

Output in the UK economy August 2020 – Automotive focus

Introduction

The aim of this report is to extract sector relevant analysis from the latest ONS publication - Coronavirus and the impact on output in the UK economy. This release uses the data relating to August 2020 from the report which was released on the 9th October 2020. The report holds analysis of monthly growth for the production, services and construction industries in the UK economy between July and August 2020, highlighting the early impact from the coronavirus (COVID-19) pandemic.

Summary of findings

Wholesale and retail trade and repair of motor vehicles GDP fell by 5.1% in August after a very strong July 2020, due primarily to pent-up demand following lengthy closures. Although the industry has fallen back it remained 2.9% above the level of output in February 2020, demonstrating it to be the third strongest recovery of the service industries.

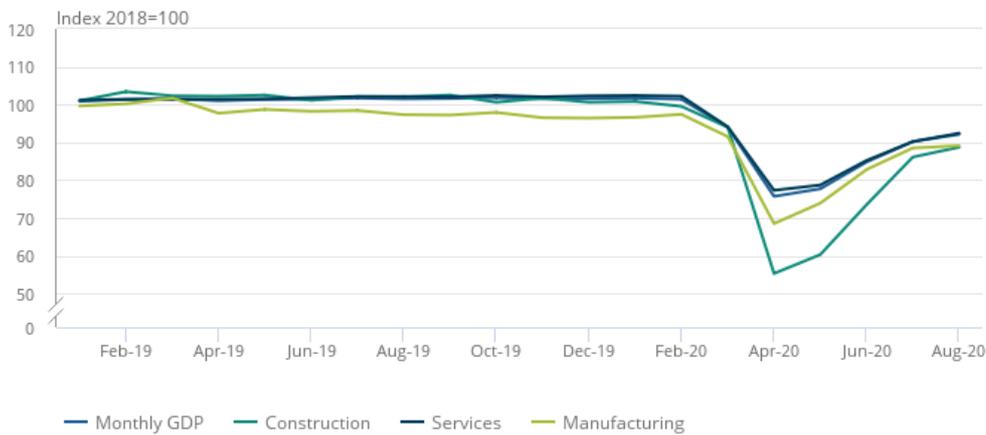
Manufacture of motor vehicles, trailers and semi-trailers saw a rise of 3.8% in GDP in August, although this is 26.1% lower than the February 2020 level. Because of ongoing weak global demand, car production remained significantly below normal levels. The Society of Motor Manufacturers and Traders (SMMT) reported that during August 2020, the total number of cars manufactured and the total number of cars exported had declined by 44.6% and 41.1% respectively on August 2019 levels.

UK Economy

Monthly GDP in August 2020 was 9.2% below the level of February 2020, having risen by 2.1% compared with July 2020 (Figure 1). This compares with rises of 2.7% in May 2020, 9.1% in June 2020 and 6.4% in July 2020. The monthly rise reflects growth across construction, manufacturing and services. Although August 2020 saw the fourth consecutive month of growth, it was the slowest rate of expansion since April 2020 and production industries growth was relatively subdued.

Figure 1: Widespread growth across construction, manufacturing and services during August 2020 drives the continued recovery of monthly GDP

Monthly GDP and components index, seasonally adjusted, UK, January 2019 to August 2020



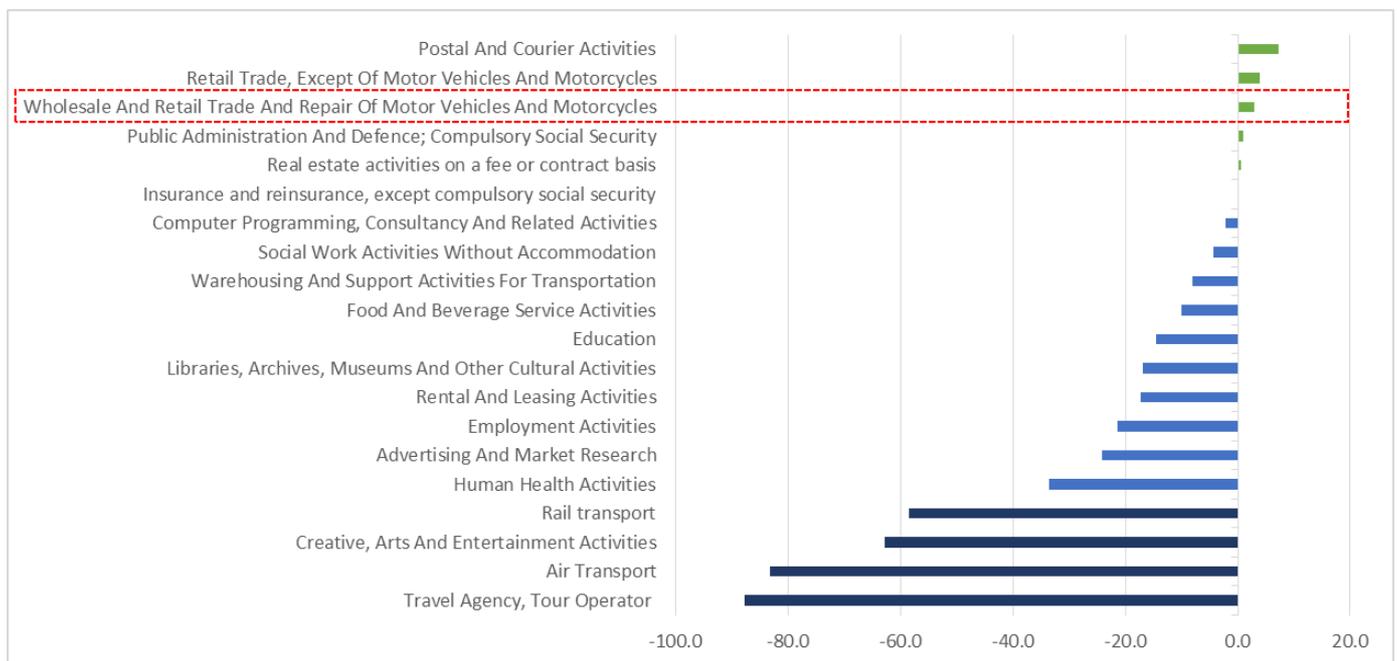
Source: Office for National Statistics – Monthly GDP

- Services industries remained 9.6% below the level of February 2020, growing by 2.4% in the latest month.
- Production industries remained 6.0% below their February 2020 level, following growth of 0.3% in the latest month; within production, manufacturing has declined by 8.5% since February 2020, following growth of 0.7% during August 2020.
- The construction industry remained 10.8% below the February 2020 level, despite a rise of 3.0% in the latest month.

Service industries

The output of service industries grew by 2.4% during August 2020 and was 9.6% below the level of February 2020. There was a mixed picture with 33 of the 51 industries experiencing growth, driven particularly by food and beverage services and accommodation. However, 18 industries witnessed a decline, led by wholesale and retail trade and repair of motor vehicles which delivered the largest downward contribution to services growth. There were also notable falls in computer programming, accountancy and other personal services.

Services industries, monthly growth, seasonally adjusted, UK, August 2020 compared with February 2020



Note: Displayed on the graph are a selected 19 of the 50 service industries

Within services there are seven industries that have achieved positive growth, accounting for 30.2% of services output. These include: postal and courier activities, retail, wholesale, retail and repair of motor vehicles, and real estate activities on a fee or contract basis. Four industries failed to reach 50% of their pre-February 2020 level. These are: travel agencies, air transport, rail transport and creative, arts and entertainment where social distancing guidelines continue to have a significant impact.

Retail and wholesale industries

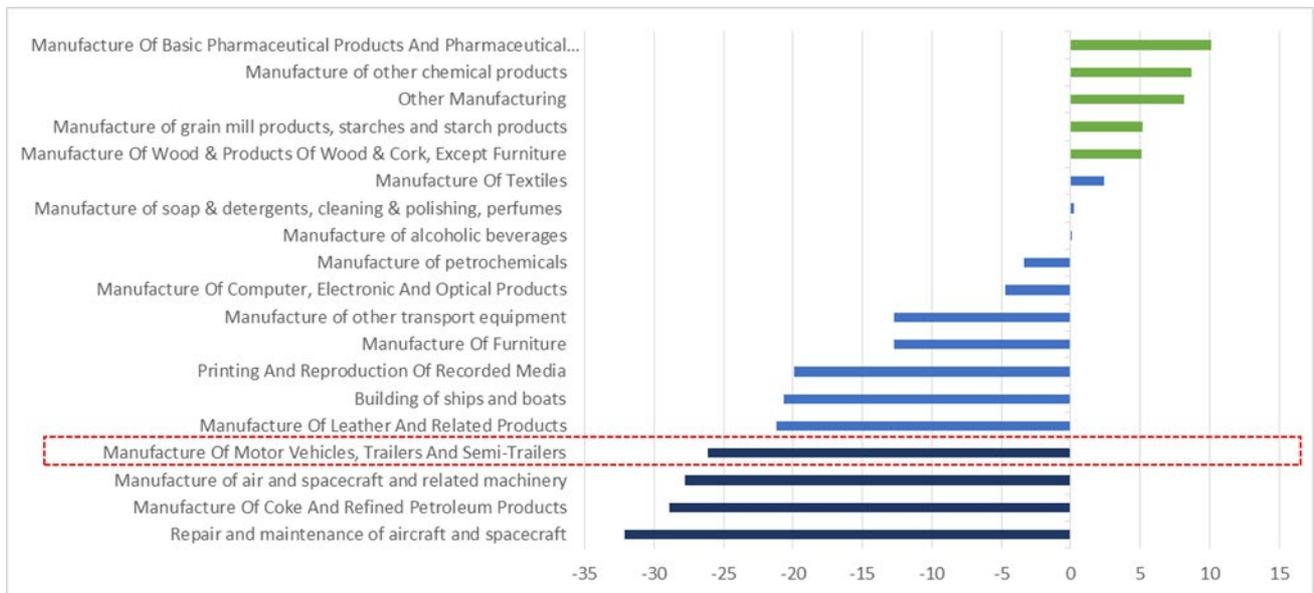
Growth in the retail and wholesale industries was subdued in August 2020. The fall in this sector was caused by wholesale and retail trade and repair of motor vehicles. This fell by 5.1% after a very strong July 2020, due primarily to pent-up demand following lengthy closures. Although the industry has fallen back it remained 2.9% above the level of output in February 2020, suggesting that this level may still be dependent upon the pent-up demand from car sales.

Production industries

Production output during August 2020 continued to be affected by the coronavirus (COVID-19) pandemic, at 6.0% below the level of February 2020 (the last full month of “normal” operating conditions).

Production output increased during August 2020 by 0.3%. The strength was primarily because of the rise from the manufacturing sector, which contributed 0.5 percentage points and accounts for 73% of the production industries. August is the fourth consecutive period of monthly growth for production output but should be interpreted in the context of the ongoing recovery, following weakness displayed during March and April 2020 because of the significant impact of the coronavirus.

Manufacturing, monthly growth, seasonally adjusted, UK, August 2020 compared with February 2020



Note: Displayed on the graph are a selected 19 of the 44 production industries

Within manufacturing, 12 industries, accounting for 23.7% of manufacturing output, have experienced growth since February, including: pharmaceuticals, grain mill products, textiles and alcoholic beverages.

There are seven industries that have declined to output levels of between 79% and 50% of output seen in February 2020. These accounted for 18.4% of manufacturing output, including: manufacture of motor vehicles, manufacture of aircraft and repair and maintenance of aircraft.

Transport equipment

Sector-level growth of 2.4% during August 2020 continued the recovery but this should be noted in the context of output being 25.8% weaker than in February 2020. Monthly strength was led by motor vehicles, trailers and semi-trailers. This industry displayed a rise of 3.8%, although this is 26.1% lower than the February 2020 level.

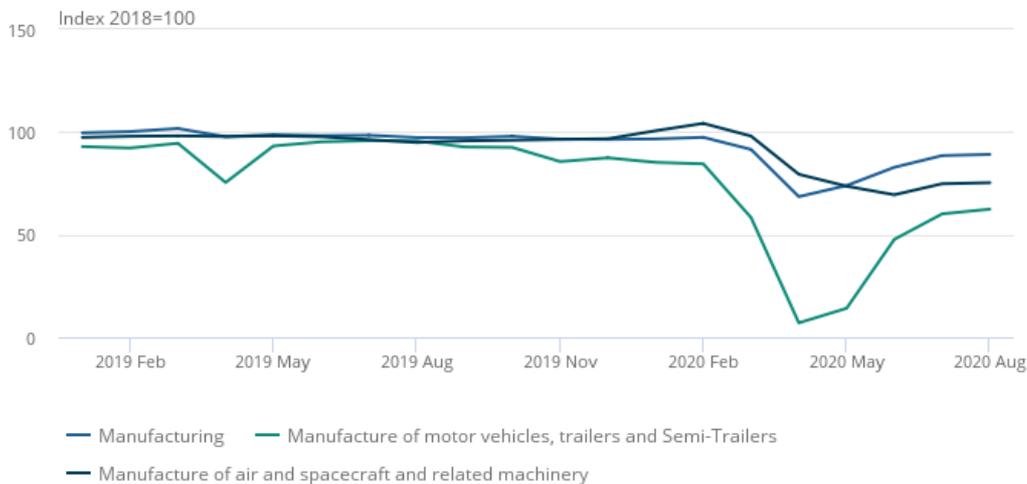
Because of ongoing weak global demand, car production remained significantly below normal levels. The Society of Motor Manufacturers and Traders (SMMT) reported that during August 2020, the total number of cars manufactured and the total number of cars exported had declined by 44.6% and 41.1% respectively on August 2019 levels.

The air, spacecraft and related machinery industry rose by a negligible 0.6% during August 2020, but output was 27.8% weaker than in February 2020. As a result of the widely reported negative impact on global civil aviation, manufacturers facing this sector have been severely impacted. Continued uncertainty over worldwide travel and quarantine restrictions, during what should be a peak period for the industry, has impacted passenger numbers.

Figure 10 shows that the lack of global demand has reduced output for both industries, in comparison with total manufacturing output and with their February 2020 level. Supply chains for both industries have been negatively impacted, which in turn had a negative effect on associated industries in other subsectors across manufacturing.

Figure 10: A lack of global demand is a prime factor in reduced output for motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery compared with manufacturing as a whole

Index of Manufacturing, motor vehicles, trailers and semi-trailers and air, spacecraft and related machinery, seasonally adjusted, UK, January 2019 to August 2020



Source: Office for National Statistics – Index of Production

Data Sources

- All data and some commentary taken from ONS publication 'Coronavirus and the impact on output in the UK economy: August 2020' released 9th October 2020.