

United Kingdom

Official data show odd-looking slump in exports and construction output

- **ONS data show 4.0% drop in exports in January**
- **Official data also revised down to indicate fall in construction output in Q4, with underlying trend still weak in January**

While survey data suggest near-record export growth and a booming construction sector are key factors behind a surge in economic growth in the UK, official data on construction output and exports released today paint a markedly darker picture of the economy than survey data.

Exports are plunging and construction output fell late last year, with only repair work helping drive any reasonable growth in January. Can trade and building work really be so weak in an environment of strong economic growth, a booming housing market, unprecedented stimulus measures and burgeoning recoveries in demand in the country's main export markets? Once again, [we take the official data with a fistful of salt.](#)

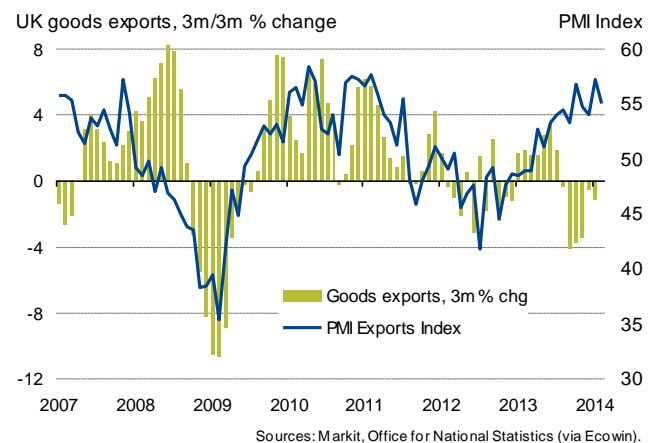
Construction revised down in Q4, buoyed by storm repair work in January

At face value, official data indicate that the UK construction sector started the year on a solid foundation, with output rising 1.8% in January. However, this performance was only really achieved as a result of a surge in repair work following the extreme weather hit many parts of the country. The ONS reported there was only a slight (0.8%) rise in new work alongside a far larger (3.5%) increase in repair and maintenance. The January data from the Office for National Statistics follow upbeat survey data, which show all parts of the sector, from house building to civil engineering, continuing to boom as the economy revives and stimulus measures boost the housing market.

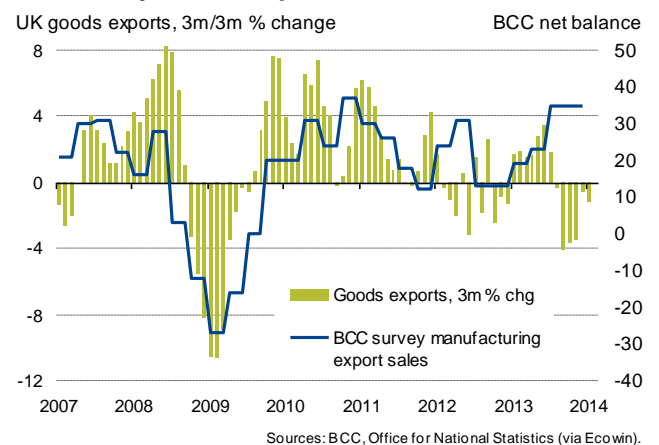
Even less encouraging, and another reminder of how official data need to be treated with caution, the ONS now estimate that construction output in fact fell by 0.2% in the final quarter of last year instead of its previous estimate of 0.2% growth. This fall contrasts with survey data which indicated that the sector [enjoyed its best quarter since 2007.](#)

Exports: surging or slumping?

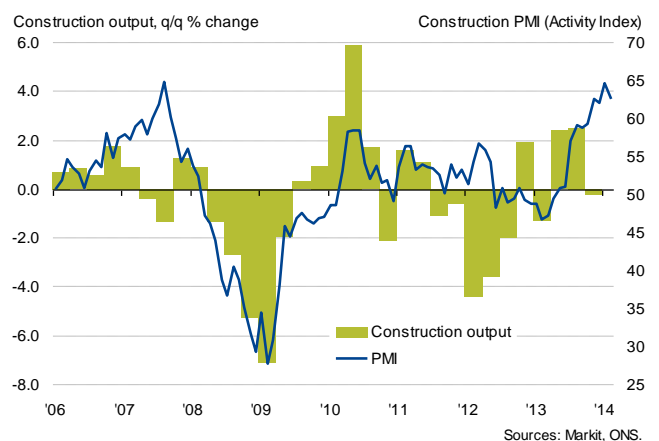
PMI survey v ONS exports



BCC survey v ONS exports



Construction: booming or collapsing?



Export slump?

It's not just the reliability of the construction data that need to be questioned. The official data also suggest that exports of goods fell a huge 4.0% in January while imports rose 3.4%. That leaves goods exports down 1.1% in the latest three months, comprising a 1.9% drop to EU countries and a 0.3% decline elsewhere.

The drop in exports and pick up in imports leaves the trade deficit in goods at £9.793bn, its highest since September.

The official data therefore paint a picture of UK exporters struggling to sell goods overseas, which many observers will suggest is a symptom of the country's waning competitiveness combined with the recent appreciation of sterling.

However, we remain perplexed by the official data, which are showing the country's export performance in a very different light to the business surveys. The PMI and British Chambers of Commerce surveys, for example, have both shown manufacturers' export orders rising at near-record rates in recent months, the rates of growth having recovered markedly throughout much of last year.

The improvement in the survey data on exports seems a more likely scenario than the drop in trade signalled by the ONS, as it has coincided with a recovery in the UK's single largest export market, the eurozone, which is [now growing at its fastest rate since early 2011](#). Companies participating in the PMI surveys tell us that they are seeing increasingly robust demand for exports from the eurozone, as well as the US, Middle East and Asia. With sterling was still almost 20% below pre-crisis levels in January, companies are also reporting that the exchange rate continues to help boost overseas sales.

Comparisons suggest that the official data started to deviate from both the British Chambers of Commerce and PMI surveys last August. We suspect that the official export data may have been dragged down by one-off factors or erratics, which mean that the data distract from what is otherwise a powerful export revival.

Booming or slumping?

Thus, while the ONS data suggest exports are slumping, both the PMI and BCC surveys suggest that the near-record trade growth is contributing to the surging economic growth that the UK economy is currently enjoying; a wider economic revival that is confirmed by the official GDP data.

At the same time, the survey data suggest that the mini construction boom continued into February, adding to evidence that the sector should likewise help drive a further solid upturn in the economy in the first quarter. The ONS data, on the other hand, show a sector acting as a drag on the economy in the fourth quarter, only managing to show any signs of decent growth into 2014 because builders are busy repairing damaged property.

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