



European Union Relationship & Industrial Strategy

Biweekly **BREXIT WATCH**

Issue 15

July 2018

Brexit Watch - 2018 Issue 15

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 30 in 2018 are as follows:

- ★ **Sterling** fell against the **US Dollar** in past 2 weeks but the month-to-date average in July 2018 was 1.1% higher than a year earlier.
- The final estimate of UK **GDP** growth in 2018 Q1 was revised up to 0.2% from 0.1%.
- **Unemployment** rate remained at 4.2%, a 47-year low, in the three months to April 2018 as the number employed increased by 440 thousand compared to a year earlier.
- ★ **Input prices** rose 10.2% in the twelve months to June 2018, driven by crude oil and imported metals.
- ★ **Consumer price index** rose by 2.4% in the twelve months to June 2018, unchanged from previous month.
- **Index of services** in May 2018 rose by 1.7% compared to twelve months earlier, driven by business services and finance.
- **Construction** output in May 2018 grew by 2.9% to £13.6 billion on previous month and also grew by 1.6% compared to twelve months earlier.
- ★ **Retail sales volume** rose by 2.9%, driven by boost in food and drink sales attributed to continued good weather and World Cup celebrations.
- **Exports** in May 2018 rose by 1.5% to £51.8 billion compared to twelve months earlier and **imports** also grew by 2.3% to £54.6 billion in the same period.
- The moving annual **Turnover** for the FEEM group reached £110.1 billion in May 2018, representing a growth of 7.7% compared to May 2017. The group **exported** £43.2 billion in the twelve months to May 2018, a growth of 9.0% and the **workforce** now stands at 750 thousand.

July 2018
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Glossary

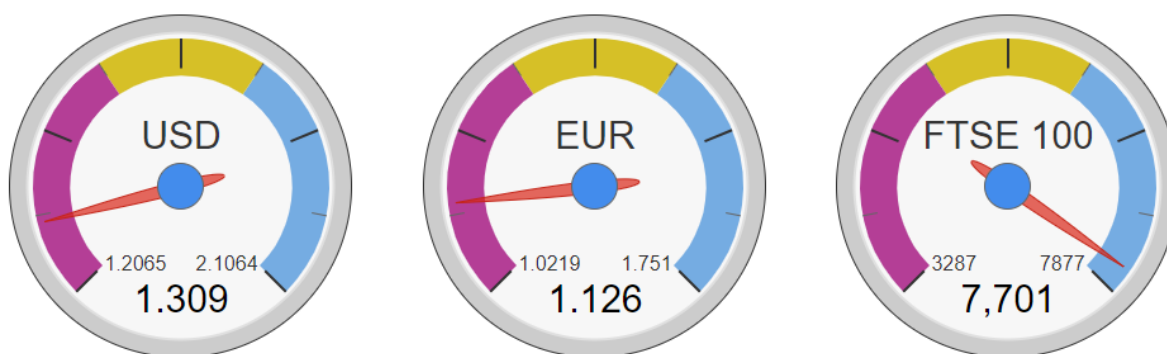
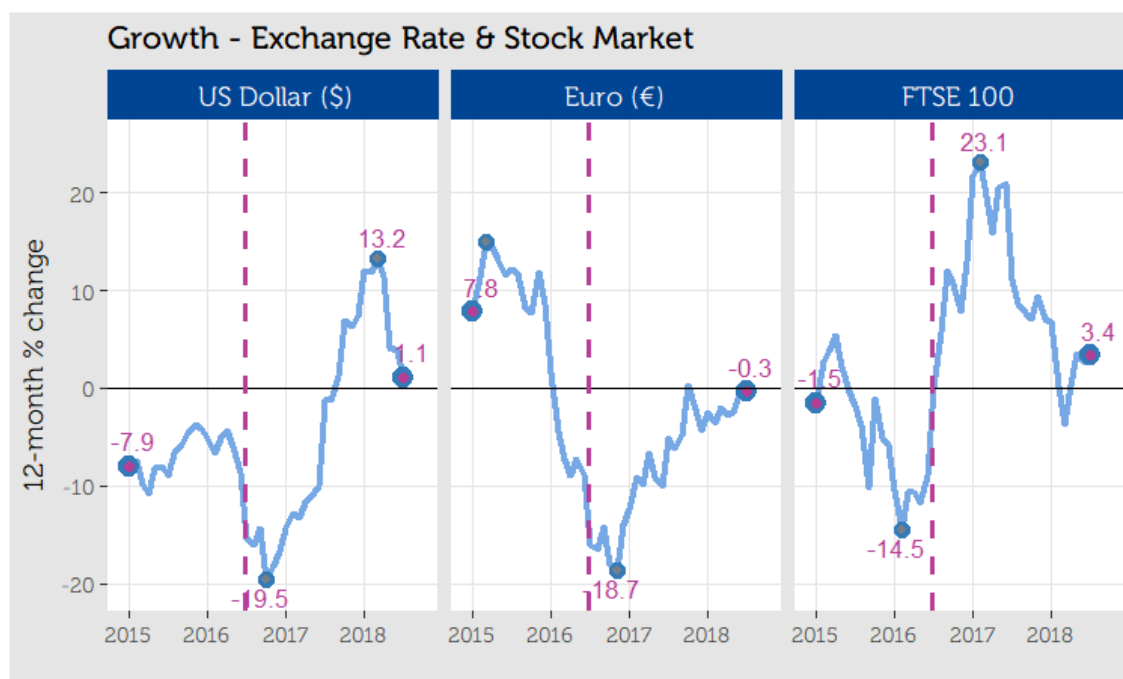
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOP	Index of Production
CESA	Catering Equipment Suppliers Association	IOS	Index of Services
CNY	Chinese Yuan	MAA	Moving Annual Average
CPI	Consumer Price Index	MAT	Moving Annual Total
CPIH	Consumer Prices Index including owner occupiers'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

1 Exchange Rates & Stock Market

Sterling fell against the **US Dollar** in the past two weeks to finish at 1.3088/GBP at the end of week 30. The month-to-date rate was 1.2% below June 2018, 1.1% above July 2017 and 9.7% below May 2016 (pre-brexit vote).

Sterling also fell against the **Euro**, to finish at 1.1258/GBP at the end of week 30. The month-to-date rate was 1.1% below from June 2018 and also 0.3% below July 2017 but has declined by 12.5% since May 2016.

FTSE 100 remained strong and gained 39 points in the past 2 weeks to finish at 7701 at the end of the week 30. The month-to-date average was 0.2% below June 2018, 3.4% above July 2017 and 24.0% above May 2016.

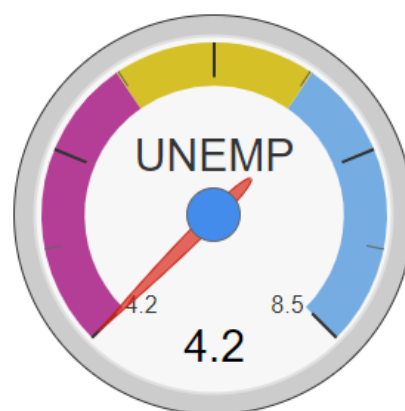
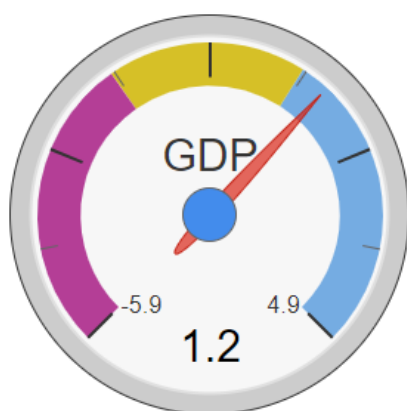
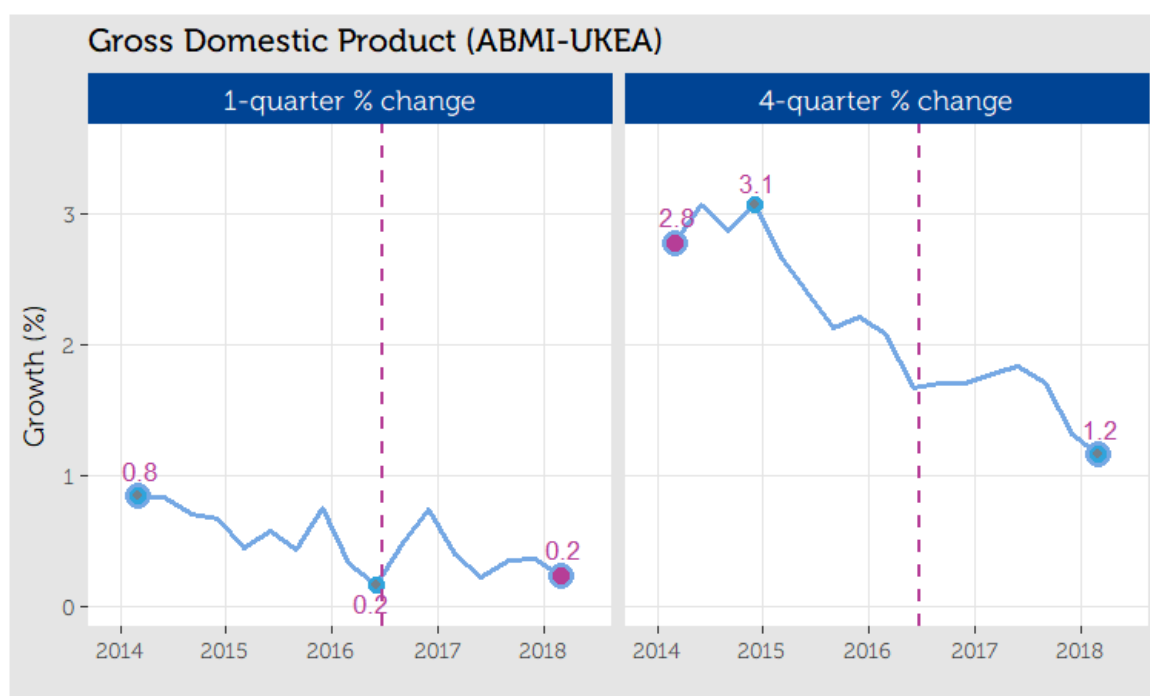


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The final estimate of **GDP** growth, for 2018 Q1 was revised up to 0.2% from 0.1%. The revised estimate was equivalent to £504 billion and a growth of 1.2% compared to 2017 Q1. It is the lowest 4-quarter growth since 2012 Q2. Services and production grew on previous quarter but construction contracted for a fourth quarter in a row.

The number of people in work increased by 440 thousand to 32.39 million in the three months to April 2018 compared to a year earlier. The number of people unemployed decrease by 115 thousand to 1.42 million in the same period. **Unemployment** rate remained 47-year low at 4.2%.

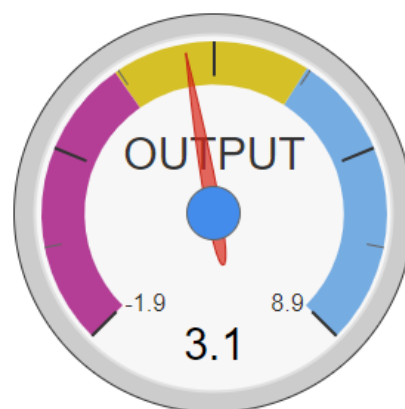
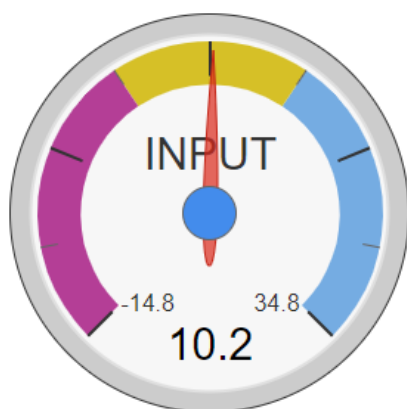
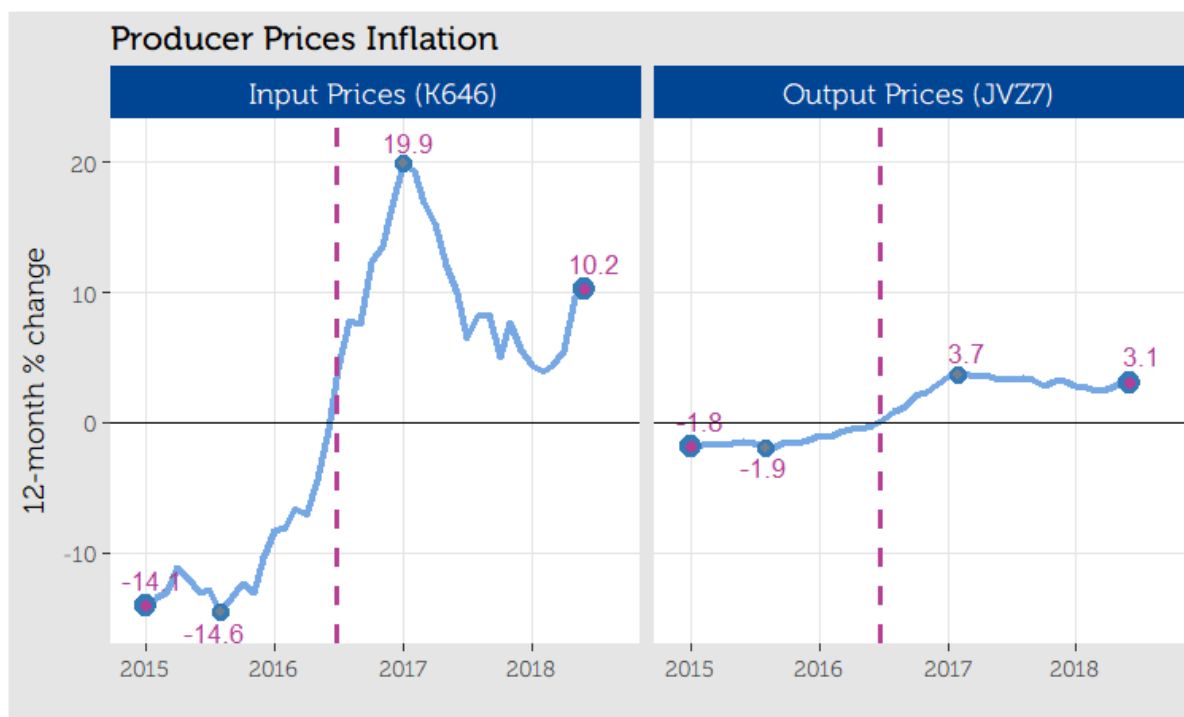


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

3 Producer Prices

The **input prices** index for all manufacturing reached 13-month high at 10.2% compare to twelve months earlier. The main drivers for the increase were crude oil and imported metals. Input prices index has increased by 23.1% since May 2016.

Factory gate (Output) prices for all manufacturing rose by 0.1% in June 2018 and also rose by 3.1% compared to June 2017. It is the highest 12-month growth since December 2017 and has grown by 6.8% since June 2016.



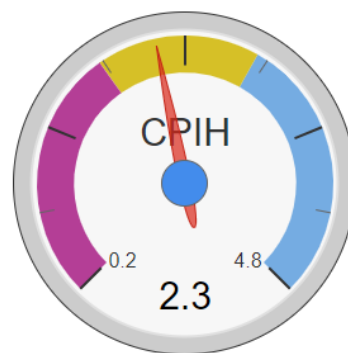
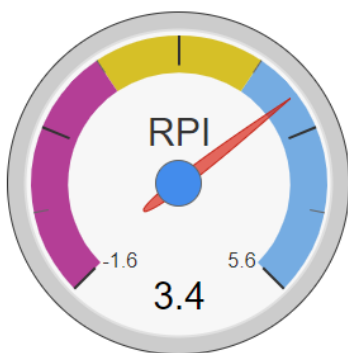
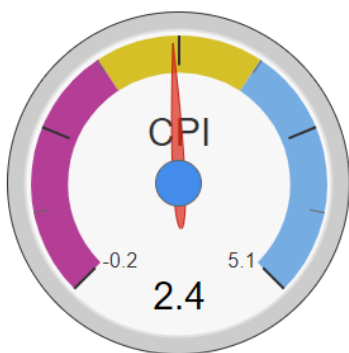
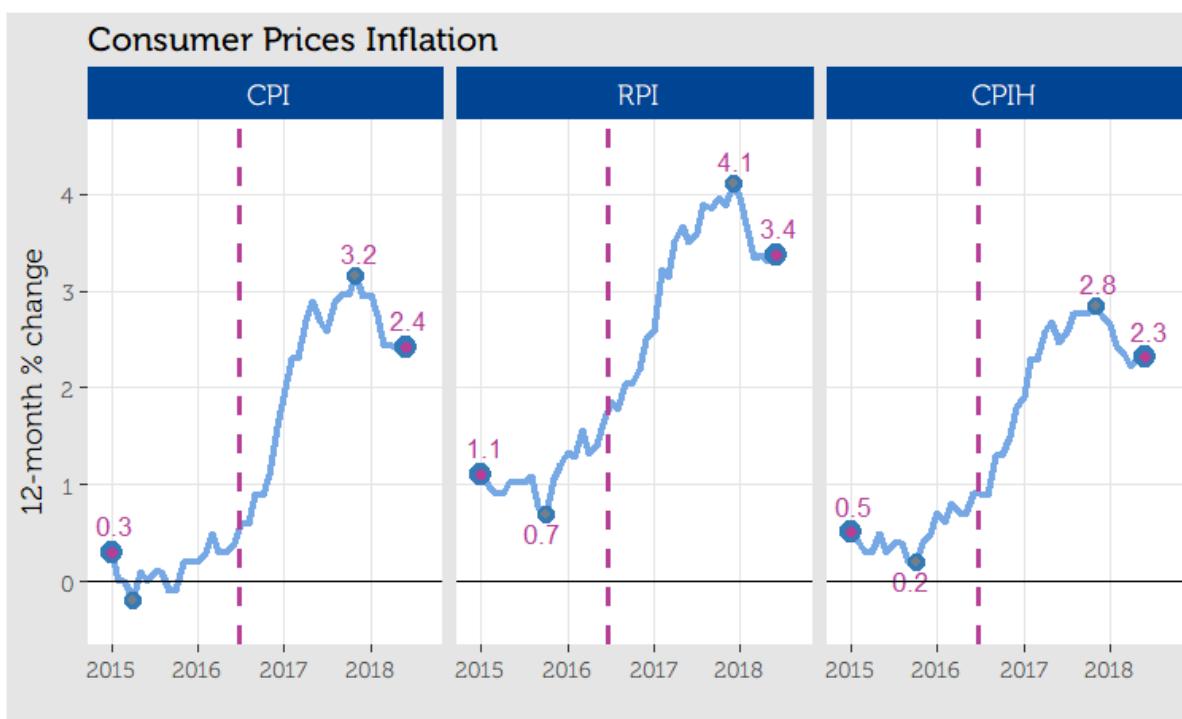
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

4 Consumer Prices

Consumer price index (CPI) was unchanged between in May and June 2018 but grew by 2.4% compared to a year earlier. Drivers for the 12-month growth were transport and alcoholic beverages & tobacco. CPI has grown by 5.4% since May 2016.

The **retail price index (RPI)** rose by 3.4% in the twelve months to June 2018, up from 3.3 in the previous month. RPI has grown by 7.4% since May 2016.

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



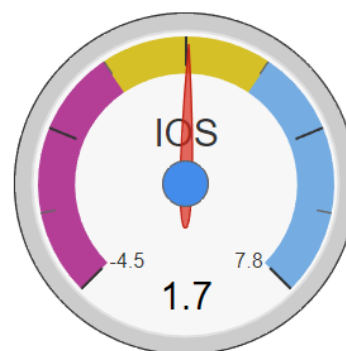
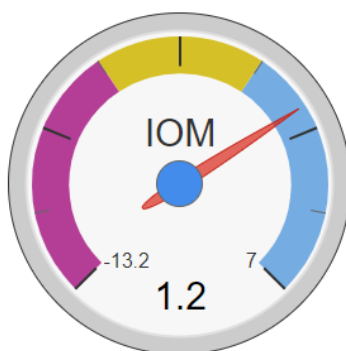
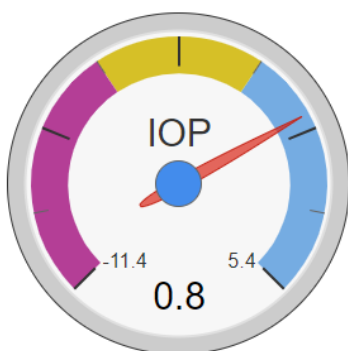
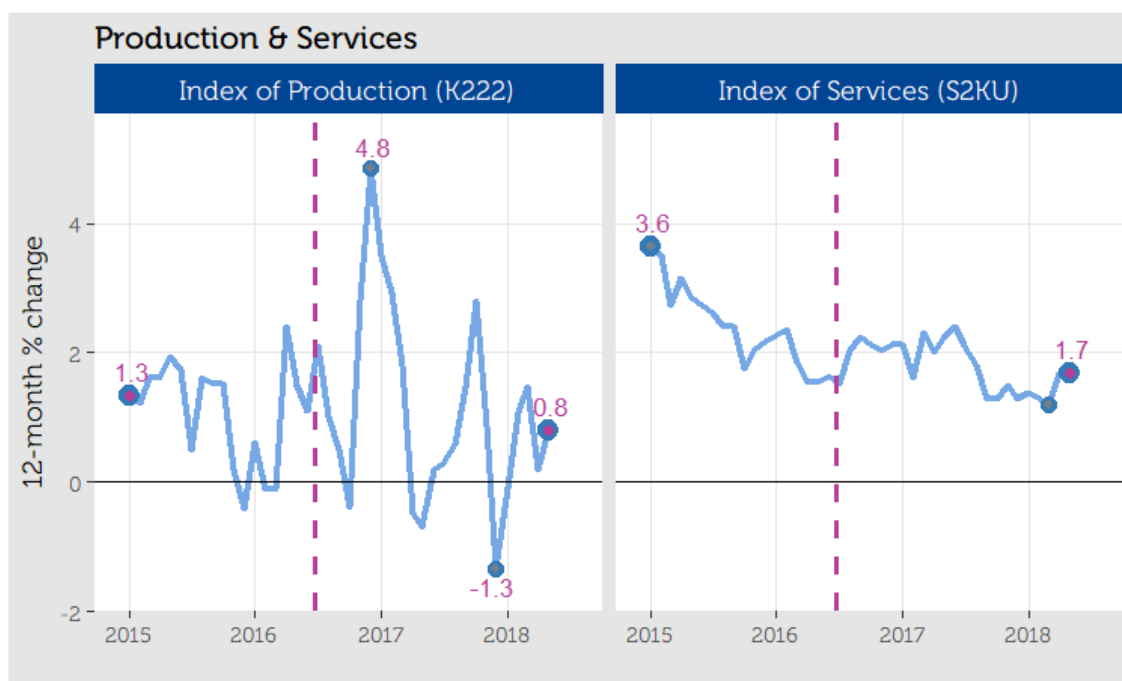
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP) in May 2018 fell by 0.4% from previous month but grew by 0.8% compared to twelve months earlier. The drivers for the 1-month decline were mining & quarrying and energy supply.

Index of manufacturing (IOM) rose by 0.4% in May 2018 and also rose by 1.2% compared to twelve months earlier. It is the highest 1-month growth since October 2017. IOM has grown by 1.7% since May 2016.

Index of services (IOS) rose by 0.2% May 2018 also rose by 1.7% compared to a 12 months earlier. All sectors grew in May 2018. IOS has grown by 3.9% since May 2016.

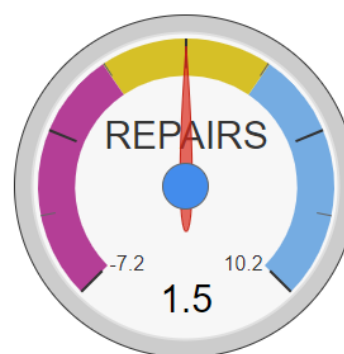
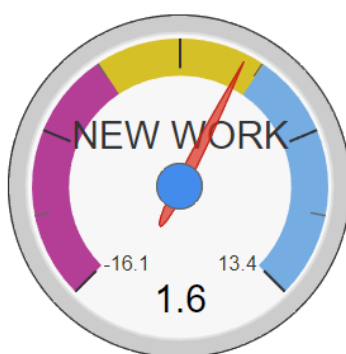
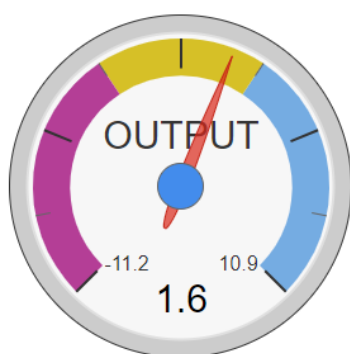
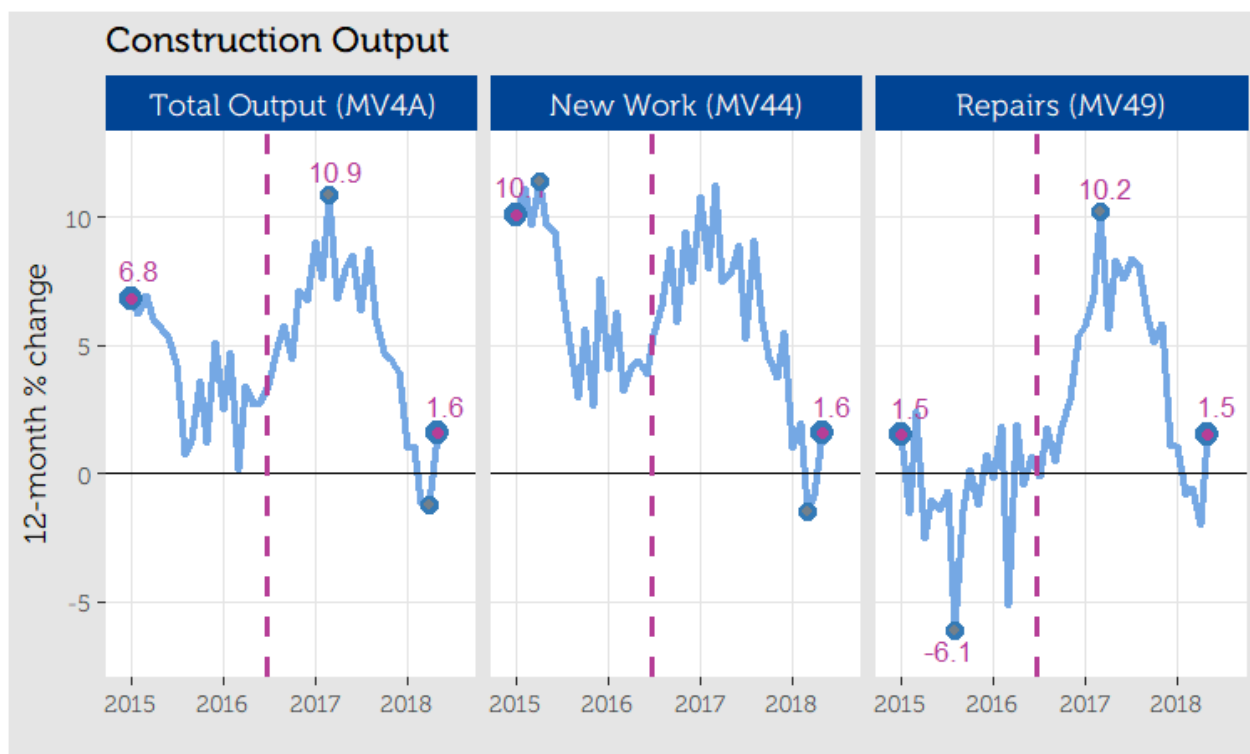


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, rose by 2.9% in May 2018 to £13.7 billion and also rose by 1.6% compared to twelve months earlier. It is the highest 1-month growth since April 2016. Construction output has grown by 9.7% since May 2016.

New construction work, rose by 2.3% to £9.0 billion in May 2018 and **construction repairs** also rose by 4.0% to £4.7 billion in the same period. Compared to twelve months earlier, new construction work rose by 1.6% and repairs also rose by 1.5%.

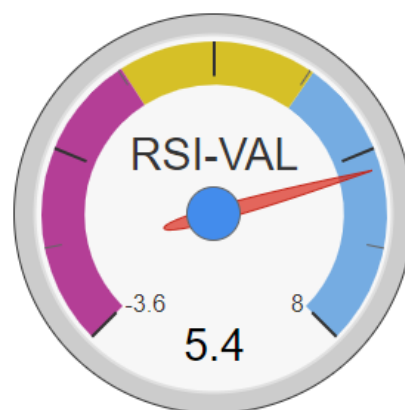
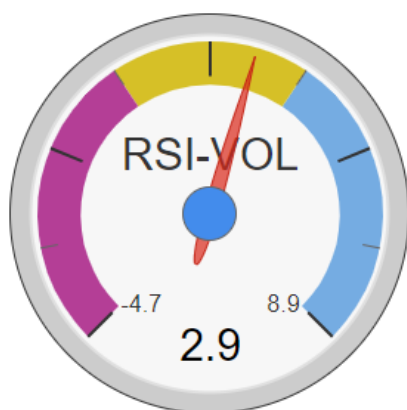
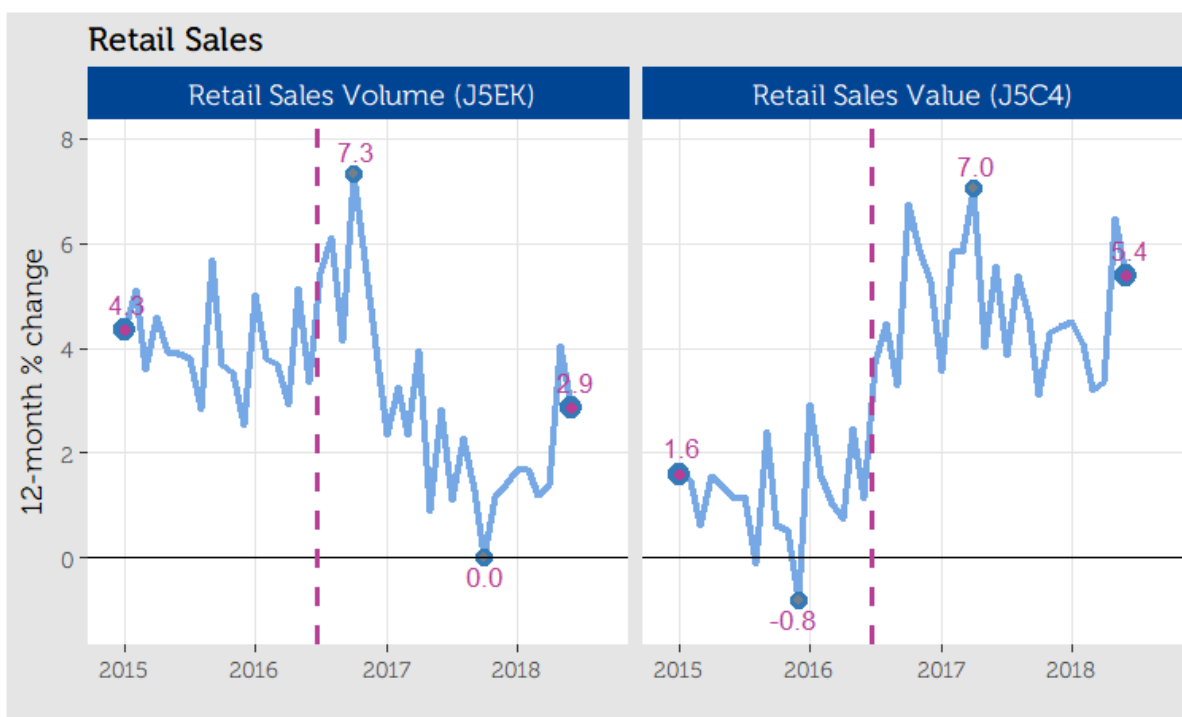


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) fell by 0.6% in June 2018 but grew by 2.9% compared to twelve months earlier. Drivers for the 12-month growth were boost in food and drink sales attributed to continued good weather and World Cup celebrations. Retail volume has grown by 4.4% since May 2016.

The **value of retail sales** (including fuel) fell by 0.4% in June 2018 but grew by 5.4% compared to 12 months earlier. Retail sales value has grown by 10.4% since May 2016.

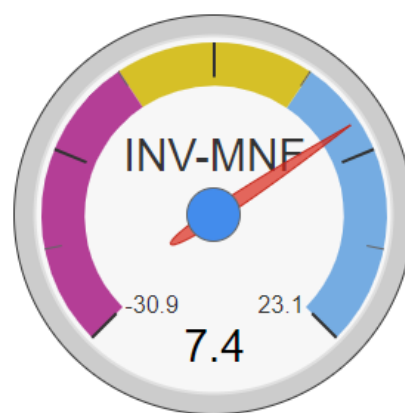
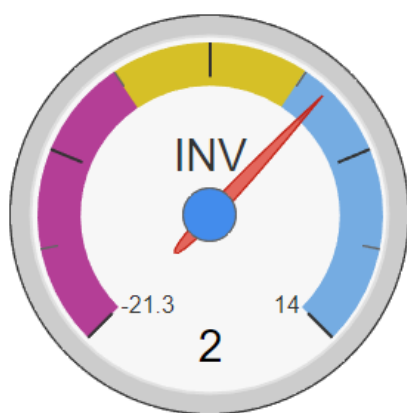
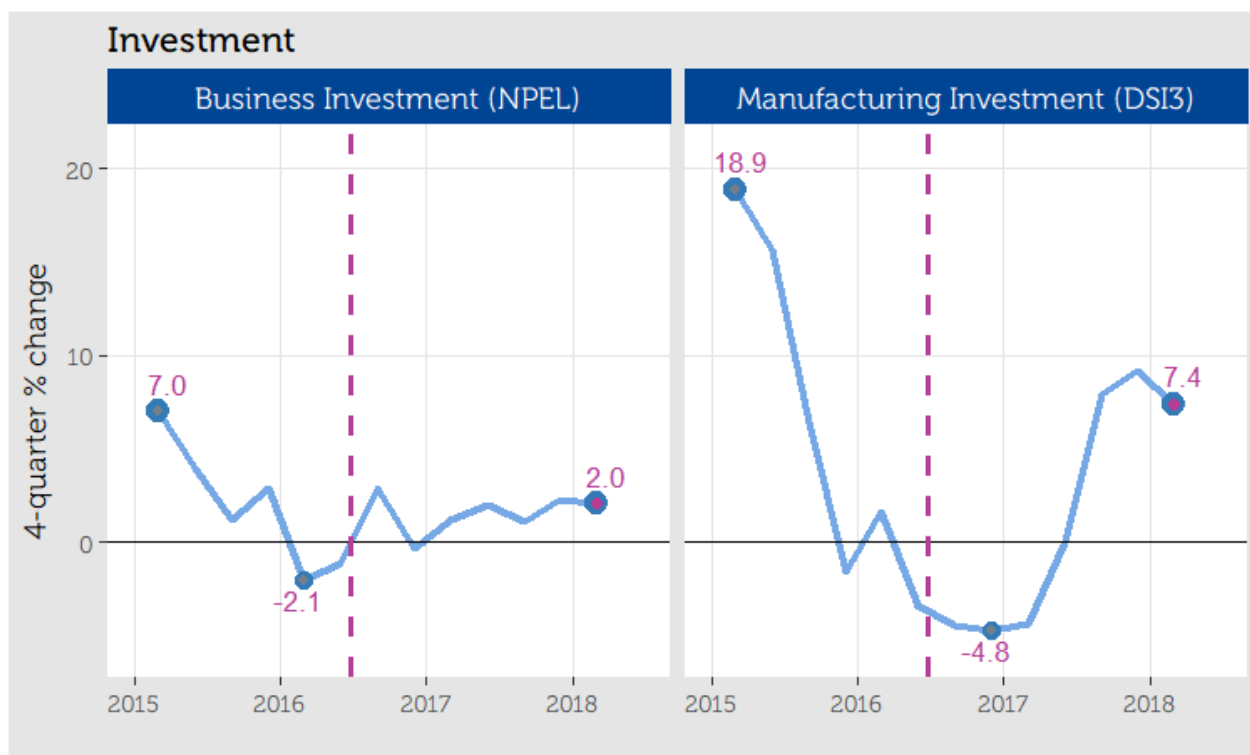


[Gauge Charts: 12-month % change since Jan 2000]

8 Business Investment

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

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



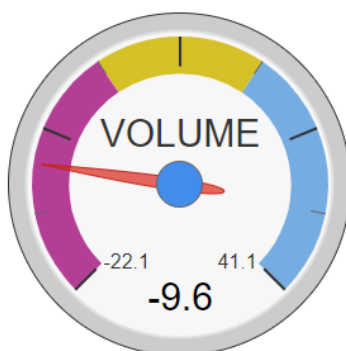
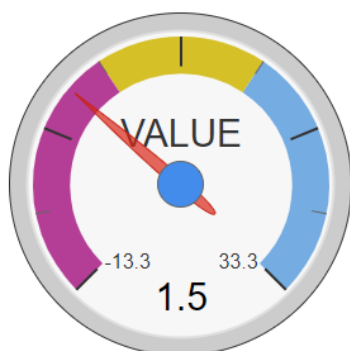
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** rose by 2.8% in May 2018 and also rose by 1.5% compared to May 2017. Exports of **goods** fell by 0.6% to £ 28.1 billion but exports of **services** increased by 4.0% to £ 23.8 billion in May 2018 compared to twelve months earlier. It is the highest 1-month growth since October 2016.

Volume of UK **exports** fell by 6.1% in April 2018 and also fell by 9.6% compared to twelve months earlier. Export volume has declined by 9.6% since May 2016.

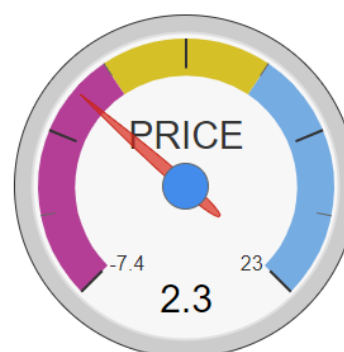
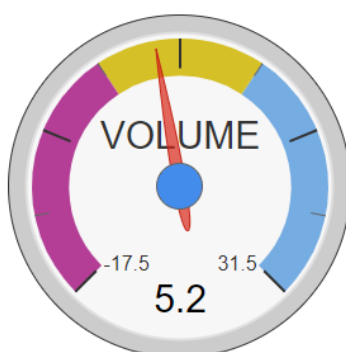
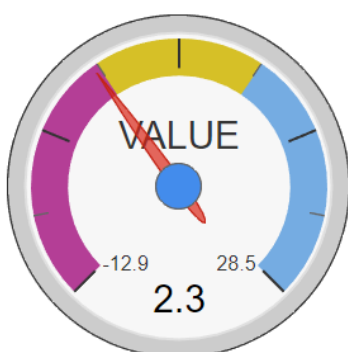
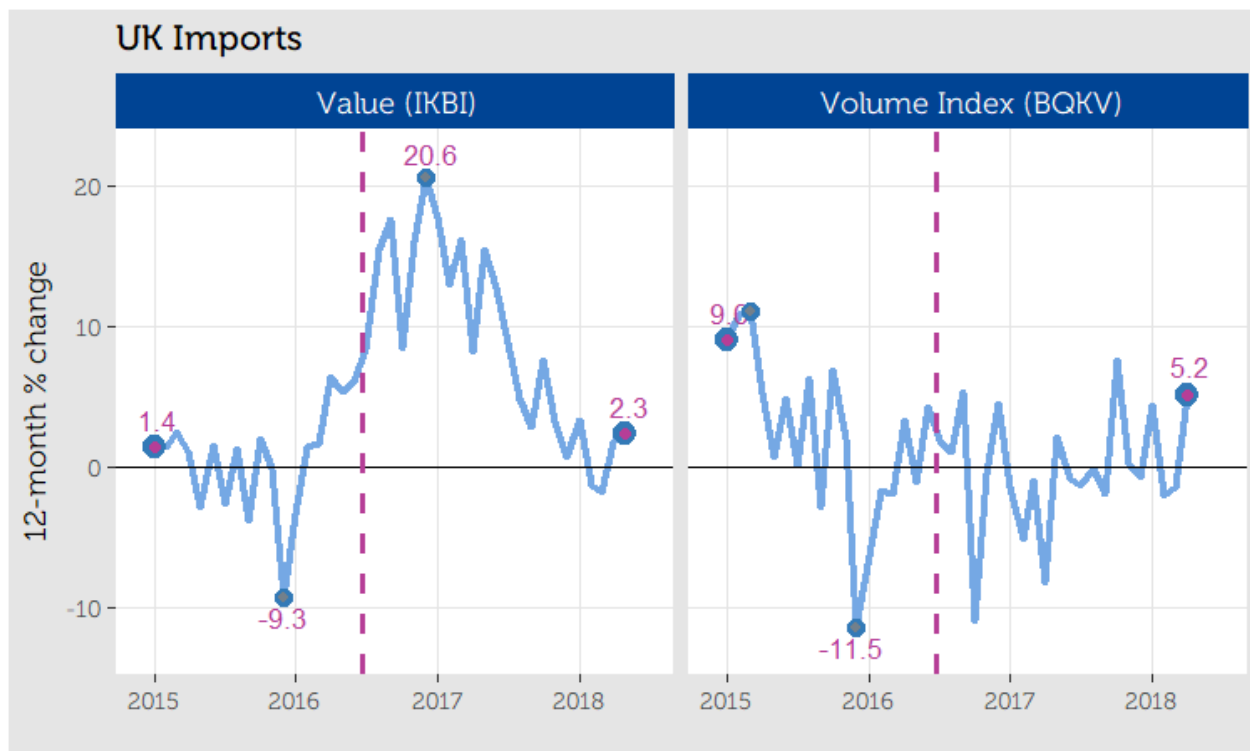


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK **imports** rose by 2.1% in May 2018 and also grew 2.3% compared to 12 months earlier. Imports of goods increased by 1.9% to £ 40.4 billion and imports of services also increased by 3.6% to £14.2 billion in May 2018 compared to twelve months earlier.

UK **imports** on **volume** basis grew by 0.5% in April 2018 and also grew by 5.2% compared to 12 months earlier. Import volume has increase by 4.8% since May 2016.



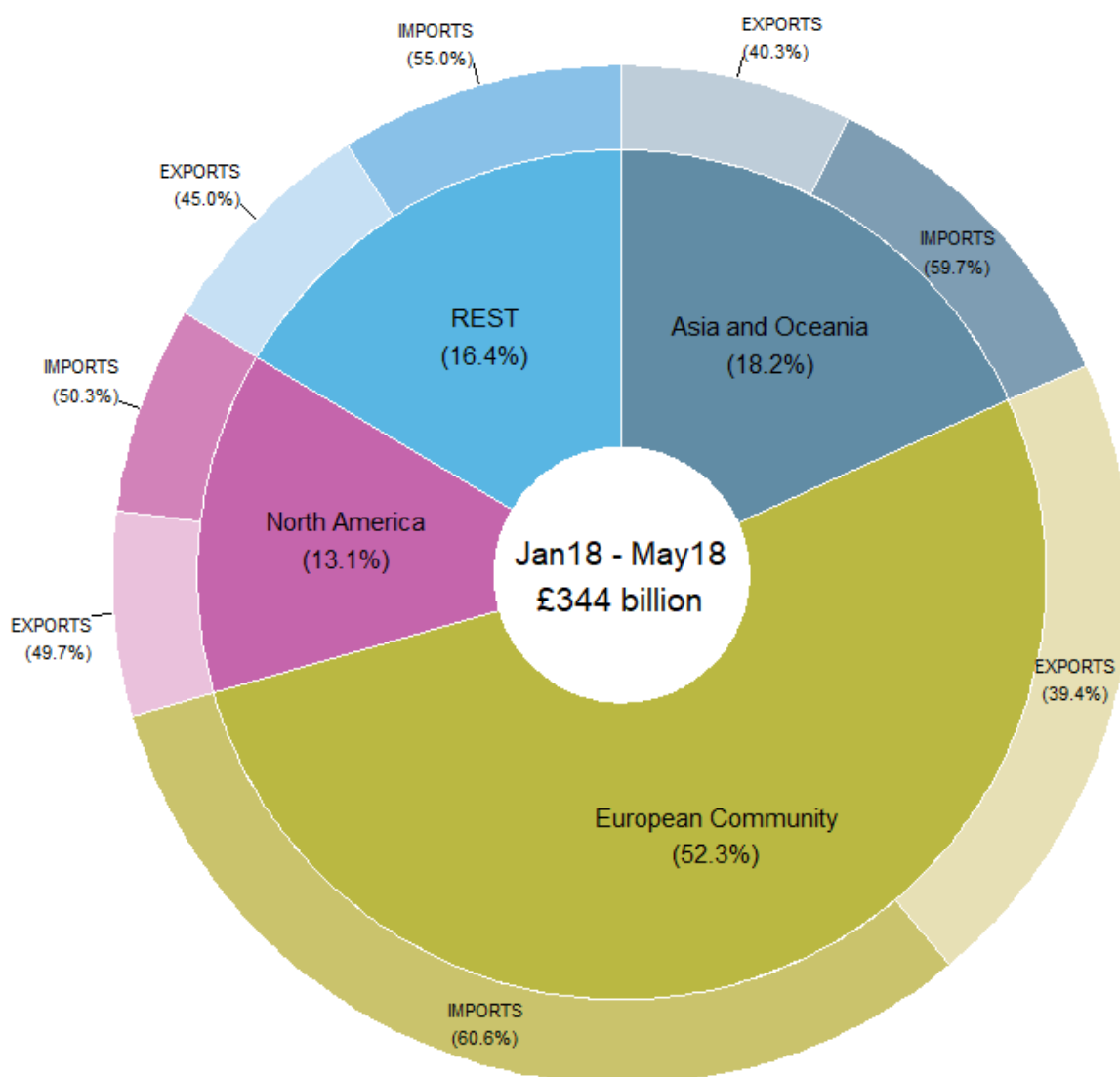
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Distribution

The **total trade of goods** in the first five months of 2018 was £ 344 billion, 1.5% higher than the same period a year earlier. Exports of goods accounted for 41.8% of the total, slightly up from 41.2% recorded the previous year.

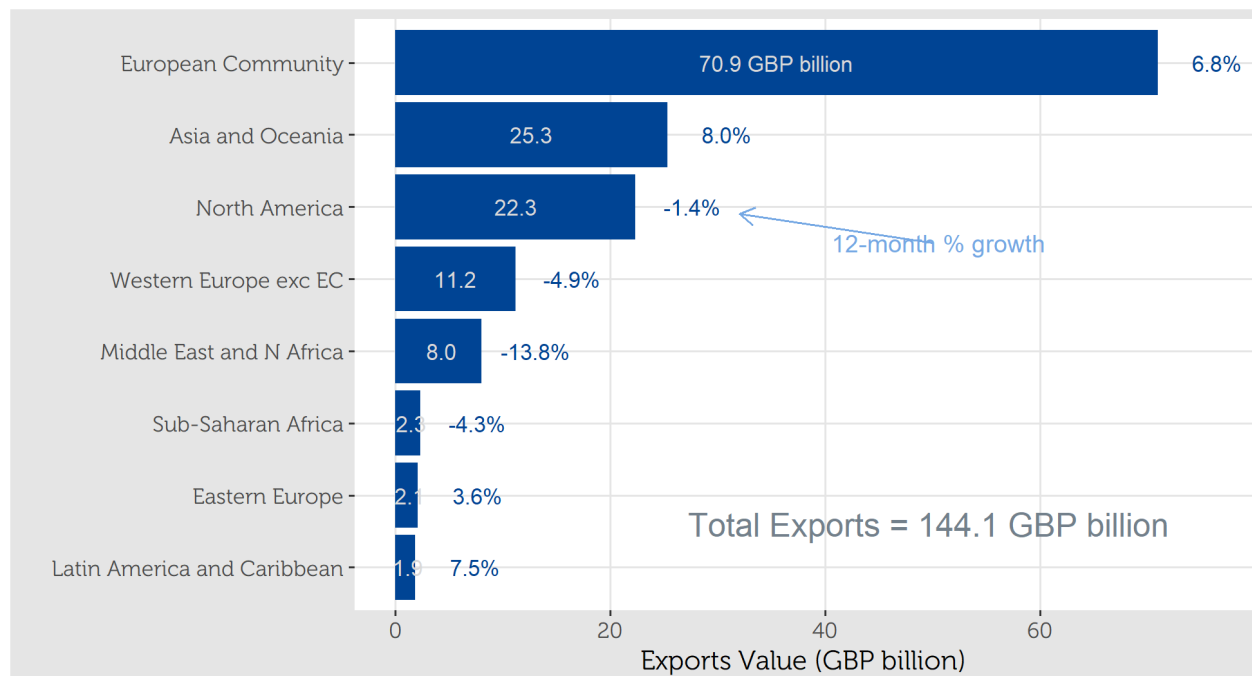
The year-to-date value of goods trade with **EU** countries in 2018 was £180 billion, 4.5% higher than 2017. The year-to-date share of EU increased to 52.3% in 2018 from 50.8% in 2017. For every £1.00 of goods exported to EU in 2018, UK imported an equivalent of £1.53 value of goods, down from £1.61 recorded in 2017.

Non-EU countries accounted £164 billion of trade between January and May 2018; 1.3% lower than previous year. For every £1.00 of goods exported to Non-EU in 2018, UK imported an equivalent of £1.24 value of goods, slightly down from £1.28 recorded in 2017.

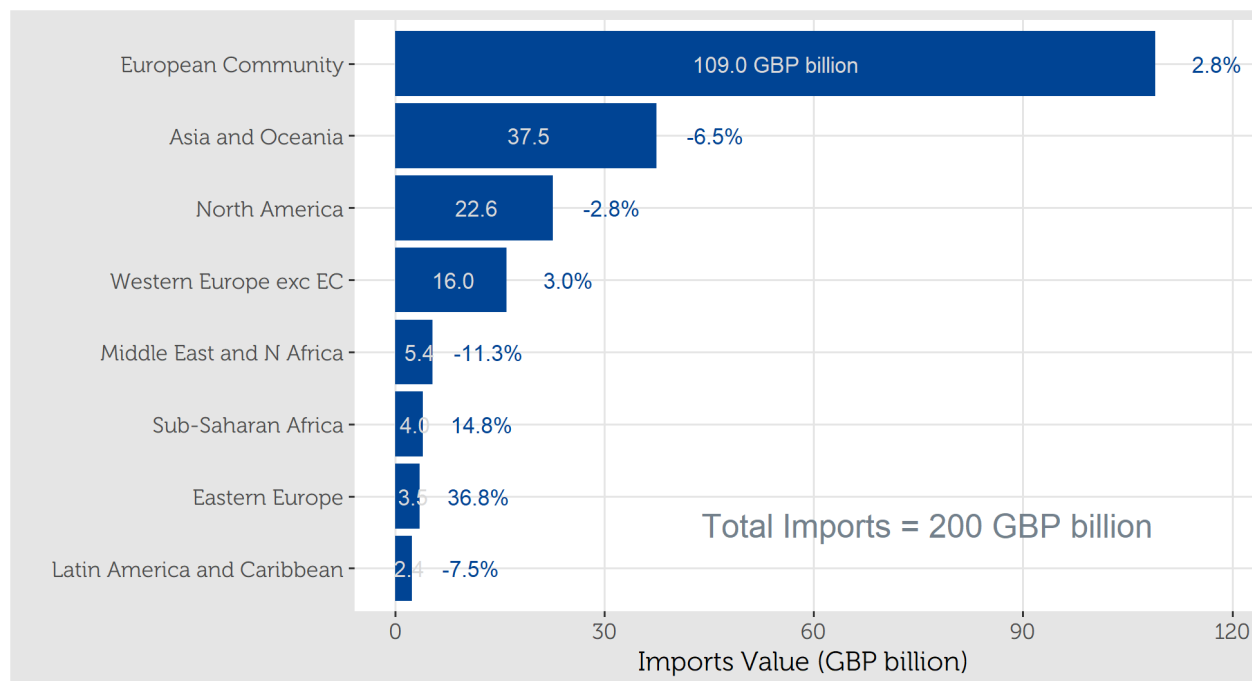


9.4 Goods Trade: Ranking by Region

9.4.1 Exports - 2018 Jan - May

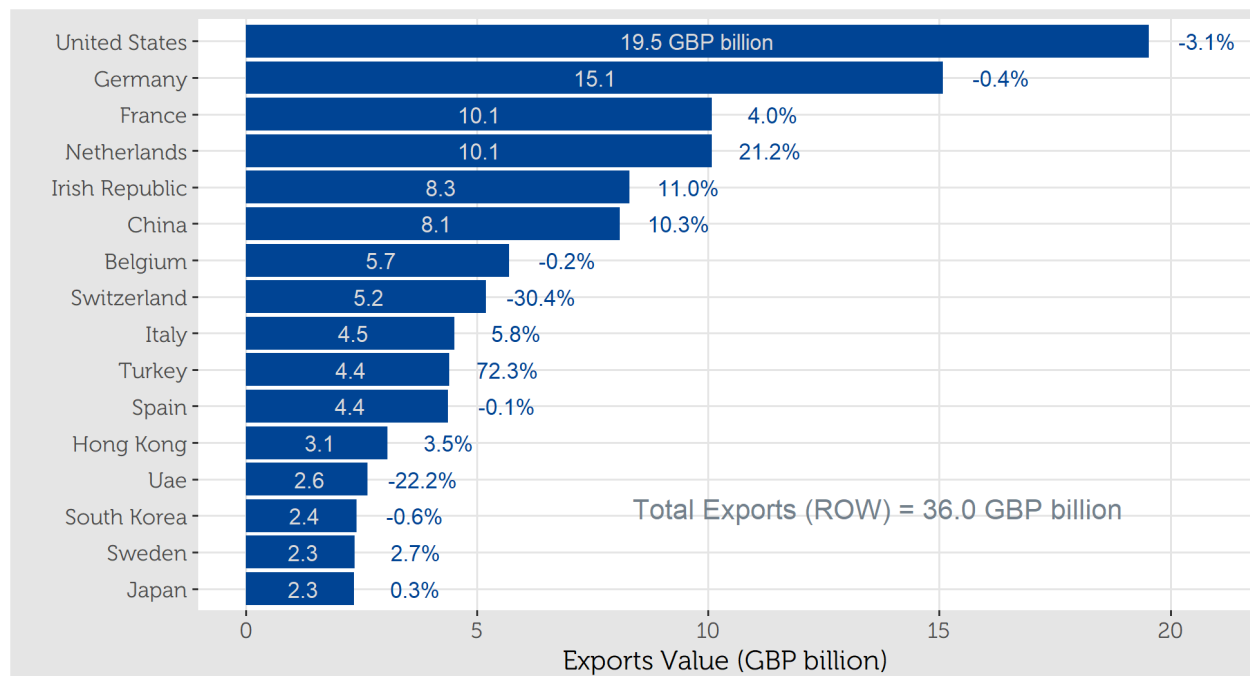


9.4.2 Imports - 2018 Jan - May

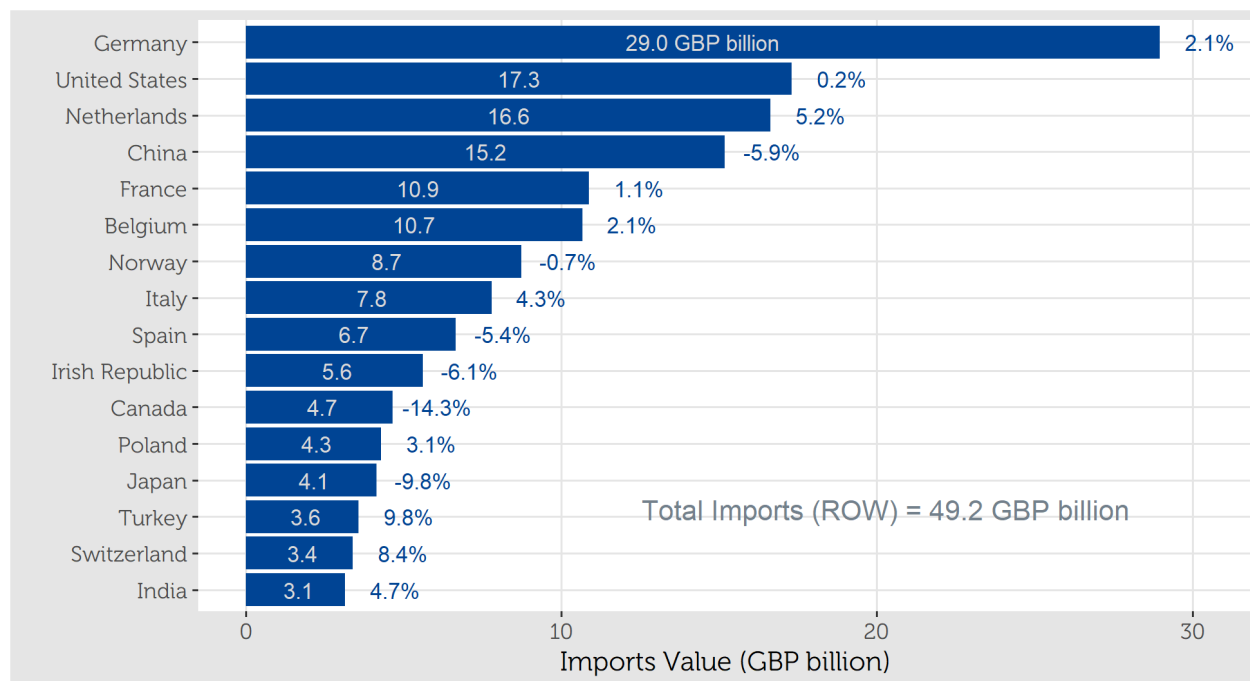


9.5 Goods Trade: Ranking by Country - Top 16

9.5.1 Exports - 2018 Jan - May

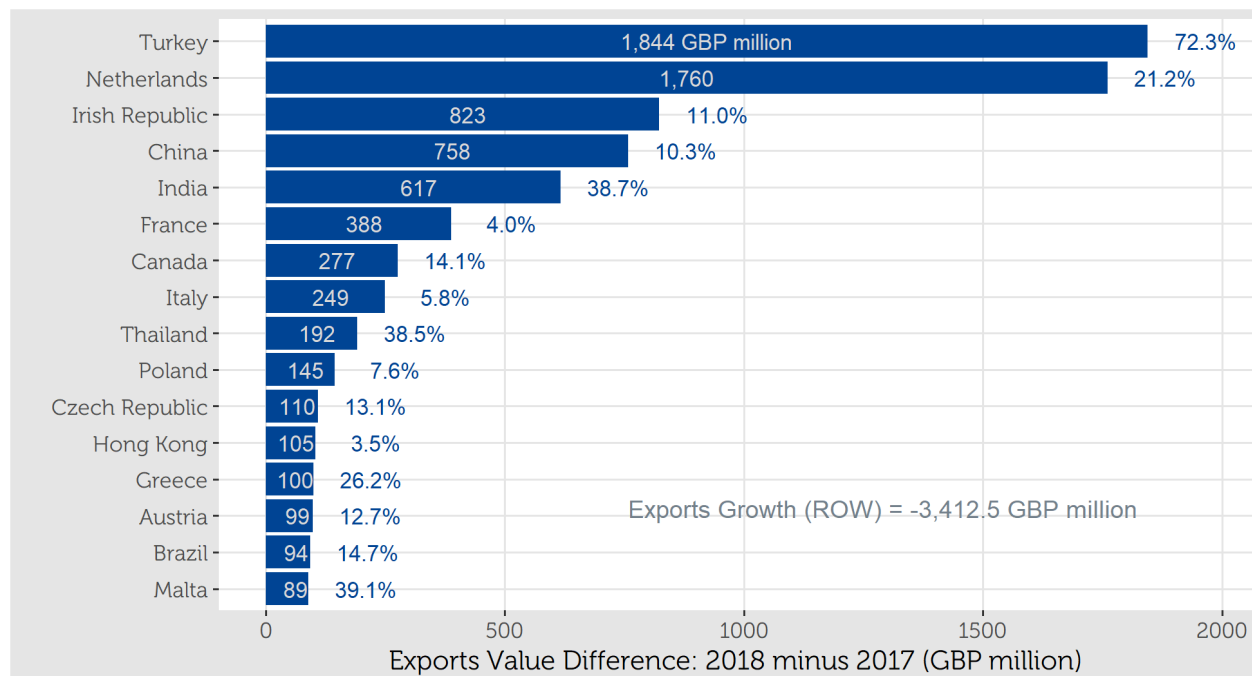


9.5.2 Imports - 2018 Jan - May

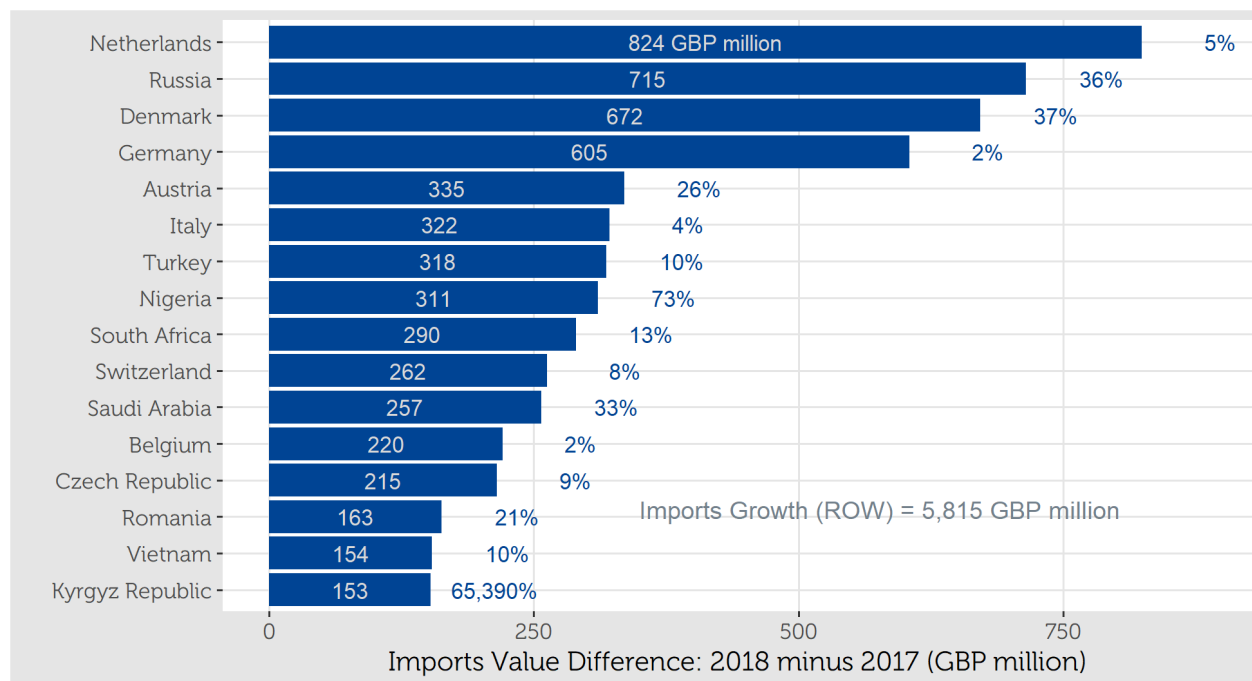


9.6 Goods Trade: Growth Ranking by Country - Top 16

9.6.1 Exports Value Growth - 2018 Jan - May

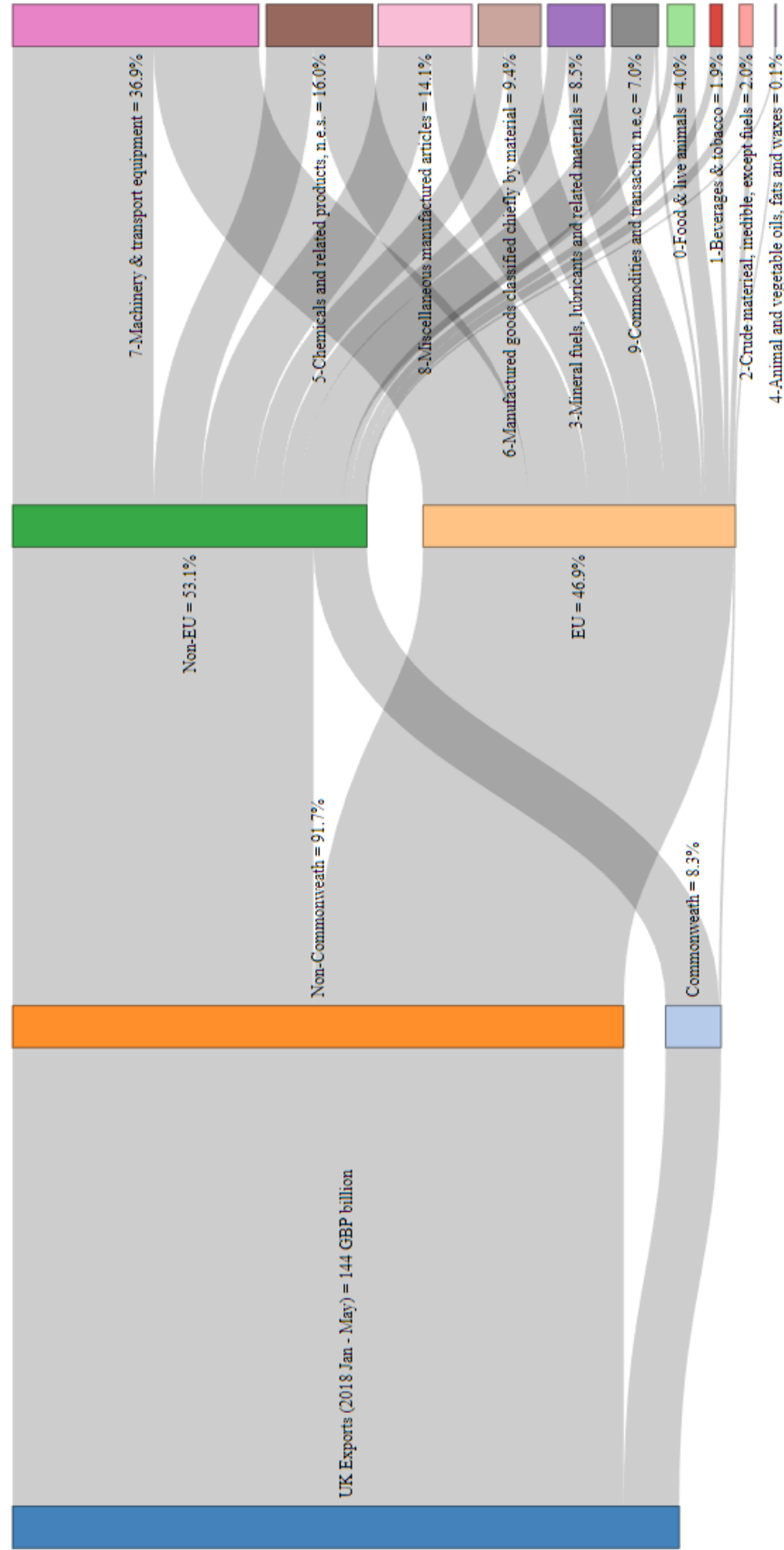


9.6.2 Imports Value Growth - 2018 Jan - May

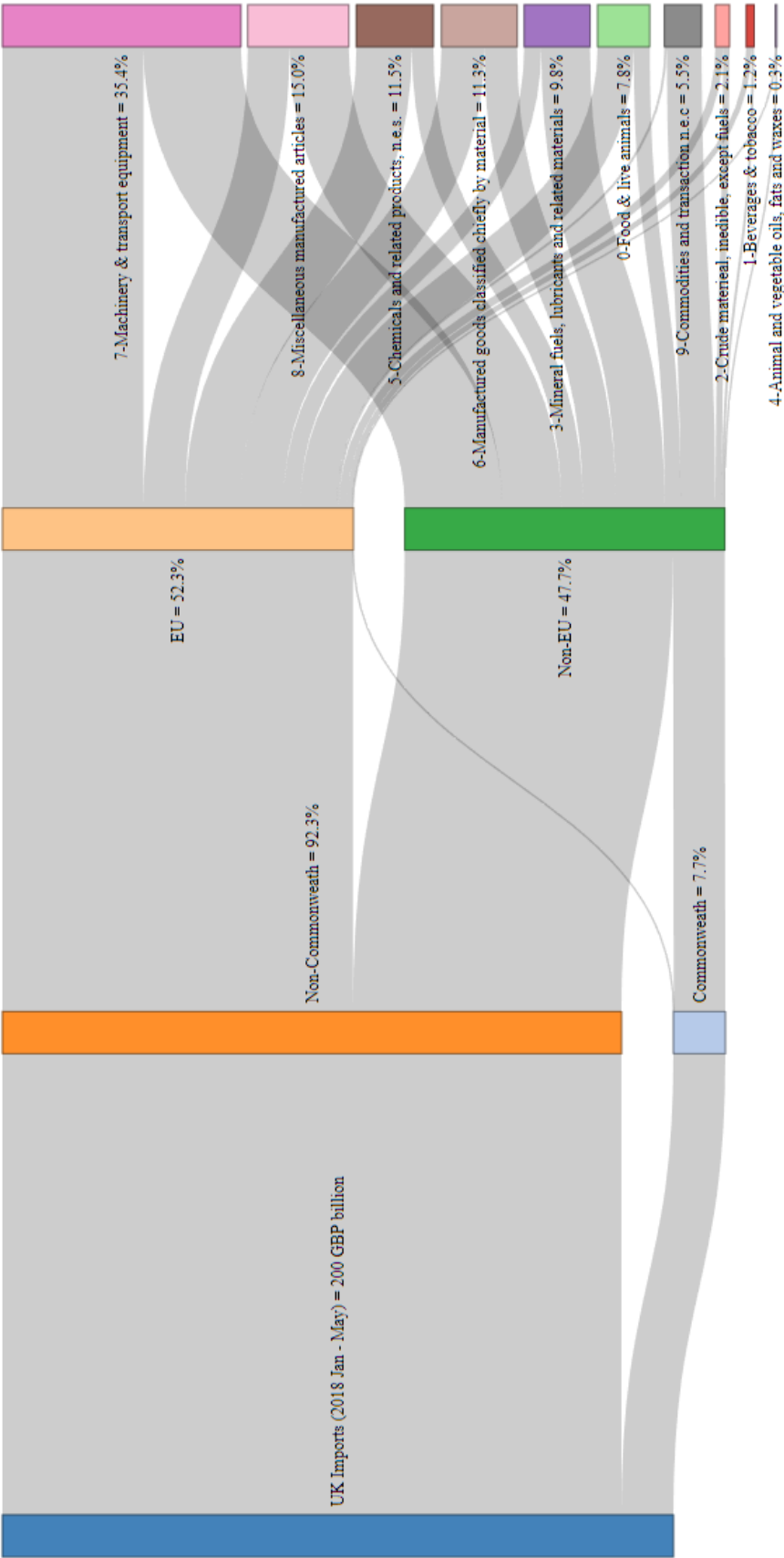


9.7 Goods Trade: EU & Commonwealth by SITC

9.7.1 Exports - 2018 Jan - May

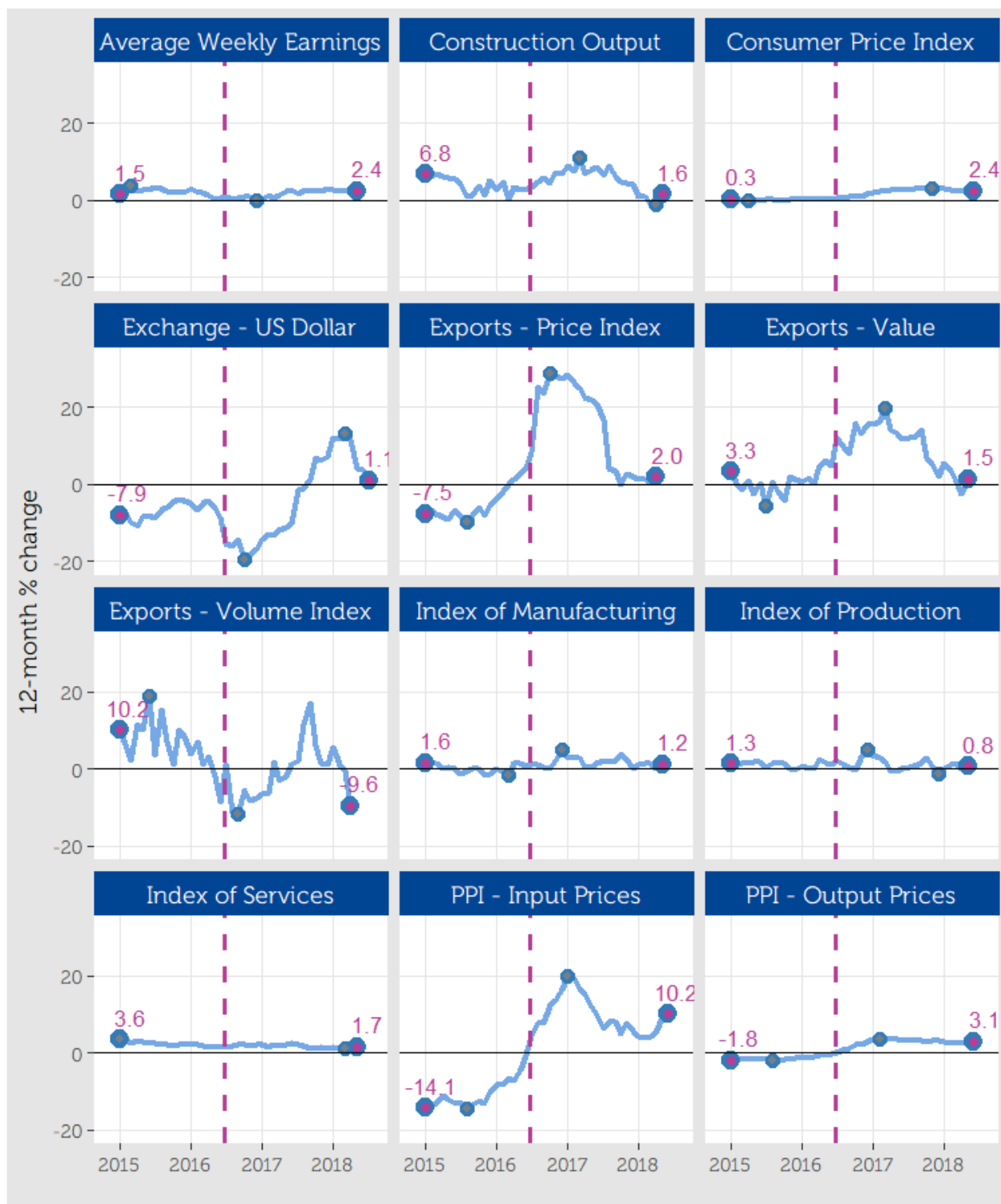


9.7.2 Imports - 2018 Jan - May

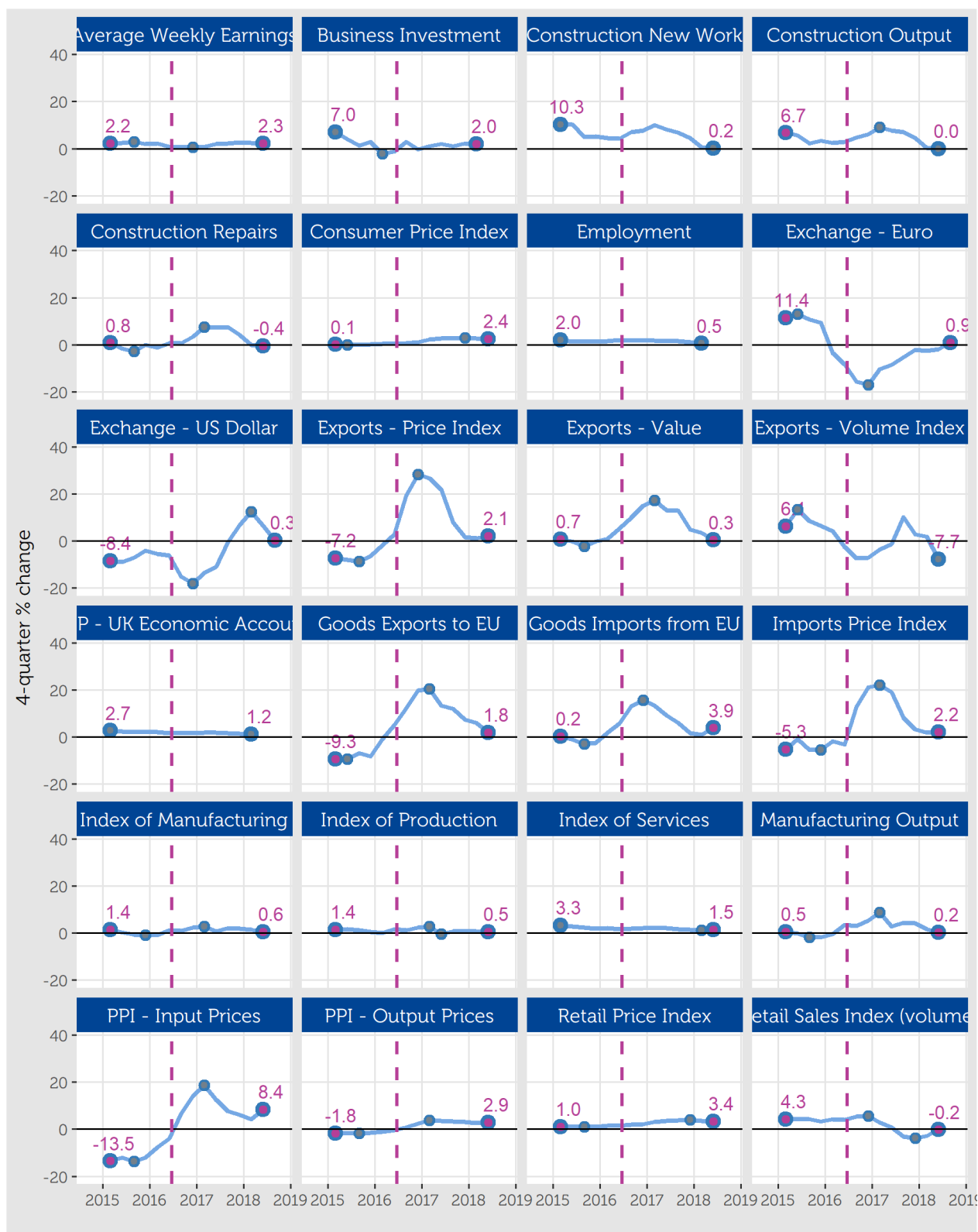


10 Economy At a Glance

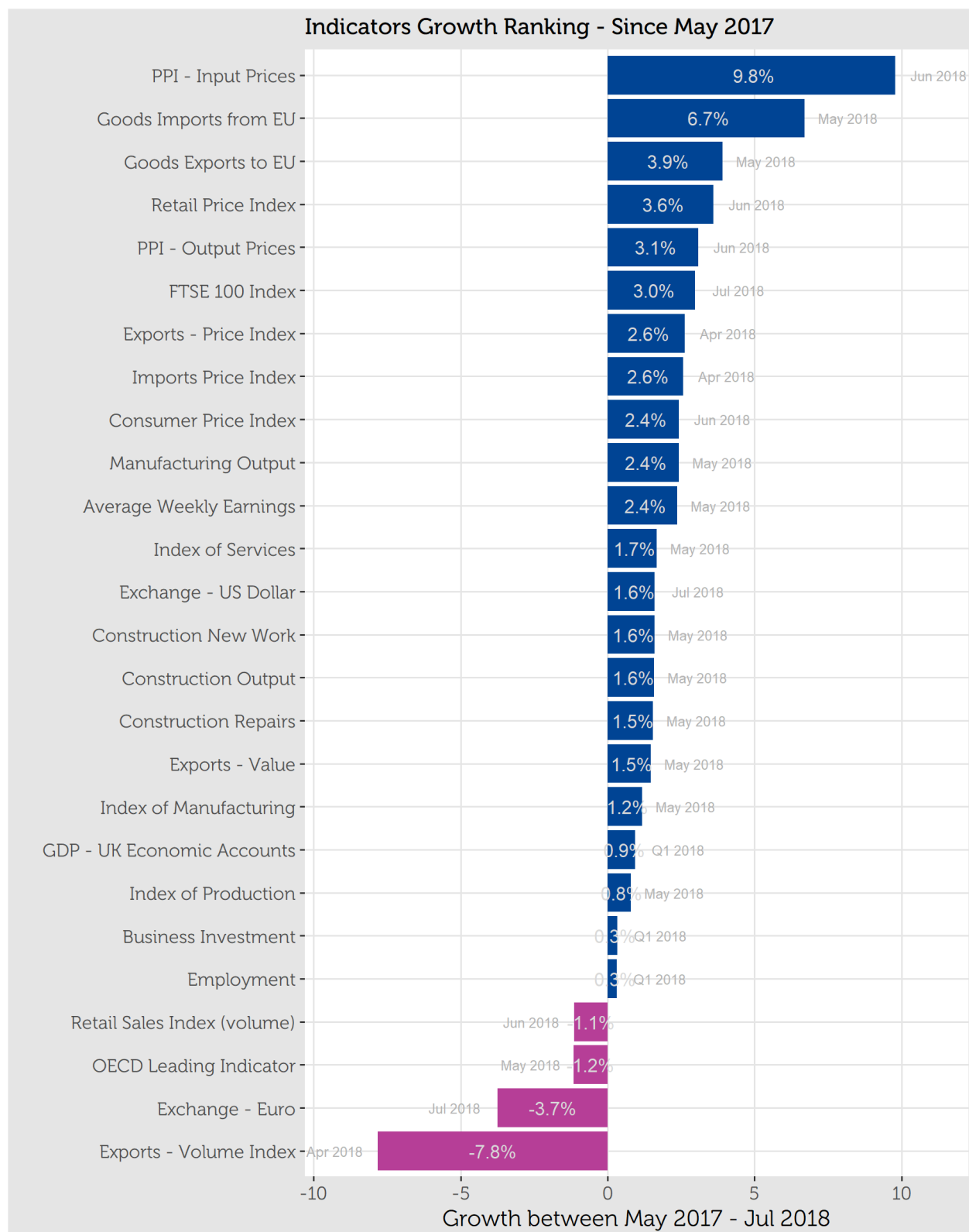
10.1 Growth: 12-month % growth



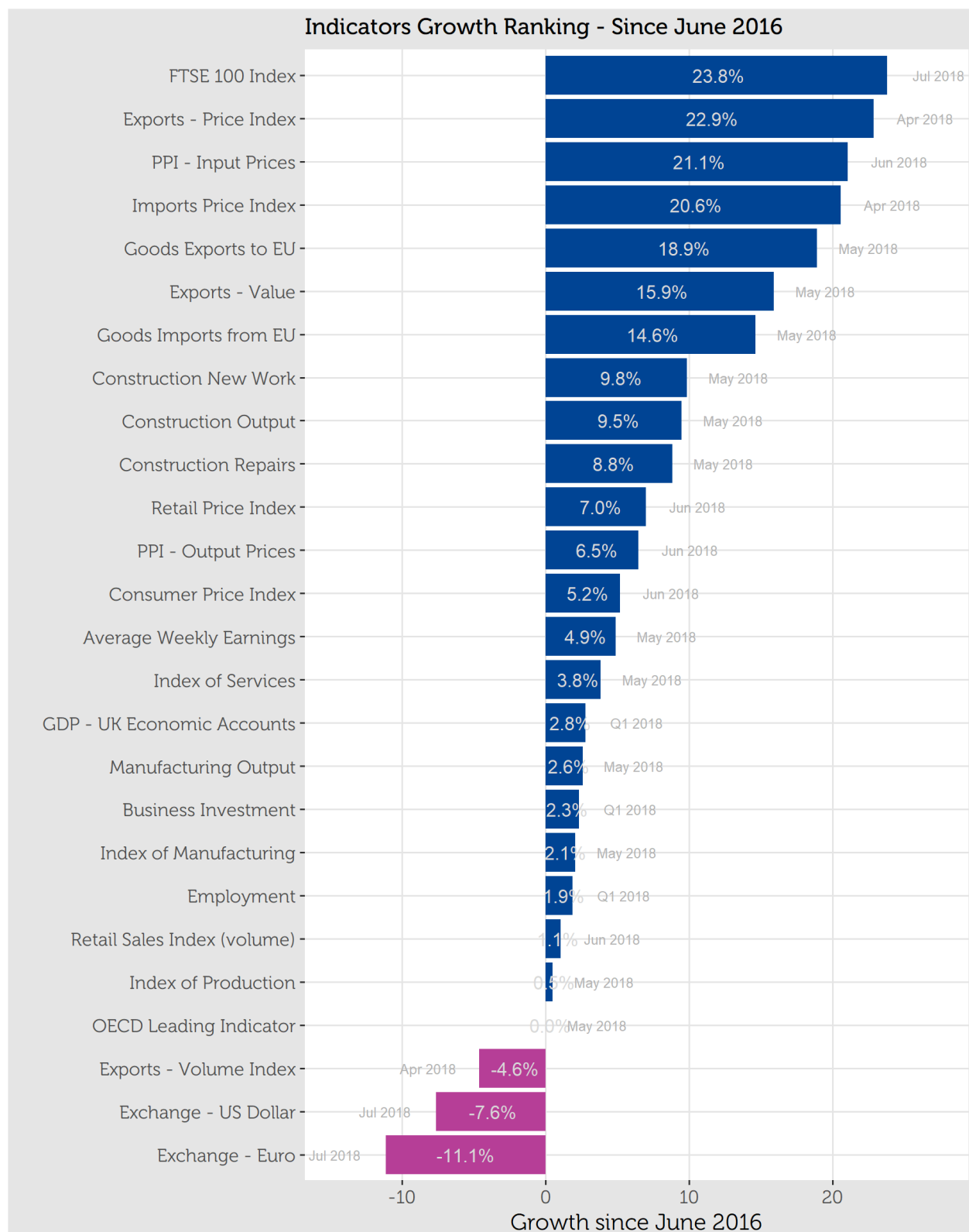
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since May 2017

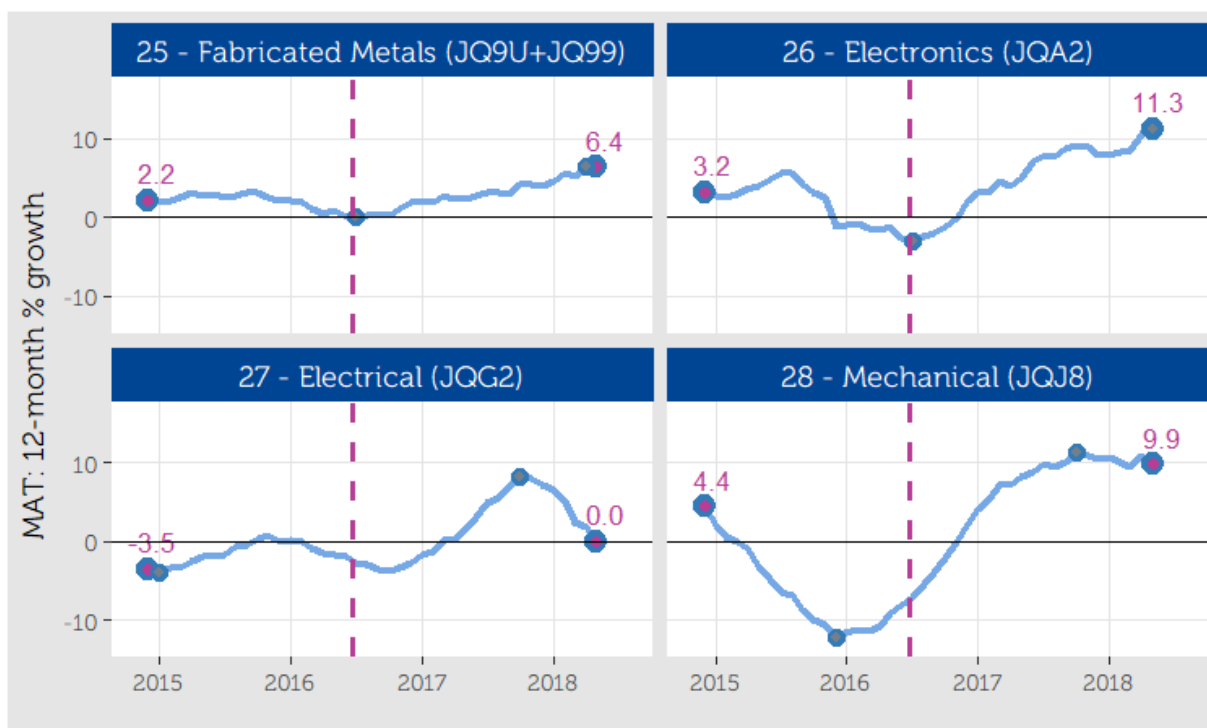
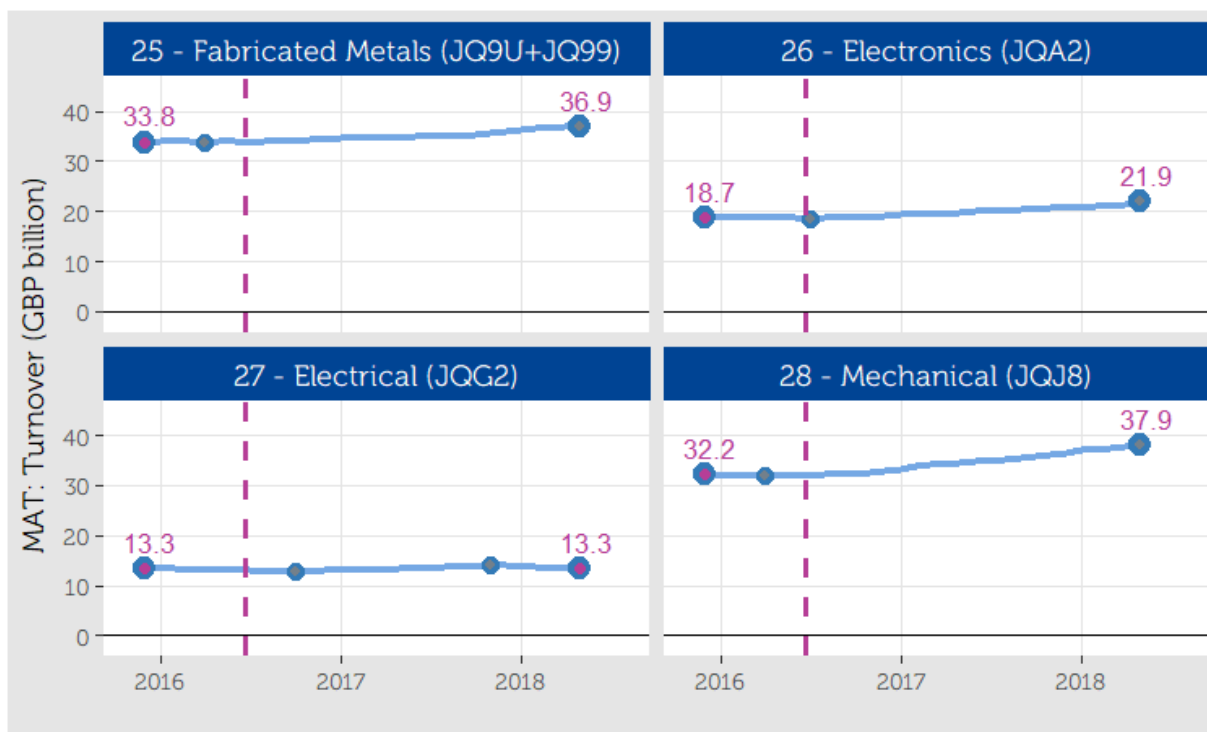


10.4 Growth Ranking: Since Referendum Vote

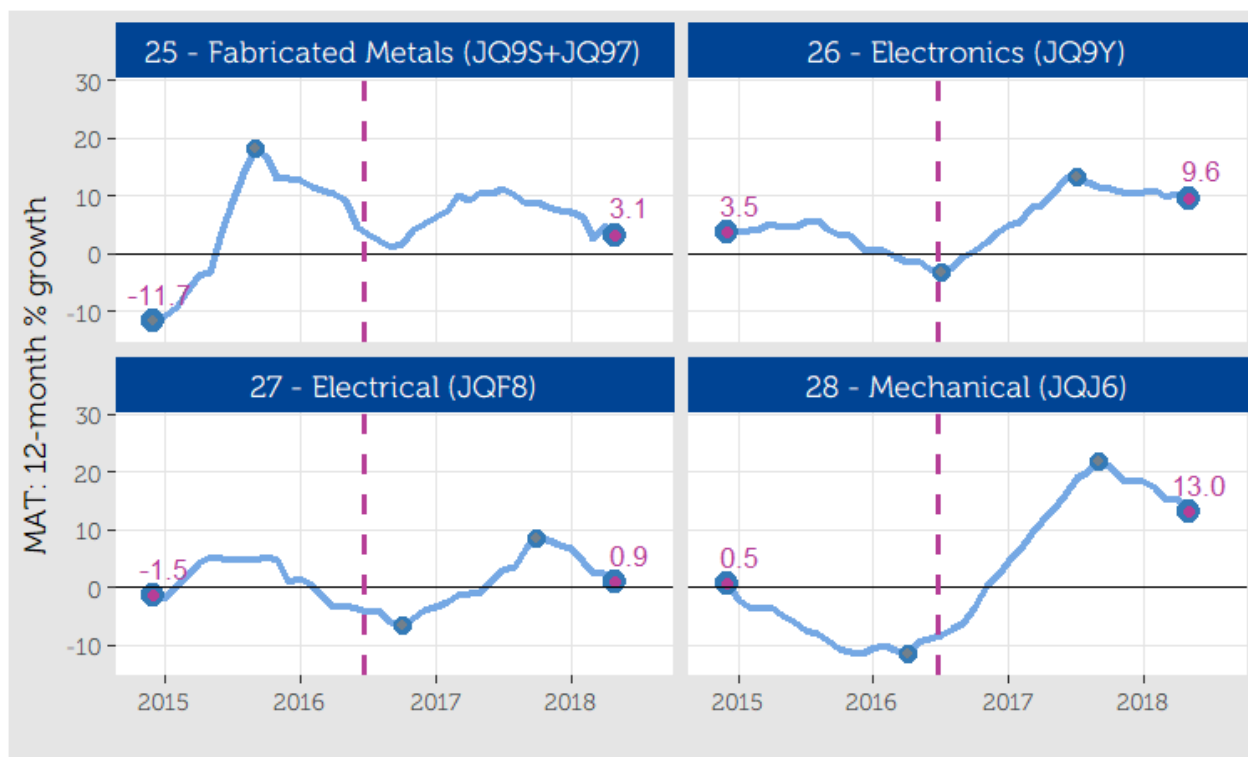
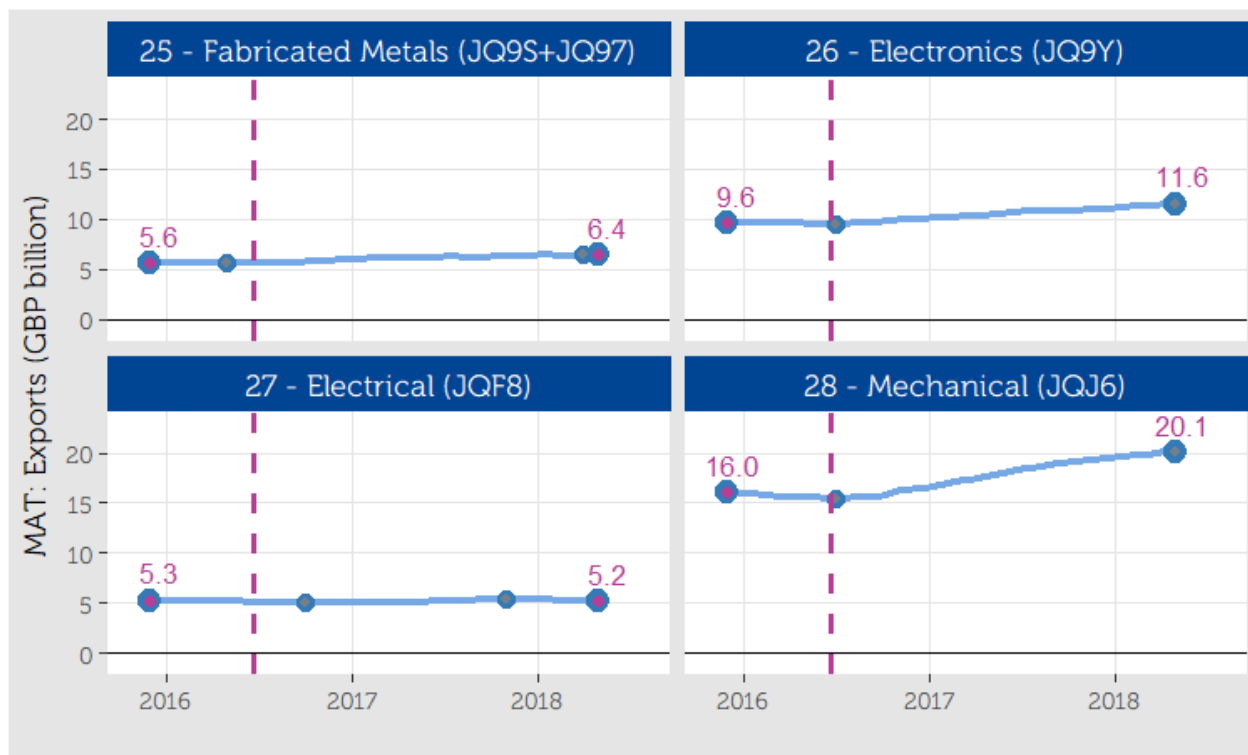


11 Industry Level Indicators

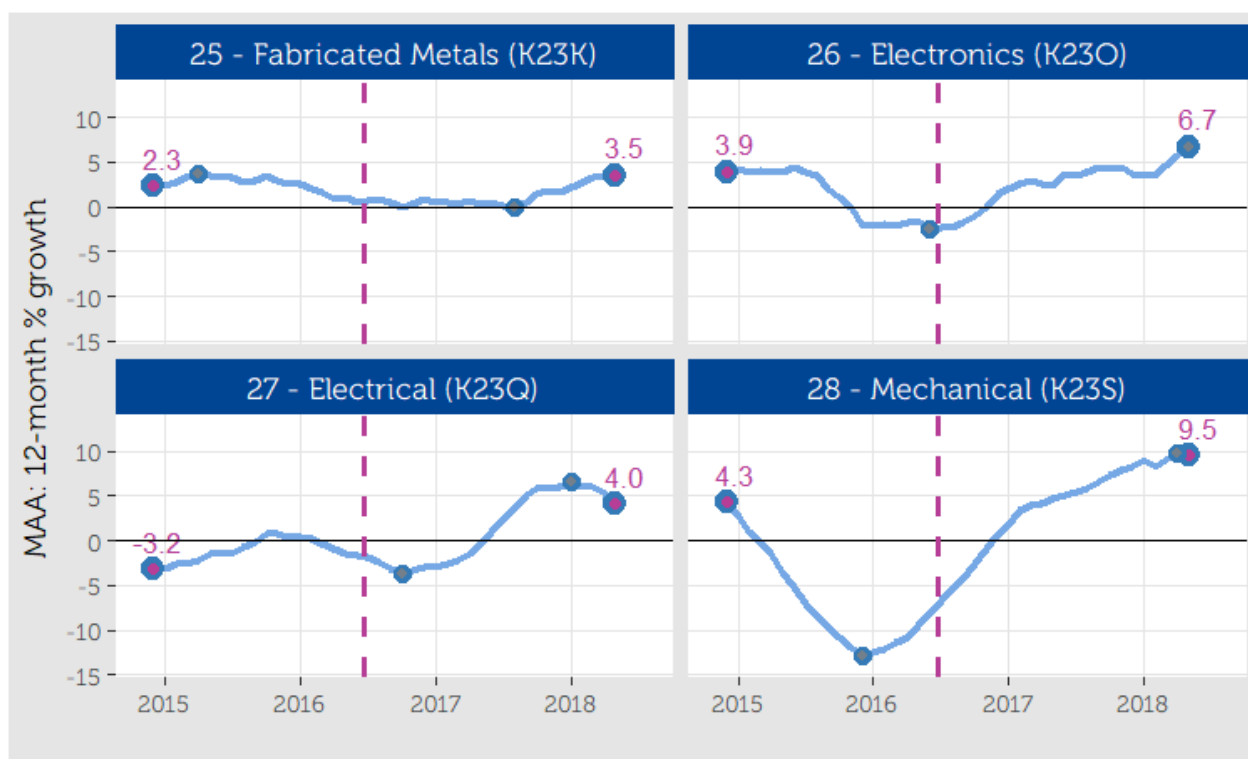
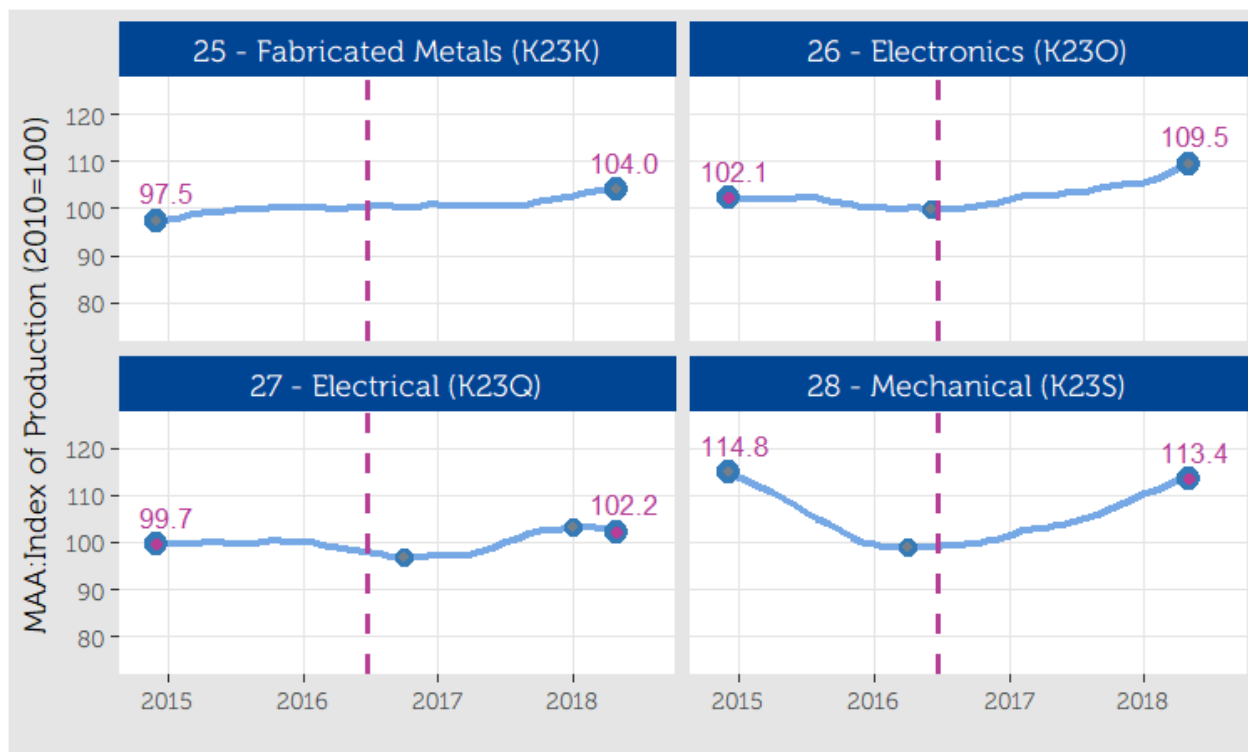
11.1 Turnover



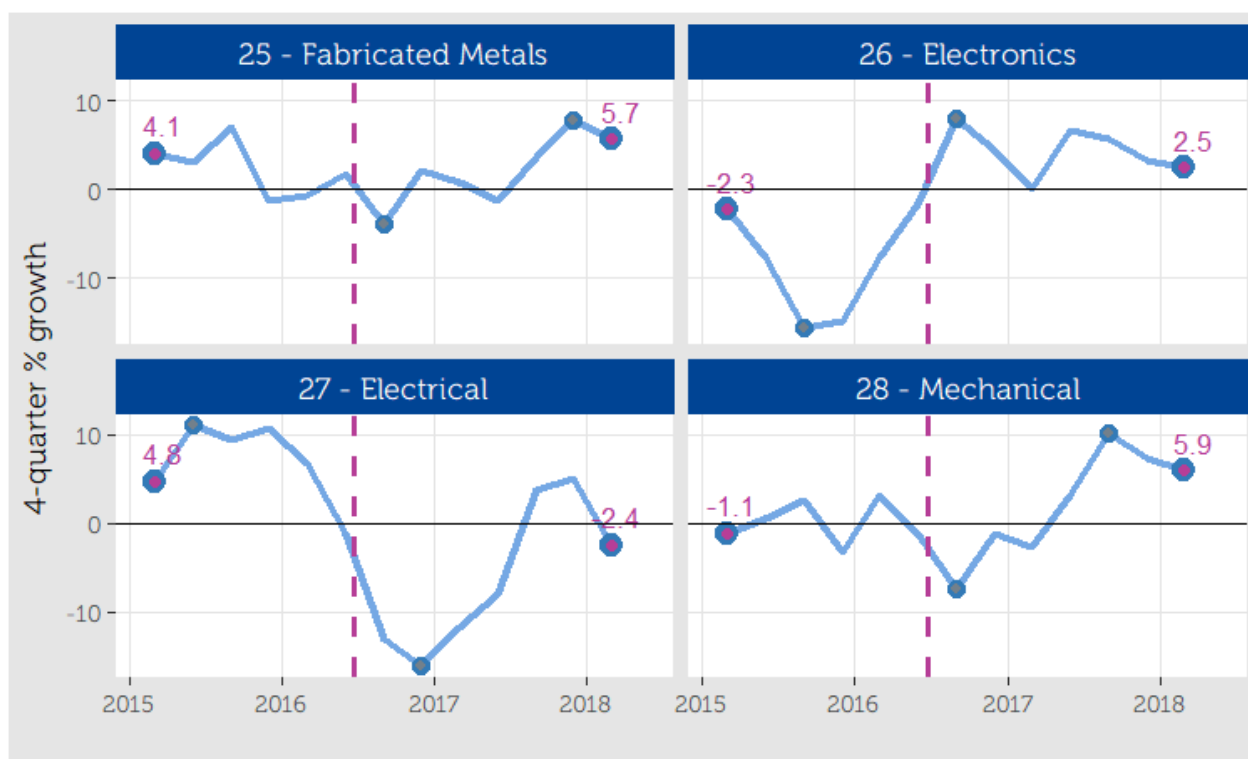
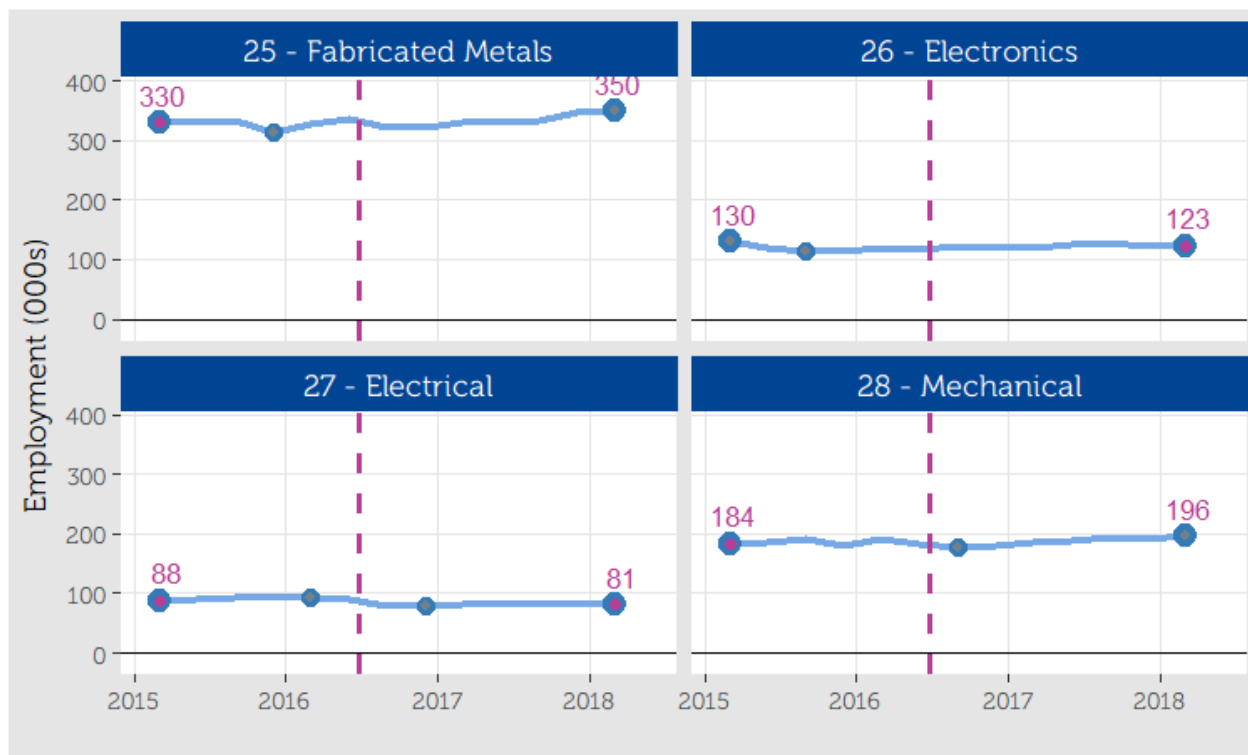
11.2 Exports



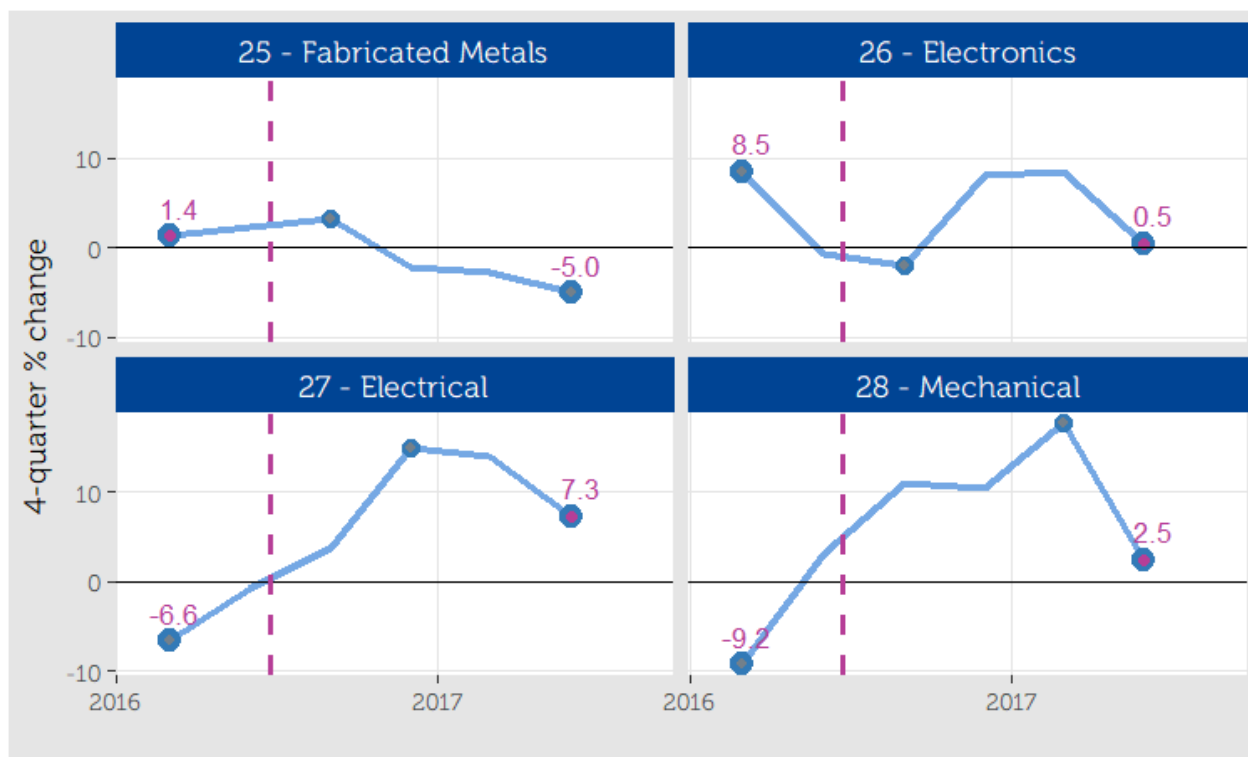
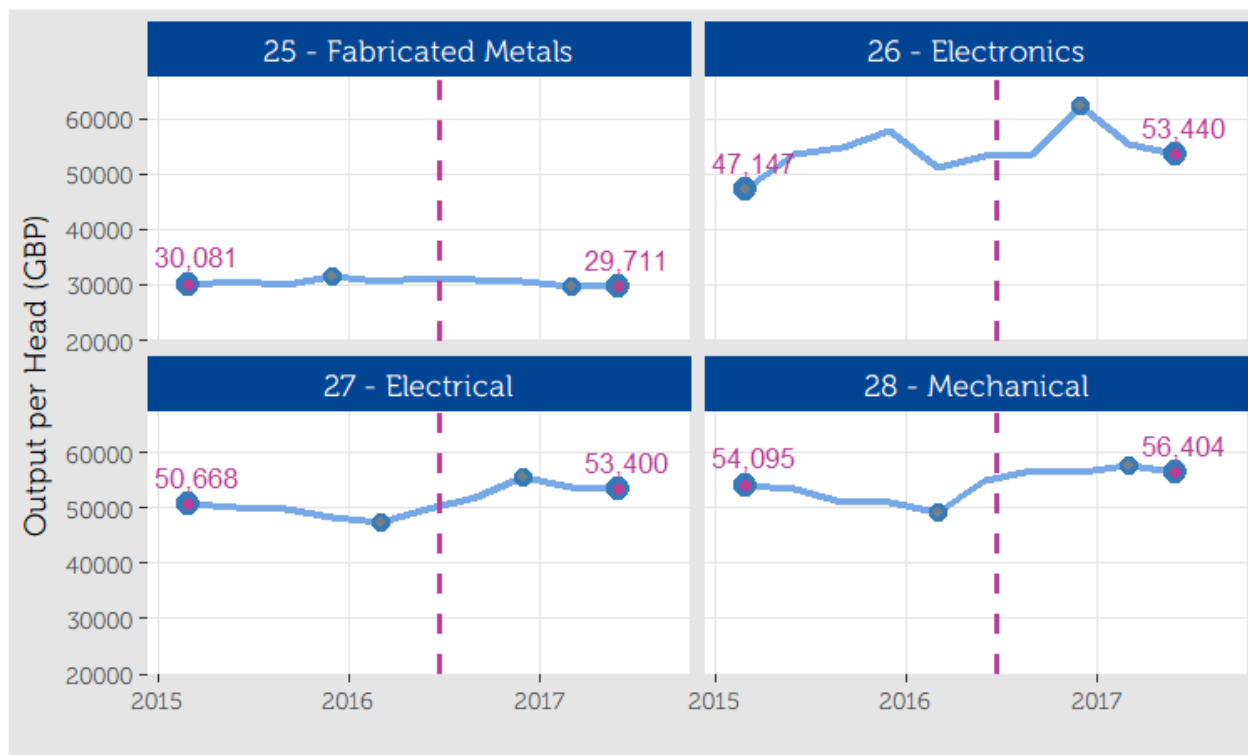
11.3 Index of Production



11.4 Employment (including Self-Employment)



11.5 Turnover per Head

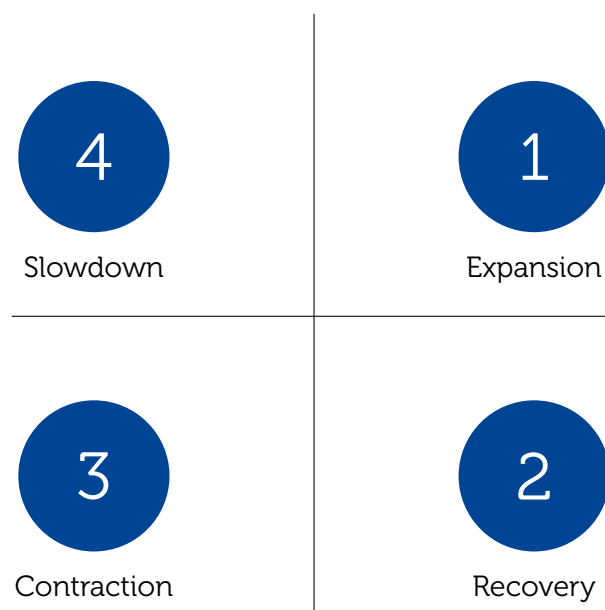


12 Growth Cycles

12.1 About Growth Cycles

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

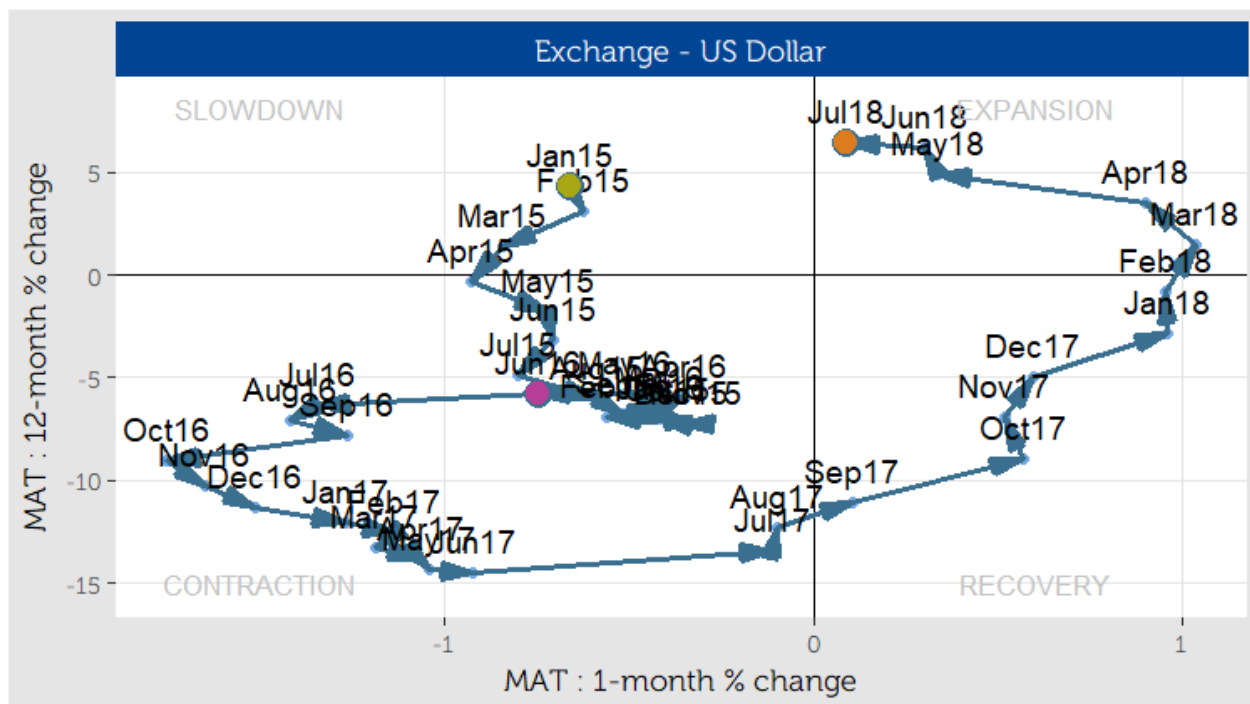
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



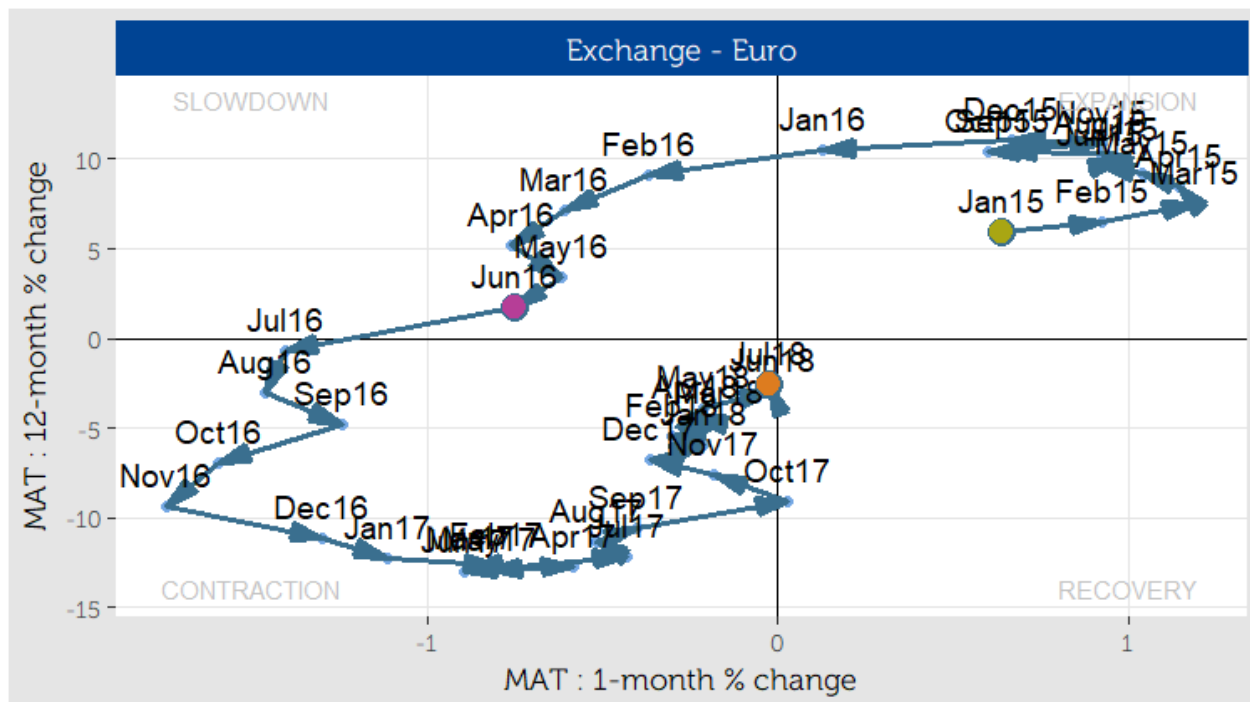
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

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

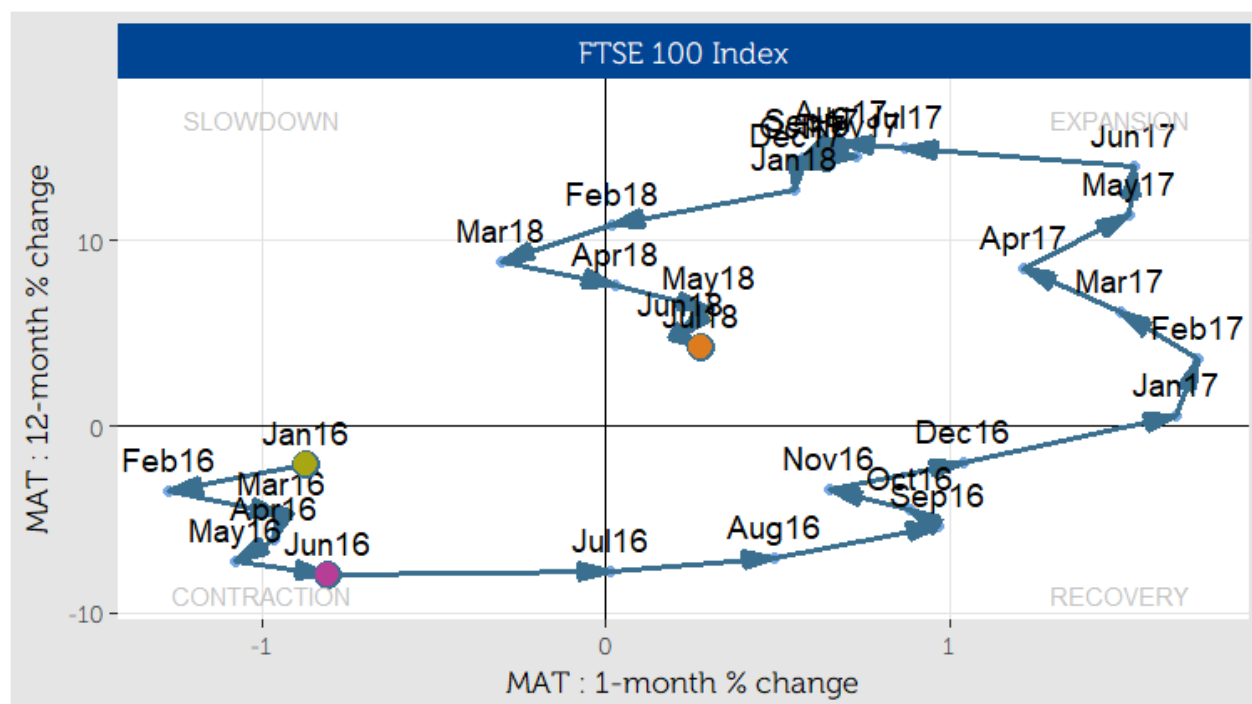
12.2 Exchange Rate (USD)



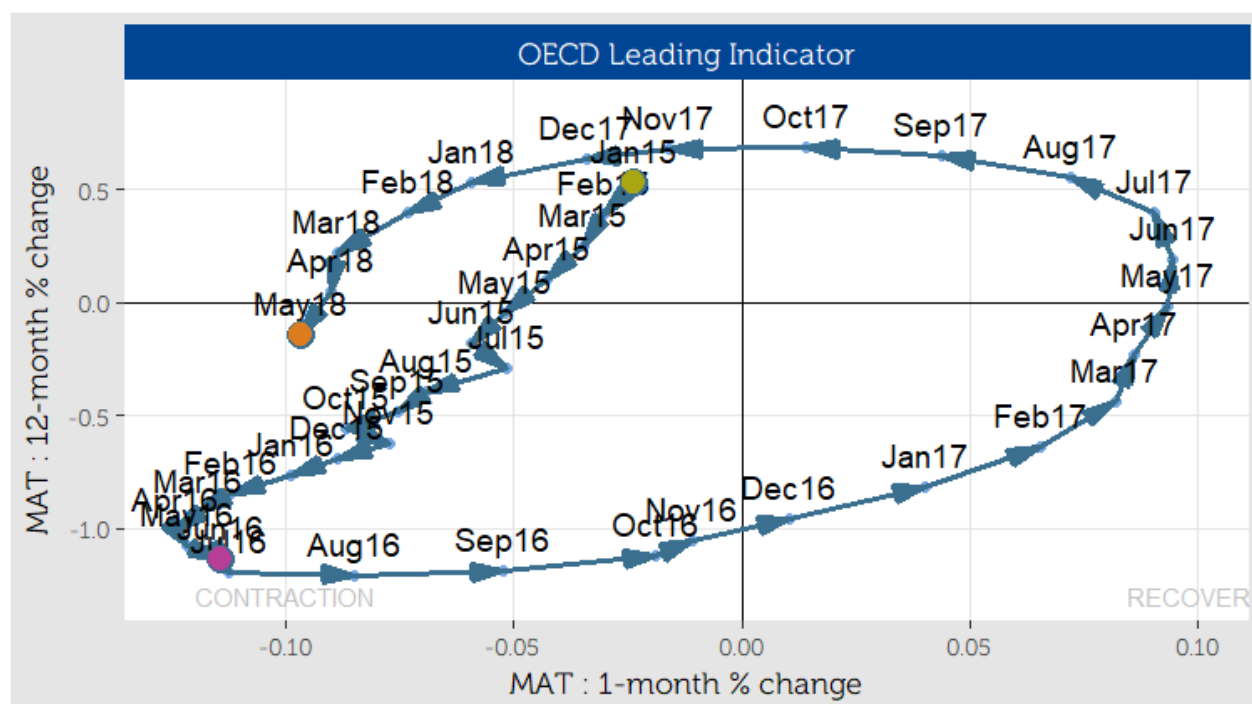
12.3 Exchange Rate (Euro)



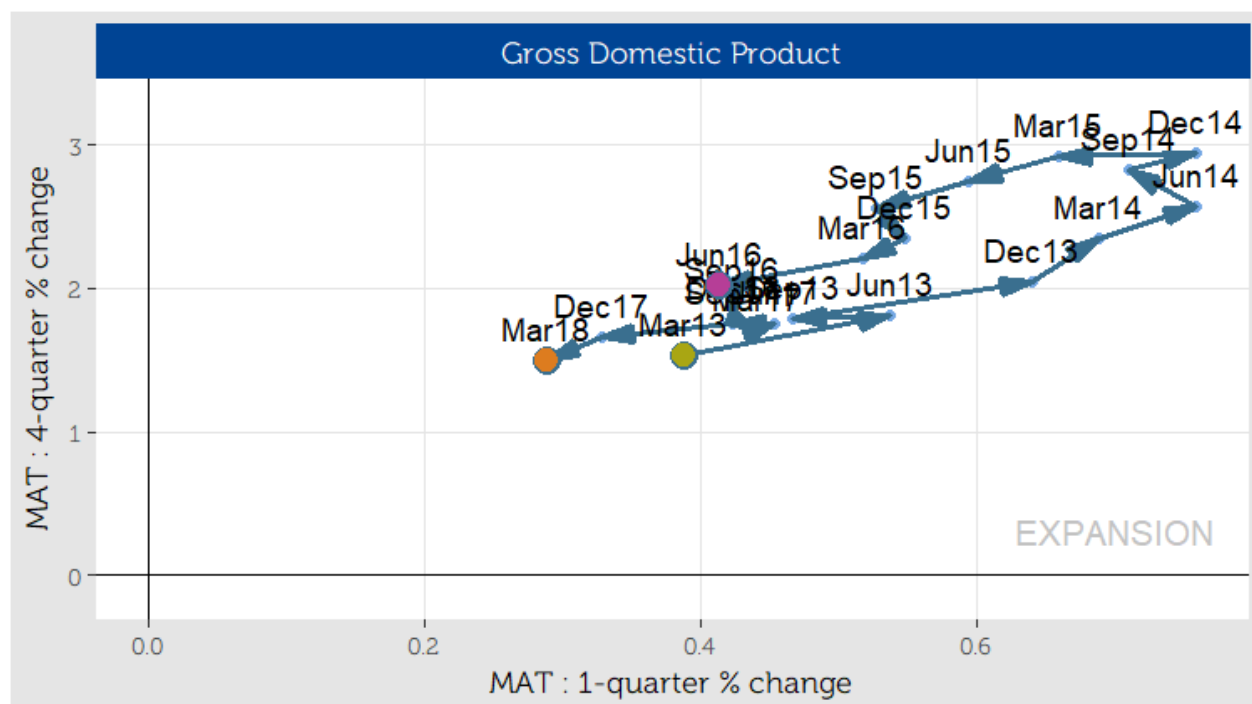
12.4 FTSE 100 Index



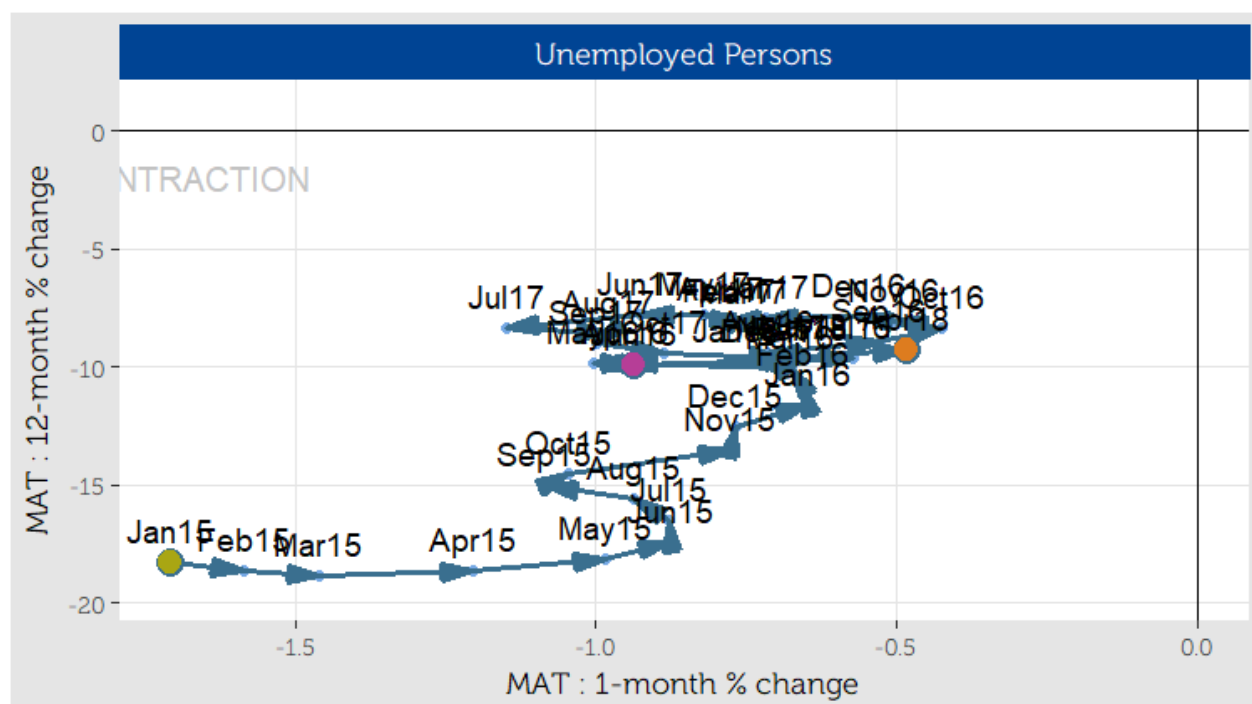
12.5 OECD Composite Leading Indicator - UK



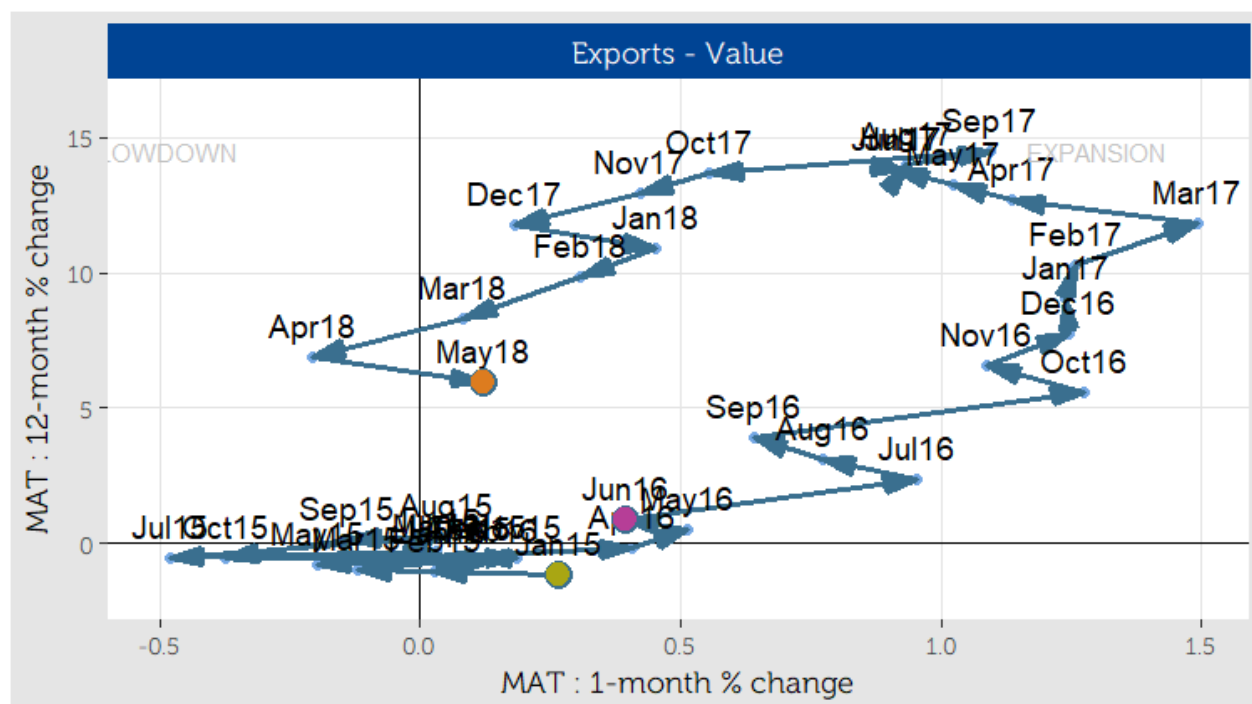
12.6 Gross Domestic Product - GDP (ABMI-UKEA)



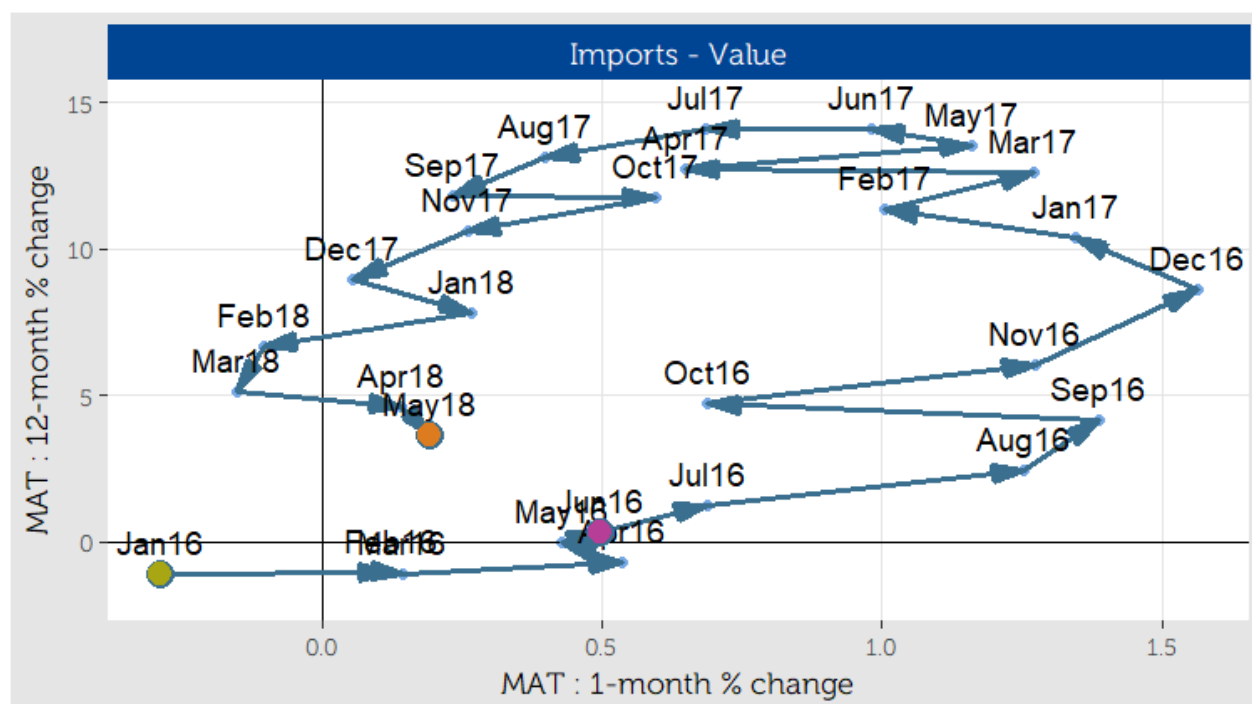
12.7 Unemployed Persons (MGSC)



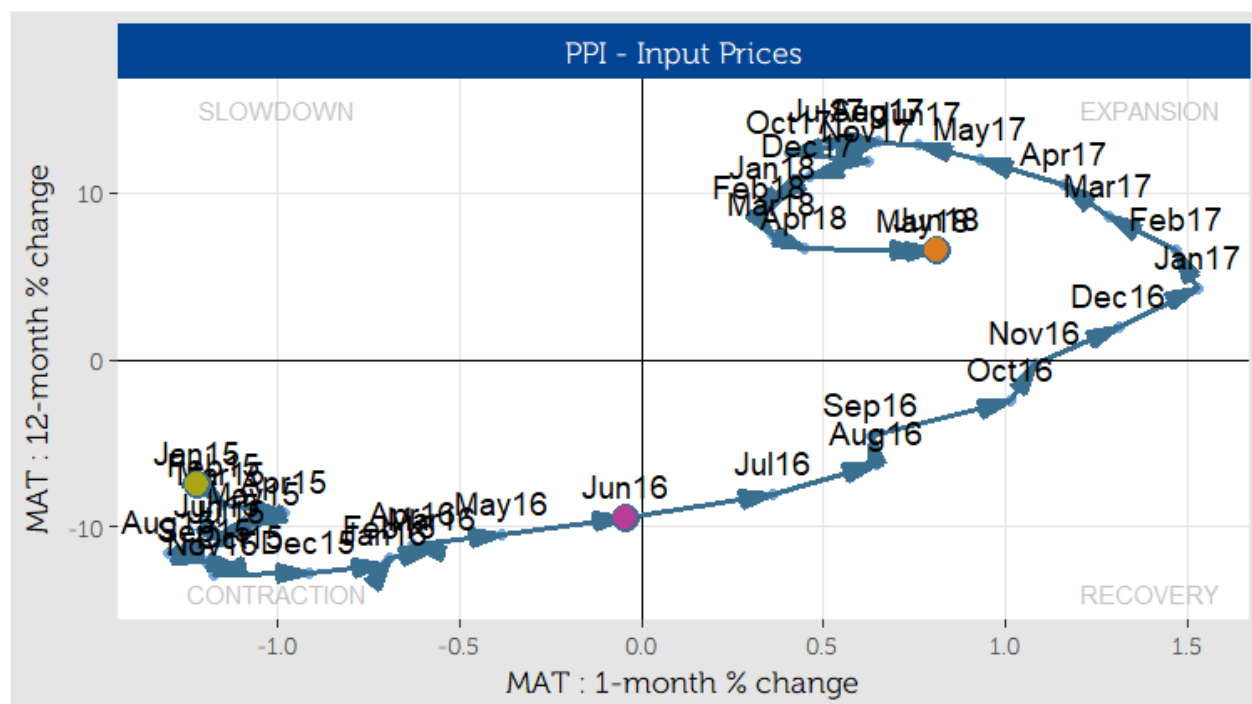
12.8 Exports - Value (IKBH)



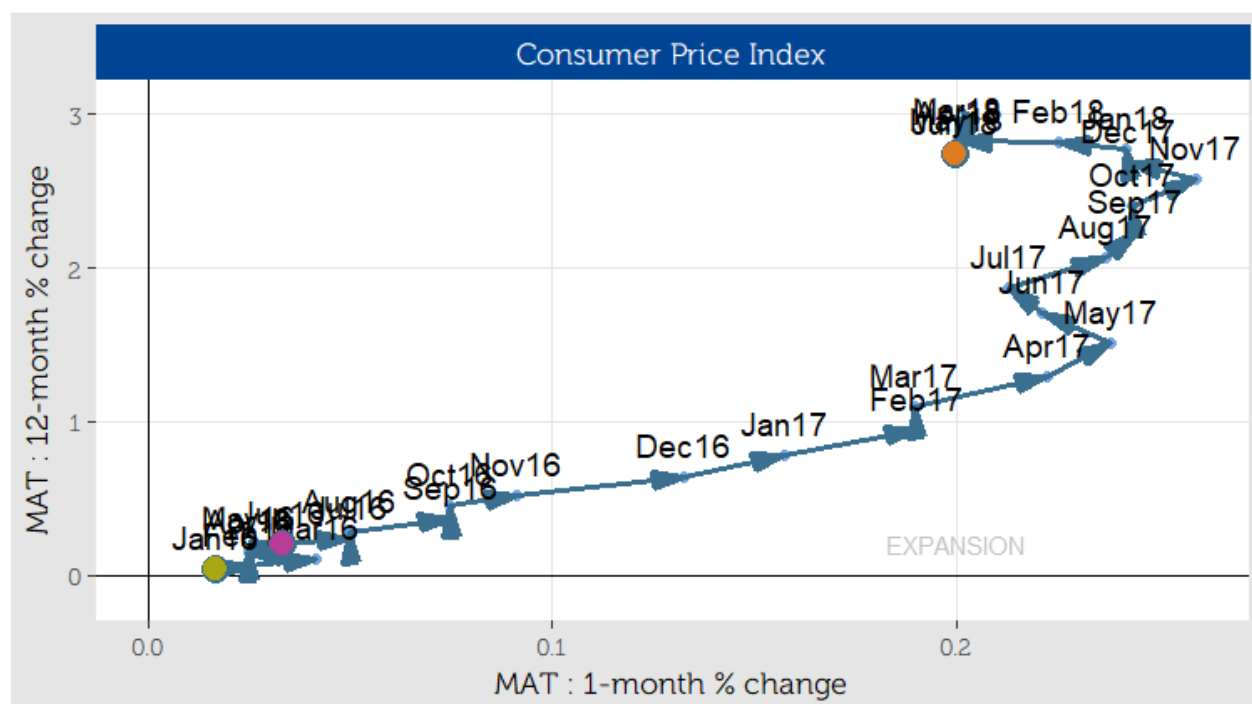
12.9 Imports - Value (IKBI)



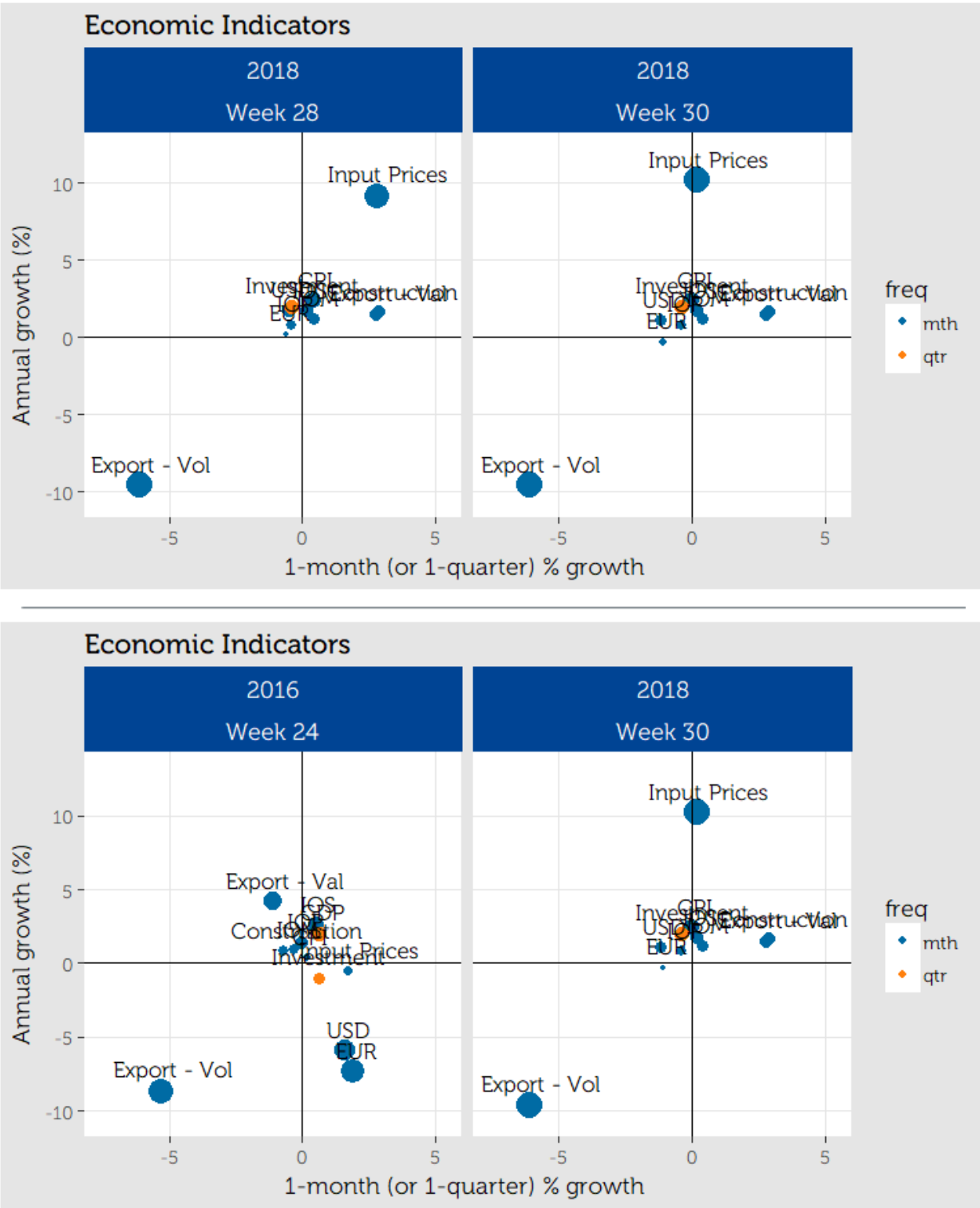
12.10 Input Prices (K646)



12.11 Consumer Price Index (D7BT)



12.12 Current State

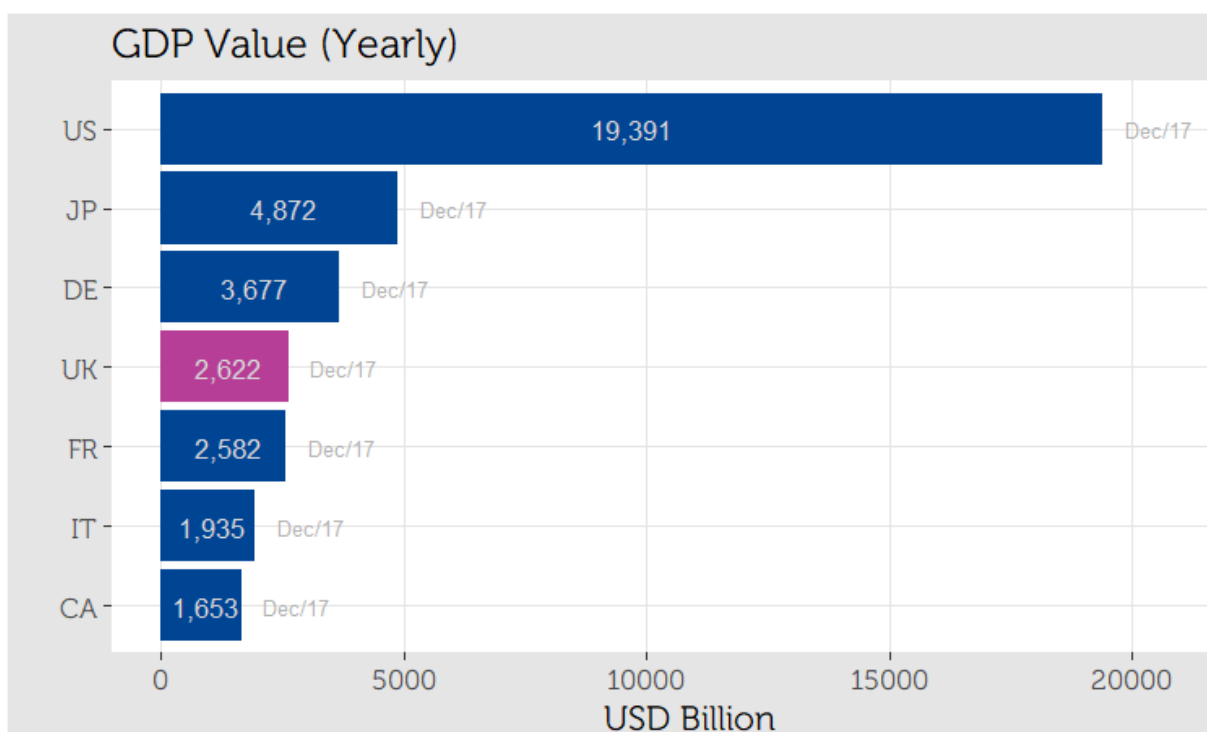
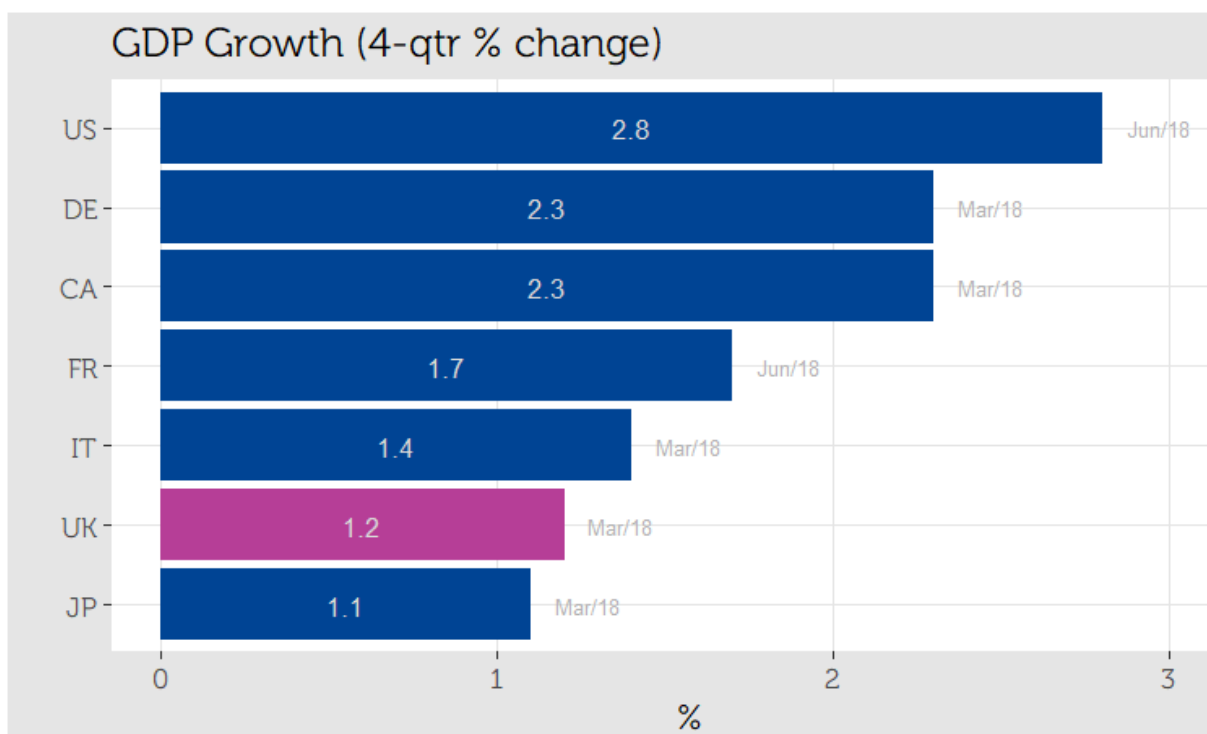


Top: Indicators growth - Current week versus previous week.

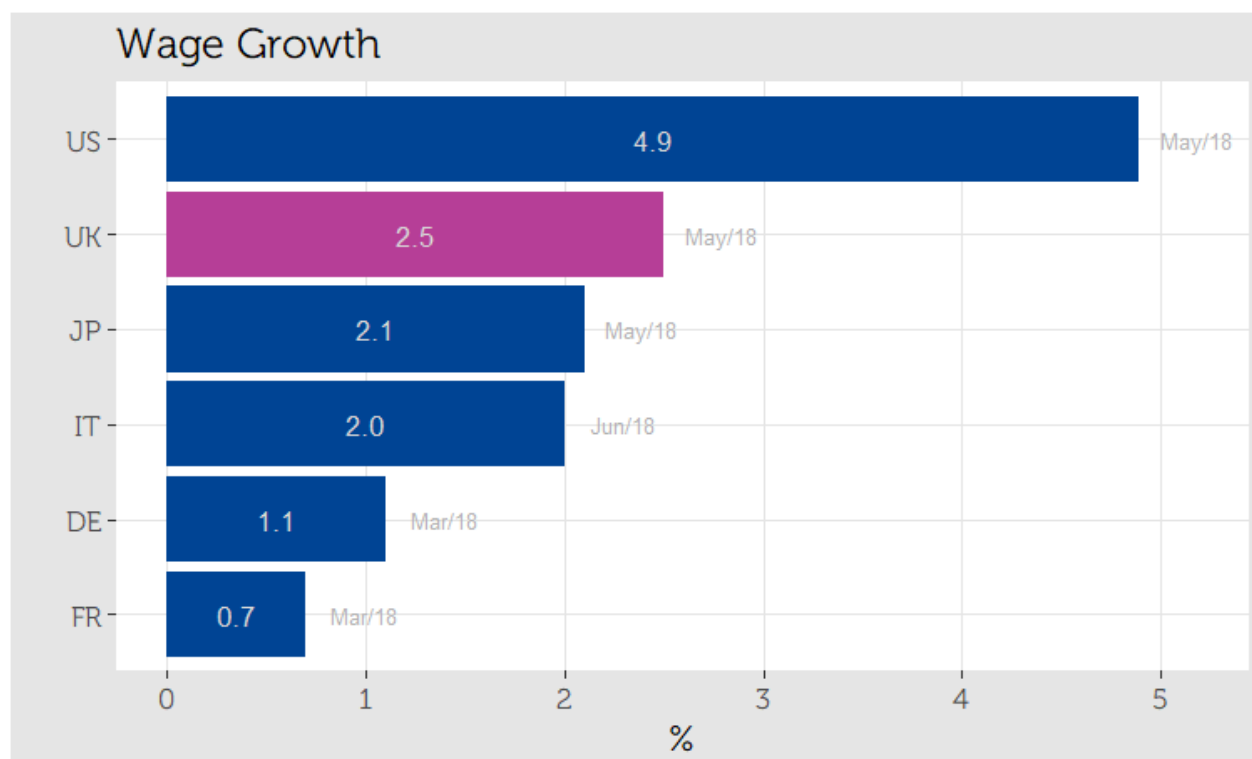
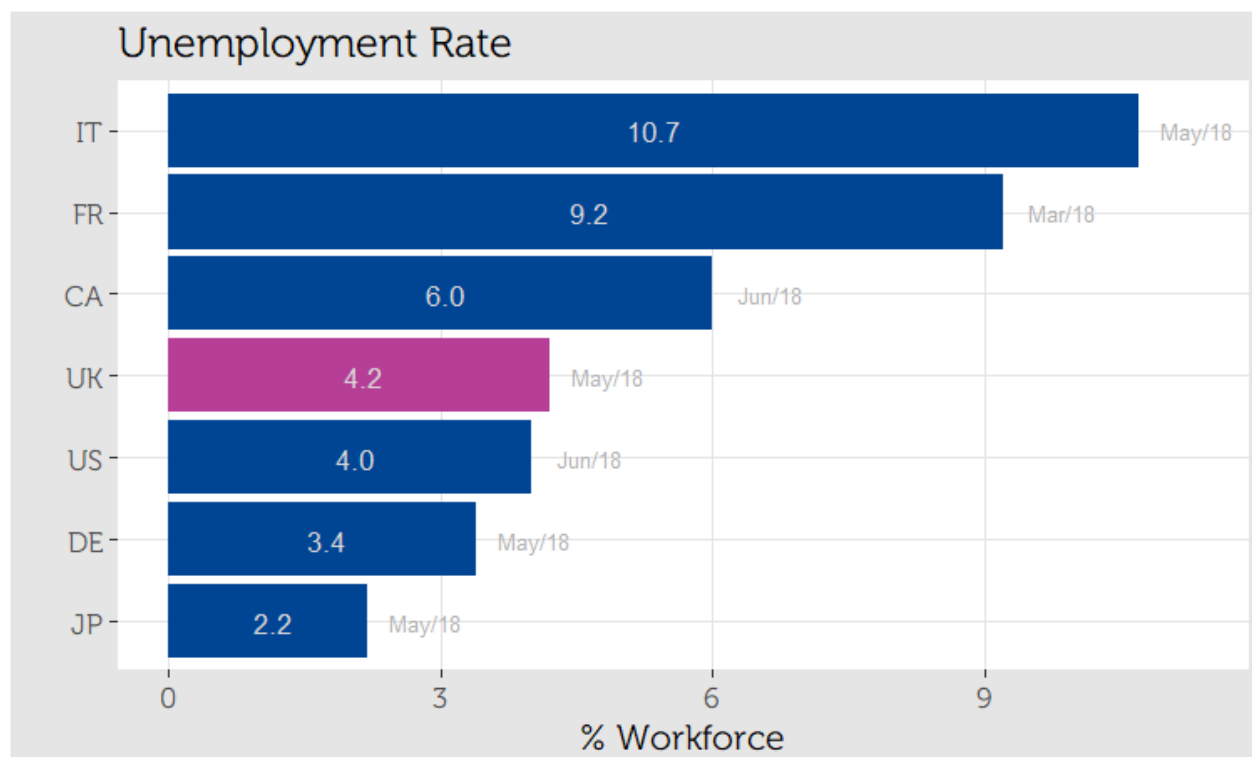
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

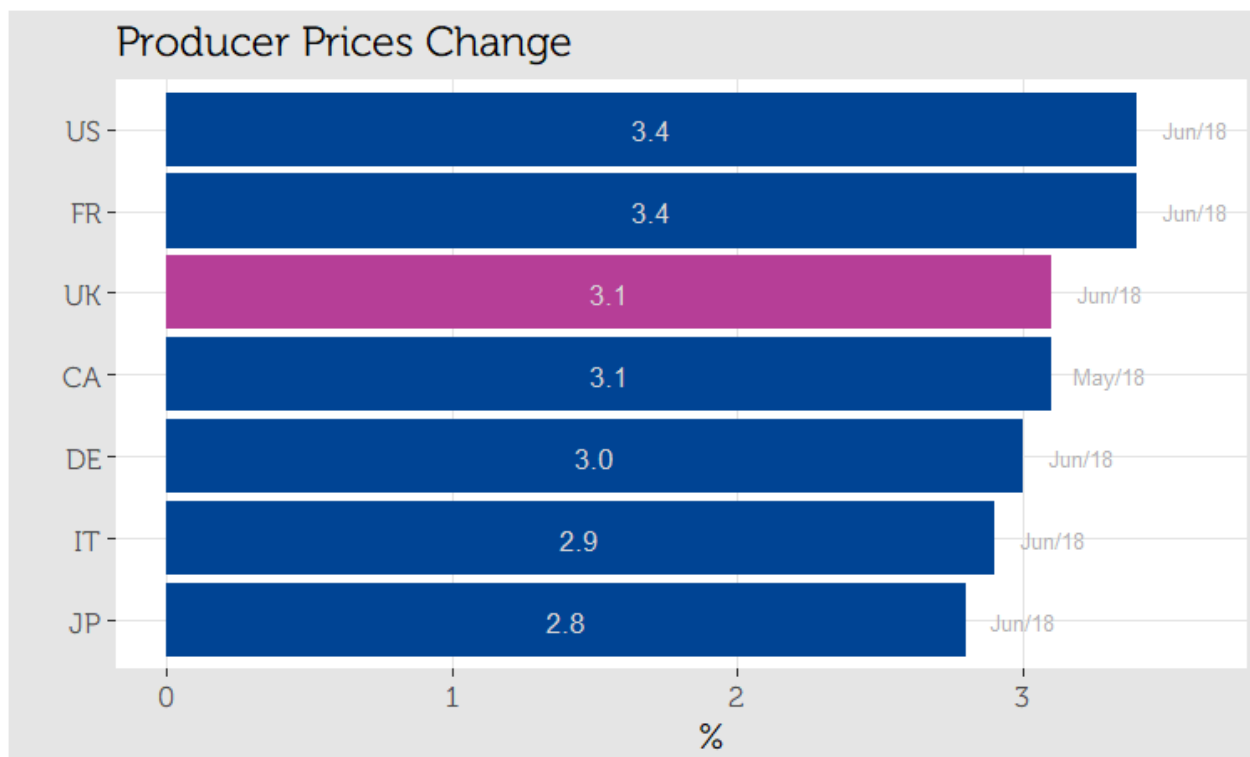
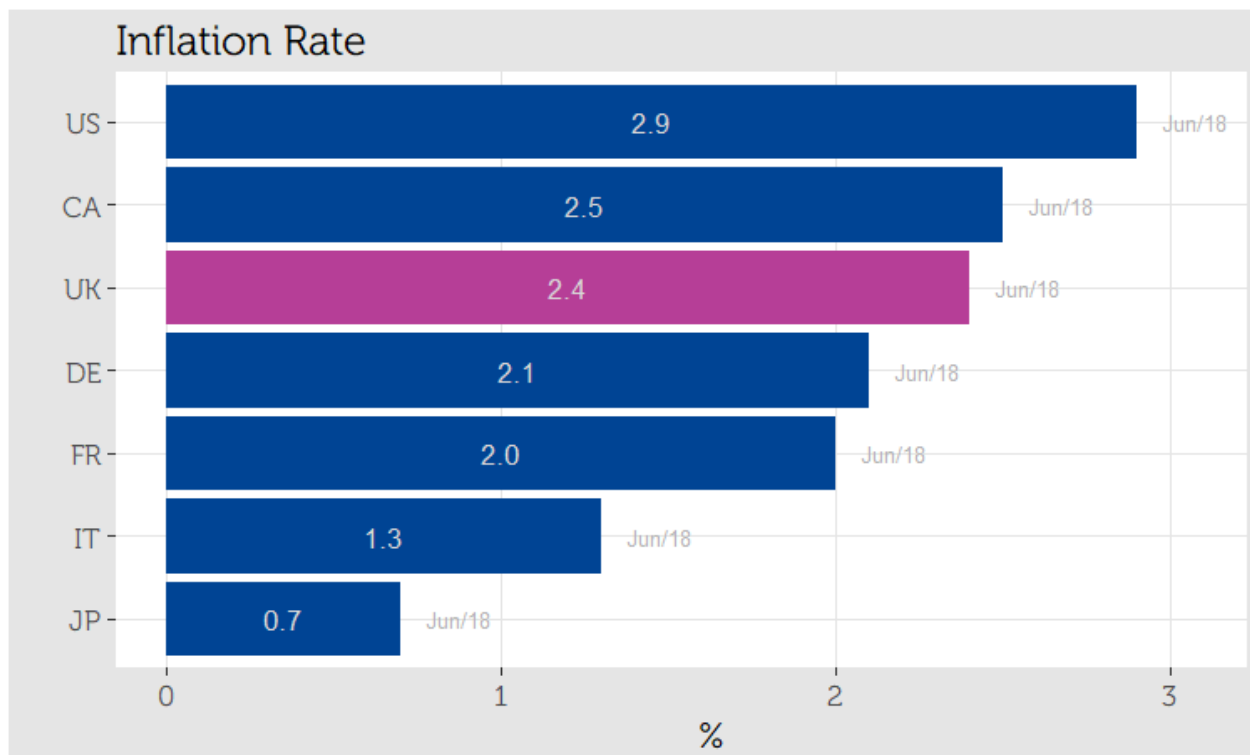
13.1 Gross Domestic Product (GDP)



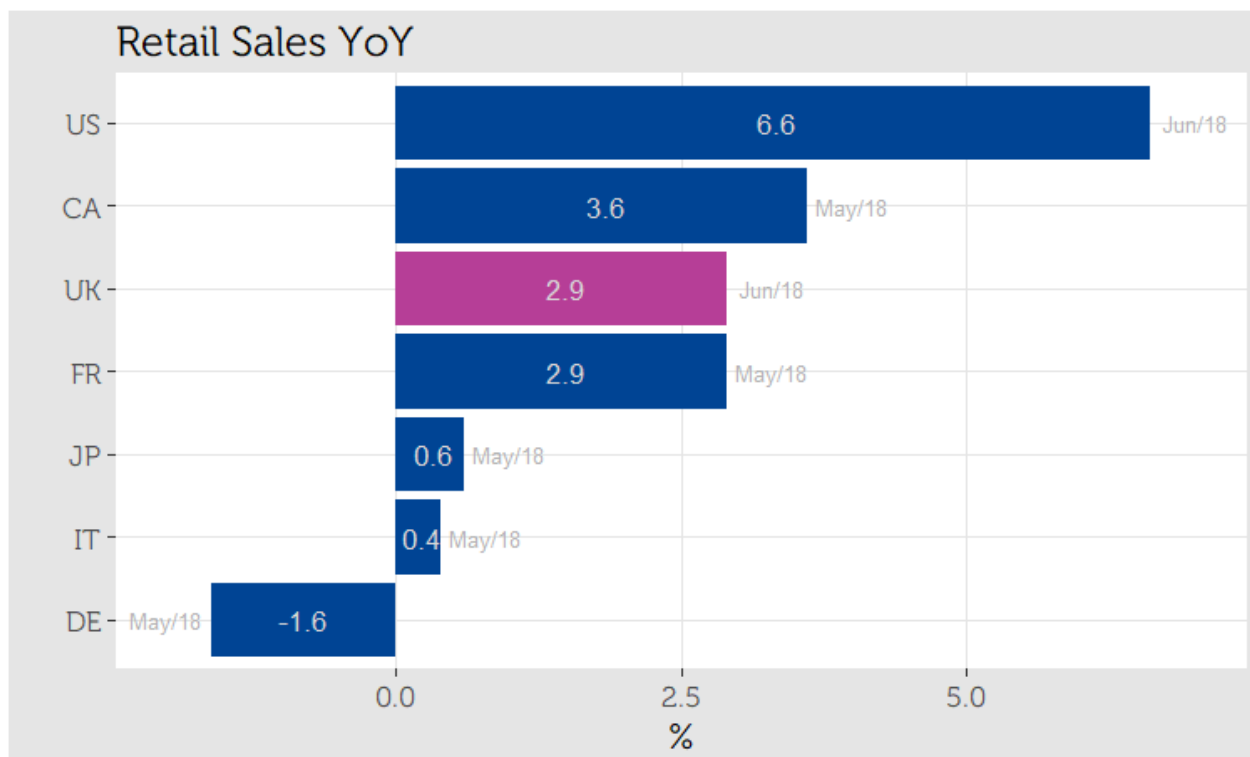
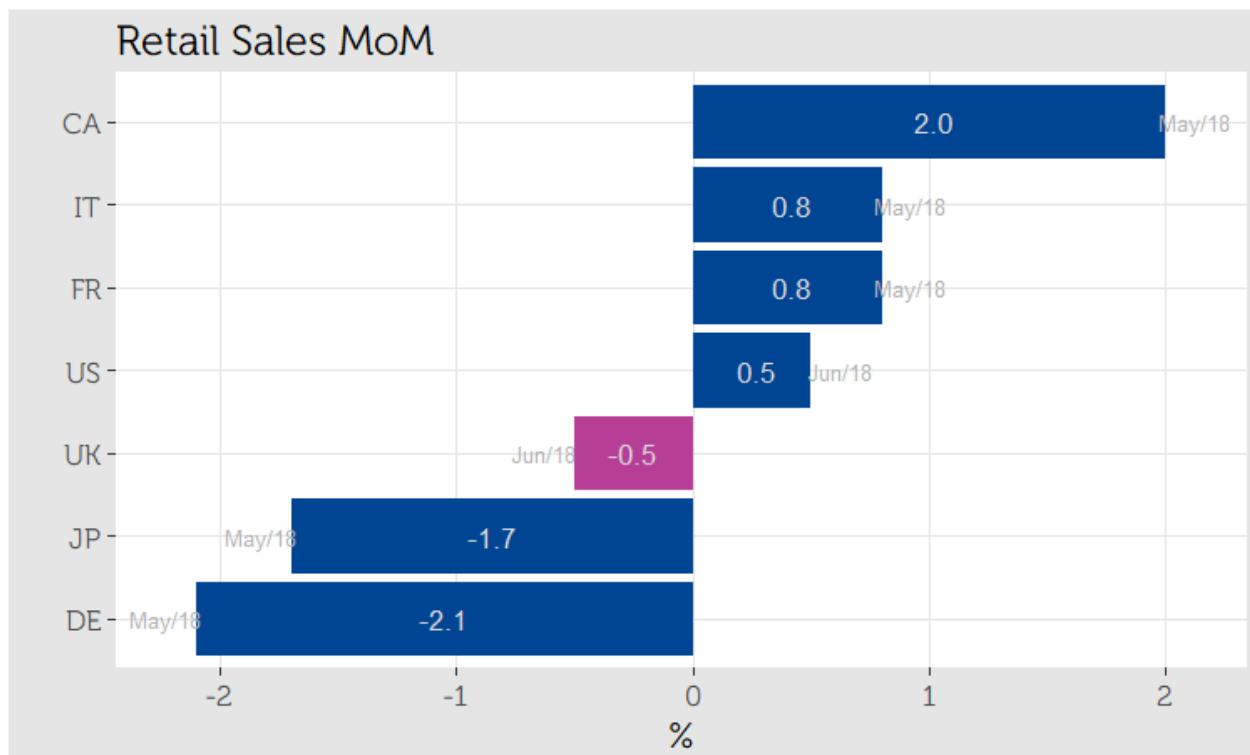
13.2 Unemployment & Wage Growth



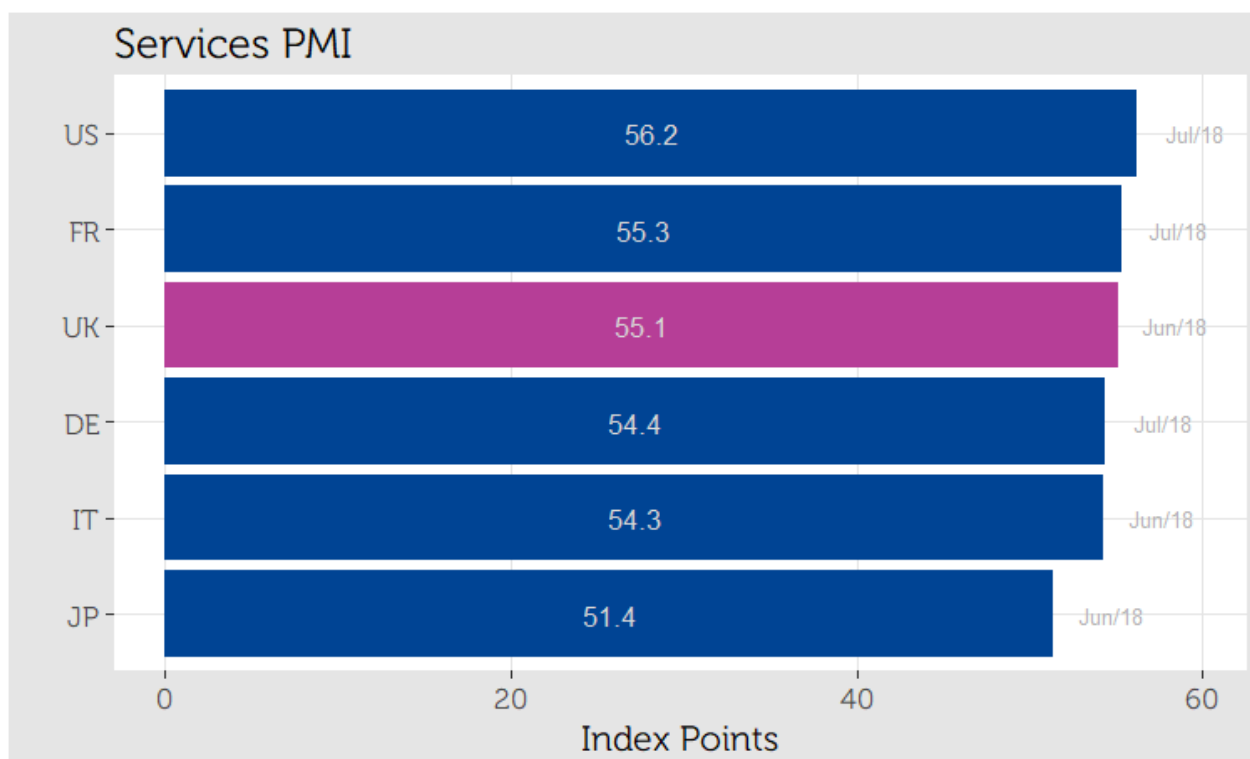
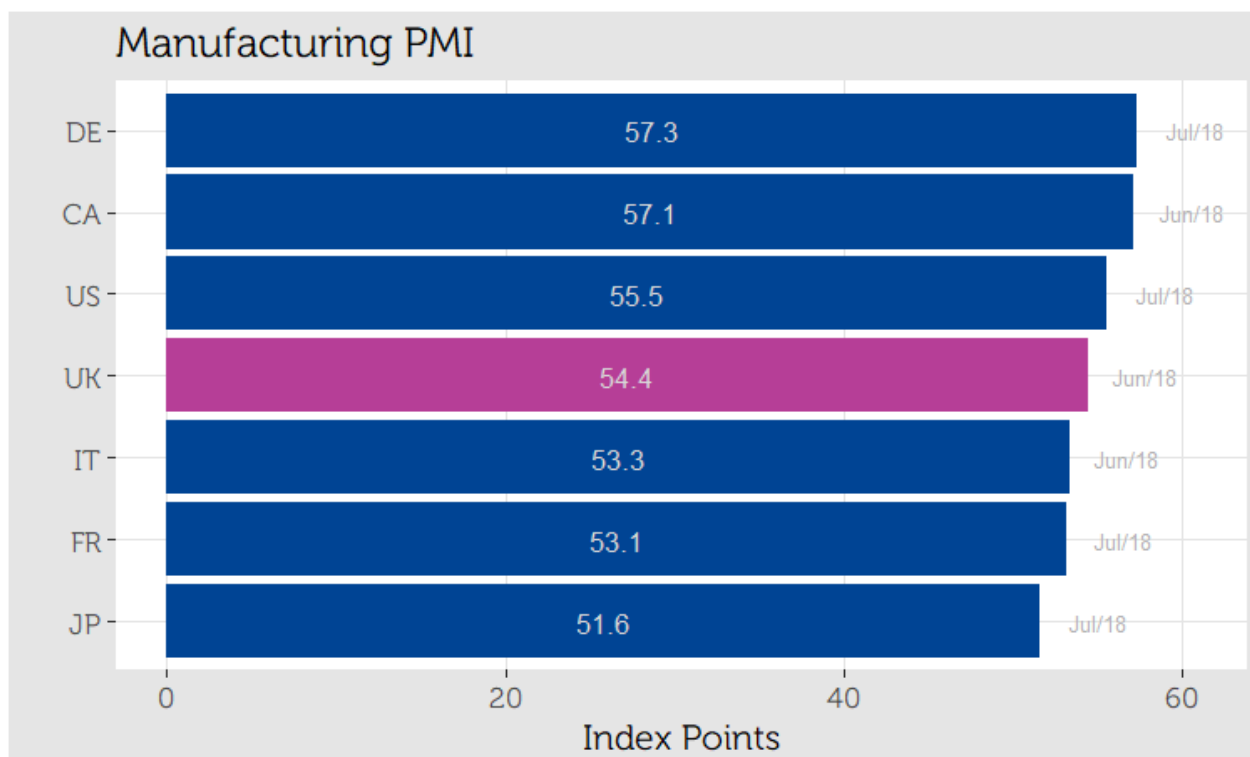
13.3 Inflation & Producer Prices



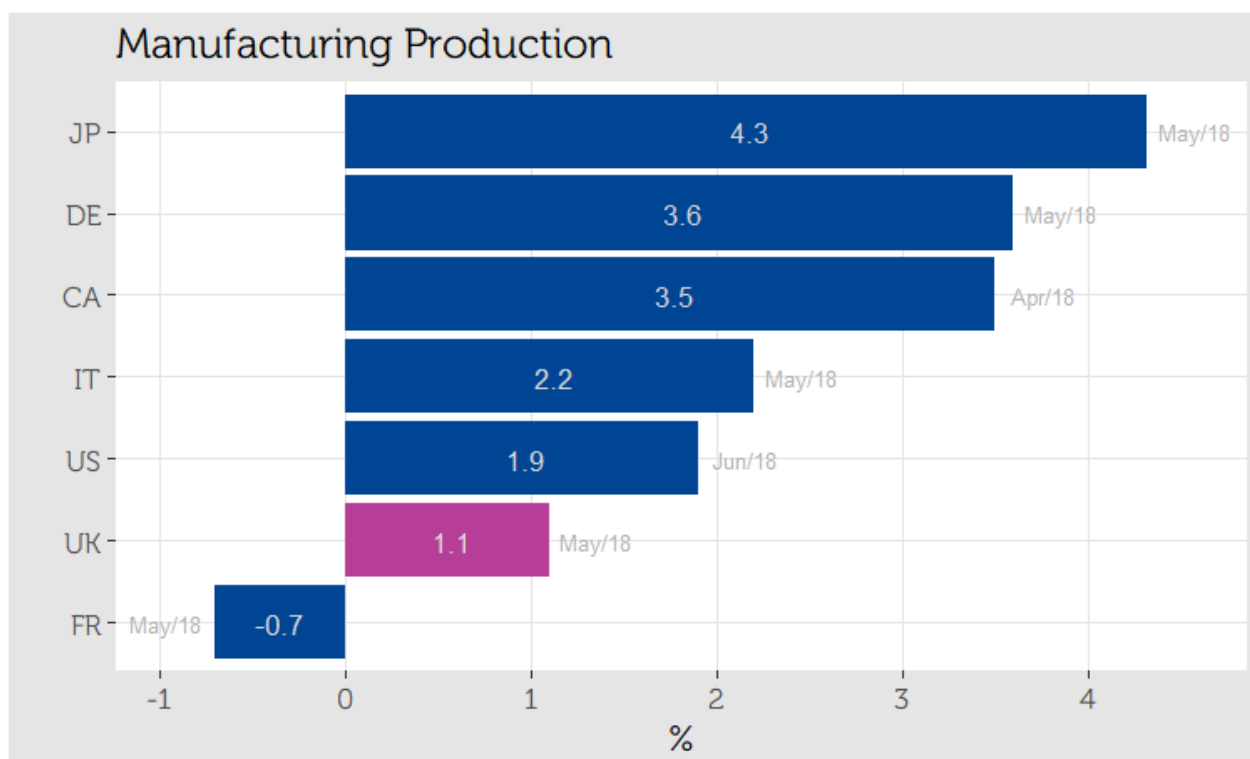
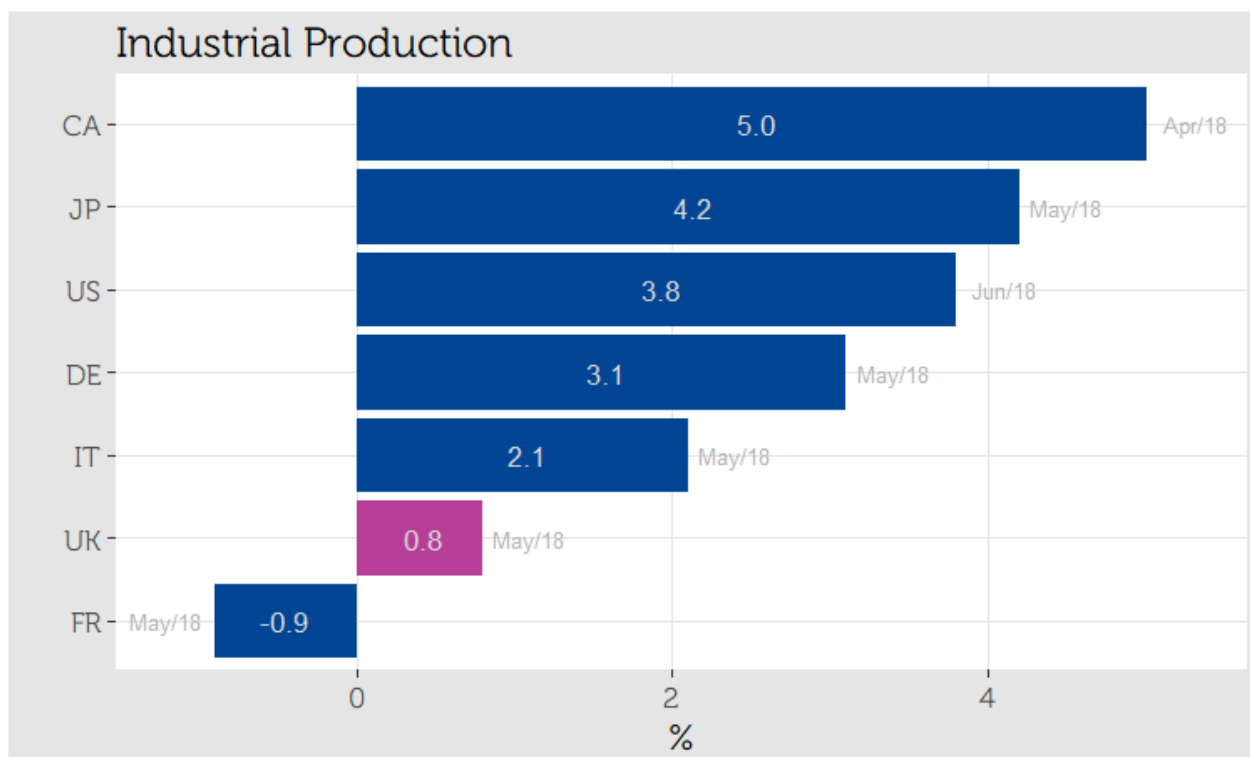
13.4 Retail Sales



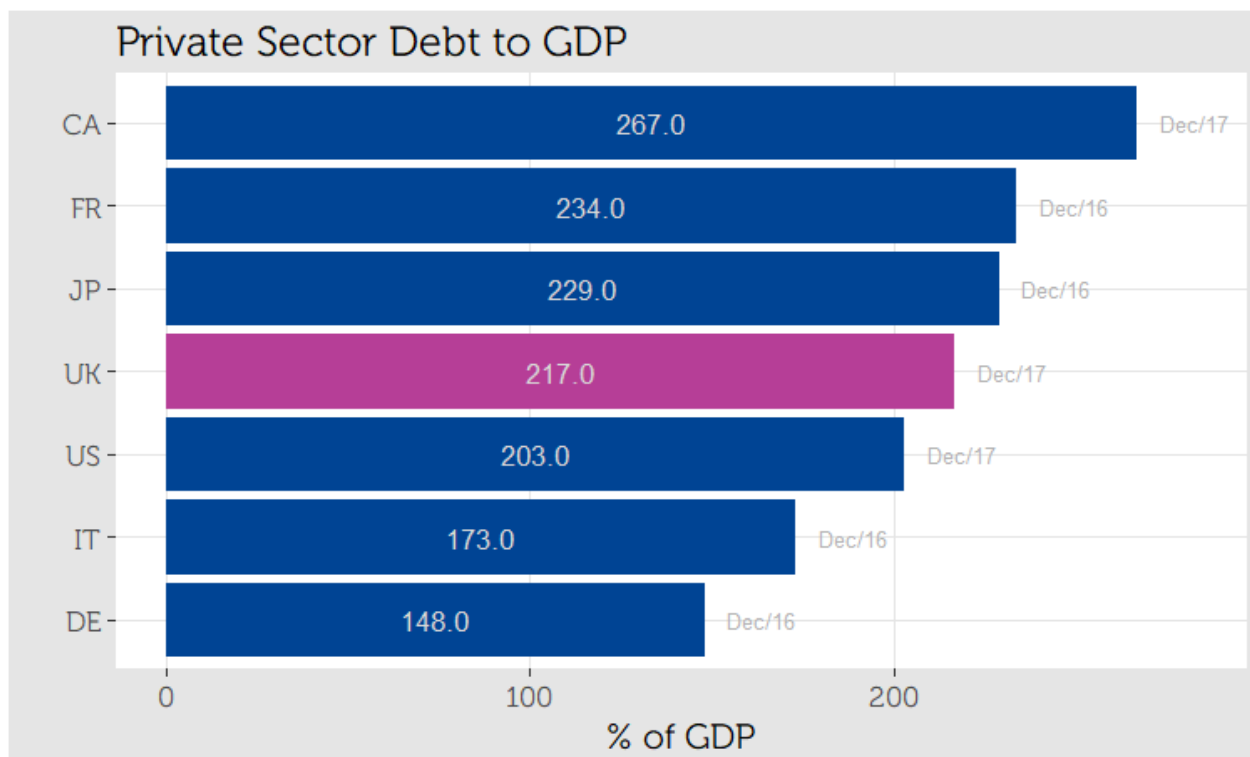
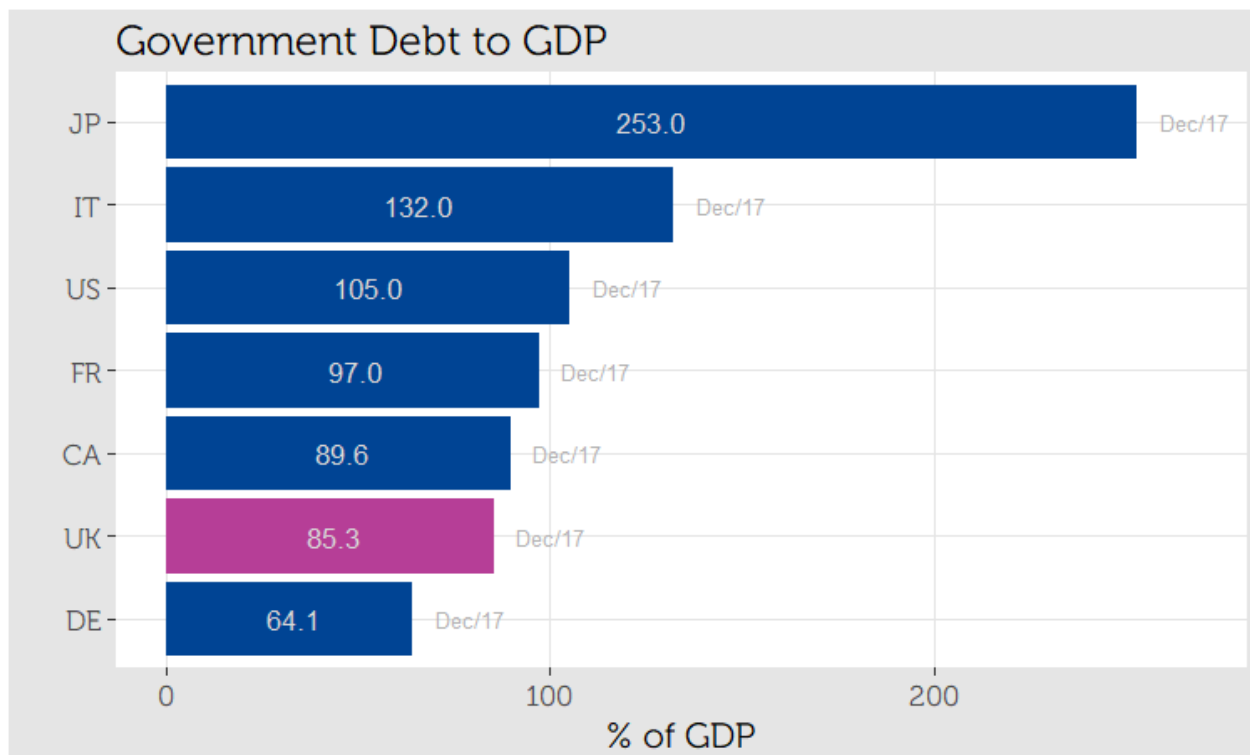
13.5 Purchasers Managers Index - Manufacturing & Services



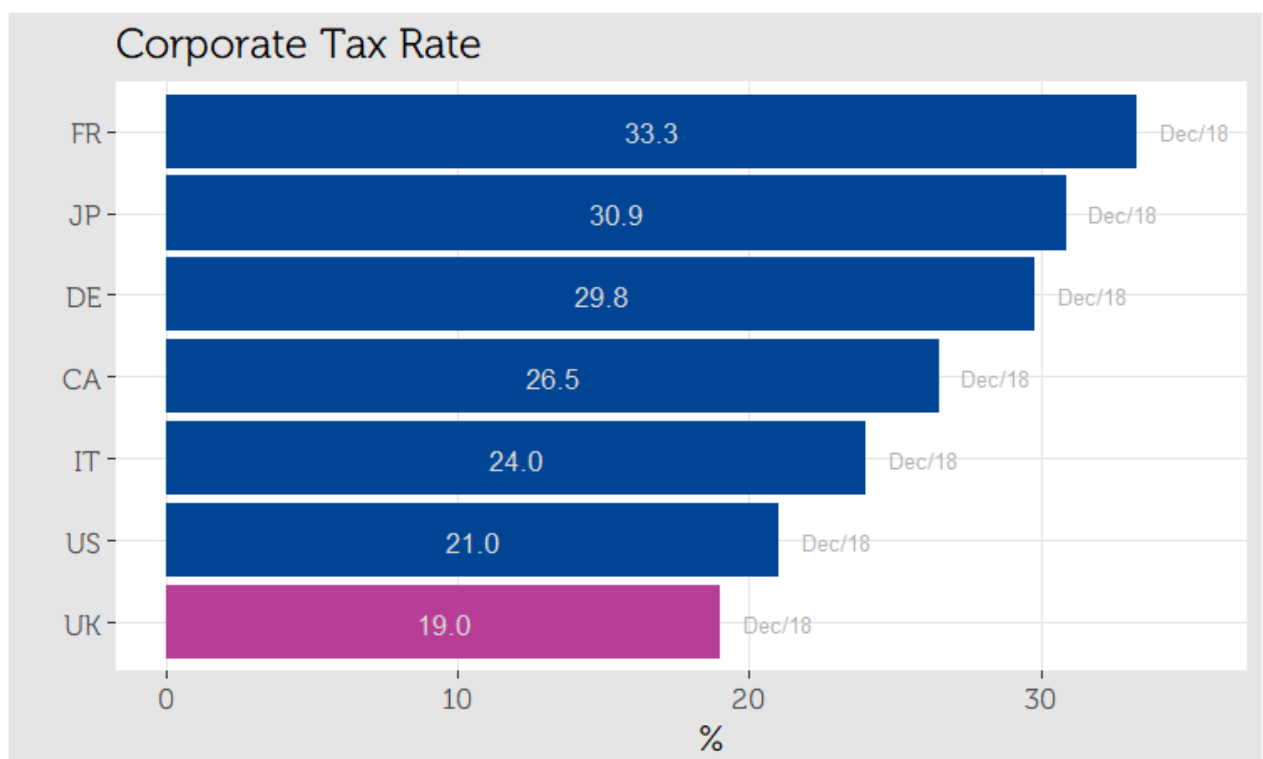
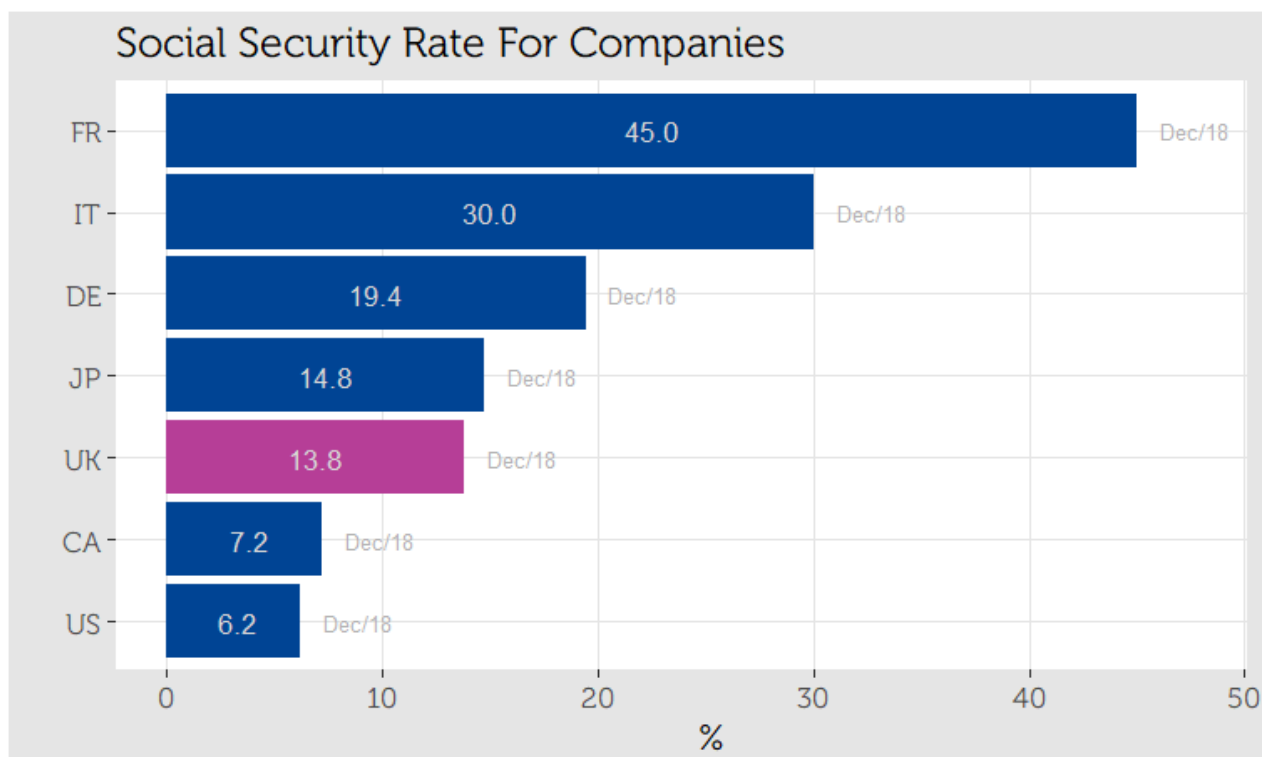
13.6 Industrial Production & Manufacturing



13.7 Debt



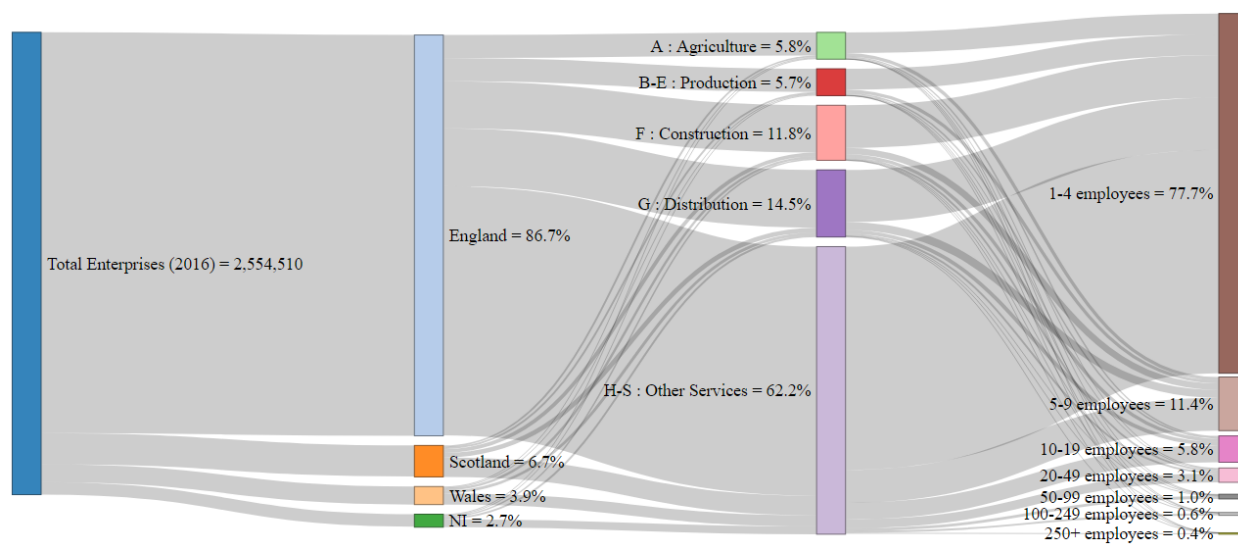
13.8 Employer Social Security Rate & Corporate Tax



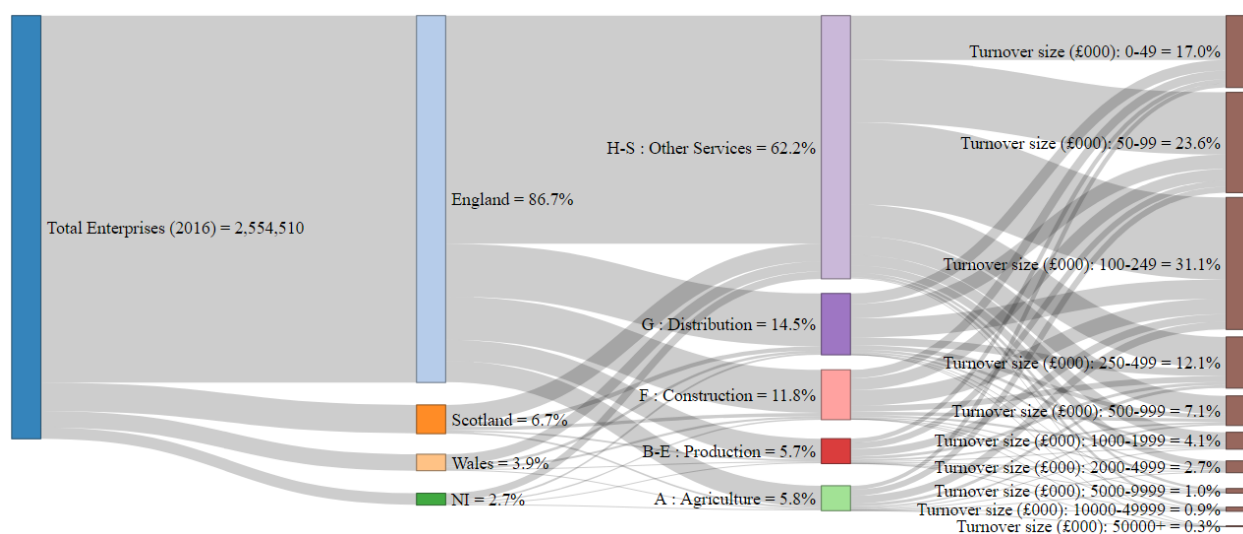
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

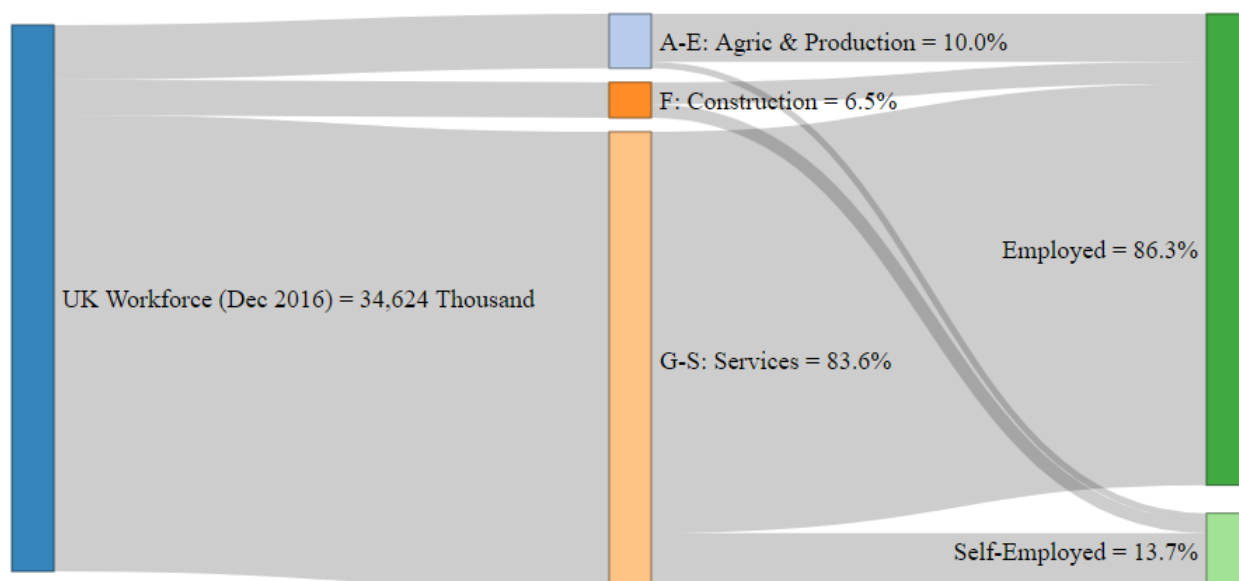


A.2 Enterprises by Turnover Size Band

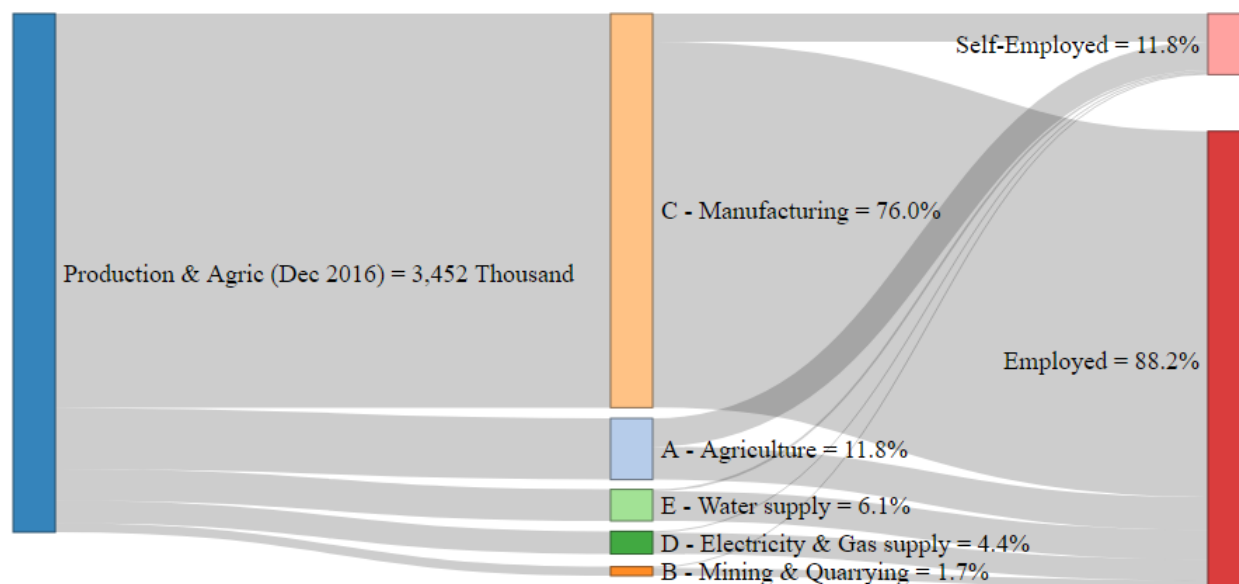


B UK Employment Structure

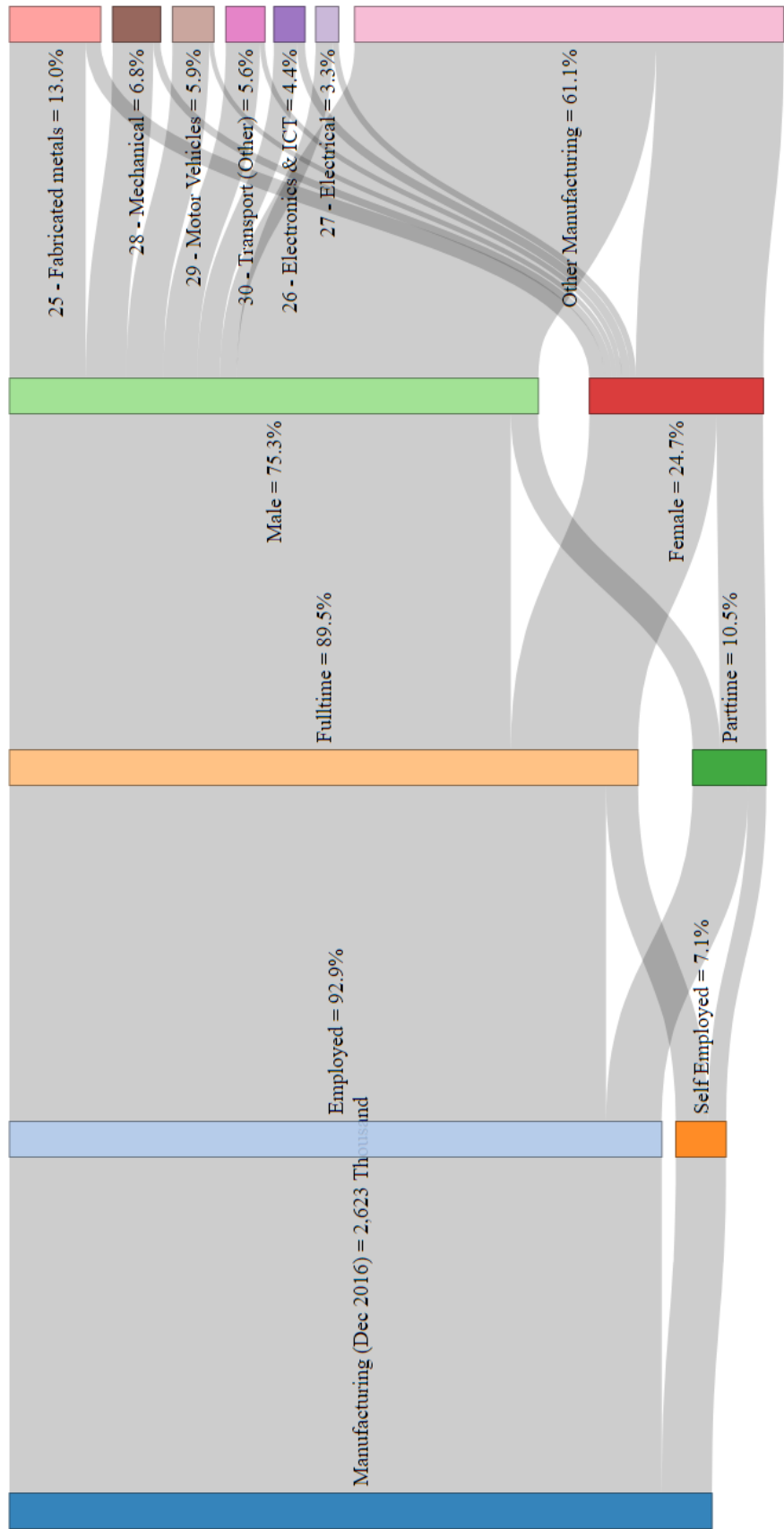
B.1 UK Workforce



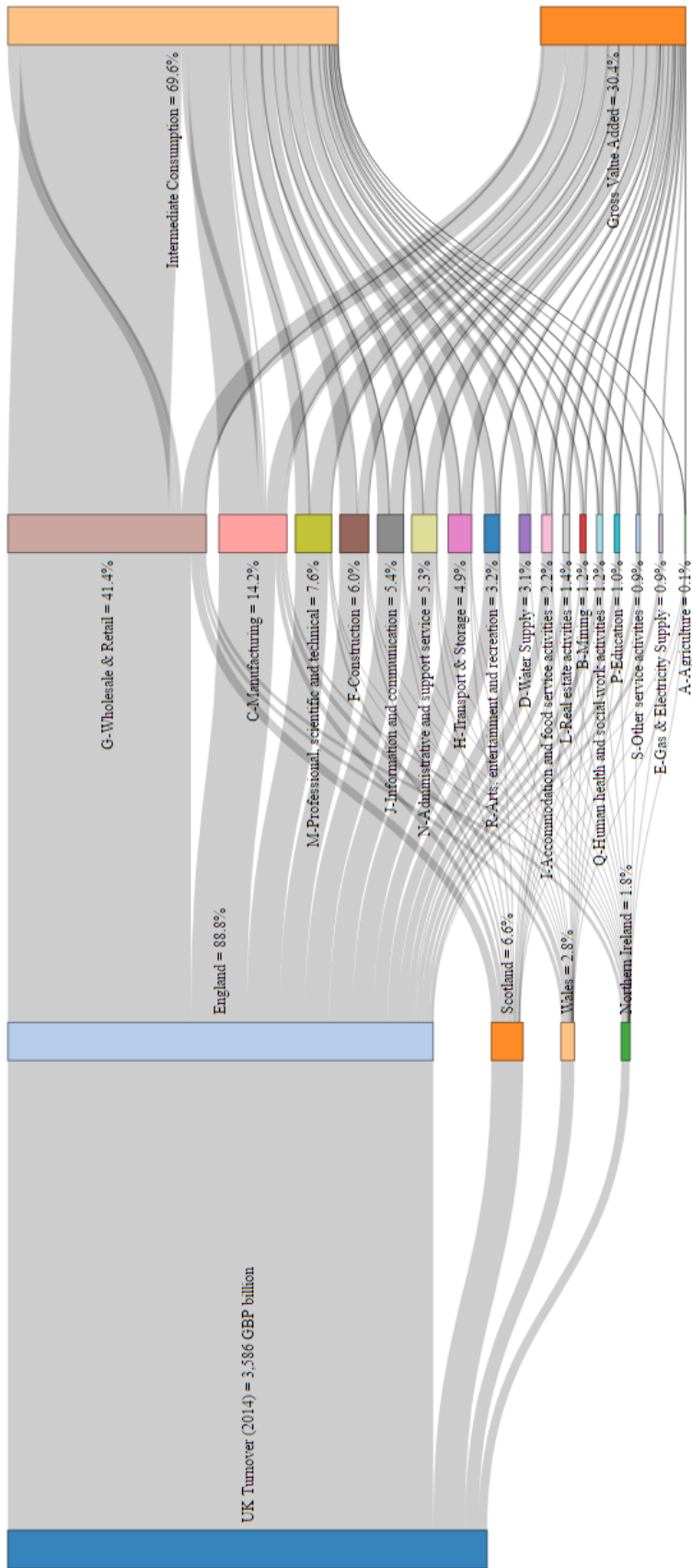
B.2 UK Production & Agriculture Workforce



B.3 UK Manufacturing Workforce



C UK Industrial Output by Region



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

D Data sources

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

E Information about EURIS

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

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