Office for National Statistics

Article

Short-term economic indicators commentary: October 2017

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

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

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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:

This latest set of key economic indicators presents a mixed picture with signs of improvement in UK manufacturing, offset by the continuing sluggishness of the construction sector and a widening of the underlying trade deficit in recent months.

Manufacturing had a weak start to the year but the recent months have shown signs of a revival in output. In August 2017, growth in the manufacture of metal products and pharmaceuticals was partially offset by a dip in car production.

Oil and gas production fell in August after a strong few months, with delayed summer maintenance of North Sea rigs finally materialising.

Construction continued to decline in the three months to August, with falls in private commercial work leading the decline. However, the industry did pick up slightly in the month of August, thanks to boosts from infrastructure and private house building.

2 . Main figures

Table 1: Headline figures for short-term indicators, UK, August 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)	0.9	0.2	1.2	1.6
Manufacturing output (% change)	0.7	0.4	2.3	2.8
Total construction output (% change)	-0.8	0.6	3.5	3.5
Trade balance (goods and services) (£billion change)[1]	-6.2	-1.4	0.7	0.6

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

- The underlying trend in production strengthened in August 2017, with total production output increasing on a three-month on three-month basis for the second consecutive month (up by 0.9%).
- While all main sectors recorded growth in the three months to August 2017, manufacturing contributed over half of the total growth in production (0.5 percentage points), with particular strength seen in other manufacturing and repair, such as the repair and maintenance of aircraft and spacecraft.
- Manufacturing was also the main driver of monthly production growth in August 2017, which saw total production output increase by 0.2% to record its fifth consecutive monthly rise; this rise in manufacturing was partly offset by a 2.0% fall in mining and quarrying as oil and gas rig maintenance expected earlier in the summer materialised.
- While monthly growth in total production was in line with market expectations, the 0.4% rise in manufacturing was slightly above market expectations of 0.2% monthly growth.
- Historical estimates have been revised in this bulletin to be consistent with Blue Book 2017, with new figures showing a slightly stronger growth profile in 2017 for total production output; output levels in July 2017 are 0.7% below their recent peak in December 2016 (compared with the previously published estimate of 1.0%).
- Without other revisions, total production output would need to fall by 2.5% in September 2017 in order for quarterly growth in Quarter 3 (July to Sept) 2017 to be zero (to one decimal place).

Construction

- Total construction output fell by 0.8% in the three months to August 2017, marking the fourth consecutive fall in three-month on three-month growth.
- While activity has slowed since the start of 2017, total construction output rose in the month of August (0.6%) and levels of output remain elevated following strong growth at the end of 2016.
- The leading negative contributor towards the three-month on three-month fall was private commercial new work, which detracted 0.6 percentage points from total construction growth; this fall was partly offset by a 1.6% rise in new housing.
- The 0.6% monthly increase in total construction output partly reversed the 1.0% fall seen in July 2017 and was driven by positive growth contributions from both private new housing and infrastructure (0.5 and 0.4 percentage points respectively).
- The 0.6% monthly rise in total construction output was above market expectations of 0% growth.
- Historical estimates have been revised in this bulletin to be consistent with Blue Book 2017, with new figures showing stronger growth in 2016 for total construction output (3.8% compared with the previous estimate of 2.4%) and a less marked slowdown in 2017.
- Without other revisions, total construction output would need to rise by 1.9% in September 2017 in order for quarterly growth in Quarter 3 (July to Sept) 2017 to be zero (to one decimal place).

Trade

- The total UK trade deficit (goods and services) excluding erratic commodities widened by £2.9 billion to £10.8 billion between the three months to May 2017 and the three months to August 2017.

- While the total UK trade deficit (goods and services) widened by £6.2 billion to £13.2 billion in the three months to August 2017, this widening primarily reflects a £3.0 billion increase in imports of unspecified goods, which includes non-monetary gold; movements in erratic commodities can have large effects on headline movements and make it difficult to discern underlying trends and users are advised to place more emphasis on the UK trade excluding erratic commodities [1] balance.

- Both the EU and non-EU goods deficit widened in the three months to August 2017, by £0.4 billion and £6.6 billion respectively; this marks the first widening of the EU goods deficit on a three monthly basis since December 2016.

- The total UK trade deficit also widened on a monthly basis by £1.4 billion to £5.6 billion, reflecting a 4.5% rise in goods imports, partly offset by a 1.5% rise in goods exports, while the trade in services surplus remained broadly flat.

- The volume of goods exports fell by 3.2% in the three months to August 2017, the first fall in the three-month on three-month growth rate since October 2016, while the volume of goods imports rose by 3.1% in the three months to August 2017.

- Goods export prices fell by 0.4% in the three months to August 2017, while goods import prices rose by 0.5% – this coincided with a 1.7% depreciation in sterling; however, removing the effect of oil price movements, both export and import prices of goods rose (by 0.3% and 1.1% respectively).

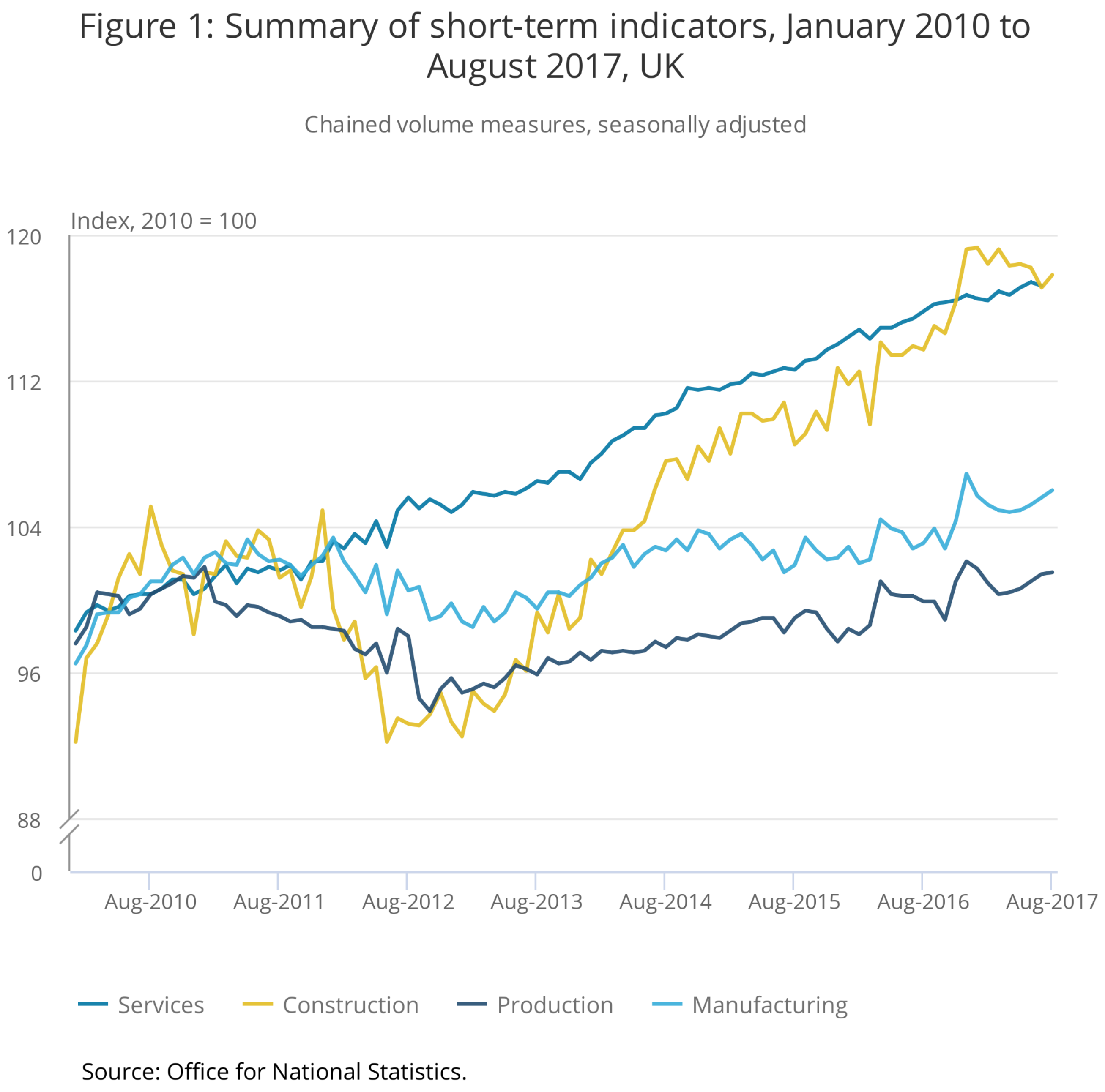
- The trade deficit widened in the month of August 2017 to £5.6 billion, larger than market expectations of a deficit of £2.8 billion.

- Historical estimates have been revised in this bulletin to be consistent with Blue Book and Pink Book 2017, with new figures showing relatively small and upward revisions (narrowing of the deficit) throughout 1997 to 2013, and downward revisions (widening of the deficit) from 2014 onwards, with 2016 having the largest downward revision (£6.0 billion).

- Without other revisions, the total trade balance would need to increase from a £5.6 billion deficit in August 2017 to a £3.4 billion surplus in September 2017 in order for it to remain stable between Quarter 2 (Apr to June) 2017 and Quarter 3 (July to Sept) 2017.

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

Chained volume measures, seasonally adjusted



Source: Office for National Statistics.

Notes for: Main points

1. Erratic commodities include ships, aircraft, precious stones, silver and non-monetary gold.