

# United Kingdom

## Trade balance worsens in first quarter amid near-record goods deficit

- **Goods trade deficit widens to £29.9bn in Q1 from £29.1bn in Q4**
- **Goods exports fall 3.6% in Q1, imports drop 1.9%**
- **Survey data point to fall in exports in April**

The challenge facing the new government of boosting UK trade and rebalancing the economy is highlighted by a timely reminder of a further widening of the goods deficit in the first quarter.

The goods deficit in the first three months of the year ballooned to £29.9bn, according to data from the Office for National Statistics, up from £29.1bn in the final quarter of last year and close to the all-time high of £31.5bn seen in the third quarter of last year.

If services are included, the deficit jumped from £6.0bn at the end of last year to £7.5bn in the first quarter.

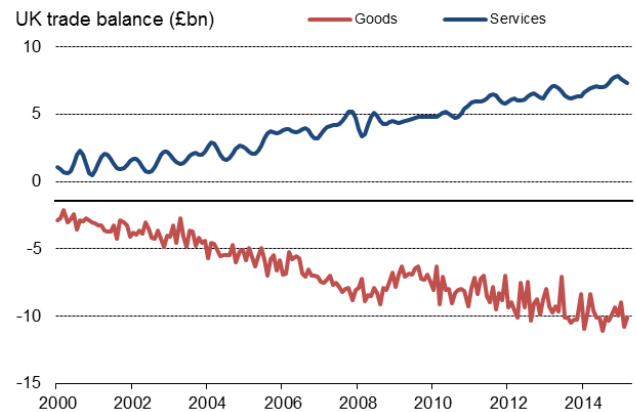
Exports rose for the first time in three months in March – a 0.7% increase driven by a 1.4% rise in goods exports – but over the first quarter as a whole exports were down 2.3% on the final quarter of last year. Goods exports slumped some 3.6%. Goods imports were meanwhile down 1.9% in the first quarter.

### More pain in sight

Unfortunately the March improvement in exports does not look like the start of an upward trend, as more export pain is signalled for April. Like the official data, the [PMI survey data](#) had signalled a brief resumption of export growth in March, but have since shown a renewed decline at the start of the second quarter, registering the steepest fall since January 2013. Companies reported that the strong pound is hitting competitiveness in export markets – something which the post-election rally in sterling looks set to exacerbate, assuming the appreciation is sustained.

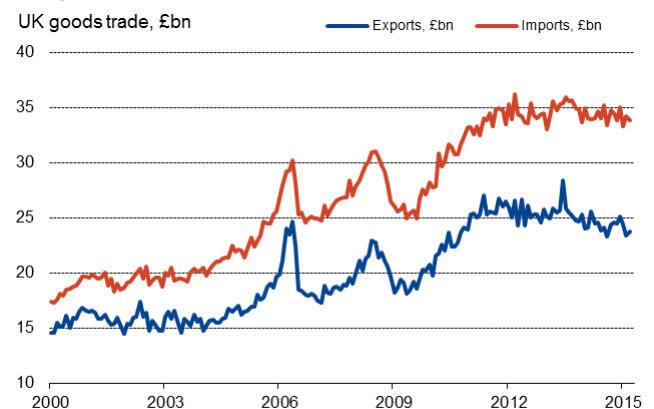
The trade data corroborate the GDP numbers, which showed the pace of economic growth weakening in the first quarter. As such, the data are a salient reminder of how policy needs to be guided towards boosting exports, and how in the absence of stronger manufacturing and export sectors, the UK economy remains worryingly dependent on the domestic consumer.

### UK trade



Source: Office for National Statistics (via Ecowin).

### UK goods imports and exports



Source: Office for National Statistics (via Ecowin).

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