

Article

Assessment of the UK post-referendum economy: September 2016

The view from ONS of the emerging picture of the UK economy after the EU referendum. It uses a range of ONS data including prices, trade, employment and retail sales data published since the referendum.

Contact:
Fiona Massey
macro@ons.gsi.gov.uk

Release date:
21 September 2016

Next release:
To be announced

Table of contents

1. [The referendum](#)
2. [The emerging picture](#)
3. [Looking ahead](#)

1 . The referendum

The EU referendum vote on 23 June 2016 had an immediate impact on the stock market and currency as expectations about the UK's trade position and wider economic relations with the EU and the rest of the world changed significantly.

The effective value of sterling had already depreciated by 7.3% between early August 2015 and referendum day in June 2016. It then fell a further 9.5% by the end of July before steadying and then rallying a little since.

Some outside surveys carried out in the days and weeks immediately after the result suggested a sharp deterioration in consumer and business confidence.

2 . The emerging picture

The fall in the value of sterling has so far had little effect on prices. Prices of material and fuel purchased by producers – “input prices” – increased in July and August at about the same rate as in the previous 2 months; 12-month growth rates have accelerated but mainly as last year's sharp declines fall out of the calculation. There is also little sign yet of an effect on factory gate or consumer prices. In addition, house prices continued to grow strongly in July, albeit at a slightly slower annual rate due to last year's price changes, with annual growth falling from 9.7% in June to 8.3% in July.

Manufacturing output saw a small fall of 0.9% in July, after similar falls in May and June, but following a large growth seen in April. Manufacturing output has continued at similar levels within a narrow range since 2012. The small decline in July was across most manufacturing industries, with no sign that post-referendum fears were disproportionately affecting any particular sub-sectors.

Construction output was flat in July. This continues a trend of broadly flat output growth since the start of 2015. In July, there was a negative contribution to construction output from the private commercial sub-sector, a possible sign of retailers and other companies holding back on investments.

While the UK's goods deficit narrowed by £1.2 billion in July, this is unlikely to reflect improved trading conditions from the depreciation of the pound. Given order and delivery lags, any such impact would take longer to emerge.

The volume of spending in shops and online fell back slightly by 0.2% in August but this followed strong growth of 1.9% in July. So far there are no signs of a sharp collapse in consumer confidence as some early fears had suggested.

The continued high employment rate of 74.5% for the 3 months to July would also fit with a picture of broad strength in the UK economy in the run up to and in the period immediately following the EU referendum.

But it is yet to be seen whether the services sector, which makes up more than three-quarters of the economy and has driven growth since 2009, has been impacted by post-referendum uncertainties. In addition, we are yet to get information on any such effect on business investment.

The post-referendum picture is still emerging and will continue to do so over coming months, quarters and years. Information so far generally covers short-term indicators with other important information not yet available. Nevertheless, there has been no sign of a major collapse in confidence and, within the data that is available, some indicators of strength.

Commenting, ONS Chief Economist Joe Grice said:

“As the available information grows, the referendum result appears, so far, not to have had a major effect on the UK economy. So it hasn’t fallen at the first fence but longer-term effects remain to be seen. The index of services published soon and the preliminary estimate of third quarter GDP, published at the end of October will add significantly to the evidence.”

3 . Looking ahead

ONS will continue to provide commentary and analysis on the [economic context and trends](#) following the referendum outcome, based on the growing evidence over the coming months. The index of services output for July, published on 30 September and the preliminary estimate of third quarter GDP, published on 27 October will be particularly important sources of evidence. The [ONS Economic Review](#) will also provide more detailed and in-depth analysis of the emerging picture.