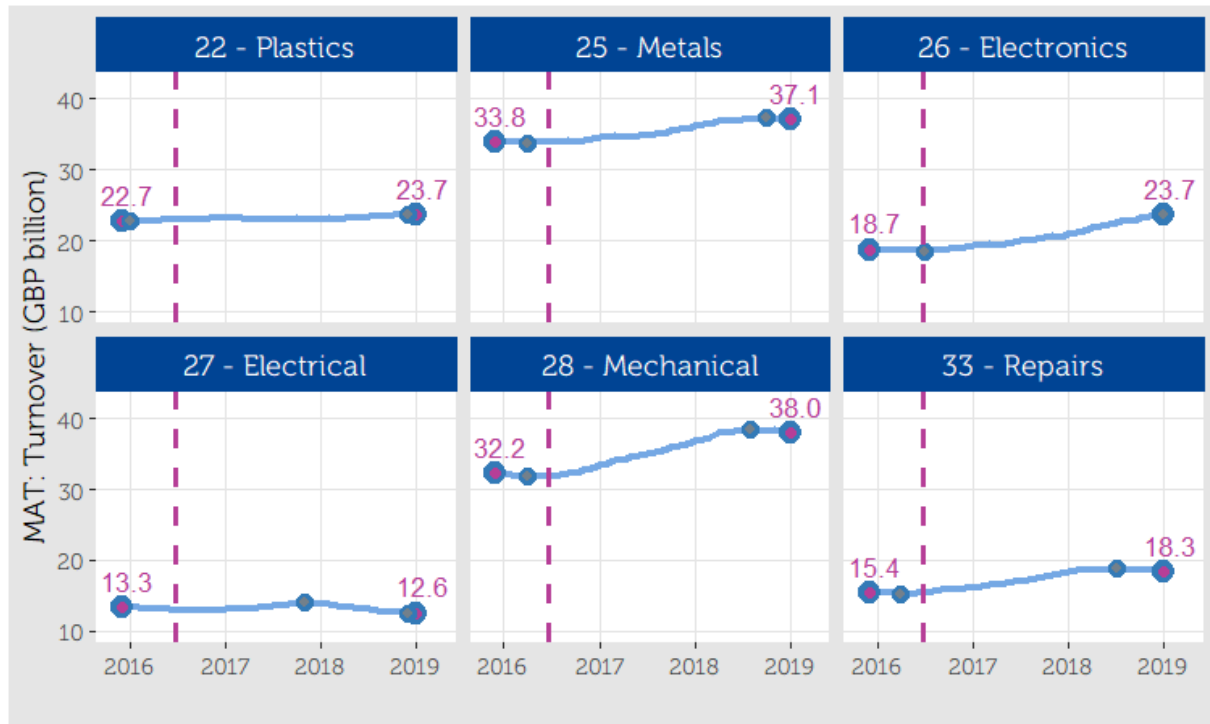
10.4 Growth Ranking: Since Referendum Vote



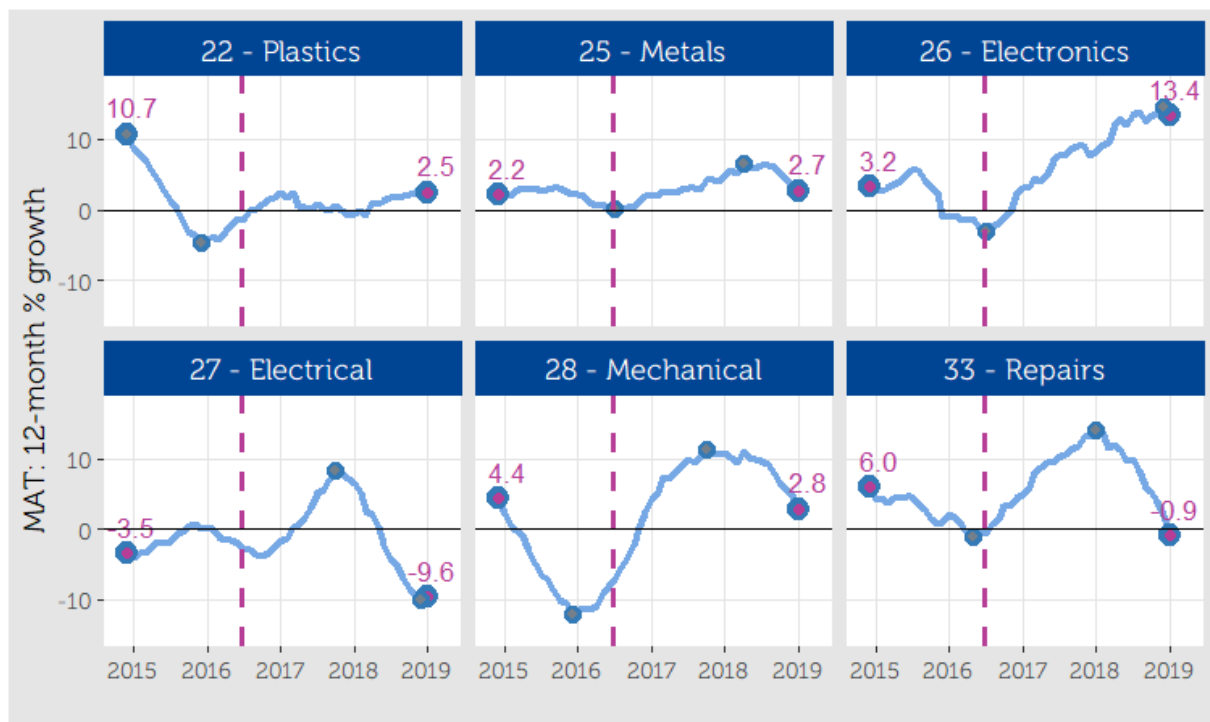
11 Industry Level Indicators

11.1 Turnover - (January 2019)

11.1.1 Turnover Value

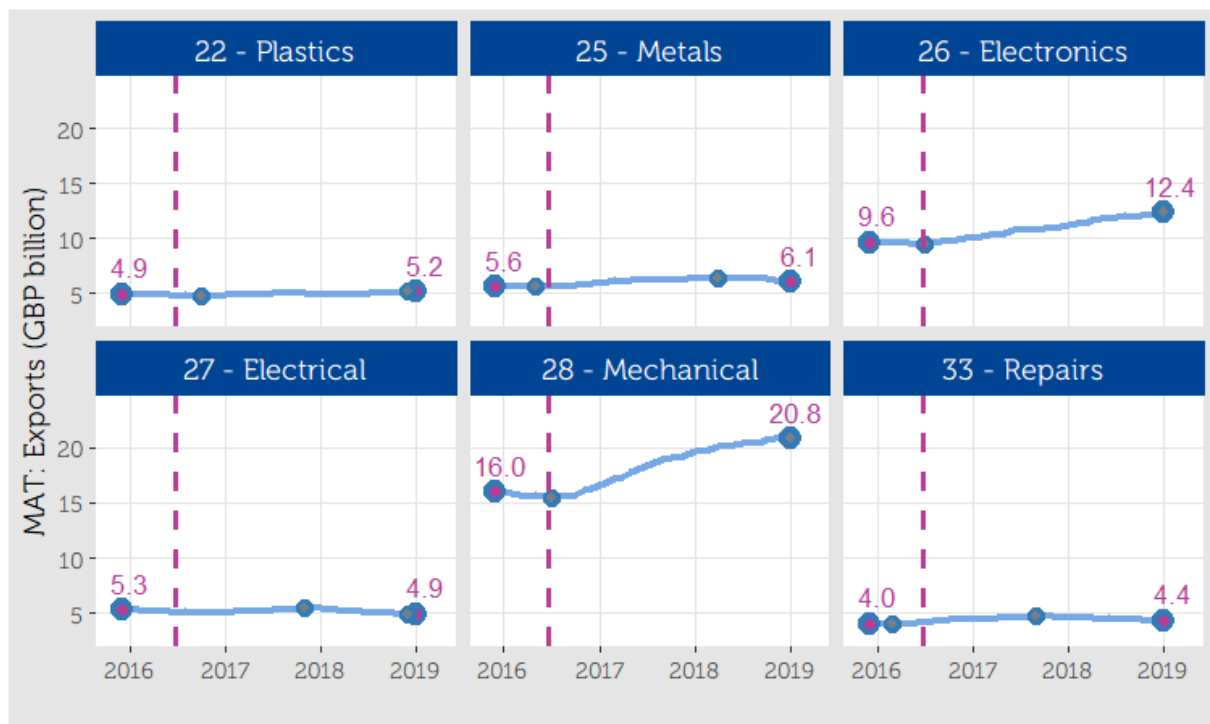


11.1.2 Turnover Growth

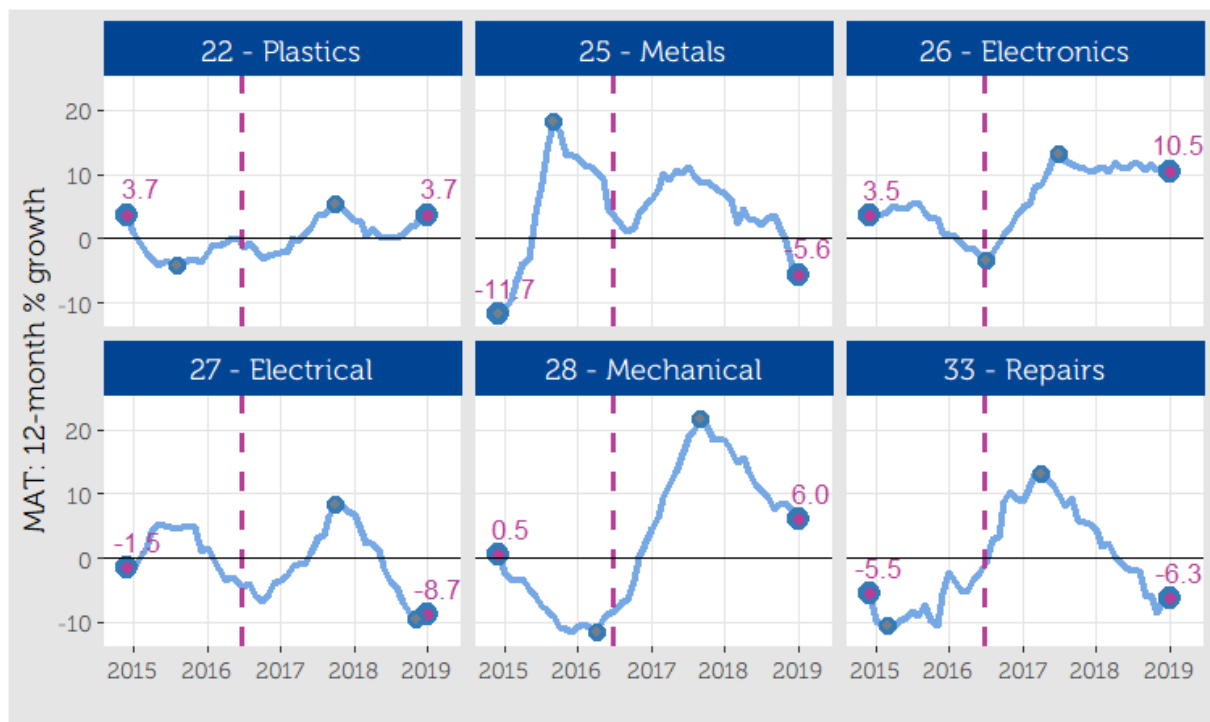


11.2 Exports - (January 2019)

11.2.1 Exports Value

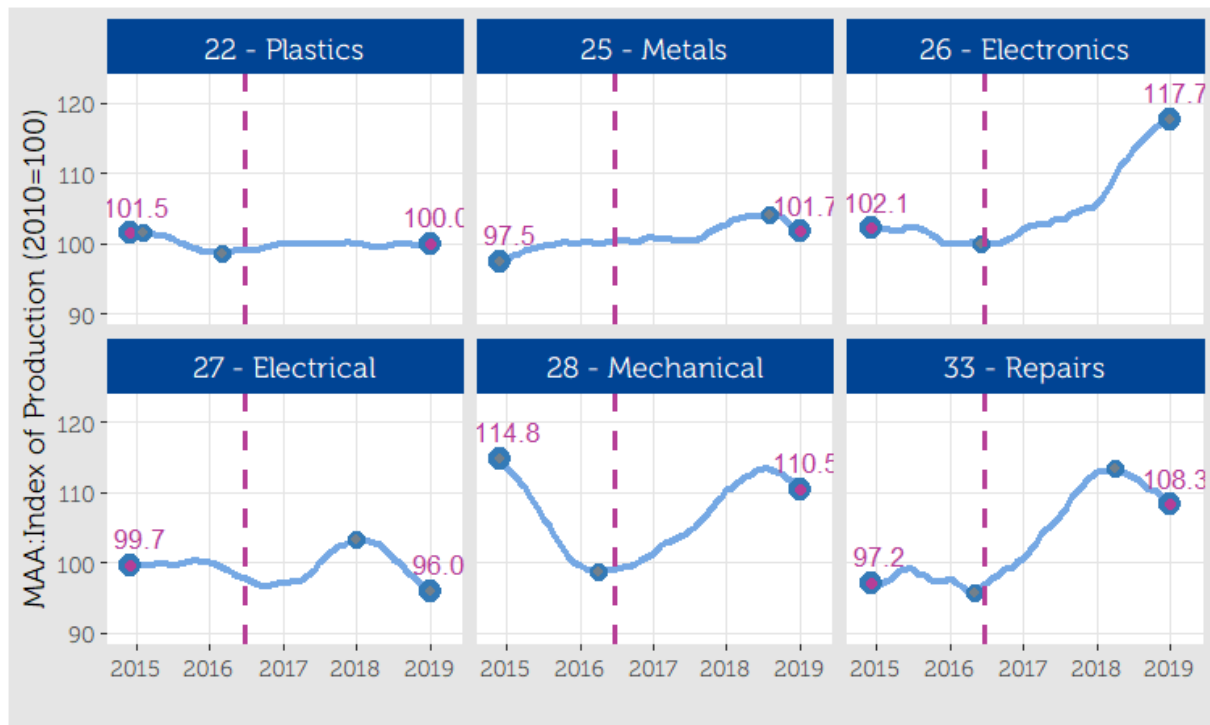


11.2.2 Exports Growth

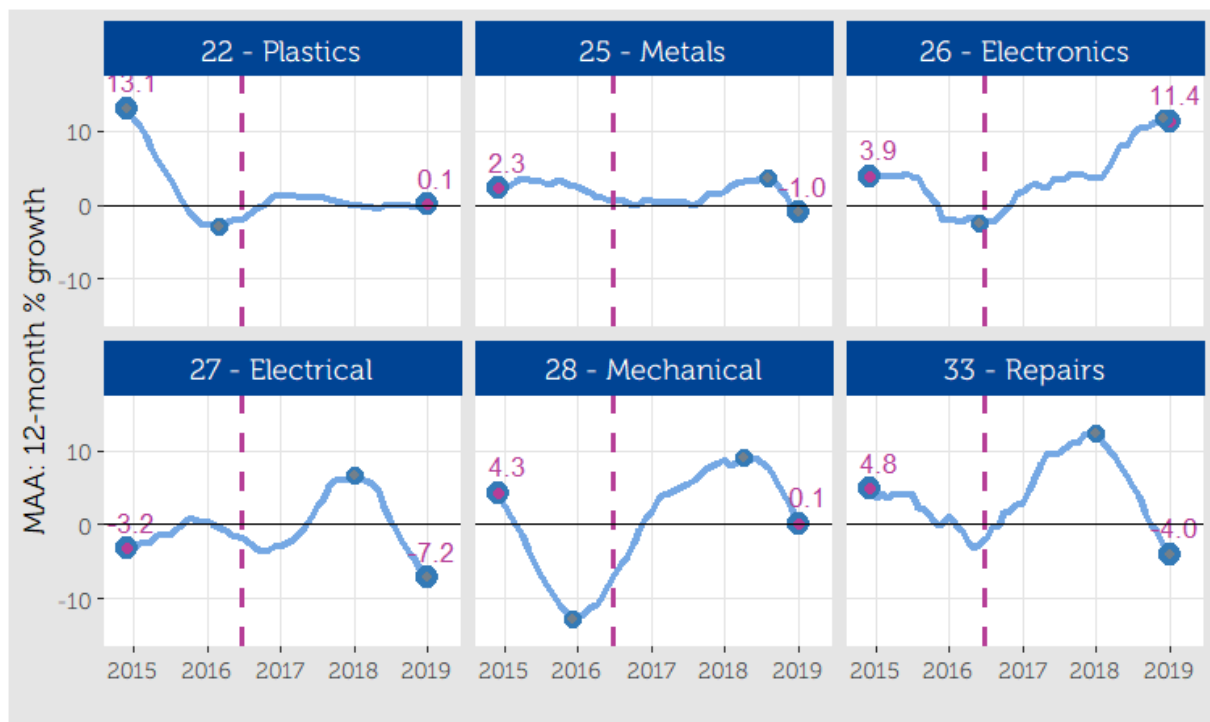


11.3 Index of Production - (January 2019)

11.3.1 Production Value

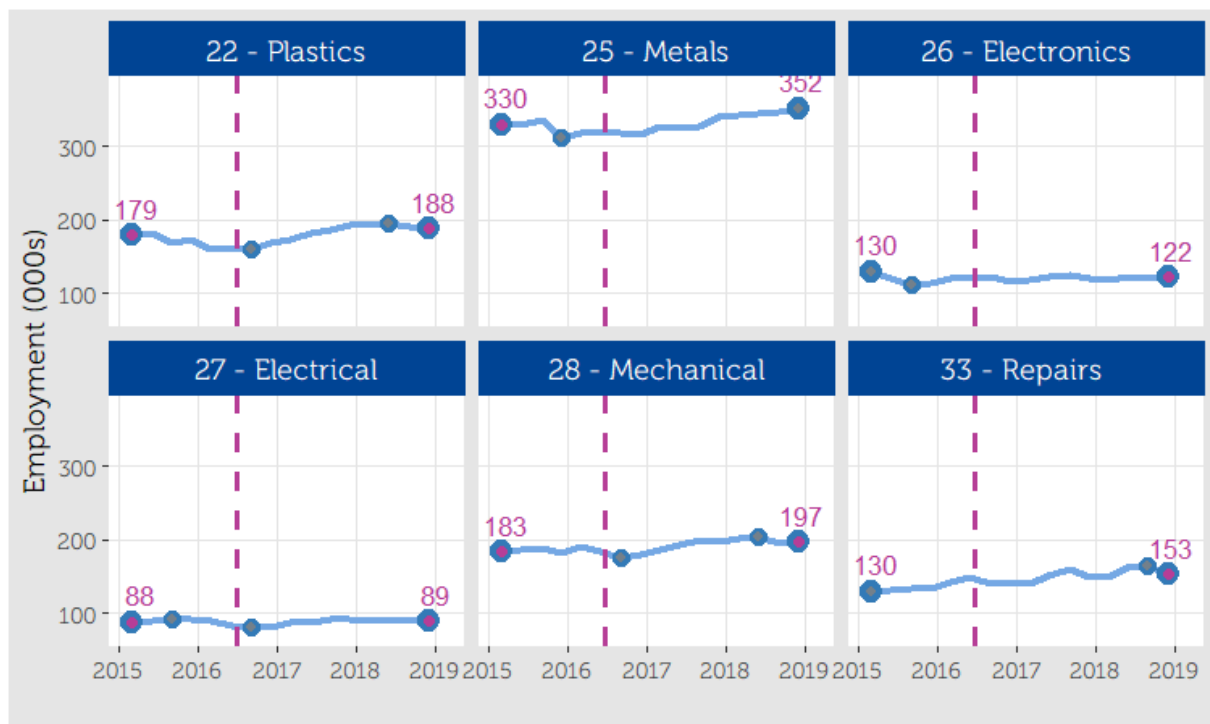


11.3.2 Production Growth

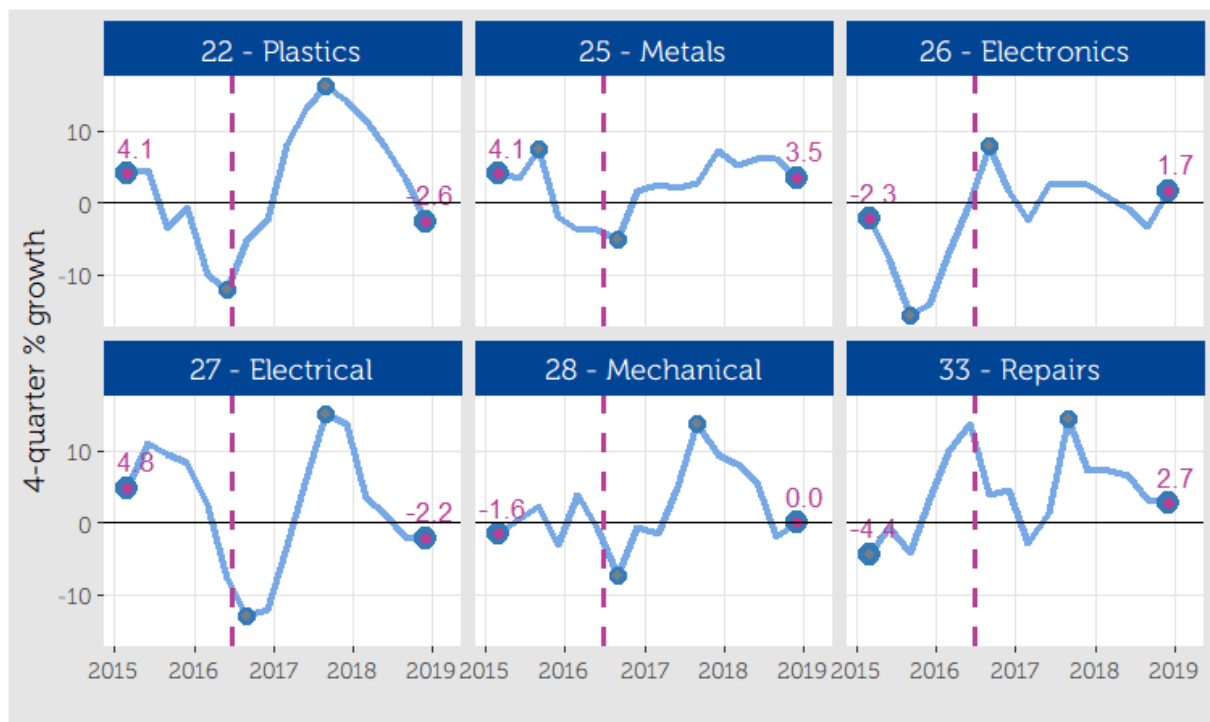


11.4 Employment - (December 2018)

11.4.1 Employment Count

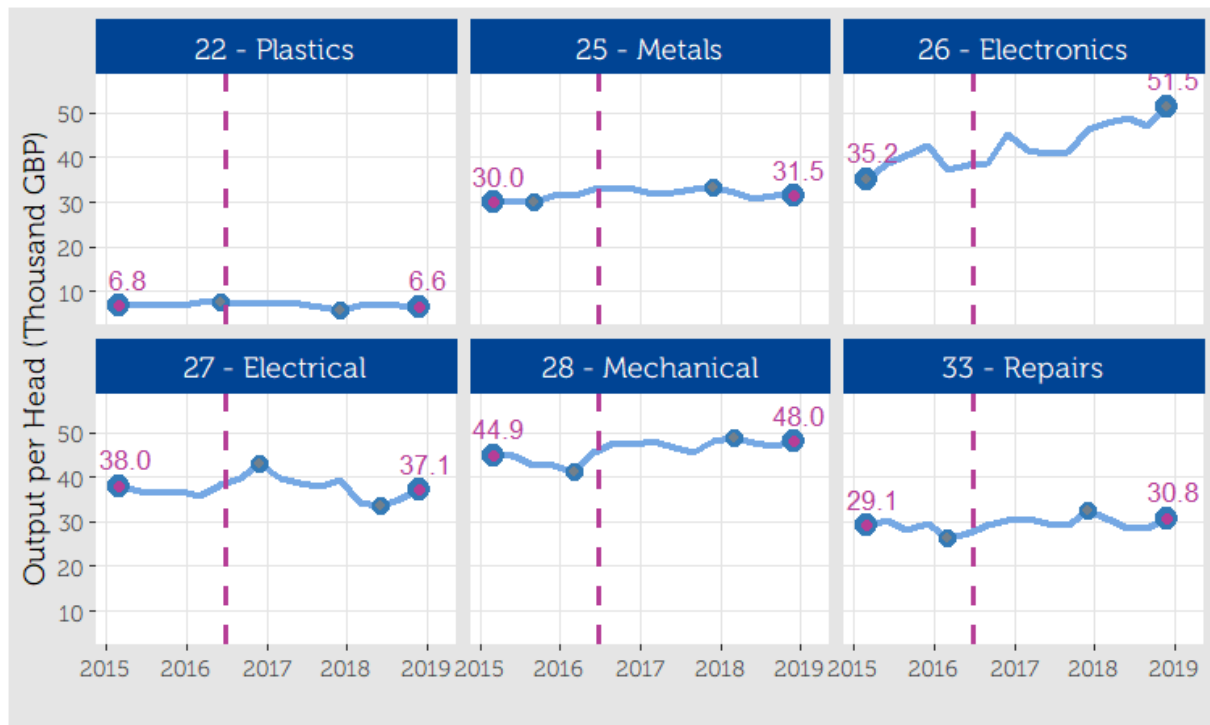


11.4.2 Employment Growth

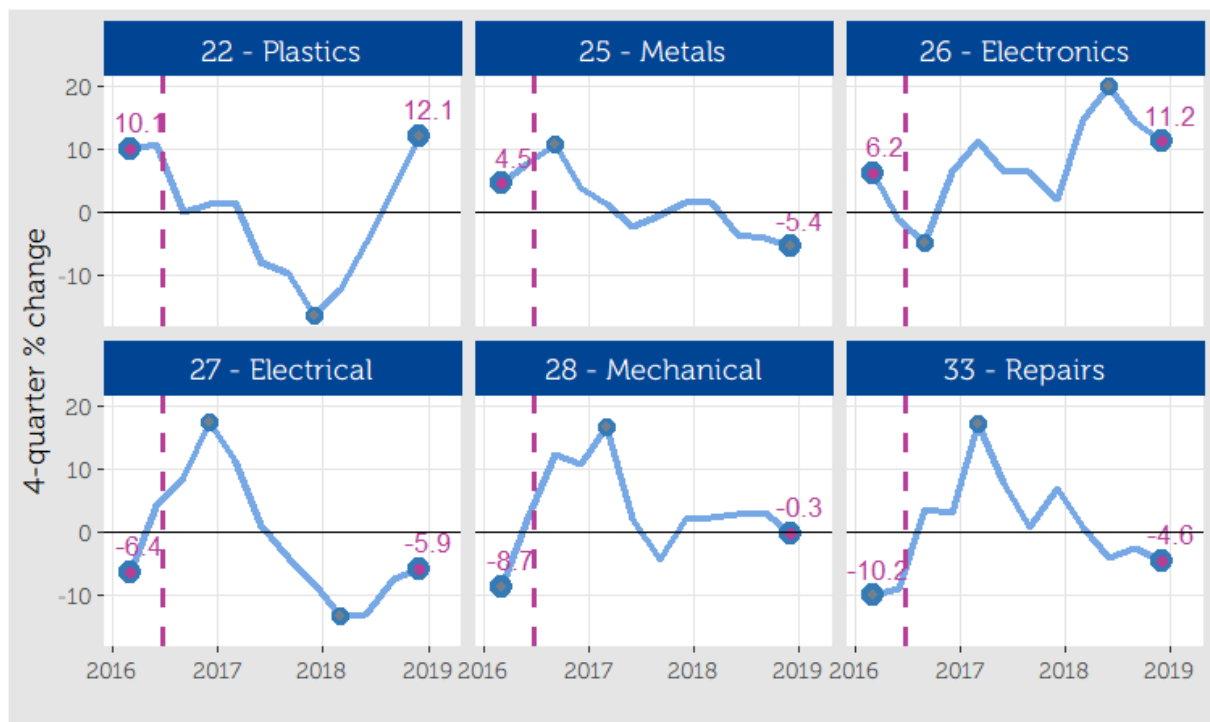


11.5 Turnover per Head

11.5.1 Value



11.5.2 Growth

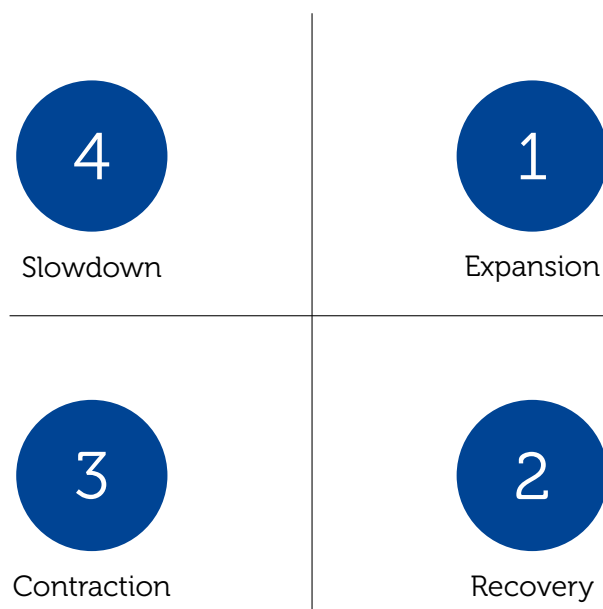


12 Growth Cycles

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:

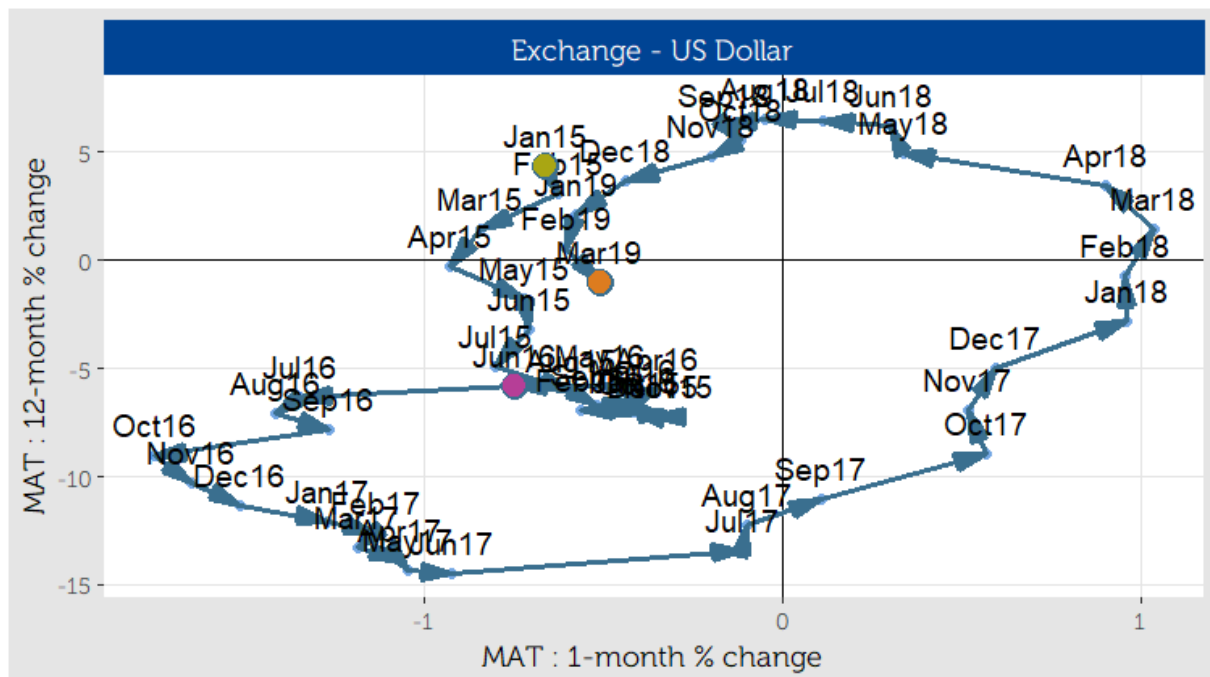
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



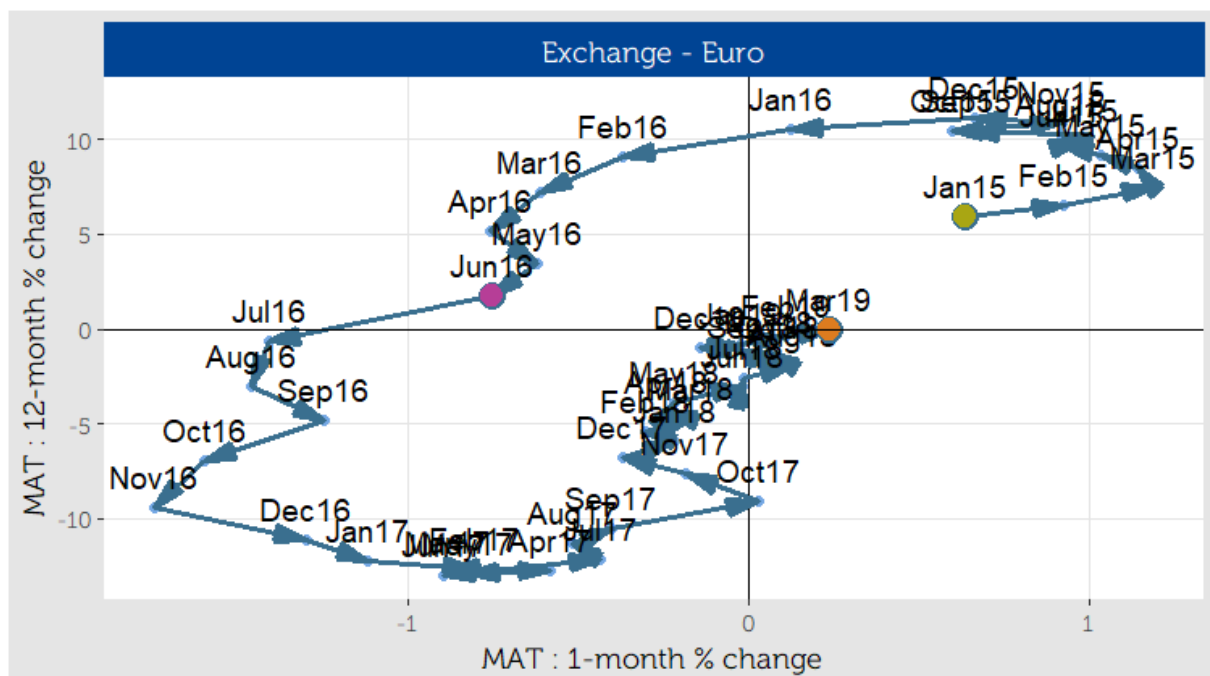
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

This section shows growth cycle plots of 11 selected indicators. The starting points are marked with green circle (●); purple circle (●) for referendum date and orange circle (●) for the current state.

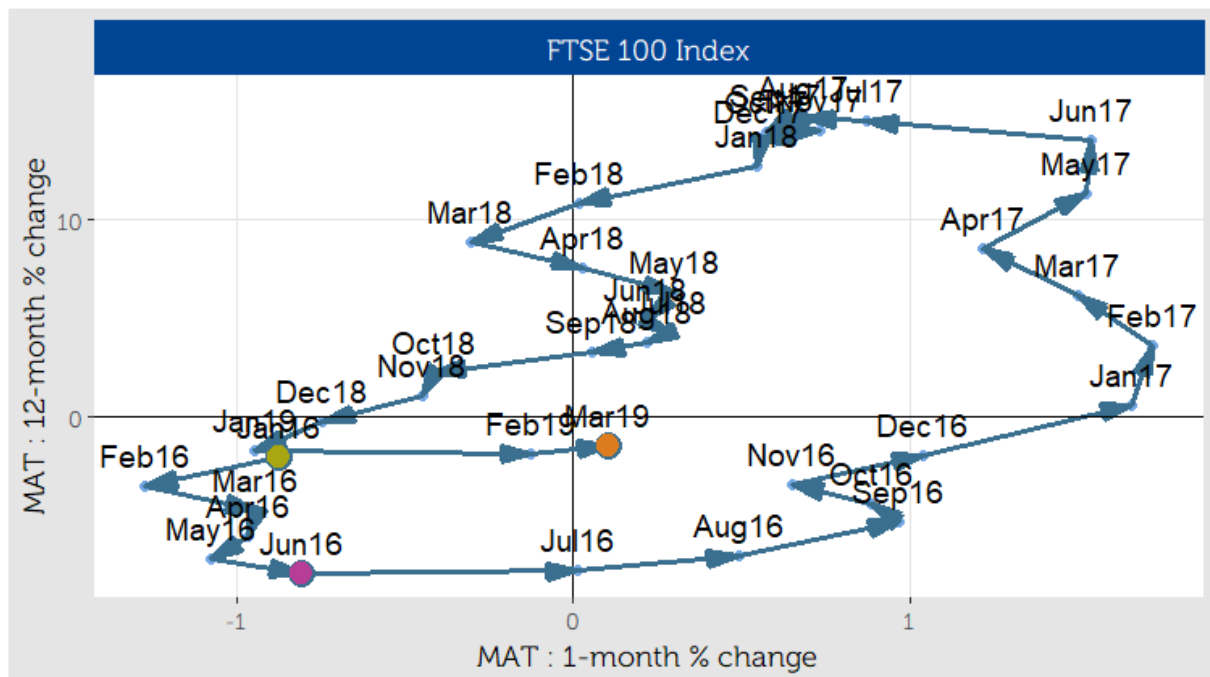
12.2 Exchange Rate (USD)



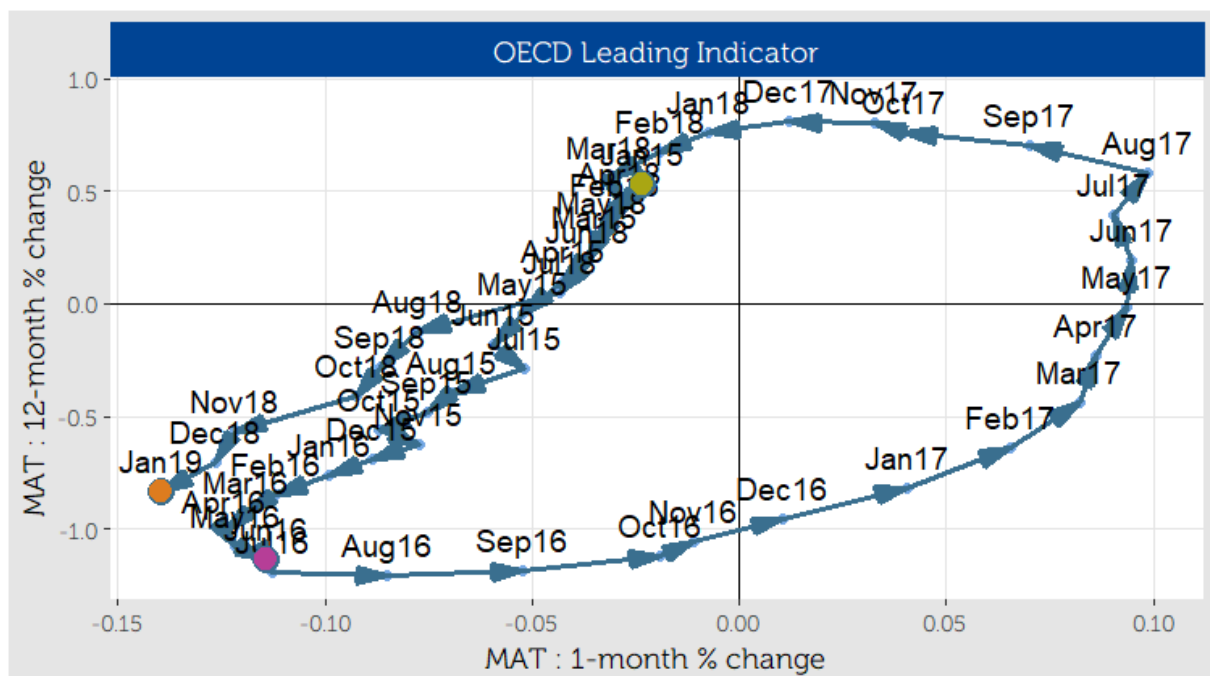
12.3 Exchange Rate (Euro)



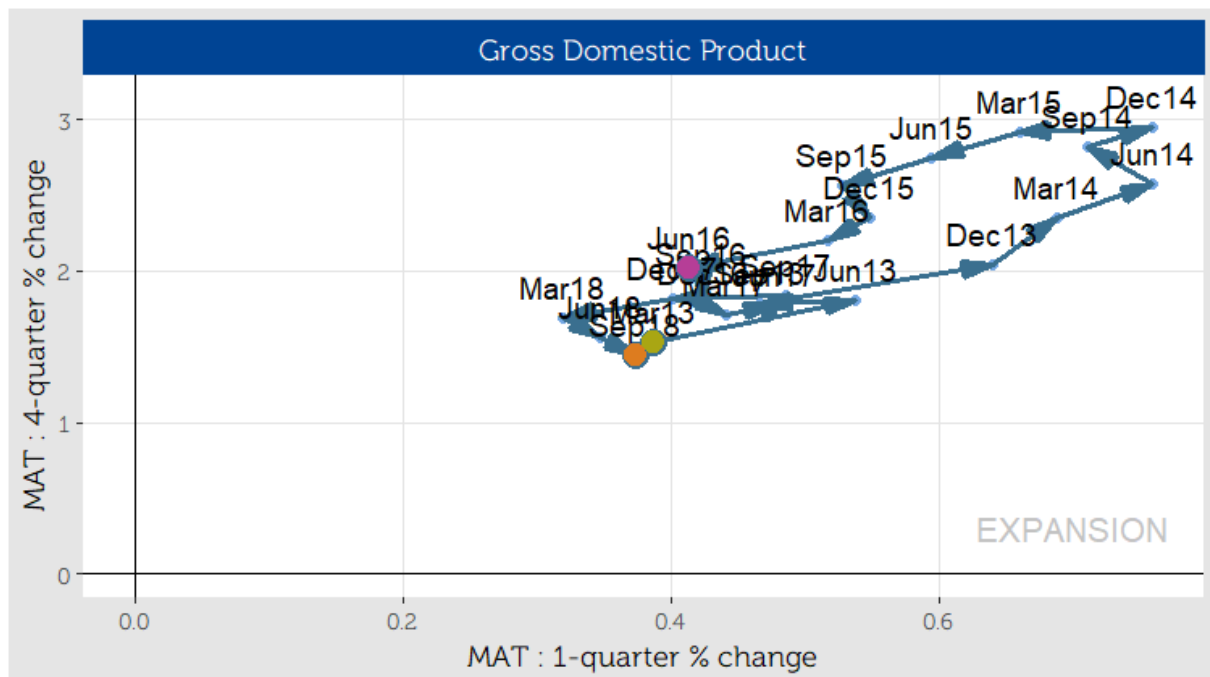
12.4 FTSE 100 Index



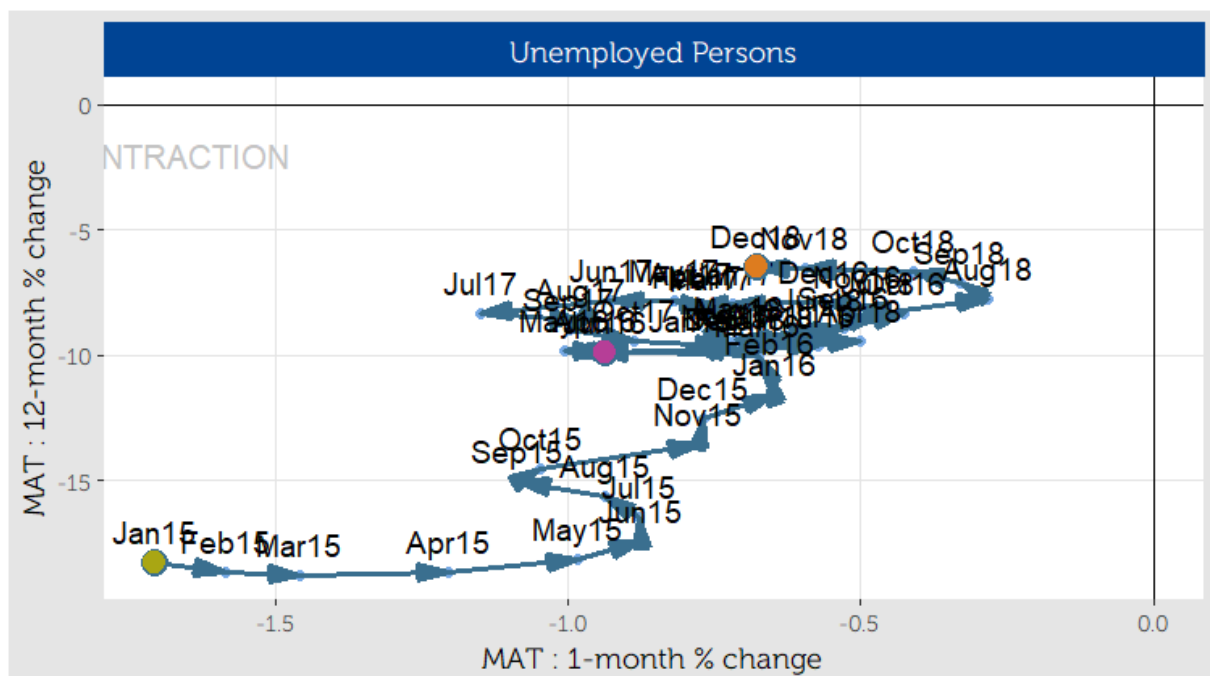
12.5 OECD Composite Leading Indicator - UK



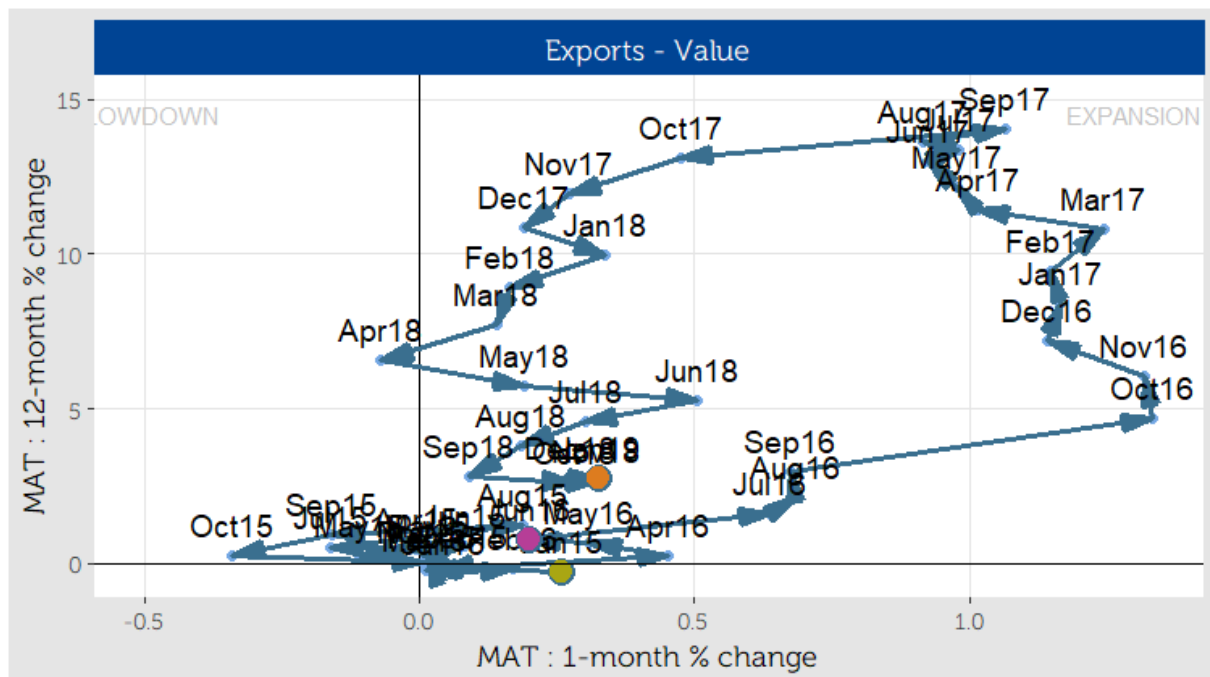
12.6 Gross Domestic Product - GDP (ABMI-UKEA)



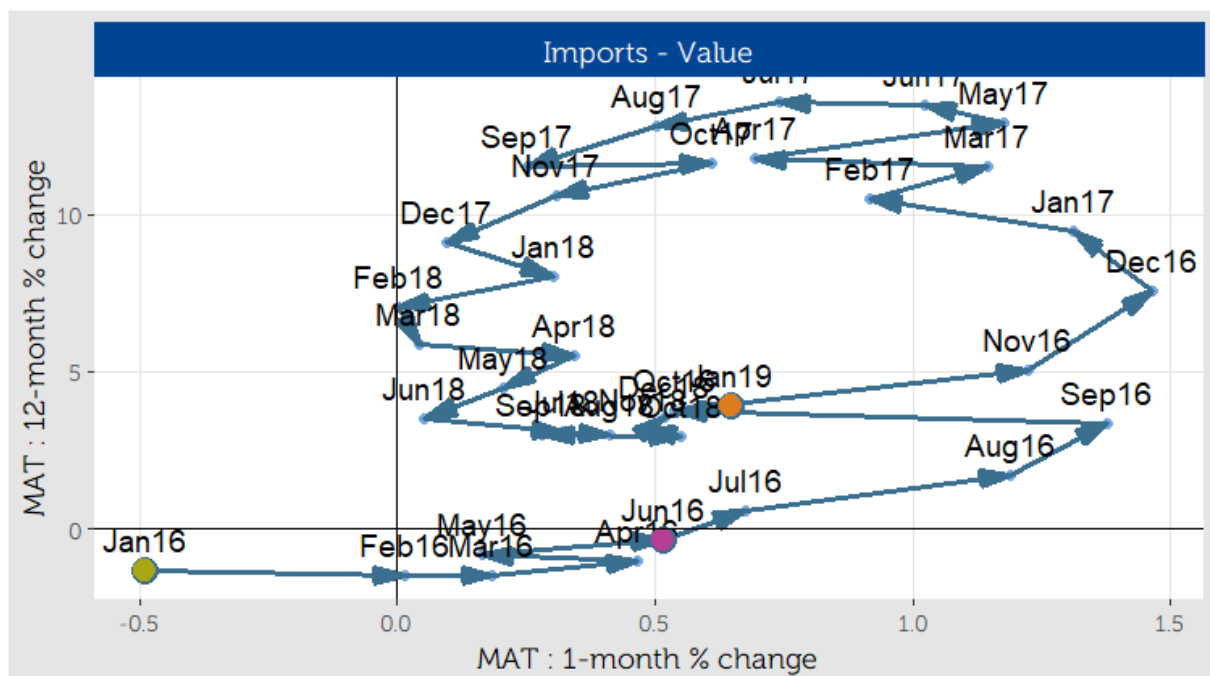
12.7 Unemployed Persons (MGSC)



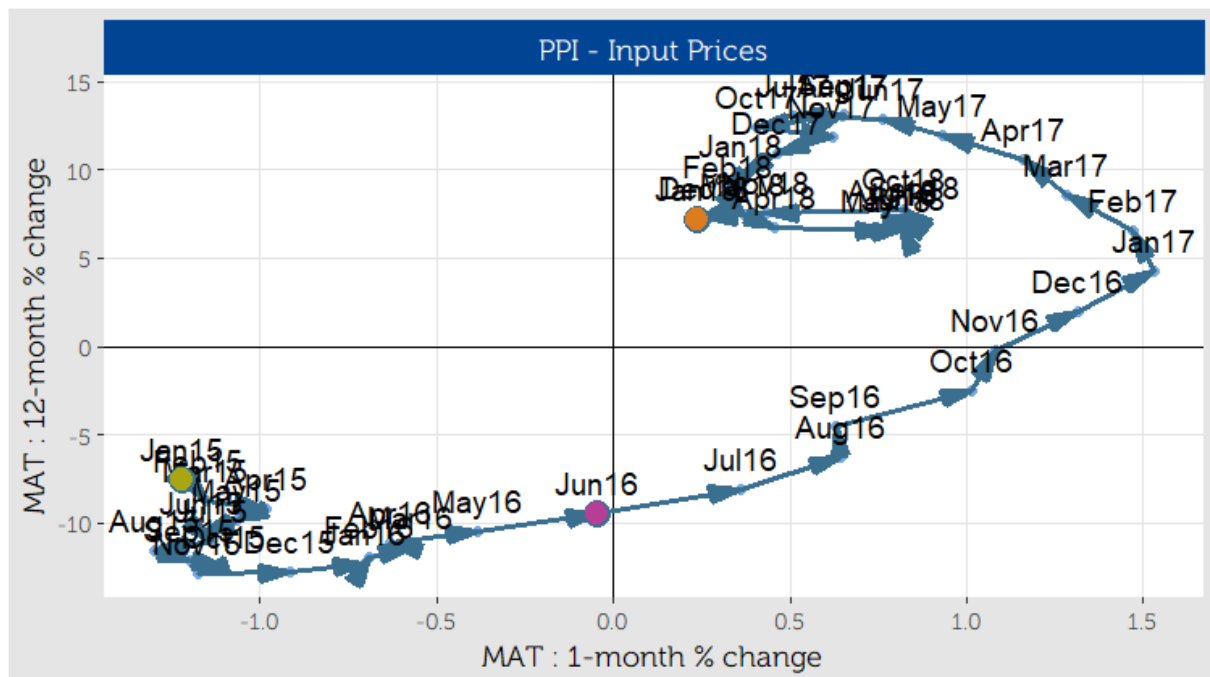
12.8 Exports - Value (IKBH)



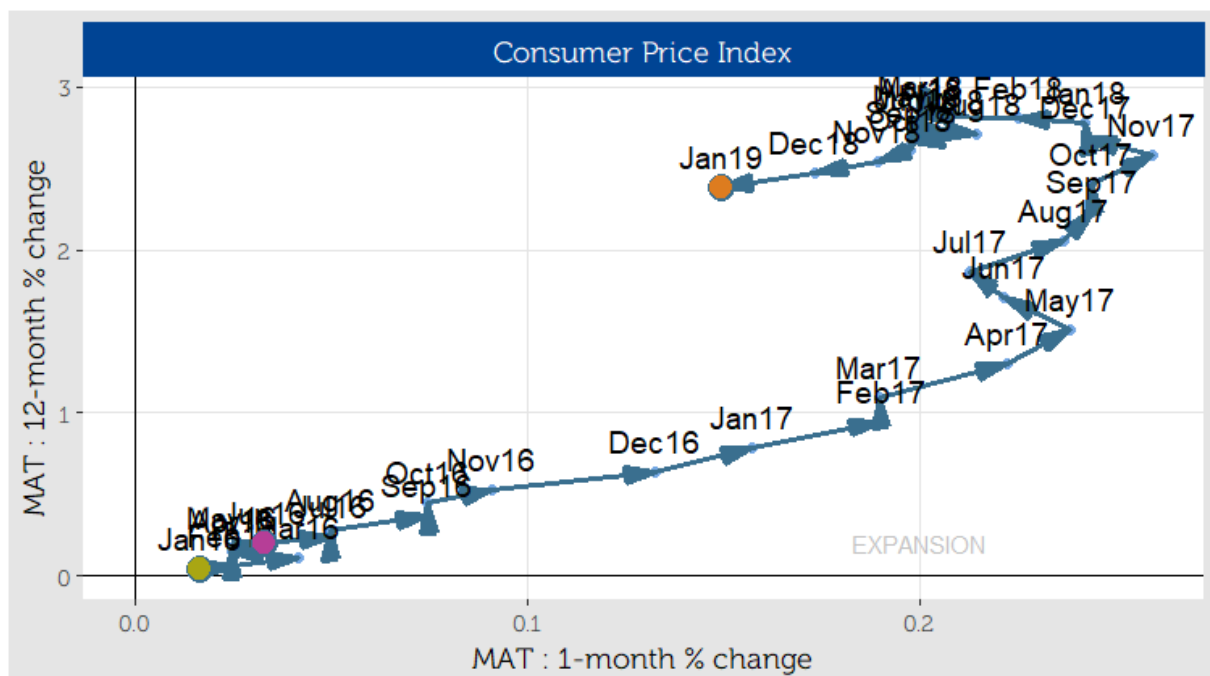
12.9 Imports - Value (IKBI)



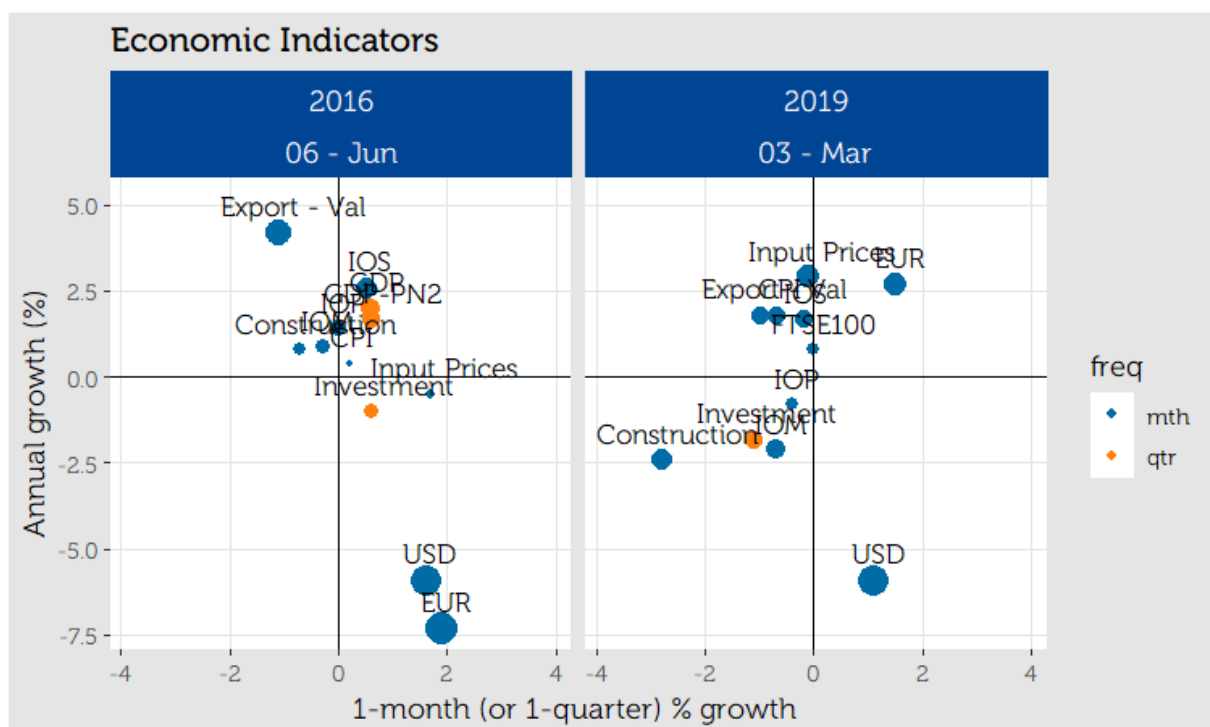
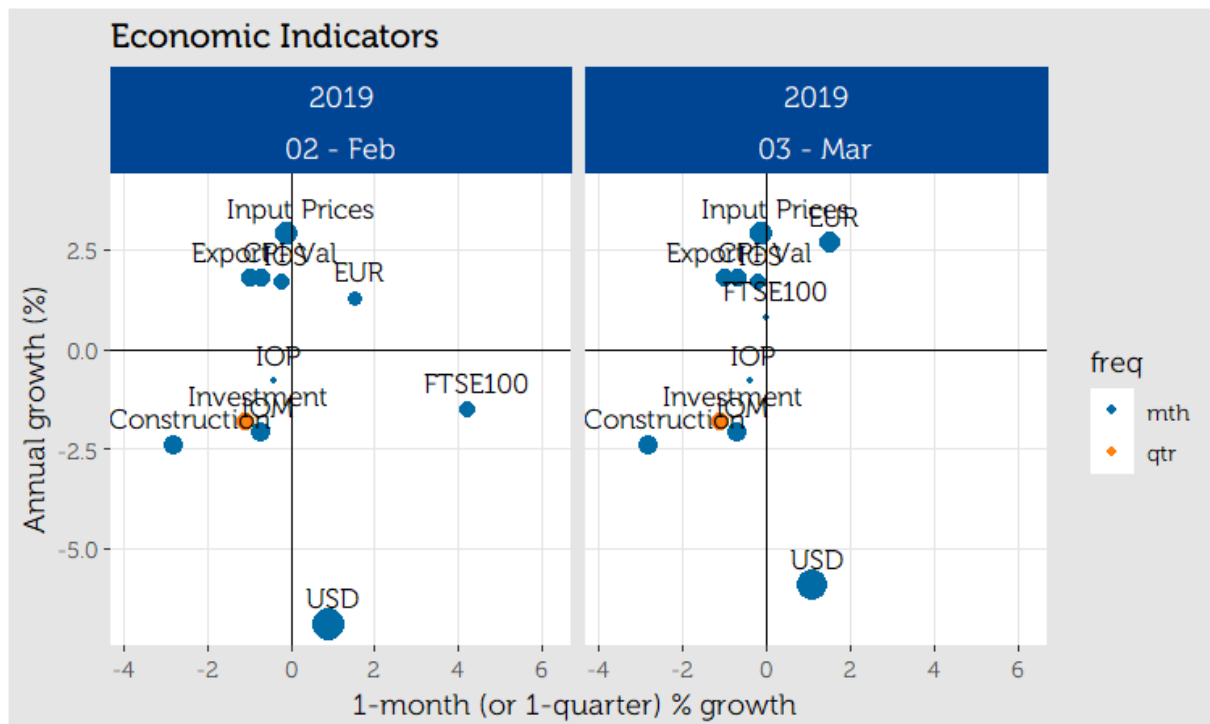
12.10 Input Prices (K646)



12.11 Consumer Price Index (D7BT)



12.12 Current State

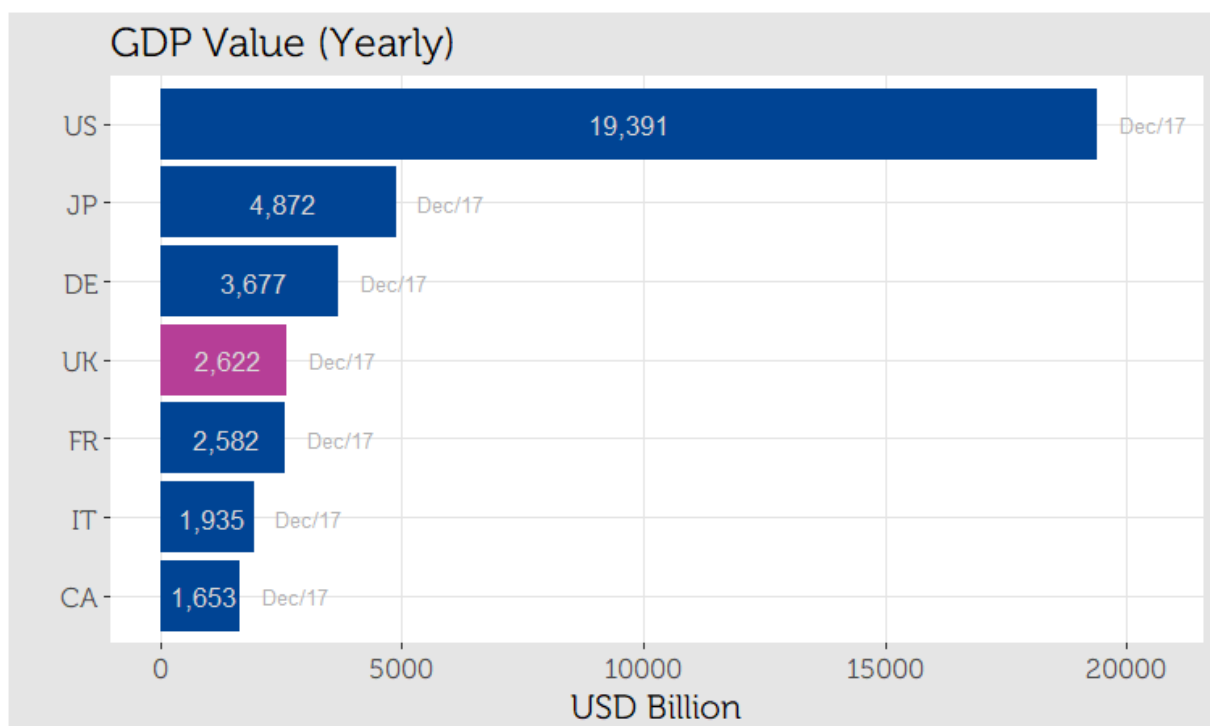
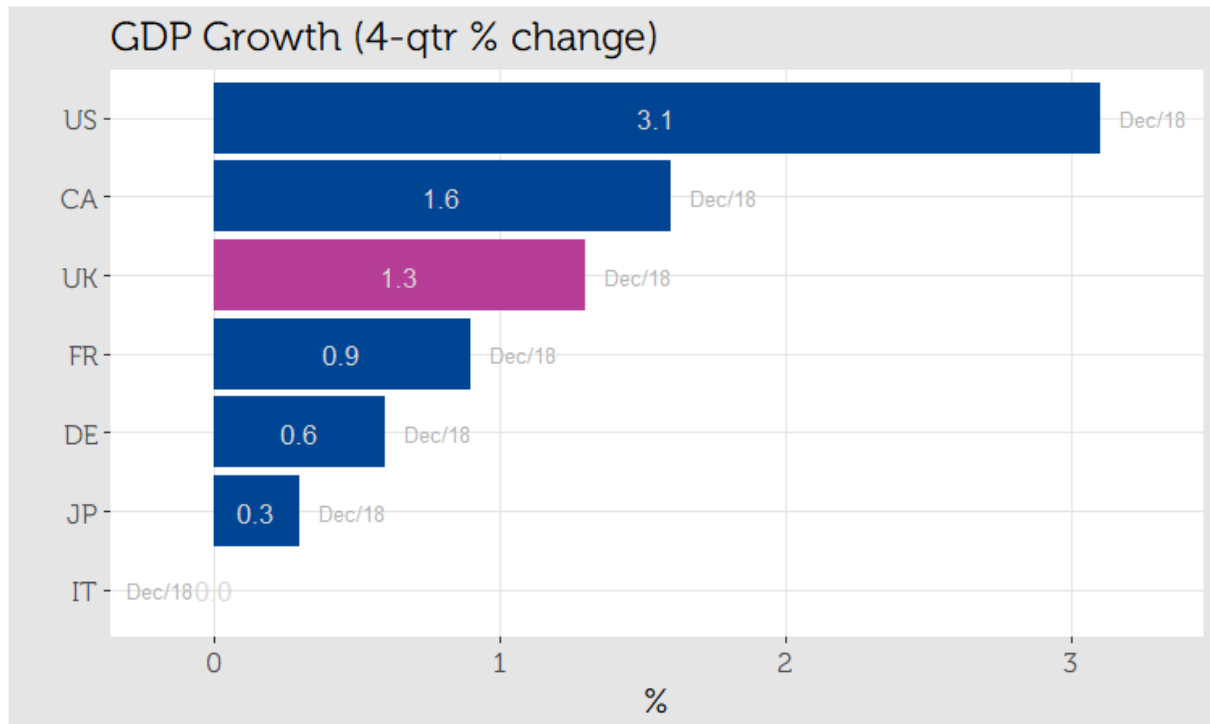


Top: Indicators growth - Current week versus previous week.

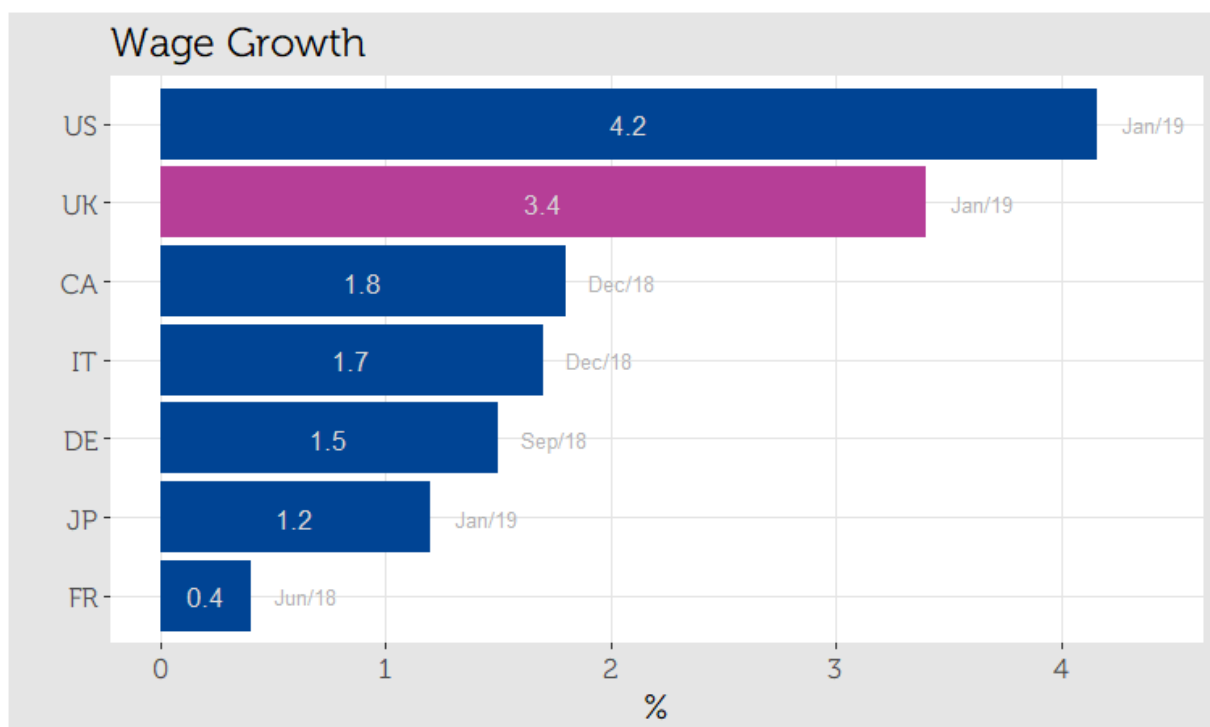
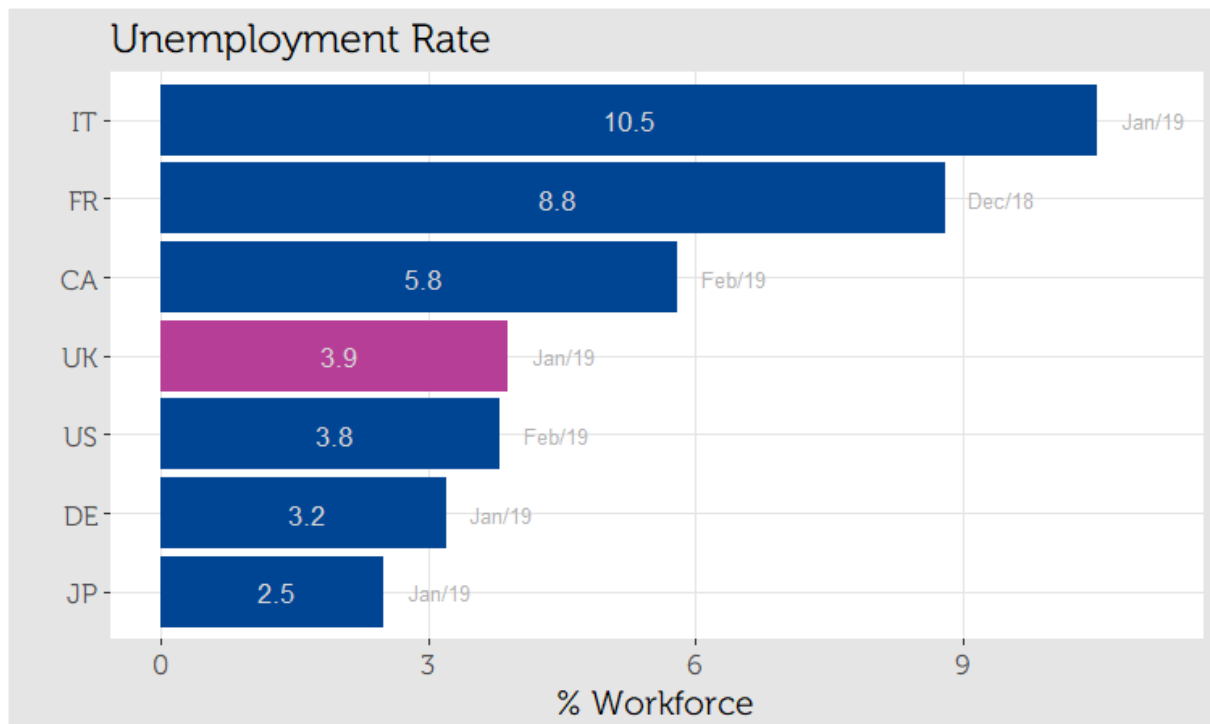
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

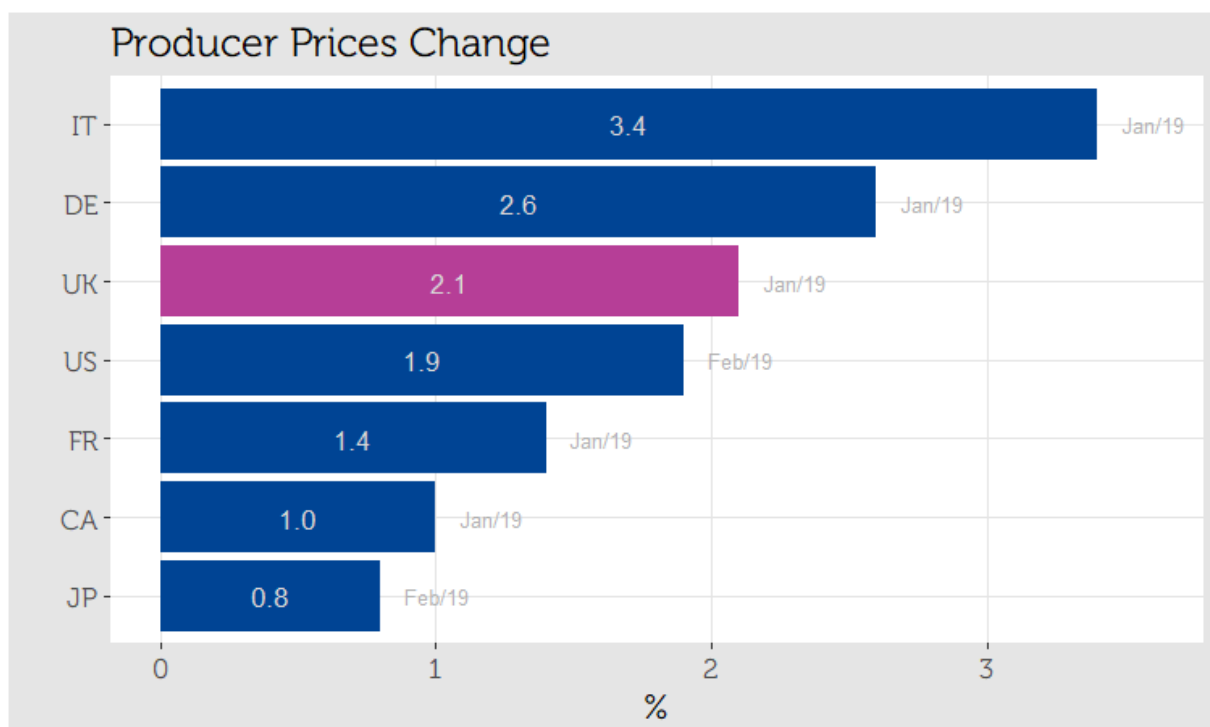
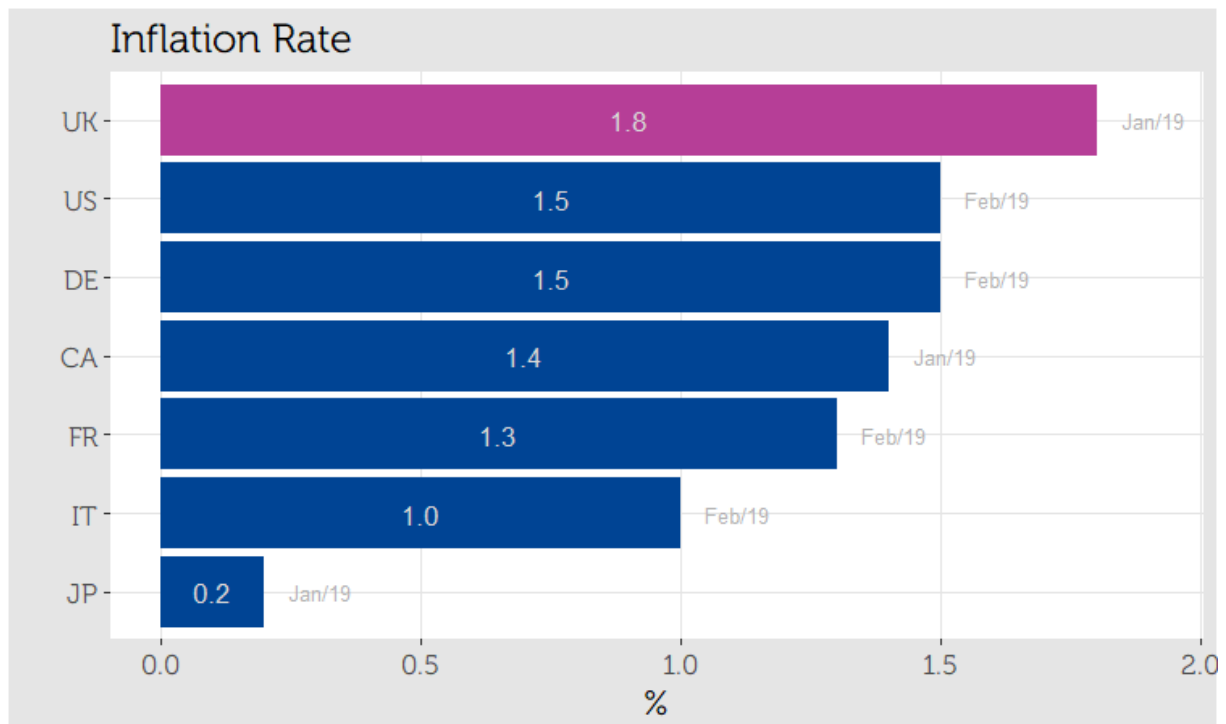
13.1 Gross Domestic Product (GDP)



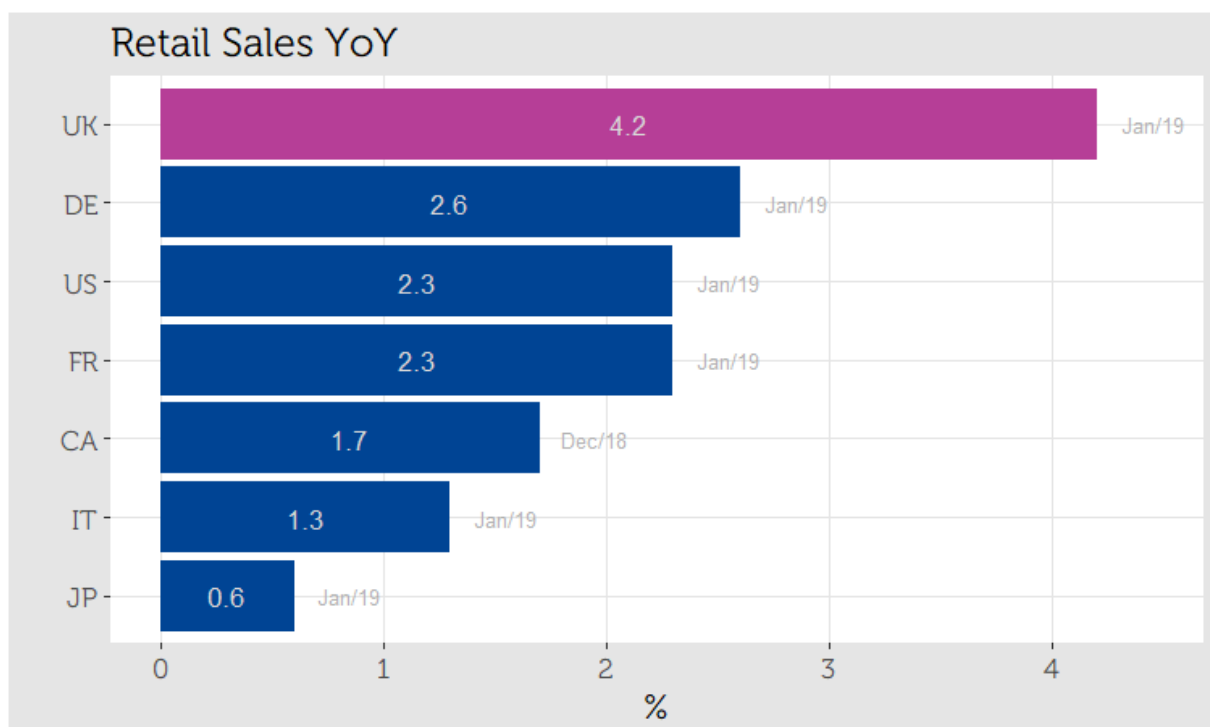
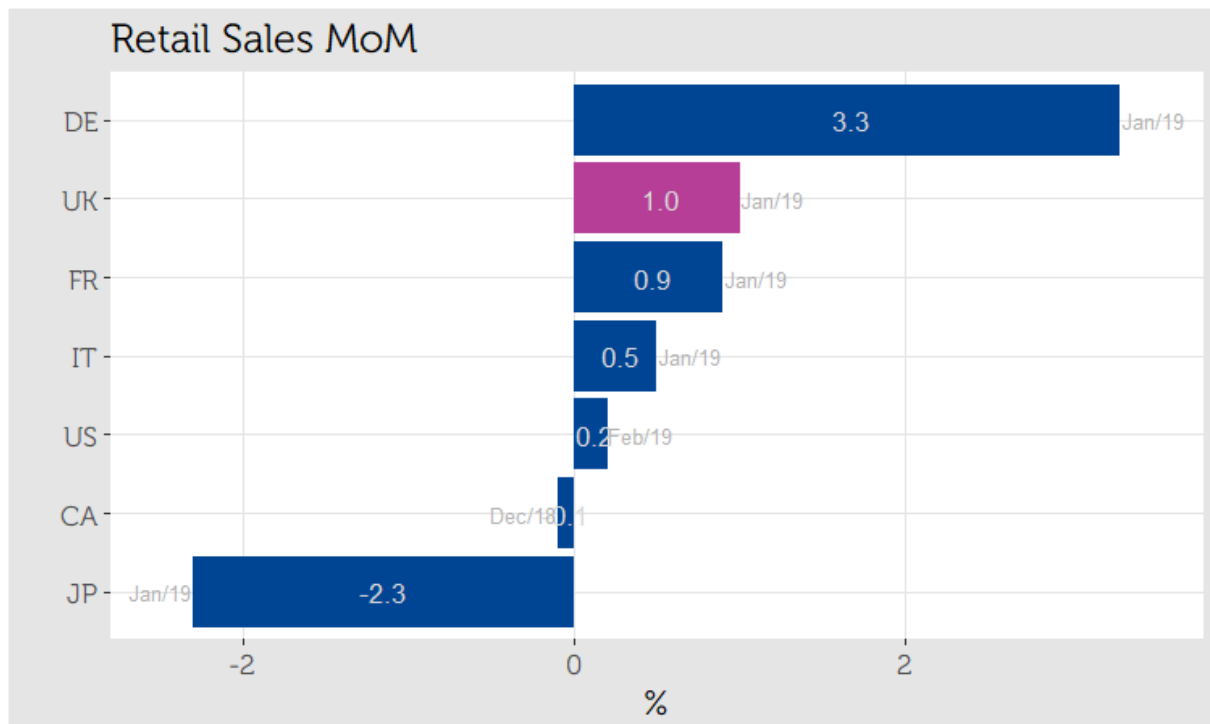
13.2 Unemployment & Wage Growth



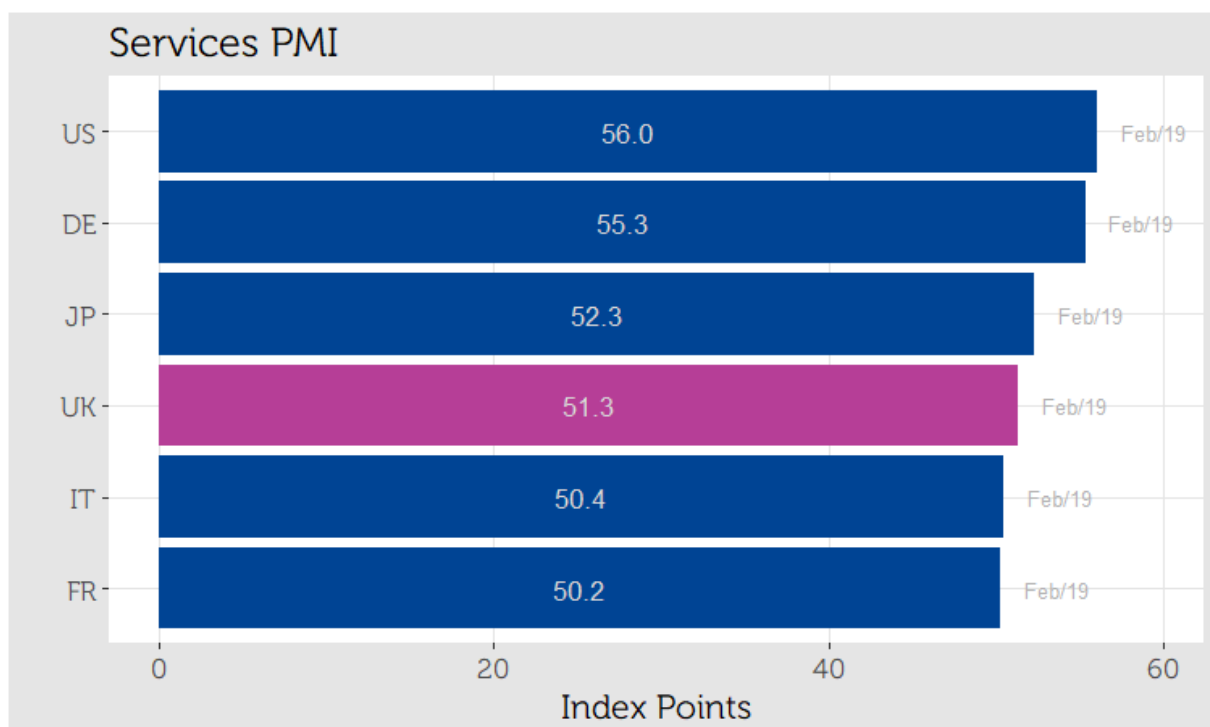
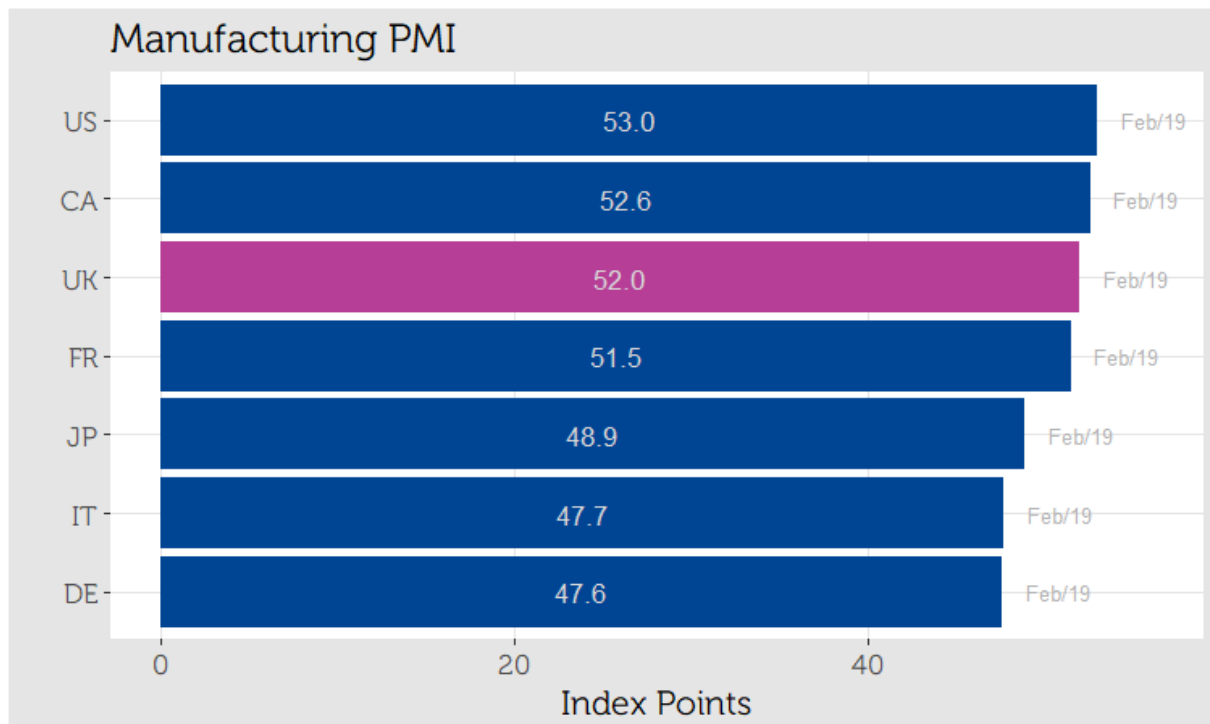
13.3 Inflation & Producer Prices



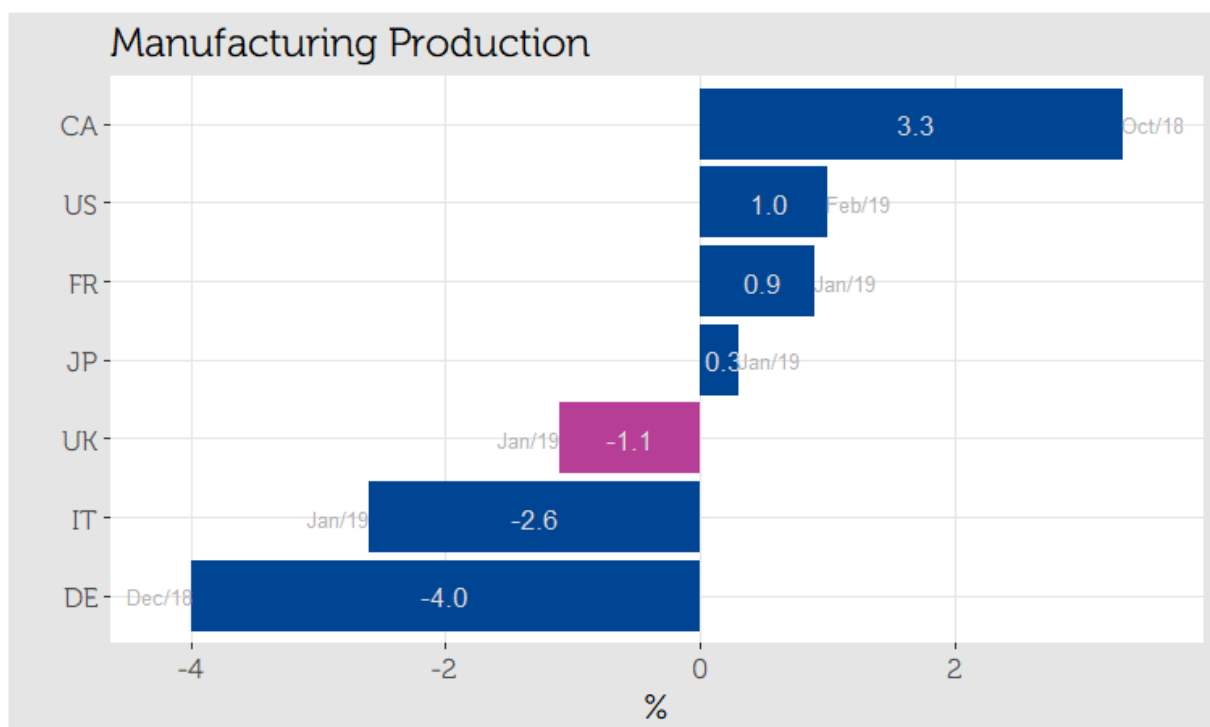
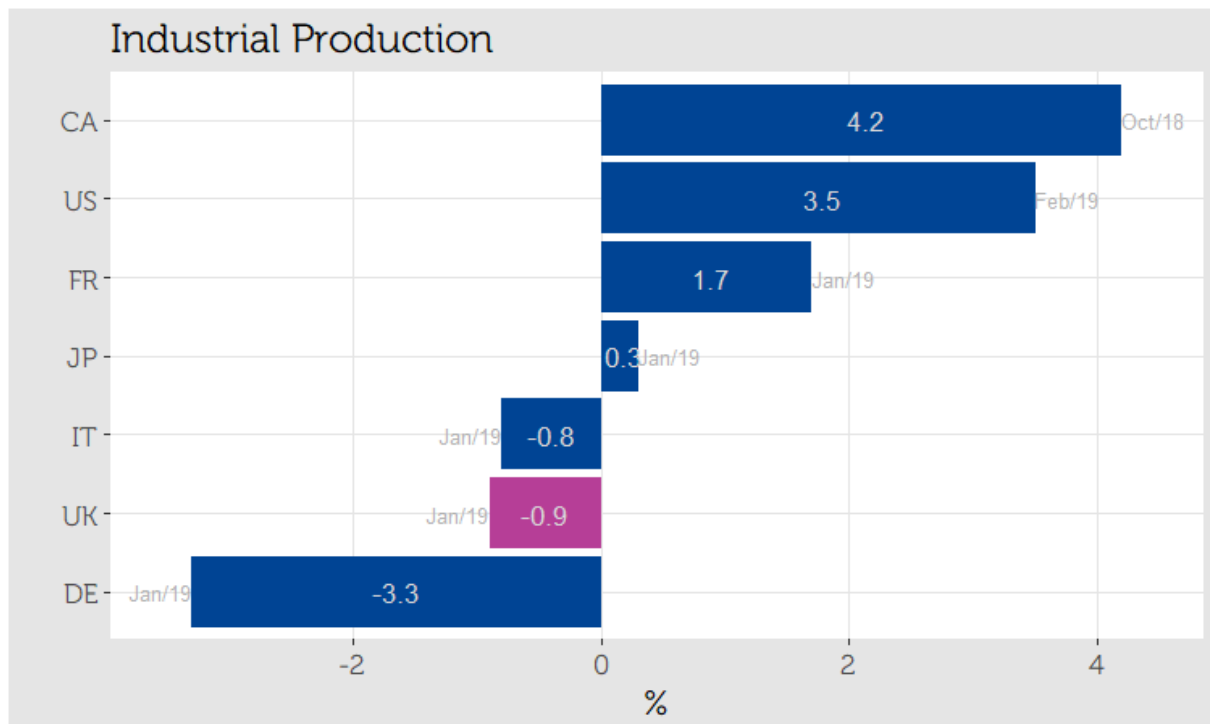
13.4 Retail Sales



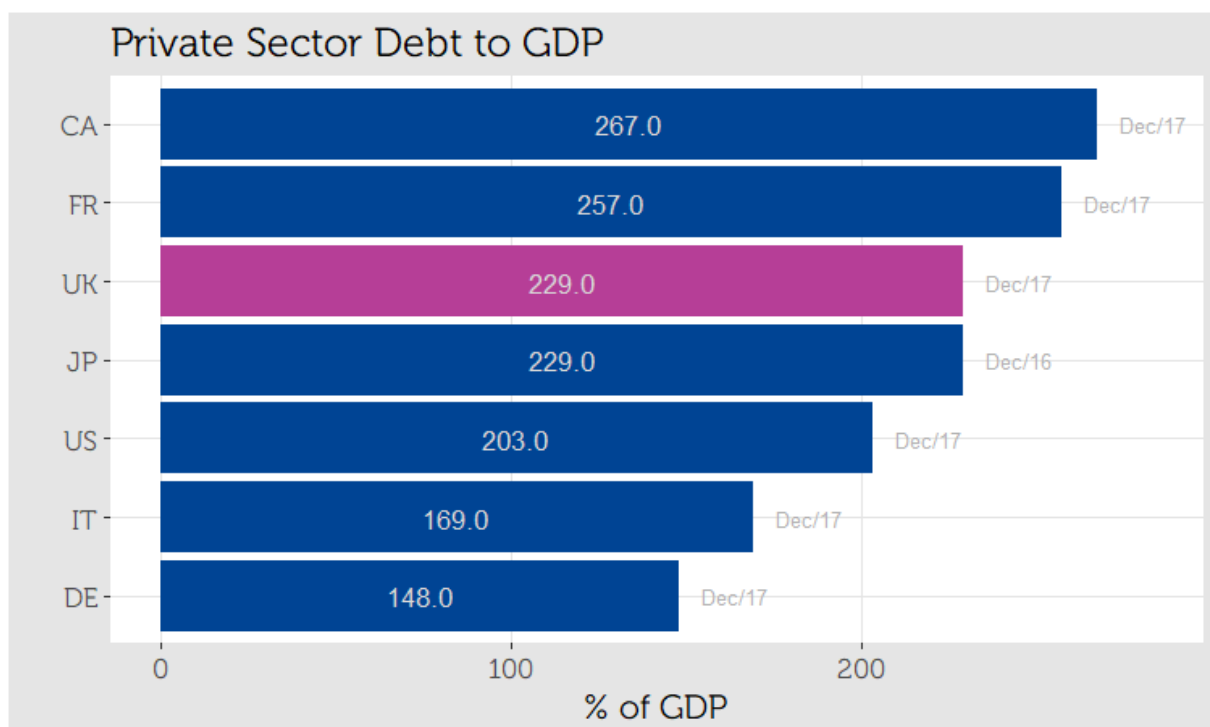
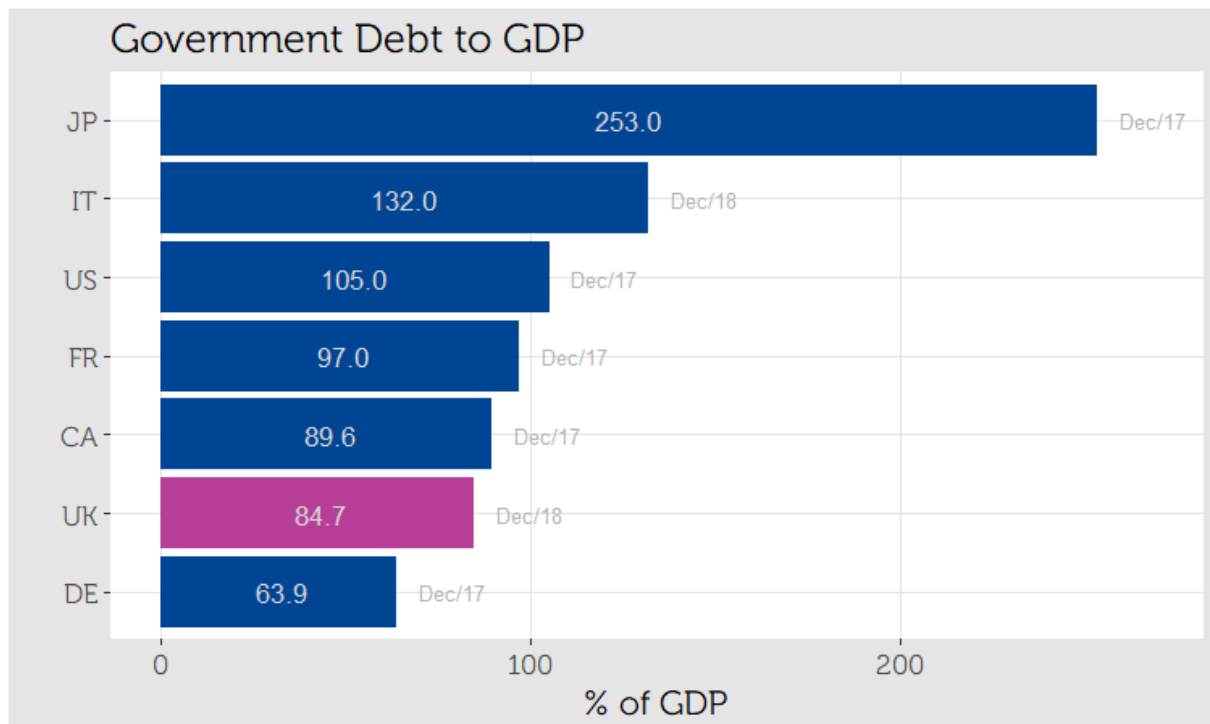
13.5 Purchasers Managers Index - Manufacturing & Services



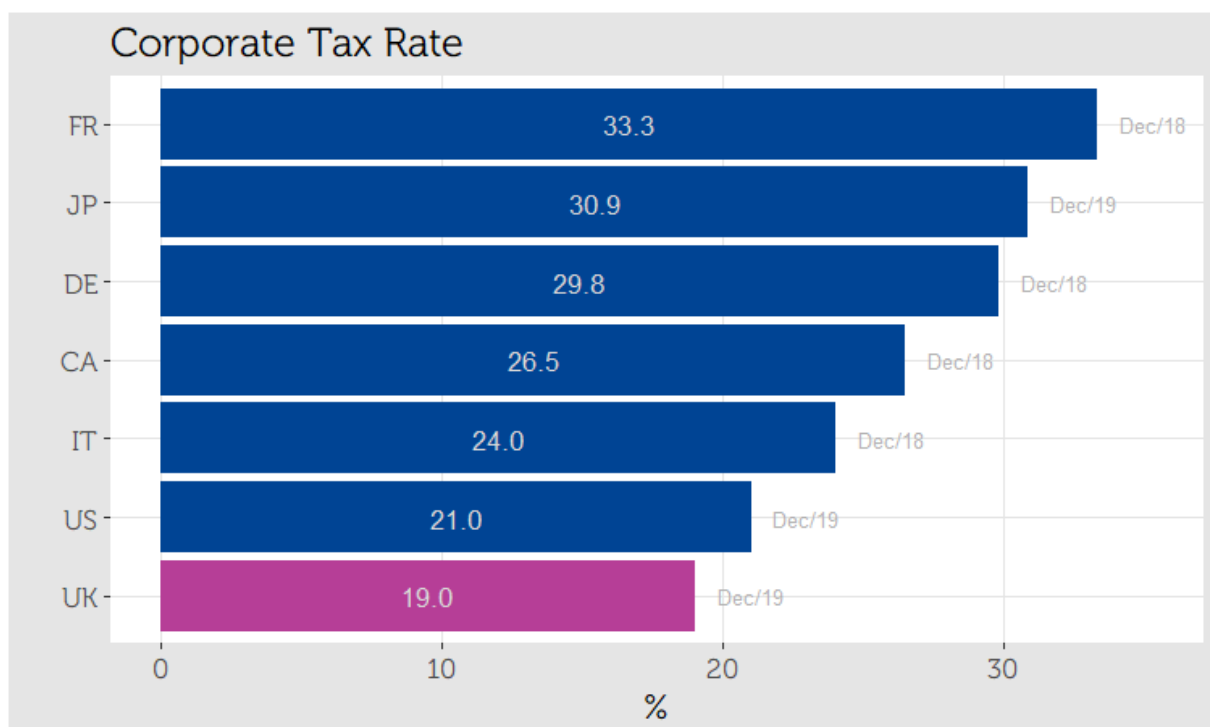
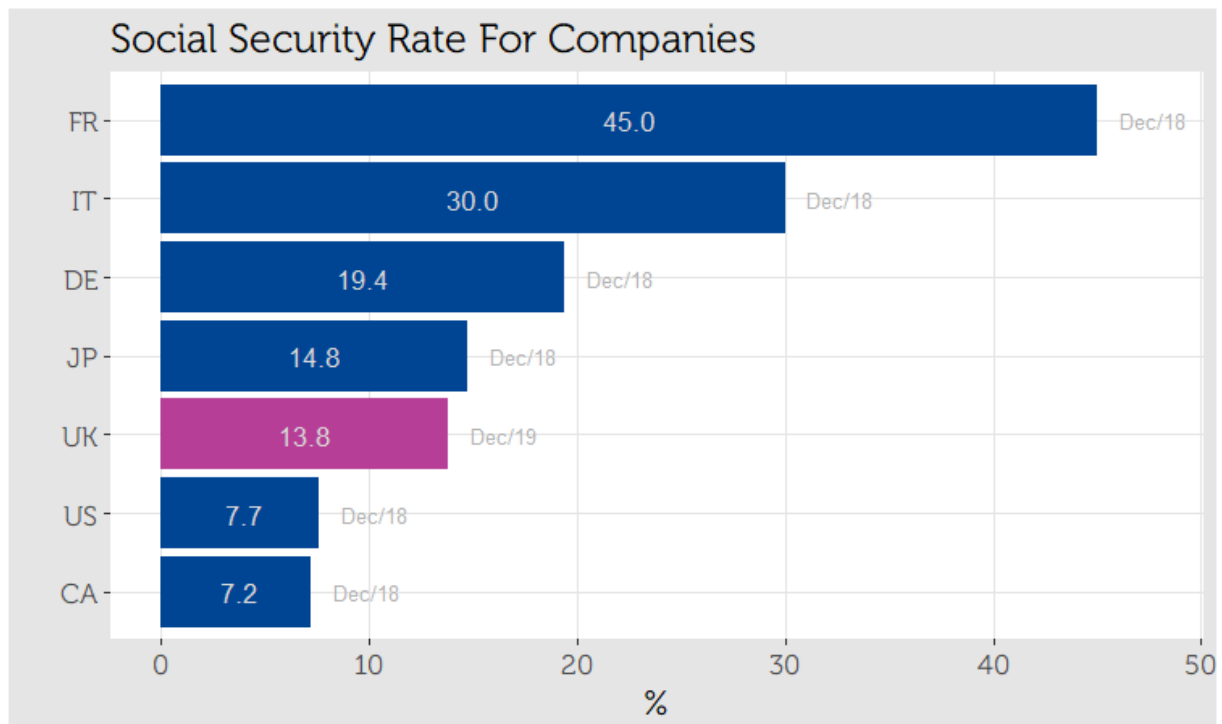
13.6 Industrial Production & Manufacturing



13.7 Debt



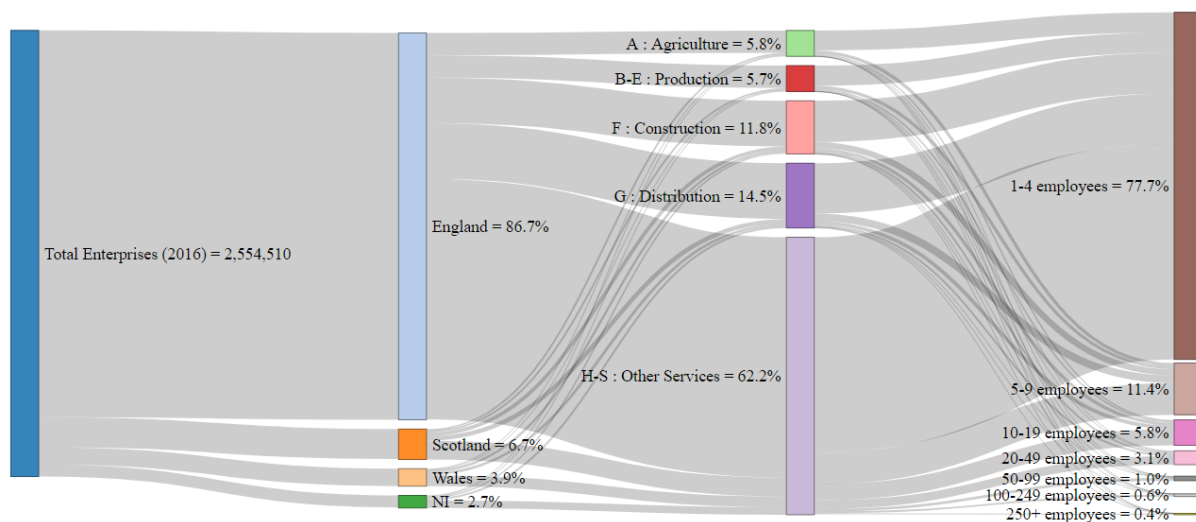
13.8 Employer Social Security Rate & Corporate Tax



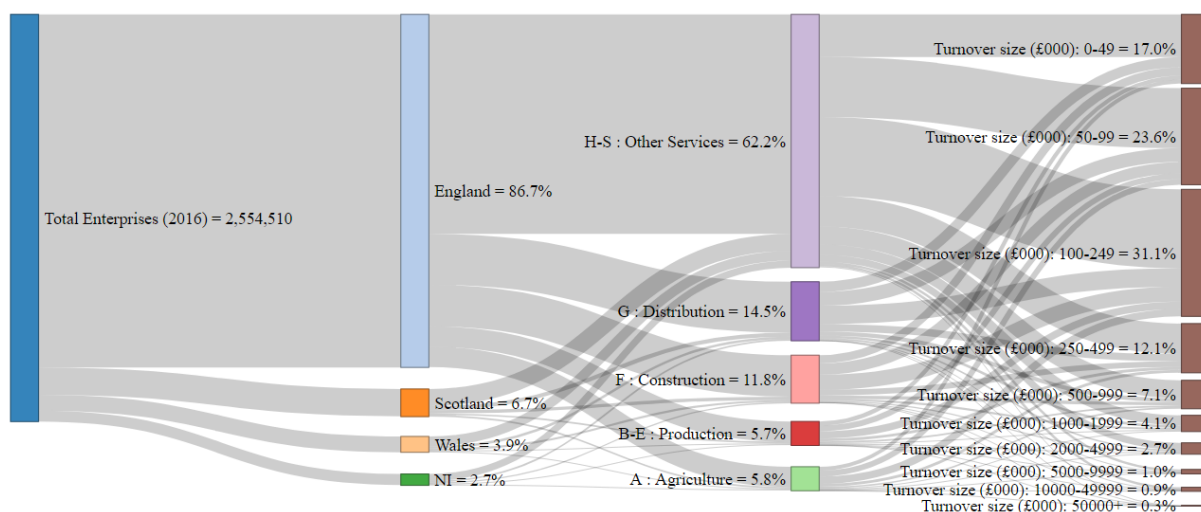
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

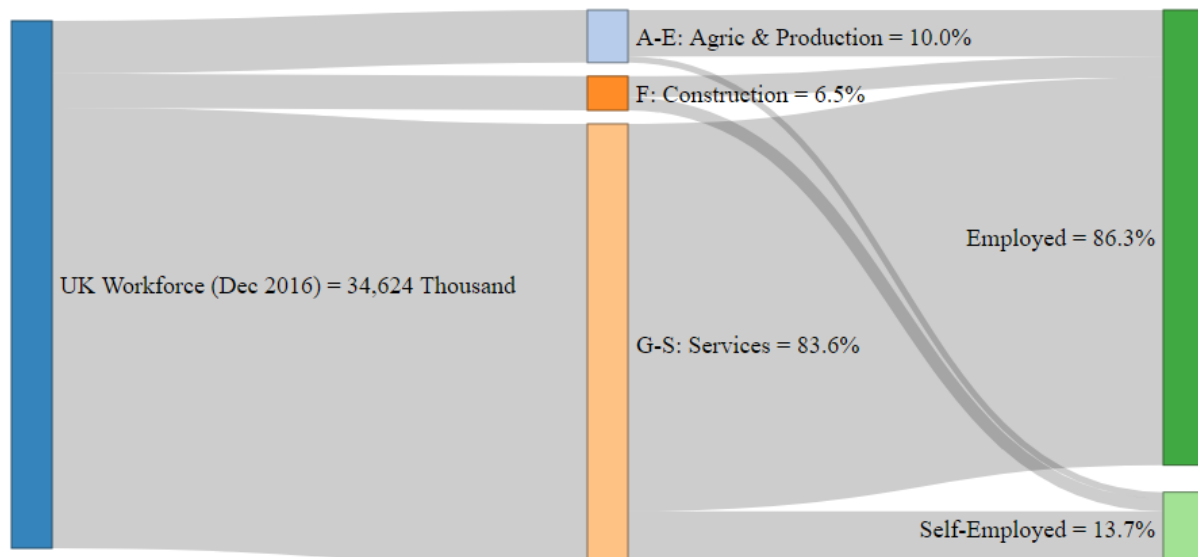


A.2 Enterprises by Turnover Size Band

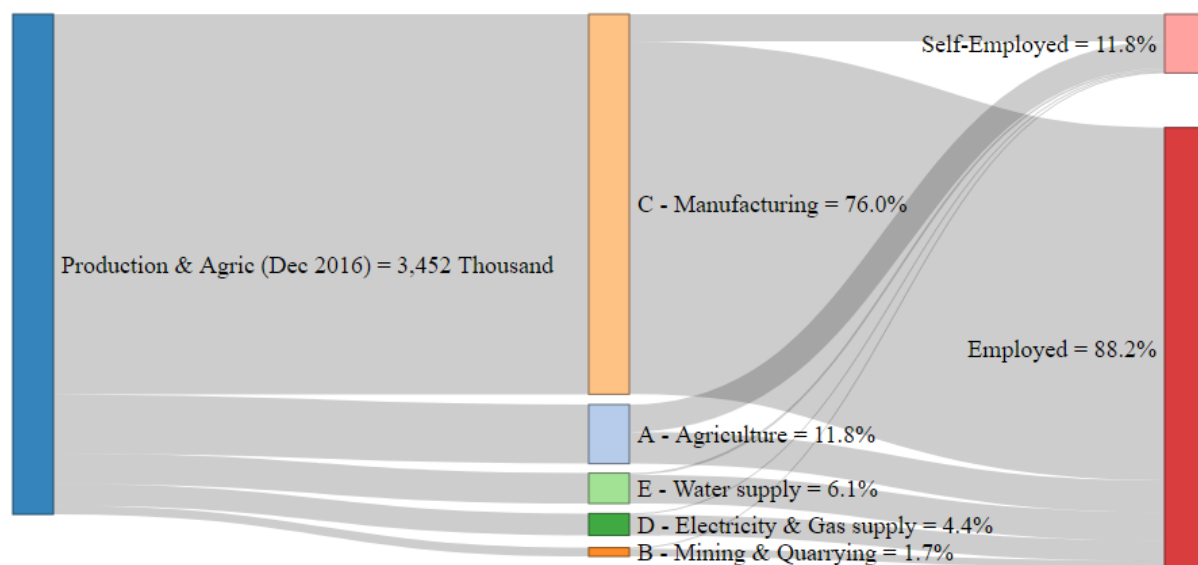


B UK Employment Structure

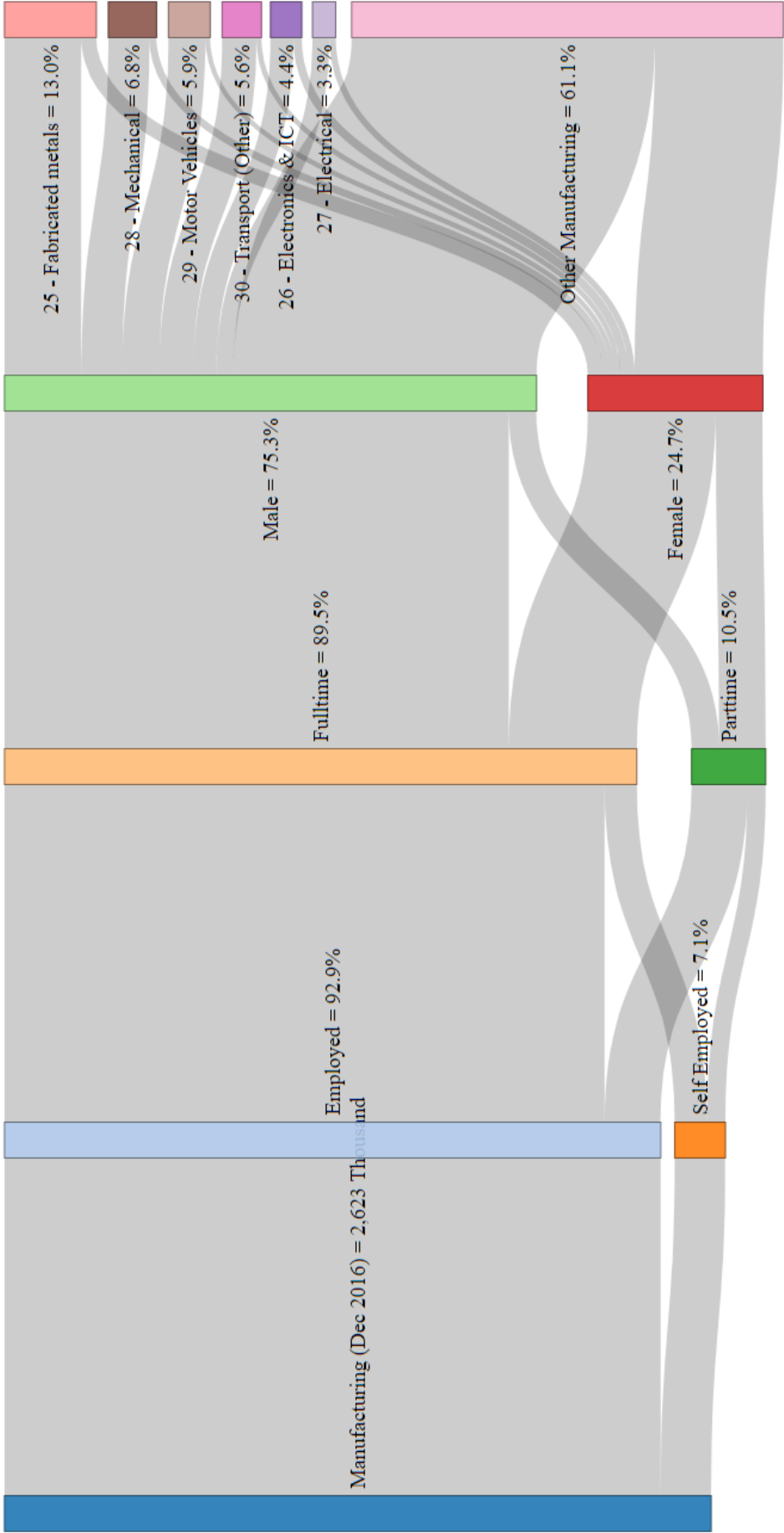
B.1 UK Workforce



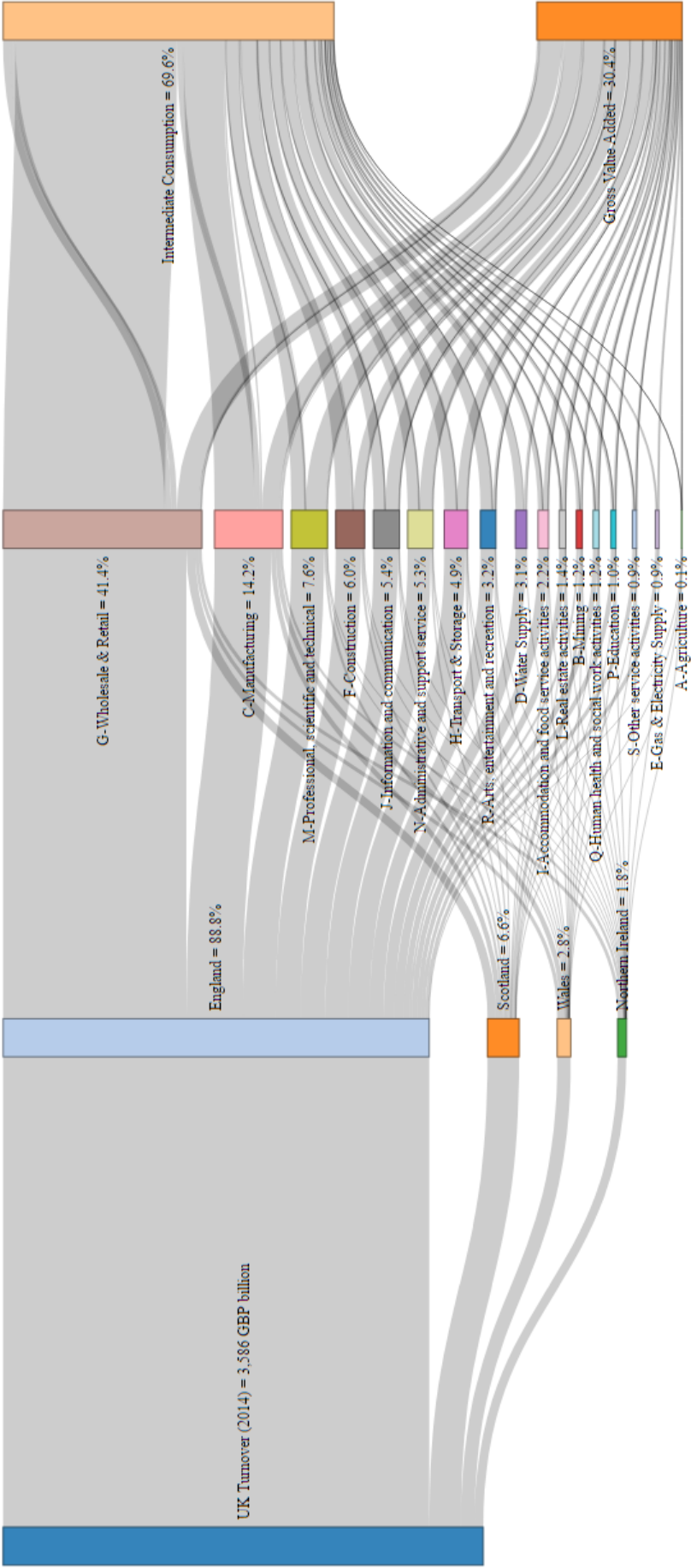
B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



C UK Industrial Output by Region



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

D UK Budget 2019/20



(X%)= Proportion expressed as a percentage of **Expenditure**, (+Y%) = Growth compared to **previous year** budget

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, Electrical, Mechanical, Repairs & Installation

22, 25, 26, 27, 28, 33

Turnover₂₀₁₈

Exports₂₀₁₈

Employment₂₀₁₈

£153_{bil}

£54_{bil}

1.1_{mil}

G Contact

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