

Article

Short-term economic indicators commentary: June 2018

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

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Next release:
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1 . Statistician’s comment

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

“Manufacturing fell in the three months to April with electrical machinery and steel for infrastructure projects seeing reduced production. International demand continued to slow and the domestic market remained subdued. However, oil and gas production grew strongly in the aftermath of the Forties pipeline closure at the end of last year.

“While construction output saw a small bounceback in April after a poor start to the year, over the longer-term this sector continues to contract with significant falls across most types of work.

“Construction orders fell for a second successive quarter after recent boosts from large rail projects. However, new housing orders reached their highest level since before the economic downturn.

“The trade deficit widened as exports fell by more than imports, with exports of goods and services both declining. Exports of machinery, aircraft and pharmaceuticals all saw notable falls.”

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, April 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)	0.3	-0.8	2.3	1.8
Manufacturing output (% change)	-0.5	-1.4	2.3	1.4
Total construction output (% change)	-3.4	0.5	-3.3	-3.3
Trade balance (goods and services) (£billion change) ¹	-1.9	-2.1	-2.4	-4.4

Source: Office for National Statistics

Notes:

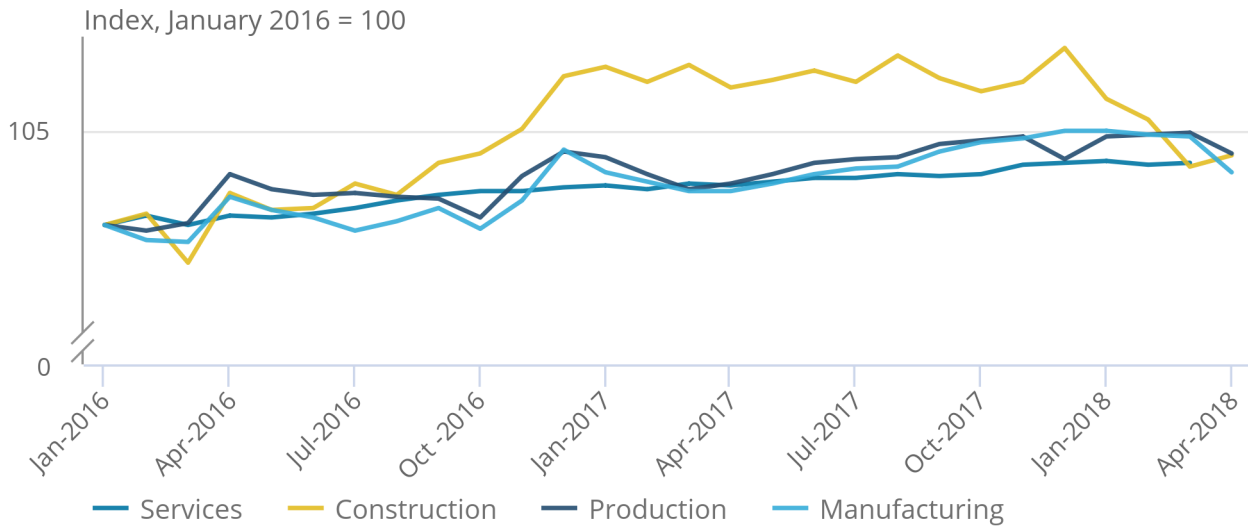
1. These figures reflect changes in the level of the trade deficit (in £billions), rather than percentage growth. A positive figure represents a narrowing of the deficit while a negative figure represents a widening.

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

UK, January 2016 to April 2018

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

UK, January 2016 to April 2018



Source: Office for National Statistics

Notes:

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

3 . Main points

Production

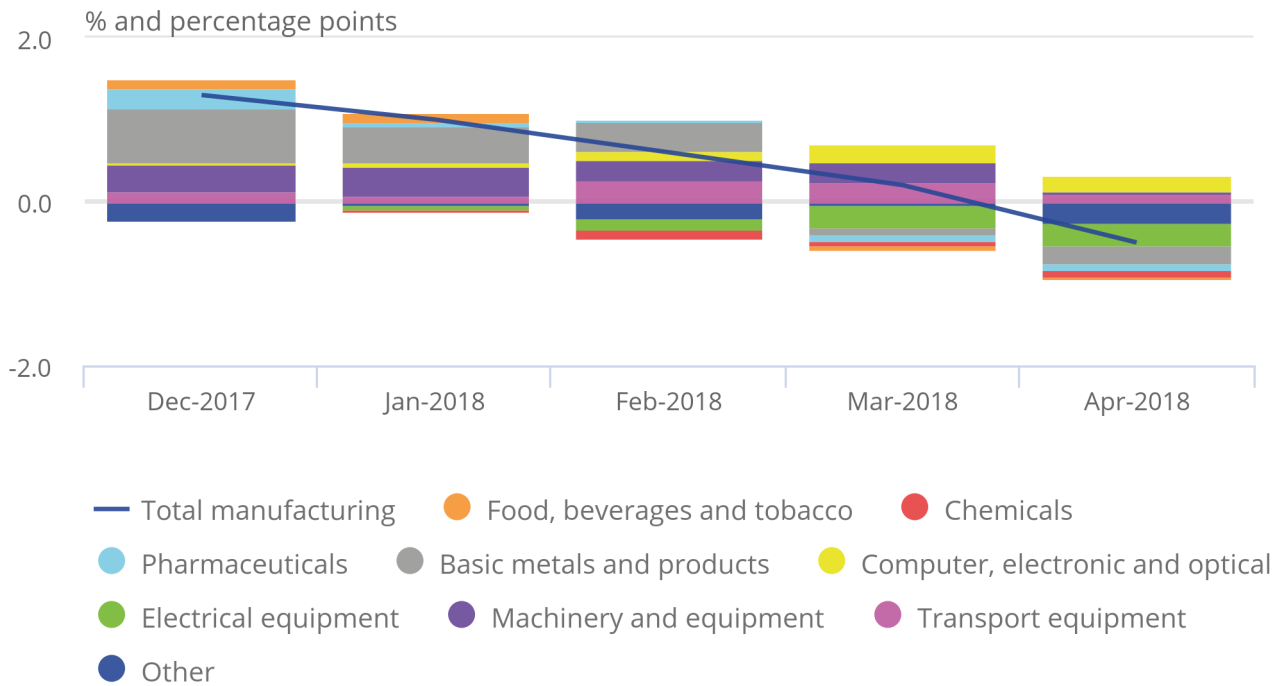
- While total production output rose by 0.3% in the three months to April 2018, this masked a weak performance in the manufacturing sector, which saw output fall by 0.5%.
- The fall in manufacturing marked the first three-monthly fall since May 2017 and reflected broad-based weakness across the sector, with output falling in 9 out of 13 industries; the largest negative drivers were electrical equipment, and basic metals and products, subtracting 0.3 and 0.2 percentage points respectively from total manufacturing growth (Figure 2).
- Growth in manufacturing has been sluggish since the start of the year following a strong run of expansion towards the end of 2017; on an industry level, basic metals and products, and electrical equipment have both seen a consistent slowdown since the start of 2018 (Figure 2).
- In other areas of production, output in mining and quarrying, and energy supply both increased in the three months to April 2018 (by 4.3% and 3.2% respectively), while water and waste management fell by 0.7%.
- Production output fell by 0.8% in April 2018, with growth in mining and quarrying (6.9%) more than offset by declines in manufacturing, energy supply, and water and waste management; the monthly fall in production output was greater than market expectations of a flat April 2018.
- The production fall in April 2018 was driven by a sharp 1.4% decline in manufacturing, which marked the third consecutive monthly fall and the sharpest fall since October 2012.
- Driving the monthly fall in manufacturing were basic metals and products, and other manufacturing and repair, which detracted 0.5 and 0.3 percentage points respectively; this fall in manufacturing was greater than market expectations of a 0.3% rise in April 2018.

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

UK, December 2017 to April 2018

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UK, December 2017 to April 2018



Source: Office for National Statistics

Notes:

- Contributions are rounded to two decimal places.

Construction

- Construction output fell by 3.4% in the three months to April 2018, marking the sixth consecutive decline and the largest fall since August 2012.
- The decline reflected falls in all sectors apart from private industrial new work, with infrastructure and total new housing being the largest subtractors from growth (subtracting 1.0 and 0.7 percentage points respectively from total construction output); as [previously published](#) there was some anecdotal evidence that recent adverse weather conditions had a negative impact on construction activity in both February and March 2018.
- Activity in the private housing sector continued to weaken in the three months to April 2018, with new private housing growth slowing for the fourth consecutive month and private housing repair and maintenance recording its seventh consecutive three-monthly fall.
- There was a slight bounceback in construction output in April 2018 following a weak start to the year; this marked the first monthly rise in construction since December 2017 and was weaker than market expectations of a 2.4% rise in April 2018.
- The monthly rise in construction was driven by rises in infrastructure, private commercial new work and non-housing repair and maintenance, with each contributing 0.3 percentage points towards total construction growth.
- Today's [release of construction new orders](#) for Quarter 1 (Jan to Mar) 2018 shows a quarterly decrease of 4.6%, driven by a 43.6% fall in infrastructure; this reflects the continued unwinding of the High Speed 2 (HS2) effect, where the awarding of several high-value contracts saw infrastructure new orders rise sharply in Quarter 3 (July to Sept) 2017 (172.7%).
- While activity in private housing has been weakening, private new housing orders rose by 18.6% in Quarter 1 2018 – the strongest quarterly growth since Quarter 2 (Apr to June) 2016.

Trade

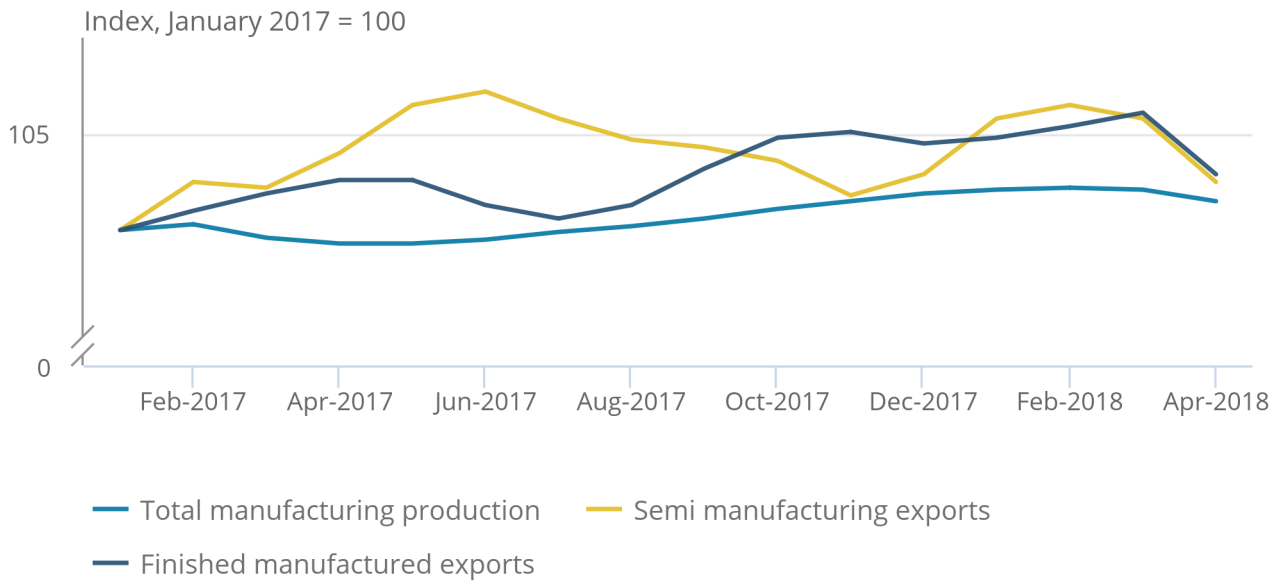
- The UK trade deficit widened by £1.9 billion to £9.7 billion in the three months to April 2018, reflecting a £1.3 billion narrowing in the trade in services surplus and a £0.6 billion widening in the trade in goods deficit; the trade deficit excluding erratics widened by £2.0 billion to £9.9 billion, the sharpest three-monthly widening since the three months to October 2016.
- The widening in the trade deficit was driven by a fall in the export value of both goods and services, which fell by 3.6% and 3.5% respectively in the three months to April 2018.
- In volume terms, goods exports and imports both fell in the three months to April 2018 (by 2.9% and 1.4% respectively); excluding oil and erratics, goods exports fell by 3.0%, which marked the largest three-monthly decrease since March 2016.
- The fall in export volumes was driven largely by a decrease in exports of manufactured goods, particularly mechanical machinery, and is consistent with the sharp decline seen in manufacturing output in the three months to April 2018 (Figure 3).
- The sterling exchange rate index appreciated by 1.5% in the three months to April 2018, coinciding with a 0.3% decrease in goods export prices, the first fall since July 2017, and a 0.1% increase in goods import prices; excluding the impact of oil and erratics, both export and import prices have fallen consistently on a three-monthly basis since November 2017.
- The UK trade deficit widened by £2.1 billion to £5.3 billion in April 2018, the largest monthly deficit since September 2016; this compares with market expectations of a £0.8 billion narrowing in April 2018.
- Revisions have been incorporated to total trade figures for Quarter 1 (Jan to Mar) 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 £0.1 billion in March 2018.

Figure 3: Manufacturing production compared with manufacturing exports, rolling three-month average

UK, January 2017 to April 2018

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UK, January 2017 to April 2018



Source: Office for National Statistics