



European Union Relationship & Industrial Strategy

Weekly

BREXIT WATCH

Week 29

July 2017

Brexit Watch - Week 29

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

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

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

The main points at the end of week 29 in 2017 are as follows:

- **Sterling** average rate with **US Dollar** in the first 21 days of July increased by 1.2% compared to June average, but fell by 0.7% against the **Euro** in the same period.
- **Input prices** increased by 9.9% in June 2017 compared to a year earlier; a drop from 11.6% recorded in May 2017.
- **Consumer price index** grew by 2.6% in the twelve months to June 2017, 20th successive year on year growth.
- **Index of production** fell by 0.1% in the month of May 2017 and also fell by 0.3% compared to May 2016.
- The final estimate of UK **GDP** growth in first quarter of 2017 was unchanged at 0.2%, equivalent to £471.5 billion.
- **Unemployment** rate decreased to 4.5% in May 2017; the lowest rate since June 1975.
- **Retail sales volume**, grew by 0.6% between May and June 2017, equivalent to £40.1 billion and a growth of 2.9% compared to June 2016
- **Business investment** for all industries grew by 0.7% to £43.7 billion in 2017 Q1.
- **Exports** trade in **value** terms increased by 0.9% in May 2017 to £49.7 billion compared with April 2017 and **imports** also increased by 2.7% to £52.7 billion in the same period.
- The **construction output**, at constant prices, fell by 1.2% to £11.4 billion in May 2017 compared with April 2017.
- **Turnover** bounced back in May 2017 across the four monitored manufacturing industries. Compared to a year ago, **Metals** grew by 7.4% to £3.0 billion, **Electronics** by 10.4% to £1.6 billion, **Electricals** by 11.4% to £1.1 billion and **Mechanical** by 15.6% to £3.0 billion.

July 2017
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Glossary

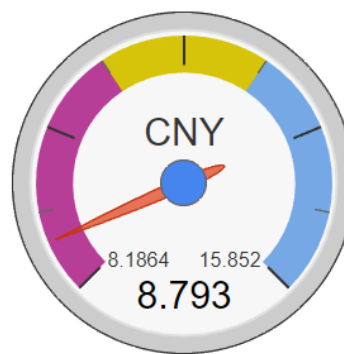
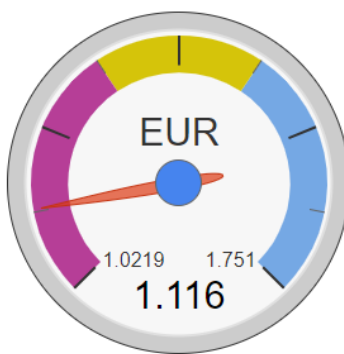
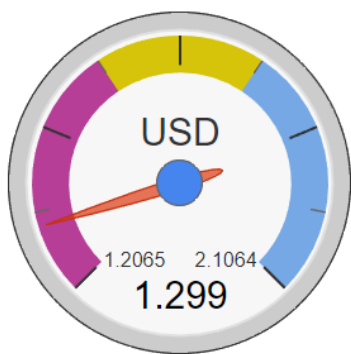
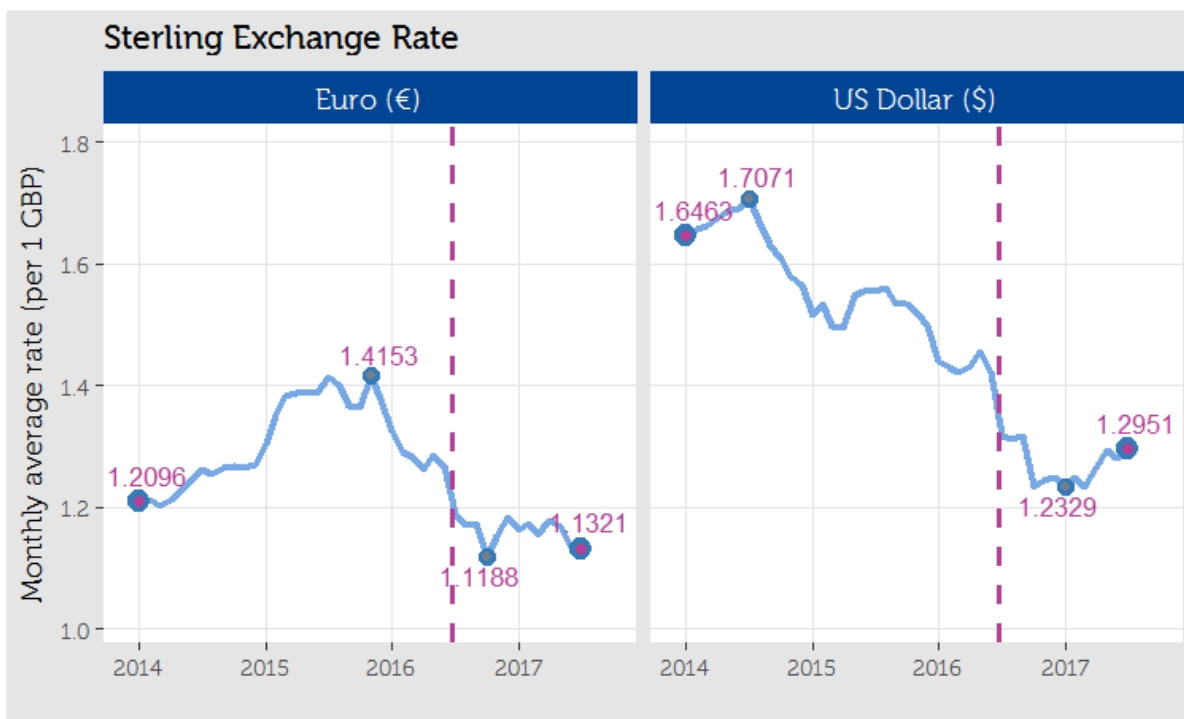
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOS	Index of Services
CESA	Catering Equipment Suppliers Association	MAA	Moving Annual Average
CNY	Chinese Yuan	MAT	Moving Annual Total
CPI	Consumer Price Index	MTA	The Manufacturing Technologies Association
CPIH	Consumer Prices Index including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

1 Exchange Rates

The average Sterling exchange rate with **US Dollar** in the first 21 days of July 2017 increased by 1.2% from June 2017 average to 1.2951. Compared to July 2016, the average rate was 1.6% lower, but compared to May 2016 (pre-brexit vote) the rate was 11.0% lower.

The average exchange rate for the **Euro** in July 2017 fell by 0.7% from June 2017 average to 1.1321. Compare to twelve months earlier the average rate was 4.8% lower, but 12.0% lower compared to May 2016.

At the end of 2017 week 29, the **US Dollar** was trading at \$ 1.2990/GBP, **Euro** at € 1.1160/GBP and the **Chinese Yuan** at ¥8.793/GBP.

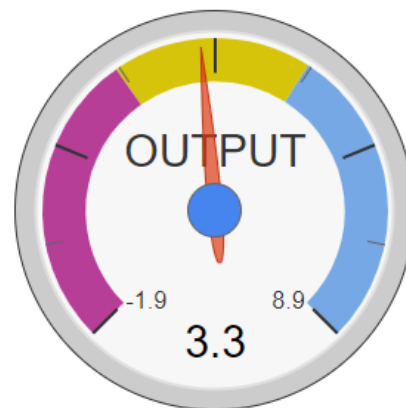
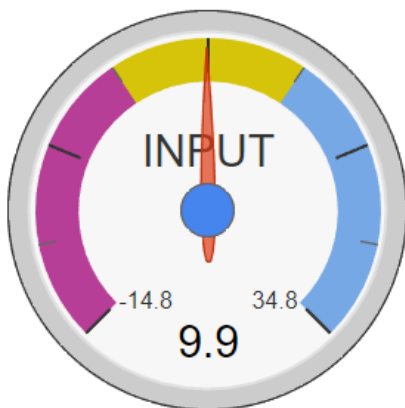
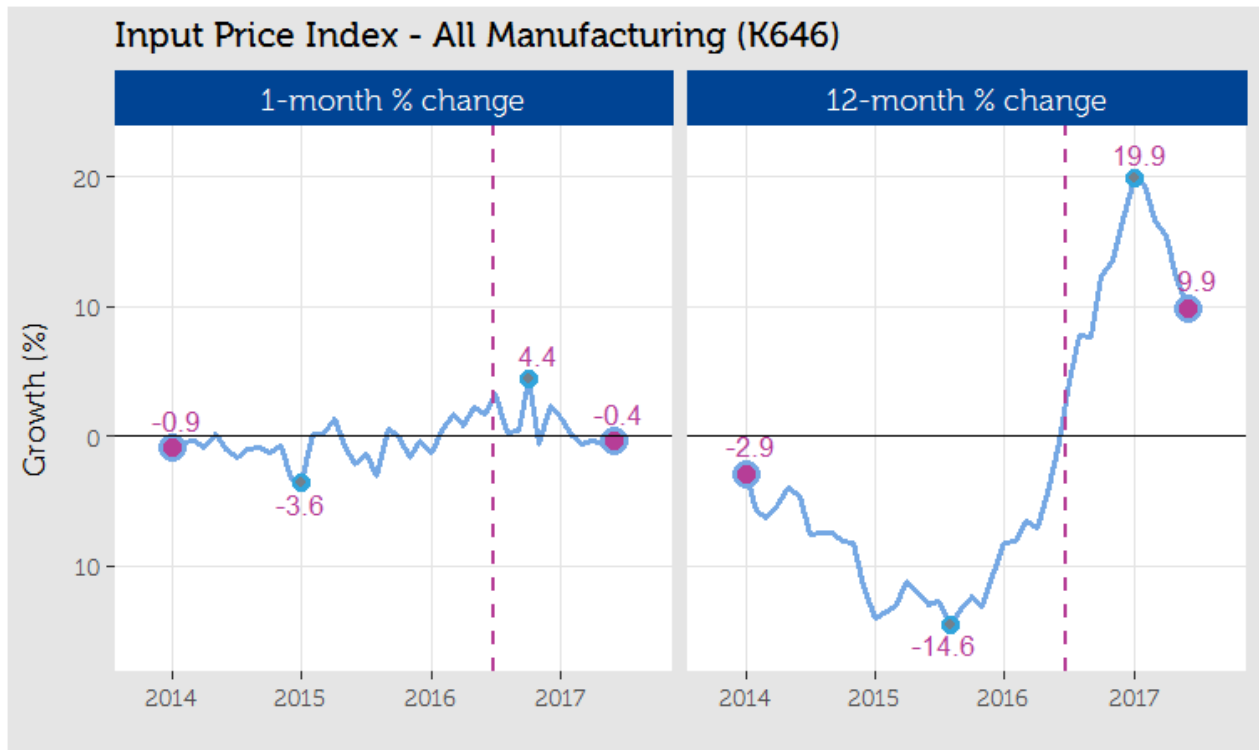


[Gauge charts: Daily exchange rates since January 1999]

2 Producer Prices

The **input price** index for all manufacturing fell by 0.4% in June 2017. Compare to June 2016, input price index grew by 9.9%. The main contributors were crude oil, imported metals and home-produce food. It is the 12th successive year on year growth but the lowest 12-month growth since September 2016.

Factory gate (Output) prices for all manufacturing remained unchanged between May and June 2017 but grew by 3.3% compared to June 2016.

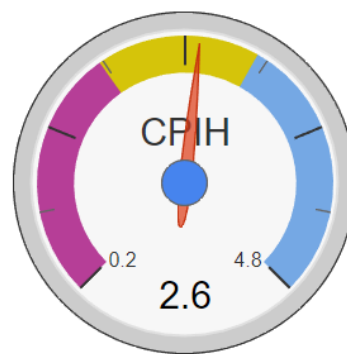
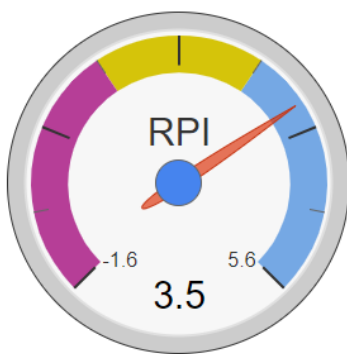
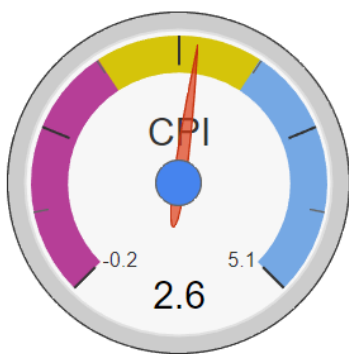
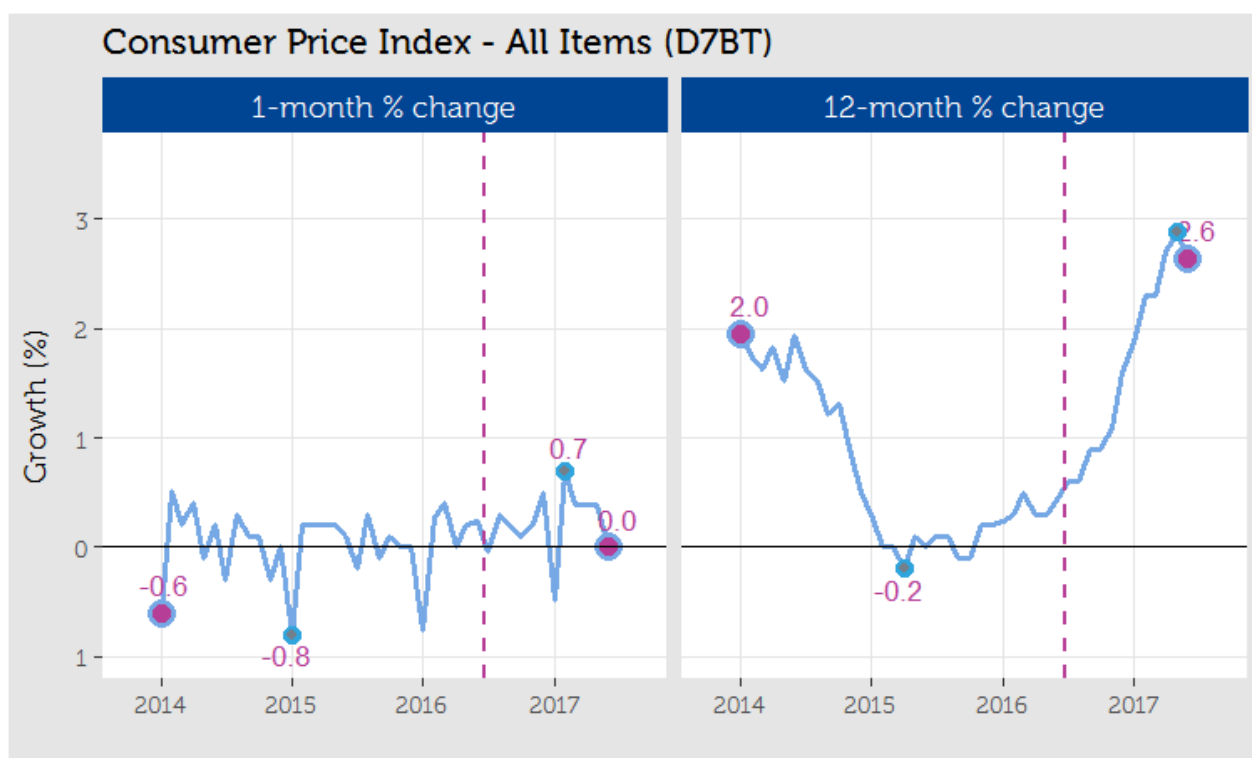


[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

3 Consumer Prices

Consumer price index remained unchanged between May and June 2017, but compared to June 2016 the index grew by 2.6%. Falling prices for motor fuels and certain recreational and cultural goods and services were the main contributors to the fall. It is the first month on month decline after 4 successive growth and the 20th successive year on year growth.

The **retail price index** grew by 0.2% between May and June 2017, the lowest 1-month growth since January 2017. Compare to a year earlier, the RPI grew by 3.5%, the 92nd successive year on year growth.



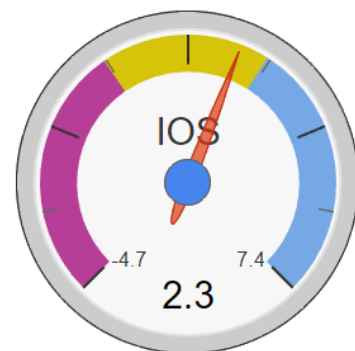
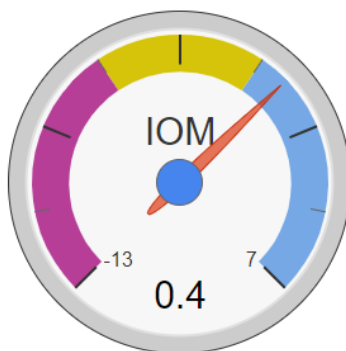
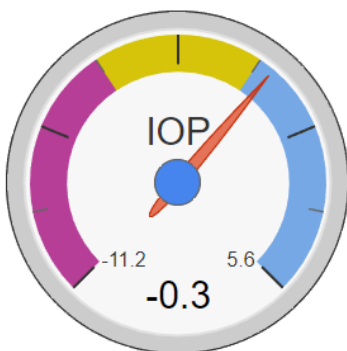
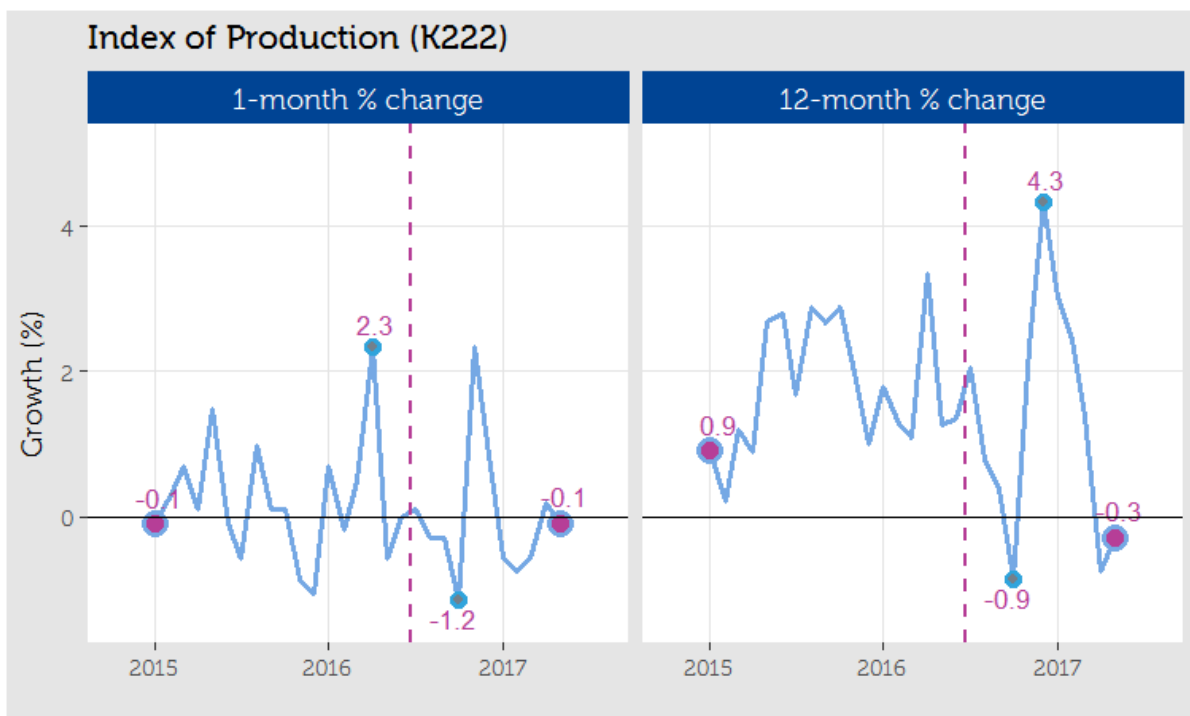
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

4 Production

Index of production (IOP) fell by 0.1% in May 2017 compared to April 2017. Compared to May 2016, production also fell by 0.3%. It is the second successive year on year decline.

Index of manufacturing (IOM) fell by 0.2% in May 2017 but grew by 0.4% compared to May 2016.

Index of services (IOS) grew by 0.2% between March and April 2017 and also grew by 2.3% compared to April 2016. It is the 87th consecutive annual growth.

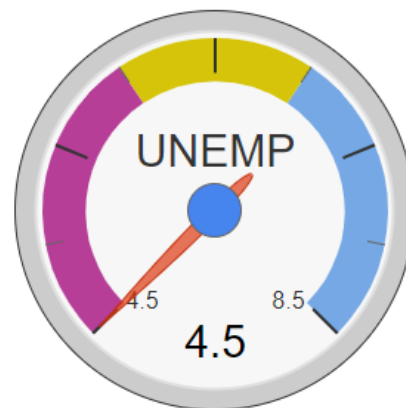
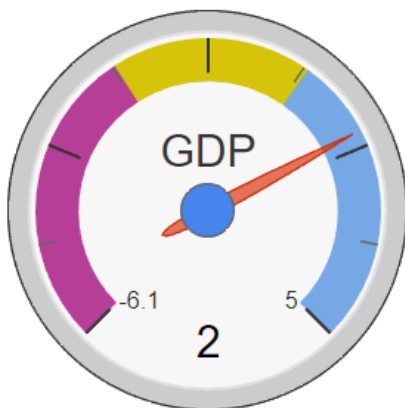
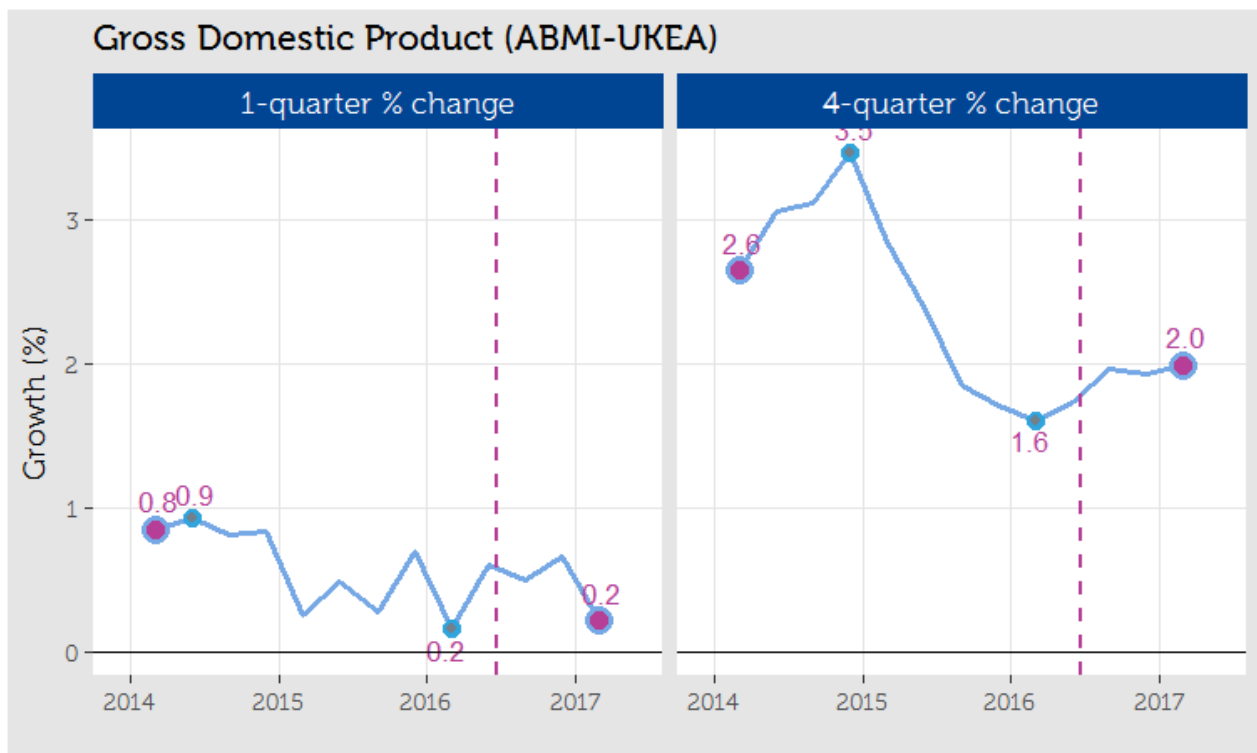


[Gauge Charts: 12-month % change since Jan 2000]

5 GDP & Unemployment

The final growth estimate of UK **gross domestic product** (GDP), in 2017 Q1, was 0.2% compared with 2016 Q4, unrevised from the second estimate. It was equivalent to £471,524 million and a growth of 2.0% compared to 2016 Q1. It is the 29th successive year on year growth.

The number of people in work increased by 175,000 in the three months to May 2017 to 32.01 million. **Unemployment** rate dropped to 4.5%, the lowest since June 1975.

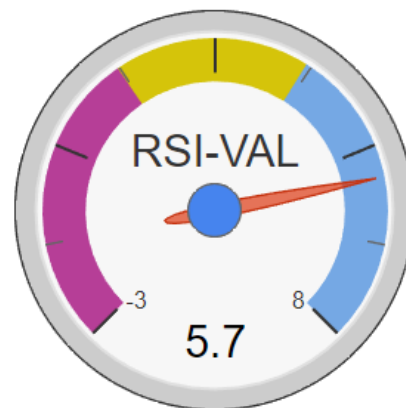
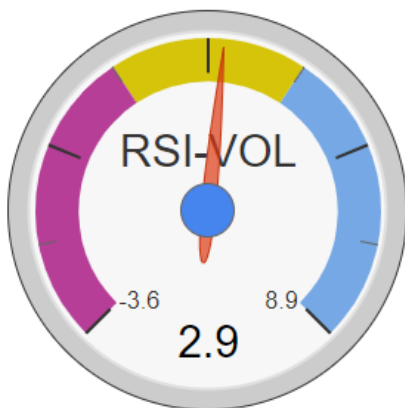
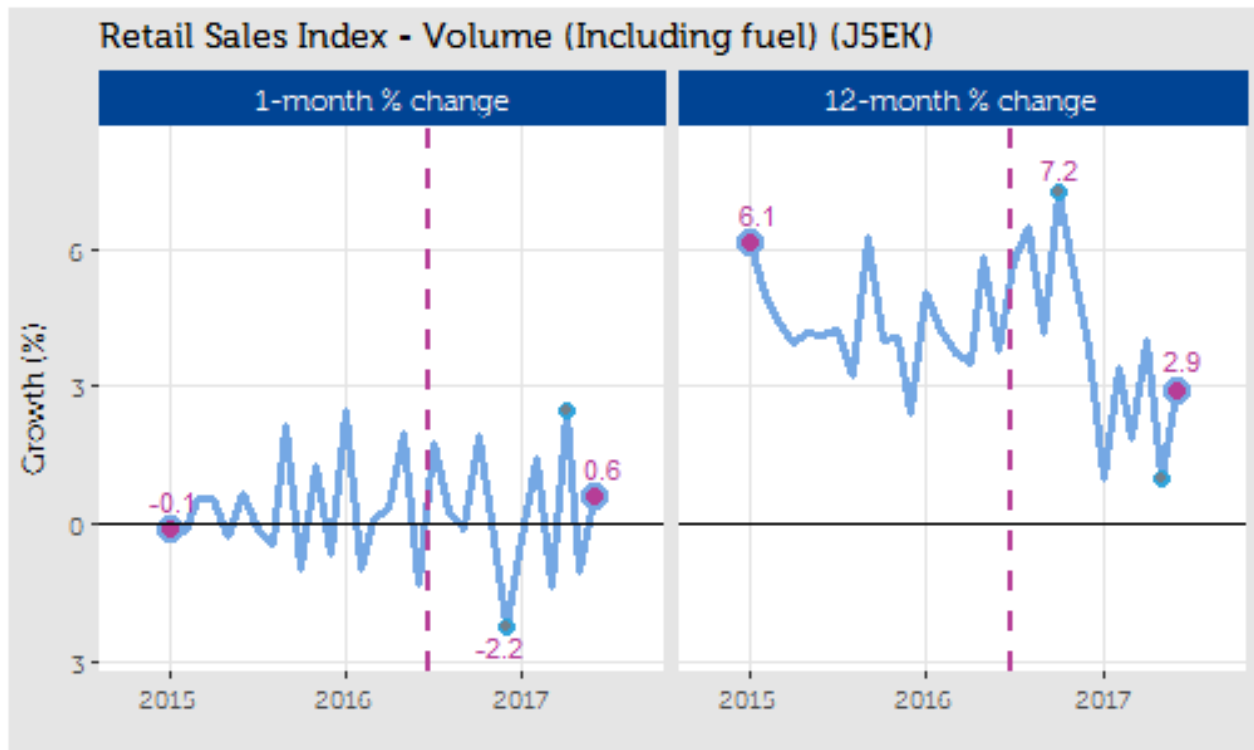


[Gauge Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

6 Retail Sales

The **volume of retail sales** (including fuel) grew by 0.6% between May and June 2017. It is equivalent to £ 40.1 billion a growth of 2.9% compared June 2016. It is the 50th successive year on year growth.

The **value of retail sales** (including fuel) grew by 0.4% between May and June 2017. Compare to a year earlier, retail sales value grew by 5.7%. It is the 18th successive year on year growth.

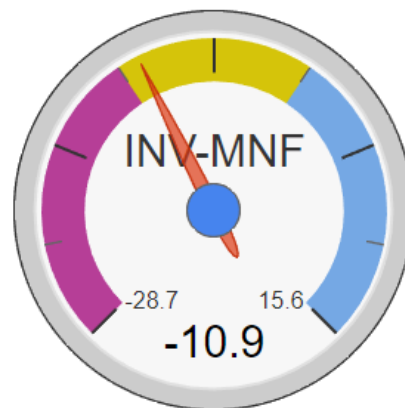
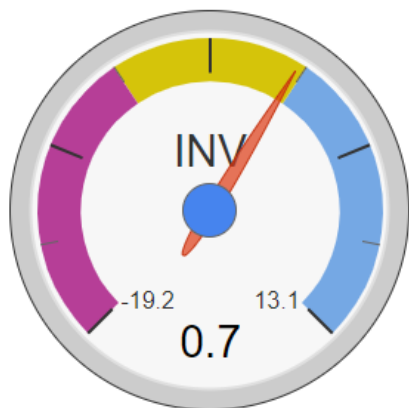
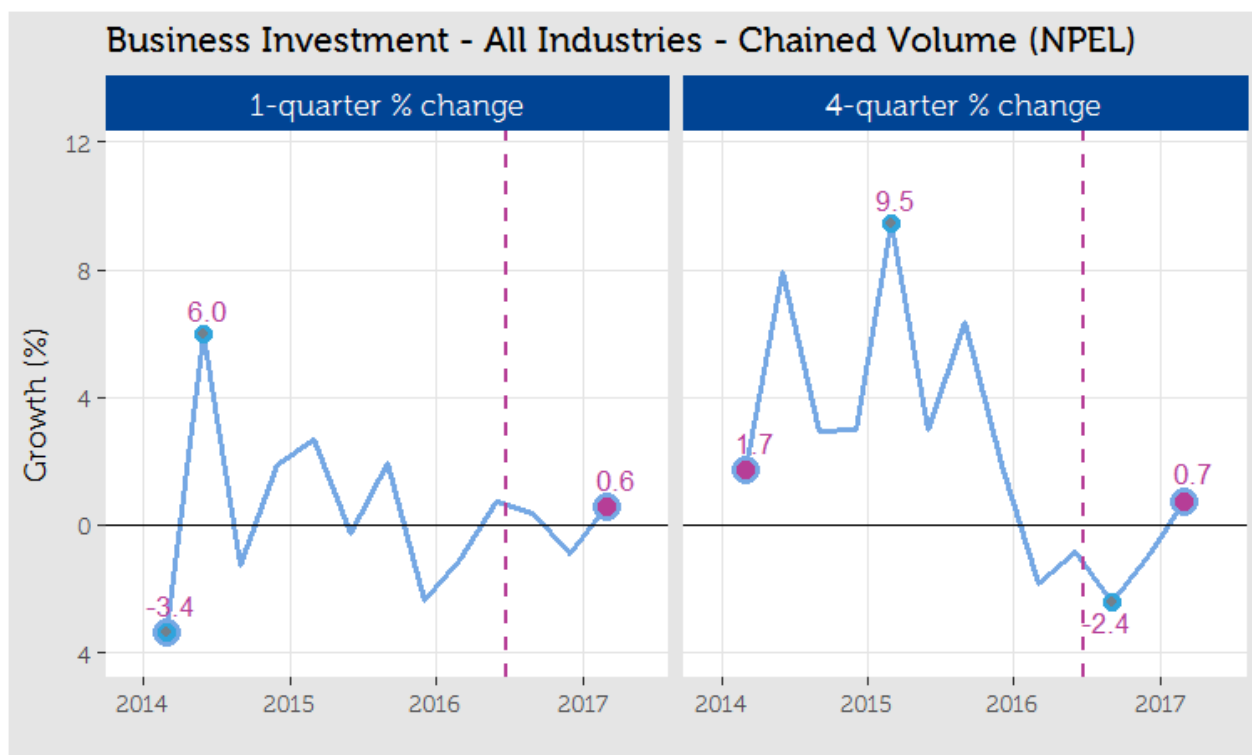


[Guage Charts: 12-month % change since Jan 2000]

7 Business Investment

Business investment for all industries (INV), in volume terms, increased by 0.6% to £43.7 billion in 2017 Q1 compared with 2016 Q4. Compared with 2016 Q1, business investment also grew by 0.7%. It is the first year on year growth after 4 successive declines.

Investment in **manufacturing industries** (INV-MNF), in volume terms, increased by 1.7% in 2017 Q1 to £5.2 billion, but fell by 10.9% compared to 2016 Q1. It is the highest 1-year (or 4-quarter) fall since 2009 Q4 and the 7th successive year on year quarterly decline.

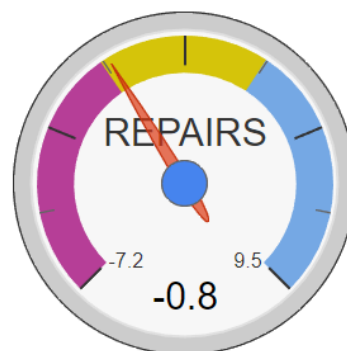
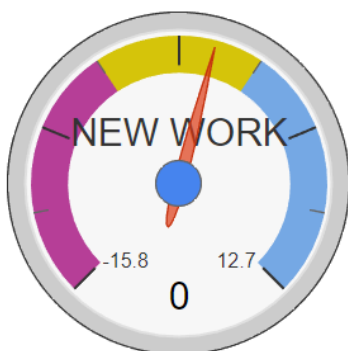
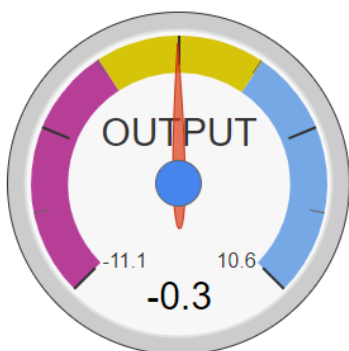
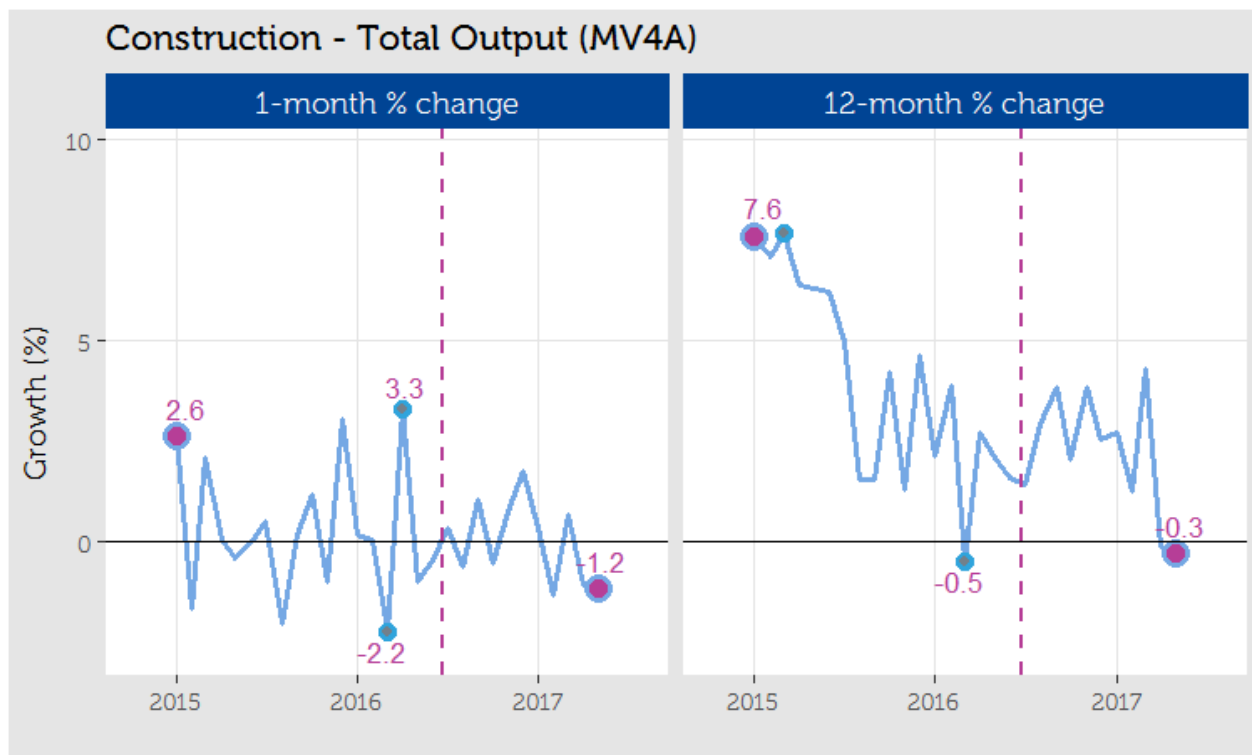


[Gauge Charts: 4-quarter % change since 2007]

8 Construction

Total **construction output**, at constant prices, fell by 1.2% in May 2017 to £11.4 billion, compared to April 2017. Compared to May 2016, output in May 2017 fell by 0.3%. It is the highest 12-month fall since March 2016 and the second month on month decline.

New construction work, fell by 1.4% to £7.4 billion and **construction repairs** fell by 0.7% to £4.0 billion in May 2017. Compared to twelve months earlier, there was no growth for new construction work and repairs fell by 0.8%.



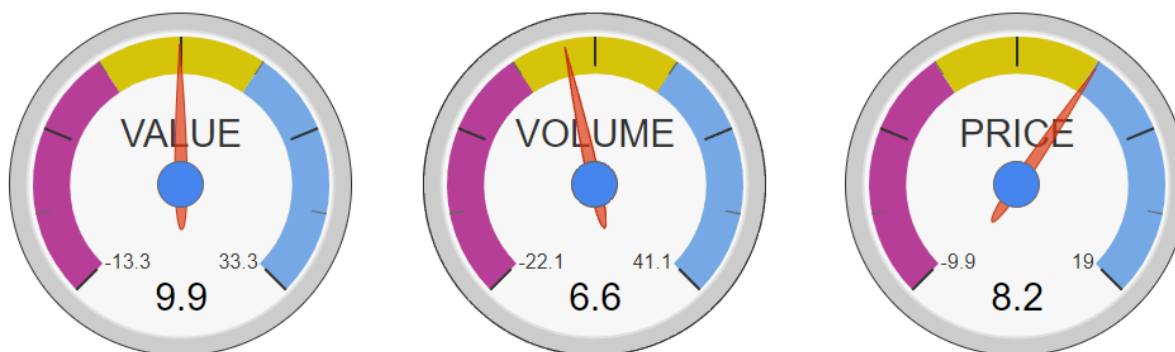
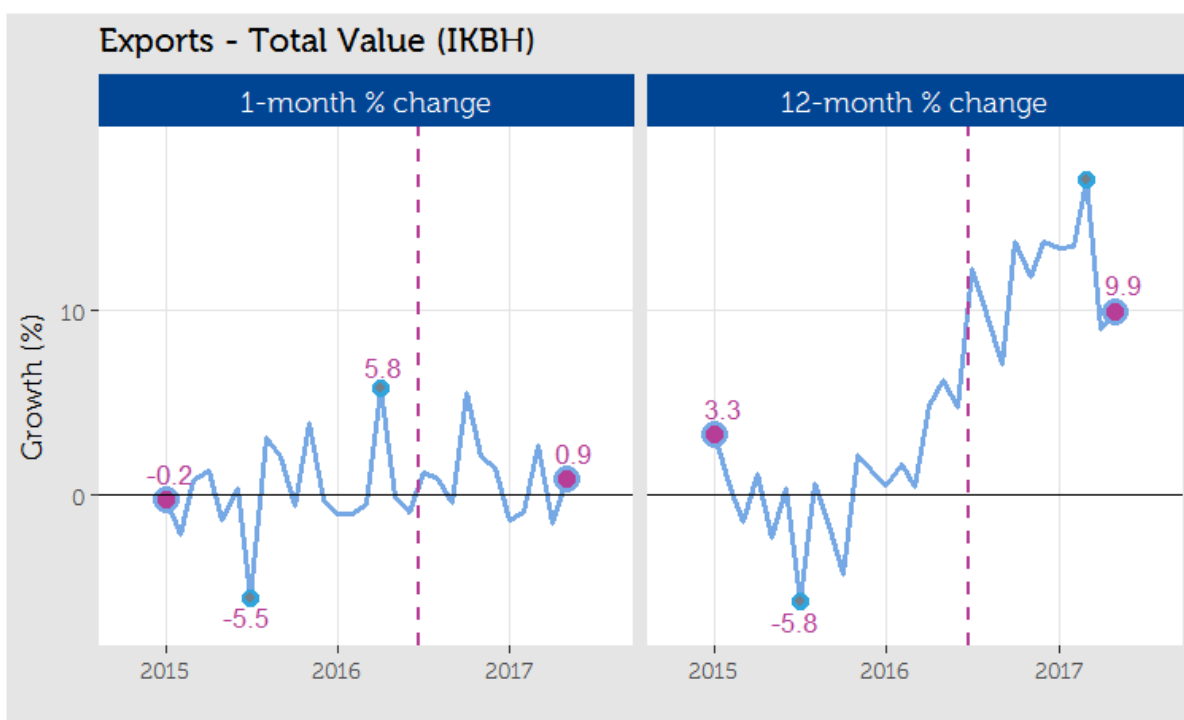
[Gauge Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 0.9% between April and May 2017 and also grew by 9.9% compared to May 2016. Exports of **goods** increased by 12.6% to £ 28.2 billion and exports of **services** increased by 6.7% to £ 21.5 billion in May 2017 compared to 12 months earlier. It is the 19th successive annual growth.

Volume of UK **exports** grew by 6.6% in May 2017 compared with May 2016. It is the 7th successive year on year growth.

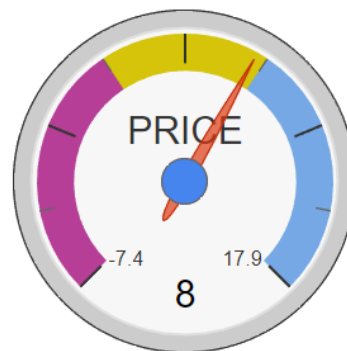
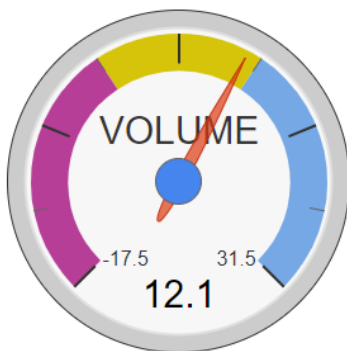
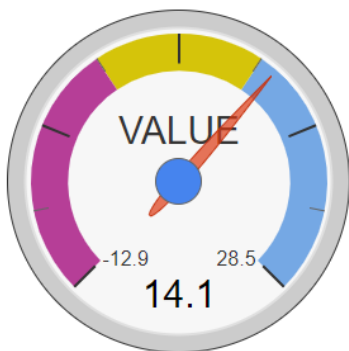
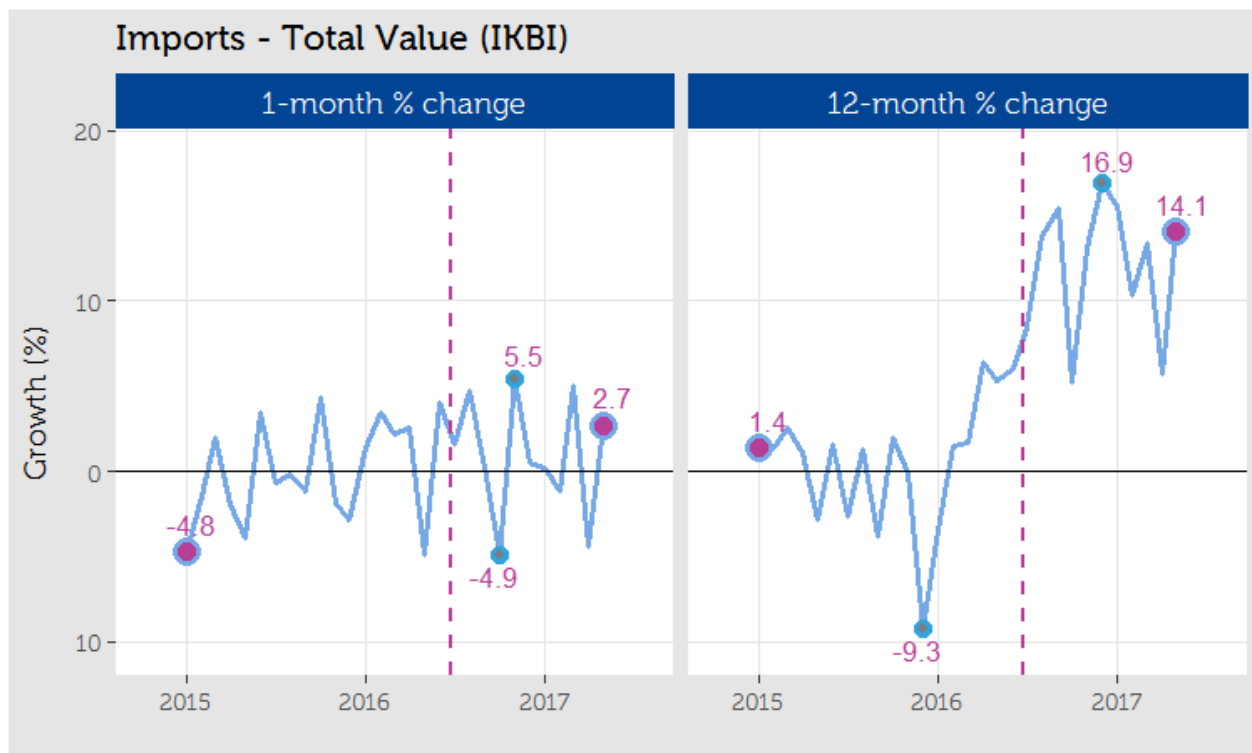


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK **imports** grew by 2.7% in May 2017 compared with April 2017. Compared to May 2016 imports grew by 14.1%. Imports of **goods** increased by 18.6% to £ 40.1 billion and import of **services** increased by 1.8% to £12.7 billion in May 2017 compared to twelve months earlier. It is the 16th successive annual growth.

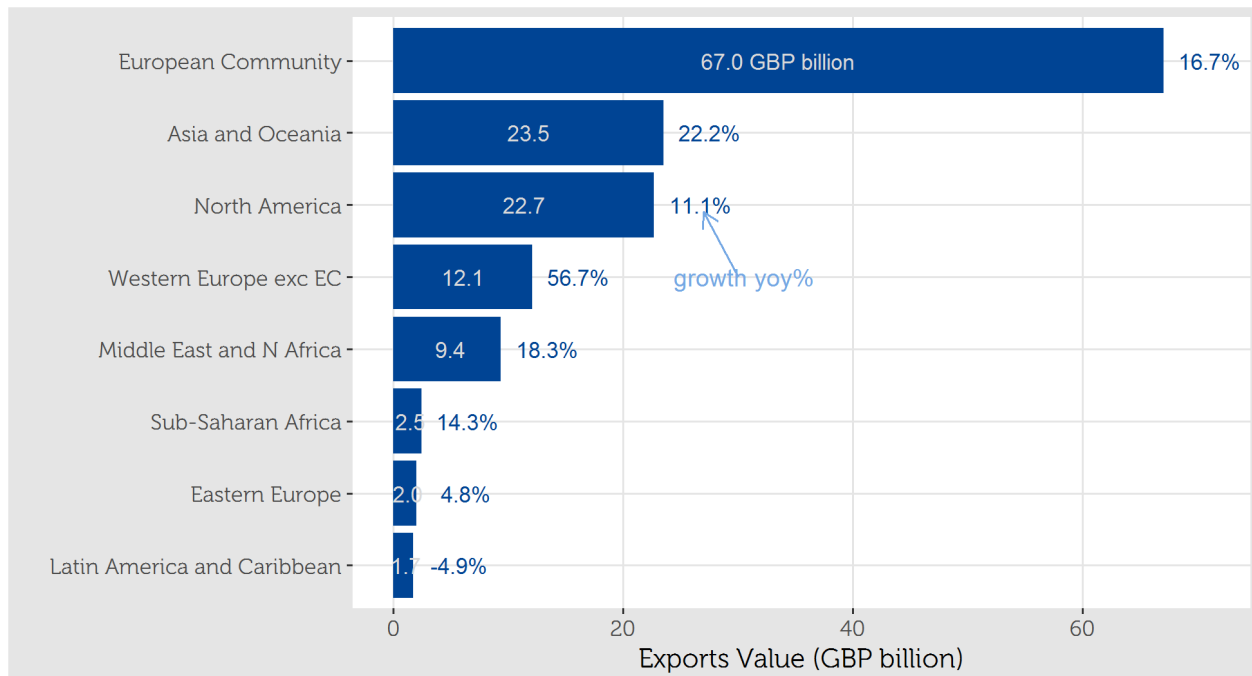
UK **imports** on **volume** basis grew by 4.8% in May compared with April 2017. The volume of imports also grew by 12.1% in May 2017 compared to twelve months earlier. It is the highest 12-month growth since December 2014.



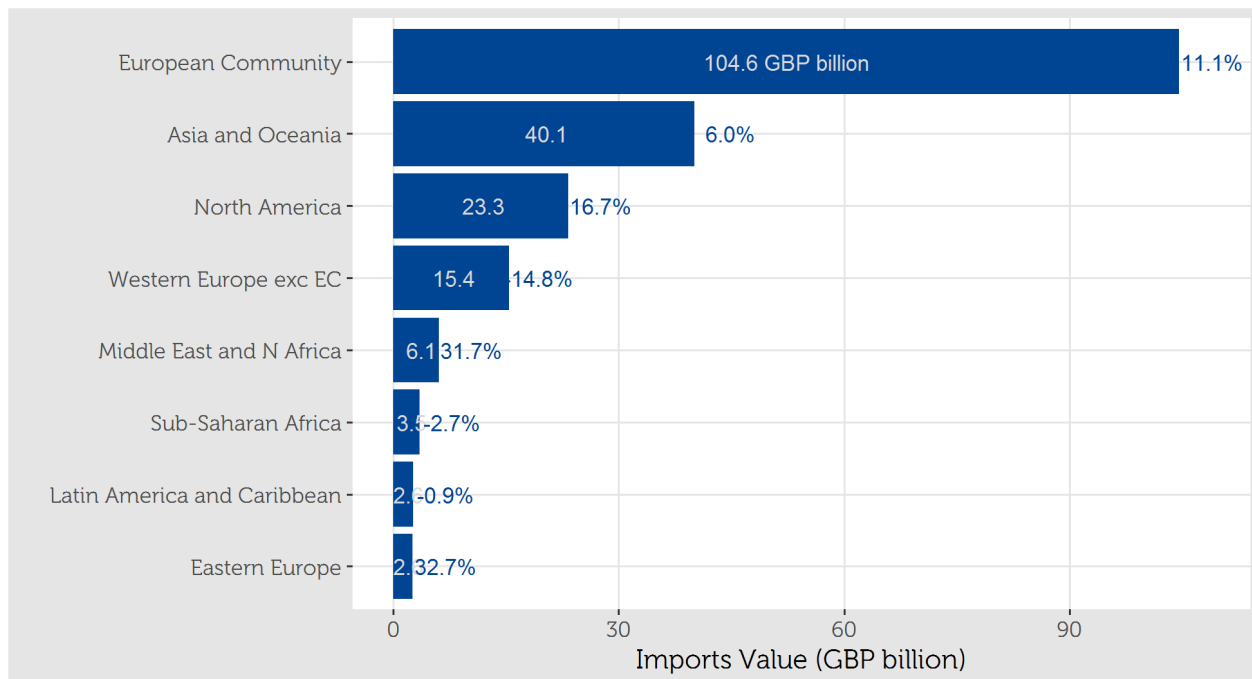
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2017 (Jan - May)

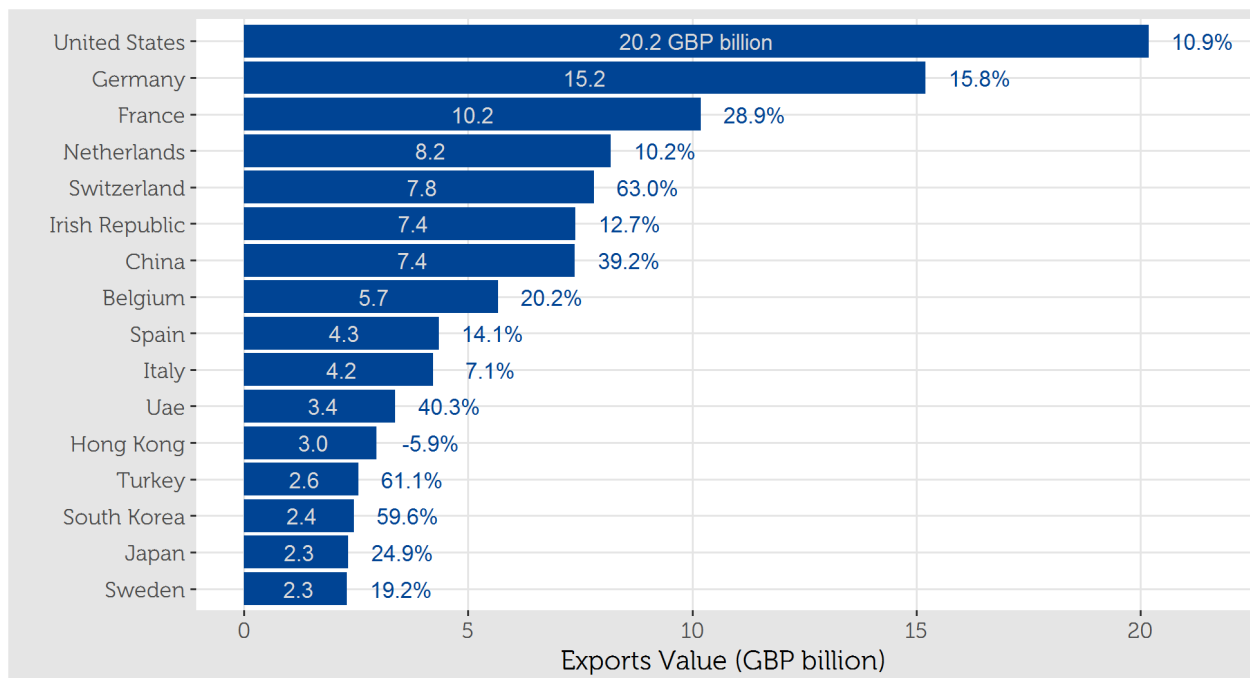


9.3.2 Imports - 2017 (Jan - May)

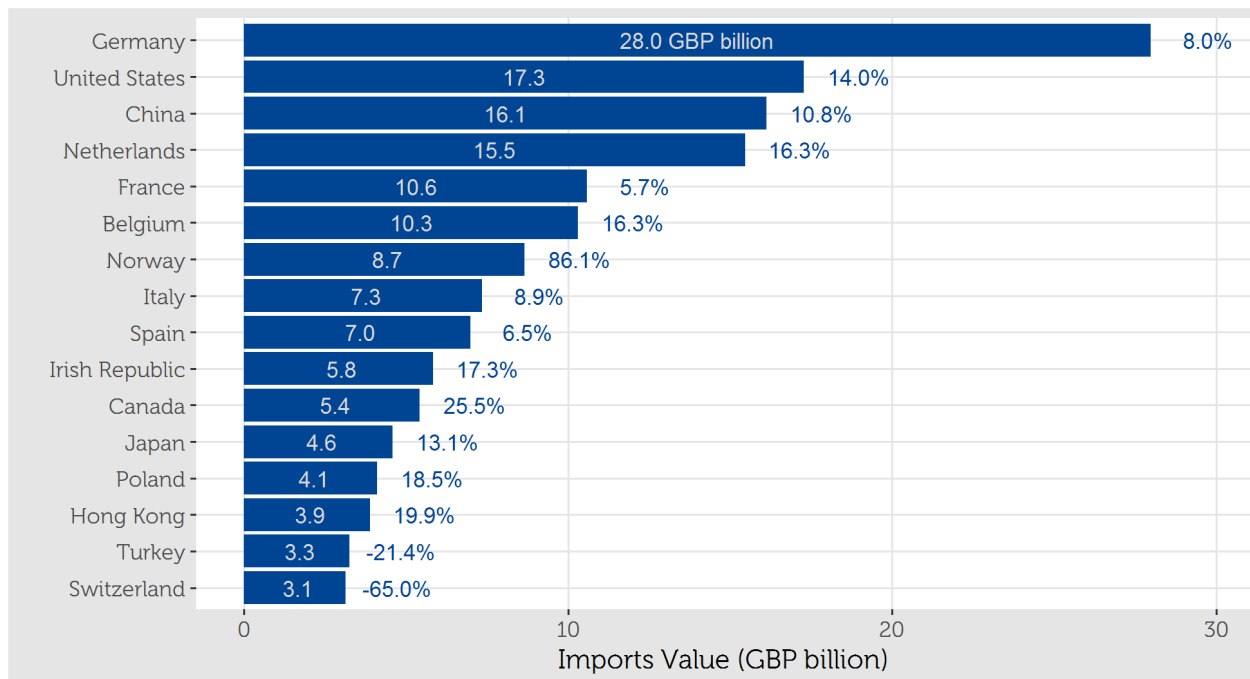


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2017 (Jan - May)

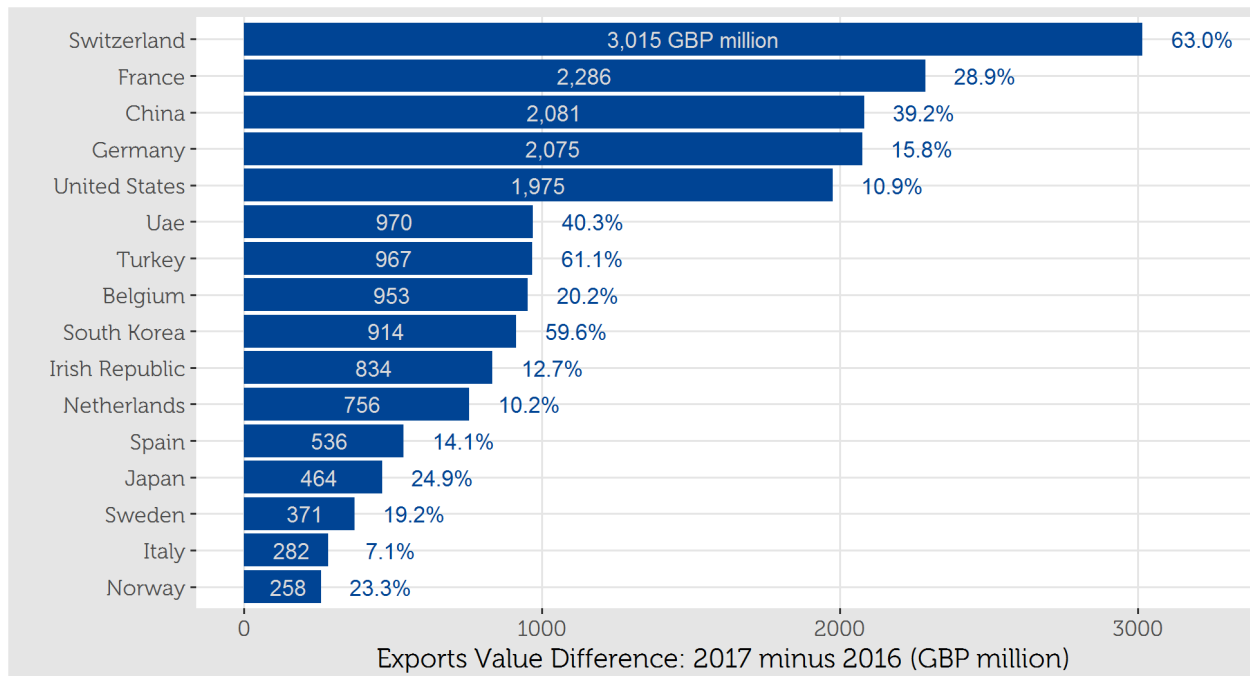


9.4.2 Imports - 2017 (Jan - May)

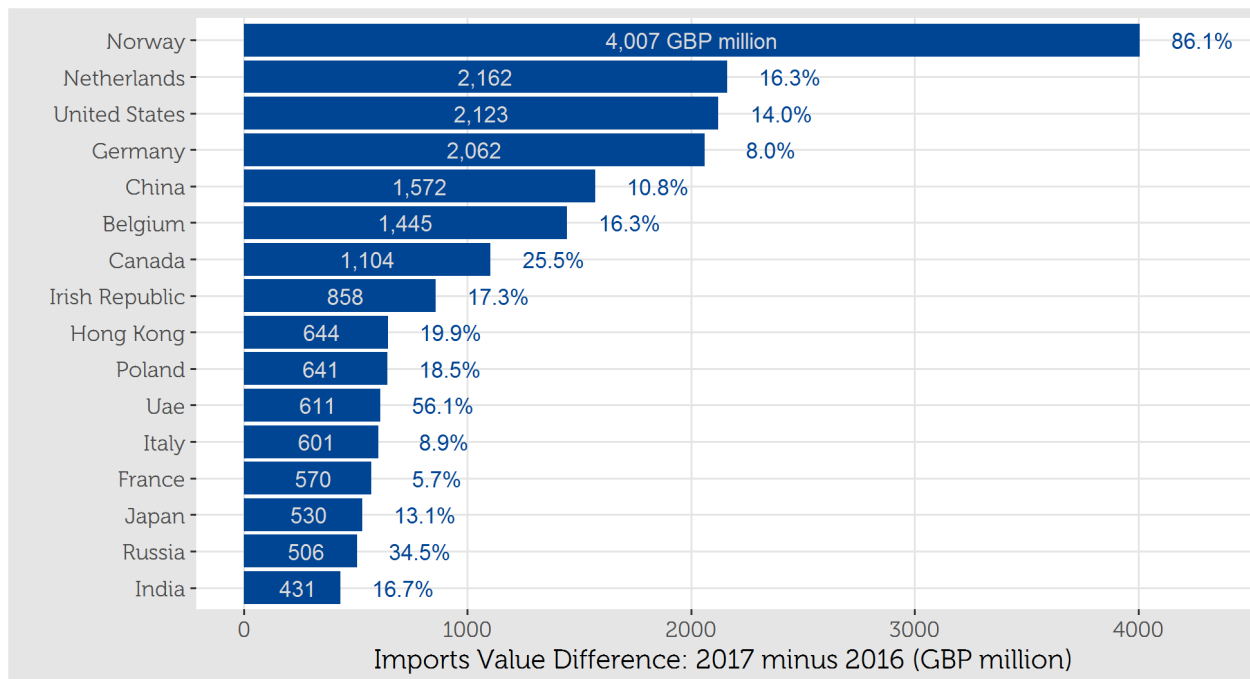


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2017 (Jan - May)

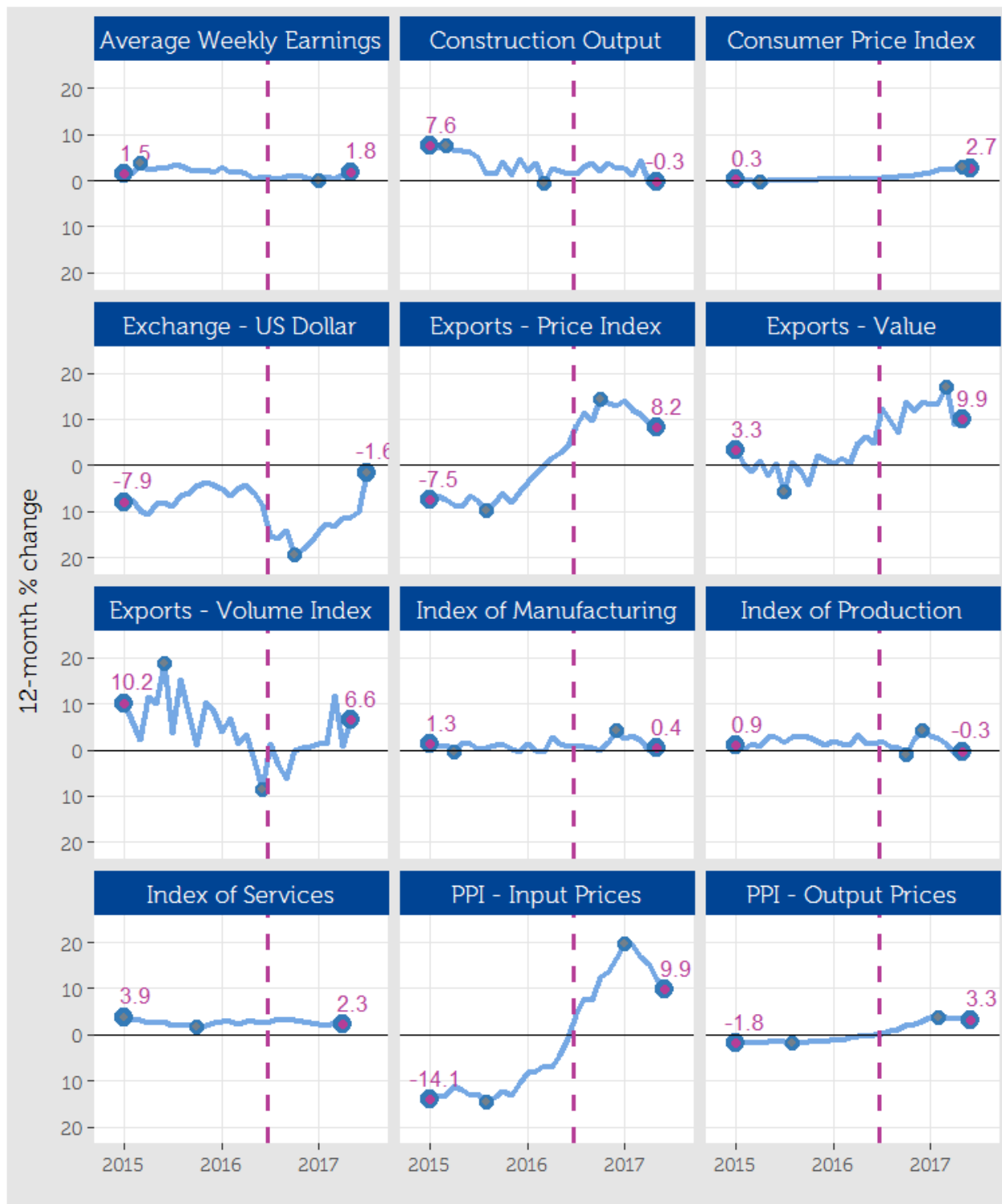


9.5.2 Imports Value Growth - 2017 (Jan - May)

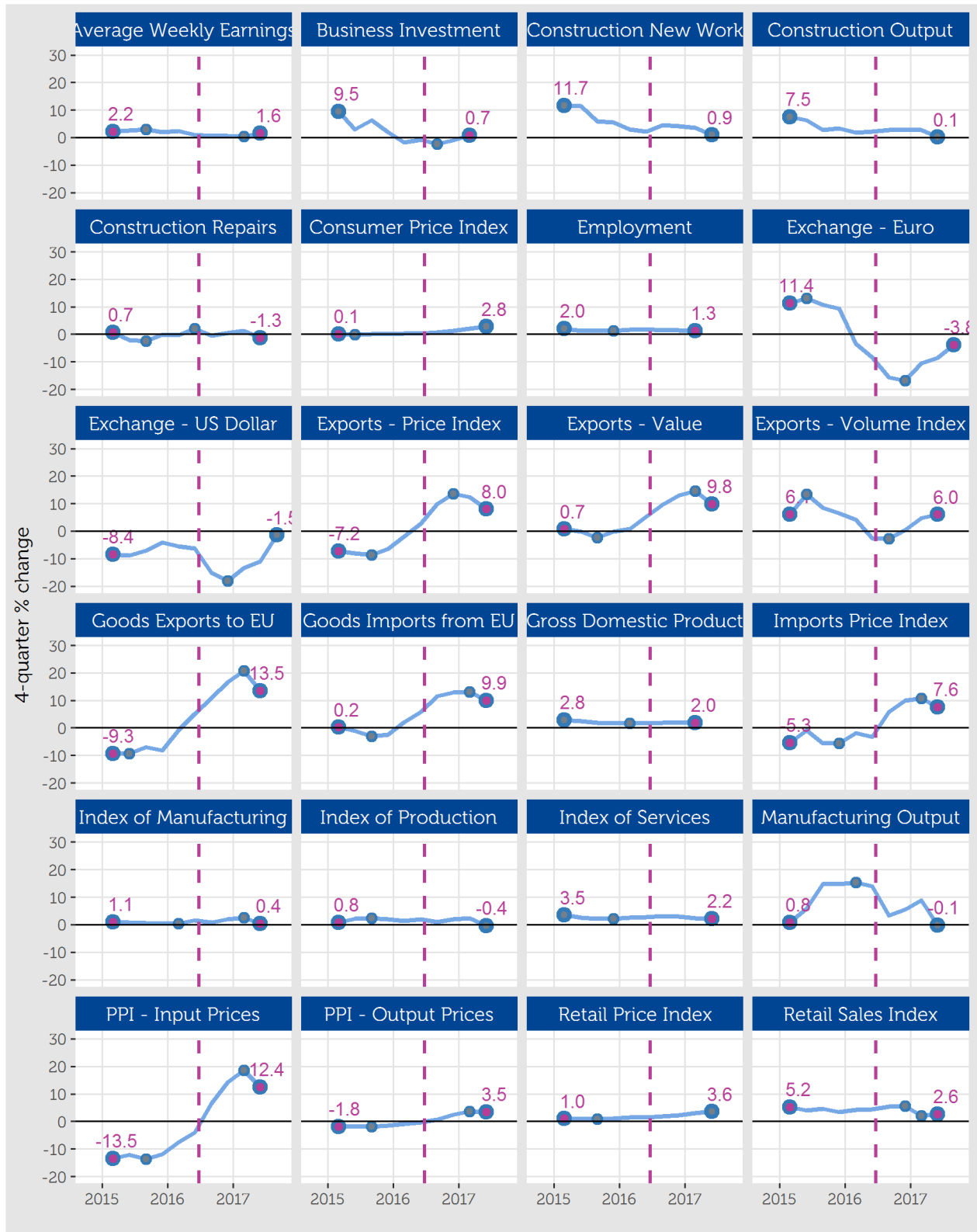


10 Economy At a Glance

10.1 Growth: 12-month % growth

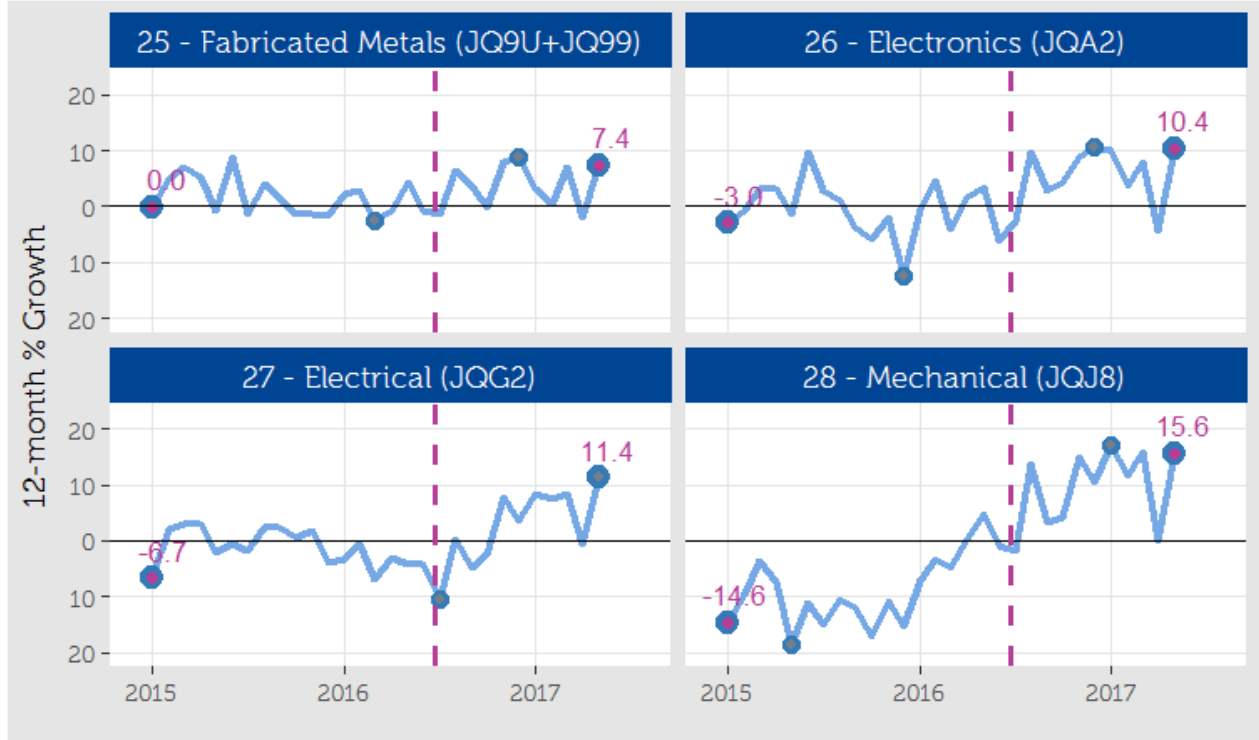
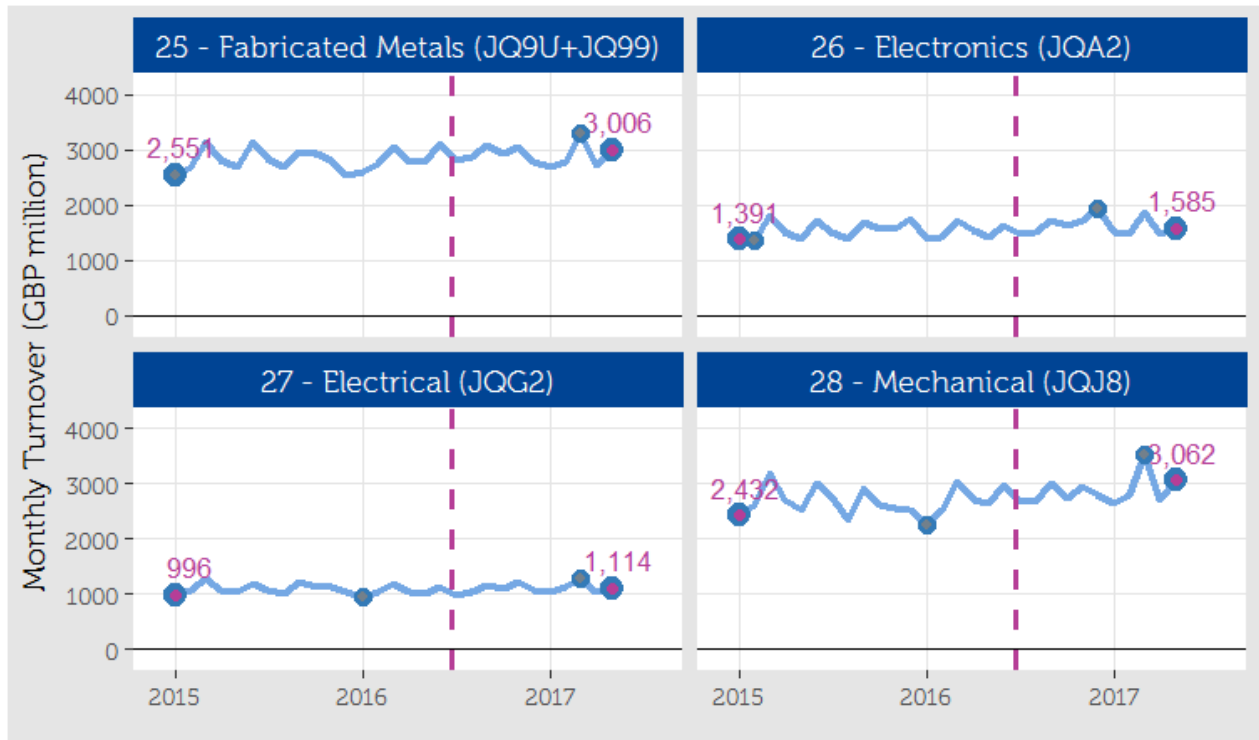


10.2 Growth: 4-quarter % growth

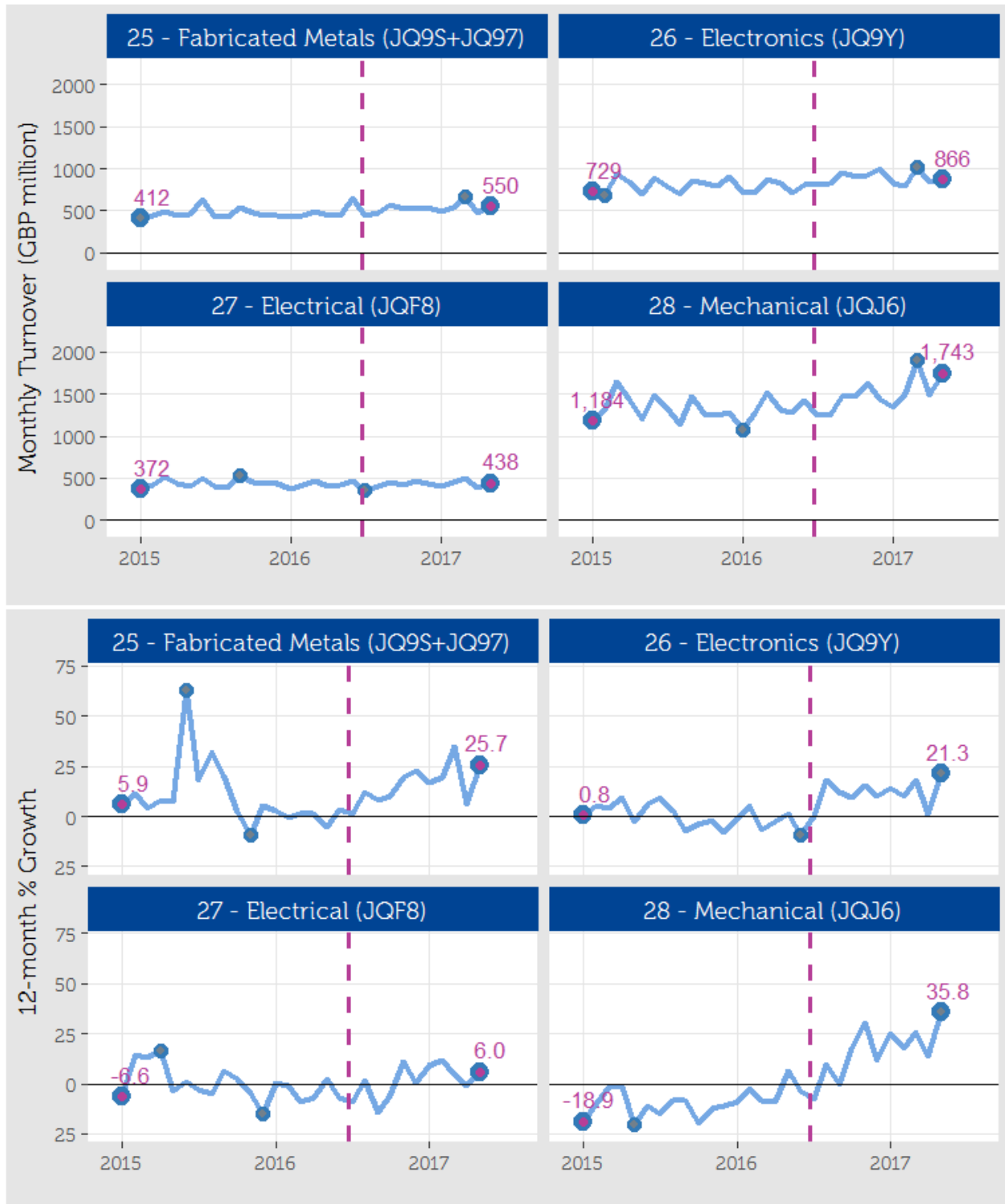


11 Industry Level Indicators

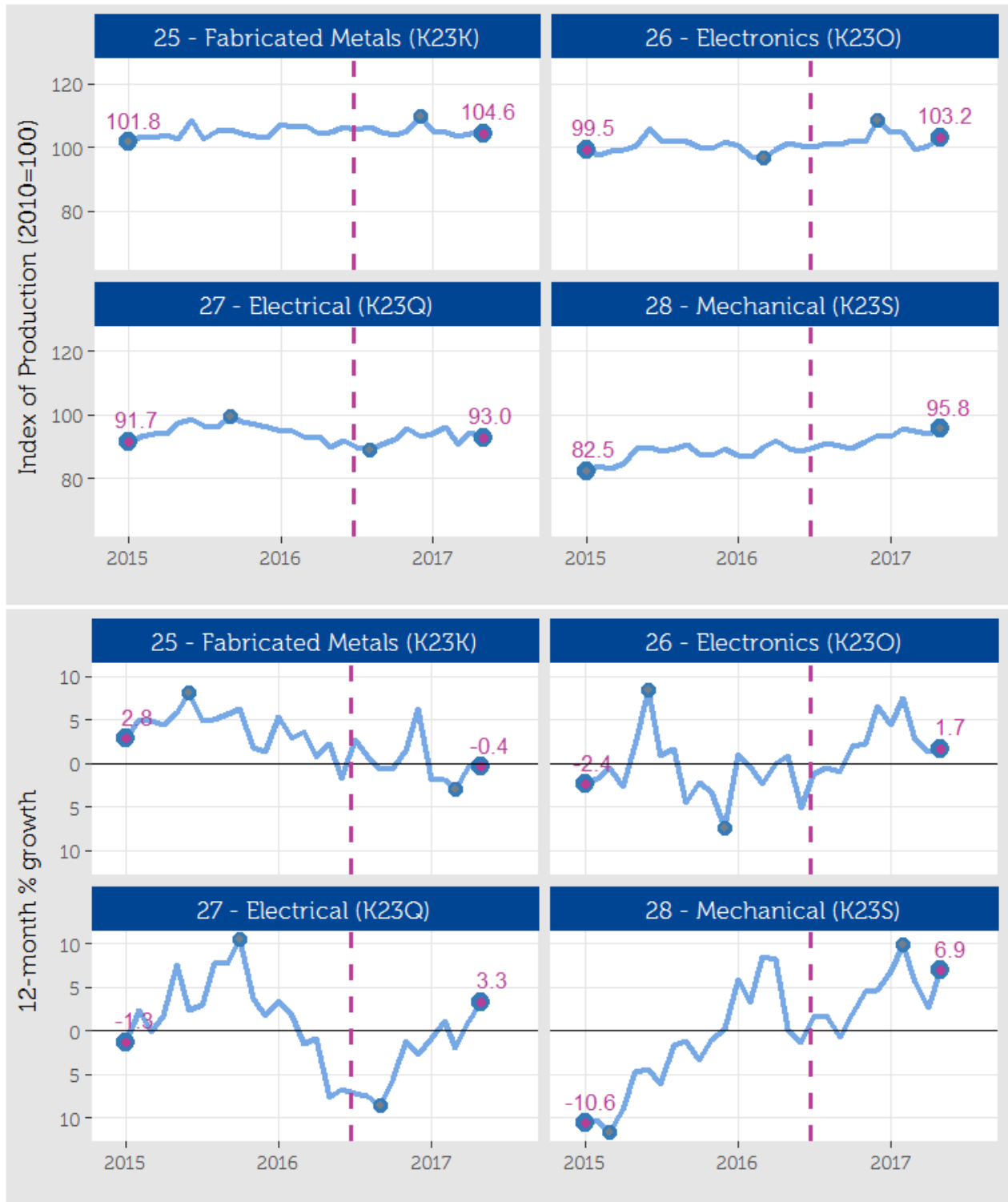
11.1 Turnover



11.2 Exports



11.3 Index of Production



11.4 Employment (excluding Self-Employment)



12 Growth Cycles

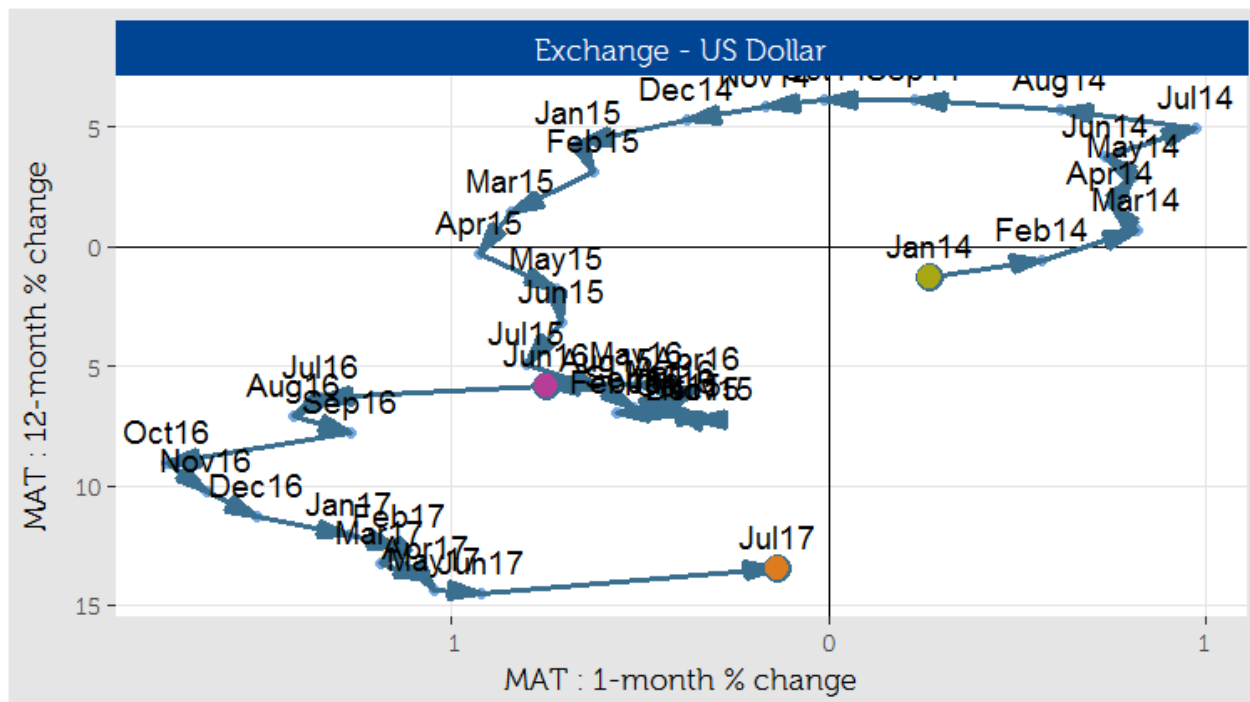
12.1 About Growth Cycles

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

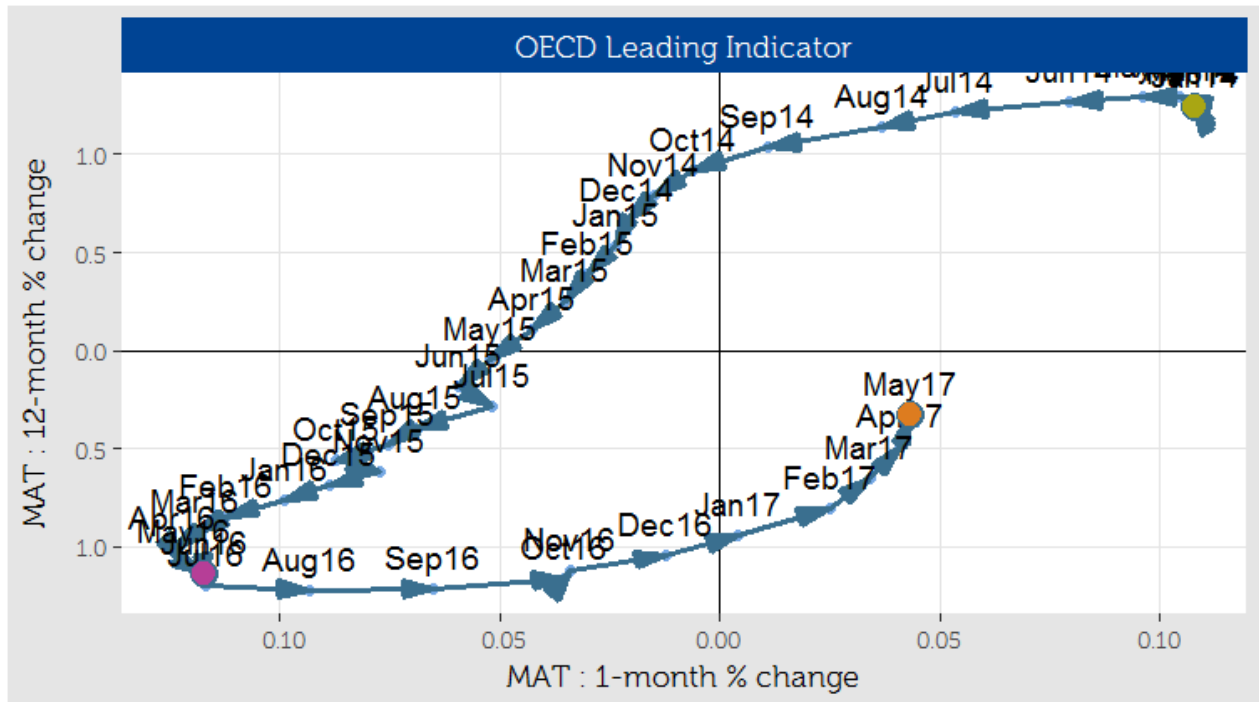
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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

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

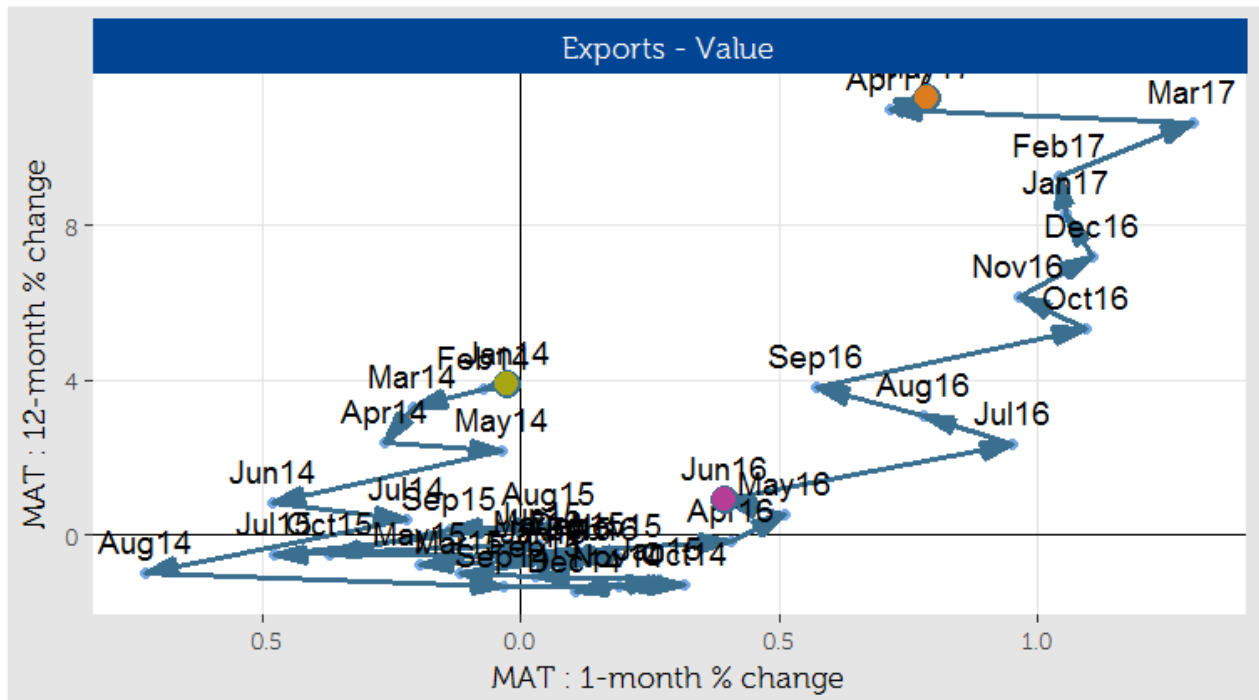
12.2 Exchange Rate (USD)



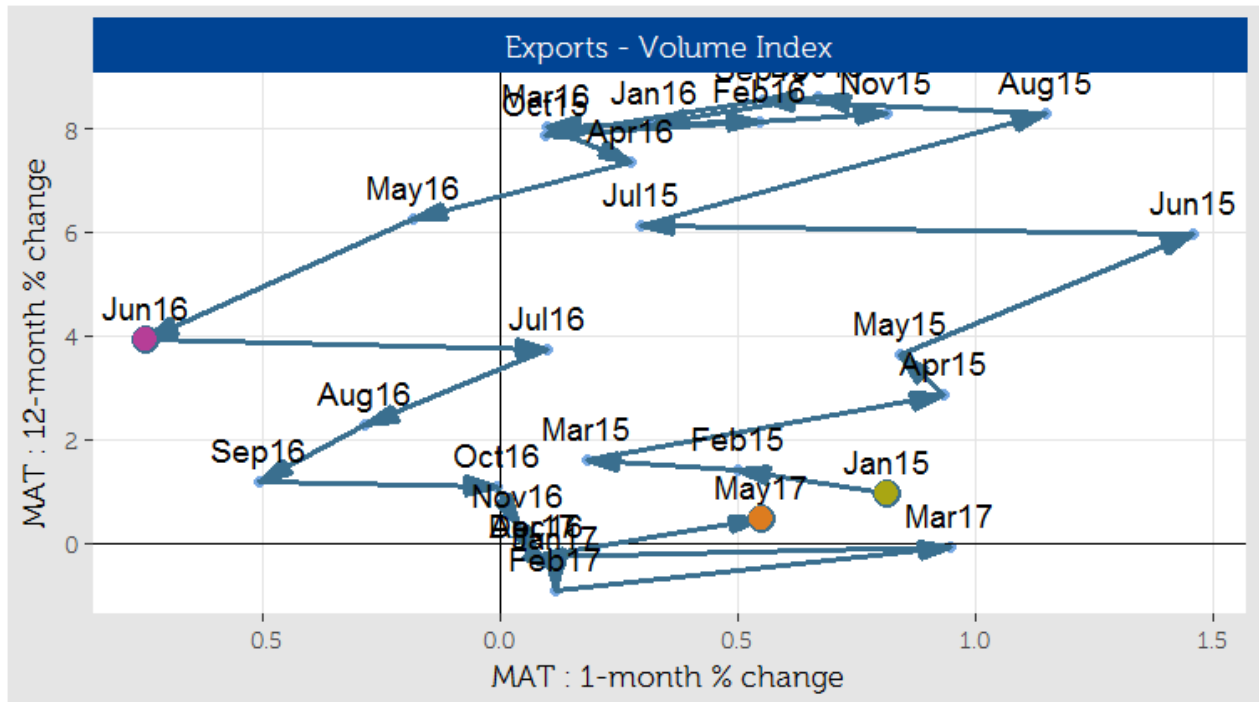
12.3 OECD Composite Leading Indicator - UK



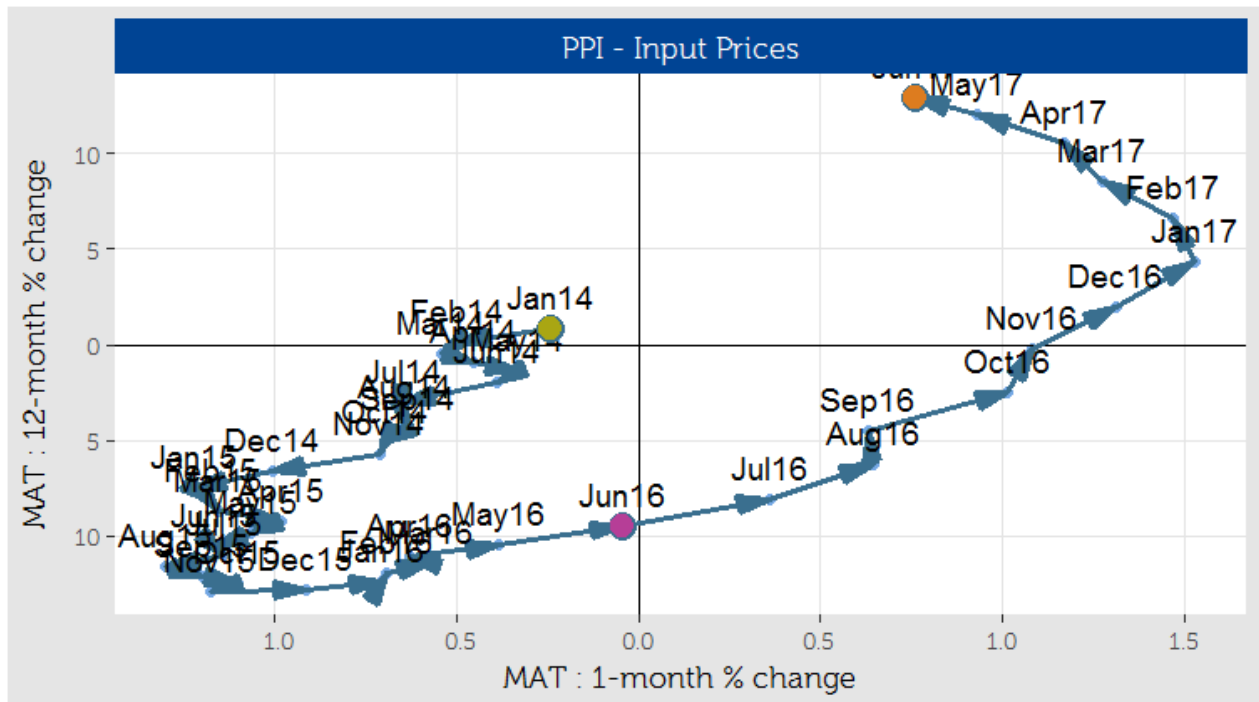
12.4 Exports - Value (IKBH)



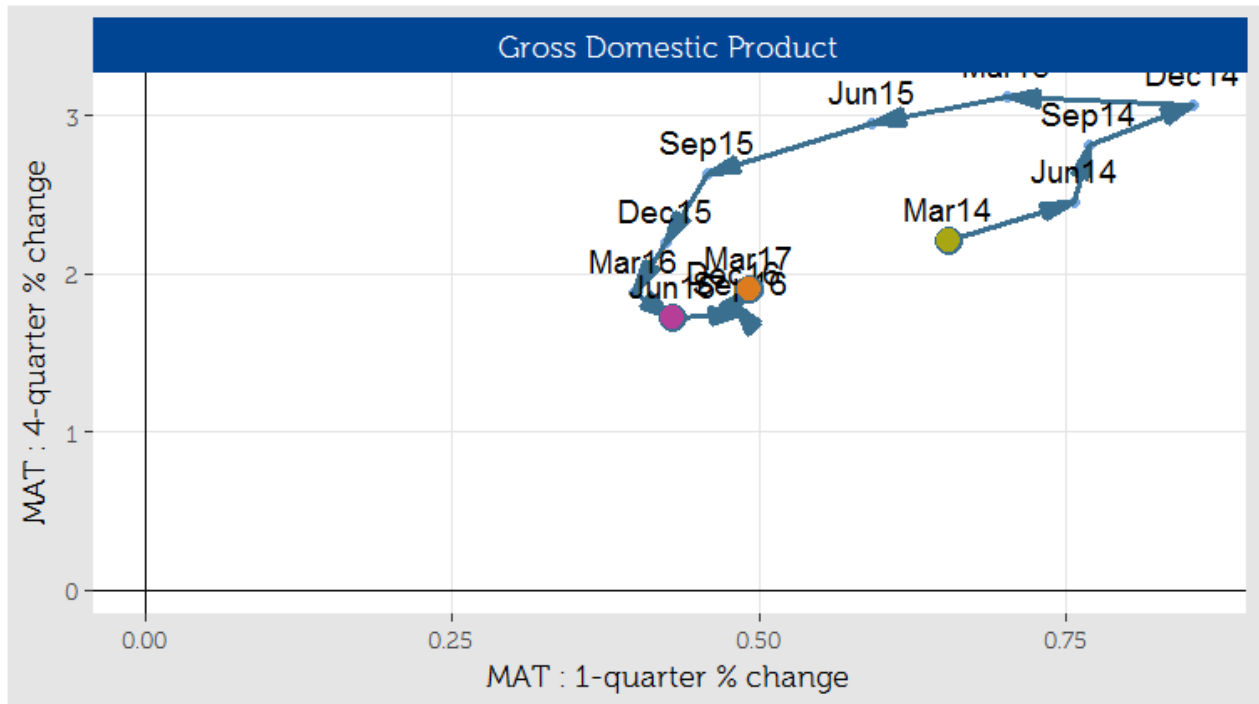
12.5 Exports - Volume Index (BQKU)



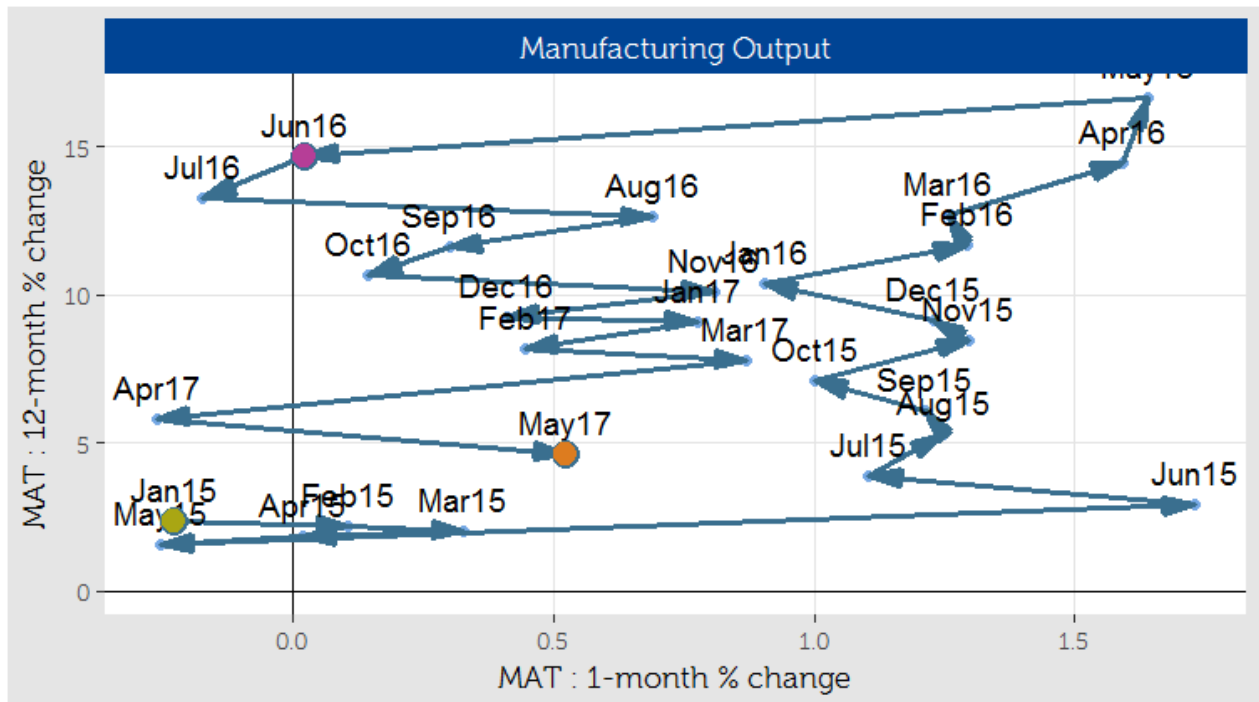
12.6 Input Prices (K646)



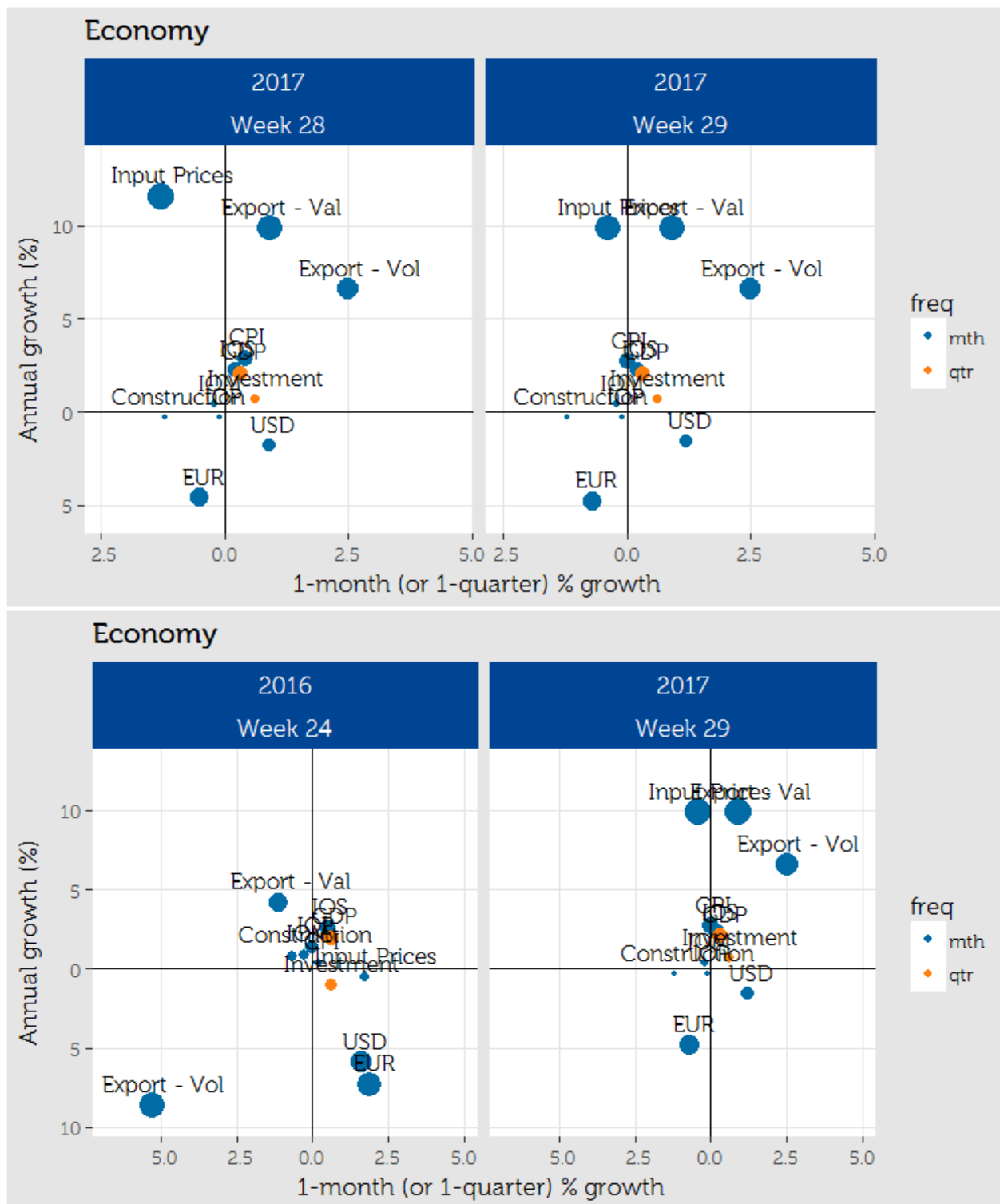
12.7 Gross Domestic Product - GDP (ABMI-UKEA)



12.8 Manufacturing Output (JT27)



12.9 Current State



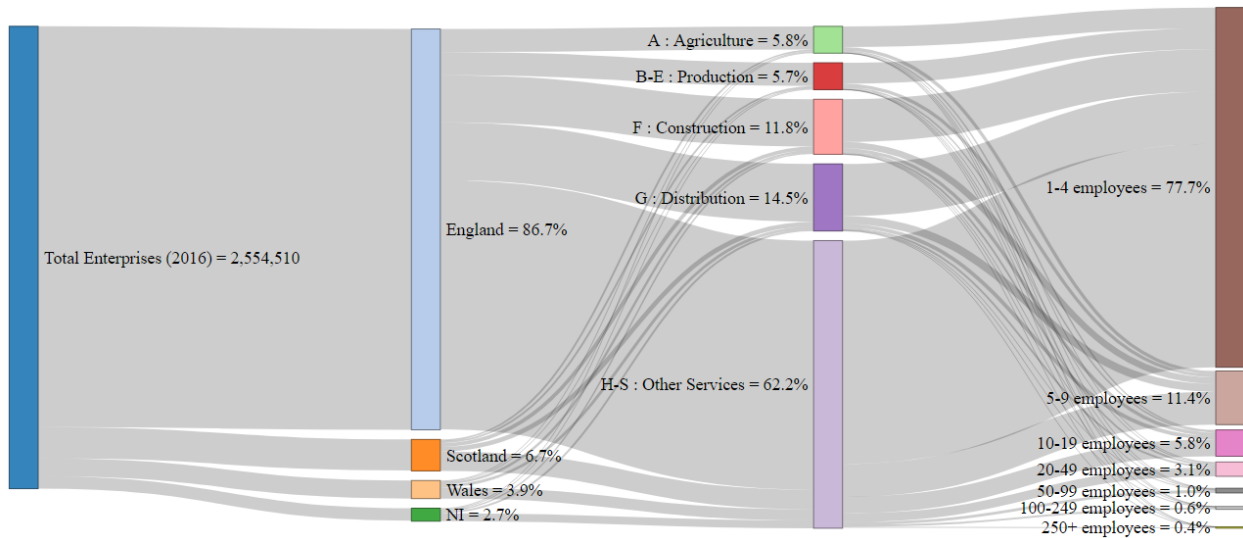
Top: Indicators growth - Current week versus previous week.

Bottom: Indicators Growth - Before Referendum vote versus current week

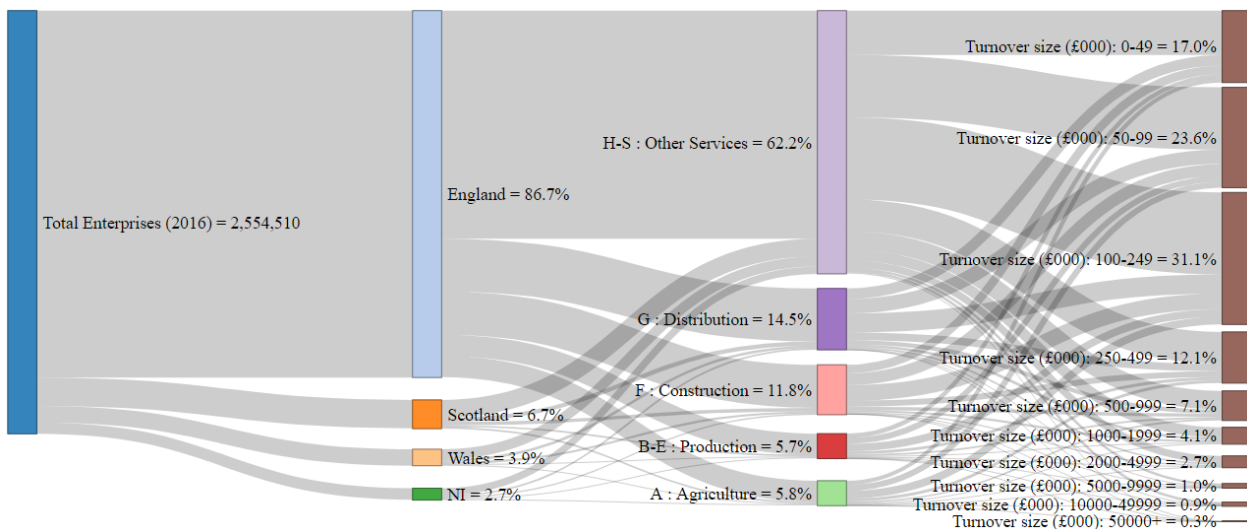
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

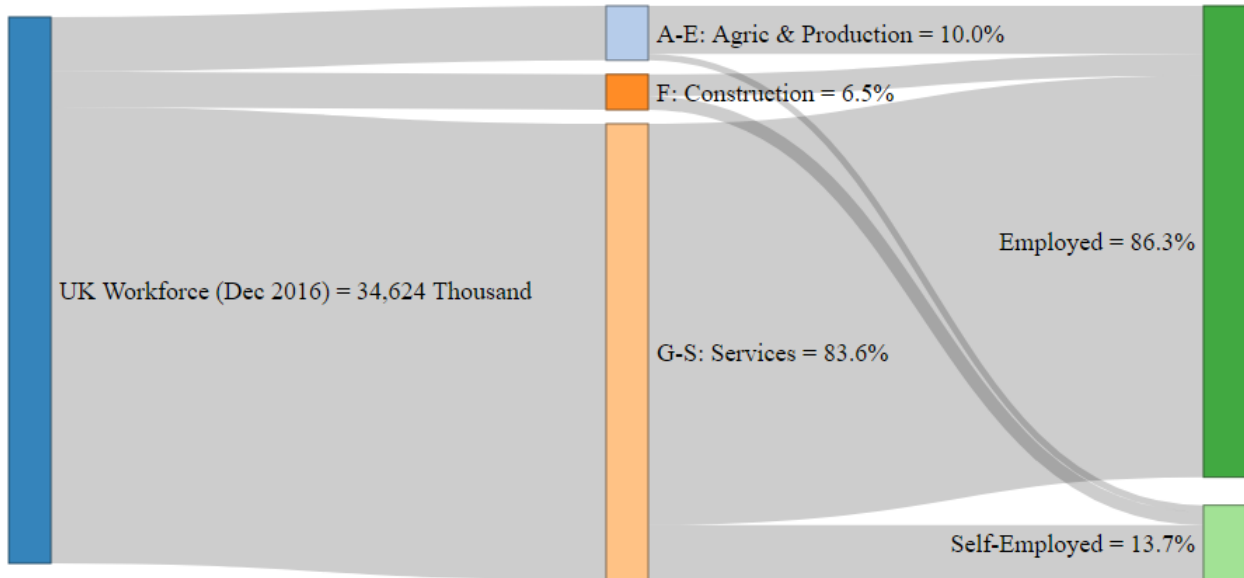


A.2 Enterprises by Turnover Size Band

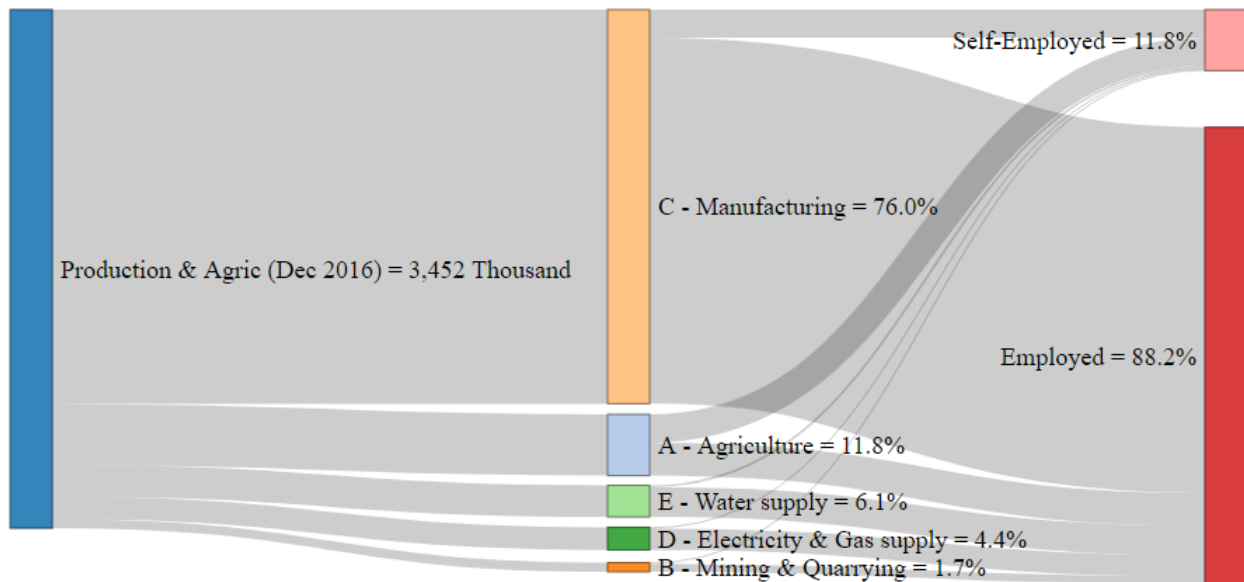


B UK Employment Structure

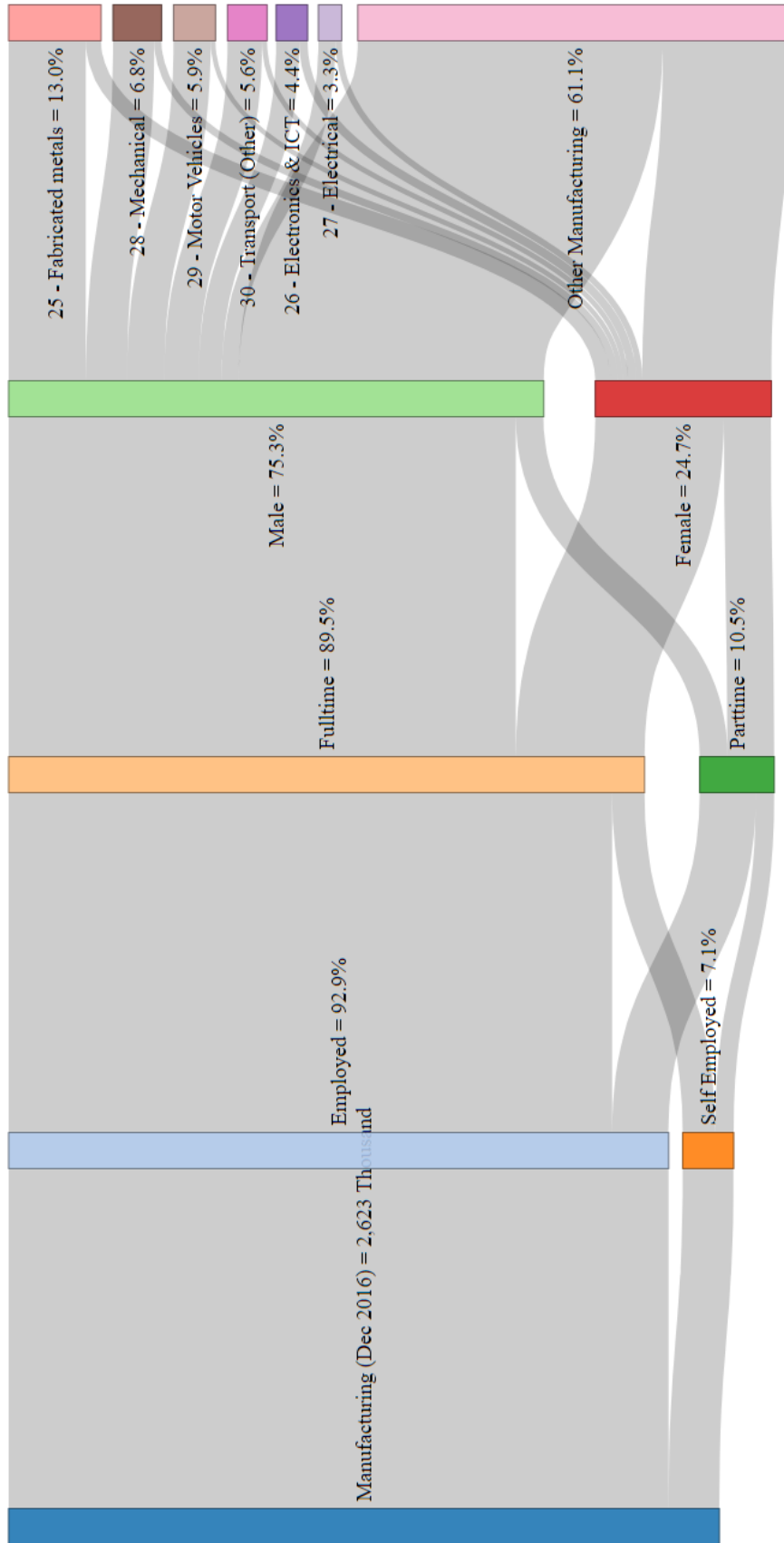
B.1 UK Workforce



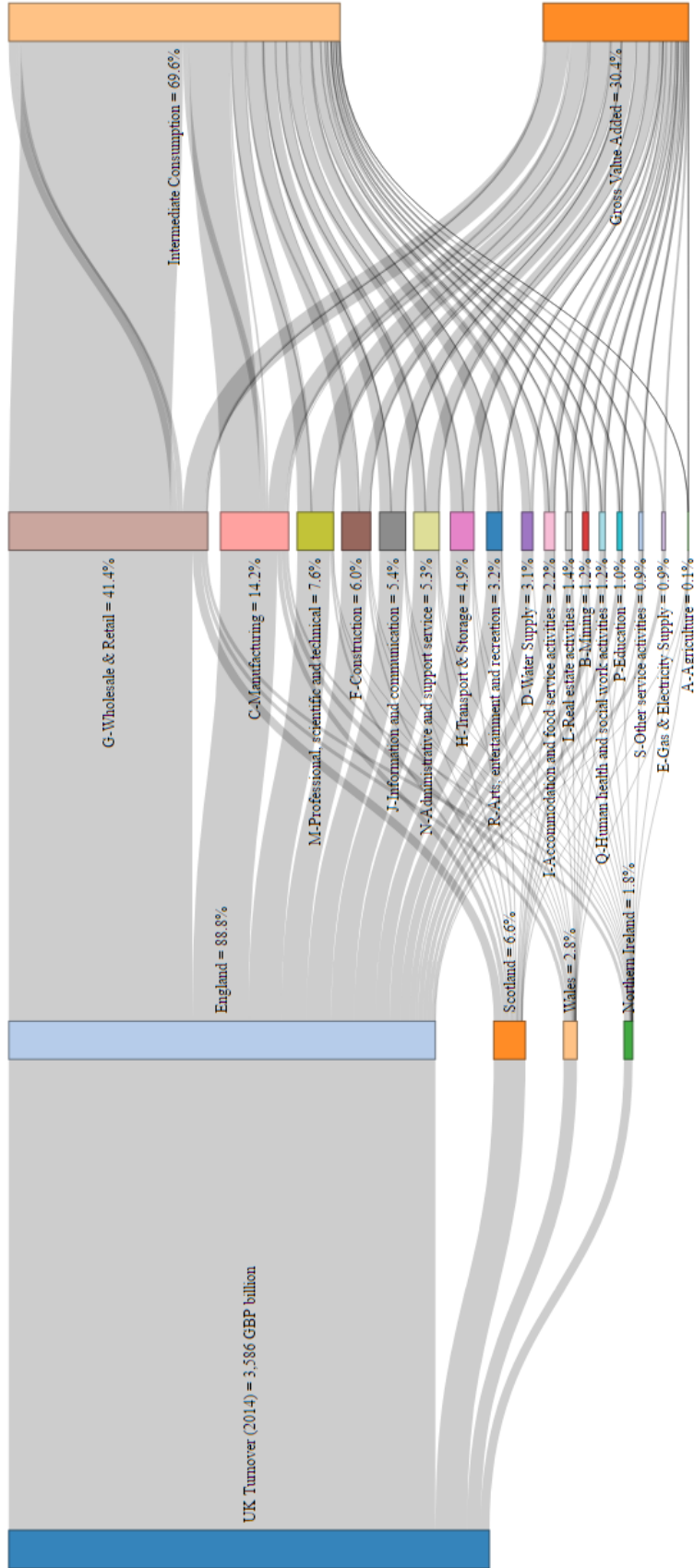
B.2 UK Production & Agriculture Workforce



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>
 - 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
 - UK composite indicator <http://stats.oecd.org/Index.aspx>

E Information about EURIS

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

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