

United Kingdom

Exports rise in November, but remain oddly lacklustre compared to surveys

- Trade deficit remains close to record high
- Official data on UK goods exports rebounded in November, but the recent trend remains far weaker than surveys suggest

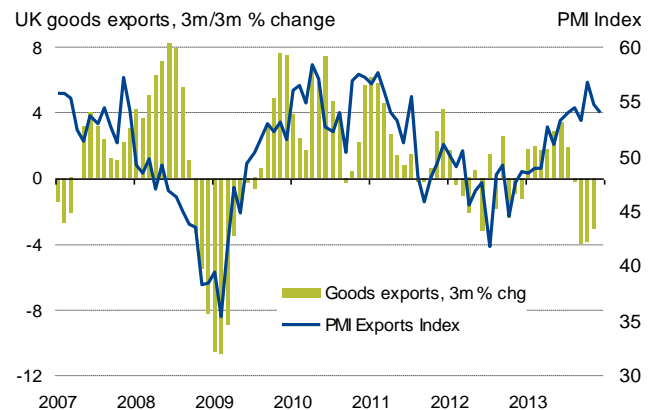
Official data indicated that UK goods exports rebounded in November, but the recent trend remains far weaker than indicated by business surveys. The weakness is also at odds with the general upward trend in global economic growth. The divergence is a puzzle, and suggests that the official data may have been understating trade growth in recent months.

Data from the Office for National Statistics showed that the UK trade deficit narrowed to £3.238bn in November, a three-month low. However, the deficit remains wide by historical standards. At £3.49bn, the average deficit over the past three months is the fourth largest on record.

The recent disappointment in the trade numbers is largely the result of a slump in exports in the autumn. Export growth in the three months to June has accelerated to 2.5%, fuelled by a 3.4% rise in goods exports. However, growth then started to disappoint, with exports dropping 3.2% in the three months to September, as goods exports plunged 4.0%. The latest 1.2% increase in exports in November was the first monthly rise seen since June, but still leaves exports down a substantial 4.8% compared to their June peak. Goods exports are still down 6.1% compared to June.

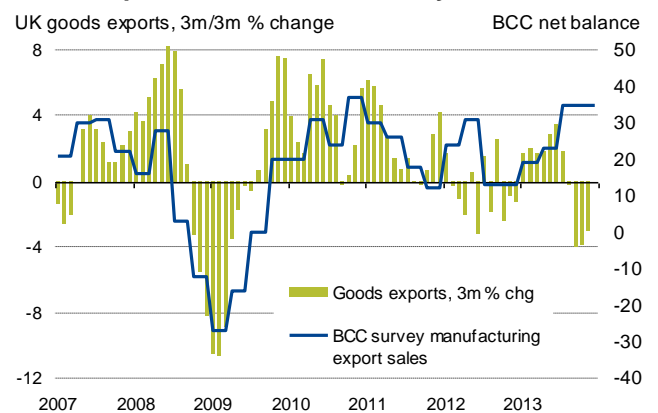
The deterioration in exports is surprising, given that global economic growth picked up in the second half of 2013. The global PMI averaged 53.5 in the second half of the year, up from 52.1 in the first half. GDP data so far indicate that global economic growth picked up from an annual rate of 1.1% in the first quarter to 2.0% in the third quarter, with the PMI signalling a further acceleration in the final quarter of the year.

Goods exports and the PMI survey



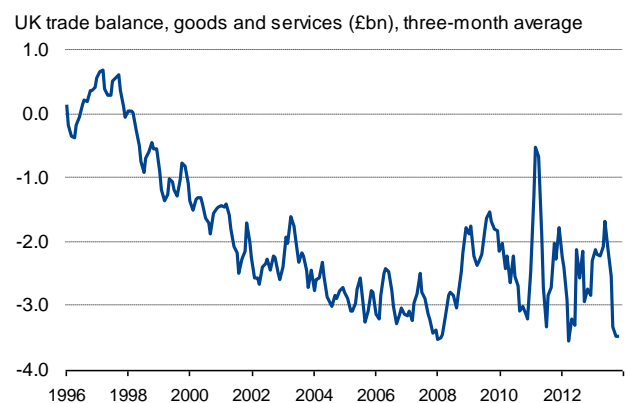
Sources: Markit, Office for National Statistics (via Ecowin).

Goods exports and the BCC survey



Sources: BCC, Office for National Statistics (via Ecowin).

UK trade deficit



Source: Office for National Statistics (via Ecowin).

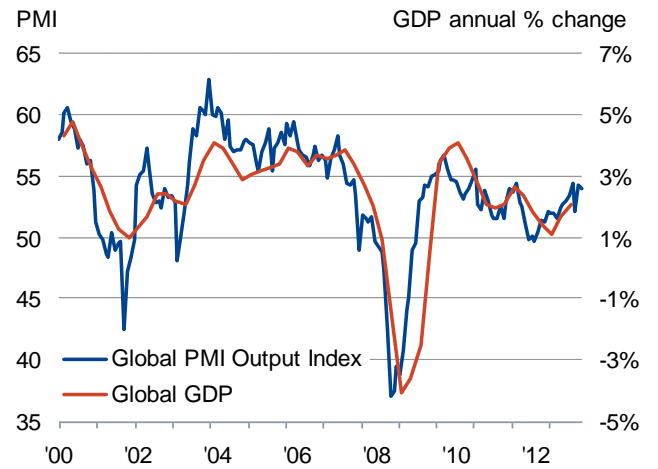
Survey divergence

The surprising weakness in the official export data has not been evident in the business surveys. On the contrary, both the PMI and the British Chambers of Commerce survey indicated robust export performance in the second half of 2013.

The manufacturing PMI's New Export Orders Index rose to its highest since February 2011 last October, and has since sustained an elevated growth rate. The manufacturing sales net balance from the BCC survey meanwhile rose in the third quarter to its second-highest since 1994, and maintained the same level in the fourth quarter.

The survey data therefore suggest that – with the exception of the November rise – the official export data may have understated the true health of the UK's trade performance in recent months. It seems likely that the upturn in the official data will prove a more accurate indication of what to expect in coming months than the declines seen over the prior five months.

Global economic growth



Sources: Markit, JPMorgan, EcoWin.

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