EURIS

European Union Relationship & Industrial Strategy

Weekly
BREXIT WATCH
Week 45
November 2017

Taskforce representing Electrical, Electronics, Mechanical & Fabricated Metals Industries

Brexit Watch - Week 45

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 45 in 2017 are as follows:

- ⋆ The month-to-date average of **Sterling** with **US Dollar** in week 45 fell by 0.4% compared to October 2017 average, but grew by 5.8% compared to November 2016.
- **Input prices** increased by 8.4% in September 2017 compared to a year earlier.
- **Consumer price index** grew by 3.0% in the twelve months to August 2017, driven by rising prices for food and recreational goods.
- ⋆ **Index of production** rose by 0.7% between August and September 2017 driven by surge in manufacturing output.
- 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 August 2017; the lowest rate since May 1975.
- **Retail sales volume** grew by 1.2% in the twelve months to September 2017.
- **Business investment** for all industries in 2017 Q2 was revised to 2.5% compared to a year earlier.
- ⋆ **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.
- ⋆ The **construction output**, at constant prices, rose by 1.1% to £12.6 billion in September 2017 compared twelve months earlier.
- Combined **turnover** of the four monitored manufacturing industries grew by 1.2% in August 2017 and 6.1% compared to twelve months earlier. In the 12-month to August 2017, turnover of **Electrical** sector grew by 8.4%, both **Electronics** and **Mechanical** grew by 7.3% and **Fabricated Metals** sector grew by 3.5%.

November 2017
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Contents

Glossary

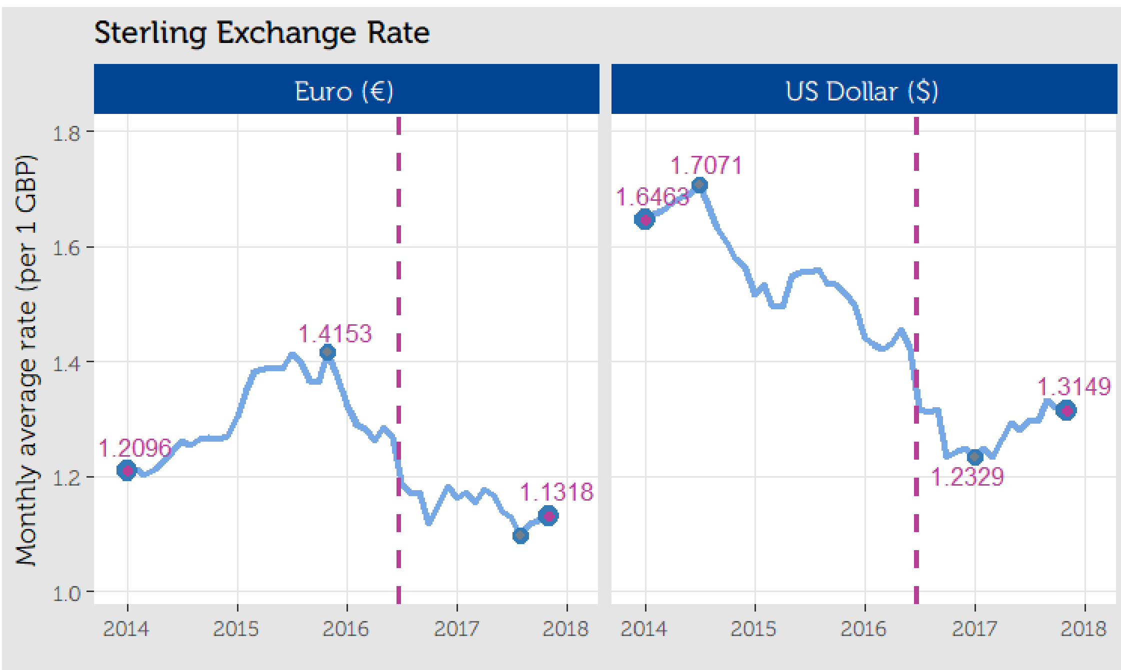
BEAMA	British Electrotechnical & Allied Manufacturers Association
CESA	Catering Equipment Suppliers Association
CNY	Chinese Yuan
CPI	Consumer Price Index
CPIH	Consumer Prices Index including owner occupiers' housing costs
EAMA	Engineering and Machinery Alliance
ECB	European Central Bank
EUR	Euro
FTSE 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
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
RPI	Retail Price Index
SIC	Standard Industry Classification
SITC	Standard International Trade Classification
USD	US Dollar
YOY%	Year on Year or Annual Percentage change

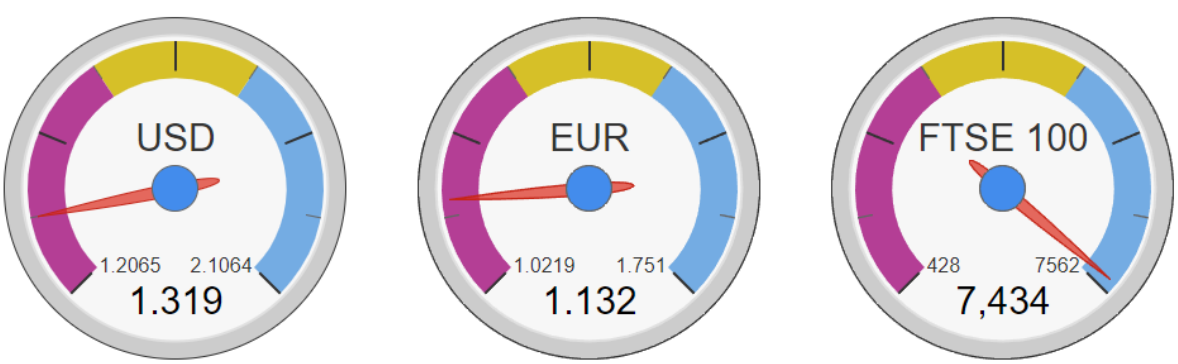
1 Exchange Rates & Stock Market

The month-to-date average of the Sterling exchange rate with **US Dollar** at the end of second week of November 2017 decreased by 0.4% compared to October 2017 average, but increased by 5.8% compared to a year earlier. It closed at 1.3188/GBP at the end of Week 45. The USD rate is now 9.6% below May 2016 (pre-brexit vote) level.

The month-to-date average rate for the **Euro** in the same period grew by 0.8% compared to October 2017 average but fell by 1.7% compare to a year earlier. It closed at 1.1316/GBP at the end of Week 45. The Euro rate is now 12.0% lower compared to May 2016.

The stock market, **FTSE 100**, slides to six-week low in Week 45, finishing at 7434.



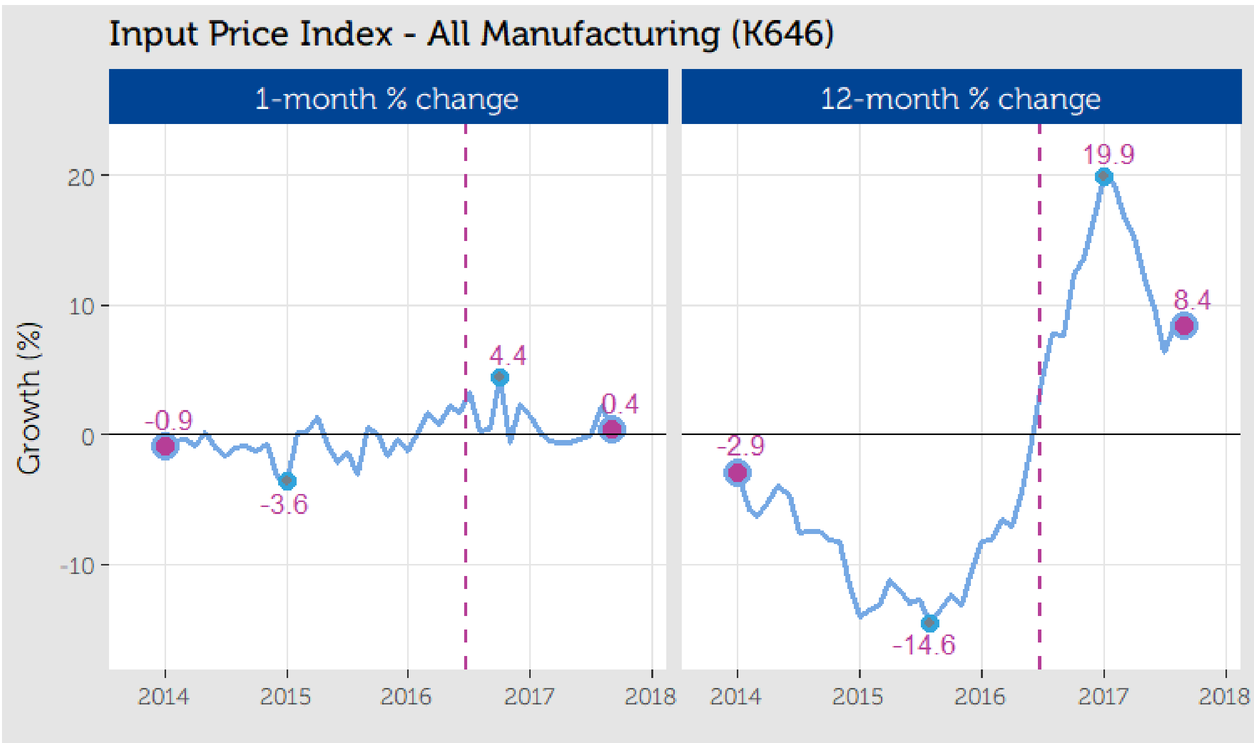


[*Gauge charts: Daily exchange rates since January 1999 / Stock chart is since records began*]

2 Producer Prices

The **input price** index for all manufacturing grew by 0.4% between August and September 2017 and also grew by 8.4% compared to September 2016. Upward contributions from energy were offset by downward contributions from other industries, resulting in little change in the annual rates. It is the 15th successive year on year growth.

Factory gate (Output) prices for all manufacturing rose by 0.2% between August and September 2017 and also by 3.3% compared to September 2017.

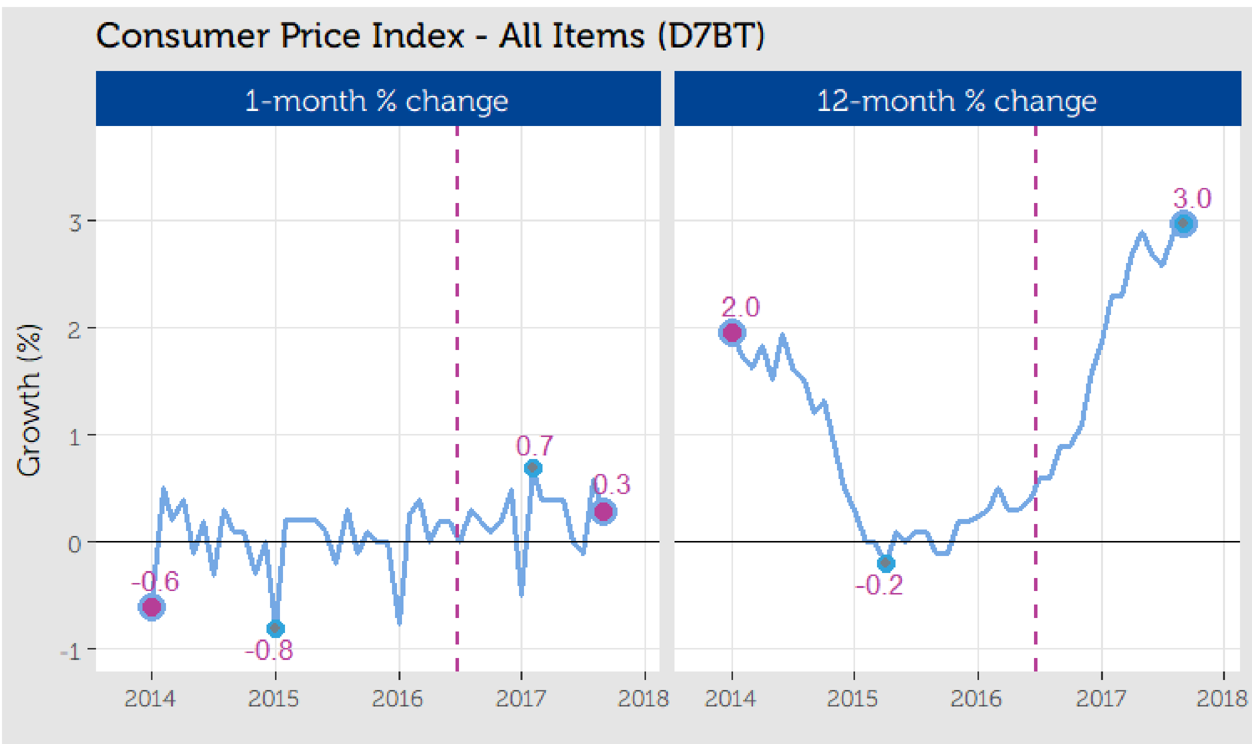


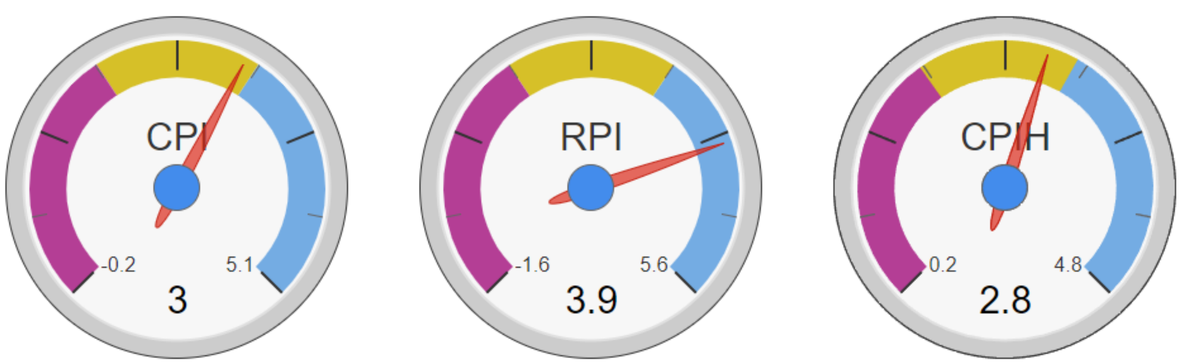
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUPUT=Factory gate prices]

3 Consumer Prices

Consumer price index grew by 0.3% between August and September 2017, and also grew by 3.0% compared to twelve months earlier. The main contributors to the increase in the rate were rising prices for food and recreational goods, along with transport costs, which fell by less than they did a year ago. It is the 23rd successive year on year growth and the highest 12-month growth since April 2012.

The **retail price index** grew by 0.1% between August and September 2017, and by 3.9% compare to a year earlier. It is the 95th successive year on year growth.





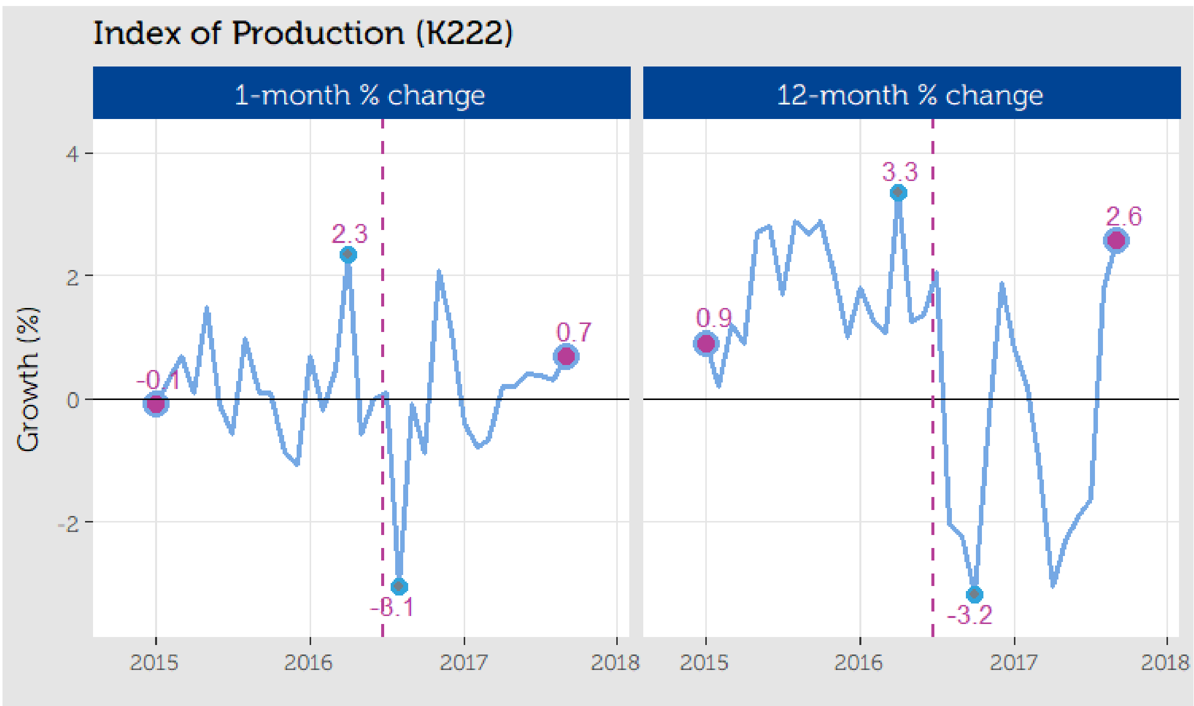
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

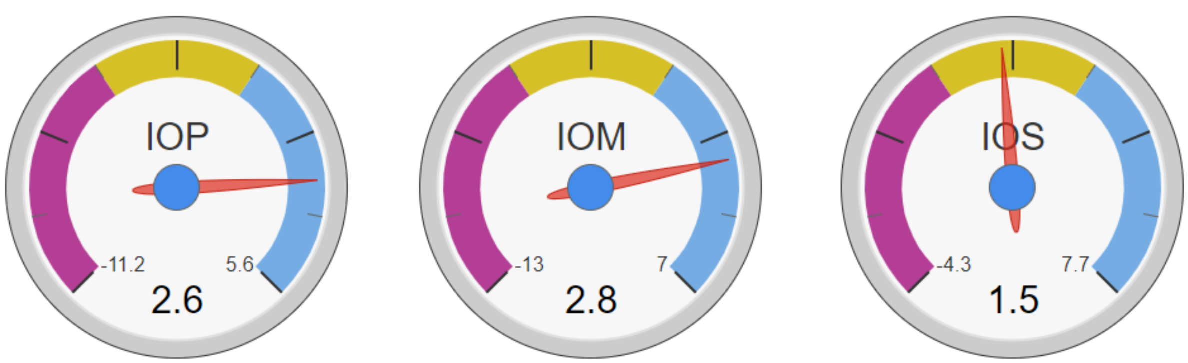
4 Production

Index of production (IOP), 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 0.2% between July and August 2017 and also grew by 1.5% compared to August 2016. It is the 91st consecutive annual growth.



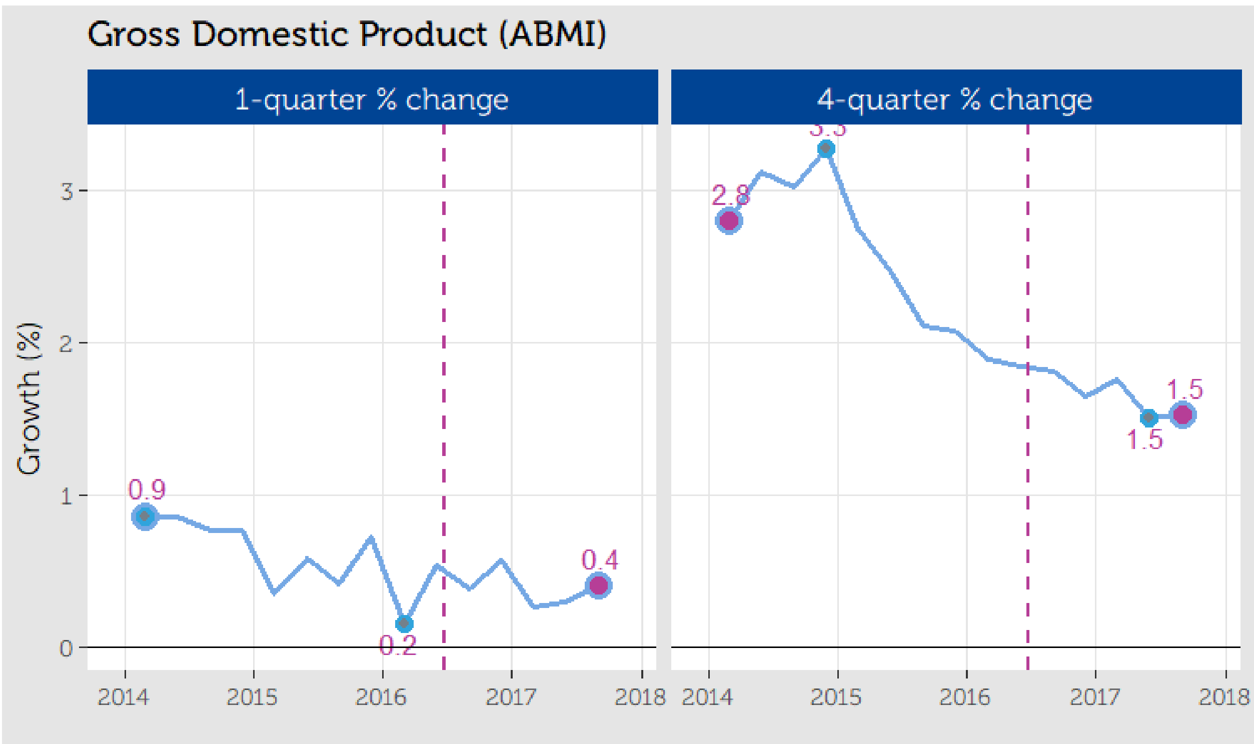


[Guage Charts: 12-month % change since Jan 2000]

5 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 increased by 94,000 in the three months to August 2017 to 32.10 million. **Unemployment** rate unchanged at 4.3%, the lowest since May 1975.

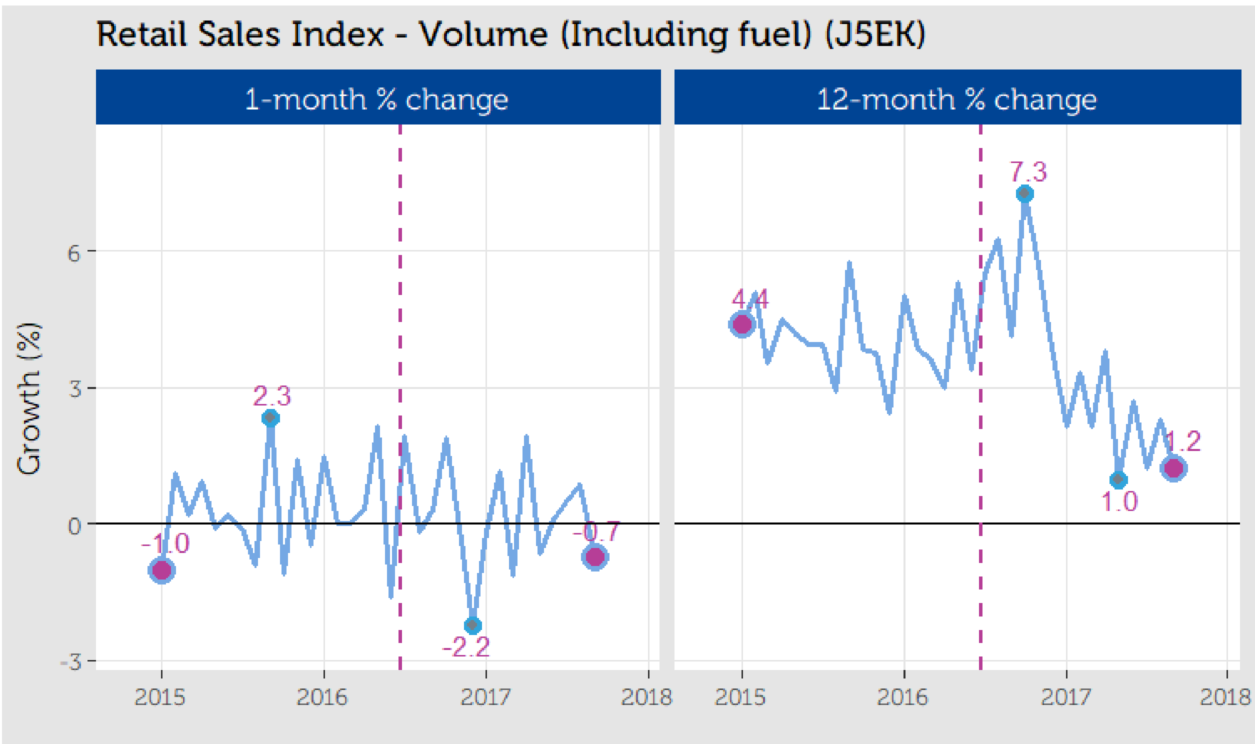


[Guage Charts: GDP = 4-quarter % change since Jan 2000, UMEMP = Unemployment rate since 2000]

6 Retail Sales

The **volume of retail sales** (including fuel) fell by 0.7% between August and September 2017, but grew by 1.2% compared to twelve months earlier. The main drivers were non-food (household goods, clothing stores) and non-store retailing. It is the 54th successive year on year growth.

The **value of retail sales** (including fuel) fell by 0.6% between August and September 2017 but grew by 4.4% compare to 12 months earlier.

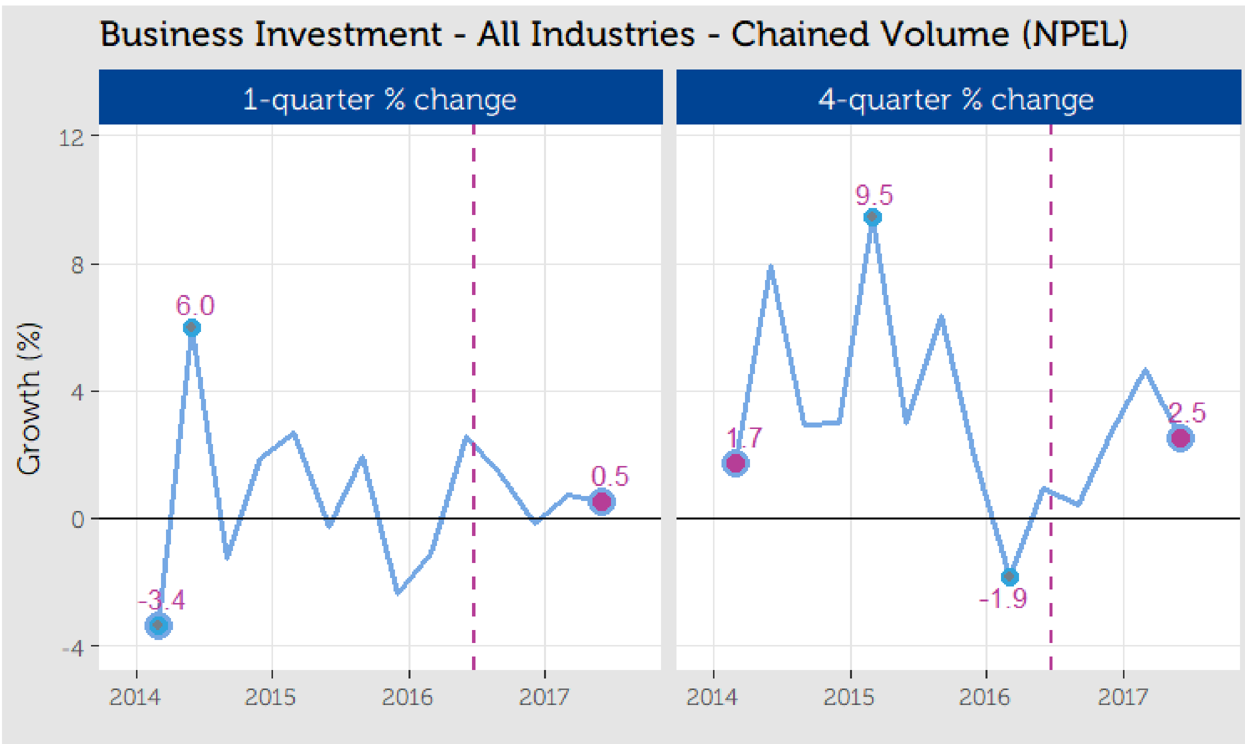


[Guage Charts: 12-month % change since Jan 2000]

7 Business Investment

Business investment for all industries (INV), in volume terms, grew by 0.5% in 2017 Q2, revised up from 0.0% in the preliminary estimate. Compare to a year earlier, business investment also grew by 2.5%.

Investment in **manufacturing industries** (INV-MNF), in volume terms, decreased by 1.8% in 2017 Q2 and also fell by 12.1% compared to 2016 Q2. It is the highest 1-year (or 4-quarter) fall since 2009 Q4 and the 8th successive year on year decline.

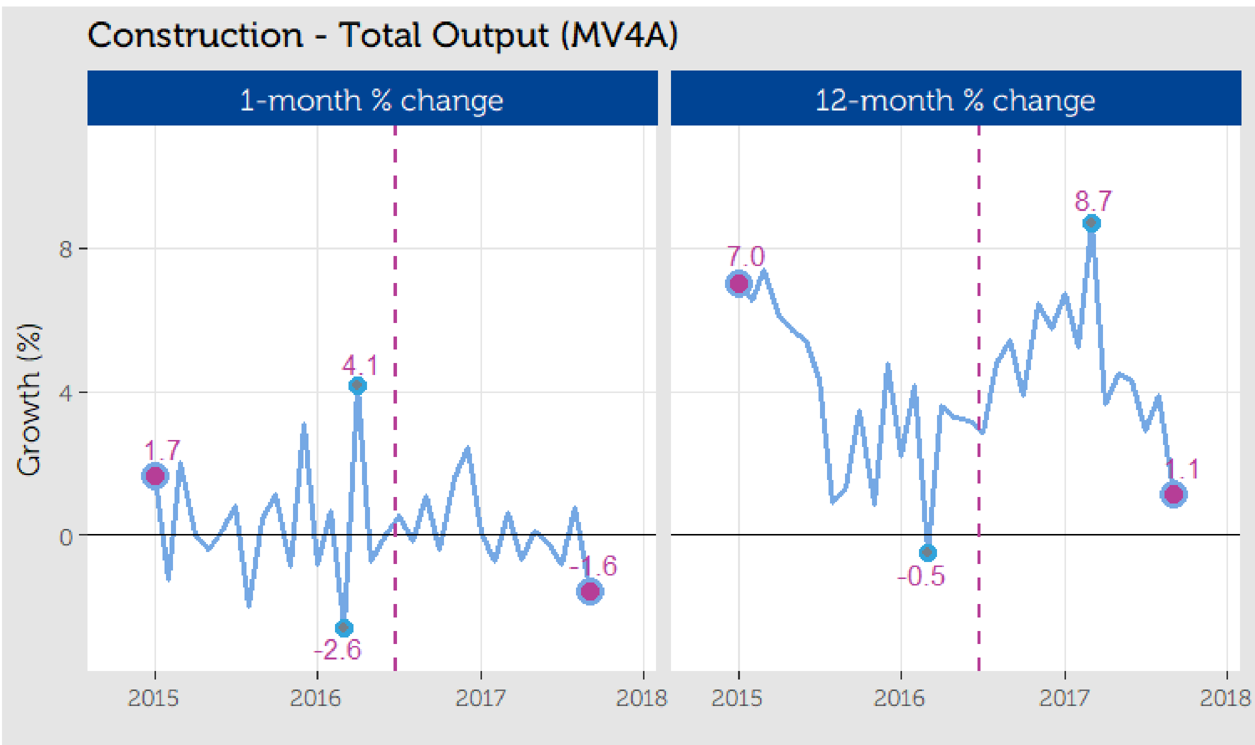


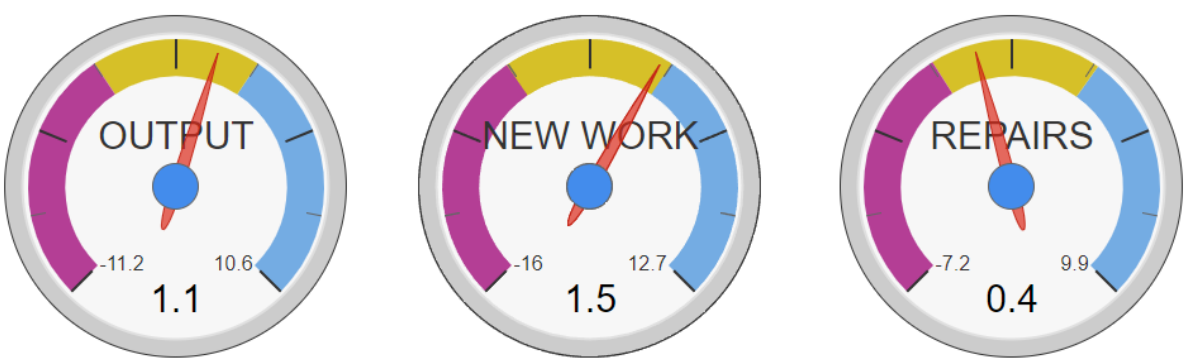
[Guage Charts: 4-quarter % change since 2007]

8 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%.





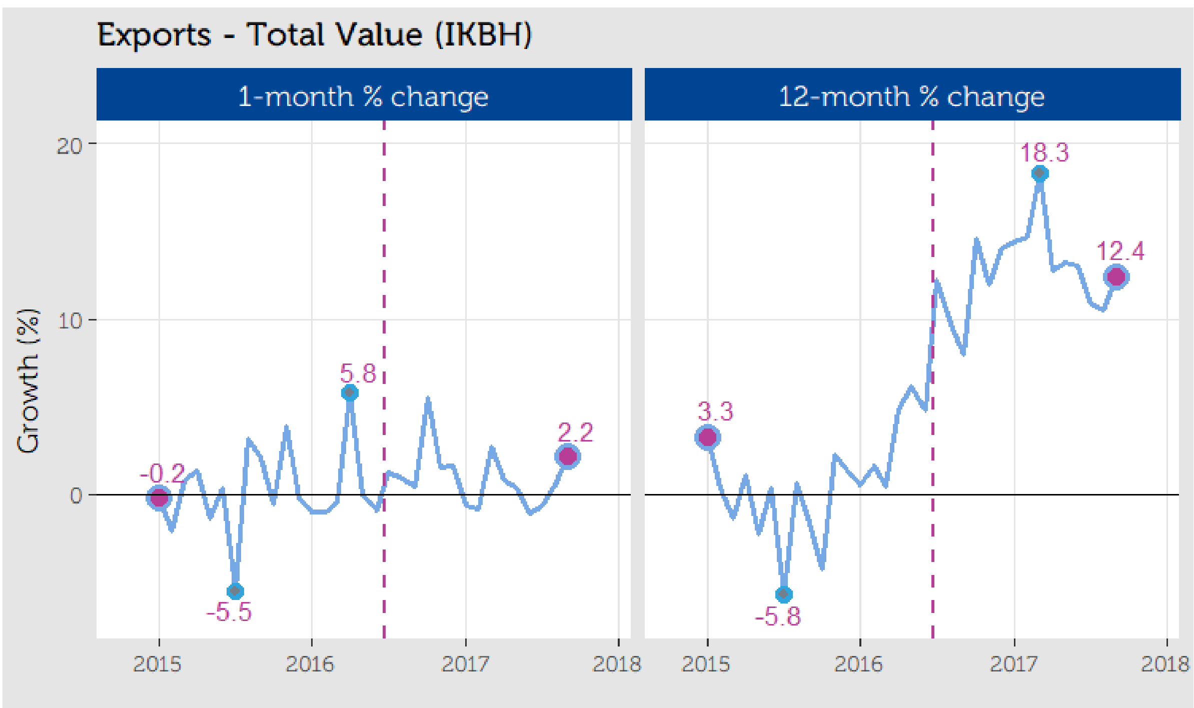
[Guage Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

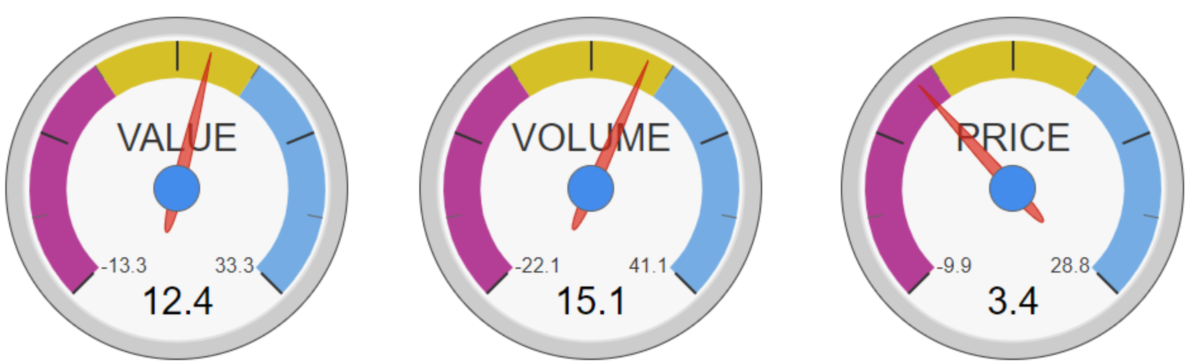
9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 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.



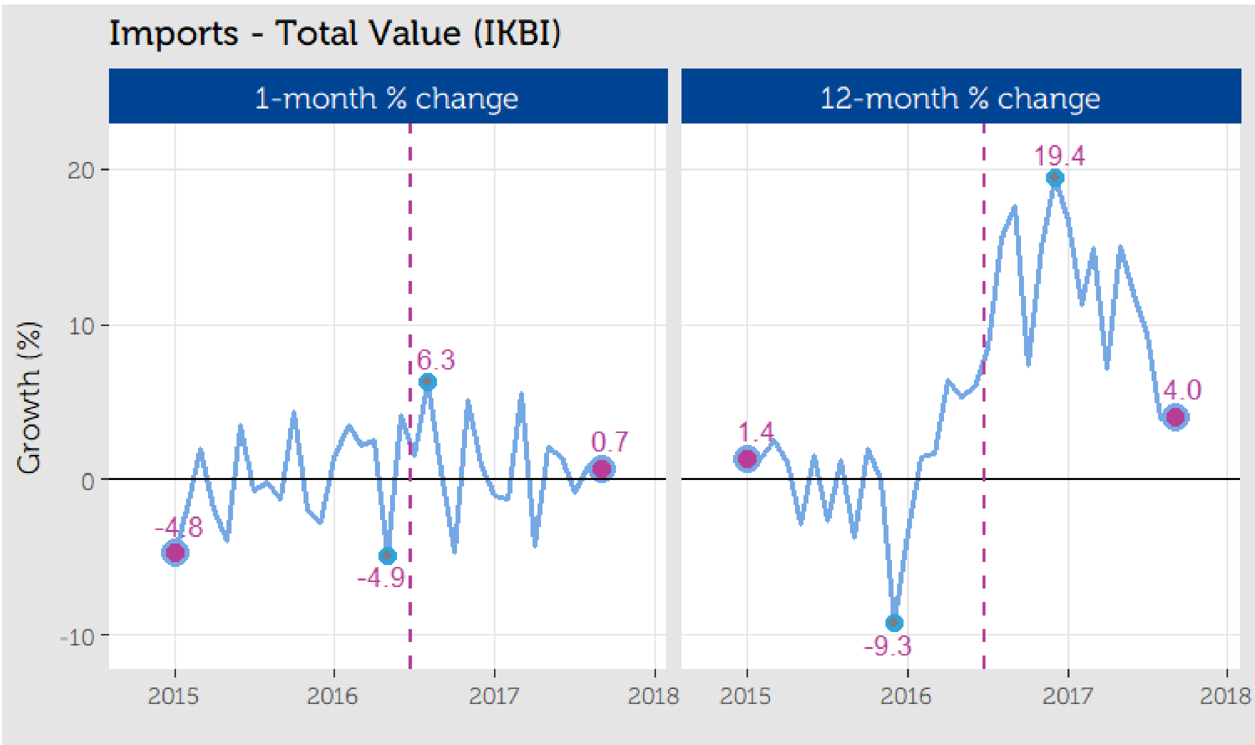


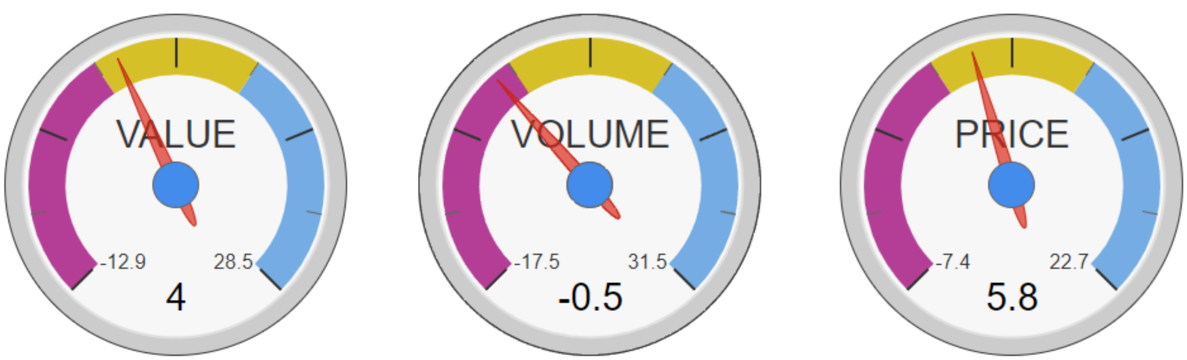
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

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.

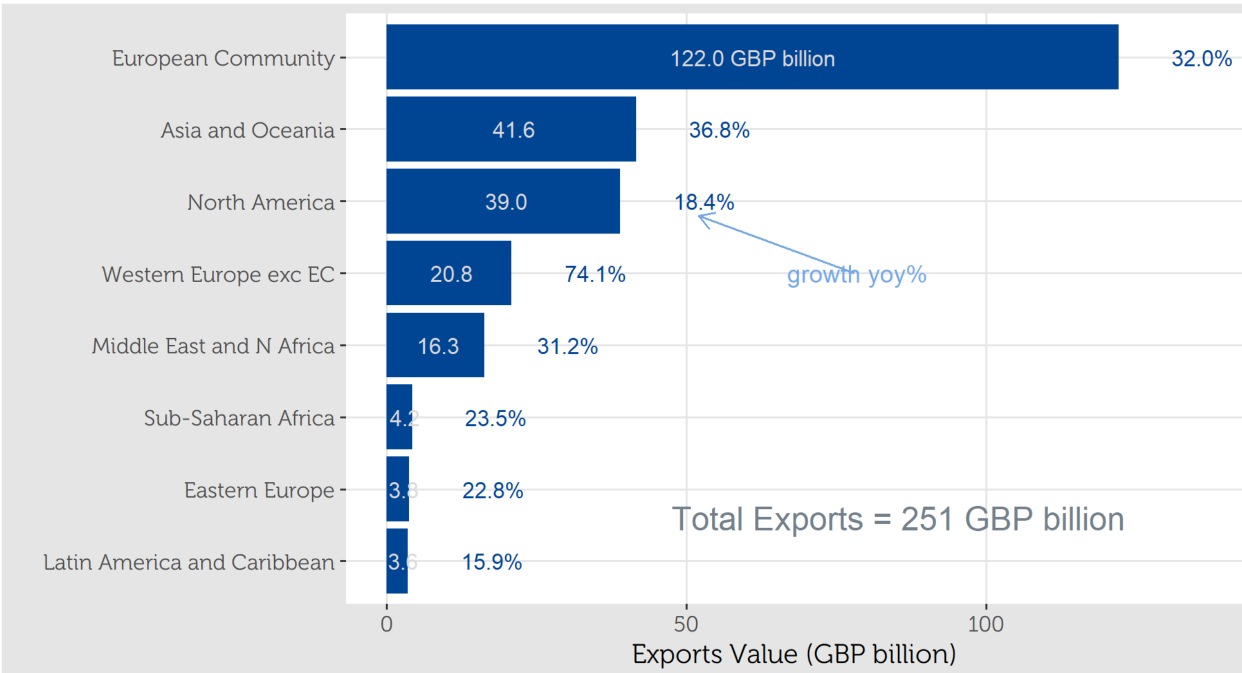




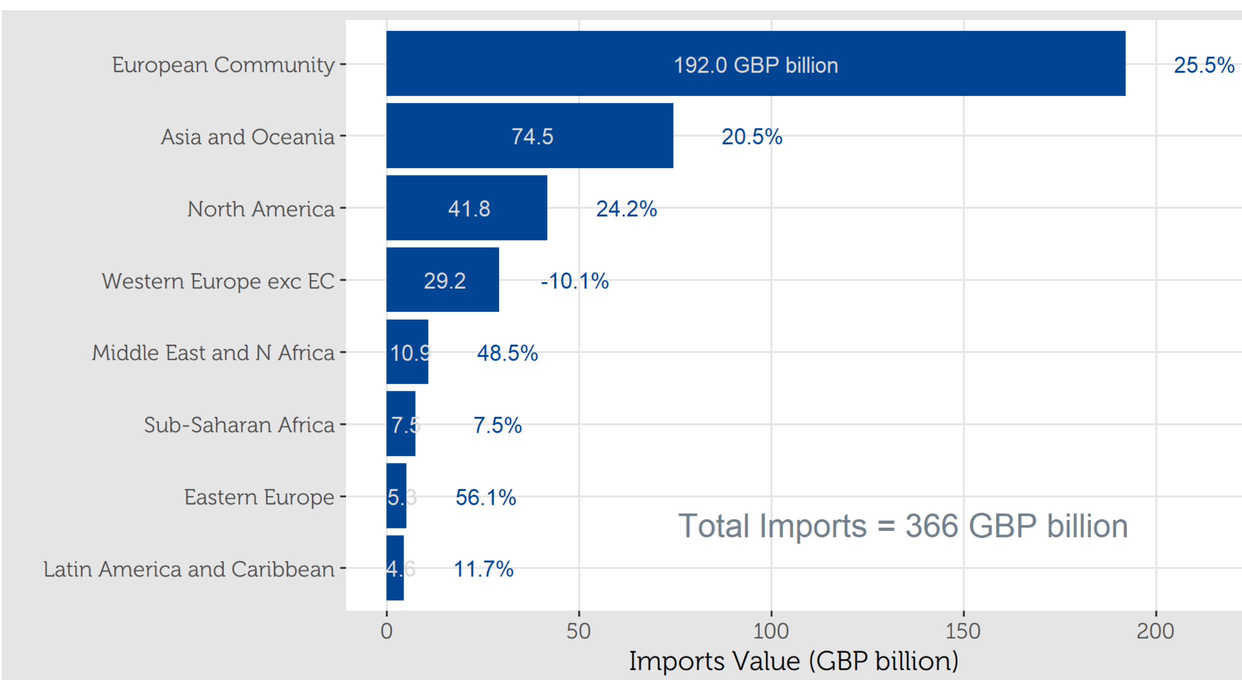
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2017 (Jan - Sep)

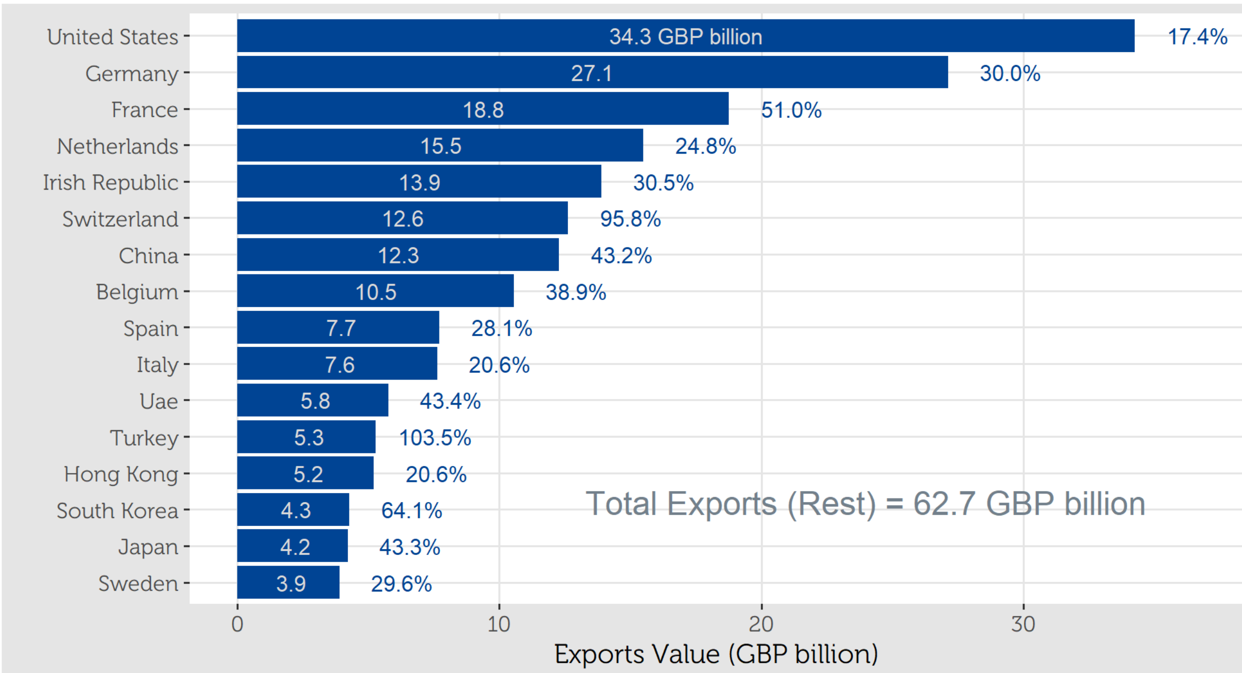


9.3.2 Imports - 2017 (Jan - Sep)

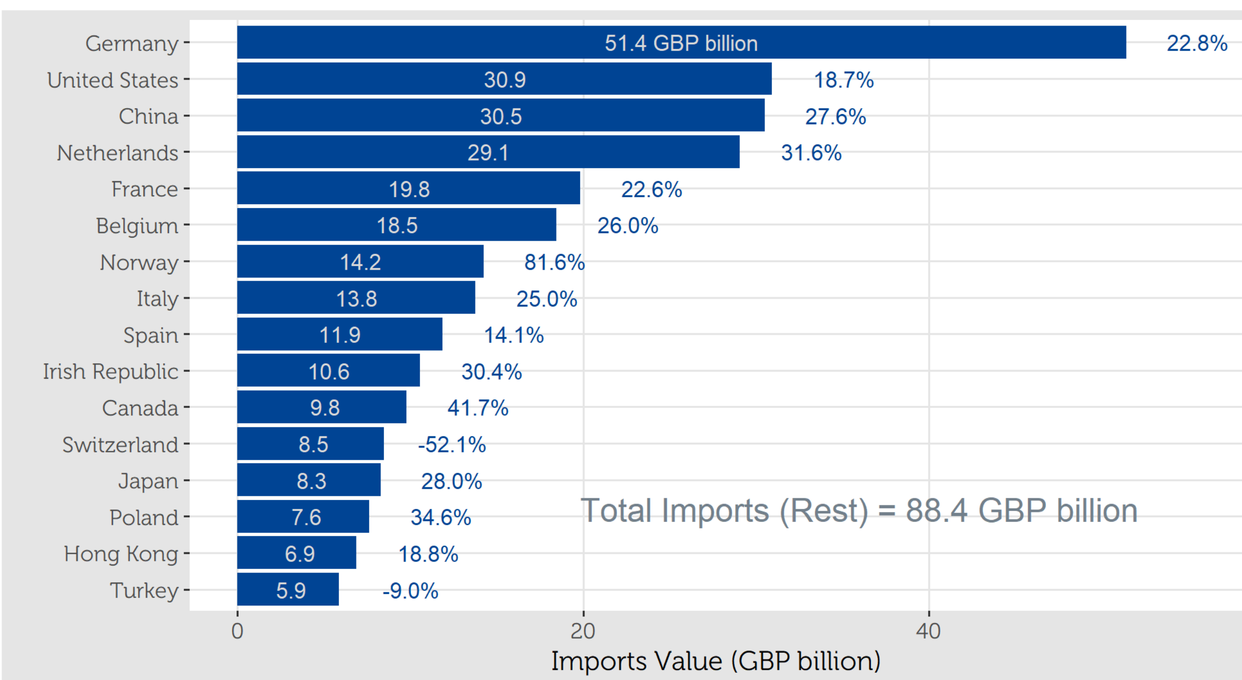


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2017 (Jan - Sep)

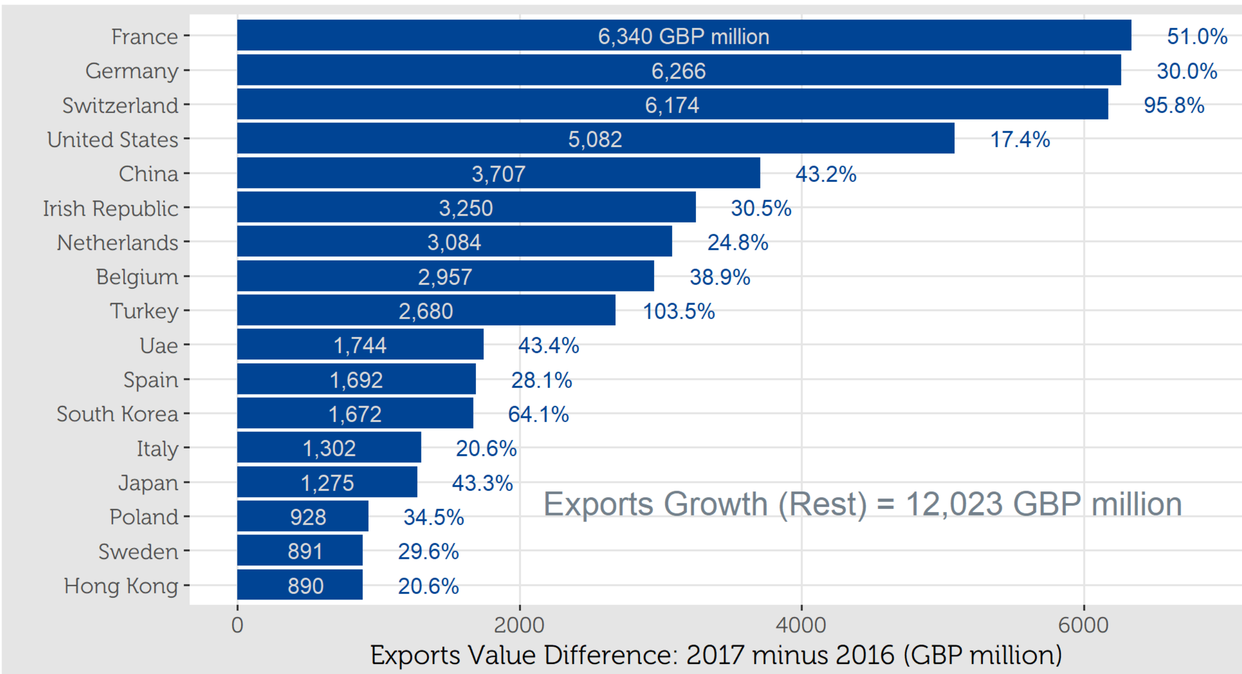


9.4.2 Imports - 2017 (Jan - Sep)

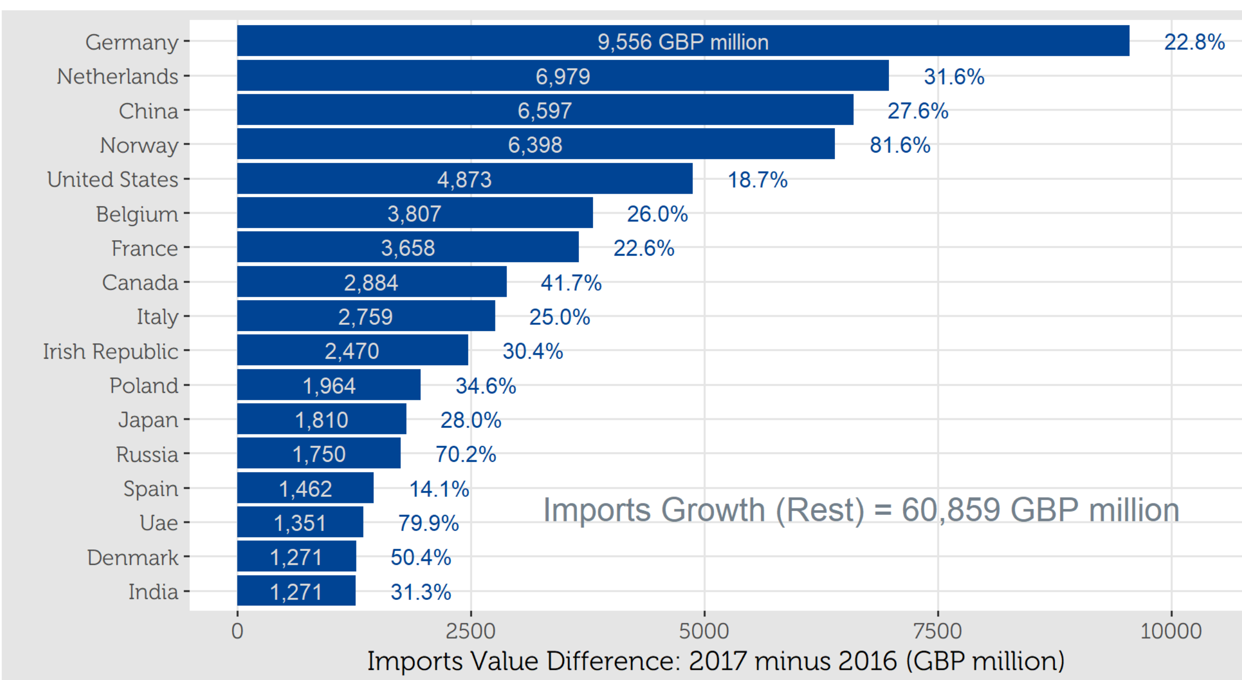


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2017 (Jan - Sep)

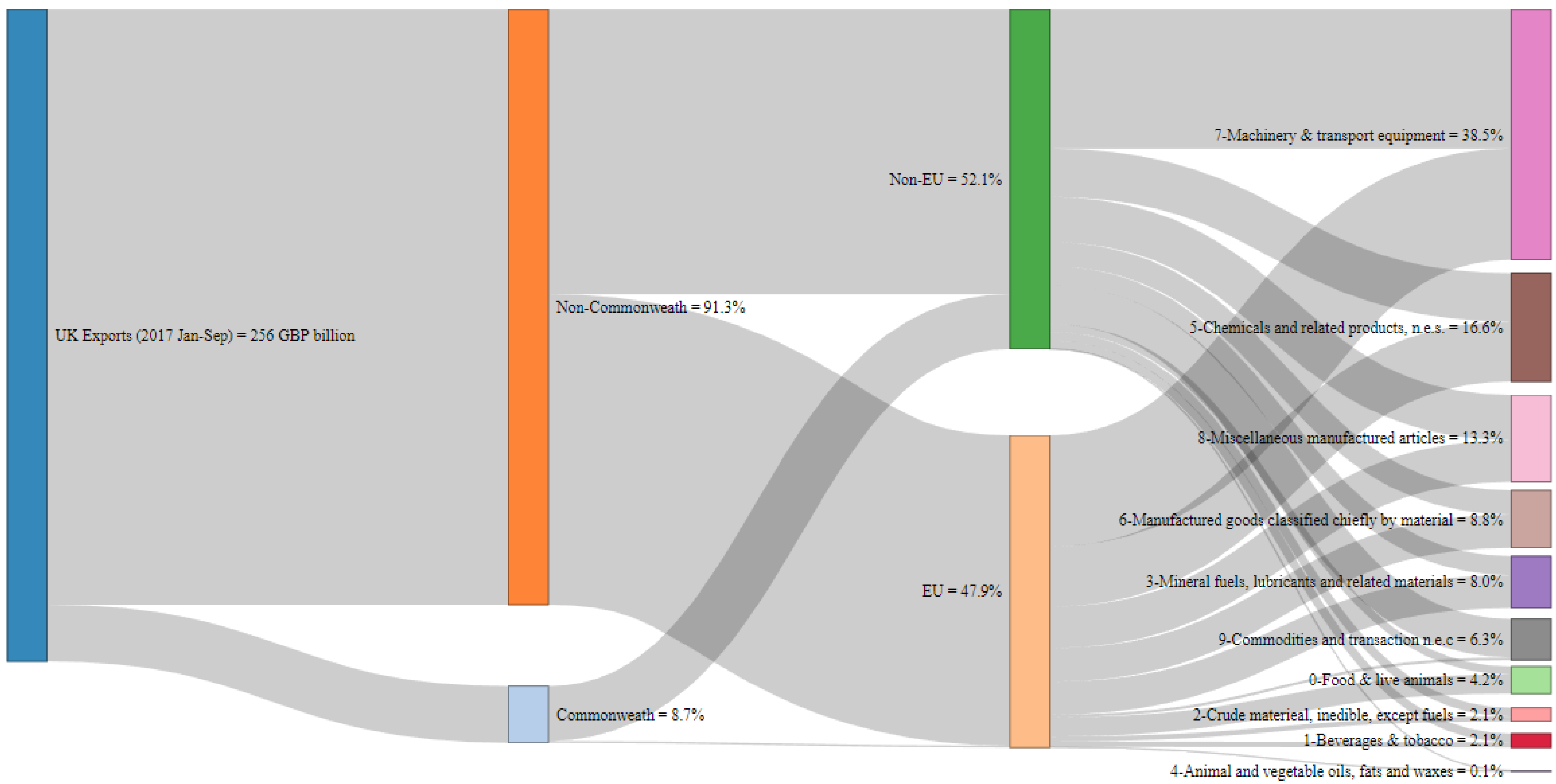


9.5.2 Imports Value Growth - 2017 (Jan - Sep)

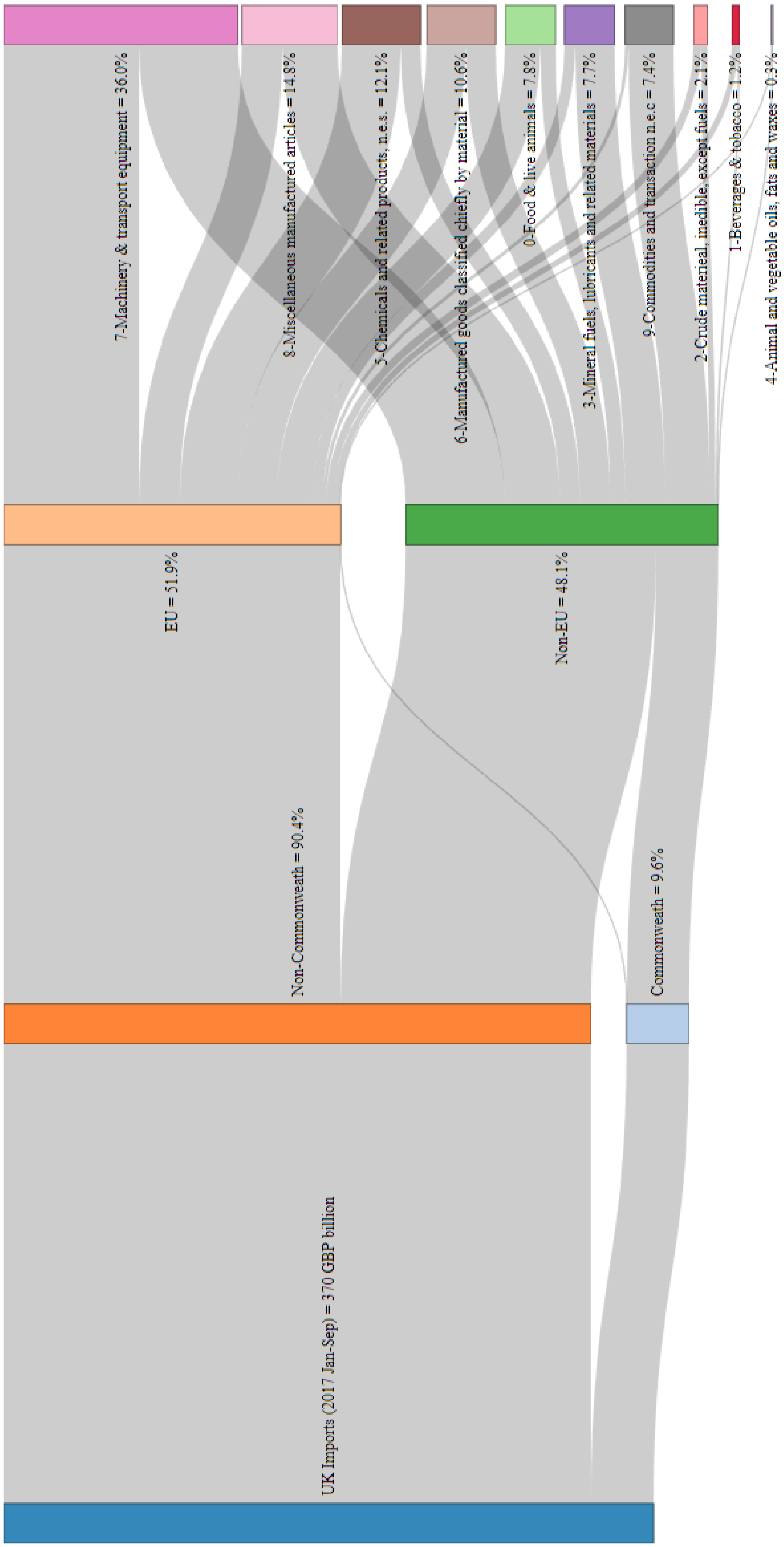


9.6 Goods Trade: EU & Commonwealth by SITC

9.6.1 Exports - 2017 (Jan - Sep)

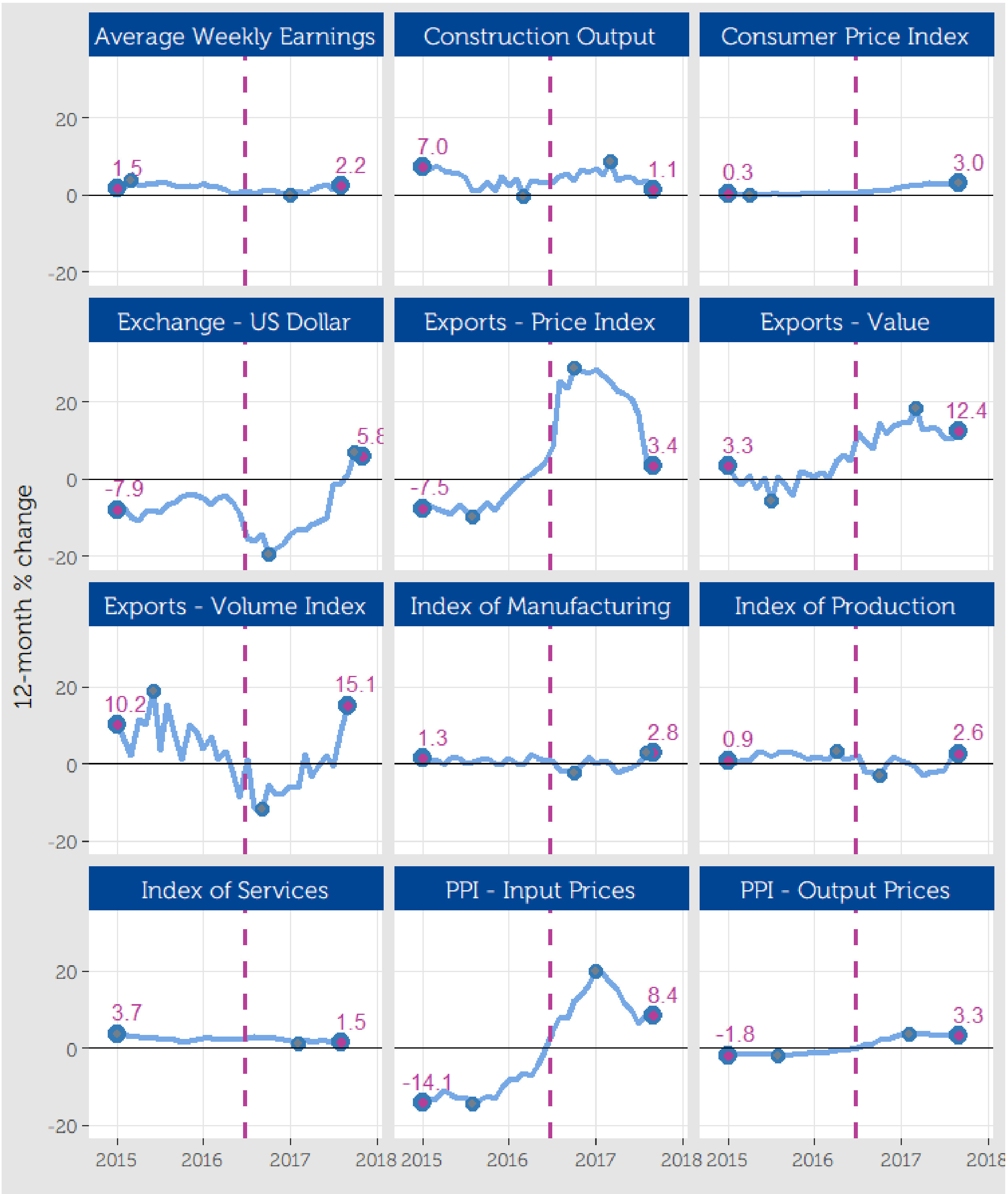


9.6.2 Imports - 2017 (Jan - Sep)

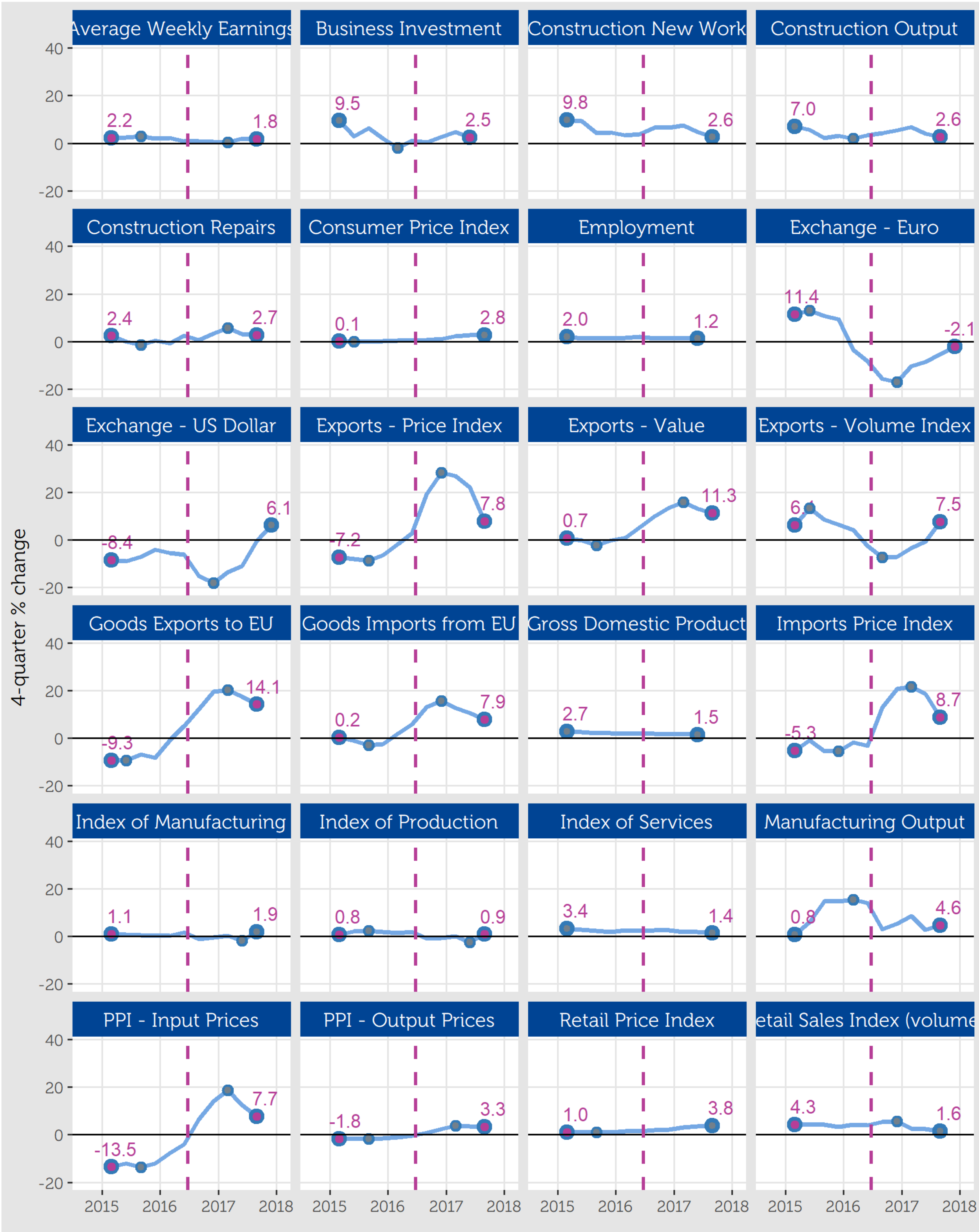


10 Economy At a Glance

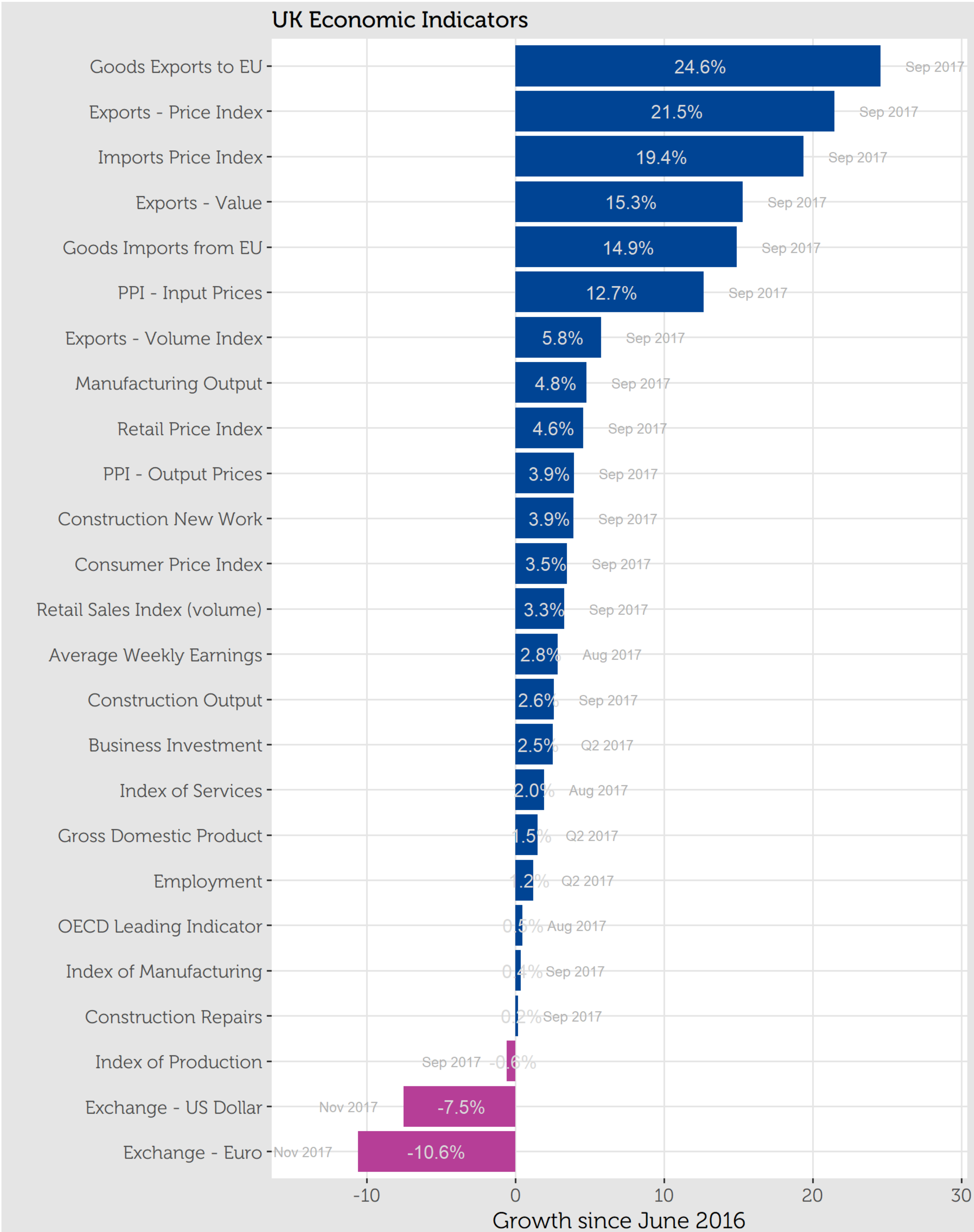
10.1 Growth: 12-month % growth



10.2 Growth: 4-quarter % growth

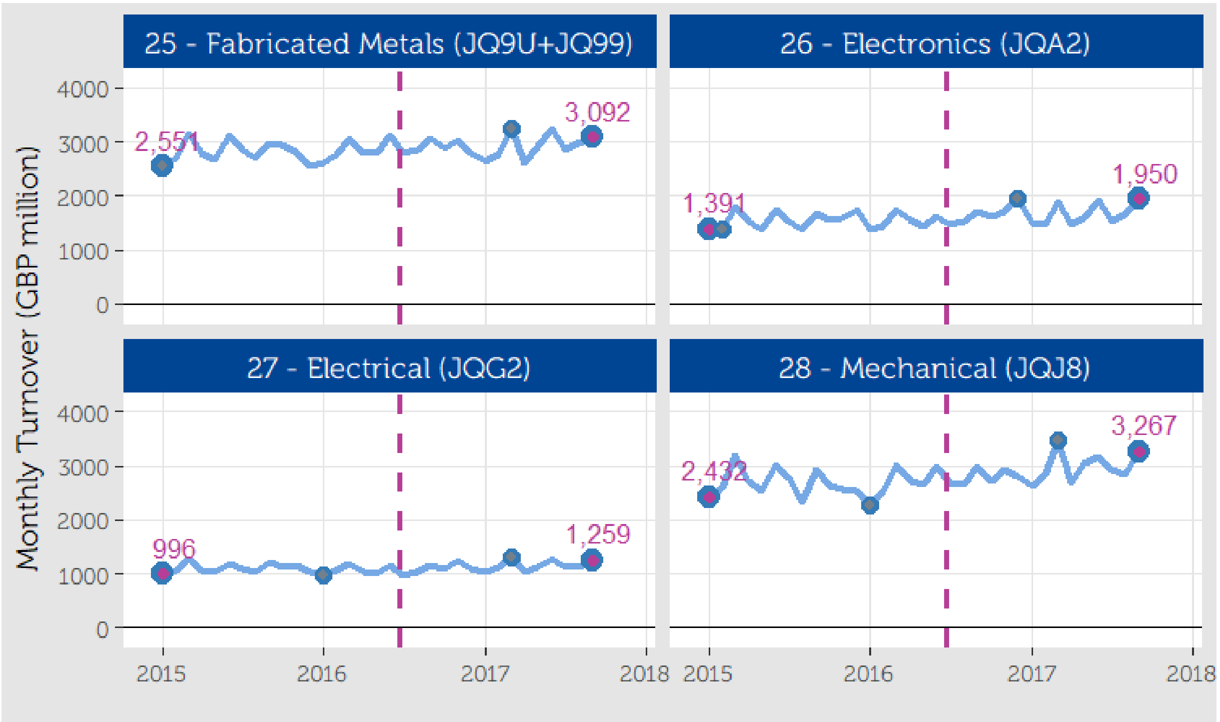


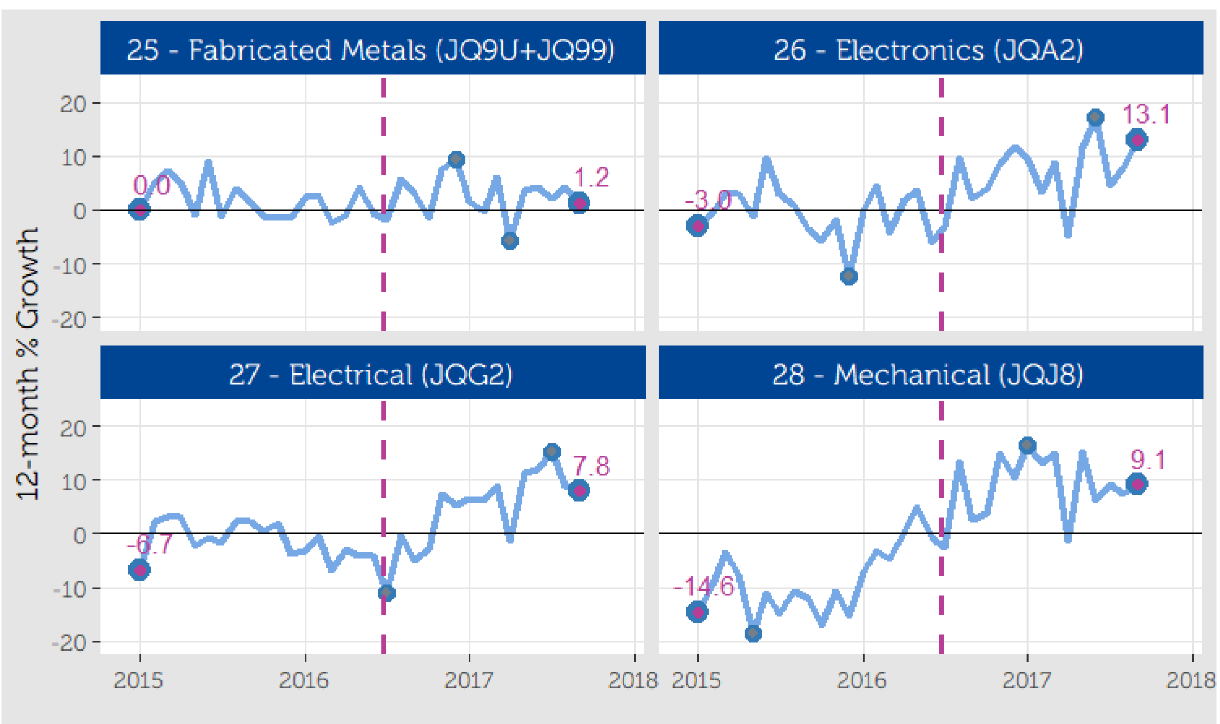
10.3 Growth: Since Referendum Vote



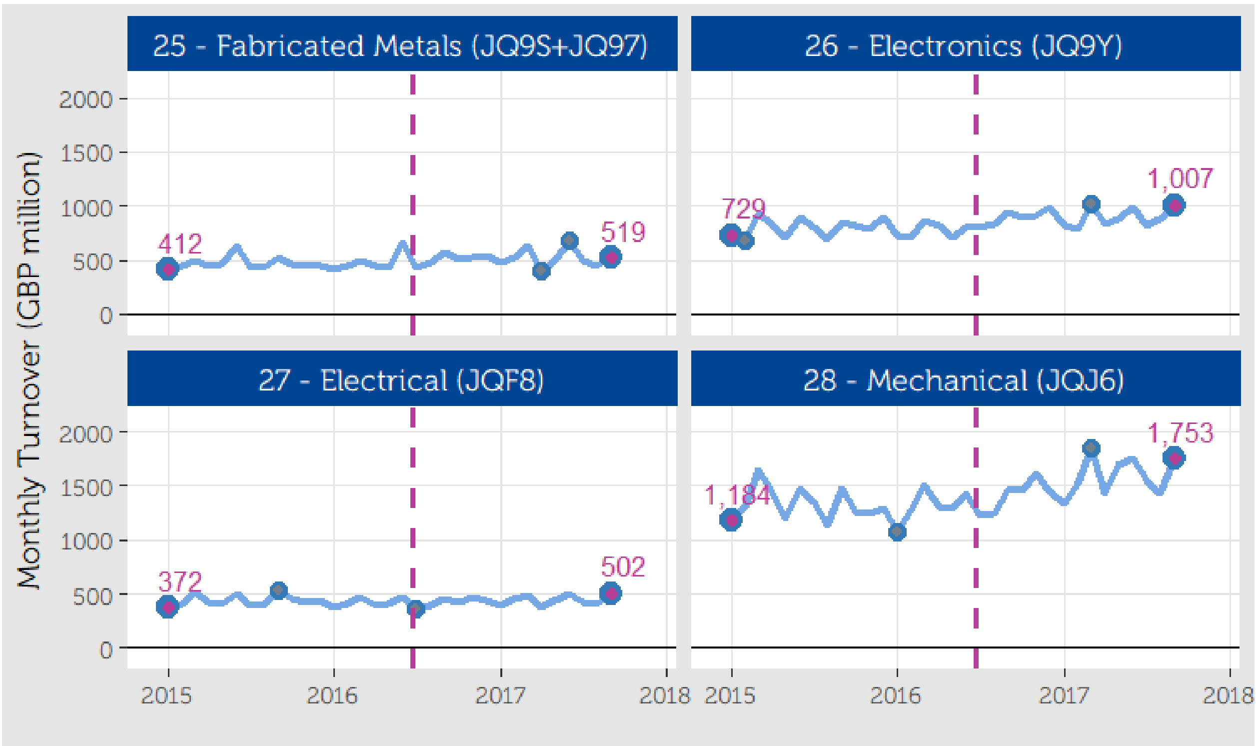
11 Industry Level Indicators

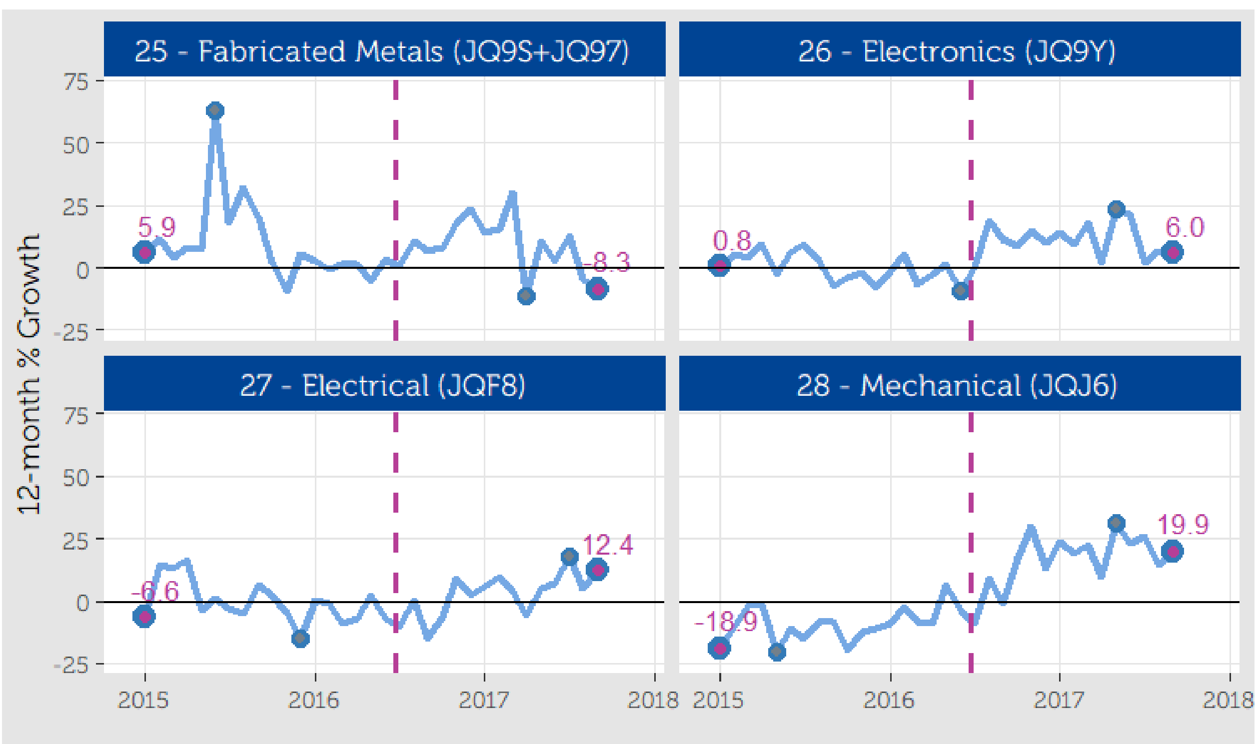
11.1 Turnover



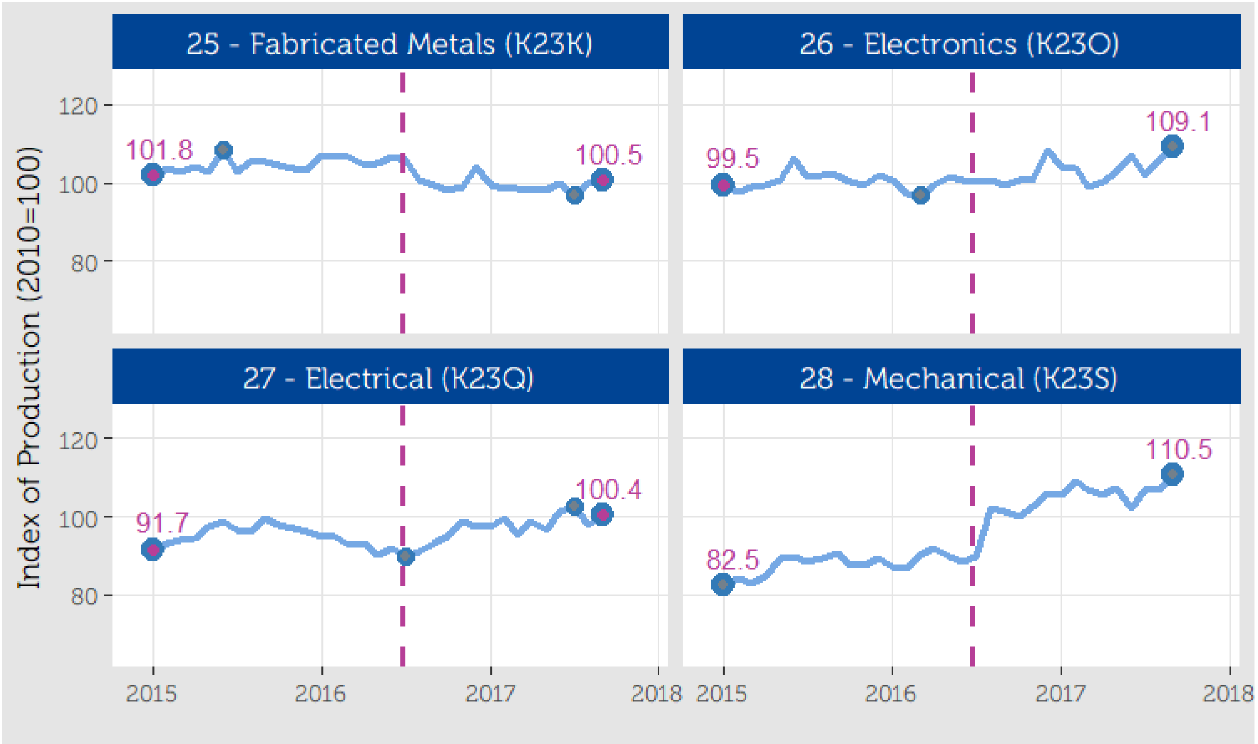


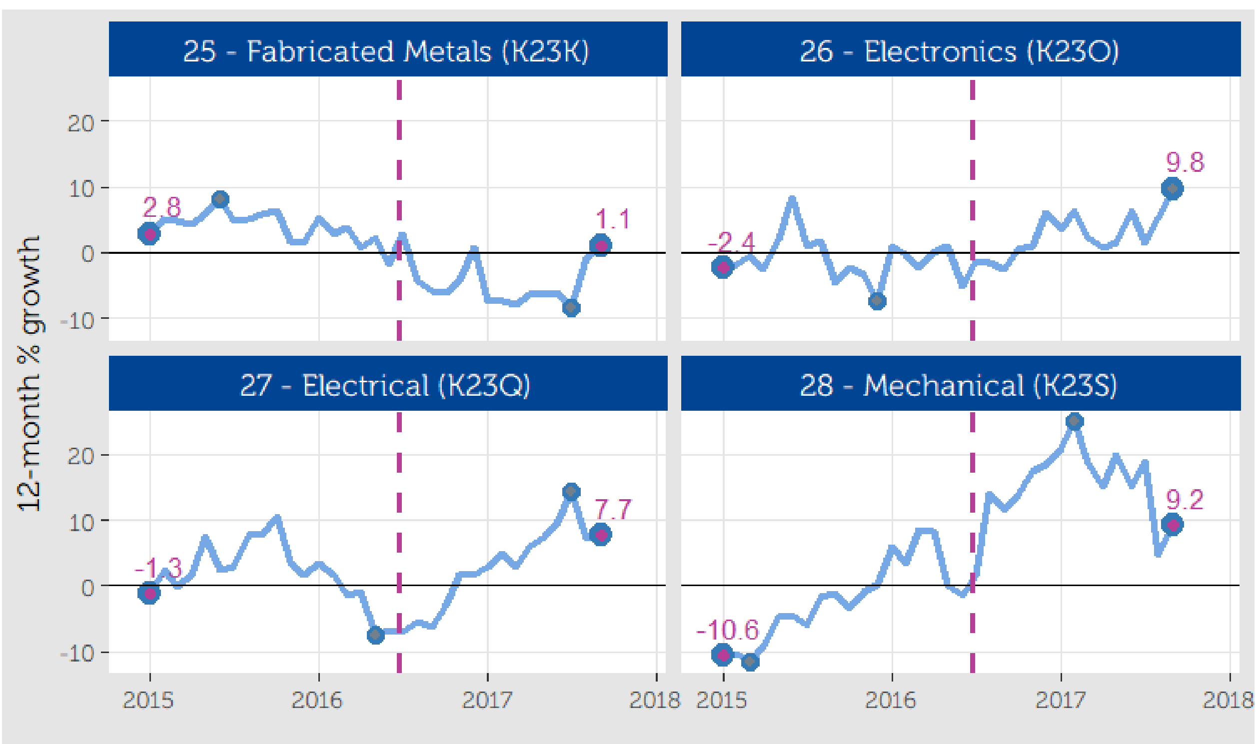
11.2 Exports


25 - Fabricated Metals (JQ9S+JQ97)
26 - Electronics (JQ9Y)
27 - Electrical (JQF8)
28 - Mechanical (JQJ6)
Monthly Turnover (GBP million)
2000
1500
1000
500
0
412
519
729
1,007
372
502
1,184
1,753
2015
2016
2017
2018

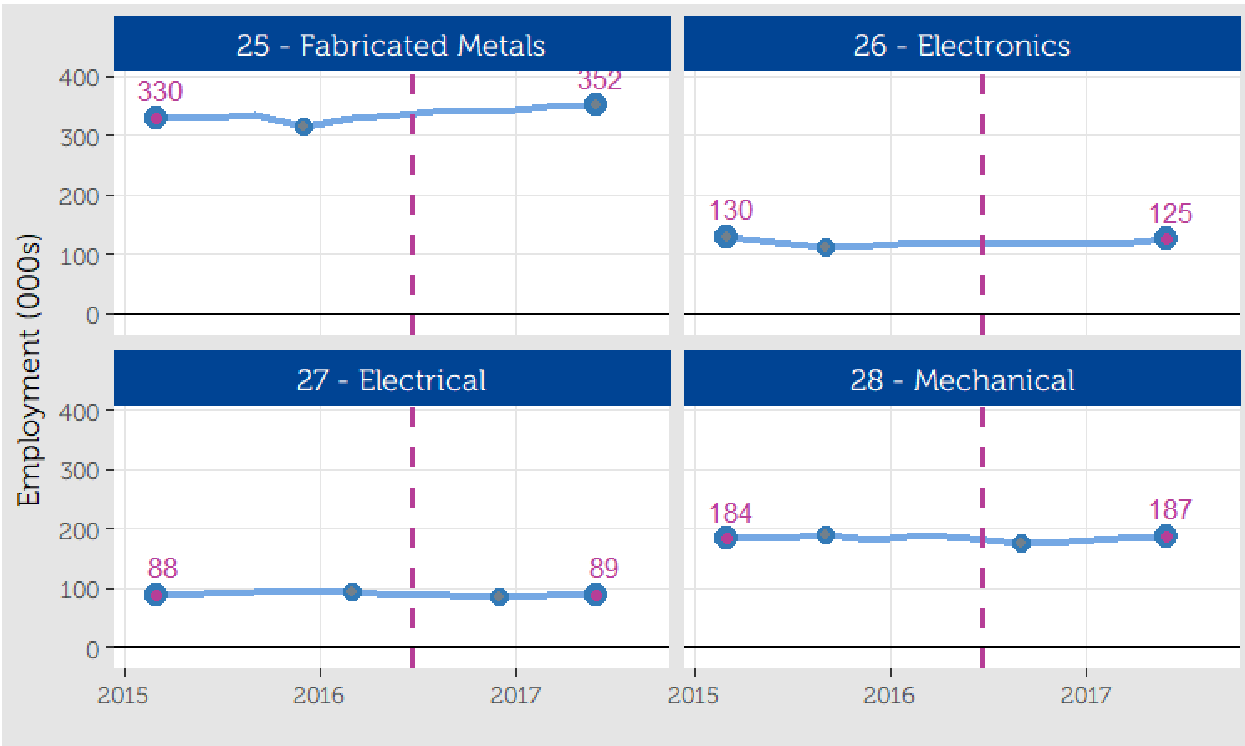

25 - Fabricated Metals (JQ9S+JQ97)
26 - Electronics (JQ9Y)
27 - Electrical (JQF8)
28 - Mechanical (JQJ6)
12-month % Growth
75
50
25
0
-25
5.9
-8.3
0.8
6.0
-6.6
12.4
-18.9
19.9
2015
2016
2017
2018

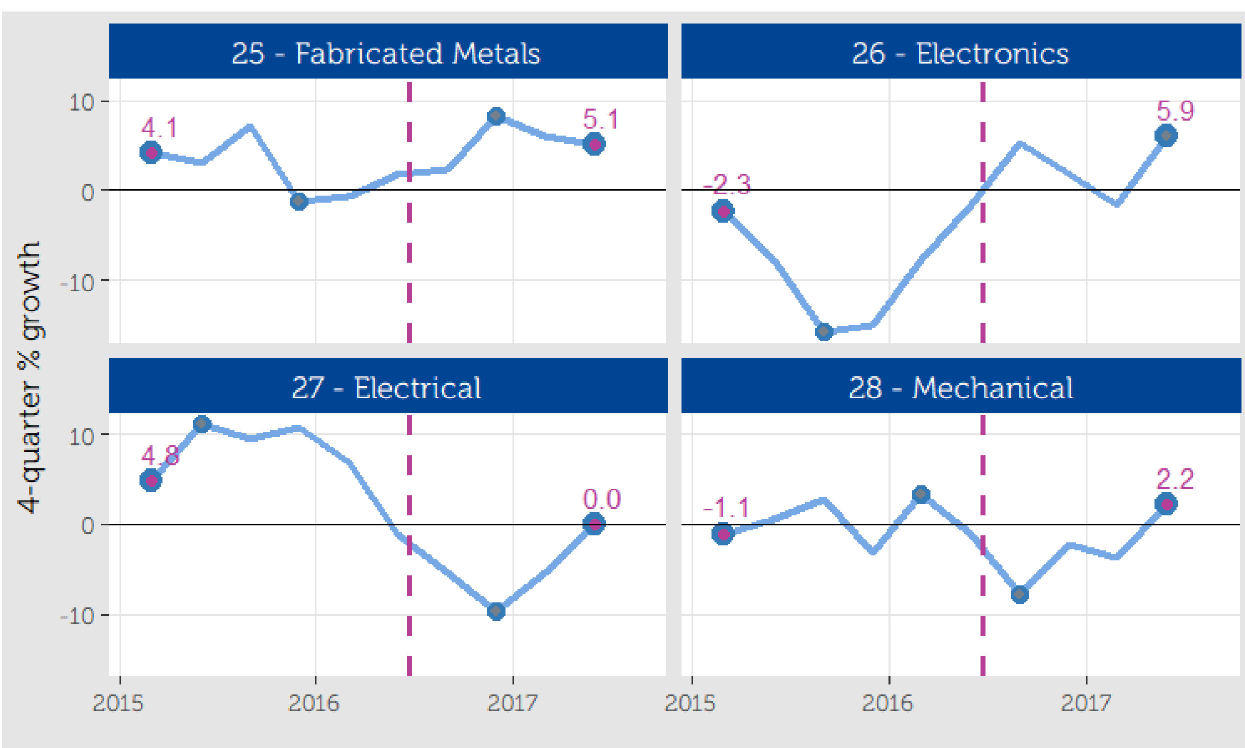
11.3 Index of Production



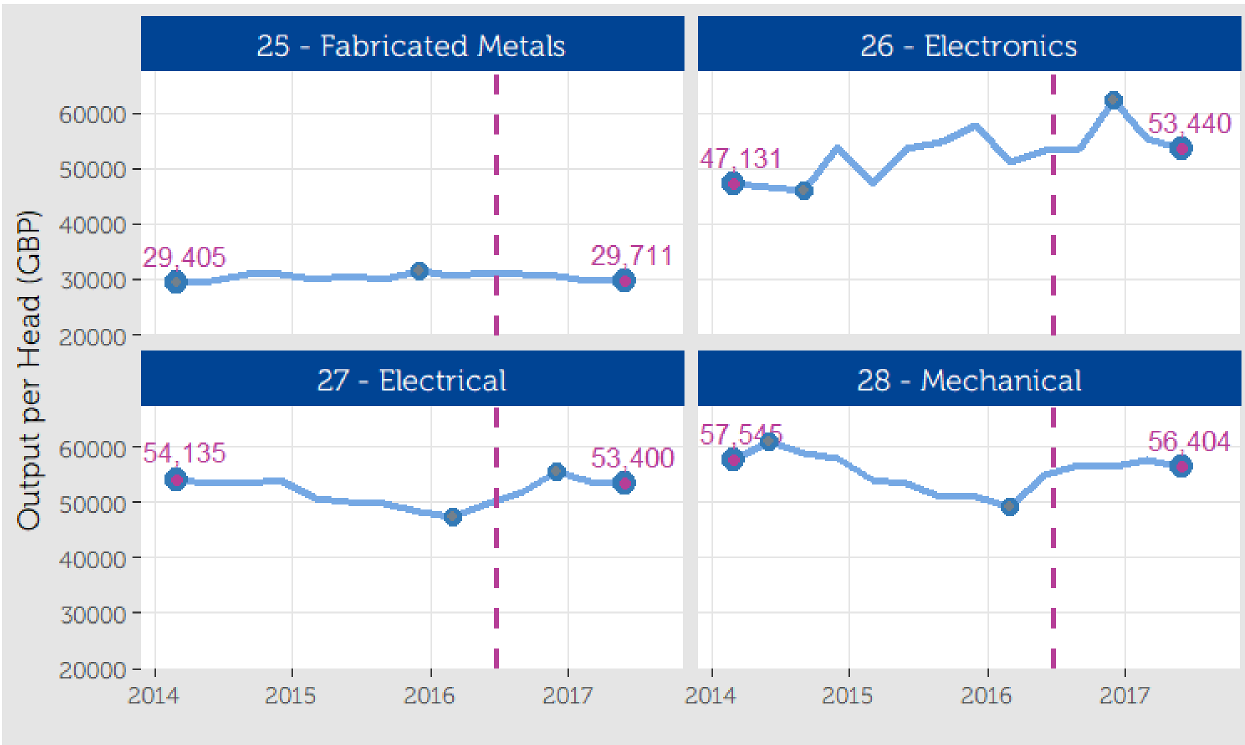


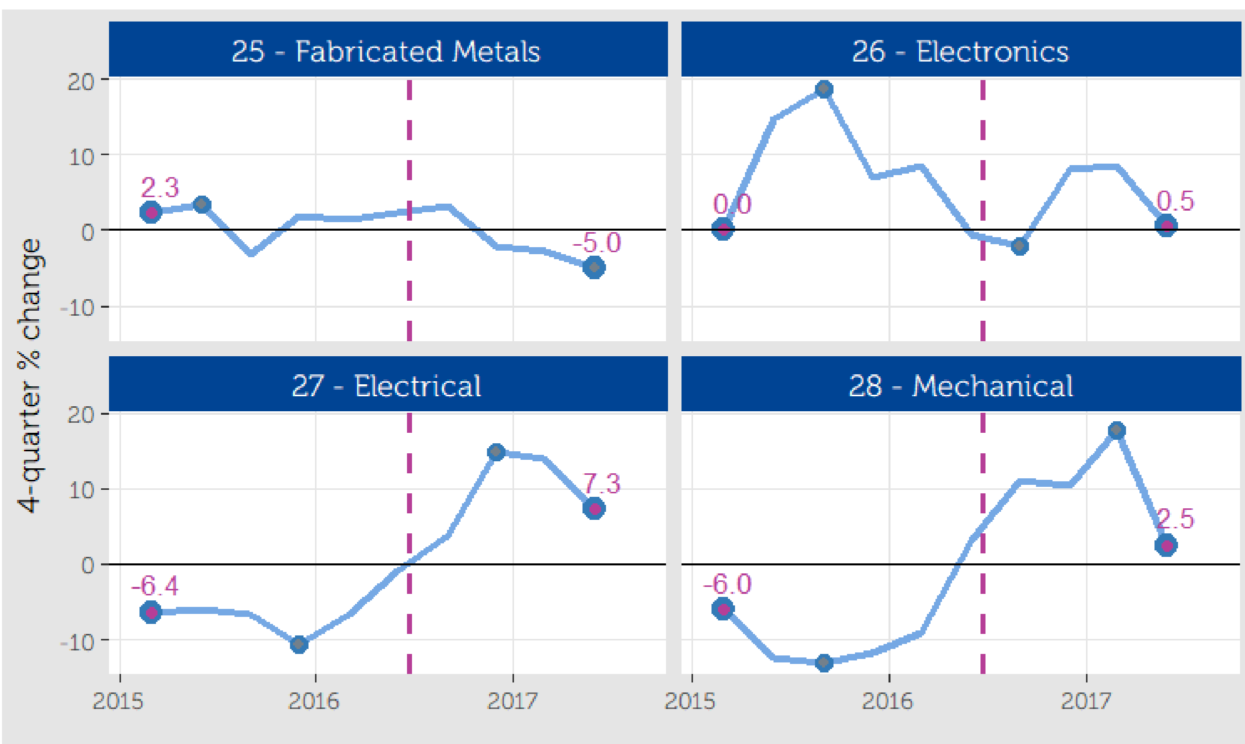
11.4 Employment (including Self-Employment)





11.5 Turnover per Head



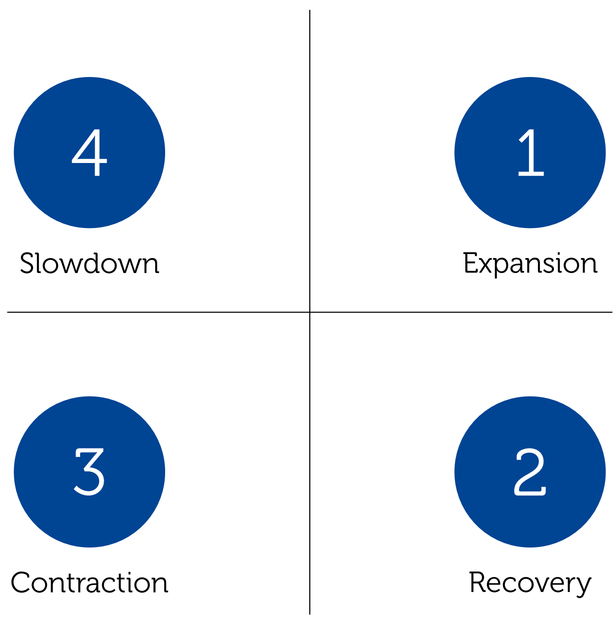


12 Growth Cycles

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:

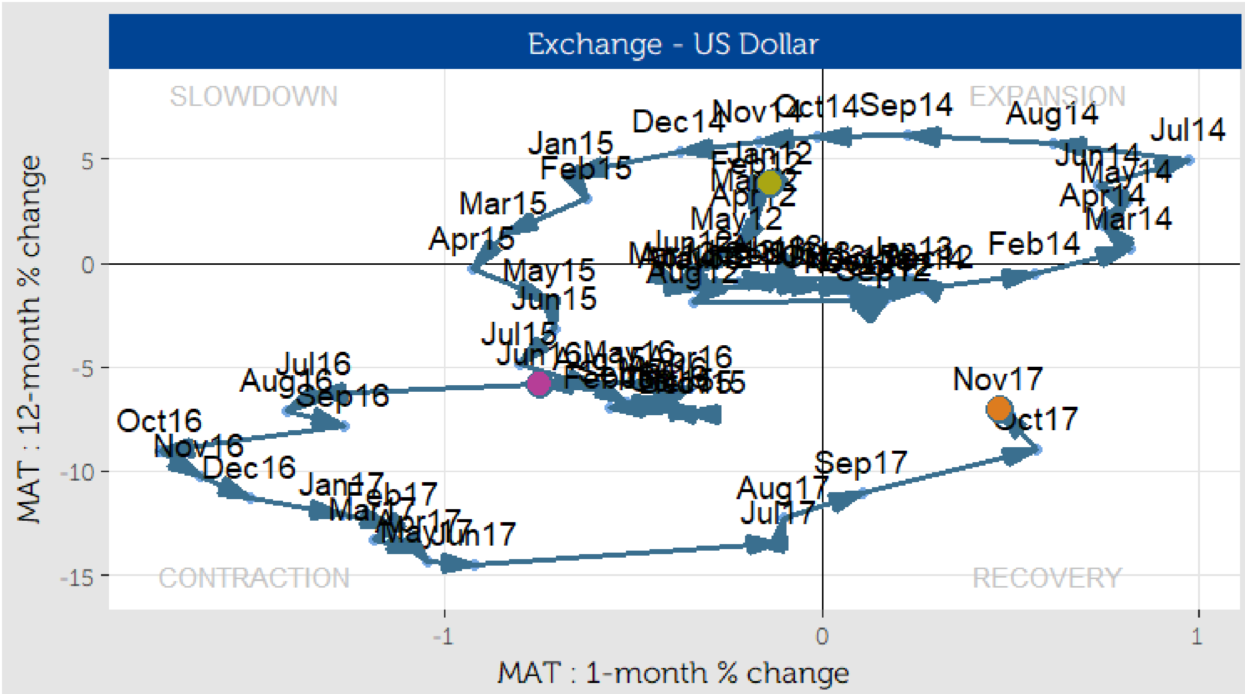
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



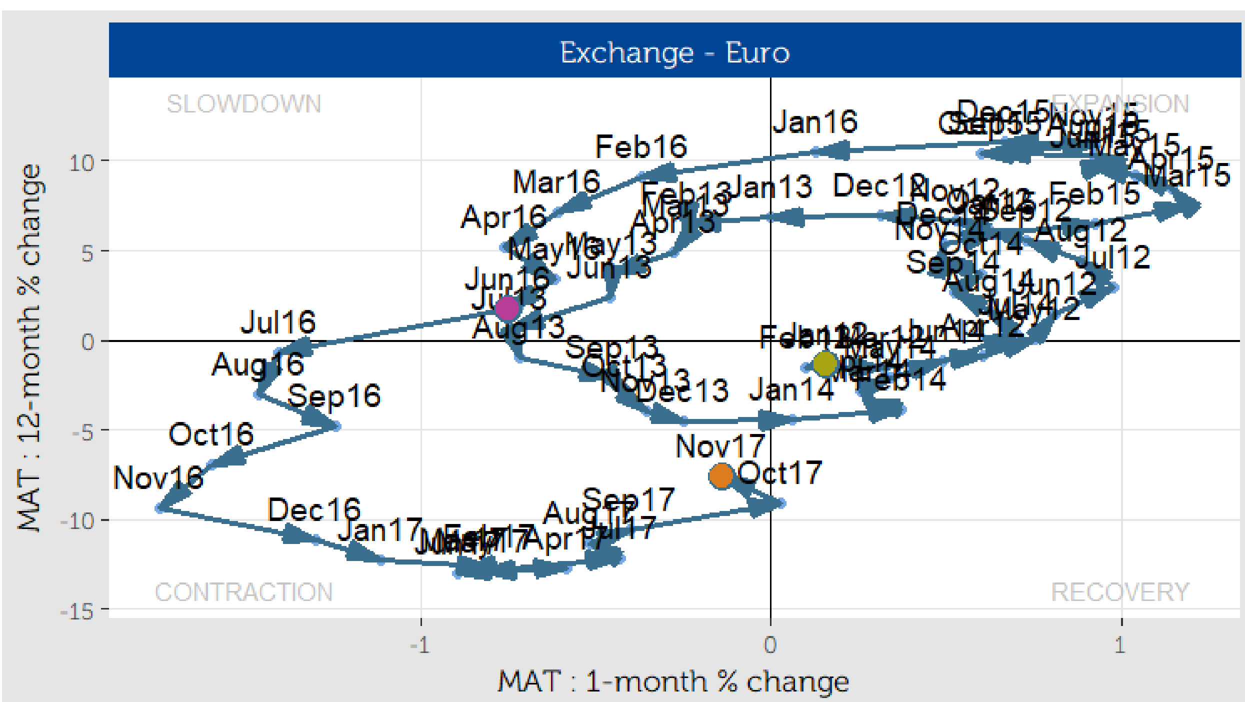
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

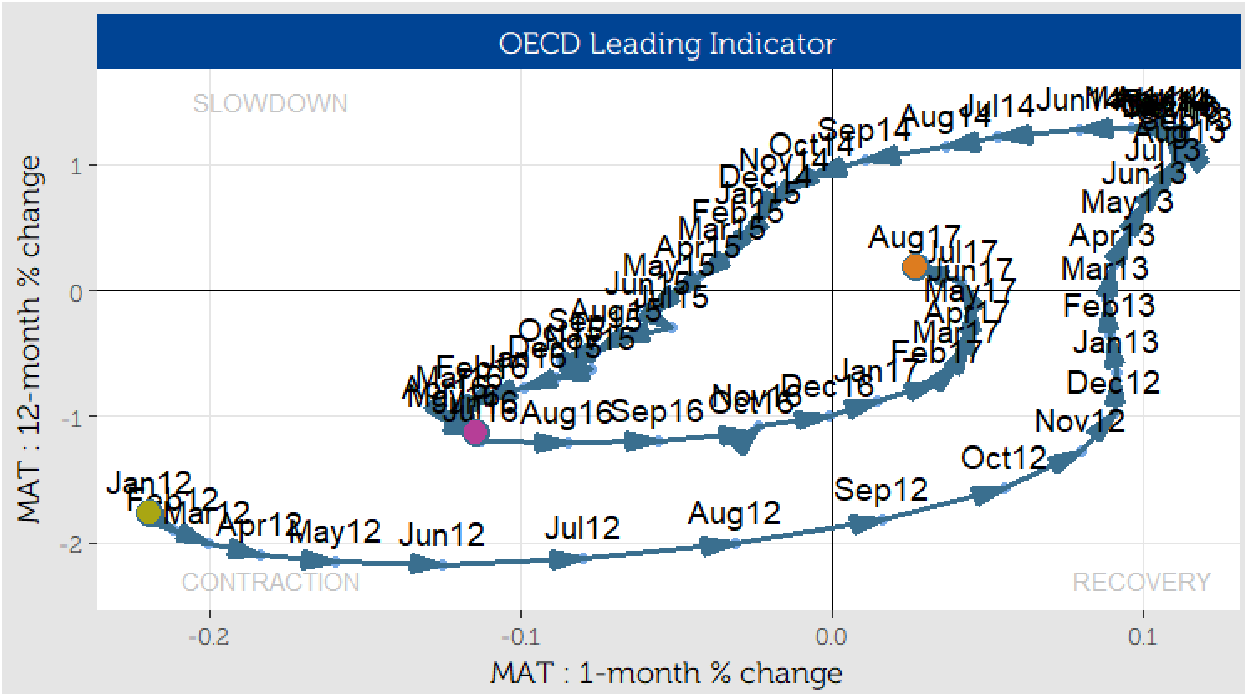
12.2 Exchange Rate (USD)



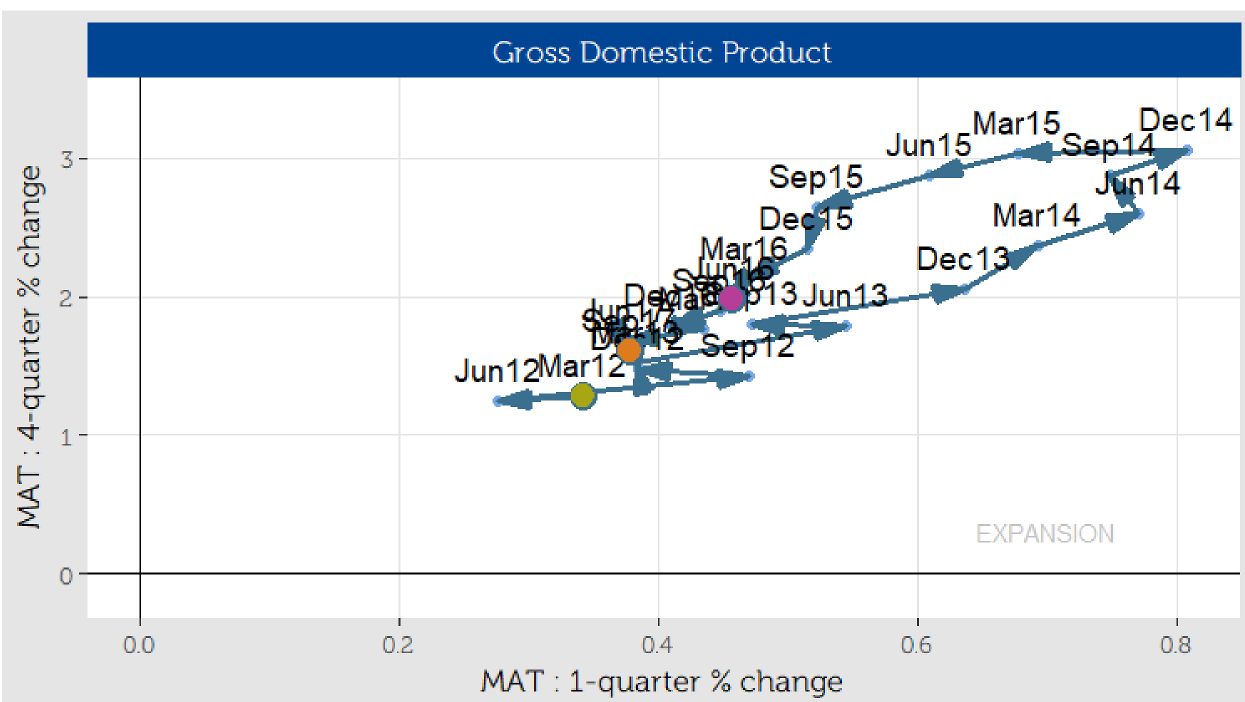
12.3 Exchange Rate (Euro)



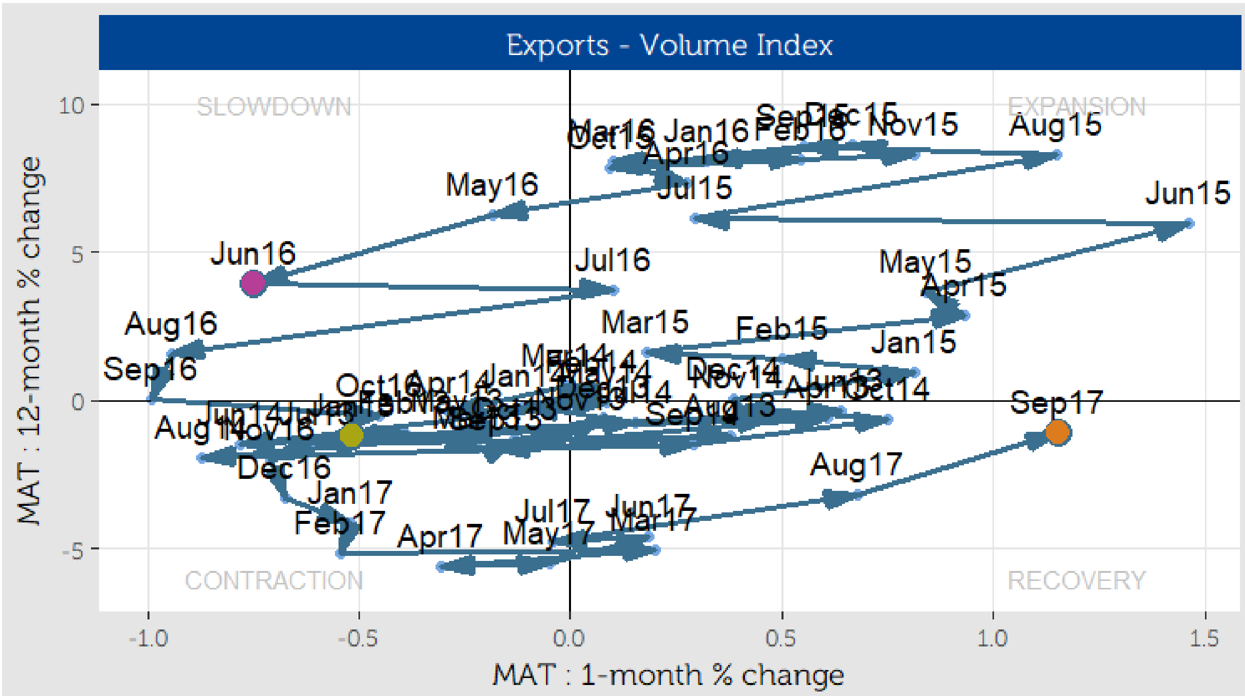
12.4 OECD Composite Leading Indicator - UK



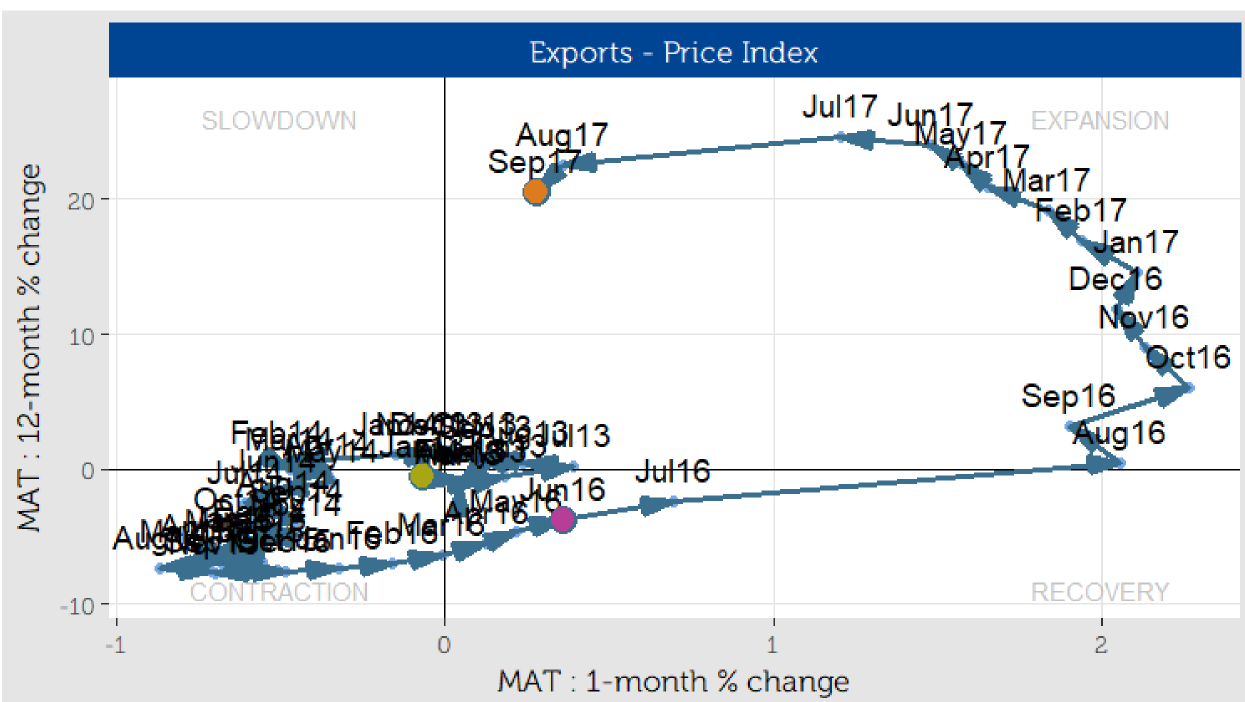
12.5 Gross Domestic Product - GDP (ABMI-PGDP)



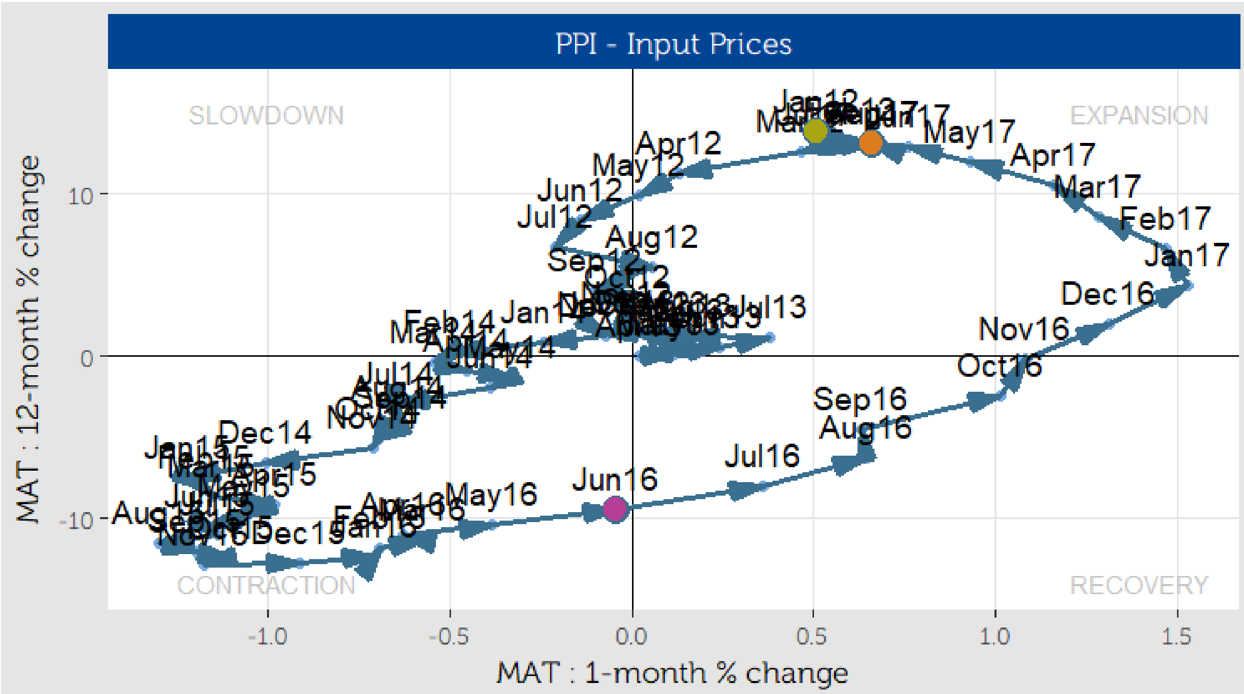
12.6 Exports - Volume Index (BQKU)



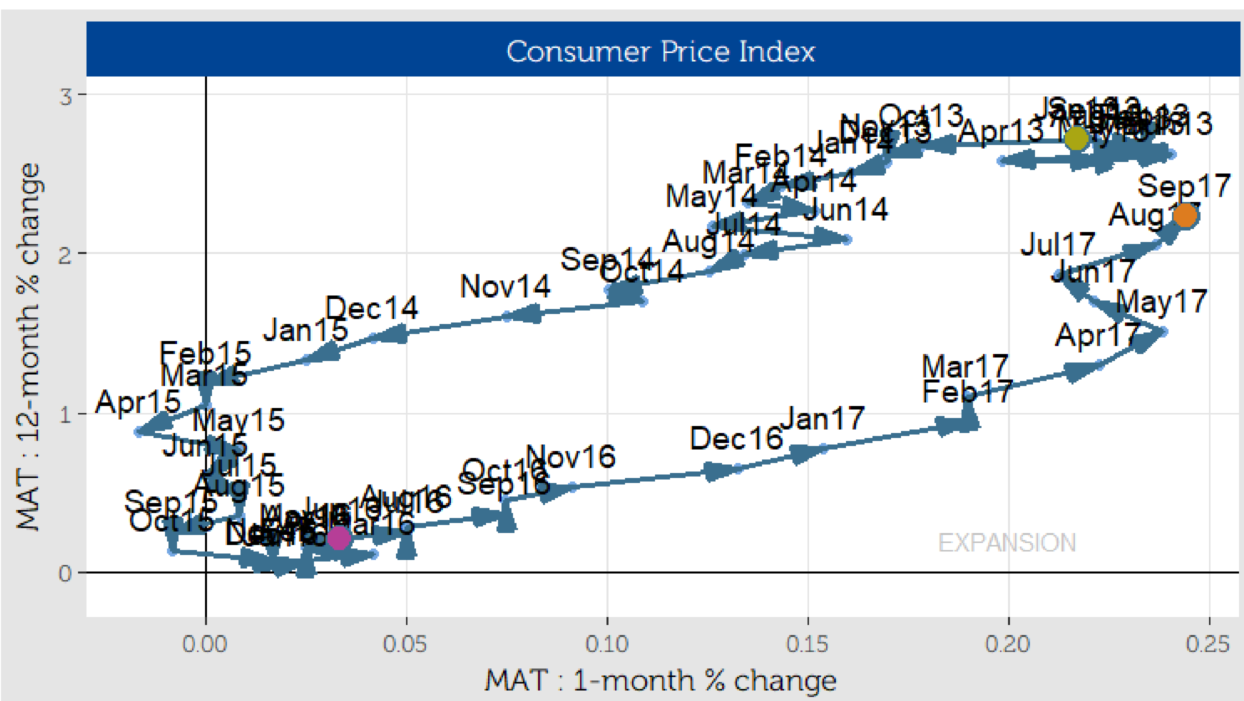
12.7 Exports - Price Index (BQKR)



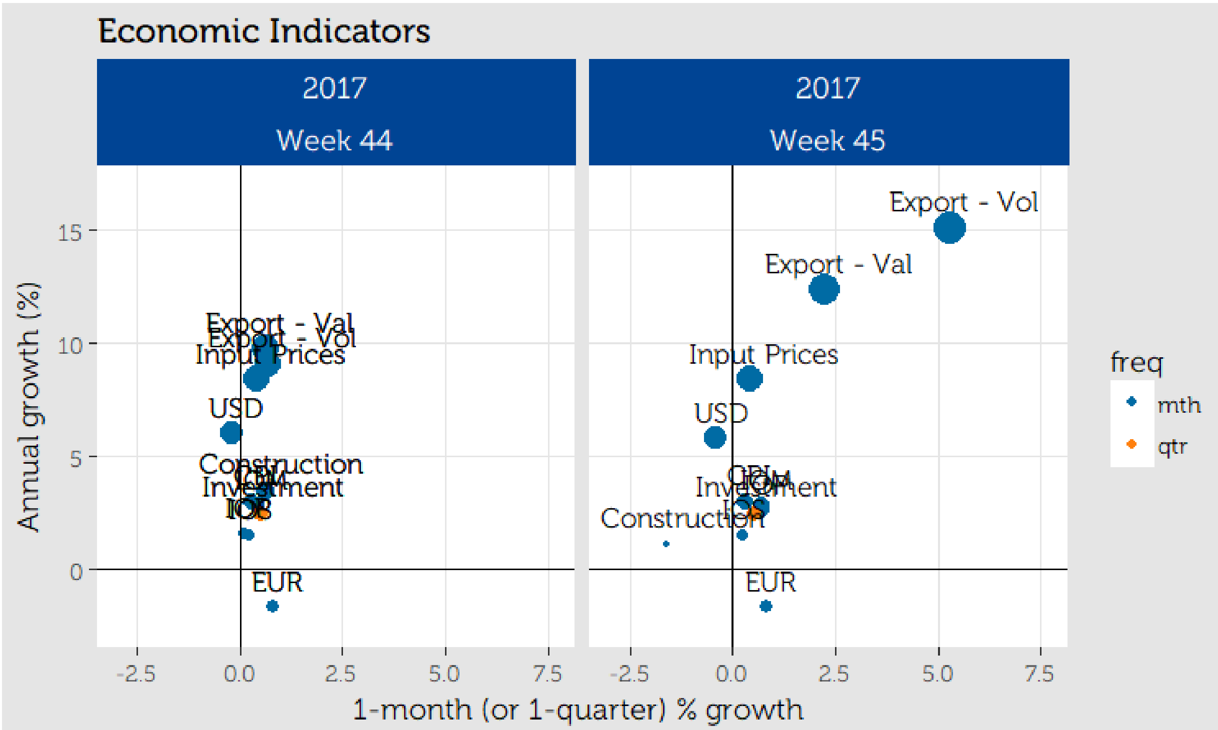
12.8 Input Prices (K646)

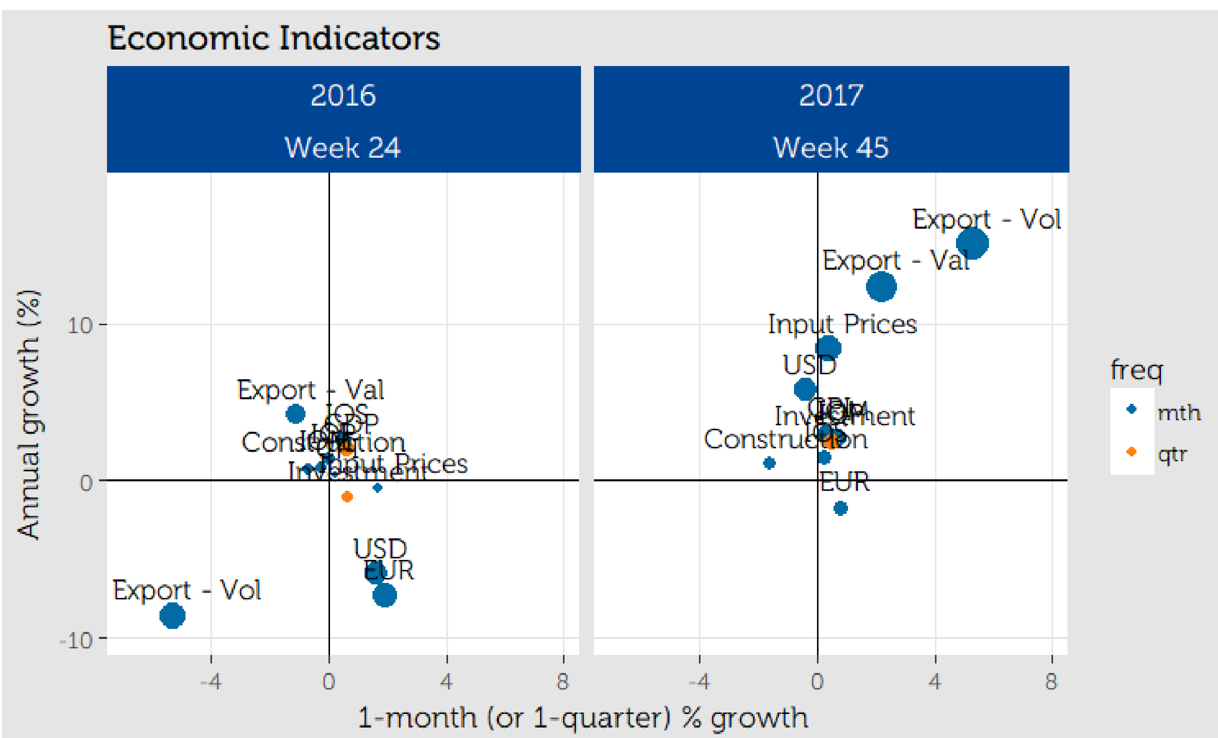


12.9 Consumer Price Index (D7BT)



12.10 Current State

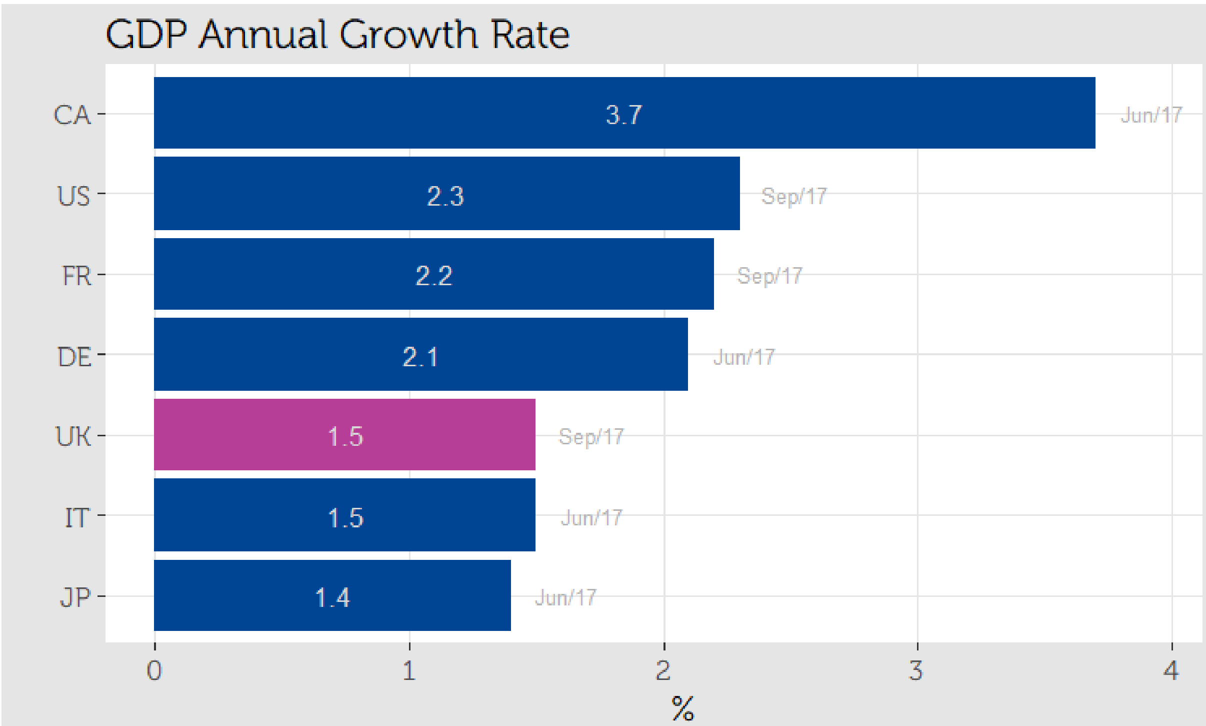


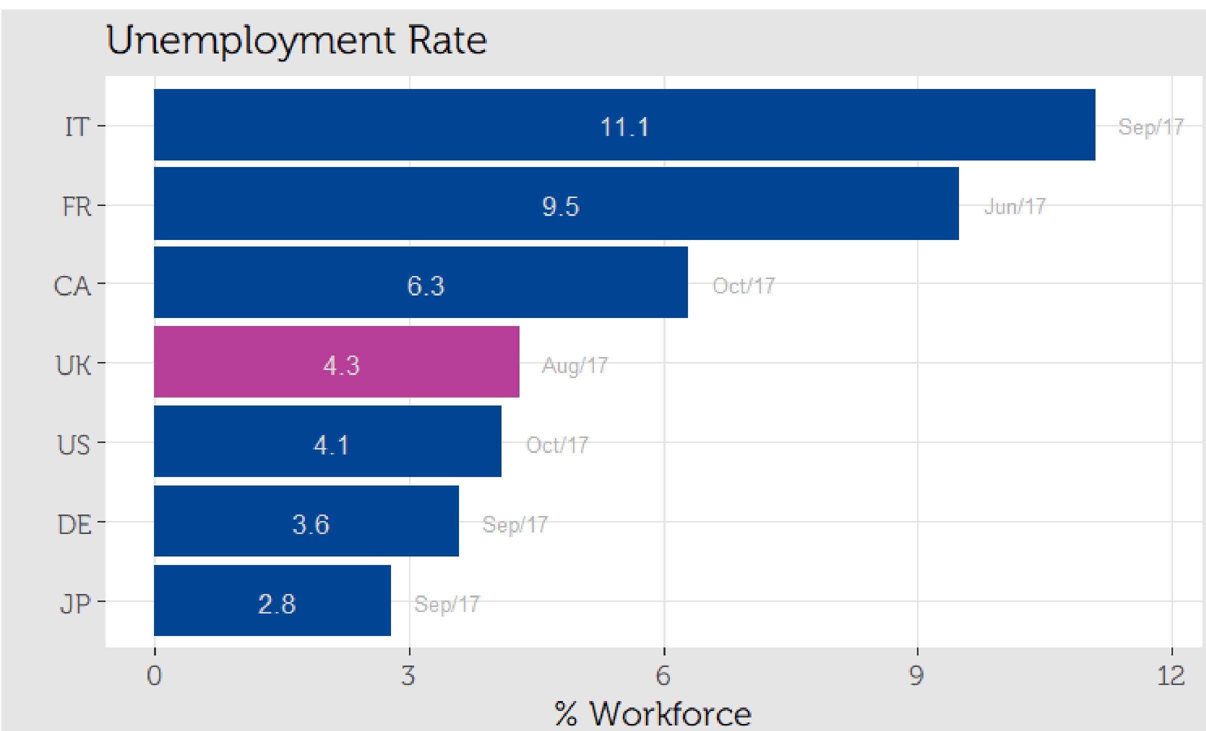


Top: Indicators growth - Current week versus previous week.
Bottom: Indicators Growth - Before Referendum vote versus current week

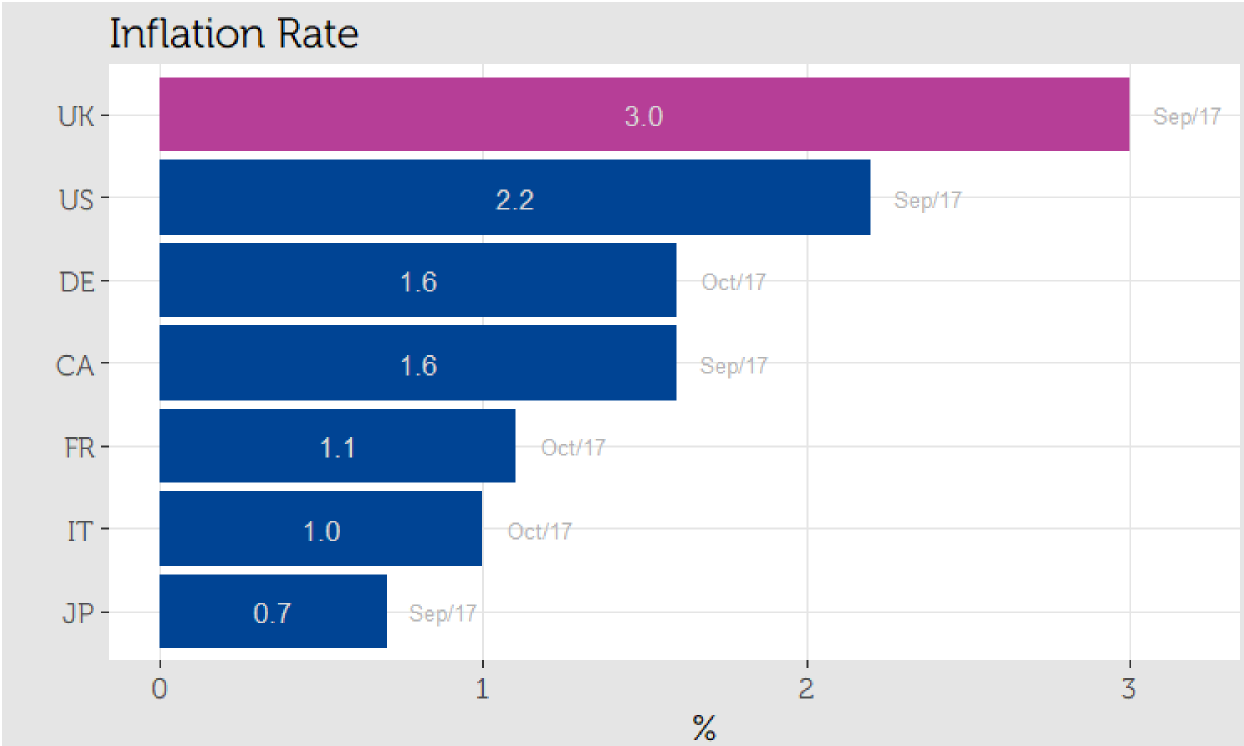
13 G7 Indicators (Latest)

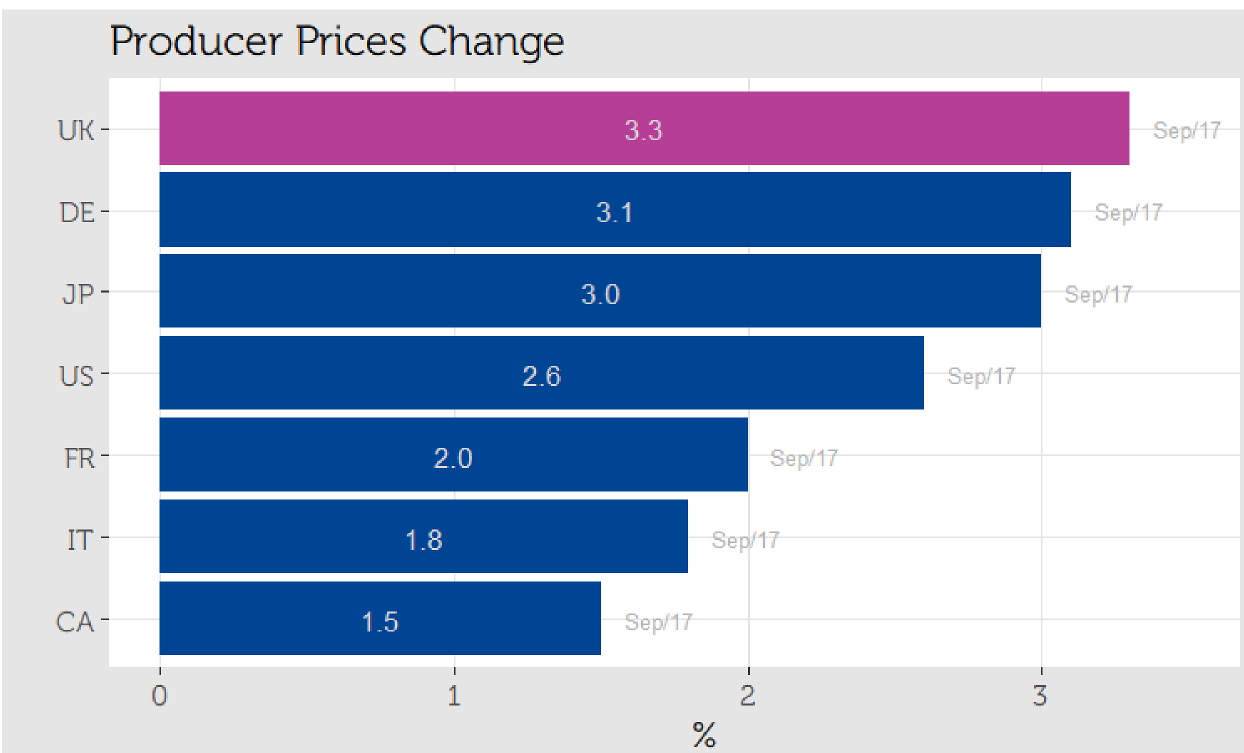
13.1 GDP & Unemployment



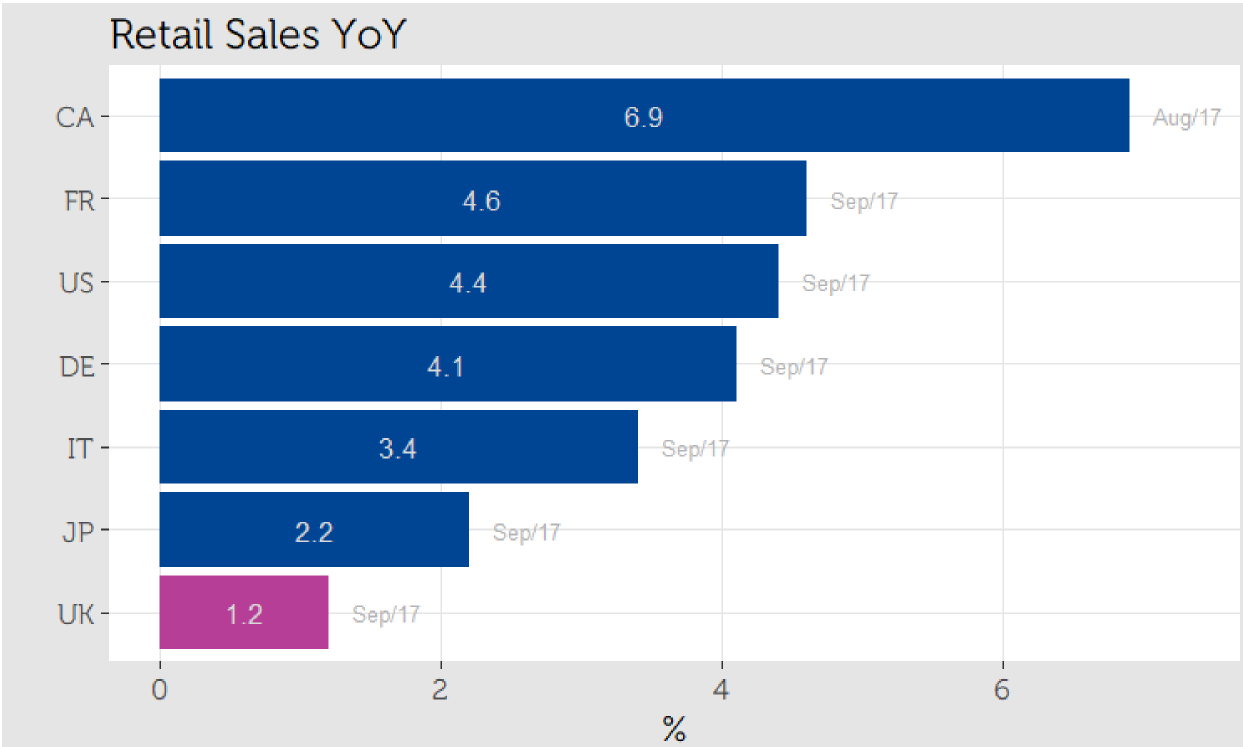


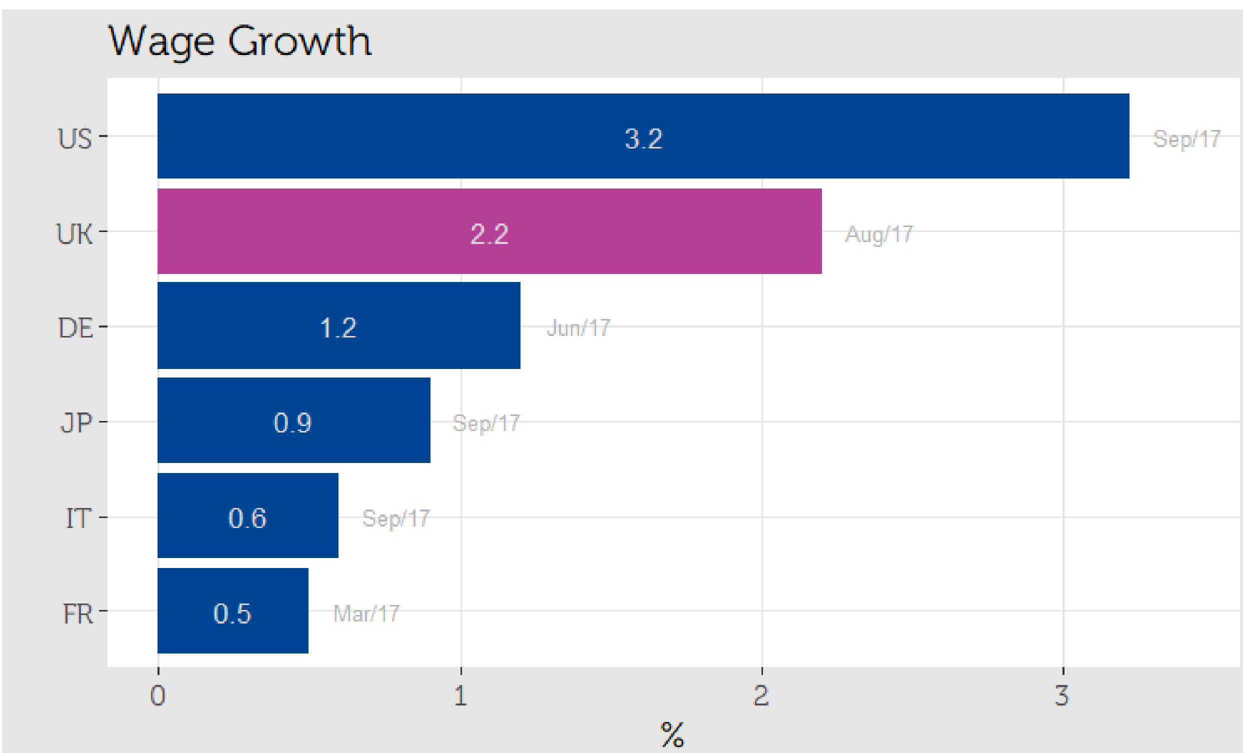
13.2 Inflation & Producer Prices



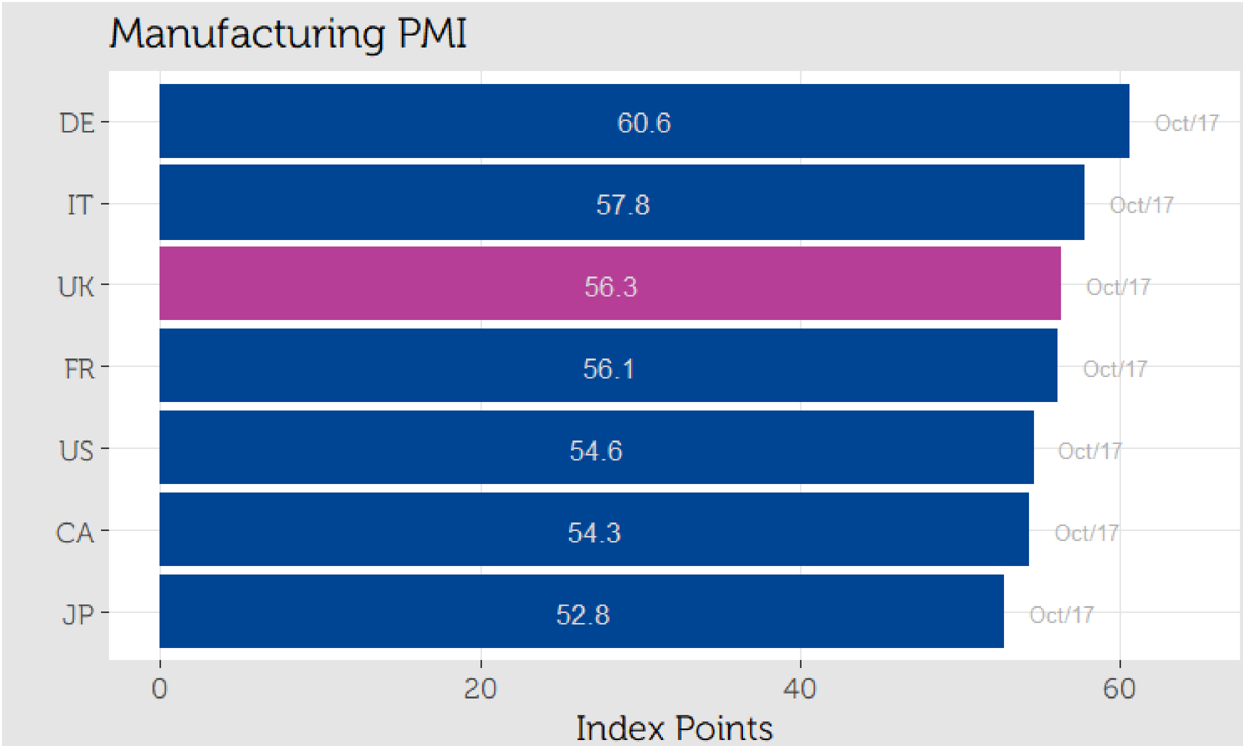


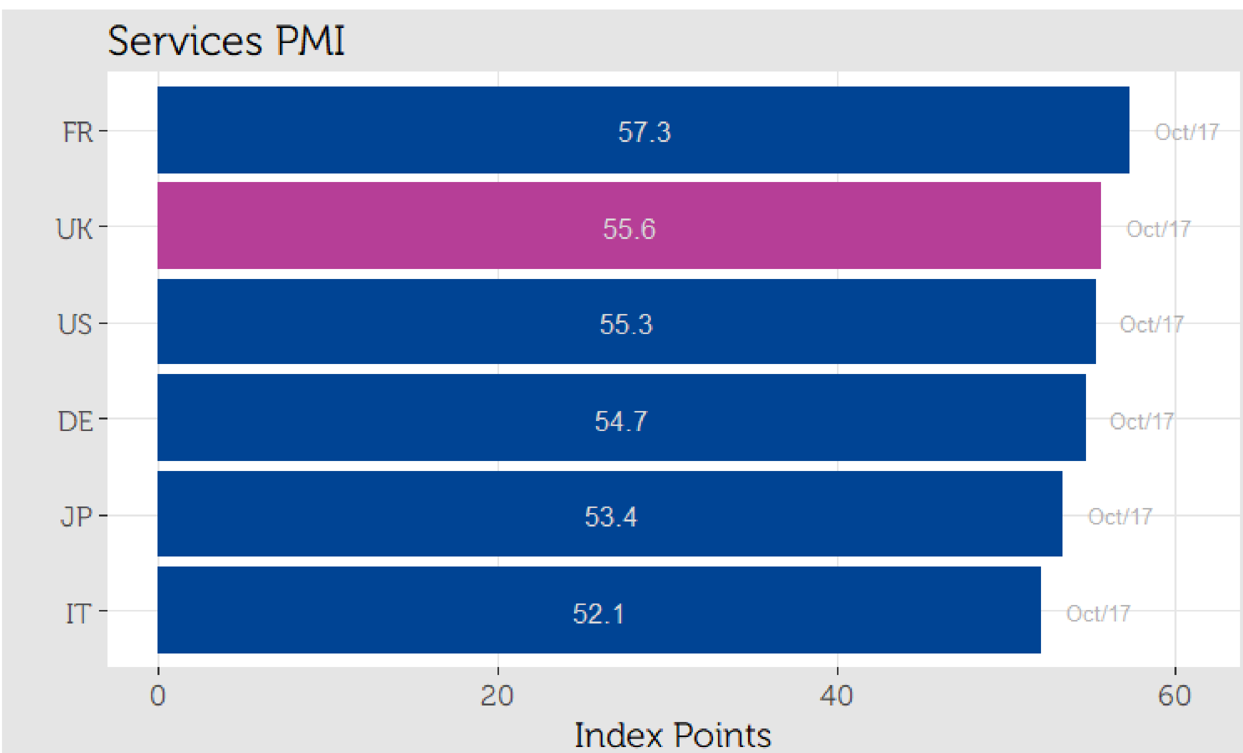
13.3 Retail Sales & Wage Growth



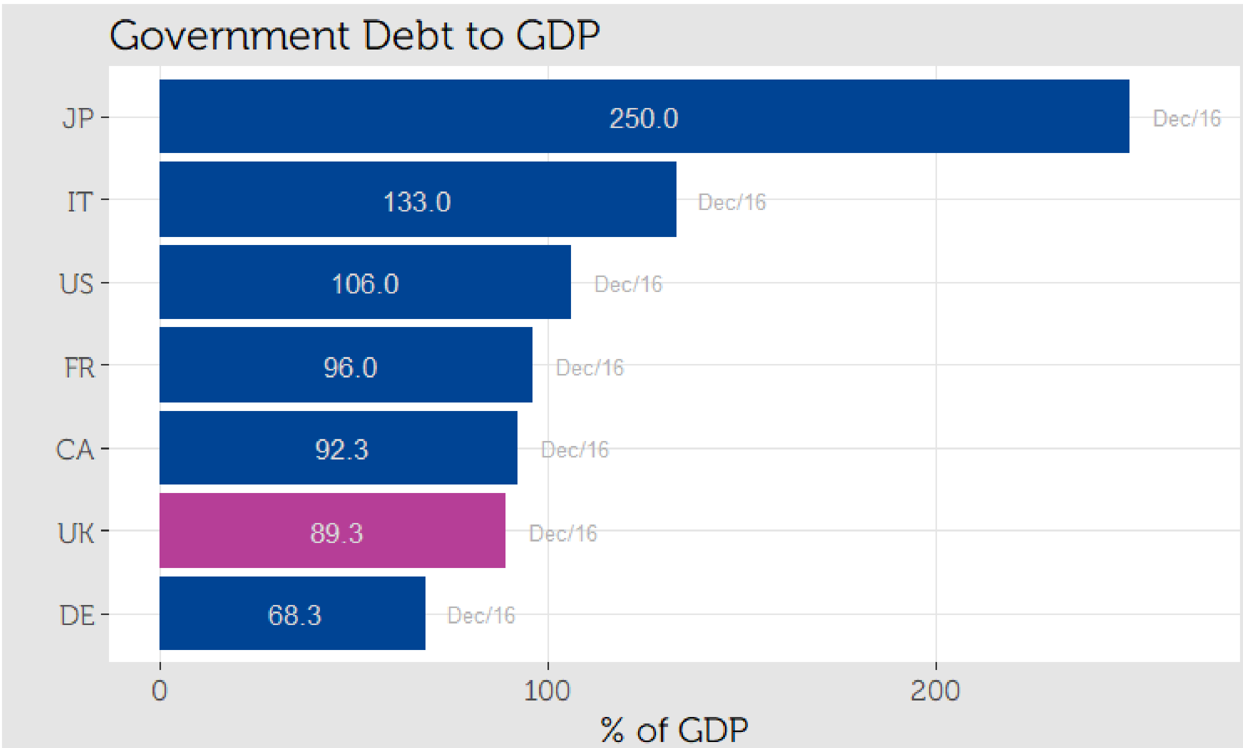


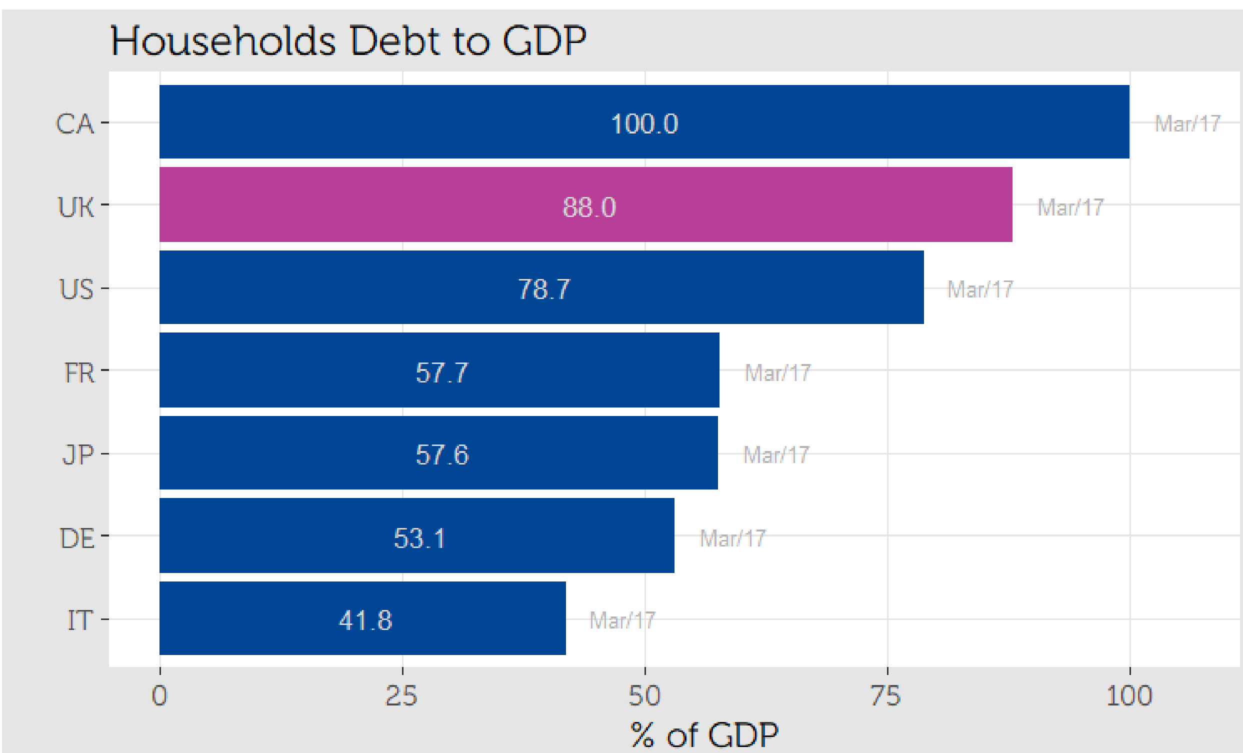
13.4 Purchasers Managers Index - Manufacturing & Services



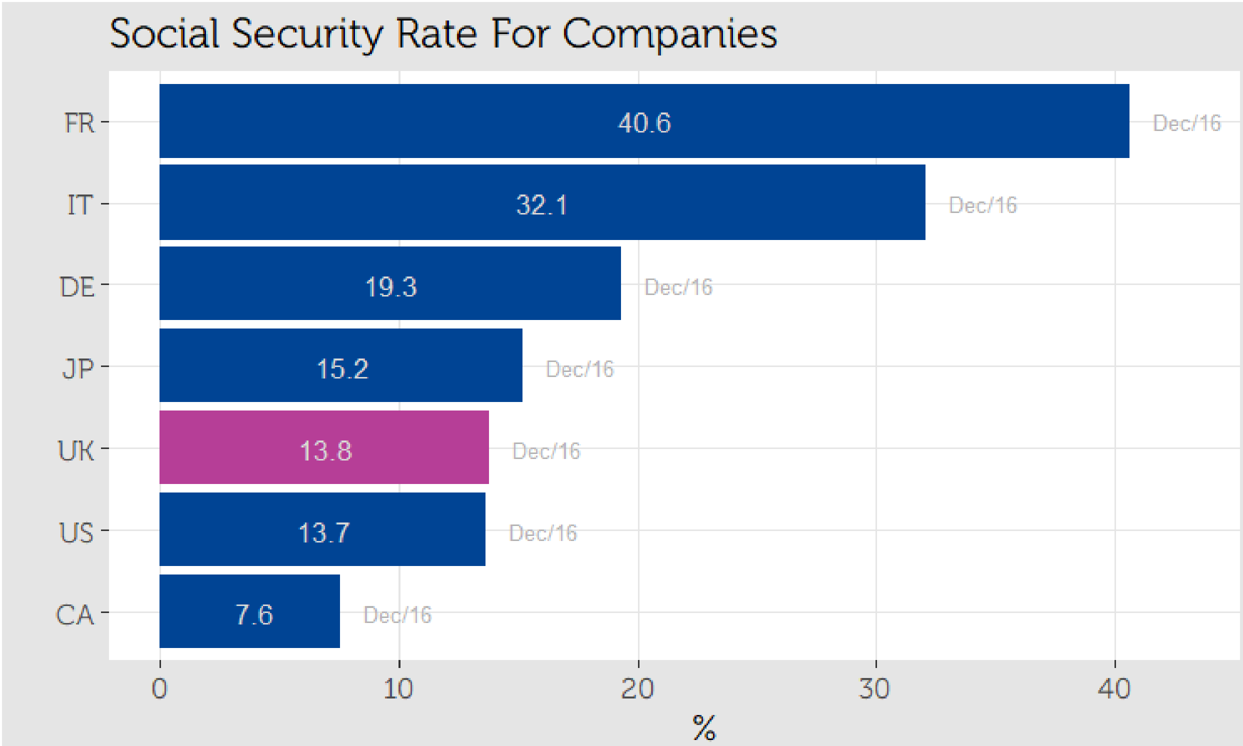


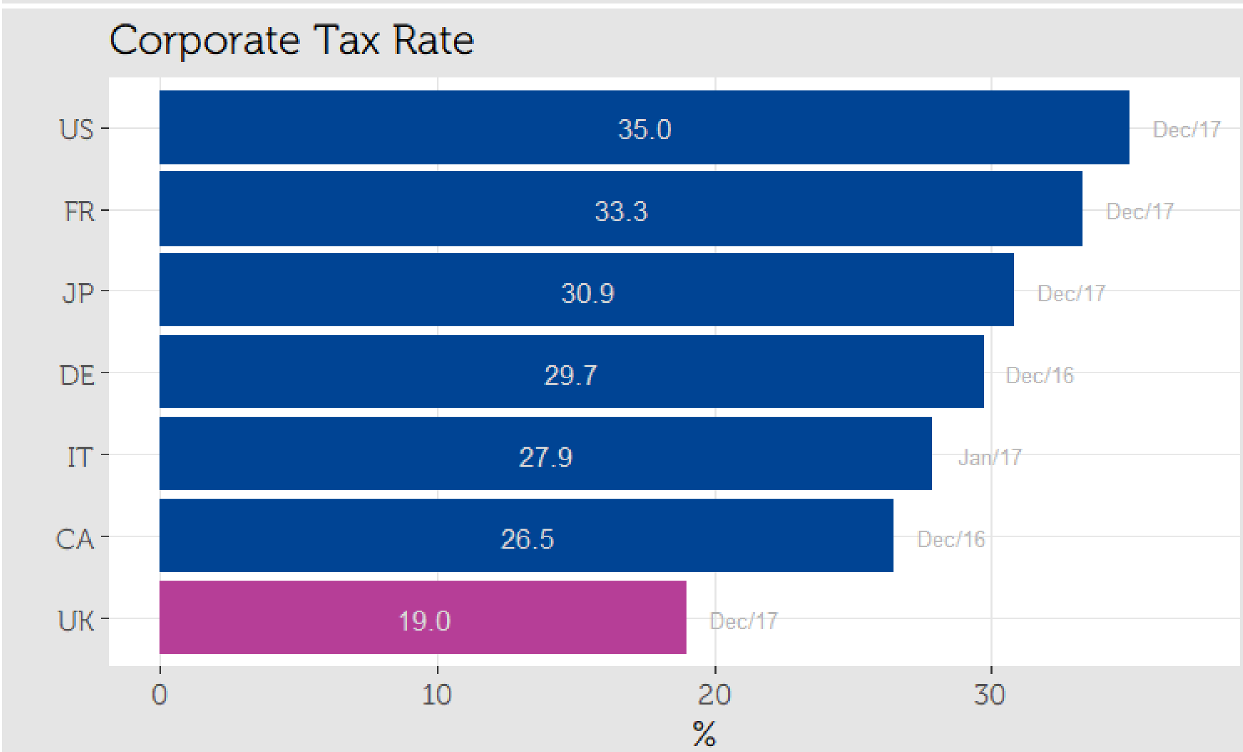
13.5 Debt


Government Debt to GDP
JP
IT
US
FR
CA
UK
DE
250.0
133.0
106.0
96.0
92.3
89.3
68.3
Dec/16
0
100
200
% of GDP


Households Debt to GDP
CA
UK
US
FR
JP
DE
IT
100.0
88.0
78.7
57.7
57.6
53.1
41.8
Mar/17
0
25
50
75
100
% of GDP

13.6 Employer Social Security Rate & Corporate Tax

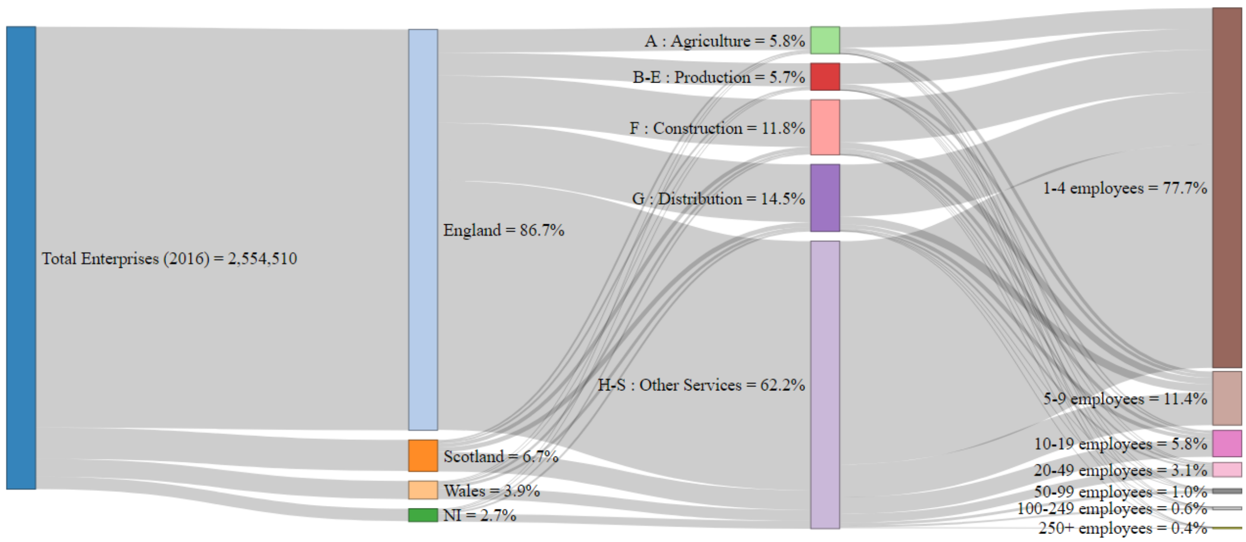




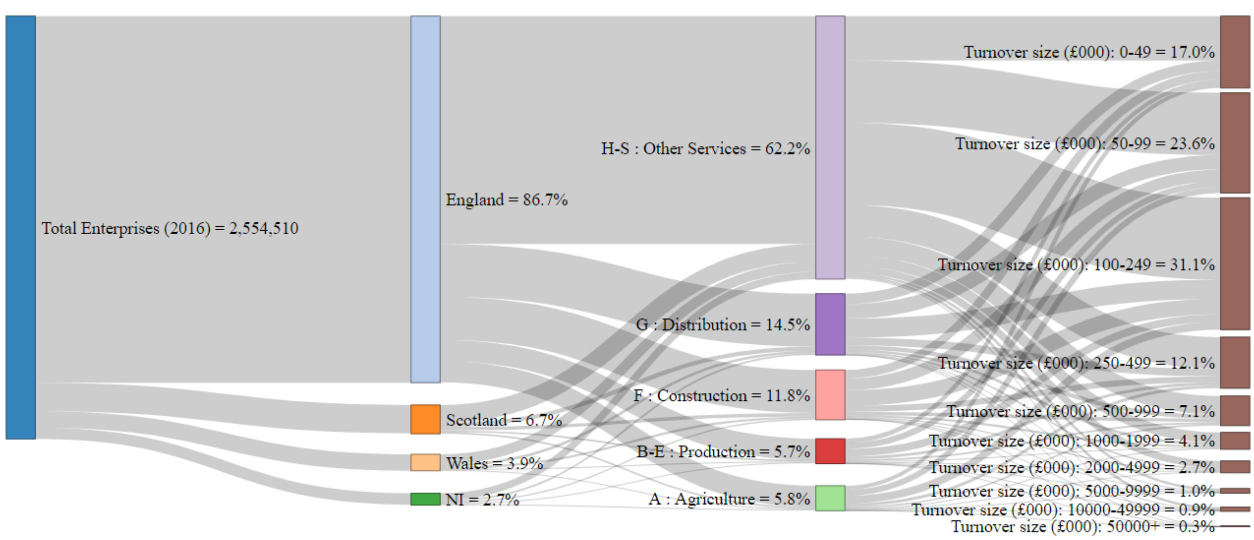
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

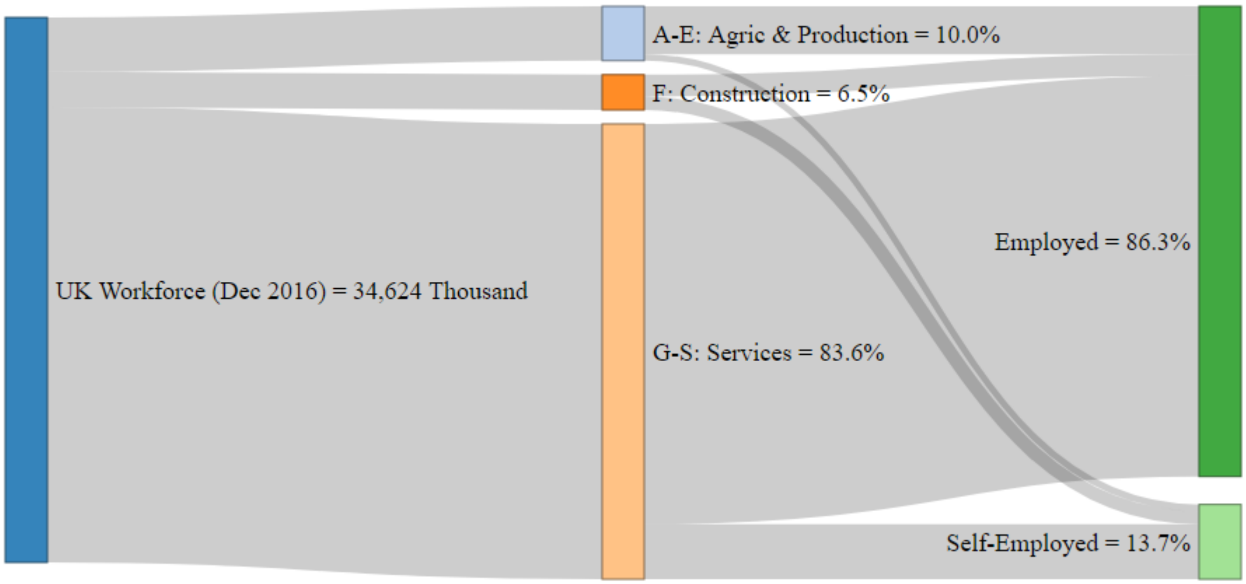


A.2 Enterprises by Turnover Size Band

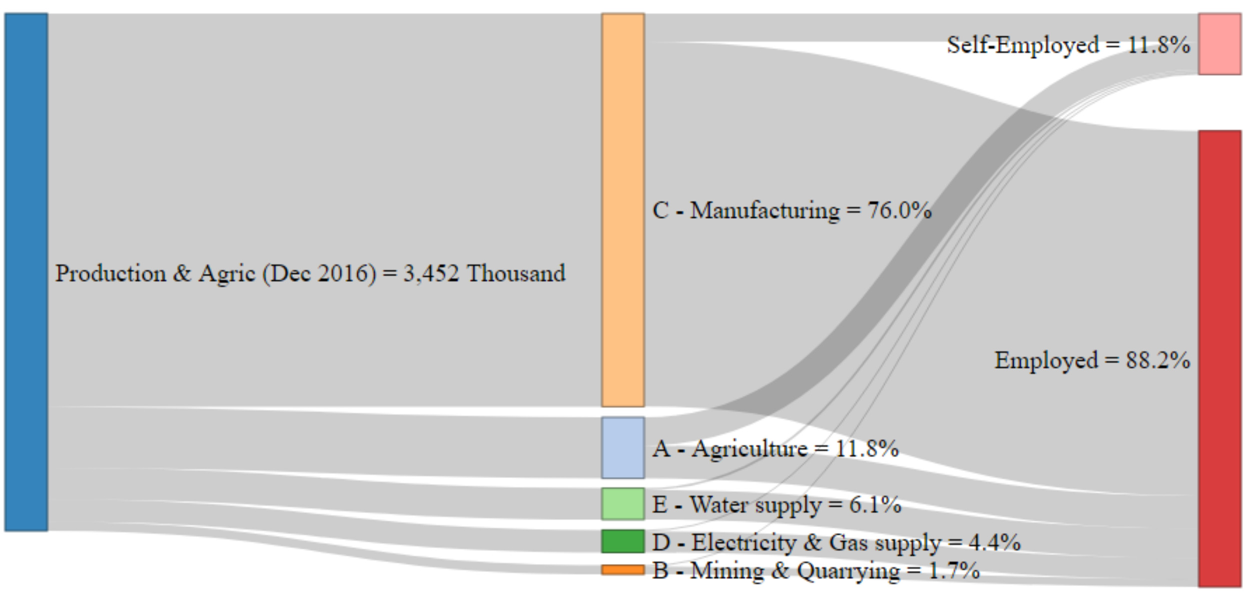


B UK Employment Structure

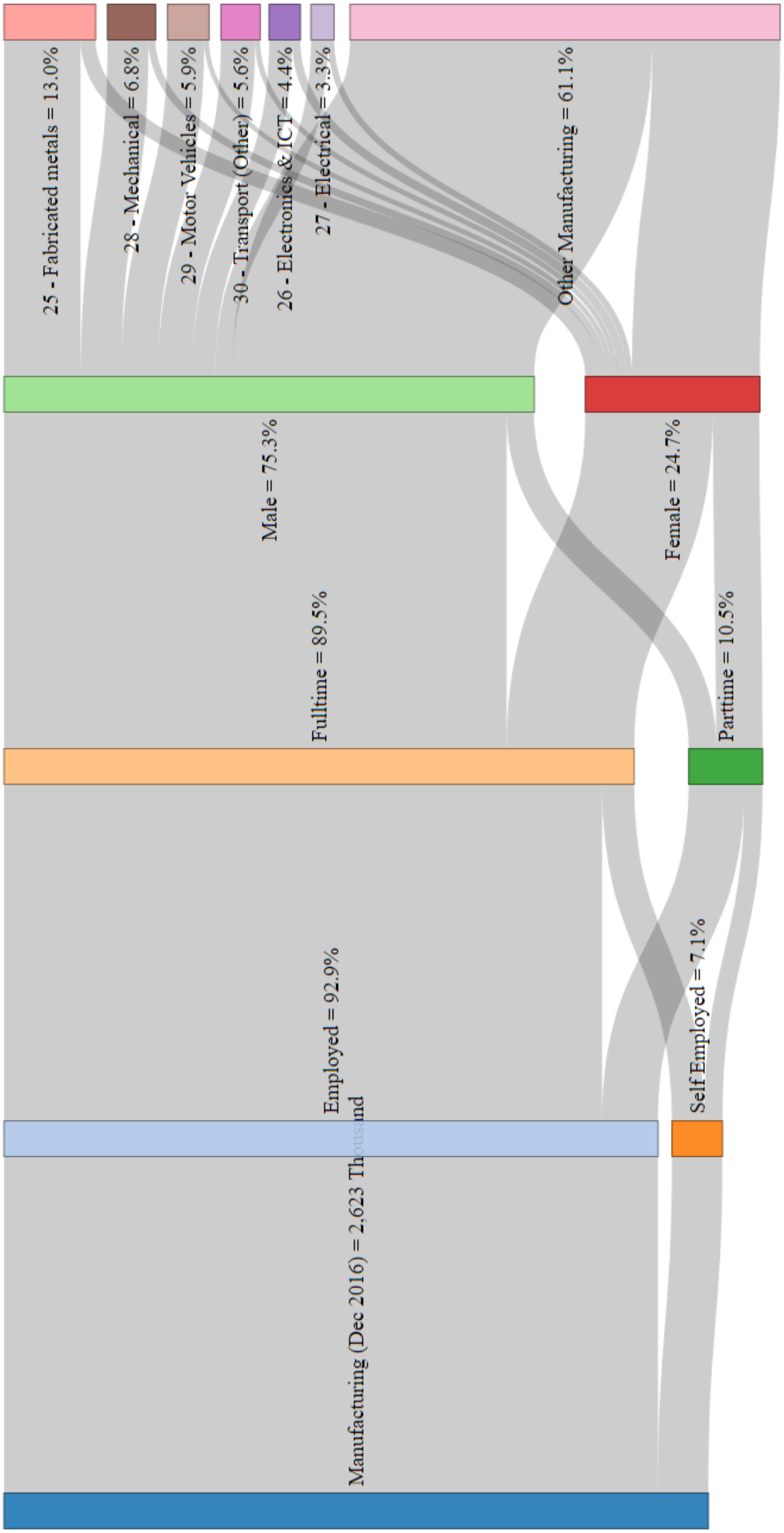
B.1 UK Workforce



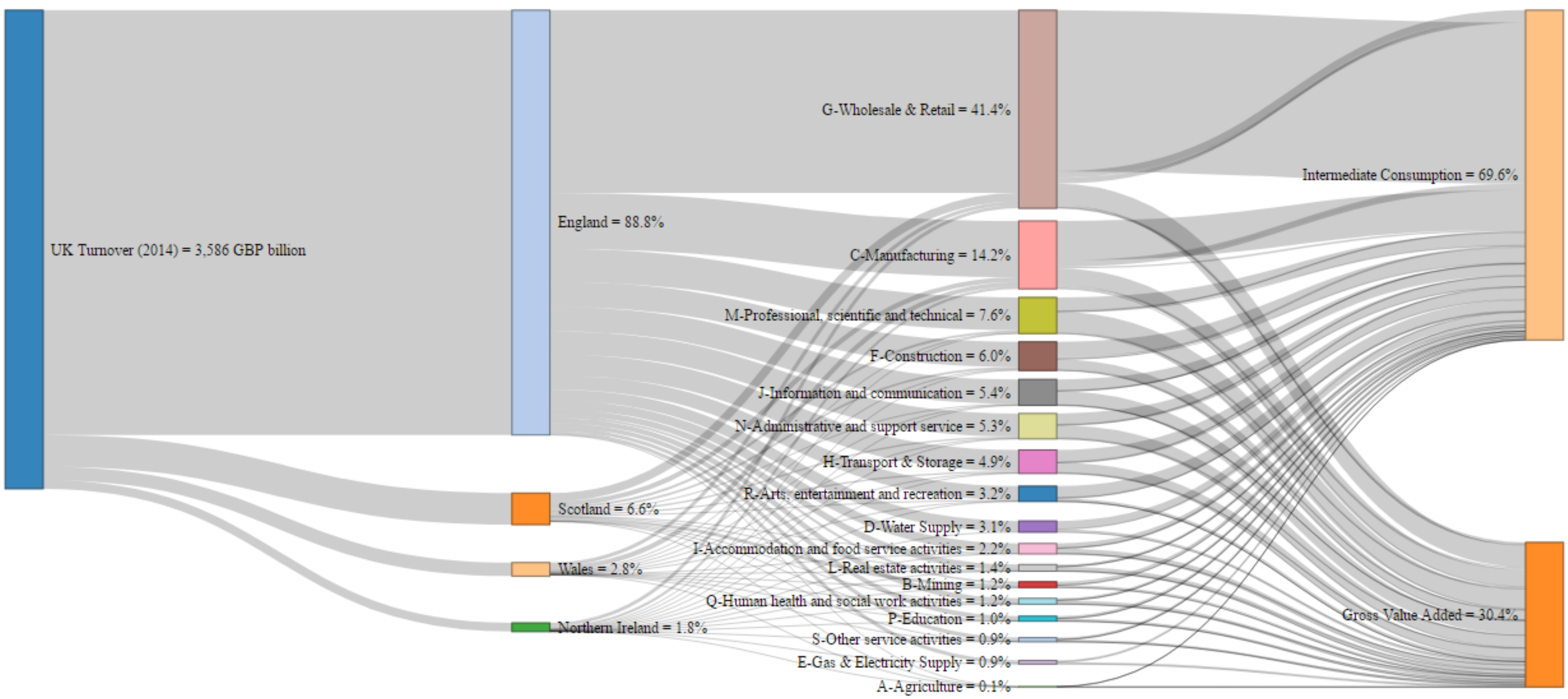
B.2 UK Production & Agriculture Workforce



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 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`.

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