Article

Short-term indicators economic commentary: August 2017

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

Contact:
Katrina Yu
katrina.yu@ons.gsi.gov.uk
+44 (0)2075 928694

Release date:
10 August 2017

Next release:
8 September 2017

Table of contents

1 . Statistician’s comment

Commenting on today’s short-term indicator figures, Deputy National Statistician Jonathan Athow said:

“Manufacturing has been broadly flat with recent falls due to dropping car production offsetting growth earlier this year. On the other hand, oil production increased as the usual summer maintenance shutdowns failed to materialise.

Construction again declined after a strong start to the year with public and commercial building and repair work all falling.

Meanwhile, the UK’s trade balance was little changed in the second quarter with the import and export of chemicals and services all increasing.”

2 . Main figures

Table 1: Headline figures for short-term indicators, UK, June 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 real production output (% change)	-0.4	0.5	-0.3	0.3
Manufacturing output (% change)	-0.6	0.0	0.2	0.6
Total real construction output (% change)	-1.3	-0.1	0.4	0.9
Trade balance (goods and services) (£ billion change)1	-0.1	-2.0	-1.1	-1.2

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.

3 . Main points

Production

- Activity in the production sector continues to be weaker compared with high levels of output in December 2016, with both total production output and manufacturing output falling in Quarter 2 (Apr to June) 2017.

- The 0.4% quarterly fall in total production output was almost entirely driven by a fall in manufacturing activity (down by 0.6%) and in particular, the production of motor vehicles, trailers and semi-trailers (down by 5.8%).

- While the 5.8% decline in motor vehicle production is the largest 3-month on 3-month fall since April 2009, it follows an increase of 3.7% in Quarter 1 (Jan to Mar) 2017 and levels of output remain historically high.

- Despite the quarterly fall, total production output rose by 0.5% in the month of June with the mining and quarrying sector accounting for virtually all of the monthly growth (contributing 0.5 percentage points); the growth in this sector was solely accounted for by a 5.0% increase in oil and gas production, mainly due to the absence of maintenance in the North Sea oil rigs, which typically takes place in June.

- While the flat monthly outcome for manufacturing output in June 2017 was in line with expectations, the 0.5% rise in total production was above market expectations of a 0.1% monthly rise.

Trade

- The total trade deficit (goods and services) remained broadly unchanged between Quarter 1 and Quarter 2 2017, widening by £0.1 billion to £8.9 billion.

- The latest quarterly data show little movement in both the trade in goods and the trade in services balances, with the goods balance widening by £0.1 billion and the services balance remaining flat in the quarter.

- A 0.3% increase in the value of goods exports in Quarter 2 2017 was offset by a 0.3% increase in imports, with imports from EU and non-EU countries growing at the same pace (0.3%); the rise in exports to the EU (2.0%) was partly offset by a 1.4% fall in exports to non-EU countries.

- The volume of goods exports rose by 1.5% in Quarter 2 2017 to be 5.0% higher than a year ago, marking the third consecutive quarter of positive growth and coinciding with an 8.7% depreciation in the sterling effective exchange rate (ERI) index since Quarter 2 2016.

- Goods export and import prices fell by 1.0% and 0.8% respectively in Quarter 2 2017, coinciding with a 1.2% appreciation in sterling. However, removing the effect of oil price movements, import prices of goods increased by 0.1% (the UK is a net importer of oil).

- The £2.0 billion widening of the trade deficit in June 2017 to £4.6 billion was against market expectations of a narrowing of the deficit to £2.5 billion.

Construction

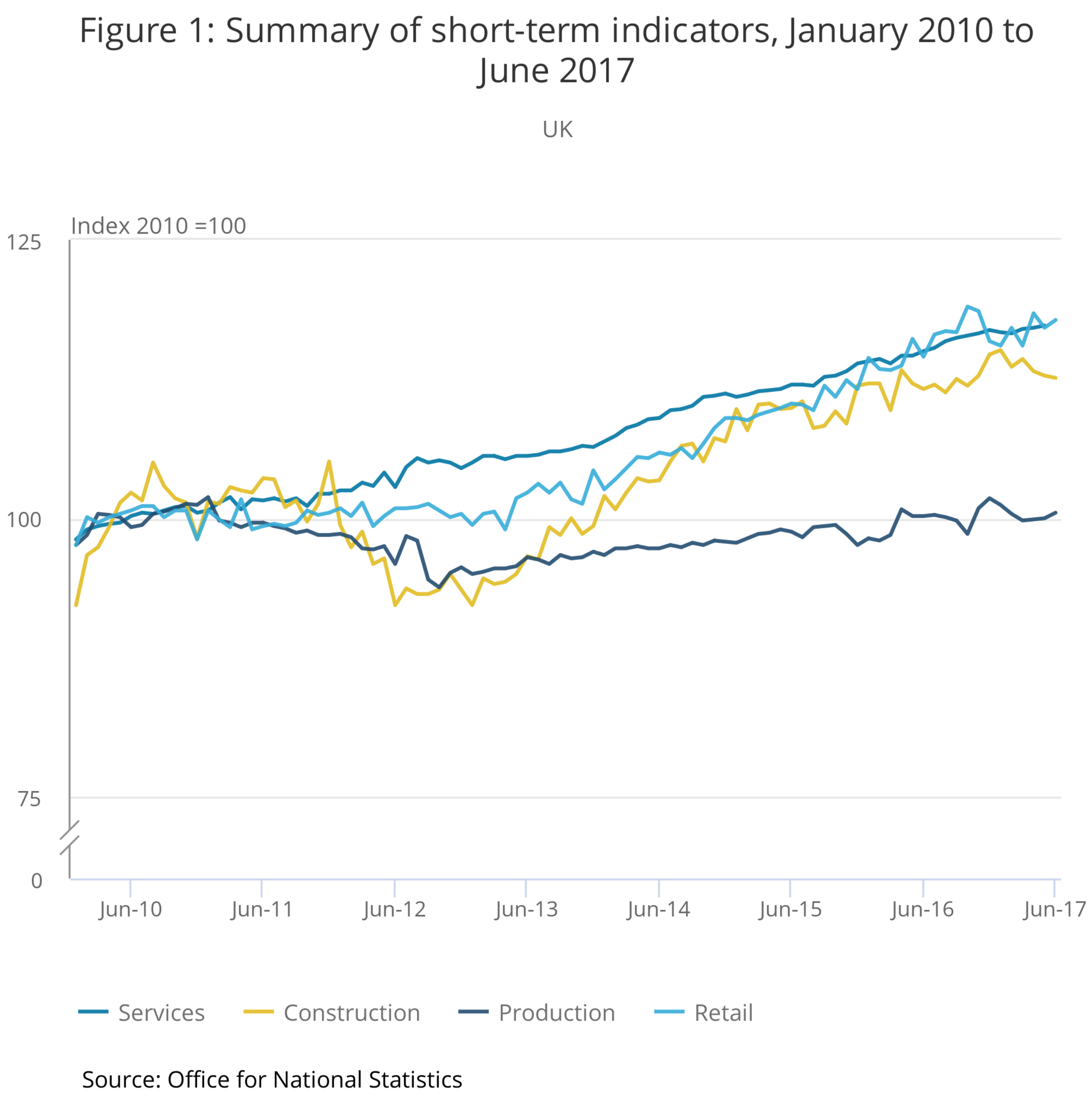
- While total construction output fell on both a monthly and 3-month on 3-month basis in June 2017, this follows a strong start to the year and output has remained broadly flat for the year.
- The 1.3% quarterly decrease in total construction output was broad-based across most sectors, with the largest negative contribution coming from public other new work, which contributed negative 0.5 percentage points.
- On a month-on-month basis, new private housing output grew by 5.1% to reach record high levels, making the largest positive contribution towards monthly total construction growth (1.1 percentage points).
- However, the monthly increase in private housing was offset by falls in most other sectors, with total construction output remaining broadly flat overall in the month of June (down by 0.1%).
- The monthly outcome was below market expectations of a 1.4% increase in total construction output.

Overall impact of revisions on preliminary estimate of GDP in Quarter 2 2017

The new June data follow the preliminary estimate of gross domestic product (GDP) for Quarter 2 (Apr to Jun) 2017 (released on 26 July), which indicated that the UK economy grew by 0.3% in the quarter. In today's release, the growth in construction output estimate for Quarter 2 2017 was revised downwards to negative 1.3% from the negative 0.9% published in the preliminary GDP estimate, while there was no revision to production output. The potential downward impact of these revisions to the previously published GDP is negative 0.01 percentage points, which does not impact the headline GDP growth rate to one decimal place.

Figure 1: Summary of short-term indicators, January 2010 to June 2017

UK



Source: Office for National Statistics

Notes:

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