EURIS

European Union Relationship & Industrial Strategy

Biweekly

BREXIT WATCH

2018 Issue 6

End-March

Taskforce representing Electrical, Electronics, Mechanical & Fabricated Metals Industries

Brexit Watch - 2018 Issue 6

The biweekly Brexit Watch report monitors the short-term UK macro economic indicators to assess the impact of UK decision to leave European Union on UK economy. The report also monitors indicators in four manufacturing industries (FEEM), namely, Fabricated Metals (SIC 25), Electronic (SIC 26), Electrical (SIC 27) and Mechanical (SIC 28).

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

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

The main points at the end of week 12 in 2018 are as follows:

- ⋆ **Sterling** edged higher against **US Dollar** in past 2 weeks and the month-to-date average in March 2018 was 12.9% higher than a year earlier.
- The second estimate of **GDP** growth in 2017 Q4 was revised down by 0.1% to 0.4%; equivalent to £492 billion and a growth of 1.4% compared to 2016 Q4.
- ⋆ **Unemployment** rate fell back to 4.3% in the three months to January 2018 as the number employed increased by 168 thousand.
- ⋆ **Input prices** eased further to 3.4% in the twelve months to February 2018, the lowest 12-month growth since June 2016.
- ⋆ **Consumer price index** grew 2.7% in the twelve months to February 2018, the lowest since July 2017.
- **Index of production** bounced back to a growth of 1.6% in January 2018, driven by growth in mining & quarrying from the re-opening of Forties oil pipeline after repairs.
- **Construction** sector, hits its lowest 12-month growth since March 2013 as output in January 2018 declined by 3.9% to £12.6 billion. Both new construction work and repairs declined.
- ⋆ **Retail sales volume** grew by 0.8% in February 2018 and also grew by 1.5% compared to twelve months earlier, driven by growth in all stores except non-food stores.
- ⋆ **Exports** in January 2018 grew by 6.9% to £53.6 billion compared to twelve months earlier and **imports** also grew by 7.5% to £56.7 billion in the same period.
- ⋆ The moving annual **Turnover** for the FEEM group reached £107.9 billion in January 2018, representing a growth of 7.6% compared January 2017. The group **exported** £42.2 billion in the twelve months to January 2018, a growth of 13.0% and the **workforce** now stands at 744 thousand.

March 2018
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Glossary

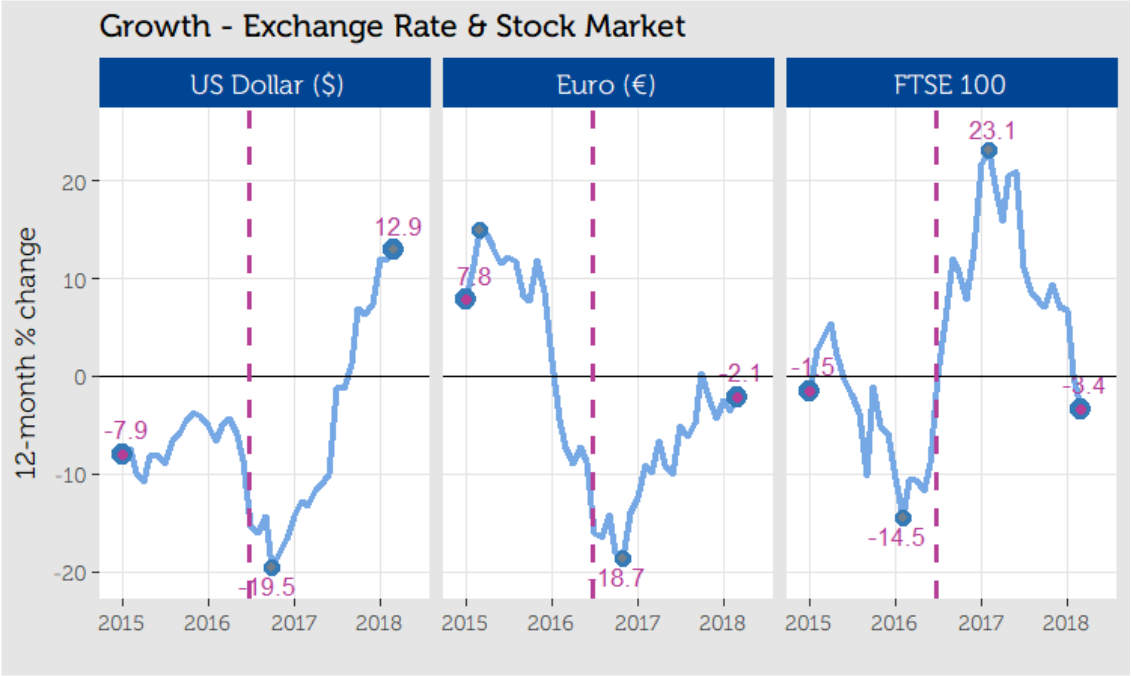
BEAMA	British Electrotechnical & Allied Manufacturers Association
CESA	Catering Equipment Suppliers Association
CNY	Chinese Yuan
CPI	Consumer Price Index
CPIH	Consumer Prices Index including owner occupiers' housing costs
EAMA	Engineering and Machinery Alliance
ECB	European Central Bank
EUR	Euro
FEEM	Group of 4 engineering industries representing SIC codes 25 (Fabricated Metals), 26 (Electronics), 27 (Electrical) and 28 (Mechanical)
FTSE 100	Index composed of the 100 largest companies listed on the London Stock Exchange
G7	Group of seven countries consisting of Canada, France, Germany, Italy, Japan, UK & US
GAMBICA	Trade Association for Instrumentation, Control, Automation and Laboratory Technology
GDP	Gross Domestic Product
HMRC	HM Revenue & Customs
IOM	Index of Manufacturing
IOP	Index of Production
IOS	Index of Services
MAA	Moving Annual Average
MAT	Moving Annual Total
MTA	The Manufacturing Technologies Association
MTD	Month to date
NI	Northern Ireland
NMI	UK Electronic Systems & Technology Industry
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PPI	Producer Price Index
REA	The Renewable Energy Association
RMI	Repairs, Maintenance & Infrastructure
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

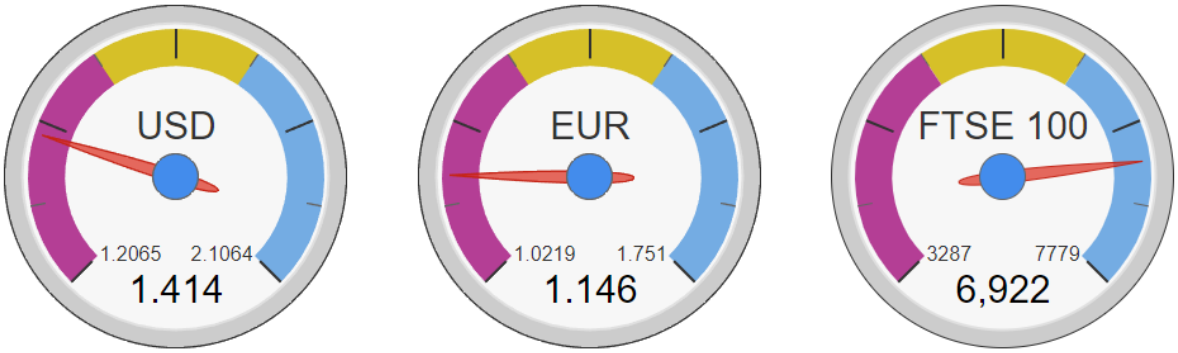
1 Exchange Rates & Stock Market

Sterling edged higher against the **US Dollar** in the past two weeks to finish at 1.4144/GBP at the end of week 12. The month-to-date rate was 0.2% below February 2018, 12.9% above March 2017 and 4.2% below May 2016 (pre-brexit vote).

Sterling gained on **Euro** to finish at 1.1457/GBP. The month-to-date rate was unchanged from February 2018, 2.1% below March 2017 and also 12.1% below May 2016 rate.

FTSE 100 slipped back in the last two weeks to finish 6,922 at the end of week 12; the lowest since December 2016. The month-to-date average was 2.0% below February 2018, 3.4% below March 2017 but 15.4% higher than May 2016.



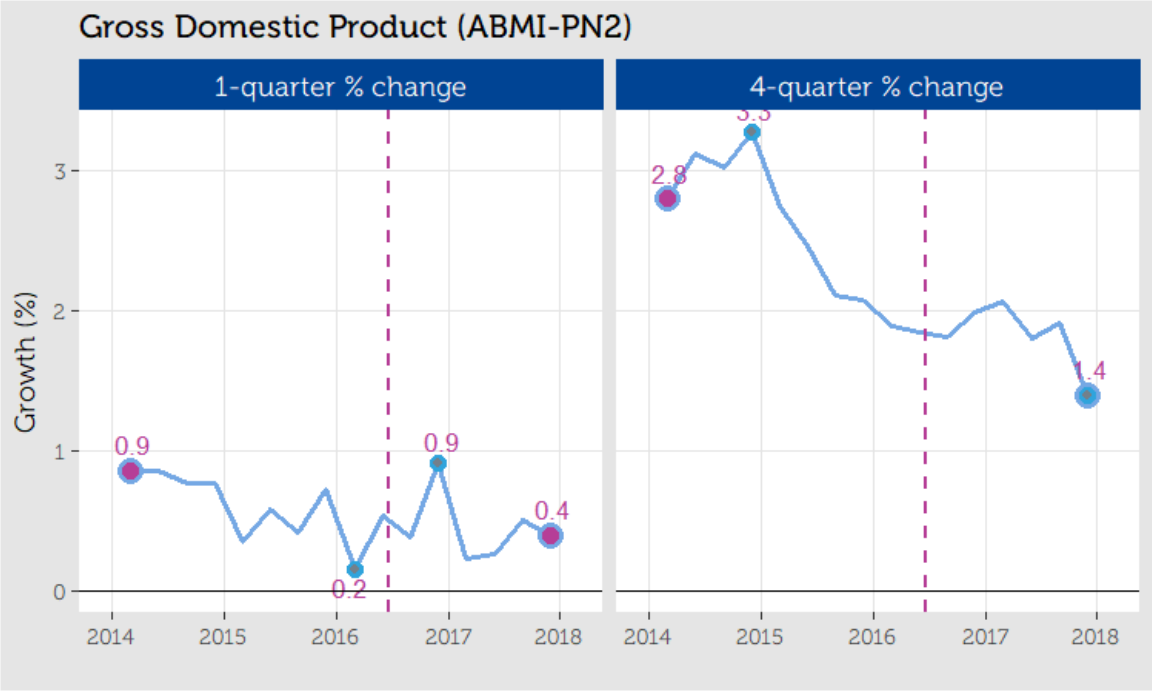


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

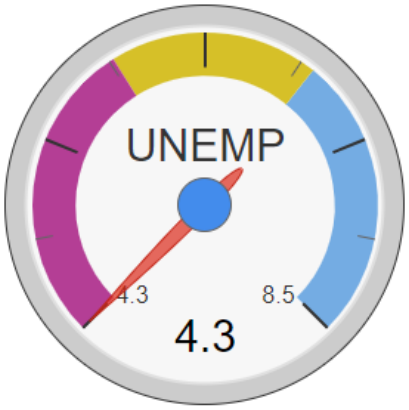
2 GDP & Unemployment

The second estimate of **GDP** growth, for 2017 Q4, was revised down to 0.4% from preliminary estimate of 0.5%. The Q4 gdp was equivalent to £492 billion and a growth of 1.4% compared to 2016 Q4, the lowest 4-quarter growth since 2012 Q2. Services and production grew on previous quarter but construction contracted for a third quarter in a row.

The number of people in work increased by 168 thousand to 32.25 million in three months to January 2018 compared to the three months to October 2017. The number of people unemployed also increase by 24 thousand to 1.45 million in the same period. **Unemployment** rate fell back to a 42-year low 4.3%.





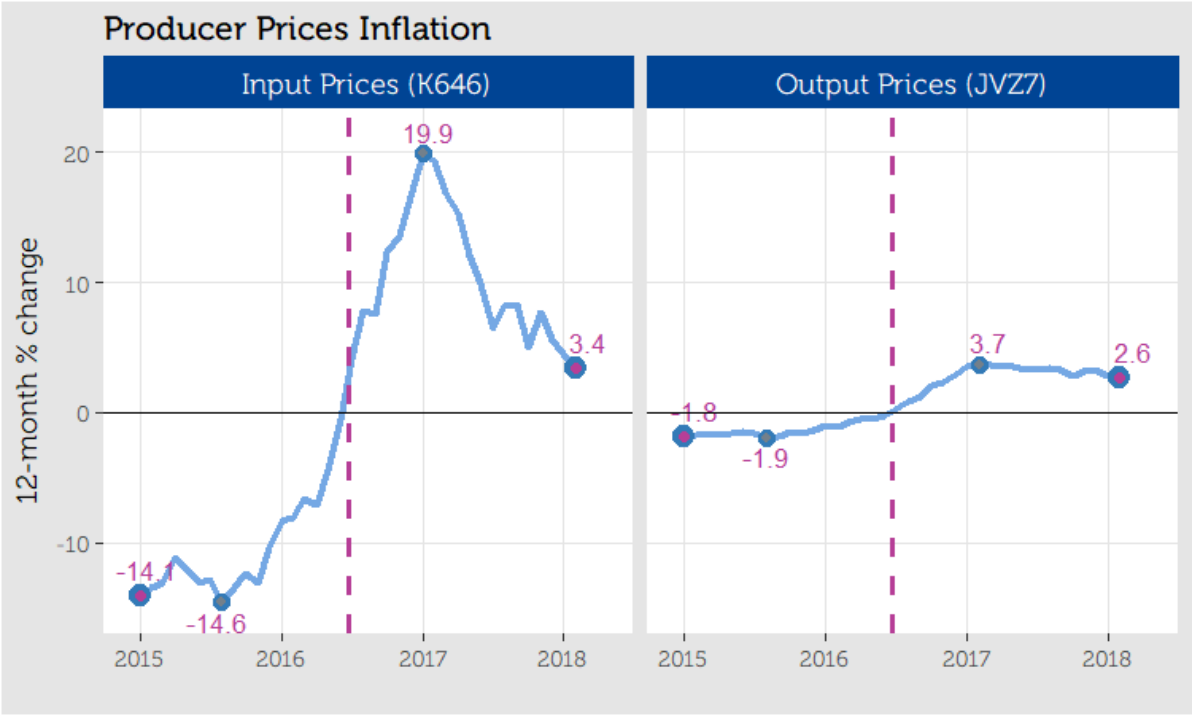


[Guage Charts: GDP = 4-quarter % change since Jan 2000, UMEMP = Unemployment rate since 2000]

3 Producer Prices

The **input prices** index for all manufacturing fell by 1.1% in February 2018 but grew by 3.4% compare to twelve months earlier. The main drivers for the increase were crude oil and imported metals. It is the lowest 12-month growth since June 2016 but compared to May 2016, it was up by 17.8%.

Factory gate (Output) prices for all manufacturing remained unchanged between January and February 2018 but grew by 2.6% compared to February 2017. It is the lowest 12-month growth since November 2016 but has grown by 5.4% since May 2016.





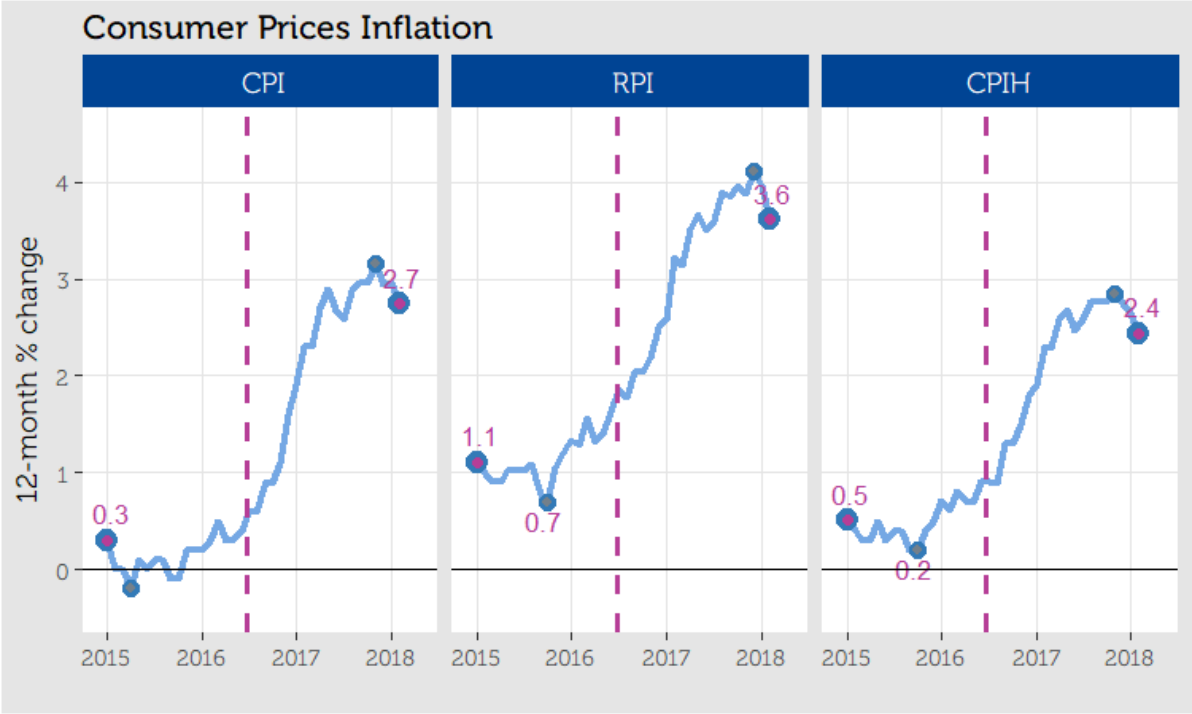
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

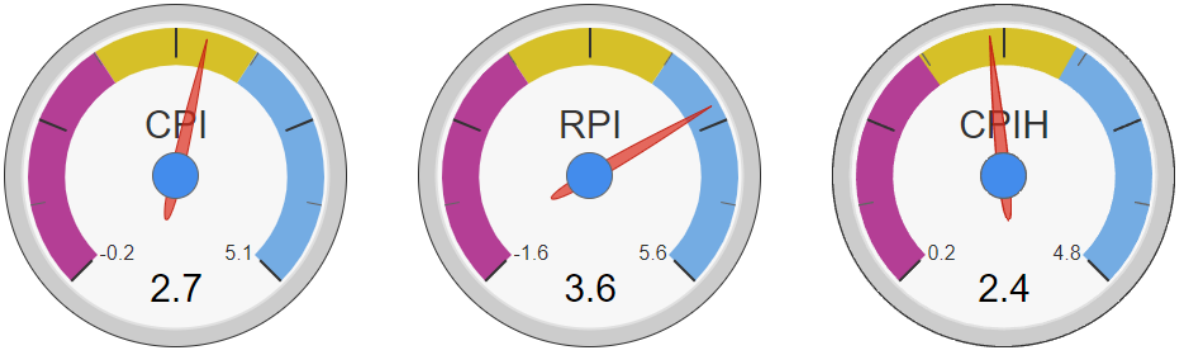
4 Consumer Prices

Consumer price index (CPI) rose by 0.5% in February 2018 and also grew by 2.7% compared to a year earlier. It is the lowest 12-month growth since July 2017 but has grown by 4.5% since May 2016. Price increases in food, recreational & cultural goods were were partly offset by price decreases in transport and housing.

The **retail price index** (RPI) eased further to 3.6% in the twelve months to February 2018, from 4.0 in the previous month. RPI has grown by 6.1% since May 2016.

CPI including owner's occupying (CPIH) hits 11-month low as the index grew by 2.4% in February 2018 compared to twelve months earlier. CPIH has grown by 4.1% since May 2016.





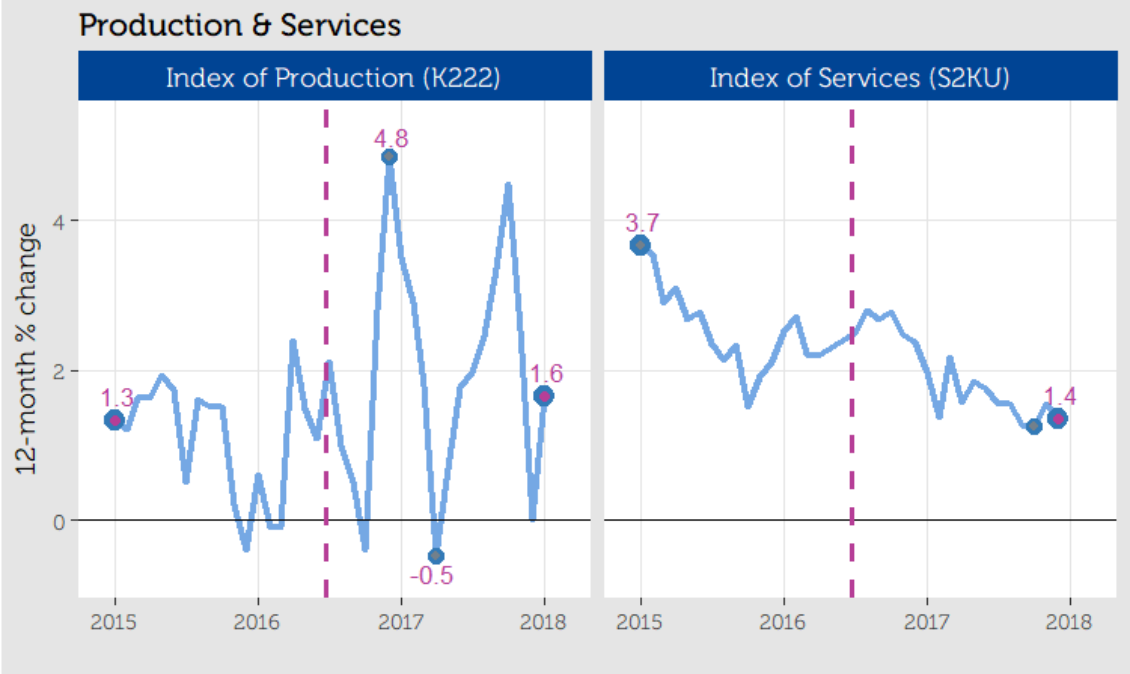
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

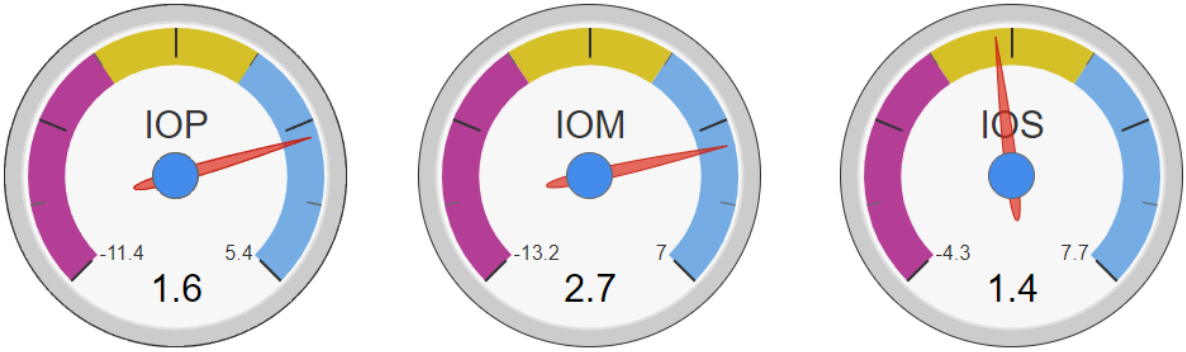
5 Production & Services

Index of production (IOP) increased by 1.3% in January 2018 and also grew by 1.6% compared to twelve months earlier. Drivers for monthly growth were mainly due to mining and quarrying sectors as a result of re-opening of the Forties oil pipeline.

Index of manufacturing (IOM) grew by 0.1% in January 2018 and also grew by 2.7% compared to twelve months earlier. Drivers for the growth include manufacture of machinery and other transport equipment. IOM has grown by 4.7% since May 2016.

Index of services (IOS) was flat in December 2017, but grew by 1.4% compared to a 12 months earlier. Drivers for the growth were business services and finance. On annual basis, 2017 grew by 1.6% compared to 2016, the lowest growth since 2011.



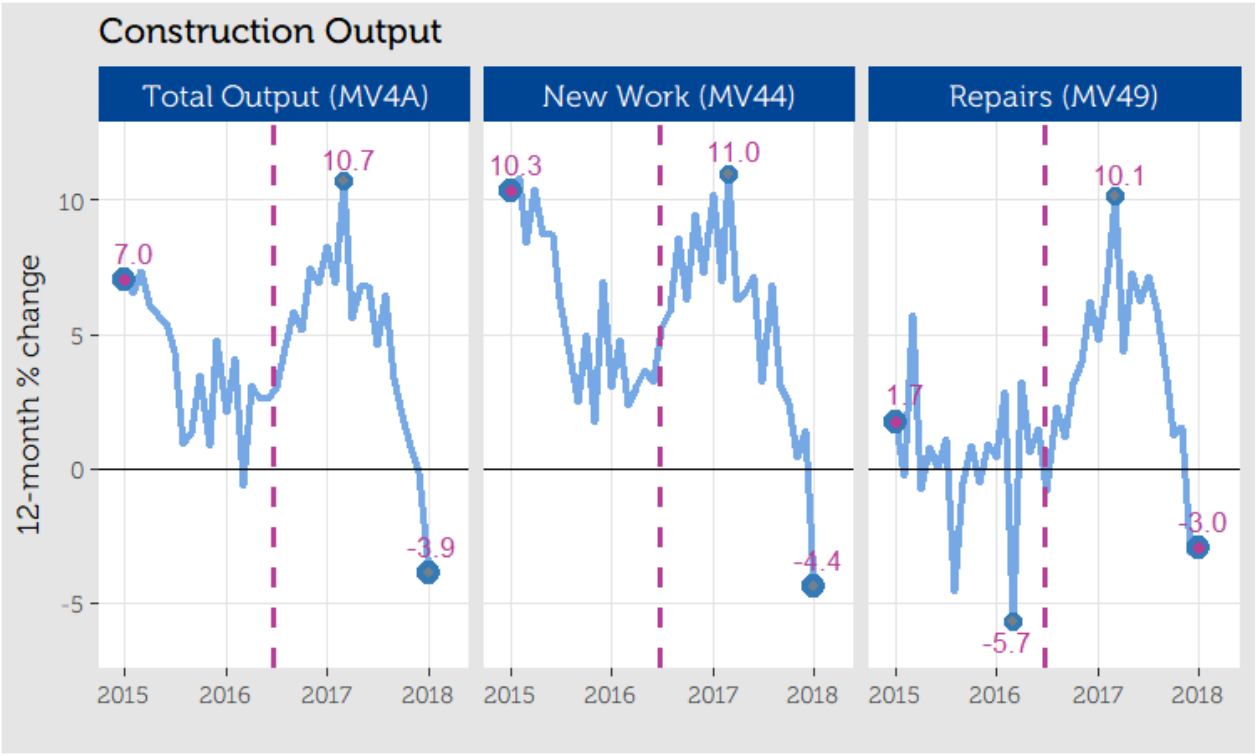


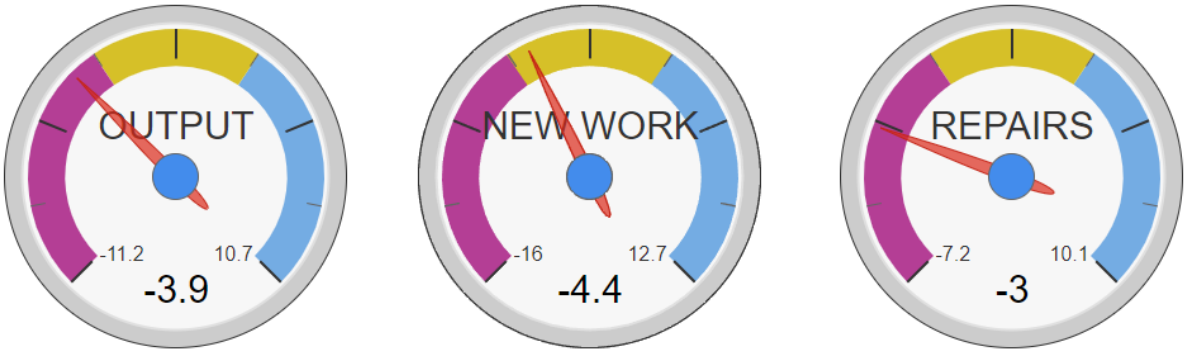
[Guage Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, fell by 3.4% in January 2018 to £12.6 billion and also fell by 3.9% compared to twelve months earlier. It is the lowest 1-month growth since June 2012 and also the lowest 12-month growth since March 2013.

New construction work, fell by 4.8% to £8.2 billion in January 2018 and **construction repairs** also fell by 0.6% to £4.4 billion in the same period. Compared to twelve months earlier, new construction work fell by 4.4% and repairs also fell by 3.0%.



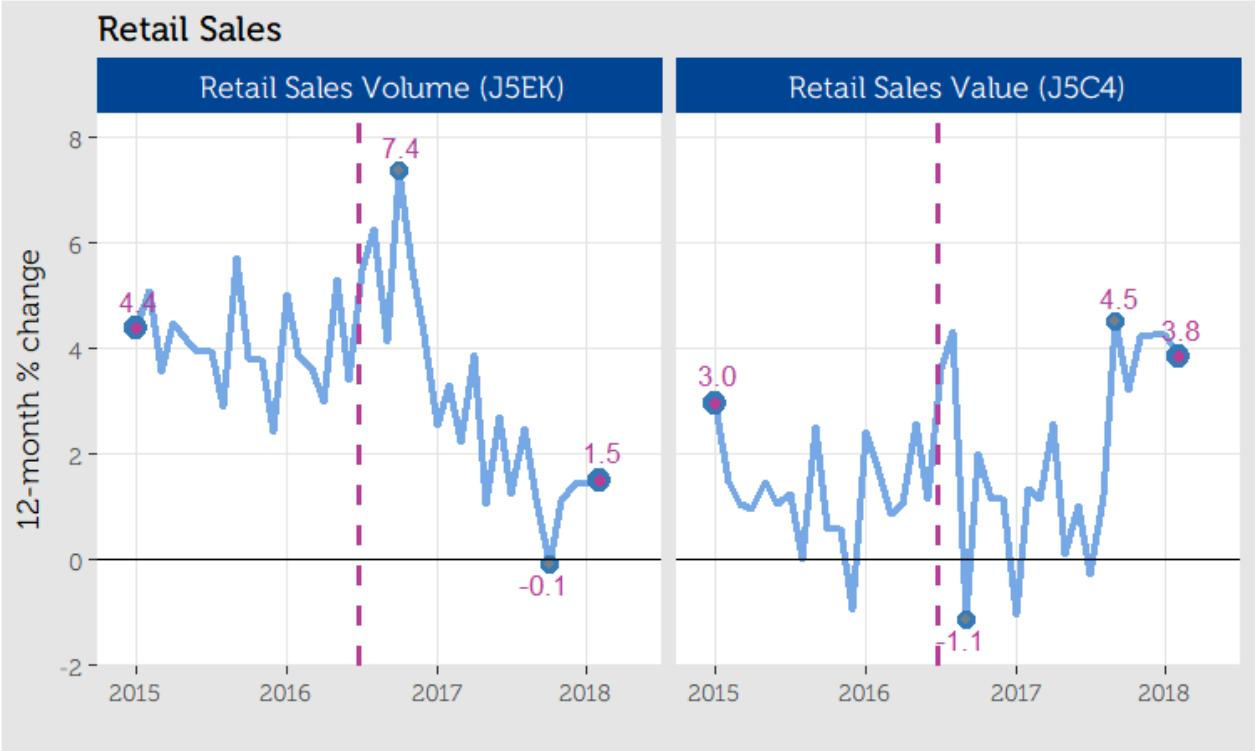


[Guage Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) increased by 0.8% in February 2018, and also grew by 1.5% compared to twelve months earlier. Growth seen across all main sectors except non-food stores. Retail volume has grown by 3.1% since May 2016.

The **value of retail sales** (including fuel) grew by 0.8% in February 2018 and also grew by 3.8% compared to 12 months earlier. The January 2018 retail value was higher than May 2016 value by 3.1%.



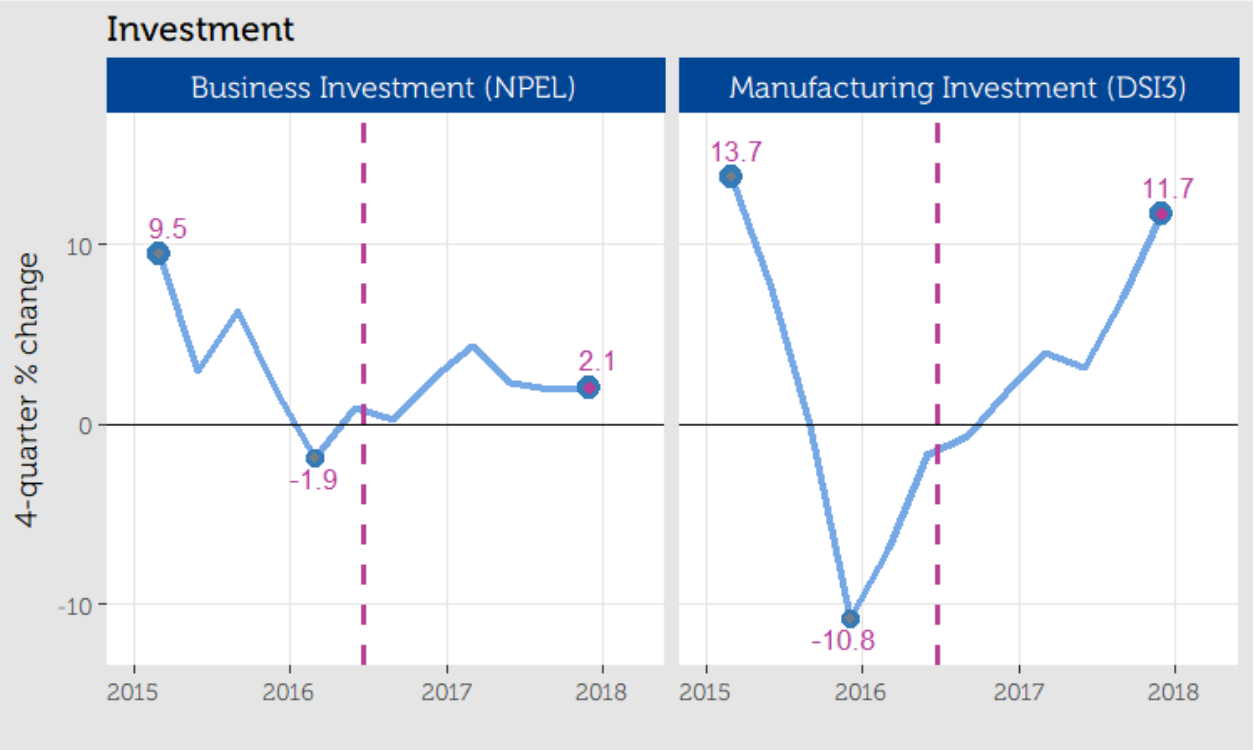


[Guage Charts: 12-month % change since Jan 2000]

8 Business Investment

Business investment for all industries (INV), in volume terms, remained unchanged in Q4 from 2017 Q3 but grew by 2.1% compare to a year earlier. Business investment has grown by 3.2%. since referendum vote.

Investment in **manufacturing industries** (INV-MNF), in volume terms, increased by 2.1% in 2017 Q4 and also grew by 11.7% compared to 2016 Q4.





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

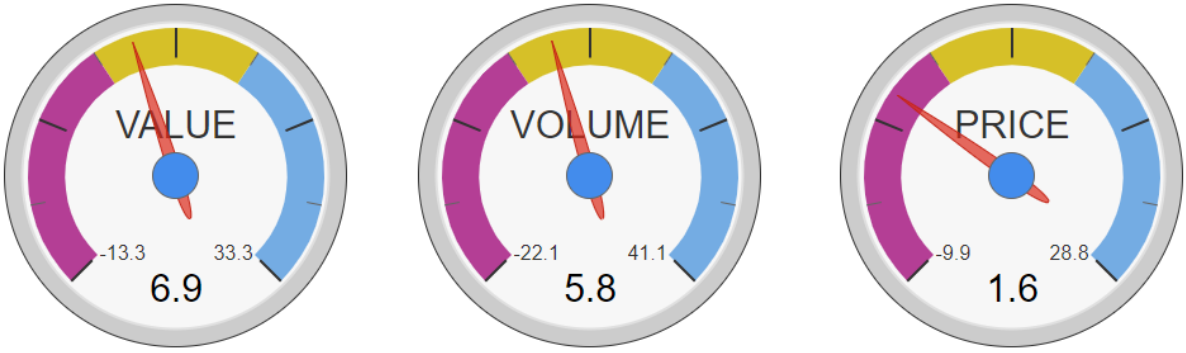
9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 1.6% in January 2018 and also grew by 6.9% compared to January 2017. Exports of **goods** increased by 7.3% to £ 29.5 billion and exports of **services** increased by 6.5% to £ 24.1 billion in January 2018 compared to twelve months earlier.

Volume of UK **exports** grew by 2.6% in January 2018 and also by 5.8% compared to twelve months earlier.



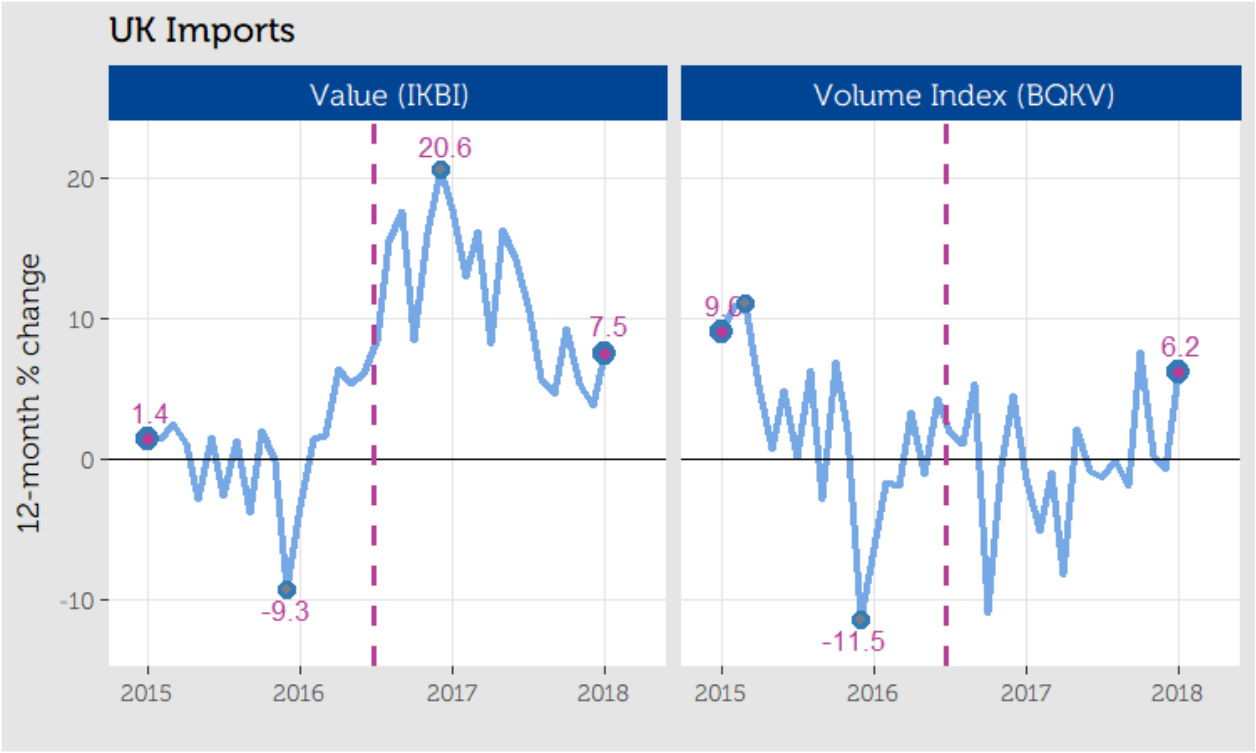


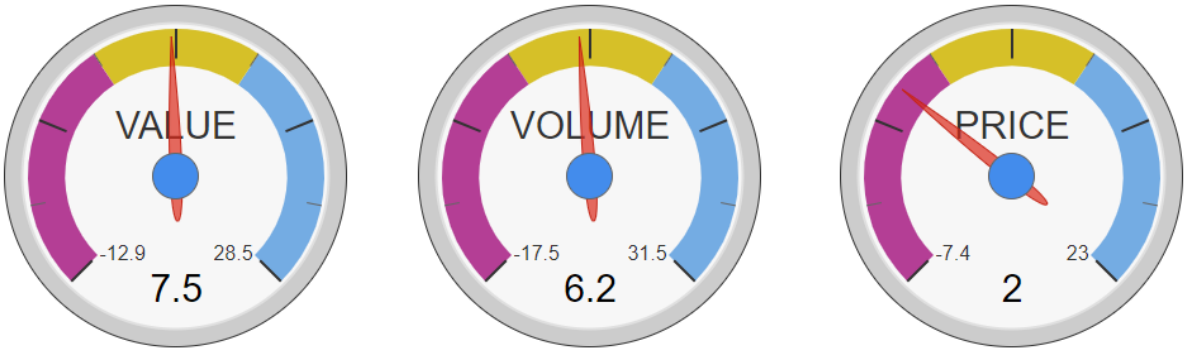
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK **imports** rose by 2.6% in January 2018 and also grew 7.5% compared to 12 months earlier. Imports of goods increased by 7.9% to £ 41.8 billion and imports of services also increased by 6.5% to £14.9 billion in January 2018 compared to twelve months earlier.

UK **imports** on **volume** basis rose by 3.3% in January 2018 and also grew by 6.2% compared to twelve months earlier.

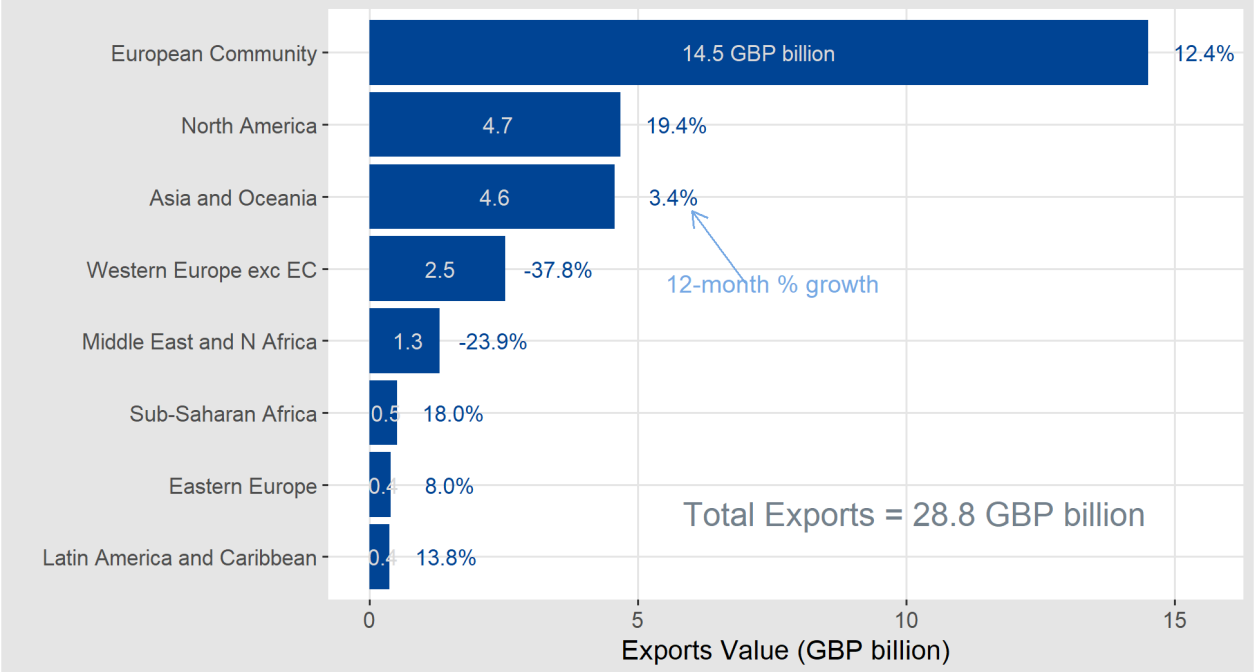




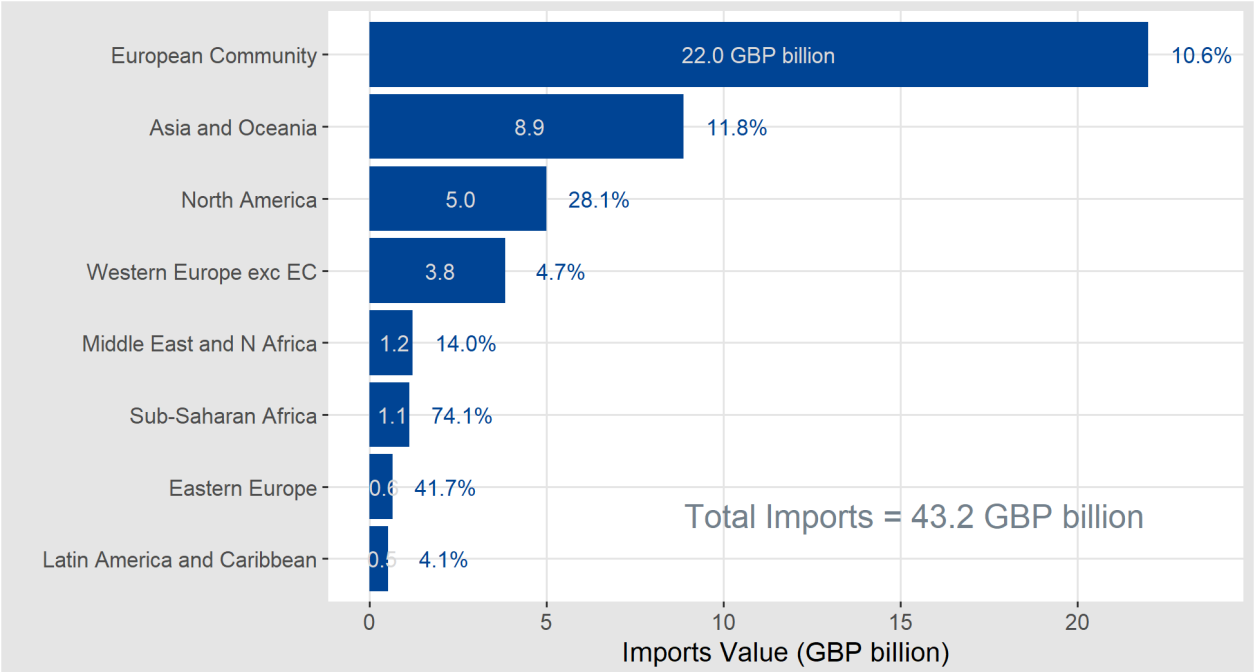
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2018 January

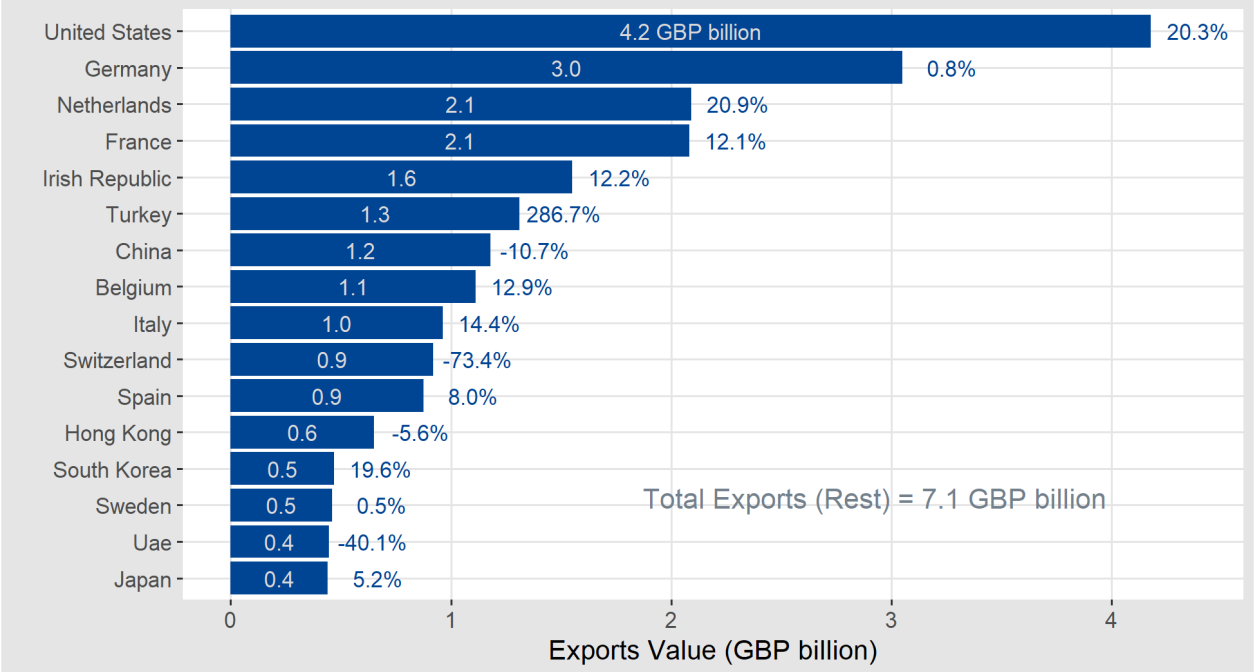


9.3.2 Imports - 2018 January

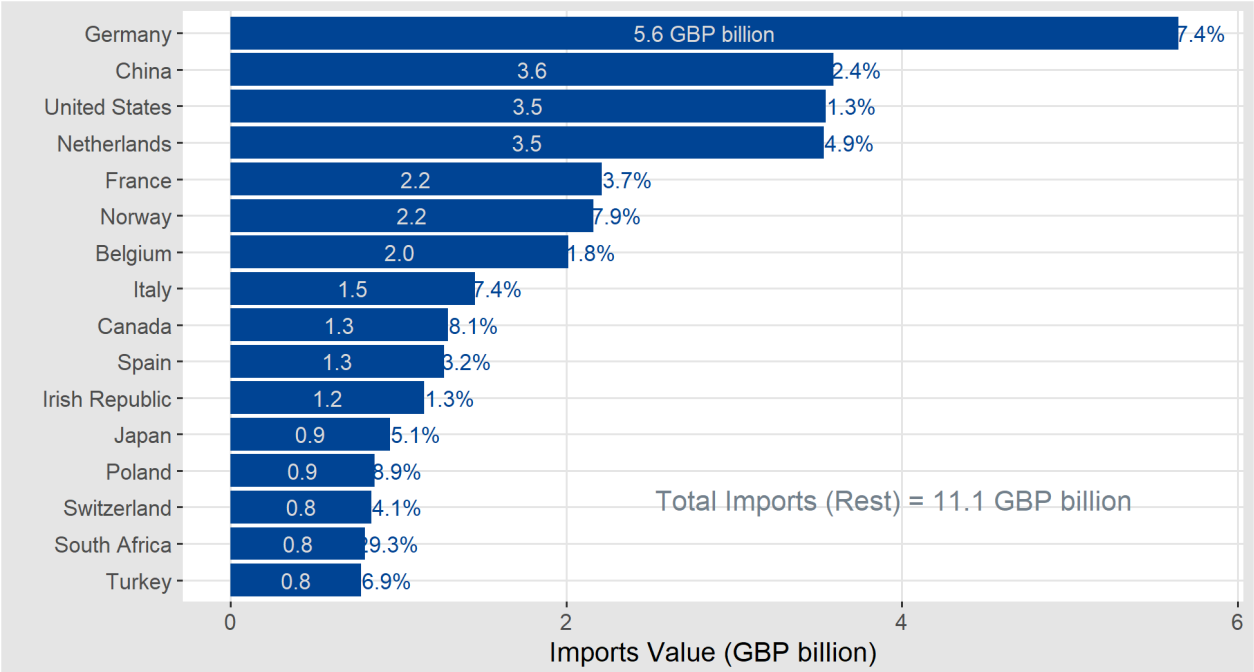


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2018 January

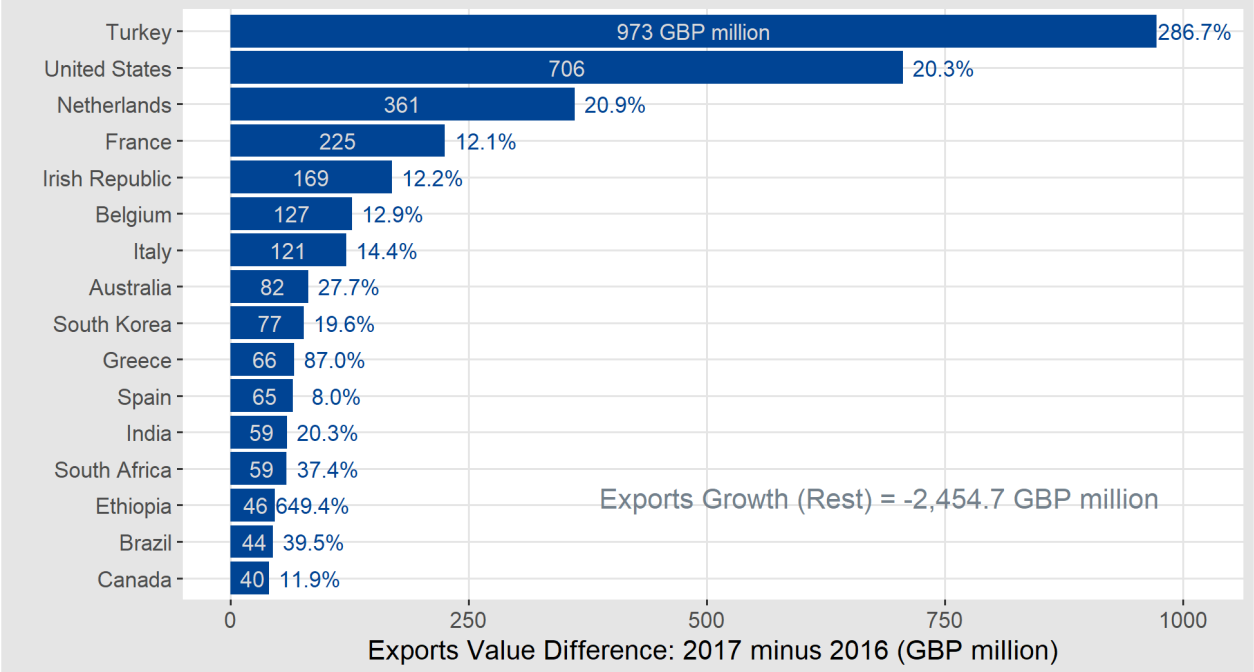


9.4.2 Imports - 2018 January

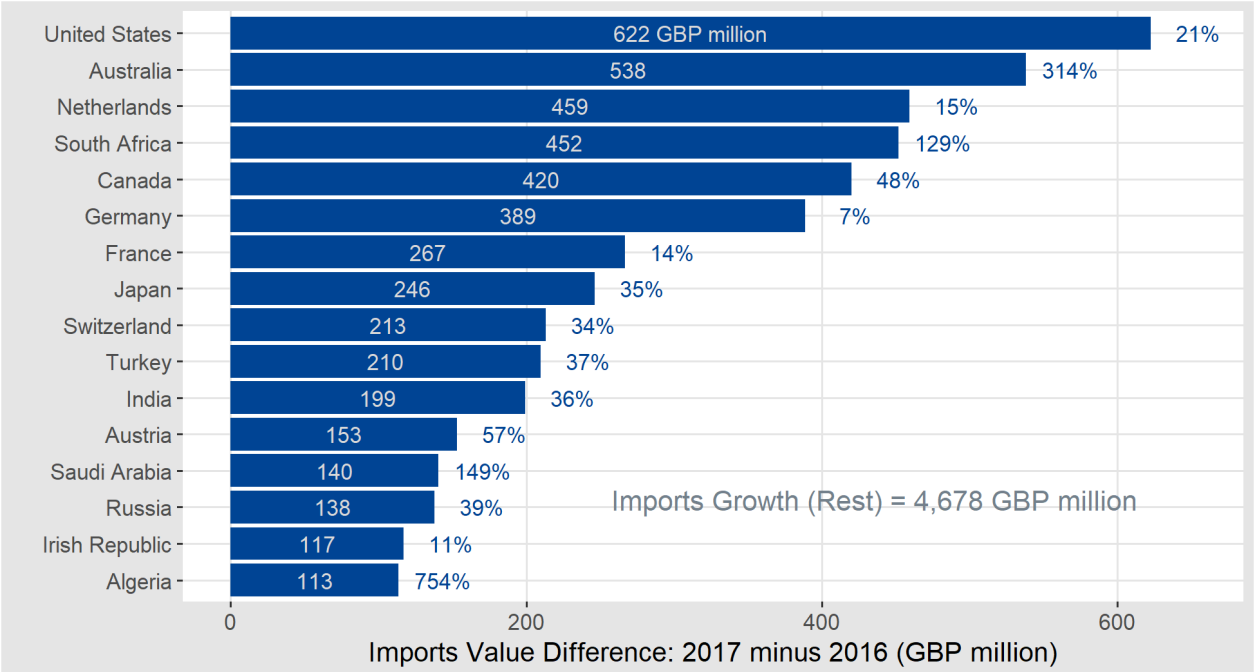


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2018 January

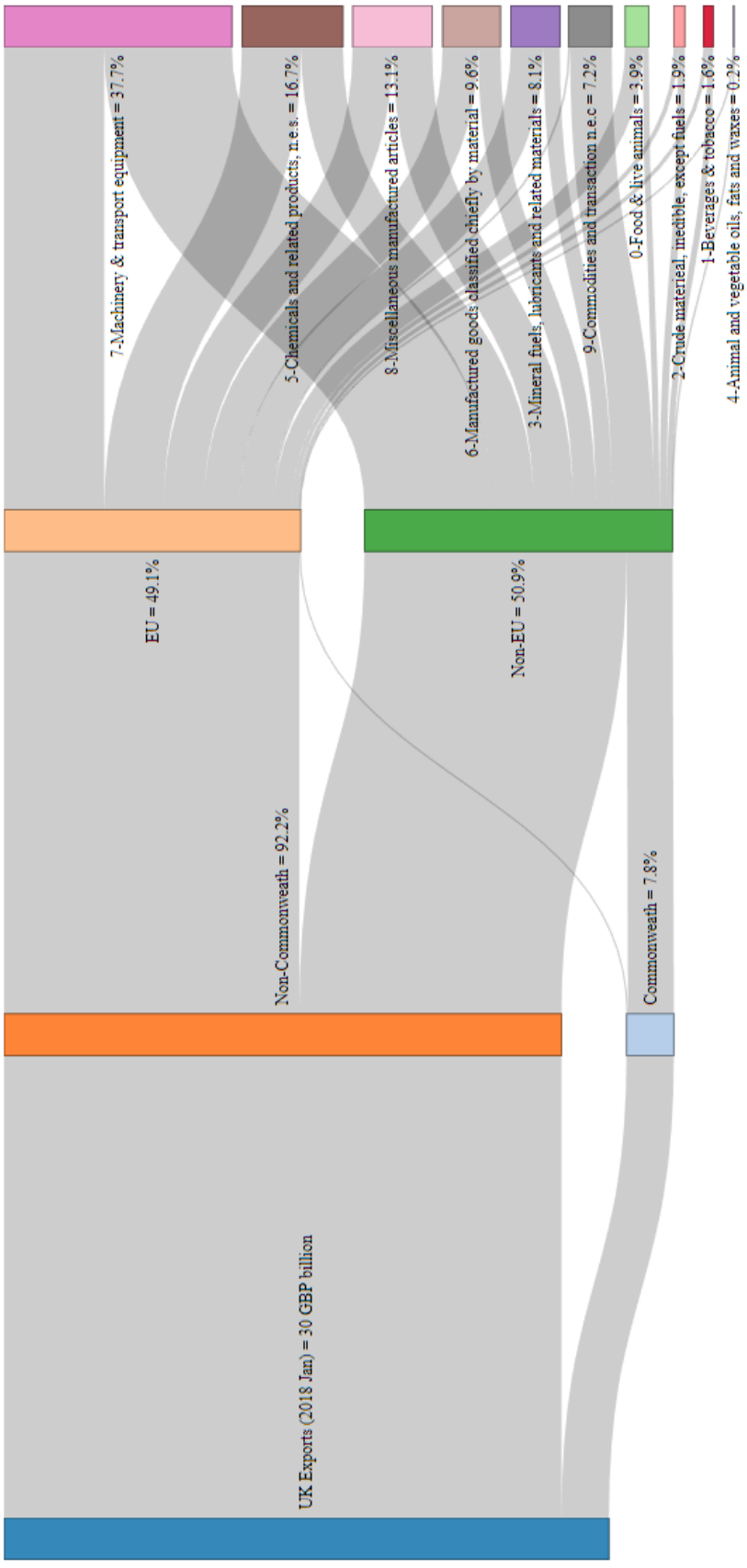


9.5.2 Imports Value Growth - 2018 January

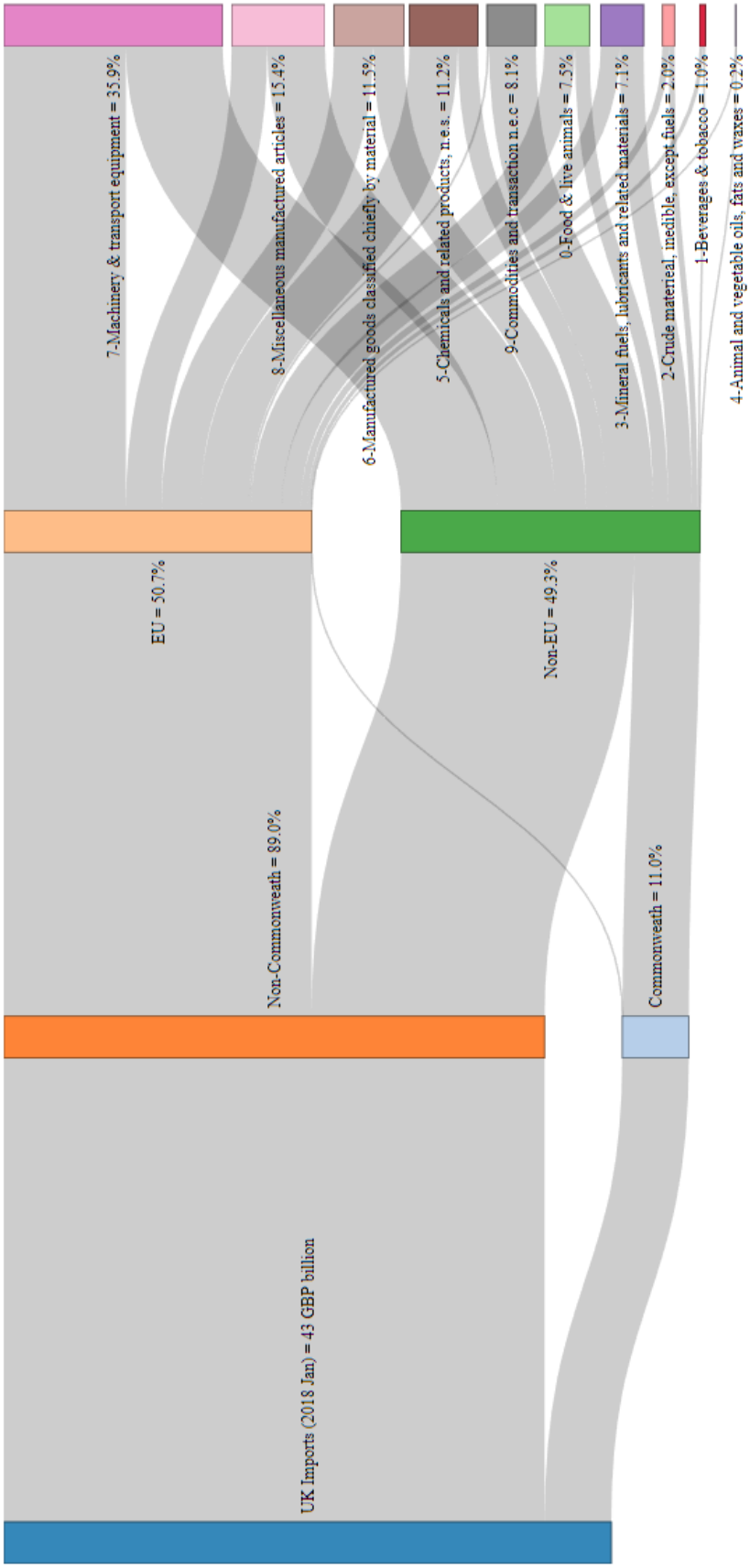


9.6 Goods Trade: EU & Commonwealth by SITC

9.6.1 Exports - 2018 January



9.6.2 Imports - 2018 January

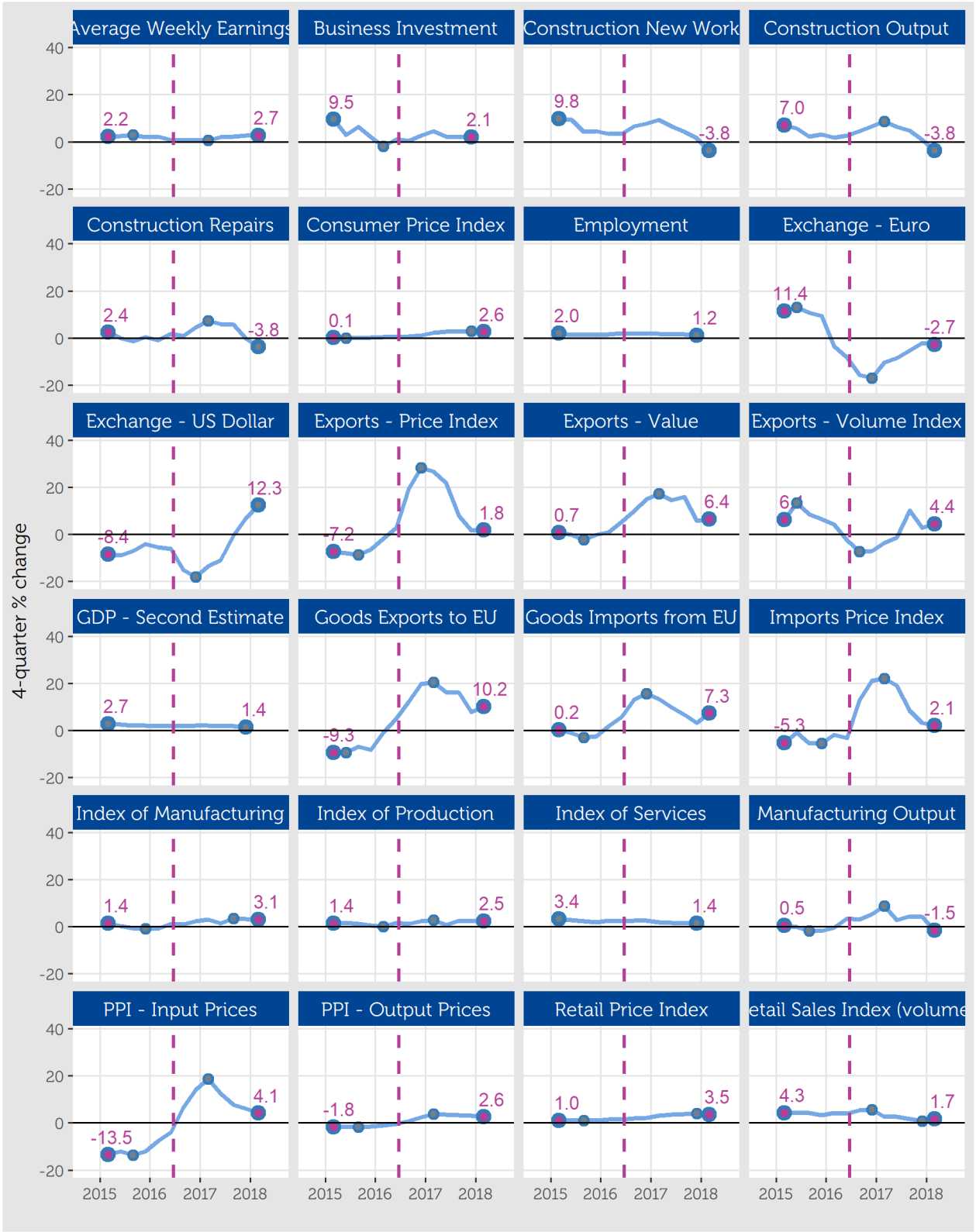


10 Economy At a Glance

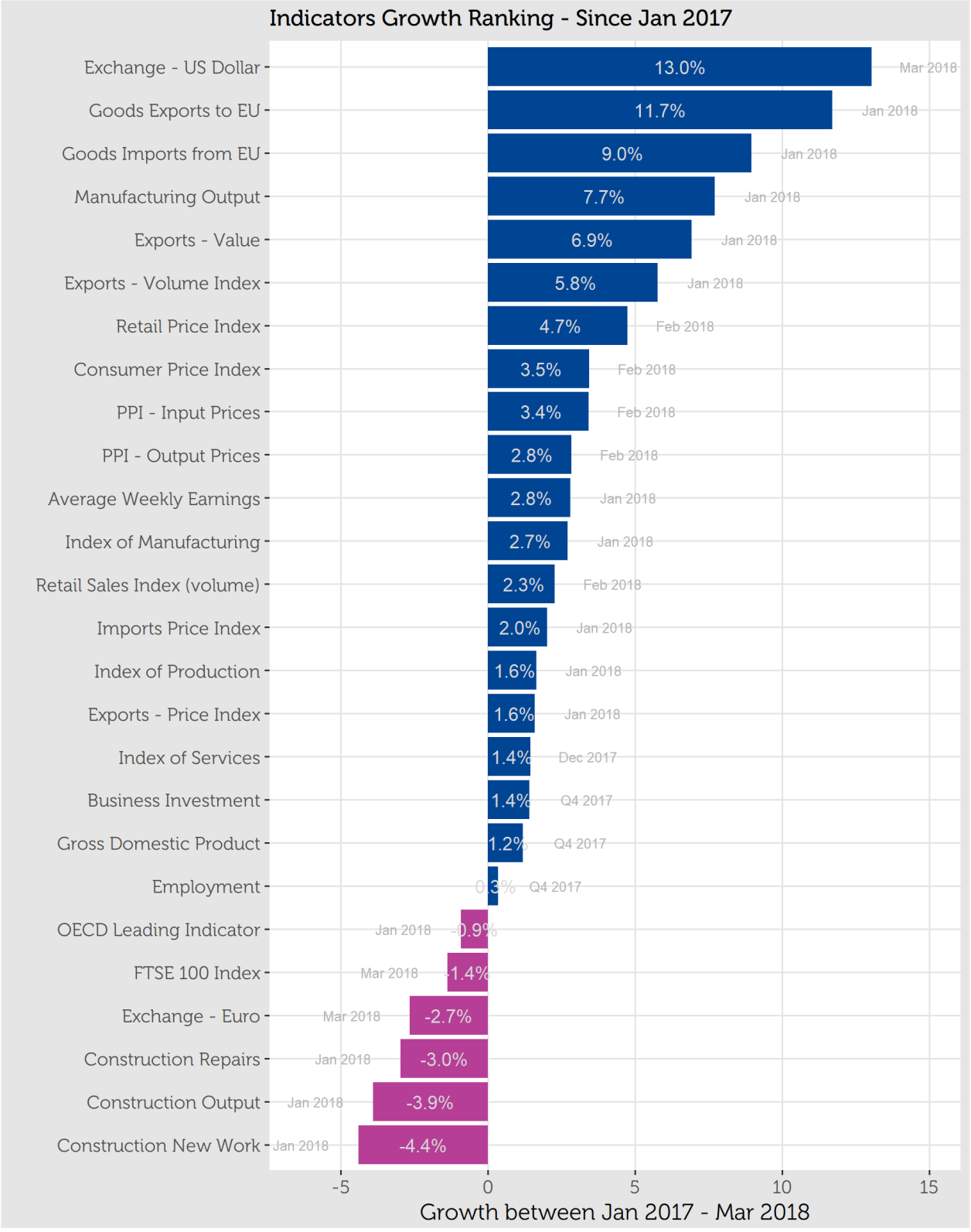
10.1 Growth: 12-month % growth



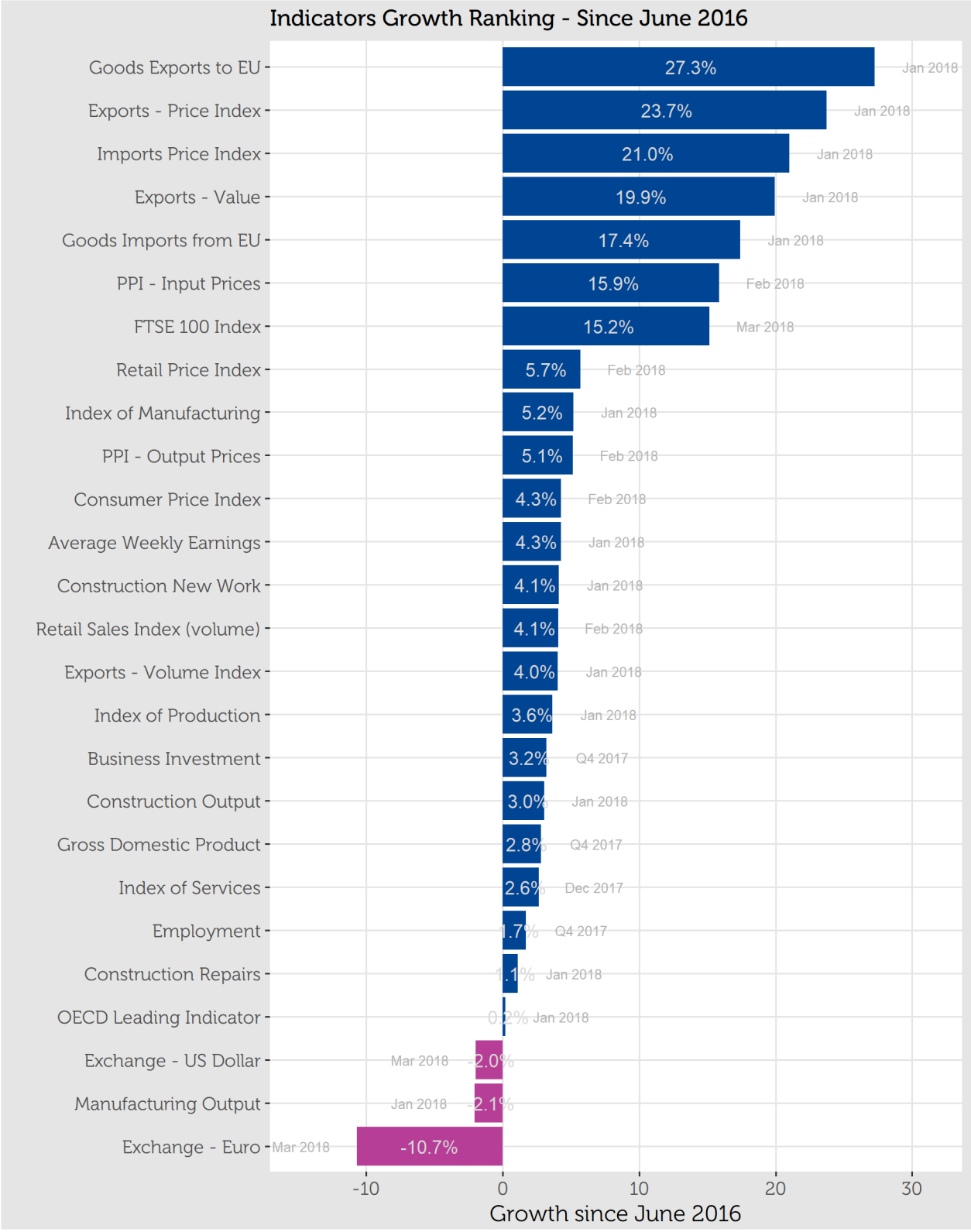
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since January 2017

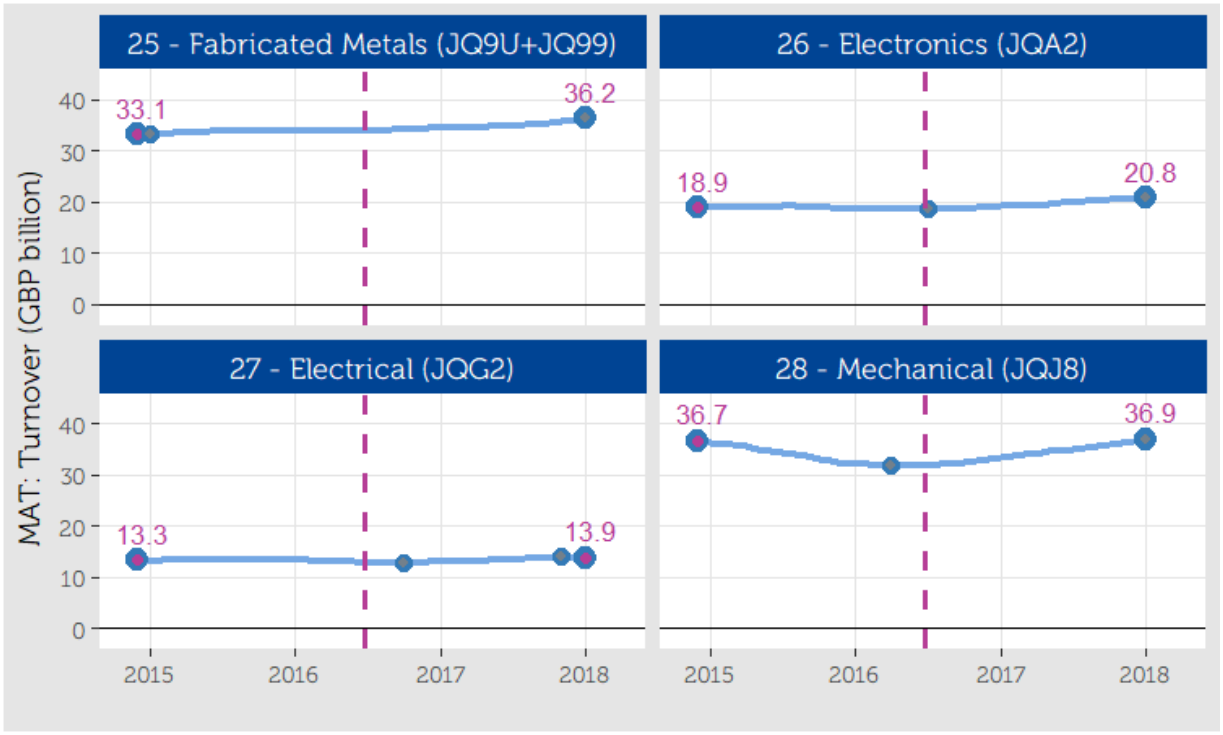


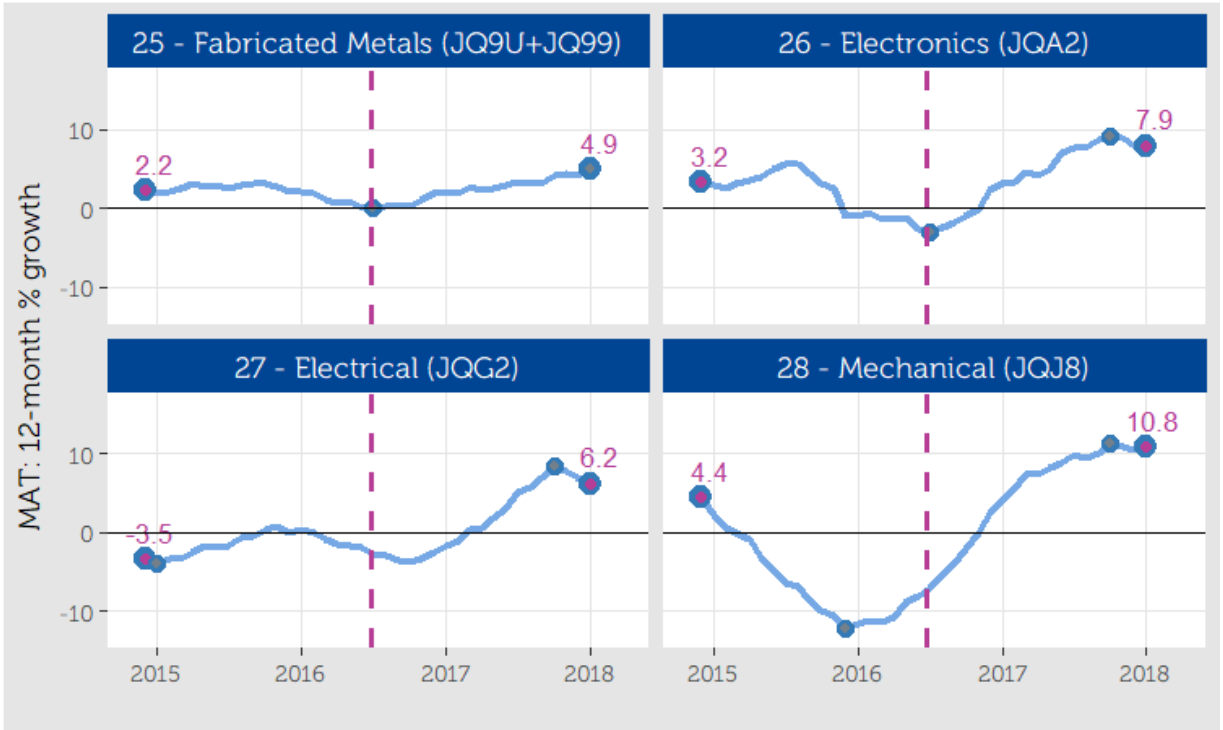
10.4 Growth Ranking: Since Referendum Vote



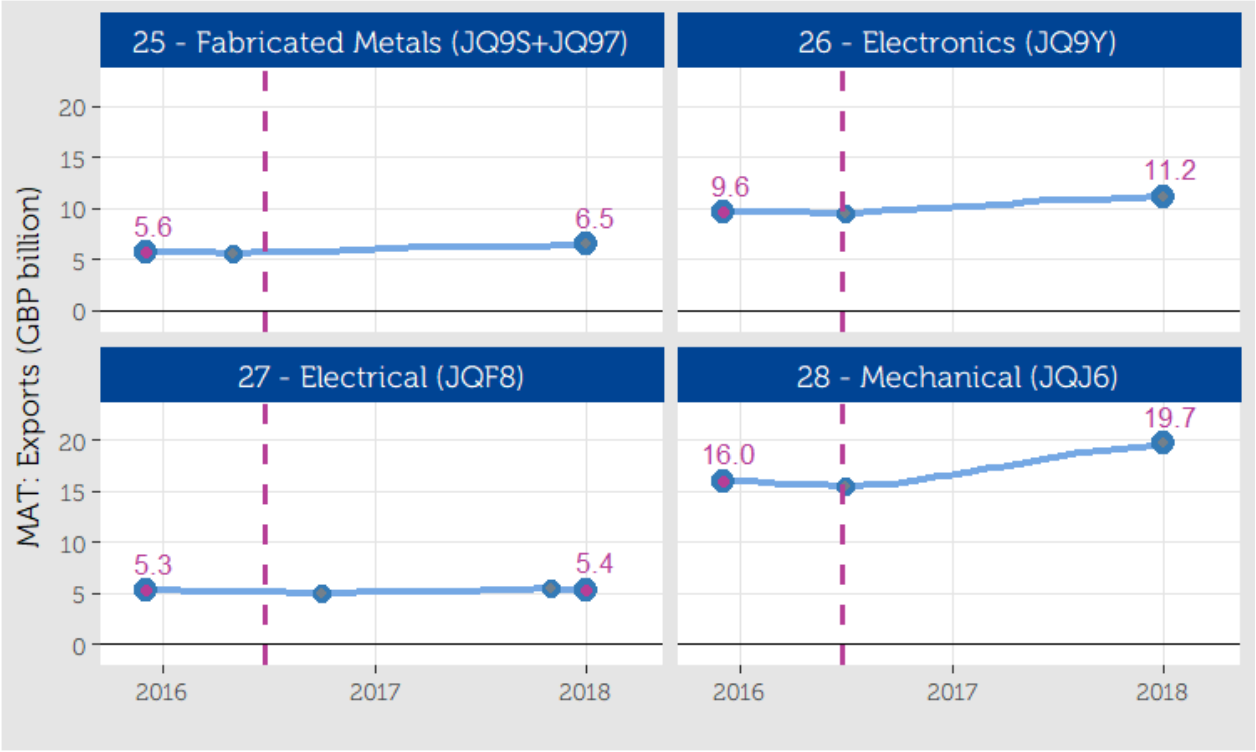
11 Industry Level Indicators

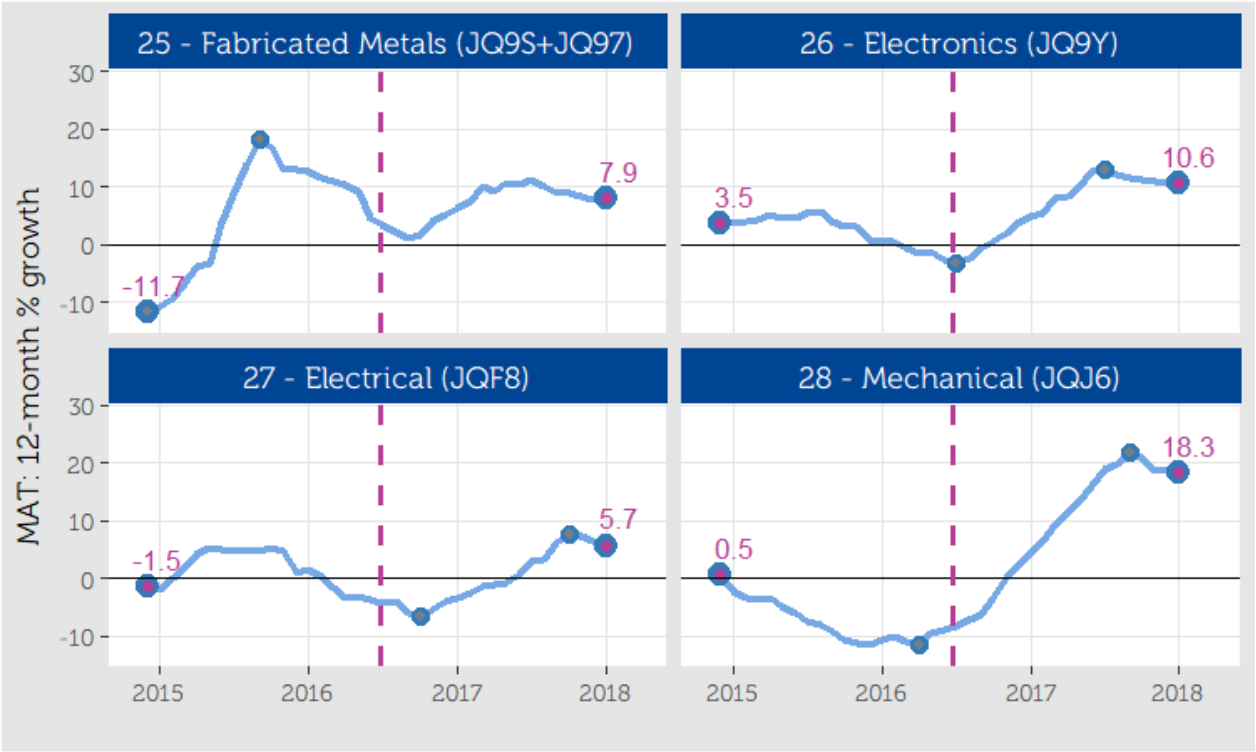
11.1 Turnover



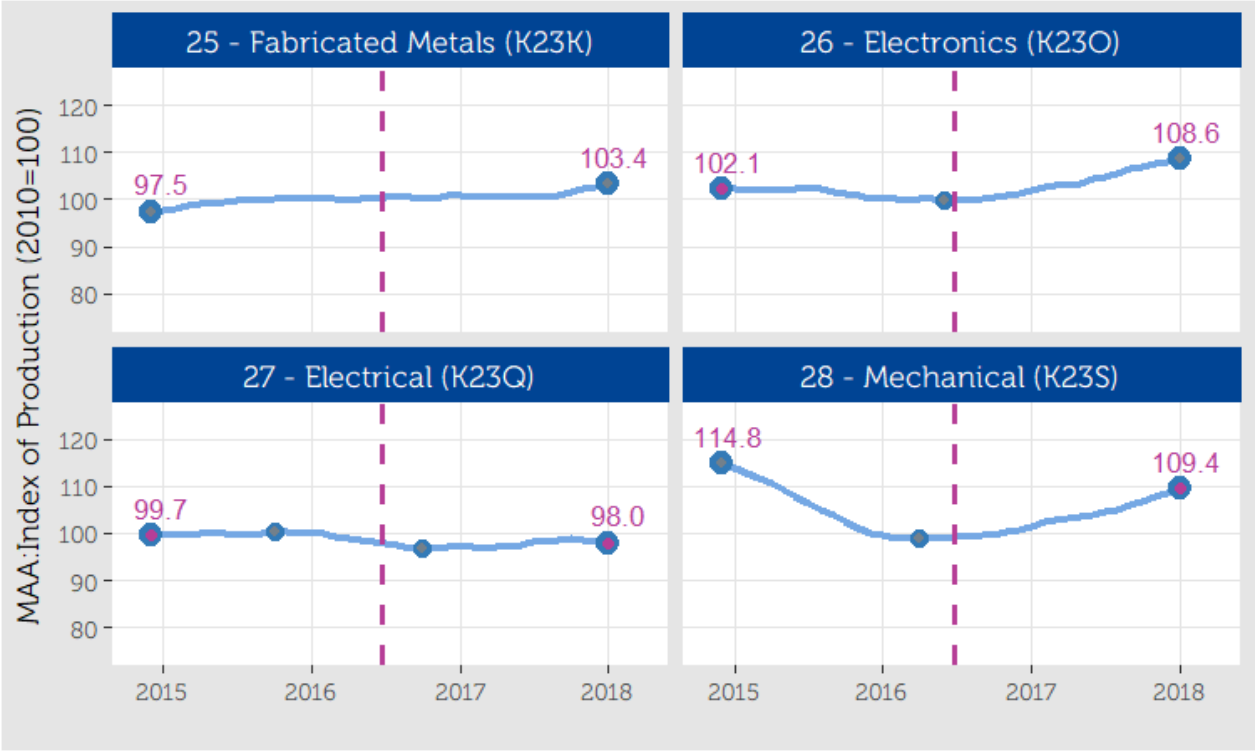


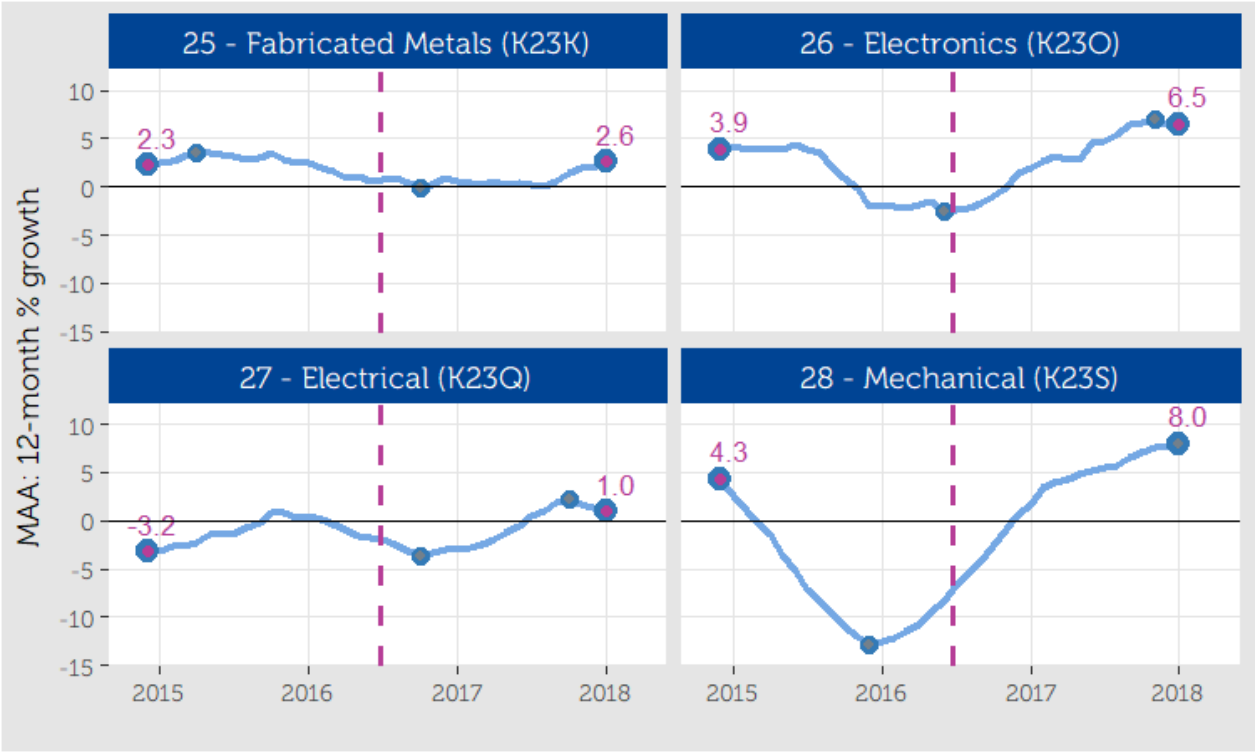
11.2 Exports


25 - Fabricated Metals (JQ9S+JQ97)
26 - Electronics (JQ9Y)
27 - Electrical (JQF8)
28 - Mechanical (JQJ6)
MAT: Exports (GBP billion)
5.6
6.5
9.6
11.2
5.3
5.4
16.0
19.7
2016
2017
2018

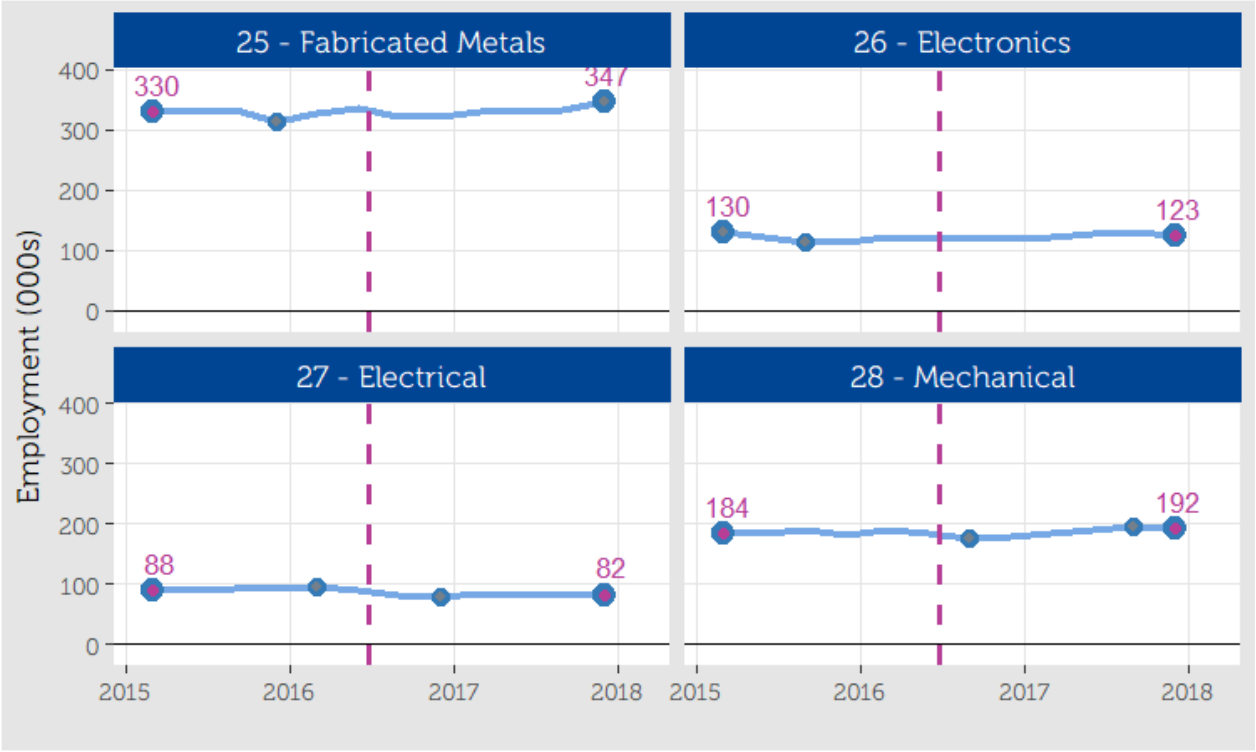

25 - Fabricated Metals (JQ9S+JQ97)
26 - Electronics (JQ9Y)
27 - Electrical (JQF8)
28 - Mechanical (JQJ6)
MAT: 12-month % growth
-11.7
7.9
3.5
10.6
-1.5
5.7
0.5
18.3
2015
2016
2017
2018

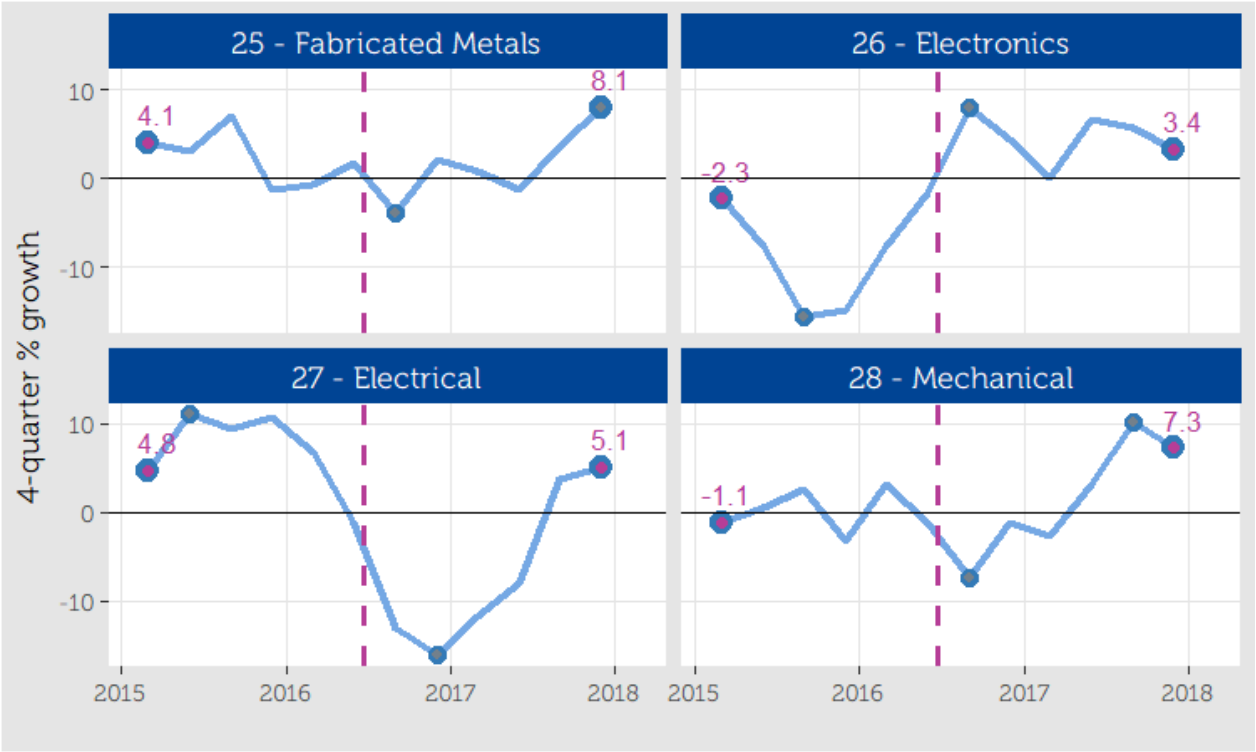
11.3 Index of Production



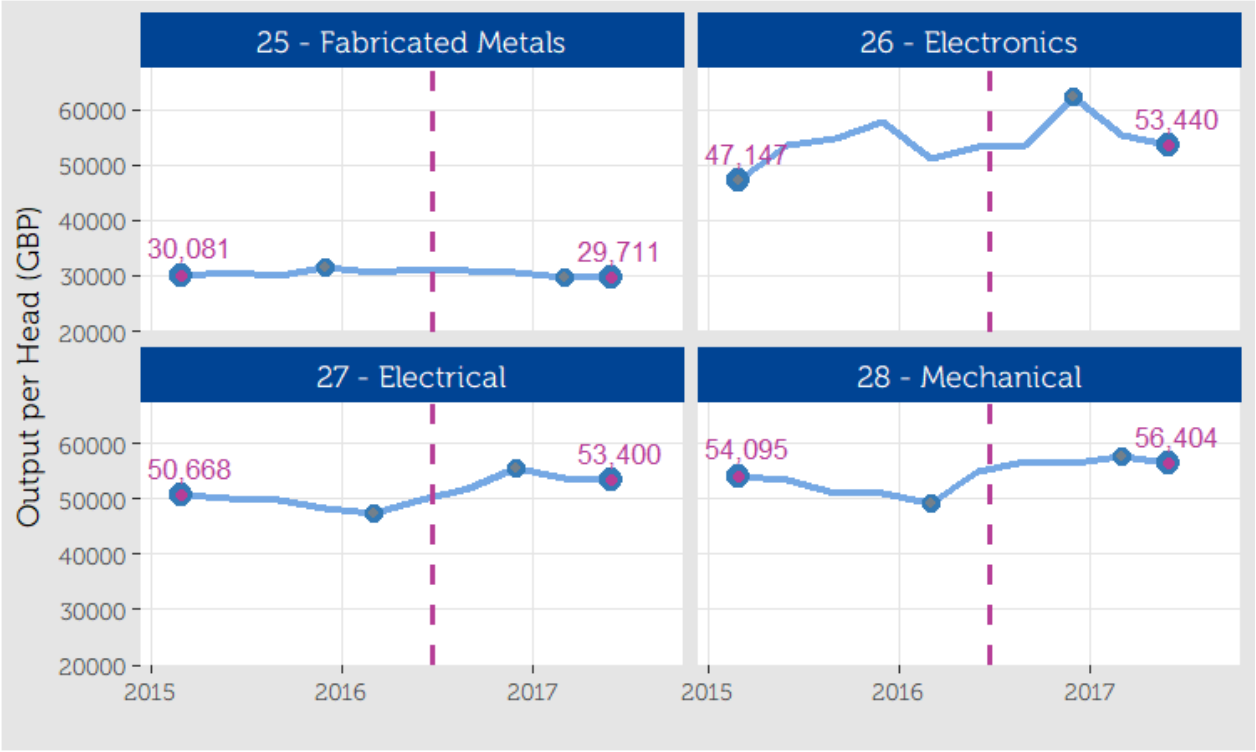


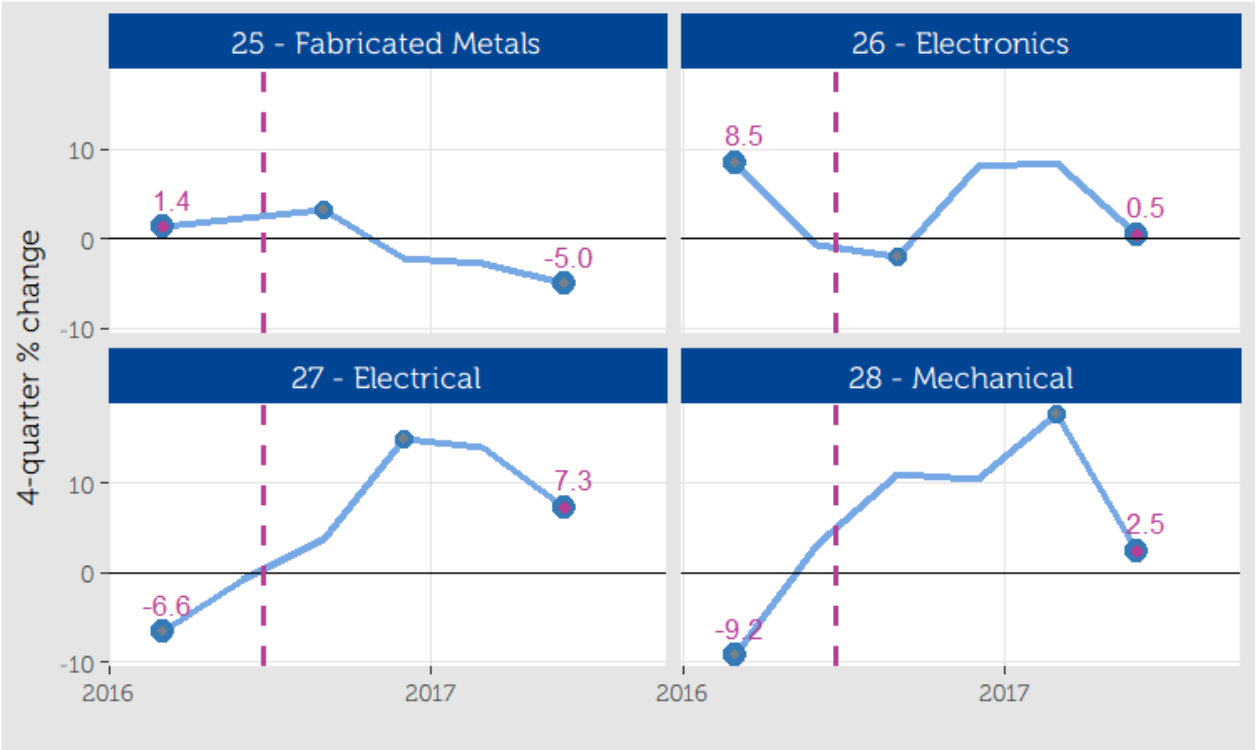
11.4 Employment (including Self-Employment)





11.5 Turnover per Head



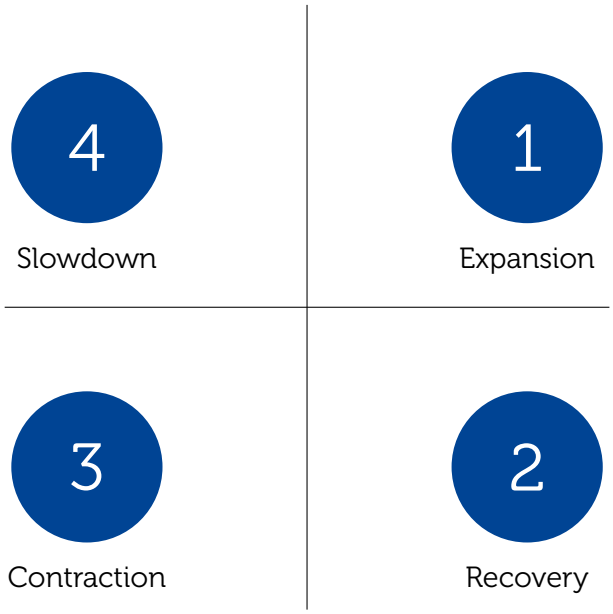


12 Growth Cycles

12.1 About Growth Cycles

Growth cycle, plots the annual growth of an indicator against the 1-month (or 1-quarter) growth. This put the indicator in one of 4 main quadrants:

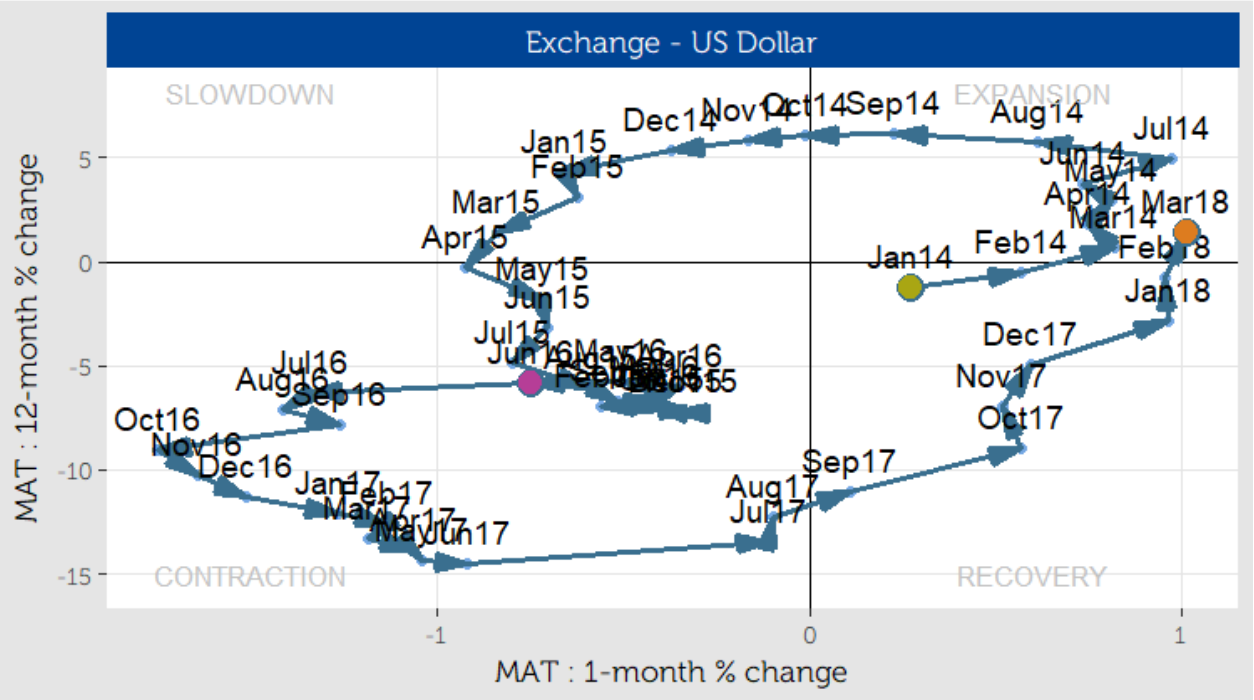
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



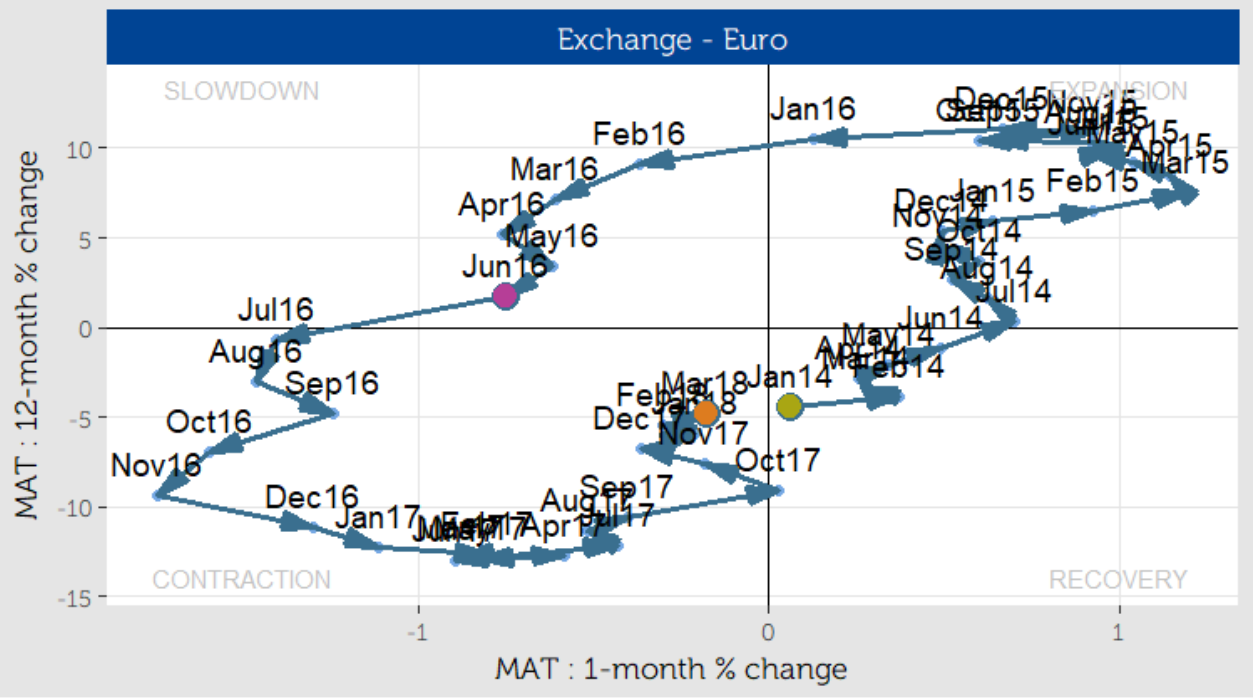
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

This section shows growth cycle plots of 8 selected indicators. The starting points are marked with green circle (●); purple circle (●) for referendum date and orange circle (●) for the current state.

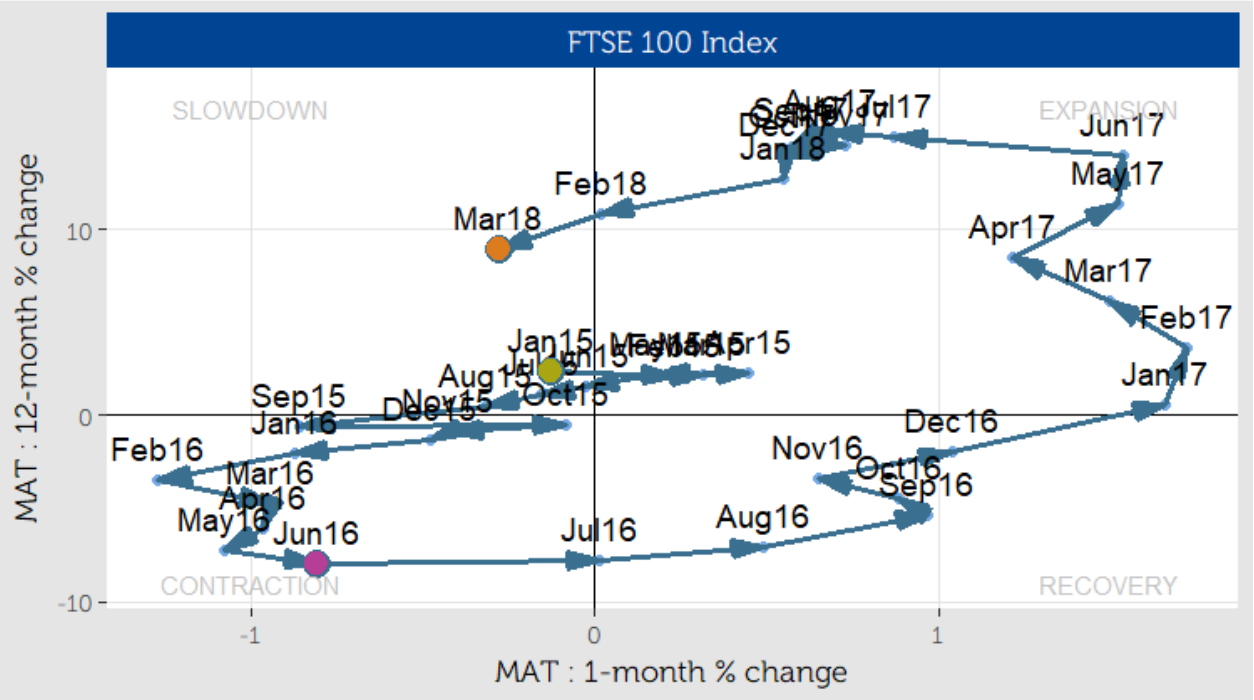
12.2 Exchange Rate (USD)



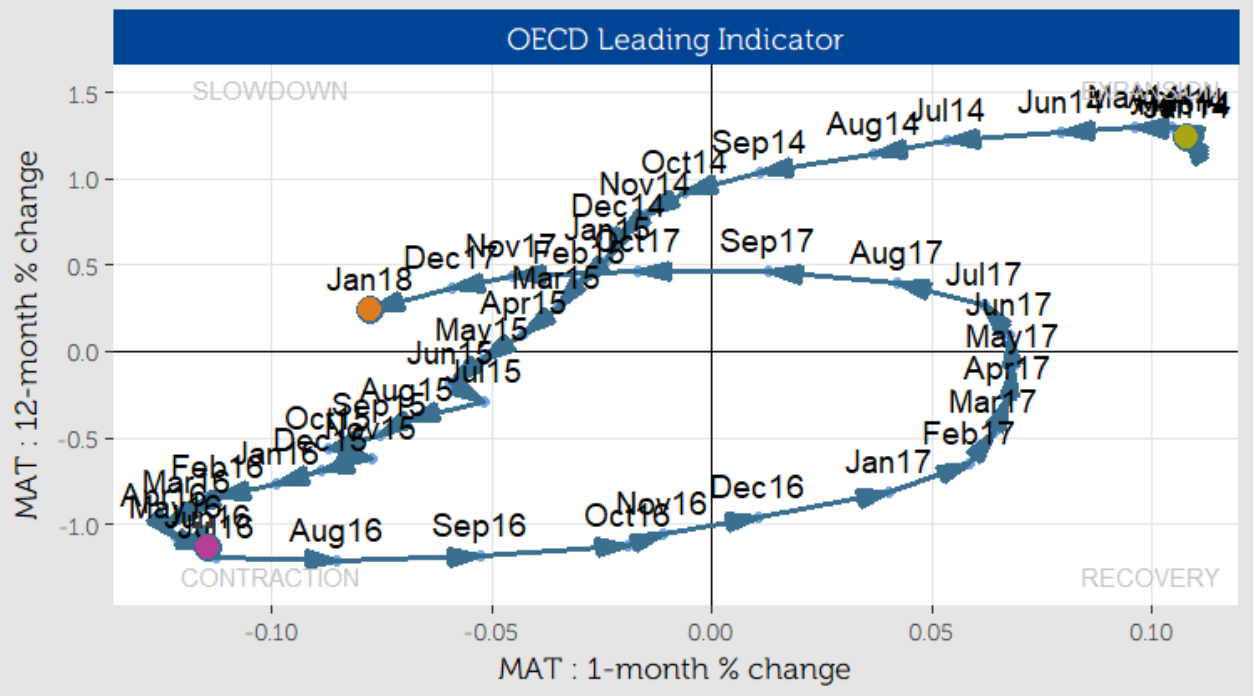
12.3 Exchange Rate (Euro)



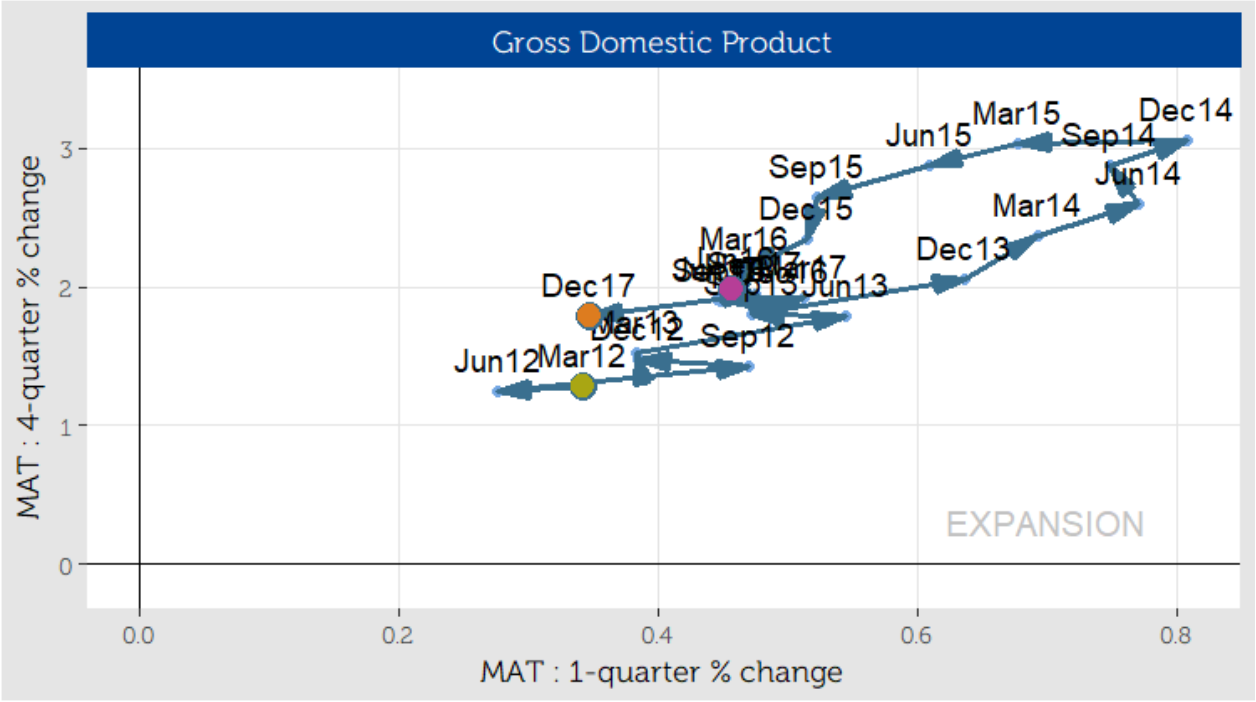
12.4 FTSE 100 Index



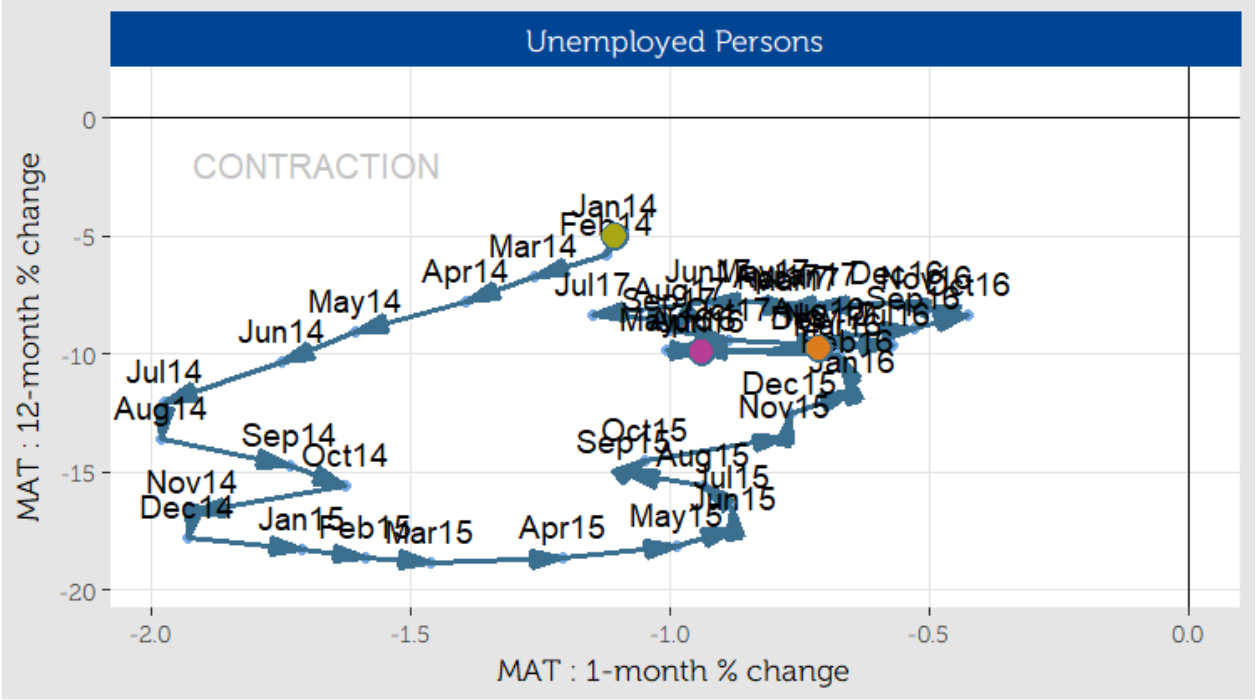
12.5 OECD Composite Leading Indicator - UK



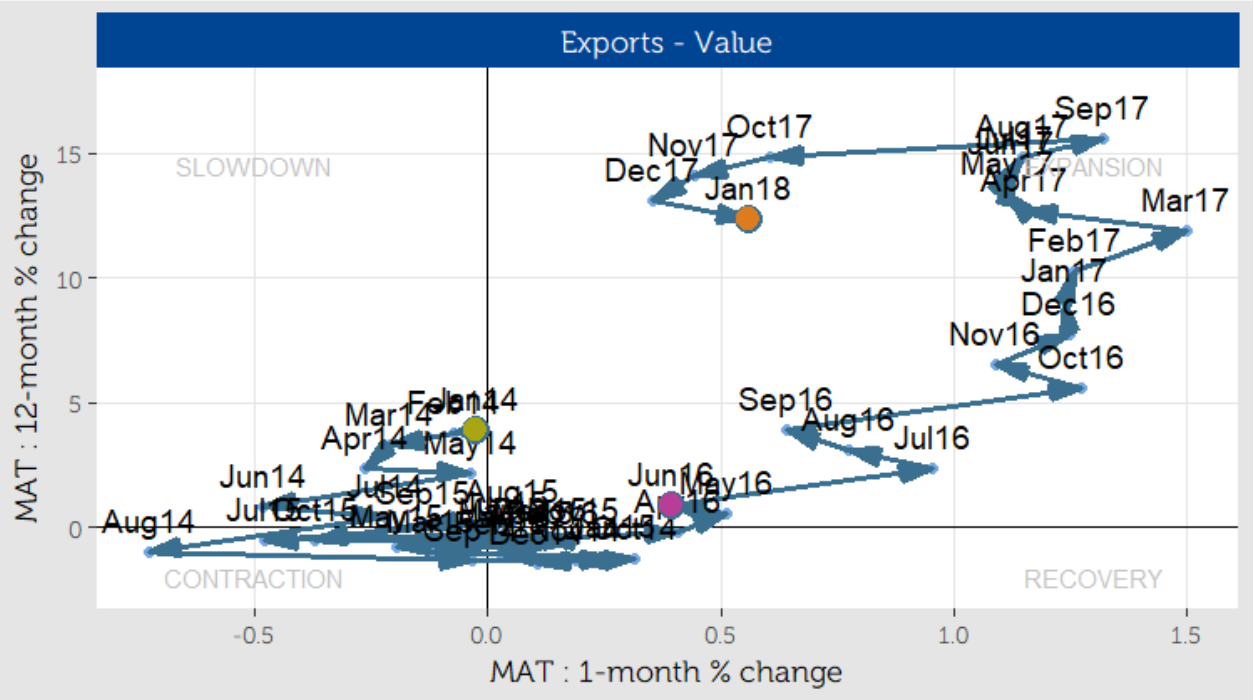
12.6 Gross Domestic Product - GDP (ABMI-PN2)



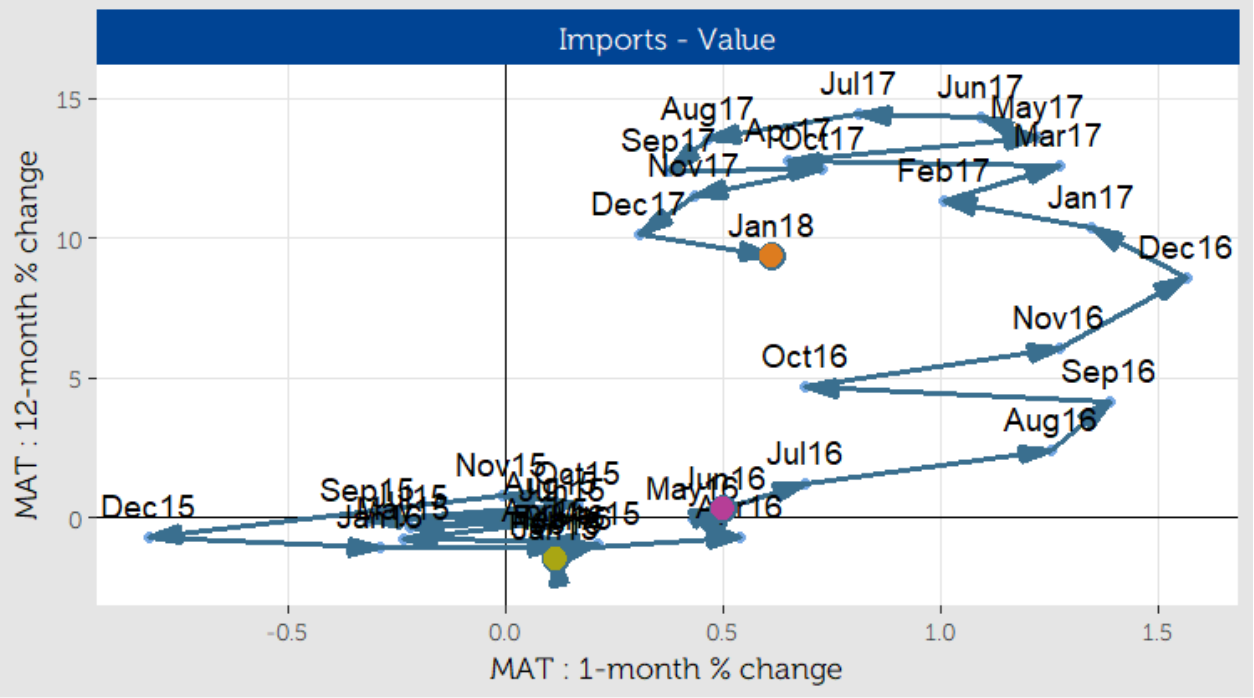
12.7 Unemployed Persons (MGSC)



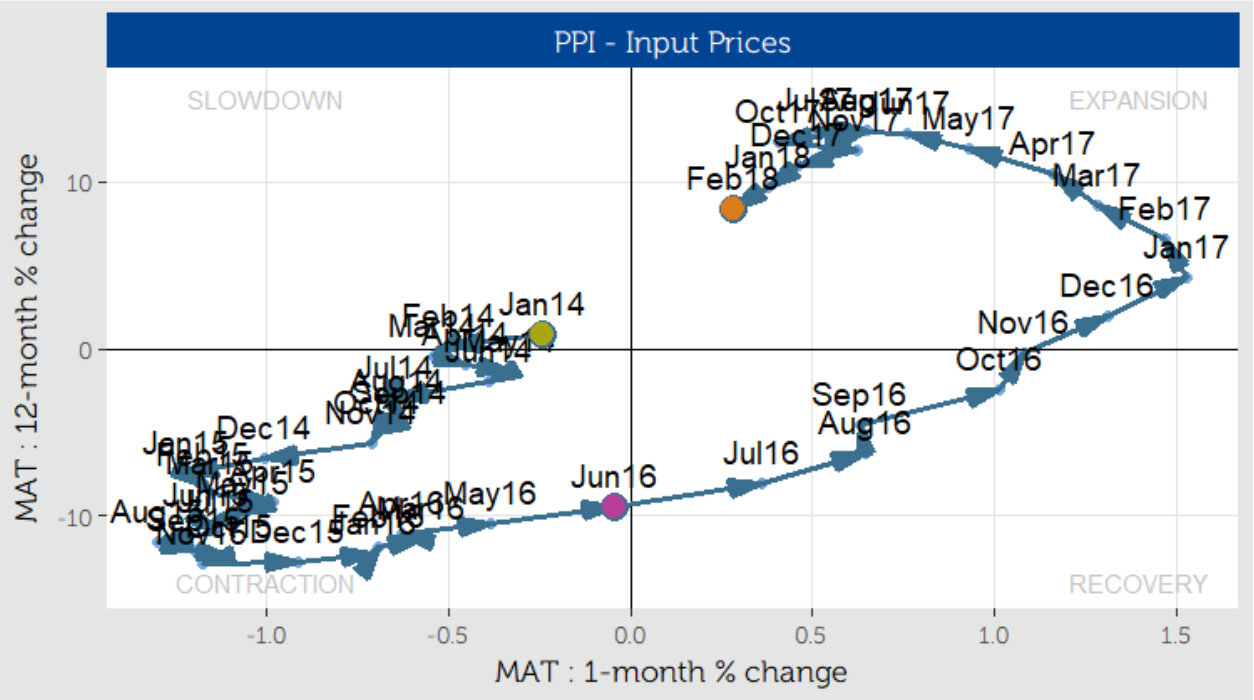
12.8 Exports - Value (IKBH)



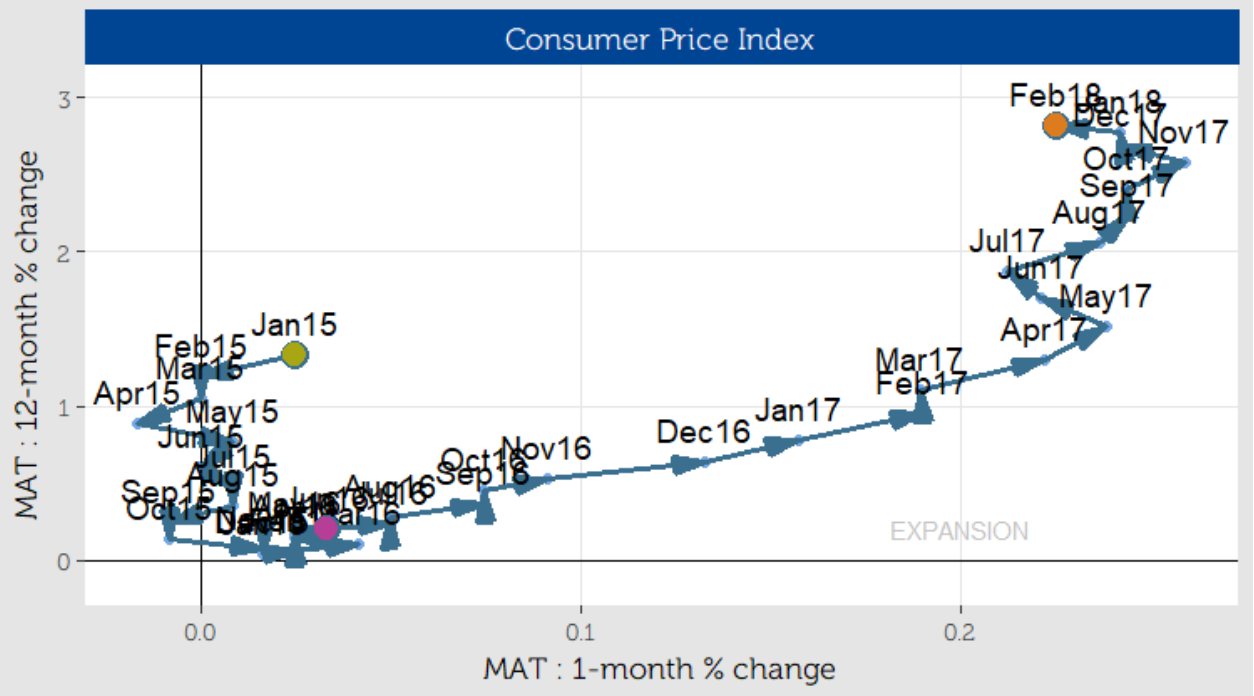
12.9 Imports - Value (IKBI)



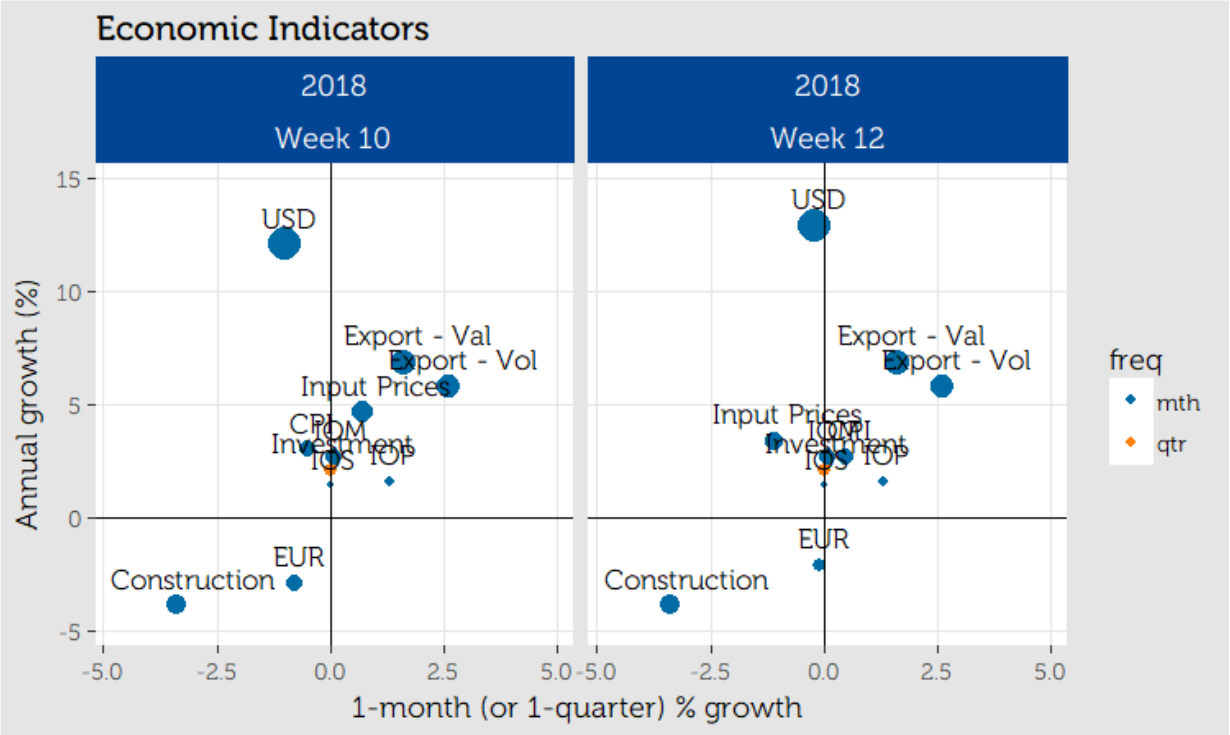
12.10 Input Prices (K646)

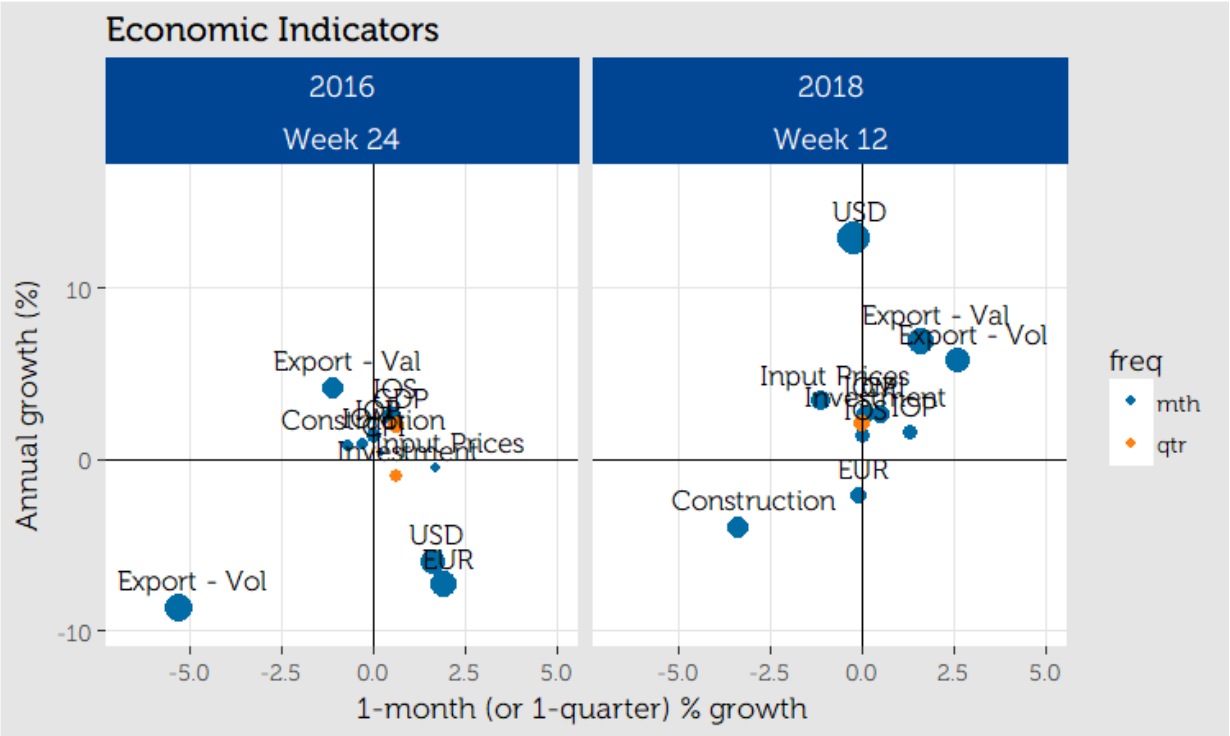


12.11 Consumer Price Index (D7BT)



12.12 Current State

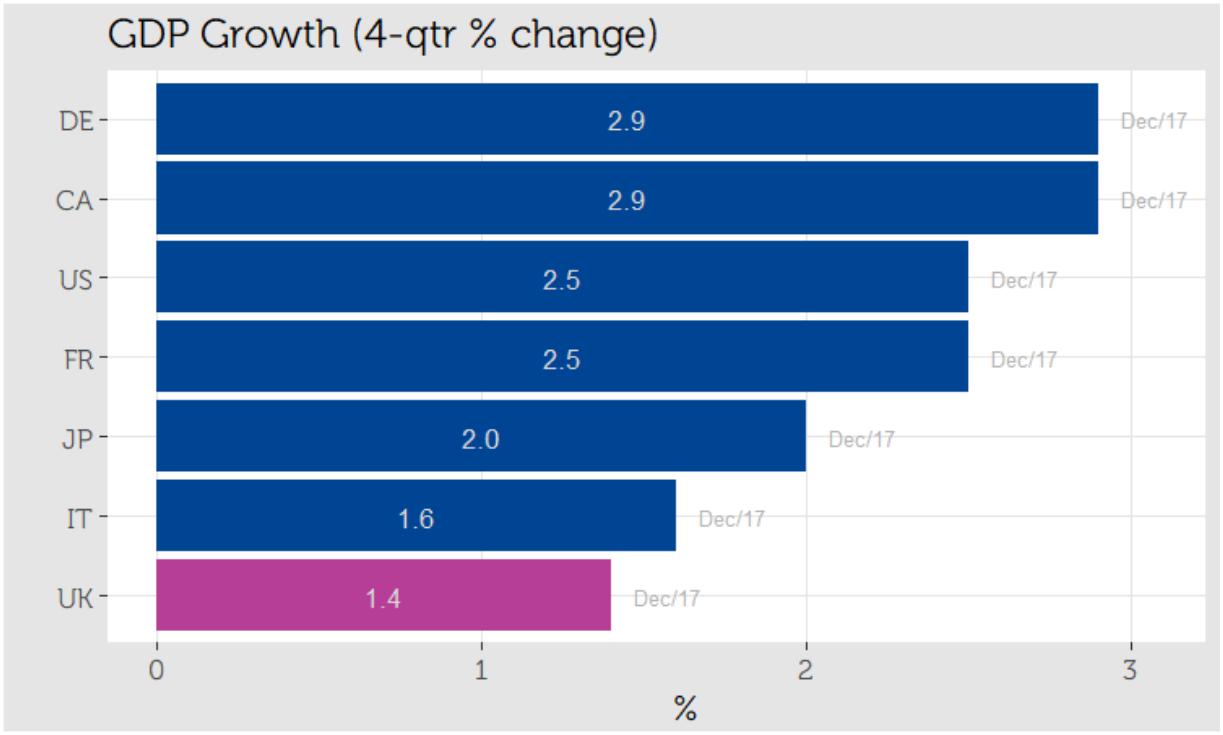


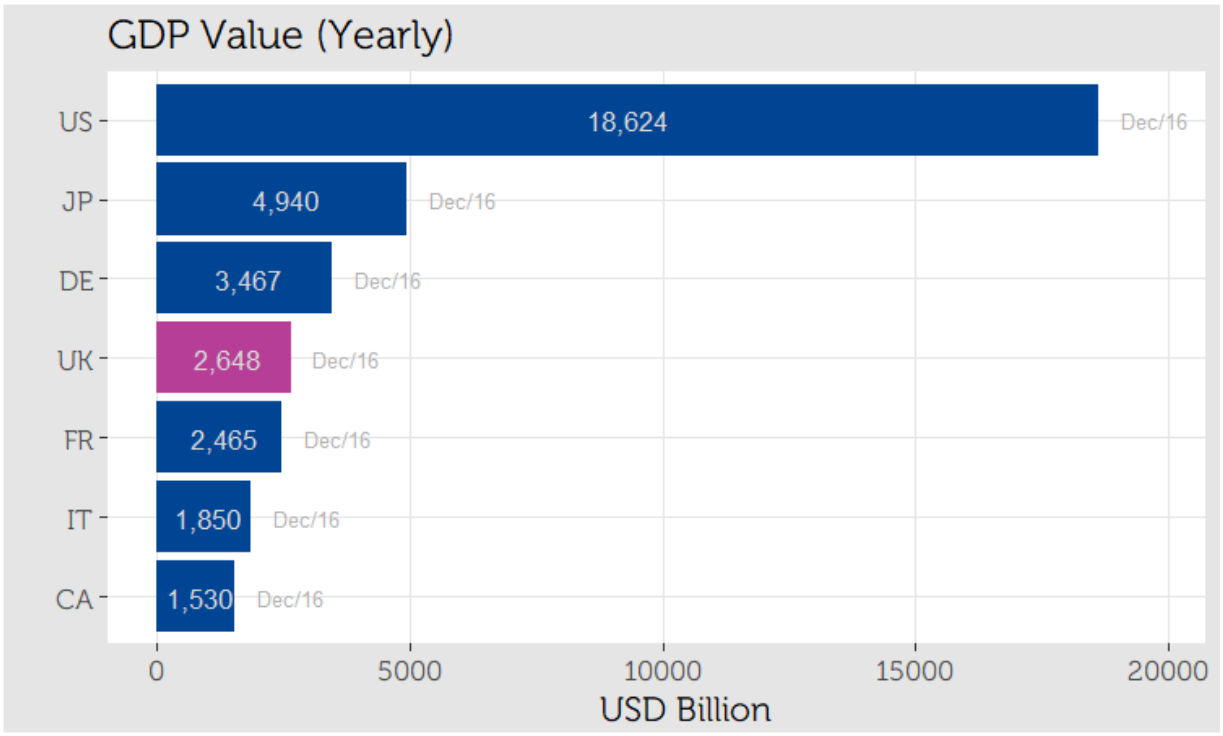


Top: Indicators growth - Current week versus previous week.
Bottom: Indicators Growth - Before Referendum vote versus current week

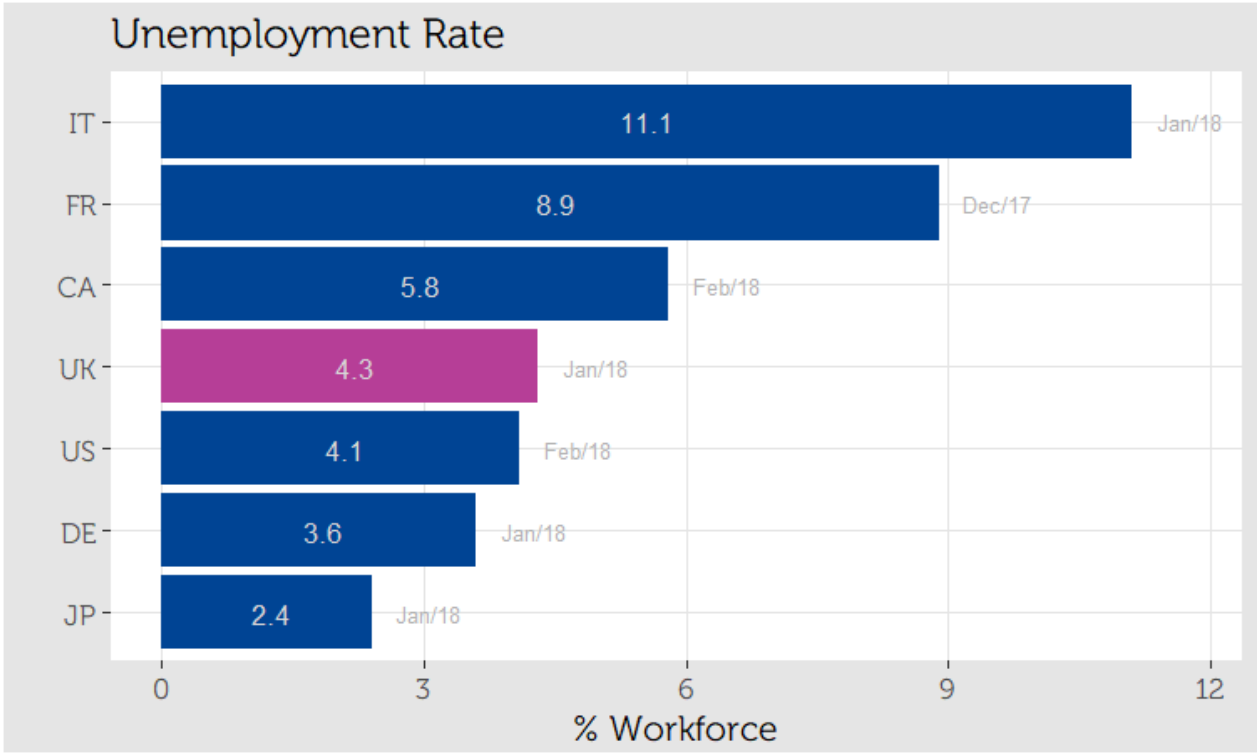
13 G7 Indicators (Latest)

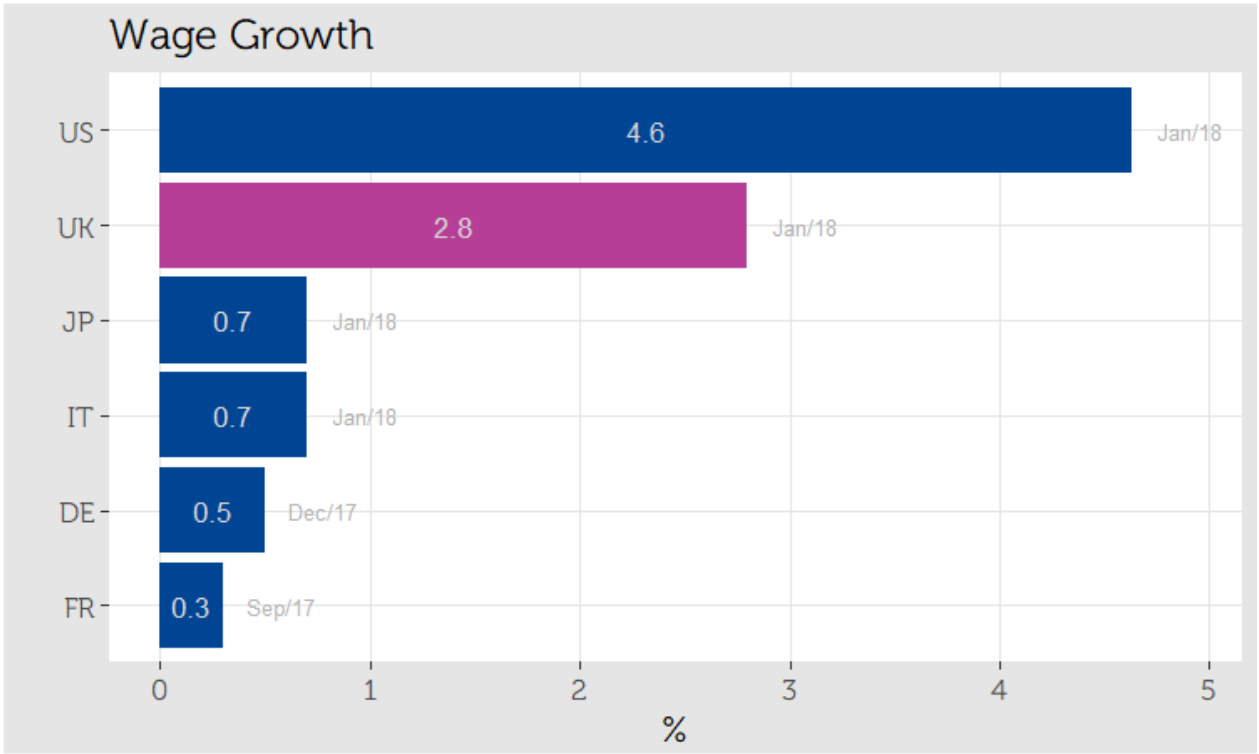
13.1 Gross Domestic Product (GDP)



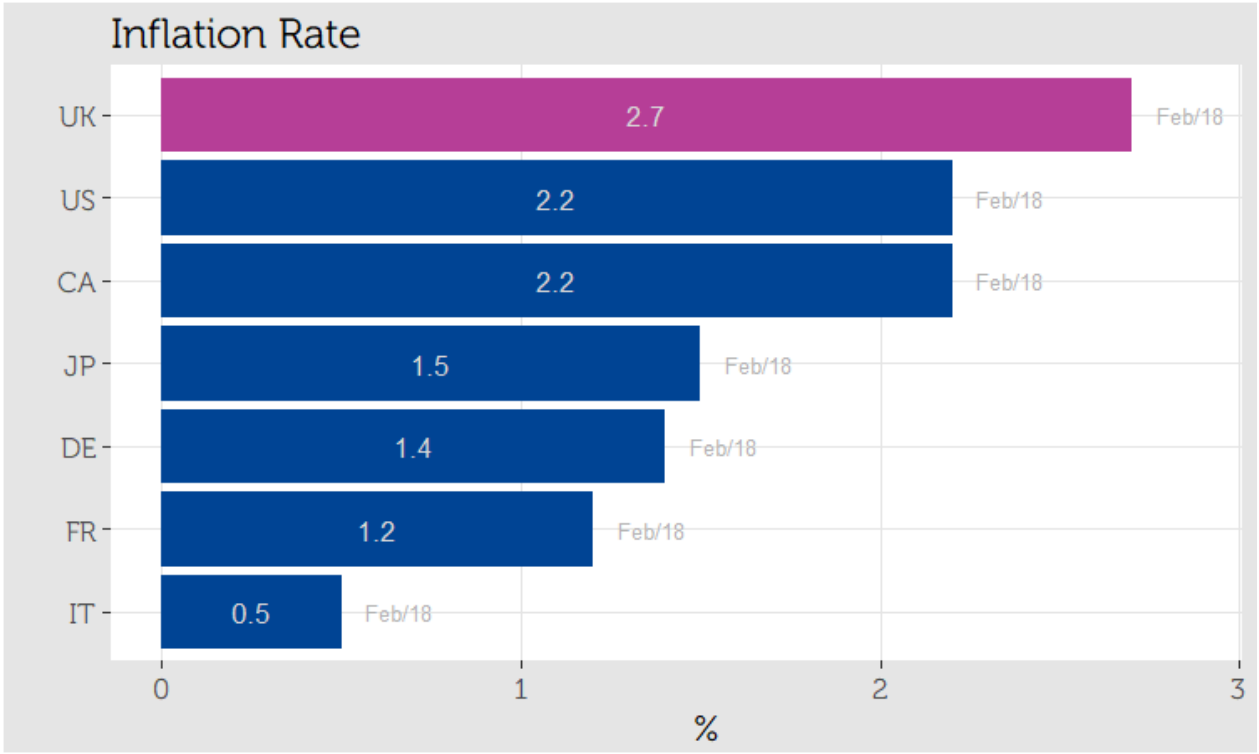


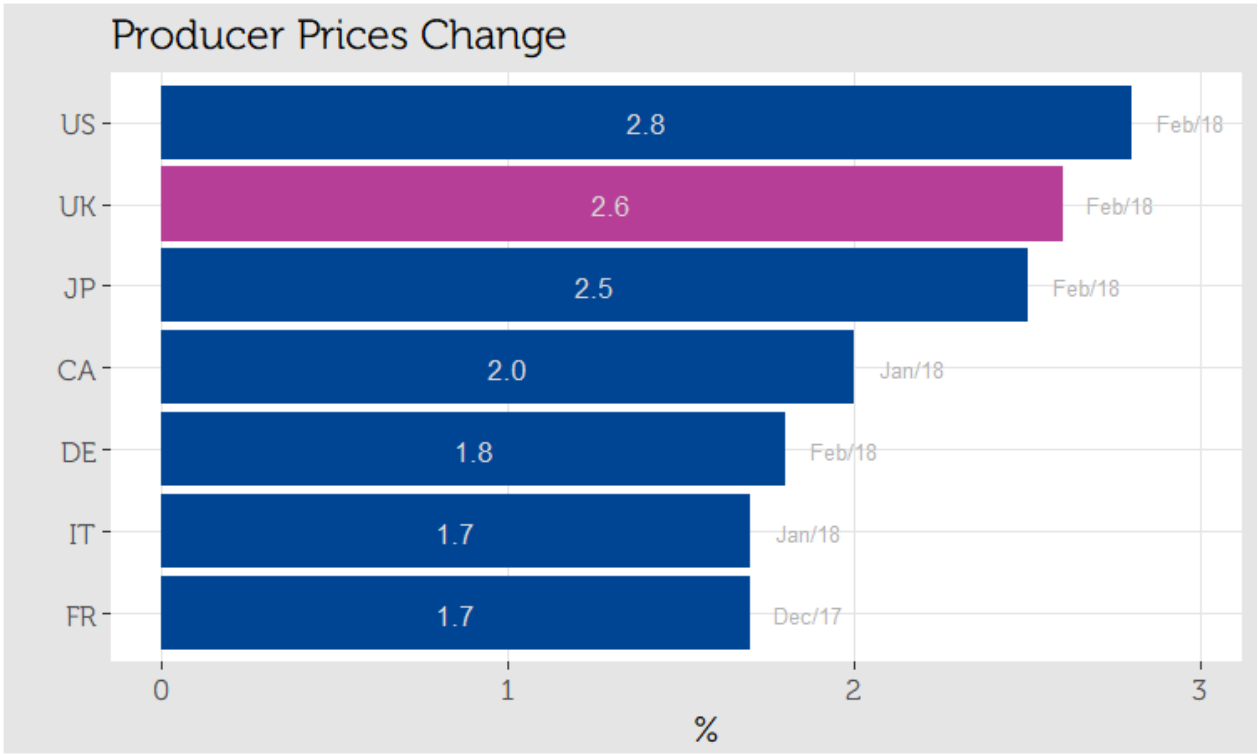
13.2 Unemployment & Wage Growth



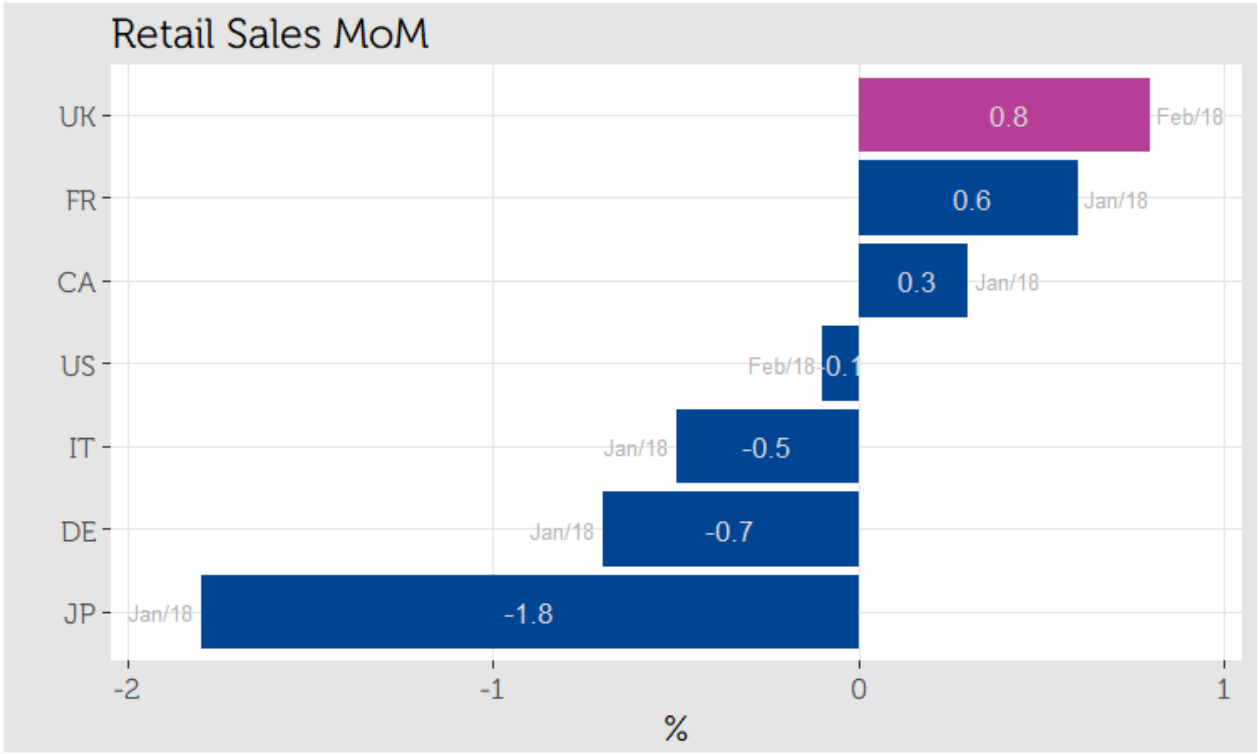


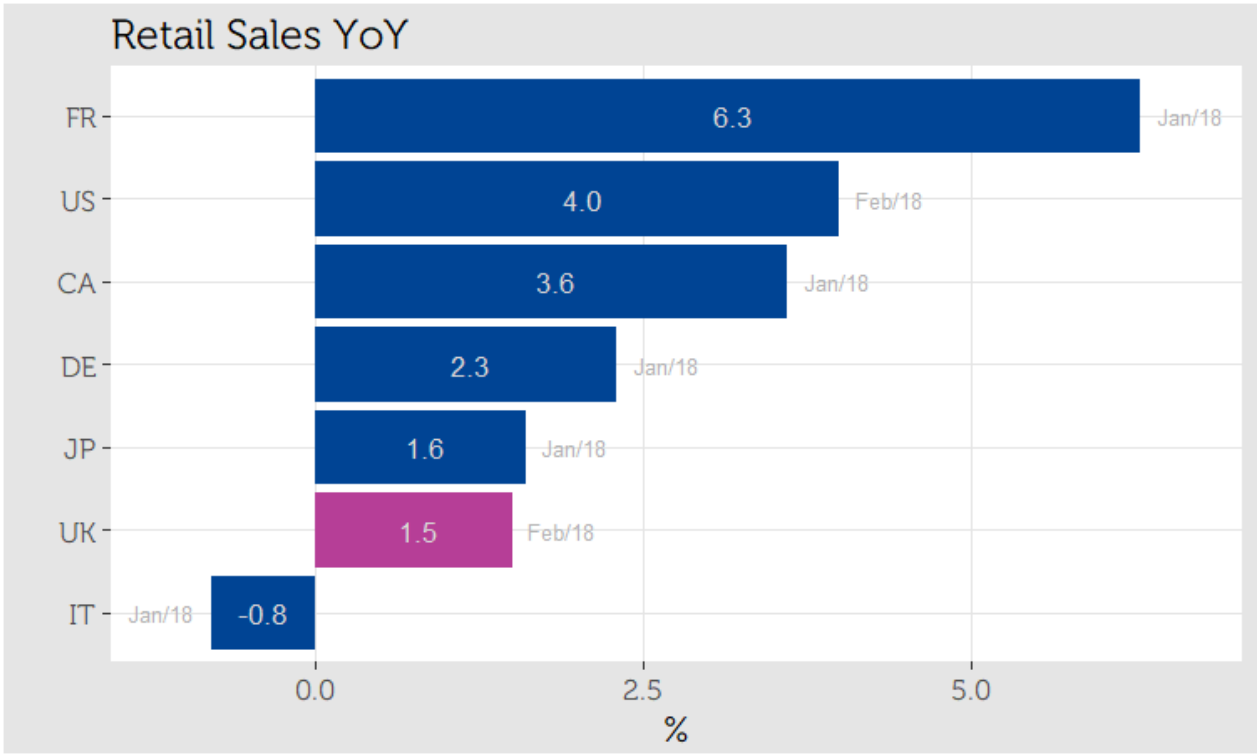
13.3 Inflation & Producer Prices



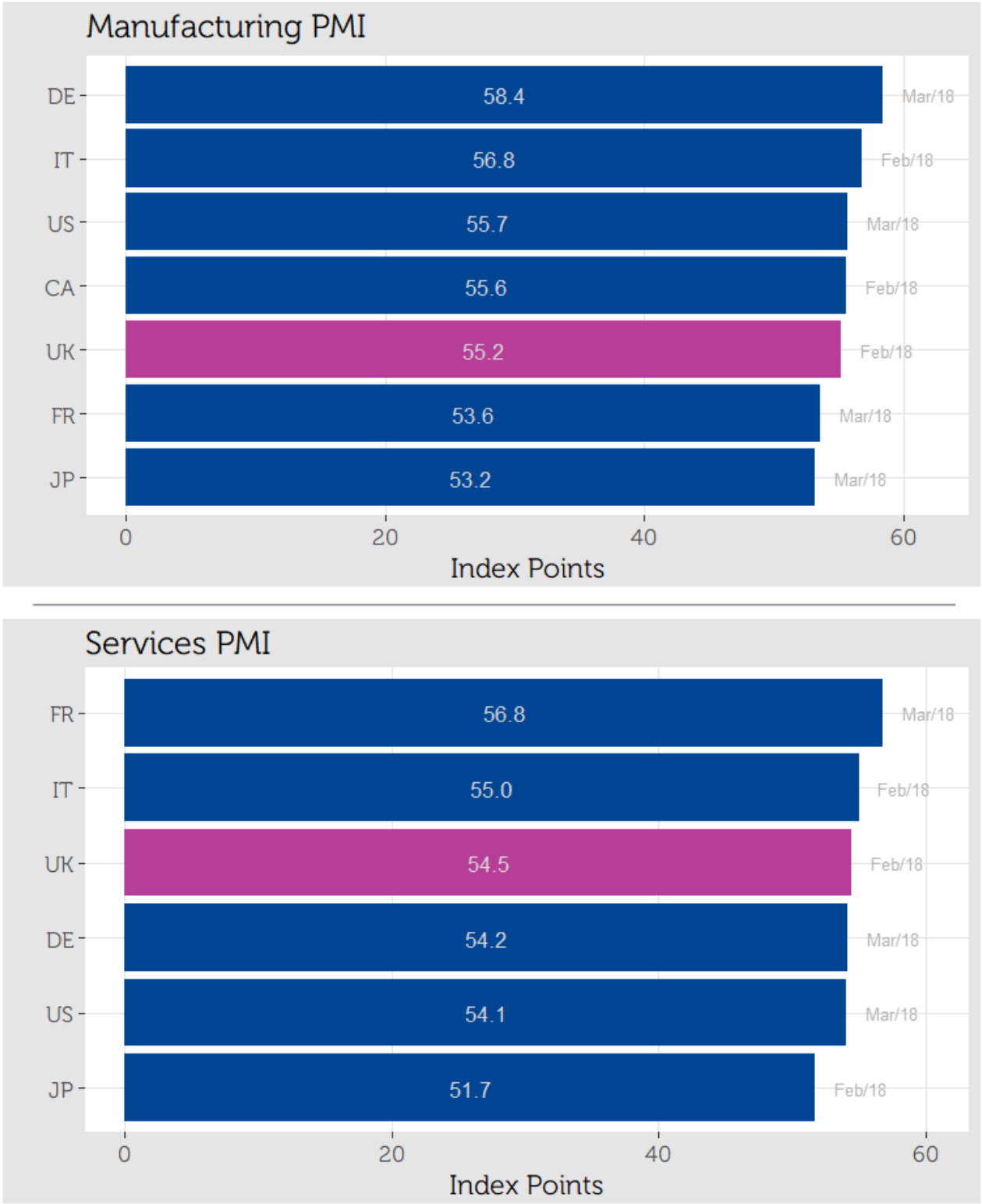


13.4 Retail Sales

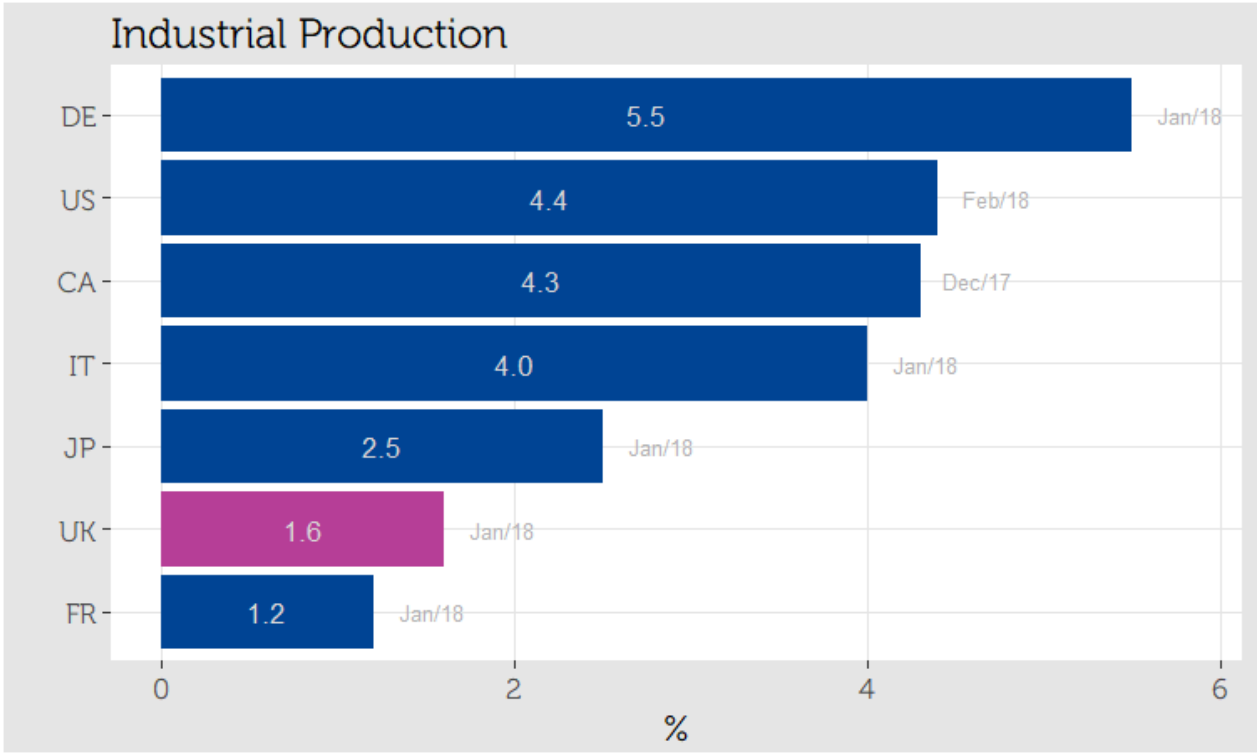


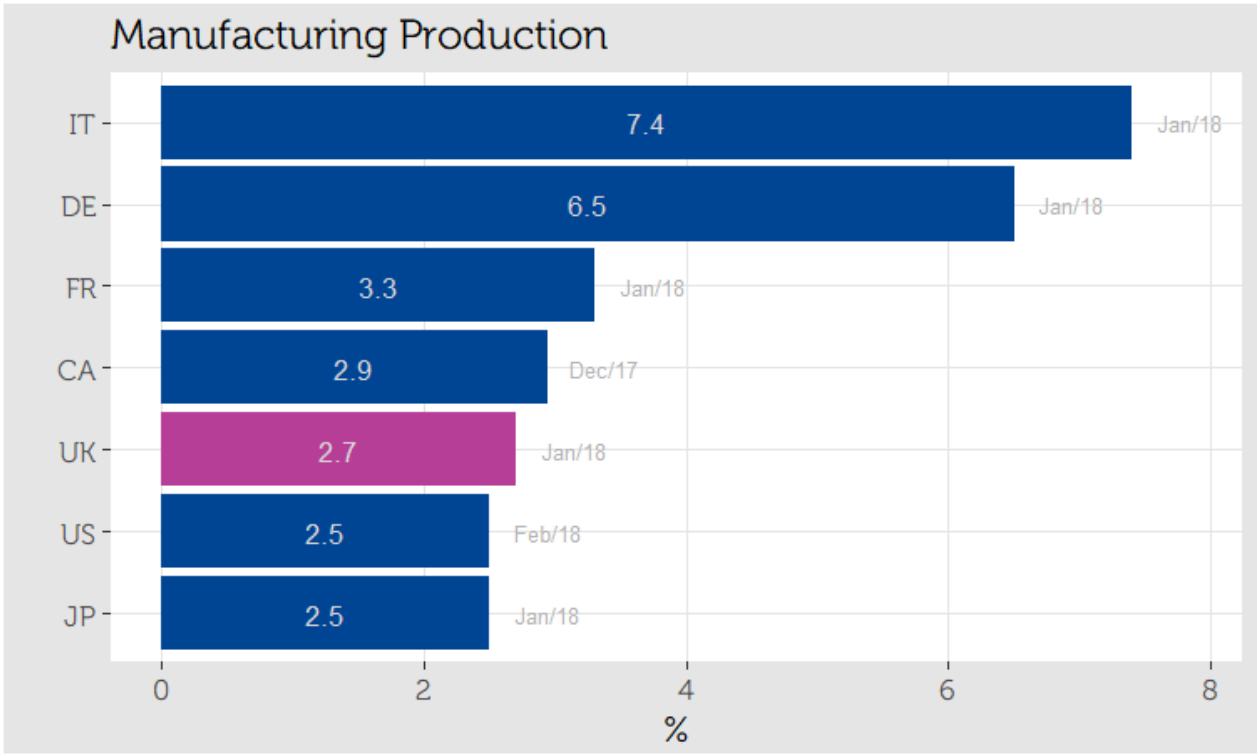


13.5 Purchasers Managers Index - Manufacturing & Services

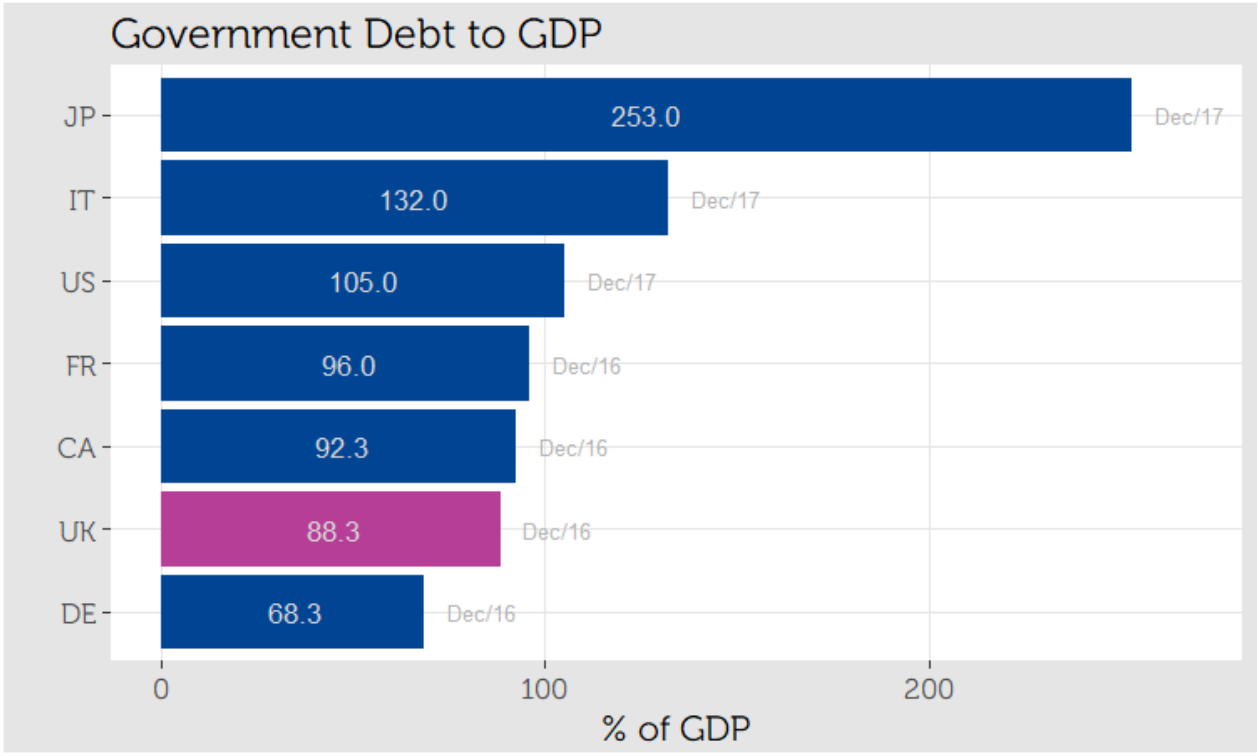


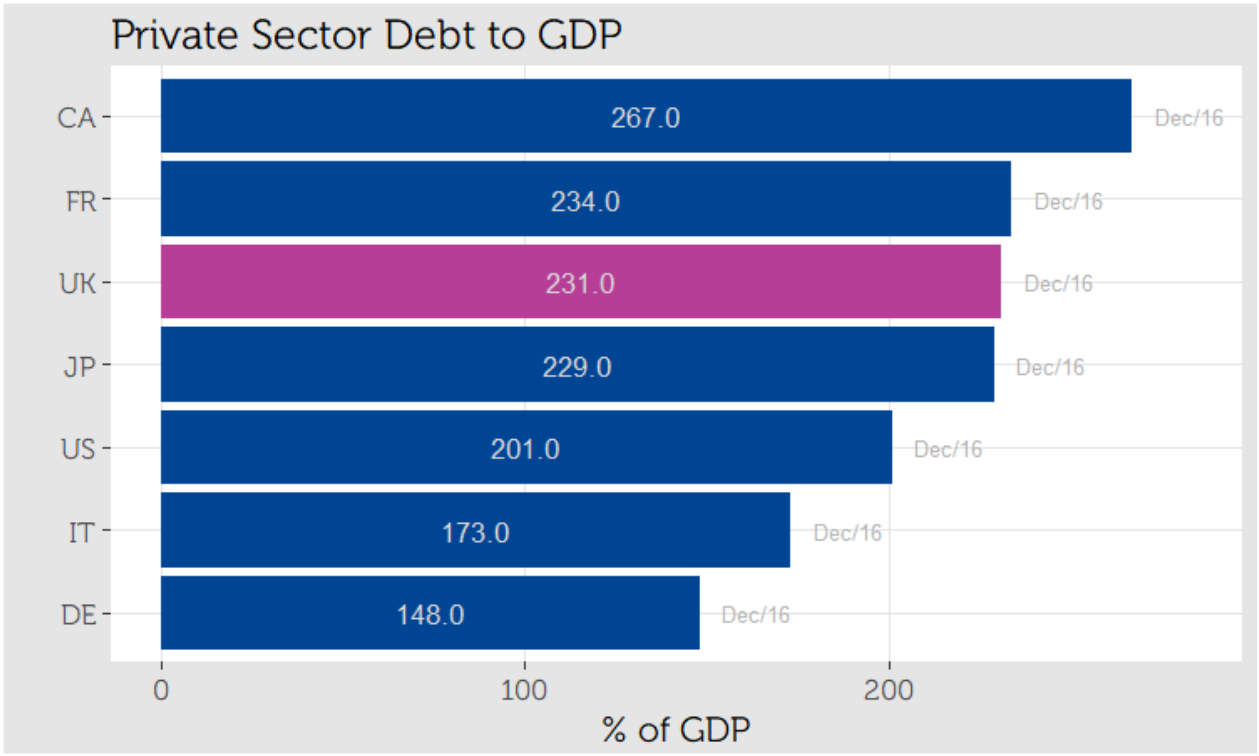
13.6 Industrial Production & Manufacturing



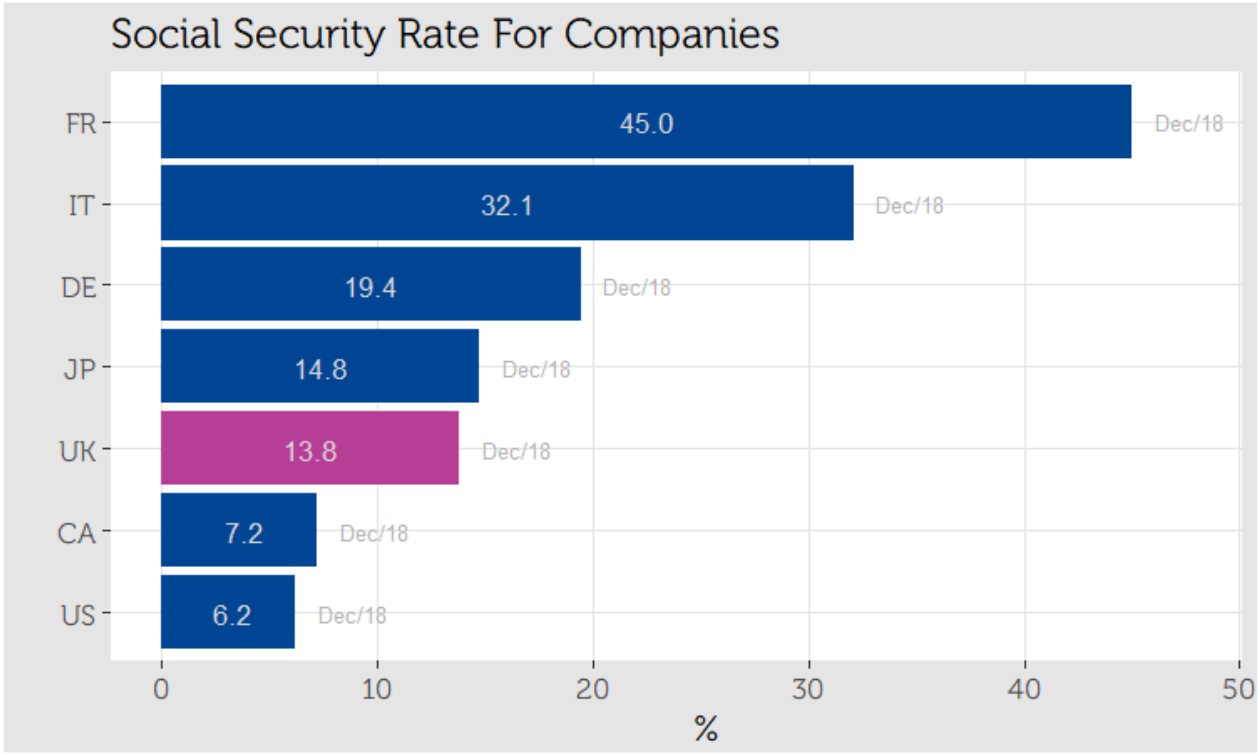


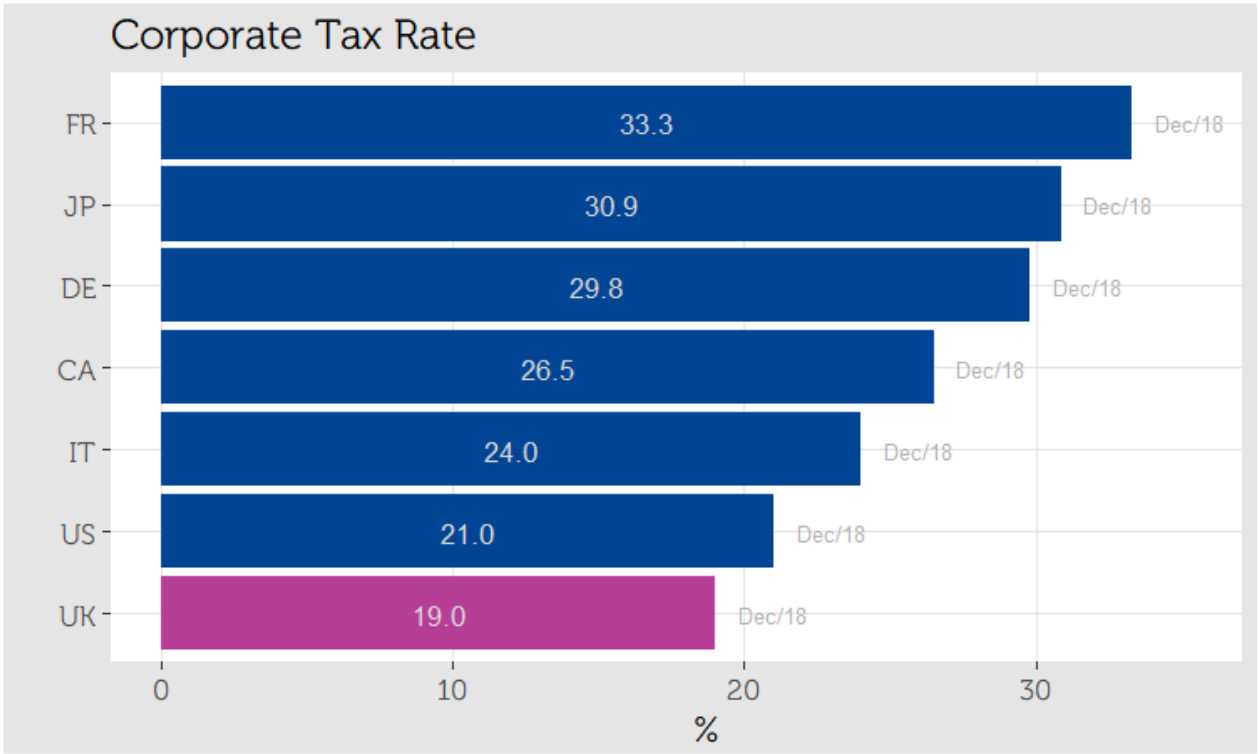
13.7 Debt


Government Debt to GDP
JP
IT
US
FR
CA
UK
DE
253.0
132.0
105.0
96.0
92.3
88.3
68.3
Dec/17
Dec/17
Dec/17
Dec/16
Dec/16
Dec/16
Dec/16
0
100
200
% of GDP


Private Sector Debt to GDP
CA
FR
UK
JP
US
IT
DE
267.0
234.0
231.0
229.0
201.0
173.0
148.0
Dec/16
Dec/16
Dec/16
Dec/16
Dec/16
Dec/16
Dec/16
0
100
200
% of GDP

13.8 Employer Social Security Rate & Corporate Tax

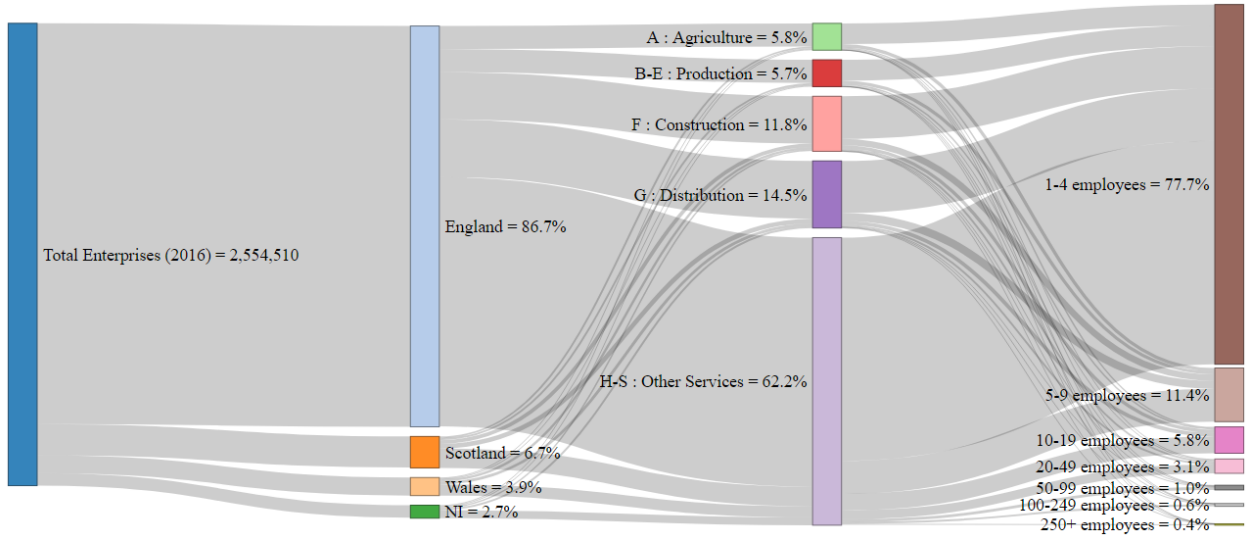




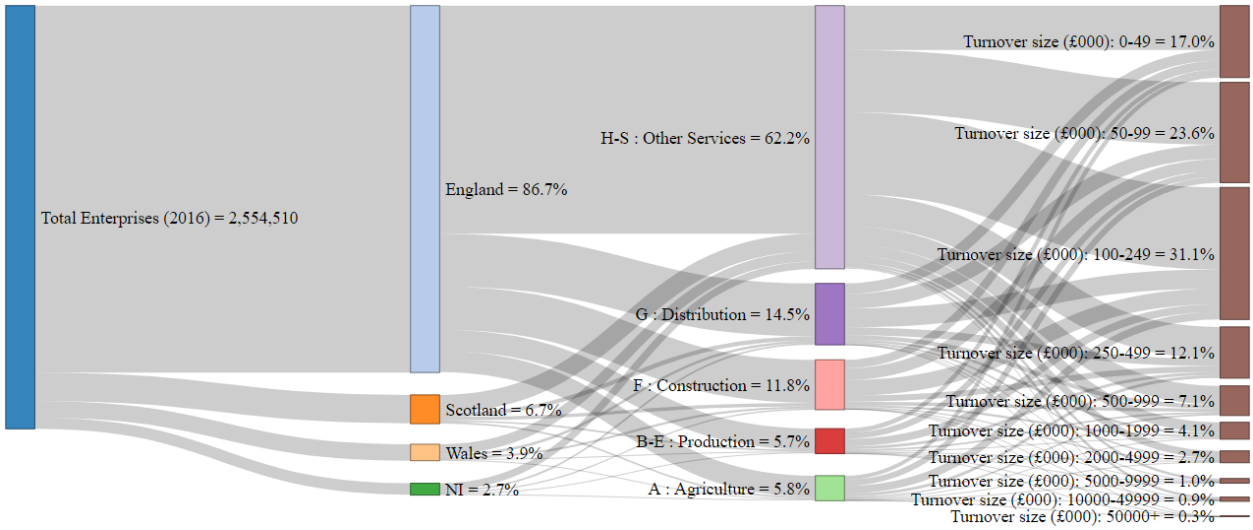
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

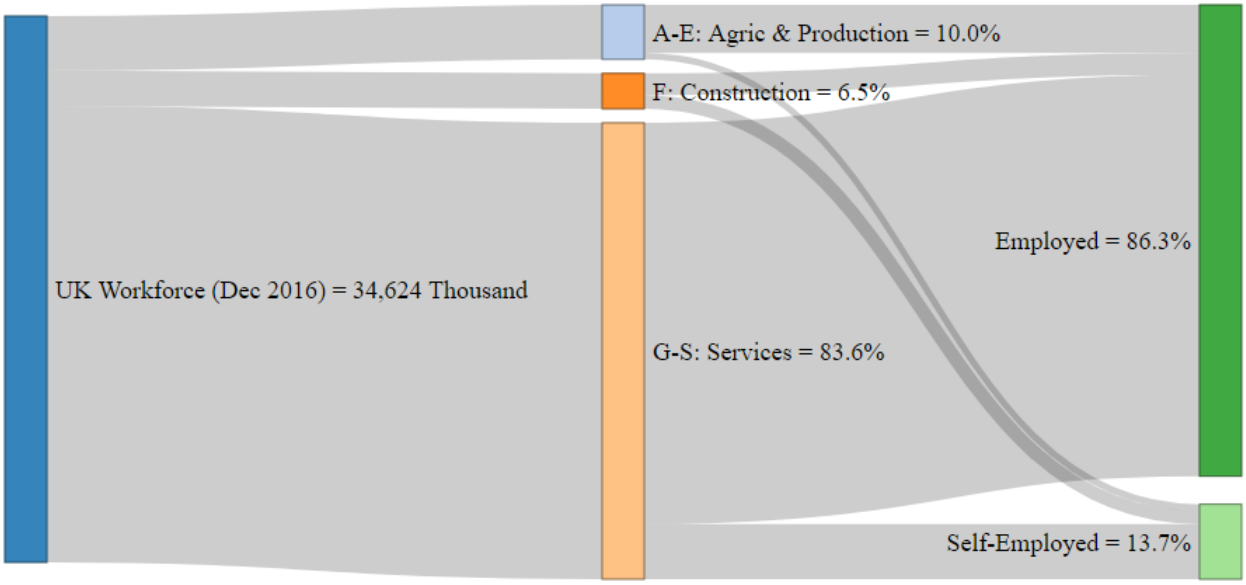


A.2 Enterprises by Turnover Size Band

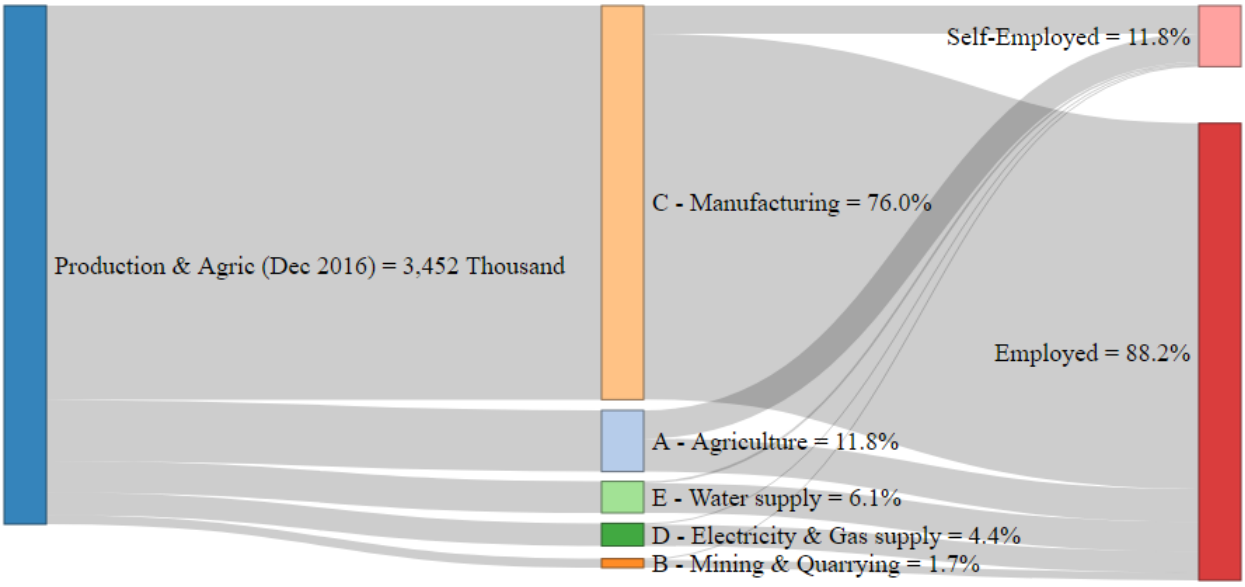


B UK Employment Structure

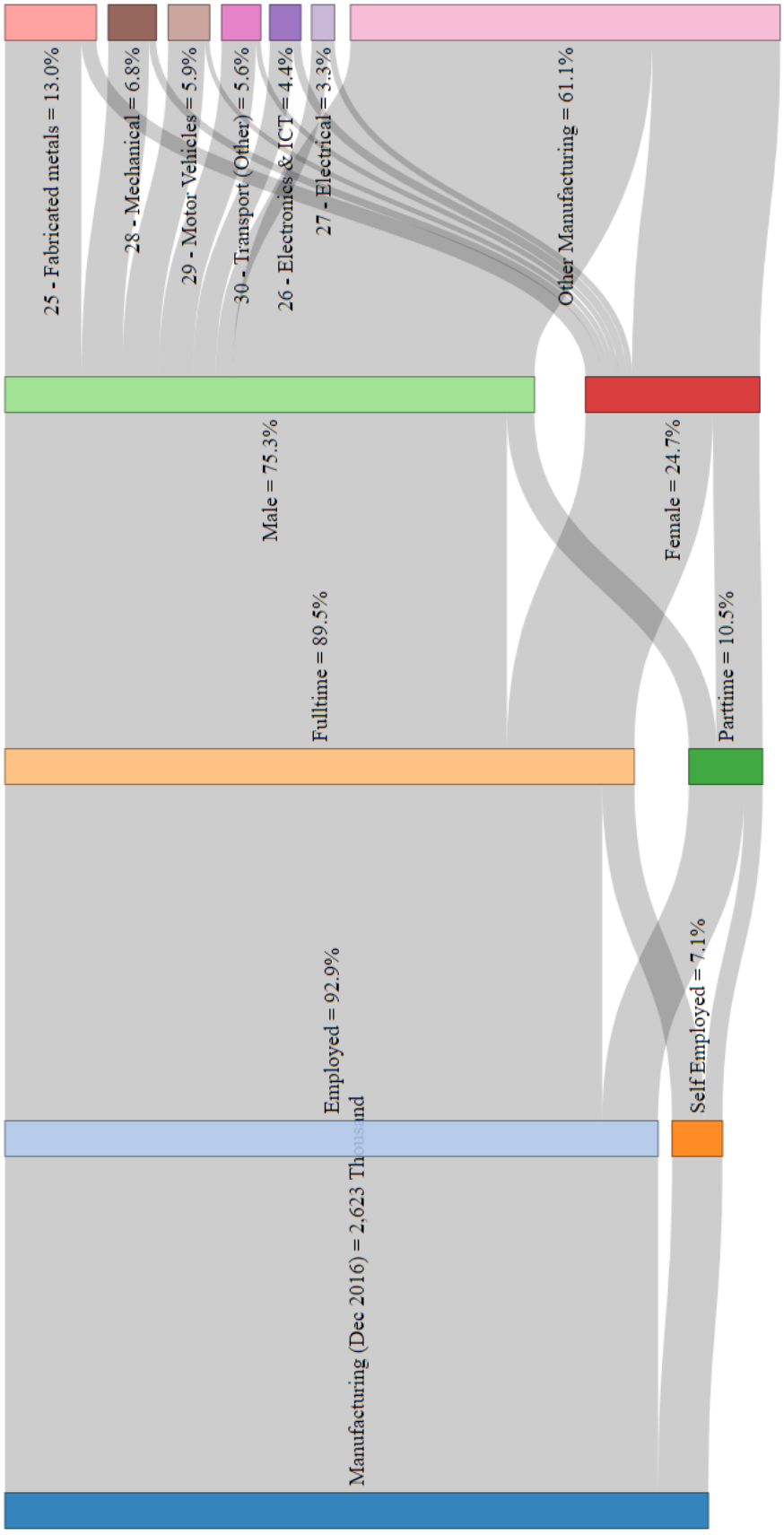
B.1 UK Workforce



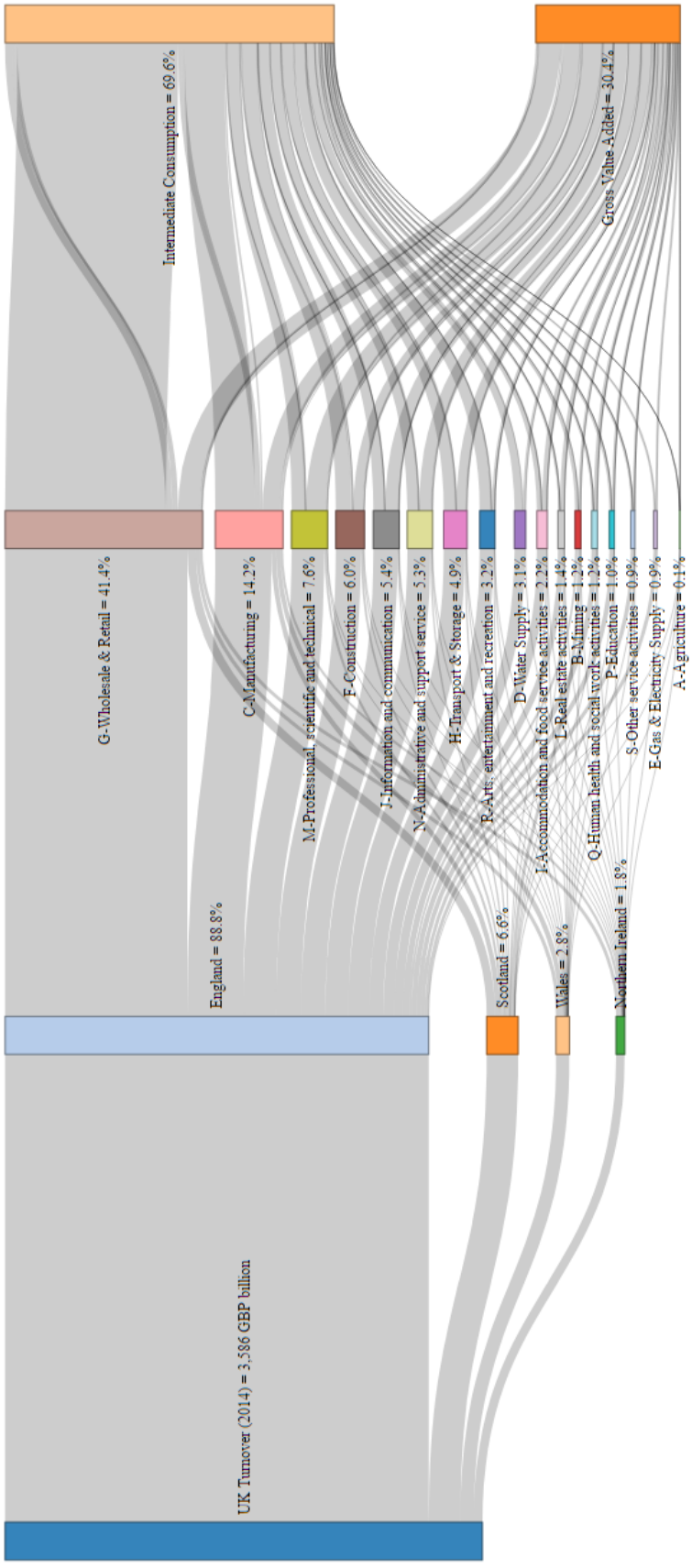
B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



C UK Industrial Output by Region



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

D Data sources

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

E Information about EURIS

EURIS is an advisory body for the potential impacts of the changing relationship between the UK and EU for the UK Government, manufacturers and media. EURIS members are industry trade associations BEAMA, GAMBICA, EAMA, REA, CESA, FETA and TechWorks, covering some 3500 companies across electrotechncial, electronics, renewables and mechanical engineering products. It has a focus on product manufacturers covered by the Single Market and the supporting regulations and standards. For more information on EURIS, please visit http://www.euristaskforce.org.

For further information on this report please contact:
Emmanuel Amoakohene (stats@beama.org.uk)
BEAMA, Rotherwick House, 3 Thomas More St, London, E1W 1YZ, Tel: **020 7793 3000**