

2016.12: December Economic Review

Main Points

The main points from the December Economic Review by the Office of National Statistics are provided below:

Assessing the post-referendum UK economy

Economic data since the EU referendum vote have remained broadly encouraging this month. GDP growth has continued to grow roughly on trend, consumer spending and business investment has been holding up and employment remains at a record high.

Second estimate of GDP Quarter 3 2016

The headline growth rate of 0.5% over the quarter has not been revised from the preliminary estimate. This continues the relatively strong trend of growth prior to the EU referendum.

Short-term output indicators

Within construction, there is continued resilience of new orders although there is weaker construction output overall. Non-manufacturing industries such as utilities, real estate and wider business services are driving business investment.

Prices

There is some evidence of upward pressure on input prices for manufacturers, mainly driven by imported goods and crude oil. To date, there has been a more limited effect on consumer and producer output prices. House prices grew by 7.7% in the year to September, unchanged from August.

Distribution of earnings analysis

The proportion of part-time workers that have earnings that are within 1% of the National Minimum Wage or National Living Wage is considerably higher than full-time workers. There is a higher share of women in the private sector concentrated around National Living Wage pay rates of £7.20 per hour than women in the public sector. The industries which had the highest share of workers who experienced a pay freeze in 2016 included specialised construction activities and some areas of manufacturing.

Investment Markets – Update

November gave up some of the gains over the last 2 months, with only North America and UK Smaller Companies, posting positive returns. Despite the most significant negative returns from

Europe and Emerging Markets, all sectors continued to remain positive over 6 months and 1 yr.

Below we provide a table of the major sectors that we allocate to when constructing our client portfolios. The data has been sorted over 1 month in order of best to worst returns. We have shown returns on an annualised basis for 1 year and above.

Sector	1m	3m	6m	1yr	Ann. 3yr	Ann. 5yr	Ann. 10yr
UT North American Smaller Companies Retail TR in GB	6.69	10.62	31.23	30.60	14.91	17.91	11.44
UT North America Retail TR in GB	1.81	7.49	23.84	26.59	16.46	17.97	9.95
UT UK Smaller Companies Retail TR in GB	1.46	1.35	4.28	4.85	6.45	14.38	7.48
UT UK All Companies Retail TR in GB	-0.48	0.31	6.40	6.23	4.72	10.61	5.06
UT Sterling High Yield Retail TR in GB	-0.66	-0.24	4.10	6.36	3.10	7.15	5.16
UT Targeted Absolute Return Retail TR in GB	-0.81	-0.48	0.17	-0.58	1.86	2.82	3.38
UT Sterling Corporate Bond Retail TR in GB	-1.06	-4.51	3.71	5.95	4.87	6.03	4.07
UT Property Retail TR in GB	-1.14	-1.20	2.57	4.75	7.12	7.56	0.62
UT UK Gilts Retail TR in GB	-1.32	-8.02	3.05	6.94	6.24	3.35	4.83
UT Global Bonds Retail TR in GB	-3.24	-1.28	7.14	12.09	4.48	3.73	4.94
"UT UK Index Linked Gilts Retail TR in GB"	-3.67	-6.20	13.47	15.82	10.53	6.74	7.32
UT Japan Retail TR in GB	-4.03	7.43	23.43	23.68	12.68	13.67	5.32
UT Asia Pacific Excluding Japan Retail TR in GB	-4.77	2.25	24.91	29.02	9.81	9.85	9.01
UT Europe Excluding UK Retail TR in GB	-5.11	-0.23	9.98	11.04	6.36	12.65	5.42
UT European Smaller Companies Retail TR in GB	-5.38	-0.56	10.00	16.03	10.13	16.39	8.54

Source: FE Analytics – % growth to last month end 30.11.2016