Office for National Statistics

Article

Short-term economic indicators commentary: December 2017

A summary of the short-term indicators published in early December 2017.

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1 . Statistician’s comment

Commenting on today’s short-term indicator figures, Office for National Statistics senior statistician Kate Davies said:

“While manufacturing was relatively subdued overall in October 2017 despite record production of cars destined for export, the longer-term picture is one of strong growth.

“However, despite the stronger performance of UK manufacturers, imports grew more than exports in the three months to October 2017 once erratic items were excluded, slightly widening the underlying trade deficit.

“Construction output continued to fall back from its peak at the start of the year, with both new building and repair work faltering once again. However, construction orders for future work received a huge boost in the third quarter, as many large High Speed 2 (HS2) contracts were awarded.”

2 . Main figures

Table 1: Headline figures for short-term economic indicators, UK, October 2017

	3-month on 3-month	Month-on-month	3-month on 3 month a year ago	Month on same month a year ago
Total production output (% change)	1.2	0.0	2.6	3.6
Manufacturing output (% change)	1.2	0.1	3.1	3.9
Total construction output (% change)	-1.4	-1.7	1.6	-0.2
Trade balance (goods and services) (£billion change)[1]	2.7	-0.3	8.4	-0.1

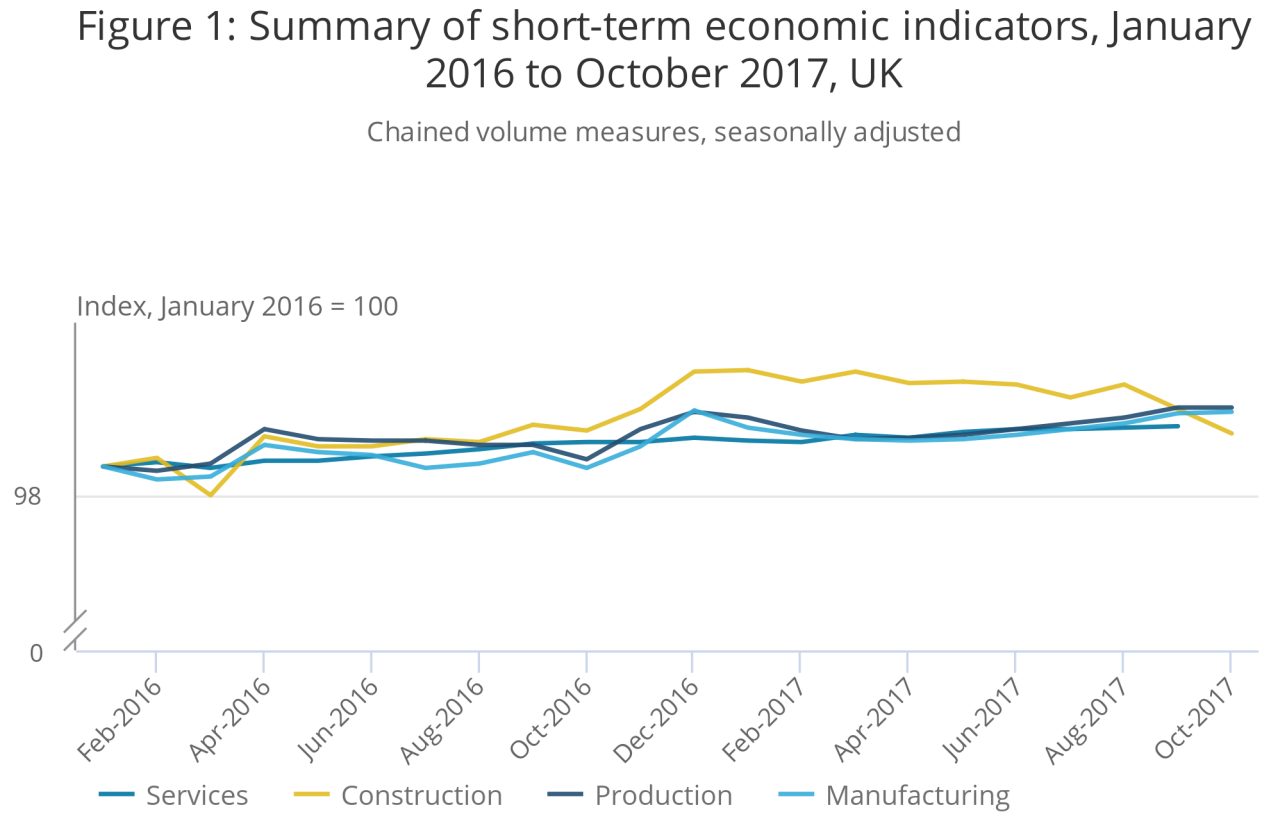
Source: Office for National Statistics

Notes:

1. These figures reflect changes in the level of the trade deficit (in £ billions), rather than percentage growth. A positive figure represents a narrowing of the deficit, while a negative figure represents a widening.

Figure 1: Summary of short-term economic indicators, January 2016 to October 2017, UK

Chained volume measures, seasonally adjusted



Source: Office for National Statistics

Notes:

1. Services data have been published in the Index of Services bulletin up to September 2017.

3 . Main points

Construction

- Activity in the construction sector continued to weaken in the three months to October 2017, with total construction output falling by 1.4%; this is the largest three-month on three-month fall since September 2012 and marks the sixth consecutive three-month on three-month fall.

- Driving the three-month on three-month fall was a 3.0% decrease in total repair and maintenance and a 3.5% decrease in private commercial new work – subtracting 1.1 and 0.7 percentage points from total growth respectively.

- Total construction output also fell on a monthly basis, with private housing new work and non-housing repair and maintenance leading the decline of 1.7%, each subtracting 0.6 percentage points from total growth in construction output in October 2017; this was weaker than market expectations of a 0.1% rise.

- October 2017 showed the first negative month-on-year growth in total construction output since March 2016 and was driven primarily by a 5.5% fall in non-housing repair and maintenance.

- Today's release of construction new orders for Quarter 3 (July to Sept) 2017 show a quarterly increase of 37.4%; this was driven by infrastructure, specifically the High Speed 2 (HS2) project.

Production

- The production sector continued to show strength following a weaker period earlier in the year, rising by 1.2% in the three months to October 2017.

- Manufacturing in particular continued to pick up, with output rising by 1.2% in the three months to October 2017, contributing 0.9 percentage points towards growth in total production output.

- Within manufacturing, transport equipment, and other manufacturing and repair were the largest contributors to total production growth, with transport equipment reaching record high levels of output in the three months to October 2017.

- Unlike the strong three-monthly picture, monthly growth in production output remained flat in October 2017, as growth in mining and quarrying (2.7%), water and waste management (1.4%), and manufacturing (0.1%) was offset by a 3.3% fall in electricity, gas, steam and air conditioning.

- The monthly rise of 0.1% for manufacturing output was slightly stronger than market expectations of no growth, while the flat month for production was in line with market expectations.

Trade

- The total UK trade deficit (excluding erratics) widened by £0.8 billion to £6.9 billion in the three months to October 2017, driven by a £2.0 billion widening of goods deficit, partially offset by a £1.1 billion increase in the services surplus.

- The total UK trade deficit including erratic commodities narrowed by £2.7 billion to £5.0 billion in the three months to October 2017; the narrowing in erratics was primarily driven by an increase in exports (£1.8 billion) and a decrease in imports (£1.8 billion) of unspecified goods.

- In volume terms, both exports and imports of goods excluding oil and erratics rose in the three months to October 2017, with the rise in imports marking the fourth consecutive rolling three-month on three-month increase.

- Exports of machinery and transport (which includes motor vehicles) have been particularly strong in recent months, with growth in the export of passenger motor vehicles outpacing growth in UK production (which includes cars for both domestic and export markets); motor vehicle exports grew by 9.1% in the three months to October 2017, while production rose by only 3.2% (Figure 2).

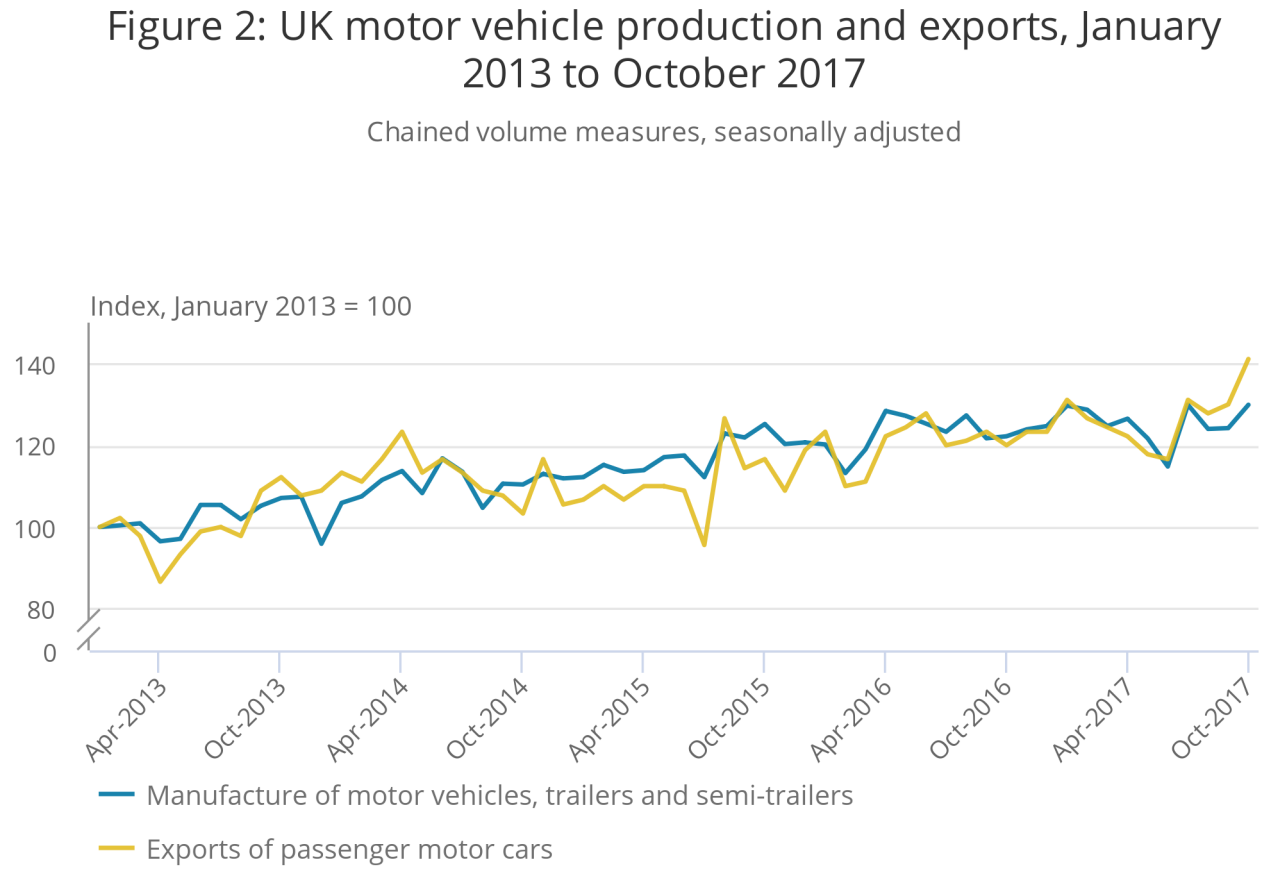
- The EU goods deficit widened by £1.2 billion in the three months to October 2017, the largest three-month widening since November 2016; meanwhile, the non-EU goods deficit narrowed by £2.9 billion.

- Sterling depreciated by 0.2% in the month of October 2017, coinciding with a 0.4% rise in total goods export prices and a 0.7% rise in goods import prices; this led to a 0.3% fall in the UK terms of trade.

- On a monthly basis, the total UK trade deficit widened by £0.3 billion in October 2017, smaller than market expectations of a widening by £1.9 billion; this reflected a £0.3 billion widening in the trade in goods deficit, which was partially offset by a £0.1 billion increase in the trade in services surplus.

Figure 2: UK motor vehicle production and exports, January 2013 to October 2017

Chained volume measures, seasonally adjusted



Source: Office for National Statistics