

Article

Short-term economic indicators commentary: February 2018

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

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1 . Statistician’s comment

Commenting on today’s short-term economic indicator figures for the three months to December 2017, Office for National Statistics senior statistician Ole Black said:

“Manufacturing continued to grow strongly in the last three months of the year, with metal goods and pharmaceuticals driving growth. However, overall production growth slowed due to the shutdown of the cracked Forties pipeline.”

“Construction was broadly flat across 2017, thanks to a strong December. However, house building and infrastructure were the only bright spots with all other areas of the industry falling back throughout the year.

“The headline trade deficit widened in the fourth quarter with the impact of increased oil imports accentuated by rising crude prices.”

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, December 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)	0.5	-1.3	2.3	0.0
Manufacturing output (% change)	1.3	0.3	3.4	1.4
Total construction output (% change)	-0.7	1.6	0.9	-0.2
Trade balance (goods and services) (£billion change) ¹	-3.8	-1.2	-3.8	-2.2

Source: Office for National Statistics

Notes:

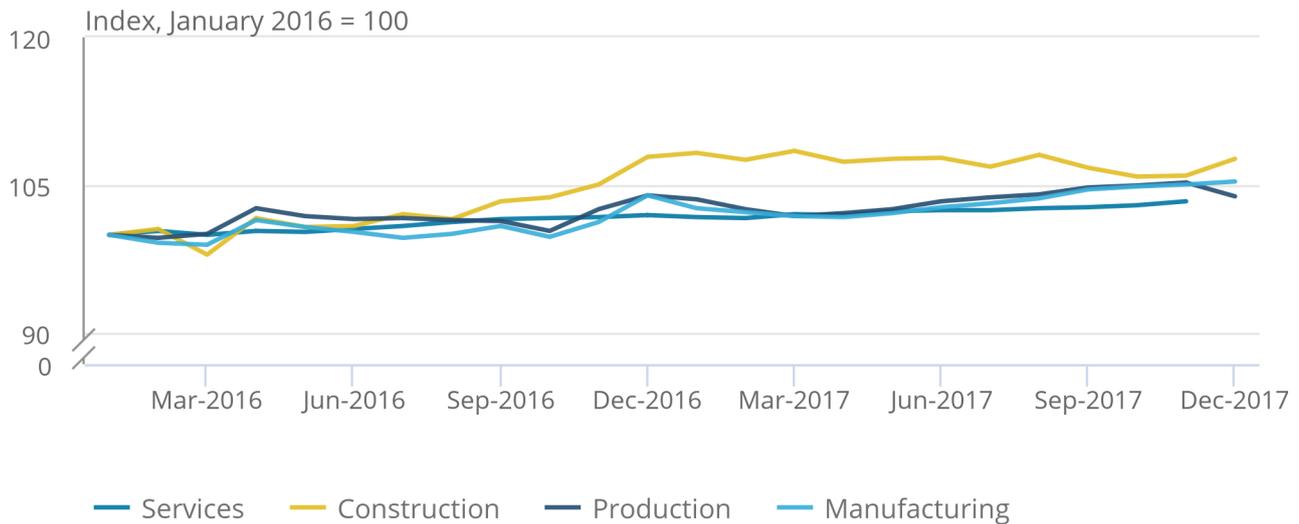
1. These figures reflect changes in the level of the trade deficit (in £ billions), rather than percentage growth. A positive figure represents a narrowing of the deficit while a negative figure represents a widening.

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

January 2016 to December 2017, UK

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January 2016 to December 2017, UK



Source: Office for National Statistics

Notes:

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

3 . Main points

Production

- Total production output rose by 0.5% in Quarter 4 (Oct to Dec) 2017, revised down from the preliminary estimate of 0.6%.
- Total production increased in Quarter 4 2017 despite a sharp 4.7% fall in mining and quarrying, which reflected the unexpected shutdown of the Forties pipeline system for emergency repair in December 2017; this is the largest monthly fall in mining and quarrying since September 2012, which was due to maintenance at a number of oil and gas extraction sites.
- Output in the energy supply sector also fell in Quarter 4 2017, decreasing by 0.5% – a downward revision from the preliminary estimate of positive 0.4% growth; this was due to the incorporation of new data contained in the latest [Department for Business, Energy and Industrial Strategy \(BEIS\) Energy Trends](#) publication.
- The falls in mining and quarrying, and energy supply in Quarter 4 2017 were more than offset by growth in manufacturing (Figure 2), with basic metals and products accounting for over half of the 1.3% growth in total manufacturing (0.7 percentage points growth contribution).
- Driven by manufacturing, production output increased by 2.1% in 2017, its strongest annual growth rate since 2010; production output increased by a greater percentage than UK gross domestic product (GDP) in 2017 for only the second time in the past two decades.
- Following a weak start to the year, manufacturing recovered to grow by 2.8% in 2017 – the strongest annual growth since 2014.
- Manufacturing output increased for the eighth consecutive month in December 2017, for the first time since January 1988.
- Production output fell by 1.3% in December 2017, following eight consecutive months of growth.

Figure 2: Contributions to quarterly growth in total production output

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

Notes:

1. Components may not sum due to rounding
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept), and Q4 refers to Quarter 4 (Oct to Dec)

Construction

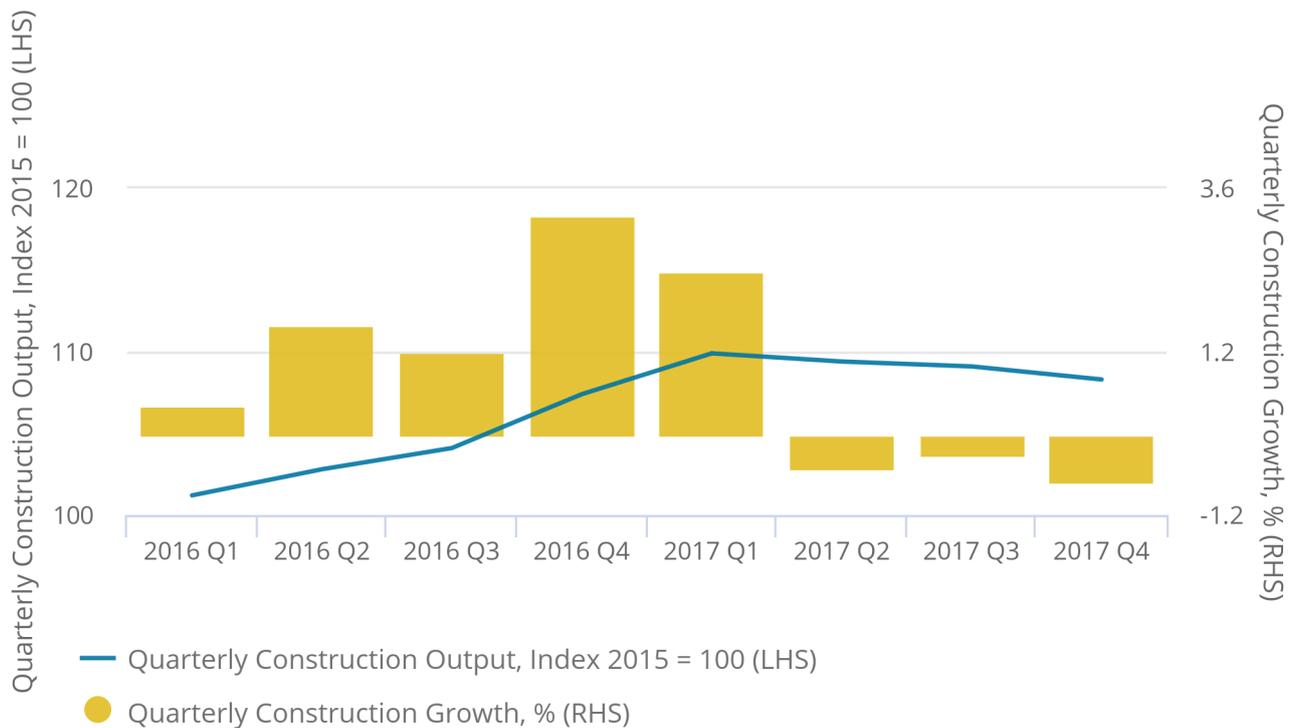
- Construction output fell by 0.7% in Quarter 4 (Oct to Dec) 2017, revised up by 0.3 percentage points since the preliminary estimate of GDP; this marked the third consecutive quarterly decline in construction output, which last happened between Quarter 1 (Jan to Mar) 2012 and Quarter 3 (July to Sept) 2012.
- The quarterly decline was largely driven by falls in private commercial new work and non-housing repair and maintenance, which subtracted 0.8 and 0.4 percentage points from total construction growth respectively; these falls were partially offset by 5.0% growth in private new housing – contributing 1.0 percentage point towards total construction growth.
- Despite three consecutive quarterly declines, construction recorded annual growth of 5.1% in 2017 due to a historically high level of output in Quarter 1 2017 (Figure 3); compared with the same quarter a year ago, construction output was 0.9% higher in Quarter 4 2017.
- Construction output rose by 1.6% in December 2017, with infrastructure being the main contributor to growth (at 1.3 percentage points).

Figure 3: Quarterly construction output growth and level

Quarter 1 (Jan to Mar) 2016 to Quarter 4 (Oct to Dec) 2017, UK

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Quarter 1 (Jan to Mar) 2016 to Quarter 4 (Oct to Dec) 2017, UK



Source: Office for National Statistics

Notes:

1. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept), and Q4 refers to Quarter 4 (Oct to Dec).

Trade

- The UK trade deficit widened to £10.8 billion in Quarter 4 (Oct to Dec) 2017, reflecting a £3.3 billion widening in the goods deficit and a £0.5 billion narrowing in the trade in services surplus; excluding erratics, the trade deficit widened by £1.5 billion to £9.0 billion.
- The widening in the total trade deficit in Quarter 4 2017 was primarily driven by a £2.1 billion increase in the imports of unspecified goods (mainly non-monetary gold) and a £1.6 billion increase in the imports of fuels.
- The increase in the goods deficit primarily reflected increases in imports from both EU and non-EU countries (£1.5 billion and £2.1 billion respectively); the £1.9 billion widening of the EU goods deficit in Quarter 4 2017 was the largest quarterly widening since Quarter 4 2015.
- In volume terms, goods exports excluding oil and erratics continued to strengthen in Quarter 4 2017, increasing by 1.1% to record its fifth consecutive quarterly rise; meanwhile, the volume of goods imports excluding oil and erratics decreased by 0.5% during the same period.
- The sterling exchange rate index appreciated by 1.5% in Quarter 4 2017, coinciding with a 1.0% increase in both export and import prices of goods; however, removing the effect of price movements in oil and erratics, export and import prices of goods fell by 0.3% and 0.2% respectively.
- The UK trade deficit widened by £1.2 billion to £4.9 billion in December 2017, the highest monthly deficit since September 2016; however, total trade excluding erratics narrowed by £0.1 billion to £3.3 billion.

Overall impact of revisions on preliminary estimate of gross domestic product in Quarter 4 2017

The new December 2017 data follow the preliminary estimate of gross domestic product (GDP) for Quarter 4 (Oct to Dec) 2017 (released on 26 January 2018), which estimated that the UK economy grew by 0.5% in the quarter. In today's release, the fall in construction output estimate for Quarter 4 2017 was revised upwards to negative 0.7% from the negative 1.0% published in the preliminary GDP estimate, while Quarter 4 2017 growth in production output was revised down to 0.5% from 0.6%. The potential impact of these revisions to the previously published GDP estimate is negative 0.01 percentage points, which does not impact the headline GDP growth rate.