

Article

# Short-term economic indicators commentary: March 2018

A summary of the short-term indicators published in early March 2018.

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# 1 . Statistician's comment

Commenting on today's short-term economic indicator figures, Office for National Statistics (ONS) senior statistician Ole Black said:

"Manufacturing has recorded its ninth consecutive month of growth but with a slower start to 2018. Total production output continues to advance, bolstered in January 2018 by the Forties oil pipeline coming back on stream after December's shutdown.

"Construction continues to be a weak spot in the UK economy with a big drop in commercial developments, along with a slowdown in house building after its very strong end to last year.

"The total trade deficit widened again as rising oil prices made for dearer fuel imports."

## 2 . Main figures

This section presents the latest figures and trends for the UK's short-term economic indicators.

**Table 1: Headline figures for short-term indicators, UK, January 2018**

	<b>3-month on 3-month</b>	<b>Month-on-month</b>	<b>3-month on 3-month a year ago</b>	<b>Month on same month a year ago</b>
Total production output (% change)	0.2	1.3	1.4	1.6
Manufacturing output (% change)	0.9	0.1	2.6	2.7
Total construction output (% change)	-1.0	-3.4	-1.1	-3.9
Trade balance (goods and services) (£ billion change) <sup>1</sup>	-3.4	-0.6	-0.4	-0.5

Source: Office for National Statistics

Notes:

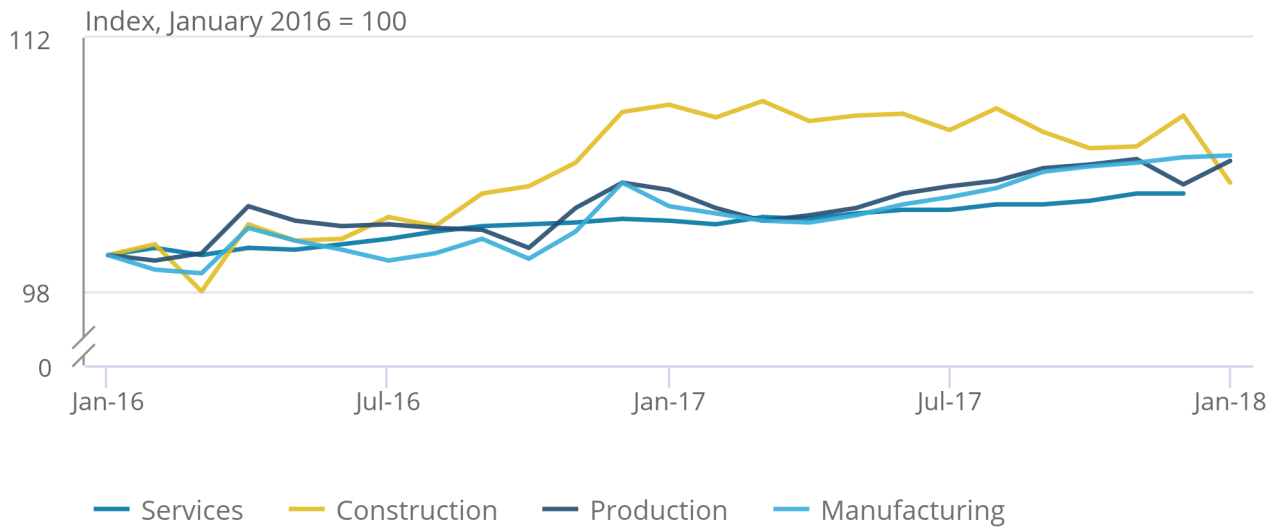
1. These figures reflect changes in the level of the trade deficit (in £ billions), rather than percentage growth. A positive figure represents a narrowing of the deficit while a negative figure represents a widening.

## Figure 1: Summary of short-term economic indicators, chained volume measures

January 2016 to January 2018, UK

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January 2016 to January 2018, UK



Source: Office for National Statistics

Notes:

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

## 3 . Main points

### Production

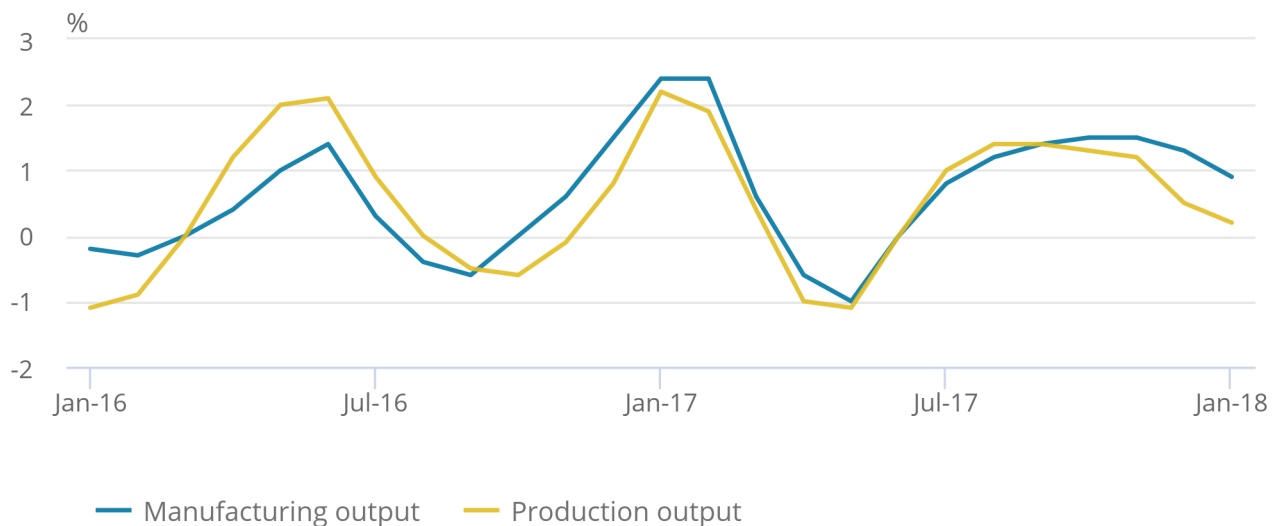
- Growth in total production output continued to slow in the three months to January 2018, increasing by 0.2% – the weakest three-month on three-month growth since June 2017 (Figure 2).
- The largest negative contribution came from mining and quarrying, which rebounded in January 2018 following a sharp fall in December 2017 due to the unexpected shutdown of the Forties pipeline system.
- Following the 19.1% fall in the output of mining and quarrying in December 2017, it increased by 23.5% in January 2018 to recover to levels seen prior to the December shutdown (Figure 3); such an immediate recovery was not seen following previous significant shutdowns in both September 2012 and October 2016, which were due to maintenance occurring outside of the usual periods.
- While manufacturing recorded its seventh consecutive three-month on three-month growth in January 2018 – the first time since June 2014 – growth slowed to 0.9%, from 1.3% in the three months to December 2017 (Figure 2).
- The three-month on three-month growth in manufacturing was driven by basic metals and metal products, which accounted for over half of the total 0.9% growth in manufacturing output.
- Manufacturing output increased for the ninth consecutive month in January 2018, growing by 0.1%.
- The monthly growth of 0.1% for manufacturing output and 1.3% for production output were both weaker than market expectations of 0.2% and 1.5% respectively.

**Figure 2: Production and manufacturing output, three-month on three-month growth**

January 2016 to January 2018, UK

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January 2016 to January 2018, UK



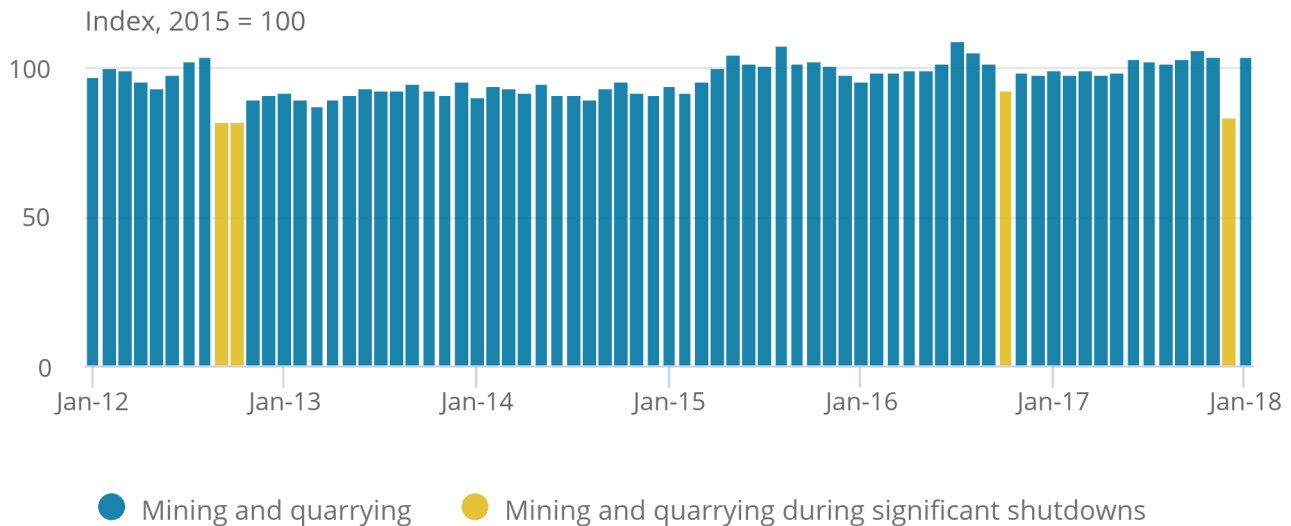
Source: Office for National Statistics

### Figure 3: Mining and quarrying output levels, seasonally adjusted, chained volume measures

January 2012 to January 2018, UK

### Figure 3: Mining and quarrying output levels, seasonally adjusted, chained volume measures

January 2012 to January 2018, UK



Source: Office for National Statistics

## Construction

- Construction output continued to weaken in the three months to January 2018, with total construction output falling by 1.0%, marking the ninth consecutive fall in three-monthly output growth.
- This was driven by a 4.1% decrease in private commercial new work and a 2.1% decrease in total repair and maintenance – subtracting 0.8 and 0.7 percentage points respectively from total growth in construction output.
- Monthly construction output fell by 3.4% in January 2018 – the largest monthly fall since June 2012 and weaker than market expectations of a 0.5% fall; this was due mainly to a 8.3% fall in private new housing, following a historically high level of output in December 2017.
- While today's release of [construction new orders](#) for Quarter 4 (Oct to Dec) 2017 shows a sharp decrease of 25.0%, this follows a 38.1% increase in Quarter 3 (July to Sept) 2017 due to the High Speed 2 (HS2) project; compared with Quarter 2 (Apr to June) 2017, new orders increased by 3.6% in Quarter 4 2017.

## Trade

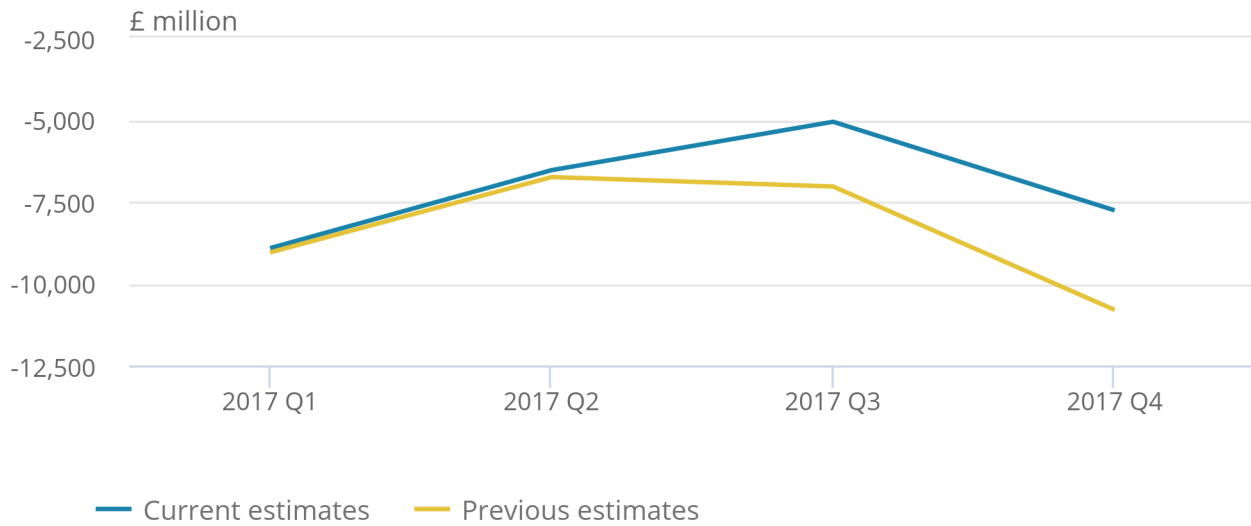
- The UK trade deficit widened by £3.4 billion to £8.7 billion in the three months to January 2018; excluding erratics, the trade deficit widened by £2.6 billion to £8.9 billion.
- This primarily reflected a £3.2 billion widening in the goods deficit, driven by a £1.5 billion increase in the import of oil.
- Today's latest trade figures incorporate revisions to the UK trade deficit throughout 2017, with a narrower deficit than previously estimated in Quarter 3 and Quarter 4 2017 (a revision of £2.0 billion and £3.0 billion respectively) (Figure 4); the revision in Quarter 4 2017 was driven by downward revisions to goods imports, particularly unspecified goods, and upward revisions to services exports.
- In volume terms, both goods exports and imports excluding oil and erratics increased in the three months to January 2018 by 0.2% and 0.5% respectively; growth in exports has been relatively subdued in recent months following a period of strong growth since mid-2016 (Figure 5).
- There have been revisions to the volume of total goods exports in 2017, with Quarter 3 growth revised up from 0% to 1.2% and Quarter 4 revised down from a fall of 0.7% to a fall of 3.2%; Quarter 4 growth in imports has also been revised down from a rise of 1.7% to a fall of 0.5%.
- The sterling exchange rate index appreciated by 2.1% in the three months to January 2018, coinciding with a 0.9% increase in goods export prices and a 1.1% increase in goods import prices; however, removing the effect of price movements in oil, export and import prices of goods both fell by 0.3%.
- The UK trade deficit widened by £0.6 billion to £3.1 billion in January 2018; this is compared with a market expectation of a narrowing of £1.6 billion.

## Figure 4: Revisions to quarterly total UK trade balance

Quarter 1 (Jan to Mar) 2017 to Quarter 4 (Oct to Dec) 2017, UK

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Quarter 1 (Jan to Mar) 2017 to Quarter 4 (Oct to Dec) 2017, UK



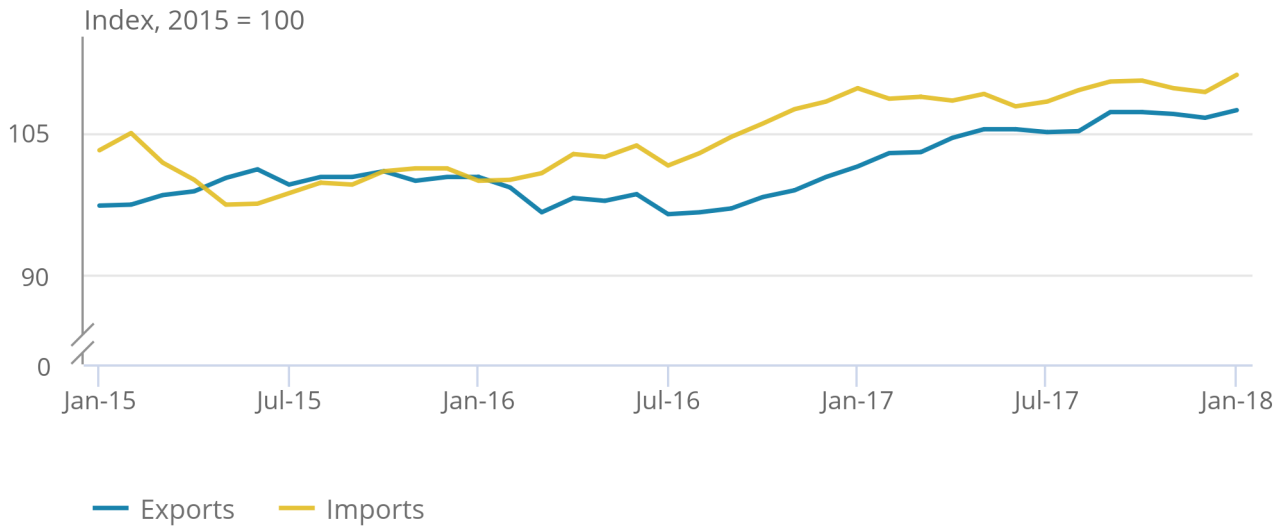
Source: Office for National Statistics

**Figure 5: Goods exports excluding oil and erratics compared with goods imports excluding oil and erratics, volume index, rolling three-month average**

January 2015 to January 2018, UK

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January 2015 to January 2018, UK



Source: Office for National Statistics