

Date: 26th October 2018

Subject: Brexit Monitor Monthly Update

Report of: Councillor Richard Leese, Portfolio Lead for Business and Economy
and Jim Taylor, Portfolio Lead Chief Executive for Business and
Economy

PURPOSE OF REPORT

This report updates members on the key economic and policy developments of relevance to Greater Manchester in relation to the UK's decision to leave the European Union (EU).

RECOMMENDATIONS:

Members are asked to:

- Note the contents of the October Brexit Monitor (Appendix 1)

CONTACT OFFICERS:

Simon Nokes, Executive Director, Policy and Strategy
Simon.nokes@greatermanchester-ca.gov.uk

John Holden, Assistant Director, Research and Strategy
John.holden@greatermanchester-ca.gov.uk

1. INTRODUCTION

1.1 Following the vote to leave the EU, the GMCA has been monitoring the economic and social trends and policy developments to develop an appropriate policy response. The impact of Brexit is being tracked across the following themes:

- Macro-economy trends and developments;
- Key sectors and business investment;
- Trade, regulation, and access to European Funding;
- Property investment, housing, and planning; and
- Economic inclusion.

2 KEY MESSAGES FROM THE OCTOBER BREXIT MONITOR

2.1 It has been announced that on October 29th the Chancellor of the Exchequer will announce the 2018 Budget to Parliament – the last Budget before the UK’s proposed formal exit from the EU on the 29th March 2019. This is three weeks earlier than last year, brought forward to fit around Brexit negotiations.

2.2 The UK and the EU have yet to agree on issues such as the Irish border and customs agreements, and Prime Minister Theresa May’s talks with the EU in the next few weeks could make the difference between a relatively smooth departure from the bloc and a no-deal exit.

2.3 The EU’s Chief Brexit Negotiator Michel Barnier has said that the EU had refined its planned “backstop” solution for Ireland, identifying solutions that would avoid a hard customs border between Northern Ireland and the rest of the UK.

2.4 Secretary of State for Exiting the EU Dominic Raab has announced in a House of Commons statement that any extension of Britain’s participation in the customs union— seen as key to guaranteeing no hard border in Ireland — would have to be “temporary, limited and finite”.

2.5 Britain’s long hot summer helped boost its economy in the three months to August, according to data published by the Office for National Statistics. According to monthly estimates from the Office for National Statistics (ONS), UK GDP grew by 0.7% in the three months to August 2018 (Jun-Aug), matching the upwardly revised 0.7% growth recorded in the previous three months (May-June).

2.6 The services sector had a rolling three-month growth of 0.5%, resulting in a large positive contribution to headline GDP growth. The production industries and construction also had positive contributions to GDP growth, with rolling three-month growths of 0.7% and 2.9%, respectively.

- 2.7 The end of the third quarter saw a mild improvement in the performance of the UK manufacturing sector, with the UK Manufacturing PMI rising to 53.8 in September (latest available data) from an upwardly revised 53.0 in August.
- 2.8 September data (latest available data) pointed to another solid increase in business activity across the UK service sector, with the rate of growth easing only slightly since August. The UK services PMI posted 53.9 in September, down from 54.3 in August. While the overall indicators are positive, there is anecdotal evidence that some of this increased activity may be down to firms stockpiling inventory ahead of a possible no-deal situation.
- 2.9 National statistics have shown that the labour market remains robust, driven by growth in full-time jobs. Surveys of local firms' recruitment intentions have risen this month, reflecting a tighter labour market. In the 12 months up to March 2018, unemployment stood at 4.9% in GM, down from 6.9% in the 12 month period up to June 2016. However, unemployment in GM still stands above national and regional rates, and the number claiming unemployment/underemployment benefits have risen to a four year high, although recent changes to unemployment benefits and the roll-out of Universal Credit in GM over the last year mean that long-term trends in claimant counts should be treated with a degree of caution.
- 2.10 In addition, the Consumer Prices Index and Household Finance Index both indicate a continued rise in consumer costs and resultant squeeze on household finances, with living costs rising faster than wages. Recent rises in costs have been driven in particular by rising transport costs.
- 2.11 Following last month's report on Brexit Readiness, work is ongoing to undertake the range of actions agreed. This will be reported back in future Brexit reports to the CA, particularly after November when the nature of any deal with the EU will be clearer.

3 RECOMMENDATIONS

- 3.1 Recommendations appear at the front of this report.

