

Article

Short-term economic indicators commentary: April 2018

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

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1 . Statistician’s comment

Commenting on today’s short-term economic indicator figures, Head of National Accounts Darren Morgan said:

“Manufacturing continued to grow in the three months to February but at the slowest rate seen since the summer, with increases in machinery, metal products and pharmaceuticals offset by falls in electrical appliances and oil refining. This drop in refining may have contributed to the fall in fuel exports and the large rise in fuel imports also seen in the three months to February.

“The trade deficit widened a little in the three months to February, with reduced imports of machinery offsetting the rise in fuel imports.

“Construction fell in the three months to February after an erratic couple of months, mainly due to a big decline in repair work. However, this was partially offset by growth in both infrastructure and housebuilding.”

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 economic indicators, UK, February 2018

| | 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) | -0.1 | 0.1 | 1.0 | 2.2 |
| Manufacturing output (% change) | 0.6 | -0.2 | 1.9 | 2.5 |
| Total construction output (% change) | -0.8 | -1.6 | -1.2 | -3.0 |
| Trade balance (goods and services) (£billion change) ¹ | -0.4 | 2.0 | 1.4 | 1.5 |

Source: Office for National Statistics

Notes:

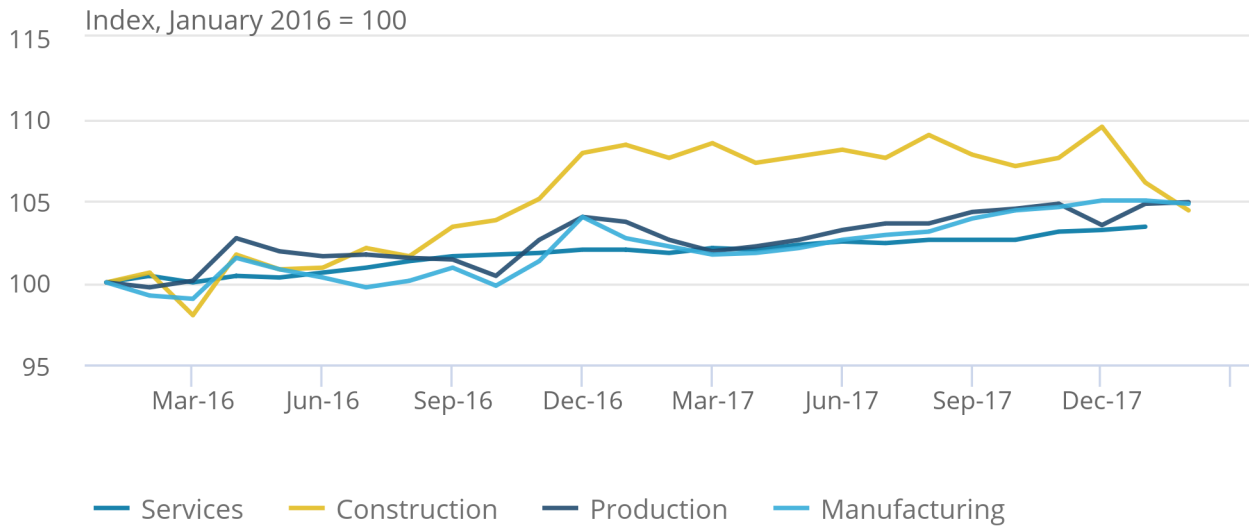
1. These figures reflect changes in the level of the trade deficit (in £billions), rather than percentage growth. A positive figure represents a narrowing of the deficit while a negative figure represents a widening.

Figure 1: Summary of short-term economic indicators, month-on-month, chained volume measures, seasonally adjusted

January 2016 to February 2018, UK

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January 2016 to February 2018, UK



Source: Office for National Statistics

Notes:

1. Services data have been published in the Index of Services bulletin up to January 2018.

3 . Main points

Production

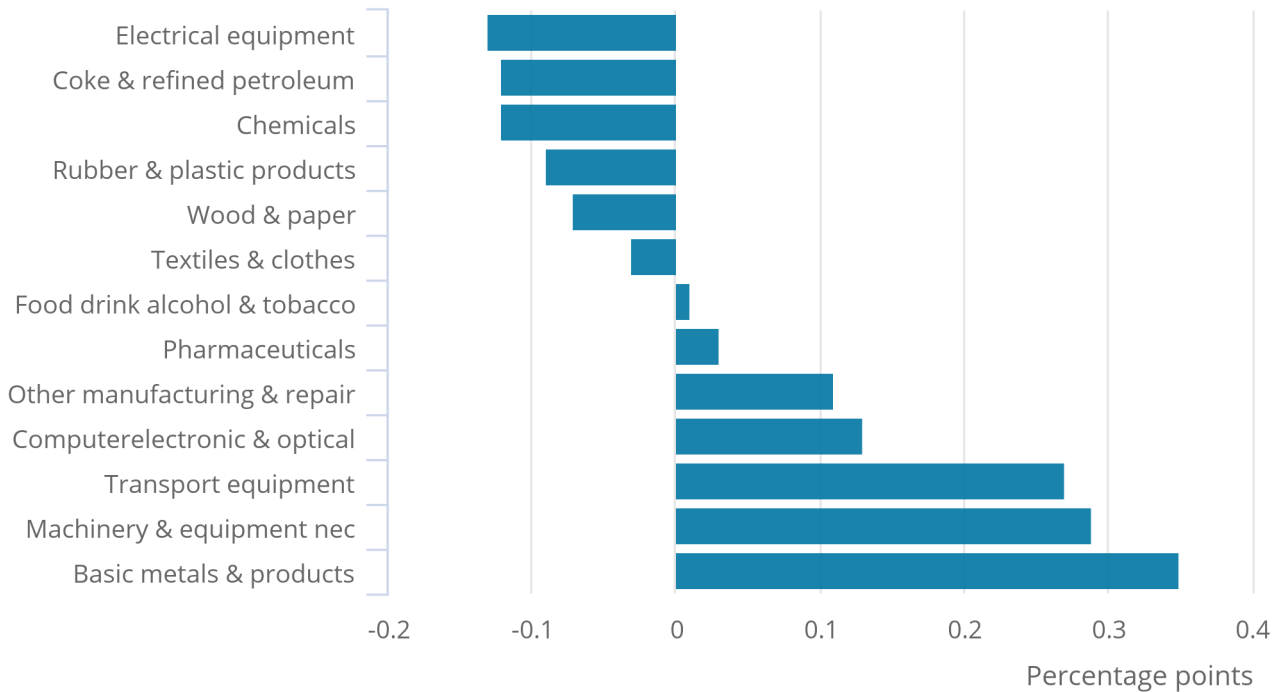
- Following seven consecutive months of three-month on three-month growth, production output fell by 0.1% in the three months to February 2018.
- This fall was driven by an 8.6% decrease in mining and quarrying, which was partly offset by rises in the manufacturing and energy supply sectors (up by 0.6% and 1.9% respectively); meanwhile water and waste management was flat.
- The fall in mining and quarrying was due to the unexpected shutdown of the Forties Pipeline System (FPS) on 7 February 2018; this was the second shutdown of the FPS in as many months, with a three-week closure for emergency repair in December 2017.
- Manufacturing output growth slowed in the three months to February 2018 to its weakest since the three months to July 2017; this reflected a mixed performance across the manufacturing sector with seven industries contributing positively towards growth and six industries subtracting from growth (Figure 2).
- Production output grew by 0.1% in February 2018, with growth in energy supply, and water and waste management (up by 3.7% and 0.7% respectively) partly offset by falls in mining and quarrying, and manufacturing (down by 2.7% and 0.2% respectively); this was below market expectations of a 0.6% rise.
- The sharp monthly rise in energy supply was driven by relatively cold temperatures in February, leading to an increase in domestic energy demand and subsequently, gas and electricity production; despite snowfall in some areas of the UK during February 2018, there was no survey evidence to suggest that the snowfall had any negative impact on manufacturing.
- Following a flat January 2018, manufacturing output fell by 0.2% in February 2018, which was below market expectations of a 0.2% rise; the monthly outcome in January has been revised down from growth of 0.1%, removing the previously published record of nine months of consecutive growth.
- Without other revisions, total production output would need to fall by 1.7% in March 2018 for quarterly growth in Quarter 1 (Jan to Mar) 2018 to be zero (to one decimal place).

Figure 2: Industry contributions to growth in total manufacturing output, three-month on three-month

February 2018, UK

Figure 2: Industry contributions to growth in total manufacturing output, three-month on three-month

February 2018, UK



Source: Office for National Statistics

Notes:

1. Contributions are rounded to two decimal places.

Construction

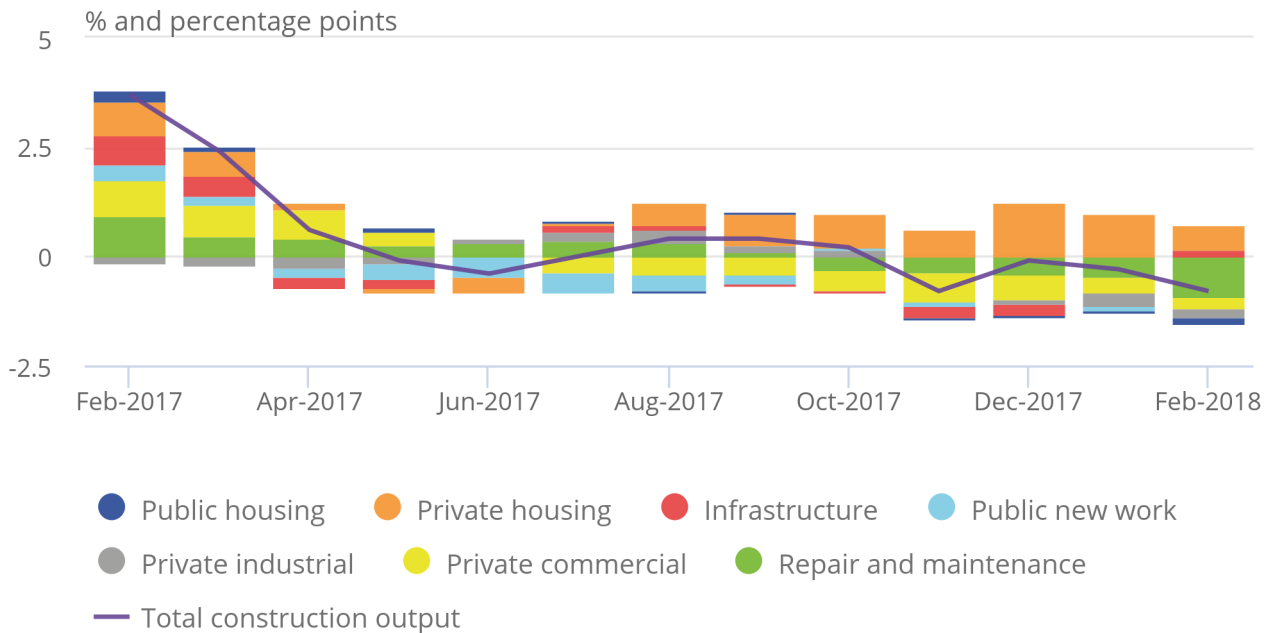
- Construction output fell by 0.8% in the three months to February 2018, marking the fourth consecutive fall in three-monthly output growth.
- This reflected output falls across all sectors except private housing and infrastructure, with activity in repair and maintenance particularly weak (down by 2.6%).
- Recent performance across the construction sector has been relatively uneven, with private new housing recording eight consecutive months of three-monthly growth in February, while private commercial work, and repair and maintenance remained sluggish (Figure 3).
- Construction output fell by 1.6% in February 2018, driven by the largest monthly fall in infrastructure since January 2016 (down by 9.4%) while private housing partly reversed the fall recorded in January 2018 with a 1.5% rise; the monthly fall in construction output was below market expectations of a rise of 0.9%.
- There was some anecdotal evidence that recent adverse weather conditions had a dampening impact on construction output in February, although it is difficult to quantify the magnitude of this effect.
- Today's (11 April 2018) figures show an upward revision of 0.3 percentage points to growth in total construction output in January 2018, due largely to revisions in infrastructure; the latest construction figures also reflect revisions to 2017 previously published in the October to [December 2017 Quarterly national accounts](#) on 29 March 2018.
- Without other revisions, total construction output would need to rise by 8.8% in March 2018 for quarterly growth in Quarter 1 (Jan to Mar) 2018 to be zero (to one decimal place).

Figure 3: Contributions to three-month on three-month growth in construction output

February 2017 to February 2018, UK

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February 2017 to February 2018, UK



Source: Office for National Statistics

Notes:

1. Contributions are rounded to two decimal places..
2. Components may not sum due to rounding

Trade

- The UK trade deficit widened by £0.4 billion to £6.4 billion in the three months to February 2018, driven by a £0.1 billion widening in the goods deficit and a £0.3 billion narrowing in the services surplus; excluding erratics, the trade deficit widened by £1.0 billion to £7.5 billion (Figure 4).
- The widening of the goods deficit was driven mainly by a £1.9 billion widening in the trade deficit on fuels and a £0.6 billion narrowing in the unspecified goods surplus, offset mostly by a £2.4 billion narrowing in the total manufactures deficit.
- In volume terms, goods exports excluding oil and erratics rose by 0.2% in the three months to February 2018 while goods imports excluding oil and erratics rose by 0.3%.
- The sterling exchange rate index appreciated by 1.8% in the three months to February 2018, coinciding with a 0.4% increase in goods export prices and a 0.8% increase in goods import prices; however, removing the effect of price movements in oil and erratics, export prices fell by 0.4% and import prices were flat in the latest three months.
- The UK trade deficit narrowed by £2.0 billion to £1.0 billion in February 2018, driven solely by a narrowing in the goods deficit; this was against the market expectation of a £0.3 billion narrowing.
- Revisions have been incorporated to trade in goods figures from January 2018 previously published in the October to [December 2017 Quarterly national accounts](#), while trade in services figures have been revised from January 2017; these revisions are small in nature as the three-months to January total trade deficit sees a £0.2 billion downward revision to £8.4 billion.

Figure 4: Total trade balance and total trade excluding erratics balance, three-month on three-month

February 2013 to 2018 February, UK

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February 2013 to 2018 February, UK



Source: Office for National Statistics

