



European Union Relationship & Industrial Strategy

Weekly

BREXIT WATCH

Week 48

December 2017

Brexit Watch - Week 48

The weekly 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 4 manufacturing industries, namely, Electrical (SIC 27), Electronic (SIC 26), Mechanical (SIC 28) and Fabricated Metals (SIC 25).

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

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 48 in 2017 are as follows:

- ★ The **Sterling** rate with **US Dollar** on day one of December rose by 2.0% compared to November 2017 average, and also grew by 8.0% compared to December 2016.
- The first estimate of UK **GDP** growth in the third quarter of 2017 was 0.4%; equivalent to £488.9 billion and a growth of 1.5% compared to 2016 Q3.
- **Unemployment** rate remained at 4.3% in the three months to September 2017; the lowest rate since May 1975.
- **Input prices** dropped to 4.6% in twelve months to October 2017, lowest since July 2016.
- **Consumer price index** grew by 3.0% in the twelve months to September 2017, unchanged from previous month.
- **Index of services** grew by 1.3% in 12 months to September 2017, the slowest since February 2017.
- The **construction output**, at constant prices, rose by 1.1% to £12.6 billion in September 2017 compared twelve months earlier.
- **Retail sales volume** fell by 0.3% in the twelve months to October 2017, the lowest since March 2013.
- **Exports** trade in **value** grew by 12.8% in September 2017 to £51.6 billion compared to twelve months earlier and **imports** also grew by 4.0% to £54.3 billion in the same period.
- Combined **turnover** of the four monitored manufacturing industries grew by 7.1% in September 2017 compared to twelve months earlier. In the 12-month to September 2017, turnover of **Electronics** sector grew by 13.1%, **Mechanical** by 9.1%, **Electrical** by 7.8% and **Fabricated Metals** sector grew by 3.1%.

*December 2017
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Glossary

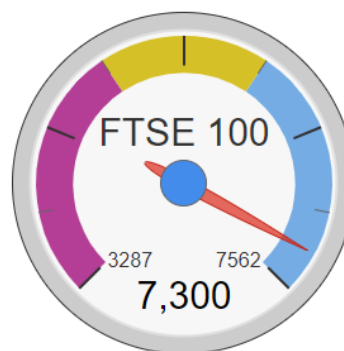
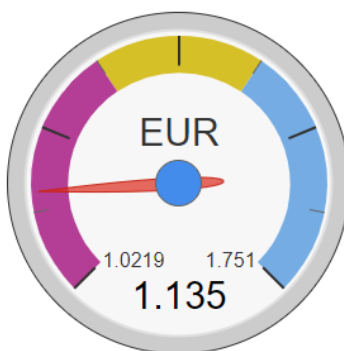
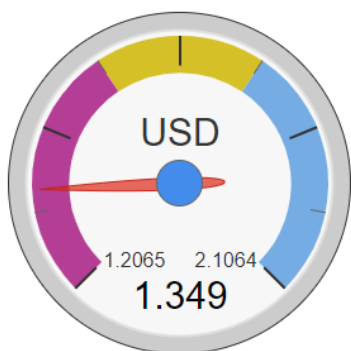
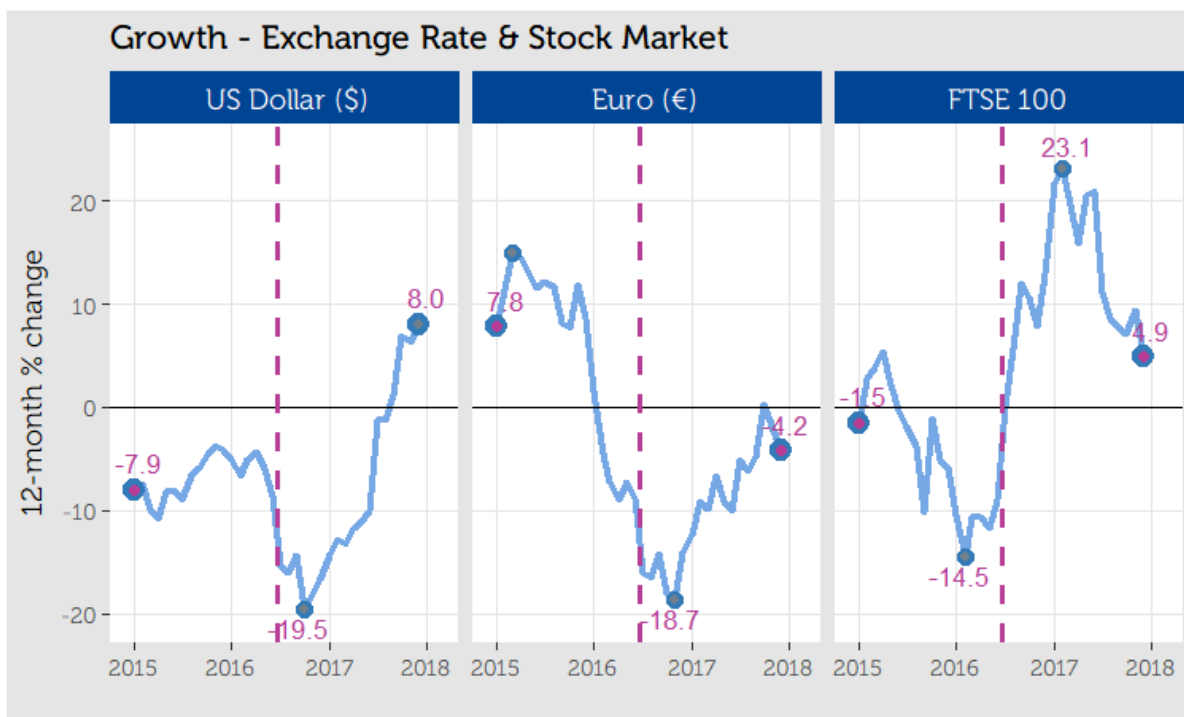
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOP	Index of Production
CESA	Catering Equipment Suppliers Association	IOS	Index of Services
CNY	Chinese Yuan	MAA	Moving Annual Average
CPI	Consumer Price Index	MAT	Moving Annual Total
CPIH	Consumer Prices Index including owner occupiers' housing costs	MTA	The Manufacturing Technologies Association
EAMA	Engineering and Machinery Alliance	NI	Northern Ireland
ECB	European Central Bank	NMI	UK Electronic Systems & Technology Industry
EUR	Euro	OECD	Organisation for Economic Co-operation and Development
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	RPI	Retail Price Index
HMRC	HM Revenue & Customs	SIC	Standard Industry Classification
IOM	Index of Manufacturing	SITC	Standard International Trade Classification
		USD	US Dollar
		YOY%	Year on Year or Annual Percentage change

1 Exchange Rates & Stock Market

Sterling gained \$ 0.0161 against the **US Dollar** in week 48, finishing at 1.3488/GBP. The December rate was 2.0% above November 2017, 8.0% above December 2016 and 7.3% below May 2016 (pre-brexit vote) level.

Sterling also gained € 0.0128 against the **Euro** closing at 1.1349/GBP. The December rate was 0.8% above November 2017, 4.2% below December 2016 and 11.8% below May 2016.

The **FTSE 100**, lost 109 points in Week 48, finishing at 7300.49. The stock value on day 1 of December was 1.9% below November 2017 average, 4.9% above November 2016 and 18.4% higher than May 2016.

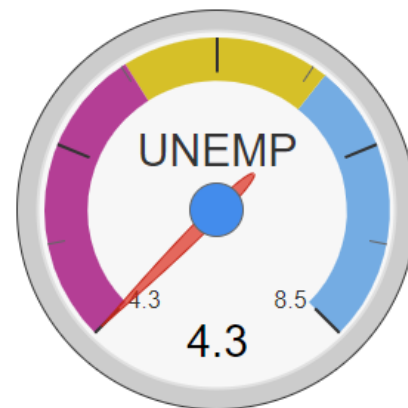
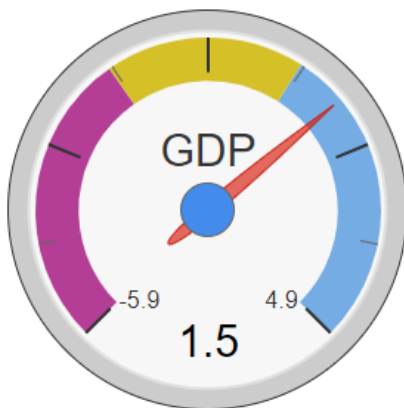
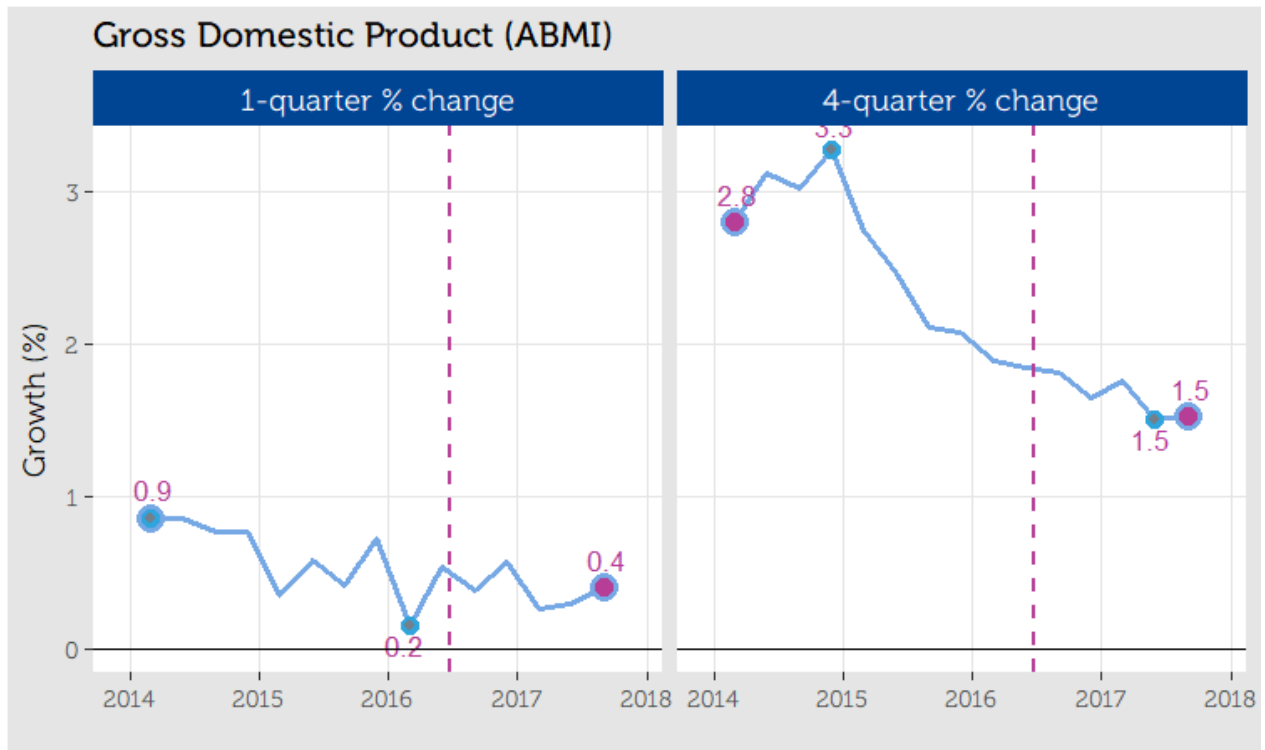


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

2 GDP & Unemployment

The first estimate of UK **gross domestic product** (GDP) growth, for 2017 Q3, was 0.4%. The Q3 GDP in value terms was equivalent to £488,862 million and a growth of 1.5% compared to 2016 Q3. Both service and production grew but construction contracted for a second quarter in a row.

The number of people in work decreased by 14,000 in the three months to September 2017 to 32.06 million. **Unemployment** rate unchanged at 4.3%, the lowest since May 1975.

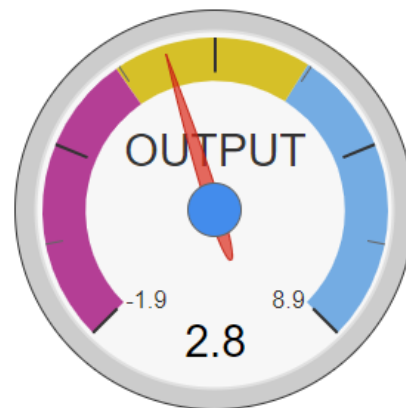
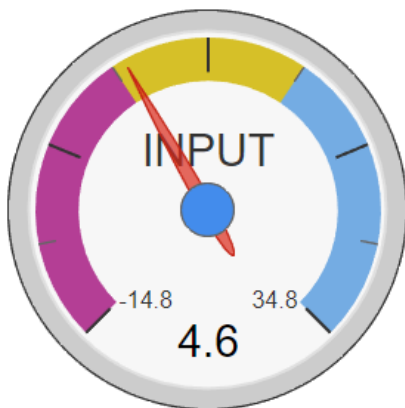
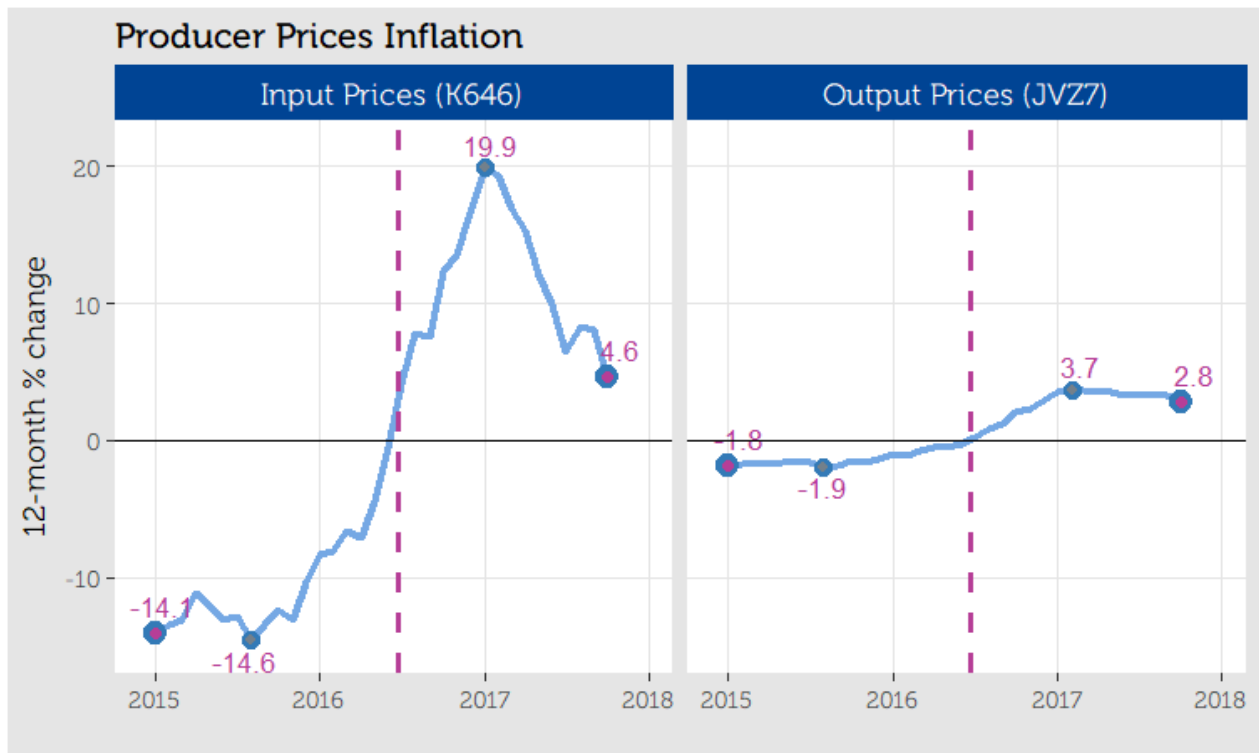


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

3 Producer Prices

The **input prices** index for all manufacturing dropped to 4.6% in October 2017, the lowest 12-month level since July 2016, as currency effects of imported materials wear off. It is the 15th successive year on year growth.

Factory gate (Output) prices for all manufacturing rose by 0.2% between September and October 2017 and also grew by 2.8% compared to October 2016.



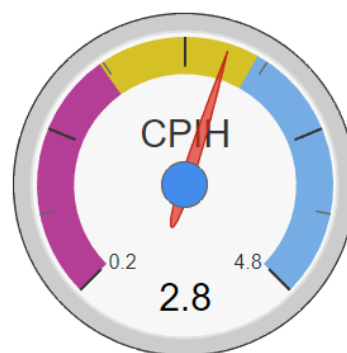
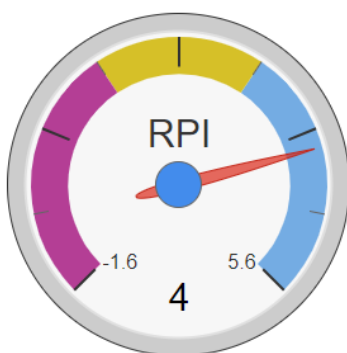
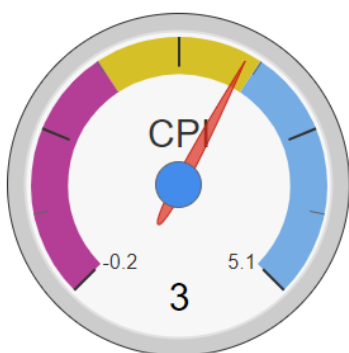
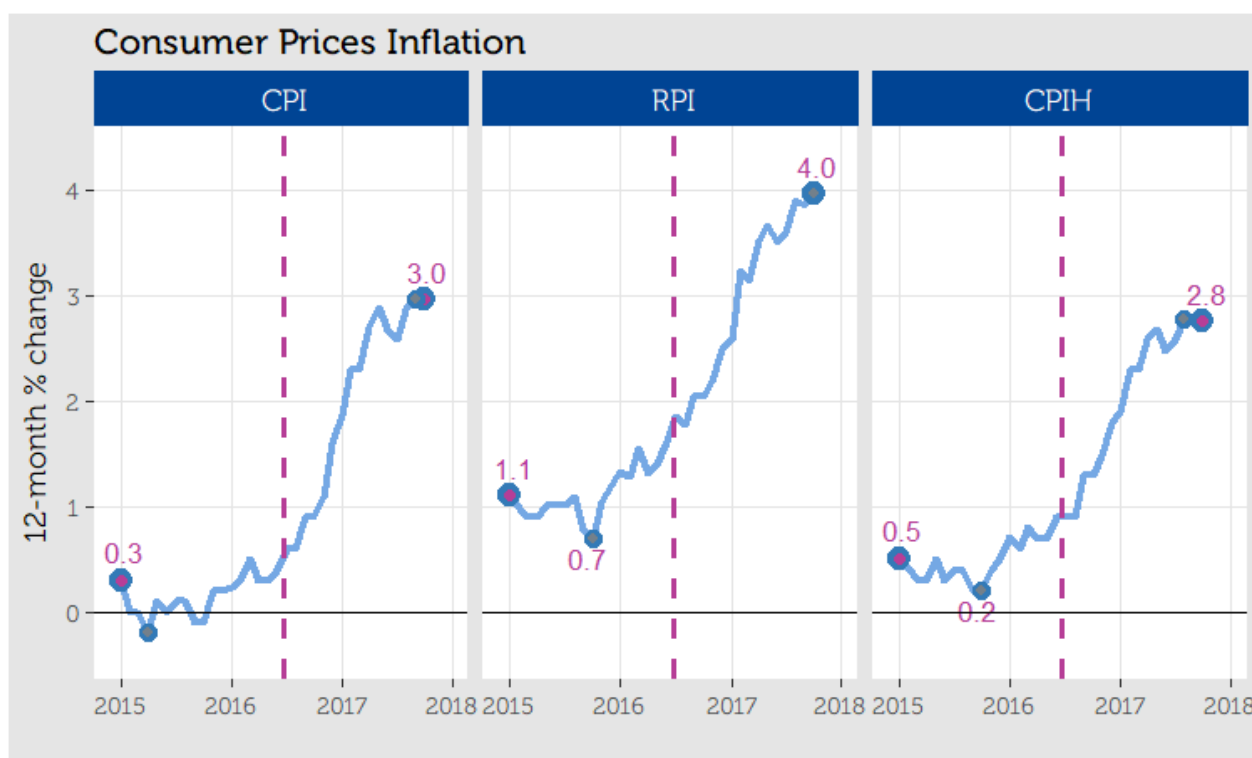
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

4 Consumer Prices

Consumer price index (CPI) grew by 0.1% between August and September 2017 but remained unchanged at 3.0% compared to twelve months earlier. Upward contributions of food and recreational goods were offset by falling prices of motor fuel.

The **retail price index (RPI)** rose to 4.0% in September 2017, the highest 12-month growth since December 2011.

CPI including owner's occupying (CPIH) in September 2017 remained unchanged from previous month.



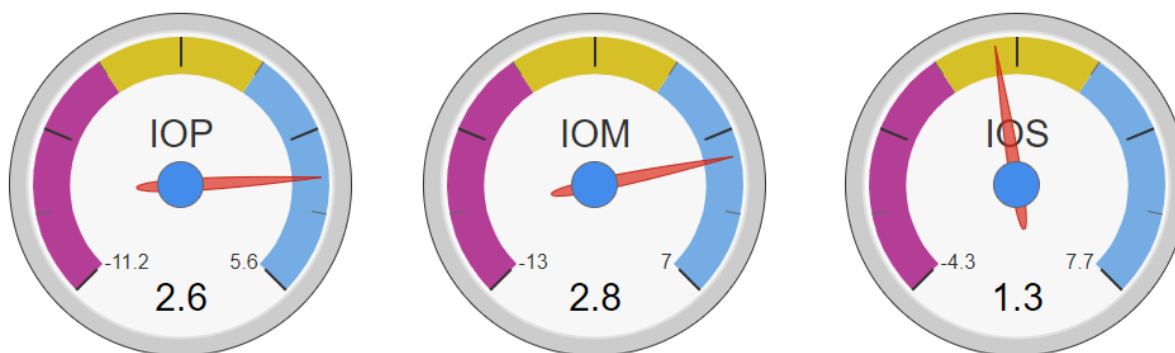
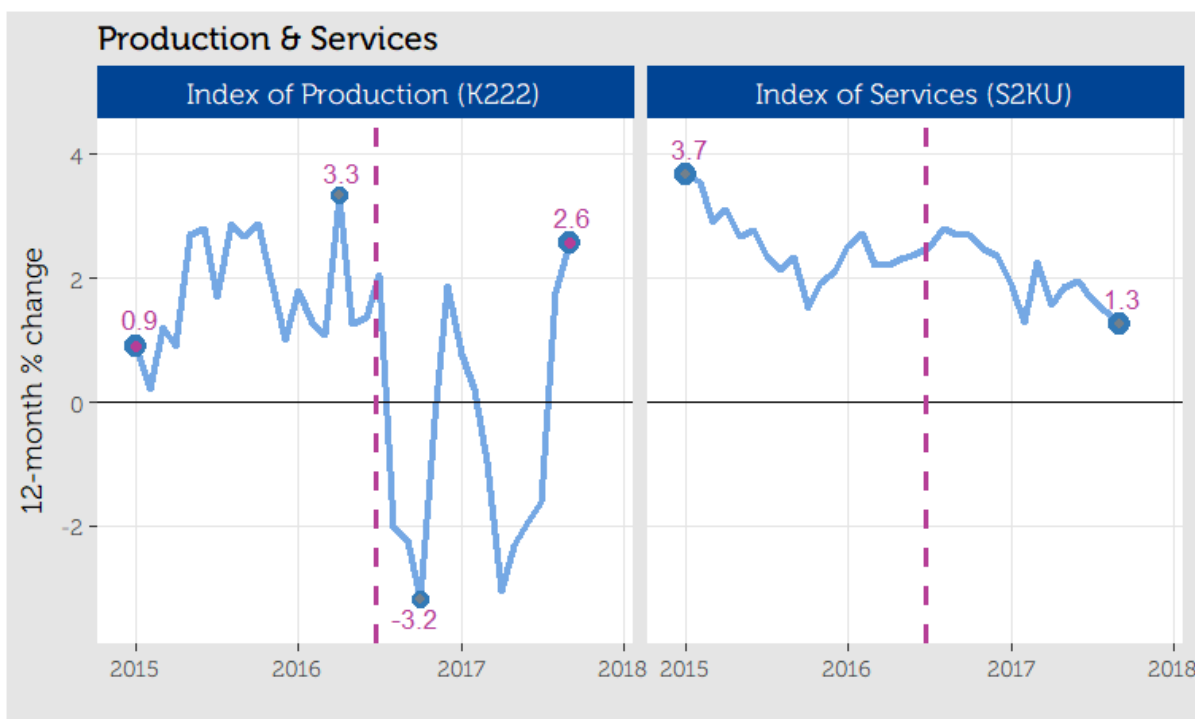
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP), the production output at constant prices, grew by 0.7% in September 2017 compared to August 2017 and also grew by 2.6% compared to twelve months earlier. It is the highest 12-month growth since April 2016.

Index of manufacturing (IOM) grew by 0.7% in September 2017 compared with August 2017. It is the 5th successive growth and the highest 1-month growth since December 2016. Manufacturing output also grew by 2.8% compared to twelve months earlier.

Index of services (IOS) increased by 0.1% between August and September 2017 and also grew by 1.3% compared to a year earlier. It is lowest annual growth since February 2017.

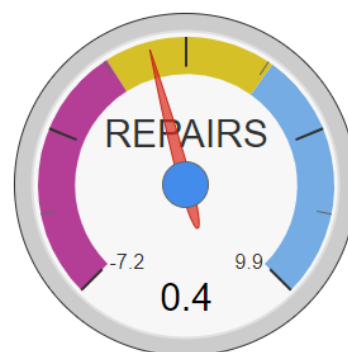
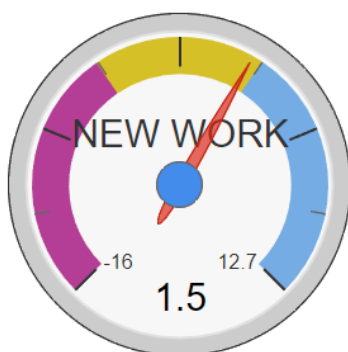
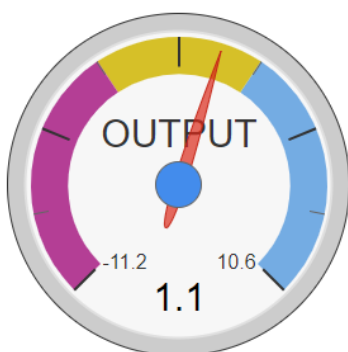
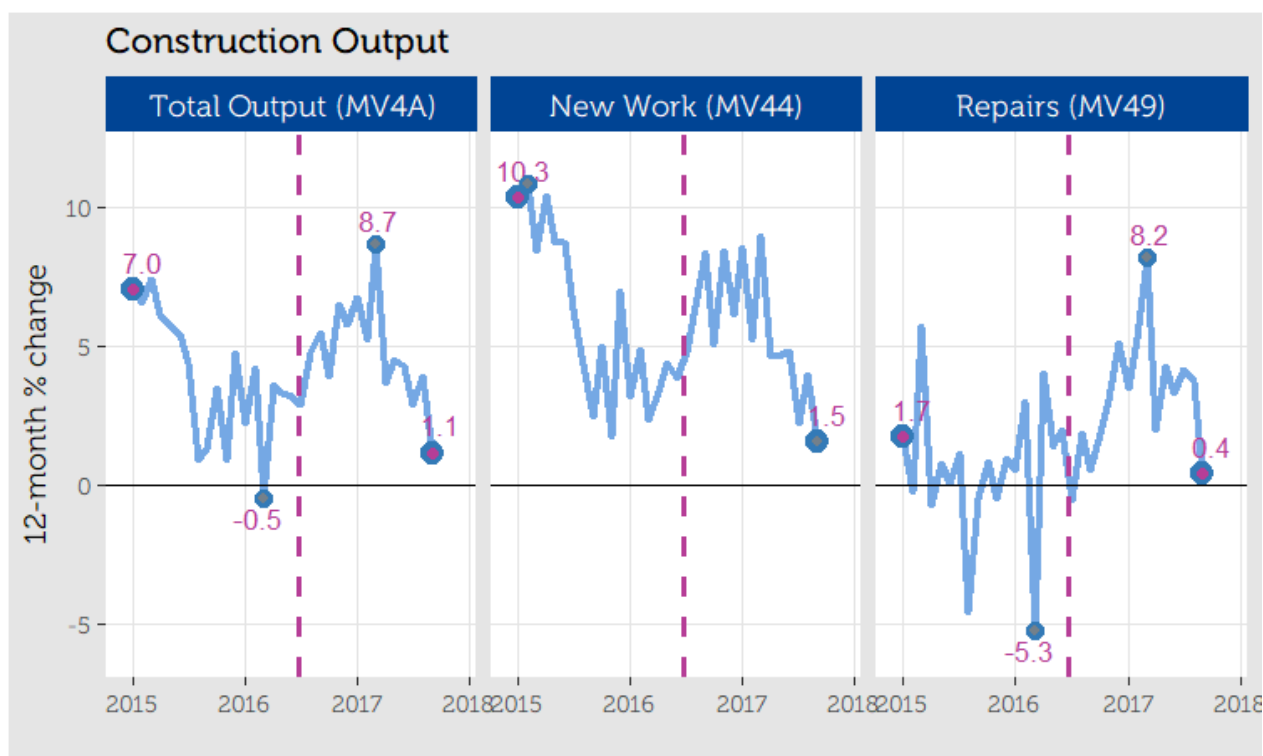


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, fell by 1.6% in September 2017 to £12.6 billion, compared to August 2017. Compared to twelve months earlier, output in September 2017 grew by 1.1%; the lowest 12-month growth since March 2016.

New construction work, fell by 1.3% to £8.3 billion in the month of September 2017 and **construction repairs** also fell by 1.6% to £4.4 billion in the same period. Compared to twelve months earlier, new construction work in September 2017 rose by 1.5% and repairs also rose by 0.4%.

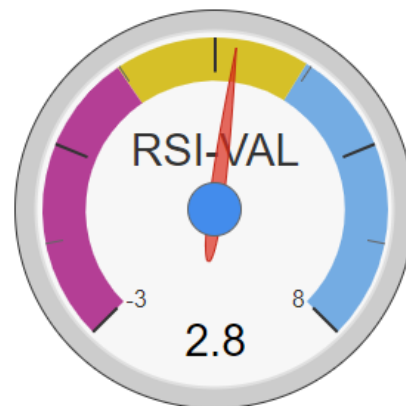
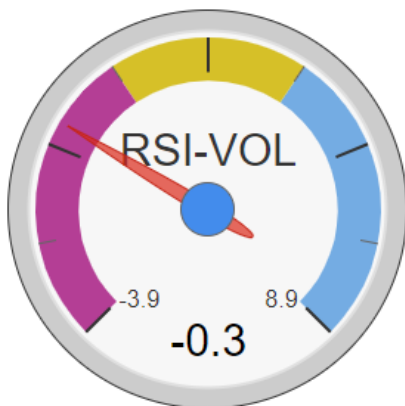
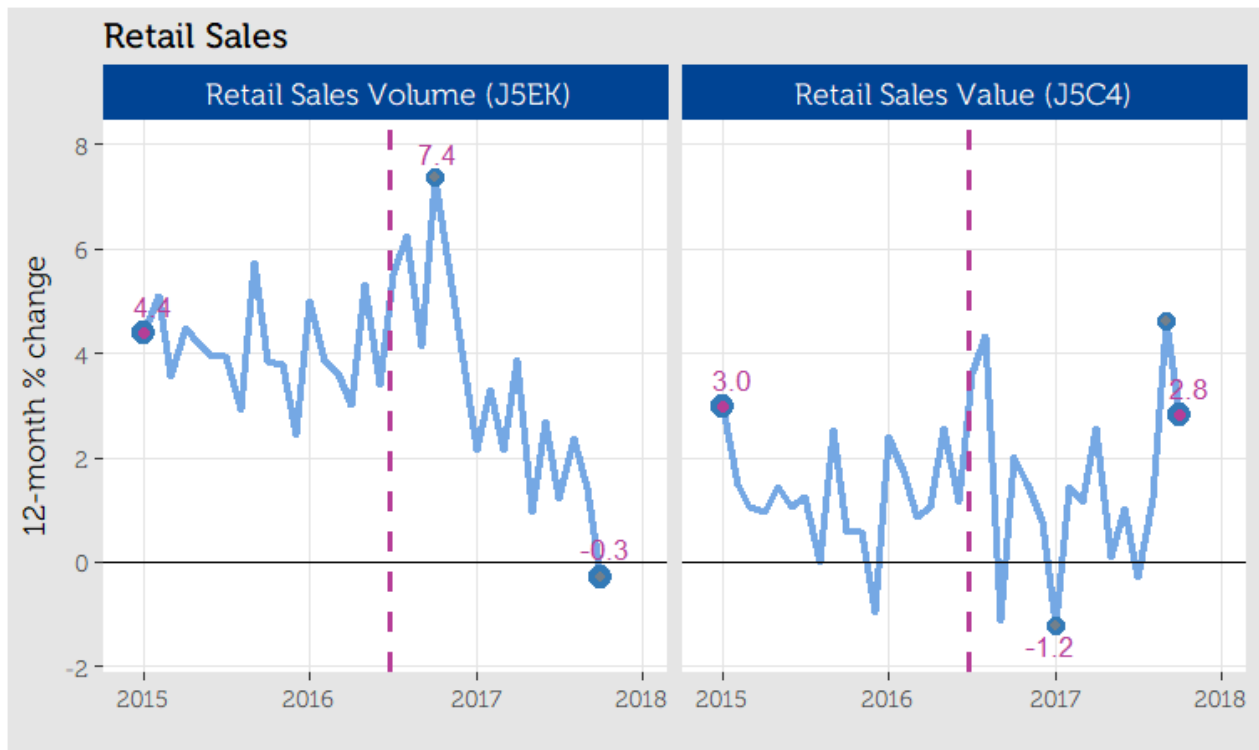


[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) grew by 0.3% between September and October 2017, but fell by 0.3% compared to twelve months earlier. It is the lowest 12-month growth since March 2013.

The **value of retail sales** (including fuel) grew by 0.3% between September and October 2017 and also grew by 2.8% compare to 12 months earlier.

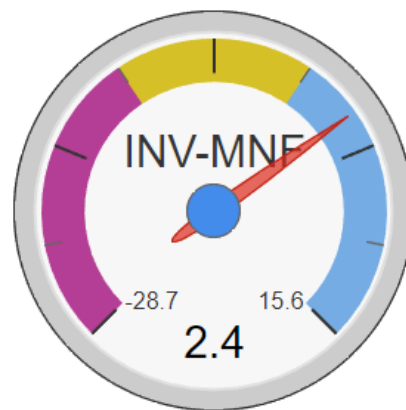
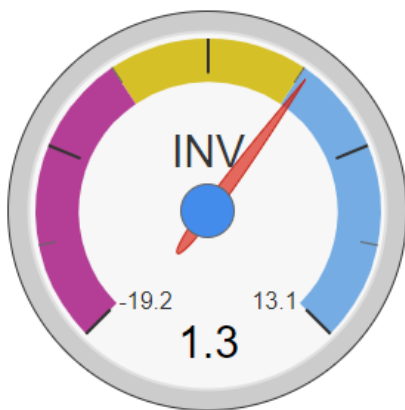
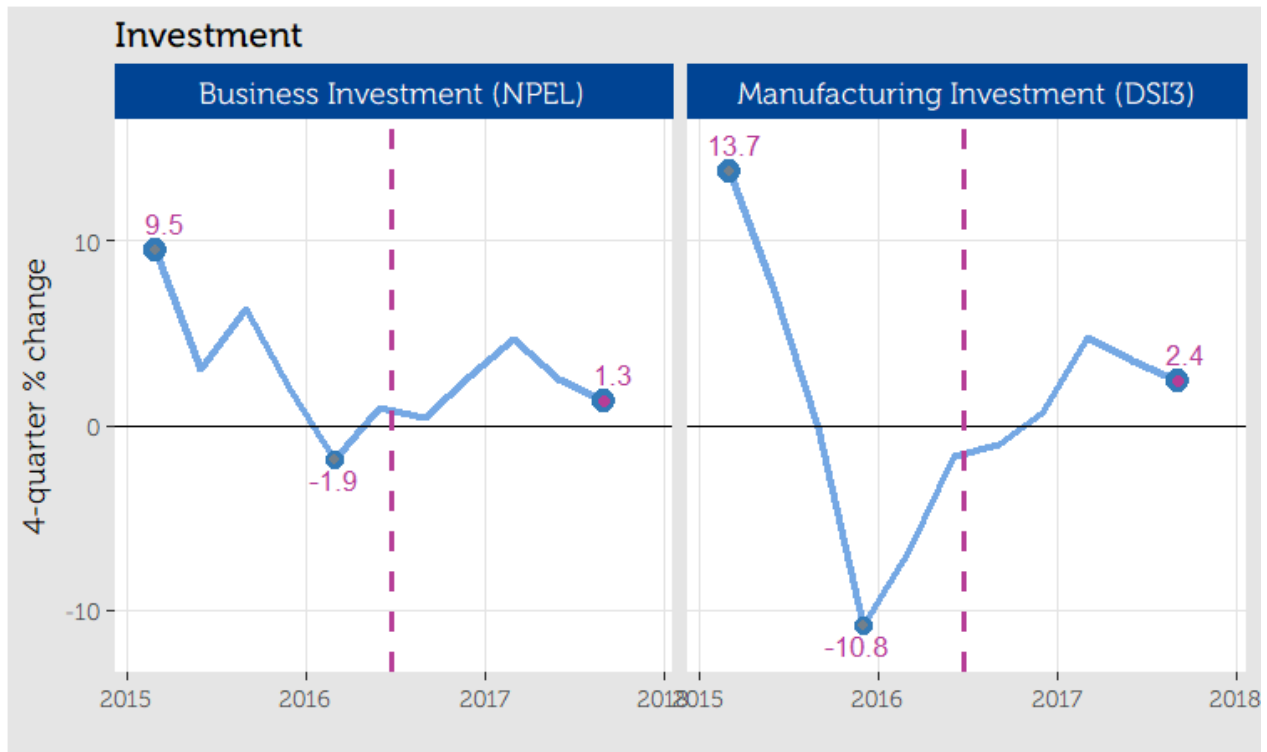


[Guage Charts: 12-month % change since Jan 2000]

8 Business Investment

Business investment for all industries (INV), in volume terms, grew by 0.2% in 2017 Q3, and also grew by 1.3% compare to a year earlier.

Investment in **manufacturing industries** (INV-MNF), in volume terms, fell by 4.0% in 2017 Q3 but grew by 2.4% compared to 2016 Q3.



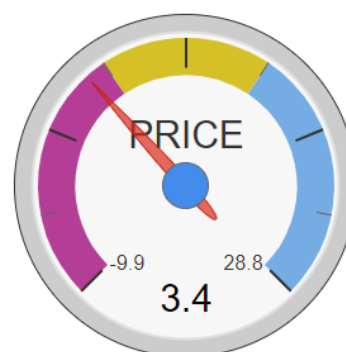
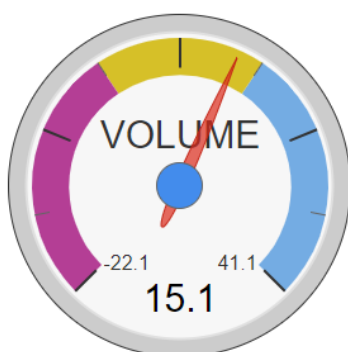
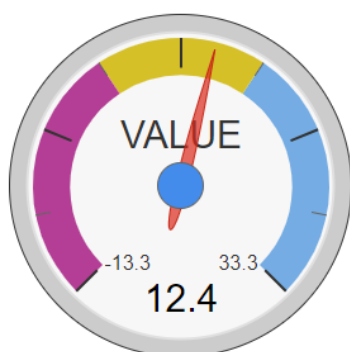
[Gauge Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 2.2% between August and September 2017 and also grew by 12.4% compared to September 2016. Exports of **goods** increased by 18.1% to £ 29.5 billion and exports of **services** increased by 5.6% to £ 22.1 billion in September 2017 compared to twelve months earlier.

Volume of UK **exports** increased by 5.3% in September 2017 compared a month earlier and also increased by 15.1% compared to twelve months earlier.

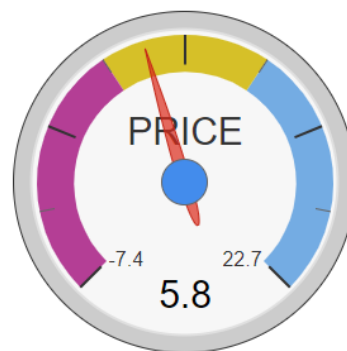
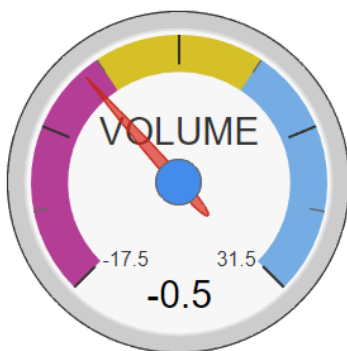
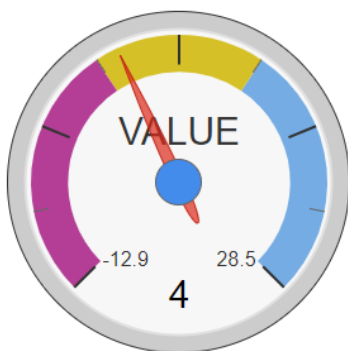
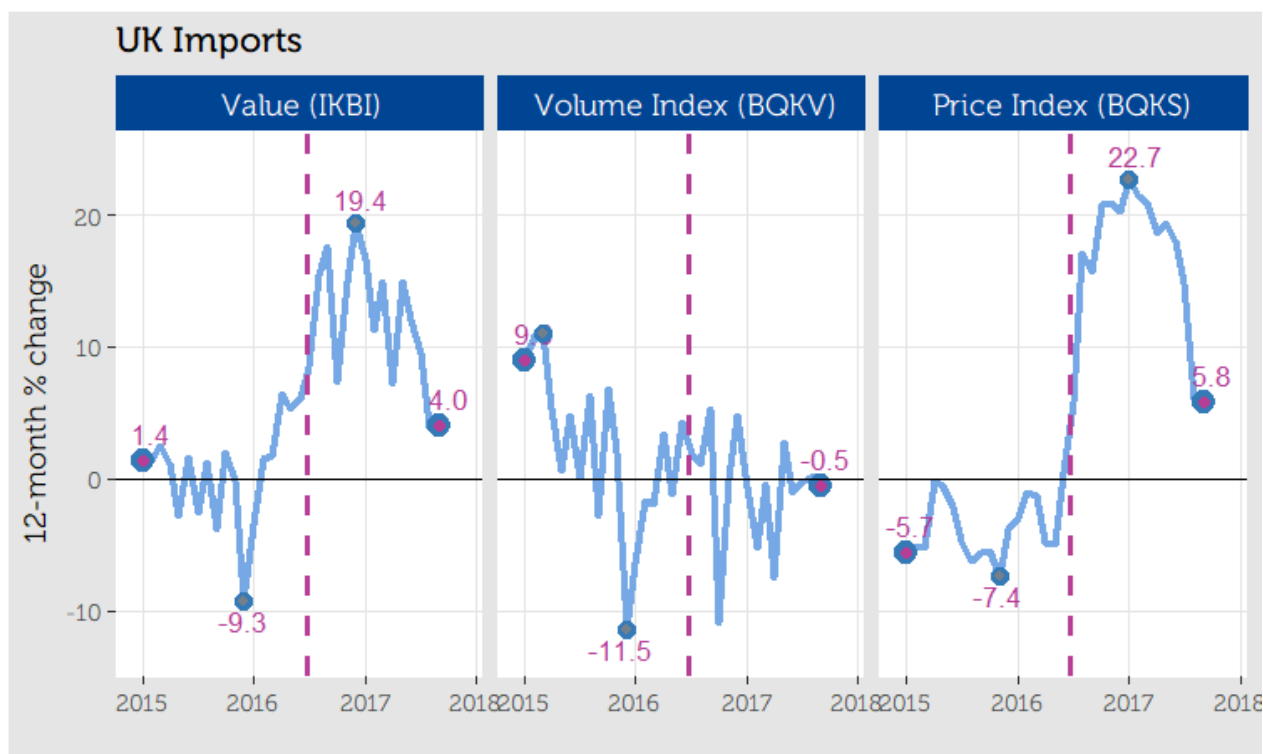


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK imports rose by 0.7% between August and September 2017 and also grew 4.0% compared to 12 months earlier. Imports of goods increased by 4.0% to £ 40.8 billion and imports of services also increased by 4.1% to £13.6 billion in September 2017 compared to twelve months earlier.

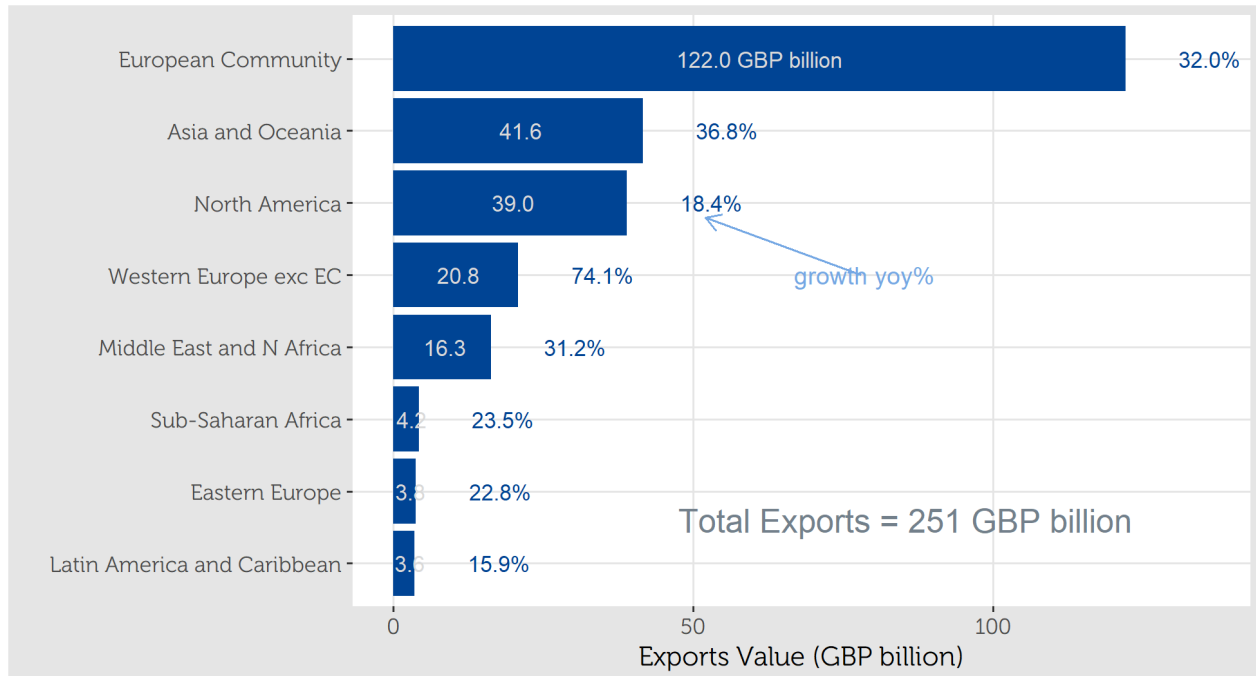
UK imports on **volume** basis rose by 0.2% in September compared with August 2017 but fell by 0.5% compared to twelve months earlier.



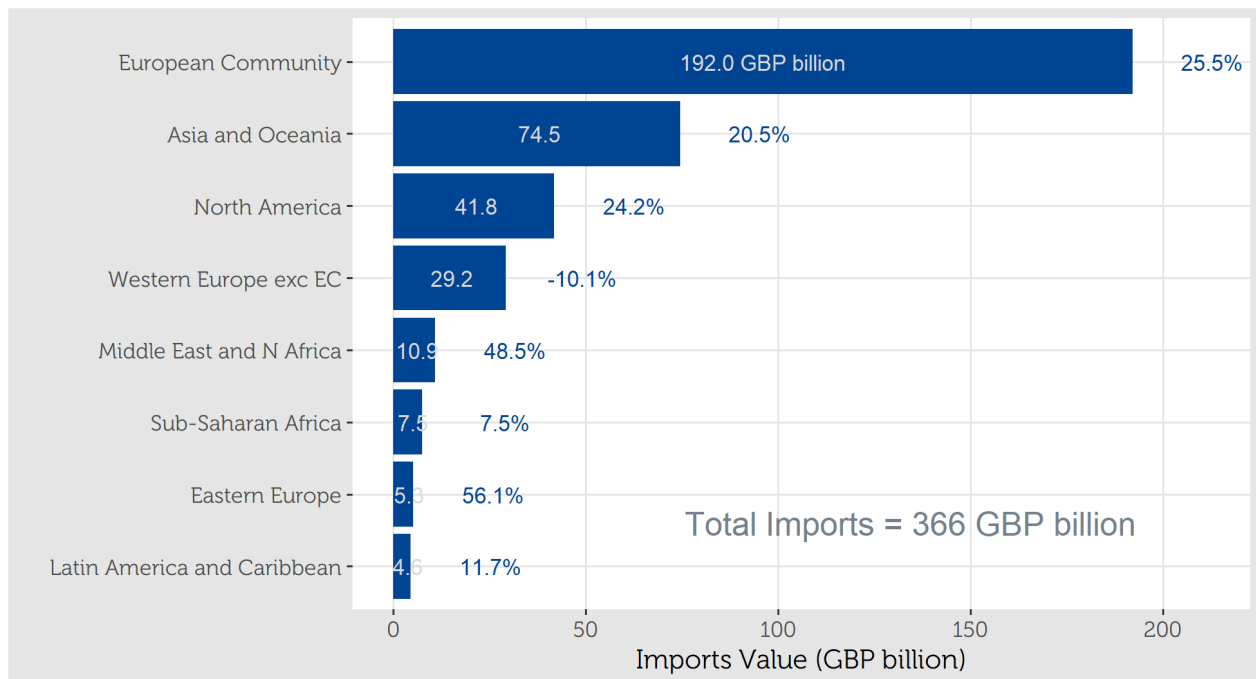
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2017 (Jan - Sep)

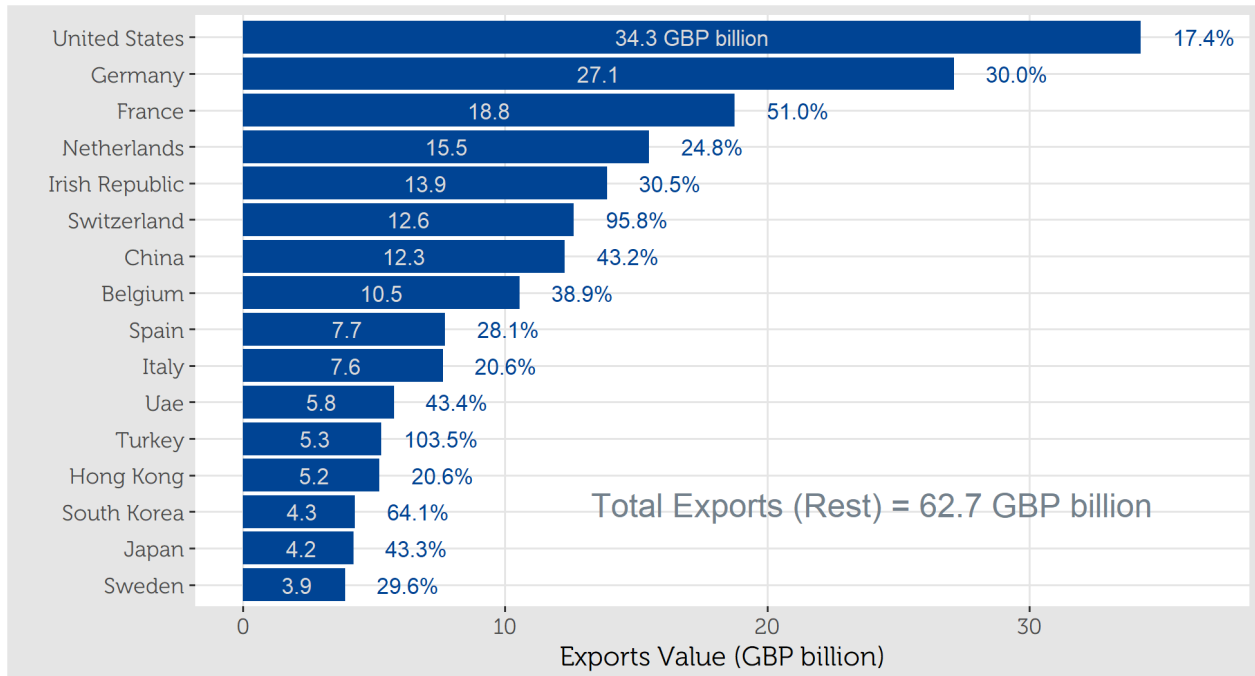


9.3.2 Imports - 2017 (Jan - Sep)

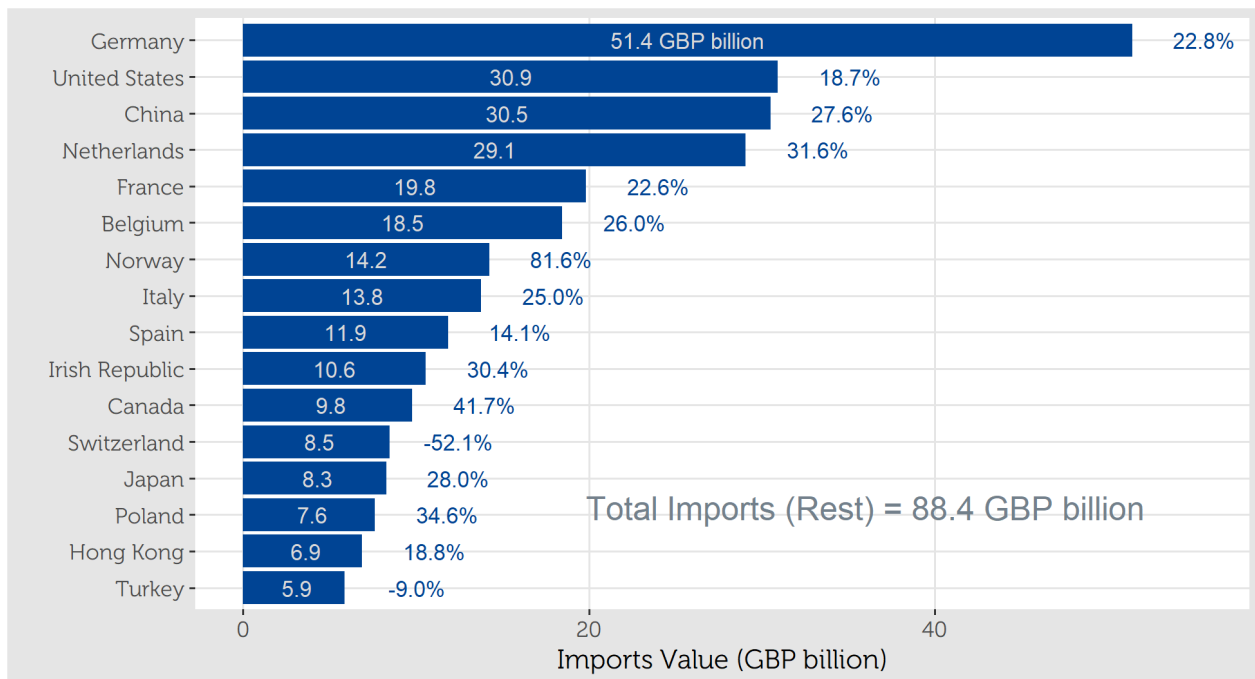


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2017 (Jan - Sep)

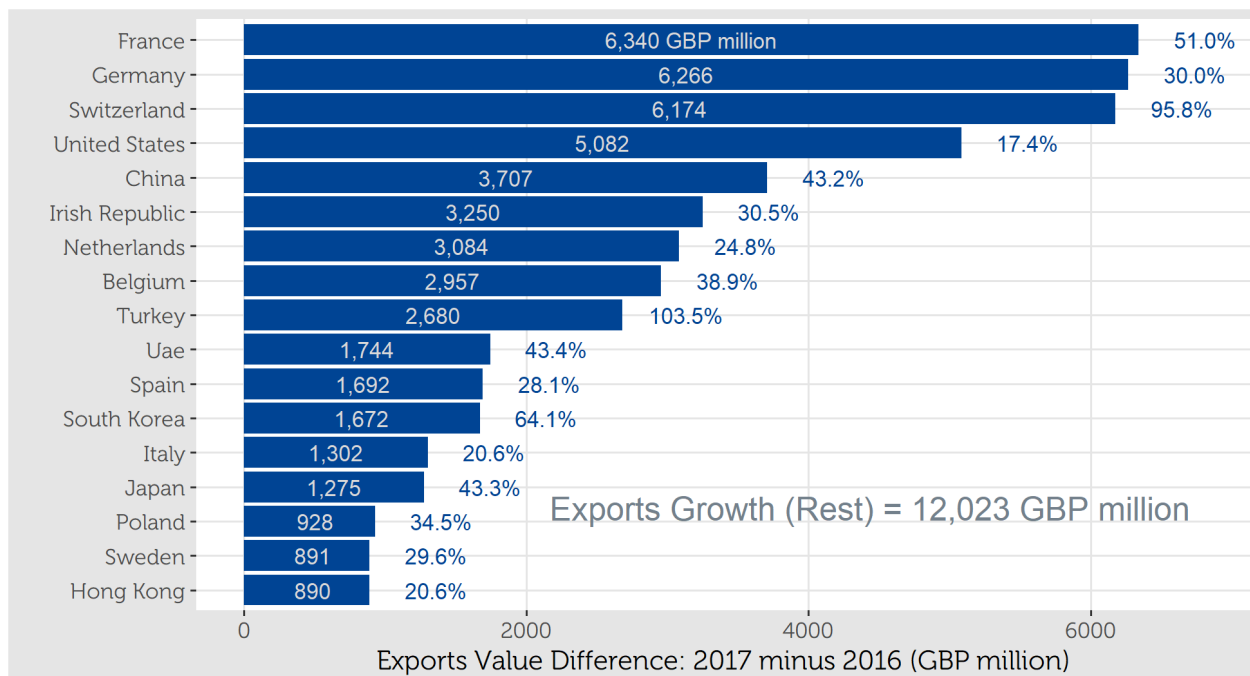


9.4.2 Imports - 2017 (Jan - Sep)

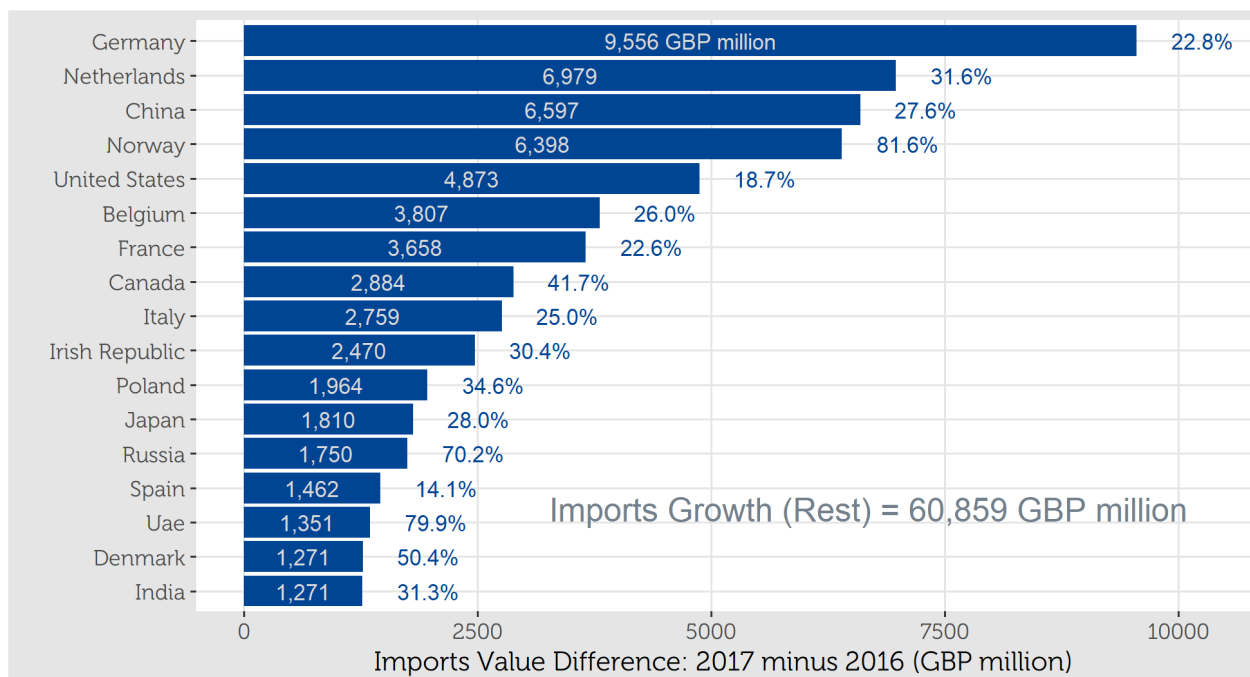


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2017 (Jan - Sep)

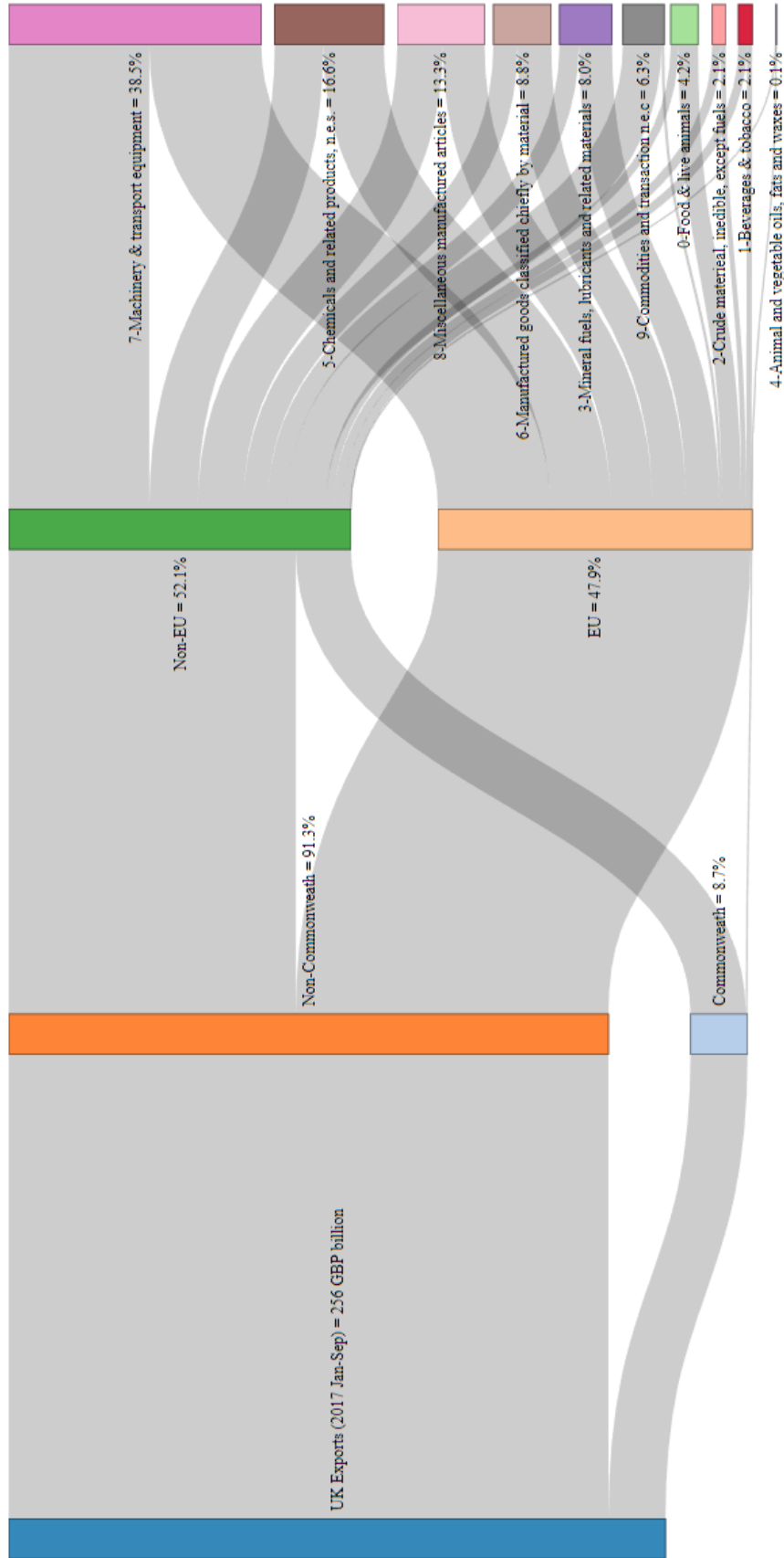


9.5.2 Imports Value Growth - 2017 (Jan - Sep)

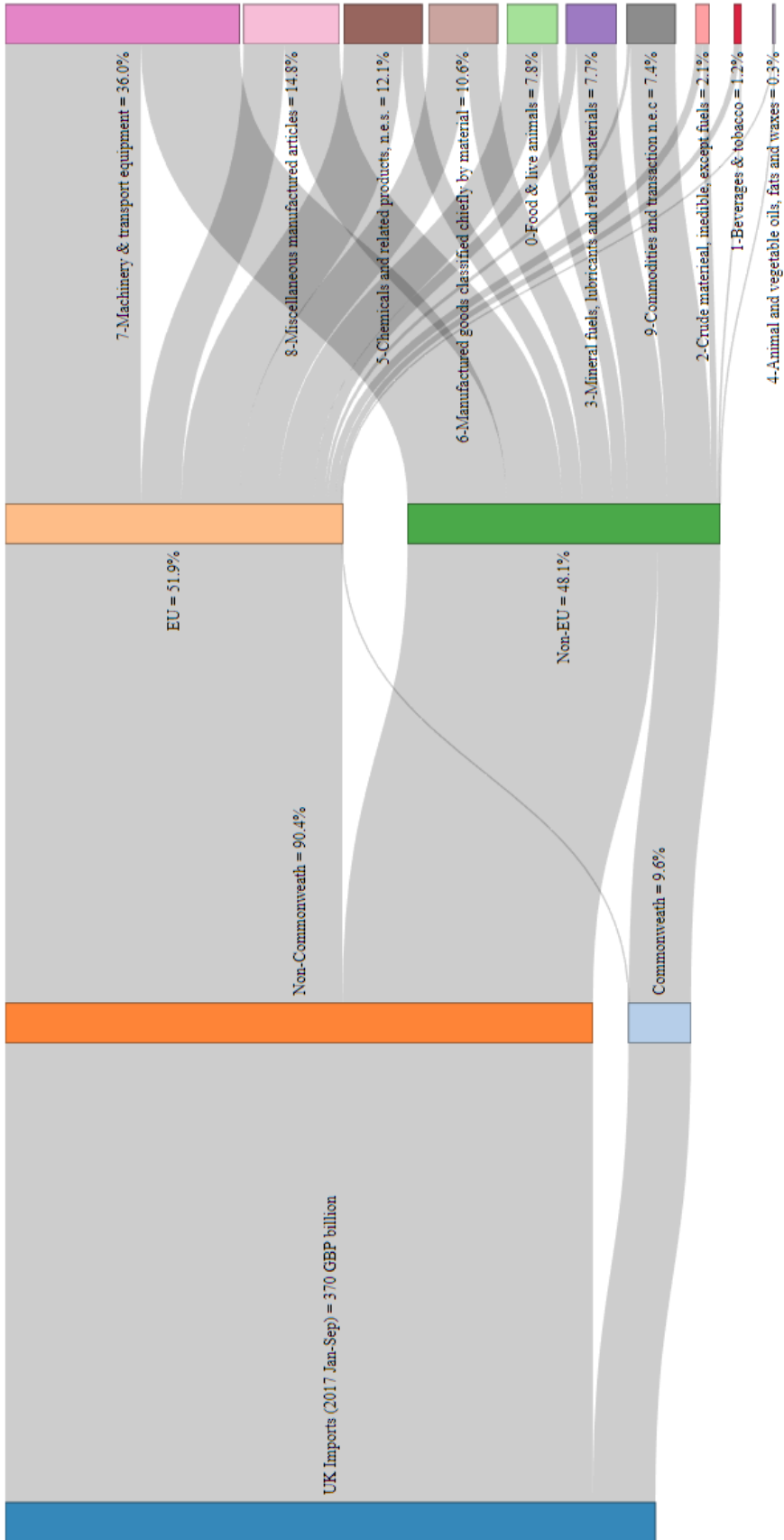


9.6 Goods Trade: EU & Commonwealth by SITC

9.6.1 Exports - 2017 (Jan - Sep)

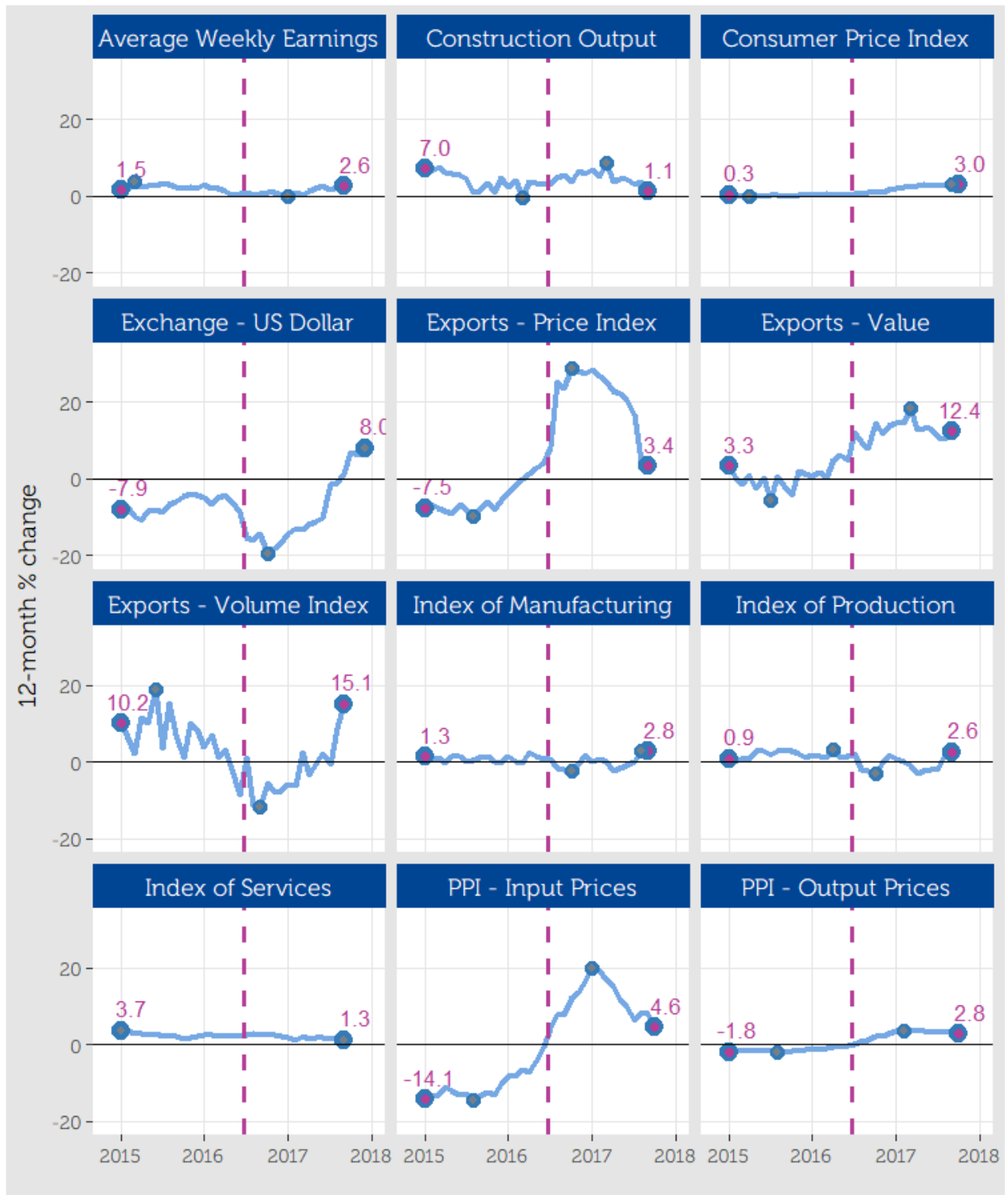


9.6.2 Imports - 2017 (Jan - Sep)

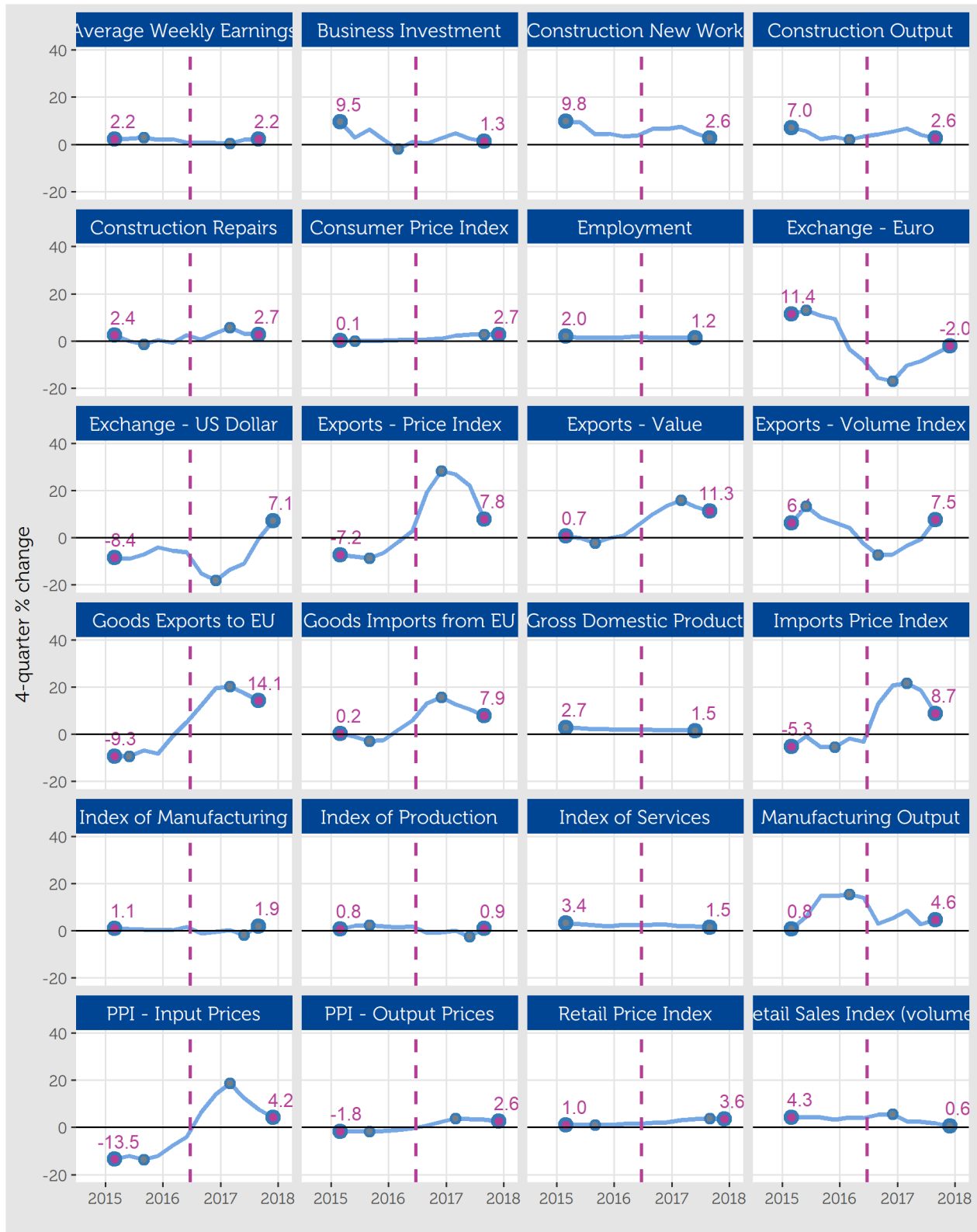


10 Economy At a Glance

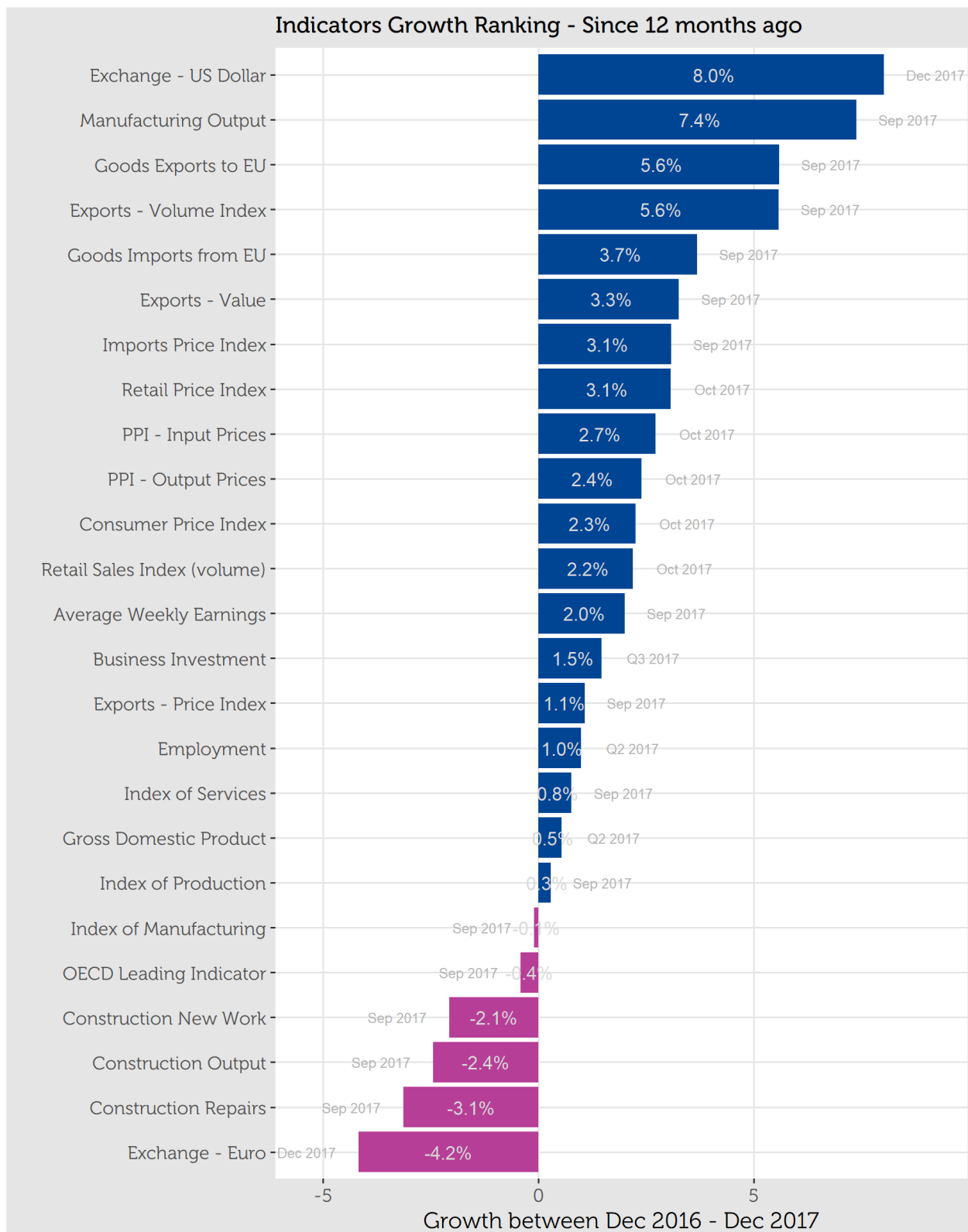
10.1 Growth: 12-month % growth



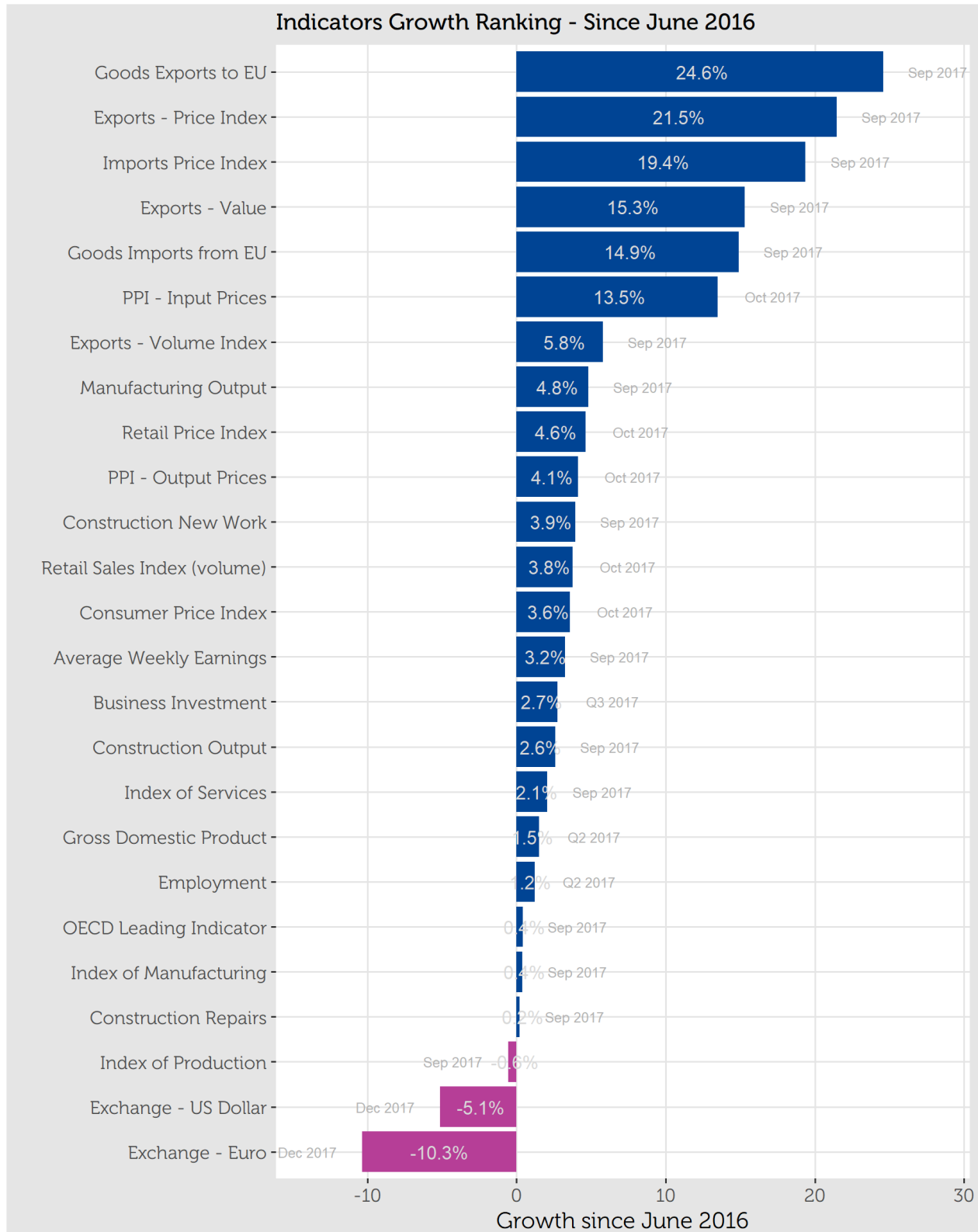
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since A Year Ago

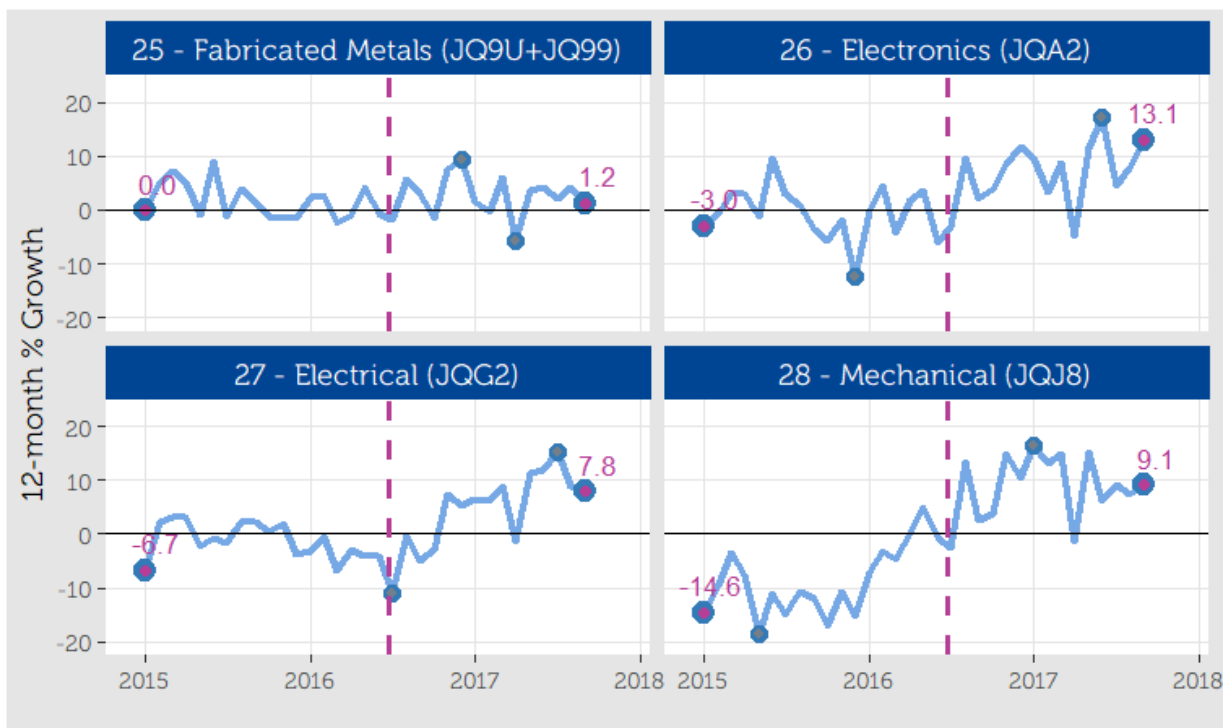
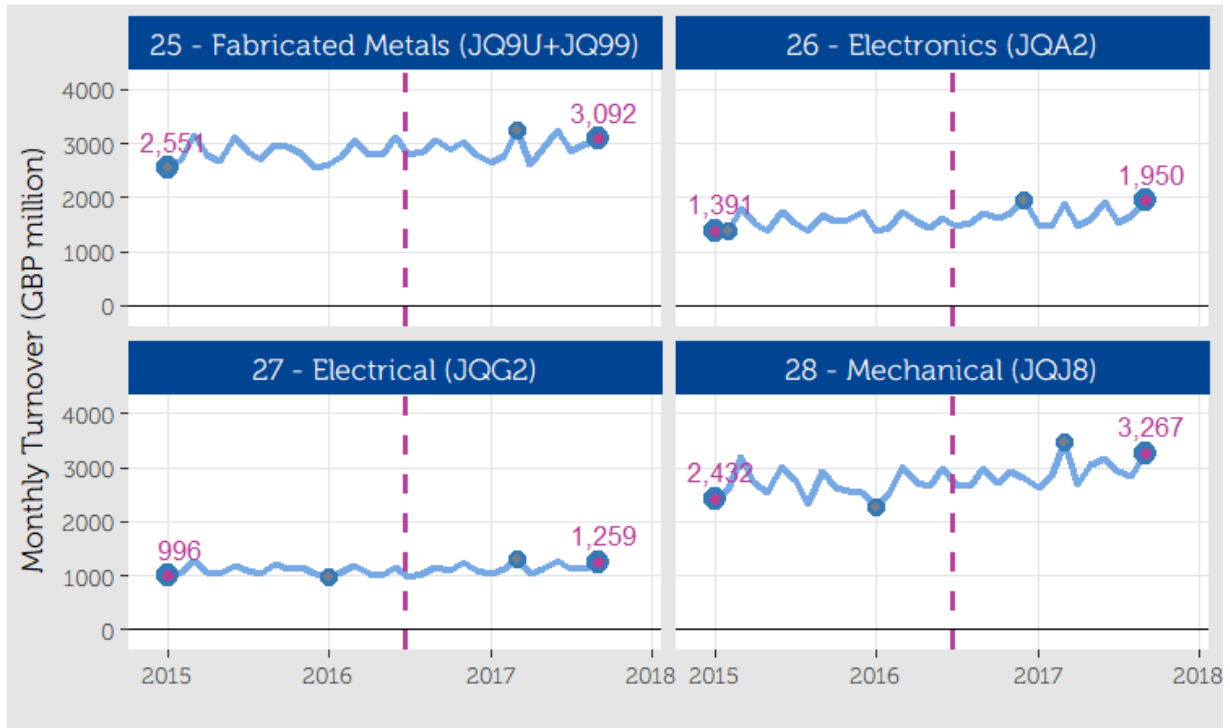


10.4 Growth Ranking: Since Referendum Vote

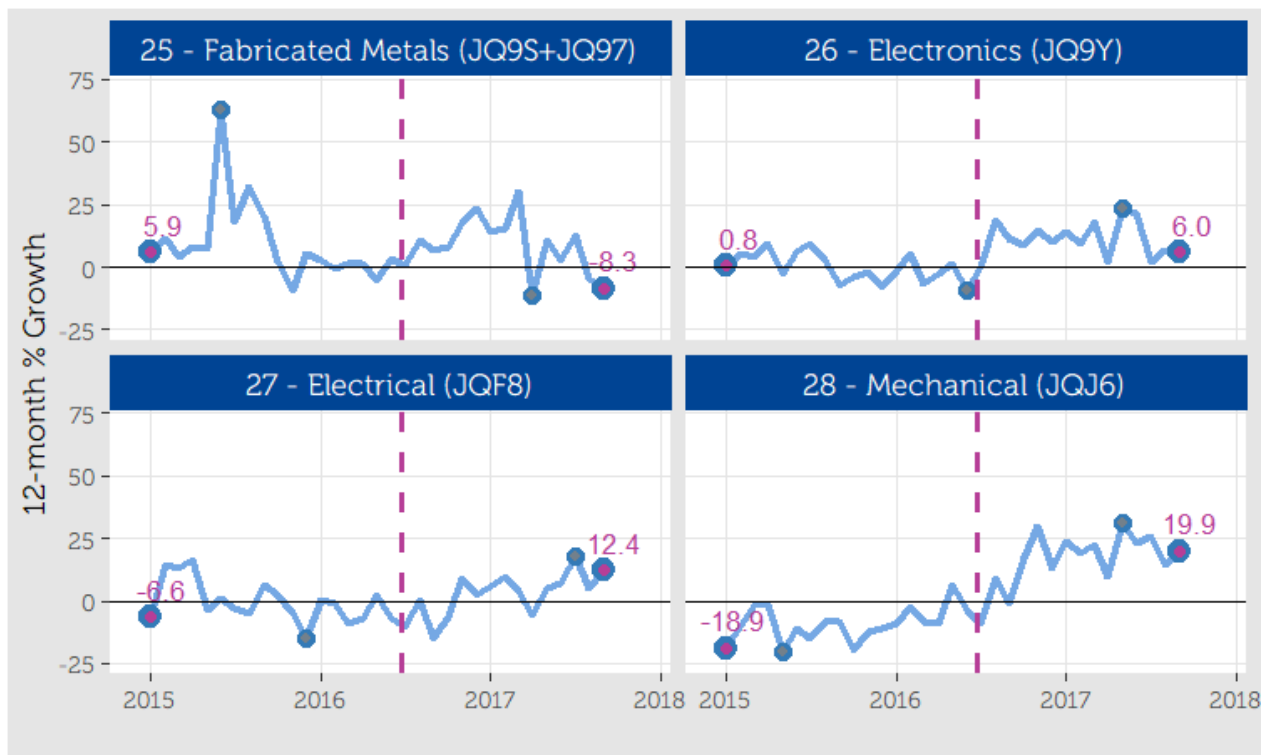
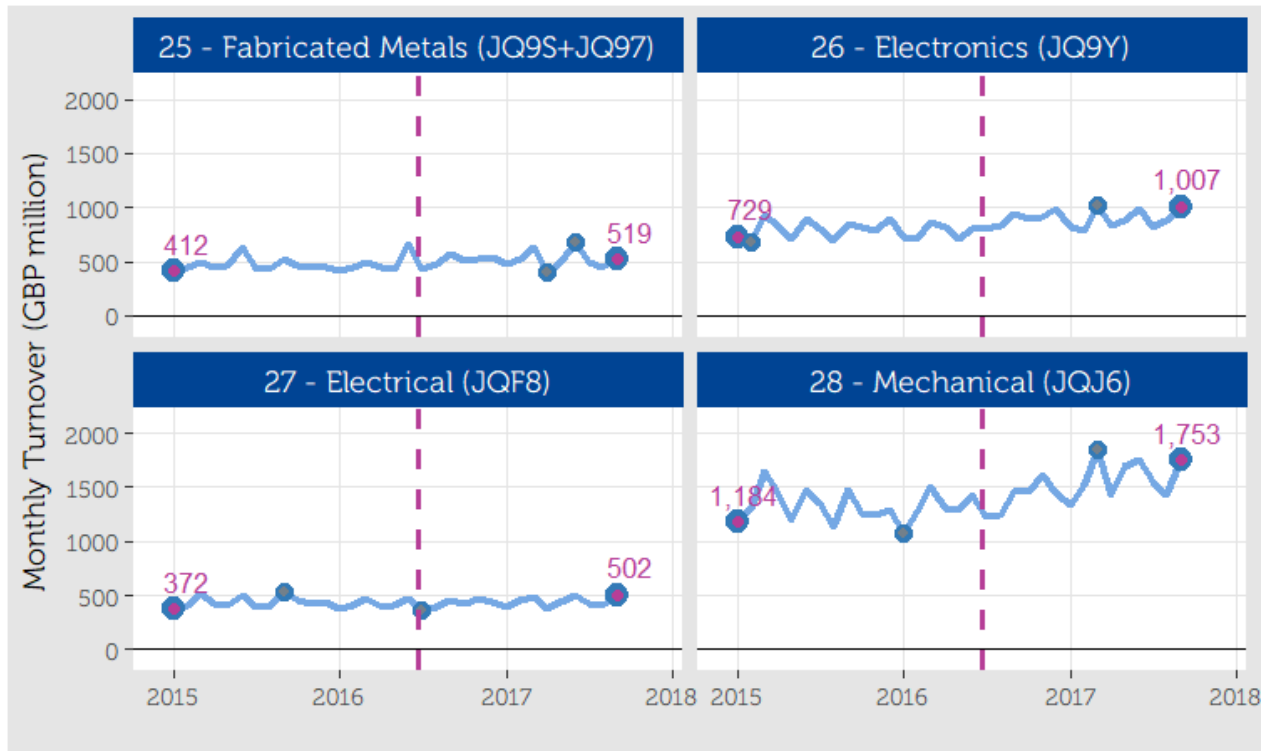


11 Industry Level Indicators

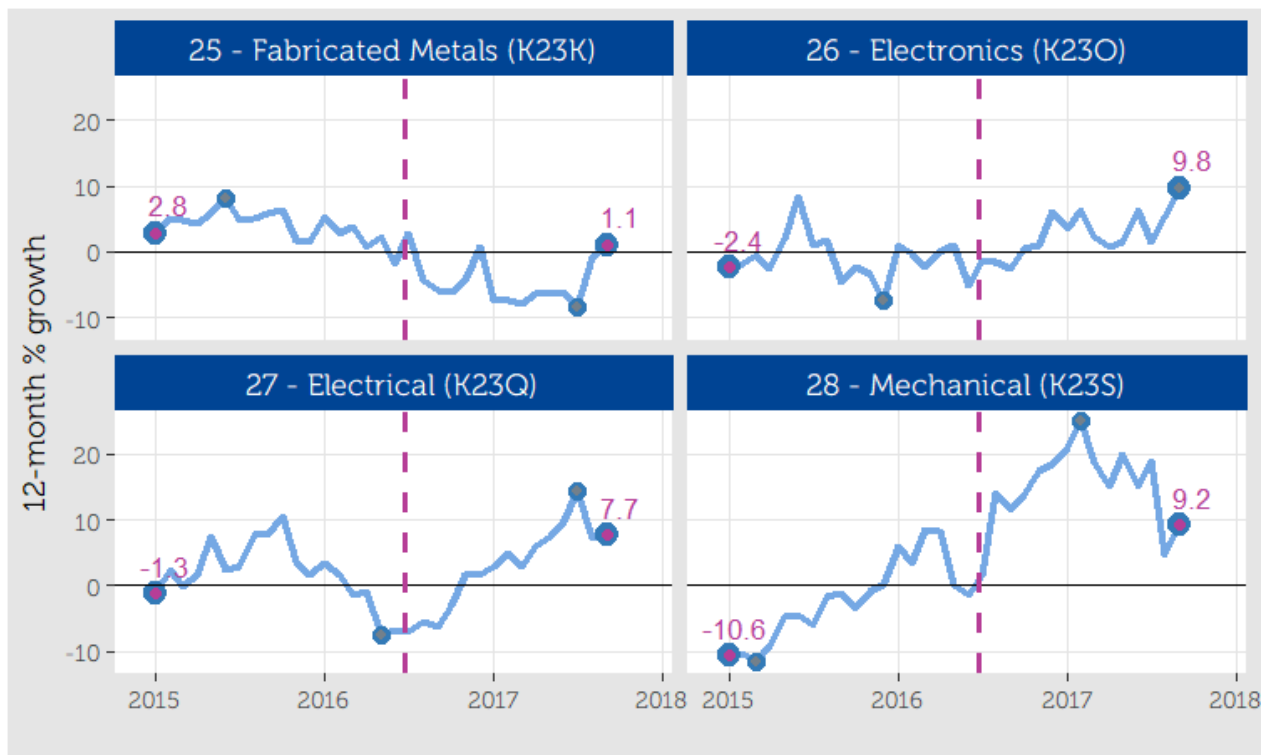
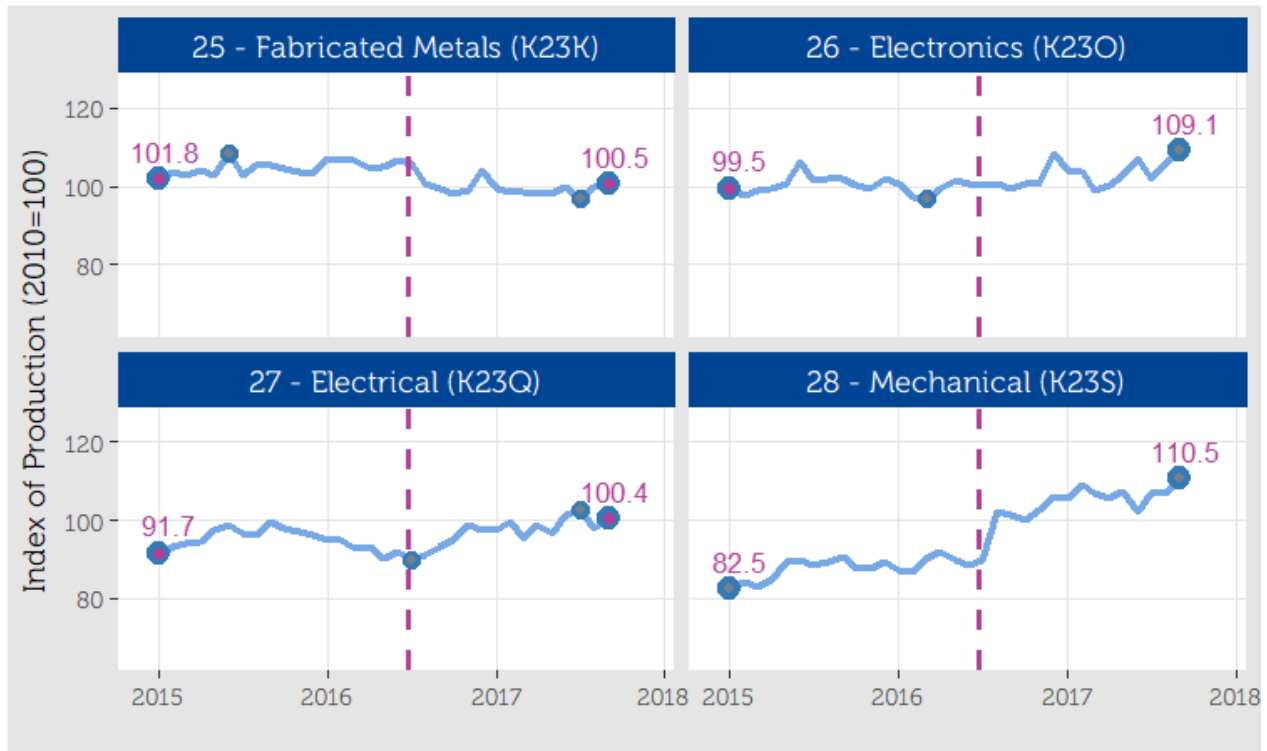
11.1 Turnover



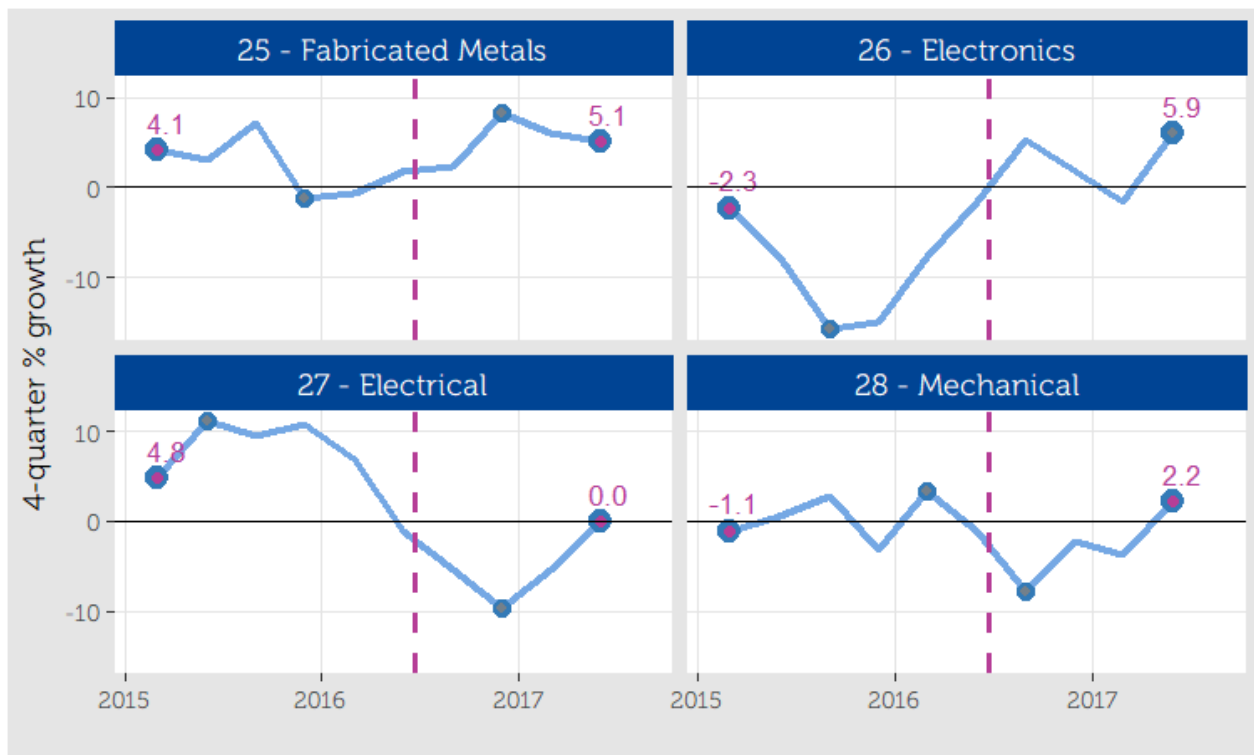
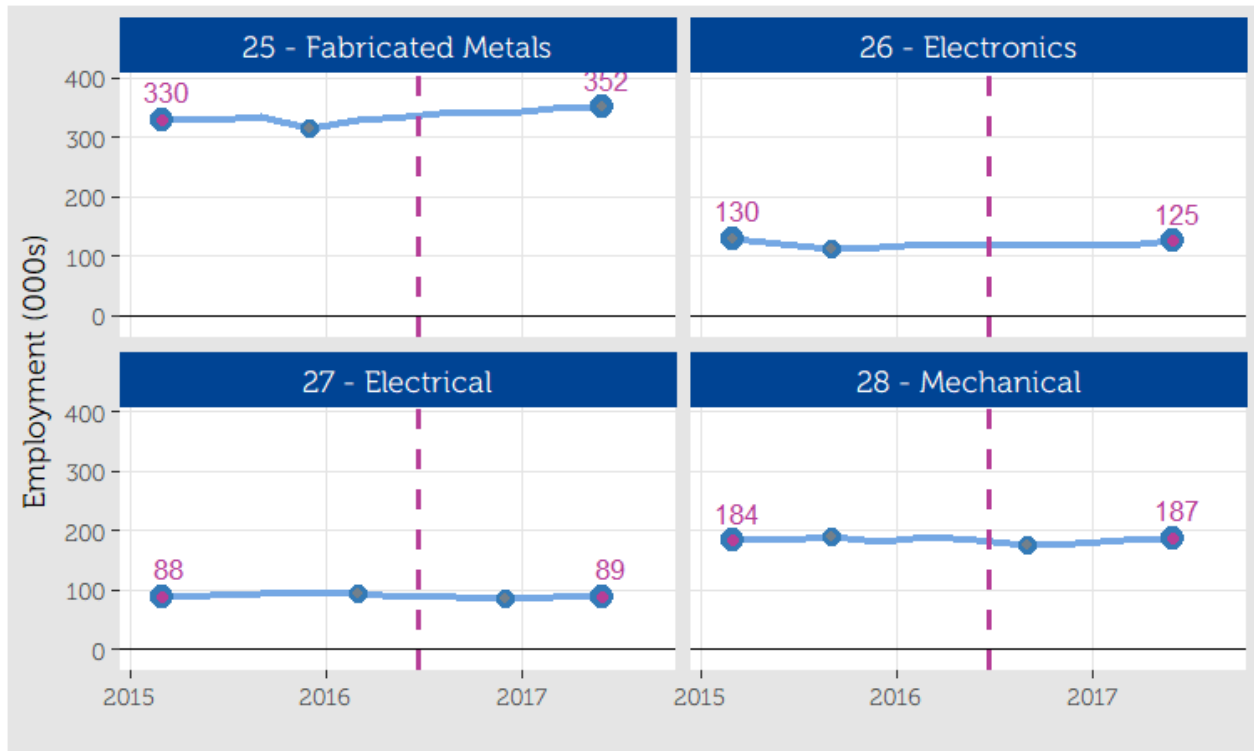
11.2 Exports



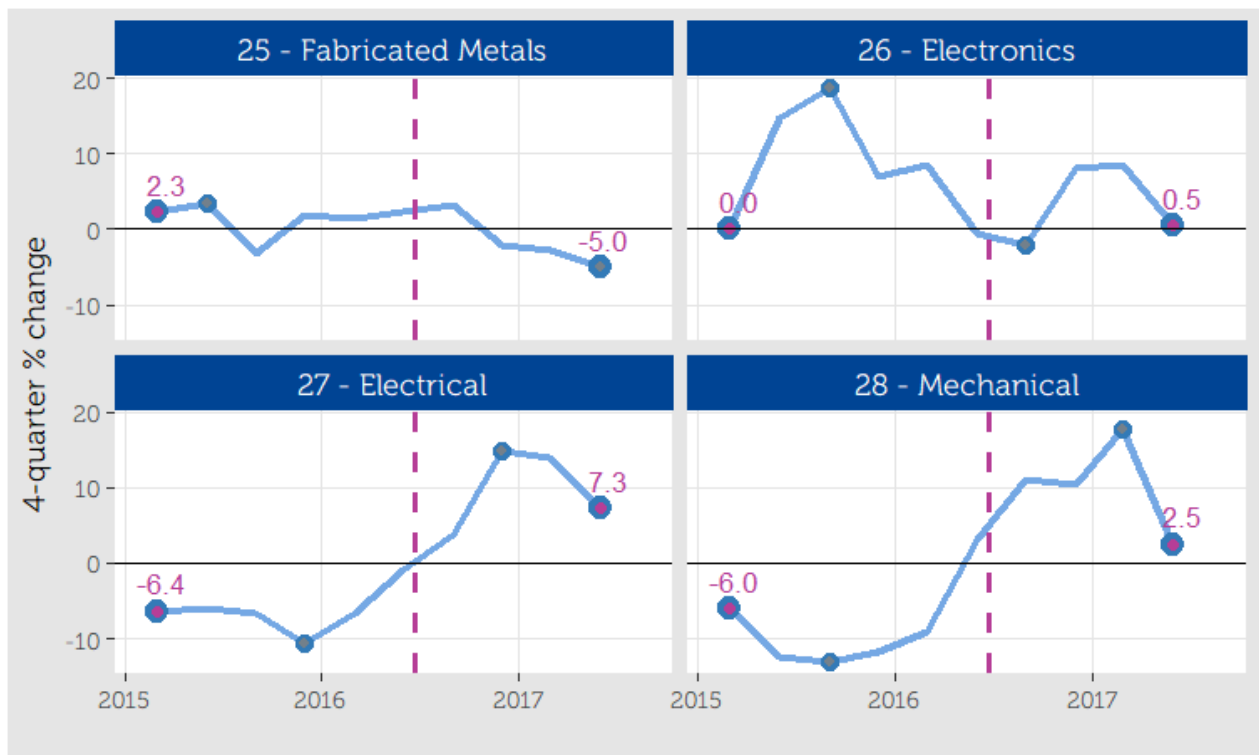
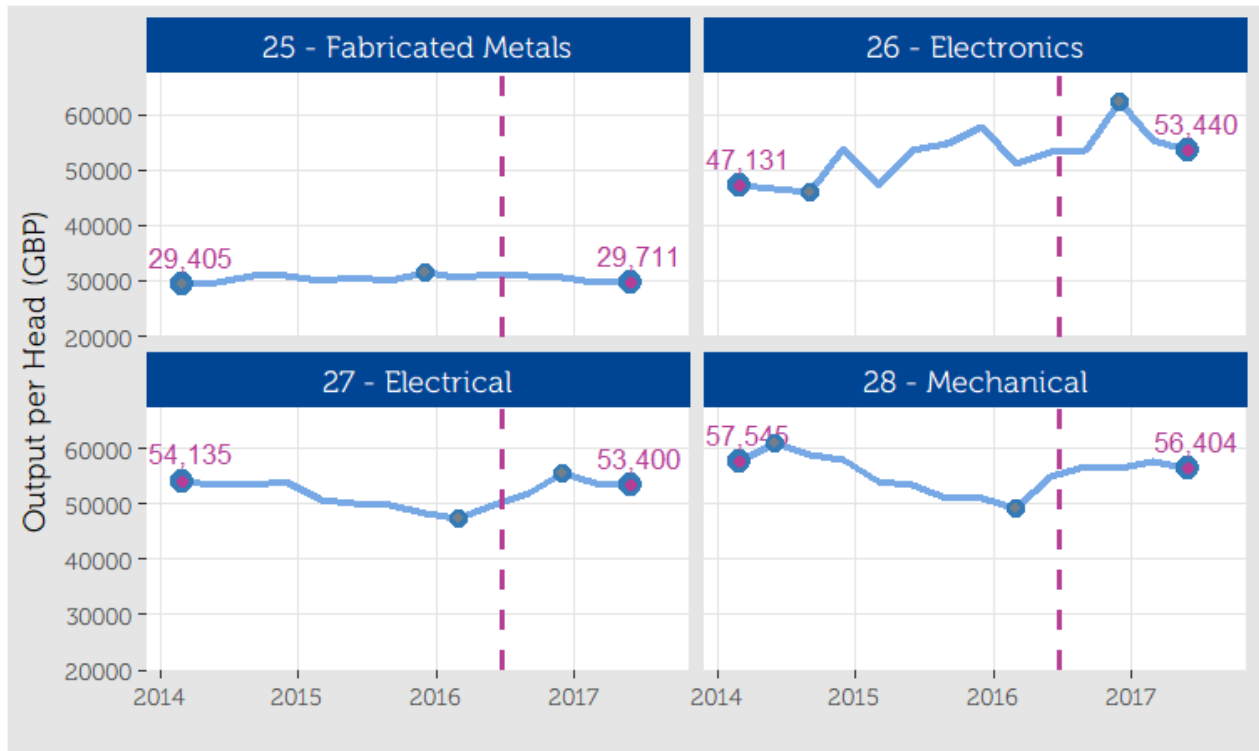
11.3 Index of Production



11.4 Employment (including Self-Employment)



11.5 Turnover per Head

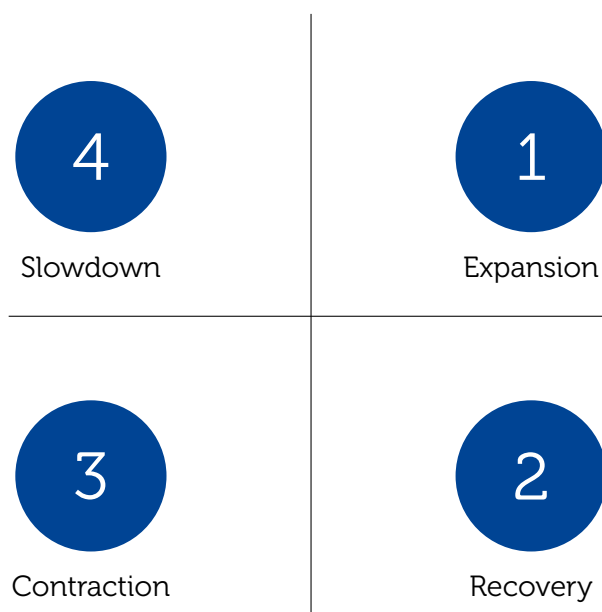


12 Growth Cycles

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:

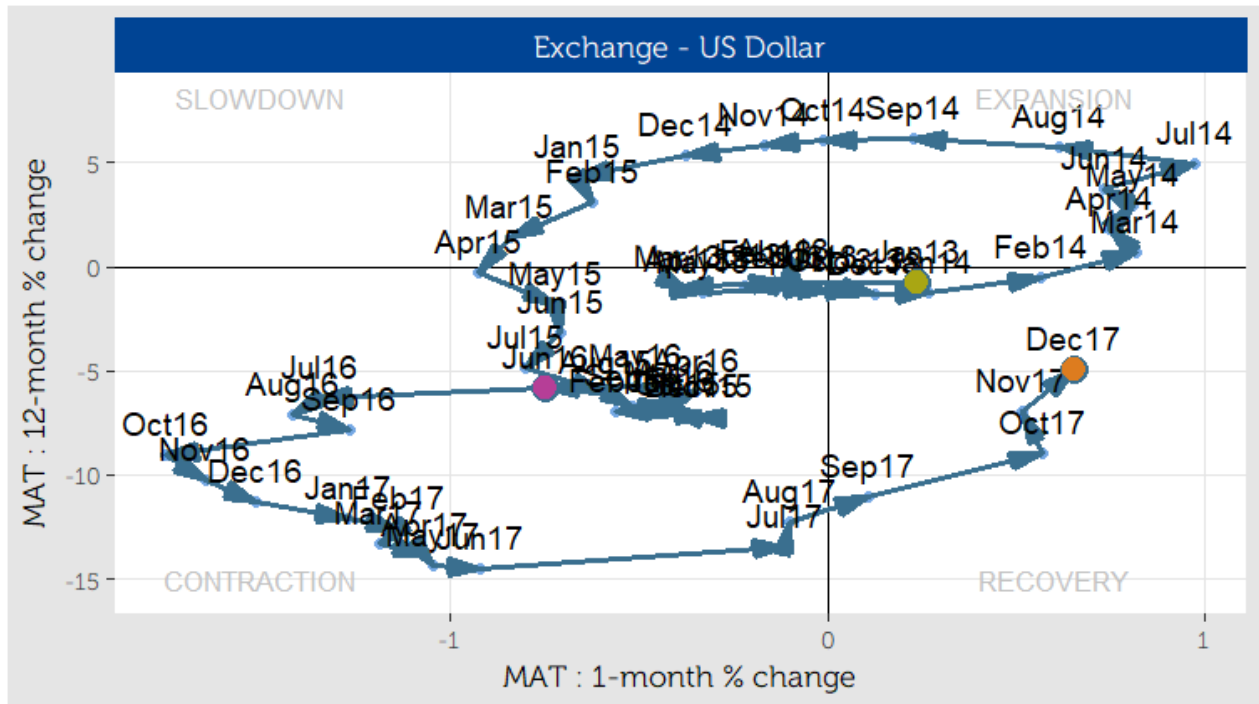
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



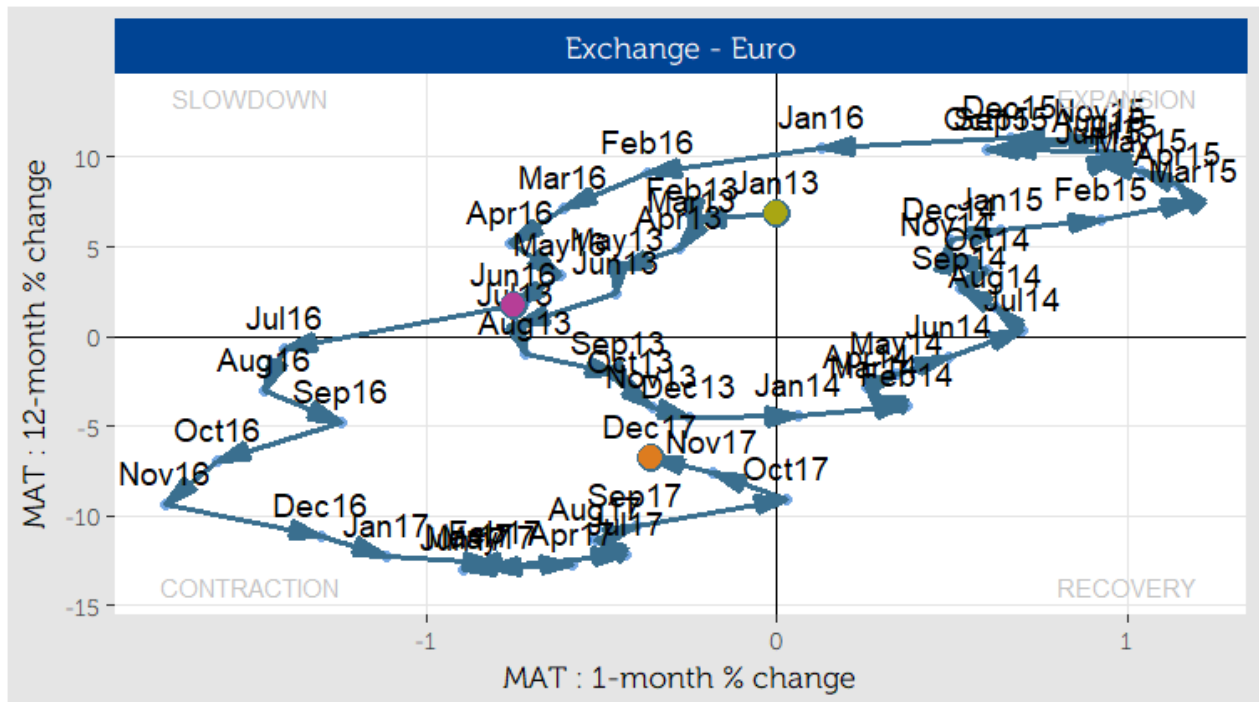
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

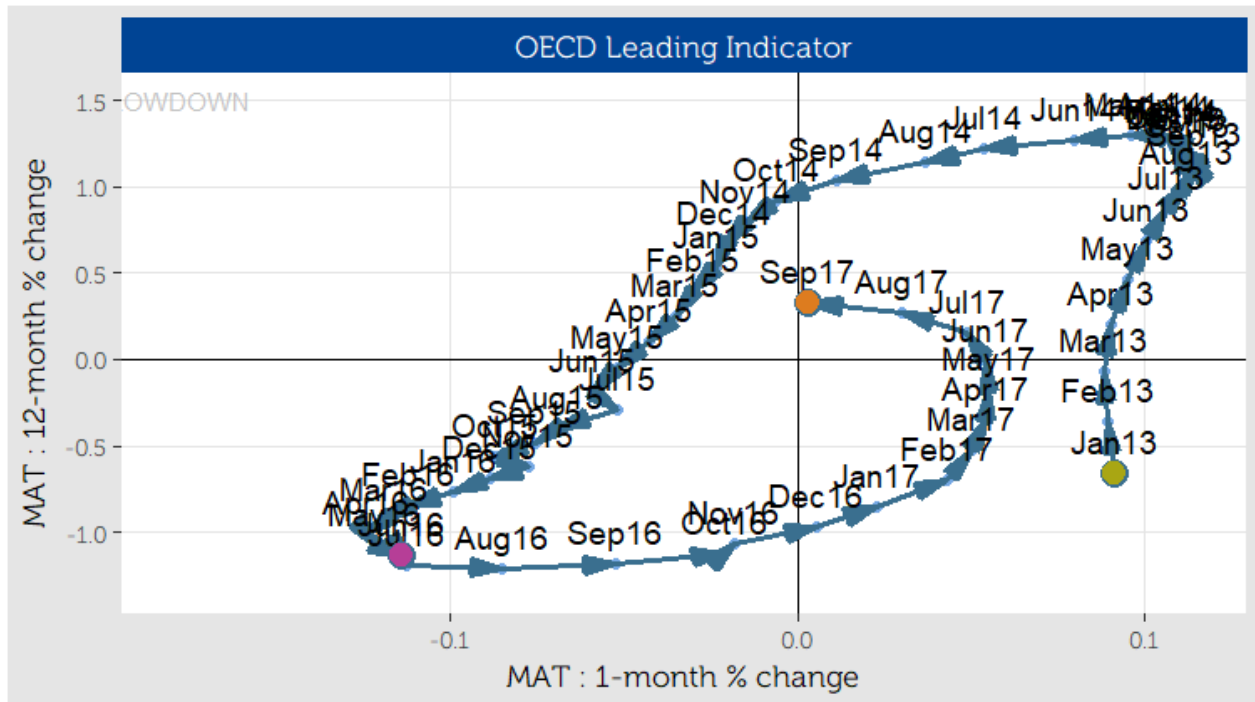
12.2 Exchange Rate (USD)



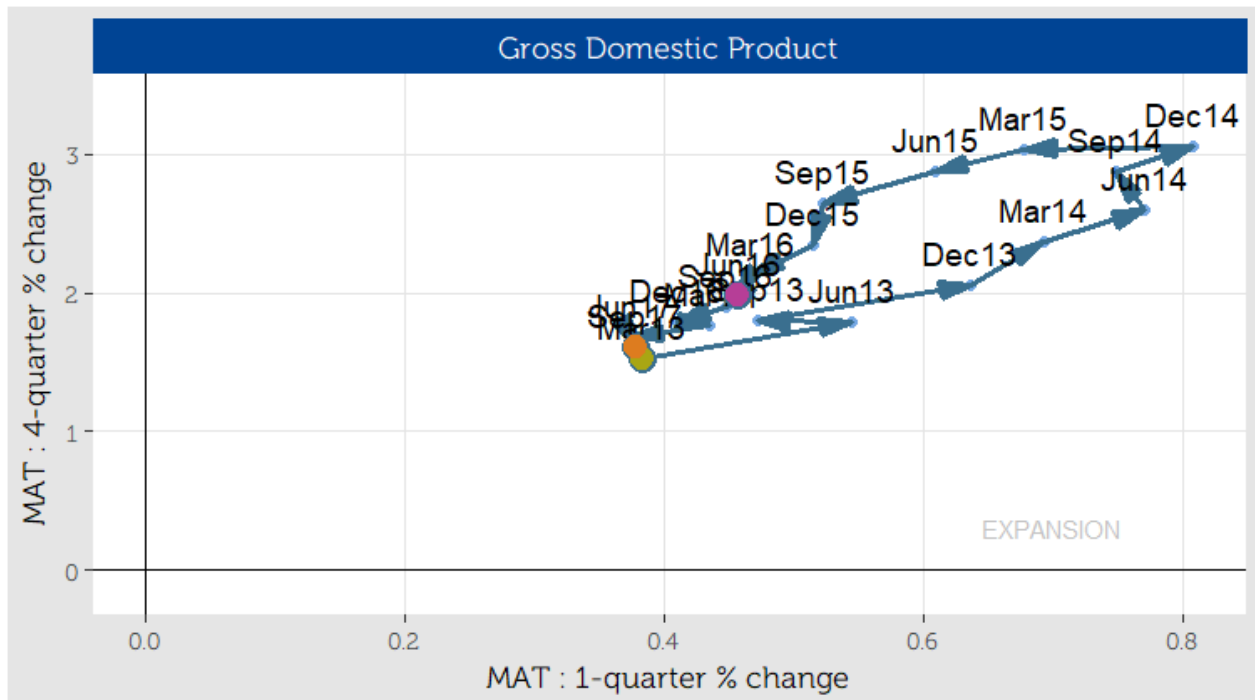
12.3 Exchange Rate (Euro)



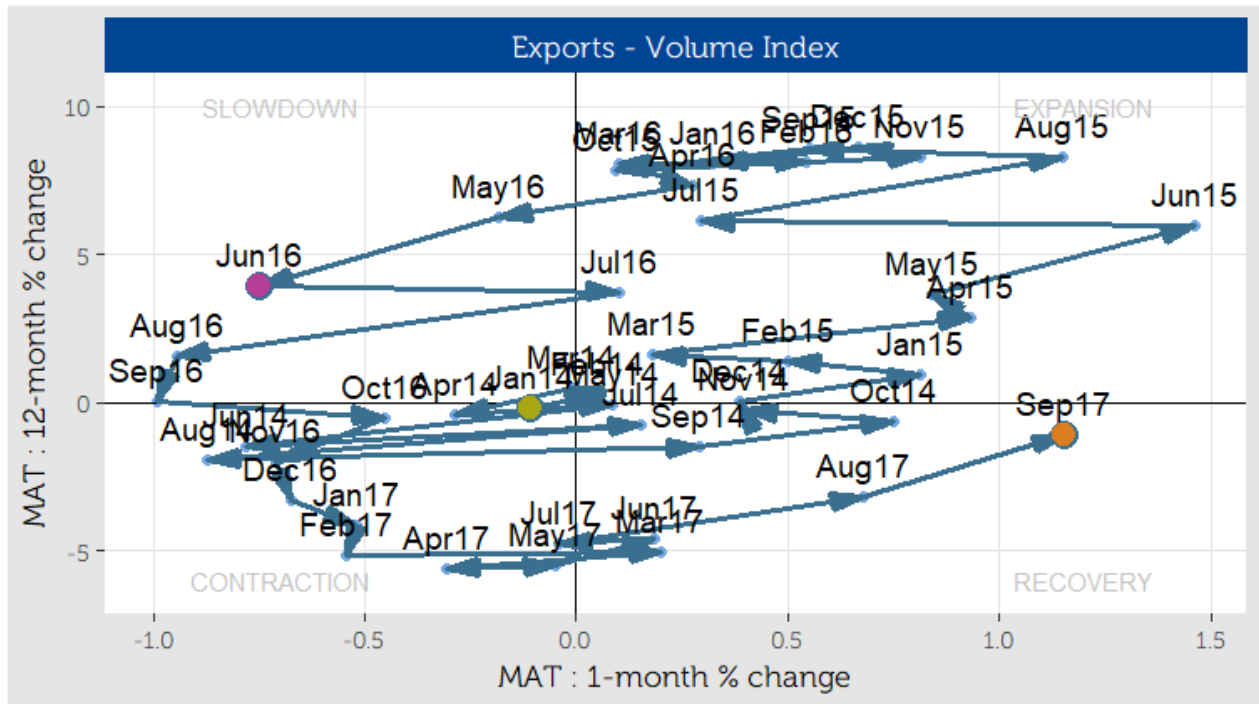
12.4 OECD Composite Leading Indicator - UK



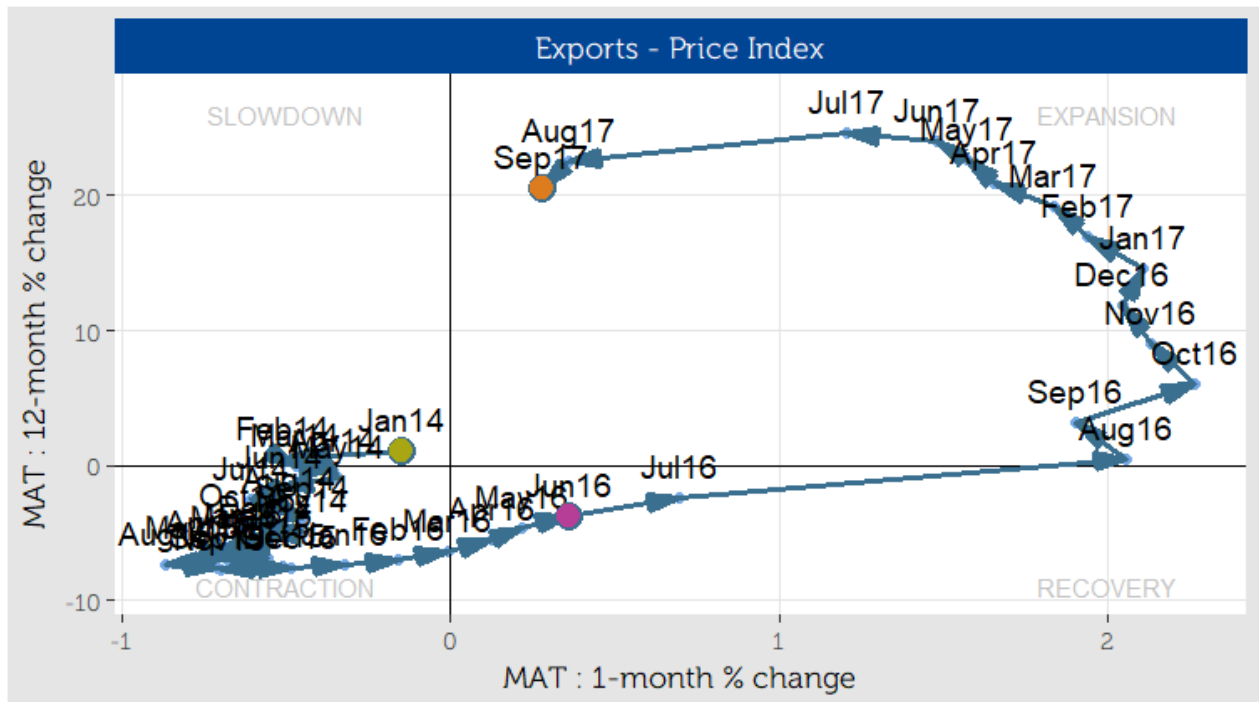
12.5 Gross Domestic Product - GDP (ABMI-PGDP)



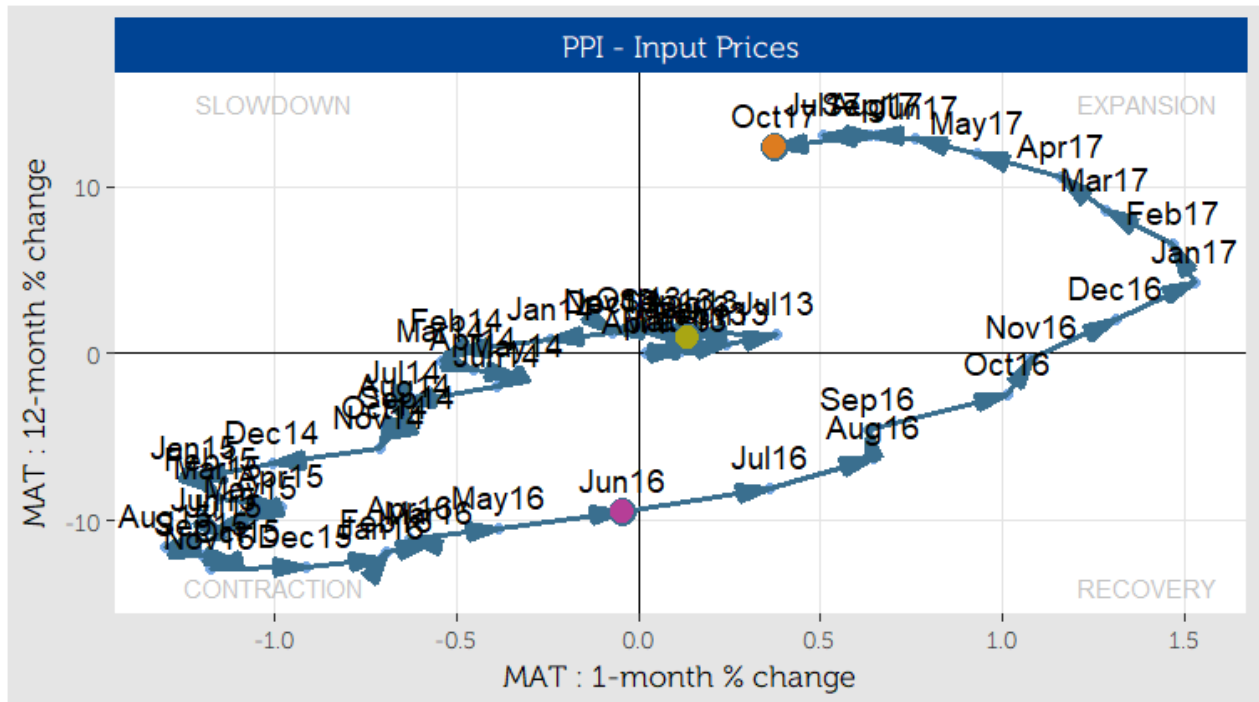
12.6 Exports - Volume Index (BQKU)



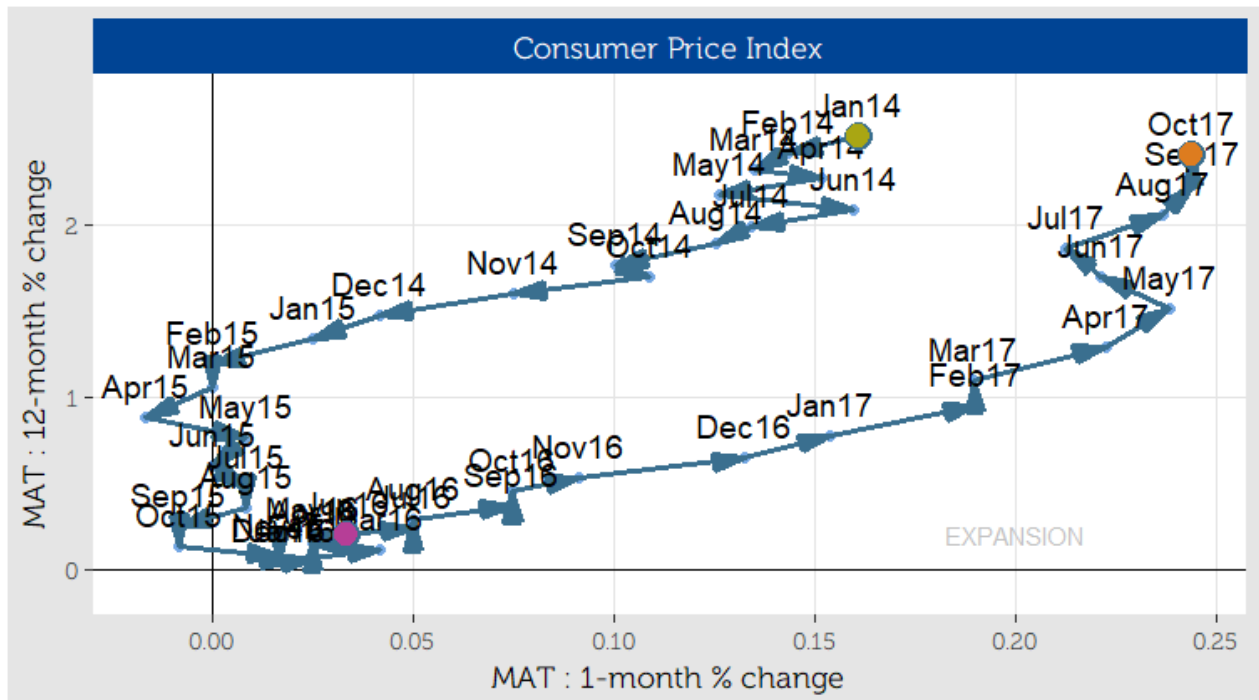
12.7 Exports - Price Index (BQKR)



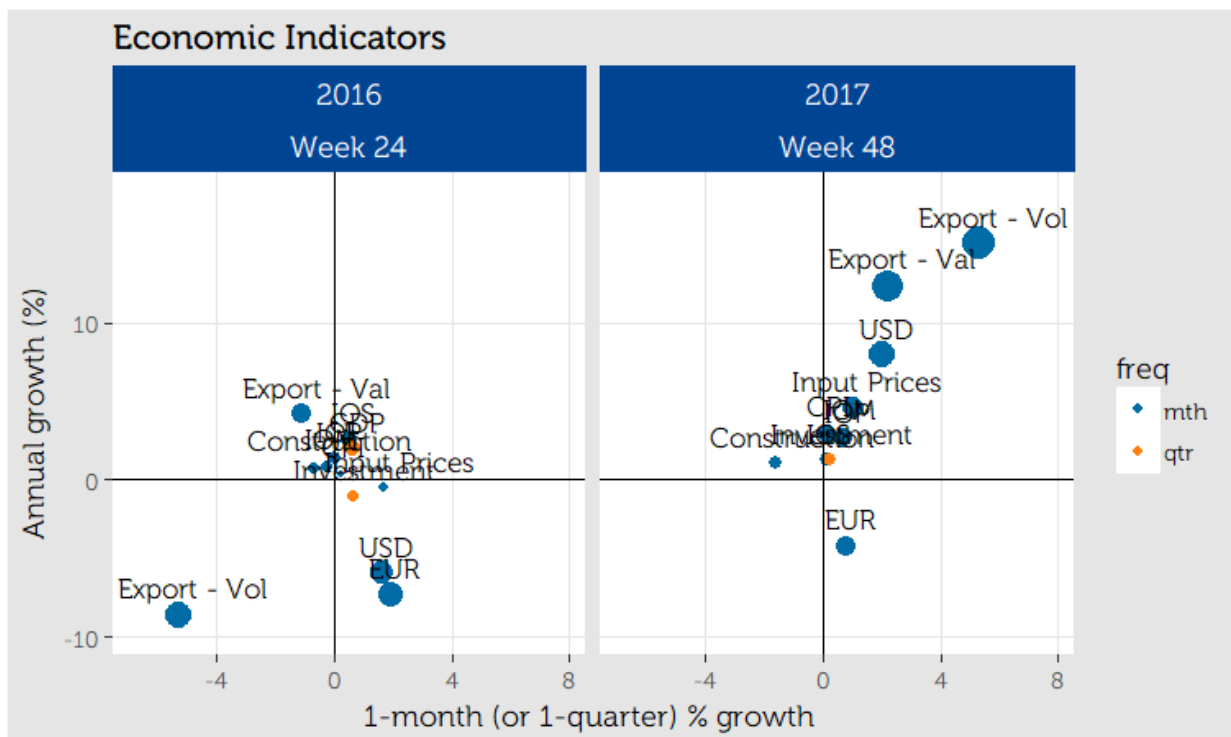
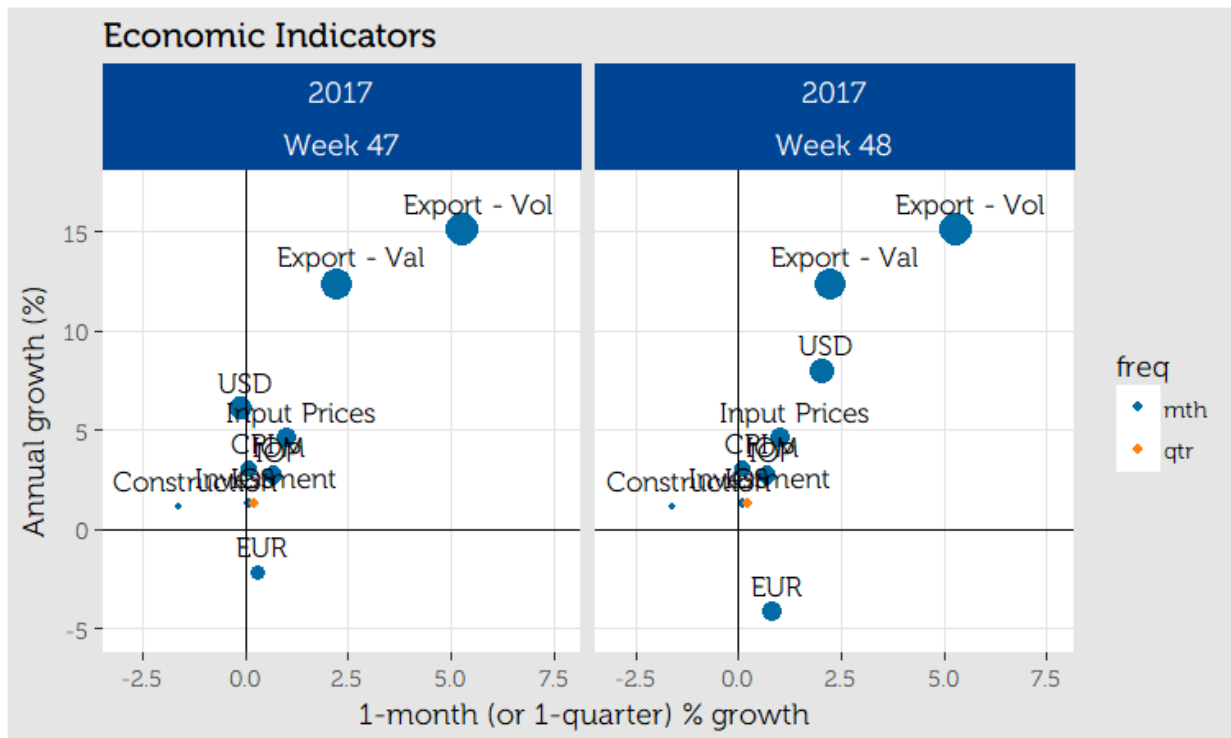
12.8 Input Prices (K646)



12.9 Consumer Price Index (D7BT)



12.10 Current State

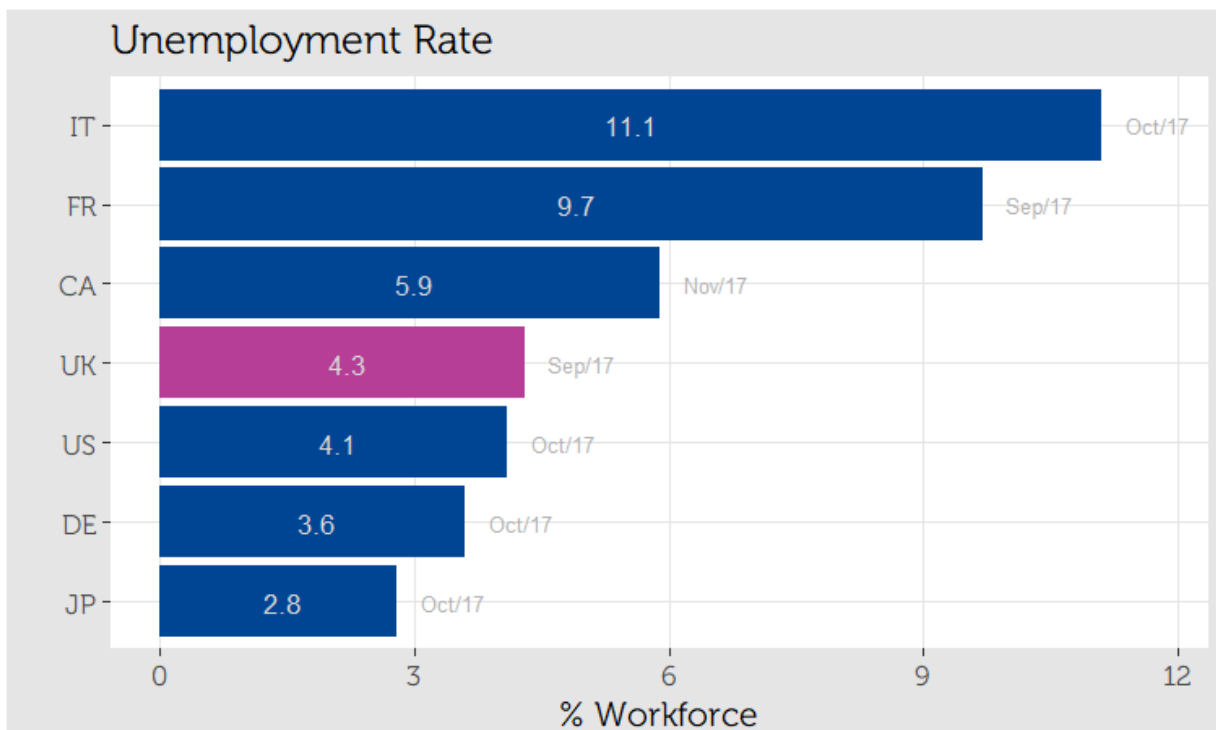
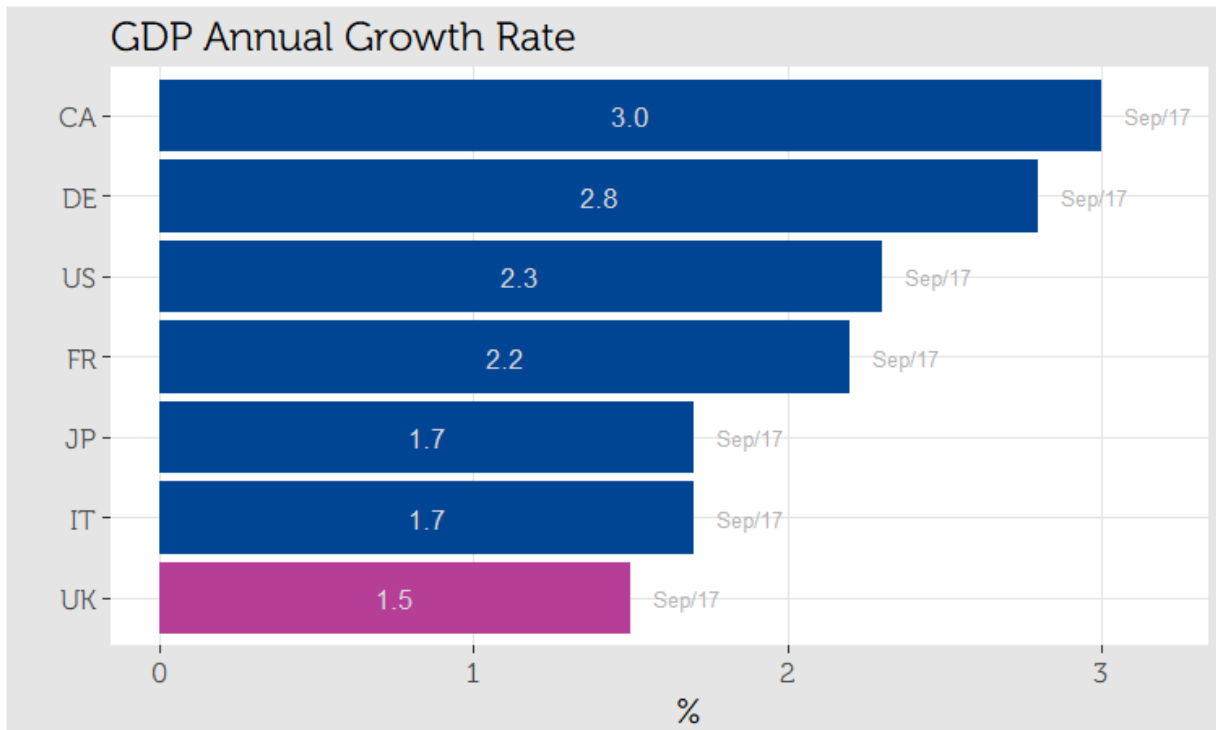


Top: Indicators growth - Current week versus previous week.

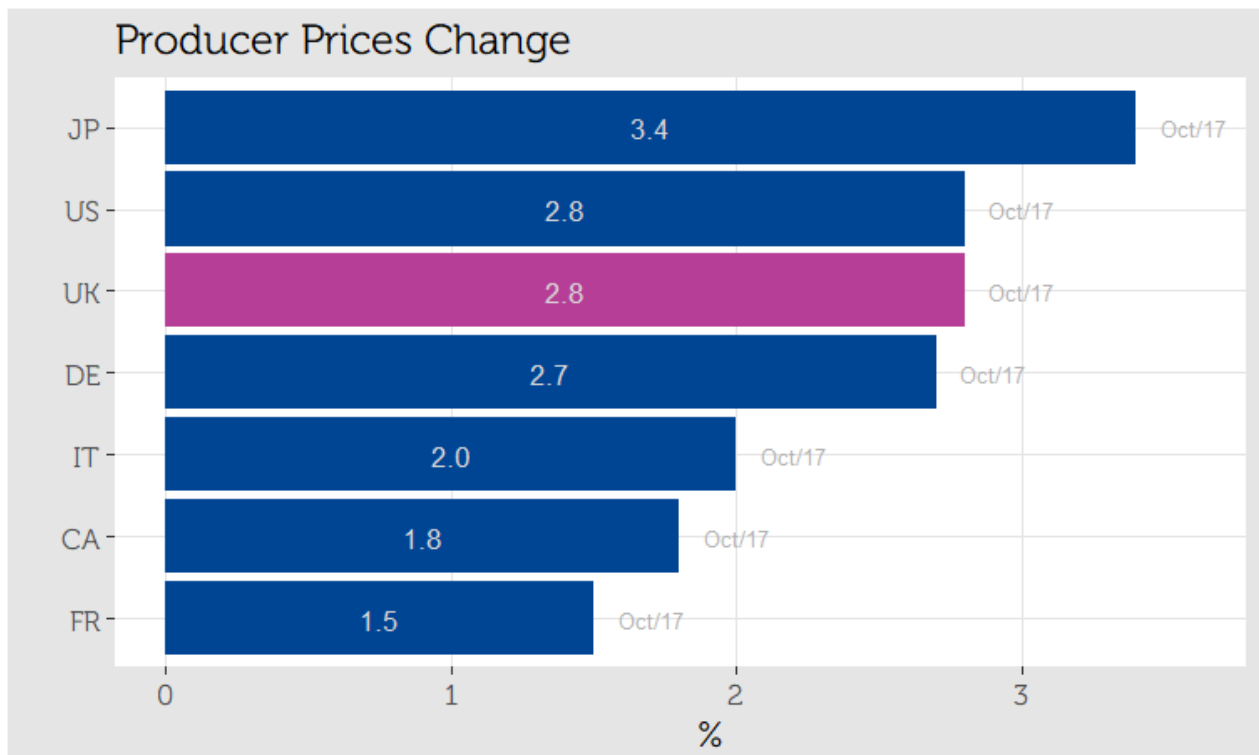
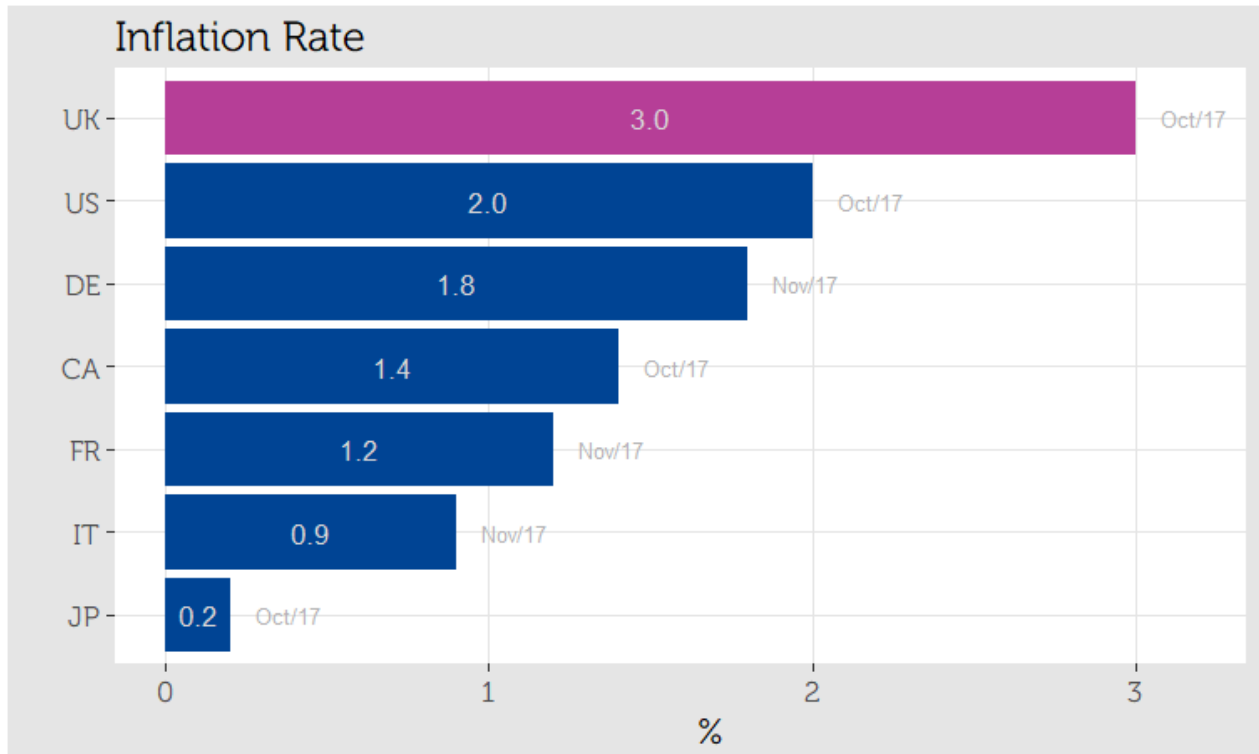
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

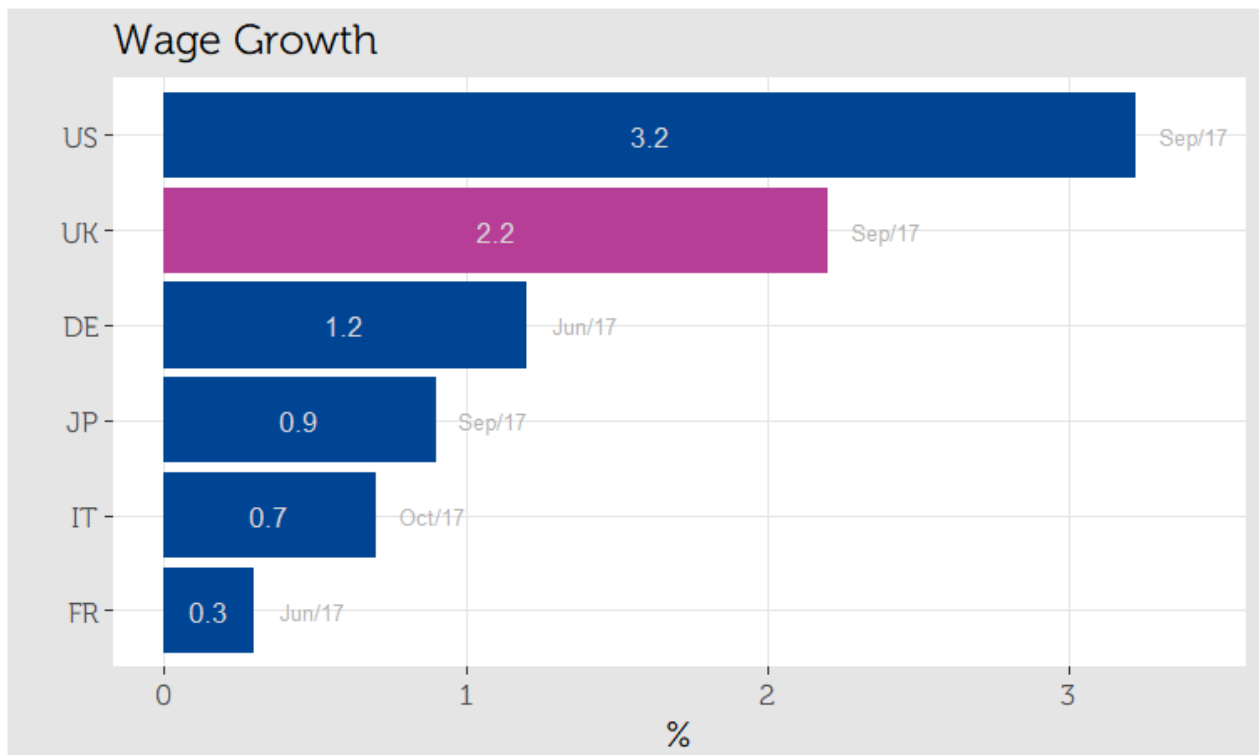
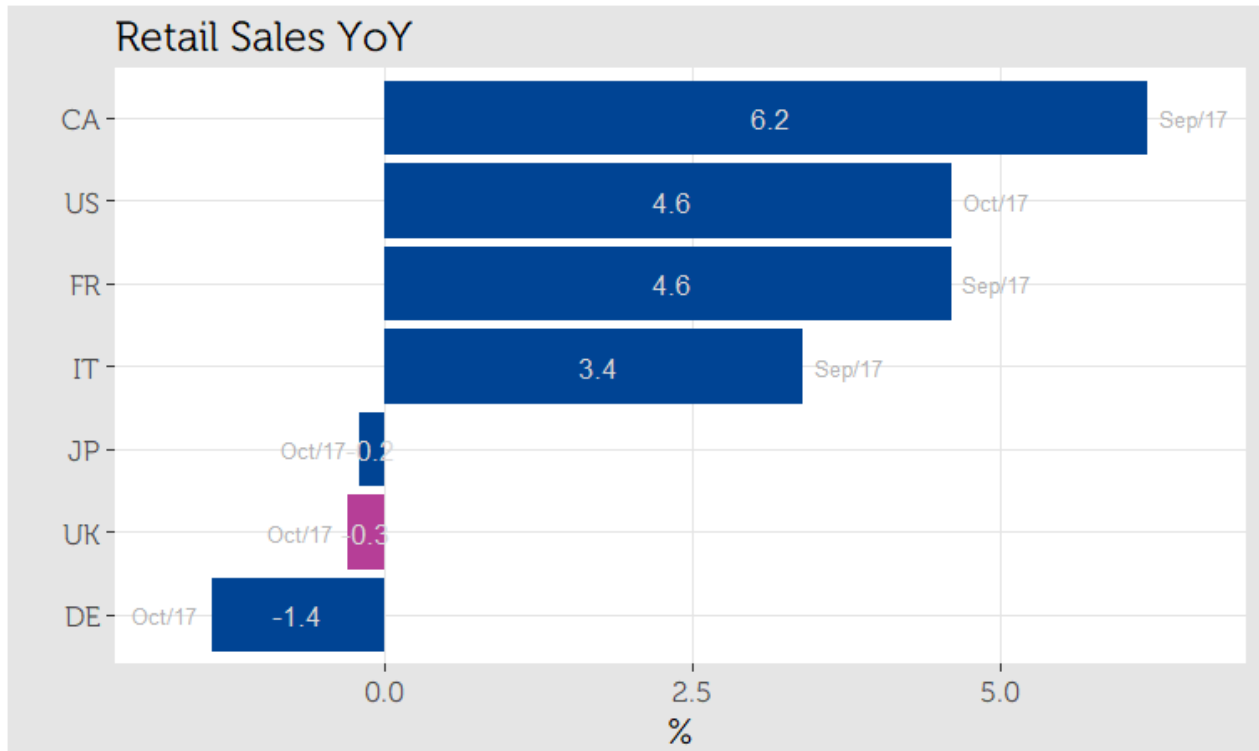
13.1 GDP & Unemployment



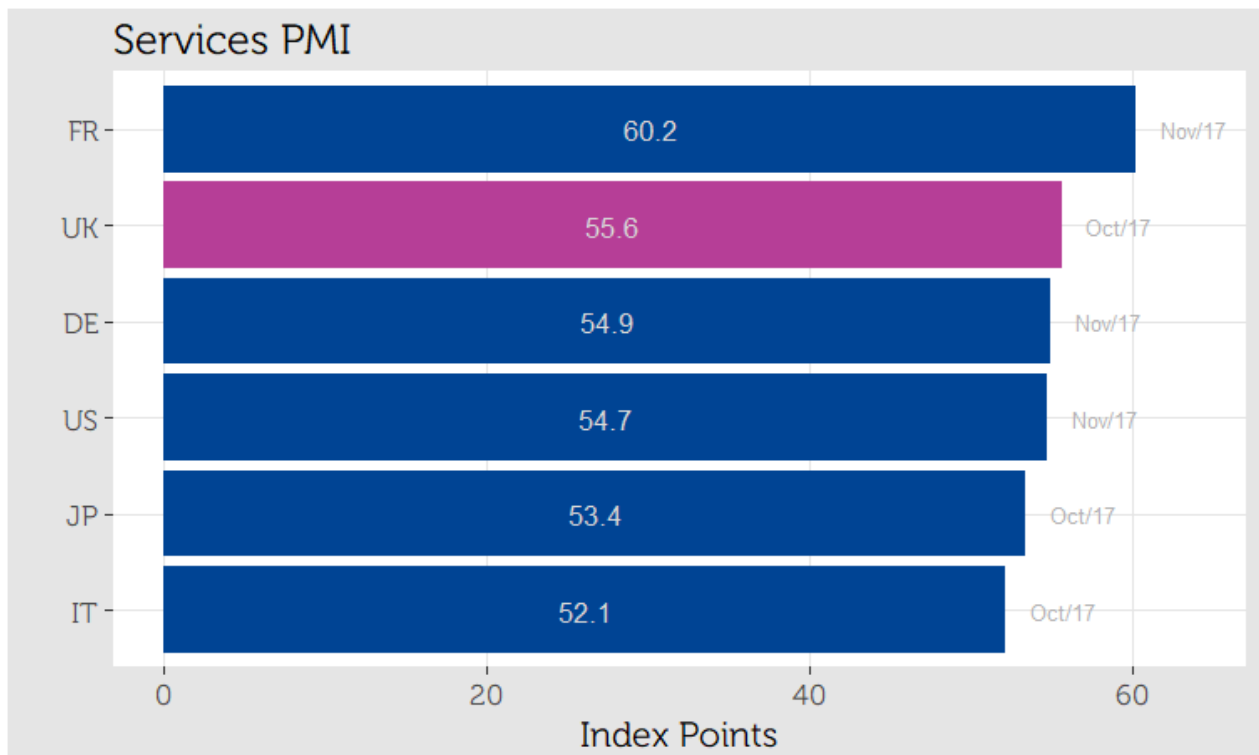
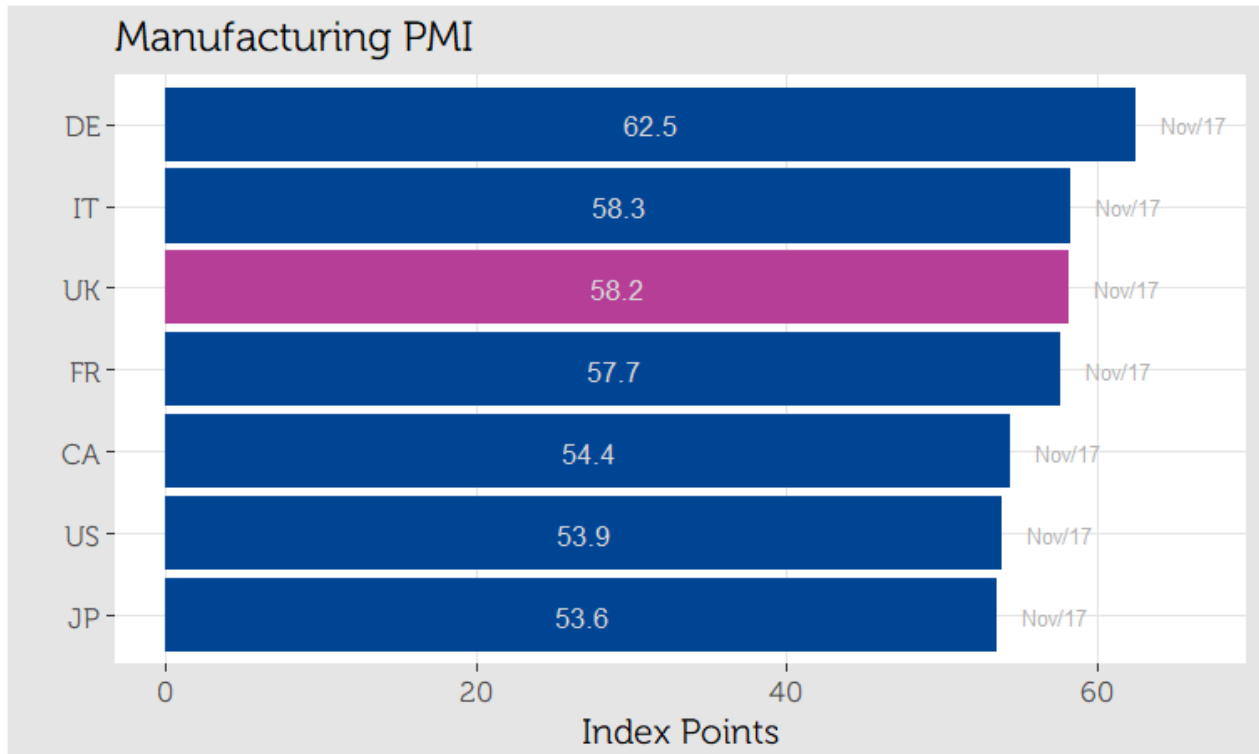
13.2 Inflation & Producer Prices



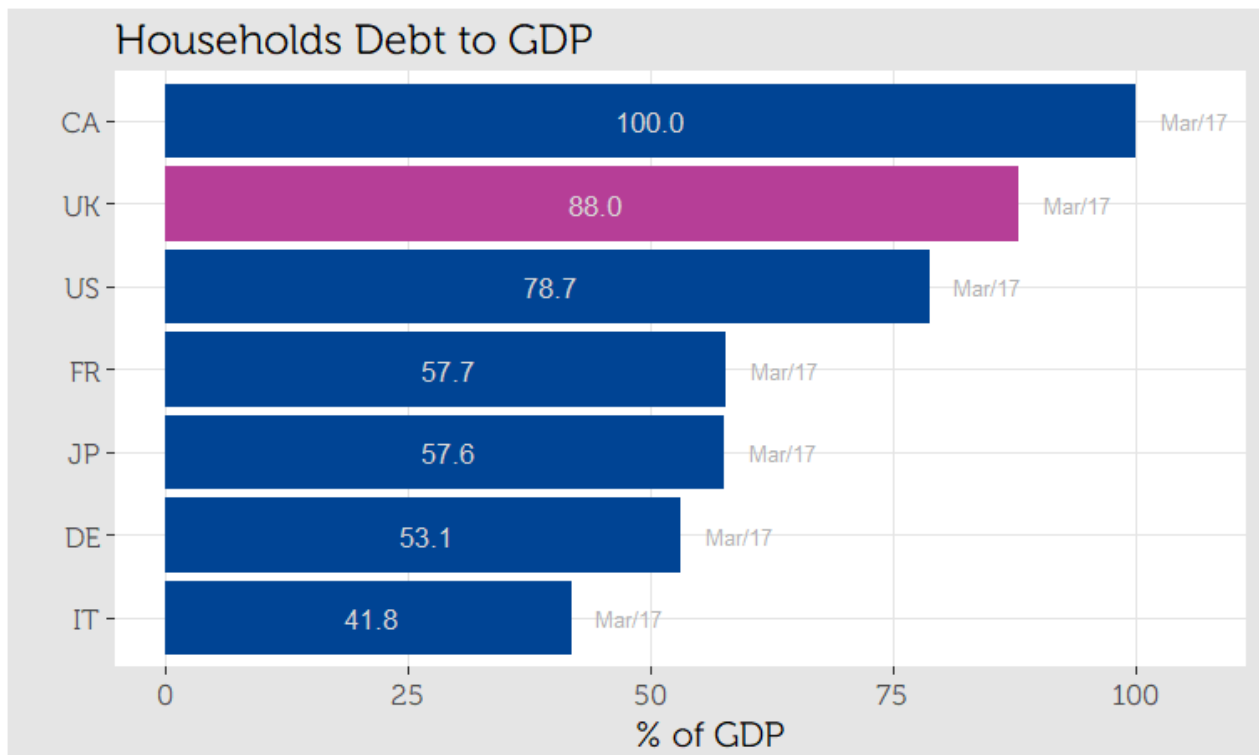
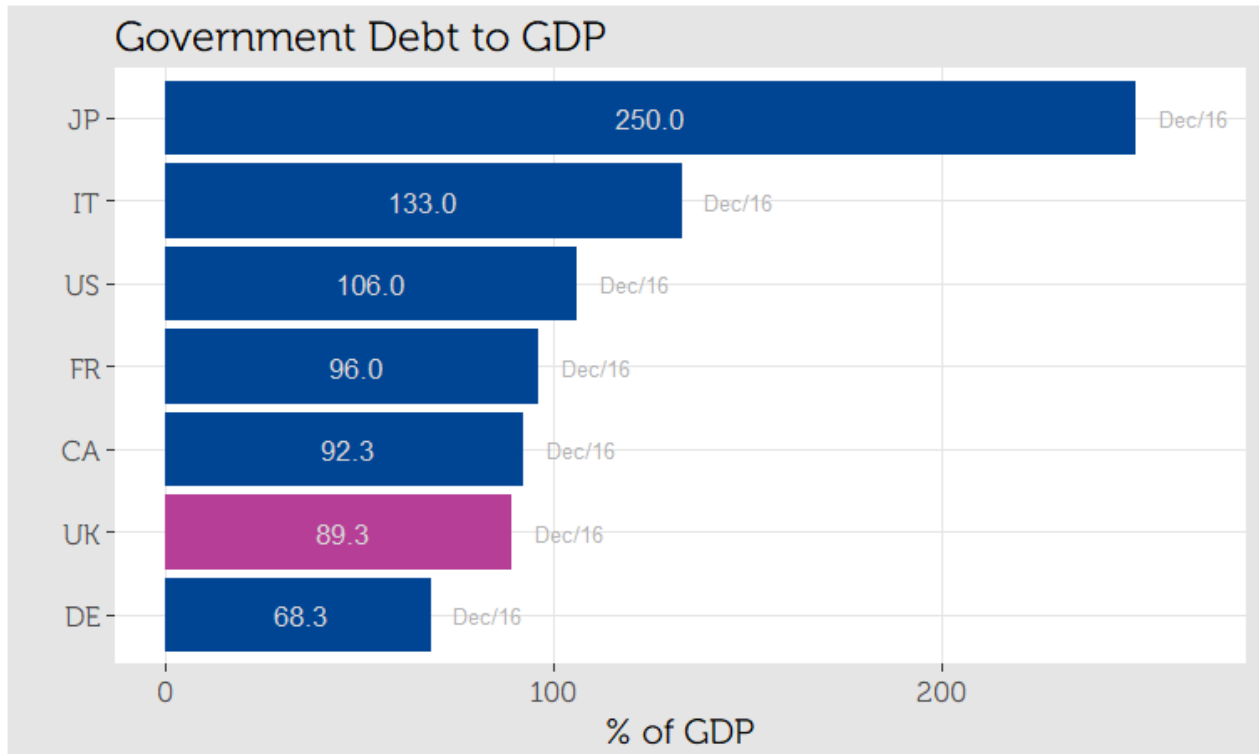
13.3 Retail Sales & Wage Growth



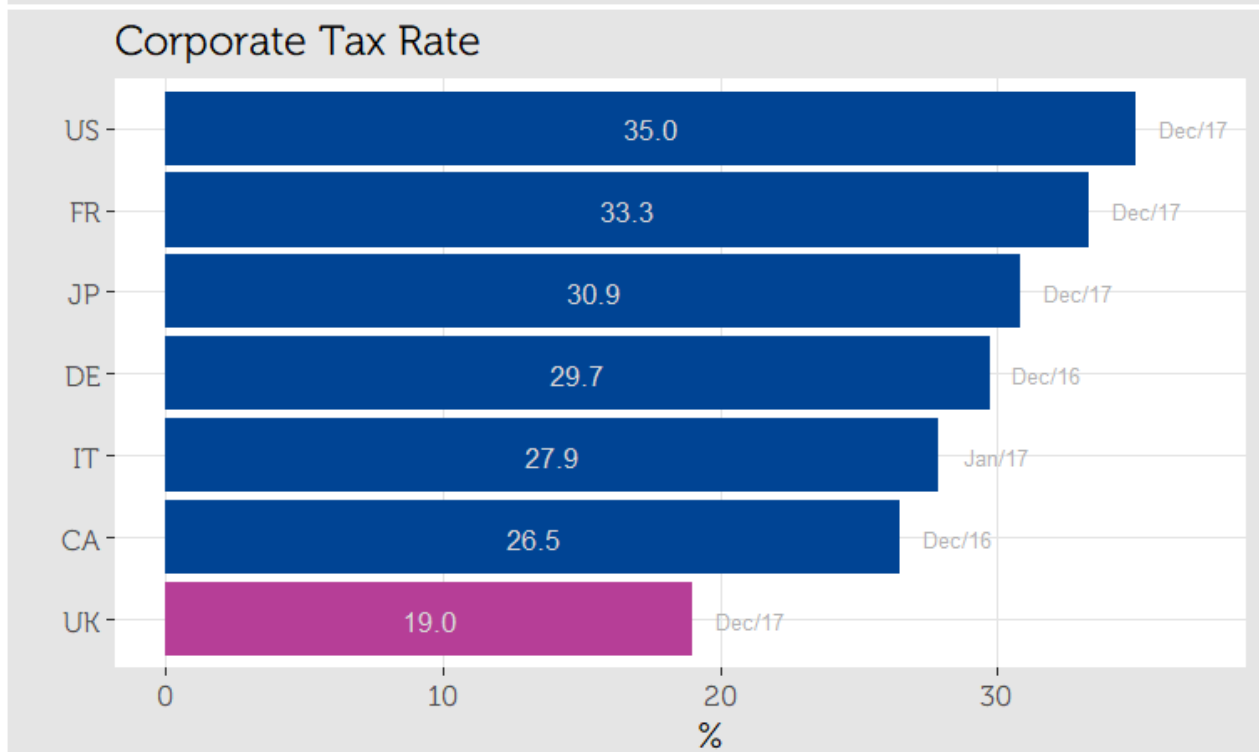
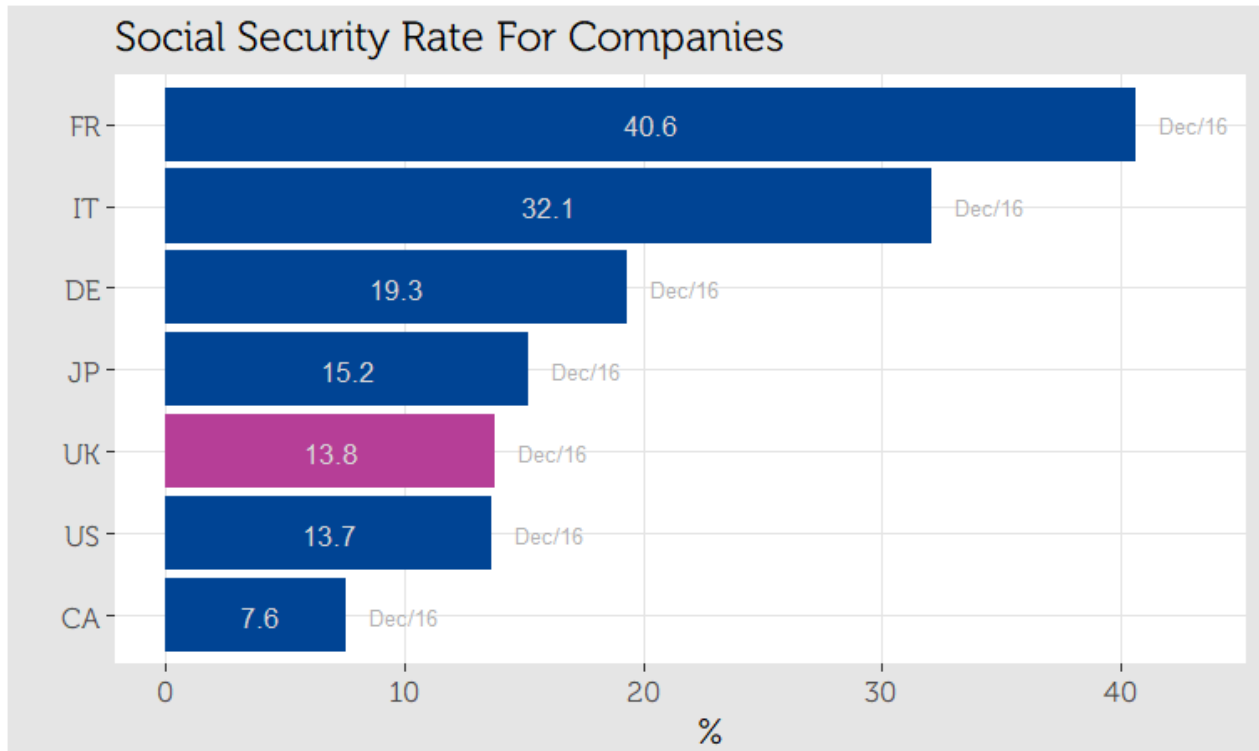
13.4 Purchasers Managers Index - Manufacturing & Services



13.5 Debt



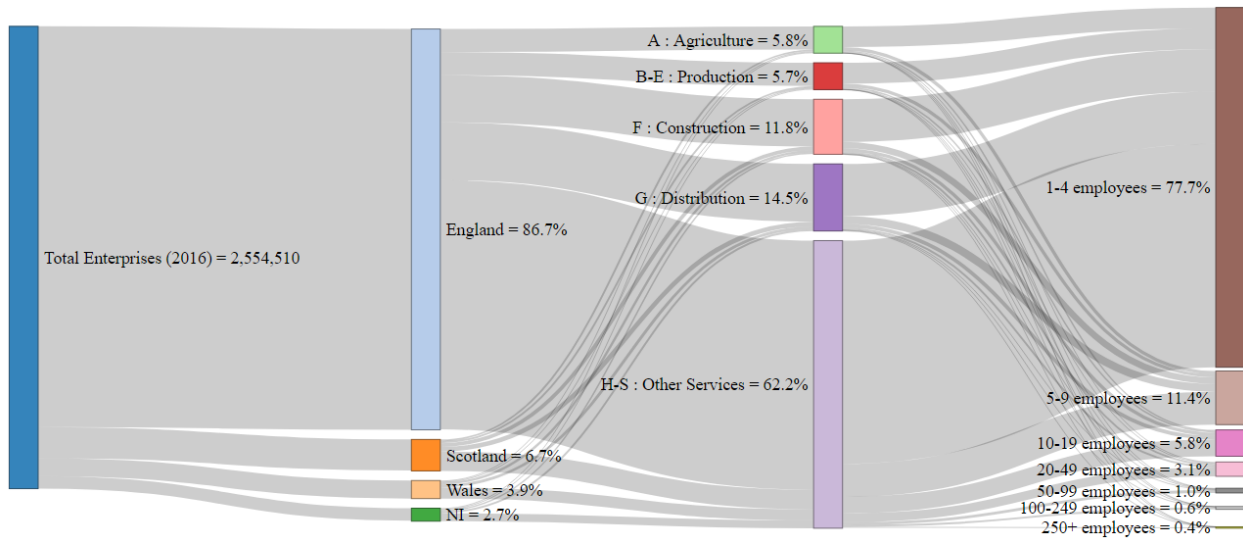
13.6 Employer Social Security Rate & Corporate Tax



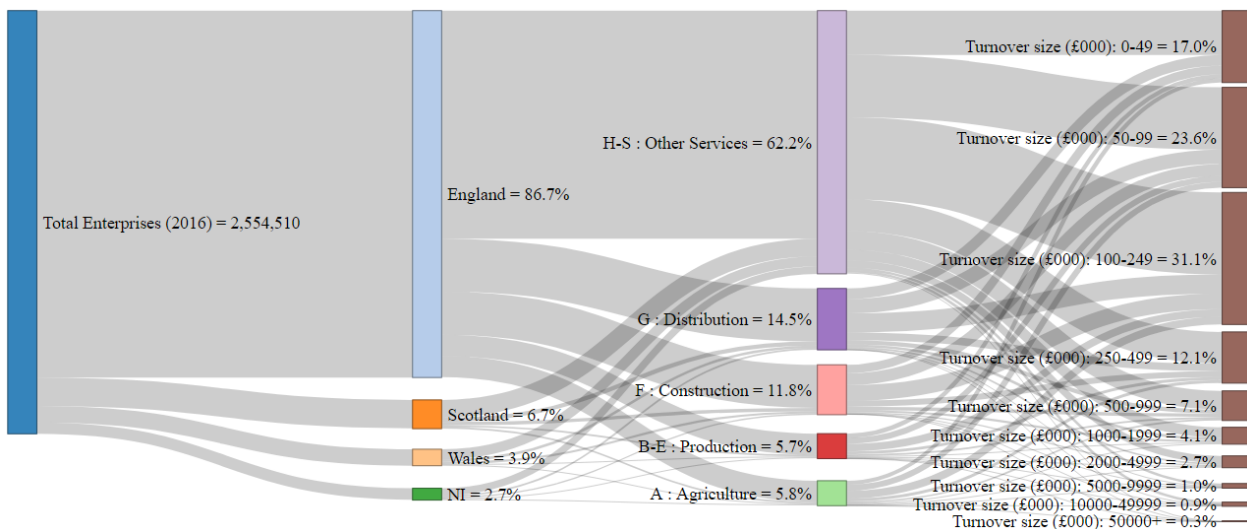
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

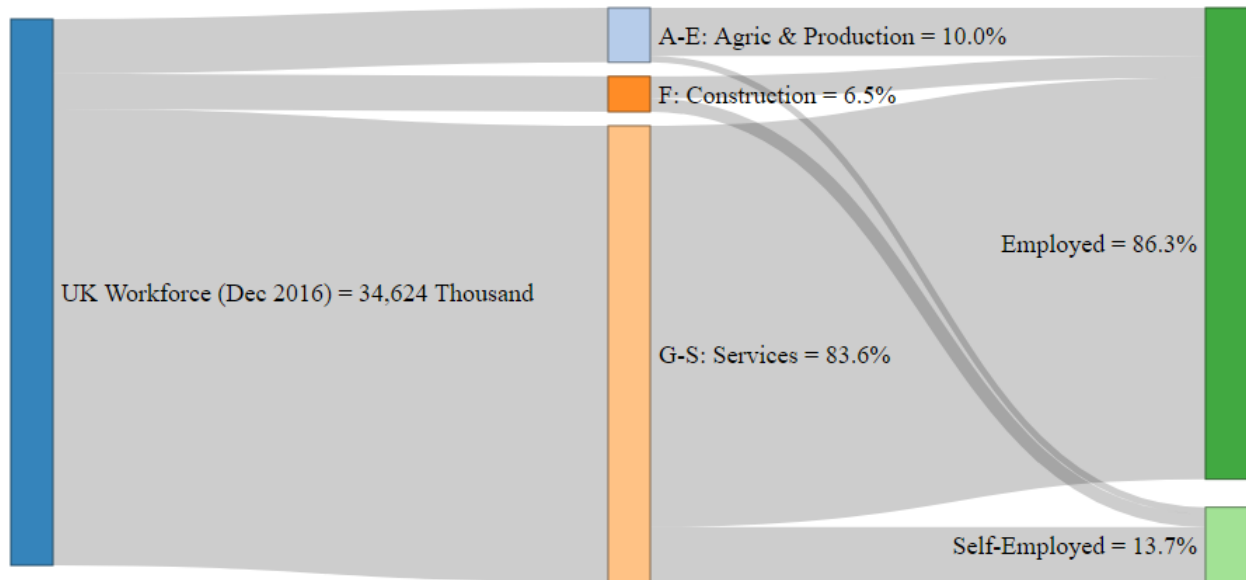


A.2 Enterprises by Turnover Size Band

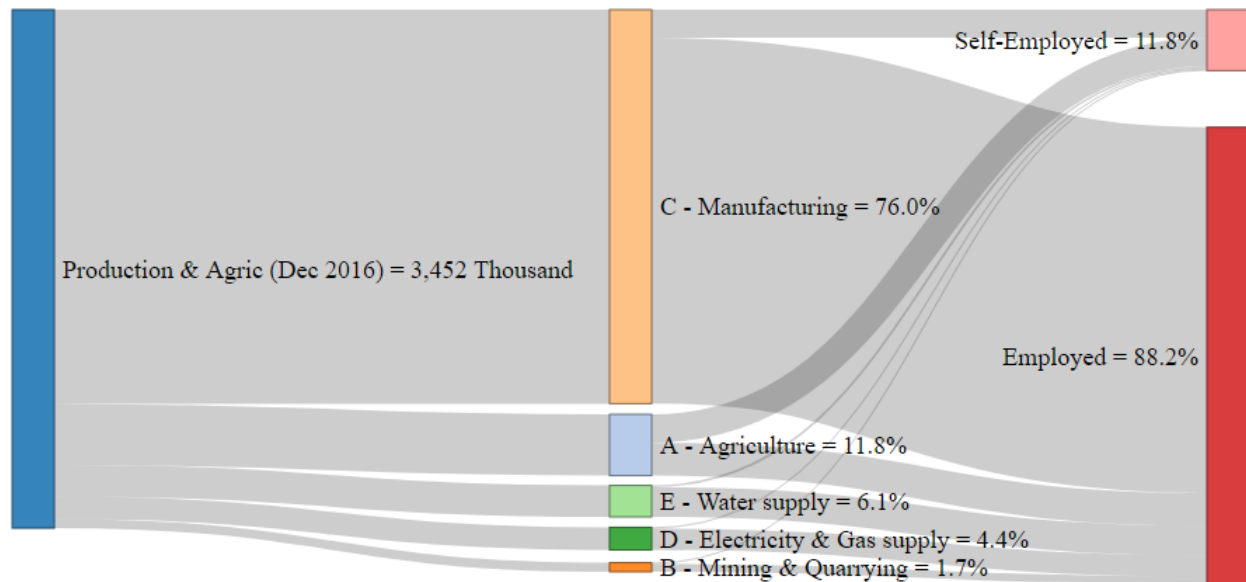


B UK Employment Structure

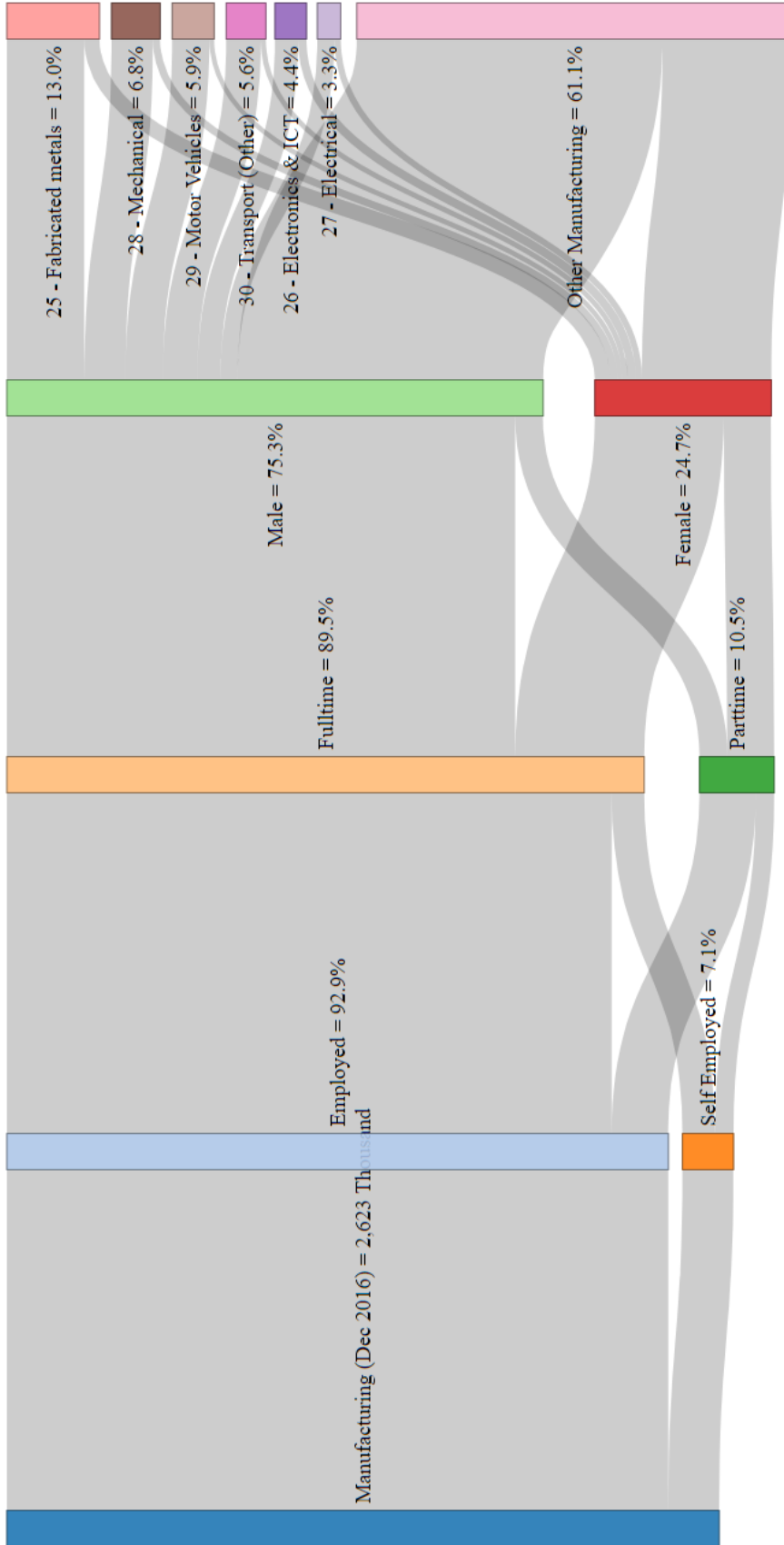
B.1 UK Workforce



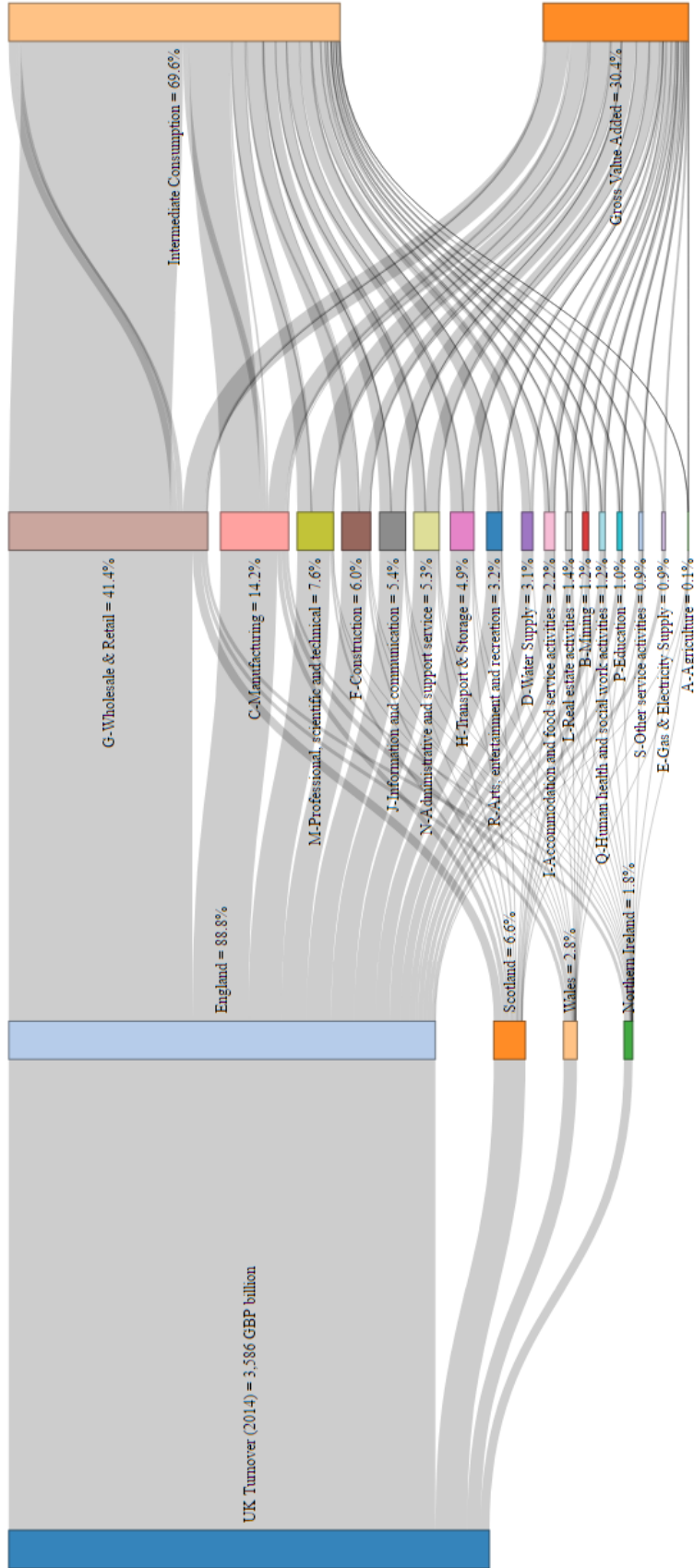
B.2 UK Production & Agriculture Workforce



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

E Information about EURIS

EURIS 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>.

For further information on this report please contact:

Emmanuel Amoakohene (stats@beama.org.uk)

BEAMA, 3 Albert Embankment, London, SE1 7SL, Tel: 020 7793 3000