

As key votes and EU deadlines move closer, while government negotiations move forward, there is still significant uncertainty for businesses and workers in the UK around what to expect after the UK's exit from the EU. The main social and economic indicators continue to show mixed signals as to the referendum's impact on the UK economy so far. The Office for National Statistics first quarter estimates show lower growth in GDP. Manufacturing and services Purchasing Managers surveys (PMIs) indicate continuing, but slower growth (compared to peaks this time last year), and while there are signs of positive movements in a range of other PMIs - these movements come alongside warnings from industry leaders on the importance of expediency and transparency on Brexit. Rising oil prices, slower order books, and slower consumer spending all hint at headwinds for the economy in the months ahead.

Macro-Economic Trends & Developments

- **The growth rate for business activity saw its first rise since December 2017 in the North West in March**, with the PMI rising to 54.6 from 53.2 in March. However, this is still below pre-referendum levels (55.5) (above 50 = growth). **This places the North West as the 3rd best performing English region after Yorkshire and the West Midlands.**
- **The UK continued to be a net importer from the EU in March 2018.** Imports exceeded exports by £8.5 billion, a £1.0 billion increase from February's net deficit.

Policy, Trade, & Regulation

- **Plans were published by central government in early June for a 'temporary customs arrangement' as an alternative backstop solution to a hard Irish Sea customs border.**
- In his June press statement, Chief Negotiator for the EU, Michel Barnier, provided a **debrief on progress made in the run-up to the European Council** being held later this month. He focussed on three key issues for negotiations: the separation issues, covering: data protection, geographical indications (including trade borders); and the continuation of administration beyond Brexit.
- **On 18th June, Andy Burnham and other combined authority mayors from across the country met with the Department for Exiting the European Union minister** to discuss the risks and opportunities of Brexit, and represent the interests of Greater Manchester in ongoing discussions. This follows Andy Burnham providing evidence to the Public Administration & Constitutional Affairs Committee on Devolution & Brexit in early June.
- On 12th June, **MPs voted by 324 votes to 298 to approve the EU Withdrawal Bill**, following a previous push back from the House of Lords.
- A June report from EY highlighted **Manchester as the largest recipient of foreign direct investment outside of London**, raising concerns over investors' post-Brexit plans in GM.

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Key Sectors & Business Investment

- Research with GC Business Growth Hub clients in the 3 months to the end of May 2018 shows **some increases in business certainty around both hiring and investment plans**, although broader trends remain similar to the previous quarter. There is nevertheless **still underlying uncertainty, with 37% unsure what impact Brexit will have on hiring and 23% unsure on investment plans.**
- The UK Manufacturing Purchasing Managers Index (PMI) survey show that after slowing through early 2018, the **growth rate in manufacturing shows hints of an upturn in May rising to 54.4 from 53.9 in April.**
- **Growth rates in the services sector continue to rise from March's low, with the services PMI rising to 54.0 in May from 52.8 in April.** Despite this, business volumes continued to increase but at a subdued rate with lower growth expected to continue over the forthcoming months.
- **Recent trends in the retail industry suggest a continued flattening of sales.** While sales have recovered from the negative impact of bad weather earlier this year, they still remain subdued compared to the long-term trend.

Property and Housing

- March housing data from the Land Registry continues to show that the vote to leave the EU has had little impact on house prices. **However, there are recent indications of flattening prices nationally and in GM, with London in particular seeing prices fall towards pre-referendum levels.**
- **May data indicates construction activity sustaining a moderate recovery from weather related-disruptions earlier in the year**, with the construction PMI remaining at 52.5 in May, the same as April.

Economic inclusion

- Numbers in GM claiming unemployment and underemployment benefits (Job Seekers Allowance and also related Universal Credit) has risen for a fourth consecutive month in April, rising by 1,895 (3.7%) from March to 53,345 people. **This places the total number of claimants at a 46-month high and 15.2% (7,055) higher than pre-referendum levels.** However, due to recent changes to unemployment benefits and the roll-out of Universal Credit in GM over the last year, **long-term trends should be treated with caution.**
- **The Consumer Prices Index (CPI-H) 12-month inflation rate was 2.3% in May 2018, up from 2.2% in April 2018, indicating a continued rise in consumer costs.** This rise was driven primarily by rising fuel prices.

Macro-economy

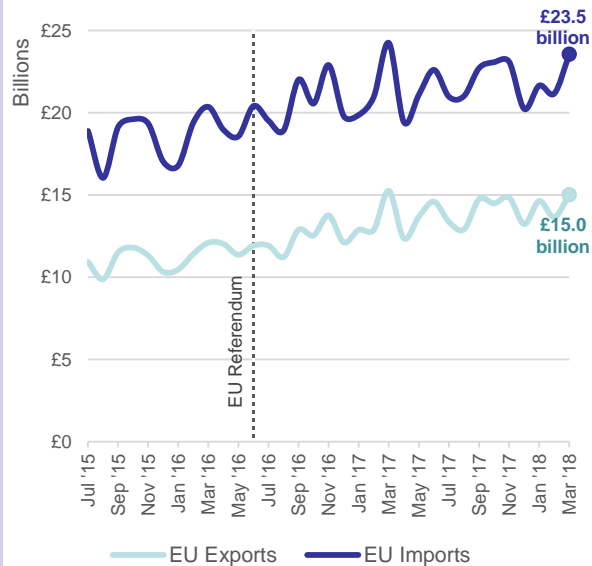
- According to revised estimates from the Office for National Statistics, UK GDP grew by 0.1% in the first quarter (Jan-March) of 2018, compared to 0.4% in the previous quarter (Oct-Dec 2017). This is unchanged from preliminary estimates. **This is the slowest rate of growth since Q4 2012.** The service industries were the main driver of growth in this quarter. However, falls in construction account for the largest downward pull on growth. While bad weather earlier this year negatively impacted certain sectors, the total effect on UK GDP was offset by increased spending on **energy** and **online retail**.⁽¹⁾
- There were significant rises in oil prices in May, during which time prices twice broke \$80 per barrel, raising concerns of possible economic instability in the next 6 months.⁽²⁾

UK International Trade

- The total UK trade (goods and services) deficit narrowed by £0.7 billion to £6.9 billion in the three months to March 2018; excluding erratic commodities, the deficit widened by £1.2 billion to £8.5 billion. The narrowing of the trade in goods deficit, including erratic commodities, was due mainly to a falls in imports of ships and aircraft from the EU, as well as rising import prices from outside the EU, resulting in falling goods imports.⁽³⁾

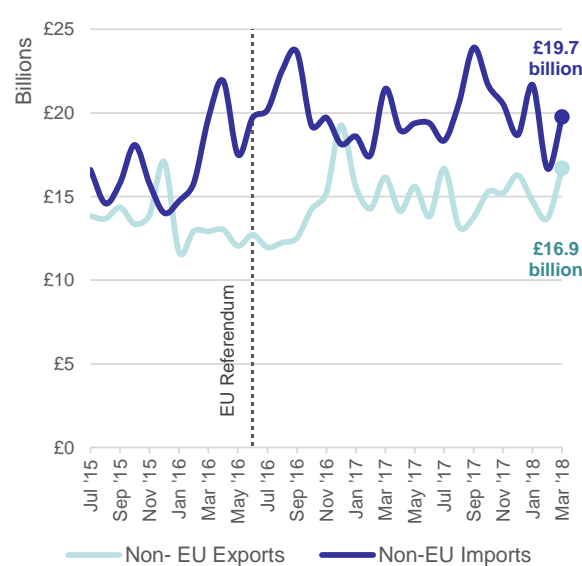
EU Trade

- The UK was a net importer from the EU in March 2018, with imports exceeding exports by £8.5 billion.⁽⁴⁾



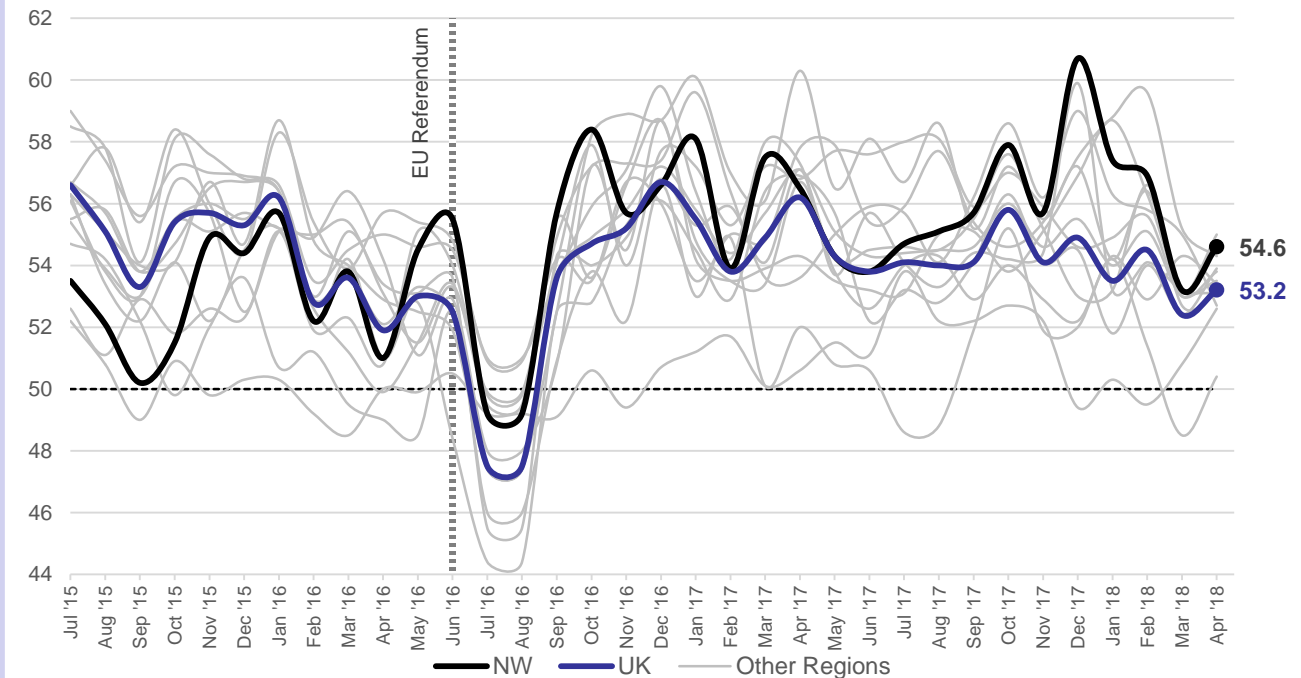
Non-EU Trade

- The UK was a net importer from non-EU nations in March 2018, with imports exceeding exports by £2.8 billion.⁽⁴⁾



IHS Markit Regional Purchase Managers' Index (PMI)

- The growth rate for business activity saw its first rise since December 2017 in the North West for in March, with the PMI rising to 54.6 from 53.2 in March. However, this is still below pre-referendum levels (55.5) (above 50 = growth). **This places the North West as third best performing English region after the Yorkshire (55.0) and the West Midlands (54.8).** All other regions shown in grey below.
- Rates of job creation across England in April slowed to their weakest since August 2016, partly reflecting firms' rising input prices and staff costs. Staffing levels in the North West were reported as falling for the first time in more than a year and a half, albeit only marginally.⁽⁵⁾



Business Investment

- Research with GC Business Growth Hub clients in the 3 months to the end of May 2018 shows **some increases in business certainty around both hiring and investment plans**. However broad trends remain similar to the previous three months (Dec-March), with the largest increases weighted toward businesses keeping plans the same. There is however **still significant uncertainty**, with 37% unsure what impact Brexit will have on hiring and 23% unsure about future investment plans.⁽⁶⁾

What impact is Brexit likely to have on your hiring plans?				
Make redundancies	Decrease or freeze hiring	Remain the same	Increase hiring	Don't know
<1% ↑	5% ↑	55% ↑	2% ↑	37% ↓
0%	2%	49%	0%	49%

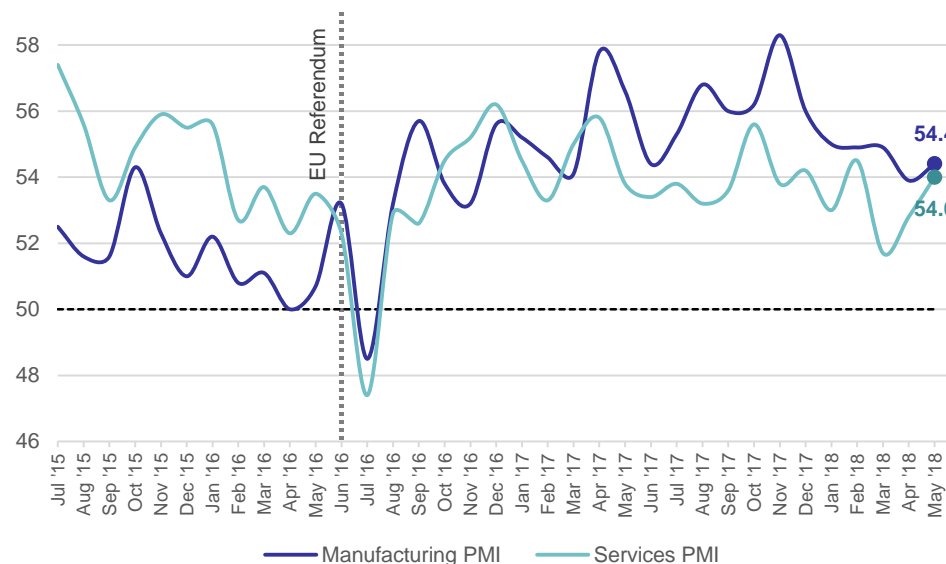
What impact is Brexit likely to have on your investment plans?				
Decrease investment	Remain the same	Decision put on hold	Increase investment	Don't know
4% ↑	67% ↑	3% ↑	3% ↓	23% ↓
3%	55%	2%	5%	35%

Greater Manchester Chamber of Commerce

- Greater Manchester Chamber of Commerce's economic survey for the second quarter of 2018 has shown sustained growth and employment in Greater Manchester. Nearly half of the businesses surveyed have reported that both quarterly sales and advance orders have increased compared to the previous quarter. Although export sales have recorded a slight increase from the first quarter of 2018, growth in export orders appears to be moderating. Employment and recruitment levels registered an upturn towards the beginning of the year and continue to remain steady. Across the UK there is a softening in the construction and services, which may suggest some risks to future growth in jobs and wages.⁽⁷⁾

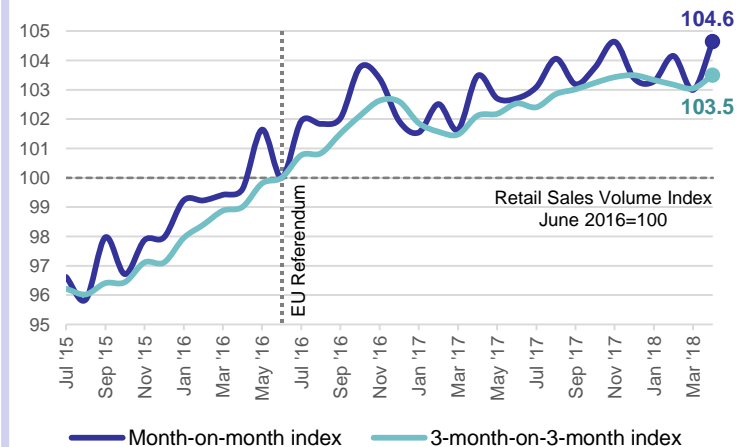
IHS Markit/CIPS Manufacturing & Services PMIs®

- After slowing through early 2018, growth rates in manufacturing show initial hints of an upturn in May with UK Manufacturing PMI rising to 54.4 from 53.9 in April (above 50 =growth). While a drop from late 2017's high of 58.3, this **still indicates continued growth and stands (just) higher than pre-referendum levels (52.3)**.
- IHS Markit however urge caution in their latest figures, highlighting that this upturn has been driven by firms working through backlogs of work rather than growth in new orders and that this trend may not be sustainable in future.⁽⁸⁾
- Growth rates in the services sector continue to rise from March's low, with the services PMI rising to 54.0 in May from 52.8 in April.** Despite this, business volumes continued to rise at a subdued rate with low growth expectations in future. IHS Markit cites Brexit-related uncertainty as continuing to negatively impact new orders for the services sector.⁽⁹⁾



Retail Sales

- The volume (not value) of retail sales grew by 1.6% in March 2018** compared to February 2018, representing a 1.1% increase on March 2017 and a 4.6% increase on June 2016.
- The **underlying recent trend in the retail industry – as suggested by the three-month on three-month measure – is one of flattening sales**. Sales have recovered from the negative impact of bad weather earlier this year, but remain subdued.⁽¹⁰⁾



The latest round of Brexit negotiations and European Commission

- In a June press statement, Chief Negotiator for the EU, Michel Barnier, **provided a debrief on progress made in the run-up to the European Council being held later this month**. He focussed on three key issues for negotiations: the separation issues, covering data protection, geographical indications (including trade borders); and the continuation of administration, beyond Brexit, of state aid and funding. He also raised the major question of a trade border between Ireland and Northern Ireland; and the importance of the future partnership between the UK and EU - including the conditions required for Brexit to succeed. On the latter, Barnier said **more work was needed**, in particular the need for ‘realism’ in the UK’s interest in securing all the benefits of the current relationship, but without the full EU regulatory & application framework.
- The next key date will be October 18-19 2018:** A quarterly EU summit which is Barnier’s target date to agree a withdrawal treaty, tying off legal loose ends for departure, such as the rights of citizens, mutual financial commitments and how to keep the Irish border fully open. It will also contain the transition deal and be accompanied by a separate “political declaration” outlining the broad terms of a free trade accord and other relationships to follow after that. ^(11,12)

MPs Vote on EU Withdrawal Bill

- On 12th June, **MPs voted by 324 votes to 298 to approve the EU Withdrawal Bill**, following a previous push back from the House of Lords. The bill does not include previously suggested amendments guaranteeing MPs a vote on the final Brexit deal, but includes assurances that they will have ‘input’ on this deal. ⁽¹³⁾

Combined Authorities Meeting DExEU Minister

- On 18th June, Andy Burnham and other combined authority mayors from across the country met with the Department for Exiting the European Union (DExEU) minister to discuss the risks and opportunities of Brexit, and represent the interests of Greater Manchester in ongoing discussions.** This follows combined authority mayors including Andy Burnham (Greater Manchester Combined Authority) and Andy Street (West Midlands Combined Authority) providing evidence to the Public Administration & Constitutional Affairs Committee on Devolution & Brexit in early June. *Details on these meetings will be published in next month’s Brexit Monitor.*

Horizon Science and Innovation Funding

- In early June the EU published proposals for their 2021 to 2027 budget, which are reported to leave open the possibility of the UK’s continued participation in the Horizon Europe EU-funded science and innovation scheme**, the successor to the current Horizon 2020 scheme. The proposals allow scope for the UK to pay for continued participation in the programme as an ‘associated third country’, in a similar manner to Israel and Switzerland, although with caveats to ensure that the UK could not receive more funding than it pays in fees. These proposals are however currently unconfirmed and will be dependent on the nature of the EU and UK’s final exit deal. ^(15,16)

EY UK Foreign Investment Attractiveness Survey

- In June, EY published their annual report examining the attractiveness of the UK for foreign investment. This report highlighted **Manchester as the largest recipient of foreign direct investment outside of London**, although also highlighted increasing concerns from investors around Brexit, and slowing investment in the digital sector. ⁽¹⁷⁾

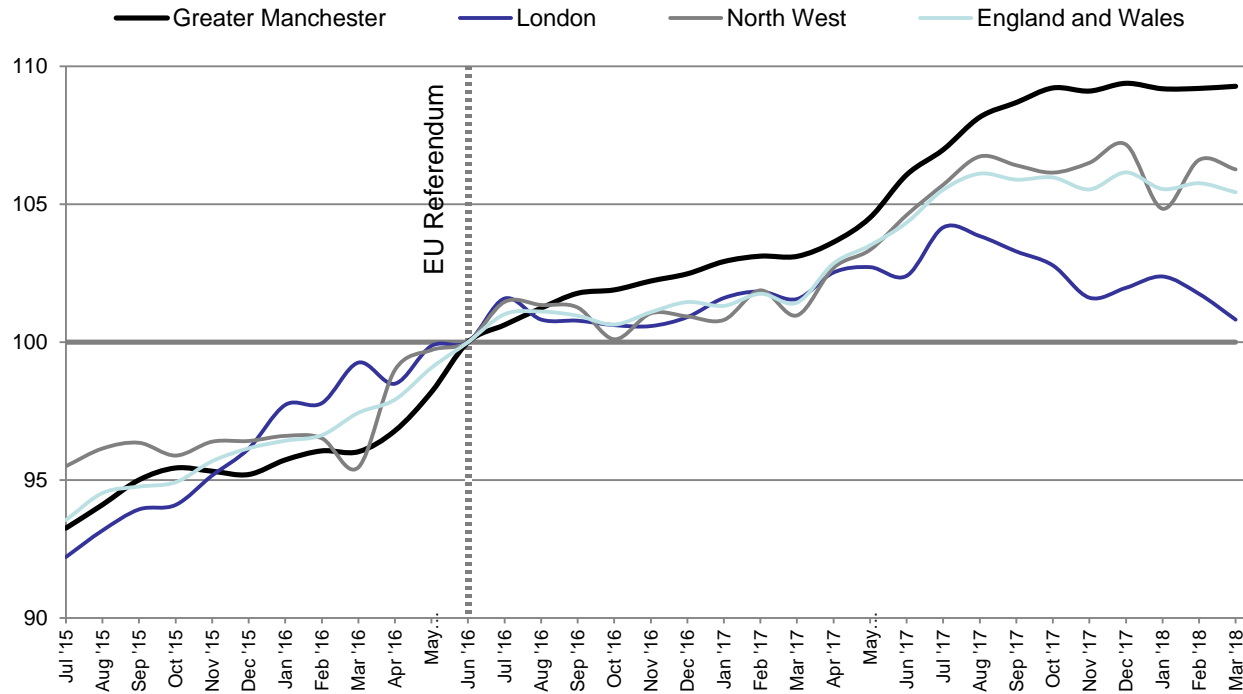
Brexit - Key Dates

28th-29th June 2018	<ul style="list-style-type: none"> Next meeting of the European Council, during which EU leaders will discuss Brexit negotiations, including the Northern Ireland border.
Late June 2018	<ul style="list-style-type: none"> UK Government expected to publish White Paper setting out detailed explanation of the UK’s position on all aspects of Brexit. At the time of writing it is uncertain whether this will be before the June 28th EU summit. ^(18,19)
18th October 2018	<ul style="list-style-type: none"> EU summit during which both the UK and EU hope to agree an outline of the future UK-EU relationship.
Late October 2018	<ul style="list-style-type: none"> Deadline set by the EU’s chief negotiator Michel Barnier as the point by which Brexit negotiations must have concluded to give the EU time to sign off on the deal. It is expected UK parliament will need to have also voted on this final deal prior to this.
13th December 2018	<ul style="list-style-type: none"> Final EU summit of 2018. A possible fallback option if the October deadline is not reached.
29th March 2019	<ul style="list-style-type: none"> Britain’s formal exit from the EU, two years following the trigger of Article 50.
31st December 2020	<ul style="list-style-type: none"> Planned end of the proposed Brexit transition period. Until this date, the UK will essentially function as if a member of the EU (including continuing current funding and regulation arrangements).

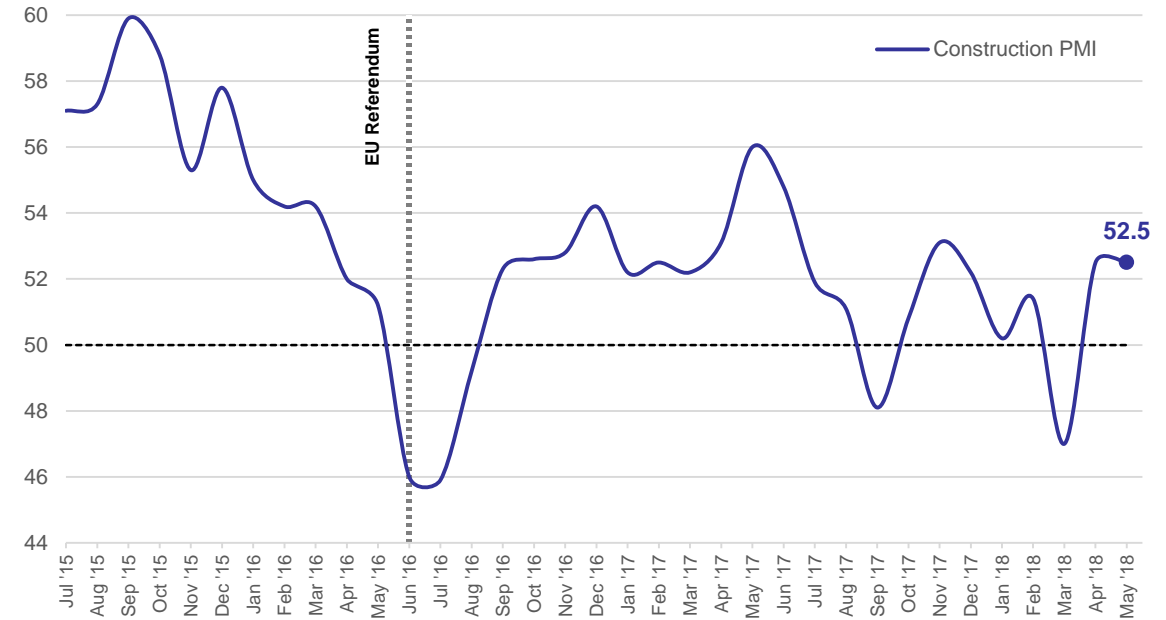
Housing sales

- **March housing sales data from the Land Registry shows that the vote to leave the EU has had little impact on house prices in GM**, with post-referendum trends in house prices roughly in line with pre-referendum trends. London has however seen flatter growth since the referendum and a recent fall in average prices. After a period of more rapid growth since March 2017, house prices growth in GM has slowed since September. This is possibly a seasonal pattern with price growth in GM often flattening during winter; as we move into summer new trends may emerge. **Overall, prices in Greater Manchester have risen faster than national and regional averages since the referendum.**⁽²⁰⁾

Average House Prices Sales (Index June 2016=100)



IHS/CIPS Construction PMI



March 2018 Average House Price

Greater Manchester	Since last month	Annual Change	Since EU Referendum
£163,355	+0.1%	+6.5%	+9.3%

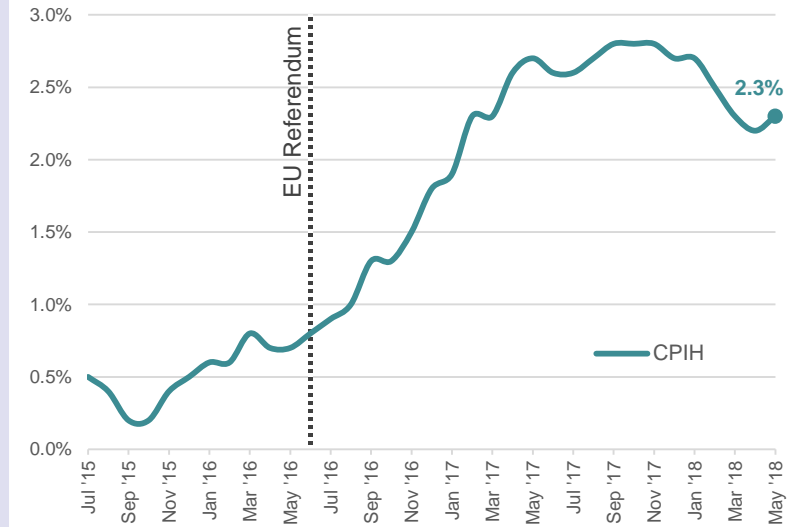
- **May data indicates construction activity sustaining a moderate recovery from weather related-disruptions earlier in the year, with the construction PMI remaining at 52.5 in May**, the same as April (above 50 = growth). This continues the highest rate of growth since November 2017 and an overall moderate expansion in construction output, although remaining subdued compared to historical rates of growth.⁽²¹⁾
- **There are signs that underlying demand in the sector remains subdued, with new orders showing signs of decline.** Anecdotal reports from businesses indicate that this may be due to heightened economic and political uncertainty around Brexit, and lower confidence and business optimism amongst some clients.

Unemployment and household finance

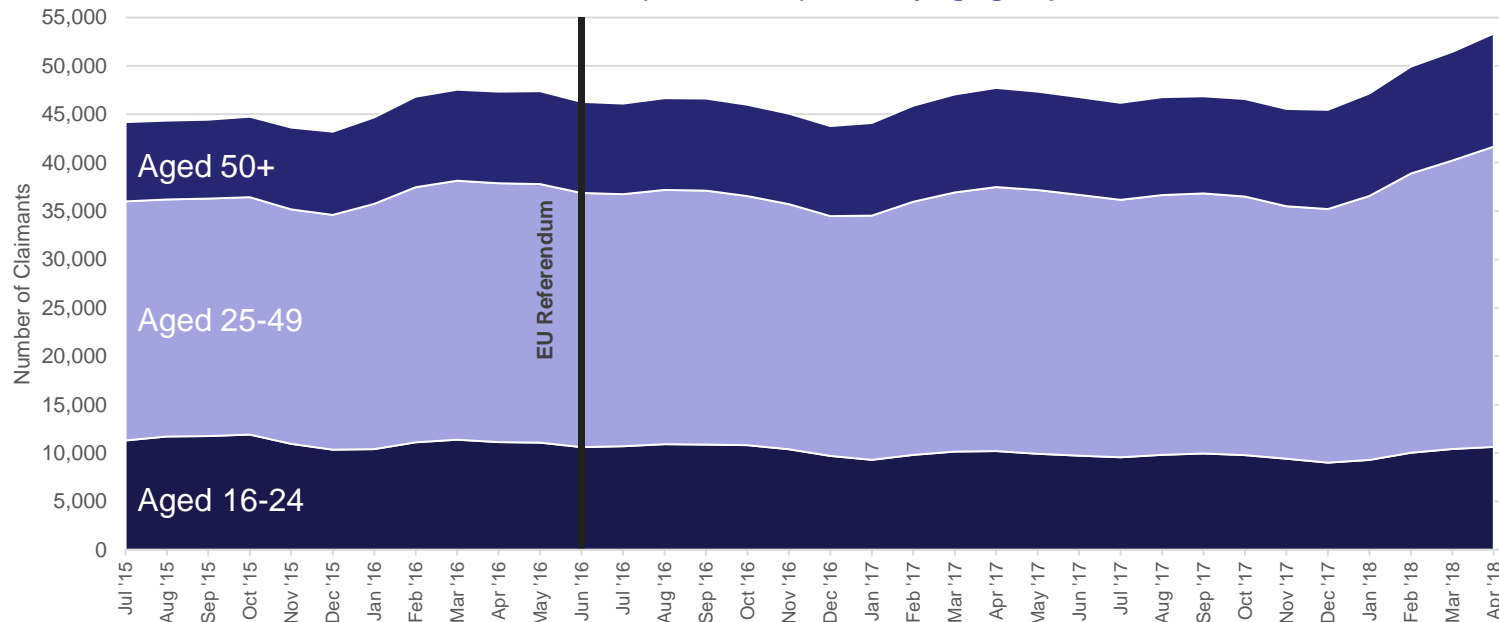
- Numbers claiming unemployment / underemployment benefits (Job Seekers Allowance and related Universal Credit) in GM has risen for a fourth consecutive month in April, rising by 1,895 (3.7%) from March to 53,345 people. **This places the total number of claimants at a 46-month high and 15.2% (7,055) higher than pre-referendum levels.** ⁽²²⁾
- As a proportion of the working age population, this has also risen to 3.0% from 2.6% in June 2016, a 45-month high. This is in line with national trends, with UK rates rising from 1.9% in June 2016 to 2.2% in April 2018, and regional trends, with North West rates rising from 2.3% in June 2016 to 2.8% in April 2018. **Due to recent changes to unemployment benefits and the roll-out of Universal Credit in GM over the last year, long-term trends should be treated with caution.**
- The seasonally adjusted Household Finance Index (HFI) – which tracks Britons’ sense of financial wellbeing – reveals a continued, although easing, squeeze on UK household finances.** May’s HFI gives a reading of 44.7, up slightly from April’s 43.4 however still indicating worsening household finances (below 50 signals deterioration).⁽²³⁾

Consumers prices

- The Consumer Prices Index (CPI-H) 12-month inflation rate was 2.3% in May 2018, up from 2.2% in April 2018.** Rising motor fuel prices produced the largest upward contribution to the change in the rate between April and May 2018. **The ONS said that fuel prices increased by the biggest monthly amount since January 2011, rising by 3.8%.** ⁽²⁴⁾



Claimant count (JSA and UC) in GM by age group



April 2018 Claimant Count (% of working age residents)

Region	GM	North West	UK
Rate	3.0%	2.8%	2.2%

April 2018 Claimant Count Change by Age Group (GM)

	16-24	25-49	50+	Total
Since last month	+215	+1,225	+455	+1,895
	+2.1%	+4.1%	+4.1%	3.7%
Since EU Referendum	+20	+4,765	+2,280	+7,055
	+0.2%	+18.1%	+24.3%	+15.2%

Section	Sources
Macro-Economic Trends & Developments	<ol style="list-style-type: none"> 1. ONS (25 May 2018): Statistical bulletin: Second estimate of GDP: January to March 2018 2. BBC News (5 June 2018): Petrol prices in record monthly rise, says RAC 3. ONS (10 May 2018): UK trade: March 2018 4. HMRC (4 June 2018): Overseas Trade Statistics - Non-EU and EU Trade: March 2018 5. IHS Markit England and Wales Regional PMI (14 May 2018): "Business activity growth picks up in England in April, but Wales sees further slowdown"
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