

Article

# Short-term economic indicators commentary: November 2017

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

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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:

“Manufacturing grew strongly with robust growth in cars and medical equipment. However, construction dropped for the second quarter running, driven by falls in commercial work and housing repairs.

“The UK’s trade balance with the rest of the world worsened, mainly due to large increases in imports of machinery, gold and fuel, partially offset by falling imports of aircraft.”

## 2 . Main figures

**Table 1: Headline figures for short-term economic indicators, UK, September 2017**

	<b>3-month on 3-month</b>	<b>Month-on-month</b>	<b>3-month on 3-month a year ago</b>	<b>Month on same month a year ago</b>
Total production output (% change)	1.1	0.7	1.8	2.5
Manufacturing output (% change)	1.1	0.7	2.7	2.7
Total construction output (% change)	-0.9	-1.6	2.6	1.1
Trade balance (goods and services) (£billion change) <sup>1</sup>	-3.0	0.7	7.2	3.6

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 production sector continues to strengthen following a weak start to the year, with both total production output and manufacturing output increasing by 1.1% in Quarter 3 (July to Sept) 2017.
- The quarterly rise in total production output was primarily driven by manufacturing (contributing 0.8 percentage points), although all four main sectors recorded increases in output in the quarter.
- Within manufacturing, transport equipment, and other manufacturing and repair were the largest growth contributors, each contributing 0.3 percentage points towards growth in total production output; the strength in transport equipment largely reflected an increase in the production of motor vehicles, which saw a historically high level of monthly output in July 2017 as manufacturers rolled new car models off the production line.
- Total production output also rose on a monthly basis, recording its sixth consecutive monthly rise in September 2017 (up by 0.7%).
- Similar to the quarterly picture, the monthly increase in production output was driven by manufacturing, which grew by 0.7% and contributed 0.5 percentage points to total production growth.
- The monthly rise of 0.7% for both total production and manufacturing output were above market expectations of a 0.3% rise for both.

## Construction

- Activity in the construction sector continued to weaken in Quarter 3 2017, with total output falling by 0.9%.
- The 0.9% decline in total construction output was the largest quarterly fall since Quarter 3 2012 and marked the second consecutive quarterly decline; consecutive quarterly declines in current estimates of total construction output have not been seen since Quarter 3 2012.
- While the quarterly fall was relatively broad-based across sectors, the largest negative contribution came from private commercial work, which subtracted 0.6 percentage points from growth; [previous analysis](#) showed that this sector has been declining in recent months following a period of steady growth since mid-2012.
- Partly offsetting these falls, private new housing grew by 1.8% in Quarter 3 2017 to more than recover the previous quarter's fall of 0.8%.
- Total construction output also fell on a monthly basis (down by 1.6%), with private housing repair and maintenance, and private commercial work leading the decline – each subtracting 0.7 percentage points from total growth in construction output in September 2017.
- The monthly fall of 1.6% for total construction output in September was larger than market expectations of a 0.9% fall.

## Trade

- The total UK trade deficit (goods and services) widened by £3.0 billion to £9.5 billion between Quarter 2 (Apr to June) 2017 and Quarter 3 2017, reflecting a 1.6% rise in imports and a 0.2% fall in exports.
- Within imports, the widening of the trade deficit was primarily driven by imports of machinery from the EU, non-monetary gold from non-EU countries and fuels from both EU and non-EU countries.
- The total trade deficit excluding erratic commodities widened by £3.4 billion to £10.2 billion in Quarter 3 2017, with the increase in non-monetary gold imports more than offset by falls in imports of other erratic commodities (ships, aircraft, silver and precious stones).
- In volume terms, goods exports excluding oil and erratics rose by 0.7% in Quarter 3 2017, the fourth consecutive quarterly increase; meanwhile the volume of imports excluding oil and erratics rose by 2.0% in the quarter.
- Sterling depreciated 1.9% in Quarter 3 2017, coinciding with a 0.8% rise in goods export prices and a 1.4% rise in goods import prices; this led to a 0.6% fall in the UK terms of trade, the third consecutive quarterly decline.
- While the total UK trade deficit widened on a quarterly basis, it narrowed by £0.7 billion in the month of September 2017, reflecting a 4.5% rise in goods exports, partly offset by a 0.4% rise in goods imports and a £0.4 billion decrease in the trade in services surplus.
- The monthly trade deficit in September 2017 narrowed to £2.8 billion, smaller than market expectations of a deficit of £4.3 billion.

## **Overall impact of revisions on preliminary estimate of gross domestic product in Quarter 3 2017**

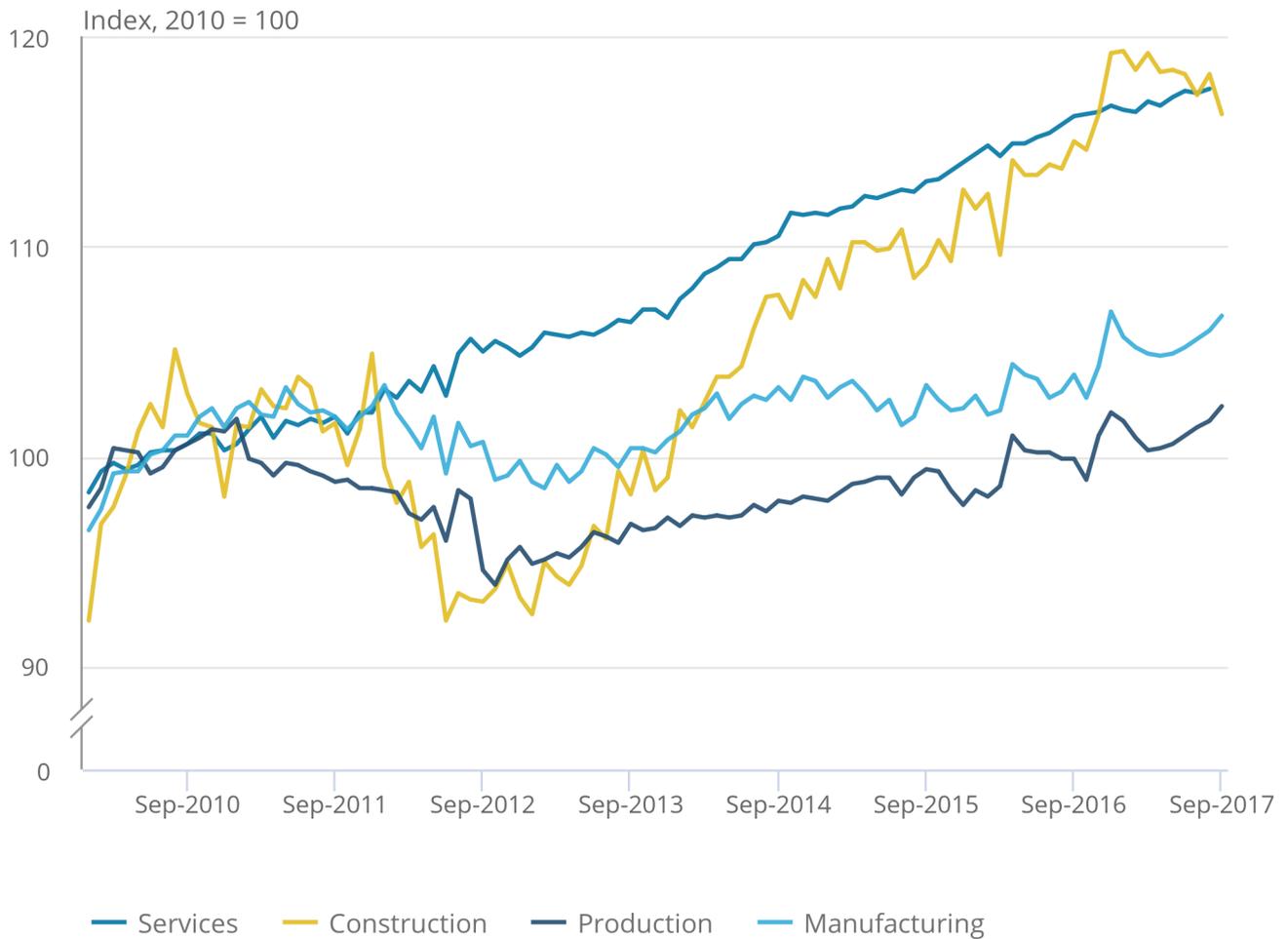
The new September 2017 data follow the preliminary estimate of gross domestic product (GDP) for Quarter 3 (July to Sept) 2017 (released on 25 October 2017), which estimated that the UK economy grew by 0.4% in the quarter. In today's release, the fall in construction output estimate for Quarter 3 2017 was revised downwards to 0.9% from the 0.7% published in the preliminary GDP estimate, while Quarter 3 2017 growth in production output was revised up from 1.0% to 1.1%. The potential impact of these revisions to the previously published GDP estimate is 0.01 percentage points, which does not impact the headline GDP growth rate.

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

Chained volume measures, seasonally adjusted

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Chained volume measures, seasonally adjusted



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Notes:

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