

Article

# Short-term economic indicators commentary: May 2018

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

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# 1 . Statistician’s comment

Commenting on today’s short-term economic indicator figures, Head of National Accounts Rob Kent-Smith said:

“Today’s figures support previous estimates showing the economy was very sluggish in the first quarter of 2018, with little impact overall from the bad weather.

“Manufacturing was broadly flat throughout the first quarter following several months of strong growth, with no evidence that the bad weather hampered UK factories as both domestic and international sales stalled. Machinery, transport and computer manufacturers all saw their output grow. This was largely offset by falling production of electrical equipment and oil refining.

“The whole construction sector performed poorly in the first quarter with housing, repair work and public works seeing particularly large falls.

“The UK trade deficit with the rest of the world fell in the first quarter with reduced imports of ships, clothing and aircraft from outside the EU.”

## 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, March 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)	0.6	0.1	2.0	2.9
Manufacturing output (% change)	0.2	-0.1	2.5	2.9
Total construction output (% change)	-2.7	-2.3	-2.7	-4.9
Trade balance (goods and services) (£billion change) <sup>1</sup>	0.7	-1.9	2.1	0.8

Source: Office for National Statistics

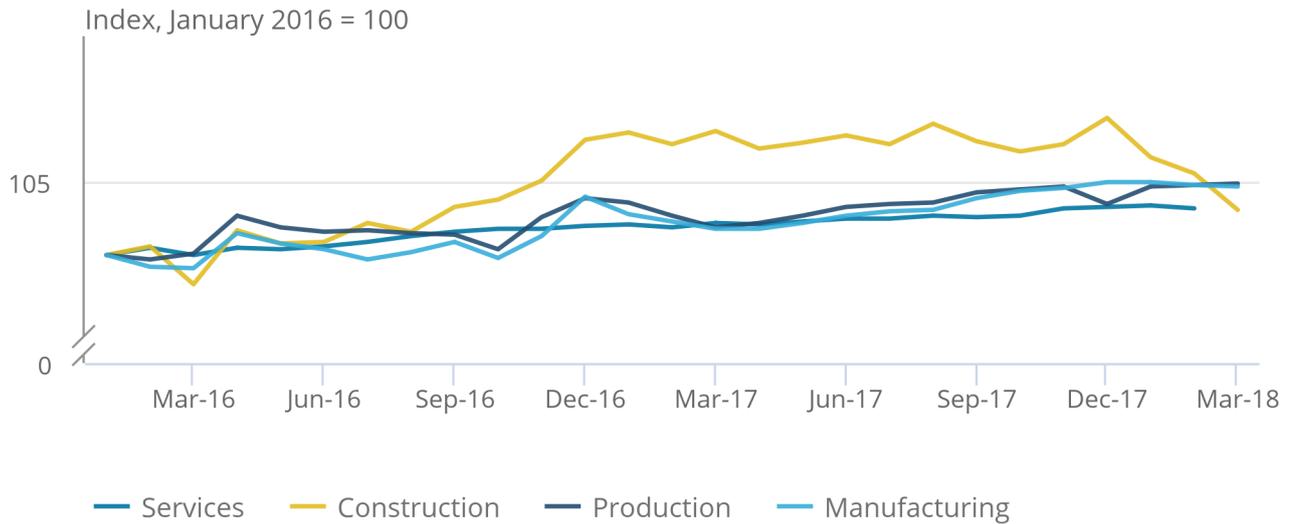
1. These figures reflect changes in the level of the trade deficit (in £ billions), rather than percentage growth. A positive figure represents a narrowing of the deficit while a negative figure represents a widening.

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

UK, January 2016 to March 2018

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

UK, January 2016 to March 2018



Source: Office for National Statistics

Notes:

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

### 3 . Main points

#### Production

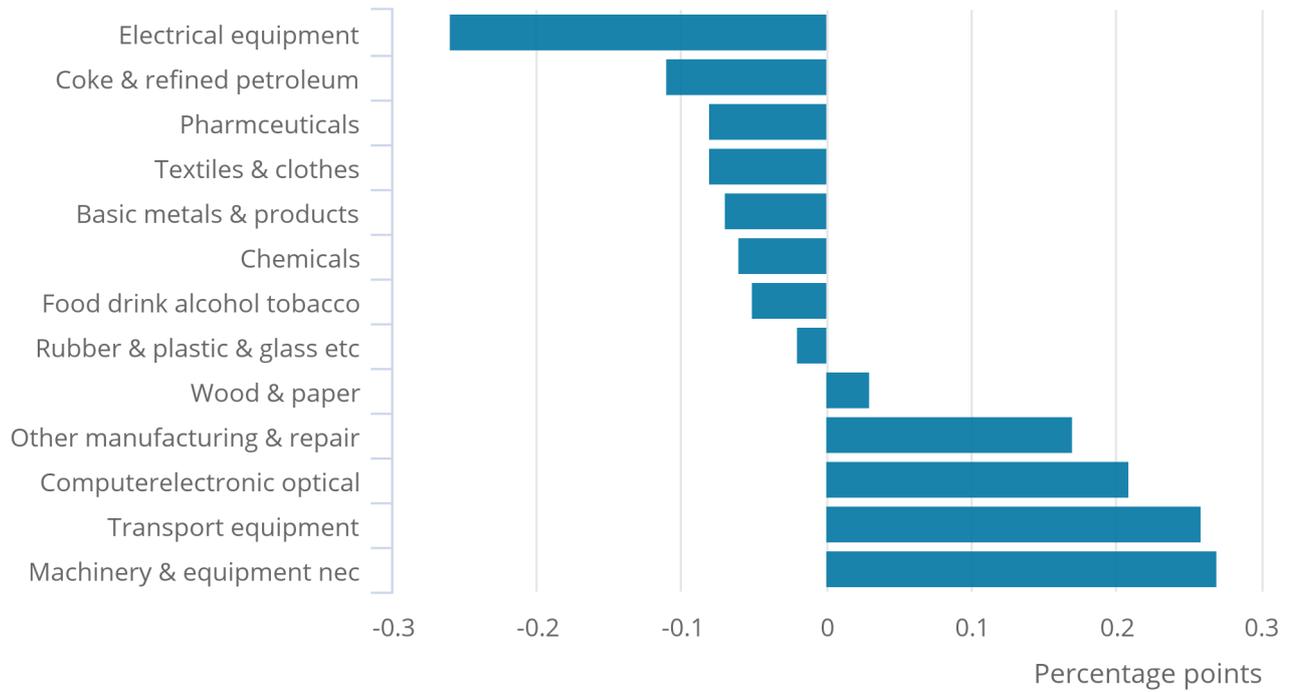
- Despite slowing growth in the manufacturing sector, total production output rose by 0.6% in Quarter 1 (Jan to Mar) 2018, revised down from the preliminary estimate of 0.7%.
- Production growth in Quarter 1 2018 was driven by a 2.5% increase in energy supply – the strongest three-monthly growth rate since January 2017; this was due to unusually cold weather in February and March 2018, with average temperatures falling to 1.3 degrees Celsius and 1.6 degrees Celsius below the 1981 to 2010 long-term average respectively.
- Quarterly production growth was also supported by a 2.2% rise in mining and quarrying, largely reflecting a strong rise of 22.2% in January 2018, following the unexpected shutdown of the Forties pipeline system for several weeks in December 2017; however, output levels in mining and quarrying remain 2.8% lower compared with Quarter 3 (July to Sept) 2017.
- Apart from these two temporary factors in energy supply and mining, manufacturing continued to weaken in March 2018 and recorded its second consecutive monthly fall to grow by a modest 0.2% in Quarter 1 2018.
- There was no evidence to suggest that the recent snow and adverse weather conditions had any negative impact on manufacturing in Quarter 1 2018; rather, the subdued performance in manufacturing reflected relatively broad-based weakness across the sector, with eight industries subtracting from growth (Figure 2).
- Production output grew by 0.1% in March 2018, with growth of 2.6% in energy supply partly offset by falls in mining and quarrying, and manufacturing (down by 2.4% and 0.1% respectively); the monthly growth in production output was below market expectations of a 0.2% rise in March 2018.
- Manufacturing output has now fallen for two consecutive months following a flat January 2018 and eight consecutive months of growth in 2017 – its longest run since 1968.
- Driving the 0.1% monthly fall in manufacturing were declines in pharmaceuticals and transport equipment (down 5.2% and 1.9% respectively); this fall in manufacturing was above market expectations of a 0.2% fall in March 2018.

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

UK, March 2018

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UK, March 2018



Source: Office for National Statistics

Notes:

1. Components may not sum due to rounding.

## Construction

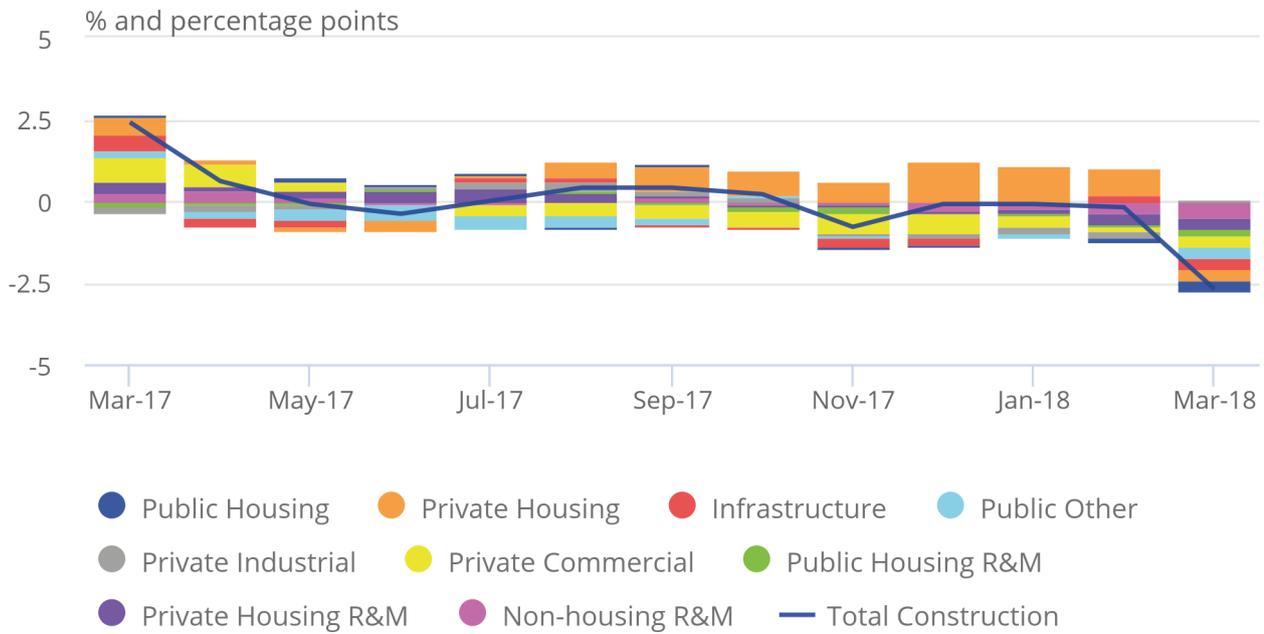
- Construction output fell by 2.7% in Quarter 1 (Jan to Mar) 2018, revised up by 0.6 percentage points from the preliminary estimate of gross domestic product (GDP); this marked the second consecutive quarterly decline and the largest quarterly fall since Quarter 2 (Apr to June) 2012.
- The decline in Quarter 1 2018 reflected widespread weakness across the construction industry, with all sectors subtracting from growth except for private industrial new work (Figure 3); the largest negative contribution came from non-housing repair and maintenance, which subtracted 0.5 percentage points from total construction growth in Quarter 1 2018.
- Following seven months of being the largest positive contributor towards three-monthly growth in construction, private new housing contracted for the first time since June 2017, with a fall of 1.6% in Quarter 1 2018 (Figure 3).
- There have been upward revisions to January 2018 (0.5 percentage points) and February 2018 (0.2 percentage points) from the indicative monthly path in the [preliminary estimate of GDP for Quarter 1 2018](#), while the monthly figure for March 2018 is in line with the forecast monthly figure.
- There is some evidence that the recent adverse weather conditions had a negative impact on construction activity in both February and March 2018, however, a large portion of the fall in Quarter 1 2018 was due to a sharp 2.6% decline in January 2018.
- Total construction output fell by 2.3% in March 2018, which was in line with market expectations; the monthly picture in construction mirrored the quarterly picture, with falls recorded across all sectors except for private industrial new work.

**Figure 3: Contributions to total construction output growth, three-month on three-month**

UK, March 2017 to March 2018

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

UK, March 2017 to March 2018



Source: Office for National Statistics

Notes:

1. Components may not sum due to rounding.

## Trade

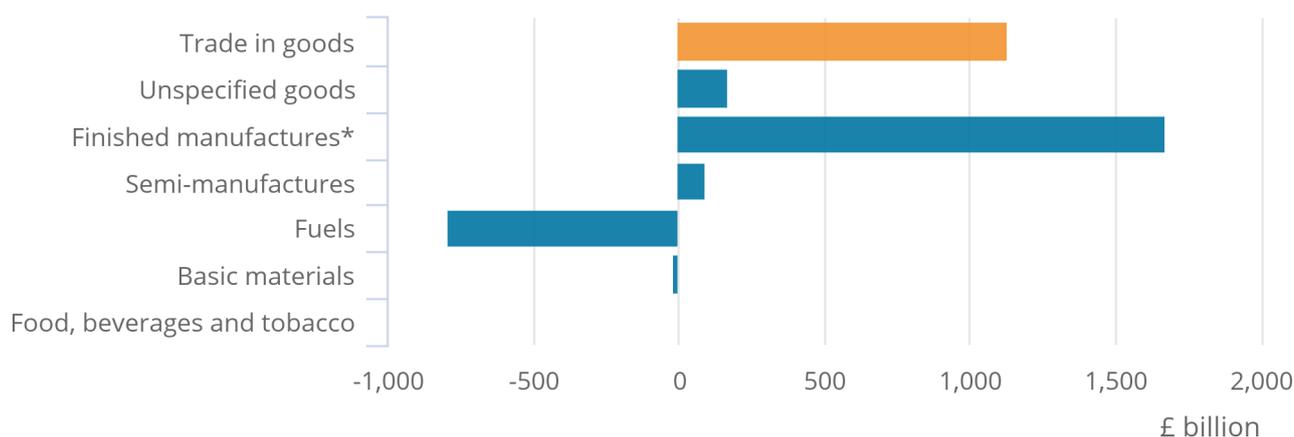
- The UK trade deficit narrowed by £0.7 billion to £6.9 billion in Quarter 1 (Jan to Mar) 2018, driven by a £1.1 billion narrowing in the goods deficit; this was caused mainly by trade in erratics (shipping and aircraft) and clothing (Figure 4), partially offset by a £0.4 billion narrowing in the services surplus - excluding erratics, the trade deficit widened by £1.2 billion to £8.5 billion.
- The UK trade in goods deficit with non-EU countries narrowed in Quarter 1 2018 due to a £1.8 billion decrease in imports, partially offset by a £0.3 billion decrease in exports; the trade in goods deficit widened with the EU due to a £0.6 billion increase in goods imports offset by a £0.3 billion increase in goods exports.
- In volume terms, goods exports rose by 0.1% in Quarter 1 2018 while goods imports fell by 0.3%; excluding oil and erratics, goods exports fell by 0.2% while goods imports rose by 1.6%.
- The sterling exchange rate index appreciated by 1.6% in Quarter 1 2018, coinciding with a 0.2% increase in goods export prices and a 0.3% increase in goods import prices; however, removing the effect of price movements in oil and erratics, export prices fell by 0.3% and import prices increased by 8.1% in the latest three months.
- The UK trade deficit widened by £1.9 billion to £3.1 billion in March 2018, compared with market expectations of a £2.0 billion widening, which is the highest monthly deficit since June 2017; excluding erratics, the trade deficit widened by £1.8 billion to £3.7 billion.
- Revisions have been incorporated to total trade figures for January and February 2018; these revisions are small in nature, with the monthly trade deficit revised up by £0.3 billion in January 2018 and revised down by £0.2 billion in February 2018.

**Figure 4: Change in trade in goods balance by commodity in the three months to March 2018, three-month on three-month**

UK, March 2018

Figure 4: Change in trade in goods balance by commodity in the three months to March 2018, three-month on three-month

UK, March 2018



Source: Office for National Statistics

Notes:

1. Asterisk indicates that ships and aircraft are classified in finished manufactures.

## Overall impact of revisions on preliminary estimate of GDP in Quarter 1 2018

The new March 2018 data follow the [preliminary estimate of gross domestic product \(GDP\) for Quarter 1 \(Jan to Mar\) 2018](#), which estimated that the UK economy grew by 0.1% in the quarter. In today's release (published 10 May 2018), the fall in construction output estimate for Quarter 1 2018 was revised upwards to negative 2.7% from the negative 3.3% published in the preliminary GDP estimate; while Quarter 1 2018 growth in production output was revised down to 0.6% from 0.7%. The potential impact of these revisions to the previously published GDP estimate is 0.02 percentage points, which does not impact the headline GDP growth rate.