



European Union Relationship & Industrial Strategy

Weekly
BREXIT WATCH
Week 49
December 2017

Brexit Watch - Week 49

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 49 in 2017 are as follows:

- ★ The month-to-date rate of the **Sterling** with **US Dollar** in December rose by 1.6% compared to November 2017, and also grew by 7.6% 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 production** grew by 3.5% in 12 months to October 2017, the highest since January 2011.
- ★ The **construction output**, at constant prices, fell by 0.2% to £12.4 billion in October 2017 compared twelve months earlier; the first decline after 18 successive growths.
- **Retail sales value** fell by 0.3% in the twelve months to October 2017, the lowest since March 2013.
- ★ **Exports** trade in **value** grew by 9.5% in October 2017 to £53.7 billion compared to twelve months earlier and **imports** also grew by 9.6% to £55.1 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%.

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Glossary

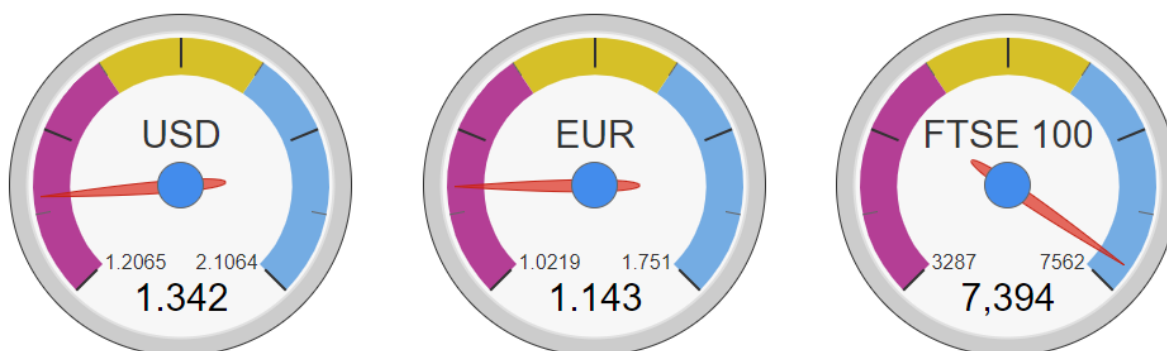
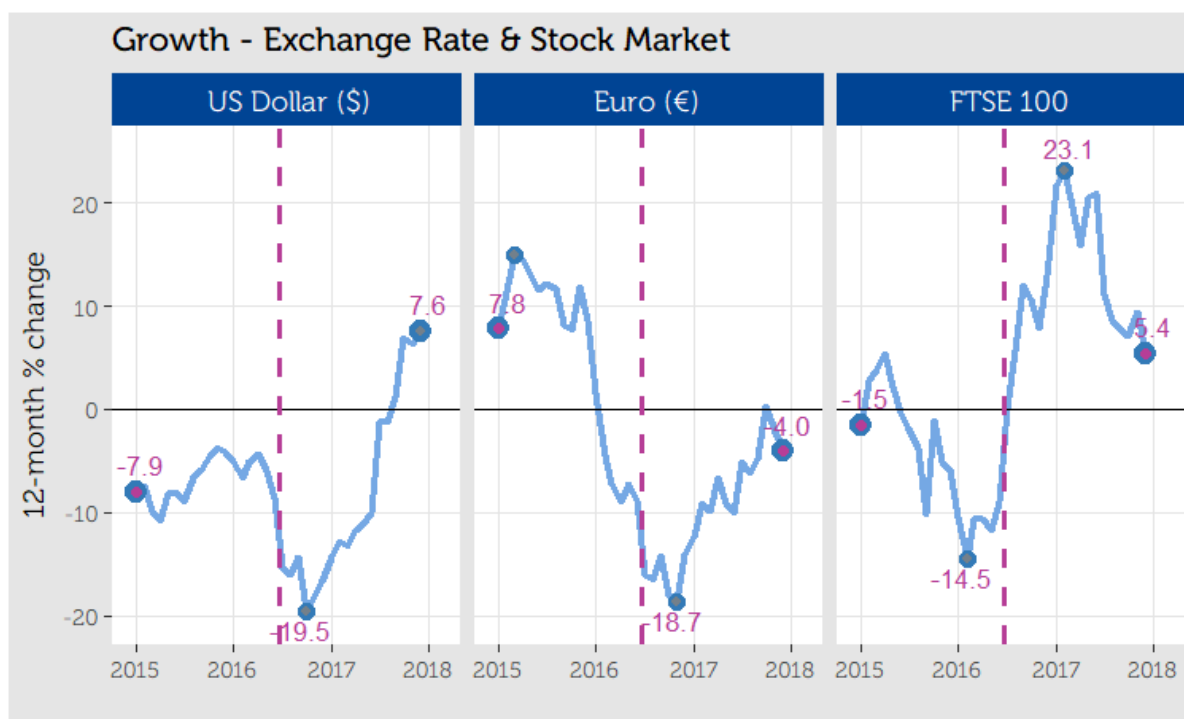
BEAMA	British Electrotechnical & Allied Manufacturers Association	IOS	Index of Services
CESA	Catering Equipment Suppliers Association	MAA	Moving Annual Average
CNY	Chinese Yuan	MAT	Moving Annual Total
CPI	Consumer Price Index	MTA	The Manufacturing Technologies Association
CPIH	Consumer Prices Index including owner occupiers' housing costs	MTD	Month to date
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
IOP	Index of Production	USD	US Dollar
		YOY%	Year on Year or Annual Percentage change
		YTD	Year to date

1 Exchange Rates & Stock Market

Sterling lost \$ 0.0072 against the **US Dollar** in week 49, finishing at 1.3416/GBP. The December (MTD) rate was 1.6% above November 2017, 7.6% above December 2016 and 7.6% below May 2016 (pre-brexit vote) level.

Sterling gained € 0.0076 against the **Euro** closing at 1.1425/GBP. The December (MTD) rate was 0.9% above November 2017, 4.0% below December 2016 and 11.6% below May 2016.

The **FTSE 100**, gained 94 points in Week 49, finishing at 7394.00. The December value (MTD) was 1.4% below November 2017 average, 5.4% above December 2016 and 19.0% higher than May 2016.

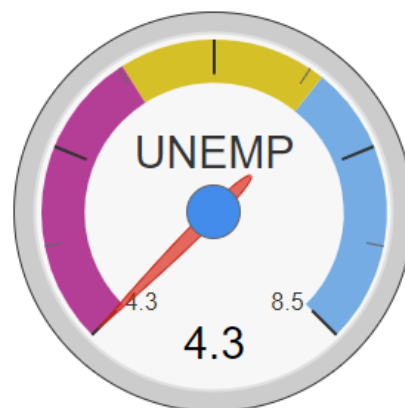
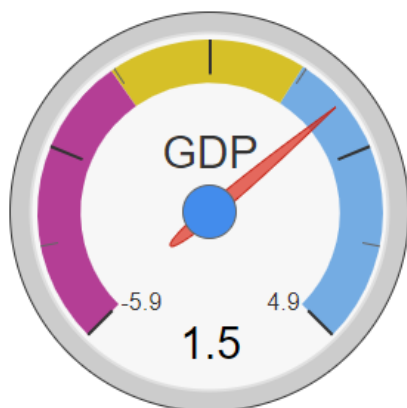
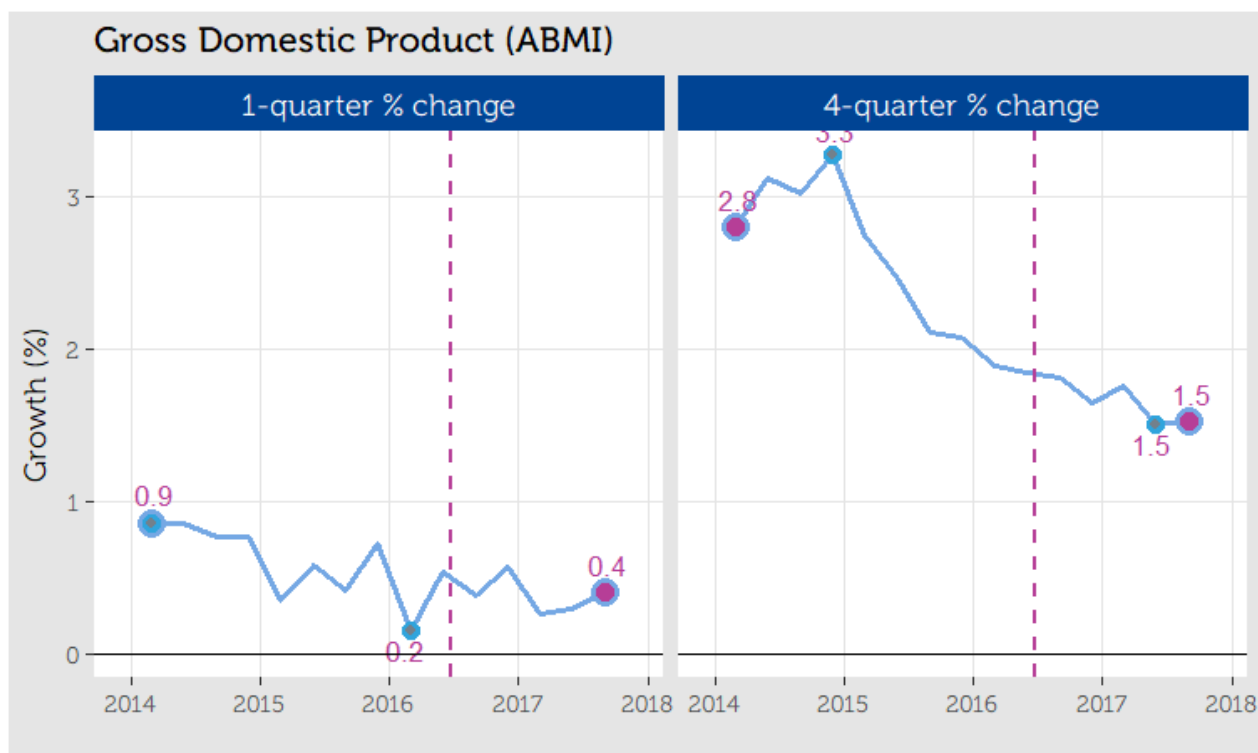


[Gauge charts: Daily exchange rates and closing stock values since January 1999]

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.

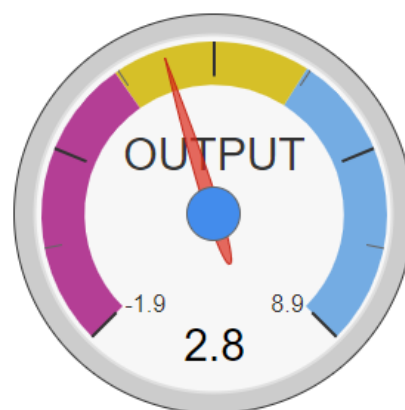
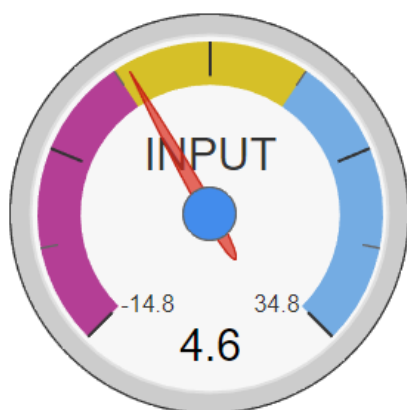
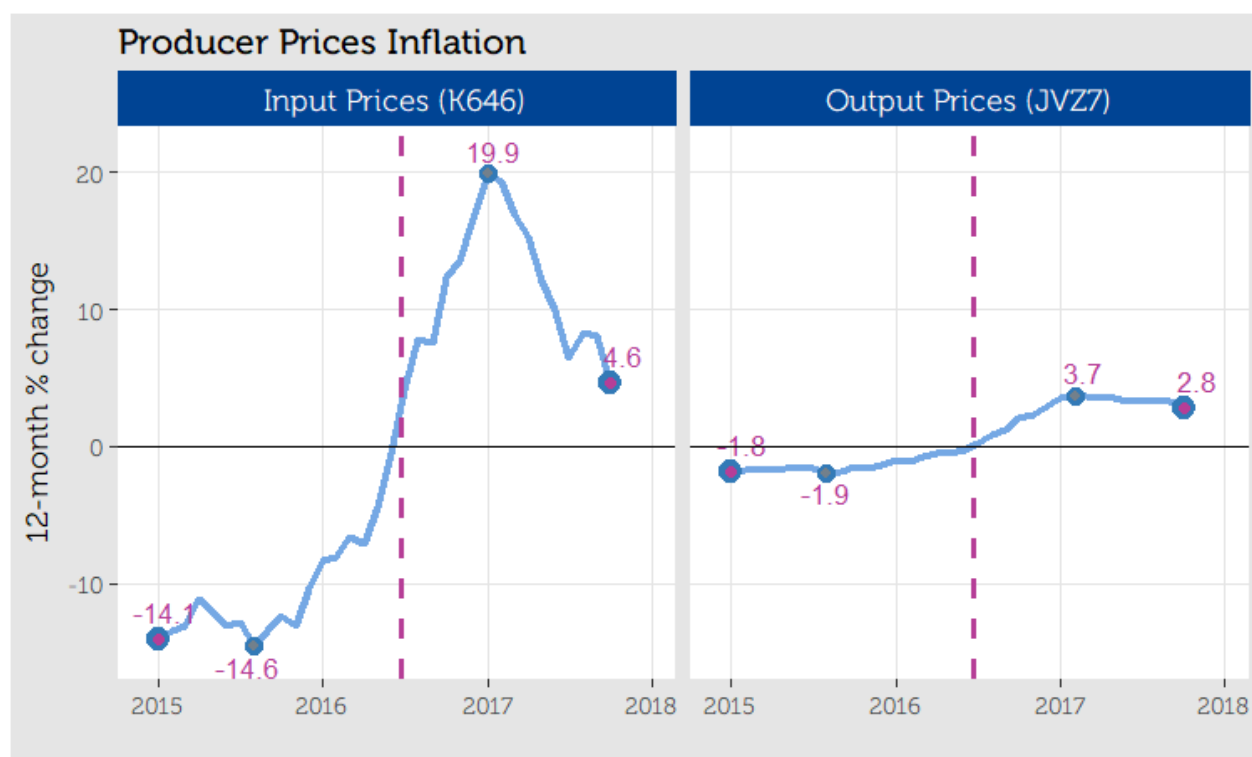


[Guage Charts: GDP = 4-quarter % change since Jan 2000, UNEMP = Unemployment rate since 2000]

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.



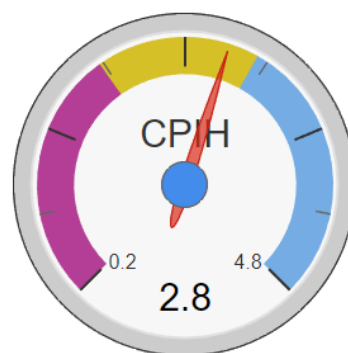
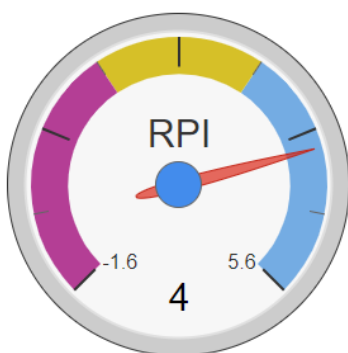
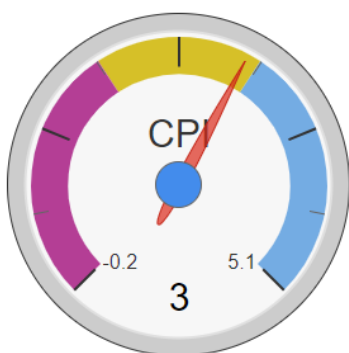
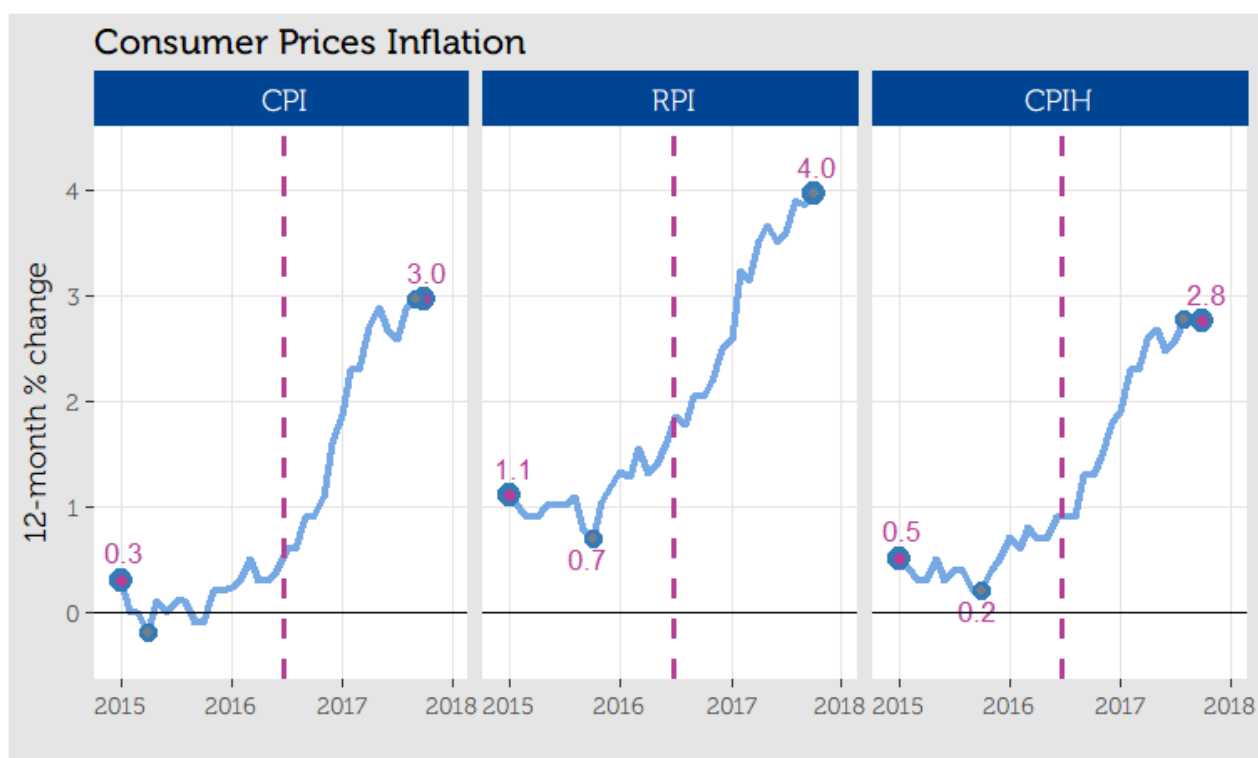
[Gauge Charts: 12-month % change since Jan 2000, INPUT = Input price, OUTPUT=Factory gate prices]

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.



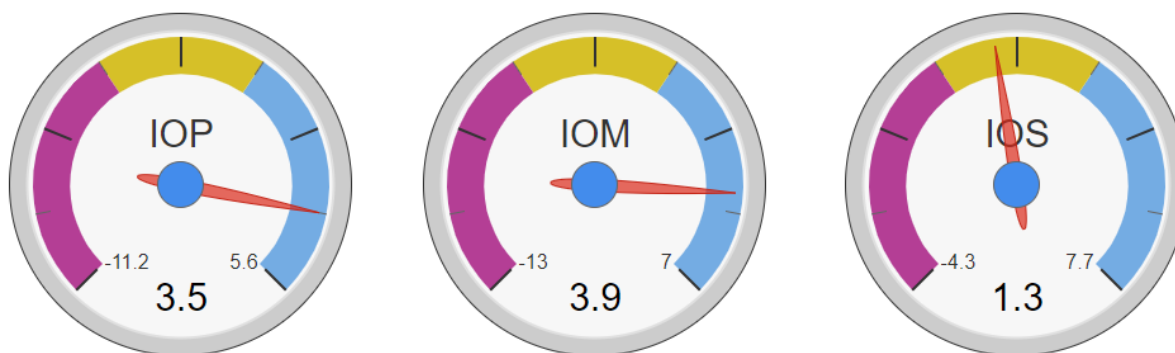
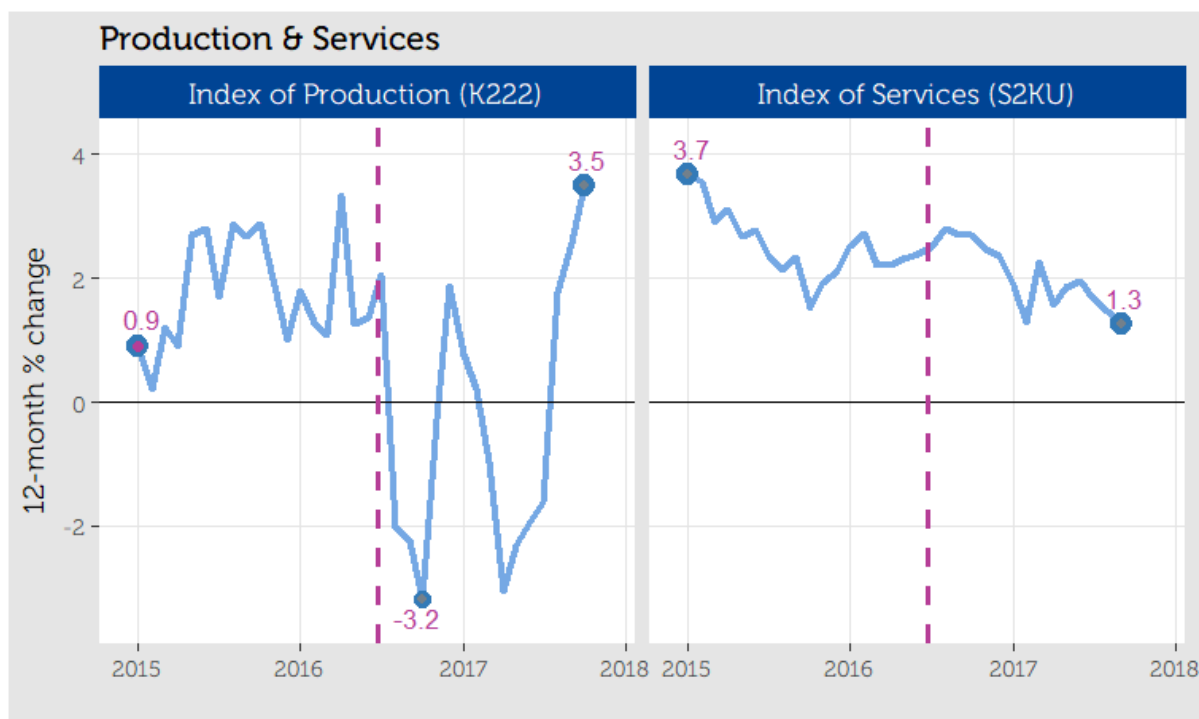
[Gauge Charts: 12-month % change since Jan 2000; CPIH data starts from Jan 2005]

5 Production & Services

Index of production (IOP), the production output at constant prices, remained unchanged between September and October 2017 but grew by 3.5% compared to twelve months earlier. It is the highest 12-month growth since January 2011.

Index of manufacturing (IOM) grew by 0.1% in October compared with September 2017 and also grew by 3.9% compared to twelve months earlier. It is the highest twelve month growth since April 2014.

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.

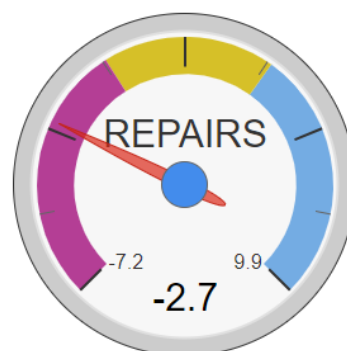
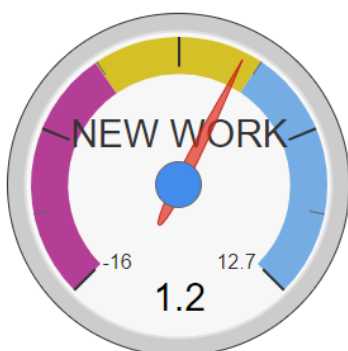
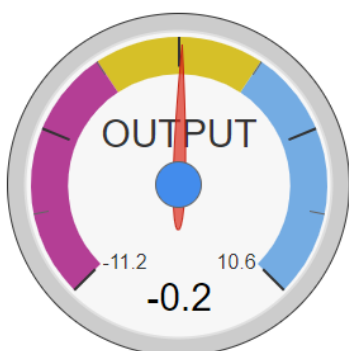
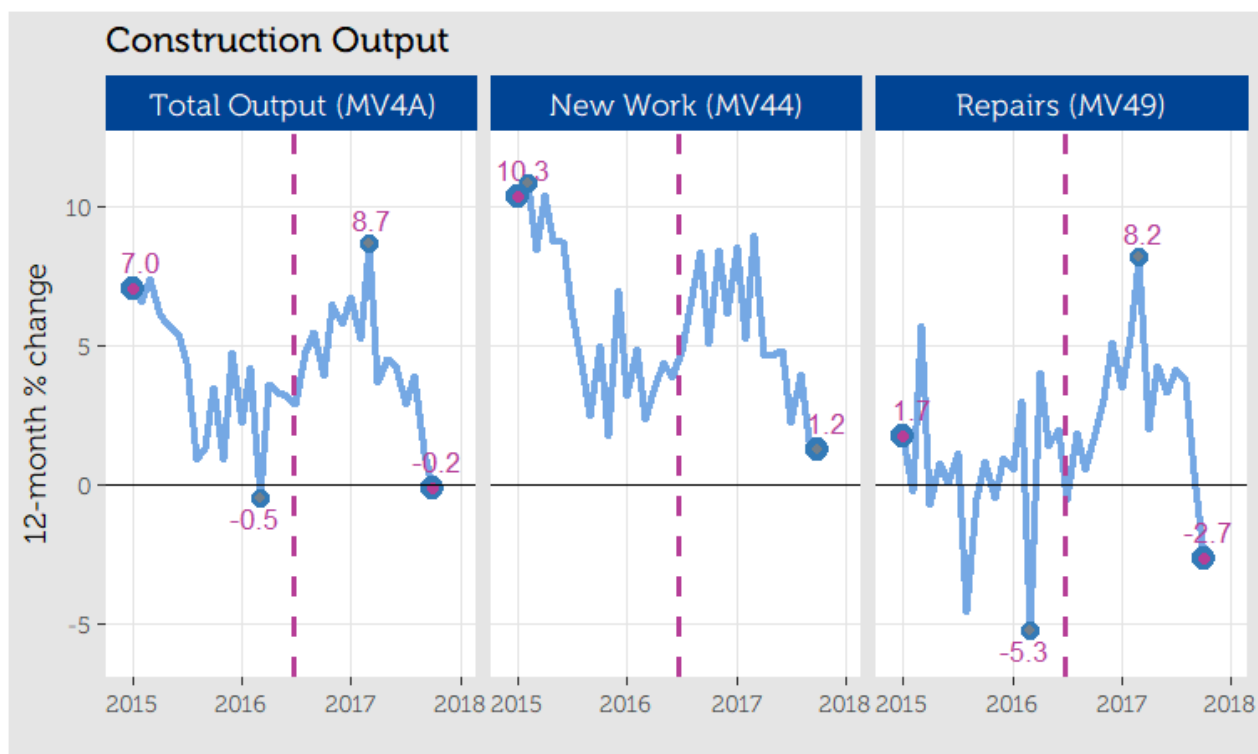


[Gauge Charts: 12-month % change since Jan 2000]

6 Construction

Total **construction output**, at constant prices, fell by 1.7% in October 2017 to £12.4 billion, compared to September 2017. Compared to twelve months earlier, output in October 2017 also fell by 0.2%; the first yearly decline after 18 successive growths.

New construction work, fell by 1.5% to £8.1 billion in the month of October 2017 and **construction repairs** also fell by 2.0% to £4.2 billion in the same period. Compared to twelve months earlier, new construction work in October 2017 rose by 1.2% but repairs fell by 2.7%.

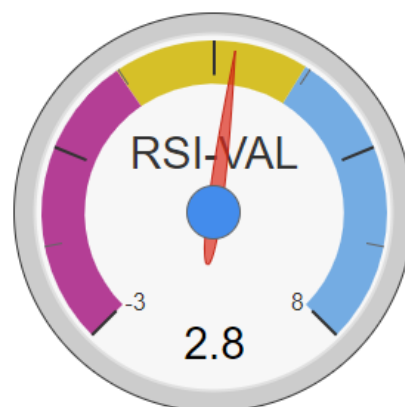
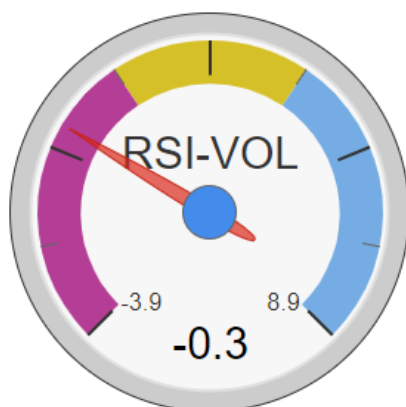
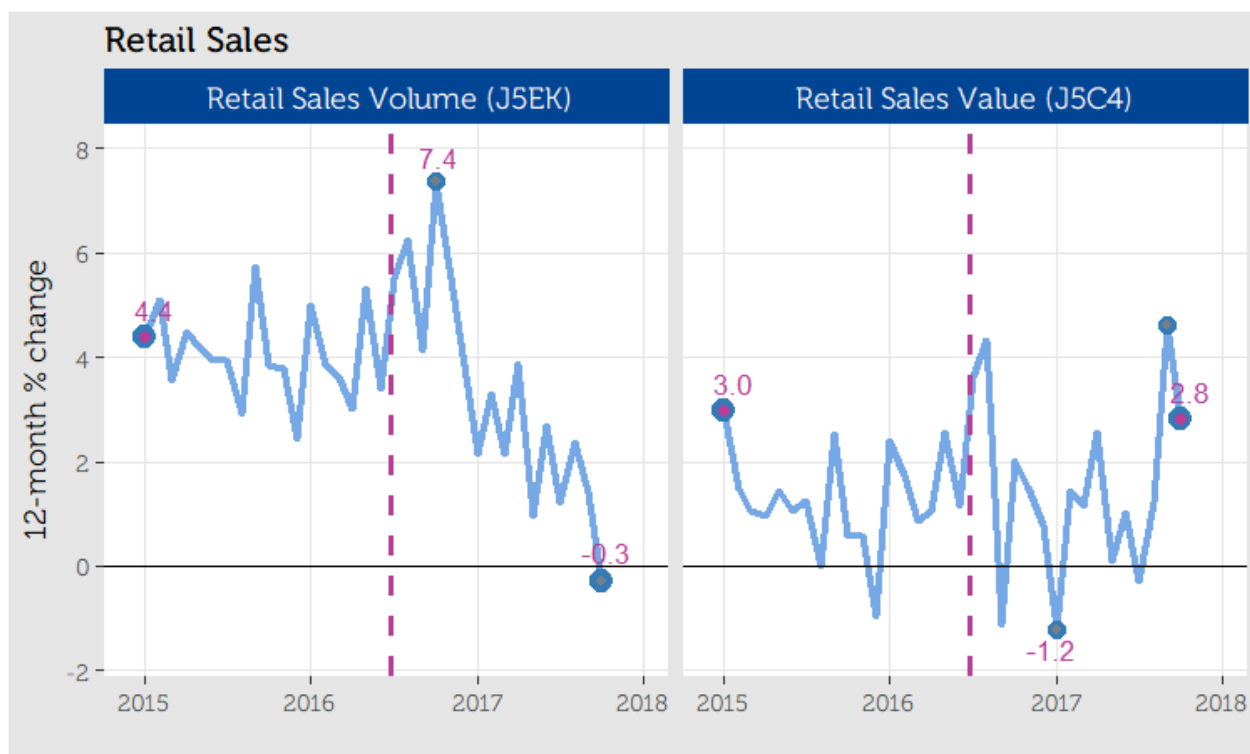


[Guage Charts: 12-month % change since Jan 2010, OUTPUT = Total Construction Output, NEW WORK = Total Construction New Work, REPAIRS = Total Repairs, Maintenance and Infrastructure]

7 Retail Sales

The **volume of retail sales** (including fuel) 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.

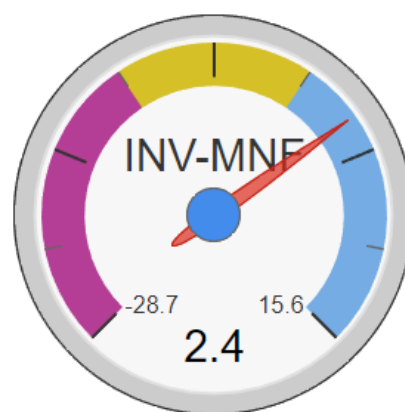
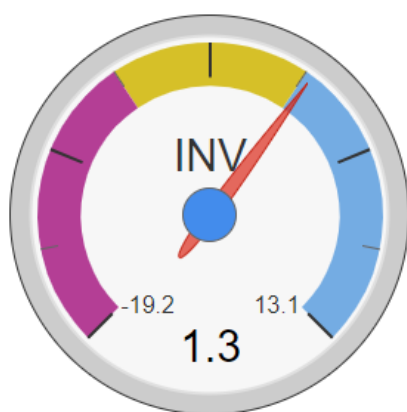


[Guage Charts: 12-month % change since Jan 2000]

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.



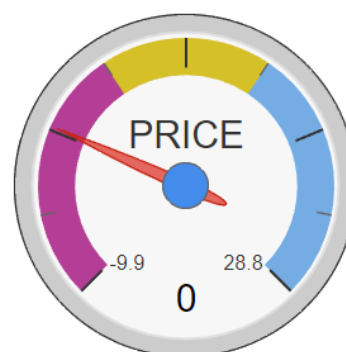
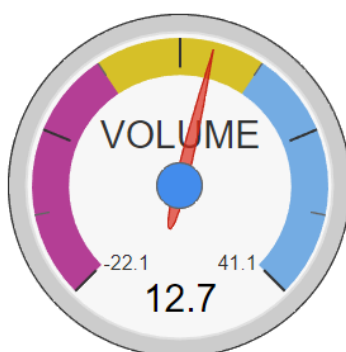
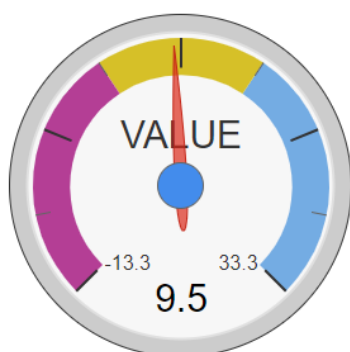
[Guage Charts: 4-quarter % change since 2007]

9 UK Trade

9.1 Exports

The **value** of UK **exports** grew by 1.1% between September and October 2017 and also grew by 9.5% compared to October 2016. Exports of **goods** increased by 12.0% to £ 30.2 billion and exports of **services** increased by 6.5% to £ 23.5 billion in October 2017 compared to twelve months earlier.

Volume of UK **exports** increased by 2.4% in October 2017 compared a month earlier and also increased by 12.7% compared to twelve months earlier.

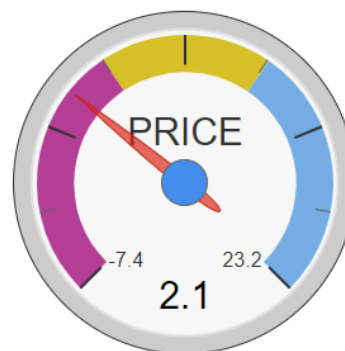
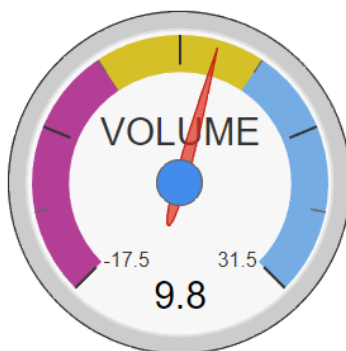
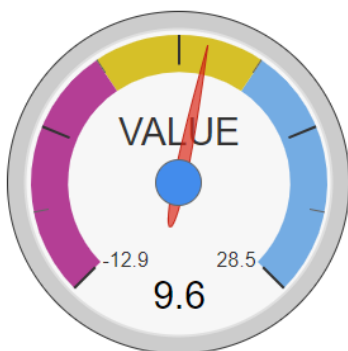
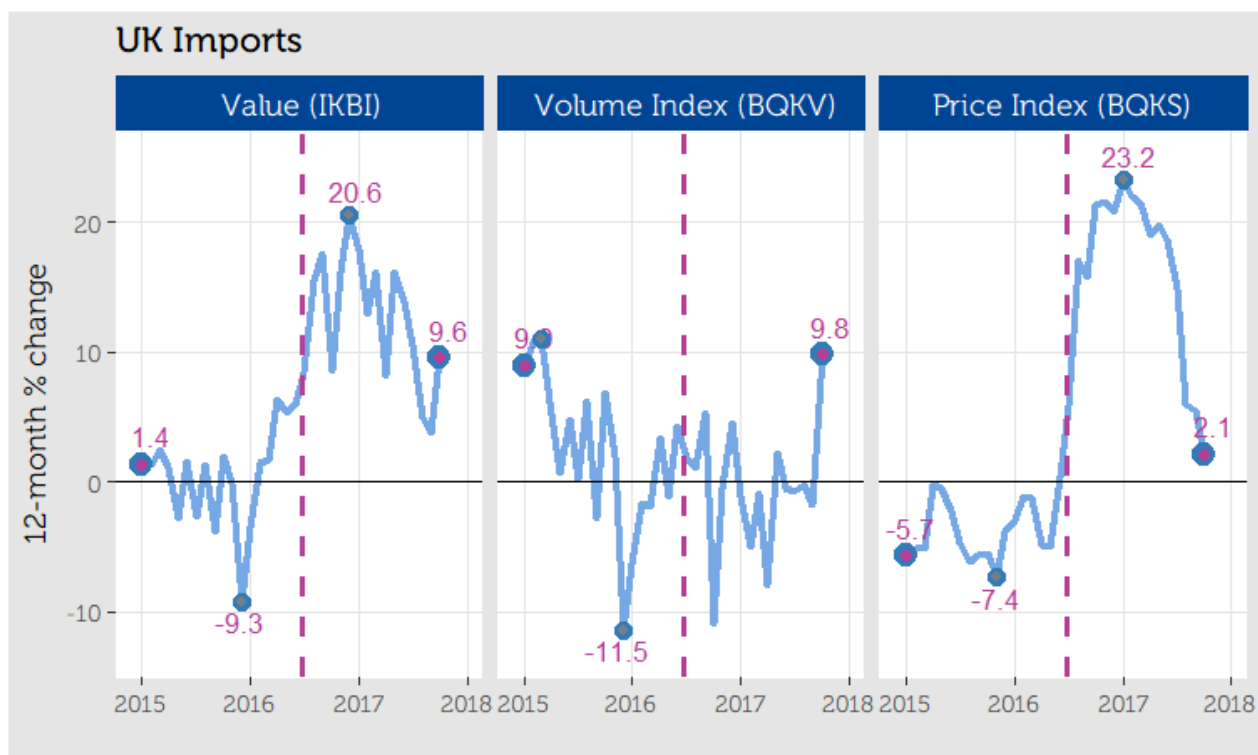


[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Export Value, VOLUME = Export Volume Index, PRICE = Export Price Index]

9.2 Imports

The **value** of UK **imports** rose by 1.6% between September and October 2017 and also grew 9.6% compared to 12 months earlier. Imports of goods increased by 11.7% to £ 41.0 billion and imports of services also increased by 3.7% to £14.1 billion in October 2017 compared to twelve months earlier.

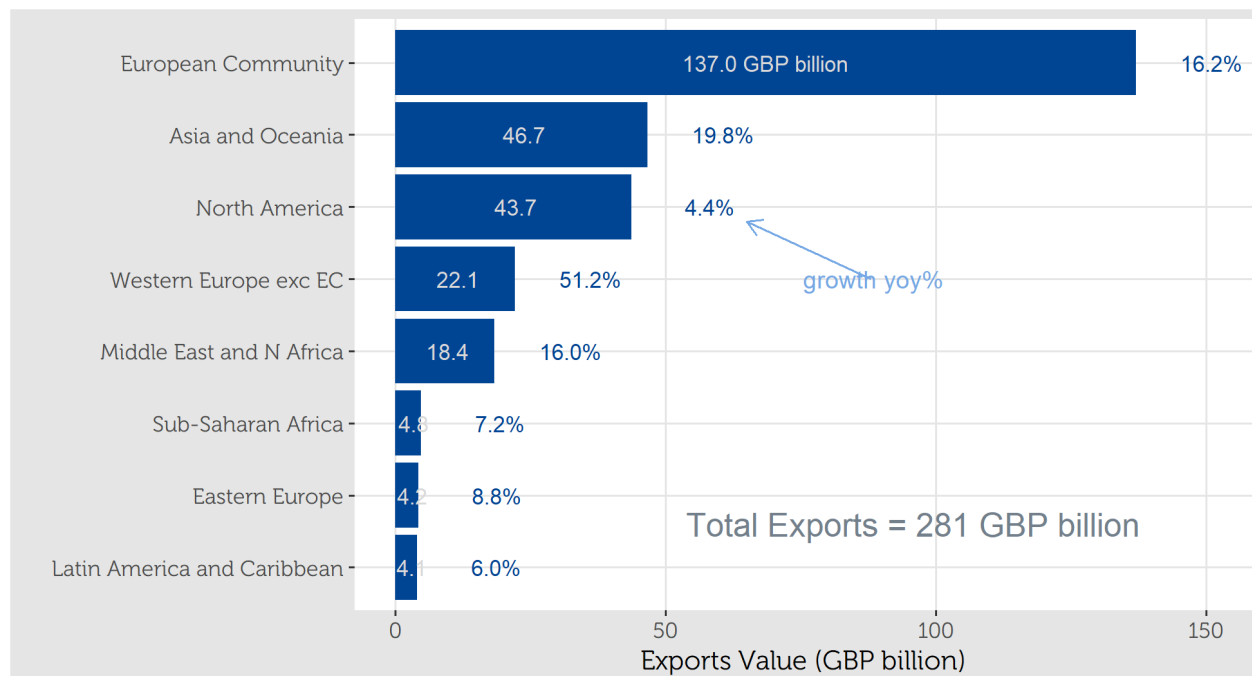
UK **imports** on **volume** basis rose by 1.8% in October compared with September 2017 and also grew by 9.8% compared to twelve months earlier. It is the highest twelve months growth since March 2015.



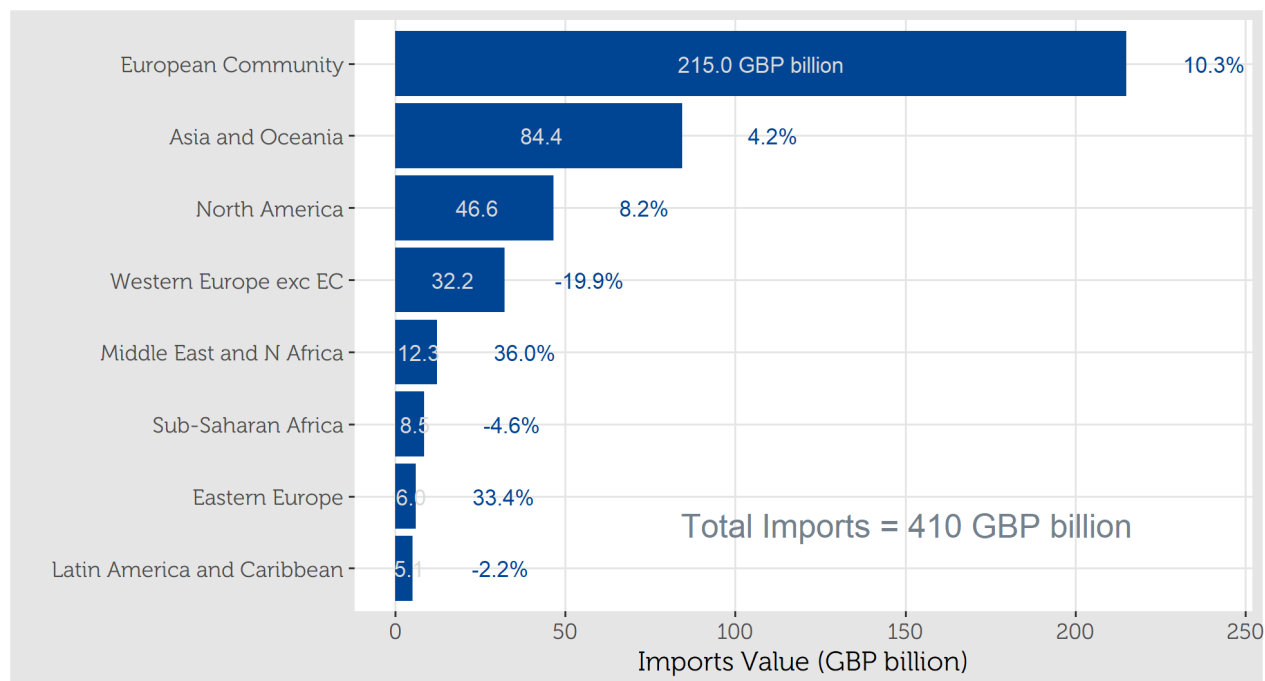
[Gauge Charts: 12-month % change since Jan 2000, VALUE = Total Import Value, VOLUME = Import Volume Index, PRICE = Import Price Index]

9.3 Goods Trade: Ranking by Region

9.3.1 Exports - 2017 (Jan - Oct)

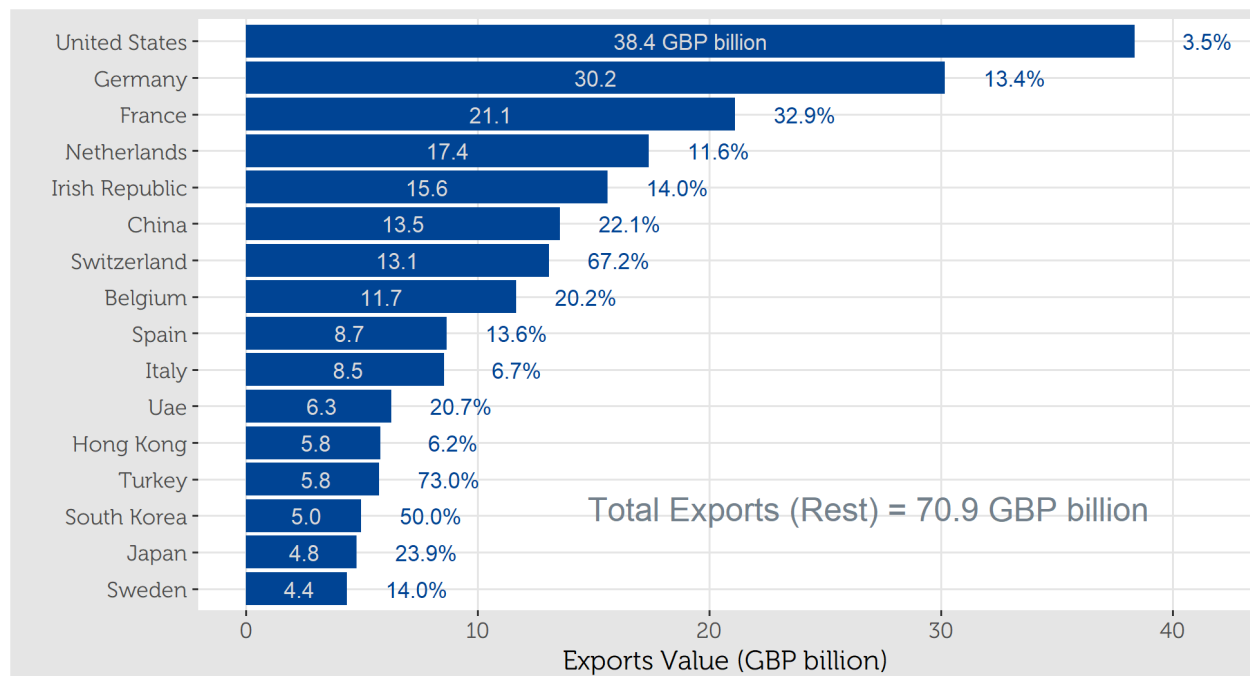


9.3.2 Imports - 2017 (Jan - Oct)

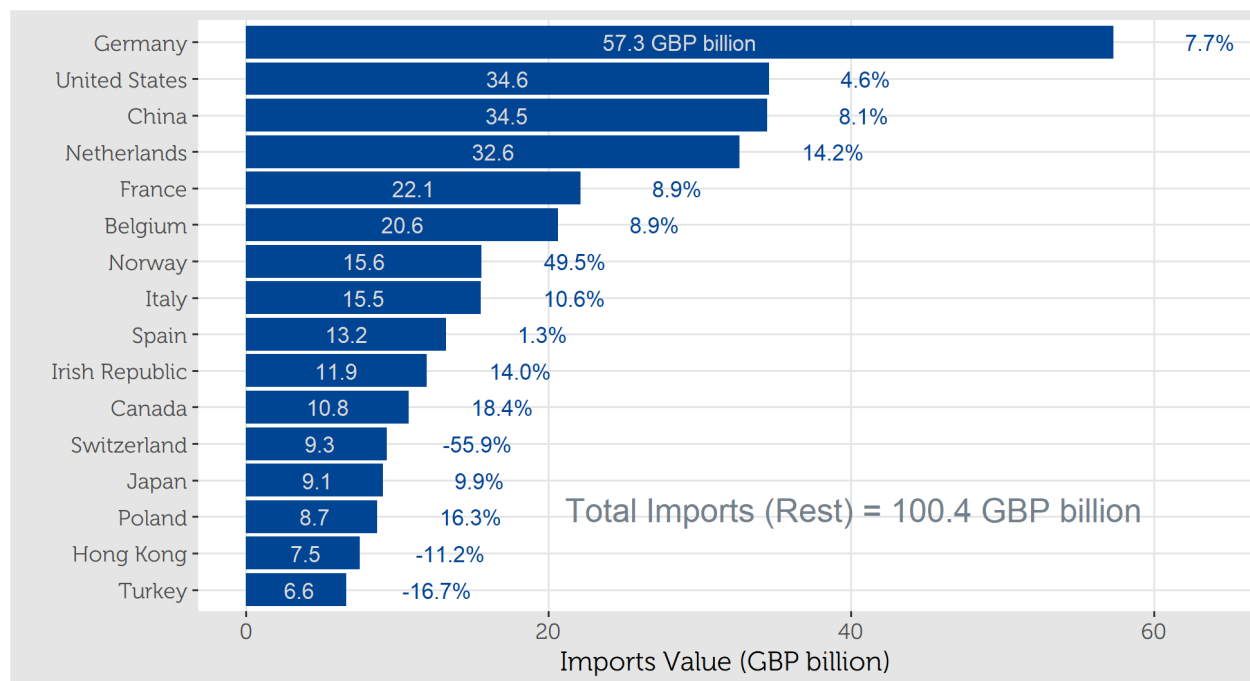


9.4 Goods Trade: Ranking by Country - Top 16

9.4.1 Exports - 2017 (Jan - Oct)

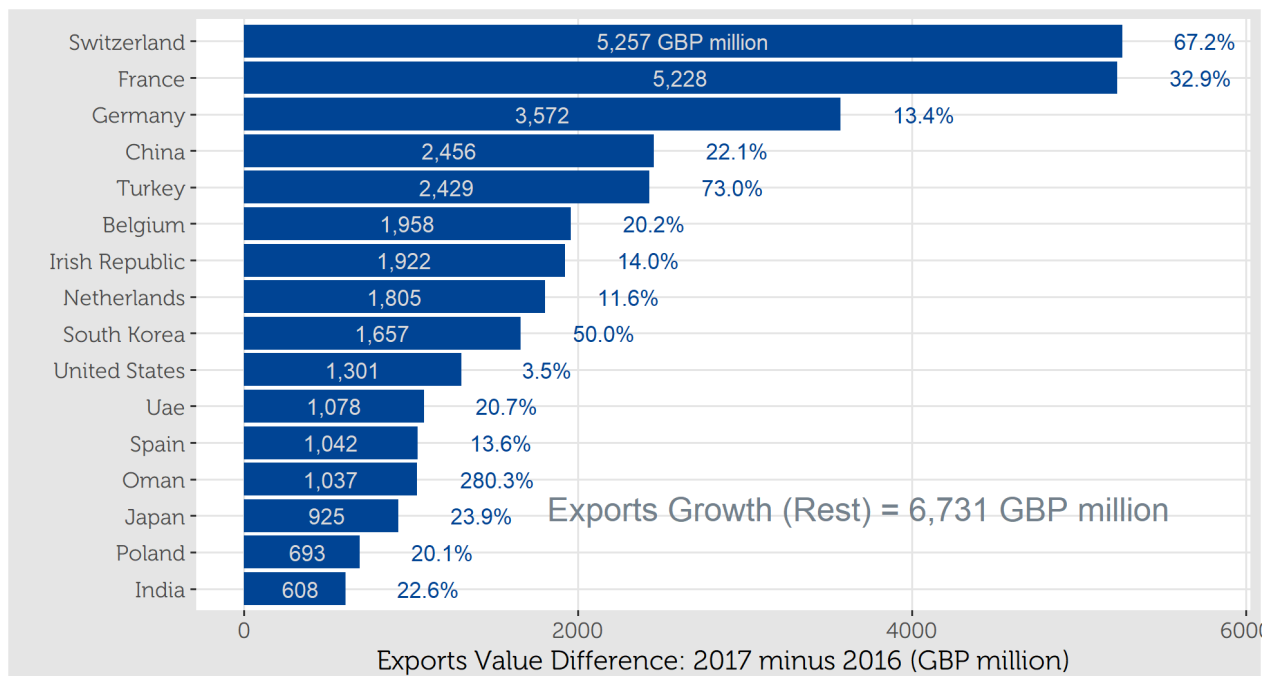


9.4.2 Imports - 2017 (Jan - Oct)

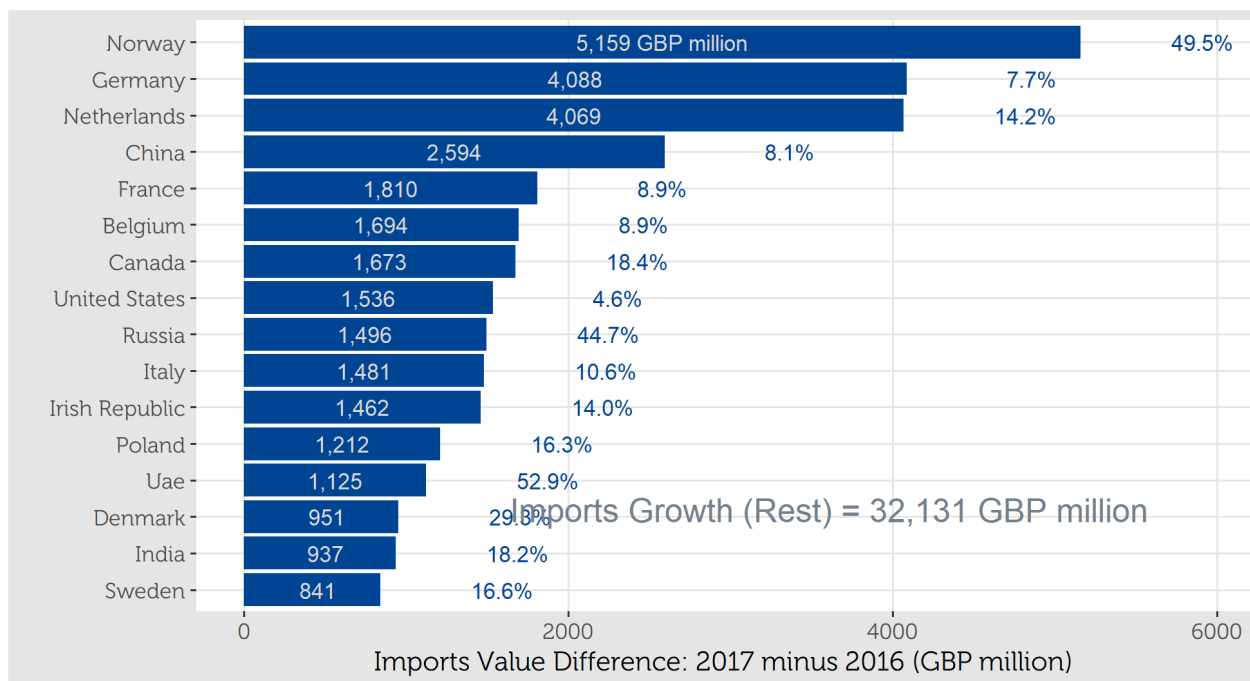


9.5 Goods Trade: Growth Ranking by Country - Top 16

9.5.1 Exports Value Growth - 2017 (Jan - Oct)



9.5.2 Imports Value Growth - 2017 (Jan - Oct)

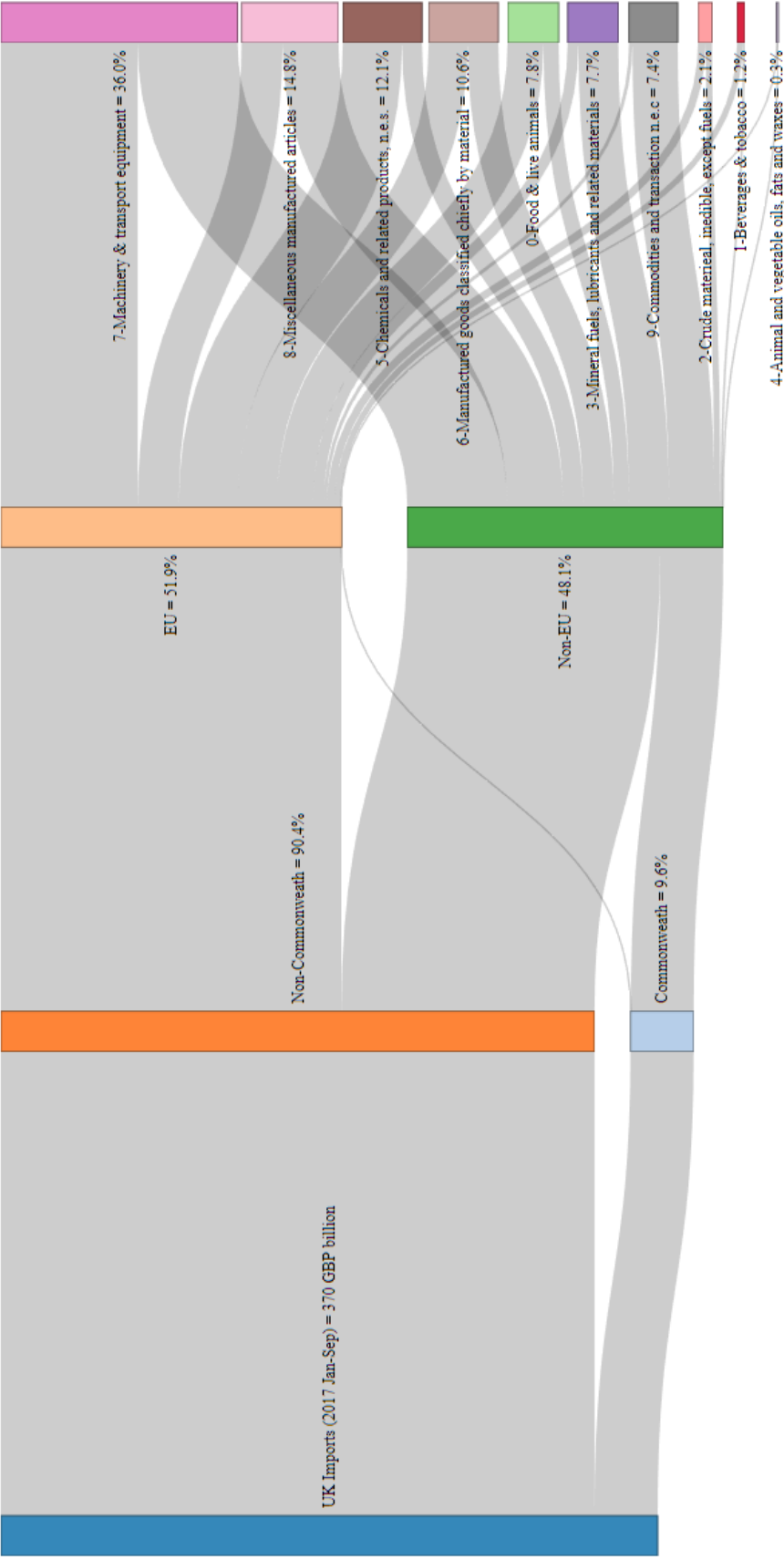


9.6 Goods Trade: EU & Commonwealth by SITC

9.6.1 Exports - 2017 (Jan - Oct)

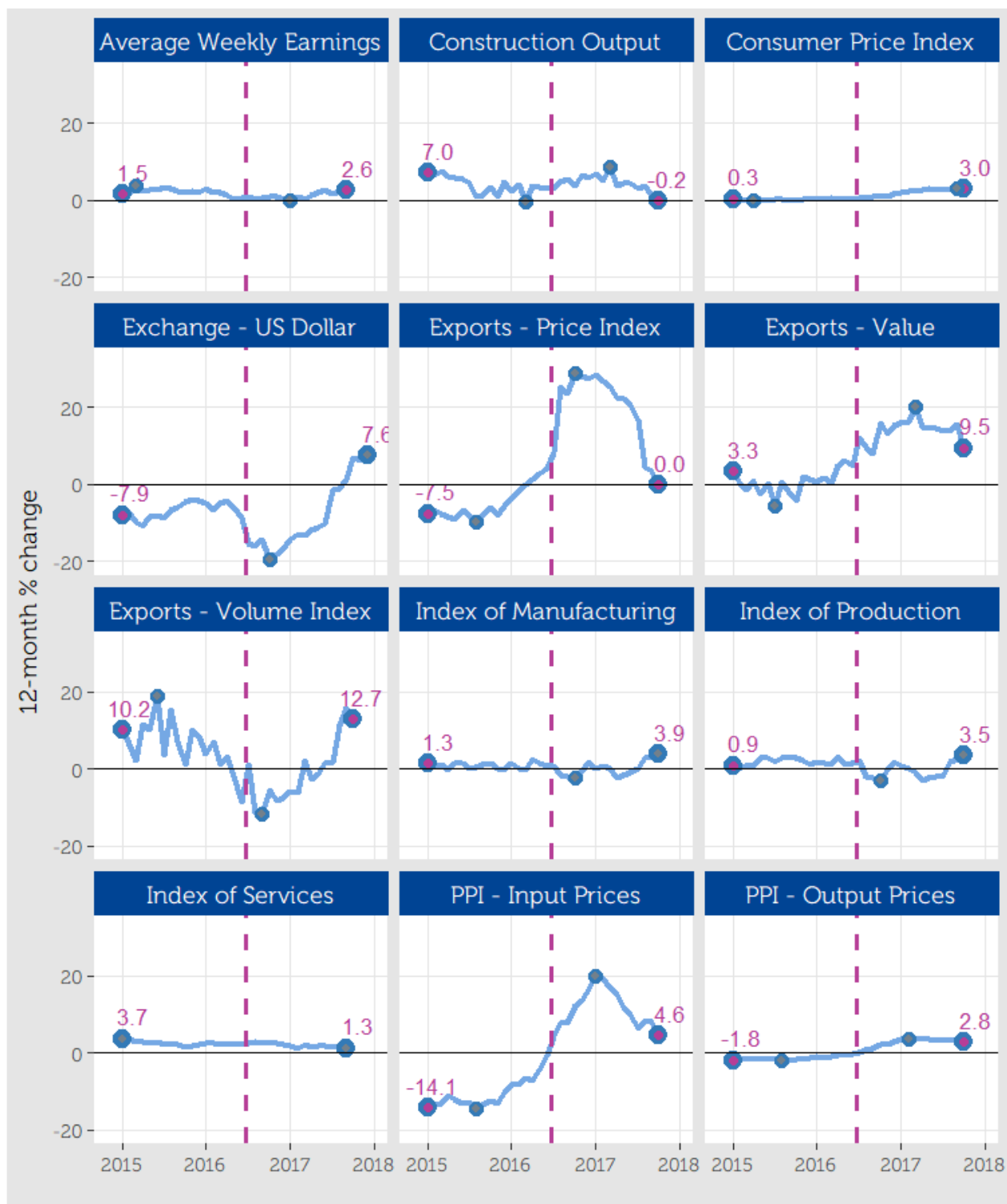


9.6.2 Imports - 2017 (Jan - Oct)

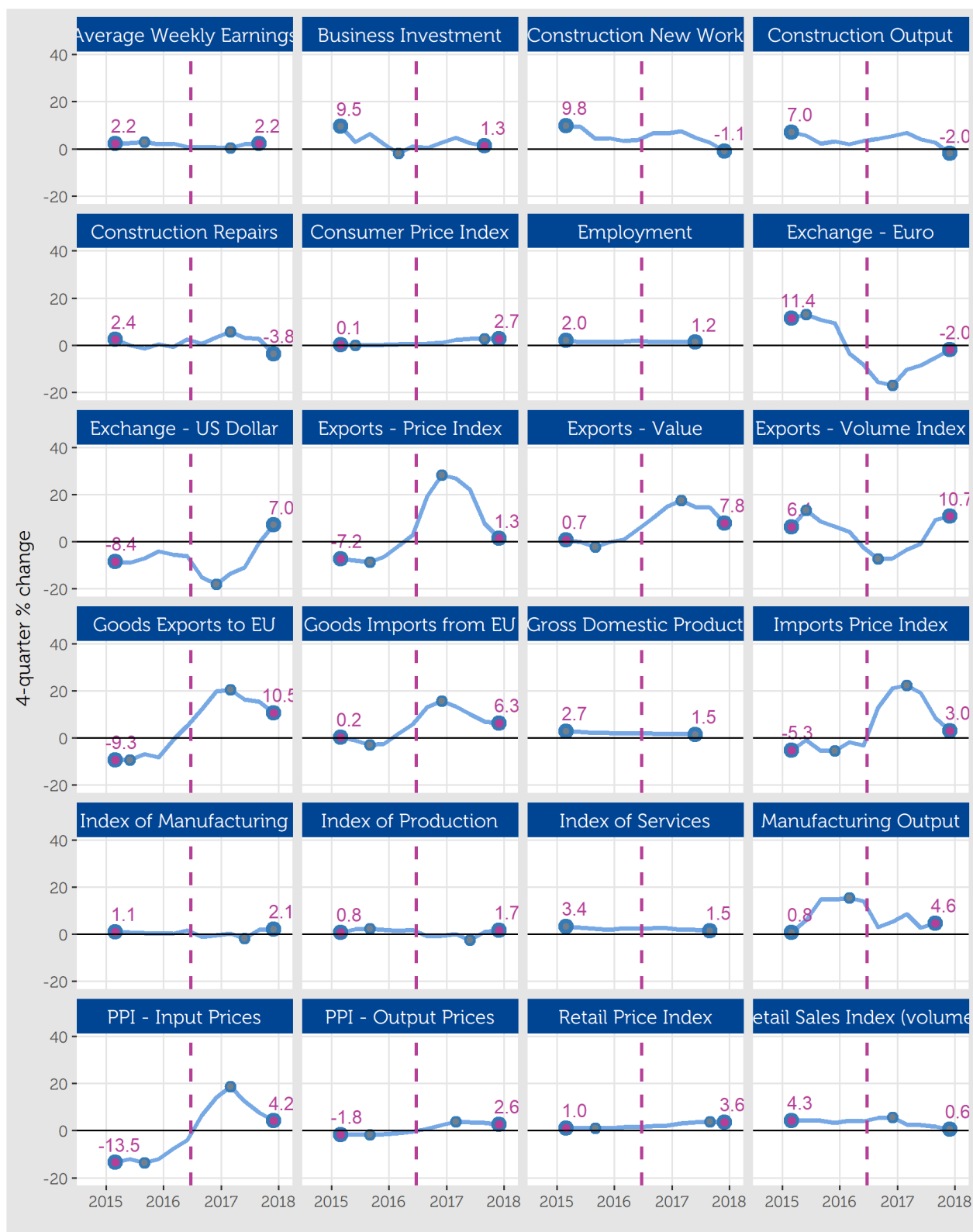


10 Economy At a Glance

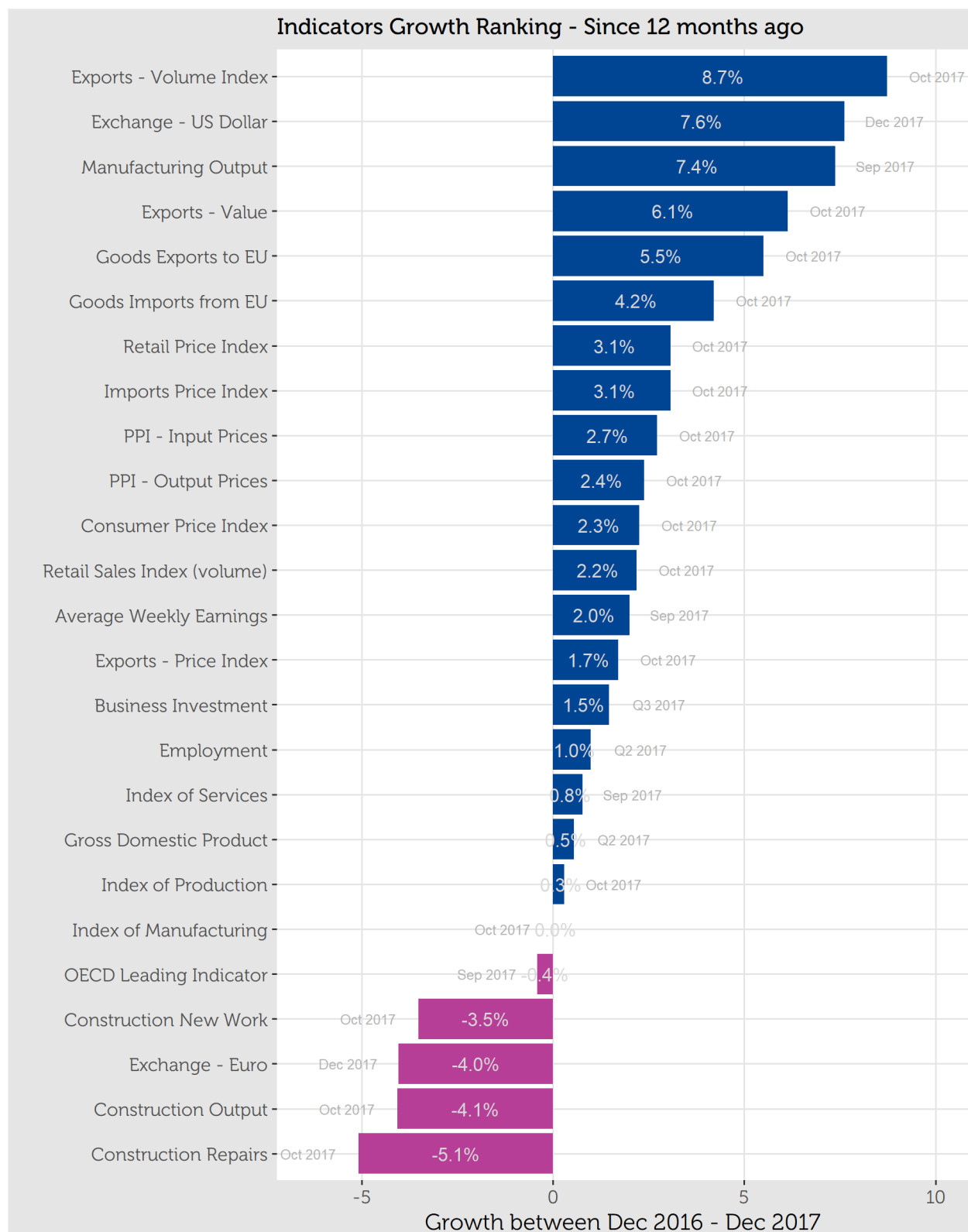
10.1 Growth: 12-month % growth



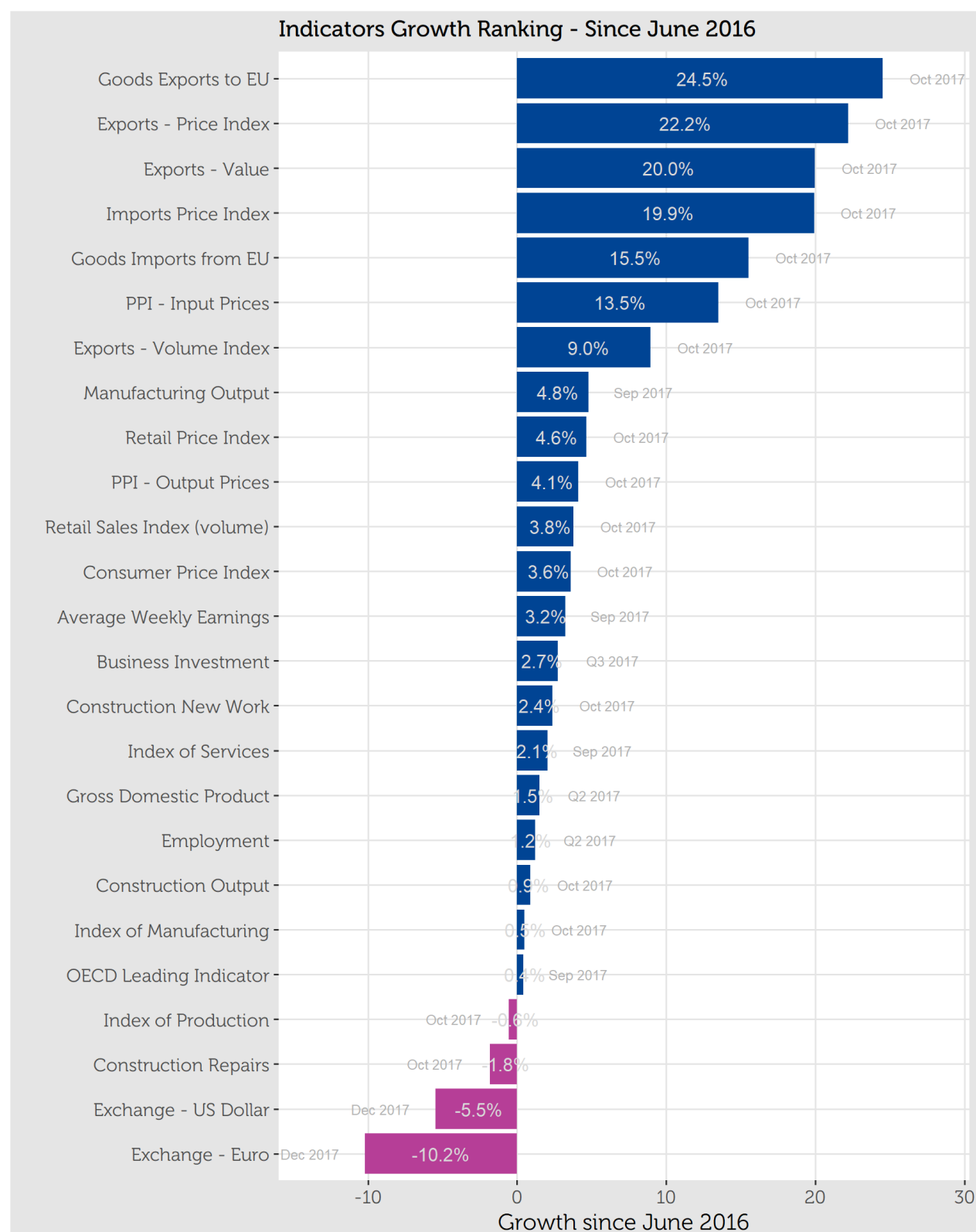
10.2 Growth: 4-quarter % growth



10.3 Growth Ranking: Since A Year Ago

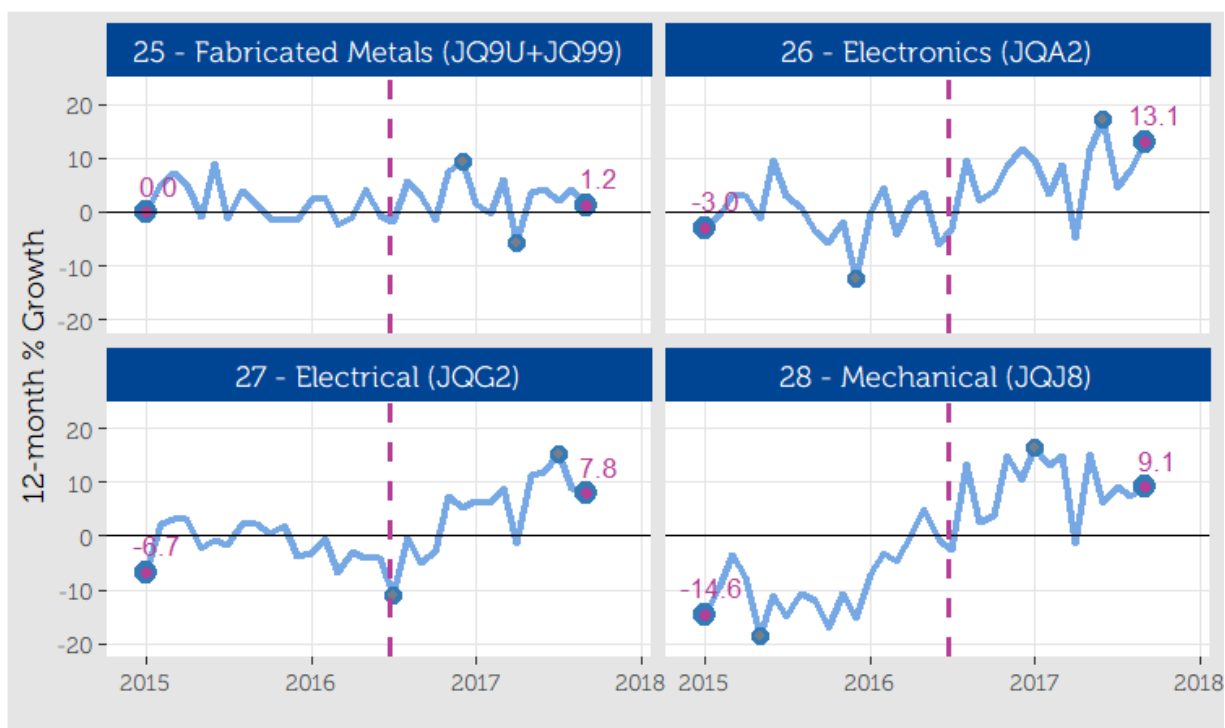
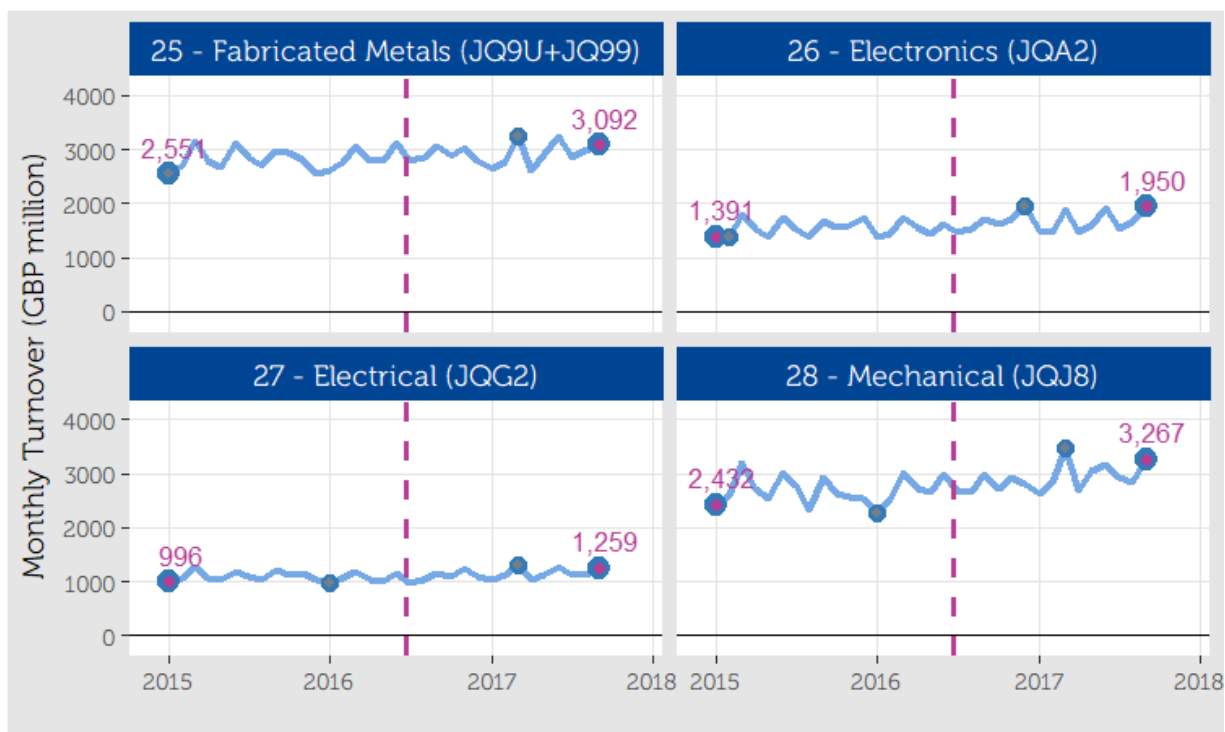


10.4 Growth Ranking: Since Referendum Vote

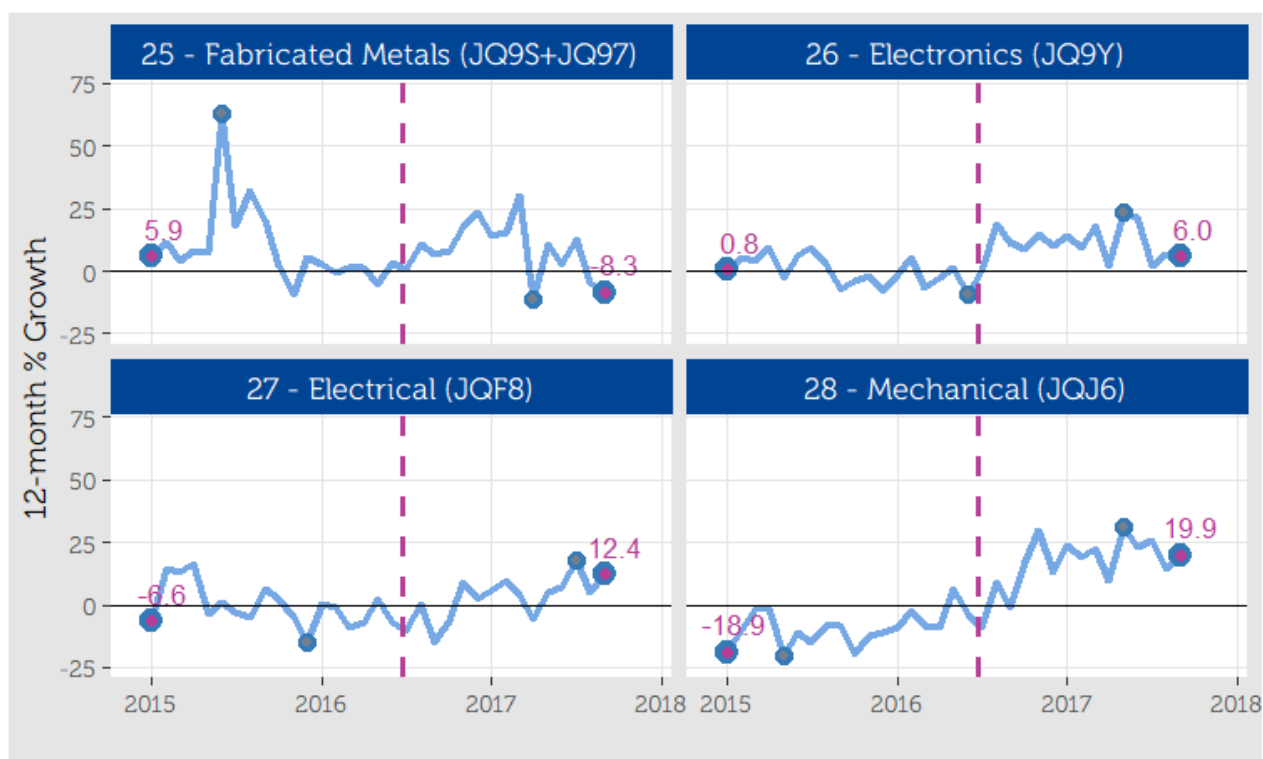
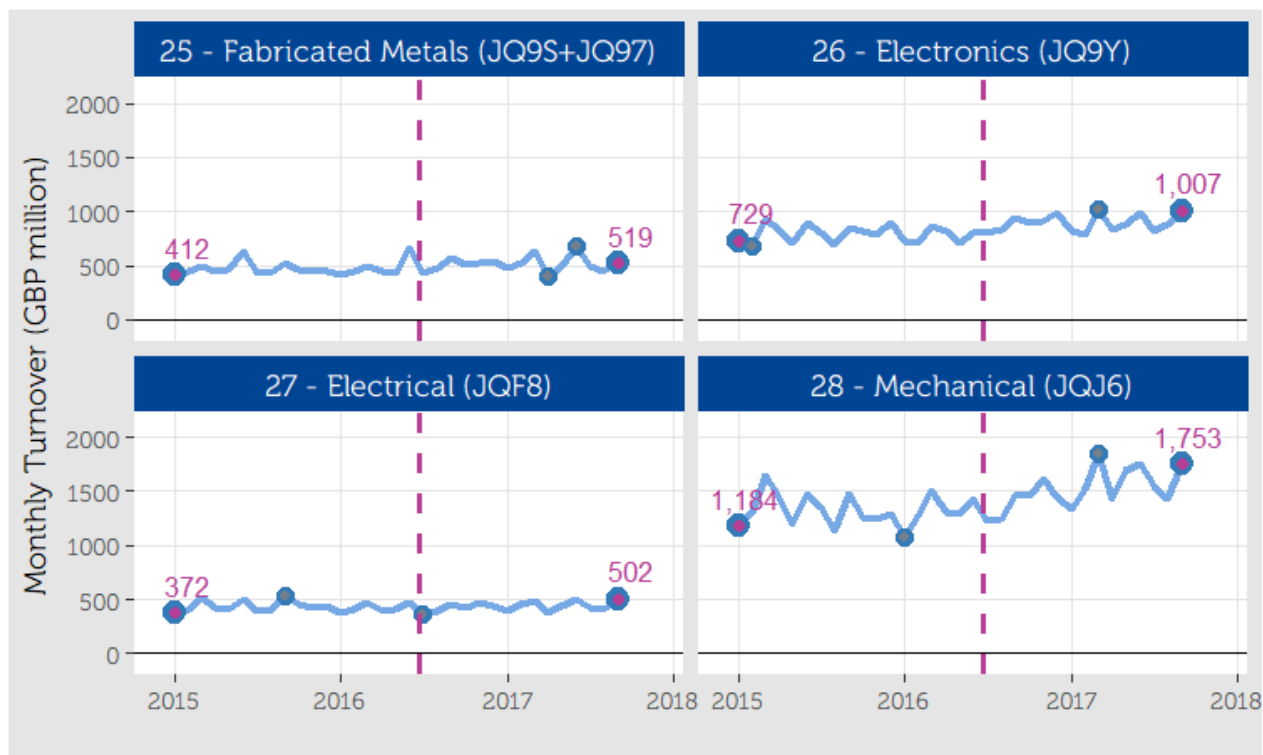


11 Industry Level Indicators

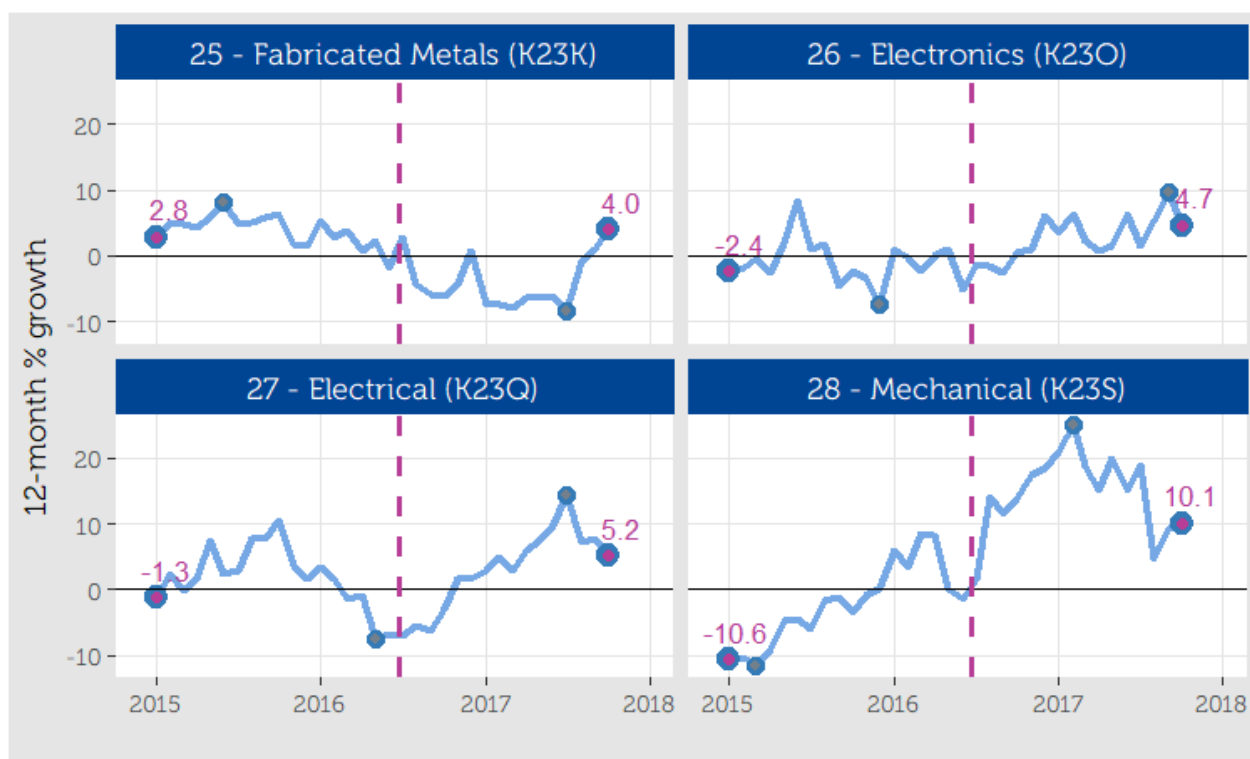
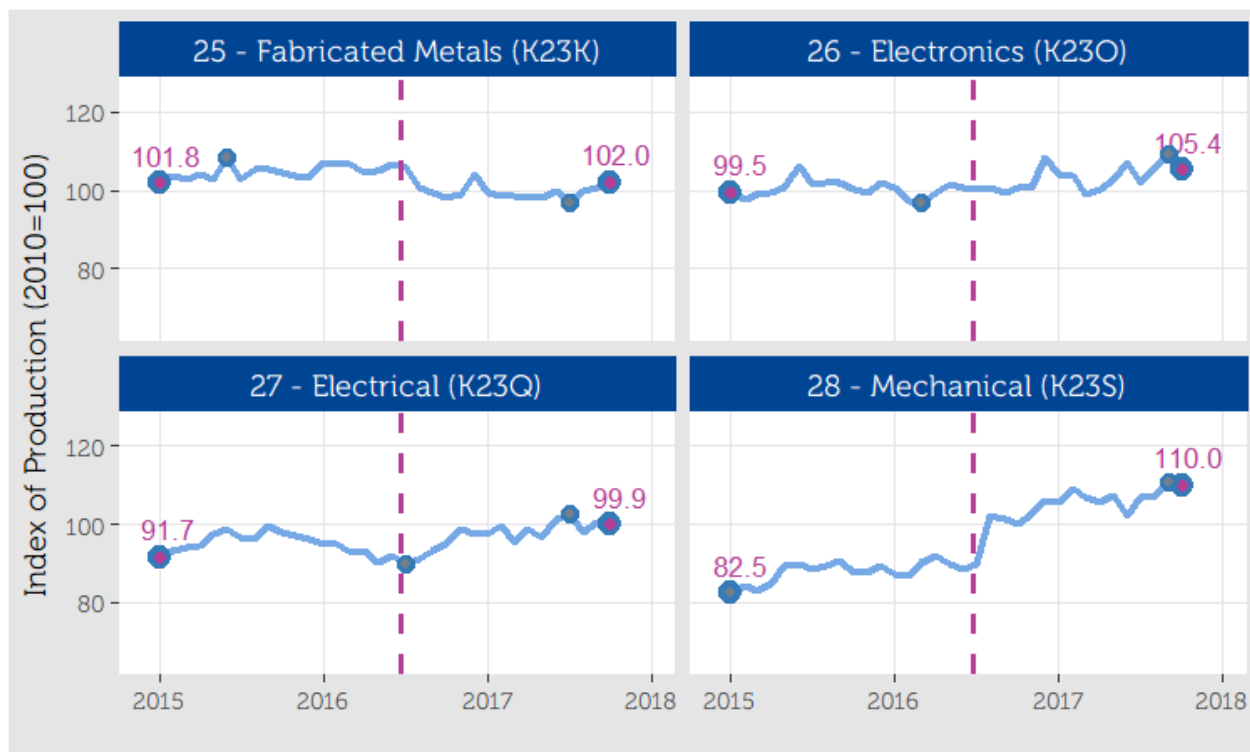
11.1 Turnover



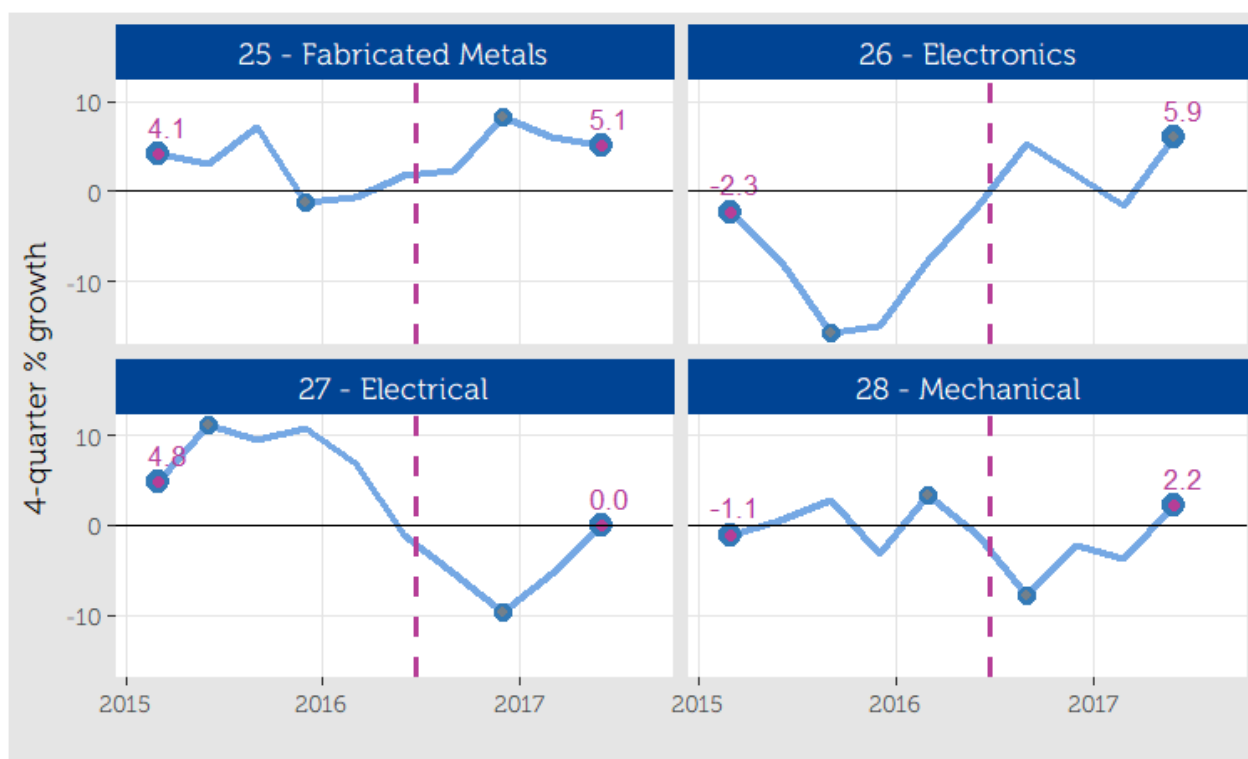
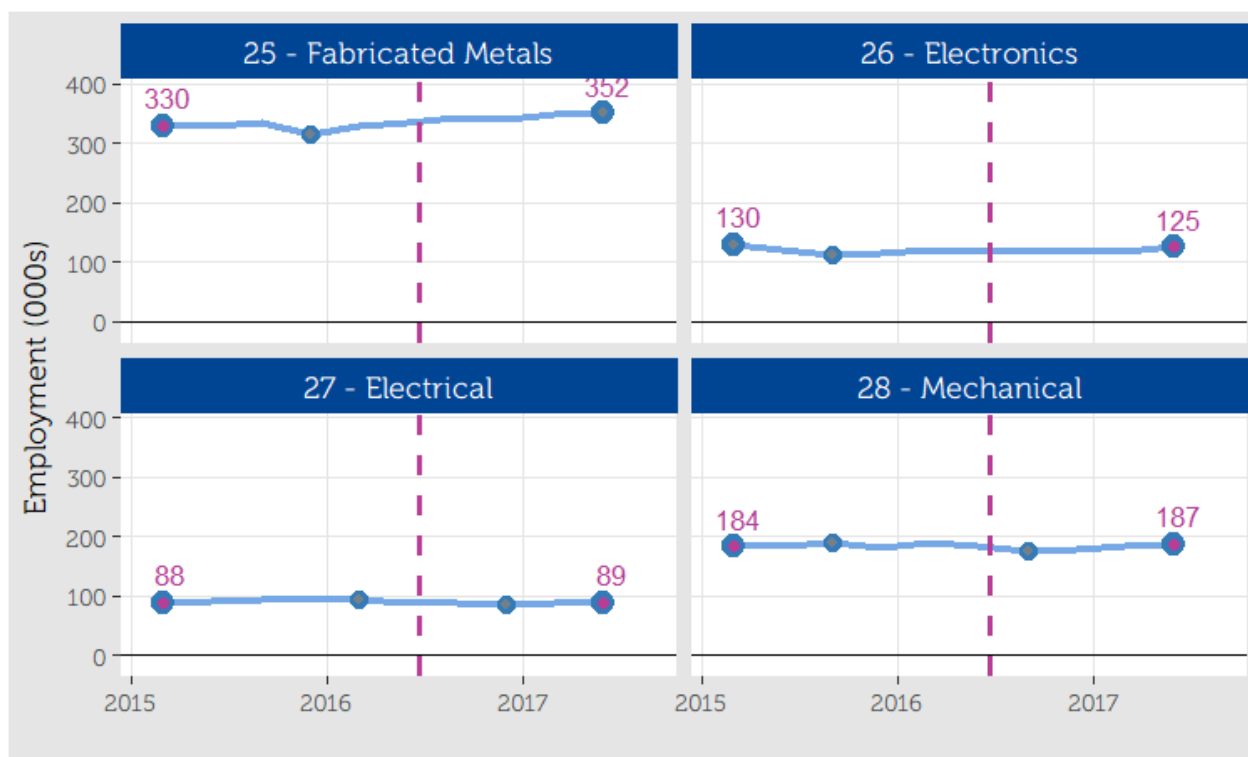
11.2 Exports



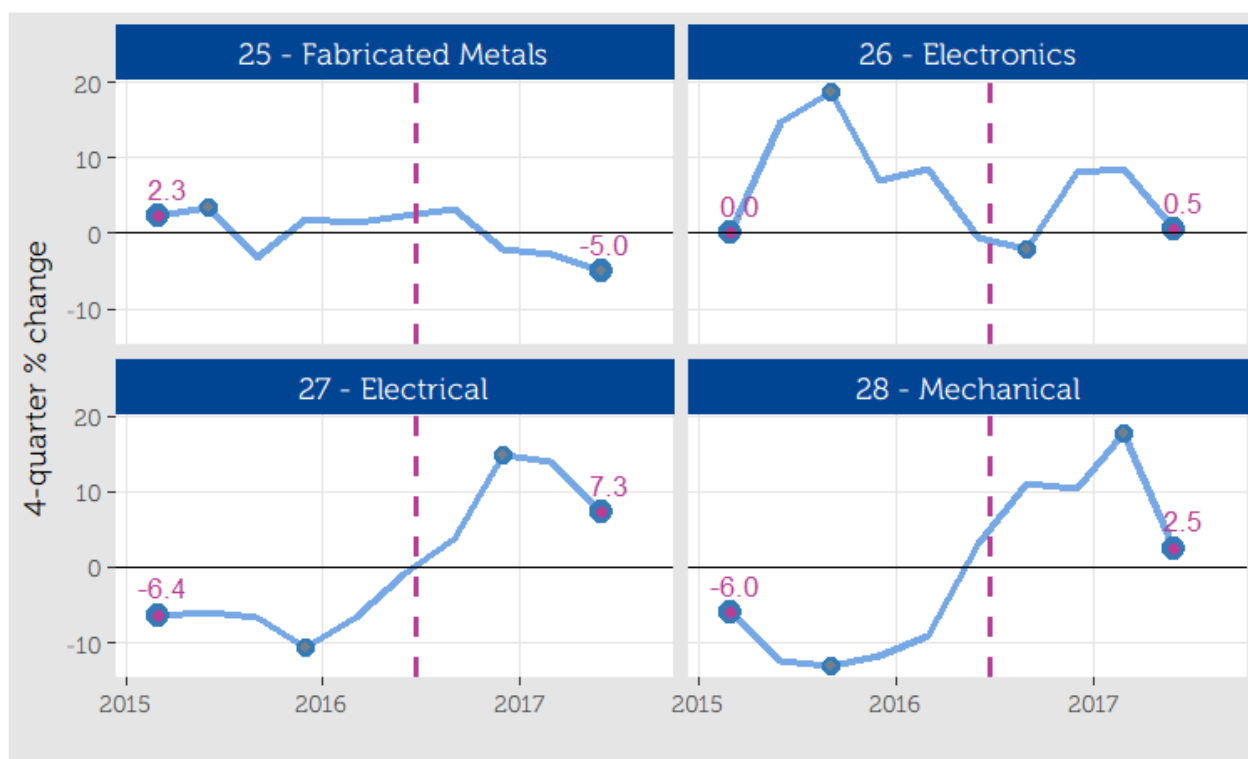
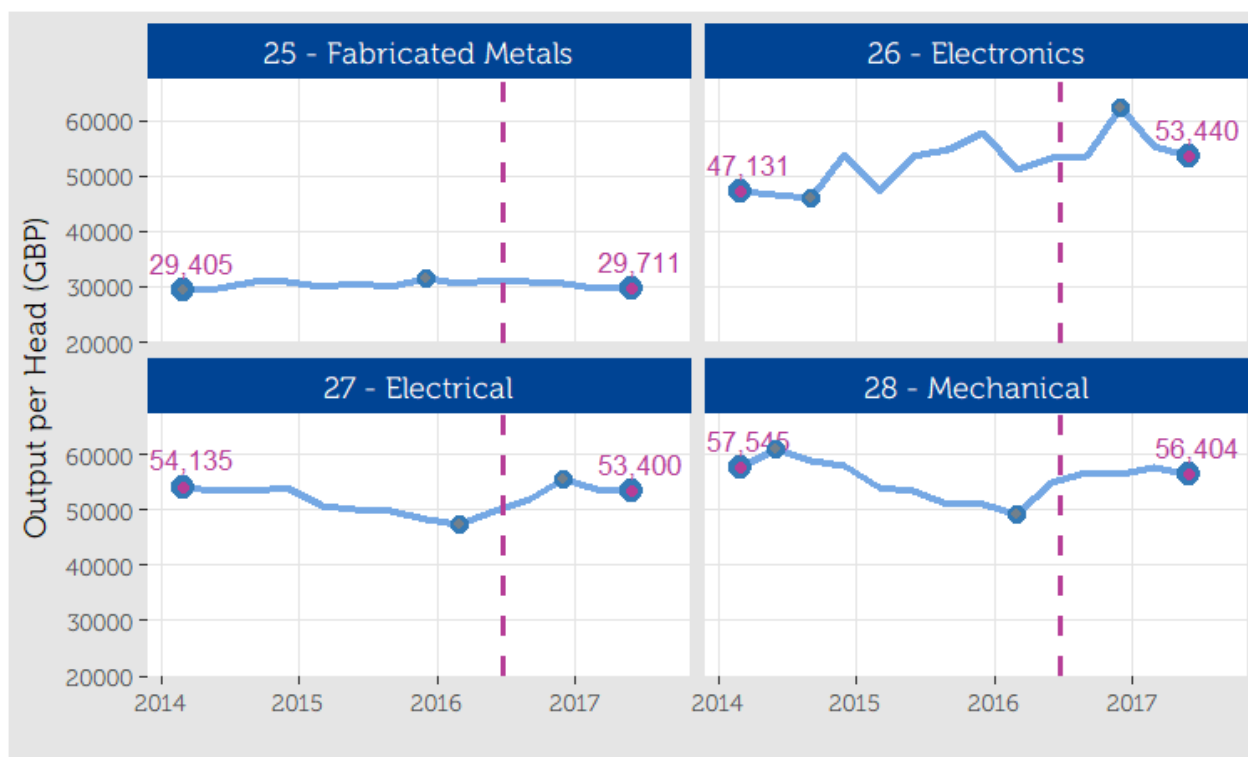
11.3 Index of Production



11.4 Employment (including Self-Employment)



11.5 Turnover per Head

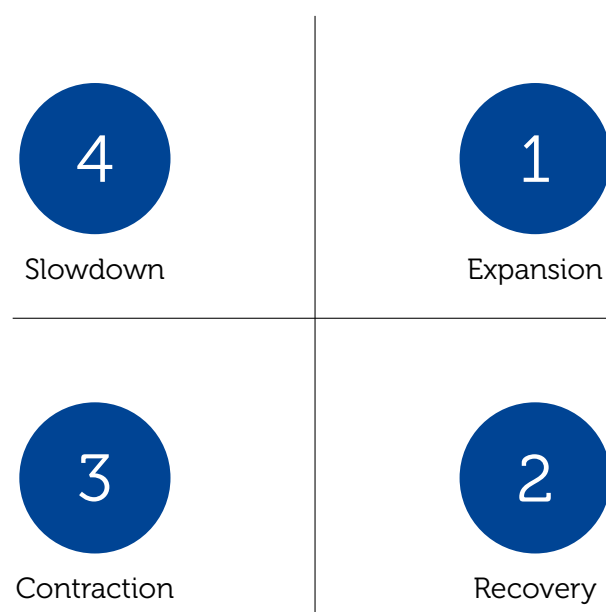


12 Growth Cycles

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:

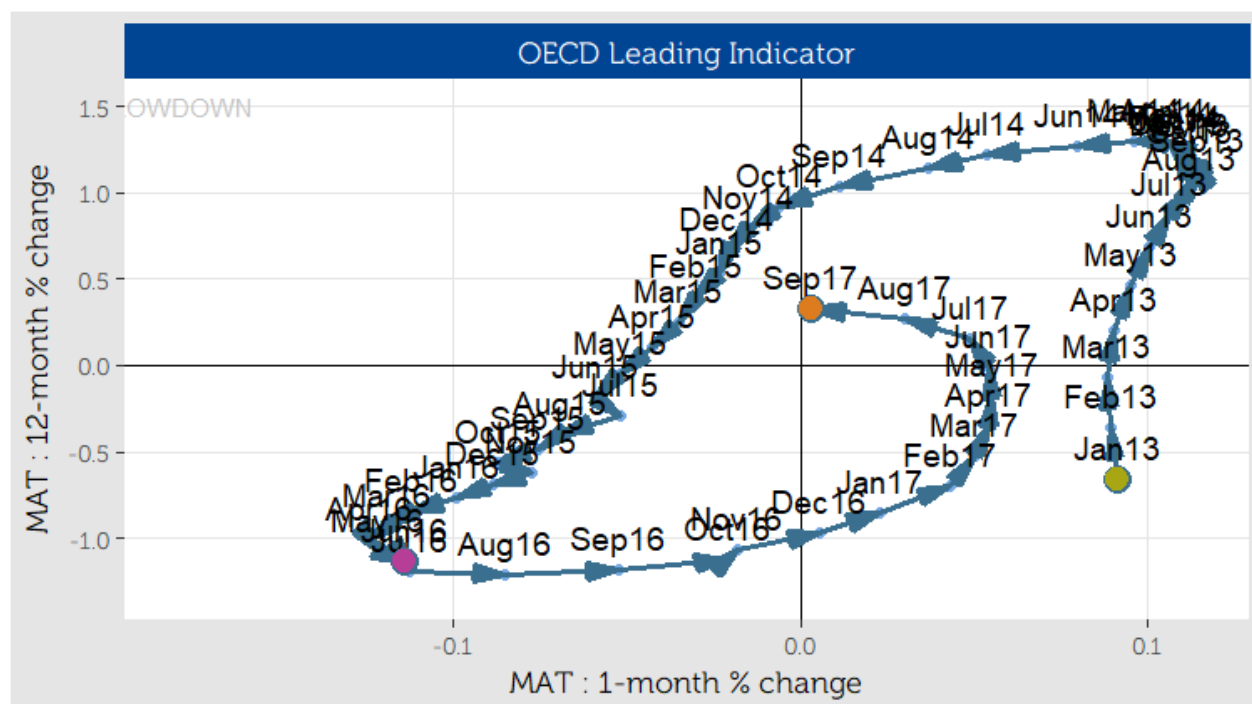
- Quadrant 1: increased compared to previous month (or quarter) and also increased compared previous year - **expansion**
- Quadrant 2: increased compared to previous month (or quarter) but decreased compared to previous year - **recovery**
- Quadrant 3: decreased compared to previous month (or quarter)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



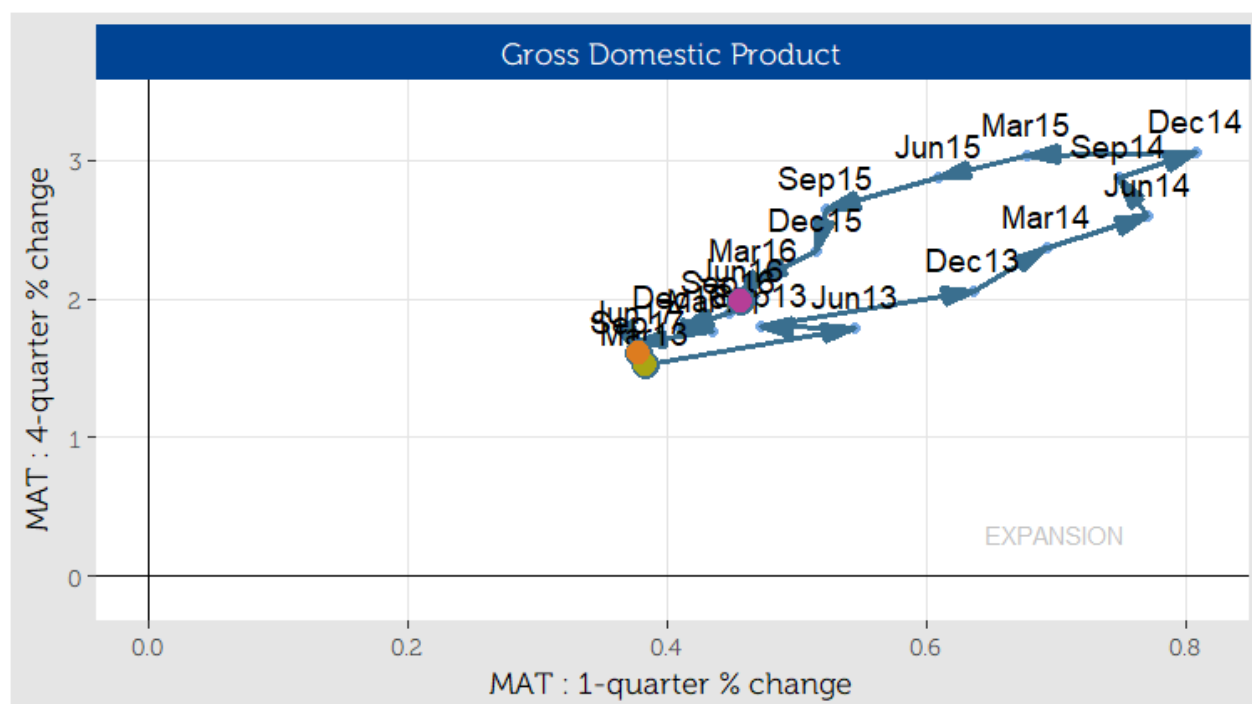
The direction or where an indicator is heading to is found by connecting indicator's position over a period of time. Majority of indicators have seasonal components which can sometimes obscure the underlying trends. Using Moving Annual Total (MAT) helps to remove this seasonality. Where MAT has been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

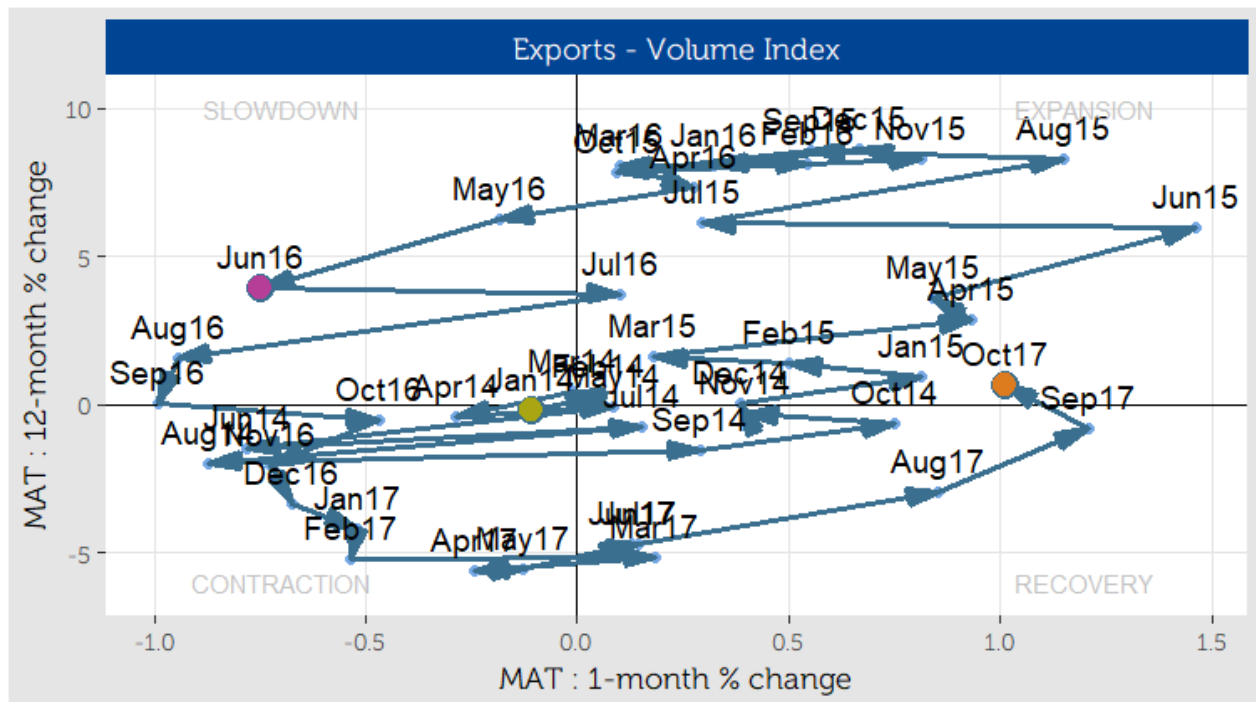
12.4 OECD Composite Leading Indicator - UK



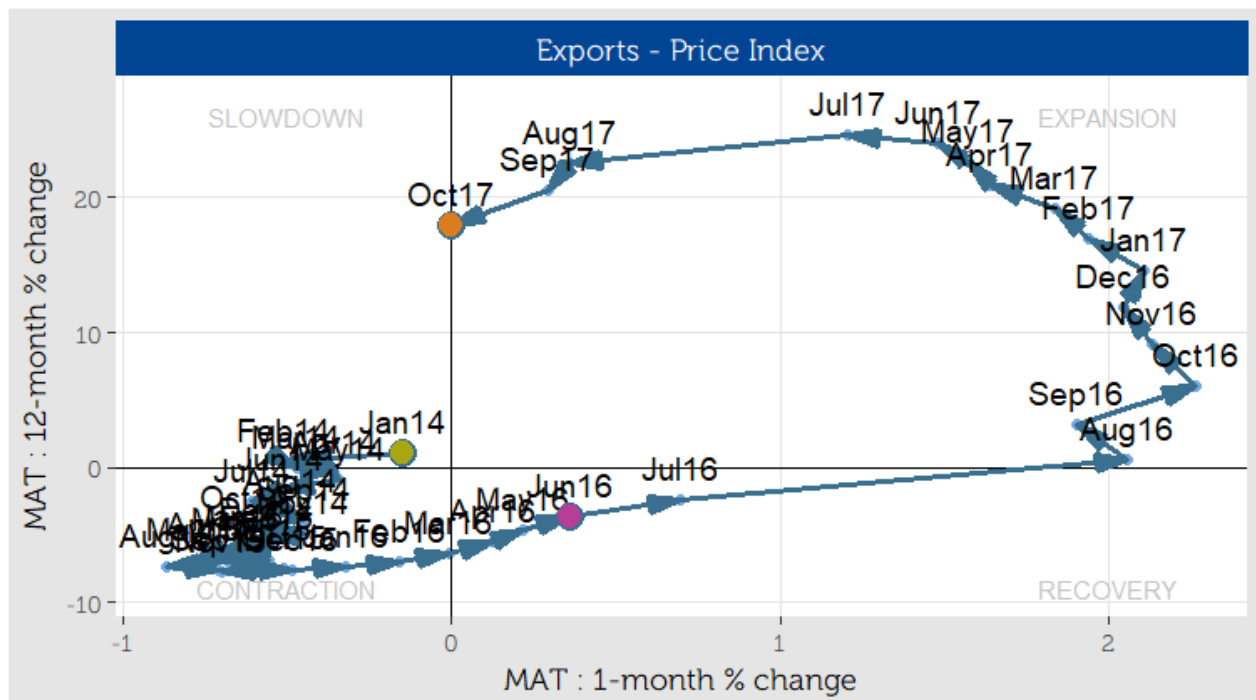
12.5 Gross Domestic Product - GDP (ABMI-PGDP)



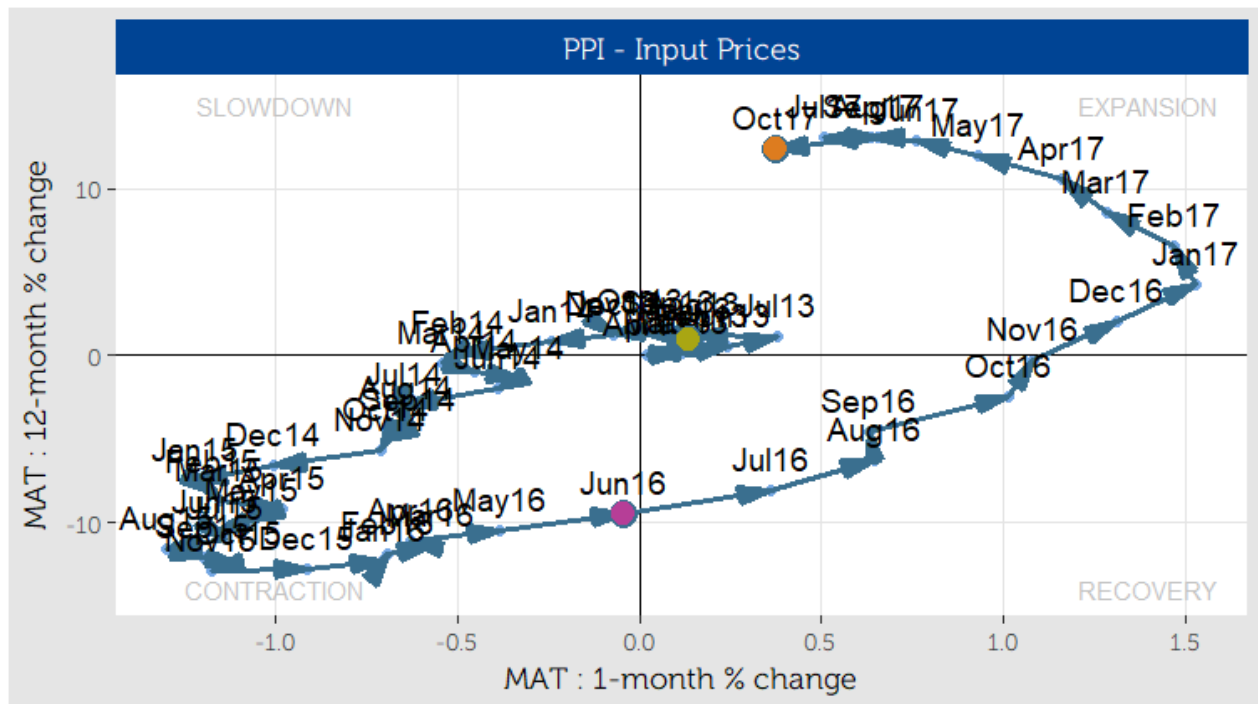
12.6 Exports - Volume Index (BQKU)



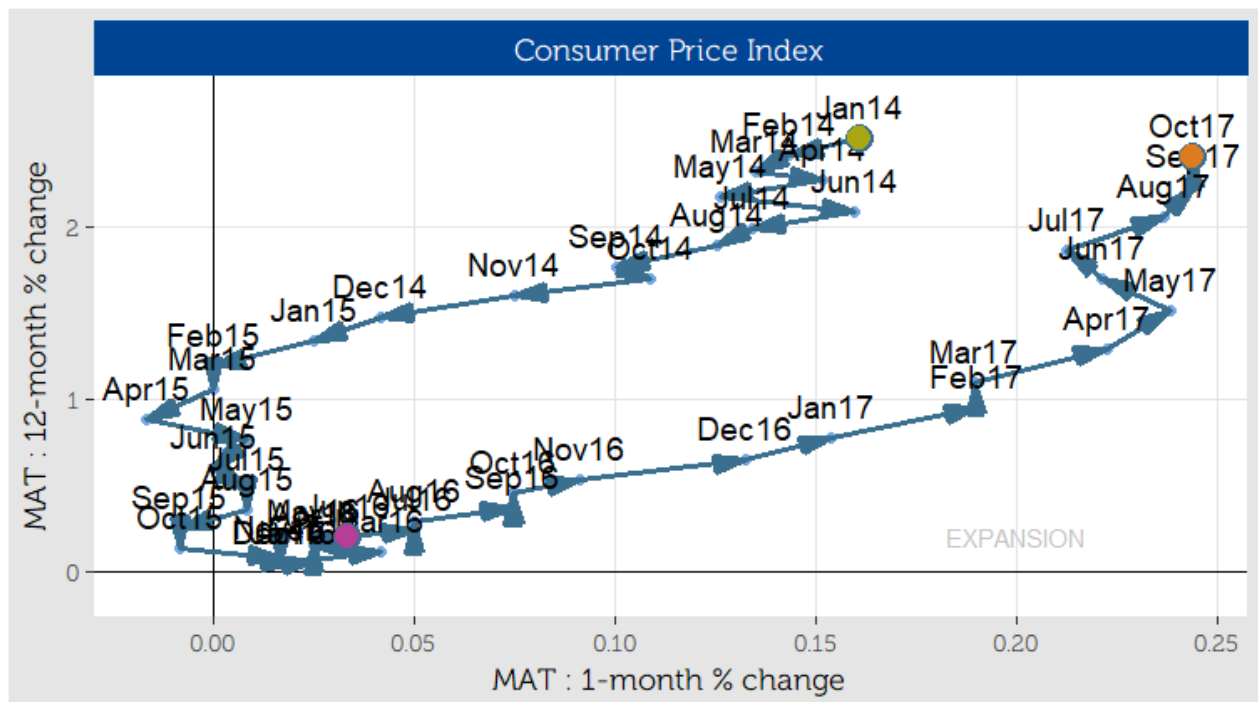
12.7 Exports - Price Index (BQKR)



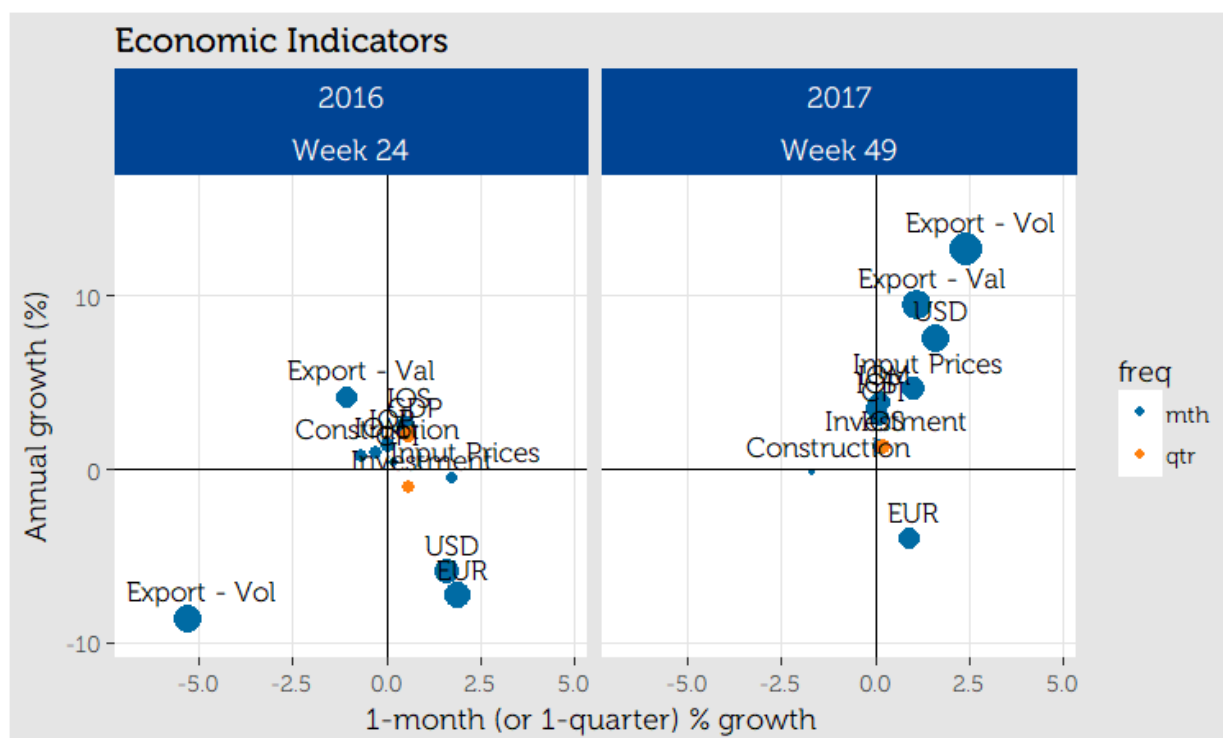
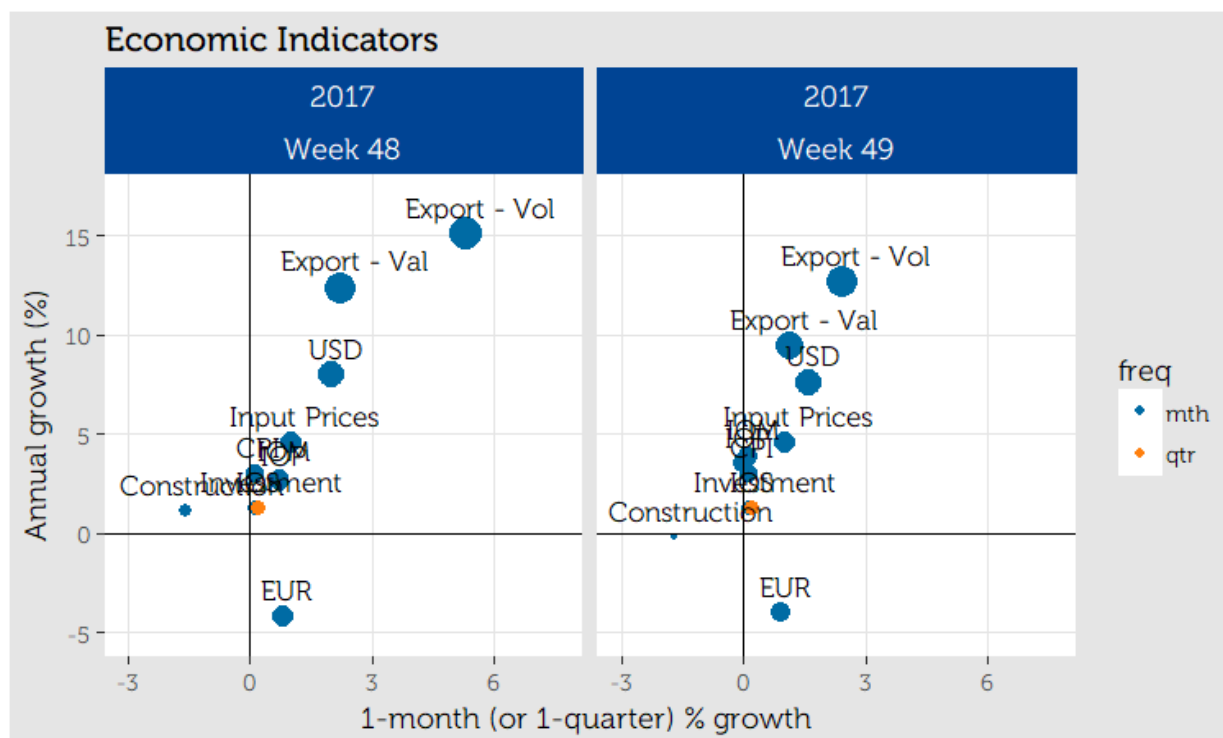
12.8 Input Prices (K646)



12.9 Consumer Price Index (D7BT)



12.10 Current State

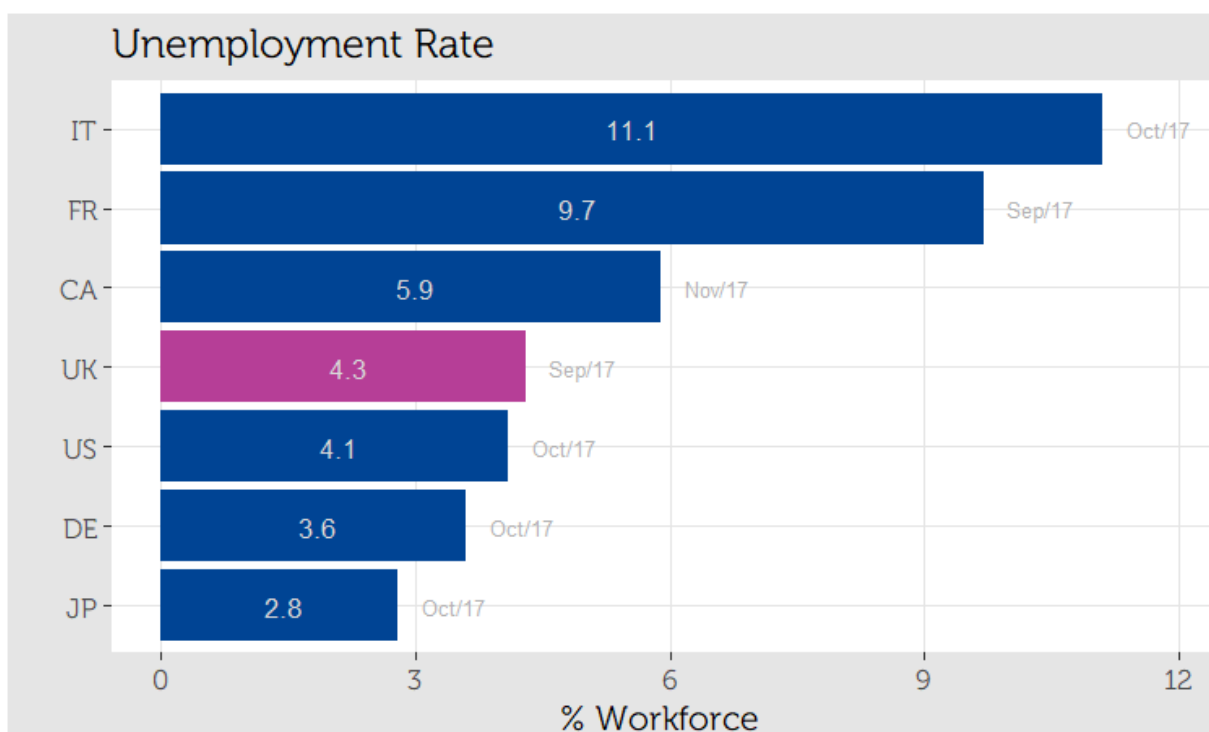
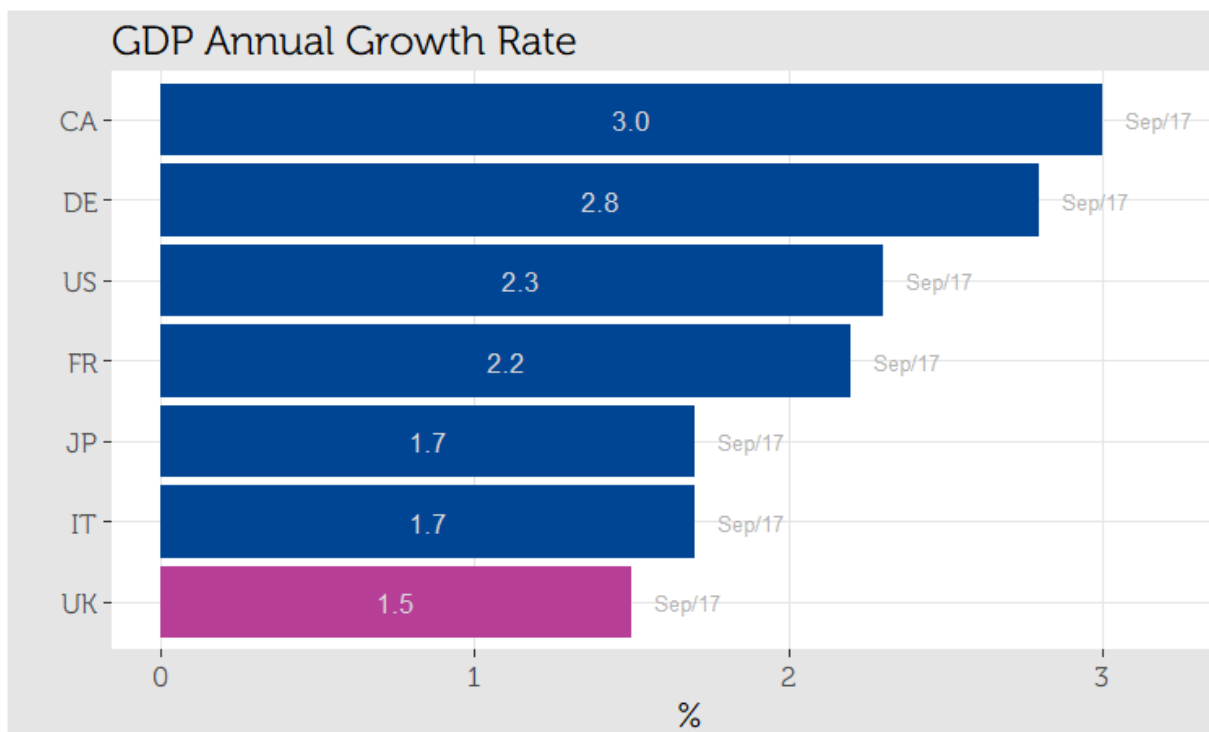


Top: Indicators growth - Current week versus previous week.

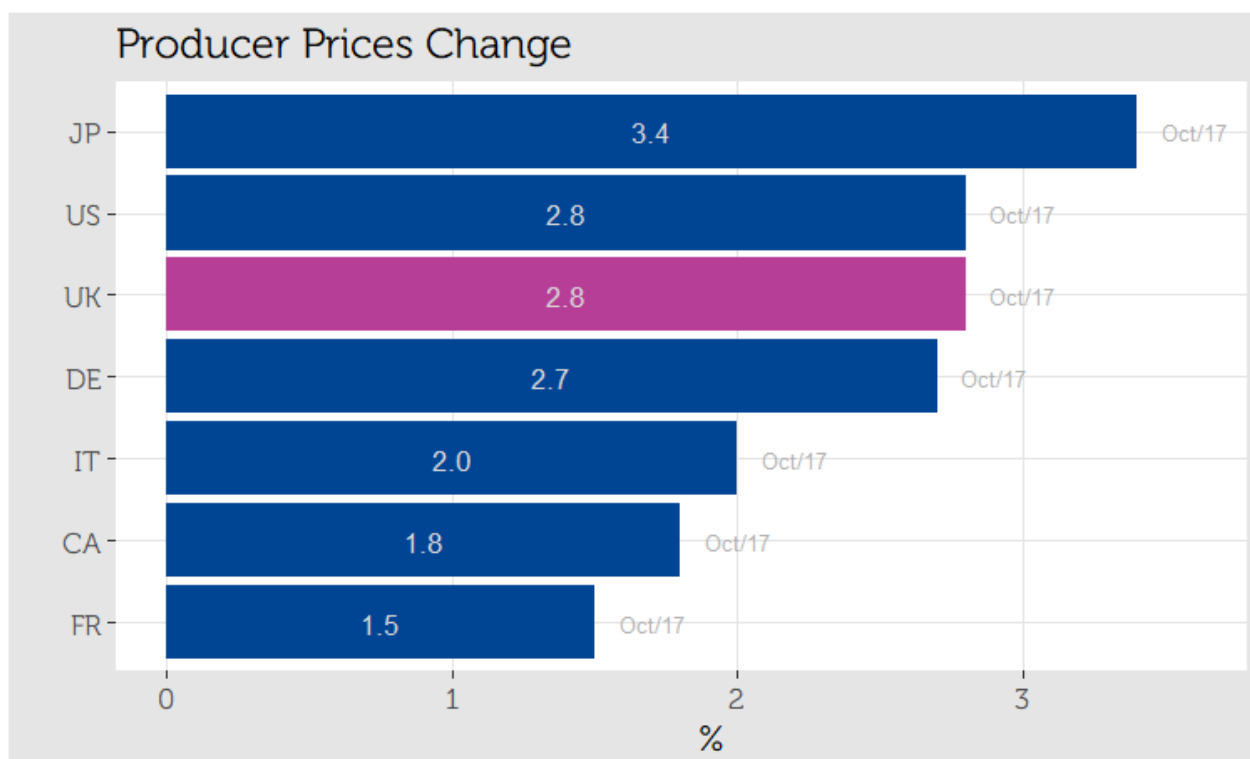
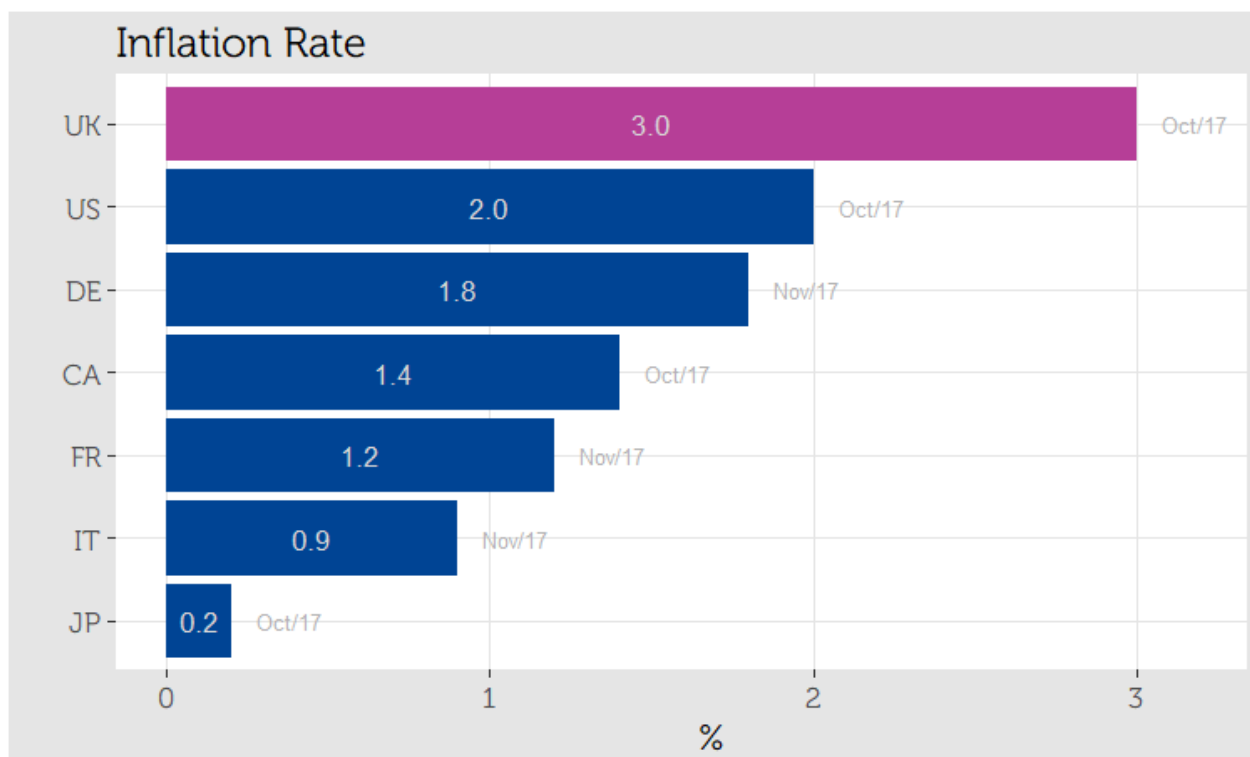
Bottom: Indicators Growth - Before Referendum vote versus current week

13 G7 Indicators (Latest)

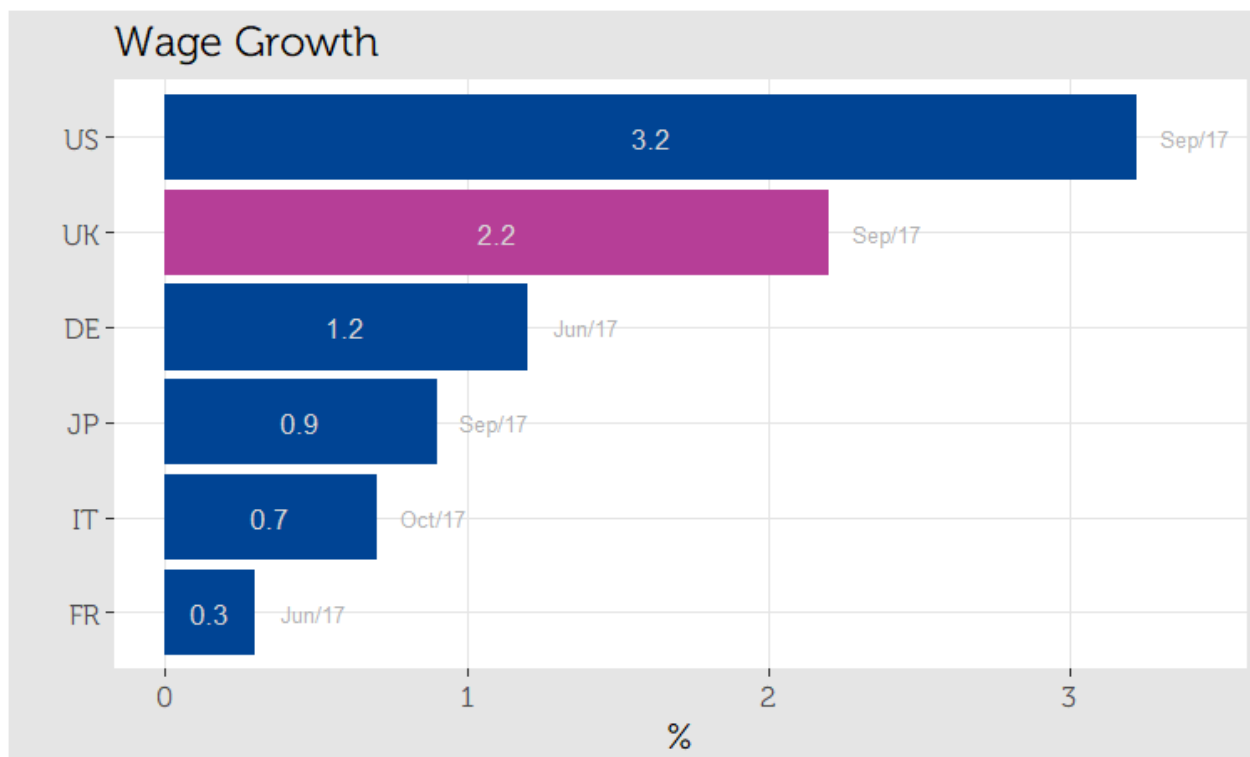
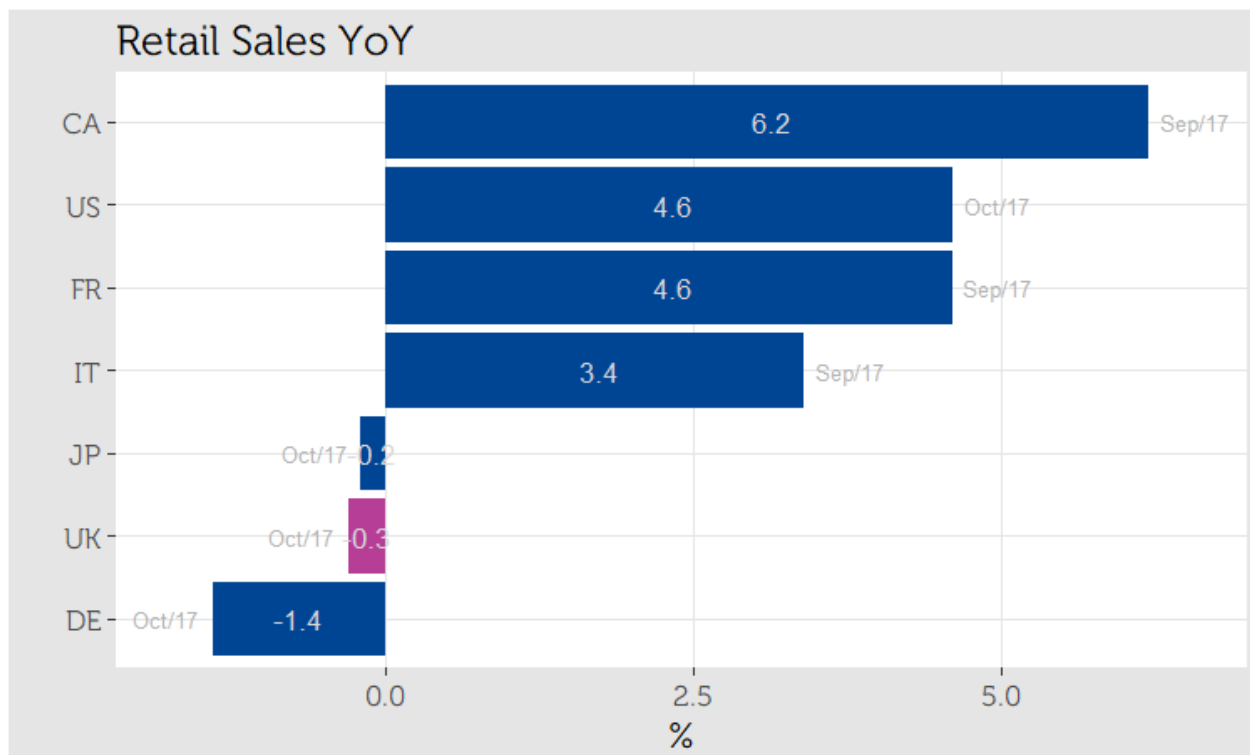
13.1 GDP & Unemployment



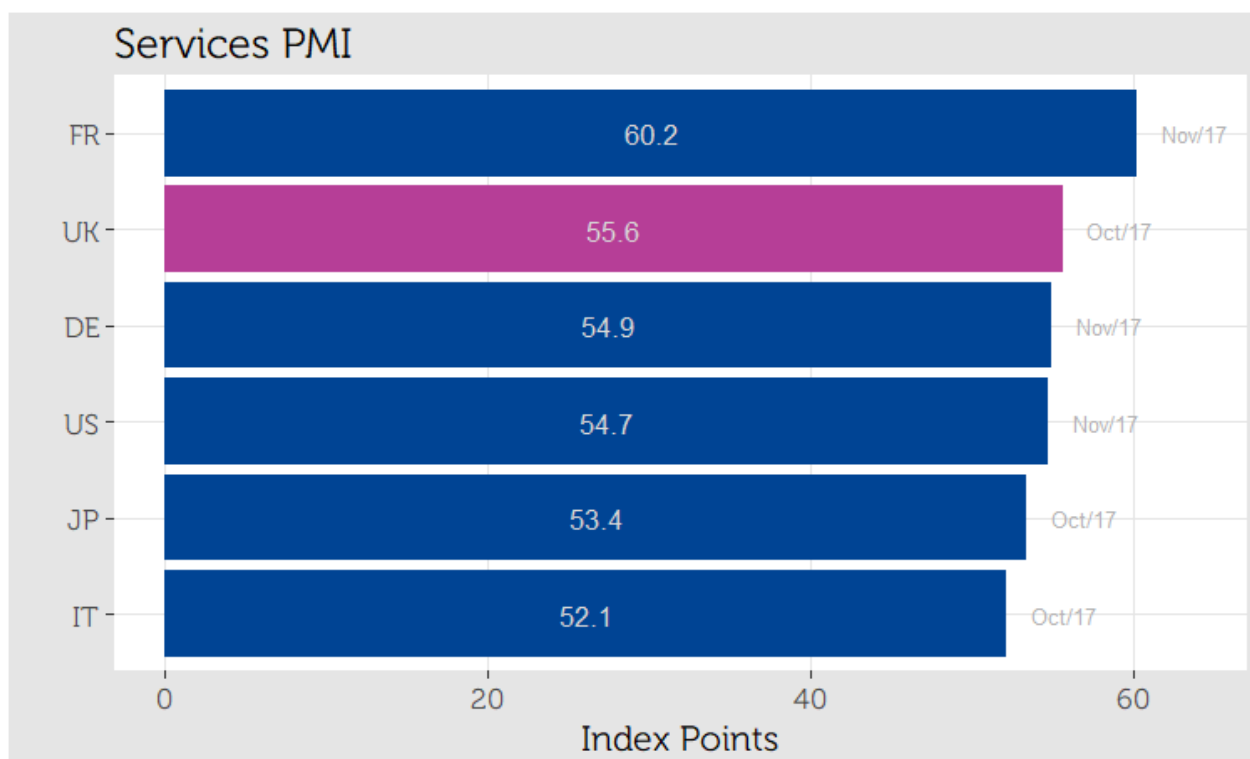
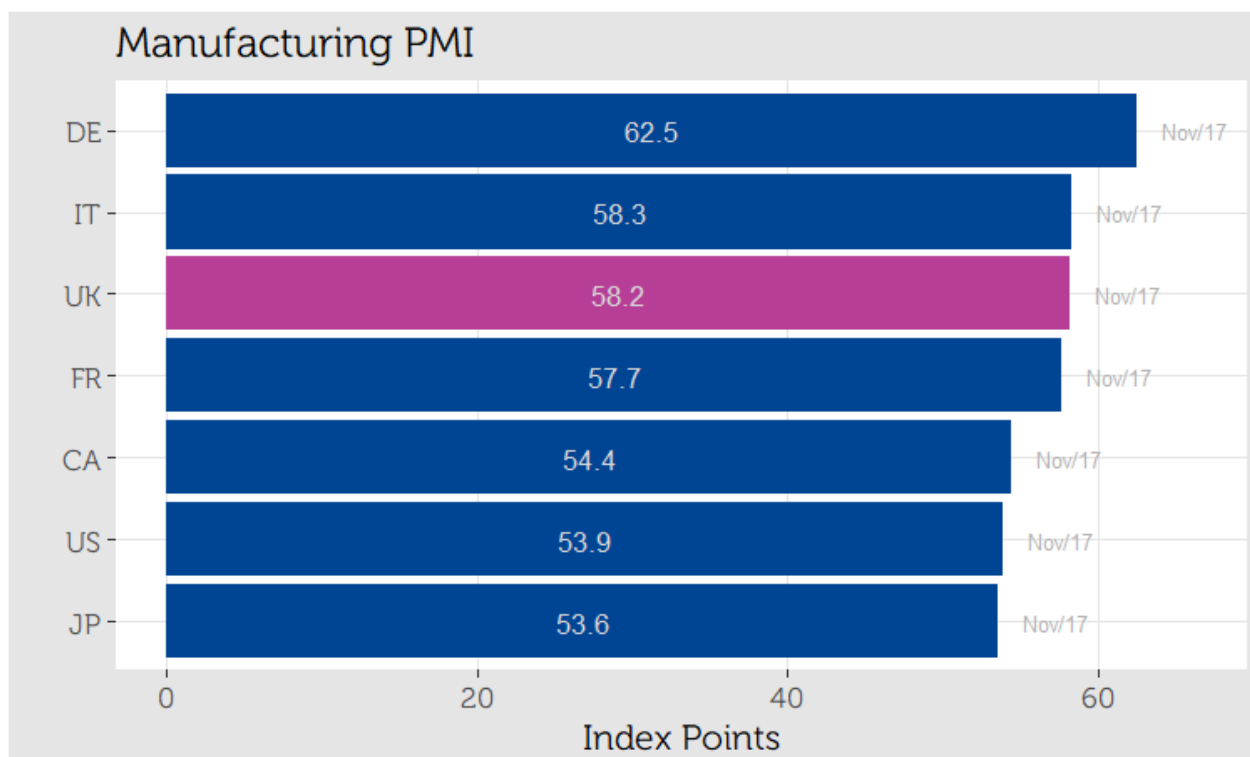
13.2 Inflation & Producer Prices



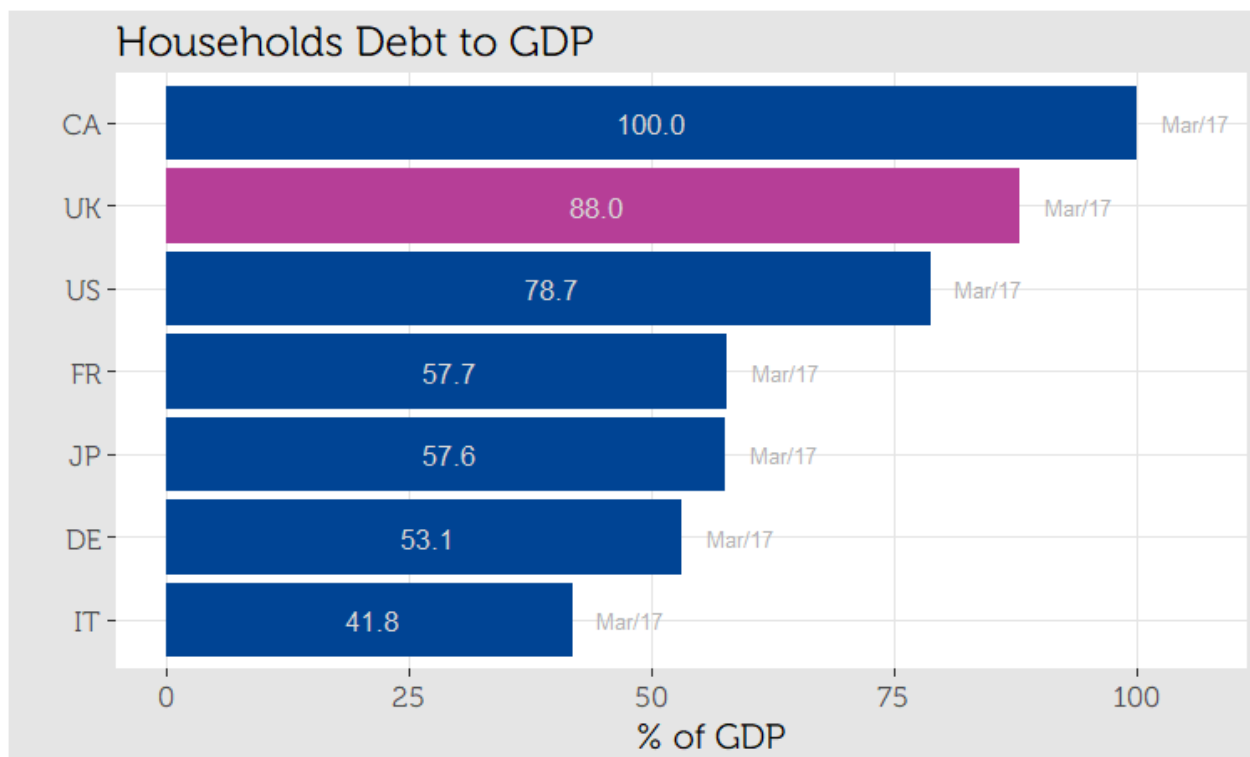
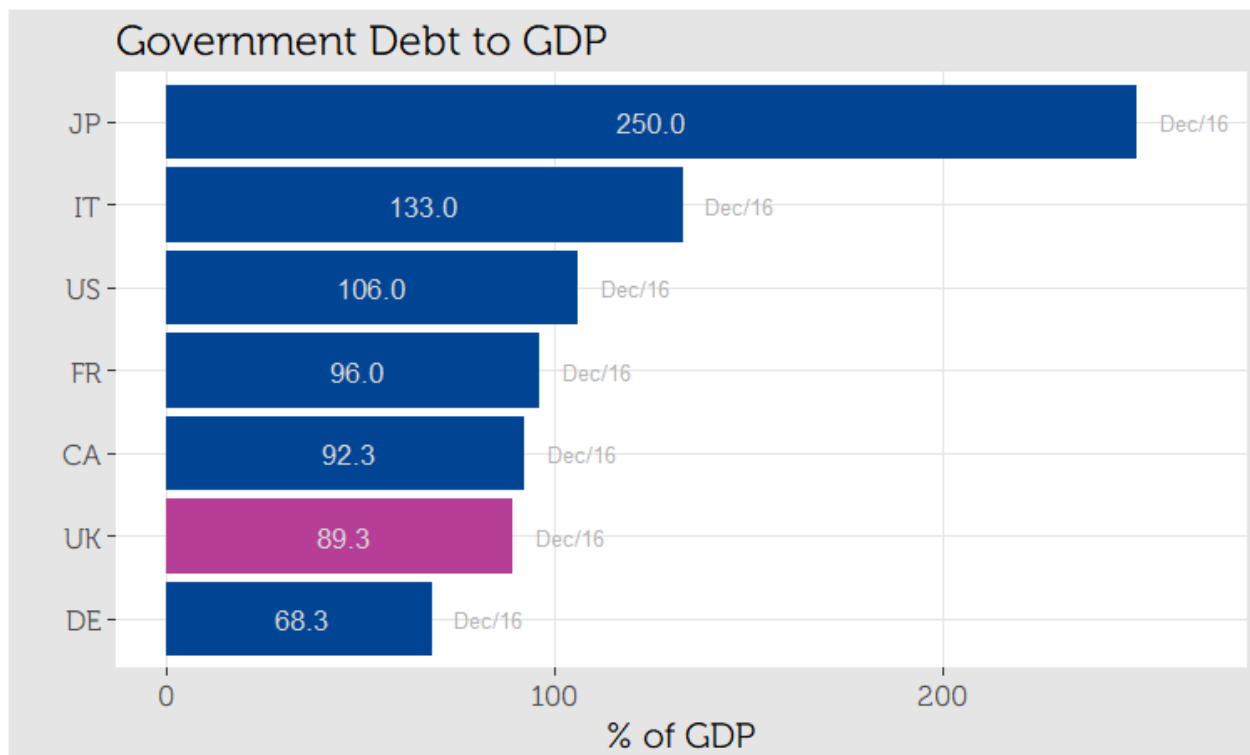
13.3 Retail Sales & Wage Growth



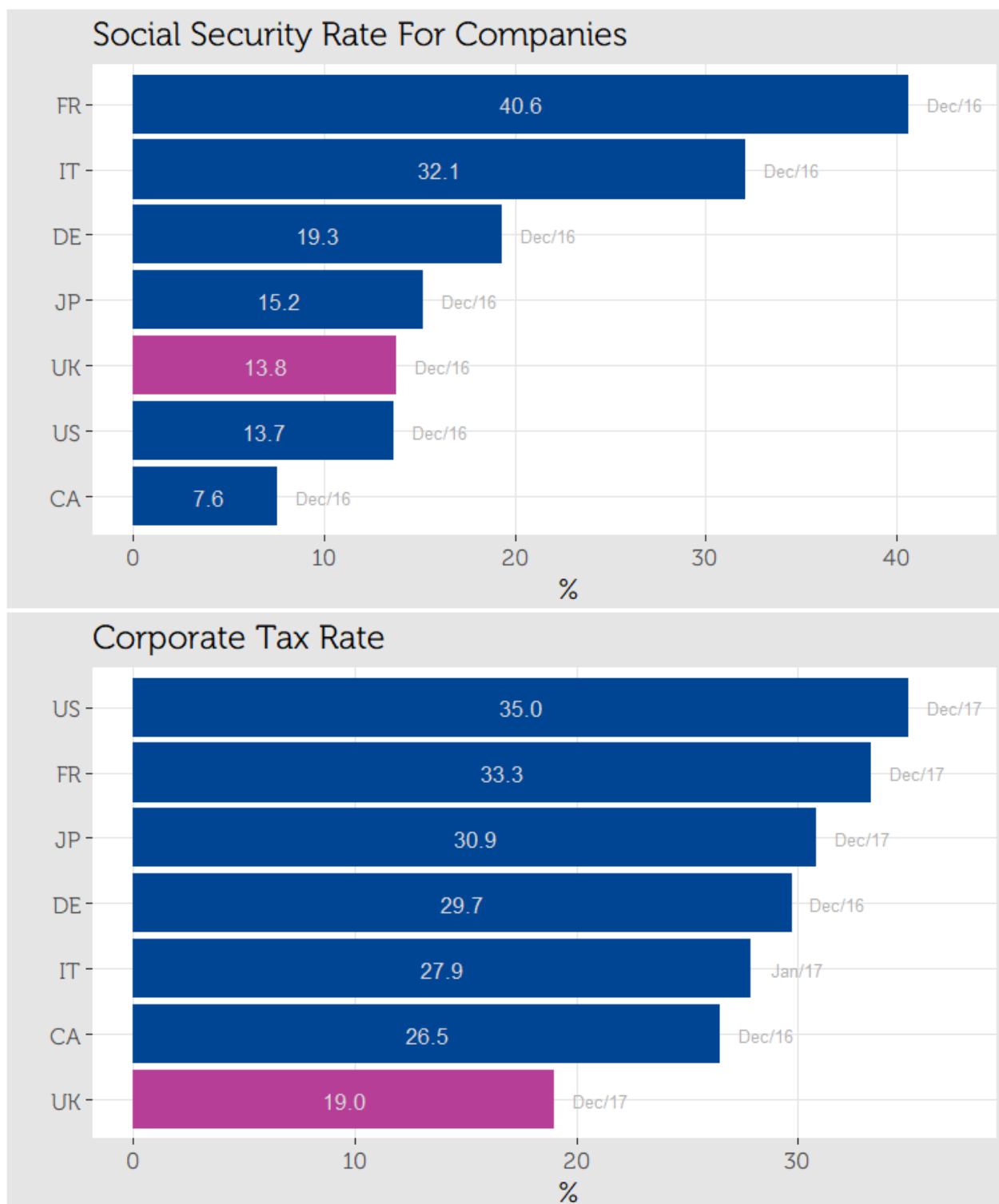
13.4 Purchasers Managers Index - Manufacturing & Services



13.5 Debt



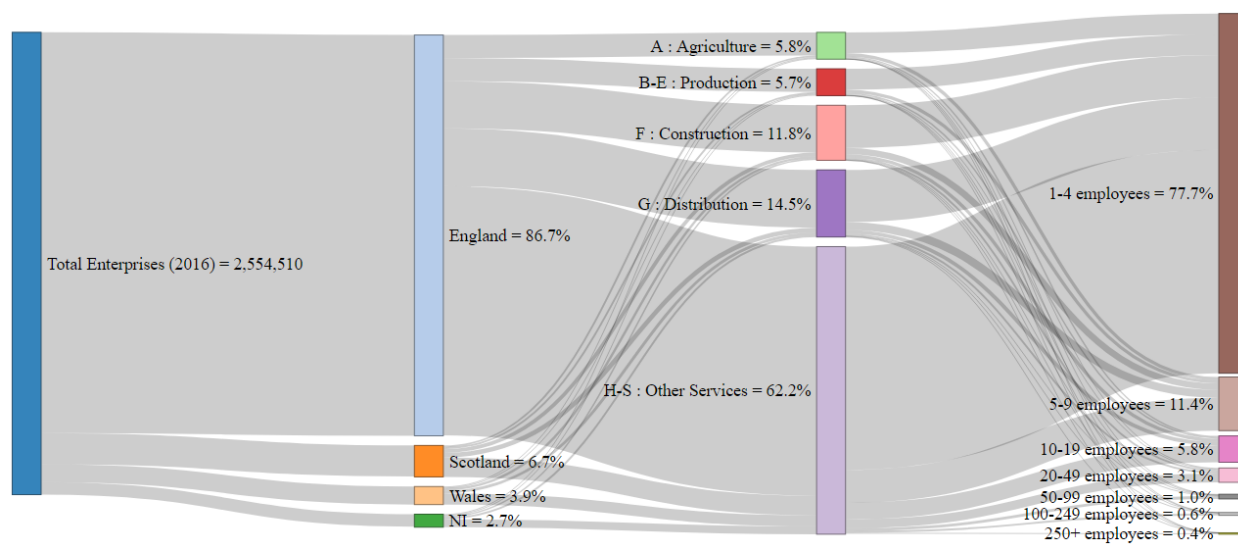
13.6 Employer Social Security Rate & Corporate Tax



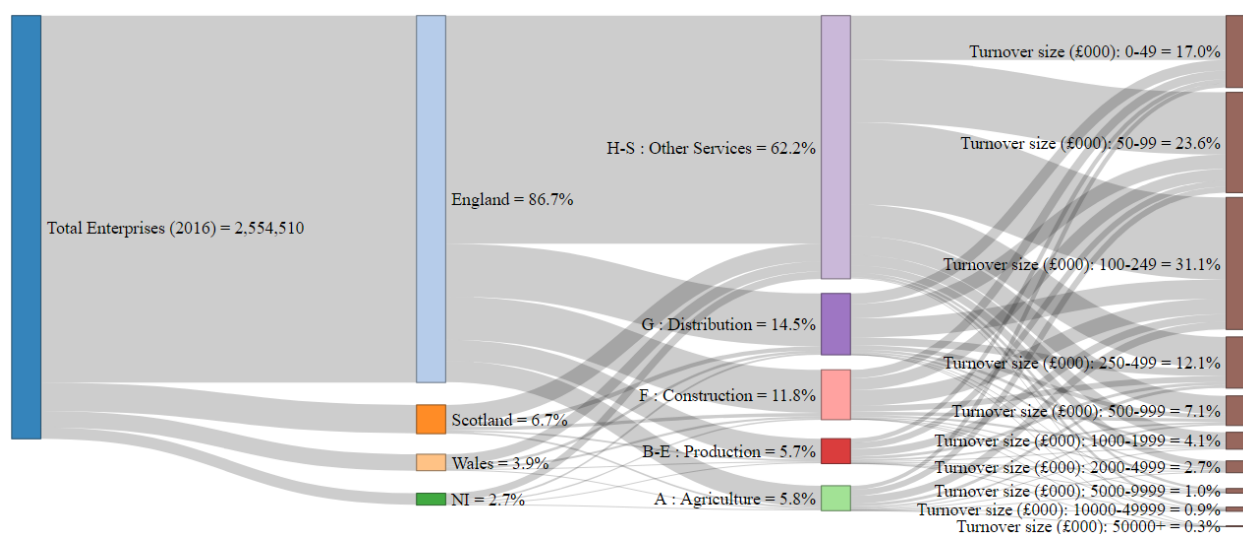
Appendices

A UK Businesses: Activity, Size & Location

A.1 Enterprises by Employment Size Band

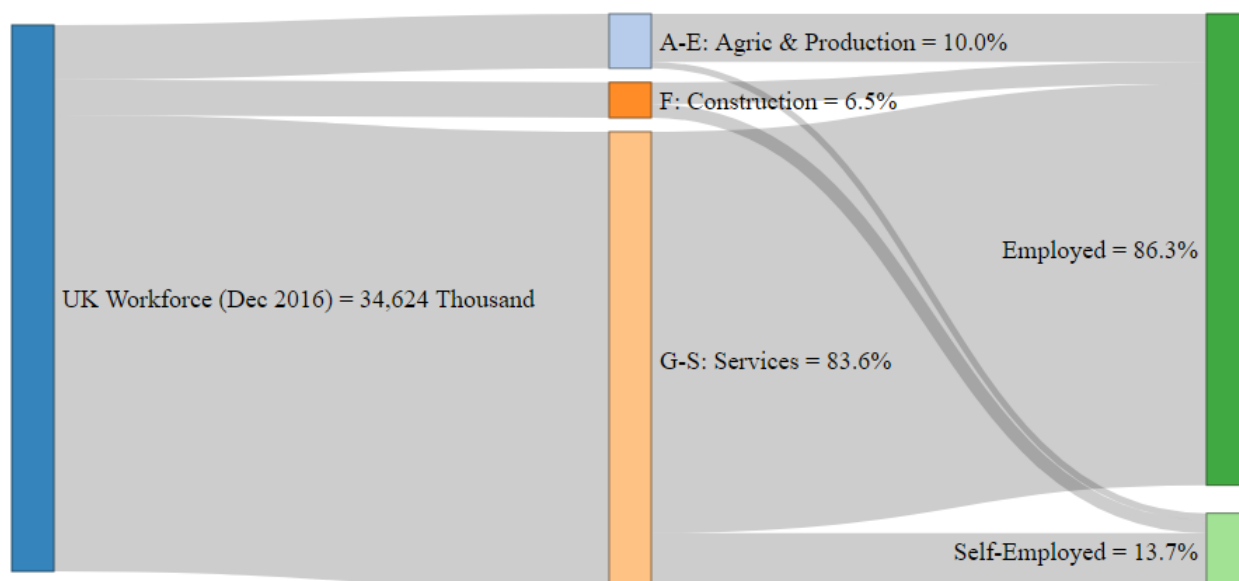


A.2 Enterprises by Turnover Size Band

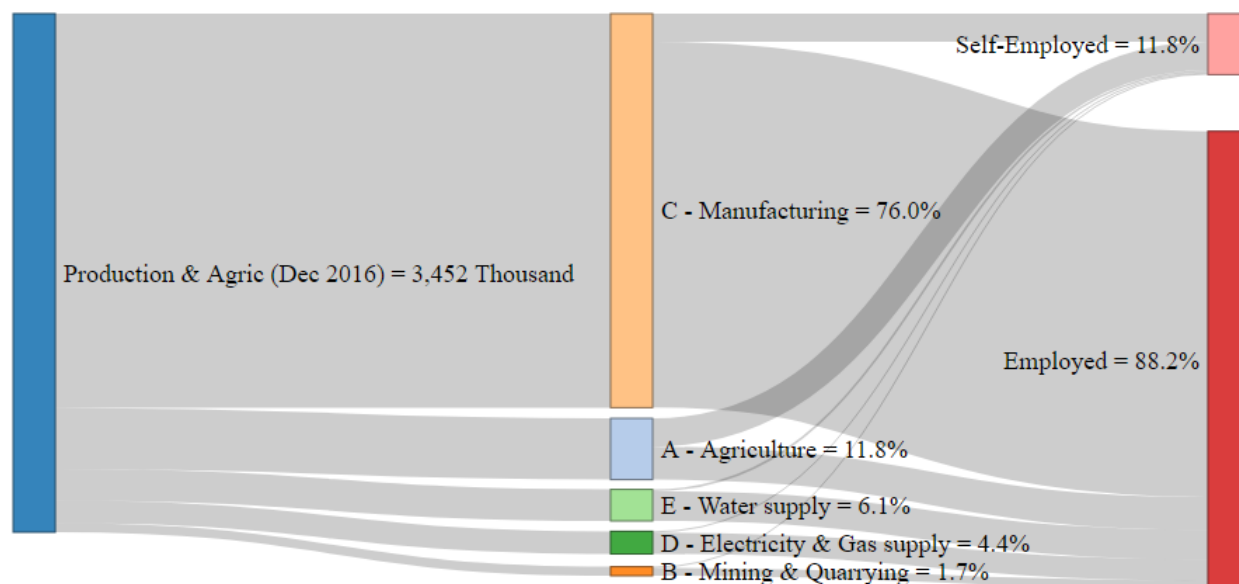


B UK Employment Structure

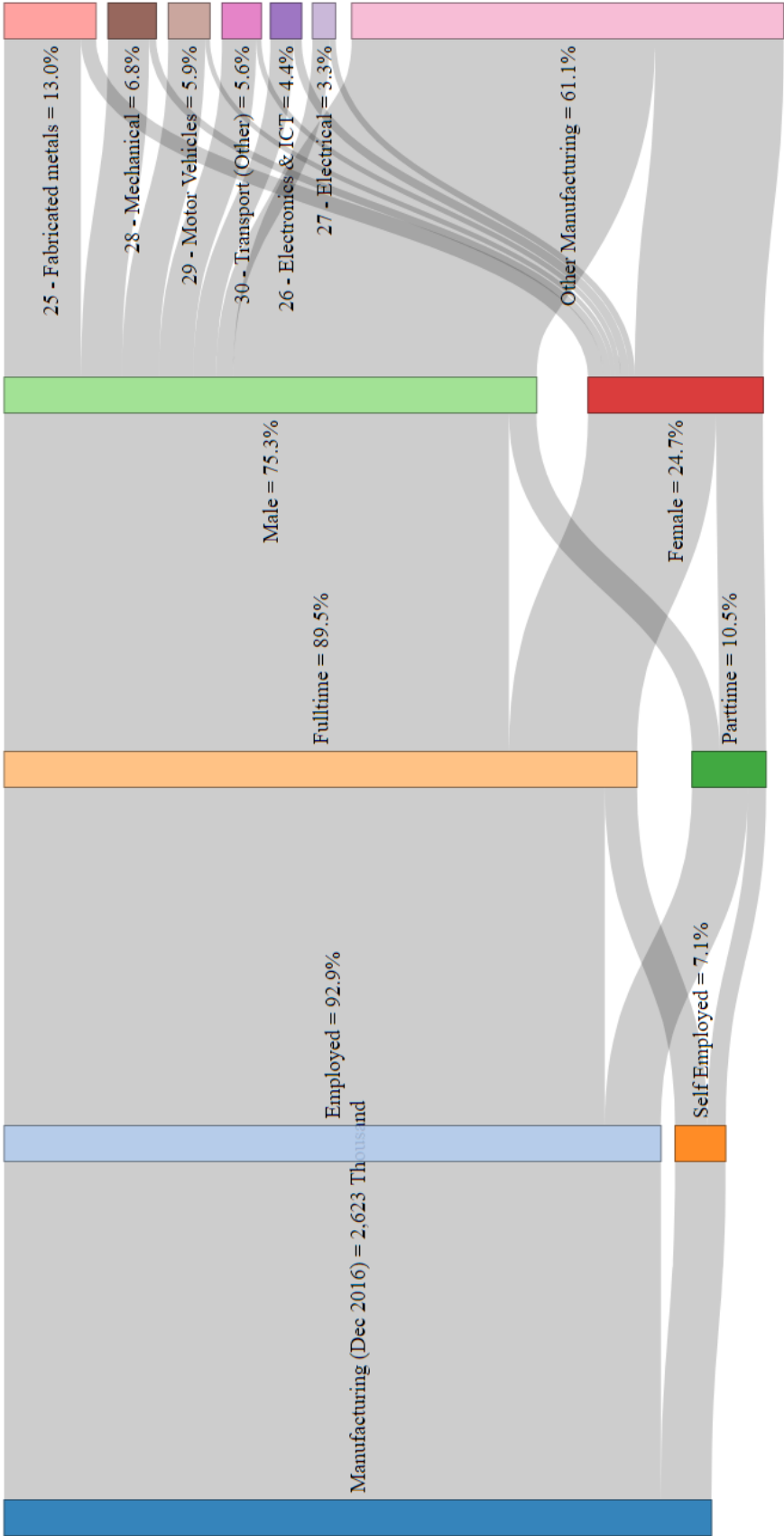
B.1 UK Workforce



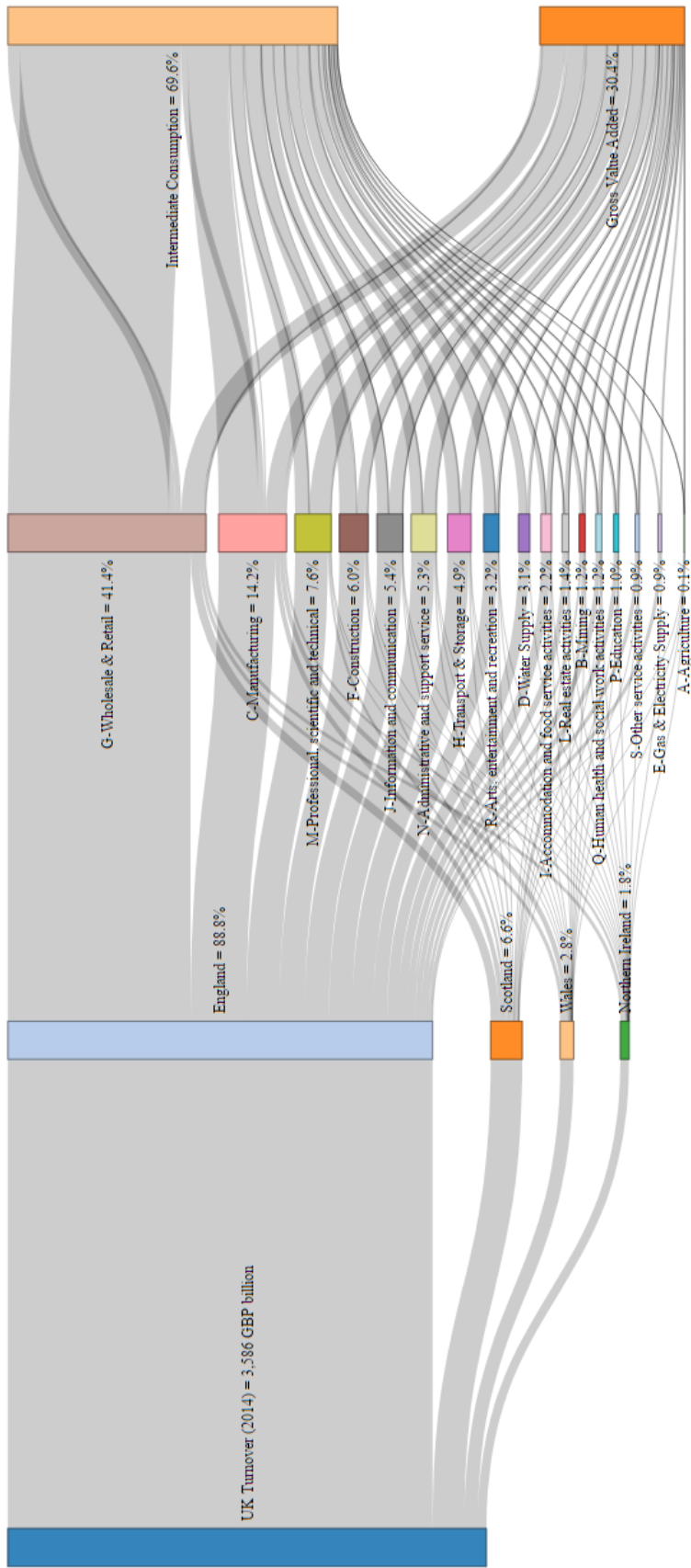
B.2 UK Production & Agriculture Workforce



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>.

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