

Article

Short-term economic indicators commentary: September 2017

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

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1 . Statistician's comment

"Manufacturing remains relatively subdued since the start of the year, though July showed the first significant monthly growth of 2017, with car production increasing partly thanks to new models rolling off the production lines. The usual period of summer maintenance of North Sea oil platforms also failed to materialise for a second month running.

Construction output fell for the fourth month in a row, with private housing-building contracting in July 2017 after a strong couple of months.

The trade deficit was little changed in the 3 months to July 2017 with an increase in imported goods partially offset by an increase in exports of services. Exports of goods to the EU increased but this was offset by falling goods exports to the rest of the world."

2 . Main figures

Table 1: Headline figures for short-term indicators, UK, July 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)	0.3	0.2	0.2	0.4
Manufacturing output (% change)	-0.1	0.5	0.9	1.9
Total construction output (% change)	-1.2	-0.9	0.3	-0.4
Trade balance (goods and services) (£billion change) ¹	-0.4	0.0	-0.6	0.7

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

- Total production output increased by 0.3% in the 3 months to July 2017 following three consecutive 3-month on 3-month falls, while manufacturing remained broadly flat.
- Total production growth was driven by the mining and quarrying sector, in particular oil and gas production, which saw a 2.6% increase in the 3 months to July 2017 – mainly due to the absence of usual summer maintenance in the North Sea oil rigs, which failed to materialise in either June or July.
- Manufacturing output was broadly flat in the 3 months to July 2017 (down by 0.1%), but rose by 0.5% in the month of July – marking the first month of significant positive monthly growth since December 2016.
- The monthly rise in manufacturing was primarily due to motor vehicle production recording its strongest monthly growth rate since March 2009 (13.7%), more than reversing the 5.8% fall seen in Quarter 2 (Apr to June) 2017 to remain broadly flat for the year.
- The [latest figures from the Society of Motor Manufacturers and Traders \(SMMT\)](#) also reported strength in motor vehicle production, which showed 7.8% growth in UK car production for July 2017, and is mainly due to manufacturers bringing forward production of new and existing models ahead of routine summer factory shutdowns.
- While monthly growth in total production was in line with market expectations, the 0.5% rise in manufacturing was slightly above market expectations of 0.3% monthly growth.

Construction

- Activity in the construction sector continues to slow from the start of the year, with total construction output falling for a fourth consecutive month in July 2017 on both a monthly (down by 0.9%) and 3-month on 3-month basis (down by 1.2%).
- The fall in total construction output in the 3 months to July 2017 reflects decreases across a number of sectors, with private commercial new work making the largest negative growth contribution, falling by 2.8% in these 3 months and contributing negative 0.5 percentage points towards the fall in total construction output.
- The 0.9% monthly fall in total construction output was largely driven by a 3.9% decrease in private housing, although this followed a record high level for private housing output in June 2017.
- Today's release of construction new orders data for Quarter 2 2017 corroborates emerging signs of weakness in the construction sector, with total new orders falling by 7.8% in the quarter, the weakest quarterly growth rate since Quarter 1 (Jan to Mar) 2014 (which also saw a fall of 7.8%).
- While private new housing orders also fell in Quarter 2 2017 (down by 9.6%), they remain at relatively high levels following a period of steady growth since early 2012.
- The monthly fall in total construction output was larger than market expectations of a 0.2% fall.

Trade

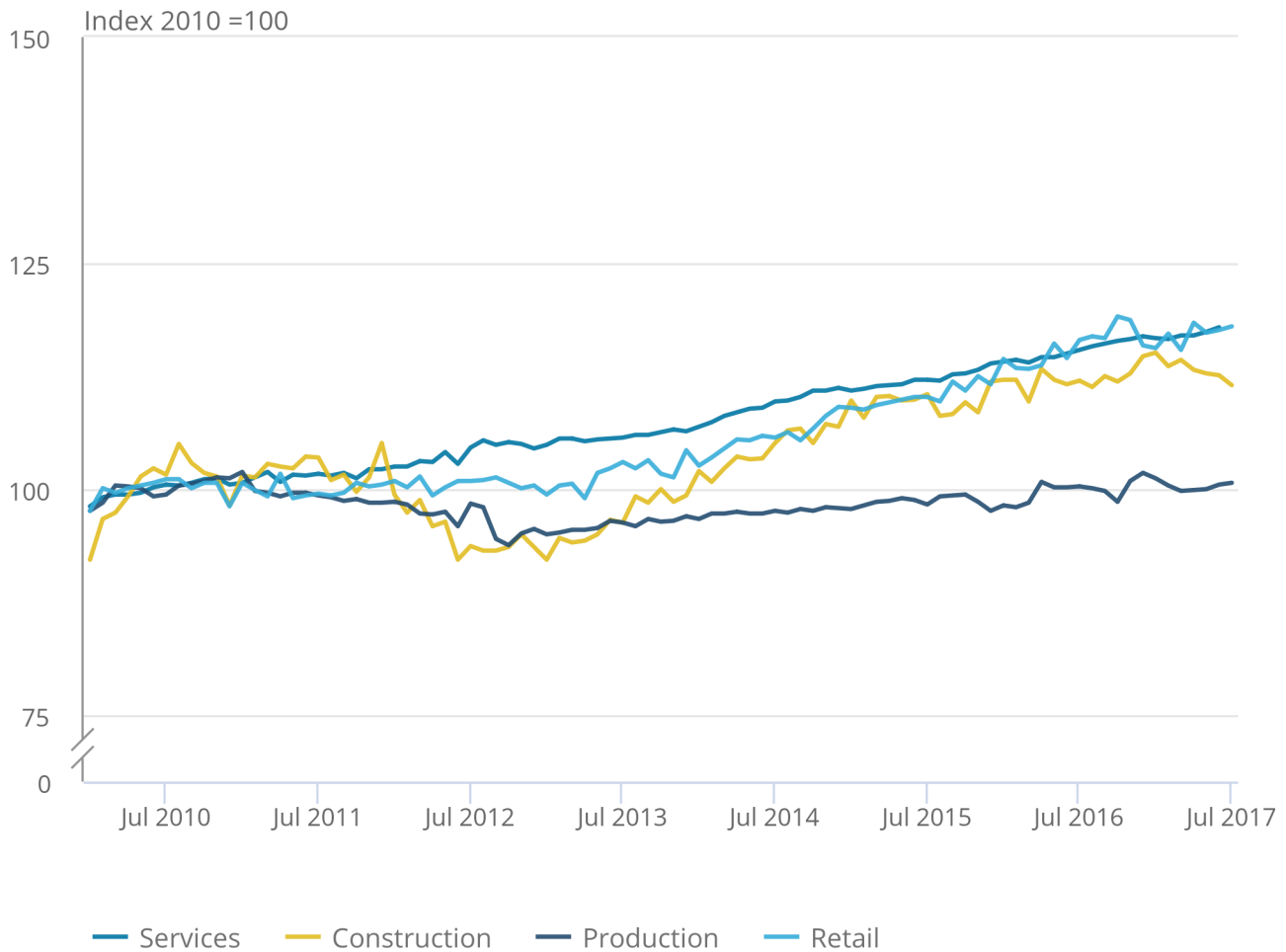
- The total trade deficit (goods and services) widened by £0.4 billion to £8.6 billion in the 3 months to July 2017.
- This reflected a £1.1 billion widening of the goods deficit (driven by a £0.9 billion increase in the imports of finished manufactures), partly offset by a £0.7 billion increase in the services surplus.
- The total value of goods exports increased by £0.1 billion in the 3 months to July 2017 (0.1%), reflecting a £1.8 billion increase in exports to the EU (4.4%) partly offset by a £1.7 billion fall in exports to non-EU countries (negative 3.9%), while imports from the EU and non-EU countries both increased in the 3 months to July 2017 (by 0.8% and 1.3% respectively).
- In the 3 months to July 2017, there was a £1.3 billion narrowing of the EU goods deficit and a £2.4 billion widening of the non-EU goods deficit; this was the sixth consecutive narrowing of the EU goods deficit and the fifth consecutive widening of the non-EU goods deficit (on a rolling 3-month on 3-month basis).
- The volume of goods exports rose by 1.2% in the 3 months to July 2017, marking the ninth consecutive month of positive 3-month on 3-month growth, while the volume of goods imports rose by 1.4% in the 3 months to July 2017.
- Goods export and import prices fell by 0.9% and 0.5% respectively in the 3 months to July 2017, coinciding with a 0.1% appreciation in sterling; however, removing the effect of oil price movements, both export and import prices of goods rose (by 0.1% and 0.4% respectively).
- The trade deficit remained unchanged in the month of July 2017 at £2.9 billion, slightly lower than market expectations of a deficit of £3.3 billion.

Figure 1: Summary of short-term indicators, January 2010 to July 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 June 2017.